



# Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [J-GAAP]

May 12, 2017

**Company Name:** Dai Nippon Printing Co., Ltd.  
 Stock exchange listing: Tokyo  
 Stock code: 7912 URL: <http://www.dnp.co.jp/>  
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 General meeting of shareholders: June 29, 2017  
 Dividend payment date: June 30, 2017  
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 Preparation of earnings presentation material: None  
 Holding of earnings announcement: None

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

## 1. Consolidated financial results for the year ended March 31, 2017

(April 1, 2016 – March 31, 2017)

### (1) Consolidated financial results

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Parent Company Shareholders	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	1,410,172	(3.1)	31,410	(30.9)	36,740	(30.2)	25,226	(24.9)
Year ended March 31, 2016	1,455,916	(0.4)	45,471	(5.6)	52,651	(2.1)	33,587	24.8

Note: Comprehensive income: Year ended March 31, 2017: ¥53,334 million (–%)  
 Year ended March 31, 2016: ¥(19,805) million (–%)

	Net Income per Share	Diluted Net Income per Share	ROE	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	40.79	40.78	2.5	2.1	2.2
Year ended March 31, 2016	53.10	53.07	3.2	3.0	3.1

Reference: Equity in earnings of affiliates: Year ended March 31, 2017: ¥3,014 million  
 Year ended March 31, 2016: ¥3,696 million

### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2017	1,741,904	1,081,286	59.4	1,680.55
As of March 31, 2016	1,718,636	1,063,241	59.2	1,618.66

Reference: Stockholders' equity: As of March 31, 2017: ¥1,033,864 million As of March 31, 2016: ¥1,017,425 million

### (3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of the Year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2017	71,944	14,011	(45,222)	214,564
Year ended March 31, 2016	72,629	(60,883)	(47,166)	175,513

## 2. Dividends

	Dividends per Share					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividends to Net Assets Ratio (Consolidated)
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2016	–	16.00	–	16.00	32.00	20,131	60.3	1.9
Year ended March 31, 2017	–	16.00	–	16.00	32.00	19,705	78.5	1.9
Year ending March 31, 2018 (Forecast)	–	16.00	–	32.00	–		75.7	

Note: Dai Nippon Printing Co., Ltd. plans to implement a share consolidation in which two shares of common stock are consolidated into one share effective October 1, 2017. As a result, year-end dividends per share for the fiscal year ending March 2018 (forecast) shows dividends after the share consolidation, and total annual dividends shows “–”. Without the share consolidation, year-end dividends per share for the fiscal year ending March 2018 would be ¥16.00. For further details, see the section titled, “Explanation regarding appropriate use of earnings forecasts and other special notes.”

## 3. Consolidated earnings forecasts for the year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Parent Company Shareholders		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,420,000	0.7	35,000	11.4	40,000	8.9	26,000	3.1	84.53

Note: Net income per share in the consolidated earnings forecasts (full year) for the fiscal year ending March 31, 2018 is adjusted for the impact of the share consolidation. Without the share consolidation, net income per share in the consolidated earnings forecasts (full year) for the fiscal year ending March 2018 would be ¥42.26. For further details, see the section titled, “Explanation regarding appropriate use of earnings forecasts and other special notes.”

### \* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

- 1) Changes in accounting policies with revision of accounting standards: Yes
- 2) Changes in accounting policies other than the 1) above: Yes
- 3) Changes in accounting estimates: Yes
- 4) Restatement of revisions: No

Note: For further details, see the section titled, “5. Consolidated financial statements and key notes, (5) Notes regarding consolidated financial statements [Changes in accounting policies], [Changes in accounting policies that are difficult to distinguish from changes in accounting estimates]” on pages 26-27.

(3) Number of common shares issued and outstanding

1) Number of common shares outstanding at end of each period (including treasury shares)	As of March 31, 2017	663,480,693 shares	As of March 31, 2016	680,480,693 shares
2) Number of treasury shares at end of each period	As of March 31, 2017	48,287,110 shares	As of March 31, 2016	51,919,577 shares
3) Average number of shares outstanding during the period	Year ended March 31, 2017	618,506,767 shares	Year ended March 31, 2016	632,591,975 shares

## (Reference) Non-consolidated financial results

### Non-consolidated financial results for the year ended March 31, 2017

(April 1, 2016 – March 31, 2017)

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

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

	Net Sales		Operating Income (Loss)		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	976,797	(2.4)	(9,406)	–	20,962	(25.7)	19,985	(12.5)
Year ended March 31, 2016	1,001,026	0.2	(1,542)	–	28,206	15.5	22,848	4.5

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2017	32.28	–
Year ended March 31, 2016	36.09	–

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

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2017	1,399,653	737,211	52.7	1,197.28
As of March 31, 2016	1,362,528	726,367	53.3	1,154.60

Reference: Stockholders' equity: As of March 31, 2017: ¥737,211 million As of March 31, 2016: ¥726,367 million

\* These financial results are exempt from auditing.

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

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

2. The Board of Directors of Dai Nippon Printing Co., Ltd., at a meeting held on May 12, 2017, decided to partially amend the Articles of Incorporation in relation to a change in the number of shares per share unit (change from 1,000 shares to 100 shares), and to propose a share consolidation (two shares of common stock into one share) at the 123rd Ordinary General Meeting of Shareholders scheduled for June 29, 2017. The change in the number of shares per share unit and the share consolidation will take effect on October 1, 2017, subject to approval at the Ordinary General Meeting of Shareholders. Without the share consolidation, the dividend forecast and consolidated earnings forecast for the year ending March 31, 2018 would be as follows.

(1) Dividend forecast for the year ending March 31, 2018

Year-end dividends per share ¥16.00

(2) Consolidated earnings forecast for the year ending March 31, 2018

Net income per share

Full year ¥42.26

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## 1. Overview of operating results, etc.

### (1) Overview of operating results for the year ended March 31, 2017

Japan's economy gradually recovered during the fiscal year ended March 31, 2017, with employment and income conditions improving as a result of the economic policies of the Japanese government and the monetary easing policies of the Bank of Japan. However, the economy has still not reached a full-fledged recovery, due partly to a stronger yen, sluggish consumer spending, and overseas economic slowdowns in China and elsewhere.

The printing industry continued to face a tough business environment as a result of lower demand for printed media, including published printed materials, and lower order prices due to stiffer competition.

In this environment, the DNP Group (DNP) identified the four growth areas of "Knowledge and Communication," "Food and Healthcare," "Lifestyle and Mobility," and "Environment and Energy" from among the various social challenges in Japan and overseas. It worked to increase earnings while focusing on creating new value by expanding existing business and developing new business through P&I innovations as a combination of its strengths in printing and information.

First, in the area of "Knowledge and Communication," DNP launched a joint initiative in April 2016 with Cybertrust Japan Co., Ltd., which excels in electronic authentication, to provide various authentication services with the aim of expanding online identity authentication services that are safe, secure, and convenient. Additionally, DNP formed a capital and business alliance with Future Link Network Co., Ltd. in September 2016 to fully enter a regional revitalization business using community information portal sites and community currency points.

In the "Food and Healthcare" area, DNP concluded an agreement in May 2016 with SIG Combibloc Group AG, a major global manufacturer of paper containers for food and beverages, to cooperate in the Japanese market.

In the "Lifestyle and Mobility" area, DNP pursued the development of new products with superior functionality, including non-electric dimming blind glass that works by sliding two sheets of glass manually to switch between transparent and dim views; and surface resin glass for automobiles that is lightweight and demonstrates excellent weather and wear resistance.

In the "Environment and Energy" area, DNP developed a variety of products and services to achieve a sustainable society that combines economic growth and environmental preservation. DNP was awarded the 26th Grand Prize for Global Environment Award, Japan Business Federation Chairman's Prize, in February 2017, valuing its environmental preservation efforts, including reducing power consumption using DNP Lighting Film to effectively reflect and disperse natural light from windows in a room.

DNP also implemented groupwide structural reforms to bolster business competitiveness, including the reorganization and consolidation of business divisions and group companies.

Despite these activities, consolidated net sales for the year ended March 31, 2017 fell 3.1% year on year to ¥1,410.1 billion, consolidated operating income fell 30.9% to ¥31.4 billion, consolidated ordinary income fell 30.2% to ¥36.7 billion, and net income attributable to parent company shareholders fell 24.9% to ¥25.2 billion.

Business segment results for the year ended March 31, 2017 are presented below.

#### [PRINTING]

##### Information Communication

In the Publishing business, amid an ongoing slump in the publication market, Publishing & Media Services fell below year-ago levels due to the large impact of a decline in magazine sales, although

book sales were in line with last year thanks to aggressive sales activities. In the Education and Publications Distribution business, DNP worked to expand business in the “honto” hybrid bookstore network that combines physical bookstores, online bookstores, and e-book sales services, including by launching Book Tree in October 2016 as a new service that introduces books tailored to each customer’s tastes and interests that are chosen by authors and bookstore employees based on unique themes. Library outsourcing sales also increased from the previous year on growth in the number of outsourcing libraries. However, overall sales in the Publishing business decreased from the previous year.

In the Information Innovation business, sales decreased from the previous year for advertising flyers, but were strong for point-of-purchase promotional materials (POP) and other sales promotion tools, and were also firm for catalogs and pamphlets. Sales were also favorable in information security-related business, including smart cards for financial institutions and electronic money and Information Processing Services (IPS; handling data entry, printing, and shipment of personalized mail and other items). Overall sales increased from the previous year.

DNP established DNP Communication Design Co., Ltd. in October 2016 by integrating three group companies involved in planning and production in order to accurately collect and analyze data from the standpoint of consumers and to quickly deliver high value-added marketing communication strategies. It seeks to provide new value and expand business by offering one-stop services from planning and production for various media to system construction and operation.

In the Imaging Communication business, DNP worked to expand services that use its “ShaGoo!” automated commemorative photo booths and “Ki-Re-i” ID photo booths. However, sales decreased from the previous year as the strong yen contributed to a decline in sales of dye-sublimation thermal transfer printing media for photo printers (color ink ribbons and receiver paper) in North America.

As a result of the above, overall segment sales fell 2.5% year on year to ¥801.2 billion and operating income fell 35.7% to ¥18.8 billion.

### **Lifestyle and Industrial Supplies**

In the Packaging business, sales of paper packaging decreased, but overall sales increased from the previous year on growth for paper cups, plastic molded products, film packaging, and PET plastic bottle aseptic filling systems.

In the Living Space business, sales held flat year on year as DNP focused on expanding sales of environmentally conscious products and automotive products that use its proprietary electron beam (EB) coating technology.

In the Industrial Supplies business, sales of photovoltaic module components decreased year on year in both Japan and overseas. Sales of lithium-ion battery components were favorable for automotive applications, but decreased for mobile applications. Overall sales decreased from the previous year.

As a result of the above, overall segment sales grew 1.4% year on year to ¥388.1 billion and operating income grew 14.6% to ¥14.4 billion.

### **Electronics**

In the Display Components business, sales were firm for metal masks used in the production of organic light-emitting diode (OLED) displays, which have attracted attention as next-generation displays. However, LCD color filter sales decreased from the previous year on declines for both small- and medium-sized filters for smartphones and tablets and large filters for TVs. Additionally, optical film sales were in line with the previous year overall, despite a decline for mainstay polarizing plate applications.

In the Electronic Devices business, sales decreased from the previous year as semiconductor

photomasks were sluggish both in Japan and overseas.

As a result of the above, overall segment sales fell 15.0% year on year to ¥169.4 billion and operating income fell 19.6% to ¥16.4 billion.

## **[BEVERAGES]**

### **Beverages**

The soft drink industry continued to face a tough market environment as a result of manufacturers competing hard for market share based on prices and other factors and the competition between the national brands of manufacturers and the private brands of retailers heating up. In this environment, DNP worked to expand share in existing markets, improve profitability, and acquire new customers by bolstering sales of core brand products through the release of new products, and by focusing on the vending machine business, where it leverages area marketing and operational expertise, and on sales to large-volume retailers such as convenience stores.

As a result of these efforts, sales increased for I LOHAS, a brand of mineral water that uses a lightweight PET plastic bottle, and for unsweetened tea drinks, including the mainstay Ayataka brand. However, sales decreased to group bottlers outside the Hokkaido region and for the Coca-Cola brand. Overall segment sales fell 2.5% year on year to ¥56.6 billion, but operating income rose 145.1% to ¥2.4 billion.

### **(2) Overview of financial position for the year ended March 31, 2017**

Total assets at the end of the current fiscal year increased by ¥23.2 billion from the end of the previous fiscal year to ¥1,741.9 billion, due mainly to an increase in cash and time deposits.

Total liabilities increased by ¥5.2 billion from the end of the previous fiscal year to ¥660.6 billion, due mainly to an increase in deferred tax liabilities.

Net assets increased by ¥18.0 billion from the end of the previous fiscal year to ¥1,081.2 billion, due mainly to an increase in valuation difference on available-for-sale securities.

### **(3) Overview of cash flows for the year ended March 31, 2017**

Consolidated cash flow provided by operating activities totaled ¥71.9 billion (¥72.6 billion in the previous fiscal year), due mainly to ¥39.8 billion in income before income taxes and non-controlling interests and ¥61.4 billion in depreciation.

Cash flow provided by investing activities totaled ¥14.0 billion (¥60.8 billion used in the previous fiscal year), due mainly to ¥60.8 billion in proceeds from sales of investment securities and ¥50.0 billion in payments for purchases of property, plant and equipment. Cash flow used in financing activities totaled ¥45.2 billion (¥47.1 billion in the previous fiscal year), due mainly to ¥20.2 billion in dividends paid and ¥15.1 billion for purchases of treasury stock.

As a result, cash and cash equivalents at the end of the fiscal year increased by ¥39.0 billion from the end of the previous fiscal year to ¥214.5 billion.

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

	Year ended March 2013	Year ended March 2014	Year ended March 2015	Year ended March 2016	Year ended March 2017
Equity ratio (%)	56.6	59.2	59.6	59.2	59.4
Market value-based equity ratio (%)	36.1	40.4	41.6	36.6	42.4
Debt-to-cash flow ratio (year)	2.3	1.5	2.2	2.6	2.4
Interest coverage ratio (times)	28.8	40.6	35.1	29.8	32.6

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

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

#### (4) Forecasts

Going forward, DNP anticipates a gradual economic recovery in Japan, supported by the various policies of the Japanese government and Bank of Japan. Overseas, however, the impact of economic slowdowns is still a concern, and DNP expects conditions to remain uncertain, including trends in foreign exchange and crude oil prices. In the printing industry, DNP expects conditions to remain difficult amid a decline in order prices due to weak demand and stiffer competition.

During the fiscal year ending March 31, 2018, DNP will push forward with efforts to create new value in the four growth areas based on P&I innovations. It also aims to expand earnings further by pursuing cost structure reforms, including productivity improvement.

For the fiscal year ending March 31, 2018, DNP forecasts consolidated net sales of ¥1,420 billion, consolidated operating income of ¥35 billion, consolidated ordinary income of ¥40 billion, and consolidated net income attributable to parent company shareholders of ¥26 billion.

#### (5) Basic policies regarding the allocation of profits and dividends for the year ended March 31, 2017 and year ending March 31, 2018

An important policy of DNP is to pass on profits to shareholders.

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

Retained earnings are used to invest in research and development related to new products and technologies, to invest in equipment needed for developing new businesses, and to implement strategic alliances, including mergers and acquisitions. At the same time, DNP considers flexible capital policies while also taking into consideration market trends as well as its need for capital. DNP believes that these efforts will contribute to higher profits that can then be passed on to shareholders in the future.

Based on this policy, DNP intends to pay a year-end dividend of ¥16 per share, which together



with the interim dividend of ¥16 per share brings the full-year dividend to ¥32 per share, the same as in the previous fiscal year. As a result, the consolidated dividend payout ratio will be 78.5%.

For the fiscal year ending March 31, 2018, DNP forecasts interim dividends of ¥16 per share, the same as the current fiscal year, and year-end dividends of ¥32 per share as a result of planning a share consolidation from two shares into one share effective October 1, 2017 (without the share consolidation, year-end dividends would be ¥16, the same as the current fiscal year).

## **(6) Business risks**

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

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

### **1) The Japanese and overseas economies and consumption trends**

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

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

### **2) Overseas business activities**

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

### **3) Development of new products and services**

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

### **4) Strategic business and capital alliances and corporate acquisitions**

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

### **5) Fluctuations in raw material procurement**

DNP works hard to secure stable supplies and maintain optimal price by procuring raw materials

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

#### **6) Currency fluctuations**

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

#### **7) Environmental protection and stricter environmental regulations**

DNP's business is affected by legal regulations in Japan and other countries related to energy conservation, climate change prevention (e.g., reduction of greenhouse gas emissions), reduction of the use of harmful substances, air pollution prevention, water quality protection, waste treatment, and product recycling. These regulations could conceivably be strengthened or changed in the future. DNP's performance could be substantially affected by responding to these types of conditions and by a strengthening of measures to reduce environmental loads.

#### **8) Information security and personal information protection**

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

#### **9) Response to changes in legal regulations**

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

#### **10) Disasters**

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

## 11) Lawsuits and fines

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

## 2. Information on DNP

DNP Group includes Dai Nippon Printing Co., Ltd. (the Company), 139 subsidiaries, and 27 affiliated companies. Its two main businesses are Printing and Beverages. The former encompasses Information Communication, Lifestyle and Industrial Supplies, and Electronics.

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

### [PRINTING]

#### Information Communication

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

#### Major companies

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

All About, Inc., Kyoiku Shuppan Co., Ltd.

The shares of Maruzen CHI Holdings Co., Ltd., Nihon Unisys, Ltd. and BOOKOFF CORPORATION LIMITED are traded on the Tokyo Stock Exchange, and the shares of INTELLIGENT WAVE INC., BUNKYODO GROUP HOLDINGS CO., LTD. and All About, Inc. are traded on the Tokyo Securities Exchange's JASDAQ market.

### **Lifestyle and Industrial Supplies**

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

#### **Major companies**

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

### **Electronics**

Production/sale of precision electronic components and other products

#### **Major companies**

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

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

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

**[BEVERAGES]**

**Beverages**

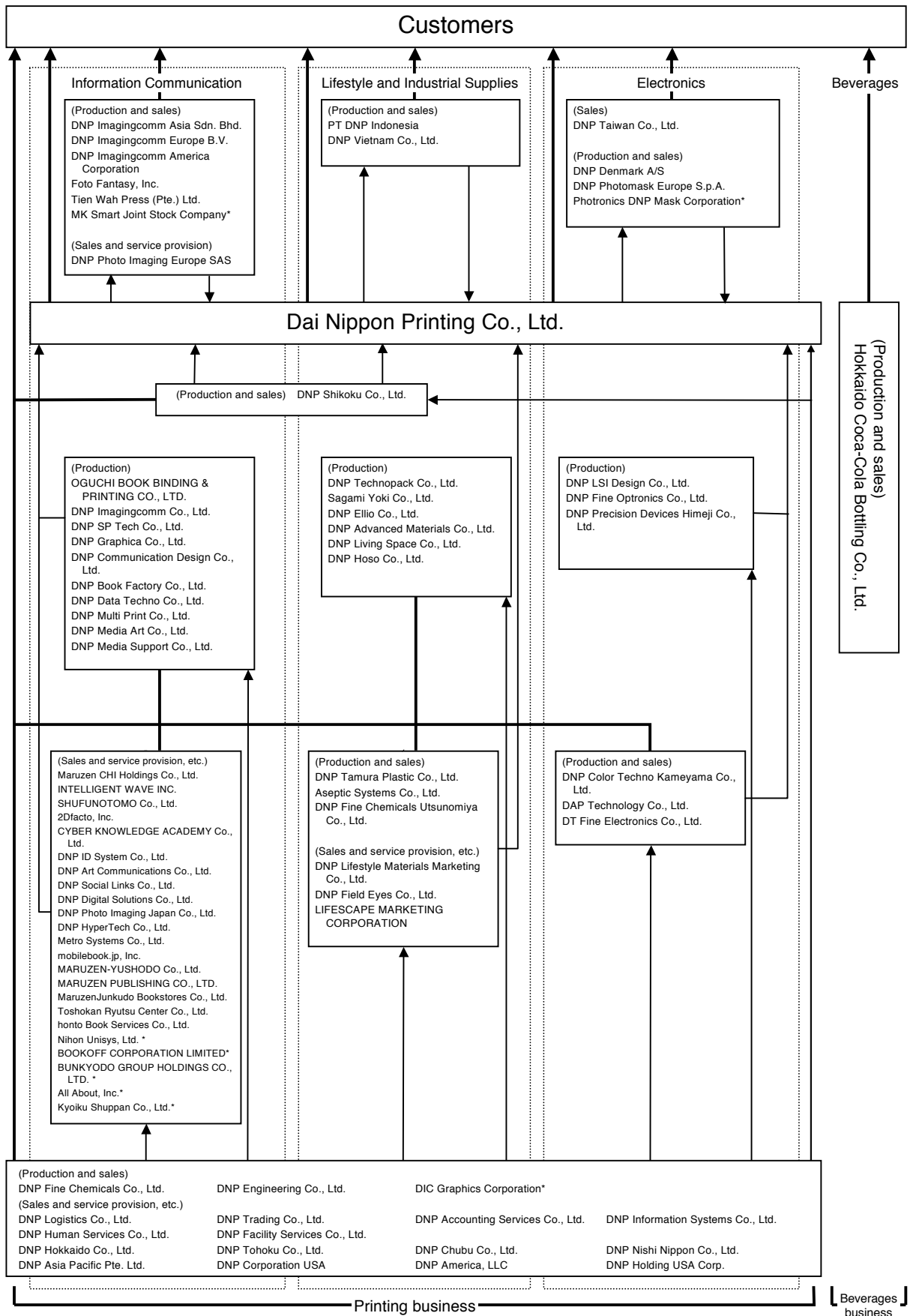
Centered on Hokkaido Coca-Cola Bottling Co., Ltd.; manufacture/sale of soft drinks and juices

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

\* Equity-method affiliated companies

**Organizational chart**

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



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

### **3. Management policies**

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

The DNP Group's basic management policy, the DNP Group Vision 2015, states its corporate philosophy as: "The DNP Group connects individuals and society, and provides new value." Based on this philosophy, DNP is aggressively pursuing its business activities and working to steadily expand its business over the medium to long term.

DNP believes it is important to enhance corporate governance to fulfill its corporate social responsibility (CSR) as a company and deliver new value to its various stakeholders. It seeks to establish and operate systems to facilitate precise managerial decision-making, prompt and appropriate execution of business based on these decisions, and supervision and auditing of this business execution. It also undertakes rigorous training and education to improve the compliance awareness of each and every employee.

DNP is also working to fulfill what it considers to be its three responsibilities as a company: "Value Creation," "Integrity in Conduct," and "Transparency (Accountability)." To fulfill these responsibilities, DNP adheres to its DNP Group Code of Conduct in pursuing its activities and ensures proper business conduct by preparing internal control systems. It strives to conduct business in good faith to earn the deep trust of its various stakeholders, including shareholders, client companies, consumers, and employees.

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

##### **1) Business vision and initiatives in growth areas**

DNP focuses on creating new value to solve social issues through P&I innovations that combine its strengths in printing and information in the four growth areas of "Knowledge and Communication," "Food and Healthcare," "Lifestyle and Mobility," and "Environment and Energy."

In Knowledge and Communication, DNP endeavors to support people's lifestyles and foster culture by assisting in the safe and reliable transmission of information in an information society. Initiatives include the "honto" hybrid bookstore network which handles paper and electronic books, development of educational information and communication technology (ICT) services, and development of multi-language communication tools to support the growing number of foreign tourists visiting Japan.

In Food and Healthcare, DNP endeavors to support safer and higher-quality living in a super-aging society by developing products and services to help consumers maintain their health throughout their lives. In addition to safe and hygienic packaging for foods, beverages, and pharmaceuticals in support of human health and diet, DNP is providing high-performance products and services in such areas as life sciences, including regenerative medicine, and agriculture.

In Lifestyle and Mobility, DNP seeks to provide products and services to achieve high levels of comfort and functionality in a variety of settings, including homes, offices, medical facilities, automobiles, and railway cars. In addition to smart sensing equipment essential for comfortable living spaces, DNP is working with DNP Tamura Plastic Co., Ltd., which has excellent plastic molding technologies, to supply interior and exterior parts for automobiles.

In Environment and Energy, DNP will work to achieve a sustainable society that combines economic growth and environmental preservation. With the goal of saving resources and energy, it seeks to provide environmentally conscious products and services to reduce, reuse, and recycle; high-performance products to control heat, light, and water; and energy management solutions.

DNP will work to expand its business while solving social issues by capitalizing on its strengths to create new value, mainly in these growth areas.

## **2) Initiatives in the different businesses and segments**

### **[PRINTING]**

#### **Information Communication**

The Information Communication segment helps consumers and companies communicate in a variety of ways by enabling the optimal expression of information and expanding into a diverse range of media based on advanced printing technologies and information security technologies.

For example, we are deepening cooperation with publishers and pursuing a variety of business activities related to publishing, including the planning, production, distribution, and sale of various publications, copyright handling in the secondary use of content, and overseas expansion of content.

We are using advanced information security infrastructure, including the DNP Kashiwa Data Center and five domestic business process outsourcing (BPO) centers, to deliver a variety of high-value-added services, including settlement-linked marketing services such as international brand prepaid and debit card services, and corporate BPO services.

We also seek to respond to growing consumer needs in such areas as photo printing and photo albums and to deliver new photo-related services that use networks to increase value-added.

#### **Lifestyle and Industrial Supplies**

The Lifestyle and Industrial Supplies segment provides products and services in Japan and overseas that respond precisely to the diverse needs of companies and consumers, while also working to protect the global environment and support universal design.

In the Packaging business, we are working to expand market share for high-performance products, including the innovative barrier (IB) film series of transparent films with excellent barrier properties to keep out oxygen and moisture and the biomass plastic packaging series that uses raw materials derived from plants. In overseas business, DNP has been manufacturing and selling packaging in Indonesia since 1972, and has the top market share in a wide range of areas including daily goods and foods. We use the Vietnam plant that opened in May 2013 and other facilities to deliver high-value-added products and services to Japanese companies expanding overseas and to global companies.

Additionally, we will pursue various initiatives in a range of living spaces, including automobiles and railway cars in addition to homes and commercial facilities. These initiatives include high-value-added products that use DNP's proprietary Electron Beam (EB) coating technology; the design of more pleasant living spaces using Kansei (sensitivity) engineering; the assessment of living environments; and the development of simpler construction methods. In Europe, the US, and emerging markets, we seek to leverage a global sales network to expand market share for exquisitely designed metal paneling and other products.

DNP is implementing a repair program as a result of defects in some products in the Living Space business. Given that these defects arose as a result of the usage environment, changes over time, and other factors, we have examined product usage, condition, and other factors on a case-by-case basis, and are now making necessary repairs. To better address this issue, we improved the system for assessing the scope of repairs and quickly performing repairs in July 2016.

#### **Electronics**

In the Electronics segment, we endeavor to advance and combine our current technologies while developing new core technologies, and to provide products, services, and systems that anticipate the changing needs of companies and consumers. We will assess changes in the market environment in Japan and overseas, and reform our cost structure through such means as optimizing production facilities and reviewing our production and development structures.

For example, we will draw on DNP's strength in processing and materials technologies to develop



new display products for 4K and 8K TVs, automotive displays, and high-definition smartphones while responding to a variety of needs in terms of higher resolution, wider color gamut, larger size, lighter weight, thinner profile, energy saving, and higher performance. For optical films, we will focus on the development of new products that leverage converting technologies for processing materials in a clean production environment. For OLED display products, we will respond to growing demand by increasing production capacity for metal masks that use DNP's advanced photolithography and etching technologies.

For semiconductor photomasks, we aim to support the miniaturization and cost-saving needs of semiconductor makers by introducing a multi e-beam mask writer that significantly shortens writing time and by bolstering the production structure for next-generation products. We also seek to accelerate the commercialization of next-generation microfabrication technologies such as nanoimprinting.

## **[BEVERAGES]**

### **Beverages**

Amid expectations for stiffer market share competition in the soft drink industry, we are executing the three strategies of increasing market share, overwhelming the competition, and cutting groupwide costs based on the following vision: "Leveraging the global brand strength of our Coca-Cola business, we intend to beat our competition based on our local capabilities as a true Hokkaido company, contribute to local Hokkaido communities by consistently delivering new value and services, and establish a business foundation capable of sustained growth."

### **3) Strengthened organization**

DNP cites *taiwa* (dialogue) and cooperation as guiding principles, and is working to deliver new value by enhancing groupwide efforts to strengthen cooperation further among business units and by deepening dialogue with companies and consumers. We will work to expand our business by strengthening cooperation with both domestic and overseas companies possessing various strengths.

We are also pursuing redevelopment in our home base in the Ichigaya district of Tokyo while working to establish domestic and overseas bases to advance our business vision. The planning, sales, and marketing offices of various business units were once scattered across the Tokyo Metropolitan Area, but are now concentrated together with the DNP Group's headquarters functions in the Ichigaya district. Making effective use of this concentration, we intend to push forward with the development of new business.

DNP established DNP Digital Solutions Co., Ltd. in April 2017 with the aim of enhancing its competitiveness in the ICT business field. Based on a new structure combined with DNP Communication Design Co., Ltd., established in October 2016, we intend to integrate marketing and settlement services, increase synergies in relation to ICT and BPO, and promote a digital marketing business.

### **4) Development of systems for business continuity**

DNP reaffirmed the importance of business continuity planning (BCP) based on its experience in the Tohoku-Pacific Ocean Earthquake, and works daily to maintain proper awareness of disaster risk and take appropriate safeguards based on two objectives: (1) place top priority on human safety measures at the time of disaster; (2) increase the company's preparedness for disaster and ability to recover from disaster. We established basic policies and promotion systems to prepare for disasters and other unforeseen circumstances in our "DNP Group Basic Code for Disaster Response," and implement disaster-prevention measures to ensure the safety of our employees and related parties

and reassure our various stakeholders.

#### **5) Contributing to the realization of a sustainable society**

Concerning environmental issues, climate change is deepening and risks are emerging in relation to energy, water, and other areas. DNP views its overall supply chain from a global perspective and is pursuing initiatives to achieve a sustainable society that coexists with nature.

DNP has established greenhouse gas emission reduction targets for the fiscal year ending in March 2031 in order to step up our efforts to prevent global warming. We also calculate greenhouse gas emissions (Scope3) for our entire supply chain in Japan and overseas, and are working to reduce greenhouse gas emissions in Japan and overseas.

In relation to raw materials, we have prepared procurement guidelines for paper, which depends heavily on and greatly impacts the ecosystem and is closely related to climate change and forest resources, and we cooperate with suppliers to procure paper according to these guidelines.

We also focus on the development of products and services that contribute to achieving a sustainable society, including lighting film, non-electric dimming blind glass, and energy-saving diagnostic system to visualize energy consumption.

Going forward, we seek to accelerate the development of products and services related to resource-saving, energy-saving, and biodiversity protection, and contribute to solving social issues.

#### **4. Basic approach in the choosing of accounting standards**

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

## 5. Consolidated financial statements and key notes

### (1) Consolidated balance sheets

(Million yen)

	Year ended March 31, 2016 (As of March 31, 2016)	Year ended March 31, 2017 (As of March 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	171,694	210,454
Notes and trade receivables	348,585	341,805
Merchandise and finished products	101,239	84,286
Work in progress	29,686	29,130
Raw materials and supplies	25,021	23,896
Deferred income taxes	10,744	15,314
Other	36,103	33,879
Allowance for doubtful accounts	(1,349)	(1,627)
Total current assets	721,724	737,140
Fixed assets		
Property, plant and equipment		
Buildings and structures	584,013	567,661
Accumulated depreciation	(366,497)	(361,465)
Buildings and structures, net	217,516	206,196
Machinery and equipment	771,660	760,117
Accumulated depreciation	(682,111)	(679,427)
Machinery and equipment, net	89,549	80,689
Land	155,532	155,114
Construction in progress	14,946	18,326
Other	141,311	137,843
Accumulated depreciation	(105,700)	(101,003)
Other, net	35,611	36,839
Total property, plant and equipment	513,156	497,166
Intangible fixed assets		
Goodwill	8,765	6,474
Software	24,911	25,942
Other	2,125	2,019
Total intangible fixed assets	35,802	34,436
Investments and other assets		
Investment securities	362,654	380,323
Long-term loans	6,792	4,390
Net defined benefit asset	45,843	57,089
Deferred income taxes	6,731	7,286
Other	32,354	28,127
Allowance for doubtful accounts	(6,424)	(4,057)
Total investments and other assets	447,952	473,160
Total fixed assets	996,911	1,004,763
<b>TOTAL ASSETS</b>	<b>1,718,636</b>	<b>1,741,904</b>

(Million yen)

	Year ended March 31, 2016 (As of March 31, 2016)	Year ended March 31, 2017 (As of March 31, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes and trade payables	255,585	247,562
Short-term bank loans	55,316	43,035
Current portion of long-term debt	7,764	7,560
Income taxes payable	6,014	7,152
Reserve for bonuses	17,333	17,056
Repair reserve	–	18,679
Other	81,299	74,151
Total current liabilities	423,313	415,198
Long-term liabilities		
Bonds	107,560	109,640
Long-term debt	18,190	8,658
Deferred tax liabilities	48,884	66,147
Net defined benefit liability	34,167	35,149
Other	23,278	25,823
Total long-term liabilities	232,080	245,418
<b>TOTAL LIABILITIES</b>	<b>655,394</b>	<b>660,617</b>
<b>NET ASSETS</b>		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,283	144,280
Retained earnings	717,029	695,720
Treasury stock	(81,024)	(69,636)
Total stockholders' equity	894,752	884,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	123,478	149,574
Net deferred losses on hedges	(6)	(2)
Foreign currency translation adjustments	3,050	(2,219)
Remeasurements of defined benefit plans	(3,849)	1,683
Total accumulated other comprehensive income	122,672	149,035
Stock acquisition rights	16	–
Non-controlling interests	45,800	47,422
<b>TOTAL NET ASSETS</b>	<b>1,063,241</b>	<b>1,081,286</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,718,636</b>	<b>1,741,904</b>

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

(Million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	1,455,916	1,410,172
Cost of sales	1,173,203	1,143,164
Gross profit	282,712	267,008
Selling, general and administrative expenses	237,240	235,598
Operating income	45,471	31,410
Non-operating income		
Interest and dividends income	5,226	5,104
Equity in earnings of affiliates	3,696	3,014
Other	5,828	5,559
Total non-operating income	14,751	13,678
Non-operating expenses		
Interest expense	2,439	2,201
Contributions	1,222	1,239
Other	3,909	4,907
Total non-operating expenses	7,571	8,349
Ordinary income	52,651	36,740
Extraordinary gains		
Gain on sale of fixed assets	224	974
Gain on sale of investment securities	15,135	44,915
Other	1,131	3,741
Total extraordinary gains	16,491	49,631
Extraordinary losses		
Loss on sale or disposal of fixed assets	1,833	5,880
Production restructuring costs	2,264	-
Repair costs and repair reserve provisions	7,672	37,738
Other	2,531	2,922
Total extraordinary losses	14,301	46,541
Income before income taxes and non-controlling interests	54,840	39,831
Current income taxes	13,348	13,541
Deferred income taxes	6,788	(974)
Total income taxes	20,136	12,567
Net income	34,704	27,263
Net income attributable to non-controlling shareholders	1,116	2,037
Net income attributable to parent company shareholders	33,587	25,226

**Consolidated statements of comprehensive income**

(Million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net income	34,704	27,263
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,502)	26,072
Net deferred gains (losses) on hedges	22	(1)
Foreign currency translation adjustments	(5,235)	(3,873)
Remeasurements of defined benefit plans	(26,118)	6,891
Share of other comprehensive income of associates accounted for using equity method	1,325	(3,018)
Total other comprehensive income	(54,509)	26,070
Comprehensive income	(19,805)	53,334
Attributable to:		
Parent company shareholders	(20,351)	51,596
Non-controlling shareholders	545	1,738

**(3) Consolidated statements of changes in net assets**  
**The year ended March 31, 2016 (April 1, 2015 – March 31, 2016)**

(Million yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of current period	114,464	144,898	737,241	(94,386)	902,217
Changes of items during the period					
Cash dividends paid			(20,376)		(20,376)
Net income attributable to parent company shareholders			33,587		33,587
Change in ownership interest of parent arising from transactions with non-controlling shareholders		(615)			(615)
Purchases of treasury stock				(20,066)	(20,066)
Disposal of treasury stock			(0)	1	1
Cancellation of treasury stock			(33,422)	33,422	–
Other				3	3
Net changes in items other than stockholders' equity					–
Total changes of items during the period	–	(615)	(20,211)	13,361	(7,465)
Balance at the end of current period	114,464	144,283	717,029	(81,024)	894,752

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	147,914	(0)	7,247	21,449	176,610	16	45,248	1,124,093
Changes of items during the period								
Cash dividends paid								(20,376)
Net income attributable to parent company shareholders								33,587
Change in ownership interest of parent arising from transactions with non-controlling shareholders								(615)
Purchases of treasury stock								(20,066)
Disposal of treasury stock								1
Cancellation of treasury stock								–
Other								3
Net changes in items other than stockholders' equity	(24,435)	(6)	(4,196)	(25,299)	(53,938)	–	552	(53,386)
Total changes of items during the period	(24,435)	(6)	(4,196)	(25,299)	(53,938)	–	552	(60,851)
Balance at the end of current period	123,478	(6)	3,050	(3,849)	122,672	16	45,800	1,063,241

**The year ended March 31, 2017 (April 1, 2016 – March 31, 2017)**

(Million yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of current period	114,464	144,283	717,029	(81,024)	894,752
Cumulative impact of accounting changes			26		26
Balance at the beginning of current period reflecting accounting changes	114,464	144,283	717,056	(81,024)	894,779
Changes of items during the period					
Cash dividends paid			(19,919)		(19,919)
Net income attributable to parent company shareholders			25,226		25,226
Change of scope of consolidation			(78)		(78)
Change in ownership interest of parent arising from transactions with non-controlling shareholders		(2)			(2)
Purchases of treasury stock				(15,174)	(15,174)
Cancellation of treasury stock			(26,564)	26,564	–
Other				(1)	(1)
Net changes in items other than stockholders' equity					–
Total changes of items during the period	–	(2)	(21,336)	11,388	(9,950)
Balance at the end of current period	114,464	144,280	695,720	(69,636)	884,829

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	123,478	(6)	3,050	(3,849)	122,672	16	45,800	1,063,241
Cumulative impact of accounting changes							0	27
Balance at the beginning of current period reflecting accounting changes	123,478	(6)	3,050	(3,849)	122,672	16	45,801	1,063,269
Changes of items during the period								
Cash dividends paid								(19,919)
Net income attributable to parent company shareholders								25,226
Change of scope of consolidation								(78)
Change in ownership interest of parent arising from transactions with non-controlling shareholders								(2)
Purchases of treasury stock								(15,174)
Cancellation of treasury stock								–
Other								(1)
Net changes in items other than stockholders' equity	26,096	4	(5,270)	5,532	26,362	(16)	1,621	27,967
Total changes of items during the period	26,096	4	(5,270)	5,532	26,362	(16)	1,621	18,017
Balance at the end of current period	149,574	(2)	(2,219)	1,683	149,035	–	47,422	1,081,286



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

(Million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
<b>Cash flows from operating activities</b>		
Income before income taxes and non-controlling interests	54,840	39,831
Depreciation	65,310	61,461
Impairment loss	109	895
Decrease of doubtful receivables, net	(1,393)	(1,560)
Increase of net defined benefit asset	(15,311)	(1,537)
Increase (Decrease) of net defined benefit liability	(8)	1,241
Equity in gains of affiliates	(3,696)	(3,014)
Amortization of consolidation goodwill, net	2,200	2,316
Interest and dividend income	(5,226)	(5,104)
Interest expense	2,439	2,201
Net gain on sales of investment securities	(15,111)	(46,205)
Net loss on devaluation of investment securities	923	161
Net losses on sale or disposal of fixed assets	1,665	4,970
Repair costs	7,672	5,793
Repair reserve provisions	–	31,944
Decrease in trade receivables	17,880	4,443
Decrease (Increase ) in inventories	(10,531)	3,257
Decrease in trade payables	(4,725)	(99)
Other	(3,912)	6,909
Sub-total	93,125	107,908
Payments for repair costs	(3,582)	(23,148)
Payments for extra retirement payments	(990)	(104)
Payment of income taxes	(15,923)	(12,710)
Net cash provided by operating activities	72,629	71,944
<b>Cash flows from investing activities</b>		
Net decrease in time deposits	38	240
Payments for purchases of property, plant and equipment	(64,415)	(50,031)
Proceeds from sales of property, plant and equipment	2,791	4,990
Payments for purchases of investment securities	(5,664)	(691)
Proceeds from sales of investment securities	19,949	60,878
Payments for purchase of intangible fixed assets	(8,701)	(11,212)
Payments for purchase of stock in subsidiaries resulting in change in scope of consolidation	(8,981)	–
Proceeds from sales of stock in subsidiaries resulting in change in scope of consolidation	–	1,288
Interest and dividends received	6,178	7,952
Other	(2,079)	596
Net cash provided by (used in) investing activities	(60,883)	14,011

(Million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	2,131	(6,961)
Proceeds from long-term debt	5,803	6,680
Repayments of long-term debt	(10,552)	(6,983)
Proceeds from issuance of bonds	4,718	3,933
Payments for redemption of bonds	(1,050)	(555)
Payments for purchases of treasury stock	(20,066)	(15,174)
Payments for purchases of treasury stock of subsidiaries	(1)	(7)
Interest paid	(2,436)	(2,208)
Dividends paid	(20,381)	(19,918)
Dividends paid to non-controlling interests	(452)	(338)
Payments for purchase of stock in subsidiaries not resulting in change in scope of consolidation	(151)	–
Other	(4,725)	(3,688)
Net cash used in financing activities	(47,166)	(45,222)
Effect of exchange rate changes on cash and cash equivalents	(1,829)	(1,701)
Net increase (decrease) in cash and cash equivalents	(37,249)	39,032
Cash and cash equivalents at beginning of year	212,762	175,513
Increase in cash and cash equivalents resulting from change of scope of consolidation	–	18
Cash and cash equivalents at end of year	175,513	214,564

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

None

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

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

**Number of consolidated subsidiaries: 106**

Major companies: Maruzen CHI Holdings Co., Ltd.  
Hokkaido Coca-Cola Bottling Co., Ltd., INTELLIGENT WAVE INC.  
2Dfacto, Inc., DNP Technopack Co., Ltd.  
DNP Fine Chemicals Co., Ltd., DNP Logistics Co., Ltd.

**Number of equity-method affiliated companies: 16**

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

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

Newly included: 3 DNP Digital Solutions Co., Ltd. and two other companies  
Excluded: 11 BUNKYODO GROUP HOLDINGS CO., LTD. and ten other companies

**(Application of equity method)**

Newly included: 2 BUNKYODO GROUP HOLDINGS CO., LTD. and one other company  
Excluded: 1 KYOCERA Maruzen System Integration Co., Ltd.

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

Of the consolidated subsidiaries, Hokkaido Coca-Cola Bottling Co., Ltd. and 25 others have fiscal years that end on December 31, while Maruzen CHI Holdings Co., Ltd. and 24 others have fiscal years that end on January 31. Their financial statements as of the same dates are used in the preparation of these consolidated financial statements.

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

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

**4) Summary of significant accounting policies**

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

• Marketable securities

Other securities

Those with market prices available

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

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

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

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

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

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

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

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

Net defined benefit liability is recorded to prepare for employee retirement benefits at an amount derived by subtracting pension plan assets from retirement benefit obligations based on the amount expected at the end of the current fiscal year. In calculating retirement benefit obligations, a benefit formula is used to allocate expected retirement benefit payments in the period until the end of the current fiscal year.

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

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

Unrecognized actuarial gains/losses and unrecognized prior service costs are adjusted for tax effects and recorded in remeasurements of defined benefit plans in accumulated other comprehensive income under net assets.

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

National and local consumption taxes are excluded from transaction amounts.

**(f) Amortization of goodwill**

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

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

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

**[Changes in accounting policies]**

**(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)**

DNP has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016), and has revised some accounting methods related to the recoverability of deferred tax assets, starting in the current fiscal year.

DNP has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” in line with transitional measures stipulated in Paragraph 49 (4) of said guidance. Any differences between the amounts of deferred tax assets and deferred tax liabilities when applying the provisions in Paragraph 49 (3), Items 1–3, of said guidance at the start of the current fiscal year, and the amounts of deferred tax assets and deferred tax liabilities at the end of the previous fiscal year, have been added to retained earnings at the start of the current fiscal year.

These changes have an immaterial impact on the consolidated financial statements at the start of the current fiscal year.

**(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)**

DNP and some domestic consolidated subsidiaries, in line with amendment of the Corporation Tax Act, have applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ Practical Issue Task Force (PITF) No. 32, June 17, 2016), and have changed the

depreciation method for buildings and accompanying facilities as well as for structures acquired on or after April 1, 2016 from declining balance depreciation to straight-line depreciation, starting in the current fiscal year.

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

**[Changes in accounting policies that are difficult to distinguish from changes in accounting estimates]**

**(Changes in depreciation method and service life)**

DNP consolidated subsidiary Hokkaido Coca-Cola Bottling Co., Ltd. (hereinafter, HCCB) and the consolidated subsidiaries of HCCB (hereinafter, HCCB Group) previously depreciated tangible fixed assets mainly using declining balance depreciation, but have changed to straight-line depreciation starting in the current fiscal year.

This change is based on a review of the current production structure and use of fixed assets, and the medium- to long-term capital investment strategy, in order to respond to changes in the market environment, including stiffer competition from the full-scale entrance of rival companies and diversifying consumer needs.

The HCCB Group's tangible fixed assets are expected to produce average and stable investment effects over their service life based on long-term use and stable production.

Accordingly, the HCCB Group has changed its depreciation method for tangible fixed assets from declining balance depreciation to straight-line depreciation starting in the current fiscal year, based on a judgement that equal cost allocation over the usable period can better reflect the usage conditions of its tangible fixed assets, and from a revenue and expense standpoint, can better reflect its business performance.

Additionally, HCCB had mainly applied a service life of 5–6 years to vending machines, but because it is expanding the introduction of vending machines with greater durability, concurrent with the change in depreciation method, it has changed to a nine-year service life to better reflect actual conditions, starting in the current fiscal year.

Compared with the previous methods, the above changes increased operating income in the current fiscal year by ¥1,382 million, and ordinary income and income before income taxes and non-controlling interests by ¥1,401 million.

**[Consolidated balance sheets]**

	Year ended March 31, 2016	Year ended March 31, 2017
1. Guarantee obligation	¥6 million	¥2 million
2. Discounts on notes receivables	¥628 million	¥625 million

**[Consolidated statements of income]**

	Year ended March 31, 2016	Year ended March 31, 2017
1. Research and development expenses (Selling, general and administrative expenses)	¥31,826 million	¥31,375 million

**[Consolidated statements of changes in net assets]**

**The year ended March 31, 2016 (April 1, 2015 – March 31, 2016)**

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

(Shares)

	Stock type	Number of shares at the beginning of the year ended March 2016	Increase in number of shares during the year ended March 2016	Decrease in number of shares during the year ended March 2016	Number of shares at the end of the year ended March 2016
Outstanding shares	Common stock	700,480,693	–	20,000,000	680,480,693
Treasury stock	Common stock	56,647,614	15,275,962	20,003,999	51,919,577

- Notes:
1. The total number of outstanding shares of common stock decreased by 20,000,000 shares due to the cancellation of treasury shares by resolution of the Board of Directors.
  2. The number of treasury shares of common stock increased by 15,275,962 shares due to the acquisition of 15,221,000 treasury shares by resolution of the Board of Directors and the repurchase of 54,962 odd-lot shares.
  3. The number of treasury shares of common stock decreased by 20,003,999 shares due to the cancellation of 20,000,000 treasury shares by resolution of the Board of Directors, the sale of 1,200 odd-lot shares, and 2,799 shares from changes in equity ownership ratios in equity-method affiliates.

**2. Stock acquisition rights and treasury stock acquisition rights**

Company name	Breakdown	Stock type	Number of shares (Shares)				Balance at the end of the year ended March 2016 (Million yen)
			Beginning of the year ended March 2016	Increase	Decrease	End of the year ended March 2016	
Consolidated subsidiary	Stock acquisition rights as stock option	–	–	–	–	–	16
Total			–	–	–	–	16

**3. Detailed information regarding dividends**

**(1) Dividends paid**

Resolution	Stock type	Total dividends (Million yen)	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 26, 2015	Common stock	10,310	16	March 31, 2015	June 29, 2015
Board of Directors' meeting on November 10, 2015	Common stock	10,066	16	September 30, 2015	December 10, 2015

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

Resolution	Stock type	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 29, 2016	Common stock	10,065	Retained earnings	16	March 31, 2016	June 30, 2016

## The year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

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

(Shares)

	Stock type	Number of shares at the beginning of the year ended March 2017	Increase in number of shares during the year ended March 2017	Decrease in number of shares during the year ended March 2017	Number of shares at the end of the year ended March 2017
Outstanding shares	Common stock	680,480,693	–	17,000,000	663,480,693
Treasury stock	Common stock	51,919,577	13,367,533	17,000,000	48,287,110

- Notes:
1. The total number of outstanding shares of common stock decreased by 17,000,000 shares due to the cancellation of treasury shares by resolution of the Board of Directors.
  2. The number of treasury shares of common stock increased by 13,367,533 shares due to the acquisition of 13,222,000 treasury shares by resolution of the Board of Directors, the repurchase of 112,066 shares held by untraceable shareholders, the repurchase of 32,154 odd-lot shares, and 1,313 shares from changes in equity ownership ratios in equity-method affiliates.
  3. The number of treasury shares of common stock decreased by 17,000,000 shares due to the cancellation of treasury shares by resolution of the Board of Directors.

### 2. Detailed information regarding dividends

#### (1) Dividends paid

Resolution	Stock type	Total dividends (Million yen)	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 29, 2016	Common stock	10,065	16	March 31, 2016	June 30, 2016
Board of Directors' meeting on November 10, 2016	Common stock	9,853	16	September 30, 2016	December 9, 2016

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

Resolution	Stock type	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Dividend record date	Effective date
General meeting of shareholders on June 29, 2017	Common stock	9,851	Retained earnings	16	March 31, 2017	June 30, 2017

### [Segment information, etc.]

#### (Segment information)

##### 1. Overview of the reporting segments

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

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

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

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

Information Communication is involved in the production and sale of publications, commercial printed materials, business forms, and photographic materials and educational and



publications distribution. Lifestyle and Industrial Supplies is involved in the production and sale of packaging materials, interior and exterior decorative printed materials, and industrial supplies. Electronics is involved in the production and sale of precision electronic components and other products. Beverages is involved in the production and sale of carbonated and non-carbonated beverages.

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

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

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

### **(Changes in depreciation method and service life)**

DNP consolidated subsidiary Hokkaido Coca-Cola Bottling Co., Ltd. and its consolidated subsidiaries have changed their tangible fixed asset depreciation method and service life starting in the current fiscal year, as noted in the section, “Changes in accounting policies that are difficult to distinguish from changes in accounting estimates.”

Compared with the previous methods, these changes increase Beverages segment income in the current fiscal year by ¥1,382 million.

**3. Information on sales, income/loss, assets, and other items by reporting segment**  
**The year ended March 31, 2016 (April 1, 2015 – March 31, 2016)**

(Million yen)

	Reporting segment					Adjustment Note 1	Amounts reported on consolidated financial statements Note 2
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales							
Outside customers	816,875	381,647	199,330	58,062	1,455,916	–	1,455,916
Inter-segment	4,746	999	20	32	5,798	(5,798)	–
Total	821,622	382,647	199,350	58,094	1,461,714	(5,798)	1,455,916
Segment income	29,363	12,597	20,508	991	63,460	(17,988)	45,471
Segment assets	892,968	441,761	273,402	45,799	1,653,933	64,703	1,718,636
Other items							
Depreciation and amortization	27,515	17,025	15,007	3,940	63,489	1,820	65,310
Amortization of goodwill	1,593	606	–	1	2,200	–	2,200
Impairment loss	102	–	–	7	109	–	109
Increase in property, plant and equipment and in intangible fixed assets	52,537	23,277	13,276	5,780	94,871	2,392	97,264

Notes: 1. Figures are adjusted as follows.

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

**The year ended March 31, 2017 (April 1, 2016 – March 31, 2017)**

(Million yen)

	Reporting segment					Adjustment Note 1	Amounts reported on consolidated financial statements Note 2
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales							
Outside customers	797,046	387,142	169,402	56,581	1,410,172	–	1,410,172
Inter-segment	4,156	1,051	6	38	5,253	(5,253)	–
Total	801,203	388,194	169,408	56,620	1,415,426	(5,253)	1,410,172
Segment income	18,884	14,434	16,483	2,429	52,231	(20,820)	31,410
Segment assets	875,999	439,302	258,119	47,526	1,620,947	120,956	1,741,904
Other items							
Depreciation and amortization	27,660	17,027	12,083	2,367	59,139	2,321	61,461
Amortization of goodwill	1,103	1,213	–	–	2,316	–	2,316
Impairment loss	833	–	60	1	895	–	895
Increase in property, plant and equipment and in intangible fixed assets	28,734	12,619	7,728	3,804	52,887	4,196	57,084

Notes: 1. Figures are adjusted as follows.

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

**(Related information)****The year ended March 31, 2016 (April 1, 2015 – March 31, 2016)**

## 1. Information on products and services

Omitted because similar information is disclosed in segment information.

## 2. Regional information

## (1) Net sales

(Million yen)

Japan	Asia	Other regions	Total
1,221,329	146,925	87,660	1,455,916

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

## (2) Property, plant and equipment

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

## 3. Information on major customers

Not described because there are no outside customers whose sales account for 10% or more of net sales reported on the consolidated statements of income.

**The year ended March 31, 2017 (April 1, 2016 – March 31, 2017)**

## 1. Information on products and services

Omitted because similar information is disclosed in segment information.

## 2. Regional information

## (1) Net sales

(Million yen)

Japan	Asia	Other regions	Total
1,207,679	126,210	76,283	1,410,172

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

## (2) Property, plant and equipment

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

## 3. Information on major customers

Not described because there are no outside customers whose sales account for 10% or more of net sales reported on the consolidated statements of income.

**[Per share information]**

	Year ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 – March 31, 2017)
Net assets per share	¥1,618.66	¥1,680.55
Net income per share	¥53.10	¥40.79
Diluted net income per share	¥53.07	¥40.78

**Note: Basis of calculations****1. Net assets per share**

		Year ended March 31, 2016 (As of March 31, 2016)	Year ended March 31, 2017 (As of March 31, 2017)
Total net assets	(Million yen)	1,063,241	1,081,286
Amount excluded from total net assets	(Million yen)	45,816	47,422
Of which, stock acquisition rights	(Million yen)	16	–
Of which, non-controlling interests	(Million yen)	45,800	47,422
Net assets at fiscal year-end pertaining to common stock	(Million yen)	1,017,425	1,033,864
Number of common shares outstanding	(Thousand shares)	680,480	663,480
Number of common treasury shares	(Thousand shares)	51,919	48,287
Number of common shares at fiscal year-end used for the calculation of net assets per share	(Thousand shares)	628,561	615,193

**2. Net income per share and diluted net income per share**

		Year ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 – March 31, 2017)
(1) Net income per share			
Net income attributable to parent company shareholders	(Million yen)	33,587	25,226
Amounts not attributable to common shareholders	(Million yen)	–	–
Net income attributable to parent company common shareholders	(Million yen)	33,587	25,226
Average number of common shares outstanding during the fiscal year	(Thousand shares)	632,591	618,506
(2) Diluted net income per share			
Adjustments to net income attributable to parent company shareholders	(Million yen)	(18)	(6)
Of which, impact of dilutive stock of consolidated subsidiaries and affiliates	(Million yen)	(18)	(6)
Increase in common stock	(Thousand shares)	–	–

**[Significant subsequent events]**

DNP's Board of Directors, at a meeting held on May 12, 2017, decided to partially amend the Articles of Incorporation in relation to a change in the number of shares per share unit (change from 1,000 shares to 100 shares), and to propose a share consolidation (two shares of common stock into one share) at the 123rd Ordinary General Meeting of Shareholders scheduled for June 29, 2017. The change in the number of shares per share unit and the share consolidation will take effect on October 1, 2017, subject to approval at the Ordinary General Meeting of Shareholders.

For details, see the document titled, “Notification of Change in Number of Shares Per Share Unit, Share Consolidation, and Related Partial Amendment of the Articles of Incorporation,” disclosed separately on May 12, 2017.

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

### (1) Non-consolidated balance sheets

(Million yen)

	Year ended March 31, 2016 (As of March 31, 2016)	Year ended March 31, 2017 (As of March 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	83,598	119,969
Notes receivable	45,223	46,098
Trade receivable	245,389	238,066
Merchandise and finished goods	5,344	4,584
Work in progress	10,068	9,713
Raw materials and supplies	1,396	1,036
Deferred income taxes	5,845	10,173
Other	34,676	32,015
Allowance for doubtful accounts	(1,342)	(1,171)
Total current assets	430,199	460,485
Fixed assets		
Property, plant and equipment		
Buildings	450,099	436,136
Accumulated depreciation	(280,093)	(276,029)
Buildings, net	170,005	160,107
Structures	33,587	33,267
Accumulated depreciation	(26,290)	(26,509)
Structures, net	7,297	6,757
Machinery	581,893	576,058
Accumulated depreciation	(529,119)	(529,683)
Machinery, net	52,774	46,375
Vehicles	1,326	1,367
Accumulated depreciation	(1,239)	(1,261)
Vehicles, net	86	106
Equipment	51,607	51,494
Accumulated depreciation	(40,465)	(40,669)
Equipment, net	11,142	10,824
Land	131,032	132,491
Lease asset	1,939	2,344
Accumulated depreciation	(970)	(1,092)
Lease asset, net	969	1,252
Construction in progress	9,544	11,131
Total property, plant and equipment	382,851	369,046
Intangible fixed assets		
Software	20,590	21,687
Other	2,095	1,861
Total intangible fixed assets	22,686	23,549
Investments and other assets		
Investment securities	302,122	322,993
Investments in securities in affiliates	158,432	158,185
Investments in capital of affiliates	2,922	2,922
Long-term loans	12,380	7,118
Other	63,851	65,185
Allowance for doubtful accounts	(12,920)	(9,833)
Total investments and other assets	526,790	546,572
Total fixed assets	932,328	939,168
<b>TOTAL ASSETS</b>	<b>1,362,528</b>	<b>1,399,653</b>

(Million yen)

	Year ended March 31, 2016 (As of March 31, 2016)	Year ended March 31, 2017 (As of March 31, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable	10,750	11,521
Trade payable	206,811	206,386
Lease obligations	313	452
Asset retirement obligations	–	200
Accounts payable - other	36,889	31,953
Accrued expenses	19,899	17,049
Advances received	2,604	4,052
Deposits payable	189,105	187,041
Reserve for bonuses	7,557	7,575
Reserve for bonuses to directors	141	178
Repair reserve	–	18,679
Notes payable for facilities	881	485
Other	–	138
Total current liabilities	474,954	485,715
Long-term liabilities		
Bonds	100,000	100,000
Lease obligations	945	1,072
Asset retirement obligations	1,145	966
Long-term accounts payable	5,963	5,834
Provision for retirement benefits	8,297	8,685
Reserve for environmental measures	72	207
Deferred tax liabilities	44,781	59,959
Total long-term liabilities	161,206	176,726
<b>TOTAL LIABILITIES</b>	<b>636,160</b>	<b>662,442</b>
<b>NET ASSETS</b>		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus		
Capital reserve	144,898	144,898
Total capital surplus	144,898	144,898
Retained earnings		
Legal reserve	23,300	23,300
Other retained earnings		
Reserve for special depreciation	0	0
Reserve for depreciation reduction of fixed assets	27	25
Other reserve	332,780	332,780
Retained earnings brought forward	70,156	43,659
Total retained earnings	426,264	399,765
Treasury stock	(80,972)	(69,581)
Total stockholders' equity	604,655	589,546
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	121,712	147,664
Total valuation and translation adjustments	121,712	147,664
<b>TOTAL NET ASSETS</b>	<b>726,367</b>	<b>737,211</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,362,528</b>	<b>1,399,653</b>

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

(Million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	1,001,026	976,797
Cost of sales	880,119	858,427
Gross profit	120,906	118,369
Selling, general and administrative expenses	122,449	127,776
Operating loss	(1,542)	(9,406)
Non-operating income		
Interest income	226	191
Dividend income	25,083	24,922
Other	34,841	34,742
Total non-operating income	60,151	59,855
Non-operating expenses		
Interest expense	1,614	1,531
Other	28,789	27,955
Total non-operating expenses	30,403	29,486
Ordinary income	28,206	20,962
Extraordinary gains		
Gain on sale of fixed assets	48	52
Gain on sale of investment securities	14,594	44,764
Other	380	827
Total extraordinary gains	15,023	45,644
Extraordinary losses		
Loss on sale or disposal of fixed assets	1,225	5,389
Loss on sale of investment securities	0	978
Loss on devaluation of investment securities	923	9
Repair costs and repair reserve provisions	7,672	37,738
Other	3,862	1,048
Total extraordinary losses	13,684	45,164
Income before income taxes	29,545	21,442
Current income taxes	1,580	1,490
Deferred income taxes	5,117	(33)
Total income taxes	6,697	1,456
Net income	22,848	19,985



**(3) Non-consolidated statements of changes in net assets**  
**The year ended March 31, 2016 (April 1, 2015 – March 31, 2016)**

(Million yen)

	Stockholders' equity								
	Common stock	Capital surplus		Legal reserve	Retained earnings				Total retained earnings
		Capital reserve	Total capital surplus		Other retained earnings				
					Reserve for special depreciation	Reserve for depreciation reduction of fixed assets	Other reserve	Retained earnings brought forward	
Balance at the beginning of current period	114,464	144,898	144,898	23,300	0	29	382,780	51,105	457,215
Changes of items during the period									
Reversal of reserve for special depreciation					(0)			0	–
Reversal of reserve for depreciation reduction of fixed assets						(1)		1	–
Reversal of other reserves							(50,000)	50,000	–
Cash dividends paid								(20,376)	(20,376)
Net income								22,848	22,848
Purchases of treasury stock									
Disposal of treasury stock								(0)	(0)
Cancellation of treasury stock								(33,422)	(33,422)
Net changes in items other than stockholders' equity									
Total changes of items during the period	–	–	–	–	(0)	(1)	(50,000)	19,050	(30,950)
Balance at the end of current period	114,464	144,898	144,898	23,300	0	27	332,780	70,156	426,264

	Stockholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total stockholders' equity	Valuation difference on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(94,329)	622,248	146,176	(0)	146,175	768,424
Changes of items during the period						
Reversal of reserve for special depreciation		–				–
Reversal of reserve for depreciation reduction of fixed assets		–				–
Reversal of other reserves		–				–
Cash dividends paid		(20,376)				(20,376)
Net income		22,848				22,848
Purchases of treasury stock	(20,066)	(20,066)				(20,066)
Disposal of treasury stock	1	1				1
Cancellation of treasury stock	33,422	–				–
Net changes in items other than stockholders' equity		–	(24,463)	0	(24,463)	(24,463)
Total changes of items during the period	13,357	(17,593)	(24,463)	0	(24,463)	(42,056)
Balance at the end of current period	(80,972)	604,655	121,712	–	121,712	726,367

**The year ended March 31, 2017 (April 1, 2016 – March 31, 2017)**

(Million yen)

	Stockholders' equity								
	Common stock	Capital surplus		Legal reserve	Retained earnings				Total retained earnings
		Capital reserve	Total capital surplus		Other retained earnings				
					Reserve for special depreciation	Reserve for depreciation reduction of fixed assets	Other reserve	Retained earnings brought forward	
Balance at the beginning of current period	114,464	144,898	144,898	23,300	0	27	332,780	70,156	426,264
Changes of items during the period									
Reversal of reserve for special depreciation					(0)			0	–
Reversal of reserve for depreciation reduction of fixed assets						(2)		2	–
Cash dividends paid								(19,919)	(19,919)
Net income								19,985	19,985
Purchases of treasury stock									
Cancellation of treasury stock								(26,564)	(26,564)
Net changes in items other than stockholders' equity									
Total changes of items during the period	–	–	–	–	(0)	(2)	–	(26,496)	(26,498)
Balance at the end of current period	114,464	144,898	144,898	23,300	0	25	332,780	43,659	399,765

	Stockholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(80,972)	604,655	121,712	121,712	726,367
Changes of items during the period					
Reversal of reserve for special depreciation		–			–
Reversal of reserve for depreciation reduction of fixed assets		–			–
Cash dividends paid		(19,919)			(19,919)
Net income		19,985			19,985
Purchases of treasury stock	(15,174)	(15,174)			(15,174)
Cancellation of treasury stock	26,564	–			–
Net changes in items other than stockholders' equity		–	25,951	25,951	25,951
Total changes of items during the period	11,390	(15,108)	25,951	25,951	10,843
Balance at the end of current period	(69,581)	589,546	147,664	147,664	737,211

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

None