# Consolidated Financial Results
# for the First Nine Months of the Fiscal Year Ending March 31, 2018 [J-GAAP]

February 13, 2018

**Company Name:** **Dai Nippon Printing Co., Ltd.**
Stock exchange listing: Tokyo
Stock code: 7912 URL: http://www.dnp.co.jp/
Representative: Yoshitoshi Kitajima, President
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Telephone: +81-3-6735-0101
Securities report issuing date: February 14, 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 nine months ended December 31, 2017 (April 1, 2017 – December 31, 2017)

### (1) Consolidated financial results

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

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income (Loss) Attributable to Parent Company Shareholders | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Nine months ended December 31, 2017 | 1,050,959 | 0.1 | 32,603 | 45.6 | 36,281 | 34.0 | (3,208) | – |
| Nine months ended December 31, 2016 | 1,050,062 | (3.7) | 22,387 | (30.2) | 27,072 | (31.4) | 25,135 | (7.0) |

Note: Comprehensive income: For the first nine months ended December 31, 2017: ¥58,769 million (138.6%)
For the first nine months ended December 31, 2016: ¥24,633 million (60.9%)

| | Net Income (Loss) per Share | Diluted Net Income per Share |
|---|---|---|
| | Yen | Yen |
| Nine months ended December 31, 2017 | (10.57) | – |
| Nine months ended December 31, 2016 | 81.15 | 81.14 |

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 (loss) 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 December 31, 2017 | 1,790,570 | 1,105,017 | 59.0 |
| As of March 31, 2017 | 1,741,904 | 1,081,286 | 59.4 |

Note: Stockholders' equity as of December 31, 2017: ¥1,056,168 million As of March 31, 2017: ¥1,033,864 million

## 2. Dividends

| | Annual Dividends (Yen) | | | | |
|---|---|---|---|---|---|
| | First Quarter-end | Second Quarter-end | Third Quarter-end | Year-end | Total |
| Year ended March 31, 2017 | – | 16.00 | – | 16.00 | 32.00 |
| Year ending March 31, 2018 | – | 16.00 | – | | |
| Year ending March 31, 2018 (Forecasts) | | | | 32.00 | – |

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 ending March 2018 (forecasts) show dividends after the share consolidation, and total annual dividends show "–". Without the share consolidation, year-end dividends per share for the fiscal year ending March 2018 would be ¥16.00. For further details, see the section titled, "Explanation regarding appropriate use of earnings forecasts and other special notes."

## 3. Consolidated earnings forecasts for the year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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 | 0.7 | 35,000 | 11.4 | 40,000 | 8.9 | 26,000 | 3.1 | 85.81 |

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

Note: Net income per share in the consolidated earnings forecasts (full year) for the fiscal year ending March 31, 2018 is adjusted for the impact of the share consolidation. Without the share consolidation, net income per share in the consolidated earnings forecasts (full year) for the fiscal year ending March 2018 would be ¥42.91. For further details, see the section titled, "Explanation regarding appropriate use of earnings forecasts and other special notes."

## 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: Yes
4) Restatement of revisions: No

Note: For further details, see the section titled, "2. Quarterly consolidated financial statements and key notes, (3) Notes regarding quarterly consolidated financial statements [Changes in accounting estimates]," on page 9.

(4) Number of common shares issued and outstanding

| | | | | |
|---|---|---|---|---|
| 1) Number of common shares outstanding at end of each period (including treasury shares) | As of December 31, 2017 | 324,240,346 shares | As of March 31, 2017 | 331,740,346 shares |
| 2) Number of treasury shares at end of each period | As of December 31, 2017 | 22,676,051 shares | As of March 31, 2017 | 24,143,555 shares |
| 3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year) | Nine months ended December 31, 2017 | 303,408,697 shares | Nine months ended December 31, 2016 | 309,738,698 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 the number of common shares outstanding at end of each period, the number of treasury shares at end of each period, and 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.

* Explanation regarding appropriate use of earnings forecasts and other special notes

1. 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.

2. Dai Nippon Printing Co., Ltd. passed a resolution approving a share consolidation at the 123rd Ordinary General Meeting of Shareholders on June 29, 2017. It implemented a share consolidation, from two shares of common stock into one share, effective on October 1, 2017. Without the share consolidation, the dividend forecasts and consolidated earnings forecasts for the year ending March 31, 2018 would be as follows.

(1) Dividend forecasts for the year ending March 31, 2018

Year-end dividends per share ¥16.00

(2) Consolidated earnings forecasts for the year ending March 31, 2018

Net income per share

Full year ¥42.91

## Contents

## 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 nine months of the fiscal year ending March 2018, with capital expenditures picking up, supported by growth in corporate earnings and initiatives in growth areas, and exports also increasing. However, consumers are still keen to economize, despite improvement in the employment and income environment, and consumer spending remains sluggish. Accordingly, the economy has still not reached a full-fledged recovery.

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

Under these circumstances, the DNP Group (DNP), 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," focused on creating new value through P&I innovations as a combination of its strengths in printing and information and worked to expand its business. It also implemented structural reforms to bolster competitiveness, including the reorganization and consolidation of business divisions and group companies.

As a result, consolidated net sales for the first nine months grew 0.1% year on year to ¥1,050.9 billion, consolidated operating income grew 45.6% to ¥32.6 billion, consolidated ordinary income grew 34.0% to ¥36.2 billion, and net income attributable to parent company shareholders swung to a loss of ¥3.2 billion (versus net income of ¥25.1 billion in the year-earlier period).

Business segment results are presented below.

**[PRINTING]**

**Information Communication**

In the Publishing business, amid a continued slump in the publication market, DNP pursued aggressive sales activities in Publishing & Media Services, but sales of books and magazines both decreased year on year. In the Education and Publications Distribution business, DNP focused on expanding business in the "honto" hybrid bookstore network that combines physical bookstores, online bookstores, and e-book services. Sales were favorable for online bookstores and e-books, and new accounts in library operations outsourcing services also increased. However, sales in the Education and Publications Distribution business decreased from the previous year as a result of switching BUNKYODO GROUP HOLDINGS CO., LTD. from a consolidated subsidiary to an equity-method affiliate due to the partial sale of its stock in October 2016. Overall sales in the Publishing business also decreased year on year.

In the Information Innovation business, sales decreased for catalogs, pamphlets, and other printed media, but were strong for point-of-purchase promotional materials (POP) and other sales promotion tools. Moreover, sales were firm for Information Processing Services (IPS; handling data entry, printing, and shipment of personalized mail and other items), due partly to an increase in Business Process Outsourcing (BPO) centers that perform a wide range of operations for client companies, such as reception services for various applications and operation of consumer contact points. Sales were also favorable for smart cards for financial institutions and electronic money, and overall sales in the Information Innovation business increased from the previous year.

In the Imaging Communication business, DNP worked to provide high-value-added services that allow consumers to enjoy photo printing, including "ShaGoo!" automated commemorative photo booths, issuance of fan club membership cards using "Ki-Re-i" ID photo booths, and Imaging Mall as a cloud-based image sales solution that provides companies that are looking to print and sell content images a full range of capabilities from image data storage to website construction, image processing, printing, and delivery. DNP expanded Southeast Asian and

European sales of dye-sublimation thermal transfer printing media for photo printers (color ink ribbons and receiver paper). However, sales decreased in Japan and North America, and overall sales fell below the previous year.

As a result of the above, overall segment sales fell 3.1% year on year to ¥576.0 billion but operating income grew 11.6% to ¥15.2 billion.

**Lifestyle and Industrial Supplies**

In the Packaging business, sales were firm for film packaging, paper cups, plastic molded products, and systems such as filling and packaging equipment. However, sales declined for paper packaging, and overall sales decreased from the previous year.

In the Living Space business, DNP focused on expanding sales of environmentally conscious products that use its proprietary electronic beam (EB) coating technology. Sales also increased for Arttec interior and exterior aluminum panels and for decorative films featuring sophisticated designs such as wood grains and metals along with realistic texture effects, both used in non-housing applications such as commercial facilities, offices, automobiles, and railway cars. Overall sales increased from the previous year.

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

As a result of the above, overall segment sales grew 2.1% year on year to ¥296.2 billion but operating income fell 13.0% to ¥9.6 billion.

**Electronics**

In the Display Components business, sales of LCD color filters decreased from the previous year for both small- and medium-sized filters for smartphones and tablets and large filters for TVs. However, sales were strong for metal masks used in the production of organic light-emitting diode (OLED) displays. Optical films had firm sales of mainstay anti-reflection films for LCDs and higher sales of films for OLED displays. As a result, overall sales increased from the previous year.

In the Electronic Devices business, semiconductor photomask sales increased from the previous year on uptake of overseas and domestic demand.

As a result of the above, overall segment sales grew 10.8% year on year to ¥139.6 billion and operating income grew 115.9% to ¥23.5 billion.

**[BEVERAGES]**

**Beverages**

In the soft drink industry, manufacturers continued to compete hard for market share, spending heavily on sales promotion and discounting prices. In this environment, DNP bolstered sales of core brands by releasing new products, including foods for specified health use and foods with function claims. DNP also 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 and for unsweetened tea drinks including Ayataka. However, sales decreased for mineral waters and to group bottlers outside the Hokkaido region. Overall segment sales fell 0.7% year on year to ¥43.0 billion and operating income fell 8.6% to ¥2.1 billion.

### (2) Explanation of the consolidated financial position

Total assets at the end of the third quarter increased by ¥48.6 billion from the end of the previous fiscal year to ¥1,790.5 billion, due mainly to an increase in investment securities.

Total liabilities increased by ¥24.9 billion from the end of the previous fiscal year to ¥685.5 billion, due mainly to an increase in repair reserves.

Net assets increased by ¥23.7 billion from the end of the previous fiscal year to ¥1,105.0

billion, due mainly to an increase in valuation difference on available-for-sale securities.
As a result of the above, the equity ratio changed from 59.4% at the end of the previous fiscal year to 59.0%.

### (3) Explanation of the consolidated earnings forecasts

Our earnings forecasts for the fiscal year ending March 2018 are unchanged from the forecasts announced on May 12, 2017.

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

(Million yen)

| | As of March 31, 2017 | As of December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and time deposits | 210,454 | 191,527 |
| Notes and trade receivables | 341,805 | 351,178 |
| Merchandise and finished products | 84,286 | 84,334 |
| Work in progress | 29,130 | 33,862 |
| Raw materials and supplies | 23,896 | 24,858 |
| Other | 49,194 | 39,928 |
| Allowance for doubtful accounts | (1,627) | (1,425) |
| Total current assets | 737,140 | 724,264 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 206,196 | 200,743 |
| Machinery and equipment, net | 80,689 | 77,115 |
| Land | 155,114 | 153,710 |
| Construction in progress | 18,326 | 14,213 |
| Other, net | 36,839 | 36,685 |
| Total property, plant and equipment | 497,166 | 482,467 |
| Intangible fixed assets | | |
| Other | 34,436 | 32,520 |
| Total intangible fixed assets | 34,436 | 32,520 |
| Investments and other assets | | |
| Investment securities | 380,323 | 458,887 |
| Other | 96,894 | 96,126 |
| Allowance for doubtful accounts | (4,057) | (3,696) |
| Total investments and other assets | 473,160 | 551,317 |
| Total fixed assets | 1,004,763 | 1,066,306 |
| **TOTAL ASSETS** | 1,741,904 | 1,790,570 |

(Million yen)

| | As of March 31, 2017 | As of December 31, 2017 |
|---|---|---|
| **LIABILITIES** | | |
| Current liabilities | | |
| Notes and trade payables | 247,562 | 253,798 |
| Short-term bank loans | 43,035 | 33,317 |
| Reserve for bonuses | 17,056 | 6,768 |
| Repair reserve | 18,679 | 22,777 |
| Other | 88,864 | 94,870 |
| Total current liabilities | 415,198 | 411,532 |
| Long-term liabilities | | |
| Bonds | 109,640 | 108,600 |
| Long-term debt | 8,658 | 7,651 |
| Repair reserve | – | 20,579 |
| Net defined benefit liability | 35,149 | 35,050 |
| Deferred tax liabilities | 66,147 | 77,252 |
| Other | 25,823 | 24,886 |
| Total long-term liabilities | 245,418 | 274,020 |
| **TOTAL LIABILITIES** | 660,617 | 685,552 |
| **NET ASSETS** | | |
| Stockholders' equity | | |
| Common stock | 114,464 | 114,464 |
| Capital surplus | 144,280 | 144,269 |
| Retained earnings | 695,720 | 651,267 |
| Treasury stock | (69,636) | (62,907) |
| Total stockholders' equity | 884,829 | 847,093 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 149,574 | 207,041 |
| Net deferred gains (losses) on hedges | (2) | 12 |
| Foreign currency translation adjustments | (2,219) | 453 |
| Remeasurements of defined benefit plans | 1,683 | 1,567 |
| Total accumulated other comprehensive income | 149,035 | 209,075 |
| Non-controlling interests | 47,422 | 48,848 |
| **TOTAL NET ASSETS** | 1,081,286 | 1,105,017 |
| **TOTAL LIABILITIES AND NET ASSETS** | 1,741,904 | 1,790,570 |

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

### Quarterly consolidated statements of income

#### First nine months of the fiscal years

(Million yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 |
|---|---|---|
| Net sales | 1,050,062 | 1,050,959 |
| Cost of sales | 851,297 | 842,797 |
| Gross profit | 198,765 | 208,161 |
| Selling, general and administrative expenses | 176,377 | 175,558 |
| Operating income | 22,387 | 32,603 |
| Non-operating income | | |
| Interest and dividend income | 5,085 | 5,504 |
| Equity in earnings of affiliates | 2,379 | 2,140 |
| Other | 3,759 | 3,588 |
| Total non-operating income | 11,223 | 11,234 |
| Non-operating expense | | |
| Interest expense | 1,671 | 1,664 |
| Other | 4,867 | 5,891 |
| Total non-operating expenses | 6,538 | 7,556 |
| Ordinary income | 27,072 | 36,281 |
| Extraordinary gains | | |
| Gain on sale of fixed assets | 944 | 2,038 |
| Gain on sale of investment securities | 40,277 | 15,754 |
| Other | 3,718 | 719 |
| Total extraordinary gains | 44,939 | 18,512 |
| Extraordinary losses | | |
| Loss on sale or disposal of fixed assets | 2,358 | 2,863 |
| Repair costs and repair reserve provisions | 30,218 | 53,500 |
| Other | 1,401 | 559 |
| Total extraordinary losses | 33,978 | 56,922 |
| Income (Loss) before income taxes and non-controlling interests | 38,034 | (2,128) |
| Current income taxes | 8,596 | 9,740 |
| Deferred income taxes | 2,333 | (10,811) |
| Total income taxes | 10,930 | (1,070) |
| Net income (loss) | 27,103 | (1,057) |
| Net income attributable to non-controlling shareholders | 1,968 | 2,151 |
| Net income (loss) attributable to parent company shareholders | 25,135 | (3,208) |

**Quarterly consolidated statements of comprehensive income**
**First nine months of the fiscal years**

(Million yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 |
|---|---|---|
| Net income (loss) | 27,103 | (1,057) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11,773 | 57,242 |
| Net deferred gains on hedges | 31 | 28 |
| Foreign currency translation adjustments | (11,336) | 1,358 |
| Remeasurements of defined benefit plans | 646 | (737) |
| Share of other comprehensive income of affiliates accounted for using equity method | (3,585) | 1,934 |
| Total other comprehensive income | (2,470) | 59,826 |
| Comprehensive income | 24,633 | 58,769 |
| Attributable to : | | |
| Parent company shareholders | 23,654 | 56,831 |
| Non-controlling shareholders | 978 | 1,937 |

### (3) Notes regarding quarterly consolidated financial statements

**[Notes on premise of a going concern]**
None

**[Significant changes in shareholders' equity]**
Treasury stock increased by ¥15,035 million during the first nine months of the current fiscal year, due mainly to share repurchases based on a resolution passed by the Board of Directors on May 12, 2017.

Additionally, retained earnings decreased by ¥21,763 million and treasury stock decreased by ¥21,763 million during the first nine months of the current fiscal year due to the cancellation of treasury stock on May 26, 2017 based on a resolution passed by the Board of Directors on May 12, 2017.

**[Changes in accounting estimates]**
(Repair reserves)
DNP previously recorded repair reserves to cover the expected required repair costs for defects in some products, but because it was able to obtain new and more accurate information about the products subject to repair, it changed its estimate for the first six months of the fiscal year ending March 2018.

As a result, income before income taxes and non-controlling interests decreased by ¥53.5 billion for the first nine months of the fiscal year ending March 2018.

**[Segment information, etc.]**

I. First nine months of previous fiscal year (April 1, 2016 – December 31, 2016)

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 | 591,256 | 289,520 | 125,986 | 43,299 | 1,050,062 | – | 1,050,062 |
| Inter-segment | 3,225 | 602 | – | 36 | 3,864 | (3,864) | – |
| Total | 594,481 | 290,122 | 125,986 | 43,336 | 1,053,927 | (3,864) | 1,050,062 |
| Segment income | 13,702 | 11,056 | 10,892 | 2,319 | 37,971 | (15,583) | 22,387 |

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 nine months of current fiscal year (April 1, 2017 – December 31, 2017)

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 | 573,415 | 294,927 | 139,599 | 43,017 | 1,050,959 | – | 1,050,959 |
| Inter-segment | 2,626 | 1,307 | 9 | 8 | 3,951 | (3,951) | – |
| Total | 576,041 | 296,234 | 139,608 | 43,025 | 1,054,910 | (3,951) | 1,050,959 |
| Segment income | 15,293 | 9,617 | 23,514 | 2,120 | 50,545 | (17,941) | 32,603 |

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.