



# Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 [J-GAAP]

May 27, 2020

**Company Name:** Dai Nippon Printing Co., Ltd.  
**Stock exchange listing:** Tokyo  
**Stock code:** 7912 URL: <https://www.dnp.co.jp/eng/>  
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**General meeting of shareholders:** June 26, 2020  
**Dividend payment date:** June 29, 2020  
**Securities report issuing date:** June 26, 2020  
**Preparation of earnings presentation material:** Yes  
**Holding of earnings announcement:** Yes (for institutional investors and analysts)

\*Amounts under one million yen have been rounded down.

## 1. Consolidated financial results for the year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

### (1) Consolidated financial results

(Percentages show change from corresponding year-ago period.)

	Net Sales		Operating Income		Ordinary Income		Net Income (Loss) Attributable to Parent Company Shareholders	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2020	1,401,894	0.0	56,274	12.8	63,786	9.5	69,497	—
Year ended March 31, 2019	1,401,505	(0.8)	49,898	7.6	58,259	14.3	(35,668)	—

Note: Comprehensive income: Year ended March 31, 2020: ¥2,536 million (–%)  
 Year ended March 31, 2019: ¥(36,694) million (–%)

	Net Income (Loss) per Share	Diluted Net Income per Share	ROE	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	235.18	235.08	7.3	3.6	4.0
Year ended March 31, 2019	(118.22)	—	(3.5)	3.3	3.6

Reference: Equity in earnings of affiliates: Year ended March 31, 2020: ¥6,050million  
 Year ended March 31, 2019: ¥4,161 million

### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2020	1,721,724	968,574	53.2	3,260.38
As of March 31, 2019	1,775,022	1,046,622	56.1	3,300.52

Reference: Stockholders' equity: As of March 31, 2020: ¥915,779 million As of March 31, 2019: ¥996,162 million

### (3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of the Year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2020	93,937	191,057	(41,280)	377,367
Year ended March 31, 2019	68,971	(146,909)	(32,196)	133,771

## 2. Dividends

	Dividends per Share					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividends to Net Assets Ratio (Consolidated)
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2019	–	32.00	–	32.00	64.00	19,317	–	1.9
Year ended March 31, 2020	–	32.00	–	32.00	64.00	18,609	27.2	2.0
Year ending March 31, 2021 (Forecast)	–	–	–	–	–		–	

Note: Dividend forecast for the fiscal year ending March 31, 2021 is as yet undetermined.

## 3. Consolidated earnings forecasts for the year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

Consolidated earnings forecasts for the fiscal year ending March 31, 2021 are pending due to the lack of visibility on the impact of the novel coronavirus (COVID-19) and the consequent lack of a reasonable and appropriate basis on which to forecast earnings. The DNP Group will promptly announce forecasts once it judges that this reasonable basis exists.

### \* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
- 1) Changes in accounting policies with revision of accounting standards: Yes
  - 2) Changes in accounting policies other than the 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Restatement of revisions: No

Note: For further details, see the section titled, "5. Consolidated financial statements and key notes, (5) Notes regarding consolidated financial statements [Changes in accounting policies]" on page 27.

### (3) Number of common shares issued and outstanding

1) Number of common shares outstanding at end of each period (including treasury shares)	As of March 31, 2020	324,240,346 shares	As of March 31, 2019	324,240,346 shares
2) Number of treasury shares at end of each period	As of March 31, 2020	43,359,344 shares	As of March 31, 2019	22,420,745 shares
3) Average number of shares outstanding during the period	Year ended March 31, 2020	295,506,271 shares	Year ended March 31, 2019	301,715,605 shares

## (Reference) Non-consolidated financial results

### Non-consolidated financial results for the year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

#### (1) Non-consolidated financial results

(Percentages show change from corresponding year-ago period.)

	Net Sales		Operating Loss		Ordinary Income		Net Income (Loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2020	984,888	0.2	(6,507)	–	15,359	(16.7)	29,998	–
Year ended March 31, 2019	982,691	(0.8)	(2,573)	–	18,441	(30.2)	(51,196)	–

	Net Income (Loss) per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2020	101.51	–
Year ended March 31, 2019	(169.62)	–

#### (2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2020	1,359,719	560,334	41.2	1,994.84
As of March 31, 2019	1,426,257	669,873	47.0	2,219.37

Reference: Stockholders' equity: As of March 31, 2020: ¥560,334million As of March 31, 2019: ¥669,873 million

\* These financial results are exempt from auditing by a certified public accountant or an auditing company.

#### \* Explanation regarding appropriate use of earnings forecasts and other special notes

Forward-looking statements in this report, including earnings forecasts, are based on assumptions about economic conditions, market trends, and other factors at the time the report was published. Actual results may differ significantly due to a variety of factors. For information about earnings forecasts, see the section titled, "1. Overview of operating results, etc., (4) Forecasts," on pages 5-6.

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## 1. Overview of operating results, etc.

### (1) Overview of operating results for the year ended March 31, 2020

Business conditions surrounding the DNP Group in the fiscal year ended March 2020 reflected diversification in marketing and payment methods due to advances in digital technologies, growing moves to develop new products that target a next-generation automotive society such as autonomous driving, and growth in demand for environmentally conscious products and services.

In this environment, the DNP Group sought to strengthen core businesses that have high profitability and market growth potential under its corporate philosophy of connecting individuals and society and providing new value, focusing on products and services in which it has a leading domestic and overseas market share. It also embarked on restructuring to strengthen its competitiveness, including reorganizing business segments and group companies.

Through synergizing its unique strengths in Printing & Information (P&I), the DNP Group also pursued “P&I Innovations” to create new value based on four growth areas that address global social issues and the megatrends that will drive the society of the future: Knowledge and Communication, Food and Healthcare, Lifestyle and Mobility, and Environment and Energy.

In the fourth quarter, the novel coronavirus (COVID-19) depressed global economic activity, and the resulting rapid downturn makes the outlook impossible to forecast. At the same time, government stay-at-home requests to prevent the spread of the virus have driven greater demand for online services such as teleworking (working from home), educational ICT (information and communications technology), online medical consultations, online shopping, and online lessons and entertainment.

In response to these changes in society, the DNP Group provided essential value by leveraging its advanced information security infrastructure and the advantages created by its involvement with the entire range of business processes at companies throughout the value chain.

Specific businesses that the DNP Group moved to strengthen during the fiscal year ended March 2020 included smart cards, in which it has a leading domestic market share, battery pouches for lithium-ion batteries, in which it has a leading global market share, metal masks used in the production of organic light-emitting diode (OLED) displays, thermal transfer printing media for photo printing, and optical film for displays.

In the mobility market, the DNP Group worked to develop products and services to support a “next-generation automotive society,” which requires lower environmental impact, higher energy efficiency, and greater information security, safety, and comfort. Specifically, the DNP Group provided battery pouches for lithium-ion batteries used in electric vehicles and other applications, decorative films and panels that enhance vehicles’ functionality without affecting their interior or exterior design, and various security solutions leveraging encryption and other technologies.

In the market for the Internet of Things (IoT) and next-generation communications using the 5G services that launched in Japan at end-March 2020, the DNP Group supported the development of a more enjoyable information society by providing transparent antenna films and electronic components such as vapor chambers for heat dissipation components, and developing services that offer realistic experiences irrespective of time or location (such as VR (virtual reality) and AR (augmented reality) content and 4K/8K video distribution) and support safe autonomous driving and online medical consultations.

In addition, it also developed and supplied products and services in the environmental-related market, such as food and daily product packaging materials, photovoltaic module components, and the DNP Multifunctional Thermal Insulation (MFTI) Box, which can maintain a constant temperature

for a long time without using electricity.

As a result of these efforts, the DNP Group's profitability for the fiscal year ended March 2020 improved, with a 0.4 percentage point year-on-year increase in the ratio of operating income to net sales to 4.0%.

In order to effectively use and streamline its assets, the DNP Group also continued to review its strategic shareholdings and other assets holdings, and acquired 20.93 million shares of treasury stock with a value of ¥59.9 billion in order to increase capital efficiency and shareholder returns.

In addition, as part of its efforts to build a strong business portfolio, the DNP Group booked a ¥26.5 billion extraordinary loss to reflect impairment losses on business-use assets for which profitability has declined and idle assets with no prospects for future use, in accordance with the J-GAAP "Accounting Standard for the Impairment of Fixed Assets."

As a result of the above, consolidated net sales for the year ended March 31, 2020 grew 0.0% year on year to ¥1,401.8 billion, consolidated operating income grew 12.8% to ¥56.2 billion, consolidated ordinary income grew 9.5% to ¥63.7 billion, and net income attributable to parent company shareholders totaled ¥69.4 billion (versus net loss of ¥35.6 billion in the previous fiscal year). ROE, which the DNP Group has adopted as its key profitability yardstick, was 7.3%.

Business segment results for the year ended March 31, 2020 are presented below.

## **[PRINTING]**

### **Information Communication**

In the Information Innovation business, sales of printed media such as pamphlets and catalogs decreased. However, overall sales increased on greater demand for smart cards in line with the shift toward cashless payments and steady growth in priority businesses such as Business Process Outsourcing (BPO). These services handle business processes on behalf of companies seeking to respond to labor shortages and work-style reforms.

In the Imaging Communication business, overall sales were in line with the previous year, despite the impact of the stronger yen due to the global nature of its operations, as sales increased in the "experience-based value creation" business that aims to enhance people's experiences through photographs taken at locations such as tourist destinations and event venues, and sales trends for thermal transfer printing media for photo printing were favorable.

In the Publishing business, the DNP Group worked to help solve issues within the publishing industry, drawing on its strengths as the sole corporate group in Japan that spans the entire industry supply chain, from planning and advertising through manufacturing, distribution, and sales. This drove favorable e-book sales trends in the "honto" hybrid bookstore network, which combines physical bookstores, online bookstores, and e-book services, and an increase in the number of libraries outsourcing operations. As a result, Education and Publications Distribution sales increased year on year. While the e-publishing market is expanding, the print publication market continues to contract, and printing of both books and magazines decreased. As a result, overall sales in the Publishing business declined.

Operating income in the Information Communication segment rose due to growth in the Information Innovation business and the positive impact of cost reductions achieved mainly by consolidating production bases, despite an impact from price hikes for printing paper and other raw materials.

As a result of the above, overall segment sales grew 1.4% year on year to ¥773.0 billion and operating income grew 22.4% to ¥30.4 billion.

## **Lifestyle and Industrial Supplies**

In the Packaging business, the DNP Group worked to develop and sell its GREEN PACKAGING series of environmentally conscious packaging based on three value propositions: sustainably sourced raw materials, lower CO<sub>2</sub> emissions, and resource circulation. However, overall Packaging business sales declined due to progress with reviewing low value-added products in order to increase profitability.

In its Living Spaces business, the DNP Group worked on selling high-performance, environmentally conscious products that combine high-quality design driven by sophisticated image processing, film and plate making and printing technologies with its proprietary electron beam (EB) coating technology. However, the significant impact of a decline in housing starts in Japan resulted in a decrease in overall sales in the Living Spaces business.

In the Industrial Supplies business, sales rose sharply for battery pouches used in automotive lithium-ion batteries due to greater uptake of electric vehicles, and sales of photovoltaic module components such as encapsulants and back sheets also increased. As a result, overall sales in the Industrial Supplies business increased.

Operating income in the Lifestyle and Industrial Supplies segment increased due to factors including expansion in the Industrial Supplies business, benefits from restructuring throughout the segment, and lower raw material prices.

As a result of the above, overall segment sales fell 1.5% year on year to ¥391.3 billion but operating income grew 33.0% to ¥11.1 billion.

## **Electronics**

In the Display Components business, sales increased for metal masks used in the production of organic light-emitting diode (OLED) displays due to the transition from LCD to OLED displays for smartphones. However, sales of color filters for LCD displays declined due to a review of the business structure following a decline in demand. Sales of optical films for LCD TVs declined, but sales of products used in OLED displays rose. As a result, overall sales in the Display Components business increased.

In the Electronic Devices business, semiconductor photomask sales decreased due to a decline in semiconductor market conditions. As a result, sales in the Electronic Devices business declined.

Overall segment operating income decreased due to the decline in sales.

As a result of the above, overall segment sales fell 3.0% year on year to ¥186.6 billion and operating income fell 7.5% to ¥34.1 billion.

## **[BEVERAGES]**

### **Beverages**

The DNP Group worked to increase its share in existing markets and acquire new customers by releasing new products in core brands such as Coca-Cola, launching Lemondo, the Coca-Cola group's first alcoholic beverage line, and stepping up sales promotion in the vending machine business and to mass merchandisers.

However, overall segment sales fell 1.3% year on year to ¥55.2 billion as sales to customers in Hokkaido rose, but sales to bottlers in other regions declined due to adverse weather in Honshu. Operating income also decreased 3.5% year on year to ¥2.0 billion, due mainly to a decline in sales volume.

## **(2) Overview of financial position for the year ended March 31, 2020**

Total assets at the end of the fiscal year decreased by ¥53.2 billion from the end of the previous fiscal year to ¥1,721.7 billion, due mainly to a decline in investment securities.

Total liabilities increased by ¥24.7 billion from the end of the previous fiscal year to ¥753.1 billion, due mainly to an increase in corporate bonds.

Net assets decreased by ¥78.0 billion from the end of the previous fiscal year to ¥968.5 billion, due mainly to a decline in valuation difference on available-for-sale securities.

### (3) Overview of cash flows for the year ended March 31, 2020

Cash and cash equivalents at the end of the current fiscal year increased by ¥243.5 billion from the end of the previous fiscal year to ¥377.3 billion.

Cash flow provided by operating activities totaled ¥93.9 billion (¥68.9 billion in the previous fiscal year), due mainly to ¥102.7 billion in income before income taxes and non-controlling interests and ¥54.4 billion in depreciation.

Cash flow provided by investing activities totaled ¥191.0 billion (cash used of ¥146.9 billion in the previous fiscal year), due mainly to a ¥135.7 billion net decrease in time deposits and ¥58.1 billion in proceeds from sales of investment securities.

Cash flow used in financing activities totaled ¥41.2 billion (¥32.1 billion in the previous fiscal year), due mainly to a ¥60.0 billion purchase of treasury stock.

The trends in DNP's cash flow indicators are shown below.

	Year ended March 2016	Year ended March 2017	Year ended March 2018	Year ended March 2019	Year ended March 2020
Equity ratio (%)	59.2	59.4	58.7	56.1	53.2
Market value-based equity ratio (%)	36.6	42.4	36.9	45.0	37.5
Debt-to-cash flow ratio (year)	2.6	2.4	3.5	2.4	2.3
Interest coverage ratio (times)	29.8	32.6	21.9	33.4	59.8

Notes: Equity ratio: Total stockholders' equity / Total assets  
 Market value-based equity ratio: Market capitalization / Total assets  
 Debt-to-cash flow ratio: Interest-bearing debt / Cash flow  
 Interest coverage ratio: Cash flow / Interest paid

- \* The above indicators are calculated based on consolidated financial figures.
- \* Market capitalization is calculated as: Fiscal year-end share price × fiscal year-end number of shares outstanding (excluding treasury stock)
- \* Cash flow: Cash flow provided by/used in operating activities on the consolidated statements of cash flows  
 Interest-bearing debt: All liabilities on the consolidated balance sheet that accrue interest charges  
 Interest paid: Interest paid on the consolidated statements of cash flows

### (4) Forecasts

The acute impact of COVID-19 has made it extremely difficult to assess the domestic and overseas economic and social outlook. The DNP Group expects business conditions in the printing industry to become even more difficult due to declining demand for various types of printed materials and a decline in order prices due to measures to prevent infection, including government stay-at-home requests and the cancellation of various events. However, adoption of teleworking is increasing, online content services are becoming increasingly popular, and expectations for educational ICT and online medical consultations are growing.

Going forward, the DNP Group expects significant changes in individual lifestyles and corporate economic activity, accompanied by major changes in society as a whole. The DNP Group will

endeavor to convert these drivers of change into business opportunities.

The DNP Group will continue striving to create value that resolves social issues and meets people's expectations by combining its strengths in printing and information (P&I) and innovating through deeper alliances with external partners, endeavoring to fulfil its corporate philosophy: "The DNP Group connects individuals and society, and provides new value." The DNP Group also aims to further expand earnings by pursuing business structure reforms according to the market environment and trends in demand.

In the Information Communication segment, the DNP Group intends to expand its BPO business, where overall demand is increasing, and its payment service business, which is benefiting from greater uptake of cashless payments. In addition to expanding hybrid marketing that combines real-world and digital sales channels, the DNP Group is also pursuing digital transformation (DX) in its information media business to respond to the spread of non-face-to-face operations with customers. In the Publishing business, the DNP Group targets earnings growth in the "honto" hybrid bookstore network business, which combines physical bookstores, online bookstores, and e-book services and will increase its efforts to advance its content business, while continuing to review its production platform and implement other restructuring to respond to the ongoing downtrend in demand for printed media.

In the Lifestyle and Industrial Supplies segment, the DNP Group aims to increase sales of battery pouches for automotive lithium-ion batteries in line with greater uptake of electric vehicles, and will also respond to growth for encapsulants, back sheets, and other photovoltaic module components. The DNP Group also aims to increase profitability through a further shift toward value-added products such as its GREEN PACKAGING series of environmentally conscious packaging and high-performance barrier film.

In the Electronics segment, the DNP Group targets steady growth in metal masks used in the production of OLED displays, leveraging the advantage of its leading global market share, in anticipation of demand growth in line with the shift from LCD to OLED smartphone displays and the launch of foldable smartphones with large OLED displays. In optical films, where the DNP Group has secured leading global shares for products such as anti-glare surface films, it targets increased adoption of films used in OLED displays, and growth for new products such as viewing angle expansion films used in TVs.

In addition, the DNP Group seeks to streamline and make more effective use of its assets by reviewing its fixed asset and investment securities holdings.

While the DNP Group will continue to pursue these initiatives, at present it has opted to leave its forecasts for the fiscal year ending March 2021 pending due to the lack of visibility on the impact of COVID-19 and the consequent lack of a reasonable and appropriate basis on which to forecast earnings. The DNP Group will promptly announce forecasts once it judges that this reasonable basis exists.

#### **(5) Basic policies regarding the allocation of profits and dividends for the year ended March 31, 2020 and year ending March 31, 2021**

An important management policy of the DNP Group is to pass on profits to shareholders and other stakeholders.

Profits are allocated based on a policy of paying stable dividends to shareholders and with consideration for financial results and the dividend payout ratio. For future business expansion, the DNP Group strives to retain profits and strengthen its management base.

Retained earnings are used to invest in research and development related to new products and

technologies, to invest in equipment needed to develop new businesses, and to implement strategic alliances and M&A and invest in human resources to support these activities. At the same time, the DNP Group considers flexible capital policies while accounting for its capital needs and market trends.

In addition, while continuing to implement measures to respond to COVID-19, it will continue to provide new value while considering the health, safety, and wellbeing of its employees and maintaining stable employment conditions.

The DNP Group believes that these efforts will contribute to higher profits that can then be passed on to shareholders and other stakeholders in future.

Based on this policy, the DNP Group will pay a year-end dividend of ¥32 per share, and adding the interim dividend of ¥32 per share, it plans to pay a full-year dividend of ¥64 per share for the fiscal year ended March 2020. This will result in a consolidated dividend payout ratio of 27.2% for the year in question.

The DNP Group has opted to leave its dividend forecast for the fiscal year ending March 2021 pending due to the lack of visibility on the impact of COVID-19 and the consequent lack of a reasonable and appropriate basis for a forecast. The DNP Group will promptly announce a forecast once it judges that this rational basis exists.

## **(6) Business risks**

The DNP Group seeks to gain an accurate understanding of the challenges and risks related to the economy, society, and environment, and to conduct integrated risk management, in an effort to continue providing new value based on its corporate philosophy. At the same time, the variable factors that are viewed as risks are also opportunities for business expansion, and the DNP Group seeks to respond to these opportunities by combining its strengths and deepening alliances with external partners to create new value while responding to rapid changes in the business environment.

The DNP Group identifies the following items as key risk factors.

### ○ Environmental risks

- Natural disasters and infectious disease outbreaks
- Tightening and easing of legal and other regulations
- Strengthening of measures to prevent global warming
- Changes in energy policies due to the depletion of natural resources
- Drastic changes in energy prices
- Promotion of a shift to a circular economy
- Increase in marine and land pollution and ensuring a sustainable global environment
- Degradation of ecosystems and ensuring biodiversity, and others

To respond to natural disasters, the DNP Group takes steps to protect production equipment and other major facilities from fires, earthquakes, and flooding, seeks geographical diversification of its production facilities and raw material suppliers, and undertakes business continuity planning (BCP) to minimize production shutdowns and product supply disruptions caused by disasters or other events. The DNP Group also uses various types of insurance to transfer risk. Nevertheless, the DNP Group's performance could be substantially affected in the event of major earthquakes, natural disasters such as rainstorms or flooding caused by climate change, infectious disease outbreaks, or other unexpected events that cause production shutdowns or significantly damage or impair social infrastructure.

Amid the severe impact on domestic and overseas economies from the global COVID-19 pandemic, the DNP Group will respond as necessary by promoting teleworking and other initiatives

in line with the government's policy and the DNP Group's response strategy, with a focus on preventing infection both internally and externally and prioritizing employees' health and safety in line with the DNP Group Safety and Health Charter.

The DNP Group also constantly strives for a balance between its business activities and the global environment. In March 2020, it drew up the DNP Group Environmental Vision 2050 as a demonstration of its ideals for 2050. All of the DNP Group's employees will work to protect the environment and achieve a sustainable society through their strong awareness of the relationships between all its businesses and the environment.

The DNP Group's business activities benefit from the natural environment in a variety of ways, including the procurement of raw materials from forest resources to make printing paper and other products and the use of water and energy in manufacturing processes. The DNP Group also undertakes business activities that are closely connected with society, including securing human and material resources and building a supply chain. It clearly recognizes these conditions and pursues a variety of initiatives to sustain its growth and that of society while ensuring environmental sustainability. However, the DNP Group expects the following changes to accelerate: moves to tighten domestic and overseas legal regulations and international standards to respond to issues such as climate change and protecting biodiversity; and a greater focus in assessments of enterprise value on its stance toward resolving social issues. The DNP Group's performance could be affected by a slow response to these trends.

At the same time, the DNP Group also expects that it will need to respond to major changes in market and industry trends as a result of deregulation. This could affect the DNP Group's business performance due to the increased burden or costs required to respond to changes in regulations governing its business activities.

#### ○ Economic risks

- Changes in domestic and overseas economic conditions and consumption trends, and foreign currency fluctuations
- Acceleration and diversification of technological innovation and intensification of development competition
- Outflow and infringement of intellectual property
- Decrease in business performance and inadequate internal control at partnering companies
- Construction, maintenance, and management of information infrastructure and social infrastructure
- Increase in large-scale cyber attacks
- Changes in the supply/demand balance for raw material procurement, and others

In relation to domestic and overseas economic conditions and consumption trends, the DNP Group does business with an extremely large number of corporate customers in a wide range of industries and pursues stable business activities supported by a business base that does not rely on specific industries and companies. If consumer spending and other components of domestic demand slump more than expected, owing to domestic economic fluctuations in connection with global economic trends, its performance could be affected by a decrease in production volume, decline in unit prices, and other factors.

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

The DNP Group expects the impact of foreign exchange rates to steadily increase while it pursues business expansion in various regions around the world. It continues to hedge the risk of currency

fluctuations via an increase in local-market manufacturing, the use of foreign exchange forward contracts, and other means, but its performance could be affected by drastic changes in foreign exchange rates.

The DNP Group provides new products and services by applying and advancing its printing and information technologies and by incorporating the strengths of partners outside the company. The DNP Group's performance could be affected by factors such as further intensification of development competition in Japan and overseas, greater-than-expected shortening of product life cycles, and changes in market trends as the requirements that must be addressed by this development process become more diverse.

In addition, the DNP Group engages 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.

In procuring raw materials and other items, the DNP Group works to ensure stable volume and maintain optimal procurement prices, including by purchasing printing paper and film materials from multiple suppliers in Japan and overseas. However, there is risk of imbalances between supply and demand due to sharp fluctuations in petroleum prices, sudden surge in demand in emerging markets, depletion of natural resources, impact of climate change, and human rights issues in the supply chain labor environment. The DNP Group will respond during such times by negotiating with client companies and business partners, but its performance could be affected if the procurement of raw materials or other items becomes extremely difficult, if purchasing prices rise sharply, or if other such events occur.

In addition, global computer networks and information systems have become essential tools for conducting business, and there are now greater risks of software and hardware defects, daily changing cyberattacks, computer virus infections, and personal data leaks. The DNP Group regards information security and the protection of important data, including personal data, as a top management priority, and is making every effort to maintain and manage systems and data by strengthening its organization and training employees. However, its business activities could be affected in the event of a malicious cyberattack, an accident involving important data, or other such events.

○ Social risks

- Compliance violations
- Large-scale unauthorized use or leakage of data
- Inadequate quality checks for products and services
- Labor environment issues
- Workforce shortages caused by the loss of personnel or difficulty in acquiring personnel
- Social and political turmoil, and increase in country risk, and others

The DNP Group conducts overseas business activities mainly in Europe, the U.S., Southeast Asia, and elsewhere, and these activities face a variety of social, political, and economic risks. The DNP Group's performance could be affected if its overseas business activities are obstructed by the emergence of various risks related to unexpected changes in laws and regulations governing the environment, society, and other areas, country risk, difficulty of hiring and securing personnel, human rights and conflicts, and other factors.

Additionally, the DNP Group seeks to establish and rigorously uphold corporate ethics throughout the group, and works to earn the trust of society by each and every employee complying with laws and regulations in all corporate activities, maintaining the high ethical standards expected by society, and contributing to maintaining and advancing orderly and freely competitive markets with a

consistently fair attitude. Nevertheless, the DNP Group's performance could be affected in the event of being subject to lawsuits and resulting fines in Japan or overseas.

## 2. Information on the DNP Group

The DNP Group includes the Company, 139 subsidiaries, and 25 affiliated companies. Its two main businesses are Printing and Beverages. The former encompasses Information Communication, Lifestyle and Industrial Supplies, and Electronics.

The businesses and segments of the DNP Group are broadly outlined below. The four business segments cited below are the same as the reporting segment categories.

### [PRINTING]

#### Information Communication

Production/sale of textbooks, books, weekly/monthly/quarterly magazines, promotional materials, securities certificates, business forms, cards, payment-related services, photographic materials, and business equipment and systems; and planning/design/construction/management of stores and advertising media

#### Major companies

Production	OGUCHI BOOK BINDING & PRINTING CO., LTD. DNP Imagingcomm Co., Ltd., DNP SP Solutions Co., Ltd. DNP Graphica Co., Ltd., DNP Communication Design Co., Ltd. DNP Book Factory Co., Ltd., DNP Data Techno Co., Ltd. DNP Multi Print Co., Ltd., DNP Media Art Co., Ltd. DNP Media Support Co., Ltd.
Production and sales	DNP Imagingcomm Asia Sdn. Bhd., DNP Imagingcomm Europe B.V. DNP Imagingcomm America Corporation, Foto Fantasy, Inc. Tien Wah Press (Pte.) Ltd. *MK Smart Joint Stock Company
Sales and services	Maruzen CHI Holdings Co., Ltd., INTELLIGENT WAVE INC. CYBER KNOWLEDGE ACADEMY Co., Ltd. DNP ID System Co., Ltd., DNP Art Communications Co., Ltd. DNP Social Links Co., Ltd., DNP Digital Solutions Co., Ltd. DNP HyperTech Co., Ltd., DNP Photo Imaging Japan Co., Ltd. DNP PLANNING NETWORK Co., Ltd., DNP hollyhock Co., Ltd. 2Dfacto, Inc., DNP Metro Systems Co., Ltd., mobilebook.jp, Inc. MARUZEN-YUSHODO Co., Ltd., MARUZEN PUBLISHING CO., LTD. MaruzenJunkudo Bookstores Co., Ltd. Toshokan Ryutsu Center Co., Ltd., honto Book Services Co., Ltd. DNP Photo Imaging Europe SAS, DNP Photo Imaging Russia, LLC * Nihon Unisys, Ltd., BOOKOFF GROUP HOLDINGS LIMITED BUNKYODO GROUP HOLDINGS CO., LTD. Kyoiku Shuppan Co., Ltd.

The shares of Maruzen CHI Holdings Co., Ltd., INTELLIGENT WAVE INC., Nihon Unisys, Ltd. and BOOKOFF GROUP HOLDINGS LIMITED are traded on the Tokyo Stock Exchange, and the shares of

BUNKYODO GROUP HOLDINGS CO., LTD. are traded on the Tokyo Stock Exchange's JASDAQ market.

### **Lifestyle and Industrial Supplies**

Production/sale of containers and packaging products, packaging equipment and systems, interior and exterior decorative printed materials, and industrial supplies

#### **Major companies**

Production	DNP Technopack Co., Ltd., Sagami Yoki Co., Ltd. DNP Ellio Co., Ltd., DNP Advanced Materials Co., Ltd. DNP Living Space Co., Ltd., DNP Hosono Co., Ltd.
Production and sales	DNP Tamura Plastic Co., Ltd., Aseptic Systems Co., Ltd. DNP Fine Chemicals Utsunomiya Co., Ltd. PT DNP Indonesia, DNP Vietnam Co., Ltd.
Sales and services	DNP Lifestyle Materials Marketing Co., Ltd. LIFESCAPE MARKETING CORPORATION DNP • SIG Combibloc Co., Ltd.

### **Electronics**

Production/sale of precision electronic components and other products

#### **Major companies**

Production	DNP LSI Design Co., Ltd., DNP Fine Optronics Co., Ltd. DNP Precision Devices Himeji Co., Ltd.
Production and sales	DT Fine Electronics Co., Ltd. DNP Denmark A/S, DNP Photomask Europe S.p.A. * Photronics DNP Mask Corporation Photronics DNP Mask Corporation Xiamen
Sales	DNP Taiwan Co., Ltd.

#### **Companies with multiple types of businesses**

Production and sales	DNP Fine Chemicals Co., Ltd., DNP Engineering Co., Ltd. DNP Shikoku Co., Ltd. * DIC Graphics Corporation
Sales and services	DNP Logistics Co., Ltd., DNP Trading Co., Ltd. DNP Accounting Services Co., Ltd. DNP Information Systems Co., Ltd. DNP Human Services Co., Ltd., DNP Facility Services Co., Ltd. DNP Technology Co., Ltd., DNP Hokkaido Co., Ltd. DNP Tohoku Co., Ltd., DNP Chubu Co., Ltd. DNP Nishi Nippon Co., Ltd. DNP Asia Pacific Pte. Ltd., DNP Corporation USA DNP America, LLC, DNP Holding USA Corporation

## **[BEVERAGES]**

### **Beverages**

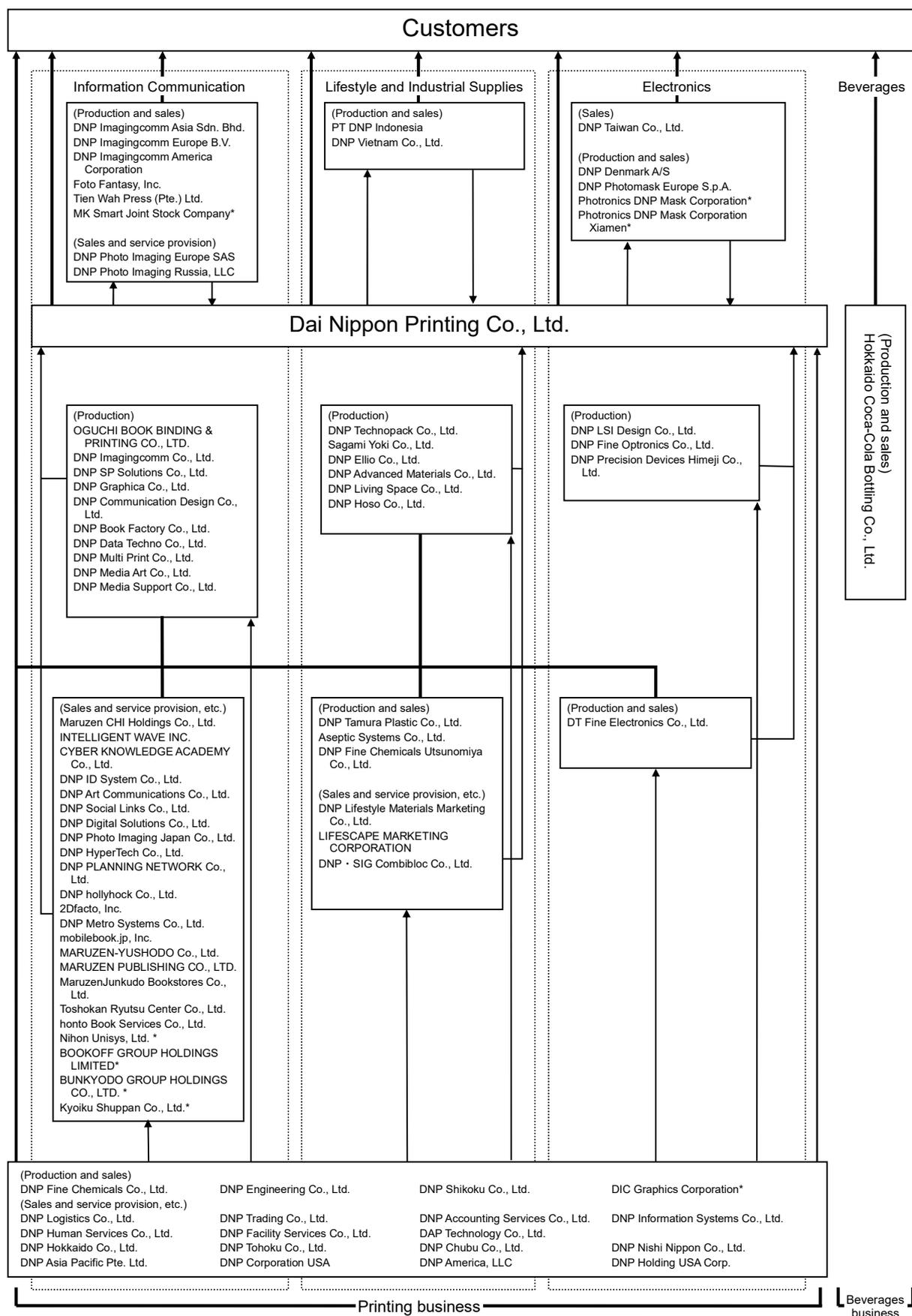
Production/sale of carbonated beverages, mineral waters, and other products, centered on Hokkaido Coca-Cola Bottling Co., Ltd.

The shares of Hokkaido Coca-Cola Bottling Co., Ltd. are traded on the Tokyo Stock Exchange and Sapporo Securities Exchange.

\* Equity-method affiliated companies

## Organizational chart

The businesses noted above are shown in the organizational chart below.



Notes: \* : Equity-method affiliated companies (Otherwise, subsidiaries)  
 ← : Flow of products, materials and services

### **3. Management policies**

#### **(1) Core policies**

The DNP Group's basic management policy states its corporate philosophy as: "The DNP Group connects individuals and society, and provides new value." Based on this philosophy, the DNP Group is aggressively pursuing its business activities and working to steadily expand its business over the medium to long term.

The DNP Group is constantly aware of its social responsibility as a company and strives to deliver new value to its various stakeholders in order to sustain growth and increase enterprise value over the medium to long term. To achieve this goal, the DNP Group works to fulfill what it considers to be its three responsibilities as a company: "Value Creation," "Integrity in Conduct," and "Transparency (Accountability)."

To fulfil these responsibilities, the DNP Group acts in accordance with its DNP Group Code of Conduct and is focused on improving its corporate governance. The DNP Group has built internal control systems to ensure proper business conduct and works to establish and operate structures that facilitate precise and comprehensive management decision-making, prompt and appropriate execution of business based on these decisions, and supervision and auditing of this business execution. It also conducts rigorous training and education to improve the compliance awareness of each and every employee.

The DNP Group strives to conduct business in good faith to earn the deep trust of its various stakeholders, including shareholders, client companies, consumers, and employees.

#### **(2) Medium- and long-term management strategy and key issues**

##### **1) DNP Group vision**

Amid significant changes in society and the environment and in individual values, the DNP Group positions its key challenge as achieving a shift away from its previous passive culture and transforming into a company that proactively responds to people's expectations and provides new value that resolves social issues in accordance with its corporate philosophy. The DNP Group is committed to unearthing latent value and building an optimal business model. It will do so by marshalling its comprehensive capabilities as a group, combining its unique strengths in printing and information (P&I) and allying with external partners to generate sustainable profits.

##### **2) Medium-term plan**

As a step toward realizing its vision, the DNP Group aims to build a stable management structure that will consistently generate ROE of at least 5.0% in the year ending March 2025, five years ahead. To achieve this, it has drawn up a three-year medium-term plan beginning in the year ending March 2021. The DNP Group will work to achieve this plan via the two basic strategies of creating value through P&I innovations and strengthening the business infrastructure needed to support growth.

##### **< Basic strategy 1: Creating value through P&I innovations >**

The DNP Group is reviewing the value generated by its current businesses and identifying future focus business areas based on the two criteria of profitability and market growth amid significant changes in society and the environment. It intends to optimize the allocation of management resources, primarily on these focus business areas, in order to build a strong business portfolio.

Based on this strategy, it will pursue three initiatives: creating value primarily in growth areas; providing value optimized to each country and region; and increasing value using all available restructuring approaches.

● Creating value primarily in growth areas:

The DNP Group will focus on several key themes in pursuing its business, with the aim of achieving earnings growth in return for providing value to consumers and society. For instance, it is focusing on data distribution businesses such as information bank-related services, BPO that handles personal information using high-level information security infrastructure, and medical and healthcare services such as smart medical checkups. In the IoT and next-generation communications business, it is developing key components to support digital transformation and new services that leverage them ahead of 5G and 6G infrastructure reforms.

● Providing value optimized to each country and region:

The DNP Group intends to address global markets by fully understanding the characteristics and needs of each country and region and providing optimal value that is finely tuned to respond to them.

● Increasing value using all available restructuring approaches:

The DNP Group will promote a variety of group-wide reforms in order to build a strong business portfolio. For instance, it is working to reduce the number of printed media production bases in the Information Communication segment, review low-value-added products in the Lifestyle and Industrial Supplies segment and streamline its bases, and downsize its color filters business in the Electronics segment. It will allocate the human resources, land, and facilities freed up by these efforts to development and production in its focus businesses in order to reform its business structure.

< Basic strategy 2: Strengthening business infrastructure needed to support growth >

The DNP Group will work to strengthen its business base through the integrated use of both financial and non-financial capital in order to achieve longer-term growth. In particular, it will strengthen its capital strategy, environmental initiatives, and human capital and human rights initiatives, and develop and implement specific action plans. Through these initiatives, it aims to create value by building an organizational culture that is willing to pursue reforms and developing the infrastructure needed to support the DNP Group's sustainable growth.

● Capital strategy:

In line with the first of the above basic strategies, the DNP Group is investing in focus businesses primarily in growth areas. It plans annual investments of around ¥100 billion over the next three years. It will fund these business investments from cash on hand, by raising growth funding from third parties, and by reducing idle assets. It will also consider a comprehensive range of capital strategies, including improving capital efficiency, stabilizing its financial position, and shareholder returns.

● Environmental initiatives:

In March 2020, the DNP Group drew up its Environmental Vision 2050 in order to further strengthen its value creation initiatives aimed at achieving a decarbonized, recycling-oriented society in harmony with nature. Climate change in particular represents a major global risk, and an early response to these changes will allow the DNP Group to improve the sustainability of its corporate activities. The DNP Group will also pursue activities relating to the entire value chain as well as itself, and will focus on developing and supplying products and services that reduce environmental impact.

● Human capital and human rights initiatives:

The DNP Group will further promote diversity in order to capture ideas and skills from a wide range of human capital and create new value. The DNP Group has focused in particular on promoting the empowerment of women since the early 2000s, and it is taking steps to support female employees' career development, revamp work styles, and reform its overall management. It aims to have female managers represent at least 7.0% of the total by the end of the fiscal year ending March 2022, and to double the number of women in managerial and leadership positions.

The DNP Group is using these initiatives to strengthen its management infrastructure and support P&I innovations by increasing both financial and non-financial capital and achieving synergies by combining its strengths.

< Specific management targets >

The DNP Group aims via the above initiatives to build a stable management structure that will consistently generate ROE of at least 5.0% in the fiscal year ending March 2025. It also targets operating income of ¥75 billion and an operating income to sales ratio of 5.1% in the fiscal year ending March 2025.

These new targets do not factor in the impact of COVID-19. The DNP Group will promptly announce reasonable and appropriate targets that factor in this impact once it judges that a reasonable basis exists.

**4. Basic approach to selecting accounting standards**

The DNP Group uses Japanese GAAP in preparing consolidated financial statements. It plans to consider adopting IFRS going forward and respond appropriately based on domestic and overseas circumstances.

## 5. Consolidated financial statements and key notes

### (1) Consolidated balance sheets

(Million yen)

	Year ended March 31, 2019 (As of March 31, 2019)	Year ended March 31, 2020 (As of March 31, 2020)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	268,046	373,013
Notes and trade receivables	351,450	330,798
Marketable securities	15,000	18,000
Merchandise and finished products	79,809	78,199
Work in progress	30,074	32,231
Raw materials and supplies	23,187	23,849
Other	33,226	29,279
Allowance for doubtful accounts	(1,515)	(1,361)
<b>Total current assets</b>	<b>799,280</b>	<b>884,010</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures	549,251	520,307
Accumulated depreciation	(365,373)	(362,218)
Buildings and structures, net	183,878	158,089
Machinery and equipment	708,330	696,459
Accumulated depreciation	(640,815)	(631,443)
Machinery and equipment, net	67,514	65,016
Land	147,924	141,423
Construction in progress	11,760	16,428
Other	138,261	131,663
Accumulated depreciation	(108,219)	(103,254)
Other, net	30,042	28,409
<b>Total property, plant and equipment</b>	<b>441,120</b>	<b>409,367</b>
Intangible fixed assets		
Goodwill	2,489	1,187
Software	25,044	20,237
Other	1,380	1,291
<b>Total intangible fixed assets</b>	<b>28,914</b>	<b>22,716</b>
Investments and other assets		
Investment securities	393,104	298,894
Net defined benefit asset	71,380	64,689
Deferred income taxes	11,068	13,888
Other	32,468	30,443
Allowance for doubtful accounts	(2,315)	(2,286)
<b>Total investments and other assets</b>	<b>505,707</b>	<b>405,629</b>
<b>Total fixed assets</b>	<b>975,742</b>	<b>837,713</b>
<b>TOTAL ASSETS</b>	<b>1,775,022</b>	<b>1,721,724</b>

(Million yen)

	Year ended March 31, 2019 (As of March 31, 2019)	Year ended March 31, 2020 (As of March 31, 2020)
<b>LIABILITIES</b>		
Current liabilities		
Notes and trade payables	246,138	238,066
Short-term bank loans	42,474	39,051
Bonds redeemable within 1 year	51,490	52,490
Current portion of long-term debt	2,731	7,008
Income taxes payable	7,448	16,621
Reserve for bonuses	18,145	18,945
Repair reserve	19,162	20,636
Other	80,065	87,831
<b>Total current liabilities</b>	<b>467,655</b>	<b>480,651</b>
Long-term liabilities		
Bonds	59,610	107,120
Long-term debt	10,045	5,977
Repair reserve	70,211	54,660
Net defined benefit liability	34,733	35,687
Deferred tax liabilities	65,300	42,821
Other	20,845	26,230
<b>Total long-term liabilities</b>	<b>260,745</b>	<b>272,497</b>
<b>TOTAL LIABILITIES</b>	<b>728,400</b>	<b>753,149</b>
<b>NET ASSETS</b>		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,765	145,024
Retained earnings	626,949	676,346
Treasury stock	(62,898)	(122,911)
<b>Total stockholders' equity</b>	<b>823,281</b>	<b>812,923</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	170,073	110,051
Net deferred gains (losses) on hedges	(1)	5
Foreign currency translation adjustments	(2,398)	(3,448)
Remeasurements of defined benefit plans	5,208	(3,751)
<b>Total accumulated other comprehensive income</b>	<b>172,881</b>	<b>102,856</b>
Non-controlling interests	50,459	52,794
<b>TOTAL NET ASSETS</b>	<b>1,046,622</b>	<b>968,574</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,775,022</b>	<b>1,721,724</b>

**(2) Consolidated statements of income and comprehensive income**  
**Consolidated statements of income**

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net sales	1,401,505	1,401,894
Cost of sales	1,119,390	1,109,051
Gross profit	282,114	292,842
Selling, general and administrative expenses	232,216	236,568
Operating income	49,898	56,274
Non-operating income		
Interest and dividends income	5,255	5,586
Equity in earnings of affiliates	4,161	6,050
Other	5,777	4,024
Total non-operating income	15,194	15,662
Non-operating expenses		
Interest expense	2,068	1,466
Contributions	1,426	2,784
Other	3,337	3,898
Total non-operating expenses	6,832	8,150
Ordinary income	58,259	63,786
Extraordinary gains		
Gain on sale of fixed assets	2,937	30,248
Gain on sale of investment securities	18,025	51,450
Other	2,126	30
Total extraordinary gains	23,089	81,728
Extraordinary losses		
Loss on sale or disposal of fixed assets	2,842	5,820
Impairment loss	16,685	26,516
Loss on devaluation of investment securities	4,305	7,082
Repair reserve provisions	75,000	–
Other	1,202	3,376
Total extraordinary losses	100,035	42,795
Income (Loss) before income taxes and non-controlling interests	(18,685)	102,719
Current income taxes	15,198	26,063
Deferred income taxes	(936)	4,560
Total income taxes	14,262	30,624
Net income (loss)	(32,947)	72,094
Net income attributable to non-controlling shareholders	2,721	2,597
Net income (loss) attributable to parent company shareholders	(35,668)	69,497

**Consolidated statements of comprehensive income**

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net income (loss)	(32,947)	72,094
Other comprehensive income		
Valuation difference on available-for-sale securities	2,047	(60,054)
Net deferred gains on hedges	3	10
Foreign currency translation adjustments	(3,978)	(445)
Remeasurements of defined benefit plans	(1,403)	(8,894)
Share of other comprehensive income of associates accounted for using equity method	(414)	(174)
Total other comprehensive income	(3,746)	(69,558)
Comprehensive income	(36,694)	2,536
Attributable to:		
Parent company shareholders	(38,590)	(527)
Non-controlling shareholders	1,896	3,064

**(3) Consolidated statements of changes in net assets**  
**The year ended March 31, 2019 (April 1, 2018 – March 31, 2019)**

(Million yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of current period	114,464	144,264	681,976	(62,908)	877,797
Changes of items during the period					
Cash dividends paid			(19,317)		(19,317)
Net loss attributable to parent company shareholders			(35,668)		(35,668)
Change of application of equity method			(41)		(41)
Change in ownership interest of parent arising from transactions with non-controlling shareholders		(90)			(90)
Purchases of treasury stock				(15)	(15)
Disposal of treasury stock		592	(0)	25	617
Net changes in items other than stockholders' equity					–
Total changes of items during the period	–	501	(55,027)	10	(54,516)
Balance at the end of current period	114,464	144,765	626,949	(62,898)	823,281

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	168,155	(3)	1,410	6,241	175,803	48,950	1,102,550
Changes of items during the period							
Cash dividends paid							(19,317)
Net loss attributable to parent company shareholders							(35,668)
Change of application of equity method							(41)
Change in ownership interest of parent arising from transactions with non-controlling shareholders							(90)
Purchases of treasury stock							(15)
Disposal of treasury stock							617
Net changes in items other than stockholders' equity	1,917	2	(3,809)	(1,032)	(2,921)	1,508	(1,412)
Total changes of items during the period	1,917	2	(3,809)	(1,032)	(2,921)	1,508	(55,928)
Balance at the end of current period	170,073	(1)	(2,398)	5,208	172,881	50,459	1,046,622

**The year ended March 31, 2020 (April 1, 2019 – March 31, 2020)**

(Million yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of current period	114,464	144,765	626,949	(62,898)	823,281
Cumulative impact of accounting changes			(821)		(821)
Balance at the beginning of current period reflecting accounting changes	114,464	144,765	626,127	(62,898)	822,459
Changes of items during the period					
Cash dividends paid			(19,279)		(19,279)
Net income attributable to parent company shareholders			69,497		69,497
Change in ownership interest of parent arising from transactions with non-controlling shareholders		258			258
Change in treasury stock resulting from change in ownership of affiliates accounted for by the equity method				0	0
Purchases of treasury stock				(60,013)	(60,013)
Disposal of treasury stock		0		0	0
Net changes in items other than stockholders' equity					-
Total changes of items during the period	-	258	50,218	(60,013)	(9,536)
Balance at the end of current period	114,464	145,024	676,346	(122,911)	812,923

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	170,073	(1)	(2,398)	5,208	172,881	50,459	1,046,622
Cumulative impact of accounting changes	(54)				(54)		(875)
Balance at the beginning of current period reflecting accounting changes	170,019	(1)	(2,398)	5,208	172,827	50,459	1,045,746
Changes of items during the period							
Cash dividends paid							(19,279)
Net income attributable to parent company shareholders							69,497
Change in ownership interest of parent arising from transactions with non-controlling shareholders							258
Change in treasury stock resulting from change in ownership of affiliates accounted for by the equity method							0
Purchases of treasury stock							(60,013)
Disposal of treasury stock							0
Net changes in items other than stockholders' equity	(59,968)	7	(1,049)	(8,960)	(69,971)	2,335	(67,635)
Total changes of items during the period	(59,968)	7	(1,049)	(8,960)	(69,971)	2,335	(77,172)
Balance at the end of current period	110,051	5	(3,448)	(3,751)	102,856	52,794	968,574

**(4) Consolidated statements of cash flows**

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
<b>Cash flows from operating activities</b>		
Income (Loss) before income taxes and non-controlling interests	(18,685)	102,719
Depreciation	59,080	54,474
Impairment loss	16,685	26,516
Decrease of doubtful receivables, net	(388)	(186)
Increase of net defined benefit asset	(5,682)	(7,441)
Increase (Decrease) of net defined benefit liability	(291)	2,169
Equity in gains of affiliates	(4,161)	(6,050)
Amortization of consolidation goodwill, net	1,751	1,659
Interest and dividend income	(5,255)	(5,586)
Interest expense	2,068	1,466
Net gain on sales of investment securities	(20,007)	(50,086)
Net loss on devaluation of investment securities	4,322	7,232
Net gain on sale or disposal of fixed assets	(67)	(24,367)
Repair reserve provisions	75,000	—
Decrease in trade receivables	2,098	22,195
(Increase) Decrease in inventories	1,997	(1,286)
Decrease in trade payables	(1,912)	(9,011)
Other	2,323	10,235
Sub-total	108,876	124,652
Payments for repair costs	(22,750)	(14,076)
Payments for extra retirement payments	(767)	(335)
Payment of income taxes	(16,386)	(16,302)
Net cash provided by operating activities	68,971	93,937
<b>Cash flows from investing activities</b>		
Net (increase) decrease in time deposits	(136,981)	135,777
Payments for purchases of property, plant and equipment	(37,578)	(39,932)
Proceeds from sales of property, plant and equipment	6,942	46,104
Payments for purchases of investment securities	(2,404)	(1,028)
Proceeds from sales of investment securities	26,785	58,112
Payments for purchase of stock in subsidiaries resulting in change in scope of consolidation	—	(1,154)
Proceeds from purchase of stock in subsidiaries resulting in change in scope of consolidation	—	38
Payments for purchase of intangible fixed assets	(9,800)	(9,775)
Interest and dividends received	10,515	9,196
Other	(4,387)	(6,281)
Net cash provided by (used in) investing activities	(146,909)	191,057

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
<b>Cash flows from financing activities</b>		
Net decrease in short-term bank loans	(2,282)	(3,424)
Proceeds from long-term debt	2,500	2,700
Repayments of long-term debt	(4,142)	(2,521)
Proceeds from issuance of bonds	2,442	99,496
Payments for redemption of bonds	(2,290)	(51,490)
Proceeds from payments from non-controlling interests	75	—
Payments for purchases of treasury stock	(15)	(60,060)
Payments for purchases of treasury stock of subsidiaries	(2)	(152)
Interest paid	(2,065)	(1,570)
Dividends paid	(19,324)	(19,283)
Dividends paid to non-controlling interests	(459)	(509)
Payments for purchase of stock in subsidiaries not resulting in change in scope of consolidation	(89)	—
Other	(6,541)	(4,466)
<b>Net cash used in financing activities</b>	<b>(32,196)</b>	<b>(41,280)</b>
Effect of exchange rate changes on cash and cash equivalents	(1,031)	(118)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(111,165)</b>	<b>243,595</b>
Cash and cash equivalents at beginning of year	244,936	133,771
<b>Cash and cash equivalents at end of year</b>	<b>133,771</b>	<b>377,367</b>

**(5) Notes regarding consolidated financial statements**  
**[Notes on premise of a going concern]**

None

**[Basis of presenting consolidated financial statements]**

**1) Scope of consolidation and application of the equity method of accounting**

**Number of consolidated subsidiaries: 108**

Major companies: Maruzen CHI Holdings Co., Ltd.  
Hokkaido Coca-Cola Bottling Co., Ltd., INTELLIGENT WAVE INC.  
DNP Technopack Co., Ltd., DNP Fine Chemicals Co., Ltd.  
DNP Logistics Co., Ltd.

**Number of equity-method affiliated companies: 19**

Major companies: Nihon Unisys, Ltd., BOOKOFF GROUP HOLDINGS LIMITED  
BUNKYODO GROUP HOLDINGS CO., LTD.  
Kyoiku Shuppan Co., Ltd., DIC Graphics Corporation  
Photronics DNP Mask Corporation  
MK Smart Joint Stock Company  
Photronics DNP Mask Corporation Xiamen

**2) Changes in scope of consolidation and application of the equity method of accounting**

**(Scope of consolidation)**

Newly included: 3 DNP PLANNING NETWORK Co., Ltd. and two other companies  
Excluded: 2 DNP Field Eyes Co., Ltd. and one other company

**(Application of equity method)**

Newly included: 1 Hong Kong Andex Electronic Material Co., Ltd.

**3) Matters concerning the fiscal years of consolidated subsidiaries**

Of the consolidated subsidiaries, Hokkaido Coca-Cola Bottling Co., Ltd. and 25 others have fiscal years that end on December 31, while Maruzen CHI Holdings Co., Ltd. and 25 others have fiscal years that end on January 31. Their financial statements as of the same date are used in the preparation of these consolidated financial statements.

Additionally, INTELLIGENT WAVE INC.'s fiscal year ends on June 30, mobilebook.jp, Inc. and one other company have fiscal years that end on September 30, DNP Tamura Plastic Co., Ltd.'s fiscal year ends on October 31, and DNP · SIG Combibloc Co., Ltd.'s fiscal year ends on December 31. Consequently, financial statements based on provisional account settlements are used.

Any material transactions during the time between the foregoing settlement dates or provisional settlement dates and the consolidated settlement date are adjusted for on a consolidated basis.

**4) Summary of significant accounting policies**

**(a) Criteria and methods for valuing significant assets**

• Marketable securities

Other securities

Those with market prices available

Fair market value based on market prices as of the balance sheet date

(The related valuation differences are directly included in net assets and cost of sales is computed mainly by the

Those without market prices available	moving-average method.) Mainly cost based on the moving-average method
• Derivatives	Mainly fair market value
• Inventories	For figures shown on the balance sheet, the book value write-down method based on the decrease in profitability is used.
Merchandise	Mainly cost based on the specific identification method
Finished products, work in progress	Mainly cost based on the retail inventory cost method
Raw materials	Mainly cost based on the moving-average method
Supplies	Mainly cost based on the most recent purchase method

**(b) Depreciation and amortization of significant assets**

• Property, plant and equipment (except for lease assets and right-of use assets)	The Company and its domestic consolidated subsidiaries mainly use the declining-balance method. However, depreciation of buildings (excluding building fixtures) acquired after April 1, 1998 and of building fixtures and structures acquired after April 1, 2016 are computed by the straight-line method. Assets with an acquisition cost of at least ¥100,000 and less than ¥200,000 are depreciated mainly over three years by the straight-line method. Foreign consolidated subsidiaries mainly use the straight-line method.
• Intangible fixed assets (except for lease assets and right-of use assets)	Mainly the straight-line method Software used internally is amortized mainly using the straight-line method over the Company's estimate of the useful life of the assets (five years).
• Lease assets	<u>Lease assets with transfer of ownership</u> These lease assets are depreciated using the same depreciation method used for owned fixed assets. <u>Lease assets with no transfer of ownership</u> These lease assets are depreciated over the lease period using the straight-line method with no residual value.
• Right-of use assets	These right-of use assets are depreciated over the lease period using the straight-line method with no residual value.

**(c) Basis for recording significant allowances**

• Allowance for doubtful accounts	To cover possible losses on doubtful accounts, including trade receivables and loans, the allowance for doubtful accounts is based on historical default rates for general accounts and on estimates of the amounts that may not be recoverable based on examinations of the recoverability of specific accounts including accounts at risk of default.
• Reserve for bonuses	To cover payments of employee bonuses in the following fiscal year, the reserve for bonus is based on the estimated amount that is attributable to the current fiscal year.
• Repair reserve	The repair reserve is based on a rational estimate of the amount of repair costs that will be required in the future to repair defects for some products.

**(d) Accounting treatment of retirement benefits**

- Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, a benefit formula is used to allocate expected retirement benefit payments in the period until the end of the current fiscal year.

- Method of amortizing actuarial gains/losses and prior service costs

Prior service costs are amortized using the straight-line method over a certain number of years that is equal to or less than the average future service period of eligible employees at the time the costs are incurred (generally six years).

Actuarial gains/losses are amortized starting in the next fiscal year after they are incurred using the declining balance method over a certain number of years that is equal to or less than the average future service period of eligible employees in the fiscal year the actuarial gains/losses are incurred (generally nine years).

**(e) Accounting treatment of consumption taxes**

National and local consumption taxes are excluded from transaction amounts.

**(f) Amortization of goodwill**

Goodwill is amortized using the straight-line method for an effective period not more than 20 years. In the current fiscal year, straight-line amortization over five years is generally used.

**(g) Scope of funds in the consolidated statements of cash flows**

Cash and cash equivalents comprise cash on hand, immediately withdrawable funds, and short-term investments that can be easily converted to cash, have insignificant risk of changes in value, and have maturities within three months of the purchase date.

**[Changes in accounting policies]**

(Adoption of ASC 606, “Revenue from Contracts with Customers”)

The DNP Group’s US GAAP subsidiaries adopted ASC 606 “Revenues from Contracts with Customer” from the fiscal year ended March 2020.

This results in the recognition of revenue when promised goods or services are transferred to the customer, in an amount that reflects the consideration to which the subsidiary expects to be entitled in exchange for those goods or services.

These subsidiaries applied this standard in line with the transitional approach of recognizing the cumulative impact from the new standard on the date from which it was adopted, resulting in an adjustment to retained earnings at the beginning of the fiscal year ended March 2020.

As a result, the balance of retained earnings at the beginning of the fiscal year ended March 2020 declined by ¥875 million. This factor had a minimal impact on the DNP Group’s consolidated financial statements for the fiscal year ended March 2020.

(Adoption of ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities”)

The DNP Group’s US GAAP subsidiaries adopted ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities,” from the fiscal year ended March 2020.

This accounting standard requires equity investments (except those accounted for under the equity method or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.

These subsidiaries applied this standard in line with the transitional approach of recognizing the cumulative impact from the new standard on the date from which it was adopted, resulting in an

adjustment to retained earnings and other cumulative comprehensive income at the beginning of the fiscal year ended March 2020.

As a result, at the beginning of the fiscal year ended March 2020, retained earnings increased by ¥54 million and valuation difference on available-for-sale securities fell by ¥54 million. This factor had a minimal impact on the DNP Group's consolidated financial statements for the fiscal year ended March 2020.

(Adoption of IFRS 16, "Leases")

The DNP Group's IFRS subsidiaries adopted IFRS 16 "Leases" from the beginning of the fiscal year ended March 2020.

This standard requires that lessees in principle recognize the right-of-use asset and lease liability arising from all lease transactions, and recognize depreciation of the right-of-use asset and interest on the lease liability.

The adoption of this accounting standard had a minimal impact on the DNP Group's consolidated financial statements for the fiscal year ended March 2020.

#### [Consolidated balance sheets]

	Year ended March 31, 2019	Year ended March 31, 2020
Discounts on notes receivables	¥488 million	¥534 million

#### [Consolidated statements of income]

	Year ended March 31, 2019	Year ended March 31, 2020
1. Research and development expenses (Selling, general and administrative expenses)	¥33,786 million	¥ 33,603million

#### 2. Impairment losses

The DNP Group recorded impairment losses for the following asset groups in the current consolidated fiscal year.

Location	Application	Category
Kuki City (Saitama), Shiraoka City (Saitama), other	Publishing business assets	Buildings and structures, machinery and equipment, other
Himeji City (Hyogo)	Color filter production facilities	Buildings and structures, other
Mihara City (Hiroshima)	Color filter production facilities	Buildings and structures, other
Kashiwa City (Chiba), other	System assets	Software, other
Kyoto City (Kyoto)	Packaging business assets	Buildings and structures, machinery and equipment, other
Kita-Kyushu City (Fukuoka)	Idle assets	Buildings and structures
Other	Business assets, idle assets	Buildings and structures, land, other

In calculating impairment losses, the DNP Group combines assets based mainly on the business groups that serve as profit/loss units. It also considers impairment losses for each individual item for idle assets.

As a result, the DNP Group lowered the carrying amounts of business asset groups with diminished profitability and idle assets that are not expected to be used to their recoverable amounts, and recorded this decrease as an impairment loss (¥26,516 million) under extraordinary losses.

The impairment loss breaks down into buildings and structures at ¥14,485 million, machinery and equipment at ¥3,978 million, land at ¥1,021 million, software at ¥5,512 million, and other at ¥1,518

million.

The DNP Group valued several assets at zero, mainly because they are not expected to generate future cash flow from business activities. Specifically, these are Publishing business assets, color filter production facilities in Mihara City (Hiroshima), system assets, and other business assets.

The DNP Group has deducted the book value of assets that will no longer be required due to plant closures. Specifically, these are color filter production facilities in Himeji City (Hyogo) and packaging business assets in Kyoto City (Kyoto).

The DNP Group calculates the recoverable value of idle assets using the net sale price, which is based on appraised real estate value. However, it lowers the book value of idle assets for which a sale price cannot be calculated to residual value.

## [Consolidated statements of changes in net assets]

### The year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

#### 1. Types and number of shares outstanding and treasury stock

(Shares)

	Stock type	Number of shares at the beginning of the year ended March 2019	Increase in number of shares during the year ended March 2019	Decrease in number of shares during the year ended March 2019	Number of shares at the end of the year ended March 2019
Outstanding shares	Common stock	324,240,346	–	–	324,240,346
Treasury stock	Common stock	22,676,600	6,336	262,191	22,420,745

- Notes:
- The number of treasury shares of common stock increased by 6,336 shares due to the repurchase of odd-lot shares.
  - The number of treasury shares of common stock decreased by 262,191 shares, comprising a decrease of 261,756 shares due to an equity-method affiliate selling shares (DNP shares) that were held at DNP and a decrease of 435 shares due to the sale of odd-lot shares.

#### 2. Detailed information regarding dividends

##### (1) Dividends paid

Resolution	Stock type	Total dividends (Million yen)	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 28, 2018	Common stock	9,658	32	March 31, 2018	June 29, 2018
Board of Directors' meeting on November 13, 2018	Common stock	9,658	32	September 30, 2018	December 10, 2018

##### (2) Of dividends for which the record date belongs to the current fiscal year, those that come into effect in the following fiscal year

Resolution	Stock type	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 27, 2019	Common stock	9,658	Retained earnings	32	March 31, 2019	June 28, 2019

**The year ended March 31, 2020 (April 1, 2019 – March 31, 2020)**

**1. Types and number of shares outstanding and treasury stock**

(Shares)

	Stock type	Number of shares at the beginning of the year ended March 2020	Increase in number of shares during the year ended March 2020	Decrease in number of shares during the year ended March 2020	Number of shares at the end of the year ended March 2020
Outstanding shares	Common stock	324,240,346	–	–	324,240,346
Treasury stock	Common stock	22,420,745	20,938,721	122	43,359,344

- Notes:
1. The number of treasury shares of common stock increased by 20,938,721 shares due to the repurchase of 20,933,700 shares decided on by the Board of Directors, and by 5,021 shares due to the repurchase of odd-lot shares.
  2. The number of treasury shares of common stock declined by 122 shares due to a decrease of 116 shares resulting from the sale of odd-lot shares and by six shares due to a change in the DNP Group's ownership stake in an equity-method affiliate.

**2. Detailed information regarding dividends**

**(1) Dividends paid**

Resolution	Stock type	Total dividends (Million yen)	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 27, 2019	Common stock	9,658	32	March 31, 2019	June 28, 2019
Board of Directors' meeting on November 12, 2019	Common stock	9,620	32	September 30, 2019	December 10, 2019

**(2) Of dividends for which the record date belongs to the current fiscal year, those that come into effect in the following fiscal year**

Resolution	Stock type	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 26, 2020	Common stock	8,988	Retained earnings	32	March 31, 2020	June 29, 2020

**[Segment information, etc.]**

**(Segment information)**

**1. Overview of the reporting segments**

**(1) Method of determining reporting segments**

DNP's reporting segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of business resources and evaluate business results.

The DNP Group bases its business divisions on the products and services provided and develops its business activities based on a comprehensive domestic and overseas strategy for each business division. The four reporting segments are Information Communication, Lifestyle and Industrial Supplies, Electronics, and Beverages.

**(2) Products and services in each reporting segment**

Information Communication is involved in the production and sale of publications, commercial printed materials, business forms, and photographic materials and in educational and publications distribution. Lifestyle and Industrial Supplies is involved in the production and sale of packaging materials, interior and exterior decorative printed materials, and industrial supplies. Electronics is involved in the production and sale of precision electronic components

and other products. Beverages is involved in the production and sale of carbonated beverages, mineral waters and other products.

## 2. Method of calculating sales, income/loss, assets, and other items by reporting segment

The accounting method used for reporting business segments is generally the same as stated in “Basis of presenting consolidated financial statements.”

Reporting segment income figures are based on operating income. Inter-segment sales and transfers are based on third-party transaction prices.

## 3. Information on sales, income/loss, assets, and other items by reporting segment

The year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

	Reporting segment					Adjustment Note 1	Amounts reported on consolidated financial statements <sup>Note 2</sup>
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales							
Outside customers	757,902	395,182	192,436	55,984	1,401,505	–	1,401,505
Inter-segment	4,408	1,987	–	13	6,408	(6,408)	–
Total	762,310	397,169	192,436	55,997	1,407,914	(6,408)	1,401,505
Segment income	24,843	8,378	36,912	2,121	72,255	(22,357)	49,898
Segment assets	893,824	445,329	225,057	48,466	1,612,677	162,345	1,775,022
Other items							
Depreciation and amortization	25,693	16,384	11,578	2,709	56,364	2,715	59,080
Amortization of goodwill	538	1,213	–	–	1,751	–	1,751
Impairment loss	4,065	1,502	4,551	28	10,148	6,537	16,685
Investments in equity-method affiliates	1,738	493	17,076	–	19,307	37,450	56,757
Increase in property, plant and equipment and in intangible fixed assets	19,697	12,777	4,613	1,927	39,016	2,087	41,103

Notes: 1. Figures are adjusted as follows.

- (1) Segment income is adjusted for costs related to basic research not assignable to a reporting segment or costs of research shared by different segments.
  - (2) Segment assets are adjusted for companywide assets not allocated to reporting segments and the elimination of inter-segment transactions.
  - (3) Impairment loss adjustments are related to companywide assets not allocated to reporting segments.
  - (4) Investments in equity-method affiliates are adjusted for investments not allocated to reporting segments.
  - (5) Increases in property, plant and equipment and in intangible fixed assets are adjusted for capital expenditures for the head office building and other items.
2. Segment income is adjusted to reflect operating income as reported in the consolidated financial statements.

**The year ended March 31, 2020 (April 1, 2019 – March 31, 2020)**

(Million yen)

	Reporting segment					Adjustment Note 1	Amounts reported on consolidated financial statements Note 2
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales							
Outside customers	769,749	390,271	186,602	55,270	1,401,894	–	1,401,894
Inter-segment	3,329	1,086	–	21	4,437	(4,437)	–
Total	773,079	391,357	186,602	55,292	1,406,331	(4,437)	1,401,894
Segment income	30,416	11,144	34,135	2,047	77,742	(21,468)	56,274
Segment assets	796,797	423,906	208,396	49,955	1,479,055	242,668	1,721,724
Other items							
Depreciation and amortization	23,547	16,022	9,654	2,788	52,013	2,461	54,474
Amortization of goodwill	446	1,213	–	–	1,659	–	1,659
Impairment loss	16,187	2,545	5,205	1	23,940	2,575	26,516
Investments in equity-method affiliates	1,679	652	16,161	–	18,493	41,471	59,965
Increase in property, plant and equipment and in intangible fixed assets	20,008	21,265	11,802	2,666	55,742	1,419	57,162

Notes: 1. Figures are adjusted as follows.

- (1) Segment income is adjusted for costs related to basic research not assignable to a reporting segment or costs of research shared by different segments.
  - (2) Segment assets are adjusted for companywide assets not allocated to reporting segments and the elimination of inter-segment transactions.
  - (3) Impairment loss adjustments are related to companywide assets not allocated to reporting segments.
  - (4) Investments in equity-method affiliates are adjusted for investments not allocated to reporting segments.
  - (5) Increases in property, plant and equipment and in intangible fixed assets are adjusted for capital expenditures for the head office building and other items.
2. Segment income is adjusted to reflect operating income as reported in the consolidated financial statements.

**(Related information)**

**The year ended March 31, 2019 (April 1, 2018 – March 31, 2019)**

1. Information on products and services

Omitted because similar information is disclosed in segment information.

2. Regional information

(1) Net sales

(Million yen)

Japan	Asia	Other regions	Total
1,163,128	162,056	76,321	1,401,505

- Notes:
1. Sales are classified by country or region, based on the location of customers.
  2. Country and regional segments are based on geographic proximity.
  3. Main countries and regions included in each segment:  
 Asia: South Korea, China, Taiwan, Indonesia  
 Other: United States, France, Germany, United Kingdom

(2) Property, plant and equipment

Omitted because the value of property, plant and equipment located in Japan is over 90% of the value of property, plant and equipment as reported in the consolidated balance sheets.

3. Information on major customers

Not described because sales to specific outside customers are less than 10% of sales as reported in the consolidated statements of income.

**The year ended March 31, 2020 (April 1, 2019 – March 31, 2020)**

1. Information on products and services

Omitted because similar information is disclosed in segment information.

2. Regional information

(1) Net sales

(Million yen)

Japan	Asia	Other regions	Total
1,155,716	169,658	76,519	1,401,894

- Notes:
1. Sales are classified by country or region, based on the location of customers.
  2. Country and regional segments are based on geographic proximity.
  3. Main countries and regions included in each segment:  
Asia: China, South Korea, Indonesia, Taiwan  
Other: United States, France, Germany, United Kingdom

(2) Property, plant and equipment

Omitted because the value of property, plant and equipment located in Japan is over 90% of the value of property, plant and equipment as reported in the consolidated balance sheets.

3. Information on major customers

Not described because sales to specific outside customers are less than 10% of sales as reported in the consolidated statements of income.

**[Per share information]**

	Year ended March 31, 2019 (April 1, 2018 – March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)
Net assets per share	¥3,300.52	¥3,260.38
Net income (loss) per share	¥(118.22)	¥235.18
Diluted net income per share	–	¥235.08

Notes: 1. Diluted net income per share for the previous fiscal year is not listed because, although there are potential dilutive shares, the DNP Group incurred a net loss per share.

2. The basis for calculating net income (loss) per share and diluted net income per share is as follows.

		Year ended March 31, 2019 (April 1, 2018 – March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)
(1) Net income (loss) per share			
Net income (loss) attributable to parent company shareholders	(Million yen)	(35,668)	69,497
Amounts not attributable to common shareholders	(Million yen)	–	–
Net income (loss) attributable to parent company common shareholders	(Million yen)	(35,668)	69,497
Average number of common shares outstanding during the fiscal year	(Thousand shares)	301,715	295,506
(2) Diluted net income per share			
Adjustments to net income attributable to parent company shareholders	(Million yen)	–	(30)
Of which, impact of dilutive stock of consolidated subsidiaries and affiliates	(Million yen)	–	(30)
Increase in common stock	(Thousand shares)	–	–

3. The basis for calculating net assets per share is as follows.

		Year ended March 31, 2019 (As of March 31, 2019)	Year ended March 31, 2020 (As of March 31, 2020)
Total net assets	(Million yen)	1,046,622	968,574
Amount excluded from total net assets	(Million yen)	50,459	52,794
Of which, non-controlling interests	(Million yen)	50,459	52,794
Net assets at fiscal year-end pertaining to common stock	(Million yen)	996,162	915,779
Number of common shares outstanding	(Thousand shares)	324,240	324,240
Number of common treasury shares	(Thousand shares)	22,420	43,359
Number of common shares at fiscal year-end used for the calculation of net assets per share	(Thousand shares)	301,819	280,881

**[Significant subsequent events]**

None

## 6. Non-consolidated financial statements and key notes

### (1) Non-consolidated balance sheets

(Million yen)

	Year ended March 31, 2019 (As of March 31, 2019)	Year ended March 31, 2020 (As of March 31, 2020)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	169,329	266,478
Notes receivable	18,422	14,936
Electronically recorded monetary claims	29,280	29,059
Trade receivable	242,965	224,819
Merchandise and finished goods	3,501	2,494
Work in progress	9,427	10,313
Raw materials and supplies	1,704	1,017
Other	40,128	38,166
Allowance for doubtful accounts	(1,232)	(858)
Total current assets	513,527	586,428
Fixed assets		
Property, plant and equipment		
Buildings	420,049	396,401
Accumulated depreciation	(278,373)	(276,049)
Buildings, net	141,676	120,351
Structures	30,617	29,398
Accumulated depreciation	(25,096)	(24,771)
Structures, net	5,520	4,626
Machinery	548,440	537,760
Accumulated depreciation	(505,580)	(495,203)
Machinery, net	42,859	42,556
Vehicles	1,368	1,451
Accumulated depreciation	(1,250)	(1,276)
Vehicles, net	118	174
Equipment	51,462	50,639
Accumulated depreciation	(41,898)	(42,401)
Equipment, net	9,564	8,237
Land	126,201	119,745
Lease assets	1,873	1,885
Accumulated depreciation	(850)	(1,004)
Lease assets, net	1,022	881
Construction in progress	7,565	8,898
Total property, plant and equipment	334,528	305,472
Intangible fixed assets		
Software	19,727	14,931
Other	1,178	1,109
Total intangible fixed assets	20,905	16,040
Investments and other assets		
Investment securities	334,362	236,229
Investments in securities in affiliates	154,471	141,928
Investments in capital of affiliates	1,364	1,603
Prepaid pension costs	56,848	62,150
Other	18,512	18,894
Allowance for doubtful accounts	(8,264)	(9,029)
Total investments and other assets	557,295	451,777
Total fixed assets	912,729	773,290
<b>TOTAL ASSETS</b>	<b>1,426,257</b>	<b>1,359,719</b>

(Million yen)

	Year ended March 31, 2019 (As of March 31, 2019)	Year ended March 31, 2020 (As of March 31, 2020)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable	13,102	11,275
Trade payable	200,873	206,936
Bonds redeemable within 1 year	50,000	50,000
Lease obligations	345	329
Accounts payable - other	33,707	40,846
Income taxes payable	-	5,005
Accrued expenses	17,499	18,153
Advances received	7,034	5,661
Deposits payable	207,759	220,524
Reserve for bonuses	8,188	8,395
Reserve for bonuses to directors	176	169
Repair reserve	19,162	20,636
Notes payable for facilities	807	944
Other	173	188
<b>Total current liabilities</b>	<b>558,829</b>	<b>589,067</b>
Long-term liabilities		
Bonds	50,000	100,000
Lease obligations	818	672
Asset retirement obligations	1,007	1,482
Long-term accounts payable	5,825	5,425
Provision for retirement benefits	9,586	10,028
Repair reserve	70,211	54,660
Reserve for environmental measures	357	324
Deferred tax liabilities	59,715	37,698
Other	33	24
<b>Total long-term liabilities</b>	<b>197,555</b>	<b>210,316</b>
<b>TOTAL LIABILITIES</b>	<b>756,384</b>	<b>799,384</b>
<b>NET ASSETS</b>		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus		
Capital reserve	144,898	144,898
Other capital surplus	-	0
<b>Total capital surplus</b>	<b>144,898</b>	<b>144,898</b>
Retained earnings		
Legal reserve	23,300	23,300
Other retained earnings		
Reserve for depreciation reduction of fixed assets	21	20
Other reserves	282,780	232,780
Retained earnings brought forward	(792)	59,928
<b>Total retained earnings</b>	<b>305,309</b>	<b>316,028</b>
Treasury stock	(62,868)	(122,881)
<b>Total stockholders' equity</b>	<b>501,803</b>	<b>452,509</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	168,069	107,825
<b>Total valuation and translation adjustments</b>	<b>168,069</b>	<b>107,825</b>
<b>TOTAL NET ASSETS</b>	<b>669,873</b>	<b>560,334</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,426,257</b>	<b>1,359,719</b>

**(2) Non-consolidated statements of income**

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net sales	982,691	984,888
Cost of sales	852,494	855,012
Gross profit	130,197	129,876
Selling, general and administrative expenses	132,770	136,384
Operating loss	(2,573)	(6,507)
Non-operating income		
Interest income	178	155
Dividend income	17,126	20,352
Other	29,987	29,391
Total non-operating income	47,292	49,899
Non-operating expenses		
Interest expense	1,532	1,073
Other	24,744	26,958
Total non-operating expenses	26,277	28,032
Ordinary income	18,441	15,359
Extraordinary gains		
Gain on sale of fixed assets	2,648	24,944
Gain on sale of investment securities	18,025	51,444
Other	2,124	110
Total extraordinary gains	22,798	76,499
Extraordinary losses		
Loss on sale or disposal of fixed assets	1,858	5,191
Impairment loss	9,354	22,744
Loss on devaluation of investment securities	4,285	7,072
Loss on devaluation of securities in affiliates	17	14,596
Repair reserve provisions	75,000	–
Other	2,461	1,727
Total extraordinary losses	92,978	51,332
Income (loss) before income taxes	(51,738)	40,526
Current income taxes	410	6,940
Deferred income taxes	(952)	3,587
Total income taxes	(542)	10,527
Net income (loss)	(51,196)	29,998

**(3) Non-consolidated statements of changes in net assets**  
**The year ended March 31, 2019 (April 1, 2018 – March 31, 2019)**

(Million yen)

	Stockholders' equity								
	Common stock	Capital surplus		Legal reserve	Retained earnings				Total retained earnings
		Capital reserve	Total capital surplus		Other retained earnings				
					Reserve for special depreciation	Reserve for depreciation reduction of fixed assets	Other reserve	Retained earnings brought forward	
Balance at the beginning of current period	114,464	144,898	144,898	23,300	0	23	282,780	69,719	375,823
Changes of items during the period									
Reversal of reserve for special depreciation					(0)			0	–
Reversal of reserve for depreciation reduction of fixed assets						(1)		1	–
Cash dividends paid								(19,317)	(19,317)
Net loss								(51,196)	(51,196)
Purchases of treasury stock									
Disposal of treasury stock								(0)	(0)
Net changes in items other than stockholders' equity									
Total changes of items during the period	–	–	–	–	(0)	(1)	–	(70,511)	(70,513)
Balance at the end of current period	114,464	144,898	144,898	23,300	–	21	282,780	(792)	305,309

	Stockholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(62,854)	572,331	165,365	165,365	737,696
Changes of items during the period					
Reversal of reserve for special depreciation		–			–
Reversal of reserve for depreciation reduction of fixed assets		–			–
Cash dividends paid		(19,317)			(19,317)
Net loss		(51,196)			(51,196)
Purchases of treasury stock	(15)	(15)			(15)
Disposal of treasury stock	1	1			1
Net changes in items other than stockholders' equity			2,704	2,704	2,704
Total changes of items during the period	(14)	(70,527)	2,704	2,704	(67,823)
Balance at the end of current period	(62,868)	501,803	168,069	168,069	669,873

The year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(Million yen)

	Stockholders' equity								
	Common stock	Capital surplus			Retained earnings				
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings			Total retained earnings
						Reserve for depreciation reduction of fixed assets	Other reserve	Retained earnings brought forward	
Balance at the beginning of current period	114,464	144,898	–	144,898	23,300	21	282,780	(792)	305,309
Changes of items during the period									
Reversal of reserve for depreciation reduction of fixed assets						(1)		1	–
Reversal of other reserve							(50,000)	50,000	–
Cash dividends paid								(19,279)	(19,279)
Net income								29,998	29,998
Purchases of treasury stock									
Disposal of treasury stock			0	0					
Net changes in items other than stockholders' equity									
Total changes of items during the period	–	–	0	0	–	(1)	(50,000)	60,720	10,719
Balance at the end of current period	114,464	144,898	0	144,898	23,300	20	232,780	59,928	316,028

	Stockholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(62,868)	501,803	168,069	168,069	669,873
Changes of items during the period					
Reversal of reserve for depreciation reduction of fixed assets		–			–
Reversal of other reserve		–			–
Cash dividends paid		(19,279)			(19,279)
Net income		29,998			29,998
Purchases of treasury stock	(60,013)	(60,013)			(60,013)
Disposal of treasury stock	0	0			0
Net changes in items other than stockholders' equity			(60,244)	(60,244)	(60,244)
Total changes of items during the period	(60,013)	(49,293)	(60,244)	(60,244)	(109,538)
Balance at the end of current period	(122,881)	452,509	107,825	107,825	560,334

**(4) Notes regarding non-consolidated financial statements**  
**[Notes on premise of a going concern]**

None