



Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2021 [J-GAAP]

November 10, 2020

Company Name: Dai Nippon Printing Co., Ltd.
Stock exchange listing: Tokyo
Stock code: 7912 URL: <https://www.dnp.co.jp/eng/>
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Securities report issuing date: November 10, 2020
Dividend payment date: December 10, 2020
Preparation of quarterly earnings presentation material: Yes
Holding of quarterly results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the first six months ended September 30, 2020
(April 1, 2020 – September 30, 2020)

(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, 2020	644,638	(7.1)	17,563	(31.6)	21,793	(25.9)	11,434	(84.9)
Six months ended September 30, 2019	694,150	1.3	25,689	12.5	29,420	13.8	75,495	345.9

Note: Comprehensive income: For the first six months ended September 30, 2020: ¥57,366 million (+70.3%)
For the first six months ended September 30, 2019: ¥33,679 million (-52.9%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2020	40.71	40.54
Six months ended September 30, 2019	250.28	250.26

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2020	1,730,376	1,016,484	55.7
As of March 31, 2020	1,721,724	968,574	53.2

Note: Stockholders' equity: As of September 30, 2020: ¥963,639 million As of March 31, 2020: ¥915,779 million

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Year ended March 31, 2020	–	32.00	–	32.00	64.00
Year ending March 31, 2021	–	32.00			
Year ending March 31, 2021 (Forecasts)			–	32.00	64.00

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

3. Consolidated earnings forecasts for the year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	1,340,000	(4.4)	40,000	(28.9)	48,000	(24.7)	21,000	(69.8)	74.77

Note: Revisions to the most recently announced earnings forecasts during the second quarter: No

Other information

(1) Changes in significant subsidiaries during the second 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: | No |
| 2) Changes in accounting policies other than the 1) above: | No |
| 3) Changes in accounting estimates: | No |
| 4) Restatement of revisions: | No |

(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, 2020	324,240,346 shares	As of March 31, 2020	324,240,346 shares
2) Number of treasury shares at end of each period	As of September 30, 2020	43,361,046 shares	As of March 31, 2020	43,359,344 shares
3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)	Six months ended September 30, 2020	280,880,250 shares	Six months ended September 30, 2019	301,649,646 shares

* These financial results are exempt from auditing by a certified public accountant or an auditing company.

* 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 published. Actual results may differ significantly due to a variety of factors.

For information about earnings forecasts, see the section titled, "1. Qualitative information on the consolidated results for the second quarter (3) Explanation of the consolidated earnings forecasts," on page 4.

The DNP Group will hold a results briefing (conference call) for institutional investors and analysts on November 12, 2020. Materials used at the briefing will be uploaded to the DNP website at around 14:00 JST the same day.

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

(1) Explanation of the consolidated financial results

Business conditions surrounding the DNP Group during the first six months of the fiscal year ending March 2021 were extremely adverse, with a sharp retrenchment in consumer spending and corporate activity and a decline in demand for various printed materials due to the impact of the novel coronavirus disease (hereafter, COVID-19). Despite the gradual resumption of economic activity in some countries and regions in the latter half of this period, the pace of economic recovery remained slow and conditions remained unstable. However, uptake of remote working increased, demand for educational ICT (information and communications technology) and online medical consultations grew, and a global focus on reducing environmental impact resulted in greater demand for environmentally conscious products and services.

Amid these major changes, the DNP Group worked to build a strong business portfolio by optimizing the allocation of management resources and restructuring to enhance competitiveness, primarily in focus areas with high profitability and prospects for market growth such as the Internet of Things (IoT)/next-generation communications, data distribution, environment, and mobility. It also worked to strengthen the business base needed to support sustainable growth for the entire DNP Group by stepping up its initiatives in areas including the environment, human capital, and human rights.

Despite these efforts, consolidated net sales for the first six months fell 7.1% year on year to ¥644.6 billion, consolidated operating income fell 31.6% to ¥17.5 billion, consolidated ordinary income fell 25.9% to ¥21.7 billion, and net income attributable to parent company shareholders fell 84.9% to ¥11.4 billion.

Business segment results are presented below.

[PRINTING]

Information Communication

In the Information Innovation business, areas such as ID cards (mainly Japan's social security and tax number ("My Number") cards) and Business Process Outsourcing (BPO) saw steady growth, partly reflecting an increase in demand driven by government stimulus measures. BPO services handle business processes on behalf of companies seeking to respond to labor shortages and work-style reforms. However, overall sales in the Information Innovation business declined due to the postponement and cancellation of events throughout Japan, including the Tokyo 2020 Olympic and Paralympic Games, a reduction in promotional campaigns and other advertising demand, and a decline in sales of pamphlets, catalogs and other printed media.

In the Imaging Communication business, sales declined as opportunities to shoot and print photos at tourist destinations and event venues decreased due to government stay-at-home requests, which considerably reduced sales of related products and services.

In the Publishing business, more time spent at home due to government stay-at-home requests and school closures drove favorable e-book sales trends in the "honto" hybrid bookstore network, which handles both printed and electronic books. However, overall sales in the Publishing business declined due to the continuing downtrend in printing orders for books and magazines.

As a result of the above, overall segment sales fell 8.6% year on year to ¥346.3 billion, and operating income fell 49.9% to ¥6.4 billion due to the decline in sales.

Lifestyle and Industrial Supplies

In the Packaging business, demand increased for packaging for pharmaceuticals and sanitary materials in response to COVID-19, but demand for commercial packaging materials for beverages, souvenirs, and restaurant use declined due to government stay-at-home requests. As a result, overall sales in the Packaging business declined.

In the Living Spaces business, sales declined due to a fall in demand caused by the delay or suspension of domestic housing construction and remodeling work due to the impact of COVID-19.

In the High-Performance Industrial Supplies business, sales rose for battery pouches used in

automotive lithium-ion batteries due to increasing demand for electric vehicles that reduce environmental impact, and for battery pouches for lithium-ion batteries used in tablets and smartphones due mainly to an increase in teleworking. As a result, overall sales in the Industrial Supplies business increased.

As a result of the above, overall segment sales fell 9.4% year on year to ¥178.6 billion and operating income fell 22.6% year on year to ¥3.8 billion due to the considerable impact from a decrease in overall segment sales, despite expansion in the High-Performance Industrial Supplies business and a decline in raw material prices.

Electronics

In the Display Components business, sales of components used in automotive applications decreased due to a decline in demand for and production of automotive-related products caused by COVID-19. Sales of color filters for LCD displays also declined due to business streamlining in response to a decline in demand. In optical films, sales of projector screens declined in line with a decrease in demand for large, high-priced displays due to COVID-19, but sales of products used in LCD displays for tablets and monitors increased due to an increase in household demand driven by teleworking and other factors, and sales of products used in TVs were also strong. Sales of metal masks used in the production of organic light-emitting diode (OLED) displays also remained stable due to greater uptake of OLED displays in smartphones. As a result, overall sales in the Display Components business increased.

Sales in the Electronic Devices business rose due to growth in overall demand driven by an increase in remote working and greater uptake of IoT equipment.

As a result of the above, overall segment sales grew 2.1% year on year to ¥96.5 billion but operating income fell 1.0% year on year to ¥17.9 billion due to a decline in sales of high value-added display products caused by COVID-19.

[BEVERAGES]

Beverages

Amid a decline in demand from tourist destinations and restaurants due to government stay-at-home requests, sales of the Lemondo line of alcoholic beverages increased due to greater demand from consumers drinking at home, and the DNP Group also made efforts to propose products that address growing restaurant take-out demand.

Overall segment sales fell 5.1% year on year to ¥24.4 billion as growth in Lemondo sales was offset by factors including the impact of government stay-at-home requests, a decrease in tourists and hotel guests, and a decline in beverage demand due to the temporary closure of restaurants and other businesses. Operating income declined to a loss of ¥0.1 billion (from income of ¥0.6 billion in the first half of the previous fiscal year) due to factors such as a decline in sales volume.

(2) Explanation of the consolidated financial position

Total assets at the end of the second quarter increased by ¥8.6 billion from the end of the previous fiscal year to ¥1,730.3 billion, due mainly to an increase in investment securities.

Total liabilities decreased by ¥39.2 billion from the end of the previous fiscal year to ¥713.8 billion, due mainly to a decrease in notes and trade payables.

Net assets increased by ¥47.9 billion from the end of the previous fiscal year to ¥1,016.4 billion, due mainly to an increase in valuation difference on available-for-sale securities.

Cash and cash equivalents at the end of the second quarter decreased by ¥49.3 billion from the end of the previous fiscal year to ¥328.0 billion.

Cash flow provided by operating activities totaled ¥12.4 billion (¥54.1 billion in the first half of the previous fiscal year), due mainly to ¥19.2 billion in income before income taxes and non-controlling interests and ¥24.2 billion in depreciation.

Cash flow used in investing activities totaled ¥41.1 billion (cash provided of ¥207.6 billion in the first half of the previous fiscal year), due mainly to a ¥7.8 billion net increase in time deposits and ¥26.6 billion in payments for purchases of property, plant and equipment.

Cash flow used in financing activities totaled ¥19.6 billion (¥28.0 billion in the first half of the

previous fiscal year), due mainly to a ¥5.6 billion net decrease in short-term bank loans and ¥8.9 billion in dividends paid.

(3) Explanation of the consolidated earnings forecasts

Our earnings forecasts for the fiscal year ending March 2021 are unchanged from the forecasts announced on August 5, 2020.

2. Quarterly consolidated financial statements and key notes
(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2020	As of September 30, 2020
ASSETS		
Current assets		
Cash and time deposits	373,013	331,410
Notes and trade receivables	330,798	305,827
Marketable securities	18,000	18,000
Merchandise and finished products	78,199	78,653
Work in progress	32,231	32,067
Raw materials and supplies	23,849	25,439
Other	29,279	23,863
Allowance for doubtful accounts	(1,361)	(908)
Total current assets	884,010	814,353
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	158,089	159,815
Machinery and equipment, net	65,016	70,105
Land	141,423	141,430
Construction in progress	16,428	13,025
Other, net	28,409	27,648
Total property, plant and equipment	409,367	412,025
Intangible fixed assets		
Other	22,716	25,183
Total intangible fixed assets	22,716	25,183
Investments and other assets		
Investment securities	298,894	368,510
Other	109,021	112,560
Allowance for doubtful accounts	(2,286)	(2,257)
Total investments and other assets	405,629	478,813
Total fixed assets	837,713	916,022
TOTAL ASSETS	1,721,724	1,730,376

(Million yen)

	As of March 31, 2020	As of September 30, 2020
LIABILITIES		
Current liabilities		
Notes and trade payables	238,066	208,706
Short-term bank loans	39,051	33,411
Bonds redeemable within 1 year	52,490	52,430
Reserve for bonuses	18,945	19,170
Repair reserve	20,636	20,267
Other	111,461	93,539
Total current liabilities	480,651	427,526
Long-term liabilities		
Bonds	107,120	107,035
Long-term debt	5,977	5,744
Repair reserve	54,660	50,811
Net defined benefit liability	35,687	35,110
Deferred tax liabilities	42,821	63,242
Other	26,230	24,422
Total long-term liabilities	272,497	286,366
TOTAL LIABILITIES	753,149	713,892
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	145,024	145,024
Retained earnings	676,346	678,792
Treasury stock	(122,911)	(122,915)
Total stockholders' equity	812,923	815,365
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	110,051	157,473
Net deferred gains on hedges	5	5
Foreign currency translation adjustments	(3,448)	(5,262)
Remeasurements of defined benefit plans	(3,751)	(3,942)
Total accumulated other comprehensive income	102,856	148,273
Non-controlling interests	52,794	52,844
TOTAL NET ASSETS	968,574	1,016,484
TOTAL LIABILITIES AND NET ASSETS	1,721,724	1,730,376

(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, 2019	Six months ended September 30, 2020
Net sales	694,150	644,638
Cost of sales	549,711	513,552
Gross profit	144,439	131,085
Selling, general and administrative expenses	118,749	113,521
Operating income	25,689	17,563
Non-operating income		
Interest and dividend income	3,029	2,666
Equity in earnings of affiliates	2,994	3,195
Other	2,396	1,933
Total non-operating income	8,420	7,795
Non-operating expense		
Interest expense	863	729
Contributions	1,340	1,161
Other	2,486	1,674
Total non-operating expenses	4,690	3,564
Ordinary income	29,420	21,793
Extraordinary gains		
Gain on sale of fixed assets	29,963	29
Gain on sale of investment securities	51,340	20
Other	29	–
Total extraordinary gains	81,333	50
Extraordinary losses		
Loss on sale or disposal of fixed assets	923	804
Loss on devaluation of investment securities	469	864
Other	109	962
Total extraordinary losses	1,502	2,631
Income before income taxes and non-controlling interests	109,250	19,212
Current income taxes	18,893	6,951
Deferred income taxes	13,208	49
Total income taxes	32,102	7,000
Net income	77,148	12,212
Net income attributable to non-controlling shareholders	1,652	777
Net income attributable to parent company shareholders	75,495	11,434

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

(Million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income	77,148	12,212
Other comprehensive income		
Valuation difference on available-for-sale securities	(40,606)	47,673
Net deferred gains (losses) on hedges	9	(0)
Foreign currency translation adjustments	(2,168)	(1,820)
Remeasurements of defined benefit plans	(624)	532
Share of other comprehensive income of affiliates accounted for using equity method	(78)	(1,231)
Total other comprehensive income (loss)	(43,468)	45,154
Comprehensive income	33,679	57,366
Attributable to:		
Parent company shareholders	32,081	56,852
Non-controlling shareholders	1,598	514

(3) Quarterly consolidated statements of cash flows

(Million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Income before income taxes and non-controlling interests	109,250	19,212
Depreciation	26,711	24,282
Decrease of doubtful accounts	(208)	(464)
Increase of net defined benefit asset	(3,283)	(2,013)
Increase of net defined benefit liability	626	86
Equity in gains of affiliates	(2,994)	(3,195)
Amortization of consolidation goodwill, net	834	762
Interest and dividend income	(3,029)	(2,666)
Interest expense	863	729
Net gains on sales of investment securities	(51,336)	(18)
Net losses on devaluation of investment securities	471	864
Net (gains) losses on sales or disposal of fixed assets	(29,003)	820
Decrease in trade receivables	33,085	25,016
Increase in inventories	(4,658)	(2,141)
Decrease in trade payables	(13,734)	(29,612)
Other	6,318	2,100
Sub-total	69,913	33,763
Payments for repair costs	(8,255)	(4,217)
Payments for extra retirement payments	(335)	(6)
Payment of income taxes	(7,125)	(17,133)
Net cash provided by operating activities	54,196	12,404
Cash flows from investing activities		
Net (increase) decrease in time deposits	133,990	(7,809)
Payments for purchases of property, plant and equipment	(21,547)	(26,650)
Proceeds from sales of property, plant and equipment	42,486	467
Payments for purchases of investment securities	(400)	(493)
Proceeds from sales of investment securities	56,197	80
Payments for purchase of intangible fixed assets	(4,785)	(5,396)
Payments for purchase of stock in subsidiaries resulting in change in scope of consolidation	–	(1,975)
Proceeds from purchase of stock in subsidiaries resulting in change in scope of consolidation	38	–
Interest and dividends received	3,720	3,633
Other	(2,043)	(3,011)
Net cash provided by (used in) investing activities	207,657	(41,154)

(Million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from financing activities		
Net decrease in short-term bank loans	(9,209)	(5,622)
Proceeds from long-term debt	1,100	1,095
Repayments of long-term debt	(1,368)	(2,039)
Proceeds from issue of bonds	49,785	–
Payments for redemption of bonds	(50,145)	(145)
Payments for purchases of treasury stock	(3,278)	(4)
Payments for purchases of treasury stock of subsidiaries	(0)	(0)
Interest paid	(984)	(738)
Dividends paid	(9,659)	(8,990)
Dividends paid to non-controlling interests	(422)	(463)
Other	(3,846)	(2,742)
Net cash used in financing activities	(28,029)	(19,651)
Effect of exchange rate changes on cash and cash equivalents	(1,289)	(948)
Net increase (decrease) in cash and cash equivalents	232,535	(49,349)
Cash and cash equivalents at beginning of year	133,771	377,367
Increase in cash and cash equivalents resulting from the merger of non-consolidated subsidiaries	–	47
Cash and cash equivalents at end of period	366,306	328,066

(4) Notes regarding quarterly consolidated financial statements

[Notes on premise of a going concern]

None

[Significant changes in shareholders' equity]

None

[Segment information, etc.]

I. First six months of previous fiscal year (April 1, 2019 – September 30, 2019)

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	377,345	196,530	94,572	25,701	694,150	–	694,150
Inter-segment	1,654	634	–	9	2,298	(2,298)	–
Total	378,999	197,165	94,572	25,711	696,449	(2,298)	694,150
Segment income	12,798	4,941	18,089	633	36,462	(10,772)	25,689

- 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, 2020 – September 30, 2020)

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	345,188	178,537	96,520	24,390	644,638	–	644,638
Inter-segment	1,114	82	–	9	1,206	(1,206)	–
Total	346,303	178,620	96,520	24,400	645,844	(1,206)	644,638
Segment income (loss)	6,410	3,825	17,902	(102)	28,036	(10,472)	17,563

- Notes:
1. Segment income (loss) 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 (loss) is adjusted to reflect operating income as reported on the quarterly consolidated statements of income.