



Special Feature:

DNP's Growth
Strategies

“Today's
Innovation is
Tomorrow's
Basic”

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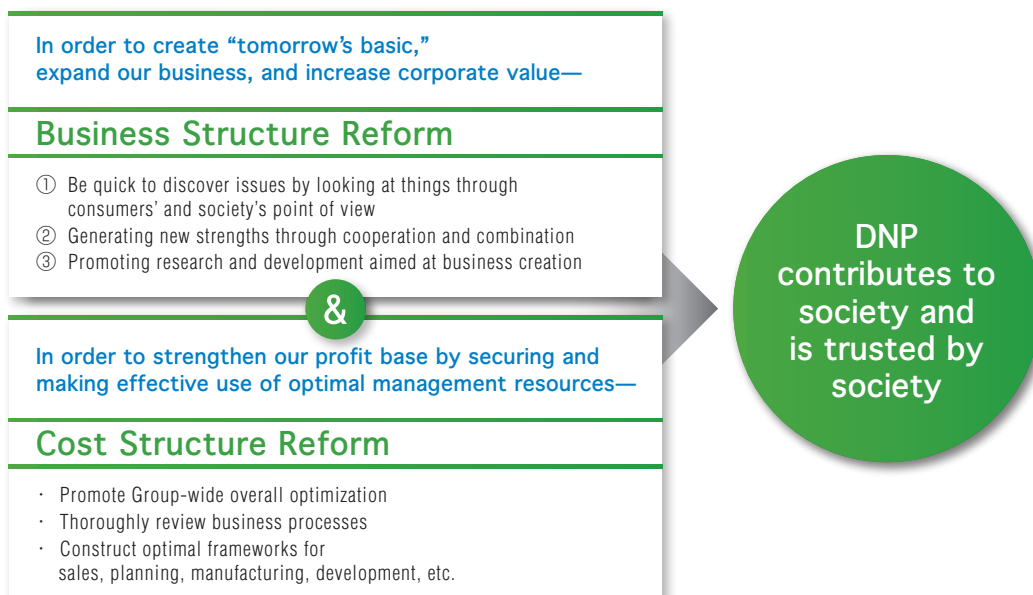
What do we mean by “basic?”

At DNP, we believe it would be wonderful if “basic” meant that everyone—all over the world—can lead a healthy, rich life together with family and friends, safely protected and truly at peace.

Amid the dramatic changes occurring in today’s society, we feel pressured to rethink what we have considered “basic” until now. If it seems that placing heavy burdens on the environment, damaging our health, and taking the comfort out of communication have become “basic,” then we need to change.

Looking at the world from the viewpoint of consumers, society, and the entire planet, DNP classifies and analyzes various problems and depicts “tomorrow’s basics” that would be desirable for humankind. When we do so, we also give full consideration to how we can use our own technologies and expertise to help solve problems, to how we can expect significant growth in our business, and to how this will lead to improving DNP’s corporate value.

At this juncture we have established four areas in which to cultivate “tomorrow’s basic”: information distribution, health and medical care, environment and energy, and comfortable living. DNP will set about creating value in these areas overseas as well as in Japan, i.e. working to develop new products and services that solve problems for businesses, consumers, and society.





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Four Growth Areas Where DNP Will Concentrate on Creating Value

In order to create "tomorrow's basic," we need to have a clear vision of what people want the future to look like. There are many possible scenarios of what the future might be like, but it's impossible to accurately predict what will actually happen.

At DNP, we believe we can participate in the creation of a desirable future by clearly identifying the problems that consumers, society, and the whole world want solved and by proposing optimal solutions for those problems.

We began the process of creating new value that will be "tomorrow's basic" by sorting and analyzing the problems we face. Next, we focused on fields in which DNP can help solve problems by making use of the technologies and human resources that are our strengths, and we established four growth areas that we feel we should make our first priorities: information distribution, health and medical care, environment and energy, and comfortable living. As these areas influence each other, they will form an even bigger business field.



DNP was established in 1876, based on the entrepreneurial spirit of its founders and the most advanced technology of the time—letterpress printing. Ever since, DNP has continued to generate new products and services and innovative systems. DNP's technologies and expertise played important roles in the creation of many products that are taken for granted today, such as weekly magazines, electronic dictionaries, smart cards, and holograms. DNP products and services are also indispensable to a variety of other items that we use in everyday life, including advanced packaging products that protect foods and household items, scratch-resistant wall and floor coverings, and components for devices such as smart phones and tablet PCs.

The company's motto at the time of its founding, "Run a civilized business," expresses the strong desire of DNP's founders to contribute to the development of society. This desire has been passed down to us as what we call the "DNP spirit" that inspires us to continually take on challenges in our daily work.

The diagram below shows how DNP can use its strengths to contribute to value creation in four areas that are expected to grow. Overseas as well as in Japan, DNP intends to continue providing new value for corporate clients, consumers, and society by solving the types of problems mentioned below.





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Providing comprehensive energy solutions that support the generation, storage, and conservation of energy

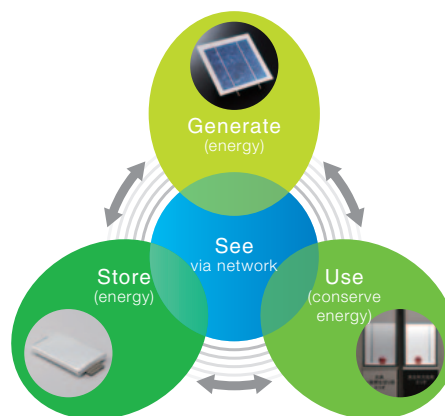


Environmental and energy-related problems are worldwide social problems that need to be solved. DNP will continue to respond by providing comprehensive energy solutions.

We already mass-produce components that increase the conversion efficiency of photovoltaic cells in order to generate energy, and we already mass-produce soft packs for lithium-ion batteries to store energy. We address conserving energy by offering products like decorative materials with outstanding thermal insulation and light blocking performance, which can be used to make efficient use of light, heat, and other forms of energy.

These environment and energy-related solutions can be made even more effective through optimal information management. For example, our information distribution technologies and expertise can be put to effective use in monitoring the status of actual generation, storage, and conservation of energy relative to our goals in order to maximize the effectiveness of our efforts. One example of how we do that is through our "Making Energy Visible" system.

In addition to developing diverse products and services that make use of unique DNP abilities—including optical design technologies, electron beam technology, and information processing technologies—we combine those products and services to offer total systems that meet the needs of corporate clients and consumers.



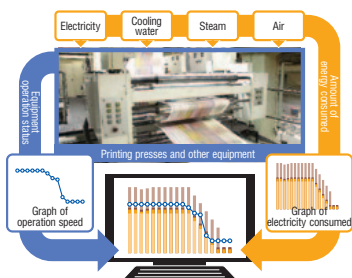
Conserving energy by making consumption "visible"

DNP developed its own real-time energy consumption monitoring system by linking production equipment operation data with energy usage data. We introduced the system to the market in 2009. After introducing the system at our domestic production locations, we achieved reductions in CO₂ emissions. In 2011, we developed our Total Energy Conservation Management System for managing every step of energy conservation at our business locations, from planning and implementation to verification, and we reconfigured our operational frameworks to increase energy conservation.

We also developed an energy conservation system for laser lithography, one of the processes performed on our photomask production lines, and achieved a major reduction in electric power usage. In recognition of this achievement, the Energy Conservation Center, Japan awarded DNP with a special prize for "Excellent Energy Conservation" as part of the Center's Energy Conservation Grand Prize program for the fiscal year ended March 2012.

Energy Monitoring System

The system integrates "equipment operation status" with "amount of energy consumed" and displays the results in an easy-to-understand format.



Start of demonstration test of power peak shift using O2O

DNP is collaborating with FAMILYNET · JAPAN CORPORATION to conduct a demonstration test of a system for shifting power usage to off-peak hours using O2O (Online to Offline) marketing. The test began in July 2013 and is scheduled to run for approximately one year.

For this test, the companies recruited 200 condominium-dwelling households and gave a free tablet PC to each participating household. Participants are encouraged to leave their homes during the hours of peak power consumption. In addition to receiving a tablet PC application that enables them to check their daily power usage, participants receive discount coupons and information about bargains that can be used at commercial facilities during the hours when residential power consumption is expected to peak. The goal is to use O2O information services that draw customers to shops and restaurants to get them out of their homes and shift power consumption to off-peak times.

In the future, we intend to develop a new service that combines O2O with Mansion Energy Management System (MEMS) in order to satisfy both businesses that want to provide information and consumers who want to use their information.



Screenshot of DNP's peak power shifting application on a tablet PC

Improving quality of life



Health and
medical care

Now that the population's average age is rising in Japan and in many other countries, there is a greater need to resolve problems related to medical care and pharmaceutical drugs as well as to improve the quality of life of people in their later years. DNP positions health and medical care as one of our priority growth areas, and we intend to concentrate on creating businesses that make use of our strengths in printing and information technologies.

For example, DNP is working on mass-producing cell culture substrates as part of our active participation in a project aimed at commercializing cell sheets developed by Tokyo Women's Medical University. There are increasing expectations that cell sheets will be useful in regenerative medicine. Additionally, in collaboration with Tokyo Medical and Dental University, we are applying technologies that we acquired through printing, such as color management and 3D image processing, to the research and development of technologies aimed at discovering the causes of pathological myopia and developing early diagnosis and treatment methods.

DNP is working to support the pharmaceutical and health food markets, preventative medicine and other fields related to medical care, and to expand its business into areas like nursing care.

Using image processing technologies to assess iPS cells

In order to enable widespread use of induced pluripotent stem (iPS) cells in regenerative medicine, we must be able to cultivate the cells safely and uniformly. In order to create tissues for transplantation, in addition to properly preparing the cell cultivation environment, we need new methods of determining whether the cells are growing uniformly or not.

Cells form tissues by dividing repeatedly, and it is possible to determine the status of tissue growth by tracking each cell's movements. DNP and Carnegie Mellon University jointly developed a unique image processing technology that makes it possible to precisely track individual cells' movements and cell division status by analyzing microscopic images. We are now working on applying this technology to quality assessment processes related to regenerative medicine. For example, we are engaged in joint research with Osaka University aimed at using the technology in retinal regeneration.

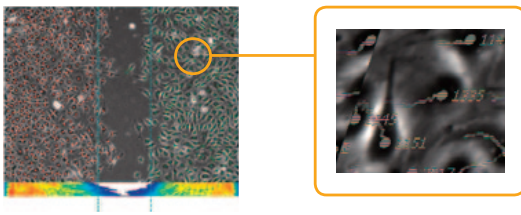


Image processing technology makes it possible to confirm cultivation status by tracking the movements of individual cells

Left: cells are growing from the right and left sides toward the center
Right: the enlarged image makes it possible to distinguish individual cells

"Comfortable living" and business opportunities



Comfortable
living

In every era and every location, there will always be demand for comfortable living, and this demand contains important business opportunities. Currently, for example, people want participation in local communities, "smart," eco-friendly dwelling spaces, products and services that meet the needs of individual consumers, and consideration for "universal design" that makes products and services easy for anyone to use.

Within the growing "comfortable living" field, DNP aims to expand business in such markets as services for the elderly, residential renovation, "smart" communities, and town management. In the process, we will make use of our various special abilities, including expertise in consumer information processing based on advanced security infrastructure, dwelling space and decorative material design, and electron beam technologies, while also strengthening cooperation between business fields.

DNP products are indispensable to comfortable living spaces

DNP's unique electron beam (EB) technology enables the creation of exceptionally durable interior and exterior materials that are highly resistant to scratching and soiling. This technology is indispensable to the creation of comfortable living spaces. For example, because our EB cloth is extremely low in volatile organic compounds (VOCs) and lightweight (40% lighter than DNP's vinyl chloride wall covering), it is easier to work with and has received high marks from the whole supply chain, including consumers, builders, and distributors.

Another example is DNP's line of Ellio products, which are made of directly painted or printed steel plate, stainless steel or aluminum. These products, too, are increasingly popular because they combine highly artistic designs with the fire resistance and other benefits of using metal. In 2012 we introduced a new product called "High-reflective, Light-diffusing Ellio." The product is used on walls and/or ceilings, where it effectively reflects and diffuses natural and artificial light, thereby reducing the amount of energy required to light the room. Since its introduction on the ceilings of Tohoku Shinkansen Hayabusa passenger rail cars, the new product is broadening its market to include office buildings, public facilities, and multi-family housing.

High-reflective, Light-diffusing Ellio (right) compared with standard room divider Ellio (left)

By scattering indirect light into every corner of a space, a greater degree of illumination can be achieved under the same lighting conditions.





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Major Initiatives Aimed at Global Expansion

DNP sees the entire world as its target market. We aim to make the most of our strengths in order to provide products and services that precisely meet the needs of people who face all kinds of problems in every part of the world.

In particular, we need to resolve social issues like reducing the burden that humans place on the environment, using energy efficiently, and designing products according to universal design principles not just in Japan, but all over the world.

Ever since we opened a Hong Kong office in 1964, we have actively developed our overseas business and expanded our operating locations in Europe, Asia, North America, Australia and elsewhere. In the regions where we operate, we manufacture and sell publications including pop-up and other books, catalogs and other commercial printed matter, packaging and building materials, color and monochrome ink ribbons, photomasks used in semiconductor manufacturing, and other products.

Currently, one of our main policies is to further expand our business in the Asian region, where more marked economic growth is expected. Especially in the ASEAN countries, information media and lifestyles are rapidly changing, giving rise to higher expectations for DNP products and services that boast outstanding functionality and are needed for comfortable living. In order to seize the business opportunities presented there, we established a regional control company in Singapore in June 2012 and have been working to establish optimal business management suited to the various situations found in each part of Asia.

In the fiscal term through March 2013, DNP's overseas sales amounted to 195.6 billion yen, representing 13.5% of the Group's consolidated net sales, up 0.7 point from a year earlier. Of overseas net sales, the Asian region contributed about 70%, or 137.5 billion yen.

Packaging Operations

Bolstering our overseas production bases, primarily in rapidly growing Southeast Asia

DNP founded PT DNP Indonesia in 1972 in order to spread "packaging culture" in Indonesia. By performing a variety of manufacturing processes in-house and supplying high-quality products and services that respond to diverse needs, we have built a solid relationship of trust with our corporate clients. Currently, we have captured the top share in many packaging fields including household items and foods, and we serve as a strategic partner to companies that do business on a global scale by providing them with high-quality packaging.

Today, PT DNP Indonesia aims to expand its production capacity in response to Asia's continuously growing markets; in January 2013 it increased its capacity for producing soft packaging materials by about 20%. Looking ahead, we plan to build a new factory in Indonesia with projected start-up in 2015.

In May 2013, we commenced operation of a new plant in Vietnam, which has drawn attention as a distribution base for all of Indochina and a site of continuing rapid economic growth. Previously we

supplied the nations of Indochina by exporting from Indonesia, but the establishment of our new production location will allow us to shorten delivery times and to spread production capacity and risk as the number of our operating locations in Southeast Asia increases.

As a result of these measures, we aim to become Southeast Asia's leading packaging company and boost our overseas net sales from packaging by about 50%, from roughly 23.0 billion yen currently to around 35.0 billion yen in 2015.



DNP's Vietnamese plant



Employees at our Vietnamese plant



Inside DNP's Vietnamese plant

DNP's Overseas Sales

(¥ billion)



Percentage of the Overseas Sales to Overall Sales

(%)



Information Media Supplies

Global expansion of barcode ink ribbon and photo print businesses

DNP began manufacturing and selling thermal resin-type transfer printing media in the early 1980s. Today, these products are the object of increasing demand for printing barcodes at distribution and manufacturing sites. The Americas account for more than 40% of the world barcode market. Since demand in North, Central, and South America is expected to continue to grow, in May 2013 we expanded our Pittsburgh plant's coating facilities for making thermal resin-type transfer printing media used for printing barcodes.

Previously, in addition to Americas-bound products that were coated locally, we had been providing products that were coated in Japan due to production capacity limitations. By roughly doubling the coating capacity at

our Pittsburgh plant, we strengthened our local production framework and achieved a big reduction in lead time.

Meanwhile, due to the spread of digital cameras and smart phones in recent years, there is increasing worldwide demand for printing digital photos using dry methods that do not require developing solution. Photo printing systems that use dye-sublimation type thermal transfer printing media (color ink ribbons and receiver paper) provide much faster printing and much more durable prints, and are acclaimed by the market because the equipment costs less and is easier to maintain than equipment used for silver halide-based printing.

DNP began manufacturing and selling dye-sublimation thermal transfer printing media in the 1980s and currently holds

one of the top shares of the world's market. Especially in Southeast Asia, demand is growing not only for printing regular digital photos but also for printing ID photos and souvenir photos taken at tourist destinations. In order to respond to global photo printing demand, including in Southeast Asian and other developing countries, DNP will establish a new production base in Malaysia in September 2013.

One of DNP's advantages is that we handle product development, manufacturing and sales within a single integrated framework. We intend to expand our global business in response to growing demand for barcode printing in the Americas and for photo printing all over the world, including in developing countries.



Pittsburgh plant



Barcode labels made using thermal resin-type transfer printing media



Digital rendering of planned Malaysian plant



Dye-sublimation type thermal transfer printing media



Promoting Business Structure and Cost Structure Reforms

In order for DNP to create “tomorrow's basic,” we need to pursue both “business structure reform” that responds to major changes and enables us to take on the challenge of expanding our business not only in existing fields but in completely new fields, and “cost structure reform” that enables us to use management resources effectively.

Business structure reform: we will focus on the following three points.

- ① Increasing corporate value by being quick to discover and solve problems from the viewpoints of consumers and society
- ② Increasing collaboration within and outside our corporate group, and combining strengths in order to create new strengths

- ③ Pursuing business creation-oriented research and development and actively taking on the challenge of developing new business fields

Cost structure reform: We will focus on getting the entire DNP Group to work together to promote overall optimization. In the fiscal term through March 2013, we responded to drastic changes in the business environment by merging business units, reviewing production bases, and taking other aggressive steps. We also worked to establish optimal production frameworks, improve quality, and boost cost competitiveness. Going forward, we will conduct thorough reviews of business processes and build optimal frameworks for further increasing cooperation between sales, project planning, manufacturing, product development and other functions.

Information Communication

Launch of “Information Solutions” division aimed at increasing cooperation through merger of business units

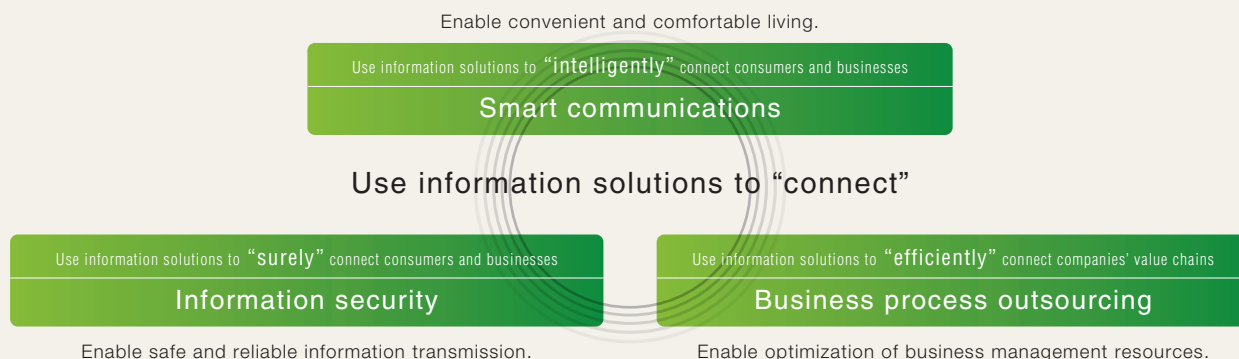
In October 2012, we merged three business units, which mainly handle commercial printing, smart cards and security solutions, in order to further boost the Information Communication segment's competitiveness and ability to respond to customers. The new Information Solutions business unit will work at the global level in partnership with corporate clients and consumers to develop optimal solutions for all types of communication-related issues.

- **Creation of highly original information solutions:** Make use of each area's specialties and the technologies and know-how that they have cultivated, and combine customer bases and other assets in order to develop highly

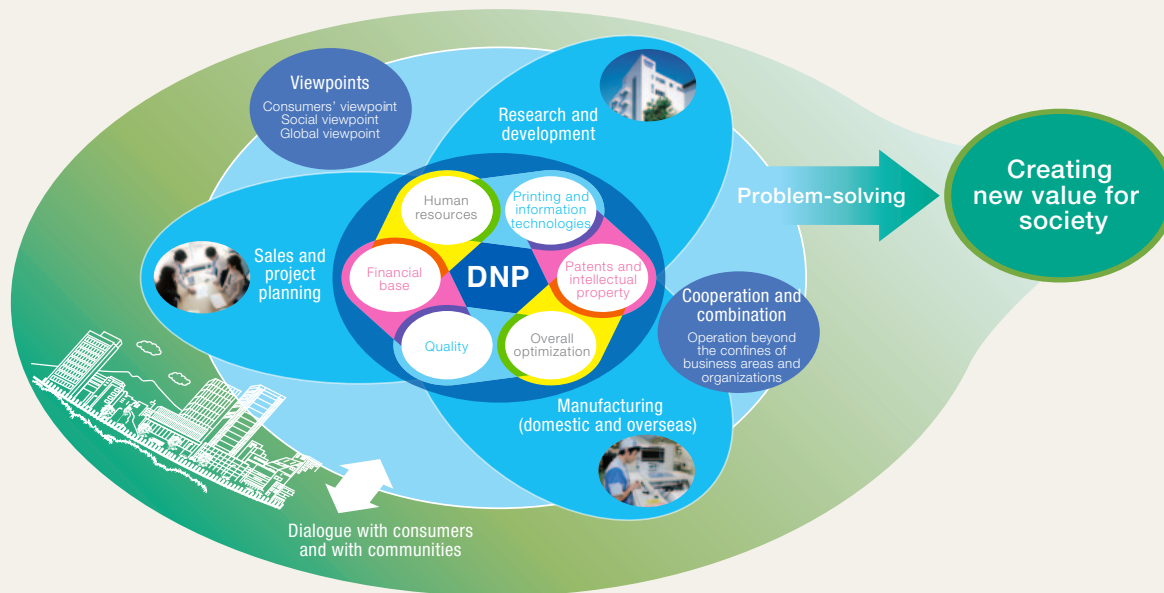
original, more effective solutions.

- **Strengthening of personalized marketing:** Work through various channels including websites and points of sale combined with paper and digital information media in order to stimulate more personalized communication between businesses and consumers.
- **Expanding our Business Process Outsourcing (BPO) business:** Focus on boosting corporate clients' efficiency by performing business processes on their behalf, including operation of customer service centers, campaign offices, and financial institutions' back offices.

■ With resolution of customers' and society's problems as the starting point, develop business around the following three core areas.



■ The Strengths that Enable DNP to Create “Tomorrow’s Basic”



Lifestyle and Industrial Supplies

Reorganization of Packaging Operations’ domestic production framework and increasing competitiveness

DNP has developed a comprehensive packaging business that operates in Japan and abroad, handling project planning, development and manufacturing of paper and plastic containers, flexible packaging, etc. for a wide range of product fields including foods and household goods. In October 2012, we reorganized our domestic production framework in order to increase Packaging Operations’ competitive position and earning power while simultaneously constructing an optimal framework for business continuity.

- Of Packaging Operations’ five group companies, DNP Technopack Co., Ltd. was the surviving company that absorbed the other four—DNP Technopack Yokohama Co., Ltd., DNP Technopack Tokai Co., Ltd., DNP Technopack Kansai Co., Ltd. and DNP Techno Polymer Co., Ltd.

- We reorganized the manufacturing, production control, and technical sections of the packaging divisions of our local operating companies (DNP Hokkaido Co., Ltd., DNP Tohoku Co., Ltd., DNP Chubu Co., Ltd. and DNP Nishi Nippon Co., Ltd.) and integrated those functions into DNP Technopack, resulting in a uniformly managed nationwide packaging production framework.

In addition to continuing to press forward with “cost structure reform” aimed at improving profitability through measures like reducing fixed costs and improving production efficiency, we will continue to implement “business structure reform” with a focus on expanding overseas production bases and developing eco-friendly products and functional packaging products.

Electronics

Promoting the development of touch panel components and other new products

By applying the technologies and production equipment that we have acquired through the manufacture of LCD color filters and shadow masks for CRT televisions, we will continue to develop new products for which there is strong market demand while restraining capital spending.

For example, we responded to growing demand for touch panels by developing cover glass integrated sensors and film-type sensors, and we have already begun shipping this product. Going forward, our main areas of focus will be developing new products that help make information terminals thinner and lighter in weight.

Improving profitability by integrating business units and optimizing production frameworks

In June 2012, by merging two business units that primarily handled display components and electronic devices, we strengthened the Electronics segment’s technological capacity and overall product development capability, improved investment efficiency and promoted market development. In order to optimize our production framework, we transferred the color filter operations at our Sakai plant in Osaka Prefecture to Sakai Display Products Corp. in August 2012, and sold some of the color filter production equipment from our Mihara Plant in Hiroshima Prefecture in February 2013. As a result of these measures, we expect to reduce fixed costs and waste, and improve the profitability of our operations.