



Dai Nippon Printing Co., Ltd.

Briefing (Online Conference) for Institutional Investors and Analysts on FY 3/2024 2nd Quarter Results

November 15, 2023

Event Summary

[Company Name]	Dai Nippon Printing Co., Ltd.	
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[Event Name]	Briefing (Online Conference) for Institutional Investors and Analysts on FY 3/2024 2nd Quarter Results	
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[Number of Pages]	24	
[Time]	15:00 – 15:55 (Total: 55 minutes, Presentation: 29 minutes, Q&A: 26 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	4	
	Hirofumi Hashimoto	Managing Director
	Masafumi Kuroyanagi	Managing Director
	Mitsuru Tsuchiya	Senior Executive Corporate Officer
	Naoki Wakabayashi	General Manager, IR and Public Relations Division
[Analyst Names]*	Takaomi Kono	Nomura Securities
	Takeru Hanaya	SMBC Nikko Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Presentation

Wakabayashi: The time has come, and we will now begin the briefing on Dai Nippon Printing Co., Ltd.'s financial results for the second quarter of the fiscal year ending March 31, 2024 for institutional investors and analysts.

I, Wakabayashi from the IR and Public Relations Division, will serve as today's moderator. Thank you very much for your cooperation.

Thank you very much for taking time out of your busy schedules today to participate in our online information session. Today, we will explain in accordance with the briefing materials. The briefing materials are available on DNP's website in both Japanese and English.

Let me now introduce today's speakers. Masafumi Kuroyanagi, Managing Director, and Mitsuru Tsuchiya, Senior Executive Corporate Officer.

As we proceed today, we would like to explain our financial results for the second quarter of the fiscal year ending March 31, 2024, and the progress of the new medium-term management plan announced in May of this year. Kuroyanagi will explain the financial results and the financial strategy of the medium-term management plan, and Tsuchiya will explain the business strategy of the medium-term management plan. This will be followed by a question-and-answer period. Please note that we will be open until 4:00 PM today.

Now, let me move on to the explanation. First, Kuroyanagi will explain the financial results for the second quarter of the fiscal year ending March 31, 2024. Managing Director Kuroyanagi, please go ahead.

Kuroyanagi: I am Managing Director Kuroyanagi. Thank you very much for attending today's information session. I would like to present an overview of our financial results for the second quarter of the fiscal year ending March 31, 2024, in accordance with the information provided in the document. Due to time constraints, we will focus on the key points.

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[Overview of Financial Results for First Six Months of FY2023]

DNP

(Unit: ¥billions)

	First Six Months FY2022	First Six Months FY2023	Year-on-year Change	Earnings Forecast for FY2023	Rate of progress
Sales	668.4	693.7	+3.8%	1,410.0	49.2%
Operating Income	27.5	27.5	-0.2%	67.0	41.1%
Ordinary Income	36.7	37.4	+2.1%	78.0	48.0%
Net Income Attributable to Parent Company Shareholders	27.9	76.2	+172.9%	88.0	86.6%
Capital Expenditures	23.7	29.2	+23.4%	76.0	38.5%
R&D Expenditures	16.2	17.7	+9.4%	34.0	52.3%
Depreciation	24.3	26.2	+8.0%	54.0	48.7%

Overview

- We accelerated creation of new value, primarily in focus business areas, resulting in net sales growing 3.8% year on year
- The Digital Interfaces and other focus businesses began to perform well from the beginning of the first half, and we succeeded in maintaining operating income at the previous-year level
- Due to higher profits at affiliates accounted for using the equity method, ordinary income rose year on year

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First, page three of the document is a summary of the current financial results.

Characteristically, operating income declined by about 20% in Q1, but performance recovered significantly in Q2. For the six-month cumulative period, we were able to secure the same level as in the previous year.

In Q1, metal masks, one of the core products in the focus business areas, posted a 21.5% decline in profit due to the postponement of the sales period and other factors. In Q2, sales of metal masks for use in OLED displays for smartphones expanded, and sales of products in our focus business areas grew. The profit increase for the past three months was 33.5%.

In addition, R&D is also being actively pursued to expand focus businesses, and operating income was achieved, while R&D expenses increased approximately by 10%, or JPY1.5 billion, from the same period of the previous year.

Ordinary income increased by 2.1%, for the same reason as in the previous year, but due to the continued strong performance of the photomask manufacturing business in Taiwan and China by affiliated companies.

Finally, net income for the quarter increased by a positive 172.9% due to gains on sales of investment securities amid a reduction of strategic shareholdings.

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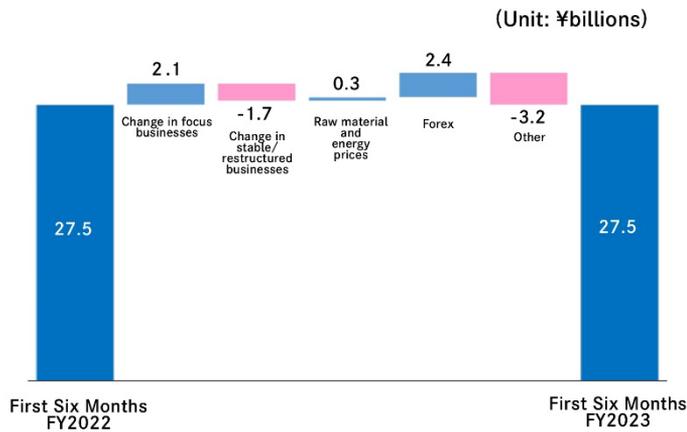
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[Overview of Financial Results for First Six Months of FY2023]
Change in Operating Income



Overview

- In focus businesses, despite the impact of the market deceleration in Semiconductors, demand for display components recovered and battery pouches for IT and automotive use also recorded growth
- Stable businesses saw strong demand, but were impacted by customer inventory corrections, etc. for some products
- In restructured businesses, the decline in the publishing market continued, and demand for construction materials was also weak
- The accelerating depreciation of the yen also contributed to the positive impact of forex

Please continue to page four. Here is a waterfall chart for operating income.

The general overview is explained on the right, while the overview of focus and stable businesses is explained in the next five pages. This page is supplemented with information on the impact of raw material and energy prices.

This factor has had a significant impact on our business performance since the previous fiscal year, but in the current financial results, we have been able to pass on the price for the impact up to the previous fiscal year, resulting in a slight positive net effect, although there was a time lag.

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[Overview of Financial Results for First Six Months of FY2023]
Overview of Focus and Stable Businesses

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(Unit: ¥billions)

		First Six Months FY2022	First Six Months FY2023	Overview (Arrow indicates sales relative to previous year)	
Smart Communication	Segment Sales	347.8	350.5	↑	Imaging communication Strong performance from materials for printing photographs, primarily in European and Asian markets
	Segment Operating Income	9.4	8.5	↑	Secure information In addition to contribution from large BPO project, dual interface cards* grew in the IC card business
				↑	Content & XR communication Strengthened XR communication business by making Hacosco Inc., a group company
Life and Healthcare	Segment Sales	217.1	231.7	↑	Industrial high-performance materials In addition to battery pouches growing for both automotive and IT equipment applications, photovoltaic module components also performed well
	Segment Operating Income	2.8	5.1	↑	Mobility Began selling exterior decorative materials in addition to interior decorative materials
				↑	Medical & healthcare Made CMIC CMO Co., Ltd. a group company in order to work together with a focus on integrated manufacturing from APIs to formulation, as well as high value-added pharmaceutical development
Electronics	Segment Sales	104.4	112.6	↑	Optical film Recorded increase after previous fiscal year's inventory corrections in the overall supply chain ran their course
	Segment Operating Income	25.7	25.0	↑	Metal masks used for manufacturing organic OLED displays Steady increases against the background of expanded adoption of OLEDs for smartphones
				↓	Semiconductors Lead frames, etc. for semiconductor packages decreased due to the impact of the market slowdown

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* Cards with two interfaces on one chip (contact and contactless)

See page five. Here is an overview of our focus and stable businesses.

Each business segment is simply indicated by an arrow pointing up or down. Metal masks, which I explained earlier, were weak in Q1, but sales increased in the first six months of the year.

In addition, the only other area in this document that shows a decrease in revenues is related to semiconductors. The main situation is that lead frames, which are particularly sensitive to the market, decreased due to the slowdown in the semiconductor market. Among these semiconductor-related products, photomasks, our main product, maintained the same level as in the previous year due to strong sales for development, despite the slowdown in the market.

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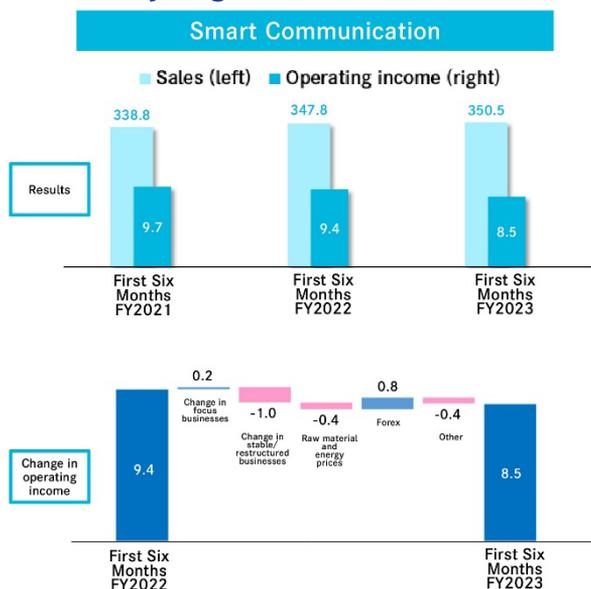
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[Overview of Financial Results for First Six Months of FY2023] Results by Segment

(Unit: ¥billions) **DNP**



Overview

- In the stable businesses, secure information performed well
- Demand in imaging communication was also strong, but profits were affected by inventory corrections, etc. for some products
- In restructured businesses, the market for magazines and other paper media continue to contract

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Please continue to page six. The following three pages show the status of each of the Company's business segments.

One point is the waterfall chart of operating income, which has been requested by many of you, and we have decided to disclose it by segment from this time, and we hope that you will make use of it to deepen your understanding of our company.

Page six is the Smart Communication segment.

While revenues increased, profits decreased. This decrease was mainly due to lower income from restructured businesses and higher costs.

The Company is continuing to strengthen its efforts in the restructured business and cost structure reforms. The status of this business structure reform will be explained later on page 18 in the progress of the medium-term management plan.

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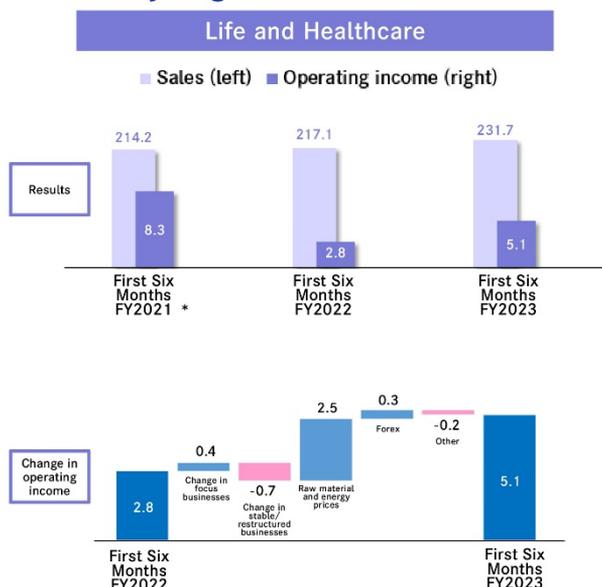
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[Overview of Financial Results for First Six Months of FY2023] Results by Segment

(Unit: ¥billions) **DNP**



Overview

- In focus businesses, despite functional films decreasing year on year, battery pouches recovered for both automotive and IT equipment applications
- In the Packaging and Living Spaces businesses, we focused on high value-added products and worked to reform the business portfolio
- CMIC CMO Co., Ltd. became a consolidated subsidiary in the first quarter of the current fiscal year

*FY2021 sales and operating income for "Life and Healthcare" display the total of the former "Lifestyle and Industrial Supplies" and "Beverages"

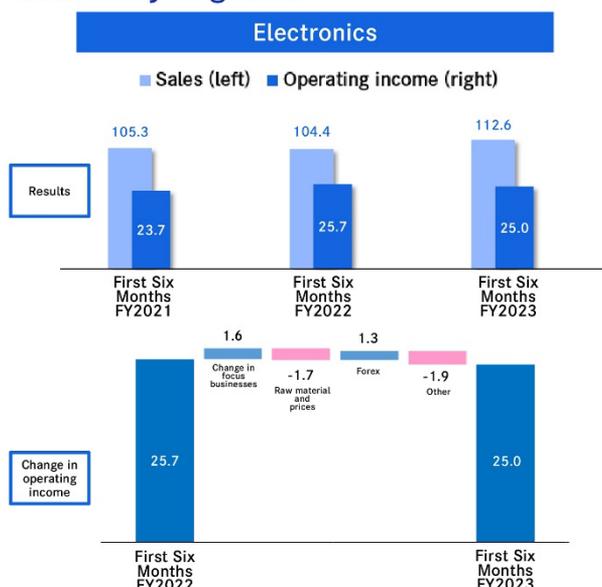
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See page seven. This is the Life and Healthcare segment.

Although sales and profits increased here, the profit level is still low. In response to market expansion, we will continue to increase our manufacturing capacity for battery pouches, promote reforms in the stable/restructured business, and also strengthen our focus on the healthcare business, with CMIC CMO Co., Ltd. as a consolidated subsidiary from this fiscal year.

[Overview of Financial Results for First Six Months of FY2023] Results by Segment

(Unit: ¥billions) **DNP**



Overview

- Optical film increased due to the recovery in demand for display components
- Metal masks for manufacturing OLED displays were strong, following an increase in the adoption rate for smartphones
- Despite strength in photomasks for semiconductors, lead frames, etc. for semiconductor packages decreased

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The last of the segments, the Electronics segment, is shown on page eight.

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While sales increased, profits decreased due to a decrease in lead frames and an increase in energy and other costs as a result of the slowdown in the semiconductor market, but the focus businesses continued to perform well, and profits from this division are also driving DNP's overall profits.

[Overview of Financial Results for First Six Months of FY2023] Full-year Earnings Forecast

DNP

- Maintained operating income in the first half at previous-year level
- Expect growth in the third quarter and beyond, centered on digital interfaces and other focus businesses
- No change to our full-year FY2023 earnings forecast at this time

(Unit: ¥billions)

	First quarter		Second quarter		Third/Fourth quarters		Full year	
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023 earnings forecast
Sales	334.4	345.0	334.0	348.6	704.7	716.2	1,373.2	1,410.0
Operating Income	16.9	13.2	10.6	14.2	33.6	39.4	61.2	67.0
Ordinary Income	22.6	19.3	14.0	18.0	46.9	40.5	83.6	78.0
Net Income Attributable to Parent Company Shareholders	15.7	58.0	12.1	18.1	57.7	11.7	85.6	88.0
Change in operating income	-	-21.5%	-	+33.5%	-	+17.3%	-	+9.4%

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Next, on page nine, is the full-year forecast for the fiscal year ending March 31, 2024.

From left to right: Q1, Q2, Q3-Q4, and full year. Although there are risks and unstable factors, including geopolitical risks, at this stage, based on the results of the current financial results, we maintain the plan announced at the beginning of the period. As we will explain later on the progress of the medium-term management plan, we will continue to expand our focus businesses and reform our portfolio of restructured businesses to expand our business performance.

This is the end of the explanation of the financial summary. Thank you very much.

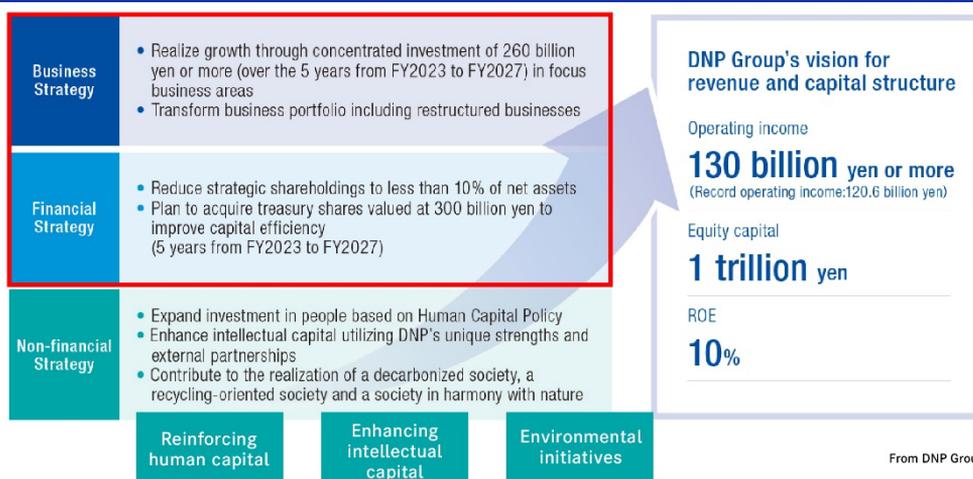
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Initiatives Aimed at Realization of the Vision



By implementing the above initiatives and also expanding disclosure especially on focus business areas, **we will expedite achieving a PBR of more than 1.0X**

Wakabayashi: I will now continue with the progress of the medium-term management plan. Please see page 11 of the document.

In the new medium-term management plan announced in May of this year, we set forth the medium- to long-term direction that the DNP Group is aiming for, and set the goal of achieving ROE of 10% and P/B ratio of over 1x on an ongoing basis, and aiming for even higher goals. To realize this goal, we explained three initiatives: business strategy, financial strategy, and non-financial strategy.

At the recent Sustainability Briefing held on October 30, we explained our non-financial initiatives, and today we will explain our business and financial strategies.

First of all, I would like to ask Senior Executive Corporate Officer Tsuchiya to give us an update on the progress of business strategies in the medium-term management plan.

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[Medium-term Management Plan - Business Strategy]
Investment in Focus Business Areas, Etc.

DNP

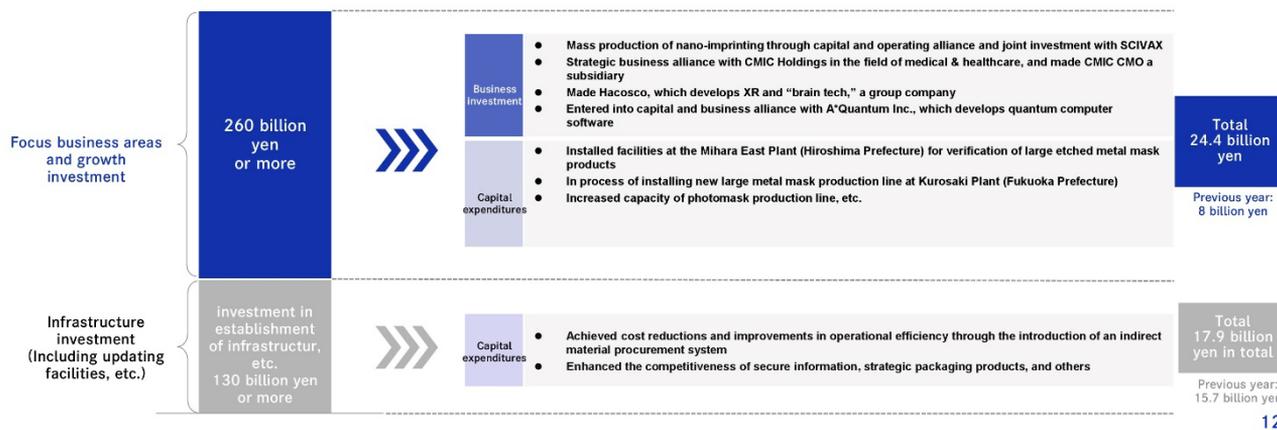
Growth investment and infrastructure development investment:

390 billion yen or more (cumulative amount for FY2023-FY2027)

Promote capital investment, global expansion and consideration of external alliances centered on focus business areas.

FY2023 to FY2027

Main items of investment in 1H FY2023



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Tsuchiya: My name is Tsuchiya, Senior Executive Corporate Officer. I will now explain the business strategies in our medium-term management plan.

First, the status of investment in focus business areas, etc. The medium-term management plan calls for more than JPY390 billion over the five years from FY2023, of which more than JPY260 billion will be invested in focus business areas and growth investments, and more than JPY130 billion will be invested in basic investments.

The largest investments during H1 of the year were in business investments, including the strategic business alliance in medical and healthcare with CMIC Holdings, and the acquisition of CMIC CMO as a subsidiary.

In addition, we have formed a capital and business alliance with SCIVAX, and are working on the mass production of nanoimprints through joint investment, and have also made Hacosco, a company in the XR and brain tech business, a Group company, and entered into a capital and business alliance with A-Star Quantum, a quantum computing software company.

As for other capital investments, a verification line for large-size etching products of metal masks was introduced at the Mihara Plant (Hiroshima Prefecture). In addition, a new mass production line for large-size metal masks is currently under construction at the Kurosaki Plant (Fukuoka Prefecture) and is in the process of being launched. Other investments include the expansion of photomask production lines at DTF and the Kamifukuoka Plant (Saitama Prefecture).

In terms of infrastructure investment, infrastructure-related investments will be the main focus.

Investments are also being made to improve operational efficiency through the introduction of a purchasing system and to enhance competitiveness in areas such as information security-related and packaging strategy products. In total, we have invested approximately JPY18 billion.

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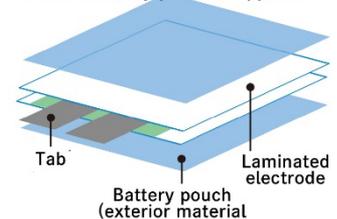
[Medium-term Management Plan - Business Strategy] Refinement and Acceleration of Global Rollout of DNP's Unique Technology and Products **DNP**

[Lithium-ion battery pouches] Driving the expansion of the global pouch market as the industry leader



- We have secured 60-70% share over the global battery pouch market, and are driving the market forward. Particularly for large pouches used in automotive and other applications we have nearly 100% share. (Research by DNP, 2022)
- We have been developing battery pouches for more than 30 years, and our track record of reliability has won us high praise from many customers.

Structure of a lithium-ion battery to which a battery pouch is applied



Bolster competitiveness by combining the **coating and lamination technologies** honed in packaging materials for products such as food and pharmaceuticals as well as an exhaustive range of patent applications, and through use of internally developed production facilities

Product competitiveness: its source, and further enhancements

- [Production technology] Production equipment tailored to our proprietary processes is manufactured in-house
- [Product development] Materials development: Development and manufacture of strategic materials through in-house design and alliances with materials manufacturers
Process development: Improving characteristics through the use of proprietary processes

Further reinforce our strengths

- [Vs. competition] We have many comprehensive patents that discourage entry by other companies
- [Vs. customers] We will use our track record of adoptions by customers to further strengthen our relationship with global EV battery manufacturers
We are promoting local production to address policies specific to various countries

Advantages of pouch type

- Can be designed into low-profile shape with large surface area for outstanding radiant efficiency
- High degree of freedom with regard to shape
- Few vacant spaces compared to other methods, giving better volumetric energy density
- Easy to create multilayer construction (stacked structure) with superior reliability and safety.

(DNP research) 13

I would like to continue by explaining our strategies in the two product areas of our focus business areas.

The first describes battery pouches for lithium-ion batteries. With this product, we are the industry leader in the global pouch market. We have 60-70% share over the global battery pouch market, and approximately 90% of the market for large automotive and other applications such as EVs.

As for this technology, we have built our superiority on the coating and laminating technologies honed in packaging materials for products such as food and pharmaceuticals, as well as an exhaustive range of patent applications and other technological developments to make them more durable, or through use of internally developed production facilities. We have been developing this product for over 30 years and have earned a reputation for its many achievements and reliability.

The advantages of the pouch type include: a thin, large-area design, excellent heat dissipation performance, a high degree of freedom of shape, few vacant spaces, and better volumetric energy density compared to other methods.

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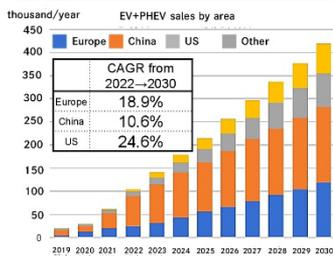


[Medium-term Management Plan - Business Strategy] Growth Strategy Aimed at Maintaining Top Global Market Share

DNP

[Lithium-ion battery pouches] Europe: Installation of new slit processing line at DNP's Denmark Plant
United States: Considering construction of plant

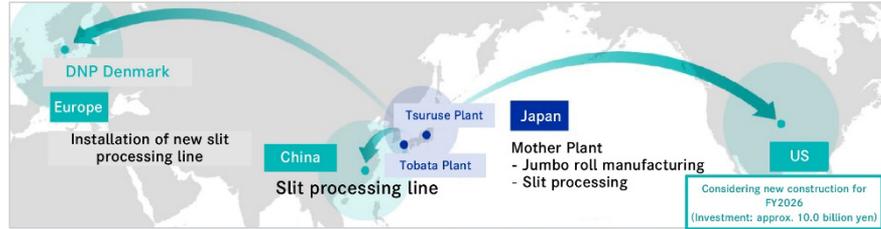
Progress of shift to EVs in global market



➤ Environmental policies, laws and regulations in various countries expected to drive active investments in EVs and growth in sales volumes.

➤ In addition to the growth expected in Europe and China, the shift to EVs is expected to accelerate in the US as a result of preferential tax treatment for EVs established by the Inflation Reduction Act and the internalization of EV battery production by GM and Ford, resulting in significant expansion.

Establishing a structure to swiftly address local customer needs in order to further enhance our global presence

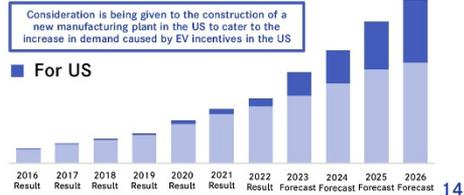


Business strategy/investment plan

- Promote supply to appropriate regions in Europe and United States
 - Post-process line in Europe (Denmark Plant) begins operation (in 2Q FY2023)
 - United States (planning installation of new production line)
 - Slit processing line (considering start of operations in FY2026)
 - *Also considering jumbo roll manufacturing

Aiming for 100 billion yen in sales by FY2025 for lithium-ion battery pouches overall

Battery pouches business performance and targets (volume)



Source: LMC Automotive / DNP forecasts, based on policies of various countries, and automobile manufacturer press releases, etc.

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Next, we will invest in growth to maintain our leading share of the global market for pouches.

As shown in the left graph on page 14, demand for battery pouches will grow globally, especially for lithium-ion batteries in EVs (electric vehicles) and other vehicles.

In line with this, in Europe, DNP Denmark, originally a projection screen plant, has increased its capacity by building a new slit processing line there, and is now ready to supply European customers. At this stage, we are preparing a local supply system by making jumbo rolls of film in Japan and processing them in Europe.

Meanwhile, in the US, we are considering building a new plant in FY 2026. As a mother plant, we will initially start with slit processing, but we are now considering plans to manufacture jumbo rolls as well.

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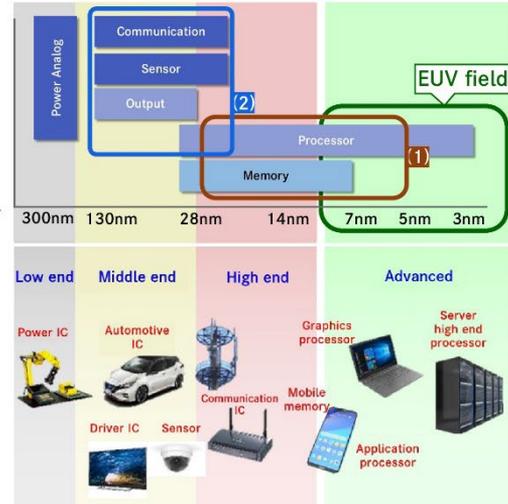
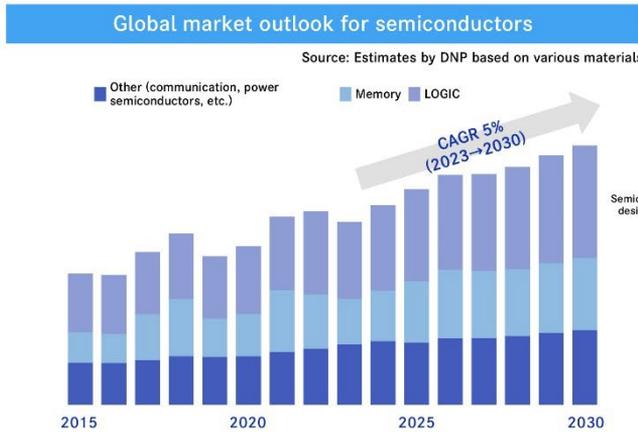
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[Medium-term Management Plan - Business Strategy]
Semiconductor Business Strategy

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Global market outlook for semiconductors and technology node and applicable products



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Next, we will discuss the strategy for the semiconductor-related business.

As shown on the right side, semiconductors are used in state-of-the-art semiconductors, such as processors and memory (the part labeled (1)), and communication, sensor, and power supply semiconductors (the part labeled (2)), which are more of a middle-end product. Our strategy is to invest and catch up in these two areas as the market expands.

[Medium-term Management Plan - Business Strategy]
Semiconductor Business Strategy

DNP

Capital Expenditures for Photomasks

- Size of investment
20 billion yen (FY2023 to FY2025)
- Details/progress of main investment items
 - (1) Increase number of multi-beam mask writers
 - Scheduled to begin operation in 2H FY2024
 - (2) Expand production capacity for mid-range products
 - Scheduled to begin operation in stages, FY2023 to FY2025
- Investment objective
 - (1) Strengthen ability to address EUV/advanced fields
 - (2) Enhance ability to address expanding demand for automotive applications, and semiconductor volume zone



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The scale of investment will be approximately JPY20 billion from FY2023 to FY2025.

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The first investment in the high-end area is the expansion of multi-beam lithography equipment, which will include not only highly concentrated optical semiconductors, but also EUV (extreme ultraviolet) light. This is expected to be operational in H1 of FY2024.

In addition, we will expand production capacity for middle-end products, for which demand is expected to increase, by operating them sequentially from FY2023 to FY2025.

As a result, we plan to increase our capacity by about 15% over FY2022, and we expect these two investments to have the effect of increasing capacity by about 10%.

[Medium-term Management Plan - Business Strategy]

TGV Glass Core Substrate for Next-generation Semiconductor Packages



Awarded the grand prize in the electronic materials for semiconductors category at "Semiconductor of the Year 2023"

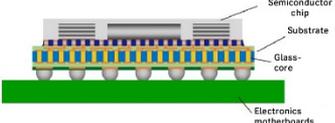
The "TGV Glass Core Substrate" developed by DNP uses glass as a replacement for the resin used in conventional substrates such as FC-BGA (Flip Chip-Ball Grid Array), with this high-density Through Glass Via (TGV) enabling the provision of semiconductor packages capable of even higher performance than was previously possible.

Developmental backdrop

- > As the volume of data being distributed rises dramatically in step with the advance of digital transformation (DX), the semiconductors that support our social infrastructure are being required to deliver even greater performance and higher reliability
- > This has led to increased interest in next-generation semiconductor packages that enable higher processing speeds through the mounting of multiple semiconductors with different functions on the same substrate

Features of glass core substrates

- > A new manufacturing method is used to enhance the adhesion between glass and metal, which is difficult to achieve with conventional technology, resulting in finer pitch and high reliability
- > With an aspect ratio of 9+, the adhesive qualities are sufficient to allow fine wiring
- > It enables a high degree of design freedom with regard to warpage, rigidity and planarity, and the use of our panel manufacturing process allows it to be scaled up for larger packages

Sales target for FY2030:
30 billion yen

So far, we have been talking about photomasks used in the front-end process of semiconductors, but the next area is related to package substrates in the area related to the back-end process of mounting semiconductor chips in packages.

We will explain about glass core substrates for TGV (through glass via) for next-generation semiconductor packages. The TGV glass core substrate we have developed is a product in which the substrate for FC-BGA (flip chip-ball grid array) has been replaced by glass, instead of conventional organic resin. This enables us to offer semiconductor packages with higher performance than ever before.

Our company was awarded the grand prize in the electronic materials for semiconductors category at "Semiconductor of the Year 2023." As noted in the figure on the lower right, we plan to replace the conventional flip chip BGA substrate with glass.

The background of the development is the dramatic increase in data transaction volumes due to progress in digital transformation. Further performance improvement and high reliability of the semiconductors that support this social infrastructure are required. Therefore, multiple semiconductor chips with different functions are mounted on a single substrate at high density. This is called a chiplet, and next-generation semiconductor packages that improve its processing speed are attracting attention.

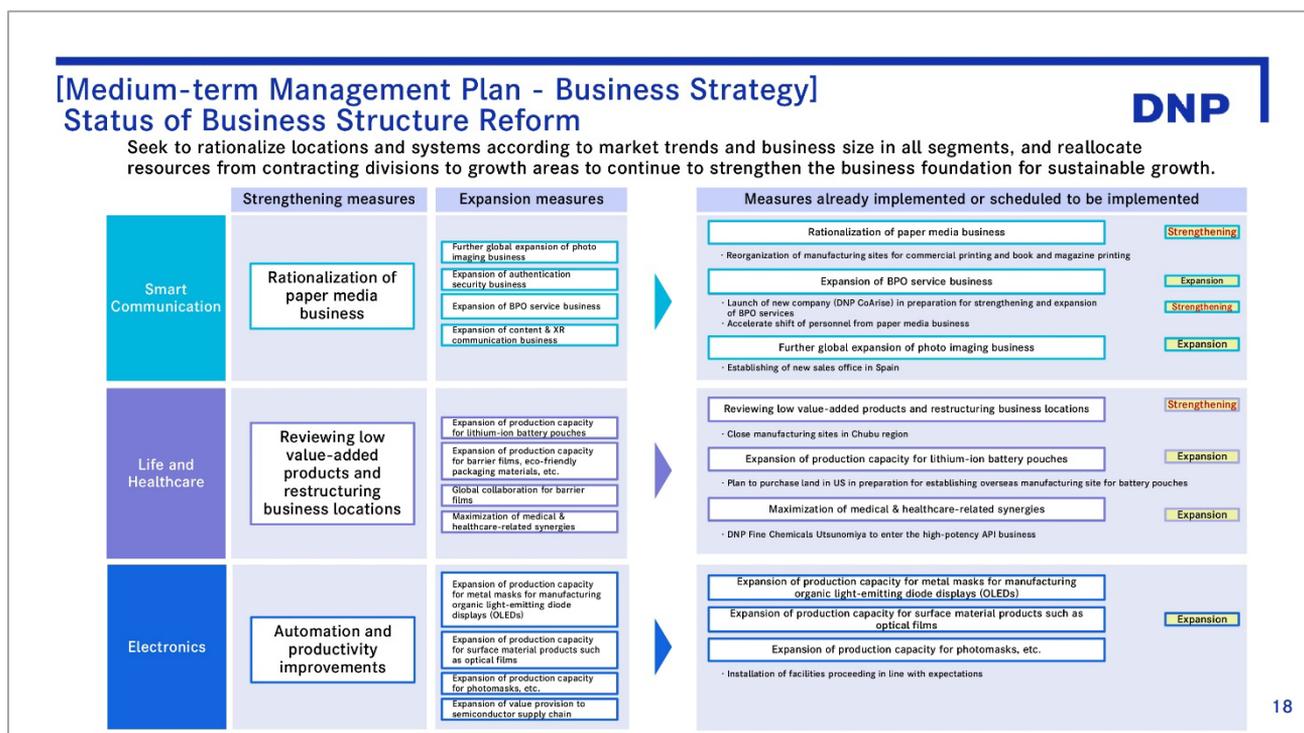
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One of the features of our glass-core substrates is that, in the past, adhesion between glass and metal was a technical challenge, but Our glass cores offer fine pitch and high reliability. With an aspect ratio of 9 or higher, it has sufficient adhesion and reliability for fine wiring formation. It has a high degree of design freedom with respect to warpage, rigidity, and planarity, and can accommodate larger packages through the use of panel manufacturing processes.

We aim to achieve sales of JPY30 billion in fiscal 2030.



Next, we will talk about conventional business restructuring, not only growth, but also rationalization and strengthening of the Company's structure.

First, the smart communication Division will reorganize its manufacturing bases in commercial printing and publication printing to strengthen its structure.

On the other hand, as for the expansion of the BPO (business process outsourcing) service business, we have started business with a BPO service company called DNP CoArise. We will accelerate the shift of human resources from the paper media business to that BPO business through reskilling, to expand the business and strengthen its structure at the same time. Meanwhile, the photo imaging business will further expand globally. The decision was made to establish a new sales office in Spain.

Next is the Life and Healthcare segment. We will review low value-added products, mainly packaging materials, and reorganize our bases. We have decided to close our manufacturing facilities in the Chubu area to strengthen our structure. In addition, the expansion of production capacity of battery pouches for lithium-ion batteries, as explained earlier, is planned with the purchase of land for a plant in the United States.

The second is to maximize synergies related to medical and healthcare. We have made CMIC CMO a subsidiary, and we will also enter the highly active pharmaceutical ingredients business at DNP Fine Chemicals Utsunomiya. This can be thought of as anticancer drugs, etc. We will expand this business.

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The Electronics segment has become a focus business, and we still need to expand production capacity for OLED metal masks, or optical films, because the screen sizes of TVs are increasing, although the number of TVs is not increasing much. We will also invest in this area. We are also aiming to expand production of photomasks and other products I mentioned earlier.

That is all from me. Thank you very much.

Wakabayashi: Thank you very much.

We will now continue with an explanation of the progress of financial strategies in the medium-term management plan. Managing Director Kuroyanagi, please.



Kuroyanagi: Now I will explain the financial strategy in the medium-term management plan. The financial strategy in the mid-term management plan was explained in the outline of the mid-term management plan in March of this year.

This will consist of cash generation from operating activities, as well as the sale of the Company's strategic shareholdings, which will be pursued. The cash generated is then to be used appropriately for investment in further growth of the business and shareholder returns.

On page 19 of the document, we have just passed the six-month mark, and we have added the current results in the frame, and we are steadily advancing as planned.

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[Medium-term Management Plan - Financial Strategy] Sale of Strategic Shareholdings and Acquisition of Treasury Shares

DNP

(1) Sale of Strategic Shareholdings

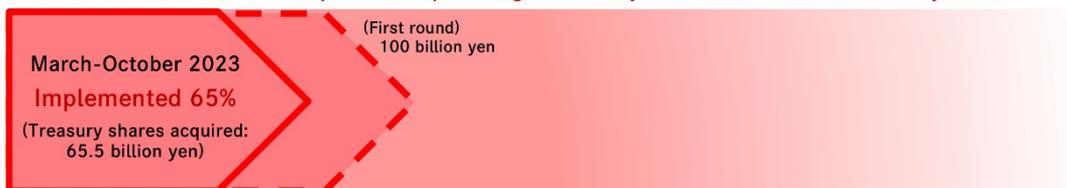
Relative to the plan of 220 billion yen over five years, as of September 30, 2023 we had sold 29% representing 64.2 billion yen in listed stocks



(2) Acquisition of Treasury Shares

Relative to the plan of 300 billion yen over five years, we are in the process of acquiring 100 billion yen in treasury shares (acquisition period: March 10, 2023 to March 8, 2024)

As of October 31, 2023, we had acquired 65% representing 65.5 billion yen (16.9 million shares) of treasury shares



By March 8, 2024, we plan to acquire 100 billion yen in treasury shares

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See page 20.

Here, we explain the progress of two items of high interest to institutional investors: the sale of strategic shareholdings and the repurchase of treasury stock.

First, the upper section refers to the sale of strategic shareholdings. We have a five-year plan for our financial strategy, and we are six months into the five-year plan (60 months), and we are currently 29% of the way toward the JPY220 billion planned for the sale.

The second point is the status of share repurchases in the lower row. The Company plans to repurchase a total of JPY300 billion of its own stock over a five-year period. Currently, JPY100 billion has been repurchased. By this October, 65% of the program has been achieved. The deadline for the acquisition of treasury shares is March 8 of next year, and we intend to repurchase JPY100 billion in shares by this time.

Finally, I would like to add one point regarding PBR. Before we announced this medium-term management plan in February of this year, we announced the DNP Group's Basic Management Policies. In this basic policy, the Company has announced that it aims to achieve a numerical target of 10% ROE and a P/B ratio of more than 1x.

Regarding PBR, we have been able to raise it considerably, but it is currently hovering around 0.9x, less than 1x. We are aiming to maintain a stable 1x ratio at this point, but our medium-term goal is to exceed 1x, so we are working to raise the ratio even higher, without focusing on just reaching 1x. We will continue to multiply our business, financial and non-financial strategies to expand our business performance, and improve our PBR. We appreciate your understanding.

That is all for today's briefing from our company. Thank you very much.

Wakabayashi: Thank you very much.

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