Dai Nippon Printing, Co., Ltd. (DNP)
Financial Results Briefing for the First Six Months
of the Fiscal Year Ending March 31, 2020 (November 27, 2019)
Q&A Summary

[Questioner 1]

Q: Why have you begun holding results briefings? Do you intend to continue with them?

A: We have a very diverse range of businesses and have therefore held individual one-on-one meetings and technology seminars for each of our strategic business areas. We also publish Integrated Reports that supplement these explanations with information on our medium- and long-term sustainable growth strategy and views on corporate governance.

In this context, our dialogue with investors based on the Corporate Governance Code and Stewardship Code led us to place greater importance on fostering mutual understanding. We therefore decided to hold briefings that include both sell-side and buy-side representatives alongside the above individual meetings.

The stock market reacted considerably to a series of announcements made by DNP this year, including our sale of the Gotanda Building in May, bond issuance in July, and sale of Recruit shares and repurchase of our own stock in September. We intend to continue holding these briefings as we see dialogue with shareholders, institutional investors, and analysts as essential in continuing to implement our capital strategy as planned.

Q: What future initiatives do you plan to improve ROE?

A: We intend to improve both elements of ROE. We will continue with growth investments to increase operating income that will contribute to higher net income. We will also improve capital efficiency by selling idle facilities, stockholdings and other existing assets, and repurchasing our stock. The latter will also act to return value to shareholders.

Q: You have indicated plans to book an extraordinary loss in the second half of the current fiscal year; can you give any indication of the segment involved or other details?

A: We expect to book business restructuring costs involving areas such as printed media and other existing printing businesses and LCD color filters.

[Questioner 2]

Q: The analysis of positive and negative factors for second-quarter profits includes a ¥7 billion boost from cost restructuring. What does this break down to?

A: We have reduced variable costs through manufacturing innovations that streamlined all our processes, from raw material procurement through processing and dispatch, and by improving yields. We are also moving to cut fixed costs by closing, integrating, and selling off production facilities to respond to the changing business environment.

Q: I would think that the products with leading market shares listed in the briefing reference materials should have operating income margins in the double digits, or even 20%. In this context, what is the outlook for improving margins on products where they remain low due to upfront investment?

A: Many of our products that hold the top market share have high margins. For instance, our battery pouches for lithium-ion batteries have maintained a large share of the market for battery pouches used in mobile market for some time, and their market share has recently risen again due to the shift toward electric vehicles. We expect rationalization and other initiatives to result in even higher margins.

Q: I understand that the new medium-term plan DNP is currently drawing up will feature a greater contribution from mobility-related businesses than the current plan. Are there any other business areas that investors should be aware of?

A: In the packaging area, where demand for environmentally conscious products is rapidly increasing due to social issues such as plastic waste in the oceans, we are working to expand sales in our areas of strength, including high-value-added products such as our Biomatech series of packaging derived from biomass, and recyclable products manufactured from monomaterials. We also continue to pursue selectivity and focus in our product lines from a value-added perspective and work on overhauling our cost structure.

[Questioner 3]

Q: What are your views on ROE from fiscal 2020 through fiscal 2023?

A: We aim to achieve ROE of at least 5% through a combination of business and financial strategies.

[Questioner 4]

Q: It is indicated that you aim to consistently achieve ROE of at least 5% in fiscal 2024, but what level of operating margin do you target at that point?

A: While sales in the existing paper-centric information communication business area may decline, we will improve operating margins by revamping business formats and enhancing the value of our product and service offerings.

Q: In the Information Communication segment, what direction do you see for initiatives aimed at creating new value via involvement with the overall publishing industry supply chain, including initiatives currently under consideration?

A: In our Publishing businesses, the addition of Maruzen CHI as a group company has created the world's only hybrid platform that handles both analog (paper publication) and digital (e-book) planning, editing, and manufacturing. We are drawing on this strength to increase sales of value-added services that leverage a broad spectrum of content both in and outside the publishing industry.