

Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 8, 2023

Company name: KYODO PRINTING CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 7914

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

Representative: Yoshiaki Fujimori, President

Contact: Hidenori Watanabe, Director & Managing Executive Officer

Phone: +81-3-3817-2101

Scheduled date of filing quarterly securities report: November 13, 2023

Scheduled date of commencing dividend payments: December 8, 2023

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 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	%
Six months ended September 30, 2023	45,741	3.8	348	—	694	—	335	—
September 30, 2022	44,056	6.5	(351)	—	48	—	(297)	—

(Note) Comprehensive income: Six months ended September 30, 2023: ¥2,284 million [—%]

Six months ended September 30, 2022: ¥(1,715) million [—%]

	Basic net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2023	44.04	—
September 30, 2022	(37.40)	—

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	130,041	59,663	45.9
As of March 31, 2023	123,471	57,720	46.7

(Reference) Equity: As of September 30, 2023: ¥59,628 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	196.77

(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):
September 30, 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:
September 30, 2023: 741,302 shares
March 31, 2023: 754,966 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2023: 7,623,203 shares
Six months ended September 30, 2022: 7,951,195 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 September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	10,557	14,205
Notes and accounts receivable - trade, and contract assets	26,896	27,128
Securities	-	7
Merchandise and finished products	3,436	3,990
Work in process	2,850	3,526
Raw materials and supplies	1,244	1,582
Other	939	621
Allowance for doubtful accounts	(11)	(11)
Total current assets	45,912	51,051
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,940	28,235
Machinery and vehicles, net	12,769	12,130
Furniture and fixtures, net	1,537	1,629
Land	14,864	14,928
Lease assets, net	1,148	1,080
Construction in progress	450	862
Total property, plant and equipment	59,710	58,867
Intangible assets		
Goodwill	380	260
Software	964	1,028
Other	206	228
Total intangible assets	1,550	1,516
Investments and other assets		
Investment securities	12,802	15,088
Asset for retirement benefits	2,056	2,097
Deferred tax assets	310	340
Other	1,132	1,085
Allowance for doubtful accounts	(5)	(6)
Total investments and other assets	16,297	18,605
Total non-current assets	77,558	78,989
Total assets	123,471	130,041

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Trade notes and accounts payable	17,627	15,590
Short-term debt	112	127
Current portion of bonds payable	3,000	3,000
Current portion of long-term debt	2,405	2,425
Lease obligations	383	384
Income taxes payable	237	323
Accrued bonuses	1,283	1,254
Accrued bonuses for directors	44	31
Provision for environmental measures	102	102
Provision for loss on Anti-Monopoly Act	838	–
Other	7,764	7,824
Total current liabilities	33,800	31,063
Long-term liabilities		
Bonds	–	5,000
Long-term debt	6,182	8,002
Lease obligations	914	815
Deferred tax liabilities	1,078	1,789
Provision for share-based remuneration for directors	15	12
Liability for retirement benefits	6,473	6,512
Asset retirement obligations	8	8
Long-term advances received	17,066	16,949
Other	211	222
Total long-term liabilities	31,951	39,314
Total liabilities	65,751	70,377
Equity		
Shareholders' equity		
Common stock	4,510	4,510
Capital surplus	1,688	1,687
Retained earnings	47,881	47,827
Treasury stock	(2,160)	(2,112)
Total shareholders' equity	51,919	51,913
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	5,881	7,484
Foreign currency translation adjustments	196	515
Remeasurement of defined benefit plans	(307)	(285)
Total accumulated other comprehensive income	5,770	7,714
Non-controlling interests	30	35
Total equity	57,720	59,663
Total liabilities and equity	123,471	130,041

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended September 30

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	44,056	45,741
Cost of sales	36,225	36,947
Gross profit	7,830	8,794
Selling, general and administrative expenses	8,181	8,445
Operating income (loss)	(351)	348
Non-operating income		
Interest income	2	1
Dividend income	167	176
Gain on sales of goods	18	17
Rent income on facilities	37	35
Dividend income of insurance	171	146
Foreign exchange gains	42	29
Other	158	81
Total non-operating income	598	488
Non-operating expenses		
Interest expenses	79	65
Rent expenses on facilities	14	17
Bond issuance costs	–	31
Share of loss of entities accounted for using equity method	38	–
Other	66	27
Total non-operating expenses	198	142
Ordinary income	48	694
Extraordinary income		
Gain on sales of non-current assets	51	0
Gain on sales of investment securities	175	118
Other	2	–
Total extraordinary income	229	119
Extraordinary losses		
Loss on sales and retirement of non-current assets	185	60
Loss on sales of investment securities	–	0
Impairment loss	–	31
Head office relocation expenses	170	–
Other	5	0
Total extraordinary losses	360	92
Income (loss) before income taxes	(82)	721
Income taxes	221	383
Net income (loss)	(303)	337
Net income (loss) attributable to non-controlling interests	(6)	1
Net income (loss) attributable to owners of parent	(297)	335

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net income (loss)	(303)	337
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	(1,780)	1,623
Foreign currency translation adjustments	373	322
Remeasurement of defined benefit plans	(5)	22
Share of other comprehensive income in associate accounted for using the equity method	0	(20)
Total other comprehensive income (loss)	(1,411)	1,946
Comprehensive income	(1,715)	2,284
Total comprehensive income (loss) attributable to:		
Owners of parent	(1,711)	2,280
Non-controlling interests	(4)	4

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Operating activities:		
Income (loss) before income taxes	(82)	721
Depreciation and amortization	2,863	2,773
Impairment loss	–	31
Amortization of goodwill	245	120
Increase (decrease) in liability for retirement benefits	(45)	25
Increase (decrease) in allowance for doubtful accounts	(42)	1
Increase (decrease) in accrued bonuses	(33)	(29)
Increase (decrease) in accrued bonuses for directors	(25)	(13)
Increase (decrease) in provision for loss on Anti-Monopoly Act	(401)	(838)
Increase (decrease) in provision for dismantling of non-current assets	(388)	–
Interest and dividend income	(169)	(177)
Interest expenses	79	65
Share of (profit) loss of entities accounted for using equity method	38	–
(Gain) loss on sales of investment securities	(175)	(118)
(Gain) loss on sales and retirement of non-current assets	133	60
(Increase) decrease in trade receivables	1,016	(176)
(Increase) decrease in inventories	(1,186)	(1,520)
Increase (decrease) in trade payables	1,347	(2,079)
Increase (decrease) in accrued consumption tax	371	(892)
(Increase) decrease in claims provable in bankruptcy, claims provable in rehabilitation	(0)	(1)
Increase (decrease) in accrued expense	(89)	104
Increase (decrease) in long-term advances received	17,182	(116)
Other	(1,271)	1,249
Subtotal	19,366	(810)
Interest and dividends received	169	177
Interest paid	(80)	(62)
Income taxes—paid	(531)	(144)
Net cash provided by (used in) operating activities	18,923	(839)
Investing activities:		
Purchases of property, plant and equipment and intangible assets	(4,742)	(1,899)
Proceeds from sales of property, plant and equipment and intangible assets	54	0
Purchases of investment securities	(16)	(19)
Proceeds from sales of investment securities	422	179
Collection of loans receivable	0	–
Other	(12)	1
Net cash used in investing activities	(4,295)	(1,737)

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Financing activities:		
Net increase (decrease) in short-term debt	(6,779)	(0)
Proceeds from long-term debt	–	3,053
Repayments of long-term debt	(1,225)	(1,226)
Proceeds from issuance of bonds	–	4,987
Dividends paid	(412)	(395)
Dividends paid to non-controlling interests	(16)	–
Purchase of treasury stock	(0)	(0)
Proceeds from disposal of treasury stock	30	25
Other	(286)	(209)
Net cash provided by (used in) financing activities	(8,689)	6,235
Foreign currency translation adjustments on cash and cash equivalents	(53)	(12)
Net increase (decrease) in cash and cash equivalents	5,884	3,645
Cash and cash equivalents, beginning of period	8,890	10,500
Cash and cash equivalents, end of period	14,775	14,146

(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 September 30, 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 September 30, 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 September 30, 2023 was ¥199 million and 71,000 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 September 30, 2023 was ¥202 million.

(Segment information)

I. For six months ended September 30, 2022 (from April 1, 2022 to September 30, 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	16,363	12,123	14,588	43,075	783	43,858	–	43,858
Other revenue	–	–	–	–	198	198	–	198
Sales to external customers	16,363	12,123	14,588	43,075	981	44,056	–	44,056
Intersegment sales or transfers	558	317	127	1,003	2,736	3,739	(3,739)	–
Total	16,921	12,440	14,716	44,078	3,717	47,796	(3,739)	44,056
Segment profit (loss)	(350)	169	(142)	(322)	59	(263)	(87)	(351)

(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 loss 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 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	15,859	13,572	15,290	44,722	770	45,492	–	45,492
Other revenue	–	–	–	–	248	248	–	248
Sales to external customers	15,859	13,572	15,290	44,722	1,019	45,741	–	45,741
Intersegment sales or transfers	551	307	197	1,056	2,486	3,543	(3,543)	–
Total	16,411	13,879	15,488	45,779	3,506	49,285	(3,543)	45,741
Segment profit (loss)	(492)	785	425	718	26	745	(396)	348

- (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 profit 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 six months ended September 30, 2023, the Company recorded an impairment loss of ¥1 million for “Information Communication” and an impairment loss of ¥29 million for “Other.”