

To Our Shareholders

Based on “DNP Group Vision 2015,” we will create new value, build DNP’s corporate value and contribute to society.



Yoshitoshi Kitajima
President

A handwritten signature in black ink, reading "Y. Kitajima", written in a cursive style.

■ Creating new value in line with “DNP Group Vision 2015”

In October 2016, we will celebrate the 140th anniversary of DNP's founding.

DNP was founded in 1876, nine years after the Meiji revolution. Letterpress printing was the cutting-edge technology of that time and remains the core technology around which DNP has expanded its business. Since its founding, DNP has continued to create new products and innovative services by taking advantage of strengths in areas like project planning, development, manufacturing, and sales, in addition to constantly working on technological development.

Today we are in the midst of major changes. In October 2015, we responded to these changes by reviewing our previous corporate vision and formulating “DNP Group Vision 2015” so that we can continue to increase DNP's corporate value in the long term.

The new corporate philosophy spelled out in our 2015 vision is that “the DNP Group connects individuals and society, and provides new value.” This philosophy contains our determination to respond to social changes by actively appealing to consumers in order to create our own, more positive changes, which we call “new value.” DNP is already working on a variety of innovations aimed at realizing this idea.

■ Contributing to society through “P&I innovations”

DNP's new Business Vision calls for using “P&I (printing and information) innovations” to expand business, primarily around four growth areas. The phrase “P&I innovations” expresses our idea of generating new value for society by combining DNP's strengths in printing and information, not only technologically but also in terms of sales, planning and other aspects, in order to produce a variety of innovations. The four areas are Knowledge and Communication, Food and Healthcare, Lifestyle and Mobility, and Environment and Energy.

We established these areas by taking a broad view of social issues in Japan and overseas and asking ourselves whether we can resolve those issues by applying DNP's strengths. By doing our utmost to provide new value that can resolve social issues, we

aim to succeed simultaneously at contributing to society and achieving growth for our own company.

■ Focusing on initiatives aimed at achieving sustainable growth

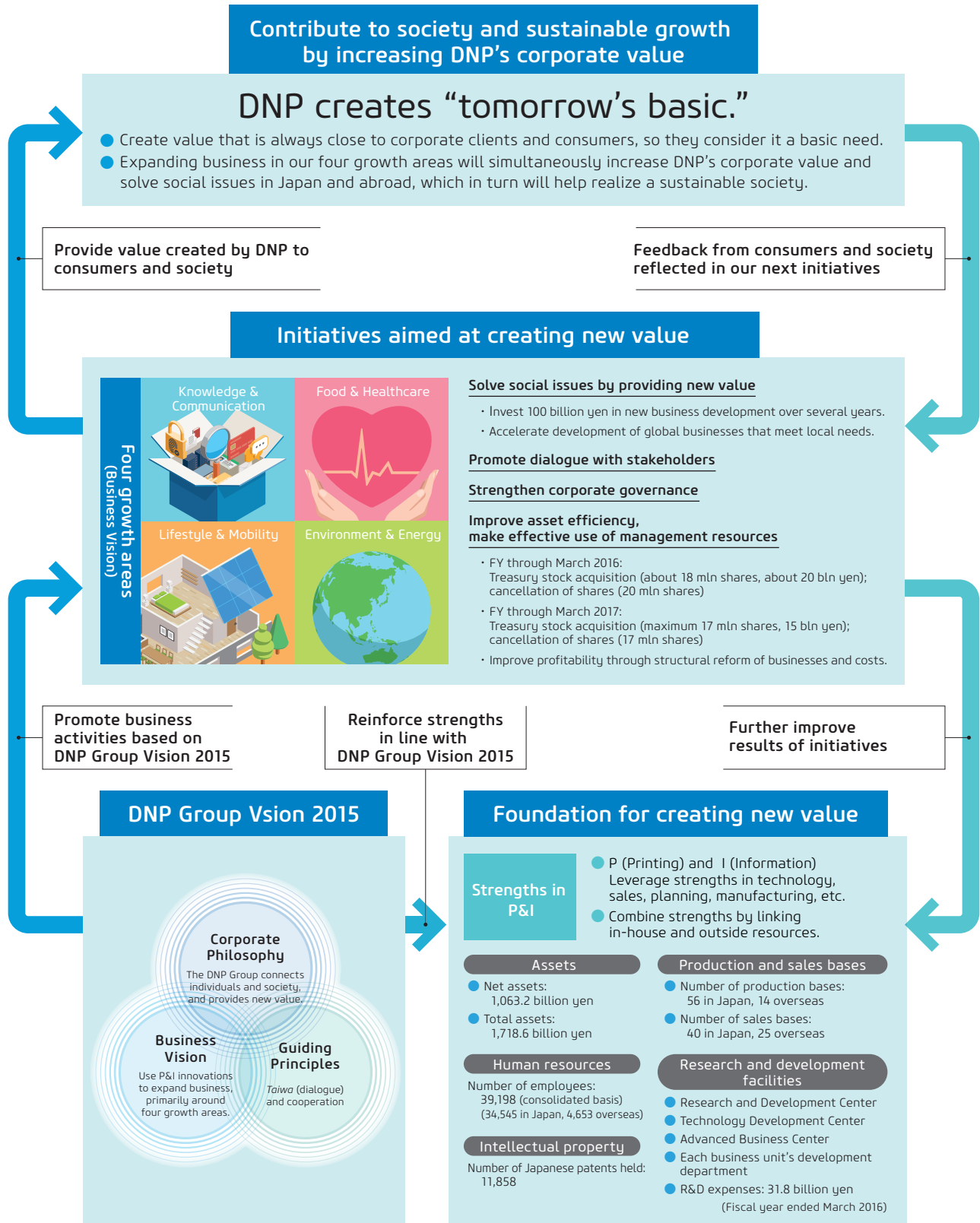
In Japan and abroad, companies are being asked to take initiatives that support sustainability from environmental, social, and governance (ESG) standpoints. Since before people began talking so much about ESG, DNP has actively addressed environmental and social challenges and has expanded its businesses based on the belief that we must promote dialogue with stakeholders.

DNP has received a great deal of praise for these types of ideas and initiatives, from general society as well as from investors. For example, DNP has been included in two major indices of socially responsible investments: in the Dow Jones Sustainability World Index for 11 consecutive years, and in the FTSE4Good Global Index for 15 consecutive years (as of December 31, 2015).

In addition, for two years in a row CDP, a U.K.-based international nonprofit organization that assesses corporations' efforts to fight global warming, has included DNP in its most lauded “Climate A List.” CDP evaluates more than 5,000 listed companies worldwide, including over 500 Japanese companies. Of those, only 115 companies worldwide and only eight from Japan were selected for the 2015 A list.

Selection is based on information disclosed by the companies through various reports and websites, etc., as well as on CDP's independent research. DNP is highly regarded for properly and promptly disclosing, in a coordinated manner, not only business performance and financial information, but also non-financial information about matters such as the strengths and systems that DNP uses to continue generating value, and initiatives aimed at achieving sustainable growth.

Create new value
through overall corporate activities



(As of March 31, 2016)

■ Promoting business activities in four growth areas

Let's look at some of our specific initiatives in the four growth fields that we have identified.

- In **Knowledge and Communication**, our aims are to support people's lives through lively communication and to foster rich and varied culture. In addition to producing information media and content, we work at creating mechanisms that support safe and secure communication.

For example, a business partnership that we began in 2013 with Nihon Unisys, Ltd. has resulted in the construction of a settlement platform for international brand prepaid cards and other electronic money-related systems. We also offer a variety of services connected to the 2016 start of the Japanese government's new "My Number" system of assigning Individual Numbers for social insurance and taxation purposes. We provide related consulting services, security systems, and outsourced business processes such as collection of employees' and customers' Individual Numbers. In October 2015, we launched a unique service that allows people to easily apply for their Individual Number Card via Ki-Re-i ID photo kiosks. Many people have already taken advantage of the service, whereby the kiosk takes the required ID photo and submits the application online.

Meanwhile, amid increasing worldwide demand for information security, in March 2016 we established CYBER KNOWLEDGE ACADEMY Co., Ltd., which trains personnel to respond to cyber attacks that target corporations. As another example of our efforts focused on developing information security-related products and services, in July 2015 DNP acquired HyperTech Co., Ltd., which provides anti-tampering software for smartphone and computer applications.

- The **Food and Healthcare** field is affected by the dramatic demographic changes occurring around the world, including trends in Japan toward a falling birthrate and increasing average age. Amid these changes, DNP will continue to develop products and services that support safe, high-quality lifestyles, including lifelong health maintenance. In addition

to providing safe and clean packaging products for foods, beverages and pharmaceuticals that people can use with peace of mind, we will continue to expand in fields like films for agricultural use, regenerative medicine, and other life science-related businesses.

As an example, in March 2015 we acquired a controlled medical devices retailer license for our plant in Tanabe, Kyoto Prefecture, which allows us to sell products like blood sampling kits and clinical electronic thermometers. In combination with existing strengths, such as operating locations in Tokyo, Nagoya, and elsewhere that are already licensed for packaging and storing pharmaceutical products and medical devices, etc., we intend to develop businesses that lighten the operational loads of pharmaceutical and medical device manufacturers.

We are also promoting business development in the agricultural sector. For example, we are developing and selling "DNP Agri Film (reflective, moisturizing film)," which increases crop yields by reflecting sunlight more efficiently and thus maintaining optimal moisture for plant growth.

In the life science field, we are participating in a project aimed at developing "cell sheets" that show promise for stimulating regeneration when applied to a damaged cornea, heart muscle, or other body part. Among our other projects is the development of image analysis technology for investigating the cause of disease, which we are pursuing through a business and capital tie-up with leading medical imaging management system provider PSP Corporation.

- In **Lifestyle and Mobility**, we will continue to provide services that deliver a high degree of comfort, safety and peace of mind in all types of living spaces, including homes and commercial facilities, offices, medical facilities, automobiles and railway cars.

In a bid to expand our automotive business, in August 2015 the DNP Group acquired TAMURA PLASTIC MFG. Co., Ltd., which possesses superior technologies related to dies and resin forming. By combining TAMURA's resin forming technologies with DNP's hard-coat transfer film, decorative film

and other technologies, we intend to continue developing highly competitive new products for the automotive market.

Furthermore, we will keep leveraging DNP's original electron beam (EB) coating technology to increase our share of the market for interior and exterior materials that combine outstanding durability and functionality with pleasant designs and aesthetic appeal. We will also help create comfortable living environments by expanding into a wide range of fields including smart sensing devices, the "Internet of Things," and big data-based marketing.

- In the area of **Environment and Energy**, we are working to realize a sustainable society that simultaneously supports economic development and preservation of the global environment. We intend to work harder than ever to develop eco-friendly products and services that will conserve resources and energy and lead to the preservation of biological diversity.

In October 2015, we began selling "DNP Lighting Film (for laminated glass)" which brightens an entire room by effectively reflecting and diffusing sunlight that enters from windows onto the ceiling and walls. We have already received a large number of inquiries, and expect to supply the film for use in a wide variety of applications including residential and office buildings, and commercial and medical facilities. Meanwhile, DNP's "High-reflective, Light-diffusing Ellio" interior material helps save energy by delivering even a small amount of light to a wide area. It has been adopted for use in bullet train cars on the Tohoku, Hokkaido and Hokuriku Shinkansen lines, among other applications.

In our energy business, DNP's lithium-ion battery pouches have captured a major share of the global market. In addition, we are continuing to enhance the functionality of our photovoltaic module components and to reinforce products and services that support smart houses and smart cities.

■ Turning "new value" into "tomorrow's basic"

In each of the growth areas described above, DNP will work both at further expanding existing businesses and at creating new businesses. Over a period of

several years, we plan to invest some 100 billion yen in developing new businesses.

Our hope is that the new value that we create will become so familiar to people in the future that they will take its existence for granted.

It is that very strong hope that we aim to express through our motto, "Today's Innovation is Tomorrow's Basic." In order to fulfill that hope, we devise medium- and long-term strategies from a holistic standpoint, make quick decisions, and carry them out by means of dynamic business activities.

■ Building more global corporate value

We believe it is important that we continue to provide the new value that DNP creates not only within Japan, but on a broader, more global basis.

DNP has a long history of overseas expansion; after opening a Hong Kong office in 1964, we went on to establish operating locations in Europe, the Asia/Pacific region, North America and elsewhere. As of March 31, 2016, about one eighth of the DNP Group's roughly 40,000 employees were working outside Japan, where the Group has 25 sales offices and 14 production plants in 15 countries and a region.

We know that as we expand overseas, we must fine-tune our products and services to match the characteristics of each region and the needs of the people who live there.

In the fiscal year ended March 2016, we took advantage of our production bases in North America and Malaysia as well as our worldwide frameworks for integrated development, manufacturing, and sales to greatly expand our Imaging Communication unit, which handles businesses related to photography and other images. Following the business and capital tie-up that we formed in March 2014 with Vietnam's leading smart card maker, MK Smart Joint Stock Company, in February 2016 we strengthened our competitive position in the Southeast Asian region by forming a joint venture with Indonesia's largest cash card manufacturing and sales company, PT. Wahyu Kartumasindo International. We are accelerating DNP's global development in a variety of other business fields as well, for example by expanding our Southeast Asian packaging business, primarily through our plants in Indonesia and Vietnam.

■ Boosting competitiveness

In order to make DNP's businesses more competitive, we are continuously working hard on business structure and cost structure reforms.

For example, in April 2015, we transferred our Imaging Communication business from the Lifestyle and Industrial Supplies segment to the Information Communication segment. And in April 2016, we consolidated our business units involved in smart cards, information security, sales promotion and promotional tools, and planning and marketing. These measures will help us as we continue striving to increase the synergistic benefits that result from stronger inter-departmental cooperation, to combine marketing and settlement services, and to expand our BPO business by leveraging our information security infrastructure.

■ Returns to shareholders

Our basic policy toward shareholder returns is to pay stable dividends that are calculated with consideration for factors such as business performance and dividend payout ratio. At the same time, we support future business development by using retained earnings to enhance our financial constitution and strengthen 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 this way, we continue to actively create new businesses and expand existing businesses.

In order to improve capital efficiency, DNP also acquires and cancels treasury shares. DNP repurchased treasury shares for seven consecutive years from 2003 until 2009. Following the repurchase of up to 18 million shares for a maximum of 20 billion yen in the fiscal term ended March 2016, we plan to repurchase up to 17 million shares for a maximum of 15 billion yen in the fiscal term through March 2017. On May 26, 2016 we retired 17 million treasury shares. In the future we intend to continue to implement flexible capital policies in response to changes in the business environment.

■ Strengthening corporate governance

In order to increase DNP's corporate value in the medium and long term and improve financial indicators like profitability and capital efficiency, we are building and operating frameworks for making accurate management decisions, quickly and appropriately executing those decisions, and supervising and directing those processes. In order to further strengthen those frameworks, in June of 2016 we instituted a 12-member Board of Directors, including two outside directors.

In the fiscal term ended March 2016, we explained DNP's basic policy of more actively pursuing dialogue with shareholders and investors based on the principles set forth in Japan's new Corporate Governance Code, which took effect in June 2015. We are also working on enhancing corporate governance by establishing a new Advisory Committee, which includes our outside directors among its members. DNP's Management Committee will receive advice and recommendations from the Advisory Committee regarding nomination of director candidates and compensation of directors, after which it will examine and consider what it has heard before discussing and making decisions at a Board of Directors meeting.

In order to earn the trust of all of DNP's shareholders and other stakeholders, we will do our best to achieve sustainable growth in the medium and long term through our business activities, and we will continue to strive to increase DNP's corporate value.