

# Summary of Reasons for the Company's Opposition to the Shareholder Proposal

**DNP**

Date : 27/05/2024  
Dai Nippon Printing Co., Ltd.

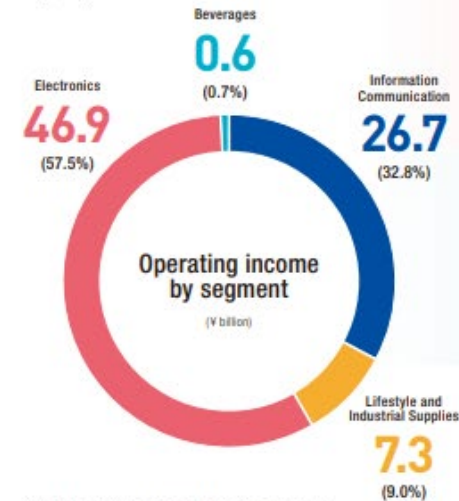
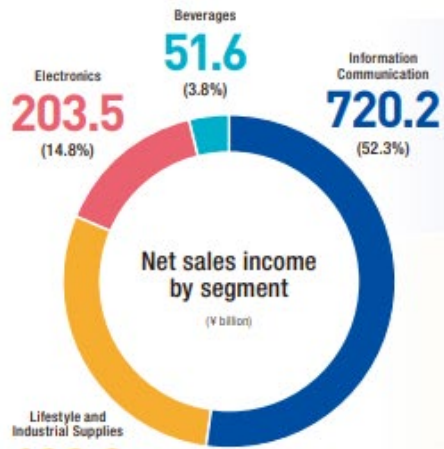
# Overview of DNP's Business



## Overview of DNP's Business — Toward Building a Stronger Business Portfolio

### Net Sales/Operating Income by Segment

(Ratio by segment) Fiscal year ended March 2023



\*Each fiscal year begins on April 1 and ends on March 31 of the following year

Business segments through FY2022

### Information Communication

- Publishing Business (Publishing & media services, publications distribution)
- Information Innovation Business (Marketing, BPO, information security)
- Imaging Communication Business

### Lifestyle and Industrial Supplies

- Packaging Business
- Living Spaces Business
- Industrial High-performance Materials Business

### Electronics

- Display Components Business (Color filters for liquid crystal displays, optical films, metal masks for organic light-emitting diode (OLED) displays and others)
- Electronic Devices Business (Photomasks for semiconductors and others)

### Beverages (Hokkaido Coca-Cola Bottling Co., Ltd.)

- Beverages Business

### New Business Segments From FY2023

#### Smart Communication

- Imaging communication
- Information Security
- Content & XR communication
- Marketing
- Publishing
- Education

#### Life & Healthcare

- Mobility and industrial high-performance materials
- Medical & healthcare
- Packaging
- Living spaces
- Beverages

#### Electronics

- Digital interfaces
- Semiconductors

### Products and Services with Top Market Shares in Japan and Overseas

- Japan's top** Smart cards (Information Security)
- World's top** Dye-sublimation thermal transfer printing media for photo prints (Imaging communication)
- Japan's top** Acrylic filling systems for PET bottles (Packaging)
- World's top** Battery pouches for lithium-ion batteries (Mobility and industrial high-performance materials)
- Japan's top** Building decorative materials (floor coverings) (Living spaces)
- World's top** Optical films for displays (Display)
- World's top** Digital interfaces (Digital interfaces)
- World's top** Metal masks for OLED display manufacturing (Digital interfaces)

\*For more details, please refer to our website below.

[About us | DNP Group \(global.dnp\)](https://global.dnp.com)

# Summary of Reasons for the Company's Opposition to the Shareholder Proposal

Here are four compelling reasons why we believe that supporting the company's proposed Board of Directors, comprised of our 12 director candidates, is the optimal choice for shareholders to secure sustainable growth. We urge shareholders to vote **AGAINST** the shareholder's proposal and **FOR** the company's proposed Board of Directors. This effective board is poised to enhance corporate value in the medium to long term.

The four reasons are:

**1. DNP's Board of Directors is undergoing continual renewal and adaptation, with fresh thinking, diversity of skills and improving governance oversight continuing priorities**

- The company's consolidated results for FY2023 reached a record-high net income, prompting an upward revision of the operating income target for the next fiscal year.
- The company has proactively implemented capital policies from the medium-term management plan, including reducing policy shareholdings and initiating share buybacks.

(Supplemental Material: 1-3)

**2. To achieve our core management policies (ROE of 10%, PBR of over 1x, operating income of 130 billion yen) as soon as possible, new candidates have been selected that will strengthen the Board of Directors' structure**

- Mr. Kusunoki's expertise overlaps with Mr. Sugiura's in key areas such as business strategy and capital policy.
- DNP's director selection process involves meticulous and thorough consideration of candidates..
- We were not given sufficient time to evaluate Mr. Kusunoki's potential candidacy through our rigorous process.

(Supplemental Material: 4)

# Summary of Reasons for the Company's Opposition to the Shareholder Proposal (cont'd)



### **3. There are questions about the abruptness of this shareholder proposal and that no information was provided about how Mr. Kusunoki can strengthen DNP's corporate value.**

- There was no advance warning or explanation related to the Monex proposal in the regular IR meetings that we held with them every quarter, including the most recent meeting in March 2024. The proposal was extremely abrupt and was received without any prior notice.
- After receiving the shareholder's proposal, we engaged with Monex and requested detailed information of what the proposal is based on, but we have received no further information other than what was in the proposal.

### **4. DNP respects the opinions of all stakeholders**

- Mr. Kusunoki's potentially close relationship with the shareholder proposer cannot be disproven, raising serious governance integrity questions. In order to preserve DNP's commitment to transparency and the highest level of Board integrity, the Company cannot agree to this particular shareholder's proposal.

Consolidated financial results for FY2023 achieved record-high net income, and the operating income target for FY2024 was revised upwards.

FY2023 Results	Result (JPY billions)	Year-on-year change	Change from plan
Operating Income	75.4	+23.2%	+12.6%
Net Income attributable to Parent Company Shareholders	110.9	+29.5%	+26.1%
ROE	9.8%	+1.9%	+1.5%

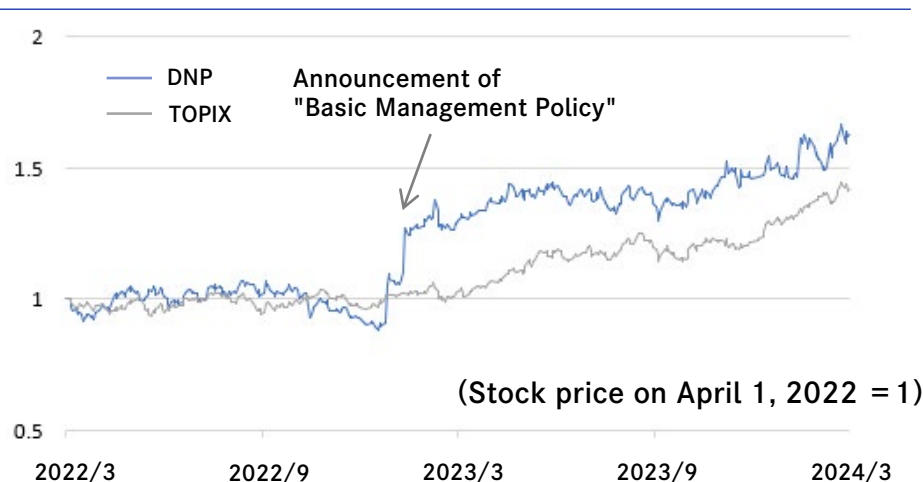
**\*Record profits were achieved**

### Earnings Forecast for FY2024

	Earnings Forecast (JPY billions)	Year-on-year change	Change from plan
Operating Income	80.0	+6.0%	+6.7%

**\*Operating income was revised upward from 75 ⇒ 80 billion yen**

### Comparative Stock Price Performance with TOPIX



# Progress of Capital Management Policy: Sales of cross-shareholdings and share buyback

## Five-year planning goals for fiscal years 2023-27

1. Sales of cross-shareholdings totaling 220.0 billion yen
2. Share buyback 300 billion yen

### 1. April 2023 - April 2024: 139.4 billion yen implemented (63% complete)



### 2. April 2023-September 2024: 150 billion yen to be implemented (50% complete)

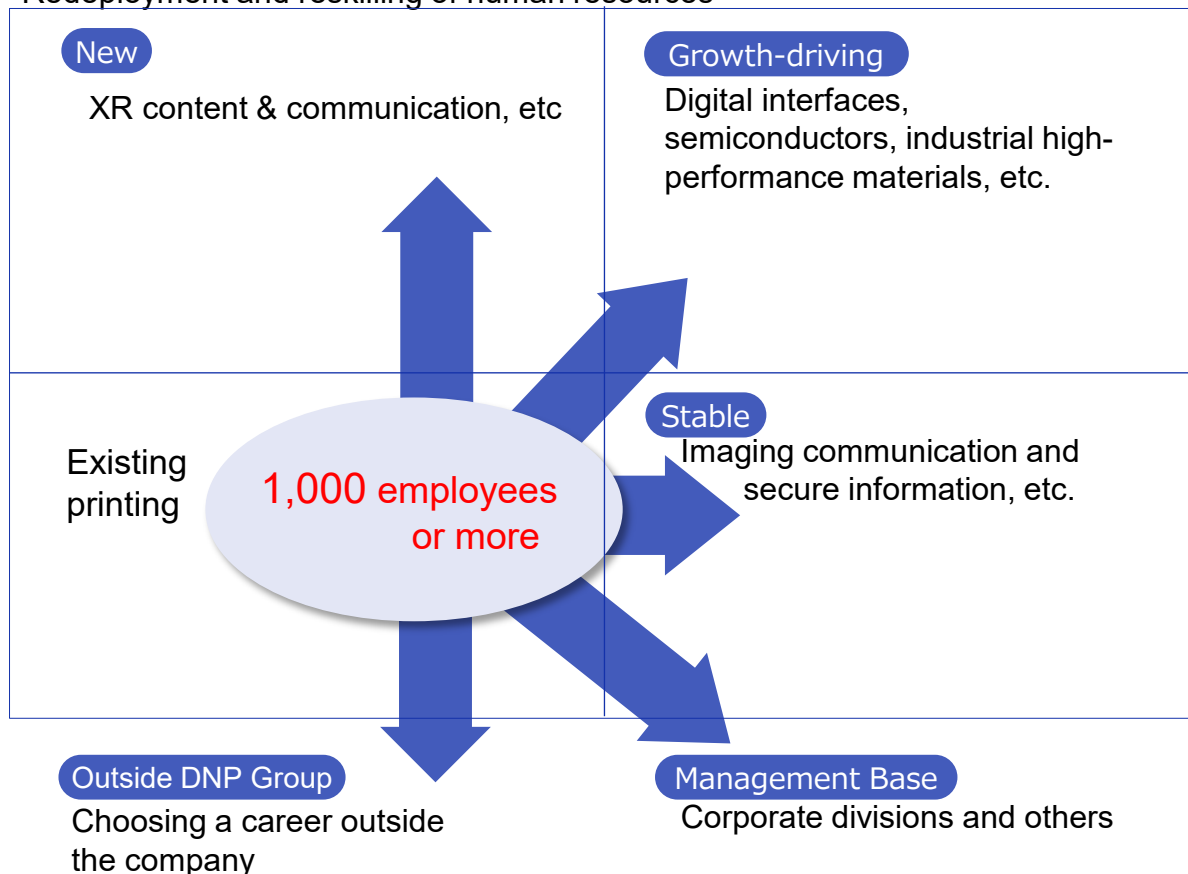


## Progress in Business Portfolio Transformation:

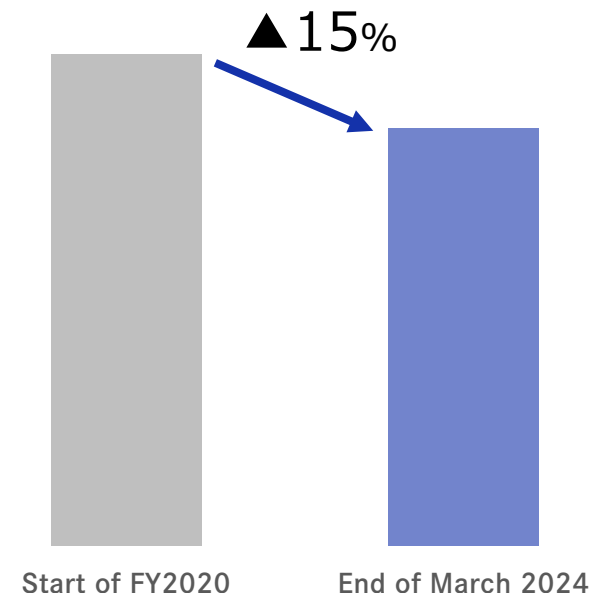
- Management resources and reskilling have been focused on new or future-facing business opportunities
- Structural reforms of existing printing-related businesses

### 1. Reallocated Management Resources (FY2020-FY2023)

Redeployment and reskilling of human resources



### 2. Generated over 20 billion yen in cash through asset sales



Downsizing number of manufacturing sites

- Regarding human resources, we have reallocated over 1,000 employees from existing printing-related businesses mainly to growth-driving businesses through reskilling.
- Regarding manufacturing sites\*, we have been undergoing structural reforms in paper media business by implementing reorganization of manufacturing sites as well as closure or sales of plants,
  - Ex) Conversion of production lines (commercial printing to battery pouches at Turuse Plant), Reorganization (packaging in Kyoto areas), Closure/Sales of plants (Gifu Plant-packaging, Akabane Plant-commercial printing).

## Supplemental Material 4

# Three new candidates were selected to strengthen the Board structure and ensure the early achievement of core management policies



	Name	Corporate Management, Business strategy	Financial/Management Accounting, Capital Policy Initiatives	ESG, Diversity	Legal Affairs, Compliance, Risk Management	HR/Labor, Human Resource Development	R&D, New Business	Overseas Business	IT DX
Management proposal	Kazuhiko Sugita	○	◎	◎					
	Takahito Kanazawa	○			◎		○		◎
	Nobuhiko Sugiura	○	◎		◎			○	○
Shareholder proposal	Ken Kusunoki	⊗	⊗						

- ◎ Demonstrated expertise in this issue
- Demonstrated understanding of this issue
- ⊗ Demonstrated assumed expertise in this issue judging from his biography etc.

### Reasons for selection of candidates for and Against the Board of Directors

- **Mr Kazuhiko Sugita** is expected to strengthen DNP's sustainable growth based on his experience in DNP's Accounting, ESG, and Investor Relations departments.
- **Mr Takahito Kanazawa** is expected to enhance ICT strategy, information security enhancement, etc based on his experience as an information security officer, and experience as the head of new business development using ICT.
- **Mr Nobuhiko Sugiura** has extensive insight and wide-ranging experience in such areas as finance, capital markets, corporate governance codes and business investment. We believe he will provide advice and supervision for the Company's management from an independent and objective perspective and will help accelerate the transformation of DNP's business portfolio.
- **Mr Ken Kusunoki's** expertise overlaps with Mr. Sugiura's in areas such as 'business strategy' and 'capital policy' and we believe that he would not be an appropriate addition to the overall effectiveness of the Board – there is no evidence that he would contribute sufficiently to enhanced corporate value over the medium to long term, or to the sustainable growth of the company.



# Our Board: Expertise, Vision, and Oversight



Our proposed slate of 12 candidates have been carefully selected via a stringent vetting process to provide an integrated team that combines:

- Management candidates (8) with operational and leadership skills to make decisions and hit targets; and
- Independent candidates (4) with an outside perspective and ability to hold management to account.

	Director												Statutory Auditor				
Name	Yoshinari Kitajima	Kenji Miya	Masato Yamaguchi	Masafumi Kuroyanagi	Kazuhiko Sugita	Toru Miyake	Minako Miyama	Takahito Kanazawa	Tsukasa Miyajima	Yoshiaki Tamura	Hiroshi Shirakawa	Nobuhiko Sugiura	Ryuji Minemura	Tatsuya Hisakura	Kazuhisa Morigayama	Taeko Ishii	Yasuyoshi Ichikawa
Attributes	Male	Male	Male	Male	Male	Male	Female	Male	Male	Male	Male	Male	Male	Male	Male	Female	Male
Corporate Management Business Strategy	○	○	○	○	○	○	○	○		○	○	○	○	○	○		
Financial Management Accounting Capital Policy Initiatives		○		○	○						○	○		○	○		○
ESG Diversity	○	○			○	○	○			○						○	
Legal Affairs Compliance Risk Management	○	○	○	○				○	○			○	○	○	○	○	○
HR/Labor Human Resource Development		○					○								○	○	
R&D New business		○	○			○	○	○		○							
Overseas Business	○	○	○							○		○		○			
IT · DX			○			○	○	○		○		○		○			

# DNP

## Disclaimer

The earnings forecasts, medium-term management targets, and other forward-looking statements contained in these materials represent DNP's judgement of the current outlook based on information available at the time of preparation, and involve potential risks and uncertainties. Actual performance may therefore differ materially from these forward-looking statements due to changes in the various assumptions on which they are based.