



Consolidated Financial Results
for the First Nine Months of the Fiscal Year Ending March 31, 2020 [J-GAAP]

February 12, 2020

Company Name: Dai Nippon Printing Co., Ltd.
Stock exchange listing: Tokyo
Stock code: 7912 **URL:** <https://www.dnp.co.jp/eng/>
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Preparation of quarterly earnings presentation material: No
Holding of quarterly results briefing: No

(Amounts under one million yen have been rounded down.)

1. Consolidated financial results for the first nine months ended December 31, 2019
(April 1, 2019 – December 31, 2019)

(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	%
Nine months ended December 31, 2019	1,047,155	0.1	41,345	14.4	47,906	15.5	87,077	242.4
Nine months ended December 31, 2018	1,046,366	(0.4)	36,149	10.9	41,490	14.4	25,427	–

Note: Comprehensive income: For the first nine months ended December 31, 2019: ¥ 75,668 million (435.1%)
For the first nine months ended December 31, 2018: ¥14,141 million (-75.9%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2019	291.13	291.10
Nine months ended December 31, 2018	84.29	84.26

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of December 31, 2019	1,779,259	1,068,209	57.1
As of March 31, 2019	1,775,022	1,046,622	56.1

Note: Stockholders' equity as of December 31, 2019: ¥ 1,015,972 million As of March 31, 2019: ¥ 996,162 million

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Year ended March 31, 2019	–	32.00	–	32.00	64.00
Year ending March 31, 2020	–	32.00	–		
Year ending March 31, 2020 (Forecasts)				32.00	64.00

Note: Revisions to the most recently announced dividend forecasts during the third quarter: No

3. Consolidated earnings forecasts for the year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	1,416,000	1.0	51,000	2.2	58,500	0.4	65,000	–	218.86

Note: Revisions to the most recently announced earnings forecasts during the third quarter: Yes

Other information

(1) Changes in significant subsidiaries during the third 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: No
- 3) Changes in accounting estimates: No
- 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 policies]” 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, 2019	324,240,346 shares	As of March 31, 2019	324,240,346 shares
2) Number of treasury shares at end of each period	As of December 31, 2019	34,263,045 shares	As of March 31, 2019	22,420,745 shares
3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)	Nine months ended December 31, 2019	299,098,706 shares	Nine months ended December 31, 2018	301,684,323 shares

* 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 third quarter (3) Explanation of the consolidated earnings forecasts,” on page 4.

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

(1) Explanation of the consolidated financial results

Business conditions surrounding the DNP Group in the first nine months of the fiscal year ending March 2020 reflected online advertising market growth and stronger consumer attributes-focused digital marketing activities driven by advances in digital technologies. Planning is underway for numerous events aimed at creating a dynamic atmosphere around the approaching Tokyo 2020 Olympic and Paralympic Games. Rising demand for environmentally conscious products and services and growing moves to develop new products such as autonomous driving that target a next-generation automotive society have also provided the DNP Group with new business opportunities.

In this environment, the DNP Group sought to strengthen its core businesses as part of its mission to connect individuals and society and provide new value, focusing on products and services such as its globally competitive smart cards, battery pouches for lithium-ion batteries, in which it has a leading global market share, metal masks used in the production of organic light-emitting diode (OLED) displays, thermal transfer printing media for photo printers, and optical film for displays. The DNP Group is also pursuing “P&I innovations” that synergize its strengths in Printing & Information (P&I) to create new value based on its growth areas of Knowledge and Communication, Food and Healthcare, Lifestyle and Mobility, and Environment and Energy. The DNP Group continued to pursue these value-creation initiatives during the third quarter while working to build a strong portfolio through selectivity and focus.

As a result of these efforts, the DNP Group’s profitability improved, with a 0.4 percentage point year-on-year increase in the ratio of operating income to net sales for the first nine months of the fiscal year ending March 2020, to 3.9%.

In addition to reviewing its asset holdings, including strategic shareholdings, in order to streamline and make more effective use of its assets, the DNP Group also began on September 12, 2019 to repurchase up to 30.0 million shares (to a maximum value of ¥60.0 billion), with the aim of improving capital efficiency and returning value to shareholders. As of the end of the third quarter, it had purchased 11.83 million shares for ¥34.3 billion.

As a result, consolidated net sales for the first nine months grew 0.1% year on year to ¥1,047.1 billion, consolidated operating income grew 14.4% to ¥41.3 billion, consolidated ordinary income grew 15.5% to ¥47.9 billion, and net income attributable to parent company shareholders grew 242.4% to ¥87.0 billion.

Business segment results are presented below.

[PRINTING]

Information Communication

In the Information Innovation business, sales of printed media such as pamphlets and catalogs decreased. However, overall sales increased on greater demand for smart cards in line with the shift toward cashless payments and steady growth in priority businesses such as Business Process Outsourcing (BPO). These services handle business processes on behalf of companies seeking to respond to labor shortages and work-style reforms.

In the Imaging Communication business, overall sales increased as sales of thermal transfer printing media for photo printing remained strong, and favorable trends in the “experience-based value creation” business that aims to enhance people’s experiences through photographs taken at locations such as tourist destinations and event venues.

In the Publishing business, the DNP Group worked to help solve problems within the publishing industry, drawing on its strengths as the sole corporate group spanning the entire industry supply chain, from planning and advertising through manufacturing, distribution, and sales. In Publications Distribution, e-book sales trends in the “honto” hybrid bookstore network that combines physical bookstores, online bookstores, and e-book services were favorable, and the number of libraries outsourcing operations increased. As a result, Publications Distribution sales remained flat year on year. However, sales of both books and magazines declined in Publishing & Media Services due to publishing market weakness. As a result, overall sales in the Publishing business decreased.

Operating income in the Information Communication segment rose due to growth in the Information Innovation and Imaging Communication businesses, despite an impact from price hikes for printing paper and other raw materials.

As a result of the above, overall segment sales grew 1.7% year on year to ¥573.9 billion, and operating income grew 25.8% to ¥21.2 billion.

Lifestyle and Industrial Supplies

In the Packaging business, the DNP Group worked to develop and sell environmentally conscious packaging with the aim of contributing to a recycling-based society and reducing environmental impact based on three value propositions: sustainably sourced raw materials, lower CO₂ emissions, and resource reuse. Alongside the above, the DNP Group undertook a rigorous review of low value-added products with the aim of improving capital efficiency. As a result, sales decreased for commodity paper and film packaging products, and overall sales in the Packaging business decreased.

In the Living Spaces business, the DNP Group worked on selling high-performance, environmentally conscious products that combine high-quality design driven by sophisticated image processing and printing technologies with its proprietary electron beam (EB) coating technology. However, the significant impact of a decline in housing starts in Japan resulted in a decrease in overall sales in the Living Spaces business.

In the Industrial Supplies business, sales rose sharply for battery pouches used in automotive lithium-ion batteries due to greater uptake of electric vehicles, and sales of photovoltaic module components also increased year on year. As a result, overall sales in the Industrial Supplies business increased.

Operating income in the Lifestyle and Industrial Supplies segment increased due to factors including sales growth in the Industrial Supplies business, restructuring benefits, and lower raw material prices.

As a result of the above, overall segment sales fell 1.2% year on year to ¥294.9 billion, but operating income grew 30.9% to ¥8.0 billion.

Electronics

In the Display Components business, sales increased for metal masks used in the production of organic light-emitting diode (OLED) displays due to the transition from LCD to OLED displays for smartphones, but a structural review of the LCD color filter business in line with falling demand resulted in a sharp decline in sales. Sales of optical films for OLED displays increased, but sales of products used in LCD TVs declined. As a result, overall sales in the Display Components business decreased.

In the Electronic Devices business, semiconductor photomask sales decreased due to a decline in semiconductor market conditions. As a result, sales in the Electronic Devices business declined.

Operating income in the Electronics segment decreased due to the decline in sales.

As a result of the above, overall segment sales fell 4.4% year on year to ¥139.8 billion, and operating income fell 5.6% to ¥26.3 billion.

[BEVERAGES]

Beverages

The DNP Group worked to increase its share in existing markets and acquire new customers by releasing new products in core brands such as Coca-Cola and stepping up sales promotion in the vending machine business and to mass merchandisers.

However, overall segment sales fell 1.3% year on year to ¥41.6 billion as sales to customers in Hokkaido rose, but sales to bottlers in other regions declined due to adverse weather. Operating income also decreased 15.6% year on year to ¥1.8 billion, due to an increase in the cost of sales in line with lower production volume and a rise in sales promotion expenses.

(2) Explanation of the consolidated financial position

Total assets at the end of the third quarter increased by ¥4.2 billion from the end of the previous fiscal year to ¥1,779.2 billion, due mainly to an increase in cash and time deposits.

Total liabilities decreased by ¥17.3 billion from the end of the previous fiscal year to ¥711.0 billion, due mainly to a decline in repair reserves.

Net assets increased by ¥21.5 billion from the end of the previous fiscal year to ¥1,068.2 billion, due mainly to an increase in retained earnings.

(3) Explanation of the consolidated earnings forecasts

We have revised the earnings forecasts for the fiscal year ending March 2020 announced on May 14, 2019. For details, see our February 12, 2020 “Announcement of Revisions to Consolidated Earnings Forecasts for Fiscal Year Ending March 2020.”

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

(Million yen)

	As of March 31, 2019	As of December 31, 2019
ASSETS		
Current assets		
Cash and time deposits	268,046	324,319
Notes and trade receivables	351,450	335,483
Merchandise and finished products	79,809	79,811
Work in progress	30,074	34,354
Raw materials and supplies	23,187	25,092
Other	48,226	37,908
Allowance for doubtful accounts	(1,515)	(1,351)
Total current assets	799,280	835,617
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	183,878	170,656
Machinery and equipment, net	67,514	67,767
Land	147,924	145,975
Construction in progress	11,760	14,843
Other, net	30,042	28,101
Total property, plant and equipment	441,120	427,345
Intangible fixed assets		
Other	28,914	28,602
Total intangible fixed assets	28,914	28,602
Investments and other assets		
Investment securities	393,104	376,468
Other	114,918	113,422
Allowance for doubtful accounts	(2,315)	(2,197)
Total investments and other assets	505,707	487,693
Total fixed assets	975,742	943,641
TOTAL ASSETS	1,775,022	1,779,259

(Million yen)

	As of March 31, 2019	As of December 31, 2019
LIABILITIES		
Current liabilities		
Notes and trade payables	246,138	242,003
Short-term bank loans	42,474	31,276
Bonds redeemable within 1 year	51,490	52,490
Reserve for bonuses	18,145	7,297
Repair reserve	19,162	20,341
Other	90,245	101,571
Total current liabilities	467,655	454,980
Long-term liabilities		
Bonds	59,610	57,120
Long-term debt	10,045	10,263
Repair reserve	70,211	57,371
Net defined benefit liability	34,733	35,294
Deferred tax liabilities	65,300	75,860
Other	20,845	20,158
Total long-term liabilities	260,745	256,069
TOTAL LIABILITIES	728,400	711,050
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	144,765	145,018
Retained earnings	626,949	694,745
Treasury stock	(62,898)	(97,262)
Total stockholders' equity	823,281	856,965
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	170,073	160,115
Net deferred gains (losses) on hedges	(1)	20
Foreign currency translation adjustments	(2,398)	(5,612)
Remeasurements of defined benefit plans	5,208	4,484
Total accumulated other comprehensive income	172,881	159,007
Non-controlling interests	50,459	52,236
TOTAL NET ASSETS	1,046,622	1,068,209
TOTAL LIABILITIES AND NET ASSETS	1,775,022	1,779,259

(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, 2018	Nine months ended December 31, 2019
Net sales	1,046,366	1,047,155
Cost of sales	836,696	827,747
Gross profit	209,670	219,407
Selling, general and administrative expenses	173,520	178,062
Operating income	36,149	41,345
Non-operating income		
Interest and dividend income	4,823	5,105
Equity in earnings of affiliates	2,986	4,778
Other	3,420	3,051
Total non-operating income	11,230	12,935
Non-operating expense		
Interest expense	1,570	1,158
Contributions	1,175	2,153
Other	3,144	3,061
Total non-operating expenses	5,889	6,373
Ordinary income	41,490	47,906
Extraordinary gains		
Gain on sale of fixed assets	549	30,155
Gain on sale of investment securities	1,104	51,367
Gain on sale of stock in affiliates	2,023	–
Other	96	29
Total extraordinary gains	3,774	81,552
Extraordinary losses		
Loss on sale or disposal of fixed assets	2,009	1,709
Impairment loss	1,764	–
Loss on sale of investment securities	3	605
Loss on devaluation of investment securities	1,458	313
Other	212	111
Total extraordinary losses	5,448	2,739
Income before income taxes and non-controlling interests	39,816	126,719
Current income taxes	9,166	20,197
Deferred income taxes	3,171	17,070
Total income taxes	12,338	37,267
Net income	27,478	89,451
Net income attributable to non-controlling shareholders	2,050	2,374
Net income attributable to parent company shareholders	25,427	87,077

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

(Million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income	27,478	89,451
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,767)	(10,081)
Net deferred gains on hedges	12	36
Foreign currency translation adjustments	(1,994)	(2,416)
Remeasurements of defined benefit plans	(346)	(860)
Share of other comprehensive income of affiliates accounted for using equity method	(239)	(461)
Total other comprehensive income	(13,336)	(13,783)
Comprehensive income	14,141	75,668
Attributable to:		
Parent company shareholders	12,489	73,202
Non-controlling shareholders	1,652	2,465

(3) Notes regarding quarterly consolidated financial statements

[Notes on premise of a going concern]

None

[Significant changes in shareholders' equity]

The value of treasury stock increased by ¥34,364 million in the first nine months of this fiscal year due to factors including the repurchase of DNP stock decided on by the Board of Directors at a meeting on September 11, 2019.

[Changes in accounting policies]

The DNP Group's IFRS-applied subsidiaries have applied IFRS 16 (leases) as of the first quarter of this fiscal year. Accordingly, for the lessee's lease transactions, in principle the Company recognizes all right-of-use assets and lease obligations and book depreciation expenses from right-of-use assets and interest expenses from lease obligations.

Of note, the application of the said accounting standards has limited impact on the Company's quarterly financial statements.

[Segment information, etc.]

I. First nine months of previous fiscal year (April 1, 2018 – December 31, 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	560,963	296,856	146,352	42,194	1,046,366	–	1,046,366
Inter-segment	3,457	1,541	–	10	5,008	(5,008)	–
Total	564,420	298,397	146,352	42,204	1,051,375	(5,008)	1,046,366
Segment income	16,881	6,151	27,959	2,137	53,130	(16,980)	36,149

- 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, 2019 – December 31, 2019)

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	571,568	294,074	139,871	41,640	1,047,155	–	1,047,155
Inter-segment	2,406	867	–	16	3,289	(3,289)	–
Total	573,974	294,941	139,871	41,656	1,050,444	(3,289)	1,047,155
Segment income	21,240	8,052	26,389	1,803	57,485	(16,140)	41,345

- 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.