

Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]



February 7, 2024

Company name: KYODO PRINTING CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 7914

URL: <https://www.kyodoprinting.co.jp/>

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Scheduled date of filing quarterly securities report: February 14, 2024

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2023	71,935	3.8	1,390	313.8	1,850	131.8	1,284	145.7
December 31, 2022	69,290	6.8	336	–	798	145.4	522	184.2

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥4,864 million [–%]

Nine months ended December 31, 2022: ¥(325) million [–%]

	Basic net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2023	169.54	–
December 31, 2022	65.93	–

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	128,409	60,931	47.4
As of March 31, 2023	123,471	57,720	46.7

(Reference) Equity: As of December 31, 2023: ¥60,904 million

As of March 31, 2023: ¥57,690 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	50.00	—	50.00	100.00
Fiscal year ending March 31, 2024	—	50.00	—		
Fiscal year ending March 31, 2024 (Forecast)				50.00	100.00

(Note) Revision to the dividend forecast announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	101,000	8.2	1,700	119.2	2,200	70.7	1,500	19.7	197.99

(Note) Revision to the financial results forecast announced most recently: No

*** Notes:**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
Newly added: – (Name of subsidiary): –, Excluded: – (Name of subsidiary): –
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please see “1. Quarterly Consolidated Financial Statements and Primary Notes (4) Notes to Quarterly Consolidated Financial Statements (Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)” on page 7 of the attached documents.
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common stock)
- 1) Total number of issued shares at the end of the period (including treasury stock):
December 31, 2023: 8,370,000 shares
March 31, 2023: 8,370,000 shares
 - 2) Total number of shares of treasury stock at the end of the period:
December 31, 2023: 1,010,202 shares
March 31, 2023: 754,966 shares
 - 3) Average number of shares during the period:
Nine months ended December 31, 2023: 7,576,252 shares
Nine months ended December 31, 2022: 7,930,439 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit firms.

*** Explanation of the proper use of financial results forecast and other notes**

The financial results forecast and certain other statements regarding the future in this document are based on the information currently available to the Company and certain assumptions considered to be rational by the Company and they do not constitute a guarantee that the Company will achieve the forecast or other forward-looking statements. The actual results may differ substantially from the forecast for various reasons.

1. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	10,557	9,867
Notes and accounts receivable - trade, and contract assets	26,896	28,206
Securities	-	7
Merchandise and finished products	3,436	3,887
Work in process	2,850	3,427
Raw materials and supplies	1,244	1,412
Other	939	865
Allowance for doubtful accounts	(11)	(15)
Total current assets	45,912	47,659
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,940	27,867
Machinery and vehicles, net	12,769	11,732
Furniture and fixtures, net	1,537	1,633
Land	14,864	14,922
Lease assets, net	1,148	1,213
Construction in progress	450	808
Total property, plant and equipment	59,710	58,178
Intangible assets		
Goodwill	380	200
Software	964	1,096
Other	206	238
Total intangible assets	1,550	1,535
Investments and other assets		
Investment securities	12,802	17,488
Asset for retirement benefits	2,056	2,117
Deferred tax assets	310	339
Other	1,132	1,097
Allowance for doubtful accounts	(5)	(6)
Total investments and other assets	16,297	21,036
Total non-current assets	77,558	80,749
Total assets	123,471	128,409

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Trade notes and accounts payable	17,627	16,256
Short-term debt	112	144
Current portion of bonds payable	3,000	–
Current portion of long-term debt	2,405	2,424
Lease obligations	383	406
Income taxes payable	237	416
Accrued bonuses	1,283	99
Accrued bonuses for directors	44	48
Provision for environmental measures	102	80
Provision for loss on Anti-Monopoly Act	838	–
Other	7,764	7,979
Total current liabilities	33,800	27,856
Long-term liabilities		
Bonds	–	5,000
Long-term debt	6,182	7,393
Lease obligations	914	935
Deferred tax liabilities	1,078	2,516
Provision for share-based remuneration for directors	15	12
Liability for retirement benefits	6,473	6,629
Asset retirement obligations	8	8
Long-term advances received	17,066	16,891
Other	211	234
Total long-term liabilities	31,951	39,621
Total liabilities	65,751	67,477
Equity		
Shareholders' equity		
Common stock	4,510	4,510
Capital surplus	1,688	1,687
Retained earnings	47,881	48,381
Treasury stock	(2,160)	(3,027)
Total shareholders' equity	51,919	51,550
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	5,881	9,111
Foreign currency translation adjustments	196	515
Remeasurement of defined benefit plans	(307)	(274)
Total accumulated other comprehensive income	5,770	9,353
Non-controlling interests	30	27
Total equity	57,720	60,931
Total liabilities and equity	123,471	128,409

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	69,290	71,935
Cost of sales	56,502	57,563
Gross profit	12,787	14,372
Selling, general and administrative expenses	12,451	12,981
Operating income	336	1,390
Non-operating income		
Interest income	2	2
Dividend income	266	288
Gain on sales of goods	25	26
Rent income on facilities	55	51
Dividend income of insurance	171	146
Foreign exchange gains	–	9
Other	205	147
Total non-operating income	726	672
Non-operating expenses		
Interest expenses	114	107
Rent expenses on facilities	18	26
Bond issuance costs	1	31
Share of loss of entities accounted for using equity method	38	–
Foreign exchange losses	7	–
Other	83	46
Total non-operating expenses	264	212
Ordinary income	798	1,850
Extraordinary income		
Gain on sales of non-current assets	52	0
Gain on sales of investment securities	175	216
Gain on revision of retirement benefit plan	376	–
Other	8	–
Total extraordinary income	612	217
Extraordinary losses		
Loss on sales and retirement of non-current assets	222	77
Loss on sales of investment securities	0	0
Impairment loss	–	31
Head office relocation expenses	170	–
Other	21	9
Total extraordinary losses	414	117
Income before income taxes	997	1,950
Income taxes	478	672
Net income	518	1,278
Net loss attributable to non-controlling interests	(3)	(6)
Net income attributable to owners of parent	522	1,284

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income	518	1,278
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	(1,389)	3,251
Foreign currency translation adjustments	538	322
Remeasurement of defined benefit plans	7	33
Share of other comprehensive income in associate accounted for using the equity method	(1)	(20)
Total other comprehensive income (loss)	(844)	3,585
Comprehensive income	(325)	4,864
Total comprehensive income (loss) attributable to:		
Owners of parent	(325)	4,867
Non-controlling interests	(0)	(3)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Operating activities:		
Income before income taxes	997	1,950
Depreciation and amortization	4,291	4,191
Impairment loss	–	31
Amortization of goodwill	349	180
Increase (decrease) in liability for retirement benefits	(331)	138
Increase (decrease) in allowance for doubtful accounts	(49)	4
Increase (decrease) in accrued bonuses	(713)	(1,184)
Increase (decrease) in accrued bonuses for directors	(11)	3
Increase (decrease) in provision for loss on Anti-Monopoly Act	(401)	(838)
Increase (decrease) in provision for dismantling of non-current assets	(388)	–
Increase (decrease) in provision for environmental measures	–	(22)
Interest and dividend income	(269)	(290)
Interest expenses	114	107
Share of (profit) loss of entities accounted for using equity method	38	–
(Gain) loss on valuation of investment securities	–	0
(Gain) loss on sales of investment securities	(175)	(216)
(Gain) loss on sales and retirement of non-current assets	169	76
(Increase) decrease in trade receivables	(1,275)	(1,254)
(Increase) decrease in inventories	(1,081)	(1,152)
Increase (decrease) in trade payables	2,492	(1,408)
Increase (decrease) in accrued consumption tax	744	(730)
(Increase) decrease in claims provable in bankruptcy, claims provable in rehabilitation	(0)	(1)
Increase (decrease) in accrued expense	242	337
Increase (decrease) in long-term advances received	17,124	(174)
Other	(1,206)	993
Subtotal	20,659	742
Interest and dividends received	269	290
Interest paid	(122)	(102)
Income taxes—paid	(810)	(274)
Net cash provided by operating activities	19,995	656
Investing activities:		
Purchases of property, plant and equipment and intangible assets	(6,039)	(2,733)
Proceeds from sales of property, plant and equipment and intangible assets	55	3
Purchases of investment securities	(18)	(136)
Proceeds from sales of investment securities	422	337
Collection of loans receivable	0	–
Other	(34)	(54)
Net cash used in investing activities	(5,614)	(2,582)

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Financing activities:		
Net increase (decrease) in short-term debt	(6,737)	16
Proceeds from long-term debt	–	3,054
Repayments of long-term debt	(6,832)	(1,834)
Proceeds from issuance of bonds	–	4,987
Redemption of bonds	–	(3,000)
Dividends paid	(825)	(790)
Dividends paid to non-controlling interests	(16)	–
Purchase of treasury stock	(445)	(932)
Proceeds from disposal of treasury stock	49	42
Other	(448)	(318)
Net cash provided by (used in) financing activities	(15,256)	1,225
Foreign currency translation adjustments on cash and cash equivalents	6	7
Net increase (decrease) in cash and cash equivalents	(868)	(693)
Cash and cash equivalents, beginning of period	8,890	10,500
Cash and cash equivalents, end of period	8,022	9,807

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

(Tax expense)

Tax expense for the period under review is measured by applying a reasonably estimated effective tax rate for this fiscal year as adjusted after tax effect accounting to income before income taxes for the period.

(Additional information)

(Transactions of delivering the Company's own stock to employees etc. through trusts)

1) Board Benefit Trust (BBT)

In accordance with the resolution of the 138th Annual Shareholders' Meeting held on June 28, 2018, the Company introduced a Board Benefit Trust (BBT) (hereinafter, referred to as the "System"), as a new performance-linked stock compensation plan for directors and executive officers of the Company and directors with executive positions at certain subsidiaries of the Company (hereinafter, referred to as "Directors, etc.>").

(i) Overview of the transaction

The System is a stock-based compensation plan under which the Company's stocks are acquired through a trust funded by money contributed by the Company, and the Company's stocks and money equivalent to the market value of the Company stocks are paid to Directors, etc., based on their performance and other factors, through the trust in accordance with the Rules for Payment of Share-based Remuneration for Directors established by the Company and some of its subsidiaries. In principle, the time when Directors, etc. receive the Company's stock, etc. is at the time of their retirement from the positions of Directors, etc.

(ii) The remaining balance of the Company's own stock in the trust

The Company records the balance of the Company's stock remaining in the trust as treasury stock in the net assets section at the carrying amount (excluding the amount of ancillary expenses) in the trust. The carrying amount and the number of shares of such treasury stock as of March 31, 2023 was ¥161 million and 55,000 shares. The carrying amount and the number of shares of such treasury stock as of December 31, 2023 was ¥159 million and 55,000 shares.

(iii) Carrying amount of debt recorded using application of the gross method

There is no relevant information.

2) Board Benefit Trust (J-ESOP)

In accordance with the resolution of the Board of Directors held on February 18, 2022, the Company introduced a Board Benefit Trust (J-ESOP) (hereinafter, referred to as the “System”) on March 10, 2022 that will establish a closer link between the Company stock price and performance and the treatment of employees and that will result in economic effects being shared across all our shareholders, with the aim of increasing employee motivation and morale to improve the Company stock price and business performance.

(i) Overview of the transaction

A mechanism for distributing Company stocks to Company employees that fulfil set criteria in accordance with the Rules on Stock Distribution formulated at the point of introduction of the System.

In order to acquire stocks that will be distributed in the future, the Company shall entrust money to the Custody Bank of Japan, Ltd. (Trust account E) as a trust property of the Board Benefit Trust (J-ESOP), and said trust bank shall acquire Company stock using this entrusted money.

(ii) The remaining balance of the Company’s own stock in the trust

The Company records the balance of the Company’s stock remaining in the trust as treasury stock in the net assets section at the carrying amount (excluding the amount of ancillary expenses) in the trust. The carrying amount and the number of shares of such treasury stock as of March 31, 2023 was ¥417 million and 150,000 shares. The carrying amount and the number of shares of such treasury stock as of December 31, 2023 was ¥417 million and 150,000 shares.

(iii) Carrying amount of debt recorded using application of the gross method

There is no relevant information.

3) Board Benefit Trust (Employee Shareholding Association Disposal Type)

In order to increase employee benefits and to provide incentives for improving the Company’s corporate value, the Company introduced a Board Benefit Trust (Employee Shareholding Association Disposal Type) (hereinafter, referred to as the “System”) on March 10, 2022 in accordance with the resolution of the Board of Directors held on February 18, 2022.

(i) Overview of the transaction

In introducing the System, the Company has concluded a Board Benefit Trust (Employee Shareholding Association Disposal Type) Agreement (hereinafter, referred to as the “Trust Agreement”) with the Company as the trustor and Mizuho Trust & Banking Co., Ltd. as the trustee (hereinafter, referred to as the “Trustee”) (hereinafter, the trust established in accordance with the Trust Agreement shall be referred to as the “Trust”). Further, the Trustee has concluded an agreement with the Custody Bank of Japan, Ltd. to re-entrust the management of trust properties such as securities with the Custody Bank of Japan, Ltd. as the Retrustee.

The Trust shall acquire beforehand in one batch a number of the Company’s common stock equivalent to the amount the Shareholding Association is expected to purchase over the five years beginning March 2022, after which, it shall share the Company’s common stock at the point the Shareholding Association makes its stock purchases. If, through the sale of the Company’s common stock to the Shareholding Association via the Trust, an amount equivalent to gain on the sale of stock accumulates in the Trust’s trust property by the end of the trust, such money will be distributed as residual property to members of the Shareholding Association (employees) who meet the Trustee eligibility criteria.

Further, to provide a guarantee for the loan for the Trust to acquire the Company’s common stock, if there is a remaining balance on the loan equivalent to a loss on the sale of stocks by the end of the trust due to factors including a decline in the Company’s stock price, the Company shall repay said remaining balance in accordance with the contract of guarantee.

(ii) The remaining balance of the Company's own stock in the trust

The Company records the balance of the Company's stock remaining in the trust as treasury stock in the net assets section at the carrying amount (excluding the amount of ancillary expenses) in the trust. The carrying amount and the number of shares of such treasury stock as of March 31, 2023 was ¥224 million and 80,000 shares. The carrying amount and the number of shares of such treasury stock as of December 31, 2023 was ¥183 million and 66,000 shares.

(iii) Carrying amount of debt recorded using application of the gross method

Long-term debt as of March 31, 2023 was ¥229 million.

Long-term debt as of December 31, 2023 was ¥194 million.

(Segment information)

I. For nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information about sales and profit (loss) and revenue breakdown for each reportable segment

(Million yen)

	Reportable segment				Other (Note) 1	Total	Reconciliations (Note) 2	Quarterly Consolidated Statements of Income (Note) 3
	Information Communication	Information Security	Living and Industrial Materials	Total				
Sales								
Revenue from contracts with customers	26,233	19,137	22,352	67,722	1,244	68,967	–	68,967
Other revenue	–	–	–	–	322	322	–	322
Sales to external customers	26,233	19,137	22,352	67,722	1,567	69,290	–	69,290
Intersegment sales or transfers	917	541	203	1,662	4,340	6,002	(6,002)	–
Total	27,150	19,679	22,555	69,385	5,907	75,293	(6,002)	69,290
Segment profit (loss)	(191)	531	(28)	311	199	511	(175)	336

(Notes) 1. “Other” refers to business segments not included in the reportable segment, which mainly includes logistics business, insurance business and real estate management business.

2. “Reconciliations” for “Segment profit (loss)” refer to corporate expenses and primarily consist of general and administrative expenses and research and development costs that are not attributable to any reportable segments.

3. “Segment profit (loss)” is adjusted to the operating income stated in the quarterly consolidated statements of income.

2. Information about impairment loss on non-current assets or goodwill for each reportable segment

There is no relevant information.

II. For nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information about sales and profit (loss) and revenue breakdown for each reportable segment

(Million yen)

	Reportable segment				Other (Note) 1	Total	Reconciliations (Note) 2	Quarterly Consolidated Statements of Income (Note) 3
	Information Communication	Information Security	Living and Industrial Materials	Total				
Sales								
Revenue from contracts with customers	25,824	21,222	23,350	70,397	1,164	71,561	–	71,561
Other revenue	–	–	–	–	373	373	–	373
Sales to external customers	25,824	21,222	23,350	70,397	1,537	71,935	–	71,935
Intersegment sales or transfers	868	484	328	1,682	4,082	5,765	(5,765)	–
Total	26,693	21,707	23,678	72,079	5,620	77,700	(5,765)	71,935
Segment profit (loss)	(293)	1,228	741	1,676	126	1,803	(412)	1,390

(Notes) 1. “Other” refers to business segments not included in the reportable segment, which mainly includes logistics business, insurance business and real estate management business.

2. “Reconciliations” for “Segment profit (loss)” refer to corporate expenses and primarily consist of general and administrative expenses and research and development costs that are not attributable to any reportable segments.

3. “Segment profit (loss)” is adjusted to the operating income stated in the quarterly consolidated statements of income.

2. Information about impairment loss on non-current assets or goodwill for each reportable segment

(Significant impairment loss on non-current assets)

For nine months ended December 31, 2023, the Company recorded an impairment loss of ¥1 million for “Information Communication” and an impairment loss of ¥29 million for “Other.”