

For immediate release

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Announcement of Extraordinary Losses and Earnings Forecast Revisions

Dai Nippon Printing Co., Ltd. (DNP) announced today that it expects to record extraordinary losses and has revised its full-year consolidated earnings forecasts for the fiscal year ended March 2019, originally published on May 11, 2018, as outlined below.

1. Extraordinary losses

(1) Repair costs

DNP has been implementing a repair program to correct defects in some wallpaper products manufactured by the company from February 2011 to February 2014.

These defects make surface designs susceptible to falling off as the wallpaper surface becomes brittle after installation due to changes over time. DNP changed materials with the aim of improving weatherability and other performance features by February 2014, and as a result of durability testing and other actions, it has confirmed that wallpaper manufactured since that time has not exhibited similar issues.

DNP has also confirmed through testing by a specialized agency that the wallpaper with these defects has no problems in terms of safety.

DNP recorded extraordinary losses for repair costs of ¥7.6 billion in the fiscal year ended March 2016 and repair costs of ¥37.7 billion in the fiscal year ended March 2017, based on the conditions of defects through those periods. DNP subsequently conducted local inspections and repair work and recorded extraordinary losses for additional repair costs of ¥53.5 billion in the second quarter of the fiscal year ended March 2018 as a result of average repair costs per unit being higher than initially expected, due to higher costs for labor, materials, logistics, and other items.

DNP has since continued to implement a repair program, but the results of new scientific testing and analysis based on the data obtained to date in relation to actual repair site samples and usage conditions show that the wallpaper defects are related to

separate factors (e.g., product shape and humidity), in addition to the previously identified impact of ultraviolet light, including sunlight. Based on these results, DNP again made a rational estimate of the largest potential future impact, and it will record extraordinary losses for additional repair costs of ¥75.0 billion during the fourth quarter of the fiscal year ended March 2019.*

(2) Fixed asset impairment losses

The DNP Group undertakes ongoing structural reforms to build a robust business portfolio resistant to changes in the business environment, and as part of these efforts, it will record impairment losses of ¥14.9 billion under extraordinary losses in relation to business assets with diminished profitability and idle fixed assets that it does not expect to use, based on the Accounting Standard for Impairment of Fixed Assets, during the fourth quarter of the year ended March 2019.*

2. Revisions of consolidated earnings forecasts

DNP has made the following revisions to its consolidated earnings forecasts for the fiscal year ended March 2019 in light of the extraordinary losses noted above as well as the extraordinary gains (gain on sale of investment securities) announced on March 29, 2019.*

	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
Previous forecast (A)	1,420,000	47,000	52,000	28,000	92.80
Revised forecast (B)	1,401,500	49,800	58,200	(35,700)	(118.32)
Change (B–A)	(18,500)	2,800	6,200	(63,700)	–
Change (%)	(1.3)	6.0	11.9	–	–
Previous year result (fiscal year ended March 31, 2018)	1,412,251	46,372	50,971	27,501	90.77

* The amounts of extraordinary losses and earnings forecasts above are based on information available as of the announcement date of this release. Actual results may differ from the forecasts due to a variety of factors going forward.

3. Dividends forecast

DNP's year-end dividend forecast for the fiscal year ended March 2019 is unchanged at ¥32 per share (annual dividend of ¥64, adding the year-end dividend with the interim dividend of ¥32).

4. Future initiatives

DNP forecasts operating income to grow 7.4% year-on-year to ¥49.8 billion in the fiscal year ended March 2019. In the fiscal year ending March 2020 and beyond, DNP will focus on the following initiatives in an effort to expand operating income further and increase enterprise value.

- Information Communication

DNP will focus on (1) smart card business and payment services related business as growth areas supported by the shift to cashless payments; (2) Business Process Outsourcing (BPO) business to handle business processes on behalf of companies in response to labor shortages and work-style reforms; and (3) expanding business related to the Tokyo 2020 Olympic and Paralympic Games, in which DNP also serves as a sponsor. In addition, DNP will pursue the global expansion of “value creation” business that appeals to the joy of photography, leveraging its strength in dye-sublimation thermal transfer printing media for photo printers, for which it has a high global market share.

- Lifestyle and Industrial Supplies

DNP will place priority on using technologies cultivated in the printing domain to develop high-performance and high-quality products and services, including (1) battery pouches for lithium-ion batteries amid high growth in automotive applications with the advance of electric vehicles (EVs); (2) curved resin glass that contributes to automobile lightweighting; and (3) decorative films that combine a sense of design and functionality.

- Electronics

DNP will expand its business in metal masks and optical films used in the production of organic light-emitting diode (OLED) displays, which are expected to grow as a replacement for LCD displays, and it will also provide solutions that leverage its nanoimprinting technology in a wide range of areas requiring microfabrication.

In addition, although DNP recorded a gain on the sale of investment securities of ¥18.0 billion in the fiscal year ended March 2019, it will continue to pursue greater asset efficiency by reviewing and selling investment securities, based on the spirit of the Corporate Governance Code.

Moreover, DNP will continue to sell idle assets, including land and buildings, as part of the reorganization of business facilities and consolidation of manufacturing facilities.

5. Earnings outlook for the year ending March 2020

DNP will make ongoing efforts, centered on the foregoing initiatives, to combine its unique strengths in printing and information (P&I) to solve social issues, create new value that meets people's expectations, and increase enterprise value over the medium to long term. In the year ending March 2020, DNP aims to achieve consolidated net sales of ¥1,416.0 billion, consolidated operating income of ¥51.0 billion, consolidated ordinary income of ¥58.5 billion, and consolidated net income attributable to parent company shareholders of ¥51.0 billion.