

Financial Results for the Three Months Ended June 30, 2024
[JGAAP]
(Consolidated)



August 9, 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 commencing dividend payments: -

Preparation of supplementary explanatory materials for financial results: No

Schedule of financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 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	%
Three months ended June 30, 2024	162,452	1.1	2,986	(23.9)	2,248	(32.1)	1,649	(38.0)
Three months ended June 30, 2023	160,710	3.8	3,922	(26.5)	3,310	(31.3)	2,660	(30.9)

(Notes) Comprehensive income: Three months ended June 30, 2024: 2,038 million yen (-52.7%)

Three months ended June 30, 2023: 4,309 million yen (-29.9%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	23.97	-
Three months ended June 30, 2023	37.10	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended June 30, 2024	359,570	83,189	23.1
Fiscal year ended March 31, 2024	344,562	81,900	23.7

(Reference) Equity: Three months ended June 30, 2024: 83,096 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	-				
Fiscal year ending March 31, 2025 (forecast)		16.00	-	12.00	28.00

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

(Note) 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

(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: 2 companies (Tecnoprifam S.r.l. and 100 Metros - Soluções De Embalagem, Unipessoal, Lda)

Excluded: -

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

(2) Accounting methods adopted particularly for the preparation of quarterly 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: Yes

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):

Three months ended June 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:

Three months ended June 30, 2024 4,386,998 shares

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

3) Average number of shares during the period:

Three months ended June 30, 2024 68,823,317 shares

Three months ended June 30, 2023 71,700,721 shares

- * Review of the accompanying quarterly consolidated financial statements by a certified public accountant or an auditing firm: None
- * 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. Overview of Operating Results, Etc.” of the attachments.

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1. Overview of Operating Results. Etc.

(1) Overview of Operating Results for the Three Months Ended June 30, 2024

(a) Status of Operating Results

Net sales for the three months ended June 30, 2024, were 162,452 million yen (up 1.1% year-on-year). Operating profit was 2,986 million yen (down 23.9% year-on-year), ordinary profit came to 2,248 million yen (down 32.1% year-on-year), and profit attributable to owners of parent was 1,649 million yen (down 38.0% year-on-year).

Results for the three months ended June 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 Consolidated Financial Statements (Notes to Segment Information, Etc.)” in “2. Quarterly Consolidated Financial Statements and Key Notes.”

(b) Overview by Segment

Results for the three months ended June 30, 2024 by business are as follows.

<Northeast Asia>

Although the conditions of the paper market were maintained due to price revisions, the sales volume was below the previous year’s level due to the ongoing structural decline in demand for graphic paper in Japan, resulting in a decline in sales and profits.

The paperboard segment saw the sales volume and net sales decline year-on-year for corrugated cardboard base paper due to a decline in exports and ongoing consumer reluctance to spend due to inflation as well as accelerated efforts to reduce packaging, despite persistently strong sales for beverage packaging materials. On the other hand, profits increased as market conditions were maintained after price revisions. In the packaging paperboard segment, although sales of high-end paperboard such as trading cards remained strong, the sales volume fell short of the previous year’s level as the demand from an increasing number of inbound tourists to Japan only had a limited effect, but net sales remained on the same level as the previous year, resulting in an increase in profits.

In the paper production material segment, the sales volume declined year-on-year 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 higher prices. Sales of commercial pulp declined due to the impact of foreign exchange rates.

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

As a result, net sales of the Northeast Asia business were 74,960 million yen (down 1.7% year-on-year), and operating profit was 1,145 million yen (down 13.0% year-on-year) for the three months ended June 30, 2024.

< Europe/Americas >

The economy remained stagnant in Europe, mainly in the UK and Germany. In the paper business, although the production volume increased year-on-year as the ongoing inventory reductions carried out since last year came to an end, demand was weak, and price increases by manufacturers did not fully penetrate the market. Demand in the graphic paper market remained weak, and both net sales and profits were lower than the previous year.

In the packaging business, net sales and profits fell short of expectations due to a slowdown in the manufacturing industry and personal consumption, but two newly acquired companies contributed to overall performance.

In the visual communications business, operating results were almost on a par with the previous year due to strong demand for certain products (such as lithium iron phosphate (LFP) and car wrapping film) as well as the contribution of Integart, which was acquired last year.

As a result, net sales of the Europe/Americas business were 73,856 million yen (up 2.5% year-on-year), and operating profit was 1,496 million yen (down 39.9% year-on-year) for the three months ended June 30, 2024.

<Asia Pacific>

In Oceania, both net sales and profits were unchanged from the previous year's results. The paper business enjoyed an increase in net sales mainly due to a larger market share for office paper in Australia, while the packaging business saw both net sales and profits decrease year-on-year due to the stagnant market.

In the visual communications business, both net sales and profits were up thanks to hardware sales.

In Southeast and South Asia, both net sales and profits increased year-on-year due to strong trading business in India and other markets.

As a result, net sales of the Asia Pacific business were 13,262 million yen (up 10.5% year-on-year), and operating profit came to 387 million yen (up 95.1% year-on-year) for the three months ended June 30, 2024.

<Real Estate Leasing>

Both net sales and profits were almost unchanged from the previous year's results as there was a revenue increase associated with new tenants at the KPP Yaesu Building but also a revenue decrease as a result of some tenants moving out.

As a result, net sales of the Real Estate Leasing business were 373 million yen (down 1.9% year-on-year), and operating profit amounted to 150 million yen (down 0.2% year-on-year) for the three months ended June 30, 2024.

(2) Overview of Financial Position for the Three Months Ended June 30, 2024

Total assets at the end of the first quarter ended June 30, 2024 were 359,570 million yen, up 15,007 million yen from the end of the previous fiscal year. This was due mainly to an increase in trade receivables and inventories.

Liabilities were 276,380 million yen, up 13,718 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 83,189 million yen, up 1,288 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 dropped 0.6 points to 23.1% 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. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

	(Million yen)	
	Previous Fiscal Year (March 31, 2024)	First Quarter of Current Fiscal Year (June 30, 2024)
Assets		
Current assets		
Cash and deposits	26,286	24,841
Notes and accounts receivable - trade	112,572	118,594
Electronically recorded monetary claims - operating	28,869	28,394
Merchandise and finished goods	66,126	71,063
Other	14,653	15,805
Allowance for doubtful accounts	(5,819)	(6,053)
Total current assets	242,689	252,645
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,942	7,853
Land	9,072	9,081
Other, net	24,678	25,015
Total property, plant and equipment	41,692	41,950
Intangible assets		
Goodwill	6,958	10,735
Customer-related assets	3,746	3,774
Other	7,964	9,131
Total intangible assets	18,670	23,640
Investments and other assets		
Investment securities	23,139	22,181
Retirement benefit asset	10,461	11,257
Other	15,831	16,318
Allowance for doubtful accounts	(7,922)	(8,422)
Total investments and other assets	41,510	41,333
Total non-current assets	101,872	106,925
Total assets	344,562	359,570

(Million yen)

	Previous Fiscal Year (March 31, 2024)	First Quarter of Current Fiscal Year (June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	95,368	103,457
Electronically recorded obligations - operating	5,284	4,981
Short-term borrowings	38,862	53,119
Commercial papers	12,000	10,000
Income taxes payable	3,822	2,408
Provision for bonuses	4,275	3,992
Provisions	1,278	1,386
Other	37,343	38,539
Total current liabilities	198,235	217,886
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	15,167	8,812
Retirement benefit liability	2,300	2,413
Provisions	1,386	1,431
Other	25,571	25,837
Total non-current liabilities	64,426	58,494
Total liabilities	262,662	276,380
Net assets		
Shareholders' equity		
Capital stock	4,723	4,723
Capital surplus	7,292	7,292
Retained earnings	61,631	62,508
Treasury shares	(2,799)	(2,776)
Total shareholders' equity	70,848	71,748
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,902	7,211
Deferred gains or losses on hedges	(98)	(108)
Foreign currency translation adjustment	6,638	7,949
Remeasurements of defined benefit plans	(3,478)	(3,704)
Total accumulated other comprehensive income	10,963	11,348
Non-controlling interests	88	92
Total net assets	81,900	83,189
Total liabilities and net assets	344,562	359,570

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30, 2024

	(Million yen)	
	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2023 to June 30, 2023)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2024 to June 30, 2024)
Net sales	160,710	162,452
Cost of sales	131,576	131,192
Gross profit	29,134	31,260
Selling, general and administrative expenses	25,211	28,273
Operating profit	3,922	2,986
Non-operating income		
Interest income	9	86
Dividend income	205	208
Share of profit of entities accounted for using equity method	7	27
Foreign exchange gains	413	46
Reversal of allowance for doubtful accounts	1	0
Other	118	64
Total non-operating income	756	433
Non-operating expenses		
Interest expenses	477	585
Loss on sales of trade receivables	289	383
Loss on valuation of derivatives	390	-
Other	212	203
Total non-operating expenses	1,368	1,171
Ordinary profit	3,310	2,248
Extraordinary income		
Gain on sales of non-current assets	4	6
Gain on sales of investment securities	24	86
Other	0	0
Total extraordinary income	29	93
Extraordinary losses		
Loss on retirement of non-current assets	3	0
Loss on sales of non-current assets	0	-
Other	0	0
Total extraordinary losses	3	0
Profit before income taxes	3,336	2,342
Income taxes	671	688
Profit	2,664	1,653
Profit attributable to non-controlling interests	4	4
Profit attributable to owners of parent	2,660	1,649

Quarterly Consolidated Statements of Comprehensive Income
Three Months Ended June 30, 2024

(Million yen)

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2023 to June 30, 2023)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2024 to June 30, 2024)
Profit	2,664	1,653
Other comprehensive income		
Valuation difference on available-for-sale securities	931	(690)
Deferred gains or losses on hedges	(285)	(10)
Foreign currency translation adjustment	464	1,270
Remeasurements of defined benefit plans, net of tax	515	(225)
Share of other comprehensive income of entities accounted for using equity method	17	40
Total other comprehensive income	1,644	384
Comprehensive income	4,309	2,038
Comprehensive income attributable to		
Owners of parent	4,304	2,034
Non-controlling interests	4	4

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

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

(Significant Changes in Scope of Consolidation)

Tecnoprímaf S.r.l. has been included in the scope of consolidation from the first quarter ended June 30, 2024, since all of its shares were acquired by Antalis S.A.S. 100 Metros - Soluções De Embalagem, Unipessoal, Lda has also been included in the scope of consolidation from the first quarter ended June 30, 2024, since all of its shares were acquired by Antalis Portugal, S.A., an operating company of Antalis S.A.S.

(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 first quarter ended June 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, hereinafter referred to as the "Revised Implementation Guidance of 2022"). This change has no effect on the quarterly 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 quarter ended June 30, 2024. Due to the adoption of paragraph 7 of Practical Solution No. 46, the consolidated financial statements for the first quarter ended June 30, 2024, do not include income taxes related to the global minimum tax rules.

(Changes in Tax Expense Calculation Method)

Effective from the first quarter ended June 30, 2024, the Company and some of its consolidated subsidiaries have changed the calculation method for tax expenses, which were previously calculated using the principle method, as described in "(Adoption of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements)" for the purpose of prompt and efficient quarterly financial reporting. Since the impact of this change is minimal, it has not been retrospectively applied.

(Adoption of Accounting Treatment Specific to the Preparation of Quarterly 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 quarter ended June 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.

(Notes to Segment Information, Etc.)

I Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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

(Million yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Northeast Asia	Europe/ Americas	Asia Pacific	Real Estate Leasing	Total		
Net sales							
Net sales to external customers	76,242	72,088	11,999	380	160,710	-	160,710
Intersegment net sales or transfers	372	-	4	111	488	(488)	-
Total	76,614	72,088	12,003	492	161,199	(488)	160,710
Segment profit	1,317	2,488	198	150	4,155	(232)	3,922

- (Notes) 1. The adjustment to segment profit of (232) million yen consists of intersegment eliminations of 188 million yen and corporate expenses of (420) 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.

II Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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/ Americas	Asia Pacific	Real Estate Leasing	Total		
Net sales							
Net sales to external customers	74,960	73,856	13,262	373	162,452	-	162,452
Intersegment net sales or transfers	582	-	12	117	711	(711)	-
Total	75,542	73,856	13,274	490	163,164	(711)	162,452
Segment profit	1,145	1,496	387	150	3,180	(193)	2,986

- (Notes) 1. The adjustment to segment profit of (193) million yen consists of intersegment eliminations of 127 million yen and corporate expenses of (320) 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. 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 first quarter of the previous fiscal year is also presented under the new names.

(Notes to Cash Flow Statement)

The Company has not prepared a quarterly consolidated cash flow statement for the first quarter ended June 30, 2024. Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the first quarter of the fiscal year are as follows.

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2023 to June 30, 2023)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2024 to June 30, 2024)
Depreciation	1,986 million yen	2,555 million yen
Amortization of goodwill	365	372