

Financial Results for the Six Months Ended September 30, 2024

[JGAAP]

(Consolidated)



November 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 semi-annual securities report: November 14, 2024
 Scheduled date of commencing dividend payments: December 3, 2024
 Preparation of supplementary explanatory materials for financial results: Yes
 Schedule of financial results briefing session: No

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(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, 2024	333,943	4.1	6,578	(7.8)	4,459	(25.8)	3,251	(31.0)
Six months ended September 30, 2023	320,681	(0.0)	7,133	(42.3)	6,012	(46.0)	4,710	(49.1)

(Note) Comprehensive income: Six months ended September 30, 2024 10,140 million yen (-10.6%)
 Six months ended September 30, 2023 11,347 million yen (-5.7%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	47.32	-
Six months ended September 30, 2023	65.65	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended September 30, 2024	369,745	90,806	24.5
Fiscal year ended March 31, 2024	344,562	81,900	23.7

(Reference) Equity: Six months ended September 30, 2024: 90,713 million yen
 Fiscal year ended March 31, 2024: 81,811 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, 2024	-	11.00	-	11.00	22.00
Fiscal year ending March 31, 2025	-	16.00			
Fiscal year ending March 31, 2025 (forecast)			-	16.00	32.00

(Note) Revision to the forecast for dividends announced most recently: Yes

(Note) Breakdown of interim dividend for the fiscal year ending March 31, 2025:

Ordinary dividend: 11.00 yen; Commemorative dividend: 5.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(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	655,000	1.6	16,500	4.3	13,500	8.2	11,000	3.6	160.68

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

*Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 6 companies (Tecnoprifaf S.r.l.; 100 METROS - SOLUCOES DE EMBALAGEM, UNIPESSOAL, LDA; Signet Pty Ltd.; SIA PAKELLA; UAB PAKELLA; PAKELLA OU)

Excluded: -

(Note) For details, please see “(3) Notes to Semi-Annual Consolidated Financial Statements (Changes in Scope of Consolidation or Scope of Application of Equity Method)” in “2. Semi-Annual Consolidated Financial Statements and Key Notes” of the attachments.

(2) Accounting methods adopted particularly for the preparation of semi-annual consolidated financial statements: Yes

(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

(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, 2024 73,244,408 shares

Fiscal year ended March 31, 2024 73,244,408 shares

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

Six months ended September 30, 2024 5,079,298 shares

Fiscal year ended March 31, 2024 4,432,455 shares

3) Average number of shares during the period:

Six months ended September 30, 2024 68,712,228 shares

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

- * These semi-annual consolidated financial results are outside the scope of 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)

KPP GROUP HOLDINGS CO., LTD. (hereinafter the “Company”) repurchased shares of its common stock based on the resolution at the Board of Directors meeting held on August 8, 2024, and the “basic earnings per share” for the consolidated financial results forecast for the fiscal year ending March 31, 2025 takes into account the impact of the share buyback.

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. Overview of Operating Results, Etc.” of the attachments.

(Method to obtain supplementary explanatory materials for financial results)

A financial results briefing video will be distributed on our official website in early December 2024. Financial results materials will be posted on our official website on Tuesday, November 26.

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1. Overview of Operating Results. Etc.

(1) Overview of Operating Results, etc. for the Six Months Ended September 30, 2024

(a) Status of Operating Results

Net sales for the six months ended September 30, 2024, were 333,943 million yen (up 4.1% year-on-year). Operating profit was 6,578 million yen (down 7.8% year-on-year), ordinary profit came to 4,459 million yen (down 25.8% year-on-year), and profit attributable to owners of parent was 3,251 million yen (down 31.0% year-on-year).

Results for the six months ended September 30, 2024 by segment are as follows.

Since the end of the previous fiscal year, the names of reportable segments have been changed. The year-on-year comparison and analysis is based on the new names. Details are provided in “(3) Notes to Semi-Annual Consolidated Financial Statements (Notes to Segment Information, Etc.)” in “2. Semi-Annual Consolidated Financial Statements and Key Notes.”

(b) Overview by Segment

Results for the six months ended September 30, 2024 by business are as follows.

<Northeast Asia>

In the domestic paper segment, the sales volume was below the previous year's level due to a structural decline in demand for graphic paper, resulting in a decline in sales and profits. In the paperboard segment, the entire sales volume was unchanged year-on-year despite steady sales and a recovery in exports of containerboard for beverages. On the other hand, net sales and profits increased year-on-year as market conditions remained. The high-end paperboard sales remained strong because slightly weak sales of trading cards were offset by other applications. In the boxboard segment, the sales volume was below the previous year's level as the demand from inbound tourists only had a limited effect and many people put off making purchases, resulting in a decline in sales and profits.

In the paper raw materials segment, the sales volume declined due to a drop in the volume of waste paper generation in Japan as a result of declining demand for paper and paperboard. However, both net sales and profits were up year-on-year due to the dropped volume resulting in stable market prices. Sales of commercial pulp increased from the previous fiscal year due to improved market conditions.

In China, both net sales and profits fell short of last year's results, amid lagging demand for paper and paperboard caused by the economic slowdown, due to the weakened market resulting from a series of new large-scale machine installations.

As a result, net sales for the six months ended September 30, 2024, were 151,407 million yen (down 1.4% year-on-year), and operating profit came to 1,812 million yen (down 10.4% year-on-year).

<Europe/Americas>

During the six months ended September 30, 2024, the economy in Europe started to expand slightly compared with the previous six months, but the consumer market remained stagnant in Europe, mainly in the UK and Germany. Demand in the paper business was weak and product price hikes were not well received, resulting in lower net sales and profits than the previous year. In the packaging business, net sales fell short due to a slowdown in demand from the manufacturing industry. However, three newly acquired companies pushed up overall performance, resulting in an increase in profit from the previous fiscal year. In the visual communication business, both net sales and profits grew due to an increase in demand from the Paris Olympics and Paralympics games, and UEFA EURO 2024 in Germany, as well as the contribution of Integart Sp.zo.o., which was acquired in the previous year.

As a result, net sales for the six months ended September 30, 2024, were 151,031 million yen (up 6.5% year-on-year), and operating profit came to 3,640 million yen (down 17.3% year-on-year).

<Asia Pacific>

In the paper business, both net sales and profits were lower than the previous year as the economy in Oceania remained sluggish. In the packaging business, both net sales and profits increased significantly year-on-year due to the contribution of Signet Pty Ltd., which was acquired in April. In the visual communication business, both net sales and profits were up thanks to hardware and media sales. In the trading business, both net sales and profits increased year-on-year due to strong trading business in Southeast and South Asia.

As a result, net sales for the six months ended September 30, 2024, were 30,753 million yen (up 25.1% year-on-year), and operating profit came to 1,150 million yen (up 40.3% year-on-year).

<Real Estate Leasing>

The demand for office space remains firm nationwide, and vacancy rates are on the decline.

Rents have started to rise, though gradually, with lower-priced properties being adjusted upwards towards the market level.

Both net sales and profits were almost unchanged from the previous year's results although there was a revenue increase associated with new tenants at the KPP Yaesu Building.

As a result, net sales for the six months ended September 30, 2024, were 750 million yen (down 1.1% year-on-year), and operating profit came to 299 million yen (up 2.0% year-on-year).

(2) Overview of Financial Position for the Six Months Ended September 30, 2024

Total assets at the end of the six months ended September 30, 2024, were 369,745 million yen, up 25,182 million yen from the end of the previous fiscal year. This was due mainly to an increase in inventory assets and goodwill.

Liabilities were 278,938 million yen, up 16,276 million yen from the end of the previous fiscal year. This was due mainly to an increase in short-term borrowings.

Net assets came to 90,806 million yen, up 8,906 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 24.5%, up 0.8 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 2025 are unchanged from those announced on May 14, 2024.

2. Semi-Annual Consolidated Financial Statements and Key Notes

(1) Semi-Annual Consolidated Balance Sheets

		(Million yen)
	Previous Fiscal Year (March 31, 2024)	Semi-annual consolidated accounting period of the current fiscal year (September 30, 2024)
Assets		
Current assets		
Cash and deposits	26,286	22,530
Notes and accounts receivable - trade	112,572	119,163
Electronically recorded monetary claims - operating	28,869	23,730
Merchandise and finished goods	66,126	78,555
Other	14,653	15,941
Allowance for doubtful accounts	(5,819)	(6,368)
Total current assets	242,689	253,553
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,942	7,936
Land	9,072	9,006
Other, net	24,678	27,701
Total property, plant and equipment	41,692	44,643
Intangible assets		
Goodwill	6,958	15,524
Customer-related assets	3,746	3,846
Other	7,964	9,811
Total intangible assets	18,670	29,182
Investments and other assets		
Investment securities	23,139	21,379
Retirement benefit asset	10,461	12,370
Other	15,831	17,600
Allowance for doubtful accounts	(7,922)	(8,984)
Total investments and other assets	41,510	42,365
Total non-current assets	101,872	116,191
Total assets	344,562	369,745

	(Million yen)	
	Previous Fiscal Year (March 31, 2024)	Semi-annual consolidated accounting period of the current fiscal year (September 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	95,368	101,306
Electronically recorded obligations - operating	5,284	3,644
Short-term borrowings	38,862	45,036
Commercial papers	12,000	15,000
Income taxes payable	3,822	3,817
Provision for bonuses	4,275	3,331
Provisions	1,278	1,170
Other	37,343	39,853
Total current liabilities	198,235	213,160
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	15,167	14,797
Retirement benefit liability	2,300	2,484
Provisions	1,386	1,419
Other	25,571	27,076
Total non-current liabilities	64,426	65,778
Total liabilities	262,662	278,938
Net assets		
Shareholders' equity		
Capital stock	4,723	4,723
Capital surplus	7,292	7,292
Retained earnings	61,631	64,109
Treasury shares	(2,799)	(3,261)
Total shareholders' equity	70,848	72,865
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,902	6,835
Deferred gains or losses on hedges	(98)	124
Foreign currency translation adjustment	6,638	14,588
Remeasurements of defined benefit plans	(3,478)	(3,700)
Total accumulated other comprehensive income	10,963	17,848
Non-controlling interests	88	92
Total net assets	81,900	90,806
Total liabilities and net assets	344,562	369,745

(2) Semi-Annual Consolidated Statements of Income and Comprehensive Income
Semi-Annual Consolidated Statements of Income

	(Million yen)	
	Semi-annual consolidated accounting period of the previous fiscal year (From April 1, 2023 to September 30, 2023)	Semi-annual consolidated accounting period of the current fiscal year (From April 1, 2024 to September 30, 2024)
Net sales	320,681	333,943
Cost of sales	262,776	269,115
Gross profit	57,905	64,827
Selling, general and administrative expenses	50,771	58,249
Operating profit	7,133	6,578
Non-operating income		
Interest income	56	155
Dividend income	263	275
Share of profit of entities accounted for using equity method	-	40
Gain on valuation of derivatives	458	-
Reversal of allowance for doubtful accounts	200	3
Other	372	156
Total non-operating income	1,350	630
Non-operating expenses		
Interest expenses	989	1,249
Loss on sales of trade receivables	611	852
Foreign exchange losses	438	159
Share of loss of entities accounted for using equity method	19	-
Other	413	486
Total non-operating expenses	2,471	2,749
Ordinary profit	6,012	4,459
Extraordinary income		
Gain on sales of non-current assets	11	179
Gain on sales of investment securities	202	557
Other	0	0
Total extraordinary income	214	738
Extraordinary losses		
Loss on retirement of non-current assets	3	37
Loss on sales of non-current assets	0	1
Other	0	0
Total extraordinary losses	3	38
Profit before income taxes	6,223	5,159
Income taxes	1,510	1,904
Profit	4,713	3,255
Profit attributable to non-controlling interests	3	3
Profit attributable to owners of parent	4,710	3,251

Semi-Annual Consolidated Statement of Comprehensive Income

	(Million yen)	
	Semi-annual consolidated accounting period of the previous fiscal year (From April 1, 2023 to September 30, 2023)	Semi-annual consolidated accounting period of the current fiscal year (From April 1, 2024 to September 30, 2024)
Profit	4,713	3,255
Other comprehensive income		
Valuation difference on available-for-sale securities	2,579	(1,066)
Deferred gains or losses on hedges	(215)	223
Foreign currency translation adjustment	5,742	7,853
Remeasurements of defined benefit plans, net of tax	(1,514)	(221)
Share of other comprehensive income of entities accounted for using equity method	40	96
Total other comprehensive income	6,633	6,885
Comprehensive income	11,347	10,140
Comprehensive income attributable to		
Owners of parent	11,344	10,136
Non-controlling interests	3	3

(3) Notes to Semi-Annual Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

The Company repurchased 798,000 shares of its common stock based on the resolution at the Board of Directors meeting held on August 8, 2024. Due mainly to this, treasury shares at the end of the six months ended September 30, 2024, amounted to 3,261 million yen, up 461 during the period.

(Changes in Scope of Consolidation or Scope of Application of Equity Method)

(Significant Changes in Scope of Consolidation)

Tecnoprímaf S.r.l. (former Tpf Srl) has been included in the scope of consolidation from the six months ended September 30, 2024, since all of its shares were acquired by Antalis S.A.S. 100 METROS - SOLUÇÕES DE EMBALAGEM, UNIPESSOAL, LDA has been included in the scope of consolidation from the six months ended September 30, 2024, since all of its shares were acquired by ANTALIS PORTUGAL, S.A., an operating company of Antalis S.A.S. SIA PAKELLA and its subsidiaries, UAB PAKELLA and PAKELLA OU, have been included in the scope of consolidation from the six months ended September 30, 2024, since all of the shares of SIA PAKELLA were acquired by AS Antalis, an operating company of Antalis S.A.S. Signet Pty Ltd. has been included in the scope of consolidation from the six months ended September 30, 2024, since all of its shares were acquired by DAIEI AUSTRALASIA PTY LTD., an operating company of Spicers Limited.

(Accounting Methods Adopted Particularly for the Preparation of Semi-Annual Consolidated Financial Statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year that includes the first six months ended September 30, 2024, and multiplying profit before income taxes by the estimated effective tax rate. However, if the calculation of tax expenses using the estimated effective tax rate is extremely unreasonable, the calculation is made using the statutory effective tax rate.

Deferred income taxes are included in income taxes.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Current Income Taxes, etc.)

The Company has adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, hereinafter referred to as the "Revised Accounting Standard of 2022") and relevant ASBJ regulations effective as of the beginning of the six months ended September 30, 2024. Revisions related to the accounting classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatment set forth in the proviso to paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment set forth in the proviso to paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022). This change has no effect on the semi-annual consolidated financial statements.

(Adoption of Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules)

The Company has adopted the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules (ASBJ Practical Solution No. 46, March 22, 2024) effective as of the beginning of the first six months ended September 30, 2024. Due to the adoption of paragraph 7 of Practical Solution No. 46, the semi-annual consolidated financial statements do not include income taxes related to the global minimum tax rules.

(Notes to Segment Information, Etc.)

[Segment Information]

I 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 Semi-Annual Consolidated Statements of Income (Note 2)
	Northeast Asia	Europe/Ameri- cas	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

- (Notes) 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 Semi-Annual Consolidated Statements of Income.

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

Not applicable.

II Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

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

(Million yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in Semi-Annual Consolidated Statements of Income (Note 2)
	Northeast Asia	Europe/Ameri- cas	Asia Pacific	Real Estate Leasing	Total		
Net sales							
Net sales to external customers	151,407	151,031	30,753	750	333,943	-	333,943
Intersegment net sales or transfers	1,283	12	52	235	1,583	(1,583)	-
Total	152,691	151,043	30,805	986	335,526	(1,583)	333,943
Segment profit	1,812	3,640	1,150	299	6,903	(325)	6,578

- (Notes) 1. The adjustment to segment profit of (325) million yen consists of intersegment eliminations of 412 million yen and corporate expenses of (738) 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 Semi-Annual Consolidated Statements of Income.

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

(Significant Changes in Amount of Goodwill)

In the Europe/Americas segment, Tecnoprimal S.r.l. (former Tpf Srl) has been included in the scope of consolidation, since all of its shares were acquired by Antalis S.A.S., a consolidated subsidiary of our

company, as of January 31, 2024. The amount of goodwill recorded due to the event was 2,701 million yen for the six months ended September 30, 2024. Also in the Asia Pacific segment, Signet Pty Ltd. has been included in the scope of consolidation, since all of its shares were acquired by DAIEI AUSTRALASIA PTY LTD., an operating company of Spicers Limited that is a consolidated subsidiary of our company, as of April 2, 2024. The amount of goodwill recorded due to the event was 4,320 million yen for the six months ended September 30, 2024.

Please note that these amounts are on a temporary basis because the allocation of acquisition costs has not been completed.

3. Matters regarding changes, etc. in reportable segments

(Renaming of Reporting Segments)

In the previous fiscal year, “Europe/South America” was renamed “Europe/Americas” in line with the expansion of the business management area from South America to North America. This change is only a name change for the reportable business segment and has no impact on segment information. Segment information for the six months ended September 30, 2023, is also presented under the new names.