

Dai Nippon Printing, Co., Ltd.  
Briefing on Financial Results for the First Six Months  
of the Fiscal Year Ending March 2022 (Fiscal 2021)  
(November 17, 2021)  
Q&A Summary

**[Questioner 1]**

**Q: The Electronics segment's plan for the second half of the fiscal year forecasts a significant drop in sales and income compared to the first half. Please explain the types of risks that you expect to affect each product.**

A: Growth in optical films has exceeded our expectations for the past year, but lately it seems to be settling down. Prices for liquid crystal display panels are also coming down, so we are approaching the second half of the fiscal year with caution. In previous years, the pace of our customers' metal mask development has slowed in the second half, so we aren't predicting an uptick. On the other hand, we do expect photomasks to remain solid due to the effects of the semiconductor shortage. Moreover, we make photomasks for major markets like Taiwan and China in partnership with other companies, so the profits from that business are posted as ordinary income rather than operating income.

**Q: On page 14 of the presentation materials, it says that you expect worldwide/overall lithium-ion battery pouch sales to reach ¥100 billion in the fiscal year ending March 2025. Don't you think they'll get a bit higher than that?**

A: You are correct that demand is expanding as we can see, for example, from the fact that plans for construction of new battery plants, mainly in the U.S., are increasing faster than was expected. However, those factories are only expected to begin operating in the beginning of 2025 at the earliest. Regarding 2025 and beyond, we believe it's important to consider production systems in advance.

**Q: According to page 13 of the presentation materials, the breakdown of applications for battery pouches is currently 40% IT and 60% automotive. How do you expect that to change in fiscal 2024?**

A: We think that from 2024 to around 2025 the ratio will become 20% IT to 80% automotive.

**[Questioner 2]**

**Q: Page 8 of the presentation materials says that the impact of high raw material prices was ¥2.9 billion in the first half and is forecast at ¥5.5 billion yen for the second half. Please tell us the breakdown of these effects. Also, please explain the outlook for cost pass-throughs in the next fiscal year.**

A: I can't tell you details about the impact of high raw materials prices, but I can tell you that the prices of films, resins and other synthetic resins, aluminum, and ethyl acetate used in solvents are increasing. The price of naphtha, which serves as a price index for synthetic resins, was ¥38,800/kl in the first quarter and is expected to rise to ¥60,000/kl in the fourth quarter.

Regarding cost pass-through, we are aiming for price revisions linked to the naphtha price, but in the first half of the year, we only passed on about 20%. This time, the situation is not only that prices have increased but also that supplies of raw materials are tight, so we expect that the cost pass-through will proceed relatively quickly in the second half, and we expect to advance our pass-through to about 40%. In the past, cost pass-through rates have tended to stall at 60 to 70%, but because this time supplies are tight, we expect that going forward, cost pass-throughs will progress faster and reach relatively high levels than they did before.

**Q: Regarding battery pouches, please tell us how much sales increased year-on-year in the first half, and how much you expect them to grow for the whole year. Also, please tell us your thoughts concerning when and how much you expect to see the impact of automobile production cuts.**

A: I can't explain in detail the sales trends of battery pouches, but we did see significant growth in the first half of the year and we expect to see solid results for the whole year. Also, in 2022 we plan to add a production line at our Tsuruse Plant and double production capacity, so we expect another increase in sales in the next fiscal year. In addition, as I mentioned earlier, we foresee most future growth in products for use in automobiles, so that growth will be affected by automobile production cuts. However, so far the effect has just been that the demand that was extremely strong until now has settled down, and we haven't felt such a big impact.

**Q: Concerning optical films for displays, please tell us about the first half results and the full-year outlook for sales. Also, please explain how big a loss you expect in the second half.**

A: Sales growth in the first half was close to double digits. Although sales are down slightly at the moment, we do not expect to see a significant loss this year. Partly because panel prices have fallen, we do not anticipate an increase in sales in the second half as a whole, but going forward we will continue to closely monitor the market.

**[Questioner 3]**

**Q: Regarding the Information and Communication segment, it was explained that sales decreased year on year for the first half of the fiscal year but are expected to increase according to the full-year plan. Please tell us how you expect the trend to change in the second half.**

A: When we exclude the impact of changes in our accounting standards, in real terms Information and Communication sales in the first half were flat year on year. In particular, the segment's Imaging Communication business has been recovering, mainly in the United States. In the second half, demand is expected to return in Europe and Japan as well, so we foresee sales increasing for the full fiscal year. In addition, we see a strong possibility that the segment as a whole will see an increase in sales for the full year, in light of expectations that demand will return as consumption recovers, and that uptake of business process outsourcing (BPO) will get back in gear when the government resumes its "Go to Travel Campaign."

**Q: About battery pouches, are new players entering the business? If we figure that the start-up of the first production line at the Tsuruse factory boosted sales by about ¥10 billion, is it safe to assume that the addition of the second line will generate a similar increase in sales? Also, please talk about trends in unit prices.**

A: Regarding changes in the competitive situation, our production increases did not occur in time to meet all of the strong demand for battery pouches and we experienced some delays in meeting delivery dates, so some Chinese manufacturers entered the IT sector of the market. However, no major players have joined the market, and since customers continue to give our products high ratings, we still hold the top share.

Regarding the Tsuruse Plant, it's fine to expect that by adding another line we will be doubling production volume.

As for unit prices, there have been no accidents caused by defects in our products, and thanks to their high reliability, there has not been a significant drop in prices. Moreover, since there are few competitors capable of supplying high-quality, highly reliable products, we do not anticipate any significant reductions in unit prices in the future.