

Consolidated Financial Statements

Consolidated Balance Sheets

| Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2012 and 2011 | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|----------------------------------------------------------------------------------------|--------------------|--------------------|---------------------------------------|
| | 2012 | 2011 | 2012 |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents (Notes 4 and 16) | ¥ 216,280 | ¥ ¥222,057 | \$ 2,637,561 |
| Time deposits (Note 16) | 1,239 | 1,791 | 15,110 |
| Trade receivables (Notes 10 and 16) | 385,102 | 403,986 | 4,696,366 |
| Allowance for doubtful receivables | (3,704) | (6,995) | (45,171) |
| Inventories (Note 6) | 151,119 | 138,607 | 1,842,915 |
| Prepaid expenses and other current assets (Notes 10 and 13) | 32,921 | 31,497 | 401,475 |
| Total current assets | 782,957 | 790,943 | 9,548,256 |
| | | | |
| | | | |
| Investments and advances: | | | |
| Non-consolidated subsidiaries and associated companies (Notes 10 and 16) | 21,186 | 22,104 | 258,366 |
| Investment securities (Notes 5 and 16) | 118,992 | 114,438 | 1,451,122 |
| Other (Notes 10 and 16) | 2,191 | 2,334 | 26,719 |
| Total investments and advances | 142,369 | 138,876 | 1,736,207 |
| | | | |
| | | | |
| Property, plant and equipment, at cost (Notes 7 and 14): | | | |
| Land | 142,150 | 138,650 | 1,733,537 |
| Buildings | 542,222 | 531,440 | 6,612,463 |
| Machinery and equipment | 975,517 | 1,028,119 | 11,896,549 |
| Leased assets | 39,107 | 33,516 | 476,915 |
| Construction in progress | 35,411 | 47,037 | 431,841 |
| Total | 1,734,407 | 1,778,762 | 21,151,305 |
| Accumulated depreciation | (1,154,840) | (1,163,935) | (14,083,415) |
| Net property, plant and equipment | 579,567 | 614,827 | 7,067,890 |
| | | | |
| Other assets (Notes 7, 13, 14 and 16) | 103,913 | 105,138 | 1,267,232 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total assets | ¥ 1,608,806 | ¥ 1,649,784 | \$ 19,619,585 |

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

| Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2012 and 2011 | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|----------------------------------------------------------------------------------------|-----------------|-------------|---------------------------------------|
| | 2012 | 2011 | 2012 |
| Liabilities and Net Assets | | | |
| Current liabilities: | | | |
| Short-term bank loans (Notes 7 and 16) | ¥ 51,809 | ¥ 51,403 | \$ 631,817 |
| Current portion of long-term debt (Notes 7 and 16) | 6,308 | 11,019 | 76,927 |
| Trade payables (Notes 10 and 16) | 276,354 | 275,525 | 3,370,171 |
| Accrued expenses (Note 10) | 35,560 | 37,952 | 433,659 |
| Income taxes payable (Note 13) | 8,598 | 10,487 | 104,854 |
| Other current liabilities (Notes 7, 10 and 13) | 64,550 | 61,382 | 787,194 |
| Total current liabilities | 443,179 | 447,768 | 5,404,622 |
| Long-term liabilities: | | | |
| Long-term debt (Notes 7, 10 and 16) | 172,208 | 168,323 | 2,100,098 |
| Liability for retirement benefits (Note 8) | 33,230 | 39,261 | 405,244 |
| Other long-term liabilities (Notes 7 and 13) | 45,976 | 41,991 | 560,682 |
| Total long-term liabilities | 251,414 | 249,575 | 3,066,024 |
| Contingent liabilities (Note 18) | | | |
| Net assets | | | |
| Stockholders' equity | | | |
| Common stock - | | | |
| Authorized : 1,490,000,000 shares; | | | |
| Issued : 700,480,693 shares; | 114,464 | 114,464 | 1,395,902 |
| Capital surplus (Note 9) | 144,898 | 144,898 | 1,767,049 |
| Retained earnings (Note 9) | 723,460 | 760,453 | 8,822,683 |
| Treasury stock, at cost | | | |
| 56,417,765 shares in 2012 and 56,338,163 shares in 2011 (Note 9) | (94,172) | (94,113) | (1,148,439) |
| Total stockholders' equity | 888,650 | 925,702 | 10,837,195 |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 4,370 | 833 | 53,293 |
| Net deferred losses on hedges | (15) | (12) | (183) |
| Foreign currency translation adjustments | (21,776) | (18,000) | (265,561) |
| Total accumulated other comprehensive income | (17,421) | (17,179) | (212,451) |
| Share acquisition rights | 16 | 16 | 195 |
| Minority interests | 42,968 | 43,902 | 524,000 |
| Total net assets | 914,213 | 952,441 | 11,148,939 |
| Total liabilities and net assets | ¥ 1,608,806 | ¥ 1,649,784 | \$ 19,619,585 |

Consolidated Statements of Income

| Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2012 and 2011 | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|----------------------------------------------------------------------------------------------------|-------------------|-------------|---------------------------------------|
| | 2012 | 2011 | 2012 |
| Net sales (Note 19) | ¥ 1,507,228 | ¥ 1,589,373 | \$ 18,380,829 |
| Cost of sales (Notes 11, 15 and 19) | 1,246,878 | 1,287,581 | 15,205,829 |
| Gross profit | 260,350 | 301,792 | 3,175,000 |
| Selling, general and administrative expenses (Notes 11, 15 and 19) | 226,335 | 233,973 | 2,760,183 |
| Operating income | 34,015 | 67,819 | 414,817 |
| Other income (expenses) (Note 12): | | | |
| Interest and dividend income | 3,469 | 3,353 | 42,305 |
| Interest expenses | (3,424) | (2,775) | (41,756) |
| Equity in earnings (losses) of affiliates | 345 | (413) | 4,207 |
| Foreign exchange transaction loss | (16) | (1,672) | (195) |
| Net loss on disposal of property, plant and equipment | (2,854) | (904) | (34,805) |
| Net gain on sales of investment securities | 37 | 694 | 451 |
| Loss on devaluation of investment securities | (1,150) | (436) | (14,024) |
| Impairment loss on fixed assets (Note 14) | (25,013) | (1,685) | (305,037) |
| Other | (2,736) | (11,285) | (33,365) |
| | (31,342) | (15,123) | (382,219) |
| Income before income taxes and minority interests | 2,673 | 52,696 | 32,598 |
| Income taxes (Note 13): | | | |
| Current | 17,210 | 20,027 | 209,878 |
| Deferred | 2,301 | 8,003 | 28,061 |
| | 19,511 | 28,030 | 237,939 |
| Net income (loss) before minority interests | (16,838) | 24,666 | (205,341) |
| Minority interests | 482 | 367 | 5,878 |
| Net income (loss) | ¥ (16,356) | ¥ 25,033 | \$ (199,463) |

| | Yen | | U.S. dollars (Note 3) |
|-------------------------------------------|------------|------------|-----------------------|
| | 2012 | 2011 | 2012 |
| Net assets per common share | ¥ 1,352.71 | ¥ 1,410.44 | \$ 16.50 |
| Net income (loss) per common share | | | |
| primary | ¥ (25.39) | ¥ 38.86 | \$ (0.31) |

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

Consolidated Statements of Comprehensive Income

| Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2012 and 2011 | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|----------------------------------------------------------------------------------------------------|-----------------|----------|---------------------------------------|
| | 2012 | 2011 | 2012 |
| Net income (loss) before minority interests | ¥ (16,838) | ¥ 24,666 | \$ (205,341) |
| Other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 3,697 | (7,108) | 45,085 |
| Net deferred losses on hedges | (2) | (2) | (24) |
| Foreign currency translation adjustments | (4,196) | (5,023) | (51,171) |
| Share of other comprehensive income in associates accounted for using the equity method | (1) | (59) | (12) |
| Total other comprehensive income | (502) | (12,192) | (6,122) |
| Comprehensive income | (17,340) | 12,474 | (211,463) |
| Attributable to: | | | |
| Shareholders of parent company | ¥ (16,596) | ¥ 13,302 | \$ (202,390) |
| Minority interests | (744) | (828) | (9,073) |

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

Consolidated Statements of Changes in Net Assets

| Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2012 and 2011 | Millions of yen | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------|----------------------|--------------------|----------------------|----------------------------------------------------------------|-------------------------------|----------------------------------------|---------------------------------------------------|----|--------------------------------|-----------------------|
| | Number of shares issued (in thousands) | Stockholders' equity | | | | Treasury stock, at cost | Accumulated other comprehensive income | | | Share acquisition rights | Minority interests |
| | | Common stock | Capital surplus | Retained earnings | Valuation difference on available-for-sale securities | | Net deferred losses on hedges | Foreign currency translation adjustments | | | |
| Balance at April 1, 2010 | 700,480 | 114,464 | 144,898 | 756,430 | (94,017) | 8,060 | (11) | (13,499) | - | 40,539 | |
| Changes of items during the period | | | | | | | | | | | |
| Net income | - | - | - | 25,033 | - | - | - | - | - | - | |
| Cash dividends paid | - | - | - | (20,632) | - | - | - | - | - | - | |
| Purchases of treasury stock | - | - | - | - | (118) | - | - | - | - | - | |
| Disposal of treasury stock | - | - | - | (8) | 22 | - | - | - | - | - | |
| Changes in valuation difference on available-for-sale securities | - | - | - | - | - | (7,227) | - | - | - | - | |
| Changes in deferred losses on hedges | - | - | - | - | - | - | (1) | - | - | - | |
| Changes in foreign currency translation adjustments | - | - | - | - | - | - | - | (4,501) | - | - | |
| Changes in share acquisition rights | - | - | - | - | - | - | - | - | 16 | - | |
| Changes in minority interests | - | - | - | - | - | - | - | - | - | 3,363 | |
| Other | - | - | - | (370) | - | - | - | - | - | - | |
| Total changes of items during the period | - | - | - | 4,023 | (96) | (7,227) | (1) | (4,501) | 16 | 3,363 | |
| Balance at March 31, 2011 | 700,480 | 114,464 | 144,898 | 760,453 | (94,113) | 833 | (12) | (18,000) | 16 | 43,902 | |
| Changes of items during the period | | | | | | | | | | | |
| Net loss | - | - | - | (16,356) | - | - | - | - | - | - | |
| Cash dividends paid | - | - | - | (20,629) | - | - | - | - | - | - | |
| Purchases of treasury stock | - | - | - | - | (76) | - | - | - | - | - | |
| Disposal of treasury stock | - | - | - | (8) | 17 | - | - | - | - | - | |
| Changes in valuation difference on available-for-sale securities | - | - | - | - | - | 3,537 | - | - | - | - | |
| Changes in deferred losses on hedges | - | - | - | - | - | - | (3) | - | - | - | |
| Changes in foreign currency translation adjustments | - | - | - | - | - | - | - | (3,776) | - | - | |
| Changes in minority interests | - | - | - | - | - | - | - | - | - | (934) | |
| Total changes of items during the period | - | - | - | (36,993) | (59) | 3,537 | (3) | (3,776) | - | (934) | |
| Balance at March 31, 2012 | 700,480 | 114,464 | 144,898 | 723,460 | (94,172) | 4,370 | (15) | (21,776) | 16 | 42,968 | |

| | Thousands of U.S. dollars (Note 3) | | | | | | | | | | |
|---------------------------------------------------------------------|-------------------------------------------------|----------------------|--------------------|----------------------|----------------------------------------------------------------|-------------------------------|----------------------------------------|---------------------------------------------------|-----|--------------------------------|-----------------------|
| | Number of shares issued (in thousands) | Stockholders' equity | | | | Treasury stock, at cost | Accumulated other comprehensive income | | | Share acquisition rights | Minority interests |
| | | Common stock | Capital surplus | Retained earnings | Valuation difference on available-for-sale securities | | Net deferred losses on hedges | Foreign currency translation adjustments | | | |
| Balance at April 1, 2011 | 700,480 | 1,395,902 | 1,767,049 | 9,273,817 | (1,147,720) | 10,159 | (146) | (219,512) | 195 | 535,390 | |
| Changes of items during the period | | | | | | | | | | | |
| Net loss | - | - | - | (199,463) | - | - | - | - | - | - | |
| Cash dividends paid | - | - | - | (251,573) | - | - | - | - | - | - | |
| Purchases of treasury stock | - | - | - | - | (927) | - | - | - | - | - | |
| Disposal of treasury stock | - | - | - | (98) | 208 | - | - | - | - | - | |
| Changes in valuation difference on available-for-sale securities | - | - | - | - | - | 43,134 | - | - | - | - | |
| Changes in deferred losses on hedges | - | - | - | - | - | - | (37) | - | - | - | |
| Changes in foreign currency translation adjustments | - | - | - | - | - | - | - | (46,049) | - | - | |
| Changes in minority interests | - | - | - | - | - | - | - | - | - | (11,390) | |
| Total changes of items during the period | - | - | - | (451,134) | (719) | 43,134 | (37) | (46,049) | - | (11,390) | |
| Balance at March 31, 2012 | 700,480 | 1,395,902 | 1,767,049 | 8,822,683 | (1,148,439) | 53,293 | (183) | (265,561) | 195 | 524,000 | |

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

Consolidated Statements of Cash Flows

| Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2012 and 2011 | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-----------------------------------------------------------------------------------------------------------------------------|------------------|------------------|---------------------------------------|
| | 2012 | 2011 | 2012 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | ¥ 2,673 | ¥ 52,696 | \$ 32,598 |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | |
| Depreciation | 95,829 | 97,978 | 1,168,646 |
| Impairment loss on fixed assets | 25,013 | 1,685 | 305,037 |
| Provision for doubtful receivables (net) | (8,428) | 1,146 | (102,781) |
| Provision for retirement benefits (net) | (5,449) | (4,177) | (66,451) |
| Equity in (earnings) losses of affiliates | (345) | 413 | (4,208) |
| Amortization of consolidation goodwill (net) | 3,335 | 2,554 | 40,671 |
| Interest and dividend income | (3,469) | (3,353) | (42,305) |
| Interest expenses | 3,424 | 2,775 | 41,756 |
| Net gain on sales of investment securities | (40) | (694) | (488) |
| Loss on devaluation of investment securities | 1,150 | 436 | 14,024 |
| Net loss on disposal of property, plant and equipment | 2,889 | 904 | 35,232 |
| Decrease in trade receivables | 18,727 | 48,851 | 228,378 |
| (Increase) in inventories | (11,758) | (7,135) | (143,390) |
| Increase (decrease) in trade payables | 2,828 | (36,477) | 34,488 |
| Other | 2,752 | 4,781 | 33,561 |
| Sub-total | 129,131 | 162,383 | 1,574,768 |
| Payments of extra retirement payments | (943) | - | (11,500) |
| Payments of income taxes | (19,585) | (22,330) | (238,841) |
| Net cash provided by operating activities | 108,603 | 140,053 | 1,324,427 |
| Cash flows from investing activities: | | | |
| Net (increase) decrease in time deposits | 539 | (171) | 6,573 |
| Payments for purchases of property, plant and equipment | (74,673) | (89,846) | (910,646) |
| Proceeds from sales of property, plant and equipment | 5,999 | 7,059 | 73,159 |
| Payments for purchases of investment securities | (2,468) | (2,156) | (30,098) |
| Proceeds from sales of investment securities | 277 | 11,095 | 3,378 |
| Interest and dividend received | 4,003 | 3,502 | 48,817 |
| Other | (13,803) | (12,045) | (168,329) |
| Net cash used in investing activities | (80,126) | (82,562) | (977,146) |
| Cash flows from financing activities: | | | |
| Net increase (decrease) in short-term bank loans | 678 | (12,447) | 8,268 |
| Proceeds from long-term debt | 7,025 | 14,699 | 85,671 |
| Repayments of long-term debt | (6,260) | (9,786) | (76,341) |
| Proceeds from issuance of unsecured debentures | 1,189 | 53,700 | 14,500 |
| Payments for redemption of unsecured debentures | (2,603) | (306) | (31,744) |
| Interest paid | (3,270) | (2,660) | (39,878) |
| Dividend paid | (21,062) | (21,094) | (256,854) |
| Payments for purchases of treasury stocks | (77) | (118) | (939) |
| Other | (8,453) | (6,802) | (103,085) |
| Net cash provided by financing activities | (32,833) | 15,186 | (400,402) |
| Effect of exchange rate changes on cash and cash equivalents | (1,717) | (2,458) | (20,940) |
| Net increase (decrease) in cash and cash equivalents | (6,073) | 70,219 | (74,061) |
| Cash and cash equivalents at beginning of year | 222,057 | 151,710 | 2,708,012 |
| Cash and cash equivalents of newly consolidated subsidiaries | 296 | - | 3,610 |
| Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries | - | 128 | - |
| Cash and cash equivalents at end of year | ¥ 216,280 | ¥ 222,057 | \$ 2,637,561 |

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, 2012 and 2011

1. Basis of Presenting the Consolidated Financial Statements

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

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency of Japan as required by the Financial Instruments and Exchange Act of Japan. Under Japanese GAAP, a consolidated statements of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statements of changes in net assets. In addition, "net income before minority interests" is disclosed in the consolidated statements of income from the year ended March 31, 2011. 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 2011 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 mostly the same as that of the Company. There are twenty-five subsidiaries whose fiscal years end December 31 and twenty-five subsidiaries whose fiscal years end January 31. Significant transactions that took place between their fiscal year ends and the Company's fiscal year end are reflected in the consolidated financial statements. Eight subsidiaries whose fiscal years end August 31, one subsidiary whose fiscal year ends June 30 and one subsidiary whose fiscal year ends September 30 are consolidated based on their additionally prepared financial statements as of and for the period ended March 31.

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

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

The differences between costs and underlying net assets at the date of investment in consolidated subsidiaries are included in other assets or other long-term liabilities and are amortized over a period not exceeding five years.

Translation of foreign currency accounts

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

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

Cash and cash equivalents

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

Inventories

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

Marketable securities and investment securities

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost. Major renewals and additions are capitalized, while minor renewals maintenance

and repairs are charged to income when incurred. Interest expenses on capital expenditures during the construction stage are not capitalized.

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

The estimated useful lives for depreciation purposes range as follows:

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

Assets with an acquisition cost of ¥100,000 (\$1,220) or more per unit and less than ¥200,000 (\$2,439) per unit are depreciated over three years on a straight-line basis, whereby one-third of such acquisition cost may be taken as depreciation expense each year.

Leased assets

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

Intangible assets

Intangible assets included in other assets are carried at cost less accumulated amortization calculated by the straight-line method over their estimated useful lives. Software 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 have 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.

Change of deferred tax assets and deferred tax liability by the change of effective statutory tax rate

"Act on the Partial Revision of the Income Tax Act for the Establishment of a Taxation System Responding to Structural Transformation of Economy and Society" and "Act on Special Measures for Securing Financial Resources Needed to Implement Measures to Recover From the Great East Japan Earthquake" were promulgated on December 2, 2011. By these acts, the effective statutory tax rate, which is used to calculate deferred tax assets and liabilities for the current year was changed from 40.7%, which was used as of March 31, 2011, to reduced rates. The new effective tax rates will be as follows, depending when the temporary difference will be realized.

| | |
|---------------------------------------|-------|
| From April 1, 2012 to March 31, 2015: | 38.0% |
| On and after April 1, 2015: | 35.6% |

By this change, deferred tax assets net of deferred liability decreased by 3,823 million, deferred income taxes increased by 4,165 million and net unrealized gains on available-for-sale securities increased by 342 million, respectively.

Derivatives and hedging activities

The Company and certain consolidated subsidiaries use derivative financial instruments ("derivatives") for foreign currency forward contracts, currency options, interest rate swaps and currency swaps to manage the risk arising from fluctuation in foreign currency exchange rate and interest rates. The Company and its subsidiaries do not enter into derivatives contracts for speculative purposes.

Derivatives are carried at fair value with change in unrealized gains or losses charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which an unrealized gain or loss is deferred as an asset or a liability.

The trade accounts receivable and payable denominated in foreign currencies of the Company and domestic subsidiaries which are individually covered by foreign currency forward contracts are translated at the contracted rates because such treatment is also allowed to be elected under the accounting standard if the forward contracts qualify for hedge accounting.

Net assets and income per common share

Net assets per common share were computed based on the number of shares outstanding after deducting treasury stock at March 31, 2012 and 2011, 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 of net loss in 2012.

Change in accounting policies

Application of “Accounting Standard for Accounting Changes and Error Corrections”

The Company applied the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24, December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24, December 4, 2009) to accounting changes and corrections of prior period errors made on and after the beginning of the year ended March 31, 2012.

3. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen in accordance with accounting principles generally accepted in Japan. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the readers, at the rate of ¥82=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2012. 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, 2012 and 2011 were comprised of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|----------------------------------------------------------------------------------|-----------------|-----------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Cash and deposits (excluding time deposits with a maturity over three months) | ¥ 216,280 | ¥ 222,057 | \$ 2,637,561 |

5. Marketable Securities and Investment Securities

The acquisition cost and aggregate fair value of marketable and investment securities classified as available-for-sale securities including those with no fair value as of March 31, 2012 and 2011 were as follows:

| March 31, 2012 | Millions of yen | | | |
|----------------|------------------|------------------|-------------------|------------|
| | Acquisition cost | Unrealized gains | Unrealized losses | Fair value |
| Stocks | ¥ 111,684 | ¥ 20,196 | ¥ 13,263 | ¥ 118,617 |
| Others | 392 | 1 | 9 | 384 |
| Total | ¥ 112,076 | ¥ 20,197 | ¥ 13,272 | ¥ 119,001 |

| March 31, 2012 | Thousands of U.S. dollars (Note 3) | | | |
|----------------|------------------------------------|------------------|-------------------|--------------|
| | Acquisition cost | Unrealized gains | Unrealized losses | Fair value |
| Stocks | \$ 1,362,000 | \$ 246,293 | \$ 161,744 | \$ 1,446,549 |
| Others | 4,781 | 12 | 110 | 4,683 |
| Total | \$ 1,366,781 | \$ 246,305 | \$ 161,854 | \$ 1,451,232 |

| March 31, 2011 | Millions of yen | | | |
|----------------|------------------|------------------|-------------------|------------|
| | Acquisition cost | Unrealized gains | Unrealized losses | Fair value |
| Stocks | ¥ 112,167 | ¥ 14,734 | ¥ 12,859 | ¥ 114,042 |
| Others | 411 | 2 | 8 | 405 |
| Total | ¥ 112,578 | ¥ 14,736 | ¥ 12,867 | ¥ 114,447 |

The proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2011 were ¥166 million (\$2,024 thousand) and ¥946 million, respectively. The gross realized gains on these sales for the years ended March 31, 2012 and 2011 were ¥79 million (\$963 thousand) and ¥696 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2012 and 2011 were ¥42 million (\$512 thousand) and ¥2 million, respectively.

The redemption schedules for securities with maturities classified as other securities at March 31, 2012 and 2011 were as follows:

| March 31, 2012 | Millions of yen | | |
|-----------------|-------------------------|---------------------------------------|-----------------|
| | Due in one year or less | Due after one year through five years | Over five years |
| Corporate bonds | ¥ 150 | ¥ 30 | ¥ 100 |

| March 31, 2012 | Thousands of U.S. dollars (Note 3) | | |
|-----------------|------------------------------------|---------------------------------------|-----------------|
| | Due in one year or less | Due after one year through five years | Over five years |
| Corporate bonds | \$ 1,829 | \$ 366 | \$ 1,220 |

| March 31, 2011 | Millions of yen | | |
|-----------------|-------------------------|---------------------------------------|-----------------|
| | Due in one year or less | Due after one year through five years | Over five years |
| Corporate bonds | ¥ – | ¥ 180 | ¥ 100 |

6. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-------------------|-----------------|-----------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Finished products | ¥ 91,912 | ¥ 87,446 | \$ 1,120,878 |
| Work in process | 39,356 | 31,585 | 479,951 |
| Raw materials | 19,851 | 19,576 | 242,086 |
| | ¥ 151,119 | ¥ 138,607 | \$ 1,842,915 |

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

Short-term bank loans at March 31, 2012 and 2011 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 0.75% per annum for 2012 and 0.74% per annum for 2011.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-------------------------------------|-----------------|-----------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Secured debentures | | | |
| 1.05% due 2014 | ¥ 40 | ¥ 40 | \$ 488 |
| 1.05% due 2013 | 40 | 40 | 488 |
| 0.66~1.13% due 2012 | – | 87 | – |
| Unsecured debentures | | | |
| 1.358% due 2021 | ¥ 50,000 | ¥ 50,000 | \$ 609,756 |
| 1.705% due 2020 | 50,000 | 50,000 | 609,756 |
| 0.59~0.79% due 2017 | 240 | – | 2,927 |
| 0.59~0.79% due 2016 | 580 | 340 | 7,073 |
| 0.55~0.79% due 2015 | 1,580 | 1,340 | 19,268 |
| 0.59~1.67% due 2014 | 50,620 | 51,380 | 617,317 |
| 0.59~1.35% due 2013 | 620 | 380 | 7,561 |
| 0.65~1.75% due 2012 | – | 1,516 | – |
| Mortgage loans, maturing 2012-2024 | 10,613 | 3,262 | 129,427 |
| Unsecured loans, maturing 2012-2018 | 14,183 | 20,957 | 172,964 |
| | 178,516 | 179,342 | 2,177,025 |
| Current portion of long-term debt | (6,308) | (11,019) | (76,927) |
| | ¥ 172,208 | ¥ 168,323 | \$ 2,100,098 |

Finance lease obligations at March 31, 2012 and 2011 which are included in other long-term liabilities consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--------------------------------------|-----------------|----------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Finance lease obligations | ¥ 26,165 | ¥ 23,120 | \$ 319,085 |
| Current portion of lease obligations | (7,987) | (7,662) | (97,402) |
| | ¥ 18,178 | ¥ 15,458 | \$ 221,683 |

Mortgage loans were secured by property, plant and equipment and other assets amounting to ¥7,037 million (\$85,817 thousand) and ¥14,985 million at March 31, 2012 and 2011, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 1.11% to 2.86% per annum for 2012 and ranged from 1.34% to 2.25% per annum for 2011, while interest rates on unsecured loans ranged from 0.64% to 2.35% per annum for 2012 and from 0.64% to 2.35% per annum for 2011.

The aggregate annual maturities of long-term debt after March 31, 2012 were as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars (Note 3) |
|-----------------------|-----------------|------------------------------------|
| 2013 | ¥ 6,308 | \$ 76,926 |
| 2014 | 55,794 | 680,415 |
| 2015 | 10,162 | 123,927 |
| 2016 | 4,616 | 56,293 |
| 2017 | 1,054 | 12,854 |
| 2018 and thereafter | 100,582 | 1,226,610 |
| | ¥ 178,516 | \$ 2,177,025 |

The aggregate annual maturities of finance lease obligations after March 31, 2012 were as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars (Note 3) |
|-----------------------|-----------------|------------------------------------|
| 2013 | ¥ 7,987 | \$ 97,402 |
| 2014 | 5,953 | 72,598 |
| 2015 | 3,567 | 43,500 |
| 2016 | 1,251 | 15,256 |
| 2017 | 848 | 10,341 |
| 2018 and thereafter | 6,559 | 79,988 |
| | ¥ 26,165 | \$ 319,085 |

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 has 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.

The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|----------------------------------|-----------------|-----------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Projected benefit obligation | ¥ 191,217 | ¥ 186,008 | \$ 2,331,915 |
| Fair value of plan assets | (144,647) | (132,698) | (1,763,988) |
| Unrecognized actuarial gain/loss | (14,341) | (16,010) | (174,890) |
| Unrecognized prior service cost | (1,918) | (1,526) | (23,391) |
| Prepaid pension cost | 2,919 | 3,487 | 35,598 |
| Net liability | ¥ 33,230 | ¥ 39,261 | \$ 405,244 |

The components of net periodic benefit costs were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|------------------------------------|-----------------|----------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Service cost | ¥ 10,253 | ¥ 10,227 | \$ 125,036 |
| Interest cost | 4,478 | 4,291 | 54,610 |
| Expected return on plan assets | (3,297) | (3,177) | (40,207) |
| Actuarial gain/loss | 3,281 | 2,084 | 40,012 |
| Amortization of prior service cost | 574 | 2,147 | 7,000 |
| Loss on plan assets | 999 | — | 12,183 |
| Other | 135 | 142 | 1,646 |
| Net periodic benefit costs | ¥ 16,423 | ¥ 15,714 | \$ 200,280 |

Assumptions used for the years ended March 31, 2012 and 2011 were set forth as follows:

| | 2012 | 2011 |
|-----------------------------------------------------------------|-----------------------------|----------------------|
| 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 ¥16.00 (\$0.2) per share, aggregating ¥10,313 million (\$125,768 thousand) were approved at the general stockholders' meeting held in June 2012 with respect to the year ended March 31, 2012.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of net assets.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights. At present, the Company has not issued such stock acquisition rights.

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2012 and 2011 were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-------------------------------|-----------------|---------|---------------------------------------|
| | 2012 | 2011 | 2012 |
| Trade receivables | ¥ 8,369 | ¥ 5,396 | \$ 102,061 |
| Other current assets | 450 | 538 | 5,488 |
| Investment securities (stock) | 17,712 | 16,355 | 216,000 |
| Long-term loans | 2,884 | 5,159 | 35,171 |
| Other investments | 640 | 590 | 7,805 |
| Trade payables | 6,060 | 4,102 | 73,902 |
| Accrued expenses | 195 | 269 | 2,378 |
| Other current liabilities | 610 | 724 | 7,439 |

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2012 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-----------------------------------|-----------------|-----------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Salaries and allowances | ¥ 67,659 | ¥ 66,754 | \$ 825,110 |
| Accrued bonuses | 5,265 | 5,980 | 64,207 |
| Provision for retirement benefits | 4,907 | 4,515 | 59,841 |
| Depreciation | 12,644 | 11,213 | 154,195 |
| Research and development expenses | 29,318 | 30,619 | 357,537 |
| Other | 106,542 | 114,892 | 1,299,293 |
| | ¥ 226,335 | ¥ 233,973 | \$ 2,760,183 |

Total research and development expenses (including manufacturing costs) amounted to ¥31,690 million (\$386,463 thousand) and ¥33,147 million for 2012 and 2011, 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) |
|------------------------------|-----------------|-------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Interest and dividend income | ¥ 74 | ¥ 103 | \$ 902 |
| Leasing fees | 191 | 203 | 2,329 |

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, 2012 and 2011, respectively.

In addition, the statutory tax rate would change from approximately 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015 and to 35.6% afterwards. These changes were caused by the revision of Income Tax Act in 2011. (Refer to 2. Significant Accounting Policies: Income taxes)

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

The following is a reconciliation of the difference between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2012 and 2011, respectively.

| | 2012 | 2011 |
|-------------------------------------------------|--------|-------|
| Normal effective statutory tax rate | 40.7% | 40.7% |
| Expenses not deductible for income tax purposes | (14.0) | (0.7) |
| Amortization of consolidation goodwill | 30.8 | 1.3 |
| Change in valuation allowance | 591.5 | 11.7 |
| Special tax credit | (1.7) | 1.6 |
| The effective income tax rate change | 155.9 | - |
| Other | (73.2) | (1.4) |
| Actual effective tax rate | 730.0% | 53.2% |

Net deferred tax assets at March 31, 2012 and 2011, 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) |
|-------------------------------------------|-----------------|----------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Prepaid expenses and other current assets | ¥ 8,692 | ¥ 10,415 | \$ 106,000 |
| Other assets | 34,580 | 37,196 | 421,707 |
| Other current liabilities | ¥ (19) | ¥ (8) | \$ (232) |
| Other long-term liabilities | (1,963) | (2,628) | (23,939) |
| Net deferred tax assets | ¥ 41,290 | ¥ 44,975 | \$ 503,536 |

Significant components of deferred tax assets at March 31, 2012 and 2011 were as follows :

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--------------------------------------------------|-----------------|------------|---------------------------------------|
| | 2012 | 2011 | 2012 |
| Deferred tax assets: | | | |
| Excess provision for retirement benefits | ¥ 15,241 | ¥ 18,919 | \$ 185,866 |
| Loss on devaluation of investment securities | 4,258 | 5,883 | 51,927 |
| Excess provision for doubtful receivables | 1,928 | 5,955 | 23,512 |
| Accrued bonuses | 5,659 | 6,686 | 69,012 |
| Loss on write-down of inventories | 1,437 | 986 | 17,524 |
| Operating loss carryforwards | 45,938 | 36,949 | 560,220 |
| Impairment loss on fixed assets | 12,910 | 9,641 | 157,439 |
| Other | 18,398 | 18,078 | 224,365 |
| Total deferred tax assets | 105,769 | 103,097 | 1,289,865 |
| Less: valuation allowance | (53,239) | (45,929) | (649,255) |
| Total | ¥ 52,530 | ¥ 57,168 | \$ 640,610 |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | ¥ (1,625) | ¥ (329) | \$ (19,817) |
| Reserve for special depreciation | (3,853) | (5,142) | (46,988) |
| Undistributed earnings of subsidiaries | (1,581) | (1,610) | (19,281) |
| Other | (4,181) | (5,112) | (50,988) |
| Total | ¥ (11,240) | ¥ (12,193) | \$ (137,074) |
| Net deferred tax assets: | ¥ 41,290 | ¥ 44,975 | \$ 503,536 |

14. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the years ended March 31, 2012 and 2011. Fixed assets were, in principle, grouped at the business unit for impairment testing purposes. Idle assets were grouped in each asset. Loss on impairment of fixed assets for the years ended March 31, 2012 and 2011 were recognized in the amount of ¥25,013 million (\$305,037 thousand) and ¥1,685 million, respectively due to a significant decline in profitability. The recoverable amounts of the business assets were measured at their value in use which was calculated by discounting future cash flows. The discount rate was mainly 10%. The recoverable amounts of the idle assets were measured at the net selling value. The carrying amounts of the idle assets were devalued to the nominal amount since calculation of its net selling value was difficult to measure and its future cash flows were negative. The losses on impairment of fixed assets for the years ended March 31, 2012 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--------------------------|-----------------|---------|---------------------------------------|
| | 2012 | 2011 | 2012 |
| Buildings and structures | ¥ 7,266 | ¥ 1,575 | \$ 88,610 |
| Machinery and equipment | 8,584 | – | 104,683 |
| Construction in progress | 8,987 | – | 109,598 |
| Others | 176 | 110 | 2,146 |
| Total | ¥ 25,013 | ¥ 1,685 | \$ 305,037 |

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) |
|-------------------------------|-----------------|----------|---------------------------------------|
| | 2012 | 2011 | 2012 |
| Acquisition cost | ¥ 11,075 | ¥ 20,526 | \$ 135,061 |
| Accumulated depreciation | (8,716) | (15,785) | (106,293) |
| Accumulated impairment losses | (325) | (235) | (3,963) |
| Net book value | ¥ 2,034 | ¥ 4,506 | \$ 24,805 |

The amounts of lease expenses, reversal of allowance for impairment loss on leased assets and lease impairment losses under such finance leases for the years ended March 31, 2012 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|------------------------------------------------------------|-----------------|---------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Lease expenses | ¥ 2,147 | ¥ 4,041 | \$ 26,183 |
| Reversal of allowance for impairment loss on leased assets | 102 | 113 | 1,244 |
| Lease impairment losses | 6 | 2 | 73 |

The amounts of outstanding future payments under such finance leases due on March 31, 2012 and 2011, including the portion of interest thereon, were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|------------------------|-----------------|---------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Future lease payments: | | | |
| One year or less | ¥ 1,017 | ¥ 2,153 | \$ 12,403 |
| More than one year | 1,155 | 2,589 | 14,085 |
| | ¥ 2,172 | ¥ 4,742 | \$ 26,488 |

Operating Leases

The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2012 and 2011 were also summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|------------------------|-----------------|----------|------------------------------------|
| | 2012 | 2011 | 2012 |
| Future lease payments: | | | |
| One year or less | ¥ 5,658 | ¥ 3,935 | \$ 69,000 |
| More than one year | 26,869 | 16,865 | 327,671 |
| | ¥ 32,527 | ¥ 20,800 | \$ 396,671 |

16. Financial Instruments

1. Management policy

The Company and its consolidated subsidiaries manage fund surpluses through financial assets that have high levels of safety, and raise funds through bank loans and bond issuances. The Company and its subsidiaries also utilize derivative financial instruments to hedge the risk of exchange rate and interest rate fluctuations and do not enter into derivatives for trading or speculative purposes.

The trade receivables are exposed to credit risk of customers and the Company and its subsidiaries minimize the credit risk in accordance with internal customer credit management rules.

Long-term investments are mainly equity securities. Listed stocks are stated at fair value based on market prices quarterly.

2. Fair value of financial instruments

Fair value and difference compared to the carrying amounts reported in the consolidated balance sheet as of March 31, 2012 and 2011 were as follows:

| | Millions of yen | | |
|----------------------------------------------------|----------------------------------------------------------------------|------------|------------|
| | Carrying amounts reported in the consolidated balance sheet | Fair value | Difference |
| March 31, 2012 | | | |
| (1) Cash and deposits | ¥ 217,519 | ¥ 217,519 | ¥ - |
| (2) Trade receivables | 385,102 | 385,102 | - |
| (3) Short-term and long-term investment securities | 100,805 | 100,806 | 1 |
| (4) Long-term loan receivables | 1,765 | 1,606 | |
| Allowance for doubtful receivables ^{*1} | (219) | | |
| | 1,546 | 1,606 | 60 |
| Assets | 704,972 | 705,033 | 61 |
| (1) Trade payables | 276,354 | 276,354 | - |
| (2) Short-term bank loans | 51,809 | 51,809 | - |
| (3) Long-term debts | 178,516 | 184,233 | 5,717 |
| Liabilities | 506,679 | 512,396 | 5,717 |
| Derivatives ^{*2} | | | |
| [1] Hedge accounting is not applied | (514) | (514) | - |
| [2] Hedge accounting is applied | (20) | (81) | (61) |
| Total | ¥ (534) | ¥ (595) | ¥ (61) |

| | Thousands of U.S. dollars (Note 3) | | |
|----------------------------------------------------|----------------------------------------------------------------------|--------------|------------|
| | Carrying amounts reported in the consolidated balance sheet | Fair value | Difference |
| March 31, 2012 | | | |
| (1) Cash and deposits | \$ 2,652,671 | \$ 2,652,671 | \$ - |
| (2) Trade receivables | 4,696,366 | 4,696,366 | - |
| (3) Short-term and long-term investment securities | 1,229,329 | 1,229,341 | 12 |
| (4) Long-term loan receivables | 21,525 | 19,585 | |
| Allowance for doubtful receivables ^{*1} | (2,671) | | |
| | 18,854 | 19,585 | 731 |
| Assets | 8,597,220 | 8,597,963 | 743 |
| (1) Trade payables | 3,370,171 | 3,370,171 | - |
| (2) Short-term bank loans | 631,817 | 631,817 | - |
| (3) Long-term debts | 2,177,025 | 2,246,744 | (69,719) |
| Liabilities | 6,179,013 | 6,248,732 | (69,719) |
| Derivatives ^{*2} | | | |
| [1] Hedge accounting is not applied | (6,268) | (6,268) | - |
| [2] Hedge accounting is applied | (244) | (988) | (744) |
| Total | \$ (6,512) | \$ (7,256) | \$ (744) |

| | Millions of yen | | |
|----------------------------------------------------|----------------------------------------------------------------------|------------|------------|
| | Carrying amounts reported in the consolidated balance sheet | Fair value | Difference |
| March 31, 2011 | | | |
| (1) Cash and deposits | ¥ 223,848 | ¥ 223,848 | ¥ - |
| (2) Trade receivables | 403,986 | 403,986 | - |
| (3) Short-term and long-term investment securities | 96,356 | 96,358 | 2 |
| (4) Long-term loan receivables | 1,990 | 1,967 | |
| Allowance for doubtful receivables ^{*1} | (203) | | |
| | 1,787 | 1,967 | 180 |
| Assets | 725,977 | 726,159 | 182 |
| (1) Trade payables | 275,525 | 275,525 | - |
| (2) Short-term bank loans | 51,403 | 51,403 | - |
| (3) Long-term debts | 179,343 | 182,745 | 3,402 |
| Liabilities | 506,271 | 509,673 | 3,402 |
| Derivatives ^{*2} | | | |
| [1] Hedge accounting is not applied | (217) | (217) | - |
| [2] Hedge accounting is applied | (20) | (26) | (6) |
| Total | ¥ (237) | ¥ (243) | ¥ (6) |

*1. Allowance for doubtful receivables associated with long-term loan receivables is deducted.

*2. Derivative assets and liabilities are on a net basis.

Note A: Fair value of financial instruments, marketable securities and derivatives.

Assets

(1) Cash and deposits and (2) Trade receivables

The carrying amounts approximate fair value because of the short maturities of these instruments.

(3) Marketable and investment securities

The fair values of equity securities are measured at the quoted market price of the stock exchange and the fair values of debt securities are measured at the quoted price provided by financial institutions.

(4) Long-term loan receivables

The fair values of long-term loans are mainly determined based on the present value of the future cash flows discounted by government bonds rates plus certain credit risk premiums by categories according to the internal ratings. (Long-term loan receivables are included in other assets in the consolidated balance sheet.)

Liabilities

(1) Trade payables and (2) Short-term bank loans

The carrying amounts approximate fair value because of the short maturities of these instruments.

(3) Long-term debts

The fair values of bonds issued by the Company and its subsidiaries are measured based on market price, if available. The fair values of bonds without market price are measured at the present value of total principal and interest discounted by using a rate which reflects its remaining period and credit risk.

The fair values of long-term debts are based on the present value of total principal and interest discounted by using the current borrowing rate for similar debt.

Derivatives

Fair values of forward-exchange contracts are based on the foreign exchange forward market rates. Fair values of interest rate swaps are based on those provided by financial institutions.

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

| | Millions of yen | Thousands of U.S. dollars (Note 3) |
|----------------------------|------------------|------------------------------------|
| March 31, 2012 | Carrying amounts | Carrying amounts |
| Unlisted equity securities | ¥ 18,024 | \$ 219,805 |
| Other | 172 | 2,098 |

| | Millions of yen | Thousands of U.S. dollars (Note 3) |
|----------------------------|------------------|------------------------------------|
| March 31, 2011 | Carrying amounts | Carrying amounts |
| Unlisted equity securities | ¥ 17,907 | \$ 215,747 |
| Other | 184 | 2,217 |

The above are not included in "(3) Marketable and investment securities" because there is no market value and it is extremely difficult to measure the fair value.

17. Derivative Financial Instruments

Nature of Derivative Financial Instruments:

The Company and certain consolidated subsidiaries enter into derivative financial instruments ("derivatives") for foreign currency forward contracts, currency swap contracts, currency option contracts and interest rate swaps to manage the risk arising from fluctuation in foreign currency exchange rates and interest rates. Derivatives related to currency are utilized to hedge foreign exchange risks associated with certain accounts receivable, accounts payable and other debts, including forecasted transactions, denominated in foreign currencies. Interest rate swaps are utilized to hedge interest rate risks on interest-bearing debts. The Company and its subsidiaries do not hold derivatives for speculative purposes.

Derivatives are subject to market risks and credit risks. Because the counterparties to those derivatives are limited to major international financial institutions, the Company and its subsidiaries do not anticipate any losses arising from credit risks. The basic policies for the use of derivatives are established in the Company's internal regulations and the execution and control of derivatives are controlled by the Accounting Department.

Fair value of Derivative Financial Instruments:

The contracted amount and fair value of derivatives at March 31, 2012 and 2011 were as follows:

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

| Millions of yen | | | |
|---------------------------------------------|-------------------|------------|------------------------|
| March 31, 2012 | Contracted amount | Fair value | Unrealized gain (loss) |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | ¥ 7,405 | ¥ (268) | ¥ (268) |
| Euro | 2,044 | (100) | (100) |
| | ¥ 9,449 | ¥ (368) | ¥ (368) |
| Currency swap contracts | | | |
| Receive U.S. dollars, and pay Japanese yen: | ¥ 1,200 | ¥ (124) | ¥ (124) |
| Currency option contracts | | | |
| Buying Euro | ¥ 169 | ¥ (7) | ¥ (7) |
| Selling Euro | 169 | (14) | (14) |
| | ¥ 338 | ¥ (21) | ¥ (21) |

| Thousands of U.S. dollars (Note 3) | | | |
|---------------------------------------------|-------------------|------------|------------------------|
| March 31, 2012 | Contracted amount | Fair value | Unrealized gain (loss) |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | \$ 90,305 | \$ (3,268) | \$ (3,268) |
| Euro | 24,927 | (1,219) | (1,219) |
| | \$ 115,232 | \$ (4,487) | \$ (4,487) |
| Currency swap contracts | | | |
| Receive U.S. dollars, and pay Japanese yen: | \$ 14,634 | \$ (1,512) | \$ (1,512) |
| Currency option contracts | | | |
| Buying Euro | \$ 2,061 | \$ (85) | \$ (85) |
| Selling Euro | 2,061 | (171) | (171) |
| | \$ 4,122 | \$ (256) | \$ (256) |

| Millions of yen | | | |
|---------------------------------------------|-------------------|------------|------------------------|
| March 31, 2011 | Contracted amount | Fair value | Unrealized gain (loss) |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | ¥ 6,114 | ¥ (61) | ¥ (61) |
| Euro | 1,836 | (85) | (85) |
| | ¥ 7,950 | ¥ (146) | ¥ (146) |
| Currency swap contracts | | | |
| Receive U.S. dollars, and pay Japanese yen: | ¥ 1,464 | ¥ (47) | ¥ (47) |
| Currency option contracts | | | |
| Buying Euro | ¥ 215 | ¥ (11) | ¥ (11) |
| Selling Euro | 215 | (13) | (13) |
| | ¥ 430 | ¥ (24) | ¥ (24) |

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

Millions of yen

| March 31, 2012 | Hedged items | Contracted amount | Fair value |
|---------------------------------------------|---------------------------------------------|-------------------|------------|
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | Trade receivables | ¥ 1,048 | ¥ (47) |
| Euro | Trade receivables | 562 | (31) |
| Payables: | | | |
| U.S. dollars | Trade payables | 44 | 0 |
| Japanese yen | Trade payables | 233 | (8) |
| | | ¥ 1,887 | ¥ (86) |
| Currency swap contracts | | | |
| Receive Japanese yen, and pay Danish krone: | Trade payables | ¥ 43 | ¥ 3 |
| Receive U.S. dollars, and pay Japanese yen: | Long-term loan payables | 585 | – |
| | | ¥ 628 | ¥ 3 |
| Currency option contracts | | | |
| Buying U.S. dollars: | Trade receivables | ¥ 42 | ¥ 2 |
| Selling U.S. dollars: | Trade receivables | 53 | (1) |
| | | ¥ 95 | ¥ 1 |
| Interest rate swaps | | | |
| Receive floating and pay fixed | Long-term loan payables and corporate bonds | ¥ 4,275 | ¥ – |

Thousands of U.S. dollars (Note 3)

| March 31, 2012 | Hedged items | Contracted amount | Fair value |
|---------------------------------------------|---------------------------------------------|-------------------|------------|
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | Trade receivables | \$ 12,781 | \$ (573) |
| Euro | Trade receivables | 6,854 | (378) |
| Payables: | | | |
| U.S. dollars | Trade payables | 537 | 0 |
| Japanese yen | Trade payables | 2,841 | (98) |
| | | \$ 23,013 | \$ (1,049) |
| Currency swap contracts | | | |
| Receive Japanese yen, and pay Danish krone: | Trade payables | \$ 524 | \$ 37 |
| Receive U.S. dollars, and pay Japanese yen: | Long-term loan payables | 7,134 | – |
| | | \$ 7,658 | \$ 37 |
| Currency option contracts | | | |
| Buying U.S. dollars: | Trade receivables | \$ 512 | \$ 24 |
| Selling U.S. dollars: | Trade receivables | 646 | (12) |
| | | \$ 1,158 | \$ 12 |
| Interest rate swaps | | | |
| Receive floating and pay fixed | Long-term loan payables and corporate bonds | \$ 52,134 | \$ – |

| | | Millions of yen | |
|------------------------------------|------------------------------------------------|-------------------|------------|
| March 31, 2011 | Hedged items | Contracted amount | Fair value |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | Trade receivables | ¥ 1,175 | ¥ 0 |
| Euro | Trade receivables | 454 | (24) |
| Payables: | | | |
| U.S. dollars | Trade payables | 11 | 0 |
| Japanese yen | Trade payables | 32 | (2) |
| | | ¥ 1,672 | ¥ (26) |
| Interest rate swaps | | | |
| Receive floating and pay fixed | Long-term loan payables and corporate bonds | ¥ 4,425 | ¥ - |

The fair values of currency swap contracts subject to alternative method and interest rate swaps subject to exceptional accrual method are included in the fair values of hedged items, long-term debts, because such hedging instruments are embedded in the corresponding hedged items.

Fair value of derivatives were, in principle, determined based on the market rates.

Foreign currency forward contracts which qualified for hedge accounting was assigned to the associated assets and liabilities or deferred until completion of the forecasted transactions.

18. Contingent Liabilities

The Company and its consolidated subsidiaries were guarantors of bank loans of other companies, amounting to approximately ¥56 million (\$683 thousand) and ¥75 million at March 31, 2012 and 2011, 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, 2012 and 2011, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥704 million (\$8,585 thousand) and ¥704 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 ¥807 million (\$9,841 thousand) and ¥891 million at March 31, 2012 and 2011, respectively.

19. Business Segment Information

Outline of reportable segments:

The Company and its consolidated subsidiaries' reportable segments are components of the group whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance, for which discrete financial information is available. The group's reportable segments consist of Information Communication, Lifestyle and Industrial Supplies, Electronics, and Beverages, based on a classification by commonality in manufacturing and marketing method of products.

Information on sales and profit (loss), identifiable assets/liabilities and other items by business segment.

Millions of yen

| For 2012: | Segment report | | | | | | Consolidated |
|--------------------------------------------|---------------------------|-----------------------------------|-------------|-----------|-------------|------------|--------------|
| | Information Communication | Lifestyle and Industrial Supplies | Electronics | Beverages | Total | Adjustment | |
| Net sales and operating income | | | | | | | |
| Net sales | | | | | | | |
| Outside customers | ¥ 708,531 | ¥ 516,818 | ¥ 224,810 | ¥ 57,069 | ¥ 1,507,228 | ¥ - | ¥ 1,507,228 |
| Intersegment | 6,106 | 6,025 | 2 | 3 | 12,136 | (12,136) | - |
| Total | 714,637 | 522,843 | 224,812 | 57,072 | 1,519,364 | (12,136) | 1,507,228 |
| Segment income | 15,488 | 31,839 | (4,647) | 1,334 | 44,014 | (9,999) | 34,015 |
| Segment assets | ¥ 620,616 | ¥ 565,398 | ¥ 287,957 | ¥ 45,660 | ¥ 1,519,631 | ¥ 89,175 | ¥ 1,608,806 |
| Others | | | | | | | |
| Depreciation and amortization | ¥ 24,041 | ¥ 25,532 | ¥ 40,442 | ¥ 3,436 | ¥ 93,451 | ¥ 2,378 | ¥ 95,829 |
| Amortization of goodwill | 1,586 | 1,672 | 168 | 1 | 3,427 | - | 3,427 |
| Impairment loss | 235 | - | 24,773 | 5 | 25,013 | - | 25,013 |
| Tangible/intangible fixed assets increased | 29,905 | 39,520 | 23,503 | 3,865 | 96,793 | 1,396 | 98,189 |

Thousands of U.S. dollars

| For 2012: | Segment report | | | | | | Consolidated |
|--------------------------------------------|---------------------------|-----------------------------------|--------------|------------|---------------|--------------|---------------|
| | Information Communication | Lifestyle and Industrial Supplies | Electronics | Beverages | Total | Adjustment | |
| Net sales and operating income | | | | | | | |
| Net sales | | | | | | | |
| Outside customers | \$ 8,640,622 | \$ 6,302,659 | \$ 2,741,585 | \$ 695,963 | \$ 18,380,829 | \$ - | \$ 18,380,829 |
| Intersegment | 74,463 | 73,476 | 24 | 37 | 148,000 | (148,000) | - |
| Total | 8,715,085 | 6,376,135 | 2,741,609 | 696,000 | 18,528,829 | (148,000) | 18,380,829 |
| Segment income | 188,878 | 388,281 | (56,671) | 16,268 | 536,756 | (121,939) | 414,817 |
| Segment assets | \$ 7,568,488 | \$ 6,895,098 | \$ 3,511,671 | \$ 556,828 | \$ 18,532,085 | \$ 1,087,500 | \$ 19,619,585 |
| Others | | | | | | | |
| Depreciation and amortization | \$ 293,183 | \$ 311,366 | \$ 493,195 | \$ 41,902 | \$ 1,139,646 | \$ 29,000 | \$ 1,168,646 |
| Amortization of goodwill | 19,342 | 20,390 | 2,049 | 12 | 41,793 | - | 41,793 |
| Impairment loss | 2,866 | - | 302,110 | 61 | 305,037 | - | 305,037 |
| Tangible/intangible fixed assets increased | 364,695 | 481,951 | 286,622 | 47,134 | 1,180,402 | 17,025 | 1,197,427 |

Millions of yen

| For 2011: | Segment report | | | | | | Consolidated |
|--------------------------------------------|---------------------------|-----------------------------------|-------------|-----------|-------------|------------|--------------|
| | Information Communication | Lifestyle and Industrial Supplies | Electronics | Beverages | Total | Adjustment | |
| Net sales and operating income | | | | | | | |
| Net sales | | | | | | | |
| Outside customers | ¥ 715,519 | ¥ 524,529 | ¥ 286,286 | ¥ 63,039 | ¥ 1,589,373 | ¥ - | ¥ 1,589,373 |
| Intersegment | 6,461 | 7,185 | 10 | 6 | 13,662 | (13,662) | - |
| Total | 721,980 | 531,714 | 286,296 | 63,045 | 1,603,035 | (13,662) | 1,589,373 |
| Segment income | 18,145 | 46,790 | 12,223 | 1,249 | 78,407 | (10,588) | 67,819 |
| Segment assets | ¥ 610,457 | ¥ 518,259 | ¥ 387,890 | ¥ 44,377 | ¥ 1,560,983 | ¥ 88,801 | ¥ 1,649,784 |
| Others | | | | | | | |
| Depreciation and amortization | ¥ 24,036 | ¥ 26,070 | ¥ 41,878 | ¥ 3,351 | ¥ 95,335 | ¥ 2,642 | ¥ 97,977 |
| Amortization of goodwill | 1,408 | 1,293 | 161 | - | 2,862 | - | 2,862 |
| Impairment loss | 225 | - | 1,441 | 19 | 1,685 | - | 1,685 |
| Tangible/intangible fixed assets increased | 20,939 | 20,068 | 56,498 | 3,471 | 100,976 | 1,197 | 102,173 |

(Note)
 Effective for the year ended March 31, 2011, the Company adopted the “Accounting Standard for Segment Information” (ASBJ statement No.17, March 27, 2009) and “Guidance on Accounting Standard for Segment Information” (ASBJ Guidance No.20, March 21, 2008).

[Relative information]

Information regarding regions

Millions of yen

| For 2012 : Net sales | Japan | Asia | Other region | Total |
|-------------------------|-------------|-----------|--------------|-------------|
| | ¥ 1,314,934 | ¥ 133,477 | ¥ 58,817 | ¥ 1,507,228 |

Thousands of U.S. dollars (Note 3)

| For 2012 : Net sales | Japan | Asia | Other region | Total |
|-------------------------|---------------|--------------|--------------|---------------|
| | \$ 16,035,780 | \$ 1,627,768 | \$ 717,281 | \$ 18,380,829 |

Millions of yen

| For 2011 : Net sales | Japan | Asia | Other region | Total |
|-------------------------|-------------|-----------|--------------|-------------|
| | ¥ 1,391,676 | ¥ 134,734 | ¥ 62,963 | ¥ 1,589,373 |

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2012 and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (all expressed in Japanese yen).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Report on Internal Control

We have audited management's report on internal control over financial reporting of the consolidated financial statements of Dai Nippon Printing Co., Ltd. as of March 31, 2012.

Management's Responsibility for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our audit. We conducted our internal control audit in conformity with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Dai Nippon Printing Co., Ltd. as of March 31, 2012 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Meiji Audit Corporation

MEIJI AUDIT CORPORATION

Tokyo, Japan
June 28, 2012