

# Financial Results for the Nine Months Ended December 31, 2023 [JGAAP]



(Consolidated)

February 14, 2024

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: February 14, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary explanatory materials on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

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

## 1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	483,181	(2.0)	9,832	(43.1)	7,700	(52.2)	5,806	(55.6)
Nine months ended December 31, 2022	493,068	20.2	17,268	188.0	16,122	152.7	13,093	141.8

(Note) Comprehensive income: Nine months ended December 31, 2023 11,725 million yen [(21.4)%]  
 Nine months ended December 31, 2022 14,919 million yen [71.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	81.07	-
Nine months ended December 31, 2022	182.40	-

(Note) The Company finalized the provisional accounting treatment for business combination as of the end of the previous fiscal year. Each figure for the third 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	%
Nine months ended December 31, 2023	337,295	77,278	22.9
Fiscal year ended March 31, 2023	330,662	67,808	20.5

(Reference) Equity: Nine months ended December 31, 2023: 77,195 million yen  
 Fiscal year ended March 31, 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

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

Nine months ended December 31, 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:

Nine months ended December 31, 2023 2,444,955 shares

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

3) Average number of shares during the period:

Nine months ended December 31, 2023 71,624,960 shares

Nine months ended December 31, 2022 71,783,517 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 Nine Months Ended December 31, 2023” of the attachments.”

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## 1. Qualitative Information Regarding Settlement of Accounts for the Nine Months Ended December 31, 2023

### (1) Explanation of Operating Results

#### (a) Status of Operating Results

Net sales for the nine months ended December 31, 2023 were 483,181 million yen (down 2.0% year-on-year). Operating profit was 9,832 million yen (down 43.1% year-on-year), ordinary profit came to 7,700 million yen (down 52.2% year-on-year), and profit attributable to owners of parent was 5,806 million yen (down 55.6% year-on-year).

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 nine months ended December 31, 2023 by business are as follows.

##### <Northeast Asia>

In Japan, net sales grew in the paper segment owing to the price revision, though sales volume fell short of the level of the previous year as demand for graphic paper continued to decrease. In the paperboard segment, while sales of corrugated cardboard base paper for beverages were strong, the sales volume of corrugated cardboard base paper declined year-on-year due to a decrease in exports, suppressed purchases by consumers, a decline in food packaging associated with a production review to reduce food losses, and a shift to simplified packaging. 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 decreased due to a weaker demand for paper and paperboard in Japan. In addition, net sales decreased year-on-year due to a drop in market prices. Sales of commercial pulp fell due to worsening market conditions.

In China, demand for paper and paperboard continued to weaken, causing both sales volume and net sales to decline year-on-year.

As a result, net sales for the nine months ended December 31, 2023 were 231,515 million yen (up 1.2% year-on-year), and operating profit came to 2,464 million yen (down 6.9% year-on-year).

##### <Europe/South America>

In Europe, as in previous years, both net sales and profit declined in July and August due to the effects of the summer holiday season. In the wholesale paper business, prices and sales volume continued to decline, and in the packaging business, sales and profit did not reach the expected levels. Meanwhile, in the visual communication business, Integart, which was newly added to the KPP Group through M&A, contributed to both net sales and profit.

In South America, business performance was weak due to the impact of economic stagnation, but in North America, Lovepac, a new addition to the Group through M&A, contributed to net sales and profit.

As a result, net sales for the nine months ended December 31, 2023 were 211,911 million yen (down 6.7% year-on-year), and operating profit came to 5,975 million yen (down 57.9% year-on-year).

##### <Asia Pacific>

As for Oceania, both net sales and profit improved significantly as our market share expanded mainly for office paper, especially in Australia. The packaging business remained generally strong, but performance in New Zealand and the visual communication business slowed down.

As for the ASEAN area, while the visual communication business in Singapore continued to be favorable, performance remained weak due to the continuing price competition mainly in general paper on top of the declining demand caused by economic stagnation.

As a result, net sales of the Asia Pacific business were 38,615 million yen (up 6.1% year-on-year), and operating profit came to 1,537 million yen (down 9.4% year-on-year) for the nine months ended December 31, 2023.

#### <Real Estate Leasing>

In the Real Estate Leasing segment, 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 1,139 million yen (up 30.1% year-on-year), and operating profit amounted to 435 million yen (up 167.7% year-on-year) for the nine months ended December 31, 2023.

#### (2) Explanation of Financial Position

Total assets at the end of the third quarter ended December 31, 2023 were 337,295 million yen, up 6,633 million yen from the end of the previous fiscal year. This was due mainly to an increase in trade receivables and non-current assets.

Liabilities were 260,016 million yen, down 2,837 million yen from the end of the previous fiscal year. This was due mainly to a decrease in borrowings and income taxes payable.

Net assets came to 77,278 million yen, up 9,470 million yen from the end of the previous fiscal year. This was due mainly to recording of profit attributable to owners of parent and foreign currency translation adjustment. As a result of the above, the equity ratio was 22.9%, up 2.4 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)	Third Quarter of Current Fiscal Year (December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	30,731	14,115
Notes and accounts receivable - trade	113,384	121,236
Electronically recorded monetary claims - operating	19,489	25,437
Merchandise and finished goods	72,237	67,789
Other	14,655	14,877
Allowance for doubtful accounts	(6,901)	(6,126)
Total current assets	243,596	237,329
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,163	9,297
Land	9,189	9,234
Other, net	19,711	24,758
Total property, plant and equipment	37,063	43,290
Intangible assets		
Goodwill	5,330	7,893
Customer-related assets	2,277	2,594
Other	6,288	7,518
Total intangible assets	13,896	18,005
Investments and other assets		
Investment securities	17,971	21,778
Retirement benefit asset	9,554	9,480
Other	18,989	15,704
Allowance for doubtful accounts	(10,411)	(8,294)
Total investments and other assets	36,104	38,668
Total non-current assets	87,065	99,965
Total assets	330,662	337,295

(Million yen)

	Previous Fiscal Year (March 31, 2023)	Third Quarter of Current Fiscal Year (December 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	93,570	104,389
Electronically recorded obligations - operating	3,848	5,271
Short-term borrowings	52,884	40,086
Commercial papers	10,000	11,000
Income taxes payable	4,034	3,079
Provision for bonuses	4,324	3,433
Provisions	1,645	1,280
Other	37,639	39,236
<b>Total current liabilities</b>	<b>207,947</b>	<b>207,776</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term borrowings	21,425	14,076
Retirement benefit liability	2,111	1,923
Provisions	706	1,028
Other	20,662	25,211
<b>Total non-current liabilities</b>	<b>54,905</b>	<b>52,239</b>
<b>Total liabilities</b>	<b>262,853</b>	<b>260,016</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,723	4,723
Capital surplus	7,292	7,292
Retained earnings	52,629	56,824
Treasury shares	(788)	(1,431)
<b>Total shareholders' equity</b>	<b>63,857</b>	<b>67,409</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,056	6,692
Deferred gains or losses on hedges	33	23
Foreign currency translation adjustment	1,405	7,014
Remeasurements of defined benefit plans	(1,623)	(3,944)
<b>Total accumulated other comprehensive   income</b>	<b>3,872</b>	<b>9,785</b>
<b>Non-controlling interests</b>	<b>77</b>	<b>83</b>
<b>Total net assets</b>	<b>67,808</b>	<b>77,278</b>
<b>Total liabilities and net assets</b>	<b>330,662</b>	<b>337,295</b>



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Nine Months Ended December 31, 2023

	(Million yen)	
	Cumulative Third Quarter of the Previous Fiscal Year (From April 1, 2022 to December 31, 2022)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2023 to December 31, 2023)
Net sales	493,068	483,181
Cost of sales	402,337	395,931
Gross profit	90,731	87,250
Selling, general and administrative expenses	73,462	77,417
Operating profit	17,268	9,832
Non-operating income		
Interest income	42	110
Dividend income	404	425
Share of profit of entities accounted for using equity method	47	21
Gain on valuation of derivatives	-	458
Reversal of allowance for doubtful accounts	1,049	206
Other	489	440
Total non-operating income	2,033	1,663
Non-operating expenses		
Interest expenses	1,474	1,502
Loss on sales of trade receivables	528	959
Foreign exchange losses	707	684
Other	468	649
Total non-operating expenses	3,180	3,796
Ordinary profit	16,122	7,700
Extraordinary income		
Gain on sales of non-current assets	883	21
Gain on sales of investment securities	48	328
Other	-	0
Total extraordinary income	931	350
Extraordinary losses		
Loss on retirement of non-current assets	27	3
Loss on sales of non-current assets	0	3
Reversal of foreign currency translation adjustment	12	-
Loss on valuation of investment securities	7	-
Loss on sales of investment securities	-	0
Other	0	0
Total extraordinary losses	47	7
Profit before income taxes	17,005	8,044
Income taxes—current	3,317	2,579
Income taxes—deferred	592	(347)
Total income taxes	3,909	2,232
Profit	13,096	5,812
Profit attributable to non-controlling interests	2	5
Profit attributable to owners of parent	13,093	5,806

Quarterly Consolidated Statements of Comprehensive Income  
 Nine Months Ended December 31, 2023

	(Million yen)	
	Cumulative Third Quarter of the Previous Fiscal Year (From April 1, 2022 to December 31, 2022)	Cumulative Third Quarter of the Current Fiscal Year (From April 1, 2023 to December 31, 2023)
Profit	13,096	5,812
Other comprehensive income		
Valuation difference on available-for-sale securities	(177)	2,636
Deferred gains or losses on hedges	255	(10)
Foreign currency translation adjustment	4,078	5,545
Remeasurements of defined benefit plans, net of tax	(2,432)	(2,321)
Share of other comprehensive income of entities accounted for using equity method	99	63
Total other comprehensive income	1,823	5,912
Comprehensive income	14,919	11,725
Comprehensive income attributable to		
Owners of parent	14,916	11,719
Non-controlling interests	2	5

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

The Company repurchased 1,012,500 shares of its common stock pursuant to a resolution reached at the meeting of the Board of Directors on November 14, 2023. As a result of the repurchase among other factors, treasury shares increased 643 million yen during the nine months ended December 31, 2023, and amounted to 1,431 million yen at the end of the third quarter of the fiscal year under review.

(Segment Information, etc.)

[Segment Information]

I Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	228,775	227,030	36,388	875	493,068	-	493,068
Intersegment net sales or transfers	1,367	53	13	123	1,557	(1,557)	-
Total	230,142	227,083	36,402	998	494,626	(1,557)	493,068
Segment profit	2,648	14,182	1,697	162	18,691	(1,423)	17,268

- (Notes) 1. The adjustment to segment profit of (1,423) million yen consists of intersegment eliminations of (30) million yen and corporate expenses of (1,392) 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 nine months ended December 31, 2022 reflects this review.

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

Not applicable.

II Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	231,515	211,911	38,615	1,139	483,181	-	483,181
Intersegment net sales or transfers	1,423	-	32	327	1,783	(1,783)	-
Total	232,938	211,911	38,648	1,467	484,965	(1,783)	483,181
Segment profit	2,464	5,975	1,537	435	10,413	(580)	9,832

(Notes) 1. The adjustment to segment profit of (580) million yen consists of intersegment eliminations of 653 million yen and corporate expenses of (1,233) 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.

(Significant Subsequent Events)

(Business combination through share acquisition)

1. Acquisition of shares of Signet Pty Ltd

At a meeting of the Board of Directors on January 23, 2024, the Company resolved that DAIEI AUSTRALASIA PTY LTD, the operating company of Spicers Limited (location: Melbourne, Australia; hereinafter referred to as “Spicers”; a company with a fiscal year ending December 31), the Company’s consolidated subsidiary, would acquire all of the shares of Signet Pty Ltd (location: Brisbane, Australia) and make it a subsidiary. A share purchase agreement was concluded as of February 5, 2024.

(1) Overview of business combination

a) Name of the acquired company and the details of its business

Name of the acquired company: Signet Pty Ltd

Details of business: Wholesale business of industrial packaging-related products, etc.

b) Reason for the business combination

Signet has warehouses and distribution centers located throughout Australia, and is engaged primarily in the wholesale of industrial-packaging-related products and the manufacture and sale of stretch film. It operates its business as a supplier that provides products to a number of customers in a wide range of industrial sectors.

The acquisition of Signet strengthens the industrial packaging business and e-commerce functions of the Spicers Group, which operates in Australia, and is expected to create synergies such as streamlining logistics and expanding the customer base. As such, we have concluded the share purchase agreement.

c) Date of business combination:

Early April 2024 (plan)

d) Legal form of business combination:

Acquisition of shares in consideration of cash

e) Name of the combined entity:

No change

- f) Percentage of voting rights to be acquired:  
100%
  - g) Main rationale for determining the acquirer:  
The Company's consolidated subsidiary is to acquire shares in exchange for cash.
- (2) Cost for acquisition of the acquired company and type of consideration
- |                               |      |                                    |
|-------------------------------|------|------------------------------------|
| Consideration for acquisition | Cash | 7,270 million yen (AUD 75 million) |
| Acquisition cost              |      | 7,270 million yen (AUD 75 million) |
- \* Acquisition cost and consideration are adjusted based on changes in working capital and net debt as of the transaction completion date.
- (3) Amount of goodwill arising, cause of goodwill, method of amortization, and amortization period  
Goodwill is not confirmed at this time.

2. Acquisition of shares of Tpf Srl

At a meeting of the Board of Directors on January 23, 2024, the Company resolved that its consolidated subsidiary Antalis S.A.S. (location: Paris, France; hereinafter referred to as "Antalis"; a company with a fiscal year ending December 31) would acquire all of the shares of Tpf Srl (location: San Cesario sul Panaro, Italy; hereinafter referred to as "Tpf") and make it a subsidiary. A share purchase agreement was concluded as of January 30, 2024.

- (1) Overview of business combination
- a) Name of the acquired company and the details of its business  
Name of the acquired company: Tpf Srl  
Details of business: Processing and sale of wood packaging products, etc.
  - b) Reason for the business combination  
Tpf is based in Italy and is engaged in the processing and sale of custom-made wooden packaging products. The company also engages in the wholesale business of VCI products (VCI film, VCI paper, etc.) and operates its own VCI brand "VCI Force."  
While Antalis Italy is mainly engaged in the packaging business, incorporating the target company will enable Antalis to diversify its products and establish a foothold in the industrial area of northern Italy (Emilia-Romagna region) as it strives to further expand its business domain going forward. As such, the acquisition of shares has been implemented.
  - c) Date of business combination:  
January 31, 2024
  - d) Legal form of business combination:  
Acquisition of shares in consideration of cash
  - e) Name of the combined entity:  
No change
  - f) Percentage of voting rights to be acquired:  
100%
  - g) Main rationale for determining the acquirer:  
The Company's consolidated subsidiary acquired the shares in exchange for cash.
- (2) Cost for acquisition of the acquired company and type of consideration
- |                               |      |                                      |
|-------------------------------|------|--------------------------------------|
| Consideration for acquisition | Cash | 4,477 million yen (EUR 28.5 million) |
| Acquisition cost              |      | 4,477 million yen (EUR 28.5 million) |
- (3) Amount of goodwill arising, cause of goodwill, method of amortization, and amortization period  
Goodwill is not confirmed at this time.

(Issuance of bonds)

At a meeting of the Board of Directors on February 14, 2024, the Company passed the following comprehensive resolution regarding the issuance of domestic unsecured straight bonds.

1. Total issuance amount      Can be issued multiple times within a range of up to 10,000 million yen
2. Scheduled issuance period      From March 1, 2024 to September 30, 2024
3. Amount to be paid in      100 yen per 100 yen of each bond
4. Maximum interest rate      Up to 2.0% per annum
5. Redemption deadline      Within five years
6. Redemption method      Lump-sum redemption at maturity
7. Use of funds      Use the funds for investment and lending, capital spending, working capital, and loan repayment