

Dai Nippon Printing, Co., Ltd.
Briefing on Financial Results: Q&A Summary
(May 15, 2025)

Questioner 1

Q: The operating income ratio of Smart Communication segment was very high at 7.4% in the fourth quarter. What is behind this? Also, could you tell us whether this high margin can be sustained from FY2025 onwards?

A: The reason the income ratio was high in the Smart Communication segment during the fourth quarter is that the income from several products was higher than expected. Specifically, we have experienced robust performance in the area of Information Security. Our payment-related services demonstrated strong results, we secured a large BPO-related project at the close of the fiscal year, and we recorded a noteworthy profit from our Expo-related businesses. Additionally, the imaging communication photo business was also performing well and had an impact. For FY2025, we are already anticipating large BPO projects, and projects related to the Expo and imaging communication will continue as usual. Operating income is expected to decrease from 34.6 billion yen in the previous fiscal year to 33 billion yen, and the high level of income ratio in the fourth quarter is not expected to continue.

Q: Please indicate the extent to which the impairment for FY2024 is expected to be reflected in the performance targets for FY2025, broken down by segment. Also, please tell us if it is possible to separate the cost reduction due to impairment from the efficiency gains due to the consolidation of business units.

A: The effect of impairment for FY2025 is currently estimated to be approximately 7 billion yen, but this figure may change. The effects of impairment are expected to be particularly noticeable with the start of DNP Publication Products and the reorganization of the Living Spaces and Mobility businesses. The positive impact of structural reforms in the Life and Healthcare segment of 2 billion yen includes some overlap with impairment losses, resulting in a total of a little over 7 billion yen. I am unable to provide details on the breakdown of the effects of impairment and structural reforms as I do not have specific figures on hand at this time.

Questioner 2

Q: In “Earnings Forecast for FY2025: Change in Operating Income,” on page 11 of the presentation materials, it states that focus businesses will see a 7.5 billion yen increase in income. Could you provide details on the expected increase or decrease for metal masks, optical films, photomasks, and battery pouches, based on sales volume if possible?

A: The metal mask plant is operating smoothly; thus, sales and volume are expected to increase. We expect the volume of optical film to decrease due to economic conditions, but the sales is expected to remain stable due to the increasing size (area) of television screens. For photomasks, there were concerns that photomasks would decline due to a shift to the internal production of semiconductors within China. Still, the current situation remains stable, and we believe that the semiconductor sector will grow because shipments of high-definition products such as EUV (extreme ultraviolet) are expected. Battery pouches are seeing an increase in exports to the United States as the inventory has depleted in the second half of FY2024, and production of EV batteries in the United States has increased. The impact of tariffs remains unclear, but we expect growth in volume, sales, and income based on the current situation and the recovery of the European battery market.

Q: Production capacity for metal masks doubled last year, but how much of an increase are you expecting for FY2025? Please give us an image, such as 5%, 10%, or 20%.

A: It is difficult to give specific figures. Shipments of metal masks increase such as when smartphones undergo model changes, but the timing of model changes can affect shipment timing, which may result in variations in the fiscal year in which sales are recorded. In FY2025, we expect double-digit growth, although we cannot specify the exact percentage, due to “preparations” for new products continuing since around March of this year and an increase in the volume of notebook PCs and tablet devices.

Q: Please tell us about the impact of U.S. tariff policies, including whether there are direct tariff burdens, specific products affected, the possibility of changes in demand, and risks of advance demand and subsequent decline.

A: The burden of tariffs is quite low for direct exports to the United States. Most battery pouches are exported via other countries or delivered in Japan, and no tariffs are charged in the United States. However, tariffs are imposed on shipments of domestically produced photo-related products from the imaging communication business to the United States, resulting in an impact of approximately 500 million yen for the three-month period from April to June. This impact is included in the earnings forecast for FY2025, but the impact from July onwards is not included. Currently, few products are subject to direct tariffs, and no decrease in the volume of such products has been observed. Depending on future conditions, we are considering price pass-through and other measures, and given the various possibilities, we have eliminated uncertain factors and recorded 500 million yen as the negative impact of tariffs over a three-month period.

End