

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 5, 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: August 10, 2022

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 Three Months Ended June 30, 2022 (April 1, 2022 to June 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	%
Three months ended June 30, 2022	21,647	2.8	(251)	–	97	–	(340)	–
June 30, 2021	21,061	(5.6)	(291)	–	(7)	–	(41)	–

(Note) Comprehensive income: Three months ended June 30, 2022: ¥(2,033) million [–%]

Three months ended June 30, 2021: ¥192 million [(76.5)%]

	Basic net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2022	(42.90)	–
June 30, 2021	(5.04)	–

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	134,810	58,825	43.6
As of March 31, 2022	129,121	61,277	47.4

(Reference) Equity: As of June 30, 2022: ¥58,725 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
Fiscal year ended March 31, 2022	Yen —	Yen 50.00	Yen —	Yen 50.00	Yen 100.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		50.00	—	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	106.95

(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):
June 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:
June 30, 2022: 421,178 shares
March 31, 2022: 423,973 shares
3) Average number of shares during the period:
Three months ended June 30, 2022: 7,947,399 shares
Three months ended June 30, 2021: 8,280,723 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 June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	8,949	19,282
Notes and accounts receivable - trade, and contract assets	26,335	24,936
Merchandise and finished products	3,503	3,727
Work in process	2,329	2,923
Raw materials and supplies	1,128	1,104
Other	1,835	840
Allowance for doubtful accounts	(55)	(52)
Total current assets	44,025	52,763
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,301	29,820
Machinery and vehicles, net	12,970	12,847
Furniture and fixtures, net	926	1,647
Land	14,842	14,864
Lease assets, net	1,852	1,796
Construction in progress	875	518
Total property, plant and equipment	61,769	61,493
Intangible assets		
Goodwill	785	645
Software	1,124	1,076
Other	183	194
Total intangible assets	2,094	1,916
Investments and other assets		
Investment securities	17,402	14,812
Asset for retirement benefits	2,547	2,576
Deferred tax assets	222	244
Other	1,070	1,013
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	21,232	18,636
Total non-current assets	85,095	82,047
Total assets	129,121	134,810

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Trade notes and accounts payable	15,606	16,319
Short-term debt	6,840	42
Current portion of long-term debt	9,400	9,400
Lease obligations	504	452
Income taxes payable	481	93
Accrued bonuses	1,162	372
Accrued bonuses for directors	53	12
Provision for environmental measures	–	297
Provision for dismantling of non-current assets	–	157
Provision for loss on Anti-Monopoly Act	401	21
Other	10,079	12,348
Total current liabilities	44,531	39,517
Long-term liabilities		
Bonds	3,000	3,000
Long-term debt	7,480	6,872
Lease obligations	1,053	1,023
Deferred tax liabilities	2,106	1,324
Provision for environmental measures	400	102
Provision for dismantling of non-current assets	545	–
Provision for share-based remuneration for directors	19	19
Liability for retirement benefits	6,589	6,699
Asset retirement obligations	80	8
Long-term advances received	–	17,240
Other	2,037	176
Total long-term liabilities	23,312	36,468
Total liabilities	67,843	75,985
Equity		
Shareholders' equity		
Common stock	4,510	4,510
Capital surplus	1,645	1,645
Retained earnings	47,454	46,703
Treasury stock	(1,216)	(1,208)
Total shareholders' equity	52,393	51,650
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	8,553	6,761
Foreign currency translation adjustments	0	105
Remeasurement of defined benefit plans	211	208
Total accumulated other comprehensive income	8,765	7,075
Non-controlling interests	118	99
Total equity	61,277	58,825
Total liabilities and equity	129,121	134,810

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

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	21,061	21,647
Cost of sales	17,540	17,729
Gross profit	3,520	3,917
Selling, general and administrative expenses	3,812	4,168
Operating income (loss)	(291)	(251)
Non-operating income		
Interest income	0	1
Dividend income	117	136
Gain on sales of goods	31	7
Rent income on facilities	20	18
Dividend income of insurance	152	171
Foreign exchange losses	–	32
Other	52	83
Total non-operating income	374	450
Non-operating expenses		
Interest expenses	46	41
Rent expenses on facilities	7	11
Share of loss of entities accounted for using equity method	3	14
Foreign exchange losses	4	–
Other	27	34
Total non-operating expenses	89	102
Ordinary income (loss)	(7)	97
Extraordinary income		
Gain on sales of non-current assets	–	38
Gain on sales of investment securities	234	–
Other	1	–
Total extraordinary income	236	38
Extraordinary losses		
Loss on sales and retirement of non-current assets	54	167
Loss on valuation of investment securities	24	–
Head office relocation expenses	–	165
Other	0	4
Total extraordinary losses	79	337
Income (loss) before income taxes	149	(202)
Income taxes	180	142
Net income (loss)	(31)	(344)
Net income (loss) attributable to non-controlling interests	10	(3)
Net income (loss) attributable to owners of parent	(41)	(340)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net income (loss)	(31)	(344)
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	48	(1,793)
Foreign currency translation adjustments	190	105
Remeasurement of defined benefit plans	(14)	(2)
Share of other comprehensive income in associate accounted for using the equity method	(1)	0
Total other comprehensive income (loss)	223	(1,689)
Comprehensive income	192	(2,033)
Total comprehensive income (loss) attributable to:		
Owners of parent	181	(2,031)
Non-controlling interests	11	(2)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Operating activities:		
Income (loss) before income taxes	149	(202)
Depreciation and amortization	1,368	1,434
Amortization of goodwill	151	140
Increase (decrease) in liability for retirement benefits	75	76
Increase (decrease) in allowance for doubtful accounts	(2)	(2)
Increase (decrease) in accrued bonuses	(757)	(790)
Increase (decrease) in accrued bonuses for directors	(36)	(41)
Increase (decrease) in provision for loss on Anti-Monopoly Act	–	(380)
Increase (decrease) in provision for dismantling of non-current assets	–	(388)
Interest and dividend income	(117)	(137)
Interest expenses	46	41
Share of (profit) loss of entities accounted for using equity method	3	14
(Gain) loss on valuation of investment securities	24	–
(Gain) loss on sales of investment securities	(234)	–
(Gain) loss on sales and retirement of non-current assets	54	129
(Increase) decrease in trade receivables	1,178	1,422
(Increase) decrease in inventories	(253)	(774)
Increase (decrease) in trade payables	389	699
Increase (decrease) in accrued consumption tax	(281)	252
(Increase) decrease in claims provable in bankruptcy, claims provable in rehabilitation	–	(0)
Increase (decrease) in accrued expense	1,342	1,584
Increase (decrease) in long-term advances received		17,240
Other	(120)	(1,413)
Subtotal	2,979	18,906
Interest and dividends received	117	137
Interest paid	(58)	(48)
Income taxes—paid	(308)	(513)
Net cash provided by operating activities	2,729	18,481
Investing activities:		
Purchases of property, plant and equipment and intangible assets	(333)	(197)
Proceeds from sales of property, plant and equipment and intangible assets	–	39
Purchases of investment securities	(3)	(2)
Proceeds from sales of investment securities	236	–
Collection of loans receivable	0	0
Other	(37)	43
Net cash used in investing activities	(138)	(116)

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Financing activities:		
Net increase (decrease) in short-term debt	–	(6,800)
Repayments of long-term debt	(608)	(607)
Dividends paid	(417)	(412)
Dividends paid to non-controlling interests	(16)	(16)
Purchase of treasury stock	–	(0)
Proceeds from disposal of treasury stock	–	7
Other	(68)	(143)
Net cash used in financing activities	(1,109)	(7,972)
Foreign currency translation adjustments on cash and cash equivalents	17	(52)
Net increase (decrease) in cash and cash equivalents	1,498	10,340
Cash and cash equivalents, beginning of period	12,760	8,890
Cash and cash equivalents, end of period	14,259	19,231

(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 June 30, 2022 was ¥163 million and 56,000 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 June 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 June 30, 2022 was ¥269 million and 97,000 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 June 30, 2022 was ¥272 million.

(Segment information)

I. For three months ended June 30, 2021 (from April 1, 2021 to June 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	7,603	6,368	6,659	20,631	384	21,015	–	21,015
Other revenue	–	–	–	–	45	45	–	45
Sales to external customers	7,603	6,368	6,659	20,631	429	21,061	–	21,061
Intersegment sales or transfers	298	133	63	495	1,372	1,868	(1,868)	–
Total	7,901	6,502	6,723	21,127	1,802	22,929	(1,868)	21,061
Segment profit (loss)	(355)	83	(18)	(290)	(43)	(334)	42	(291)

(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 three months ended June 30, 2022 (from April 1, 2022 to June 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	7,787	6,125	7,303	21,216	356	21,573	—	21,573
Other revenue	—	—	—	—	73	73	—	73
Sales to external customers	7,787	6,125	7,303	21,216	430	21,647	—	21,647
Intersegment sales or transfers	276	167	68	512	1,365	1,877	(1,877)	—
Total	8,063	6,293	7,372	21,729	1,795	23,525	(1,877)	21,647
Segment profit (loss)	(264)	158	(52)	(158)	(30)	(188)	(62)	(251)

- (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 plans to transfer a portion of its current defined benefit pension plan to a defined contribution plan and to introduce 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.