

# Financial Results for the Six Months Ended September 30, 2023 [JGAAP]



(Consolidated)

November 14, 2023

Company name: KPP GROUP HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9274

URL: <https://www.kpp-gr.com/>

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Scheduled date of filing quarterly securities report: November 14, 2023

Scheduled date of commencing dividend payments: December 4, 2023

Availability of supplementary explanatory materials on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (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, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2023	320,681	(0.0)	7,133	(42.3)	6,012	(46.0)	4,710	(49.1)
Six months ended September 30, 2022	320,699	19.2	12,360	223.4	11,128	164.6	9,247	165.3

(Note) Comprehensive income: Six months ended September 30, 2023: 11,347 million yen (-5.7%)  
Six months ended September 30, 2022: 12,029 million yen (78.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	65.65	-
Six months ended September 30, 2022	128.72	-

(Note) The Company finalized the provisional accounting treatment for business combination as of the end of the previous fiscal year. Each figure for the second quarter of the fiscal year ended March 31, 2023 is the figure reflecting the finalization of the provisional accounting treatment.

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended September 30, 2023	340,423	78,410	23.0
Fiscal year ended March 31, 2023	330,662	67,808	20.5

(Reference) Equity: Six months ended September 30, 2023: 78,329 million yen  
Fiscal year ended March 2023: 67,730 million yen

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	9.00	-	11.00	20.00
Fiscal year ending March 31, 2024	-	11.00			
Fiscal year ending March 31, 2024 (forecast)			-	11.00	22.00

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

(Note) Breakdown of interim dividend for the fiscal year ended March 31, 2023: Ordinary dividend: 7.00 yen; Commemorative dividend: 2.00 yen

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	650,000	(1.5)	17,000	(16.7)	13,500	(26.6)	10,500	(33.2)	146.32

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

### \*Notes:

(1) Changes in significant subsidiaries during the fiscal year

(Changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Excluded subsidiary: Antalis Participations

(Note) Antalis Participations has been excluded from the scope of consolidation from the second quarter of the current fiscal year because the company was dissolved as a result of merger with Antalis S.A.S., the Company's consolidated subsidiary, as a surviving corporation.

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

Six months ended September 30, 2023 73,244,408 shares

Fiscal year ended March 31, 2023 73,244,408 shares

2) Total number of treasury shares at the end of the period:

Six months ended September 30, 2023 1,432,455 shares

Fiscal year ended March 31, 2023 1,552,732 shares

3) Average number of shares during the period:

Six months ended September 30, 2023 71,748,392 shares

Six months ended September 30, 2022 71,844,209 shares

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

\* Explanation of the proper use of financial results forecast and other notes

(Cautionary notes regarding forward-looking statements)

The results forecast and other forward-looking statements contained in this document are based on the information currently available to the Company and certain assumptions deemed to be reasonable, and are not intended as a guarantee that the Company will achieve them. Actual results may differ significantly due to various factors. For assumptions for the results forecast and points to consider in utilizing them, please see “(3) Explanation of consolidated financial results forecast and other forward-looking information” in “1. Qualitative Information Regarding Settlement of Accounts for the Six Months Ended September 30, 2023” of the attachments.

(How to obtain supplementary explanatory materials on quarterly financial results)

The Company will hold a briefing meeting for institutional investors and analysts on Thursday, November 30, 2023. Financial results materials to be distributed at the briefing meeting will be posted on our official website swiftly after it.

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## 1. Qualitative Information Regarding Settlement of Accounts for the Six Months Ended September 30, 2023

### (1) Explanation of Operating Results

#### (a) Status of Operating Results

Net sales for the six months ended September 30, 2023 were 320,681 million yen (down 0.0% year-on-year). Operating profit was 7,133 million yen (down 42.3% year-on-year), ordinary profit came to 6,012 million yen (down 46.0% year-on-year), and profit attributable to owners of parent was 4,710 million yen (down 49.1% year-on-year).

Results for the six months ended September 30, 2023 by segment are as follows.

From the third quarter of the previous fiscal year, the category of reportable segments was changed. The year-on-year comparison and analysis is made based on the category after such change.

The Company applied provisional accounting treatment for business combination for the second quarter of the previous fiscal year and finalized the accounting treatment as of the end of the previous fiscal year. Accordingly, for the purpose of quarter-on-quarter comparison and analysis, the Company used the reviewed figures based on the finalized provisional accounting treatment.

#### (b) Overview by Segment

Results for the six months ended September 30, 2023 by business are as follows.

##### <Northeast Asia>

In Japan, net sales grew in the paper field owing to the price revision, though sales volume fell short of the previous year due to a continued decrease in graphic paper. In the paperboard segment, while sales of corrugated cardboard base paper for beverages were strong, corrugated cardboard base paper saw sales volume decline year-on-year as flows of people recovered after COVID-19 and demand for at-home consumption, including consumption via e-commerce, shrank, in addition to decreased exports and consumers' reluctance to buy. As for packaging paperboard, despite a limited recovery of inbound demand, sales volume and net sales exceeded the previous fiscal year due to robust sales of high-end paperboard such as trading cards. The paper production material segment saw sales volume decline year-on-year as waste paper generation continued to decrease due to sluggish demand for paper and paperboard in Japan. As a result, net sales declined year-on-year due to a decrease in market prices. Sales of commercial pulp fell due to worsening market conditions.

In China, as paper manufacturers continue enhancing their production facilities despite sluggish actual paper and paperboard demand in and outside the country, the paper and paperboard market is still unlikely to recover. This meant our sales volume and net sales fell from the previous year. our sales volume and net sales fell from the previous year.

As a result, net sales for the six months ended September 30, 2023 were 153,571 million yen (up 3.9% year-on-year), and operating profit came to 2,022 million yen (down 30.0% year-on-year).

##### <Europe/South America>

In Europe, amid a market slump due to the above-mentioned economic environment, the wholesale business saw a decline in demand due to a decrease in product prices and inventory reduction, resulting in sluggish net sales and profit. Sales of the packaging business were unchanged year-on-year due to sluggish demand for automotive and e-commerce industries. On the other hand, the visual communication business performed steadily, thanks to more frequent events and exhibitions.

Sales of the South America business were mostly unchanged year-on-year, although product prices decreased due to more products being imported from Asia.

As a result, net sales for the six months ended September 30, 2023 were 141,768 million yen (down 5.0% year-on-year), and operating profit came to 4,401 million yen (down 52.2% year-on-year).

#### <Asia Pacific>

As for Oceania, both net sales and profit improved significantly as our market share expanded mainly in the commercial printing business. The packaging business remained strong especially in Australia and the visual communication business also performed steadily.

As for the ASEAN area, the wholesale paper business performed sluggishly amid intensifying price competition with China, along with slowed demand due to economic stagnation. On the other hand, M&A in the visual communication area in Singapore contributed to the performance.

As a result, net sales of the Asia Pacific business were 24,582 million yen (up 6.6% year-on-year), and operating profit came to 820 million yen (down 20.2% year-on-year) for the six months ended September 30, 2023.

#### <Real Estate Leasing>

While the average vacancy rate of offices in major cities across Japan is improving gradually, the outlook for office demand is uncertain amid a trend to review the way of working stemming from COVID-19.

Rents were generally weak due to rent adjustments intended to secure tenants, among other factors.

The Group's net sales and profit increased year-on-year boosted by the KPP Akashicho Building completed in February 2023, despite a vacancy period arising from occupant replacement for the KPP Yaesu Building.

As a result, net sales of the Real Estate Leasing business were 759 million yen (up 28.1% year-on-year), and operating profit amounted to 293 million yen (up 405.4% year-on-year) for the six months ended September 30, 2023.

#### (2) Explanation of Financial Position

Total assets at the end of the second quarter ended September 30, 2023, were 340,423 million yen, up 9,761 million yen from the end of the previous fiscal year. This was due mainly to an increase in trade receivables. Liabilities were 262,012 million yen, down 841 million yen from the end of the previous fiscal year. This was due mainly to a decrease in long-term borrowings.

Net assets came to 78,410 million yen, up 10,602 million yen from the end of the previous fiscal year. This was due mainly to recording of profit attributable to owners of parent. As a result of the above, the equity ratio was 23.0%, up 2.5 points from the end of the previous fiscal year.

#### (3) Explanation of consolidated financial results forecast and other forward-looking information

The consolidated financial forecasts for the fiscal year ending March 2024 are unchanged from those announced on May 15, 2023.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous Fiscal Year (March 31, 2023)	Second Quarter of Current Fiscal Year (September 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	30,731	21,515
Notes and accounts receivable - trade	113,384	120,979
Electronically recorded monetary claims - operating	19,489	25,587
Merchandise and finished goods	72,237	68,917
Other	14,655	12,991
Allowance for doubtful accounts	(6,901)	(7,440)
<b>Total current assets</b>	<b>243,596</b>	<b>242,550</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,163	9,152
Land	9,189	9,247
Other, net	19,711	23,135
<b>Total property, plant and equipment</b>	<b>37,063</b>	<b>41,535</b>
Intangible assets		
Goodwill	5,330	5,290
Customer-related assets	2,277	2,674
Other	6,288	7,466
<b>Total intangible assets</b>	<b>13,896</b>	<b>15,431</b>
Investments and other assets		
Investment securities	17,971	21,743
Retirement benefit asset	9,554	9,957
Other	18,989	20,359
Allowance for doubtful accounts	(10,411)	(11,155)
<b>Total investments and other assets</b>	<b>36,104</b>	<b>40,905</b>
<b>Total non-current assets</b>	<b>87,065</b>	<b>97,872</b>
<b>Total assets</b>	<b>330,662</b>	<b>340,423</b>

(Million yen)

	Previous Fiscal Year (March 31, 2023)	Second Quarter of Current Fiscal Year (September 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	93,570	100,005
Electronically recorded obligations - operating	3,848	5,236
Short-term borrowings	52,884	48,122
Commercial papers	10,000	12,000
Income taxes payable	4,034	3,074
Provision for bonuses	4,324	3,600
Provisions	1,645	1,491
Other	37,639	37,768
Total current liabilities	207,947	211,298
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	21,425	14,105
Retirement benefit liability	2,111	2,031
Provisions	706	779
Other	20,662	23,797
Total non-current liabilities	54,905	50,713
Total liabilities	262,853	262,012
Net assets		
Shareholders' equity		
Capital stock	4,723	4,723
Capital surplus	7,292	7,292
Retained earnings	52,629	56,533
Treasury shares	(788)	(727)
Total shareholders' equity	63,857	67,823
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,056	6,636
Deferred gains or losses on hedges	33	(181)
Foreign currency translation adjustment	1,405	7,189
Remeasurements of defined benefit plans	(1,623)	(3,137)
Total accumulated other comprehensive income	3,872	10,506
Non-controlling interests	77	81
Total net assets	67,808	78,410
Total liabilities and net assets	330,662	340,423



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Six Months Ended September 30, 2023

(Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2022 to September 30, 2022)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2023 to September 30, 2023)
Net sales	320,699	320,681
Cost of sales	260,670	262,776
Gross profit	60,029	57,905
Selling, general and administrative expenses	47,668	50,771
Operating profit	12,360	7,133
Non-operating income		
Interest income	18	56
Dividend income	258	263
Share of profit of entities accounted for using equity method	30	-
Gain on valuation of derivatives	-	458
Reversal of allowance for doubtful accounts	65	200
Other	382	372
Total non-operating income	754	1,350
Non-operating expenses		
Interest expenses	915	989
Loss on sale of trade receivables	318	611
Foreign exchange losses	381	438
Share of loss of entities accounted for using equity method	-	19
Other	371	413
Total non-operating expenses	1,987	2,471
Ordinary profit	11,128	6,012
Extraordinary income		
Gain on sale of non-current assets	624	11
Gain on sale of investment securities	-	202
Other	-	0
Total extraordinary income	624	214
Extraordinary losses		
Loss on retirement of non-current assets	24	3
Loss on sale of non-current assets	0	0
Loss on valuation of investment securities	7	-
Other	12	0
Total extraordinary losses	44	3
Profit before income taxes	11,708	6,223
Income taxes—current	2,635	2,194
Income taxes—deferred	(174)	(684)
Total income taxes	2,461	1,510
Profit	9,246	4,713
Profit (loss) attributable to non-controlling interests	(0)	3
Profit attributable to owners of parent	9,247	4,710

Quarterly Consolidated Statements of Comprehensive Income  
Six Months Ended September 30, 2023

(Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2022 to September 30, 2022)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2023 to September 30, 2023)
Profit	9,246	4,713
Other comprehensive income		
Valuation difference on available-for-sale securities	(199)	2,579
Deferred gains or losses on hedges	(0)	(215)
Foreign currency translation adjustment	4,073	5,742
Remeasurements of defined benefit plans, net of tax	(1,190)	(1,514)
Share of other comprehensive income of entities accounted for using equity method	99	40
Total other comprehensive income	2,782	6,633
Comprehensive income	12,029	11,347
Comprehensive income attributable to		
Owners of parent	12,030	11,344
Non-controlling interests	(0)	3

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Northeast Asia	Europe/South America	Asia Pacific	Real Estate Leasing	Total		
Net sales							
Net sales to external customers	147,874	149,179	23,053	592	320,699	-	320,699
Intersegment net sales or transfers	896	35	14	13	960	(960)	-
Total	148,770	149,214	23,067	606	321,659	(960)	320,699
Segment profit	2,887	9,216	1,028	58	13,191	(830)	12,360

- (Note) 1. The adjustment to segment profit of (830) million yen consists of intersegment eliminations of (18) million yen and corporate expenses of (811) million yen. Corporate expenses are mainly general and administrative expenses at administrative divisions of the head office that are not attributable to any reportable segment.
2. Segment profit is adjusted with operating profit in the Quarterly Consolidated Statements of Income.
3. The Company finalized the provisional accounting treatment for business combination as of the end of the previous fiscal year. The segment information for the second quarter of the previous fiscal year reflects this review.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

Not applicable.

II Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Northeast Asia	Europe/South America	Asia Pacific	Real Estate Leasing	Total		
Net sales							
Net sales to external customers	153,571	141,768	24,582	759	320,681	-	320,681
Intersegment net sales or transfers	749	-	12	218	980	(980)	-
Total	154,320	141,768	24,595	977	321,661	(980)	320,681
Segment profit	2,022	4,401	820	293	7,538	(404)	7,133

(Note) 1. The adjustment to segment profit of (404) million yen consists of intersegment eliminations of (429) million yen and corporate expenses of (834) million yen. Corporate expenses are mainly general and administrative expenses at administrative divisions of the head office that are not attributable to any reportable segment.

2. Segment profit is adjusted with operating profit in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

Not applicable.

3. Matters regarding changes, etc. in reportable segments  
(Change in segment)

On October 1, 2022, the Company transitioned to a holding company structure to strengthen global governance in line with the expansion of its business scale, reform its portfolio, expand new businesses, and promote sustainability management.

The organization was restructured as a result of the transition, through which managerial decision-making, performance evaluation, and others are conducted under a structure with three affiliated core operating companies, namely Kokusai Pulp & Paper, Antalis, and Spicers, each operating business in the Northeast Asia, Europe/South America, and Asia Pacific regions respectively.

Against this backdrop, to provide an appropriate explanation of the Company's businesses to shareholders and stakeholders, and from a perspective of management approach, reportable segments have been changed by area to "Northeast Asia," "Europe/South America," and "Asia Pacific" from the previous "wholesale pulp and paper, domestic locations" and "wholesale pulp and paper, overseas locations" from the third quarter of the previous fiscal year.

Details of business and major countries or regions of each reportable segment are as follows:

- Northeast Asia

Paper, paperboard, pulp, waste paper, and other paper-related materials are sold in Japan, China, Taiwan, Hong Kong, South Korea, and other countries.

- Europe/South America

Paper, paperboard, and other paper-related materials are sold in France, the United Kingdom, Germany, Switzerland, Chile, and other countries.

- Asia Pacific

Paper, paperboard, pulp, waste paper, and other paper-related materials are sold in Australia, New Zealand, Singapore, and other countries.

- Real Estate Leasing

Real estate is leased in Japan.

Segment information for the six months ended September 30, 2022 is presented under the segment category after such change.

(Significant Subsequent Events)

(Repurchase of Shares of Common Stock)

We hereby inform you that KPP GROUP HOLDINGS CO., LTD. ("KPP") resolved at a meeting of the Board of Directors held on November 14, 2023, to repurchase shares of its common stock pursuant to Article 156 of the Companies Act of Japan (the "Companies Act") as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

1. Reason for repurchasing shares

KPP has decided to repurchase its own shares to improve its shareholder return and capital efficiency, and enable the implementation of flexible capital policy in response to changes in the management environment.

2. Details of matters resolved at the Board of Directors relating to repurchase

(1) Class of shares to be repurchased	Shares of common stock of KPP
(2) Total number of shares to be repurchased	3 million shares (maximum)
(3) Total purchase price for repurchase of shares	2,400 million yen (maximum)
(4) Period of repurchase	From November 15, 2023, to March 31, 2024
(5) Method of repurchase	Open market purchase through the Tokyo Stock Exchange