

## To Our Shareholders

By consolidating the strengths of our entire corporate Group  
to address four growth areas,

**DNP will create “Tomorrow’s Basic” value.**



Yoshitoshi Kitajima, President

At DNP, we are expanding our business in order to create “Tomorrow’s Basic.” When we say, “create ‘Tomorrow’s Basic,’” we mean developing products and services that solve challenges for businesses, consumers, and society in ways that make people always want to have those solutions close at hand. In order to realize this goal, each member of DNP needs to view situations from the consumer’s standpoint, be quick to grasp challenges not only in Japan but all over the world, and do his or her utmost to find solutions. This year we identified the following four growth areas in order to make maximum use of the advanced printing and information technologies that are DNP’s strengths to more effectively generate products, services and infrastructure that are indispensable to consumers and businesses.

In “knowledge and communication,” we aim to achieve safe and comfortable communication in the context of an advanced information society, and to foster cultural development. With “food and healthcare,” we want to improve quality of life for members of our “ultra-aging” society, and support lifelong health maintenance. Through “environment and energy,” we seek to enable society to grow economically while at the same time protecting the Earth’s natural environment. And the aim of “lifestyle and mobility” is to provide a high degree of comfort in all of the various types of spaces in which consumers spend their time.

We intend to create value in all of these areas, including by starting up new businesses. The cumulative results of our efforts will lead to increased corporate value and accordingly, to increased value for our shareholders, investors and other stakeholders. In addition to returning profits to shareholders and other stakeholders, we will use the fruits of our efforts as a basis for creating even more new businesses.

Furthermore, in order to make this growth sustainable, we will maintain our awareness of the need to strengthen our corporate governance and enhance *taiwa* (dialogue) with stakeholders. In addition to implementing internal controls even more thoroughly than in the past, we will make use of active communication with stakeholders.

We, the management of DNP, will work hard to achieve sustainable growth through our business activities and continue to build DNP’s corporate value so as to earn the trust of our shareholders and all stakeholders.

Yoshitoshi Kitajima  
President



**“Today’s Innovation is Tomorrow’s Basic” initiatives for the fiscal year through March 2015**

Currently DNP’s focus is on creating “Tomorrow’s Basic”—solutions to challenges faced by businesses, consumers and society—which we arrive at by giving priority to the consumer’s viewpoint. In the year through March 2015, we faced a harsh business environment. Due to factors such as lackluster personal consumption and a surge in import prices due to the weak yen, Japan’s economy failed to achieve a full recovery. Challenges to the printing industry included sluggish demand, lower unit prices, and higher materials prices. Amid this environment, we took many steps to increase DNP’s corporate value.

First of all, in March 2014 we formed an operational and capital tie-up with MK Smart Joint Stock Company, Vietnam’s largest smart card manufacturer, in order to boost our business’s competitive position and accelerate expansion of our global smart card business with a focus on Southeast Asia. Then in December 2014, we acquired Foto Fantasy, Inc., which operates photo printing systems in the U.S., thereby speeding up the global expansion of DNP’s photo printing media business. In April 2014, we transferred our Optical Films business (which mainly makes surface films for liquid crystal displays) from Lifestyle and Industrial Supplies to our Electronics segment as part of our effort to boost earning power through measures including strengthening new product development, reviewing production lines, and reconfiguring production frameworks.

In order to develop businesses faster and more appropriately, we integrated organizations belonging to Information Communication and Packaging nationwide so as to construct comprehensive frameworks for sales, planning, and manufacturing. We also focused on expanding our production bases in response to increased demand overseas. We built new plants and/or expanded existing ones for photo printing media (ink ribbons, etc.) in the U.S. and Malaysia, and for film packaging products in Vietnam. In addition, we are working on various structural reforms, such as boosting efficiency and mobilizing our overall strengths in existing fields while preparing operating bases for cultivating and expanding businesses in new growth areas.

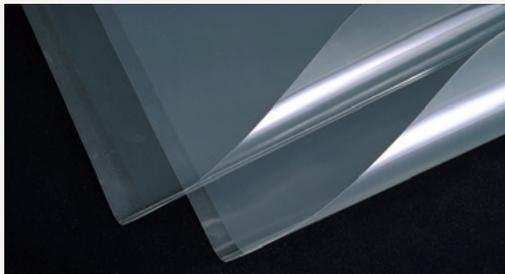
In order to improve capital efficiency, DNP also acquires and cancels treasury shares. For seven consecutive years, from 2003 to 2009, we repurchased DNP shares. From May to August 2015, we plan to purchase up to 18 million shares from the market at a maximum cost of 20.0 billion yen. On May 28, 2015 we retired 20 million treasury shares. In the future we intend to continue to implement flexible capital policies in response to changes in the business environment.



Smart cards



Photo printing media



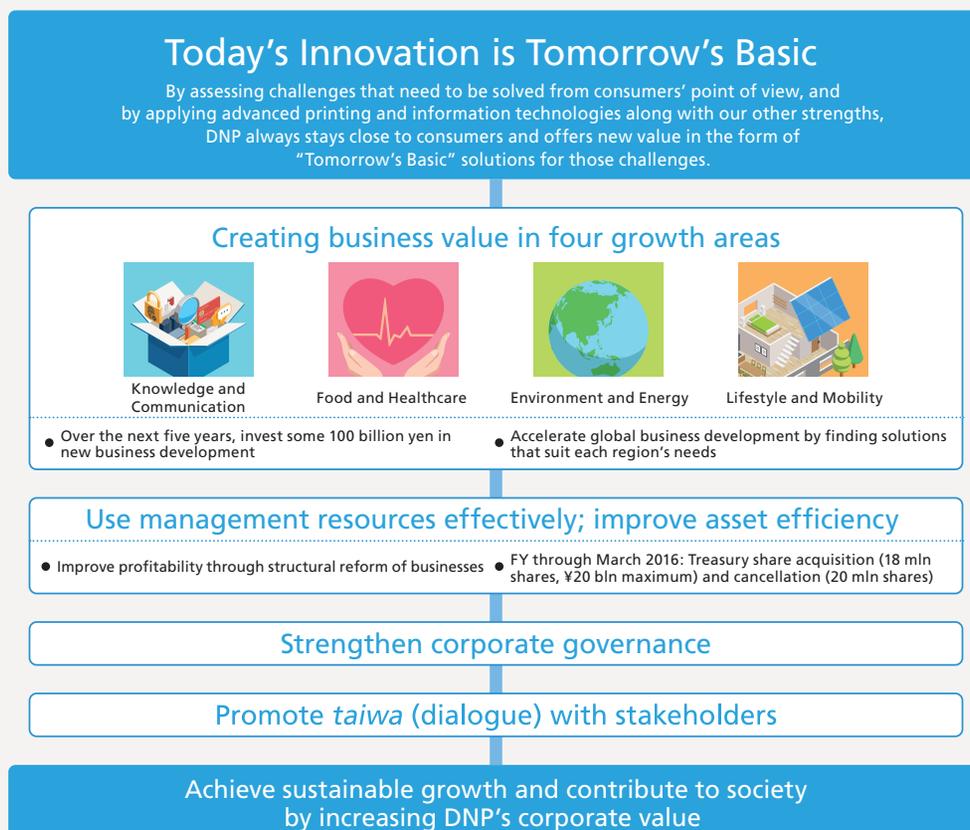
Optical films



DNP Kashiwa Data Center

## Focusing on four growth areas

DNP always stays close to consumers and provides new value in the form of “Tomorrow’s Basics” that solve consumers’ challenges. In order to continue to do so, we plan to invest a total of some 100 billion yen over the next five years in the development of new businesses in the following four growth areas:



- In the area of “knowledge and communication,” we will promote initiatives that help people in their daily lives and develop culture through safe and reliable exchange of information in advanced information societies. Rather than simply producing information media and content, we will also take part in the creation of mechanisms that support interactive communication, and provide information platforms that will allow people to exchange the information they want, when they want, in the most appropriate formats.

As a specific example, we will offer sales promotion services that make use of settlement information in response to the diversification of payment services in our increasingly cashless society. We are also working hard to expand business related to Japanese government planned introduction of the “My Number” citizen ID numbering system, to reinforce our “honto” hybrid paper and e-book sales service, and to develop educational information and communication technology (ICT) services including digital textbooks. In addition, we will expand businesses that respond to the needs of the increasing number of foreign visitors to Japan and Japanese traveling overseas by providing multilingual tourist information and shopping support solutions, etc.

- Concerning “food and healthcare,” we are developing products and services that support lifelong health maintenance and safe, high-quality lifestyles to address the pronounced trend toward “ultra-aging” in Japanese society. In addition to packaging for foods, beverages and pharmaceutical products, we are providing components with diverse functionality and branching out into fields like agriculture and life science, starting with regenerative medicine.

For example, we are developing technologies for analyzing MRI brain and eye scans and other medical images in order to determine the causes of diseases and/or aid in early disease detection and treatment. In April 2015, DNP formed an operational tie-up with PSP Corporation, a major developer of medical image management systems that make it possible for images taken at a hospital to be accessed by any of the hospital’s departments. Together, DNP and PSP plan to develop diagnostic support and other services based on image analysis.

In agriculture, DNP applied laminating and other technologies that we cultivated through our packaging business in order to develop “DNP Agri Film (reflective, moisture preserving film),” which increases the efficiency of light reflection and makes it possible to maintain optimal moisture levels. The product’s moisture-retaining property makes it effective for crop cultivation and it is durable enough to hold up over long-term use. We plan to market the film both in Japan and overseas.

- In the arena of “environment and energy,” DNP is working to achieve an eco-friendly society that combines both economic growth and environmental preservation. We will continue to develop eco-friendly products that help conserve resources and energy and preserve biodiversity, as well as to provide energy management solutions that make it easy to monitor energy consumption.

As an example from our packaging operations, in 2012 we developed “Biomatech” packaging film containing plant-based materials. We went on to develop plant-derived aluminum vapor deposition film and paper beverage containers consisting of 98% biomass, and we continue to work on expanding our eco-friendly product lineup.

We are also focusing on developing more products and services to manage and reduce energy consumption. We have already developed a film that, when applied to windows, shuts out the sun’s light and heat in summer but admits an appropriate amount of light and heat in winter, as well as metal paneling for walls and ceilings of railroad cars and homes, which effectively reflects and diffuses sunlight and artificial light to reduce the need for the latter. We also plan to offer marketing and consulting services for the growing number of electric power retailers expected to be entering the Japanese power market.

- Concerning “lifestyle and mobility,” as consumers’ values become more diverse, people seek a high degree of comfort in all of the spaces they occupy including workplaces, public spaces, spaces shared with family and friends, and private spaces. DNP views homes, offices, medical and nursing care facilities, automobiles, railroad passenger cars and anywhere else where people spend time as “living spaces” for which we develop and provide many types of products and services.

Besides focusing on developing products that use DNP’s original electron beam (EB) coating technology, we also sell, in Japan and overseas, aluminum panels and other decorative products for interior and exterior use that provide a luxurious feel by expressing textures that resemble wood, stone or other materials.

In addition, we plan to make use of our information technologies to provide smart sensing and other services that offer comfort control by exchanging data between various networked sensors and devices, in order to bring about a smart society that exercises comprehensive control over various types of infrastructure.

## **Toward sustainable growth**

### **Enhancing corporate governance and *taiwa* (dialogue) with stakeholders**

DNP will strive to generate value in its four designated growth areas, including by starting new businesses. As we increase DNP's corporate value by building a portfolio of successes, it is important to strengthen our corporate governance and enhance *taiwa* with stakeholders.

Exercising corporate governance is one of the DNP management's important tasks, and we are working on complying with the new corporate governance code that went into effect in June 2015. We are also increasing our understanding of the Japanese Stewardship Code that has been adopted by many institutional investors and we are working hard to enhance dialogue with all of our shareholders and investors.

### **Sustainable growth through reducing burdens on the environment**

Linking business expansion to coexistence with nature is another important prerequisite to achieving sustainable growth. DNP has built its own environmental management system and is actively working to prevent global warming, to achieve zero emissions, to reduce water usage, to protect biodiversity, to thoroughly control use of volatile organic solvents (VOS) and other chemical substances, to develop eco-friendly products, and to pursue green purchasing among other efforts to preserve the environment.

For example, we estimated the volume of greenhouse gas emissions (Scope 3) from our entire supply chain including in-house manufacturing, in Japan and worldwide. In addition to setting about to reduce those emissions, we established a goal for the fiscal year through March 2031 with the aim of preventing global warming. We are promoting various measures to preserve biodiversity. For example, because printing paper is closely related to climate change and the destruction of forest resources, we established guidelines for procuring this type of paper and have gained suppliers' cooperation in following those guidelines. We are also creating green belts around our corporate sites to provide living things with space to coexist. In recognition of these types of initiatives, DNP was selected as a "Forests sector leader" by CDP (formerly, the Carbon Disclosure Project), an organization that is drawing attention from global institutional investors.

### **Diversity management**

In order to build corporate value, it is also important to promote workplace reforms aimed at maximizing employee participation. In the fiscal year through March 2015, the Ministry of Economy, Trade and Industry (METI) selected DNP for its "Diversity Management Selection 100" list. The list honors companies that have achieved outstanding results by promoting the use of abilities of various human resources including women, people from overseas, the elderly, and people with disabilities.

DNP was recognized for implementing a number of training and other programs aimed at supporting women's active participation, and for other programs including a "Reform How We Work" activity to increase the value added to work by using time resources more effectively. Among the examples of DNP "best practices" that were introduced in connection with the METI citation were the adoption of female engineers' ideas for developing packaging products that make foods and beverages easier to prepare and/or use, and for producing packages made from eco-friendly materials.

### **Returns to shareholders and creation of new businesses**

In addition to returning profits to shareholders, we will use the fruits of our efforts to give back to other stakeholders and as a basis for creating even more new businesses.

Our basic policy toward shareholder returns is to pay stable dividends that are calculated with consideration for such factors as business performance and dividend payout ratio. At the same time, we support future business development by applying retained earnings to the enhancement of our financial constitution and the strengthening of our management base. We allocate retained earnings primarily for investment in research and development of new technologies and businesses, capital spending, and strategic alliances and M&As.

In order to earn the trust of all of DNP's stakeholders, we will do our best to achieve sustainable growth in the medium and long terms through the activities described above, and we will continue to strive to build DNP's corporate value.