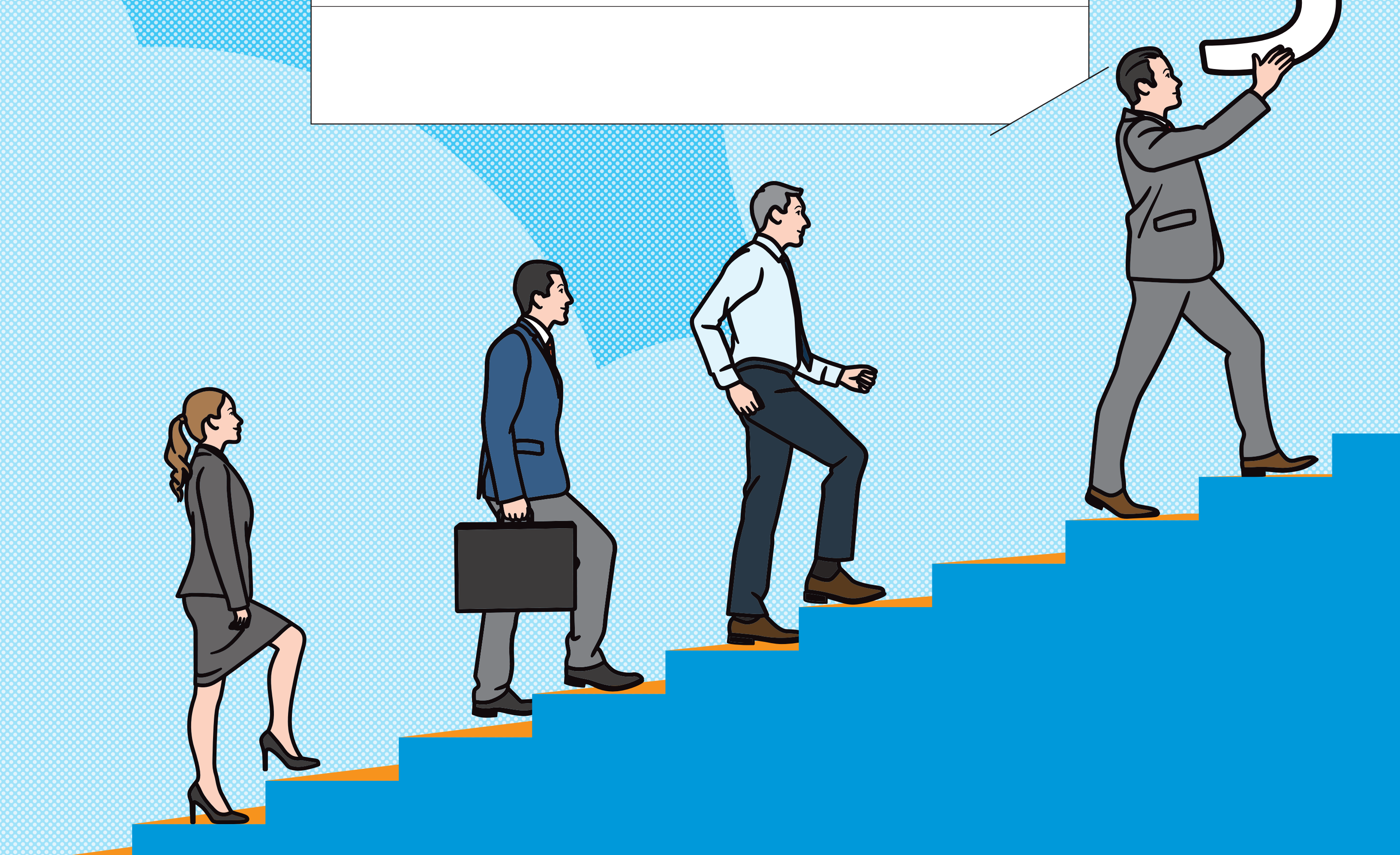
Financial Section

CONTENTS




2
1

Operating Results

Business Environment

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

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

Information Communication

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

  Meanwhile, the domestic e-book market grew a sharp 31% year on year to ¥150.2 billion in 2015. Japan's Research Institute for Publications forecasts the e-book market to expand to ¥289.0 billion in the fiscal year through March 2020, up 92% from the fiscal year through March 2016.
- In the Commercial Printing business, although spending on direct mail and other printed material decreased, an increase in internet advertising contributed to corporate advertising expenditures rising 3.4% year on year in the fiscal year through March 2016 (according to the Ministry of Economy, Trade and Industry). This business was also affected by a decline in printed media amid a shift to internet distribution of product catalogs and instruction manuals.
- In the Business Forms business, ensuring high-level information security is becoming more important as companies face a greater need to safely manage and appropriately use the personal information of employees and customers. Japan's "My Number" citizen ID numbering system commenced full operation in January 2016 and smart cards are now being issued to applicants. Demand also increased for e-money cards such as international brand prepaid cards. The Business Process Outsourcing (BPO) market has expanded as major financial institutions revise their business processes and outsource the production and mailing of various notifications.
- In the Imaging Communication business, the global market for photo printing is gradually contracting, but developed markets are leading a shift toward commercial photo printing systems based on a dry method that uses dye-sublimation thermal transfer printing media, moving away from conventional silver halide printing systems (wet method).

Lifestyle and Industrial Supplies

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

Electronics

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

Beverages

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

Overview

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

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

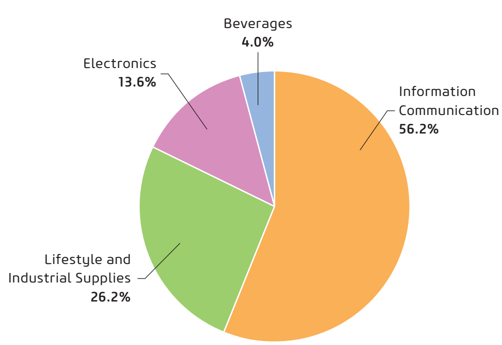
Consolidated operating income in the Information Communication segment grew a sharp 32.3% year on year, driven by photo printing business and growth in smart card (mainly My Number cards) and BPO services. However, the Electronics segment fell 20.8% due to a global slump in LCD TV sales and slower growth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

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

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

Net Sales by Segment

(Year ended March 31, 2016)



Net Sales

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

Information Communication

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

Lifestyle and Industrial Supplies

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

Electronics

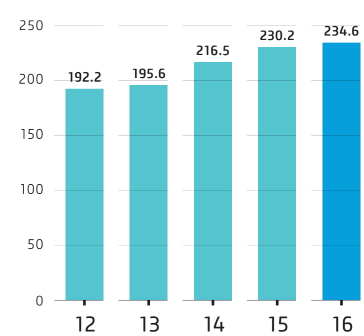
In the Display Products business, sales increased for high-value-added products such as vapor deposition masks (metal masks) used in the production of organic EL panels. However, LCD color filter sales decreased for both large filters and small- and medium-sized filters. For semiconductor photomasks,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

Beverages

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

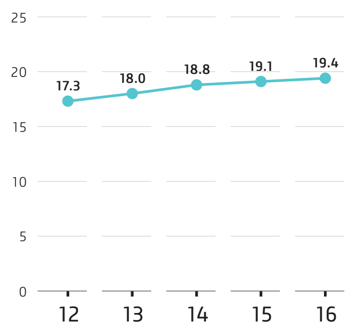
Overseas sales totaled ¥234,586 million in the current fiscal year, up 1.9%, or ¥4,381 million, from the previous year. As a result, the ratio to overall sales was 16.1%, up 0.4 percentage points from 15.7%. By region, sales in Asia (including Indonesia and Taiwan) were down 8.6% year on year at ¥146,925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

DNP's Overseas Sales
(¥ billion)



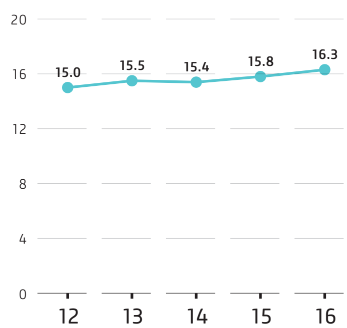
Gross Profit Margin

(%)



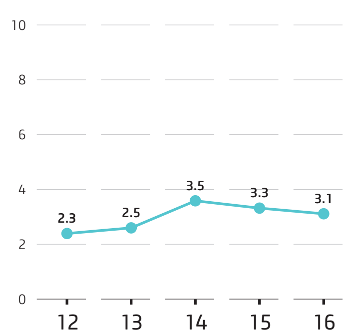
SGA Expenses to Net Sales

(%)



Operating Income Margin

(%)



Cost of Sales

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

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

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

Selling, General and Administrative Expenses

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

Operating Income

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

Information Communication

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

Lifestyle and Industrial Supplies

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

Electronics

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

Beverages

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

Nonoperating Income (Expenses) and Extraordinary Income (Losses)

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

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

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

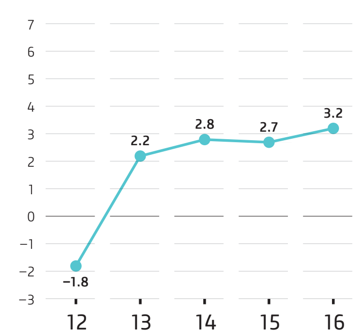
As a result of the above, income before income taxes and non-controlling interests totaled ¥54,841 million, up 7.4%, or ¥3,779 million, from the previous year.

Net Income Attributable to Parent Company Shareholders

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

ROE

(%)



Liquidity and Capital Resources

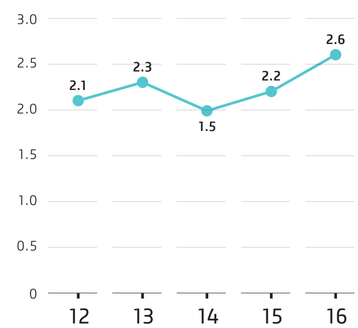
Cash Flow

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

(¥ million)

Interest-bearing Debt to Cash Flow Ratio

(times)



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

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

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

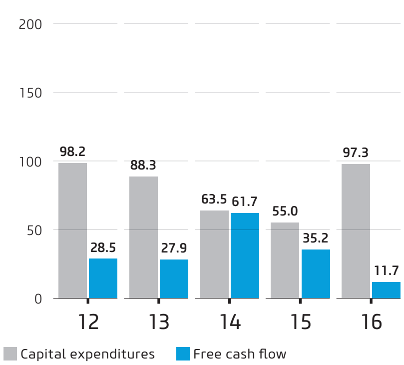
As a result of these activities, cash and cash equivalents at the end of the fiscal year totaled ¥175,513 million, down 17.5%, or ¥37,249 million, from the previous year.

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

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

Capital Expenditures and Free Cash Flow

(¥ billion)



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

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

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

The Balance Sheet

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

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

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

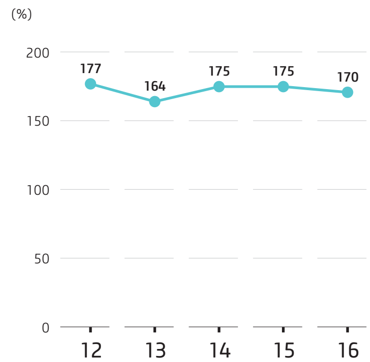
Among long-term assets, property, plant and equipment totaled ¥513,157 million, up 0.1%, or ¥366 million, from the previous year. Intangible assets totaled ¥35,802 million, up 17.1%, or ¥5,219 million. Investments and other assets totaled ¥447,952 million, down 10.9%, or ¥55,014 million. As a result,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

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

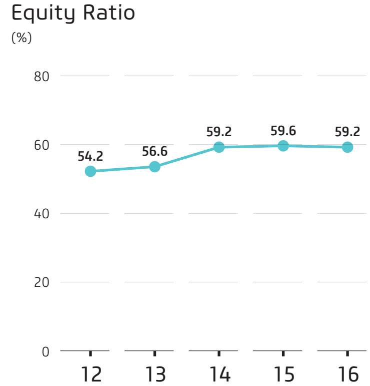
Additionally, net assets totaled ¥1,063,242 million, down 5.4%, or ¥60,850 million.

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

Current Ratio



Equity Ratio



Business risks

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

The following are the major factors that the DNP management views as risks, as of the publication date of this annual report.

The Japanese and overseas economies and consumption trends

DNP engages in a wide range of businesses with an extremely large number of corporate customers, and steadily conducts its business so as not to overly depend on specific customers. DNP does most of its business in the Japanese market, but if consumer spending and other components of domestic demand slump, owing to domestic economic weakness in sympathy with global economic trends, declines in order volume and unit prices may affect its corporate performance.

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

Overseas business activities

DNP conducts overseas business activities in the Americas, Europe, Southeast Asia, and elsewhere, and these activities face risks including social and political turmoil caused not only by economic factors such as unexpected changes in laws and regulations, stricter environmental-related laws and regulations, fragility of industrial infrastructure, and difficulty of hiring and securing personnel, but also by terrorism, war, and other factors. DNP's performance could be affected if its overseas business activities are obstructed as a result of these risks materializing.

Development of new products and services

DNP uses its printing and information technologies to develop products and services that deliver new value to companies, consumers, and society. These development efforts face an accelerating pace of technological innovation and diversification of needs. Going forward, amid expectations for development competition to intensify in Japan and overseas, it is possible that DNP's performance could fluctuate significantly due to a greater-than-expected shortening of product life cycles and changes in market trends.

Strategic business and capital alliances and corporate acquisitions

DNP engages in strategic business and capital alliances and corporate acquisitions, and its performance could be affected if it is unable to achieve initially expected results and synergies as a result of deterioration in the business environment affecting the companies and businesses involved in these alliances and acquisitions.

Fluctuations in raw material procurement

DNP works hard to secure stable supplies and maintain optimal pricing by procuring raw materials such as printing paper and film from multiple suppliers in Japan and overseas. However, there is some potential for temporary imbalances between supply and demand due to sharp fluctuations in petroleum prices, sudden surges in demand from emerging markets, the impact of major disasters, the depletion of natural resources, and climate change.
DNP will respond during such times by negotiating with client companies and business partners, but its performance could be affected if raw materials procurement becomes extremely difficult, if purchasing prices rise sharply, or if other such events occur.

Currency fluctuations

Amid growth in business with overseas customers, DNP expects the impact of foreign exchange to steadily increase. We use such means as foreign exchange forward contracts to hedge the risks of currency fluctuations. Nevertheless, it is possible that radical swings in currency values could have a more serious effect on DNP's performance.

Environmental protection and stricter environmental regulations

DNP is affected by legal regulations in Japan and other countries related to energy conservation, climate change prevention (e.g., reduction of greenhouse gas emissions), reduction of the use of harmful substances, air pollution prevention, water quality protection, waste treatment, and product recycling. These regulations could conceivably be strengthened or changed in the future. In addition, DNP's business could be substantially affected if faced with a situation in which soil is contaminated by harmful substances and it is held responsible for assessment and cleanup.

Information security and personal information protection

Global computer networks and information systems have become essential tools for conducting business, and there are now greater risks of software and hardware defects, computer virus infections, and personal data leaks. DNP regards the protection of data and personal information as a top priority. It is doing all it can to protect and maintain systems and data by strengthening its organization and training employees, but if problems arise in these areas, then its business activity could be affected.

Response to changes in legal regulations

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

Disasters

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

Lawsuits and fines

DNP seeks to establish corporate ethics throughout the group, and works to earn the trust of society by each and every employee complying with laws and regulations in conducting business activities, maintaining higher ethical standards than required by society, and contributing to maintaining and advancing orderly and freely competitive markets with a consistently fair attitude. Nevertheless, DNP's performance could be affected in the event of being subject to lawsuits and resulting fines in Japan or overseas.

Selected Financial Data (unaudited)

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

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

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

Consolidated Financial Statements

Consolidated Balance Sheets

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

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
March 31, 2016 and 2015

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

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

Consolidated Statements of Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Net sales (Note 18)	¥ 1,455,916	¥ 1,462,118	$ 12,884,212
Cost of sales (Note 18)	1,173,203	1,182,954	10,382,327
Gross profit	282,713	279,164	2,501,885
Selling, general and administrative expenses (Notes 11 and 18)	237,241	230,990	2,099,478
Operating income	45,472	48,174	402,407
Other income (expenses) (Note 12):			
Interest and dividends income	5,227	4,138	46,257
Interest expenses	(2,439)	(2,453)	(21,584)
Equity in earnings of affiliates	3,696	2,171	32,708
Foreign exchange transaction gain (loss)	(497)	1,754	(4,398)
Net loss on sale or disposal of property, plant and equipment	(1,609)	(1,941)	(14,239)
Net gain on sales of investment securities	15,111	4,456	133,726
Loss on devaluation of investment securities	(924)	(67)	(8,177)
Loss on business integration	–	(4,342)	–
Production restructuring costs	(2,265)	–	(20,044)
Repair costs	(7,672)	–	(67,894)
Other	741	(828)	6,557
	9,369	2,888	82,912
Income before income taxes and non-controlling interests	54,841	51,062	485,319
Income taxes (Note 13):			
Current	13,349	14,097	118,133
Deferred	6,788	8,475	60,071
	20,137	22,572	178,204
Net income	¥ 34,704	¥ 28,490	$ 307,115
Net income attributable to non-controlling shareholders	1,116	1,566	9,876
Net income attributable to parent company shareholders	33,588	26,924	297,239

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

Consolidated Statements of Comprehensive Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

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

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

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

Consolidated Statements of Changes in Net Assets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

		Millions of yen									
		Stockholders' equity				Accumulated other comprehensive income					
	Number of shares issued (in thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Stock acquisition rights	Non-controlling interests
Balance at March 31, 2014	700,480	114,464	144,898	727,070	(94,322)	34,598	3	145	5,473	16	44,040
Cumulative effects of changes in accounting policies	–	–	–	4,001	–	–	–	–	–	–	(506)
Adjusted balance at March 31, 2014	700,480	114,464	144,898	731,071	(94,322)	34,598	3	145	5,473	16	43,534
Changes of items during the period											
Net income attributable to parent company shareholders	–	–	–	26,924	–	–	–	–	–	–	–
Cash dividends paid	–	–	–	(20,622)	–	–	–	–	–	–	–
Changes resulting from change of scope of consolidation	–	–	–	(141)	–	–	–	–	–	–	–
Changes resulting from change of scope of equity method	–	–	–	10	–	–	–	–	–	–	–
Purchases of treasury stock	–	–	–	–	(67)	–	–	–	–	–	–
Disposal of treasury stock	–	–	–	(1)	3	–	–	–	–	–	–
Changes in valuation difference on available-for-sale securities	–	–	–	–	–	113,316	–	–	–	–	–
Changes in deferred gains (losses) on hedges	–	–	–	–	–	–	(3)	–	–	–	–
Changes in foreign currency translation adjustments	–	–	–	–	–	–	–	7,102	–	–	–
Changes in remeasurements of defined benefit plans	–	–	–	–	–	–	–	–	15,977	–	–
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,714
Other	–	–	0	–	0	–	–	–	–	–	–
Total changes of items during the period	–	–	0	6,170	(64)	113,316	(3)	7,102	15,977	–	1,714
Balance at March 31, 2015	700,480	114,464	144,898	737,241	(94,386)	147,914	(0)	7,247	21,450	16	45,248
Changes of items during the period											
Net income attributable to parent company shareholders	**–**	**–**	**–**	**33,588**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash dividends paid	**–**	**–**	**–**	**(20,376)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Purchases of treasury stock	**–**	**–**	**–**	**–**	**(20,067)**	**–**	**–**	**–**	**–**	**–**	**–**
Disposal of treasury stock	**–**	**–**	**–**	**(1)**	**2**	**–**	**–**	**–**	**–**	**–**	**–**
Retirement of treasury stock	**(20,000)**	**–**	**–**	**(33,422)**	**33,422**	**–**	**–**	**–**	**–**	**–**	**–**
Changes in valuation difference on available-for-sale securities	**–**	**–**	**–**	**–**	**–**	**(24,436)**	**–**	**–**	**–**	**–**	**–**
Changes in deferred gains (losses) on hedges	**–**	**–**	**–**	**–**	**–**	**–**	**(7)**	**–**	**–**	**–**	**–**
Changes in foreign currency translation adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,196)**	**–**	**–**	**–**
Changes in remeasurements of defined benefit plans	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,300)**	**–**	**–**
Changes in non-controlling interests	**–**	**–**	**(615)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**554**
Other	**–**	**–**	**–**	**–**	**4**	**–**	**–**	**–**	**–**	**–**	**–**
Total changes of items during the period	**(20,000)**	**–**	**(615)**	**(20,211)**	**13,361**	**(24,436)**	**(7)**	**(4,196)**	**(25,300)**	**–**	**554**
Balance at March 31, 2016	**680,480**	**114,464**	**144,283**	**717,030**	**(81,025)**	**123,478**	**(7)**	**3,051**	**(3,850)**	**16**	**45,802**

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

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

Consolidated Statements of Cash Flows

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2016 and 2015	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 3) 2016
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 54,841	¥ 51,062	$ 485,319
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation	65,310	67,034	577,965
Impairment loss on fixed assets	110	79	973
Provision for doubtful receivables (net)	(1,393)	700	(12,327)
Net defined benefit asset (net)	(15,312)	(14,799)	(135,504)
Net defined benefit liability (net)	(8)	151	(71)
Equity in earnings of affiliates	(3,696)	(2,171)	(32,708)
Amortization of consolidation goodwill (net)	2,201	1,989	19,478
Interest and dividends income	(5,227)	(4,138)	(46,257)
Interest expenses	2,439	2,453	21,584
Net gain on sales of investment securities	(15,111)	(4,456)	(133,726)
Loss on devaluation of investment securities	924	67	8,177
Net loss on sale or disposal of property, plant and equipment	1,665	1,980	14,735
Changes in assets and liabilities			
Trade receivables	17,881	(12,507)	158,239
Inventories	(10,532)	(5,711)	(93,204)
Trade payables	(4,726)	4,767	(41,823)
Other assets and liabilities	178	14,872	1,575
Sub-total	89,544	101,372	792,425
Extra retirement payments	(991)	(153)	(8,770)
Payments of income taxes	(15,924)	(15,488)	(140,920)
Net cash provided by operating activities	72,629	85,731	642,735
Cash flows from investing activities:			
Net decrease in time deposits	38	2,161	336
Payments for purchases of property, plant and equipment	(64,416)	(52,627)	(570,053)
Proceeds from sales of property, plant and equipment	2,792	3,961	24,708
Payments for purchases of investment securities	(5,664)	(2,330)	(50,124)
Proceeds from sales of investment securities	19,950	7,846	176,549
Payments for purchases of intangible assets	(8,702)	(8,989)	(77,009)
Payments for acquisition of subsidiaries' shares, resulting in consolidation scope change	(8,981)	(675)	(79,478)
Interest and dividends received	6,179	4,990	54,681
Other investing	(2,079)	(4,877)	(18,398)
Net cash used in investing activities	(60,883)	(50,540)	(538,788)
Cash flows from financing activities:			
Net increase in short-term bank loans	2,131	4,029	18,858
Proceeds from long-term debt	5,803	11,153	51,354
Repayments of long-term debt	(10,553)	(10,232)	(93,389)
Proceeds from issuance of debentures	4,718	2,947	41,752
Payments for redemption of debentures	(1,050)	(1,850)	(9,292)
Interest paid	(2,436)	(2,443)	(21,558)
Dividends paid	(20,381)	(20,613)	(180,363)
Dividends paid to non-controlling shareholders	(453)	(365)	(4,009)
Payments for purchases of treasury stocks	(20,068)	(68)	(177,593)
Payments for purchase of stock in subsidiaries not resulting in a change in the scope of consolidation	(152)	–	(1,345)
Other financing	(4,725)	(6,423)	(41,814)
Net cash used in financing activities	(47,166)	(23,865)	(417,399)
Effect of exchange rate changes on cash and cash equivalents	(1,829)	2,790	(16,186)
Net increase (decrease) in cash and cash equivalents	(37,249)	14,116	(329,638)
Cash and cash equivalents at beginning of year	212,762	199,813	1,882,850
Increase in cash and cash equivalents resulting from change of scope of consolidation	–	64	–
Decrease in cash and cash equivalents resulting from merger of consolidated subsidiaries	–	(1,274)	–
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	43	–
Cash and cash equivalents at end of year	¥ 175,513	¥ 212,762	$ 1,553,212

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

Notes to Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2016 and 2015

1. Basis of Presenting the Consolidated Financial Statements

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

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency of Japan as required by the Financial Instruments and Exchange Act of Japan. Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. Certain reclassifications have also been made in the 2015 financial statements to conform with current classifications. In addition, the notes to the consolidated financial statements include additional information which is not required for disclosure under accounting principles and practices generally accepted in Japan.

2. Significant Accounting Policies

Consolidation

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

Consolidated financial statements include the accounts of the Company and 114 consolidated subsidiaries. Some subsidiaries are consolidated with their fiscal year ends that differ from that of the Company. Significant transactions that took place between their fiscal year ends and the Company's fiscal year end are reflected in the consolidated financial statements.

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

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

The differences between costs and underlying net assets at the date of investment in consolidated subsidiaries are included in other assets and are amortized over a period mainly for five years.

Translation of foreign currency accounts

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

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

Cash and cash equivalents

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

Inventories

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

Marketable securities and investment securities

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

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

Property, plant and equipment and depreciation

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

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

The estimated useful lives for depreciation purposes range as follows:

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

Assets with an acquisition cost of ¥100,000 ($885) or more per unit and less than ¥200,000 ($1,770) per unit are depreciated over three years on a straight-line basis, whereby one-third of such acquisition cost may be taken as depreciation expense each year.

Leased assets

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

Intangible assets

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

Impairment of fixed assets

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

Employees' retirement benefits

The Company and domestic significant consolidated subsidiaries applied the accounting standard for employees' retirement benefits. Under the accounting standard, accrued pension and liability for employees' retirement benefits has been provided based on the estimated amounts of projected pension and severance obligation and fair value of plan assets at the end of the fiscal year. Benefit formula basis is applied for the method of attributing expected retirement benefits to periods. Prior service cost is being amortized as incurred by the straight-line method over the period within the average remaining service periods (primarily 6 years) of the eligible employees. Actuarial gains and losses have been amortized from the following fiscal year by the declining-balance method over the periods within the average remaining service periods (primarily 9 years) of the eligible employees.

Research and development expenses

Research and development expenses are charged to income as incurred.

Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Act for Partial Amendment of the Income Tax Act, etc., (Act No.15 of 2016) and The Act for Partial Amendment, etc. of the Local Tax Act, etc., (Act No.13 Of 2016) were enacted on March 29, 2016.

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

As a result of these changes in the corporate tax rate, deferred tax liabilities (net of deferred tax assets) decreased by ¥1,870 million ($16,549 thousand), and income taxes-deferred increased by ¥959 million ($8,487 thousand). In addition, the valuation difference on available-for-sale securities increased by ¥2,899 million ($25,655 thousand), net deferred gains (losses) on hedges increased by ¥-0 million ($-0 thousand), and remeasurements of defined benefit plans increased by ¥-70 million ($-619 thousand).

Derivatives and hedging activities

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

Derivatives are carried at fair value and changes in fair value are recognized as gains or losses, unless the derivatives are used for hedging purposes.

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

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

Net assets and income per common share

Net assets per common share were computed based on the number of shares outstanding after deducting treasury stock at March 31, 2016 and 2015, respectively.

Net income per share was computed based on the average number of shares of common stock outstanding after deducting treasury stocks during each year. Necessary adjustments were made on the net income or the number of shares for diluted net income per share in order to reflect dilutive effects.

Change in accounting policies

Application of "Accounting Standard for Business Combinations"

The Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013), and other accounting standards. As a result, the Company now records any differences resulting from changes in its ownership interests in subsidiaries subject to ongoing control under capital surplus, and records acquisition-related costs as expenses in the fiscal year in which they are incurred.

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

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

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

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

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

These changes have an immaterial impact on the financial statements for the current fiscal year.

3. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen in accordance with accounting principles generally accepted in Japan. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the readers, at the rate of ¥113=U.S. $1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2016. Such translations should not be construed as representations that the Japanese yen at that or any other rate could be converted into U.S. dollars.

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2016 and 2015 were comprised of the following:

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

5. Marketable Securities and Investment Securities

The carrying amount and aggregate fair value of marketable and investment securities classified as held-to-maturity debt securities as of March 31, 2016 and 2015 were as follows:

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

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

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

The acquisition cost and aggregate fair value of marketable and investment securities classified as available-for-sale securities including those with no fair value as of March 31, 2016 and 2015 were as follows:

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

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

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

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

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

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

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

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

6. Inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Retirement Benefits

The Company and its subsidiaries have several retirement plans covering all of their employees, i.e. defined benefit corporate pension plan, a governmental welfare contributory pension plan, lump-sum retirement plan and defined contribution pension plan. Upon retirement or termination of employment for reasons other than the cause of dismissal, employees are entitled to lump-sum payments based on the current rate of pay, length of services and accumulated number of points determined based on the employment services.

Under the Defined Benefit Pension Plan Law, the Company has established new defined benefit pension plans on March 1, 2005 under which most of the retirement benefit liability of the Company and its subsidiaries is covered by the employees' pension fund.

The reconciliation of beginning and ending balances of the projected benefit obligation at March 31, 2016 and 2015 were as follows:

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

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

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

The reconciliation of projected benefit obligation and plan assets to net defined benefit liability and asset recognized in the consolidated balance sheets as of March 31, 2016 and 2015 were as follows:

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

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

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

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

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

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

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

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

	2016	2015
Discount rate	0.6%	1.3%
Long-term expected rate of return on plan assets	2.5%	2.5%

9. Net Assets

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. However, its articles of incorporation have not stipulated that the Board of Directors may declare dividends at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

Cash dividends of ¥16.00 ($0.1) per share, aggregating ¥10,066 million ($89,080 thousand) were approved at the general stockholders' meeting held in June 29, 2016 with respect to the year ended March 31, 2016.

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

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

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

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

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

11. Selling, General and Administrative Expenses

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

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

12. Other Income (Expenses)

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

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

13. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

In addition, the statutory tax rate will change approximately from 32.3% to 30.9% effective for the fiscal years beginning on or after April 1, 2016 until March 31, 2018 and to 30.6% afterwards. These changes were caused by the revision of the Income Tax Act, etc., in 2016. (Refer to 2. Significant Accounting Policies: Income Taxes)

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

The following is a reconciliation of the difference between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2016 and 2015, respectively.

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

Net deferred tax assets (liabilities) at March 31, 2016 and 2015, resulting from temporary differences between the carrying amounts and the tax bases of assets and liabilities were reflected on the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Prepaid expenses and other current assets	¥ 10,744	¥ 8,540	$ 95,080
Other assets	6,732	6,601	59,575
Other current liabilities	¥ (20)	¥ (29)	$ (177)
Other long-term liabilities	(48,884)	(65,861)	(432,602)
Net deferred tax assets (liabilities)	¥ (31,428)	¥ (50,749)	$ (278,124)

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

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

14. Leases

Operating Leases

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

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

15. Financial Instruments

1. Management policy

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

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

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

2. Fair value of financial instruments

Fair value and difference compared to the carrying amounts reported in the consolidated balance sheets as of March 31, 2016 and 2015 were as follows:

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

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

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

*1. Allowance for doubtful receivables associated with long-term loan receivables is deducted.
*2. Derivative assets and liabilities are on a net basis.

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

Assets

(1) Cash and deposits and (2) Trade receivables
The carrying amounts approximate fair value because of the short maturities of these instruments.

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

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

Liabilities

(1) Trade payables and (2) Short-term bank loans
The carrying amounts approximate fair value because of the short maturities of these instruments.

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

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

Derivatives

Information about the fair value for derivatives is included in Note 16.

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

March 31, 2016	Carrying amounts (Millions of yen)	Carrying amounts (Thousands of U.S. dollars (Note 3))
Unlisted equity securities	**¥ 56,934**	**$ 503,841**
Other	**140**	**1,239**

March 31, 2015	Carrying amounts (Millions of yen)
Unlisted equity securities	¥ 55,444
Other	255

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

16. Derivative Financial Instruments

Nature of Derivative Financial Instruments:

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

Derivatives are subject to market risks and credit risks. Because the counterparties to those derivatives are limited to major international financial institutions, the Company and its subsidiaries do not anticipate any losses arising from credit risks. The Accounting Department controls and executes derivatives based on the internal policies of the Company.

Fair value of derivatives:

The contracted amount and fair value of derivatives at March 31, 2016 and 2015 were as follows:

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

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

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

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

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

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

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

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

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

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

17. Contingent Liabilities

The Company and its consolidated subsidiaries were guarantors of bank loans of other companies, amounting to approximately ¥7 million ($62 thousand) and ¥22 million at March 31, 2016 and 2015, respectively. It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of trade accounts receivable and to subsequently discount such notes at banks. At March 31, 2016 and 2015, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥628 million ($5,558 thousand) and ¥625 million, respectively. One of the consolidated domestic subsidiaries securitized deposits for its leased property and sold them to third parties for ¥758 million ($6,708 thousand) and ¥1,119 million at March 31, 2016 and 2015, respectively.

18. Business Segment Information

Outline of reportable segments:

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

Changes in reportable business segments, etc.

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

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

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

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

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

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

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

[Relative information]

Information regarding regions

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

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

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

Independent Auditors’ Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2016 and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (all expressed in Japanese yen).

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Report on Internal Control

We have audited management’s report on internal control over financial reporting of the consolidated financial statements of Dai Nippon Printing Co., Ltd. as of March 31, 2016.

Management’s Responsibility for Report on Internal Control

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Dai Nippon Printing Co., Ltd. as of March 31, 2016 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Ark Meiji Audit & Co.

ARK MEIJI AUDIT & Co.

Tokyo, Japan
June 29, 2016