

# Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 8, 2022

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: November 11, 2022

Scheduled date of commencing dividend payments: December 8, 2022

Availability of supplementary briefing material on quarterly financial results: Available

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

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

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)

(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, 2022	44,056	6.5	(351)	—	48	—	(297)	—
September 30, 2021	41,369	(5.7)	(713)	—	(410)	—	(346)	—

(Note) Comprehensive income: Six months ended September 30, 2022: ¥(1,715) million [-%]

Six months ended September 30, 2021: ¥1,106 million [(37.2)%]

	Basic net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2022	(37.40)	—
September 30, 2021	(41.80)	—

## (2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	130,922	59,163	45.1
As of March 31, 2022	129,121	61,277	47.4

(Reference) Equity: As of September 30, 2022: ¥59,064 million

As of March 31, 2022: ¥61,158 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, 2022	—	50.00	—	50.00	100.00
Fiscal year ending March 31, 2023	—	50.00			
Fiscal year ending March 31, 2023 (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, 2023 (April 1, 2022 to March 31, 2023)

(% 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	96,000	8.6	1,100	45.3	1,600	23.3	850	24.3	106.90

(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: 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 (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 stock):  
September 30, 2022: 8,370,000 shares  
March 31, 2022: 8,370,000 shares  
  
2) Total number of shares of treasury stock at the end of the period:  
September 30, 2022: 412,878 shares  
March 31, 2022: 423,973 shares  
  
3) Average number of shares during the period:  
Six months ended September 30, 2022: 7,951,195 shares  
Six months ended September 30, 2021: 8,280,809 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, 2022	As of September 30, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,949	14,829
Notes and accounts receivable - trade, and contract assets	26,335	25,385
Merchandise and finished products	3,503	3,650
Work in process	2,329	3,291
Raw materials and supplies	1,128	1,260
Other	1,835	708
Allowance for doubtful accounts	(55)	(12)
Total current assets	44,025	49,113
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	30,301	29,568
Machinery and vehicles, net	12,970	12,944
Furniture and fixtures, net	926	1,608
Land	14,842	14,901
Lease assets, net	1,852	1,741
Construction in progress	875	546
Total property, plant and equipment	61,769	61,311
<b>Intangible assets</b>		
Goodwill	785	542
Software	1,124	1,052
Other	183	203
Total intangible assets	2,094	1,798
<b>Investments and other assets</b>		
Investment securities	17,402	14,602
Asset for retirement benefits	2,547	2,605
Deferred tax assets	222	246
Other	1,070	1,255
Allowance for doubtful accounts	(10)	(11)
Total investments and other assets	21,232	18,698
Total non-current assets	85,095	81,808
<b>Total assets</b>	<b>129,121</b>	<b>130,922</b>

(Million yen)

	As of March 31, 2022	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	15,606	16,992
Short-term debt	6,840	68
Current portion of long-term debt	9,400	9,400
Lease obligations	504	414
Income taxes payable	481	166
Accrued bonuses	1,162	1,129
Accrued bonuses for directors	53	28
Provision for environmental measures	–	400
Provision for dismantling of non-current assets	–	157
Provision for loss on Anti-Monopoly Act	401	–
Other	10,079	7,399
Total current liabilities	44,531	36,156
Long-term liabilities		
Bonds	3,000	3,000
Long-term debt	7,480	6,254
Lease obligations	1,053	981
Deferred tax liabilities	2,106	1,369
Provision for environmental measures	400	–
Provision for dismantling of non-current assets	545	–
Provision for share-based remuneration for directors	19	15
Liability for retirement benefits	6,589	6,612
Asset retirement obligations	80	8
Long-term advances received	–	17,182
Other	2,037	176
Total long-term liabilities	23,312	35,601
Total liabilities	67,843	71,758
<b>Equity</b>		
Shareholders' equity		
Common stock	4,510	4,510
Capital surplus	1,645	1,644
Retained earnings	47,454	46,744
Treasury stock	(1,216)	(1,185)
Total shareholders' equity	52,393	51,713
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	8,553	6,773
Foreign currency translation adjustments	0	372
Remeasurement of defined benefit plans	211	206
Total accumulated other comprehensive income	8,765	7,351
Non-controlling interests	118	99
Total equity	61,277	59,163
Total liabilities and equity	129,121	130,922

## (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, 2021	Six months ended September 30, 2022
Net sales	41,369	44,056
Cost of sales	34,483	36,225
Gross profit	6,886	7,830
Selling, general and administrative expenses	7,599	8,181
Operating income (loss)	(713)	(351)
Non-operating income		
Interest income	1	2
Dividend income	140	167
Gain on sales of goods	41	18
Rent income on facilities	42	37
Dividend income of insurance	152	171
Foreign exchange gains	4	42
Other	112	158
Total non-operating income	495	598
Non-operating expenses		
Interest expenses	98	79
Rent expenses on facilities	14	14
Share of loss of entities accounted for using equity method	35	38
Other	43	66
Total non-operating expenses	192	198
Ordinary income (loss)	(410)	48
Extraordinary income		
Gain on sales of non-current assets	–	51
Gain on sales of investment securities	686	175
Other	1	2
Total extraordinary income	687	229
Extraordinary losses		
Loss on sales and retirement of non-current assets	90	185
Loss on valuation of investment securities	26	–
Provision for loss on Anti-Monopoly Act	305	–
Head office relocation expenses	–	170
Other	0	5
Total extraordinary losses	421	360
Income (loss) before income taxes	(144)	(82)
Income taxes	189	221
Net income (loss)	(334)	(303)
Net income (loss) attributable to non-controlling interests	11	(6)
Net income (loss) attributable to owners of parent	(346)	(297)

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net income (loss)	(334)	(303)
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	1,315	(1,780)
Foreign currency translation adjustments	155	373
Remeasurement of defined benefit plans	(28)	(5)
Share of other comprehensive income in associate accounted for using the equity method	(1)	0
Total other comprehensive income (loss)	1,441	(1,411)
Comprehensive income	1,106	(1,715)
Total comprehensive income (loss) attributable to:		
Owners of parent	1,094	(1,711)
Non-controlling interests	12	(4)

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
<b>Operating activities:</b>		
Income (loss) before income taxes	(144)	(82)
Depreciation and amortization	2,741	2,863
Amortization of goodwill	302	245
Increase (decrease) in liability for retirement benefits	(81)	(45)
Increase (decrease) in allowance for doubtful accounts	(5)	(42)
Increase (decrease) in accrued bonuses	(45)	(33)
Increase (decrease) in accrued bonuses for directors	(28)	(25)
Increase (decrease) in provision for loss on Anti-Monopoly Act	305	(401)
Increase (decrease) in provision for dismantling of non-current assets	–	(388)
Interest and dividend income	(141)	(169)
Interest expenses	98	79
Share of (profit) loss of entities accounted for using equity method	35	38
(Gain) loss on valuation of investment securities	26	–
(Gain) loss on sales of investment securities	(686)	(175)
(Gain) loss on sales and retirement of non-current assets	90	133
(Increase) decrease in trade receivables	2,493	1,016
(Increase) decrease in inventories	(872)	(1,186)
Increase (decrease) in trade payables	(923)	1,347
Increase (decrease) in accrued consumption tax	(608)	371
(Increase) decrease in claims provable in bankruptcy, claims provable in rehabilitation	–	(0)
Increase (decrease) in accrued expense	(321)	(89)
Increase (decrease) in long-term advances received	–	17,182
Other	411	(1,271)
Subtotal	2,644	19,366
Interest and dividends received	141	169
Interest paid	(98)	(80)
Income taxes—paid	(262)	(531)
Net cash provided by operating activities	2,424	18,923
<b>Investing activities:</b>		
Purchases of property, plant and equipment and intangible assets	(4,603)	(4,742)
Proceeds from sales of property, plant and equipment and intangible assets	–	54
Purchases of investment securities	(10)	(16)
Proceeds from sales of investment securities	691	422
Loan advances	(0)	–
Collection of loans receivable	0	0
Other	(52)	(12)
Net cash used in investing activities	(3,976)	(4,295)



(Million yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
<b>Financing activities:</b>		
Net increase (decrease) in short-term debt	–	(6,779)
Repayments of long-term debt	(1,208)	(1,225)
Dividends paid	(417)	(412)
Dividends paid to non-controlling interests	(16)	(16)
Purchase of treasury stock	–	(0)
Proceeds from disposal of treasury stock	–	30
Other	(204)	(286)
Net cash used in financing activities	(1,846)	(8,689)
Foreign currency translation adjustments on cash and cash equivalents	4	(53)
Net increase (decrease) in cash and cash equivalents	(3,393)	5,884
Cash and cash equivalents, beginning of period	12,760	8,890
Cash and cash equivalents, end of period	9,366	14,775

#### (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.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Guidance on the Fair Value Standard") from the beginning of the first quarter of the fiscal year under review and the new accounting policies stipulated in the Guidance on the Fair Value Standard are applied into the future in accordance with the transitional treatment stipulated in paragraph 27-2 of the Guidance on the Fair Value Standard. There is no impact on the quarterly consolidated financial statements.

(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, 2022 was ¥163 million and 56,000 shares. The carrying amount and the number of shares of such treasury stock as of September 30, 2022 was ¥161 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, 2022 was ¥417 million and 150,000 shares. The carrying amount and the number of shares of such treasury stock as of September 30, 2022 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 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, 2022 was ¥277 million and 99,000 shares. The carrying amount and the number of shares of such treasury stock as of September 30, 2022 was ¥249 million and 89,000 shares.

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

Long-term debt as of March 31, 2022 was ¥280 million.

Long-term debt as of September 30, 2022 was ¥254 million.

(Segment information)

I. For six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

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	15,097	11,890	13,536	40,525	753	41,278	–	41,278
Other revenue	–	–	–	–	90	90	–	90
Sales to external customers	15,097	11,890	13,536	40,525	843	41,369	–	41,369
Intersegment sales or transfers	631	268	106	1,006	2,676	3,682	(3,682)	–
Total	15,728	12,158	13,643	41,531	3,520	45,051	(3,682)	41,369
Segment profit (loss)	(494)	21	(68)	(541)	(128)	(669)	(43)	(713)

(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, 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.

(Significant subsequent events)

From October 1, 2022, the Company has transferred a portion of its defined benefit pension plan to a defined contribution plan and introduced a point system for its lump-sum retirement payment plan, defined benefit pension plan, and defined contribution plan.

The Company plans to apply the “Guidance on Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No. 1, revised on December 16, 2016) and “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (PITF No. 2, revised on February 7, 2007) for the accounting treatment associated with the transfers, and is currently evaluating the amount of impact.