

**DNP Group Sustainability Briefing 2024: Q&A Summary
(October 16, 2024)**

Questioner 1

Q: With regard to the target for reducing greenhouse gas (GHG) emissions (page 48 of the briefing materials), is it expected that the 2030 target will be achieved by extending existing initiatives? In addition, the materials indicate that GHG emissions will be reduced to about one third of their current level between 2030 and 2040. Please explain the measures and prospects for achieving this.

A: Although the assumptions may change depending on the future business environment, etc., in estimates based on the current business plan, the 2030 target is expected to just be able to be achieved through conversion of the business portfolio, updating to high-efficiency equipment by institutionalizing internal carbon pricing, strengthening energy-saving activities from a new perspective, and actively introducing renewable energy from solar power generation. We believe that further introduction of renewable energy will be necessary moving toward 2040. At present, we are using on-site PPAs and off-site PPAs for solar power generation, taking into account their economic rationality, but we are also considering new initiatives, such as using renewable energy from offshore wind power generation, which is expected to become widespread in Japan from 2030 onwards. In addition, in order to achieve “net zero GHG emissions by 2050,” it is essential to take further action, and we believe that it is necessary to consider the use of renewable energy, such as hydrogen energy, which is being developed in various places.

Q: Please tell us about the percentage and future prospects of eco-friendly products such as biomass plastic and recycled plastic (page 50 of the briefing materials) in your company’s finished goods. Also, I believe eco-friendly products tend to be more expensive, but I would like you to tell us if customer demand is keeping up.

A: The percentage of eco-friendly products in our finished goods varies depending on the raw materials used, but it ranges from a few percent to as much as tens of percent. The cost of procuring materials for biomass plastic and recycled plastic is definitely more expensive than for conventional plastic, but passing on the cost to the price of the finished goods is determined on a case-by-case basis. For example, Forest-certified paper used in catalogs and other products was initially sold at the same price as regular paper because customers did not recognize the added value, but as interest in environmental issues grew, catalogs with Forest certification marks became more widespread, and the added value was recognized, leading to the cost being passed

onto the price of finished goods. In packaging, while some customers who are highlighting their environmental awareness are willing to accept the passing on of the cost, others are affected by the recent surge in the price of raw materials and are seeking packaging that prioritizes price over environmental considerations, and the way in which companies approach environmental issues varies depending on their business strategies and product strategies.

Questioner 2

Q: The result for the previous year was flat for the ratio of net sales of *super-eco products* to all finished goods (page 12 of the briefing materials), but I would like to know the background to the aggressive target of 30% for FY2030 that was set this fiscal year.

A: Previously, we had set a target of increasing the ratio of *super-eco products* to 10% of net sales by FY2025, but we have now set a more challenging target because we achieved 12% in the most recent fiscal year. As environmental regulations around the world become stricter, including in developed countries and regions such as Europe, it is no longer possible to sell products without developing *eco-friendly products and services* that meet these regulations. We see this situation as an opportunity, and in line with the game-changing in the world, we have set a target of 30% because we believe that we will be able to provide a wider range of value by expanding the development of *eco-friendly products and services* even further. We feel that the number of customers who are paying attention to eco-friendly products and services is increasing year by year, and our company is promoting the development of products and services based on the premise of being eco-friendly, centered on the R&D division.

Q: With regard to the reassignment of personnel through reskilling, I recognize that the pace of reassignment has accelerated recently in reference to the Integrated Report, but is the plan to reassign personnel at a pace of 200 to 400 people per year from now on? I would also like to know about the results of transfers between divisions.

A: From FY2020 to FY2023, more than 1,000 employees were reassigned from businesses for reforming to focus business areas, etc., and all of them, including those who chose external careers, were transferred across fields. More specifically, there have been cases of employees being transferred from the paper printing business to the manufacturing divisions such as those related electronics division or high-performance materials for industrial use, where they had no previous experience, or to the business process outsourcing (BPO) division, and more recently, there have

been cases of employees being transferred to the XR production division, which is involved in content and XR communication, or to the ICT department, where they perform basic tasks. As the details of our future plans are sensitive, we will refrain from discussing them here, but we will continue to focus on reassigning and reskilling staff from businesses for reforming to focus business areas.

Questioner 3

Q: With regard to ensuring the effectiveness of the Board of Directors (page 66 of the briefing materials), the results of the effectiveness evaluation for the fiscal year ended March 31, 2024 state that *There is no end to the issues with the format of discussion in the Board of Directors*. What kind of issues are these?

A: DNP's Board of Directors is currently composed of one-third outside directors. In addition, we have also established the Advisory Committee consisting of three independent outside directors, which operates separately from the Board of Directors. In each meeting body, we have open discussions crossing the inside/outside boundary depending on individual topics, and we are also continuously considering how the meetings should be to improve the effectiveness of the Board of Directors.

Q: Do you think the ratio of outside directors (one third) on the current Board of Directors is appropriate? If you have any future prospects, please let us know.

A: DNP recognizes corporate governance as a very important issue for future business development, and we believe that it is necessary to continue to review it in response to changes in the social, management, and business environments. We will also address the issue of the ratio of inside and outside directors on the Board of Directors, as well as diversity, as important topics. The progress of improving our governance system is shown in the briefing materials, and the Board of Directors will continue to discuss this topic.

Questioner 4

Q: With regard to biodiversity, will you be disclosing information in the future based on the LEAP approach recommended by TNFD, such as identifying areas where there is a dependence on or impact on nature, and in particular identifying priority areas your company is addressing?

A: We are currently considering which locations to emphasize as priorities. In accordance with the TNFD and TCFD frameworks, we are constantly identifying risks and opportunities and incorporating them into our business strategy. As one of these, we are conducting analysis in line with the TNFD framework for the realization of a *society in harmony with nature*. We conduct business globally, but for example,

we understand that Southeast Asia has issues related to water resources, so we are considering strengthening our activities in this region as a priority area for water resources. We will also disclose the results of our review as appropriate.

Q: DNP is implementing LCA to assess the negative impact on biodiversity, and is also creating green spaces such as *Ichigaya-no-Mori* (The Ichigaya forest) and other green spaces around the country that have a positive impact on biodiversity. Are you considering disclosing this information quantitatively to highlight corporate value?

A: LCA is not just about the negative aspects, but is a method for identifying areas for improvement and clarifying the results of measures taken, at the same time as ascertaining emissions based on appropriate calculations, so we believe it accurately expresses our positive efforts. In addition, we are working on a variety of initiatives at each of our locations to realize a *society in harmony with nature*, and we would like to set numerical targets, follow up on the degree of achievement, and raise the level of our activities. The calculation method is being examined in accordance with the guidelines set by various organizations. In the future, we will establish calculation methods and target setting methods, and consider disclosing them.