

DNP Group IR Day Q&A Summary
(July 13, 2026)

Questioner 1

Q: With regards to the R&D framework (page 8 of the materials), which area do you intend to prioritize as you strengthen your development capabilities: projects within the business divisions that are approaching commercialization, or foundational technology development led by the headquarter R&D division? Could you also explain the respective roles and positioning of the three development centers at headquarters.

A: Headquarters has three centers: the *Research and Business Development Center*, the *Technology Development Center*, and the *Advanced Business Center*. The *Research and Business Development Center* conducts research and development related to manufacturing and promotes the commercialization of its results. This center comprises two divisions: one that develops foundational technologies expected to become the Company's next-generation core technologies, and another that promotes the commercialization of the results produced. The *Technology Development Center* conducts research, development, and commercialization related to production technologies, and strengthens production technology, one of the Company's key strengths, by developing technologies for the in-house production of various types of equipment, including technologies that enhance machinery precision and nozzles that improve coating precision. We believe it is uncommon for a company to have such a specialized technology division and that it contributes significantly to keeping the technologies developed proprietary and differentiating the Company from its competitors. This center also supports production technology through the development of inspection equipment, Industrial Engineering (IE) analysis to improve production efficiency, and technologies for product analysis and evaluation. The *Advanced Business Center* is responsible for research and development in areas such as ICT, DX and AI, as well as the commercialization of specific applications. The three centers work together to advance R&D at headquarters.

Turning next to the allocation and focus of our R&D efforts, it is important to nurture the outcomes produced through R&D at headquarters. We recognize that the businesses currently important to DNP and delivering growth today are the culmination of efforts we have nurtured over periods of five, ten, or fifteen years. Some of these initiatives originated at headquarters, while others originated in the business divisions. We believe that this commitment to pursuing challenges in such

areas over the long term is deeply rooted in DNP's corporate culture. Accordingly, within an overarching framework for coordinating these efforts, the business divisions and headquarters maintain ongoing dialogue and deliberations regarding where to place the greatest emphasis.

Q: I have a question regarding photo imaging business. You show trends by print size since 2019 (page 39 of the materials). What is driving the significant recent growth in large-format, 8-inch prints? From a long-term perspective, it is difficult to determine from the chart whether 8-inch print volumes had previously been growing or declining. Could you provide a longer historical view of how volumes by print size have evolved? In particular, has 8-inch category recently accelerated after a period of stagnation or decline, or have 4-inch and 5-inch prints been on a longer-term upward trend but recently leveled off? Please provide some further details.

A: While the overall photo business has been declining from a long-term perspective, the 4-inch prints in the dye-sublimation thermal transfer media segment has grown steadily since we entered this business in 2006. However, consumer printing has remained relatively flat since the COVID-19 pandemic. Meanwhile, demand for the 8-inch prints within the dye-sublimation area was not substantial and remained flat until around 2020. Since the COVID-19 pandemic, however, the proliferation of smartphones and mobile applications, among other factors, has led more people to place greater value on printing that *one special photograph*. Specifically, applications such as printing at theme parks and weddings, as well as portrait printing, have increased, driving stronger demand for the 8-inch format. We also launched a new printer in 2024 that supports a wide variety of print formats. Demand for calendars printed in the 8-inch format has been increasing particularly in North America, contributing to recent growth in 8-inch printing.

Q: What is the breakdown of sales volume by print size for the 4-inch, 5-inch, and 8-inch prints?

A: The 4-inch prints accounts for approximately 80%, while the 5-inch and 8-inch prints together account for approximately 20%. The sales percentage of the 8-inch prints is lower than that of the 5-inch prints. However, larger sizes such as 5-inch and 8-inch products offer greater added value and meet customer needs in a wider range of applications, resulting in higher profit margins.

Q: I understand that you plan to nearly double sales in the photomask business over the next three years (page 63 of the materials). In terms of the growth drivers, EUV (extreme ultraviolet) and NIL (nanoimprint lithography) are not expected to contribute until 2027 onward, so it appears much of the growth is likely to come from conventional optical masks. Could you provide further details? Does this mean that outsourcing will become more prevalent in the market? Are there any changes in photomask procurement practices among chip manufacturers, particularly for AI-related applications? More broadly, what factors are driving the acceleration of growth in the merchant photomask market? Should we understand this as a structural shift from captive production toward greater use of merchant suppliers? Please explain the background to this trend and your views on it.

A: The background to this is the growing demand for cutting-edge semiconductors driven by advances in technologies related to AI, including AI itself and physical AI. Against this backdrop, our customers are allocating more resources to these areas. However, resources, particularly human resources, are limited globally. As customers allocate more resources to higher-end products, they have traditionally outsourced the production of photomasks from the previous generation rather than manufacturing them in-house. As a dedicated photomask manufacturer, this trend is expanding our opportunities to secure orders. With the rapid growth of the AI market, we expect outsourced work on products one or two generations behind the cutting edge to increase rapidly.

Q: In that case, is it correct to understand that chip manufacturers are allocating more of their own resources to EUV, while increasingly outsourcing the less advanced, optical-mask portion of the mask set?

A: That is correct. Even EUV processes include non-EUV layers, and as EUV expands, customers will inevitably outsource photomasks for non-EUV layers rather than producing them in-house. Furthermore, high-end optical masks at the boundary between EUV masks and optical masks, which customers have previously manufactured in-house, will not disappear as EUV adoption accelerates. Demand for these masks will continue to grow across a variety of applications, and cutting-edge non-EUV optical masks will also be progressively outsourced. That is the trend we are seeing.

Questioner 2

Q: How should we think about the sales outlook for glass cores? The target for FY2032 is stated as 30 billion yen or more (page 67 of the materials). Does this mean sales of approximately 5 billion yen in FY2029 and approximately 35 billion yen in FY2032?

A: As indicated in the presentation materials, we anticipate 30 billion yen or more in FY2032. We also expect contributions to begin emerging in the near term as the business ramps up, so your understanding is correct.

Q: How should we assess your competitive position relative to other companies? Given that many package manufacturers have recently been conducting research and development on glass cores, could you explain your strengths once again?

A: We have three strengths. First, glass cores are produced by filling holes formed in glass with copper. It is said that the presence of bubble-like voids can increase electrical resistance and cause defects, and we are able to produce glass cores in which the holes are completely filled without voids. Second, our manufacturing process enables us to form smaller holes relative to the substrate thickness, as measured by the aspect ratio, arrange them more closely together, and achieve a higher hole density. Third, while not unique to us as some competitors have also operated display businesses, we have many years of experience handling thin glass substrates measuring up to three meters square through our color filter business, giving us extensive expertise in glass handling.

Q: I have a question regarding photomasks. Recently, competitors commented in their earnings announcements that capacity constraints were preventing them from accepting new orders and that orders for low-end smartphone applications were weak. Is it reasonable to assume that these issues will have little impact on your company and instead create an opportunity for you to increase your market share?

A: Demand is not growing for some applications. However, the overall trend is that, while EUV demand has yet to take off, demand is steadily increasing in the high-resolution segment for photomasks used in the generation immediately preceding EUV, and we are securing orders in this area. Also, with respect to legacy nodes, although there has indeed been an impact from reduced smartphone production due to memory shortages, we are securing orders for industrial and automotive applications.

Q: Photomask sales are projected to increase substantially in FY2027 and FY2028 (page 67 of the materials), but the outlook for the merchant photomask market does not indicate growth on a similar scale (page 61 of the materials). How should we interpret this discrepancy?

A: This reflects the expansion of production capacity through large-scale capital investment.

Q: Regarding CMIC CMO (page 49 of the materials), could you explain its competitors, your company's strengths, and how the market is segmented among players? For example, are competitors strong in solid dosage forms and injectables, while your company has strengths in products for clinical trials?

A: CMIC CMO operates four plants in Japan and two overseas. Having taken over plants from major pharmaceutical companies, it possesses high quality standards and reliability as key assets. Particularly in new drug development, it has the Pharmaceutical Development Center in Shizuoka, which has the capabilities to work closely with pharmaceutical company customers and support them from the upstream stages of new drug development through to product launch. One major distinguishing feature of CMIC CMO is that it integrates the quality capabilities of the plants it has taken over across the organization and leverages them as a strength. Another point is that DNP has three manufacturing value chains: *drug substances*, *drug formulations*, and *healthcare packaging*. Our strategy is to combine these three assets to create strengths that other CMOs do not possess.

Questioner 3

Q: I would like to confirm the details of capital expenditures (page 26 of the materials). I am particularly interested in the plan to allocate more than 60% of capital expenditures to electronics. More than 60% of the 200 billion yen in capital expenditures for focus businesses and growth-potential businesses would, on a simple calculation, amount to at least 120 billion yen. However, the subsequent explanation indicated planned investments of 70 billion yen in the photomask business for front-end semiconductor processes (page 63 of the materials) and 30 billion yen in the glass core business for back-end processes (page 67 of the materials). After deducting these amounts, only around 20 billion yen would remain for displays and other areas. However, I recall that at the full-year financial results briefing, it was explained that investment in glass cores

was not included in the capital expenditure plan and would instead be funded from the strategic investment allocation once a decision was made. Please provide a more detailed breakdown of the capital expenditures under the medium-term management plan.

A: We have not fixed capital expenditures at 200 billion yen. The flexible allocation indicated when we presented our financial results announcement includes M&A, such as the previously announced acquisition of AUSTRIACARD. As semiconductors are a growth area, we believe that growth investments could exceed 120 billion yen through the use of flexible allocation, depending on the circumstances. As market conditions are constantly changing, we intend to make swift decisions and proceed with investments.

Q: From the corporate perspective, if, for example, a business division decides to invest in semiconductor business, would you support that decision? Given that the semiconductor market is highly volatile and experiences both upturns and downturns, would you take a somewhat restrained approach to investment while carefully considering the associated risks?

A: I think that is a difficult question. One consideration is how much we should invest in semiconductors and how much we should seek to grow it. Our policy is to generate cash by growing all three divisions as well as other areas, taking into account the Company's overall portfolio, and to allocate that cash to growth investments. We therefore intend to invest not only in semiconductors but also in other divisions. As the market changes rapidly, we intend to make decisions flexibly, taking fluid factors into account while monitoring market conditions.

Q: If possible, please provide a breakdown of the planned 70 billion yen capital expenditures for front-end semiconductor processes (page 63 of the materials).

A: We cannot provide a detailed breakdown of the 70 billion yen. However, as is widely known, EUV equipment is extremely expensive, so it is reasonable to assume that investment in EUV accounts for a substantial proportion.

Q: Is the capital expenditure budget for the mass production of nanoimprint products included in this 70 billion yen, or will additional investment be required, as in the case of glass cores?

A: It is not yet included in the 70 billion yen. We are currently making the final refinements based on customer evaluations. As it will take some more time for

customers to provide information on when production will begin and at what volume, we intend to finalize our plan when the time comes to make an investment decision.

Q: I have a question regarding the growth potential of photo imaging business (page 43 of the materials). The sales and operating profit plan through 2030 assumes that the operating profit CAGR will significantly exceed the sales CAGR. What are the main drivers of the anticipated improvement in the profit margin? It is easy to envisage volume growth through future expansion into the Middle East and emerging markets driving top-line growth. However, does the even greater improvement in the profit margin reflect an anticipated improvement in the product mix due to the higher profitability of 5-inch and 8-inch products? Will the product mix improve as a result of changes in the sales mix between printers and consumables? Please explain the factors underlying the planned improvement in the profit margin.

A: As 4-inch products account for a relatively large proportion of sales, we have set the CAGR at a moderate 4.4%. Meanwhile, we have set a high CAGR target of 9.9% for operating profit. Going forward, we intend to focus on higher-value-added printing rather than conventional consumer printing. As a specific initiative, we launched the *DS820DX*, a new high-value-added printer, in 2024 (page 38 of the materials). Although we are not yet able to disclose the details or timing, we also plan to develop high-value-added media for use with the new printer. By leveraging our track record and expertise in media development accumulated over 30 years and successively launching high-value-added printers and media from 2025 onward, we aim to achieve a CAGR of 9.9%.

Q: Regarding battery pouches, the market outlook for Energy Storage Systems (ESS) indicates a market size of approximately 200 gigawatts in 2025, with the market expected to roughly double by 2030 (page 23 of the materials). Given that automotive applications have historically accounted for a significant share of demand for battery pouches, I assume that ESS will not represent a particularly large proportion of battery pouch sales even in 2030. If possible, could you explain the business opportunities in ESS, including the proportion of sales attributable to ESS in the most recent fiscal year and whether your strong market share in ESS could allow your ESS-related sales to grow faster than the overall market, thereby increasing their share of your sales mix? In addition, could you provide an update on the outlook for the second production line at the

Tsuruse Plant in Saitama Prefecture, including whether it is scheduled to commence operations during the period covered by this medium-term management plan?

A: Samples of battery pouches for ESS applications have already been provided and are undergoing evaluation at an accelerated pace, with mass production scheduled to begin in FY2026. Therefore, even if demand grows, we do not expect it to outstrip automotive applications. In terms of overall volume, we expect the number of electrified vehicles, including EVs, to increase, along with growth in ESS demand, and therefore plan for our business to grow to a certain extent as well. Automotive applications will remain quite challenging in FY2026, but we believe ESS demand will steadily increase. Although this will also depend on the extent of recovery in Europe and the United States, where we hold high market shares, given the volumes indicated in our sales plan, the Tsuruse Plant production line may commence operations within the next three years.

Q: Is it correct to understand that the Tsuruse Plant production line will need to commence operations toward 2028 to avoid a capacity shortfall, primarily because demand for electrified vehicles is projected to grow at a double-digit CAGR, rather than because ESS demand is expected to increase suddenly and substantially?

A: That is correct. The Tsuruse Plant is equipped with machinery designed for electrified vehicle applications. We plan to use the latest equipment at the Tsuruse Plant to manufacture products for electrified vehicle applications and the other equipment to manufacture products for ESS applications.

Questioner 4

Q: The projected CAGR for photomask sales has increased from the mid-11% level presented at IR Day 2025 to just over 15% (page 63 of the materials). We assume that cutting-edge applications are the main driver behind the upward revision to the growth rate. What, for example, are the major contributing factors? Please explain in detail how the market environment and the business have changed over the past year, leading you to revise the growth rate.

A: We are forecasting higher growth than last year for two reasons: EUV-related business has become more tangible, and the volume of merchant sales is expected to be greater than anticipated last year.

Q: Is the increase in merchant sales volume attributable, for example, to an increase in orders from customers that you had not initially anticipated? Is the number of customers increasing, or is sales volume per customer increasing? Please provide further details.

A: While we will refrain from disclosing specific customer names, the increase is attributable to higher order volumes from existing customers.

Q: Regarding the increase in the capital investment plan from 30 billion yen to 70 billion yen (page 63 of the materials), you explained that EUV-related capital investment accounts for a significant portion. What is the overall direction of this substantial investment, and which areas account for most of the increase in the planned amount? As you significantly expand capital investment, please explain to the likelihood that these investments will translate into revenue growth. Given the characteristics of the industry, I understand that it is important to establish production sites near customers' plants, shorten lead times, and respond promptly to customer requirements. What type of capital expenditure will you prioritize?

A: The key factor underpinning this likelihood is *AI*, which is experiencing accelerating growth. Its applications are also expanding from the consumer market to business and government-related domains. More recently, the use of AI has expanded beyond computation in data centers to physical AI, which integrates it with physical objects. We believe this will first drive a significant increase in investment in AI, including capital expenditures by our customers. Accordingly, we expect orders to increase for both EUV masks and related non-EUV layers.

Q: Looking ahead, I would like to confirm whether you foresee any potential bottlenecks, for example, if you were to significantly expand production capacity. By way of background, you mentioned that the industry as a whole faces some workforce constraints. Although expanding fixed assets may be financially feasible, do you foresee any risks, such as difficulties in recruiting personnel that could cause your revenue growth to lag behind the overall market?

A: Given the limited availability of human resources, we view this as an area requiring focused attention rather than as a risk. In addition to recruiting new graduates and experienced professionals, we flexibly reallocate human resources across the entire DNP Group, which has many human resources, in line with business circumstances. We have a framework for reskilling human resources and intend to systematically

secure the human resources required in time for planned investments by leveraging human resources across the entire DNP Group while also accepting human resources from outside.

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