

Financial Results for the Fiscal Year Ended March 31, 2024 [JGAAP] (Consolidated)



May 14, 2024

Company name: KPP GROUP HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9274

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

Representative: Madoka Tanabe, Representative Director of the Board, Chairman & CEO

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Scheduled date of Ordinary General Meeting of Shareholders: June 27, 2024

Scheduled date of commencing dividend payments: June 28, 2024

Scheduled date of filing the securities report: June 27, 2024

Preparation of supplementary explanatory materials for financial results: Yes

Convening financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 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 | % |
| Fiscal year ended March 31, 2024 | 644,435 | (2.3) | 15,819 | (22.5) | 12,475 | (32.2) | 10,613 | (32.5) |
| Fiscal year ended March 31, 2023 | 659,656 | 17.1 | 20,401 | 117.5 | 18,404 | 108.1 | 15,722 | 109.7 |

(Note) Comprehensive income: Fiscal year ended March 31, 2024: 17,709 million yen (36.1%)
Fiscal year ended March 31, 2023: 13,012 million yen (-6.4%)

| | Basic earnings per share | Diluted earnings per share | Profit to shareholders' equity | Total assets Ordinary profit margin | Net sales Operating profit margin |
|----------------------------------|--------------------------|----------------------------|--------------------------------|-------------------------------------|-----------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended March 31, 2024 | 149.24 | - | 14.2 | 3.7 | 2.5 |
| Fiscal year ended March 31, 2023 | 219.09 | - | 25.4 | 5.9 | 3.1 |

(Reference) Equity in net income of affiliates: Fiscal year ended March 31, 2024: 37 million yen
Fiscal year ended March 31, 2023: 48 million yen

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2024 | 344,562 | 81,900 | 23.7 | 1,188.92 |
| As of March 31, 2023 | 330,662 | 67,808 | 20.5 | 944.75 |

(Reference) Equity As of March 31, 2024: 81,811 million yen
As of March 31, 2023: 67,730 million yen

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended March 31, 2024 | 19,817 | (5,508) | (22,375) | 26,244 |
| Fiscal year ended March 31, 2023 | 10,308 | (8,530) | 4,205 | 30,699 |

2. Dividends

| | Annual dividends | | | | | Total amount of annual dividends | Dividend payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|--|------------------|-----------------|-----------------|----------|-------|----------------------------------|--------------------------------------|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended March 31, 2023 | - | 9.00 | - | 11.00 | 20.00 | 1,464 | 9.1 | 2.3 |
| Fiscal year ended March 31, 2024 | - | 11.00 | - | 11.00 | 22.00 | 1,578 | 14.7 | 2.1 |
| Fiscal year ending March 31, 2025 (forecast) | - | 16.00 | - | 12.00 | 28.00 | | 18.1 | |

(Notes) Breakdown of interim dividend for the fiscal year ended March 31, 2023: Ordinary dividend: 7.00 yen; Commemorative dividend: 2.00 yen
Breakdown of interim dividend for the fiscal year ending March 31, 2025 (forecast): 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 | 154.67 |

*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 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) 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: Yes
- 4) Retrospective restatement: No

(3) 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):

| | |
|----------------------------------|-------------------|
| Fiscal year ended March 31, 2024 | 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:

| | |
|----------------------------------|------------------|
| Fiscal year ended March 31, 2024 | 4,432,455 shares |
| Fiscal year ended March 31, 2023 | 1,552,732 shares |

3) Average number of shares during the period:

| | |
|----------------------------------|-------------------|
| Fiscal year ended March 31, 2024 | 71,117,151 shares |
| Fiscal year ended March 31, 2023 | 71,762,323 shares |

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Non-Consolidated Operating Results

(Percentages represent year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|----------------------------------|-------------|--------|------------------|--------|-----------------|--------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended March 31, 2024 | 3,348 | (97.6) | 268 | (81.8) | 585 | (66.1) | 1,074 | (43.8) |
| Fiscal year ended March 31, 2023 | 136,695 | (47.0) | 1,474 | (23.4) | 1,728 | (46.8) | 1,911 | 7.3 |

| | Basic earnings per share | Diluted earnings per share |
|----------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Fiscal year ended March 31, 2024 | 15.11 | - |
| Fiscal year ended March 31, 2023 | 26.64 | - |

(Note) Following the transition to a holding company structure, the Company carried out a corporate split in an absorption-type company split on October 1, 2022, and had Kokusai Pulp & Paper Split Preparation Company (a wholly-owned subsidiary of the Company), which was the succeeding company in the absorption type split (and which changed its trade name to Kokusai Pulp & Paper Co., Ltd. on October 1, 2022), succeed the pulp and paper wholesaling business of the Company. Therefore, there is a difference in actual values between the previous fiscal year and the fiscal year under review.

(2) Non-Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2024 | 89,612 | 46,211 | 51.6 | 671.57 |
| As of March 31, 2023 | 79,388 | 45,008 | 56.7 | 627.81 |

(Reference) Equity: As of March 31, 2024: 46,211 million yen
As of March 31, 2023: 45,008 million yen

* These consolidated financial results are outside the scope of audits by certified public accountants or auditing firms.

* 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 “(4) Future Outlook” in “1. Overview of Operating Results, Etc.” of the attachments.

(How to obtain supplementary explanatory materials for financial results)

The Company plans to hold a briefing for institutional investors and analysts on Friday, May 31, 2024. The explanatory materials for financial results distributed at the briefing will be posted on the Company’s website as soon as it is held.

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1. Overview of Operating Results. Etc.

(1) Overview of Operating Results for the Current Fiscal Year

(a) Status of Operating Results

The Group's consolidated net sales for the fiscal year under review were 644,435 million yen (down 2.3% year-on-year). Operating profit came to 15,819 million yen (down 22.5% year-on-year), ordinary profit posted 12,475 million yen (down 32.2% year-on-year), and profit attributable to owners of parent was 10,613 million yen (down 32.5% year-on-year).

Results for the fiscal year ended March 31, 2024 by business are as follows.

The name of a reportable segment was changed from the current fiscal year. Details are provided in "3. Consolidated Financial Statements and Key Notes (5) Notes to Consolidated Financial Statements (Segment Information, etc.)."

(b) Overview by Segment

Results for the fiscal year ended March 31, 2024 by business are as follows.

<Northeast Asia>

Although sales volume was below the previous year's level due to the ongoing structural decline in demand for graphic paper in Japan, sales and profits increased as the market conditions were maintained after the price correction.

The paperboard segment saw annual sales volume decline year-on-year for corrugated cardboard base paper due to consumers' reluctance to spend due to inflation as well as changes in packaging materials to reduce costs and weight, despite persistently strong sales for beverage packaging materials. As for packaging paperboard, although the flow of people recovered due to the rapid increase in the number of foreign visitors to Japan, the impact on inbound tourists on demand was limited.

On the other hand, sales of high-grade paperboard such as trading cards remained strong, and both sales volume and net sales increased year-on-year.

In the paper production material segment sales volume, net sales, and profits declined year-on-year due to a drop in the volume of waste paper generation and sluggish prices in Japan as a result of declining demand for paper and paperboard. Profit from commercial pulp fell due to higher cost of imported pulp from the decline of the yen.

In China, both sales and profits remained sluggish as demand for paper and paperboard stagnated due to the economic slowdown precipitated by the real estate slump. Furthermore, a series of new large-scale machines were added to the market, causing market conditions to worsen.

As a result, net sales of the Northeast Asia business were 304,594 million yen (down 0.3% year-on-year), and segment profit came to 3,421 million yen (down 0.3% year-on-year).

<Europe/Americas>

In the paper business, market conditions softened, a reversal from the previous year's inflationary product price hikes. In addition, prices continued to fall due to an influx of inexpensive products from Asia. The reduction of excess inventory at various stages in the supply chain was seen through the latter half of the year, resulting in year-on-year declines in sales volume, net sales, and profits.

In the packaging business, sales declined due to weak consumption caused by inflation and high interest rates, but profit were on an uptrend. In the Americas, the acquisition of the Canadian company Lovepac provided a foothold for the Company's entry into the U.S. market.

In the visual communications business, Integart in Eastern Europe, which newly joined our Group through M&A, contributed to both net sales and profit, resulting in a year-on-year increase.

As a result, net sales of the Europe/Americas business were 285,726 million yen (down 5.9% year-on-year), and segment profit came to 10,474 million yen (down 36.3% year-on-year).

<Asia Pacific>

In the commercial printing business in Oceania, we increased our market share in office paper, particularly in Australia, resulting in growth in both net sales and profits. In the package business, net sales declined, but profits were higher year-on-year. The visual communications business remained lackluster.

In Southeast and South Asia, the indent business in the Indian paper market performed well and export sales expanded. However, performance in the stock business was soft due to a decline in demand and price competition caused by the stagnant economy in the ASEAN region.

As a result, net sales of the Asia Pacific business were 52,593 million yen (up 6.7% year-on-year), and segment profit posted 2,151 million yen (down 1.6% year-on-year).

<Real Estate Leasing>

In the office market in major cities across the nation, demand is on the rise, partly due to the recovery of the Japanese economy and supported by the decline in average asking rents.

That said, there is a sense of uncertainty regarding trends in new supply of office buildings and renewal of existing leases. Therefore, the situation will continue to require close monitoring of vacancy and rent market trends.

Under these circumstances, this segment achieved year-on-year increases in both net sales and profit owing to the full-year contribution of KPP Akashicho Building completed in February 2023, despite a vacancy in the KPP Yaesu Building.

As a result, net sales of the Real Estate Leasing business were 1,521 million yen (up 25.1% year-on-year), and segment profit posted 579 million yen (up 401.3% year-on-year).

(2) Overview of Financial Position for the Current Fiscal Year

Total assets at the end of the fiscal year under review were 344,562 million yen, up 13,900 million yen from the end of the previous fiscal year. This was mainly due to increases in trade receivables and property, plant and equipment.

Liabilities were 262,662 million yen, down 191 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 81,900 million yen, up 14,091 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, the equity ratio rose 3.2 points to 23.7% from the end of the previous fiscal year.

(3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents at the end of the fiscal year under review (hereinafter referred to as “funds”) were 26,244 million yen, down 4,455 million yen from the end of the previous fiscal year. This was a result of appropriating funds provided by mainly profit before income taxes, a decrease in inventories and the issuance of bonds to repay short-term and long-term borrowings.

Funds provided by operating activities totaled 19,817 million yen (funds provided by operating activities of 10,308 million yen for the previous fiscal year). This was mainly due to the acquisition of profit before income taxes and a decrease in inventories.

Funds used in investing activities totaled 5,508 million yen (funds used in investing activities of 8,530 million yen for the previous fiscal year). This was mainly due to purchases of non-current assets and shares of subsidiaries.

Net cash used in financing activities was 22,375 million yen (4,205 million yen provided in the previous fiscal year). This was mainly due to the repayment of short-term and long-term borrowings.

(4) Future Outlook

The forecast for the fiscal year ending March 2025 is as follows.

| | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent |
|--|-------------|------------------|-----------------|---|
| | Million yen | Million yen | Million yen | Million yen |
| Results forecast for the fiscal year ending March 31, 2025 | 655,000 | 16,500 | 13,500 | 11,000 |
| Operating results for the fiscal year ended March 31, 2024 | 644,435 | 15,819 | 12,475 | 10,613 |
| Changes | 10,564 | 680 | 1,024 | 386 |

In the paper business, we expect a decline in demand for graphic paper in each segment region, but we assume that a certain level of profit will be secured by maintaining sales prices. In the packaging and visual communications businesses in Europe, the Americas, and Oceania, the contribution of the operating companies acquired through M&A and new demand is projected to offset the decline in the paper business.

Based on the above, we expect both sales and profits to increase.

*Notes on forward-looking information

The results forecast and other forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may differ substantially due to various factors, and the forecast and other forward-looking statements are not intended as a guarantee that the Company will achieve them.

2. Basic Approach to the Selection of Accounting Standards

For the time being, the Group has a policy to prepare consolidated financial statements in accordance with Japan GAAP, taking into account the comparability of consolidated financial statements over time and among entities.

Regarding the adoption of the International Financial Reporting Standards (IFRS), the Group will respond appropriately in consideration of various domestic and international situations.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Million yen)

| | Previous Fiscal Year (March 31, 2023) | Current Fiscal Year (March 31, 2024) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 30,731 | 26,286 |
| Notes receivable–trade | 8,801 | 7,723 |
| Accounts receivable–trade | 104,583 | 104,848 |
| Electronically recorded monetary claims - operating | 19,489 | 28,869 |
| Merchandise and finished goods | 72,237 | 66,126 |
| Other | 14,655 | 14,653 |
| Allowance for doubtful accounts | (6,901) | (5,819) |
| Total current assets | 243,596 | 242,689 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 8,163 | 7,942 |
| Machinery, equipment and vehicles, net | 1,721 | 2,203 |
| Tools, furniture and fixtures, net | 1,642 | 2,130 |
| Land | 9,189 | 9,072 |
| Leased assets, net | 239 | 318 |
| Right-of-use assets, net | 15,706 | 19,878 |
| Construction in progress | 402 | 146 |
| Total property, plant and equipment | 37,063 | 41,692 |
| Intangible assets | | |
| Goodwill | 5,330 | 6,958 |
| Software | 6,139 | 7,676 |
| Customer-related assets | 2,277 | 3,746 |
| Other | 148 | 288 |
| Total intangible assets | 13,896 | 18,670 |
| Investments and other assets | | |
| Investment securities | 17,971 | 23,139 |
| Long-term loans receivable | 16 | 4 |
| Deferred tax assets | 5,378 | 5,977 |
| Retirement benefit asset | 9,554 | 10,461 |
| Other | 13,594 | 9,850 |
| Allowance for doubtful accounts | (10,411) | (7,922) |
| Total investments and other assets | 36,104 | 41,510 |
| Total non-current assets | 87,065 | 101,872 |
| Total assets | 330,662 | 344,562 |

(Million yen)

| | Previous Fiscal Year (March 31, 2023) | Current Fiscal Year (March 31, 2024) |
|--|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 93,570 | 95,368 |
| Electronically recorded obligations - operating | 3,848 | 5,284 |
| Short-term borrowings | 52,884 | 38,862 |
| Commercial papers | 10,000 | 12,000 |
| Advances received | 1,513 | 2,529 |
| Lease obligations | 5,347 | 6,395 |
| Income taxes payable | 4,034 | 3,822 |
| Provision for bonuses | 4,324 | 4,275 |
| Provision for bonuses for directors (and other officers) | 220 | 140 |
| Provision for point card certificates | 21 | 17 |
| Provision for product warranties | 30 | 30 |
| Provision for loss on business liquidation | 1,010 | 921 |
| Provision for risk costs | 362 | 168 |
| Other | 30,778 | 28,419 |
| Total current liabilities | 207,947 | 198,235 |
| Non-current liabilities | | |
| Bonds payable | 10,000 | 20,000 |
| Long-term borrowings | 21,425 | 15,167 |
| Lease obligations | 12,593 | 15,838 |
| Deferred tax liabilities | 5,346 | 6,372 |
| Provision for retirement benefits for directors (and other officers) | 1 | 2 |
| Provision for share awards for directors (and other officers) | 271 | 297 |
| Provision for risk costs | 432 | 1,086 |
| Retirement benefit liability | 2,111 | 2,300 |
| Asset retirement obligations | 438 | 441 |
| Other | 2,283 | 2,918 |
| Total non-current liabilities | 54,905 | 64,426 |
| Total liabilities | 262,853 | 262,662 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,723 | 4,723 |
| Capital surplus | 7,292 | 7,292 |
| Retained earnings | 52,629 | 61,631 |
| Treasury shares | (788) | (2,799) |
| Total shareholders' equity | 63,857 | 70,848 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,056 | 7,902 |
| Deferred gains or losses on hedges | 33 | (98) |
| Foreign currency translation adjustment | 1,405 | 6,638 |
| Remeasurements of defined benefit plans | (1,623) | (3,478) |
| Total accumulated other comprehensive income | 3,872 | 10,963 |
| Non-controlling interests | 77 | 88 |
| Total net assets | 67,808 | 81,900 |

(Million yen)

| | Previous Fiscal Year (March 31, 2023) | Current Fiscal Year (March 31, 2024) |
|----------------------------------|--|---|
| Total liabilities and net assets | 330,662 | 344,562 |

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

| | Previous Fiscal Year (April 1, 2022 to March 31, 2023) | Current Fiscal Year (April 1, 2023 to March 31, 2024) |
|--|--|---|
| Net sales | 659,656 | 644,435 |
| Cost of sales | 539,072 | 524,536 |
| Gross profit | 120,584 | 119,899 |
| Selling, general and administrative expenses | | |
| Selling expenses | 18,104 | 18,519 |
| Employees' salaries and allowances | 34,818 | 37,782 |
| Provision for bonuses | 4,235 | 4,167 |
| Provision for bonuses for directors (and other officers) | 218 | 138 |
| Retirement benefit expenses | 648 | 726 |
| Provision of allowance for doubtful accounts | 1,591 | 876 |
| Provision for retirement benefits for directors (and other officers) | - | 0 |
| Provision for share awards for directors (and other officers) | 208 | 86 |
| Other | 40,358 | 41,781 |
| Total selling, general and administrative expenses | 100,182 | 104,079 |
| Operating profit | 20,401 | 15,819 |
| Non-operating income | | |
| Interest income | 53 | 248 |
| Dividend income | 444 | 470 |
| Share of profit of entities accounted for using equity method | 48 | 37 |
| Gain on valuation of derivatives | - | 458 |
| Reversal of allowance for doubtful accounts | 1,160 | 210 |
| Other | 622 | 561 |
| Total non-operating income | 2,328 | 1,987 |
| Non-operating expenses | | |
| Interest expenses | 1,634 | 2,114 |
| Loss on sales of trade receivables | 835 | 1,348 |
| Foreign exchange losses | 675 | 895 |
| Insurance expenses | 543 | 489 |
| Other | 637 | 483 |
| Total non-operating expenses | 4,325 | 5,332 |
| Ordinary profit | 18,404 | 12,475 |

(Million yen)

| | Previous Fiscal Year (April 1, 2022 to March 31, 2023) | Current Fiscal Year (April 1, 2023 to March 31, 2024) |
|---|--|---|
| Extraordinary income | | |
| Gain on sales of non-current assets | 922 | 1,429 |
| Gain on sales of investment securities | 48 | 836 |
| Other | - | 0 |
| Total extraordinary income | 971 | 2,267 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 14 | 2 |
| Loss on retirement of non-current assets | 31 | 12 |
| Impairment loss | - | 1,009 |
| Reversal of foreign currency translation adjustment | 19 | 8 |
| Loss on valuation of investment securities | - | 11 |
| Other | 0 | 0 |
| Total extraordinary losses | 66 | 1,044 |
| Profit before income taxes | 19,309 | 13,697 |
| Income taxes—current | 4,568 | 4,673 |
| Income taxes—deferred | (984) | (1,594) |
| Total income taxes | 3,583 | 3,078 |
| Profit | 15,725 | 10,619 |
| Profit attributable to non-controlling interests | 3 | 5 |
| Profit attributable to owners of parent | 15,722 | 10,613 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | Previous Fiscal Year (April 1, 2022 to March 31, 2023) | Current Fiscal Year (April 1, 2023 to March 31, 2024) |
|--|--|---|
| Profit | 15,725 | 10,619 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 575 | 3,845 |
| Deferred gains or losses on hedges | 146 | (132) |
| Foreign currency translation adjustment | 2,147 | 5,192 |
| Remeasurements of defined benefit plans, net of tax | (5,624) | (1,855) |
| Share of other comprehensive income of entities accounted for using equity method | 40 | 40 |
| Total other comprehensive income | (2,713) | 7,090 |
| Comprehensive income | 13,012 | 17,709 |
| Comprehensive income attributable to | | |
| Owners of parent | 13,009 | 17,704 |
| Non-controlling interests | 3 | 5 |

(3) Consolidated Statements of Changes in Equity

Previous fiscal year (April 1, 2022 to March 31, 2023)

(Million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 4,723 | 7,292 | 38,225 | (535) | 49,705 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,318) | | (1,318) |
| Profit attributable to owners of parent | | | 15,722 | | 15,722 |
| Purchase of treasury shares | | | | (354) | (354) |
| Disposal of treasury shares | | | | 102 | 102 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (0) | | | (0) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | (0) | 14,403 | (252) | 14,151 |
| Balance at end of period | 4,723 | 7,292 | 52,629 | (788) | 63,857 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|---|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | | |
| Balance at beginning of period | 3,480 | (112) | (782) | 4,000 | 82 | 56,374 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (1,318) |
| Profit attributable to owners of parent | | | | | | 15,722 |
| Purchase of treasury shares | | | | | | (354) |
| Disposal of treasury shares | | | | | | 102 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | (0) |
| Net changes in items other than shareholders' equity | 575 | 146 | 2,188 | (5,624) | (4) | (2,717) |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|-----------------------------|---|------------------------------------|---|---|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | | |
| Total changes during period | 575 | 146 | 2,188 | (5,624) | (4) | 11,433 |
| Balance at end of period | 4,056 | 33 | 1,405 | (1,623) | 77 | 67,808 |

Current fiscal year (April 1, 2023 to March 31, 2024)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 4,723 | 7,292 | 52,629 | (788) | 63,857 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,611) | | (1,611) |
| Profit attributable to owners of parent | | | 10,613 | | 10,613 |
| Purchase of treasury shares | | | | (2,072) | (2,072) |
| Disposal of treasury shares | | | | 61 | 61 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | - | 9,002 | (2,011) | 6,990 |
| Balance at end of period | 4,723 | 7,292 | 61,631 | (2,799) | 70,848 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | | |
| Balance at beginning of period | 4,056 | 33 | 1,405 | (1,623) | 77 | 67,808 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (1,611) |
| Profit attributable to owners of parent | | | | | | 10,613 |
| Purchase of treasury shares | | | | | | (2,072) |
| Disposal of treasury shares | | | | | | 61 |
| Net changes in items other than shareholders' equity | 3,845 | (132) | 5,232 | (1,855) | 10 | 7,101 |
| Total changes during period | 3,845 | (132) | 5,232 | (1,855) | 10 | 14,091 |
| Balance at end of period | 7,902 | (98) | 6,638 | (3,478) | 88 | 81,900 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | Previous Fiscal Year (April 1, 2022 to March 31, 2023) | Current Fiscal Year (April 1, 2023 to March 31, 2024) |
|---|--|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 19,309 | 13,697 |
| Depreciation | 7,706 | 9,057 |
| Impairment loss | - | 1,009 |
| Amortization of goodwill | 1,227 | 1,163 |
| Share of loss (profit) of entities accounted for using equity method | (48) | (37) |
| Loss (gain) on valuation of investment securities | - | 11 |
| Increase (decrease) in retirement benefit liability | (803) | (1,379) |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | (16) | 0 |
| Increase (decrease) in provision for share awards for directors (and other officers) | 105 | 25 |
| Increase (decrease) in provision for bonuses | 815 | (397) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 30 | (87) |
| Increase (decrease) in allowance for doubtful accounts | 179 | (4,747) |
| Increase (decrease) in provision for point card certificates | (1) | (4) |
| Interest and dividend income | (497) | (718) |
| Interest expenses | 1,634 | 2,114 |
| Loss (gain) on sale and retirement of non-current assets | (876) | (1,414) |
| Loss (gain) on sale of investment securities | (48) | (836) |
| Reversal of foreign currency translation adjustment | 19 | 8 |
| Decrease (increase) in trade receivables | (769) | 559 |
| Decrease (increase) in inventories | (16,374) | 13,321 |
| Decrease (increase) in other assets | (603) | 1,142 |
| Increase (decrease) in trade payables | (272) | (955) |
| Increase (decrease) in other liabilities | 2,457 | (3,720) |
| Other | 100 | (1,062) |
| Subtotal | 13,273 | 26,748 |
| Interest and dividend income | 516 | 738 |
| Interest expenses | (1,752) | (2,082) |
| Income taxes paid | (1,728) | (5,586) |
| Net cash provided by (used in) operating activities | 10,308 | 19,817 |
| Cash flows from investing activities | | |
| Payments into time deposits | (28) | (437) |
| Proceeds from withdrawal of time deposits | - | 429 |
| Purchase of property, plant and equipment and intangible assets | (5,957) | (4,147) |
| Proceeds from sale of property, plant and equipment and intangible assets | 2,617 | 1,926 |
| Purchase of investment securities | (112) | (219) |
| Proceeds from sale of investment securities | 103 | 1,396 |
| Payments for acquisition of businesses | (345) | (1,100) |
| Loan advances | (44) | 0 |
| Proceeds from collection of loans receivable | 18 | 302 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (4,682) | (3,663) |
| Other | (99) | 5 |

| (Million yen) | | |
|---|--|---|
| | Previous Fiscal Year (April 1, 2022 to March 31, 2023) | Current Fiscal Year (April 1, 2023 to March 31, 2024) |
| Net cash provided by (used in) operating activities | (8,530) | (5,508) |

| (Million yen) | | |
|---|--|---|
| | Previous Fiscal Year (April 1, 2022 to March 31, 2023) | Current Fiscal Year (April 1, 2023 to March 31, 2024) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 1,475 | (6,103) |
| Net increase (decrease) in commercial papers | (1,000) | 2,000 |
| Proceeds from long-term borrowings | 2,050 | 7,614 |
| Repayments of long-term borrowings | (1,565) | (26,687) |
| Proceeds from issuance of bonds | 10,000 | 10,000 |
| Repayments of lease obligations | (5,427) | (5,515) |
| Purchase of treasury shares | (0) | (2,072) |
| Dividends paid | (1,326) | (1,611) |
| Net cash provided by (used in) financing activities | 4,205 | (22,375) |
| Effect of exchange rate change on cash and cash equivalents | 2,085 | 3,610 |
| Net increase (decrease) in cash and cash equivalents | 8,068 | (4,455) |
| Cash and cash equivalents at beginning of period | 22,631 | 30,699 |
| Cash and cash equivalents at end of period | 30,699 | 26,244 |

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Estimates)

Change in the number of years of amortizing actuarial gains and losses at foreign consolidated subsidiaries

Regarding the number of years of amortizing actuarial gains and losses on the accounting treatment method related to retirement benefits, some of the foreign consolidated subsidiaries of the Company amortized them over one to five years as the average remaining years of service of eligible employees. However, they have been changed to 11 years in light of changes to the average remaining years of service at the end of the previous consolidated fiscal year. With respect to the beginning balance of unrecognized actuarial gains and losses for the portion corresponding to the extension of the amortization period, the amortization period based on the average remaining service period before the change continues to be applied. There is no impact of this change on consolidated earnings for the current fiscal year.

(Segment Information, Etc.)

1. Outline of Reportable Segments

The Company's reportable segments are components of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors in determining the allocation of management resources and in assessing performance.

The Group is developing business globally, mainly in the paper business, the packaging business and the visual communication business. Under the umbrella of the three core operating companies of Kokusai Pulp & Paper Co., Ltd., Antalis S.A.S., and Spicers, each business plans a comprehensive strategy, etc. and operates in each region.

Accordingly, the Group consists of regional segments, and has set up four reportable segments; "Northeast Asia," "Europe/Americas," "Asia Pacific" and "Real Estate Leasing."

In the fiscal year under review, "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 previous consolidated fiscal year is also presented under the new names.

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/Americas

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

2. Method Used to Calculate Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

The method of accounting for reportable business segments is generally the same as the one employed for preparing consolidated financial statements.

Profit in the reportable segments is based on operating profit.

Intersegment revenues and transfers are based on prevailing market prices.

3. Information on Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Previous fiscal year (April 1, 2022 to March 31, 2023)

(Million yen)

| | Reportable segment | | | | | Adjustment (Note 1) | Amount recorded in consolidated financial statements (Note 2) |
|---|--------------------|-----------------|---------------|------------------------|----------------|------------------------|--|
| | Northeast Asia | Europe/Americas | Asia Pacific | Real Estate Leasing | Total | | |
| Net sales | | | | | | | |
| Net sales to external customers | 305,461 | 303,709 | 49,269 | 1,216 | 659,656 | - | 659,656 |
| Intersegment net sales or transfers | 1,598 | 69 | 12 | 236 | 1,917 | (1,917) | - |
| Total | 307,059 | 303,779 | 49,281 | 1,452 | 661,574 | (1,917) | 659,656 |
| Segment profit | 3,432 | 16,453 | 2,186 | 115 | 22,187 | (1,786) | 20,401 |
| Segment assets | 128,120 | 122,663 | 37,488 | 14,384 | 302,656 | 28,005 | 330,662 |
| Other items | | | | | | | |
| Depreciation | 423 | 6,042 | 1,044 | 185 | 7,695 | 10 | 7,706 |
| Amortization of goodwill | 64 | 402 | 761 | - | 1,227 | - | 1,227 |
| Investment in entities accounted for using equity method | 1,489 | - | - | - | 1,489 | - | 1,489 |
| Increase in property, plant and equipment and intangible assets | 1,288 | 2,675 | 160 | 1,474 | 5,599 | 357 | 5,957 |

(Notes) 1. Details of the adjustment are as follows.

- (1) The adjustment to segment profit of (1,786) million yen consists of intersegment eliminations of 142 million yen and corporate expenses of (1,928) 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) The adjustment to segment assets of 28,005 million yen consists of intersegment eliminations of (39,237) million yen and corporate assets of 67,243 million yen. Corporate assets are mainly surplus operating funds, long-term investment funds and assets related to administrative divisions of the head office that are not attributable to any reportable segment.
2. Segment profit is adjusted with operating profit in consolidated financial statements.
 3. The increase in property, plant and equipment and intangible fixed assets does not include the amount of leased assets under IFRS 16 "Leases."

Current fiscal year (April 1, 2023 to March 31, 2024)

(Million yen)

| | Reportable segment | | | | | Adjustment (Note 1) | Amount recorded in consolidated financial statements (Note 2) |
|---|--------------------|-----------------|--------------|------------------------|---------|------------------------|--|
| | Northeast Asia | Europe/Americas | Asia Pacific | Real Estate Leasing | Total | | |
| Net sales | | | | | | | |
| Net sales to external customers | 304,594 | 285,726 | 52,593 | 1,521 | 644,435 | - | 644,435 |
| Intersegment net sales or transfers | 2,059 | - | 38 | 436 | 2,534 | (2,534) | - |
| Total | 306,654 | 285,726 | 52,631 | 1,957 | 646,970 | (2,534) | 644,435 |
| Segment profit | 3,421 | 10,474 | 2,151 | 579 | 16,626 | (807) | 15,819 |
| Segment assets | 148,564 | 118,857 | 43,682 | 13,290 | 324,395 | 20,167 | 344,562 |
| Other items | | | | | | | |
| Depreciation | 558 | 7,114 | 1,158 | 220 | 9,051 | 6 | 9,057 |
| Amortization of goodwill | 11 | 327 | 824 | - | 1,163 | - | 1,163 |
| Investment in entities accounted for using equity method | 1,548 | - | - | - | 1,548 | - | 1,548 |
| Increase in property, plant and equipment and intangible assets | 1,212 | 6,578 | 425 | 80 | 8,296 | 65 | 8,362 |

(Notes) 1. Details of the adjustment are as follows.

- (1) The adjustment to segment profit of (807) million yen consists of intersegment eliminations of 894 million yen and corporate expenses of (1,701) 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) The adjustment to segment assets of 20,167 million yen consists of intersegment eliminations of (59,011) million yen and corporate assets of 79,179 million yen. Corporate assets are mainly surplus operating funds, long-term investment funds and assets related to administrative divisions of the head office that are not attributable to any reportable segment.
2. Segment profit is adjusted with operating profit in consolidated financial statements.
3. The increase in property, plant and equipment and intangible fixed assets does not include the amount of leased assets under IFRS 16 “Leases.”

(Per-share Information)

| | Previous Fiscal Year (April 1, 2022 to March 31, 2023) | Current Fiscal Year (April 1, 2023 to March 31, 2024) |
|----------------------------|---|--|
| Net assets per share | 944.75 yen | 1,188.92 yen |
| Basic earnings per share | 219.09 yen | 149.24 yen |
| Diluted earnings per share | - | - |

(Notes) 1. Diluted earnings per share is not stated as there are no dilutive shares that have a dilutive effect.

2. In calculating “net assets per share,” the Company’s shares owned by the executive compensation BIP trust are included in treasury shares to be deducted from the total number of outstanding shares at the end of the fiscal year (1,552,000 shares in the previous fiscal year, and 1,432,000 shares in the fiscal year under review). In calculating “basic earnings per share,” the Company’s shares owned by the executive compensation BIP trust are included in treasury shares to be deducted in the calculation of average number of shares during the fiscal year (1,482,000 shares in the previous fiscal year, and 1,466,000 shares in the fiscal year under review).

3. The basis for calculating the amount of net assets per share is as follows.

| | End of the Previous Fiscal Year (March 31, 2023) | End of the Current Fiscal Year (March 31, 2024) |
|--|---|--|
| Total net assets (million yen) | 67,808 | 81,900 |
| Amount to be deducted from total net assets (million yen) | 77 | 88 |
| (Non-controlling interests (million yen)) | (77) | (88) |
| Net assets at the end of the fiscal year related to common shares (million yen) | 67,730 | 81,811 |
| Number of common shares at the end of the fiscal year used for calculation of net assets per share (thousand shares) | 71,691 | 68,811 |

4. The basis for calculating earnings per share is as follows.

| | Previous Fiscal Year (April 1, 2022 to March 31, 2023) | Current Fiscal Year (April 1, 2023 to March 31, 2024) |
|---|--|---|
| Basic earnings per share | | |
| Profit attributable to owners of parent (million yen) | 15,722 | 10,613 |
| Amount not attributable to common shareholders (million yen) | - | - |
| Profit attributable to owners of parent related to common shares (million yen) | 15,722 | 10,613 |
| Average number of common shares during the fiscal year (thousand shares) | 71,762 | 71,117 |
| Outline of dilutive shares not included in the calculation of diluted earnings per share because they have no dilutive effect | - | - |

(Significant Subsequent Events)

(Business combination through share acquisition)

1. Acquisition of shares of Signet Pty Ltd

At a meeting of the Board of Directors held on January 23, 2024, DAIEI AUSTRALASIA PTY LTD, the operating company of Spicers Limited (Address: Melbourne, Australia and below, referred to as “Spicers.” December Settlement Company.), a consolidated subsidiary of the Company, resolved to acquire all of the shares of Signet Pty Ltd, Brisbane, Australia and become a subsidiary. The Company concluded a share transfer agreement on February 5, 2024 and acquired the shares of the company on April 2, 2024 under the agreement.

(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

April 2, 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 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 and acquired the shares of the company on the same date under the agreement.

(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.