

Dai Nippon Printing, Co., Ltd.
Briefing on Financial Results: Q&A Summary
(November 15, 2023)

[Questioner 1]

Q: You explained that the Electronics segment remained strong in the second quarter in a continuation of the first quarter, but the smartphone and semiconductor markets are weak, and operating rates at panel manufacturers look likely to fall. Given this, please tell us your second-half assumptions for this segment's major products, namely metal masks, photomasks, and optical film.

A: It is a fact that the smartphone market is weak, but the percentage of smartphones using OLED displays is increasing. In particular, sales of metal masks to Chinese smartphone manufacturers are strong, and we do not expect that trend to change in the second half. Next, with regard to photomasks, although the semiconductor market is weak, we get inquiries about product development applications when customer production capacity utilization declines. In the first half we were able to secure the same level of sales as in the previous year, but there are some unpredictable aspects to the outlook for the second half. Finally, on the subject of optical film, television shipments are not rising but demand is increasing on a surface-area basis due to the shift to larger television displays, in addition to which the inventory correction of the previous fiscal year has run its course, which led to the strong performance of the first half. As for the second half, we have heard that display inventories are increasing so we will pay close attention to this.

Q: On slide 17 of the presentation materials it states that the FY2030 sales target for TGV glass core substrates used for semiconductor packages is 30 billion yen. In the news release of March 2023 it was stated that the Company will aim for 5 billion yen in sales by FY2027. Please share your views on the feasibility of this 30 billion yen target for FY2030, with reference to the outlook for the business in terms of the position you currently hold, the competitive landscape, and so on.

A: In May 2023 Intel announced that it would use glass core substrates from 2028 onward. Based on this announcement we think we can generate sales of around 30 billion yen. With regard to our market position, we focused on and succeeded in improving the reliability of the adhesion between the metal and glass. This development required a significant length of time, and by maintaining our lead in development we intend to build a position in the

market. As for competitors, various companies have declared their intention to enter the market since Intel's announcement and so there are some unpredictable aspects, but DNP is leading in development and evaluation by the customer has already begun. We hope to enter the market at an early stage.

Q: Based on the full-year operating income forecast of 67 billion yen I calculate that the forecast for the second half is 39.5 billion yen, which means that you are planning a year-on-year increase in profit of 6 billion yen in the second half. What factors do you expect to drive this increase in second-half profit?

A: We believe that the factors driving the increase in profit will be demand for metal masks from Chinese smartphone manufacturers, and the effect of pass-throughs of raw material prices in the Life and Healthcare segment, which was impacted by soaring raw material and energy prices in the previous fiscal year.

[Questioner 2]

Q: In the medium term, metal masks are expected to benefit from sales of large G8 (eighth generation) metal masks, and demand for development applications. Please confirm whether or not any such sales have been included in the forecasts for the first or second half of this fiscal year.

A: DNP is ramping up a large G8 line ahead of capital expenditures by our customers, but part of the background to this is that we made the decision to commit capital expenditures to Kurosaki (Fukuoka Prefecture) to fulfill an additional role as a backup to the Mihara Plant (Hiroshima Prefecture) from the perspective of Business Continuity Planning (BCP). We think the Kurosaki Plant will manufacture products for smartphones for the time being, with items for tablets, personal computers, and so on being manufactured on the existing G6 line, but we have not taken into consideration an increase in sales from the shift by customers to larger sizes.

Q: I have heard that the TGV glass core substrates for semiconductor packages have many issues with technology and yields. You said that you are leading in development, but please tell us whether the technological issues on DNP's side related to the mass production phase have been resolved, or whether it is even at the stage where mass production techniques can be applied.

A: We are at the stage where we have finished a certain level of performance development, but mass production issues, including installation of facilities for mass production, will be addressed going forward. Going forward we aim to

install facilities in accordance with our customer's plans, and verify mass production one step at a time.

Q: With regard to investment in battery pouches in the US, previously the material stated "Manufacturing plant construction under consideration," but this time they state "Considering new construction for FY2026 (Investment: approx. 10 billion yen)." DNP has said that it is aiming for 100 billion yen in net sales by FY2025, but how will future production capacity be allocated between Japan, the US, and Denmark?

A: We will consider the allocation of production capacity after taking into account market needs, including those of the United States. At this point in time we are not thinking of jumbo roll manufacturing in Europe, so Japan and the US will be our jumbo roll manufacturing sites. We are considering Japan, the US, Europe and China for slit processing sites, and plan to expand capacity in accordance with demand in each region.

[Questioner 3]

Q: I would like to hear your assessment of progress by each segment in terms of first-half results compared to internal plans. Also, you have not changed your full-year operating income forecast from the initial 67 billion yen. Am I right to assume that the breakdown by segment is also unchanged?

A: The Electronics segment has been performing strongly relative to initial forecasts, mainly due to optical film and metal masks, and we think it likely that the full-year forecast will be exceeded. In the Life and Healthcare segment we expect growth driven by the effects of price pass-throughs, battery pouches, and other factors, and for the full year it will probably be almost in line with forecasts. In the Smart Communication segment, profit in the second quarter tends to be lower than that of the first quarter. Individual BPO projects strengthened that trend slightly this fiscal year, but it was within the range of expectations.

Q: Operating income in the Life and Healthcare segment was 3.6 billion yen, a considerable improvement over the 1.5 billion yen in the first quarter. I would like to hear your thoughts on the background to the improvement between the first and second quarters, and whether improvements will continue in the second half. Please also comment on profit trends in the focus business of battery pouches.

A: Performance in the Life and Healthcare segment recovered from the second quarter onwards due to the contribution of pass-throughs of increases in raw material prices, and (on the cost side) the considerable year-on-year decline in naphtha prices. We expect that trend to continue in the second half. Battery

pouches grew in the first half as a result of automotive and IT demand. The EV market in the second half is somewhat difficult to predict, but we project that performance will be similar to that of the first half. However, the situation does not permit optimism, and we feel the need to pay close attention.

[Questioner 4]

Q: With regard to battery pouches, you said that the business environment had become unpredictable. Please let us know if there have been any changes in inquiries and the like, by region. Also, growth in volume is given at the bottom right of slide 14 of the presentation materials. Should we assume that the rate of growth in net sales will be similar?

A: There is talk of a slowdown in EVs, centered on China. There has not yet been any noticeable change in inquiries, but it seems that the weakness in demand has led to inventory building up in the market, and we are slightly concerned about how inquiries will develop going forward. With regard to your question about volume and sales forecasts, volume and net sales projections assume the same level of growth.

Q: You mentioned that demand for photomasks for development purposes were strong. How does the situation vary by region, including China?

A: Due to the friction between the US and China, there is not much demand from China for cutting-edge products, but there have always been differences in the type of product manufactured depending on the region. For that reason, there are no significant differences in the situation by region, and we do not believe that development demand is inherently regional in nature.