



Dai Nippon Printing Co., Ltd.

Briefing (Online Conference) for Institutional Investors and Analysts on FY 3/2024 Results

May 15, 2024

Event Summary

[Company Name]	Dai Nippon Printing Co., Ltd.	
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[Venue Size]		
[Participants]		
[Number of Speakers]	4	
	Yoshinari Kitajima	President
	Masafumi Kuroyanagi	Managing Director
	Mitsuru Tsuchiya	Senior Executive Corporate Officer
	Naoki Wakabayashi	General Manager, IR and Public Relations Division
[Analyst Names]*		
	Takaomi Kono	Nomura Securities
	Takeru Hanaya	SMBC Nikko Securities
	Ayaka Inomata	Daiwa Securities
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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Presentation

Wakabayashi: Since it is now the scheduled time, we will begin the Dai Nippon Printing briefing for institutional investors and analysts on the financial results for the fiscal year ended March 2024. I am Wakabayashi from the IR and Public Relations Division, and I will be your host today. Thank you for joining us.

We greatly appreciate your participation in our online briefing today despite your busy schedules. We will proceed according to the briefing materials. Both the Japanese and English versions of the materials are available on the DNP website.

Now, I would like to introduce today's attendees. We have Yoshinari Kitajima, President; Masafumi Kuroyanagi, Managing Director; and Mitsuru Tsuchiya, Senior Executive Corporate Officer.

As for today's agenda, after the presentations by the three speakers, we will have a Q&A session. The session is scheduled to conclude by 2:00 PM.

Let's move on to the presentations.

First, President Kitajima will explain the results for FY2023 and the forecasts for FY2024. President Kitajima, please proceed.

Kitajima: Hello everyone. I am Yoshinari Kitajima, President of Dai Nippon Printing. Thank you very much for attending our financial results briefing today despite your busy schedules.



1. Overview of Financial Results for Fiscal Year 2023 (ended March 31, 2024)
2. Initiatives Aimed at Enhancement of Corporate Value
3. Progress with Medium-term Management Plan

Let's get started. Please take a look at the second page of the materials.

Since April of last year, we have begun a new three-year medium-term management plan. In today's briefing, I will first report on the full-year financial results for FY2023, the first year of this medium-term management

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plan. In the latter part, I will explain DNP's initiatives aimed at enhancing corporate value and the progress of our medium-term management plan.

FY2023 Result and Earnings Forecast for FY2024

(Unit: ¥billions) **DNP**

■ FY2023 Result

	Result	Year-on-year change (difference)	Change from plan (difference)
Operating Income	75.4	+23.2%	+12.6%
Net Income Attributable to Parent Company Shareholders	110.9	+29.5%	+26.1%
ROE	9.8%	+1.9%	+1.5%

■ Earnings Forecast for FY2024

	Earnings Forecast	Year-on-year change	Change from plan
Operating Income	80.0	+6.0%	+6.7%

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Please take a look at page four.

First, I will report on the results for FY2023 and the performance forecast for FY2024.

For FY2023, through the steady implementation of various measures aimed at enhancing corporate value as outlined in our medium-term management plan, we were able to secure high levels for operating income, net income attributable to parent company shareholders, and ROE.

Operating income was JPY75.4 billion, an increase of 23.2% YoY, and 12.6% above our initial plan. This JPY75.4 billion operating income is the highest in the past 10 years.

Net income attributable to parent company shareholders was JPY110.9 billion, an increase of 29.5% YoY, and 26.1% above our initial plan. This JPY110.9 billion net income is the highest in DNP's history.

ROE was 9.8%, up 1.9 percentage points from the previous year and 1.5 percentage points above our initial plan. The ROE is approaching the medium- to long-term target level of 10% set in our medium-term management plan.

Although the results for FY2023 exceeded our targets, the increase in ROE includes temporary factors such as gains from asset sales. We will accelerate our efforts under the medium-term management plan to further accumulate business profits in the future.

As for the performance forecast for FY2024, I will focus on operating income.

We expect operating income for FY2024 to be JPY80 billion, exceeding the initial plan of JPY75 billion set in the medium-term management plan. The digital interfaces business is expected to outperform the plan, resulting in a 6% increase YoY and a 6.7% increase compared to the initial plan.

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The forecasted operating income for FY2024 is close to the operating income target of JPY85 billion set for the final year of the medium-term management plan. The DNP Group will work together to achieve this target.

Now, for the details of the year-end financial results, Managing Director Kuroyanagi will provide the report.

Wakabayashi: Thank you very much. Next, Managing Director Kuroyanagi will explain the full-year financial results for FY2023. Mr. Kuroyanagi, please.

Kuroyanagi: I am Masafumi Kuroyanagi, Managing Director. Following the materials disclosed today, I will provide supplementary explanations on the financial results for FY2023 and the performance forecast for FY2024. Due to time constraints, I will focus on the most important points.

Overview of Financial Results for Fiscal Year 2023					(Unit: ¥billions)	DNP
	FY2022	FY2023		Year-on-year change		
	Result	Earnings Forecast	Result			
Sales	1,373.2	1,410.0	1,424.8	+3.8%	Overview <ul style="list-style-type: none"> ✓ We accelerated creation of new value, primarily in focus business areas, resulting in net sales growing 3.8% year on year ✓ The growth of focus businesses in Digital Interfaces and improvement of earnings in existing businesses contributed, and we succeeded in increasing operating income by 23.2% from the previous-year level ✓ Ordinary income and net income exceeded the previous-year level thanks to the contribution of expanded earnings from equity-method affiliates 	
Operating Income	61.2	67.0	75.4	+23.2%		
Operating Income Ratio	4.5%	4.8%	5.3%	+0.8%		
Ordinary Income	83.6	78.0	98.7	+18.0%		
Net Income Attributable to Parent Company Shareholders	85.6	88.0	110.9	+29.5%		
ROE	7.9%	8.3%	9.8%	+1.9%		
Capital Expenditures	78.0	76.0	68.3	(12.4%)		
R&D Expenditures	32.4	34.0	35.2	+8.5%		
Depreciation	51.7	54.0	55.9	+8.2%		

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First, please look at page five. I will provide two supplementary explanations for this page.

First, regarding net sales, we achieved a 3.8% increase. Previously, despite our efforts to expand our focus areas, we struggled to increase sales due to the shrinking market for our existing printing business, particularly paper media, resulting in sales remaining roughly flat YoY.

However, recently, the outcomes of our efforts to expand our focus areas have started to materialize. In FY2022, we saw a 2.2% increase in sales, and for this fiscal year, we achieved a 3.8% increase, showing that we are now able to grow our net sales.

The overview of sales in our focus areas is detailed on page seven of the materials.

Additionally, I would like to provide a second supplementary explanation regarding capital investment.

The initial plan was JPY76 billion, but the actual amount was JPY68.3 billion, slightly below the target. I will explain the reasons for this.

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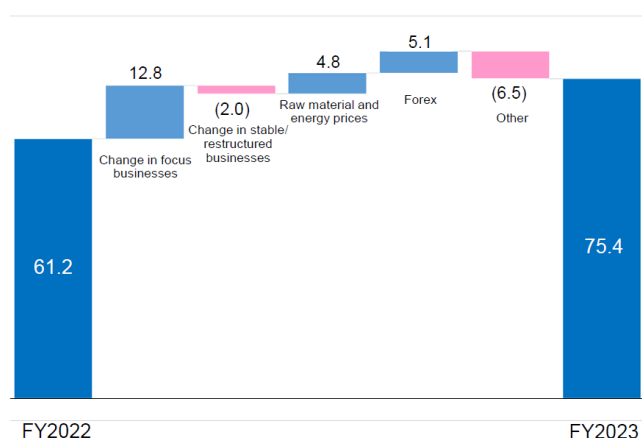
The first reason is the postponement of operation start dates to respond to market changes. The second reason is delays in equipment delivery due to a shortage of parts from suppliers. These two factors caused the actual investment to fall short of the planned amount.

Taking these situations into account, the investment plan for FY2024 is outlined on page 11 of the materials.

Overview of Financial Results for FY2023: Change in Operating Income

(Unit: ¥billions)

DNP



Overview

- ✓ In focus businesses, although the impact of the market deceleration continued for semiconductors, an increase in demand for display components contributed to an increase in income
- ✓ Stable businesses saw strong demand, but were impacted by customer inventory corrections, etc. for some products
- ✓ In restructured businesses, the decline in the paper media market continued, and housing-related demand was also weak
- ✓ Regarding the impact of raw material and energy prices, the pace of increases settled down and the impact of the lack of transfer of prices was alleviated

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Next, please look at page six.

This page explains the fluctuations in operating income using a waterfall chart. Here, I will explain the impact of foreign exchange rates.

In the current situation of historically weak yen, the depreciation of the yen has had a positive effect. Specifically, with the yen weakening by approximately JPY9, there was a positive impact of JPY5.1 billion due to foreign exchange rates.

Out of the JPY14.2 billion increase in operating income, JPY5.1 billion was due to the exchange rate, accounting for about 1/3 of the total increase. Even excluding this foreign exchange impact, operating income increased by 15%, indicating that the effect of our focus areas was significant.

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Overview of Financial Results for FY2023: Overview of Focus and Stable Businesses

(Unit: ¥billions)

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		FY2022	FY2023		Overview	Arrow indicates sales relative to previous year
Smart Communication	Segment Sales	720.2	719.4	Imaging communication	↑	Strong performance from materials for printing photographs, primarily in European and Asian markets
				Secure information	↑	Large BPO projects and dual interface cards* grew
	Segment Operating Income	26.7	26.1	Content & XR communication	↑	Focused on creating new businesses such as collaboration with Hacosco Inc. as part of efforts to strengthen the XR communication business
Life and Healthcare	Segment Sales	451.3	472.3	Industrial high-performance materials	↑	Battery pouch sales remained strong overall due to the contribution by a recovery in demand for IT equipment applications
				Mobility	↑	In addition to interior materials, exterior decorative materials were also steady
	Segment Operating Income	7.9	13.3	Medical & healthcare	↑	Made CMIC CMO Co., Ltd. a group company in order to work together with a focus on integrated manufacturing from APIs to formulation, as well as high value-added pharmaceutical development
Electronics	Segment Sales	203.5	235.3	Optical film	↑	Increased due to recovery in demand for display components as well as increase in display area shipped resulting from larger panel sizes for televisions
				Metal masks used for manufacturing OLED displays	↑	Steady increases due to expanded adoption of OLEDs for smartphones
	Segment Operating Income	46.9	58.1	Semiconductors	↓	Lead frames, etc. for semiconductor packages decreased due to the impact of the market slowdown

* Cards with two interfaces on one chip (contact and contactless)

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Next, please look at page seven.

Earlier, I explained that we achieved a 3.8% increase in sales and that the performance of our focus areas has been very favorable. As indicated here, within each segment, although lead frames in the semiconductor-related segment decreased due to market slowdown, sales in other fields and divisions have increased.

For details, please refer to the explanation of this overview.

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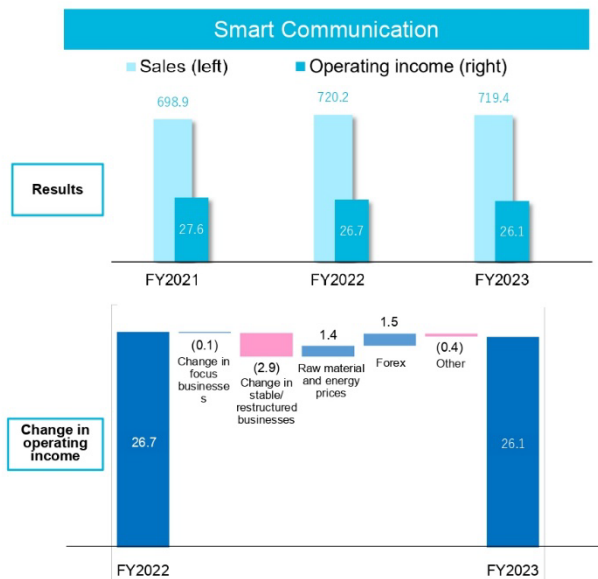
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Overview of Financial Results for FY2023: Results by Segment

(Unit: ¥billions) **DNP**



Overview

- ✓ In secure information, BPO and IC cards performed well
- ✓ Demand in imaging communication was also strong, but profits were affected by inventory corrections, etc. for some products
- ✓ In restructured businesses, the market for magazines and other paper media continue to contract

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Next, let's move on to the situation by segment.

First, on page eight, we have the Smart Communication segment.

Here, operating income was JPY26.1 billion, a decrease of JPY600 million or 2.1% compared to the previous year.

However, at the time of the Q3 results three months ago, we reported an 11.2% decrease in profit. In this most recent Q4, we achieved a 16.3% increase in profit, thereby narrowing the annual decrease.

This improvement was mainly due to the effects of cost reductions, including structural reforms in our existing printing-related business, as detailed on page 20.

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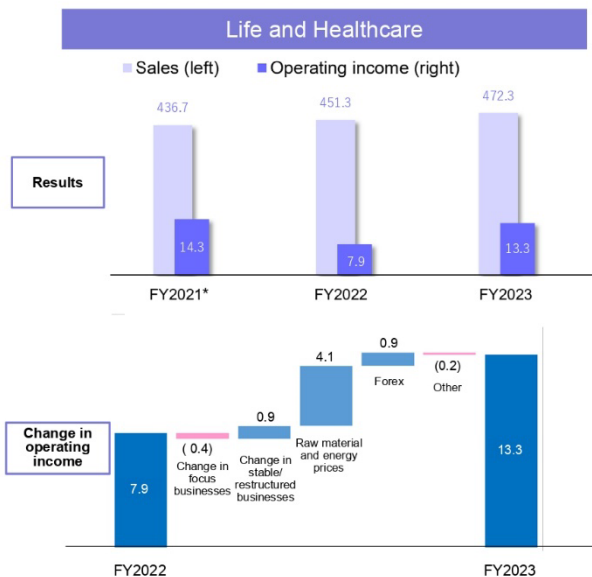
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Overview of Financial Results for FY2023: Results by Segment

(Unit: ¥billions) **DNP**



Overview

- ✓ In the focus businesses, inventory adjustment of back sheets for photovoltaic modules had an impact, and orders for battery pouches stagnated due to a decline in demand for EVs toward the second half of the fiscal year
- ✓ In stable businesses and restructured businesses, the Living Spaces business was affected by a decline in new housing starts, but increased demand for beverages made a positive contribution
- ✓ Regarding the impact of raw material and energy prices, the pace of increases settled down and the impact of the lack of transfer of prices was alleviated

* FY2021 sales and operating income for "Life and Healthcare" display the total of the former "Lifestyle and Industrial Supplies" and "Beverages"

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Next, on page nine, we have the Life and Healthcare segment.

The operating income for this segment was JPY13.3 billion, an increase of JPY5.4 billion or 67.2% compared to the previous fiscal year.

As mentioned here, in the latter half of the fiscal year, the demand for EVs declined, leading to a stagnation in battery pouch orders, which hindered the results in our focus areas.

However, we achieved solid results through price adjustments for raw materials and cost reductions, leading to an increase in profit.

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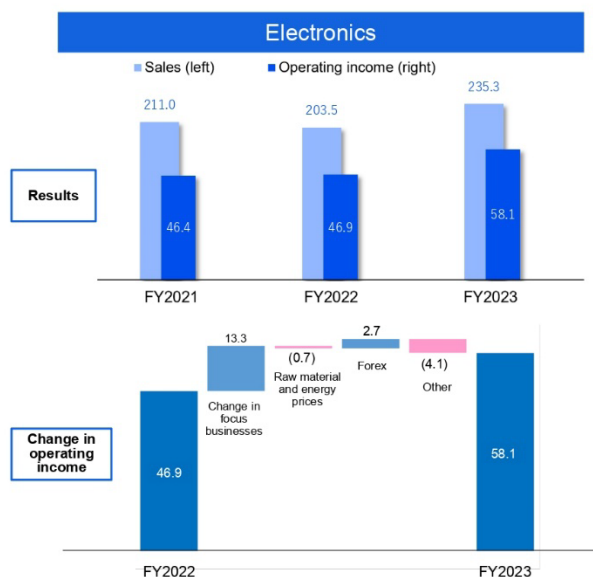
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Overview of Financial Results for FY2023: Results by Segment

(Unit: ¥billions) **DNP**



Overview

- ✓ Performed well due to recovery in demand for display components as well as increase in display area shipped resulting from larger panel sizes for televisions
- ✓ Metal masks for manufacturing OLED displays contributed and increased, following an increase in the adoption rate for smartphones
- ✓ Despite strength in photomasks for semiconductors, lead frames, etc. for semiconductor packages decreased

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Next, on page 10, we have the Electronics segment.

The operating income for this segment was JPY58.1 billion, an increase of JPY11.2 billion or 23.9% compared to the previous fiscal year.

Despite a decrease in lead frames due to the slowdown in the semiconductor market, we achieved a significant increase in profit thanks to the strong performance of our focus areas such as metal masks and optical films.

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Earnings Forecast for FY2024

(Unit: ¥billions) **DNP**

[Company-wide]				[By Segment]					Reference: Medium-term Management Plan
	FY2023 Result	Earnings Forecast for FY2024	Year-on-year Change (difference)			FY2023 Result	Earnings Forecast for FY2024	Year-on- year Change (difference)	
Sales	1,424.8	1,455.0	+2.1%	Smart Communication	Sales	719.4	720.0	+0.1%	723.0
Operating Income	75.4	80.0	+6.0%		Operating Income	26.1	30.0	+14.7%	29.0
Operating Income Ratio	5.3%	5.5%	+0.2%	Life and Healthcare	Sales	472.3	500.0	+5.9%	524.0
Ordinary Income	98.7	100.0	+1.3%		Operating Income	13.3	18.0	+34.9%	21.0
Net Income Attributable to Parent Company Shareholders	110.9	90.0	(18.9%)	Electronics	Sales	235.3	240.0	+2.0%	212.0
ROE	9.8%	8.0%	(1.8%)		Operating Income	58.1	54.0	(7.1%)	47.0
Capital Expenditures	68.3	74.0	+8.2%	Adjustment	Sales	(2.2)	(5.0)	-	(4.0)
R&D Expenditures	35.2	36.0	+2.2%		Operating Income	(22.2)	(22.0)	-	(22.0)
Depreciation	55.9	56.0	+0.0%	Total	Sales	1,424.8	1,455.0	+2.1%	1,455.0
					Operating Income	75.4	80.0	+6.0%	75.0

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Next, please look at page 11. This page explains the performance forecast for FY2024.

As President Kitajima mentioned earlier, we have raised our operating income forecast from JPY75 billion, as announced in the medium-term management plan last year, to JPY80 billion, an increase of JPY5 billion.

The breakdown by segment is listed on the right side of the page. We will continue to expand our focus areas and proceed with structural reforms in our existing printing-related businesses.

Looking at each segment, the Electronics segment is forecasted to have a decrease in profit. This is due to the burden of depreciation from the capital investments made in FY2023 and the significant impact of yen depreciation in FY2023. For FY2024, we are projecting an exchange rate of approximately JPY140, which leads to the current forecast of a profit decrease.

On the left side of the page, net income is expected to be JPY90 billion, which includes the JPY58.6 billion gain on the sale of investment securities announced in April. The corresponding ROE is expected to be 8%.

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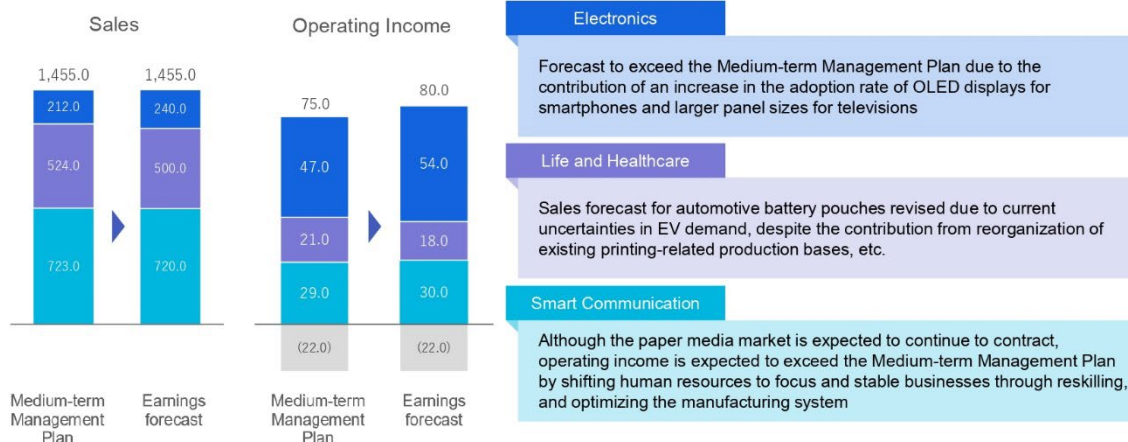
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Earnings Forecast for FY2024: Comparison with Medium-term Management Plan

DNP

(Unit: ¥billions)

■ Electronics
■ Life and Healthcare
■ Smart Communication



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Next, on page 12, we have a comparison of the performance forecast for FY2024, with the medium-term management plan announced last year.

I will provide supplementary information on operating income. Considering the current uncertainties in the EV demand, we have made a downward revision of JPY3 billion for the Life and Healthcare segment. On the other hand, we have increased the forecast by JPY7 billion for the Electronics segment and by JPY1 billion for the Smart Communication segment.

That concludes my brief explanation regarding the actual and forecasted financial results.

Wakabayashi: Thank you. Next, President Kitajima will explain our initiatives aimed at enhancing corporate value. President Kitajima, please.

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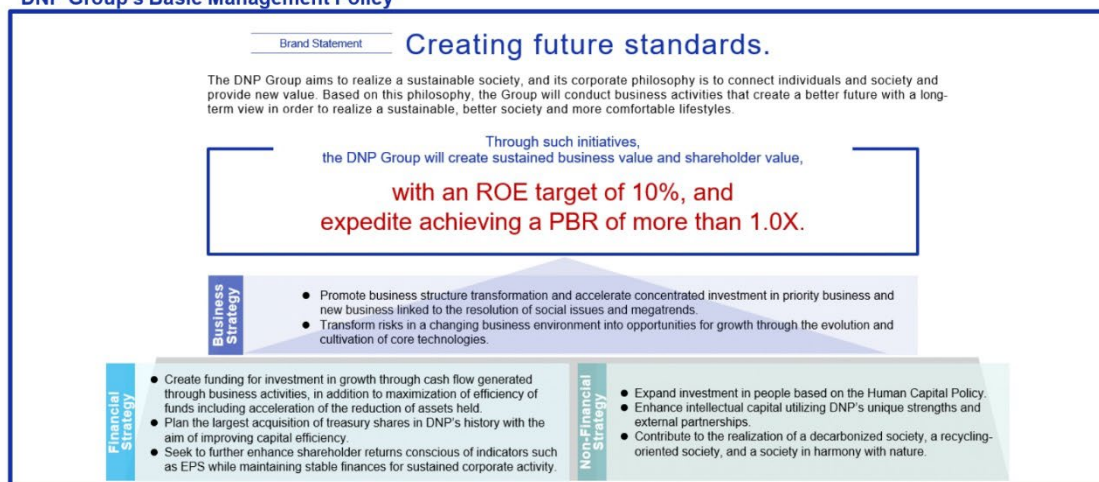
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Actions to Implement Management That Is Conscious of Cost of Capital and Stock Price

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"DNP Group's Basic Management Policy" announced on February 9, 2023 and the "FY2023-2025 Medium-term Management Plan" announced on May 12 of the same year set the target of "an ROE target of 10%, and expedite achieving a PBR of more than 1.0X" to face market evaluation again to enhance corporate value, we are proceeding with initiatives to take "actions to implement management that is conscious of cost of capital and stock price" at the request of the Tokyo Stock Exchange.

DNP Group's Basic Management Policy



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Kitajima: I will now explain DNP's initiatives aimed at enhancing corporate value. Please look at page 14.

DNP is committed to the brand statement "Creating future standards." We focus on solving social issues, creating new values that meet people's expectations, and transforming them into indispensable elements of society—things that are always present and considered a given.

In February of last year, we consolidated the DNP Group's Basic Management Policy. Based on this policy, we have been working to secure capital profitability that exceeds capital costs and ensure DNP's sustainable growth.

To meet the expectations of various stakeholders, including investors, we are pursuing specific initiatives in our business strategy, financial strategy, and non-financial strategy. Our goal is to achieve an ROE of 10% and a P/B ratio exceeding 1.0x as early as possible, thereby ensuring DNP's sustainable growth and enhancing corporate value over the medium to long term.

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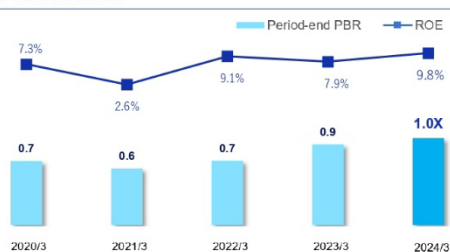
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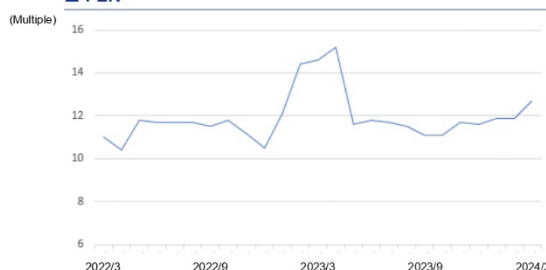
Analysis of Current Conditions for Enhancement of Corporate Value

DNP

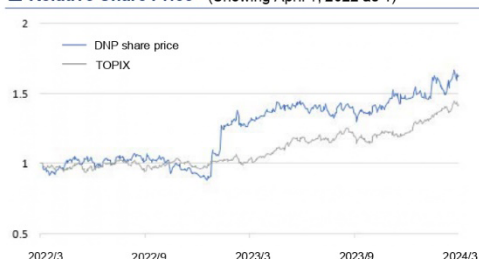
■ PBR and ROE



■ PER



■ Relative Share Price (Showing April 1, 2022 as 1)



Analysis of Current Conditions

- PBR has recently risen to around 1.0X due to solid performance from the steady implementation of the Medium-term Management Plan and enhanced shareholder returns (share buybacks, etc.) based on the cash allocation strategy.
- ROE has improved to a level exceeding the target value of 8% in the FY2025 plan, and efforts are underway to reach the target of 10%.
- Although the rate of increase of the share price is higher than TOPIX, since the current PER is at a flat level, it is necessary to provide investors with a deeper understanding of the business and raise their expectations for future earnings.
- In order to sustainably enhance corporate value, DNP needs to reform its business portfolio, including a review of business for reforming, and continue to work on the business, financial and non-financial strategies set forth in the Medium-term Management Plan to meet investors' expectations.

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Please look at page 15. This page shows DNP's current analysis regarding efforts to enhance corporate value.

As shown in the graph at the top left, DNP's steady execution of the medium-term management plan, which started last year, has been well-received by the market, with the P/B ratio rising to around 1.0x recently.

Regarding ROE, it has improved to levels exceeding the target value of 8% set for FY2025, and we are making steady progress towards our goal of 10%.

The bottom left of the page shows a graph comparing DNP's stock price to TOPIX. The top right graph shows the P/E ratio over the past two years. While DNP's recent stock price growth rate exceeds that of TOPIX, the P/E ratio has remained flat. This indicates that the stock market's evaluation of our strong performance is still insufficient.

To address this situation, DNP recognizes the need to focus investments on key business areas and expand profits through business structural reforms based on the medium-term management plan. It is also essential to deepen investors' and analysts' understanding of DNP's businesses and to increase future earnings expectations.

We will continue to reform our business portfolio, including a review of restructured businesses, and advance our business, financial, and non-financial strategies to ensure the sustainable enhancement of corporate value.

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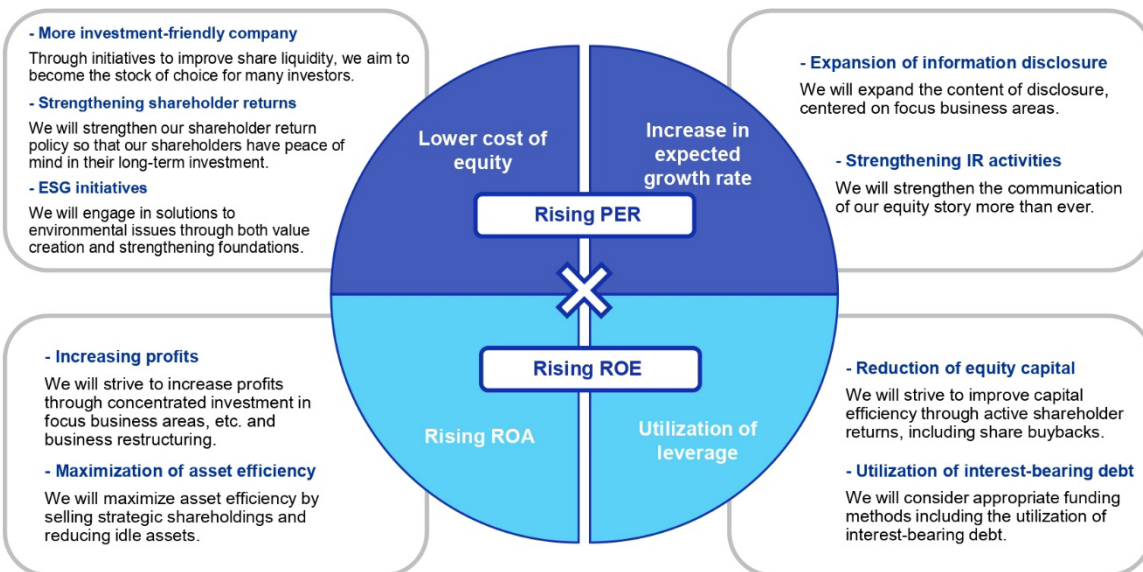
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Initiatives Aimed at Enhancement of Corporate Value: Rising PBR

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We will work to steadily implement various measures to enhance corporate value.



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Please look at page 16. Based on the analysis, DNP will work on raising the P/B ratio further by implementing measures aimed at increasing the P/E ratio and ROE.

First, let me explain our initiatives to increase the P/E ratio.

Please look at the top left box. To become a more attractive investment, DNP will work on improving stock liquidity, making our stock easier to buy for a wider range of investors. Additionally, we will strengthen shareholder returns, creating an environment where long-term investments feel more secure.

We also recognize the importance of ESG initiatives. On April 25, we raised targets for GHG emissions reduction and set new, challenging environmental goals. We will explain DNP's sustainable management approach, policies, and initiatives in detail at a separately scheduled sustainability briefing.

Please look at the top right box. DNP will aim to eliminate information gaps and enhance market credibility by timely and appropriate information dissemination and dialogue with investors and analysts.

As a specific initiative, to promote investor understanding of our business strategies, which cannot be fully detailed in financial results briefings, we plan to hold an "IR Day" in July this year to expand our information disclosure.

Through these efforts, we aim to deepen understanding of DNP's business and increase expectations for future earnings, thereby raising the P/E ratio.

Next, let me explain our initiatives to increase ROE.

Please look at the bottom left box. To expand profits, a critical element of capital profitability, we will concentrate investments in key business areas and undertake business structural reforms. We see growth opportunities in areas like digital interfaces, semiconductors, and high-performance materials for mobility and industrial applications, and we plan to focus investments in these fields.

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Let me briefly introduce some key investment areas.

In digital interfaces, we plan to start mass production of metal masks for organic light-emitting diode displays (OLEDs) in FY2024, which is expected to steadily contribute to our performance.

In semiconductors, as announced in March, we are participating as a subcontractor in the New Energy and Industrial Technology Development Organization (NEDO) project to strengthen the post-5G information communication system infrastructure, aiming for mass production of photomasks for cutting-edge semiconductors in collaboration with Rapidus Corporation.

Along with focused investments in key business areas, we will continue with business structural reforms. While we have already been working on this, we will further optimize our production systems according to market trends and reallocate management resources, including human resources.

Next, for improving asset efficiency, we have been reducing cross-shareholdings and will accelerate these efforts to maximize asset efficiency.

Please look at the bottom right box. DNP is working to improve capital efficiency through proactive shareholder returns, including share buybacks.

We have already completed JPY100 billion in share buybacks and announced an additional JPY50 billion buybacks in March 2024. We have been steadily implementing share buybacks. Based on our cash allocation strategy, we will continue to work on improving capital efficiency, including considering appropriate financing methods such as utilizing interest-bearing debt.

Through these initiatives, DNP aims to improve the P/E ratio and ROE, raise the P/B ratio, and strive for sustainable enhancement of corporate value.

That concludes my explanation. Thank you.

Wakabayashi: Thank you very much. Next, Senior Executive Corporate Officer Tsuchiya will explain the progress of the medium-term management plan. Mr. Tsuchiya, please.

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Progress with Medium-term Management Plan: Investment in Focus Business Areas, Etc.

DNP

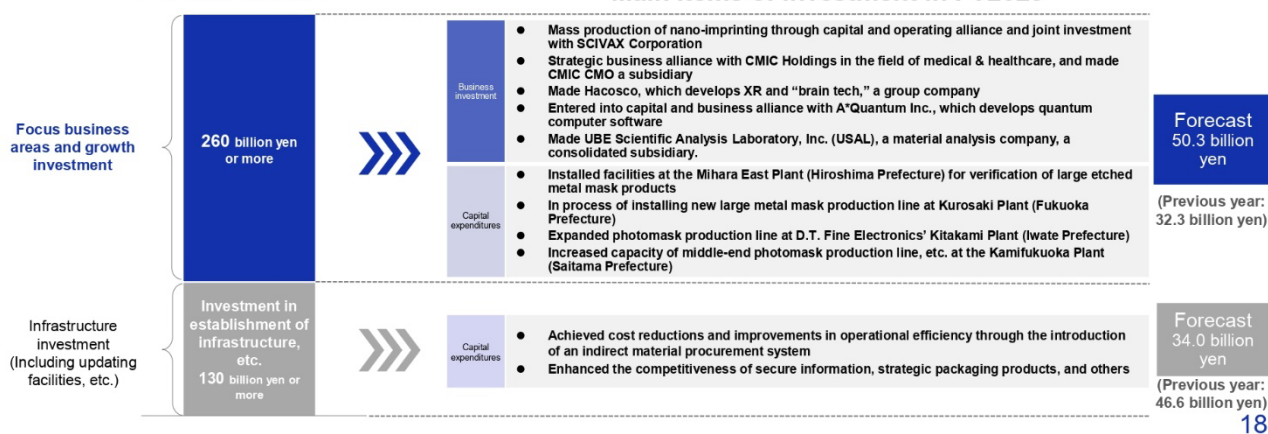
Growth investment and infrastructure development investment:

390 billion yen or more (cumulative amount for FY2023-FY2027)

Promote capital investment, global expansion and consideration of external alliances centered on focus business areas.

FY2023 to 2027

Main items of investment in FY2023



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Tsuchiya: I am Tsuchiya, Senior Executive Corporate Officer. I will explain the progress of the medium-term management plan.

First, regarding investments in key business areas and other focus areas:

In our medium-term management plan announced last year, we set a target of investing over JPY390 billion from FY2023 to FY2027. Of this, over JPY260 billion is allocated to focus business areas and growth investments, and over JPY130 billion to infrastructure investments.

Notable achievements last year include a strategic business partnership in the medical healthcare field with CMIC Holdings Co., Ltd., the acquisition of CMIC CMO Co., Ltd. as a subsidiary, and making HACOSCO INC., which develops XR (Extended Reality) and Brain-tech businesses, a group company.

Regarding capital investments, we have made significant investments in large-scale etching production lines for metal masks, as previously mentioned. Additionally, we have made investments in photomask-related areas. As a result, we achieved JPY50.3 billion in investments over the year, which we believe is on track with our five-year plan.

In terms of infrastructure investments, we have invested JPY34 billion. We believe this is progressing well above plan as we are still in the early stages of the five-year period.

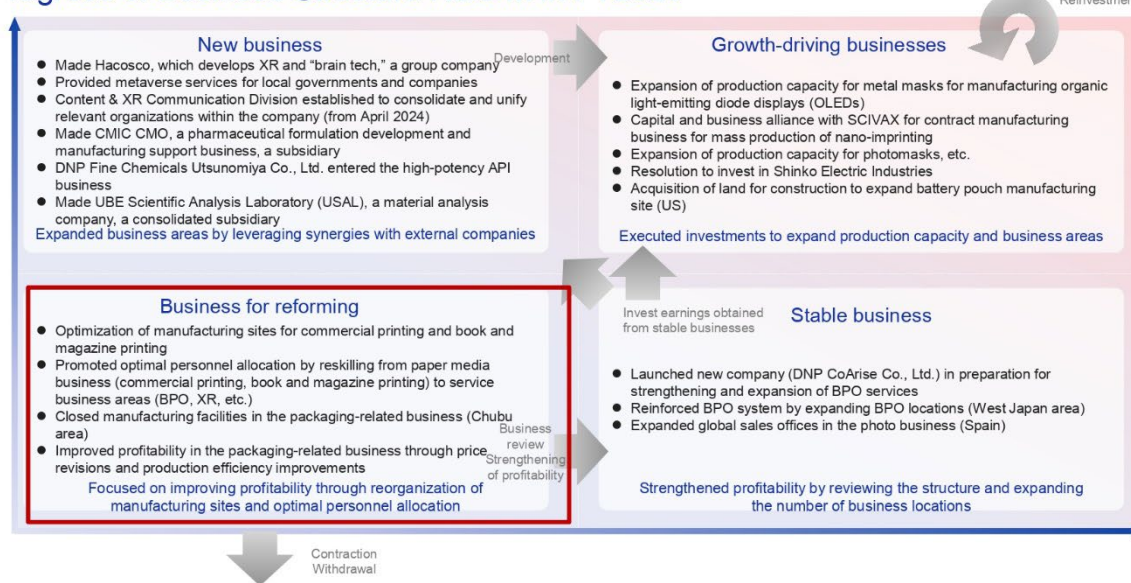
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Progress with Medium-term Management Plan: Progress of Business Structure Reform in FY2023



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Please look at page 19. This page outlines the progress of business structural reforms within each quadrant of our business portfolio.

Regarding new businesses, as mentioned earlier, we have made HACOSCO INC., a group company. We have also made CMIC CMO Co., Ltd. and UBE Scientific Analysis Laboratory, INC., which handles material analysis, into consolidated subsidiaries. We aim to leverage synergies with these companies to steadily expand our business domains.

For growth-driving businesses, in addition to expanding large-scale metal mask production lines and increasing photomask production capacity as previously mentioned, a significant event was the decision to invest in Shinko Electric Industry Co., Ltd. at the end of last year. We will continue to invest in expanding production capacity and business domains.

In Stable businesses, last year, we strengthened our Business Process Outsourcing services with the launch of DNP CoArise Co., Ltd. Additionally, we expanded our global sales site for photo business to Spain. We aim to enhance profitability by reviewing our structure and expanding our sites.

Finally, regarding restructuring businesses:

In the restructuring businesses, we optimized manufacturing sites in the commercial printing and publishing printing sectors. As paper media unfortunately continues to shrink, we have been promoting the optimal allocation of personnel by reskilling from paper media businesses to new service business areas such as BPO and XR programming.

In the packaging-related business, we have also implemented the closure of manufacturing sites. We are focusing on improving profitability through the reorganization of manufacturing sites and optimal personnel allocation.

Today, I would like to explain the restructuring businesses in more detail.

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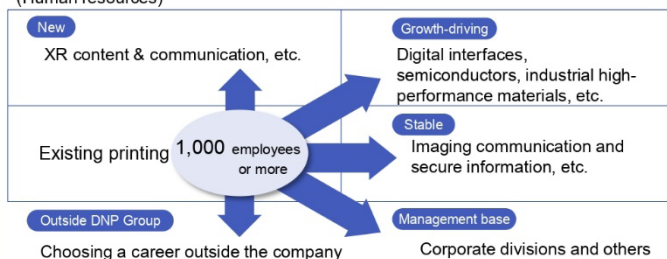
Progress with Medium-term Management Plan: Structural Reform of Existing Printing Business

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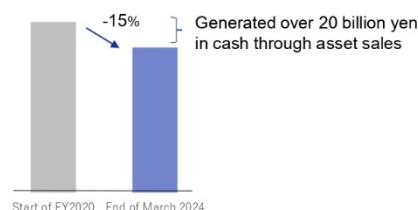
We will maximize cash provided by reallocating management resources in response to market trends and accelerating the development and global expansion of products and services that leverage DNP's strengths to create an ALL DNP investment resource.

■ Reallocation of Management Resources (FY2020-FY2023)

(Human resources)



(Manufacturing sites)



■ Initiatives going forward

- ✓ Provide customers with optimal information in a variety of real and digital formats by combining the latest digital technology with our track record and expertise in communication measures developed through our printing business
- ✓ Accelerate global expansion of packaging-related business by combining DNP's core technologies such as converting, film formation, and vapor deposition with environmental and high-performance films

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Please look at page 20. This page shows the achievements of structural reforms in our existing printing-related business.

First, regarding the reallocation of management resources, these results are for the cumulative period from FY2020 to FY2023.

We have reallocated over 1,000 employees from existing printing-related businesses to new business areas, growth-driving businesses such as digital interfaces, semiconductors, and high-performance industrial materials, as well as stable businesses like imaging communication and secure information.

Regarding manufacturing sites, we have reduced approximately 15% over the four years. By selling these assets, we generated over JPY20 billion in cash, which we plan to invest in new areas.

Looking ahead, we aim to combine our expertise and achievements in communication strategies, developed through printing with our latest digital technologies, to provide optimal information to customers in various forms, both real and digital.

Additionally, for packaging-related products, we plan to expand globally by combining our core technologies in converting, film forming, and vapor deposition to create new products that meet environmental and high-performance needs.

That concludes my explanation of the progress in our business strategies.

Wakabayashi: Thank you very much. Next, Managing Director Kuroyanagi will explain the progress of the financial strategies in our medium-term management plan. Mr. Kuroyanagi, please.

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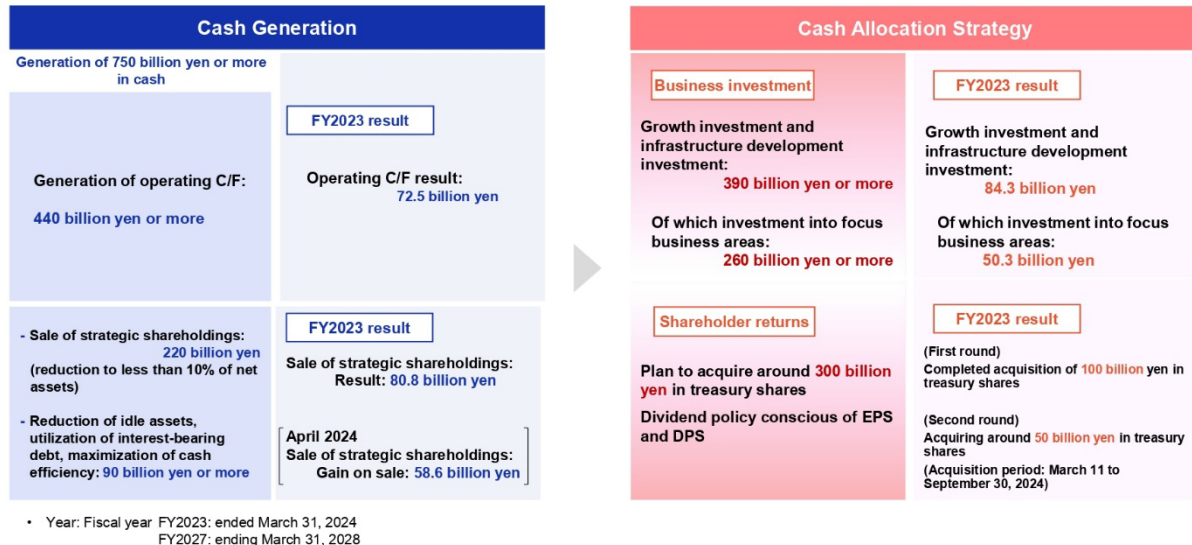
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Progress with Medium-term Management Plan: Cash Allocation

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5 years from FY2023 to FY2027* Appropriate allocation of cash generated to further business growth and shareholder returns



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Kuroyanagi: Now, I will explain the progress of our financial strategies and capital policies.

Page 21 shows the cash allocation plan we announced last year, along with the actual results for FY2023.

Progress with Medium-term Management Plan: Sale of Strategic Shareholdings and Acquisition of Treasury Shares

DNP

5 years from FY2023 to FY2027 Cash Allocation

(1) Sale of strategic shareholdings: 220 billion yen

On April 16, 2024, the Company announced the sale of one listed stock it held and the recording of gain on sale of investment securities (extraordinary income) of 58.6 billion yen.



(2) Acquisition of Treasury Shares: 300 billion yen

The first round of acquisition of treasury shares of 100 billion yen (buyback period: March 10, 2023 to February 22, 2024) was steadily executed, and a new second round of acquisition of treasury shares of 50 billion yen was announced in March 2024. As a result, the Company plans to acquire 150 billion yen of treasury shares over 1.5 years.



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Our focus on the sale of cross-shareholdings and the acquisition of treasury stock will be explained here on page 22. Regarding the sale of cross-shareholdings, we executed sales amounting to JPY80.8 billion in FY2023.

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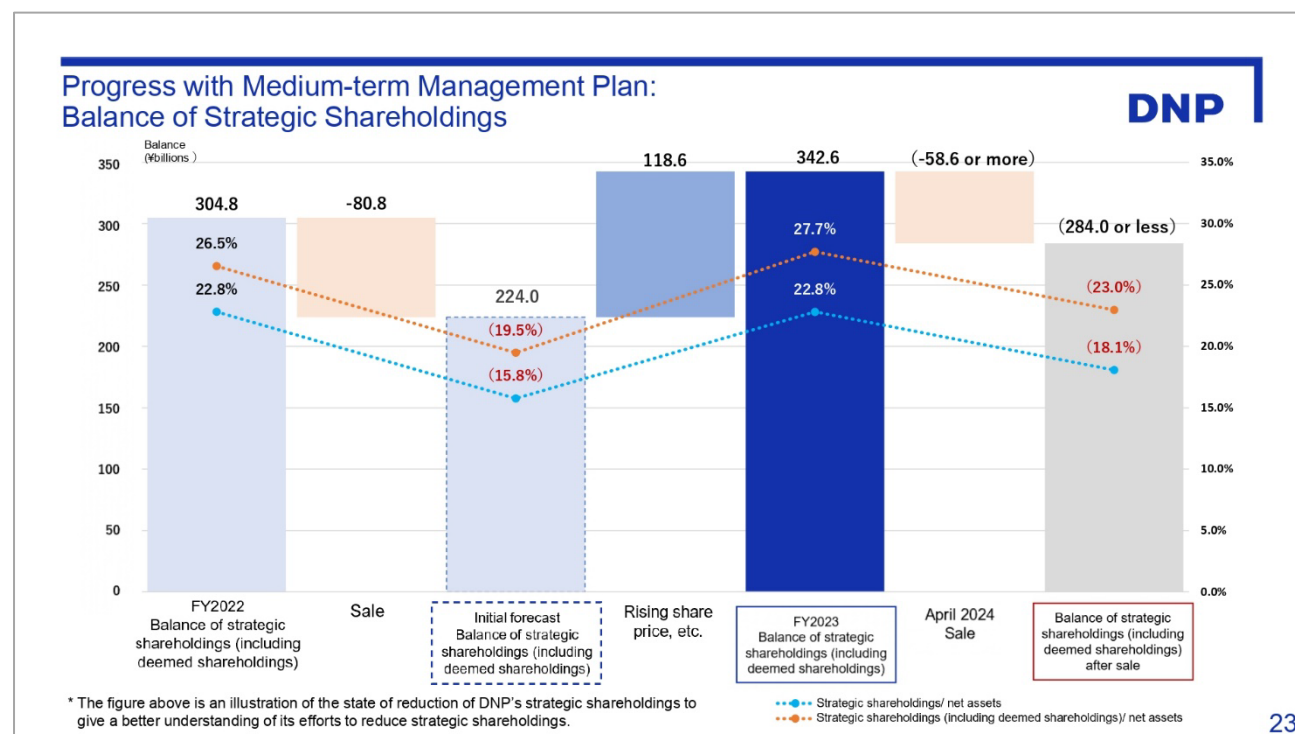
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Additionally, in the current fiscal year, we have already completed further sales totaling JPY58.6 billion in April. Against our five-year plan to sell JPY220 billion worth of shares, we have achieved over 60% of this target.

The second point is the acquisition of treasury stock. From March of last year to February this year, we executed the first round of treasury stock acquisition, totaling JPY100 billion. Additionally, we are currently executing the second round, acquiring JPY50 billion worth of treasury stock from March this year to September this year.

Over the span of a year and a half, we plan to acquire a total of JPY150 billion in treasury stock, aiming to complete half of our initial plan by the end of September.



Next, on page 23, I will explain the balance trends of cross-shareholdings.

On the far left, as of the end of March 2023, the balance was JPY304.8 billion, representing 26.5% of net assets. During FY2023, we aimed to reduce the ratio to below 20% by the end of March 2024 through continued sales, and we executed sales amounting to JPY80.8 billion.

However, due to the rise in Japanese stock prices since the end of last year, the balance as of the end of March 2024 ultimately reached JPY342.6 billion, representing 27.7% of net assets, as shown in the third column from the right.

Given this situation, we have continued our efforts to sell additional cross-shareholdings and executed sales amounting to JPY58.6 billion in April last month. We will continue to steadily reduce the balance of cross-shareholdings.

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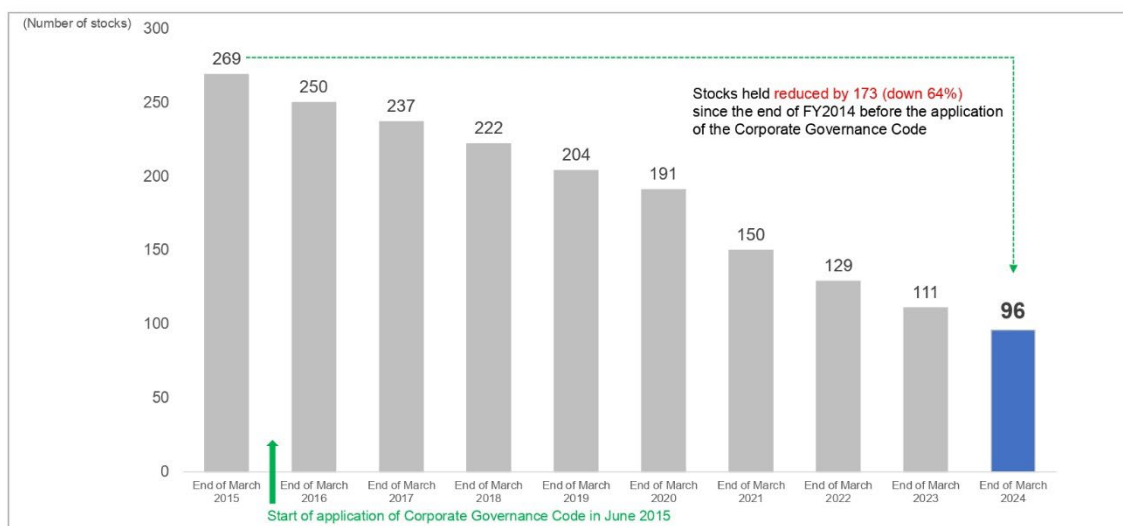
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Progress with Medium-term Management Plan: State of Reduction of Strategic Shareholdings

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We have proceeded to reduce the number of listed stocks held by 173 (-64%) from 269 at the end of FY2014.



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On page 24, we show the reduction in the number of cross-shareholding stocks.

At the end of FY2014, just before the application of the Corporate Governance Code, we had 269 stocks. By the end of fiscal year 2023, as of March 2024, we reduced this number to 96 stocks, a cumulative reduction of 173 stocks, approximately 2/3.

That concludes the progress report on our financial strategies and capital policies.

Wakabayashi: Thank you. Finally, Senior Executive Corporate Officer Tsuchiya will explain the progress of our non-financial strategies. Mr. Tsuchiya, please.

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Progress with Medium-term Management Plan: Strengthening Business Based on Non-Financial Strategy

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	Key Issues	Initiatives and Results in FY2023
Strengthening of human capital	<ul style="list-style-type: none"> Support for Career Self-Reliance of employees and strengthening of organizational capability Health and productivity management that increases the happiness of employees Hiring, personnel assignment and reskilling based on human resource portfolio Promotion of D&I utilizing diverse individuality 	<ul style="list-style-type: none"> Newly established the Career Self-Reliance Support Payment, and implemented wage hikes in excess of 5% for the second consecutive year Expanded training programs to strengthen management and individual employee capabilities Shifted personnel from areas subject to structural reform to focus areas Established internal health and wellbeing awards to recognize factors other than business revenue
Enhancement of intellectual capital	<ul style="list-style-type: none"> Creation of new businesses and strengthening of technological strengths Global rollout of technological strengths Strengthening of stable businesses and cultural reform Realization of data management infrastructure 	<ul style="list-style-type: none"> Promotion of utilization of generative AI <ul style="list-style-type: none"> Developed AI infrastructure, opened Generative AI Lab Tokyo, formulated DNP Group AI Ethics Policy Capital and business alliance with UBE Corporation Chosen among "DX Stocks 2023" evaluating and announcing companies that are actively engaged in DX
Environmental initiatives	<ul style="list-style-type: none"> Decarbonized society Recycling-oriented society Society in harmony with nature 	<ul style="list-style-type: none"> Progress in reducing GHG emissions and resource recycling rate exceeded plan <ul style="list-style-type: none"> Major environmental targets raised and updated (announced on April 25) Selected in CDP "A-List" for the second consecutive year, the highest rating in the area of climate change Created and expanded sales of super-eco products (eco-friendly products) "Ichigaya-no-Mori" (Ichigaya forest) was highly evaluated as a "new form of urban forestation"

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Tsuchiya: I will explain the progress of our non-financial strategies.

We have mainly focused on three areas: strengthening of human capital, enhancement of intellectual capital, and environmental initiatives.

For strengthening of human capital, we have implemented wage increases of over 5% for two consecutive years. We are also focusing on shifting personnel from areas undergoing structural reforms to focus business areas through reskilling.

Regarding the enhancement of intellectual capital, we are promoting the use of generative AI. Last year, we established "the DNP Generative AI Lab Tokyo". Additionally, we have formulated "the DNP Group AI Ethics Policy".

In terms of digital transformation (DX), we were selected as a "DX Stock 2023".

Concerning our environmental initiatives, we announced updates to raise our major environmental targets, including reducing GHG emissions, on April 25. I will explain this in more detail later.

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Progress with Medium-term Management Plan: Main Indicators in Non-Financial Strategy

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		FY2022 Result	FY2023 Result/Forecast	FY2025 Target
Human capital	Employee engagement survey score	-	+3%	Up 10% from FY2022
	Completion of DX literacy standard basic education course	-	24,114 people	27,500 people eligible
	Percentage of female managers	8.4%	9.4%	12% or more
	Percentage of eligible men taking childcare leave	83.6%	98.7%	100%
Intellectual capital	R&D investment (annual)	32.4 billion yen	35.2 billion yen	Maintain in range of 30.0 billion yen
	Number of data management infrastructure users	3,678 people	6,504 people	6,000 people
Environment	Reduction of GHG emissions (Scope 1+2)	Down 36.5% from FY2015	Down 37.1% from FY2015	Down 40% from FY2015 (FY2030 target)
	Resource recycling rate	58.0%	61.9%	56.7%
	Reduction of water usage	Down 38.1% from FY2015	Down 41.3% from FY2015	Down 35% from FY2015
	Percentage of items in compliance with the Guidelines for Procurement of Paper for Printing and Converting	94%	98%	100% (FY2030 target)

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Page 26 shows the progress of the KPIs for our non-financial strategies. For the first year of the three-year period, we believe that we have achieved satisfactory results in most areas.

Setting New Challenging Environmental Targets with Increased Targets for GHG Emissions, Etc.

DNP

We are promoting activities with medium-term targets toward the realization of Environmental Vision 2050

In April 2024, we updated the **medium-term target for GHG emissions to the 1.5° C level of the Science Based Targets (SBTs).**

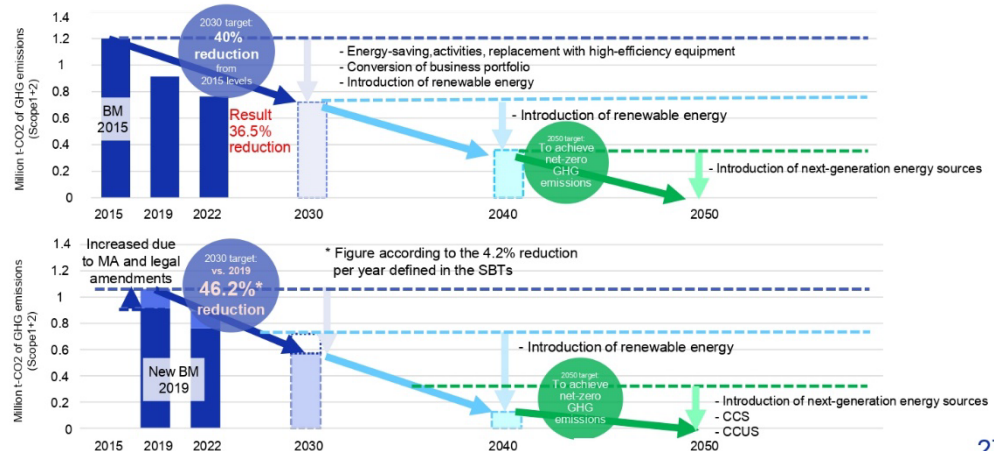
< Roadmap to Carbon Neutrality >

Current target (WB2°C)

* WB: well below



Updated target (1.5°C)



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This explains the establishment of new, ambitious environmental targets.

Our current goal, which follows the well below 2°C guideline, aims for a 40% reduction by 2030 compared to FY2015. By FY2022, we have successfully achieved a 36.5% reduction.

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23

For our new ambitious target, we have updated our goals to align with the 1.5°C standard. Based on this, our new target is to achieve a 46.2% reduction by 2030 compared to FY2019.

Setting New Challenging Environmental Targets with Increased Targets for GHG Emissions, Etc.

DNP

Unify the target year for other mid-term targets to FY2030 at the same time as the target for reduction of GHG emissions.

Theme	Updated Medium-Term Target Target Year: FY2030	Previous Medium-Term Target Target Year: FY2025 (FY2030 for GHG)
Reduction of GHG emissions	46.2% reduction* ¹ of GHG emissions compared to FY2019 (1.06 million tons → 0.57 million tons)	40% reduction of GHG emissions compared to FY2015 (1.2 million tons → 0.72 million tons)
Improvement of resource recycling rate	Achieve 70% resource recycling rate of all unwanted material	Improvement by 5 points compared to FY2015 (51.7→56.7%)
Reduction of water usage	30% reduction of per-unit water usage compared to FY2019 (6.71 m ³ /million yen → 4.70 m ³ /million yen)	35% reduction of per-unit water usage compared to FY2015 (8.82 m ³ /million yen → 5.73 m ³ /million yen)
Expansion of sales of eco-friendly products and services	Expand super-eco products* ² share of total sales to 30%	Expand super-eco products' share of total sales to 10%

*1 The target for reduction of GHG emissions is "4.2% reduction per year compared to the base year" in accordance with the "1.5°C target (a target level to limit the temperature increase since the Industrial Revolution to within 1.5°C)," which is the effort target set in the Paris Agreement.

*2 Highly environmentally friendly products and services are specified as "super eco-products" according to DNP's own evaluations.

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In addition to reducing GHG emissions, we have also updated our ambitious targets for improving resource recycling rates, reducing water usage, and expanding sales of environmentally friendly products and services.

That concludes my explanation. Thank you.

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