

Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]



August 7, 2024

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: Reiko Yamada, General Manager of Corporate Communication Division
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 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material on financial results: Available
 Schedule of financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-------------|-----|------------------|---|-----------------|-------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2024 | 23,773 | 5.3 | 182 | – | 500 | 43.7 | 75 | (56.8) |
| June 30, 2023 | 22,581 | 4.3 | 14 | – | 348 | 258.2 | 173 | – |

(Note) Comprehensive income: Three Months Ended June 30, 2024: ¥1,024 million [(37.0%)]

Three Months Ended June 30, 2023: ¥1,625 million [–%]

| | Basic net income per share | Diluted net income per share |
|----------------------------------|----------------------------|------------------------------|
| | Yen | Yen |
| Three months ended June 30, 2024 | 10.30 | – |
| June 30, 2023 | 22.79 | – |

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity ratio |
|----------------------|--------------|--------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2024 | 132,182 | 63,774 | 48.2 |
| As of March 31, 2024 | 131,815 | 63,120 | 47.9 |

(Reference) Equity: As of June 30, 2024: ¥63,729 million

As of March 31, 2024: ¥63,082 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, 2024 | — | 50.00 | — | 50.00 | 100.00 |
| Fiscal year ending March 31, 2025 | — | | | | |
| Fiscal year ending March 31, 2025 (Forecast) | | 55.00 | — | 80.00 | 135.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic net income per share |
|------------|-------------|-----|------------------|------|-----------------|------|---|-------|----------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 49,000 | 7.1 | 500 | 43.5 | 800 | 15.2 | 350 | 4.2 | 48.06 |
| Full year | 104,000 | 7.2 | 3,100 | 96.5 | 3,600 | 72.8 | 3,250 | 117.2 | 446.23 |

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

*** Notes:**

- (1) Significant changes in the scope of consolidation during the period: Yes
Newly added: – (Name of subsidiary): –, Excluded: 1 (Name of subsidiary): Kyodo Printing Marketing Solutions Co., Ltd.
- (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: Yes
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No
(Note) For details, please see “1. Quarterly Consolidated Financial Statements and Primary Notes (4) Notes to Quarterly Consolidated Financial Statements (Notes regarding changes in accounting policies)” on page 7 of the attached documents.
- (4) Total number of issued shares (common stock)
1) Total number of issued shares at the end of the period (including treasury shares):
June 30, 2024: 8,370,000 shares
March 31, 2024: 8,370,000 shares
2) Total number of treasury shares at the end of the period:
June 30, 2024: 1,085,731 shares
March 31, 2024: 1,087,831 shares
3) Average number of shares during the period:
Three months ended June 30, 2024: 7,283,244 shares
Three months ended June 30, 2023: 7,619,682 shares
(Note) Treasury shares deducted in calculating the total number of treasury shares at the end of the period and the average number of shares during the period include the Company’s shares held by Custody Bank of Japan, Ltd. (Trust account E) as a trust property of the “Board Benefit Trust (BBT, J-ESOP, and Employee Shareholding Association Disposal Type)”.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

*** 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

(Millions of yen)

| | As of March 31, 2024 | As of June 30, 2024 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 11,003 | 11,132 |
| Notes and accounts receivable - trade, and contract assets | 28,621 | 27,119 |
| Securities | 7 | - |
| Merchandise and finished goods | 3,249 | 3,765 |
| Work in process | 2,816 | 2,933 |
| Raw materials and supplies | 1,560 | 1,473 |
| Other | 843 | 1,209 |
| Allowance for doubtful accounts | (27) | (28) |
| Total current assets | 48,074 | 47,606 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 27,811 | 27,503 |
| Machinery, equipment and vehicles, net | 11,377 | 12,155 |
| Tools, furniture and fixtures, net | 1,597 | 1,568 |
| Land | 14,901 | 14,922 |
| Leased assets, net | 1,040 | 1,015 |
| Construction in progress | 1,238 | 553 |
| Total property, plant and equipment | 57,966 | 57,718 |
| Intangible assets | | |
| Goodwill | 140 | 80 |
| Software | 1,136 | 1,109 |
| Other | 246 | 271 |
| Total intangible assets | 1,522 | 1,461 |
| Investments and other assets | | |
| Investment securities | 20,549 | 21,675 |
| Retirement benefit asset | 2,324 | 2,348 |
| Deferred tax assets | 332 | 339 |
| Other | 1,050 | 1,037 |
| Allowance for doubtful accounts | (4) | (5) |
| Total investments and other assets | 24,252 | 25,396 |
| Total non-current assets | 83,741 | 84,576 |
| Total assets | 131,815 | 132,182 |

(Millions of yen)

| | As of March 31, 2024 | As of June 30, 2024 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 15,345 | 15,175 |
| Short-term borrowings | 135 | 171 |
| Current portion of long-term borrowings | 2,437 | 2,434 |
| Lease liabilities | 372 | 360 |
| Income taxes payable | 283 | 341 |
| Provision for bonuses | 953 | 35 |
| Provision for bonuses for directors (and other officers) | 59 | 22 |
| Provision for loss on litigation | – | 142 |
| Other | 8,917 | 9,784 |
| Total current liabilities | 28,504 | 28,467 |
| Non-current liabilities | | |
| Bonds payable | 5,000 | 5,000 |
| Long-term borrowings | 6,789 | 6,187 |
| Lease liabilities | 773 | 749 |
| Deferred tax liabilities | 3,981 | 4,281 |
| Provision for share awards for directors (and other officers) | 22 | 22 |
| Retirement benefit liability | 6,554 | 6,676 |
| Asset retirement obligations | 8 | 8 |
| Long-term advances received | 16,833 | 16,775 |
| Other | 226 | 238 |
| Total long-term liabilities | 40,190 | 39,940 |
| Total liabilities | 68,695 | 68,408 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,510 | 4,510 |
| Capital surplus | 1,687 | 1,687 |
| Retained earnings | 48,592 | 48,290 |
| Treasury shares | (3,289) | (3,283) |
| Total shareholders' equity | 51,500 | 51,204 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11,381 | 12,128 |
| Foreign currency translation adjustment | 356 | 490 |
| Remeasurements of defined benefit plans | (156) | (92) |
| Total accumulated other comprehensive income | 11,581 | 12,525 |
| Non-controlling interests | 38 | 44 |
| Total net assets | 63,120 | 63,774 |
| Total liabilities and net assets | 131,815 | 132,182 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Millions of yen)

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 22,581 | 23,773 |
| Cost of sales | 18,343 | 19,046 |
| Gross profit | 4,238 | 4,726 |
| Selling, general and administrative expenses | 4,224 | 4,543 |
| Operating profit | 14 | 182 |
| Non-operating income | | |
| Interest income | 0 | 1 |
| Dividend income | 142 | 137 |
| Gain on sale of goods | 8 | 9 |
| Rental income from facilities | 17 | 16 |
| Dividend income of insurance | 146 | 148 |
| Foreign exchange gains | 32 | 8 |
| Other | 36 | 60 |
| Total non-operating income | 385 | 382 |
| Non-operating expenses | | |
| Interest expenses | 29 | 40 |
| Rental expenses on facilities | 8 | 8 |
| Other | 12 | 14 |
| Total non-operating expenses | 51 | 64 |
| Ordinary profit | 348 | 500 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 0 | 0 |
| Gain on sale of investment securities | 118 | – |
| Total extraordinary income | 119 | 0 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 50 | 34 |
| Loss on sale of investment securities | 0 | – |
| Impairment losses | 29 | – |
| Provision for loss on litigation | – | * 142 |
| Other | – | 33 |
| Total extraordinary losses | 80 | 210 |
| Profit before income taxes | 387 | 290 |
| Income taxes | 211 | 210 |
| Profit | 175 | 80 |
| Profit attributable to non-controlling interests | 2 | 5 |
| Profit attributable to owners of parent | 173 | 75 |

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Millions of yen)

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 |
|--|-------------------------------------|-------------------------------------|
| Profit | 175 | 80 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,402 | 746 |
| Foreign currency translation adjustment | 57 | 134 |
| Remeasurements of defined benefit plans, net of tax | 11 | 63 |
| Share of other comprehensive income of entities accounted for using equity method | (20) | - |
| Total other comprehensive income | 1,450 | 944 |
| Comprehensive income | 1,625 | 1,024 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of parent | 1,623 | 1,018 |
| Comprehensive income attributable to non-controlling interests | 2 | 5 |

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 387 | 290 |
| Depreciation | 1,382 | 1,440 |
| Impairment losses | 29 | – |
| Amortization of goodwill | 60 | 60 |
| Increase (decrease) in net defined benefit asset and liability | 124 | 170 |
| Increase (decrease) in allowance for doubtful accounts | 0 | 0 |
| Increase (decrease) in provision for bonuses | (874) | (917) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (33) | (37) |
| Increase (decrease) in provision for loss on Anti-Monopoly Act | (838) | – |
| Increase (decrease) in provision for loss on litigation | – | 142 |
| Interest and dividend income | (143) | (138) |
| Interest expenses | 29 | 40 |
| Loss (gain) on sale of investment securities | (118) | – |
| Loss (gain) on sale and retirement of non-current assets | 50 | 34 |
| Decrease (increase) in trade receivables | 1,074 | 1,529 |
| Decrease (increase) in inventories | (467) | (527) |
| Increase (decrease) in trade payables | 31 | (185) |
| Increase (decrease) in accrued consumption taxes | (699) | (120) |
| Decrease (increase) in distressed receivables | (1) | 1 |
| Increase (decrease) in accrued expenses | 60 | 286 |
| Other, net | 683 | (92) |
| Subtotal | 737 | 1,976 |
| Interest and dividends received | 143 | 138 |
| Interest paid | (35) | (30) |
| Income taxes paid | (316) | (265) |
| Net cash provided by (used in) operating activities | 528 | 1,819 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (894) | (579) |
| Proceeds from sale of property, plant and equipment and intangible assets | 0 | 2 |
| Purchase of investment securities | (2) | (52) |
| Proceeds from sale of investment securities | 179 | 7 |
| Other, net | 21 | (17) |
| Net cash provided by (used in) investing activities | (695) | (639) |

(Millions of yen)

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (12) | 29 |
| Proceeds from long-term borrowings | 28 | – |
| Repayments of long-term borrowings | (607) | (612) |
| Dividends paid | (395) | (377) |
| Purchase of treasury shares | (0) | – |
| Proceeds from disposal of treasury shares | 7 | 5 |
| Other, net | (106) | (105) |
| Net cash provided by (used in) financing activities | (1,085) | (1,059) |
| Effect of exchange rate change on cash and cash equivalents | (36) | 6 |
| Net increase (decrease) in cash and cash equivalents | (1,289) | 126 |
| Cash and cash equivalents at beginning of period | 10,500 | 10,944 |
| Cash and cash equivalents at end of period | 9,210 | 11,070 |

(4) Notes to Quarterly Consolidated Financial Statements

(Notes regarding changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter, referred to as the "2022 Revised Accounting Standard") and other standards from the beginning of the period under review.

Regarding the revision to the classification of income taxes, etc. (taxation on other comprehensive income), the Company has applied the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter, referred to as the "2022 Revised Guidance"). This change in accounting policy has no impact on the quarterly consolidated financial statements.

In addition, regarding the amendment related to the revision of the treatment in consolidated financial statements of deferral for tax purposes of gain or loss on the sale of shares of subsidiaries, etc. between consolidated companies, the Company has applied the 2022 Revised Guidance from the beginning of the period under review. These changes in accounting policies have been applied retrospectively, including the quarterly consolidated financial statements and the annual consolidated financial statements for the previous fiscal year, which have been adjusted retrospectively. The changes in accounting policies have no effect on the quarterly consolidated financial statements or the annual consolidated financial statements for the previous fiscal year.

(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.

(Segment information)

I. For three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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

(Millions of 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 | 7,562 | 7,024 | 7,489 | 22,077 | 379 | 22,457 | – | 22,457 |
| Other revenue | – | – | – | – | 124 | 124 | – | 124 |
| Sales to external customers | 7,562 | 7,024 | 7,489 | 22,077 | 504 | 22,581 | – | 22,581 |
| Intersegment sales or transfers | 280 | 169 | 94 | 544 | 1,238 | 1,783 | (1,783) | – |
| Total | 7,842 | 7,194 | 7,584 | 22,621 | 1,743 | 24,365 | (1,783) | 22,581 |
| Segment profit (loss) | (395) | 403 | 160 | 168 | 18 | 187 | (172) | 14 |

(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 three months ended June 30, 2023, the Company recorded an impairment loss of ¥29 million for “Other.”

II. For three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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

(Millions of 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 | 7,640 | 7,528 | 8,097 | 23,266 | 381 | 23,648 | – | 23,648 |
| Other revenue | – | – | – | – | 124 | 124 | – | 124 |
| Sales to external customers | 7,640 | 7,528 | 8,097 | 23,266 | 506 | 23,773 | – | 23,773 |
| Intersegment sales or transfers | 192 | 148 | 95 | 436 | 1,158 | 1,595 | (1,595) | – |
| Total | 7,832 | 7,677 | 8,193 | 23,703 | 1,665 | 25,368 | (1,595) | 23,773 |
| Segment profit (loss) | (356) | 545 | 321 | 510 | (44) | 466 | (283) | 182 |

(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)

There is no relevant information.

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

There is no relevant information.

(Notes on going concern assumption)

There is no relevant information.

(Notes to Quarterly Consolidated Balance Sheets)

Contingent liabilities

At the end of the current fiscal year under review, two of the Company's Indonesian consolidated subsidiaries, PT. Arisu Graphic Prima and PT. Arisu Indonesia (hereinafter, collectively "Consolidated Subsidiaries") received a notice for correction from the Indonesian tax authorities regarding the tax returns for the period December 2017 through December 2020. The total amount claimed by the tax authorities is 119,448 million IDR (Indonesian Rupiah; equivalent to 1,170 million yen, using the exchange rate as of the end of the current consolidated accounting period, including additional tax, etc.). A provisional total amount of 17,170 million IDR (168 million yen) has been paid. As the Company and the Consolidated Subsidiaries do not accept the content of the findings by the Indonesian tax authorities, an objection has been raised and an appeal is underway in the relevant courts.

The principal details of the above are as follows:

PT. Arisu Indonesia

(Fiscal year ended December 31, 2017)

- December 12, 2022: Received a correction notice from the tax authorities for 8,603 million IDR (84 million yen) relating to sales and transaction prices.
- March 9, 2023: Provisional payment of 3,823 million IDR (37 million yen) made; objection raised by Company and PT. Arisu Indonesia.
- January 3, 2024: Received notice that the objection had been dismissed, but that the correction amount had been reduced to 7,615 million IDR (74 million yen).
- March 25, 2024: Appeal to the relevant courts filed

(Fiscal year ended December 31, 2019)

- August 26, 2021: Received a correction notice from the tax authorities for 8,397 million IDR (82 million yen) relating to sales and transaction prices.
- November 18, 2021: Provisional payment of 8,301 million IDR (81 million yen) made; objection raised by Company and PT. Arisu Indonesia.
- August 24, 2022: Received notice that the objection had been dismissed.
- November 20, 2022: Appeal to the relevant courts filed
- April 30, May 14, and June 19, 2024:
As the majority of our claims were accepted in the decisions made on each date, we did not file an appeal to a higher court, and the amount corresponding to the accepted claims (8,334 million IDR (81 million yen)) was refunded. The Company plans to respond if the tax authorities file an appeal to a higher court.

(Fiscal year ended December 31, 2020)

- June 21, 2022: Received a correction notice from the tax authorities for 72,712 million IDR (712 million yen) relating to sales and transaction prices and transactions arising from non-business operations.
- September 16, 2022: Provisional payment of 718 million IDR (7 million yen) made; objection raised by Company and PT. Arisu Indonesia.
- June 27, 2023: Received notice that the objection had been dismissed.
- September 26, 2023: Appeal to relevant courts filed.

(Notes to Quarterly Consolidated Statements of Income)

*Provision for loss on litigation

Claims for damages relating to the business of the preparation of forms, etc. were filed against the Company by the Japan Pension Service in association with the cease and desist order and a payment order for a surcharge received by the Company from the Japan Fair Trade Commission based on the Anti-Monopoly Act. Of these claims, litigation concerning damages due to delayed payment withheld due to an objection to the interpretation of the contract was filed by the Japan Pension Service on November 13, 2023 (date of service of the bill of complaint: December 1, 2023) and the trial proceedings had been continued. Nevertheless, a settlement was reached on July 17, 2024 as a result of consultation, under which the Company will pay 142 million yen to the Japan Pension Service. Therefore, the above amount is recorded as an extraordinary loss.