



Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2019
[J-GAAP]

August 9, 2018

Company Name: Dai Nippon Printing Co., Ltd.
Stock exchange listing: Tokyo
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Securities report issuing date: August 10, 2018
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 three months ended June 30, 2018
(April 1, 2018 – June 30, 2018)

(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, 2018	342,969	(0.2)	11,955	45.2	15,198	28.8	10,139	32.7
Three months ended June 30, 2017	343,721	(1.7)	8,233	38.9	11,800	32.0	7,638	883.8

Note: Comprehensive income: For the first three months ended June 30, 2018: ¥29,051 million (71.1%)
For the first three months ended June 30, 2017: ¥16,981 million (529.8%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2018	33.62	33.61
Three months ended June 30, 2017	24.95	24.91

Note: Dai Nippon Printing Co., Ltd. implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, it has estimated net income per share and diluted net income per share assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2018	1,790,634	1,121,751	59.9
As of March 31, 2018	1,794,764	1,102,550	58.7

Note: Stockholders' equity as of June 30, 2018: ¥1,071,730 million As of March 31, 2018: ¥1,053,600 million

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Year ended March 31, 2018	–	16.00	–	32.00	–
Year ending March 31, 2019	–				

Year ending March 31, 2019 (Forecasts)		32.00	—	32.00	64.00
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Note: Revisions to the most recently announced dividend forecasts during the current quarter: No

Note: Dai Nippon Printing Co., Ltd. implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. As a result, year-end dividends per share for the fiscal year ended March 2018 shows dividends after the share consolidation, and total annual dividends shows “—”. Without the share consolidation, year-end dividends per share for the fiscal year ended March 2018 would be ¥16.00 and total annual dividends would be ¥32.00.

3. Consolidated earnings forecasts for the year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	0.5	47,000	1.4	52,000	2.0	28,000	1.8	92.85

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: 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, 2018	324,240,346 shares	As of March 31, 2018	324,240,346 shares
2) Number of treasury shares at end of each period	As of June 30, 2018	22,677,092 shares	As of March 31, 2018	22,676,600 shares
3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)	Three months ended June 30, 2018	301,563,521 shares	Three months ended June 30, 2017	306,170,826 shares

Note: Dai Nippon Printing Co., Ltd. implemented a share consolidation in which two shares of common stock were consolidated into one share effective October 1, 2017. Accordingly, it has estimated average number of shares outstanding during the period assuming this share consolidation was implemented at the start of the previous consolidated fiscal year.

* 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 current quarter (3) Explanation of the consolidated earnings forecasts,” on page 4.

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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 continued to gradually recover during the first three months of the fiscal year ending March 2019, with employment and income conditions continuing to improve and corporate capital expenditures showing signs of picking up, mainly in growth areas. However, the economy has still not reached a full-fledged recovery, affected by a still strong budget mindset among consumers, a lack of strength in consumer spending, and a rise in raw material prices.

The printing industry continued to face a tough business environment, reflecting lower demand for printed media, including published printed materials, and accompanying increase in competition, due partly to market growth for e-books and online advertising.

In this environment, the DNP Group is pursuing initiatives to achieve a "Third Corporate Founding." Dai Nippon Printing Co., Ltd. was originally established in 1876 and achieved a "Second Corporate Founding" by expanding the scope of its business through the application and development of printing technologies during the tumultuous period after the Second World War. However, times have changed significantly and the DNP Group is now working to transform itself. Based on the DNP Group Vision 2015 and the four growth areas of "Knowledge and Communication," "Food and Healthcare," "Lifestyle and Mobility," and "Environment and Energy," the DNP Group is pursuing P&I innovations that combine its strengths in printing and information and is working to create new value that contributes to solving social issues.

As a result of these efforts, consolidated net sales for the first three months fell 0.2% year on year to ¥342.9 billion, consolidated operating income grew 45.2% to ¥11.9 billion, consolidated ordinary income grew 28.8% to ¥15.1 billion, and net income attributable to parent company shareholders grew 32.7% to ¥10.1 billion.

Business segment results are presented below.

[PRINTING]

Information Communication

In the Publishing business, amid a continued slump in the publication market, the DNP Group worked to help solve problems within the industry, including by harnessing artificial intelligence to increase the accuracy of forecasting book demand. However, sales in the Publishing & Media Services business decreased from the previous year on declines for both books and magazines. In the Education and Publications Distribution business, sales of e-books were favorable as the DNP Group focused on expanding business in the "honto" hybrid bookstore network that combines physical bookstores, online bookstores, and e-book services. Sales in library operations outsourcing services also rose from the previous year on an increase in the number of contracting libraries. However, overall sales in the Education and Publications Distribution business decreased from the previous year, due partly to the transfer of all stock in subsidiary SHUFUNOTOMO Co., Ltd. in December 2017. Overall sales in the Publishing business also decreased year on year.

In the Information Innovation business, sales increased for Information Processing Services (IPS; handling data entry, printing, and shipment of personalized mail and other items) and were also firm for sales promotion tools, including gift prizes. However, sales decreased for advertising flyers, catalogs, and other printed media, as well as for smart cards for financial institutions and electronic money. As a result, overall sales in the Information Innovation business decreased from the previous year.

In the Imaging Communication business, the DNP Group worked to provide high-value-added services for consumers to enjoy photo printing, including by launching a new service to allow consumers to print photos taken with their smartphones at Ki-Re-i ID photo booths installed outside train stations and in other locations. The DNP Group also expanded

Southeast Asian sales of dye-sublimation thermal transfer printing media for photo printers (color ink ribbons and receiver paper), but sales were sluggish in North America and Europe, and overall sales in the Imaging Communication business decreased from the previous year.

As a result of the above, overall segment sales fell 2.5% year on year to ¥189.3 billion, but operating income grew 21.4% to ¥6.1 billion.

Lifestyle and Industrial Supplies

In the Packaging business, the DNP Group worked to develop and sell products that help solve social issues, including a new spout for paper container for liquid that opens the cap and inner plug at the same time, and a rectangular “Beaubel Cup” as an in-mold label plastic container that could potentially replace cans by enabling long-term food preservation and heating in a microwave oven. Additionally, the DNP Group established a joint venture in Japan with Swiss company SIG Combibloc Group, the world’s leading manufacturer of carton packaging for food and beverages, in April 2018, and started providing new configurations of paper packaging and filling systems that enable the filling of solid material. As a result, sales increased for plastic molded products and film packaging. However, sales decreased for paper packaging and PET plastic bottle aseptic filling systems, and overall sales in the Packaging business decreased from the previous year.

In the Living Space business, the DNP Group focused on sales of environmentally conscious products that use its proprietary electronic beam (EB) coating technology, as well as Arttec printed interior and exterior aluminum panels, which can be made to order to express a variety of designs, tones, and textures, including natural materials and abstract objects, and can be used in non-housing applications such as commercial facilities, offices, automobiles, and railway cars. However, overall sales in the Living Space business decreased from the previous year mainly because new housing starts in Japan decreased year on year for nine consecutive months, from July 2017, and demand for residential interior materials lowered.

In the Industrial Supplies business, sales of photovoltaic module components decreased both in Japan and overseas, but lithium-ion battery components were favorable for both mobile and automotive applications, and overall sales in this business increased from the previous year.

As a result of the above, overall segment sales grew 0.2% year on year to ¥93.9 billion but operating income fell 48.9% to ¥1.3 billion.

Electronics

In the Display Components business, optical film sales increased for use in organic light-emitting diode (OLED) displays, and were firm for use in LCDs due to larger screen sizes. Meanwhile, sales decreased for LCD color filters, but increased for metal masks used in the production of OLED displays for smartphones. Overall sales in the Display Components business increased from the previous year.

In the Electronic Devices business, semiconductor photomask sales increased as the semiconductor market continued to grow, supported by an increase in installed memory capacity in smartphones and other devices and by the spread of IoT equipment.

As a result of the above, overall segment sales grew 10.0% year on year to ¥49.3 billion and operating income grew 55.9% to ¥9.8 billion.

[BEVERAGES]

Beverages

The soft drink industry faced ongoing tough competition for market share, reflecting heavy spending on sales promotions and capital expenditures to achieve growth. In this environment, the DNP Group released new products in core brands and worked to expand share in existing markets and acquire new customers by leveraging area marketing and operational expertise in the vending machine business.

As a result of these efforts, sales increased for the mainstay Coca-Cola brand, the Fanta brand, and unsweetened tea drinks including Ayataka. However, sales decreased for coffee

drinks and to group bottlers outside the Hokkaido region. Overall segment sales fell 2.8% year on year to ¥11.8 billion while operating income rose 312.7% to ¥0.3 billion.

(2) Explanation of the consolidated financial position

Total assets at the end of the first quarter decreased by ¥4.1 billion from the end of the previous fiscal year to ¥1,790.6 billion, due mainly to a decrease in notes and trade receivables.

Total liabilities decreased by ¥23.3 billion from the end of the previous fiscal year to ¥668.8 billion, due mainly to decreases in short-term bank loans and reserve for bonuses.

Net assets increased by ¥19.2 billion from the end of the previous fiscal year to ¥1,121.7 billion, due mainly to an increase in valuation difference on available-for-sale securities.

As a result of the above, the equity ratio rose from 58.7% at the end of the previous fiscal year to 59.9%.

(3) Explanation of the consolidated earnings forecasts

Our earnings forecasts for the fiscal year ending March 2019 are unchanged from the forecasts announced on May 11, 2018.

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

(Million yen)

	As of March 31, 2018	As of June 30, 2018
ASSETS		
Current assets		
Cash and time deposits	242,781	234,205
Notes and trade receivables	354,241	334,453
Merchandise and finished products	82,697	85,356
Work in progress	31,672	31,141
Raw materials and supplies	23,178	22,453
Other	47,159	47,021
Allowance for doubtful accounts	(1,690)	(1,573)
Total current assets	780,039	753,058
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	199,310	196,540
Machinery and equipment, net	80,702	78,128
Land	151,521	151,219
Construction in progress	7,160	7,252
Other, net	35,703	34,540
Total property, plant and equipment	474,397	467,682
Intangible fixed assets		
Other	32,853	32,087
Total intangible fixed assets	32,853	32,087
Investments and other assets		
Investment securities	401,414	431,832
Other	109,691	109,529
Allowance for doubtful accounts	(3,632)	(3,556)
Total investments and other assets	507,472	537,805
Total fixed assets	1,014,724	1,037,575
TOTAL ASSETS	1,794,764	1,790,634

(Million yen)

	As of March 31, 2018	As of June 30, 2018
LIABILITIES		
Current liabilities		
Notes and trade payables	248,993	247,106
Short-term bank loans	44,794	32,765
Reserve for bonuses	17,128	6,464
Repair reserve	29,580	24,650
Other	98,051	96,099
Total current liabilities	438,548	407,086
Long-term liabilities		
Bonds	108,600	110,455
Long-term debt	10,127	9,987
Repair reserve	7,543	5,697
Net defined benefit liability	35,216	34,163
Deferred tax liabilities	64,983	75,623
Other	27,193	25,869
Total long-term liabilities	253,664	261,796
TOTAL LIABILITIES	692,213	668,882
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,264	144,174
Retained earnings	681,976	682,416
Treasury stock	(62,908)	(62,909)
Total stockholders' equity	877,797	878,145
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	168,155	189,436
Net deferred gains (losses) on hedges	(3)	6
Foreign currency translation adjustments	1,410	(2,373)
Remeasurements of defined benefit plans	6,241	6,515
Total accumulated other comprehensive income	175,803	193,584
Non-controlling interests	48,950	50,021
TOTAL NET ASSETS	1,102,550	1,121,751
TOTAL LIABILITIES AND NET ASSETS	1,794,764	1,790,634

(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, 2017	Three months ended June 30, 2018
Net sales	343,721	342,969
Cost of sales	277,924	274,073
Gross profit	65,796	68,895
Selling, general and administrative expenses	57,562	56,940
Operating income	8,233	11,955
Non-operating income		
Interest and dividend income	3,278	2,441
Equity in earnings of affiliates	1,567	1,582
Other	1,086	1,367
Total non-operating income	5,932	5,391
Non-operating expense		
Interest expense	564	538
Contributions	273	572
Other	1,528	1,037
Total non-operating expenses	2,365	2,147
Ordinary income	11,800	15,198
Extraordinary gains		
Gain on sale of investment securities	3,229	62
Gain on sale of stock in affiliates	–	2,023
Other	797	40
Total extraordinary gains	4,027	2,127
Extraordinary losses		
Loss on sale or disposal of fixed assets	667	762
Loss on devaluation of investment securities	109	430
Other	87	73
Total extraordinary losses	865	1,266
Income before income taxes and non-controlling interests	14,962	16,059
Current income taxes	2,045	2,035
Deferred income taxes	3,942	2,506
Total income taxes	5,988	4,542
Net income	8,973	11,517
Net income attributable to non-controlling shareholders	1,335	1,377
Net income attributable to parent company shareholders	7,638	10,139

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

(Million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income	8,973	11,517
Other comprehensive income		
Valuation difference on available-for-sale securities	8,084	21,373
Net deferred gains on hedges	17	14
Foreign currency translation adjustments	(1,037)	(4,149)
Remeasurements of defined benefit plans	(337)	340
Share of other comprehensive income of affiliates accounted for using equity method	1,281	(44)
Total other comprehensive income	8,007	17,534
Comprehensive income	16,981	29,051
Attributable to:		
Parent company shareholders	15,792	27,921
Non-controlling shareholders	1,188	1,129

(3) Notes regarding quarterly consolidated financial statements

[Notes on premise of a going concern]

None

[Significant changes in shareholders' equity]

None

[Additional information]

DNP is applying the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) starting in the first quarter of the current fiscal year, and is listing deferred tax assets under investments and other assets and deferred tax liabilities under long-term liabilities.

[Segment information, etc.]

I. First three months of previous fiscal year (April 1, 2017 – June 30, 2017)

Information on sales and income/loss by reporting segment

	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	193,450	93,253	44,832	12,184	343,721	–	343,721
Inter-segment	815	511	8	2	1,337	(1,337)	–
Total	194,266	93,764	44,840	12,186	345,058	(1,337)	343,721
Segment income	5,029	2,633	6,331	74	14,069	(5,835)	8,233

- 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 three months of current fiscal year (April 1, 2018 – June 30, 2018)

Information on sales and income/loss by reporting segment

	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	188,230	93,563	49,334	11,841	342,969	–	342,969
Inter-segment	1,124	380	–	2	1,506	(1,506)	–
Total	189,354	93,943	49,334	11,844	344,476	(1,506)	342,969
Segment income	6,103	1,345	9,869	308	17,627	(5,672)	11,955

- 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.