Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2017 [J-GAAP]

November 10, 2016

Company Name: **Dai Nippon Printing Co., Ltd.**
Stock exchange listing: Tokyo
Stock code: 7912 URL: http://www.dnp.co.jp/
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Securities report issuing date: November 11, 2016
Dividend payment date: December 9, 2016
Preparation of quarterly earnings presentation material: No
Holding of quarterly earnings announcement: No

(Amounts under one million yen have been rounded down.)

1. Consolidated financial results for the first six months ended September 30, 2016 (April 1, 2016 – September 30, 2016)

(1) Consolidated financial results

(Percentages show change from corresponding year-ago period.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Parent Company Shareholders	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2016	697,492	(3.5)	11,671	(42.3)	14,392	(42.4)	15,142	(18.3)
Six months ended September 30, 2015	722,933	1.0	20,235	(9.7)	24,993	(1.2)	18,541	22.3

Note: Comprehensive income: For the first six months ended September 30, 2016: ¥(8,130) million (–%)
For the first six months ended September 30, 2015: ¥1,942 million (-90.2%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2016	24.37	24.37
Six months ended September 30, 2015	29.15	28.97

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2016	1,675,087	1,029,814	58.7
As of March 31, 2016	1,718,636	1,063,241	59.2

Note: Stockholders' equity: As of September 30, 2016: ¥983,580 million As of March 31, 2016: ¥1,017,425 million

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Year ended March 31, 2016	–	16.00	–	16.00	32.00
Year ending March 31, 2017	–	16.00			
Year ending March 31, 2017 (Forecasts)			–	16.00	32.00

Note: Revisions to the most recently announced dividend forecasts during the current quarter: No

3. Consolidated earnings forecasts for the year ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages show change from corresponding year-ago period.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Parent Company Shareholders		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,420,000	(2.5)	32,000	(29.6)	36,000	(31.6)	28,000	(16.6)	45.27

Note: Revisions to the most recently announced earnings forecasts during the current quarter: Yes

Other information

(1) Changes in significant subsidiaries during the current quarter (changes in specified subsidiaries resulting in change of scope of consolidation): No

(2) Application of accounting procedures peculiar to quarterly consolidated financial statement preparation: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
1) Changes in accounting policies with revision of accounting standards: Yes
2) Changes in accounting policies other than the 1) above: Yes
3) Changes in accounting estimates: Yes
4) Restatement of revisions: No

Note: For further details, see the section titled, "2. Summary information (notes), Changes in accounting policies, changes in accounting estimates, and restatement of revisions," on page 4.

(4) Number of common shares issued and outstanding

1) Number of common shares outstanding at end of each period (including treasury shares)	As of September 30, 2016	663,480,693 shares	As of March 31, 2016	680,480,693 shares
2) Number of treasury shares at end of each period	As of September 30, 2016	48,156,154 shares	As of March 31, 2016	51,919,577 shares
3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)	Six months ended September 30, 2016	621,259,241 shares	Six months ended September 30, 2015	636,041,735 shares

* Presentation of implementation status for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these Consolidated Financial Results, and the quarterly review procedure based on the Financial Instruments and Exchange Act is underway as of the release of these Consolidated Financial Results.

* Explanation regarding appropriate use of earnings forecasts and other special notes

Forward-looking statements in this report, including earnings forecasts, are based on assumptions about economic conditions, market trends, and other factors at the time the report was prepared. Actual results may differ significantly due to a variety of factors.

See "1. Qualitative information on the consolidated results for the current quarter, (3) Explanation of the consolidated earnings forecasts" on page 3 for information about earnings forecasts.

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1. Qualitative information on the consolidated results for the current quarter

(1) Explanation of the consolidated financial results

Japan's economy started to show some signs of recovery during the first six months of the fiscal year, aided by the economic and monetary policies of the Japanese government and Bank of Japan and by improvement in the employment environment. However, the economy has still not reached a full-fledged recovery, due partly to a stronger yen, sluggish consumer spending, and overseas economic slowdowns in China and elsewhere.

The printing industry still faced a tough business environment as a result of lower demand for printed media, including published printed materials, and ongoing decline in order prices due to stiffer competition.

In this environment, the DNP Group (DNP), based on the DNP Group Vision 2015 and on the four growth areas of "Knowledge and Communication," "Food and Healthcare," "Lifestyle and Mobility," and "Environment and Energy," focused on creating new value through P&I innovation as a combination of printing and information and worked to expand its business by making upfront investment to develop new business and establish operating bases. It also sought to enhance competitiveness through structural reforms based on the reorganization and consolidation of business divisions.

Despite these efforts, consolidated net sales for the first six months fell 3.5% year on year to ¥697.4 billion, consolidated operating income fell 42.3% to ¥11.6 billion, consolidated ordinary income fell 42.4% to ¥14.3 billion, and net income attributable to parent company shareholders fell 18.3% to ¥15.1 billion.

Business segment results are presented below.

[PRINTING]

Information Communication

In the Publishing business, amid a continued slump in the publications market, book sales held flat from last year as a result of sales and planning activities, but a decline in magazines had a large impact, and Publishing & Media Services fell below year-ago levels. Meanwhile, in the Education and Publications Distribution business, sales were firm in the "honto" hybrid bookstore network that combines physical bookstores, online bookstores, and e-book sales services; and library operations outsourcing sales increased from the previous year on growth in the number of outsourcing libraries. However, overall sales decreased from the previous year.

In the Information Innovation business, sales were firm overall for point-of-purchase promotional materials (POP) and other sales promotion-related tools, and for catalogs, pamphlets, and other marketing materials. Sales were also favorable in information security-related business, mainly smart cards for financial institutions and electronic money and Information Processing Services (IPS; handling data entry, printing, and shipment of personalized mail and other items). Overall sales increased from the previous year.

In the Imaging Communication business, DNP worked to expand services that use its "ShaGoo!" automated commemorative photo booths and "Ki-Re-i" ID photo booths, but sales decreased from the previous year as the strong yen contributed to a decline in sales of dye-sublimation thermal transfer printing media for photo printers (color ink ribbons and receiver paper) in North America.

As a result of the above, overall segment sales fell 1.1% year on year to ¥396.1 billion, and operating income fell 29.2% to ¥8.0 billion.

Lifestyle and Industrial Supplies

In the Packaging business, DNP focused on developing environmentally conscious products, and sales increased from the previous year on firm sales of paper and film packaging and strong sales of PET plastic bottle aseptic filling systems.

In the Living Space business, sales held flat year on year as DNP focused on expanding domestic sales and developing overseas markets, based mainly on environmentally conscious products that use its proprietary electron beam (EB) coating technology. DNP changed the name of this business from Lifestyle Materials in July 2016, reflecting its aim to expand business not only for homes, but also for a variety of living spaces such as cars, trains, and other mobility spaces, as well as commercial and public facilities.

In the Industrial Supplies business, sales of lithium-ion battery components increased for automotive applications, but were sluggish for mobile device applications. Moreover, photovoltaic module components were affected by a domestic market slump, and sales decreased from the previous year.

As a result of the above, overall segment sales grew 1.9% year on year to ¥193.2 billion and operating income grew 39.0% to ¥7.0 billion.

Electronics

In the Display Components business, sales declined from the previous year as LCD color filters decreased for both small- and medium-sized filters used in smartphones and tablets, and large filters used in TVs. Optical film sales also declined across the board, and overall sales decreased from the previous year.

In the Electronic Devices business, semiconductor photomasks fell below year-ago levels as sales decreased both in Japan and overseas.

As a result of the above, overall segment sales fell 22.2% year on year to ¥83.8 billion and operating income fell 51.5% to ¥5.9 billion.

[BEVERAGES]

Beverages

The soft drink industry continued to face tough market share competition, and DNP worked to expand market share and acquire new customers by bolstering sales of core brand products through the release of new products, and by focusing on the vending machine business by leveraging area marketing and operational expertise.

As a result of these efforts, sales increased for I LOHAS, a brand of mineral water that uses a lightweight PET plastic bottle, and for tea drinks, including the mainstay Ayataka brand. However, sales decreased to group bottlers outside the Hokkaido region and for the Coca-Cola brand and sports drinks. Overall segment sales fell 2.8% year on year to ¥26.9 billion, but operating income rose 236.8% to ¥0.8 billion.

(2) Explanation of the consolidated financial position

Total assets at the end of the second quarter decreased by ¥43.5 billion from the end of the previous fiscal year to ¥1,675.0 billion, due mainly to a decrease in investment securities.

Total liabilities decreased by ¥10.1 billion from the end of the previous fiscal year to ¥645.2 billion, due mainly to a decrease in short-term bank loans.

Net assets decreased by ¥33.4 billion from the end of the previous fiscal year to ¥1,029.8 billion, due mainly to a decrease in retained earnings.

As a result of the above, the equity ratio changed from 59.2% at the end of the previous fiscal year to 58.7%.

Consolidated cash flow provided by operating activities during the first six months totaled ¥41.1 billion, due mainly to ¥23.5 billion in income before income taxes and non-controlling interests and ¥30.0 billion in depreciation.

Cash flow provided by investing activities totaled ¥12.4 billion, due mainly to ¥46.1 billion in proceeds from sales of investment securities and ¥27.3 billion in payments for purchases of property, plant and equipment. Cash flow used in financing activities totaled ¥40.7 billion, due mainly to an ¥11.9 billion decrease in debt, ¥15.0 billion for payments for purchases of treasury stock, and ¥10.3 billion in dividends paid.

As a result, cash and cash equivalents at the end of the second quarter totaled ¥184.0 billion, an increase of ¥8.5 billion from the end of the previous fiscal year.

(3) Explanation of the consolidated earnings forecasts

We have revised our earnings forecasts for the fiscal year ending March 2017, originally published on May 12, 2016. For details, see our release titled, "Revisions of Consolidated Earnings Forecasts for the Fiscal Year Ending March 2017," published on November 10, 2016.

2. Summary information (notes)

Changes in accounting policies, changes in accounting estimates, and restatement of revisions

(Changes in accounting policies)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

DNP is applying the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016), and revising some accounting methods related to the recoverability of deferred tax assets, starting in the first quarter of the current fiscal year.

DNP is applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets in line with transitional measures stipulated in Paragraph 49 (4) of said guidance. Any differences between the amounts of deferred tax assets and deferred tax liabilities when applying the provisions in Paragraph 49 (3), Items 1–3, of said guidance at the start of the first quarter of the current fiscal year, and the amounts of deferred tax assets and deferred tax liabilities at the end of the previous fiscal year, are added to retained earnings at the start of the first quarter of the current fiscal year.

These changes have an immaterial impact on the quarterly financial statements at the start of the first quarter of the current fiscal year.

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

DNP and some domestic consolidated subsidiaries, in line with amendment of the Corporation Tax Act, are applying the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ Practical Issue Task Force (PITF) No. 32, June 17, 2016), and are changing the depreciation method for buildings and accompanying facilities as well as for structures acquired on or after April 1, 2016 from declining balance depreciation to straight-line depreciation, starting in the first quarter of the current fiscal year.

These changes have an immaterial impact on the quarterly financial statements for the first six months of the current fiscal year.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Changes in depreciation method and service life)

DNP consolidated subsidiary Hokkaido Coca-Cola Bottling Co., Ltd. (hereinafter, HCCB) and the consolidated subsidiaries of HCCB (hereinafter, HCCB Group) previously depreciated tangible fixed assets mainly using declining balance depreciation, but are changing to straight-line depreciation starting in the first quarter of the current fiscal year.

This change is based on a review of the current production structure and use of fixed assets, and the medium- to long-term capital investment strategy, in order to respond to changes in the market environment, including stiffer completion from the full-scale entrance of rival companies and diversifying consumer needs.

The HCCB Group's tangible fixed assets are expected to produce average and stable investment effects over their service life based on long-term use and stable production.

Accordingly, the HCCB Group is changing its depreciation method for tangible fixed assets from declining balance depreciation to straight-line depreciation starting in the first quarter of the current fiscal year, based on a judgement that equal cost allocation over the usable period can better reflect the usage conditions of its tangible fixed assets, and from a revenue and expense standpoint, can better reflect its business performance.

Additionally, HCCB had mainly applied a service life of 5–6 years to vending machines, but because it is expanding the introduction of vending machines with greater durability, concurrent with the change in depreciation method, it is changing to a nine-year service life to better reflect actual conditions, starting in the first quarter of the current fiscal year.

Compared with the previous methods, the above changes increase operating income by ¥652 million, and ordinary income and income before income taxes and non-controlling interests by ¥654 million, in the first six months of the current fiscal year.

3. Quarterly consolidated financial statements
(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2016	As of September 30, 2016
ASSETS		
Current assets		
Cash and time deposits	171,694	190,594
Notes and trade receivables	348,585	323,000
Merchandise and finished products	101,239	101,988
Work in progress	29,686	31,745
Raw materials and supplies	25,021	23,689
Other	46,847	42,761
Allowance for doubtful accounts	(1,349)	(1,138)
Total current assets	721,724	712,641
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	217,516	211,456
Machinery and equipment, net	89,549	83,964
Land	155,532	157,077
Construction in progress	14,946	18,124
Other, net	35,611	34,863
Total property, plant and equipment	513,156	505,486
Intangible fixed assets		
Other	35,802	35,735
Total intangible fixed assets	35,802	35,735
Investments and other assets		
Investment securities	362,654	336,399
Other	91,722	90,839
Allowance for doubtful accounts	(6,424)	(6,016)
Total investments and other assets	447,952	421,223
Total fixed assets	996,911	962,446
TOTAL ASSETS	1,718,636	1,675,087

(Million yen)

	As of March 31, 2016	As of September 30, 2016
LIABILITIES		
Current liabilities		
Notes and trade payables	255,585	242,238
Short-term bank loans	55,316	41,832
Reserve for bonuses	17,333	16,454
Repair reserve	–	24,424
Other	95,078	87,573
Total current liabilities	423,313	412,523
Long-term liabilities		
Bonds	107,560	107,185
Long-term debt	18,190	19,652
Net defined benefit liability	34,167	34,605
Deferred tax liabilities	48,884	48,599
Other	23,278	22,706
Total long-term liabilities	232,080	232,749
TOTAL LIABILITIES	655,394	645,273
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,283	144,283
Retained earnings	717,029	695,568
Treasury stock	(81,024)	(69,476)
Total stockholders' equity	894,752	884,840
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	123,478	111,635
Net deferred losses on hedges	(6)	(5)
Foreign currency translation adjustments	3,050	(8,068)
Remeasurements of defined benefit plans	(3,849)	(4,821)
Total accumulated other comprehensive income	122,672	98,739
Stock acquisition rights	16	16
Non-controlling interests	45,800	46,217
TOTAL NET ASSETS	1,063,241	1,029,814
TOTAL LIABILITIES AND NET ASSETS	1,718,636	1,675,087

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income

First six months of the fiscal years

(Million yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	722,933	697,492
Cost of sales	583,968	566,862
Gross profit	138,964	130,630
Selling, general and administrative expenses	118,728	118,958
Operating income	20,235	11,671
Non-operating income		
Interest and dividend income	3,654	3,931
Equity in earnings of affiliates	1,885	1,381
Other	2,802	3,074
Total non-operating income	8,342	8,387
Non-operating expense		
Interest expense	1,243	1,155
Foreign exchange transaction loss	48	1,309
Other	2,291	3,201
Total non-operating expenses	3,583	5,666
Ordinary income	24,993	14,392
Extraordinary gains		
Gain on sale of fixed assets	93	769
Gain on sale of investment securities	6,400	40,277
Other	83	136
Total extraordinary gains	6,577	41,183
Extraordinary losses		
Loss on sale or disposal of fixed assets	785	1,359
Production restructuring costs	2,434	–
Repair costs and repair reserve provisions	–	30,218
Other	383	484
Total extraordinary losses	3,603	32,062
Income before income taxes and non-controlling interests	27,967	23,514
Current income taxes	5,524	8,419
Deferred income taxes	3,185	(1,875)
Total income taxes	8,709	6,543
Net income	19,257	16,971
Net income attributable to non-controlling shareholders	716	1,828
Net income attributable to parent company shareholders	18,541	15,142

Quarterly consolidated statements of comprehensive income
First six months of the fiscal years

(Million yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	19,257	16,971
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,741)	(11,709)
Net deferred gains on hedges	36	7
Foreign currency translation adjustments	(621)	(10,899)
Remeasurements of defined benefit plans	(4,149)	563
Share of other comprehensive income of affiliates accounted for using equity method	2,160	(3,064)
Total other comprehensive income	(17,315)	(25,101)
Comprehensive income	1,942	(8,130)
Attributable to :		
Parent company shareholders	1,418	(8,789)
Non-controlling shareholders	523	659

(3) Quarterly consolidated statements of cash flows

(Million yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Income before income taxes and non-controlling interests	27,967	23,514
Depreciation	31,136	30,078
Increase (Decrease) of doubtful receivables, net	13	(385)
(Increase) Decrease of net defined benefit asset	(10,309)	149
Increase (Decrease) of net defined benefit liability	201	(665)
Equity in gains of affiliates	(1,885)	(1,381)
Amortization of consolidation goodwill, net	794	1,157
Interest and dividend income	(3,654)	(3,931)
Interest expense	1,243	1,155
Net gains on sales of investment securities	(6,376)	(40,180)
Net losses on devaluation of investment securities	69	94
Net losses on sales or disposal of fixed assets	719	619
Repair costs	–	5,793
Repair reserve provisions	–	24,424
Decrease in trade receivables	18,321	22,548
Increase in inventories	(9,772)	(4,904)
Decrease in trade payables	(4,146)	(9,985)
Other	74	7,045
Sub-total	44,398	55,148
Payments for repair costs	–	(9,883)
Payments for extra retirement payments	(16)	(104)
Payment of income taxes	(5,639)	(4,002)
Net cash provided by operating activities	38,742	41,158
Cash flows from investing activities		
Net increase in time deposits	(1,249)	(10,188)
Payments for purchases of property, plant and equipment	(28,196)	(27,395)
Proceeds from sales of property, plant and equipment	1,283	3,122
Payments for purchases of investment securities	(5,319)	(277)
Proceeds from sales of investment securities	7,601	46,170
Payments for purchase of stock in subsidiaries resulting in change in scope of consolidation	(8,981)	–
Payments for purchase of intangible fixed assets	(4,240)	(6,073)
Interest and dividends received	4,050	6,043
Other	(2,980)	1,058
Net cash provided by (used in) investing activities	(38,031)	12,460

(Million yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from financing activities		
Net decrease in short-term bank loans	(10,419)	(13,375)
Proceeds from long-term debt	21,930	6,380
Repayments of long-term debt	(23,859)	(4,940)
Payments for redemption of bonds	(525)	(495)
Payments for purchases of treasury stock	(20,036)	(15,016)
Payments for purchases of treasury stock of subsidiaries	(0)	(0)
Interest paid	(1,251)	(1,168)
Dividends paid	(10,313)	(10,063)
Dividends paid to non-controlling interests	(366)	(250)
Payments for purchase of stock in subsidiaries not resulting in change in scope of consolidation	(151)	–
Other	(2,596)	(1,806)
Net cash used in financing activities	(47,589)	(40,735)
Effect of exchange rate changes on cash and cash equivalents	151	(4,313)
Net increase (decrease) in cash and cash equivalents	(46,727)	8,569
Cash and cash equivalents at beginning of year	212,762	175,513
Cash and cash equivalents at end of period	166,035	184,082

(4) Notes regarding quarterly consolidated financial statements

[Notes on premise of a going concern]

None

[Significant changes in shareholders' equity]

Treasury stock increased by ¥15,016 million during the first six months of the current fiscal year, due mainly to share repurchases based on a resolution passed by the Board of Directors on May 12, 2016.

Additionally, retained earnings decreased by ¥26,564 million and treasury stock decreased by ¥26,564 million during the first six months of the current fiscal year due to the cancellation of treasury stock on May 26, 2016 based on a resolution passed by the Board of Directors on May 12, 2016.

[Segment information, etc.]

I. First six months of previous fiscal year (April 1, 2015 – September 30, 2015)

Information on sales and income/loss by reporting segment

(Million yen)

	Reporting segment					Adjustment Note 1	Amounts reported on quarterly consolidated statements of income Note 2
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales							
Outside customers	398,212	189,341	107,688	27,690	722,933	–	722,933
Inter-segment	2,525	381	6	18	2,930	(2,930)	–
Total	400,738	189,722	107,694	27,709	725,863	(2,930)	722,933
Segment income	11,392	5,059	12,343	266	29,062	(8,826)	20,235

Notes: 1. Segment income is adjusted for costs related to basic research not assignable to a reporting segment or costs of research shared by different segments.
2. Segment income is adjusted to reflect operating income as reported on the quarterly consolidated statements of income.

II. First six months of current fiscal year (April 1, 2016 – September 30, 2016)

1. Information on sales and income/loss by reporting segment

(Million yen)

	Reporting segment					Adjustment Note 1	Amounts reported on quarterly consolidated statements of income Note 2
	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total		
Net sales							
Outside customers	393,783	192,976	83,828	26,904	697,492	–	697,492
Inter-segment	2,383	285	–	25	2,694	(2,694)	–
Total	396,166	193,262	83,828	26,929	700,187	(2,694)	697,492
Segment income	8,071	7,033	5,991	897	21,994	(10,322)	11,671

Notes: 1. Segment income is adjusted for costs related to basic research not assignable to a reporting segment or costs of research shared by different segments.
2. Segment income is adjusted to reflect operating income as reported on the quarterly consolidated statements of income.

2. Changes in reportable business segments, etc.

(Changes in depreciation method and service life)
DNP consolidated subsidiary Hokkaido Coca-Cola Bottling Co., Ltd. and its consolidated subsidiaries are changing the depreciation method and service life for tangible fixed assets starting in the first quarter of the current fiscal year, as noted in the section, “Changes in accounting policies that are difficult to distinguish from changes in accounting estimates.”

Compared with the previous methods, these changes increase Beverages segment income by ¥652 million in the first six months of the current fiscal year.