



Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2022 [J-GAAP]

August 5, 2021

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

1. Consolidated financial results for the first three months ended June 30, 2021
(April 1, 2021 – June 30, 2021)

(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	%
Three months ended June 30, 2021	331,919	2.6	16,506	71.1	19,929	46.7	14,878	101.0
Three months ended June 30, 2020	323,551	(6.1)	9,648	(30.2)	13,585	(20.3)	7,401	(58.9)

Note: Comprehensive income: For the first three months ended June 30, 2021: ¥20,158 million (-40.9%)
 For the first three months ended June 30, 2020: ¥34,089 million (+11.0%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
Three months ended June 30, 2021	53.21		53.20	
Three months ended June 30, 2020	26.35		26.21	

(2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Million yen		Million yen		%	
As of June 30, 2021	1,814,733		1,100,896		57.6	
As of March 31, 2021	1,825,019		1,098,613		57.2	

Reference: Stockholders' equity as of June 30, 2021: ¥1,045,086 million As of March 31, 2021: ¥1,043,977 million

2. Dividends

	Annual Dividends (Yen)				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Year ended March 31, 2021	–	32.00	–	32.00	64.00
Year ending March 31, 2022	–				
Year ending March 31, 2022 (Forecasts)		32.00	–	32.00	64.00

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

3. Consolidated earnings forecasts for the year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	1,350,000	1.1	57,000	15.1	65,000	8.5	53,000	111.3	190.67

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

Other information

(1) Changes in significant subsidiaries during the first 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 more information, 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 June 30, 2021	317,240,346 shares	As of March 31, 2021	324,240,346 shares
2) Number of treasury shares at end of each period	As of June 30, 2021	40,004,371 shares	As of March 31, 2021	43,363,670 shares
3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)	Three months ended June 30, 2021	279,608,871 shares	Three months ended June 30, 2020	280,880,852 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 first quarter (3) Explanation of the consolidated earnings forecasts and other projections," on page 4.

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

(1) Explanation of the consolidated financial results

Conditions surrounding the DNP Group remained unfavorable during the first quarter of the fiscal year ending March 2022 due to the impact of the novel coronavirus (hereafter, COVID-19), but progress with the rollout of vaccines both in and outside Japan and stepped-up measures to prevent the spread of infection resulted in greater adoption of new work styles and lifestyles. In particular, accelerated digital transformation (DX) by companies and local governments, network-based remote learning and online medical consultations, and greater uptake of 5G mobile communications systems resulted in greater demand for higher-performance digital devices. The heightened focus of citizens worldwide on reducing environmental impact also resulted in greater demand for environmentally conscious products and services.

Amid these conditions, the DNP Group worked to create new value that meets people's expectations as well as resolving social issues in order to realize a better, more sustainable society and provide more comfortable lifestyles. The DNP Group prioritized and optimized its capital allocation to target focus business areas with high profitability and prospects for market growth, such as the Internet of Things (IoT)/next-generation communications, data distribution, mobility, and environment by combining its unique strengths in printing and information (P&I) and forming deeper alliances with its numerous partners. It also worked to build a strong business portfolio by restructuring to enhance competitiveness.

As a result of the above, consolidated net sales for the first three months grew 2.6% year on year to ¥331.9 billion, consolidated operating income grew 71.1% to ¥16.5 billion, consolidated ordinary income grew 46.7% to ¥19.9 billion, and net income attributable to parent company shareholders grew 101.0% to ¥14.8 billion.

Business segment results are presented below.

[PRINTING]

Information Communication

In the Information Innovation business, a recovery in areas such as flyers, catalogs, and direct mail promotions was offset by a decline in large Business Process Outsourcing (BPO) projects and a pause in growth in demand for smart cards, particularly, Japan's social security and tax number ("My Number") cards. As a result, overall sales in the Information Innovation business declined.

In the Imaging Communication business, sales increased due to a recovery in demand for photo shooting and printing materials and services in the core US market driven by progress with the COVID-19 vaccine rollout.

In the Publishing business, e-book sales remained firm despite the negative impact of COVID-19, and sales increased in the "honto" hybrid bookstore network, which handles both printed and electronic books. Sales also benefited from steady growth in the number of institutions introducing digital library services and outsourcing library operations, and a year-on-year increase in book and other printing orders as the market recovered. As a result, overall sales in the Publishing business increased.

As a result of the above, overall segment sales grew 0.5% year on year to ¥173.0 billion, and operating income grew 41.4% to ¥5.0 billion due to the increase in sales.

Lifestyle and Industrial Supplies

In the Packaging business, the DNP Group worked to develop and sell its GREEN PACKAGING series of environmentally conscious packaging, and achieved positive results from reforms to manufacturing and other business processes. However, demand for commercial packaging materials for souvenirs at tourist destinations and for restaurant use declined due to ongoing government stay-at-home requests in response to the COVID-19 pandemic. As a result, overall sales in the Packaging business declined.

In the Living Spaces business, there were signs of a recovery in the domestic and overseas automobile markets and the domestic housing market, and sales of decorative films and residential interior and exterior decorative materials increased. The DNP Group also worked to create new demand by expanding its lineup of products with antibacterial and antiviral functionality to combat infectious diseases. As a result, overall sales in the Living Spaces business increased.

In the High-Performance Industrial Supplies business, sales of battery pouches for lithium-ion batteries rose considerably due to worldwide growth in demand for electric vehicles, and growth in demand for tablets and smartphones driven mainly by an increase in teleworking. As a result, overall sales in the High-Performance Industrial Supplies business increased.

As a result of the above, overall segment sales grew 5.5% year on year to ¥95.9 billion, and operating income grew 172.1% to ¥4.6 billion due mainly to growth in the High-Performance Industrial Supplies business and the market recovery in the Living Spaces business.

Electronics

In the Display Components business, sales of optical films for LCD displays (mainly TVs) grew steadily, and sales of films for organic light-emitting diode (OLED) displays increased in line with growing demand for these displays. Sales of metal masks used in the production of OLED displays were also strong. As a result, overall sales in the Display Components business increased.

In the Electronic Devices business, sales increased due to greater demand mainly from telecoms, automotive, and data center applications driven by the upbeat semiconductor market.

As a result of the above, overall segment sales grew 8.6% year on year to ¥52.6 billion, and operating income grew 30.4% to ¥12.4 billion due to the increase in sales.

[BEVERAGES]

Beverages

The DNP Group worked to respond to changes in lifestyle caused by the COVID-19 pandemic, including continuing to sell multi-bottle packs via volume retailers to respond to an increase in household demand during the pandemic, and initiatives to increase in-store and online sales of label-free PET plastic bottle beverages that omit labels stating the product name and other details, for which demand is increasing. However, overall segment sales fell 13.7% year on year to ¥10.7 billion as stay-at-home measures sharply depressed sales at locations such as tourist destinations and restaurants. Operating income also declined to a loss of ¥0.2 billion (from a profit of ¥31 million in the first quarter of the previous fiscal year) due to factors such as a decline in sales volume.

(2) Explanation of the consolidated financial position

Total assets at the end of the first quarter decreased by ¥10.2 billion from the end of the previous fiscal year to ¥1,814.7 billion, due mainly to a decline in notes, trade receivables, and contract assets (compared with notes and trade receivables as of the end of the previous fiscal year).

Total liabilities decreased by ¥12.5 billion from the end of the previous fiscal year to ¥713.8 billion, due mainly to a decline in the reserve for bonuses.

Net assets increased by ¥2.2 billion from the end of the previous fiscal year to ¥1,100.8 billion, due mainly to an increase in foreign currency translation adjustments.

(3) Explanation of the consolidated earnings forecasts and other projections

Our earnings forecasts for the fiscal year ending March 2022 are unchanged from the forecasts announced on May 13, 2021.

2. Quarterly consolidated financial statements and key notes

(1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2021	As of June 30, 2021
ASSETS		
Current assets		
Cash and time deposits	301,162	291,746
Notes and trade receivables	324,625	–
Notes, trade receivables, and contract assets	–	312,479
Marketable securities	19,000	19,000
Merchandise and finished products	75,540	76,929
Work in progress	27,810	30,175
Raw materials and supplies	23,420	24,727
Other	34,975	35,325
Allowance for doubtful accounts	(716)	(596)
Total current assets	805,817	789,789
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	164,049	163,052
Machinery and equipment, net	73,710	72,696
Land	141,808	141,831
Construction in progress	13,238	16,613
Other, net	27,221	27,102
Total property, plant and equipment	420,029	421,296
Intangible fixed assets		
Other	25,207	26,252
Total intangible fixed assets	25,207	26,252
Investments and other assets		
Investment securities	422,799	425,557
Other	153,905	154,575
Allowance for doubtful accounts	(2,741)	(2,737)
Total investments and other assets	573,964	577,395
Total fixed assets	1,019,201	1,024,943
TOTAL ASSETS	1,825,019	1,814,733

(Million yen)

	As of March 31, 2021	As of June 30, 2021
LIABILITIES		
Current liabilities		
Notes and trade payables	226,606	233,318
Short-term bank loans	37,321	30,144
Reserve for bonuses	19,284	7,535
Repair reserve	17,688	17,909
Other	107,224	110,323
Total current liabilities	408,125	399,231
Long-term liabilities		
Bonds	103,550	103,525
Long-term debt	11,569	11,340
Repair reserve	49,491	47,288
Net defined benefit liability	35,174	35,181
Deferred tax liabilities	95,997	95,491
Other	22,496	21,777
Total long-term liabilities	318,279	314,604
TOTAL LIABILITIES	726,405	713,836
NET ASSETS		
Stockholders' equity		
Common stock	114,464	114,464
Capital surplus	145,024	145,055
Retained earnings	683,784	669,890
Treasury stock	(122,920)	(111,795)
Total stockholders' equity	820,352	817,615
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	202,017	202,313
Net deferred gains on hedges	11	8
Foreign currency translation adjustments	(5,082)	(470)
Remeasurements of defined benefit plans	26,678	25,618
Total accumulated other comprehensive income	223,624	227,470
Non-controlling interests	54,636	55,810
TOTAL NET ASSETS	1,098,613	1,100,896
TOTAL LIABILITIES AND NET ASSETS	1,825,019	1,814,733

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

Quarterly consolidated statements of income

First three months of the fiscal years

(Million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	323,551	331,919
Cost of sales	257,290	259,389
Gross profit	66,260	72,530
Selling, general and administrative expenses	56,612	56,023
Operating income	9,648	16,506
Non-operating income		
Interest and dividend income	2,278	2,037
Equity in earnings of affiliates	1,728	1,812
Other	1,356	909
Total non-operating income	5,363	4,759
Non-operating expense		
Interest expense	369	188
Other	1,057	1,147
Total non-operating expenses	1,426	1,336
Ordinary income	13,585	19,929
Extraordinary gains		
Gain on sale of fixed assets	5	449
Gain on sale of investment securities	15	–
Total extraordinary gains	20	449
Extraordinary losses		
Loss on sale or disposal of fixed assets	389	402
Loss on devaluation of investment securities	688	146
Other	329	102
Total extraordinary losses	1,407	651
Income before income taxes and non-controlling interests	12,198	19,728
Current income taxes	2,180	3,192
Deferred income taxes	2,191	640
Total income taxes	4,371	3,833
Net income	7,826	15,894
Net income attributable to non-controlling shareholders	425	1,015
Net income attributable to parent company shareholders	7,401	14,878

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

(Million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net income	7,826	15,894
Other comprehensive income		
Valuation difference on available-for-sale securities	30,765	200
Net deferred gains (losses) on hedges	(1)	(5)
Foreign currency translation adjustments	(3,718)	4,296
Remeasurements of defined benefit plans	383	(1,397)
Share of other comprehensive income of affiliates accounted for using equity method	(1,166)	1,169
Total other comprehensive income	26,262	4,263
Comprehensive income	34,089	20,158
Attributable to:		
Parent company shareholders	34,707	18,724
Non-controlling shareholders	(617)	1,433

(3) Notes regarding quarterly consolidated financial statements

[Notes on premise of a going concern]

None

[Significant changes in shareholders' equity]

Treasury stock increased by ¥8,684 million during the first quarter of the fiscal year ending March 2022, due mainly to share repurchases based on a resolution passed by the Board of Directors on May 13, 2021. Additionally, retained earnings decreased by ¥19,809 million and treasury stock decreased by ¥19,809 million during the first quarter of the fiscal year ending March 2022, due to the cancellation of treasury stock on May 24, 2021 based on a resolution passed by the Board of Directors on May 13, 2021.

[Changes in accounting policies]

(Adoption of revenue recognition standard)

The DNP Group applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereafter, "revenue recognition standard") from the beginning of the first quarter of the fiscal year ending March 2022, and will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The main changes resulting from the adoption of the revenue recognition standard are as follows.

(1) Recognition of revenue from transactions involving materials purchased from customers

DNP and several of its consolidated subsidiaries purchase raw materials from customers that they process before selling the resulting product back to the customers. DNP previously recognized revenue from these transactions (with some exceptions) as the total amount including the price of these raw materials and other inputs. However, it has now shifted to recognizing revenue on a net basis excluding the price of raw materials and other inputs.

(2) Recognition of revenue from transactions in which DNP acts as agent

DNP previously recognized the entire payment received from customers for books sold by several of its consolidated subsidiaries as revenue. However, for transactions where DNP acts as the agent in providing goods and services to customers, it now recognizes net revenue that excludes payments to suppliers from the amount received from customers.

In applying the revenue recognition standard, DNP complied with the transitional measures defined in the notes to Section 84. It added the cumulative impact of retroactively applying the new standard to the period prior to the first quarter of the fiscal year ending March 2022 to initial retained earnings for the quarter, and applied the new accounting standard to this initial balance. However, it used the approach defined in Section 86 of the revenue recognition standard for contracts where virtually all revenue had been recognized prior to the first quarter, and did not retroactively apply the new standard to them. In addition, it used the approach laid out in Section 86 (1) of the revenue recognition standard regarding contracts that were changed prior to the start of the first quarter, accounting for them based on the terms of the contract including all prior changes, and adjusting retained earnings at the start of the first quarter to reflect the cumulative impact.

In the first quarter, the application of the above accounting standard reduced the DNP Group's consolidated sales by ¥6,876 million, cost of sales by ¥5,774 million, selling, general and

administrative expenses by ¥929 million, operating income by ¥172 million, and ordinary income and income before income taxes and non-controlling interests by ¥92 million. The balance of retained earnings at the beginning of the quarter increased by ¥25 million.

In line with the introduction of the revenue recognition standard, the “notes and trade receivables” item under current assets on the previous fiscal year’s consolidated balance sheets is now part of the “notes, trade receivables, and contract assets” item as of the first quarter of the current fiscal year. The DNP Group has not recalculated figures for the previous fiscal year to reflect the change in accounting item, in line with the transitional approach laid out in Section 89-2 of the revenue recognition standard. Also, in accordance with the transitional approach laid out in Section 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the DNP Group’s income statement does not break down revenue from contracts with customers in the first quarter of the previous fiscal year as a separate item.

(Adoption of accounting standard for fair value measurement)

The DNP Group applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereafter, “fair value measurement standard”) from the beginning of the first quarter of the fiscal year ending March 2022, and will in future apply the new accounting policy defined by the standard in line with the transitional approach laid out in Section 19 of said standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This factor has a minimal impact on the DNP Group’s quarterly consolidated financial statements.

[Segment information, etc.]

I. First three months of previous fiscal year (April 1, 2020 – June 30, 2020)

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	171,734	90,942	48,468	12,406	323,551	–	323,551
Inter-segment	459	51	–	5	516	(516)	–
Total	172,194	90,994	48,468	12,411	324,067	(516)	323,551
Segment income	3,561	1,713	9,582	31	14,889	(5,240)	9,648

- 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 three months of current fiscal year (April 1, 2021 – June 30, 2021)

1. Information on sales and income/loss by reporting segment and breakdown of revenue

(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 ^{Note 3}							
Outside customers	172,636	95,938	52,638	10,705	331,919	–	331,919
Inter-segment	431	38	–	3	473	(473)	–
Total	173,068	95,977	52,638	10,708	332,393	(473)	331,919
Segment income (loss)	5,035	4,661	12,498	(272)	21,923	(5,416)	16,506

- Notes:
1. Segment income (loss) 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 (loss) is adjusted to reflect operating income as reported on the quarterly consolidated statements of income.
 3. Net sales include both revenue from contracts with customers and other revenue; these are not displayed as separate categories because the former accounts for almost the entirety of sales and the latter is not significant.

2. Change in reporting segments

As noted under “Changes in accounting policies,” from the beginning of the first quarter of the fiscal year ending March 2022, the DNP Group adopted the revenue recognition standard and changed its accounting methodology for recognizing revenue. This resulted in similar changes to its approach to measuring business segment profits and losses.

Compared with the previous standard, this change reduced first quarter Information Communication segment sales by ¥3,432 million and income by ¥141 million, Lifestyle and Industrial Supplies segment sales by ¥1,239 million and income by ¥22 million, Electronics segment sales by ¥1,713 million and income by ¥9 million, and Beverages segment sales by ¥491 million.