



Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2024 [J-GAAP]

August 8, 2023

Company Name: Dai Nippon Printing Co., Ltd.
Stock exchange listing: Tokyo
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Securities report issuing date: August 8, 2023
Dividend payment date: –
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 three months ended June 30, 2023
(April 1, 2023 – June 30, 2023)

(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	%
Three months ended June 30, 2023	345,098	3.2	13,282	(21.5)	19,385	(14.3)	58,056	268.8
Three months ended June 30, 2022	334,433	0.8	16,917	2.5	22,628	13.5	15,739	5.8

Note: Comprehensive income: For the first three months ended June 30, 2023: ¥34,595 million (-%)
 For the first three months ended June 30, 2022: ¥(16,975) million (-%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2023	225.12	225.11
Three months ended June 30, 2022	58.58	58.56

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2023	1,851,620	1,157,808	58.7
As of March 31, 2023	1,830,384	1,148,245	59.4

Note: Stockholders' equity as of June 30, 2023: ¥1,087,680 million As of March 31, 2023: ¥1,087,504 million

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Year ended March 31, 2023	–	32.00	–	32.00	64.00
Year ending March 31, 2024	–				
Year ending March 31, 2024 (Forecasts)		32.00	–	32.00	64.00

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

3. Consolidated earnings forecasts for the year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	1,410,000	2.7	67,000	9.4	78,000	(6.8)	88,000	2.7	343.79

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

At a meeting of the Board of Directors held on March 9, 2023, the Company resolved to repurchase its own shares. In the calculation of "net income per share" in the consolidated earnings forecast, the impact of the share repurchase after July 1, 2023 based on this resolution is not taken into account.

Other information

(1) Changes in significant subsidiaries during the first 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 June 30, 2023	292,240,346 shares	As of March 31, 2023	292,240,346 shares
2) Number of treasury shares at end of each period	As of June 30, 2023	37,121,138 shares	As of March 31, 2023	30,724,570 shares
3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)	Three months ended June 30, 2023	257,887,269 shares	Three months ended June 30, 2022	268,675,013 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 first quarter (3) Explanation of the consolidated earnings forecasts and other projections," on page 4.

Contents

1. Qualitative information on the consolidated results for the first quarter	2
(1) Explanation of the consolidated financial results	2
(2) Explanation of the consolidated financial position	4
(3) Explanation of the consolidated earnings forecasts and other projections	4
2. Quarterly consolidated financial statements and key notes	5
(1) Quarterly consolidated balance sheets	5
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	7
Quarterly consolidated statements of income	
First three months of the fiscal years	7
Quarterly consolidated statements of comprehensive income	
First three months of the fiscal years	8
(3) Notes regarding quarterly consolidated financial statements	9
[Notes on premise of a going concern]	9
[Significant changes in shareholders' equity]	9
[Segment information]	9

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

(1) Explanation of the consolidated financial results

The environment surrounding the DNP Group during the first three months of the fiscal year ending March 31, 2024 showed signs of gradual economic recovery, thanks partly to increased personal consumption and inbound tourism-related demand reflecting the reclassification, in May 2023, of the novel coronavirus (COVID-19) to the less threatening category 5 under Japan's Infectious Diseases Control Law. At the same time, the future remains difficult to predict, largely because prolonged geopolitical risks, instability in global supply chains, and other challenges continue to cause worldwide increases in energy and food prices as well as monetary tightening in Europe and the United States.

Amid these kinds of rapid, global-scale changes in the environment, society, and economies, the DNP Group is pursuing business activities aimed at realizing its own ideas for a better future, by combining DNP's unique strengths while increasing collaboration with diverse external partners. In May 2023, DNP unveiled a new Medium-Term Management Plan that was conceived from a long-term perspective and aims to realize a sustainable society based on our corporate philosophy of "connecting individuals and society, and providing new value." This new plan is aimed at achieving long-term growth by promoting financial and non-financial strategies that build the management capital that supports our business activities, while implementing concrete measures, centered around business strategies, that continuously create value.

In terms of business strategies, we will build a robust business portfolio over the medium to long term, and accelerate value creation primarily in focus business areas that pertain to three new business segments as of the fiscal year through March 2024. Regarding financial strategies, we will appropriately allocate the cash flow that we generate toward further business growth and shareholder returns. In terms of non-financial strategies, we will strengthen the business base that supports our long-term growth, mainly through three measures: enhancing human capital, enhancing intellectual capital, and addressing environmental concerns.

As a result of the above, consolidated net sales for the first three months grew 3.2% year on year to ¥345.0 billion, consolidated operating income fell 21.5% to ¥13.2 billion, consolidated ordinary income fell 14.3% to ¥19.3 billion, and net income attributable to parent company shareholders grew 268.8% to ¥58.0 billion due mainly to the recording of extraordinary gains on the sale of investment securities.

In order to clarify the business domains and strategies of each of our business segments, and in order to accelerate the execution of concrete measures, as of the first quarter of the fiscal year through March 2024, we changed the name of the Information Communication segment to Smart Communication, and we renamed the Lifestyle and Industrial Supplies segment to Life & Healthcare. At the same time, in order to contribute even further to comfortable lives for people, we transferred our Beverages business to Life & Healthcare, to which it is closely related. Comparisons and analyses pertaining to the first quarter of the fiscal year through March 2024 are based on the new segment classification.

Smart Communication

In Imaging Communications, photographing and printing materials performed well in the European and Asian markets, and photo shooting services sold well in the U.S. market.

Regarding information security, in addition to large-scale business process outsourcing (BPO) projects, sales of dual-interface cards that feature both contact and contactless standards on a

single IC chip stood out among smart cards for their strong performance, and helped boost the bottom line.

In marketing, we managed to maintain the same level as the previous year by responding to the shrinking market for paper media and striving to provide value that results from combining the track record and knowledge of marketing measures that we cultivated over the course of many years with our strength in digital technologies.

Our Publishing business enjoyed steady sales of digital library services and library management services in addition to solid results from the distribution of e-books and other electronic media. However, printing orders decreased due to the contraction of the market for magazines and other paper media, resulting in an overall year-on-year decline in Publishing sales.

Concerning Content and XR (extended reality) communication, DNP has started providing a package of services that uses a “metaverse,” or an online virtual space, to support the resolution of issues faced by local governments.

As a result of the above, overall segment sales grew 3.7% year on year to ¥180.0 billion, and operating income grew 4.2% to ¥4.9 billion due to the positive impact of increased information security-related sales and activities to improve operational efficiency, despite the impact of higher costs related to raw materials and labor costs, in addition to lower publishing-related sales.

Life & Healthcare

The Mobility and High-Performance Industrial Supplies businesses enjoyed strong sales of battery pouches for lithium-ion batteries, for use in both IT devices and automotive applications. Concerning photovoltaic cell-related products, sales of encapsulants increased due to rising global demand. In addition, we have started selling, for automotive use, decorative films for exterior use in addition to films for interior use.

Our Packaging business focused on high-value-added products, and made progress toward passing through price increases for microwaveable pouches and other soft packaging products as well as paper containers including paper cups. In addition, sales of formed plastic products increased, contributing to an overall rise in sales relative to the previous year.

In the Living Spaces business, sales of interior and exterior decorative materials for residential use decreased as the number of new housing starts in Japan decreased. Overseas, too, sales to the North American market declined due to inflation’s chilling effect on consumption as well as increased inventories in the housing market, so net sales were lower than a year earlier.

Online and restaurant sales by DNP’s Beverages business increased, and price revisions in major sales channels such as vending machines, supermarkets, and convenience stores, also helped to boost sales above the previous year’s level.

In the Medical and Healthcare field, DNP is promoting a strategic business alliance with CMIC HOLDINGS Co., Ltd. in order to create new value. In May 2023, CMIC CMO Co., Ltd., which operates a drug formulation development and manufacturing support business within the CMIC Group, became a subsidiary of the DNP Group through capital participation. In June, the Company started collaborating with the CMIC Group on the integrated manufacture of pharmaceuticals from active pharmaceutical ingredients as well as the development of value-added pharmaceuticals.

As a result of the above, overall segment sales grew 5.3% year on year to ¥109.2 billion, and operating income grew 42.7% to ¥1.5 billion due to strong performance of focused businesses and profitable products, despite the impact of rising costs of raw materials, energy, etc.

Electronics

In our Digital Interface business, sales of metal masks used for manufacturing organic light-emitting diode (OLED) displays decreased due to a temporary adjustment, but sales of optical films turned upward after the effects of the previous fiscal year's inventory adjustments on the overall supply chain had run their course, resulting in a year-on-year increase in sales for the business as a whole.

In semiconductors, there was demand for photomasks used for making chips as part of client companies' product development, but due to a slowdown in the semiconductor market, there was a decline in sales of lead frames and other semiconductor package components, resulting in lower sales compared to the previous year.

As preparation for the mass production of nanoimprinted products, whereby patterns are formed by pressing minute molds measured in nanometers (billionths of a meter) onto objects, DNP entered into a capital and operational alliance with SCIVAX Corporation. In April 2023, the two companies established a joint venture company called Nanoimprint Solutions Co., Ltd. The partners plan to respond to the needs of domestic and overseas manufacturers by combining DNP's strengths, including technologies for making master molds used in making cutting-edge nanoimprinted products as well as mass production and quality control know-how, with SCIVAX's strengths in such areas as technologies for designing mass-production equipment and machinery.

As a result of the above, overall segment sales fell 2.1% year on year to ¥56.2 billion, and operating income fell 23.1% to ¥12.4 billion due to decrease in sales of metal masks and lead frames.

In addition, as part of the DNP Group's promotion of digital transformation (DX), the Group has constructed an environment and system that began operation in May 2023 and enable some 30,000 of its employees to use generative AI in their work. In addition to further strengthening DNP's business base through the use of generative AI, DNP intends to develop and provide new value to consumers, companies and organizations, etc. by developing unique, next-generation communication support technologies.

(2) Explanation of the consolidated financial position

Total assets at the end of the first quarter increased by ¥21.2 billion from the end of the previous fiscal year to ¥1,851.6 billion, due mainly to an increase in accounts receivables included in other under current assets and a decline in investment securities.

Total liabilities increased by ¥11.6 billion from the end of the previous fiscal year to ¥693.8 billion, due mainly to an increase in long-term debt.

Net assets increased by ¥9.5 billion from the end of the previous fiscal year to ¥1,157.8 billion, due mainly to an increase in net income, dividends from surplus, repurchase of treasury stock and a decline in valuation difference on available-for-sale securities.

(3) Explanation of the consolidated earnings forecasts and other projections

Our earnings forecasts for the fiscal year ending March 2024 are unchanged from the forecasts announced on May 17, 2023.

2. Quarterly consolidated financial statements and key notes

(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2023	As of June 30, 2023
ASSETS		
Current assets		
Cash and time deposits	246,438	220,735
Notes, trade receivables, and contract assets	329,762	319,308
Marketable securities	22,800	7,600
Merchandise and finished products	85,026	91,052
Work in progress	33,890	38,555
Raw materials and supplies	35,946	38,661
Other	49,819	103,770
Allowance for doubtful accounts	(688)	(671)
Total current assets	802,995	819,012
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	182,209	195,076
Machinery and equipment, net	65,954	76,431
Land	139,907	145,535
Construction in progress	20,284	20,478
Other, net	28,073	32,597
Total property, plant and equipment	436,429	470,119
Intangible fixed assets		
Other	30,360	36,369
Total intangible fixed assets	30,360	36,369
Investments and other assets		
Investment securities	341,215	304,261
Other	221,412	223,896
Allowance for doubtful accounts	(2,029)	(2,038)
Total investments and other assets	560,598	526,119
Total fixed assets	1,027,389	1,032,608
TOTAL ASSETS	1,830,384	1,851,620

(Million yen)

	As of March 31, 2023	As of June 30, 2023
LIABILITIES		
Current liabilities		
Notes and trade payables	224,418	232,383
Short-term bank loans	30,301	23,897
Reserve for bonuses	20,433	8,303
Repair reserve	17,549	17,915
Other	105,868	104,791
Total current liabilities	398,571	387,291
Long-term liabilities		
Bonds	100,000	100,000
Long-term debt	13,772	33,465
Repair reserve	9,506	7,500
Net defined benefit liability	54,740	57,490
Deferred tax liabilities	84,659	82,937
Other	20,888	25,127
Total long-term liabilities	283,567	306,520
TOTAL LIABILITIES	682,139	693,812
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	145,112	145,116
Retained earnings	737,699	787,386
Treasury stock	(88,212)	(113,113)
Total stockholders' equity	909,064	933,854
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	138,781	115,359
Net deferred gains (losses) on hedges	(21)	45
Foreign currency translation adjustments	14,143	14,656
Remeasurements of defined benefit plans	25,535	23,764
Total accumulated other comprehensive income	178,439	153,826
Non-controlling interests	60,741	70,127
TOTAL NET ASSETS	1,148,245	1,157,808
TOTAL LIABILITIES AND NET ASSETS	1,830,384	1,851,620

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

Quarterly consolidated statements of income

First three months of the fiscal years

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	334,433	345,098
Cost of sales	259,823	271,577
Gross profit	74,609	73,521
Selling, general and administrative expenses	57,691	60,238
Operating income	16,917	13,282
Non-operating income		
Interest and dividend income	2,246	2,493
Equity in earnings of affiliates	2,978	3,706
Other	1,820	1,214
Total non-operating income	7,045	7,414
Non-operating expense		
Interest expense	176	180
Contributions	347	245
Other	809	885
Total non-operating expenses	1,334	1,311
Ordinary income	22,628	19,385
Extraordinary gains		
Gain on sale of fixed assets	1,090	153
Gain on sale of investment securities	4	60,048
Gain on reversal of asset retirement obligations	408	–
Other	0	–
Total extraordinary gains	1,504	60,202
Extraordinary losses		
Loss on sale or disposal of fixed assets	308	355
Impairment loss	32	126
Other	318	97
Total extraordinary losses	658	579
Income before income taxes and non-controlling interests	23,474	79,007
Current income taxes	3,825	9,215
Deferred income taxes	3,021	10,883
Total income taxes	6,847	20,098
Net income	16,627	58,909
Net income attributable to non-controlling shareholders	887	852
Net income attributable to parent company shareholders	15,739	58,056

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

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net income	16,627	58,909
Other comprehensive income		
Valuation difference on available-for-sale securities	(37,950)	(23,687)
Net deferred gains on hedges	53	73
Foreign currency translation adjustments	4,581	1,978
Remeasurements of defined benefit plans	(1,562)	(1,639)
Share of other comprehensive income (loss) of affiliates accounted for using equity method	1,275	(1,039)
Total other comprehensive income	(33,602)	(24,314)
Comprehensive income	(16,975)	34,595
Attributable to:		
Parent company shareholders	(18,189)	33,443
Non-controlling shareholders	1,214	1,152

(3) Notes regarding quarterly consolidated financial statements

[Notes on premise of a going concern]

None

[Significant changes in shareholders' equity]

Treasury stock increased by ¥24,901 million during the first three months of the fiscal year ending March 2024, due mainly to share repurchases based on a resolution passed by the Board of Directors on March 9, 2023.

[Segment information]

I. First three months of previous fiscal year (April 1, 2022 – June 30, 2022)

Information on sales and income/loss by reporting segment and income analysis information

(Million yen)

	Reporting segment				Adjustment Note 1	Amounts reported on quarterly consolidated statements of income ^{Note 2}
	Smart Communication	Life & Healthcare	Electronics	Total		
Net sales ^{Note 3}						
Outside customers	173,283	103,696	57,454	334,433	–	334,433
Inter-segment	325	43	–	368	(368)	–
Total	173,608	103,739	57,454	334,801	(368)	334,433
Segment income	4,716	1,065	16,229	22,010	(5,092)	16,917

- 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.
 3. Sales include revenues generated from contracts with customers as well as other revenues, but because almost all revenues are generated from contracts with customers, the other revenues are insignificant and are therefore not displayed separately.

II. First three months of current fiscal year (April 1, 2023 – June 30, 2023)

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

(Million yen)

	Reporting segment				Adjustment Note 1	Amounts reported on quarterly consolidated statements of income ^{Note 2}
	Smart Communication	Life & Healthcare	Electronics	Total		
Net sales ^{Note 3}						
Outside customers	179,616	109,214	56,267	345,098	–	345,098
Inter-segment	410	37	–	447	(447)	–
Total	180,027	109,251	56,267	345,546	(447)	345,098
Segment income	4,914	1,520	12,487	18,922	(5,640)	13,282

- 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.
 3. Sales include revenues generated from contracts with customers as well as other revenues, but because almost all revenues are generated from contracts with customers, the other revenues are insignificant and are therefore not displayed separately.

2. Matters related to changes in reporting segments, etc.

In order to clarify the business domains and strategies of each of our reporting segments, and in order to accelerate the execution of concrete measures, as of the first quarter of the fiscal year through March 2024, we changed the name of the Information Communication segment to Smart Communication, and we renamed the Lifestyle and Industrial Supplies segment to Life & Healthcare. At the same time, in order to contribute even further to comfortable lives for people, we transferred our Beverages business to Life & Healthcare, to which it is closely related and the Beverage segment has been eliminated.

Segment information for the first three months of the previous fiscal year is presented based on the new name and classification method.