

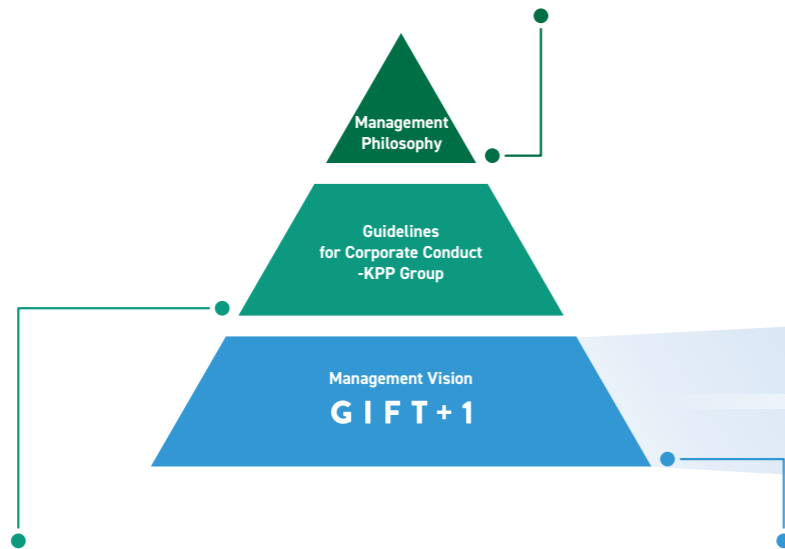


Integrated Report 2020

KPP Group Way

The meaning of our existence/our mission

- Targeting the enhancement of global management and achieving sustainable growth
- Pursuing the happiness of the employees and their families and aiming to become a company that is trusted by shareholders, customers, suppliers, and communities
- Realizing a recycling-oriented society and widely contributing to the promotion of education, culture, and industry



Guidelines for corporate conduct to fulfill our CSR

- Compliance with Laws and Regulations
- Fair, Free and Transparent Business Activities
- Winning Confidence of Society, Suppliers and Customers
- Promoting Social Contribution Activities
- Active Disclosure of Company Information
- Coexistence with International Society
- Enhancement of Workplace Environment
- Harmony with Natural Environment
- Severing Relations with Antisocial Forces

Our management vision GIFT+1

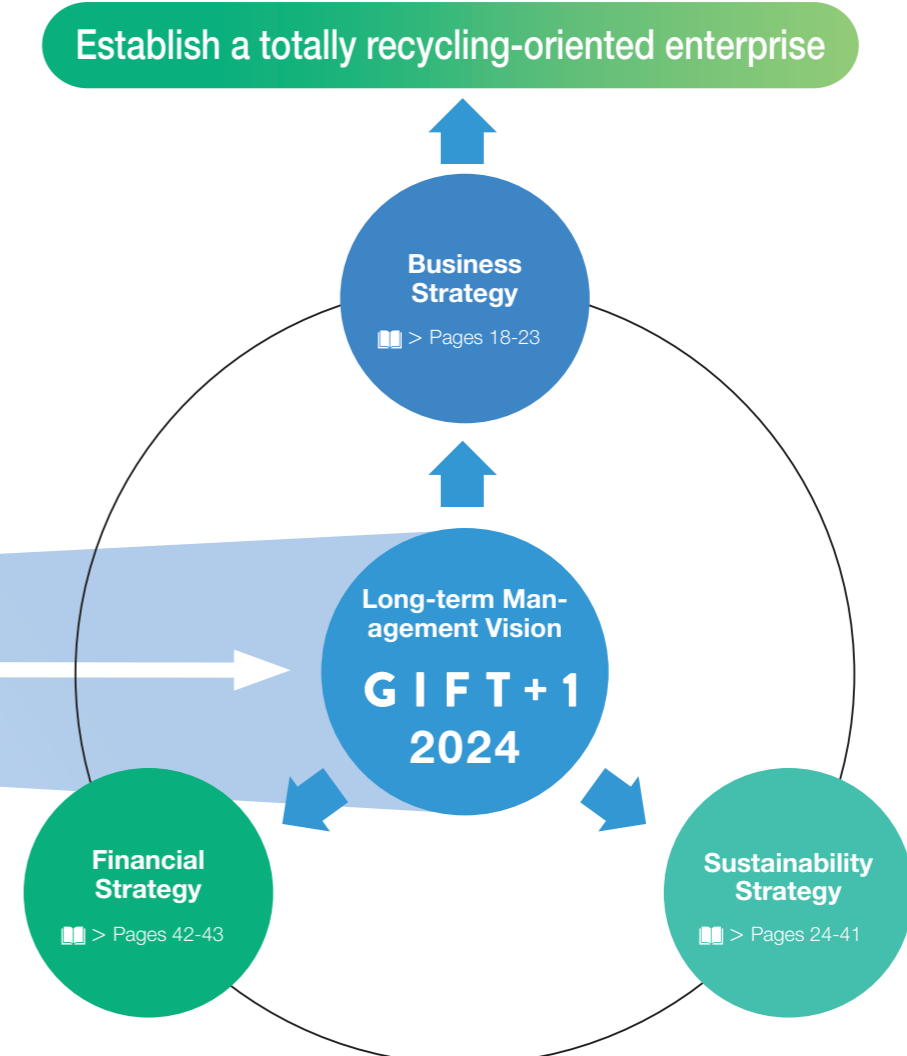
- Globalization**
Expanding our business on a global scale
- Innovation**
Pioneering new future of paper with imagination and creativity
- Function**
Creating added value by utilizing our abilities to plan and propose
- Trust**
Responding to the trust our stakeholders place in us
- +1 (Plus One)** By adding environmental initiatives to each element of this management vision, KPP Group endeavors to build a recycling-oriented society through proposals for environmentally friendly products, the recovery of paper, and the recycling of resources.

What is KPP Group Way?

KPP Group Way is a basic concept that is shared by all employees of the KPP Group and underlies all our activities as shared values. It consists of three layers comprising the Management Philosophy, the Guidelines for Corporate Conduct, and the Management Vision.

Of these three components, the Management Philosophy represents the meaning of our existence as a company and our mission, while the Guidelines for Corporate Conduct set out the guidelines for the actions that should be taken by the Company and its employees. Our Management Vision is summarized as GIFT+1. "GIFT" is an acronym for Globalization, Innovation, Function, and Trust, and "+1" represents our approach to ESG management centered on environmental initiatives. Based on GIFT+1, we have established the GIFT+1 2024 as a long-term management vision towards our 100th anniversary.

Value Creation Approach



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	Financial information	Non-financial information
Publications	Integrated report	Public relations magazine TSUNAGU
	Securities report	
	Convocation notice	Corporate brochure
Internet	Corporate website	

Editorial Policy

The KPP Group publishes the Integrated Report to help stakeholders in and outside of Japan to understand its business model and initiatives to achieve sustainable value. This Integrated Report is also posted on our website so that it can be used as a tool to communicate with investors.

As in the past Reports, this 2020 Report is based on the KPP Group's basic philosophy and accumulated experience and incorporates current trends, with a focus on "Guidance for Collaborative Value Creation." In order to build good relationships with all stakeholders, we will continue to strive to make our Integrated Report even better.

Scope and Period of Report

The Report mainly describes the conditions of the Group in the fiscal year ended March 31, 2020 (the period from April 1, 2019 to March 31, 2020) with some statements on the Group's conditions in the period starting from April 2020.

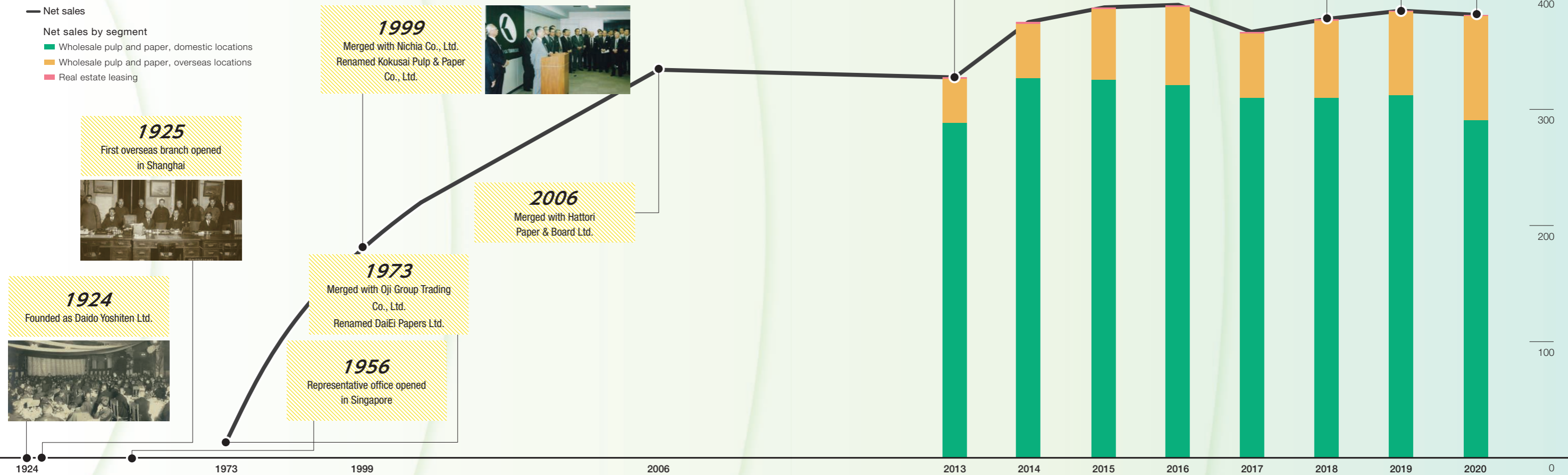
Date of Issue

This issue: December 2020
Next scheduled issue: November 2021

Since our foundation in 1924, the KPP Group has contributed to the development of society and culture through the sale of paper and its peripheral products

In the history spanning 96 years since our foundation in 1924, we solidified our foundation in the domestic business through mergers with major Japanese paper distributors as a pioneer in industry reorganization after the prewar early period, postwar chaotic period, and high economic growth period. In our Long-term Management Vision, GIFT+1 2024, which finalizes in fiscal 2024, we have successfully listed our shares on the First Section of the Tokyo Stock Exchange and welcomed major overseas paper distributors into the KPP Group in an effort to accelerate our overseas business expansion. Going forward, we will continue developing our business globally and keep taking on the challenge of achieving the second period of expansion.

— Net sales
 Net sales by segment
 ■ Wholesale pulp and paper, domestic locations
 ■ Wholesale pulp and paper, overseas locations
 ■ Real estate leasing



► Development period

Established business foundation through mergers with major Japanese paper distributors as a pioneer in industry reorganization

Growth driven by the increasing demand for paper during the postwar reconstruction period and the high economic growth period

► Foundation period

► Second period of expansion

Expanding business globally through inorganic strategy as a stride toward the 100th anniversary and beyond

Events in Society

High economic growth period

Stable growth period

Bubble economy

Collapse of bubble

Emerging countries and resources boom

Recession

Rapid progress in the fourth industrial revolution

● Normalization of diplomatic relationship between Japan and China (1972)

● Oil Crisis (1973/1979)

● The Plaza Accord (1985)

● Asian currency crisis (1997)

● China joined WTO (2001)

● Global financial crisis (2008)

● Great East Japan Earthquake (2011)

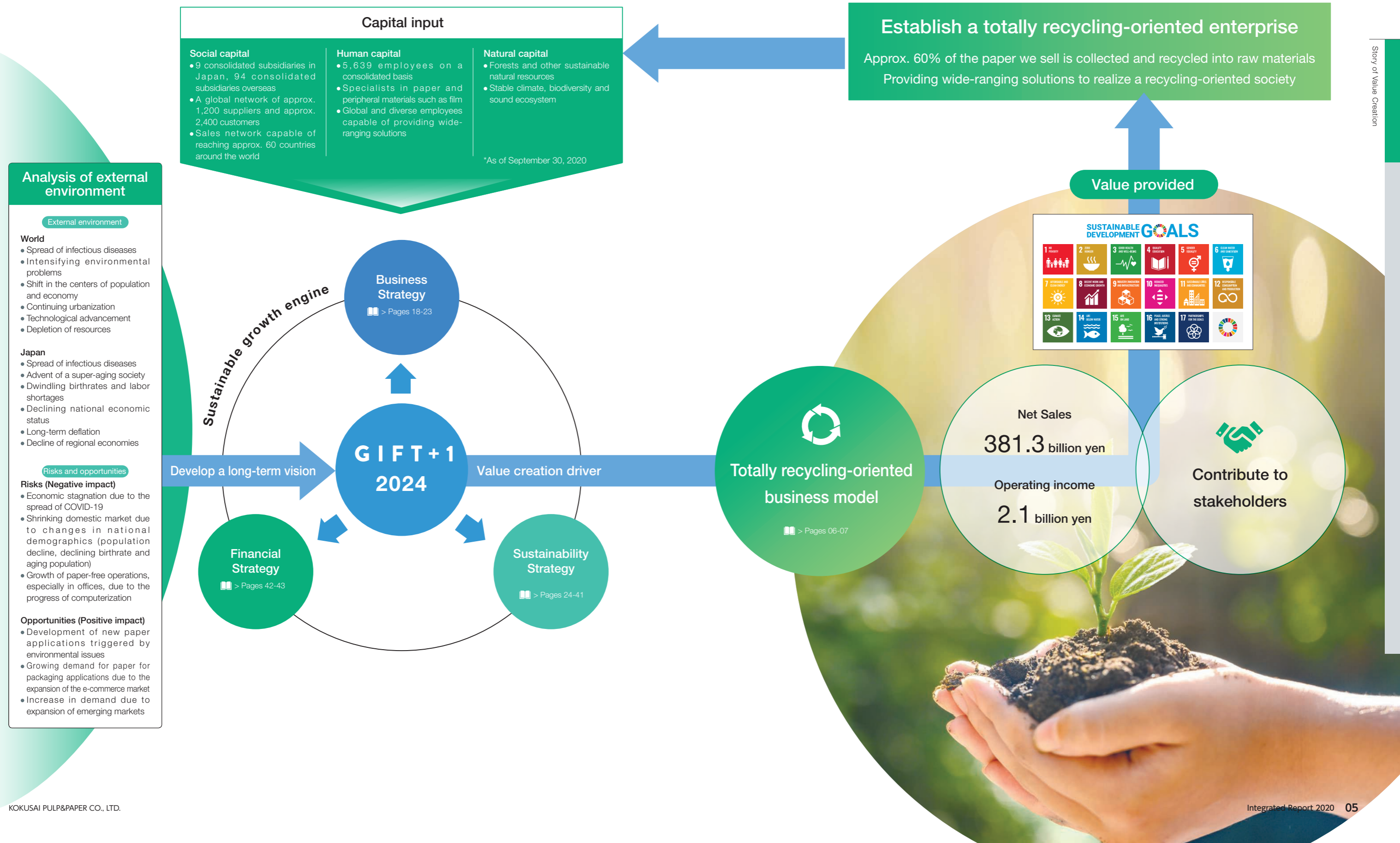
● Abenomics (2012-)

● U.S.-China trade friction (2018-)

● Spread of coronavirus disease (COVID-19) (2020-)

Value Creation Model of Kokusai Pulp & Paper

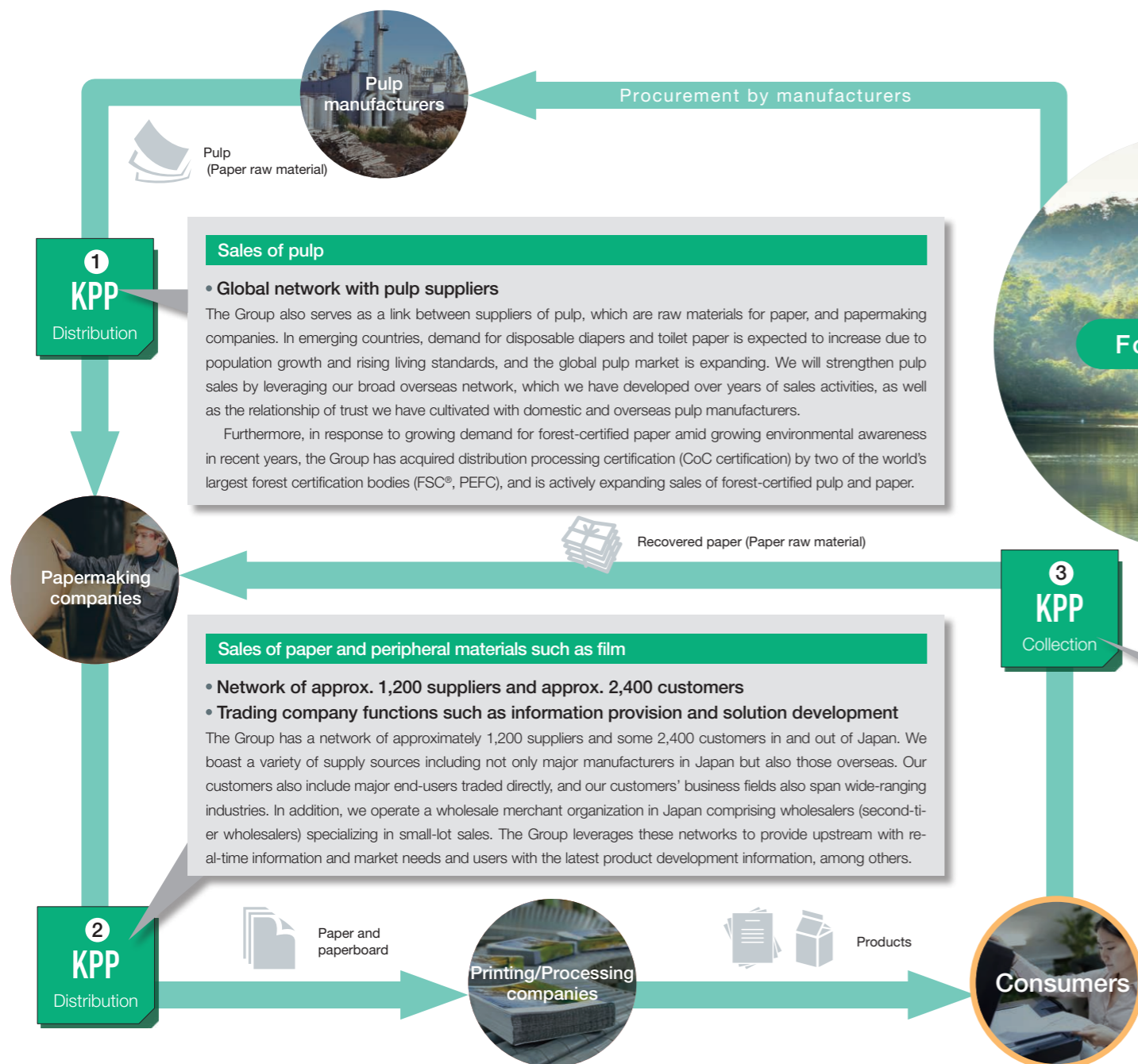
We pursue the goal of achieving a recycling-oriented society as our management philosophy. Our management vision also calls for the reduction of environmental impact as “+1.” Totally recycling-oriented business model originates from our management philosophy and management vision. We have to cherish, use wisely, and recycle limited resources to realize a sustainable society. This is the KPP Group's Value Creation Model.



The KPP Group is now building a recycling-oriented business model so that the Group's business activities themselves are contributions to the creation of a sustainable society. We are expanding our business through the promotion of two ways of recycling: material recycling that supplies recycled resources such as recovered paper, and thermal recycling that supplies renewable energy mainly through our biomass power plant operation support services.

Material Recycling

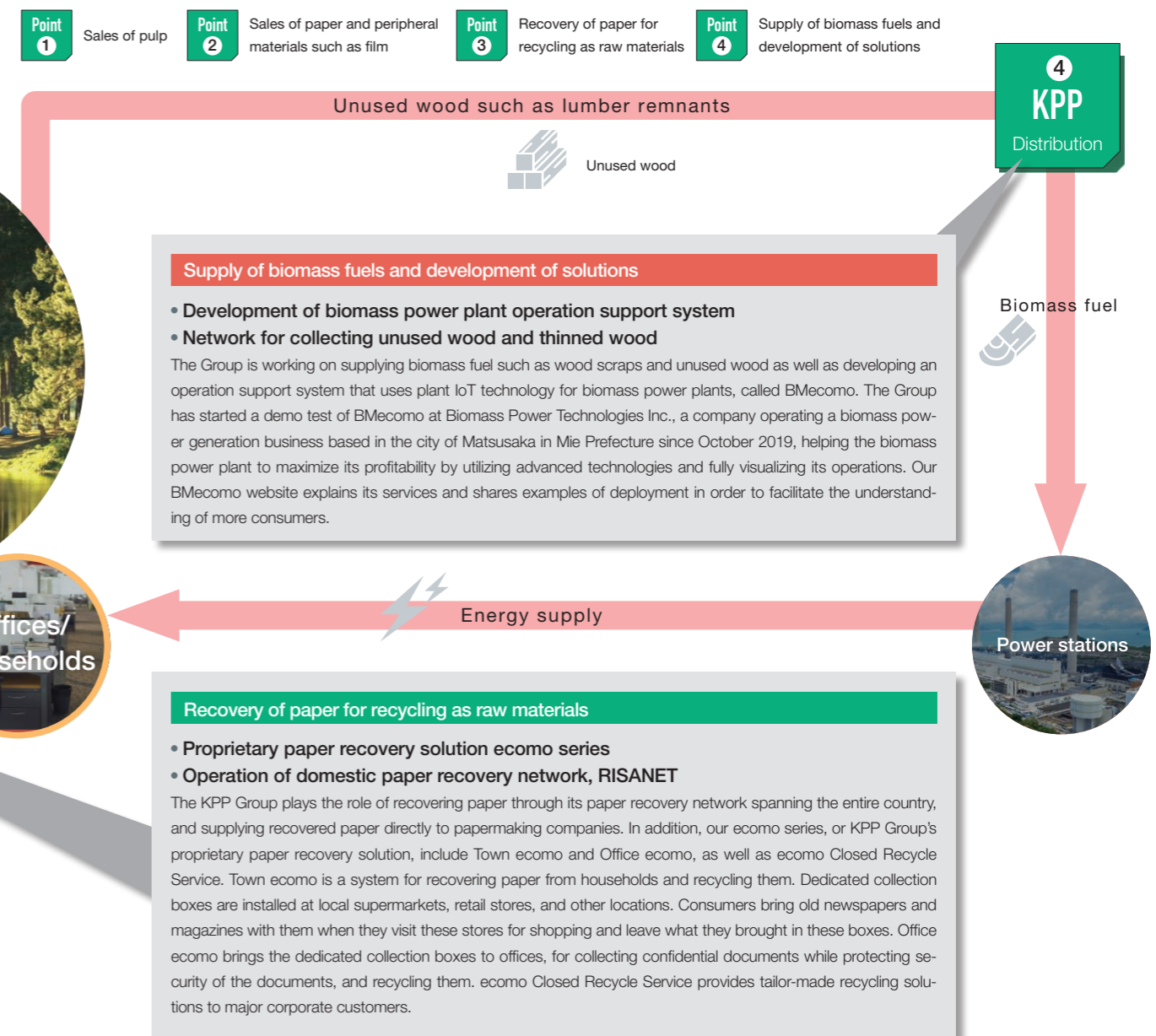
With a global network of approximately 1,200 suppliers and some 2,400 customers, we boast industry-leading paper sales and collection volume of recovered paper domestically. In the paper sales business, we leverage the vast knowledge in paper and peripheral materials that has been cultivated throughout our nearly 100-year history to propose wide-ranging solutions. We also utilize our nationwide supply network of recovered paper wholesalers and paper recovery solutions such as Town ecomo and Office ecomo.



If we compare the Group's business model to the flow of blood, the flow of paper manufactured from forest resources to consumers can be regarded as arteries, and the flow of paper collected after the paper completed its initial role and is delivered to manufacturers as recovered paper to be used as raw materials as veins. In order to realize a sustainable society, it is important to circulate the flows of arteries and veins without stagnation. The Group plays the role of the heart that controls the flow of blood circulating through the arteries and veins.

Thermal Recycling

In addition to paper recycling, in 2017, we started the thermal recycling business that supplies, collects and uses thermal energy generated when wood scraps and unused wood are incinerated. As part of the thermal recycling business, in October 2019, we started a demo test of BMecom, an operation support system utilizing IoT technology for biomass power plants. We will continue to expand our thermal recycling business in an effort to promote the utilization of unused resources and the revitalization of local industries.





We would like to express our deepest sympathies to those suffering from COVID-19 and those affected by the Heavy Rain Event of July 2020. We hope for the earliest possible recovery and restoration of the disaster-stricken areas. We would also like to express our heartfelt respect to those who are devoted to preventing the spread of infection, giving medical treatment, and restoring the disaster-stricken areas.

In July 2020, I took office as Chairman and CEO of Kokusai Pulp & Paper Co., Ltd. (KPP). Going forward, I will focus on reforming the business portfolio of the entire Group, centered on overseas operating companies, particularly in businesses that transcend traditional paper and the Japanese market through M&As. In addition, I hope to take the initiative in formulating medium-to long-term strategies, group governance, and projects to foster and develop operating companies spanning the five continents of the world.

Daido Yoshiten Ltd., our predecessor, was founded in 1924, and merged with Nichia Co., Ltd. in 1999 in a move to pioneer the reorganization of the paper distribution industry. The company then merged with Hattori Paper & Board Ltd., Kashiwai Shigyo Co., Ltd. and Sumisho Paper Co., Ltd., in 2006, 2007 and 2013, respectively, to solidify our foundation in Japan. Hattori Paper & Board has particular significance in that it was established in 1659 and is considered to be one of the origins of the paper industry in Japan. In recent years, we successively acquired leading paper distributors Spicers Limited (Australia) and Antalis S.A. (France) in 2019 and 2020, respectively. As the domestic industry loses momentum, we believe that expanding business scale through M&As is a prerequisite for competing in the world.

Madoka Tanabe

Director of the Board, Chairman & Chief Executive Officer

History of Paper and Overview of the Pulp and Paper Industry

The history of paper, the core product of the Group, goes back to the late Egyptian civilization around 3000 B.C. The prototype of paper that is widely used today is said to be an invention of Cai Lun, a Chinese eunuch court official of the Eastern Han dynasty, in the first half of the 2nd century. According to the *Nihon Shoki*, or the Chronicles of Japan, paper, one of China's four major inventions, was introduced to Japan in 610. Ever since, the culture of paper has continued through time, when the mainstream of papermaking shifted from manual to machine in the Meiji period (1868-1912), marking the era of mass production. After that, Japan went through a period when paper was placed under government control during the Pacific War, the *Sanpaku* or Three-Whites economic boom (involving white commodities such as paper, sugar and cement) in 1952, the bubble economy in the early 1990s, and the global financial crisis in 2008. In addition, as the advent of the Internet substantially changed the way people live in the 21st century, demand for paper, which had been largely linked to GDP growth in the past, has begun to diverge from the traditional pattern.

On the other hand, growing environmental awareness has attracted people's attention to paper, which is a biomass resource, and demand for paper for packaging applications is increasing along with the growth of the EC* market. Recently, demand for household paper has been expanding due to heightened hygiene awareness brought about by the spread of COVID-19, and this trend has served as a tailwind for the pulp business which produces pulp as raw material for household paper. In addition, as a result of growing remote work arrangements, sales at convenience stores and bookstores in central Tokyo are struggling, while sales at suburban stores are steady. The food and beverage industry is changing its business structure from one focused on eating out to eating at home, and the success of players in the apparel industry has now come to depend on whether they carry loungewear. All industries now have to address how to adapt to life with COVID-19.

In the paper industry as well, paper-free operations are being promoted in line with the growth of remote work arrangements, but it is unlikely that all business communications can be completed by web conferences and e-mail only. Such an environment will not induce new innovations. Demand for graphic paper is declining, particularly in developed countries. In the future, it will be important for us to identify the new role and position for paper to take on as its demand structure changes, which is also the most important task for the paper distribution industry.

*EC: E-Commerce

KPP Group Way

To overcome global challenges, such as the U.S. - China conflict and COVID-19, while we need to weather the storm in front of us, drawing up a long-term strategy in view of the new world after COVID-19 is more important. The KPP Group Way* was established as a guiding principle to enable the Group to find the right path to follow and achieve sustainable growth even during periods of turmoil under drastic changes in the external environment. Comprising three layers of Management Philosophy, Guidelines for Corporate Conduct-KPP Group and Management Vision, the Group Way serves as a compass for developing strategies of the Group. The KPP Group Way also plays an important role in responding to changes not only in the external environment but also in our internal environment. The respective mergers of Spicers Limited and Antalis S.A. in 2019 and 2020 are typical examples of significant changes in the Group's internal environment. It is important for KPP to share common milestones, such as the Group Way, with the two companies which are geographically far and different in cultural background from KPP, to generate a synergy as one group.

*KPP Group Way is a basic concept that is shared by all employees of the KPP Group and underlies all our activities as a shared value, comprising three layers of Management Philosophy, Guidelines for Corporate Conduct-KPP Group and Management Vision.

KPP Group Way



Long-term Management Vision GIFT+1 2024

The KPP Group developed the Long-term Management Vision GIFT+1 2024, which will culminate in the year 2024, the 100th anniversary of our founding. This management vision, which is the driving force behind the KPP Group Way, is to achieve our goals through three successive three-year plans. The Group has positioned the first medium-term management plan from fiscal 2016 to fiscal 2018 as the period for business structural reform. During this period, the Company restructured its overseas business, reformed its personnel system, and strengthened its corporate governance, and successfully listed our shares on the First Section of the Tokyo Stock Exchange (TSE), which was our long-time ambition. The second medium-term management plan, which began in fiscal 2019, is positioned as a business development phase, and we are implementing an inorganic strategy mainly through overseas M&As. The third medium-term management plan, which began in fiscal 2019, is positioned as a business development phase, aiming to develop the Group into one of the world's largest paper-related distribution companies as we mark the 100th anniversary of founding.

In the last two years, our inorganic strategy has delivered significant results as a pivotal element of our Long-term Management Vision GIFT+1 2024. Following the acquisition of Spicers, the second-largest paper distributor in Australia, in July 2019, Antalis, the top paper distributor in Europe, joined the KPP Group in July 2020. Spicers has offices in 12 cities in

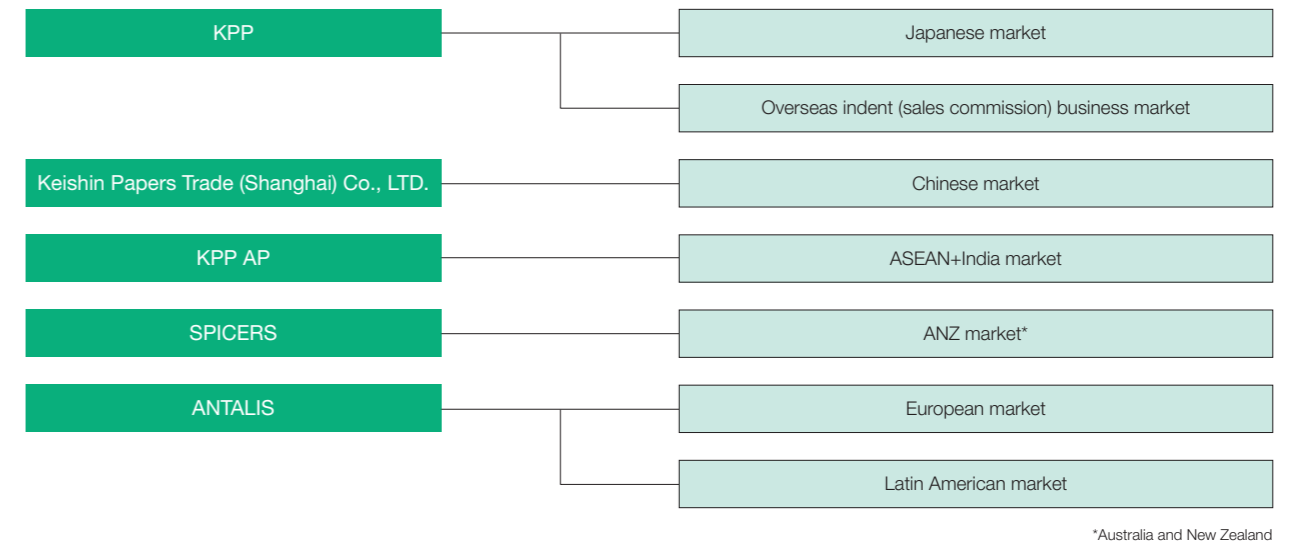
Australia and New Zealand, has 11 distribution centers, and in March 2020 acquired Australia's third-largest paper distributor, Direct Paper. Antalis operates more than 100 offices and distribution bases in Europe, South America, Asia, and China.

With the addition of these companies to the Group, the Group's overseas sales ratio is expected to exceed 50% in the future. In addition, the gross profit margin of our overseas business will rise from 6% to nearly 15% due to a change in the business mix. Furthermore, we will have some of the world's leading brand owners as customers, which will transform the Group into a company that has a different corporate profile from the one in the past.

Growth Strategy of the Group

The Group supplies pulp and recovered paper, which are raw material for papermaking, along with the sales of paper and paperboard products. The world's production of paper and paperboard is approximately 400 million tons, but considering the added value generated from the base paper, the pulp and paper industry a huge market. In 2019, Japan's market size was approximately 25.30 million tons, merely accounting for slightly more than 6% of the global market, and we expect the Japanese market to shrink further due to factors such as a decline in the total population and the advancement of aging society with falling birth rates. Therefore, as a means to secure sustainable

Main Markets of the Group Companies



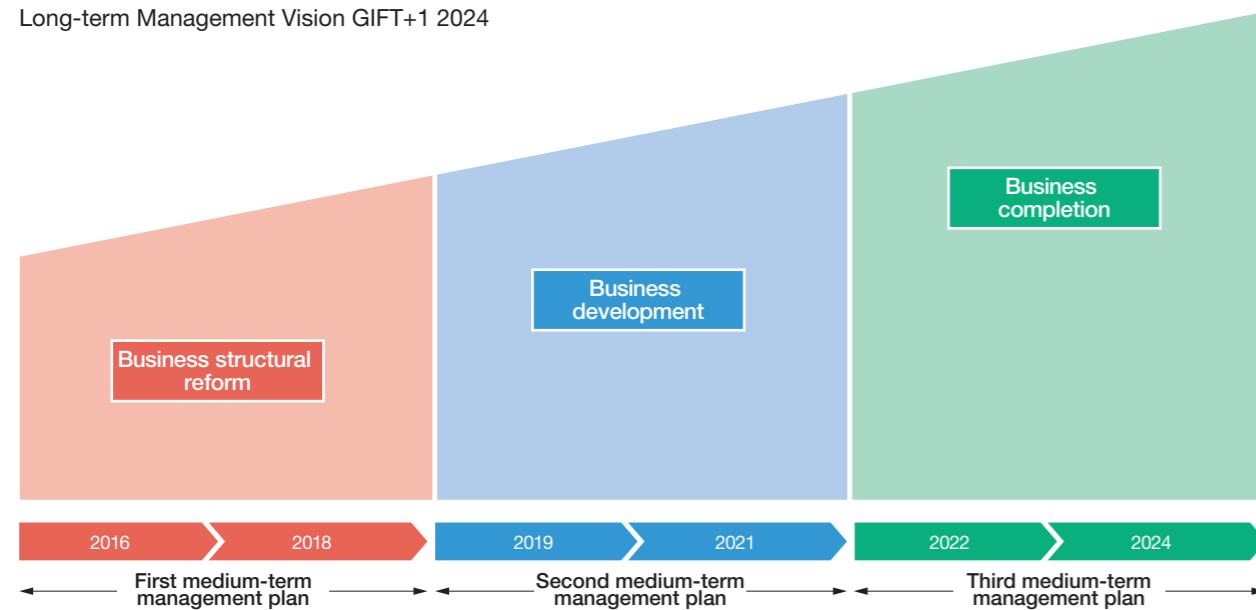
growth of the Group, expanding our business into global markets such as emerging countries and developing countries, which are more than a dozen times larger than Japan and have latent demand in paper and paperboard, has become an important task for us to pursue in our growth strategy. The listing of our shares on the First Section of TSE in 2018 was a steppingstone to this end.

Our expansion into global markets basically adopts M&As with a view to maximizing synergies with our

existing overseas business locations. At the same time, we gain many benefits from building a global supply chain. The Group believes that the paper distribution industry will shift from an era of domestic reorganization to an era of reorganization across the world. The Group will ride this trend and grow into a stronger and more distinctive company.

For the Asian market, we will group India+ASEAN regions as one market, and invest the management resources of Spicers, Antalis, and KPP into the market

Long-term Management Vision GIFT+1 2024



Global Network





to develop the Group into a company with a strong presence centered on the paper business, the packaging business, and the visual communication business. For the Chinese market, we will pursue business growth through Keishin Papers Trade (Shanghai) and Antalis (Shanghai). We also position the developing sub-Saharan and other African markets as promising markets for the Group to pursue in the future.

Until now, the Group's overseas business has been centered on the trading business, and has grown by harnessing its two strengths: the advantage of high-end Japan brand products with high added value and the function of adjusting the balance of domestic supply and demand. In the 2000s, however, price competition became the norm due to the remarkable rise of China and the commoditization of paper, and trade-centric growth is beginning to fade. Therefore, when considering our overseas strategies in the future, it will be important for us to develop a hybrid business model. We shall take up business portfolio reforms being pursued by paper distributors in Europe and the United States as well as localization through local production and consumption in emerging countries, and incorporate the trading business to bridge paper supplies of net exporter countries and net importer countries.

What We Aim for by M&As

In the background of our ongoing efforts to promote an inorganic strategy is the fact that our two major

businesses, the wholesale paper and paperboard business in domestic locations and the overseas trading business have lost momentum, and the development of a new business model underpinned by regional and product strategies has become a pressing issue for us. Because of the limitations of our management resources, inorganic growth has become an important management task. M&A is one of the most effective methods in our inorganic strategy, and we are focusing in particular on the acquisition of overseas paper distributors and converters. While the Group's position ranges upstream and midstream as a trading company, conducting M&As is our effort in the downstream operations to further expand the Group's business scale to become a leader in the industry as well as to gain and retain end users. Antalis, the acquiree through the largest M&A for the Group, is a leading company in Europe, serving the world's leading brand owners through its packaging business and visual communication business, and has six design centers in Germany, the United Kingdom, Poland, and the Netherlands.

The merit of a growth strategy taken through M&As is that we can save time with money, but it also comes with risks. At the Group, the Business Strategy Office founded in 2019 and directly reporting to the CEO is responsible for controlling the entire M&A process from the initial examination stage up to post-merger integration, with a dedicated team of finest personnel managing all projects. Moreover, we have developed the guidelines Standard Procedures for Strategic Investment designed to standardize the steps taken in M&A processes to prevent the office members from

relying on their personal experiences and intuitions in these processes. All investment projects are carefully evaluated by the Investment Committee in terms of both opportunity and risk, and decisions are ultimately made through close examination by outside directors.

Sustainability Strategy

The words ESG and SDGs seem to have been familiarized in Japan. Recently, however, as seen in the term "SDG-washing*," there are cases in which only the 17 goals in SDGs and relevance to the business are stated with little substance. The Group defined "+1 (plus one)" of the management vision GIFT+1* as environmental initiatives, and aims to conduct business on the premise of reducing the environmental impact. Specifically, we are developing a new paper recovery system called ecomo series*, and supplying recovered paper to papermaking companies as raw materials by organizing a nationwide network of recovered paper wholesalers. In other words, the fact that our core domestic business is built on a recycling-based business of recovering paper and selling products is one of the strengths of the Group.

Regarding governance, we have worked to strengthen our governance system by, for example, shifting to a company with an audit committee in 2015 and increasing the number of independent outside directors to four in 2019. As we continue to expand globally, importance will increase for group governance and compliance serving as its foundation. In Japan, inappropriate sales activities at a major financial institution, noncompliance by a major real estate agent and other problems surfaced last year, and substantially impaired the corporate value of the companies involved. As we strive to further strengthen our business activities overseas, we need to draw a lesson from these incidents and ensure that the concept of group governance is fully inculcated within the Group. While putting in place an internal control system within the Group is a must, it is essential that we have our philosophy and visions shared across the Group and identify the dos and don'ts for each workplace. Governance has no bounds or perfection. We just have to repeat simple and steady improvements in accordance with changes emerging across the Group.

*SDG-washing: Companies' efforts for SDGs being more of form than substance.

*GIFT+1: The Group's Management Vision

*ecom series: The solution the Group developed that started from recovering paper through Town ecomo and Office ecomo.

Talents the Group is Looking For

The Group is currently striving to achieve our long-term management vision towards the goal of 2024 as the 100th anniversary of its founding. At the same time, we must consider what kind of talents are needed to help us lay the foundation for the next 100 years. What the Group needs to do is to procure global talents with a broad perspective underpinned by well-rounded education and knowledge as well as specialized knowledge in our industry. I look forward to seeing excellent management personnel emerging from overseas group companies regardless of nationality in the future.

In addition, we encourage Group employees who take on roles at the heart of management to become a "T-shaped employee" with deep expertise and a broad perspective and to take e-learning courses offered as part of the Group's employee training program. Recently, EdTech* is rapidly evolving partly due to the COVID-19 pandemic, creating an environment where motivated workers can easily acquire skills with less time and hassle than before. In addition, as a result of overseas M&As, Group employees now comprise approximately 1,000 Japanese and more than 4,500 foreign employees, making English or other foreign languages a necessity for work. On top of that, in order to create new value through innovation, we also need to have good judgement backed by first-hand experience gained in the field. Moreover, I look forward to seeing the Group turning into a stronger organization where employees from diverse backgrounds, of different languages and with various character traits ranging from sharp-witted to peace-loving, work together to produce the best possible results while mutually respecting each other's unique skills such as the ability to make a breakthrough and coordination skills.

Positions in the Group are open to all Group employees. We hope to fulfill the expectations of our many stakeholders who support the KPP Group by bringing out the engagement and high performance of our employees around the world.

*EdTech: Coined term combining Education and Technology



Message from New President

I succeeded Madoka Tanabe, currently Chairman & Chief Executive Officer, and became President of the KPP Group in July 2020. My mission as President is to steadily promote the long-term management vision GIFT+1 2024 to mark the 100th anniversary of our founding in 2024, and lay the foundation for the century beyond that. Specifically, we aim to restructure domestic operations, carry out operational and logistics reforms, and build a core system. I am taking office as President when we are timewise half way through GIFT+1 2024, our long-term management vision launched in fiscal 2016. We have successfully listed our shares on the First Section of TSE in 2018, and have been making steady progress by successively adding leading overseas paper distributors to the KPP Group in 2019 and 2020. However, the spread of COVID-19 has forced businesses in and out of Japan to adjust to “the new normal” this fiscal year, further accelerating the ongoing digitization trend. Amid rapid changes in the social situation, we are restructuring our business to achieve our long-term management vision. I would appreciate your guidance and support in my efforts.

Tadashi Kurihara

Director of the Board, President & Executive Officer

Review of Fiscal 2019 and Trends in This Year

In fiscal 2019, the Japanese economy declined due to the effects of the consumption tax hike and natural disasters, despite some favorable factors such as the boom of inbound demand from foreign visitors. The global economy has also receded worldwide due to the heightened uncertainty brought about by the U.S.-China conflict and sluggish growth in trade and investment. In the domestic market of the pulp and paper industry, the evolution of information technology has been promoting paper-free operations, and the focus of demand for paper is shifting from graphic paper for printing and publishing purposes to packaging paper for packaging materials applications. Looking at the overseas markets, developed countries are showing trends similar to those of the domestic market. On the other hand, in emerging countries, demand for pulp is increasing due to the expansion of the household paper and sanitary paper markets, and demand for recovered paper, the raw material for paperboard, is also rising. Furthermore, in response to the problem of marine plastic pollution, petroleum-based plastic products have come under increased scrutiny and, as a result, paper resources which are biomass-based have begun to attract public attention. Under these circumstances, during the fiscal year ended March 31, 2020, the Group achieved net sales of 381,397 million yen, a decrease of 0.9% year on year, operating income of 1,850 million yen, a decrease of 18.9%, and ordinary income of 2,194 million yen, a decrease of 12.9%.

With the COVID-19 crisis showing no sight of containment this fiscal year, the pulp and paper industry is experiencing unprecedented hardship since a state of emergency was declared in April 2020. In the graphic paper field, demand decreased for paper-media advertising, and also for printing and communication paper due to growing remote work arrangements. In the packaging paper field, there has been a sharp decline in demand for packaging paper for souvenirs, which had been sustained by inbound demand from foreign visitors. However, there are signs of recovery in demand as measures to deal with COVID-19 have begun to penetrate society and a series of economic measures have been taken by the government.

Important Points of the Second Medium-term Management Plan

COVID-19 is a major issue affecting all nations around the world, which has also brought a significant impact

on trends in the pulp and paper market and caused a dramatic decline in demand for printing and communication paper and other graphic paper. There is no prospect of an end to the spread of COVID-19. After the so-called “new normal” lifestyle takes root, conventional business models may become obsolete. Papermakers are shifting their production lines from paper to paperboard in a large scale across the world, and in Japan as well, shipment volume of paperboard began to exceed that of paper in 2020. To overcome these significant changes in the environment, we have identified the following three points as critical areas to focus on in the ongoing second medium-term management plan.

Firstly, we need to focus on global strategy. Initially, we planned to gradually increase our overseas sales ratio toward the goal year. However, in light of the impact of the rapid digitization and the declining birth-rate and aging population, we put an inorganic strategy to full operation last year, and expect the overseas sales ratio to approach 50% in the future. In order to lead the pulp and paper industry as one of the world’s leading paper distributors in the future, the whole Group needs to join forces to solve problems and challenges.

Secondly, we must focus on developing and commercializing closed-cycle services and biomass power plant operation support systems as part of our solutions business. Closed Recycle Service is a new service for ecom series of recycling systems promoted by the Group. Specifically, this system involves the integrated management of the recycling process in which we sell paperboard base paper to users, recover used paperboard boxes made from the base paper, and return the paperboard as recovered paper to papermaking companies to be used as raw materials. This is an initiative that can only be realized by a trading company with networks both upstream and downstream, and I am proud that it is also an exemplary case of practicing the concept of circular economy.

In the solutions business, we are also promoting the development and commercialization of a biomass power plant operation support system called BMecommo. This is an operation control system that deploys IoT and AI, and has been in full-scale operation since April 2020. We hope to expand our horizons not only in Japan but also to overseas markets including India and ASEAN countries where the biomass power generation business is being promoted.

Thirdly, we will focus on the pulp business. In the domestic sanitary paper field, demand is expected to rise in the “new normal” environment, and we will strengthen sales in this field mainly through stepping up sales to household papermaking companies. Also in emerging countries, the market for household and

sanitary paper including tissue paper, paper towels and diapers is expected to expand. In addition to providing paper for papermaking purposes, the industry is also promoting the development and commercialization of new materials such as cellulose nanofiber besides conventional rayon. With an eye on these domestic and overseas demands, the Group would like to find a path to thrive as a global supplier.

Restructuring of Domestic Business

In order to restructure our domestic business, it is essential for us to reduce the 3Ms (*Muri* (unreasonable), *Muda* (wasteful), *Mura* (uneven)) of existing businesses in Japan, and realize low-cost organizational operations with an efficient work style without overtime. Thereby, we shall provide valuable services in a shrinking market for paper for graphic applications and become competitive enough to expand our share. To this end, we launched the Operational Reform Project this year. At the same time, we are promoting logistic reforms spearheaded by our Logistics Strategy Office in order to improve the efficiency of logistics operations across the Company and to ensure that we fulfill our customers' needs in a timely manner.

Another point that we are focusing on is the establishment of a company-wide cross-sectional organization. Last year, we launched Green Biz Project. Under this project, all employees across the Group have been working to develop and distribute products that

help resolve the marine plastic pollution problem. We need to change our organizational structure so that we can leverage our nationwide network for functions such as logistics and purchasing by shifting our business structure from a vertical one, where businesses are conducted separately by division, to a cross-divisional organization. We intend to build an organization that can cater to a variety of customers by adapting to the needs of the world, not by vertical divisions but by horizontal lines. In addition, as one of the Group synergies, we are considering incorporating the package solutions business and visual communication business promoted by new Group companies Spicers and Antalis into the Japanese market to provide services with higher value.

Digital Transformation

These days, it is not an overstatement to say that digital transformation (DX) is the key to a company's success. The KPP Group has therefore developed the IT medium-term plan and is systematically promoting wider use of IT across the Group. To make a fresh start, we reviewed and restarted the building of the new core system, which is the foundation of our digital transformation. In order to connect the entire Group horizontally in the future and enable free and flexible use of data within the Group, we cannot do away with building this new core system. We are determined to get this done through the united efforts of



all Group employees. In preparation for the development of the new core system, we have significantly reinforced our IT division in recent years through ongoing recruitment of external candidates with expertise and assigning highly capable employees with field experience and insight to the division.

Role of Paper in Digital Society

As mentioned so far, the advent of a digital society has had both positive and negative effects on the pulp and paper industry. Printing and publishing papers belong to a product category that has suffered severe damage from the digitization of society, but no matter how much IT adoption and diffusion will progress in the future, printing and publishing papers will never cease to exist. Recently, advances in digital technology have made it extremely easy for people to create and diffuse fake news. Conversely, facts may be concealed by others as the inconvenient truth through control of the Internet. Under these circumstances, I believe that the role played by paper-based media will become increasingly more critical.

In addition, flyers and publications have continued to decline due to the impact of digitization. Recently, however, cross-media marketing, which maximizes the effect of advertising by combining multiple media such as paper and digital media, has become the mainstream, and this trend has made the public realize the importance of paper media once again.

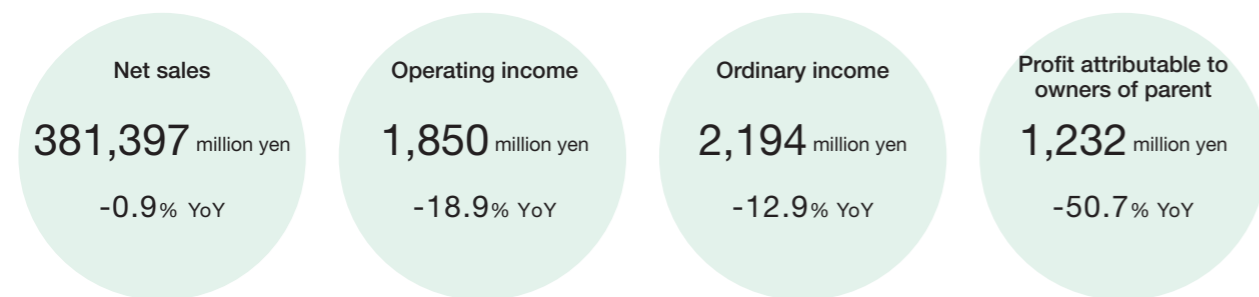
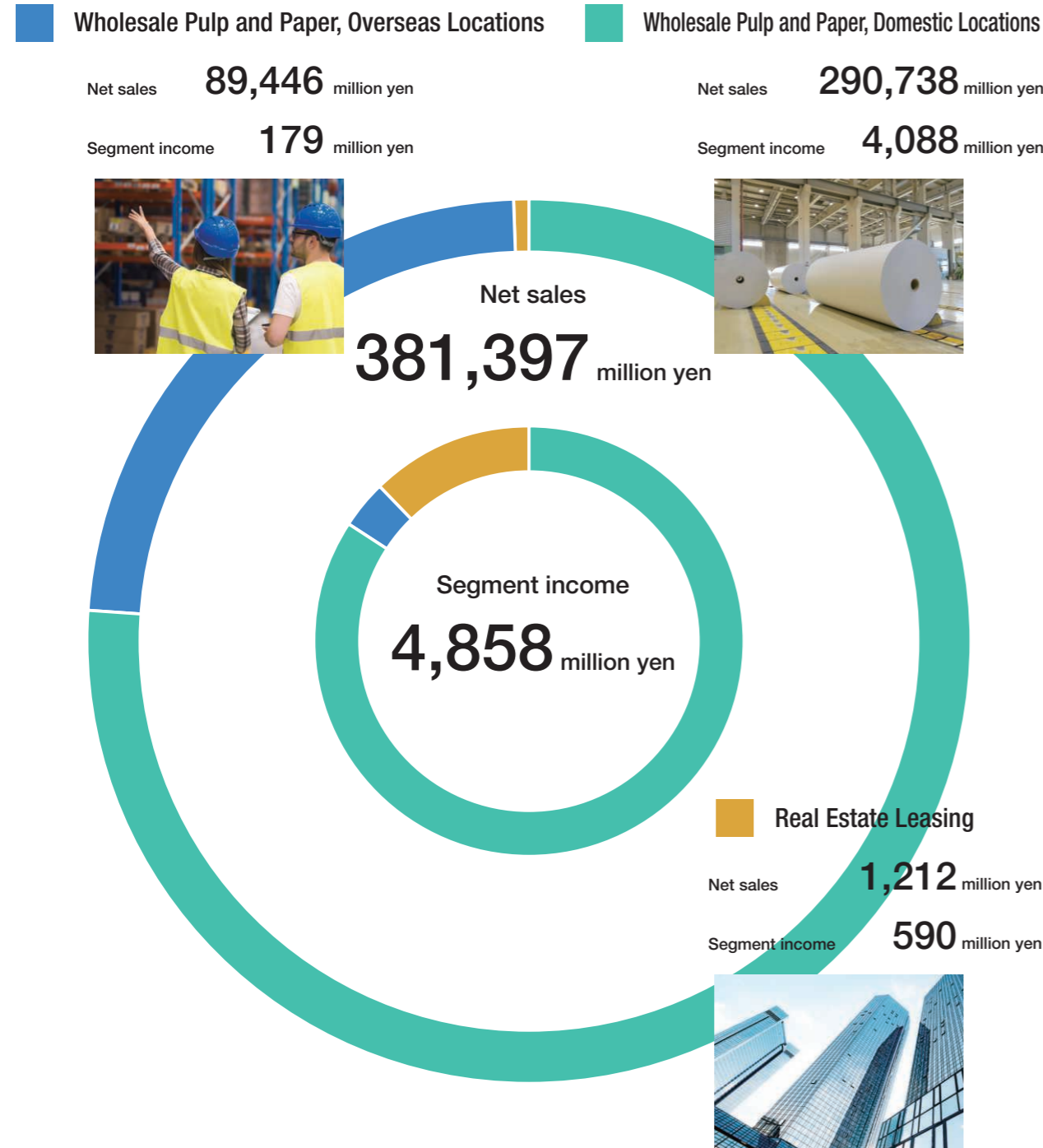
Cross-media marketing uses traditional media such as magazines, newspapers, flyers, television, and radio, as well as social media such as Twitter and Facebook. Experiments targeting companies also show that including paper-based direct mails makes a marketing campaign more effective than the one only using email and other digital means. The symbiotic relationship between analog media such as paper and digital media may become stronger in the future.

To Our Stakeholders

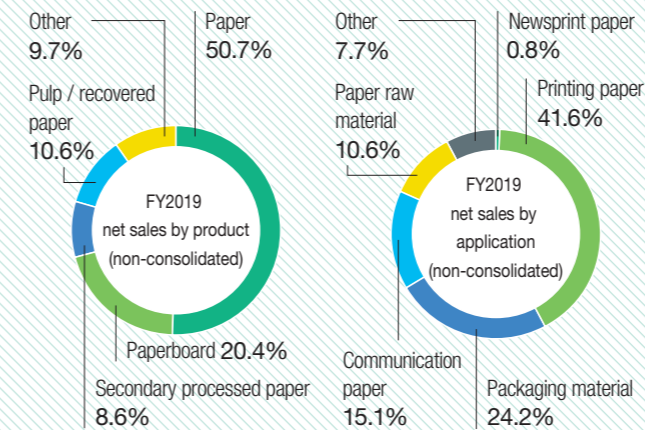
In Japan, over 60% of paper is made using recovered paper as raw material, and the rest are mainly from planted forests and thinned timber. Therefore, the paper industry in Japan is regarded as a role model in recycling. The Group is committed to be a provider of value to society by establishing a recycling system for materials centered on paper resources. As expressed in our management philosophy, we will keep striving to meet societal demands by contributing to the realization of a recycling-oriented society and promoting education, culture, and industry. In closing, I appreciate the continued support of our shareholders, investors and all of our other valued stakeholders.

Consolidated Financial Data

Results Breakdown by Segment (FY2019)

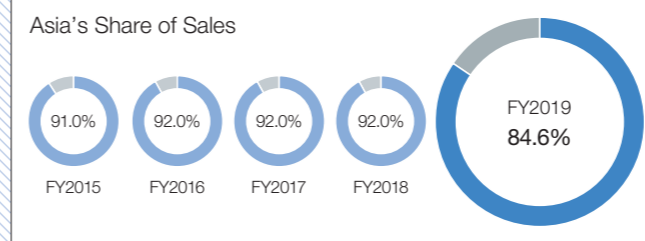
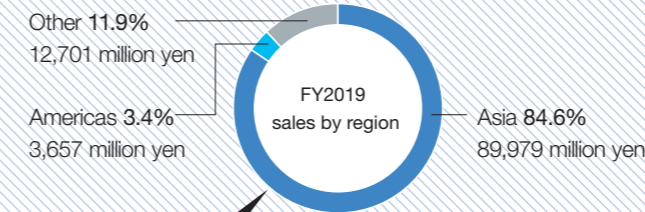


Wholesale Pulp and Paper, Domestic Locations



Paper	Net sales shrank year on year due to the contraction of the newsprint and publishing paper markets caused by the growing use of paper-free information delivery through the spread of electronic media, acceleration in a move away from paper-based media such as flyers and brochures, and a decline in exports. Net sales 147,106 million yen (-2.0% YoY)
Paperboard	Although domestic sales of products such as containerboard for beverage packaging materials were robust, net sales fell year on year due to a decline in exports to Asian countries caused by the trade friction between the U.S. and China as well as weak sales of white paperboard mainly used for confectionary gift boxes. Net sales 59,250 million yen (-0.9% YoY)
Secondary processed paper	Despite the larger sales of thermal paper and non-carbon paper, net sales declined due to the smaller sales of inkjet paper, other secondary processed communication paper, and paper for labels and stickers. Net sales 24,807 million yen (-0.8% YoY)
Pulp / recovered paper	Net sales of recovered paper fell year on year due to weak exports caused by the declining demand in China, combined with the stagnant market and inventory adjustments in China. Net sales of pulp also declined year on year due to a fall in market prices from the high price range that preceded. Net sales 30,723 million yen (-30.4% YoY)
Other	Net sales decreased due to smaller sales of packaging products, although net sales of biomass material grew thanks to a biomass power generation business the KPP Group invests in. Net sales 28,180 million yen (-15.4% YoY)

Wholesale Pulp and Paper, Overseas Locations



Asia	Net sales in Southeast Asia decreased year on year due to factors such as the stagnant market, declining demand, and smaller sales volume caused by our move to narrow down buyers. In East Asia, net sales grew year on year thanks to an increase in sales of coated paper and paperboard in Hong Kong and an increase in exports of containerboard. Net sales in China grew slightly year on year due to a significant increase in the sales volume of uncoated woodfree paper and coated paper, although the Chinese market continued softening from the second half of the previous year as a result of the U.S.-China trade friction.
Americas	In the U.S., although exports of containerboard were weak, sales of imported coated paper were robust. Combined with the export of recovered paper that we began during this period, net sales overall rose year on year.
Other	In other areas of the world, both sales volume and net sales increased considerably year on year in Australia following the acquisition of Spicers Limited.

Real Estate Leasing

In the office building market of major cities throughout Japan, the demand for office space in the existing buildings remained strong thanks to relocations to larger offices and increases in floor space within the same buildings. In addition, many new buildings enjoyed a high occupancy rate. As a result, the average vacancy rate remained low, reinforcing the upward trend of rents.

Under these circumstances, the KPP Group maintained high occupancy rates including in its mainstay KPP Yaesu Building, and increased rent income by revising rent and taking other measures.



Masatoshi Ikeda

Director of the Board
Managing Executive Officer
Head of the National Sales Headquarters

In the fiscal year ended March 31, 2020, net sales in the wholesale pulp and paper, domestic locations reached 290,738 million yen (down 6.9% year on year) and segment income came to 4,088 million yen (down 10.5% year on year). There is a growing trend in the pulp and paper industry in Japan, wherein paper demand is shifting from graphic paper, used for newspaper and commercial printing, to packaging paper. In the ongoing second medium-term management plan, we are working on strengthening the earnings structure of the paper and paperboard business from both sides of the business spectrum: reducing negative effects by streamlining business processes and logistics and increasing positive effects through developing high value added products by demonstrating the power of *imagination and creativity**. The Green Biz Project, a companywide project for development and distribution of products that contribute to the solution of the marine plastic pollution problem, is starting to produce results, such as the paper-based clear folder, one of its first products to be commercialized. While the field of paper raw material depends on market conditions to a certain extent, we will continue to increase the handling of recovered pulp and paper, and further expand the totally recycling-oriented business model. The solutions business has added ecomo Closed Recycle Service and BMecomo to the Group's ecomo series*. We will continue to proactively work on solving environmental and social issues so as to protect the global environment while striving to enrich peoples' lives and leave no one behind.

**Imagination and creativity*: A phrase coined by the KPP Group. It refers to the power of turning business opportunities surrounding paper and its peripheral materials into reality using wisdom and originality to create and unlock the future.
**ecom series*: The solution the Group developed that started from recovering paper through Town ecomo and Office ecomo.

Basic Policies for Domestic Business

1 Promoting Organic Growth

- Growth through internal management resources
- Strengthen earnings structures of the paper and paperboard wholesale business and recovered pulp and paper sales business.

2 Strengthening the Recycling-Oriented business

- Expand the paper raw material business (through diversifying pulp products and promoting recovered paper recycling business)

3 Expand Sales of Environmentally Friendly Products

- Develop and sell environmentally friendly materials and products

4 Expand the Solutions Business

- Expand biomass power plant operation support systems

Domestic Topics

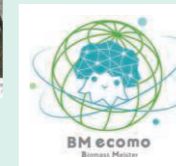
Material Recycling

ecom Closed Recycle Service

Forms of closed recycling depend on the customer's business content, business format and needs. As a professional in paper distribution, the Group provides customized solutions including proposals and development of recycling schemes that are sustainable, rational and feasible, based on a thorough understanding of our customers' businesses, products, services, and requirements.

ecom Closed Recycle Service
エコモ クローズドリサイクルサービス

Thermal Recycling



BMecomo

In addition to solar power, wind power and geothermal power, biomass power generation has become widely recognized as a method of generating electricity from renewable energy. The KPP Group offers an operation support system aimed to help operation control, facilities management and business administration of biomass power plants by utilizing advanced technologies such as AI and IoT.

Green Biz Project

Marine pollution from plastic waste has become a major problem worldwide. In Japan, however, more and more companies are now using paper straws and paper bags in place of plastic ones, particularly in the retail and restaurant industries, helping accelerate moves to reduce environmental impact. At the Group, a company-wide team mainly comprising younger employees launched Green Biz Project to help resolve the marine plastic pollution problem. The team is working to develop and distribute alternative materials and products that consider various viewpoints such as promotion of paper solutions, reduction of plastic use and introduction of bio plastics.

Operational Reform Project

To become a company that is highly competitive and capable of sustainable growth in the global environment, we need to reduce 3Ms of *Muri* (unreasonable), *Muda* (wasteful), *Mura* (uneven) in our businesses in Japan, and realize low-cost organizational operations through efficient work practices. To this end, we launched the Operational Reform Project this year, and as its first stage, we are working on tasks such as examining the Group's existing work processes and promoting an even distribution of workload.

What is ecomo?

ecom is an exemplary initiative under the Group's totally recycling-oriented business model. ecomo means "eco" and "to bring" (*mottekuru* in Japanese) and expresses the idea of "eco + model (in other words, a new eco model)".



Makoto Ikuta

Director of the Board
Managing Executive Officer
Head of the Global Business Headquarters

In the fiscal year ended March 31, 2020, net sales in the wholesale pulp and paper, overseas locations came to 89,446 million yen (up 25.1% year on year) and segment income was 179 million yen (up 495.0% year on year). While our structural reforms of the overseas business have started bearing fruit in the fiscal year ended March 31, 2019, and made it possible for the segment to record profits, Spicers Limited, which joined the Group in 2019, significantly contributed to earnings in the fiscal year ended March 31, 2020. In the second medium-term management plan, which is in its second year, in addition to Spicers, we will expand globally together with Antalis S.A., a new Group member. Both Spicers and Antalis have strengths in the inventory-carrying business, package solutions, and visual communication fields. Based on these strengths, we aim to develop businesses with higher added value by leveraging our sales network that covers about 60 countries around the world. The inorganic strategy brought about significant qualitative and quantitative changes to our Group's overseas businesses. In the future, we would like to revitalize the business between overseas-based locations, shifting from trade business of exporting from Japan. In addition to this, we will turn our business model into the one focused on direct sales to fields further downstream.

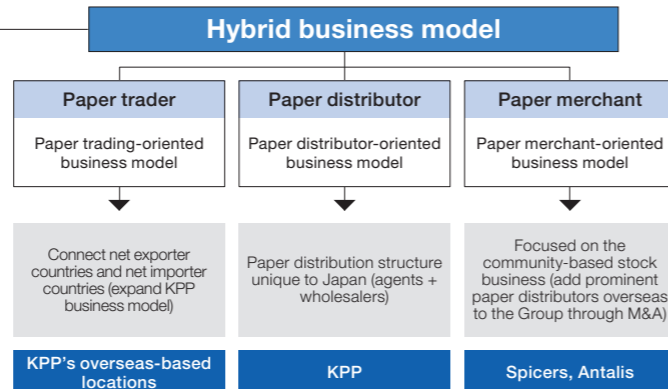
Basic Policies for the Overseas Business

1 Promoting Inorganic Growth

- Expand business domains through acquisition of external management resources
- Acquire paper wholesalers overseas (Spicers Limited of Australia, Antalis S.A. of France, etc.)

2 Expand by Leveraging Our Global Network

- Deployment of hybrid business model



Overseas Topics

In Focus | Messages from Group Companies

Spicers (Joined the KPP Group in 2019)



A year after joining the KPP group, here's another message from David Martin CEO and Director.

Q1. Looking back on the year since joining the KPP Group

A: Spicers and KPP have worked closely in defining the opportunities for our profitable growth together, and the progress has been strong. Our acquisition and integration of Direct Paper in March, 2020 has been very successful, helping deliver a profit in a very challenging year. We have similar opportunities planned to ensure the strong growth of our business.

Q2. About synergistic effect with KPP

A: The synergies of supply potential and new products to market is where most synergies can be felt. Spicers making the most of supply and growth alternatives has been especially beneficial. DaiEi operating from the same office has also provided a synergy for the group on costs.

Q3. About future development

A: We are investing further in Sign & Display, Packaging and Food Services segments and we can see the mix of our business shifting quickly towards products we did not have in our range 2 years ago. We all need to be dynamic in a changing market and searching for new sectors to serve, and new products to deliver, must be our focus for us to prosper into the future.



David Martin
CEO and Director
Spicers Limited



Antalis (Joined the KPP Group in 2020)

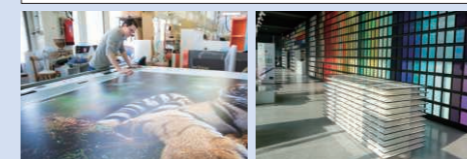
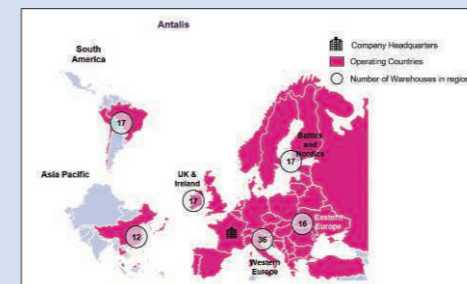


Antalis S.A. was founded in 2000 through the merger and spin-off of 40 distributors specializing in paper and visual communication affiliated with the papermaking company, Arjowiggins Group.

Today, Antalis is a leading paper distributor that offers packaging and visual communication solutions in 39 countries in Europe, South America and Asia. The strengths of our company lie in its wide and diverse range of products and solutions, having many experts who have vast knowledge of customization and their specialized fields as our employees, and offering advanced and innovative logistics services through 117 distribution centers throughout the world.



Hervé Poncin
Chief Executive Officer
Antalis S.A.

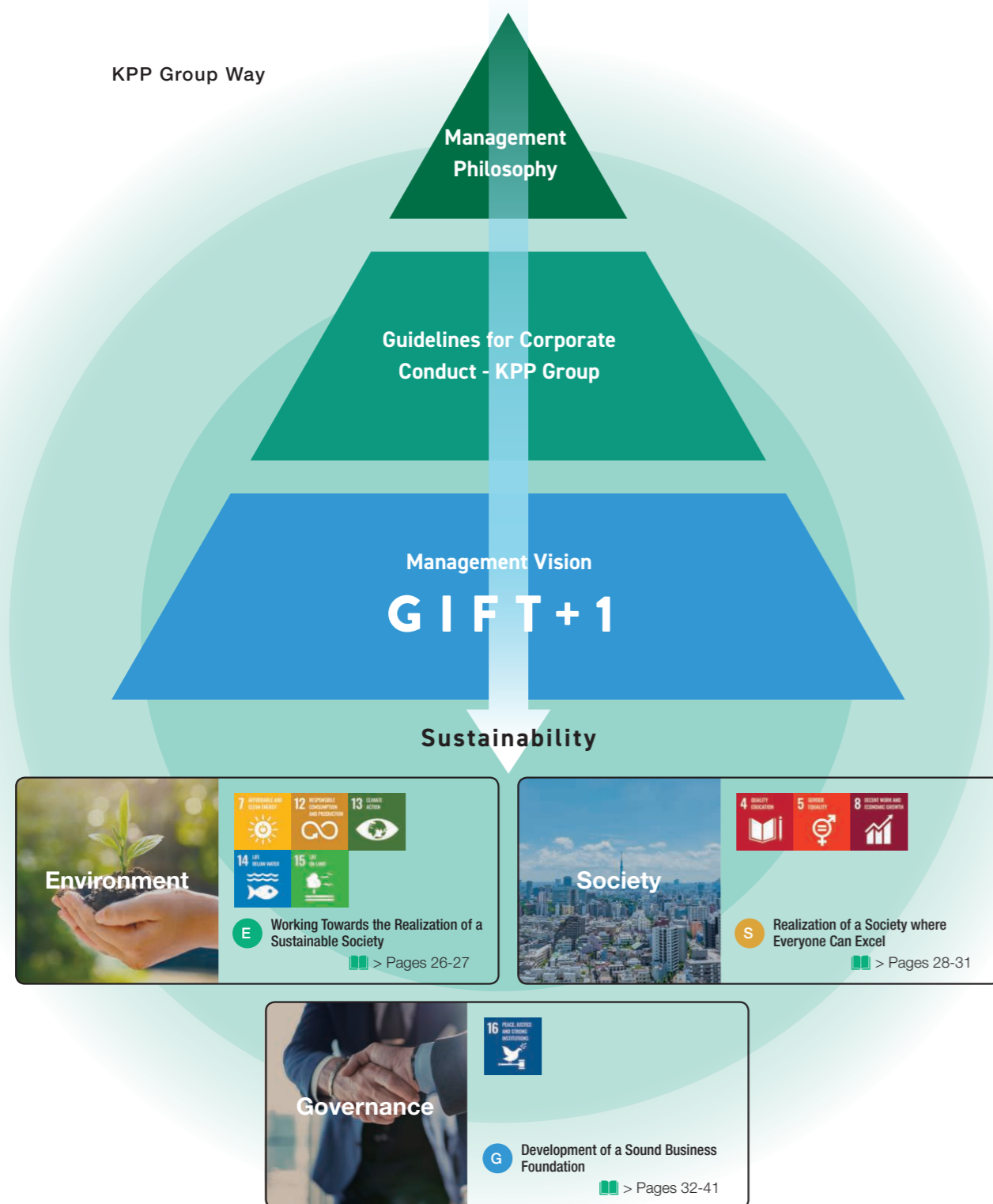


For instance, our six packaging design centers offer more than 10,000 tailor-made packaging solutions per year, with a quick turnaround, by conducting research and design processes utilizing 2D and 3D software.

Joining the KPP Group is an important strategic step for us. Taking this step will allow us to strengthen our company's profitability through synergetic effects of businesses between the two companies in the future even during the global economic crisis caused by the recent COVID-19 pandemic. As a member of the KPP Group, we will create more new value than competitors on both sales and purchase fronts.

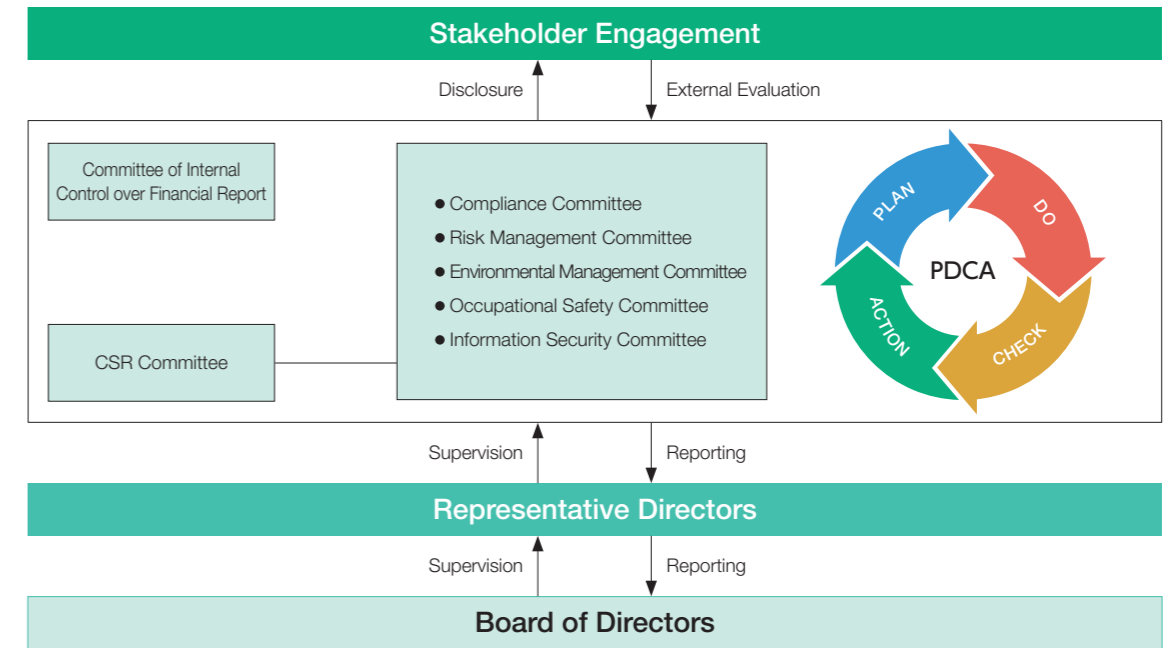
*Information as of July 31, 2020

Of the three layers of the KPP Group Way comprising the Management Philosophy, the Guidelines for Corporate Conduct, and the Management Vision, we have set sustainable growth as a goal of the Management Philosophy. The Guidelines for Corporate Conduct requires compliance with laws and regulations and the Management Vision includes elements that underpin sustainability management such as Trust and “+ 1” for Environment. While ESG investments have gained traction in recent years, the KPP Group has long been placing emphasis on corporate social responsibility (CSR) and incorporating the concept of sustainability such as the sustainability of the environment and society. As we are moving into an era where solving social problems will directly lead to a company’s growth, the KPP Group will continue its efforts to achieve the goals of Working Towards the Realization of a Sustainable Society, Realizing a Society where Everyone Can Excel, and Developing a Sound Business Foundation based on the KPP Group Way.



Based on our management philosophy of achieving a recycling-oriented society, the KPP Group strives to improve our corporate value by helping resolve social issues through our business activities such as material recycling and thermal recycling to work towards the realization of a sustainable society. To maintain sustainable business activities, the CSR Committee establishes tasks themed environment, society, governance, and other issues, to turn the PDCA cycle and address them.

Framework to Promote Sustainability



CSR Committee

Name of committee	Task
Compliance Committee	<ul style="list-style-type: none"> Continue efforts to raise compliance awareness among employees and provision of other educational activities including at subsidiaries and affiliates Further promote the understanding of internal and external whistleblowing systems
Risk Management Committee	<ul style="list-style-type: none"> Identify, analyze and evaluate risks Maintain and continue company-wide BCP
Environmental Management Committee	<ul style="list-style-type: none"> Set environmental targets that consider external challenges such as SDGs and identify the Group's contributions to sustainability
Occupational Safety Committee	<ul style="list-style-type: none"> Manage Safety and Health Committees at each branch Manage labor and safety at domestic subsidiaries and affiliates
Information Security Committee*	<ul style="list-style-type: none"> Enhance IT governance of the entire Group and take measures to mitigate IT risks Comprehend the situation of IT risks in each Group company and take actions to address the identified issues that require urgent response Establish, maintain, and manage a communication structure to be used upon the occurrence of incidents Conduct activities to increase employees' security awareness

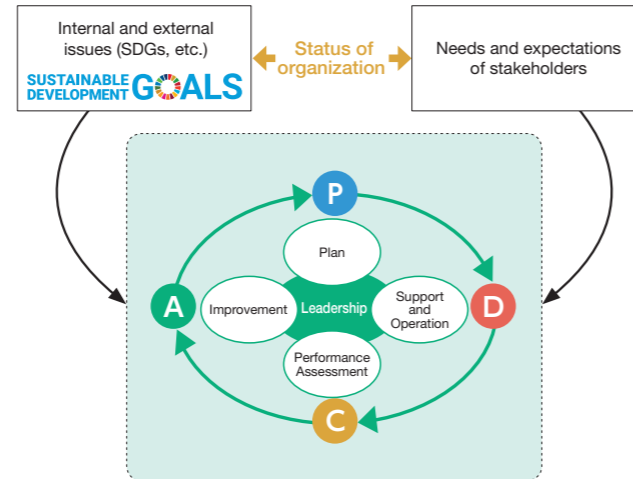
*The Information Security Committee was a subcommittee of the Risk Management Committee till fiscal 2019, but it became an independent committee in fiscal 2020.

Stakeholder Engagement

Stakeholders	Examples of measures taken
All stakeholders	Issuance of Integrated Reports, corporate brochures, and public relations magazines and information dissemination through the corporate website
Customers	Solving customers' challenges and problems through daily sales activities, conducting product briefings, offering samples, holding and participating in exhibitions, and production and distribution of product catalogues
Suppliers	Performing fair business transactions in procurement activities, strengthening collaboration through regular information exchange, holding business meetings, holding and participating in exhibitions, and conducting plant tours
Community	Holding community events, making donations upon the occurrence of disasters, sponsoring forest conservation activities, offering environment classes, sponsoring the World Food Programme (WFP), and supporting art activities
Employees	Distribution of messages from top management, offering various human resources development programs, providing health counselling sessions by industrial physicians, issuance of internal newsletters, providing a whistleblowing system, conducting surveys of all Group employees, and providing feedback on them
Shareholders and investors	General shareholders' meetings, financial results briefings, issuance of annual reports and interim reports, and disseminating information within the IR site of the corporate website

Management Approach

As an initiative dubbed Green KPP, the KPP Group promotes a totally recycling-oriented business model to build a sustainable society and strives to develop and distribute products that will help solve the marine plastic pollution problem across the board. We implement all activities for reducing our environmental impact under the PDCA cycle based on the environmental management system (EMS) created pursuant to ISO 14001. Furthermore, we have included SDGs and other issues as external challenges from this fiscal year and are striving to make improvement through the EMS.



Environmental Philosophy and Environmental Policy

As shown in our management philosophy, the KPP Group aims to achieve a recycling-oriented society and strives to reduce environmental impact through its business activities. In creating an environmental management system based on ISO 14001, we have established and shared Group-wide the following environmental philosophy and environmental policy.

Environmental Philosophy

Recognizing that sound conservation of the earth's environment is a noble challenge related to the very existence of mankind in future generations, we commit to making maximum efforts to realize sustainable development through symbiosis and harmony with the natural environment. Each of the employees shares the obligation imposed on him or her and pledges to actively take part in the conservation of the earth's environment as a good corporate citizen under the effective organization and management system of the Company.

Environmental Policy

As a paper distributor, we contribute to the conservation of resources and to constructing a resource recycling society based on the following acts by reducing the environmental load through its sales activities in machine-made paper, paperboard, raw materials for papermaking and commodities related to paper.

- 1 Always recognizing the environmental aspect related to our business activities, commodities sold and services provided, we build an environmental management system and strive to continuously improve the system and to prevent environmental pollution.
- 2 We comply with the environmental laws and regulations and other requirements agreed to by the Company.
- 3 Among the environmental aspects related to our activities, commodities and services, we undertake our business activities setting the following items as priority matters in environmental management. These items will be reviewed periodically in accordance with changes in the situation.
 - 1) Promotion of paper recycling business to paper recycling, promotion of sales of eco-friendly paper and proposal-type sales activities of a proposal type promoting eco-friendly commodities,
 - 2) Curtailment of all resources consumed in business activities and reduction in energy consumption,
 - 3) Active participation in reduction, source segregation and recycling of waste emitted by offices, and
 - 4) Promotion of green procurement for a contribution to resource conservation.
- 4 In order to accomplish this environmental policy, we enlighten and educate all of our employees and persons working at the Company, promoting environmental management as a companywide task.

Established: December 1, 2001, Revised: June 1, 2019 Kokusai Pulp & Paper Co., Ltd. Director of the Board, President & Executive Officer **Tadashi Kurihara**,

<https://www.kppc.co.jp/en/csr/action/PhilosophyPolicy.html>

Acquisition of ISO 14001 Certification

Introduction of Environmental Management System

We have constructed an environmental management system (EMS) in accordance with international standard ISO 14001 in order to fulfill its duty of compliance with environment-related laws and regulations and improve the environmental performance of the Group's business activities. We routinely evaluate our business and environmental activity results, establish environmental targets that incorporate external challenges such as SDGs and ESG, and continue efforts to achieve them.

Scope of application of certification, etc.

- Acquired on June 26, 2002 ● Valid until June 26, 2023
- Registration number: JP18/071544 ● Audit organization: SGS Japan Inc.
- Scope of application: Sales of paper, pulp, recovered paper, films, the materials and related machinery.
- Locations under the scope of application: Tokyo Head Office, Kansai Branch, Kyoto Sales Dept. of Kansai Branch, Chubu Branch, Kyushu Branch, Sendai Sales Dept. of Kita Nihon Branch, and Sapporo Sales Dept. of Kita Nihon Branch

Results for fiscal 2019

Electricity usage upon taking various power saving measures **89.6%** / year on year

Weight of environmentally friendly paper (selected by KPP) sold **111.1%** / year on year

Undergoing ISO 14001 certification examination and retaining approval

Contributing to Sustainable Forest Management

Along with increasing environmental awareness comes greater demand for forest-certified paper produced from properly managed forests. Forest certification systems are a kind of environmental labelling system whereby a certification label is attached to timber and other wood products produced from properly managed forests in order to manage them appropriately in all stages of production, processing, and distribution and to promote the sustainable use and preservation of forests. These labels are now often seen in our daily lives. We have acquired from the Forest Stewardship Council® (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) the Chain-of-Custody (CoC) certifications which certify that we identify and separately manage forest-certified paper from other paper during the processing and distribution stages.



Results for fiscal 2019

Forest-certified paper (a total of FSC and PEFC) **106.8%** / year on year

Forest-certified pulp (a total of FSC and PEFC) **98.0%** / year on year

Undergoing CoC certification (FSC and PEFC) retention examination and retaining approval

Initiatives to Reduce Environmental Impact

The 7th KPP General Exhibition

We held an exhibition under the theme, "For Building a Sustainable Society," over three days from November 11 to 13, 2019. The exhibition was held on the first and second floors of the head office building and showcased paper solutions, products with reduced plastic use, biodegradable plastics, material recycling, thermal recycling, and Green Products, among others. In addition to the exhibits, a lecture was held by Mr. C.W. Nicol on his forest rehabilitation activities. The exhibits in the first-floor entrance hall featured the activities of the C.W. Nicol Afan Woodland Trust founded by Mr. Nicol together with the KPP Group's approach and initiatives to realize a recycling-oriented society. A total of approximately 800 people visited the exhibition over the three days.



The main exhibition venue utilizing a conference room
Despite some rain in the three days, the number of visitors was the highest ever.

Part of the exhibits
With the help of many of our suppliers, we also exhibited products under development. The comments from visitors at the exhibition booth will be utilized in improving the products.

Promotion of Green Biz Project



A meeting in progress

The members regularly report their activities, introduce new products and materials, and evaluate them in the meetings.

An example of the Project's products

We use lots of clear paper folders at office. A special paper processing method allowed us to cut the use of plastic by about 70%.

Cross-divisional meetings started mainly by young employees to help address the marine plastic pollution problem was formally launched as the Green Biz Project with an increased number of participants and participating divisions. Members of the Project exchange opinions actively from various perspectives about topics such as the development and distribution of new products and materials and the building of new business models. The Project's achievement is growing including the market launch of a paper-based clear folder jointly developed with a major stationery maker in the first year of the Project. The Project is set to expand its activities by making full use of the KPP Group's sales, procurement, and processing networks.

Participation in Environmental Groups

Joined the Japan Clean Ocean Material Alliance (CLOMA) in January 2019



Participated in the Plastics Smart Forum in April 2019



Management Approach

The KPP Group considers that employees are the most important asset of a trading company and that an environment which lets them fully unleash their potential provides the very foundation for sustainable growth. The Human Resources Committee comprising our top executives investigates, proposes, and makes decisions on matters related to our organization and human resources in order to develop transparent hiring and performance evaluation systems. Further, the Occupational Safety Committee focuses on improving the workplace environment based on the Guidelines for Corporate Conduct to enable all our employees to work safely with peace of mind. In addition, our human resources division regularly conducts employee satisfaction surveys and utilizes the survey results to create a fulfilling workplace environment.

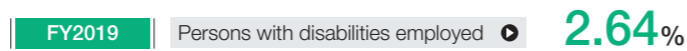


Promoting Diversity

Under its Diversity Promotion Policies, the Group respects the gender, age, nationality, race, ethnicity, religion, and social status of each employee, and has established a system that enables all employees to play active roles in their workplaces.

Diversity Promotion Policies

- 1 Improvement of the Work-Life Balance**
We will develop an environment in which employees can continue working while achieving a sound balance between work and personal life including childrearing and nursing care, enabling them to take on the challenges of more difficult assignments.
- 2 Promotion of Diversity**
We will offer opportunities to all employees, irrespective of gender, age, position, disability, and nationality, for ability development through which they can proactively take on challenges so that we can build a work environment that allows all employees to fully exert their skills and abilities.
- 3 Diversification of Hiring Practices**
We will continue our initiatives for promoting female employees to executive positions and hiring foreign students as well as mid-career candidates to further diversify human resources in an effort to improve the value of our Company as a global corporation.



Following the previous period (from fiscal 2016 to 2018), we will continue to work on developing a workplace environment where women play active roles, and strive to raise the number of women on the main career track and in managerial positions.

Plan of Action for Promoting Women's Career Advancement
Plan period: From April 1, 2019 to March 31, 2022
The Company's task: Because of the low percentage of women on the main career track, there is a low percentage of women in managerial positions.

- Target 1** Maintain the ratio of new female graduates hired for the main career track at 20% or more.
- Target 2** Increase the ratio of women on the main career track to over 11%.
- Initiative 1** Showcase the Company widely to job-seeking students using video and website developed for them.
- Initiative 2** Prevent mismatch by having candidates understand the details of our Company's businesses and operations at briefings and interviews.
- Initiative 3** Promote the use of career-track change system.
- Initiative 4** Interview female employees on the main career track to allow them to share their career development visions with the Company.



Development of an Employee-Friendly Work Environment

Enhancement of Measures Including Childcare Leave

We strive to develop an environment in which employees can work without worries while striking a good work-life balance by offering programs that allow our employees to choose different work styles that suit their individual circumstances and needs, including those for leave of absence and shorter working hours for childcare or nursing care. Moreover, in an effort to support the asset formation and lifestyle of each of its employees, the Company maintains various asset formation systems, a stock ownership plan, and recreational facilities. To address the practice of long work hours (overtime), an issue that must be resolved from the viewpoints of productivity improvement and health care management, we focus on managing

and improving work hours appropriately by grasping the actual status of overtime work carried out by our employees and ensuring the implementation of No Overtime Day once or twice a week. Through these measures, we aim to review work contents and identify problems for further improvement in management and help enhance employees' life satisfaction further. We also offer a certain number of days of special paid leaves to employees who have been working for the Company for a certain number of years as an opportunity for refreshing the mind and body and maintenance and enhancement of health as well as for self-development and boosting the morale.

Strengthening of Health Management

We offer annual health checkups for all employees so that they can continue working in good mental and physical conditions. For employees who are 30 years old and above, we offer health checkups for lifestyle-related diseases and offer advice on healthcare based on their test results. As part of our initiatives for employees' health, we also hold mental health courses for employees, and the Company's industrial physicians tour the head office once a month to ask the employees' about their health status in a system to prevent issues before they occur.

General Employers Action Plan
Plan period: From April 1, 2020 to March 31, 2023
Details of the Plan:

- Target 1** Carry out awareness-raising activities and education for realizing work-life balance for each employee
- Target 2** Develop an environment where employees can embrace diverse work styles and fully demonstrate their abilities
- Target 3** Promote work style reforms to maintain and improve organizational productivity

FY2019 Ratio of employees who return to work after taking childcare leave **100%**
Number of childcare shortened work-hour system users **110%** / year on year

Held the Family Day (office tours for family members). Explained to children what kind of company KPP is by using illustrations. Children then made handmade postcards.

Human Resource Development

Fair Evaluation and Personnel Systems

Each one of our employees contribute to the creation of a vibrant corporate culture. We believe that it is important to build a system which encourages all employees to work with motivation and allows them to contribute to the sustainable development of the Company. To this end, we have introduced a system to fairly evaluate employees who have produced results by optimally utilizing their abilities and skills. To boost employees' motivation while transforming their awareness and actions, the system provides them with accurate feedback to increase transparency, fairness, and satisfaction of evaluation and offers opportunities not only for the pursuit of achievement but also improvement in both individual abilities and corporate activities.

Education and Training System for Human Resource Development

Based on the idea that corporate power boils down to the comprehensive strength of the frontline, we have introduced e-learning programs to support employees' self-development to maximize individual capability and draw out the ability to flexibly respond to new economic situations and business environments. Our aim in human resource development is to allow individual employees to demonstrate their potential to the maximum so that all employees propel corporate activities on their own initiative. Personnel development starts with new employee training and encourages employees' autonomous growth through education corresponding to each step such as on-the-job training in the frontline and training by rank. We also encourage employees to participate in training for improving their specialized skills.



New employee training (2019)

Main training programs and briefings in FY2019

- New employee training
- Insider trading prevention training
- Whistleblowing system training
- General compliance training
- Information security training
- Promotion evaluation briefing

Basic Approach

The KPP Group proactively engages in local community-based activities to fulfill its role as a good corporate citizen. Based on the Group's Guidelines for Corporate Conduct, we will strive to return profit to society through our corporate activities and widely contribute to the development of community and society.

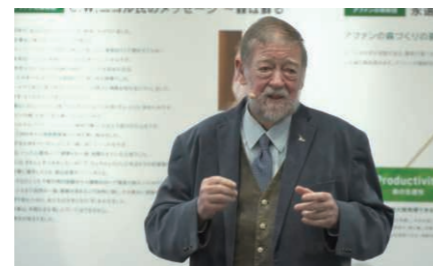
Item	Activities	Expected impact
Protect nature	<ul style="list-style-type: none"> • Cosponsoring activities of the C.W. Nicol Afan Woodland Trust 	<ul style="list-style-type: none"> • Forest and river restoration, protection of ecosystem
	<ul style="list-style-type: none"> • Participation in a Rooftop Greening Project in Ginza 	<ul style="list-style-type: none"> • Contribution to improvement of urban environment through greening of rooftop
Promote sports Develop human resources	<ul style="list-style-type: none"> • Cosponsoring activities of the Japan Rugby Football Union 	<ul style="list-style-type: none"> • Contribution to the development of a healthy and vibrant society through promoting sports
	<ul style="list-style-type: none"> • Cosponsoring activities of the Environment Athletes Organization 	<ul style="list-style-type: none"> • Teaching children about the importance of natural environment through sports
Develop human resources	<ul style="list-style-type: none"> • Exchange with local children (visiting Sendai Tanabata Festival, Halloween event) 	<ul style="list-style-type: none"> • Creation of opportunities for local children to learn and experience
	<ul style="list-style-type: none"> • Papermaking class at Miyanomori Elementary School, Higashi-Matsushima City 	<ul style="list-style-type: none"> • Creation of opportunities for local children to learn and experience
Culture, art, tradition	<ul style="list-style-type: none"> • TSUNAGU GALLERY exhibition 	<ul style="list-style-type: none"> • Understanding and handing down of culture and tradition primarily related to paper
Contribution to local communities	<ul style="list-style-type: none"> • Donations for natural disasters 	<ul style="list-style-type: none"> • Restoration and reconstruction of local communities

Activities

Support for the C.W. Nicol Afan Woodland Trust



Since 2015, the KPP Group has been supporting the C.W. Nicol Afan Woodland Trust. It is an organization focused on facilitating people's understanding of the intrinsic roles of forests through activities to conserve forests, which are the main resource of paper. The Trust also protects and nurtures healthy forests which is the habitat for various forms of life, and promotes research and restoration of *satoyama*, a symbiosis model of humans and nature. The 7th KPP General Exhibition featured a lecture by Mr. C.W. Nicol, who passed away in April 2020, and introduced the activities of the Trust to many visitors.



Cosponsoring the Environment Athletes Organization



The Organization dispatches athletes to elementary schools in each area to provide extracurricular lessons about the importance of clean water, air, and the earth while enjoying sports. In fiscal 2019, the athletes held baseball and running classes for school children of an elementary school in Chuo-ku, Tokyo, where the KPP Group's head office is located. At the environmental classes that followed, the children learned that an environment blessed with clean air and water is indispensable for playing sports. The KPP Group cosponsors the activities of the Organization in support of their concept of offering environmental education and realizing social contribution through sport.

Working with local kindergartens



Every year, KPP subsidiary Narumiya Kami-shoji Co., Ltd. which produces Sendai's Tanabata decorations, displays them at the entrance of our head office as an opportunity for local residents to actually see its activities.

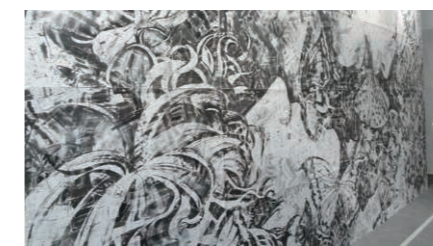
In 2019, children of the local Pocket Land Akashicho Nursery School and the Akashi Kindergarten again visited our head office and enjoyed viewing the Tanabata bamboo decorations, wrote their wishes on the *tanzaku* papers and tied them to the bamboo trees. During Halloween, kindergarten children in costumes visited our office and our employees treated them to Halloween candy. These are some of the increasing opportunities for exchange.



Papermaking class at Miyanomori Elementary School, Higashi-Matsushima City



The Group endorses the Great East Japan Earthquake reconstruction project promoted by the C.W. Nicol Afan Woodland Trust. As part of this, we support the cultivation and harvesting of raw materials for Japanese paper and Japanese papermaking lessons at the Miyanomori Elementary School. In 2020, the Group once again invited Mr. Rogier Uitenboogaart, an artist of Japanese handmade paper with ties to the Trust, as a lecturer of the Japanese papermaking workshop. The students collected *kozo* (paper mulberry) and *mitsumata* (Oriental paper bush) planted in the forest at the back of the school building and used them as raw materials for the Japanese paper along with plants and seaweed of Higashi-Matsushima. Through the experience of making their original Japanese paper, students familiarized themselves with traditional Japanese paper and learned about their own living environment. The Group received a letter of gratitude from Miyanomori Elementary School for the educational activity.



TSUNAGU GALLERY



At the entrance on the first floor of our head office, works of art and paper products featured in our public relations magazine *TSUNAGU* are displayed, providing a space for communication that visiting business partners and local residents can freely enjoy. In its 10th installation, we exhibited Receipt Art by modern artist Mr. VIKI. Receipt Art is a work of drawings on receipts that makes use of the characteristic of thermal paper that turns black when heated. The 11th installation featured paper textile works by artist Ms. Naoko Senoo. Paper textile is fabric woven using yarn spun from Japanese paper. The textile has the warmth inherent to natural materials.

Haruyoshi Asada

Director of the Board
Managing Executive Officer
Head of Corporate Administration Headquarters

2020 Director of the Board
Managing Executive Officer (to present)

Makoto Ikuta

Director of the Board
Managing Executive Officer
Head of the Global Business Headquarters

2017 Director of the Board
Senior Executive Officer
2018 Director of the Board
Managing Executive Officer (to present)

Toshiro Kobayashi

Outside Director of the Board
Audit and Supervisory Committee Member

2010 Establishes and becomes Member of
Toshiro Kobayashi Certified Public
Accountant Office (to present)
2015 Outside Director of the Board
Audit and Supervisory Committee
Member of the Company (to present)

Yoshinari Nagashima

Outside Director of the Board
Audit and Supervisory Committee Member

1990 Establishes and becomes Member of
Nagashima Yoshinari Law Office (to
present)
2015 Outside Director of the Board
Audit and Supervisory Committee
Member of the Company (to present)



Yuji Nakagawa

Director of the Board
Audit and Supervisory Committee Member

2015 Advisor
2017 Director of the Board
Audit and Supervisory Committee Member
(to present)

Masatoshi Ikeda

Director of the Board
Managing Executive Officer
Head of the National Sales Headquarters

2020 Director of the Board
Managing Executive Officer (to present)

Madoka Tanabe

Director of the Board
Chairman & Chief Executive Officer

2013 President & Chief Executive Officer
2015 Director of the Board
President & Chief Executive Officer
2020 Director of the Board
Chairman & Chief Executive Officer (to present)

Tadashi Kurihara

Director of the Board
President & Executive Officer

2016 Director of the Board
Managing Executive Officer
2017 Director of the Board
Senior Managing Executive Officer
2020 Director of the Board
President & Executive Officer (to present)

Mari Sagiya

Outside Director of the Board

2019 Outside Director
IBJ Leasing Company, Limited
(currently, Mizuho Leasing Co., Ltd.)
(to present)
2019 Outside Director of the Board
of the Company (to present)
2020 Outside Director
MonotaRO Co., Ltd. (to present)

Tatsushi Yano

Outside Director of the Board

2019 Outside Director of the Board
of the Company (to present)
2019 Outside Director
MANI, INC. (to present)

(As of June 30, 2020)

We asked our outside directors about future challenges in raising corporate value.



Yoshinari Nagashima

Outside Director of the Board and Audit and Supervisory Committee Member

- April 1983 Admitted to the bar
- April 1983 Joined Nishiginza Law Office
- April 1990 Establishes Nagashima Yoshinari Law Office (to present)
- June 2014 Outside Corporate Auditor of the Company
- June 2015 Outside Director of the Board and Audit and Supervisory Committee Member (to present)

(As of June 30, 2020)

I have been involved in the management of the KPP Group as outside corporate auditor since 2014 and as an outside director serving as an Audit and Supervisory Committee Member thereafter. One of the significant changes the KPP Group has undergone recently is becoming a publicly listed company. This has substantially raised the Company's social credibility. I feel that the changes brought about by becoming a listed company is more an issue of how the economic community sees the KPP Group, rather than how the KPP Group and its employees see themselves. I hope that not only people involved in the management but also all employees perform their daily duties, bearing in mind that each one is a member of a listed company and they are responsible for living up to the expectations of society, and acting in a disciplined and proper manner so as not to lose the trust of society.

The next point to note is that sales of paper, the core of the KPP Group's business, had already been on a downward trend due to factors such as declining demand and was again hit hard by stagnation of economic activities due to the COVID-19 pandemic, resulting in a further decline in business performance. Another point is that the structure of the Group's overseas operations is undergoing a significant change after the acquisition of Spicers in Australian and Antalis in France. In addition, there are issues in China and Hong Kong that require us to substantially change our business coverage and the nature of transactions there. In such a transitional phase when the world trends post-COVID-19 remains uncertain, and the foundation and mechanism of economic society itself are expected to undergo major changes, it is necessary for businesses to enter a new domain flexibly and bravely without holding on to conventional business practices.

In this sense, the Company will not be able to grow just by conducting its business activities based on the traditional governance structure. In order to ensure future profitability, I believe that the Company needs to eagerly develop frontier business domains based on new ideas that are unlike any other traditional concepts.

KPP Group is faced with the need to rebuild its core system. Replacing the core system means that the Group will no longer be able to do business in the same way as it did before. Transformation is also required in that employees will have to change themselves to adapt to more streamlined and faster processing under the new system.

I believe KPP will see a bright future only after addressing all the issues mentioned above. As an outside director and Audit and Supervisory Committee Member, I intend to actively express my views on decision-making for entering new domains, not withholding nays when needs must, and requesting updates on matters of concern. I strive to engage in the management of the KPP Group so that it will transform itself and take a more appropriate and reasonable direction.

I'd like to ask employees of the Group to flexibly respond to drastic changes in society and bravely establish a robust beachhead in a new market in order to lay the foundation and improve the business structure for the KPP Group to continue growing as it moves toward its 100th anniversary and across the century beyond that.



Tatsushi Yano

Outside Director of the Board

- April 1974 Joined Tomen Corporation
- June 2003 Executive Officer, General Manager of North America, Tomen Corporation
- April 2006 Director, Sanyo Chemical Industries, Ltd.
- June 2006 Director and Executive Officer, Sanyo Chemical Industries, Ltd.
- June 2010 Director and Managing Executive Officer, Sanyo Chemical Industries, Ltd.
- June 2012 Director and Senior Managing Executive Officer, Sanyo Chemical Industries, Ltd.
- June 2016 Company Advisor, Sanyo Chemical Industries, Ltd.
- June 2018 Retired from Sanyo Chemical Industries, Ltd.
- June 2019 Outside Director of the Board of the Company (to present)
- November 2019 Outside Director, MANI, INC. (to present)

(As of June 30, 2020)

KPP has had four outside directors since June 2019. I have been engaged in active discussions at the Board of Directors meetings over the past year based on my experience in sales and business management at a general trading firm and a chemicals manufacturer. In Japan, the Company's mainstay market, demand is on the decline, and KPP has had to strive to retain businesses in a defensive stance and has yet to take effective measures to improve profitability. In the overseas market, the Company rapidly expanded its business through large-scale acquisitions of Spicers and Antalis in 2019 and 2020, respectively, and made them its subsidiary. It is important for KPP to successfully integrate these companies with different management systems, and use appropriate governance. At the same time, KPP needs to urgently address the significant fall in demand caused by COVID-19 and the issue of bad debt from Samson Paper Holdings Ltd. in Hong Kong. To achieve the long-term management vision GIFT+1 2024 in addition to tackling the issues above, not only will I engage in supervising business execution but also discussion on these management issues as an outside director to contribute to the KPP Group's sustainable growth and thus improve its corporate value.



Mari Sagiya

Outside Director of the Board

- April 1985 Joined IBM Japan, Ltd.
- July 2002 Director, IBM Japan, Ltd.
- July 2005 Executive Officer, IBM Japan, Ltd.
- July 2014 Retired from IBM Japan, Ltd.
- July 2014 Managing Executive Officer, SAP Japan Co., Ltd.
- December 2015 Retired from SAP Japan Co., Ltd.
- January 2016 Managing Executive Officer, Salesforce.com, Inc.
- June 2019 Outside Director, IBJ Leasing Company, Limited (currently, Mizuho Leasing Co., Ltd.) (to present)
- June 2019 Outside Director of the Board of the Company (to present)
- August 2019 Retired as Managing Executive Officer, Salesforce.com, Inc.
- March 2020 Outside Director, MonotaRO Co., Ltd. (to present)

(As of June 30, 2020)

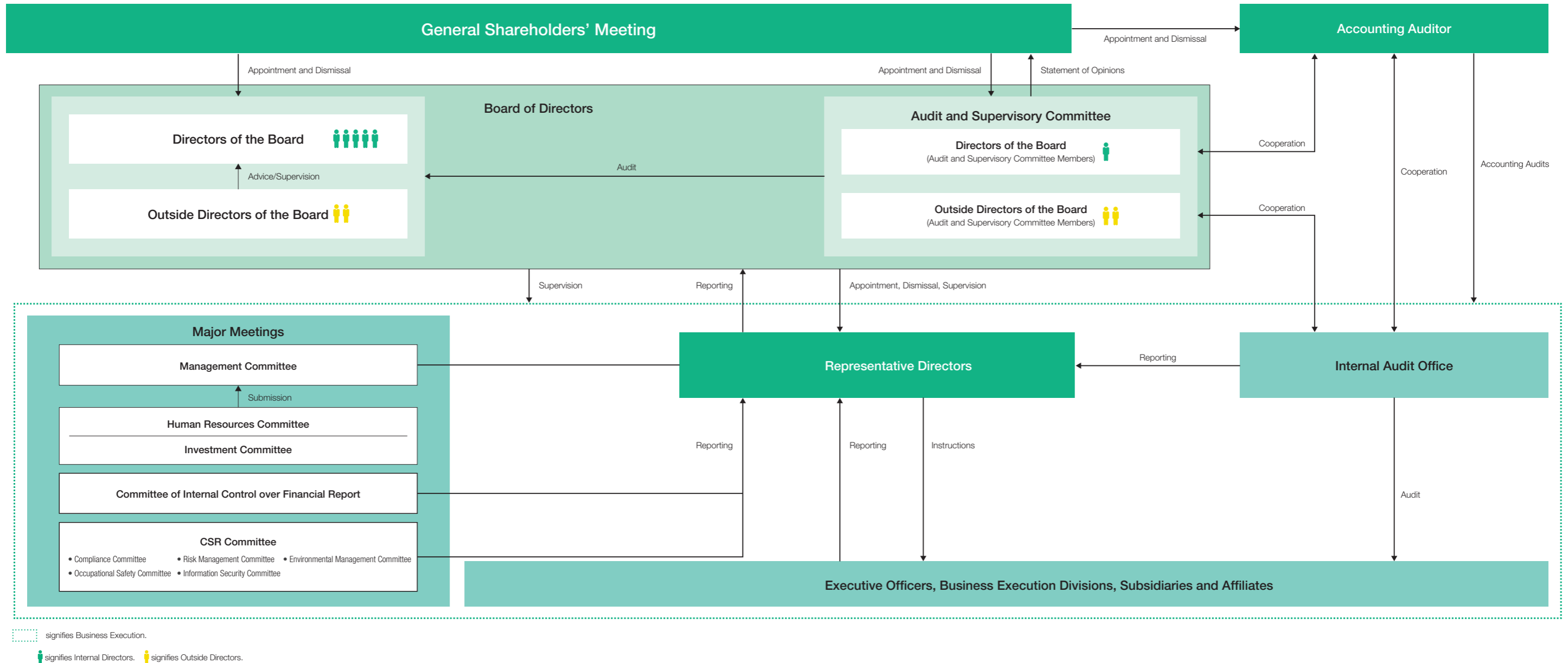
In recent years, KPP has expanded its global share through M&As of overseas firms. The Board of Directors spent much time on discussions about this issue. Amid declining demand for printing and communication paper, KPP needs to urgently reform its business portfolio. The M&A projects conducted are expected to deliver benefits in the form of know-how of the overseas companies on high-value businesses with high growth rate and profitability.

As for key factors for a successful post-merger integration, the Company should establish a management system capable of gaining higher synergetic effects within the Group, improve operational efficiency by harnessing IT, and enhance governance to a level appropriate for a global company. On a more practical note, success will also depend on how KPP will exert its planning and execution skills to enable its front-line workers to understand know-how newly acquired through the M&A and tailor them into products matching the needs of local customers so as to offer value to them. I think that we should monitor the progress of these tasks over the medium- and long-term to achieve sustainable growth of the entire Group in the future.

The KPP Group has prioritized the construction and continual enhancement of corporate governance systems in order to fulfill the mandate we have received from our stakeholders—including shareholders, customers, business partners, local communities, and employees—which is to deliver sustainable growth and mid- to long-term improvement of its corporate value.

In June 2015, we shifted our governance structure to that of a company with an audit committee, moving toward management with greater transparency and improved mobility. Our Audit and Supervisory Committee, of which outside directors comprise a majority, performs auditing and supervision of the legality and appropriateness of business execution. Also, we employ an executive officer system in which directors, who are members of the Board of Directors, handle decision-making and supervision functions while executive officers handle business execution functions. Through this we have clearly differentiated management decision-making and supervisory functions from business execution functions.

Corporate Governance Structure





History of Corporate Governance Enhancements

- April 2012** • Introduced the executive officer system
- June 2015** • Shifted to a company with an audit and supervisory committee
- June 2017** • Abolished the advisor/consultant system
- June 2017** • Increased the number of independent outside directors to three
- June 2019** • Increased the number of independent outside directors to four
- June 2019** • Elected and appointed a female Director of the Board



Board of Directors

Ten directors, including four outside directors, make determinations on important management matters and provide supervision on business execution. In order to achieve sustainable growth and mid- to long-term improvement of corporate value, we are taking advantage of the abundant business experience of our internal directors, as well as the practical and specialized perspectives of our outside directors, working toward the realization of appropriate decision-making and management supervision.

Number of meetings in fiscal 2019 **20**



Audit and Supervisory Committee

The three Audit and Supervisory Committee members with voting rights in the Board of Directors—including two outside directors—work to verify the circumstances and operating conditions of governance, as well as to optimize the functioning of the Board of Directors. Audit and Supervisory Committee members who are employed full-time attend important meetings and offer auditing and supervision of the directors' performance, including providing their opinions on management in general, or on individual matters, from a fair and impartial standpoint. Further, Audit and Supervisory Committee members hold briefing sessions on a regular basis with the Internal Audit Office, which serves as the internal audit department, and provide instructions as necessary in response to reports on internal control assessment regarding internal audits and financial reporting. They also coordinate with the Accounting Auditor on a regular basis and receive reports on the progress of audits, and proactively offer opinions and exchange information as needed.

Number of meetings in fiscal 2019 **15**



Management Committee

The Company has set up the Management Committee to supplement the Board of Directors. The Committee is made up of the internal Directors of the Board (excluding Audit and Supervisory Committee members), and Executive Officers ranked Managing Executive Officers and above, to discuss business challenges more promptly and in greater detail.

Number of meetings in fiscal 2019: **37**



CSR Committee

We have established a CSR Committee chaired by the Chairman & CEO to improve the transparency and reliability of our business activities. It has five subcommittees: the Compliance Committee, Risk Management Committee, Environmental Management Committee, Occupational Safety Committee, and Information Security Committee, which consider various issues and offer proposals for improvement.



Business Execution Structure

We have introduced an executive officer system in order to enhance the decision-making and supervisory functions of the Board of Directors, as well as to streamline and expedite business execution. Designated duties are performed under the instruction and supervision of the Director of the Board (President & Executive Officer).

The KPP Group has constructed a corporate governance system to ensure that decision-making is conducted in a transparent, fair, expeditious, and decisive manner with a balance between management supervision and business execution.

Officer Compensation

Basic Policy Regarding Compensation for Directors, etc.

1. The structure of compensation for directors, etc., takes into account not only their short term business achievements but also their contributions to increasing corporate value. The value they have provided will also be shared with shareholders.
2. The amounts of compensation for directors, etc., are determined in consideration of a balance of various factors such as their achievements and industry trends.
3. The amount of compensation is determined by the board of directors, with pertinent participation and advice from independent outside directors, within the scope of total remuneration determined at General Shareholders' Meetings.

Compensation Structure

1. Compensation for directors (not including outside directors, or directors who are Audit and Supervisory Committee members) consists of three categories: the "basic compensation," "bonuses" and "performance-linked stock-based compensation."
2. Compensation for outside directors and directors who are Audit and Supervisory Committee members, however, consists of the "basic compensation" only.

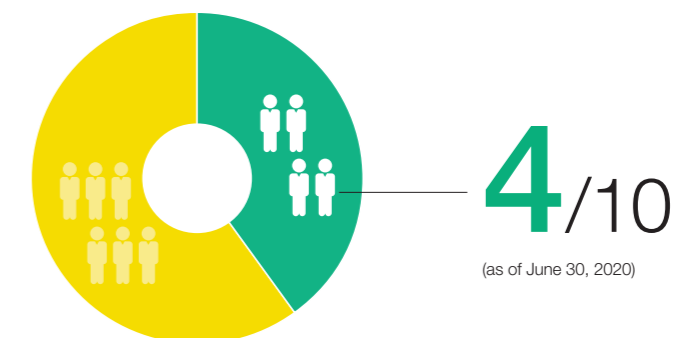
Based on compensation limits for directors (excluding those who are Audit and Supervisory Committee members) and directors who are Audit and Supervisory Committee members that were approved by a resolution of the 144th Ordinary General Shareholders' Meeting held on June 28, 2018, KPP has established the total amount of compensation, etc., for each category of officer, the total amount of compensation, etc. by type, and number of applicable officers during fiscal 2019 as follows:

Officer classifications	Compensation totals	Compensation totals by type			Number of applicable officers
		Basic compensation	Bonuses	Performance-linked stock-based compensation	
Directors Excluding Audit and Supervisory Committee members and Outside Directors	205	164	19	22	5
Audit and Supervisory Committee members² Excluding outside directors	24	24	–	–	2
Outside Directors²	27	27	–	–	5

Notes: 1. The compensation, etc. paid above does not include the employee salary portion of directors who concurrently serve as employees.
 2. The numbers above include one Audit and Supervisory Committee member (not an Outside Director) and two outside officers who retired during the fiscal year under review.
 The compensation, etc. paid above includes the amounts of compensation for one Audit and Supervisory Board member (not an Outside Director) and two outside officers for the period they held their positions during the fiscal year under review.

Outside Directors

KPP considers securing managerial independence to be of great importance for the protection of general shareholders. Accordingly, we have formulated our own Criteria for Assessing the Independence of Outside Directors. At present, we have appointed four independent outside directors.



Roles of Independent Outside Directors

KPP's independent outside directors have several primary roles. One is to provide as-needed verification and evaluation of management performance and the status of activities undertaken by the management team with reference to the management strategy and management plan determined by the Board of Directors. They also judge the propriety and announce their findings of entrusting management of KPP to the current management team from a viewpoint considering shareholders' common interests.

Name	Reason for appointment
Tatsushi Yano Outside Director	Mr. Yano has held officer positions along with experience in overseas business for many years at operating companies (trading companies and manufacturers). We deemed him to be well-qualified as an outside director whose advice on KPP's management and supervision of our business execution will be beneficial due to his abundant experience with M&A, post-merger integration (PMI), business reorganization, and restructuring.
Mari Sagiya Outside Director	Ms. Sagiya has held officer positions along with experience in the business sector at the forefront of the IT industry. We deemed her to be well-qualified as an outside director whose advice on KPP's management and supervision of our business execution will be beneficial due to her specialized perspective in promoting and expanding the introduction of IT, such as digital transformation.
Toshiro Kobayashi Outside Director and Audit and Supervisory Committee Member	Mr. Kobayashi is a certified public accountant and tax accountant, and he possesses considerable knowledge in finance, taxation and accounting. We deemed him to be well-qualified as an outside director and Audit and Supervisory Committee member based on his abundant business experience and achievements.
Yoshinari Nagashima Outside Director and Audit and Supervisory Committee Member	Mr. Nagashima is qualified as a lawyer, possessing considerable knowledge in corporate law and other areas. We deemed him to be well-qualified as an outside director and Audit and Supervisory Committee member based on his abundant business experience and achievements.

Analysis and Evaluation of the Board of Directors' Efficiency

The KPP Group has analyzed and evaluated the Board of Directors' efficiency in order to improve the functioning of the Board of Directors as described below:

In the fiscal year ended March 31, 2020, as in the prior fiscal year, the KPP Group cooperated with an outside organization to survey all directors, shared the survey results and deliberated on the findings at a meeting of the Board of Directors. As a result, the evaluation was made that, the Board of Directors' efficiency was sufficiently ensured as a whole.

An issue was raised on how agendas were set for Board meetings in the analysis and evaluation conducted in the prior fiscal year. To secure sufficient time to deliberate on topics of greater importance, we are making efforts such as streamlining the agenda content and meeting materials by analyzing agendas and time spent on each item at past Board meetings. However, it was pointed out that there is still room for improvement in areas such as discussion priorities and time allocation including continuing the review of criteria for agenda to be submitted. We will continue efforts to improve the Board of Directors and strive to ensure higher efficiency.

CSR Committee

The KPP Group established a CSR Committee in 2013. It is chaired by the Chairman & CEO and has the chairpersons and vice-chairpersons of its subcommittees as members. The CSR Committee receives annual reports and information on the status of activities by its subcommittees—the Compliance Committee, Risk Management Committee, Environmental Management Committee, Occupational Safety Committee, and Information Security Committee—and considers topics for improvement on an as-needed

basis, working to improve and energize CSR activities comprehensively. In the event that a serious situation were to occur regarding compliance with laws and regulations, the Chairman & CEO would undertake himself appropriate disclosure of information to society and demonstrate accountability by working to promptly resolve the issue. Also striving to identify the cause and prevent recurrence of the issue, he would clarify where authority and responsibility lies, and respond rigorously without excluding himself.

CSR Organizational Structure



CSR Committee
Chairperson: Madoka Tanabe, Director of the Board, Chairman & CEO
Committee Members: Chairpersons and Vice-Chairpersons of Each Committee
Activities: General deliberations on CSR, consideration of social contribution activities

Compliance Committee

- **Themes for the fiscal year under review:** Ensure compliance with laws, regulations, and company rules by embedding an awareness of the importance of compliance.
- **Activities in the fiscal year under review:** Provide ongoing training for employees to raise their awareness of compliance, including education on the prevention of insider trading. Update the manual that provides guidelines on compliance with various rules ranging from business-related laws and regulations to company norms, and provide ongoing compliance training for all employees. In addition, set up and operate an internal reporting counter to promote an early discovery of and expeditious response to actions that may violate laws, regulations, or business ethics.

Risk Management Committee

- **Themes for the fiscal year under review:** Maintain a company-wide BCP (assuming situations such as disasters, wind and water damage, and pandemics) in addition to identifying, analyzing, and evaluating risks.
- **Activities in the fiscal year under review:** Identify, analyze, and evaluate risks of all companies and verify counter-risk measures. Organize a BCP manual including responses to COVID-19. Continue managing product complaints and providing safe driving training as in the previous years. Examine the method of holding disaster drills taking into account the risk of infectious diseases.

Environmental Management Committee

- **Themes for the fiscal year under review:** Incorporate external challenges such as SDGs into the environment management system established under ISO 14001 and apply the PDCA cycle.
- **Activities in the fiscal year under review:** Incorporate goals that have strong relevance to the KPP Group (e.g. "Protect the riches of the ocean," "Protect the riches of the land," etc.) and set targets. Improve the environment manual that forms a basis of the environment

management system to reduce the workload concerning environmental management. In addition, organize environment-related data to satisfy the disclosure guidelines such as TCFD in the future.

Occupational Safety Committee

- **Themes for the fiscal year under review:** Promote activities aimed at improving the safety and quality of the workplace environment. Examine the results of such activities and apply the PDCA cycle.
- **Activities in the fiscal year under review:** Hold periodic meetings of the Safety and Health Committee, based on the frameworks ensuring safety and health at each location, and implement measures to manage overtime labor and eliminate unpaid overtime work. Continue providing stress checks and interviews with industrial physicians. Provide labor and safety management support from the head office to domestic subsidiaries and affiliates.

Information Security Committee

- **Themes for the fiscal year under review:** Enhance IT governance over Group companies and implement measures to address IT risks through the KAEDE Project* that encompasses the entire KPP Group.
- **Activities in the fiscal year under review:** Implement security requirements that are to be reflected in infrastructure design upon categorizing and analyzing security requirements at the current security status of KPP on a non-consolidated basis according to the frequency of threat and the magnitude of impact, consider (determine security measures). Comprehend the IT risk status of each subsidiary/affiliate and take actions for urgent issues (identify them and consider a counterplan).

*KAEDE Project: A project promoting security enhancement in the entire KPP Group, building of information communication infrastructure, and improvements to the environment in line with the growing use of ICT and diverse workstyles. KAEDE is an acronym of "KPP Advanced Exploration Development Enterprise System."

*In response to the growing importance of information security, the Information Security Subcommittee which had been placed under the Risk Management Committee was upgraded to an independent Information Security Committee in fiscal 2020. Meanwhile, the BCM Subcommittee was abolished and the Risk Management Committee will continue managing BCP as an important risk management issue.



Haruyoshi Asada

Director of the Board
Managing Executive Officer
Head of Corporate Administration Headquarters

In the fiscal year ended March 31, 2020, the Group's business results in the first year of the second medium-term management plan were net sales of 381,397 million yen (down 0.9% year on year), operating income of 1,850 million yen (down 18.9% year on year), ordinary income of 2,194 million yen (down 12.9% year on year), and profit attributable to owners of parent of 1,232 million yen (down 50.7% year on year). The equity ratio was 24.9%, slightly below our target of 25%.

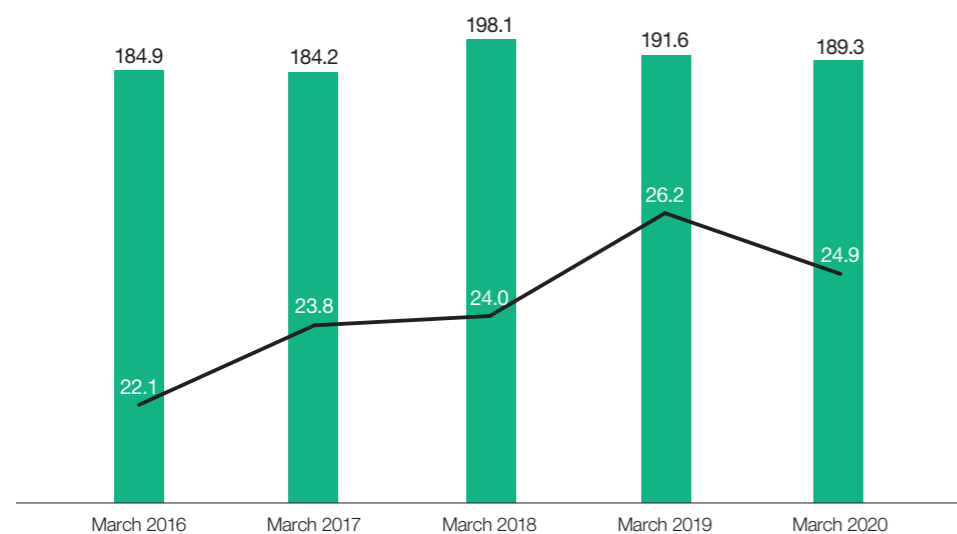
In the second medium-term management plan, we are committed to the inorganic strategy, one of the pillars of our growth strategy, particularly cross-border M&As. We have already added major paper distributors, namely Spicers in Australia and Antalis in Europe to the Group, expecting them

to significantly contribute to the bottom line of the overseas business.

The KPP Group's basic stance on capital policy is to seek to improve corporate value and provide stable returns to shareholders. With regard to dividends, we strive to deliver stable and sustained returns to shareholders, targeting basically a dividend payout ratio of 30% or more. Looking ahead, we will strive to increase corporate value over the long term by striking a balance among investments in the inorganic strategy, securing financial soundness, and stable shareholder dividends. In the next fiscal year, we expect the overseas business to account for about 50% of net sales, and are committed to further strengthening Group governance.

Total assets and equity ratio

■ Total assets (Billion yen) ● Equity ratio (%)



Unit: Million yen

	2020	2019	2018	2017	2016
Balance sheet					
Current assets	136,546	137,757	141,961	137,577	136,377
Fixed assets	52,771	53,853	56,205	46,668	48,550
Current liabilities	121,293	126,484	134,589	128,615	127,290
Fixed liabilities	20,746	14,900	15,881	11,586	16,668
Interest-bearing liabilities	47,808	41,357	49,693	43,596	50,817
Net assets	47,184	50,117	47,546	43,927	40,870
ROE (%)	2.53	5.12	5.32	5.22	2.96
Total assets	189,317	191,610	198,166	184,245	184,927
ROA (%)	0.65	1.28	1.27	1.20	0.64
Equity ratio (%)	24.9	26.2	24.0	23.8	22.1
Profit and loss statement					
Net sales	381,397	384,973	377,714	366,777	389,678
Gross profit	23,708	22,064	22,008	21,115	21,377
Ratio to net sales (%)	6.22	5.73	5.83	5.76	5.49
Operating income	1,850	2,280	2,362	1,031	1,516
Ratio to net sales (%)	0.49	0.59	0.63	0.28	0.39
Ordinary income	2,194	2,518	3,086	1,114	1,853
Ratio to net sales (%)	0.58	0.65	0.82	0.30	0.48
Profit attributable to owners of parent	1,232	2,497	2,433	2,215	1,215
Ratio to net sales (%)	0.32	0.65	0.64	0.60	0.31
Statement of cash flows					
Operating cash flow	4,905	4,217	4,019	1,114	5,378
Investment cash flow	(5,400)	1,130	(7,920)	5,596	(1,249)
Financial cash flow	5,504	(6,623)	5,760	(6,791)	(3,960)
Ending balance of cash and cash-equivalents	7,775	2,838	4,135	2,291	2,502
Per-share data					
Net profits per share (Yen)	16.86	34.74	36.55	33.27	18.25
Net assets per share (Yen)	649.48	685.21	714.05	659.69	613.78
Annual dividend per share (Yen)	10.00	10.00	8.00	8.00	8.00
Other indices					
Total asset turnover (%)	201.5	200.9	190.6	199.1	210.7
Dividend payout ratio (%)	59.3	28.8	21.9	24.0	43.8
Debt-to-equity ratio (%)	101.3	82.5	104.5	99.2	124.3
Current ratio (%)	112.6	108.9	105.5	107.0	107.1

*1. Net assets reflects a total from which non-controlling interests have been deducted.

*2. Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) have been applied since the beginning of the fiscal year ended March 31, 2019. Indices for the fiscal year ended March 31, 2018 reflect the retroactive application of the accounting standard.

*3. ROE is calculated based on an average of net assets in the current period and in the preceding period.

ROE (return on equity) = profit attributable to owners of parent / net assets

*4. ROA is calculated based on an average of total assets in the current period and in the preceding period.

ROA (return on assets) = profit attributable to owners of parent / total assets

Personnel Data ¹	2019	2018	2017	2016	2015	
[Consolidated] Number of employees (persons)	1,288	1,005	956	976	1,011	
[Non-consolidated] Number of employees (persons) <small>* Excluding fixed-term employees and post-retirement workers</small>	Male	414	413	423	449	460
	Female	254	245	242	250	244
	Total	668	658	665	699	704
Men and women in management positions (%)	Male	97.3	97.2	96.3	95.7	96.0
	Female	2.7	2.8	3.7	4.3	4.0
Average length of continuous service (years)	17.8	18.2	18.3	17.7	17.4	
Persons with disabilities employed (%)	2.6	2.6	2.2	1.9	2.0	
Continued employment system users (persons)	22	26	25	20	14	
Employees certified via the Eco Test (%)	61.0	60.2	61.1	58.5	41.2	
Work-Life Balance Data ¹	2019	2018	2017	2016	2015	
Childcare leave system users (persons)	4	10	12	8	6	
Employees who return to work after taking childcare leave (%)	100	100	85.7	100	100	
Childcare shortened work-hour system users (persons)	11	10	6	6	3	
Staggered work hours users (persons)	15	14	14	15	10	
Environmental Data	2019	2018	2017	2016	2015	
Environmentally friendly paper sales (tons)	772,484	695,032	566,503	334,384	284,507	
Forest-certified pulp sales (tons)	149,308	152,251	128,428	111,284	85,458	
CO ₂ emissions based on the ton-kilometer method (t-CO ₂) ²	10,476	11,593	11,572	11,838	11,857	
Energy consumption by business operators (kl) ³	1,086	1,177	1,180	1,821	1,821	
CO ₂ emissions by business operators (t-CO ₂)	2,001	2,247	2,355	3,594	3,661	

¹: "Personnel Data" and "Work-Life Balance Data" are on a non-consolidated basis, except for "[Consolidated] Number of employees."
²: Ton-kilometer is a unit for values obtained by multiplying the weight of each freight carriage in tons by the distance traveled in kilometers.
³: Figures are crude oil equivalents in kiloliters of the sums of electricity, city gas, LP gas, and kerosene used annually.

Company Overview

Trade name	KOKUSAI PULP & PAPER CO., LTD.
Date of establishment	November 27, 1924
Representatives	Madoka Tanabe Director of the Board, Chairman & Chief Executive Officer Tadashi Kurihara Director of the Board, President & Executive Officer
Capital	4,723.53 million yen
Annual sales	381.3 billion yen (the fiscal year ended March 31, 2020) *Consolidated
Number of employees	1,288 (as of March 31, 2020) *Consolidated

Business objectives

- Purchase, sales, import and export of paper and paper processed goods
- Purchase, sales, import and export of pulp and recovered paper
- Purchase, sales, import and export of chemical products, industrial chemicals, horticultural chemicals, paper-related machinery, packaging equipment, industrial electrical equipment, transportation equipment, electrical components, office equipment, construction materials, packing and packaging materials, printing-related supplies, miscellaneous daily necessities, sanitary and medical materials, fuel for paper mill boilers, industrial products for the manufacture of paper/paper products, and biomass fuels
- Buying and selling business of used materials and articles
- Collection, transport and processing/disposal of industrial and general waste
- Wholesaling, brokerage, agency service, leasing and processing related to the previously enumerated categories
- Processing, purchase, sales, import and export of food items
- Holding, leasing, purchase, sales, management and brokerage of real estate
- Contracting of construction work
- Supervision of construction and design of architectural structures
- Warehousing
- Agency service related to property insurance
- Owning of and investments in securities
- Any and all businesses ancillary to the previously enumerated categories

Shareholdings

Total number of authorized shares	267,500,000
Total number of issued shares	75,077,406

Shareholders

- Oji Holdings Corporation
- Nippon Paper Industries Co., Ltd.
- Mizuho Bank, Ltd.
- KPP Employee Stock Ownership
- MUFG Bank, Ltd.
- Sumitomo Mitsui Banking Corporation
- The Norinchukin Bank

Main banks

- Mizuho Bank, Ltd.
- MUFG Bank, Ltd.
- Sumitomo Mitsui Banking Corporation
- The Norinchukin Bank

Subsidiaries and affiliates

Domestic (Japan)

- Narumiya Kami-shoji Co., Ltd.
- Daidou Paper Trading Co., Ltd.
- Kikyoya Kami-shoji Co., Ltd.
- Okayama Kami-shoji Co., Ltd.
- Kyushu Kami-shoji Co., Ltd.
- Musashino Paper Recycling Co., Ltd.
- Green Sanai Co., Ltd.
- KPP Logistics Co., Ltd.

Overseas

- DaiEi Papers (USA) Corp.
- Keishin Papers Trade (Shanghai) Co., LTD.
- KOKUSAI PULP & PAPER (CHINA) CO., Ltd.
- DaiEi Papers (H.K.) Limited
- DaiEi Papers Korea Company Limited
- DAIEI PAPERS TRADING INDIA PRIVATE LTD
- DAIEI PAPERS (S) PTE LTD
- DAIEI PAPERS (THAILAND) CO., LTD.
- DAIEI PAPERS (M) SDN. BHD.
- DAIEI AUSTRALASIA PTY LTD
- KPP ASIA-PACIFIC PTE. LTD.
- Spicers Limited
- Antalis S.A.

Communication Tools

<p>Integrated Report</p> <p>Kokusai Pulp & Paper Co., Ltd. ("the Company") began publishing the Integrated Report in 2016 to communicate financial and non-financial information regarding its corporate activities in a comprehensive manner. (Published annually)</p> <p>https://www.kppc.co.jp/en/ir/report.html</p>	<p>Public Relations Magazine TSUNAGU</p> <p>The KPP Group distributes a public relations magazine called <i>TSUNAGU</i> as a communication tool that acts as a bridge between stakeholders and KPP. This magazine offers the latest information about the Company, and also highlights the attractive qualities of paper. (Published quarterly)</p> <p>https://www.kppc.co.jp/en/tsunagu.html</p>
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<p>TSUNAGU GALLERY</p> <p>We have established a gallery on the first floor of our head office. It is a space where different works, paper products and other items featured in the <i>TSUNAGU</i> magazine are on display for viewing. It is appreciated by many of our business partners and members of the local community.</p>	<p>Corporate Website</p> <p>This is the official KPP website. We distribute information, such as corporate information and investor relations information, in a timely manner on this website. It has a section called "What is KPP?" that is designed to provide the general public with an easy-to-understand look at our operations.</p> <p>https://www.kppc.co.jp/en/</p>
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<p>Contact</p> <p>IR & Public Relations Section, Corporate Planning Dept., Kokusai Pulp & Paper Co., Ltd. 6-24 Akashi-cho, Chuo-ku, Tokyo 104-0044 Japan Tel: +81-3-3542-4169 Fax: +81-3-3542-4266</p>

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TEL: (81)3(3542)4111 <https://www.kppc.co.jp/>



This paper considers responsibly managed forests.



We use the waterless printing process, which considers water quality control and health damage prevention.



We use environmentally-friendly vegetable-oil-based ink.

This brochure has been designed to reduce the environmental load.

* Materials that contribute to the conservation of resources and the environment and to realizing a recycling-oriented society are used, to achieve the objectives of the Company.

* Printing process that contributes to reducing the environmental load is used.