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

February 9, 2017

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: February 10, 2017
Dividend payment date: –
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 nine months ended December 31, 2016 (April 1, 2016 – December 31, 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	%
Nine months ended December 31, 2016	1,050,062	(3.7)	22,387	(30.2)	27,072	(31.4)	25,135	(7.0)
Nine months ended December 31, 2015	1,090,163	(0.1)	32,090	(10.4)	39,472	(3.7)	27,036	10.0

Note: Comprehensive income: For the first nine months ended December 31, 2016: ¥24,633 million (60.9%)
For the first nine months ended December 31, 2015: ¥15,314 million (-86.8%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2016	40.57	40.57
Nine months ended December 31, 2015	42.66	42.40

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of December 31, 2016	1,677,224	1,052,912	60.0
As of March 31, 2016	1,718,636	1,063,241	59.2

Note: Stockholders' equity as of December 31, 2016: ¥1,006,157 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: No

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 December 31, 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 December 31, 2016	48,167,370 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)	Nine months ended December 31, 2016	619,477,396 shares	Nine months ended December 31, 2015	633,801,476 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.

Contents

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

(1) Explanation of the consolidated financial results

Japan's economy gradually recovered during the first nine months of the fiscal year, with corporate earnings and the employment environment improving as a result of the economic policies of the Japanese government and the monetary easing policies of the Bank of Japan. 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 demand continued to decline for printed media, including published printed materials.

In this environment, the DNP Group (DNP), based on the DNP Group Vision 2015 and 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 innovations as a combination of its strengths in printing and information and worked to expand its business. It also implemented structural reforms to bolster competitiveness, working to reorganize and consolidate business divisions and group companies and establish operating bases.

Despite these efforts, consolidated net sales for the first nine months fell 3.7% year on year to ¥1,050.0 billion, consolidated operating income fell 30.2% to ¥22.3 billion, consolidated ordinary income fell 31.4% to ¥27.0 billion, and net income attributable to parent company shareholders fell 7.0% to ¥25.1 billion.

Business segment results are presented below.

[PRINTING]

Information Communication

In the Publishing business, amid an ongoing slump in the publication market, Publishing & Media Services fell below year-ago levels on a large decline in magazines, although book sales increased from last year as a result of sales and planning activities. In the Education and Publications Distribution business, DNP worked to expand business in the "honto" hybrid bookstore network that combines physical bookstores, online bookstores, and e-book sales services, including by launching Book Tree in October 2016 as a new service that introduces books chosen based on unique themes by book experts such as authors and bookstore employees. Library outsourcing sales also increased from the previous year on growth in the number of outsourcing libraries. However, overall sales in the Publishing business decreased from the previous year.

In the Information Innovation business, sales were sluggish for advertising flyers, but increased for point-of-purchase promotional materials (POP) and other such products, and were also firm for catalogs and pamphlets. 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, in addition to expanding sales for the DreamPages photobook service, DNP worked to expand services that use its "ShaGoo!" automated commemorative photo booths and "Ki-Re-i" ID photo booths. However, 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 overseas markets, including North America and Europe.

As a result of the above, overall segment sales fell 2.4% year on year to ¥594.4 billion and operating income fell 28.5% to ¥13.7 billion.

Lifestyle and Industrial Supplies

In the Packaging business, paper packaging fell below year-ago levels, but overall sales increased from the previous year as plastic film packaging and molded products held flat year on year and PET plastic bottle aseptic filling systems recorded strong sales.

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.

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

As a result of the above, overall segment sales grew 1.6% year on year to ¥290.1 billion and operating income grew 27.8% to ¥11.0 billion.

Electronics

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

In the Electronic Devices business, sales decreased from the previous year as semiconductor photomasks were sluggish both in Japan and overseas.

As a result of the above, overall segment sales fell 19.0% year on year to ¥125.9 billion and operating income fell 35.1% to ¥10.8 billion.

[BEVERAGES]

Beverages

Amid continued tough competition for market share, due partly to price competition between soft drink makers, DNP worked to expand share in existing markets, improve profitability, 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 unsweetened tea drinks, including the mainstay Ayataka brand. However, sales decreased to group bottlers outside the Hokkaido region and for the Coca-Cola brand. Overall segment sales fell 2.0% year on year to ¥43.3 billion, but operating income grew 141.8% to ¥2.3 billion.

(2) Explanation of the consolidated financial position

Total assets at the end of the third quarter decreased by ¥41.4 billion from the end of the previous fiscal year to ¥1,677.2 billion, due mainly to decrease for merchandise and finished products.

Total liabilities decreased by ¥31.0 billion from the end of the previous fiscal year to ¥624.3 billion, due mainly to decrease in short-term bank loans.

Net assets decreased by ¥10.3 billion from the end of the previous fiscal year to ¥1,052.9 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 60.0%.

(3) Explanation of the consolidated earnings forecasts

Our earnings forecasts for the fiscal year ending March 2017 are unchanged from the forecasts announced 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 has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016), and revised some accounting methods related to the recoverability of deferred tax assets, starting in the first quarter of the current fiscal year.

DNP has applied 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, have been 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, have applied 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 have changed 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 nine 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 have changed 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 has changed 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 has changed 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 increased operating income by ¥1,005 million, and ordinary income and income before income taxes and non-controlling interests by ¥1,016 million, in the first nine 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 December 31, 2016
ASSETS		
Current assets		
Cash and time deposits	171,694	173,092
Notes and trade receivables	348,585	346,765
Merchandise and finished products	101,239	84,544
Work in progress	29,686	31,710
Raw materials and supplies	25,021	24,728
Other	46,847	36,548
Allowance for doubtful accounts	(1,349)	(1,446)
Total current assets	721,724	695,942
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	217,516	208,322
Machinery and equipment, net	89,549	81,636
Land	155,532	155,260
Construction in progress	14,946	16,582
Other, net	35,611	33,379
Total property, plant and equipment	513,156	495,181
Intangible fixed assets		
Other	35,802	34,697
Total intangible fixed assets	35,802	34,697
Investments and other assets		
Investment securities	362,654	368,931
Other	91,722	88,039
Allowance for doubtful accounts	(6,424)	(5,569)
Total investments and other assets	447,952	451,402
Total fixed assets	996,911	981,281
TOTAL ASSETS	1,718,636	1,677,224

(Million yen)

	As of March 31, 2016	As of December 31, 2016
LIABILITIES		
Current liabilities		
Notes and trade payables	255,585	247,156
Short-term bank loans	55,316	33,238
Reserve for bonuses	17,333	6,676
Repair reserve	–	17,616
Other	95,078	84,088
Total current liabilities	423,313	388,776
Long-term liabilities		
Bonds	107,560	109,640
Long-term debt	18,190	12,904
Net defined benefit liability	34,167	34,183
Deferred tax liabilities	48,884	56,240
Other	23,278	22,568
Total long-term liabilities	232,080	235,536
TOTAL LIABILITIES	655,394	624,312
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,283	144,282
Retained earnings	717,029	695,707
Treasury stock	(81,024)	(69,488)
Total stockholders' equity	894,752	884,965
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	123,478	135,061
Net deferred gains (losses) on hedges	(6)	15
Foreign currency translation adjustments	3,050	(9,252)
Remeasurements of defined benefit plans	(3,849)	(4,632)
Total accumulated other comprehensive income	122,672	121,191
Stock acquisition rights	16	–
Non-controlling interests	45,800	46,755
TOTAL NET ASSETS	1,063,241	1,052,912
TOTAL LIABILITIES AND NET ASSETS	1,718,636	1,677,224

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

Quarterly consolidated statements of income

First nine months of the fiscal years

(Million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	1,090,163	1,050,062
Cost of sales	879,233	851,297
Gross profit	210,930	198,765
Selling, general and administrative expenses	178,839	176,377
Operating income	32,090	22,387
Non-operating income		
Interest and dividend income	4,803	5,085
Equity in earnings of affiliates	2,725	2,379
Other	4,750	3,759
Total non-operating income	12,279	11,223
Non-operating expense		
Interest expense	1,843	1,671
Other	3,054	4,867
Total non-operating expenses	4,898	6,538
Ordinary income	39,472	27,072
Extraordinary gains		
Gain on sale of fixed assets	217	944
Gain on sale of investment securities	7,344	40,277
Other	463	3,718
Total extraordinary gains	8,025	44,939
Extraordinary losses		
Loss on sale or disposal of fixed assets	1,052	2,358
Production restructuring costs	2,403	–
Repair costs and repair reserve provisions	1,670	30,218
Other	684	1,401
Total extraordinary losses	5,810	33,978
Income before income taxes and non-controlling interests	41,686	38,034
Current income taxes	7,177	8,596
Deferred income taxes	6,487	2,333
Total income taxes	13,664	10,930
Net income	28,022	27,103
Net income attributable to non-controlling shareholders	985	1,968
Net income attributable to parent company shareholders	27,036	25,135

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

(Million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net income	28,022	27,103
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,481)	11,773
Net deferred gains on hedges	42	31
Foreign currency translation adjustments	(6,189)	(11,336)
Remeasurements of defined benefit plans	(5,093)	646
Share of other comprehensive income of affiliates accounted for using equity method	2,013	(3,585)
Total other comprehensive income	(12,707)	(2,470)
Comprehensive income	15,314	24,633
Attributable to:		
Parent company shareholders	15,252	23,654
Non-controlling shareholders	61	978

(3) Notes regarding quarterly consolidated financial statements

[Notes on premise of a going concern]
None

[Significant changes in shareholders' equity]
Treasury stock increased by ¥15,028 million during the first nine 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 nine 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 nine months of previous fiscal year (April 1, 2015 – December 31, 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	605,525	284,973	155,451	44,213	1,090,163	–	1,090,163
Inter-segment	3,452	712	11	27	4,204	(4,204)	–
Total	608,977	285,686	155,463	44,240	1,094,367	(4,204)	1,090,163
Segment income	19,163	8,648	16,777	959	45,548	(13,457)	32,090

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 nine months of current fiscal year (April 1, 2016 – December 31, 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	591,256	289,520	125,986	43,299	1,050,062	–	1,050,062
Inter-segment	3,225	602	–	36	3,864	(3,864)	–
Total	594,481	290,122	125,986	43,336	1,053,927	(3,864)	1,050,062
Segment income	13,702	11,056	10,892	2,319	37,971	(15,583)	22,387

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 have changed 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 ¥1,005 million in the first nine months of the current fiscal year.