

Dai Nippon Printing, Co., Ltd.
Briefing on ESG Q&A Summary
(October 15, 2021)

[Questioner 1]

Q: According to DNP's environmental report, Scope 3 accounts for most of DNP's overall supply chain greenhouse gas (GHG) emissions. Please tell us what initiatives you are taking to reduce Scope 3 emissions.

A: Of DNP's Scope 3 emissions, the largest source of emissions is the manufacture and transport of raw materials used in our products. So we aim to reduce emissions throughout our supply chain by explaining to our main suppliers the importance of reducing GHG emissions and by recommending that they set science-based targets (SBTs).

Q: Page 12 of the presentation materials explains that changes to where employees work are part of DNP's business structure reform. It seems difficult to relocate human resources across departmental lines, so how are you handling this? Also, could you give some examples of the in-house multiple job system described on page 33?

A: Our reallocation of human resources is based on shifting people out of departments that serve shrinking markets and into growing fields. We work at developing human resources by training them to acquire necessary skills. For example, when we converted a publication printing line at our Tsuruse Plant in Saitama Prefecture into a battery pouch manufacturing base, we sent printing equipment operators to our main battery pouch factory in Kitakyushu and gave them training there. This shows the effort that we put into developing and utilizing human resources.

Also, in order to shift workers into ICT-related departments that will be growing in the future, we began offering a new roughly four-month course that includes basic ICT training and on-the-job training in ICT-related workplaces.

As an example of our in-house multiple job system, in a training session where participants proposed new business ideas, one team proposed a new art-related business, and the member of that team now spend a fixed portion of their working time in a department that develops art-related businesses.

[Questioner 2]

Q: You said that the DNP Group has about 2,000 people working in ICT. What is the breakdown by department, and what kinds of work are they doing? Please explain in detail about the current state of ICT human resources and how you plan to use human resources in the future as you transform your business portfolio.

A: More than 90% of our ICT people belong to the Information Communication segment and its Group companies. In the future, we will need to further increase the number of employees who excel in project management and Agile software development. In order to cultivate such talent, once a year we assess the skills of our ICT staff and select training programs appropriate to their level. Based on each person's career plan, they may meet with their supervisor one-on-one to decide on a training method and schedule.

Q: On page 8 of the presentation materials you discuss your data distribution and environment-related businesses. Do you intend to disclose more information about each of these businesses in order to make it easier for investors to evaluate them?

A: Going forward, we intend to consider the disclosure of information related to each business from various angles and reflect our findings where we can.

[Questioner 3]

Q: According to the compensation system for Directors, 65% of compensation is fixed and 35% is performance-linked, with the performance indicators being operating profit, current net income, and ROE. Please explain the reason why this system has been so designed.

A: Concerning fixed and performance-linked compensation, this refers to a fixed monthly amount and bonuses. Regarding compensation of executive directors, we are considering increasing the ratio of performance-linked compensation from the current level. In addition, concerning compensation for Directors, in order to enhance transparency and objectivity, we submit a draft of the compensation to our Advisory Committee, consisting solely of independent outside directors and an independent outside statutory auditor, and decide on the compensation based on the Committee's deliberation over factors like business performance and the level of each Director's contribution.

Q: Please share your thoughts regarding ESG issues that you are aware of and how you are trying to improve in those areas in the future.

A: In terms of governance, it is a critical issue to determine how we should govern the entire DNP Group in response to sudden changes in the business environment. In other words, we believe that it is an issue that needs to be addressed immediately to deepen discussions about how to guide the Group as a whole in the direction we aim for, and about what kinds of risks each Group company should take in response to changes in the environment, and at the same time, what profit-generating opportunities these changes will present.

Furthermore, we recognize that improving ROE and other capital efficiency indicators is an extremely important issue. We are thinking about how to improve these indicators while balancing the interests of all stakeholders.

[Questioner 4]

Q: Regarding the reductions in GHG emissions during the five years from 2015 to 2020 as shown on page 26 of the presentation materials, please explain the breakdown of how the following factors contributed: changes in your business portfolio, energy conservation measures, the introduction of solar panels, changes in emission factors, introduction of renewable energy, and the temporary reduction in business due to the corona pandemic. Also, please explain some more about internal carbon pricing.

A: Most of the reductions in GHG emissions were achieved as a result of business portfolio changes and energy conservation measures. We have been working on energy conservation measures since the 1990s, and they have been particularly successful. Concerning changes in our business portfolio, in recent years we have been seeing the increasing effect of shrinkage in businesses such as commercial printing and publication printing as demand for paper media has been declining.

Internal carbon pricing is an initiative whereby a per-unit price is set for the carbon emissions generated by a company. It is being implemented increasingly in Japan and elsewhere amid expectations for full-scale introduction in Japan of a carbon tax and/or carbon emission rights trading system. Going forward, when we evaluate the economic feasibility of introducing new utility equipment or other major equipment, we will factor in carbon emission costs and accelerate the introduction of equipment that effectively contributes to energy saving and environmental preservation.