Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2017
[J-GAAP]

August 9, 2016

Company Name: **Dai Nippon Printing Co., Ltd.**
Stock exchange listing: Tokyo
Stock code: 7912 URL: http://www.dnp.co.jp/
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Securities report issuing date: August 10, 2016
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, 2016 (April 1, 2016 – June 30, 2016)

(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, 2016	349,800	(2.6)	5,927	(48.1)	8,937	(41.7)	776	(90.4)
Three months ended June 30, 2015	358,975	1.1	11,419	(2.4)	15,332	4.7	8,113	7.7

Note: Comprehensive income: For the first three months ended June 30, 2016: ¥2,696 million (-78.9%)
For the first three months ended June 30, 2015: ¥12,787 million (48.8%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2016	1.24	1.22
Three months ended June 30, 2015	12.65	12.51

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2016	1,680,532	1,046,237	59.5
As of March 31, 2016	1,718,636	1,063,241	59.2

Note: Stockholders' equity as of June 30, 2016: ¥999,474 million As of March 31, 2016: ¥1,017,425 million

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Year ended March 31, 2016	–	16.00	–	16.00	32.00
Year ending March 31, 2017	–				
Year ending March 31, 2017 (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, 2017 (April 1, 2016 – March 31, 2017)

(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	1,470,000	1.0	48,000	5.6	54,000	2.6	34,500	2.7	55.78

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: Yes
2) Changes in accounting policies other than the 1) above: Yes
3) Changes in accounting estimates: Yes
4) Restatement of revisions: No

Note: For further details, see the section titled, "2. Summary information (notes), 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, 2016	663,480,693 shares	As of March 31, 2016	680,480,693 shares
2) Number of treasury shares at end of each period	As of June 30, 2016	43,624,364 shares	As of March 31, 2016	51,919,577 shares
3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)	Three months ended June 30, 2016	625,708,916 shares	Three months ended June 30, 2015	641,278,967 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

Japan's economy maintained a gradual recovery trend during the first three months of the fiscal year, aided by the economic policies of the Japanese government. However, the economy has still not reached a full-fledged recovery, due partly to sluggish consumer spending and overseas economic slowdowns, including in China. Additionally, corporate retirement benefit obligations appear to be rising as a result of Japan's negative interest rate policy, and with the yen appreciating sharply and share prices declining through the end of June in the wake of the UK's national referendum decision to exit the EU, the economic outlook is increasingly uncertain.

The printing industry continued to face a tough business environment as a result of lower demand for printed media, including published printed materials, and lower order prices due to stiffer competition.

In this environment, the DNP Group (DNP) established the four growth areas of "Knowledge and Communication," "Food and Healthcare," "Lifestyle and Mobility," and "Environment and Energy." It focused on creating new value through P&I innovations and worked to expand its business.

Despite these efforts, consolidated net sales for the first three months fell 2.6% year on year to ¥349.8 billion, consolidated operating income fell 48.1% to ¥5.9 billion, consolidated ordinary income fell 41.7% to ¥8.9 billion, and net income attributable to parent company shareholders fell 90.4% to ¥0.7 billion.

Business segment results are presented below.

[PRINTING]

Information Communication

In the Publishing business, amid a continued slump in the publications market, book sales increased from last year thanks to aggressive sales activities, but a decline for magazines had a large impact, and Publishing & Media Services fell below year-ago levels. Meanwhile, in the Education and Publications Distribution business, sales were firm in the "honto" hybrid bookstore network that combines physical bookstores, online bookstores, and e-book sales services; and library operations outsourcing sales increased from the previous year on growth in the number of outsourcing libraries. As a result, overall sales were generally on par with the previous year.

In the Information Innovation business, sales increased for point-of-purchase promotional materials (POP) and other sales promotion-related tools, as well as for catalogs, pamphlets, and other marketing materials. Sales were also strong in information security-related business, mainly smart cards for financial institutions and electronic money and Information Processing Services (IPS; handling data entry, printing, and shipment of personalized mail and other items). Overall sales increased from the previous year.

In the Imaging Communication business, DNP worked to expand services that use its "ShaGoo!" automated commemorative photo booths and "Ki-Re-i" ID photo booths, but sales decreased from the previous year due to sluggish sales of dye-sublimation thermal transfer printing media for photo printers (color ink ribbons and receiver paper) in overseas markets, including North America.

As a result of the above, overall segment sales grew 1.8% year on year to ¥203.4 billion, but operating income fell 31.5% to ¥5.0 billion.

Lifestyle and Industrial Supplies

In the Packaging business, sales decreased year on year for PET plastic bottle aseptic filling systems, but overall sales stayed generally on par with the previous year thanks to favorable sales for paper packaging and molded plastic goods.

In the Lifestyle Materials business, sales held flat year on year as DNP focused on sales of environmentally conscious products and other products that use its proprietary Electron Beam coating technology and on the development of overseas markets. DNP implemented a repair program as a result of defects for some products.

In the Industrial Supplies business, sales decreased from the previous year as a result of sluggish sales of lithium-ion battery components for mobile applications and lower sales of photovoltaic module components for domestic residential applications.

As a result of the above, overall segment sales fell 0.7% year on year to ¥94.4 billion and operating income fell 2.3% to ¥3.1 billion.

Electronics

In the Display Components business, sales were favorable for vapor deposition masks (metal masks) used in the production of organic light-emitting diode (OLED) displays, which show promise as next-generation displays. However, LCD color filter sales decreased from the previous year on declines for both small- and medium-sized filters for smartphones and tablets, and large filters for TVs. Optical film sales also decreased year on year on a decline for polarizing plate products.

In the Electronic Devices business, semiconductor photomask sales decreased from the previous year, despite tapping into overseas demand, as a result of sluggish sales in Japan.

As a result of the above, overall segment sales fell 22.5% year on year to ¥41.0 billion and operating income fell 52.3% to ¥2.5 billion.

[BEVERAGES]

Beverages

The soft drink industry continued to face a tough market environment, due partly to price competition among manufacturers. However, DNP worked to expand market share in existing markets and to acquire new customers by bolstering its core brand products through the release of new products, and by advancing the vending machine business by leveraging area marketing and operational expertise.

As a result of these efforts, sales increased for I LOHAS, a brand of mineral water that uses a lightweight PET plastic bottle, and for tea drinks, including the mainstay Ayataka brand. However, sales decreased to group bottlers outside the Hokkaido region and for the Coca-Cola brand and sports drinks. Overall segment sales fell 1.3% year on year to ¥12.2 billion and operating income totaled ¥0.1 billion (versus a year-earlier operating loss of ¥0.1 billion).

(2) Explanation of the consolidated financial position

Total assets at the end of the first quarter decreased by ¥38.1 billion from the end of the previous fiscal year to ¥1,680.5 billion, due mainly to decreases for cash and time deposits and for notes and trade receivables.

Total liabilities decreased by ¥21.0 billion from the end of the previous fiscal year to ¥634.2 billion, due mainly to decreases in short-term bank loans and reserve for bonuses.

Net assets decreased by ¥17.0 billion from the end of the previous fiscal year to ¥1,046.2 billion, due mainly to a decrease 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 59.5%.

(3) Explanation of the consolidated earnings forecasts

Our earnings forecasts for the fiscal year ending March 2017 are unchanged from the forecasts announced on May 12, 2016.

2. Summary information (notes)

Changes in accounting policies, changes in accounting estimates, and restatement of revisions

(Changes in accounting policies)
(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)
DNP is applying the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016), and revising some accounting methods related to the recoverability of deferred tax assets, starting in the first quarter of the current fiscal year.

DNP is applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets in line with transitional measures stipulated in Paragraph 49 (4) of said guidance. Any differences between the amounts of deferred tax assets and deferred tax liabilities when applying the provisions in Paragraph 49 (3), Items 1–3, of said guidance at the start of the first quarter of the current fiscal year, and the amounts of deferred tax assets and deferred tax liabilities at the end of the previous fiscal year, are added to retained earnings at the start of the first quarter of the current fiscal year.

These changes have an immaterial impact on the quarterly financial statements at the start of the first quarter of the current fiscal year.

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)
DNP and some domestic consolidated subsidiaries, in line with amendment of the Corporation Tax Act, are applying the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ Practical Issue Task Force (PITF) No. 32, June 17, 2016), and are changing the depreciation method for buildings and accompanying facilities as well as for structures acquired on or after April 1, 2016 from declining balance depreciation to straight-line depreciation, starting in the first quarter of the current fiscal year.

These changes have an immaterial impact on the quarterly financial statements for the first quarter of the current fiscal year.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)
(Changes in depreciation method and service life)
DNP consolidated subsidiary Hokkaido Coca-Cola Bottling Co., Ltd. (hereinafter, HCCB) and the consolidated subsidiaries of HCCB (hereinafter, HCCB Group) previously depreciated tangible fixed assets mainly using declining balance depreciation, but are changing to straight-line depreciation starting in the first quarter of the current fiscal year.

This change is based on a review of the current production structure and use of fixed assets, and the medium- to long-term capital investment strategy, in order to respond to changes in the market environment, including stiffer completion from the full-scale entrance of rival companies and diversifying consumer needs.

The HCCB Group's tangible fixed assets are expected to produce average and stable investment effects over their service life based on long-term use and stable production. Accordingly, the HCCB Group is changing its depreciation method for tangible fixed assets from declining balance depreciation to straight-line depreciation starting in the first quarter of the current fiscal year, based on a judgement that equal cost allocation over the usable period can better reflect the usage conditions of its tangible fixed assets, and from a revenue and expense standpoint, can better reflect its business performance.

Additionally, HCCB had mainly applied a service life of 5–6 years to vending machines, but because it is expanding the introduction of vending machines with greater durability, concurrent with the change in depreciation method, it is changing to a nine-year service life to better reflect actual conditions, starting in the first quarter of the current fiscal year.

Compared with the previous methods, the above changes increase operating income by ¥315 million, and ordinary income and income before income taxes and non-controlling interests by ¥316 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, 2016	As of June 30, 2016
ASSETS		
Current assets		
Cash and time deposits	171,694	151,779
Notes and trade receivables	348,585	330,301
Merchandise and finished products	101,239	103,652
Work in progress	29,686	30,592
Raw materials and supplies	25,021	24,809
Other	46,847	42,563
Allowance for doubtful accounts	(1,349)	(1,214)
Total current assets	721,724	682,484
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	217,516	214,200
Machinery and equipment, net	89,549	85,954
Land	155,532	154,859
Construction in progress	14,946	17,796
Other, net	35,611	35,469
Total property, plant and equipment	513,156	508,281
Intangible fixed assets		
Other	35,802	36,290
Total intangible fixed assets	35,802	36,290
Investments and other assets		
Investment securities	362,654	366,349
Other	91,722	93,473
Allowance for doubtful accounts	(6,424)	(6,345)
Total investments and other assets	447,952	453,476
Total fixed assets	996,911	998,047
TOTAL ASSETS	1,718,636	1,680,532

(Million yen)

	As of March 31, 2016	As of June 30, 2016
LIABILITIES		
Current liabilities		
Notes and trade payables	255,585	259,474
Short-term bank loans	55,316	41,901
Reserve for bonuses	17,333	6,572
Other	95,078	94,494
Total current liabilities	423,313	402,443
Long-term liabilities		
Bonds	107,560	107,410
Long-term debt	18,190	18,454
Net defined benefit liability	34,167	34,229
Deferred tax liabilities	48,884	48,634
Other	23,278	23,122
Total long-term liabilities	232,080	231,851
TOTAL LIABILITIES	655,394	634,295
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,283	144,283
Retained earnings	717,029	681,202
Treasury stock	(81,024)	(64,053)
Total stockholders' equity	894,752	875,896
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	123,478	130,265
Net deferred losses on hedges	(6)	(13)
Foreign currency translation adjustments	3,050	(1,582)
Remeasurements of defined benefit plans	(3,849)	(5,091)
Total accumulated other comprehensive income	122,672	123,577
Stock acquisition rights	16	16
Non-controlling interests	45,800	46,746
TOTAL NET ASSETS	1,063,241	1,046,237
TOTAL LIABILITIES AND NET ASSETS	1,718,636	1,680,532

(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, 2015	Three months ended June 30, 2016
Net sales	358,975	349,800
Cost of sales	289,489	284,930
Gross profit	69,485	64,869
Selling, general and administrative expenses	58,066	58,942
Operating income	11,419	5,927
Non-operating income		
Interest and dividend income	3,357	3,421
Equity in earnings of affiliates	1,120	1,173
Other	1,088	1,820
Total non-operating income	5,566	6,415
Non-operating expense		
Interest expense	634	594
Foreign exchange transaction loss	–	1,027
Other	1,019	1,783
Total non-operating expenses	1,653	3,405
Ordinary income	15,332	8,937
Extraordinary gains		
Gain on sale of fixed assets	40	666
Gain on sale of investment securities	–	1,076
Other	83	24
Total extraordinary gains	123	1,767
Extraordinary losses		
Loss on sale or disposal of fixed assets	234	486
Loss on devaluation of investment securities	5	2,962
Repair costs	–	2,218
Other	66	51
Total extraordinary losses	305	5,718
Income before income taxes and non-controlling interests	15,150	4,986
Current income taxes	1,564	2,091
Deferred income taxes	4,688	650
Total income taxes	6,252	2,741
Net income	8,897	2,244
Net income attributable to non-controlling shareholders	784	1,468
Net income attributable to parent company shareholders	8,113	776

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

(Million yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net income	8,897	2,244
Other comprehensive income		
Valuation difference on available-for-sale securities	8,033	6,879
Net deferred gains (losses) on hedges	40	(4)
Foreign currency translation adjustments	(2,285)	(4,249)
Remeasurements of defined benefit plans	(3,552)	463
Share of other comprehensive income of affiliates accounted for using equity method	1,654	(2,637)
Total other comprehensive income	3,890	451
Comprehensive income	12,787	2,696
Attributable to :		
Parent company shareholders	12,187	1,681
Non-controlling shareholders	600	1,014

(3) Notes regarding quarterly consolidated financial statements

[Notes on premise of a going concern]
None

[Significant changes in shareholders' equity]
Treasury stock increased by ¥9,593 million during the first quarter of the current fiscal year, due mainly to share repurchases based on a resolution passed by the Board of Directors on May 12, 2016.

Additionally, retained earnings decreased by ¥26,564 million and treasury stock decreased by ¥26,564 million during the first quarter of the current fiscal year due to the cancellation of treasury stock on May 26, 2016 based on a resolution passed by the Board of Directors on May 12, 2016.

[Segment information, etc.]

I. First three months of previous fiscal year (April 1, 2015 – June 30, 2015)

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	198,617	94,977	52,934	12,445	358,975	–	358,975
Inter-segment	1,277	196	–	8	1,482	(1,482)	–
Total	199,895	95,174	52,934	12,454	360,457	(1,482)	358,975
Segment income (loss)	7,307	3,235	5,420	(180)	15,782	(4,363)	11,419

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, 2016 – June 30, 2016)

1. 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	202,207	94,282	41,027	12,282	349,800	–	349,800
Inter-segment	1,265	195	–	12	1,474	(1,474)	–
Total	203,473	94,478	41,027	12,295	351,275	(1,474)	349,800
Segment income	5,002	3,161	2,585	135	10,884	(4,957)	5,927

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.

2. Changes in reportable business segments, etc.

(Changes in depreciation method and service life)
DNP consolidated subsidiary Hokkaido Coca-Cola Bottling Co., Ltd. and its consolidated subsidiaries are changing the depreciation method and service life for tangible fixed assets starting in the first quarter of the current fiscal year, as noted in the section, “Changes in accounting policies that are difficult to distinguish from changes in accounting estimates.”

Compared with the previous methods, these changes increase Beverages segment income by ¥315 million in the first quarter of the current fiscal year.