

DNP Group IR Day Q&A Summary
(July 10, 2025)

Questioner 1

Q: Regarding the performance trends of the Mobility business outlined on page 40 of the presentation materials, plans are in place for significant growth in new areas starting this year. Has the certification process been almost completed? Additionally, it is stated that overseas sales are expected to account for 70% or more of total sales. Do these overseas sales refer to the bases of Japanese automakers abroad, or do they also include sales to overseas automakers?

A: The expansion of sales has been driven by the contribution of Hikari Kinzoku, which joined the Group through M&A. For automotive applications, we are getting insights into the future, including projects that have already been tentatively decided for competitions scheduled to take place in three years. While there are still some uncertainties regarding new products and new areas, we will continue our ongoing initiatives. Currently, overseas sales account for less than 50% of our total, but we are receiving orders from both Japanese automakers and overseas automakers in China and North America. We plan to further expand our global operations in the future.

Q: You anticipate that sales will grow in the Information Security business, as mentioned on page 19 of the presentation materials. Could you please specify which products you expect will grow and whether that growth will occur in Japan or overseas? Additionally, you mentioned that you have a very high market share of smart cards in Japan. Could you elaborate on your growth strategy for markets outside of Japan?

A: We refrain from disclosing growth rates for specific products; however, our focus is primarily on overseas markets rather than Japan. We anticipate a high CAGR for factory security and our *AI-Ready Data service*, which we currently put as our main priorities. Our strategy for smart cards in international market includes forming joint ventures or making investments with companies in Vietnam and Indonesia. Additionally, since our market penetration was geographically limited, we are looking to expand into emerging countries, such as Africa, by acquiring Rubicon SEZC.

Q: In the semiconductor-related business on page 56 of the presentation materials,

there are plans for capital expenditures of 30 billion yen over the next three years, from FY2026 to FY2028. Please provide specific details regarding the investment, including the areas to which the funds will be allocated, whether the investment will be in Japan or overseas, and if any joint ventures are involved. Additionally, regarding EUV masks, could you share your thoughts on the potential for acquiring customers beyond Rapidus?

- A: The 30 billion yen in capital expenditures does not include joint ventures in Taiwan and China. We plan to invest evenly in cutting-edge areas, including EUV, as well as in the relatively narrow nodes of the advanced and volume zones of optical lithography. Additionally, we aim to expand capacity in most areas. Currently, EUV masks are being shipped to equipment manufacturers and materials manufacturers as standard products. Through our contract development with Rapidus, we are working to understand the requirements for mass-producing EUV masks and establishing a manufacturing process that includes quality assurance. We anticipate receiving inquiries from other customers in the future.

Questioner 2

Q: Please explain your specific plans and approach regarding your goal of achieving sustained income growth of 5% CAGR or more.

- A: This is the first time we have announced an average annual income growth rate of 5%. Our goal is to achieve an operating income of 130 billion yen in the next Medium-term Management Plan (FY2026-2028). We will share the specific plans as soon as they are finalized. We evaluate our business based on a ROE of 10% and have also introduced a new indicator of a growth rate of 5% or higher. The six businesses selected as focus businesses are all expected to achieve both an ROE of 10% or higher and a growth rate of 5% or higher. For our other businesses, we will continue to implement structural reforms while improving ROE, focusing our investments on markets with growth potential. By meeting these criteria, we believe we can naturally achieve an ROE of 10% or higher and a growth rate of 5% or higher. We have just begun evaluating this indicator and will follow our current plan for this fiscal year, aiming for further sustainable growth based on these figures during FY2026-2028.

Q: Regarding the CAGR for metal masks on page 73 of the presentation materials, please clarify whether the increase in the 2026 figures, compared to last year's materials, is due to a rise in quantity, an increase in unit price, or if it reflects a

higher contribution of the 8th generation (G8) for PCs and tablets compared to the previous year.

A: The reason for the increase in 2026 is that, although mass production of G8 has begun on the new line at the Kurosaki Plant in Fukuoka Prefecture, customer demand has been delayed, resulting in the expected increase in 2025 being pushed back to 2026.

Q: Regarding the business environment for metal masks on page 71 of the presentation materials, the OLED/LCD ratio is shown for smartphones. Could you please clarify the assumptions regarding how the penetration rate of OLED will increase for PCs and tablets?

A: According to data from research firms, the OLED adoption rate for smartphones reached 50% in 2024 and is expected to rise to 60% by 2030. We are planning our business strategy accordingly. Additionally, while tablets and notebook PCs are experiencing significant CAGR growth, their overall number remains small compared to smartphones. The OLED adoption rate for tablets and notebook PCs was 4% in 2024, and we predict it will increase to 20% by 2030, which we have factored into our plans.

Q: As sales for metal masks expand, will profit margins increase, or will they remain stable while profits grow in accordance with sales growth?

A: The growth in sales of metal masks is mainly due to the transition to OLED in smartphones and the growing demand for tablets and notebook PCs. Some of these products are produced on the 8th generation line. To increase profits, it is crucial to improve yield, and we intend to focus on enhancing productivity to reach this goal.

Q: Regarding the business plan for battery pouches on page 48 of the presentation materials, the CAGR indicates that sales in FY2028 are expected to exceed 70 billion yen. Please tell us your thoughts on the timeline for the previous target of 100 billion yen. Additionally, could you provide updates on the decisions made and any pending matters regarding investments in the United States?

A: The previously announced target of 100 billion yen has been suspended due to the uncertain market conditions. We will continue to monitor market developments and will provide updates as soon as the situation becomes clearer. Regarding our investments in the United States, we have completed the purchase of land in North Carolina; however, no specific investment plans have been decided yet. Given the current uncertainty in the United States, we intend to monitor the situation closely

and proceed with our plans promptly.

Questioner 3

Q: Does ROE of 10% include extraordinary gains, and does income CAGR of 5% refer to 5% CAGR of operating income?

A: ROE of 10% does not include extraordinary gains. Currently, it is effectively around 7%, and since we will not see continued extraordinary gains, such as from the sale of strategic shareholdings, we will focus on achieving a real ROE. We have been explaining that income growth of 5% refers to operating income; however, the graph also shows ordinary income. Since ROE is ultimately calculated based on net income, we will aim to increase the net income figure, which is purely related to our business, by 5% or more.

Q: In FY2024, impairment losses were recorded and changes were made to stable businesses and businesses for reforming. Please describe the progress and future direction of structural reforms.

A: We have established a subsidiary, DNP Publication Products, from our publishing and printing business as of April this fiscal year. We are currently reorganizing our facilities and personnel. In October, we will integrate two business units: Mobility and Living Spaces. Additionally, we plan to recognize impairment losses on unprofitable facilities during this fiscal year, while continuing to invest in facilities that support our growing businesses. We are now entering a phase in which we will review our business portfolio, with the target of achieving ROE of 10% and income growth of 5%. Structural reforms must be consistently implemented in response to market changes. We will continue to implement structural reforms to drive further growth.

Q: The overview section of the performance forecast and medium-term plan for metal masks, on page 73 of the presentation materials, states that smartphones are expected to increase for FY2025, with tablets and notebook PCs as future prospects. In FY2025, mass production is anticipated on the G8 line. However, shouldn't we also expect a significant contribution from tablets and notebook PCs? Furthermore, please tell us if there are any changes in unit prices compared to smartphones, the competitiveness of the metal mask method itself, and highlight any differences from other methods.

A: Currently, the G8 line is producing metal masks for notebook PCs, with an emphasis

on achieving production stability and improving yield, particularly for larger sizes. The figures in the materials are expected to increase in 2026 as customer demand grows. The unit price differs between G6 and G8 due to the significant difference in product size of the metal masks, which affects manufacturing difficulty and yield rates. Additionally, we set prices taking into account the value of large OLED displays. We are also monitoring alternative technologies to the metal mask method. While inkjet printing has begun limited mass production, it faces challenges in meeting the high-definition requirements for smartphones. Other methods, which differ from the metal mask approach, are currently struggling with low yield rates. At this point, we believe that large-scale mass production using these alternative methods are not yet feasible. We will continue to focus on technological development to enhance our technical competitiveness in the metal mask method.

Q: Mass production of nanoimprinting is scheduled to begin in 2027. However, I would like you to inform us whether some customers are already lined up and how certain you are about this. Additionally, I would like you to inform us about the potential for using glass cores.

A: We have recently received several inquiries regarding nanoimprinting, especially from customers concerned about the high cost associated with EUV, who are considering a switch to nanoimprinting. Given this situation, we anticipate that mass production could become feasible around 2027. Regarding glass cores, we have successfully achieved void-free manufacturing with high aspect ratios in a laboratory setting, even with large substrates. Moving forward, we plan to use our pilot line to verify economic feasibility and productivity, while also addressing any issues that may arise as we prepare for mass production. The key factors for the successful launch of glass cores include customer adoption and our capability to manufacture them effectively. While other companies are also pursuing similar technological developments, we believe that our products will gain market traction if our distinct advantages, namely the high aspect ratio and void-free characteristics, are recognized.

Questioner 4

Q: Regarding the details of focus business areas shown on page 9 of the presentation materials, Information Security and Photo Imaging were categorized into stable businesses in last year's materials. Have their position changed to growth-driving businesses? Additionally, please inform us if there has been any changes in your thinking regarding the four quadrant

classification of *growth-driving businesses, new businesses, stable businesses, and businesses for reforming*. Lastly, let me confirm that there will be no changes in support for businesses that require structural reforms.

A: Information Security and Photo Imaging were positioned as stable businesses last fiscal year. However, due to market conditions and growth rates of approximately 7%, they have been reclassified as growth businesses. We have moved away from the four-quadrant approach and instead thoroughly examined the details of each business to identify those with growth potential. As a result, we are shifting our strategy to focus our investments on these growing businesses. Overall, we will communicate to investors our commitment to concentrating on businesses with high ROE and high profit margins. At the same time, we evaluate all businesses using metrics such as a 10% ROE and a 5% growth rate. We believe that structural reforms will continue to accelerate our progress toward achieving these targets.

Q: Even if the ROE for all businesses reaches 10%, I believe that the consolidated ROE may not reach 10% due to the impact of strategic shareholdings and other factors. Will you consider raising the ROE level slightly higher, and could you explain the rationale behind selecting ROE while there are other profitability metrics such as ROIC?

A: We are aiming for an ROE of 10% or more and an income growth rate of 5% across the entire company, while acknowledging that there will be undulations. Our goal is to achieve further improvement by cutting back on areas that are lagging and investing in those that show growth potential. The reason we selected ROE is that ROE is indicated in the Medium-term Management Plan, used to evaluate each business from that perspective. In our next Medium-term Management Plan, we will also consider using easily understandable figures to present profitability.

Q: Regarding Photo Imaging, last year it was categorized as Imaging Communications. However, the CAGR of the overall market has risen from approximately 4% to approximately 7%, as stated in the presentation materials. Is it correct to understand that this change is due to the shift in market categorization? Additionally, you mentioned that your company holds a 70% share of the global market. Could you provide more information about the competitors that make up the remaining 30%? Also, the competitive environment, and whether you believe your company has been able to enjoy the benefits of being a market survivor?

A: Regarding market categorization, last year, we mainly viewed it as a market solely on photo prints. However, due to the growth of the photo-related market, we have expanded our focus to include other consumer markets beyond just prints. As a result, we anticipate a high CAGR by taking into account the broader photo-related market, including new printers. Our competitors include companies in the United States, the United Kingdom, Taiwan, and South Korea that manufacture dye-sublimation thermal transfer printing media. We hold approximately 70% of the market share and operate manufacturing subsidiaries in North America, Europe, Asia, and Japan. This enables us to produce products in the most suitable locations, which is a key strength compared to other companies. We plan to continue this localized manufacturing approach to meet future local demands.

Q: Regarding the semiconductor-related business, the growth rate of the external sales market for photomasks is 7%. The reason given for DNP's sales CAGR being expected to be higher at 11.6% is attributed to EUV and nanoimprinting. Please tell us if there are any other growth factors. Also, please provide your sales forecast for EUV masks in 2030. Additionally, please inform us about the synergies you aim to achieve with Shinko Electric Industries regarding glass cores.

A: The main factor behind DNP's CAGR exceeding that of the semiconductor market is EUV. However, the growth of optical masks is also contributing to this growth. While I cannot disclose specific customers or sales figures at this time, we believe these are well-grounded estimates. Nanoimprinting is still some time away, but we anticipate it will begin to contribute to growth from around 2027. Regarding glass cores, we are currently proceeding with discussions due to the completion of the tender offer.

Questioner 5

Q: Regarding battery pouches for automotive use, can you provide any details on any efforts made during the period when demand stabilized due to inventory adjustments to recover investment in the next upward cycle? Additionally, please specify the effects of those efforts.

A: We repeatedly made steady efforts to improve yield and productivity during the inventory adjustment period. We believe that this will increase productivity and competitiveness, enabling us to handle higher volumes without the need to hire new staff or make additional investments.

Q: Shipments of semiconductor photomasks have been increasing recently as local manufacturers in China have been gaining strength in the mid- to low-end segments. Do you feel this poses a threat to your company, and are there any changes to your optical photomask strategy?

A: Local manufacturers in China are emerging, and local manufacturers are developing not only in photomasks but also in semiconductor-related materials as a whole. While we previously aimed to expand in this area, we have shifted our focus towards cutting-edge areas and the high-end optical area for further growth. The rise of Chinese manufacturers does pose some challenges, but we have taken this into account in our business plan.

Q: Regarding Information Security on page 15 of the presentation materials, I understand that business is being conducted based on the DNP core value of *P&I Innovations*. However, could you please explain the differentiation from competitors who are leveraging their experience in the printing industry to enter the information security industry in a similar manner to DNP?

A: The strengths we have developed in the manufacture of smart cards and other products provide us with a competitive advantage, and we need to further enhance these strengths. Additionally, we have invested in Intelligent Wave and are collaborating with them on cybersecurity, which will become a significant threat in the future. Our biggest challenge compared to our competitors is global expansion. However, we are focusing on creating business synergies rather than making pure investment. We have been working with companies in Vietnam and Indonesia to conduct joint manufacturing. Furthermore, our strategy involves investing to enhance these synergies by forming strong partnerships in emerging markets, such as those in Africa, which are expected to grow in the future. We are working with this differentiation in mind.

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