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This annual report is aimed at providing information about DNP's businesses, management vision, and business results. Opinions and forecasts contained in the report were based on the best judgment of management at the time the report was prepared, so we cannot guarantee that all information contained in the report is completely infallible.

In this annual report, "DNP" refers to the entire DNP Group, and "we" refers to DNP or the DNP management team.

(In the section on Corporate Governance (pp 88-92), "DNP" refers to Dai Nippon Printing Co., Ltd.)

To Our Shareholders



The fiscal year through March 2009 was a dramatic one, during which financial crisis in the United States triggered worldwide financial instability and caused a large drop in consumption. In Japan, particularly from the second half of the fiscal period, corporate profits and employment rapidly worsened. Together with other factors, this resulted in a significant decline in the economy. In the printing industry as well, stagnant demand, higher materials costs, increased competition placing downward pressure on unit prices – all combined to make the business environment harsher than ever.

Below are some of the measures that DNP is taking in order to continually increase our corporate value despite these conditions.

First of all, we undertook structural reforms in our Electronics business, which was immediately challenged by the drastic market changes, in order to reshape the segment so that it will be able to respond more nimbly to market changes and technological developments. We are transforming our LCD color filter and photomask businesses to enable them to rapidly respond to even the sharpest changes in the supply-demand picture, for example by consolidating production bases or switching over production lines. In addition, we reevaluated production equipment and other assets based on future cash flow, and wrote down some 48.7 billion yen worth of assets.

Next, we stepped up efforts aimed at developing the publishing industry as a whole, in collaboration with many other publishing-related companies. These efforts include producing attractive content and establishing livelier content distribution platforms in order to revitalize an industry that has been in a prolonged slump since the market peaked in 1996. We believe that restoring the vitality of the publishing industry as a whole will fuel DNP's growth. We are taking a variety of concrete measures, including joining forces not only with publishers but also with booksellers and libraries, developing electronic books and supporting international content development. Rather than limiting our role to that of a manufacturer, i.e. printer, we are bolstering our education and publication distribution businesses in order to stimulate the publishing industry.

In addition, we are accelerating commercialization of new businesses with good growth potential, for example in the energy and life science fields. This January, in order to meet global demand for clean

energy to replace fossil fuels, we opened a new plant for manufacturing solar battery components in Fukushima Prefecture, and also established Energy Systems Operations to facilitate the construction of integrated systems of sales, manufacturing, and development. We are also applying printing technologies in order to develop sophisticated and original products and technologies in life science fields such as pharmaceuticals, medical care, and health care. In the fiscal year through March 2009, we became the first entity in Japan to commercialize a glass substrate for cell pattern culture, and we established efficient production technology for cell sheet culture film, a product that promises to contribute increasingly to regenerative medicine.

As a result of these efforts, net sales in the fiscal year ended March 2009 amounted to 1.58 trillion yen, with operating income of 46.2 billion yen. Largely because we posted stock evaluation losses and impairment losses (primarily from Electronics), our net result was a loss of 20.9 billion yen. In line with these severe results, we reduced our dividend payout by 4 yen to 32 yen per share.

Currently, the business environment has deteriorated in many industries, and every company is searching for ways to restore its performance. We are convinced that the key to DNP's growth lies in identifying our clients' problems through *taiwa** based on the bonds of deep trust that we have built with long-standing customers, and by guiding them to solve those problems through meticulous work. The printing and information technologies that we have cultivated throughout our corporate history are powerful resources for solving those problems. We aim to find opportunities in these difficult times; by progressing along with our customers, we intend to achieve sustainable growth as a company that contributes to society.

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

Going forward, we will continue to make every effort to succeed in meeting the expectations of our shareholders and everyone else who has a stake in DNP.

President Yoshitoshi Kitajima



Performance in the Fiscal Term Ended March 2009

Q1 What do you think of DNP's performance in the term ended March 2009?

DNP's performance this term was severely affected by factors like the plunge in demand that resulted from worldwide economic recession, higher materials prices, and lower unit prices. Our business results reflected these extremely harsh conditions. Especially in the second half of the term, demand for LCD color filters and anti-glare film fell suddenly in response to major production adjustments by LCD panel manufacturers. Demand for photomasks and other electronic devices also decreased due to stagnation in the market for semiconductor products. In addition, the publishing market failed to break out of the slump that began 10 years ago, and commercial printing sales declined, partly because companies reduced their advertising budgets as their performance worsened. As a result, net sales declined by 1.9% to 1.58 trillion yen and operating income declined 47.0% to 46.2 billion yen.

In order to cope under these harsh conditions, we initiated structural reforms in our Electronics segment. As part of that initiative, we reevaluated some of our equipment, including color filter and photomask production equipment, in light of future cash flow projections, and posted impairment losses of roughly 48.7 billion yen. We also posted evaluation losses of about 13.6 billion yen related to stock holdings. As a result of these write-downs and other factors, we ended the term with a net loss of 20.9 billion yen.

The effect of materials cost increases was about 13.2 billion yen, some 1.4 billion yen more than the previous year. Cost increases were especially sharp for wrapping film and other petroleum products, and for printing paper. We succeeded in passing on about half of these cost increases through negotiations with customers, but lower unit prices resulting from increased competition cost us roughly 16.0 billion yen.

We countered these negatives by continuing our companywide efforts at cost structure reform. Particularly in our manufacturing divisions, we made a Group-wide push to implement "Production 21" cost-cutting measures, thereby improving process efficiency, increasing yields, reducing materials losses, and shortening downtime required for preparation and coordination. Overall, we succeeded in cutting costs by about 36.5 billion yen or some 1.5 billion yen more than the previous term.

Electronics and Information Communication Segments

Q2 The Electronics segment suffered major drops in revenues and profits. How do you plan to handle this situation?

We will continue to view our Electronics segment as strategically important, and will implement structural reforms aimed at securing high growth and competitiveness. The segment's performance deteriorated sharply this term due to sudden drops in demand and prices, but we took the following emergency measures to get its performance back on track.

First, concerning display components, we will concentrate on producing high added-value LCD color filters, such as those used in large-screen televisions, with emphasis on production of 8th-generation and 10th-generation large-size substrates at the new facilities that are currently under construction in Sakai and Himeji. We will switch production of small and medium-size color filters used in mobile phones, monitors, and notebook computers to production lines that can also handle larger substrates in order to boost profitability by using more versatile and efficient production methods. Regarding non-LCD display components, we intend to expand our business by using DNP technologies to develop a variety of products for organic EL displays and touch screens, which are expected to grow substantially in the future.

In the photomask arena, we are reinforcing profitability by consolidating production sites and equipment to make maximum use of production capacity. Specifically, we closed our Sagamihara Plant in May 2009, removed outdated equipment from all of our production bases, and transferred equipment to the new plant we are currently building in Taiwan. We recognize the importance of the Southeast Asian market and are opening a factory in Taiwan to serve as a speedy product supply base from which to expand our business in the region. Finally, in advanced product development, an area in which DNP excels, we are continuously investing in 32 nm and 22 nm next-generation products. We are accelerating the development of high added-value next-generation products by making the most of our technological strengths, including new technologies such as nanoimprint and EUV lithography*.

* EUV lithography: technology using Extreme Ultraviolet (extremely short-wavelength) light to burn minute circuit images onto silicon wafers

Q3 It seems that the Information Communication segment, which is the mainstay of DNP's sales and profits, is also continuing to experience harsh conditions.

DNP's Information Communication segment is the core business that has continued to assure the Group large and steady profits. This remains the case, but because the business environment remained harsh in the term ended March 2009, we actively implemented measures for revitalizing the publishing industry.

The publishing market itself has been in a prolonged slump lasting more than 10 years, and we realized that this poses a serious problem. Since its founding in 1876, DNP has grown along with the publishing industry, so it is most important for us to take steps to revitalize the industry as a whole.

As part of this overall effort, in the term ended March 2009 DNP acquired Maruzen Co., Ltd. and Junkudo Co., Ltd. as consolidated subsidiaries and coordinated their operations with those of TRC Inc., a library operations support company that was already under the DNP Group umbrella, in order to strengthen our education and publishing distribution businesses. Our aim is to expand our business by combining these subsidiaries' assets, including expertise, customer development capacity, and brand strength in the fields of bookstore and library operations, with DNP's capacity for CRM analysis, electronic publishing, online sales, and various services and products related to sales promotion.

Furthermore, we have initiated a broad range of activities – from planning and production of digital content to marketing, sales promotion, and construction of related systems – in response to growth in the electronic publishing market, which includes distribution of novels and cartoons to mobile phones. Outside Japan, we responded to increasing

demand for Japanese content, especially cartoons and fashion-related material, by linking production bases around the world and promoting our GMM (global metamedia) system of producing in optimal locations. We aim to create new businesses by being ready to digitize, network, and globalize.

Meanwhile, many companies affected by the economic downturn have trimmed their advertising budgets, so demand for printed materials such as catalogs, pamphlets, and direct mail has declined. We expect the harsh business conditions to continue, but we see this as a major opportunity because companies are looking for more effective advertising solutions, and we can offer a variety of services that solve their problems. For example, we can handle all kinds of information media from paper to the Internet, analyze market and customer trends, operate customer support centers and sales campaign offices, and provide on-demand printing.

Moreover, businesses have an increasing need for information security and protection of personal information. As long as a company continues to do business, it must increase the reliability of its information security. In recent years, DNP has promoted the acquisition of PrivacyMark certification for business units and Group companies that handle data processing; this fiscal term Dai Nippon Printing received PrivacyMark certification for the entire company. Besides beefing up our own security systems, DNP provides other companies with security solutions, primarily involving smart cards.

DNP's Strengths and Long-Term Strategies

Q4 What are you doing now to boost corporate value and achieve sustainable growth?

Right now, business conditions have worsened in many industries and most companies are searching for ways to restore their corporate performance. The fact that companies are grappling with many issues means that they have many problems to solve. Given that DNP's corporate vision is to be a "P&I Solutions" provider, this presents us with an important opportunity to help corporate clients and society solve their problems. Taking advantage of our printing and information technologies, clearly identifying a variety of problems, and carefully solving them one by one is what will fuel DNP's growth.

DNP has already generated a large number of advanced products and services that enrich people's lives. Long ago, we established the weekly publication of magazines, and helped make color televisions widely accessible by developing shadow masks. We were quick to incorporate digital and network technologies into printing production processes, thereby contributing to the development of electronic publishing. We have succeeded in a wide variety of fields, for example, by developing smart cards with advanced information security systems, highly functional packaging products that are easy for anyone to use, and eco-friendly decorative materials for dwelling spaces, and by supporting businesses in every area from planning and development to customer support and distribution based on CRM analysis.

Our creativity is rooted in a boundless spirit of innovation, and I believe it is particularly important to maintain a "consumer's point of view." We have always stimulated innovation by constantly focusing on what consumers want and what will benefit them, and by providing safe, convenient, high-performance products and services that are considerate of the user. Going forward, we aim to remain quick to notice changes in the needs of businesses and consumers by deepening *taiwa* with them. And we will promote changes that are widely accepted in society, including new business models.

In order to speedily implement such changes and boost our competitiveness, we will actively seek strategic tie-ups and alliances. We will also enhance our Group-wide "Production 21" activities with an eye toward overall optimization in order to improve productivity. Through these activities, we aim to boost corporate value and achieve sustainable growth.

Q5 What concrete results did you achieve that will help DNP realize sustainable growth?

We entered the life science and energy businesses, two fields with good expectations for future growth.

We believe that by applying our printing and information technologies to living cells, we can generate products that contribute to the development of regenerative medicine and preventative medicine and also expand our Life Science business.

For example, in July 2008 we became first in the world to commercialize a cell culture substrate that enables the culturing of cells in particular patterns. The launch of this "CytoGraph™" substrate was built on the success of our collaboration with Tokyo Medical and Dental University in 2004, when we succeeded in forming capillary patterns. We plan to apply this technology to areas like the regeneration of capillary blood vessels, repair of skin damaged by bedsores or other injuries, and treatment of periodontal disease. Furthermore, we have established mass production technology that will allow us to take cells cultured in petri dishes and form them into sheets that are convenient to use in surgery and other medical applications. These sheets are expected to be very effective in regenerative therapies involving application of sheets of cells to diseased or injured skin, corneal tissue, periodontal membranes, heart muscle or other tissues. Currently, our Life Science-related sales amount to about 30.0 billion yen per year, but we aim to increase them to around 70.0 billion yen in 2016.

Another field that is garnering a great deal of attention is solar batteries, which generate electricity without burning petroleum or other fossil fuels, thereby helping to reduce CO₂ emissions. We are working to expand our business in this field largely through production of solar battery components, which we began manufacturing at a new plant in Fukushima Prefecture in January 2009, giving us a foothold in this rapidly expanding market. The new plant manufactures back sheets and encapsulant sheets for solar batteries, with expected sales of 12.0 billion yen in the year through March 2011. In addition, we plan to actively market these products overseas to promote growth in the clean energy field.

We will work to expand our fields of business in the medium and long term on the strength of our printing and information technologies.

Shareholder Returns and CSR

Q6 Please share your thoughts about shareholder returns in today's harsh business environment.

We view the return of profits to shareholders as an important management policy.

Our basic policy toward allocating profits is to pay stable dividends to shareholders, with consideration for such factors as business performance and dividend payout ratio. At the same time, we endeavor to enhance our financial constitution by using retained earnings for future business expansion and strengthening our management base.

In addition to allocating internal reserves for investments that support research and development of new products and technologies, capital investment for the development of new businesses, and strategic tie-ups, M&As, etc., we also watch our funding needs and market trends and consider repurchasing our own shares as a way of returning profits to shareholders. We believe that all of these options can contribute to increasing future profits and therefore help return profits to shareholders.

In the term ended March 2009, when every company faced pressure to make difficult decisions in response to the worldwide economic downturn, DNP undertook radical measures aimed at improvement, including structural reform of our Electronics segment. Although we increased our dividend payout for six consecutive years beginning in March 2003, we decreased this year's dividend payment by 4 yen to 32 yen per share, reflecting the fiscal term's poor performance. We also decreased bonuses paid to directors and corporate officers by 20 to 50%, according to each executive's position. We repurchased stock for the seventh consecutive year since March 2003, amounting to 166.5 million shares this fiscal term.

At present we plan to leave our dividend payout at 32 yen per share next term as well.

Q7 What steps are you taking to address corporate governance, internal control, and corporate social responsibility?

At DNP, we value *taiwa* with all of our various stakeholders. One reason we disclose appropriate information in a timely fashion and work hard to achieve accountability is that we can uncover new issues and go on to resolve them through lively *taiwa*.

Furthermore, in order to achieve long-term, sustainable improvement in corporate value and to gain the trust of shareholders and all other stakeholders, we position corporate governance as an important management task. We need to build adequate monitoring systems and maintain their appropriate operation in order to facilitate quick and appropriate decision-making and business execution.

In May 2006, we began working toward the establishment of an internal control system. In the fiscal term through March 2009, we began preparing internal control reports based on Japan's Financial Instruments and Exchange Act, and we are now working to achieve an even greater degree of transparency.

As a forerunner in the area of corporate social responsibility (CSR), DNP has been honored by various parties, including receipt of the Key Firm of Integrity Award and Global Environment Award. We view these honors as recognition of our desire to be a "company of integrity" and of our steady and concrete efforts to fulfill that desire, including the establishment of our Open Door Room and adoption of the DNP Group CSR Procurement Criteria.

Looking ahead, we want to continue to create value for all of our stakeholders through DNP's businesses, and to fulfill our responsibilities as a company that is trusted and needed by society.

Management, Communication, Business, Media

DNP Encyclopedia

College of Business

2024-2025

DNP in Brief

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Synopsis of Performance

Grand Summary of Financial Results

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

	2009	2008	2007	change 2009/2008
Statements of Operations (¥ million)				
Net sales	¥ 1,584,844	¥ 1,616,053	¥ 1,557,802	-1.9%
Operating income	46,177	87,104	96,145	-47.0%
Ordinary income	47,390	86,502	101,348	-45.2%
Income (loss) before income taxes	(27,842)	88,469	98,950	—
Net income (loss)	(20,933)	45,172	54,842	—
Balance Sheets (¥ million)				
Total net assets	¥ 940,086	¥ 1,040,135	¥ 1,099,439	-9.6%
Interest-bearing debt	124,263	80,104	69,228	55.1%
Total assets	1,536,557	1,601,193	1,700,250	-4.0%
Cash Flow Statement (¥ million)				
Cash flows from operating activities	¥ 131,569	¥ 157,283	¥ 123,011	-16.3%
Cash flows from investing activities	(100,726)	(122,523)	(150,717)	-17.8%
Cash flows from financing activities	(33,952)	(73,728)	(42,590)	-54.0%
Free cash flow*	30,843	34,760	(27,706)	-11.3%
Per Share Data** (¥)				
Net income (loss)	¥ (32.35)	¥ 67.08	¥ 78.10	—
Net assets	1,393.91	1,516.35	1,544.02	-8.1%
Cash dividend	32	36	32	-11.1%
Profit Margins (%)				
Operating income margin	2.91	5.39	6.17	-2.48
EBITDA margin	5.09	12.36	12.87	-7.27
Net income (loss) to net sales	-1.32	2.80	3.52	-4.12
Financial Ratios				
ROE (%)	-2.20	4.35	5.14	-6.55
ROA (%)	-1.33	2.74	3.26	-4.07
D/E ratio (%)	14	8	6	—
Interest coverage ratio (times)	30.22	70.09	76.46	—
Valuations (against share prices on March 31)				
PER (times)	—	23.64	23.74	—
PBR (times)	0.64	1.05	1.20	—
EV/EBITDA (times)	7.19	4.94	5.74	—
PCFR (times)	6.74	6.76	8.30	—
Dividend yield (%)	3.56	2.26	1.73	1.29%
Return to Shareholders				
Value of shares repurchased (¥ million)	25,550	58,310	19,475	-54.5%
Dividend payout ratio (%)	—	53.7	41.0	—
Others				
Long-term credit rating (R&I)	AA (stable)	AA+ (stable)	AA+ (stable)	—
Foreign ownership (%)	23.63	29.53	34.53	—

* Cash flows from operating activities - cash flows from investing activities ** No diluting securities outstanding

Accelerated efforts in education and publication distribution businesses.

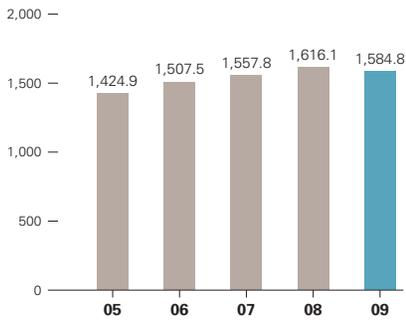
Started operational reform of Electronics segment; wrote down some 48.7 billion yen in impairment losses.

Secured 131.6 billion yen in operating cash flow and 30.8 billion in free cash flow*.

*Cash flows from operating activities – cash flows from investing activities

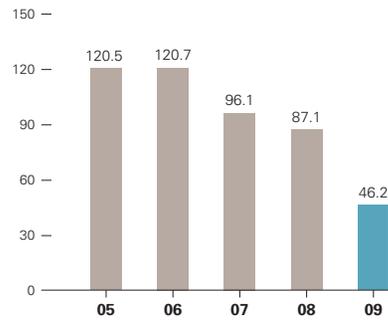
Net Sales

(¥ billion)



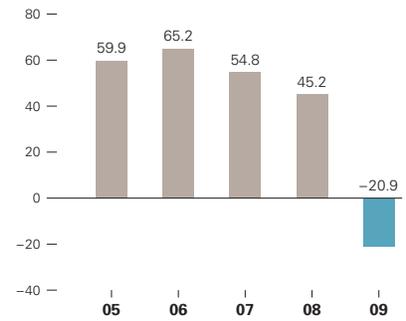
Operating Income

(¥ billion)



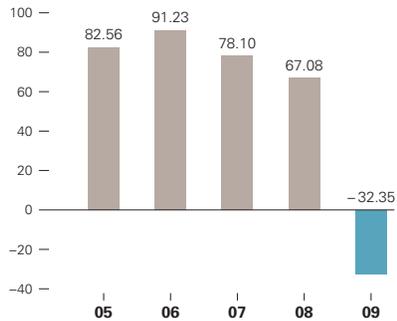
Net Income (Loss)

(¥ billion)



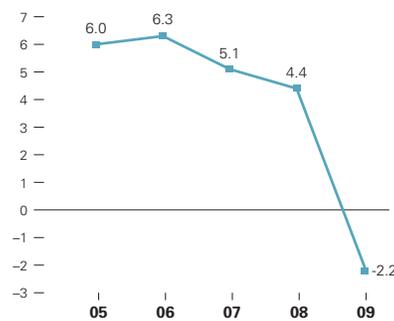
Net Income (Loss) per Share

(¥)



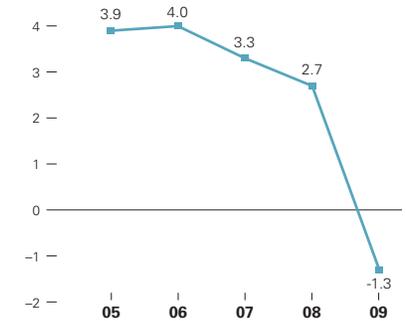
ROE

(%)



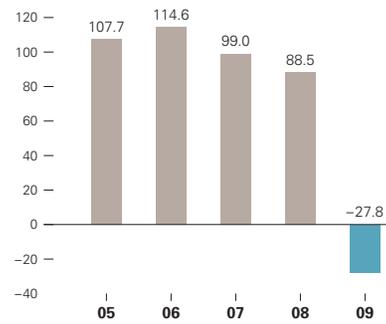
ROA

(%)



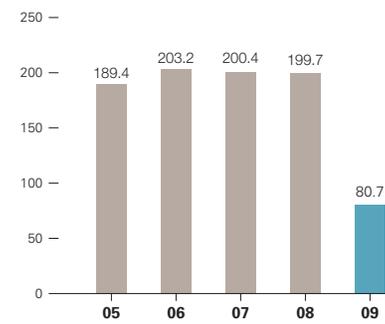
Income (Loss) Before Income Taxes

(¥ billion)



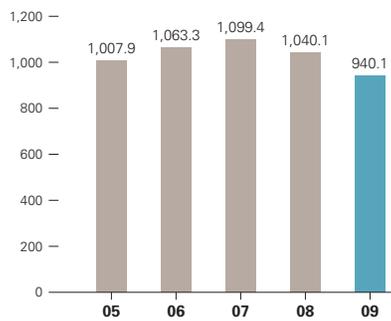
EBITDA

(¥ billion)



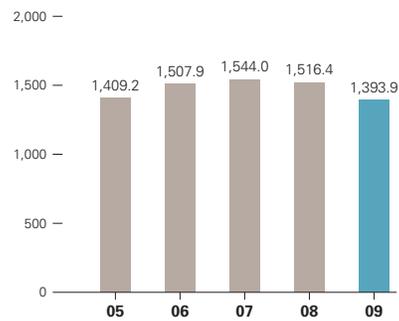
Total Net Assets*

(¥ billion)



Net Assets per Share

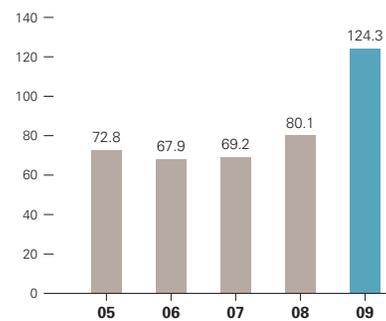
(¥)



* Figures for 2005 and 2006 show total stockholders' equity.

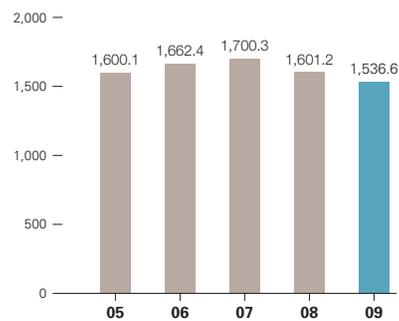
Interest-bearing Debt

(¥ billion)



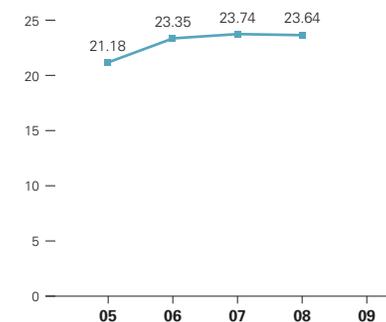
Total Assets

(¥ billion)



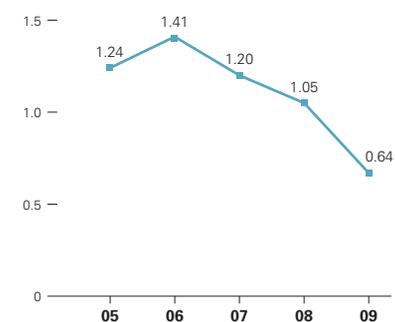
PER (Price Earnings Ratio)*

(times)



PBR (Price Book-value Ratio)

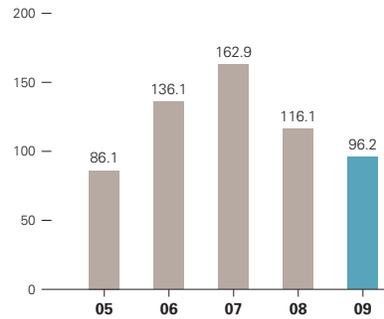
(times)



* The fiscal year through March 2009 is not shown because there was a net loss that year.

Capital Expenditures*

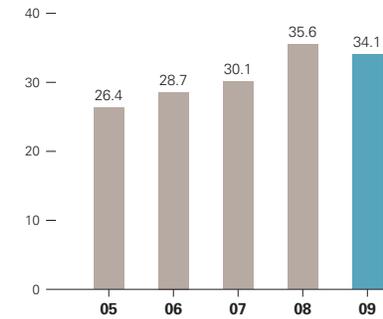
(¥ billion)



*Figures include capital expenditures for intangible fixed assets.

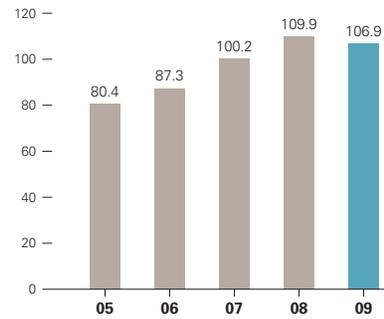
Research and Development Expenditures

(¥ billion)



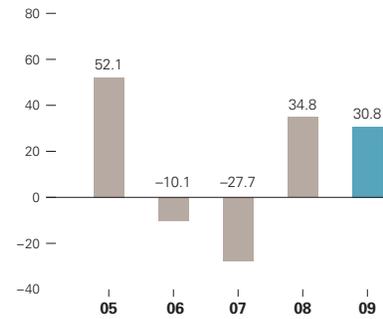
Depreciation Expense

(¥ billion)



Free Cash Flow*

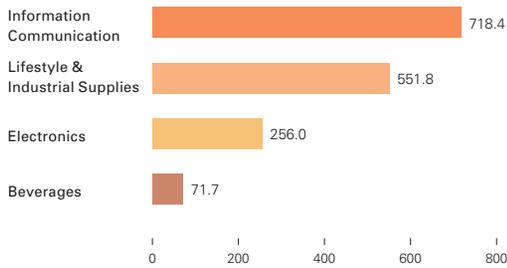
(¥ billion)



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

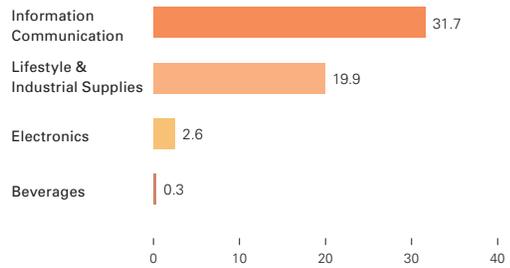
Net Sales by Segment

(¥ billion)



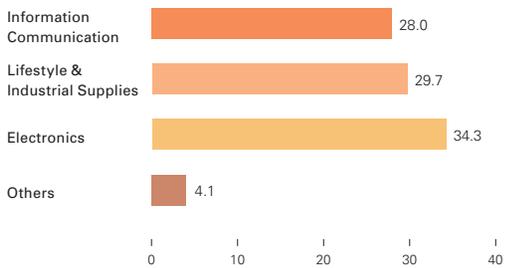
Operating Income by Segment

(¥ billion)



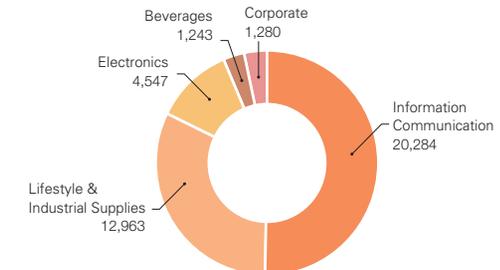
Capital Expenditures by Segment

(¥ billion)



Employees by Segment

(persons)



DNP at a Glance

Profile

With printing and information technologies at its core, DNP is a comprehensive printing company that is the world's top supplier of many products

DNP is one of the world's largest comprehensive printing companies. It provides diverse products and services in a wide range of fields to about 30,000 corporate clients and to consumers in Japan and around the world. On the strength of the printing and information technologies that DNP has cultivated since its founding in 1876, DNP has not only branched out from publishing and commercial printing to such fields as packaging, decorative materials, display-related products, and electronic devices, but has become the world's top supplier of a large number of products. Today, DNP continues to take on the challenge of expanding into new business fields, including those related to the environment, energy, and life science. We aim to provide solutions to a variety of problems, by enhancing our dialogue with businesses and individuals and by developing and combining technologies.

The DNP Group employs about 40,000 people. In Japan, DNP has 48 sales bases and 58 production plants. Overseas, the Group has 21 sales offices in 16 countries and seven production plants in six countries. Overseas sales contributed 13.3% of the Group's overall net sales in the fiscal year ended March 2009.

Business Portfolio

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

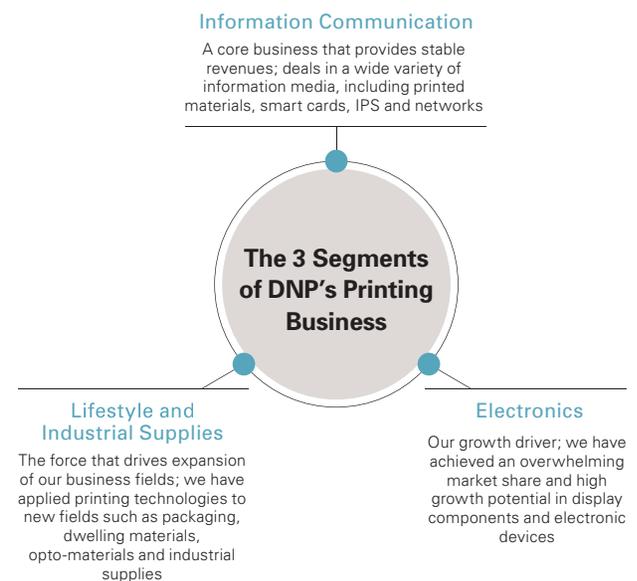
DNP has two main businesses: Printing, which contributes 95% of the Group's net sales, and Beverages, which generates 5% of net sales through Hokkaido Coca-Cola Bottling Co., Ltd.

Printing consists of an assortment of businesses that DNP developed by applying printing and information technologies and adopting a variety of business types and formats as we expanded strategically into diverse fields.

We divide our Printing business into three segments according to the types of products and services provided: Information Communication, Lifestyle and Industrial Supplies, and Electronics. Together, these segments comprise a business portfolio that is well-balanced from the standpoints of stability, profitability, growth potential, and risk.

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

Three Well-Balanced Strategic Segments



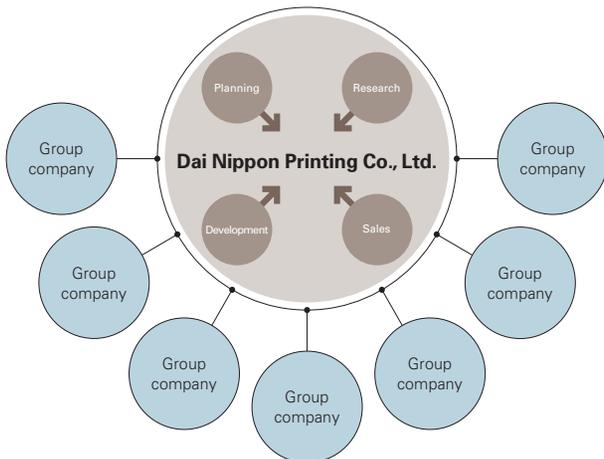
Structure

An efficient group structure that concentrates planning, research and development, sales, and other core functions

Long ago, as part of its quest to boost management efficiency from a Group-wide perspective, DNP set out to make more effective use of the Group's management resources and establish even better systems. We succeeded in building an efficient management structure by concentrating functions such as planning, research and development, and sales at the head office, Dai Nippon Printing Co., Ltd. (DNP), while distributing most manufacturing and technical functions among Group companies. The DNP Group includes 157 consolidated subsidiaries and 12 affiliated companies that are accounted for by the equity method. The head office and Group companies concentrate on their respective roles while cooperating closely so that the Group can operate in a highly profitable manner.

DNP continuously strives to increase its comprehensive strength. For example, recognizing the need to respond to the particular requirements of the Hokkaido, Tohoku, Chugoku, Shikoku and Kyushu regions, we established regional companies that combine sales, planning, and manufacturing functions for each locality.

A Group Structure That Enables Efficient Operation



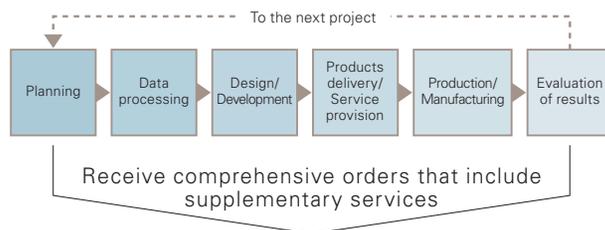
A Comprehensive Printing Company

DNP as a comprehensive printing company

With printing and information technologies at its core, DNP has expanded from books and magazines and commercial printing into smart cards, IPS, packaging and decorative materials, and electronic products. In other words, we have engaged in "horizontal expansion printing," with the targets of our printing business expanding in a horizontal direction. We call this "expansion printing." Meanwhile, we also promoted the "vertical" development of expansion printing into business processes other than production, including planning, proposing, design, market research and product development, and communication with consumers.

The coherent structure that allows the DNP Group as a whole to expand in this manner is one of our most important strengths. By continuously and successfully adapting to changes that affect society and our customers, DNP has evolved into a comprehensive printing company – a business format that is rarely found anywhere in the world and that serves as a framework for further business expansion. Teams handling functions such as research and development, production, sales, planning, or management interact organically with each other as we press ahead to achieve our ideal of a solutions-oriented business that creates business opportunities by proposing solutions for corporate clients and consumers.

DNP's Business Grows through "Comprehensive Orders"



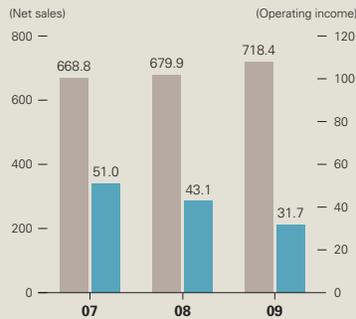
Cross-media development	Textual information processing	DB construction and management	Server operation	Distribution management	Research
Promotion planning	Production of still and video images	Program development	Information security	Implementation/Operation of plans	Marketing
Product planning	Intellectual property management	System development	Customer information management	Customer service center	Alliances

Products

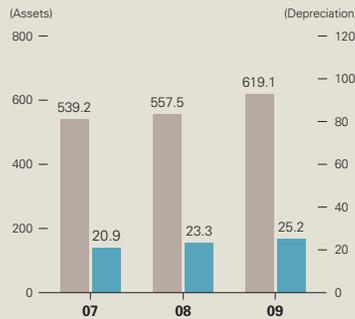
Product Lineup

Information Communication

■ Net Sales ■ Operating Income (¥ billion)



■ Assets ■ Depreciation (¥ billion)



■ Books and Magazines

[1] Magazines [2] Books [3] Dictionaries [4] Electronic publishing business

Not pictured: Free newspapers and magazines, PR magazines, textbooks, CD-ROMs, DVDs, and other electronic publications, planning and production of multimedia software, book sales, etc.

■ Commercial Printing

[5] Catalogs [6] Calendars [7] Point-of-purchase materials

Not pictured: Flyers, pamphlets, posters, event planning and execution, store design, customer service center operation, various types of planning and development, online businesses, etc.

■ IPS / Business Forms

[8] Personalized direct mail [9] Smart cards [10] SIM cards [11] Digital pens [12] Holograms

Not pictured: Merchandise vouchers, bank books, business forms, magnetic cards, etc.

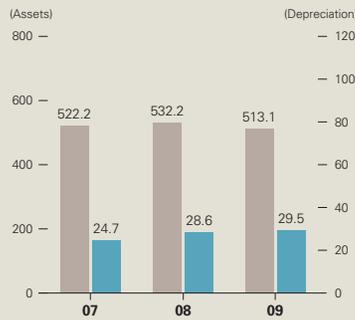
Note: Numbers in parentheses correspond to photographs on P 17.

Lifestyle and Industrial Supplies

■ Net Sales ■ Operating Income (¥ billion)



■ Assets ■ Depreciation (¥ billion)



■ Packaging

· Packaging products and eco-friendly containers

[13] Processed foods [14] Toiletries and pharmaceuticals [15] Universal design products [16] PET bottles and preform [17] Aseptic filling systems [18] Packaging for Japanese-style space food

■ Lifestyle Materials

[19] Residential interior materials [20] Automotive interior materials

Not pictured: Decorative materials for stores and offices (floor coverings, furniture surface materials, modular bath interior materials, exterior materials, etc.), surface materials for household appliances, etc.

■ Opto-Materials / Industrial Supplies

[21] Optical film for displays [22] Projector screens [23] Transfer ribbons for color printers [24] PrintRush self-service printing systems

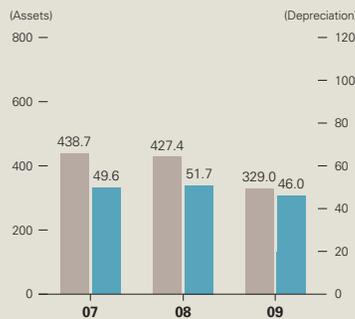
Note: Numbers in parentheses correspond to photographs on P 17.

Electronics

■ Net Sales ■ Operating Income (¥ billion)



■ Assets ■ Depreciation (¥ billion)



■ Display Components

[25,26,27] LCD color filters [28] Large-scale photomasks

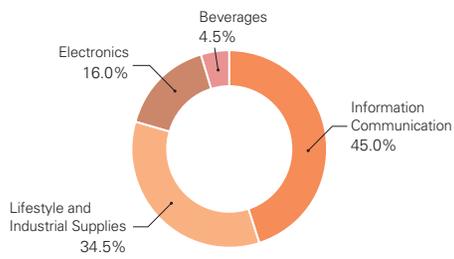
Not pictured: Organic EL displays, etc.

■ Electronic Devices

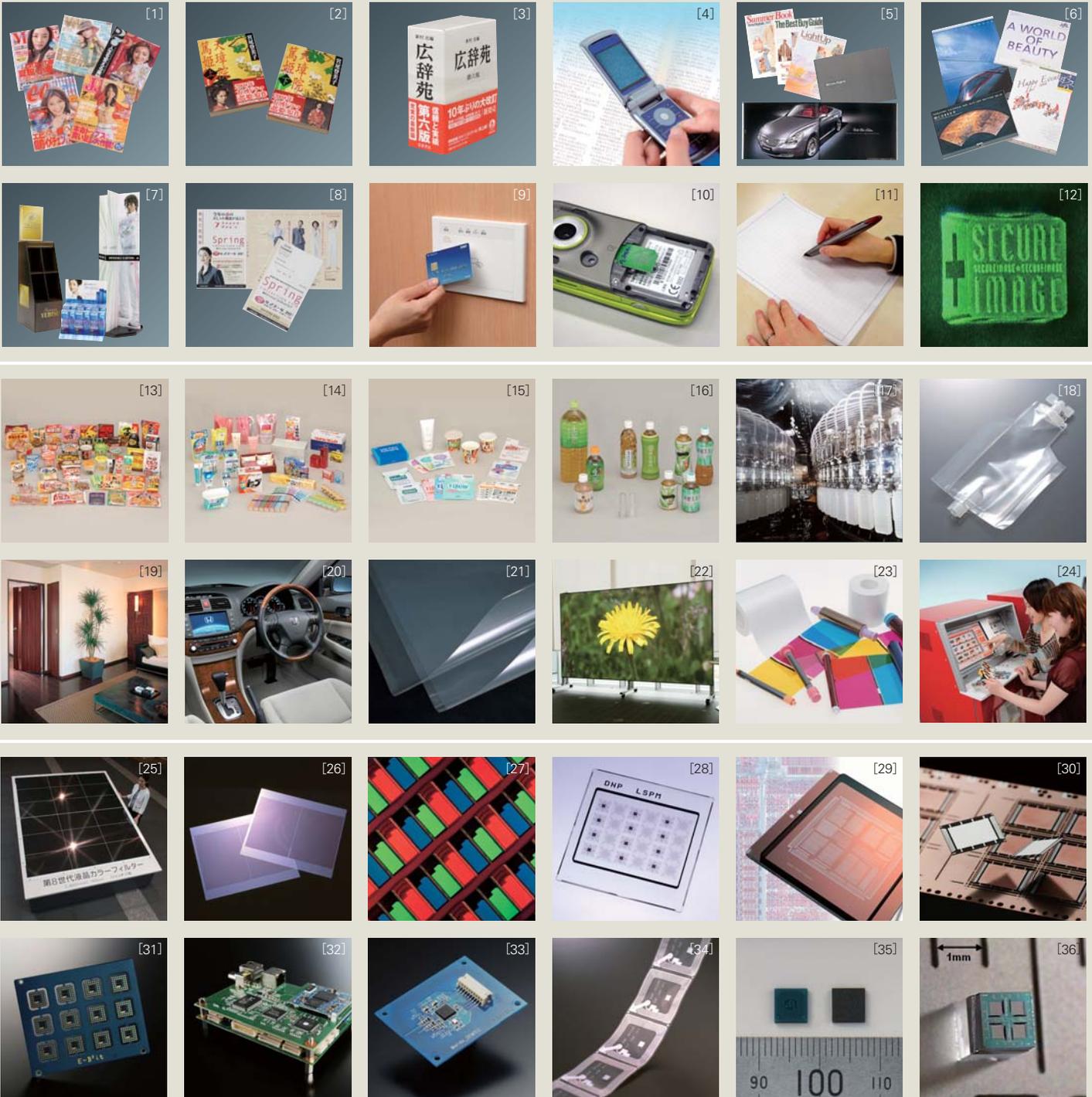
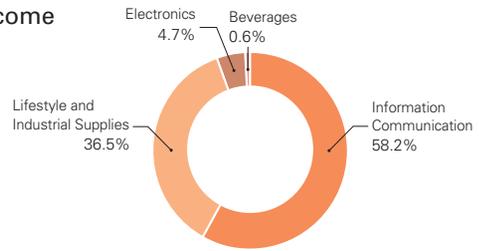
[29] Semiconductor photomasks [30] Lead frames for semiconductor packages [31] Substrates [32] Monitoring camera modules [33] Reader/writer modules [34] IC tags [35] Ultracompact IC tags [36] MEMS products

Note: Numbers in parentheses correspond to photographs on P 17.

Net Sales by Segment



Operating Income by Segment



Management Concept and Business Vision

Management Concept

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

When DNP was first founded, its motto was to “run a civilized business.” This was just after the political and social upheaval of the Meiji Restoration, and expressed the company’s desire to contribute broadly to the development of Japanese society. During the 130 years that have passed since, we have maintained this aspiration. Even in the 21st century, our desire to contribute to society has not changed.

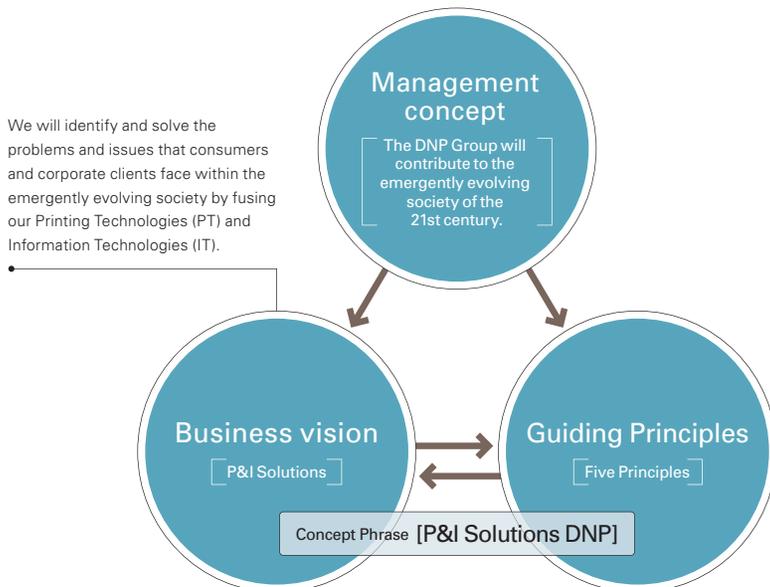
Autonomous individuals and organizations influence each other, society changes in response to unexpected phenomena, and these phenomena in turn further influence individuals and organizations. We call this an “emergently evolving society.” In this type of an emergently evolving society, we believe that quickly noticing changes and identifying and solving the problems faced by corporate customers and consumers leads to social contribution. All of us at DNP work together every day to realize this ideal. By actively leading social evolution and development, we not only expand our business, but also fulfill our social responsibility.

Business Vision

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

In an emergently evolving society, markets and consumers’ needs change in unpredictable ways. Telecommunications networks, financial and distribution systems, education, food, clothing and shelter, and other social infrastructure are constantly changing. As corporations and consumers increasingly wonder how they will cope amid such changes, we can discover business opportunities for DNP in the need to solve their problems.

We believe that by noticing signs of change before others do, coming up with possible solutions for problems, and getting a head start on making proposals, we can develop our business and contribute to society. We can make the most of these business opportunities by making use of the PT and IT that we have cultivated in order to offer various products and services, and by developing new solutions and becoming involved in the building of a new infrastructure.



PT = Printing Technologies

- Materials technologies: technologies for synthesizing new materials, and for dispersing or mixing materials. Used with inks, adhesives, etc.
- Patterning technologies: formation of letters or images etc. on a base material. Includes making printing plates, lithography, and inkjet technologies.
- Converting technologies: processing technologies that change a material's shape or compound materials etc. Includes technologies for bookbinding, film formation, coating, copying, etc.

IT = Information Technologies

- Data processing technologies: technologies for the input, output, conversion, synthesis, accumulation or transmission of data. Includes editing of text or images, database creation, and networking technologies.
- Human Media Interaction (HMI) technologies: technologies related to interaction between humans and information. Includes font design, color matching, and natural language processing technologies.
- Information security technologies: technologies for assuring that information is accurately transmitted to the correct target and stored without allowing improper usage. Includes encrypting technologies, personal information processing and management technologies, and biometric technologies, etc.

Business Expansion through Core Technologies

“Expansion Printing” and “P&I Solutions”

Increasing Our Business through “Expansion Printing” and “P&I Solutions”

The history of DNP’s business growth is the history of the evolution and application of our two core technologies – printing and information. Since its founding in 1876, DNP has refined these technologies to world-class levels and broadened our field of business by deriving diverse technologies from printing and applying those technologies to a wide range of fields.

This type of business expansion, based on the concept of “expansion printing,” began to take off all at once in the 1950s. First we entered the packaging business in 1951, based on the idea that we could develop printing techniques for materials other than paper. We went on to apply this idea to cloth, wood, plastic, and metal, etc. This led to the creation of our Lifestyle Materials business, which handles construction materials and related products and is now part of the Lifestyle and Industrial Supplies segment that includes businesses like thermal transfer recording media used in photo printing and anti-glare film used in flat-panel displays. Then in 1958, DNP became the first Japanese company to succeed in the development of shadow masks for domestic television production. This required making millions of ultramicroscopic holes in copper plate only 0.2mm thick, a technology that we developed by applying photolithography and other micro-processing techniques

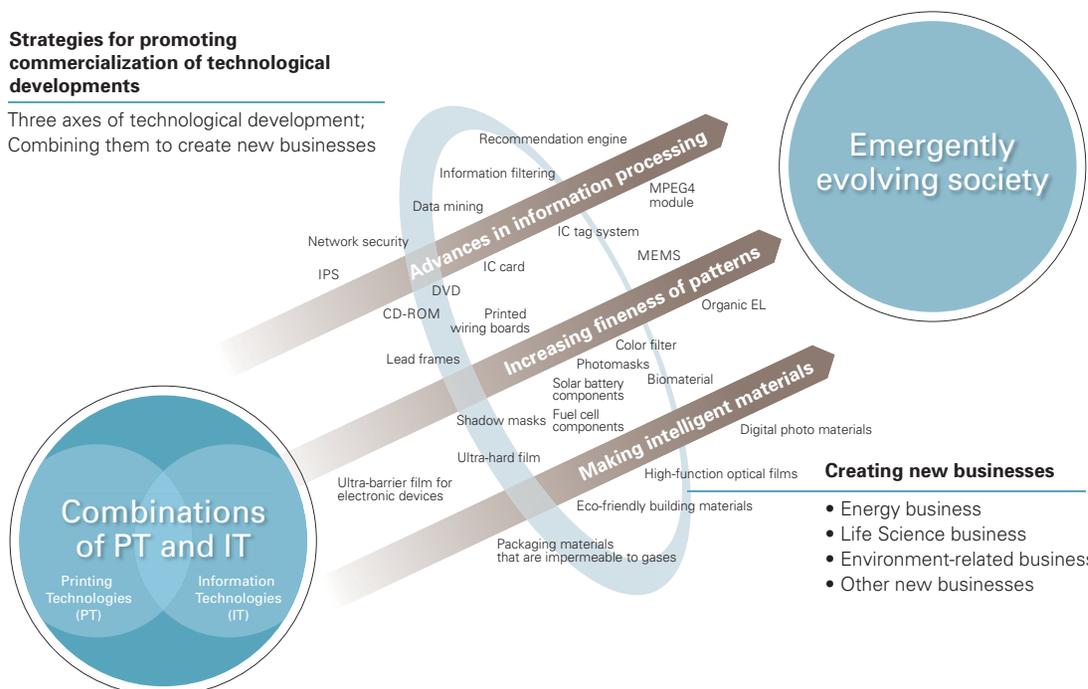
used for making printing plates. From there, we expanded applications for our technologies to other areas, including lead frames for semiconductors, photomasks, and micro-electro-mechanical systems (MEMS), resulting in the establishment of our Electronics segment.

Meanwhile, our information technologies had also been continuously evolving since the company’s founding, sparked by our quest for methods of facilitating the most comfortable and pleasant ways of expressing information. We have been developing DNP’s original Shueitai font since the 19th century, along with color management and design. In the early 1970s, we began digitizing information, which marked a major turning point. By nimbly adapting to the rapid trend toward digitalization and networking, and by actively developing original DNP technology, we established information security technology that has become indispensable to today’s social infrastructure and enabled us to build up a wide variety of businesses.

Now we aim to continue broadening our business and contributing to society in line with DNP’s business vision of “P&I Solutions” – which means combining printing and information technologies in order to solve problems for our customers and for society. This is taking us into all kinds of business fields that need DNP technology, starting with solar battery components and other energy-related areas, and technologies for regenerative medicine, such as capillary blood vessel formation and cell sheet engineering.

Strategies for promoting commercialization of technological developments

Three axes of technological development;
Combining them to create new businesses



The Making of DNP

1876 Founding

1950

1960

1970

Printing

Comprehensive Printing

- ▶ 1878 Establishment of corporate creed: "Run a civilized business"
- ▶ Promotion of Expansion Printing

Information Communication

Books and Magazines

- ▶ 1877 First Western-style book produced in Japan
- ▶ DNP begin development of DNP's original "Shueitai" font
- ▶ 1909 Completion of size 5 Mincho Shueitai
- ▶ 1914 Exhibit of offset-printed matter at Tokyo Taisho Exhibition
- ▶ 1956 Printing of Japan's first weekly magazine issued by publishing company
- ▶ 1972 Begin digitalization of text and images (CTS)

Commercial Printing

- ▶ 1926 Introduction of gravure printing press
- ▶ 1971 Development of scented printing

Business Forms

- ▶ 1898 Installation of rotary press for printing ledgers
- ▶ 1955 Installation of rotary press for printing ledgers
- ▶ 1965 Begin mass production of OCR ledgers
- ▶ 1970 Begin printing plastic cards
- ▶ 1973 Mass production of magnetic plastic cards
- ▶ 1974 Full-scale magnetic

Lifestyle and Industrial Supplies

Packaging

- ▶ 1951 Full-scale entry into paper goods business
- ▶ 1951 Begin in-house production of flexible packaging
- ▶ 1961 Announcement of plastic container printing
- ▶ 1962 Begin producing paper cups
- ▶ 1969 Begin producing laminated tubes
- ▶ 1972 Development of aseptic packaging system

Lifestyle Materials

- ▶ 1951 Development of specialized printing methods for vinyl, cellophane, cloth, etc.
- ▶ 1961 Begin printing directly onto steel plates
- ▶ 1974 Introduction of Curfit technology for printing on curved surfaces

Electronics

Display Components

- ▶ 1958 Successful prototyping of photomask
- ▶ 1971 Begin research and development of color filters

Electronic Devices

- ▶ 1959 Successful prototyping of photomasks
- ▶ 1964 Begin lead frame production

Major Events of This Fiscal Year

2008

July

▶ DNP supported the launch of a venture business by students from Keio University's Shonan Fujisawa Campus by establishing a limited liability company, My Earth Projects LLC, on July 7. The new company's main activity is the sale of an original card game called "My Earth[®]," which is aimed at primary and middle school students. The game allows children to have fun as they learn how ecological systems work and how human activities affect natural environments. The company plans to expand its business in liaison with other companies that address environmental issues.

▶ DNP established a joint venture in Hong Kong on July 9 with Taiwan-based, globally renowned printed wiring board maker Unimicron Technology Corporation. The new company, UD Alliance Technology Ltd., will manufacture printed wiring boards based on DNP's unique B²it[™] buildup board technology, and market them primarily to mobile phone manufacturers in China and other parts of Asia. In addition to supporting the new company by providing manufacturing technology, DNP will promote global standardization of B²it[™] technology.

▶ DNP received companywide PrivacyMark accreditation from the Japan Information Processing Development Corporation on July 24. PrivacyMark accreditation is given to businesses that take appropriate measures for protecting personal information. Several of DNP's information-processing subsidiaries had already received accreditation, and since September 2000, DNP's Commercial Printing Operations, IPS Operations, C&I Operations, and two other business units had received PrivacyMark accreditation, but this was the first time for the entire Company to receive accreditation.

▶ DNP and Maruzen Co., Ltd. signed a detailed operational and capital alliance agreement on July 31, following the two companies' announcement in August 2007 of their intention to join forces. The agreement calls for DNP to underwrite the entire amount of a third-party allotment of shares by Maruzen, and for collaboration between the two companies in a wide range of business fields.

Also on July 31, DNP and Maruzen signed a memorandum of understanding regarding the start of discussions aimed at creating a collaborative framework between DNP, Maruzen, and TRC Inc., a DNP Group company. One area in which the companies aim to collaborate is strengthening the marketing of publications to universities.

▶ DNP began selling "CytoGraph^{™™}" cell pattern culture substrate in July, mainly to medical and research facilities, becoming the first company in Japan to commercialize this technology for the stable production of living cells in a variety of patterns. The product applies patterning technology used for making original printing plates to form lines, dots, or whatever pattern is required by creating areas where cells adhere to a glass surface and areas where they do not. Through the launch of this product, DNP aims to promote ties with medical and research institutions and gather information about their needs, so that in the future the company can enter the field of regenerative medicine.

August

▶ DNP supports the advancement of art and culture, primarily through the preservation and dissemination of graphic arts and historical cultural assets made with printing techniques. We have also engaged in the businesses of processing copyrights for artistic images, providing digital data, and planning, producing and marketing all types of cultural content and related merchandise, including the planning and execution of exhibitions. In order to expand this type of business, we integrated the operations of three Group companies* and established a new company called DNP Art Communications Co., Ltd., which commenced operations on August 1.

*The three Group companies were Trans Art Inc., DNP Archives.com Co., Ltd., and Maison de DNP Ginza Co., Ltd. All three were wholly-owned subsidiaries of DNP.

▶ DNP began construction of a plant in Himeji City, Hyogo Prefecture, to produce color filters for 8th generation LCDs. The new plant, scheduled to start operation in the summer of 2010, is located adjacent to a plant being built by IPS Alpha Technology, Ltd., an LCD panel manufacturer operated jointly by Panasonic Corporation and Hitachi, Ltd. DNP is also building a new facility for manufacturing color filters for 10th generation LCDs within Sharp Corp.'s plant in Sakai City, Osaka. It is scheduled to begin operating in autumn of 2009. With the construction of these two new facilities, DNP aims to have the world's largest supply capacity for color filters used in large-scale LCD panels.

September

▶ DNP, Tokyo Women's Medical University (TWMU) and CellSeed Inc. jointly established an efficient production method that applies printing technology to the production of cell sheet culture film used in regenerative medicine. Cell sheet engineering entails culturing cells in uniform layers on petri dishes and removing them in the form of sheets that are convenient to use in surgery or other medical

procedures. The newly developed cell sheet culture film consists of a layer of polymers that expands or contracts as the temperature changes, making it easy to peel off cultured cells in sheet form. There is a wide range of applications for cell sheet engineering, which can regenerate injured body parts through the application of sheets of cells taken from a patient's own skin, cornea, periodontal membrane or heart muscle, etc., leading to high expectations for future success.

October

- ▶ In order to strengthen and expand its digital photo print business, DNP integrated three related businesses* and established a new company, DNP Fotolusio Co., Ltd., on October 1. DNP holds the top share of the global market for dye-sublimation thermal transfer media used mainly in ink ribbons for color printers. DNP also has an ID photo business and markets self-service, high-speed photo-printing "PrintRush" kiosk terminals that can print a sheet of photos in three seconds. The market for digital photo prints is expanding due to more widespread use of digital cameras, including those mounted on mobile phones.

*The three companies were DNP ID Imaging Co., Ltd, DNP Photo Marketing Co., Ltd., and PrintRush Co., Ltd. All three were wholly-owned subsidiaries of DNP.

December

- ▶ The boards of directors of DNP, DIC Corporation (formerly Dainippon Ink and Chemicals, Inc.), and The Inctec Inc. (a DNP subsidiary) resolved on December 15 to begin discussing integration of DIC's domestic printing ink division with Inctec's printing ink division. By combining the expertise and management resources of the two companies, DNP aims to improve operational efficiency, boost competitiveness, and create a robust corporate constitution capable of surviving even in harsh business environments. The Group also aims to develop high-quality, outstandingly competitive new products, and to create a stable supply framework.
- ▶ DNP announced its approval on December 16 of an agreement between DNP subsidiaries Maruzen Co., Ltd. and Junkudo Co., Ltd., to merge their managements and form a joint holding company by means of equity transfers. The two companies are considering possible frameworks for collaboration that would allow them to make the most of their assets, including TRC's IT and logistics systems and expertise in sales methods, and Maruzen's brand strength and customer base. Through the merger, the two companies aim to reinforce their joint operations, including library operation subcontracting and selling books to universities.

2009

January

- ▶ DNP completed construction of a new facility for manufacturing back sheets and filling material for solar batteries at its Izumizaki Plant in Fukushima Prefecture. The new facility began operation in January. Solar batteries are attracting attention as a relatively clean energy source, and the market for them is expected to grow nicely. During the fiscal year through March 2010, production capacity at the new plant is to be increased incrementally until it can supply triple the current amount, or enough solar battery components to generate the equivalent of one gigawatt of electric power per year. Also in January, DNP launched Energy Systems Operations, which will coordinate manufacturing and sales of solar battery-related products in order to strengthen the Group's efforts in the energy field.

March

- ▶ DNP reinforced its research capacity by establishing a laboratory within Tokyo Women's Medical University Institute of Advanced Biomedical Engineering and Science (TWINs) as a base for research into cutting-edge regenerative medicine. The laboratory is intended to further strengthen joint research into cell sheet engineering and allow DNP to work more closely than ever with Tokyo Women's Medical University, CellSeed Inc., and Olympus Corp. DNP has positioned expansion of regenerative medicine-related business as one of its major policies, and aims to achieve 70.0 billion yen in sales from the life science field as a whole in the fiscal year through March 2017.
- ▶ DNP acquired 51% of Junkudo Co., Ltd.'s outstanding shares on March 18. Kobe-based Junkudo owns and operates 33 large-scale bookstores throughout Japan. For some time the company had been considering increasing its capital with an eye toward future business expansion, while one of DNP's management policies was to strengthen its education, and publishing and distribution business, so the alliance was a good fit for both companies. DNP will support Junkudo's business by providing expertise in fields such as CRM analysis and electronic publishing.
- ▶ DNP, Maruzen Co., Ltd., and Junkudo Co., Ltd. signed a basic agreement on March 24 to form a business alliance between the three companies, aimed at revitalizing the book market. The three companies will focus primarily on bookstore operations and their academic and educational businesses*. They will go on to discuss details such as collaboration from the standpoints of operations and capital, integration of management, and dispatch of directors with the goal of reaching a final agreement by the end of August 2009.

*For more information about DNP's education and publishing distribution businesses, please see the Special Features section of this Annual Report on pages 32 to 33.

Investor Information

(as of March 31, 2009)

Dai Nippon Printing Co., Ltd.

Head Office:

1-1, Ichigaya-Kagacho 1-chome, Shinjuku-ku,
Tokyo 162-8001, Japan

Established:

1876

Number of Employees (consolidated):

40,317

Paid-in Capital:

¥114,464 million

Number of Common Stocks:

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

Number of Shareholders: (more than 1,000 shares)

23,369

Stock Exchange Listings:

Tokyo, Osaka

Major Shareholders:

	Shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust A/C)	40,945	5.85
Japan Trustee Services Bank, Ltd. (Trust A/C 4G)	31,774	4.54
The Dai-ichi Mutual Life Insurance Co.	30,882	4.41
Japan Trustee Services Bank, Ltd. (Trust A/C)	28,455	4.06
The BNYM as Depository Bank for DR Holders	20,745	2.96
Mizuho Corporate Bank, Ltd.	15,242	2.18
Nippon Life Insurance Co.	14,349	2.05
Mizuho Bank, Ltd.	12,471	1.78
Employees' Shareholding Association	10,797	1.54
State Street Bank and Trust Company 505225	6,800	0.97

Other than above, DNP holds 55,600,972 of its own shares.
While the registered owner of these shares is Dai Nippon Printing Co., Ltd.,
1,000 of the shares are in effect not owned by the company.

Major Stock Indices in which DNP is a Constituent:

Nikkei Stock Average
TOPIX Large70
MSCI World Index
S&P/TOPIX 150
Dow Jones Sustainability Indexes
Ethibel Sustainability Index
Morningstar Socially Responsible Investment Index

Stock Code:

7912

Administrator of Shareholder Register:

Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku,
Tokyo 103-8670, Japan

Annual Meeting of Shareholders:

The annual meeting of shareholders of DNP is
normally held in June each year in Tokyo, Japan

Investor Relations:

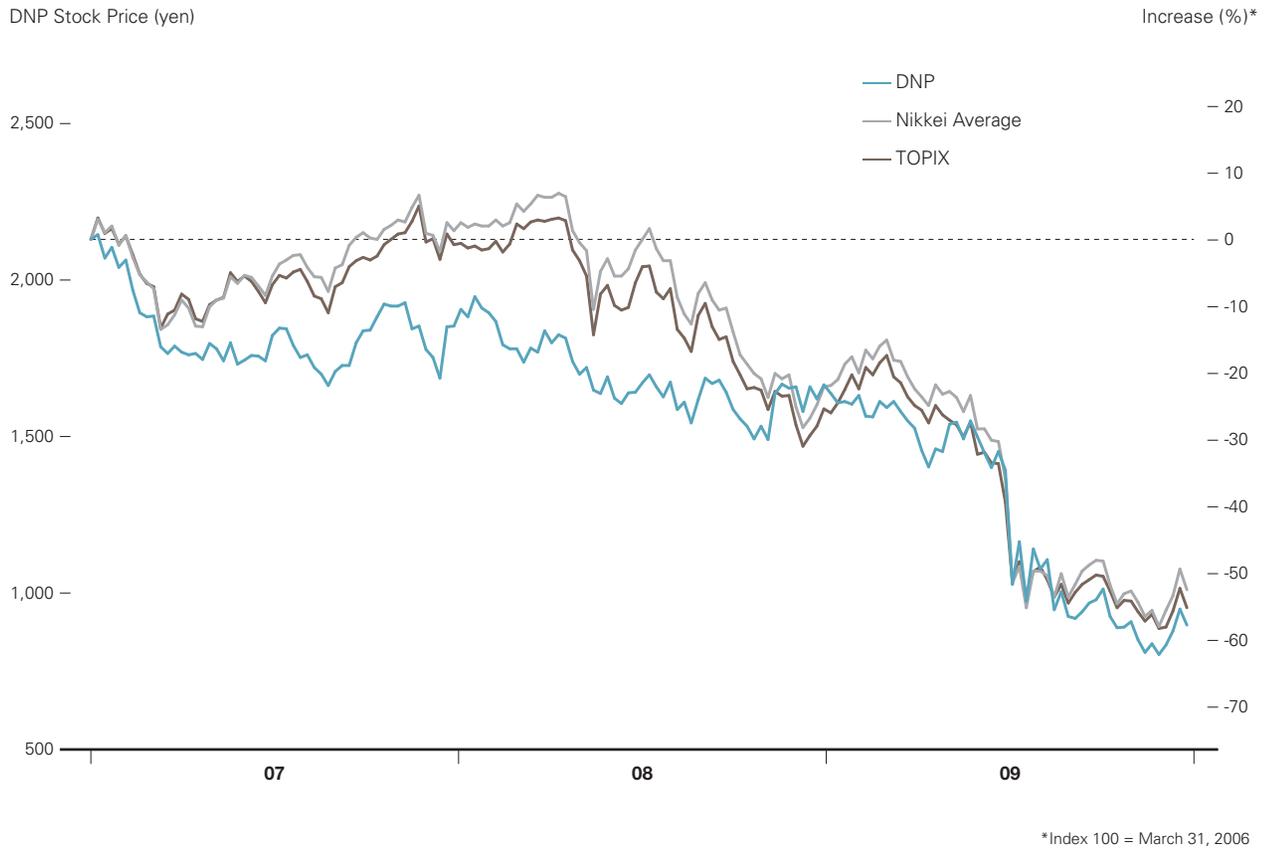
Dai Nippon Printing Co., Ltd.
IR Group, Press and Public Relations
1-1, Ichigaya Kagacho 1-chome, Shinjuku-ku,
Tokyo 162-8001, Japan
Tel: +813-5225-8220
Fax: +813-5225-8239

Web Site Address:

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

Share Price Evolution (Tokyo Stock Exchange)

(between April 1, 2006 and March 31, 2009)



Voting Rights

(as of March 31, 2009)

Type	Number of Stocks (stocks)		Number of Voting Rights (rights)
Stocks with no voting rights	—		—
Stocks with limited voting rights (treasury stocks, etc.)	—		—
Stocks with limited voting rights (other)	—		—
Stocks with voting rights (treasury stocks, etc.)	Common stocks	56,684,000	—
Stocks with voting rights (other)	Common stocks	641,131,000	641,131
Stocks with less than trading units	Common stocks	2,665,693	—
Outstanding shares	700,480,693		—
Total voting rights of stockholders	—		641,131

Treasury Stocks

(as of March 31, 2009)

Holder	No. of Stocks Held	Percentage of Holding to No. of Outstanding Shares
Dai Nippon Printing Co., Ltd.	55,599,000	7.94
Kyoiku Shuppan Co., Ltd.	1,085,000	0.15
Total	56,684,000	8.09



Special Feature

Creating Communication

In this Special Features section, we ask DNP's corporate leaders to introduce the growth strategies of our Information Communication segment, whose main divisions are Books and Magazines, Commercial Printing, and Business Forms. We'll look at DNP's present – how we discover problems faced by corporate clients and consumers and create new communication styles in order to solve them. And we invite you to take a glimpse of DNP's future.



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Yoshinari Kitajima
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- 32 Creating a New Era in Publishing Distribution
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Part 1:

Information Communication Business Strategy



Q First, please explain the Information Communication segment's position within DNP.

In the year ended March 2009, Information Communication contributed 45% of overall Group sales and 58% of operating income.

In the 75 years from DNP's founding in 1876 until the early 1950s, this segment's Books and Magazines business and Commercial Printing business formed the company's core. From the 1950s, we began applying and developing printing and information technologies to new fields: we expanded to include a Lifestyle and Industrial Supplies segment with product categories like packaging and decorative materials, and an Electronics segment that makes color filters and photomasks. Meanwhile, our Information Communication segment added new businesses too, such as smart cards and information processing services, but it's fair to say that Information Communication has always been the segment that constituted the basis of DNP's earnings.

Q Hasn't this segment also faced a harsh business climate in recent years?

In the several years, we've been aware that our segment's declining operating income margin is a major problem.

Especially in the fiscal term ended March 2009, we've felt the effects of decreased advertising budgets and a major decline in demand amid big drops in consumption resulting from the worldwide spread of financial instability and sudden deterioration in corporate performance. Our Commercial Printing and Business Forms businesses have also remained under a great deal of pressure, due to such factors as decreased orders for catalogs and pamphlets and reduced issuance of smart cards.

At the same time, our Books and Magazines business

Executive Vice President

Yoshinari Kitajima

has been affected by a decline in the overall domestic publishing market, which has continued since the market peaked in 1996. Publication sales volume for the fiscal term through March 2009 don't offer any hope: books declined year on year by 1.5%, and magazines by 4.5%. Given this situation, we believe it is necessary to implement structural reform of the overall publishing industry including our own part in it, and stimulate the industry in order to restore the vitality of our own Books and Magazines business. We have been thinking about how DNP, as a group that has come this far with our fellow publishers, can make this revitalization a reality.

Q What specifically are you doing to revitalize the publishing industry?

Currently, the basic policy of our Books and Magazines-related sections is to "expand our fields of business from upstream to downstream as the publishing industry's number one partner." We want to actively pursue concrete measures that will expand the publishing market, and help stimulate the publishing market.

In the past, DNP took a "manufacturing" stance as a printer within the publishing value chain. Going forward, we will promote vertical development of every phase from media planning to editing, manufacturing, and sales, for example by expanding contact with readers through bookstores, libraries, and the Internet, etc., collecting and analyzing information about readers' needs, and linking that information to the planning of sales promotions. In Japan, we took Maruzen, Junkudo, and TRC into our corporate Group as part of our effort to revive publishing distribution with a focus on bookstores and libraries. We want to apply various types of expertise to the field of publishing distribution: examples are the publication databases and IC tag-based publication control systems that many libraries are beginning to operate, and point-of-sale promotion methods that we cultivated for the commercial printing field.

We will also take advantage of the head start that we got when we began to digitize work processes as early as 40 years ago, and work harder than ever at horizontal expansion into diverse information media in addition to paper. In particular, we will accelerate the development of

a variety of businesses aimed at the electronic publishing market, which has been growing remarkably in recent years. Examples of these are operation of DNP's own electronic bookstore site, planning and production of electronic publication content, commissioned operation of electronic bookstores, and agency services.

Q Please discuss other efforts related to Books and Magazines business.

As one example, DNP's Shueitai font has been highly acclaimed by authors and readers as an aesthetic and easy-to-read format for expressing the Japanese language. DNP began developing this font at the dawn of the Japanese printing industry. Ever since, it has been used in a large number of publications and, in response to the needs of the times, it was digitalized and subject to a variety of developments including making it compatible with Universal Design principles and easy to read whether it appears on a high-definition display or the screen of a mobile telephone.

Also, Japanese magazine content, particularly fashion magazines and comics, has become very popular outside Japan, and there is growing demand for worldwide development of printed materials such as art-related books and various kinds of product catalogs. From the late 1990s, DNP has maintained a network of more than 50 major business bases around the world, to which we send digital printing data in order to optimize production locations. We handle translation and editing services in the languages of more than 60 countries, and we are also working hard at global publication distribution.

Part 1: Information Communication Business Strategy

Q What kinds of things are you doing in Commercial Printing and Business Forms?

Let me first give you a little background. Consumers' needs have diversified, as have the media through which consumers access product information, and there have been big changes in buying patterns. As a result, in addition to traditional methods of sales promotion, we ascribe increasing importance to forums where consumers exchange views about products and media that enable the formation of more direct relationships between consumers and corporations. In fact, there have been big declines in TV and newspaper advertising, while Internet advertising is on the rise.

In the term ended March 2009, DNP's Commercial Printing business also saw a slight decline in printed materials like pamphlets and flyers, while at the same time we enjoyed good growth in orders for services such as customer or market analysis, event or promotion planning, web site construction, and management of sales campaigns. In response to these changes, we are developing a business that we call "Total SP* Solutions" to solve problems related to our corporate clients' overall sales promotion activities. Our aim is to increase the effectiveness of sales promotions through a "coordinated promotion" approach that makes good use of three types of media: mass, direct, and point-of-purchase.

In Business Forms, we are working on reinforcing "Business Process Outsourcing (BPO)," whereby we perform various services for corporate clients on an outsourcing basis. BPO entails handling of corporate clients' customer information and other sensitive information, so DNP is building environments and operational systems to support a high level of information security. Because we provide advanced security functions, our clients need not worry about outsourcing their operations to us, and they can focus on their core businesses.

* Sales Promotion

Q As DNP handles information in an increasingly wide variety of fields, information security becomes more important than ever, doesn't it?

In recent years, we have had an increasing amount of business that involves contact with customer information, such as bill and statement issuance, manufacture and issuance of smart cards, operation of campaign offices and customer service centers, and analysis of buying patterns. In the Business Forms field, we have been developing "Security Solution" businesses built around DNP's advanced security technologies.

Some 30 years ago, DNP began research and development of smart cards, which play an important role in information security, and we have steadily refined technologies for manufacturing smart cards, recording personal information on them, and developing smart card software. In addition to developing the MULTOS multi-application operating system for smart cards, which made it possible to load multiple applications on a single card, DNP dramatically increased the security level of cash cards and ID cards by developing the world's first smart cards to use vein authentication. It was through this kind of innovation – directly inspired by market needs – that DNP came to control an overwhelming share of the domestic smart card market. DNP also boosts information security through our role as secretariat of the Shared Security Formats Cooperation (SSFC), a large group of companies that deal in office equipment, entry gates, monitoring systems, etc. and work together to create a standard format for smart card-based office security.

We view the maintenance of information security and the protection of personal data as high-priority management tasks. Providing appropriate protection for all of the information that our customers entrust us with has been an important responsibility since DNP's founding, and that sense of responsibility has been passed on from one generation of employees to the next. In recent years, we have stepped up our efforts aimed at personal information protection, for example by acquiring company-wide PrivacyMark accreditation for Dai Nippon Printing Co., Ltd. as well as for Group companies that handle information processing.

Q What are the keys to finding effective solutions for diverse problems?

I think you can get a sense of the breadth and depth of the Information Communication segment's business just from a brief mention of the key business strategies that I've discussed so far: "the publishing industry's number one partner," "Total SP Solutions," "BPO," and "Security Solutions." We believe that solving customers' problems leads to business expansion, but it is important to make the point here that we can only discover the problems faced by corporate clients and consumers if we take the initiative to look for them.

The DNP Group as a whole has some 30,000 corporate clients. We can't even count the number of consumers who do business with our corporate customers. Through repeated *taiwa* with business people and consumers, we have brought into sharp relief even problems that lurked murkily below the surface, and we've gone on to carefully resolve those problems one by one. Through this process, we have identified themes on which we need to concentrate.

The Information Communication segment, too, has succeeded in identifying its most important themes through the process of confronting and resolving the problems of a large number of companies, including publishers, distributors, manufacturers, and everyone in between. I think it is important that we concentrate management resources on these themes, and assign them levels of priority as we work to resolve them.

Q Finally, please share your thoughts about expanding the Information Communication segment.

Publishers want to collect the opinions of readers, and readers want their opinions to reach authors and publishers. Companies want new product ideas, and consumers want to communicate their ideas about products. Businesses want to strengthen their relationships with customers, and consumers want to support their favorite businesses. Any place these kinds of people-to-people relationships are formed is where we believe our business opportunities lie.

For example, businesses and consumers connect through printed materials like books and magazines, catalogs and pamphlets, but opportunities for communication can also be increased through events, campaigns, and the use of web sites and other forms of digital media. Our role is not just to produce printed material. By processing information into pleasant, easy-to-understand formats while maintaining a high level of information security and making good use of the characteristics of various types of information media, we can turn the whole spectrum of corporate and consumer communication into our field of business.

When DNP was founded in 1876, we expanded the business under the motto "run a civilized business" by developing letterpress printing, which was the cutting-edge technology of the time. After that, we continued to work with the cutting-edge technology of each era, based on an awareness of delivering "the information people want in the formats they want it in." In other words, we have continued to enliven people-to-people communication by processing information into pleasant and easy-to-understand formats.

In today's harsh business environment, where so many problems await resolution all over the world, deepening people-to-people communication is probably more important than ever. We intend to take on that challenge while working at the same time to maintain our stable profit base.



Strategic Business Approach

Creating a New Era in Publishing Distribution

Aiming for business expansion by building a platform for revitalizing the publishing industry

Since the term ended March 2008, DNP has formed operational and capital alliances with book store operators Maruzen Co., Ltd. and Junkudo Co., Ltd., with TRC Inc., a company that provides book distribution and other services for public libraries, and with publisher Shufunotomo Co., Ltd. DNP also joined major Japanese publishers Kodansha Ltd., Shueisha Inc., and Shogakukan Inc. in purchasing a stake in Bookoff Corp., operator of Japan's largest chain of used bookstores. Until recently, DNP expanded the printing field based on a concept it calls "expansion printing." Now we are starting to develop a new platform business by entering the upstream and downstream areas of the Books and Magazines supply chains.

Q Could you give an overview of the operational and capital alliances that you've been forming? Some are in areas that are new for DNP, like publishing houses and publishing distribution.

From "horizontal expansion printing" to "vertical expansion printing"

DNP has a stake (48.3%) in Kyoiku Shuppan Co., Ltd., and since the fiscal term ended March 2008, we took on three publishing distribution-related companies as consolidated subsidiaries with which we plan to have comprehensive operational tie-ups – Maruzen Co., Ltd. (51.3%), Junkudo Co., Ltd. (51.0%), and TRC Inc., which serves public libraries by supplying books and contracted operation (50.3%). In May 2009, we also invested in major publisher Shufunotomo Co., Ltd. and in Japan's largest used book seller, Bookoff Corp.

So far DNP has expanded its business horizontally under the business concept of "expansion printing," by developing the field of printing in various directions, including commercial printing of products like catalogs and pamphlets, smart cards

and business forms, and even packaging, decorative materials, and electronic components. But our Books and Magazines business, rather than just producing media, has begun expanding vertically into every phase from planning to sales and distribution. DNP will continue to approach business from the standpoint of a "manufacturing," as we always have, but from now on we intend to put more emphasis than we did in the past on the point of view of consumers and society.

Q What is the goal of this series of operational and capital tie-ups?

Our ultimate goal in solving the publishing industry's problems and revitalizing the overall industry is renewed growth in media production as DNP's core business.

Throughout its history, DNP has been closely connected to the Japanese publishing industry through the printing business. As a result of growing use of the Internet and other new media, this industry has not been performing well in recent years. We believe that the Japanese publishing industry can regain its vitality by resolving three problems – the high ratio of unsold books being returned to publishers, the high cost of digitalization, and dependence on advertising revenues.

These problems are too big for a single publisher or bookstore to resolve by itself. But with the cooperation of the companies with which we recently formed alliances, we believe that DNP can help resolve these problems and revitalize the publishing industry by using the comprehensive planning and problem-solving capacities that we cultivated through our experience with printing and information technologies, commercial printing, and business forms. And we believe that a renewal of the publishing industry will lead to new growth in DNP's printing and media production businesses.



Managing Director
Tetsuji Morino

Q What can DNP do to resolve the high rate of book returns?

We aim to optimize publishing distribution through marketing and the production of on-demand media

Japanese publishing distribution is based on commissioned sales, so publishers allow bookstores to return unsold books, and the industry's biggest problem is the high rate of return books. Currently, about 40% of books and magazines are returned to the publisher. This is said to be costing the publisher industry more than 10% of its sales. We believe that reducing the book return rate would allow the overall industry to lower its costs, which would lead to raising the industry's profit margin and enlivening publishing companies. Our plan is to join forces with Maruzen, Junkudo, and TRC and promote improvements in publishing distribution based on marketing and on-demand technologies in order to bring down the book return rate.

To date, TRC has developed its business based on a marketing orientation. For example, it succeeded in reducing book return rates by constructing a publications database and basing its purchasing and distribution of books on highly accurate predictions. Junkudo is well-versed in the market for specialized books, and Maruzen has brand strength and unique know-how acquired through more than 130 years of selling books. By organically blending their strengths with DNP's technologies and sales promotion know-how, we plan to provide readers with the printed materials that they want, when they want them, through the distribution channels that they prefer, and as a result, to bring down book return rates.

Going forward, we also want to combine print on demand (POD) with a new type of inventory control. POD is a system for printing only the number of copies required, according to readers' requests. Introducing this type of system would not only greatly reduce publishers' inventories and enable them to cut costs, but it would also lead to increased sales by making it possible to issue more up-to-date new editions. Bringing down the book return rate by itself might tend to reduce sales in the short run for a printer like DNP. But from a medium or long-term standpoint, reducing the book return rate should strengthen publishing companies so they will have more resources to invest in marketing and to use for expanding and revitalizing the publishing industry by providing consumers with the content they want. We believe that providing a platform for POD and inventory control will lead to a bigger share of the market for DNP so that in the end, DNP will benefit.

Q How do you handle the problem of digital costs?

A platform for both print and digital media

The second major problem faced by the printing industry is the addition of digital costs. With the spread of personal computers, mobile phones, and computer networks, some of the content from newspapers and magazines is now displayed on the Internet. But, with the exception of a small proportion of content, it is difficult to charge money for Internet viewing, so the cost of producing digital content ends up being an additional burden that puts further pressure on publishing companies.

In order to solve this problem, we will lower digital content production costs by introducing concentrated management and mechanisms that link online viewing to the sale of publications. In order to contribute to the creation of a new base for the publishing industry, we are building a comprehensive content distribution platform that handles both print and digital media. We aim to

expand our business by being the first to commercialize such a platform.

Q What are you doing about publishing companies' dependence on advertising?

Raising earning capacity through horizontal development of magazine brands and expansion overseas

The publishing industry's third problem is the slump in the magazine business caused by declining corporate advertising. We plan to resolve this problem by making new use of magazine brands and expanding overseas. For example, Shufunotomo Co., Ltd. with which we formed an alliance this year, has a magazine called "S Cawaii!!" which is popular among teenage girls. By linking this magazine brand with fashion brands, thereby tying together the planning capacity and know-how of manufacturers and distributors, it is possible to branch out into areas like the development of fashion products aimed at teenage girls.

In recent years, Japanese magazines have increasingly found readers overseas, primarily within Asia. DNP has built a content data transmission network with 50 countries around the world, and we have a translation system that can handle about 60 languages. By making use of this type of global framework and popular magazine brands, we can further increase overseas readership. Maruzen also has expertise that will be useful in developing publishing content for overseas consumption. Maruzen has a long history of importing from the West, and remains Japan's foremost importer and seller of Western books to this day. Maruzen could use the overseas network that it cultivated through its import business to support the overseas development of Japanese content.

In short, by developing various types of merchandise under magazine brands, and by promoting the development of magazine content overseas, we intend to secure new sources of revenues and help strengthen each publishing company's management base.

Q What other effects will this have on DNP's business?

Solving the industry's problems will boost DNP's business growth

We believe that building a new platform and solving the overall publishing industry's problems through vertical development will lead to business growth for DNP.

As an example, we think that IC tag-based book management can be an effective way to reduce book return rates and increase sales, and we are taking a leading role in introducing such a system. By acquiring shares in Bookoff Corp., we want to establish a sound secondary market for publications, and there too, we see IC tags as an effective way to get a grasp of each item's distribution history throughout the entire supply chain. We have already used IC tags to greatly improve convenience and management efficiency: One public library operated by TRC on a contract basis attached IC tags to all of its roughly 850,000 books. When a library patron uses a dedicated terminal to search for a book, its location is shown on the screen; and when a patron reserves a book, the library shelf where the book is lights up.

DNP will continue to promote a variety of new ideas – not just those involving IC tags – to stimulate the entire publishing industry.

A Consumer-Oriented Approach to Planning

"Coordinated Sales Promotion" including analysis of customer and market trends

In recent years, the field of commercial printing has expanded greatly, so that it now includes every aspect of sales promotion from planning and execution to analysis of results. Keeping in mind all of our corporate clients' processes, from product development to manufacturing and sales, we propose more effective ways to communicate products' special characteristics to consumers, to attract them, and to get them to buy our customers' products.

Q What kinds of businesses has Commercial Printing pursued so far?

"Total SP* Solutions" grew out of printing, which is a form of "manufacturing"

*SP = Sales Promotion

Five years ago, we came up with the idea of "Total SP Solutions" as the field of commercial printing field broadened. Until then, we took a "mass" approach, primarily using leaflets to communicate information about products and services to a large number of consumers all at once. However, because this method no longer appeals effectively enough to individual consumers regarding their particular needs, we combined the traditional "mass" method with a "direct" approach that addresses individual needs, and a "point-of-purchase" (POP) approach that works directly on consumers at the store. The result was even stronger sales promotions, which we call "Total SP Solutions."

In today's sales promotion market, advertisers compete with a variety of other players for market share. However,

most advertising agencies are not equipped to produce sales promotion materials, printed or otherwise, and tend to specialize in a "mass" approach centered on mass media including television, radio, and newspapers. DNP, however, has the means to produce various types of information media, so we have accumulated expertise not only in mass media, but in the direct and point-of-purchase approaches, including web sites, direct mail, production of POP promotions, and operation of customer service centers. We deal with a variety of types of businesses, and we offer comprehensive sales promotion by closely integrating the functions of our sales section, which is the contact point for customers, our planning section, which handles consulting, planning and development, services, and our manufacturing sections, which produce content and handle prepress processes.

Q What do you have in mind for the future of Total SP Solutions?

We will develop Coordinated Sales Promotion that links "mass," "direct," and "point-of-purchase" approaches

In order to solve our customers' sales promotion problems, it is important to create a situation wherein all three approaches – "mass," "direct," and "point-of-purchase" – function together organically. Through Integrated Sales Promotion that links these three approaches, we can create synergistic added value in the overall sales promotion process.

We have been strengthening our marketing functions, for example by analyzing buying patterns based on consumer purchase histories and point-of-purchase behavior and linking that information to product and business model development. By clarifying the characteristics and functions of various sales tools and developing more diverse and flexible sales tools, we are proposing more effective promotional strategies. We can optimize catalogs and pamphlets to suit the characteristics of a particular



Managing Director

Takao Shimizu

geographical area or target market, including the number of pages, and thickness and quality of paper, and we develop POP promotions that improve the percentages of customers who approach the shelves where specific products are located and the percentage of customers who pick up one of those products off the shelf.

Let's look at the reinforcing of a point card system as an example of a successful coordinated sales promotion making use of purchasing history analysis and other marketing functions. Specifically, we enhanced the card member database, updated the point cards, planned and produced leaflets and pamphlets, planned and operated events and campaigns improved in-store advertising, and built and operated a web site. As a result, the number of point card holders and the value of merchandise sales increased, contributing to improvement in our client company's bottom line.

Q What functions will the Commercial Printing division be strengthening in order to promote Coordinated Sales Promotion?

We will strengthen our planning, consulting, and marketing functions

DNP's Commercial Printing business is changing from a business model focused primarily on printing and production to a model that supports client companies' overall sales promotion. Along with this, what corporate clients demand from us is shifting from good quality printed materials to planning, development and execution of sales promotion measures related to the consumption patterns of consumers targeted by our client companies. Looking at our division's profit structure, there has been a big increase in the proportion of sales from services like planning, consulting, and marketing, and we plan to strengthen these functions even further in the future.

Meanwhile, in order to improve the quality of printed materials and other manufactured products, we are constructing unique, more objective quality standards. Now that we handle the entire sales promotion process, we believe it's important to satisfy not only our corporate clients, but the consumers who are their customers. That is why we plan to construct new quality standards based on consumers' point of view.

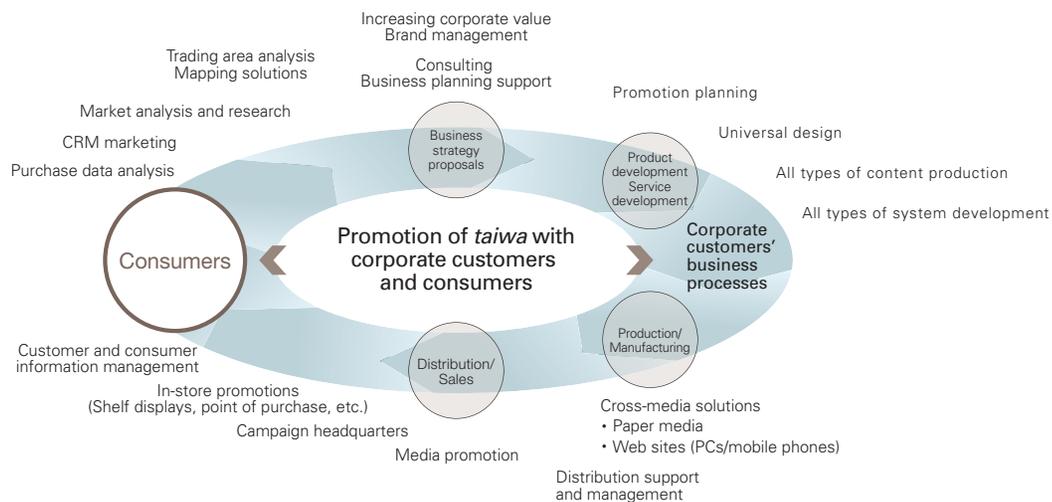
Q What are Commercial Printing's strategies for the future?

We will devise strategies that deepen communication between corporate clients and consumers, and promote comprehensive solutions.

We do business with a variety of types of companies and we have the advantage of diverse contact with various departments in a large number of companies. In order to deepen a company's communication with consumers and promote its products and services more effectively, DNP takes a broad view of society as a whole across industry lines, views the customer's perspective more objectively, and supports the construction of corporate communication activities and promotional strategies. Also, we work with client companies to uncover various problems for which we propose solutions.

Our specific strategies are as follows. First, we will promote print on demand (POD), constructing printing systems that can respond to the diverse and detailed demands of corporate clients and consumers. Next, in order to boost the efficiency of corporate clients' business processes, we are establishing "digital workflows" using DNP's information technologies and various types of expertise. We also formed a planning and development team that we call the "In Store Marketing Laboratory," which researches and develops effective in-store sales promotion methods based on viewing stores not as places where companies sell, but as places where consumers buy. Our In Store Marketing Laboratory and Waseda University's Research Institute of Marketing Communication (directed by Prof. Naoto Onzo) co-sponsored a "Sensory Marketing Study Group," through which experts from various industries participated in studying relationships between marketing and sounds, smells, etc. that stimulate the five senses. By generating a curry aroma at actual stores, we verified the effectiveness of aroma in sales promotions. Finally, we created a planning and development section within Commercial Printing Operations, which is developing applications for sales promotion solutions that take advantage of printing and information technologies.

Guided by the concept of "Total SP Solutions," DNP will link various functions including planning, sales, technology development, and manufacturing to support Coordinated Sales Promotion and further expand our Commercial Printing division.



Security Solutions: The Road That Lies Ahead

Information security technologies as the core of our solutions business growth

Since starting our security-related business with stock certificates, magnetic stripe cards, and business forms, we have expanded into areas like notifications, direct mail printing, enveloping and sealing, and smart cards. By taking these a step further and combining them to offer diverse solutions, we have established our position as the industry leader. In recent years, there have been big changes in the business environment due to factors such as advancing globalization, intensified competition, and legal system reforms, bringing us to a new phase in which business developments centered around DNP's advanced security technologies provide solutions to various problems faced by corporations and society.

Q Please describe new business developments that make use of DNP's information security technologies.

Providing a wide range of outsourcing services under high-security conditions

In recent years, DNP has been providing many companies with Business Process Outsourcing (BPO) services, meaning that we perform a company's diverse business processes just as they would, except that we do so using DNP's information security technology. DNP has long offered Information Processing Services (IPS) consisting mainly of output-type business processes. For example, we receive consumers' personal information from a client company, compile relevant data, print information, insert the printed matter into envelopes, seal the envelopes, and mail them. Our BPO services expands on IPS by adding input functions such as receiving and examining documents, data entry, database maintenance, data analysis, and call center operation, allowing us to contract in the entire range of a client company's business processes.

BPO services require high-security environments and operational systems that are trusted by client companies and by consumers who are our clients' clients. There is currently no other company in Japan providing the same level of advanced BPO services on the same scale as DNP.

As a concrete example, let's look at what happens when a consumer applies to a financial institution to open a new account. The customer attaches a copy of his or her driver's license or other identifying document to the application form and brings it to the institution's service counter or mails it in. DNP's Solutions Center receives these documents and enters necessary information into its computer system. Our Solutions Center also checks that there are no problems with the identifying document and, if necessary, contacts the applicant from DNP's call-center to resolve any questions. The final application data is delivered to the financial institution and our BPO role in opening the new account is complete.

The biggest advantage of outsourcing these types of processes is that it enables client companies to concentrate their management resources on their core

business. As a result of the worldwide financial crisis and stricter regulations resulting from legal reforms and systemic changes, companies that make use of BPO services currently face a harsh business environment, requiring them to focus harder than ever on their core businesses. We feel certain that BPO services will expand further as a result of DNP offering solutions that meet the needs of client companies.

Q Do you plan to expand your smart card business overseas?

Overseas expansion of DNP's unique Card Data Management Service (CDMS)

Not just in Japan, but all over Asia, smart cards are being used increasingly in a variety of fields including finance, transportation, and communications. In Asian countries, single-function smart cards are currently the mainstream, but based on our anticipation of next-generation demand, we intend to offer high added-value solutions that make use of multifunction smart cards and DNP's unique authentication technologies. One of these solutions, CDMS, has no parallel anywhere in the world, and we think it is very likely that it will become widely popular.

CDMS stands for "Card Data Management Service." It means that we provide comprehensive, online management of information to be stored on smart cards. This service makes it possible to issue a smart card on the spot at a service counter, quickly change a pin code at an ATM, use a "mobile bureau" to install software or personal data onto an IC chip in a mobile phone, and even authenticate an online shopper's identity, among other uses.

We expect that in the future, there will be many opportunities for expanding our CDMS not only in the Asian market, but in Western countries as well. In 2008, at the world's largest smart card exhibition, held in France, we introduced CDMS as a unique DNP solution. We make an effort to expand our contacts with customers around the world by listening directly to the opinions of the local people. Outside Japan, smart cards are most commonly used in the form of SIM cards containing

mobile phone subscriber information, but we believe that advanced smart card-based solutions will come into broad use. When that happens, we believe that DNP will have plenty of opportunity to take advantage of its strength in this field, because very few companies provide total smart card solutions that offer the equivalent of DNP's CDMS. Toward that end, we aim to expand our smart card business and actively develop it overseas, with an eye toward potential mergers, acquisitions, or other types of corporate alliances.

Q What new efforts is DNP making in its domestic smart card business?

Development of new solutions including device authentication

We are also working hard to develop domestic smart card customers. Now that the Japanese population has begun to shrink, we probably can't expect that demand for smart cards will simply shoot up in existing markets like finance, transportation, and telecommunications. However, people say that in the "information network society" of the future, integrated circuits that use security and authentication technologies will be built into all kinds of household appliances, cars, and mobile telephones, and these chips will be able to transmit information and initiate or maintain various functions by connecting to networks. We intend to develop various types of device authentication and other new solutions to support this type of system.

Q What kinds of things are you doing with companies other than financial institutions?

DNP will continue to lead the Shared Security Formats Cooperation that is increasing office security

DNP is leading the Shared Security Formats Cooperation (SSFC) that is comprehensively boosting office security.

In the past, companies used separate systems for controlling various types of security-related information such as gateway transit records and computer log-in histories. SSFC makes possible uniform control of systems that increase office security, by providing shared specifications linking the data formats used in smart cards with those used in systems that control access to gates, storage areas, or equipment like computers or printers. Diverse activities such as entering or leaving offices, logging on to computers or operating printers are all controlled through an ID number contained on a single smart card that each user carries. The system aims to

prevent illicit use or leakage of information by granting authority to access sensitive information only to certain employees, and by recording which individuals accessed, copied, or removed which information. Companies that have joined the SSFC have had success in preventing information leakage and improving operational efficiency. The number of companies using the system is steadily growing, and participating companies have already issued more than 1 million SSFC-compatible smart cards. In addition to developing the domestic market, we are working on overseas expansion in response to the interest expressed at the 2008 smart card exhibition in France.

Exercising uniform control over various actions within the office requires the cooperation of numerous specialized companies; 180 companies in Japan participate in the SSFC consortium, from fields such as office equipment and information systems. DNP proposed and formed SSFC, runs the consortium's offices and actively promotes its activities.

DNP has a track record of proposing a variety of information security solutions centered on IPS and smart cards. In the future, we intend to actively expand the information security field through Business Process Outsourcing, promotion of CDMS, SSFC, and other digital security solutions, and by focusing on expanding our smart card business overseas.



Director
Sakae Hikita

The Future of Communication Technology

Carving out a new future for Information Communication by creating digital workflows and other production technologies, and searching for new information distribution channels

The Information Communication segment's main areas of research and development are the construction of digital workflows for printing and other manufacturing processes, and the pursuit of possibilities for new businesses arising out of IT developments. From these two standpoints, we will explore the future of Information Communication and propose original DNP solutions to the problems of our corporate clients and consumers.

Q What is the role of technological development and other research and development within the Information Communication segment, and what results have been achieved?

Aiming for innovation in products, manufacturing processes, and business models

The Information Communication segment's research and development framework centers on the Technology Development Center, which develops production technologies, including the creation of digital workflows for printing processes, and the Media Technology Research Center, which develops new information technologies to replace printing on paper. These two facilities are part of a framework of cooperating facilities that includes the Research and Development Center, which studies new expressive technologies used in information distribution, the Electronic Module Development Center, which develops devices and modules used in displays, and the Nano Science Research Center, which develops materials and processes to support DNP's other endeavors. As director of the Corporate R&D Division, I am in charge of coordinating these five centers.

Currently, in addition to using digitalization and computer networking for streamlining and boosting efficiency in clients' overall activities, the Information Communication segment sees its most important task as the creation of information distribution technologies that reflect the needs of the consumers who are our corporate clients' customers, so we engage in research and development aimed at accomplishing that task.

In the old days, the processes of collecting text and photographs and creating platemaking film and printing plates were supported by analog technologies. But these processes began to be computerized in the 1970s, so that today they are primarily digital technologies. The final products' printed materials haven't changed, but the production processes have evolved as a result of research and development in information technologies, and many problems have been resolved. Traditional paper media is not the only object of our research and development; we research the use of a variety of media to energize information distribution to consumers. Our research and development is not aimed solely at product innovation; we also plan to propose innovative business models to our corporate clients.

Q What fields of research are you currently focusing on?

On the production technology side, we are working on maintenance of digital printing workflows based on plateless printing, and use of such workflows for POD (print on demand). In the area of collection and analysis of customer needs, we are focusing on technologies related to Consumer Generated Media (CGM).

In the past few years, film and plate-making processes have become unnecessary as we now have ways to output digitally processed text and images using inkjet or electrophotographic printers, so we can offer speed and quality at the same time. Based on the construction of digital workflows using these printing technologies, DNP is developing a POD system that can print only the necessary number of copies and customize the content of printed material. In addition to printing large

Corporate Officer
Takashi Wada



quantities of catalogs or magazines using a rotary press, POD makes it possible to deliver only necessary information only to the people who need it. We expect that there is a great deal of latent demand for POD. In the future, we would like to install printers at bookstores so that they can print a single copy of a book in response to a customer's order.

Another theme that we are focusing on is the development of technologies for collecting and analyzing consumer needs.

In the past, when our Commercial Printing division produced catalogs or leaflets to promote products for corporate customers, we listened mainly to the corporate client. Now, however, in response to the wider availability of Consumer Generated Media (CGM) – compilations of consumers' own product evaluations via the Internet – DNP is listening directly to consumers' voices and stepping up development of information distribution technologies that corporate clients can use in their product development, etc.

For example, in 2008 we launched "Sakimi™," a service that analyzes consumer opinions posted on the Internet. Sakimi uses DNP's original language processing technology to analyze a variety of information posted by consumers on blogs and bulletin boards, and displays extracted key words and compiled data in easy-to-understand formats such as ranking lists, graphs, and tag clouds (visual depictions of the frequency and weight with which words are used in websites), for use in corporate marketing strategies.

We also developed a service called "Magitti™," which anticipates what a particular person is most likely to want to purchase based on time of day, location and that person's tastes, and sends suggestions to the person's mobile phone. In addition, we are developing aspects of universal design such as easy-to-read fonts and colors and easy-to-open envelopes.

Q It seems that security technologies are one of DNP's specialties.

We will further refine technologies that guard both things and information

We have always developed and accumulated security technologies using holograms and other specialized printing techniques in order to prevent forgery or copying of printed items like stock certificates, merchandise vouchers, magnetic stripe cards and smart cards. Recently, we developed technologies for producing three-dimensional images that appear to project out of a flat surface and holograms that appear to move as if animated, which can be used to more effectively prevent forgery and identify authentic items.

In recent years, there has also been increasing demand related to stronger information security and protection of personal information. We believe that technologies for identifying individuals will become especially important. DNP has been refining its biometric technologies, for example by developing the world's first vein authentication-based smart cards. We are also working on employee and student ID smart cards, and ways to increase security in offices and other facilities. Other security technologies that we are developing and plan to apply to the creation of infrastructure needed

by society include technology for enciphering digital data exchanged between smart cards and networks, and rights management technology for confirming that exchanged data is correct.

Q Development of new media and materials like organic EL is also important to communication technology, isn't it?

Distinguishing DNP from the competition by our ability to propose digital signage and other solutions that meet customers' individual needs

Development teams from the Research and Development Center, Nano Science Research Center, Electronic Module Development Center and other facilities are working together to develop organic EL, electronic paper, and other materials that have the potential to become new information media. These products are expected to be useful not only in flat-panel televisions and mobile devices, but also in new applications such as digital signage displayed in stores and other public places.

Not only can DNP develop applications based on corporate and consumer needs, but we can play a part in the development and manufacturing of the actual devices. We can propose the most effective way to actually display digital signage in stores for advertising purposes and we can provide the displays that we propose. This ability to propose both hard and soft aspects is one of DNP's big advantages.

Q What fields of research and development will the Information Communication segment be paying particular attention to?

Focus on print on demand and "Service Science"

One area on which we plan to focus is the development of information technologies that will be needed when print on demand, which I mentioned earlier, becomes widely used by consumers. Print on demand will be a comprehensive service that will include every step from receiving data from a customer, printing, binding, all the way to shipping, so it will be important to achieve a high level of information security. We will use our technologies to enable greater convenience and peace of mind for the growing number of customers who we expect will use this type of personal service.

Another area of particular attention is basic research, including language processing and algorithm development, which our Media Technology Research Center is researching jointly with several universities. We also do research in the area of "Service Science" by scientifically analyzing and systematizing human sensitivities and behavioral principles in hopes of improving service and productivity. We believe these fields will become increasingly important in the future, so we are accelerating joint research.

PIM Solutions That Lead Directly to Improved Corporate Earnings

DNP has been providing corporate customers with database solutions for some time. In order to further develop this business, in 2006 we launched a Business Process Reengineering (BPR) headquarters in C&I Operations for promoting operational reforms within client companies. The BPR headquarter provides document and data management solutions for corporate clients, including the design, construction, and maintenance of information systems and applications. As part of this service, the BPR headquarter offers Product Information Management (PIM)* solutions for making integrated use of product information.



Yoshinori Kawakami
Leader
Product Information
Management Group
Business Process Reengineering
Division

* In partnership with Danish IT developer, Stibo Systems Inc., DNP offers PIM solutions including reselling of Stibo's original "STEP" PIM software under the name "Pro-V" for the Japanese market. Stibo Systems belongs to the corporate group built around Stibo A/S, a printing company established in 1794. Based on its history of producing product catalogs, Stibo succeeded in developing PIM software that functions better than competing applications. DNP's Pro-V has already been adopted by several companies in Japan.

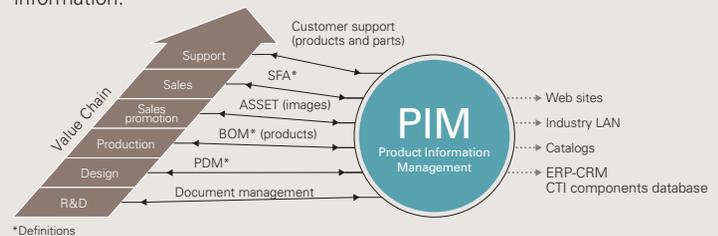
A PIM solution that makes the most of DNP's unique strengths and serves as a strategic tool for corporate management

PIM is already widely used in European and North American countries, with more than 100 major Western corporations like GE and Siemens adopting Stibo Systems' "STEP" PIM software. PIM has only recently come into use in Japan, but since many IT solutions peak in Japan two or three years after doing so in the West, PIM is expected to continue to spread here over the next few years.

The Pro-V PIM software offered by DNP makes use of the expertise as a printing company that knows how to make use of a company's product information and output it in various ways. Unlike other IT vendors, DNP provides consulting services until each client can make full use of functions appropriate to its needs, while creating mechanisms that maximize each client's profitability. PIM solutions enable companies to implement strategic marketing and sales.

The greatest advantage of using PIM is that it prevents the loss of opportunities to earn revenues. By linking and appropriately controlling various types of product information (specifications, instruction manuals, sales promotion information,

images, contact information, etc.), the PIM system eliminates the time lag otherwise required for communicating and processing information.



* Definitions

● Glossary

- SFA (Self-force automation):** A way of thinking about using information technology and supporting a company's sales department that improves operational efficiency and customer satisfaction. This thinking enables uniform management of customer information, customer contact histories, status of sales negotiations, and sales account managers' activity plans.
- BOM (Bills of Materials):** A table or written directive that shows how many of which components are needed for certain products. It may be in the form of a list or a tree.
- PDM (Product Data Management):** A system that uniformly manages all types of information related to design and development in order to make the process of developing various kinds of products shorter and more efficient.
- CTI (Computer Telephony Integration):** A technology for integrating telephone and fax functions with computers, and for managing those functions. The technology is widely used in the operation of support centers, customer service centers, and other types of call centers that respond to customers.

Example 1 Simultaneously Providing All New Product Information Worldwide

Major electronic equipment manufacturer, Company A, uses Pro-V to provide product information to multiple recipients all at once. Company B runs a global business, with sales companies all over the world. When it launches new products, the head office needs to provide product information to its sale companies worldwide so that they can produce catalogs and Web content, etc. Until the introduction of PIM, overseas sales companies received new product information by individually contacting a representative in Japan. Domestic divisions in charge of planning, sales, advertising, or public relations related to the new product were flooded with these types of inquiries from sales companies around the world, which the people in charge answered one by one. By this method, it needed a good deal

of time before all of the new product information made its way around the world, with the resulting time lags leading to delays in the start of sales.

By introducing Pro-V, Company A was able to quickly launch its new products and avoid missing sales opportunities. Overseas sales companies can access the PIM server to download new product specifications, instruction manuals, product images and any other information needed for overseas promotion. The system allows all the representatives in Japan to use the PIM server to smoothly distribute product information to overseas sales companies, allowing them to quickly get started with formulating strategic promotions and making sales.

Example 2 Printing Multiple Versions of Flyers

Major domestic electronic appliance mass retailer, Company B, uses Pro-V to produce multiple versions of flyers. Company B has stores throughout the country. Because each store has its local character and its own sales strategy, the company produces dozens of flyers that partially differ in content. Before introducing Pro-V, the head office produced a template which a sales planning manager at each store edited to suit the needs of that particular store. When doing so, it was necessary to acquire

product images, prices, specifications and other information from related departments in the head office, requiring that a great deal of time be spent on the editing process. With the introduction of Pro-V, sales planning managers can acquire information efficiently by only accessing the PIM server, leaving them free to devote more time to the marketing and sales promotions that is their real work.

Augmented Reality Solutions

DNP applies image processing technologies that it cultivated through printing in order to provide solutions that make use of Augmented Reality (AR). AR combines computer-generated images with real-world images or a person's actual field of view, thereby broadening the real world or creating a richer expression of it. The basic elements of an AR system are a camera for recording real-life imagery, markers that recognize the space or object being recorded, additional, "non-real" information – generally expressed through 3-D computer graphics (CG) – and a means of displaying the resulting combination.

In the future, AR is expected to be useful in a wide variety of fields such as sales promotions, publishing, video games, art appreciation, education, and medicine. DNP views AR as a new communication tool – we intend to develop a variety of applications and incorporate the technology in AR solutions.



Minako Miyama
Manager,
Communication & Information
Operations

Wider ownership of cameras and further development of applications essential to developing AR business

AR technology can be applied to various fields, from sales promotion and entertainment to medicine and education. DNP has developed high-definition image processing and CG technologies through our printing and other businesses. By combining these technologies with our comprehensive strength in planning, manufacturing, and sales, we are well-positioned to offer AR-related solutions. DNP is currently the only Japanese business that is commercializing AR, and we plan to make the most of all of these advantages as we press ahead aggressively with AR business development.

Before AR can be a truly accessible solution, however, web

cams need to come into wider use. Camera-equipped mobile telephones have the necessary components for AR, but fall short in terms of the quality of CG display, CPU capacity, and there is a need for more models that can support AR.

DNP is also hard at work on developing applications for AR. For example, we are working on an educational application connected to DNP's My Earth® card game, which teaches young people about global environmental issues. In contrast to virtual reality (VR), which creates an entirely artificial world, AR blends physical reality with virtual elements, making it possible for dreams and reality to coexist. DNP is actively developing businesses that can grow out of this promising field.

Example 1 New Type of Art Appreciation System

DNP has employed AR technology in its presentations at the Louvre – DNP Museum Lab, a collaborative project between DNP and the Musée du Louvre aimed at exploring new methods of art appreciation. When a visitor of Museum Lab points a camera-equipped display at an object on exhibit, DNP's original art appreciation system recognizes a three-dimensional piece of early Islamic-period pottery and superimposes over the actual image a CG-generated image showing parts that have been restored. DNP also developed a route guidance function for this system. When a visitor scans one of the pictures or markers placed along an exhibition route, a CG-generated character explains where the visitor should go next. This system can be used with a compact computer or a smart phone. The Museum Lab's

smart phone-based AR route guidance system has attracted a great deal of attention as a form of mobile AR.



Mobile AR route guidance system



Mobile display screen

Example 2 Electronic Pop-Out Book

DNP has developed an "electronic pop-out book" using Augmented Reality. When the printed book is placed in front of a camera, the pages of the book and 3-D computer graphics-generated tropical fish printed on the pages are displayed on the computer screen, allowing readers to enjoy a highly three-dimensional, animated view of tropical fish swimming leisurely among ocean rocks along with explanatory information. By reading identifying markers printed on each page of the book, the system recognizes the book's position and distance relative to the camera, combines 3-D images that cannot be expressed on paper with the images printed in the book, and displays them on the screen in a natural-looking way. The reader does not need to touch the computer; simply by turning the pages the reader can receive more information than is contained on

the paper pages and learn more about the fish depicted there, thereby increasing the book's educational and entertainment value.



Tropical fish appears on monitor

Evolving into an Electronic Publishing Business

In recent years, the Japanese market for electronic publishing has been growing rapidly. DNP is developing a broad-based business to serve this market, offering comprehensive services that cover every phase of the supply chain including publication planning and production, distribution, sales, sales promotion, contracted operations, and development.

The Rapidly Growing Electronic Publishing Market

Since the introduction of mobile phone-oriented information services like i-mode and EZweb in 1999, the electronic publishing market has been growing rapidly, with most of the demand coming from mobile phone users. The value of the market was estimated at 1.8 billion yen in 2003 and close to 50.0 billion yen in 2008. Today, "mobile comics" delivered to mobile phones accounts for roughly 70% of the electronic publishing market. Other growth areas include literature, photo collections, and audio books.

Most readers of electronic publications are in their 20s and 30s and grew up using mobile phones and playing mobile games. This is the same generation that buys the most mobile terminals as functionality of the terminals improves, so the market is expected to grow steadily in the future. Japanese comics and other content have also become popular internationally. From an ecological standpoint as well, electronic publishing can be expected to grow worldwide as a paperless information medium.

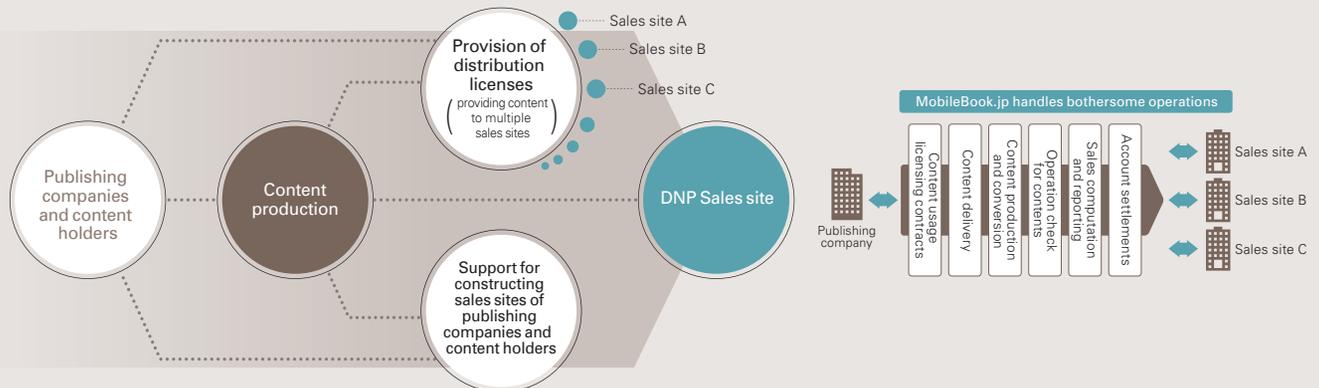
DNP and Electronic Publishing

DNP's involvement in electronic publishing began in 1985, with the development of the world's first electronic dictionary on CD-ROM. Ever since, we expanded this field by providing services that addressed the cutting-edge information media of each era, including satellite communication, digital broadcasting, the Internet, and mobile phones, and by developing industry-leading standards and technologies.

In 2006, we increased our stake in MobileBook.jp Inc.*, making the company an affiliate of the DNP Group, and

stepped up related efforts by building a content distribution platform and becoming an agent for electronic publications. At the same time, DNP has its own content sales business that operates multiple electronic bookstores via the Internet and mobile phones. In addition, the DNP Group as a whole provides comprehensive services including planning and production of electronic publication content, and development and contracted operation of electronic bookstores.

*(URL: <http://mobilebook.jp>)



Working with publishers to promote MobileBook.jp (MBJ) electronic book business

MBJ was co-founded in January 2005, primarily by publishing companies and DNP, with the aim of creating a market and sound distribution channels for electronic publishing. Today, DNP is MBJ's largest shareholder and plays a leading role in its management. The company's top shareholders are 19 major publishing houses, with Kodansha Ltd., Kadokawa Shoten Publishing Co., Ltd., Kobunsha Co., Ltd., and Shinchosha Publishing Co., Ltd. participating as external board members.

MBJ's main businesses are electronic publishing agency services and providing a distribution platform, including ASP provision of the functions needed to establish and operate online electronic bookstores. As an agent, MBJ receives comic

book, novel or other content from a publisher, and provides distribution licenses to electronic bookstore sites. This is currently MBJ's core business. On the ASP side, MBJ develops and operates electronic bookstores on behalf of publishing companies. Current ASP users include Denshi Bunko Paburi – a joint venture between 13 major Japanese publishers including Kodansha, Shogakukan, Shueisha, and Kadokawa Shoten, and Kobunsha's Bunko YomYom electronic bookstore.

As of June 2009, MBJ was supplying 460 electronic bookstores with 36,000 titles offered by a total of 300 publishing companies, making it one of Japan's biggest electronic publication agencies.



Mobilebook.jp, Inc.
President

Kounoshin Nomura

Column

Communicative Consumer-Oriented Marketing

There is a growing number of communicative consumers – consumers who actively gather information about products and services, and actively create relationships with companies, for example by participation in sales campaigns. This type of consumer generally places great importance on casual communication with other consumers. Now that consumers can easily exchange information with each other through Internet forums such as blogs and bulletin boards, companies recognize a need to quickly learn to deal effectively with this type of consumer.

DNP actively engages communicative consumers and promotes a style of “communicative consumer-oriented marketing” that can be useful in corporate customers' sales promotions.

What is a “Communicative Consumer”?

As more and more “communicative consumers” actively gather and disseminate information and actively form relationships with companies, it is no longer just product functions or specifications that strongly influence sales – nowadays communication between companies and consumers in itself also makes a significant difference. DNP’s “communicative consumer-oriented marketing” focuses on the consumer rather than the product,

and emphasizes continued communication even after a consumer has purchased a product. We also build channels through which consumers and companies can communicate directly. We believe it is important to take a long-term view, to carefully cultivate relationships with consumers, and to increase a company’s brand value along with the number of partnerships with consumers.

Expansion of Consumer Generated Media (CGM)* Channels

In the past, companies communicated to consumers mainly through “media channels” such as television or newspaper advertising, and through “purchasing channels” such as POP displays or other in-store communications. Today, with the increase in communicative customers, two additional channels are gaining importance: a “publicity channel” and a “CGM channel.” DNP addresses both of these.

The publicity channel goes beyond simple advertisement to provide information through broadcast programs or articles in newspapers or magazines. It refers to a whole

range of activities aimed at increasing understanding of a product or service. Through the CGM channel, consumers evaluate products or services based on direct dialogue with the company, opinions shared via the Internet or in casual conversation, or recommendations they have received from specialists, after which they can share the results of their evaluation. The CGM channel is expanding as fast as the number of communicative consumers grows, to the point that appealing to this channel has become the key to successful sales promotion.

*Consumer Generated Media (CGM): forums that publicize content created by consumers themselves and enhance it by distributing additional information, enabling opinion exchange, etc.

The Communicative Consumers Study Group

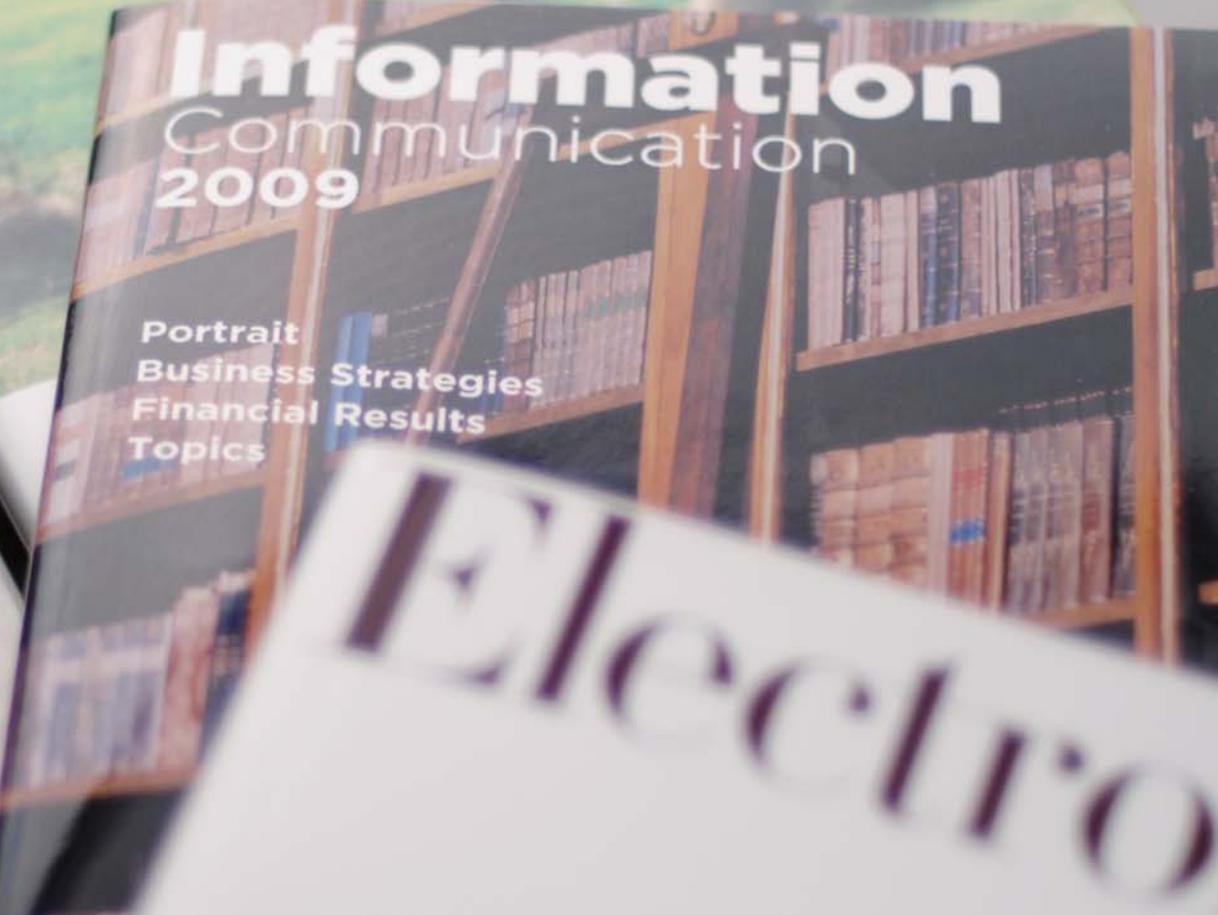
As communicative consumers increasingly make their presence felt, DNP has banded together with several companies to form a communicative consumers study group, which conducts Internet-based surveys. To date, the group conducted surveys about chocolate candy and alcohol, which revealed the preferences of communicative consumers concerning these products, and the fact that they would like more detailed information than is given in advertisements. The study group plans to analyze the characteristics of communicative consumers based on

survey results, and incorporate the analysis results when considering future marketing plans.

With the number of communicative consumers expected to grow in the future, DNP intends to address them more actively and in doing so, to contribute to corporate activities.



Pamphlet cover



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Information Communication

BUSINESS STRATEGIES

Our Information Communication segment constitutes a stable revenue base composed of three business divisions: Books and Magazines, which has been a core business since DNP's founding, Commercial Printing; and Business Forms. The segment covers a wide variety of media, beginning with paper and including electronic media such as the Internet and digital broadcasting. We intend to expand these businesses by providing original solutions that capitalize particularly on our strengths in software development for smart cards and similar media, customer relationship management and other forms of market analysis, and information security.

Basic Strategies

Due to the development of worldwide information networks, consumers have been using a variety of communication channels to gather the information they want and to actively express what they want to say, but diversification of consumers' values has made it more difficult for businesses to get a good grasp of what consumers want and need. Meanwhile, businesses are being asked to make the surest possible provisions for protecting sensitive information.

Given these conditions, the Information Communication segment strives to provide services and systems that enable safe and reliable communication, in addition to editing and processing the information that consumers want into the formats in which they want it. We intend to expand our business with corporate clients by providing comprehensive solutions, starting with market analysis and consulting services aimed at gathering accurate information about consumers' needs and wants and applying that information in business activities, and including all types of services such as planning and development of sales promotion tools and back office functions.

Expanding Our Business through P&I Solutions

Since this business segment is deeply involved in interpersonal communication, we aim to develop unique solutions that combine printing and information technologies to solve problems related to information communication on behalf of our corporate clients and consumers.

Developing Diverse Communication Formats

In order to solve problems for corporate clients and consumers, we will combine diverse media and diverse content to create optimal formats, and build communication infrastructure in order to generate new products and services.

Providing Comprehensive Business Process Solutions for Corporate Clients

DNP has become proficient in maintaining the advanced information security required for editing and processing massive amounts of data and for handling important information. We aim to use this expertise and other strengths to actively encourage businesses to outsource services from us in order to solve a variety of problems that they face regarding their business processes.

Generating New Markets through Global Expansion and Linking Businesses

We are ready to take on the challenge of pioneering brand new fields, for example by developing global businesses that make use of our network of overseas bases or by generating synergistic benefits through cooperation with companies that excel in a specific area.

Major Policies

Promoting P&I Solutions by Expanding Solutions-oriented Business

We intend to move beyond the production-centered business development style of our past and further expand our solutions-based business by offering original solutions that combine printing and information technologies in ways that only DNP can.

In order to increase the added value of our products and services, the Information Communication segment proposes a variety of ideas covering every manufacturing process, from upstream to downstream, including sales promotion planning, product development, market research and customer relationship management.

For example, by providing corporate clients with personal information protection or other data security functions, we help them achieve more direct communication with consumers. Or by linking smart cards and other security solutions with various media such as electronic forms, IC tags, print on demand, and personalized direct mail, we will create new business services that provide comprehensive solutions to customers' problems.

Furthermore, we will respond to the diversification of information media by developing businesses like online distribution of books, images, and other digital content. We will pursue strategic alliances and the development of information services tailored to customers' needs so that we can enliven not only the publishing industry, but distribution, manufacturing, and other industry sectors. In the future, we intend to make solutions-based business a bigger part of our overall business and increase revenues.

Expanding Solutions-based Business through Cooperation between Business Segments

Improving cooperation among business segments, enhancing various systems, and making effective use of business bases will enable us not only to provide process-improving solutions that fit a client's type of business and industry, but also to create a framework that will allow us to provide more comprehensive solutions.

The DNP Gotanda Building (in Tokyo's Shinagawa Ward) and the Namba SS Building (in Osaka's Nishi Ward) are equipped with a variety of presentation functions and serve as forums for working with corporate clients to identify problems and hammer out optimal solutions.

In order to further promote P&I solutions and ensure their future development, we intend to enhance our framework by redeveloping the Ichigaya Plant that serves as the central base for P&I solution development. The Ichigaya Plant opened in 1886, 10 years after DNP's founding, and for more than 120 years has been the focal point for DNP's expansion into various business fields. Our redevelopment plan calls for concentrating head office functions and the planning, development and sales functions of the various business segments that are currently dispersed in suburban locations, as well as reviewing our manufacturing systems from the standpoint

of distribution and other aspects of overall optimization, and consolidating production bases, etc. We plan to start construction in the fiscal year through March of 2009, with completion scheduled for 2017.

Promoting our Outsourcing-based Services Delivery Business

We aim to use the technologies and expertise that we have cultivated over the years, and the good relationships that we have built with corporate clients, to offer services that support our clients' overall business processes.

As we input, output, edit, process and store massive amounts of data, we take responsibility for taking advanced security measures when handling information received from companies or consumers. In addition to providing various types of research analysis, consulting, operation of Internet data centers, customer service centers, campaign offices and handling of mailing services and other back office functions, we also provide print on demand services entailing customization of each piece that we print with different information. We intend to expand our business by providing comprehensive solutions to the particular problems of individual companies as well as problems related to the business process of entire industries.

Furthermore, we will build up our outsourcing-based services business and will effect mergers, acquisitions, or business tie-ups when we need to acquire highly specialized technologies or expertise or to speed the start-up of a new business.

Promoting Global Expansion and Business Tie-ups in order to Create New Businesses

We will build a worldwide network of printing companies and promote our Global Meta-Media (GMM) system for transmitting printing data to support production in optimal locations. We will respond actively to overseas printing demand by operating a multilingual translation service and expanding into the Asian market through the Shanghai subsidiary that we established in 2005, and will develop other new businesses with an eye to the global market.

During the fiscal year ended March 2009, DNP acquired Maruzen Co., Ltd. and Junkudo Co., Ltd. as consolidated subsidiaries, thereby strengthening our network in the field of education and publications distribution following the acquisition in the previous fiscal term of TRC, Inc., a major supplier of books and data services to Japanese libraries. Our aims are to combine DNP's products and services with the expertise of these new subsidiaries in order to stimulate business in the education and publishing markets as a whole, by enhancing sales promotions at bookstores and promoting the introduction of smart cards and IC tags in public and university libraries, as well as to bolster DNP's core business of printing books and magazines.

Information Communication PORTRAIT

Strengths

- The printing and information technologies that we have cultivated since our founding, and the research and development capacities that support, apply, and develop those technologies
- Expressive techniques that allow us to deliver text, images, and other information in formats that are easy to see, easy to use, and pleasant to experience
- Integrated systems that allow us to make effective use of all types of information media – from paper to electronic networks – and to provide total solutions for planning, producing, and/or operating products and services
- The capacity for integrated management of every phase of system introduction, from consultation regarding various systems, to design, development, production, and post-introduction follow-up
- The ability to promote new businesses by collaborating across industry lines and generating synergistic benefits
- The ability to offer both general-purpose and highly customized solutions, thanks to our wealth of experience in solving problems for corporate clients and consumers

Books and Magazines

Operating Divisions

In addition to printing books and magazines, we handle a broad range of media, including planning and production of CD-ROMs and DVDs, and network-based electronic publishing. In addition to conventional publishing companies, our customers include a variety of content holders in Japan and abroad. We intend to expand this business by editing and processing customers' contents into the most appropriate formats and providing products and services that meet customers' needs.

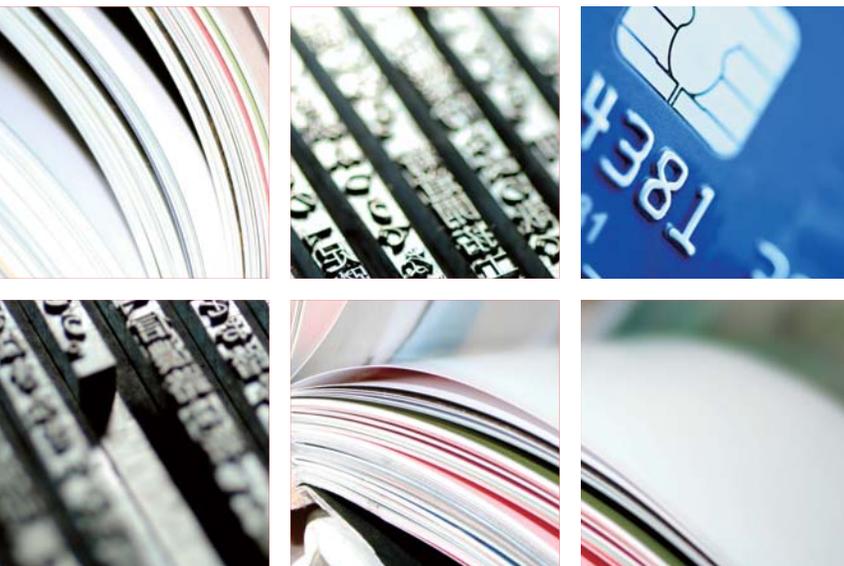
Industrial Trends

In recent years, wider access to the Internet and digital broadcasting has resulted in big changes in communication styles, and has brought consumers into contact with increasingly diverse forms of information media. The Japanese publishing industry's market was said to be worth roughly 2.17 trillion yen in 2008. This reflects an ongoing decline in sales, primarily of magazines, due to competition from the Internet and other factors. At the same time, the market for electronic publishing is growing explosively, as evidenced by the boom in mobile phone novels. This market, which was estimated at 1 billion yen in 2002, grew to 35.5 billion in 2007 (doubled from the previous fiscal year), and is expected to exceed 100 billion yen within a few years. In addition, there is increasing demand overseas for Japanese content, primarily related to comic books and fashion.

Strategic Opportunities

First, the electronic publishing market is expected to grow. The electronic publishing market is expected to continue to grow in the future as information media and consumer needs become increasingly diverse. This will result in greater demand from publishing companies and other content holders for such services as electronic publication planning and digital data production, provision of a platform for content distribution and accounting, and marketing and sales promotion activities.

Export of Japanese content – primarily animation, comics, and fashion magazines – is expected to continue to accelerate, presenting new opportunities for production in optimal overseas locations and other forms of global expansion.



Commercial Printing

In addition to printing promotional materials such as catalogs and pamphlets, we also handle a wide variety of products and services related to sales promotion, including web sites, in-store sales promotions and operation of campaigns, mailing centers and customer service centers. Serving many corporate customers in various industries, including manufacturing, distribution, and advertising, we strive to help all of our clients increase their sales and reduce costs and administrative burden.

Businesses have changed their sales promotion strategies in response to diversification of consumers' lifestyles. We are starting to see a trend toward allocating more advertising expenses to activities that allow a direct approach to consumers and take advantage of diverse information media for maximum effect.

From the second half of 2008, economic recession triggered by the worldwide financial crash has had a major impact on Japanese advertising budgets, which affects printing of all types of promotional materials including catalogs, posters, and direct mail. In 2008, Japanese companies' advertising outlays shrank by 4.7% from the previous year, to 6.69 trillion yen. Budgets for television, newspaper, and other mass media advertisements declined for the fourth year in a row, and expenses related to sales promotions declined for the first time in five years, but Internet advertising expenses continued to grow due to the emergence of new and more sophisticated methods.

Since the use of personal computers and mobile phones has become part of daily life and advertising money is shifting toward the Internet, we need to clarify how best to respond to these changes, particularly regarding sales promotion activities. Companies are in greater need of solutions that connect their business with consumers who make use of multiple information media, especially to support sales promotions and e-commerce by integrating web sites with in-store and paper media.

Business Forms

This sector enjoyed significant growth in information processing services (IPS), which entails individualized processing of massive amounts of personal data, and in areas like development, production, and service operation related to smart cards and IC tags. Keeping in mind that every company that handles information is a potential customer, we are working to expand this field, not only in Japan but overseas as well, by building information security systems that provide special protection for personal information.

As consumers are increasingly aware of the importance of personal information protection and other aspects of information security, there is greater demand for high added-value information services that are secure and highly reliable. Most recently, there has been a decline in demand for cash cards, credit cards, and other smart cards issued by financial institutions due to changes in relevant laws and the impact of the recent financial crisis, as well as decreased demand for SIM cards due to slower sales of mobile phones. Nevertheless, backed by increased demand for information security, the Japanese smart card market is expected to grow from an estimated 175 million cards in 2007 to more than 300 million in 2012. In addition, the market for smart card solutions that provide security, convenience, and increased customer satisfaction is also continuing to grow.

In the IPS market, the trend is toward higher added value related to areas like customer analysis and relationship management, so printing companies that can provide a high level of security continue to receive a higher percentage of orders.

Regarding IC tags, each industry is building a common framework in order to boost supply chain efficiency.

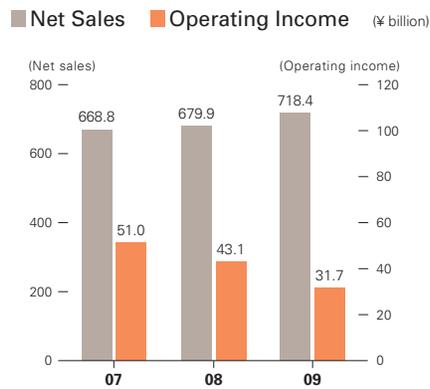
Amid expectations for a steadily growing smart card market, the trend toward stronger corporate internal controls is increasing the need to use ID cards for office security. In addition to the high degree of security that these cards obviously require, there is also demand for the multi-functionality and network-linked services offered by smart cards.

In the IPS field, there is opportunity in the growing market for high added-value services such as the generation of invoices with advertisements that are tailored to individual recipients based on analysis of spending patterns.

FINANCIAL RESULTS

Financial Highlights

	(¥ billion, %)		
	2009.3	2008.3	2007.3
Net sales	¥ 718.4	¥ 679.9	¥ 668.8
Operating income	31.7	43.1	51.0
Operating income margin	4.4%	6.3%	7.6%



Business Environment

In the fiscal year ended March 2009, demand for printing, as measured by sales from the publishing of books and magazines, declined year on year for the fourth straight year and extended a downward trend going back to 1997. In the commercial printing business, a decline in advertising-related companies' sales was one example of a swing from an uptrend to a downtrend, and advertising spending notably slumped as corporate earnings worsened, although the Beijing Olympic Games provided a boost in 2008. In the business forms business, demand temporarily declined from the year-ago level, which was boosted by special demand related to a revision of the Financial Instruments and Exchange Act, and the revised Money-Lending Business Control and Regulation Act contributed to a slump in financial institutions' demand for smart cards. Increased material costs and declines in unit prices from intensified competition had a major effect and made the industry environment even more challenging.

Summary of Financial Results

In the Books and Magazines, book sales rose but magazine sales declined. In the Commercial Printing business, sales of catalogs, flyers, and pamphlets declined because of a decrease in advertising spending, but demand for store design/construction and event planning increased over the previous fiscal year. In the Business Forms, sales of IPS (information processing services), smart cards, and ledgers declined. Total segment sales increased by 338,529 million yen, or 5.7%, from the previous fiscal year to 718,426 million yen, thanks to the addition of sales from newly consolidated subsidiaries in the education and publications distribution businesses.

Despite aggressive cost-cutting measures, operating income was heavily affected by higher material costs and lower unit prices and declined by 11,386 million yen, or 26.4%, from the previous fiscal year to 31,690 million yen. The segment's operating income margin was 4.4%, down 1.9 percentage points from the previous year.

The segment contributed 45.0% of DNP's total net sales, and 58.2% of its operating income.

Books and Magazines

Estimated sales of Japanese domestic publications from April 2008 to March 2009 declined 3.3% from the previous fiscal year to 1,994.9 billion yen, with sales of books down 1.5% to 877.2 billion yen and sales of magazines down 4.5% to 1,117.6 billion yen. There was no major improvement in the return rate for books and magazines. Magazine advertising plunged, remaining at least 15% below previous-year levels from August 2008, and one magazine after another ceased publication. Of the 182 new magazines that were launched during the fiscal year, DNP prints 37%, or 67, up 22 from the previous fiscal year. Similarly, of the 203 magazines that discontinued publication during the year, DNP had been printing 46 of these, or 23%. A decline in the number of magazine copies printed, owing to weak sales, also had a notable impact.

With the market still in a long-term slump, DNP stepped up its sales activity and increased book sales over the previous fiscal year, but overall sales in the Books and Magazines declined 5% from the previous fiscal year.

Commercial Printing

From April 2008 to March 2009, Internet advertising spending remained strong and rose 8%, but overall advertising-related companies' sales declined 9% from the previous fiscal year. The downturn, which reversed an uptrend, accompanied a deterioration in corporate earnings. The slump in spending on advertising in the four major types of media – TV, radio, newspapers, and magazines – was particularly noteworthy.

Sales of catalogs, flyers, and pamphlets declined, but orders for store design/construction and event planning increased over the previous fiscal year. High-margin orders for planning and other projects increased, but sales decreased 3% because of the heavy impact of an overall decline in unit prices and an increase in the costs of printing paper.

Business Forms

In the Business Forms, sales of forms declined sharply because a market contraction from the year-ago level, which was boosted by special demand for securities and insurance agreement forms related to the revised Financial Instruments and Exchange Act that took effect in 2007, was not offset. In addition, sales of bank books declined, partly because electronic statements have become more common. Revenue from information processing services (ranging from data entry to printing and shipment of personal mail) also slumped because of a decline in advertising spending and intensified price competition, and despite a boost from a shift to color forms in conjunction with the revised Financial Instruments and Exchange Act. As a result, sales declined 7% from the previous fiscal year.

Books and Magazines

■ Revitalizing the overall market by strengthening partnerships

Printing and publishing have been core businesses since DNP's founding in 1876. Based on the aspiration expressed by our corporate creed of the time, "Run a civilized business," we have always contributed to the evolution of society and culture in the course of growing our business. For most of its history, DNP approached the publishing industry primarily as a manufacturer. Since the industry has remained in a slump in recent years, however, we have taken on more diverse roles and have reinforced our education and publication distribution businesses in order to broadly revitalize the industry as a whole. So in addition to selling content for mobile phones in the rapidly growing market for electronic publishing, we engage in a wide range of businesses including marketing and sales support for bookstores, libraries, and other customers, along with content production, processing, and distribution. We actively pursue alliances with many other companies, and intend to continue developing the potential of the publishing and printing fields as a trusted partner.

■ Promoting operational tie-ups that will stimulate the publishing market

In February 2008, DNP acquired TRC Inc. as a consolidated subsidiary. In August 2008 we acquired Maruzen Co., Ltd. and in March 2009 Junkudo Co., Ltd., making them both consolidated subsidiaries.

TRC specializes in providing services to public libraries, including consulting, subcontracted operation, and an exhaustive database of Japanese books and magazines (TRC MARC). Maruzen, founded in 1869, sells books at 49 stores throughout the country and, based on strong ties with educational and research institutions, operates school libraries, among other businesses. Junkudo operates 33 large bookstores in major cities throughout Japan and its revenues are increasing greatly. We aim to combine the assets of these companies, including their expertise, brand strength, and customer bases, with DNP's strength in areas such as CRM analysis, promotion planning and development, content production, online services, and print on demand, to offer new types of services. DNP aims to strengthen its core publishing and printing businesses by stimulating the overall publishing market.



"Maru-M-Vision" digital sign at a Maruzen book store

■ Active approach to the growing market for electronic publishing

Japan's electronic publishing market has been growing rapidly in recent years. In the year through March 2008, it roughly doubled relative to the previous year, to 35.5 billion yen according to Internet Media Research Institute. In particular, growth was led by comics distributed to mobile phones. DNP is also focusing on this market; for example, we operate our own comics site called "Manga-kocchi."

DNP collaborated with EMI Music Japan Inc. and G.B. Company to develop "Utacom" content combining music and comics, and began distribution from the Manga-kocchi site to mobile phones from December 2008. Utacom electronic comics contain music clips up to 45 seconds long, in order to both add value to the comics and promote the music.

We also added new titles to the mobile phone picture books that we have been selling through our "Yomicchi" site, which sells electronic publications for downloading to mobile phones. A mobile phone picture book tells a story by displaying one scene at a time on a mobile phone screen, like an old-fashioned story card show. We plan to continue distributing popular content like this type of story book and content based on original company characters, etc.



Commercial Printing

■ Proposing new types of sales promotion

As more companies experience lackluster results amid today's harsh business environment, there is a noticeable shift toward trimming advertising budgets and using advertising media that allow for easy measurement of customers' response. While television and newspaper advertisements are on the decline, Internet advertising is growing rapidly, and promotions at stores and on the street are also becoming more active. DNP proposes new types of sales promotions and provides a variety of functions such as consumer trend analysis, planning and development of events and campaigns, printed material linked with website content, shipping of merchandise, and customer center operation.

■ Innovation in digital signage

There is increasing demand for electronic signs that display information in stores, public buildings, and other places where people gather. DNP and Hitachi Ltd. joined forces to develop Japan's first digital signage system using multiple mobile phones as a display platform.

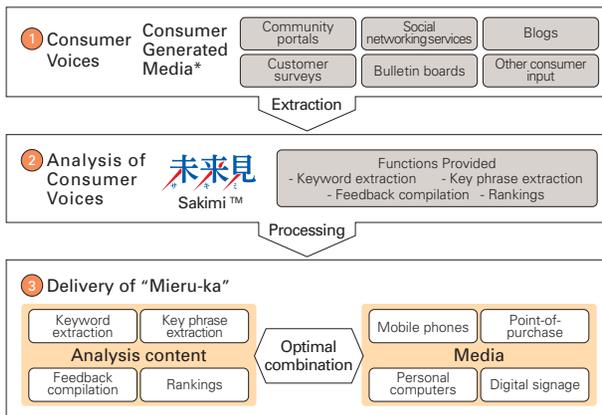
The brand new system is a highly effective, attention-grabbing method that displays a single message or image on multiple mobile phones, with each phone showing part of the whole. We conducted a test run for about two months beginning in March 2009 at an "au" mobile phone shop run by KDDI Corp. in Tokyo's Shinagawa Ward. As we move ahead with commercialization of this system, we will evaluate its advertising effectiveness and add functions such as the ability to vary advertising content according to time and location.



Digital signage using images on multiple mobile phone displays

■ Mining consumer opinions from the Internet for use in marketing

Now that consumer opinions posted in blogs, bulletin boards, social networking services and other Internet forums have come to have a great deal of influence on the purchasing and other behavior of fellow consumers, companies have begun to focus on ways to collect and use these opinions to enhance traditional modes of sales promotion. DNP has launched a service called "Sakimi™" (Japanese for "looking ahead") that uses original DNP language processing technology to extract key words and expressions from consumer opinions published on the Internet and display them in such formats as graphs or ranking lists. By making it easy for client companies to grasp customers' needs, this service enables them to increase the effectiveness of their marketing and sales promotions. DNP expects to provide the service to about 100 companies in the year through March 2011, generating some 1.0 billion yen in sales.



Outline of Sakimi service

*Consumer Generated Media (CGM): Allows consumers to enhance content that they generate themselves by publishing and exchanging opinions via Internet or other electronic forums

■ Providing on-demand geographical information

There is increasing demand for Geographical Information Systems (GIS) that show area breakdowns in map form to aid in local marketing – for example when a company is planning to open a new store, or determining where to effectively place salespeople or sales offices or where to distribute newspaper inserts, flyers, or direct mail, etc. In order to meet this need, DNP teamed up with Kokusai Kogyo Co., Ltd., a major Japanese surveying and engineering firm, to launch "Earth Finder SaaS," a GIS service designed to assist local marketers, in November 2008. Operating the service as a SaaS (software as a service), i.e. using the Internet to provide only those functions that each customer needs, decreases the cost and time required for introducing the system to new customers. DNP expects to take in 300 million yen in Earth Finder sales in the fiscal term through March 2010.

Smart Cards

■ Expanding our security business by linking smart cards and networks

DNP has led the Japanese market for smart cards ever since we entered the business in 1981. Not only do we manufacture and issue smart cards, but we developed operating system and application software that has become the de facto industry standard. DNP currently holds a roughly 40% share of the overall smart card market in Japan, including around 90% share of the market for smart cash cards, with most of the latter made for Japanese megabanks. In addition, we have secured some 50% of the rapidly growing market for contactless smart cards used as employee ID cards, transportation cards, and electronic money, etc.

In the future, we intend to expand services that link smart cards with computer networks and to develop more government-related and entertainment-related applications in order to increase our security solution business that make use of advanced authentication function.

■ Entry control system combining smart cards and face authentications

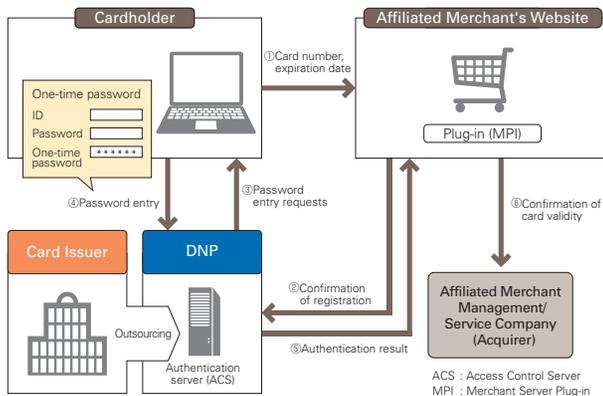
In recent years, many companies have been developing entry control devices and systems that enhance security in places like offices or event venues. DNP teamed up with Tatsuta System Electronics Co., Ltd. and Shiba Electronic Systems Inc. to develop a gate system that provides both reliable identification and smooth passage in and out of protected rooms. By linking ID cards, gates, and face authentication, the new system solves such problems as the risk of entry by an unauthorized party using an employee ID, and the use of excessive time for authentication. Furthermore, the system conforms to the Shared Security Formats Cooperation (SSFC) standard for office security, making it possible to construct even higher security environments by linking the entry system with office equipment such as computers, printers, and storage lockers. As the sales contact for the new system, DNP will aim for 1.0 billion yen in sales by the fiscal year through March 2011.

■ Online authentication using one-time passwords

As Internet shopping grows more widespread, so do damages arising from identity theft, phishing and other types of fraud, spurring demand for secure methods of electronic settlement. To answer this demand, DNP created Japan's first domestically developed authentication software to be approved by Visa International. The software is based on the "3-D Secure" protocol devised by Visa for authenticating credit card transactions over the Internet. DNP began providing an online authentication service, "SIGN3D™," using the new software in August 2008. The service links cardholders, credit card-affiliated stores, and DNP's authentication server via the Internet and provides a high degree of security by using one-time passwords.

We are actively developing DNP Card Data Management Services, a business that provides SIGN3D™ and other smart card-linked services via the Internet. DNP is promoting sales to credit card companies and banks, and anticipates 500 million yen in sales by the fiscal year through March 2012.

〈Schematic diagram of 3-D Secure〉



■ Forklift entry control system using electronic toll collection (ETC) format

DNP and Mitsubishi Electric Corp. jointly created Japan's first domestically developed forklift entry control system combining SSFC-compatible smart employee ID cards with the type of ETC device used for highway toll collection, in order to bolster security in factories. Conventional systems require forklift drivers to step down from their vehicle and pass their employee ID over a card reader when entering or leaving a facility. The new system solves the resulting decline in operational efficiency. As long as the driver's employee ID is inserted in the ETC-type device mounted on the forklift, it automatically communicates to the gate control system that he is authorized to pass through, and the system opens and closes the gate for him. DNP plans to gradually introduce the system in its own factories from autumn of 2009, and market it to outside customers after confirming its effectiveness.

New Products and Services

■ Expanding our IC tag business by combining printing and information technologies

IC tags are being used in an increasingly wide variety of ways, and their importance has grown more than ever. For example, they are used to improve operational efficiency in distribution and manufacturing businesses, and for building traceability systems. DNP has played a leading role in expanding the IC tag market by creating industry standards, constructing environments suited to IC tag use, and developing various tag applications.

In response to calls for even lower-cost solutions to stimulate the spread of IC tags, DNP succeeded in developing paper IC tags that cost about 30% less to process compared to conventional tags, which are made by applying aluminum foil laminate and etching on a substrate of PET film or another plastic material. The new product uses a cheaper paper substrate, and by applying foil pressing technology used in printing, we reduced the number of processing steps required for manufacturing by about two thirds. DNP plans to start mass producing the new tags in the fiscal year through March 2011.

DNP also developed an IC tag-based temperature monitoring system for refrigerators and freezers as a low-cost, reliable way to maintain appropriate temperatures at food manufacturing and sales facilities. The system uses active tags with a built-in battery that can emit radio waves and a temperature sensor that detects the temperature inside the refrigerator and transmits it to DNP's centralized sensor data management server. If an abnormal temperature is detected, the system informs the factory or store by phoning in an automated voice message or sending e-mail. DNP is marketing the system to a wide range of customers including restaurants, hotels, and food manufacturers, with a target of 1.0 billion yen in sales by the fiscal year through March 2011.

■ Developing a variety of holograms to help fight counterfeiting

Holograms with a three-dimensional look are very difficult to duplicate and are therefore in increasing demand for preventing counterfeiting in a wide variety of applications such as credit cards, cash cards, cash vouchers, employee and other ID cards, and brand authentication certificates for all kinds of products.

DNP got an early start in hologram printing; we began product development in 1972 and succeeded in mass producing embossed holograms in 1981. Then in 2001 we began mass production using the Lippman method, which is more difficult to produce than embossed holograms. Currently there is only one other company in the world besides DNP that can produce holograms by the Lippman method.

In September 2008, we began marketing the RELIEFGRAM™, a high-brightness, high-resolution, high-security hologram that appears as if it were a three-dimensional object protruding from the surface on which it is printed. The RELIEFGRAM™ is made with unique "Scratch-3D®" technology that DNP developed in order to produce 3D computer graphics. Because the image is so sharply three-dimensional, it is easy to distinguish a real RELIEFGRAM™ from an impostor.

Meanwhile, China's National Anti-counterfeiting Technology Product Management Office certified DNP's high-security embossed hologram technology as extremely effective at

preventing counterfeiting. This certification cleared the way for active development of the technology in China, where there is a rapidly growing market for security labels to counter heavy damages incurred from the passing off of copy-cat merchandise. DNP has already received the same “Certification of Review and Assessment of Anti-Counterfeiting Technology” for its Lippmann holograms.



A RELIEFGRAM in which the image of the earth appears to float above its surroundings

■ Launching a card game that teaches eco-awareness through play

Supporting the launch of a venture business by students from Keio University’s Shonan Fujisawa Campus, DNP joined two students in establishing a limited liability company called My Earth Projects LLC in July 2008. The new company’s business centers around selling a card game that it developed, called “My Earth®,” in which players either try to protect the global environment or seek to damage it. Players draw cards that teach them about various threats that natural environments face and the importance of environmental protection activities. My Earth Projects also issues a card product called “Challenge of the Companies” that introduces the conservation efforts of various companies, an effort that is supported by about a dozen other companies including Toyota Motor Corp. and Sony Corp.



“My Earth” card game

■ Development of advanced 3D printing technology

DNP has developed a highly advanced 3D printing technology jointly with DNP Media Create Co., Ltd. (a wholly owned subsidiary of DNP that plans and produces sales promotion tools for corporate clients) and the research laboratory of Yasuhiro Takaki, an associate professor at Tokyo University of Agriculture and Technology (TUAT). DNP began selling the new technology, called DynaCube 3D™, from November 2008.

Three-dimensional images are generally printed by laminating lenticular sheet (plastic film with an array of tiny lenses embedded in the surface) onto the material to be printed. DynaCube 3D™ is based on this same technique, but uses new methods of image processing and printing that increase the perspective between the components within the material

being printed, thereby giving a greater sense of depth and three-dimensionality. DynaCube 3D can currently be used to print in sizes ranging from A3 (420 x 297mm) to 550 x 450mm. In the future, DNP aims to increase the size range and promote the technology for use in large scale items such as posters or point of purchase advertisements.



Example of DynaCube 3D
The picture on the left was taken from the left; the picture on the right was taken from the right

■ Light-emitting material for printing on paper or cloth using conventional printing presses

DNP developed a material that emits light at a low voltage and can be printed onto paper or cloth in any desired pattern, such as letters or images. In recent years, luminescent materials have been used increasingly to boost the advertising effectiveness of posters, point-of-purchase materials and other products. DNP’s new light-emitting material is made from a special metal alloy and ionic liquid. It can be printed with a regular screen or offset printing press, thereby making it possible to print luminescent posters or other point of purchase materials more quickly and cheaply than is possible with organic EL or other materials that require large-scale, specialized equipment such as a clean room or vacuum equipment. DNP plans to improve the material’s luminescence and launch it commercially by 2014.



Various materials shine after light-emitting material is printed onto them
Left: printed glass sheet Right: printed cloth

Lifestyle & Industrial Supplies

BUSINESS STRATEGIES

The Lifestyle and Industrial Supplies segment is composed of three business divisions: Packaging, Lifestyle Materials and Opto-Materials/Industrial Supplies. The segment plays a vital part in our corporate clients' manufacturing processes and provides products that are important in the daily life of consumers. By applying and developing printing technologies, this segment serves as the driving force behind DNP's continued bold expansion into new fields like environment, energy, and life science.

Basic Strategies

In recent years, consumers have begun to insist that their lifestyles include more global environmental friendly – including less energy consumption – and more safety and peace of mind in food, clothing, and housing. In order to satisfy these requirements, manufacturing companies have been focusing on developing products that address concerns such as environmental friendliness and food safety, and on reducing the environmental impact of manufacturing processes. And DNP and many manufacturers have even taken on the important mission of helping to create an environmentally friendly society.

Our Lifestyle and Industrial Supplies segment maintains an awareness of this mission and emphasizes high functionality, environmental responsibility, and greater added value as it continuously develops products that are indispensable to consumers and to the manufacturing processes of our corporate clients. Starting with printing on non-paper materials like film or steel, we apply basic printing skills to make a wide range of high-function, high-quality products. DNP is already the world's largest supplier of some of these products, such as optical film used in electronic displays and color ribbons for printing photos from digital cameras, and we are working on boosting sales in Japan and abroad.

Developing High-Function, Eco-friendly Products

Guided by an awareness of universal design (making products easy for all kinds of customers to use) and environmental responsibility, we will develop more highly functional, eco-friendly products that meet consumers' demands for "good health, safety, comfort, and convenience."

Adding Greater Value and Shifting into Growth Fields

We will further explore the potential of printing technologies and step up the development of high added-value products and services that meet the precise demands of consumers and corporate clients. We will be quick to read market trends and develop products in areas with good prospects for future growth, such as decorative materials made with electron beam (EB) coating technology, functional films used in packaging, and various types of optical films and ink ribbons.

Actively Developing New Business Fields

We will take a broader view of our market and look at areas of great social concern, such as the environment, energy and life science, as potential growth areas in which we aim to develop cutting-edge, original technologies and products. As we create new businesses, we will actively develop alliances with a large number of corporations and research institutes, in addition to applying our own original technologies.

Major Policies

Packaging: Bolstering our Lineup of Highly Functional, Eco-friendly Products

We see increasing awareness of environmental problems and food safety issues as a source of new business opportunities, and we intend to enhance our lineup of eco-friendly products that meet the needs of corporate clients and consumers.

One product we developed in order to reduce the environmental impact and the cost of our clients' manufacturing processes is an aseptic plastic bottle-filling system, and we have been steadily increasing sales of this type of product. Also, we have been extending applications for our transparent, highly impermeable IB (Innovative Barrier) film, targeting the medical, pharmaceutical, and industrial materials fields in addition to foods.

We also intend to expand this business by offering comprehensive solutions that cover every phase of business from research and analysis of consumer buying behavior based on our original methodology, to product planning, manufacturing, and sales promotion.

Lifestyle Materials: Building our Product Portfolio with a Focus on Eco-friendly, High Added-value Products

This division aims to realize healthy and comfortable living spaces, and will concentrate on high added-value products utilizing DNP's original EB (electron beam) coating technology, which has won high acclaim within the industry. EB products display outstanding qualities like resistance to abrasion, soil, and weathering. Besides using this technology in our mainstay "Safmare" eco-friendly, vinyl chloride-free decorative sheet for residential interiors, we have begun actively applying it in the fields of flooring, wallpaper, and exterior materials.

We are also making use of original DNP-brand products like "WS Safmare" by joining forces with building materials manufacturers to approach residential developers and general contractors in the planning and design stages in order to develop a broad-based business that addresses the supply chain as a whole. And we are expanding our total living space solutions business through such operations as measuring and assessing living environment quality, which we do at our dwelling space analysis and evaluation center.

In addition to enhancing our product portfolio, consisting mainly of eco-friendly, high added-value products, and developing a variety of businesses related to living environments, we will actively promote overseas sales.

Opto-Materials/Industrial Supplies: Aiming for Mid- and Long-term Growth by Supplying a Variety of Products

In our Opto-Materials business, we apply and develop

technologies like coating, lamination, and patterning to offer a variety of optical film products used in thin displays for devices such as televisions, personal computers, and mobile phones. We are also developing high-function products for use in touch panels, electronic paper, and other interactive, touch-activated displays. Additionally, we apply clean converting technology using high-precision, high-quality surface processing to make high-function films required for electronics applications like semiconductors or electronic devices.

In the field of information media supplies, we responded to increased competition in the photo print business by integrating our three existing subsidiaries to form DNP Fotolusio Co., Ltd. in October 2008. We aim to make effective use of synergy between the products and sales channels we've built up so far in order to increase sales and to boost efficiency in order to lower costs and boost revenues. We also intend to expand overseas sales channels, and actively develop markets primarily in the U.S. and Europe.

Concerning ink ribbons for printing bar codes, DNP acquired Sony Chemical & Information Device Corporation's worldwide thermal transfer ink ribbon business. DNP intends to enhance its various overseas production sites in order to strengthen its overall global manufacturing and sales framework.

Full-scale Development of Energy Systems Business

In order to build integrated systems for selling, developing, and manufacturing in the energy field, we launched our Energy Systems Operations in January 2009. Under this new framework, we intend to apply printing technologies to the development of products for which there is existing demand, and actively supply them to the market. In the field of solar batteries, where demand is expected to grow, we will focus on further raising performance and lowering costs for encapsulant sheets (sealants) and back sheets, both of which make use of all types of converting technologies, including coating, laminating, and multilayer co-extrusion techniques. We will also develop and promote new products that place less pressure on the environment.

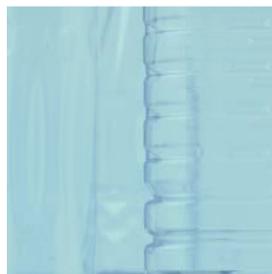
Developing New Markets through Global Expansion

In our Packaging and Lifestyle Materials Operations, most of our manufacturing takes place in Japan, but we are actively promoting the development of sales in overseas market, especially in East Asia. In the information media supplies business, we will bolster sales in global markets primarily from overseas manufacturing and sales bases, such as our ink ribbon joint venture production plant in France and our dye-sublimation print materials sales company in the U.S. We will pursue development of many of our other products, including solar battery components, with an eye toward overseas markets.

PORTRAIT

Strengths

- Capacity for developing and designing products, principally through specialized planning, research, and development staff. Ability to incorporate universal design to make products that anyone can use easily.
- The ability to develop original, advanced, industry-leading technologies: In the packaging field, our capacity for technological development and plant design supports our position as Japan's top supplier of aseptic filling systems. In Lifestyle Materials, we have EB coating technology that generates numerous high-function, eco-friendly products. In Opto-Materials/Industrial Supplies, our capacity for technological development made us the world's biggest seller of dye-sublimation thermal transfer recording media.
- The ability to develop and provide solutions to a variety of problems, and to implement comprehensive proposals based on our broad network of corporate clients
- The ability to implement mergers, acquisitions and corporate alliances in order to expand our business smoothly
- Manufacturing and sales frameworks that enable us to expand into global markets



— Packaging

Operating Divisions

Our Packaging Operations offers comprehensive planning and development of a variety of packaging products, including design and development of materials that serve specific functions, flexible manufacturing systems that can handle large or small lots, and container-filling equipment and plants. Manufacturers of foods, beverages, medical supplies, pharmaceuticals, electronic components, industrial materials – or any other company that has a need to “wrap things” – are all potential customers. We plan to expand this business by providing precisely the right packaging to fit the characteristics of each material to be wrapped.

Industrial Trends

As lifestyles become more diverse due to factors such as a growing awareness of health and environmental issues, the declining birth rate, aging society, and women's increasing participation in the world outside the home, and as the effects of global warming and other environmental changes become more evident, people are attaching more importance to reducing resource consumption and to safety and peace of mind at the same time that they seek affluence and convenience in their lives. Businesses and consumers demand that products be designed with ample consideration for health and the environment, a trend that is expected to strengthen even more in the future. The market has been calling for the development of safer, more reliable packages, including those made with materials that shut out moisture and oxygen in order to preserve the freshness of package contents. In order to meet the market's demand for highly functional, convenient products, it is necessary to design products in accordance with universal design principles, making them easy for anyone to use, and to have the advanced technological capabilities and expertise that make such products possible.

Strategic Opportunities

Demand continues to grow for more eco-friendly, safer, more reliable packages, products that are convenient for people who live alone or households where both spouses work, and products based on universal design. DNP has received high marks from the market for its proficiency in constructing more efficient, lower environmental-impact processes for manufacturing such products, and in developing easy-to-use products.

Also, our business opportunity is growing for products such as aseptic filling systems that preserve the valuable flavors and aromas of container contents, and transparent vapor deposition barrier films that keep moisture and oxygen out of medical and pharmaceutical products.

— Lifestyle Materials

Our Lifestyle Materials Operations develops and supplies a wide range of products including interior and exterior materials for residential and institutional buildings, room dividers and storage products, and interior materials for automobiles and railroad cars. Potential customers are companies that deal in “comfortable dwelling spaces,” whether in Japan or abroad. On the strength of DNP’s original EB coating technology, we provide a large number of high-function, eco-friendly products that have been very well received by corporate clients and consumers. This division also works with the building industry to provide solutions to problems related to construction methods.

Japanese housing starts have remained sluggish due to economic recession and the effects of a 2007 revision to the nation’s Building Standard Law, but demand is expected to grow in the future when the economy recovers. Despite the slump, there is steadily increasing demand for specialized products such as those designed with the environment or human health in mind, or those that excel in terms of design or functionality.

There is also increasing demand for technology and ideas that can help reduce overall costs and streamline construction of large-scale projects like office buildings, hospitals, and commercial facilities.

Continued growth in the market for high-function products designed with health and the environment in mind presents an opportunity for DNP. This includes growing demand for eco-friendly products that use water-based inks and do not use vinyl chloride (olefin)-based materials, or formaldehyde or other volatile organic compounds (VOCs) said to cause sick building syndrome. As Japan currently leads the world in the development of these kinds of eco-friendly products, in the future we can expect greater demand from overseas markets.

We also see great opportunity in the area of construction-related solutions that reduce environmental burdens and other undesirable side effects resulting from the construction of buildings.

— Opto-Materials / Industrial Supplies

The Opto-Materials/Industrial Supplies Operations develops and manufactures many products of which DNP is the world’s top supplier, including anti-glare film used in LC displays and dye-sublimation thermal transfer recording media used in ink ribbons for printing photos. The division’s main customers are the world’s leading electronics companies, but our photo print business also markets DNP’s own brand of products directly to consumers. In the energy field, our products include back sheets and encapsulant sheets for the rapidly growing solar battery market.

As a result of growth in the market for LC televisions and other flat-panel displays, demand for various types of optical films is increasing. The need for greater functionality, lower cost, and stable supplies of large quantities of optical films is expected to continue into the future. In the photo print market, there is a surge in demand for printing photos taken with digital cameras, including phone-mounted cameras. About one quarter of the estimated 85.0 billion photos printed worldwide each year are digital photos. The number of digital photo prints is continuing to grow and is expected to reach 50.0 billion in 2010. In the energy field, growth is expected in the market for solar batteries, which are attracting attention as a clean energy source to replace fossil fuels. The solar battery market is expected to expand to 4.7 trillion yen in 2012.

Demand for flat panel televisions and computer monitors is expected to increase, partly due to demand from emerging countries. This in turn will stimulate demand for functional optical films such as surface films that improve picture quality by reducing glare, and special surface films that protect touch screens from abrasion and dirt.

In the digital photo print market, we expect continued growth in the use of printing methods based on dye-sublimation thermal transfer recording media, which stand out for high speed and durable prints, among other advantages. In addition, growing demand for digital photo print kiosks installed in camera shops, appliance stores, convenience stores, etc. presents us with an opportunity.

We also intend to take advantage of the opportunity to develop solar battery components that prevent deterioration of production equipment and solar cells while helping to lower panel costs and boost energy conversion efficiency.

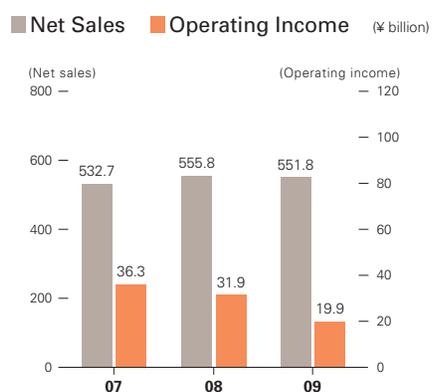
Lifestyle & Industrial Supplies

FINANCIAL RESULTS

Financial Highlights

(¥ billion, %)

	2009.3		2008.3		2007.3	
Net sales	¥	551.8	¥	555.8	¥	532.7
Operating income		19.9		31.9		36.3
Operating income margin		3.6%		5.7%		6.8%



Business Environment

Corporate earnings have slumped and job conditions have worsened because of the recession that originated with the US financial crisis. As a result, consumer spending in Japan dropped off sharply in the fiscal year ended March 2009, contracting 4.8% from the previous fiscal year.

Housing starts rose 0.3%, reversing the previous fiscal year's steep slump, but declined in the second half of the fiscal year under review because of an uncertain outlook owing to the recession.

Earnings conditions remained challenging as a result of a rise in petrochemical material costs, a decline in unit prices from intensified competition for orders, and a decline in demand for optical films for flat-panel displays.

Summary of Financial Results

In Lifestyle and Industrial Supplies, demand was generally solid for packaging, but sales of lifestyle materials declined for a second straight year because of weak housing demand owing to the economic slump. In Industrial Supplies, sales of various types of battery materials were strong, but optical film sales declined sharply. Overall segment sales slipped 0.7%, or 3,970 million yen, from the previous fiscal year to 551,822 million yen.

Operating income fell 37.5%, or 11,946 million yen, to 19,917 million yen because of a sharp falloff in orders for anti-glare film since the third quarter and a deterioration in profitability in the photo-related businesses owing to the yen's strength. The operating income margin declined 2.1 percentage points to 3.6%.

The segment contributed 34.5% of DNP's total net sales and 36.5% of its operating income.

Packaging

In the Packaging business division, sales were higher than in the comparable year-ago period because of increases in sales of flexible packaging, paper containers, paper cups, and in particular large aseptic filling systems*, and despite a decline in sales of preformed bottles (primary products for making PET plastic bottles). Increased costs of film, resin, and other materials had an impact, but it was mitigated by a pass-through of some of the cost increases to packaging product prices, spurred by some increases of end product prices in the food industry. As a result, sales increased 4% from the previous fiscal year.

* Aseptic filling systems are for filling packaging materials that have been sterilized in a sterile environment with sterilized food products and materials. DNP developed such a system for milk portions in 1976. It was the first one made in Japan. It then developed Japan's first aseptic filling system line for beverages for PET bottles in 1994. Since then, it has developed faster systems and systems for preformed bottles. In the past five years, DNP accounted for 80% of the PET bottle aseptic filling systems installed in Japan.

Lifestyle Materials

Sales of environmentally friendly non-PVC wallpaper and flooring materials based on DNP's proprietary EB coating technology* increased, and the proportion of the flooring material market accounted for by such materials rose. However, overall sales, including North American sales of decorative laminates for furniture and automotive interior materials, declined 7% from the previous fiscal year because of a sharp slump in demand since the second half, owing to weak housing demand.

* EB (electron beam) coating technology uses electron beams to harden materials by polymerizing coating resin atoms. Materials treated with such technology have harder surfaces than urethane and plastics hardened with ultraviolet rays, and hence greater resistance to damage, dirt, and sunlight, high durability, practicality, and very stable quality. The technology is a next-generation environmentally friendly one that can help save energy and reduce CO₂ emissions and be used for solventless coating.

Opto-Material / Industrial Supplies

In Opto-Material/Industrial Supplies, sales of back sheet film for solar power systems, filling material, and other battery materials increased substantially, with help from increased social awareness of environmental issues, but sales of LCD anti-glare film, contrast improvement film for plasma display panels, and other optical films decreased sharply. Sales of color and monochrome ink ribbons remained weak in the wake of the global economic recession. As a result, sales declined 6% from the previous fiscal year.

DNP supplies roughly 70% of polarizing film, manufacturers' total anti-glare film, a core optical film product. Starting in August 2008, however, sales and orders from these companies dropped off sharply because LCD panel manufacturers drastically cut output.

In the photo printing market, which is in the midst of a transition from the use of silver halide photographic paper to dye sublimation printing, sales of color ink ribbons to photo developing labs that use commercial dye-sublimation printers increased. However, conditions remained challenging, with declines in the volume of digital camera and camera phone sales and the number of digital photo prints made in the overall market. Sales of monochrome ribbons for facsimile machines declined substantially again, as in prior years. This trend is expected to continue, but the barcode business acquired from Sony Chemical & Information Device Corporation contributed to sales growth.

Packaging

■ New “Human Research Lab” provides basis for brand strategies

In February 2009, DNP opened a “Human Research Lab” that studies and analyzes package designs and sales promotion methods for product and service brands, in order to appeal more effectively to consumers.

As consumers’ values diversify and they are exposed to more product information, it has become more important than ever for companies to reliably communicate brand messages about each of their products and services. DNP’s Human Research Lab studies various facets of consumer behavior, including psychological and actual issues affecting product awareness, selection, purchase, and use. The Lab uses an original method for numerically quantifying the degree to which brand value is being appropriately communicated to consumers, and makes use of this information in solution proposals. The Lab consists mainly of a testing room, where test subjects from the general public experience a product or service, and a monitor room where companies can observe the subjects’ experience. DNP evaluates the effectiveness of advertisements and packaging based on interviews with test subjects, observation of their behavior, and eye movements, etc. We expect that this facility will improve DNP’s ability to develop package designs and in-store advertisements, and we aim for 1.5 billion yen in overall related sales by the fiscal year through March 2011.



Monitoring room at the Human Research Lab

■ New aseptic filling system optimized for commercial use

DNP developed an aseptic filling system suitable for 1 to 5-liter commercial-use containers of soups or liquid seasonings. We began marketing the DynAsept-Deca filling system in March 2009.

In recent years, Japanese lifestyles have become more diverse due to social trends like fewer children, longer life spans, and more women working outside the home. These changes have led to strong sales of ready-to-eat foods and boxed lunches. Traditionally, seasonings and other ingredients used in commercial preparation of foods were sold in large metal containers in sizes ranging from 3 to 20 liters. However, customers have been asking increasingly for smaller containers that are easier to open and to use, that better address environmental concerns, and that better preserve the flavor of contents. DynAsept-Deca meets these demands as a system for filling 1 to 5-liter PET plastic containers with liquid foods in a room-temperature, aseptic environment.

DNP has been developing aseptic filling systems for food containers and PET beverage bottles ever since we developed

our first aseptic filling system for single-portion coffee whitener in the 1970s. We intend to expand this market by applying our expertise to the introduction of new systems tailored to the commercial-use field, where there is large demand.



Aseptic system for filling plastic bottles

Opto-Materials

■ The world’s hardest level surface film for electronic displays

With the advent in recent years of thinner, more compact personal computers and touch-panel devices, more people are using mobile equipment in a variety of environments. Hard-coat surface film is applied to displays in order to keep touch screens clear despite repeated use, and to prevent scratching or soiling of display screens even during travel or outdoor use. However, these films do not always protect the screen from scratching when pressure is applied with an object such as a fingertip or pen.

DNP cultivated clean converting technology in the course of designing and developing manufacturing processes that can be adapted to a variety of materials, and we were able to use that technology in the development of a film for flat-panel displays that provides greater hardness than any other surface film in the world. The new film is scratch resistant, repels fingerprints, oil, and other dirt, and wipes clean easily if dirt does adhere to it. DNP will actively market the new film to manufacturers of mobile terminals like notebook PCs, touch-screen game consoles and PDAs, whose displays require a high degree of hardness, and also plans to apply the technology to anti-reflective and anti-glare surface films that it already markets.



A pencil scratches conventional hard-coat surface film



DNP's new hard-coat surface film resists pencil scratching

New Products and Services

■ New film for organic devices with barrier function equivalent to that of glass

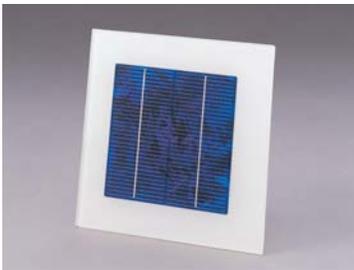
There are high expectations that organic devices like EL displays and organic thin film solar batteries will be the next generation of electronic components. Because organic devices are vulnerable to moisture, they have generally been manufactured on substrates of inorganic materials with low permeability to water vapor, such as glass. However, because glass is heavier and less flexible than film substrates, developers have been seeking a film substrate with strong barrier properties that can accommodate the trend toward lighter, more flexible electronic devices.

DNP solved this problem by succeeding in the development of an ultra-impermeable plastic film substrate with a water vapor transmission rate of only $10^{-7}/\text{g m}^2/\text{day}$. We succeeded in forming a high-precision, flat, smooth barrier layer largely by improving the cleanliness of our manufacturing processes and precisely controlling vacuum processing. DNP will now work on mass production technology for the barrier film, with an eye toward reaping 800 million yen in sales in the year through March 2014.

Developing New Business Fields

■ Full-fledged development of solar battery business, including factory start up

Solar batteries are attracting attention as a “clean energy” replacement for fossil fuels, and in recent years the market has been growing by 30 to 40% annually. DNP has been researching and developing solar battery components since the late 1990s, and in 2003 we developed commercially viable back sheets and encapsulant sheets. In order to increase production capacity in line with the expanding market, we built a new factory on the campus of our Izumizaki Plant in Fukushima Prefecture, where we began manufacturing back sheets and encapsulant sheets in January 2009. We plan to gradually increase production through March 2010, and we intend to supply enough solar battery components to generate the equivalent of one gigawatt of electric power per year.



Solar battery panel

Also in January 2009, DNP launched a new Energy Systems Operations to strengthen our solar battery business by coordinating development, manufacturing, and sales. The converting technology that DNP refined over many years serves as the core of the new business unit. Through activities like providing components for solar batteries, we aim to help realize a

society that runs on clean energy.

Going forward, we intend to use coating and laminating technologies, materials technology, and other techniques like multilayer coextrusion to improve the performance and lower the cost of solar battery components. Also, we plan to help improve quality and streamline the operations of solar battery panel manufacturers, for example by taking advantage of the fact that we make both back sheets and encapsulant sheets to supply a new product that combines both components. DNP plans to actively market its products in Japan, Europe, Asia, and elsewhere. We expect some 12.0 billion yen in sales of these products in the fiscal term through March 2011.

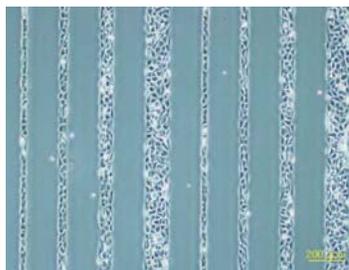
■ Commercialization of Japan's first cell pattern culture substrate, “CytoGraph™”

As a result of joint research into the application of patterning techniques used in printing to the field of regenerative medicine, DNP's Biomaterials Laboratory and Tokyo Medical and Dental University succeeded in 2004 in establishing a method of transferring capillary blood vessels.

Taking this success a step further, in July 2008 DNP began selling CytoGraph™, a substrate that enables stable cell cultures in a variety of patterns. This product makes use of printing technology to define areas where cells will adhere or not adhere to a glass substrate. DNP became the first in Japan to commercialize this type of cell culture substrate, primarily for use by medical or research institutions. The technology is expected to be effective for repairing skin damage from bedsores, and in periodontal disease treatment, etc.

Furthermore, DNP established a laboratory within the “TWInS” research and educational facility associated with Tokyo Women's Medical University and Waseda University, as a base for research into cutting-edge regenerative medicine. DNP has already been collaborating with Tokyo Women's Medical University since 2004 in research aimed at commercializing regenerative medical treatments using cell sheets. Cell sheet engineering entails culturing cells in uniform layers on Petri dishes and removing them in the form of sheets that are convenient to use in surgery or other medical procedures. There are high hopes for the future of cell sheet engineering in a wide range of applications, including the regeneration of injured body parts through the application of cells taken from a patient's own skin, cornea, periodontal membrane or heart muscle.

By applying printing technologies to the field of life science and constructing a business model that helps improve Quality of Life, DNP aims to contribute to sustainable society and to realize our own growth.



Microphotograph of cells cultured in a pattern

Electronics

BUSINESS STRATEGIES

DNP's Electronics segment further develops the world's most advanced printing techniques, including micro-processing, to supply numerous semiconductor and display products that support our society. Our Electronics segment drives the expansion of DNP's markets and the Group's potential for rapid growth by developing a steady stream of products that meet the needs of client companies, such as photomasks (original plates for making LSI circuits), multilayer wiring boards, and color filters used in liquid crystal displays (LCDs).

Basic Strategies

Our daily lives have become more convenient due to the widespread use of a variety of electronic devices, starting with information devices like televisions, personal computers, and mobile phones, and including household appliances. Although these devices are continually enhanced with new functions, it is important that they be priced so that consumers can afford them. For this reason, increasing functionality and lowering costs are both important themes in the development and manufacturing of electronic products.

More than half a century ago, in 1958, DNP became the first company in Japan to develop shadow masks for color televisions, and in 1959 we succeeded in developing photomasks. Ever since, the Company has remained an industry leader by continually refining its technologies, and has become the world's top provider of many products despite sudden changes in the market. In addition to developing cutting-edge technologies and actively deploying the latest equipment, we also speed up our business development through mergers, acquisitions, and corporate alliances.

Emphasizing Technological Development

Bolstered by world-class advanced technology, DNP's electronics products have won acclaim for being No.1 in the world in many fields. In order to maintain and further sharpen this competitive edge, we will place even more emphasis on research and development, and work to develop new products by perfecting our quality control and micro-fabrication techniques.

Rapid Response to Change

We aim to achieve continuous growth in our business by responding appropriately to rapidly changing market conditions and customer needs. We do this by building flexible production frameworks that include "in-plant" and "by-plant" manufacturing, and by being open to a variety of possibilities such as optimal component supply and modularization of new technologies.

Concentrated Allocation of Management Resources

While giving ample consideration to potential changes in product life cycles and other business risks, we aim to concentrate our management resources on strategically important products in order to achieve high profitability.

Accelerating Business Startups

In order to respond to rapid changes in marketplace requirements, we intend to shorten the development time for new products and new businesses. We aim to accomplish this by expanding our businesses efficiently, which includes exploring possibilities for M&As, or other alliances that facilitate ongoing cooperation between strong partners.

Major Policies

Readiness to Supply a Wide Variety of Products in Time to Take Advantage of Product Life Cycles

Historically, DNP has avoided the risks inherent in overdependence on a single product by maintaining a full product lineup and being ready to meet demand for whichever product becomes most popular. Our basic strategy has been to meet demand for all types of displays, in all sizes. In the future, we intend to concentrate management resources on expanding production capacity and developing new technologies and products so that we will be able to respond nimbly to rapid changes in market demand.

Conditions in the LC display market are expected to be tough. Our response will be to boost our competitiveness by refining inkjet and other technologies for lowering color filter manufacturing costs, and by thoroughly eliminating waste in order to improve our earnings potential. Meanwhile, as LCD panel manufacturers inaugurate production lines for large-scale products, we will set up new production bases and integrate them with existing bases to optimize our overall production framework.

Also, we are accelerating research and development aimed at enhancing the performance of existing products and improving their added value, for example through touch-panel functions, as well as lowering costs. We are also moving forward with research and development related to next-generation display products like metal masks for organic EL displays, as we strive to expand our business through new products.

Flexible Business Models Focused on Profitability

Since LCD panel substrate sizes have increased with the introduction of 8th and 10th-generation products, our customers are counting on us to build color filter production models that enable us to respond flexibly to their needs and concerns. Whatever our response to the challenges imposed by increasing substrate size – including when it entails building new facilities as “by-plants” adjacent to a customer’s manufacturing facilities or “in-plants” directly connected to a customer’s production line – we give ample consideration to the likely impact on return on investment (ROI). Our policy is to give due consideration to business models that emphasize ROI as we choose from a wide array of possibilities including corporate tie-ups and royalty businesses, in order to expand our own business while flexibly meeting customers’ needs.

Maintaining our Top Share of the World Photomask Market by Virtue of Advanced Technology

DNP photomasks, especially the most advanced products, have a solid reputation for outstanding quality. DNP continues to hold the top share of the worldwide market for photomasks, excluding in-house production by semiconductor manufacturers. What makes our photomasks stand out is our capacity for advanced technological development, which no competitor can come close to matching. About two thirds of DNP’s photomask sales come from advanced products with line widths of less than 90nm. DNP controls more than half of the world market for cutting-edge photomasks with line widths of 45 or 65nm.

In addition to our existing facility established through DNP Photomask Europe S.p.A. in Italy, we are building a new factory in Taiwan’s Hsinchu Science Park, where we plan to start mass production. Going forward, we aim to increase collaboration with customers and incorporate the fruits of joint development as we prepare to develop and supply under-32nm products ahead of our technological roadmap targets, in order to solidify our hold on the top share of the world photomask market.

Building a Strong Business Constitution by Cultivating New Mainstays for the Electronic Device Business

In order to cultivate new core businesses that will complement photomasks, we intend to expand our LSI design business and to develop and aggressively market a wide range of products that use microfabrication and other printing techniques, including components for hard disk drives, semiconductor packages, and fuel cells, as well as high-density build-up wiring boards and MEMS products. We view the electronic module sector as a particularly promising growth area where we intend to concentrate management resources. In addition, we will build a flexible and strong business constitution that is not overly vulnerable to fluctuations in the semiconductor market. One way we will do this is by developing our IC tag business in combination with application development.

Electronics PORTRAIT

Strengths

- World-class technologies backed by expertise in printing: micro-processing, color management and patterning techniques, photolithography, etc. Also, the capacity to develop original new technologies and products.
- Quality control technology that allows DNP to provide a high degree of precision and stable quality
- Integrated systems and comprehensive organizational strength that support a large capacity for product development and manufacturing
- Corporate expansion strategy that motivates DNP to move ahead of competitors in areas like the development of unique, original technologies and aggressive capital investment in mass production of cutting-edge products
- Ability to create market trends by working proactively with semiconductor manufacturers, device manufacturers, research and development institutes, etc.
- Flexibility and comprehensive strength that enable us to combine various assets and abilities to achieve high productivity and greater functionality in our products, enabling us to respond to rapidly changing markets and diversifying customer demands



Electronic Devices

Operating Divisions

DNP's Electronic Devices Operations got its start 50 years ago, in 1959. On the strength of our high-definition patterning and etching technologies, we succeeded in developing photomasks, which are made by forming high-definition semiconductor circuit patterns on a glass substrate. In 1964, we succeeded in developing lead frames used for manufacturing semiconductors. Since then, we have been working closely with manufacturers in Japan and overseas in order to provide diverse types of products that are indispensable to electronic devices. In addition, we take advantage of our strengths in areas like higher-density, higher-functioning products that require micro-processing, such as buildup boards and MEMS products.

Industrial Trends

In 2008, worldwide economic recession led to a slump in demand for products like automobiles and mobile phones, which had previously been driving the semiconductor market. As a result, prices for DRAM, NAND flash, and other memory media plummeted, and the global semiconductor market shrank by 2.8% from the previous year.

The business climate is expected to remain harsh in 2009, and it will likely take some time before a recovery is seen. Market observers point out the possibility of an industry reorganization, particularly among chip manufacturers.

Given this situation, most leading semiconductor manufacturers are expected to further reduce the line width of their circuits in order to remain competitive. Mass production of 45nm and 32nm products is expected to begin in 2009.

However, some manufacturers have given up on doing their own development or production due to the large capital investment required for reducing line width, and there is a growing trend toward commissioning development and production to foundries in Taiwan or Singapore.

Strategic Opportunities

Despite the significant impact of worldwide economic recession, the world's major chip makers, along with foundries in Taiwan and Singapore, are expected to move ahead with further miniaturization of circuit line widths. In addition to an increase in 65nm products, demand for cutting-edge 45nm products is expected to expand significantly. In the 32nm field, a combination of ArF immersion and double exposure has become a promising candidate to be the next-generation photolithography technique. We expect to see future opportunity as use of ArF immersion scanners becomes more widespread and demand grows for 32nm photomasks. Our responses to the reorganization and consolidation of semiconductor manufacturers and their increasing reliance on outsourcing will be important for our continued success.

— Display Components

Our Display Components Operations started out more than half a century ago, in 1958, with the successful development of shadowmasks for CRT televisions. Since then, we have continued to provide a variety of products that solve manufacturers' problems as the market evolves.

This business division currently develops and manufactures a wide variety of display-related products, starting with color filters for LC displays, and supplies products to world-class manufacturers in Japan, South Korea, China, Taiwan, and elsewhere. In our color filter business, we are increasingly integrating with customers' production facilities through in-plant, by-plant, or other cooperative arrangements. We are also actively engaged in development of next-generation displays, including organic EL displays.

From the second half of 2008, the world market for LCD panels suddenly lost steam due to manufacturers' production adjustments. Partly due to worldwide economic recession resulting from the recent financial crash, it is highly likely that the overall market for flat-panel displays will remain sluggish for some time. In the medium and long terms, however, the market is expected to continue growing thanks to factors like the digitalization of terrestrial TV broadcasting and growth in demand sparked by lowered product prices.

Meanwhile, LC displays continue to diversify, for example to accommodate larger or more mobile products. Now that large-scale models of LCD televisions are becoming the mainstream, adoption of the inkjet production method has become crucial, as the relatively low costs of manufacturing startup and operation make it highly competitive. Meanwhile, there is also demand for products that take advantage of the benefits of the photolithographic method, so it is more important than ever to increase our capacity for developing and producing by both inkjet and photolithographic methods.

In the market for small and medium-sized LCDs, there is demand for better visibility, so that smart phones and portable game machines can be seen clearly even out of doors, while wider viewing angles are sought for car navigation monitors. Products using organic EL displays, which are considered to be the next generation of flat-panel displays, are starting to appear on the market. In the future, these products are expected to present tough competition for LCDs in terms of cost, faster response time that makes them better for viewing moving images, power consumption, and potential for production in larger formats.

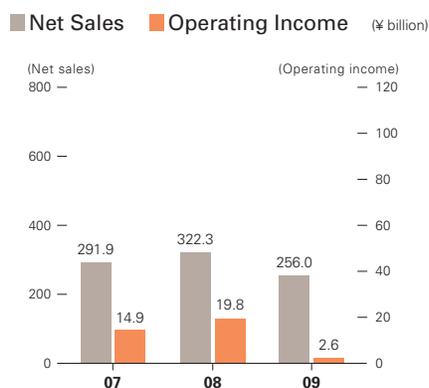
In the LCD market, falling product prices and the high cost of investing in equipment for making larger glass substrates pose important challenges to the panel makers who are our customers. As color filter manufacturers, we expect that this situation will bring us more business opportunities as long as we maintain superior technology and cost competitiveness and establish a framework that enables us to respond flexibly to customers.

In the future, the market for organic EL displays and other next-generation displays is expected to grow. We intend to make the most of business opportunities related to next-generation displays, including supplying color filters and other components for organic EL displays, and supplying modular panels. We also see opportunity in the growing market for high added-value products such as polychrome filters that have a fourth color added to the conventional RGB (red, green, blue) composition, thereby greatly expanding the range of colors that can be reproduced, and color filters that are integrated as a single unit with phase difference film and a polarization plate.

FINANCIAL RESULTS

Financial Highlights

	(¥ billion, %)		
	2009.3	2008.3	2007.3
Net sales	¥ 256.0	¥ 322.3	¥ 291.9
Operating income	2.6	19.8	14.9
Operating income margin	1.0%	6.1%	5.1%



Business Environment

Global output of products that use some of the segment's products grew less in 2008 than in 2007. LCD TV output increased 27 million units in 2008 to 106 million, but the growth rate slowed from 75% in 2007 to 34%. PC output increased 10.9% to 302.2 million, but this growth rate was down slightly from 13% in 2007. Mobile phone output exceeded 1 billion units for the third straight year and totaled 1.18 billion units, but again, the growth rate slowed from 12% to 3.5%. Output of all three products was higher in 2008 than in 2007, but market conditions worsened sharply in the second half of the fiscal year. LCD products clearly slumped in October–December 2008, with total output of TVs, including LCD TVs, down 5% year on year in the quarter and mobile phone output down 12.6%. The trend continued into 2009. In January–March, PC output fell 7.1% and TV output declined 6%.

Summary of Financial Results

Sales of LCD color filters were strong through the second quarter but declined substantially for the full year as panel manufacturers increasingly cut output starting in September 2008. DNP stopped producing back panels for plasma display panels in December 2008, after panel manufacturers decided to stop producing the panels. Sales of semiconductor photomasks were lower than in the previous fiscal year because demand from semiconductor manufacturers, whose earnings seriously worsened, dropped off sharply.

Given this drastic deterioration in conditions, DNP has tried to make itself structurally able to adapt quickly to rapid changes in the order environment by consolidating its manufacturing facilities and replacing its production lines, mainly for color filters and photomasks. It took 48.7 billion yen of impairment losses on manufacturing fixed assets, based on estimates of future cash flow.

As a result, the segment's net sales fell 20.6%, or 66,337 million yen, from the previous year to 255,975 million yen. Operating income worsened sharply starting in the third quarter and declined 87.0%, or 17,241 million yen, from the previous fiscal year to 2,577 million yen. The operating income margin worsened by 5.1 percentage points to 1.0%.

The segment contributed 16.0% of DNP's total net sales, and 4.7% of its operating income.

Display Components

Sales of color filters were strong up through the second quarter, but then starting in the third quarter, production lines for small and medium sizes up to the 8th generation sizes were heavily affected, as panel manufacturers worldwide increasingly cut output. In particular, Chinese and Taiwanese panel manufacturers reduced output by as much as 70% for extended periods. The average selling price was stable through the second quarter but ended up down 15% over the previous fiscal year because weak demand led to increased price pressures from the third quarter onward.

Electronic Devices

Sales of photomasks slumped sharply, as earnings in the semiconductor industry showed no signs of recovering, the development of new products was pushed back or suspended in a number of cases, and demand and the average amount of orders declined throughout the year.

Among etched products, sales of lead frames were weak but sales of suspensions and other hard drive materials were strong through the second quarter. However, demand dropped off sharply starting in the third quarter, as cutbacks in corporate IT spending and declines in consumer spending became notable.

Sales of high-density build-up circuit boards for increasingly advanced mobile phones were solid through the second quarter, thanks to strong market acceptance of DNP's proprietary B²it technology* for making smaller, higher-density printed circuit boards. Demand for mobile phone camera modules, however, dropped off sharply starting around November and declined substantially for the year.

*B²it technology is DNP's proprietary technology for build-up circuit board interlayer connections (through-hole connections) using bumps (conductive paste for electrically connecting layers) formed with screen printing. It has broad applicability to component mounting and allows for design flexibility because connections can be located anywhere in any layer.

Display Components

■ World's largest capacity for supplying large-scale color filters

In recent years, the flat-panel display market has continued to grow. In particular, the market for LC displays is expected to continue to expand due to increased demand for use in devices like personal computers and mobile communication terminals, and to replace CRT televisions. As large-scale LC displays become more popular, color filters are also growing in size, and we need to increase the size of glass substrates in order to boost production efficiency. Each side of an 8th- or 10th-generation substrate measures more than 2m in length and only 0.7 mm in thickness. High-precision mass production using such large, thin glass sheets requires specialized technology to prevent breakage. By establishing the necessary production expertise and continuing to supply high-quality products, we have earned the trust of our manufacturing clients. Furthermore, we have met expanding market demand by strengthening cooperation with LCD panel makers and boosting production capacity, mainly for large-scale color filters, in order to improve production efficiency and create added value.

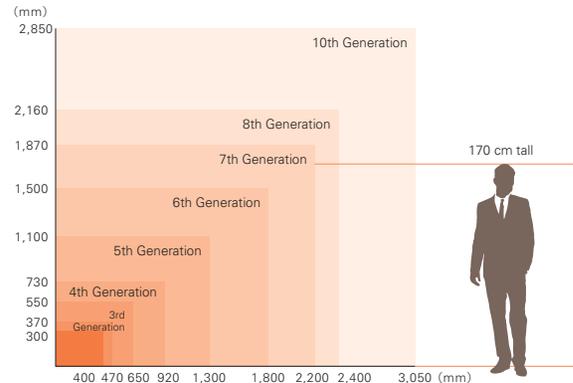
In August 2008, we began building a new 8th-generation LCD color filter plant in Himeji, Hyogo Prefecture, adjacent to the site where IPS Alpha Technology Ltd. (an LCD panel production joint venture between Panasonic Corporation and Hitachi Ltd.) is constructing a new plant. DNP plans to start up its new plant in the summer of 2010. We are also building a new 10th-generation color filter plant on the grounds of a factory that Sharp Corporation is currently building in Sakai, Osaka Prefecture, with start-up planned for autumn 2009. With the addition of these two new plants, DNP aims to have the world's largest capacity for supplying color filters for use in large-scale LCD panels.

Timeline of DNP's Color Filter Business Development

1989	Started at Kuki Plant (1st generation)
1994	Otone Plant (2nd – 4th generations)
2001 – 2004	Mihara Plant (4.5 – 5th generations)
2002	Kuroski Plant (3rd – 4.5th generations)
2005 – 2006	Kuroski Plant (6th generation)
2006	DNP Color Techno Kameyama Plant (8th generation)
2008	Kuroski Plant (8th generation)
2009	Sakai Plant (10th generation)(scheduled)
2010	Himeji Plant (8th generation) (scheduled)



8th generation LCD color filter



Note: Precise sizes vary by manufacturer.

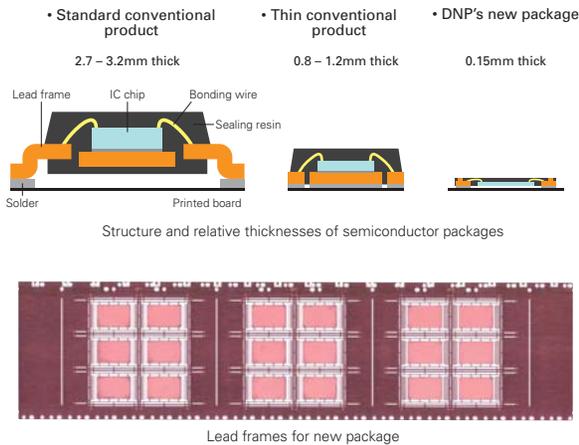
Electronic Devices

■ Increasing market share by developing thin, compact devices

Today's market demands increasingly high performance and thinner, more compact designs for digital equipment such as mobile phones, notebook computers, digital cameras, and car navigation systems. This translates into a rapid increase in demand for even smaller, thinner, denser semiconductor packages. In order to meet this demand, DNP has been applying its original technologies to the development of slim and compact electronic devices, leading to the launch of two new products in January 2009.

One of these products is the world's thinnest printed wiring board (PWB) with embedded components. This type of PWB, with components like IC chips and condensers integrated as a single unit, makes a major contribution to the miniaturization of electronic equipment. DNP is a leader in this field – in April 2006 it became the first to commence mass production of PWBs embedded with passive components, producing more than 100 million of them by November 2008. By using DNP's unique B²it (B-Square-it) production technology and making improvements to substrate and wiring materials, etc., DNP succeeded in making its new PWB only 0.45 mm thick, or more than 30% thinner than previous products.

The other new product is a lead frame for the world's thinnest semiconductor package. Lead frames are made of thin strips of metal used to extend the wiring of IC chips or other semiconductor packages. Increasing miniaturization and density have posed challenges for lead frame manufacturers. Whereas in previous products the IC chip is mounted on top of the lead frame, DNP developed technology for embedding the IC chip into a concave, etched bed, eliminating the mounting plate and leaving only as much wiring as is necessary. By making not only the lead frame but also the IC chip and encapsulation resin as thin as possible, DNP succeeded in creating a product that is only 0.15 mm thick, or one twentieth of the thickness of typical products already on the market. DNP already received a US patent for this product in July 2008, and has a patent application pending in Japan as well. We aim for 300 million yen in sales in the year through March 2010.



■ Printing copper wiring patterns on a film substrate

DNP and Micro Denshi Co., Ltd., a manufacturer of microwave-related equipment, have co-developed a method of printing wiring patterns containing copper onto standard plastic substrates such as PET film.

Diversification of electronic devices has generated demand for a way to form electronic circuits on low-cost, flexible substrates like PET film, and a technique using nanoparticles of silver has already been developed. The disadvantages of silver are its high cost and the occurrence of insulation failures when the product is used for a long time. Copper is cheaper than silver, but it used to require sintering for about one hour at a temperature above 300°C after wiring patterns were printed. DNP's new technology solves this problem by using microwave plasma irradiation to sinter nanoparticles of copper at a lower temperature, around 150°C, in less than a few minutes.

This new technology can be applied to displays and organic solar batteries as well as electronic circuits. DNP aims to commercialize it by 2011.

MEMS Operations

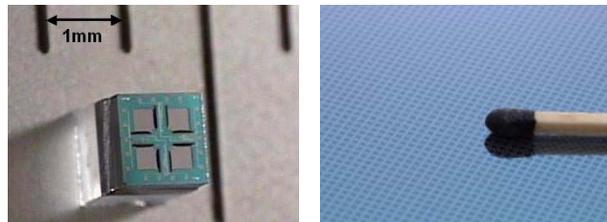
■ Active development of micro-channel chips and other MEMS for use in biotech, medical, and chemical fields

DNP has been developing Micro Electro Mechanical System (MEMS) by making use of the ultra micro processing and silicon deep etching technologies that it cultivated in the course of manufacturing photo masks for semiconductors. In 2001 we began offering MEMS prototype services, and in 2007 we successfully completed a MEMS dedicated mass production development line for six-inch and eight-inch wafers, allowing us to now provide comprehensive service covering every step from planning and prototyping to mass production. DNP is Japan's only MEMS foundry that does not produce its own products, allowing us to maintain a neutral position that is a significant advantage as we promote our MEMS business.

DNP has been working with the research group of Associate Professor Shoji Takeuchi of the University of Tokyo to develop

micro channel chips for use in medical diagnosis and research. As a result of this collaboration, in July 2008, DNP enhanced its product lineup by designing and developing a total of four new micro channel chips. Micro channel chips consist of microscopic channels formed on the surface of a substrate; because DNP uses a silicon substrate that is harder than organic materials, our products tend to maintain their shape and resist heat better than competing products. The new product lineup includes a chip that can form uniform micrometer-sized droplets of an oil-water emulsion and a chip that can extract single micro-droplets of liquid, functions that can be applied to the development or manufacture of pharmaceutical or chemical products, or to functional analysis of cells or proteins. Manufacturing the chips with the same localized anti-pollution technology that is used in semiconductor manufacture makes it possible to achieve high yields even when producing large-size chips, and allows us to supply chips at lower prices than was previously possible.

Going forward, DNP intends to devote a good deal of energy to the development of MEMS and increase our share of this promising market.



MEMS product



Sustainable Development

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Legal Compliance and Corporate Ethics

In Order to Remain a Company of Integrity

To ensure that we remain a company of integrity that is trusted by society and capable of contributing to society, the DNP Group takes pains to thoroughly imbue employees with an understanding of corporate ethics and to maintain strict legal and ethical compliance throughout its corporate activities.

We can characterize DNP’s activities aimed at maintaining corporate ethics with the following three words: **continuity, independence, and positivity.**

- Continuity: integration into daily operations; continuous action on a daily basis
- Independence: active efforts with the awareness that ethics are each employee’s personal concern, not just something for somebody else to worry about
- Positivity: taking a positive approach with the awareness that corporate ethics activities are essential if the company is to win society’s trust

By having each and every DNP employee act in accordance with these three ideas, the DNP Group maintains its commitment to the entire Group’s participation in ethical corporate activities.

Efforts to Ensure Compliance with Laws and Corporate Ethics

- 1991 Initiated corporate ethics training
- 1992 Established Corporate Ethics Committee and enacted the Dai Nippon Printing Group Corporate Pledge
- 1993 Established the DNP Group Employee Code of Conduct
- 1994 Established corporate ethics committees at each Group company
- 1997 Introduced a self-checking system
- 1998 Revised the DNP Group Employee Code of Conduct
- 1999 Began holding conferences of corporate ethics committee secretaries
- 2002 Revised the Dai Nippon Printing Group Corporate Pledge; established the Open Door Room
- 2003 Introduced voluntary corporate ethics training
- 2004 Introduced priority execution plans
- 2005 Initiated our Compliance Assessment System; launched a project team to consider internal controls
- 2006 Established Basic Compliance Management Regulations and Open Door Room Regulations
- 2007 Reviewed the Dai Nippon Printing Group Corporate Pledge and the Employee Code of Conduct; established the “DNP Group Code of Conduct”
- 2008 Introduced voluntary corporate ethics training at Group companies overseas

Corporate Ethics Committees

Framework for promoting ethics within the DNP Group

The DNP Group Corporate Ethics Committee was established in 1992 as a framework for firmly establishing corporate ethics throughout the DNP Group. It is composed of executive officers in charge of the various divisions of the head office. In addition, each operating unit has its own corporate ethics committee, and each committee has a secretariat. The committees promote the Group-wide pursuit of ethical corporate behavior.

Management-by-Objective Evaluation System

Making ethical behavior a daily habit for each employee

We believe that active participation by each and every employee is crucial to the firm establishment of habits of ethical behavior throughout the DNP Group. Therefore, we included compliance with corporate ethics as an evaluation item in our Management-by-Objective evaluation system.

Self-checking of Compliance with Laws and Regulations

In 1997, DNP introduced a self-checking system to make sure that corporate activities comply with laws and regulations. We explained the idea to employees using the slogan, "We need to safeguard our organization." Each operating unit performs its own inspection and evaluation and makes active improvements based on checklists drawn up by various divisions of the head office.

Compliance Assessment System

To complement the self-checking system under which each operating unit performs its own checks, in 2005 we initiated our Compliance Assessment System under which the Lead Department of the head office evaluates each unit's degree of compliance twice a year according to a single standard applied to the entire Group.

This system allows objective assessment of each unit's compliance level, both in absolute terms and relative to the rest of the Group. Assessment results are reported to the Executive Committee. Each unit is informed of its achievements relative to the whole Group, and sets about making improvements.

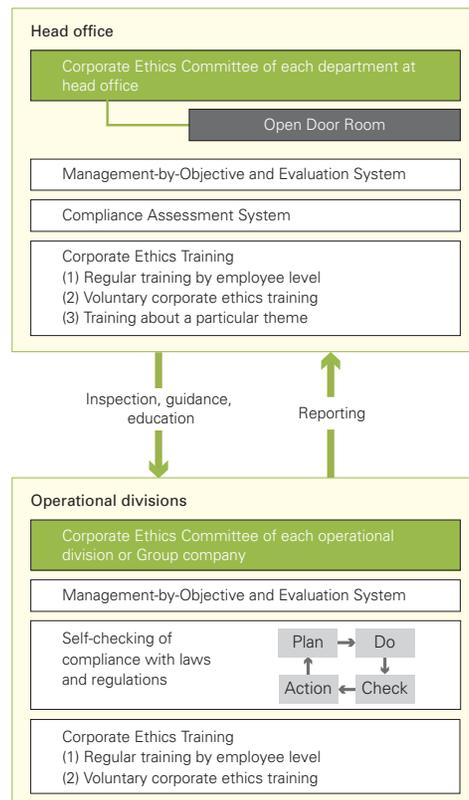
Corporate Ethics Training

We believe that a high degree of awareness and correct understanding of corporate ethics on the part of each and every employee is what maximizes the success of our corporate ethics initiatives. Based on that belief, we create various educational opportunities for employees in order to explain to every employee the importance of corporate ethics and encourage every employee to develop habits of thinking independently and acting responsibly.

The DNP Group's "Open Door Room" for Consultation and Reporting of Ethical Concerns

DNP established its Open Door Room in 2002 as a place for employees to turn when they have questions or concerns related to corporate ethics. Later, we adopted the "DNP Group Open Door Room Regulations" as part of our framework for enabling employees to consult about or report ethical concerns without fear of negative consequences. We worked to ensure that all employees know about the system, so that it now functions as a vital part of our internal controls framework.

Framework for Establishing Corporate Ethics and Transparency



Information Security and Protection of Personal Information

In the course of promoting P&I Solutions, we believe we have an inherent responsibility to protect information assets, including personal information and other information that customers entrust us with. The DNP Group views information security and protection of personal information as one of our highest priority management tasks. We intend to continue maintaining rigorous control over information by reinforcing relevant systems and educating our employees.

Maintaining Information Security into the Future

DNP handles information appropriately and protects the interests of individuals in accordance with its Personal Information Protection Policies. In the future, we will strive to continue maintaining frameworks for the thorough protection of personal information and the strictest control over all aspects of information security. Furthermore, we will trim our work force and boost efficiency in workplaces that make use of IT by having all employees participate in PDCA (plan-do-check-act) cycles entailing the drafting and implementation of security management policies and identification of problems. We will also make use of our security-related expertise and technologies when providing security solutions to DNP's corporate customers.

Protection of Personal Information

Personal Information Protection Policies

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

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

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

Established December 1, 1999
Revised February 1, 2005 and December 1, 2006

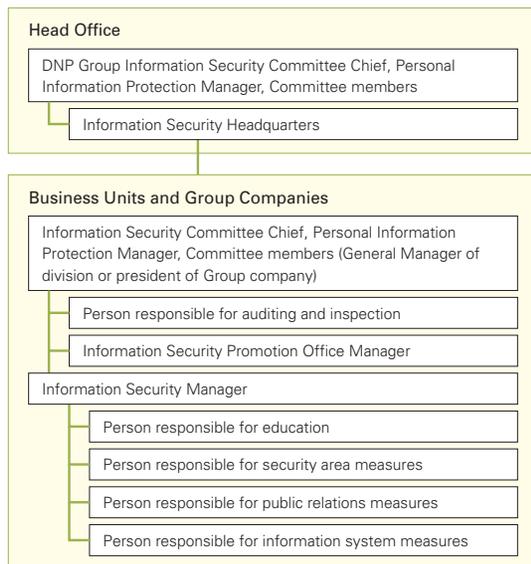
Dai Nippon Printing Co., Ltd.
President Yoshitoshi Kitajima

Group-wide Information Security Framework

1. Establishing systems

Ever since we established the Personal Information Protection Office in April 1999, it has been responding to changes in our internal and external environments and working to increase the effectiveness of our personal information protection measures. Our current Group-wide structure is as follows: the DNP Group Information Security Committee at our head office supervises the Information Security Headquarters, which inspects and guides business units and Group companies. In addition, each of the business units and Group companies that conduct DNP's daily business has an information security committee. The heads of each of these committees, along with personal information security managers, designate people to be responsible for implementing each area of information security, including education, security zones measures, and information system management. They designate others to be responsible for checking that implementation remains thorough.

Framework for Promoting Information Security



2. Establishing in-house rules and regulations

In addition to personal information protection regulations (established in 1999 and revised in 2006), DNP has established Group-wide rules with specific benchmarks. In 2002, we reviewed all of our regulations that address information security and adopted a new system based on our Basic Policy on Information Security (adopted 2002) and Basic Regulations Regarding Information Security (established 2002, revised 2005), which address seven areas of information security, such as document management, computer access, and zones that are closed to outsiders.

3. Establishment of information protection management systems

At all workplaces that handle personal information, we are promoting the establishment of management systems based on Japanese Industrial Standards' Personal Information Protection Management System – Requirements (JISQ15001) in addition to strict adherence to legal requirements. We are also actively pursuing acquisition of PrivacyMark and ISO/IEC27001 certification.

Educational Measures

DNP makes each and every employee aware of the need for information security by providing education and training through such means as pamphlets, group training sessions, and Network Learning online education programs.

Physical Means of Protecting Information

During the fiscal year through March 2009, we introduced security gate systems using smart employee ID cards at 19 new locations, bringing the total number of locations, including sales offices, where we have introduced such systems to 107. In the fiscal year through March 2010, we plan to start phasing in the use of Japan's first forklift entry control system, which we developed jointly with Mitsubishi Electric Corp., in order to improve security systems at production sites.

Technological Measures

1. Measures taken in areas that handle personal information

Measures we have taken include preventing intrusion by outsiders through the introduction of biometric authentication to control data processing room entry and exit, installing security cameras to discourage illicit acts, having employees wear pocketless uniforms to prevent the removal of data or other property, separating locations where data can be copied to recording media, and conducting inspections with metal detectors.

2. Safe transfer of information

DNP uses its original "Gendarme" authentication for receiving personal information from customers securely online. We authenticate two-way exchanges between DNP and customers by using electronic certificates recorded on smart cards.

Managing Intellectual Property

Framework for Promoting IP Rights

DNP's intellectual property (IP) protection framework consists of four sections. The Patented Technology Section addresses IP issues related to DNP's main business segments (Information Communication, Lifestyle and Industrial Supplies, and Electronics) and basic research; the Legal and Licensing Section handles contracts and provides legal support related to IP; the Kansai Intellectual Property Section handles IP issues for Kansai and the rest of western Japan, and the Management Section proposes IP strategy and operates DNP's patent information management system.

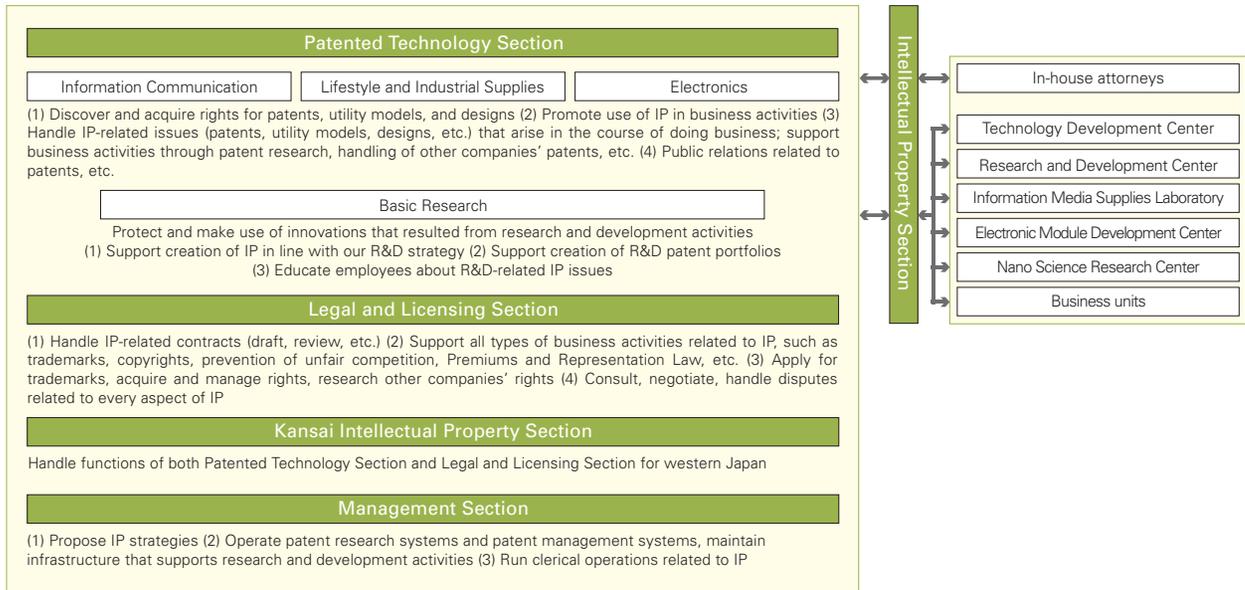
IP Activities

In order to succeed as a provider of P&I Solutions, we create and develop intellectual property with solid commercial value, and work at further enhancing the quality of our IP assets. In addition to acquiring and protecting patents and other forms of intellectual property, we take preventative measures to ensure that we don't infringe on the IP rights of others.

We educate our employees about intellectual property in order to make compliance with intellectual property laws part of the corporate culture that we foster, in addition to establishing a system for supporting compliance.

Furthermore, we remain aware of costs and the importance of cost effectiveness as we acquire rights, build our network of rights, and strive to maximize DNP's portfolio of its own patent rights.

IP Management Framework



Research and Development

Research and Development

DNP aims to solve problems faced by corporate customers and consumers and create new value by combining the printing technologies (PT) and information technologies (IT) that we have cultivated over the course of many years.

Amid major changes in market trends and technology, we aim to justify our customers' faith in us by developing original technologies, primarily through our Research and Development section, by generating new "solution seeds," and by providing more sophisticated solutions.

An R&D Framework that Increases DNP's Contribution to Emergently Evolving Society

Research and Development Framework

DNP's research and development section is built around the idea of developing "solutions seeds" through research into a wide variety of fields and fostering the growth of those seeds into commercial products.

Our research and development facilities work closely with each business field and direct their activities toward creating new value. Our main research and development facilities are: DNP Research and Development Center, Nano Science Research Center, Media Technology Research Center, Electronic Module Development Center, Technology Development Center, and laboratories for each field of business (Packaging, Industrial Supplies, Lifestyle Materials, Opto-Materials, Information Media Supplies, Display Components, and Electronic Devices).

		Controlled by Head Office			Controlled by Business Units		
		Development support	Production technologies; equipment development	R&D for new products and technologies		Improvement of existing products and technologies/ Development of products and technologies for the division	
Information Communication	Books and Magazines	Corporate R&D Division	Technology Development Center	Research and Development Center	Technical section of each operations		
	Commercial Printing						
	IPS/Business Forms						
Lifestyle and Industrial Supplies	Packaging			Packaging Laboratory			
	Industrial Supplies						Advanced Industrial Supplies Laboratory
	Lifestyle Materials						Lifestyle Materials Laboratory
	Opto-Materials						Opto-Materials Laboratory
	Information Media Supplies						Information Media Supplies Laboratory
Electronics	Display Components			Display Components Laboratory			
	Electronic Devices						Electronic Devices Laboratory
	Energy Systems						
New Business Fields		Commercialization projects					

Functions and Time Frames of R&D Facilities

	R&D facility	Function	Development term
Head Office Research Centers	Research and Development Center	Conducts research and development related to new products and new production processes	Medium to long term (less than five years)
	Electronic Module Development Center	Develops technologies, products and services related to electronic modules	
	Nano Science Research Center	Conducts basic, applied, and commercial-level research and development related to materials and processes; analyzes products	
	Media Technology Research Center	Researches and develops core technologies for the information communication field; develops and refines technologies, products, and services	
	Technology Development Center	Researches and develops production technologies	Medium term (less than three years)
Business Unit Laboratories	Packaging Laboratory	Develops packaging materials technologies, and freshness preservation technologies	Short term (less than one year)
	Industrial Materials Laboratory	Researches and develops industrial materials	
	Lifestyle Materials Laboratory	Develops surface materials for interior and exterior building décor	
	Opto-Materials Research Center	Researches and develops optical materials	
	Information Media Supplies Laboratory	Researches and develops all kinds of information media	
	Display Components Laboratory	Researches and develops all kinds of display devices and components	
	Electronic Devices Laboratory	Conducts research and development related to cutting-edge photomasks, mounting components and LSI design	

Product Safety

DNP views product safety as one of its top priorities. We created a single product liability management system that is shared by the entire DNP Group, and we all work together to make sure our products are safe.

Product Safety Management System

It goes without saying that our products must meet all relevant legal and regulatory standards. Our basic policy is to fulfill our corporate social responsibilities by offering products that exceed customers' needs and expectations regarding product safety.

We implement the following measures in line with this basic policy.

1. Achieving product safety is a top priority in the course of our work.
2. Before marketing a new product, we conduct adequate safety assessment.
3. We strive to gather safety-related information from consumers and customers.
4. In the event that an accident involving a product occurs, we will take prompt and appropriate action to prevent damage from spreading, for example by gathering information, reporting to authorities within and outside the Group, or recalling the product.

Securing Even Greater Safety

Efforts to maintain product safety must be continual. Twice each year, we conduct regularly scheduled examinations of our mechanisms for securing product safety and risk assessments on all of our products. Based on our findings, we make design changes, improve manufacturing processes, and review our various systems in order to ensure an even greater degree of safety.

In addition to observing domestic laws governing the handling of chemical substances used in our products, we also strive to comply with other countries' regulations such as the Stockholm Convention on Persistent Organic Pollutants (POPs), the United States's Toxic Substances Control Act (TSCA), and the European Union's new REACH regulation concerning chemicals and their safe use, which took effect in 2007.

Additionally, we have been conducting product liability training since 1994, before Japan's Product Liability Law took effect. We also opened up our "Network Learning" computer-based individualized training program to rank-and-file employees from the fiscal year ended March 2001, and we have been using it to educate employees about product safety.

DNP's Approach to Universal Design

Rather than assign responsibility for universal design only to a few individuals, DNP believes it is important to have all employees address universal design in their everyday work. In the fiscal year ended March 2009, in addition to continuing to incorporate universal design in our products and services, we issued a "DNP Group Universal Design Declaration" that applies to all of our business fields, in order to accelerate our efforts in this area. We also promoted educational activities and relations with outside organizations in order to increase understanding of universal design.

Universal Design in Business Operations

To date, DNP has promoted universal design primarily in our packaging business. In addition to a package's basic functions of holding contents and providing information, we must also think about making it easy for elderly or handicapped customers to recognize and use. In the fiscal year ended March 2009, we enhanced our product evaluation function in order to help improve product quality from the standpoint of universal design.

Communicating DNP's Commitment through Our "Universal Design Declaration"

In October 2008, the head of our Universal Design Promotion Committee unveiled the "DNP Group Universal Design Declaration" to help stakeholders understand DNP's approach to universal design. The declaration expresses our intent to respond to the needs of both corporate clients and consumers, centering on the commitment we have had since our founding to providing beautiful texts that anyone can read and to making products that every consumer can use easily, safely, and with peace of mind. Along with DNP's Five Universal Design Rules,^{*1} the Declaration serves as a guideline for employees' universal design practice.

Reaching a Large Number of People through Network Learning and a Website Dedicated to Universal Design

In order to promote in-house understanding of universal design and instill its practice, we offer an online "Introduction to Universal Design" course that explains basic principles of universal design and provides information about DNP's products.

For the public, we created a sub-site^{*2} of our Group website dedicated to explaining our approach to and practice of universal design. Our Universal Design Declaration and examples of DNP products based on universal design are published on the sub-site. We also showed our UD products at various industry exhibitions, including the Tokyo International Packaging Exhibition ("Tokyo Pack") held in October 2008.

^{*1} DNP's Five Universal Design Rules (adopted in 2007, published in 2008)

- Rule 1: Make it easy to understand:** information should be expressed in ways that are appropriate from the standpoint of the intended recipients
- Rule 2: Make it intuitive:** it should be easy to see how to use a product; design them to be usable based on intuition
- Rule 3: Make it flexible:** make products amenable to various users and modes of use
- Rule 4: Make it safe:** products should present no danger even if used incorrectly
- Rule 5: Make it easy:** make products that can be used comfortably and require little strength

^{*2} For more information, please see our website: <http://www.dnp.co.jp/ud/>

Creating Lively Workplaces

Human Resource Policies

Each DNP Group employee acquires specialized knowledge and skills and acts independently according to our Code of Conduct – which centers around the practice of *taiwa* cited in the DNP Group's "21st Century Vision" – and according to Guiding Principle and the DNP Group Code for Conduct, in order to realize both our business vision and his or her own potential for growth.

DNP creates the best possible environments, mechanisms, and organizations in order to cultivate an emergently evolving corporate culture that supports each employee as an autonomous individual in fulfilling his or her role as well as possible and achieving growth and self-development.

Transparent and Fair Hiring Practices

We provide equal opportunities to anyone who shares our corporate vision and wants to work with us to realize his or her potential, and we use fair and equitable methods of selecting and hiring employees. We also participate actively in internship programs.

Types of hiring	Description	Results
New hiring	We inform candidates of the type of person we are looking for, the steps in our hiring process, the timing of each step, and what we are looking for in each interview. In order to avoid mismatches, we assign young employees as recruiting partners to give candidates a real-life picture of our company.	Number of hires in the fiscal year through March 2010 (parent company) Clerical: 187 (122 men, 65 women) Technical: 241 (183 men, 58 women)
Mid-career hiring	We advertise broadly via the Internet, with no age restrictions. Include clear and specific job descriptions in advertisements.	Number of hires in the fiscal year through March 2009 (parent company) 31
Internships (arranged jointly with Group companies)	Respond to schools' and students' desires for real-world experience by providing opportunities to gain work experience. These internships are not directly connected to hiring.	Accepted for August-September 2008 43 themes, 85 interns

Support for the Nurturing of Future Generations

System	Description	Results
Childcare leave	<ul style="list-style-type: none"> • Until April 30 of the child's second year, or until a child is 18 months old • Up to twice per child, within the period in which childcare leave is allowed 	In the year ended March 2009: 109 employees took leave under this system (Dai Nippon Printing Co., Ltd.)
Support program for employees returning to the workplace after childcare leave	A system aimed at creating environments that allow employees to feel secure about taking leave to accommodate birth and childcare, to smoothly return to the workplace, and to make the most of their potential while working and raising a family	As of March 2009, there were 125 people registered with our online "wiiwiw" program (Dai Nippon Printing Co., Ltd.) As of January 2009, the "Kangaroo Club" had 56 members in Tokyo, including 12 men, and 8 members in Osaka
"Rework" program	Under certain conditions, we rehire former employees who were forced to quit work in order to take care of a child or other family member and later, when their life circumstances have changed, wish to return to the workplace to make use of their experience.	As of March 2009, 80 former employees were registered for this program. In the fiscal year ended March 2009, no employees were rehired under the program.

Programs for Supporting Career Advancement

System	Description	Results
Open recruiting system	We advertise positions requiring specialized knowledge and positions in new businesses or new product development. Anyone with ability, experience and the desire to be challenged is free to apply.	In the year ended March 2009: Number of positions offered: 90 Number of employees reassigned: 40
In-house venture system	The goal is to match business divisions that need human resources with employees who want to develop their potential. We provide training, financing and other types of support for employees who have entrepreneurial aspirations and want to start an independent new business. Generally, we appoint the person who proposed the idea for a new company to be its president.	In the year ended March 2009: we supported 1 in-house venture: My Earth Projects LLC
Certification support program	This program pays incentives to employees who successfully take on the challenge of acquiring specialized knowledge, skills, or qualifications required for their work. (covers about 90 types of certification, up to 100,000 yen).	Increased the number of employees who are certified for specialized knowledge or skills related to IT or other areas pertinent to their work 745 employees (including 362 from Dai Nippon Printing Co., Ltd. certified in the year ended March 2009)
Mastership recognition program	This program designates craftsmen with valuable production skills as "Meisters." The system recognizes the importance of returning to our manufacturing roots and passing on skills to future generations. It develops, evaluates, and rewards people who have such skills. Meisters are responsible for passing on their outstanding skills not only within their own business division, but throughout the DNP Group.	2 employees recognized in the year ended March 2009 A total of 49 employees recognized as of March 2009
Special skills recognition program	Employees with advanced specialties, whose talents are recognized particularly widely both inside the company and outside, receive special compensation.	<ul style="list-style-type: none"> • Senior researcher/Senior planner: No employee recognized in the year ended March 2009 As of March 2009, 16 employees had been recognized • Fellowships: No employee designated in the year ended March 2009. As of March 2009, 1 employee had been recognized.
Self-reporting system	We survey employees regarding their desire to change positions or workplaces in order to further their careers, and regarding any other requests they may have related to their life plans. When the company approves such a request, the employee is transferred to the desired position or workplace.	In the year ended March 2009: 302 employees participated in self report interviews; 112 of them changed positions
In-house "Study Abroad" program	We allow employees who want to acquire more knowledge or skills related to their job to experience working in a different section of the company for a limited time, after which the employees return to their original positions.	In the year ended March 2009, 1 employee took advantage of this system.

Environmental Protection

The DNP Group helps make sustainable society a reality by developing products that put the least possible strain on the environment, and by working to generate demand for such products from environmentally aware businesses and consumers. In 1972, DNP became the first Japanese printing company to establish an environment department, and in 1993 we built DNP Group's unique environment management system (EMS). In 2000, we created the DNP Group Environmental Committee, which has worked proactively at such tasks as preventing global warming, reducing emission of harmful substances, reducing industrial wastes, and promoting sales of eco-friendly products.

DNP Group Environmental Policy

It goes without saying that we must observe environmental laws and regulations if we are to build a recycling-oriented society and continue developing economic society in a world with limited resources. In addition, we remain aware of our relationship with the environment in our various business activities and work hard at minimizing negative impact on the environment.

1. All DNP Group companies have environmental policies, set goals and objectives, conduct regular reviews, continuously improve, and strive to prevent pollution.
2. Before we build buildings or develop or install equipment, we study, predict, and assess the probable impact on the environment and give appropriate consideration to environmental protection. Also, we do our best to reuse waste energy and materials whenever possible.
3. When we research, develop, or plan products, we consider the impact on the environment of every phase from material procurement through production, distribution, use, and disposal, giving particular attention to minimizing energy consumption and the use of resources and harmful substances.
4. When purchasing raw materials, office supplies, or equipment, we choose products that help protect natural resources and are easy to recycle.
5. When manufacturing products, it is a given that we observe environmental laws and regulations, but we don't stop there. In addition to reducing output of substances that pollute the air, water, or soil, we are also very careful not to cause bad odors, noise, vibration, or ground subsidence. We improve our equipment, technology, and production processes in order to prevent global warming, conserve resources, and reduce industrial wastes.
6. We sort and collect waste materials produced through our business activities and recycle as much as possible to meet our goal of zero emissions.

Development and Sales of Eco-friendly Products

In order to minimize pressure on the environment throughout each product's lifecycle, the DNP Group has adopted guidelines for developing and selling products that are eco-friendly from the design stage. In order to realize a sustainable society, we provide solutions tailored to each business field for minimizing products' environmental impact.

In the year ended March 2009, our sales of environmentally friendly products amounted to 308.1 billion yen, compared to 315.4 billion yen the previous year. We enjoyed increased sales of cards made of PET-G (which does not contain vinyl chloride), and printed materials made from paper that is certified by the Forest Stewardship Council (FSC) as being derived from forests under ecologically sound management.

Assessment of Past Performance and Future Goals Related to Environmental Protection

Based on our environmental policies, DNP has established environment-related goals that are appropriate for our business activities, and we have been steadily achieving these goals. The table below shows the goals that the DNP Group Environment Committee adopted for the fiscal year ended March 2009, along with actual results.

Category	Goals	Achievements
Global warming prevention	Reduce greenhouse gas emissions by 10% from the year ended March 2006 level (by the year through March 2021)	Compared to the year ended March 2006: down 5.3% (Achieved)
	Reduce carbon dioxide emissions (CO ₂ emissions volume/production volume) by 15% from the year ended March 1991 level (by the year through March 2011)	Compared to the year ended March 1991: up 2.0%
Reduction of environmental damage from transportation	Reduce amount of fuel used for transportation and specific consumption by 1% each year; reduce fuel consumption in fiscal year through March 2011 by 4% from fiscal year ended March 2007	Compared to the year ended March 2007: down 14.4% (Achieved)
Volatile organic compounds (VOCs)	Reduce amount of VOCs released into atmosphere group-wide by 70% from the year ended March 2003 level (by the year through March 2009)	Compared to the year ended March 2003: down 50.4%
Reduction of industrial waste	Reduce industrial waste output (volume of industrial waste/production value) by 50% compared to the year ended March 2001 level (by the year through March 2011)	Compared to the year ended March 2001: down 46.8% (Achieved)
	Reduce generation of general waste by 3% each year at all workspaces: reduce by 35% compared to the year ended March 2001 (by the year through March 2011)	Compared to the year ended March 2001: down 24.3%
	Achieve recycling rate (volume of waste recycled/total volume of general waste generated) of 98% by processing waste from main raw materials (by the year through March 2011)	Recycling rate in the year ended March 2009: 99.8% of paper and 99.3% of waste metals (Achieved); 95.9% of plastic waste and 65.1% of glass waste
	Achieve zero emissions throughout the DNP Group (by the year ended through 2011)	Final disposal site usage rate in the year ended March 2009: 1.3% (Achieved)
Development and sale of eco-friendly products	Increase net sales of eco-friendly products by 10% over previous year, to reach 300 billion yen (by the year ended through 2011)	Net sales of eco-friendly products in the year ended March 2009: 308.1 billion yen (Achieved)
Green purchasing	Increase the ratio of "green" (per standards set by DNP purchasing headquarters) raw materials costs relative to the cost of all raw materials purchased to 40% (by the year through March 2011)	Green raw materials costs relative to the cost of all raw materials purchased in the year ended March 2009: 42.5% (Achieved)
	Increase ratio of amount spent on products that are officially recognized as being environmentally friendly (Eco-mark products, etc.) relative to total amount spent for general supplies (office supplies and equipment, etc.) to 50% (by the year through March 2011)	Percentage of green materials and supplies purchased in the year ended March 2009: 48.2% (Achieved)
Environmental preservation	Keep maximum concentration of gases subject to atmospheric emissions regulations to within 70% of legal limit	Achievement rate in the year ended March 2009: (relative to DNP's own standard): 93% (Achieved)
	Keep maximum concentration of substances subject to wastewater regulations to within 70% of legal limit	Achievement rate in the year ended March 2009: (relative to DNP's own standard): 93% (Achieved)
	Keep maximum odor levels at production site boundaries within 70% of legal limit	Achievement rate in the year ended March 2009: (relative to DNP's own standard): 93% (Achieved)
	Keep maximum noise levels at production site boundaries within 95% of legal limit	Achievement rate in the year ended March 2009: (relative to DNP's own standard): 65%
	Keep maximum vibration levels at production site boundaries within 95% of legal limit	Achievement rate in the year ended March 2009: (relative to DNP's own standard): 100% (Achieved)
Office environment	Collect at least 70% of used paper relative to general waste (every year)	Percentage of used paper sorted and collected in the year ended March 2009: 73.1% (Achieved)
Environmental management system	Conduct environmental audits at all workplaces	Conducted at all workplaces in the year ended March 2009 (Achieved)

Contributing to Society

Printing is based on the art of making reproductions, which DNP sees as a new kind of creative technology that can contribute to the development of art and culture. DNP is engaged in highly original cultural activities centered around supporting graphic arts.

Graphic design and graphic arts centers

Ginza Graphic Gallery (ggg), ddd Gallery, Center for Contemporary Graphic Art (CCGA)

In March 1986, DNP opened Japan's first gallery specializing in graphic design, "ggg" or Ginza Graphic Gallery. Every month for more than 20 years, the gallery has held original exhibitions introducing outstanding works and artists from Japan and abroad. In 1991, DNP opened ddd Gallery in Osaka and in 1995, it opened the Center for Contemporary Graphic Art (CCGA) in Sukagawa, Fukushima Prefecture. In the fiscal year ended March 2009, the three centers received a total of 82,500 visitors. From their inception, they were visited by almost 1.25 million people.

ggg and ddd also host lectures by artists whose work they exhibit. Students and working people listen eagerly to the words of designers and art directors who work on the front lines of the graphic arts world.

In order to make these kinds of activities more accessible to the public and to secure their continuity, DNP established the DNP Foundation for Cultural Promotion in July 2007, as part of the Company's 130th anniversary celebrations. Going forward, in addition to continuing traditional exhibitions, DNP plans to further enhance its contribution to the arts through projects such as archiving, educational and publicity activities, international exchange, and support for research.



Ginza Graphic Gallery (ggg)
URL: <http://www.dnp.co.jp/gallery/ggg/>

Opened in 1986
Number of exhibitions held: 12
Annual number of visitors: 65,000
Aggregate number of visitors: 936,000



ddd Gallery
URL: www.dnp.co.jp/gallery/ddd/

Opened in 1991
Number of exhibitions held: 8
Annual number of visitors: 15,000
Aggregate number of visitors: 245,000



The Center for Contemporary Graphic Art
www.dnp.co.jp/gallery/ccga/

Opened in 1995
Number of exhibitions held: 3
Annual number of visitors: 2,500
Aggregate number of visitors: 64,000

Graphic design and graphic arts centers

MAISON des MUSÉES de FRANCE (MMF)

URL: <http://www.museesdefrance.org/>

Maison des Musées de France (MMF) provides its visitors with information about art museums and exhibitions in France. The facility's information center sponsors various types of seminars and offers materials for browsing. The center's specialized staff is available to give advice or help with research. Each year, 2,000 people take advantage of this library-like venue, which is becoming a well-known spot for adult learning.



Information Center

Total number of seminars given: 14
Total number of seminar participants: 330
Telephone: 03-3574-2382



DNP Museum Information Japan
artscape
[アートスケープ]
Run by DNP ARCHIVES.COM

DNP Museum Information Japan artscape
URL: <http://www.dnp.co.jp/artscape/>

Already familiar to art lovers, the artscape web site evolved out of Museum Information Japan, which DNP established in 1995. Twice each month, artscape publishes news and information about art museums, exhibitions, and related events in Japan. In 2006, DNP established an English version, "artscape international." More than just a translation of the Japanese version, this monthly publication also includes original material such as reviews of Japanese art museums and exhibitions by non-Japanese scholars and critics.



A variety of discoveries and exchange through art

LOUVRE - DNP Louvre-DNP Museum Lab

MUSEUM LAB <http://www.museumlab.jp/>

The Louvre-DNP Museum Lab is a joint project between the Musée du Louvre and DNP, opened in October 2006 to explore new ways of appreciating art. In the fiscal year through March 2009, we employed DNP's cutting-edge imaging and telecommunications technologies to enable 12,000 visitors to experience and appreciate artworks from the Louvre. Museum Lab's exhibits have been incorporated in curricula of educational institutions in Japan. An additional 2,640 people participated in workshops or film screenings, etc. at the facility. Officials from overseas museums including France's Centre Pompidou, The Boston Museum of Fine Arts in the US, and Germany's Die Neue Sammlung - The International Design Museum Munich, have come to see Museum Lab and exchange views about new styles of art appreciation.

Number of exhibitions held: 2
 Annual number of visitors: 12,000
 Number of events held: 64
 Total number of event participants: 2,640
 Telephone: 03-5435-0880



Visitors enjoying the Museum Lab's fifth presentation



Students from Lycée Franco-Japonais de Tokyo visiting Museum Lab

KidZania Tokyo & KidZania Koshien

DNP's "Printing Workshop" Pavilion

KidZania is an "edutainment town" where children can try their hand at a type of work they always dreamed of doing and have fun while learning how society works. KidZania Tokyo opened October 2006 in Koto Ward as Japan's first facility for teaching children about the working world. KidZania Koshien opened March 2009 in Nishinomiya, Hyogo Prefecture. As an official sponsor of both facilities, DNP set up a "Printing Workshop" pavilion in each one.

At KidZania Tokyo, children experience the difficulties and the joy of "communicating information" through graphic design work. They use computers to lay out text, photographs, and drawings to create a poster related to ecology, which they can print out and take home. At KidZania Koshien, children use computers, rubber replicas of movable type, and a letterpress printing machine to experience the work of a printing technician and the rich expressive power of printing technology. After making a design on the computer, they print their own postcard using rubber type and a resin plate.

By communicating the technology and expertise that DNP has cultivated through printing, the expressive power of printing, and how much fun it is to make things, DNP opens up possibilities for children's futures and contributes broadly to society.

[DNP Pavilion (Printing Workshop) information] <http://www.dnp.co.jp/kidzania/>
 [KidZania Official Website] <http://www.kidzania.jp/>



[KidZania Tokyo]

Northport 3F, Urban Dock LaLaPort Toyosu
 2-4-9 Toyosu, Koto Ward, Tokyo

Choose one of two sessions daily: 9:00-15:00 or 16:00-21:00
 Telephone: KidZania Tokyo Information Center 0570-06-4646



[KidZania Koshien]

LalaPort Koshien
 1-100 Hachiban-cho, Koshien, Nishinomiya City, Hyogo

Choose one of two sessions daily: 9:00-15:00 or 16:00-21:00
 Telephone: KidZania Koshien Information Center 0570-06-4343

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Corporate Governance

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Corporate Governance

Corporate Governance

■ Fundamental Philosophy

DNP has established a management concept of contributing to the emergently evolving society of the 21st century, and recognizes that fulfilling its corporate responsibilities to society as a Group and being trusted by its shareholders, customers, consumers, employees and other stakeholders is critical to improving the competitiveness of the Group. Toward this end, we regard corporate governance, including an internal control system, as a top management priority. We have strived to establish and manage an organizational structure that allows for precise managerial decision-making, prompt and appropriate execution based on the decisions made, and proper supervision and surveillance; strengthen education and training to improve each employee's awareness of compliance issues; and enhance our overall corporate governance.

■ Progress on Corporate Governance Measures

(1) Organizational details

DNP's organization is designed to allow the directors with specialized expertise and experience in a wide range of business fields to participate in management decisions, to take responsibility and authority as they execute their work, and to supervise the work of other directors. Also, so as to promptly make precise management decisions, smoothly act based on the decisions, and further strengthen proper supervisory functions, corporate officers named by the Board of Directors execute the decisions made by the Board of Directors, and have the responsibility and authority to decide upon and carry out those matters delegated by the Board. Working in close communication with the directors and in close proximity to the workplace, their function is to ensure that the views of those on the front lines are reflected in management.

At the general shareholders' meeting held June 28, 2007, DNP revised the term of office for the directors from two years to one year, in order to have more flexibility to construct a management system best suited to responding to the business environment; to further clarify management responsibility for each fiscal year; and to increase opportunities to earn the confidence of shareholders.

The Board of Directors consists of 25 directors, including one outside director. In principle, the Board meets once a month. Based on the Company's Board

of Directors Regulations, the directors ensure that operations are appropriately run and mutually supervise day-to-day operations. The directors hold executive committee meetings once a month to exchange information that is helpful for efficient decision-making. To speed up the Company's activities and make them more efficient, DNP has also established a Management Committee consisting of directors at the senior managing director level and above. The committee meets once a month, in principle, to review and discuss management policies, strategies, and important business matters.

DNP has in place a Board of Statutory Auditors that consists of five auditors, including three outside auditors. In accordance with auditors' prescribed audit criteria and responsibilities, the statutory auditors conduct audits of the directors' management of day-to-day operations and, as necessary, seek information from the directors and employees regarding business operations.

(2) Internal controls and auditing

In order to maintain a structure that allows for precise management decision-making, appropriate and prompt execution of business, and inspection and monitoring of these functions, the Corporate Ethics Committee, as the body in charge of internal control, inspects and guides DNP's operating units according to the DNP Group's Basic Compliance Management Regulations. The Auditing Department (consisting of 19 employees) ensures the propriety of operations by conducting accounting and operational audits based on internal audit regulations and by providing progress reports to the statutory auditors and the accounting auditor.

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

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

- **Certified public accountants who performed the accounting audits (Continuous audit years)**
Senior partner, managing partner
Atsushi Sasayama (7 years), Taichiro Hosoya (2 years)

(6) Compensation paid to directors and auditors

The details of compensation DNP paid to directors and auditors in the fiscal year under review are as follows:

	Number	Compensation (¥ million)
Directors (Of which, outside directors)	28 (1)	1,921 (26)
Auditors (Of which, outside auditors)	5 (3)	144 (65)
Total	33	2,066

Notes: 1. The figures above include provisions for bonuses for directors and statutory auditors (¥180 million for directors) for the fiscal year.
2. In addition to the above, bonuses of ¥17 million were paid to employee directors.
3. There were 25 directors and five auditors as of the end of the fiscal year.

(7) Interests between DNP and its outside director and outside statutory auditors

Neither the outside director nor the outside statutory auditors have personal, financial or business relationships or other interests with DNP.

Outside director Tadao Tsukada owns 2,000 shares of DNP, outside statutory auditor Kiyoshi Yuzawa 2,000 shares, and outside statutory auditor Yasuchika Negoro 3,000 shares.

Compensation Paid to Accounting Auditors

(1) Compensation paid to accounting auditor

(¥ million)

	Previous fiscal year		Current fiscal year	
	Compensation for audit certification (¥ million)	Compensation for other services (¥ million)	Compensation for audit certification (¥ million)	Compensation for other services (¥ million)
Dai Nippon Printing Co., Ltd.	-	-	91	-
Consolidated subsidiaries	-	-	92	-
Total	-	-	183	-

(2) Other material compensation details

None

(3) Compensation paid to accounting auditor for services other than audit work provided to the Company

None

(4) Determination of compensation for audit services

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

Measures for Enhancing DNP's Corporate Governance

In accordance with a resolution by the Board of Directors at a meeting on May 10, 2006, DNP has established arrangements based on the Corporate Law and the Enforcement Regulations of the Corporate Law for ensuring the propriety of operations. Based on subsequent developments, the arrangements were revised as follows and approved at a Board of Directors meeting held on November 15, 2007.

1. Arrangements for ensuring that the execution of operations by the directors and employees complies with the laws and the Articles of Incorporation

(1) To deepen consideration of the DNP Group's Vision for the 21st Century on the 130th anniversary of the Company's founding, the DNP Group has established DNP Group Code of Conduct by revising and expanding the Dai Nippon Printing Group Corporate Pledge and DNP Group Employee Code of Conduct, the code of conduct for all employees (including directors). The Group provides all employees with a copy of the guidelines and conducts training to familiarize them with it.

(2) The Board of Directors meets once a month, in principle. Based on the Company's Board of Directors Regulations, the directors ensure that operations are appropriately run and mutually supervise day-to-day operations. By naming outside directors with no relationships or interests with DNP, the Company has established a way to ensure that the work of directors is in compliance with the laws and the Articles of Incorporation. In addition, directors with day-to-day business responsibilities preempt acts in violation of laws or the Articles of Incorporation by supervising the conduct of the heads of the various operating units, including corporate officers.

DNP has in place a Board of Statutory Auditors that consists of auditors, including outside statutory auditors. In accordance with auditors' prescribed audit criteria and responsibilities, the statutory auditors conduct audits of the directors' management of day-to-day operations.

(3) The Corporate Ethics Committee, which consists of the directors in charge of each head office division, oversees the establishment and management of arrangements for ensuring the propriety of operations in the DNP Group according to the DNP Group's Basic Compliance Management Regulations.

(4) Under the oversight of the Corporate Ethics Committee, the Information Disclosure Committee, Insider Trading Prevention Committee, Information Security Committee, Product Safety Committee, Environmental Committee, Complaint Handling Committee, Central Disaster Prevention Council, and each head office division in charge of specific laws and regulations conduct reviews,

provide guidance, and offer training for operating units and Group companies in their areas of responsibility.

- (5) The heads of the divisions autonomously determine, implement, inspect, review and improve the required arrangements and procedures for their divisions, based on the DNP Group's Basic Compliance Management Regulations and in light of the specific operations of each division.
- (6) Based on internal audit regulations, the Auditing Department, which is independent of the operating units, conducts internal audits and provides guidance to the divisions and Group companies regarding the establishment and management of arrangements for ensuring the propriety of operations.
- (7) The Open Door Room, a gateway for internal notifications within the DNP Group established within the Corporate Ethics Committee, receives and responds to reports from Group employees concerning legal violations.

2. Rules and other arrangements for managing the dangers of losses

- (1) To manage risks that could have a material impact on business, such as those related to compliance, the environment, disasters, product safety, insider trading and export management, the Corporate Ethics Committee, other special committees and other head office divisions develop rules and conduct training as risk-related preemptive efforts, and respond promptly when risks arise to avert or minimize losses to the DNP Group.
- (2) DNP regularly tries to manage information security risks mainly through its Information Security Committee and by reviewing how personal information is managed, establishing its Information Security Headquarters and expanding the staff, expanding and revising rules and regulations, expanding training, controlling who comes into and goes out of company property with biometric verification systems, expanding the installed base of surveillance cameras, and minimizing the number of workers.
- (3) For managing financial reporting-related risks (the development and management of internal controls for ensuring the reliability of the Company's financial reports), DNP has established an arrangement for the timely and appropriate assessment and disclosure of the effectiveness of internal controls. Specifically, necessary adjustments with the auditor are made, and under the oversight of the Corporate Ethics Committee, business processes with a material impact on the Company's consolidated financial reports (sales, manufacturing, purchasing, asset management, and accounting) and related divisions (including consolidated subsidiaries) are appropriately identified and selected based on disclosed internal control development and evaluation

criteria. Rules for managing related operations, manuals, and checklists are documented; self-inspections are conducted on the divisions subject to evaluation; and internal audit reports are compiled.

- (4) Under the oversight of the Corporate Ethics Committee, risks are regularly inventoried. For any new risks that could have a material impact on business, units and directors are designated to respond properly.

3. Arrangements for ensuring that the execution of operations by directors is efficient

- (1) The Board of Directors meets once a month and at other times as needed, as one fundamental arrangement for ensuring that the execution of operations by directors is efficient. The Management Committee, consisting of directors at the senior managing director level and above, meets once a month, in principle, to contribute to efficient decision-making and to review and discuss important business matters. In addition, the Executive Committee meets once a month to share management information among the directors.
- (2) Those responsible for carrying out operations based on decisions by the Board of Directors do so within their authority and in accordance with organizational regulations, position authority rules, collective decision-making rules, and other internal rules. Also, directors with day-to-day business responsibilities try to do their work more efficiently by delegating appropriate authority to corporate officers.

4. Arrangements concerning the maintenance and management of information relating to directors' execution of operations

Information on the directors' execution of operations is registered or recorded in the form of minutes of Board of Directors' meetings, minutes of various committee meetings, approval documents and other documentation, or electronic documentation. This information registered or recorded as paper or electronic documents is appropriately and safely retained and stored in easily searchable condition for at least 10 years, in accordance with basic regulations on information security, document management standards, and electronic record-keeping standards.

5. Arrangements for ensuring proper business operations in the Group, made up of the joint stock corporation, the parent company, and subsidiaries

- (1) To ensure the propriety of its operations, the DNP Group has established DNP Group Code of Conduct for all employees (including the directors) and conducts training to familiarize employees with them. The Group has also established Basic Compliance Management Regulations concerning the establishment and management of arrangements for ensuring the propriety

of operations, and based on them, Group companies implement the regulations.

- (2) The Group companies autonomously determine, implement, inspect, review, and improve the required arrangements and procedures for their divisions, based on the policies written in (1) above and in light of the details and scale of their businesses.
- (3) The Auditing Department, the Corporate Ethics Committee, other special committees, and other head office divisions audit or review, provide guidance, and offer training on the progress made as specified in (1) and (2) above.

6. Arrangements concerning employees who assist auditors with their work and matters related to the independence of such employees from the directors

- (1) The Audit unit with a dedicated staff assists auditors with their work.
- (2) The Audit unit staff performs operations under the direction of the statutory auditors. Reviews and reassignments of and disciplinary actions against staff require the consent of the Board of Statutory Auditors.

7. Arrangements for directors' and employees' reports to statutory auditors, arrangements regarding reports to other auditors, and arrangements for ensuring that statutory auditors conduct their audits effectively

- (1) The statutory auditors may request reports on day-to-day operations from the directors and employees as necessary, and DNP Group directors and employees are to promptly provide such reports when requested to do so.
- (2) The directors are to promptly report to the statutory auditors any facts that come to light that are in violation of laws or might seriously hurt the Group.
- (3) The Auditing Department and the Corporate Ethics Committee regularly report to the statutory auditors on the establishment and management of arrangements for ensuring the propriety of audits and operations.
- (4) The Representative Director regularly exchanges views with the Board of Statutory Auditors.

Summary of Limitation of Liability Contract

DNP and its outside director and outside statutory auditors concluded an agreement that limits directors' and auditors' liability for damages within the parameters set forth in Article 423, Paragraph 1 of Japan's Corporate Law, so long as they execute their duties in good faith and without serious negligence.

Number of Directors

DNP's Articles of Incorporation specify that the number of regular members on the Board of Directors shall be no more than 25.

Requirements for Shareholder Approval of Director Nominees

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

Matters to Be Resolved at the Meeting of Shareholders that Can Be Resolved by the Board of Directors

(1) Share buybacks

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

(2) Exemption of directors from liability

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

(3) Exemption of auditors from liability

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

(4) Interim dividend

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

Requirements for Shareholder Approval of Special Resolutions

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

Guiding Principles and Code of Conduct

In order to realize our corporate vision of “P&I Solutions,” we have established Guiding Principles for our corporate behavior. In addition, we have established a “DNP Group Code of Conduct” to be observed by all DNP Group employees as a precondition for engaging in the various activities through which we realize our management concept.

We attach great importance to *taiwa** with corporate customers and consumers. We start by listening to what the other party has to say, and we continue to talk until we develop a shared understanding, identify problems, and reach solutions. Our aim is to contribute to society by creating new value through this process.

Guiding Principles

1. Engage in *taiwa* with all persons concerned

Through *taiwa*, we can identify the hopes and dreams of consumers and corporate clients, as well as uncover our own problems of which we had been unaware. By pursuing *taiwa* on the identified problems and issues with various members of the company as well as people outside the company, we will be able to find solutions to these problems and issues.

2. Work with an independent and collaborative mindset in order to solve problems

Acquiring specialized knowledge and skills, thereby becoming independent, allows us to sharpen our sensitivity for perceiving the problems and issues that surface within *taiwa*. We should collaborate on these issues with other members while recognizing one another’s sense of values and roles in order to propose solutions that will meet the satisfaction of our clients.

3. Challenge courageously, even in the face of difficult issues

As professionals, the expectation and confidence entrusted upon us are proportionate to the level of difficulty of a problem or issue. Therefore, we should approach problems and issues with a spirit of challenge and courage, which will enhance our professional skills all the more.

4. Act with integrity, fairness, and impartiality, at all times

We are, of course, obliged to abide by the law and conform to social codes. At the same time, we should also be considerate of others, speak honestly, and act with integrity. By conducting ourselves in this manner, we will be able to win the sympathy and trust of society, which will in turn augment the ‘value’ that we provide to society.

5. Be responsible for your own decisions and conduct

Each of us should be responsible for our own decisions and conduct. A strong sense of responsibility will not only lead to our colleagues’ greater trust in us, but will also enable us to make objective and appropriate evaluations of our own work processes, which will assist us in making greater strides at our next opportunity.

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

DNP Group Code of Conduct

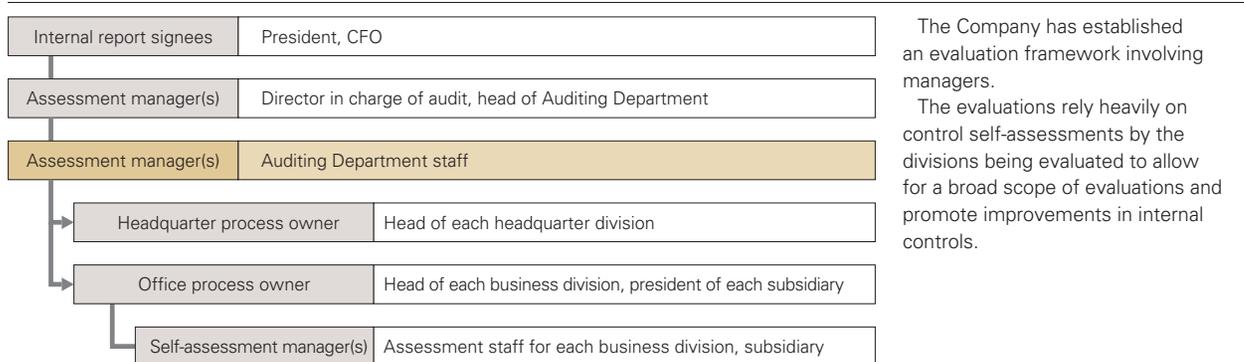
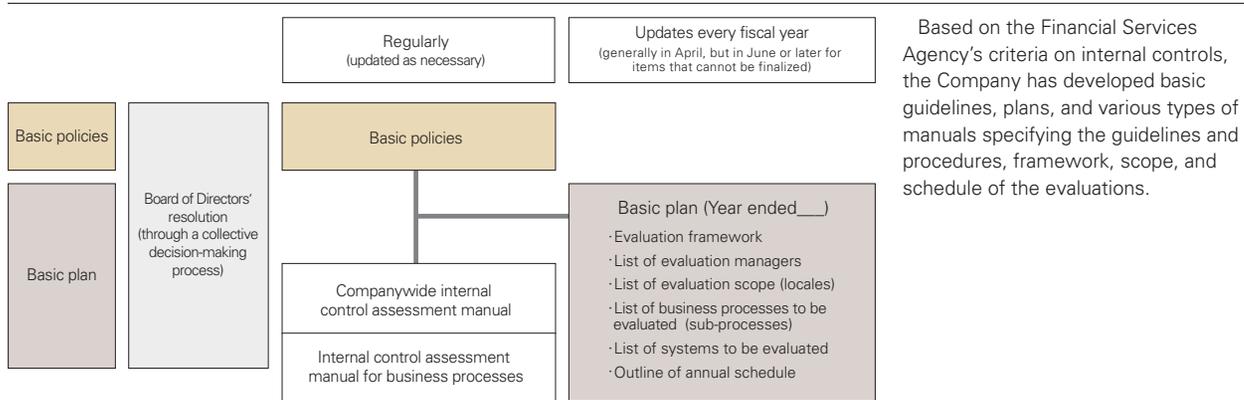
1. Contributing to the development of society
2. Social contribution as a good corporate citizen
3. Compliance with the law and social ethics
4. Respect for human dignity and diversity
5. Environmental conservation and the realization of a recycling-oriented society
6. Realization of a ‘universal society’
7. Ensuring the safety and quality of our products and services
8. Ensuring information security
9. Proper disclosure of information
10. Realization of a safe and vibrant workplace

Internal Control

Compliance with Internal Control Reporting Requirements

In compliance with Internal Control Reporting Requirements under the Financial Instruments and Exchange Act (internal assessments and outside audits of internal controls on financial reporting), DNP has been fulfilling its responsibilities of accountability to users of “Yuho” annual securities reports (stakeholders), an objective of the requirements. To further strengthen the group’s management base, the Company has also consulted with outside auditors, documented the group’s internal controls, evaluated internal controls on its own, conducted independent evaluations, improved on any inadequacies that have been found, and reported results to management regularly since the preparatory fiscal year.

Policies, framework, and plans regarding internal controls



Development of assessment tools for internal controls



For appropriate and effective internal control assessments, specialized information systems are used and the large amount of data on internal control assessments is managed in database form.

(The screenshot shows Oracle GRC Manager Release 7.7.1.)

The scope, criteria, procedures, and results of managers’ internal control assessments were compiled into Internal Control Reports (assessment reference date: March 31, 2009), which were submitted along with the 115th “Yuho” annual securities reports on June 26 to the Ministry of Finance’s Kanto Local Finance Bureau, upon approval by the Information Disclosure Committee and the Board of Directors.

For details on the Internal Control Reports, please go to the Company website ▶ <http://www.dnp.co.jp/ir>

Board of Directors, Statutory Auditors and Corporate Officers

(As of June 26, 2009)

President

Yoshitoshi Kitajima

Executive Vice Presidents

Koichi Takanami
Satoshi Saruwatari
Masayoshi Yamada
Yoshinari Kitajima

Senior Managing Directors

Mitsuhiko Hakii
Osamu Tsuchida
Teruomi Yoshino
Yujiro Kuroda
Masahiko Wada

Managing Directors

Kazumasa Hiroki
Tetsuji Morino
Takashi Toida
Shigeru Kashiwabara
Kunikazu Akishige
Kenji Noguchi
Yoshiaki Nagano
Motoharu Kitajima
Takao Shimizu

Directors

Tatsuo Komaki
Akira Yokomizo
Yoshiki Nozaka
Masaki Tsukada
Sakae Hikita
Tadao Tsukada *

Standing Statutory Auditors

Noriaki Nakamura
Minoru Yoneda
Kiyoshi Yuzawa *

Statutory Auditors

Yasuchika Negoro *
Kuniaki Nomura *

Senior Corporate Officers

Tatsuya Nishimura
Tatsuro Kitayuguchi
Koichi Hashimoto

Corporate Officers

Akira Oguri
Masanori Akada
Fujio Yamazaki
Takashi Saito
Shigemi Furuya
Katsuhisa Fudouta
Yoshio Nishida
Jun-ichi Tsuchiya
Kensuke Nakamura
Tokuji Kanda
Yoji Yamakawa
Takashi Wada
Ryuji Minemura
Masato Koike
Masato Yamaguchi
Yasuo Takeda
Jun-ichi Funatsu
Morihiro Muramoto

*Outside director or auditors



Masayoshi Yamada

Koichi Takanami

Yoshitoshi Kitajima

Satoshi Saruwatari

Yoshinari Kitajima



Financial Section

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Management's Discussion and Analysis

OPERATING RESULTS

Business Environment

Japan's economy went into a very serious downturn in the latter half of the fiscal year, with corporate earnings and employment conditions worsening drastically, partly because of the global financial instability that originated with the US financial crisis, a considerable decline in demand, and the yen's sharp appreciation.

The business environment surrounding the printing industry remained harsh, due to such factors as a slump in demand, material cost increases, and unit price declines stemming from intensified competition.

The Information Communication segment faced challenging conditions. In the books and magazines market, estimated sales of publications in Japan in the year ended March 2009 declined 3.3% year over year, extending a downtrend that started in 1997. The magazine business slumped because a number of well-known magazines were discontinued, owing to declines in publishing companies' profitability, and fewer new magazines were launched. In the commercial printing market, advertising-related companies' sales in the year ended March 2009 swung to a decline of 9%. Online advertising spending grew again, by 8%, but spending on advertising in the four major types of media that support printing demand – TV, radio, newspapers, and magazines – fell because a deterioration in corporate earnings led to cutbacks in advertising spending. The business forms market was weak overall. Demand declined because financial institutions' earnings worsened and companies cut advertising spending, and sales of smart cards were lower than in the previous year because the number of new mobile phone subscribers was weak.

In the Lifestyle and Industrial Supplies segment, conditions were challenging again for the packaging business because of an overall decline in consumer spending and higher costs for wheat and other foodstuffs and films and other packaging materials. The lifestyle materials business sharply worsened because the number of housing starts in Japan started declining in December on uncertainties for the economy's outlook, and even though demand rose for environmentally friendly products. In the industrial supplies business, sales of back sheet film for solar power systems, filling material, and other battery materials increased with help from increased social awareness of environmental issues, but demand for LCD optical films, which was strong up through the previous fiscal year, decreased sharply owing to drastic cutbacks by LCD panel manufacturers.

Key factors for the Electronics segment included year-over-year increases in total 2008 global output of LCD TVs (by 34% to 106 million), PCs (by 10.9% to 302.2 million), and mobile phones (by 3.5% to 1.18 billion). However, circumstances changed drastically in the fall of 2008. Manufacturers around the world sharply cut output and output volume started declining. In October–December 2008, global output of LCD and other types of TVs declined 5% year over year and global output of mobile phones dropped 12.6%. Output of PCs increased 1.1% over the full year but declined 7.1% in January–March 2009. In light of these conditions, the market environment was very challenging in the second half of the fiscal year.

Overview

The DNP Group has been developing its business and providing products and services that meet customer needs, based on a corporate vision of P&I Solutions (P&I stands for “printing technologies” and “information technologies”). In addition, DNP has made groupwide efforts through its “Production 21” activities to establish a solid production structure in terms of quality, cost, and turnaround times, and has worked hard to maintain positive performance. DNP’s consolidated sales and profits were in line with its original forecasts through the second quarter of the fiscal year, but all segments suffered starting in the third quarter, as business conditions sharply deteriorated. As a result, consolidated sales declined 1.9% from the previous fiscal year. Overall sales in the Information Communication segment increased 5.7%. Sales were weaker than in the previous fiscal year for Books and Magazines, Commercial Printing, and Business Forms, but this weakness was more than offset by the inclusion of sales of consolidated subsidiaries in the educational publications distribution business. Sales in the Lifestyle and Industrial Supplies segment slipped 0.7%. Sales in the Packaging business division increased thanks to flexible packaging, paper cups, and large aseptic filling systems, but sales of Lifestyle Materials and Industrial Supplies decreased. Sales in the Electronics segment dropped by a substantial 20.6% because of a sharp slump in demand and price declines. Sales in the Beverages segment slipped 2.4%.

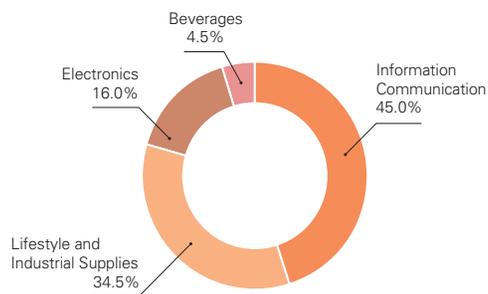
Consolidated operating income declined 47% and ordinary income fell 45.2% because of higher costs of petrochemical-based products, paper, and other materials; price declines in all segments; a sharp deterioration in profits for LCD color filters, anti-glare film, semiconductor photomasks, and other core products; and weakness in other businesses.

Operating income margin slipped 2.5 percentage points to 2.9%.

As can be seen from the above, this fiscal year’s results reflect very challenging conditions. Net losses totaled 20.9 billion yen, reflecting impairment losses mainly on electronics production equipment and valuation losses on investment securities.

	2009.3	2008.3	2007.3
Net sales (¥ million)	¥ 1,584,844	¥1,616,053	¥1,557,802
Gross profit margin (%)	16.4%	17.8%	18.6%
Operating income margin (%)	2.9%	5.4%	6.2%
Net income margin (%)	-1.3%	2.8%	3.5%
Net income (loss) per share (¥)	¥ (32.35)	¥ 67.08	¥ 78.10

Net Sales by Consolidated Segment
(year ended March 2009)



Net Sales

Net sales in the fiscal year declined 1.9%, or 31.2 billion yen, to 1,584.8 billion yen partly because business conditions sharply worsened starting around the third quarter. Unit prices declined due to intensified competition and persistently strong demands for price reductions, but the impact of the unit price declines improved by 12 billion yen from the previous fiscal year thanks to the pass-through of sharply higher material costs to product prices.

In the Information Communication segment, sales from the publishing of books increased, but sales from the publishing of magazines declined and sales from the publishing of free newspapers and magazines, mainly related to housing information, were weak. In the commercial printing business, demand for store design/construction and event planning increased, but sales of catalogs, flyers, and pamphlets declined. In the Business Forms business, sales of IPS (information processing services), smart cards, and ledgers declined. Overall sales in the Information Communication segment rose with help from the inclusion of sales of consolidated subsidiaries in the educational publications distribution business.

In the Lifestyle and Industrial Supplies segment, sales of flexible packaging, paper containers, paper cups, and aseptic filling systems for PET plastic bottles increased despite a decline in sales of preformed bottles (primary products for making PET plastic bottles). In the lifestyle materials business, sales of environmentally friendly products declined, and North American sales of decorative laminates for furniture and automotive interior materials substantially worsened. In the industrial supplies business, sales of back sheet film for solar power systems, filling material, and other battery materials increased, but sales of anti-glare film for LCDs declined considerably, and sales of color and monochrome ink ribbons were weak.

In the Electronics segment, LCD color filter demand weakened drastically after LCD panel manufacturers sharply cut output starting in September. In addition, sales of photomasks, etched products for hard drive suspensions and other applications, and high-density build-up circuit boards decreased.

Cost of Sales

DNP's cost of sales decreased by 0.3%, or 3.3 billion yen, over the previous fiscal year to 1,324.5 billion yen. The gross margin worsened 1.4 percentage points from 17.8% to 16.4%.

Prices of raw materials, such as petrochemicals and printing paper, rose this fiscal year, as they did last fiscal year. As a result, our costs increased by roughly 13.2 billion yen. Compared to the impact of material cost increases in the previous year, this year's effect was bigger by 1.4 billion yen, or 12%.

In order to offset the impact of material cost increases, DNP has been focusing groupwide since April 2002 on "Production 21" cost-cutting measures, such as improving process efficiency, improving yields, reducing material losses, and shortening preparation and lead times. This fiscal year, we successfully applied measures horizontally throughout the Group, and strove to raise standards for the manufacturing division as a whole. Thanks to these efforts, this fiscal year we reduced production costs by 35.5 billion yen, 1.5 billion yen more than the 34.0 billion yen in the previous fiscal year.

Selling, General and Administrative Expenses

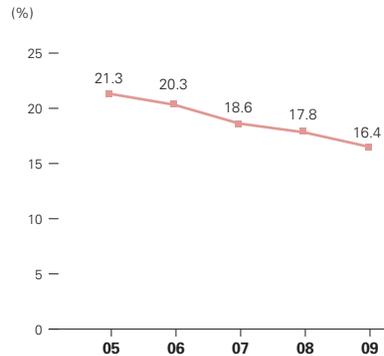
Selling, general and administrative expenses this fiscal year increased by 6.5%, or 13.1 billion yen, to 214.1 billion yen. Our continued efforts at containing costs by using information technology to boost operational efficiency and by managing budgets better resulted in 1 billion yen worth of savings, but the number of consolidated subsidiaries and marketing costs increased. The percentage of these expenses relative to net sales was 13.5%, 1.1 percentage points higher than in the previous fiscal year.

Operating Income

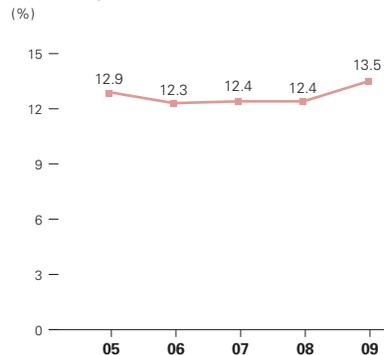
This fiscal year, DNP's operating income was strongly affected by lower unit prices and increased raw material costs. Operating income declined by 47.0%, or 40.9 billion yen, to 46.2 billion yen. We were able to pass on to customers about 70% of the raw material cost increases, but the remainder took a significant bite out of our income because of manufacturing costs. As a result, our operating income margin dropped from 5.4% in the previous fiscal year to 2.9%.

By segment, operating income from Information Communication declined 26.4%, or 11.4 billion yen, to 31.7 billion yen. In Lifestyle and Industrial Supplies, it declined 37.5%, or 11.9 billion yen, to 19.9 billion yen. In Electronics, operating income decreased 87.0%, or 17.2 billion yen, to 2.6 billion yen. In Beverages, it fell 75.7%, or 1.0 billion yen, to 322 million yen.

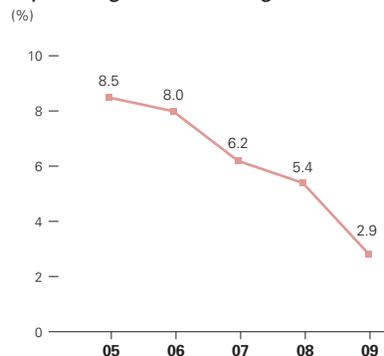
Gross Profit Margin



SGA Expenses to Net Sales



Operating Income Margin



Nonoperating Income (Expenses) and Extraordinary Income (Losses)

This fiscal year, nonoperating income totaled 11.6 billion yen, up 16.2%, or 1.6 billion yen, and nonoperating expenses 10.4 billion yen, down 1.8%, or 195 million yen, from the previous year. As a result, net nonoperating income totaled 1.2 billion yen, up 1.8 billion yen from the previous year.

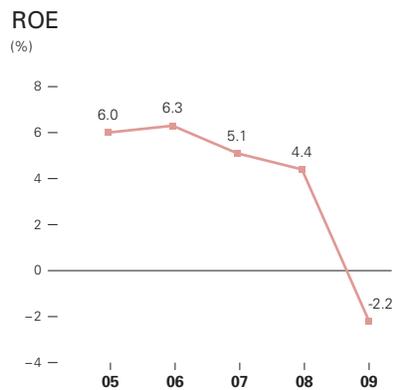
Extraordinary gains totaled 1.1 billion yen, down 94.3%, or 18.6 billion yen, and extraordinary losses 76.4 billion yen, up 331.0%, or 58.6 billion yen. As a result, net extraordinary losses totaled 75.2 billion yen, versus net extraordinary gains in the previous fiscal year of almost 2 billion yen.

The main reasons for this turnaround were 50.7 billion yen of impairment losses, based on estimates of future cash flow and including impairment losses on production equipment following a sharp downturn in conditions for the Electronics segment, and 13.6 billion yen of valuation losses on investment securities in connection with the stock market's correction.

As a result of the above, loss before income taxes and minority interests totaled 27.8 billion yen.

Net Income (Losses)

Net losses totaled 20.9 billion yen, or 32.35 yen per share.



LIQUIDITY AND CAPITAL RESOURCES

In order to expand our business, DNP's management believes that it is important to steadily expand cash flow generated through aggressive operating activities and to concentrate investments in strategic areas. In addition, we believe that financial strength is indispensable to stable growth in the medium and long terms, so we have worked hard to enhance our financial position.

	2009.3	2008.3	2007.3
Cash flows from operating activities	¥ 131,569	¥ 157,283	¥ 123,011
Cash flows from investing activities	(100,726)	(122,523)	(150,717)
Free cash flow	30,843	34,760	(27,706)

(¥ million)

This fiscal year, cash flow generated by operating activities decreased by 16.3%, or 25.7 billion yen, from 157.3 billion yen the previous fiscal year to 131.6 billion yen. The main reason for the decrease was a deterioration from income before income taxes and minority interests of 88.5 billion yen the previous fiscal year to losses before income taxes and minority interests of 27.8 billion yen.

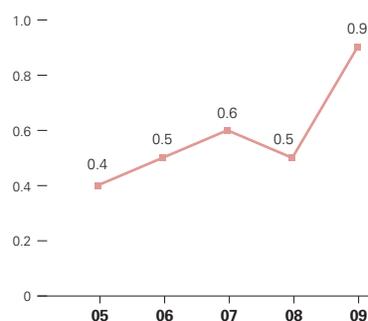
Cash flow used in investing activities decreased by 17.8%, or 21.8 billion yen, from 122.5 billion yen the previous fiscal year to 100.7 billion yen.

Cash flow used in financing activities decreased by 54.0%, or 39.8 billion yen, from 73.7 billion yen the previous fiscal year to almost 34 billion yen partly because expenditures for share buybacks decreased from 58.6 billion yen the previous fiscal year to 27.4 billion yen.

As a result of these activities, DNP's cash and cash equivalents at the end of the fiscal year amounted to 117.2 billion yen, down 10.3%, or 13.5 billion yen from a year earlier.

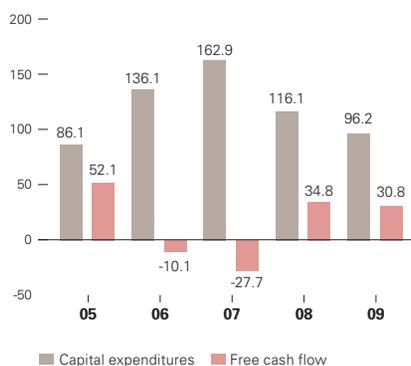
This fiscal year, free cash flow – i.e. cash flow generated by operating activities minus cash flow used in investing activities – was 30.8 billion yen, down 3.9 billion yen from 34.8 billion yen in the previous fiscal year.

Interest-bearing Debt to Cash Flow Ratio
(times)



Capital Expenditures and Free Cash Flow

(¥ billion)



Capital Expenditures, Research and Development Expenditures, etc.

DNP has focused its capital expenditures mainly on strategic areas, so as to gain a competitive edge, and on improvements to existing plants and equipment. This fiscal year, we invested primarily in the strategic LCD color filter business and on automation and labor-saving improvements in other businesses. However, capital expenditures amounted to 96.2 billion yen, down 17.2%, or 20 billion yen, following changes in plans because of trends in various markets and earnings conditions.

Key capital investments during the fiscal year included expansions of an 8th-generation inkjet line that started up in August 2008 at the LCD color filter plant in Kurosaki (in Kita Kyushu); a 6th-generation line at the same plant in September 2008; and offset and gravure printing machines in the older printing business.

By segment, capital expenditures for Information Communication increased 1.4 billion yen over the previous year to 28.0 billion yen, or 29% of overall capital expenditures. Capital expenditures for Lifestyle and Industrial Supplies decreased 2.1 billion yen over the previous year to 29.7 billion yen, or 31% of the total. For Electronics, we invested 34.3 billion yen, a decrease of 11.7 billion yen and 36% of the total. Capital expenditures for other businesses fell 7.6 billion yen from the previous year to 4.1 billion yen, or 4% of the total.

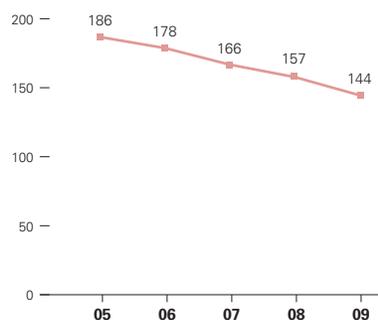
Research and development expenditures totaled 34.1 billion yen, a decrease of 4.1%, or 1.4 billion yen, from the previous fiscal year.

The Balance Sheet

Since our mission is to increase DNP's corporate value, we try to maintain the liquidity that we need while increasing capital efficiency in order to implement our business strategies in a flexible manner and promptly adapt to changes in the business environment.

Current Ratio

(%)



	2009.3	2008.3	2007.3
Total assets (¥ million)	¥ 1,536,557	¥1,601,193	¥ 1,700,250
Current ratio (%)	144%	157%	166%
Working capital-to-net sales (%)	13%	16%	20%
Debt-to-equity ratio	14%	8%	6%
Book value per share (yen)	¥ 1,393.91	¥ 1,516.35	¥ 1,544.02

DNP's total assets at the end of this fiscal year amounted to 1,536.6 billion yen, representing a decrease of 4.0%, or 64.6 billion yen, from the previous fiscal year.

Among current assets, cash and cash equivalents decreased by

5.7%, or 7.5 billion yen, from the previous fiscal year to 123.6 billion yen. Trade receivables decreased by 11.2%, or 51.1 billion yen, to 405.9 billion yen. Marketable securities holdings decreased 99.9%, or 11.1 billion yen, to 9 million yen, and inventories of finished products, work in process, raw materials, and supplies increased 24.3 billion yen to 120.6 billion yen. As a result, total current assets decreased by 5.4%, or 38.8 billion yen, to 676.2 billion yen.

Total long-term assets decreased by 3.0%, or 26.5 billion yen, to 859.7 billion yen. Property, plant and equipment decreased by 5.4%, or 34.4 billion yen, to 604.9 billion yen. Intangible assets increased by 38.0%, or 13.4 billion yen, to 48.9 billion yen. Investments and other assets decreased 2.6%, or 5.6 billion yen, to 205.9 billion yen.

Current liabilities increased by 3.4%, or 15.4 billion yen, to 469.8 billion yen. Trade payables decreased by nearly 27 billion yen to 290.9 billion yen, but short-term bank loans increased by 37.9 billion yen to 59.9 billion yen.

Long-term liabilities increased by 18.7%, or nearly 20 billion yen, to 126.7 billion yen.

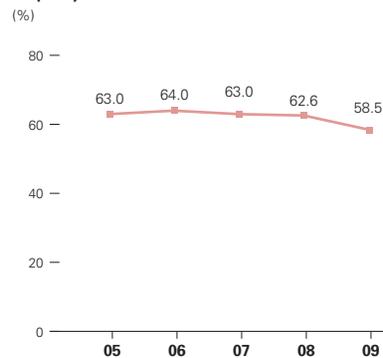
As a result, total liabilities increased by 6.3%, or 35.4 billion yen, to 596.5 billion yen.

DNP has been repurchasing its shares since February 2003. This fiscal year, we purchased 16,656,000 shares for 26.6 billion yen, bringing the cumulative totals to 112,869,000 shares and 188.0 billion yen. However, we did not retire any of the shares, leaving the cumulative totals of retired shares at 59 million shares and 96.8 billion yen.

As a result, this fiscal year's outstanding amount of treasury stock increased by nearly 27.3 billion yen over the previous year's 66.6 billion yen to 93.9 billion yen, which was a factor that reduced net assets. Retained earnings decreased by 5.7%, or 45.4 billion yen, to 751.9 billion yen. This decline also reduced net assets.

As a result of the above factors, DNP's total net assets at the end of the fiscal year decreased by 9.6%, or 100.1 billion yen, to 940.1 billion yen.

Equity Ratio*



* Figures for 2005 and 2006 are calculated using total stockholders' equity.

Business Risks

The performance and the results of the DNP Group could be significantly affected by a variety of factors and circumstances that might arise in the future. Because DNP is aware of these risk factors, its policy is to strive to minimize their potential effects.

The followings are the major factors that the DNP management views as risks.

The Japanese Economy and Consumption Trends

The DNP Group engages in a wide range of businesses with an extremely large number of customers. We conduct our business so as not to be overly dependent on specific customers. The primary market where we do business is centered on the Japanese domestic market, whereas our overseas sales constitute about 13% of net sales. Nevertheless, if consumer spending and other components of domestic demand slump, owing to domestic economic weakness in sympathy with global economic trends, declines in order volume and unit prices may affect earnings.

Changes in the Electronics Market

We expect our Electronics segment to be highly profitable and we believe it has good growth potential.

We position it as a strategic sector which we aim to expand in the future. We intend to secure steady profits from it by focusing on building business strategies based on a careful compilation of information and the development of highly competitive, high-added-value products. However, the market for display components and semiconductor products is subject to sudden changes. It is possible that the segment's performance could be affected by sudden changes affecting products that we handle, such as dramatic fluctuations in demand or a plunge in unit prices.

Fluctuations in Raw Material Procurement

We procure raw materials such as printing paper and film from multiple suppliers in Japan and overseas. We work hard to secure stable supplies and maintain optimal prices. However, there is some potential for temporary imbalances between supply and demand due to factors like spikes in petroleum prices or sudden surges in demand from emerging markets. We intend to cope with such instances by negotiating with our customers. However, if it should become extremely difficult to secure supplies, or if prices rise markedly, it is possible that DNP's corporate performance could be affected.

Development of New Products and Technologies and Services

The DNP Group uses its printing and information technologies to develop and provide a broad range of industries products, technologies, and services that meet the needs of corporate clients and consumers.

In recent years, the pace of technological innovation in these areas has become faster than ever, and customers' needs have been rapidly diversifying. We believe that in the future, competition in the area of product development will

become more intense than ever before, and it is possible that DNP's performance could fluctuate significantly due to unforeseeable changes in market trends or a shortening of product life cycles.

Currency Fluctuations

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

Legal Regulations, etc.

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

Information System Security

With computer networks and information systems playing an ever-greater role, protecting data and personal information has become crucial for keeping business activity going. The risks of information system malfunctions, breaches of personal information, and other events, owing to software and hardware problems and viruses, have risen in recent years. The DNP Group regards the protection of data and personal information as a top priority. It is doing all it can to protect and maintain systems and data by strengthening its organization and training employees, but if problems arise in these areas, then business activity could be affected.

Disasters

We take steps to protect our production equipment and other major facilities from being damaged by disasters such as fires or earthquakes. In addition, we divide our work among multiple production bases and make every effort to prevent disasters from causing production stoppages or disturbances in our ability to supply products. We also use various types of insurance to transfer risk. Nevertheless, if major earthquakes, terrorist attacks, communicable diseases such as new types of influenza, or other unexpected developments arise and lead to production stoppages or major damage or interference with the social infrastructure, then earnings could be substantially affected.

Selected Financial Data (unaudited)

	2009	2008	2007	2006
Statements of Operations Data (¥ million)				
Net sales	¥ 1,584,844	¥ 1,616,053	¥ 1,557,802	¥ 1,507,506
Cost of sales	1,324,522	1,327,872	1,268,072	1,202,160
Gross profit	260,322	288,181	289,730	305,346
Selling and administrative expenses	214,145	201,077	193,585	184,676
Operating income	46,177	87,104	96,145	120,670
Ordinary income	47,390	86,502	101,348	124,715
Income (loss) before income taxes and minority interests	(27,842)	88,469	98,950	114,640
Net income (loss)	(20,933)	45,172	54,842	65,188
Balance Sheet Data (¥ million)				
Total assets	¥ 1,536,557	¥ 1,601,193	¥ 1,700,250	¥ 1,662,377
Property, plant and equipment — net	604,904	639,343	635,784	568,966
Long-term liabilities	126,671	106,691	118,437	118,287
Total liabilities	596,471	561,058	600,811	571,170
Total stockholders' equity	—	—	—	1,063,309
Stockholders' equity	917,348	990,122	1,027,475	—
Total net assets	940,086	1,040,135	1,099,439	—
Other Selected Data (¥ million)				
Capital expenditures	¥ 96,156	¥ 116,139	¥ 162,886	¥ 136,059
Depreciation expenses	106,883	109,902	100,161	87,264
R&D expenditures	34,112	35,556	30,113	28,692
Common Share Data (¥, shares)				
Earnings (loss) per share — primary	¥ (32.35)	¥ 67.08	¥ 78.10	¥ 91.23
Earnings (loss) per share — fully diluted	—	—	—	—
Dividends paid per share	32.00	36.00	32.00	26.00
Book value per share	1,393.91	1,516.35	1,544.02	1,507.90
No. of common shares outstanding — primary	644,357,076	661,366,377	694,226,171	704,972,101
Financial Ratios (% , times)				
As a percent of net sales:				
Gross profit	16.43%	17.83%	18.60%	20.26%
Selling, general and administrative expenses	13.51	12.44	12.43	12.25
Operating income	2.91	5.39	6.17	8.00
Income (loss) before income taxes and minority interests	-1.76	5.47	6.35	7.60
Net income (loss)	-1.32	2.80	3.52	4.32
Return on equity	-2.20	4.35	5.14	6.29
Current ratio	144	157	166	178
Debt-to-equity ratio	14	8	6	6

	2005	2004	2003	2002	2001	2000
¥	1,424,943	¥ 1,354,101	¥ 1,309,002	¥ 1,311,934	¥ 1,342,035	¥ 1,286,703
	1,121,374	1,073,118	1,043,456	1,071,163	1,091,386	1,039,006
	303,569	280,983	265,546	240,771	250,649	247,697
	183,041	178,545	175,665	168,529	164,708	161,811
	120,528	102,438	89,881	72,242	85,941	85,886
	120,485	97,276	88,177	74,775	92,349	87,976
	107,686	93,137	42,244	26,150	69,116	79,199
	59,937	52,971	28,774	15,609	33,409	39,034
¥	1,600,129	¥ 1,513,734	¥ 1,450,027	¥ 1,432,458	¥ 1,489,871	¥ 1,451,700
	528,009	513,175	540,874	543,962	561,017	561,898
	115,801	119,277	66,821	79,013	86,012	77,637
	566,796	510,970	484,581	460,691	522,105	495,541
	1,007,944	978,736	942,083	946,998	939,441	925,646
	–	–	–	–	–	–
	–	–	–	–	–	–
¥	86,057	¥ 69,834	¥ 73,789	¥ 85,096	¥ 103,050	¥ 113,858
	80,440	85,182	89,239	94,870	94,312	94,588
	26,386	26,050	24,097	23,367	24,664	23,571
¥	82.56	¥ 71.49	¥ 37.80	¥ 20.55	¥ 43.99	¥ 51.40
	–	–	37.67	20.53	43.45	50.47
	24.00	21.00	19.00	18.00	18.00	18.00
	1,409.18	1,348.40	1,270.81	1,246.99	1,236.96	1,218.79
	715,076,830	725,677,422	741,161,150	759,480,693	759,480,693	759,480,693
	21.30%	20.75%	20.29%	18.35%	18.68%	19.25%
	12.85	13.19	13.42	12.85	12.27	12.58
	8.46	7.57	6.87	5.51	6.40	6.67
	7.56	6.88	3.23	1.99	5.15	6.16
	4.21	3.91	2.20	1.19	2.49	3.03
	6.03	5.52	3.02	1.65	3.58	4.28
	186	197	171	181	165	160
	7	7	6	7	8	9

Consolidated Balance Sheets

Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2009 and 2008	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Assets			
Current assets:			
Cash and cash equivalents (Note 4)	¥ 117,200	¥ 130,695	\$ 1,195,918
Time deposits	6,370	363	65,000
Securities (Note 5)	9	11,103	92
Trade receivables (Note 10)	405,877	456,932	4,141,602
Allowance for doubtful receivables	(5,280)	(5,284)	(53,878)
Inventories (Note 6)	120,647	96,393	1,231,092
Prepaid expenses and other current assets (Notes 10 and 13)	31,327	24,775	319,664
Total current assets	676,150	714,977	6,899,490
Investments and advances:			
Non-consolidated subsidiaries and associated companies (Note 10)	11,396	20,059	116,286
Investment securities (Note 5)	107,975	135,726	1,101,786
Other (Note 10)	1,547	1,676	15,785
Total investments and advances	120,918	157,461	1,233,857
Property, plant and equipment, at cost (Notes 7 and 14):			
Land	132,889	130,655	1,356,010
Buildings	491,603	484,578	5,016,357
Machinery and equipment	1,016,535	1,062,499	10,372,806
Other	10,061	–	102,663
Construction in progress	57,756	35,413	589,348
Total	1,708,844	1,713,145	17,437,184
Accumulated depreciation	(1,103,940)	(1,073,802)	(11,264,694)
Net property, plant and equipment	604,904	639,343	6,172,490
Other assets (Notes 7, 13 and 14)	134,585	89,412	1,373,316
Total assets	¥ 1,536,557	¥ 1,601,193	\$ 15,679,153

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

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2009 and 2008	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 59,876	¥ 21,969	\$ 610,980
Current portion of long-term debt (Note 7)	2,999	3,286	30,602
Trade payables (Note 10)	290,871	317,856	2,968,071
Accrued expenses (Note 10)	34,715	39,269	354,235
Income taxes payable (Note 13)	7,892	16,912	80,531
Other current liabilities (Notes 7, 10 and 13)	73,447	55,075	749,459
Total current liabilities	469,800	454,367	4,793,878
Long-term liabilities:			
Long-term debt (Note 7)	61,491	54,950	627,459
Liability for retirement benefits (Note 8)	41,452	40,349	422,980
Other long-term liabilities (Notes 7 and 13)	23,728	11,392	242,122
Total long-term liabilities	126,671	106,691	1,292,561
Contingent liabilities (Note 17)			
Net assets			
Stockholders' equity			
Common stock -			
Authorized : 1,490,000,000 shares;			
Issued : 700,480,693 shares;	114,464	114,464	1,168,000
Capital surplus (Note 9)	144,898	144,898	1,478,551
Retained earnings (Note 9)	751,870	797,317	7,672,143
Treasury stock, at cost			
56,123,617 shares in 2009 and 39,114,316 shares in 2008 (Note 9)	(93,884)	(66,557)	(958,000)
Total stockholders' equity	917,348	990,122	9,360,694
Valuation and translation adjustments			
Net unrealized gains (losses) on available-for-sale securities	(3,883)	10,610	(39,622)
Net deferred gains (losses) on derivatives	(5)	7	(51)
Foreign currency translation adjustments	(15,285)	2,121	(155,970)
Total valuation and translation adjustments	(19,173)	12,738	(195,643)
Minority interests			
Total net assets	940,086	1,040,135	9,592,714
Total liabilities and net assets			
	¥ 1,536,557	¥ 1,601,193	\$ 15,679,153

Consolidated Statements of Operations

Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2009 and 2008	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Net sales (Note 18)	¥ 1,584,844	¥ 1,616,053	\$ 16,171,878
Cost of sales (Notes 11, 15 and 18)	1,324,522	1,327,872	13,515,531
Gross profit	260,322	288,181	2,656,347
Selling, general and administrative expenses (Notes 11, 15 and 18)	214,145	201,077	2,185,153
Operating income	46,177	87,104	471,194
Other income (expenses) (Note 12):			
Interest and dividend income	4,164	4,646	42,490
Interest expenses	(1,666)	(1,310)	(17,000)
Equity in losses of associated companies	(1,247)	(1,441)	(12,724)
Foreign exchange transaction loss	(2,003)	(1,528)	(20,439)
Net loss on disposal of property, plant and equipment	(6,740)	(3,419)	(68,776)
Net gain on sales of marketable securities and investment securities	370	8,537	3,776
Gain on contribution of investment securities to pension trust (Note 8)	-	7,311	-
Gain (loss) on revision of retirement benefits plan (Note 8)	(144)	2,787	(1,469)
Directors' retirement benefits	-	(6,554)	-
Loss on devaluation of investment securities	(13,947)	(1,757)	(142,316)
Compensation for damage losses	-	(697)	-
Provision for directors' retirement benefits	-	(1,397)	-
Impairment loss on fixed assets (Note 14)	(50,690)	(3,300)	(517,245)
Amortization of consolidation goodwill	(1,859)	-	(18,969)
Other	(257)	(513)	(2,624)
Income (loss) before income taxes and minority interests	(74,019)	1,365	(755,296)
	(27,842)	88,469	(284,102)
Income taxes (Note 13):			
Current	15,375	31,791	156,888
Deferred	(20,857)	10,103	(212,827)
	(5,482)	41,894	(55,939)
	(22,360)	46,575	(228,163)
Minority interests	1,427	(1,403)	14,561
Net income (loss)	¥ (20,933)	¥ 45,172	\$ (213,602)

	Yen		U.S. dollars (Note 3)
	2009	2008	2009
Net assets per common share	¥ 1,393.91	¥ 1,516.35	\$ 14.22
Net income (loss) per common share primary	¥ (32.35)	¥ 67.08	\$ (0.33)

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

Consolidated Statements of Changes in Net Assets

Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2009 and 2008	Millions of yen								
	Number of shares issued (in thousands)	Stockholders' equity				Valuation and translation adjustments			Minority interests
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on derivatives	Foreign currency translation adjustments	
Balance at March 31, 2007	730,480	114,464	144,898	828,708	(60,595)	41,332	(4)	3,094	27,542
Changes of items during the period									
Net income	-	-	-	45,172	-	-	-	-	-
Cash dividends paid	-	-	-	(23,931)	-	-	-	-	-
Net increase resulting from changes of fiscal year end in consolidated subsidiaries	-	-	-	17	-	-	-	-	-
Purchases of treasury stock	-	-	-	-	(58,643)	-	-	-	-
Disposal of treasury stock	-	-	-	(2)	34	-	-	-	-
Retirement of treasury stock	(30,000)	-	-	(52,647)	52,647	-	-	-	-
Changes in unrealized losses on available-for-sale securities	-	-	-	-	-	(30,722)	-	-	-
Changes in deferred gains on derivatives	-	-	-	-	-	-	11	-	-
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	(973)	-
Changes in minority interests	-	-	-	-	-	-	-	-	9,733
Total changes of items during the period	(30,000)	-	-	(31,391)	(5,962)	(30,722)	11	(973)	9,733
Balance at March 31, 2008	700,480	114,464	144,898	797,317	(66,557)	10,610	7	2,121	37,275
Changes of items during the period									
Net loss	-	-	-	(20,933)	-	-	-	-	-
Cash dividends paid	-	-	-	(24,849)	-	-	-	-	-
Net increase resulting from changes of fiscal year end in consolidated subsidiaries	-	-	-	-	-	-	-	-	-
Purchases of treasury stock	-	-	-	-	(27,425)	-	-	-	-
Disposal of treasury stock	-	-	-	(28)	90	-	-	-	-
Retirement of treasury stock	-	-	-	-	-	-	-	-	-
Changes in unrealized losses on available-for-sale securities	-	-	-	-	-	(14,493)	-	-	-
Changes in deferred losses on derivatives	-	-	-	-	-	-	(12)	-	-
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	(17,406)	-
Changes in minority interests	-	-	-	-	-	-	-	-	4,636
Other	-	-	-	363	8	-	-	-	-
Total changes of items during the period	-	-	-	(45,447)	(27,327)	(14,493)	(12)	(17,406)	4,636
Balance at March 31, 2009	700,480	114,464	144,898	751,870	(93,884)	(3,883)	(5)	(15,285)	41,911

	Thousands of U.S. dollars (Note 3)								
	Number of shares issued (in thousands)	Stockholders' equity				Valuation and translation adjustments			Minority interests
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on derivatives	Foreign currency translation adjustments	
Balance at March 31, 2008	700,480	1,168,000	1,478,551	8,135,888	(679,153)	108,265	71	21,643	380,357
Changes of items during the period									
Net loss	-	-	-	(213,602)	-	-	-	-	-
Cash dividends paid	-	-	-	(253,561)	-	-	-	-	-
Net increase resulting from changes of fiscal year end in consolidated subsidiaries	-	-	-	-	-	-	-	-	-
Purchases of treasury stock	-	-	-	-	(279,847)	-	-	-	-
Disposal of treasury stock	-	-	-	(286)	918	-	-	-	-
Retirement of treasury stock	-	-	-	-	-	-	-	-	-
Changes in unrealized losses on available-for-sale securities	-	-	-	-	-	(147,887)	-	-	-
Changes in deferred losses on derivatives	-	-	-	-	-	-	(122)	-	-
Changes in foreign currency translation adjustments	-	-	-	-	-	-	-	(177,613)	-
Changes in minority interests	-	-	-	-	-	-	-	-	47,306
Other	-	-	-	3,704	82	-	-	-	-
Total changes of items during the period	-	-	-	(463,745)	(278,847)	(147,887)	(122)	(177,613)	47,306
Balance at March 31, 2009	700,480	1,168,000	1,478,551	7,672,143	(958,000)	(39,622)	(51)	(155,970)	427,663

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

Consolidated Statements of Cash Flows

Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2009 and 2008	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (27,842)	¥ 88,469	\$ (284,102)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	106,883	109,902	1,090,643
Impairment loss on fixed assets	50,690	3,300	517,245
Provision for doubtful receivables (net)	(522)	(69)	(5,327)
Provision for retirement benefits (net)	(3,111)	(16,823)	(31,745)
Equity in losses of associated companies	1,247	1,441	12,724
Amortization of consolidation goodwill (net)	6,407	2,050	65,378
Interest and dividend income	(4,164)	(4,646)	(42,490)
Interest expenses	1,666	1,310	17,000
Net gain on sales of marketable securities and investment securities	(373)	(8,537)	(3,806)
Loss on devaluation of investment securities	13,947	1,745	142,316
Net loss on disposal of property, plant and equipment	6,740	3,419	68,776
Decrease in trade receivables	56,827	26,965	579,867
Decrease in inventories	4,370	2,989	44,592
Decrease in trade payables	(42,200)	(27,496)	(430,612)
Other	(4,038)	6,929	(41,204)
Sub-total	166,527	190,948	1,699,255
Payments of income taxes	(34,958)	(33,665)	(356,714)
Net cash provided by operating activities	131,569	157,283	1,342,541
Cash flows from investing activities:			
Net decrease (increase) in time deposits	(14)	24,904	(143)
Proceeds from sales of marketable securities	10,980	10,000	112,041
Payments for purchases of property, plant and equipment	(95,556)	(124,128)	(975,061)
Proceeds from sales of property, plant and equipment	3,307	1,901	33,745
Payments for purchases of investment securities	(8,201)	(32,706)	(83,684)
Proceeds from sales of investment securities	1,388	18,412	14,163
Interest and dividend received	4,173	4,679	42,582
Other	(16,803)	(25,585)	(171,459)
Net cash used in investing activities	(100,726)	(122,523)	(1,027,816)
Cash flows from financing activities:			
Net increase in short-term bank loans	23,324	12,535	238,000
Proceeds from long-term debt	4,961	1,254	50,622
Repayments of long-term debt	(6,664)	(3,479)	(68,000)
Interest paid	(1,650)	(1,310)	(16,837)
Dividend paid	(25,253)	(24,346)	(257,684)
Payments for purchases of treasury stocks	(27,435)	(58,647)	(279,949)
Other	(1,235)	265	(12,601)
Net cash used in financing activities	(33,952)	(73,728)	(346,449)
Effect of exchange rate changes on cash and cash equivalents	(10,386)	(825)	(105,980)
Net decrease in cash and cash equivalents	(13,495)	(39,793)	(137,704)
Cash and cash equivalents at beginning of year	130,695	170,488	1,333,622
Cash and cash equivalents at end of year	¥ 117,200	¥ 130,695	\$ 1,195,918

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

Notes to Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2009 and 2008

1. Basis of Presenting the Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. (hereinafter referred to as the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with accounting principles and practices generally accepted in Japan, and its foreign subsidiaries in conformity with the Company's group accounting policies based on International Financial Reporting Standards ("IFRS") or accounting principles generally accepted in the United States of America ("US GAAP").

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency of Japan as required by the Financial Instruments and Exchange Law of Japan. Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. Certain reclassifications have also been made in the 2008 financial statements to conform with current classifications. In addition, the notes to the consolidated financial statements include additional information which is also not required for disclosure under accounting principles and practices generally accepted in Japan.

2. Significant Accounting Policies

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries. All significant intercompany accounts and intercompany transactions have been eliminated in consolidation.

The fiscal year-end of the consolidated subsidiaries is the same as that of the Company except for thirty subsidiaries whose fiscal years end December 31 and six subsidiaries whose fiscal years end January 31. Significant transactions between their fiscal year end and the Company's fiscal year end are reflected in the consolidated financial statements.

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

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

The differences between costs and underlying net assets at the date of investment in consolidated subsidiaries are included in other assets or other long-term liabilities and are principally amortized over a period of five years.

Translation of foreign currency accounts

Monetary assets and liabilities denominated in foreign currencies of the Company and its domestic subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the exchange rates prevailing during the year. The resulting translation gains (or losses) are included in other income (or expenses).

The translation of foreign currency financial statements of foreign consolidated subsidiaries into Japanese yen has been made for consolidation purposes in accordance with the translation method prescribed in the accounting standard for foreign currency transactions. The balance sheet accounts of the foreign consolidated subsidiaries are translated at the exchange rates in effect at the balance sheet date, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are presented as "foreign currency translation adjustments," which is shown as a separate component of valuation and translation adjustments in the consolidated balance sheets.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturities that they present insignificant risk of changes in value because of changes in interest rates.

Inventories

Inventories are stated at cost which is determined substantially by the average method for 2009 and 2008 and written-down to reflect the decline of profitability for 2009.

Marketable securities and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and ii) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of valuation and translation adjustments.

Non-marketable securities are stated at cost determined by the average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost. Major renewals and additions are capitalized, while minor renewals, maintenance and repairs are charged to income when incurred. Interest expenses on capital expenditures during the construction stage are not capitalized.

Depreciation of property, plant and equipment is principally computed by the declining-balance method at rates based on estimated useful lives. However, depreciation of buildings acquired on or after April 1, 1998 is computed by the straight-line method.

The estimated useful lives for depreciation purposes range as follows:

Buildings	3 to 50 years
Machinery and equipment	2 to 13 years

Assets with an acquisition cost of ¥100,000 (\$1,020) or more per unit and less than ¥200,000 (\$2,041) per unit, acquired on or after April 1, 1998, are depreciated over three years on a straight-line basis, whereby one-third of such acquisition cost may be taken as depreciation expense each year.

Leased assets

Finance leases which do not transfer ownership were accounted for as operating leases for 2008 but are capitalized for 2009. Depreciation for leased assets for 2009 is computed on a straight-line basis over the lease period with a residual value of zero.

Intangible assets

Intangible assets included in other assets are carried at cost less accumulated amortization calculated by the straight-line method over their estimated useful lives. Software development costs for internal use included in intangible assets are amortized by the straight-line method over five years.

Impairment of fixed assets

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

Liability for retirement benefits

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

Research and development expenses

Research and development expenses are charged to income as incurred.

Income taxes

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

Income taxes on undistributed earnings have been provided for foreign subsidiaries, but not for domestic companies, as such earnings, if distributed in the form of dividends, are not taxable under the current Japanese tax laws.

Derivatives and hedging activities

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

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

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

Net assets and income per common share

Net assets per common share were computed based on the number of shares outstanding after deducting treasury stock at March 31, 2009 and 2008, respectively.

Primary amounts of net income per share were computed on the average number of shares of common stock outstanding after deducting treasury stocks during each year. Fully diluted net income per share is not disclosed because the Company has not issued any dilutive securities.

Change in accounting policies

Accounting standard for inventories

"Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (the "ASBJ") Statement No.9 issued on July 5, 2006) was adopted effective this fiscal year. Under this accounting standard, inventories held for sale in the ordinary course of business of the Company and its domestic subsidiaries are measured at cost using substantially by the average method being written-down to reflect the decline of profitability. The effect of this change for the year ended March 31, 2009 was not material.

Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No.18, issued on May 17, 2006) was adopted effective this fiscal year, and the necessary adjustments to the consolidated financial statements have been made. The effect of this change for the year ended March 31, 2009 was not material.

Accounting standard for lease transactions

Finance lease transactions without ownership transfer were formerly accounted for as operating lease. The Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No.13: originally issued on June 17, 1993, and revised on March 30, 2007) and "Guidance on Accounting Standards for Lease Transactions" (ASBJ Guidance No.16: originally issued on January 18, 1994, and revised on March 30, 2007) effective this fiscal year. Under these accounting standards, all finance lease transactions are capitalized. The effect of this change for the year ended March 31, 2009 was not material.

3. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen in accordance with accounting principles and practices generally accepted in Japan. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥98=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2009. Such translations should not be construed as representations that the Japanese yen at that or any other rate could be converted into U.S. dollars.

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2009 and 2008 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Cash and deposits (excluding time deposits with a maturity over three months)	¥ 117,200	¥ 130,695	\$ 1,195,918

5. Marketable Securities and Investment Securities

The acquisition cost and aggregate fair value of marketable and investment securities classified as available-for-sale securities as of March 31, 2009 and 2008 were as follows:

March 31, 2009	Millions of yen			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 78,367	¥ 9,816	¥ 13,272	¥ 74,911
Others	14,011	–	182	13,829
Total	¥ 92,378	¥ 9,816	¥ 13,454	¥ 88,740

March 31, 2009	Thousands of U.S. dollars (Note 3)			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	\$ 799,664	\$ 100,163	\$ 135,429	\$ 764,398
Others	142,969	–	1,857	141,112
Total	\$ 942,633	\$ 100,163	\$ 137,286	\$ 905,510

March 31, 2008	Millions of yen			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 84,603	¥ 25,600	¥ 7,450	¥ 102,753
Others	24,024	5	137	23,892
Total	¥ 108,627	¥ 25,605	¥ 7,587	¥ 126,645

The proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥1,185 million (\$12,092 thousand) and ¥12,283 million, respectively. The gross realized gains on these sales for the years ended March 31, 2009 and 2008 were ¥374 million (\$3,816 thousand) and ¥8,737 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2009 and 2008 were ¥1 million (\$10 thousand) and ¥200 million, respectively.

The following summarized carrying amounts of securities with no fair value as of March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Held-to-maturity debt securities			
Corporate bonds	¥ –	¥ 14	\$ –
Available-for-sale securities			
Non-listed equity securities	¥ 18,965	¥ 18,797	\$ 193,520
Corporate bonds	–	180	–
Others	278	1,191	2,837

The redemption schedules for securities with maturities classified as held-to-maturity debt securities and other securities at March 31, 2009 and 2008 were as follows:

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
March 31, 2009			
Corporate bonds	¥ –	¥ 150	¥ 30
Other bonds	–	–	9,000
	¥ –	¥ 150	¥ 9,030

	Thousands of U.S. dollars (Note 3)		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
March 31, 2009			
Corporate bonds	\$ –	\$ 1,531	\$ 306
Other bonds	–	–	91,837
	\$ –	\$ 1,531	\$ 92,143

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
March 31, 2008			
Government bonds	¥ 10,013	¥ –	¥ –
Corporate bonds	–	164	30
Other bonds	–	–	9,000
	¥ 10,013	¥ 164	¥ 9,030

6. Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Finished products	¥ 73,373	¥ 40,499	\$ 748,704
Work in process	29,708	36,669	303,143
Raw materials	17,566	19,225	179,245
	¥ 120,647	¥ 96,393	\$ 1,231,092

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

Short-term bank loans at March 31, 2009 and 2008 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 1.27% per annum for 2009 and 1.97% per annum for 2008.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	(Note 3)
Unsecured debentures			
1.67% due 2014	¥ 50,000	¥ 50,000	\$ 510,204
1.04% due 2012	1,000	–	10,204
0.96% due 2010	100	100	1,021
0.50% due 2009	–	100	–
Mortgage loans, maturing 2009-2024	3,117	3,176	31,806
Unsecured loans, maturing 2009-2014	10,273	4,860	104,826
	64,490	58,236	658,061
Current portion of long-term debt	(2,999)	(3,286)	(30,602)
	¥ 61,491	¥ 54,950	\$ 627,459

Mortgage loans were secured by property, plant and equipment and other assets amounting to ¥7,350 million (\$75,000 thousand) and ¥6,912 million at March 31, 2009 and 2008, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 2.72% to 3.02% per annum for 2009 and ranged from 2.87% to 5.67% per annum for 2008, while interest rates on unsecured loans ranged from 0.77% to 2.07% per annum for 2009 and from 0.44% to 1.90% per annum for 2008.

The aggregate annual maturities of long-term debt after March 31, 2009 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
		(Note 3)
2010	¥ 2,999	\$ 30,602
2011	3,066	31,286
2012	6,491	66,235
2013	776	7,918
2014	50,378	514,061
2015 and thereafter	780	7,959
	¥ 64,490	\$ 658,061

Finance lease obligations at March 31, 2009 which are included in other long-term liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2009	(Note 3)
Finance lease obligations	¥ 8,686	\$ 88,633	
Current portion of lease obligations	(2,282)	(23,286)	
	¥ 6,404	\$ 65,347	

The aggregate annual maturities of finance lease obligations after March 31, 2009 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
		(Note 3)
2010	¥ 2,282	\$ 23,286
2011	2,990	30,510
2012	1,491	15,214
2013	791	8,072
2014	459	4,684
2015 and thereafter	673	6,867
	¥ 8,686	\$ 88,633

8. Retirement Benefits

The Company and its domestic subsidiaries have several defined benefit retirement plans covering all of their employees, i.e. corporate pension plan, tax-qualified non-contributory pension plan, a governmental welfare contributory pension plan, lump-sum retirement plan and defined contribution pension plan. Upon retirement or termination of employment for reasons other than the cause of dismissal, employees are entitled to lump-sum payments based on the current rate of pay, length of services and accumulated number of points determined based on the employment services.

Under the Defined Benefit Pension Plan Law, the Company established new defined benefit pension plans on March 1, 2005, under which ninety percent of the retirement benefit liability of the Company is covered by the employees' pension fund.

In December 2008, one of the domestic consolidated subsidiaries made a change in the retirement benefit plan for employees from a tax-qualified non-contributory pension plan to a defined contribution pension plan. The Company accounted for this change in accordance with the ASBJ Guidance No.1, Accounting for Transfer between Retirement Benefit Plans. The effect of this change was to increase loss before income taxes and minority interests for the year ended March 31, 2009 by ¥144 million (\$1,469 thousand).

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Projected benefit obligation	¥ 171,672	¥ 158,731	\$ 1,751,755
Fair value of plan assets	(94,009)	(106,268)	(959,275)
Unrecognized actuarial gain/loss	(36,694)	(10,280)	(374,429)
Unrecognized prior service cost	(4,523)	(6,866)	(46,153)
Prepaid pension cost	5,006	5,032	51,082
Net liability	¥ 41,452	¥ 40,349	\$ 422,980

The components of net periodic benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Service cost	¥ 9,613	¥ 9,440	\$ 98,092
Interest cost	3,897	3,753	39,765
Expected return on plan assets	(2,498)	(2,274)	(25,490)
Actuarial gain/loss	1,931	(977)	19,704
Amortization of prior service cost	2,322	2,294	23,694
Gain on contribution of investment securities to pension trust	–	(7,311)	–
Gain/loss on revision of retirement benefit plan	144	(2,787)	1,470
Other	89	–	908
Net periodic benefit costs	¥ 15,498	¥ 2,138	\$ 158,143

Assumptions used for the years ended March 31, 2009 and 2008 were set forth as follows:

	2009	2008
Attribution method of estimated benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Recognition period of actuarial gain/loss	9 years	9 years
Amortization period of prior service cost	6 years	6 years

9. Net Assets

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

(a) Dividends

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

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

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

Cash dividends of ¥14.00 (\$0.1) per share, aggregating ¥9,028 million (\$92,122 thousand) were approved at the general stockholders' meeting held in June 2009 with respect to the year ended March 31, 2009.

(b) Increases /decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of net assets.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights. At present, the Company has not issued such stock acquisition rights.

Upon approval by the resolution of the Board of Directors, the Company purchased 17,231 thousand shares of common stocks at aggregate cost of ¥27,425 million (\$279,847 thousand) and 32,771 thousand shares at ¥58,454 million during the years ended March 31, 2009 and 2008, respectively. Furthermore the Company retired 30,000 thousand shares at ¥52,647 million during the year ended March 31 2008.

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2009 and 2008 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Trade receivables	¥ 5,082	¥ 9,568	\$ 51,857
Other current assets	236	503	2,408
Investment securities (stock)	5,474	14,331	55,857
Long-term loans	5,647	5,501	57,622
Other investments	275	226	2,806
Trade payables	433	298	4,418
Accrued expenses	195	396	1,990
Other current liabilities	604	620	6,163

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Transportation expenses	¥ 19,023	¥ 21,704	\$ 194,112
Salaries and allowances	59,578	53,129	607,939
Accrued bonuses	5,516	6,494	56,286
Provision for retirement benefits	4,010	2,614	40,918
Provision for doubtful receivables	1,068	—	10,898
Depreciation	10,159	10,066	103,663
Research and development expenses	31,097	32,840	317,316
Other	83,694	74,230	854,021
	¥ 214,145	¥ 201,077	\$ 2,185,153

Total research and development expenses (including manufacturing costs) amounted to ¥34,112 million (\$348,082 thousand) and ¥35,556 million for 2009 and 2008, respectively.

12. Other Income

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Interest and dividend income	¥ 112	¥ 67	\$ 1,143
Leasing fees	178	253	1,816

13. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2009 and 2008, respectively.

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

The following is a reconciliation of the difference between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2008, although no reconciliation for 2009 was shown because of loss before income taxes and minority interests.

	2008
Normal effective statutory tax rate	40.7%
Expenses not deductible for income tax purposes	1.3
Change in valuation allowance	6.7
Amortization of consolidation goodwill	1.2
Undistributed earnings of foreign subsidiaries	0.5
Special tax credit	(3.3)
Other	0.3
Actual effective tax rate	47.4%

Net deferred tax assets at March 31, 2009 and 2008, resulting from temporary differences between the carrying amounts and the tax bases of assets and liabilities, were reflected on the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Prepaid expenses and other current assets	¥ 10,279	¥ 12,993	\$ 104,888
Other assets	50,015	18,601	510,357
Other current liabilities	¥ (11)	¥ (19)	\$ (112)
Other long-term liabilities	(3,352)	(2,799)	(34,204)
Net deferred tax assets	¥ 56,931	¥ 28,776	\$ 580,929

Significant components of deferred tax assets at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Deferred tax assets:			
Excess provision for retirement benefits	¥ 19,356	¥ 17,151	\$ 197,510
Loss on devaluation of investment securities	4,873	14,917	49,724
Excess provision for doubtful receivables	5,691	5,620	58,071
Accrued bonuses	6,431	7,272	65,622
Loss on write-down of inventories	1,045	594	10,663
Operating loss carryforwards	31,267	8,904	319,051
Impairment loss on fixed assets	24,342	3,394	248,388
Unrealized loss on available-for-sale securities	1,505	-	15,357
Other	10,983	11,079	112,073
Total deferred tax assets	105,493	68,931	1,076,459
Less: valuation allowance	(43,307)	(21,808)	(441,908)
Total	¥ 62,186	¥ 47,123	\$ 634,551
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ -	¥ (7,318)	\$ -
Undistributed earnings of subsidiaries	(1,190)	(9,520)	(12,143)
Other	(4,065)	(1,509)	(41,479)
Total	¥ (5,255)	¥ (18,347)	\$ (53,622)
Net deferred tax assets:	¥ 56,931	¥ 28,776	\$ 580,929

14. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the years ended March 31, 2009 and 2008. Fixed assets were, in principle, grouped at the business unit for impairment testing purposes. Idle assets were grouped in each asset. Loss on impairment of fixed assets for the year ended March 31, 2009 was recognized in the amount of ¥50,690 million (\$517,245 thousand) due to a significant decline in profitability. The recoverable amount of the business assets was measured at their value in use which was calculated by discounting future cash flow. The discount rate was mainly 10%. The recoverable amount of the idle assets was measured at the net selling value which was mainly calculated based on the real estate appraisal value. The losses on impairment of fixed assets for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Land	¥ 4	¥ 46	\$ 41
Machinery and equipment	25,243	1,554	257,582
Buildings	11,992	653	122,367
Construction in progress	10,969	–	111,929
Goodwill and others	2,482	1,047	25,326
Total	¥ 50,690	¥ 3,300	\$ 517,245

15. Leases

Finance leases

Effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions." Under this standard, finance lease transactions without ownership-transfer whose inception date is on or before March 31, 2008 are still allowed to be accounted for as operating leases. Pro forma information such as acquisition cost, accumulated depreciation and net book value of the leased properties for such finance lease transactions was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Acquisition cost	¥ 46,882	¥ 46,882	\$ 478,388
Accumulated depreciation	(28,233)	(23,226)	(288,092)
Accumulated impairment losses	(1,305)	–	(13,316)
Net book value	¥ 17,344	¥ 23,656	\$ 176,980

Lease expenses on finance lease contracts without ownership-transfer amounted to ¥11,724 million (\$119,633 thousand) and ¥11,415 million for the years ended March 31, 2009 and 2008, respectively, and lease impairment losses for the year ended March 31, 2009 was ¥1,102 million (\$11,245 thousand).

The amounts of outstanding future payments under such finance leases due on March 31, 2009 and 2008, including the portion of interest thereon, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Future lease payments:			
One year or less	¥ 10,578	¥ 9,758	\$ 107,939
More than one year	8,111	13,898	82,765
	¥ 18,689	¥ 23,656	\$ 190,704

Operating leases

The amounts of outstanding future payments under non-cancelable operating leases due on March 31, 2009 and 2008 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Future lease payments:			
One year or less	¥ 2,656	¥ 706	\$ 27,102
More than one year	16,899	2,539	172,439
	¥ 19,555	¥ 3,245	\$ 199,541

16. Derivative Financial Instruments

Nature of derivative financial instruments:

The Company and certain consolidated subsidiaries enter into derivative financial instruments ("derivatives") for foreign currency forward contracts, interest rate options and interest rate swaps to manage the risk arising from fluctuation in foreign currency exchange rates and interest rates. Foreign currency forward contracts are utilized to hedge foreign exchange risks associated with certain accounts receivable and accounts payable, including forecasted transactions, denominated in foreign currencies. Interest rate options and interest rate swaps are utilized to hedge interest rate risks on interest-bearing debts. The Company and its subsidiaries do not hold derivatives for speculative purposes.

Derivatives are subject to market risks and credit risks. Because the counterparties to those derivatives are limited to major international financial institutions, the Company and its subsidiaries do not anticipate any losses arising from credit risks. The basic policies for the use of derivatives are established in the Company's internal regulations and the execution and control of derivatives are controlled by the Accounting Department.

Fair value of derivative financial instruments:

The contracted amount and fair value of derivatives for foreign currency forward contracts and interest rate swaps at March 31, 2009 and 2008 were as follows:

	Millions of yen		
	Contracted amount	Fair value	Unrealized loss
March 31, 2009			
Foreign currency forward contracts			
Receivables:			
U.S.dollars	¥ 5,250	¥ 5,494	¥ 244
Euro	1,698	1,780	82
	¥ 6,948	¥ 7,274	¥ 326
Interest rate swaps			
Receive floating and pay fixed	¥ 13,800	¥ (76)	¥ 76

	Thousands of U.S. dollars (Note 3)		
	Contracted amount	Fair value	Unrealized loss
March 31, 2009			
Foreign currency forward contracts			
Receivables:			
U.S.dollars	\$ 53,571	\$ 56,061	\$ 2,490
Euro	17,327	18,164	837
	\$ 70,898	\$ 74,225	\$ 3,327
Interest rate swaps			
Receive floating and pay fixed	\$ 140,816	\$ (776)	\$ 776

March 31, 2008	Millions of yen			
	Contracted amount	Fair value	Unrealized gain	
Foreign currency forward contracts				
Receivables:				
U.S.dollars	¥ 4,927	¥ 4,679	¥	248
Euro	367	367		0
	¥ 5,294	¥ 5,046	¥	248

Fair value of derivatives were, in principle, determined based on the market rates. Foreign currency forward contracts which qualified for hedge accounting for the years ended March 31, 2009 and 2008 and were assigned to the associated assets and liabilities or deferred until completion of the forecasted transactions were excluded from disclosure of the above fair value information.

17. Contingent Liabilities

The Company and its consolidated subsidiaries were guarantor of bank loans of other companies, amounting to approximately ¥93 million (\$949 thousand) and ¥91 million at March 31, 2009 and 2008, respectively. It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of trade accounts receivable and to subsequently discount such notes at banks. At March 31, 2009 and 2008, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥670 million (\$6,837 thousand) and ¥820 million, respectively. Notes discounted were accounted for as sales. One of the consolidated domestic subsidiaries securitized deposits for its leased property and sold them to third parties for ¥370 million (\$3,776 thousand) at March 31, 2009.

18. Business Segment Information

Industry segments:

The Company and its consolidated subsidiaries' primary business industries principally consist of Printing and Beverages operations. The Printing business includes three segments: Information Communication, Lifestyle and Industrial Supplies, and Electronics.

The following tables present certain financial information, including net sales, costs and expenses, operating income, assets, depreciation, impairment loss and capital expenditures regarding the Company's industry segments at March 31, 2009 and 2008 and for the years then ended.

For 2009:	Millions of yen							Elimination and/or corporate	Consolidated
	Information Communication	Printing Lifestyle and Industrial Supplies	Electronics	Beverages	Total				
Net sales:									
Outside customers	¥ 711,276	¥ 545,916	¥ 255,967	¥ 71,685	¥ 1,584,844	¥	–	¥ 1,584,844	
Inter-segment	7,150	5,906	8	46	13,110		(13,110)	–	
Total	718,426	551,822	255,975	71,731	1,597,954		(13,110)	1,584,844	
Costs and expenses	686,736	531,905	253,398	71,408	1,543,447		(4,780)	1,538,667	
Operating income	¥ 31,690	¥ 19,917	¥ 2,577	¥ 323	¥ 54,507	¥	(8,330)	¥ 46,177	
Assets, depreciation, impairment loss and capital expenditures:									
Assets	¥ 619,080	¥ 513,092	¥ 329,042	¥ 43,394	¥ 1,504,608	¥	31,949	¥ 1,536,557	
Depreciation	25,204	29,513	46,039	3,507	104,263		2,620	106,883	
Impairment loss	1,799	48	48,692	151	50,690		–	50,690	
Capital expenditures	27,988	29,718	34,271	2,835	94,812		1,344	96,156	

Thousands of U.S. dollars (Note 3)

	Printing				Total	Elimination and/or corporate	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages			
For 2009:							
Net sales:							
Outside customers	\$ 7,257,918	\$ 5,570,572	\$ 2,611,908	\$ 731,480	\$ 16,171,878	\$ –	\$ 16,171,878
Inter-segment	72,959	60,265	82	470	133,776	(133,776)	–
Total	7,330,877	5,630,837	2,611,990	731,950	16,305,654	(133,776)	16,171,878
Costs and expenses	7,007,510	5,427,602	2,585,694	728,654	15,749,460	(48,776)	15,700,684
Operating income	\$ 323,367	\$ 203,235	\$ 26,296	\$ 3,296	\$ 556,194	\$ (85,000)	\$ 471,194
Assets, depreciation, impairment loss and capital expenditures:							
Assets	\$ 6,317,143	\$ 5,235,633	\$ 3,357,571	\$ 442,796	\$ 15,353,143	\$ 326,010	\$ 15,679,153
Depreciation	257,183	301,153	469,786	35,786	1,063,908	26,735	1,090,643
Impairment loss	18,357	490	496,857	1,541	517,245	–	517,245
Capital expenditures	285,592	303,245	349,704	28,928	967,469	13,715	981,184

Millions of yen

	Printing				Total	Elimination and/or corporate	Consolidated
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages			
For 2008:							
Net sales:							
Outside customers	¥ 672,772	¥ 547,567	¥ 322,264	¥ 73,450	¥ 1,616,053	¥ –	¥ 1,616,053
Inter-segment	7,125	8,225	48	45	15,443	(15,443)	–
Total	679,897	555,792	322,312	73,495	1,631,496	(15,443)	1,616,053
Costs and expenses	636,821	523,929	302,494	72,169	1,535,413	(6,464)	1,528,949
Operating income	¥ 43,076	¥ 31,863	¥ 19,818	¥ 1,326	¥ 96,083	¥ (8,979)	¥ 87,104
Assets, depreciation, impairment loss and capital expenditures:							
Assets	¥ 557,532	¥ 532,230	¥ 427,402	¥ 44,335	¥ 1,561,499	¥ 39,694	¥ 1,601,193
Depreciation	23,279	28,588	51,717	3,665	107,249	2,653	109,902
Impairment loss	53	1,051	2,153	43	3,300	–	3,300
Capital expenditures	26,539	31,819	45,984	3,692	108,034	8,105	116,139

Information by geographic area:

Disclosure of information by geographic area was not required as domestic sales and assets exceeded 90% of consolidated sales and assets, respectively, before elimination, for all segments for the years ended March 31, 2009 and 2008.

Overseas sales:

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars
	2009		2008		(Note 3)
	Amount	Ratio:(a)/(b)	Amount	Ratio:(a)/(b)	2009
Overseas sales (a)					
Asia	¥ 134,108	8.5%	¥ 195,093	12.1%	\$ 1,368,449
Other	76,303	4.8%	84,445	5.2%	778,602
Total	¥ 210,411	13.3%	¥ 279,538	17.3%	\$ 2,147,051
Consolidated net sales (b)	¥ 1,584,844		¥ 1,616,053		\$ 16,171,878

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets (expressed in Japanese yen) of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

We have also audited the management's report on internal control over financial reporting of Dai Nippon Printing Co., Ltd. as of March 31, 2009. The Company's management is responsible for designing and operating effective internal control over financial reporting and for preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on the management's report on internal control over financial reporting based on our audit. There is a possibility that material weakness may not be completely prevented or detected by internal control over financial reporting.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the management's report on internal control over financial reporting is free of material misstatement. An internal control audit includes examining, on a test basis, representation on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the management report on internal control referred to above, which represents the internal control over financial reporting of Dai Nippon Printing Co., Ltd. as of March 31, 2009 is effectively maintained presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Meiji Audit Corporation
MEIJI AUDIT CORPORATION

Tokyo, Japan
June 26, 2009

Printing Process and its Basic Technologies

Printing can be defined as a generic term for techniques of transferring ink from an image on a form plate to another object in order to reproduce the original image. It entails five main processes 1) planning, 2) film making, 3) plate making, 4) printing and 5) binding/post-processing. Through these five main processes, we have cultivated a truly wide range of skills and expertise.

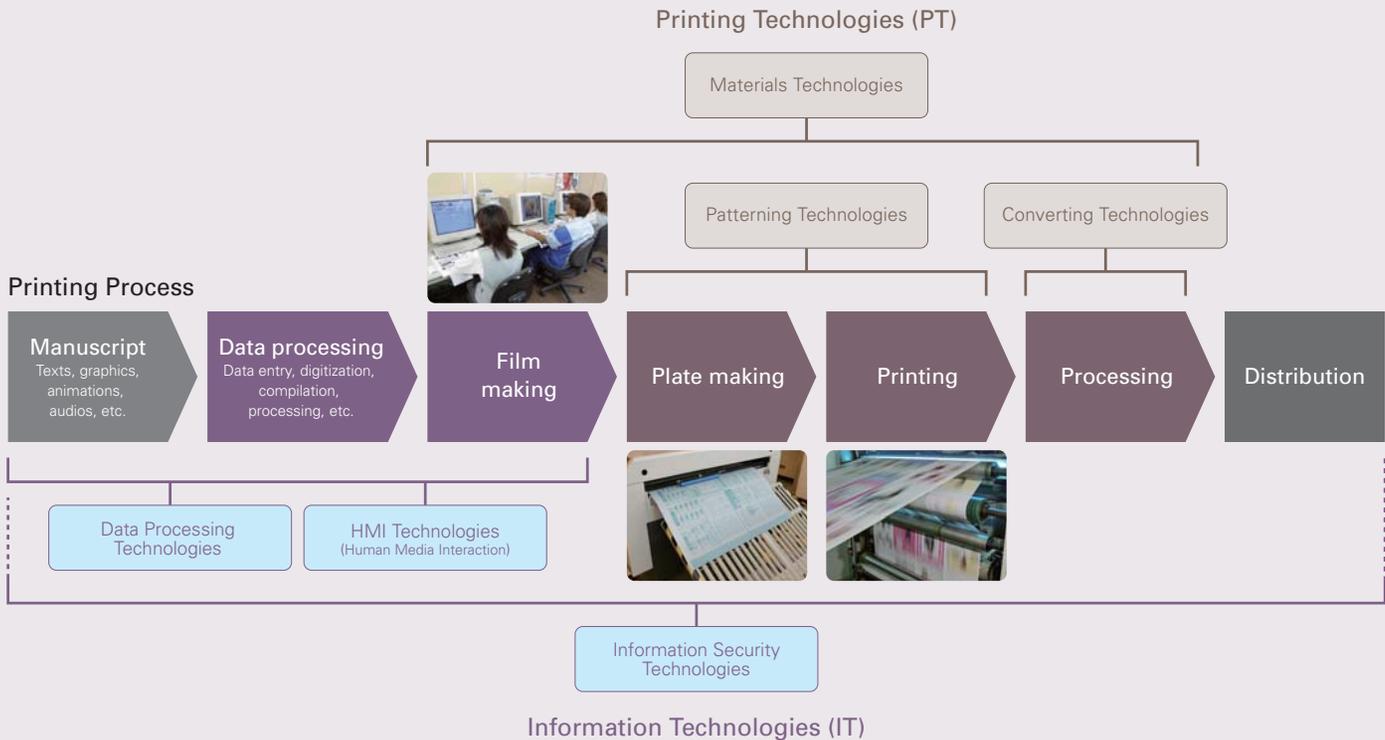
First, planning: this requires an amalgamation of knowledge and skills related to various fields, including marketing, media selection, planning and the collection, editing and processing of information. The preparation of form plates, including film making and plate making, requires skills like sophisticated digital image processing, color management, optics and micro-

processing. The actual printing process entails skills and knowledge related to paper, film or other material to be printed, ink and a wide range of other materials, application techniques for fixing ink, and the mechanical skills required for the smooth operation of printing presses. Binding and post-processing involves skills needed to finish a variety of printed products, including bound-in sleeves, CD-ROM and DVD bindings, packaging material productions, and the formation of cups and PET plastic bottles.

As the reader can see, printing is a complex process with both soft and hard aspects. It requires the integration of content, all types of media, materials and control of mechanical systems.

Technologies that Support Expansion Printing

Application and development of PT and IT, technologies based on printing processes – these are the strengths that allowed us to expand DNP's business.



■ PT = Printing Technologies

- Materials technologies: technologies for synthesizing new materials, and for dispersing or mixing materials. Used with inks, adhesives, etc.
- Patterning technologies: formation of letters or images etc. on a base material. Includes making printing plates, lithography, and inkjet technologies.
- Converting technologies: processing technologies that change a material's shape or compound materials etc. Includes technologies for bookbinding, film formation, coating, copying, etc.

■ IT = Information Technologies

- Data processing technologies: technologies for the input, output, conversion, synthesis, accumulation or transmission of data. Includes editing of text or images, database creation, and networking technologies.
- Human Media Interaction (HMI) technologies: technologies related to interaction between humans and information. Includes font design, color matching, and natural language processing technologies.
- Information security technologies: technologies for assuring that information is accurately transmitted to the correct target and properly stored without allowing improper usage. Includes encrypting technologies, personal information processing and management technologies, and biometric technologies, etc.

Information Processing Technologies

Treating Text and Images as Information and Processing Them Flexibly to Suit Various Media

Before we begin to actually print something, there are preparatory steps in which we process the text, photos, illustrations or other material. As part of this prepress process, we consider the printing method, size, materials and methods of expression that will convey the material clearly, legibly and most effectively. We then process the material according to the most effective mode of expression. Our job includes organizing and storing the processed information so that it can be revised and re-used in the future, as is often done with dictionaries, contact lists and product catalogues.

DNP's information processing skills are not limited to the domain of paper printing, but have evolved to include all kinds of media. The range of fields that we deal with expanded particularly suddenly in the 1970s, with the digitalization of printing processes.

Information processing technologies include image processing techniques, such as those aimed at optimizing the colors, outline, contrast or coloration used in an image, data conversion techniques (e.g. converting the language, format, or size of a data file to fit paper, CD-ROM and DVD, the Internet, digital broadcasting or other media), and databasing techniques for organizing, storing, and managing information.

We expanded into such businesses as information processing services (integrated data input, printing and shipping) that support products like personalized mail; digital archiving, which entails creating digital versions of cultural assets like paintings and other art works and organizing them into databases that can be searched and used in other novel ways; and operation of data centers that offer a high-security environment, including the infrastructure to maintain security.

Most recently, in light of the new demand for personal data protection, anti-counterfeit and product traceability, DNP's information processing technology has become more advanced than ever. The information that our customers ask us to print is valuable material. Thanks to a corporate climate that allows us to take good care of that information, and thanks to our track record for taking good care of highly confidential printed matter such as bankbooks, bank cards and stock certificates, we have earned a high degree of trust from our customers. By combining hardware in the form of smart cards and IC tags with software applications, we are expanding into areas of information processing that other industries have not entered.

Examples of Information Processing Technology Applications

DNP has used its digital information processing expertise to address a variety of electronic media, including CD-ROM and DVD, the Internet and broadcasting. We have expanded our business to prepare for a full-fledged ubiquitous society — in which necessary information is accessible anywhere, anytime — and to meet the demand for personal data protection.

Application Example 1

Development of User-Oriented Media

With the rapid progress of computerization, information interfaces between consumers and corporations are becoming more and more diverse. In order to transmit information more effectively, it is important to understand how a target group of consumers uses information, and to develop media that is most suited to their information usage style.

DNP set about computerizing its typesetting operations in the 1970s. This included digitizing the original font, Shueitai, that we developed in the early 1900s. In 1985, we produced the world's first electronic dictionary on CD-ROM, after which we were quick to begin Internet (via PCs and cell phones) and digital broadcasting. In 2005, we made our Shueitai font compatible with JIS standards 3 and 4, and adapted it for use in word processing software. In 2006, we developed a version of Shueitai that is easier to read on digital displays.

DNP has refined its information processing technologies in order to make information easy to read and easy to communicate. Going forward, we intend to continue expanding our business along with developments in information media.



The Shueitai character in the center combines the best characteristics of both Gothic and Mincho fonts and is processed/ designed for easy reading on electronic displays

Application Example 2

Responding to the Need for Advanced Information Security

Demand for information security is rapidly increasing, due partly to the passage of Japan's Personal Information Protection Act and Law Concerning Electronic Signatures and Certification Services, as well as measures aimed at preventing corporate data leakage. There is especially strong demand for the reinforcement of systems that protect and manage important information.

Since its founding, DNP has carefully guarded the information that it received from corporate clients. Through this careful handling, we honed our information security technologies. We developed technologies for organizing information into databases, for efficiently reusing information, and for building more secure network systems and products with improved anti-counterfeiting functions.

Recently, we have been building systems with such functions as a smart card-controlled computer boot-up, data encoding, restricted device access requiring personal authentication, and room entry/exit control. DNP also serves as the secretariat for Shared Security Formats Cooperation (SSFC), a corporate alliance aimed at creating standards for office security. These are some of the ways in which DNP is responding increasingly broadly to today's demand for sophisticated information security.



Technologies and Their Applications

Patterning Technologies

Exposure, Development and Etching: the Principles are the Same whether the Product is Text or Semiconductors

Patterning is the art of making images on form plates to be used in the film making process that is part of the overall printing process. The image to be created on the form plate may consist of text, pictures or illustrations.

Before the advent of full digitalization, the process of film making involved photographing camera-ready masters or original photos and exposing the images onto film to make positive film or negative film. Color photographs were separated into four colors: with tiny dots of yellow, magenta, cyan and black fixed onto four sheets of film.

An image that is microscopically etched onto the film using patterning technology is then burned onto a printing plate, consisting of a plate made of resin or metal, etc. Specifically, the image on the form plate was exposed onto a plate (usually made of resin or metal) that was coated with a photosensitizing agent. This is called photolithography. After exposing only the necessary parts of the resin or metal, a corrosive agent like acid was used to engrave the image. This was then washed off to make a gravure plate. This process is called etching.

As we refined this technology to the point that we now possess the most precise printing technology in the world, DNP developed its own production

equipment and systems. Today, each dot in high-quality printing is just over one hundredth of a millimeter in diameter.

DNP took the ultra-fine patterning, photolithography and etching skills that we accumulated in our printing work and began applying these micro-processing technologies to the manufacture of electronic components. The first electronics-related product that we addressed was shadowmasks. Shadowmasks guide electron beams to a luminant; they are essential for giving color to TV images. A shadowmask is a thin steel plate, only 0.2 mm thick, containing millions of ultra-microscopic holes. It is said to be impossible to achieve the necessary precision by punching, but it is possible to quickly mass-produce shadowmasks using advanced printing technology.

DNP has already refined its patterning technologies to accommodate the realm of nanotechnology necessary for manufacturing photomasks, which serve as original plates in the manufacture of semiconductors. We have built a record of success in the techniques that are indispensable to the pursuit of ultra-miniaturization, and the industry looks to us to build on this record in the future.

Examples of Applications for Patterning Technologies

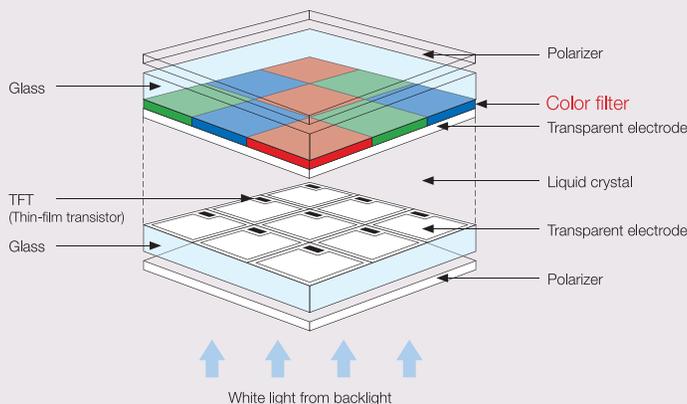
DNP has continued to hold the world's largest share of the shadowmask market, and has gone on to claim winning positions in other global markets such as photomasks, which serve as original plates for making semiconductor circuits, and color filters used in LCDs (liquid crystal displays).

Application Example 1

Display Components / Color Filters for LCDs

An LCD color filter consists of the three primary colors in light — red, green and blue — arranged in an orderly array on a glass substrate. Light from a backlight passes through the liquid crystals, and when it passes through the color filter, it creates a variety of colors. Color filter quality is determined by the formation of millions of pixels precisely in predetermined locations. This requires extremely sophisticated patterning technology.

In 2006, we developed a multi-primary color filter with yellow and cyan (bright blue) added to the three primary light colors, thereby enhancing the quality of color reproduction.

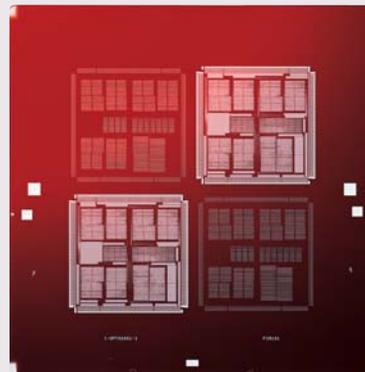


Application Example 2

Electronic Devices / Photomasks

Photomasks consist of highly precise circuit patterns, of a submicron or nanometer order, formed on a glass substrate. They are essential to the manufacture of LSIs and ICs because they are the original plates used for printing circuits onto the surface of silicon wafers. In recent years, as semiconductors have become increasingly highly integrated and larger in capacity, the line width required for high-end products has become smaller and smaller. Already, mass production is underway for products with 65 nm lines, and developers are working on ultra-advanced products with a line width of 45 to 32 nm.

Ever since DNP began producing photomasks, we have always worked at the leading edge of micro-processing technology and have remained at the forefront of technological development.



Coatings / Transferring Technologies

Technologies for Applying Functional Coatings and Transferring Images

Coating technologies are used to apply and fix ink from the image on a form plate to a material like paper or film. In other words, coating means transferring ink to the object that is to be printed. This is the process of printing in a narrow sense. It goes without saying that DNP has developed basic technologies for improving image reproduction and accuracy by adjusting the amount of ink and printing pressure. We have also found ways to improve functions like coloration and durability by coating the paper surface with varnish or pigments, and have gone on to develop transfer technologies that support embossing, decorative printing and other types of texturing, as well as foil printing and other techniques that enhance the aesthetic effect of the end product.

With these types of technologies as a basis, we have expanded our business field to include printing on film used for packaging, magnetic tape used in bankbooks and cash cards, and various lifestyle materials such as floor and wall coverings, wood-grain printing and automotive interiors. By giving these products a wide range of functions such as friction or abrasion resistance, lubrication, electrical conductivity control, static or heat resistance,

and heat shielding or photocatalytic properties, we increased their market value. With the expansion of the market for displays in recent years, there has been a big jump in demand for functional films that reduce glare or reflection, and electromagnetic interference shielding film for use in plasma display panels (PDPs). These developments have also created new business fields that present opportunities for DNP.

Rather than printing directly onto the target material, there are other important transferring technologies whereby ink is first applied to film or some other material and then transferred to the material to be printed by using heat or other means. Beginning with ink ribbons for fax machines, thermal transfer materials were later used in the instant photo-sticker booths that became wildly popular among young Japanese from the early 1990s. Demand for these materials soared, as did demand for thermal transfer fax receiving paper. The market for these materials is still growing, with the focus now on ink ribbons for digital photo printers.

Examples of Post-Processing Technology Applications

Having cultivated coating technologies over the years, DNP began to apply them to the production of sophisticated, commercial-use printed products like magnetic tape coatings for cash cards and functional optical films, and to a wide range of products including film packaging used in everyday life, and lifestyle materials like floor and wall coverings. We hold a large share of all of these markets.

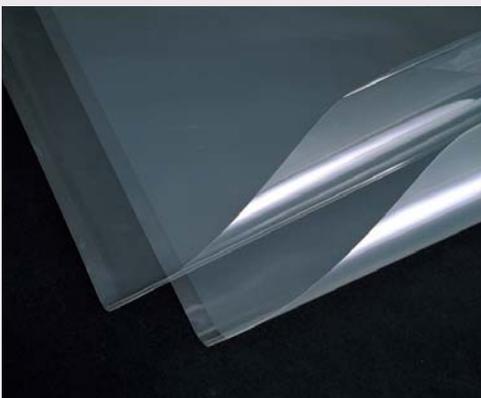
We also make use of our transferring technologies in the ink ribbons used in instant photo-sticker booths and digital photo printers, as well as in our unique "Curlfit" technology, which uses water pressure to transfer patterns for printing on curved surfaces such as automotive interiors or molded plastic products.

Application Example 1

High-function Optical Film

The surface of the polarizing plate at the very front of an LCD is covered with a special, functional film, called anti-reflection film. This film makes it easier to see the images on the screen by protecting the surface from scratches and by limiting the reflection of incident light such as fluorescent lights. A special anti-glare film and electromagnetic film are also used for PDPs.

By making the most of the coating technologies that are among our core printing technologies and providing optical films that facilitate viewing and prevent eyestrain, DNP has captured an overwhelming share of the market for surface functional films.



Application Example 2

Ink Ribbons for Digital Photo Printers

Ink ribbons used for digital photo printers consist of a base film coated with yellow, magenta, cyan and black inks to precisely controlled thicknesses. A certain amount of each color of ink is sublimated and transferred onto special receiving paper, depending on the amount of energy in the printer's thermal head. This method makes it possible to express very subtle variations in color and to produce prints that are very close to the quality obtained with silver halide photography.

As digital cameras and mobile phones with built-in cameras have rapidly gained popularity, there has been increasing demand for printing photos taken with these devices. In addition to the demand for supplying home-use printers, there has also been a surge in commercial demand, including printing services at major mass retail shops.



Technologies and their Applications

Post-Processing Technologies

Refining the Final Shape and Making a Convenient Product: in Pursuit of Greater Usability

Even after printing has been completed, our job is not yet finished. In the case of books and magazines, it's only after we have completed the binding processes — folding the printed pages, fixing them together, cutting off unnecessary parts and cleaning up the edges — that we have a finished product.

The single word “bookbinding” comprises a large number of types of technologies that we do in order to create a finished product. Depending on the number of pages and the purpose for which a document is to be used, we may use an expensive type of binding that yields a product with a luxurious feel or a less expensive method suited to high-volume products: options include saddle-stitching, side-stitching, burst binding and “perfect binding.”

Ever since DNP's founding, we have kept coming up with ideas for processing our final products so that they meet our customers' specific needs. In the early 1950s, with our entry into the packaging business, we began developing one post-processing technology after another. We started with the three-dimensional processing of paper containers and went on to develop

processes like sealing film packages and forming plastic. Eventually, we ended up developing and improving forming technologies for a variety of materials, including laminated tubes and PET plastic bottles.

In these processes, we must pay as much attention to the functionality of the end product as we do to the aesthetics of the printing. We must think not only about durability and other types of strength, but also about the ease of use. When we are binding a very thick book like a computer manual, we must bind it very firmly. At the same time, we find a way to allow the manual to stay open at the desired page even when the reader has both hands on the computer. Because we seek maximum functionality in the arena of daily life, our post-processing technologies must also reflect consideration for aspects like environmental impact and universality of design.

The products that we make by applying these post-processing technologies are the result of matching DNP's technological strengths with what it is that our customers want.

Examples of Post-Processing Technology Applications

The development of our post-processing technologies began with bookbinding. In recent years, regulations governing magazine supplements have been eased so that today we encounter supplements like clothing, cosmetic samples, accessories and other items that did not exist in the past. Because of this trend, DNP's development of new post-processing techniques has proceeded very rapidly. Our post-processing technology must always anticipate changes in the social environment and in consumers' desires, and respond quickly.

In the packaging business, which we entered in the 1950s, we are currently responding not only to changes in demand for functions like convenience and durability, but also to changes related to a growing concern for the environment and Japan's aging society.

Application Example 1

Designing in Functionality and Comfort

A large amount of packaging material is used in everyday life. It is developed according to design principles calling for minimal environmental impact and maximum functionality. For example, consumers do not see how much thought was given behind the scenes to designing the aluminum lid of a yogurt cup, which must be attached firmly enough to completely prevent leakage but not so firmly that people with little strength have trouble opening it. As another example, we considered the user's comfort in our design of cups for cup noodles, making it double-sided so that the outside will not be hot to the touch even when the cup is filled with hot water. We are also working on making thinner, lighter drinking cups.



Application Example 2

Aseptic Filling System that Does Not Harm Delicate Flavors

DNP established its aseptic filling technology in 1976 with the development of containers that can preserve their contents at room temperature for a long period of time. These containers are used as portion packs for coffee cream and as packaging for prepared foods like stew or pasta sauce. In recent years, DNP has also won high praise for its bottle filling system, which makes use of this same aseptic filling technology for packaging a variety of beverages.

Under this system, bottles are filled in an aseptic environment, so the contents are not damaged by thermal sterilization. This makes it possible to seal in the delicate flavors of beverages like Japanese green tea or black tea. Also, we provide parisons, or test-tube-like primary formed products. These are formed into bottles only immediately before filling, so their transportation entails less cost and less emission of CO₂. In recognition of how effective this system is at reducing the negative impact on the environment, DNP received an award from the LCA (Life Cycle Assessment) Japan Forum in December 2004.



Sources of Information about DNP

Web Site (English: http://www.dnp.co.jp/index_e.html)

We are renewing our web site in the fiscal year through March 2010 in order to provide our stakeholders with the information they need. We aim to make the web site easier to use – for example by adding a search function to aid in locating information about products and services – and to facilitate greater understanding of DNP, by introducing our Management Concept and Business Vision.



Publications

■ Annual Report (Japanese, English)

Near the end of July every year, we release a Japanese version and an English version. In addition to consolidated financial statements, the report contains a message from the president, business strategies, summaries of financial results, news from each business sector, financial analysis, etc.

■ Data Book (bilingual: Japanese and English)

Issued near the end of July every year, the Data Book contains values from financial statements of the past 10 years, financial analysis values presented in the form of tables and graphs, etc. Financial statement values are taken from securities reports.

■ “DNP Report” Report to Shareholders (Japanese)

This report is issued quarterly, in September, December, March and June, and is mailed to shareholders. Examples of its content include summaries of financial results, interviews with management, information about new businesses, and information about shares.



■ DNP Group CSR Report (Japanese and English versions available as PDF file on our web site)

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



■ Corporate Information (Japanese, English)

It introduces each operations and addresses aspects like products, services, sales, planning, research and development, production facilities, company history, and a summary of our activities.

Reports

■ “Yuho” Annual Securities Report (Japanese)

Submitted quarterly to the Finance Ministry in accordance with Article 24 of the Securities Exchange Law. These are broad ranging reports including consolidated financial statements with auditing reports attached, parent company financial statements, performance reviews, information about shares and corporate directors, etc.

■ “Tanshin” Earnings Release (Japanese, English)

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

Major Subsidiaries and Affiliates

Printing

		Capital (¥ million)	Ownership ratio (%)
DNP Hokkaido Co., Ltd.	Photoengraving, printing, bookbinding; production and sale of packaging	350	100.0
DNP Tohoku Co., Ltd.	Photoengraving, printing, bookbinding; production and sale of packaging	350	100.0
DNP Tokai Co., Ltd.	Photoengraving, printing, bookbinding; and production of packaging	120	100.0
DNP Nishinippon Co., Ltd.	Photoengraving, printing, bookbinding; production and sale of packaging	400	100.0
DNP Shikoku Co., Ltd.	Photoengraving, printing, bookbinding; production and sale of packaging	50	97.0
Information Communication			
Books and Magazines			
DNP Seihon Co., Ltd.	Bookbinding	350	100.0
DNP Offset Co., Ltd.	Offset printing	200	100.0
DNP Media Art Co., Ltd.	Photoengraving	180	100.0
DNP Total Process Maebashi Co., Ltd.	Photoengraving	100	100.0
DNP Uniprocess Co., Ltd.	Photoengraving	80	100.0
DNP Total Process Nagaoka Co., Ltd.	Photoengraving	50	100.0
Tien Wah Press (Pte.) Ltd.	Photoengraving, printing and bookbinding	(S\$1,000)	100.0
		4,600	
Commercial Printing			
DNP Media Create Kansai Co., Ltd.	Planning, production, photoengraving, printing and bookbinding	200	100.0
DNP Graphica Co., Ltd.	Printing and bookbinding	100	100.0
DNP Media Create Co., Ltd.	Planning, designing and photoengraving	100	100.0
DNP Multi Print Co., Ltd.	Photoengraving, printing and bookbinding	100	100.0
DNP Butsuryu Systems Shouin Co., Ltd.	Packaging, loading and warehousing	50	100.0
Business Forms			
DNP Data Techno Co., Ltd.	Production of plastic cards	100	100.0
DNP Data Techno Kansai Co., Ltd.	Production of business forms and plastic cards	100	100.0
DNP Total Process Warabi Co., Ltd.	Photoengraving and machine plate activities	80	100.0
NexantiS Corporation*	Sale of smart card related software and products	25	100.0
DNP Techtas Warabi Co., Ltd.	Processing, packaging and loading of printed materials	20	100.0
DNP France SAS*	Smart card and security business research	(Euro 1,000)	100.0
		37	
Others (Planning, production and venture businesses, etc.)			
DNP AV Center Co., Ltd.	Planning, production and sale of TV programs, movies and video soft wares	100	100.0
DNP Digitalcom Co., Ltd.	Website planning, production and delivery	100	100.0
am3* Inc.	Planning, production and sale of images, contents, etc.	340	69.5
DNP Art Communications Co., Ltd.	Planning, production and sale of artistic images and videos	300	100.0
DNP Corporate History Center Co., Ltd.	Planning, editing and production of history archives for corporations and groups	50	100.0
YouToo Co., Ltd.*	Provision of information over the Internet and mobile phones	50	100.0
CP Design Consulting Co., Ltd.*	Consultation for privacy protection and crisis management	40	92.5
M's Communicate Co., Ltd.*	Consultation and mediation for customer relationship management	30	95.0
At Table Co., Ltd.*	Research, consulting and planning for sales promotions for grocery supermarkets	30	95.0
MyPoint.com Japan Co., Ltd.	Direct marketing services	10	83.0
Lifestyle and Industrial Supplies			
Packaging			
DNP Technopack Tokai Co., Ltd.	Production, printing and processing of packaging	430	100.0
DNP Techno Film Co., Ltd.	Production and processing of composite resins	380	100.0
DNP Technopack Co., Ltd.	Production, printing and processing of packaging	300	100.0
DNP Technopack Yokohama Co., Ltd.	Production, printing and processing of packaging	280	100.0
DNP Technopack Kansai Co., Ltd.	Production, printing and processing of packaging	200	100.0
Sagami Yoki Co., Ltd.	Production of laminated tubes	200	90.0
Aseptic Systems Co., Ltd.	Productions, sale and consultation for aseptic systems for beverages	100	100.0
DNP Techno Polymer Co., Ltd.	Molding, processing and printing of plastic containers	100	100.0
DNP Hosono Co., Ltd.	Filling and processing of packages	80	100.0
PT DNP Indonesia	Production and sale of packaging products	(US\$1,000)	51.0
		26,000	
DNP Plastic Molding (Shanghai) Co., Ltd.	Molding, printing, processing and sale of plastic containers	(US\$1,000)	100.0
		6,350	
Lifestyle Materials			
DNP Lifestyle Materials Marketing Co., Ltd.	Sale of lifestyle products	300	100.0
DNP Ellio Co., Ltd.	Printing and processing of steel and other metal plates	300	50.0
DNP Lifestyle Materials Co., Ltd.	Photoengraving and production of lifestyle products	200	100.0
Opto-Materials/Industrial Supplies			
DNP Photo Imaging Co., Ltd.	Holding company	9,680	100.0
DNP IMS Odawara Co., Ltd.	Production and sale of photographic materials	300	100.0
DNP IMS Co., Ltd.	Production of TTRs and ST materials	100	100.0
DNP OptoMaterials Co., Ltd.	Manufacturing of optical products for displays	100	100.0
DNP Fine Chemical Co., Ltd.	Production and sales of chemicals for photography	100	100.0 (100.0)
DNP Fotolusio Co., Ltd.	ID photo business and sale of photo materials and accessories	450	100.0 (33.3)
DNP ID System Co., Ltd.	Sale of equipment for making driver licenses and ID photos	60	100.0 (100.0)

		Capital (¥ million)	Ownership ratio (%)
DNP Denmark A/S	Manufacturing and sale of precision electronic components	(DKr1,000) 135,000	100.0
DNP Electronics America, LLC	Manufacturing and sale of precision electronic components	(US\$1,000) 15,045	(100.0) 100.0
DNP Photo Imaging America Corporation	Sale of digital photo printing systems and photographic materials	(US\$1,000) 45,898	(99.9) 99.9
DNP Photo Imaging Corporation SAS	Holding company	(Euro 1,000) 50	(66.0) 66.0
DNP Photo Imaging Europe SAS	Sale of photo-related products	(Euro 1,000) 2,422	(100.0) 100.0
DNP IMS America Corporation	Production and sale of TTRs and ST materials	(US\$1,000) 71,980	(100.0) 100.0
Compagnie de Découpe de l'Ouest-CDO SAS	Production and sale of TTRs and ST materials	(Euro 1,000) 3,040	23.4
DNP IMS France SAS*	Sale of TTRs and ST materials	(Euro 1,000) 300	100.0
DNP IMS Netherlands B.V.	Production and sale of TTRs and ST materials	(Euro 1,000) 1,000	100.0
Electronics			
Display Components			
DNP Color Techno Kameyama Co., Ltd.	Production and sale of color filters for LCDs	2,500	100.0
DNP Precision Devices Co., Ltd.	Production of display related components	450	100.0
DNP Color Techno Sakai Co., Ltd.	Production of color filters for LCDs	400	100.0
DNP Display Technology Taiwan Co., Ltd.	Sale of display components and technological consultation	(NT\$1,000) 30,000	(99.0) 100.0
Electronic Devices			
DT Fine Electronics Co., Ltd.	Production and sale of components for manufacturing of semiconductor components	490	65.0
DNP Fine Electronics Co., Ltd.	Production of components for manufacturing of semiconductor components	300	100.0
DNP LSI Design Co., Ltd.	Planning and production of drawings used in semiconductor production	100	100.0
DNP Fine Electronics Sagamiyama Co., Ltd.	Manufacturing of electronics precision parts	100	100.0
DNP Micro Technica Co., Ltd.	Inspection, processing and loading of precision electronic parts	40	100.0
DNP Photomask Europe S.p.A.	Manufacturing and sale of photomasks	(Euro 1,000) 47,200	80.6
DNP Photomask Technology Taiwan Co., Ltd.	Manufacturing and sale of photomasks	(NT\$1,000) 5,170,117	(0.3) 100.0
Others			
The Inctec Inc.	Development and sale of ink, varnish, pigments and dyes	2,000	83.4
Maruzen Co., Ltd.	Sale of books, magazines and stationaries	5,821	51.3
DNP Logistics Co., Ltd.	Packing, shipping operations and warehouse management	626	100.0
Waseda Management Publishing Co., Ltd.	Operation of private cramming school	480	100.0
TRC, Inc.	Sale of books and creation of data	266	50.3
D.N.K. Co., Ltd.	Manufacturing, sale and repair of printing equipment and machine tools	100	100.0
DNP Trading Co., Ltd.	Sale of paper and other products	100	94.3
Direc Co., Ltd.	Sale of publishing and educational equipment	96	55.0
DNP SP Tech Co., Ltd.	Planning and production of promotional material	80	100.0
Kyoiku Shuppan Co., Ltd.	Editing and sales of textbooks and educational materials	60	48.3
Junkudo Co., Ltd.	Sale of books	39	51.0
Personnel Welfare, Facility Service and Others			
DNP Facility Services Co., Ltd.	Building management, cleaning and security; operation of public health and recreation facilities	360	100.0
DNP Information Systems Co., Ltd.	Design, development and maintenance of information systems; production and sale of software	100	100.0
DNP Human Services Co., Ltd.	Planning and management related to personnel plans	90	100.0
Uzumine Country Club Co., Ltd.*	Management of golf courses	33	88.8
DNP Accounting Services Co., Ltd.	Accounting and consulting services	30	100.0
DNP Techno Research Co., Ltd.*	Studies related to patents and the preparation of contracts	20	100.0
Overseas Sales			
DNP America, LLC	Sale of printing materials, electronic precision parts, and lifestyle materials	(US\$1,000) 100	(100.0) 100.0
DNP Corporation USA	Holding company	(US\$1,000) 62,164	(7.2) 100.0
DNP Holding USA Corporation	Holding company	(US\$1,000) 100	(100.0) 100.0
DNP Europa GmbH*	Sale of electronic precision parts and lifestyle materials	(Euro 1,000) 92	100.0
DNP UK Co., Ltd.*	Sale of lifestyle materials	(£1,000) 120	100.0
Dai Nippon Printing Co. (Australia) Pty. Ltd.*	Sale of printed materials and lifestyle materials	(A\$1,000) 70	100.0
DNP Singapore Pte. Ltd.*	Sale of electronic precision parts and lifestyle materials	(S\$1,000) 350	100.0
DNP Korea Co., Ltd.*	Sale of electronic precision parts	(Krw1,000) 500,000	100.0
DNP Taiwan Co., Ltd.	Sale of electronic precision parts	(NT\$1,000) 10,000	100.0
DNP International Trading (Shanghai) Co., Ltd.*	Sale of printing solutions and packaging products	(US\$1,000) 2,000	100.0

Beverages

Beverages			
Hokkaido Coca-Cola Bottling Co., Ltd.	Manufacturing and sale of soft drinks	2,935	(5.1) 58.3

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

Glossary

From General Terms, Product and Service Names

Inkjet method

A method of printing by spraying ink directly onto the printed surface through nozzles with very small holes.

Augmented Reality (AR)

A system in which a webcam or mobile phone-mounted camera reads printed images, 2-D code or other markers, and/or images from the camera's actual environment, synthesizes those images and/or code with related, pre-registered 3-D computer graphics, and displays the resulting combination in real time.

LCD color filter

A component used to colorize liquid crystal displays. It consists of colorization layers with pigments in the three primary colors – RGB or red, green, and blue – arrayed in particular patterns on substrates; colored images are displayed when light is passed through.

SSFC

(Shared Security Formats Cooperation)

A consortium of companies founded in 2005, aimed at realizing highly secure corporate environments wherein each employee uses a single smart card to access various locations or functions. SSFC created smart card data formats and other standards that enable uniform management of functions such as office entry and exit, computer logon, and printer usage. As of March 2009, SSFC has 175 member companies, including office equipment manufacturers and system integrators, and its data formats is adopted by some 200 companies.

CRM

(Customer Relationship Management)

A method of building positive, long-term relationships with customers by providing goods and services that meet their particular needs based on each customer's preferences and characteristics.

CGM (Consumer Generated Media)

Content that is generated by consumers and uploaded to a blog, social networking site, or other electronic forum where it is enhanced by being linked to additional information or opinion exchange.

SIM (subscriber identification module) Card

A smart card issued by a mobile phone service provider, containing subscriber information; it is inserted in a mobile telephone, enabling the phone to connect to the provider's network.

Dye-sublimation thermal transfer recording media

Consists of ink ribbon containing three primary colors of ink (Y,M,C – yellow, magenta, and cyan) and special receiver paper. Heat from thermal heads transfers ink to the receiver paper to form color images. Ability to express smooth color tones makes this media good for photo printing, among other applications.

Solar battery filling material

Adhesive, protective sheet for securing solar cells and their peripheral wiring; it securely fastens the solar cell's glass and back sheet.

Solar battery back sheet

Weather-proof film that protects a solar battery module from external elements, preventing precipitation from entering the cell. Because it is used outdoors for a long period of time, it must be highly durable, moisture-proof, and have electrical insulating properties.

Digital signage

A network-linked system for displaying updateable images and information in public places, such as outdoors or in public transportation vehicles, stores, offices, and public facilities.

Semiconductor photomask

An original plate used for forming circuits on semiconductor elements/devices. A circuit pattern drawn on the photomask's glass substrate is transferred to a photosensitive film applied to the surface of a semiconductor wafer, generally by means of light, after which etching or a similar process is used to form the desired pattern on the wafer.

PIM (Product Information Management)

A method of information management that organizes and integrates product information so that it can be used in a coordinated way. The system provides uniform management of product information that is dispersed among the various processes of the value chain, and creates an environment for distributing information that customers need – in appropriate amounts, of appropriate quality, and at appropriate times.

BPO (Business Process Outsourcing)

Contracting out some of a company's business processes to an outside company that has specialized technology and expertise.

Photolithography

Technology for forming a pattern by exposing the surface of a plate coated with a photosensitizing agent to light. Exposed areas and unexposed areas form the desired pattern.

Anti-glare film (AR film)

Film that is attached to the surface of the display in devices such as computers and televisions, in order to prevent outside light or interior light from causing glare on the screen.

Aseptic filling system

A system for filling PET plastic bottles or other containers with sterilized beverages or food in an aseptic environment at room temperature.

MEMS

(Micro Electro Mechanical Systems)

Devices that integrate tiny components made with semiconductor micro-processing technology.

Organic EL (electroluminescent) display

A display using an organic electroluminescent compound, i.e. a compound that emits light when electricity is passed through it; superior to other types of displays in various ways, for example, by offering a wider range of viewing angles and greater contrast.

Lead frame

A metal component within a semiconductor package; supports the semiconductor chip (s) and transmits electric signals.

Roll to Roll

A technique for printing on rolled paper or other printing media and re-rolling the media immediately after printing. This method is well-suited to mass production because it reduces the number of times that material must be supplied, and enables high-speed production with stable quality.

DNP Product and Service Names

IPS Information Processing Services

A service that handles a wide variety of operations, from inputting large amounts of data (including personal information), editing and processing, to printing, production and mailing of bills and statements – all while providing a high level of information security.

IB Film Innovative Barrier Film

Highly transparent, highly heat-resistant film that is highly impermeable to water vapor and oxygen, used mainly as wrapping material for foods, pharmaceuticals, and medical supplies.

EB Electron Beam coating technology

A technique for hardening resin by exposing it to an electron beam, which causes the molecules to polymerize. EB coated products display greater surface hardness than products coated with urethane or UV resin. The technique also makes it possible to provide products with superior soil resistance, photo-resistance, durability, and stability. Also, this next-generation, eco-friendly manufacturing process uses less energy, generates less carbon dioxide, and does not require the use of solvents.

“Expansion Printing” and “P&I Solutions”

“Expansion Printing” is one of DNP’s key phrases; it describes how we have applied and developed the printing technologies that we have cultivated since our founding in order to expand into a variety of business fields. “P&I Solutions” is the name of the corporate vision that we first revealed in the “DNP Group 21st Century Vision” made public in 2001. It expresses our intention to combine printing and information technologies in order to discover and solve problems faced by our customers and society as a whole.

Under the banner of “Expansion Printing,” DNP entered the packaging and building materials fields in 1951. We then entered the electronics arena after successfully developing shadow masks in 1958 and photomasks in 1959.

Since 2001, we have been solving problems for a variety of customers by applying “P&I Solutions,” while actively developing new business fields such as energy and life science.

Contrast improvement film

A film applied to the front glass substrate of a plasma display panel (PDP) to improve color tone and other qualities.

CDMS (Card Data Management Service)

A service launched in 2004 that provides comprehensive, online management of information entered on smart cards. CDMS enables immediate smart card issuance at customer service counters, password revision at ATMs, “mobile bureau” distribution of applications and personal data to mobile phone chips, and identity authentication for online shopping, etc.

B²it (B-square-it)

DNP’s original technology for connecting the layers on a buildup board (a printed board made by piling up insulating layers and wiring layers) by using bumps (conductive paste used for electrically connecting the board’s layers) formed using screen printing technology.

“Monozukuri 21” Activities (Production 21 Activities)

Activities that create a framework for responding flexibly and rapidly to customers’ requirements by returning to our manufacturing roots and making continuous improvements aimed at eliminating waste, increasing quality and efficiency, and lowering costs. Based on TPM (Total Productive Maintenance).

About the Cover of This Annual Report

Designer’s Profile

Kenjiro Sano, Art Director

Does advertising design, character design, and product development in Japan and abroad. Major projects include “The Collagen” promotion for cosmetics manufacturer Shiseido Co., Ltd., “LISMO” promotion for telecommunications carrier KDDI Inc., package design for food manufacturer Mizkan Group Corp.’s “Torotto” brand of fermented soybeans (natto), and Rolling Stones T-shirt design.

www.mr-design.jp

Message in the Cover

“These days when we look at a newspaper and all we see is gloomy news about economic recession, it’s enough to make one sad. But the whole point of our work is to provide technology and products that make the world a more convenient and happy place. DNP is a corporation that represents Japan, so I thought its annual report should have a smiling face.” Kenjiro Sano

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