

Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]



February 7, 2022

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

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Scheduled date of filing quarterly securities report: February 7, 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 Nine Months Ended December 31, 2021 (April 1, 2021 to December 31, 2021)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|-------------------------------------|-------------|-------|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Nine months ended December 31, 2021 | 64,860 | (4.5) | (92) | – | 325 | (58.5) | 183 | (66.6) |
| December 31, 2020 | 67,907 | (9.5) | 164 | (84.5) | 783 | (53.7) | 551 | (45.3) |

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥1,449million [(32.7 %)]
Nine months ended December 31, 2020: ¥2,152 million [71.8 %]

| | Basic net income per share | Diluted net income per share |
|-------------------------------------|----------------------------|------------------------------|
| | Yen | Yen |
| Nine months ended December 31, 2021 | 22.33 | – |
| December 31, 2020 | 64.32 | – |

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review. Figures for the nine months ended December 31, 2021 are stated after the application of the said accounting standard, etc.

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity ratio |
|-------------------------|--------------|--------------|--------------|
| | Million yen | Million yen | % |
| As of December 31, 2021 | 127,997 | 62,556 | 48.8 |
| As of March 31, 2021 | 129,077 | 62,944 | 48.7 |

(Reference) Equity: As of December 31, 2021: ¥62,434 million

As of March 31, 2021: ¥62,820 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|--------------|---------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2021 | Yen — | Yen 50.00 | Yen — | Yen 50.00 | Yen 100.00 |
| Fiscal year ending March 31, 2022 | — | 50.00 | — | | |
| Fiscal year ending March 31, 2022 (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, 2022 (April 1, 2021 to March 31, 2022)

(% 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 | 93,000 | 2.2 | 900 | 38.9 | 1,400 | 4.0 | 850 | 3.0 | 103.16 |

(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):
December 31, 2021: 8,370,000 shares
March 31, 2021: 9,020,000 shares

2) Total number of shares of treasury stock at the end of the period:
December 31, 2021: 424,773 shares
March 31, 2021: 739,277 shares

3) Average number of shares during the period:
Nine months ended December 31, 2021: 8,239,310 shares
Nine months ended December 31, 2020: 8,568,889 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, 2021 | As of December 31, 2021 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 12,808 | 8,122 |
| Trade notes and accounts receivable | 25,666 | — |
| Notes and accounts receivable - trade, and contract assets | — | 26,296 |
| Merchandise and finished products | 4,388 | 4,048 |
| Work in process | 2,190 | 2,781 |
| Raw materials and supplies | 744 | 984 |
| Other | 709 | 840 |
| Allowance for doubtful accounts | (55) | (56) |
| Total current assets | 46,453 | 43,016 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 19,032 | 18,233 |
| Machinery and vehicles, net | 14,345 | 13,456 |
| Furniture and fixtures, net | 1,061 | 916 |
| Land | 14,800 | 14,826 |
| Lease assets, net | 1,563 | 1,601 |
| Construction in progress | 6,777 | 9,852 |
| Total property, plant and equipment | 57,580 | 58,886 |
| Intangible assets | | |
| Goodwill | 1,369 | 923 |
| Software | 1,260 | 1,110 |
| Other | 151 | 173 |
| Total intangible assets | 2,780 | 2,208 |
| Investments and other assets | | |
| Investment securities | 18,759 | 20,187 |
| Asset for retirement benefits | 2,192 | 2,417 |
| Deferred tax assets | 266 | 270 |
| Other | 1,096 | 1,038 |
| Allowance for doubtful accounts | (51) | (27) |
| Total investments and other assets | 22,263 | 23,886 |
| Total non-current assets | 82,624 | 84,981 |
| Total assets | 129,077 | 127,997 |

(Million yen)

| | As of March 31, 2021 | As of December 31, 2021 |
|--|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 15,415 | 15,896 |
| Short-term debt | — | 6,000 |
| Current portion of bonds payable | 5,000 | — |
| Current portion of long-term debt | 2,404 | 7,400 |
| Lease obligations | 501 | 510 |
| Income taxes payable | 337 | 341 |
| Accrued bonuses | 1,206 | 457 |
| Accrued bonuses for directors | 50 | 33 |
| Provision for loss on Anti-Monopoly Act | — | 305 |
| Other | 8,586 | 7,969 |
| Total current liabilities | 33,501 | 38,914 |
| Long-term liabilities | | |
| Bonds | 3,000 | 3,000 |
| Long-term debt | 16,604 | 9,800 |
| Lease obligations | 858 | 950 |
| Deferred tax liabilities | 2,502 | 2,986 |
| Provision for environmental measures | 407 | 407 |
| Provision for dismantling of non-current assets | 545 | 545 |
| Provision for share-based remuneration for directors | 9 | 7 |
| Liability for retirement benefits | 6,616 | 6,739 |
| Asset retirement obligations | 50 | 50 |
| Other | 2,037 | 2,039 |
| Total long-term liabilities | 32,631 | 26,527 |
| Total liabilities | 66,133 | 65,441 |
| Equity | | |
| Shareholders' equity | | |
| Common stock | 4,510 | 4,510 |
| Capital surplus | 1,674 | 1,645 |
| Retained earnings | 49,438 | 47,000 |
| Treasury stock | (2,088) | (1,264) |
| Total shareholders' equity | 53,533 | 51,891 |
| Accumulated other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 9,398 | 10,382 |
| Foreign currency translation adjustments | (283) | (73) |
| Remeasurement of defined benefit plans | 172 | 234 |
| Total accumulated other comprehensive income | 9,287 | 10,543 |
| Non-controlling interests | 123 | 121 |
| Total equity | 62,944 | 62,556 |
| Total liabilities and equity | 129,077 | 127,997 |

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

(Million yen)

| | Nine months ended December 31, 2020 | Nine months ended December 31, 2021 |
|---|--|--|
| Net sales | 67,907 | 64,860 |
| Cost of sales | 56,262 | 53,537 |
| Gross profit | 11,645 | 11,323 |
| Selling, general and administrative expenses | 11,480 | 11,415 |
| Operating income (loss) | 164 | (92) |
| Non-operating income | | |
| Interest income | 6 | 2 |
| Dividend income | 252 | 239 |
| Gain on sales of goods | 164 | 46 |
| Rent income on facilities | 69 | 63 |
| Dividend income of insurance | 147 | 153 |
| Foreign exchange gains | 31 | 21 |
| Other | 220 | 145 |
| Total non-operating income | 891 | 672 |
| Non-operating expenses | | |
| Interest expenses | 143 | 143 |
| Rent expenses on facilities | 30 | 22 |
| Share of loss of entities accounted for using equity method | 19 | 24 |
| Other | 79 | 63 |
| Total non-operating expenses | 273 | 254 |
| Ordinary income | 783 | 325 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 3 | — |
| Gain on sales of investment securities | 713 | 901 |
| Reversal of provision for environmental measures | 2 | — |
| Other | — | 1 |
| Total extraordinary income | 718 | 902 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 126 | 120 |
| Loss on valuation of investment securities | 25 | 28 |
| Provision for environmental measures | 32 | — |
| Provision for loss on Anti-Monopoly Act | — | 305 |
| Other | 9 | 0 |
| Total extraordinary losses | 193 | 453 |
| Income before income taxes | 1,308 | 774 |
| Income taxes | 747 | 582 |
| Net income | 560 | 191 |
| Net income attributable to non-controlling interests | 9 | 7 |
| Net income attributable to owners of parent | 551 | 183 |

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

| | Nine months ended December 31, 2020 | Nine months ended December 31, 2021 |
|---|--|--|
| Net income | 560 | 191 |
| Other comprehensive income (loss) | | |
| Unrealized gain (loss) on available-for-sale securities | 1,805 | 985 |
| Foreign currency translation adjustments | (277) | 211 |
| Remeasurement of defined benefit plans | 53 | 62 |
| Share of other comprehensive income in associate accounted for using the equity method | 9 | (1) |
| Total other comprehensive income (loss) | 1,591 | 1,257 |
| Comprehensive income | 2,152 | 1,449 |
| Total comprehensive income (loss) attributable to: | | |
| Owners of parent | 2,144 | 1,440 |
| Non-controlling interests | 7 | 9 |

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

| | Nine months ended December 31, 2020 | Nine months ended December 31, 2021 |
|---|--|--|
| Operating activities: | | |
| Income before income taxes | 1,308 | 774 |
| Depreciation and amortization | 4,067 | 4,106 |
| Amortization of goodwill | 454 | 454 |
| Increase (decrease) in liability for retirement benefits | 34 | (15) |
| Increase (decrease) in allowance for doubtful accounts | (2) | (22) |
| Increase (decrease) in provision for bonuses | (740) | (748) |
| Increase (decrease) in provision for bonuses for directors | (7) | (16) |
| Increase (decrease) in provision for loss on Anti-Monopoly Act | — | 305 |
| Increase (decrease) in provision for dismantling of non-current assets | (0) | — |
| Increase (decrease) in provision for environmental measures | (188) | — |
| Interest and dividend income | (259) | (241) |
| Interest expenses | 143 | 143 |
| Share of (profit) loss of entities accounted for using equity method | 19 | 24 |
| (Gain) loss on valuation of investment securities | 25 | 28 |
| (Gain) loss on sales of investment securities | (713) | (901) |
| (Gain) loss on sales and retirement of non-current assets | 122 | 120 |
| (Increase) decrease in trade receivables | 225 | (604) |
| (Increase) decrease in inventories | 180 | (467) |
| Increase (decrease) in trade payables | (1,299) | 464 |
| Increase (decrease) in accrued consumption tax | (491) | (522) |
| (Increase) decrease in claims provable in bankruptcy, claims provable in rehabilitation | (0) | 23 |
| Increase (decrease) in accrued expense | (1) | 129 |
| Other | 62 | 162 |
| Subtotal | 2,939 | 3,196 |
| Interest and dividends received | 259 | 241 |
| Interest paid | (153) | (158) |
| Income taxes—paid | (1,057) | (550) |
| Net cash provided by operating activities | 1,987 | 2,729 |
| Investing activities: | | |
| Purchases of property, plant and equipment and intangible assets | (6,316) | (5,239) |
| Proceeds from sales of property, plant and equipment and intangible assets | 3 | — |
| Purchases of investment securities | (12) | (112) |
| Proceeds from sales of investment securities | 920 | 969 |
| Loan advances | — | (0) |
| Collection of loans receivable | 20 | 0 |
| Other | 87 | (27) |
| Net cash used in investing activities | (5,297) | (4,410) |

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|--|--|
| Financing activities: | | |
| Net increase (decrease) in short-term debt | — | 6,000 |
| Proceeds from long-term debt | 4,000 | — |
| Repayments of long-term debt | (3) | (1,808) |
| Redemption of bonds | — | (5,000) |
| Dividends paid | (864) | (834) |
| Dividends paid to non-controlling interests | (1) | (16) |
| Purchase of treasury stock | (335) | (1,000) |
| Other | (373) | (341) |
| Net cash provided by (used in) financing activities | 2,421 | (3,000) |
| Foreign currency translation adjustments on cash and cash equivalents | (44) | (14) |
| Net increase (decrease) in cash and cash equivalents | (932) | (4,694) |
| Cash and cash equivalents, beginning of period | 13,070 | 12,760 |
| Cash and cash equivalents, end of period | 12,138 | 8,065 |

(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)

The Company conducted the purchase and cancellation of treasury stock in accordance with a resolution adopted at the meeting of the Board of Directors held on November 8, 2021. Consequently, during the nine months ended December 31, 2021, treasury stock increased by ¥999 million as a result of the purchase and decreased by ¥1,823 million due to the cancellation. Capital surplus decreased by ¥36 million and retained earnings decreased by ¥1,787 million. The amount of treasury stock as of December 31, 2021 is ¥1,264 million.

(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 Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Standard"), etc. from the beginning of the first quarter of the fiscal year under review and the amount expected to be received in exchange for goods or services is recognized as revenue at the time control of the promised goods or services is transferred to the customer.

The principal changes due to the application of the accounting standard are as follows.

- Revenue recognition pertaining to agency transactions

In the past, the total amount of consideration received from customers was recognized as revenue, but this has been changed to a method in which the net amount received from customers less the amount paid to suppliers is recognized as revenue.

- Revenue recognition pertaining to buy-sell transactions

In the past, the consideration received from the recipient was recognized as revenue, but this has been changed to a method in which such revenue is not recognized.

The application of the Revenue Recognition Standard, etc. is in accordance with the transitional treatment stipulated in the proviso of paragraph 84 of the Revenue Recognition Standard, and the amount of the cumulative impact of retroactively applying the new accounting standard before the beginning of the first quarter of the fiscal year under review is added to or subtracted from the retained earnings at the beginning of the first quarter of the fiscal year under review, and the accounting policy is applied from the beginning of that period. However, the method stipulated in paragraph 86 of the Revenue Recognition Standard is applied, and the new accounting policy is not retroactively applied to contracts that have recognized almost all revenue in accordance with the previous treatment before the beginning of the first quarter of the fiscal year under review.

As a result, net sales for the nine months ended December 31, 2021 decreased by ¥1,793 million, cost of sales decreased by ¥1,796 million and operating income increased by ¥3 million. This had no impact on ordinary income, income before income taxes or retained earnings at the beginning of the period.

As a consequence of the application of the Revenue Recognition Standard, etc., the "trade notes and accounts receivable" presented under "current assets" in the consolidated balance sheets for the fiscal year ended March 31, 2021 has been presented by inclusion in "notes and accounts receivable - trade, and contract assets" from the first quarter of the fiscal year under review. Reclassification using the new method of presentation has not been carried out for the fiscal year ended March 31, 2021 according to the transitional treatment stipulated in paragraph 89-2 of the Revenue Recognition Standard. Furthermore, information on the breakdown of revenue from contracts with

customers is not shown for the nine months ended December 31, 2020 in accordance with the transitional treatment stipulated in paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020).

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Standard”), etc. from the beginning of the first quarter of the fiscal year under review and the new accounting policies stipulated in the Fair Value Standard, etc. are applied into the future in accordance with the transitional treatment stipulated in paragraph 19 of the Fair Value Standard and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Segment information)

I. For nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

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

(Million yen)

| | Reportable segment | | | | Other (Note) 1 | Total | Reconciliations (Note) 2 | Consolidated Statements of Income (Note) 3 |
|---------------------------------|------------------------------|-------------------------|--|--------|-------------------|--------|-----------------------------|---|
| | Information Communication | Information Security | Living and Industrial Materials | Total | | | | |
| Sales | | | | | | | | |
| Sales to external customers | 26,267 | 19,483 | 20,261 | 66,011 | 1,895 | 67,907 | — | 67,907 |
| Intersegment sales or transfers | 1,052 | 414 | 166 | 1,633 | 5,104 | 6,738 | (6,738) | — |
| Total | 27,320 | 19,897 | 20,427 | 67,645 | 7,000 | 74,646 | (6,738) | 67,907 |
| Segment profit (loss) | (192) | 396 | (126) | 78 | 150 | 228 | (64) | 164 |

- (Notes) 1. “Other” refers to business segments not included in the reportable segment, which mainly includes logistics business, insurance business and real estate management business.
2. Reconciliations for Segment profit (loss) refer to corporate expenses and primarily consist of general and administrative expenses and research and development costs that are not attributable to any reportable segments.
3. Segment profit (loss) is adjusted to the operating income stated in the quarterly consolidated statements of income.

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

There is no relevant information.

II. For nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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 | Consolidated Statements of Income (Note) 3 |
|--|------------------------------|-------------------------|--|--------|-------------------|--------|-----------------------------|---|
| | Information Communication | Information Security | Living and Industrial Materials | Total | | | | |
| Sales | | | | | | | | |
| Revenue from contracts with customers | 24,753 | 18,069 | 20,739 | 63,561 | 1,163 | 64,724 | — | 64,724 |
| Other revenue | — | — | — | — | 135 | 135 | — | 135 |
| Sales to external customers | 24,753 | 18,069 | 20,739 | 63,561 | 1,299 | 64,860 | — | 64,860 |
| Intersegment sales or transfers | 1,060 | 443 | 173 | 1,678 | 4,384 | 6,062 | (6,062) | — |
| Total | 25,813 | 18,512 | 20,912 | 65,239 | 5,683 | 70,923 | (6,062) | 64,860 |
| Segment profit (loss) | (295) | 149 | 26 | (119) | (27) | (147) | 54 | (92) |

- (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.

(Revenue recognition)

Information on the breakdown of revenue from contracts with customers is as stated in “Notes (Segment information).”