



## Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 [J-GAAP]

May 11, 2018

**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 28, 2018  
 Dividend payment date: June 29, 2018  
 Securities report issuing date: June 28, 2018  
 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, 2018

(April 1, 2017 – March 31, 2018)

#### (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, 2018	1,412,251	0.1	46,372	47.6	50,971	38.7	27,501	9.0
Year ended March 31, 2017	1,410,172	(3.1)	31,410	(30.9)	36,740	(30.2)	25,226	(24.9)

Note: Comprehensive income: Year ended March 31, 2018: ¥56,404 million (5.8%)  
 Year ended March 31, 2017: ¥53,334 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, 2018	90.77	90.71	2.6	2.9	3.3
Year ended March 31, 2017	81.57	81.55	2.5	2.1	2.2

Reference: Equity in earnings of affiliates: Year ended March 31, 2018: ¥3,007 million  
 Year ended March 31, 2017: ¥3,014 million

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

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2018	1,810,498	1,102,550	58.2	3,493.79
As of March 31, 2017	1,741,904	1,081,286	59.4	3,361.10

Reference: Stockholders' equity: As of March 31, 2018: ¥1,053,600 million As of March 31, 2017: ¥1,033,864 million

Note: Dai Nippon Printing Co., Ltd. implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, it has estimated net assets per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

### (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, 2018	48,457	23,074	(42,771)	244,936
Year ended March 31, 2017	71,944	14,011	(45,222)	214,564

### 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, 2017	–	16.00	–	16.00	32.00	19,705	78.5	1.9
Year ended March 31, 2018	–	16.00	–	32.00	–	19,317	70.5	1.9
Year ending March 31, 2019 (Forecast)	–	32.00	–	32.00	64.00		68.9	

Note: Dai Nippon Printing Co., Ltd. implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. As a result, year-end dividends per share for the fiscal year ended March 2018 shows dividends after the share consolidation, and total annual dividends shows “–”. Without the share consolidation, year-end dividends per share for the fiscal year ended March 2018 would be ¥16.00 and total annual dividends per share would be ¥32.00.

### 3. Consolidated earnings forecasts for the year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	0.5	47,000	1.4	52,000	2.0	28,000	1.8	92.85

#### \* 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: No
- 2) Changes in accounting policies other than the 1) above: No
- 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 estimates]” on pages 26.

(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, 2018	324,240,346 shares	As of March 31, 2017	331,740,346 shares
2) Number of treasury shares at end of each period	As of March 31, 2018	22,676,600 shares	As of March 31, 2017	24,143,555 shares
3) Average number of shares outstanding during the period	Year ended March 31, 2018	302,982,996 shares	Year ended March 31, 2017	309,253,383 shares

Note: Dai Nippon Printing Co., Ltd. implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, it has estimated number of common shares outstanding at end of each period, number of treasury shares at end of each period and average number of shares outstanding during the period assuming this share consolidation was

implemented at the start of the previous consolidated fiscal year.

**(Reference) Non-consolidated financial results**

**Non-consolidated financial results for the year ended March 31, 2018**

**(April 1, 2017 – March 31, 2018)**

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

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

	Net Sales		Operating Loss		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2018	990,750	1.4	(2,914)	–	26,422	26.0	18,353	(8.2)
Year ended March 31, 2017	976,797	(2.4)	(9,406)	–	20,962	(25.7)	19,985	(12.5)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2018	60.52	–
Year ended March 31, 2017	64.57	–

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

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

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2018	1,447,073	737,696	51.0	2,444.03
As of March 31, 2017	1,399,653	737,211	52.7	2,394.56

Reference: Stockholders' equity: As of March 31, 2018: ¥737,696 million As of March 31, 2017: ¥737,211 million

Note: Dai Nippon Printing Co., Ltd. implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, it has estimated net assets per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

\* These financial results are exempt from auditing by a certified public accountant or an auditing company.

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

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.

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## **1. Overview of operating results, etc.**

### **(1) Overview of operating results for the year ended March 31, 2018**

Japan's economy continued to gradually recover during the fiscal year ended March 31, 2018, with employment and income conditions improving, aided by the economic policies of the Japanese government, and capital expenditures showing signs of picking up as companies pursue initiatives in growth areas. However, the economy has still not reached a full-fledged recovery, due partly to a lack of strength in consumer spending, overseas economic slowdowns in China and elsewhere, and the impact of higher raw material prices.

The printing industry still faced a tough business environment, as demand decreased for printed media, due partly to growth in the online advertising market, and competition also intensified.

In this environment, the DNP Group (DNP), primarily around the four growth areas of "Knowledge and Communication," "Food and Healthcare," "Lifestyle and Mobility," and "Environment and Energy," pursued P&I innovations as a combination of its strengths in printing and information to create new value to solve social issues both in Japan and overseas.

Specifically, in mobility-related business, the DNP Group developed curved resin glass that is lighter than general glass in response to vehicle lightweighting needs to improve fuel efficiency, and it sought to expand use to vehicle rear windows and other applications. The DNP Group also developed in-vehicle display viewing angle control films by drawing on technologies developed for display optical films and other products. These high-performance films prevent display light from reflecting on the front window, improve visibility from the driver's seat, and increase freedom for in-vehicle design.

The DNP Group also focused on developing products and services that leverage strengths in information security acquired in the smart card and other businesses. For example, it developed a digital key service in which locks are opened and closed using a smartphone, with applications in various sharing services such as vehicles, homes, and home delivery lockers and in user authentication devices for internet of things (IoT) equipment. The DNP Group also made aggressive efforts to build a system to share information acquired from electronic tags across a supply chain, and to standardize and build a platform for electronic receipt data using a household accounts application 'Receipi!.' It sought to promote the commercialization of this system and platform.

The DNP Group established a joint venture with SIG Combibloc Group, the world's leading manufacturer of carton packaging for food and beverages, in April 2018, and started providing new configurations of packaging and new aseptic filling equipment in the Japanese market.

The DNP Group worked to improve earnings by implementing structural reforms to bolster business competitiveness, including the reorganization of business divisions and group companies.

As a result of these activities, consolidated net sales for the year ended March 31, 2018 grew 0.1% year on year to ¥1,412.2 billion, consolidated operating income grew 47.6% to ¥46.3 billion, consolidated ordinary income grew 38.7% to ¥50.9 billion, and net income attributable to parent company shareholders grew 9.0% to ¥27.5 billion.

Business segment results for the year ended March 31, 2018 are presented below.

#### **[PRINTING]**

##### **Information Communication**

In the Publishing business, amid a continued slump in the publication market, the DNP Group worked to create a system to forecast demand by leveraging artificial intelligence to analyze bookstore sales and other data and to increase coordination between book production, distribution, and sales. However, sales of books and magazines both decreased from the previous year in

Publishing & Media Services. In the Education and Publications Distribution business, the DNP Group focused on expanding business in the “honto” hybrid bookstore network that combines physical bookstores, online bookstores, and e-book services. Sales were favorable for online bookstores and e-books. New accounts also increased in library operations outsourcing services, including at university and public libraries. However, sales in the Education and Publications Distribution business decreased from the previous year as a result of making BUNKYODO GROUP HOLDINGS CO., LTD. an equity-method affiliate in October 2016 due to the partial sale of its stock. Overall sales in the Publishing business also decreased year on year.

In the Information Innovation business, the DNP Group established two new Business Process Outsourcing (BPO) centers in Shinjuku-ku, Tokyo and Fukuoka City, Fukuoka Prefecture in June 2017. BPO covers a broad range of agency services for companies and other entities, such as data collection and contact center services. The DNP Group now has 13 BPO centers across Japan, and it worked to expand support for digital marketing operations intended to increase the effectiveness of sales promotions through timely delivery of optimal information to consumers. In this environment, although sales decreased from the previous year for catalogs and pamphlets, they were strong for point-of-purchase promotional materials (POP) and other sales promotion tools and were also firm for advertising flyers. Sales were also favorable in information security-related business, mainly 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 in the Information Innovation business increased from the previous year.

In the Imaging Communication business, the DNP Group worked to provide high-value-added services to enjoy photo printing at events, promotions, and other activities, including “ShaGoo!” automated commemorative photo booths and Imaging Mall as a cloud-based image sales solution. The DNP Group conducts global sales of dye-sublimation thermal transfer printing media for photo printers (color ink ribbons and receiver paper), and although sales increased in Southeast Asia and Europe, they decreased in Japan and North America. Overall sales in the Imaging Communication business decreased from the previous year.

As a result of the above, overall segment sales fell 2.8% year on year to ¥778.6 billion but operating income grew 15.2% to ¥21.7 billion.

### **Lifestyle and Industrial Supplies**

In the Packaging business, sales of film packaging decreased in Japan but increased in Southeast Asia. Sales increased for plastic molded products, including preform as a material used in PET plastic bottles. However, sales decreased for paper packaging and PET plastic bottle aseptic filling systems, and overall sales in the Packaging business decreased from the previous year.

In the Living Space business, the DNP Group worked to expand sales of environmentally conscious products that use its proprietary electronic beam (EB) coating technology. The DNP Group also focused on delivering interior material solutions to create simple and effective spatial expressions, including a wall display system that reduces the burden of changing store product displays and layouts and a wall refurbishment material enabling that can be easily installed by overlaying on existing wallpaper for a beautiful finish in just a short time. Sales of Arttec interior and exterior aluminum panels and of decorative films with the look and feel of wood grains and metals increased for non-housing applications such as commercial facilities, offices, automobiles, and railway cars. Overall sales in the Living Space business increased from the previous year.

In the Industrial Supplies business, DNP’s film pouches for lithium-ion batteries have acquired a high global market share, leveraging technologies for laminates that combine multiple film sheets and for precision coating. Sales of these products were favorable for both mobile and automotive applications. Overseas sales of photovoltaic module components also increased, and overall sales

in the Industrial Supplies business increased from the previous year.

As a result of the above, overall segment sales grew 1.6% year on year to ¥394.3 billion but operating income fell 16.0% to ¥12.1 billion.

## **Electronics**

In the Display Components business, optical film sales increased for use in organic light-emitting diode (OLED) displays with the spread of these displays, and were firm for use in LCDs due to larger screen sizes. Sales of metals masks for OLED displays also increased for mobile device applications. LCD color filter sales decreased for both small- and medium-sized filters used in smartphones and large filters used in TVs. However, overall sales in the Display Components business increased from the previous year.

In the Electronic Devices business, semiconductor photomask sales increased amid high growth in the overall semiconductor market, supported by an increase in embedded memory capacity in smartphones and other devices and by the spread of IoT equipment.

As a result of the above, overall segment sales grew 11.4% year on year to ¥188.7 billion and operating income grew 106.9% to ¥34.1 billion.

## **[BEVERAGES]**

### **Beverages**

The soft drink industry saw continued competition for market share through sales promotions, price competition, and other actions. In this environment, the DNP Group bolstered sales of new products, including foods for specified health use and foods with function claims, and worked to expand share in existing markets and acquire new customers by conducting active sales promotions based on area marketing in the vending machine business.

As a result of these efforts, sales increased for the mainstay Coca-Cola brand and for unsweetened tea drinks including Ayataka. However, sales decreased for mineral waters and to group bottlers outside the Hokkaido region. Overall segment sales fell 1.0% year on year to ¥56.0 billion and operating income fell 7.6% to ¥2.2 billion.

### **(2) Overview of financial position for the year ended March 31, 2018**

Total assets at the end of the current fiscal year increased by ¥68.5 billion from the end of the previous fiscal year to ¥1,810.4 billion, due mainly to an increase in cash and time deposits.

Total liabilities increased by ¥47.3 billion from the end of the previous fiscal year to ¥707.9 billion, due mainly to an increase in repair reserve.

Net assets increased by ¥21.2 billion from the end of the previous fiscal year to ¥1,102.5 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, 2018**

Consolidated cash flow provided by operating activities totaled ¥48.4 billion (¥71.9 billion in the previous fiscal year), due mainly to ¥45.3 billion in income before income taxes and non-controlling interests and ¥61.0 billion in depreciation.

Cash flow provided by investing activities totaled ¥23.0 billion (¥14.0 billion in the previous fiscal year), due mainly to ¥54.6 billion in proceeds from sales of investment securities and ¥32.5 billion in payments for purchases of property, plant and equipment. Cash flow used in financing activities totaled ¥42.7 billion (¥45.2 billion in the previous fiscal year), due mainly to ¥19.9 billion in dividends paid and ¥15.0 billion for purchases of treasury stock.

As a result, cash and cash equivalents at the end of the fiscal year increased by ¥30.3 billion from the end of the previous fiscal year to ¥244.9 billion.

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

	Year ended March 2014	Year ended March 2015	Year ended March 2016	Year ended March 2017	Year ended March 2018
Equity ratio (%)	59.2	59.6	59.2	59.4	58.2
Market value-based equity ratio (%)	40.4	41.6	36.6	42.4	36.6
Debt-to-cash flow ratio (year)	1.5	2.2	2.6	2.4	3.5
Interest coverage ratio (times)	40.6	35.1	29.8	32.6	21.9

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

The DNP Group expects the Japanese economy to continue a gradual recovery, given signs of improvement in the employment and income environment. However, the future outlook is uncertain, including uncertainty in overseas economic conditions, impact of changes in financial and capital markets, and trends in foreign exchange and crude oil prices.

In the printing industry, the DNP Group expects conditions to remain difficult, including a decline in order prices due to lower demand for printed media and stiffer competition.

Going forward, the DNP Group will focus on P&I Innovations in an effort to create new value to solve social issues by combining the strengths it has developed thus far, endeavoring to fulfill its corporate philosophy: "The DNP Group connects individuals and society, and provides new value." The DNP Group also aims to expand earnings further by pursuing business structure reforms according to the market environment and trends in demand.

For the fiscal year ending March 31, 2019, the DNP Group forecasts consolidated net sales of ¥1,420 billion, consolidated operating income of ¥47 billion, consolidated ordinary income of ¥52 billion, and consolidated net income attributable to parent company shareholders of ¥28 billion.

#### (5) Basic policies regarding the allocation of profits and dividends for the year ended March 31, 2018 and year ending March 31, 2019

An important policy of the DNP Group 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, the DNP Group strives to retain profits and strengthen its 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, the DNP Group considers flexible capital policies while also taking into consideration market trends as well as its need for



capital. the DNP Group believes that these efforts will contribute to higher profits that can then be passed on to shareholders in the future.

Based on this policy, the DNP Group intends to pay a year-end dividend of ¥32 per share. The DNP Group changed the number of shares per unit from 1,000 shares to 100 shares and implemented a share consolidation from two shares into one share on October 1, 2017. Accordingly, the year-end dividend is equal to ¥16 per share before the share consolidation, and adding the interim dividend of ¥16, the full-year dividend is effectively the same as the ¥32 dividend in the fiscal year ended March 31, 2017. As a result, the consolidated dividend payout ratio will be 70.5%.

For the fiscal year ending March 31, 2019, the Company forecasts the interim dividend at ¥32 and the year-end dividend at ¥32, for a full-year dividend of ¥64.

## **(6) Business risks**

The performance and the results of the DNP Group could be significantly affected by a variety of factors and circumstances that might arise in the future. Because the DNP Group 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 Group management views as risks.

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

The DNP Group does business with an extremely large number of corporate customers in a wide range of industries, and pursues stable business activities supported by a business base that does not rely on specific industries and companies. The DNP Group does most of its business in the Japanese market, but if consumer spending and other components of domestic demand slump more than expected, owing to domestic economic fluctuations in connection with global economic trends, its performance could be affected by a decrease in production volume, decline in unit prices, and other factors.

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

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

The DNP Group conducts overseas business activities mainly in Europe, U.S., Southeast Asia, and elsewhere, and these activities face a variety of social, political, and economic risks. The DNP Group's performance could be affected if its overseas business activities are obstructed by the emergence of various risks related to unexpected changes in laws and regulations governing the environment, society, and other areas, country risk, difficulty of hiring and securing personnel, human rights and conflicts, and other factors.

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

The DNP Group develops products and services that provide new value to society, consumers, and companies by applying and advancing its printing and information technologies and by incorporating the strengths of partners outside the Company. This development faces an accelerating pace of technological innovation and a diversification of needs. The DNP Group's performance could be affected by such factors as further intensification of development competition in Japan and overseas, greater-than-expected shortening of product life cycles, and changes in market trends. Additionally, if products and services have defects or other problems, the DNP Group's performance could be seriously affected by accompanying losses.

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

The DNP Group 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 related to the procurement of raw materials and other items**

In procuring raw materials and other items, the DNP Group works to ensure stable volume and maintain optimal procurement prices, including by purchasing printing paper and film materials from multiple suppliers in Japan and overseas. However, there is risk of imbalances between supply and demand due to sharp fluctuations in petroleum prices, sudden surge in demand in emerging markets, depletion of natural resources, impact of climate change, and human rights issues in the supply chain. The DNP Group will respond during such times by negotiating with client companies and business partners, but its performance could be affected if the procurement of raw materials or other items becomes extremely difficult, if purchasing prices rise sharply, or if other such events occur.

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

The DNP Group expects the impact of foreign exchange rates to steadily increase while it aggressively pursues business expansion in various regions around the world. We use such means as foreign exchange forward contracts to hedge the risks of currency fluctuations. Nevertheless, the DNP Group's performance could be affected by drastic swings in foreign exchange.

#### **7) Response to environmental and social changes**

The DNP Group's business activities benefit from the natural environment in a variety of ways, including the procurement of raw materials from forest resources to make printing paper and other products and the use of water and energy in manufacturing processes. The DNP Group also undertakes business activities that are closely connected with society, including securing human and material resources and building a supply chain. The DNP Group clearly recognizes these conditions and pursues a variety of initiatives to sustain growth together with the environment and society. However, the DNP Group expects various changes such as a strengthening of domestic and overseas legal regulations and international standards related to climate change, human rights and labor, anticorruption, and other areas, and an increase in the importance of environmental and social matters in the assessment of enterprise value. The DNP Group's performance could be affected by environmental and social changes, including a need for greater efforts to respond to these trends.

#### **8) Information security and protection of personal data and other information**

Global computer networks and information systems have become essential tools for conducting business, and there are now greater risks of software and hardware defects, daily changing cyberattacks, computer virus infections, and personal data leaks. The DNP Group regards information security and the protection of important data, including personal data, 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 involving important data, or other such events.

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

The DNP Group 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 the DNP Group'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**

The DNP Group 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, the DNP Group's performance could be substantially affected in the event of major earthquakes, natural disasters such as rainstorms or flooding caused by climate change, disease outbreaks, or other unexpected events that cause production shutdowns or significantly damage or impair social infrastructure.

**11) Lawsuits and fines**

The DNP Group seeks to establish and rigorously uphold corporate ethics throughout the group, and works to earn the trust of society by each and every employee complying with laws and regulations in all corporate 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, the DNP Group's performance could be affected in the event of being subject to lawsuits and resulting fines in Japan or overseas.

**2. Information on the DNP Group**

The DNP Group includes the Company, 133 subsidiaries, and 25 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 the Group 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.  
 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	DAP Technology Co., Ltd., DT Fine Electronics Co., Ltd. DNP Denmark A/S, DNP Photomask Europe S.p.A. * Photronics DNP Mask Corporation Photronics DNP Mask Corporation Xiamen

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  
DNP America, LLC, DNP Holding USA Corporation

**[BEVERAGES]**

**Beverages**

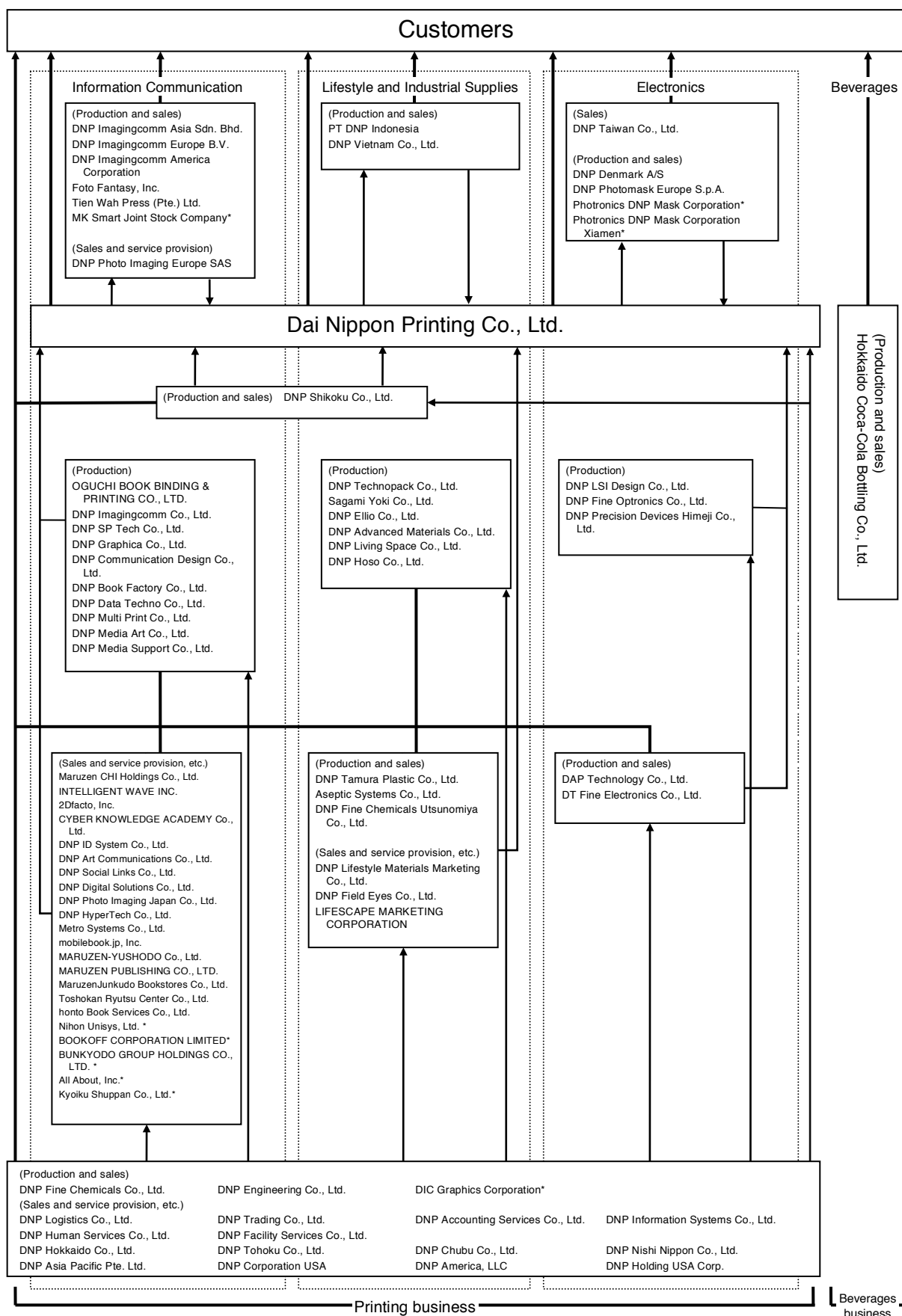
Production/sale of carbonated beverages, mineral waters, and other products, centered on Hokkaido Coca-Cola Bottling Co., Ltd.

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, the DNP Group is aggressively pursuing its business activities and working to steadily expand its business over the medium to long term.

The DNP Group believes it is important to enhance corporate governance in order to sustain growth for the DNP Group. It seeks to establish and operate systems to facilitate precise and comprehensive 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.

Additionally, the DNP Group is aware of its social responsibility as a company and strives to deliver new value to its various stakeholders. To achieve this goal, the DNP Group works 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, the DNP Group 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**

The DNP Group focuses on creating new value to solve social issues through P&I innovations that flexibly combine its various strengths in printing and information technologies and expertise, sales and planning, production and production management, and intellectual property and branding, based on the four growth areas of Knowledge and Communication, Food and Healthcare, Lifestyle and Mobility, and Environment and Energy.

In Knowledge and Communication, the DNP Group endeavors to support people's lives through active communication and to foster a rich culture. It also works to create mechanisms for safe and secure communication by leveraging its advanced information security technologies.

In Food and Healthcare, the DNP Group develops businesses to support high-quality living and help maintain lifelong health. In addition to safe and hygienic packaging for foods, beverages, and pharmaceuticals in support of human health and diet, the DNP Group is providing high-performance products and services in such areas as life sciences, including regenerative medicine, and agriculture.

In Lifestyle and Mobility, the DNP Group seeks to provide products and services to achieve comfortable, safe, and secure living spaces in a variety of residential and non-residential settings, including homes, commercial facilities, offices, medical facilities, automobiles, and railway cars.

In Environment and Energy, the DNP Group works to achieve a sustainable society that combines economic growth and environmental preservation. It seeks to develop environmentally conscious products and services that contribute to conserving resources and energy and to protecting biodiversity.

The DNP Group seeks to create products and services that make "tomorrow's basic" an essential part of the lives of consumers and the business processes of companies by creating new value to solve social issues, mainly in these growth areas.

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

### **[PRINTING]**

#### **Information Communication**

The Information Communication segment facilitates a variety of safe and secure communication between consumers and companies by enabling the optimal expression of information and expanding into a diverse range of media based on advanced image processing technologies and information security technologies.

For example, we are helping to revitalize the publishing market by deepening cooperation with publishers and pursuing business activities that include the planning, production, distribution, and sale of various publications and the copyright handling and overseas expansion of content.

We also recognize that information safety is essential for effectively using IoT and are advocating the concept of Internet of Secure Things® (IoST), which adds security to IoT. We are pursuing platform development that leverages competencies acquired in smart cart development and other areas.

We are using advanced information security infrastructure, including the DNP Kashiwa Data Center and 13 domestic BPO centers, to deliver a variety of high-value-added services, including branded prepaid and debit card settlement services and comprehensive corporate BPO services.

#### **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.

For example, we are bolstering sales for high-performance products, including the innovative barrier (IB) film series of transparent barrier films that prevent moisture and oxygen permeation and the biomass plastic packaging 'Biomatech' series that uses raw materials derived from plants. Overseas, we aim to expand market share in Southeast Asia. We are preparing a production structure in Indonesia and Vietnam and intend to focus on using these operating bases to expand sales into neighboring countries.

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-valued-added products that use our 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 U.S., and emerging markets, we seek to leverage a global sales network to expand market share for exquisitely designed metal paneling and other products.

Incidentally, we are implementing a repair program to correct defects in some wallpaper products in the Living Space business. We improved our system for assessing the scope of repairs and quickly performing repairs in July 2016 and continue to address this issue.

#### **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 in Japan and overseas, and continue to implement structural reforms through such means as optimizing production facilities and reviewing our production and development structures.

For example, in the OLED display market, where demand is expanding rapidly, we seek to maintain and increase market share by increasing production capacity for metal masks, which are used to make OLED displays, and by preparing a structure to develop products to support higher



definition displays and ensure stable supply. We will also work to develop various optical films for OLED displays, including retardation films.

For semiconductor photomasks, we aim to support the miniaturization and cost-saving needs of semiconductor makers by bolstering the production structure for next-generation products by applying next-generation microfabrication technologies, including nanoimprinting and a multi e-beam mask writer that significantly shortens writing time during production. We will also work to expand our business globally, and to meet rising demand in China, we established a photomask manufacturing and sales joint venture with US-based photomask maker Photronics, Inc. in 2018.

## **[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**

The DNP Group 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 partners 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 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.

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

The DNP Group 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**

With the aim of solving various social issues such as climate change and growing inequality gaps, we expect companies to step up initiatives to achieve the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. The DNP Group aspires to create a sustainable society that fulfills these SDGs in order to achieve stable growth over the longer term.

To this end, we will focus on providing products and services that contribute to solving social issues and creating a value chain that reduces the negative impact on society and increases the

positive impact. In particular, to respond to climate change as an urgent issue, we are working to reduce the environmental burden of our business activities and to provide products and services that help to address climate change.

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

The 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, 2017 (As of March 31, 2017)	Year ended March 31, 2018 (As of March 31, 2018)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	210,454	242,781
Notes and trade receivables	341,805	354,241
Merchandise and finished products	84,286	82,697
Work in progress	29,130	31,672
Raw materials and supplies	23,896	23,178
Deferred income taxes	15,314	19,713
Other	33,879	47,159
Allowance for doubtful accounts	(1,627)	(1,690)
<b>Total current assets</b>	<b>737,140</b>	<b>799,753</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures	567,661	566,445
Accumulated depreciation	(361,465)	(367,135)
Buildings and structures, net	206,196	199,310
Machinery and equipment	760,117	736,596
Accumulated depreciation	(679,427)	(655,894)
Machinery and equipment, net	80,689	80,702
Land	155,114	151,521
Construction in progress	18,326	7,160
Other	137,843	140,364
Accumulated depreciation	(101,003)	(104,660)
Other, net	36,839	35,703
<b>Total property, plant and equipment</b>	<b>497,166</b>	<b>474,397</b>
Intangible fixed assets		
Goodwill	6,474	4,241
Software	25,942	26,686
Other	2,019	1,925
<b>Total intangible fixed assets</b>	<b>34,436</b>	<b>32,853</b>
Investments and other assets		
Investment securities	380,323	401,414
Net defined benefit asset	57,089	67,838
Deferred income taxes	7,286	6,934
Other	32,518	30,938
Allowance for doubtful accounts	(4,057)	(3,632)
<b>Total investments and other assets</b>	<b>473,160</b>	<b>503,493</b>
<b>Total fixed assets</b>	<b>1,004,763</b>	<b>1,010,745</b>
<b>TOTAL ASSETS</b>	<b>1,741,904</b>	<b>1,810,498</b>

(Million yen)

	Year ended March 31, 2017 (As of March 31, 2017)	Year ended March 31, 2018 (As of March 31, 2018)
<b>LIABILITIES</b>		
Current liabilities		
Notes and trade payables	247,562	248,993
Short-term bank loans	43,035	44,794
Current portion of long-term debt	7,560	4,292
Income taxes payable	7,152	10,042
Reserve for bonuses	17,056	17,128
Repair reserve	18,679	29,580
Other	74,151	83,716
Total current liabilities	415,198	438,548
Long-term liabilities		
Bonds	109,640	108,600
Long-term debt	8,658	10,127
Repair reserve	—	7,543
Net defined benefit liability	35,149	35,216
Deferred tax liabilities	66,147	80,717
Other	25,823	27,193
Total long-term liabilities	245,418	269,399
<b>TOTAL LIABILITIES</b>	<b>660,617</b>	<b>707,948</b>
<b>NET ASSETS</b>		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,280	144,264
Retained earnings	695,720	681,976
Treasury stock	(69,636)	(62,908)
Total stockholders' equity	884,829	877,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	149,574	168,155
Net deferred losses on hedges	(2)	(3)
Foreign currency translation adjustments	(2,219)	1,410
Remeasurements of defined benefit plans	1,683	6,241
Total accumulated other comprehensive income	149,035	175,803
Non-controlling interests	47,422	48,950
<b>TOTAL NET ASSETS</b>	<b>1,081,286</b>	<b>1,102,550</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,741,904</b>	<b>1,810,498</b>

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

(Million yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net sales	1,410,172	1,412,251
Cost of sales	1,143,164	1,131,662
Gross profit	267,008	280,589
Selling, general and administrative expenses	235,598	234,217
Operating income	31,410	46,372
Non-operating income		
Interest and dividends income	5,104	5,840
Equity in earnings of affiliates	3,014	3,007
Other	5,559	4,977
Total non-operating income	13,678	13,825
Non-operating expenses		
Interest expense	2,201	2,212
Foreign exchange transaction loss	584	1,416
Contributions	1,239	1,214
Other	4,323	4,382
Total non-operating expenses	8,349	9,226
Ordinary income	36,740	50,971
Extraordinary gains		
Gain on sale of fixed assets	974	13,022
Gain on sale of investment securities	44,915	44,964
Other	3,741	1,326
Total extraordinary gains	49,631	59,312
Extraordinary losses		
Loss on sale or disposal of fixed assets	5,880	3,669
Impairment loss	895	5,952
Repair costs and repair reserve provisions	37,738	53,500
Other	2,026	1,765
Total extraordinary losses	46,541	64,887
Income before income taxes and non-controlling interests	39,831	45,396
Current income taxes	13,541	15,738
Deferred income taxes	(974)	187
Total income taxes	12,567	15,925
Net income	27,263	29,470
Net income attributable to non-controlling shareholders	2,037	1,969
Net income attributable to parent company shareholders	25,226	27,501

**Consolidated statements of comprehensive income**

(Million yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net income	27,263	29,470
Other comprehensive income		
Valuation difference on available-for-sale securities	26,072	18,290
Net deferred gains (losses) on hedges	(1)	3
Foreign currency translation adjustments	(3,873)	1,912
Remeasurements of defined benefit plans	6,891	4,115
Share of other comprehensive income of associates accounted for using equity method	(3,018)	2,612
Total other comprehensive income	26,070	26,933
Comprehensive income	53,334	56,404
Attributable to:		
Parent company shareholders	51,596	54,269
Non-controlling shareholders	1,738	2,135

**(3) Consolidated statements of changes in net assets**  
**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

**The year ended March 31, 2018 (April 1, 2017 – March 31, 2018)**

(Million yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of current period	114,464	144,280	695,720	(69,636)	884,829
Changes of items during the period					
Cash dividends paid			(19,510)		(19,510)
Net income attributable to parent company shareholders			27,501		27,501
Change of scope of consolidation			30		30
Change in ownership interest of parent arising from transactions with non-controlling shareholders		(15)			(15)
Purchases of treasury stock				(15,037)	(15,037)
Disposal of treasury stock			(0)	1	0
Cancellation of treasury stock			(21,763)	21,763	–
Net changes in items other than stockholders' equity					–
Total changes of items during the period	–	(15)	(13,743)	6,727	(7,031)
Balance at the end of current period	114,464	144,264	681,976	(62,908)	877,797

	Accumulated other comprehensive income					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	149,574	(2)	(2,219)	1,683	149,035	47,422	1,081,286
Changes of items during the period							
Cash dividends paid							(19,510)
Net income attributable to parent company shareholders							27,501
Change of scope of consolidation							30
Change in ownership interest of parent arising from transactions with non-controlling shareholders							(15)
Purchases of treasury stock							(15,037)
Disposal of treasury stock							0
Cancellation of treasury stock							–
Net changes in items other than stockholders' equity	18,580	(1)	3,630	4,558	26,767	1,528	28,296
Total changes of items during the period	18,580	(1)	3,630	4,558	26,767	1,528	21,264
Balance at the end of current period	168,155	(3)	1,410	6,241	175,803	48,950	1,102,550



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

(Million yen)

	Year ended March 31, 2017	Year ended March 31, 2018
<b>Cash flows from operating activities</b>		
Income before income taxes and non-controlling interests	39,831	45,396
Depreciation	61,461	61,070
Impairment loss	895	5,952
Decrease of doubtful receivables, net	(1,560)	(302)
Increase of net defined benefit asset	(1,537)	(5,780)
Increase of net defined benefit liability	1,241	2,004
Equity in gains of affiliates	(3,014)	(3,007)
Amortization of consolidation goodwill, net	2,316	2,306
Interest and dividend income	(5,104)	(5,840)
Interest expense	2,201	2,212
Net gain on sales of investment securities	(46,205)	(45,686)
Net loss on devaluation of investment securities	161	758
Net (gains) losses on sale or disposal of fixed assets	4,970	(9,302)
Repair costs	5,793	–
Repair reserve provisions	31,944	53,500
(Increase) Decrease in trade receivables	4,443	(17,606)
(Increase) Decrease in inventories	3,257	(875)
Increase (Decrease) in trade payables	(99)	5,899
Other	6,909	6,049
<b>Sub-total</b>	<b>107,908</b>	<b>96,746</b>
Payments for repair costs	(23,148)	(35,056)
Payments for extra retirement payments	(104)	(48)
Payment of income taxes	(12,710)	(13,184)
<b>Net cash provided by operating activities</b>	<b>71,944</b>	<b>48,457</b>
<b>Cash flows from investing activities</b>		
Net (increase) decrease in time deposits	240	(1,547)
Payments for purchases of property, plant and equipment	(50,031)	(32,500)
Proceeds from sales of property, plant and equipment	4,990	19,644
Payments for purchases of investment securities	(691)	(1,234)
Proceeds from sales of investment securities	60,878	54,616
Payments for purchase of intangible fixed assets	(11,212)	(10,483)
Payments for sales of stock in subsidiaries resulting in change in scope of consolidation	–	(855)
Proceeds from sales of stock in subsidiaries resulting in change in scope of consolidation	1,288	–
Interest and dividends received	7,952	8,256
Other	596	(12,822)
<b>Net cash provided by investing activities</b>	<b>14,011</b>	<b>23,074</b>

(Million yen)

	Year ended March 31, 2017	Year ended March 31, 2018
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term bank loans	(6,961)	2,257
Proceeds from long-term debt	6,680	2,690
Repayments of long-term debt	(6,983)	(4,076)
Proceeds from issuance of bonds	3,933	1,224
Payments for redemption of bonds	(555)	(240)
Payments for purchases of treasury stock	(15,174)	(15,037)
Payments for purchases of treasury stock of subsidiaries	(7)	(130)
Interest paid	(2,208)	(2,213)
Dividends paid	(19,918)	(19,524)
Dividends paid to non-controlling interests	(338)	(393)
Payments for purchase of stock in subsidiaries not resulting in change in scope of consolidation	–	(226)
Other	(3,688)	(7,102)
Net cash used in financing activities	(45,222)	(42,771)
Effect of exchange rate changes on cash and cash equivalents	(1,701)	1,428
Net increase in cash and cash equivalents	39,032	30,188
Cash and cash equivalents at beginning of year	175,513	214,564
Increase in cash and cash equivalents resulting from change of scope of consolidation	18	–
Increase in cash and cash equivalents resulting from the merger of non-consolidated subsidiaries	–	184
Cash and cash equivalents at end of year	214,564	244,936

## **(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: 105**

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: 18**

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  
Photronics DNP Mask Corporation Xiamen

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

##### **(Scope of consolidation)**

Newly included: 1 Library Academy Co., Ltd.  
Excluded: 2 DNP Color Techno Kameyama Co., Ltd. and one other company

##### **(Application of equity method)**

Newly included: 3 Photronics DNP Mask Corporation Xiamen and two other companies  
Excluded: 1 SD Future Technology Co., Ltd.

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

Of the consolidated subsidiaries, Hokkaido Coca-Cola Bottling Co., Ltd. and 24 others have fiscal years that end on December 31, while Maruzen CHI Holdings Co., Ltd. and 25 others have fiscal years that end on January 31. Their financial statements as of the same date 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 or 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 moving-average method.)

- Those without market prices available

- 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

- Lease assets with transfer of ownership

- These lease assets are depreciated using the same depreciation method used for owned fixed assets.

- Lease assets with no transfer of ownership

- 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**

- Method of attributing expected retirement benefits to periods  
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.
- Method of amortizing actuarial gains/losses and prior service costs  
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).

**(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 estimates]**

(Repair reserve)

The Group previously recorded repair reserves to cover the expected required repair costs for defects in some products, but because it was able to obtain new and more accurate information about the products subject to repair, it changed its estimate in the second quarter of the fiscal year ended March 31, 2018.

As a result, income before income taxes and non-controlling interests decreased by ¥53.5 billion in the fiscal year ended March 31, 2018.

**[Consolidated balance sheets]**

	Year ended March 31, 2017	Year ended March 31, 2018
Discounts on notes receivables	¥625 million	¥664 million

**[Consolidated statements of income]**

	Year ended March 31, 2017	Year ended March 31, 2018
1. Research and development expenses (Selling, general and administrative expenses)	¥31,375 million	¥33,210 million

## 2. Impairment losses

The Group recorded impairment losses for the following asset groups in the current consolidated fiscal year.

Location	Application	Category
Kazo city (Saitama), other	Idle assets, other	Buildings and structures, land, other

In calculating impairment losses, we group assets based mainly on the business groups that serve as profit/loss units. It also considers impairment losses for each individual item for loaned assets and idle assets.

As a result, the DNP Group lowered the carrying amounts of asset groups with diminished profitability to their recoverable amounts, and recorded this decrease as an impairment loss (¥5,952 million) under extraordinary losses.

The impairment loss breaks down into buildings and structures at ¥3,579 million, land at ¥1,870 million, and other at ¥502 million.

The DNP Group measures the recoverable amounts of asset groups based on their net sale prices, and calculates net sale prices based on real estate appraisal values and other factors.

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

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

**The year ended March 31, 2018 (April 1, 2017 – March 31, 2018)**

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

(Shares)

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

- Notes:
- The number of outstanding shares of common stock decreased by 339,240,347 shares, with the following breakdown.
    - Decrease due to the cancellation of treasury shares by resolution of the Board of Directors  
15,000,000 shares
    - Decrease due to a share consolidation  
324,240,347 shares
  - The number of treasury shares of common stock increased by 12,062,315 shares, with the following breakdown.

(Before the share consolidation)

    - Increase from repurchase of odd-lot shares  
20,759 shares
    - Increase from acquisition of treasury shares by resolution of the Board of Directors  
12,037,000 shares

(At the time of and after the share consolidation)

    - Increase from repurchase of fractional shares resulting from the share consolidation  
1,492 shares
    - Increase from repurchase of odd-lot shares  
3,064 shares
  - The number of treasury shares of common stock decreased by 37,672,825 shares, with the following breakdown.

(Before the share consolidation)

    - Decrease due to sale of odd-lot shares  
305 shares
    - Decrease due to the cancellation of treasury shares by resolution of the Board of Directors  
15,000,000 shares

(At the time of and after the share consolidation)

    - Decrease due to a share consolidation  
22,672,282 shares
    - Decrease due to sale of odd-lot shares  
238 shares

**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, 2017	Common stock	9,851	16	March 31, 2017	June 30, 2017
Board of Directors' meeting on November 9, 2017	Common stock	9,658	16	September 30, 2017	December 8, 2017

**(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 28, 2018	Common stock	9,658	Retained earnings	32	March 31, 2018	June 29, 2018

**[Segment information, etc.]**

**(Segment information)**

**1. Overview of the reporting segments**

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

The DNP Group'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.

The Group 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 in 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 beverages, mineral waters and other products.

**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.



**3. Information on sales, income/loss, assets, and other items by reporting segment**  
**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.

**The year ended March 31, 2018 (April 1, 2017 – March 31, 2018)**

(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	774,997	392,458	188,745	56,049	1,412,251	–	1,412,251
Inter-segment	3,638	1,848	9	11	5,508	(5,508)	–
Total	778,636	394,307	188,754	56,061	1,417,760	(5,508)	1,412,251
Segment income	21,757	12,127	34,100	2,244	70,229	(23,857)	46,372
Segment assets	904,486	453,741	242,462	48,550	1,649,240	161,257	1,810,498
Other items							
Depreciation and amortization	26,967	16,508	12,234	2,607	58,318	2,751	61,070
Amortization of goodwill	1,093	1,213	–	–	2,306	–	2,306
Impairment loss	1,979	–	–	21	2,000	3,951	5,952
Increase in property, plant and equipment and in intangible fixed assets	27,286	15,724	10,599	2,326	55,938	3,619	59,557

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) Impairment loss adjustments are related to companywide assets not allocated to reporting segments.
  - (4) 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, 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 sales to specific outside customers are less than 10% of sales as reported in the consolidated statements of income.

**The year ended March 31, 2018 (April 1, 2017 – March 31, 2018)**

## 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
1,185,561	150,794	75,896	1,412,251

- 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, Germany, United Kingdom

## (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 sales to specific outside customers are less than 10% of sales as reported in the consolidated statements of income.

**[Per share information]**

	Year ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Year ended March 31, 2018 (April 1, 2017 – March 31, 2018)
Net assets per share	¥3,361.10	¥3,493.79
Net income per share	¥81.57	¥90.77
Diluted net income per share	¥81.55	¥90.71

Notes: 1. Dai Nippon Printing Co., Ltd. implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. It has estimated net assets per share, net income per share, and diluted net income per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

2. The basis for calculating net income per share and diluted net income per share is as follows.

	Year ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Year ended March 31, 2018 (April 1, 2017 – March 31, 2018)
(1) Net income per share		
Net income attributable to parent company shareholders (Million yen)	25,226	27,501
Amounts not attributable to common shareholders (Million yen)	–	–
Net income attributable to parent company common shareholders (Million yen)	25,226	27,501
Average number of common shares outstanding during the fiscal year (Thousand shares)	309,253	302,982
(2) Diluted net income per share		
Adjustments to net income attributable to parent company shareholders (Million yen)	(6)	(17)
Of which, impact of dilutive stock of consolidated subsidiaries and affiliates (Million yen)	(6)	(17)
Increase in common stock (Thousand shares)	–	–

3. The basis for calculating net assets per share is as follows.

	Year ended March 31, 2017 (As of March 31, 2017)	Year ended March 31, 2018 (As of March 31, 2018)
Total net assets (Million yen)	1,081,286	1,102,550
Amount excluded from total net assets (Million yen)	47,422	48,950
Of which, non-controlling interests (Million yen)	47,422	48,950
Net assets at fiscal year-end pertaining to common stock (Million yen)	1,033,864	1,053,600
Number of common shares outstanding (Thousand shares)	331,740	324,240
Number of common treasury shares (Thousand shares)	24,143	22,676
Number of common shares at fiscal year-end used for the calculation of net assets per share (Thousand shares)	307,596	301,563

**[Significant subsequent events]**

None

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

### (1) Non-consolidated balance sheets

(Million yen)

	Year ended March 31, 2017 (As of March 31, 2017)	Year ended March 31, 2018 (As of March 31, 2018)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	119,969	147,626
Notes receivable	46,098	49,183
Trade receivable	238,066	247,016
Merchandise and finished goods	4,584	3,610
Work in progress	9,713	10,467
Raw materials and supplies	1,036	1,396
Deferred income taxes	10,173	13,586
Other	32,015	43,223
Allowance for doubtful accounts	(1,171)	(1,313)
Total current assets	460,485	514,798
Fixed assets		
Property, plant and equipment		
Buildings	436,136	431,618
Accumulated depreciation	(276,029)	(279,803)
Buildings, net	160,107	151,814
Structures	33,267	33,037
Accumulated depreciation	(26,509)	(26,802)
Structures, net	6,757	6,235
Machinery	576,058	570,635
Accumulated depreciation	(529,683)	(522,293)
Machinery, net	46,375	48,341
Vehicles	1,367	1,440
Accumulated depreciation	(1,261)	(1,306)
Vehicles, net	106	134
Equipment	51,494	51,906
Accumulated depreciation	(40,669)	(41,583)
Equipment, net	10,824	10,322
Land	132,491	129,924
Lease asset	2,344	2,417
Accumulated depreciation	(1,092)	(1,217)
Lease asset, net	1,252	1,199
Construction in progress	11,131	3,481
Total property, plant and equipment	369,046	351,454
Intangible fixed assets		
Software	21,687	21,379
Other	1,861	1,561
Total intangible fixed assets	23,549	22,940
Investments and other assets		
Investment securities	322,993	340,204
Investments in securities in affiliates	158,185	151,956
Investments in capital of affiliates	2,922	3,270
Long-term loans to affiliates	3,070	2,150
Prepaid pension costs	47,033	51,292
Other	22,200	18,329
Allowance for doubtful accounts	(9,833)	(9,323)
Total investments and other assets	546,572	557,880
Total fixed assets	939,168	932,275

(Million yen)

	Year ended March 31, 2017 (As of March 31, 2017)	Year ended March 31, 2018 (As of March 31, 2018)
<b>TOTAL ASSETS</b>	<b>1,399,653</b>	<b>1,447,073</b>

(Million yen)

	Year ended March 31, 2017 (As of March 31, 2017)	Year ended March 31, 2018 (As of March 31, 2018)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable	11,521	11,771
Trade payable	206,386	209,154
Lease obligations	452	436
Asset retirement obligations	200	–
Accounts payable - other	31,953	37,614
Accrued expenses	17,049	16,526
Advances received	4,052	3,937
Deposits payable	187,041	194,277
Reserve for bonuses	7,575	7,521
Reserve for bonuses to directors	178	197
Repair reserve	18,679	29,580
Notes payable for facilities	485	713
Other	138	–
Total current liabilities	485,715	511,730
Long-term liabilities		
Bonds	100,000	100,000
Lease obligations	1,072	972
Asset retirement obligations	966	986
Long-term accounts payable	5,834	5,834
Provision for retirement benefits	8,685	9,234
Reserve for environmental measures	207	367
Repair reserve	–	7,543
Deferred tax liabilities	59,959	72,504
Other	–	201
Total long-term liabilities	176,726	197,646
<b>TOTAL LIABILITIES</b>	<b>662,442</b>	<b>709,376</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	25	23
Other reserve	332,780	282,780
Retained earnings brought forward	43,659	69,719
Total retained earnings	399,765	375,823
Treasury stock	(69,581)	(62,854)
Total stockholders' equity	589,546	572,331
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	147,664	165,365
Total valuation and translation adjustments	147,664	165,365
<b>TOTAL NET ASSETS</b>	<b>737,211</b>	<b>737,696</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,399,653</b>	<b>1,447,073</b>

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

(Million yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net sales	976,797	990,750
Cost of sales	858,427	863,888
Gross profit	118,369	126,862
Selling, general and administrative expenses	127,776	129,776
Operating loss	(9,406)	(2,914)
Non-operating income		
Interest income	191	177
Dividend income	24,922	26,616
Other	34,742	31,273
Total non-operating income	59,855	58,066
Non-operating expenses		
Interest expense	1,531	1,533
Other	27,955	27,197
Total non-operating expenses	29,486	28,730
Ordinary income	20,962	26,422
Extraordinary gains		
Gain on sale of fixed assets	52	11,964
Gain on sale of investment securities	44,764	44,775
Other	827	1,512
Total extraordinary gains	45,644	58,251
Extraordinary losses		
Loss on sale or disposal of fixed assets	5,389	3,076
Impairment loss	–	3,951
Repair costs and repair reserve provisions	37,738	53,500
Other	2,037	3,685
Total extraordinary losses	45,164	64,213
Income before income taxes	21,442	20,460
Current income taxes	1,490	1,320
Deferred income taxes	(33)	787
Total income taxes	1,456	2,107
Net income	19,985	18,353

**(3) Non-consolidated statements of changes in net assets**  
**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



**The year ended March 31, 2018 (April 1, 2017 – March 31, 2018)**

(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	25	332,780	43,659	399,765
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	–
Reversal of other reserves							(50,000)	50,000	–
Cash dividends paid								(19,510)	(19,510)
Net income								18,353	18,353
Purchases of treasury stock									
Disposal of treasury stock								(0)	(0)
Cancellation of treasury stock								(21,763)	(21,763)
Decrease due to company split								(1,021)	(1,021)
Net changes in items other than stockholders' equity									
Total changes of items during the period	–	–	–	–	(0)	(2)	(50,000)	26,059	(23,942)
Balance at the end of current period	114,464	144,898	144,898	23,300	0	23	282,780	69,719	375,823

	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	(69,581)	589,546	147,664	147,664	737,211
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		(19,510)			(19,510)
Net income		18,353			18,353
Purchases of treasury stock	(15,037)	(15,037)			(15,037)
Disposal of treasury stock	1	0			0
Cancellation of treasury stock	21,763	–			–
Decrease due to company split		(1,021)			(1,021)
Net changes in items other than stockholders' equity		–	17,700	17,700	17,700
Total changes of items during the period	6,727	(17,215)	17,700	17,700	485
Balance at the end of current period	(62,854)	572,331	165,365	165,365	737,696

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

None