

**Overview of Financial Results
for Fiscal Year 2020 (ended March 31, 2021)
and Progress with Medium-term Management Plan
Briefing materials**



May 17, 2021

Dai Nippon Printing, Co., Ltd.

1. Results Overview

Overview of Consolidated Results for Fiscal Year 2020: Earnings Summary

DNP

(Unit: ¥ billions)

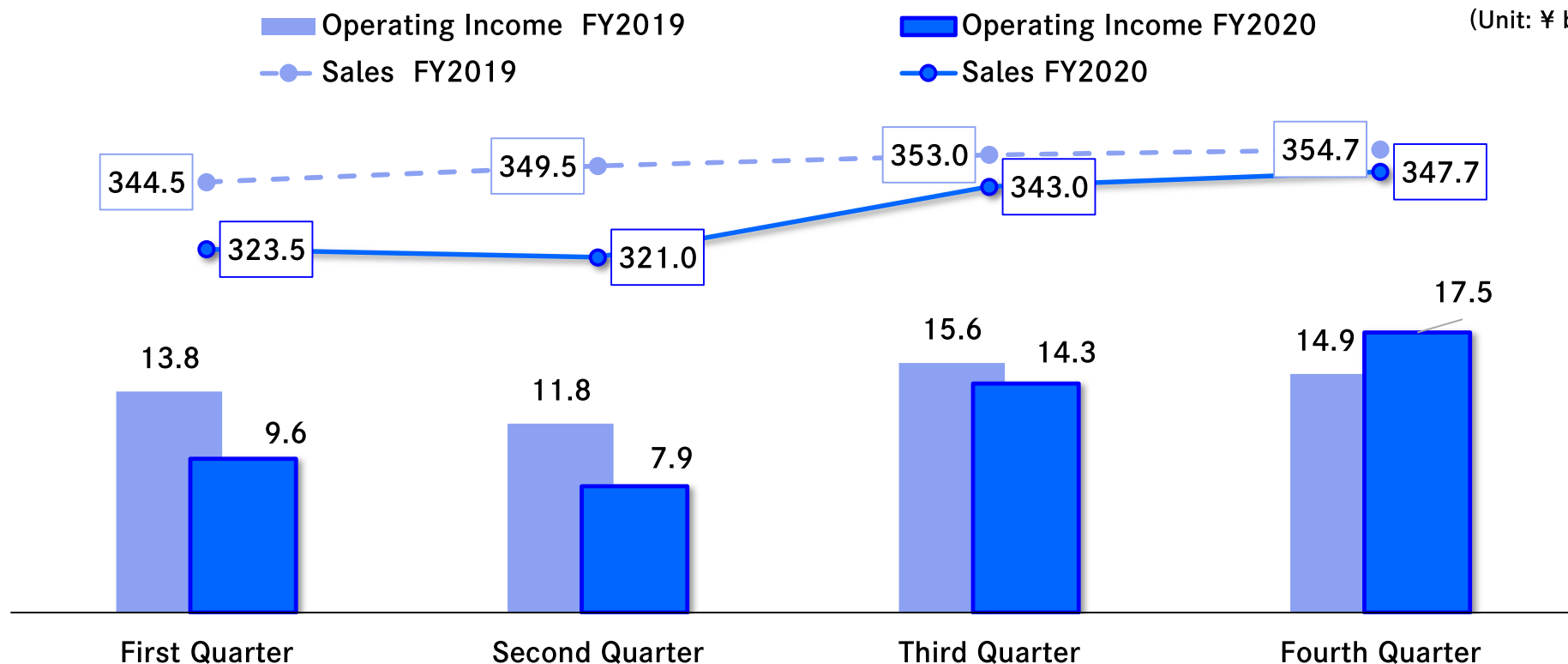
	FY2019	FY2020	Year-on-year Change
Sales	1,401.8	1,335.4	▲4.7%
Operating Income	56.2	49.5	▲12.0%
Operating Income Ratio	4.0%	3.7%	▲0.3%
Ordinary Income	63.7	59.9	▲6.1%
Net Income Attributable to Parent Company Shareholders	69.4	25.0	▲63.9%
R O E	7.3%	2.6%	▲4.7%
Capital Expenditures	57.1	71.6	+25.3%
R&D Expenditures	33.6	32.6	▲2.9%

- Sales and operating income fell year on year due to impact of COVID-19.
- Continued with reforms to create robust business structure by managing business portfolio. Business investments focus businesses in in four growth areas, restructuring aimed at boosting competitiveness.

Overview of Consolidated Results for Fiscal Year 2020: Quarterly Trends of Sales and Operating Income

DNP

(Unit: ¥ billions)



First and second quarters were affected by COVID-19 pandemic, mainly in Information Communication/Lifestyle and Industrial Supplies segments. Succeeded in limiting pandemic impact from 3Q, achieved profit growth in 4Q, partly via restructuring in existing businesses, steady progress with focus business initiatives.

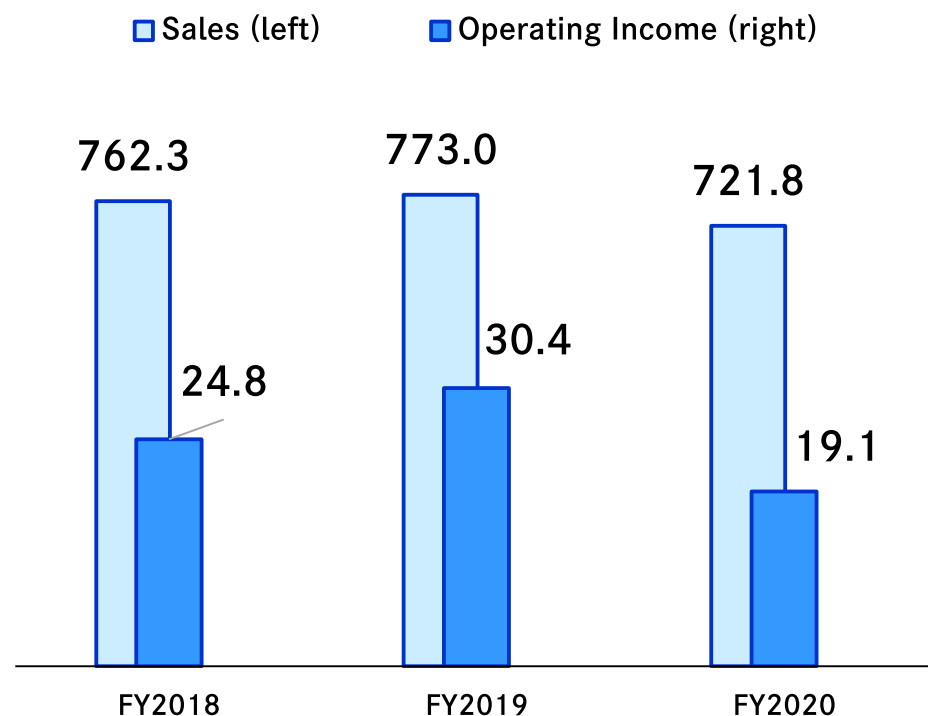
Overview of Consolidated Results for Fiscal Year 2020: Segment Earnings

DNP

Information Communication

【Results Trends】

(Unit: ¥ billions)



【Overview】

Sales and profits down on substantial COVID-19 impact

〈Information Innovation〉

- Steady growth in ID cards and BPO businesses, partly on demand boost from government stimulus
- Sales of pamphlets and catalogs down sharply due to cancellations/downscaling of events and promotional campaigns

〈Imaging Communication〉

- Demand fell sharply due to event cancellations and amusement facility closures

〈Publishing〉

- E-book sales steady
- Printing orders declined due to books and magazines suspending/discontinuing publication

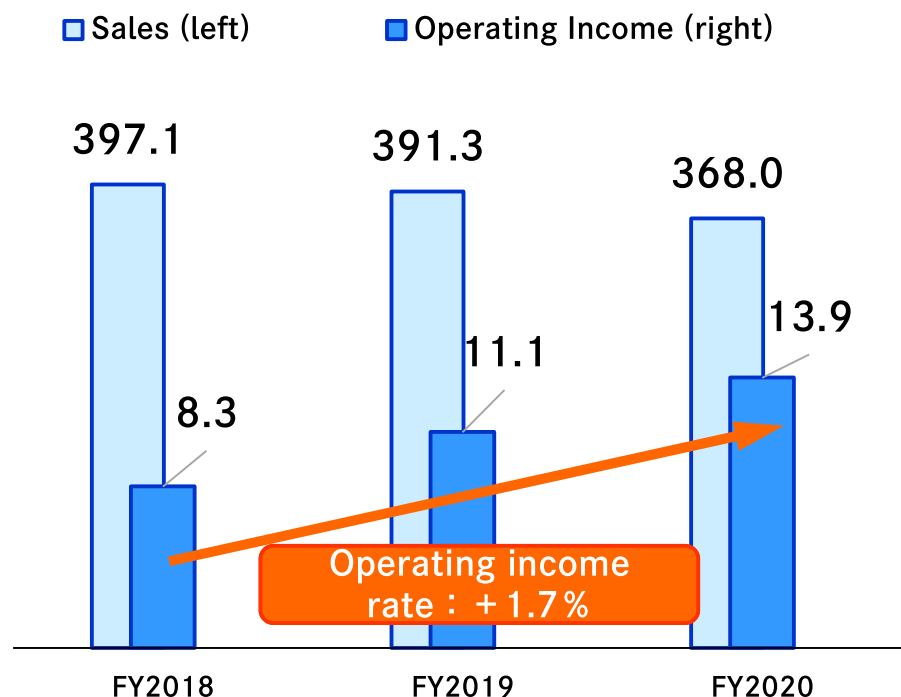
Overview of Consolidated Results for Fiscal Year 2020: Segment Earnings

DNP

Lifestyle and Industrial Supplies

【Results Trends】

(Unit: ¥ billions)



【Overview】

Temporary dip in demand mainly in first half due to COVID-19; achieved profit growth despite falling sales by pursuing selectivity and focus

〈Packaging〉

- Decline in commercial packaging materials for souvenirs/restaurants

〈Living Spaces〉

- Major impact from decline in housing construction/remodeling and auto market demand in first half
- Expanded lineup of products with antibacterial and antiviral functionality

〈High-Performance Industrial Supplies〉

- Considerable growth in battery pouches for lithium-ion batteries

Overview of Consolidated Results for Fiscal Year 2020: Segment Earnings

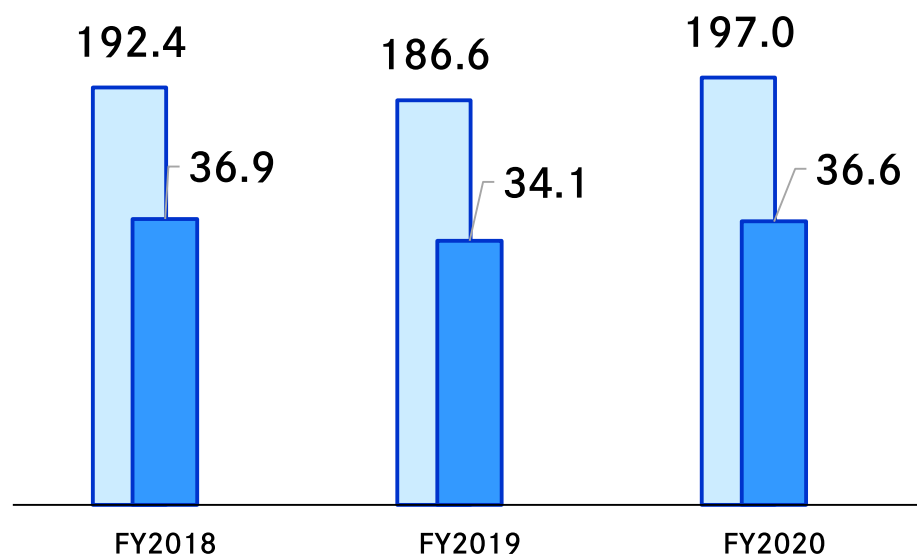
DNP

Electronics

【Results Trends】

(Unit: ¥ billions)

□ Sales (left) ■ Operating Income (right)



【Overview】

Achieved stable sales and operating income despite COVID-19

〈Display Components〉

- Optical films for tablets and TVs upbeat due to increase in teleworking/online demand, more time spent at home
- Sales of metal masks used in production of organic light-emitting diode (OLED) displays also remained stable due to greater demand for smartphone OLED displays
- Pursued business streamlining in color filters for LCD displays

〈Electronic Devices〉

- Overall demand increased due to greater use of teleworking, online services, start of 5G services

Overview of Consolidated Results for Fiscal Year 2020: Segment Earnings

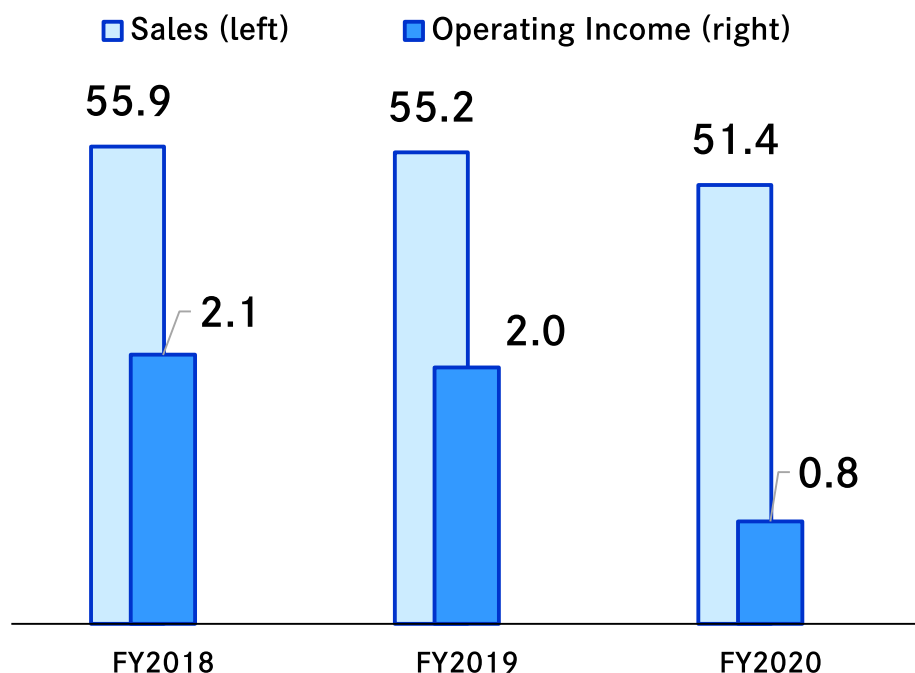
DNP

Beverages

【Results Trends】

(Unit: ¥ billions)

【Overview】



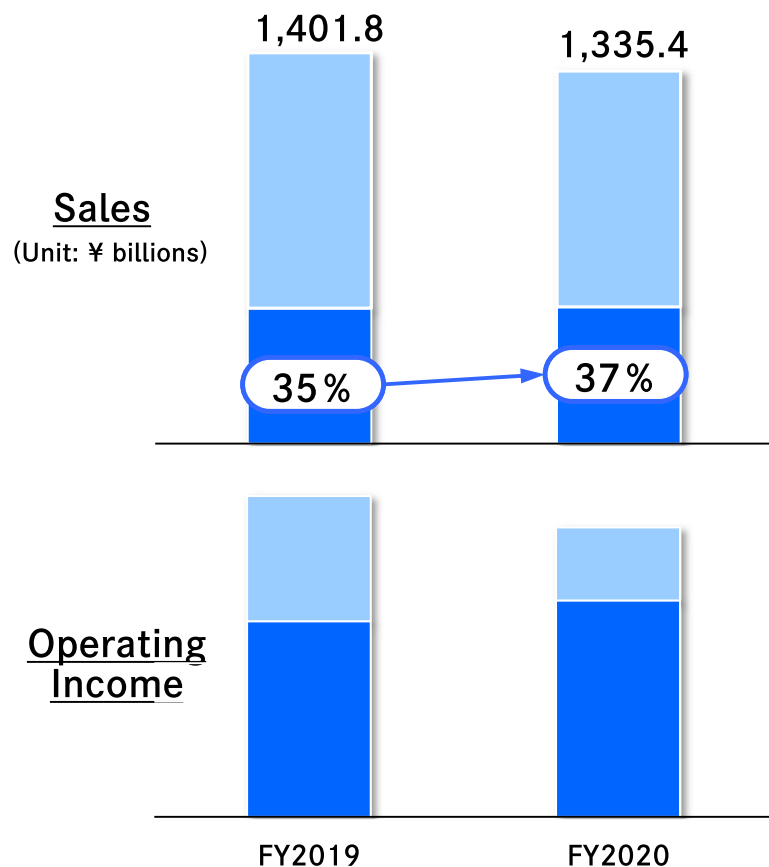
- Decline in demand from tourist destinations, restaurants due to stay-at-home requests
- Increased demand from consumers drinking at home boosted sales of Lemondo alcohol beverages
- Worked to respond to lifestyle changes caused by COVID-19, including increase in restaurant take-out demand

Overview of Consolidated Results for Fiscal Year 2020: Focus businesses

DNP

■ Existing businesses
■ Focus businesses

Composition
ratio

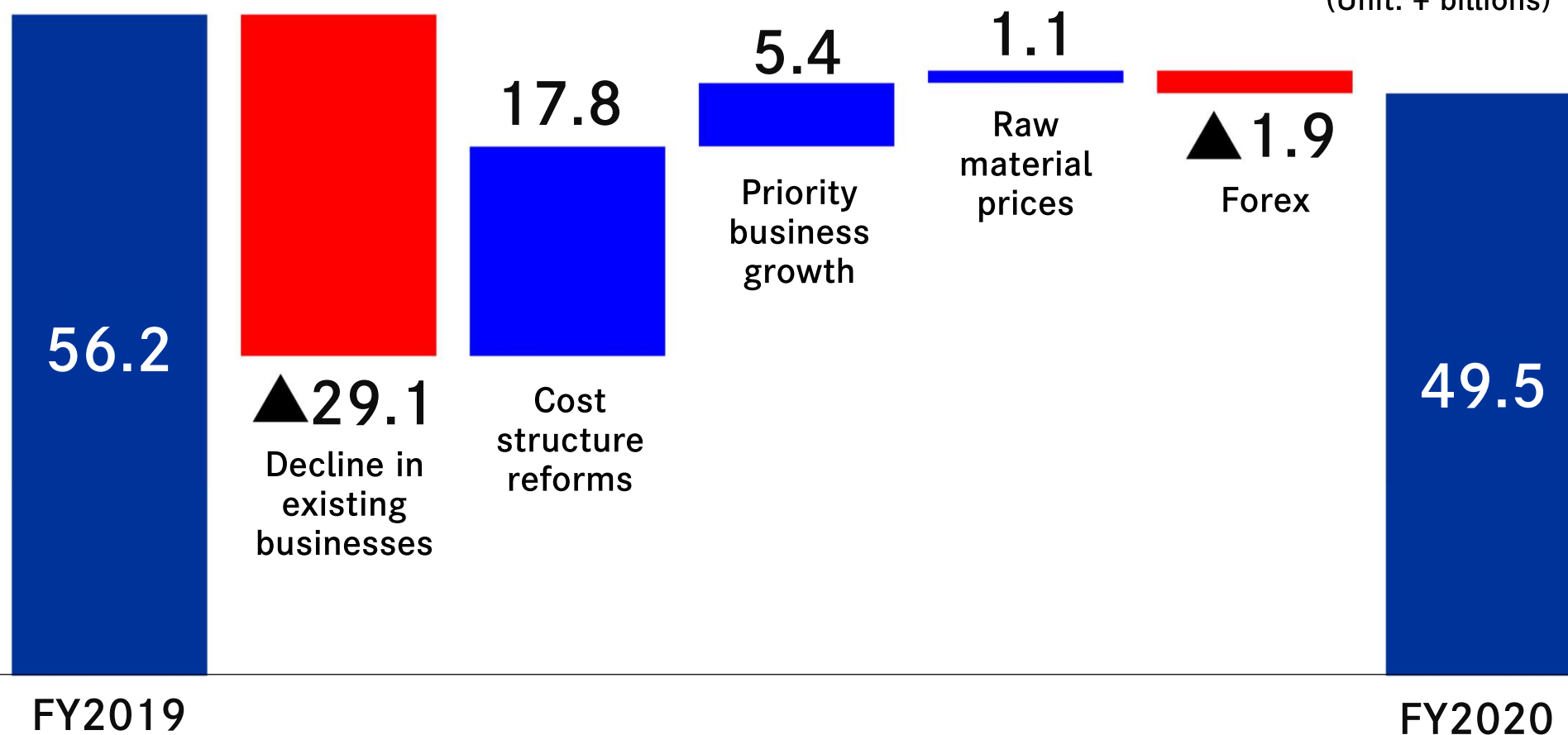


Focus businesses	Sales Year-on-year change	Overview
IoT/next-generation communications	↑	Growth in optical film and other electronics materials due to greater time spent at home
Mobility	↑	Growth in battery pouches for lithium-ion batteries
Environment	↘	Decline in commercial packaging materials for souvenirs/restaurants due to stay-at-home requests
Data distribution	→	<ul style="list-style-type: none"> • Growth in BPO related to government economic stimulus measures • Demand for imaging products and services fell sharply due to event cancellations, amusement facility closures

Overview of Consolidated Results for Fiscal Year 2020: Analysis of Factors Affecting Operating Income

DNP

(Unit: ¥ billions)



Earnings Forecasts for Fiscal Year 2021

(Unit: ¥ billions) **DNP**

	FY2020	FY2021	Year-on year Change
Sales	1,335.4	1,350.0	+1.1%
Operating Income	49.5	57.0	+15.1%
Operating Income Ratio	3.7%	4.2%	+0.5%
Ordinary Income	59.9	65.0	+8.5%
Net Income Attributable to Parent Company Shareholders	25.0	53.0	+111.3%
ROE	2.6%	5.0%	+2.4%
Capital Expenditures	71.6	65.0	▲9.3%
R&D Expenditures	32.6	33.0	+1.2%

		FY2020	FY2021	Year-on year Change
Information Communication	Sales	721.8	728.0	+0.9%
	Operating Income	19.1	23.0	+19.9%
Lifestyle and Industrial Supplies	Sales	368.0	380.0	+3.3%
	Operating Income	13.9	17.0	+21.7%
Electronics	Sales	197.0	194.0	▲ 1.5%
	Operating Income	36.6	37.0	+0.8%
Beverages	Sales	51.4	51.5	+0.1%
	Operating Income	0.8	0.8	+1.2%
Adjustment	Sales	▲ 2.8	▲ 3.5	
	Operating Income	▲ 21.1	▲ 20.8	

- Expect gradual recovery in Japan and overseas markets due mainly to vaccine rollout, despite lingering impact of COVID-19
- Target sales/profit growth, with operating income above FY2019 (¥56.2 billion)
- Forecast extraordinary profits on sale of real estate/other assets, changes in retirement benefit system. Forecast ROE of 5.0%

Note: New revenue recognition standard will reduce sales by around ¥30 billion

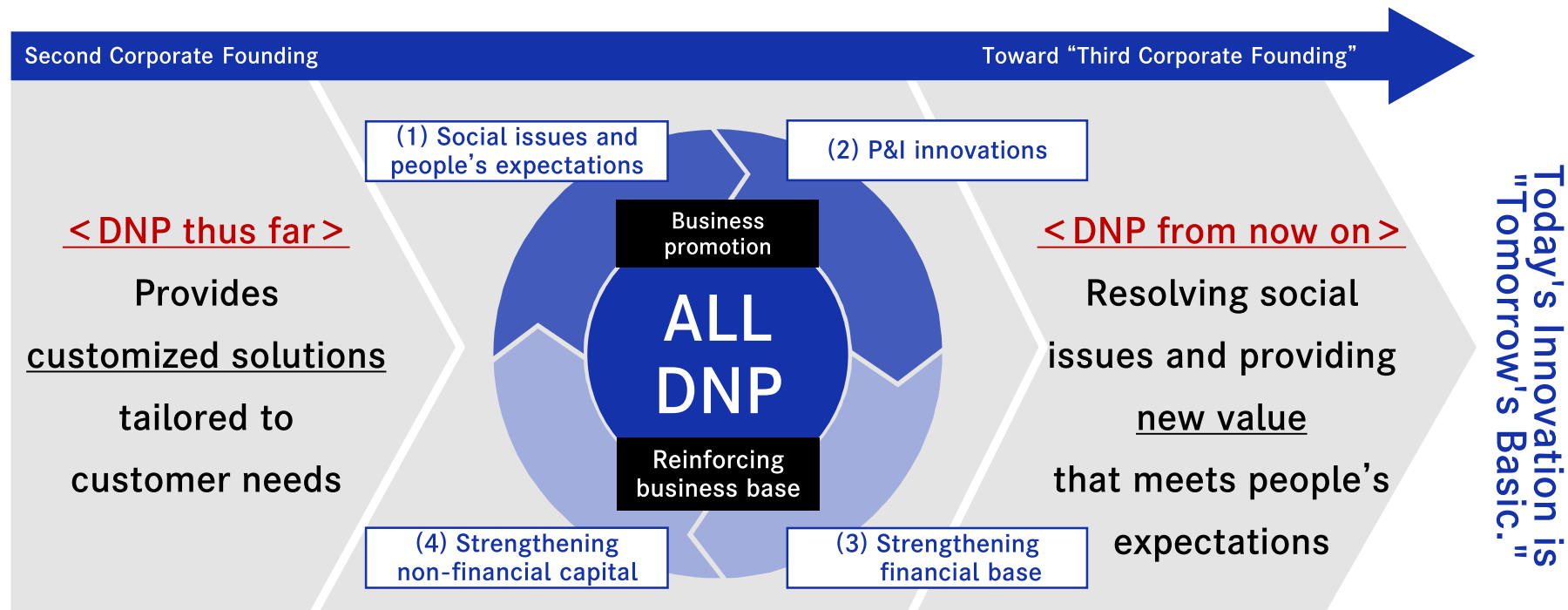
2. Progress with Medium-term Management Plan

What the DNP Group Aims To Be

DNP

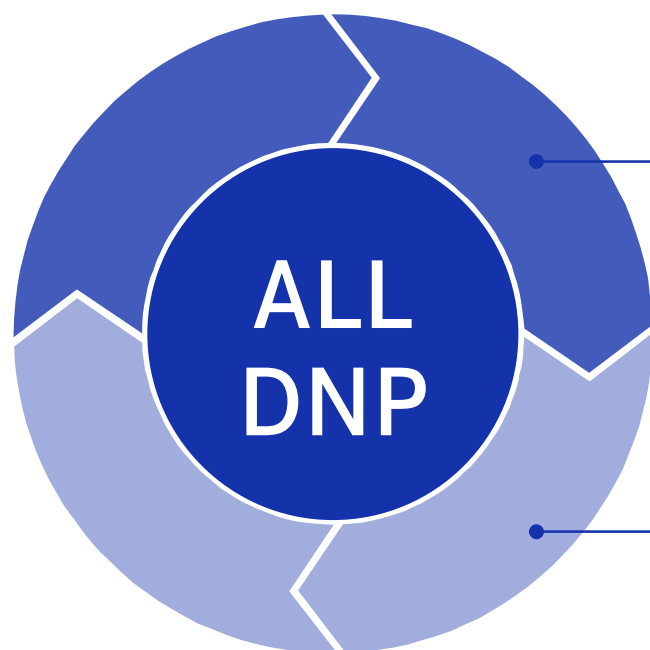
Corporate
Philosophy

The DNP Group connects individuals and society, and provides new value.



【DNP's unvarying strengths】

“Culture of continual innovation” “Drive to create value that resolves social issues”
“Synergies from P&I strengths” “Sincerity and transparency”



Basic Strategy **1** Create value through “P&I Innovations”

~Build a strong business portfolio~

1. Create value primarily in growth areas
2. Provide value optimized to each country and region
3. Increase value using all available restructuring approaches

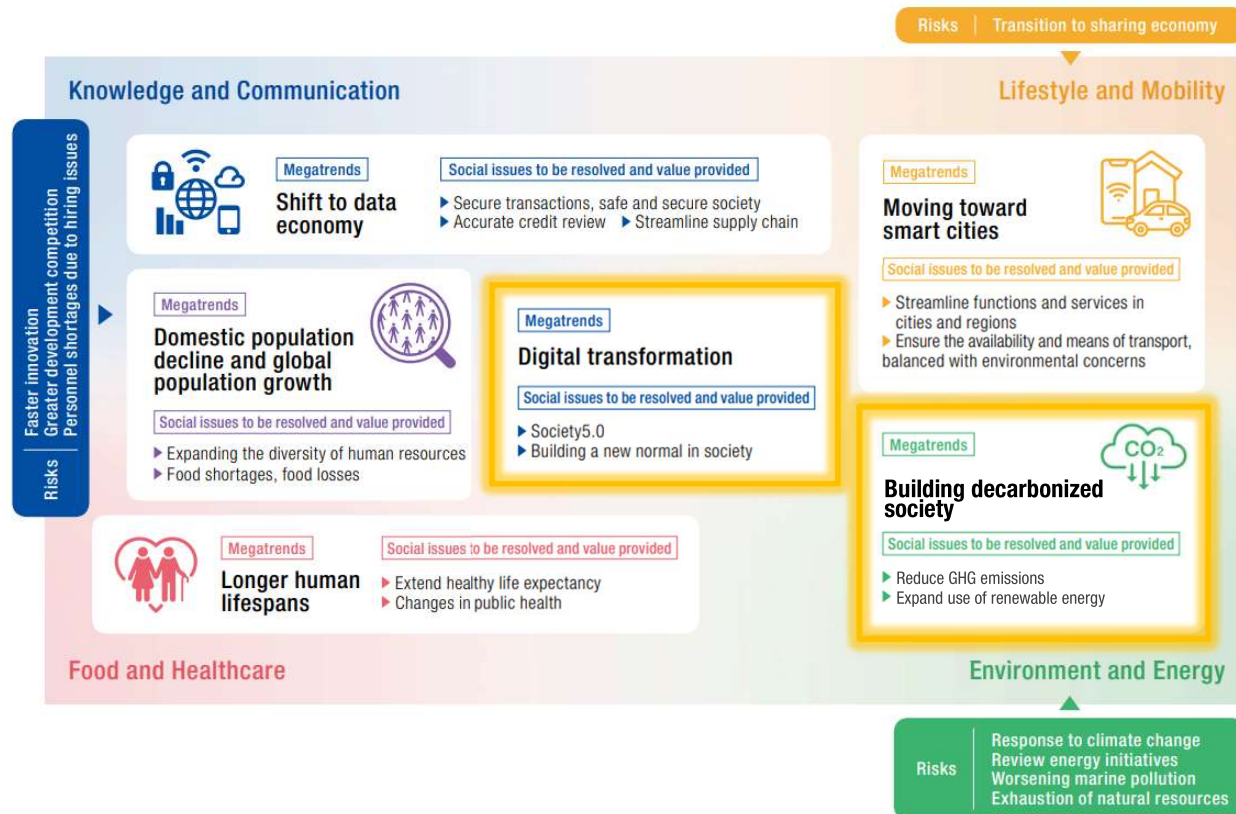
Basic Strategy **2** Strengthen business infrastructure to support growth

1. Strengthen financial and non-financial capital
2. Strengthen corporate governance

Business conditions and key issues

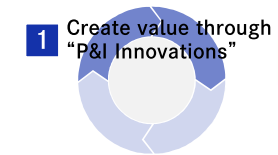
DNP

No major change in megatrends that DNP identifies as business opportunities, despite drastic changes in external environment caused by COVID-19



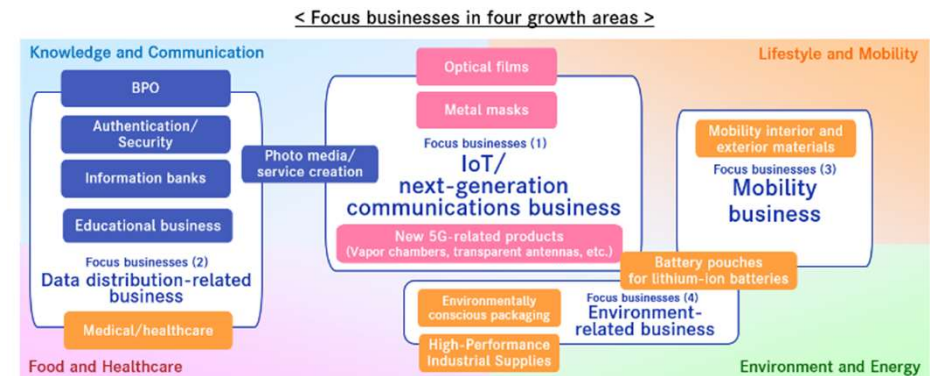
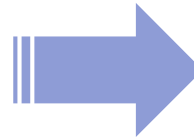
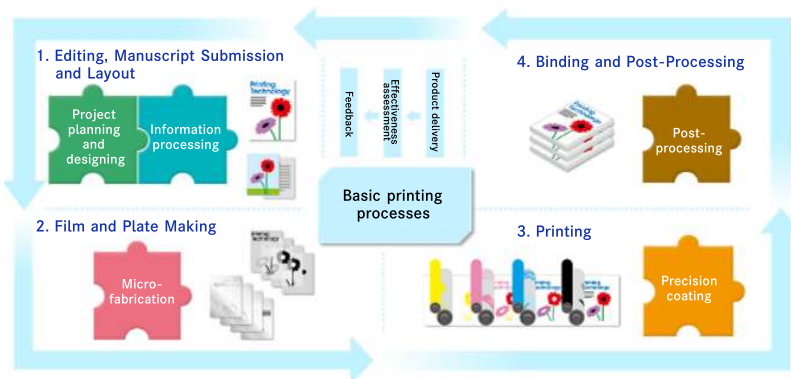
Seek to provide value amid “new normal,” focusing on accelerating digital transformation (DX), green transition

Basic Strategy 1 : Create value through “P&I Innovations”



DNP

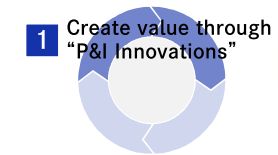
Main initiatives ~Strategic direction~



Developing technologies accrued via printing processes, combining with external partners' strengths to provide products/services in global markets that address social issues/respond to people's expectations

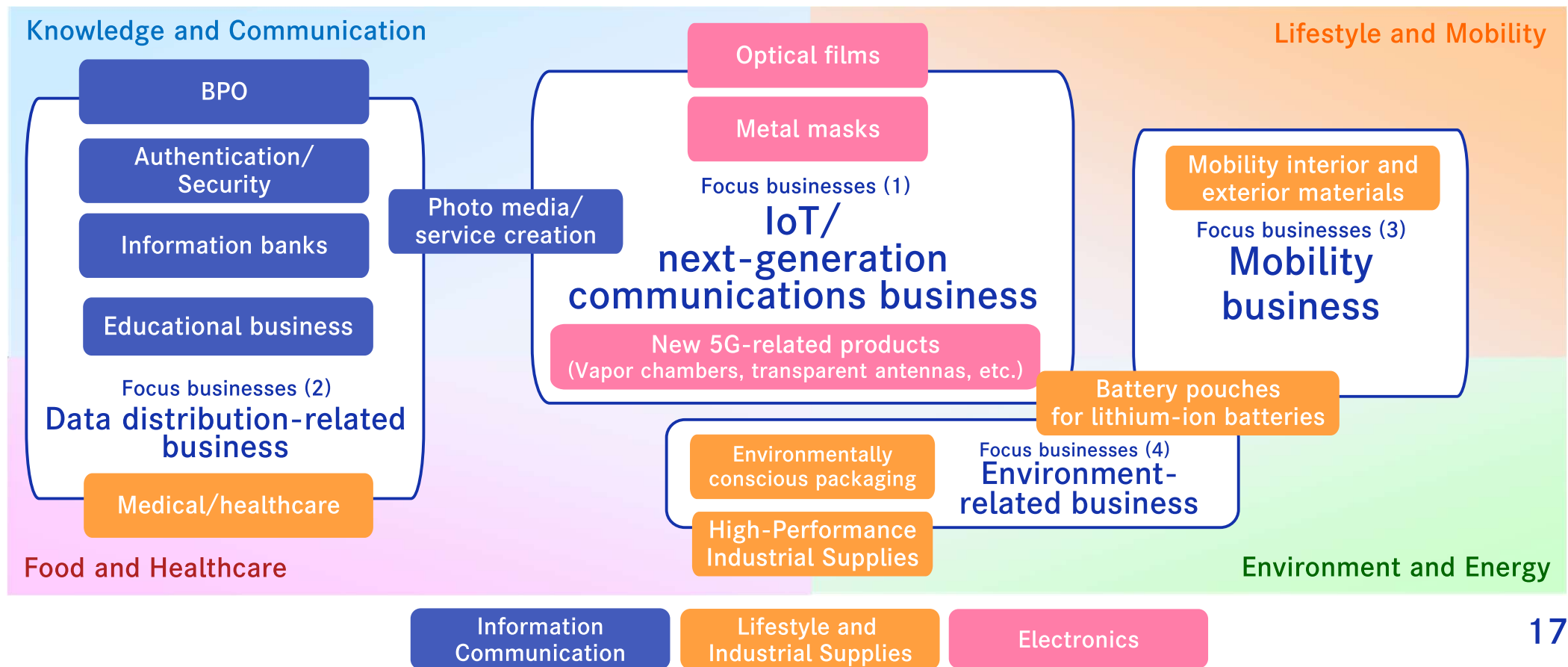
Building strong business portfolio by reducing printed media production bases in Information Communication segment, steady progress with review of low value-added products/restructuring of business locations in Lifestyle and Industrial Supplies segment to strengthen earnings structure

1 – 1. Create value primarily in growth areas

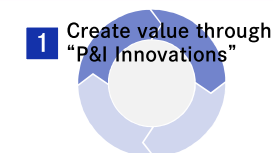


DNP

< Focus businesses in four growth areas >



1 – 1 . Create value primarily in growth areas



DNP

Focus businesses
(1)(3)(4)

Progress in IoT/next-generation communications/
Mobility/Environment-related businesses

Future initiatives

Battery pouches
for lithium-ion batteries

Strong performance in line with green recovery (shift to
electric vehicles), 5G-related demand growth

Social issues/
trends

Solutions leveraging DNP Group's unique P&I strengths

Social impact

Reducing lithium-ion batteries' weight/thickness

Building decarbonized society
Shift to electric vehicles
Uptake of next-generation communications



Lighter, longer-lasting, safer battery pouches

Creating de-facto industry standard; top global share



Lighter weights, more flexible variety of shapes resolve range and cabin space issues

Decarbonized society
Mitigating and responding to climate change

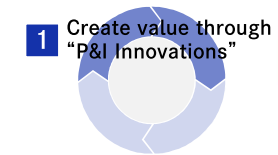


- New building at Tsuruse plant (Saitama Prefecture) began operating in March
- Plan to add more production lines at Tsuruse plant in 2022

FY2024 targets
Sales: ¥100 billion



1 – 1. Create value primarily in growth areas



DNP

Focus businesses (1)

Progress in IoT/next-generation communications business

Future initiatives

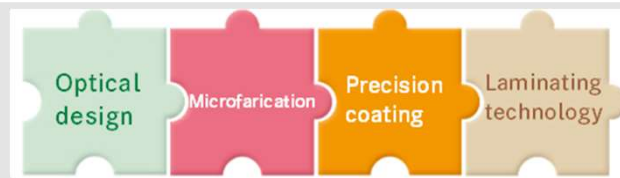
Optical films

Upbeat performance driven by stay-at-home/teleworking demand due to COVID-19

Social issues/ trends

- Larger, slimmer, more energy-efficient displays
- Diversification of display design

Solutions leveraging DNP Group's unique P&I strengths



Prevents reflection, scratches, dirt

DNP developed world-first components and materials for displays, which are evolving to include flexible LCDs, OLEDs, and e-paper

New ultra-wide 2,500mm line at Mihara plant enables consistent high quality and productivity irrespective of display size, enabling DNP to meet customers' quality/supply requirements



Social impact

- Achieves high-contrast, superior color reproduction for all display types in all situations
- High transmittance reduces power consumption

- Leveraged Mihara plant's ultra-wide line to win China market share
- Expanding sales in value-added OLED application
- Responding to product commoditization

FY2024 targets
Sales: ¥100 billion



1 – 1. Create value primarily in growth areas



DNP

Focus businesses (2)

Progress in data distribution-related business

Future initiatives

Educational business

Social issues/ trends

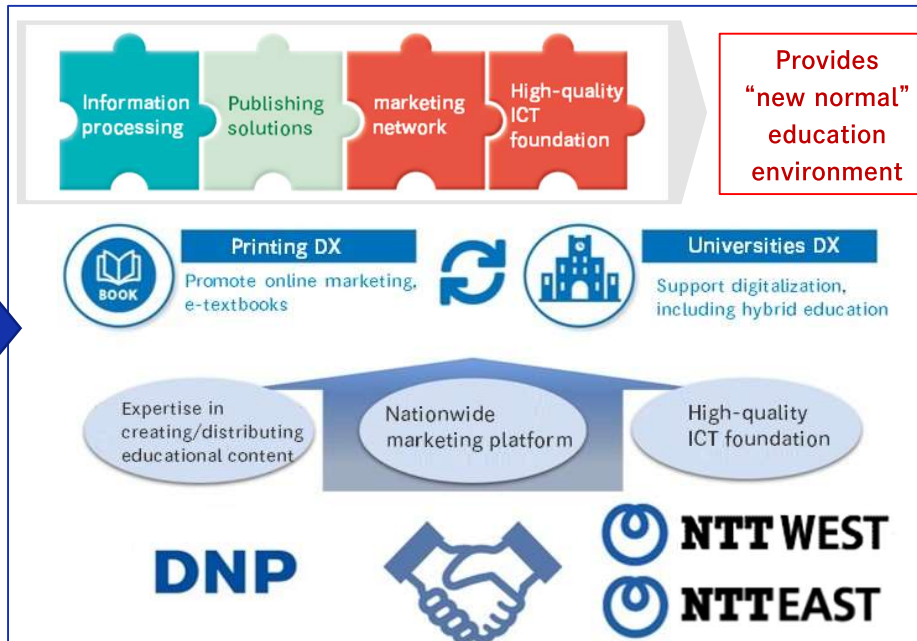
Shift to **student-centric** education, guidance **optimized** to individual students

Recommends **hybrid** education combining face-to-face and **remote learning** to prevent infection

Building out remote learning environment for schools that tracks lessons and students study progress

Strengthening collaboration with NTT West and NTT East targeting nationwide rollout of educational ICT platform for universities

Solutions that combine partners' strengths with all-DNP strengths



Social impact

Building new educational framework that leverages digital technologies to offer

- greater convenience
- balanced educational opportunities
- better quality education

Nationwide service rollout via alliance between DNP, NTT West, NTT East

Pursuing DX in universities/printing to help enhance university education through digital technologies

FY2024 targets
Sales: more than ¥100 billion



1 – 1. Create value primarily in growth areas



DNP

Focus businesses (2)

Progress in data distribution-related business

Future initiatives

XR Communication

Provide XR communication spaces combining real and virtual

Social issues/
trends

Solutions that combine partners' strengths with all-DNP strengths

Social impact

New normal and
digital
transformation (DX)

Change in
communication tools

Sharp decline in
points of contact
between companies
and consumers

Development of
communications
environment



Providing safe,
secure rich
communication
spaces



Uses CG to virtualize (right) real-world cities (left)

Opportunities to
perform irrespective
of time, location,
disability, gender
Provide enjoyable
spaces

Connecting regional
resources to a global
audience to invigorate
regional areas

New corporate
promotion initiatives,
including events and
festivals

Changes in consumer
leisure and lifestyles

XR Communication
business

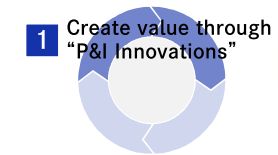
FY2025 targets
Sales: ¥100 billion

【Business development】

Following Shibuya Ward's
Miyashita Park and Sapporo
City's Kita 3-jo Plaza, targets
total of 30 officially approved
spaces within five years

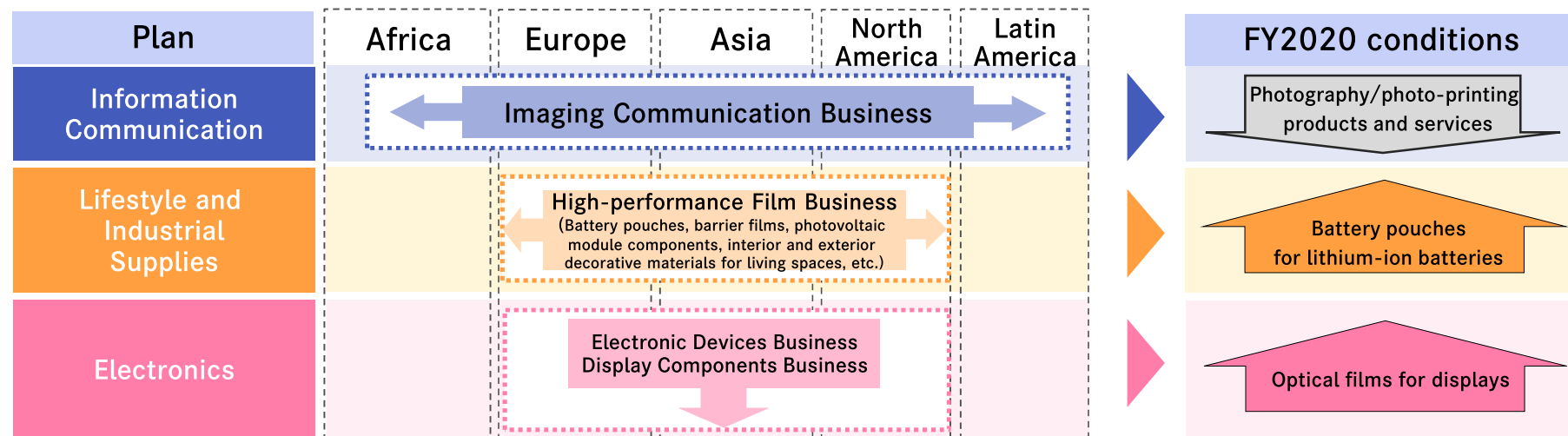
Virtual anime centers, virtual
bookstores; company plant
tours, PR events, trade shows,
showrooms, and other
marketing activities

1 – 2. Provide value optimized to each country and region

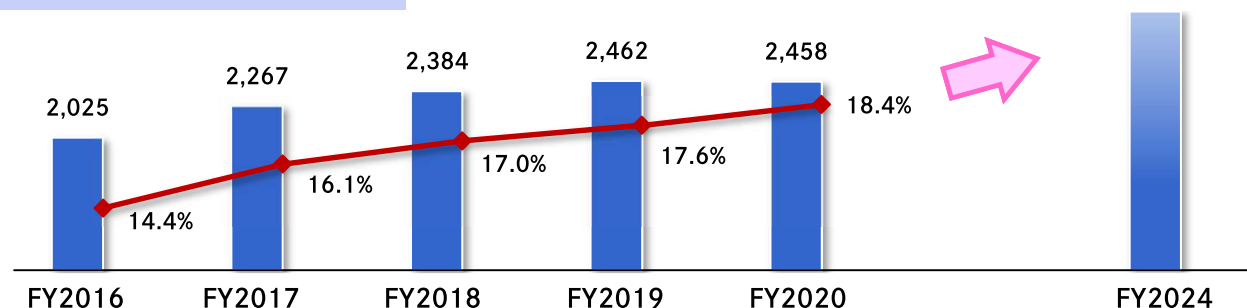


DNP

Provide optimal value through fine-grained response to people's expectations and social issues both in Japan and overseas markets



Overseas sales and % of total sales (Unit: ¥ billions)

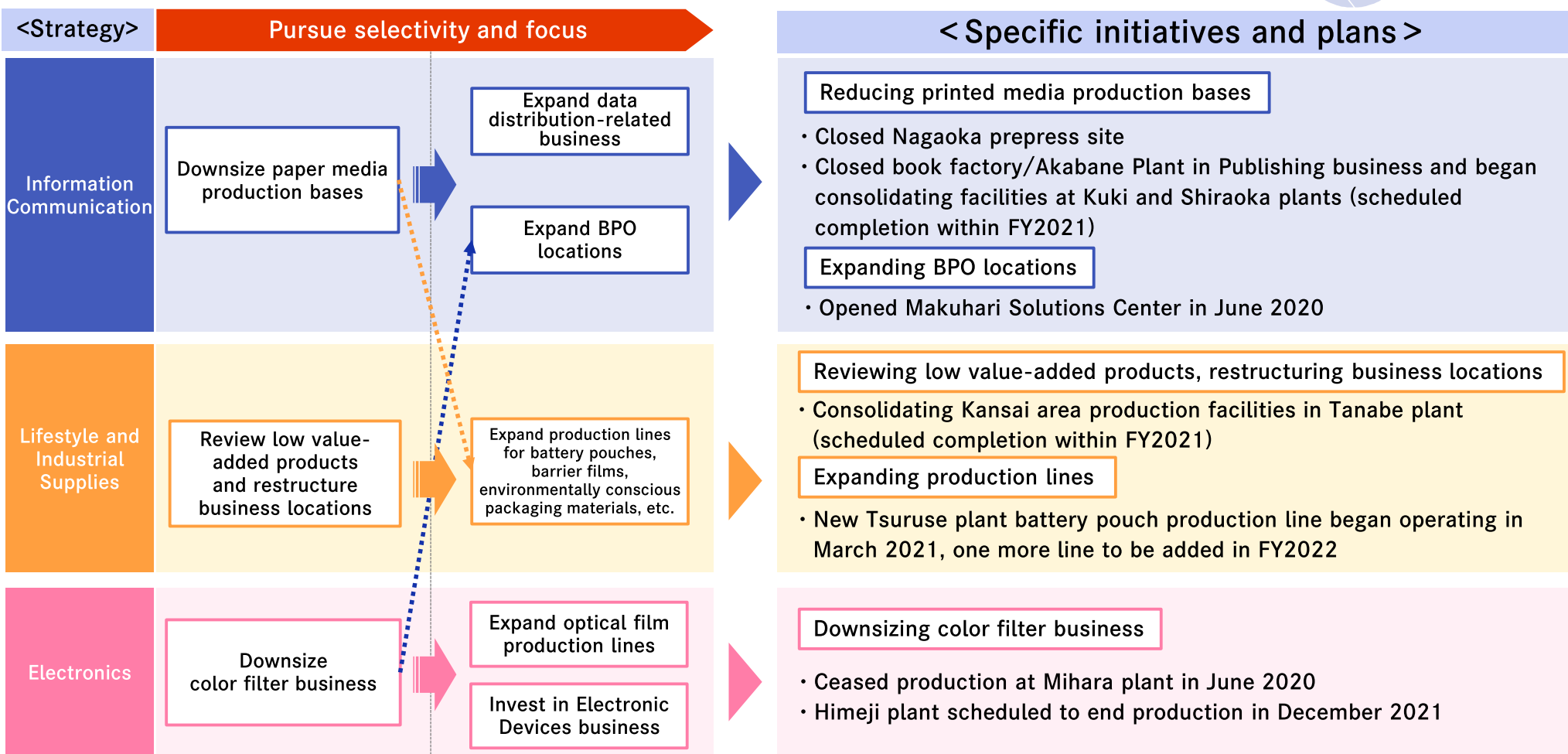


Provides globally competitive products

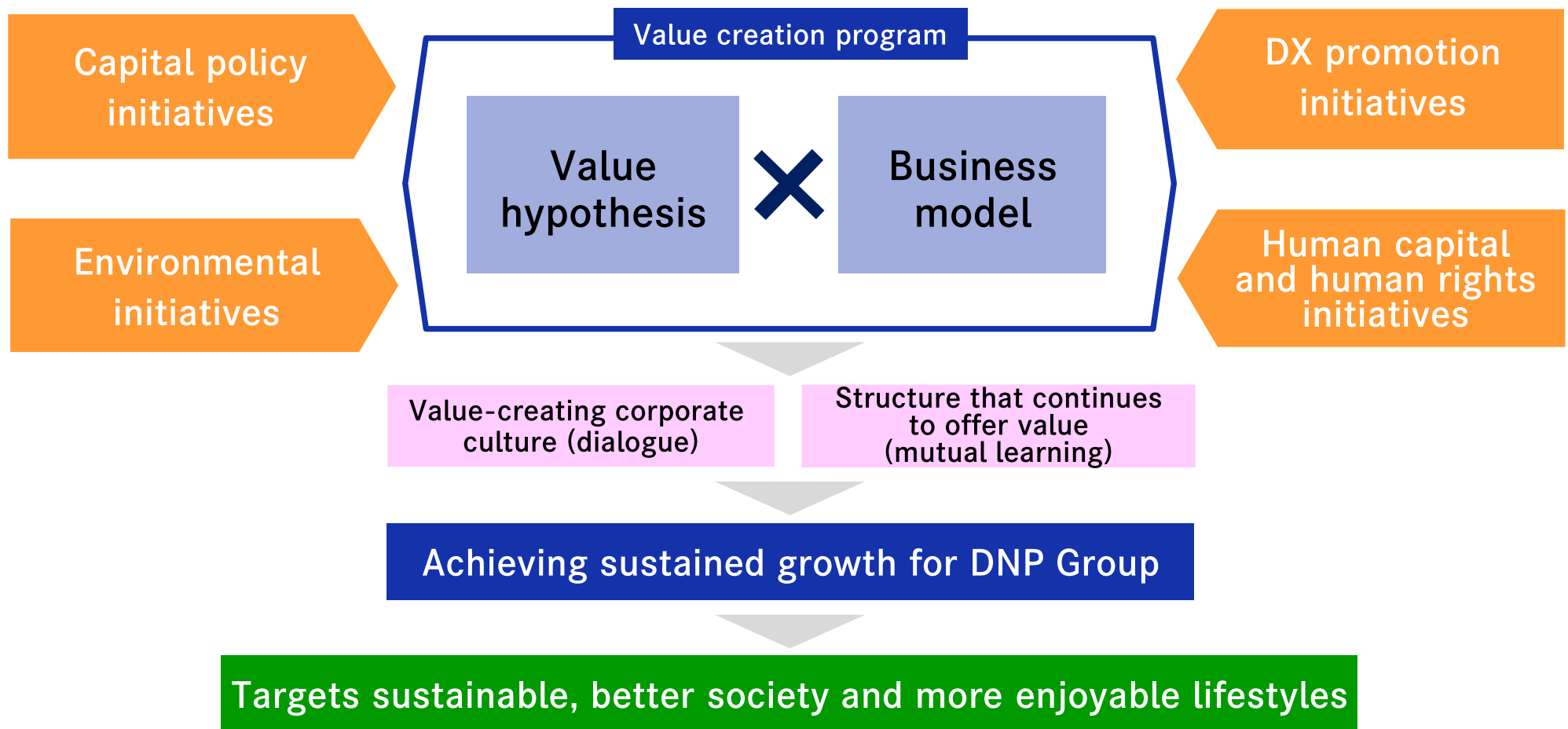
1 – 3. Increase value using all available restructuring approaches



DNP



Basic Strategy 2 : Strengthen business infrastructure to support growth



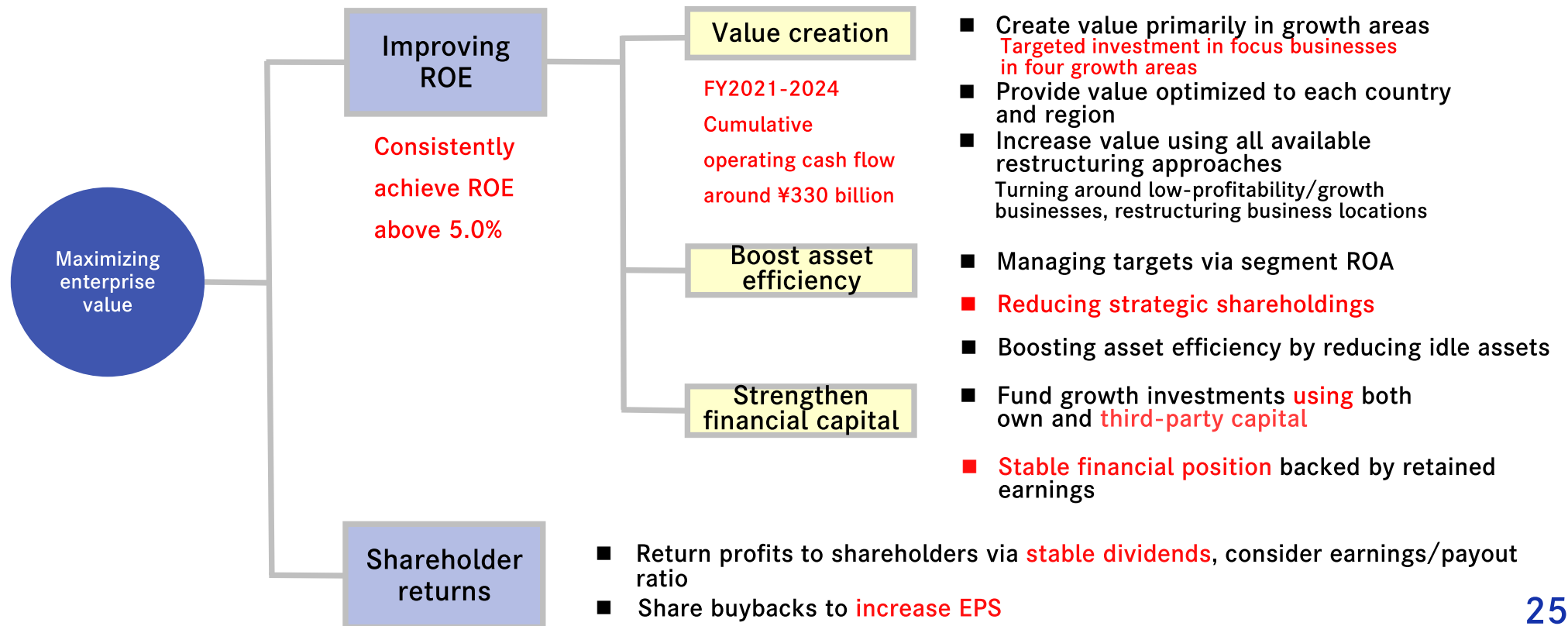
2 – 1. Strengthen financial and non-financial capital

Capital policy initiatives



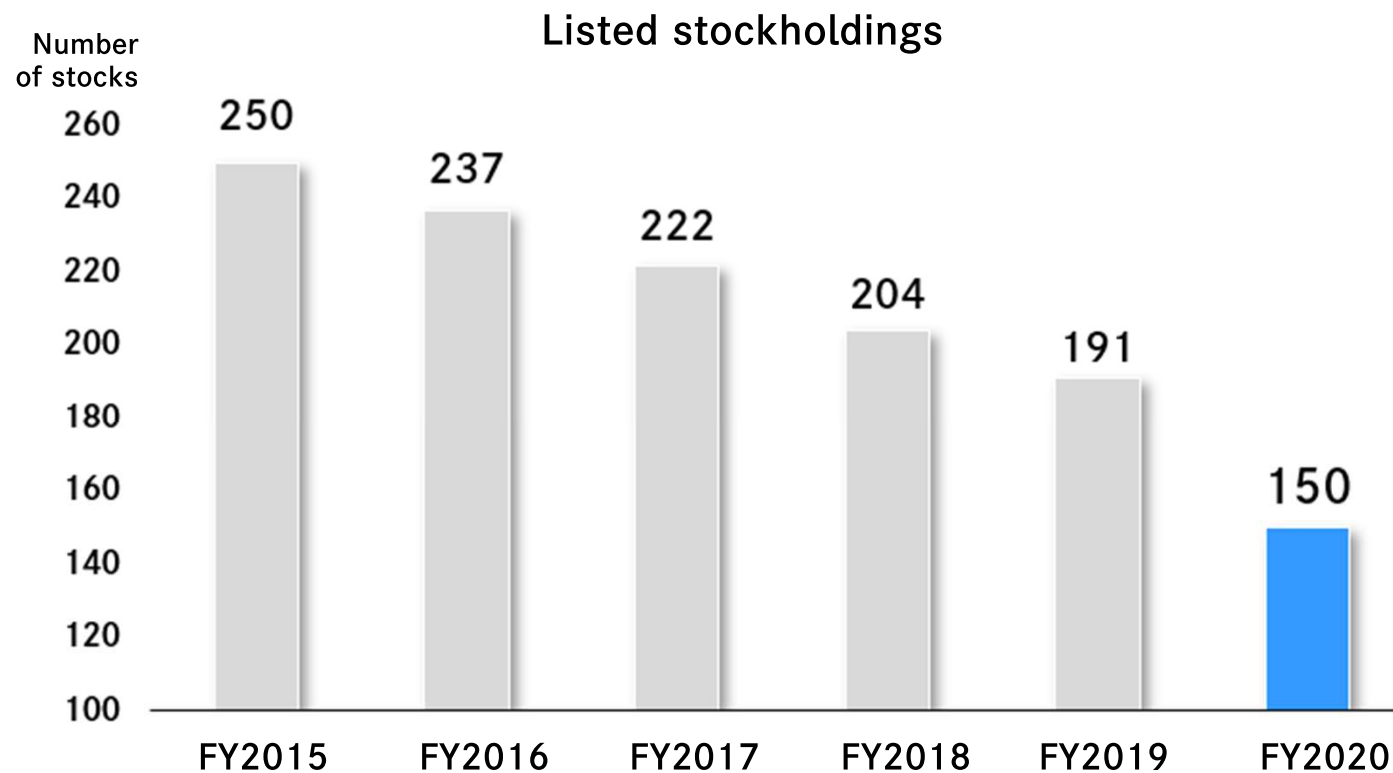
(1) Measures to maximize enterprise value (through FY2024)

Creating value through “P&I Innovations,” strengthening business infrastructure to support growth, enhancing enterprise value



2 – 1 . Strengthen financial and non-financial capital

Capital policy initiatives



2 – 1. Strengthen financial and non-financial capital

Capital policy initiatives



(2) Capital strategy approach (optimal capital structure/cash creation)

Increase operating cash flow through value creation, improve capital efficiency to generate cash

(1) Optimizing capital structure

FY2020 balance sheet results

Total Assets ¥1,825.0 billion	Other Liabilities ¥567.8 billion
	Interest-bearing Debt ¥158.5 billion
	Net Assets ¥1,098.6 billion

D/E Ratio: 0.15
Shareholders' equity ratio:
57.2%

Use of third-party capital
Reducing cost of capital
Optimizing shareholders' equity

FY2024 balance sheet targets

Total Assets Reduce strategic shareholdings Reduce idle assets	Other Liabilities Minimize working capital
	Interest-bearing Debt Use with awareness of financial discipline
	Net Assets Around ¥1 trillion Streamline capital structure while ensuring stable financial position

D/E ratio: around 0.25
Shareholders' equity ratio:
At least 50%

(2) Cash creation

FY2021-2024
Generate cash of
at least ¥480 billion

Generate operating cash flow
¥330 billion

Use of third-party capital
Reduce strategic shareholdings, idle assets, etc.
At least ¥150 billion

Growth strategy
Capital strategy

2 – 1. Strengthen financial and non-financial capital



Capital policy initiatives

(2) Capital strategy approach (cash allocation)

Optimizing cash allocation to achieve further business growth, appropriate shareholder returns

(2) Cash creation

FY2021-2024
Generate cash of
at least ¥480 billion

Generate operating cash flow
¥330 billion

Use of third-party capital
Reduce strategic shareholdings,
idle assets, etc.
At least ¥150 billion



(3) Cash allocation strategy

Growth
investment

Shareholder returns

Streamlining existing
businesses

Investment in growth
areas
➢ Targeted investment
in focus businesses in
four growth areas
Strengthening business
base
➢ Creating value by
promoting DX

Stable dividends

Share buybacks

¥30 billion buyback
in FY2021

50% or more of
growth investment

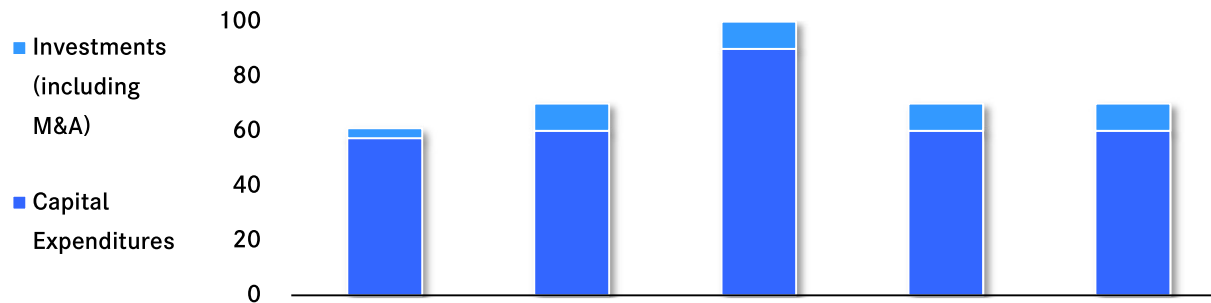
2 – 1 . Strengthen financial and non-financial capital

Capital policy initiatives

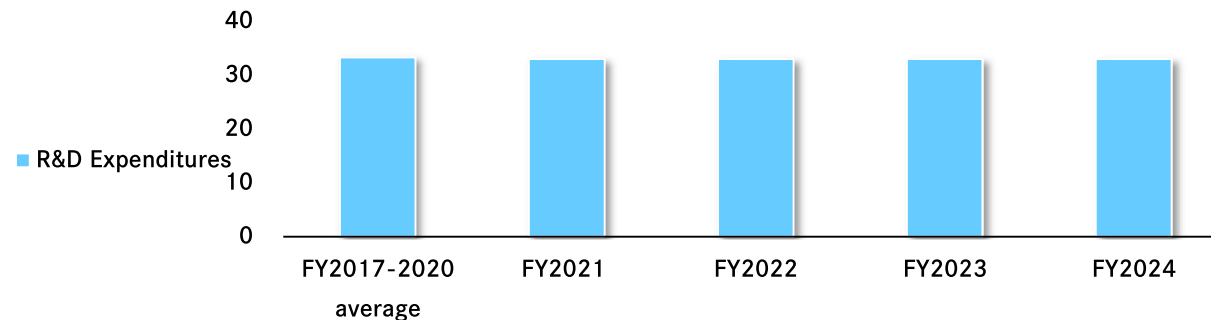


Business investment and R&D expenditures Targets (Unit: ¥ billions/FY)

< Business investment >



< R&D expenditures >



- FY2021-2024 targets
 - Business investment: At least ¥300 billion (up at least 20% versus FY2017-2020)
 - R&D expenditures: At least ¥120 billion
- At least 50% to be used for growth business investment, strengthening business base

2 – 1 . Strengthen financial and non-financial capital

Capital policy initiatives



(3) Shareholder returns

¥30 billion buyback and retirement of treasury stock

■ Details of buyback

- | | |
|-----------------------------|---------------------------------------------------------------------------------------------|
| (1) Stock to be acquired | Common stock |
| (2) Number of shares | Up to 17 million shares, equivalent to 6.05% of shares outstanding excluding treasury stock |
| (3) Total acquisition price | Up to ¥30 billion |
| (4) Purchase period | May 14, 2021-December 20, 2021 |

■ Details of treasury stock retirement

- | | |
|------------------------------------|-----------------------------------------------------------------------|
| (1) Number of shares to be retired | 7 million shares
(2.16% of shares outstanding prior to retirement) |
| (2) Retirement date | May 24, 2021 |

2 – 1 . Strengthen financial and non-financial capital

Capital policy initiatives



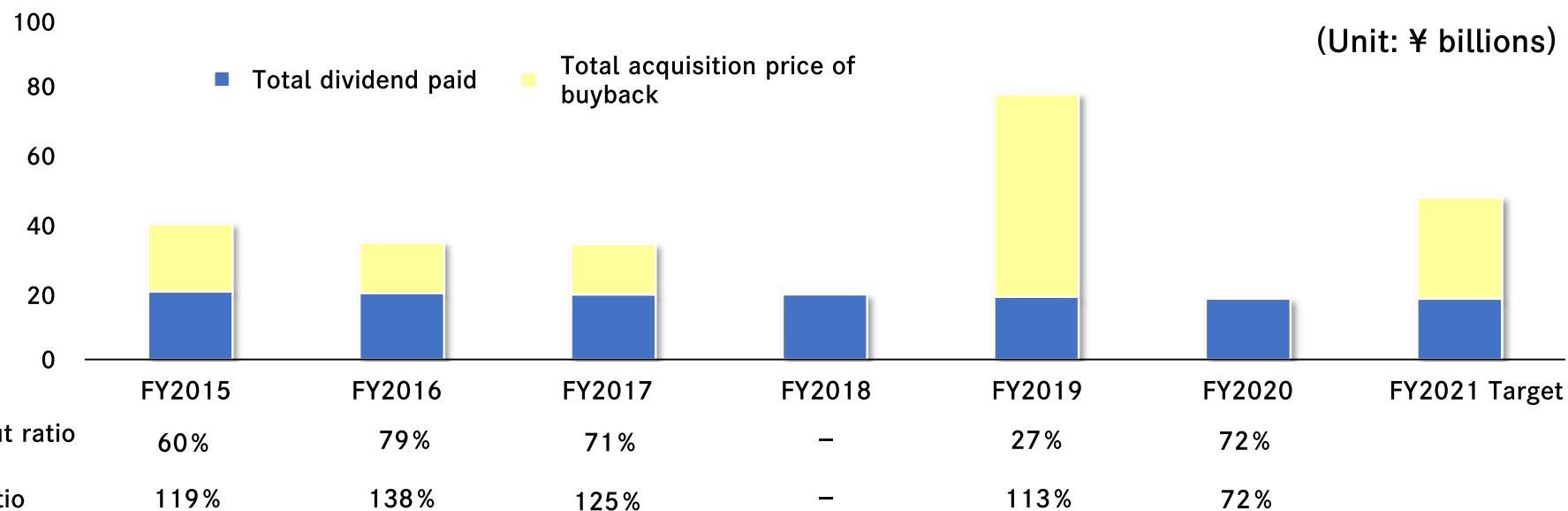
(4) Shareholder return policy

Shareholder return policy: Return profits to shareholders via stable dividends, consider earnings/other factors

Dividends: Factor in payout ratio, other factors based on earnings

Buyback: Appropriate judgement based on business conditions and business investments

Retirement: Retire treasury stock based on ratio of treasury stock held



2 – 1 . Strengthen financial and non-financial capital

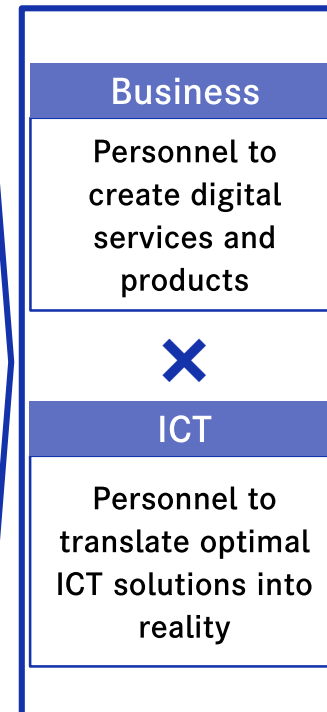


DX promotion initiatives

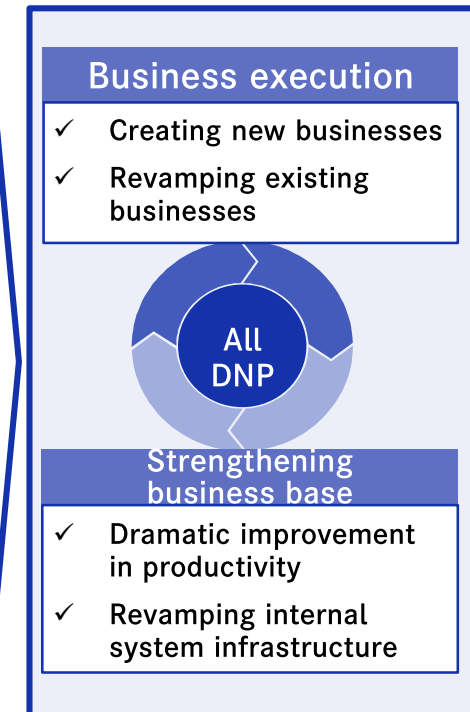
Strengthening human capital base

	Maximizing internal capabilities	Leveraging external capabilities
Building systems and groundwork	<ul style="list-style-type: none"> Introduced ICT professional system to secure and appropriately compensate ICT personnel, for example by providing new allowance for project managers Visibility of ICT personnel skills, building systematic training programs based on skill maps 	<ul style="list-style-type: none"> Introducing fixed-term contracts for high-quality external hires with superior knowledge/skills Use of external consultants/project managers
Stepping up efforts	<ul style="list-style-type: none"> Strengthen cross-divisional collaboration using AI, 5G, XR, agile development, and cloud technologies to accelerate DX Leveraging communities that enable friendly rivalry via free and open engagement with internal social media 	<ul style="list-style-type: none"> Collaborative innovation with leading tech firms to accelerate business development and offer greater value Improving project development quality via personnel exchanges with Nihon Unisys

Strengthening DX personnel



Creating value through DX



2 – 1. Strengthen financial and non-financial capital



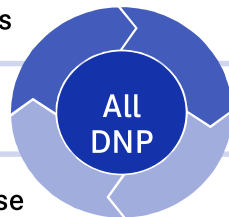
Environmental initiatives

Medium-term plan initiatives

■ Business development (value creation)

- ✓ Transforming business portfolio based on environmental impact and value added
- ✓ Identifying new environmental themes
- ✓ Technological innovations in low-carbon raw materials and other materials
- ✓ Creating recycling schemes

Efforts to address environmental issues on both business and infrastructure fronts



■ Strengthening business base

- ✓ Clarifying environmental impact
- ✓ Introducing renewable energy
- ✓ Investing in energy-efficient facilities, optimizing production bases to address environmental impact
- ✓ Ensuring use of paper from certified forests/traceability

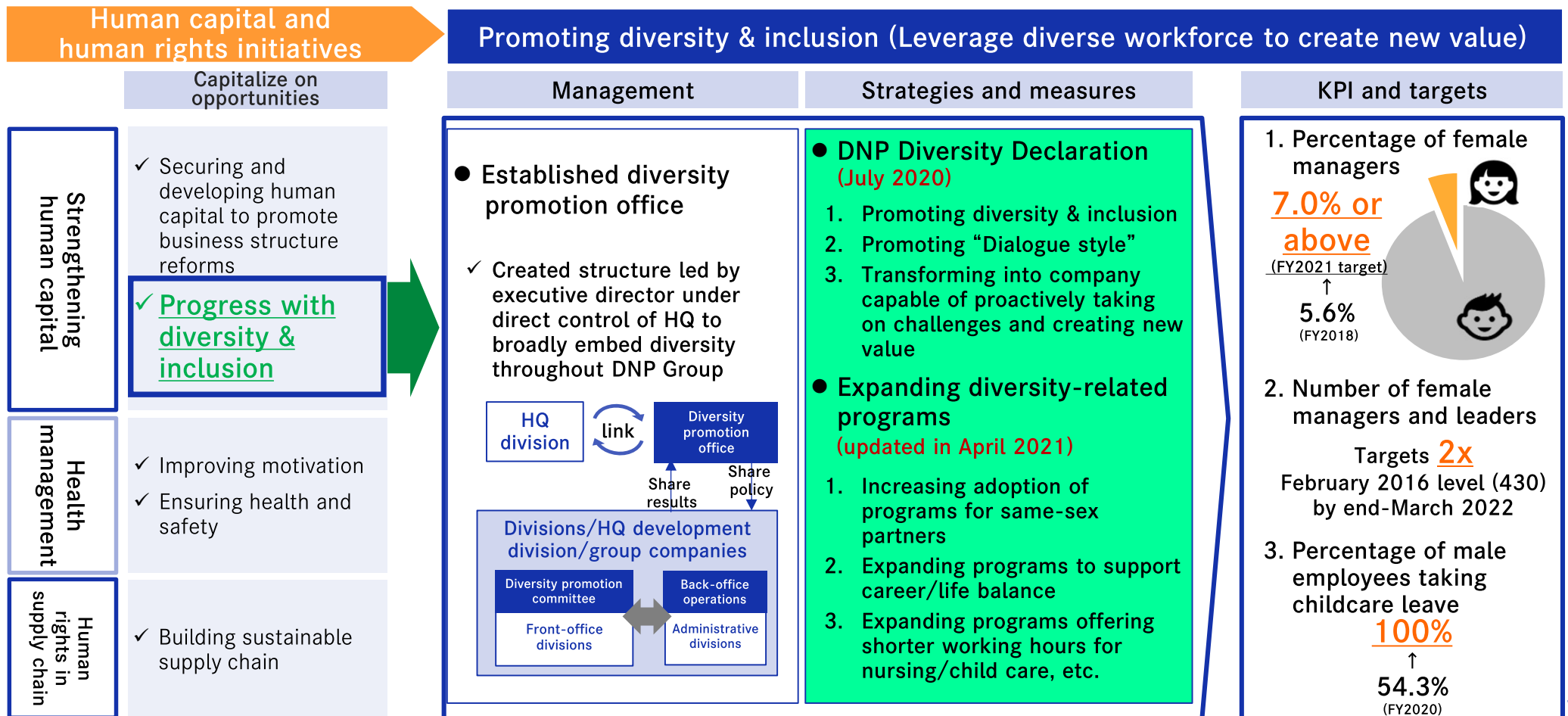
“DNP Group Environmental Vision 2050” “Environmental Longer-term targets”

Longer-term targets	2050 targets	DNP's vision for society
<p>Reducing GHG emissions *By 2030, vs. FY2015 40% cut (revised up)</p> <p>Super-eco products* to account for 10% of 2025 sales (new target)</p>	<p>Reduce GHG emissions from own business activities Net zero emissions by 2050</p> <p>Building decarbonized society Contribute via products and services</p>	<p>Decarbonized society</p> <p></p> <p>Response to climate change</p>
<p>Increase 2025 resource recycling ratio by 5% versus FY2015 (new target)</p> <p>Reduce 2025 water usage by 35% versus FY2015</p>	<p>Efficient resource reuse throughout value chain</p>	<p>Recycling-oriented society</p> <p></p> <p>Efficient resource use</p>
<p>“Printing and converting paper procurement guidelines” 100% of purchased products are compliant</p>	<p>Minimize biodiversity impact throughout value chain</p>	<p>Society in harmony with nature</p> <p></p> <p>Protect biodiversity</p>

Note: In July 2018, DNP received certification from the SBT (Scientific Based Targets) initiative for its longer-term goal of a 25% cut in FY2015 greenhouse gas emissions by 2030, and again received SBT certification after revising this goal to net zero emissions in 2050.

Note: Super eco products are products and services that DNP deems to be exceptionally environmentally conscious based on its proprietary assessment criteria

2 – 1. Strengthen financial and non-financial capital



2 – 2. Strengthen corporate governance



Expertise (skills) and experience of directors and auditors to be appointed following approval at next general shareholders' meeting

Robust corporate governance structure and frameworks aimed at increasing corporate value

	Name	Corporate management/ business strategy	ESG/ diversity	Financial/ management accounting, capital strategy	HR/labor, employee development	Legal/ compliance/ risk management	Overseas business	IT DX	R&D/ new business
NEW Directors	Yoshitoshi Kitajima	●					●		
	Yoshinari Kitajima	●					●		
	Kenji Miya	●	●		●	●	●		●
	Masato Yamaguchi	●					●	●	●
	Satoru Inoue	●	●			●		●	●
	Hirofumi Hashimoto	●		●		●	●		●
	Masafumi Kuroyanagi	●		●					
	Minako Miyama		●		●			●	●
	Tsukasa Miyajima					●			
	Ryuichi Tomizawa	●					●		
NEW Auditors	Kazuyuki Sasajima								●
	Ikuo Morita		●						●
	Naoki Hoshino			●			●		
	Toshio Sano			●		●			
NEW Auditors	Kazuhisa Morigayama	●		●	●				
	Makoto Matsuura					●			
	Taeko Ishii				●	●			

■ Board of Directors' independence and diversity

- Strengthen board of directors' transparency and oversight function: At least 1/3 of director candidates to be independent outside directors
- Present female director/outside auditor candidates

■ Structure after approval at next general shareholders' meeting

Eight internal directors (four representative directors)
Four outside directors
Internal auditors (two full-time)
Outside auditors (one full-time, two part-time)

■ Evaluating board's overall effectiveness

Yearly analysis and evaluation of board's effectiveness
Results of analysis discussed by outside directors, shared with board

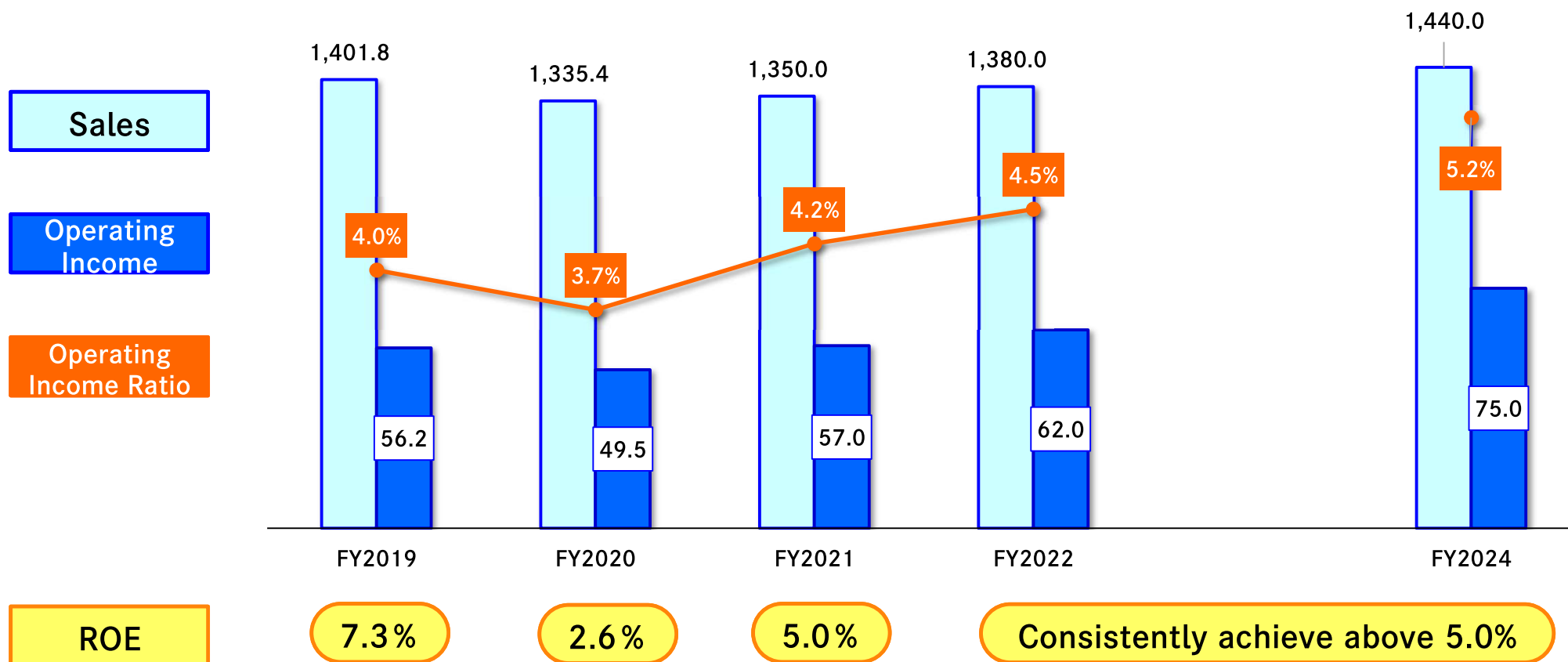
■ Rightsizing strategic shareholdings

Sell strategic shareholdings based on periodic examination of significance and purpose

Management Targets

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(Unit: ¥ billions)



Note: New revenue recognition standard will reduce sales by around ¥30 billion from FY2021

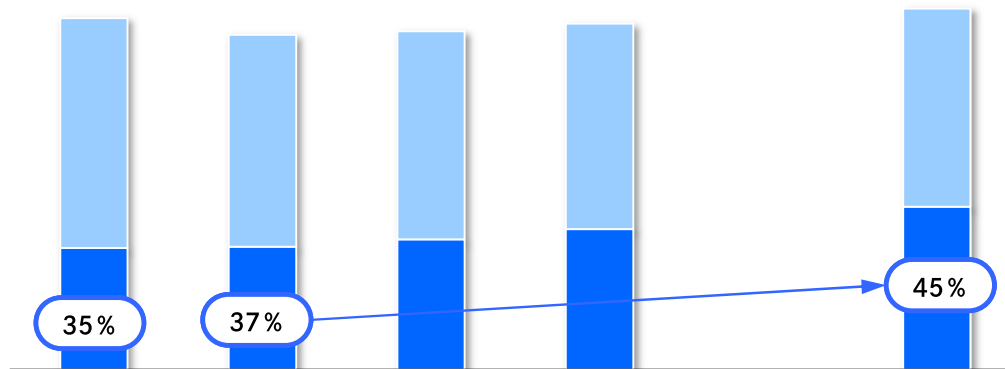
Management Targets Focus/Existing businesses Composition

DNP

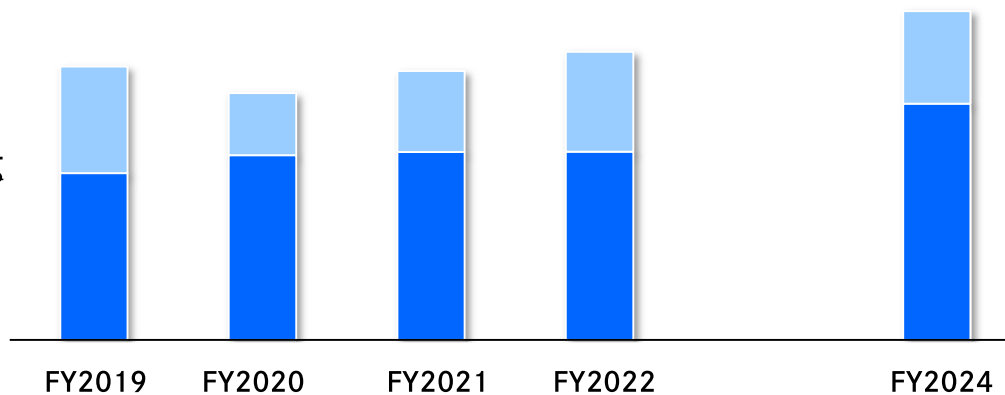
■ Focus businesses
■ Existing businesses

Composition
ratio

Sales



Operating
Income



Key issues

< Existing businesses >

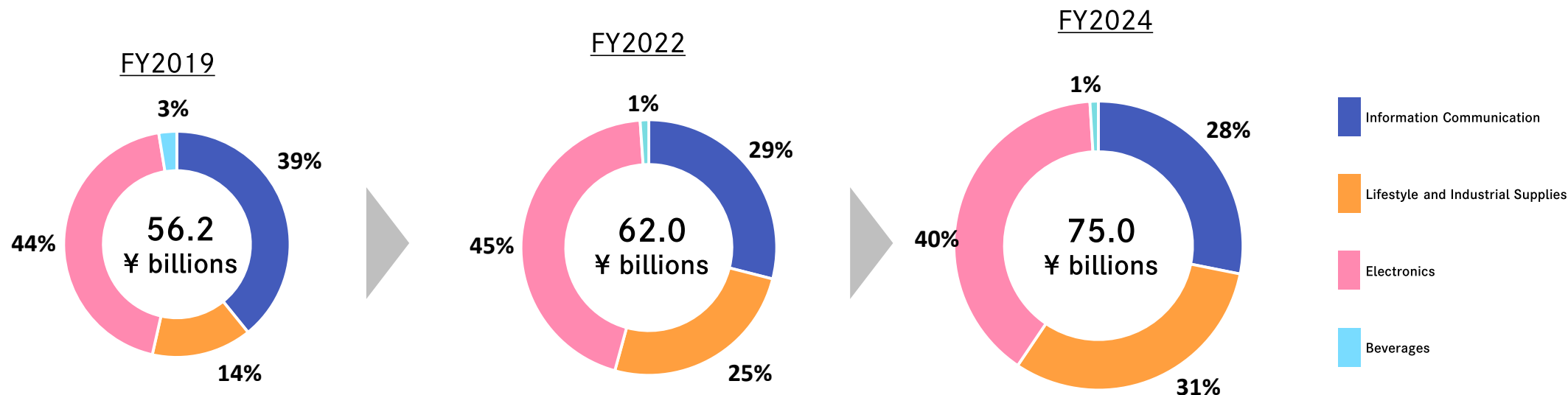
- Printed media business sales to decline in Information Communication segment
- Pursuing earnings improvement via selectivity and focus in Packaging business

< Focus businesses >

- Growth drivers in medium-term plan Battery pouches (Lifestyle and Industrial Supplies segment)
- Focusing investment in new businesses after confirming return on investment (ROI)

Management targets Operating income by Segment

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Segment	Basic strategy
Information Communication	<ul style="list-style-type: none"> • Pursue digital transformation (DX) aimed at adding value to customer experience • Downsize paper media production bases
Lifestyle and Industrial Supplies	<ul style="list-style-type: none"> • Leverage converting technology to strengthen new product development and sales • Push ahead with review of low value-added products
Electronics	<ul style="list-style-type: none"> • Develop and supply key components that contribute to sophisticated integration of real and digital • Rebuild businesses where competitiveness has declined

Today's Innovation is "Tomorrow's Basic."

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Disclaimer

The earnings forecasts, medium-term management targets, and other forward-looking statements contained in these materials represent DNP's judgement of the current outlook based on information available at the time of preparation, and involve potential risks and uncertainties. Actual performance may therefore differ materially from these forward-looking statements due to changes in the various assumptions on which they are based.