



Second Opinion

Dai Nippon Printing Co., Ltd.

October 16, 2024

Sustainability-Linked Finance Framework

Sustainable Finance Division
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Rating and Investment Information, Inc. (R&I) has confirmed the alignment of the Sustainability-Linked Finance Framework of Dai Nippon Printing Co., Ltd. (DNP) formulated in October 2024 with the following principles and guidelines:

Sustainability-Linked Bond Principles (2024, ICMA)
Sustainability-Linked Loan Principles (2023, LMA, etc.)
Sustainability-Linked Bond Guidelines (2022, Ministry of the Environment)
Sustainability-Linked Loan Guidelines (2022, Ministry of the Environment)

■KPIs

KPI 1 : GHG emissions reduction (Scope 1 and 2)

KPI 2 : Improvement of resource recycling rate

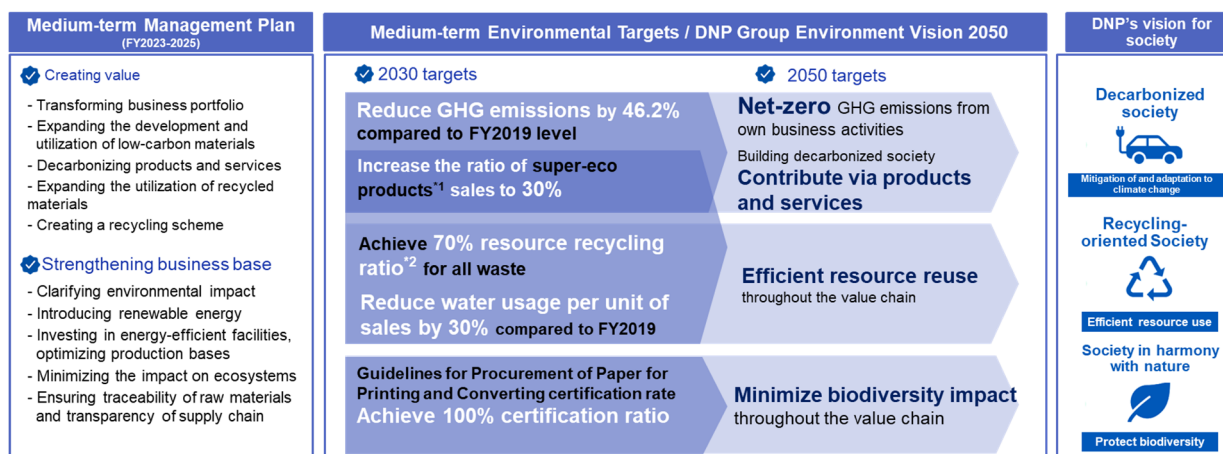
■SPTs

SPT 1 : Reduce GHG emissions by 46.2% compared to FY2019 level by FY2030

SPT 2 : Achieve 70% resource recycling rate for all unwanted materials in FY2030

1. Outline of the Issuer/Borrower

- Founded in 1876, a leading company in the printing industry. The company operates in a wide range of areas, including publishing and commercial printing, packaging, industrial materials, and electronics. The company is highly competitive in each field thanks to the strength of its technological capabilities and extensive experiences cultivated in the printing and information-related businesses.
- The company's corporate philosophy is "connecting individuals and society, and providing new value." One of the DNP Group Codes of Conduct to realize this philosophy is "environmental conservation and realization of a sustainable society." In 1972, the company became the first in the industry to establish a department dedicated to environmental issues within the company. As such, the company has positioned addressing environmental issues as an important management issue and has been working on it from early on. In recent years, in particular, there has been an increasing demand to reduce the burden on the global environment. Against this backdrop, DNP promotes environmentally conscious activities throughout its supply chain.
- The company has formulated the "DNP Group Environmental Vision 2050" as a statement of "what we expect to accomplish toward the year 2050" to realize a sustainable society. In the Medium-term Management Plan for fiscal years 2023–2025, the company has also announced that it will focus on environmental initiatives as part of its non-financial strategy. The company simultaneously pursues value creation through its business activities and management foundation strengthening, and aims to realize the "decarbonized society," "recycling-oriented society," and "society in harmony with nature" outlined in its Environmental Vision.



[Source: DNP Group Sustainability Briefing 2024]

- In promoting initiatives on environmental issues, DNP endorsed the TCFD (Task Force on Climate-related Financial Disclosures) recommendations in 2019 and has been actively promoting information disclosure. In addition, in April 2024, the company expressed support for the disclosure recommendations of the TNFD (Task Force on Nature-related Financial Disclosures). By enhancing the quality and quantity of information disclosure, the company will further deepen dialogue with stakeholders and accelerate its efforts toward environmental conservation.

2. Selection of KPIs

The KPIs are relevant, core and material to the issuer/borrower's overall business, and of high strategic significance. The selection of KPIs is appropriate.

(1) Overview of KPIs

- KPI 1 : GHG emissions reduction (Scope 1 and 2)

<Definition>

The reduction rate from FY2019 is calculated based on the total emissions of Scope 1 and Scope 2 of the DNP Group, which are calculated based on the "GHG Emissions Accounting and Reporting Manual" (Ministry of the Environment and Ministry of Economy, Trade and Industry).

- KPI 2 : Improvement of resource recycling rate

<Definition>

The resource recycling rate is calculated using the formula: amount of recycled resources ÷ amount of unwanted materials excluding paper × 100.

*Amount of recycled resources: amount of material recycling or chemical recycling out of the amount of unwanted materials excluding paper

*Amount of unwanted materials excluding paper: Amount of unwanted materials obtained by excluding on-site intermediate processing amount of 100% recycled paper valuable materials and sludge from unwanted materials (valuable materials and waste)

(2) Materiality of KPIs

- The company has set medium-term targets for each of the following four themes to realize the “decarbonized society,” “recycling-oriented society,” and “society in harmony with nature” outlined in the “DNP Group Environmental Vision 2050.” In April 2024, the company updated each of these targets to higher values, and will strengthen specific initiatives in each area. Of these, this framework adopts GHG emissions reduction and resource recycling rate improvement as KPIs.

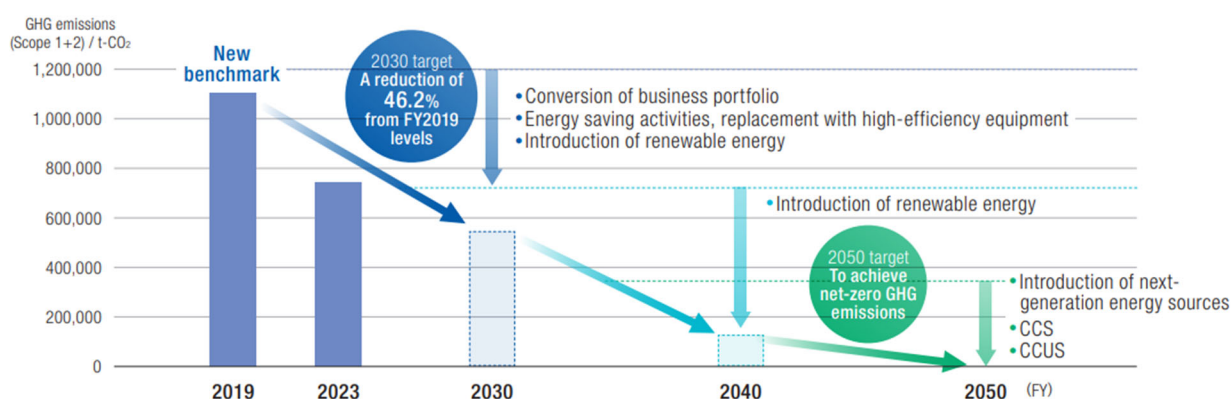
Theme	Updated medium-term targets Target year: FY2030	Previous medium-term targets Target year: FY2025 (FY2030 for GHG)
Reduction of GHG emissions*	46.2% reduction of GHG emissions compared to FY2019 (1.06 million tons → 0.57 million tons)	40% reduction of GHG emissions compared to FY2015 (1.2 million tons → 0.72 million tons)
Improvement of the resource recycling ratio	Achieve 70% resource recycling ratio of all unneeded material	Improvement by 5 points compared to FY2015 (51.7% → 56.7%)
Reduction of water usage	30% reduction of per-unit water usage compared to FY2019 (6.71 m ³ /million yen → 4.70 m ³ /million yen)	35% reduction of per-unit water usage compared to FY2015 (8.82 m ³ /million yen → 5.73 m ³ /million yen)
Expansion of sales of eco-friendly products and services	Expand Super Eco-Products share of total sales to 30%	Expand Super Eco-Products share of total sales to 10%

[Source: DNP Group Integrated Report 2024]

【KPI 1】

- DNP has set a target for Scope 1+2 reduction for FY2030 to achieve carbon neutrality by 2050. For this medium-term target, after obtaining SBT 2°C certification in 2018, the company renewed the certification in 2021 by raising the target to the SBT Well-below 2°C level. DNP focused on promoting energy-saving measures, including the introduction of high-efficiency equipment, and shifting to a business portfolio with a lower environmental impact. As a result, the company has achieved emission reductions with progress far exceeding plans. To further accelerate these efforts, the company revised its target upward again in April 2024. The company has set a new target of 46.2% reduction from the FY2019 level by the end of FY2030, as a target consistent with the SBT 1.5°C level, and will further strengthen Group-wide efforts to achieve this goal.

■Roadmap toward carbon neutrality by 2050



[Source: DNP Group Integrated Report 2024]

- Approximately 85% of DNP's supply chain emissions are Scope 3, with the largest portion coming from raw material procurement (Category 1). These are attributed to the strategies of each supplier company. Therefore, while it is currently difficult to set Scope 3 reduction targets, DNP promotes emission reductions throughout its supply chain by developing active engagement with its suppliers. The company encourages major suppliers to set SBT-compliant reduction targets, while also focusing on sharing industry trends and specific initiatives through individual meetings and exploring collaborative measures. To appeal to suppliers regarding the importance of emission reduction efforts, reduction of DNP's own Scope 1 and 2 emissions is considered indispensable. The company will lead reduction activities across the entire supply chain by steadily advancing Scope 1 and 2 reduction.
- KPI 1 is an important indicator for measuring progress toward realizing a decarbonized society as outlined in Environmental Vision 2050.

【KPI 2】

- DNP aims to transition to a circular economy. It has set the realization of efficient recycling of resources throughout the value chain as its 2050 target. Under this target, the company strives to minimize the total amount of unwanted material emissions and the final disposal utilization rate. Additionally, starting in FY2021, the company is promoting material and chemical recycling and has set the resource recycling rate as an indicator. The company promotes recycling, excluding thermal recycling, to facilitate the circular use of unwanted materials generated through business activities.

- In the case of DNP, plastics are generated in particularly large quantities, accounting for about half of all unwanted materials. This is followed by liquid waste, waste oil, and scrap metal at around 10% each. Plastics account for the overwhelming majority of waste. However, compared to other unwanted materials, there is a potential for improvement in its recycling status. Therefore, the company has made improving the recycling rate of plastics a top priority and focuses on developing material and chemical recycling technologies.
- With the low effective utilization rate of waste plastics and environmental pollution caused by marine plastics, etc., becoming global issues, Japan formulated the Resource Circulation Strategy for Plastics in 2019. The policy to maximize the effective utilization rate of used plastic resources through effective, efficient, and sustainable recycling is presented in it. DNP's initiatives to improve the resource recycling rate are also consistent with the government's direction.
- KPI 2 is an important indicator for measuring progress toward realizing a recycling-based society as outlined in Environmental Vision 2050.

3. Calibration of SPTs

The SPTs are ambitious, and necessary information has been disclosed. The calibration of SPTs is appropriate.

(1) Overview of SPTs

【SPT 1】

- SPT 1 is "Reduce GHG emissions (Scope 1+2) by 46.2% compared to FY 2019 level by FY2030."
- The company also sets annual SPTs as milestones toward achieving the above.

	base year	SPTs						
FY	2019	2024	2025	2026	2027	2028	2029	2030
GHG emissions (1,000t-CO ₂)	1,062	839	794	750	705	661	616	571
Reduction rate (compared to FY2019)	—	21.0%	25.2%	29.4%	33.6%	37.8%	42.0%	46.2%

【SPT 2】

- SPT 2 is "Achieve 70% resource recycling rate for all unwanted materials in FY2030."
- In addition to the above SPTs, the company may set interim SPTs as milestones during the period. In such cases, the company obtains an opinion from R&I on its alignment with the Sustainability-Linked Bond Principles, etc. In addition, it stipulates milestone SPTs in legal disclosure documents or loan agreements, etc., at the time of Sustainability Linked Financing procurement.
- At the time of Sustainability-Linked Loan execution, the company sets annual SPTs based on the above SPTs, and obtains an opinion from R&I on the alignment with the Sustainability Linked Loan Principles, etc. The company stipulates annual SPTs in the contract or other documents each time a loan is executed.

(2) Ambitiousness of SPTs

【SPT 1】

- Reference to the Issuer/Borrower's Own Performance over Time
- The table below shows the actual reductions compared to FY2019. In April 2024, the company revised the scope of the emissions calculation for the base year, FY2019. As a result, the company has updated its actual emissions to 1,062,000 t-CO₂ (an increase of 146,000 t-CO₂ compared to the previous value). The revision of the emissions calculation scope was made to incorporate VOC-derived emissions in accordance with the revision of the Act on Promotion of Global Warming Countermeasures and the expansion of the boundary due to M&A.

	base year	actual values (※)			
FY	2019	2020	2021	2022	2023
GHG emissions (1,000t-CO ₂)	1,062	837	801	763	745
Reduction rate (compared to FY2019)	—	21.2%	24.6%	28.2%	29.8%

*The emissions for FY2020 to FY2023 are actual values calculated based on the calculation range before the revision.

The FY2019 actual value of "1,062,000 t-CO₂" is an updated value based on the revised calculation range.

- Regarding actual reductions from FY2020 to FY2023, which was based on the calculation range before the revision, the company has reduced at an annualized rate of approximately 7.4%. In the future, reductions will need to account for the additional emissions resulting from the expansion of the scope of calculation. Although the pace of reduction itself toward achieving the SPT will be slow, the business portfolio transformation and large-scale energy conservation measures that have contributed significantly to emission reductions to date have almost been completed. New initiatives such as introducing and expanding renewable energy will be necessary to reduce the remaining emissions.
- In addition, the company plans to expand the production scale in the future, mainly in focused business areas such as the Life & Healthcare segment. Emissions themselves are expected to increase. Additional reduction measures are essential to achieve both business expansion and GHG emission reductions. The target level is difficult to achieve with conventional approaches alone.

(ii) Reference to the Issuer/Borrower's Peers, etc.

- The Japan Federation of Printing Industries has set a CO₂ reduction target for the printing industry, aiming for a 55.7% decrease by FY2030 compared to FY2013. This is a reduction pace of 3.27% per year, and the SPT's target of a 4.2% annual reduction is above the industry target. TOPPAN Holdings Inc., another industry leader, has also set a target of reducing its emissions at a rate of 4.2% per year by 2030. The SPT is positioned as the top-runner level in the industry and is an ambitious target.

(iii) Reference to Science or Country/Regional/International Targets

- The SPT is set as a target to reduce emissions by 4.2% per year, in line with the SBT 1.5°C target. In addition, the government's reduction target of "a decrease of 46% in FY2030 compared to FY2013" is an annualized pace of reduction of approximately 2.7% each year. The SPT is set as a science-based reduction target, which is an ambitious level compared to national targets.

【SPT 2】

(i) Reference to the Issuer/Borrower's Own Performance over Time

- The actual resource recycling rate for all unwanted materials is 54.7% in FY2020, 56.3% in FY2021, 58.0% in FY2022, and 62.4% in FY2023. The company is actively developing and collaborating with recycling companies and advancing technology development, with a focus on plastics. The resource recycling rate has been improving year by year. On the other hand, the SPT's target of 70% of total unwanted materials is a level that could be achieved by further increasing the plastic recycling rate from the current 40% to 60%.

- In addition to improving the recycling rate of plastics, which account for about half of all unwanted materials, continuing best practices for recycling other materials is a prerequisite for achieving the SPT. The status of initiatives for each type of unwanted materials is shown below, indicating that the SPT is an ambitious target.

[Plastics]

- The company is working on resource recycling, focusing on material recycling and chemical recycling through gasification. The company is also taking action on containers and packaging, the most common waste plastic types. However, many of them remain unrecycled because they contain composite materials that are difficult to recycle with current technology.
- DNP also has a high-functional materials business, represented by battery pouches for lithium-ion batteries. In addition, it focuses on developing optical films for displays in the Electronics Division as its core business. Since these products contain a mix of multiple materials, separation and sorting are difficult, and material recycling alone cannot fully address the issue. Therefore, the development of new chemical recycling technologies is necessary. In addition, these fields particularly require high quality due to their product characteristics. In many cases, material recycling, which involves degrading raw material quality, makes it difficult to reprocess the materials into new products. These fields are also positioned as DNP's priority business areas. The company also expects to expand the scale of production in the future. Scheme development and practical implementation of chemical recycling are essential to realize resource recycling.
- At this time, there are still fields that remain unrecycled. If the company cannot establish new recycling technologies, the resource recycling rate of 60% for plastics, a necessary condition for achieving the SPT, will not be reached. When discharged, the form and properties of waste plastics vary from product to product. It is necessary to establish appropriate recycling schemes tailored to the specific properties of each type. Developing new technologies is a challenging and ambitious goal.

[Waste oil]

- Waste oil consists mainly of waste solvents. DNP's recycling performance to date has been 37% in FY2021, 44% in FY2022, and 50% in FY2023. While incineration and thermal recycling are the mainstream in Japan, DNP has been making advanced efforts. To achieve the SPT, the company needs to focus on suppressing the amount of waste generated. This is to ensure that the company continues to maintain this level or higher as it expands its operations.

[Waste liquids and metal scraps]

- For both waste liquids and metal scraps, recycling technologies have established generally, and recycling has already been achieved at nearly 100% levels. In aiming to achieve the SPT, it is a precondition to maintain the same levels in the future.

(ii) Reference to Science or Country/Regional/International Targets

- Currently, no national quantitative targets have been set for material and chemical recycling. In determining the level of ambition, the nation's actual value shall be used as a benchmark for the technically achievable level at present. The results of the checks for each type of unwanted materials are shown below, indicating that the SPT is at an ambitious level compared to the status of initiatives

in the country as a whole.

[Plastics]

- According to the Plastic Waste Management Institute, the recycling rate for plastics in Japan in 2022 was 87%, with the breakdown being 62% for thermal recycling, 22% for material recycling, and 3% for chemical recycling. The composition in which thermal recycling accounts for the majority remains unchanged, with the ratios of material and chemical recycling remaining low. In this context, the target of 60% that DNP aims for is a very high goal compared to the situation in Japan.
- The nation's Resource Circulation Strategy for Plastic formulated in 2019 clearly states the policy to maximize the effective utilization rate of resources by optimally combining material recycling, chemical recycling, and thermal recycling according to the quality and properties of the plastic resources to be sorted and selected, based on the basic principles of the Basic Act on Establishing a Sound Material-Cycle Society. DNP's approach is in line with the direction of the national approach to maximize the effective utilization rate of plastic resources based on their properties, while also promoting chemical recycling, which is considered technically difficult.

[Waste oil]

- According to the Japan Solvent Recycling Industry Association's Survey on Organic Solvent Consumption and Emissions (2021), the amount of used solvents in Japan, excluding air emissions, is 1.49 million tons, but the amount of material recycled is only 210,000 tons (about 14%).
- DNP has been promoting recycling at a high level of 37% in FY2021, 44% in FY2022, and 50% in FY2023, which is already high compared to the domestic situation. Maintaining the same level in the future is a precondition to achieving the SPT.

[Waste liquids and metal scraps]

- As mentioned above, recycling technologies for waste liquids and metal scraps are generally established in Japan. DNP has achieved a nearly 100% recycling rate, and will continue to maintain this level.

(3) Means for Achieving SPTs

【SPT 1】

- Accelerate the introduction of renewable energy by utilizing on-site/off-site PPA schemes, etc. In FY2024, the company is promoting off-site PPAs and switching to renewable energy power menus, mainly in the Ichigaya area where the head office is located. It has achieved a 100% renewable energy ratio in several buildings. Going forward, the company will strengthen efforts to expand the use of renewable energy at various locations, particularly at its head office building, where the impact of renewable energy adoption is specifically significant.
- As an energy-saving measure, the company will further focus on the introduction of high-efficiency equipment. The company will promote company-wide use of energy-efficient equipment, such as switching from water absorption chillers to turbo chillers, introducing cogeneration systems, and utilizing heat pumps. The company is utilizing internal carbon pricing to promote these initiatives. In April 2024, the company attempted to select and install equipment with more emphasis on carbon emissions and raised the carbon price. The company will promote replacement to high-efficiency equipment in areas where efforts have not yet been made.

【SPT 2】

- As a common measure for unwanted materials as a whole, the company will continue to focus on reducing the amount generated through improvements in yield and other measures.
- To improve the recycling rate of waste plastics, which is indispensable for achieving the SPT, the company will focus on the early practical implementation of a new recycling scheme. To develop separation and recycling technologies for plastic-aluminum composite materials, which have been particularly challenging, the company will promote technological verification, etc., in collaboration with chemical manufacturers and others.
- Even in areas where recycling is already underway, the company will actively cultivate business partners and secure multiple recycling routes to build a robust resource recycling system.

<Contribution to the SDGs>

- DNP's initiatives toward achieving the SPTs are considered to contribute to "7. Affordable and clean energy," "12. Responsible consumption and production," and "13. Climate action."



4. Bond/Loan Characteristics

The bond/loan terms are linked to the performance against the SPTs and incentivize the achievement of the SPTs. The bond/loan characteristics are appropriate.

- The characteristics of the sustainability-linked finance under this Framework will vary depending on SPTs achievement. Varying characteristics shall include (1) step-up/down of interest rates, (2) donation, or (3) purchase of emission credits, and shall be specifically identified in statutory disclosure documents (such as amended shelf registration statements or shelf registration supplements) or in loan agreements at the time of the financing execution.

(1) Step-up/down of interest rates

In case that SPTs are not achieved on the assessment date, the interest rate shall increase at the annual rate specified in the statutory disclosure document or loan agreement, etc. from the day following the next coupon date that arrives immediately after the assessment date until the maturity date or the repayment date, or until the end of the interest computation period to which the next assessment date belongs. In case that SPTs are achieved on the assessment date, the interest rate shall decrease at the predetermined annual rate specified above.

(2) Donation

In case that SPTs are not achieved on the assessment date, by the time of maturity or repayment, DNP shall donate the amount corresponding to the ratio, which is specified in the statutory disclosure document or loan agreement, etc. based on the amount raised. Donations shall be made to public interest incorporated associations, public interest incorporated foundations, international organizations, NPOs approved by local governments, local governments, or similar organizations for the purpose of environmental conservation activities. Candidates for donations shall be organizations that are engaged in activities consistent with the benefits that can be provided to the environment and society when the SPTs are achieved. This determination will be made through necessary institutional decisions after examining why these SPTs have not been achieved.

(3) Purchase of emission credits

In case that SPTs are not achieved on the assessment date, by the time of maturity or repayment, DNP shall purchase the amount of emission credits (CO₂ reduction value converted into credits or certificates) corresponding to the ratio specified in the statutory disclosure document or loan agreement, etc. based on the amount raised.

- Each time sustainability-linked finance is executed, KPIs and SPTs to be adopted, the reporting period of SPTs, the assessment date, the method of assessment, and information on the characteristics of the bond/loan shall be specified in the statutory disclosure documents for bonds or loan contract documents, etc.
- In the event of unexpected events that may have a significant impact on the business structure (e.g., M&A, major changes in regulatory or other institutional aspects, or the occurrence of extraordinary events), the company may obtain an evaluation from an external evaluation agency, after consultation with the relevant parties, on setting SPTs that are as ambitious or more ambitious than before in light of the details of these changes. The details of the changes will be disclosed on DNP's

website. Even if the SPTs are changed, the SPTs set at the time of procurement will continue to apply to the financing already procured under this Framework.

5. Reporting

Up-to-date information on the performance against the SPTs will be disclosed (reported). The reporting is appropriate.

- The following items shall be disclosed annually in DNP's integrated report or website for bonds. In the case of loans, the information shall be reported to the lender. This is based on competitive considerations such as viewpoint of information management regarding technological development progress, etc.
 - ✓ Latest actual values on KPIs
 - ✓ Progress of SPTs
 - ✓ Information on the issuer's latest sustainability strategy related to KPIs/SPTs
 - ✓ (In case that SPTs are not achieved) Donation recipients, amount of donation, timing of donation, and summary of emission credits to be purchased

6. Verification

The performance level against each SPT for each KPI will be verified by an independent, external reviewer. The verification is appropriate.

- The performance of the KPIs shall be verified by an independent third party annually until the final assessment date. The results of the verification shall be disclosed in DNP's public documents or on its website.

[Disclaimer]

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[Expertise and Third-Party Characteristics]

R&I launched the R&I Green Bond Assessment business in 2016, and since then, R&I has accumulated knowledge through numerous evaluations. Since 2017, R&I has been participating as an observer in the Green Bond Principles and Social Bond Principles, which have their own secretariat at the International Capital Market Association (ICMA). It also has been registered since 2018 as an Issuance Supporter (external review entity) of the Financial Support Programme for Green Bond Issuance, a project by the Ministry of the Environment. In 2022, R&I was designated as an external reviewer for transition finance in the global warming countermeasures promotion project of the Ministry of Economy, Trade and Industry.

The R&I assessment method and results are disclosed on the R&I website (at <https://www.r-i.co.jp/en/rating/esg/index.html>).

In December 2022, R&I expressed its support for the intent of and its endorsement of the "Code of Conduct for ESG Evaluation and Data Providers" (ESG Code of Conduct) published by the Financial Services Agency. Disclosures on R&I's compliance with the six Principles of the ESG Code of Conduct and the Guidelines for their implementation are available on the R&I website at <https://www.r-i.co.jp/en/rating/products/esg/index.html> (Disclosures on Compliance with the ESG Code of Conduct).

There is no capital or personal relationship between R&I and the fund provider/fundraiser that could create a conflict of interest.

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