

Dai Nippon Printing, Co., Ltd.
Briefing on Financial Results for the Fiscal Year Ended March 2023
and New Medium-term Management Plan: Q&A Summary
(May 17, 2023)

[Questioner 1]

Q: About five years have passed since Mr. Kitajima became president. Please tell us what prompted you to make such a big change in management at that particular time.

A: DNP has long aimed for a major corporate transformation on the order of a “third corporate founding.” Toward that end, the Company has worked on reforming its organizational culture and business portfolio. I think we have created various kinds of value and have received high praise from society and from our business partners. Amid the especially dramatic changes that the environment, society, and economy are currently undergoing, the DNP Group must proactively transform itself, and develop and provide new value. In order to achieve that, it is essential that we engage in what our new Medium-term Management Plan deems important non-continuous structural reforms. In addition, based on various proposals received through dialogue with investors and other stakeholders, and based on requests from the Tokyo Stock Exchange, we established a target ROE of 10% and decided to quickly realize a PBR of greater than 1.

Q: Based on page 23 of the presentation materials, it looks like the Smart Communication segment’s focus businesses contribute almost nothing to profits. Does that mean that this segment doesn’t have many focus businesses? If that is the case, how should we understand the forecast for income that rises steadily, albeit gradually?

In addition, in order to meet the long-term target of 130 billion yen in operating income, please tell us your current thoughts on how much restructuring businesses, not just in this sector, you have and how you intend to restructure them.

A: As a focus business, Content & XR communication is also a new business, and we are thinking that we would like to grow it over a span of a little more than three years. In addition, although we do not expect to see a great deal of growth in Smart Communication’s stable businesses of Imaging Communication and Secure Information, we do think that we can expand those businesses through globalization and other means, enough to make up for an expected decline in income from paper media. As a result, we believe that we will see a gradual increase in income over the next three years.

This segment’s businesses for reforming include the paper media, packaging, living spaces, and beverages businesses. In principle, we want to shift these businesses into the “stable businesses” category by restructuring them and

boosting their profitability. However, for those businesses whose profitability has proven to be difficult, we will consider all options, including downsizing or closing down operations.

Q: Please explain the meaning and any messages behind the recent segment name changes. For example, is there a particular message in the transfer of the Beverages business to the “Life and Healthcare” segment, such as that the segment will be focusing on the beverages business?

A: The previous segment name, “Information Communication” gave the impression that the segment’s business revolved around paper media, whereas in fact the segment includes many businesses that continue to grow by using ICT (information and communication technologies), such as BPO and smart card businesses that belong to the “information security” sector. In order to further promote this type of ICT-oriented strategy, we changed the segment name to Smart Communication.

When we considered the future growth of Lifestyle and Industrial Supplies, it appeared to us that healthcare will play an important role, so we changed the segment name to Life and Healthcare.

Our decision to shift Beverages to Life and Healthcare was aimed at manifesting additional synergies within the DNP Group.

[Questioner 2]

Q: What products do you suppose will drive DNP’s Electronics business from the fiscal year through March 2025 and onwards? The Action plan on page 25 of the presentation materials includes investing in greater production capacity for metal masks used in manufacturing OLEDs, optical films, and photomasks. However, it is uncertain whether display components such as optical films will really become growth drivers. Please share what you see as the profit growth drivers for your Electronics segment over the long term.

A: In DNP’s Electronics segment, we believe that in addition to the display components that currently make up the segment’s core business, we can provide value to support next-generation interfaces such as AR and VR devices, so we renamed our Display Components business “Digital Interfaces.”

Concerning optical films, as display size is increasing all over the world, our strategy for this sector is to invest in expanding production capacity so as to enable more efficient mass production of large-sized products.

Q: On page 30 of your presentation materials, you designate “Medical and Healthcare” as a focus business, and on page 31, you mention a business alliance with CMIC HOLDINGS Co., Ltd. What strengths do you think will support growth in the Medical and Healthcare field as a result of this business alliance, and what kinds of synergies do you expect to be created?

A: DNP's Medical and Healthcare business includes an active pharmaceutical ingredient (API) business that was developed by a company that joined the DNP Group through a past M&A. This business is highly profitable thanks to its proprietary manufacturing technology. CMIC Holdings holds in its group CMIC CMO Co., Ltd., which specializes in formulations that facilitate uptake of APIs, so we expect to see, as synergistic effects resulting from the alliance with CMIC, expansion of DNP's API business and increased adoption of medical packages provided by the DNP Group.

Q: On page 29 of the presentation materials, you mention that you are considering the construction of a plant for making battery pouches in the United States. Please explain what advantages DNP expects to gain from manufacturing in the U.S.

A: We believe that the shortened delivery times that will result from local manufacturing in the United States will lead to the securing of stable purchase orders. Furthermore, given that the US EV market is expected to grow rapidly in the future and the EV manufacturing supply chain is expected to be increasingly developed in the US, DNP sees an advantage in having a manufacturing base in the US, where the US supply chain is located.