



Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2014
[J-GAAP]

November 7, 2013

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 Stock exchange listing: Tokyo
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 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 six months ended September 30, 2013
(April 1, 2013 – September 30, 2013)

(1) Consolidated financial results

(Percentages show change from corresponding year-ago period.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2013	709,625	(1.5)	24,003	106.7	27,021	84.1	14,866	–
Six months ended September 30, 2012	720,684	(4.5)	11,614	(29.5)	14,673	(26.0)	396	(95.3)

Note: Comprehensive income: For the first six months ended September 30, 2013: ¥39,627 million (–%)
 For the first six months ended September 30, 2012: ¥(790) million (–%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2013	23.09	23.02
Six months ended September 30, 2012	0.62	0.59

Note: The percentage change from the corresponding year-ago period is not shown for net income for the six months ended September 30, 2013 because the change was in excess of 1,000%.

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2013	1,536,109	965,979	59.9
As of March 31, 2013	1,578,976	937,055	56.6

Note: Stockholders' equity: As of September 30, 2013: ¥920,620 million As of March 31, 2013: ¥893,124 million

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Year ended March 31, 2013	–	16.00	–	16.00	32.00
Year ending March 31, 2014	–	16.00			
Year ending March 31, 2014 (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, 2014 (April 1, 2013 – March 31, 2014)

(Percentages show change from corresponding year-ago period.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,530,000	5.8	48,000	34.2	49,000	21.5	23,000	19.7	35.72

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 September 30, 2013	700,480,693 shares	As of March 31, 2013	700,480,693 shares
2) Number of treasury shares at end of each period	As of September 30, 2013	56,531,006 shares	As of March 31, 2013	56,490,329 shares
3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)	Six months ended September 30, 2013	643,972,337 shares	Six months ended September 30, 2012	644,047,972 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 the “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.

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

(1) Explanation of the consolidated financial results

During the first six months of the fiscal year, Japan's economy showed some positive signs, including an increase in consumer spending and improvement in corporate earnings, aided by a series of economic policies. However, overseas economic slowdowns are cause for concern, notably in emerging countries, and the economic outlook remains uncertain.

The printing industry continued to face a tough business environment, due partly to higher raw material prices and a decline in order prices from stiffer competition.

In this environment, the DNP Group (DNP) sought to aggressively develop its business under the catchphrase "Today's Innovation is Tomorrow's Basic" and deliver products, services, and solutions tailored to the needs of its customers, based on its P&I Solutions business vision (P&I stands for "printing technology" and "information technology"). DNP also pursued "Production 21" Activities with the aim of establishing a robust production structure in all facets of production, including quality, cost, and delivery time. Moreover, DNP worked to secure earnings through the reorganization of domestic and overseas business structures from the standpoint of overall optimization and actively pursued business expansion from consumer, social, and global perspectives.

As a result of these efforts, consolidated net sales for the first six months fell 1.5% year on year to ¥709.6 billion, consolidated operating income grew 106.7% to ¥24.0 billion, consolidated ordinary income grew 84.1% to ¥27.0 billion, and net income totaled ¥14.8 billion, up from ¥0.3 billion during the same period last year.

Business segment results are presented below.

[PRINTING]

Information Communication

In the Books and Magazines business, amid a continued slump in the publications market, book sales increased as DNP leveraged its various strengths, including integrated production lines from book printing to binding. However, this was not enough to offset a decline for magazines, and overall sales fell below year-ago levels.

In the Commercial Printing business, sales decreased year on year on declines for flyers, pamphlets, catalogs, and other printed materials.

In the Business Forms business, information processing services (ranging from data entry to printing and shipment of personalized mail and other items) increased on growth in business process outsourcing services related to the opening of accounts for the Nippon Individual Savings Account (NISA) program. Smart cards were also strong on growth for financial institutions and electronic money applications.

In the Education and Publications Distribution business, DNP worked to expand business and enhance operational efficiency in the "honto" hybrid bookstore network that combines physical bookstores, online bookstores, and e-book sales services. However, sales decreased from the previous year, due partly to the closure of unprofitable stores.

As a result of the above, overall segment sales fell 1.8% year on year to ¥342.4 billion and operating income dropped 23.1% to ¥5.6 billion.

Lifestyle and Industrial Supplies

In the Packaging business, film packaging was firm, but sales decreased year on year on a decline for PET bottle aseptic filling systems.

The Lifestyle Materials business performed well thanks to a gradual recovery in demand, buoyed by an increase in domestic housing starts, and to growth for eco-friendly products that use DNP's proprietary Electron Beam coating technology.

In the Industrial Supplies business, sales increased year on year on growth for anti-reflection films used in flat-panel displays, dye-sublimation thermal transfer printing media for photo

printers (color ink ribbons and receiver paper), and other products.

As a result of the above, overall segment sales fell 1.4% year on year to ¥260.5 billion, but operating income grew 34.0% to ¥16.1 billion.

Electronics

In the LCD Color Filter business, small- and medium-sized filters for smart phones and tablets were firm, but sales decreased year on year on a decline for large display filters.

In the Electronic Devices business, photomasks were on par with last year due to the acquisition of overseas demand, but sales fell below year-ago levels on a decline for etched products, including hard disk suspensions, caused by a slump in global PC sales.

As a result of the above, overall segment sales fell 4.4% year on year to ¥87.2 billion and operating income totaled ¥6.7 billion, versus a loss of ¥3.4 billion during the same period last year.

[BEVERAGES]

Beverages

Amid tough conditions characterized by a weak soft drink market and stiffer sales competition, DNP worked to expand sales through various sales promotions, including the Coca-Cola Zero × EXILE Zero Limit Promotion.

As a result of the above, sales increased for I LOHAS, a brand of mineral water that uses a lightweight PET bottle, but decreased for coffee beverages. Overall segment sales fell 1.7% year on year to ¥25.6 billion and operating income was ¥0.03 billion, versus a loss of ¥0.2 billion during the same period last year.

(2) Explanation of the consolidated financial position

Total assets at the end of the second quarter decreased by ¥42.8 billion from the end of the previous fiscal year to ¥1,536.1 billion, due mainly to decreases for cash and time deposits and for notes and trade receivables.

Total liabilities decreased by ¥71.7 billion from the end of the previous fiscal year to ¥570.1 billion, due mainly to a decrease for current portion of bonds.

Net assets increased by ¥28.9 billion from the end of the previous fiscal year to ¥965.9 billion, due mainly to increases for valuation difference on available-for-sale securities and foreign currency translation adjustments.

As a result of the above, the equity ratio rose from 56.6% at the end of the previous fiscal year to 59.9%.

Consolidated cash flow provided by operating activities during the first six months totaled ¥64.8 billion, due mainly to ¥25.4 billion in income before income taxes and minority interests and ¥36.4 billion in depreciation.

Cash flow used in investing activities totaled ¥29.3 billion, due mainly to ¥25.6 billion in payments for purchases of property, plant and equipment. Cash flow used in financing activities totaled ¥68.2 billion, due mainly to ¥50.3 billion in payments for redemption of bonds and ¥10.6 billion in dividends paid.

As a result, cash and cash equivalents at the end of the second quarter totaled ¥182.9 billion, a decrease of ¥29.1 billion from the end of the previous fiscal year.

(3) Explanation of the consolidated earnings forecasts

Our earnings forecasts for the fiscal year ending March 2014 are unchanged from the forecasts announced on May 13, 2013.

2. Quarterly consolidated financial statements
(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2013	As of September 30, 2013
ASSETS		
Current assets		
Cash and time deposits	213,630	186,180
Notes and trade receivables	367,765	341,088
Merchandise and finished products	91,047	89,720
Work in progress	29,030	31,955
Raw materials and supplies	18,977	20,745
Other	33,583	24,896
Allowance for doubtful accounts	(2,883)	(2,695)
Total current assets	751,150	691,892
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	196,019	192,534
Machinery and equipment, net	129,350	125,302
Land	154,005	152,126
Construction in progress	22,921	28,563
Other, net	36,157	35,149
Total property, plant and equipment	538,454	533,675
Intangible fixed assets		
Other	35,480	33,363
Total intangible fixed assets	35,480	33,363
Investments and other assets		
Investment securities	189,657	217,586
Other	70,210	65,485
Allowance for doubtful accounts	(5,977)	(5,893)
Total investments and other assets	253,890	277,178
Total fixed assets	827,825	844,217
TOTAL ASSETS	1,578,976	1,536,109

	As of March 31, 2013	As of September 30, 2013
LIABILITIES		
Current liabilities		
Notes and trade payables	249,567	238,556
Short-term bank loans	47,296	46,889
Current portion of bonds	50,760	720
Reserve for bonuses	16,004	16,607
Other	94,156	86,859
Total current liabilities	457,784	389,632
Long-term liabilities		
Bonds	102,800	102,460
Long-term debt	19,548	19,267
Provision for retirement benefits	26,441	26,764
Other	35,345	32,005
Total long-term liabilities	184,135	180,497
TOTAL LIABILITIES	641,920	570,129
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,898	144,898
Retained earnings	722,057	726,611
Treasury stock	(94,226)	(94,264)
Total stockholders' equity	887,193	891,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,908	33,502
Net deferred gains on hedges	8	12
Foreign currency translation adjustments	(12,986)	(4,604)
Total accumulated other comprehensive income	5,930	28,910
Stock acquisition rights	16	16
Minority interests	43,915	45,343
TOTAL NET ASSETS	937,055	965,979
TOTAL LIABILITIES AND NET ASSETS	1,578,976	1,536,109

(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, 2012	Six months ended September 30, 2013
Net sales	720,684	709,625
Cost of sales	596,330	574,853
Gross profit	124,353	134,771
Selling, general and administrative expenses	112,738	110,768
Operating income	11,614	24,003
Non-operating income		
Interest and dividend income	2,395	2,467
Equity in earnings of affiliates	2,536	611
Other	3,410	3,808
Total non-operating income	8,341	6,887
Non-operating expense		
Interest expense	1,736	1,672
Other	3,546	2,197
Total non-operating expenses	5,282	3,869
Ordinary income	14,673	27,021
Extraordinary gains		
Gain on sale of fixed assets	114	646
Compensation income	–	177
Other	120	104
Total extraordinary gains	235	927
Extraordinary losses		
Loss on sale or disposal of fixed assets	2,173	1,934
Loss on evaluation of investment securities	5,931	154
Other	2,373	370
Total extraordinary losses	10,477	2,458
Income before income taxes and minority interests	4,431	25,490
Current income taxes	7,477	6,909
Deferred income taxes	(3,331)	2,735
Total income taxes	4,146	9,645
Income before minority interests	285	15,844
Minority interests	(111)	978
Net income	396	14,866

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

(Million yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Income before minority income	285	15,844
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,315)	14,288
Net deferred gains (losses) on hedges	15	(1)
Foreign currency translation adjustments	223	9,126
Share of other comprehensive income of affiliates accounted for using equity method	1	369
Total other comprehensive income	(1,075)	23,782
Comprehensive income	(790)	39,627
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(313)	37,846
Comprehensive income attributable to minority interests	(477)	1,781

(3) Quarterly consolidated statements of cash flows

(Million yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Cash flows from operating activities		
Income before income taxes and minority interests	4,431	25,490
Depreciation	40,363	36,409
Increase (Decrease) of doubtful receivables, net	604	(428)
Decrease of provision for retirement benefits, net	(3,281)	(4,904)
Equity in gains of affiliates	(2,536)	(611)
Amortization of consolidation goodwill, net	1,591	1,407
Interest and dividend income	(2,395)	(2,467)
Interest expense	1,736	1,672
Net gains on sales of investment securities	(115)	(100)
Net losses on devaluation of investment securities	5,931	154
Net losses on sales or disposal of fixed assets	2,070	1,301
Decrease in trade receivables	18,297	29,272
Decrease (Increase) in inventories	4,515	(2,246)
Decrease in trade payables	(23,071)	(15,163)
Other	5,416	2,142
Sub-total	53,558	71,926
Payments for extra retirement payments	(1,380)	(219)
Payment of income taxes	(7,178)	(6,845)
Net cash provided by operating activities	44,999	64,862
Cash flows from investing activities		
Net increase in time deposits	(409)	(1,617)
Payments for purchases of property, plant and equipment	(42,968)	(25,690)
Proceeds from sales of property, plant and equipment	1,719	4,157
Payments for purchases of investment securities	(13,890)	(6,024)
Proceeds from sales of investment securities	239	467
Proceeds from transfer of business	8,091	–
Interest and dividends received	2,803	3,220
Other	(12,430)	(3,858)
Net cash used in investing activities	(56,845)	(29,345)

(Million yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Cash flows from financing activities		
Net decrease in short-term bank loans	(4,007)	(817)
Proceeds from long-term debt	1,200	3,010
Repayments of long-term debt	(3,074)	(3,537)
Payments for redemption of bonds	(330)	(50,380)
Proceeds from stock issuance to minority shareholders	1,882	–
Payments for purchases of treasury stock	(16)	(37)
Payments for purchases of treasury stock of subsidiaries	(0)	(0)
Interest paid	(1,745)	(1,707)
Dividends paid	(10,310)	(10,311)
Dividends paid to minority interests	(317)	(352)
Other	(4,592)	(4,094)
Net cash used in financing activities	(21,311)	(68,230)
Effect of exchange rate changes on cash and cash equivalents	456	3,585
Net decrease in cash and cash equivalents	(32,701)	(29,127)
Cash and cash equivalents at beginning of year	216,279	212,062
Decrease in cash and cash equivalents resulting from change of scope of consolidation	(25)	–
Cash and cash equivalents at end of period	183,552	182,935

(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, 2012 – September 30, 2012)

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	346,103	257,210	91,223	26,146	720,684	–	720,684
Inter-segment	2,764	6,964	0	0	9,730	(9,730)	–
Total	348,867	264,174	91,224	26,147	730,414	(9,730)	720,684
Segment income (loss)	7,354	12,026	(3,442)	(294)	15,644	(4,029)	11,614

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.

II. First six months of current fiscal year (April 1, 2013 – September 30, 2013)

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	339,525	257,184	87,217	25,697	709,625	–	709,625
Inter-segment	2,929	3,356	0	1	6,288	(6,288)	–
Total	342,455	260,541	87,218	25,698	715,914	(6,288)	709,625
Segment income	5,658	16,119	6,739	33	28,550	(4,547)	24,003

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.