



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

February 9, 2021

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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Preparation of quarterly earnings presentation material: No
Holding of quarterly results briefing: No

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

1. Consolidated financial results for the first nine months ended December 31, 2020
(April 1, 2020 – December 31, 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	%
Nine months ended December 31, 2020	987,689	(5.7)	31,959	(22.7)	39,598	(17.3)	24,109	(72.3)
Nine months ended December 31, 2019	1,047,155	0.1	41,345	14.4	47,906	15.5	87,077	242.4

Note: Comprehensive income: For the first nine months ended December 31, 2020: ¥ 81,199 million (+7.3%)
For the first nine months ended December 31, 2019: ¥ 75,668 million (+435.1%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2020	85.84	85.80
Nine months ended December 31, 2019	291.13	291.10

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of December 31, 2020	1,706,865	1,031,638	57.3
As of March 31, 2020	1,721,724	968,574	53.2

Note: Stockholders' equity as of December 31, 2020: ¥ 978,011 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 third 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 third quarter: No

Other information

(1) Changes in significant subsidiaries during the third 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 December 31, 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 December 31, 2020	43,362,352 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)	Nine months ended December 31, 2020	280,879,755 shares	Nine months ended December 31, 2019	299,098,706 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 third quarter (3) Explanation of the consolidated earnings forecasts," on page 4.

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1. Qualitative information on the consolidated results for the first nine months

(1) Explanation of the consolidated financial results

Business conditions surrounding the DNP Group during the first nine 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 (hereafter, COVID-19). While economic activity in all countries and regions gradually resumed in the latter part of the second quarter of the fiscal year, the recovery remained muted, and a sharp increase in COVID-19 cases at the end of the third quarter created greater uncertainty about the outlook for containing the pandemic. However, adoption of teleworking increased considerably, digital transformation (DX, including network-based remote learning and online medical consultations) accelerated, and 5G mobile communications systems came into full-scale use, resulting in greater demand for higher-performance digital devices. A global focus on reducing environmental impact also resulted in greater demand for environmentally conscious products and services.

Amid these major changes, the DNP Group is focusing on business areas with high profitability and prospects for market growth such as the Internet of Things (IoT)/next-generation communications, data distribution, environment, and mobility by combining its unique strengths in printing and information (P&I), including information and communications technology (ICT). It is working to build a strong business portfolio by optimizing the allocation of management resources to the above businesses and restructuring to enhance competitiveness. The DNP Group also worked to strengthen its business base to support sustainable growth for the entire group by using ICT to improve productivity, revamping its internal system platform, and promoting its environmental, human capital, and human rights initiatives.

Despite these efforts, consolidated net sales for the first nine months fell 5.7% year on year to ¥987.6 billion, consolidated operating income fell 22.7% to ¥31.9 billion, consolidated ordinary income fell 17.3% to ¥39.5 billion, and net income attributable to parent company shareholders fell 72.3% to ¥24.1 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, 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 amusement facilities 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 drove favorable e-book sales trends in the "honto" hybrid bookstore network, which handles both printed and electronic books, and an increase in the number of institutions outsourcing digital library services. 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 7.8% year on year to ¥529.1 billion and operating income fell 49.9% to ¥10.6 billion.

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, the DNP Group worked to create new demand by releasing products with antibacterial and antiviral functionality to combat infectious diseases. Enquiries regarding decorative films and other automotive products rebounded amid signs of a recovery in domestic and overseas automobile demand, but demand for interior and exterior decorative materials for housing declined due to the delay or suspension of domestic housing construction and remodeling work. As a result, sales in the Living Spaces business declined.

In the High-Performance Industrial Supplies business, sales rose for battery pouches used in automotive lithium-ion batteries due to increasing worldwide growth in 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 6.5% year on year to ¥275.7 billion, but operating income grew 10.1% to ¥8.8 billion due to growth in the High-Performance Industrial Supplies business and lower raw material prices.

Electronics

In the Display Components business, optical films were affected by changes in consumer purchasing behavior caused by the COVID-19 pandemic, with lower physical store sales of projector screens contrasting with higher sales of products used in displays for tablets and monitors due to an increase in household demand driven by teleworking and stay-at-home demand, and stronger sales of products used in TVs. While sales of color filters for LCD declined due to business structure reforms and streamlining, sales of metal masks used in the production of organic light-emitting diode (OLED) displays remained constant, due partly to increased adoption of these displays in smartphones. As a result, overall sales in the Display Components business increased.

In the Electronic Devices business, sales increased due to greater demand mainly from telecoms and data center applications driven by growth in teleworking and 5G-related services.

As a result of the above, overall segment sales grew 4.4% year on year to ¥145.9 billion, and operating income grew 3.9% to ¥27.4 billion due to growth in sales and the positive impact of restructuring.

[BEVERAGES]

Beverages

Demand from tourist destinations and restaurants declined due to government stay-at-home requests, but 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 offer new value to align with lifestyle changes caused by the COVID-19 pandemic, for example by addressing the increase in restaurant take-out demand.

Overall segment sales fell 6.8% year on year to ¥38.8 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 also decreased 56.5% year on year to ¥0.7 billion, due mainly to a decline in sales volume.

(2) Explanation of the consolidated financial position

Total assets at the end of the third quarter decreased by ¥14.8 billion from the end of the previous fiscal year to ¥1,706.8 billion, due mainly to a decline in cash and time deposits.

Total liabilities decreased by ¥77.9 billion from the end of the previous fiscal year to ¥675.2 billion, due mainly to a decline in bonds redeemable within one year.

Net assets increased by ¥63.0 billion from the end of the previous fiscal year to ¥1,031.6 billion, due mainly to an increase in valuation difference on available-for-sale securities.

(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 December 31, 2020
ASSETS		
Current assets		
Cash and time deposits	373,013	269,357
Notes and trade receivables	330,798	327,616
Marketable securities	18,000	19,000
Merchandise and finished products	78,199	75,669
Work in progress	32,231	35,198
Raw materials and supplies	23,849	25,813
Other	29,279	27,133
Allowance for doubtful accounts	(1,361)	(897)
Total current assets	884,010	778,892
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	158,089	158,249
Machinery and equipment, net	65,016	68,568
Land	141,423	141,305
Construction in progress	16,428	14,503
Other, net	28,409	27,029
Total property, plant and equipment	409,367	409,656
Intangible fixed assets		
Other	22,716	26,704
Total intangible fixed assets	22,716	26,704
Investments and other assets		
Investment securities	298,894	383,353
Other	109,021	110,530
Allowance for doubtful accounts	(2,286)	(2,272)
Total investments and other assets	405,629	491,612
Total fixed assets	837,713	927,973
TOTAL ASSETS	1,721,724	1,706,865

(Million yen)

	As of March 31, 2020	As of December 31, 2020
LIABILITIES		
Current liabilities		
Notes and trade payables	238,066	228,298
Short-term bank loans	39,051	30,461
Bonds redeemable within 1 year	52,490	3,570
Reserve for bonuses	18,945	7,608
Repair reserve	20,636	20,046
Other	111,461	98,374
Total current liabilities	480,651	388,358
Long-term liabilities		
Bonds	107,120	103,550
Long-term debt	5,977	7,667
Repair reserve	54,660	48,711
Net defined benefit liability	35,687	35,183
Deferred tax liabilities	42,821	68,386
Other	26,230	23,369
Total long-term liabilities	272,497	286,868
TOTAL LIABILITIES	753,149	675,227
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	145,024	145,024
Retained earnings	676,346	682,791
Treasury stock	(122,911)	(122,918)
Total stockholders' equity	812,923	819,362
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	110,051	167,900
Net deferred gains (losses) on hedges	5	(8)
Foreign currency translation adjustments	(3,448)	(5,584)
Remeasurements of defined benefit plans	(3,751)	(3,657)
Total accumulated other comprehensive income	102,856	158,649
Non-controlling interests	52,794	53,626
TOTAL NET ASSETS	968,574	1,031,638
TOTAL LIABILITIES AND NET ASSETS	1,721,724	1,706,865

(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, 2019	Nine months ended December 31, 2020
Net sales	1,047,155	987,689
Cost of sales	827,747	785,013
Gross profit	219,407	202,676
Selling, general and administrative expenses	178,062	170,716
Operating income	41,345	31,959
Non-operating income		
Interest and dividend income	5,105	3,948
Equity in earnings of affiliates	4,778	5,583
Other	3,051	3,053
Total non-operating income	12,935	12,585
Non-operating expense		
Interest expense	1,158	1,065
Contributions	2,153	1,458
Other	3,061	2,422
Total non-operating expenses	6,373	4,947
Ordinary income	47,906	39,598
Extraordinary gains		
Gain on sale of fixed assets	30,155	453
Gain on sale of investment securities	51,367	165
Compensation income	–	365
Other	29	–
Total extraordinary gains	81,552	984
Extraordinary losses		
Loss on sale or disposal of fixed assets	1,709	1,087
Loss on sale of investment securities	605	24
Loss on devaluation of investment securities	313	755
Other	111	1,093
Total extraordinary losses	2,739	2,960
Income before income taxes and non-controlling interests	126,719	37,621
Current income taxes	20,197	8,454
Deferred income taxes	17,070	3,157
Total income taxes	37,267	11,612
Net income	89,451	26,009
Net income attributable to non-controlling shareholders	2,374	1,899
Net income attributable to parent company shareholders	87,077	24,109

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

(Million yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net income	89,451	26,009
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,081)	57,980
Net deferred gains (losses) on hedges	36	(25)
Foreign currency translation adjustments	(2,416)	(2,625)
Remeasurements of defined benefit plans	(860)	855
Share of other comprehensive income of affiliates accounted for using equity method	(461)	(993)
Total other comprehensive income	(13,783)	55,190
Comprehensive income	75,668	81,199
Attributable to:		
Parent company shareholders	73,202	79,902
Non-controlling shareholders	2,465	1,297

(3) 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 nine months of previous fiscal year (April 1, 2019 – December 31, 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	571,568	294,074	139,871	41,640	1,047,155	–	1,047,155
Inter-segment	2,406	867	–	16	3,289	(3,289)	–
Total	573,974	294,941	139,871	41,656	1,050,444	(3,289)	1,047,155
Segment income	21,240	8,052	26,389	1,803	57,485	(16,140)	41,345

- 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, 2020 – December 31, 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	527,462	275,441	145,969	38,815	987,689	–	987,689
Inter-segment	1,699	272	–	13	1,985	(1,985)	–
Total	529,162	275,713	145,969	38,829	989,674	(1,985)	987,689
Segment income	10,632	8,867	27,411	784	47,695	(15,736)	31,959

- 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.