

Dai Nippon Printing, Co., Ltd.
Briefing on Financial Results for the First Six Months
of the Fiscal Year Ending March 2021 (Fiscal 2020)
(November 12, 2020)
Q&A Summary

[Questioner 1]

Q: I understand that COVID-19 has had a major impact on the Information Communication segment, particularly the Imaging Communication business; when do you expect these businesses to recover?

A: The Imaging Communication business began to recover in the second half of the fiscal year, but we continue to view the outlook as uncertain due to the increase in COVID-19 cases in Japan and elsewhere and the fact that some countries are again enforcing lockdowns. We therefore expect the recovery in this business to remain gradual in the current fiscal year.

Q: Which regions, for example Europe or Asia, have the highest sales weighting in the Imaging Communication business?

A: The US and Japan.

Q: I would think that COVID-19 has prompted major changes in work styles and cost spending; can you comment on which of these you intend to continue with because they have been positive for your business, or have resulted in changes or potential changes in attitudes within the company?

A: We initially faced the issue that non-face-to-face marketing conducted remotely made it difficult to approach new customers or present new products and services since we were unable to hold exhibitions or other events in physical locations, which are particularly important for our sales promotion activities.

In order to resolve this issue, we used our virtual reality technology to build a system for holding exhibitions and other events in virtual spaces, which we have begun using. This initiative showed us that combining virtual and real-world marketing is more effective than virtual alone. We intend to further develop this system and introduce it to customers.

[Questioner 2]

Q: To what extent has demand for printed materials such as print publications and flyers declined this fiscal year? Event-related demand will presumably rebound in future, but how far do you expect demand for printed materials to recover alongside it? Can you also discuss initiatives to redress the negative impact on profits from the slump in demand for printed materials?

A: The pandemic caused demand for printed materials to fall by a double-digit percentage year on year, mainly in publishing and commercial printing. We expect most of the event and exhibition demand that was lost due to the pandemic to return, but we think the printed media business will continue to contract by at least 5% even after the pandemic is contained, and we are considering a variety of measures to address this.

Q: First-half results and full-year guidance both seem to indicate a sharp decline in Lifestyle and Industrial Supplies segment sales. My understanding was that earnings remained stable because the segment includes numerous food and other packaging products; can you comment on the reasons for the decline in second-quarter sales of packaging and building materials in this segment, and the full-year outlook?

A: Sales in the Packaging and Living Spaces businesses under the Lifestyle and Industrial Supplies segment fell by double-digit percentages year on year in the first half. Factors behind the decline in Packaging business sales included a sharp decline in sales of our PET plastic bottles (containers) due

to sharply lower demand for compact PET plastic bottles up to 500ml due to government stay-at-home requests and teleworking.

Adverse first-half earnings in the Living Spaces business partly reflected weak demand for building and decorative materials due to the consumption tax hike in 2019. While the outlook is uncertain, demand for these materials has gradually rebounded since around September, and we think demand could recover more quickly than we initially expected

[Questioner 3]

Q: In the Electronics segment, you now forecast a full-year decline in sales despite growth in the first half. Can you comment on any factors other than the pandemic that are depressing sales?

A: We take a cautious view of the Electronics segment due to the potential for sudden changes in business conditions. The increase in demand for products such as PCs and TVs due to teleworking was a factor behind the increase in first-half sales, but we have set cautious forecasts due to the potential for this demand to wane in the second half and for US-China trade friction and other international trade factors to impact future earnings for electronic products.

Q: The educational ICT platform on p19 of the presentation materials is interesting, but which area of the Information Communication segment does the educational business fall under? Can you also share your numerical sales and profit targets for this business?

A: Our educational business is administered separately from the Publishing and Information Innovation businesses in the Information Communication segment. It is difficult to give a definitive answer about numerical targets given that we are currently discussing details with our partners, but our sense is that we can grow the business to around ¥10 billion in scale in 2024-2025.

Q: You indicate that the lithium-ion batteries shown on p20 of the presentation materials have a variety of applications, including smartphones, drones, and automotive storage batteries. What are the advantages of using them in these applications, and what are the selling points of DNP's products? Also, can you comment on margins: should we assume that the plan to triple production capacity by 2024 will also result in higher margins? Or will they remain largely unchanged due to an increase in depreciation costs?

A: There are two kinds of lithium-ion battery, those with metal can packages and those with pouch packages. The metal can type can be either cylindrical or prismatic. Each represents roughly a third of the market.

The key features of the pouch type are its lighter weight and greater shaping flexibility compared with the metal can type.

Smartphones and other mobile handsets require the effective use of limited space, which is driving broader adoption of pouch-type cells.

We are also seeing growing demand from automotive applications because pouch-type lithium-ion batteries enable lower vehicle weights and longer ranges. The recent need to consider efficient use of space even in electric vehicles also plays to the strengths of pouch-type batteries.

Long-term reliability is another key selling point of our battery pouches. We have manufactured and sold battery pouches for mobile handsets for more than 20 years and for automotive applications for more than 10, during which time no incidents have occurred.

Finally, based on our forecasts for extremely rapid growth in this business, we expect to improve margins by overcoming rising fixed costs and making further improvements in a variety of areas.