

Business Strategy



We will drive focused investment in growth businesses and advance business structure reforms to create sustainable business and shareholder value.

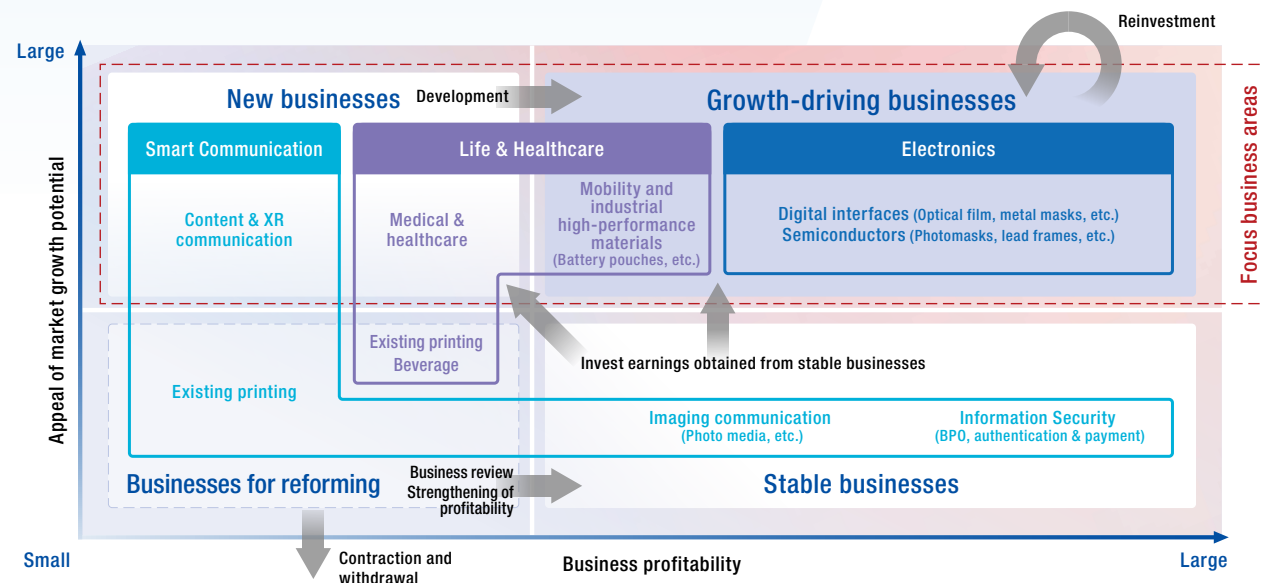
Toru Miyake, Senior Managing Director

Goals and progress of the Medium-term Management Plan

The DNP Group's Corporate Philosophy is to connect individuals and society, and provide new value. We are dedicated to creating a better, more sustainable society and a well-being life. Our commitment is to address social issues,

create new value that meets people's expectations, and make that value a constant, everyday presence in people's lives. This dedication is embodied in our brand statement: "Creating future standards."

Figure 1 Business portfolio and segment positioning under the current Medium-term Management Plan



Promote concentrated investment and business structure transformation into focus business areas made up of growth-driving businesses and new businesses with the aim of building a business portfolio resilient to changes in the business environment

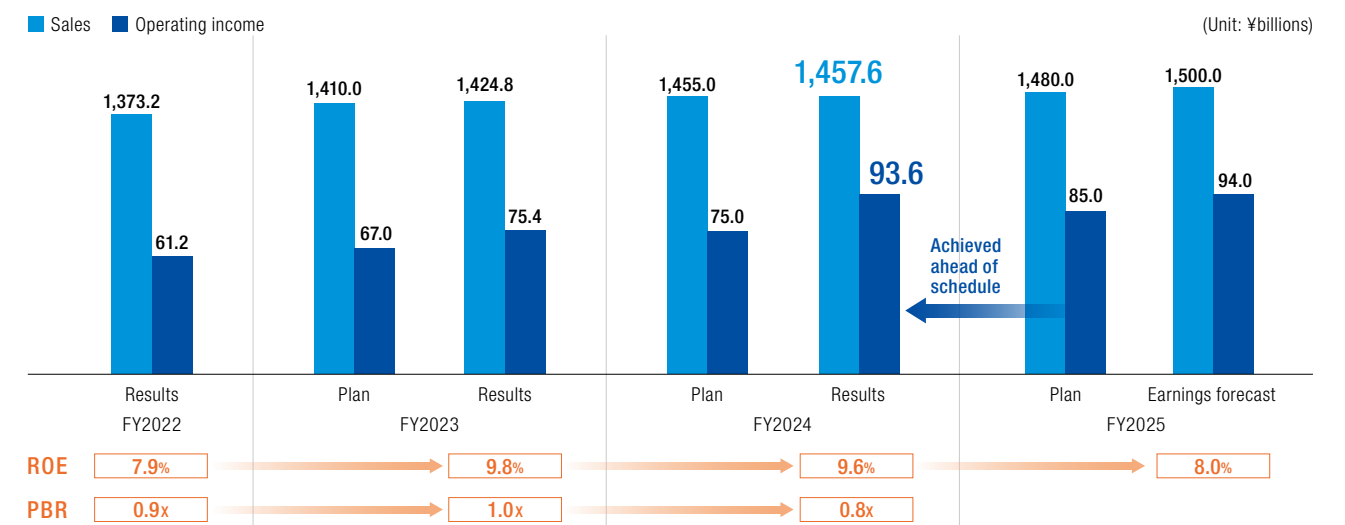
Under our current Medium-term Management Plan for fiscal 2023 to fiscal 2025, we classify our businesses into four categories—growth-driving businesses, new businesses, stable businesses and businesses for reforming—based on two axes: market growth potential/attractiveness and business profitability. Among these, growth-driving businesses and new businesses, which operate in markets with high growth potential and appeal, are designated as our focus business areas. We are steadily advancing growth investments centered on these focus business areas, while also implementing business structure reforms across all operations to optimize organizational frameworks according to market trends and business scale. Through these efforts, we aim to create sustainable business and shareholder value, achieve a return

on equity (ROE) of 10%, and drive continuous improvement in the price-to-book ratio (PBR). (See Figure 1.)

In the second year of our Medium-term Management Plan, fiscal 2024, steady investments in growth areas and efforts in structural reforms contributed to achieving the operating income target of 85 billion yen, set for the final year of the plan, ahead of schedule.

Although ROE reached 9.6%, nearing the target of 10%, actual ROE excluding extraordinary gains and losses stands at around 7%. We will continue working to further improve capital efficiency. (See Figure 2.)

Figure 2 Overview of financial results for FY2024: Sales and operating income



By segment, the Smart Communication segment performed well, driven by strong sales of photographic print materials and payment-related products, including smart cards. In contrast, business process outsourcing (BPO) declined due to the absence of large projects as in the previous year, and the paper-based media market, including publishing, continued to contract. As a result, although overall segment sales decreased year on year, business restructuring and foreign exchange effects contributed to profit, which exceeded the previous year's level.

The Life & Healthcare segment saw strong performance, driven by robust demand for battery pouches for IT devices and photovoltaic module components, as well as continued healthy demand in the packaging and beverages businesses. In addition, cost-reduction efforts targeting both variable and fixed expenses contributed to overall results, with the segment achieving year-on-year increases in both sales and profits.

The Electronics segment was affected by increased depreciation costs due to the expansion of the production line for metal masks for OLED display manufacturing. However, strong performance in optical films and semiconductor production photomasks supported the segment, resulting in year-on-year sales growth and profit maintained at the same level as the previous year.

Although fiscal 2025 will be marked by a highly uncertain environment, including U.S. tariffs, geopolitical risks and foreign exchange fluctuations, we expect operating income of 94 billion yen, exceeding fiscal 2024. This outlook reflects the expansion of our focus business areas, in which we have been actively investing under the current Medium-term Management Plan, as well as the steady implementation of business structure reforms.

By segment, the Electronics segment is expected to see continued growth in metal masks for OLED display manufacturing and photomasks for semiconductor production. In addition, business structure reforms in the Life & Healthcare and Smart Communication segments are also expected to contribute to performance.

We will continue working as a united Group to enhance corporate value.

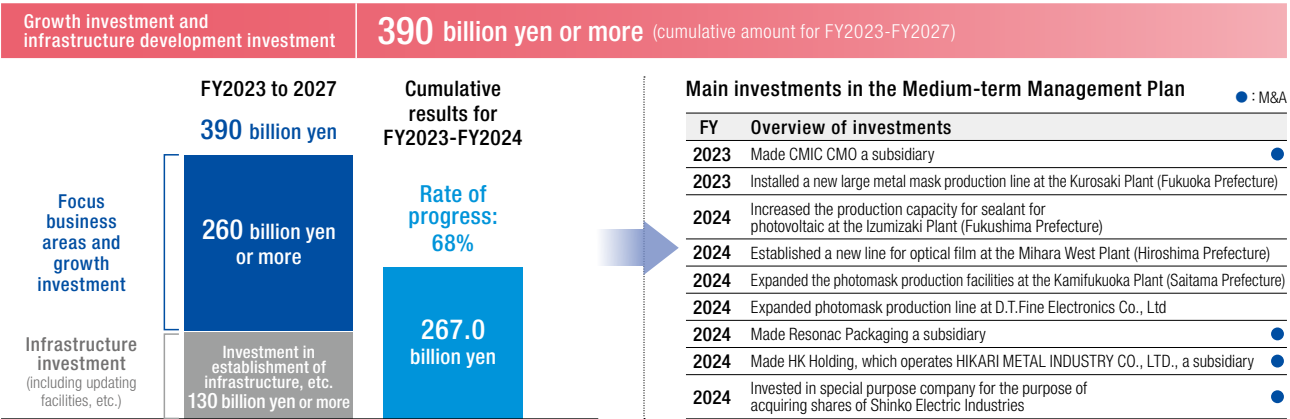
Business Strategy

Regarding one of our business strategies, “concentrated investment in focus business areas,” we have invested 267.0 billion yen over the two fiscal years 2023-2024, achieving a progress rate of 68% against the planned total of at least 390.0 billion yen over five years. Capital expenditures have primarily been directed toward expanding production capacity in high-growth markets, including digital interfaces and semiconductors. In terms of M&A, we have prioritized not only expanding sales channels but also creating technological synergies. By partnering with companies highly compatible with our strengths—such as Shinko Electric Industries Co., Ltd., Resonac Packaging Corporation and HK Holding Co., Ltd.—we are further enhancing our product and technological capabilities. We aim to build relationships with partners who

share our values and create the future together. (See Figure 3.)

In fiscal 2025, we announced the consolidation of Rubicon SEZC, which provides government ID authentication services primarily in emerging countries and regions such as Africa, in the information security field. In semiconductors, we plan to expand production capacity for semiconductor production photomasks and to commence operations of a pilot line for glass cores, an advanced packaging material for semiconductors, at the Kuki Plant in Saitama Prefecture. In the digital interfaces area, the new optical film production line at Mihara West, Hiroshima, currently under construction, is scheduled to begin mass production this fall. These initiatives reflect the steady execution of our growth investments.

Figure 3 Investment in focus business areas, etc.



Financial Strategy



By steadily executing
our cash allocation strategy,
we aim to sustainably
enhance corporate value.

Masafumi Kuroyanagi, Senior Managing Director

In February 2023, DNP established the DNP Group’s Basic Management Policy. Based on this policy, we have been working to ensure capital profitability that exceeds our cost of capital and to promote initiatives for the Group’s sustainable growth. To meet the expectations of various stakeholders, including shareholders and investors, we are committed to

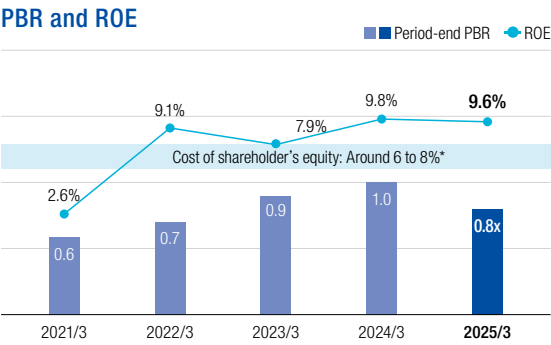
achieving a return on equity (ROE) of 10% and a price-to-book ratio (PBR) of more than 1.0X as early as possible through specific initiatives in our Medium-term Management Plan’s business strategy, financial strategy and non-financial strategy.

Promoting management that is conscious of cost of capital and stock price

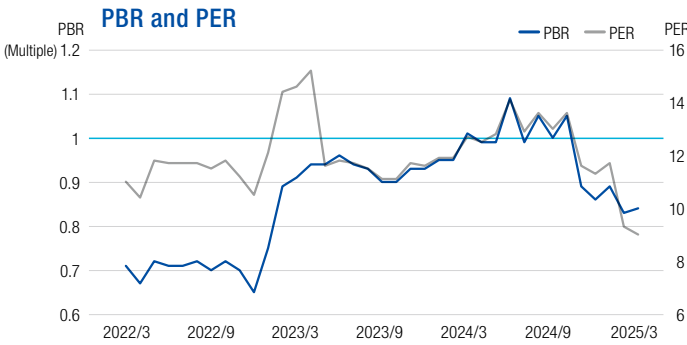
To achieve sustainable enhancement of corporate value, we promote management that is conscious of capital efficiency. Currently, the company’s cost of equity, calculated using the Capital Asset Pricing Model (CAPM), is approximately 6 to 7%. On the other hand, we recognize that market expectations are higher, at around 6–8%, and we believe that our return on equity (ROE), excluding the impact of extraordinary gains and losses, remains roughly at the level of our cost of equity. By

actively investing in businesses where we have strengths and which are expected to deliver both profitability and growth, and by optimizing business structures in line with market trends and business scale, we aim to maximize profits. At the same time, through proactive shareholder returns, including share buybacks, we strive to achieve the 10% ROE target outlined in our fundamental management policy as early as possible.

Analysis of current conditions for enhancement of corporate value



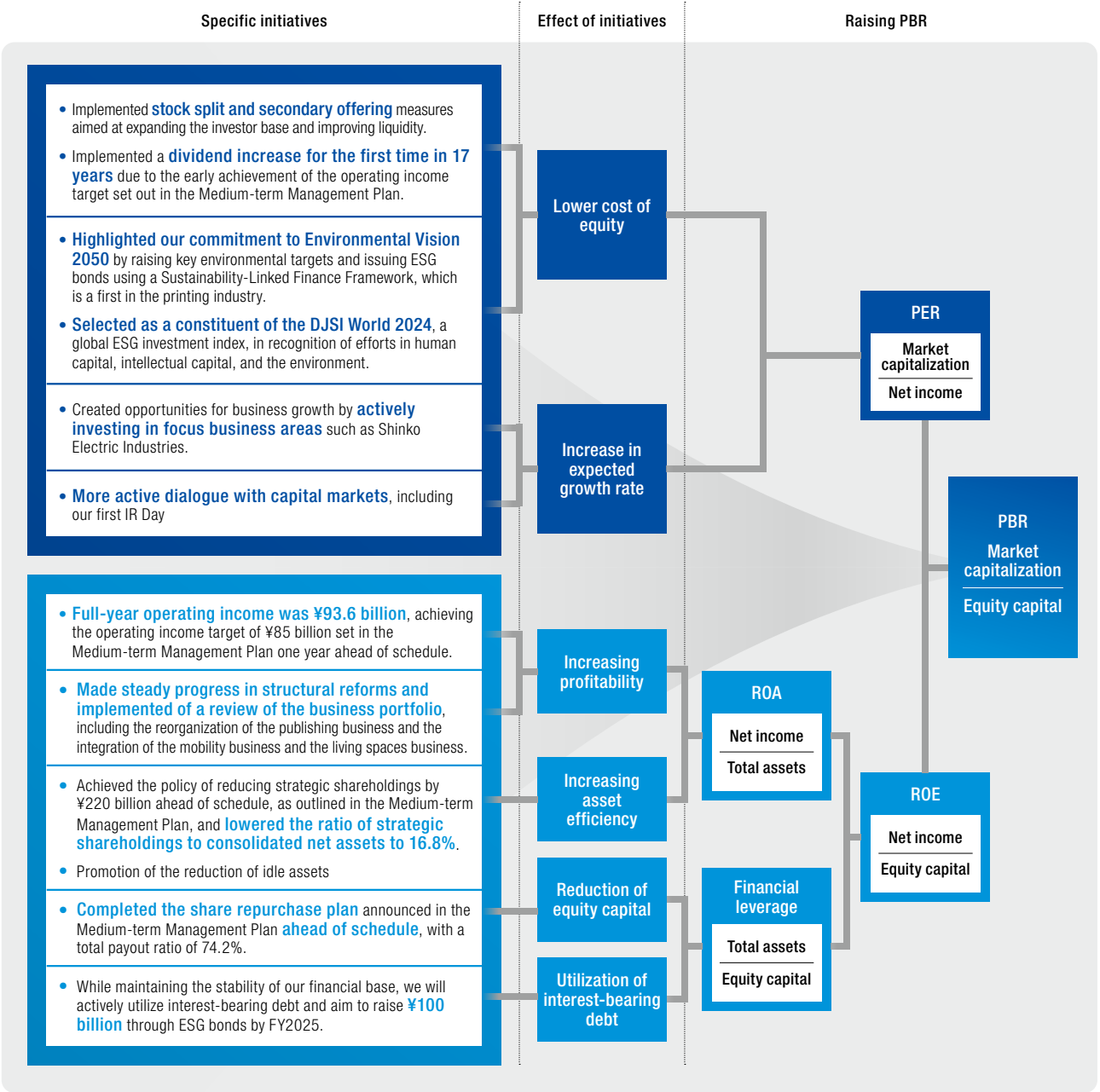
* The cost of shareholder's equity calculated by DNP using CAPM is 6 to 7%, but we recognize that market expectations are higher than the CAPM-based level, at 6 to 8%.



Despite the sharp decline in the stock market in August 2024, our PBR remained above 1.0 until around November 2024, supported by solid performance from the steady execution of our Medium-term Management Plan and enhanced shareholder returns based on our cash allocation strategy. However, following the U.S. presidential election, concerns over a slowdown in the EV market and its potential impact on our battery pouch business led the stock price to decline. As of March 31, 2025, it stood at approximately 0.8, remaining at a low level. Although it has recovered somewhat as of August 2025, we recognize that the current stock price level is still not fully satisfactory to our shareholders and investors.

In fiscal 2024, the second year of the Medium-term Management Plan, we implemented a variety of initiatives under our financial strategy aimed at raising the PBR. These included enhancing asset efficiency, primarily through reducing strategic shareholdings; exploring the use of financial leverage through bond issuance, including sustainability-linked bonds (issuance planned for fiscal 2025); strengthening shareholder returns; and improving stock liquidity through measures such as a stock split and secondary offering. Going forward, we will continue to pursue initiatives under our financial strategy to enhance the PBR by raising the price-to-earnings ratio (PER) and ROE levels.

Initiatives aimed at enhancement of corporate value: Raising PBR – Initiatives in the second year of the Medium-term Management Plan



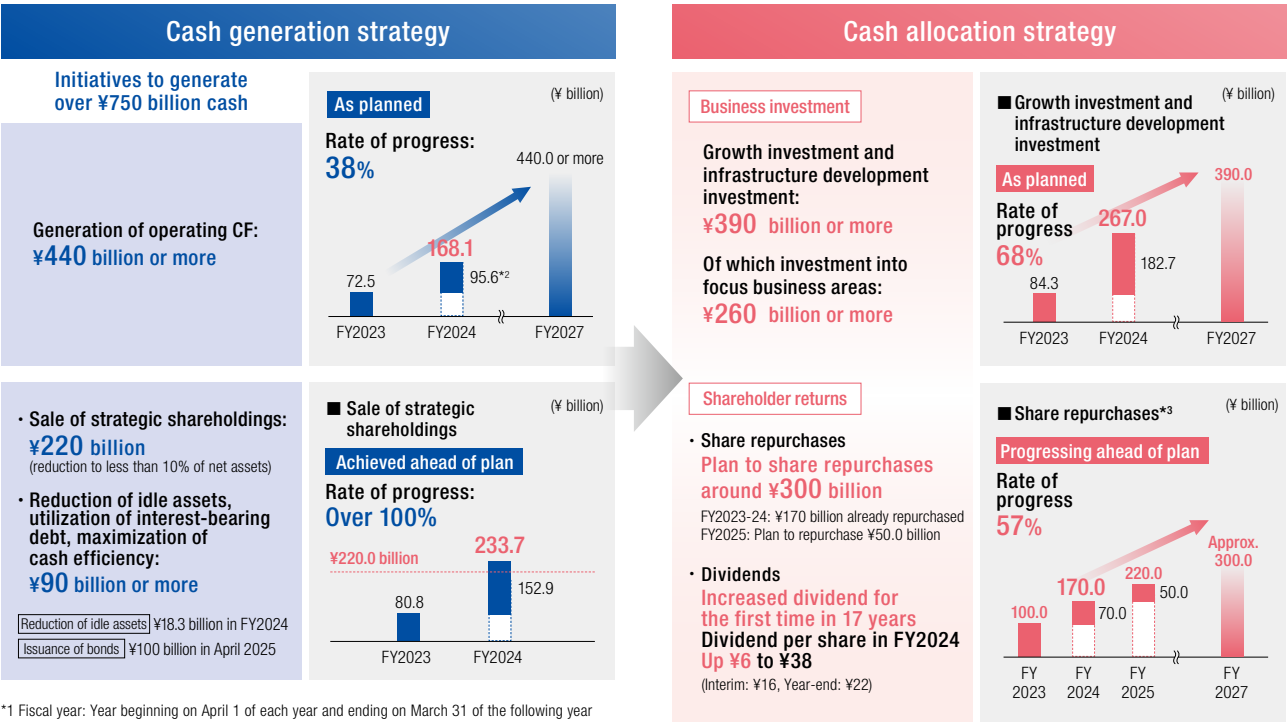
Financial Strategy

Progress with Medium-term Management Plan: Cash allocation strategy

The DNP Group has formulated a five-year cash allocation strategy for fiscal 2023–2027 aimed at achieving the company’s targeted revenue and capital structure. The following outlines how we plan to generate the cash that forms the foundation for corporate value creation, and how we intend to allocate that cash to drive sustainable, medium- to long-term corporate value enhancement.

Cash allocation strategy

Period: FY2023 to 2027*1 – We will appropriately allocate the cash we have generated to further grow our business and provide returns to our shareholders.



*1 Fiscal year: Year beginning on April 1 of each year and ending on March 31 of the following year

*2 Operating C/F for fiscal 2024 is calculated by excluding the proceeds from the sale of shares sold within retirement benefit trusts in fiscal 2024.

*3 For fiscal 2023, the number of shares repurchased is based on the resolution of the Board of Directors on March 9, 2023. For fiscal 2024, the number of shares repurchased is based on the resolutions of the Board of Directors on March 8, 2024, and November 29, 2024. For fiscal 2025, the number of shares repurchased is based on the resolution of the Board of Directors on May 13, 2025.

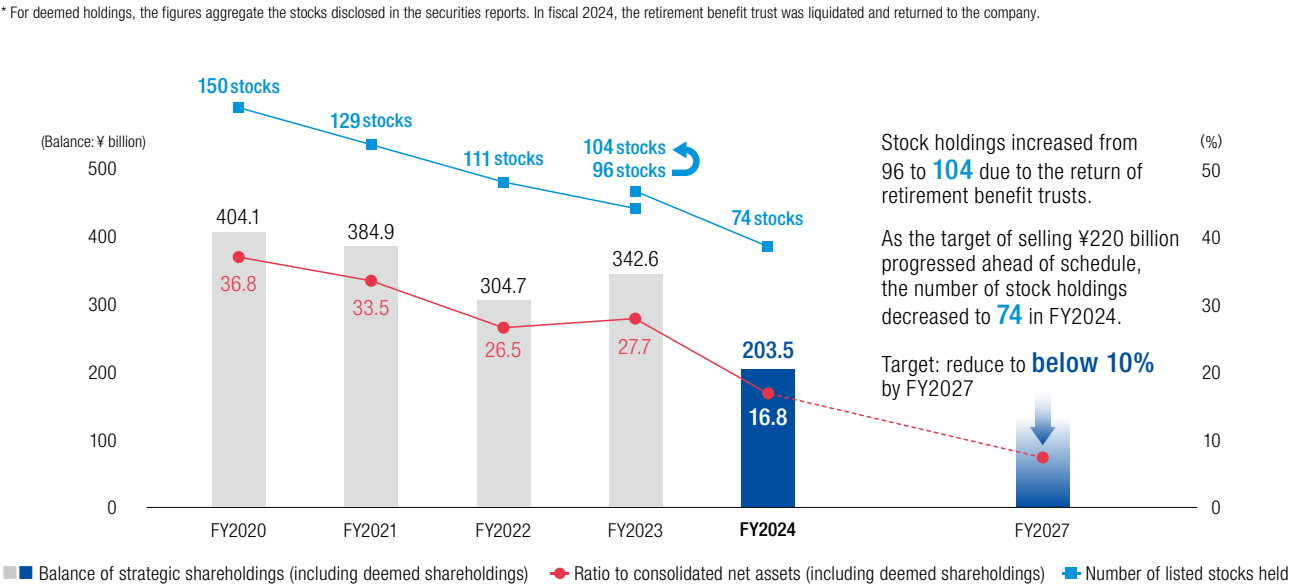
From the perspective of cash generation, we set a target of 440.0 billion yen or more in operating cash flow as the source of funds for growth investments, focusing on our priority business areas. Against this target, progress over the first two years through fiscal 2024 stands at 38%, indicating that we are advancing roughly in line with the planned pace.

In addition, through discussions with numerous institutional investors, I have frequently received feedback regarding the low levels of profitability and ROE. To improve asset efficiency, we set a concrete target of reducing strategic shareholdings by 220 billion yen and established a further goal of lowering their ratio to consolidated net assets to below 10%. While the increase in market value since the initial planning stage has played a role, we generated cash through the active reduction of strategic shareholdings, enabling us to achieve the numerical target of 220 billion yen three years ahead of schedule. At the same time, the ratio of strategic shareholdings to consolidated net assets was significantly reduced from 27.7% at the end of fiscal 2023 to 16.8%, a decrease of 10.9 percentage points. In April 2025, we announced the sale of one listed security and recorded 34.5 billion yen in gains on the sale of investment securities (extraordinary income), while already proceeding with the sale of multiple other securities. These initiatives are progressing smoothly toward achieving the target of reducing strategic shareholdings to below 10% of consolidated net assets by fiscal 2027.

Other initiatives to generate cash include reducing idle assets and utilizing interest-bearing debt up to 90 billion yen. We have long redirected cash generated from the sale of idle assets that do not contribute to growth toward growth investments and other purposes. Going forward, as business structure reforms progress, we expect this trend to accelerate through business divestitures and asset streamlining. Regarding the use of interest-bearing debt, while maintaining a stable financial foundation, we will secure diverse funding sources and actively employ leverage to reduce our cost of capital.

Status of strategic shareholding reduction

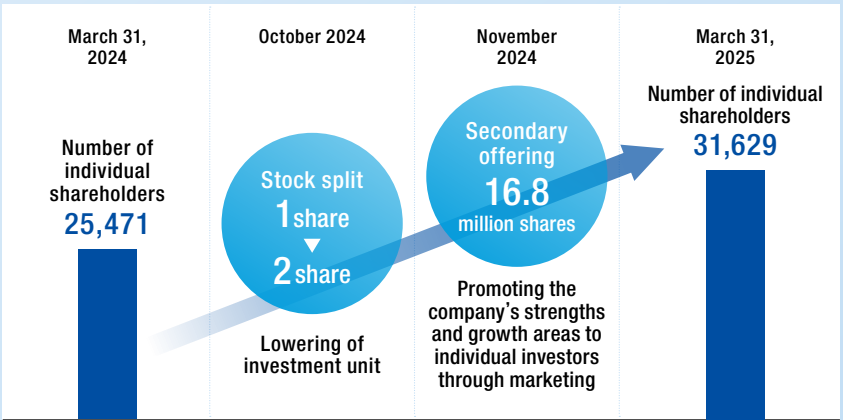
Ratio of strategic shareholdings to consolidated net assets in FY2024: 16.8%						
		FY2020	FY2021	FY2022	FY2023	FY2024
Number of stocks	Listed	150	129	111	96	74
	Unlisted	113	111	112	111	115
	Deemed shareholdings	6	6	6	6	0
	Total	269	246	229	213	189
Balance (¥ millions)	Listed	351,850	335,987	255,734	276,403	197,553
	Unlisted	5,127	5,455	6,267	5,676	6,000
	Deemed shareholdings	47,174	43,548	42,780	60,548	0
	Total	404,151	384,990	304,781	342,627	203,553
Consolidated net assets (¥ millions)		1,098,613	1,148,413	1,148,245	1,236,687	1,208,778
Ratio of strategic shareholdings to consolidated net assets		36.8%	33.5%	26.5%	27.7%	16.8%



■ Balance of strategic shareholdings (including deemed shareholdings) ● Ratio to consolidated net assets (including deemed shareholdings) ◆ Number of listed stocks held

Initiatives to improve share liquidity

While reducing strategic shareholdings, we conducted discussions on an optimal shareholder composition and recognized the challenge of having relatively few individual shareholders from the perspective of capital cost. By lowering the investment unit through a stock split and carrying out marketing activities associated with a secondary offering, we successfully increased both the number and proportion of individual shareholders.



Financial Strategy

The total cash generated, exceeding 750 billion yen, will be appropriately allocated toward further business growth and shareholder returns to enhance corporate value over the medium to long term. From the perspective of business growth, we plan to invest at least 390.0 billion yen in growth and infrastructure development investments, of which over 260.0 billion yen—roughly two-thirds—will be concentrated in our focus business areas. In parallel with ongoing business structure reforms, we will replace existing assets with more profitable ones, aiming to transform the company into a highly profitable organization. ▶ P28

We also aim to provide shareholder returns from a medium- to long-term management perspective, balancing a stable financial foundation with investment in growth businesses. In fiscal 2024, operating income reached 93.6 billion yen, exceeding the Medium-term Management Plan’s final-year target of 85.0 billion yen one year ahead of schedule. In light of this performance, we implemented a dividend increase for the first time in 17 years. A further

dividend increase is planned for fiscal 2025, marking two consecutive years of growth. Going forward, we remain committed to achieving sustainable profit growth while continuously exploring opportunities to enhance dividends and improvements in dividend levels.

In addition, we will continue to conduct share repurchases flexibly and proactively in adapting to changes in the business environment. As part of efforts to improve capital efficiency and return value to shareholders, we completed approximately 170 billion yen in share repurchases over fiscal 2023–2024, and an additional 50 billion yen in share repurchases has been announced for fiscal 2025. This brings the total planned repurchases for the three-year period from fiscal 2023 to 2025 to 220 billion yen, advancing the original five-year plan ahead of schedule toward a total of approximately 300 billion yen in share repurchases.

We will continue to steadily implement our cash allocation strategy to achieve the revenue and capital structure targeted by the DNP Group.

Toward the final year of the Medium-term Management Plan

Fiscal 2025, the final year of the Medium-term Management Plan, will be a pivotal year in which the plan’s effectiveness will be fully tested. By achieving the targeted operating income and ROE, we aim to demonstrate meaningful progress toward realizing the revenue and capital structure envisioned for the DNP Group.

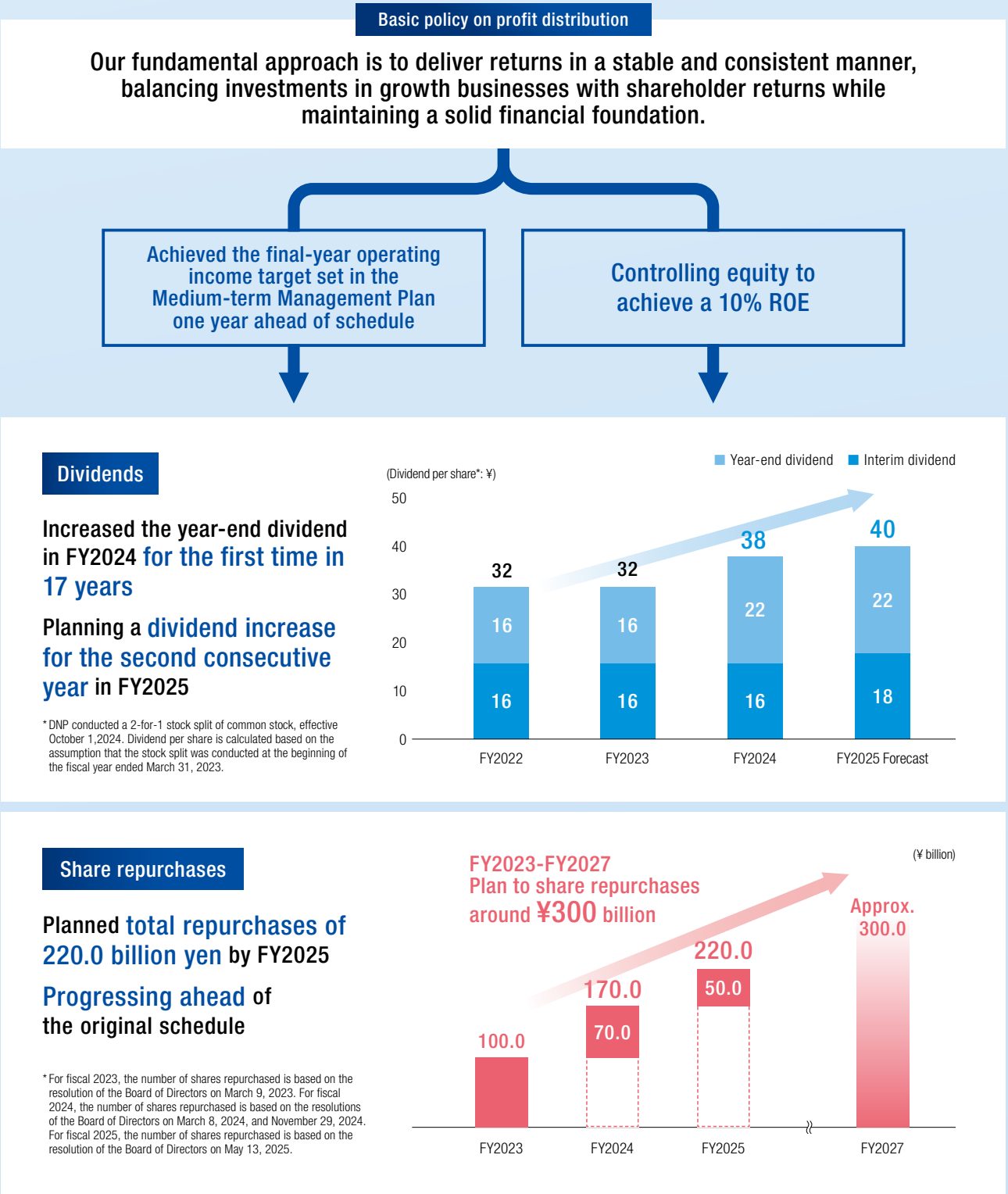
Over the two years through fiscal 2024, our steady efforts to enhance corporate value—focused on business strategy, financial strategy and non-financial strategy—have proven successful, enabling us to achieve the final-year targets of the Medium-term Management Plan ahead of schedule. Regarding financial strategy, while our initiatives to improve capital efficiency and enhance share liquidity have been well received, we have also received candid feedback from investors regarding dividend levels and the pace of equity reduction. Going forward, we will continue to steadily grow profits, pursue ongoing dividend increases, improvements in dividend levels and maintain disciplined control over equity.

As we entered fiscal 2025, these initiatives have continued to make steady progress. In addition to ongoing efforts such as share repurchases, two consecutive years of dividend increases, and further reduction of strategic

shareholdings, we issued corporate bonds in April 2025 for the first time in five years. Despite a challenging bond issuance environment marked by heightened market volatility, our careful dialogue with investors and recognition of the company’s creditworthiness enabled us to successfully raise a total of 100 billion yen. Of this, 60 billion yen was issued as sustainability-linked bonds under the Sustainability-Linked Finance Framework—an industry first for the printing sector—established in October 2024. Going forward, we will continue to expand investor relations activities both domestically and internationally and strive to further promote constructive dialogue with investors.

Fiscal 2025, the final year of the Medium-term Management Plan, is marked by our continued company-wide efforts to achieve the operating income target of 94.0 billion yen, exceeding the previous year’s results. In addition to steadily implementing initiatives to improve the PBR, we aim to engage stakeholders through ongoing dialogue so they can witness the company’s transformation firsthand, while continuing to build a company that delivers sustainable corporate value.

Shareholder returns



Going forward, we are dedicated to achieving consistent profit growth and continuously exploring ways to increase our dividends and improve dividend levels.