

DNP

Integrated Report 2018



**DNP will realize its
“Third Corporate Founding”
by synergizing its internal
and external strengths
to create value that
leads to the solving of
issues facing society.**

These are photographs of the employees introduced in the fiscal
2017 Group in-house magazine (published four times per year).



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Today’s Innovation is “Tomorrow’s Basic”

~Creation of New Value That Leads to the Solving of Issues Facing Society~

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About the Cover Illustration

Our design reflects the corporate philosophy espoused in DNP Group Vision 2015: “The DNP Group connects individuals and society and provides new value.” It is a collage of related motifs, which include businesses based on four growth areas, the environment and society, and TAIWA (dialogue) and cooperation, expressed in a visual embodying the future of society. The letters “D,” “N” and “P” are hidden within the graphic.

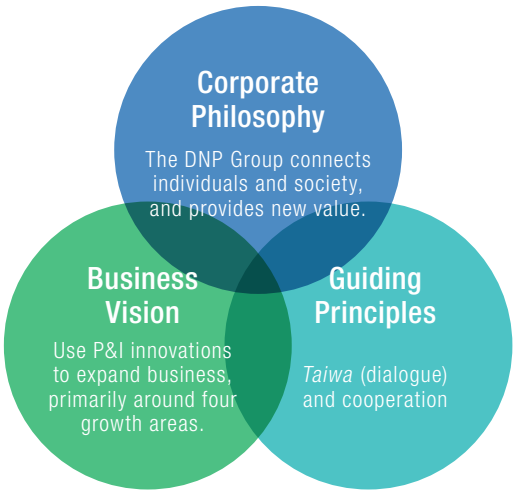


Design by groovisions

Design studio established in 1993. Primarily focused on graphics and video, groovisions works in a wide variety of media including music, print, product and interior design, fashion and the Web. Main projects include CD packages for RIP SLYME and FPM and other recording artists, and package design for GRAND KIRIN and JINS SCREEN, art direction for Metro min. magazine and other publications, art direction at exhibitions such as SAGAN GA, and motion graphics production at Nippon TV’s NEWS ZERO and ggg’s (Ginza Graphic Gallery’s) 301st exhibition, among others.

DNP Group Vision 2015

The DNP Group’s basic management policies announced in October 2015. The vision is comprised of three main elements, the first of which is central: Corporate Philosophy, Business Vision and Guiding Principles.



The DNP Group Code of Conduct

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

- 1. Contributing to the development of society
- 1. Social contribution as a good corporate citizen
- 1. Compliance with the law and social ethics
- 1. Respect for human dignity and diversity
- 1. Environmental conservation and realization of a sustainable society
- 1. Realization of a “universal society”
- 1. Ensuring the safety and quality of our products and services
- 1. Ensuring information security
- 1. Proper disclosure of information
- 1. Realization of a safe and vibrant workplace

Three Corporate Responsibilities

Three important obligations DNP have to fulfil to remain a company that can always be fully trusted by its various stakeholders.

1. Value Creation

The first and most fundamental responsibility of a corporation to society is “providing new value to society.” We must make a connection between the offering of products and services necessary to the sustainable development of society and the growth of the company. DNP will continue to provide high value which contributes to the solution of social issues through our Business Vision.

2. Integrity in Conduct

The second responsibility is “practicing fairness and impartiality in value creation processes.” No matter how superior or useful to society the value produced is, value is compromised if, for example, environmental damage occurs or laws are broken during the value creation process. Therefore, DNP seeks to fulfill this responsibility by ensuring that all employees always conduct business with integrity in accordance with the DNP Group Code of Conduct.

3. Transparency (Accountability)

Finally, the third vital corporate responsibility is “being a company that is accountable and highly transparent.” DNP achieves accountability by encouraging all employees, during the course of their regular duties, to engage in TAIWA with stakeholders, listen to their opinions and provide correct information themselves.

Editorial Policy

In order to realize our corporate philosophy, it is essential to conduct integrated business activities based on the concept of utilizing financial and non-financial capital in an integrated manner as well as swift and accurate decision-making. Also, to gain the understanding of our stakeholders, we believe in the importance of disclosing information with sincerity about our integrated thinking and corporate activities. In the first Integrated Report for DNP, we provide multifaceted and

integrated coverage not only of financial information but also DNP’s overall business activities, including environmental, social and governance (ESG) criteria. DNP will fulfill our accountability by disclosing information in a timely and appropriate manner through a variety of tools in addition to this report, including our corporate website, “Yoho”annual securities report, shareholders’ report, CSR report and environmental report, etc.

- ◇ Period covered by this report: April 1, 2017 to March 31, 2018
However, reporting is not confined to this period regarding some contents.
- ◇ Scope of report: All companies and divisions of the DNP Group
In this report, “DNP” refers to the entire DNP Group, and “we” refers to DNP or the DNP management team.
(In the section on Corporate Governance (pages 60-70), “DNP” refers to Dai Nippon Printing Co., Ltd.)
- ◇ Issued: October 2018 (Next scheduled issue: October 2019)

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

Our Products and Services

Information Communication

Publishing Business

●Publishing & Media Services

1 Books and magazines 2 Hybrid bookstore network “honto”

●Education and Publications Distribution

3 Maruzen & Junkudo Bookstore in Shibuya (Tokyo)

Information Innovation Business

●Marketing

4 Flyers and catalogs 5 Point-of-purchase advertising

6 Electronic paper 7 Energy-efficient digital signage

●BPO (Business Process Outsourcing)

8 DNP's Kamiya Solutions Center

●Information Security

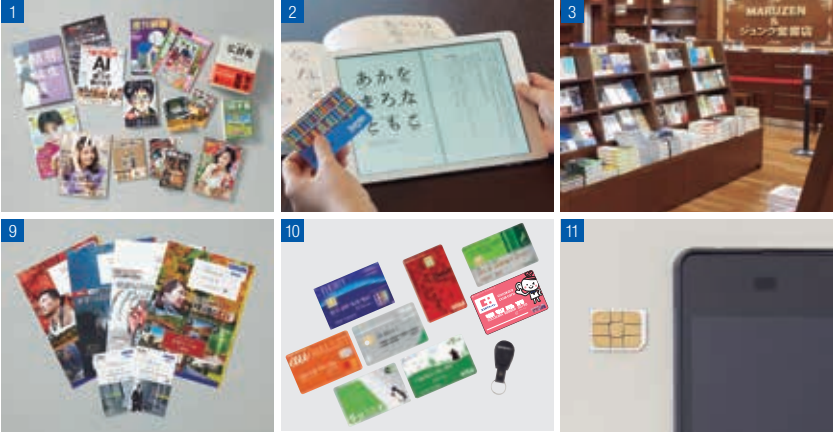
9 Personalized mail 10 Smart cards and magnetic cards 11 SIM card

12 Cloud payment services 13 Transparent hologram ribbon

Imaging Communication Business

14 Dye-sublimation thermal transfer printing media and thermal mass transfer printing media

15 Dye-sublimation photo printer 16 Ki-Re-i ID photo kiosk



Lifestyle & Industrial Supplies

Packaging Business

17 Packaging 18 In-mold label container

19 Barrier film for packages 20 Biobased packaging materials

21 PET plastic bottles (left and center) and preforms (right)

22 Aseptic filling systems for PET plastic bottles

23 Comprehensive packaging evaluation services

24 Film medium for microorganism testing

Living Spaces Business

25 Residential interior materials (floor coverings)

26 Residential interior materials (wall coverings)

27 Exterior materials for buildings

28 Automotive interior materials

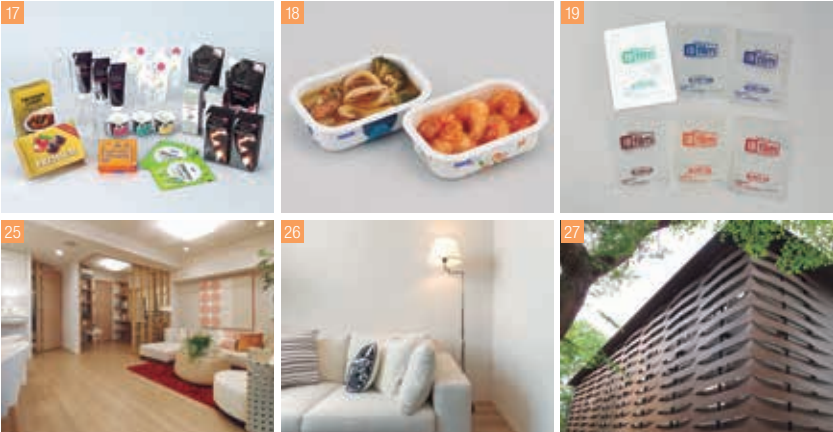
29 Interior coverings for railway cars (Hokuriku Shinkansen)

Industrial Supplies Business

30 Photovoltaic module components

31 Lighting film (left: with film, right: without film)

32 Lithium-ion battery components



Electronics

Display Components Business

33 Color filter for liquid crystal display

34 Large-scale photomask

35 Touch panel sensor

36 Optical films used for displays

37 Electrode film for capacitive touch panels

38 Digital shelves

Electronic Devices Business

39 Semiconductor photomask

40 Master template for nanoimprinting

41 Hard disk drive suspension

42 Lead frame for compact semiconductor package

43 Metal substrate for LED light

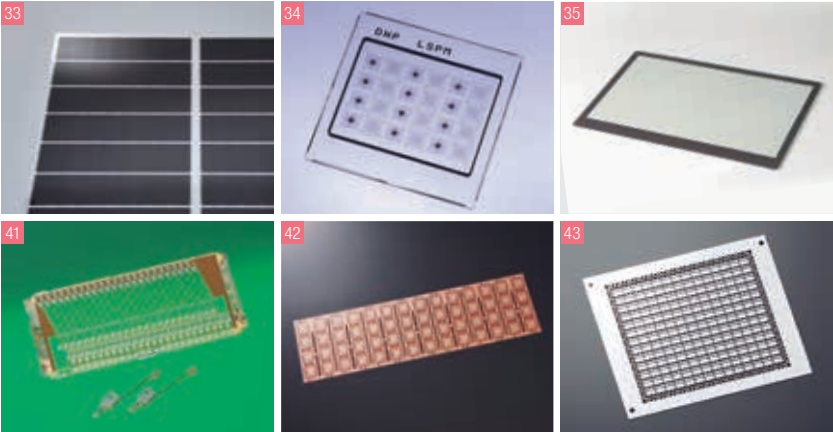
44 Camera module

45 Image enhancement LSI

46 NFC (near field communication) module

47 Electronic paper display system

48 MEMS (micro electro mechanical systems) products



Overview of Performance

Summary of Financial Results

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

| | 2018 | 2017 | 2016 | U.S.dollars in thousands except per share amounts 2018 | Change 2018/2017 |
|--|-------------|-------------|-------------|---|---------------------|
| Statements of Operations (¥ million) | | | | | |
| Net sales | ¥ 1,412,252 | ¥ 1,410,173 | ¥ 1,455,916 | \$ 13,323,122 | 0.1 % |
| Operating income | 46,372 | 31,411 | 45,472 | 437,472 | 47.6 % |
| Ordinary income | 50,971 | 36,740 | 52,651 | 480,858 | 38.7 % |
| Income before income taxes | 45,396 | 39,831 | 54,840 | 428,264 | 14.0 % |
| Net income attributable to parent company shareholders | 27,501 | 25,226 | 33,587 | 259,443 | 9.0 % |
| Balance Sheets (¥ million) | | | | | |
| Total net assets | ¥ 1,102,551 | ¥ 1,081,286 | ¥ 1,063,241 | \$ 10,401,424 | 2.0 % |
| Interest-bearing debt | 170,105 | 169,135 | 189,820 | 1,604,764 | 0.6 % |
| Total assets | 1,810,499 | 1,741,904 | 1,718,636 | 17,080,179 | 3.9 % |
| Cash Flow Statements (¥ million) | | | | | |
| Cash flow from operating activities | ¥ 48,457 | ¥ 71,945 | ¥ 72,629 | \$ 457,142 | -32.6 % |
| Cash flow from investing activities | 23,075 | 14,012 | (60,883) | 217,688 | 64.7 % |
| Cash flow from financing activities | (42,771) | (45,223) | (47,166) | (403,500) | -5.4 % |
| Free cash flow*1 | 71,532 | 85,957 | 11,746 | 674,830 | -16.8 % |
| Per Share Data (¥)*2, 3 | | | | | |
| Net income — primary | ¥ 90.77 | ¥ 81.57 | ¥ 53.10 | \$ 0.86 | 11.3 % |
| Net income — fully diluted | 90.71 | 81.55 | 53.06 | 0.86 | 11.2 % |
| Net assets | 3,493.79 | 3,361.10 | 1,618.63 | 32.96 | 3.9 % |
| Cash dividend | 48 | 32 | 32 | 0.45 | — |
| Profit Margins (%) | | | | | |
| Operating income margin | 3.28 | 2.23 | 3.12 | 3.28 | 1.05 |
| EBITDA margin | 7.70 | 7.34 | 8.42 | 7.70 | 0.36 |
| Net income to net sales | 1.95 | 1.79 | 2.31 | 1.95 | 0.16 |
| Financial Ratios | | | | | |
| ROE (%) | 2.63 | 2.46 | 3.20 | 2.63 | 0.17 |
| ROA (%) | 1.55 | 1.46 | 1.90 | 1.55 | 0.09 |
| D/E ratio (%) | 16 | 16 | 19 | 16 | — |
| Interest coverage ratio (times) | 23.60 | 16.59 | 20.79 | 23.6 | — |
| Valuations (against share price on March 31) | | | | | |
| PER (times) | 24.22 | 29.43 | 18.84 | 24.22 | — |
| PBR (times) | 0.63 | 0.71 | 0.62 | 0.63 | — |
| EV/EBITDA (times) | 5.30 | 6.69 | 5.23 | 5.30 | — |
| PCFR (times) | 7.48 | 8.52 | 6.36 | 7.48 | — |
| Dividend yield (%) | 2.18 | 2.67 | 3.20 | 2.18 | -0.49 |
| Values of shares repurchased | | | | | |
| Returns to shareholders (¥ million) | 14,998 | 14,999 | 19,998 | \$ 141,491 | — |
| Dividend payout ratio (%) | 70.50 | 78.50 | 60.30 | 70.50 | — |
| Others | | | | | |
| Long-term credit rating (R&I) | AA- | AA- | AA- | AA- | — |
| Foreign ownership (%) | 24.58 | 23.91 | 22.01 | 24.58 | — |

U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2018.

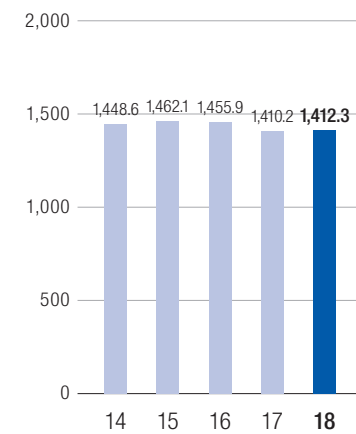
*1. Free cash flow = net cash from operating activities + net cash from investing activities

*2. DNP implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, DNP has estimated net income per share and diluted net income per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

*3. Cash dividends per share of ¥48.00 for the fiscal year through March 2018 is the combined total of interim cash dividends per share of ¥16.00 and year-end cash dividends per share of ¥32.00.

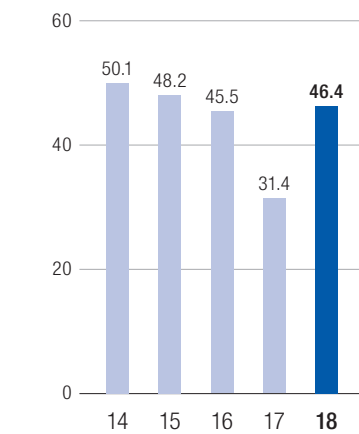
Net Sales

(¥ billion)



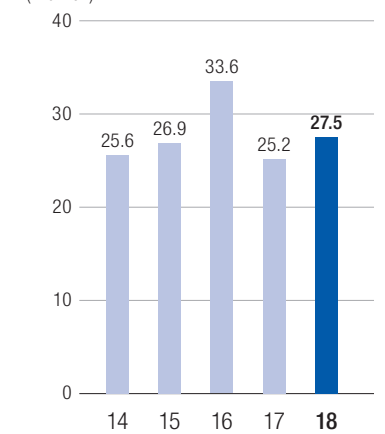
Operating Income

(¥ billion)



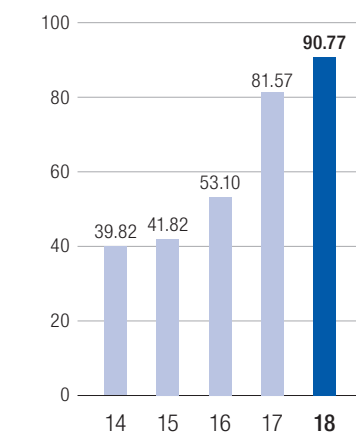
Net Income Attributable to Parent Company Shareholders

(¥ billion)



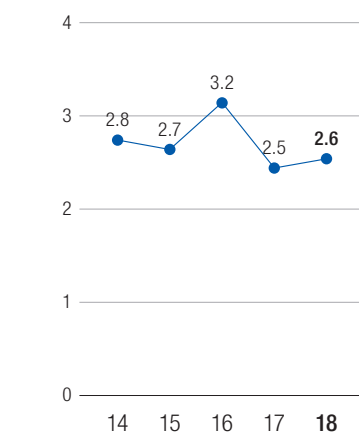
Net Income per Share

(¥)



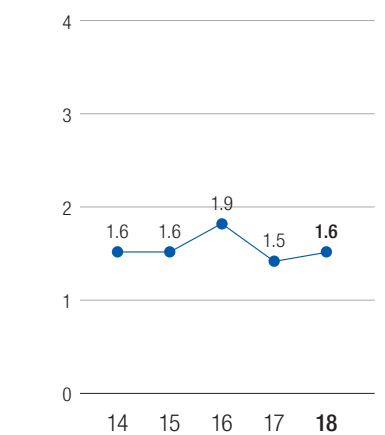
ROE

(%)



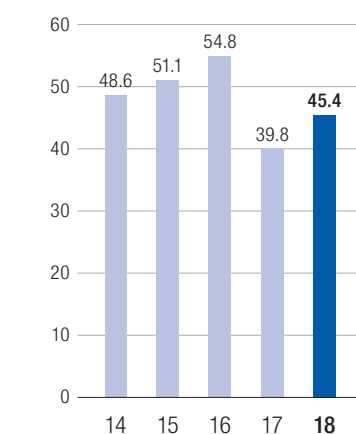
ROA

(%)



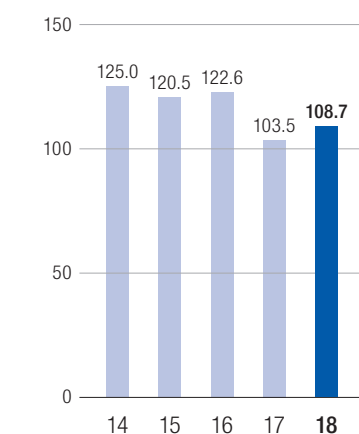
Income before Income Taxes

(¥ billion)



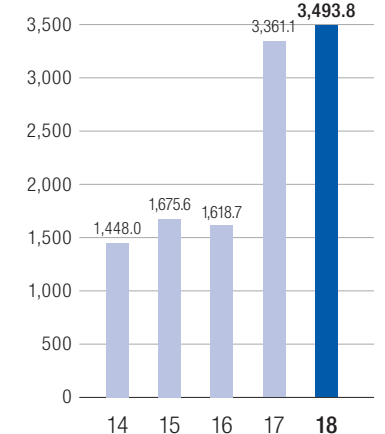
EBITDA

(¥ billion)



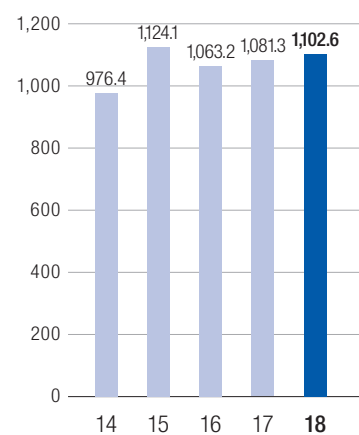
Net Assets per Share

(¥)



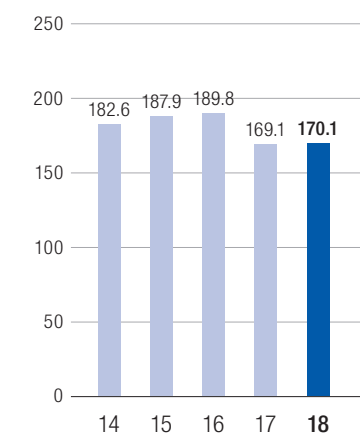
Total Net Assets

(¥ billion)



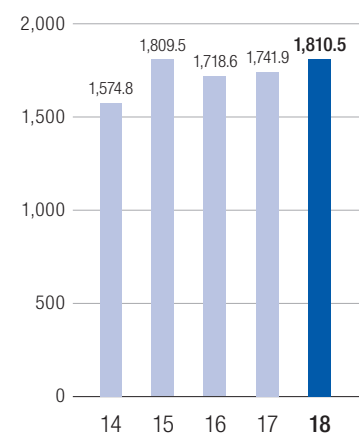
Interest-bearing Debt

(¥ billion)



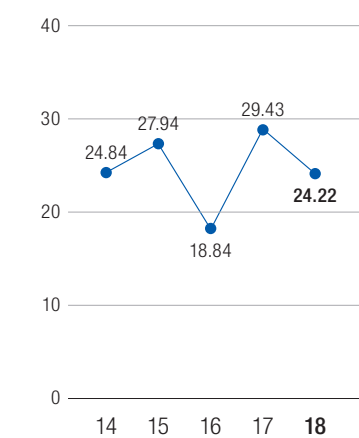
Total Assets

(¥ billion)



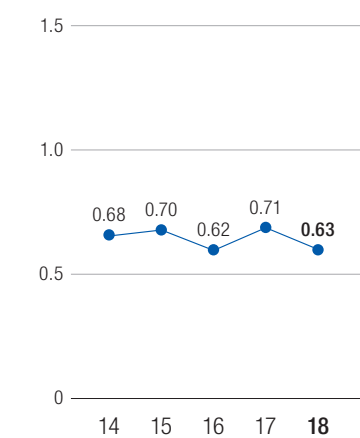
PER (Price Earnings Ratio)

(times)



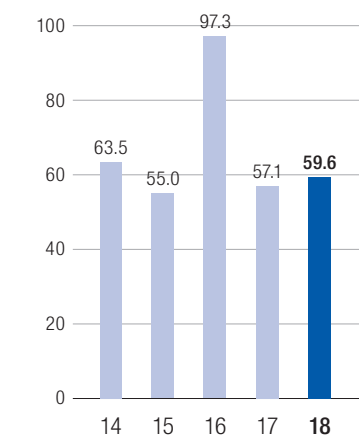
PBR (Price Book-value Ratio)

(times)



Capital Expenditures*

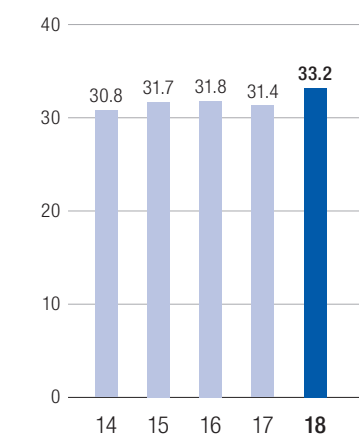
(¥ billion)



*Figures include capital expenditures for intangible fixed assets.

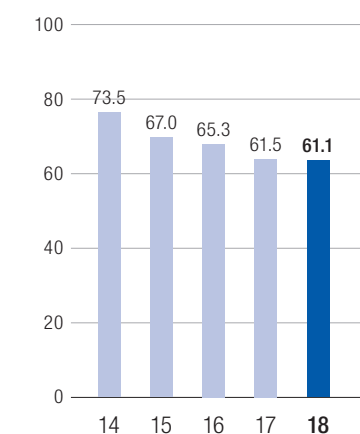
Research and Development Expenditures

(¥ billion)



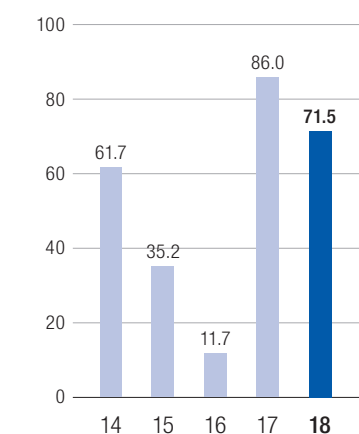
Depreciation Expense

(¥ billion)



Free Cash Flow*

(¥ billion)

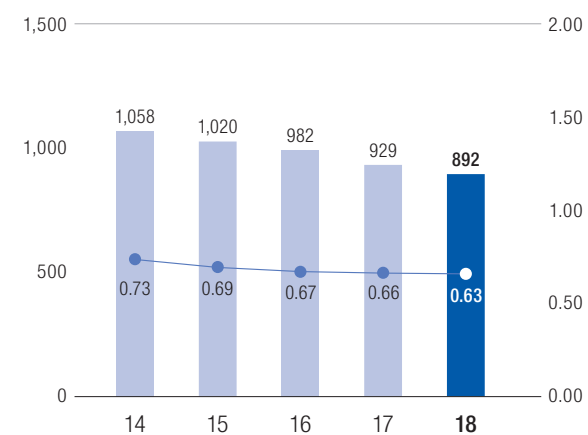


*Free cash flow = net cash from operating activities + net cash from investing activities

Non-Financial Highlights (As of March 31, 2018)

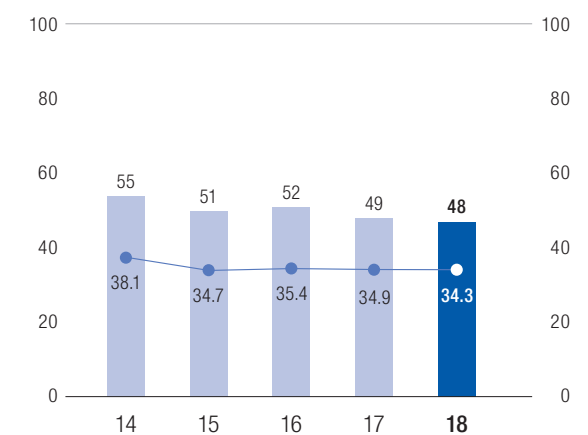
GHG Emissions (Including International Operations)

■ GHG emissions (1,000 t-CO₂)
● Emissions per-unit value (t-CO₂/million yen)



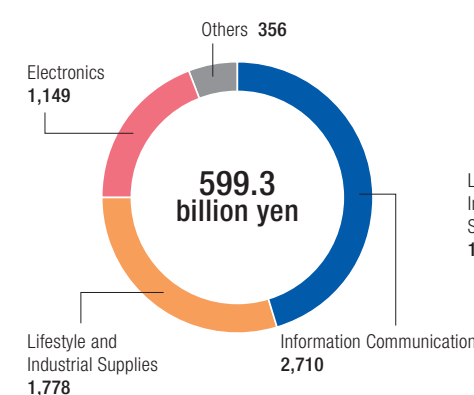
Waste Emissions (Including International Operations)

■ Waste emissions (1,000 tons)
● Emissions per-unit value (kg/million yen)



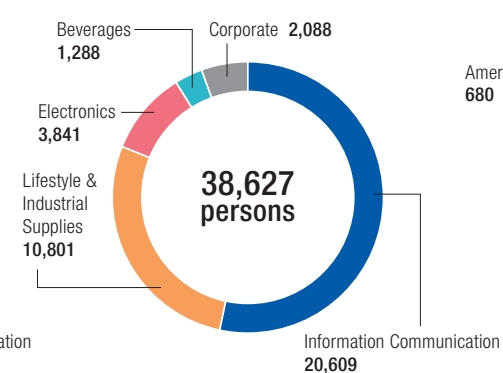
Sales of Environmentally Conscious Products and Services (by Segments)

(¥ billion)



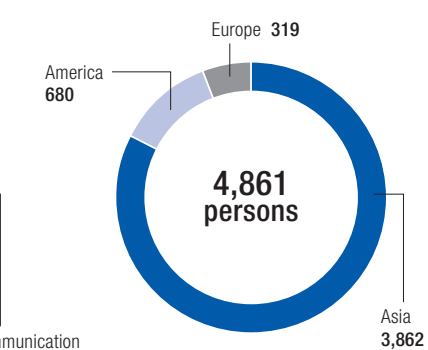
Total Number of Employees (by Segments)

(persons)



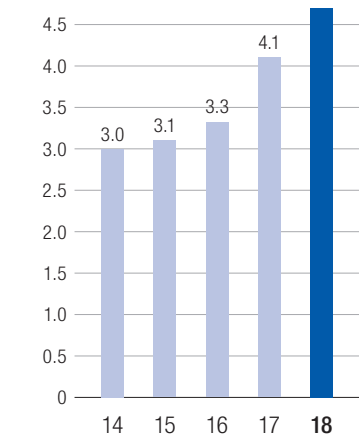
Number of Overseas Group Company Employees (by Area)

(persons)



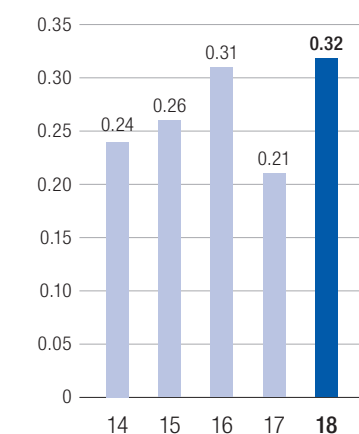
Percentage of Female Managers

(%)



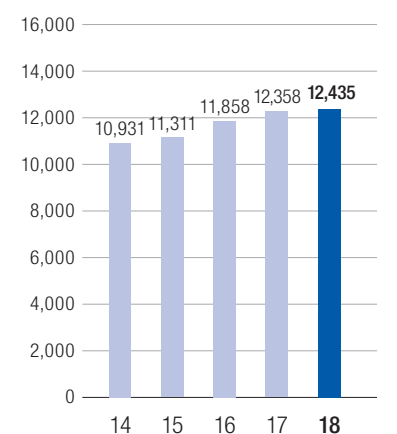
Lost Time Work Accident Occurrence Rate

(%)



Number of Japanese Patents Held

(number)





Realization of Our “Third Corporate Founding”

Yoshinari Kitajima **President** (Assumed the position of president on June 28, 2018)

“The 40,000 employees comprising the DNP Group serve as valuable assets with unique strengths that we can synergize to create unlimited potentials. In addition, at the DNP Group, we are focused on combining our strengths with those of our partners to create value that contributes to society. By spreading this value across the entire world, we are confident we can play a key role in realizing an even better future.”

Q. What kinds of strengths has the Company cultivated since its founding and how will you leverage these in the future?

We will synergize our unrivalled strengths in an integrated manner to create value that solves social issues.

DNP’s predecessor, Shueisha, was founded in 1876 and during the first approximately 70 years of operations carried out business centered on publishing printing. Despite later encountering a harsh management environment in the tumultuous post-war period, in 1951 we implemented the “five-year reconstruction plan” and promoted “expansion printing” to broaden our business domains by applying our printing technologies. As we expanded printed materials from paper to films, metals and others, we began printing for items, ranging from financial securities to packaging, decorative materials and electronics products, and subsequently evolved into one of the world’s leading comprehensive printing companies. We refer to this transformation as our “Second Corporate Founding.” Moving forward to the 1970s, in pushing ahead with our ongoing transformation, we continuously took on challenges that included acting early to engage in the digitization of information and expanding our smart card and network-related businesses.

We are currently in the midst of dramatic changes. Until now, we could achieve growth in business results merely by addressing issues facing our corporate customers. Today, however, even corporate customers themselves are unable to identify issues, meaning that DNP must earnestly take the initiative in identifying and finding solutions to issues facing

people and society.

Given these circumstances, I’m convinced the time is ripe for us to realize our “Third Corporate Founding” that transcends our “Second Corporate Founding.” Specifically, we need to undertake integrated activities that synergize our unrivalled strengths in printing and information, our financial capital and non-financial capital such as technologies and human resources, and the strengths of our partners. I believe these efforts will allow us to continuously create “new value” for solving social issues and drive our medium- and long-term growth.

Our “Third Corporate Founding” represents a challenge whereby DNP strives to continue providing value that helps solve challenges facing society and we will make our utmost groupwide efforts to realize this goal.

Q. What important aspects of DNP will be kept in place and what areas will be reformed?

We will never change DNP’s strong determination to contribute to a better future, our firm stance on leveraging our strengths in P&I (printing and information), and our spirit of continually taking on the challenge of promoting change.

Even in our “Third Corporate Founding,” we have a corporate culture which we should never change. When we were founded in 1876, the motto “Running a civilized business” was prescribed in the company prospectus. DNP defines civilization as being a peaceful society where people are brimming with hope and dreams for the future. In keeping with this motto, DNP continuously looks to the future and creates value in the form of products and services that can solve a

Top Interview

variety of issues facing society. This determination to benefit society will never change.

What's more, our firm stance on expanding business leveraging our strengths in P&I as a foundation will also remain unchanged. These strengths are the wellspring of our competitiveness that creates DNP's originality and we have never undertaken any businesses deviating greatly from our core strengths in P&I. I believe one of our most valuable assets is the trust we have built throughout our history. We have gained this trust by never straying from DNP's unique strengths, continuously acting with integrity and always providing genuine value. The word "founding" means to be newly born. These numerous assets we have inherited will be a tremendous advantage as we take on the challenge of realizing our "Third Corporate Founding."

We must change our ways of creating value to ensure our sustainable growth.

On the other hand, along with the expected major changes in the times in the future, DNP must also flexibly, boldly and quickly change the ways it creates value to ensure sustainable growth.

Instead of only considering our own corporate customers as in the past, we now need to also focus on society as a whole, consider the people actually living within society and identify their latent concerns and needs. Broadening our perspective in this manner will position us to quickly become aware of numerous social issues. From among these, we will then select target issues DNP is uniquely capable of solving and strive to connect these endeavors to new businesses.

Rather than passively waiting to be presented with issues, we must transform ourselves so that we can take the lead in solving issues via *Taiwa* (dialogue) with stakeholders. To do so, every employee should first of all make efforts to change their own actions and awareness, and to support these efforts, I would like to change our structures and systems as appropriate.

Q. What types of measures will you implement to realize your "Third Corporate Founding"?

We plan to implement three measures for "generating, providing and expanding value."

In reviewing the Group Vision in 2015, we extensively discussed what kinds of social issues we could solve by synergizing P&I, which is our forte. As a result of this discussion, we identified Knowledge and Communication, Food and Healthcare, Lifestyle and Mobility, and Environment and Energy as areas where DNP was uniquely positioned to solve social issues, while as our *business vision* we decided to "Use P&I Innovations to expand business, primarily around these four growth areas." To achieve our objectives we are currently implementing the following three measures.

1 Generate value by expanding business, primarily in growth areas

DNP will combine its unrivalled strengths in P&I with the strengths of its partners to generate value that enables solutions to issues facing society in these four growth areas. In this regard, we will strive to create products and services that allow us to deploy DNP's true strengths. In other words, we aim to create "products and services not easily reproduced by anyone else" and ultimately "products and services for which competition does not yet even exist."

The Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 express 17 goals and 169 targets, underscoring the numerous unresolved issues around us. As there are still no resolutions to some of these issues, the solutions we generate will represent long-awaited "new value" for the people directly affected by these challenges. DNP's four growth areas and the SDGs serve as so-called sources of value, and we intend to build a strong business portfolio by continuously creating new value.

2 Provide value to the global market

As the trend toward borderless markets and value chains gains momentum, DNP will also provide products and services that have the value of leading to solutions across a wide range in both Japan and overseas.

Although there is no template for creating new value, Joseph Schumpeter, a renowned political economist who articulated the concept of innovation, described innovation as being "new combinations." I believe we can spur innovation by taking new perspectives and re-evaluating and combining our existing products, services and technological strengths and deploying these in new markets in Japan and overseas.

Therefore, we must ensure optimal designs tailored to each region and provide the products and services needed in these locations, and to do so, we will also focus on strengthening our global marketing functions.

3 Expand corporate value by means of all kinds of structural reforms

The new value we generate can also gradually lose its appeal with the passing of time or when other companies catch up. To maintain and strengthen our business competitiveness and maximize profits, we therefore need to continually ask ourselves "what is new value?" and re-evaluate our strategies, tactics, business partners and markets while optimizing internal systems and rules.

To the present, we have integrated and reorganized business departments and Group companies and undertaken innovation activities in sales, production and business operations. Going forward, we will continue to implement all kinds of business structural reforms aimed at maximizing our corporate value.

Q. What is your personal involvement in value generation and what areas do you wish to focus on?

I've been involved in businesses that enhance the business efficiency of customers and that provide inspiring experiences for people.

Before joining DNP, I worked for about seven and a half years at a commercial bank, where I observed numerous companies from an "external perspective" through my involvement in market analysis and financing. I subsequently entered DNP and have been involved in management from an "internal perspective" as a director since 2001 and as a representative director since 2009. I believe this experience of observing companies from both internal and external perspectives in this manner is extremely beneficial in the decision-making of current management.

At DNP, I was in charge of the Information Communication segment for a long period. From around 2000, Business Process Outsourcing (BPO), the consignment of business operations to external companies, began to gain traction in the financial and a variety of other industries. Around this time, DNP successfully expanded its BPO business in this new field by deploying its advanced information security technologies cultivated in the smart card business. DNP also possesses

strengths in photo print materials, in which it commands the top market share. Leveraging this strength, DNP also operates a service that provides inspirational moments through photographs that can be taken only at unique locations such as baseball stadiums or concert halls.

Traditionally, we have a DNA for cultivating new business fields utilizing DNP's own strengths as a foundation. I would like to ensure that we can reliably hand down to the next generation our stance of taking on the challenges of reform from diverse perspectives.

We will continue to create a corporate climate for deepening *Taiwa* (dialogue) and cooperation and enabling value creation.

Besides the measures I have just explained, the successful execution of our "Third Corporate Founding" also requires that each and every employee changes his or her actions and awareness. Up to now, it was advantageous to build structures for sales, planning, technologies, manufacturing and management for each individual business department. At present, however, amid the diversification of people's values and needs, swiftly undertaking corporate activities flexibly tailored to meet changing needs is essential. There are also a growing number of instances in which single business departments alone are insufficient to respond.



The 40,000 employees making up the DNP Group serve as valuable assets possessing their own unique strengths as professionals. I believe there are an unlimited number of patterns for synergizing these strengths. This is precisely why realizing our “Third Corporate Founding” will be contingent on creating a climate for deepening *Taiwa* and promoting collaboration, with all employees possessing an All-DNP awareness.

Moreover, I would also like to continuously create value by deepening our *Taiwa* and cooperation with domestic and overseas partners and numerous stakeholders.

Q. How were the business results for the fiscal year ended March 2018 and what is the plan for the future?

We promoted initiatives in the growth areas and achieved increases in revenue and profits.

Our initiatives in the four growth areas are beginning to bear fruit. Let me cite some specific examples. In Lifestyle and Mobility, we took advantage of our advanced information security technologies to develop a digital key platform that performs locking and unlocking with a smartphone. We will aim to apply the platform to the various sharing services, including for cars, homes and parcel delivery lockers. DNP also succeeded in developing Curved Resin Glass, which is lighter than glass and easy to process, for lighter-weight vehicle bodies.

Thanks to these measures, net sales for the DNP Group in



the fiscal year ended March 2018 edged up 0.1% year on year to 1,412.2 billion yen, operating income jumped 47.6% to 46.3 billion yen, ordinary income rose 38.7% to 50.9 billion yen and net income attributable to parent company shareholders increased 9.0% to 27.5 billion yen.

For the fiscal year ending March 2019, we forecast the DNP Group will record net sales of 1,420.0 billion yen, up 0.5% from the previous fiscal year; operating income of 47.0 billion yen, an increase of 1.4%; ordinary income of 52.0 billion yen, an increase of 2.0% from the previous year; and net income attributable to parent company shareholders of 28.0 billion yen, up 1.8% year on year.

Q. Finally, what is your message to stakeholders?

We will strive for sustainable growth by realizing our “Third Corporate Founding.”

DNP is actively promoting environmental, social and governance (ESG) initiatives in working to achieve sustainable growth. These initiatives have earned high acclaim from outside the company, as evidenced by DNP’s selection for many indices of global socially responsible investments (SRI), most notably the FTSE4Good Global Index and MSCI ESG Leaders Indexes. Additionally, in 2017 DNP was selected as a constituent of all three ESG indices adopted by Japan’s Government Pension Investment Fund (GPIF).

Regarding dividends, our basic policy is to pay stable dividends while taking into consideration business performance, the dividend payout ratio and other relevant factors. Concurrently, we support business development toward future value creation by using retained earnings to enhance our financial constitution and strengthen our management base. In accordance with this policy, for the fiscal year ended March 2018 we paid year-end cash dividends per share of 32 yen.*

In working to realize our “Third Corporate Founding,” we must strengthen our ESG initiatives and proactively fulfill our corporate social responsibility to ensure we can create value that enables the solving of social issues in the four growth areas. DNP assures transparency and fairness as a listed company and carries out close communications with numerous stakeholders, beginning with shareholders, as it strives to achieve sustainable growth and raise corporate value.

In fiscal 2018, DNP started operations under a new management structure. Going forward, I ask for your further support as we work to achieve our objectives.

* On October 1, 2017 DNP changed the number of shares per share unit from 1,000 shares to 100 shares and every two shares were consolidated into one share. Year-end cash dividends per share converted to a pre-share consolidation basis were equivalent to 16 yen and together with interim cash dividends per share of 16 yen, cash dividends per share for the entire year amounted to 32 yen, which is substantially the same amount as after the share consolidation.

Today’s Innovation is “Tomorrow’s Basic”

~Creation of New Value That Leads to the Solving of Issues Facing Society~

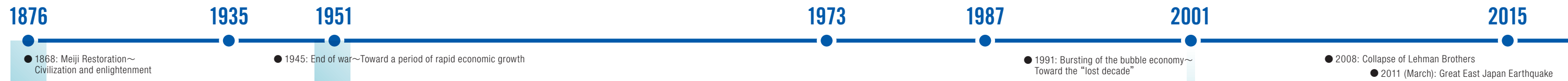
DNP will create new value that contributes to solving various social issues by continuously advancing its strengths in P&I (Printing & Information) cultivated over the course of its 142-year history and multiplying these by the strengths of its diverse partners.



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Sustainable Growth of DNP



Printing Business

Run a Civilized Business

Shueisha, DNP's predecessor, was founded during the Meiji Restoration Period, when Japan pushed forward with a major transition toward modernization. Shueisha believed the prosperity of the printing industry depended on an environment with an enlightened civilization where people lived within a peaceful society with hopes and dreams for the future. Acting on this belief, Shueisha strived to carry out a business that contributed to civilization. This ambition expressed Shueisha's resolve to realize an even better future and has been passed down to the present-day DNP in the form of its unchanging commitment toward realizing "Today's Innovation is Tomorrow's Basic."



1877 Completed revised edition of *Self-Help*



One year after its founding, Shueisha printed and produced a revised edition of "*Self-Help*," Japan's first domestically produced western-style book. This book gave courage to young people in the Meiji Era and proved to be a major best seller.

1912

Lineup of original Shueitai font print types nearly completed



Comprehensive Printing Business

Expansion Printing

As times shifted dramatically toward postwar reconstruction, based on the thinking that "our company can no longer prosper by relying only on business fields to the present," the Company strived to expand its business in anticipation of the ways of life of Japanese people in the future. Accordingly, the Company promoted "expansion printing" aimed at diversifying its businesses, especially by means of utilizing, applying and advancing such assets as its printing technologies in addition to stabilizing labor-management relations, cultivating customers by strengthening sales capabilities and improving production efficiency and quality. DNP significantly broadened its business domains by expanding from publication printing to commercial and securities printing as well as printing for packaging, building materials and electronics products. DNP believes that its growth strategy of expanding business by continually honing such technologies as information processing, microfabrication, precision coating and post-processing technologies to ensure these remain at the cutting edge will allow DNP to realize its current business vision "P&I Innovation."

Information Communication

Changes in the times will also spur major shifts in the ways people communicate. Since its founding, DNP has contributed to people's "knowledge," mainly through publication printing, and offers products and services that anticipate trends in digitization and networking, raise value in the form of information, protect information with advanced security and enable diverse communications.



1983

Development of smart cards
→ Expansion to today's cash cards, credit cards, transportation cards and accreditation (ID) cards



1983-85

Development of thermal mass and dye-sublimation thermal transfer printing media
→ Expansion to Imaging Communication business

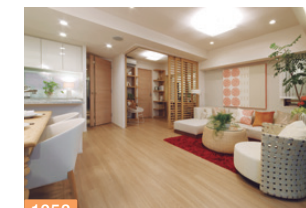
Lifestyle and Industrial Supplies

We are expanding our business in such domains as packaging and building (decorative) materials by broadening our printed items from paper to films, metals and other items as well as forming items into cubed shapes and other shapes after printing. DNP is developing products with outstanding designs and high functionality, beginning with packaging for foods and daily-use items and interior and exterior materials such as floor coverings and wall coverings, thereby providing value that is indispensable in people's lives and in company business processes.



1951

Full-scale entry into paper container and soft packaging field
→ Expansion into packaging business



1952

Began development of decorative paper for buildings
→ Expansion into Living Spaces business

Electronics

The Printing business succeeded in securing new business domains by sophisticated technologies such as its etching technologies that form fine patterns on metal surfaces. Since contributing to the birth of Japan's first domestically produced color TV, DNP has been developing materials for use in various types of higher-definition, higher-quality displays and developing electronics-use materials perfected to nanometer-level miniaturization.



1958

Succeeded in the trial production of shadow masks for color TVs
→ Advance into the display products business



1959

Successfully developed photomasks for semiconductors
→ Advance into electronics devices business

P&I Solutions

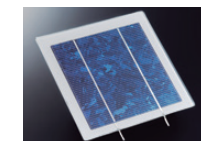
"DNP Group Vision for the 21st Century"

On the occasion of its 125th anniversary, DNP announced the DNP Group Vision for the 21st Century, a vision that expresses our directions and the goals we intend to achieve. We held an announcement presentation that gathered approximately 8,000 executives and affirmed our commitment to attaining growth with the entire Group working as one. This Vision prescribes our business philosophy as "contribute to the development of a society based on emergent evolution in the 21st century, while designating 'P&I Solution DNP,' which will solve various issues by combining our strengths in printing (P) and information (I), as the concept watchwords for the entire Vision. In addition, we clarified that the initials "DNP," which we had used from the past, will serve as the brand for the entire Group and that we will raise brand value.



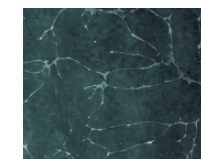
2003

Development of photovoltaic module components
→ Expansion into energy-related businesses along with the commercialization of pouches for lithium-ion rechargeable batteries in 1999



2004

Successful formation of capillary patterns

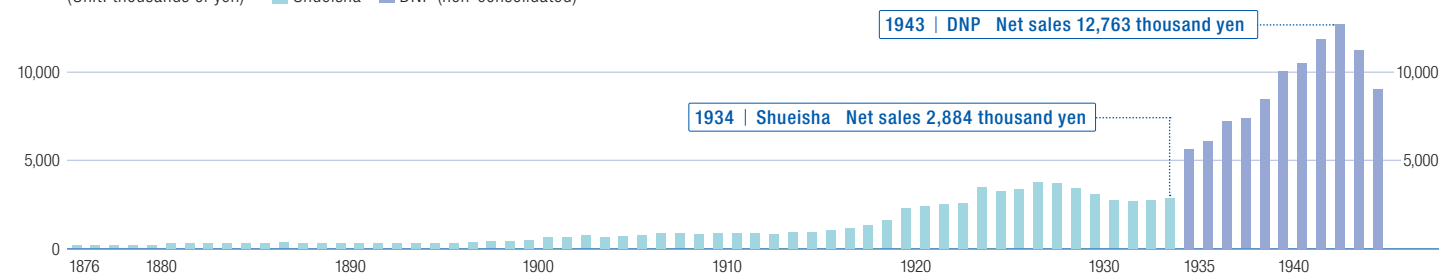


2014

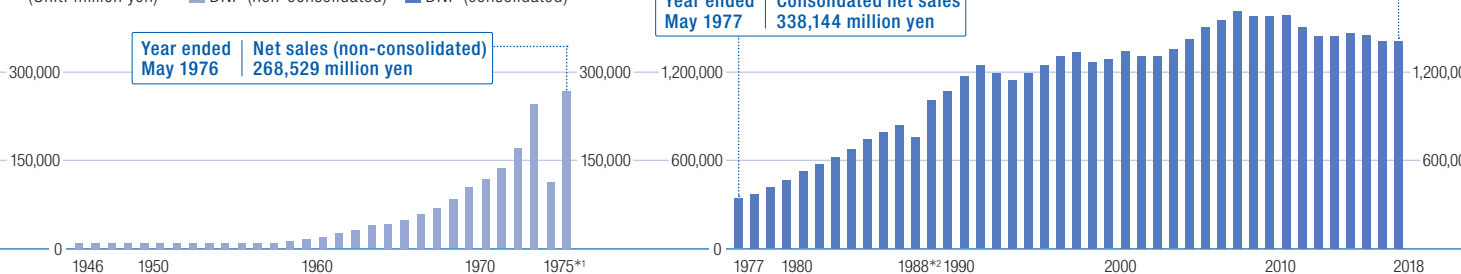
Business and capital tie-up with PSP, a major player in medical imaging management systems
→ Expansion toward life science-related businesses

Net sales trends and history

(Unit: thousands of yen) ■ Shueisha ■ DNP (non-consolidated)



(Unit: million yen) ■ DNP (non-consolidated) ■ DNP (consolidated)



(Notes) * 1 The May 1975 fiscal year was a six-month settlement period due to the transition to a May fiscal year-end.
* 2 The March 1988 fiscal year was a ten-month settlement period due to the transition to a March fiscal year-end.

2015

● 2015: Formulating DNP Group Vision 2015

P&I Innovation

DNP Group Vision 2015

Following the establishment of its Vision in 2001, DNP newly established the DNP Group Vision 2015 amid an increasingly severe business environment after the Lehman Brothers bankruptcy and the Great East Japan Earthquake. Under DNP Group Vision 2015, DNP will leverage its unique and unrivalled strengths in P (printing) and I (information) and promote wide-ranging cooperation with its external partners to create value that helps solve social issues.

Four Growth Areas



Knowledge and Communication

A future where people worldwide can expand opportunities for safe and secure communications and share and inherit knowledge

DNP will provide value for nurturing culture and supporting people’s lives through comfortable communications. By producing information media services and content and enhancing services protected by information security, DNP will provide people with the information they want when they need it in an optimal format and will convey knowledge from generation to generation.



Food and Healthcare

A future where people around the world no longer have anxieties about their own lives and can lead lifelong safe, secure and high-quality lives

Amid a shift in global demographics and the ongoing decline in birthrates and aging of society in Japan, DNP will create value that supports safe and high-quality lives and helps people maintain their health throughout their lives. DNP will support the food value chain through its functional and hygienic packaging while also taking on the challenge of extending healthy lifespans through its life science-related businesses.



Lifestyle and Mobility

A future that safely and securely protects all living spaces where people worldwide are mobile and lead their lives

DNP will provide value in the form of high levels of safety and comfort in all spaces where people lead their daily lives, including at home, stores, offices and hospitals, as well as in cars and railway cars. We will add functions that create comfortable spaces and develop superbly designed products and combine these with the Internet of Things (IoT) to contribute to the realization of a smart society.



Environment and Energy

A sustainable future that reduces environmental impacts and enables people worldwide to co-exist harmoniously with the earth

DNP will accelerate the development of diverse products and services toward the realization of a sustainable society that achieves compatibility between economic development and protection of the global environment. We will combine strengths such as our highly functional films that control light and heat with our information technologies to provide value that enables resource and energy savings and helps preserve biodiversity.

Corporate Philosophy: The DNP Group connects individuals and society and provides new value.

Business Vision: Use P&I Innovations to expand business, primarily around four growth areas.

DNP Group Guiding Principles: *Taiwa* (dialog) and cooperation

Sustainable Development Goals

In September 2015, the 2030 Agenda for Sustainable Development was adopted by all United Nations member states (193 countries). The Agenda sets Sustainable Development Goals (SDGs) as an action plan and strives to realize a world where “No One is Left Behind” through the implementation of global-wide initiatives for attaining 17 goals and 169 targets.

The future society drawn up by DNP Group Vision 2015 envisions a sustainable society, or in other words, a prosperous society that has attained the SDGs. To properly fulfill our responsibilities as a company that is deeply involved with society, we will utilize the SDGs as a “yardstick for creating an even better society” through all aspects of our business activities.

We will proactively contribute to attaining the SDGs via “value creation” through products and services and our “foundation for supporting value creation” within the value chain. <Reference → P.22-25, P.55>



2018

● 2018: DNP is accelerating initiatives for realizing its “Third Corporate Founding” under a new structure led by President Yoshinari Kitajima, who assumed the duties of president on June 28, 2018.

Toward our “Third Corporate Founding”

Our “Third Corporate Founding” involves multiplying our internal and external strengths to create value that helps solve social issues.

DNP has continuously expanded its business, first by focusing on publication printing from the time of its founding in the Meiji era, and then on the application and development of printing technologies during its “Second Corporate Founding.” As we now strive to realize our “Third Corporate Founding,” we will undertake business activities focused on synergizing our unrivalled and unique strengths in P&I (printing & information). In doing so, we must

carry out wide-ranging cooperation with our numerous partners and leverage our strengths both within and outside the Company. We believe these efforts will allow DNP to create value that leads to solutions to various social issues. Our “Third Founding” represents a challenge toward making changes and by promoting these changes we can achieve sustainable growth both for the Company and for society.

Three Key Measures for Realizing Our “Third Corporate Founding”

Generate value by expanding business, primarily in growth areas

In working toward the attainment of our business vision we will combine our strengths in P&I with the strengths of our partners and work to generate value in four growth areas. As reflected by the SDGs, there are still numerous issues throughout the world that remain unsolved. We aim to help solve these issues through the new value we create.

Provide value to the global market

With value chains now extending across the globe, we must set our sights beyond Japan and address social issues from a global perspective. As of March 2018, DNP operated 15 sales bases and 26 production bases overseas and will now create value in four growth areas in Japan and overseas.

Increase corporate value by means of all kinds of structural reforms

We are progressing with business structure reforms and cost structure reforms that include integrating and reorganizing business divisions. We are also maximizing corporate value with measures that include the integrated utilization of financial capital as well as such non-financial capital as human capital and intellectual capital.

What DNP will never change and what DNP will change

The DNP Spirit that will be carefully handed down

- Our “**corporate culture**” for continuously taking on the challenge of making change
- Our “**aspirations**” that began with a “civilized business” and that will lead to the creation of value that helps solve social issues
- Our business “**pillar**” that combines DNP’s unique strengths in P&I (Printing & Information)
- Our “**corporate stance**” of the fulfillment of our three corporate responsibilities consisting of value creation, integrity of conduct and high transparency (accountability)

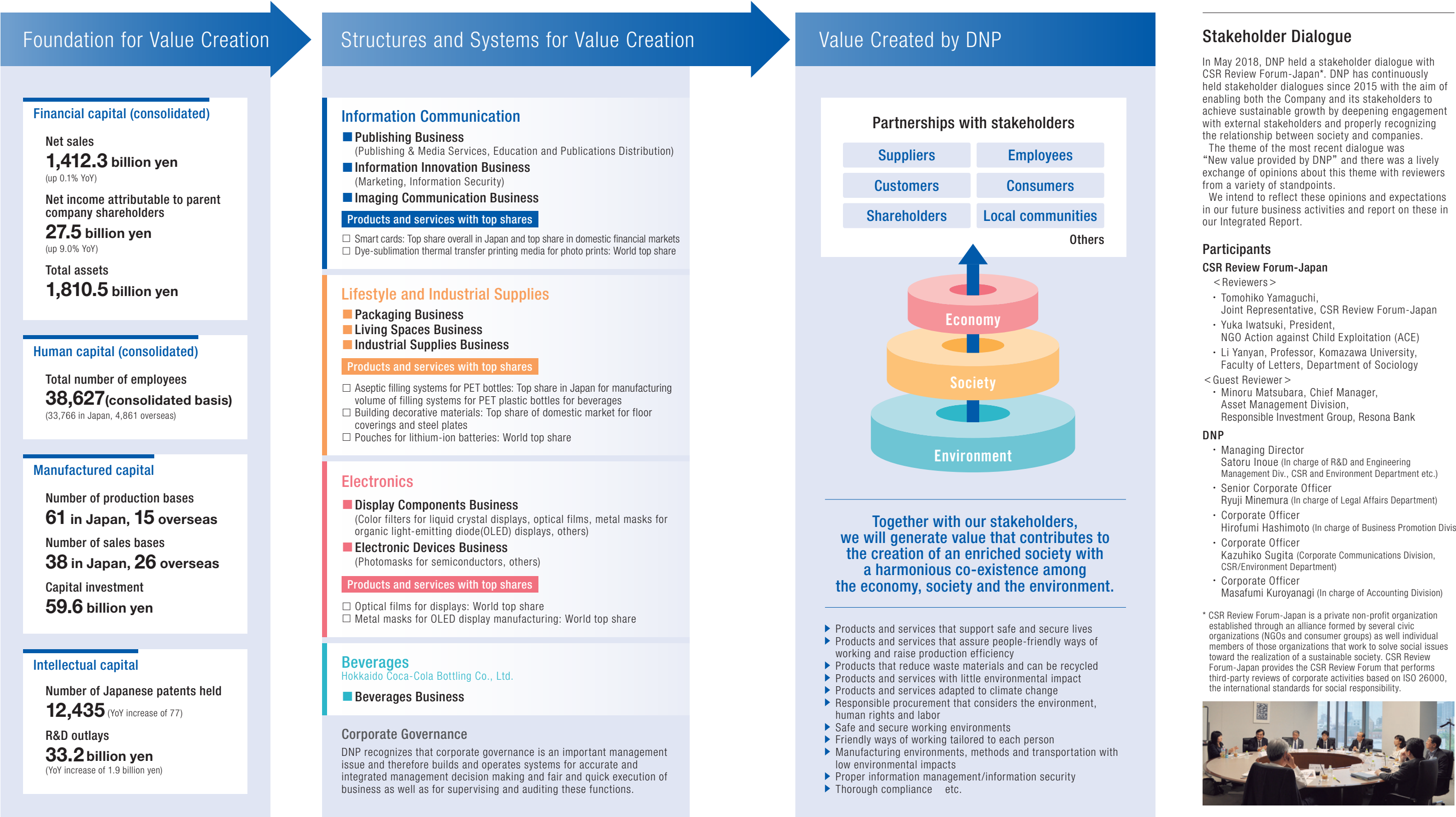
What we will resolutely and thoroughly change

- **Change our perspectives:** We will address social issues by broadening our perspectives to include people beyond our corporate customers, on which we have focused to the present.
- **Change our structures:** We will strengthen governance and integrate, reorganize and optimize such functions as sales, production, technology development and planning.
- **Change our points of contact:** We will expand real venues and Internet-based virtual venues for interaction and continuous dialogue with a diverse range of stakeholders.
- **Change our systems:** We will introduce frameworks such as systems for evaluating in-house collaboration that further boost efforts to leverage our strengths.

DNP's Value Creation Process

DNP will create value that helps solve challenges facing society through the integrated utilization of our financial capital and such non-financial capital as human resources and intellectual property as well as our strong corporate governance and optimized structures and systems.

We will continually execute this process fairly and impartially and strengthen partnerships with stakeholders to provide truly needed value, which will help enable the realization of a sustainable society and raise our corporate value.

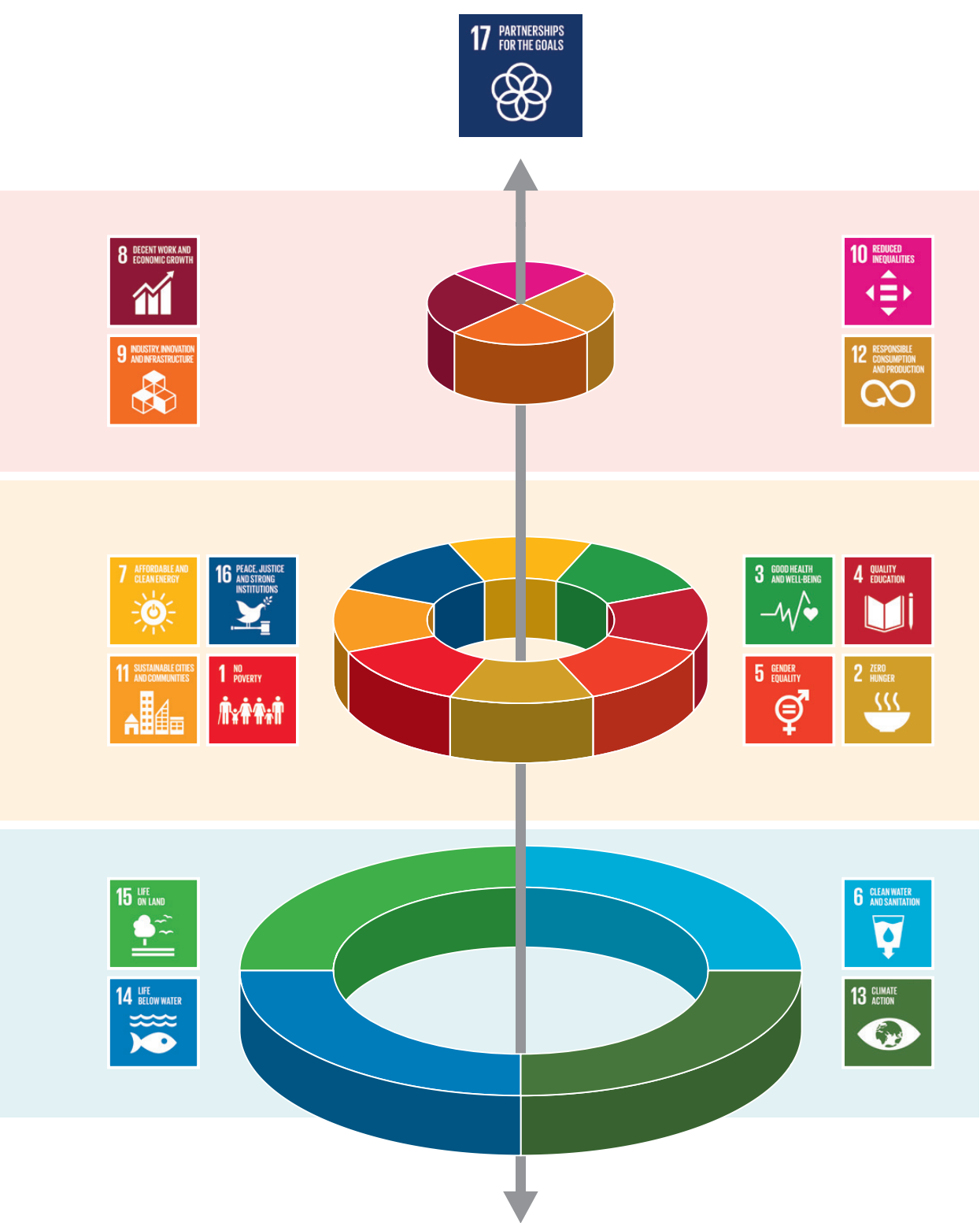


Risks and Opportunities

DNP aims to continue providing new values based on its corporate philosophy. Therefore, DNP understands the economic, social and environmental issues and risks, based on which it promotes initiatives for integrated risk management as preventive measures and rotates the

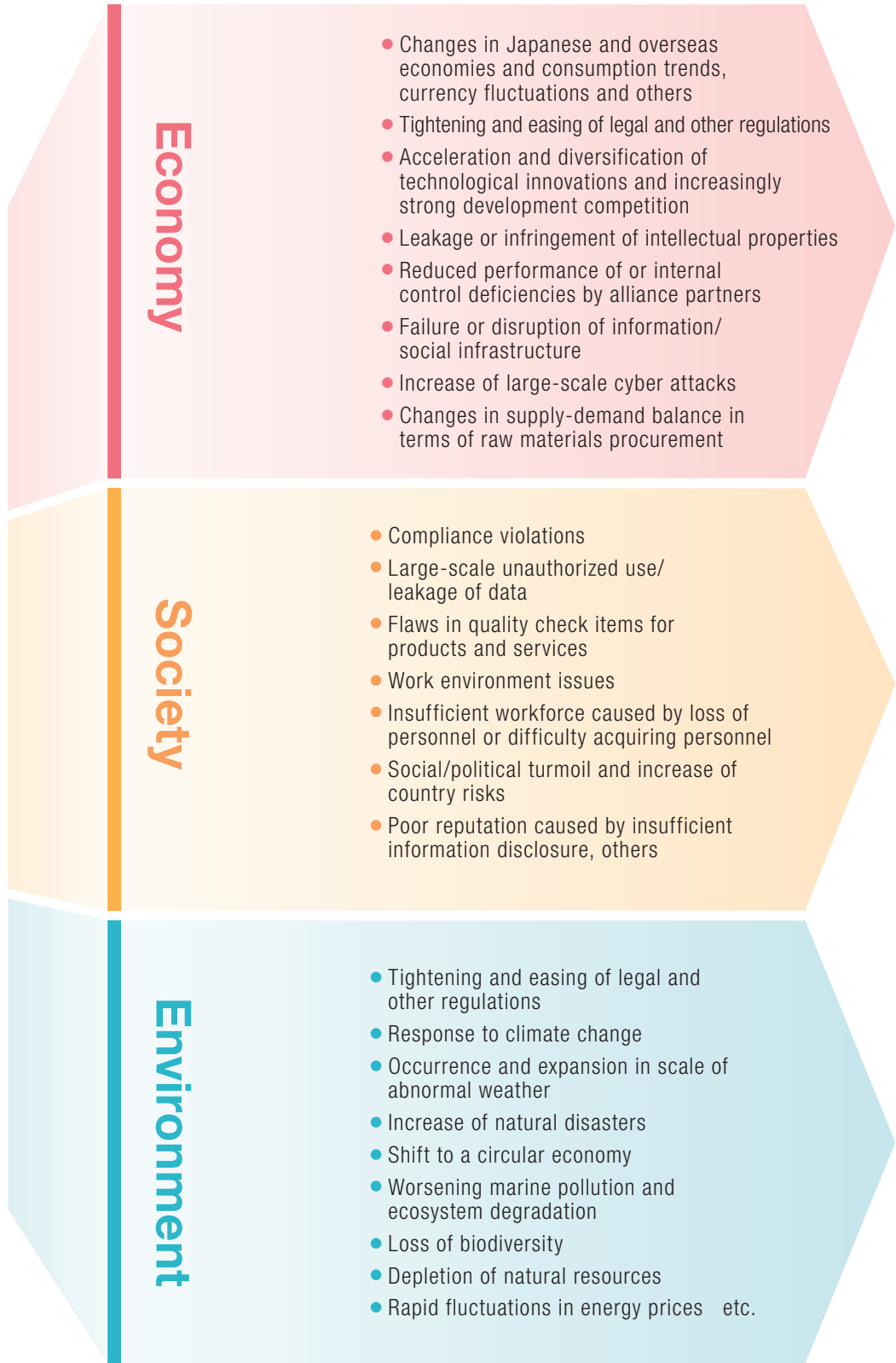
plan-do-check-act (PDCA) cycle. In addition, DNP will take aggressive measures to expand its business opportunities and rapidly respond to changes in the business environment.

Business Risks Assumed from the Perspective of the SDGs



Reference: SDGs “wedding cake” illustration presented by Johan Rockström and Pavan Sukhdev

Key Business-Related Risks



Countermeasures Taken by DNP

DNP promotes the following measures based on its understanding of environmental, social and economic risks.

1 Expanding business opportunities that transform risks into opportunities

DNP promotes activities by considering risks that it recognizes as the needs of society and opportunities for business expansion. Specifically, DNP aims to solve society's challenges through business activities in the following four growth areas.

- Knowledge and Communication**
A future where people worldwide can expand opportunities for safe and secure communications and share and inherit knowledge
- Food and Healthcare**
A future where people around the world no longer have anxieties about their own lives and can lead lifelong safe, secure and high-quality lives
- Lifestyle and Mobility**
A future that safely and securely protects all living spaces where people worldwide are mobile and lead their lives
- Environment and Energy**
A sustainable future that reduces environmental impacts and enables people worldwide to co-exist harmoniously with the earth

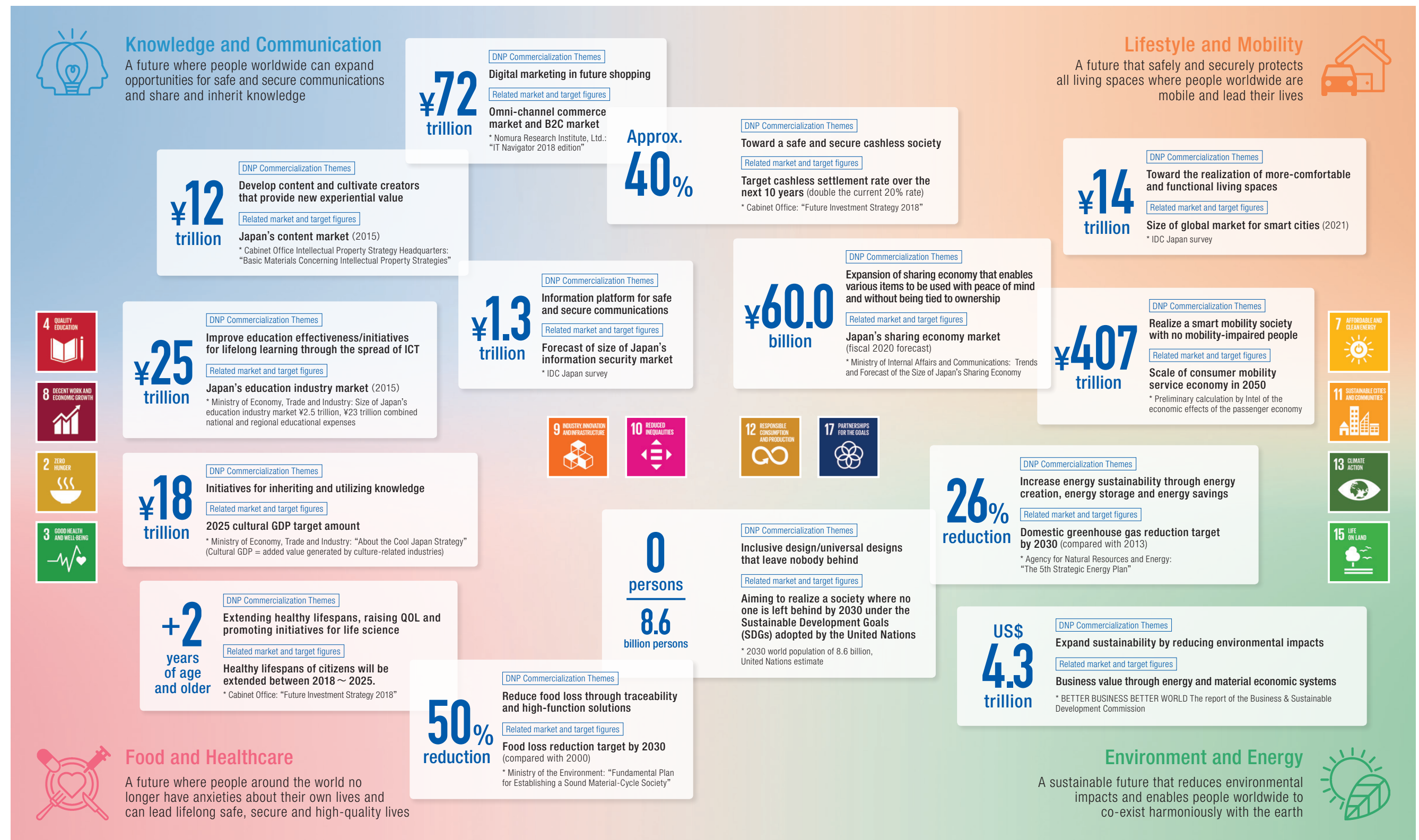
DNP will integrate the entire company's resources to create products, services and business models that make this vision into a reality.

2 Measures for minimizing the impact of assumed risks

- Thoroughly collecting and analyzing information, with a focus on social situations and international affairs
- Thoroughly implementing information security management and measures for protecting material information
- Managing financial risks
- Optimizing a business continuity plan (BCP) and operating it thoroughly
- Calculating and increasing the cost of (financial and non-financial) capital
- Instilling corporate ethics and ensuring compliance
- Making decisions promptly in the event of a change beyond expectations
- Supply chain management based on the CSR Procurement Guidelines
- Promoting human rights due diligence
- Improving the work environment
- Promoting environmental management
- Performing product and safety risk management
- Providing employees with training and educational opportunities
- Promoting corporate citizenship activities etc.

Promoting Business Commercialization in Growth Areas

Four Growth Areas and Business Commercialization Themes

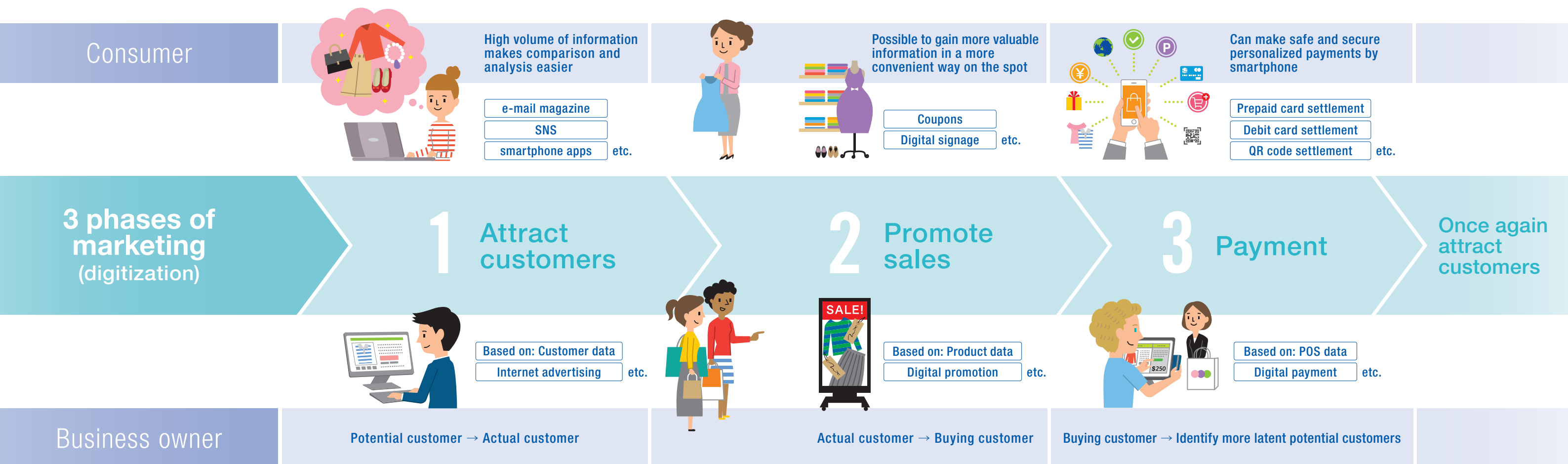


Digital Marketing for Shopping

Whereas emerging countries are experiencing rapid economic advancement alongside population growth, many industrialized nations are facing challenges such as sluggish personal consumption and a reduced workforce. As population dynamics change, exemplified by Japan's dwindling birthrate and aging population, digital transformation* using artificial intelligence (AI) and the Internet of Things (IoT) has hit the spotlight as a means to realize an affluent society. The notion is that society can be changed for the better by leveraging fast-evolving digital technology, a movement that has now spread to the field of marketing. This also makes it possible to conduct

one-on-one marketing tailored meticulously to the individual rather than marketing that targets a large number of people with the same message. At the same time, consumer awareness is also changing, and an increasing number of people are actively looking to provide information if it is thought to enhance a service. Aware of these changes in society, DNP aims to build a framework enabling the collection, analysis and utilization of information related to consumption activity and contribute to the advancement of an economy in which diverse value is created together with manufacturers, logistics operators, financial institutions and others.

*Digital transformation refers to the idea that the spread of IT will transform all aspects of people's lives for the better, as proposed by Professor Erik Stolterman of Umeå University in Sweden. The digitization of corporate activities and processes is expected to lead to changes in industry and thus bring about new value.



Examples of issues toward realizing digital marketing for shopping

- Ensuring information security to protect personal information
- Sharing information throughout the value chain under a secure environment
- Ensuring borderless standardization of payment device
- Implementing measures to counter cyber attacks
- Providing suitable information to protect consumers
- Ensuring the reliability of information
- Catering to a range of different languages
- Establishing a system for the business owner
- Further spreading the use of digital devices etc.

Value provided by DNP as it aims to resolve issues

▶ P28-29

DNP
digital marketing platform
diip®

DNP
multi-payment service

+ New value generated through collaboration with partners

Benefits gained from a society that has resolved these issues

- Guarantees workforce
- Ensures appropriate working styles
- Stimulates personal consumption
- Realizes consumption activity that respects people's diversity
- Enhances face-to-face communication in-store
- Increases inbound consumption
- Ensures suitable participation in economy by vulnerable consumers
- Ensures suitable and stable supply of products in the supply chain
- Protects personal information
- Reduces cost of cash management etc.

Examples of Businesses Developed by DNP

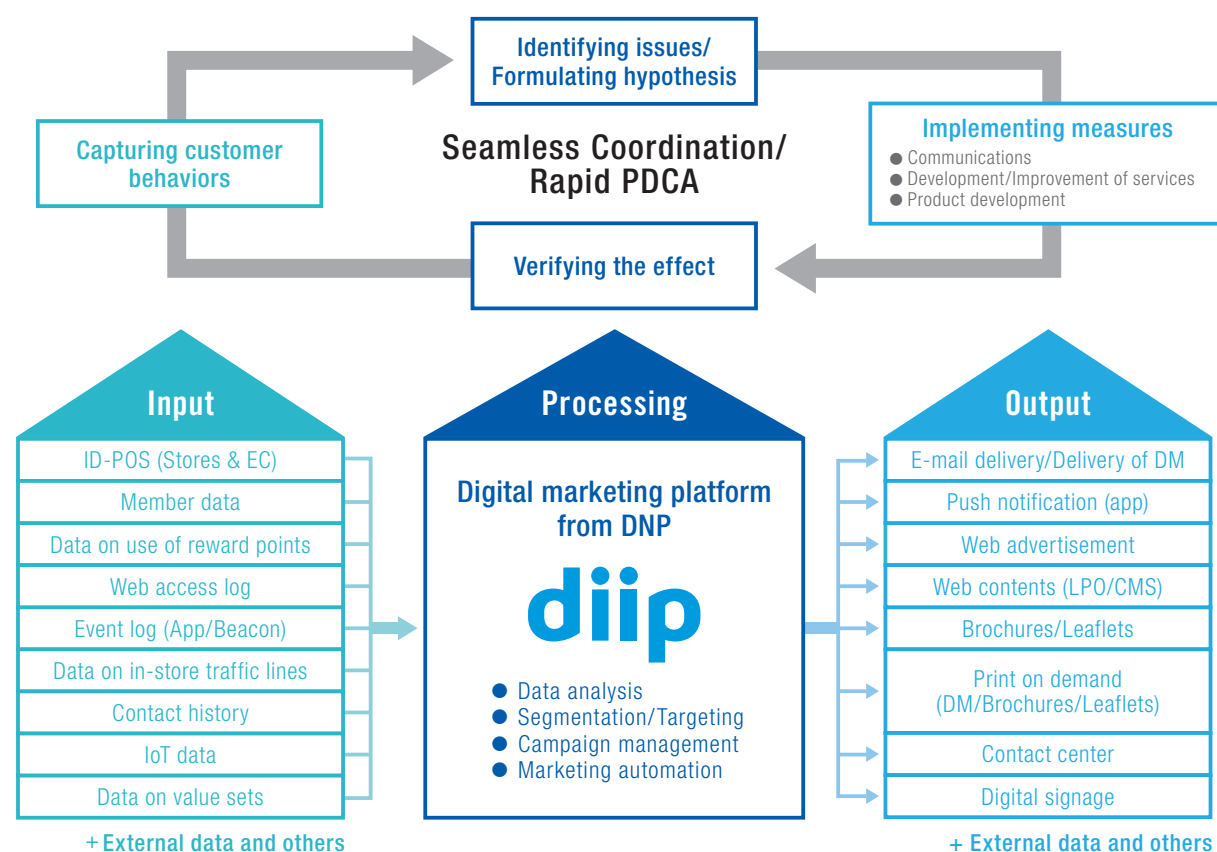
Support for One to One Marketing and Medium- and Long-Term Brand Development

DNP Digital Marketing Platform diip®

The development of digital technologies, including cloud computing, big data and IoT, has created demand for more accurate optimized marketing methods. This trend has also led consumers to selectively use both in-store and online purchasing channels based on a vast amount of information provided through countless media sources in accordance with their individual lifestyles and values. On the other hand, these changes have been accompanied by the increasing possibility that the emergence of digital disruptors will fundamentally undermine the industry's business practices, replacing players.

DNP has developed diip® digital marketing platform, which is aimed at optimizing the plan-do-check-act (PDCA) cycle from data acquisition to analysis, formulation of hypothesis, and implementation and

validation of communication measures, in a series of marketing processes from attracting customers to sales promotions and settlement. diip® comprehensively analyzes and manages a variety of data, including information on purchases made at real stores and online, as well as visits to stores, data on reward points, Web access log, exposure to advertising or direct mail (DM) and information about in-store traffic lines. Therefore, it enables One to One marketing, which suggests the impressive experience of "only now, only here and only for you." As a partner in next-generation marketing, we will contribute to medium- and long-term brand development based on the distinctive indices of each client by applying our technologies that we have cultivated in the fields of printing and information.



Contributing to Creating a Safe, Secure Cashless Society

DNP Multi-Payment Service

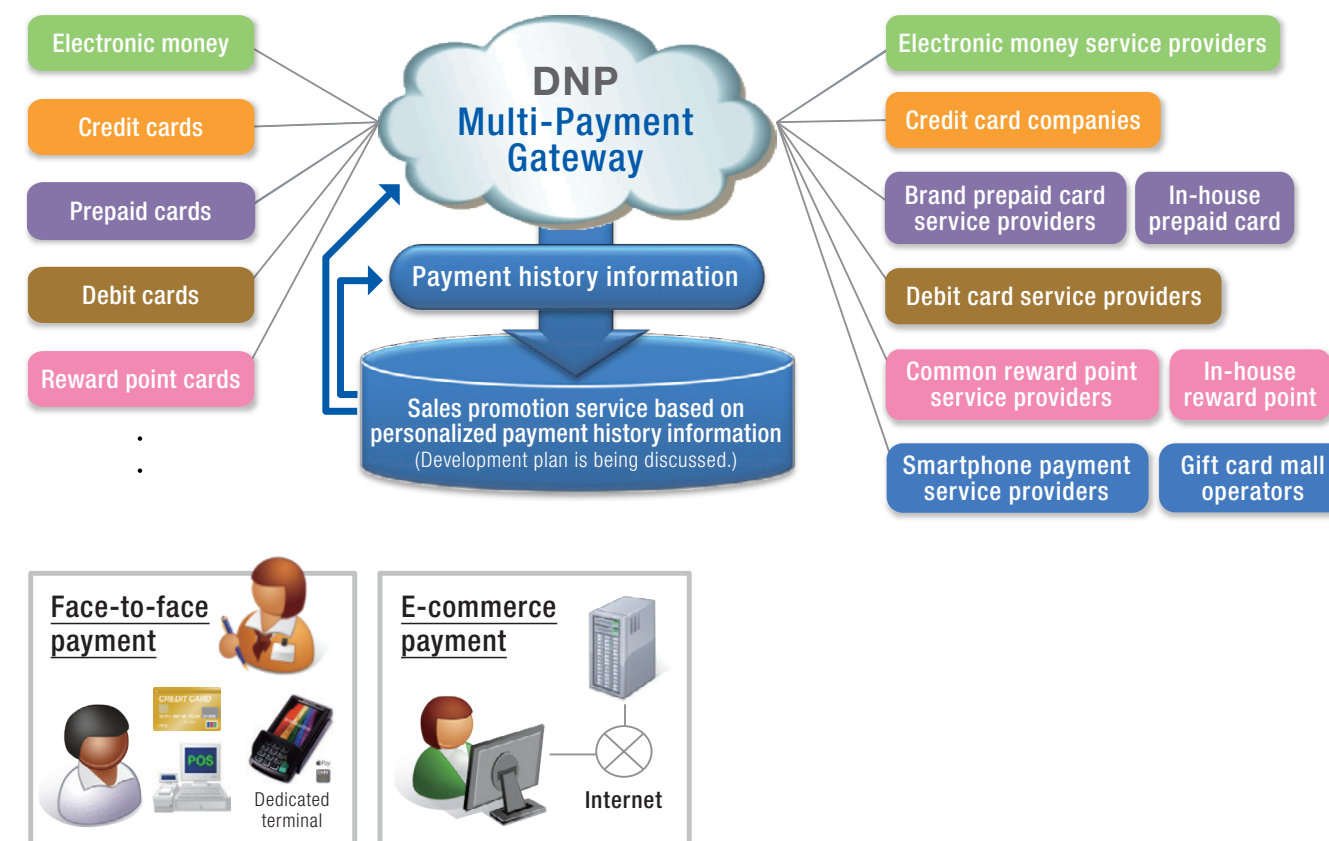
While payment methods are becoming increasingly diverse and the shift to a cashless society is progressing worldwide, the establishment of a payment infrastructure is being accelerated under a government initiative in Japan toward 2020. As a result, both stronger security measures and greater convenience for payments are demanded in the distribution and retail industries.

Regarding security, payment terminals and other devices need to be introduced to member stores and restaurants by March 2020 to establish an environment for use of IC credit cards. Further, compliance with PCI DSS, the international security standards in the credit card industry, or the implementation of measures for not holding credit card information will be required for member stores and restaurants.

With respect to convenience, a system will be required that permits payment methods used by tourists from overseas to be accepted at stores and restaurants in Japan. Compatibility with new payment methods, such as mobile payment and biometric authentication, will also be demanded.

To solve these issues, DNP has developed the DNP Multi-Payment Service, a cloud-based service, which complies with PCI DSS and permits centralized management of data coordination with various payment methods and payment-related service providers, enabling the accelerated introduction of multiple payment methods.

DNP will contribute to creating a safe, secure and convenient cashless society based on its technologies cultivated from IC cards and other fields through many years of operation.



Creating a Food Value Chain

The world's population is projected to reach nine billion by 2050, with the stable supply of food through increased food production and logistics reforms now a critical issue at both national and regional levels. A number of logistics solutions are being put forward to counter these problems, including development and proliferation of packaging that can be transported and stored at room temperature as well as stored for long periods, plus the establishment of a cold chain. Another major issue is significant food loss around the world, particularly in industrialized countries such as Japan. This food loss stems predominantly from uneaten leftovers and food that is past its expiration date, with most

of it occurring downstream in the value chain. This has prompted the creation of an information system to ensure that only the required food is delivered and only in the required amount. On top of this, in emerging nations where refrigeration facilities and logistics networks are inadequate, a critical challenge is the creation of a cold chain enabling set temperature control throughout the transport route. DNP is contributing to the creation of a food value chain in Japan and abroad by utilizing proprietary materials and technology in conjunction with food and beverage manufacturers, logistics enterprises, retailers and other partners.

1 Production



Promote crop growth, maintain quality, etc.

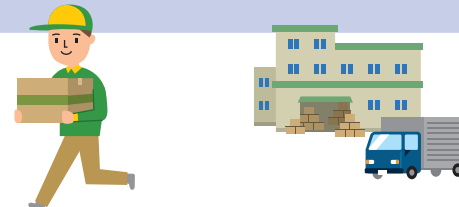
2 Manufacturing/processing



Protect contents, ensure convenience of logistics and product filling, etc.

3

Logistics



Reduce load and transportation, enhance efficiency in etc.

4 Sale



Ensure ease of product display, convey product information, etc.

5 Consumption/disposal



Ensure ease of use, waste sorting and disposal, etc.

Functions required for value chain creation

Create a value chain for the safe and secure delivery of food by maintaining food quality and enhancing value.

Information required for value chain creation

Information concerning producer, producing area and product, etc.

Information on production lot, production time/date and incoming/outgoing goods, etc.

Information on outgoing goods, volume control, etc.

incoming/business operator and etc.

Information on incoming/outgoing goods, sales, customers and volume control, etc.

Information on traceability, disposal method, etc.

Create an efficient, high-value-added value chain by connecting and visualizing food-related information.

Examples of issues toward realizing a value chain for food

- Enhancing processing and packaging technology to maintain food quality, from upstream to downstream
- Guaranteeing workforce related to food value chain
- Visualizing and sharing information related to food value chain
- Establishing a cold chain in regions with inadequate refrigeration facilities and logistics network
- Creating systematic production and manufacturing systems with no overburden or waste
- Establishing a logistics network with no overburden or waste
- Responding to the effects of climate change
- Providing information to consumers to enable appropriate consumption and disposal
- Establishing a social environment that balances food excess and shortage etc.

Value provided by DNP as it aims to resolve issues

▶ P32-33

DNP transparent vapor-deposition film, IB-Film

Aseptic filling system for PET plastic bottles

DNP multifunction insulation box

IC tags (RFID*)

*RFID (Radio Frequency Identification): An automatic identification technology that uses radio waves for the non-contact reading and writing of IC data

+ New value generated through collaboration with partners

Benefits gained from a society that has resolved these issues

- Reduces food loss
- Reduces worker load through appropriate management of information
- Eliminates starvation and malnutrition
- Ensures the stable supply of food that is not impacted by climate change
- Ensures the stable supply of food through appropriate production and manufacturing
- Ensures safe and secure food consumption
- Brings stability to food-related prices
- Reduces waste emissions
- Ensures sustainable consumption and production patterns etc.

Examples of Businesses Developed by DNP

Contributing to Reducing Food Loss by Improving Shelf Life of Food

DNP Transparent Vapor Deposition Film IB-Film

Canning, aluminum retort pouches and other packaging methods have been developed for room temperature transport and long-term food storage. High-level barrier properties against water and oxygen are required to prevent food quality degradation. Recently, with social changes such as an aging population and growing single-person households, demand has grown for home meal replacement, including ready-made food. This has led to the demand for food packages that can be easily shaped for a variety of contents and enable a longer shelf life of food to reduce food loss.

By taking advantage of its deposition technologies and surface modification technologies as its strengths, DNP developed IB-Film, a transparent vapor deposition film featuring strong barrier properties against steam and oxygen in 1998, and has commercialized the product mainly for food and medical packaging. Packages made of IB-Film are transparent, enabling the contents to be checked visually. In addition, food in the packages can be cooked in a microwave oven without being unpacked because the packages are not metallic. DNP contributes

to diversifying food culture and reducing food loss by providing packages for cooked food and confectioneries, including liquid sachets for noodle soup, in response to the needs of its client companies, including food manufacturers and distributors. DNP aims to develop films made from mono-materials to replace the current multi-layered films and provide its films more widely for more recyclable packages with lower environmental impact.



Enabling the Manufacture of Safe, Secure Beverages While Limiting Environmental Impact

Aseptic Filling Systems for PET Plastic Bottles

In the field of beverages, packages such as cans, cartons and PET plastic bottles have been developed to enhance the supply chain. Among them, PET plastic bottles began to spread rapidly in the 1980s because they are lightweight and strong, with high design flexibility, and screw caps that can be put back on the bottle. In the 1990s, recycling initiatives for PET plastic bottles began in response to the rising environmental awareness in society. Those PET plastic bottles were thick and sturdy, because they were filled with beverages that had been heated. Therefore, the use of thinner bottles and the reduction of water used for washing bottles in the overall manufacturing process had been the targets to achieve.

In 1994, DNP developed the aseptic filling system for PET plastic bottles by applying its aseptic filling technology cultivated through the production of milk portion packs for coffee and bag-in-boxes for business use since the 1970s. In this system, PET plastic bottles are molded and then filled with a sterile beverage at room temperature in a sterilized space. This has made it possible to use thinner PET plastic bottles, which are weak against heat, and fill them with all kinds of beverages, including ones containing milk. In this system,

small PET plastic bottle preforms are transported to the beverage plant and inflated into bottles immediately before filling. This has improved transport efficiency by more than approximately seven times. In addition, we have also succeeded in reducing the amount of water used to wash bottles by 90% through evolving the method with which bottles are sterilized by using hydrogen peroxide (H₂O₂) gas. DNP's aseptic filling systems for PET plastic bottles not only boasts the top market share in Japan, but has also been introduced in other countries, including China, Vietnam, Indonesia, Thailand and the United States, thereby contributing to building safe, secure beverage supply chains with limited environmental impact.



Contributing to Building Cold Chains with Limited Environmental Impact at a Low Cost

DNP Multifunctional Insulation Box

The DNP multifunctional insulation box features higher heat insulating properties than conventional insulation materials, such as urethane foam, and uses lightweight, thin vacuum insulation panels. The use of refrigerant in this box permits it to maintain an internal temperature as low as a refrigerator for a long time without using electricity. This means that the box permits goods that require refrigeration during transport to be transported as part of a mixed load on a truck used for shipping at ordinary temperatures, not limited to a refrigerated car. Therefore, it improves transport efficiency and enables the reduction of CO₂ emissions and drivers.

Currently, the establishment of a cold chain for transporting perishable food such as vegetables, fruits and fresh fish from Japan at a low cost and with limited environmental impact is speeding up in response to the growing demand for Japanese food in countries in Asia and other regions.

In response, DNP has combined high heat insulating properties, thermal design technologies and information technologies featuring the use of IC tags and sensors,

and helps realize safe, secure distribution in which cargo temperature is controlled appropriately, from shipment to arrival. We have repeatedly conducted joint research on the use of the DNP multifunctional insulation box with client companies, such as those engaged in ocean/air transportation from Japan to Asia and ones engaged in land transportation within Asia, in our efforts to build an efficient cold chain that permits food exported from Japan to be provided in a fresh state in regions where refrigerated cars are not prevalent.



Optimizing Movements of People and Goods in a Supply Chain

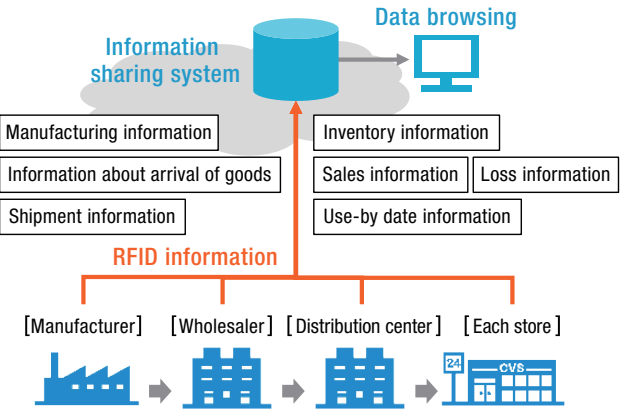
IC tag (RFID)

There is approximately 6,460,000 tons per year of food loss in Japan (estimated amount in 2015) and more than half of it, or approximately 3,570,000 tons, occurs during manufacturing, delivery and retailing (at food manufacturers, distributors and retailers) in the supply chain*. To reduce food loss, it is essential to share information in the entire supply chain. It is also important to create a system for delivering only the required amount of food and beverages at the appropriate time with minimal workloads and workforce through collaborations among manufacturers, distributors and retailers because of the serious labor shortage.

In February 2018, DNP, the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (NEDO) jointly conducted a demonstration experiment on a supply chain information sharing system using electronic tags. DNP has been operating an IC tag (RFID) business since 1999. In the demonstration experiment, an initiative for sharing information about the flow of products was implemented on a trial basis by having a food manufacturer attach IC tags to product packages and sharing the information between the wholesale and delivery center and retail stores.

DNP will contribute to innovating food value chains by taking advantage of its knowledge obtained through many years of operation in both the information and packaging businesses, in anticipation of the advancement of digital marketing and progress in the shift to a cashless society.

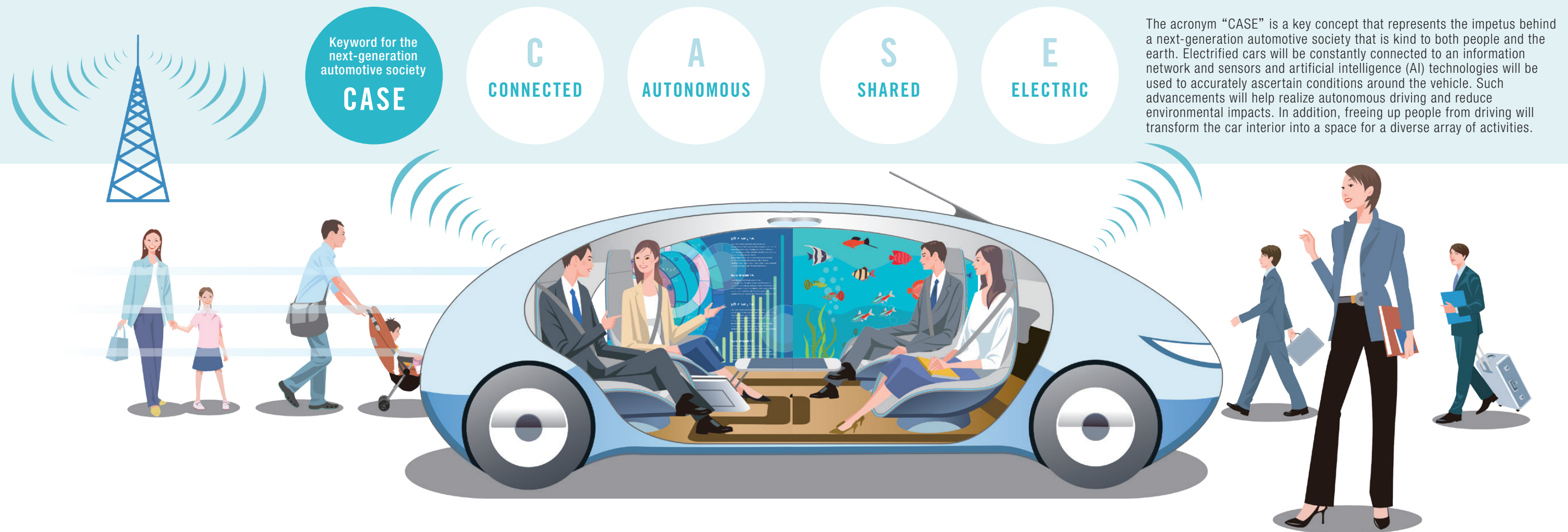
* Loss of the other approximately 2,890,000 tons occurs in households.



Next-Generation Automotive Society

The effects of climate change have begun to materialize in the past few years with increasingly severe damage caused by storms and floods, in particular, as well as an increase in the incidence of heat stroke and infections. Against this backdrop, a number of social movements are being accelerated to reduce greenhouse gases (GHG) such as the expanded use of renewable energy, promotion of smart cities and electrification of automobiles. These unprecedented changes are occurring with unprecedented

speed and at the same time on a global scale. In such an era, electrification of automobiles, the move toward automated driving and the growing use of car sharing systems are believed to be having a significant impact not only in terms of reducing GHG emissions but also on society in general. DNP aims to contribute to the creation of car interiors that are environmental- and people-friendly, comfortable and safe together with automakers and other partners in sharing a future vision of an automotive society.



Examples of issues toward realizing a next-generation automotive society

- Enhancing the energy efficiency of electric vehicles
- Reducing car weight to save energy and decarbonize
- Ensuring information security for safe and secure communications
- Providing more advanced sensing in order to understand the relationship between vehicle conditions and surroundings
- Expanding mobility services so that they can be enjoyed by more people
- Responding to the increase in payment services in addition to ETC
- Shifting from a driving space to a more comfortable interior space
- Ensuring safety of transportation infrastructure such as roads, bridges and tunnels
- Establishing a social environment for the proliferation of the sharing economy etc.

Value provided by DNP as it aims to resolve issues

► P36-37

Pouches for lithium-ion batteries

Security solutions

Curved resin glass for electric vehicles

Partnership with a mobility service company

+ New value generated through collaboration with partners

Benefits gained from a society that has resolved these issues

- Reduces traffic accidents and medical costs, etc.
- Reduces GHG emissions and air pollution
- Alleviates traffic congestion
- Reduces the number of people having less access to transportation so that more people can enjoy the benefits of a mobility society
- Brings stability to industry by eliminating driver shortages
- Enhances quality of life through the effective use of traveling time
- Stimulates the local economy by making it easier to move around
- Ensures efficient and effective evacuation during a disaster
- Develops resilient cities where the swift recovery of lifelines is possible following a disaster etc.

Examples of Businesses Developed by DNP

For Safer and Lighter Weight Batteries

Pouches for Lithium-Ion Batteries

Electric vehicles (EVs) are anticipated to spread as a solution with the potential to greatly impact the world's energy issues. Efforts are underway to achieve higher capacity, lighter weight and other improvements in EV batteries, aiming for further improvements in driving performance and energy efficiency for those vehicles. Lithium-ion batteries are used in EVs, which are also used in many mobile devices. DNP developed exterior materials (pouches) for lithium-ion batteries that use films as an alternative to the conventional metal cases and has applied them to a wide variety of purposes.

DNP began to work on the technological development of battery pouches in the 1990s, immediately after lithium-ion batteries were put into practical use. We have contributed to achieving lighter weights and thinner dimensions in electronic devices, such as notebook PCs and tablet computers, by developing thin, lightweight pouches with long-term durability. Based on these initiatives, functions and qualities demonstrated with mobile devices, pouches for lithium-ion batteries from DNP feature vibration resistance, heat resistance and a long service life, as required for EVs. We are promoting the expansion of products. Moving forward, we will apply the pouches to not only EVs but also various types of usage such as for drones and robots.

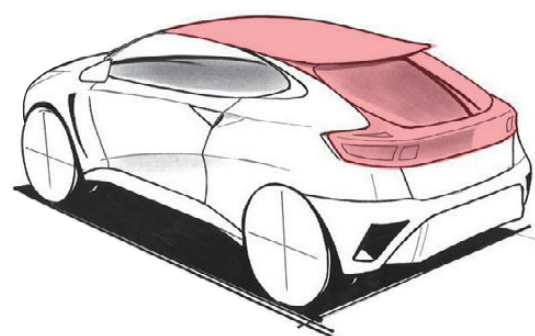
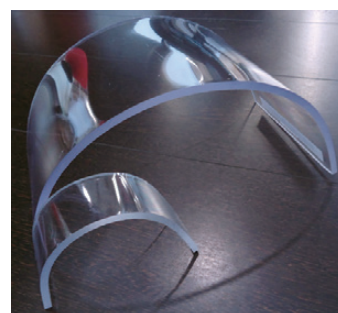


Changes in Automotive Manufacturing for Energy Conservation and Creation of Comfortable Spaces

Curved Resin Glass for EVs

Recently, automakers have been promoting efforts to enable even lighter weights of vehicle bodies in response to tightened regulations on CO₂ emissions for automobiles and the global shift to EVs. In addition, it is believed that automobiles will be required to function as more convenient and comfortable living spaces or working spaces, instead of being a mere means of transport, when automated driving is achieved in the future. Plastic resin glass, which is lighter than glass and has superior workability and heat insulating properties, is expected to help create vehicles with lighter weights and improve the flexibility of the interior design of vehicles.

DNP has provided plastic resin glass for railway cars and construction machinery. In January 2018, we developed curved resin glass that is optimal for the rear windows of automobiles, which are curved. This product will enable the formation of the rear window together with embedded functional components, such as the roof spoiler and tail lamp covers. We would like to develop this technology and enable the entire vehicle body to be formed with curved resin glass, thereby contributing to a significant reduction of metallic and glass parts.



Realizing a Safe, Secure Mobility Society

Security Solutions

A more comfortable traveling experience is enabled by connecting vehicles to the information network, including the progress of automated driving technologies, automatic updates of software for in-car entertainment and exchange of traffic information between vehicles, which contributes to alleviating traffic congestion. On the other hand, vehicles as information terminals are expected to face increasing threats, such as software tampering and remote manipulation resulting from cyberattacks. Security measures will be increasingly important to build a mobility society where people are safely protected with a sense of security while being able to enjoy the convenience.

DNP is working on the development and provision of a variety of security solutions based on our understanding that advanced information security is essential to build a vibrant mobility society. In the smart card business, in which we have a large market share in Japan, we have made efforts to cultivate technologies, including the development of various software, manufacturing and issuance of cards, and authentication via a network. We are also committed to services including data input, printing and delivery of personalized mail. With our track record of handling a large amount of information with high levels of importance and confidentiality, we have also been improving

technologies such as ones for authentication services, which are used for identifying individuals, and encryption technologies for safe data exchange.

Taking advantage of its technologies and expertise, DNP will provide appropriate solutions on a timely basis against a variety of risks that will arise with the development of information technologies. We will deploy these solutions to the mobility society that is expected to emerge, thereby contributing to the safe, secure and enriched lives of people.



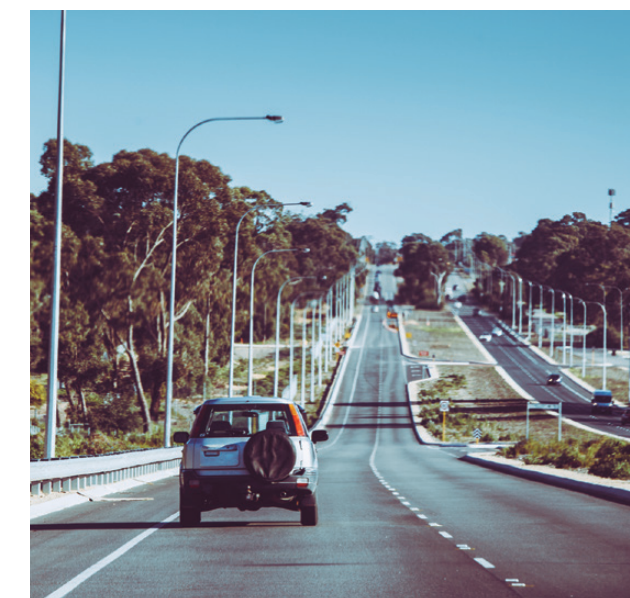
Toward a Society Where Anyone Can Use Mobility Services

Partnership with a Mobility Service Company

Approximately two billion people in the world are not eligible for auto loans because they are unable to pass the initial screening. This has inhibited the purchase of new vehicles. In particular, in ASEAN countries with remarkable economic growth, people continue to use old vehicles that greatly emit exhaust gas and make noise and other harmful effects, which has become a social issue.

In June 2018, DNP announced its partnership with Global Mobility Service, Inc. (GMS), a mobility service provider. GMS is a venture firm that offers new means of traveling through a platform that applies its unique in-vehicle devices mainly to people who could not previously own cars.

GMS has developed an automotive IoT device that can disable vehicles via remote control. By skipping credit checks with this device as collateral, the company provides more people with opportunities to purchase automobiles. This service is being expanded, mainly in Southeast Asia. Under a partnership with GMS, DNP will combine the business models and technologies of GMS with its own strengths, thereby promoting a mobility service business that offers a solution to a social issue.



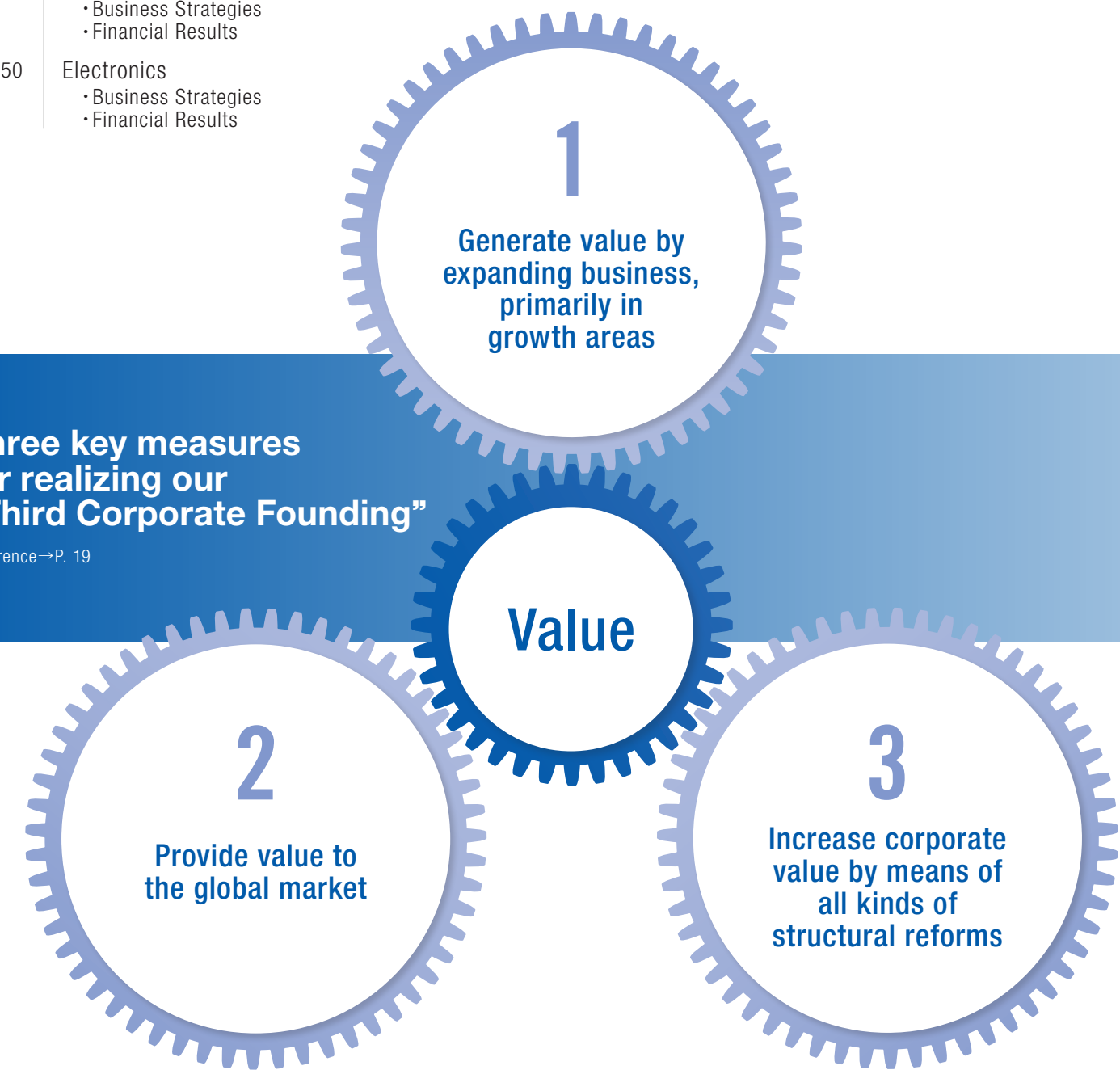
Business Activity Report

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Three key measures for realizing our "Third Corporate Founding"

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Information Communication

Developing a wide range of businesses that "deliver the information people want, when they want it, in optimal media formats"

- Publishing Business**
 - Publishing & Media Services
 - Education and Publishing Distribution
- Information Innovation Business**
 - Marketing
 - Information Security
- Imaging Communication Business**

Lifestyle and Industrial Supplies

Taking on challenges to resolve social issues through products and services closely related to people's lives and products indispensable in the corporate value chain

- Packaging Business**
- Living Spaces Business**
- Industrial Supplies Business**

Electronics

Developing high value-added products with outstanding functionality with a view to next-generation electronics products and enhancing competitiveness in the growing global market

- Display Components Business**
- Electronic Devices Business**
- Color filters for liquid crystal displays
 - Metal masks for organic light-emitting diode (OLED) displays
 - Optical films

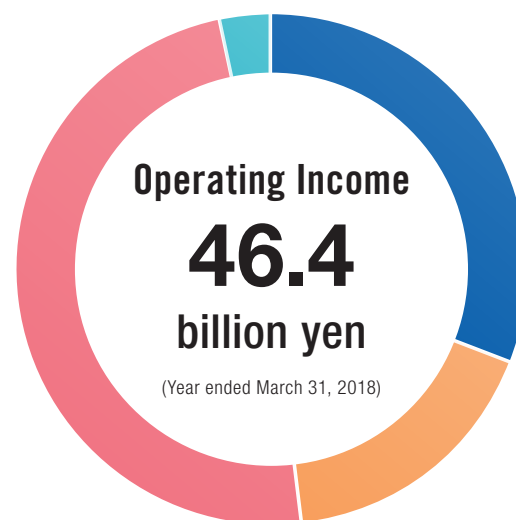
Beverages

Endeavoring to increase market share, dominate the competition and reduce total Group costs through an ability to be rooted in the community

- Beverages Business**

DNP aims to continue expanding its businesses and increasing its corporate value by striving to solve problems faced by corporate clients, consumers and society.

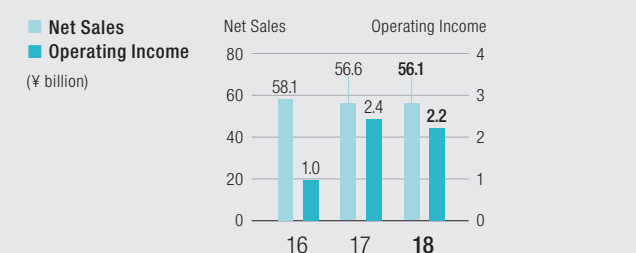
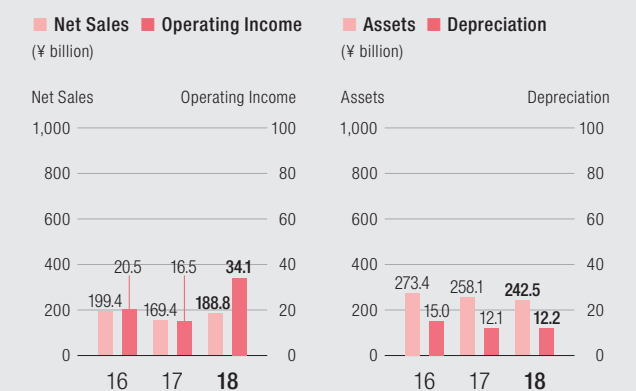
Beverages
3.1 % 2.2 billion yen



Beverages



Refreshing and thirst quenching, fun and always there for you



Information Communication



Business Strategies

As information and communications technology (ICT) evolves and information media and content become increasingly diverse, peoples' values and lifestyles have also been undergoing dramatic changes. Rather than just reacting to these changes, DNP is developing a wide range of businesses that enable us to spur changes on our own by "delivering the information that people want, when they want it, in optimal media formats."

The Information Communication segment is composed of the Publishing business that includes Publishing & Media Services, Education and Publications Distribution; the Information Innovation business encompassing Marketing and Information Security; and Imaging Communication that promotes the creation of things and experiences such as color printing.

Our Marketing business, for example, set its sights on a "digital transformation" that aims to reshape organizations and business leveraging ITC and promoted the commercialization of digital marketing linking companies and people through diverse real and virtual touchpoints and that encourages buying behavior via measures based on the collection and analyses of various types of information. We will support the introduction and

operation of systems that raise the efficiency of digital marketing while promoting the planning and production of various types of measures such as for sales promotion materials and campaigns as we work to solve issues facing companies and raise convenience for people.

Our Business Processing Outsourcing (BPO) business optimizes the business processes of companies and comprehensively handles various types of business operations. With the establishment of two new operating locations in June 2017, we now have 13 BPO centers throughout Japan that will serve as the main venues for further expanding this business utilizing artificial intelligence as well. In addition, we will also focus on providing new value by building new platforms for settlement services, including international brand prepaid cards and cloud payment services. We will also undertake businesses like our "honto" hybrid bookstore network that offers both paper and electronic media and by developing diverse services that combine photographic prints with unique content.

In working to expand earnings, we will continue to proactively promote structural reforms that include constructing a system for unified supervision of manufacturing throughout Japan.

Main Policies

1 Generate value by expanding business, primarily in growth areas

Amid the increased risk of cyberattacks accompanying the advance of digital networks, DNP will accelerate business development leveraging its strengths in information security cultivated in smart cards. Furthermore, we will also deploy our combined paper-digital hybrid products and services to raise the value of various types of information media and content.

Generate new value in businesses such as publishing and media, publications distribution and educational information

- ▶ Increase sales via (Strengthen) the "honto" hybrid bookstore network that links online sales of e-books and paper books through the "honto" website with sales at bricks-and-mortar stores operated by MaruzenJunkudo Bookstores Co., Ltd. and the Bunkyo Group.
- ▶ Expand businesses that are peripheral to publishing such as reader services and marketing that use magazine brands and/or published content.
- ▶ Provide comprehensive solutions such as for linking paper and digital book production and for on-demand printing from small lots and for other items.
- ▶ Promote community vitalization programs such as providing electronic library systems and combining bookstores with libraries to create venues where people can gather.
- ▶ Develop combined digital-analog educational materials and learning management services as well as school management support services.

Promote various businesses that make full use of DNP's solid information security technologies and infrastructure

- ▶ Utilize AI to raise quality and expand services in each BPO business. These services include market research and problem analysis; design, construction and implementation of optimal business processes; operation of customer service centers; and the formulation and implementation of sales promotion plans.
- ▶ Use DNP's data centers to anticipate diversifying needs related to settlement methods and information security and to provide unique settlement services, beginning with brand prepaid cards and debit settlement services, that can be easily adopted by companies.
- ▶ Use security technologies cultivated in smart card and other related businesses as a foundation to develop "Internet of secure things" (IoST) platforms that provide value in the form of safety and security to IoT by combining secure chips (trusted platform modules), electronic authentication authorities, key management and communication security.

Expand DNP's business value from consumers' point of view by taking advantage of big data and helping both inbound and outbound travelers

- ▶ Use multilingual translation platforms and focus on stimulating communication between people and

companies in various countries and regions.

- ▶ Expand various services in response to the growing number of foreign visitors to Japan (inbound travelers) and Japanese going overseas (outbound travelers).
- ▶ Utilize various types of Cool Japan-related content and implement a variety of communications measures that link companies with their followers to contribute to community vitalization and the promotion of creative industries.

Expand Imaging Communication operations, which make businesses out of everything to do with imaging

- ▶ Focus on expanding the business of the DNP Imaging Mall, which engages in printing and sales of images recorded at sporting or other events.
- ▶ Identify new value in Japanese and/or overseas photo print markets that people experience as fun, happy, entertaining easy, or convenient and offer this value in the form of new products and services.

Provide digital marketing services

- ▶ Use consulting, settlement data and client analysis based on DNP's original systems in order to solve corporate clients' marketing issues and propose plans for optimal sales campaigns, including promotions that use smartphones.

2 Provide value to the global market

- ▶ Develop publishing-related businesses in Japan and overseas markets by cooperating with publishers; planning, producing, distributing and selling all types of publications; making use of content and magazine brands; and promoting copyright processing, etc.
- ▶ Boost the competitiveness of the smart card businesses that we operate in Southeast Asia together with major Indonesian and Vietnamese card manufacturers with whom we have business and capital alliances.
- ▶ In Imaging Communication, further strengthen global manufacturing, sales and service systems and expand businesses not only for ink ribbons and other print media but also for all aspects of imaging. Also, respond rapidly to the worldwide trend toward digitization of commercial photo printing systems and strive to maintain and expand our share of the market for related supplies.

3 Increase corporate value by means of all kinds of structural reforms

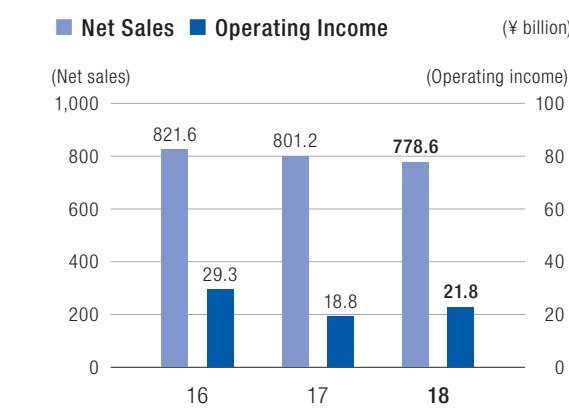
- ▶ Combine strengths in ICT and BPO to respond to rapid changes in society while promoting the introduction of AI and RPA* to improve productivity and quality. Also, link domestic and overseas production bases to improve operational efficiency and further strengthen market competitiveness.
- ▶ Reorganize manufacturing departments and management departments and implement centralized management of production bases throughout Japan to realize optimal production.

* RPA (Robotic Process Automation): an initiative for the automation of business operations through the use of robots (software) utilizing AI

Financial Results

Financial Highlights

| | (¥ billion, %) | | |
|-------------------------|----------------|---------|---------|
| | 2016.3 | 2017.3 | 2018.3 |
| Net sales | ¥ 821.6 | ¥ 801.2 | ¥ 778.6 |
| Operating income | 29.3 | 18.8 | 21.8 |
| Operating income margin | 3.6 % | 2.4 % | 2.8 % |



[Net Sales]
Although Information Security and Marketing continued to perform solidly, sales from Education and Publications Distribution, Publishing & Media services and Imaging Communication declined, resulting in a drop of 22.57 billion yen, or 2.8%, in net sales for the segment as a whole compared with the previous fiscal year.

[Operating Income]
Operating income increased by 15.2%, or 2.87 billion yen, from the previous fiscal year due to increased sales in Information Security and Marketing in addition to the implementation of cost reductions. The segment’s operating income margin increased by 0.4 point to 2.8%, from 2.4% in the previous fiscal year.

Fiscal Term through March 2018: Business Environment and Summary of Financial Results

Publishing Business: Publishing & Media Services, Education and Publishing Distribution

In the fiscal year ended March 2018, Japanese publishing industry sales declined by 7.7% from a year earlier to 1,338.9 billion yen, representing a record-breaking decline. Among sales, magazine sales fell 12.2% to 631.7 billion yen due to a decrease in the number of copies sold combined with an increase in the number of magazines that ceased publication, while book sales declined by 3.2% to 707.2

billion yen. On the other hand, the domestic market for e-books expanded significantly in calendar 2017 relative to the previous year, growing by 16.0% to 221.5 billion yen (Source: Research Institute for Publications, the All Japan Magazine and Book Publishers’ and Editors’ Association).

Amid an ongoing slump in the publishing industry, DNP worked to create a system to forecast demand by leveraging artificial intelligence (AI) to analyze bookstore sales and other data and to build a system to increase coordination between book production, distribution and sales. However, sales of books and magazines both decreased and sales in Publishing & Media Services declined from the previous year.

In Education and Publications Distribution, we focused on expanding our “honto” hybrid bookstore network that combines physical bookstores, online bookstores and e-books and recorded solid results in online bookstores and e-books. Additionally, our library support business recorded an increase in the number of outsourcing (client) libraries, including university and public libraries. Nevertheless, overall sales of both the Education and Publications Distribution unit as well as overall sales in the Publishing business declined from the previous year because of the impact of the change of Bunkyodo Group Holdings Co., Ltd.’s status from a subsidiary to equity-method affiliate in October 2016 due to the transfer of some of that company’s shares.

Going forward, DNP aims to revitalize the publishing market, further deepen cooperation with publishers and promote all kinds of publishing-related businesses. These include project planning, production, distribution and sales of various types of publications, overseas deployment of content and copyright handling for secondary usage of content.

Information Innovation Business: Marketing

According to the Japanese Ministry of Economy, Trade and Industry, overall domestic corporate advertising expenses in the fiscal year ended March 2018 trended at virtually the same level as in the previous year. Advertising insert flyers, direct mail advertising and other paper media slumped, but Internet advertising sustained double-digit growth led by advertising for smartphones and other mobile devices and for video ads.

In June 2017, DNP established new Business Process Outsourcing (BPO) centers in Tokyo and Fukuoka city. These centers provide a broad range of agency services for companies and respond to customer needs in areas ranging from market research to customer centers. As a result, the DNP Group now has a total of 13 BPO operating locations in Japan as it worked to expand support for digital marketing operations intended to increase the effectiveness of sales promotions through timely delivery of optimal information to people.

Although DNP’s catalog and pamphlet sales decreased, sales of advertising flyers were firm. DNP recorded an increase in point-of-purchase (POP) promotional materials and other sales tools for the retail industry in addition to an increase in various solutions for sales campaign offices and e-commerce sites. Consequently, overall sales in Marketing increased from the previous year.

We will continue to provide total marketing solutions, starting with consulting and other services aimed at improving clients’ business processes and marketing, that range from planning and implementing sales campaigns to all types of studies and analyses and production and delivery of POP tools and leaflets. Also, we intend to accelerate the

construction of new business models by integrating marketing and settlement services and by strengthening in-house and external collaboration in the information and communication technology (ICT) and BPO fields.

Information Innovation Business: Information Security

In Japan, major financial institutions and other organizations are increasingly electing full outsourcing to other companies of the handling of various notices to customers. Additionally, the issuance of various types of credit cards, brand prepaid cards, debit cards and other smart cards is expected to increase as the establishment of platforms for safe and secure electronic settlements progresses for the realization of a cashless society being promoted by the Japanese government toward 2020.

DNP recorded favorable results for its Information Processing Services (IPS), which provide services such as data input, printing and mailing for smart cards for financial institutions and electronic money as well as for personalized mail. Overall sales in Information Security increased from the previous year.

In anticipation of the growing use of ICs in credit cards and cash cards, DNP will establish a card production and issuance structure by increasing and strengthening production capacity at domestic plants and expanding production at overseas bases. DNP will also focus on providing high-added-value services such as a digital marketing business that integrates international brand prepaid cards and settlement-linked marketing services and a BPO business that efficiently executes business processes on behalf of client corporations.

DNP’s business processing infrastructure, including the DNP Kashiwa Data Center and 13 domestic BPO bases, is protected by advanced information security measures. We will take full advantage of this environment and also strengthen collaboration with Nihon Unisys, Ltd.

Imaging Communication Business

DNP is developing businesses that target the overall imaging market, or in other words, everything to do with images. Besides responding to growing needs for products like photo prints and photo albums, we are expanding our services such as our “DNP Imaging Mall,” which is a cloud-based image sales solution that provides one-stop service, from data storage to website construction and image processing, printing and delivery.

Looking at trends in the photo print market, although the number of prints per photo print provider has been trending downward due to the proliferation of smartphones and photo sharing services, demand is increasing for dye-sublimation thermal transfer printing media for photographs (color ink ribbons and receiver paper).

In Japan, a growing number of people are using photo books, which are becoming increasingly popular as gifts, and the photo book market in the year through March 2019 is forecast to surpass 10 million photo books annually according to the Japan Photo Imaging Association.

Under these conditions, DNP is working to develop high-added-value services that allow numerous people to enjoy photo prints. These services include “ShaGoo!” automated commemorative photo booths and DNP Imaging Mall for photographs taken at unique venues such as tourist spots, event venues, amusement facilities and storefronts.

In the fiscal year ended March 2018, sales of dye-sublimation thermal transfer printing media for photo printers increased in Southeast Asia and Europe but declined in Japan and North America, and overall sales in this business decreased from the previous year.

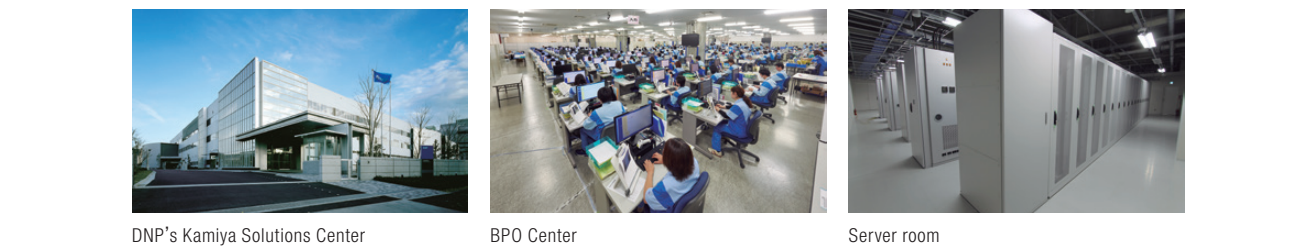
Sales volume of thermal mass transfer printing media, mainly used for printing bar codes and expiration dates on food packages and other items, also fell below the level of the previous year, and overall sales in Imaging Communication declined from the previous year.

TOPICS

Providing Technologies That Achieve Digital Transformation through AI — Capital and Business Alliance with AI inside Inc.

In January 2018, DNP began to collaborate with AI inside Inc., which owns AI and optical character recognition (AI-OCR) technology that converts handwritten characters into digital text as well as technology that ensures the safe use of personal information and other information by separating it and conducting confidential distribution processing prior to information processing. We will introduce OCR technology, which uses AI for the data input operation in BPO, to improve

the accuracy of recognition of handwritten characters. In addition, we will introduce AI to document sorting operations and screening operations to improve the level of service, including building a system for 24-hour processing and handling operations with fluctuations between busy times and off-times. Going forward, we plan to promote joint development for the application of AI to contact center operations.



Lifestyle and Industrial Supplies



Business Strategies

The Lifestyle and Industrial Supplies segment consists of three business divisions: Packaging, Living Spaces and Industrial Supplies. The segment mainly provides many familiar products and services that play important roles in the daily lives of consumers and a large number of products that are essential for companies' value chains. Our Packaging business creates many of the packages that consumers use in daily life, including packaging for foods, beverages, household items and pharmaceutical products. We design and develop a wide variety of packaging solutions, including ones for the long-term preservation of contents, higher durability and reduced environmental impact. At the same time, we strive to provide diverse value, including the selection and development of highly functional materials, a user-friendly structure, attractive design and information display that is easy for many people to understand. Living Spaces mainly handles a wide range of interior and exterior materials that shape various spaces where people live into comfortable, functional ones. The division works on both materials for residential use and non-residential use, including products for automobiles and railway cars as well as floor and wall coverings. The division develops products with diverse strengths, including high design quality with wood grain, stone-like or metallic textures, resistance to soiling and scratching, and the

ability to reflect light efficiently. Industrial Supplies focuses on businesses including ones for components used in lithium-ion rechargeable batteries, which are increasingly in demand as batteries for mobile devices and automobiles, and ones for photovoltaic cells.

At DNP, we strive to ensure that these products and services, which are essential for people's lives, also contribute to their enhanced comfort, safety and sense of security. We also develop products with consideration for universal design, which makes them easy for many people to use, and for inclusive design, which makes our products usable for people of all ages, with various individual characteristics and disabilities, including physical disabilities. Further, we strive to conserve biodiversity and minimize stress on the environment caused by the use and disposal of our products in addition to energy conservation and the adoption of clean energy at our production sites.

Our strategy for the Lifestyle and Industrial Supplies segment is to create value that leads to the solution of social issues in Japan and overseas in the four growth areas, while fulfilling the above criteria. In addition to combining the strengths of the DNP Group, we aim to accelerate value creation by promoting collaboration with companies and research institutes that have relevant strengths.

Main Policies

1 Generate value by expanding business, primarily in growth areas

Combine strengths of the DNP Group and external parties, including DNP's proprietary coating (precision coating) and converting (material processing) technologies, to develop advanced products and services that offer solutions to social issues both in Japan and overseas.

Actively develop environmentally conscious products and services that minimize stress on the environment and help conserve biodiversity

- ▶ Expand the lineup and application of advanced packaging products such as transparent vapor deposition film (IB film), which is highly transparent and has excellent barrier properties, and our "Biomatech PET" series of plastic films that are partially made from plant-based materials in order to help reduce petroleum usage.
- ▶ Make use of DNP's proprietary Electron Beam (EB) coating technology to promote the development of interior and exterior decorative materials and similar products with strong scratch and soil resistance and other outstanding characteristics including weatherability.
- ▶ Promote new businesses in the field of distribution and other fields by making use of the DNP multifunctional insulation box.
- ▶ Expand sales of new products with superior functions, including "DNP Lighting Film," which brightens an entire room by effectively reflecting and diffusing light, thereby conserving electric power.
- ▶ Focus on developing back sheets, encapsulants and other photovoltaic module components that help increase the conversion efficiency and reliability of photovoltaic cells.

Develop products and services that are comfortable and easy to use for many different people

- ▶ In Packaging, we study and analyze consumers' awareness and usage habits related to food products, beverages and all types of household items. In Living Spaces, we grasp consumers' changing values and preferences from DNP's unique viewpoint, analyze latent needs and sensitivities, and reflect that understanding in a variety of businesses that seek to increase consumers' comfort in everyday life, including the measurement and assessment of living environments, suggestion of living space designs including designs based on Kansei (sensitivity) engineering and the development of easy-to-implement construction techniques.
- ▶ Promote inclusive design, which involves diverse people in the development of products and services, starting from the early stage, by respecting their diversity in terms of age, disabilities, country or region, language and other attributes.
- ▶ Develop products with strong aesthetic appeal by applying technologies, including advanced image processing technologies and film-making, plate-making and printing technologies.

Provide new value for the automotive and other markets

- ▶ Bolster cooperation with partners in addition to developing products including decorative films for auto

interiors, "DNP ultra-weather-resistant hard-coat transfer film" used on resin glass that helps reduce auto body weight and "DNP adhesive films" that form a strong bond between different materials such as metal and carbon fiber-reinforced plastic.

- ▶ Accelerate development of automotive products that combine film-related technologies cultivated by DNP with the molding and resin forming technologies of DNP Tamura Plastic Co., Ltd., which is a leading provider of visors attached to the side windows of automobiles.
- ▶ Focus efforts on expanding products to non-residential fields, such as offices, shops and public facilities, by taking advantage of our technologies and expertise cultivated in our businesses in handling interior and exterior decorative materials for residences featuring superior aesthetic appeal and durability.
- ▶ Expand application of pouches for lithium-ion batteries to new fields, such as drones, in addition to mobile equipment and electric vehicles by taking advantage of DNP's strengths as the world's top supplier of such products.
- ▶ Make use of the joint venture established in Japan with SIG Combibloc Group, a world-class, major manufacturer of paper cartons for foods and beverages, to help Japanese companies make their products stand out on store shelves by offering unusual containers rarely found in Japan, such as a carton with a re-sealable spout that can be filled with solid foods, such as fruits and vegetables.

2 Provide value to the global market

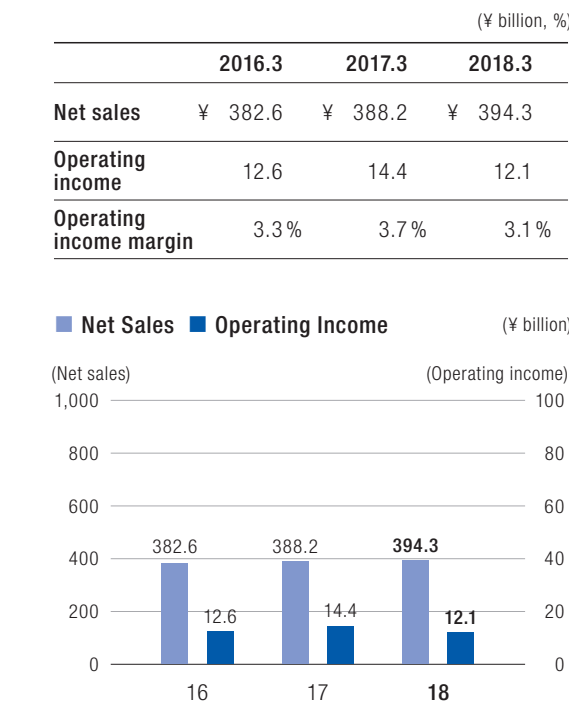
- ▶ Use our Packaging division's presence in Indonesia and Vietnam, where it is already working to enhance production systems in order to expand the market share in Southeast Asia, as a base from which to increase sales in neighboring countries.
- ▶ In Living Spaces, make full use of our global business network to increase our market share in Europe, the United States and emerging markets. In addition, we will boost overseas sales of Arttec decorative aluminum plates for interior and exterior use, as well as automobile interior materials.
- ▶ Work steadily to promote global expansion in terms of sales of pouches for lithium-ion rechargeable batteries, and back sheets and encapsulants for photovoltaic cells, in order to expand our shares of these markets.

3 Increase corporate value by means of all kinds of structural reforms

- ▶ Review the DNP Group's systems from the standpoint of overall optimization to promote improvements in production efficiency and other aspects.
- ▶ Further improve profitability and production efficiency, especially in Packaging, by establishing a system for supervising domestic sales and manufacturing functions on a nationwide scale.
- ▶ Concerning business outside Japan, we will respond more flexibly to fluctuations in exchange rates and raw material prices, and use hedging and other risk management tools to minimize any adverse effects of such fluctuations on our bottom line.

Financial Results

Financial Highlights



[Net Sales]
Our Packaging business saw a decline in sales of paper packages and aseptic systems for filling PET plastic bottles. However, Living Spaces posted an increase in sales of products made with electron beam (EB) coating technology, aluminum panels for interior and exterior use and automotive-related products. In addition, Industrial Supplies recorded strong sales of components for batteries. As a result, overall segment sales totaled 394.3 billion yen, an increase of 1.6% over the previous fiscal year.

[Operating Income]
Operating income declined 16.0% from a year earlier to 12.13 billion yen due to the impact of price increases of films, resins and other raw materials and a decline in unit prices that resulted from escalating competition. The operating income margin declined 0.6 percentage point to 3.1%, from 3.7% in the same period of the previous fiscal year.

Fiscal Term through March 2018: Business Environment and Summary of Financial Results

Packaging Business

Production value of domestic packaging printing in the year ended March 2018 decreased by 0.6% over the previous year (according to the Ministry of Economy, Trade and Industry of Japan). Market conditions were very tough due to such factors as fluctuations in sales of seasonal products stemming from unseasonable weather and escalating price competition. In this environment, DNP's Packaging business saw an increase in sales of film packages for Southeast Asia, while sales of these products in Japan declined. The business also enjoyed an increase in sales of preforms, which are materials for PET plastic bottles, and other products. However, the business saw a decline in sales of paper packages and aseptic PET plastic bottle filling systems. Consequently, overall sales declined from the previous year.

DNP aims to expand its share of the global packaging market, particularly in Southeast Asia. We are using our factories in Indonesia and Vietnam, along with other operating locations in the region, in our effort to provide high value-added products and services for Japanese and international companies expanding their businesses overseas. In order to boost our competitive position, we are working to improve production efficiency by implementing restructuring and overall optimization of our manufacturing bases throughout Japan.

In product and service development, we apply universal design principles, which are aimed at making products easy for anyone to use, and inclusive design principles, which involve planning and design based on the diversity of people. We are also promoting the development of packaging products related to the fields of medical care and healthcare.

Living Spaces Business

Domestic housing starts declined for the first time in three years in the fiscal term ended March 2018, falling 2.8% compared with the previous year, to approximately 940,000 units. Among them, construction starts of owner-occupied houses, which greatly influence the sales of DNP's decorative materials, declined 3.3%, while those of condominiums declined 3.6% according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan. In this environment, DNP's Living Spaces business enjoyed an increase in sales of electron beam (EB) cured exterior film for the exterior use of buildings, which helps to express realistic textures of wood, stone and others, along with an overall feeling of luxury. It is a product from DNP that was made using our proprietary EB coating technology. We also recorded an increase in sales of Arttec decorative aluminum plates for interior and exterior use and decorative films with wood grain, metallic and other textures, which were increasingly in demand as products for non-residential use, such as automobiles and railway cars. As a result, overall sales from Living Spaces increased year on year.

DNP is focusing its efforts on the development and

sales of products made with EB coating technology that feature greater durability and functionality in its efforts to expand its market share. We will also step up our efforts to market automobile and railway car interior and exterior products with excellent durability and functionality, in addition to Arttec, to manufacturers outside Japan as well as those in Japan. Further, we are working to develop new products for living spaces as a whole including automobiles, by combining microfabrication and resin-forming technologies, which are related to electronics, with functional film and other technologies.

Industrial Supplies Business

DNP is one of the world's top suppliers of pouches with multi-layer films for lithium-ion rechargeable batteries, which were developed by combining technologies cultivated by DNP, such as materials technologies, precision coating technologies and laminating technologies. In the fiscal year

ended March 2018, sales of these products for mobile information terminals increased, while products for automobiles were also strong due to the global expansion of the electric vehicle market. As a result, sales of the pouches increased year on year.

Domestic shipments of photovoltaic cells in the fiscal term through March 2018 (in terms of power generation capacity) decreased by 17% from a year earlier to 5,246 megawatts according to the Japan Photovoltaic Energy Association. In this environment, sales of DNP's encapsulants, back sheets and other photovoltaic cell components increased year on year due in part to our efforts to boost sales in overseas markets with high demand.

DNP makes more advanced components for photovoltaic cells and lithium-ion rechargeable batteries, and combines its proprietary technologies, in its efforts to develop new, highly reliable products for future business expansion.

TOPICS

New Initiative in the Packaging Business: Providing New Shapes of Beverage and Food Cartons to the Japanese Market

Currently, the majority of beverage cartons in Japan are gable top cartons, which feature a triangular, roof-like top, and brick cartons, which are entirely rectangular. Therefore, it is rare to differentiate a product with a unique carton shape. In response, DNP is making preparations to provide packages with novel designs to people in Japan.

In April 2018, DNP established DNP-SIG Combibloc Co., Ltd in Japan, a joint venture with the SIG Combibloc Group (SIG). SIG is a leading global beverage and food carton manufacturer. The new company provides the Japanese market with liquid cartons for beverages and food products developed by SIG with unusual shapes for Japan, as well as aseptic filling systems to be used for the filling and packaging of their contents. These systems boast the ability to fill cartons with

small solids, such as fruits, vegetables, cereals and jelly, together with liquids.

The company is also developing a new carton that can be heated in a microwave oven. Combined with the ability to fill with solids, the new carton will enable the provision of products in a new category in which beverages containing solids can be heated.

DNP has won large market shares with its containers and filling systems for alcoholic beverages in Japan. In addition, its aseptic filling systems for PET plastic bottles have also been adopted by many manufacturers. We will aim to win large market shares for novel shapes of beverage and food containers from the new company by taking advantage of our proven track record and sales channels in Japan.



News conference announcing the establishment of a joint venture (Center: President Yoshinari Kitajima)



Liquid containers for beverages and food products

Electronics



Business Strategies

Recently, the market has expanded for organic light-emitting diode (OLED) panels, which are thin and lightweight, with high contrast capability and superior color reproducibility. They are widely adopted for displays on smartphones, TVs, digital signage and other devices. Among the advantages of these panels, their flexibility makes them particularly promising in that it makes them difficult to break. Taking advantage of this property, manufacturers are developing a wide variety of new products, such as foldable smartphones, roll-up TVs with large-screens and digital signage that can be mounted on curved surfaces. Another recent trend is the spread of the Internet of Things (IoT), which is a network of various items embedded with sensors or similar devices that directly connects to the Internet, permitting the collection and exchange of information. IoT is expected to be applied to a variety of industrial fields, including self-driving cars, medicine and life sciences.

In this environment, DNP's Electronics segment is developing Display Components and Electronic Devices businesses, aiming to provide new products, services and systems by forecasting changes in the needs of companies and people. Markets for electronics equipment and similar

products are spreading globally, with fierce competition in technology development. Therefore, research and development and capital expenditures need to be reviewed constantly to secure stable profits in those markets. At DNP, we strive to develop high-value-added products with excellent functionality by focusing on next-generation electronics products. In this process, we will concurrently promote the application of DNP's world-leading microfabrication technology and coating technology as well as the development of new core technologies. At the same time, we will commit to collaboration with business partners and partner companies with strong expertise as part of our efforts to accelerate commercialization. We will also be proactive in forming alliances with other companies, including the licensing of technology, and royalty businesses.

In order to improve profitability, we will continue to minimize costs, improve efficiency and promote other positive changes while selecting and concentrating on the most promising products in our lineup. We will also strengthen our efforts for global development that effectively uses our production bases in Japan and overseas. Therefore, we will make DNP-wide efforts to create value that leads to solutions for social issues.

Main Policies

1 Generate value by expanding business, primarily in growth areas

Amid the development in IoT and artificial intelligence (AI), there is growing demand for products, including more advanced, easier-to-use information devices and sensors as well as more eye-friendly displays with higher resolution. In response, we will collaborate with other business segments of DNP and refine and synergize our technologies and expertise cultivated in our businesses, such as color filters for liquid crystal displays (LCD), metal masks for OLED displays, optical films, as well as the Electronic Devices business, thereby developing new products, services and business models to meet the needs and trends of society.

Strengthen development of products for OLED displays

- ▶ Panel manufacturers in South Korea, China and Japan are committed to capital expenditures in anticipation of growing demand for OLED displays. In response, we will increase our capacity to produce metal masks used for manufacturing OLED panels. We will also focus our efforts on the development of products that will fulfill the demand for higher resolution and flexibility of panels in our efforts to maintain and expand an overwhelming share in the global market. We will also promote the development of retardation film and other optical films intended for OLED displays.

Pioneer new fields by refining and synergizing core technologies

- ▶ We will promote the development of products for automotive use, such as viewing angle control film that prevents light emitted from navigation systems or other in-vehicle displays from being reflected onto the windshield.
- ▶ We will accelerate the development of next-generation semiconductor photomasks, provide global support for each client manufacturer's production systems and endeavor to standardize manufacturing processes. In addition, we will expand our businesses based on proposed solutions by taking advantage of DNP's design technologies as our strength.
- ▶ Regarding LCD color filters, we will focus on areas where demand is expected to grow, such as automotive and medical applications. At the same time, we will diversify our business models to include the licensing of technology and sales of equipment and materials to other companies.

Refine and practically apply nanoimprinting* technologies

- ▶ We will focus our efforts on manufacturing master templates used in nanoimprint lithography, a technology for making products that are expected to greatly increase in demand, such as 3D NAND flash memories.
- ▶ We will accelerate the expansion of our nanoimprinting solutions business, in which we try to solve issues by providing DNP's nanoimprinting technologies, to diverse

fields that require microfabrication. We will also focus our efforts on business development related to sensing, a field that is indispensable to furthering IoT and automation. In addition we will work to develop new products other than ones for semiconductors, such as materials used in a variety of batteries, including photovoltaic cells, light-emitting diodes and OLED displays, as well as materials related to life sciences.

2 Provide value to the global market

- ▶ DNP's Electronics segment serves an international market centered on China that includes East Asia, Europe and North America. Because the changes in basic technologies, such as the transition from LCD to OLED displays, is rapid and wide-ranging, we are proceeding carefully with technological development and capital spending, while closely observing developments in Japan and other countries.
- ▶ In China, many manufacturers are constructing bases for manufacturing semiconductors and panels for large-screen displays. In response, we will establish shared production bases in the country through joint cooperation with other companies to meet the growing demand for a variety of photomasks. We will also effectively use production bases in Europe in our efforts to expand our business globally.

3 Increase corporate value by means of all kinds of structural reforms

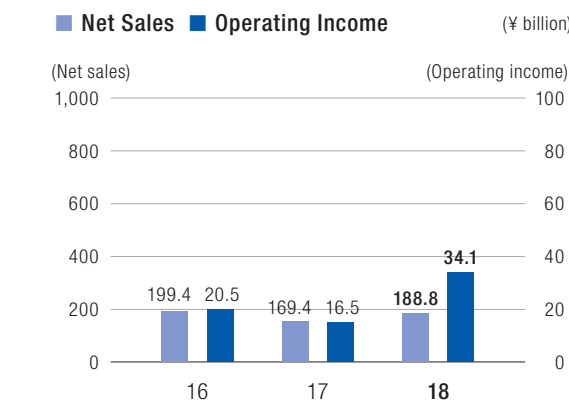
- ▶ We will achieve significant improvement in productivity and higher production capacity by introducing a coating device compatible with 2,500 mm-wide films, which is optimal for manufacturing the optical films for 65-inch displays used in most large-screen TVs.
- ▶ Given advances in the miniaturization of semiconductor products, the ability to draw circuit patterns with line widths less than 10 nanometers has been essential. In response, we will effectively use multiple electron-beam mask writers to reduce writing time significantly. Therefore, we will achieve high productivity and enhance our next-generation semiconductor photomask production systems.
- ▶ The business environment surrounding the Electronics segment has been changing rapidly. In response, we will concentrate our management resources on the development of products, services and systems that are expected to continue growing. We will reconsider our traditional business model, in which we made large-scale capital investments to supply a large number of components. We will also deepen collaboration with many partners, including corporate customers and suppliers, and focus our efforts on the expansion of process solution services that address overall supply chains, including the supply of materials, designs and various equipment.

* Nanoimprinting: A microfabrication technology used for reliably transferring patterns with line widths measured in microns (μm = 1 millionth of a meter) or nanometers (nm = 1 billionth of a meter) by pressing templates onto resin-coated substrates or other surfaces

Financial Results

Financial Highlights

| | (¥ billion, %) | | |
|-------------------------|----------------|---------|---------|
| | 2016.3 | 2017.3 | 2018.3 |
| Net sales | ¥ 199.4 | ¥ 169.4 | ¥ 188.8 |
| Operating income | 20.5 | 16.5 | 34.1 |
| Operating income margin | 10.3 % | 9.7 % | 18.1 % |



[Net Sales]
Sales of the overall Electronics segment increased 11.4% from the previous year to 188.754 billion yen, thanks to strong sales of metal masks used in manufacturing OLED displays, various optical films for flat panel displays and photomasks for semiconductor products.

[Operating Income]
Operating income rose 106.9% year on year to 34.1 billion yen, reflecting an improvement in the gross profit margin attributed to an increase in sales of mainstay products in addition to the effect of the increase in sales of the overall segment. The segment’s operating income margin rose 8.4 percentage points, from 9.7% a year earlier to 18.1%.

Fiscal Term through March 31, 2018: Business Environment and Summary of Financial Results

Display Components Business

In calendar year 2017, the display market saw significant growth in demand for OLED displays, which are said to enable slimmer dimensions and lighter weight and display higher-resolution images than liquid crystal displays (LCDs), which are the current mainstream. Among these displays, flexible OLED panels for smartphones, which use films as their substrates, grew significantly. Shipments of the panels more than tripled from the previous year from 40 million panels in 2016 to 125 million in 2017. Large OLED displays for TVs also grew significantly, with a 102% increase in shipments year on year to 1.8 million panels in 2017. On the other hand, demand for LCD TVs stagnated due in part to competing products such as OLED TVs. Global shipments of LCD TVs decreased 2.6% year on year to 217 million units in 2017.

In this environment, DNP’s metal masks for manufacturing of OLED displays maintained an overwhelming share in the global market and enjoyed a further increase in share and a significant increase in sales from the previous year. This mainly reflects a high evaluation of the materials, manufacturing method, the wide range of patents and expertise related to our products, our excellent technology development capability and our ability to ensure a stable supply of high-quality, high-precision products. Optical films also enjoyed year-on-year growth thanks to the significant growth of retardation films for OLED TVs and smartphones in addition to a strong showing of our mainstay anti-reflection films for LCD TVs, which is attributed to the increase of TVs and smartphones with larger screens. Conversely, sales of LCD color filters declined year on year due to the increasing rate of in-house production by panel manufacturers worldwide.

At DNP, we will maintain and increase our share in the OLED display market, where a rise in demand is expected, by increasing our production capacity for metal masks and establishing systems for the development and stable supply of products compatible with higher-resolution displays. We will also strive to develop a variety of optical films for OLED displays, including retardation films.

Electronic Devices Business

The global semiconductor market in calendar year 2017 grew 21.6% year on year, to 412.2 billion U.S.dollars, hitting a record high for the second consecutive year. This growth partly reflects an increase in demand for DRAM and NAND flash memories. Due to the expanded applications of semiconductor products, such as IoT, AI, virtual currency mining and self-driving systems, sales of semiconductor manufacturing equipment increased significantly. In 2017, total sales in monetary terms increased 37% year on year to a record high of 56.6 billion U.S.dollars. In addition, the semiconductor photomask market also expanded, driven by microfabricated products for less than 45 nanometer node. In 2017, total sales in monetary terms increased

13% year on year to 3.7 billion U.S.dollars. In this environment, sales of DNP’s semiconductor photomasks increased from the previous year thanks to a rise in demand for photomasks for flash memories and other products, which offset the impact of the expansion of the in-house production of photomasks mainly at overseas semiconductor manufacturers. Moving forward, we will enhance our production systems for next-generation products by making use of multi electron-beam mask writers that greatly reduce writing time in photomask manufacturing, meeting the needs of semiconductor manufacturers for miniaturization

and reduced cost. In addition, in 2018 we established a joint venture in China for manufacturing and selling photomasks with Photronics, Inc., a U.S. photomask manufacturer, to respond to the growing demand for photomasks in China. Further, we will strive to increase our market share for Quad Flat No Lead Package (QFN), a small package that caters to the need for compact size, slimmer dimensions and higher density, by following the trends of products for IoT and automotive use in the semiconductor package market.

TOPICS

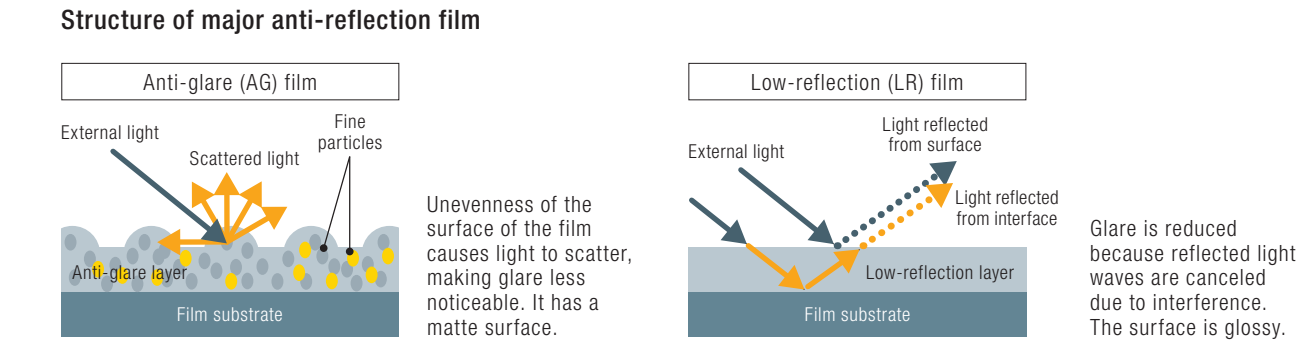
Expansion and Reinforcement of Facilities for Manufacturing Optical Films in Response to the Rising Demand for Large TVs

DNP will introduce a coating device that is capable of handling up to 2,500 mm-wide, super-wide film rolls, which is optimal for manufacturing optical films for large TVs. Commercial production of the films will start in October 2019. DNP is the first company worldwide to introduce a coating device for 2,500 mm films for the manufacturing of optical functional films (June 2018 study conducted by DNP). With this device, we will significantly improve the productivity of optical films (1.3 times the current level in terms of area) for large screen TVs, including 65-inch TVs (1436.4 mm × 809.0 mm). Recently, the spread of larger TVs has resulted in rising demand for larger display components, and the improved productivity of such components has become an important issue. DNP has captured significant market shares for a variety of its optical films, including a film that prevents light reflection on a display’s surface, one that expands the display’s viewing angle and one that controls the transmission and blocking of light. This was enabled by a combination of design and development of various materials and manufacturing processes, technology for precision coating in a clean environment, as well as other technologies, in addition to the proprietary optical design technology of DNP. Currently, DNP manufactures these films at its Okayama Plant in Okayama Prefecture and Mihara Plant in Hiroshima Prefecture. We will introduce a new coating device to the Mihara Plant by investing approximately 6.5 billion yen to improve the productivity of films for 65-inch TVs. This new

production line is designed with consideration for productivity with a multi-layer coating, which is important for improving the functionality of anti-reflection films. DNP will expand the provision of its optical films through these initiatives to manufacturers of panels for LCD and OLED displays, as well as manufacturers of polarizing plates, thereby planning to increase annual net sales in the optical film business to 100 billion yen in fiscal 2020.



Mihara Plant (Hiroshima Prefecture)



ESG Section

DNP believes that its corporate social responsibility (CSR) is to maintain the trust of all of its stakeholders. To achieve this, we are working to resolve various environmental and social challenges in light of the needs and expectations of our stakeholders based on DNP's Three Corporate Responsibilities. As a premise to this, we recognize enhancing corporate governance as a critical management challenge.

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CSR Management

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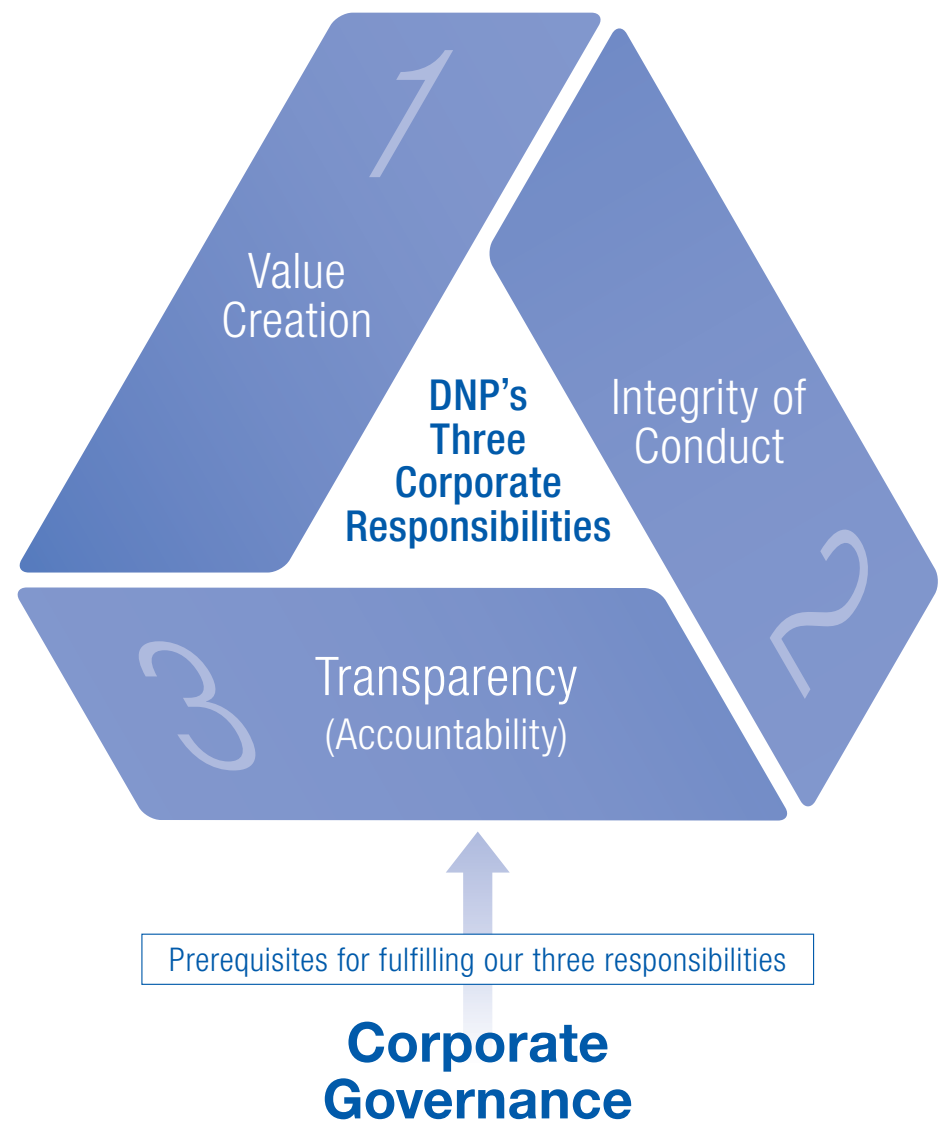
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Board of Directors, Statutory Auditors and Corporate Officers



More detailed information regarding our CSR can be found in our CSR Report and Environmental Report (PDF format only). We also disclose our policy and data, etc., concerning sustainability on our website. We fulfill our accountability by disseminating information through a combination of these tools.

▶ <http://www.dnp.co.jp/eng/csr/report.html>

CSR Management

DNP has set principal themes to be addressed as part of CSR management. In addition to identifying themes that we deem important and a priority based primarily on our management strategy and business fields, we also include themes that the international community views as critical, starting with the United Nations Global Compact Ten Principles and the Sustainable Development Goals (SDGs), and comprehensively analyze them. In fiscal 2017, we reestablished the following eight themes following a review of our principal themes.

New Principal Themes / Medium- to Long-Term Vision

| | | | |
|----------------|--|---|--|
| Value creation | Business to Contribute to SDGs Achievement | We create new value through products and services, which will contribute to the achievement of the SDGs, and help society grow in a sustainable manner. | <div><div>2</div><div>ZERO HUNGER</div></div> <div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div> <div><div>4</div><div>QUALITY EDUCATION</div></div> <div><div>7</div><div>AFORDABLE AND CLEAN ENERGY</div></div> <div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div> <div><div>9</div><div>INDUSTRY INNOVATION AND INFRASTRUCTURE</div></div> <div><div>10</div><div>REDUCED INEQUALITIES</div></div> <div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div> <div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div> <div><div>13</div><div>CLIMATE ACTION</div></div> <div><div>15</div><div>LIFE ON LAND</div></div> <div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div></div> |
|----------------|--|---|--|

Principal Themes and Priority Indicators

DNP has set a medium- to long-term vision for each principal theme under CSR management and the SDGs associated with these. We have also set priority indicators that are reflected in our ongoing activities toward the realization of the vision.

| | Principal themes | Performance indicators to monitor the progress in achieving the Vision | Targets | FY2017 results |
|--------------------------------------|---|---|--|---|
| Value creation | Business to contribute to SDGs achievement | (1) Sales of environmentally conscious products and services (DNP contributes to achieving the SDGs through all its business activities. DNP set the above as one of the clear indicators to monitor progress.) | (1) Achieve sales of 600 billion yen by FY2020. | (1) 599.3 billion yen |
| | Fair operating practices | (1) Number of meetings of the Corporate Ethics Committee (2) Bases holding Autonomous Corporate Ethics Training | (1) Hold meeting once a month (12 times a year). (2) Achieve 100% (covering all applicable bases). | (1) Once a month (12 times) (2) 100% (105 bases) |
| Foundation to support value creation | Human rights and labor | (1) Number of women in managerial positions (2) Ratio of employees with disabilities (3) Annual paid leave taken (4) Frequency rate of lost workday injuries | (1) Double the number of women in managerial positions by FY2019 compared with the number (96) at the end of FY2015. (2) Achieve the ratio above 2.0% in FY2017 and above 2.2% in FY2018 onwards. (3) Achieve an increase over the previous fiscal year. (4) Keep the rate below 0.2. | (1) 1.65 times the number (158) (2) 2.06% (3) 50.8% (48.9% in FY2016) (4) 0.32 |
| | Environment | Reference→P. 57 Environmental Activity Targets and Results | | |
| | Responsible procurement | (1) Average score of DNP Group CSR Procurement Guidelines survey on key suppliers (2) Percentage of overseas business locations conducting DNP Group CSR Procurement Guidelines surveys (3) Percentage of key suppliers conforming to DNP Group Guidelines for Procurement of Paper for Printing and Converting | (1) Achieve average score of 90 points by FY2030. (2) Achieve 100% (covering all overseas business locations). (3) Achieve 100% by FY2030. | (1) 81.7 points (average of key suppliers of overseas business locations) (2) 100% (3) 92.4% |
| | Product safety and quality | (1) Number of serious accidents* caused by our products * Including cases where a defect in our products jeopardizes the user's life, causes serious bodily harm or inflicts serious damage on the user's property (other than the product itself) (2) Percentage of newly developed products undergoing product safety and risk assessment | (1) Achieve zero accidents. (2) Achieve 100%. | (1) Zero accidents (2) 100% (184 products) |
| | Information security | (1) Number of information security compliance assessments conducted (2) Number of inspections and instructions on departments implementing priority measures for personal information security performed by executive officers in charge (3) Participation rate of information security education and training (4) Number of security vulnerability tests for publicly open websites which handle personal information | (1) Achieve 100% (covering all business departments and group companies) (2) Achieve 100% (covering all applicable bases) (3) Achieve 100% (covering all applicable departments) (4) Achieve 100% (covering all applicable sites) | (1) 100% (82 departments and companies) (2) 100% (34 bases) (3) 100% (approximately 41,000 participants) (4) 100% (83 systems) |
| | Corporate citizenship | (1) Number of external participants for DNP's original future generations development programs (2) Number of local volunteer activities held each year to support reconstruction of disaster-stricken regions, including Tohoku and Kumamoto | (1) Achieve an accumulated total of 7,500 persons from FY2015 to FY2019. (2) Constantly conduct activities three times a year until FY2019. | (1) Accumulated total: 4,033 (2) Three times (twice in Tohoku and once in Kumamoto) |

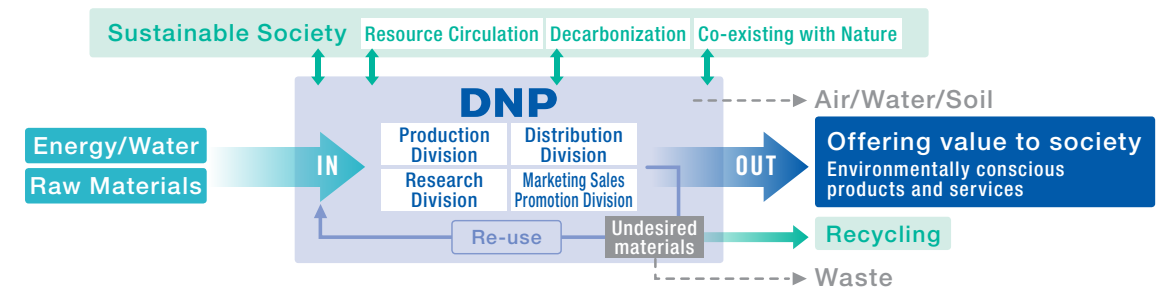
Initiatives in Principal Themes

Environment

DNP Group Business and Environmental Activities

DNP has always believed in the importance of coexistence with the natural environment to ensure sustainable business. We have set “Environmental conservation and the realization of a sustainable society” as one part of our Code of Conduct and are implementing environmental activities such as the reduction of environmental burden in consideration of the relationship between business activities and the environment throughout the supply chain. We have set targets and are undertaking initiatives to achieve them in such areas as curbing global warming, reducing water consumption and protecting

biodiversity based on compliance with laws and regulations. DNP has established a CSR-Environment Committee chaired by the Managing Director in charge of the CSR-Environment Department as the structure presiding over the entire Group's environmental activities. Environment committees have been set up in each business and Group company to promote environmental activities for each business sector. We are operating our own Environmental Management System (EMS) that was created in 1993 prior to the issuance of ISO 14001.



Environmental Activity Targets and Results

Evaluation criteria ◎: Target exceeded by a wide margin ○: Target achieved or making steady progress toward target △: Making active efforts but target not achieved ×: Efforts insufficient

| Topic | Targets through FY2020 | FY2017 results | | Evaluation |
|---|--|--|---|------------|
| Reduction of GHG emissions | To reduce GHG emissions by 10% from the FY2005 levels and 20% by FY2030 (Includes overseas locations) | Emissions in FY2005: 1.110 million tons Emissions in FY2017: 0.892 million tons | 19.6% decrease from FY2005 | ◎ |
| Reduction of environmental impact incurred during transport | To reduce per-unit fuel use for transport by 1% per annum and 10% compared with FY2010 | Per unit in FY2010: 16.1 kl/billion yen Per unit in FY2017: 14.7 kl/billion yen | 8.7% decrease from FY2010 | ○ |
| Reduction of Volatile Organic Compounds (VOC) emissions | To reduce emissions of VOCs (except for methane) by 35% compared with FY2010 Overseas, based on local laws and regulations, we plan to reduce atmospheric emissions of VOCs to the greatest extent possible through the introduction of technologies and other measures | Emissions in FY2010: 6,729 tons Emissions in FY2017: 4,831 tons Continue operation of VOC recovery equipment at DNP Indonesia's Karawang Plant | 28.2% decrease from FY2010 | ○ |
| Reduction of industrial waste | To reduce per-unit waste emissions (waste emissions/production) by 20% compared with FY2010. (Includes overseas locations) To maintain zero emissions for the entire DNP Group | Per unit in FY2010: 42.4 tons/billion yen Per unit in FY2017: 34.3 tons/billion yen Landfill waste rate in FY2015: 0.06% Landfill waste rate in FY2017: 0.04% | 19% decrease from FY2010 Maintained zero emissions | ◎ |
| Reduction of water usage | To reduce per-unit water use by 25% compared with FY2010 (Includes overseas locations) | Per unit in FY2010: 10.8 m³/million yen Per unit in FY2017: 7.1 m³/million yen | 34% decrease from FY2010 | ◎ |
| Development and sales of environmentally conscious products and services | Development and sales of environmentally conscious products and services totaling 600 billion yen | Sales of 570.8 billion yen in FY2015 Sales of 599.3 billion yen in FY2017 | 5.0% increase from FY2015 | ○ |
| Environmental conservation | To keep the maximum concentration of air emissions subject to emissions regulations at 70% of the required standard or less | 96% achievement rate of targets for FY2017 (voluntary target) | | ○ |
| | To keep the maximum concentration of water emissions subject to wastewater regulations at 70% of the required standard or less | 99% achievement rate of targets for FY2017 (voluntary target) | | ○ |
| | To keep the maximum concentration of odors at our site perimeters at 70% of the required standard or less | 100% achievement rate of targets for FY2017 (voluntary target) | | ○ |
| | To keep the maximum level of noise at our site perimeters at 70% of the required standard or less | 98% achievement rate of targets for FY2017 (voluntary target) | | ○ |
| | To keep the maximum level of vibration at our site perimeters at 70% of the required standard or less | 100% achievement rate of targets for FY2017 (voluntary target) | | ○ |
| Office environment | To increase the rate of the fractional recovery of waste paper to 70% of that for general waste | 80.9% recovery of waste paper in FY2017 | | ◎ |

GHG Emissions Reduction Target of the DNP Group Recognized by the Science Based Targets (SBT) Initiative

DNP recognizes that responding to climate change is the most pressing environmental and social issue. As we virtually achieved our FY2030 GHG emissions reduction target in FY2017, we defined another target that conforms to an international framework. In July 2018, our new FY2030 target was recognized by the international Science Based Targets (SBT) initiative as “science-based” in helping to achieve the goal of the Paris Agreement, which is to keep global warming below two degrees Celsius. DNP will continue to augment its GHG emissions reduction activities by saving energy and introducing energy-saving facilities.

FY2030 GHG emissions reduction target of the DNP Group: Reduce GHG emissions by 25% from the FY2015 level



Fair Operating Practices

Preventing Bribery

Rather than simply having each of our employees comply with laws and regulations when conducting business activities, we aim to have high ethical standards that meet society's expectations and consistently remain fair and equitable as we help to maintain and develop orderly, free and competitive markets. For that reason, we are working to impart a broader and deeper awareness of corporate ethics throughout the Group based on the key concepts of continuity, autonomy, positivity and efficiency.

As corporate activities expand beyond regional and national boundaries, regulations concerning bribery are being tightened in each country in order to ensure a fair and open competitive market.

DNP's activities will transcend regional and national borders even more going forward, and against this backdrop, we must not seek profit through bribery or other dishonest means in order to remain a company that is trusted by society.

Based on this philosophy, we formulated the DNP Group Anti-Bribery Policy in March 2018. Through this, we will promote further action aimed at preventing bribery.

DNP Group Anti-Bribery Policy

For the purpose of promoting the anti-bribery framework, DNP Group has established this DNP-Group Anti-Bribery Policy, in accordance with DNP Group Code of Conduct.

1. Prohibition of Bribery

DNP Group requires all employees of DNP Group to observe the following rules:

- 1 Employees shall not directly or indirectly commit any bribery or perform any conduct which may lead to suspicion of bribery, in relation to their duties;
- 2 Employees shall take notice that each country/region has its own specific laws and regulations (such as prohibiting to offer a bribe not only to government officials, but also to private organizations), and shall comply with any and all applicable anti-bribery laws and regulations when performing their duties;
- 3 Employees shall not make any facilitation payments to any government officials and to any other persons/entities to expedite or secure performance of governmental actions, regardless of the amount of such payment, under any circumstances; and
- 4 Employees shall take notice that bribery committed by agents may be deemed as bribery committed by DNP Group; therefore employees shall not direct agents to commit bribery or give implicit approval although they are aware of the facts or evidence of bribery committed by agents.

2. Anti-bribery framework in DNP Group

DNP Group shall establish internal anti-bribery regulations and promote the following anti-bribery framework:

- 1 DNP Group shall, taking into consideration the special characteristic or risk of each country/region, establish appropriate anti-bribery management system in each group company and regularly perform monitoring, inspection and assessment on whether such anti-bribery management system has been properly operated;
- 2 DNP Group shall regularly evaluate bribery risk in DNP Group, and revise the anti-bribery management system;
- 3 DNP Group shall provide training sessions relating to anti-bribery for employees, and disseminate the anti-bribery management system to employees;
- 4 DNP Group shall accurately record all of the transactions in its accounting books, and keep the relevant documentations; and
- 5 DNP Group shall establish the consulting/reporting channels in order to detect any acts of bribery in a timely manner.

Established on 3/2018

Responsible Procurement

Overseas Deployment of CSR Procurement

In addition to generating outstanding products and services with high added value, as part of our corporate responsibility DNP must also consider the global environment and society in our production and material procurement processes. To achieve this, it is necessary to share an awareness of issues throughout the supply chain and work together with stakeholders to resolve them.

DNP established the DNP Group CSR Procurement Criteria in 2006 and since then has continued to promote initiatives for CSR procurement throughout the supply chain, including ascertaining the compliance status of our suppliers every year. At the same time, with progressive business globalization and increasingly complex supply chains, it is more incumbent than ever upon companies to manage risk in such areas as human rights and the environment.

To reflect these international trends, we revised the content of the criteria in 2017 and changed their name to the DNP Group CSR Procurement Guidelines.

In November 2017, we expanded our CSR procurement efforts, which previously focused on domestic sites, to all overseas sites. We started actual activities upon revising the content of items in the supplier survey we conduct every year to reflect recent trends in such areas as human rights, labor, the environment and prevention of corruption in line with the new guidelines. First, we provided a

questionnaire to 130 core suppliers and confirmed the status of each company.

The DNP Group will continue to deepen dialogue with suppliers through such initiatives and strive to ensure responsible procurement throughout the value chain as a company that is trusted by society.



DNP Vietnam has started the supplier survey in accordance with the new procurement guidelines.

Human Rights and Labor

Diversity ~Promoting Women in the Workplace~

The DNP Group Code of Conduct cites respect for human dignity as being of the utmost importance. It stipulates respect for diversity and requires disciplined action. As such, we aim to create a corporate culture in which each individual can demonstrate his or her diverse individuality to the fullest and work with vitality.

In particular, women's perspectives and sensitivity are indispensable in the businesses that create new value being promoted by DNP, and for this reason, it is becoming increasingly important for females to take active roles in the Company.

From early in this century, DNP began by enhancing research and systems designed to promote the active participation by women in order to prevent unnecessary turnover of female employees in the workplace. Since 2010, DNP has hosted seminars supporting a balance between work and child care in aiming to create an environment conducive to increased participation by women. Apart from encouraging couples to participate, DNP is also engaged in the enhancement of training and internal evaluation systems to support career planning for employees using the shorter working hour system. Since 2013, DNP has taken a further step forward with existing activities related to reducing work hours and is promoting work style reform initiatives that raise value added through the more efficient use of time resources.

In 2016, DNP promoted such initiatives even further and drew up an action plan for the creation of an

employment environment where women can assume leadership roles. With the aim of realizing a 100% increase in the number of female managers (section chief and above) compared with the end of February 2016, DNP drafted and implemented educational programs supporting career development and policies in line with business and workplace environments. DNP also promotes a variety of initiatives such as the planning and execution of training plans to promote women in leadership roles.

At DNP, we will continue to promote diversity in order to create a workplace and culture in which diverse individuals can play active roles.



Training being conducted as part of efforts to promote women in the workplace

Human Rights and Labor/Corporate Citizenship

Fairtrade Activities

DNP has been involved in the internal consumption of fairtrade-certified products since 2006. Fairtrade refers to a system of trade that aims to improve the lives of vulnerable producers and workers and help them become independent by trading raw materials and products from developing nations at fair prices. International Fairtrade Certification encouraging sustainable agriculture and trade contributes greatly to the achievement of the Sustainable Development Goals (SDGs).

In agreement with the philosophy behind International Fairtrade Certification, DNP switched to using fairtrade-certified coffee in its reception area in 2006 in consideration of efforts to improve economic activities rather than provide temporary support to producers and the producing area and so that DNP employees could easily take part in the initiative. DNP has continued with the internal consumption activity for the 12 years since based on a belief in the importance of continuous action in order to maximize the effects produced by the International Fairtrade Certification framework. As a result, DNP had served its one-millionth cup of fairtrade-certified coffee as of March 31, 2018.

In May 2018, DNP received a certificate of commendation from the specified non-profit organization Fairtrade Label Japan (FLJ), which is engaged in product certification for International Fairtrade Certification labels

in Japan. The award is in recognition of the significant role DNP has played in spreading fairtrade in Japan on the back of proactive efforts over a long period. This is the first time the award has been given to a Japanese enterprise.

DNP will continue to promote the proliferation of fairtrade through internal consumption as a means to contribute to the realization of a sustainable society.



FLJ Chairman Horiki (right) with DNP Senior Corporate Officer Sugita (left)

Corporate Governance

1. Corporate Governance

Fundamental philosophy

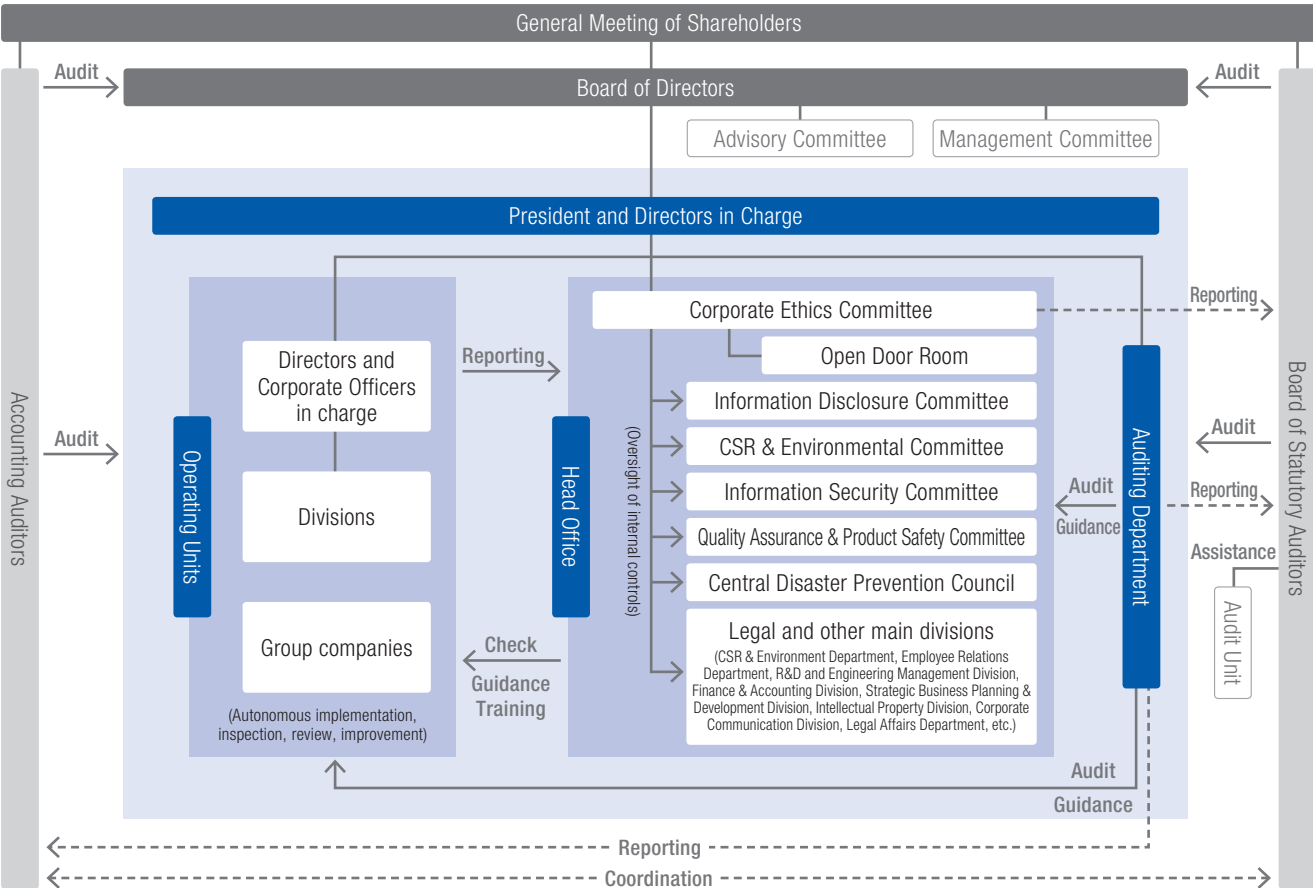
DNP seeks to improve earning power and capital efficiency in order to support sustained growth and increase enterprise value over the medium to long term. We established DNP Group Vision 2015, which states our corporate philosophy as: “The DNP Group connects individuals and society, and provides new value.” We are preparing an environment to allow directors to boldly pursue various business opportunities based on a healthy entrepreneurial spirit and to effectively supervise business operations, primarily in the four growth areas of “Knowledge and Communication,” “Food and

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

DNP’s corporate governance structure

DNP’s corporate governance and internal control system has the following structure.

<Structure diagram>



Management and business execution structure, audit structure

- DNP’s organization is designed to allow directors with specialized expertise and experience in a wide range of business fields to participate in management decisions, to take responsibility and authority as they execute their work and to supervise the work of other directors. We are working to enhance our decision-making and supervisory capabilities from a company-wide perspective by appointing directors in charge of each management function. Independent outside directors also participate in decision-making in order to facilitate prompt and precise management decisions and smooth execution of those decisions, and to further strengthen proper supervisory functions. Corporate officers appointed by the Board of Directors have the responsibility and authority to execute business decided by the Board of Directors.
- In order to nimbly construct optimal management systems for responding to changes in the business environment, and to further clarify management responsibility for each fiscal year, we set the term of office for directors and corporate officers at one year.
- The Board of Directors consists of 11 directors, including two independent outside directors, and the Board ensures that meetings are run appropriately based on the Board of Directors Regulations. The Board meets once a month, in principle, to discuss and decide on important business matters. Corporate officers may also attend meetings as needed to provide reports. To speed up the Company’s activities and make them more efficient, DNP has also established a Management Committee consisting of directors at the senior managing director level and above. The committee meets once a month, in principle, to review and discuss management policies, strategies and important business matters. Decisions about director compensation, designation of director candidates and other such matters are made in light of the advice and opinions of an Advisory Committee comprised of independent outside officers in an effort to increase the transparency of the decision-making process.
- DNP has in place a Board of Statutory Auditors that consists of five auditors, including one auditor with considerable knowledge of finance and accounting and three outside auditors. In accordance with auditors’ prescribed audit criteria and responsibilities, the statutory auditors conduct audits of the directors’ management of day-to-day operations and, as necessary, seek information from the directors and corporate officers regarding business operations.
- DNP provides in its Articles of Incorporation for the ability to conclude limited liability agreements based on laws and regulations in order to allow directors

(excluding executive directors, etc.) and statutory auditors to adequately fulfill their expected roles and to ensure useful personnel in the future. DNP and its directors (excluding executive directors, etc.) and statutory auditors have concluded agreements that limit the directors’ and auditors’ liability for damages within the parameters set forth in Article 423, Paragraph 1 of Japan’s Companies Act, so long as they perform their duties in good faith and without serious negligence.

Reasons for choosing this structure

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

Internal control and risk management systems

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

- (1) **System for ensuring that directors and employees of DNP and DNP subsidiaries perform their duties in compliance with laws and regulations and the Articles of Incorporation**
 - a. We established the DNP Group Code of Conduct to govern the conduct of all employees (including directors). We distribute this code to all employees of the DNP Group and conduct training and take other action to promote a full understanding of this code. **(Summary of operation)** We promote a full understanding of the DNP Group Code of Conduct through various training sessions and other activities carried out mainly by DNP’s Corporate Ethics Committee.
 - b. In principle, the Board meets once a month. Based on the Company’s Board of Directors Regulations, the directors ensure that meetings are appropriately run and supervise each other in day-to-day operations. We appoint independent outside directors to ensure that the Board of Directors

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

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

(Summary of operation)

The Board of Directors met 11 times during the fiscal year ended March 2018. The Board held discussions, made decisions and took appropriate actions on important matters based on the Board of Directors Regulations. Executive directors exercise their authority according to various rules and regulations, and they supervise the business execution of the corporate officers and general managers responsible for DNP's various organizational units. DNP's two independent outside directors supervise the business execution of directors.

Statutory auditors audit the performance of duties by directors according to the audit criteria and responsibilities prescribed by DNP's Board of Statutory Auditors.

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

(Summary of operation)

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

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

(Summary of operation)

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

e. The general managers of DNP's various organizational units independently determine,

implement, check, evaluate and improve the systems and procedures required for their own units, based on the DNP Group's Basic Compliance Management Regulations and in light of the specific operations of their unit.

(Summary of operation)

The head of DNP's various organizational units independently determine and implement the systems and procedures required by their unit. Each organizational unit confirms the operation of these systems and procedures. The head of each unit compiled the results of its independent checks, evaluations and improvements made through the end of the fiscal year ended March 2018 into a Unit Confirmation Report, and provided the report to DNP's Corporate Ethics Committee. The Corporate Ethics Committee conveyed these results to relevant head office organizations, and these head office organizations confirmed conditions and provided guidance to organizational units and training as needed.

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

(Summary of operation)

DNP's Auditing Department is independent from operating units and conducts internal audits and provides guidance to DNP's various organizational units and DNP Group companies, in accordance with an audit plan. The results of the Auditing Department's internal audits and guidance are reported to DNP's President, statutory auditors and accounting auditors.

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

(Summary of operation)

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

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

(Summary of operation)

DNP works to ensure compliance with laws and regulations and reliability in financial reporting by establishing internal controls for DNP and its Group

companies and evaluating their operation based on the Basic Policy and Basic Plan for Establishing, Operating and Evaluating Internal Controls for Financial Reporting.

i. To sever relations with antisocial forces, we stipulate in the DNP Group Code of Conduct that the Company shall not engage in any activities with antisocial forces. In addition to complying with this stipulation, we work with our various business partners to create an arrangement enabling a severing of relations in the event that a business partner is found to be an antisocial force. The DNP Group will also strengthen ties with outside organizations, including the police and law offices, to guard against inappropriate demands made by antisocial forces.

(Summary of operation)

DNP actively seeks to sever relations with antisocial forces, and we make ongoing efforts with our various business partners to create an arrangement enabling a severing of relations in the event that a business partner is found to be an antisocial force. We are also working to strengthen ties with outside organizations, including the police and law offices, to gather information about antisocial forces and to guard against inappropriate demands made by antisocial forces.

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

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

(Summary of operation)

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

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

a. The Board of Directors meets once a month, in principle, and also holds meetings as needed, providing a basic system for ensuring that directors perform their duties efficiently. Additionally, to contribute to fair and efficient decision-making,

we established the Advisory Committee comprised of independent outside officers to provide advice and opinions on important matters, including director compensation and designation of director candidates. The Management Committee comprised of senior managing and higher directors meets to examine and discuss important business matters.

(Summary of operation)

In addition to the operation outlined above in (1) b., our Advisory Committee held discussions and offered advice and opinions about important matters, including director compensation and designation of director candidates. Additionally, the Management Committee met 19 times during the fiscal year ended March 2018 to examine and discuss important business matters.

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

(Summary of operation)

DNP seeks to enhance the efficiency of business execution by preparing various rules to appropriately delegate the authority of executive directors to the corporate officers and general managers responsible for DNP's various organizational units.

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

(Summary of operation)

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

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

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

(Summary of operation)

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

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

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

(Summary of operation)

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

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

(Summary of operation)

Group companies establish various rules and regulations, including Proposal System Regulations, that stipulate matters requiring prior consultation or subsequent reporting with DNP; and establish appropriate systems in light of their business portfolio, size and other attributes. Group companies confirmed the operation of these rules, regulations and systems; compiled a Unit Confirmation Report by the end of the fiscal year ended March 2018; and reported to DNP's Corporate Ethics Committee. The Corporate Ethics Committee conveyed these results to relevant head office organizations, and these head office organizations confirmed conditions and provided guidance and training as needed.

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

(Summary of operation)

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

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

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

(Summary of operation)

DNP appoints one dedicated staff member to assist its statutory auditors. DNP grants this staff member the authority to appropriately conduct checks and gather information to ensure the effectiveness of his or her work.

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

(Summary of operation)

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

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

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

(Summary of operation)

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

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

(Summary of operation)

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

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

(Summary of operation)

DNP's Auditing Department and Corporate Ethics Committee held meetings with DNP's statutory auditors and provided timely reports to these statutory auditors.

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

(Summary of operation)

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

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

(Summary of operation)

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

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

(Summary of operation)

DNP's President held meetings and exchanged opinions with DNP's Board of Statutory Auditors.

Internal controls and auditor's auditing

In order to maintain a structure that allows for precise management decision-making, appropriate and prompt execution of business, and inspection and monitoring of these functions, the Corporate Ethics Committee, as the body in charge of internal control, inspects and guides DNP's operating units according to the DNP Group's Basic Compliance Management Regulations, and regularly reports to statutory auditors regarding management conditions. In addition, the Auditing Department (consisting of 14 employees) ensures the propriety of operations by conducting accounting and operational audits based on Internal Audit Regulations and by providing progress reports to the statutory auditors and the accounting auditor.

The statutory auditors hold regular meetings of the Board of Statutory Auditors, work with other statutory auditors to perform their audit duties and closely cooperate with the accounting auditors by receiving from

them an explanation of the audit plan at the start of the fiscal year, assessing audit operations during the fiscal year as appropriate and receiving a report of audit results at the end of the fiscal year.

DNP's outside directors and outside statutory auditors

DNP has two outside directors and three outside statutory auditors. Outside directors and statutory auditors do not have any particular personal relationships, capital relationships, transactional relationships or other interests with DNP.

The role of outside directors is to supervise inside directors and contribute to improving the transparency and accountability of the Board of Directors by providing management advice based on their judgment. The role of outside statutory auditors is to enhance the propriety of accounting and operational audits and to supervise management.

- Outside director Tadao Tsukada can participate in business decision-making from an objective standpoint that is independent from the Company's management team that executes its business, based on keen insight and broad experience as a distinguished academic. Mr. Tsukada owns 1,000 shares of DNP stock.
- Outside director Tsukasa Miyajima can participate in business decision-making from an objective standpoint that is independent from the Company's management team that executes its business, based on keen insight and broad experience as a legal professional. Mr. Miyajima owns 1,700 shares of DNP stock.
- Outside statutory auditor Shin-ichi Ikeda is designated as an independent officer and can help bolster auditing based on a broad knowledge gained from business experience at other companies. Mr. Ikeda owns 1,000 shares of DNP stock.
- Outside statutory auditor Makoto Matsuura is designated as an independent officer and can help bolster auditing based on his legal expertise as an attorney.
- Outside statutory auditor Kuniaki Nomura can help bolster auditing based on his legal expertise as an attorney.

DNP established its own Independence Standards for Independent Officers with reference to stock listing rules and other material in order to avoid conflicts of interest with general shareholders when appointing outside directors and outside statutory auditors. These standards are presented below, and we designate all of our outside directors and outside statutory auditors as independent officers as a result of satisfying these standards.

DNP's independence standards for independent officers

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

- (1) An executive of DNP or DNP affiliated company (hereinafter, DNP Group) (person to whom this applies during the past 10 years. Persons who have served as a non-executive director or auditor of the DNP Group during the past 10 years may include

- those who have served as an executive during the 10-year period prior to their appointment as a director or auditor)
- (2) A major supplier of the DNP Group (supplier group [entity belonging to the consolidated group of the direct supplier] that provides products or services to the DNP Group for which the transaction value of the products or services provided to the DNP Group accounts for over 2% of the supplier group's annual consolidated sales or gross revenues in the most recent fiscal year) or an executive thereof
- (3) A major customer of the DNP Group (customer group that receives products and services from the DNP Group for which the transaction value of the products and services provided to the customer group from the DNP Group accounts for over 2% of the DNP Group's annual consolidated sales in the most recent fiscal year) or an executive thereof
- (4) A major lender to the DNP Group (lender providing loans accounting for over 2% of the DNP Group's total consolidated assets in the most recent fiscal year) or an executive thereof
- (5) A consultant, accounting professional or legal professional (in the case of an organization, a person belonging to said organization) who receives a large amount of monetary or other consideration other than

- executive compensation from the DNP Group (person who receives consideration other than executive compensation in excess of the larger of an annual amount of ¥10 million or 2% of the person's sales or gross revenues in the most recent fiscal year)
- (6) A major shareholder of DNP (direct or indirect ownership of 10% or more of total voting rights) or an executive thereof
- (7) An executive at an entity in which the DNP Group is a major investor (direct or indirect ownership of 10% or more of total voting rights)
- (8) A person belonging to an auditing company that performs statutory audits for DNP
- (9) A person to whom items (2) through (8) have recently applied (within one year)
- (10) A relative (within second degree of kinship) of a person (excluding insignificant persons) to whom any of items (1) through (5) apply
- (11) An executive at an entity with mutual appointments of outside officers (person to whom this applies during the past 10 years)
- (12) An entity that receives donations from DNP (average donation during the past three fiscal years that is the higher of an annual amount of ¥10 million or 2% of the recipient's annual gross revenues) or an executive thereof (person to whom this applies during the past 10 years)

Compensation paid to directors and statutory auditors

(1) Total compensation paid by DNP, by category of director/statutory auditor, total compensation by type and the number of directors and statutory auditors covered

| Category of director/ statutory auditor | Total compensation (¥ million) | Total compensation by type (¥ million) | | Number of directors and statutory auditors covered |
|--|-----------------------------------|--|-------|--|
| | | Base compensation | Bonus | |
| Directors (excluding outside directors) | 973 | 776 | 197 | 10 |
| Statutory auditors (excluding outside auditors) | 58 | 58 | — | 2 |
| Outside directors and auditors | 111 | 111 | — | 5 |

Notes: 1. Bonuses are provisions for bonuses for directors and statutory auditors for the fiscal year ended March 2018.
2. There were 10 internal directors, two internal statutory auditors and five outside directors as of the end of the fiscal year ended March 2018.

(2) Company directors and total compensation

| Name (director type) | Total compensation (¥ million) | Company | Total compensation by type (¥ million) | |
|-----------------------------------|-----------------------------------|-------------------------------|--|-------|
| | | | Base compensation | Bonus |
| Yoshitoshi Kitajima (Director) | 325 | Dai Nippon Printing Co., Ltd. | 268 | 56 |
| Koichi Takanami (Director) | 128 | Dai Nippon Printing Co., Ltd. | 102 | 25 |
| Masayoshi Yamada (Director) | 128 | Dai Nippon Printing Co., Ltd. | 102 | 25 |

Notes: 1. Total compensation is shown only for those with compensation of at least 100 million yen.
2. Bonuses of Dai Nippon Printing Co., Ltd. are the amounts expected to be paid as bonuses for the fiscal year ended March 2018.

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

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

Compensation for each director is determined based on a broad range of factors, including the operations they are in charge of, their responsibilities, achievements and contributions.

Compensation for statutory auditors is calculated within the limits on statutory auditors' compensation, and the compensation of each statutory auditor is determined based on discussions with the statutory auditor.

Accounting auditing

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

- **Certified public accountants who performed the accounting audits**
Hirofumi Nikaido, Reiji Yonekura, Yasushi Onuki
- **Audit firm**
ARK MEIJI AUDIT & Co.
- **Number of accounting audit assistants**
29 certified public accountants, 11 others

Matters for resolution by the general meeting of shareholders that can be resolved by the Board of Directors

(1) Share buybacks

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

(2) Exemption of directors from liability

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

(3) Exemption of statutory auditors from liability

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

(4) Interim dividend

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

Number of directors

DNP's Articles of Incorporation specify that the number of regular members on the Board of Directors shall be no more than 16.

Requirements for shareholder approval of director nominees

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

Requirements for shareholder approval of director nominees

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

Stockholdings

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

No. of stocks: 331
Total on the balance sheet: 340,091 million yen

(2) Holding category, company name, number of shares, amount recorded on the balance sheet and holding purpose of stocks held for reasons other than for pure investment purposes (Fiscal year ended March 2017)

Stocks held for reasons other than pure investment purposes

| Company name | Number of shares | Amount recorded on balance sheet (¥ million) | Holding purpose |
|--|------------------|--|-------------------------------|
| Recruit Holdings Co., Ltd. | 23,700,000 | 134,616 | Enhance business relationship |
| The Dai-ichi Life Insurance Co., Ltd. | 6,606,600 | 13,190 | Enhance business relationship |
| Ezaki Glico Co., Ltd. | 1,615,185 | 8,721 | Enhance business relationship |
| Asahi Group Holdings, Ltd. | 1,860,029 | 7,827 | Enhance business relationship |
| Lion Corporation | 3,140,665 | 6,287 | Enhance business relationship |
| Taisho Pharmaceutical Holdings Co., Ltd. | 692,700 | 6,262 | Enhance business relationship |
| NISSIN FOODS HOLDINGS CO., LTD. | 898,711 | 5,545 | Enhance business relationship |
| Mizuho Financial Group, Inc. | 27,134,319 | 5,535 | Enhance business relationship |
| Meiji Holdings Co., Ltd. | 564,400 | 5,231 | Enhance business relationship |
| YAKULT HONSHA CO., LTD. | 701,000 | 4,332 | Enhance business relationship |
| YAMATO HOLDINGS CO., LTD. | 1,660,600 | 3,873 | Enhance business relationship |
| Aica Kogyo Co., Ltd. | 1,293,743 | 3,793 | Enhance business relationship |
| Dexerials Corporation | 3,125,000 | 3,437 | Strengthen business alliance |
| Daikin Industries, Ltd. | 300,000 | 3,355 | Enhance business relationship |
| Toyo Suisan Kaisha, Ltd. | 794,980 | 3,295 | Enhance business relationship |
| FUJIFILM Holdings Corporation | 685,965 | 2,982 | Enhance business relationship |
| MORINAGA & CO., LTD. | 593,000 | 2,929 | Enhance business relationship |
| NSK Ltd. | 1,814,000 | 2,887 | Strengthen business alliance |
| Tosoh Corporation | 2,609,000 | 2,551 | Strengthen business alliance |
| Sapporo Holdings Limited | 759,277 | 2,285 | Enhance business relationship |
| Hakuhodo DY Holdings Inc. | 1,720,000 | 2,270 | Enhance business relationship |
| Mitsubishi Electric Corporation | 1,300,000 | 2,076 | Enhance business relationship |
| ROHM Co., Ltd. | 270,178 | 1,999 | Enhance business relationship |
| Shiseido Co., Ltd. | 677,619 | 1,985 | Enhance business relationship |
| Kobayashi Pharmaceutical Co., Ltd. | 315,274 | 1,699 | Enhance business relationship |
| Mitsubishi UFJ Financial Group, Inc. | 2,399,760 | 1,679 | Enhance business relationship |
| Mitsubishi Chemical Holdings Corporation | 1,799,790 | 1,550 | Enhance business relationship |
| TAKARA HOLDINGS INC. | 1,200,000 | 1,441 | Enhance business relationship |
| Ajinomoto Co., Inc. | 630,931 | 1,385 | Enhance business relationship |
| Mitsubishi Pencil Co., Ltd. | 243,350 | 1,357 | Enhance business relationship |
| PILOT CORPORATION | 297,400 | 1,354 | Enhance business relationship |
| SMK Corporation | 3,200,000 | 1,267 | Enhance business relationship |
| KDDI Corporation | 426,600 | 1,246 | Enhance business relationship |
| Senshukai, INC. | 1,511,663 | 1,212 | Enhance business relationship |
| SINFONIA TECHNOLOGY CO., LTD. | 3,664,000 | 1,190 | Strengthen business alliance |
| Eidai Co., Ltd. | 2,237,000 | 1,178 | Enhance business relationship |
| TOTO LTD. | 279,000 | 1,173 | Enhance business relationship |
| Kikkoman Corporation | 350,940 | 1,166 | Enhance business relationship |

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

| Company name | Number of shares | Amount recorded on balance sheet (¥ million) | Holding purpose |
|-------------------------------|------------------|--|---|
| Terumo Corporation | 3,861,000 | 14,922 | Hold voting instruction rights for shares in retirement benefit trust |
| TV Asahi Holdings Corporation | 4,030,000 | 8,479 | Hold voting instruction rights for shares in retirement benefit trust |
| Japan Tobacco Inc. | 1,000,000 | 3,618 | Hold voting instruction rights for shares in retirement benefit trust |
| Astellas Pharma Inc. | 2,284,000 | 3,348 | Hold voting instruction rights for shares in retirement benefit trust |

Note: Specified stocks and stocks held in trust with voting rights are not added together when selecting stocks with the largest amounts as recorded in the balance sheet.

(Fiscal year ended March 2018)

Stocks held for reasons other than pure investment purposes

| Company name | Number of shares | Amount recorded on balance sheet (¥ million) | Holding purpose |
|--|------------------|--|-------------------------------|
| Recruit Holdings Co., Ltd. | 58,100,000 | 153,645 | Enhance business relationship |
| The Dai-ichi Life Insurance Co., Ltd. | 6,606,600 | 12,833 | Enhance business relationship |
| Ezaki Glico Co., Ltd. | 1,615,709 | 8,999 | Enhance business relationship |
| Taisho Pharmaceutical Holdings Co., Ltd. | 692,700 | 7,245 | Enhance business relationship |
| Lion Corporation | 3,140,665 | 6,730 | Enhance business relationship |
| YAKULT HONSHA CO., LTD. | 701,000 | 5,516 | Enhance business relationship |
| Asahi Group Holdings, Ltd. | 960,029 | 5,440 | Enhance business relationship |
| Mizuho Financial Group, Inc. | 27,134,319 | 5,193 | Enhance business relationship |
| Aica Kogyo Co., Ltd. | 1,293,743 | 5,097 | Enhance business relationship |
| Shiseido Co., Ltd. | 677,619 | 4,616 | Enhance business relationship |
| Meiji Holdings Co., Ltd. | 564,400 | 4,571 | Enhance business relationship |
| YAMATO HOLDINGS CO., LTD. | 1,660,600 | 4,431 | Enhance business relationship |
| Daikin Industries, Ltd. | 300,000 | 3,520 | Enhance business relationship |
| Dexerials Corporation | 3,125,000 | 3,453 | Strengthen business alliance |
| Toyo Suisan Kaisha, Ltd. | 794,980 | 3,279 | Enhance business relationship |
| FUJIFILM Holdings Corporation | 685,965 | 2,911 | Enhance business relationship |
| MORINAGA & CO., LTD. | 593,000 | 2,778 | Enhance business relationship |
| NSK Ltd. | 1,814,000 | 2,586 | Strengthen business alliance |
| Hakuhodo DY Holdings Inc. | 1,720,000 | 2,516 | Enhance business relationship |
| Kobayashi Pharmaceutical Co., Ltd. | 316,182 | 2,428 | Enhance business relationship |
| Sapporo Holdings Limited | 759,277 | 2,353 | Enhance business relationship |
| S&B FOODS INC. | 172,200 | 1,990 | Enhance business relationship |
| Mitsubishi Chemical Holdings Corporation | 1,799,790 | 1,854 | Enhance business relationship |
| PILOT CORPORATION | 297,400 | 1,763 | Enhance business relationship |
| Kotobuki Spirits Co., Ltd. | 300,000 | 1,680 | Enhance business relationship |
| Mitsubishi UFJ Financial Group, Inc. | 2,399,760 | 1,672 | Enhance business relationship |
| TOTO LTD. | 279,000 | 1,565 | Enhance business relationship |
| Kikkoman Corporation | 350,940 | 1,502 | Enhance business relationship |
| TAKARA HOLDINGS INC. | 1,200,000 | 1,417 | Enhance business relationship |
| SMK Corporation | 3,200,000 | 1,414 | Enhance business relationship |
| SINFONIA TECHNOLOGY CO., LTD. | 3,664,000 | 1,333 | Strengthen business alliance |
| Kurita Water Industries Ltd. | 387,000 | 1,306 | Strengthen business alliance |
| MANDOM CORPORATION | 352,000 | 1,291 | Enhance business relationship |
| Oji Holdings Corporation | 1,840,800 | 1,259 | Enhance business relationship |
| Eidai Co., Ltd. | 2,237,000 | 1,230 | Enhance business relationship |
| Ajinomoto Co., Inc. | 630,931 | 1,214 | Enhance business relationship |
| Hulic Co., Ltd. | 1,040,000 | 1,207 | Enhance business relationship |
| TOKYO BROADCASTING SYSTEM HOLDINGS, INC. | 518,064 | 1,169 | Enhance business relationship |
| Mitsubishi Pencil Co., Ltd. | 487,575 | 1,169 | Enhance business relationship |
| KDDI Corporation | 426,600 | 1,158 | Enhance business relationship |

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

| Company name | Number of shares | Amount recorded on balance sheet (¥ million) | Holding purpose |
|-------------------------------|------------------|--|---|
| Terumo Corporation | 3,861,000 | 21,582 | Hold voting instruction rights for shares in retirement benefit trust |
| TV Asahi Holdings Corporation | 4,030,000 | 9,353 | Hold voting instruction rights for shares in retirement benefit trust |
| Astellas Pharma Inc. | 2,284,000 | 3,686 | Hold voting instruction rights for shares in retirement benefit trust |
| Japan Tobacco Inc. | 1,000,000 | 3,066 | Hold voting instruction rights for shares in retirement benefit trust |

Note: Specified stocks and stocks held in trust with voting rights are not added together when selecting stocks with the largest amounts as recorded in the balance sheet.

(3) Stocks held for pure investment purposes

None

2. Compensation Paid to Accounting Auditors

Compensation paid to accounting auditors

| | Fiscal year ended March 2017 | | Fiscal year ended March 2018 | |
|---------------------------|---|--|---|--|
| | Compensation for audit certification (¥ million) | Compensation for other services (¥ million) | Compensation for audit certification (¥ million) | Compensation for other services (¥ million) |
| The submitting company | 96 | — | 96 | — |
| Consolidated subsidiaries | 124 | — | 122 | — |
| Total | 220 | — | 218 | — |

Other material compensation details

None

Compensation paid to accounting auditors for services other than auditing work provided to the submitting company

None

Determination of compensation for audit services

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

Board of Directors, Statutory Auditors and Corporate Officers

(As of June 28, 2018)



Tetsuji Morino Masayoshi Yamada Yoshinari Kitajima Yoshitoshi Kitajima Koichi Takanami Masahiko Wada Tokuji Kanda

| | | | | | |
|---|---|---|--|--|--|
| Chairman Yoshitoshi Kitajima | Senior Managing Director Masahiko Wada | Standing Statutory Auditor Kazunari Tanaka | Senior Executive Corporate Officers Sakae Hikita | Senior Corporate Officers Toshiki Sugimoto | Corporate Officers Kazuhiko Takada |
| President Yoshinari Kitajima | Senior Managing Director Tetsuji Morino | Standing Statutory Auditor Naoki Hoshino | Masato Koike | Naohiko Sugimoto | Ryota Chiba |
| Executive Vice President Koichi Takanami | Senior Managing Director Tokuji Kanda | Standing Statutory Auditor Shin-ichi Ikeda* | Masato Yamaguchi | Kiyotaka Nakagawa | Toru Takamatsu |
| Executive Vice President Masayoshi Yamada | Managing Director Satoru Inoue | Statutory Auditor Makoto Matsuura* | Motoharu Kitajima | Daiji Suzuki | Satoshi Kubota |
| | Managing Director Kenji Miya | Statutory Auditor Kuniaki Nomura* | Takashi Saito | Nobuyuki Asaba | Souichiro Nishitani |
| | Director Tadao Tsukada* | | Ryuji Minemura | Mitsuru Tsuchiya | Yoshiki Numano |
| | Director Tsukasa Miyajima* | | Morihiro Muramoto | Hirofumi Hashimoto | Osamu Nakamura |
| | | | | Kazuhiko Sugita | Kazuhisa Kobayashi |
| | | | | Masafumi Kuroyanagi | Toru Miyake |
| | | | | | Mitsuru Iida |
| | | | | | Minako Miyama |

*Outside directors or auditors

Financial Section

Various technologies that support “P&I innovations”



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Management’s Discussion and Analysis

Operating Results

Business Environment and Overview of Operating Results for the Fiscal Year Ended March 2018

Japan’s economy continued to gradually recover during the fiscal year ended March 31, 2018, with employment and income conditions improving as a result of the economic policies of the Japanese government while capital expenditures by companies showed signs of picking up. However, the economy has still not reached a full-fledged recovery, due partly to a lack of strength in consumer spending, overseas economic slowdowns in China and elsewhere, and the impact of higher raw material prices. The printing industry continued to face a tough business environment, as demand decreased for printed media due partly to growth in the online advertising market and along with this competition also intensified.

In this environment, DNP pursued printing and information (P&I) innovations that synergize its strengths in printing and information to create new value to solve social issues both in Japan and overseas, with these efforts primarily centered around the four growth areas of “Knowledge and Communication,” “Food and Healthcare,” “Lifestyle and Mobility” and “Environment and Energy. DNP also worked to improve earnings by implementing structural reforms, including the reorganization of business divisions and Group companies, to bolster business competitiveness.

| | 2018.3 | 2017.3 | 2016.3 |
|-----------------------------|-------------|-------------|-------------|
| Net sales (¥ million) | ¥ 1,412,252 | ¥ 1,410,173 | ¥ 1,455,916 |
| Gross profit margin (%) | 19.9 % | 18.9 % | 19.4 % |
| Operating income margin (%) | 3.3 % | 2.2 % | 3.1 % |
| Ordinary income margin (%) | 3.6 % | 2.6 % | 3.6 % |
| Net income margin (%) | 1.9 % | 1.8 % | 2.3 % |

The DNP Group’s total overseas sales for the fiscal year increased ¥24,198 million, or 12.0%, to ¥226,691 million. As a result, overseas sales as a percentage of total sales rose 1.6 percentage points from 14.4% to 16.0%. By geographic region, sales in the Asian region, including Indonesia and Taiwan, increased 19.5% to ¥150,794 million, while sales in Other region, which encompasses the United States and France, declined 0.5% to ¥75,897 million.

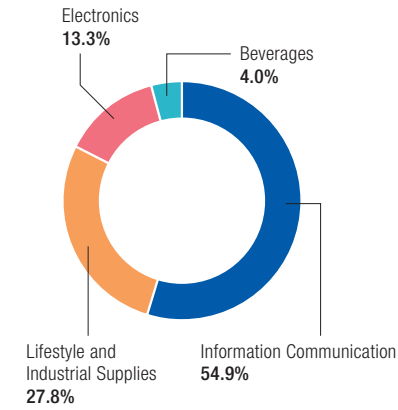
Information Communication

| | |
|-------------------------|----------------------------------|
| Net sales | ¥778,637 million (down 2.8% YoY) |
| Operating income | ¥21,758 million (up 15.2% YoY) |
| Operating income margin | 2.8% (up 0.4 percentage point) |

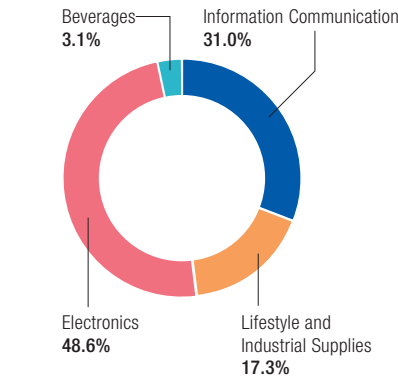
Information Communication Publishing Business: Publishing & Media Services

- Estimated publication sales in Japan’s publication industry decreased by 7.7% year on year to ¥1,338.9 billion in the fiscal year through March 2018 according to Japan’s Research Institute for Publications. Among these publications, magazine sales decreased 12.2% to ¥631.7 billion due to a decline in circulation and an increase in discontinued publications.

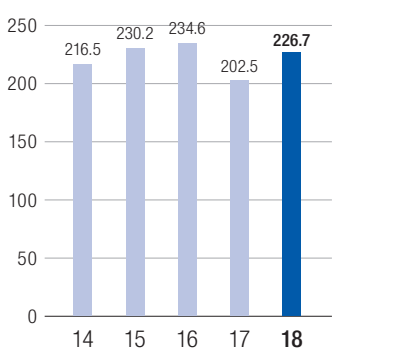
Net Sales by Segment
(Year ended March 31, 2018)



Operating Income by Segment
(Year ended March 31, 2018)



DNP’s Overseas Sales
(¥ billion)



- DNP worked to create a system to forecast demand by leveraging artificial intelligence (AI) to analyze bookstore sales and other data and to increase coordination between book production, distribution and sales. However, sales of books and magazines both decreased and sales in Publishing & Media Services declined from the previous year.

Publishing Business: Education and Publications Distribution

- The number of bookstores, which stood at approximately 12,500 as of May 2017, has continued to trend downward at an annual rate of around 3% since 1999 according to statistics from the Japan Authors' Sales Promotion Center. Meanwhile, the domestic e-book market expanded by 16.0% year on year to ¥221.5 billion in calendar year 2017 according to Japan's Research Institute for Publications.
- DNP's "honto" hybrid bookstore network that combines physical bookstores, online bookstores and e-books posted favorable results. The library outsourcing business recorded an increase from the previous year as the number of outsourcing libraries rose by 159 libraries year on year to 1,365 libraries at the end of January 2018.
However, overall sales decreased year on year due to the impact of Bunkyo Group Holdings Co., Ltd., which changed from a consolidated subsidiary to an equity-method affiliate.

Information Innovation Business: Marketing

- Domestic advertising demand in the fiscal year through March 2018 trended at virtually the same level as in the previous year according to Japan's Ministry of Economy, Trade and Industry. Advertising flyers, direct mail advertising and other paper media slumped, but Internet advertising sustained double-digit growth.
- Although catalog and pamphlet sales decreased, DNP recorded an increase in point-of-purchase (POP) promotional materials and other sales tools for the retail industry in addition to an increase in software and services such as various solutions for sales campaign offices and e-commerce sites, and as a result, overall sales in this business increased from the previous year.

Information Innovation Business: Information Security

- Major financial institutions expanded the full outsourcing to other companies of production and mailing of various types of notifications. Additionally, the issuance of various types of smart cards increased as the establishment of electronic payment platforms progressed toward the realization of a cashless society.
- DNP recorded favorable results for smart cards for financial institutions and electronic money as well as for its IPS (Information Processing Services), and sales in this business increased from the previous fiscal year.

Imaging Communication Business

- Although the volume of photo printing is declining worldwide, the market for dye-sublimation thermal transfer printing media (color ink ribbons and receiver paper) continued to expand as a result of demand shifting from silver halide printing. In particular, there is rising demand for commercial uses such as printing of certificates and photo printing at events and sightseeing spots in Southeast Asia, the Middle East and China.
- In Japan, there is a growing customer base in the photobook market, and in the year through March 2019, the market is forecast to surpass 10 million photobooks annually according to the Japan Photo Imaging Association.
- DNP worked to provide high value-added services to enjoy photo printing at events, promotions and other activities. These services include "ShaGoo!" automated commemorative photo booths and Imaging Mall as a cloud-based image sales solution. Sales of dye-sublimation thermal transfer printing media for photo printers increased in Southeast Asia and Europe but declined in Japan and North America. Accordingly, overall sales in the Imaging Communication business decreased from the previous year.

Lifestyle and Industrial Supplies

| | |
|-------------------------|----------------------------------|
| Net sales | ¥394,308 million (up 1.6% YoY) |
| Operating income | ¥12,127 million (down 16.0% YoY) |
| Operating income margin | 3.1% (down 0.6 percentage point) |

Packaging business

- Production value in the domestic package printing industry declined 0.6% year on year in the fiscal year through March 2018 according to Japan's Ministry of Economy, Trade and Industry. This decrease reflected fluctuating sales of seasonal products due to unseasonable weather and intensifying price competition.
- DNP recorded a decrease in sales of film packaging in Japan but posted increased sales in Southeast Asia. Although sales increased for preform as a material for use in PET plastic bottles, sales decreased for paper packaging and PET plastic bottle filling systems and overall sales in the Packaging business decreased from the previous year.

Living Spaces business

- Domestic new housing starts decreased by 2.8% year on year to approximately 940,000 units during the fiscal year through March 2018. Among these, owner-occupied houses decreased 3.3% while condominiums declined 3.6%. Apartments and other rental housing declined 4.0%, reflecting a slowdown in apartment loans, according to Japan's Ministry of Land, Infrastructure, Transport and Tourism.
- DNP expanded sales of environmentally conscious products that use its proprietary electronic beam (EB) coating technology. Additionally, DNP focused on providing a wall display system that reduces the burden of changing store product displays and a wall refurbishment material enabling easy remodeling. Sales of Arttec interior and exterior aluminum panels and of decorative films with the look and feel of wood grains and metals increased for non-housing applications such as commercial facilities, offices, automobiles and railway cars. Due to the preceding factors, overall sales in the Living Spaces business increased from the previous year.

Industrial Supplies business

- Global demand continues to expand for photovoltaic module components and pouches for lithium-ion batteries along with the introduction and expansion of renewable energy and the spread of eco-friendly cars.
- DNP's pouches for lithium-ion batteries have captured a high global market share leveraging technologies for laminates that combine multiple film sheets and for precision processing. Sales of these products were favorable for both mobile and automotive applications. Overseas sales of photovoltaic module components also increased and overall sales in the Industrial Supplies business increased from the previous year.

Electronics

| | |
|-------------------------|----------------------------------|
| Net sales | ¥188,755 million (up 11.4% YoY) |
| Operating income | ¥34,100 million (up 106.9% YoY) |
| Operating income margin | 18.1% (up 8.4 percentage points) |

Display Components business

- Flexible organic light-emitting diode (OLED) panels for smartphones that incorporate film substrates recorded sharp growth, with panel shipments more than tripling from 40 million panels in 2016 to 125 million panels in 2017. Additionally, large OLED panels for TVs also posted growth and the number of panels shipped in 2017 increased 102% from the previous year to 1.8 million panels. In contrast, demand for LCD TVs was sluggish due to

competition with OLEDs, and the number of global unit shipments in 2017 decreased 2.6% from the previous fiscal year to 217 million units.

- DNP recorded increased sales of optical films for use in OLED TVs along with the spread of these displays while sales were firm for use in LCD TVs due to larger screen sizes. Sales of metals masks for manufacturing OLED displays also increased for mobile device applications. LCD color filter sales decreased for both small- and medium-sized filters used in smartphones and large filters used in TVs. However, overall sales in the Display Components business increased from the previous year.

Electric Devices business

- Supported by robust demand for DRAMs and NAND flash memories, the global semiconductor market in calendar 2017 grew by 21.6% over the previous year to U.S.\$412.2 billion, surpassing the record high set in the previous year. Amid expanding applications for semiconductor products such as for the Internet of Things (IoT), AI, virtual currency mining and autonomous driving systems, sales of semiconductor manufacturing equipment also grew, with the value of total sales in calendar year 2017 increasing 37% from the previous year to a record-high U.S.\$56.6 billion. Additionally, sales of semiconductor photomasks also expanded, led by micro-products for less than 45nm node, and total sales in calendar year 2017 increased 13% from the previous year to U.S.\$3.7 billion.
- DNP recorded an increase in semiconductor photomask sales amid high growth in the overall semiconductor market, supported by an increase in embedded memory capacity in smartphones and other devices and by the spread of IoT equipment. As a result, overall Electric Devices sales increased.

Beverages business

Net sales ¥56,061 million (down 1.0% YoY)
Operating income ¥2,244 million (down 7.6% YoY)
Operating income margin 4.0% (down 0.3 percentage point)

- The soft drink industry continued to face a tough market environment as competition for market share among beverage makers intensified through sales promotions and price competition. The Beverages business bolstered sales of new products, including foods for specified health use and foods with function claims, and worked to expand shares in existing markets and acquire new customers by conducting active sales promotions based on area marketing in the vending machine business. As a result, sales increased for the mainstay Coca-Cola brand and for unsweetened tea drinks that include *Ayataka*. However, sales of mineral water and sales to group bottlers outside the Hokkaido region decreased.

Cost of Sales/Selling, General and Administrative Expenses/Operating Income

The cost of sales totaled ¥1,131,662 million, down 1.0%, or ¥11,502 million, from the previous year. The gross profit margin was 19.9%, up 1.0 percentage point from 18.9% in the previous year.

The Domestic Standard Trading Price for naphtha (crude gasoline), a basic raw material for synthetic resin, trended upward, reflecting continued high crude oil prices from the beginning of the period. This was accompanied by increased prices for films, resins and other petrochemical products while the price of printing paper also rose due to soaring raw material prices and fuel prices. As a result of these factors, the impact of higher raw material prices was ¥3.4 billion in the current fiscal year, significantly surpassing ¥500 million in the previous year. Although DNP negotiated with customers to pass on the impact of higher raw material prices, the price pass-through ratio

during the fiscal year was limited to just around 30%.

Selling, general and administrative expenses totaled ¥234,218 million in the fiscal year under review, down 0.6%, or ¥1,380 million, from the previous year. Selling, general and administrative expenses equated to 16.6% of net sales, down 0.1 percentage point from the previous year.

As a result, operating income totaled ¥46,372 million in the fiscal year under review, up 47.6%, or ¥14,961 million, from the previous year. The operating income margin was 3.3%, up 1.1 percentage points from 2.2% in the previous year.

Nonoperating Income (Expenses) and Extraordinary Income (Losses)

Nonoperating income totaled ¥13,825 million in the fiscal year under review, up 1.1%, or ¥147 million, from the previous year. Nonoperating expenses totaled ¥9,226 million, up 10.5%, or ¥877 million. As a result, net nonoperating income totaled ¥4,599 million, down from ¥5,329 million in the previous year.

Ordinary income totaled ¥50,971 million, up 38.7%, or ¥14,231 million, from the previous year.

Extraordinary income totaled ¥59,312 million, up ¥9,681 million from the previous year, as gain on sale of fixed assets increased to ¥13,022 million from ¥974 million in the previous year due to the sale of the site of the former Akabane Plant. Extraordinary losses totaled ¥64,887 million, up ¥18,346 million from the previous year, as repair costs and repair reserve provisions increased to ¥53,500 million from ¥37,738 million in the previous year. As a result, net extraordinary loss totaled ¥5,575 million compared with net extraordinary income of ¥3,090 million in the previous year.

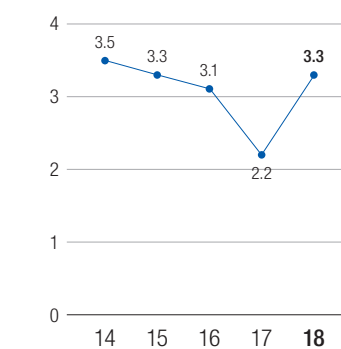
As a result of the above, income before income taxes and non-controlling interests totaled ¥45,396 million, up 14.0%, or ¥5,565 million, from the previous year.

Net Income Attributable to Parent Company Shareholders

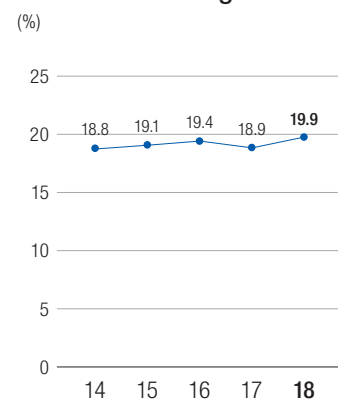
Net income attributable to parent company shareholders totaled ¥27,501 million in the fiscal year under review, up 9.0%, or ¥2,275 million, from the previous year. Net income per share was ¥90.77, up ¥9.2 from the previous year.

* DNP implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, DNP has estimated net income per share and diluted net income per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

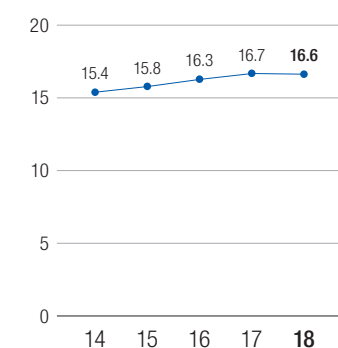
Operating Income Margin (%)



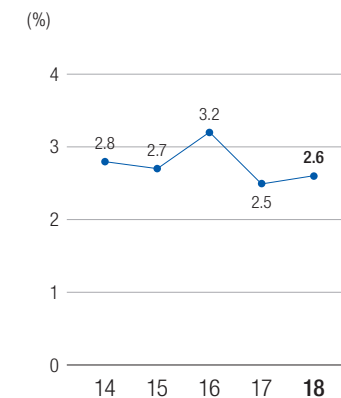
Gross Profit Margin (%)



SGA Expenses to Net Sales (%)



ROE (%)



Liquidity and Capital Resources

Cash Flow

| | | 2018.3 | 2017.3 | 2016.3 |
|-------------------------------------|---|--------|----------|------------|
| Cash flow from operating activities | ¥ | 48,457 | ¥ 71,945 | ¥ 72,629 |
| Cash flow from investing activities | ¥ | 23,075 | ¥ 14,012 | ¥ (60,883) |
| Free cash flow | ¥ | 71,532 | ¥ 85,957 | ¥ 11,746 |

(¥ million)

Regarding consolidated cash flow, net cash provided by operating activities totaled ¥48,457 million, versus ¥71,945 million in the previous fiscal year, due mainly to ¥45,396 million in income before income taxes and non-controlling interests and ¥61,070 million in depreciation.

Net cash provided by investing activities totaled ¥23,075 million, versus ¥14,012 million in the previous year, due mainly to ¥54,617 million in proceeds from sales of investment securities and ¥32,501 million in payments for purchases of property, plant and equipment. Net cash used in financing activities totaled ¥42,771 million, versus ¥45,223 million in the previous year, due mainly to ¥19,524 million in dividends paid and ¥15,186 million in payments for purchases of treasury stock.

As a result of these activities, cash and cash equivalents at the end of the fiscal year totaled ¥244,937 million, up ¥30,373 million, from the previous year.

Free cash flow, which is total net cash provided by operating activities and investing activities, was ¥71,532 million, down ¥14,425 million from ¥85,957 million in the previous year.

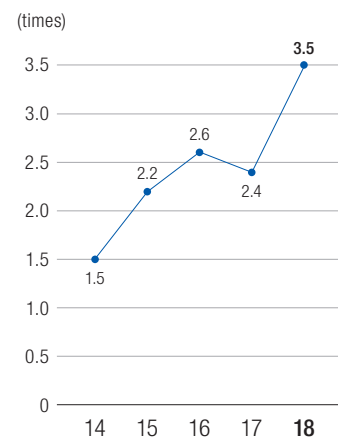
Capital Expenditures; Depreciation; Research and Development Expenditures, etc.

Capital expenditures this fiscal year consisted mainly of streamlining investment and totaled ¥59.6 billion, up 4.3%, or ¥2.5 billion, from the previous year. By segment, capital expenditures in the Information Communication segment were ¥27.3 billion, down ¥1.4 billion from the previous year and accounting for 46% of total capital expenditures. The Lifestyle and Industrial Supplies segment was ¥15.7 billion, up ¥3.1 billion and accounting for 26%. The Electronics segment was ¥10.6 billion, up ¥2.9 billion and accounting for 18%. The Beverages segment was ¥2.3 billion, down ¥1.5 billion and accounting for 4%. Adjustment was ¥3.6 billion, down ¥0.6 billion and accounting for 6%.

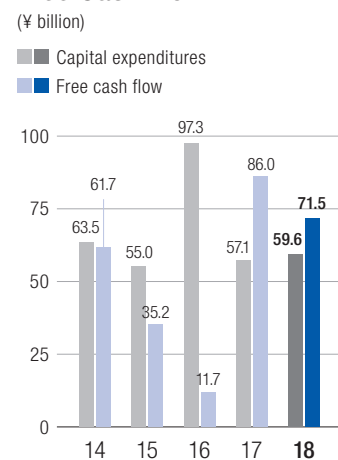
Depreciation totaled ¥61.1 billion, down 0.6%, or ¥0.4 billion, from the previous year. By segment, depreciation in the Information Communication segment was ¥27.0 billion, down ¥0.7 billion from the previous year and accounting for 44% of total depreciation. The Lifestyle and Industrial Supplies segment was ¥16.5 billion, down ¥0.5 billion from the previous year and accounting for 27%. The Electronics segment was ¥12.2 billion, up ¥0.2 billion and accounting for 20%. The Beverages segment was ¥2.6 billion, up ¥0.2 billion and accounting for 4%. Adjustment was ¥2.8 billion, up ¥0.4 billion and accounting for 5%.

Research and development expenditures totaled ¥33.2 billion, surpassing by 5.8% ¥31.4 billion in the previous year.

Interest-bearing Debt to Cash Flow Ratio



Capital Expenditures and Free Cash Flow



Balance Sheet

| | 2018.3 | 2017.3 | 2016.3 |
|-------------------------------|-------------|-------------|-------------|
| Total assets (¥ million) | ¥ 1,810,499 | ¥ 1,741,904 | ¥ 1,718,636 |
| Current ratio (%) | 182 % | 178 % | 170 % |
| Working capital/net sales (%) | 26 % | 23 % | 20 % |
| Debt-to-equity ratio (%) | 16 % | 16 % | 19 % |
| Net assets per share (¥) | ¥ 3,493.79 | ¥ 3,361.10 | ¥ 1,618.66 |

Note: DNP implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, DNP has estimated net income per share and diluted net income per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

DNP's total assets at the end of this fiscal year amounted to ¥1,810,499 million, up 3.9%, or ¥68,595 million, from the previous year.

Among current assets, cash and cash equivalents and time deposits totaled ¥247,382 million, up 14.8%, or ¥31,927 million, from the previous year. Trade receivables totaled ¥354,241 million, up 3.6%, or ¥12,436 million. Inventories of merchandise and finished products, work in process, raw materials and supplies totaled ¥137,548 million, up 0.2%, or ¥235 million. As a result, current assets totaled ¥799,754 million, up 8.5%, or ¥62,613 million.

Among fixed assets, net property, plant and equipment totaled ¥474,398 million, down 4.6%, or ¥22,769 million, from the previous year. Intangible fixed assets totaled ¥32,853 million, down 4.6%, or ¥1,583 million. Investments and other assets totaled ¥503,493 million, up 6.4%, or ¥30,333 million. As a result, fixed assets totaled ¥1,010,745 million, up 0.6%, or ¥5,981 million.

Current liabilities totaled ¥438,549 million, up 5.6%, or ¥23,350 million, from the previous year. Long-term liabilities totaled ¥269,399 million, up 9.8%, or ¥23,980 million. As a result, total liabilities amounted to ¥707,948 million, up 7.2%, or ¥47,330 million.

Additionally, net assets totaled ¥1,102,551 million, up 2.0%, or ¥21,265 million.

As of March 31, 2018, the number of treasury shares totaled 22,676,600 or 6.99% of total shares outstanding of 324,240,346 shares. Total shares decreased by 339,240,347 shares from the previous year, reflecting a decrease of 324,240,347 shares due to a share consolidation and a decrease of 15,000,000 shares from the cancellation of treasury shares. The total number of treasury shares decreased by 25,610,510 shares from the previous year.

| | Stock type | Number of shares at the beginning of the year ended March 2018 | Increase in number of shares during the year ended March 2018 | Decrease in number of shares during the year ended March 2018 | Number of shares at the end of the year ended March 2018 |
|--------------------|--------------|--|---|---|--|
| Outstanding shares | Common stock | 663,480,693 | — | 339,240,347 | 324,240,346 |
| Treasury stock | Common stock | 48,287,110 | 12,062,315 | 37,672,825 | 22,676,600 |

(Shares)

Notes:

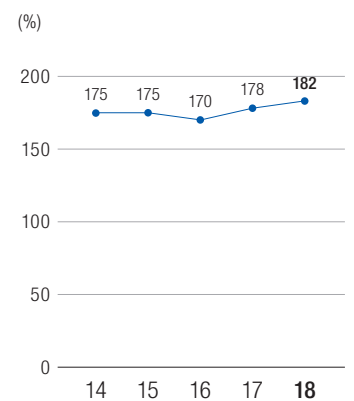
1. The number of treasury shares of common stock increased by 12,062,315 shares, with the following breakdown. (Before the share consolidation)

- Increase from repurchase of odd-lot shares: 20,759 shares
- Increase from acquisition of treasury shares by resolution of the Board of Directors: 12,037,000 shares (At the end of and after the share acquisition)
- Increase from repurchase of fractional shares resulting from the share consolidation: 1,492 shares
- Increase from repurchase of odd-lot shares: 3,064 shares

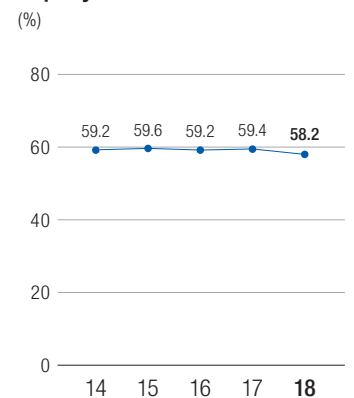
2. The number of treasury shares of common stock decreased by 37,672,825 shares, with the following breakdown. (Before the share consolidation)

- Decrease due to sale of odd-lot shares: 305 shares
- Decrease due to the cancellation of treasury shares by resolution of the Board of Directors: 15,000,000 shares (At the time of and after the share consolidation)
- Decrease due to a share consolidation: 22,672,282 shares
- Decrease due to sale of odd-lot shares: 238 shares

Current Ratio



Equity Ratio



Selected Financial Data (unaudited)

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

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Statements of Operations Data (¥ million) | | | | | | | | | | |
| Net sales | ¥ 1,412,252 | ¥ 1,410,173 | ¥ 1,455,916 | ¥ 1,462,118 | ¥ 1,448,550 | ¥ 1,446,607 | ¥ 1,507,228 | ¥ 1,589,373 | ¥ 1,583,383 | ¥ 1,584,844 |
| Cost of sales | 1,131,662 | 1,143,164 | 1,173,203 | 1,182,954 | 1,176,077 | 1,186,558 | 1,246,878 | 1,287,581 | 1,286,682 | 1,324,522 |
| Gross profit | 280,590 | 267,009 | 282,713 | 279,164 | 272,473 | 260,049 | 260,350 | 301,792 | 296,701 | 260,322 |
| Selling, general and administrative expenses | 234,218 | 235,598 | 237,241 | 230,990 | 222,374 | 224,269 | 226,335 | 233,973 | 230,187 | 214,145 |
| Operating income | 46,372 | 31,411 | 45,472 | 48,174 | 50,099 | 35,780 | 34,015 | 67,819 | 66,514 | 46,177 |
| Ordinary income | 50,971 | 36,740 | 52,651 | 53,759 | 53,285 | 40,318 | 36,843 | 62,786 | 68,841 | 47,390 |
| Income (loss) before income taxes and non-controlling interests | 45,396 | 39,831 | 54,841 | 51,062 | 48,608 | 35,152 | 2,673 | 52,696 | 49,496 | (27,842) |
| Net income (loss) attributable to parent company shareholders | 27,501 | 25,226 | 33,588 | 26,924 | 25,642 | 19,218 | (16,356) | 25,033 | 23,278 | (20,933) |
| Balance Sheet Data (¥ million) | | | | | | | | | | |
| Total assets | ¥ 1,810,499 | ¥ 1,741,904 | ¥ 1,718,636 | ¥ 1,809,462 | ¥ 1,574,754 | ¥ 1,578,976 | ¥ 1,608,806 | ¥ 1,649,784 | ¥ 1,618,854 | ¥ 1,536,557 |
| Property, plant and equipment—net | 474,398 | 497,167 | 513,157 | 512,791 | 528,538 | 538,455 | 579,567 | 614,827 | 616,848 | 604,904 |
| Long-term liabilities | 269,399 | 245,419 | 232,080 | 249,965 | 179,946 | 184,136 | 251,414 | 249,575 | 190,045 | 126,671 |
| Total liabilities | 707,948 | 660,618 | 655,394 | 685,370 | 598,369 | 641,921 | 694,593 | 697,343 | 661,990 | 596,471 |
| Stockholders' equity | 877,797 | 884,829 | 894,752 | 902,217 | 892,110 | 887,194 | 888,650 | 925,702 | 921,775 | 917,348 |
| Total net assets | 1,102,551 | 1,081,286 | 1,063,242 | 1,124,092 | 976,385 | 937,055 | 914,213 | 952,441 | 956,864 | 940,086 |
| Other Selected Data (¥ million) | | | | | | | | | | |
| Capital expenditures | ¥ 59,558 | ¥ 57,085 | ¥ 97,265 | ¥ 55,024 | ¥ 63,465 | ¥ 88,315 | ¥ 98,189 | ¥ 102,173 | ¥ 119,063 | ¥ 96,156 |
| Depreciation expenses | 61,071 | 61,461 | 65,310 | 67,034 | 73,459 | 80,200 | 95,829 | 97,977 | 91,695 | 106,883 |
| R&D expenditures | 33,210 | 31,376 | 31,827 | 31,749 | 30,820 | 30,820 | 31,690 | 33,147 | 33,850 | 34,112 |
| Common Share Data (¥, shares) | | | | | | | | | | |
| Earnings (loss) per share—primary | ¥ 90.77 | ¥ 81.57 | ¥ 53.10 | ¥ 41.82 | ¥ 39.82 | ¥ 29.84 | ¥ (25.39) | ¥ 38.86 | ¥ 36.13 | ¥ (32.35) |
| Earnings (loss) per share—fully diluted | 90.71 | 81.55 | 53.07 | 41.44 | 39.65 | 29.79 | — | — | — | — |
| Dividends paid per share | 48.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 |
| Book value per share | 3,493.79 | 3,361.10 | 1,618.66 | 1,675.63 | 1,447.96 | 1,386.86 | 1,352.71 | 1,410.44 | 1,422.34 | 1,393.91 |
| No. of common shares outstanding (exc. treasury shares) | 301,563,746 | 307,596,791 | 628,561,116 | 643,833,079 | 643,893,863 | 643,990,364 | 644,062,928 | 644,142,530 | 644,238,930 | 644,357,076 |
| Financial Ratios (%) | | | | | | | | | | |
| As a percentage of net sales: | | | | | | | | | | |
| Gross profit | 19.87 % | 18.93 % | 19.42 % | 19.09 % | 18.81 % | 17.98 % | 17.27 % | 18.99 % | 18.74 % | 16.43 % |
| Selling, general and administrative expenses | 16.58 | 16.71 | 16.29 | 15.80 | 15.35 | 15.50 | 15.02 | 14.72 | 14.54 | 13.51 |
| Operating income | 3.28 | 2.23 | 3.12 | 3.29 | 3.46 | 2.47 | 2.26 | 4.27 | 4.20 | 2.91 |
| Income (loss) before income taxes and non-controlling interests | 3.21 | 2.82 | 3.77 | 3.49 | 3.36 | 2.43 | 0.18 | 3.32 | 3.13 | −1.76 |
| Net income (loss) attributable to parent company shareholders | 1.95 | 1.79 | 2.31 | 1.84 | 1.77 | 1.33 | −1.09 | 1.57 | 1.47 | −1.32 |
| Return on equity | 2.63 | 2.46 | 3.20 | 2.67 | 2.81 | 2.18 | −1.84 | 2.74 | 2.57 | −2.20 |
| Current ratio | 182 | 178 | 170 | 175 | 175 | 164 | 177 | 177 | 157 | 144 |
| D/E ratio | 16 | 16 | 19 | 17 | 20 | 25 | 26 | 25 | 18 | 14 |

Note:
*1. DNP implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, DNP has estimated net income per share and diluted net income per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

*2. Cash dividends per share of ¥48.00 for the fiscal year through March 2018 is the combined total of interim cash dividends per share of ¥16.00 and year-end cash dividends per share of ¥32.00. Because DNP implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017, interim cash dividends per share of ¥16.00 is the amount prior to the share consolidation and year-end cash dividends per share of ¥32.00 is the amount after the share consolidation.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
March 31, 2018 and 2017

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|-------------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents (Notes 4 and 16) | ¥ 244,937 | ¥ 214,564 | \$ 2,310,726 |
| Time deposits (Note 16) | 2,445 | 891 | 23,066 |
| Trade receivables (Notes 10 and 16) | 354,241 | 341,805 | 3,341,896 |
| Allowance for doubtful receivables | (1,691) | (1,628) | (15,953) |
| Inventories (Note 6) | 137,548 | 137,313 | 1,297,623 |
| Prepaid expenses and other current assets (Notes 5, 10 and 13) | 62,274 | 44,195 | 587,491 |
| Total current assets | 799,754 | 737,140 | 7,544,849 |
| Investments and advances: | | | |
| Non-consolidated subsidiaries and associated companies (Notes 10 and 16) | 58,916 | 54,217 | 555,811 |
| Investment securities (Notes 5 and 16) | 344,956 | 326,950 | 3,254,302 |
| Other (Note 10 and 16) | 486 | 4,670 | 4,585 |
| Total investments and advances | 404,358 | 385,837 | 3,814,698 |
| Property, plant and equipment, at cost (Note 7): | | | |
| Land | 151,521 | 155,115 | 1,429,444 |
| Buildings and structures | 566,446 | 567,662 | 5,343,830 |
| Machinery and equipment | 849,993 | 873,636 | 8,018,802 |
| Leased assets | 26,968 | 24,324 | 254,415 |
| Construction in progress | 7,160 | 18,326 | 67,547 |
| Total | 1,602,088 | 1,639,063 | 15,114,038 |
| Accumulated depreciation | (1,127,690) | (1,141,896) | (10,638,585) |
| Net property, plant and equipment | 474,398 | 497,167 | 4,475,453 |
| Other assets | | | |
| Net defined benefit asset (Note 8) | 67,839 | 57,089 | 639,991 |
| Other (Notes 7 and 13) | 64,150 | 64,671 | 605,188 |
| Total other assets | 131,989 | 121,760 | 1,245,179 |
| Total assets | ¥ 1,810,499 | ¥ 1,741,904 | \$ 17,080,179 |

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|-------------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Liabilities and Net Assets | | | |
| Current liabilities: | | | |
| Short-term bank loans (Notes 7 and 16) | ¥ 44,795 | ¥ 43,036 | \$ 422,594 |
| Current portion of long-term debt (Notes 7 and 16) | 6,583 | 7,800 | 62,104 |
| Trade payables (Notes 10 and 16) | 248,993 | 247,562 | 2,348,991 |
| Accrued expenses (Note 10) | 39,713 | 40,713 | 374,651 |
| Income taxes payable (Note 13) | 10,042 | 7,153 | 94,736 |
| Reserve for repair | 29,580 | 18,680 | 279,057 |
| Other current liabilities (Notes 7, 10 and 13) | 58,843 | 50,255 | 555,122 |
| Total current liabilities | 438,549 | 415,199 | 4,137,255 |
| Long-term liabilities: | | | |
| Long-term debt (Notes 7 and 16) | 118,727 | 118,299 | 1,120,066 |
| Net defined benefit liability (Note 8) | 35,217 | 35,149 | 332,236 |
| Other long-term liabilities (Notes 7, 10 and 13) | 115,455 | 91,971 | 1,089,198 |
| Total long-term liabilities | 269,399 | 245,419 | 2,541,500 |
| Contingent liabilities (Note 18) | | | |
| Net assets | | | |
| Stockholders' equity | | | |
| Common stock - | | | |
| Authorized: 745,000,000 shares; | | | |
| Issued: 324,240,346 shares; | 114,464 | 114,464 | 1,079,849 |
| Capital surplus (Note 9) | 144,264 | 144,280 | 1,360,981 |
| Retained earnings (Note 9) | 681,977 | 695,721 | 6,433,745 |
| Treasury stock, at cost 22,676,600 shares in 2018 and 24,143,555 shares in 2017 (Note 9) | (62,908) | (69,636) | (593,471) |
| Total stockholders' equity | 877,797 | 884,829 | 8,281,104 |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 168,156 | 149,575 | 1,586,377 |
| Net deferred gains (losses) on hedges | (4) | (3) | (38) |
| Foreign currency translation adjustments | 1,410 | (2,220) | 13,302 |
| Remeasurements of defined benefit plans (Note 8) | 6,242 | 1,683 | 58,887 |
| Total accumulated other comprehensive income | 175,804 | 149,035 | 1,658,528 |
| Non-controlling interests | 48,950 | 47,422 | 461,792 |
| Total net assets | 1,102,551 | 1,081,286 | 10,401,424 |
| Total liabilities and net assets | ¥ 1,810,499 | ¥ 1,741,904 | \$ 17,080,179 |

(Notes) The Company consolidated its common shares at a ratio of two shares to one share on the effective date of October 1, 2017. Accordingly, the Treasury stock is calculated on the assumption that the consolidation of shares is conducted at the beginning of the preceding fiscal year.

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, 2018 and 2017

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-------------------------|-------------------------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Net sales (Note 19) | ¥ 1,412,252 | ¥ 1,410,173 | \$ 13,323,132 |
| Cost of sales (Notes 19) | <u>1,131,662</u> | <u>1,143,164</u> | <u>10,676,057</u> |
| Gross profit | 280,590 | 267,009 | 2,647,075 |
| Selling, general and administrative expenses (Notes 11 and 19) | <u>234,218</u> | <u>235,598</u> | <u>2,209,603</u> |
| Operating income | <u>46,372</u> | <u>31,411</u> | <u>437,472</u> |
| Other income (expenses) (Note 12): | | | |
| Interest and dividends income | 5,841 | 5,105 | 55,104 |
| Interest expenses | (2,212) | (2,202) | (20,868) |
| Equity in earnings of affiliates | 3,007 | 3,015 | 28,368 |
| Foreign exchange transaction gain (loss) | (1,416) | (585) | (13,359) |
| Net gain on sale or disposal of property, plant and equipment | 9,353 | (4,906) | 88,236 |
| Net gain on sales of investment securities | 45,687 | 46,205 | 431,009 |
| Loss on devaluation of investment securities | (758) | (162) | (7,151) |
| Impairment loss on fixed assets (Note 14) | (5,952) | (896) | (56,151) |
| Repair costs | 0 | (5,793) | 0 |
| Repair reserve provisions | (53,500) | (31,945) | (504,717) |
| Other | <u>(1,026)</u> | <u>584</u> | <u>(9,679)</u> |
| | <u>(976)</u> | <u>8,420</u> | <u>(9,208)</u> |
| Income before income taxes and non-controlling interests | 45,396 | 39,831 | 428,264 |
| Income taxes (Note 13): | | | |
| Current | 15,739 | 13,541 | 148,481 |
| Deferred | <u>187</u> | <u>(974)</u> | <u>1,764</u> |
| | <u>15,926</u> | <u>12,567</u> | <u>150,245</u> |
| Net income | ¥ 29,470 | ¥ 27,264 | \$ 278,019 |
| Net income attributable to non-controlling shareholders | <u>1,969</u> | <u>2,038</u> | <u>18,576</u> |
| Net income attributable to parent company shareholders | <u>27,501</u> | <u>25,226</u> | <u>259,443</u> |

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, 2018 and 2017

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|----------------------|-----------------------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Net income | ¥ 29,470 | ¥ 27,264 | \$ 278,019 |
| Other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 18,291 | 26,073 | 172,556 |
| Net deferred gains (losses) on hedges | 3 | (1) | 28 |
| Foreign currency translation adjustments | 1,912 | (3,874) | 18,038 |
| Remeasurements of defined benefit plans | 4,115 | 6,892 | 38,821 |
| Share of other comprehensive income in associates accounted for using the equity method | <u>2,613</u> | <u>(3,019)</u> | <u>24,651</u> |
| Total other comprehensive income | <u>26,934</u> | <u>26,071</u> | <u>254,094</u> |
| Comprehensive income | <u>56,404</u> | <u>53,335</u> | <u>532,113</u> |
| Attributable to : | | | |
| Parent company shareholders | ¥ 54,269 | ¥ 51,596 | \$ 511,972 |
| Non-controlling shareholders | 2,135 | 1,739 | 20,141 |

| | Yen | | U.S. dollars (Note 3) |
|------------------------------------|-------------------|-------------------|-----------------------|
| | 2018 | 2017 | 2018 |
| Net assets per common share | ¥ 3,493.79 | ¥ 3,361.10 | \$ 32.96 |
| Net income per common share | | | |
| primary | ¥ 90.77 | ¥ 81.57 | \$ 0.86 |
| Net income per common share | | | |
| fully diluted | ¥ 90.71 | ¥ 81.55 | \$ 0.86 |

(Notes) The Company consolidated its common shares at a ratio of two shares to one share on the effective date of October 1, 2017. Accordingly, the Book value per share, the Earnings per share - primary and the Earnings per share - fully diluted are calculated on the assumption that the consolidation of shares is conducted at the beginning of the preceding fiscal year.

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, 2018 and 2017

| 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 | Remeasurements of defined benefit plans | Stock acquisition rights | Non-controlling interests |
| Balance at April 1,2016 | 680,480 | ¥ 114,464 | ¥ 144,283 | | ¥ 717,030 | ¥ (81,025) | ¥ 123,478 | ¥ (7) | ¥ 3,051 | ¥ (3,850) | ¥ 16 | ¥ 45,802 |
| Cumulative effects of changes in accounting policies | | | | | 27 | | | | | | | 1 |
| Adjusted balance at April 1,2016 | 680,480 | 114,464 | 144,283 | | 717,057 | (81,025) | 123,478 | (7) | 3,051 | (3,850) | 16 | 45,803 |
| Changes of items during the perio | | | | | | | | | | | | |
| Net income attributable to parent company shareholders | - | - | - | | 25,226 | - | - | - | - | - | - | - |
| Cash dividends paid | - | - | - | | (19,919) | - | - | - | - | - | - | - |
| Change of scope of consolidation | - | - | - | | (78) | - | - | - | - | - | - | - |
| Purchases of treasury stock | - | - | - | | - | (15,174) | - | - | - | - | - | - |
| Disposal of treasury stock | - | - | - | | - | - | - | - | - | - | - | - |
| Retirement of treasury stock | (17,000) | - | - | | (26,565) | 26,565 | - | - | - | - | - | - |
| Changes in valuation difference on available-for-sale securities | - | - | - | | - | - | 26,097 | - | - | - | - | - |
| Changes in deferred gains(losses) on hedges | - | - | - | | - | - | - | 4 | - | - | - | - |
| Changes in foreign currency translation adjustments | - | - | - | | - | - | - | - | (5,271) | - | - | - |
| Changes in remeasurements of defined benefit plans | - | - | - | | - | - | - | - | - | 5,533 | - | - |
| Changes in share acquisition rights | - | - | - | | - | - | - | - | - | - | (16) | - |
| Changes in non-controlling interests | - | - | (3) | | - | - | - | - | - | - | - | 1,619 |
| Other | - | - | - | | - | (2) | - | - | - | - | - | - |
| Total changes of items during the period | (17,000) | - | (3) | | (21,336) | 11,389 | 26,097 | 4 | (5,271) | 5,533 | (16) | 1,619 |
| Balance at March 31, 2017 | 663,480 | ¥ 114,464 | ¥ 144,280 | | ¥ 695,721 | ¥ (69,636) | ¥ 149,575 | ¥ (3) | ¥ (2,220) | ¥ 1,683 | ¥ - | ¥ 47,422 |
| Changes of items during the period | | | | | | | | | | | | |
| Net income attributable to parent company shareholders | - | - | - | | 27,501 | - | - | - | - | - | - | - |
| Cash dividends paid | - | - | - | | (19,511) | - | - | - | - | - | - | - |
| Change of scope of consolidation | - | - | - | | 30 | - | - | - | - | - | - | - |
| Purchases of treasury stock | - | - | - | | - | (15,037) | - | - | - | - | - | - |
| Disposal of treasury stock | - | - | - | | (0) | 1 | - | - | - | - | - | - |
| Retirement of treasury stock | (15,000) | - | - | | (21,764) | 21,764 | - | - | - | - | - | - |
| Changes in valuation difference on available-for-sale securities | - | - | - | | - | - | 18,581 | - | - | - | - | - |
| Changes in deferred gains (losses) on hedges | - | - | - | | - | - | - | (1) | - | - | - | - |
| Changes in foreign currency translation adjustments | - | - | - | | - | - | - | - | 3,630 | - | - | - |
| Changes in remeasurements of defined benefit plans | - | - | - | | - | - | - | - | - | 4,559 | - | - |
| Changes in share acquisition rights | - | - | - | | - | - | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | (16) | | - | - | - | - | - | - | - | 1,528 |
| Decrease due to a share consolidation | (324,240) | - | - | | - | - | - | - | - | - | - | - |
| Other | - | - | - | | - | - | - | - | - | - | - | - |
| Total changes of items during the period | (339,240) | - | (16) | | (13,744) | 6,728 | 18,581 | (1) | 3,630 | 4,559 | - | 1,528 |
| Balance at March 31,2018 | 324,240 | ¥ 114,464 | ¥ 144,264 | | ¥ 681,977 | ¥ (62,908) | ¥ 168,156 | ¥ (4) | ¥ 1,410 | ¥ 6,242 | ¥ - | ¥ 48,950 |

| 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 | Remeasurements of defined benefit plans | Stock acquisition rights | Non-controlling interests |
| Balance at March 31,2017 | 663,480 | \$ 1,079,849 | \$ 1,361,132 | | \$ 6,563,406 | \$ (656,943) | \$ 1,411,085 | \$ (28) | \$ (20,943) | \$ 15,877 | \$ - | \$ 447,377 |
| Changes of items during the period | | | | | | | | | | | | |
| Net income attributable to parent company shareholders | - | - | - | | 259,443 | - | - | - | - | - | - | - |
| Cash dividends paid | - | - | - | | (184,066) | - | - | - | - | - | - | - |
| Change of scope of consolidation | - | - | - | | 283 | - | - | - | - | - | - | - |
| Purchases of treasury stock | - | - | - | | - | (141,858) | - | - | - | - | - | - |
| Disposal of treasury stock | - | - | - | | (0) | 9 | - | - | - | - | - | - |
| Retirement of treasury stock | (15,000) | - | - | | (205,321) | 205,321 | - | - | - | - | - | - |
| Changes in valuation difference on available-for-sale securities | - | - | - | | - | - | 175,292 | - | - | - | - | - |
| Changes in deferred gains (losses) on hedges | - | - | - | | - | - | - | (10) | - | - | - | - |
| Changes in foreign currency translation adjustments | - | - | - | | - | - | - | - | 34,245 | - | - | - |
| Changes in remeasurements of defined benefit plans | - | - | - | | - | - | - | - | - | 43,010 | - | - |
| Changes in share acquisition rights | - | - | - | | - | - | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | (151) | | - | - | - | - | - | - | - | 14,415 |
| Decrease due to a share consolidation | (324,240) | - | - | | - | - | - | - | - | - | - | - |
| Other | - | - | - | | - | - | - | - | - | - | - | - |
| Total changes of items during the period | (339,240) | - | (151) | | (129,661) | 63,472 | 175,292 | (10) | 34,245 | 43,010 | - | 14,415 |
| Balance at March 31,2018 | 324,240 | \$ 1,079,849 | \$ 1,360,981 | | \$ 6,433,745 | \$ (593,471) | \$ 1,586,377 | \$ (38) | \$ 13,302 | \$ 58,887 | \$ - | \$ 461,792 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|---------------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Cash flows from operating activities: | | | |
| Income before income taxes and non-controlling interests | ¥ 45,396 | ¥ 39,831 | \$ 428,264 |
| Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities: | | | |
| Depreciation | 61,070 | 61,461 | 576,132 |
| Impairment loss on fixed assets | 5,952 | 896 | 56,151 |
| Allowance for doubtful receivables (net) | (302) | (1,560) | (2,849) |
| Net defined benefit asset (net) | (5,781) | (1,537) | (54,538) |
| Net defined benefit liability (net) | 2,005 | 1,242 | 18,915 |
| Equity in earnings of affiliates | (3,007) | (3,015) | (28,368) |
| Amortization of goodwill | 2,306 | 2,317 | 21,755 |
| Interest and dividends income | (5,841) | (5,105) | (55,104) |
| Interest expenses | 2,212 | 2,202 | 20,868 |
| Net loss (gain) on sales of investment securities | (45,687) | (46,205) | (431,009) |
| Loss on devaluation of investment securities | 758 | 162 | 7,151 |
| Net loss (gain) on sale or disposal of property, plant and equipment | (9,302) | 4,970 | (87,755) |
| Repair costs | - | 5,793 | - |
| Repair reserve provisions | 53,500 | 31,945 | 504,717 |
| Changes in assets and liabilities | | | |
| Trade receivables | (17,606) | 4,444 | (166,094) |
| Inventories | (875) | 3,257 | (8,255) |
| Trade payables | 5,899 | (99) | 55,651 |
| Other assets and liabilities | 6,050 | 6,909 | 57,075 |
| Sub-total | 96,747 | 107,908 | 912,707 |
| Payments for repair costs | (35,056) | (23,149) | (330,716) |
| Extra retirement payments | (49) | (104) | (462) |
| Payments of income taxes | (13,185) | (12,710) | (124,387) |
| Net cash provided by operating activities | 48,457 | 71,945 | 457,142 |
| Cash flows from investing activities: | | | |
| Net decrease (increase) in time deposits | (1,547) | 241 | (14,594) |
| Payments for purchases of property, plant and equipment | (32,501) | (50,031) | (306,613) |
| Proceeds from sales of property, plant and equipment | 19,644 | 4,991 | 185,321 |
| Payments for purchases of investment securities | (1,234) | (692) | (11,642) |
| Proceeds from sales of investment securities | 54,617 | 60,878 | 515,255 |
| Payments for purchases of intangible assets | (10,483) | (11,213) | (98,896) |
| Payments for sales of subsidiaries' shares, resulting in consolidation scope change | (855) | - | (8,066) |
| Proceeds from sales of subsidiaries' shares, resulting in consolidation scope change | - | 1,289 | - |
| Interest and dividends received | 8,256 | 7,953 | 77,887 |
| Other investing | (12,822) | 596 | (120,964) |
| Net cash provided by investing activities | 23,075 | 14,012 | 217,688 |

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|------------------|------------------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Cash flows from financing activities: | | | |
| Net increase (decrease) in short-term bank loans | 2,258 | (6,961) | 21,302 |
| Proceeds from long-term debt | 2,690 | 6,680 | 25,377 |
| Repayments of long-term debt | (4,077) | (6,983) | (38,462) |
| Proceeds from issuance of debentures | 1,225 | 3,933 | 11,557 |
| Payments for redemption of debentures | (240) | (555) | (2,264) |
| Interest paid | (2,213) | (2,209) | (20,877) |
| Dividends paid | (19,524) | (19,919) | (184,189) |
| Dividends paid to non-controlling shareholders | (393) | (338) | (3,708) |
| Payments for purchases of treasury stocks | (15,168) | (15,182) | (143,094) |
| Payments for purchase of stock in subsidiaries not resulting in a change in the scope of consolidation | (226) | - | (2,133) |
| Other financing | (7,103) | (3,689) | (67,009) |
| Net cash used in financing activities | (42,771) | (45,223) | (403,500) |
| Effect of exchange rate changes on cash and cash equivalents | 1,428 | (1,702) | 13,472 |
| Net increase (decrease) in cash and cash equivalents | 30,189 | 39,032 | 284,802 |
| Cash and cash equivalents at beginning of year | 214,564 | 175,513 | 2,024,189 |
| Increase in cash and cash equivalents resulting from change of scope of consolidation | - | 19 | - |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries | 184 | - | 1,735 |
| Cash and cash equivalents at end of year | ¥ 244,937 | ¥ 214,564 | \$ 2,310,726 |

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, 2018 and 2017

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 2017 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 105 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” and “non-controlling interests” 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

The Company and its domestic consolidated subsidiaries mainly use the declining-balance method.

However, depreciation of buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and of facilities attached to buildings and structures acquired on or after April 1, 2016 are computed by the straight-line method.

Assets with an acquisition cost of ¥100,000 (\$943) or more but less than ¥200,000 (\$1,887) are depreciated equally over three years.

Foreign consolidated subsidiaries mainly use the straight-line method.

The estimated useful lives are summarized as follows:

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

Leased assets

Lease assets with transfer of ownership are depreciated using the same depreciation method applied to owned fixed 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.

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, 2018 and 2017, 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.

Reserve for repair

(Basis for recording significant allowances)

The reserve for repair is based on a rational estimate of the amount of repair costs that will be required in the future to repair defects for some products.

(Changes in accounting estimates)

The Company previously recorded reserve for repair to cover the expected required repair costs for defects in some products; however because it was able to obtain new and more accurate information about the products subject to repair, it has changed its estimate in the fiscal year ended March 31, 2018.

As a result, income before income taxes and non-controlling interests decreased by ¥53,500 million (\$504,717 thousand) in the fiscal year ended March 31, 2018.

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 ¥106=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2018. 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, 2018 and 2017 were comprised of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|-----------|------------------------------------|
| | 2018 | 2017 | 2018 |
| Cash and deposits (excluding time deposits with a maturity over three months) | ¥ 244,937 | ¥ 214,564 | \$ 2,310,726 |

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, 2018 and 2017 were as follows:

| | Millions of yen | | |
|----------------|-----------------|------------|------------|
| | Carrying amount | Fair value | Difference |
| March 31, 2018 | | | |
| Others | ¥ 200 | ¥ 200 | ¥ 0 |

| | Thousands of U.S. dollars (Note 3) | | |
|----------------|------------------------------------|------------|------------|
| | Carrying amount | Fair value | Difference |
| March 31, 2018 | | | |
| Others | \$ 1,887 | \$ 1,887 | \$ 0 |

| | Millions of yen | | |
|----------------|-----------------|------------|------------|
| | Carrying amount | Fair value | Difference |
| March 31, 2017 | | | |
| Others | ¥ 201 | ¥ 201 | ¥ (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, 2018 and 2017 were as follows:

| | Millions of yen | | | |
|----------------|------------------|------------------|-------------------|------------|
| | Acquisition cost | Unrealized gains | Unrealized losses | Fair value |
| March 31, 2018 | | | | |
| Stocks | ¥ 105,321 | ¥ 241,999 | ¥ 2,736 | ¥ 344,584 |
| Others | 10,157 | 15 | - | 10,172 |
| Total | ¥ 115,478 | ¥ 242,014 | ¥ 2,736 | ¥ 354,756 |

| | Thousands of U.S. dollars (Note 3) | | | |
|----------------|------------------------------------|------------------|-------------------|--------------|
| | Acquisition cost | Unrealized gains | Unrealized losses | Fair value |
| March 31, 2018 | | | | |
| Stocks | \$ 993,594 | \$ 2,283,009 | \$ 25,811 | \$ 3,250,792 |
| Others | 95,821 | 142 | - | 95,963 |
| Total | \$ 1,089,415 | \$ 2,283,151 | \$ 25,811 | \$ 3,346,755 |

| | Millions of yen | | | |
|----------------|------------------|------------------|-------------------|------------|
| | Acquisition cost | Unrealized gains | Unrealized losses | Fair value |
| March 31, 2017 | | | | |
| Stocks | ¥ 114,279 | ¥ 214,887 | ¥ 2,599 | ¥ 326,567 |
| Others | 168 | 14 | - | 182 |
| Total | ¥ 114,447 | ¥ 214,901 | ¥ 2,599 | ¥ 326,749 |

The proceeds from sales of available-for-sale securities for the years ended March 31, 2018 and 2017 were ¥53,180 million (\$501,698 thousand) and ¥59,966 million, respectively. The gross realized gains on these sales for the years ended March 31, 2018 and 2017 were ¥44,964 million (\$424,189 thousand) and ¥44,915 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2018 and 2017 were ¥68 million (\$642 thousand) and ¥979 million, respectively.

The redemption schedules for securities with maturities at March 31, 2018 and 2017 were as follows:

| | Millions of yen | | |
|-----------------|-------------------------|---------------------------------------|-----------------|
| | Due in one year or less | Due after one year through five years | Over five years |
| March 31, 2018 | | | |
| Corporate bonds | ¥ - | ¥ 200 | ¥ 80 |
| Others | 10,000 | - | - |
| | ¥ 10,000 | ¥ 200 | ¥ 80 |

| | Thousands of U.S. dollars (Note 3) | | |
|-----------------|------------------------------------|---------------------------------------|-----------------|
| | Due in one year or less | Due after one year through five years | Over five years |
| March 31, 2018 | | | |
| Corporate bonds | \$ - | \$ 1,887 | \$ 755 |
| Others | 94,340 | - | - |
| | \$ 94,340 | \$ 1,887 | \$ 755 |

| | Millions of yen | | |
|-----------------|-------------------------|---------------------------------------|-----------------|
| | Due in one year or less | Due after one year through five years | Over five years |
| March 31, 2017 | | | |
| Corporate bonds | ¥ - | ¥ 201 | ¥ 80 |

6. Inventories

Inventories at March 31, 2018 and 2017 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-----------------------------------|-----------------|-----------|------------------------------------|
| | 2018 | 2017 | 2018 |
| Merchandise and finished products | ¥ 82,698 | ¥ 84,286 | \$ 780,170 |
| Work in process | 31,672 | 29,130 | 298,793 |
| Raw materials and supplies | 23,178 | 23,897 | 218,660 |
| | ¥ 137,548 | ¥ 137,313 | \$ 1,297,623 |

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

Short-term bank loans at March 31, 2018 and 2017 were represented by bank loans and bank overdrafts, etc., bearing interest at an average rate of 0.46% per annum for 2018 and 0.35% per annum for 2017.

Long-term debt at March 31, 2018 and 2017 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-------------------------------------|-----------------|-----------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Unsecured debentures | | | |
| 0.160~0.180% due 2023 | ¥ 1,050 | | \$ 9,906 |
| 0.100~0.376% due 2022 | 3,570 | ¥ 3,520 | 33,679 |
| 0.150~1.358% due 2021 | 52,490 | 52,440 | 495,189 |
| 0.100~1.705% due 2020 | 51,490 | 51,440 | 485,755 |
| 0.150~0.460% due 2019 | 2,290 | 2,240 | 21,603 |
| 0.150~0.340% due 2018 | - | 240 | - |
| Mortgage loans, maturing 2019~2023 | 3,268 | 3,491 | 30,830 |
| Unsecured loans, maturing 2019~2023 | 11,152 | 12,728 | 105,208 |
| | 125,310 | 126,099 | 1,182,170 |
| Current portion of long-term debt | (6,583) | (7,800) | (62,104) |
| | ¥ 118,727 | ¥ 118,299 | \$ 1,120,066 |

Finance lease obligations at March 31, 2018 and 2017 which are included in other long-term liabilities consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--------------------------------------|-----------------|----------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Finance lease obligations | ¥ 15,337 | ¥ 16,226 | \$ 144,689 |
| Current portion of lease obligations | (5,937) | (5,027) | (56,010) |
| | ¥ 9,400 | ¥ 11,199 | \$ 88,679 |

The assets pledged as collateral for the Company and its consolidated subsidiaries' indebtedness, such as property, plant and equipment and other assets, were ¥7,542 million (\$71,151 thousand) and ¥7,531 million at March 31, 2018 and 2017, respectively.

Interest rates on mortgage loans ranged from 0.15% to 1.98% per annum for 2018 and from 0.20% to 2.56% per annum for 2017, while interest rates on unsecured loans ranged from 0.36% to 1.15% per annum for 2018 and from 0.40% to 2.00% per annum for 2017.

The aggregate annual maturities of long-term debt after March 31, 2018 were as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars (Note 3) |
|-----------------------|-----------------|---------------------------------------|
| 2019 | ¥ 6,583 | \$ 62,104 |
| 2020 | 53,922 | 508,698 |
| 2021 | 58,627 | 553,085 |
| 2022 | 4,807 | 45,349 |
| 2023 | 1,371 | 12,934 |
| 2024 and thereafter | - | - |
| | ¥ 125,310 | \$ 1,182,170 |

The aggregate annual maturities of finance lease obligations after March 31, 2018 were as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars (Note 3) |
|-----------------------|-----------------|---------------------------------------|
| 2019 | ¥ 5,937 | \$ 56,009 |
| 2020 | 4,991 | 47,085 |
| 2021 | 1,639 | 15,462 |
| 2022 | 825 | 7,783 |
| 2023 | 579 | 5,463 |
| 2024 and thereafter | 1,366 | 12,887 |
| | ¥ 15,337 | \$ 144,689 |

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 balance of the projected benefit obligation at March 31, 2018 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|-----------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Change in projected benefit obligation: | | | |
| Balance at the beginning of year | ¥ 253,782 | ¥ 248,945 | \$ 2,394,170 |
| Service cost | 13,665 | 14,196 | 128,915 |
| Interest cost | 1,259 | 1,092 | 11,877 |
| Actuarial gain/loss | 5,996 | (1,858) | 56,566 |
| Benefits paid | (8,453) | (8,066) | (79,745) |
| Prior service cost | - | 146 | - |
| Change of scope of consolidation | (1,241) | (649) | (11,708) |
| Increase due to change from simplified method to principle method | - | - | - |
| Other | (86) | (24) | (811) |
| Balance at the end of year | ¥ 264,922 | ¥ 253,782 | \$ 2,499,264 |

The reconciliation of beginning and ending balance of the plan assets at March 31, 2018 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|----------------------------------|-----------------|-----------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Change in plan assets: | | | |
| Balance at the beginning of year | ¥ 275,722 | ¥ 260,622 | \$ 2,601,151 |
| Expected return on plan assets | 7,050 | 6,564 | 66,509 |
| Actuarial gain/loss | 12,389 | 6,152 | 116,877 |
| Contributions by the employer | 9,442 | 9,057 | 89,075 |
| Benefits paid | (7,068) | (6,702) | (66,678) |
| Other | 9 | 29 | 85 |
| Balance at the end of year | ¥ 297,544 | ¥ 275,722 | \$ 2,807,019 |

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, 2018 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|------------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Funded projected benefit obligation | ¥ 230,351 | ¥ 219,605 | \$ 2,173,123 |
| Plan assets | (297,544) | (275,722) | (2,807,019) |
| | (67,193) | (56,117) | (633,896) |
| Unfunded projected benefit obligation | 34,571 | 34,177 | 326,141 |
| Net amount of liabilities and assets recognized in consolidated balance sheets | ¥ (32,622) | ¥ (21,940) | \$ (307,755) |
| Net defined benefit liability | 35,217 | 35,149 | 332,236 |
| Net defined benefit asset | (67,839) | (57,089) | (639,991) |
| Net amount of liabilities and assets recognized in consolidated balance sheets | ¥ (32,622) | ¥ (21,940) | \$ (307,755) |

The components of net periodic benefit costs for the years ended March 31, 2018 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|----------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Service cost | ¥ 13,645 | ¥ 14,178 | \$ 128,726 |
| Interest cost | 1,259 | 1,092 | 11,877 |
| Expected return on plan assets | (7,050) | (6,564) | (66,509) |
| Actuarial gain/loss | (1,344) | 807 | (12,679) |
| Amortization of prior service cost | 580 | 656 | 5,472 |
| Amortization due to change from simplified method to principle method | - | - | - |
| Net periodic benefit costs of the defined benefit plan | ¥ 7,090 | ¥ 10,169 | \$ 66,887 |

Remeasurements of defined benefit plans, before income-tax effect, recorded under accumulated other comprehensive income at March 31, 2018 and 2017 consisted of:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|----------------------------------|-----------------|---------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Unrecognized actuarial gain/loss | ¥ 9,398 | ¥ 4,147 | \$ 88,660 |
| Unrecognized prior service cost | (1,385) | (1,966) | (13,066) |
| Total | ¥ 8,013 | ¥ 2,181 | \$ 75,594 |

The major categories of plan assets as of March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|-------------|------|------|
| Bonds | 20% | 19% |
| Stocks | 40% | 46% |
| Alternative | 33% | 26% |
| Other | 7% | 9% |
| Total | 100% | 100% |

Assumptions used for the years ended March 31, 2018 and 2017 were set forth as follows:

| | 2018 | 2017 |
|--|-------------|-------------|
| Discount rate | 0.7% | 0.8% |
| Long-term expected rate of return on plan assets | mainly 2.5% | mainly 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 ¥32.00 (\$0.3) per share, aggregating ¥9,659 million (\$91,123 thousand), were approved at the general stockholders’ meeting held in June 28, 2018 with respect to the year ended March 31, 2018.

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

Upon approval by the resolution of the Board of Directors, the Company purchased 12,037 thousand shares of common stocks at an aggregate cost of ¥14,999 million (\$141,500 thousand) during the year ended March 31, 2018. Furthermore, the Company retired 15,000 thousand shares of common stocks at an aggregate cost of ¥21,764 million (\$205,321 thousand) during the year ended March 31, 2018.

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2018 and 2017 were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-----------------------------|-----------------|---------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Trade receivables | ¥ 5,438 | ¥ 4,319 | \$ 51,302 |
| Other current assets | 225 | 154 | 2,123 |
| Investment securities | 56,458 | 53,374 | 532,623 |
| Long-term loan receivables | 150 | 180 | 1,415 |
| Other investments | 2,308 | 663 | 21,774 |
| Trade payables | 5,310 | 4,180 | 50,094 |
| Accrued expenses | 254 | 391 | 2,396 |
| Other current liabilities | 1,046 | 991 | 9,868 |
| Other long-term liabilities | 10 | - | 94 |

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2018 and 2017 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-----------------------------------|-----------------|-----------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Salaries and allowances | ¥ 66,627 | ¥ 68,346 | \$ 628,556 |
| Accrued bonuses | 6,078 | 6,141 | 57,340 |
| Provision for retirement benefits | 1,441 | 2,390 | 13,594 |
| Depreciation | 15,452 | 16,062 | 145,774 |
| Research and development expenses | 33,210 | 31,376 | 313,302 |
| Other | 111,410 | 111,283 | 1,051,038 |
| | ¥ 234,218 | ¥ 235,598 | \$ 2,209,604 |

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) |
|-------------------------------|-----------------|------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| Interest and dividends income | ¥ 16 | ¥ 45 | \$ 151 |
| Rent income on facilities | 125 | 137 | 1,179 |
| Rent expense | (28) | (28) | (264) |

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 30.9% and 30.9% for the years ended March 31, 2018 and 2017, respectively.

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

The following is a reconciliation of the difference between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2018, although no reconciliation for 2017 was shown because the difference was not more than five percent of the statutory tax rate.

| | 2018 | 2017 |
|---|-------|------|
| Normal effective statutory tax rate | 30.9% | - |
| Expenses not deductible for income tax purposes | 0.8 | - |
| Amortization of consolidation goodwill | 1.4 | - |
| Change in valuation allowance | 0.8 | - |
| Equity in earnings of affiliates | (2.0) | - |
| Per capita inhabitants' taxes | 1.3 | - |
| Tax credit | (0.8) | - |
| Tax rate differences in consolidated subsidiaries | 1.3 | - |
| Other | 1.4 | - |
| Actual effective tax rate | 35.1% | - |

Net deferred tax assets (liabilities) at March 31, 2018 and 2017, 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) |
|---|-----------------|------------|------------------------------------|
| | 2018 | 2017 | 2018 |
| Prepaid expenses and other current assets | ¥ 19,714 | ¥ 15,315 | \$ 185,981 |
| Other assets | 6,935 | 7,286 | 65,425 |
| Other current liabilities | - | (16) | - |
| Other long-term liabilities | (80,718) | (66,147) | (761,491) |
| Net deferred tax assets (liabilities) | ¥ (54,069) | ¥ (43,562) | \$ (510,085) |

Significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows :

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|------------|------------------------------------|
| | 2018 | 2017 | 2018 |
| Deferred tax assets: | | | |
| Net defined benefit liability | ¥ 13,426 | ¥15,083 | \$ 126,660 |
| Loss on devaluation of investment securities | 2,277 | 2,802 | 21,481 |
| Excess provision for doubtful receivables | 1,183 | 1,331 | 11,160 |
| Accrued bonuses | 5,200 | 5,247 | 49,057 |
| Loss on write-down of inventories | 1,221 | 1,201 | 11,519 |
| Operating loss carryforwards | 26,417 | 31,240 | 249,217 |
| Impairment loss on fixed assets | 10,653 | 9,735 | 100,500 |
| Repair reserve provisions | 11,360 | 5,772 | 107,170 |
| Other | 16,843 | 16,416 | 158,897 |
| Total deferred tax assets | 88,580 | 88,827 | 835,661 |
| Less: valuation allowance | (47,568) | (49,169) | (448,755) |
| Total | ¥ 41,012 | ¥ 39,658 | \$ 386,906 |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | ¥ (71,890) | ¥ (63,193) | \$ (678,208) |
| Reserve for special depreciation | (51) | (68) | (481) |
| Undistributed earnings of subsidiaries | (795) | (800) | (7,500) |
| Net defined benefit asset | (20,759) | (17,469) | (195,840) |
| Other | (1,586) | (1,690) | (14,962) |
| Total | ¥ (95,081) | ¥ (83,220) | \$ (896,991) |
| Net deferred tax assets (liabilities): | ¥ (54,069) | ¥ (43,562) | \$ (510,085) |

14. Impairment Loss on Fixed Assets

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the year ended March 31, 2018. Fixed assets were, in principle, grouped at the business unit for impairment testing purposes. Idle assets and assets for rent were grouped in each asset. Loss on impairment of fixed assets for the year ended March 31, 2018 was recognized in the amount of ¥5,952 million (\$56,151 thousand). The impairment loss breaks down into buildings and structures at ¥3,580 million, land at ¥1,870 million and others at ¥502 million.

15. Leases

Operating Leases

The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2018 and 2017 were also summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|------------------------|-----------------|----------|------------------------------------|
| | 2018 | 2017 | 2018 |
| Future lease payments: | | | |
| One year or less | ¥ 5,663 | ¥ 5,268 | \$ 53,425 |
| More than one year | 12,159 | 15,924 | 114,708 |
| | ¥ 17,822 | ¥ 21,192 | \$ 168,133 |

16. Financial Instruments

1. Management policy

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

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

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

2. Fair value of financial instruments

Fair value and difference compared to the carrying amounts reported in the consolidated balance sheets as of March 31, 2018 and 2017 were as follows:

| | Millions of yen | | |
|--|---|------------|-------------|
| March 31, 2018 | Carrying amounts reported in the consolidated balance sheet | Fair value | Differences |
| (1) Cash and deposits | ¥ 247,382 | ¥ 247,382 | ¥ - |
| (2) Trade receivables | 354,241 | 354,241 | - |
| (3) Short-term and long-term investment securities | 360,612 | 392,099 | 31,487 |
| Assets | ¥ 962,235 | ¥ 993,722 | ¥ 31,487 |
| (1) Trade payables | ¥ 248,993 | ¥ 248,993 | ¥ - |
| (2) Short-term bank loans | 44,795 | 44,795 | - |
| (3) Long-term debts | 125,310 | 127,963 | 2,653 |
| Liabilities | ¥ 419,098 | ¥ 421,751 | ¥ 2,653 |
| Derivatives*1 | | | |
| [1] Hedge accounting is not applied | ¥ 501 | ¥ 501 | ¥ - |
| [2] Hedge accounting is applied | (20) | (20) | - |
| Total | ¥ 481 | ¥ 481 | ¥ - |

| | Thousands of U.S. dollars (Note 3) | | |
|--|---|--------------|-------------|
| March 31, 2018 | Carrying amounts reported in the consolidated balance sheet | Fair value | Differences |
| (1) Cash and deposits | \$ 2,333,793 | \$ 2,333,793 | \$ - |
| (2) Trade receivables | 3,341,896 | 3,341,896 | - |
| (3) Short-term and long-term investment securities | 3,402,000 | 3,699,047 | 297,047 |
| Assets | \$ 9,077,689 | \$ 9,374,736 | \$ 297,047 |
| (1) Trade payables | \$ 2,348,991 | \$ 2,348,991 | \$ - |
| (2) Short-term bank loans | 422,594 | 422,594 | - |
| (3) Long-term debts | 1,182,170 | 1,207,198 | 25,028 |
| Liabilities | \$ 3,953,755 | \$ 3,978,783 | \$ 25,028 |
| Derivatives*1 | | | |
| [1] Hedge accounting is not applied | \$ 4,726 | \$ 4,726 | \$ - |
| [2] Hedge accounting is applied | (189) | (189) | - |
| Total | \$ 4,537 | \$ 4,537 | \$ - |

| | Millions of yen | | |
|--|---|------------|-------------|
| March 31, 2017 | Carrying amounts reported in the consolidated balance sheet | Fair value | Differences |
| (1) Cash and deposits | ¥ 215,455 | ¥ 215,455 | ¥ - |
| (2) Trade receivables | 341,805 | 341,805 | - |
| (3) Short-term and long-term investment securities | 330,263 | 347,403 | 17,140 |
| Assets | ¥ 887,523 | ¥ 904,663 | ¥ 17,140 |
| (1) Trade payables | ¥ 247,562 | ¥ 247,562 | ¥ - |
| (2) Short-term bank loans | 43,036 | 43,036 | - |
| (3) Long-term debts | 126,099 | 130,261 | 4,162 |
| Liabilities | ¥ 416,697 | ¥ 420,859 | ¥ 4,162 |
| Derivatives*1 | | | |
| [1] Hedge accounting is not applied | ¥ (107) | ¥ (107) | ¥ - |
| [2] Hedge accounting is applied | (14) | (14) | - |
| Total | ¥ (121) | ¥ (121) | ¥ - |

*1. 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.

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 17.

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

| | Millions of yen | Thousands of U.S. dollars (Note 3) |
|----------------------------|------------------|---------------------------------------|
| March 31, 2018 | Carrying amounts | Carrying amounts |
| Unlisted equity securities | ¥ 50,697 | \$ 478,274 |
| Others | 105 | 991 |
| | | |
| | Millions of yen | |
| March 31, 2017 | Carrying amounts | |
| Unlisted equity securities | ¥ 49,944 | |
| Other | | 117 |

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

17. Derivative Financial Instruments

Nature of derivative financial instruments:

The Company and certain consolidated subsidiaries enter into derivatives for foreign currency forward 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, 2018 and 2017 were as follows:

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

| | Millions of yen | | |
|------------------------------------|-------------------|------------|------------------------|
| March 31, 2018 | Contracted amount | Fair value | Unrealized gain (loss) |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | ¥ 15,258 | ¥ 462 | ¥ 462 |
| Euro | 2,130 | 40 | 40 |
| | | | |
| Payables: | | | |
| U.S. dollars | 26 | (1) | (1) |
| | ¥ 17,414 | ¥ 501 | ¥ 501 |

| | Thousands of U.S. dollars (Note 3) | | |
|------------------------------------|------------------------------------|------------|------------------------|
| March 31, 2018 | Contracted amount | Fair value | Unrealized gain (loss) |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | \$ 143,943 | \$ 4,358 | \$ 4,358 |
| Euro | 20,094 | 377 | 377 |
| | | | |
| Payables: | | | |
| U.S. dollars | 246 | (9) | (9) |
| | \$ 164,283 | \$ 4,726 | \$ 4,726 |

| | Millions of yen | | |
|------------------------------------|-------------------|------------|------------------------|
| March 31, 2017 | Contracted amount | Fair value | Unrealized gain (loss) |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | ¥ 17,345 | ¥ (108) | ¥ (108) |
| Euro | 1,859 | 1 | 1 |
| | | | |
| Payables: | | | |
| U.S. dollars | 24 | (0) | (0) |
| | ¥ 19,228 | ¥ (107) | ¥ (107) |

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

| March 31, 2018 | Millions of yen | | |
|------------------------------------|-------------------------|-------------------|------------|
| | Hedged items | Contracted amount | Fair value |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | Trade receivables | ¥ 39 | ¥ - |
| Payables: | | | |
| U.S. dollars | Trade payables | 1,345 | (24) |
| Sterling pound | Trade payables | 110 | 2 |
| Euro | Trade payables | 111 | 2 |
| | | ¥ 1,605 | ¥ (20) |
| Interest rate swaps | | | |
| Receive floating and pay fixed | Long-term loan payables | ¥ 20 | ¥ - |

| March 31, 2018 | Thousands of U.S. dollars (Note 3) | | |
|------------------------------------|------------------------------------|-------------------|------------|
| | Hedged items | Contracted amount | Fair value |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | Trade receivables | \$ 368 | \$ - |
| Payables: | | | |
| U.S. dollars | Trade payables | 12,689 | (227) |
| Sterling pound | Trade payables | 1,038 | 19 |
| Euro | Trade payables | 1,047 | 19 |
| | | \$ 15,142 | \$ (189) |
| Interest rate swaps | | | |
| Receive floating and pay fixed | Long-term loan payables | \$ 189 | \$ - |

| March 31, 2017 | Millions of yen | | |
|------------------------------------|-------------------------|-------------------|------------|
| | Hedged items | Contracted amount | Fair value |
| Foreign currency forward contracts | | | |
| Receivables: | | | |
| U.S. dollars | Trade receivables | ¥ 192 | ¥ (0) |
| Euro | Trade receivables | 8 | 0 |
| Payables: | | | |
| U.S. dollars | Trade payables | 1,481 | (13) |
| Sterling pound | Trade payables | 2 | (0) |
| Euro | Trade payables | 164 | (1) |
| Japanese yen | Trade payables | 67 | 0 |
| | | ¥ 1,914 | ¥ (14) |
| Interest rate swaps | | | |
| Receive floating and pay fixed | Long-term loan payables | ¥ 70 | ¥ - |

The fair values of foreign currency forward contracts subject to the 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 the 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.

18. Contingent Liabilities

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, 2018 and 2017, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥665 million (\$6,274 thousand) and ¥626 million, respectively.

19. Segment Information

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

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

| For 2018: | Millions of yen | | | | | | |
|---|---------------------------|-----------------------------------|-------------|-----------|-------------|------------|--------------|
| | Reportable segment | | | | | Adjustment | Consolidated |
| | Information Communication | Lifestyle and Industrial Supplies | Electronics | Beverages | Total | | |
| Net sales and operating income | | | | | | | |
| Net sales | | | | | | | |
| Outside customers | ¥ 774,998 | ¥ 392,459 | ¥ 188,746 | ¥ 56,049 | ¥ 1,412,252 | ¥ - | ¥ 1,412,252 |
| Intersegment | 3,639 | 1,849 | 9 | 11 | 5,508 | (5,508) | - |
| Total | 778,637 | 394,308 | 188,755 | 56,060 | 1,417,760 | (5,508) | 1,412,252 |
| Segment income | 21,758 | 12,127 | 34,100 | 2,244 | 70,229 | (23,857) | 46,372 |
| Segment assets | ¥ 904,487 | ¥ 453,742 | ¥ 242,462 | ¥ 48,550 | ¥ 1,649,241 | ¥ 161,258 | ¥ 1,810,499 |
| Others | | | | | | | |
| Depreciation and amortization | ¥ 26,968 | ¥ 16,509 | ¥ 12,234 | ¥ 2,608 | ¥ 58,319 | ¥ 2,752 | ¥ 61,071 |
| Amortization of goodwill | 1,093 | 1,213 | - | - | 2,306 | - | 2,306 |
| Impairment loss | 1,979 | - | - | 21 | 2,000 | 3,952 | 5,952 |
| Increase in property, plant and equipment and intangible assets | 27,286 | 15,725 | 10,600 | 2,327 | 55,938 | 3,620 | 59,558 |

| For 2018: | Thousands of U.S. dollars (Note 3) | | | | | | |
|---|------------------------------------|-----------------------------------|--------------|------------|---------------|--------------|---------------|
| | Reportable segment | | | | | Adjustment | Consolidated |
| | Information Communication | Lifestyle and Industrial Supplies | Electronics | Beverages | Total | | |
| Net sales and operating income | | | | | | | |
| Net sales | | | | | | | |
| Outside customers | \$ 7,311,302 | \$ 3,702,443 | \$ 1,780,623 | \$ 528,764 | \$ 13,323,132 | \$ - | \$ 13,323,132 |
| Intersegment | 34,330 | 17,443 | 85 | 104 | 51,962 | (51,962) | - |
| Total | 7,345,632 | 3,719,886 | 1,780,708 | 528,868 | 13,375,094 | (51,962) | 13,323,132 |
| Segment income | 205,264 | 114,406 | 321,698 | 21,170 | 662,538 | (225,066) | 437,472 |
| Segment assets | \$ 8,532,896 | \$ 4,280,585 | \$ 2,287,377 | \$ 458,019 | \$ 15,558,877 | \$ 1,521,302 | \$ 17,080,179 |
| Others | | | | | | | |
| Depreciation and amortization | \$ 254,415 | \$ 155,745 | \$ 115,415 | \$ 24,604 | \$ 550,179 | \$ 25,963 | \$ 576,142 |
| Amortization of goodwill | 10,311 | 11,444 | - | - | 21,755 | - | 21,755 |
| Impairment loss | 18,679 | - | - | 198 | 18,877 | 37,283 | 56,160 |
| Increase in property, plant and equipment and intangible assets | 257,415 | 148,349 | 100,000 | 21,953 | 527,717 | 34,151 | 561,868 |

Independent Auditor’s 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, 2018 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2. “Reserve for repair (Changes in accounting estimates)”, the Company has changed estimate for reserve for repair to cover the expected required repair costs for defects in some products in the fiscal year ended March 31, 2018. Our opinion is not modified in respect of this matter.

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.


ARK MEIJI AUDIT & CO.

Tokyo, Japan
June 28, 2018

| | Millions of yen | | | | | | |
|---|---------------------------|-----------------------------------|-------------|-----------|-------------|------------|--------------|
| | Reportable segment | | | | | | |
| For 2017: | Information Communication | Lifestyle and Industrial Supplies | Electronics | Beverages | Total | Adjustment | Consolidated |
| Net sales and operating income | | | | | | | |
| Net sales | | | | | | | |
| Outside customers | ¥ 797,047 | ¥ 387,143 | ¥ 169,402 | ¥ 56,581 | ¥ 1,410,173 | ¥ - | ¥ 1,410,173 |
| Intersegment | 4,157 | 1,052 | 6 | 39 | 5,254 | (5,254) | - |
| Total | 801,204 | 388,195 | 169,408 | 56,620 | 1,415,427 | (5,254) | 1,410,173 |
| Segment income | 18,884 | 14,434 | 16,484 | 2,430 | 52,232 | (20,821) | 31,411 |
| Segment assets | ¥ 875,999 | ¥ 439,303 | ¥ 258,120 | ¥ 47,526 | ¥ 1,620,948 | ¥ 120,956 | ¥ 1,741,904 |
| Others | | | | | | | |
| Depreciation and amortization | ¥ 27,661 | ¥ 17,028 | ¥ 12,083 | ¥ 2,367 | ¥ 59,139 | ¥ 2,322 | ¥ 61,461 |
| Amortization of goodwill | 1,104 | 1,213 | - | - | 2,317 | - | 2,317 |
| Impairment loss | 834 | - | 61 | 1 | 896 | - | 896 |
| Increase in property, plant and equipment and intangible assets | 28,735 | 12,619 | 7,729 | 3,805 | 52,888 | 4,197 | 57,085 |

[Related information] Information by geographic area

| | Millions of yen | | | |
|-----------|-----------------|-----------|--------------|-------------|
| For 2018: | Japan | Asia | Other region | Total |
| Net sales | ¥ 1,185,561 | ¥ 150,794 | ¥ 75,897 | ¥ 1,412,252 |

| | Thousands of U.S. dollars (Note 3) | | | |
|-----------|------------------------------------|--------------|--------------|---------------|
| For 2018: | Japan | Asia | Other region | Total |
| Net sales | \$ 11,184,538 | \$ 1,422,585 | \$ 716,009 | \$ 13,323,132 |

| | Millions of yen | | | |
|-----------|-----------------|-----------|--------------|-------------|
| For 2017: | Japan | Asia | Other region | Total |
| Net sales | ¥ 1,207,680 | ¥ 126,210 | ¥ 76,283 | ¥ 1,410,173 |

Major Subsidiaries and Affiliates

(As of March 31, 2018)

Printing

| | | Capital (¥ million) | Ownership ratio of voting rights (%) |
|----------------------------|--|------------------------|---|
| DNP Hokkaido Co., Ltd. | General affairs, accounting work and other business services | 350 | 100.0 |
| DNP Tohoku Co., Ltd. | General affairs, accounting work and other business services | 350 | 100.0 |
| DNP Chubu Co., Ltd. | General affairs, accounting work and other business services | 350 | 100.0 |
| DNP Nishi Nippon Co., Ltd. | General affairs, accounting work and other business services | 400 | 100.0 |
| DNP Shikoku Co., Ltd. | Film making, printing, bookbinding; production and sale of packaging | 50 | 97.0 |

| Information Communication | | | |
|---|---|------------|--------------|
| Publishing | | | |
| Maruzen CHI Holdings Co., Ltd. | Investment in operating companies | 3,000 | 53.0 |
| TRC Library Service Inc. | Sale of books, creation of data, library operation support and consulting | 266 | 53.0 (53.0) |
| MARUZEN-YUSHODO Company, Limited | Education and academic businesses; retail stores; publishing; commercial facility/store interiors, etc. | 100 | 53.0 (53.0) |
| MARUZEN PUBLISHING CO., LTD. | Publishing | 50 | 53.0 (53.0) |
| MaruzenJunkudo Bookstores Co., Ltd. | Sale of books, magazines and stationery | 50 | 53.0 (53.0) |
| BOOKOFF CORPORATION | Used bookstore operation; development and operation of new/used goods businesses; management guidance for affiliated stores | 3,652 | 15.6 (9.4) |
| Bunkyo Group Holdings Co., Ltd. | Sale of books, magazines, CD, DVD, stationery, game and hobby goods | 2,035 | 23.7 |
| 2Dfacto, Inc. | Production, agency and sale of digitized books, magazines and other published materials | 500 | 80.5 (0.7) |
| VISUALJAPAN Inc.* | Development, sale and maintenance of computer software | 50 | 86.8 |
| DNP Book Factory Co., Ltd. | Offset printing and bookbinding | 200 | 100.0 |
| DNP Media Art Co., Ltd. | Film making | 180 | 100.0 |
| MobileBook.jp Inc. | Electronic publishing and distribution platform services; e-book distribution service | 100 | 63.4 |
| Kyoiku Shuppan Co., Ltd. | Editing and sale of textbooks and educational materials | 60 | 48.2 |
| Publishing Marketing Innovation Japan Co., Ltd. | Research and policy planning aimed at activating Japan's publications distribution markets | 50 | 50.0 |
| Oguchi Book Binding & Printing Co., Ltd. | Printing and bookbinding | 49 | 100.0 (15.1) |
| Tien Wah Press (Pte.) Ltd. | Film making, printing and bookbinding | (\$S1,000) | 100.0 |
| | | 4,600 | |

| Information Innovation | | | |
|------------------------------------|--|-----------------|-------|
| INTELLIGENT WAVE INC. | Development and maintenance of software | 843 | 50.6 |
| DNP Art Communications Co., Ltd. | Planning, production and sale of artistic images and videos | 300 | 100.0 |
| DNP Graphica Co., Ltd. | Printing and bookbinding | 100 | 100.0 |
| DNP Communication Design Co., Ltd. | Planning, production, film making and plate making | 100 | 100.0 |
| DNP Data Techno Co., Ltd. | Production and sale of business forms and plastic cards | 100 | 100.0 |
| DNP Digital Solutions Co., Ltd. | Planning, design, maintenance and operation of information systems | 100 | 100.0 |
| DNP SP Tech Co., Ltd. | Planning and production of promotional materials | 80 | 100.0 |
| DNP Multi Print Co., Ltd. | Film making, printing and bookbinding | 100 | 100.0 |
| NBC Co., Ltd.* | Mailing of printed matter, etc. | 20 | 100.0 |
| DNP Social Links Co., Ltd. | Planning, development and operation of online advertising and computer systems, etc. | 10 | 100.0 |
| DNP Media Support Co., Ltd. | Production and sale of all types of printed matter | 10 | 95.0 |
| MK Smart Joint Stock Company | Production and sale of plastic cards and business forms | (VND 1,000,000) | 36.3 |
| | | 100,000 | |
| PT. Wahyu DNP Bureau | Card-issuing services | (US\$1,000) | 45.0 |
| | | 2,000 | |

| Imaging Communication | | | |
|-------------------------------------|--|--------------|---------|
| DNP Imaging Comm Co., Ltd. | Production and processing of thermal mass transfer media and dye-sublimation media | 100 | 100.0 |
| DNP Photo Imaging Japan Co., Ltd. | Sale of photo-related products; operation of ID photo booths and automated commemorative photo booths | 100 | 100.0 |
| DNP ID System Co., Ltd. | Sale of equipment and media for making driver licences | 60 | 100.0 |
| DNP Imagingcomm Asia Sdn. Bhd. | Production, processing and sale of thermal mass transfer media and dye-sublimation media; sale of photo-related products | (RM 1,000) | 100.0 |
| | | 190,000 | |
| DNP Imagingcomm America Corporation | Production, processing and sale of thermal mass transfer media and dye-sublimation media; sale of photo-related products | (US\$1,000) | 100.0 |
| | | 71,980 | (100.0) |
| Foto Fantasy, Inc. | Development, production and operation of automated commemorative photo booths | (US\$1,000) | 100.0 |
| | | 10 | (100.0) |
| DNP Photo Imaging Europe SAS | Sale of photo-related products | (Euro 1,000) | 100.0 |
| | | 2,408 | |
| DNP Imagingcomm Europe B.V. | Processing and sale of thermal mass transfer media and dye-sublimation media | (Euro 1,000) | 100.0 |
| | | 1,000 | |

| Lifestyle and Industrial Supplies | | | |
|--|---|-------------|--------|
| Packaging | | | |
| Lifescape Marketing Co., Ltd. | Research, compilation and provision of various kinds of information about purchasing and consumption of foods and beverages | 430 | 84.0 |
| DNP Technopack Co., Ltd. | Production, printing and processing of packaging materials | 300 | 100.0 |
| Sagami Yoki Co., Ltd. | Production of plastic tubes | 200 | 90.0 |
| Aseptic Systems Co., Ltd. | Manufacturing and sale of aseptic filling systems, and related consulting | 100 | 100.0 |
| DNP Hoso Co., Ltd. | Filling and processing of packages | 80 | 100.0 |
| DNP Field Eyes Co., Ltd. | Marketing research and consulting | 50 | 100.0 |
| Dai Nippon Printing (Thailand) Co.,Ltd.* | Sale of packaging materials | (THB 1,000) | 100.0 |
| | | 200,000 | |
| DNP Vietnam Co., Ltd. | Production and sale of packaging materials | (US\$1,000) | 100.0 |
| | | 31,500 | (20.0) |
| PT DNP Indonesia | Production and sale of packaging materials | (US\$1,000) | 51.0 |
| | | 26,000 | |

| Living Spaces | | | |
|---|---|-----|-------|
| DNP Lifestyle Materials Marketing Co., Ltd. | Sale of decorative products | 300 | 100.0 |
| DNP Elio Co., Ltd. | Printing and processing of steel, aluminum and other metals | 300 | 50.0 |
| DNP Living Space Co., Ltd. | Production, printing and processing of decorative products | 200 | 100.0 |
| DNP Tamura Plastic Co., Ltd. | Manufacturing and sale of automotive accessories | 60 | 100.0 |

| Industrial Supplies | | | |
|--|--|-----|-------|
| DNP High-performance Materials Co., Ltd. | Production of lithium-ion battery components | 200 | 100.0 |

| | | Capital (¥ million) | Ownership ratio of voting rights (%) |
|--|--|------------------------|---|
| Electronics | | | |
| Display Components | | | |
| DNP Precision Devices Himeji Co., Ltd. | Production of display-related components | 400 | 100.0 |
| DNP Denmark A/S | Production and sale of precision electronic components | (Dkr1,000) | 100.0 |
| | | 135,000 | |

| Electronic Devices | | | |
|----------------------------------|--|--------------|-------|
| DT Fine Electronics Co., Ltd. | Production and sale of precision electronic components | 490 | 65.0 |
| DNP Fine Optronics Co., Ltd. | Production of precision electronic components | 300 | 100.0 |
| DNP LSI Design Co., Ltd. | Design and production of drawings used in semiconductor production | 100 | 100.0 |
| Photronics DNP Mask Corporation* | Production and sale of semiconductor photomasks | (NT1,000) | 49.9 |
| | | 2,198,185 | |
| DNP Photomask Europe S.p.A. | Production and sale of semiconductor photomasks | (Euro 1,000) | 80.5 |
| | | 47,200 | |

| Other | | | |
|---|---|-------------|---------------|
| Nihon Unisys, Ltd. | Development and sale of software; computer system support services | 5,483 | 20.6 |
| DNP Fine Chemicals Co., Ltd. | Production and sale of chemical products | 2,000 | 100.0 |
| DNP Fine Chemicals Utsunomiya Co., Ltd. | Manufacturing and sale of pharmaceutical products | 100 | 100.0 (100.0) |
| All About Inc. | Operation of comprehensive information website based on "expert guides"; Internet advertising | 1,199 | 22.5 |
| DNP Logistics Co., Ltd. | Packing, shipping, freight forwarding and warehousing operations | 626 | 100.0 |
| DIC Graphics Corporation | Production and sale of printing ink | 500 | 33.4 |
| PSP Corporation | Planning, research, development, sales and maintenance of internal information systems for hospitals and clinics | 379 | 31.0 |
| DNP Engineering Co., Ltd. | Manufacturing, repair and sale of printing equipment and other machinery | 100 | 100.0 |
| DNP Trading Co., Ltd. | Buying and selling of printing paper and various other types of merchandise | 100 | 94.3 |
| CYBER KNOWLEDGE ACADEMY Co., Ltd. | Operation of academy for training and developing personnel to defend against targeted cyber attacks | 70 | 100.0 |
| DNP HyperTech Co., Ltd. | Production and sale of computers and peripheral devices; development, production and sale of software | 40 | 100.0 |
| CP Design Consulting Co., Ltd.* | Personal information protection and risk management consulting | 40 | 92.5 |
| CAFI Corporation* | Remote diagnostic imaging service | 32 | 51.1 |
| At Table Co., Ltd.* | Research, consulting and planning related to production and sales promotions for supermarkets and other retailers | 30 | 66.7 |
| DNP Dexerials Consulting Co., Ltd. | Business planning and proposals | 10 | 50.0 |
| DNP Corporation USA | Investment in operating companies | (US\$1,000) | 100.0 |
| | | 62,164 | (7.1) |

| | | | |
|---|--|-------------|---------|
| DNP Holding USA Corporation | Investment in operating companies | (US\$1,000) | 100.0 |
| | | 100 | (100.0) |
| DNP Business Consulting (Shanghai) Co., Ltd.* | Study of Chinese market and business feasibility | (US\$1,000) | 100.0 |
| | | 420 | |
| DNP Asia Pacific Pte. Ltd. | Coordination of DNP business operations in the Southeast Asia/Oceania region | (\$S1,000) | 100.0 |
| | | 19,034 | |

| Personal Welfare, Facility Service and Others | | | |
|---|---|-----|--------------|
| DNP Facility Services Co., Ltd. | Building maintenance, cleaning and security; operation of sports and welfare facilities | 350 | 100.0 |
| DNP Information Systems Co., Ltd. | Design, development and maintenance of information systems; production and sale of software | 100 | 100.0 |
| Metro Systems Co., Ltd. | Planning, design, development, maintenance and support operations for information systems | 100 | 100.0 (90.0) |
| DNP Human Services Co., Ltd. | Planning and management related to personnel plans | 90 | 100.0 |
| Uzumine Country Club Co., Ltd.* | Management of golf courses | 33 | 88.8 |
| DNP Accounting Services Co., Ltd. | Accounting agency and consulting services | 30 | 100.0 |
| DNP Techno Research Co., Ltd.* | Studies related to patents; preparation of contracts | 20 | 100.0 |

| Overseas Sales | | | |
|---|--|--------------|---------|
| DNP Korea Co., Ltd.* | Sale of precision electronic components | (Krw 1,000) | 100.0 |
| | | 800,000 | |
| DNP Taiwan Co., Ltd. | Sale of precision electronic components | (NT 1,000) | 100.0 |
| | | 10,000 | |
| DNP International Trading (Shanghai) Co., Ltd.* | Sale of printed matter and photo-related products, etc. | (US\$1,000) | 100.0 |
| | | 5,400 | |
| DNP America, LLC | Sale of printed matter, precision electronic components and decorative materials | (US\$1,000) | 100.0 |
| | | 100 | (100.0) |
| DNP Singapore Pte. Ltd.* | Sale of precision electronic components and decorative materials | (\$S1,000) | 100.0 |
| | | 350 | |
| DNP Europa GmbH* | Sale of printed matter and decorative materials | (Euro 1,000) | 100.0 |
| | | 92 | |
| Dai Nippon Printing Co. (Australia) Pty. Ltd.* | Sale of printed matter | (A\$1,000) | 100.0 |
| | | 70 | |

Beverages

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

Notes: 1. Voting rights ownership ratios (in brackets) indicate the percentage of shares owned through DNP's subsidiaries or affiliates.
2. Companies with an asterisk are neither consolidated nor accounted for by the equity method.

Investor Information

(As of March 31, 2018)

Dai Nippon Printing Co., Ltd.

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

Established: 1876

Number of Employees (consolidated): 38,627

Paid-in Capital: ¥114,464 million

Number of Common Stocks:

Authorized: 745,000,000 shares
Issued: 324,240,346 shares

*DNP implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, the number of authorized shares totaled 745,000,000, reflecting a decrease of 745,000,000 shares. Also, the number of issued shares totaled 324,240,346, reflecting a decrease of 324,240,347 shares

Number of Trading Unit Shareholders (own 100 or more shares):

29,870
* On October 1, 2017 DNP changed the number of shares per share unit from 1,000 shares to 100 shares

Stock Exchange Listing: Tokyo Stock Exchange

Major Shareholders:

| | Shares (thousands) | Percentage (%) |
|--|-----------------------|-------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 26,066 | 8.64 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 15,993 | 5.30 |
| The Dai-ichi Life Insurance Co., Ltd. | 10,345 | 3.43 |
| Mizuho Bank, Ltd. | 9,206 | 3.05 |
| Employees' Shareholding Association | 7,769 | 2.57 |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 5,133 | 1.70 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 5,001 | 1.66 |
| State Street Bank West Client-Treaty 505234 | 4,931 | 1.63 |
| Nippon Life Insurance Company | 4,735 | 1.57 |
| JP Morgan Chase Bank 385151 | 3,973 | 1.32 |

Notes:
1. The number of treasury shares (22,403,726) is excluded from the figures above.
2. The ownership stakes are based on the total number of shares outstanding less treasury shares (301,836,620).

Inclusion in SRI Indexes (As of March 31, 2018)

DNP has been selected for the following indices of global socially responsible investments (SRI). Additionally, DNP is also selected as a constituent of three ESG indices adopted by Japan's Government Pension Investment Fund (GPIF), FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index and MSCI Japan Empowering Women (WIN) Select Index.

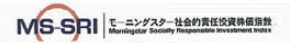
FTSE4Good
Global Index

MSCI ESG
Leaders indexes

MSCI SRI
Indexes

ETHIBEL
Investment Register

Morningstar Socially
Responsible Investment Index



THE INCLUSION OF Dai Nippon Printing IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Dai Nippon Printing BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

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Stock Code: 7912

Administrator of Shareholder Register:

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

American Depositary Receipts:

Ratio (ADR:ORD): 2:1
Exchange: OTC (Over-the-Counter)
Symbol: DNPLY
CUSIP: 233806306
Depository:
The Bank of New York Mellon
240 Greenwich Street, 22 West,
New York, NY 10286, U.S.A.
Telephone: (201) 680-6825
U.S. toll free: 888-269-2377 (888-BNY-ADRS)

URL: <http://www.adrbnymellon.com/>

Annual Meeting of Shareholders:

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

Investor Relations:

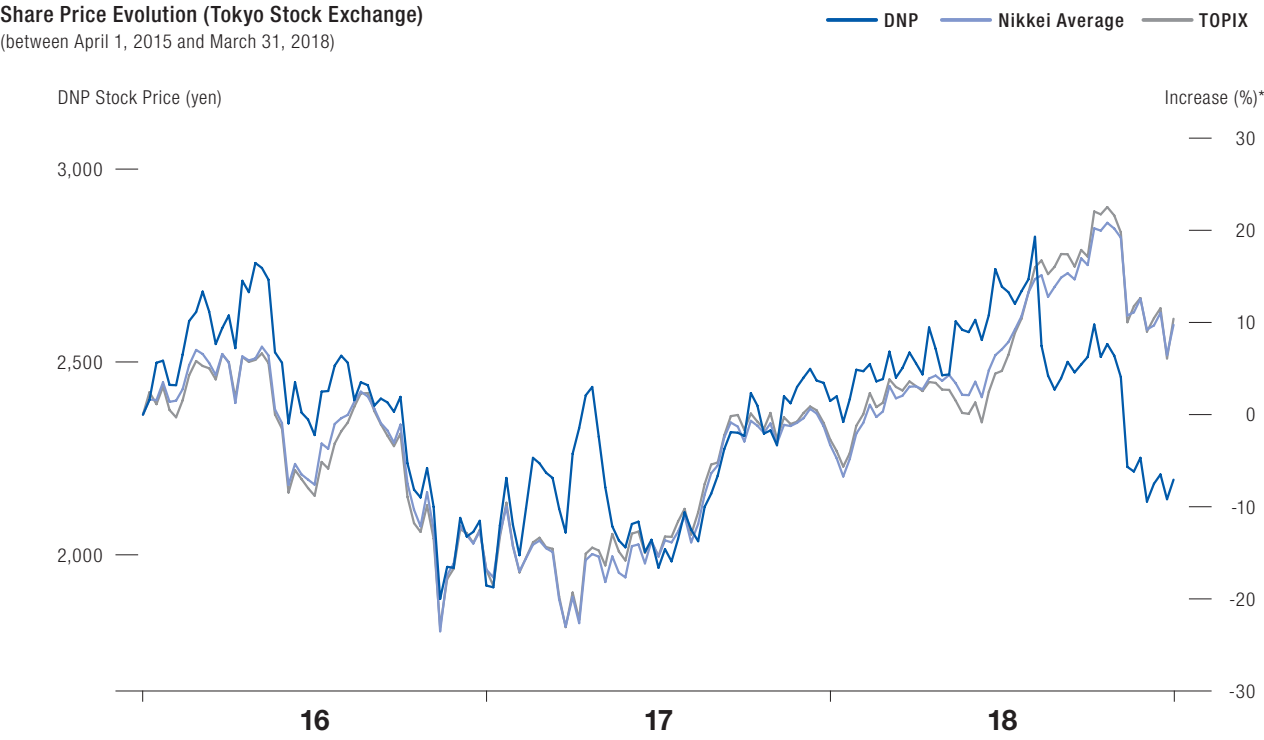
Dai Nippon Printing Co., Ltd.
Corporate Communication Division
Investor Relations Office
1-1, Ichigaya-Kagacho 1-chome, Shinjuku-ku,
Tokyo 162-8001, Japan
Tel: +81-3-6735-0124
Fax: +81-3-5225-8239

Web Site:

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

Share Price Evolution (Tokyo Stock Exchange)

(between April 1, 2015 and March 31, 2018)



* Index 100 = March 31, 2015
* On October 1, 2017 DNP changed the number of shares per share unit from 1,000 shares to 100 shares and every two shares were consolidated into one share.
The stock prices above are based on after the share consolidation.

Voting Rights (as of March 31, 2018)

| Type | | Number of Stocks (stocks) | Number of Voting Rights (rights) |
|---|---------------|------------------------------|-------------------------------------|
| Stocks with no voting rights | | — | — |
| Stocks with limited voting rights (treasury stocks, etc.) | | — | — |
| Stocks with limited voting rights (other) | | — | — |
| Stocks with voting rights (Treasury held stocks) | Common stocks | 22,403,700 | — |
| (treasury stocks, etc.) (Mutually held stocks) | Common stocks | 542,500 | — |
| Stocks with voting rights (other) | Common stocks | 301,013,000 | 3,010,125 |
| Stocks with less than trading units | Common stocks | 281,146 | — |
| Outstanding shares | | 324,240,346 | — |
| Total voting rights of stockholders | | — | 3,010,125 |

Treasury Stocks (as of March 31, 2018)

| Holder | No. of Stocks Held | Percentage of Holding to No. of Outstanding Shares |
|-------------------------------|--------------------|---|
| Dai Nippon Printing Co., Ltd. | 22,403,700 | 6.91 |
| Kyoiku Shuppan Co., Ltd. | 542,500 | 0.17 |
| Total | 22,946,200 | 7.08 |



Dai Nippon Printing Co., Ltd.

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

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