



Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2015
[J-GAAP]

August 7, 2014

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Stock exchange listing: Tokyo
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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, 2014
(April 1, 2014 – June 30, 2014)

(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	%
Three months ended June 30, 2014	355,193	1.7	11,700	1.9	14,643	2.5	7,534	6.7
Three months ended June 30, 2013	349,151	(1.1)	11,486	349.2	14,279	275.1	7,060	–

Note: Comprehensive income: For the first three months ended June 30, 2014: ¥8,592 million (-60.9%)
For the first three months ended June 30, 2013: ¥21,952 million (–%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2014	11.70	11.53
Three months ended June 30, 2013	10.96	10.96

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2014	1,573,534	978,005	59.3
As of March 31, 2014	1,574,753	976,386	59.2

Note: Stockholders' equity as of June 30, 2014: ¥933,493 million As of March 31, 2014: ¥932,329 million

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Year ended March 31, 2014	–	16.00	–	16.00	32.00
Year ending March 31, 2015	–				
Year ending March 31, 2015 (Forecasts)		16.00	–	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, 2015 (April 1, 2014 – March 31, 2015)

(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	1,500,000	3.6	52,000	3.8	54,000	1.3	26,000	1.4	40.38

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): Yes

Newly included: – Excluded: 1 DNP Photomask Technology Taiwan Co., Ltd.

Note: For further details, see the section titled, “2. Summary information (notes), (1) Changes in status of material subsidiaries during the current quarter,” on page 4.

(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: Yes

2) Changes in accounting policies other than the 1) above: No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

Note: For further details, see the section titled, “2. Summary information (notes), (2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions,” on page 4.

(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, 2014	700,480,693 shares	As of March 31, 2014	700,480,693 shares
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2) Number of treasury shares at end of each period

As of June 30, 2014	56,589,916 shares	As of March 31, 2014	56,586,830 shares
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3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)

Three months ended June 30, 2014	643,892,261 shares	Three months ended June 30, 2013	643,986,211 shares
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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 was completed 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

Japan's economy continued to gradually recover during the first three months of the fiscal year. Employment conditions and corporate earnings improved, benefiting from the government's aggressive economic policies. However, the economy has still not reached a full-fledged recovery, due partly to a reaction to front-loaded demand prior to the consumption tax hike and economic slowdowns overseas, including in emerging countries.

The printing industry continued to face a tough business environment as a result of higher raw material prices and a decline in order prices from stiffer competition

In this environment, the DNP Group (DNP), based on its P&I Solutions business vision, sought to aggressively develop its business from consumer, social, and global perspectives under the catchphrase "Today's Innovation is Tomorrow's Basic," and to reorganize its domestic and overseas business structures from the standpoint of overall optimization and secure earnings.

As a result of these efforts, consolidated net sales for the first three months grew 1.7% year on year to ¥355.1 billion, consolidated operating income grew 1.9% to ¥11.7 billion, consolidated ordinary income grew 2.5% to ¥14.6 billion, and net income grew 6.7% to ¥7.5 billion.

Business segment results are presented below.

DNP changed its reportable business segments effective from the first quarter of the current fiscal year, and comparison and analysis of first quarter performance are based on the new reportable business segments.

[PRINTING]

Information Communication

In the Books and Magazines business, amid a continued slump in the publications market, sales of both books and magazines decreased year on year, despite aggressive sales promotion activities, especially for books.

In the Commercial Printing business, sales decreased from the previous year on weak overall demand for printed materials, including flyers and catalogs.

In the Business Forms business, smart card sales increased for financial institutions and electronic money, but Information Processing Services (IPS; ranging from data entry to printing and shipment of personalized mail and other items) fell below year-ago levels.

In the Education and Publications Distribution business, sales increased over last year thanks to efforts to expand business in the "honto" hybrid bookstore network that combines physical bookstores, online bookstores, and e-book sales services.

As a result of the above, overall segment sales grew 0.6% year on year to ¥173.6 billion but operating income fell 26.4% to ¥2.7 billion.

Lifestyle and Industrial Supplies

In the Packaging business, despite a decline for paper packaging, overall sales increased from the previous year on growth for PET bottle aseptic filling systems and plastic film packaging.

The Lifestyle Materials business faced a difficult business environment, including a decrease in domestic housing starts in reaction to previous front-loaded demand. However, sales increased year on year as a result of firm sales of eco-friendly products that use DNP's proprietary Electron Beam coating technology.

In the Industrial Supplies business, sales increased over last year on growth for 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 grew 3.6% year on year to ¥113.0 billion and operating income grew 16.9% to ¥5.4 billion.

Electronics

In the LCD Color Filter business, small- and medium-sized filters for smart phones and tablets were firm, but sales fell below year-ago levels on a decline for large TV and PC filters.

Semiconductor photomasks were sluggish in Japan, but sales increased from last year as a result of tapping into overseas demand, which continues to expand.

DNP shifted the optical films business from the Lifestyle and Industrial Supplies segment to the Electronics segment starting in the current fiscal year, and although sales of polarizing plate films increased, overall sales decreased from the previous year.

As a result of the above, overall segment sales grew 0.5% year on year to ¥57.6 billion and operating income grew 8.2% to ¥6.1 billion.

[BEVERAGES]

Beverages

Amid continued tough sales competition in the soft drink market, DNP worked to expand market share in existing markets and acquire new customers.

As a result of the above, sales increased for mainstay Coca-Cola, sports drinks, and I LOHAS, a brand of mineral water that uses a lightweight PET bottle. Overall segment sales grew 3.1% year on year to ¥12.0 billion and operating losses totaled ¥0.2 billion, versus a loss of ¥0.4 billion a year earlier.

(2) Explanation of the consolidated financial position

Total assets at the end of the first quarter decreased by ¥1.2 billion from the end of the previous fiscal year to ¥1,573.5 billion, due mainly to a decrease in notes and trade receivables.

Total liabilities decreased by ¥2.8 billion from the end of the previous fiscal year to ¥595.5 billion, due mainly to decreases in short-term bank loans and reserve for bonuses.

Net assets increased by ¥1.6 billion from the end of the previous fiscal year to ¥978.0 billion, due mainly to an increase in retained earnings.

As a result of the above, the equity ratio rose from 59.2% at the end of the previous fiscal year to 59.3%.

(3) Explanation of the consolidated earnings forecasts

Our earnings forecasts for the fiscal year ending March 2015 are unchanged from the forecasts announced on May 13, 2014.

2. Summary information (notes)

(1) Changes in status of material subsidiaries during the current quarter

DNP specified subsidiary DNP Photomask Technology Taiwan Co., Ltd. (DPTT) was absorbed in a merger by Photronics, Inc. subsidiary Photronics Semiconductor Mask Corp. (name changed to Photronics DNP Mask Corporation; PDMC) during the first quarter. As a result of this merger, DNP has removed DPTT from consolidation due to its elimination and has added PDMC as an equity method affiliate.

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

(Changes in accounting policies)

DNP adopted the provisions of the main clauses in Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and in Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) starting in the first quarter of the current fiscal year.

Accordingly, DNP has revised the method of calculating retirement benefit obligations and service costs; changed the method of attributing expected retirement benefits to periods from a straight line-basis to a benefit formula basis; and changed the method of determining a discount rate from a method in which bond duration as the basis for determining the discount rate is determined based on a number of years similar to the average remaining service period of employees to a method that mainly uses multiple discount rates established for each period of expected retirement benefit payments.

With the adoption of the Accounting Standard for Retirement Benefits, in accordance with the transitional treatment stipulated in Paragraph 37, DNP reflected in retained earnings the amount of the impact of the change in the method of calculating retirement benefit obligations and service costs at the start of the first quarter of the current fiscal year.

As a result, net defined benefit liability at the start of the first quarter of the current fiscal year increased by ¥2,392 million, net defined benefit asset increased by ¥9,190 million, and retained earnings increased by ¥4,000 million.

Additionally, operating income, ordinary income, and income before income taxes and minority interests all increased by ¥391 million in the first quarter of the current fiscal year.

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

(Million yen)

	As of March 31, 2014	As of June 30, 2014
ASSETS		
Current assets		
Cash and time deposits	203,212	206,541
Notes and trade receivable	326,981	339,683
Merchandise and finished products	91,681	99,776
Work in progress	28,509	29,791
Raw materials and supplies	19,464	19,849
Other	35,996	31,412
Allowance for doubtful accounts	(2,791)	(1,527)
Total current assets	733,054	725,528
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	195,326	188,525
Machinery and equipment, net	118,903	104,930
Land	153,159	153,153
Construction in progress	27,577	30,648
Other, net	33,571	32,599
Total property, plant and equipment	528,538	509,857
Intangible fixed assets		
Other	31,751	31,201
Total intangible fixed assets	31,751	31,201
Investments and other assets		
Investment securities	217,059	232,007
Other	70,198	82,055
Allowance for doubtful accounts	(5,848)	(7,116)
Total investments and other assets	281,409	306,947
Total fixed assets	841,699	848,006
TOTAL ASSETS	1,574,753	1,573,534

	As of March 31, 2014	As of June 30, 2014
LIABILITIES		
Current liabilities		
Notes and trade payable	249,604	259,773
Short-term bank loans	48,961	43,998
Reserve for bonuses	17,310	6,387
Other	102,544	104,993
Total current liabilities	418,422	415,152
Long-term liabilities		
Bonds	101,800	102,555
Long-term debt	17,505	17,206
Net defined benefit liability	29,550	32,137
Other	31,089	28,478
Total long-term liabilities	179,945	180,377
TOTAL LIABILITIES	598,367	595,529
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,898	144,898
Retained earnings	727,070	728,242
Treasury stock	(94,322)	(94,325)
Total stockholders' equity	892,110	893,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,597	35,312
Net deferred gains on hedges	3	1
Foreign currency translation adjustments	144	(726)
Remeasurements of defined benefit plans	5,473	5,625
Total accumulated other comprehensive income	40,218	40,213
Stock acquisition rights	16	16
Minority interests	44,040	44,495
TOTAL NET ASSETS	976,386	978,005
TOTAL LIABILITIES AND NET ASSETS	1,574,753	1,573,534

(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, 2013	Three months ended June 30, 2014
Net sales	349,151	355,193
Cost of sales	282,515	286,573
Gross profit	66,636	68,620
Selling, general and administrative expenses	55,150	56,919
Operating income	11,486	11,700
Non-operating income		
Interest and dividend income	2,135	2,498
Equity in earnings of affiliates	615	1,114
Other	1,929	1,351
Total non-operating income	4,680	4,965
Non-operating expense		
Interest expense	865	612
Other	1,021	1,410
Total non-operating expenses	1,886	2,022
Ordinary income	14,279	14,643
Extraordinary gains		
Gain on sale of fixed assets	431	25
Gain on sale of investment securities	15	3,665
Compensation income	177	-
Other	-	1
Total extraordinary gains	624	3,692
Extraordinary losses		
Loss on sale or disposal of fixed assets	1,169	427
Loss on evaluation of investment securities	133	24
Loss on business integration	-	4,342
Other	175	208
Total extraordinary losses	1,478	5,002
Income before income taxes and minority interests	13,425	13,332
Current income taxes	2,042	1,902
Deferred income taxes	3,343	3,022
Total income taxes	5,385	4,925
Income before minority interests	8,040	8,407
Minority interests	979	873
Net income	7,060	7,534

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

(Million yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	8,040	8,407
Other comprehensive income		
Valuation difference on available-for-sale securities	8,018	786
Net deferred gains on hedges	2	6
Foreign currency translation adjustments	5,697	(581)
Remeasurements of defined benefit plans	–	(925)
Share of other comprehensive income of affiliates accounted for using equity method	193	898
Total other comprehensive income	13,912	184
Comprehensive income	21,952	8,592
Attributable to:		
Shareholders of parent company	20,366	7,528
Minority interests	1,586	1,063

(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 three months of previous fiscal year (April 1, 2013 – June 30, 2013)

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	171,231	108,804	57,386	11,729	349,151	–	349,151
Inter-segment	1,433	251	–	0	1,685	(1,685)	–
Total	172,665	109,055	57,386	11,730	350,837	(1,685)	349,151
Segment income (loss)	3,742	4,669	5,727	(424)	13,714	(2,228)	11,486

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 three months of current fiscal year (April 1, 2014 – June 30, 2014)

1. 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	172,710	112,738	57,648	12,095	355,193	–	355,193
Inter-segment	926	269	–	2	1,198	(1,198)	–
Total	173,637	113,008	57,648	12,097	356,391	(1,198)	355,193
Segment income (loss)	2,753	5,458	6,199	(275)	14,136	(2,435)	11,700

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.

2. Changes in reportable business segments, etc.

(1) Changes in reportable business segments

DNP changed its reportable business segments effective from the first quarter of the current fiscal year.

DNP shifted the optical films business from the Lifestyle and Industrial Supplies segment to the Electronics segment as a result of integrating the business unit responsible for display products and semiconductor photomasks and the business unit responsible for optical films including LCD surface films in April 2014.

Segment information for the first three months of the previous fiscal year has been prepared based on the new reportable business segments.

(2) Application of Accounting Standard for Retirement Benefits

As noted in the section on changes in accounting policies, DNP changed the method of calculating retirement benefit obligations and service costs effective from the first quarter of the current fiscal year, and has accordingly made a similar change in the method of calculating retirement benefit obligations and service costs for business segments.

As a result of this change, compared with the previous method, segment profits increased by ¥184 million for Information Communication, by ¥94 million for Lifestyle and Industrial Supplies, by ¥53 million for Electronics, and by ¥35 million for Beverages.