



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

November 13, 2018

Company Name: Dai Nippon Printing Co., Ltd.
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, 2018
(April 1, 2018 – September 30, 2018)

(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	%
Six months ended September 30, 2018	685,563	(0.3)	22,832	34.7	25,848	35.3	16,932	—
Six months ended September 30, 2017	687,498	(1.4)	16,947	45.2	19,106	32.7	(21,428)	—

Note: Comprehensive income: For the first six months ended September 30, 2018: ¥71,539 million (392.0%)
For the first six months ended September 30, 2017: ¥14,539 million (–%)

	Net Income (Loss) per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2018	56.14	56.12
Six months ended September 30, 2017	(70.44)	—

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 September 30, 2018	1,827,628	1,164,608	61.0
As of March 31, 2018	1,794,764	1,102,550	58.7

Note: Stockholders' equity: As of September 30, 2018: ¥1,114,483 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	–	32.00			
Year ending March 31, 2019 (Forecasts)			–	32.00	64.00

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 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	92.80

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, 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 September 30, 2018	22,418,234 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)	Six months ended September 30, 2018	301,625,513 shares	Six months ended September 30, 2017	304,198,786 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 six months of the fiscal year ending March 2019, with ongoing improvement in employment and income conditions, improvement in corporate earnings, and upturn in corporate capital expenditures, mainly in growth areas. However, the economy has still not reached a full-fledged recovery, affected by continued lackluster consumer spending while consumers maintain a strong budget mindset, and by earthquakes and poor weather conditions.

The printing industry continued to face a tough business environment, affected by lower demand for printed media, including published printed materials and commercial printed materials, due partly to market growth for digital content and online advertising, by an accompanying intensification of competition, and by an increase in raw material prices.

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. The DNP Group targets "Knowledge and Communication," "Food and Healthcare," "Lifestyle and Mobility," and "Environment and Energy" as areas for aggressive business expansion, and based on these four growth areas, it 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 while undertaking structural reforms to bolster its competitiveness, including the reorganization of business divisions and group companies.

As a result of these efforts, consolidated net sales for the first six months fell 0.3% year on year to ¥685.5 billion, consolidated operating income grew 34.7% to ¥22.8 billion, consolidated ordinary income grew 35.3% to ¥25.8 billion, and net income attributable to parent company shareholders totaled ¥16.9 billion (versus net loss of ¥21.4 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, the DNP Group worked to help solve problems within the industry, including by harnessing artificial intelligence to analyze book sales and other data 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 in the "honto" hybrid bookstore network that combines physical bookstores, online bookstores, and e-book services, aided by the Book Tree service in which authors and bookstore employees introduce books chosen based on unique themes. 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, affected by 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 were firm for sales promotion tools, including point-of-purchase (POP) promotional materials and gift prizes. However, sales decreased for advertising flyers, catalogs, and other printed media, for smart cards for financial institutions and electronic money, and for Information Processing Services (IPS; handling data entry, printing, and shipment of personalized mail and other items). As a result, overall sales in the Information Innovation business decreased from the previous year.

In the Imaging Communication business, as part of expanding versatility of Ki-Re-i ID photo

booths, the DNP Group provided ID card issuing services for employee ID cards and other types of ID cards and worked to expand a new service to allow consumers to print photos taken with their smartphones at ID photo booths installed outside train stations and in other locations. The DNP Group also worked to deliver new high-value-added services such as a marketing photo booth service that allows people at tourist sites and event venues to enjoy taking and printing photos while acquiring user data to enable the measurement of the effectiveness of marketing and sales promotion activities. 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 2.2% year on year to ¥371.1 billion, but operating income grew 18.9% to ¥10.7 billion.

Lifestyle and Industrial Supplies

In the Packaging business, the DNP Group developed mono-material packaging (made from a single material) that is easier to recycle with the aim of reducing environmental loads further. It also worked to develop and sell products and materials that help solve social issues, including simple food preparation packaging that reduces the time and effort of food preparation and clean-up by using the packaging as a preparation tool, and liquid paper containers that are friendly for both people and the environment on account of being easy to open and separately discard while also preserving the aroma of the container contents, such as alcoholic beverages. 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 conducted domestic and overseas sales mainly of environmentally conscious products that combine its proprietary electronic beam (EB) coating technology with a strong sense of design and functionality. It also actively pursued sales of 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 designs, and can be used in non-housing applications such as commercial facilities, offices, and railway cars. However, demand for residential interior materials was sluggish due to a downward trend in new housing starts in Japan, and overall sales in the Living Space business decreased from the previous year.

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 fell 0.0% year on year to ¥193.1 billion and operating income fell 35.5% to ¥3.3 billion.

Electronics

In the Display Components business, optical film sales increased for use in organic light-emitting diode (OLED) displays with the spread of these displays, and were firm for use in LCDs due to larger screen sizes. 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 8.1% year on year to ¥98.2 billion and operating income grew 37.9% to ¥19.0 billion.

[BEVERAGES]

Beverages

The soft drink industry faced ongoing tough competition for market share, with manufacturers aggressively releasing new products. In this environment, the DNP Group released new products in core brands and worked to expand share in existing markets and acquire new customers, including by expanding the vending machine business by leveraging its strengths in area marketing and operational expertise.

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 mineral waters and to group bottlers outside the Hokkaido region. Overall segment sales fell 1.4% year on year to ¥26.1 billion while operating income rose 33.1% to ¥0.9 billion.

(2) Explanation of the consolidated financial position

Total assets at the end of the second quarter increased by ¥32.8 billion from the end of the previous fiscal year to ¥1,827.6 billion, due mainly to an increase in investment securities.

Total liabilities decreased by ¥29.1 billion from the end of the previous fiscal year to ¥663.0 billion, due mainly to a decrease in notes and trade payables.

Net assets increased by ¥62.0 billion from the end of the previous fiscal year to ¥1,164.6 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 58.7% at the end of the previous fiscal year to 61.0%.

Consolidated cash flow provided by operating activities during the first six months totaled ¥40.6 billion, due mainly to ¥26.4 billion in income before income taxes and non-controlling interests and ¥29.0 billion in depreciation.

Cash flow used in investing activities totaled ¥142.7 billion, due mainly to a ¥126.0 billion net increase in time deposits and ¥20.4 billion in payments for purchases of property, plant and equipment, and cash flow used in financing activities totaled ¥26.4 billion, due mainly to a ¥12.0 billion net decrease in debt and ¥10.0 billion in dividends paid.

As a result, cash and cash equivalents at the end of the second quarter totaled ¥115.7 billion, a decrease of ¥129.2 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 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 September 30, 2018
ASSETS		
Current assets		
Cash and time deposits	242,781	239,416
Notes and trade receivables	354,241	330,748
Merchandise and finished products	82,697	81,462
Work in progress	31,672	34,040
Raw materials and supplies	23,178	23,101
Other	47,159	34,901
Allowance for doubtful accounts	(1,690)	(1,412)
Total current assets	780,039	742,257
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	199,310	195,031
Machinery and equipment, net	80,702	76,449
Land	151,521	151,007
Construction in progress	7,160	7,531
Other, net	35,703	33,279
Total property, plant and equipment	474,397	463,299
Intangible fixed assets		
Other	32,853	32,109
Total intangible fixed assets	32,853	32,109
Investments and other assets		
Investment securities	401,414	482,097
Other	109,691	110,372
Allowance for doubtful accounts	(3,632)	(2,508)
Total investments and other assets	507,472	589,961
Total fixed assets	1,014,724	1,085,370
TOTAL ASSETS	1,794,764	1,827,628

(Million yen)

	As of March 31, 2018	As of September 30, 2018
LIABILITIES		
Current liabilities		
Notes and trade payables	248,993	232,298
Short-term bank loans	44,794	32,938
Bonds redeemable within 1 year	2,290	50,290
Reserve for bonuses	17,128	17,102
Repair reserve	29,580	24,092
Other	95,761	86,278
Total current liabilities	438,548	443,000
Long-term liabilities		
Bonds	108,600	60,455
Long-term debt	10,127	10,606
Repair reserve	7,543	—
Net defined benefit liability	35,216	34,339
Deferred tax liabilities	64,983	90,369
Other	27,193	24,248
Total long-term liabilities	253,664	220,019
TOTAL LIABILITIES	692,213	663,019
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,264	144,765
Retained earnings	681,976	689,209
Treasury stock	(62,908)	(62,892)
Total stockholders' equity	877,797	885,547
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	168,155	224,232
Net deferred gains (losses) on hedges	(3)	7
Foreign currency translation adjustments	1,410	(1,490)
Remeasurements of defined benefit plans	6,241	6,186
Total accumulated other comprehensive income	175,803	228,936
Non-controlling interests	48,950	50,125
TOTAL NET ASSETS	1,102,550	1,164,608
TOTAL LIABILITIES AND NET ASSETS	1,794,764	1,827,628

(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, 2017	Six months ended September 30, 2018
Net sales	687,498	685,563
Cost of sales	554,354	547,973
Gross profit	133,143	137,590
Selling, general and administrative expenses	116,195	114,758
Operating income	16,947	22,832
Non-operating income		
Interest and dividend income	3,551	2,811
Equity in earnings of affiliates	1,388	1,375
Other	2,597	2,834
Total non-operating income	7,537	7,021
Non-operating expense		
Interest expense	1,117	1,058
Contributions	703	902
Other	3,557	2,044
Total non-operating expenses	5,378	4,005
Ordinary income	19,106	25,848
Extraordinary gains		
Gain on sale of fixed assets	2,035	441
Gain on sale of investment securities	6,238	79
Gain on sale of stock in affiliates	–	2,023
Other	132	7
Total extraordinary gains	8,407	2,552
Extraordinary losses		
Loss on sale or disposal of fixed assets	1,981	1,383
Loss on devaluation of investment securities	109	431
Repair reserve provisions	53,500	–
Other	101	136
Total extraordinary losses	55,691	1,952
Income (Loss) before income taxes and non-controlling interests	(28,178)	26,449
Current income taxes	7,130	6,662
Deferred income taxes	(15,270)	1,106
Total income taxes	(8,139)	7,768
Net income (loss)	(20,038)	18,680
Net income attributable to non-controlling shareholders	1,390	1,747
Net income (loss) attributable to parent company shareholders	(21,428)	16,932

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

(Million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net income (loss)	(20,038)	18,680
Other comprehensive income		
Valuation difference on available-for-sale securities	33,153	56,010
Net deferred gains on hedges	17	15
Foreign currency translation adjustments	236	(3,070)
Remeasurements of defined benefit plans	(641)	(23)
Share of other comprehensive income of affiliates accounted for using equity method	1,812	(73)
Total other comprehensive income	34,578	52,858
Comprehensive income	14,539	71,539
Attributable to:		
Parent company shareholders	13,311	70,065
Non-controlling shareholders	1,228	1,473

(3) Quarterly consolidated statements of cash flows

(Million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Income (Loss) before income taxes and non-controlling interests	(28,178)	26,449
Depreciation	29,145	29,084
Decrease of doubtful receivables, net	(622)	(308)
Increase of net defined benefit asset	(2,524)	(3,418)
Increase of net defined benefit liability	554	347
Equity in gains of affiliates	(1,388)	(1,375)
Amortization of consolidation goodwill, net	1,153	881
Interest and dividend income	(3,551)	(2,811)
Interest expense	1,117	1,058
Net gains on sales of investment securities	(6,179)	(2,103)
Net losses on devaluation of investment securities	109	449
Net (gains) losses on sales or disposal of fixed assets	(27)	952
Repair reserve provisions	53,500	—
Decrease in trade receivables	3,776	22,550
Increase in inventories	(4,143)	(1,831)
Decrease in trade payables	(7,282)	(14,848)
Other	9,572	6,408
Sub-total	45,030	61,485
Payments for repair costs	(18,583)	(13,030)
Payments for extra retirement payments	(26)	(149)
Payment of income taxes	(4,328)	(7,668)
Net cash provided by operating activities	22,092	40,637
Cash flows from investing activities		
Net increase in time deposits	(24)	(126,035)
Payments for purchases of property, plant and equipment	(18,410)	(20,494)
Proceeds from sales of property, plant and equipment	8,398	1,475
Payments for purchases of investment securities	(808)	(732)
Proceeds from sales of investment securities	8,023	2,819
Payments for purchase of intangible fixed assets	(4,931)	(4,703)
Interest and dividends received	5,247	4,411
Other	1,237	548
Net cash used in investing activities	(1,266)	(142,710)

(Million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Net decrease in short-term bank loans	(9,467)	(11,821)
Proceeds from long-term debt	2,650	2,000
Repayments of long-term debt	(2,103)	(2,231)
Proceeds from issue of bonds	–	1,953
Payments for redemption of bonds	(120)	(2,145)
Proceeds from payments from non-controlling interests	–	75
Payments for purchases of treasury stock	(15,025)	(8)
Payments for purchases of treasury stock of subsidiaries	(0)	(1)
Interest paid	(1,124)	(1,062)
Dividends paid	(9,853)	(9,663)
Dividends paid to non-controlling interests	(302)	(372)
Payments for purchase of stock in subsidiaries not resulting in change in scope of consolidation	(220)	(89)
Other	(3,361)	(3,062)
Net cash used in financing activities	(38,929)	(26,430)
Effect of exchange rate changes on cash and cash equivalents	838	(706)
Net decrease in cash and cash equivalents	(17,264)	(129,210)
Cash and cash equivalents at beginning of year	214,564	244,936
Increase in cash and cash equivalents resulting from the merger of non-consolidated subsidiaries	184	–
Cash and cash equivalents at end of period	197,483	115,726

(4) 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 six months of previous fiscal year (April 1, 2017 – September 30, 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	377,646	192,395	90,892	26,563	687,498	–	687,498
Inter-segment	1,734	856	9	5	2,605	(2,605)	–
Total	379,381	193,252	90,901	26,568	690,104	(2,605)	687,498
Segment income	9,063	5,256	13,821	721	28,863	(11,915)	16,947

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 six months of current fiscal year (April 1, 2018 – September 30, 2018)

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	368,823	192,267	98,285	26,186	685,563	–	685,563
Inter-segment	2,287	913	–	6	3,207	(3,207)	–
Total	371,111	193,181	98,285	26,193	688,771	(3,207)	685,563
Segment income	10,780	3,391	19,064	960	34,197	(11,364)	22,832

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.