

Dai Nippon Printing, Co., Ltd.  
Briefing on Financial Results  
for the Fiscal Year Ended March 2021 (Fiscal 2020)  
and Medium-Term Management Plan  
(May 17, 2021)  
Q&A Summary

**[Questioner 1]**

**Q: Fiscal 2021 guidance for the Electronics segment indicates only a slight increase in operating income. My impression is that business conditions in the segment remain favorable. Does your forecast of virtually flat earnings indicate that you expect a pullback in stay-at-home demand? Or do your recent marketing activities suggest a likely decline in earnings?**

A: Electronics segment earnings saw a moderate boost from the COVID-19 pandemic in fiscal 2020. For example, optical film grew more than we expected. In fiscal 2021, we think demand will increase to some extent in the first half, but our second half outlook is conservative at this point, partly due to uncertainties such as progress with the COVID-19 vaccine rollout.

**Q: Your medium-term plan targets fiscal 2024 operating income of ¥75 billion, and you explained that focus businesses represent 72% of the total - is that correct?**

A: Our medium-term plan also anticipates a recovery and uptrend in existing businesses' profitability driven by restructuring and an end to the COVID-19 pandemic, but the high weighting for focus businesses reflects their high basic profitability.

**Q: Page 28 of the presentation materials states the goal of generating at least ¥480 billion in cash during fiscal 2021-2024, and on page 29 you target at least ¥300 billion in business investments. Assuming a stable dividend of ¥20 billion per year would give a four-year total of ¥80 billion. Deducting this leaves ¥100 billion. I realize the numbers are stated as "at least" and not pinpoint targets, but would it be correct to assume that any remaining funds could be used for share buybacks in future?**

A: Share buybacks will depend on our business investments, 50% of which will be in growth areas. We will continue to repurchase shares while assessing future conditions, and it would be reasonable to view buybacks as a potential option. In setting the value of the recent buyback, we also considered the message it would send to the market.

**[Questioner 2]**

**Q: Information Communication segment operating income fell by just over ¥11 billion year on year in fiscal 2020, but rebounded sharply in the fourth quarter. What were the factors behind this?**

A: The decline in fiscal 2020 segment profits was mainly due to weakness in the Imaging Communication business caused by global stay-at-home requests, and a sharp decline in the marketing business, which resulted in an extremely adverse fiscal year.

However, we saw some signs of a rebound in the Imaging Communication business in the fourth quarter. Physical bookstore sales in the Publishing business were also relatively upbeat. Earnings in the marketing business rebounded compared with previous quarters. We also think earnings in the Information Communication segment fell less in year-on-year terms in the fourth quarter partly because COVID-19 affected the entire segment from around March 2020.

**Q: For which Information Communication segment products do you expect profits to rebound in fiscal 2021? Can you discuss your fiscal 2021 profit targets for them?**

A: In fiscal 2021, we do not expect a major recovery in all our businesses and business areas in the first half, but we forecast gradual improvements from the second half.

**[Questioner 3]**

**Q: Can you discuss the impact you expect raw material prices to have on fiscal 2021 profits compared with fiscal 2020?**

A: We expect a year-on-year increase in crude oil and naphtha prices to depress full-year profits by around ¥3-4 billion.

**Q: Will the fiscal 2021 operating income to sales ratio for battery pouches for lithium-ion batteries rise versus fiscal 2020, or plateau at current levels? Can you also discuss how the completion of the Tsuruse plant affects the margin outlook?**

A: We will refrain from commenting on the margin outlook given that this is a critical strategic business concern, but the main applications for battery pouches are IT and automotive, and margins in IT are slightly higher.

**Q: The fiscal 2024 operating income target of ¥75 billion on page 36 of the presentation materials is unchanged from the medium-term plan you announced in June 2020, but recent results have diverged from your forecasts at that point. Which segments do you now expect to drive profit growth through fiscal 2024? Can you also discuss the outlook for fiscal 2022?**

A: We expect battery pouches to remain a key driver that will sustain growth at least through fiscal 2024. We view our ability to rapidly build out a supply platform capable of responding to upbeat demand for these products as a key theme.

The second driver is the Information Communication segment. Despite uncertainty on the outlook for the pandemic, we expect the segment's Imaging Communication business to settle in fiscal 2021, and return to at least fiscal 2019 levels in fiscal 2022-2023; a more substantial rebound is also possible.

We also view Electronics segment earnings trends as a key factor. The segment is seeing a considerable positive impact from factors such as an increase in demand for displays triggered by the COVID-19 pandemic, but we think the key point in future will be progress with IoT and 5G, and moves to respond to environmental issues, which are increasingly a focus of global interest.

**[Questioner 4]**

**Q: What kind of sales volume growth do you expect for metal masks and battery pouches in fiscal 2021? Regarding metal masks in particular, can you discuss your views on slowing growth in smartphone production and sales?**

A: Up to now, metal masks used in the production of organic light-emitting diode (OLED) displays have mainly been used in manufacturing small and medium-sized displays for smartphones and other mobile devices. However, we expect the shift toward OLED displays in these devices to accelerate amid growing demand for tablets and notebooks as more people work remotely due to the pandemic. That said, we do not anticipate particularly strong growth in metal masks due to the offsetting risk factors. Our current view is somewhat conservative.

Demand for battery pouches from both the IT and automotive applications remains extremely upbeat. As we discussed at our November 2020 results briefing, we added a new production line at our Tsuruse plant in March 2021, on the view that our supply would fall short of demand unless we tripled production capacity versus fiscal 2019 levels by fiscal 2024. The new line more than doubles production capacity versus 2019. We plan to add a further line in 2022, and intend to rapidly build out our supply platform in response to upbeat demand.