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For immediate release

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Announcement Regarding Differences between Consolidated Earnings Forecast and Actual Results and the Recording of Extraordinary Gains

Dai Nippon Printing Co. Ltd. (DNP) hereby announces that there were differences between its consolidated earnings forecast for the fiscal year ended March 2022, announced on February 10, 2022, and the actual results announced today. In addition, DNP announces that it posted an extraordinary gain in its consolidated financial statements for the fiscal year ended March 2022, as detailed below.

1. Differences between Consolidated Earnings Forecast for the fiscal year ended March 31, 2022 and Actual Results

(1) Differences between Consolidated Earnings Forecast and Actual Results (April 1, 2021 – March 31, 2022)

| | 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) | 1,350,000 | 63,000 | 73,000 | 70,000 | 256.31 |
| Actual Results (B) | 1,344,147 | 66,788 | 81,249 | 97,182 | 355.84 |
| Change (B–A) | (5,853) | 3,788 | 8,249 | 27,182 | |
| Change (%) | (0.4) | 6.0 | 11.3 | 38.8 | |
| (Reference) Previous year result (fiscal year ended March 31, 2021) | 1,335,439 | 49,529 | 59,907 | 25,088 | 89.32 |

(2) Reasons for the differences

Due to the acceleration of DX by companies and local governments, DNP's Electronics segment enjoyed strong demand and its operating income increased, exceeding the previously announced forecast. Ordinary income also exceeded the previously announced forecast due to increased investment gains on equity method and foreign exchange gains, etc. Other reasons that net income exceeded the previously announced forecast included further sales of fixed assets and investment securities, reversal of repair reserve, and a smaller-than-expected impairment loss.

2. Recording of Extraordinary Gains

- Reversal of repair reserve

DNP has been implementing necessary repairs in response to defects that occurred in some of the wallpaper products that it manufactured between February 2011 and February 2014.

The problem is that after it was installed, the surface of the wallpaper became brittle over time, causing the pattern on the surface to fall off easily. Regarding the cost of repairs, in the fourth quarter of the fiscal year through March 2019, we conducted new scientific verification and analysis based on actual samples and usage data obtained at repair sites up to that point. As a result, we determined that the occurrence of defects in the wallpaper was related not only to the effects of sunlight or other ultraviolet rays as was previously known, but also to other factors such as the shape of the installed product and humidity in the room. As a result of recalculating the maximum extent to which this defect can reasonably be expected to occur in the future, we recorded an extraordinary loss of 75 billion yen for additional repair measures.

Since then we continued to implement repairs, although for the past two years the work was affected by the COVID-19 pandemic and was therefore conducted while taking thorough measures to prevent infection. As of the end of March 2022, almost 70% of all the anticipated repairs had been completed.

In light of this situation, we considered the per-unit cost of repair and all the other factors that underpin the calculation of the estimated total cost, including the way in which the product was applied, type of home, the cost of labor and materials, etc. needed for the repairs, and additionally we factored in data obtained from repair sites to date, and the impact of the recent social situation. As a result of re-estimating the maximum possible cost of future repairs based on a reasonable approach, we decided to record an extraordinary gain of 14.6 billion yen in our consolidated financial statements for the fourth quarter of the fiscal year ended March 2022 as a reversal of repair reserve.

In the future as well, based on the assumption that the effects of COVID-19 will continue for a certain period of time, we will continue to monitor the progress of repair work and the per-unit cost of repairs, etc., and, considering the information available at each point in the process, we will record estimated expenses based on the maximum reasonable amount.