

# Paper Innovation for a Connected Future



Integrated Report 2023

# KPP GROUP WAY



## VISION GIFT

- Globalization Innovation** Leverage our global network to become a leading pulp and paper company Pioneer the future with "Paper Innovation" and contribute to society through green business in harmony with people and the planet.
- Function Trust** Promote e-commerce and take on the challenges of new business domains Continue working to be a reliable company trusted by stakeholders

### What Is KPP Group Way?

The KPP Group Way is the KPP Group's philosophy, which is expressed as a three-layered pyramid: Mission, Vision, and Values. In the Group Way, the Mission incorporates the concept of purpose-based management and expresses our raison d'être and mission. "GIFT" is an acronym for Globalization, Innovation, Function, and Trust, and it represents the path and ideal state for KPP Group. Based on GIFT, we have established GIFT+1 2024 as a Long-term Management Vision towards the 100th anniversary of its founding. The Values summarize three values that all KPP Group members should have in common. Paper innovation is the DNA that supports our organization, and it is our strength built over this past 100 years. Under the KPP Group Way, we will contribute to the realization of a recycling-oriented society and support the future of the earth.

## Corporate Message

# Paper Innovation for a Connected Future

The origins of writing can be traced back to 4000 BC. Paper was invented after people added the written word to verbal communication, and printing technology evolved. The invention of the printing press greatly contributed to the rise of the Renaissance, the Reformation, and the Scientific Revolution in Europe. Paper, as a printing medium, has supported culture alongside characters and type, and has contributed to mankind by serving as a communication medium for supporting humans and conveying their emotions. The role and possibilities of paper are expanding endlessly now as an environment-friendly material. The KPP Group, as a key player for the distribution in the pulp and paper industry, will open up a new future by adding value to paper as a material and contribute to the realization of a recycling-oriented society.

**Editorial Policy**  
The Company publishes the Integrated Report since 2016 to help improve the understanding of a broad range of stakeholders for our business models and initiatives to realize a sustainable society. This Integrated Report is also posted on our website. We introduce our management vision, strategies, and business operations in conjunction with sustainability information. We will continue enhancing the Integrated Report's contents to deepen dialogue and build better relationships with our stakeholders.

**Scope of Matters Reported**  
This report mainly describes the conditions of the Group in the fiscal year ended March 31, 2023 (the period from April 1, 2022 to March 31, 2023) with some statements on the Group's conditions in the period starting from April 2023.

|  |   |
|--|---|
| <b>Date of Issue</b><br>This issue: October 2023<br>Next scheduled issue: October 2024 | <b>Reference Guidelines</b><br>GRI (Global Reporting Initiative) Standards<br>IIRC "International <IR> Framework"<br>Ministry of Economy, Trade and Industry<br>"Guidance for Collaborative Value Creation" |
|--|---|

**Notes Concerning Performance Forecasts Statements**  
The future performance outlook and other forward-looking statements in this report are based on information currently available and certain assumptions deemed reasonable by the Company. Please note that future performance may vary significantly due to various factors.

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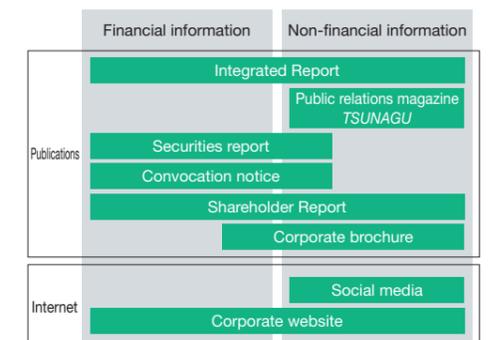
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### Communication Tool Chart



**43** countries and regions / **134** cities / **151** locations

## KPP Group Holdings

|                               |                               |                                |
|-------------------------------|-------------------------------|--------------------------------|
| Consolidated net sales        | Consolidated operating income | Employees (consolidated basis) |
| <b>659,656</b><br>million yen | <b>20,401</b><br>million yen  | <b>5,457</b>                   |

### Northeast Asia (Japan and China)

|   |                                     |                                     |                                     |   |  |
|---|-------------------------------------|-------------------------------------|-------------------------------------|---|--|
| <b>Kokusai Pulp &amp; Paper Co., Ltd.</b> |                                     | <b>Keishin Papers Trade (China)</b> |                                     | Net sales composition by region<br><b>46.3%</b> | Segment profit composition by region<br><b>15.5%</b> |
| Employees<br><b>825</b>                   | Locations<br><b>15</b><br>locations | Employees<br><b>163</b>             | Locations<br><b>11</b><br>locations |   |  |

### Europe and South America

|                           |                                     |   |  |
|---------------------------|-------------------------------------|---|--|
| <b>Antalis</b>            |                                     | Net sales composition by region<br><b>46.0%</b> | Segment profit composition by region<br><b>74.1%</b> |
| Employees<br><b>3,972</b> | Locations<br><b>99</b><br>locations |   |  |

### Asia-Pacific (Oceania, Southeast Asia, India)

|                         |                                     |                         |                                     |  |   |
|-------------------------|-------------------------------------|-------------------------|-------------------------------------|--|---|
| <b>Spicers</b>          |                                     | <b>KPP ASIA-PACIFIC</b> |                                     | Net sales composition by region<br><b>7.5%</b> | Segment profit composition by region<br><b>9.9%</b> |
| Employees<br><b>340</b> | Locations<br><b>14</b><br>locations | Employees<br><b>101</b> | Locations<br><b>12</b><br>locations |  |   |

## Five Core Business Segments

### Paper and Board Business

We cover a wide range of applications, including graphic paper for newsprint, printing, and information-related paper, containerboard, boxboard used for snack and tissue boxes, and high-quality paperboard for card games.

### Paper Raw Materials (pulp and recovered paper) Business

Pulp accounts for approximately 40% of the raw materials consumed by the papermaking industry, with the remaining 60% being recovered paper. We procure these paper raw materials from both domestic and international sources and supply them to paper manufacturers. In particular, we contribute to the circular economy through our domestic recovered paper collection business.

### Packaging Business

As customer needs diversify and there are calls for environmental responsiveness, we provide a wide range of packaging solutions, from food containers to automobiles, electronic components, and cosmetics.

### Environment-related Business

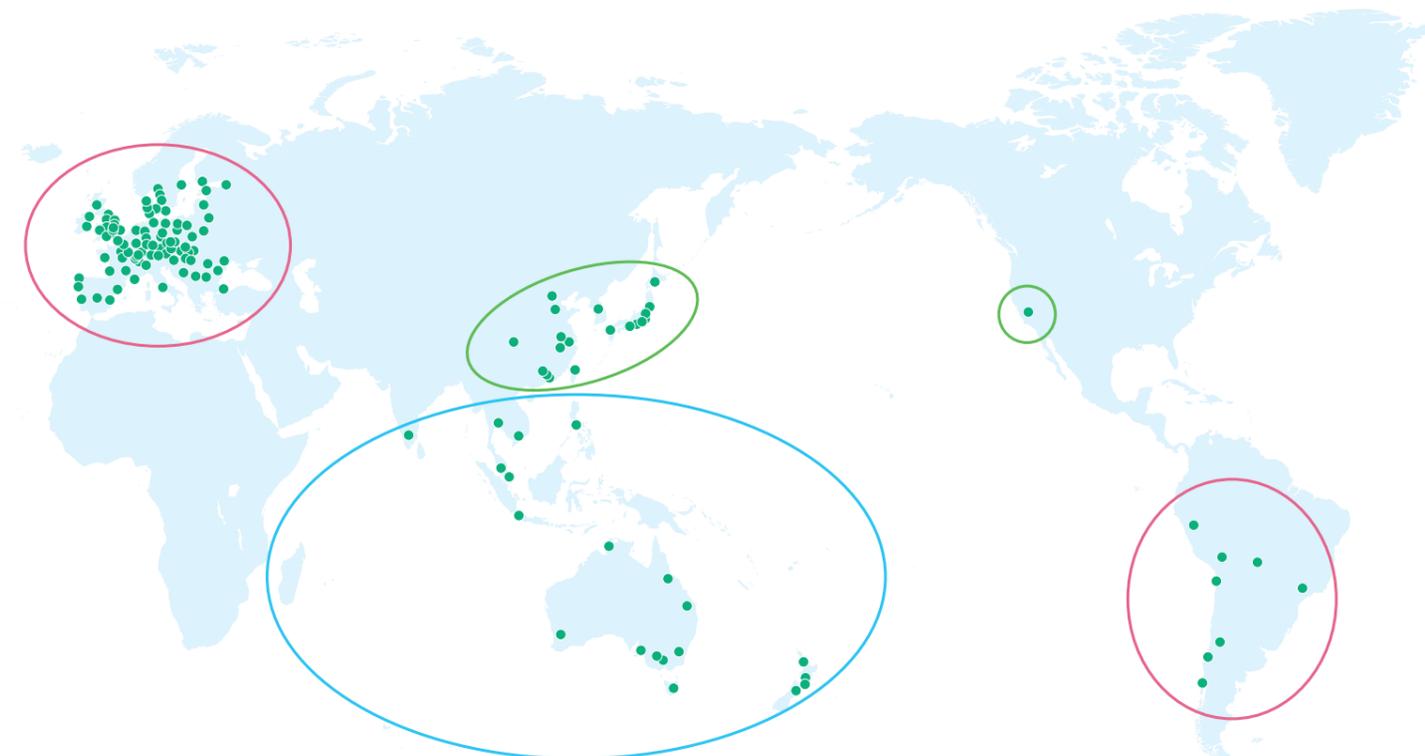
In addition to developing our proprietary recovered paper collection solution, ecomo series in various forms in Japan, we are globally engaged in the development and distribution of products and materials that contribute to reducing environmental impact, such as paper solutions and reduction of plastic use.

### Visual Communication Business

Centered around original materials, the Visual Communication Business proposes and supports the construction of point-of-purchase advertising, signage, interior decorations, and wrapping. We also supply large-format inkjet printing and consumables such as ink.

### Other businesses

- Real estate business
- Paper converting machinery sales business
- Chemical products sales business, etc.



(As of March 31, 2023)

With “Paper Innovation for a Connected Future” as our starting point, we will achieve environment-friendly and sustainable growth

## Madoka Tanabe

Representative Director of the Board,  
Chairman & Chief Executive Officer



**Q** When the COVID-19 pandemic appeared to be subsiding, Russia’s military invasion of Ukraine has broken out, making the world of the 2020s seem increasingly fluid, complex, and uncertain. What is your perception of the external environment in managing the KPP Group, which is promoting its globalization efforts?

Global politics and economies are becoming polarized, leading to social turmoil. In politics, there have been conflicts between democracy and absolutism (authoritarianism). On the economic front, Western countries are looking at exit strategies from monetary policies that were tightened to control inflation. In China, individual consumption (revenge consumption) that was expected after the lifting of the zero-COVID policy is underperforming, and the problem of sluggish exports is compounded by a real estate downturn, intensifying concerns of deflation. Furthermore, since 2020, the emergence of the COVID-19 pandemic, the Russian invasion of Ukraine, and a worsen-

ing situation in Taiwan have caused tensions around the world, disrupting supply chains. As a result, a negative chain of political instability, economic recession, and social turmoil seem to be beginning. In this manner, the international situation can trigger a reversal in society with just one event. Furthermore, the difficulty of steering management is growing as we face global warming and geopolitical risks. For the Group as well, the withdrawal from the Russian business was unavoidable last year, and the restructuring of the Chinese business has become an urgent issue. In addition, in light of the current trends of DX and GX (Green Transformation), it is increasingly

important to integrate the solution necessary for sustainable operation in the pulp and paper industry into the management vision and share it among the 100 Group companies.

**Q** The Long-term Management Vision GIFT+1 2024 will come to a conclusion in the fiscal year ending March 31, 2025. Looking back on this Long-term Management Vision, have the initial goals been achieved? What will the KPP Group aim for beyond the fiscal year ending March 31, 2026?

We are in the second year of the third medium-term business plan, whose final year is the fiscal year ending March 31, 2025. We have achieved the numerical targets for final-year net sales, operating income, ordinary income, and net profit after taxes two years ahead of schedule in the fiscal year ended March 31, 2023, the plan’s initial year. The main factors for increased income and profits are the expansion of business areas through overseas M&As and better-than-expected recovery in the market conditions and currency factors in our businesses in Europe and Oceania. Specifically, key countries like the United Kingdom, Germany, France, and Australia experienced a rise in market prices due to pent-up demand (carryover demand) from the COVID-19 pandemic and supply shortages, further supported by the effects of a weaker yen that also significantly boosted business performance. This fiscal year, however, we are being impacted by the recession in the European economy. Business environment in China also lacks a sense of bottoming out, so a difficult situation continues. As the global economy heads toward a recession, we believe that the Group will continue to face challenging business operations. However, we aim to achieve the third medium-term

business plan by strengthening cost management, continuously conducting M&As to reform our portfolio, and expanding our green business, which is less susceptible to market conditions. In addition, starting from the fiscal year ending March 31, 2026, when the fourth medium-term business plan begins, the KPP Group will take on new challenges under the new management vision, GIFT 2030. GIFT+1 2024, whose final year is the 100th year since our founding, aimed for inorganic growth with stock exchange listing and overseas M&As, and we leaped to the third-largest paper trading company in the world. However, under GIFT 2030 we will move onto a new stage with the mindset of resetting the achievements of the past 100 years. I believe that exploring the possibilities of paper and contributing to society is the mission given to the Group. We consider that to be the top priority of purpose-based management. The outline of the medium-term business plan for GIFT 2030 is scheduled to be announced next November on the day of our 100th anniversary. We would like to design an ambitious management plan aiming to be number one in the world, with DX, GX, and start-ups as the keywords.

**Q** The KPP Group Way has been renewed in line with the transition to a holding company structure. The mission at the starting point of the business is set as “contributing to the realization of a recycling-oriented society.” The realization of a recycling-oriented society is a significant challenge for modern society. How does the KPP Group plan to tackle this issue?

The Group’s philosophy is structured as the KPP Group Way, consisting of three layers: Mission, Vision, and Values. It is a prerequisite that all employees share and understand these values and adhere to the KPP Group Charter in order to achieve our Vision. We expect this to help realize the Group’s Mission and improve employee engagement as a result. In particular, I believe an open-minded organization and cultivating accountable people are elements essential for sustainable growth. To permeate this KPP Group Way among employees, we are publishing a brand book in the four languages of Japanese, English, Chinese, and Spanish.

At Kokusai Pulp & Paper, which covers the Northeast Asian market, differentiation from other companies is achieved through hybrid management consisting of the paper and paperboard business, and the recovered paper and pulp business. The ratio of recovered paper used as a raw material in the domestic paper industry has reached 66% (as of the fiscal year ended March 31, 2023). This rate is top class in the world. Kokusai Pulp & Paper is expanding its recovered paper collection business, centered around RISANET Japan, an association of 31 major domestic recovered paper dealers, and in-store collection at mass retailers (Town ecom),

contributing to resource recycling as a member of the recycling network in the paper industry. We are also engaged in a power generation business that utilizes by-products emitted from plants as biomass feedstock. The Company has developed a system to support the operation of biomass power plants called BMecomo, and it is my understanding that our PPA (power purchase agreement) method for biomass feedstock is the first attempt of its kind in Japan.

As a new environmental business, Oji Fiber, which became a subsidiary of Kokusai Pulp & Paper last April, is working on the development of artificial turf using paper yarn called OJO+. Reports indicate that plastic scattered from artificial turf is causing marine pollution. There are

high hopes for its replacement with biomass-derived artificial turf. OJO+ artificial turf is already being adopted in kids' rooms. We are also working on the development and improvement of artificial turf with the aim of introducing it to larger facilities such as baseball and soccer fields. Our overseas group companies are engaged in the Ranpak business, which provides paper cushioning material solutions. They are strengthening their competitiveness by acquiring forest certification and advancing supply chain restructuring. In this manner, we aim to solve social issues at the business level through paper-based, biomass-related businesses, which have a wide range of applications.

**Q It has been almost a year since KPP Group Holdings was established. How do you think this holding company should demonstrate its functions in order to strengthen governance going forward?**

The Group transitioned to a pure holding company system last October through a company split. The core operating companies within the scope of consolidation are; Kokusai Pulp & Paper responsible for the Northeast Asia region; Antalis responsible for the European and Latin American regions; and Spicers responsible for the Asia-Pacific region.

These plus all the Group companies under them total 100 companies. Accordingly, it was necessary to clarify the responsibility for executing regional strategies and business plans under a new structure where the three core operating companies act as sibling companies. I also believe that the new structure is more functional in implementing portfolio



reform, developing new businesses, and strengthening global governance.

As a holding company, it is also important to share risk management concerning economic trends, climate change, currency factors, and other risks with operating

companies, in addition to formulating management policies and making decisions on key issues such as investments. Of course, the holding company will be responsible for capital policy and dialogue with stakeholders.

**Q How do you think the pulp and paper industry can contribute to environmental issues, which are becoming more serious on a global level, such as climate change and loss of biodiversity?**

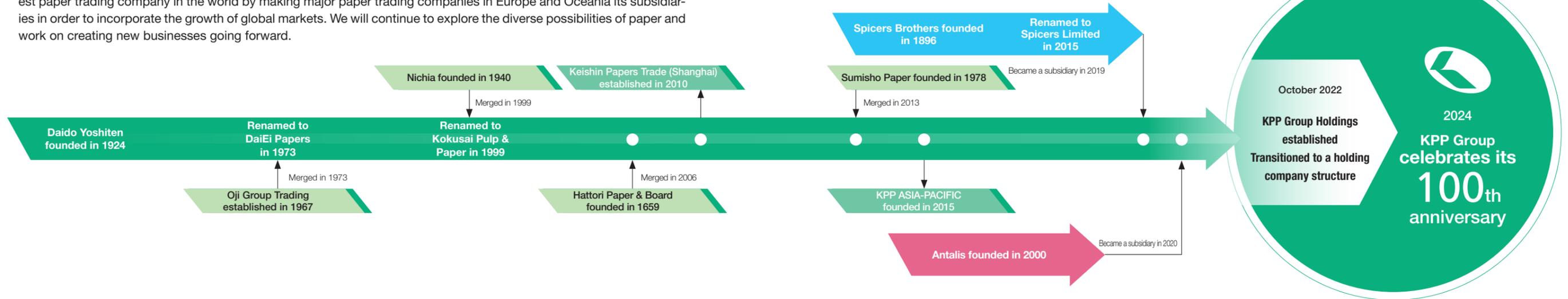
Humanity has been emitting greenhouse gases and inviting the risk of climate change through the mass consumption of fossil fuels for over 200 years, since the Industrial Revolution. Meanwhile, new technologies that utilize IoT and AI, which are central to Society 5.0 as defined in the Japanese Cabinet Office's 5th Science and Technology Basic Plan, are founded on data centers that consume massive amounts of electricity. While aiming for the realization of a smart society, it seems that discussions on the global environment are being left behind. In addition, the issues of life below water and life on land, which focus on biodiversity and the protection of healthy ecosystems as stated in the SDGs, were agreed upon as "30 by 30" at the G7 Summit held in the UK in 2021. However, there is not much time left to achieve the 2030 goals, particularly in preventing marine pollution from microplastics and creating forests rich in biodiversity.

Under these circumstances, the pulp and paper industry has been involved in forest management for many years and working on resource recycling of paper raw materials through afforestation and biomass-related businesses. AI cannot manage the passing on of culture, art, or character development centered around spiritual richness and education. The world is sounding the alarm on the current social and economic system, which is depleting the life of the Earth. Digital and paper should not face each other on opposite shores. It is important that they continue to complement each other in terms of the global environment and the survival of humanity. Lastly, "Paper Innovation for a Connected Future" is the message from us, the KPP Group, to the Earth.



# History of KPP Group

Since its founding in 1924, the KPP Group has contributed to the development of culture by looking to the times through the sale of paper products. During this period, the Group has been the axis of reorganization in paper distribution in Japan, repeatedly merging with like-minded paper distributors and growing. Most recently, it has become the third-largest paper trading company in the world by making major paper trading companies in Europe and Oceania its subsidiaries in order to incorporate the growth of global markets. We will continue to explore the diverse possibilities of paper and work on creating new businesses going forward.



## 1 Foundation period (1924–1972)      2 Development period (1973–2012)      3 Second period of expansion (2013–2019)      4 Evolved into one of the world's leading pulp and paper trading company groups and transitioned to a holding company structure (2020–)

Daido Yoshiten, the predecessor of KPP Group, was established during the rise of modern paper manufacturing

Expanded its business through mergers at the center of industry reorganization in Japan and proceeded to operate globally

Proceeded with business structural reform and expansion of business domains, evolving into one of the world's leading pulp and paper trading companies

Aiming to become the top paper distributor in the world while looking to the 100th anniversary in 2024 and beyond

**1924**  
Daido Yoshiten Ltd. established in Osaka with capital of 2 million yen  
Branch Office: Kyoto, Nagoya, Tokyo



**1925**  
Opened Shanghai Branch as the first overseas branch  
Subsequently opened multiple branches in China

**1926**  
Opened Kyushu Branch

**1931**  
Became Japan's first exporter of paper to the US  
Successfully exported newsprint in collaboration with Karafuto Kogyo

**1954**  
Capital: 100 million yen

**1968**  
Head office moved to Tokyo



**1971**  
Established the first overseas subsidiary in Australia



**1973**  
Merged with Oji Group Trading Co., Ltd., and changed the company name to DaiEi Papers Ltd.  
Capital: 800 million yen

**1975**  
Merged with Taisei Papers Ltd.  
Merged and strengthened the management base to break through the post-oil shock recession  
Capital: 1,320 million yen

**1976**  
Established a local subsidiary in Hong Kong

**1979**  
Sales surpassed 200 billion yen in the fiscal year ended March 31, 1980

**1982**  
Established a local subsidiary in the US

**1993**  
Launched Hanaomoi, a paper seal that prolongs the life of cut flowers just by putting it in a vase

**1997**  
Established a local subsidiary in Singapore

**1999**  
Merged with Nichia Co., Ltd. as a pioneer in the reorganization of the paper distribution industry and changed the name to Kokusai Pulp & Paper Co., Ltd. ("KPP")  
Capital: 2,678 million yen

**2000**  
Sales surpassed 300 billion yen in the fiscal year ended March 31, 2001

**2006**  
Established Kokusai Pulp & Paper (China) Co., Ltd. as a subsidiary in China  
Merged with Hattori Paper & Board Ltd. to enhance distribution functions and strengthen the management base

**2007**  
Merged with Kashiwai Shigyo Co., Ltd. to strengthen sales force and expand the revenue base  
Achieved record sales of 423 billion yen and ordinary income of 4.5 billion yen in the fiscal year ended March 31, 2008  
Capital: 3,442.78 million yen

**2011**  
Installed the first recovered paper recycling system, ecomo, in Takasaki City, Gunma Prefecture

**2013**  
Merged with Sumisho Paper Co., Ltd.  
Strengthened the paper raw materials and packaging material divisions

**2015**  
Established KPP ASIA-PACIFIC PTE. LTD. in Singapore to oversee the corporate planning and management functions in the ASEAN, India, and Oceania regions and aim for business expansion

**2016**  
Entered the thermal recycling business for the purpose of selling biomass power generation fuel, aiming to become a totally recycling-oriented enterprise  
Installed recovered paper recycling system, ecomo, at 400 stores



**2018**  
Listed in the First Section of the Tokyo Stock Exchange  
Capital: 4,723.53 million yen



**2019**  
Acquired a major paper distributor in Australia, Spicers, as a subsidiary

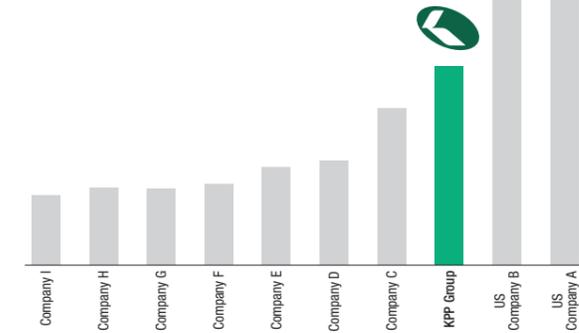


**2020**  
Acquired Europe's largest paper distributor, Antalis, as a subsidiary



**2022**  
Transitioned to a holding company structure and changed the company name to KPP Group Holdings Co., Ltd.  
Soared to the third highest sales in the world for a paper trading company

Became the world's third-largest paper trading company in terms of business scale



# Long-term Vision of KPP Group

The Company has been implementing the Long-term Management Vision GIFT+1 2024 for the year 2024, which marks the 100th anniversary of our founding, since the fiscal year ended March 31, 2017. This Long-term Management Vision establishes our position as of 2024 and serves as a roadmap to enable sustainable growth for the next 100 years. The first medium-term business plan was a period of business structural reform, where we tackled the reform of overseas business structure, renewal of personnel systems, and strengthening of corporate governance. As a result, we achieved our long-held goal of listing on the First Section of the Tokyo Stock Exchange. The second medium-term business plan that started in the fiscal year ended March 31, 2020 was positioned as a period for business

development, mainly deploying an inorganic strategy through overseas M&As. We have welcomed major paper distributors Spicers and Antalis into the KPP Group and accelerated our overseas business. In the third medium-term business plan, which is positioned as a period for business completion, we will celebrate the 100th anniversary of our founding and aim to be the world's number one paper trading company.

## NEXT100

Formulate GIFT 2030 on a global level as a first step toward the next 100 years



**Long-term Management Vision** **GIFT+1 2024** (FY2016 to FY2024)

**Theme** Achieving the Long-term Management Vision GIFT+1 2024 and toward the 100th anniversary of the Company's founding

**Message** Contribute to a sustainable society through recycling-oriented businesses and improve corporate value through business portfolio reform

**Becoming the world's No. 1 paper trading company Towards the 100th anniversary and the next 100 years**

### Material issues

- Global expansion
- Response to DX
- Implementation of green business
- Climate change countermeasures
- Diversity & inclusion
- Enhancement of governance

**First medium-term business plan**  
(FY2016 to FY2018)

**Business structural reform**

**Key measures**

- Business portfolio reform
- Expansion of recycling-oriented business model
- Restructuring of wholesale pulp and paper business at overseas locations

**Achievement**

- Newly listed on the First Section of the Tokyo Stock Exchange (currently the Prime Market)
- Established one of Japan's largest recovered paper recycling systems
- Wholesale pulp and paper business at overseas locations returned to profitability
- Strengthened the total package and solution business

**Issues**

- Firmly established profitability for wholesale pulp and paper business at overseas locations
- Strengthening of profitability

**Performance** (results for FY2018) (million yen)

|                    |         |
|--------------------|---------|
| • Net sales        | 384,973 |
| • Operating income | 2,280   |
| • Net profits      | 2,497   |

**Second medium-term business plan**  
(FY2019 to FY2021)

**Business development**

**Key measures**

- Inorganic strategy through overseas M&As
- Development of solution business
- Expansion of pulp business

**Achievement**

- Significant growth in sales and gross profit margin
- Acquired Australia's second-largest paper distributor, Spicers
- Acquired Europe's largest paper distributor, Antalis
- Business portfolio reform
- Strengthened a totally recycling-oriented business
- Created solution businesses such as BMecomo

**Issues**

- Acceleration of digitalization
- Contraction of the graphic paper market

**Performance** (results for FY2021) (million yen)

|                    |         |
|--------------------|---------|
| • Net sales        | 563,414 |
| • Operating income | 9,379   |
| • Net profits      | 7,497   |

**Third medium-term business plan**  
(FY2022 to FY2024)

**Business completion**

**Key measures**

- Strengthening of global Group management
- Expansion of totally recycling-oriented business model
- Improvement of corporate value through business portfolio reform

**Achievement**

- Advanced to third place among global paper distributors
- Significant increase in gross profit margin to 18.3% stemming from favorable conditions in Europe and Oceania
- Significant increase in operating profit margin to the 3% range thanks to the acquisitions of overseas companies

**Issues**

- Global economic recession
- Improvement of operating cash flow through expansion of high-margin products and reduction of SG&A expenses

**Performance** (numerical targets for FY2024) (million yen)

|                    |         |
|--------------------|---------|
| • Net sales        | 650,000 |
| • Operating income | 14,500  |
| • Net profits      | 9,000   |



**Environmental value**



**Social value**



**Economic value**

# KPP GROUP WAY

|                      |   |  |  |
|----------------------|---|--|--|
| <b>MISSION</b>       | Contributing to the realization of a recycling-oriented society   | <b>VALUES</b>                              |  |
| <b>VISION</b>        | <b>GIFT</b>   |  |  |
| <b>Globalization</b> | Leverage our global network to become a leading pulp and paper company  | Pioneer the future with "paper innovation" |  |
| <b>Innovation</b>    | Pioneer the future with "Paper Innovation" and contribute to society through green business in harmony with people and the planet | Cultivate accountable people               |  |
| <b>Function</b>      | Promote e-commerce and take on the challenges of new business domains   | Open-minded organization                   |  |
| <b>Trust</b>         | Continue working to be a reliable company trusted by stakeholders   | <b>DNA supporting the organization</b>     |  |
|                      |   | Paper innovation                           |  |

|   |  |                     |   |  |  |
|---|--|---------------------|---|--|--|
| <p style="text-align: center;"><b>Recognition of external environment</b></p> <table border="0"> <tr> <td style="text-align: center;"><b>World</b></td> <td style="text-align: center;"><b>Within Japan</b></td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>Increasing geopolitical risks</li> <li>Intensifying environmental problems</li> <li>Shift in the centers of population and economy</li> <li>Continuing urbanization</li> <li>Technological advancement</li> <li>Depletion of underground resources</li> <li>Inflation</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Advent of a super-aging society</li> <li>Dwindling birthrates and labor shortages</li> <li>Decline of regional economies</li> <li>Declining national economic status</li> </ul> </td> </tr> </table> | <b>World</b>   | <b>Within Japan</b> | <ul style="list-style-type: none"> <li>Increasing geopolitical risks</li> <li>Intensifying environmental problems</li> <li>Shift in the centers of population and economy</li> <li>Continuing urbanization</li> <li>Technological advancement</li> <li>Depletion of underground resources</li> <li>Inflation</li> </ul> | <ul style="list-style-type: none"> <li>Advent of a super-aging society</li> <li>Dwindling birthrates and labor shortages</li> <li>Decline of regional economies</li> <li>Declining national economic status</li> </ul> | <p style="text-align: center;"><b>Material issues</b></p> <ul style="list-style-type: none"> <li>Global expansion</li> <li>Climate change countermeasures</li> <li>Response to DX</li> <li>Diversity &amp; inclusion</li> <li>Implementation of green business</li> <li>Enhancement of governance</li> </ul> |
| <b>World</b>  | <b>Within Japan</b>  |                     |   |  |  |
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**Management Capital** → **Business Models** → **Business Strategy** → **Output** → **Outcome**

**Financial capital**

- Sound financial base
- Strategic business investment
- Total assets: 330.6 billion yen
- Equity ratio 20.5%
- ROE 25.4%

**Manufacturing capital**

151 locations in 134 cities in 43 countries around the world with 90 distribution centers and several design centers in Europe

**Intellectual capital**

- Abundant knowledge of the pulp and paper industry accumulated over 99 years
- Product and solution development capabilities
- Track record of building recycling-oriented business models to realize a recycling-oriented society
- Knowledge and achievements in downstream fields (packaging solutions, visual communication, etc.) at our overseas locations

**Human capital**

5,457 employees with diverse backgrounds working globally (consolidated)

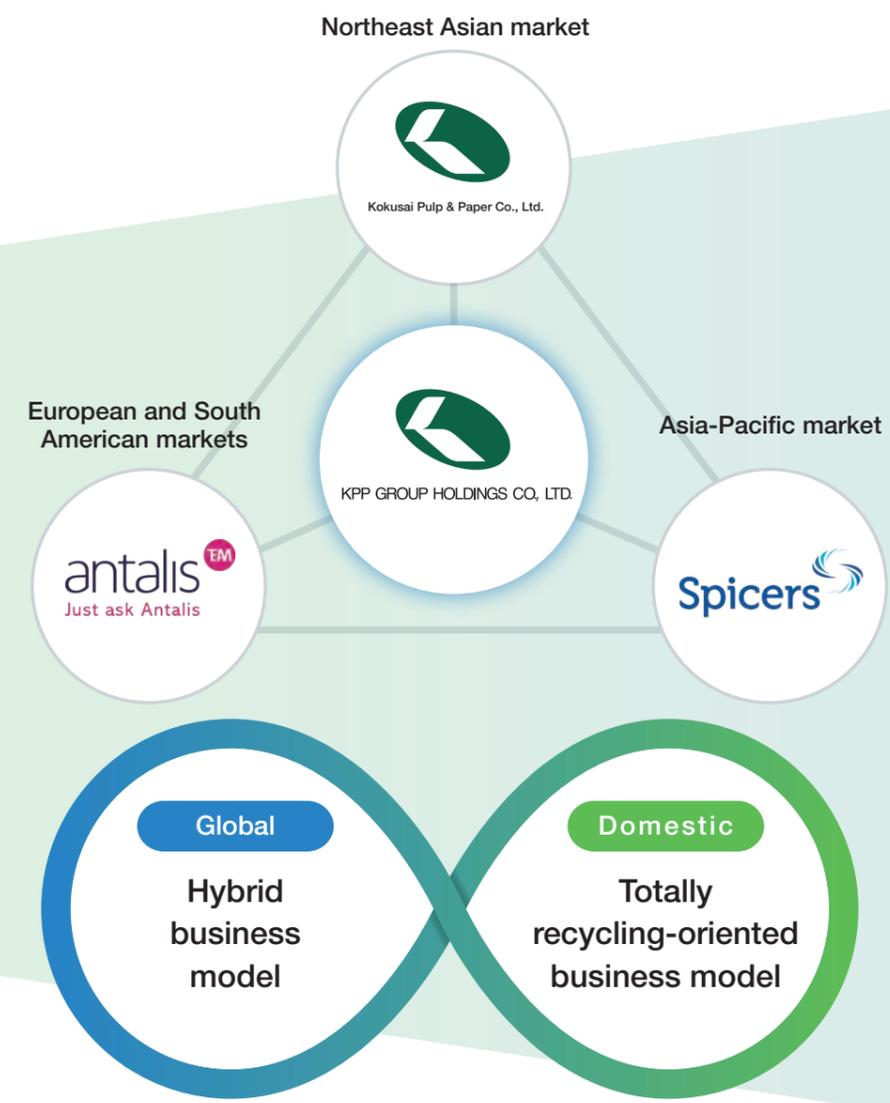
**Social and relational capital**

- Solid customer base based on long-standing relationships of trust and a sales network that covers 60 countries worldwide
- (Consolidated) Supply network of approximately 4,000 companies and 100,000 customers
- (Non-consolidated) Supply network of approximately 1,200 companies and 2,500 customers\*
- Recovered paper collection network
- Leading a paper recovery network, RISANET Japan

**Natural capital**

- Paper: 2.03 million tons
- Chemical products
- Pulp and recovered paper: 1.36 million tons
- Electricity consumption: 1,011,189 kWh\*
- Water consumption: 9,290 m<sup>3</sup>\*

\*Kokusai Pulp & Paper (non-consolidated)



**Maximize profitability and efficiency and achieve sustainable growth in an eco-friendly manner through our domestic and global business models**

**Establish and deepen our revenue base**

- Maximize the profits of each operating company
- Promote strategic alliances and M&A
- Pursue global synergies
- Promotion of DX

**Strengthen global Group management**

- Realize ESG management
- Build a global operation system
- Enhance Group communication
- Appropriately allocate management resources

**Long-term Management Vision**

**GIFT+1 2024**

Ideal Vision

**Becoming the world's No. 1 paper trading company**

**Social value**

- Creation of a recycling-oriented society
- Reducing environmental impact through our business activities

**Economic value**

(Targets for FY2024)

- Net sales 650.0 billion yen
- Operating income 14.5 billion yen
- Operating profit margin 2.2%
- Net profits 9.0 billion yen
- ROE 12.0% or more
- ROA 2.5% or more
- D/E ratio 1.0 times or less
- Equity ratio 25.0% or more

## Material Issues of the KPP Group

| Material issues                  | Key issues                            | Specific measures   | Results for FY2022   | Notes category  |
|----------------------------------|---------------------------------------|---|--|---|
| Global expansion                 | Creation of Group synergies           | ● Global sharing of supplier and customer networks  | ● Implementation of cross-selling and other measures across the whole Group  | (i)   |
|                                  | Enhancement of internal communication | ● Permeation of KPP Group Way<br>● Deepening of mutual understanding within the Group   | ● Publish KPP Group Brand Book (during FY2023)<br>● Develop philosophy education (during FY2023)<br>● Produce video content in multiple languages<br>● Publish Group report  | ● Completed KPP Group Brand Book (October 2023)<br>● Preparations under way to teach our philosophy through video content<br>● Produced and developed video content<br>● Published Group report four times (in Japanese and English)  |
| Response to DX                   | Expansion of e-commerce               | ● Expansion of global online sales  | ● Improve e-commerce ratio (Japan and overseas)  | (i)   |
|                                  | Development of new systems            | ● Revamping of new core system in Japan<br>● Setting of global sales targets for environment-friendly products                                | ● Bring new core system live (scheduled for April 2024)<br>● Target Green Biz Project sales of 6 billion yen (target for FY2024)   | ● Development of new core system underway<br>● Net sales 1.6 billion yen  |
| Implementation of green business | Reducing environmental impact         | ● Development and sales expansion of products and services with reduced environmental impact  | ● Develop and expand sales of products and services with reduced environmental impact<br>● Develop and expand sales of services with reduced environmental impact<br>● Establishment of a paper recovery network and selling raw materials for recovered paper | ● Published catalogs of products with reduced environmental impact: Green Products & Solutions (KPP) and Environs (Spicers)<br>● Developed and started operation of Green Star System™ (Antalis)<br>● Collected and recycled more than 60% of the base paper sold                     |
|                                  | Recycling and waste reduction         | ● Promotion of recycling-oriented business in the domestic market   | ● Increase recovered paper collection volume   | ● Developed RISANET Japan, a nationwide network of recovered paper wholesalers in Japan<br>● Developed recovered paper collection solution, ecomo series  |
| Climate change countermeasures   | Prevention of global warming          | ● Development of solutions to prevent global warming  | ● Develop and distribute a support system for optimizing biomass power plant operation<br>● Establish a calculation process that meets international standards such as the GHG Protocol  | ● Expanded sales of BMecomo, a support system for optimizing biomass power plant operation<br>● Calculated upstream emissions generated by the Company (Scope 1 and 2) and supply chain (Scope 3) at domestic business locations  |
|                                  | Reduction of GHG emissions            | ● Establishment of a process for calculating GHG emissions<br>● Setting of GHG emission reduction targets                                     | ● Expand the calculation scope (global consolidated)<br>● Set emission reduction targets to achieve carbon neutrality by 2050<br>● Set targets for reducing emissions from the supply chain<br>● Set targets and promote activities for energy conservation    | ● Calculated Scope 1 and 2 emissions for Antalis<br>● 3.3% reduction per year from FY2020 (Scope 1 and 2)<br>● Calculated, set target, and reduced emissions from the upstream supply chain (Scope 3)<br>● Improved the efficiency of air conditioning equipment (Tokyo headquarters) |
|                                  |                                       | ● Promotion of measures to reduce GHG emissions   | ● Set targets and promote activities for the introduction of renewable energy  | ● Continued investigation into switching to a renewable energy menu and introduction of PPA, etc.   |
|                                  | Enhancement of information disclosure | ● Enhancement of information disclosure aligned with international frameworks<br>● Enhancement of information disclosure based on ESG ratings | ● Endorse TCFD recommendations and disclose information<br>● Improve CDP score<br>● Improve EcoVadis score   | ● Disclosed information in line with TCFD recommendations (June 2022)<br>● Answered questions in CDP survey<br>● Answered questions in EcoVadis survey  |
| Diversity & inclusion            | Ensuring diversity                    | ● Human resources development   | ● Expand in-house training system  | ● Utilized e-learning to support employees' self-development<br>● Implemented career interviews for promoted employees and training by rank   |
|                                  |                                       | ● Prevention of harassment  | ● Introduce fair personnel system and implement fair evaluation<br>● Conduct harassment training for all employees<br>● Implement anger management training for managerial positions; training participation rate target: 100%                                 | ● Deliberated over making human resource training time a new KPI<br>● Introduced the Mentor System<br>● Provided appropriate feedback on evaluation<br>● 100% (training provided to all employees)<br>● 100% (training provided to all managerial positions)                          |
|                                  |                                       | ● Development of an employee-friendly work environment  | ● Diversify work styles  | ● Operated teleworking system<br>● Operated leave of absence and shorter working hour system for childcare/nursing care<br>● Established childcare leave system for births in October 2022  |
|                                  | Utilization of diverse personnel      | ● Promotion of women's career advancement   | ● Increase ratio of women in managerial positions<br>● Increase ratio of female employees hired for the main career track  | ● Ratio of women in managerial positions: 8.7% for KPP Group Holdings, 2.8% for Kokusai Pulp & Paper<br>● Ratio of female employees hired for the main career track: 41.7%  |
|                                  |                                       | ● Diversification of hiring practices   | ● Employ foreign students, mid-career hires, persons with disabilities   | ● Ratio of mid-career hires: 100% for KPP Group Holdings, 56% for Kokusai Pulp & Paper. Hiring rate of persons with disabilities: 3.2% for KPP Group Holdings, 2.5% for Kokusai Pulp & Paper  |
|                                  |                                       | ● Building of a global risk management system<br>● Establishment of Group incident management structure                                       | ● Formulate a PDCA cycle based on Group Risk Management Rules<br>● Formulate Group Incident Management Bylaws and build a system based on these bylaws   | ● Explained the Group Risk Management Rules to core subsidiaries and implemented the PDCA cycle at each company<br>● Explained the reporting system stipulated in the bylaws to core subsidiaries and confirmed and established reporting routes at each company                      |
| Enhancement of governance        | Risk management & incident management | ● Strengthening of Business Continuity Plan (BCP)   | ● Strengthen organizational response capabilities for disasters and incidents<br>● Expand disaster prevention drills   | ● Reinforced measures by the COVID-19 Response Headquarters<br>● Established BCP Headquarters (Fukushima Earthquake BCP Headquarters established on March 16)<br>● Conducted disaster prevention drills and safety confirmation system drills   |
|                                  | Compliance                            | ● Implementation of compliance training and e-learning<br>● Thorough information management   | ● Implement compliance training and e-learning; training participation rate target: 100%<br>● Thoroughly manage information on IT assets and subsidiaries  | ● 100% (training provided to all employees)<br>● Collected information on IT assets and subsidiaries  |
|                                  | Information security                  | ● Reinforcement of cybersecurity  | ● Deploy the standard system, KAEDE to Group companies<br>● Conduct cybersecurity training   | ● Introduced at Narumiya Kami-shoji and KPP Logistics<br>● Conducted targeted e-mail attack drills  |

(i) Whole Group, (ii) KPP Group Holdings (non-consolidated), (iii) Kokusai Pulp & Paper (non-consolidated), (iv) Domestic Group companies, (v) Overseas Group companies

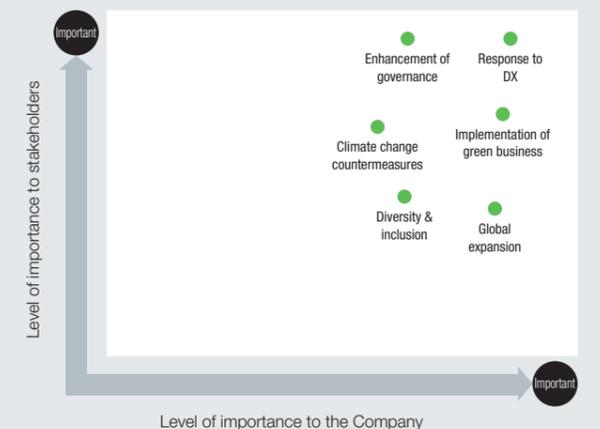
## Material Issue Identification Process



Taking into account domestic and international social issues, international guidelines and standards (ISO 26000, SDGs, GRI, IIRC, etc.), and evaluation items from ESG assessment organizations (MSCI, FTSE, etc.), we examined our strengths, weaknesses, opportunities, and threats, and identified general strategic issues to be addressed as we proceed with our corporate activities.

These issues were mechanically mapped out as the first step by quantitatively selecting issues that were considered more important to each stakeholder and the Company through interviews with internal and external stakeholders, led by the project members.

The mapped issues were grouped based on similarity, and re-mapped after discussion among project members. After further discussion of the results, material issues were mapped as shown in the figure on the right. After approval by the Board of Directors, the material issues identified in this manner are incorporated into management strategies, action goals are set for these strategies, and the PDCA cycle is implemented.



# Business Models

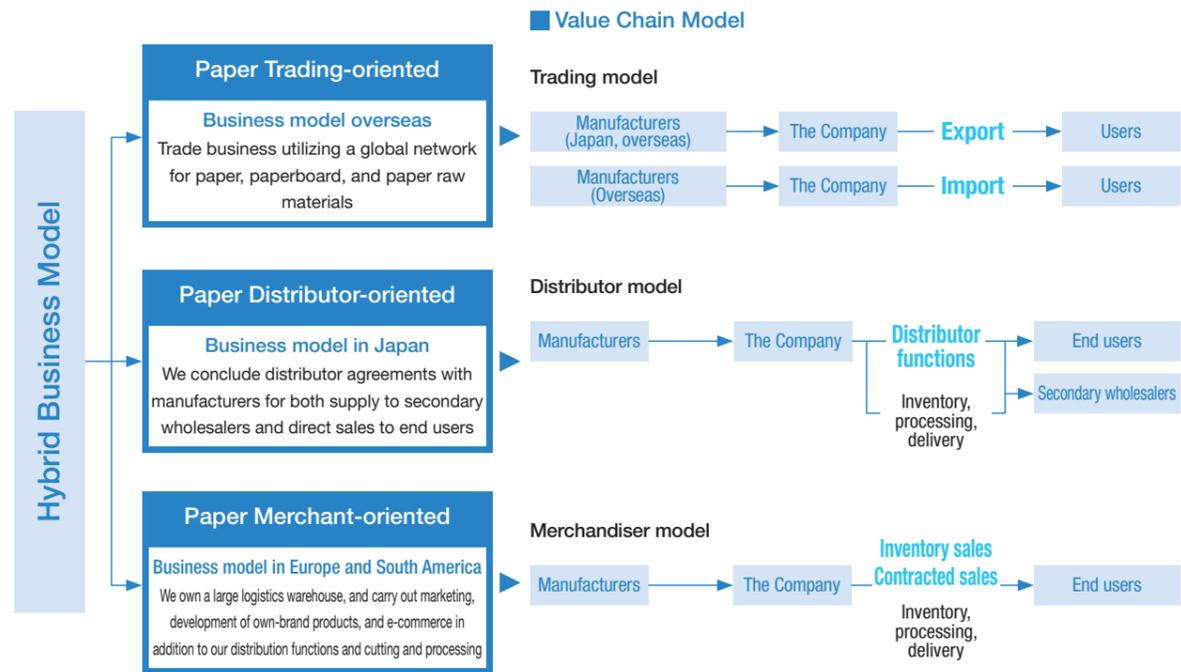
We have developed a totally recycling-oriented business model in Japan based on paper sales, collection, and recycling. Through overseas M&As, we have also been able to expand our business domains globally, as well as increase our high-value-added businesses. We will strive to achieve a “glocal” business by expanding the scope of our business around the world.

Global business maximizing profitability and efficiency

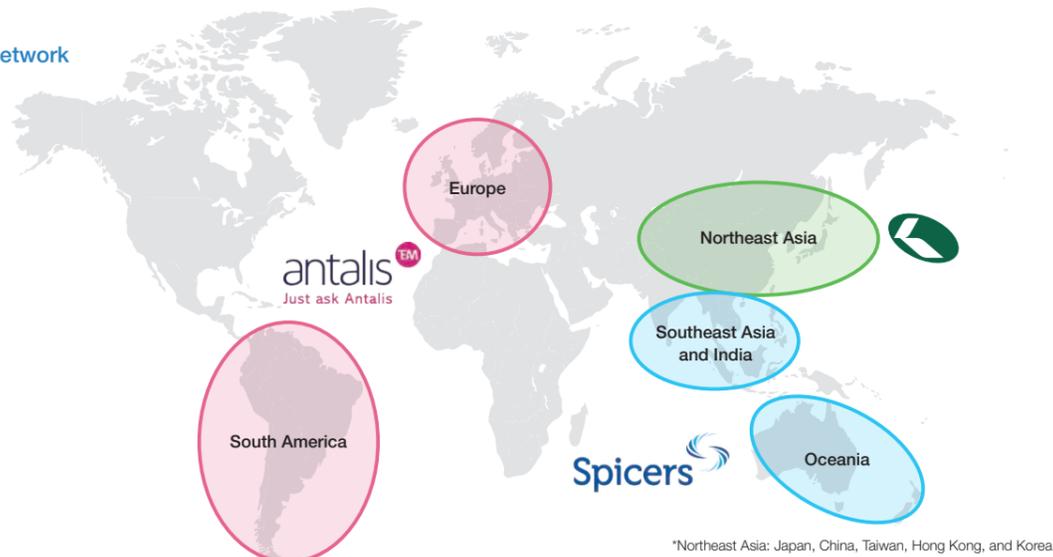
## Hybrid Business Model

The Company is expanding its sales network on five continents and actively capturing the growth of markets worldwide. In order to operate a global business, it is necessary to create business models according to each region, and appropriately combine them to maximize profitability and efficiency. The hybrid business model resolves this issue.

As specific examples of operating business according to the region, we are further promoting e-commerce as well as post-paper businesses such as the Visual Communication and Packaging businesses in Oceania and Europe. In Southeast Asia, Spicers has taken over the Asian businesses of Kokusai Pulp & Paper and Antalis to maximize the effects of Group synergies. China is the world's largest paper and paperboard market, both in terms of production and consumption. The KPP Group's China business has transitioned to a localized paper distribution business, and is operating under a new business model that includes Antalis' fine paper business in China.



### Global Network



Realization of environment-friendly sustainable growth

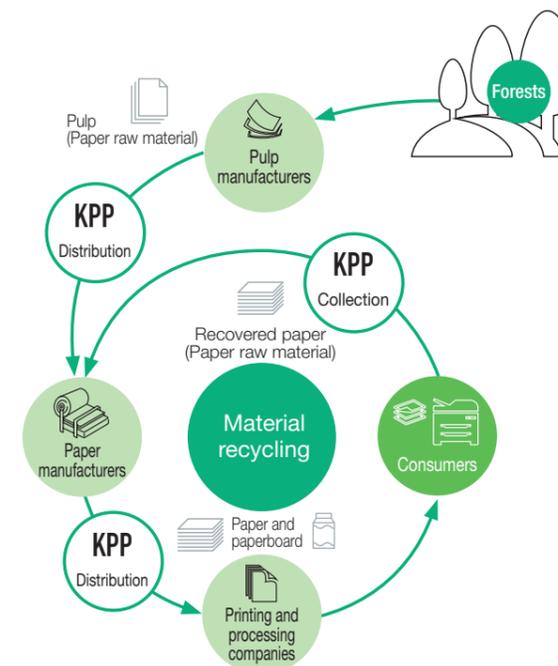
## Totally Recycling-oriented Business Model

By combining our mainstay domestic paper and paperboard wholesale business with our recovered paper collection business, we are evolving them into recycling-oriented business models that contribute to the realization of a sustainable society. We aim to conduct management that is conscious of realizing a circular economy, led by the Material Recycling Business, which supplies recovered paper and other recycled resources. Moves on this front will include the development and provision of biomass power plant operation support systems, and power generation businesses that use factory by-products as a main source of fuel.

### Material Recycling

Contributing to the realization of a circular economy through a recycling-oriented business

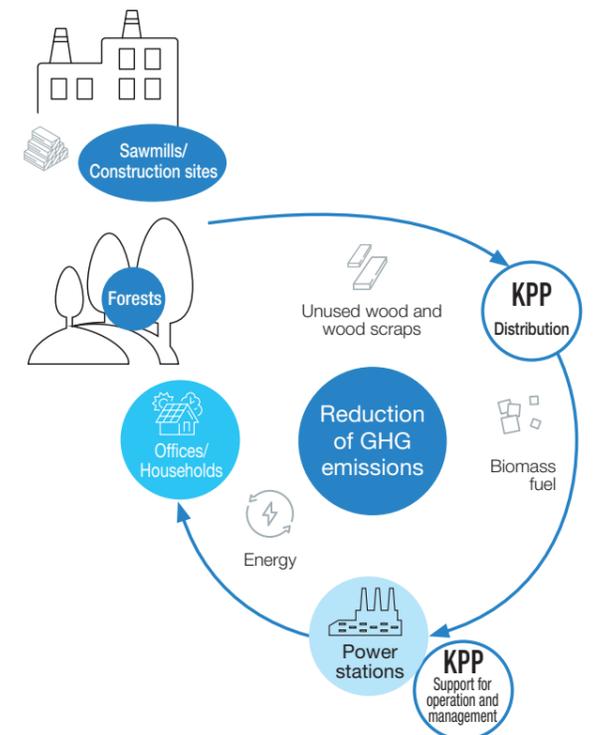
With a network of approximately 4,000 suppliers and some 100,000 customers, we boast industry-leading paper sales and a collection volume of recovered paper domestically. In the paper sales business, we leverage the knowledge in paper and peripheral materials that has been cultivated throughout our nearly 100-year history to propose wide-ranging solutions. We also contribute to paper recycling in the recovered paper collection business through KPP RISANET, our nationwide recovered paper wholesaler network, as well as our paper recovery solutions at stores, such as Town ecomo.



### Reduction of GHG emissions

Contributing to the reduction of greenhouse gas emissions through efficient biomass power plant operation support business

Biomass power generation is considered carbon neutral because the plants used as fuel absorb CO<sub>2</sub> from the atmosphere during their growth. In addition to supplying unused and wood scraps to biomass power plants, the Group is also developing BMecomo, a system that leverages AI and IoT technologies to help power plants maximize profits. We will also contribute to the realization of a circular economy and a decarbonized society through power purchase agreements (PPA) using by-products from plant production as fuel.



# Progress of the Third Medium-term Business Plan

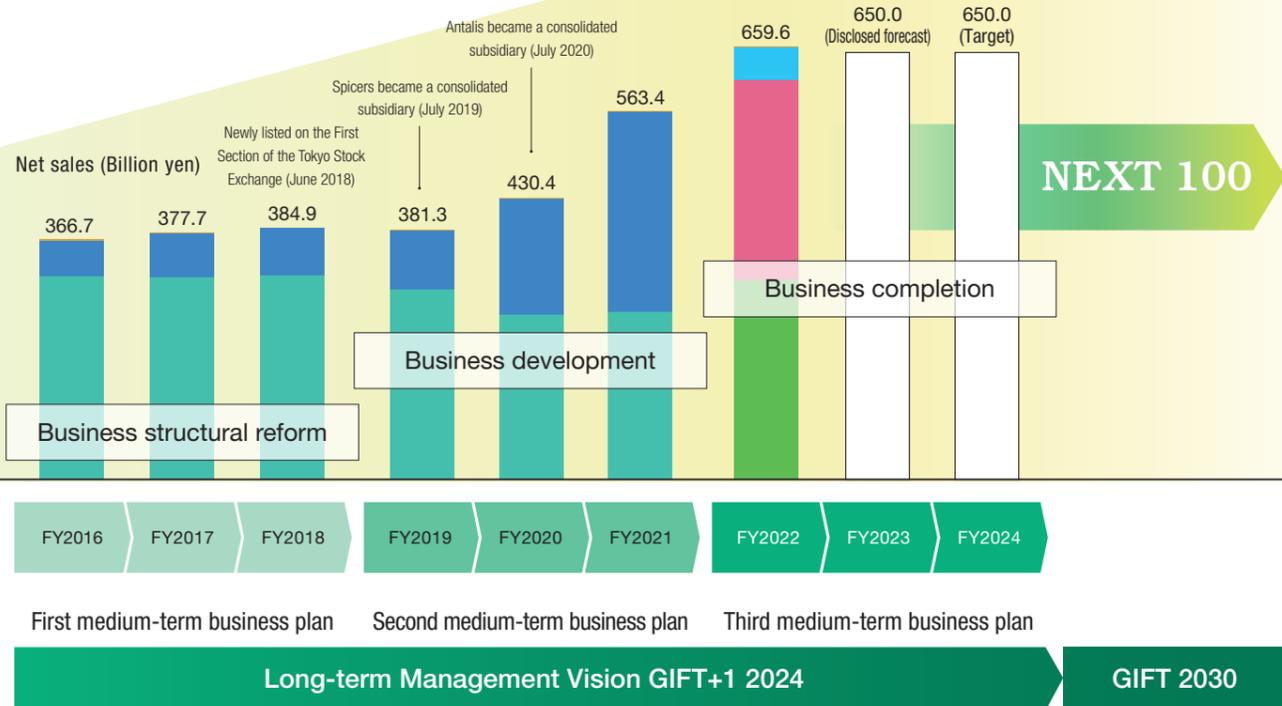
The Long-term Management Vision GIFT+1 2024, which started in the fiscal year ended March 31, 2017, has completed its first medium-term business plan for business structural reform and second medium-term business plan for business development. Its third medium-term management plan kicked off in April 2022. In the fiscal year ending March 31, 2025, the final year of the plan, we will celebrate the goal of our Long-term Management Vision GIFT+1 2024, as well as the 100th anniversary of our founding. In the third medium-term business plan positioned as the period of business completion, we aim to further enhance corporate value by promoting global expansion and contributing to the realization of a sustainable society through a totally recycling-oriented business model, and by reforming our business portfolio.

## Former segments

- Wholesale pulp and paper, domestic locations
- Wholesale pulp and paper, overseas locations
- Real estate leasing

## New segments (from the third quarter of the fiscal year ending March 31, 2023)

- Northeast Asia
- Europe and South America
- Asia-Pacific
- Real estate leasing



## Basic Policy of the Third Medium-term Business Plan for the Fiscal Year ended March 31, 2023 to the Fiscal Year Ending March 31, 2025

In the third medium-term management plan, we will focus on contributing to a sustainable society through recycling-oriented businesses and improving corporate value through business portfolio reform as we close in on the 100th anniversary of our founding, and to achieve our Long-term Management Vision GIFT+1 2024. In addition, our basic policy during the three-year plan is to establish and deepen our revenue base and strengthen global Group management. Spicers and Antalis joined the KPP Group through cross-border M&As during the period of the second medium-term business plan, and we believe it is essential to maximize synergies among these Group companies, including Kokusai Pulp & Paper. To this end, we will effectively promote and strengthen communication and information sharing among Group companies even more than before under a strategic approach.

**Theme**  
Achieving the Long-term Management Vision GIFT+1 2024 and toward the 100th anniversary of the Company's founding

**Message**  
Contribute to a sustainable society through recycling-oriented businesses and improve corporate value through business portfolio reform

**Establish and deepen our revenue base**

- Maximize the profits of each operating company
- Promote strategic alliances and M&A
- Pursue global synergies
- Promotion of DX

**Strengthen global Group management**

- Realize ESG management
- Build a global operation system
- Enhance Group communication
- Appropriately allocate management resources

## Progress of the Group Strategy for the Fiscal Year Ended March 31, 2023

In the third medium-term business plan, the KPP Group's basic strategy is to build a stable foundation through expansion of the recycling-oriented business and growth of internal management resources (organic) such as e-commerce and solution businesses, and to accelerate growth through acquisition of external management resources (inorganic) through means such as M&As and alliances. The progress we made with our major initiatives are shown below.

### Inorganic Growth: M&A Strategies for Antalis and Spicers

Antalis and Spicers, our core overseas operating companies, are carrying out M&As in the packaging and visual communication fields, making forays into downstream business areas, and expanding their high-margin businesses.

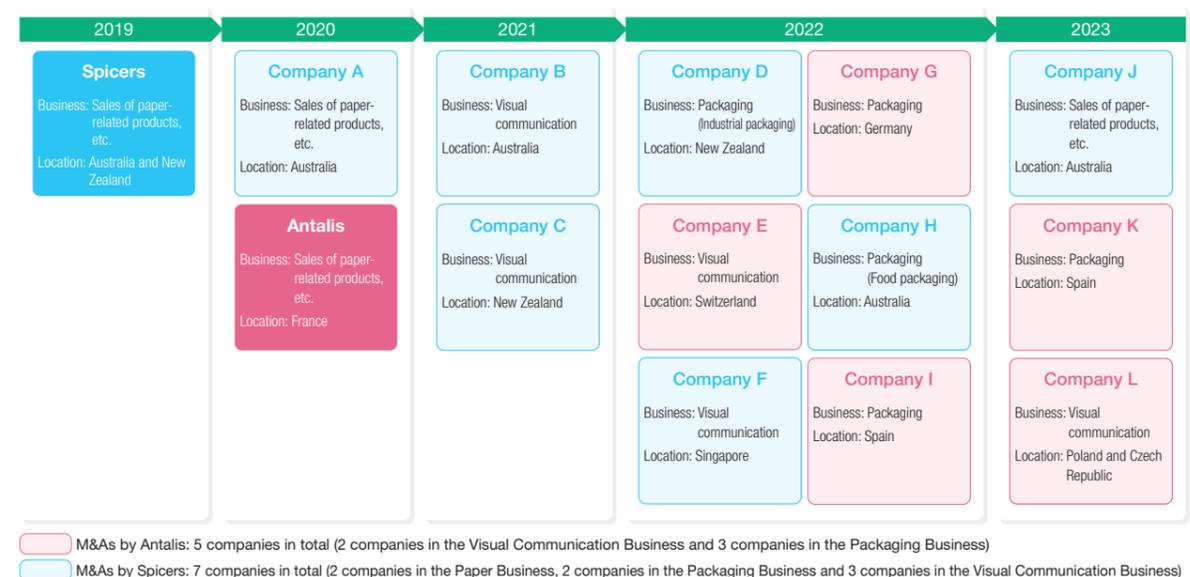
#### <M&A Strategy for Antalis>

By acquiring companies that provide customized solution functions in growth areas such as the Packaging Business and Visual Communication Business, Antalis will work to enhance its products and services to increase its market presence.

#### <M&A Strategy for Spicers>

Spicers will acquire companies that engage in businesses that have a high affinity with existing businesses, such as the Packaging Business and Visual Communication Business, to build a strong Spicers brand. At the same time, Spicers will aim for further growth by acquiring human resources that will become an immediate asset.

### M&A activity (share acquisitions or business transfers) by Antalis and Spicers



### Expansion of Totally Recycling-oriented Business Model

We sell about 2 million tons of paper annually, of which more than 60% is collected and recycled. We have also been working for many years on the development and deployment of the recovered paper collection solution service, ecomo series, with great success. In addition to this in-house recovery solution, KPP RISANET supports our Paper Raw Materials Business. As of 2023, there are 31 member companies. Members cooperate in logistics and collection, and work together to strengthen recycling-oriented businesses as the "veins" that collect recovered paper.

The Company will further strengthen our supply capacity by utilizing KPP RISANET and other cooperative networks with existing wholesale suppliers. At the same time, we will strive to stabilize supply by improving its recovered paper inventory management capabilities, which should lead to an increase in the volume of paper raw materials handled.

#### KPP RISANET

|                                   | 2013                   | 2023   |
|-----------------------------------|------------------------|--|
| Number of members                 | 17                     | 31   |
| Recovered paper collection volume | Approx. 3 million tons | Approx. 7 million tons<br>Around 40% of recovered paper collected in Japan |

### KPP Open Innovation

In order to grow the Environment-related Business into a second pillar that ranks with our core businesses, we are actively making investments, forming business alliances, and carrying out R&D for new products and services handled by Oji Fiber, AmicaTerra, and BMecomo.

More details on KPP Open Innovation can be found on pages 33-34.

## Message from the Head of Corporate Administration



**Yasuyuki Sakata**

Director of the Board,  
Vice President  
Antalis S.A.S.  
Deputy CEO & CFO

### Overview of the Fiscal Year Ended March 31, 2023 and Outlook for the Next Fiscal Year (Consolidated Basis)

In the fiscal year ended March 31, 2023, the Company's revenue rose sharply with net sales up 17.1% year on year to 659,656 million yen, due partly to several upward revisions of selling price in Northeast Asia, Europe and South America, and Asia-Pacific, as well as the effect of weaker yen. Earnings increased significantly with operating income up 117.5% year on year to 20,401 million yen, as the Company saw a higher boost from inventory sales in Europe and Oceania associated with price revisions, which resulted in an increase in gross profit. These positives outweighed the increase in SG&A costs, including higher logistics costs and rent due to inflation stemming from a global rise in fuel prices. Ordinary income also doubled year on year to 18,404 million yen, up 108.1%. Profit attributable to owners of parent was up 109.7% year on year to 15,722 million yen. The results mark record sales and profit for the second consecutive fiscal year.

With regard to the outlook for the next fiscal year, although demand is expected to decline in the Paper Business due in part to a pullback from the previous fiscal year, we expect net sales to remain flat year on year at 650.0 billion yen, supported by our continued focus on the Packaging, Visual Communication, and Environment-related Businesses, which have high growth potential and profitability. For operating income, we forecast 17.0 billion yen. Although we expect contributions from portfolio reform through M&As, we can not expect any special factors, such as the increase in income from inventory sales seen in the previous fiscal year. Overseas, interest rates are rising, but of the 10.0 billion yen we procured through the issuance of corporate bonds in March this year, we allocated 9.0 billion yen to capital increases for Antalis and Spicers. As doing so should reduce their interest payment burdens for both subsidiaries, we forecast ordinary income of 13.5 billion yen and profit attributable to owners of parent of 10.5 million yen.

### Cash Flow Forecasts and Allocation Plans for the Third Medium-Term Business Plan (Investment, Fund Procurement, and Shareholder Return Policies)

The Group's cash flow allocation policy calls for stable and continuous dividend payouts, recognizing that returning profits to shareholders is one of the most important management tasks. Next, we aim to enhance the Company's business competitiveness and shareholder value by making growth investments such as M&As, improving financial health by repaying interest-bearing liabilities, and growing internal reserves. In the fiscal year ended March 31, 2023, we secured operating cash flow of 10.3 billion yen, and spent 8.5 billion yen on growth investments to expand our business areas. In financial cash flow, we acquired 4.2 billion yen due partly to the issuance of corporate bonds. With regard to growth investments, we plan to focus on business domains with solid growth prospects by carrying out M&As in the packaging and visual communication sectors.

As for dividends, we increased the dividend for the fiscal year ended March 31, 2023 from the initial plan of 15 yen to 20 yen,

| Fiscal year                                 | FY2022    | FY2023             |
|---|-----------|--------------------|
| Investment cash outflow (Unit: Million yen) | 8,530     | 4,370 (plan)       |
| <b>Investments overview</b>                 |           |                    |
| Paper Business                              | 1 company | 1 company (plan)   |
| Packaging Business                          | 1 company | 2 companies (plan) |
| Visual Communication Business               | 1 company | 4 companies (plan) |

and plan another hike of 2 yen to 22 yen for the fiscal year ending March 31, 2024. We will pay dividends progressively (either maintain or increase dividend). Moreover, we will consider implementing share buybacks while keeping an eye on stock price trends to improve our price-to-book ratio. Remaining funds will also be used to repay interest-bearing liabilities to restore financial soundness.

| Fiscal year                                | FY2022 | FY2023       |
|--|--------|--------------|
| Dividends per share (Unit: Yen)            | 20     | 22 (plan)    |
| Total dividend payouts (Unit: Million yen) | 1,465  | 1,611 (plan) |

### Ensuring Financial Soundness

With an eye to the final year of the third medium-term business plan, under which we aim to strengthen our financial base, we will work to improve D/E ratio and equity ratio. In the fiscal year ended March 31, 2023, D/E ratio improved to 1.4 times, while equity ratio rose to as much as 20.5% thanks to the accumulation of internal reserves. Our targets for the plan's final year are 1.0 times or less and 25% or more, respectively. We hope that stakeholders understand that we will continue to repay interest-bearing liabilities and allocate funds to internal reserves in the fiscal year ending March 31, 2024 and beyond.

In the fiscal year ended March 31, 2023, the Japan Credit Rating Agency (JCR) upgraded the Company's Short-term Issuer Rating from J-2 to J-1 in October 2022. We also obtained a Long-term Issuer Rating of A- in November 2022. Thanks to this, in March 2022, we were able to issue our first five-year straight bonds, securing a diverse and flexible financing method. Going forward, we plan to work on issuing SDGs bonds.

The Group's fund procurement policy calls for funds to be procured in accordance with demand for short- and long-term funding, both indirectly from financial institutions and directly from the capital market, such as commercial paper and corporate bonds. While the ratio of long- and short-term debt is basically determined by our policy of flexibly procuring funds according to the interest rate environment, we are targeting a ratio of about 30% for the long-term debt. We will also invest in businesses that exceed the cost of capital, and will endeavor to carry out management that is conscious of cost of capital.

### Initiatives to improve asset efficiency

| Reduction of cross-shareholdings      | FY2022 | FY2023 Outlook |
|---------------------------------------|--------|----------------|
| Number of stocks subject to reduction | 3      | 3              |
| Sales amount (Unit: Million yen)      | 103    | —              |

### Global Financial Governance

While the Group's policy calls for borrowing to be conducted by each of its operating companies, the holding company helps to enhance their credit standing by providing loan guarantees. In Europe, we are gradually introducing a cash management system, strengthening governance through integrated fund management, and improving the efficiency of cash on hand by pooling funds.

## Message from the Head of Overseas Business



**Makoto Ikuta**

Senior Managing Director  
of the Board  
In charge of overseas  
business

### Overview of the Fiscal Year Ended March 31, 2023 and Outlook for the Next Fiscal Year (by Region)

#### Europe

In the European market, tight supply and demand conditions continued until mid-2022. This, coupled with price revisions to reflect soaring raw material and fuel prices, resulted in significant improvement in earnings for the Paper Business. Earnings for the Packaging Business also exceeded the previous year thanks to a recovery in demand and business scale expansion through M&As. The Visual Communication Business also performed well.

However, since fall 2022, market conditions have changed drastically, with the economy turning down as a result of surge in energy prices, and demand for paper weakening due to inventory building across the market as a whole. In addition, in the wake of a fall in prices, performance for the Paper Business turned weak. Excess inventories at each distribution stage are expected to ease in 2024. Meanwhile, the Packaging Business was supported by solid demand, and the Visual Communication Business also performed strongly.

#### Asia-Pacific

In Australia and New Zealand, commercial print performed particularly well, aided by a recovery from the COVID-19 pandemic in addition to a continued rise in selling prices stemming from soaring raw material and fuel prices. Although logistics-related costs increased due to inflation, benefits from business scale expansion via M&As are starting to emerge.

In the ASEAN region, although profitability improved due to business restructuring, the Paper Business continued to perform weakly amid low demand caused by the economic stagnation in the region and intensifying price competition owing to cheaply priced Chinese products. On the other hand, net sales increased year on year thanks to earnings contributions from investment projects in Visual Communication Business in Singapore.

Going forward, we will strive to maintain market share in the region, and promote corporate acquisitions centered on the Packaging and Visual Communication Businesses as we work to build strong Spicers brand. We also aim to further improve profit margins by promoting our e-commerce operations.

#### China

Social turmoil caused by the zero-COVID policy in China that continued until the beginning of December 2022 and the subsequent upsurge in COVID-19 infections led to a downturn in the

Chinese economy and deterioration in the supply-demand balance. This resulted in a sharp drop in paper prices and significant earnings deterioration in the second half of 2022. Meanwhile, the expansion of production facilities by paper manufacturers has led to an excess supply capacity.

Against this backdrop, the Company aims to forge strategic alliances with manufacturers and utilize these partnerships to differentiate itself from rivals and subsequently expand market share. We will also work to further streamline management in order to enhance our competitive edge and increase profit margins.

### Recognition of the Global Economy

In Oceania, the recovery from the COVID-19 pandemic has been swift, and economic activity has largely returned to normal, even amid the lingering aftermath of price increases. In the Asian region, the economy remains sluggish. In China, this compounded with the real estate crisis has caused pessimism about the Chinese economy to spread worldwide. In Europe, consumer spending on non-daily necessities has been decreasing of late, hindered by energy inflation caused by the Russian invasion of Ukraine. With costs rising and the economy sluggish, this situation may continue for the foreseeable future.

### Market Forecast

As for the market outlook going forward, although the situation varies by country and region, on the whole, we expect product prices to gradually fall back to previous levels, once energy inflation, which has been somewhat overheated since 2021, settles back down. The supply glut in China is forecasted to continue. As such, there is a possibility of unsold inventory in China being exported and exerting downward pressure on the pricing in destination country. In Europe, paper manufacturers have closed some factories. If this trend continues, prevailing price levels may remain intact. However, caution is necessary here as well, over a potential influx of low-priced products from Asia.

In terms of demand, consumer spending has declined due to deterioration in purchasing power caused by price increases. However, we expect demand for non-daily necessities to recover as inflation eases, boosting demand for paper, packaging, and visual communication-related products.

### Future Global Business Development

Going forward, we will aggressively pursue M&A activities, especially in the Americas and Asia. Thus far, we have pursued acquisitions in the packaging and visual communication sectors, which are growing rapidly in Europe and Oceania. However, we plan to expand these acquisitions to the Americas and Asia in the future. We will also pursue synergies in sales, such as by rolling out new brands and products acquired through M&As to existing customers, as well as offering existing brands and products to new customers through M&A partners. Capitalizing on the growth of the global market is a major undertaking for us. We will thus continue to develop our global operations both in terms of organic and inorganic growth.

## Financial Highlights (Five-Year Summary)

Unit: Million yen

|   | Fiscal year ended<br>March 31, 2023 | Fiscal year ended<br>March 31, 2022 | Fiscal year ended<br>March 31, 2021 | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2019 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Balance sheet</b>                        |                                     |                                     |                                     |                                     |                                     |
| Current assets                              | 243,596                             | 210,523                             | 200,672                             | 136,546                             | 137,757                             |
| Fixed assets                                | 87,065                              | 80,183                              | 74,447                              | 52,771                              | 53,853                              |
| Current liabilities                         | 207,947                             | 170,164                             | 190,993                             | 121,293                             | 126,484                             |
| Fixed liabilities                           | 54,905                              | 64,167                              | 40,544                              | 20,746                              | 14,900                              |
| Interest-bearing liabilities                | 94,310                              | 80,237                              | 83,272                              | 47,808                              | 41,357                              |
| Net assets                                  | 67,730                              | 56,291                              | 43,489                              | 47,184                              | 50,117                              |
| ROE (%)                                     | 25.35                               | 15.02                               | 3.12                                | 2.53                                | 5.12                                |
| Total assets                                | 330,662                             | 290,707                             | 275,119                             | 189,317                             | 191,610                             |
| ROA (%)                                     | 5.06                                | 2.65                                | 0.61                                | 0.65                                | 1.28                                |
| Equity ratio (%)                            | 20.5                                | 19.4                                | 15.8                                | 24.9                                | 26.2                                |
| <b>Profit and loss statement</b>            |                                     |                                     |                                     |                                     |                                     |
| Net sales                                   | 659,656                             | 563,414                             | 430,404                             | 381,397                             | 384,973                             |
| Gross profit                                | 120,584                             | 92,951                              | 51,915                              | 23,708                              | 22,064                              |
| Ratio to net sales (%)                      | 18.28                               | 16.50                               | 12.06                               | 6.22                                | 5.73                                |
| Operating income                            | 20,401                              | 9,379                               | (9,035)                             | 1,850                               | 2,280                               |
| Ratio to net sales (%)                      | 3.09                                | 1.66                                | –                                   | 0.49                                | 0.59                                |
| Ordinary income                             | 18,404                              | 8,844                               | (12,041)                            | 2,194                               | 2,518                               |
| Ratio to net sales (%)                      | 2.79                                | 1.57                                | –                                   | 0.58                                | 0.65                                |
| Profit attributable to owners of parent     | 15,722                              | 7,497                               | 1,416                               | 1,232                               | 2,497                               |
| Ratio to net sales (%)                      | 2.38                                | 1.33                                | 0.33                                | 0.32                                | 0.65                                |
| <b>Statement of cash flows</b>              |                                     |                                     |                                     |                                     |                                     |
| Operating cash flow                         | 10,308                              | 4,821                               | (6,472)                             | 4,905                               | 4,217                               |
| Investment cash flow                        | (8,530)                             | (2,678)                             | 23,046                              | (5,400)                             | 1,130                               |
| Financial cash flow                         | 4,205                               | (11,803)                            | 6,597                               | 5,504                               | (6,623)                             |
| Ending balance of cash and cash-equivalents | 30,699                              | 22,631                              | 30,543                              | 7,775                               | 2,838                               |
| <b>Per-share data</b>                       |                                     |                                     |                                     |                                     |                                     |
| Net profits per share (Yen)                 | 219.09                              | 104.39                              | 19.70                               | 16.86                               | 34.74                               |
| Net assets per share (Yen)                  | 944.75                              | 783.65                              | 605.71                              | 649.48                              | 685.21                              |
| Annual dividend per share (Yen)             | 20.0                                | 14.00                               | 10.00                               | 10.00                               | 10.00                               |
| <b>Other indices</b>                        |                                     |                                     |                                     |                                     |                                     |
| Total asset turnover (%)                    | 199.5                               | 193.8                               | 156.4                               | 201.5                               | 200.9                               |
| Dividend payout ratio (%)                   | 9.1                                 | 13.4                                | 50.8                                | 59.3                                | 28.8                                |
| Debt-to-equity ratio (%)                    | 139.2                               | 142.5                               | 191.5                               | 101.3                               | 82.5                                |
| Current ratio (%)                           | 117.1                               | 123.7                               | 105.1                               | 112.6                               | 108.9                               |

Notes: 1. Net assets reflect a total from which non-controlling interests have been deducted.  
2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of the fiscal year ended March 31, 2022, and the figures for the fiscal year ended March 31, 2022 onward are after the application of such accounting standards.  
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

## Non-Financial Highlights (Five-Year Summary)

| Personnel Data*1  | Fiscal year ended March 31, 2023 |                         | Fiscal year ended<br>March 31, 2022 | Fiscal year ended<br>March 31, 2021 | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2019 |      |
|---|----------------------------------|-------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------|
|   | KPP Group<br>Holdings            | Kokusai<br>Pulp & Paper |                                     |                                     |                                     |                                     |      |
| [Consolidated] Number of employees (persons)  | 5,457                            |                         | 5,354                               | 5,530                               | 1,288                               | 1,005                               |      |
| [Non-consolidated] Number of employees (persons)<br>*Excluding fixed-term employees and post-retirement workers | Male                             | 34                      | 319                                 | 365                                 | 408                                 | 414                                 | 413  |
|   | Female                           | 18                      | 228                                 | 242                                 | 252                                 | 254                                 | 245  |
|   | Total                            | 52                      | 547                                 | 607                                 | 660                                 | 668                                 | 658  |
| Gender ratio in management positions (%)  | Male                             | 91.3                    | 97.2                                | 97.0                                | 97.4                                | 97.3                                | 97.2 |
|   | Female                           | 8.7                     | 2.8                                 | 3.0                                 | 2.6                                 | 2.7                                 | 2.8  |
| Average years of service  | 12.8                             | 18.8                    | 17.9                                | 18.1                                | 17.8                                | 18.2                                |      |
| Hiring rate of persons with disabilities (%)  | 3.2                              | 2.5                     | 2.4                                 | 2.8                                 | 2.6                                 | 2.6                                 |      |
| Number of continued employment system users   | 3                                | 26                      | 29                                  | 29                                  | 22                                  | 26                                  |      |
| Number of new graduates hired   | 0                                | 11                      | 6                                   | 22                                  | 32                                  | 16                                  |      |
| Number of mid-career employees hired  | 6                                | 14                      | 11                                  | 8                                   | 10                                  | 21                                  |      |
| Total number of employees hired   | 6                                | 25                      | 17                                  | 30                                  | 42                                  | 37                                  |      |
| Hiring rate of mid-career employees (%)   | 100                              | 56                      | 65                                  | 27                                  | 24                                  | 57                                  |      |
| <b>Work-Life Balance Data*1</b>   |                                  |                         |                                     |                                     |                                     |                                     |      |
| Number of employees who took childcare leave  | Fiscal year ended March 31, 2023 |                         | Fiscal year ended<br>March 31, 2022 | Fiscal year ended<br>March 31, 2021 | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2019 |      |
|   | KPP Group<br>Holdings            | Kokusai<br>Pulp & Paper |                                     |                                     |                                     |                                     |      |
|   | 0                                | 6                       | 12                                  | 9                                   | 4                                   | 10                                  |      |
| The ratio of childcare leave-takers who return to work (%)  | 0                                | 89                      | 100                                 | 100                                 | 100                                 | 100                                 |      |
| Number of employees who used childcare shortened work-hour system   | 0                                | 15                      | 12                                  | 19                                  | 11                                  | 10                                  |      |
| Number of employees who used staggered work hours (excluding off-peak commuting reasons)                        | 0                                | 20                      | 19                                  | 18                                  | 15                                  | 14                                  |      |
| <b>Environmental data</b>   |                                  |                         |                                     |                                     |                                     |                                     |      |
| Forest-certified paper sales (tons)*2   | Fiscal year ended March 31, 2023 |                         | Fiscal year ended<br>March 31, 2022 | Fiscal year ended<br>March 31, 2021 | Fiscal year ended<br>March 31, 2020 | Fiscal year ended<br>March 31, 2019 |      |
|   | KPP Group<br>Holdings            | Kokusai<br>Pulp & Paper |                                     |                                     |                                     |                                     |      |
|   | 639,408                          |                         | 654,215                             | 607,498                             | 615,931                             | 576,568                             |      |
| Forest-certified pulp sales (tons)*2  | 145,807                          |                         | 172,561                             | 157,467                             | 149,308                             | 152,251                             |      |
| CO <sub>2</sub> emissions based on the ton-kilometer method (t-CO <sub>2</sub> )*3                              | 14,895                           |                         | 9,115                               | 9,635                               | 10,476                              | 11,593                              |      |
| Energy consumption by business operators (kJ)*4   | 951                              |                         | 979                                 | 1,008                               | 1,086                               | 1,177                               |      |
| CO <sub>2</sub> emissions by business operators*5,7 (t-CO <sub>2</sub> )  | Total                            | 1,662                   | 1,735                               | 1,800                               | 2,001                               | 2,247                               |      |
|   | Scope 1                          | 91                      | 72                                  | 41                                  | –                                   | –                                   |      |
|   | Scope 2                          | 1,571                   | 1,663                               | 1,759                               | –                                   | –                                   |      |
| Electricity consumption*5,8 (kWh)   | 3,699,048                        |                         | 3,822,649                           | 3,903,665                           | 4,192,156                           | 4,539,820                           |      |
| Waste emissions*6 (kg)  | 97,724                           |                         | 105,867                             | 119,766                             | 130,482                             | 150,244                             |      |
| Waste recycling rate*6 (%)  | 65.4                             |                         | 66.4                                | 70.9                                | 70.5                                | 73.7                                |      |
| Amount recycled*6 (kg)  | 63,946                           |                         | 70,347                              | 84,946                              | 92,054                              | 110,802                             |      |
| Water consumption*6 (m <sup>3</sup> )   | 9,290                            |                         | 8,074                               | 8,290                               | 11,308                              | 10,995                              |      |

\*1: Except for [consolidated] number of employees, personnel data and work-life balance data are on a non-consolidated basis for KPP Group Holdings.  
\*2: The scope of calculation covers Kokusai Pulp & Paper (the sales departments under the control of domestic head and branch offices).  
\*3: Ton-kilometer is a unit for values obtained by multiplying the weight of each freight carriage in tons by the distance traveled in kilometers.  
\*4: Figures are crude oil equivalents in kiloliters of the sums of electricity, city gas, LP gas, and kerosene used annually.  
\*5: The scope of calculation covers KPP Group Holdings, Kokusai Pulp & Paper (the sales departments under the control of domestic head and branch offices), KPP Logistics, and real estate holdings.  
\*6: The scope of calculation covers KPP Group Holdings and Kokusai Pulp & Paper (the sales departments under the control of domestic head and branch offices).  
\*7: Following the setting of targets for reduction of GHG emissions (Scope 1 and 2) from the Company's business activities, figures for the fiscal year ended March 31, 2021 onward are calculated in accordance with the GHG Protocol. Figures through the fiscal year ended March 31, 2020 are those reported as specified business operators.  
\*8: From the current fiscal year, the scope of calculation has been expanded to the same range as CO<sub>2</sub> emissions by businesses operators.

|   |  |  |
|---|--|--|
| <p>Net sales</p> <p><b>659,656</b></p> <p>million yen</p> <p>YoY +17.1%</p>                               | <p>Operating income</p> <p><b>20,401</b></p> <p>million yen</p> <p>YoY +117.5%</p>       | <p>Operating profit margin</p> <p><b>3.1</b></p> <p>%</p> <p>Previous fiscal year 1.7%</p> |
| <p>Profit attributable to owners of parent</p> <p><b>15,722</b></p> <p>million yen</p> <p>YoY +109.7%</p> | <p>Net D/E ratio</p> <p><b>0.9</b></p> <p>times</p> <p>Previous fiscal year 1.0times</p> | <p>Equity ratio</p> <p><b>20.5</b></p> <p>%</p> <p>Previous fiscal year 19.4%</p>          |
| <p>ROE</p> <p><b>25.4</b></p> <p>%</p> <p>Previous fiscal year 15.0%</p>                                  | <p>ROA</p> <p><b>5.1</b></p> <p>%</p> <p>Previous fiscal year 2.7%</p>                   | <p>ROIC</p> <p><b>8.6</b></p> <p>%</p> <p>Previous fiscal year 4.4%</p>                    |

Employees (consolidated basis)

**151**

locations

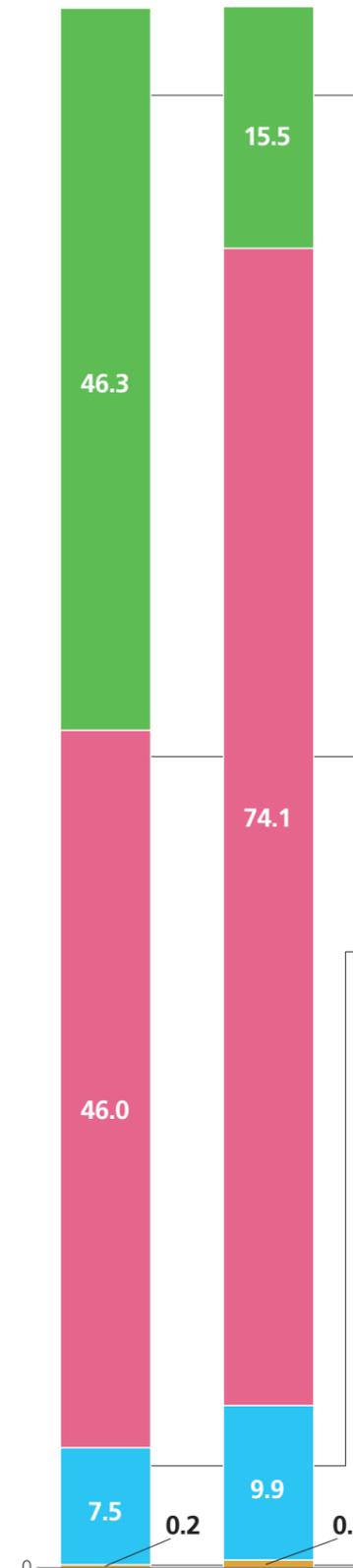
**5,457**

Employees by region

|   |              |
|---|--------------|
| Northeast Asia (Japan and China)              | <b>988</b>   |
| Europe and South America                      | <b>3,972</b> |
| Asia-Pacific (Oceania, Southeast Asia, India) | <b>441</b>   |

Net sales composition (Unit: %)

Segment profit composition (Unit: %)



|  |                            |     |         |
|--|----------------------------|-----|---------|
| <b>Northeast Asia (Japan and China)</b>              |                            |     |         |
| Net sales  | <b>305,461</b> million yen | YoY | +6.3%   |
| Segment profit                                       | <b>3,432</b> million yen   | YoY | -1.3%   |
|  |                            |     |         |
| <b>Europe and South America</b>                      |                            |     |         |
| Net sales  | <b>303,709</b> million yen | YoY | +28.5%  |
| Segment profit                                       | <b>16,453</b> million yen  | YoY | +176.0% |
|  |                            |     |         |
| <b>Asia-Pacific (Oceania, Southeast Asia, India)</b> |                            |     |         |
| Net sales  | <b>49,269</b> million yen  | YoY | +28.3%  |
| Segment profit                                       | <b>2,186</b> million yen   | YoY | +77.2%  |
|  |                            |     |         |
| <b>Real estate leasing</b>                           |                            |     |         |
| Net sales  | <b>1,216</b> million yen   | YoY | -1.2%   |
| Segment profit                                       | <b>115</b> million yen     | YoY | -34.3%  |
|  |                            |     |         |

### Message from the President of Kokusai Pulp & Paper



#### Tadashi Kurihara

Kokusai Pulp & Paper  
Representative Director of the Board,  
President & Executive Officer

#### How do you view the Japanese market, which is the main field for Kokusai Pulp & Paper?

In Japan, the COVID-19 was downgraded to Category V Infectious Diseases in May this year, which is the same as seasonal flu. This resulted in almost all restrictions on social activities being lifted, enabling economic activity to return to normal. The scope of people's activities has expanded, the number of foreign visitors to Japan has increased, and the tourism and restaurant industries are booming. Consumer spending, which had been crimped by the COVID-19 pandemic, is gradually recovering due to events being held and demand for luxury goods, dining out, and travel. However, the increase in prices of daily necessities due to higher international interest rates and surging energy prices has exceeded the wage hikes in spring. A full-fledged recovery in domestic demand is thus likely to take some time.

In the paper industry, the surge in raw material and fuel prices led to improved earnings due to price hikes we implemented several times last year. However, with e-commerce demand, which was booming at the height of the COVID-19 pandemic, having peaked out as more people go out and about, demand for corrugated boxes and mail order catalogs is on a downward trend. We are in the stage of assessing whether the prices of our paper and paperboard-based media are at appropriate levels following several price hikes,

and have had to reduce volumes. However, as e-commerce has become more common in society, demand for paperboard and wrapping paper used in packaging has remained solid. We have also received an increasing number of inquiries from various sectors due to the growing trend of becoming plastic free and reducing plastic. As such, we expect demand to increase over the medium to long term. Meanwhile, the graphic paper is facing a continued shift to digital media, the number of newspaper copies printed is decreasing due to the impact of paper price hikes, and demand for flyer inserts and catalog paper is on a downward trend, due to companies holding down their advertising costs. However, in the publishing industry, companies need to combine the three mediums of digital, video, and paper publication to effectively develop their content businesses. In this context, paper remains an important medium. In the case of mail-order catalogs, price increases have caused advertising expenses to rise, and a shift toward online sales have been observed. That said, consumers still prefer paper catalogs, and as a reduction in the number of catalogs issued would lead to a decrease in customers, I believe that digital and paper media will continue to coexist in the future, as with content publishing businesses.

#### How do you plan to respond to the contraction of the graphic paper market?

In a business climate where raw material and fuel prices are unlikely to return to previous levels immediately combined with growing investments for the environment, I do not think graphic paper prices will fall sharply. In the graphic paper market, which has been contracting with little fluctuation in

prices, it is important to expand market share based on the premise that the role of paper as an information medium will not end. To achieve this, we must move away from a business model that is swayed by market conditions, and shift to an approach in which we accurately capture customer

needs and conduct data-driven sales. In April last year, we established the Marketing Office and began initiatives to gain an understanding of customer needs and uncover potential needs through digital marketing, and link this to sales activities. We aim to become a company that is chosen by customers by improving the quality not only of our products, but also of our services.

Moreover, in order to respond to end-users' preference for environmental management, we are developing a closed recycling system in which our sold products are recovered and recycled as paper raw materials. In order to strengthen our collection capabilities, we increased the number of member companies of KPP RISANET, our recovered paper wholesaler network. By visualizing the sales and collection of

paper, we will contribute to the environmental management of users and ensure the competitiveness of paper product sales.

Amid the decline in demand for graphic paper, paper manufacturers are also forced to cut production costs. Due to this, the distribution industry may find itself in a situation where too many players are involved. One of the reasons paper trading companies in developed countries such as Europe are generating sustainable profits is the appropriate number of market players after the market evolved to an oligopoly to some extent. I feel that industry realignment could occur to ensure a stable supply of products. Nonetheless, we will firmly maintain our position in the graphic paper market by taking measures that meet customer needs.

#### What are the challenges facing the third medium-term business plan, and what is the business portfolio you are aiming to achieve at the end of said plan?

In the first year of the third medium-term business plan, which started in the fiscal year ended March 31, 2023, we already achieved our numerical targets thanks to growth in net sales and gross profit owing to price hike benefits. However, sales volumes remain on a downtrend. We need to focus on the key tasks of reforming our sales methods with digital marketing and expanding sales of environment-related products. Using our solution proposal website, SHIFT ON, we propose solutions to existing customers using a marketing method that directly approaches customers' potential issues. We are also working to attract new customers. We have also introduced SFA (sales force automation), which consolidates and utilizes information on the sales floor, with the aim of breaking away from sales that rely on the experience or skill of individual personnel. We will participate in various exhibitions, implement marketing measures both online and offline, and accelerate our efforts to tap into new markets and expand our business.

The Environment-related Business, which is extremely important for the transformation of our business portfolio, is performing well, and we are considering business expansion into downstream areas. For OJO\*, paper yarn made from Manila hemp, we are working to secure a stable supply of raw materials, reduce costs, and expand our production facilities. In August this year, artificial turf made from 100% paper yarn was installed at Nakamuraminami Sports Exchange Center in Nerima-ku, Tokyo. Going forward, we will expand the uptake of our paper yarn at various facilities and realize mass production. AmicaTerra, which manufactures modo-cell®, a material made from bamboo and plant

residues, boosted its production capacity after starting full-scale operation of its new plant in January this year. Since modo-cell® can use existing plastic molding equipment without lowering production yield, we are seeing an increase in concrete business negotiations, particularly the restaurant industry. We signed a distributorship agreement with Ranpak B.V., a leading paper cushioning material company, and have been working together to sell paper packaging materials. Paper is increasingly being used as a substitute for plastic packaging and cushioning materials, as it can protect products while also enabling companies to showcase their efforts to be environment-friendly, and thus we are promoting paper packaging materials across the country. The Green Biz Project, a group-wide initiative, is also producing results. NEQAS OCEAN, a highly transparent biodegradable resin that can be thermoformed into various shapes just like plastic, has been adopted as a material for fishing line spools. Moreover, BMecomo Co., Ltd., which was spun off from our business, took part in a project to develop a decarbonized power source using hybrid fuels made from completely non-FIT timber and manufacturing by-products. The subsidiary is also working on the development of a solution service for managing the moisture content of fuels. As such, now that we are on the path to developing new businesses within the Company as startups in this way, we will strive to increase sales in each of these businesses, and by the end of the third medium-term business plan, we would like to develop such Environment-related Business into a second pillar that ranks with our Paper and Paperboard Business, where the Company traces its roots.

#### How do you perceive the strengths of Kokusai Pulp & Paper?

One of our strengths is that our business itself is a totally recycling-oriented business model, which leads to a reduction in environmental impact. We are the only Japanese

company that can sell more than two million tons of paper annually and go on to collect and recycle over 60% of that paper. In terms of paper recovery solutions, we have also

Message from the President of Kokusai Pulp & Paper

been working for many years on the development and deployment of the ecomo series, with great success. In addition to Office ecomo for corporate and business offices and Town ecomo for general households, the number of companies adopting the ecomo Closed Recycle Service, which establishes an optimal recycling scheme for each company, has been increasing year by year. This service not only recovers resources, but also thoroughly visualizes emissions, recycling routes, recycled volumes, etc. I believe that having a system that recycles used products into materials demonstrates a corporate stance that values

limited resources, and can help increase the value of companies adopting such a system. We have also revised our frameworks in order to promote our total recycling-oriented businesses and contribute to the realization of a recycling-oriented society, which is our mission. As mentioned earlier, we will strengthen our paper collection network and expand our recovered paper business by expanding KPP RISANET, a network organization between our company and recovered paper wholesalers. At present, while our focus is on paper recovery, we intend to focus on the collection of non-paper resources in the future.

Please tell us your thoughts on dealing with Japan’s so-called “2024 logistics problem,” which will be caused by a new restriction on overtime of truck drivers, and improving operational efficiency.

In order to ensure a stable supply of paper as a daily necessity, the pulp and paper industry has a social mission to carry out sustainable management. It is a very important issue also in terms of fulfilling this social mission, to address the 2024 logistics problem. We have assigned a full-time executive officer who is responsible for thoroughly recognizing the impact of labor shortages and rising logistics costs, and carrying out logistics reform and improving operational efficiency. In doing so, we are aiming to thoroughly manage orders, shorten inventory turnover days, eliminate long-term inventory, and secure profits. In the Tokyo metropolitan area, we have secured a vacant space in the warehouse of a major printing company to use as a secondary storage location for paper mills in different regions. We will utilize this space to maintain a stable supply to users in the Tokyo metropolitan area. As for corrugated board conversion factories, we will strive to expand sales by leveraging our distributor function and adjusting

prices and inventories instead of receiving products directly from the manufacturer. In addition, we have started collaborative logistics with other distributors, and are working to improve product inventory efficiency by sharing inventory among distributors. We also plan to increase the types of products we collaborate on going forward. With an eye to selling paper in smaller quantities, we will work with wholesale warehouses that specialize in small-lot delivery to store our inventory in these warehouses, thereby improving our distribution efficiency and contributing to profit growth for wholesalers’ warehousing operations. This will also help strengthen our relationships with wholesalers and boost sales from e-commerce sites.

In terms of improving operational efficiency, the use of digital technology is a very important point. We are steadily preparing for the launch of a new core system in the spring of 2024. We tried to upgrade our system in the past, but we weren’t able to get it running well. Due to experiencing that



failure, this time around we implemented thorough operational reforms. The new system, which will start its operation next spring, partly incorporates SAP, a system that has become a global standard. Our IT strategy for the next fiscal year will include creating systems for sales orders and distribution operations. We also intend to digitize our sales

divisions. Through such operational reforms, we intend to increase profit and cash on hand, and invest that cash in IT strategies to accelerate DX (digital transformation), and in marketing and branding to improve customer service and increase sales capabilities, thereby enhancing the Company’s competitiveness.

What management capital will the Company focus more on going forward? And what initiatives are the Company pursuing to enhance that capital?

Management capital includes a variety of things, including people, goods, money, and information, and each is equally important. In order to fulfill our mission of contributing to the realization of a recycling-oriented society, we need to transform our organization even further. In order to continue to grow amid drastic changes in the external environment, the active involvement of employees that possess “paper innovation,” the DNA supporting the Group, is vital. We need them to constantly search for new possibilities and pioneer new fields without settling for the status quo. To this end, we must utilize external human resources and develop our existing human resources. To do so, we focus on recruiting mid-career hires with expertise, skills, and

extensive experience in both administration and sales. We are also aiming to enhance our human resources across the Company by establishing a company-wide training system that encourage employees to re-learn. This fiscal year, we are focusing on employee education and training. With the aim of shifting from conventional sales methods to solution-based sales, we have developed and continuously implemented a solution business training program within the Green Biz Project mainly targeting young sales employees. In the program, employees carry out tasks to identify customer needs and propose solutions, with a focus on environment-related products.

Please tell us about the environmental analysis and trends of the Company’s business in China.

In China, economic activity resumed after the government lifted its zero-COVID policy in December last year. It also announced policy that emphasized economic growth. However, rather than achieving a full-fledged recovery, the country’s economic instability is increasing. In 2022, Keishin Papers Trade, which operates in the Chinese market, incorporated Antalis Shanghai, which has strong brand power in the specialty paper market, as a wholly owned subsidiary

and reorganized the company. Going forward, we will rebuild our sales network, focusing on purchasing and selling products from high-quality overseas manufacturers with low risk of market risks, while also working to increase profits by ramping up sales of fancy specialty paper handled by Antalis Shanghai. Although the scaling back of our China business is unavoidable, we will work on improving profitability as our top priority.

— Japan —

# Kokusai Pulp & Paper

## Major Locations

Tokyo, Osaka, Nagoya, Fukuoka, Sendai, Sapporo, Seoul, Taipei, Los Angeles, etc.

## Main Businesses and Products

- Purchase, sales, import, and export of paper, paper board, paper processed goods, pulp, recovered paper, chemical products, paper-related machinery, packaging materials, and other related products
- Holding and leasing of real estate; warehousing



| Strengths   |   |
|---|---|
| <ul style="list-style-type: none"> <li>● Market leadership position in the Japanese market</li> <li>● Network as a common agent</li> </ul>  | <ul style="list-style-type: none"> <li>● Development of a totally recycling-oriented business</li> <li>● Development of closed recycling</li> </ul>   |
| Business environment  |   |
| <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>● Expansion of global business areas through the transition to a holding company structure</li> <li>● Acceleration of de-plasticization due to environmental issues</li> <li>● Investment to realize a recycling-oriented society</li> </ul> | <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>● Accelerated decrease in demand due to higher prices</li> <li>● Further increase in purchase prices due to soaring raw material and fuel prices</li> <li>● Rapid market changes and exchange rate fluctuations</li> <li>● Consumers continuing to refrain from purchasing various goods due to rising prices</li> </ul> |

## Review of the Fiscal Year Ended March 31, 2023

In the paper sector, the digitalization of information picked up steam, and the decline in graphic paper sales continued unchecked. Although volumes decreased year on year, revenue increased thanks to our second and third rounds of price hikes. In the paperboard sector, although sales of containerboard for beverage packaging materials remained robust, sales volume for the full year fell year on year due in part to a decline in exports and a pullback in consumer spending amid inflation. For boxboard, we had expected inbound demand, but the recovery was limited, causing

sales volume to come in below the previous fiscal year's level. In the paper raw materials sector, while the amount of recovered paper generated in Japan decreased, we worked to diversify collection methods and achieved sharp growth in both sales volume and net sales. In commercial pulp, although sales volume decreased due to lower demand from domestic household paper manufacturers, net sales were significantly higher than the previous fiscal year, boosted by higher unit sales prices.

## Direction for the Fiscal Year Ending March 31, 2024

The outlook for the current fiscal year is as follows: In the domestic market, although consumer spending looks set to increase, with inbound demand expected to recover, the economic outlook will likely remain uncertain amid price increases of various consumer goods and curbed wage increases. In the fiscal year ending March 31, 2024, we expect to secure a certain level of profit by maintaining selling prices, even amid the anticipated decrease in demand for graphic paper in the paper wholesale business. However, we expect the one-off profit boost from inventory sales in the previous fiscal year to fall out of the picture. Against this

backdrop, we aim to promote our totally recycling-oriented businesses with an eye to expanding our businesses that contribute to reducing environmental impact through Material Recycling Business that supplies recycled resources such as recovered paper, and carbon neutrality that supplies renewable energy mainly through our biomass power plant operation support services. In addition, based on our distributorship agreement with Ranpak, a provider of paper cushioning material solutions, we will actively carry out initiatives to expand sales of environmental products.

## Third Medium-term Business Plan (Fiscal Year Ended March 31, 2023 to Fiscal Year Ending March 31, 2025)

At Kokusai Pulp & Paper, we have established three basic policies in keeping with the basic policies of the KPP Group as a whole and the policy of the second medium-term business plan, and are carrying out initiatives geared toward achieving our targets.

### Reform of Sales Methods

#### Refining our marketing function

- The sales and marketing divisions work together to advance our businesses and create new value
- Tap into new markets and accelerate business growth by implementing both online and offline marketing measures
- Consolidate and utilize information at sales floors that rely on individual employees' skills



### Transformation of Sales and Service Content

#### Promoting KPP Open Innovation

##### Oji Fiber

- Enhance the product lineup of Paper Yarn OJO+
- Increase competitiveness by expanding procurement sources
- Regularly hold Project OJO+ Meetings (manufacturing-sales strategy meetings) attended by partner companies to accelerate the speed of business development

##### AmicaTerra

- Made additional investments with the purpose of expanding business collaboration and further strengthening relationships
- Through business tie-ups with mold manufacturers, improve product development capabilities and product appeal using modo-cell®, and tap into new markets and customers
- Hold regular sales skill improvement seminars in cooperation with AmicaTerra in order to strengthen our sales capabilities and ramp up cross-selling, and expand our business nationwide

##### BMecomo

- Took part in a project to develop a decarbonized power source using hybrid fuels made from completely non-FIT timber and manufacturing by-products
- In partnership with Kett Electric Laboratory Co. Ltd., started to provide data utilization solutions for inline near infrared moisture meters

### Low-cost Management

#### Improving operational efficiency

- Promotion of DX
- Consolidate administrative divisions
- Streamline ordering and receiving order operations with suppliers

#### Ranpak

- Exhibited at Advanced EC & Retail Expo  
Demonstrated high-speed generation of paper cushioning material at an expo held in Tokyo in October 2022  
Exhibited environment-friendly products and services for the industry, such as water-soluble duct tape, all-paper cushioned envelopes as packaging for posting items, and packaging materials coated with self-adhesive glue
- Co-hosted a webinar with Ranpak

#### Initiatives of the Green Biz Project

In the Green Biz Project, we are carrying out measures such as promoting the resolution of issues throughout KPP to increase orders and sales of environment-related products, activating the resolution of issues by appointing personnel with knowledge of environmental issues, and collaborating with the Marketing Office to closely monitor market trends and deepen product knowledge. In order to expand our Environment-related Business, we hold workshops for young sales employees on solution sales and sales methods for environment-related products (AmicaTerra, Oji Fiber, Ranpak, etc.). By sharing the contents of such workshops within the Company, we aim to establish a system to standardize work by visualizing the sales process and skills of high-performance personnel, thereby improving reproducibility.

More details on the Green Biz Project can be found on page 50

Sustainability Initiatives

BMecomo

BMecomo Co., Ltd. develops and provides BMecomo, a comprehensive platform that helps maximize the value of plants and other facilities (biomass power generation plants, hydroelectric power generation equipment, solar power generation plants, boiler facilities, paper manufacturing equipment, food factory production equipment, etc.) by utilizing cutting-edge data analysis technology and providing thorough visualization to improve utilization rates and optimize maintenance costs.

In line with the Group's policy of realizing a sustainable society through a recycling-oriented business model, we

are working to improve our energy self-sufficiency rate through the utilization of byproducts from the manufacturing industry, which had been difficult to utilize until now, as fuel for biomass power plants with the aim of generating domestically produced energy using local waste as an energy source. Through this, we are committed to further contributing to the reduction of waste and the realization of a circular economy and a decarbonized society.



KPP RISANET

KPP RISANET is a network organization of leading recovered paper wholesalers, our important business partners. "RISANET" is short for "Recycling Network." In addition to regular recovered paper transactions, companies that join RISANET can engage in collaborative logistics and collection with other members, as well as work together to develop new businesses. Since its establishment in 2013, the network celebrated its 10th anniversary and 14 major recovered paper wholesalers newly joined the network, bringing the total number of members to 31. As a result, the amount of recovered paper collected by these 31 companies reached roughly 40% of the total amount collected in Japan, an indication that our efforts to promote

recycling-oriented businesses are bearing fruit. Through various initiatives such as RISANET, we aim to promote sustainable recycling-oriented businesses and resolve issues, such as the 2024 logistics problem.



Oji Fiber

Subsidiary Oji Fiber uses a material made from Manila hemp from Ecuador to produce OJO+, a paper yarn. Thus far, over 90% of the yarn's end products have mainly been in the apparel sector. Going forward, the company plans to actively expand its use to industrial applications such as artificial turf, fishing nets, and soccer goal nets.

In particular, the environmental impact of microplastics caused by artificial turf is becoming a serious problem. We would like to help solve this problem by proposing artificial turfs made from the paper yarn OJO+. The company has already installed artificial turf using the paper yarn OJO+ in a public facility in Nerima-ku, Tokyo, and will continue to improve the quality of its products in order to satisfy customers.



Artificial turf made of paper yarn Sneakers made of paper yarn Jeans made of paper yarn

AmicaTerra

KPP invested in AmicaTerra Co., Ltd., a company that produces modo-cell®, a plastic alternative material made from plants, we also formed a capital and business alliance with the company and concluded a sales agency agreement. In this cooperative relationship, we are focusing on expanding sales channels for modo-cell®. As a solution to the environmental problems faced by companies, such as discontinuing and reducing the use of plastic products, modo-cell® is in a high demand across a variety of fields both in the food and non-food sectors. In addition, we have one of the largest recovered paper recycling networks in Japan, and we

plan to focus on recycling this product by utilizing this broad network.



Ranpak

In May 2022, we signed a distributorship agreement with Ranpak, a leading paper cushioning material company. The company provides packaging solutions in 50 countries around the world, including sales of paper protective

packaging materials such as cushioning materials and the leasing of packaging peripheral equipment. Paper cushioning materials are mainly used for gap filling, cushioning for heavy loads, packaging, cold storage packaging and other various purposes. By switching from plastic cushioning materials, which are currently the mainstream, it will not only reduce the environmental impact, but also drastically reduce the time required for packaging, and packaging work can be standardized. This led to an increase in the number of companies adopting these materials. We expect that demand for paper cushioning materials will continue to increase, especially in the e-commerce industry, where the market is still expanding, and in the export of industrial components.



The Company's Green Products and Green Solutions

|                 |                               |  |
|-----------------|-------------------------------|--|
| Green Products  | Promotion of paper solutions  | Due to the plastic pollution in ocean, movements to restrict disposable plastic are accelerating around the globe, and demand for paper as an alternative material is rising. In recent years, research and development of alternative paper solutions have been progressed mainly by paper manufacturers, and there has been an increase in examples of food packaging, daily necessities, stationery, and the apparel industry. Examples: Cutlery, face covers, hangers, paper packaging materials, cushioning materials, packages, etc. |
|                 | Reduction of plastic use      | These products reduce the use of oil-derived plastic by innovating manufacturing technologies and mixing in biomass-derived pulp and paper to an extent that does not detract from plastic characteristics such as barrier properties and processing suitability. Examples: Paper cold storage boxes, paper and film packaging materials, water and oil resistant paper, NEQAS OCEAN, etc.   |
|                 | Biomass materials             | As it is often difficult to switch plastic to other materials due to its various characteristics, research for alternative materials is being conducted with the aim of reducing the environmental impact. Biomass plastic manufactured from biomass materials and biodegradable plastic that is broken down by bacteria are some examples. Examples: In-store POP, fishing tackle items, cutlery, etc.  |
| Green Solutions | Town ecom                     | A system in which paper from households is collected at point-reward type paper collection boxes in retail stores, etc. to be recycled as paper raw material.  |
|                 | Office ecom                   | A system for safely collecting confidential documents from offices in special boxes to be recycled as paper raw material.  |
|                 | ecom Closed Recycling Service | A solution service that visualizes the recycling loop of client companies by centrally managing the entire process from paper supply to the collection and recycling of recovered paper.   |
|                 | BMecomo                       | A system that supports the optimization of biomass power plant operation by utilizing the latest technologies such as big data analysis, AI, and IoT.  |

— China —

## Keishin Papers Trade

### Major Locations

Shanghai, Beijing, Wuxi, Hangzhou, Jinan, Shenzhen, and Guangzhou

### Main Businesses and Products

Processing and sale of papers



### Strengths

- A full range of supply sources from worldwide locations of KPP, Antalis, and Spicers, in addition to products from Japan and China
- Ability to export Chinese products to Group company locations around the world

### Business environment



- As the world's largest exporter, we expect China to also provide greater export opportunities for the pulp and paper industry going forward
- In the future, the company will utilize the KPP Group's sales network to expand exports of Chinese products to the entire world



- Political risks such as the US-China battle for supremacy and the Taiwan crisis
- As the company enters a period of stable growth, sluggish domestic demand crimped by uncertainty over the future, as symbolized by the high unemployment rate among young people
- The risk of credit losses as streamlining progresses upstream and downstream due to a supply glut

### Review of the Fiscal Year Ended March 31, 2023

In the fiscal year ended March 31, 2023, while market conditions were very difficult due to the strong impact of the zero-COVID policy in China, we were able to compete well through teamwork. We have also expanded our locations mainly around coastal China and gained access to a diverse range of markets. In terms of market conditions,

while we were affected by the sharp decline in the Chinese paperboard market, we were able to minimize losses by collaborating with suppliers.

In terms of management, with the addition of Antalis Shanghai into the Group, we focused on sharing, unifying, and strengthening our governance system.

### Direction for the Fiscal Year Ending March 31, 2024

We will strive to further improve efficiency by strengthening strategic partnerships with suppliers and conducting centralized purchasing. We will also expand trade by utilizing the KPP Group network to improve profit margins and maximize profits. Another challenge is to promote DX in sales activities and provide high-performance customer services. In addition, we will increase handling and expand sales of FSC-certified products and products that are de-plasticized and have a reduced environmental impact.

Antalis Shanghai, which joined the Keishin Group in the fiscal year ended March 31, 2023, mainly handles imported high-grade paper and has no overlap with existing

customers, so we will develop new market domains by enhancing synergy effects through sharing market and customer information. In addition, by combining the KPP Group's import purchasing resources with Antalis' customer resources, we will mutually expand business through cross-selling and other means, with the aim of increasing revenue.

To strengthen governance in organizational management, we will unify the personnel evaluation system across the Group, make preparations for system unification, and enhance the whistleblowing system.

### Antalis Shanghai's strategic partner, Artron Art Group

Founded in 1993, Artron Art Group is a comprehensive art and cultural digital service company with three offices in Beijing, Shanghai, and Shenzhen, and is highly regarded worldwide. In 2015, the group established Artron Antalis Creative Paper Gallery, Antalis Shanghai's exclusive product exhibition center in Shenzhen. The approximately 200m<sup>2</sup> gallery displays Antalis' paper,

brochures, printing effect samples, and other products that customers can choose from.

Antalis Shanghai and Artron Art Group have earned the trust of their customers, having led many important printing projects for customers such as Chanel, Dior, China Guardian Auctions, Mercedes-Benz, and Bentley.



(Artron Antalis Creative Paper Gallery)



### Third Medium-term Business Plan (Fiscal Year Ended March 31, 2023 to Fiscal Year Ending March 31, 2025)

#### Three Basic Policies

- 1 Establish a marketing team to develop new market domains
- 2 Sales of products and services with reduced environmental impact
- 3 Promote low-cost management and DX by improving operational efficiency

- Information on Keishin's headquarters, branch offices and Antalis Shanghai is centralized at the headquarters, and each location shares necessary information. By doing so, we are working to generate synergies throughout China.
- The addition of Antalis Shanghai has enabled the Group to sell Japanese products through a new channel. By

utilizing the purchasing sources of the KPP Group, we will continue to expand sales not only of Japanese products, but also in the niche market Antalis Shanghai has access to.

- We began sales of Chinese specialty paper to India, a growing market. We will continue to expand exports to growth markets.

#### Sustainability Initiatives

- The wave of de-plasticization is also gradually spreading in China. To seize this commercial opportunity, the company will introduce to users products that reduce environmental impact, such as switching to paper solutions and reducing plastic use, leading to new projects.

- We will actively introduce FSC-certified products to users and increase transactions.

## Europe and South America

### Message from the CEO of Antalis



antalis <sup>EM</sup>  
Just ask Antalis

**Hervé Poncin**

CEO, Antalis S.A.S.

The wheel turns very fast in business life and 2023 will be indeed very different from 2022. After a strong post pandemic rebound in the first semester of 2022, the overall economic European situation, impacted by the war in Ukraine which forced us to close our Antalis Russia operations, started to degrade progressively and since then has materialised in a light but unique European economical GDP recession. The latter has been exacerbated by strong interest rates increases and persistent inflation which still remains at a high level of + 5% in 2023, affecting all business sectors and industries.

In this context, Antalis did well in 2022 by ensuring good service levels to its customers in the successive periods of supply allocations followed by strong inflationary pressures on purchasing and selling prices. Stock management has also be a permanent challenge and our procurement and logistics teams have demonstrated high reactivity supported by efficient IT tools.

By pursuing its Focus Strategy on its three business sectors of Papers, Packaging and Visual Communication powered by e business, Antalis has managed to significantly increase its turnover and margins while keeping its costs under control. New acquisitions in Germany and Spain have fueled the organic growth of the Packaging sector positioning Antalis has the European leader in the

distribution of Packaging consumables and equipment across 25 countries, capable to service a broadband of large international customers in automotive, food, logistics, retail, e-commerce and many other sectors.

Our 373 m€ e-turnover based on web shop sales and EDI connections with customers has increased by + 25% versus 2021 with additional 1700 customers, demonstrating the appealing product and service offer of our unique web shop translated in 22 different European languages.

We also continued to invest in our modern IT infrastructure by rolling out SAP ERP successfully in UK and Ireland and in Peru.

Our focus on ESG has delivered results on its 3 pillars: measuring our carbon footprint evolution, embarking our strategic suppliers on Sedex referencing platform, continuing our ISO 9001 and 14001 certifications in many countries, investing in a new digital academy platform, partnering with Humanity and Inclusion association, etc.

Antalis teams are motivated, with the support of KPP, to cope with the current very challenging and unstable worldwide business environment to successfully strengthen our market position.

### — Europe and South America —

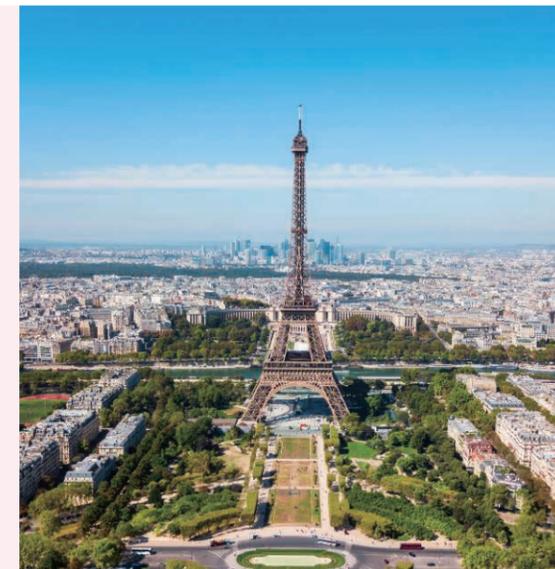
## Antalis

#### Major Locations

Paris, Birmingham, Dublin, Madrid, Köln, Stuttgart, Zurich, Amsterdam, Warsaw, Prague, Stockholm, Copenhagen, Riga, Istanbul, Santiago, Lima, etc.

#### Main Businesses and Products

- Paper and paper-related products
- Packaging Business
- Visual Communications Business



#### Strengths

- Sound and satisfied customer base
- Leading position in the 3 Business Sectors
- Wide Products and Services ranges
- Efficient Supply Chain
- Excellent teams in Sales & Marketing, Supply chain and Back-office
- Powerful web shops
- Strong shareholder and external financial support
- Profitability and investment capacity of Antalis
- Capacity to close bolt-on acquisition

#### Business environment

- |   |  |
|---|--|
| <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>● Antalis e-Business Growth</li> <li>● Acquisitions in the 3 Key Business Sectors</li> <li>● Expansion in North America</li> <li>● Weakness of some competitors</li> </ul> | <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>● Slowing down of overall market in volume and value demand caused by GDP reduction</li> <li>● Papers consumption decrease linked to digitalisation of communication</li> <li>● Aggressive competition</li> </ul> |
|---|--|

### Review of the Fiscal Year Ended March 31, 2023

Thanks to its reactivity and flexibility, Antalis has managed to increase its results in Europe and Latin America by successfully passing price increases to its customers on all product grades in a strongly inflationary context on purchasing prices and costs. European inflation level has been indeed reaching a never seen level of + 9.2% which has been the main management and sales focus during the whole year with many waves of increases. Costs increases have been contained, allowing to achieve excellent results in every country in this unique context. However, whereas the first semester has been buyant in

terms of customer demand levels, the second semester of 2022 has seen a strong slow down of the economy and therefore on market demand, as well as higher salaries increases linked to inflation impacting our cost base. Many papers manufacturers suppliers have been under pressure due to energy massive increases, leading to many industry restructuring operations. We have had consequently to manage in addition the bankruptcy of our key supplier of Fine Papers by switching to new suppliers and relaunching well known product brands like Conqueror or Rives that Antalis has finally acquired.

### Direction for the Fiscal Year Ending March 31, 2024

In a strongly decreasing European Papers market in H1 2023 by - 30% vs 2022, Antalis focus on margin and profitability management and developing its Visual Communication and Packaging sales through organic growth and acquisition projects. Two of them have been already

successfully closed with the Integart Group, a leader in Visual Communication equipment and consumables in Poland, Czeck Republic and Slovakia and the Gosuma Packaging distributor in Spain.

Third Medium-term Business Plan (Fiscal Year Ended March 31, 2023 to Fiscal Year Ending March 31, 2025)

Strategy Implementation

1 Focus growth on 3 Business sectors

- Reinforce leadership in Papers distribution
- Grow Packaging and Visual Communication through organic growth by leveraging on business development initiatives and through external growth with targeted acquisitions

2 Increase the Digital “Power-e” initiative

- Develop e-sales through our new web shop functionalities
- Increase prospection by rising the web visibility of Antalis thanks to our inspirational country websites
- Connect large customers with EDI (Electronic Data Interchange)

3 Expand international accounts management

(AIKA - Antalis International Key Account)

- Develop international customers with dedicated key account sales force to strengthen our global presence

4 Provide new Services

- Market a full range of Services to support and develop our customers’ businesses through the “Easy for You” concept and “Smart Packaging Solution”

5 Continue the deployment of efficient IT solutions

- Continue the roll out of SAP and CRM systems in additional countries to capture best business practices and reinforce reliability of customer offering

6 Optimise the supply chain infrastructure

- Give our customers the benefit of our European infrastructure by offering cross-boarders for better product availability.

7 Develop careers through training programs

- Deliver functional learning paths to Antalis employees to develop specific skills and expertise needed to meet current and future business needs through academies such as the Digital or Purchasing Academy and the continued deployment of business Academies for Packaging and Visual Communication

8 Three pillars for a strong ESG strategy

- Our Environmental, Social & Governance policy includes measurable goals and identified actions in the areas of corporate governance, environment and social.

Sustainability Initiatives

1 Antalis acquired the iconic ex Arjowiggins Brands

After paper producer Arjowiggins enters into administration, Antalis was able to acquire the worldwide recognised Creative Papers brands; Conqueror, Keaykolour, Curious Collection, Rives, PopSet, Opale, Creative Labels, Delos.

Some of these brands have been in the market since centuries, as Conqueror that was established in 1888.

After the acquisition, our first priority was to find the right paper mills than can reproduce the exceptional characteristics of Arjowiggins products. These was a challenging and hard work between Antalis marketing and

purchasing teams with the support of ex Arjowiggins technical expert. The goal was achieved after many lab and production test lead by Jérôme Noyelle, Antalis Creative Paper Market Manager.

A full review of the brand structure was conducted integrating all those brands under Creative Power by Antalis umbrella, joining the recognised Olin brand. For example, Popset has become now Olin Colours.

Full review of brand logos, product packaging and imagery was performed, as well as a strong SoMe campaign, to reinforce the high market value of the brands.



2 Acquisitions

In April 2023, Antalis acquired the Gosuma group in Spain, a company specialised in the distribution of industrial Packaging solutions, therefore further expanding its presence in the European Packaging market. Gosuma is featured as the first acquisition of 2023, joining the 2022 acquisitions of BB Pack Group in Germany and Cohal Group in Spain.



In June 2023, Antalis acquired the Integart Group in Poland, Czech Republic and Slovakia, a leading distributor in Visual Communication solutions, allowing Antalis to expand its footprint in the fast-evolving Visual Communication market. With its expertise in selling large format printing machines and its brands portfolio, the acquisition of the Integart Group will enable Antalis to diversify its offer.



3 Carbon footprint

In 2023, Antalis kicked off an important project aimed at calculating its carbon footprint on scope 1 and 2 at Group level.

Antalis worked closely with its local « carbon coordinators » to collect raw data from all of its subsidiaries for years 2021 and 2022, as follows :

- vehicle fleet, self-generated heat, refrigerant leakage (scope 1)
- stationary electricity, purchased heat and cooling (scope 2)

Following an initial sanity check of the raw data, Climate Partner, who provides a dedicated platform for calculating a company's corporate carbon footprint, applied a selection of emission factors based on country and business sector specificities in terms of greenhouse gases (GHG).

The results of this analysis are set out below :

| Emissions |         |                           |         |                           |
|-----------|---------|---------------------------|---------|---------------------------|
|           |         |                           |         |                           |
| FY2021    | Scope 1 | 7,703tons CO <sub>2</sub> | Scope 2 | 8,286tons CO <sub>2</sub> |
| FY2022    | Scope 1 | 6,992tons CO <sub>2</sub> | Scope 2 | 7,010tons CO <sub>2</sub> |

4 Solar Panels in the warehouses

Several subsidiaries of Antalis in Europe and in Latin America already have implemented or will be deploying solar energy in their distribution centres.

In Hungary (project SOL), it was deployed on the main warehouse near Budapest and consists in 198 panels, on a building oriented north-south. With the electricity price increases, this project will surely be very efficient soon (goal : reduce their electricity usage by around 80,000 kW annually).

In Q3 of 2021, this warehouse had already implemented LED lighting with motion sensors, where the narrow isles are only lit for 2 min. when there is movement. This already resulted in 40,000 kW saving in electricity.

In Czech Republic, the solar panels have been installed since 2009 and have a production capacity of 98.28 kWh annually. The produced electricity is mainly used for the consumption of the site.

Two projects of solar panels are also under implementation in Switzerland and in Chile.

5 Training programs

Antalis academies offer specific training programs that address the needs and challenges faced by employees in their daily work. This allows employees to develop targeted skills and immediately apply them, thus improving their efficiency and productivity.

Antalis already designed purchasing academy on how to deal with suppliers, Packaging academy segments products and markets and in 2023 the focus is on the digit'All academy: how to make employees more agile in digital transformation, using new technologies.

Antalis has decided to start with sales people, the first point of entry for customers into the company. With this program, the Antalis sales force will acquire the skills needed to meet the challenges of the digital era, such as data management, online collaboration and the effective use of software and applications.

- The implementation of SAP in a country as important as the UK was supported by MAJOR training programs, enabling employees to familiarise themselves with the new system. The entire population of the UK and Ireland has been involved in this training, which has been organised around the SAP module.

- Antalis deployed a gamification program (TEAM Leading Adventure) involving more than 50 managers in 24 countries. Using an innovative learning concept, the managers were able to test their management skills and develop their internal network.

In conclusion, Antalis' training programme makes a concrete contribution to raising employees' awareness of the various aspects of their daily work. By investing in training and development, Antalis ensures long-term safety, productivity and competitiveness, which is essential for increasing the attractiveness and motivation of its employees.

6 Supplier due diligence

Third-party suppliers are the backbone of today's global business landscape. Going through due diligence is vital in order to run checks to ensure these stakeholders are legitimate and credible organizations that are compliant with local regulatory authorities. Even more, we need to make sure that they are also compliant with our own ESG strategy, not to mention our code of business conduct and other specific codes that we have, such as our sustainable sourcing policy.

Antalis chose Sedex (www.sedex.com), a due diligence tool that will help Antalis assess and manage ethical risks in our supply chains. This enables us to work with responsible suppliers and promote sustainable business practices. We launched the onboarding on SEDEX in February and we'll continue progressively until the end of 2023 for our 3000 suppliers, the aim being to have all strategic suppliers in the platform by then.

## Asia-Pacific (Oceania, Southeast Asia, India)

### Message from the CEO of Spicers



**David Martin**

CEO, Spicers and KPP ASIA-PACIFIC

Making the most of the opportunities presented and developed in the past year, has delivered another pleasing result for the Group. Both organic and acquisition opportunities, have ensured our bottom line growth across the region. Further acquisitions in our Australian business, has supported improvement in our core business, while providing a stronger baseline for our self-adhesive label material business. Developing our business here increases our scale in a sector delivering strong organic growth, with a supply network that ensures our meaningful position in our customers' supply mix.

Demand in our Asia business has seen the revenue impact of a slow China market, seeking volume in the ASEAN regional, along with continued supply disruption for particular European products. Alternatively, Australia and New Zealand have exceeded demand expectations, given predicted softness on global markets.

The consolidation of supply in the Australian paper sector has presented opportunities, which our teams have used to full advantage. The closure of the Australian Paper mill enable further growth for our Australian business which will continue into the 2023 and 2024 financial years. Further expansion of our white paper business has been the result of this closure, along with a slightly stron-

ger demand than forecasted.

Our profitable growth relies on productivity, and our digitization strategy will help us achieve this, along with business process simplification. An upgraded E-commerce platform will improve customer adoption and expand our reach to customers not consistently buying our numerous product options. We will continue to provide the best options for customer engagement and tools for our people to drive sales and be as productive as we can be.

We see a strong close to our mid term plan, having also upgraded our goals given our acquisition successes. Our teams have excellent resources and people to work with, and we intend to lead through what will be a period of great change and opportunity, towards 2024.

#### Oceania

### Spicers

#### Major Locations

Sydney, Melbourne, Brisbane, Perth, Adelaide, Hobart, Townsville, Darwin, Auckland, Christchurch, Palmerston North, Wellington

#### Main Businesses and Products

- Print & Packaging Business
- Visual Communications Business



Ideal Vision of KPP Group

Value Creation of KPP Group

Business and Financial Strategies

Sustainability Strategy

Corporate Profile

#### Strengths

Our business structure and incredibly talented people, enables a strong customer trust in our Print & Packaging and Visual Communications capabilities. Relevant product ranges, our technical expertise and trusted service proposition means customers are rewarding our approach to serving their business.

#### Business environment



Enabling more opportunities for our customers to grow their business through new product introductions across twelve product verticals is our objective. To grow 1:1 with our customers as we build scale and offer them more options is our greatest opportunity. Of course, our targeted acquisitions have been opportunities for us to grow at a faster rate than we could have in a solely organic approach.

Consolidation in supply sources has provided both opportunity and risk to our business, but on balance, we have seen a net benefit of this consolidation through incremental business gain, previously serviced by suppliers who have taken a direct-to-market approach, proving difficult for them to service to the market's expectations.



The unpredictability of both the business and world's economic climate simply means we must have strategies that are both dynamic and tested. The breadth of our product range delivered bottom line stability to our business through COVID and we maintain our attention on leading indicators that lead to any likely shift in demand. Consistent demand in the coming years is not certain, so our blend of acquisition and productivity strategies will be designed to complement our approach to bottom line growth in the mid term.

#### Review of the Fiscal Year Ended March 31, 2023

The calendar 2022 year provided strong, and progressive, results for the business across Oceania and Asia Pacific, relative to the prior year. Strong inventories aided spiking demand supply and ensured a higher service offer relative to our competition. The business grew organically in every part of the region and followed into 2023 with similar momentum. China's slow recovery began to impact re-supply

pricing, yet inventories being so high across the market meant that flow-through has been limited.

One acquisition featured in Australia, Domain Paper, and aided our scale improvement in PS Label materials, along with new agencies enabling growth in Packaging. We welcome the strong team from Domain to the Spicers business!

#### Direction for the Fiscal Year Ending March 31, 2024

2023 has commenced with strong demand, and returns, in Oceania. Efficiency and productivity remain a key feature for 2023 as we ensure we deliver the returns expected

from our acquisitions, but also to prepare for further acquisitions in the region and free resources to focus on integrating those projects.

**Third Medium-term Business Plan (Fiscal Year Ending March 31, 2023 to Fiscal Year Ending March 31, 2025)**

We have multiple opportunities to grow within our current business model. Our market position is not evenly matched across our range and given our expertise there, we can expand both organically and by acquisition to build our scale in each sector. Our priority is to focus on profitable business expansion, which delivers on more than simply revenue for our business.

To 2024, the returns for the business are planned to expand by 3X over the three-year period of 2021 - 2024. Our blend of organic and acquisition growth will also bring new sector opportunities, still with synergies in our operating model. We prioritize profitability over rapid revenue expansion and expect that with expansion, we offer our people wonderful opportunities for personal growth.

**Priorities**

- Deliver profitable growth – our business and customers to benefit
- Efficient growth - digitization and automation
- Team connection, development and safety
- Sustainable portfolio and business operations



**Sustainability Initiatives**

In October 2022, Spicers Australia signed an agreement with Greenfleet in an effort to deliver on being a “Carbon Neutral” operation in Australia. After our initiatives of solar power, gas forklifts, LED lighting and hybrid vehicles, we are now engaged with the re-forestation of Australian

landscapes to offset the balance of our carbon emissions. We will continue to create innovative and sustainable solutions to meet the needs of the current market and to pass on a healthy global environment to future generations.



— Southeast Asia and India —

**KPP ASIA-PACIFIC**

**Major Locations**

Singapore, Bangkok, Ho Chi Minh, Jakarta, Kuala Lumpur, Manila, Bengaluru

**Main Businesses and Products**

- Distribution Business
- Trading Business



**Strengths**

Our presence in each country in the region is a strength we must capitalize on. We're a business delivering across a broad geography, with multiple locations, giving us a single brand strength when representing manufacturers across the region. The support in sourcing and portfolio expansion from other parts of the region has been valuable, with the need now to build scale as a result.

**Business environment**

**Opportunities** Our opportunity is to rapidly diversify across the region, and to be flexible in our business model depending upon the country. To credibly translate portfolios from other regions, and deliver on the sales growth potential this provides, is part of our rapid diversification approach. Clearly, M&A is our single greatest opportunity to deliver the scale we can build a strong return from.

**Risks** Asian markets have taken longer to recover from the COVID period than other parts of the world, with a challenged China region holding price growth below the required returns. Business drivers, such as tourism, heavily influence the opportunity for our traditional portfolios and this is now showing recovery. Our business diversification, via acquisition, is designed to insulate us from further shocks and deliver positive contributions by the end of the mid-term plan period.

**Third Medium-term Business Plan (Fiscal Year Ending March 31, 2023 to Fiscal Year Ending March 31, 2025)**

Our priority is to diversify our Asia Pacific business, mostly via successful acquisitions. Supply disruptions have challenged our Trading revenue, leading our immediate focus to be on the productivity of this revenue stream. Reducing our cost per transaction is a priority as we balance our returns with our cash generation there, and as supply remains challenged.

Our value in Distribution is serving a fragmented customer base with immediate service and access to leading

brands. Comparing our Distribution business with our models in other regions, we have plenty of scope to broaden our offering. In a strategy blended with organic and acquisition growth, we will develop business in each country which provides true potential, versus simply replicating our models elsewhere. We will prioritize sectors where we see a gap in either the service, or product approach our customers currently experience.

**Priorities**

- Deliver profitable growth – diversification and productivity
- Invest by geography - diversify country revenue reliance
- Enhance team capability – connection and development
- Sustainable portfolio and business operations – Regional resource support



# Sustainability Framework

The Company has formulated a Basic Policy on Sustainability based on the KPP Group Way, and the Sustainability Committee of the holding company is promoting sustainability management throughout the Group. In addition, material issues will be reviewed in response to external and internal changes and will be modified after approval by the Board of Directors.

## Material Issues of the KPP Group

We have identified material issues that should be used as indicators to help us achieve the Sustainable Development Goals (SDGs) through our business activities and to create new value for the Company on a sustainable basis. We develop

and promote an action plan based on these results (refer to pages 17-18). We also recognize the following content as sustainability issues and are considering and implementing measures to address them.

| ESG category | Major themes and social issues      | Action plan  | Specific measures   | Goals  | Results for FY2022   | Page stated on |
|--------------|-------------------------------------|--|---|--|--|----------------|
| E            | Biodiversity preservation           | Forest conservation and reforestation                  | Support for the Afan Woodland<br>Newly start support for forest creation activities in the south area | Forest conservation and reforestation                  | Supported the entire operation as an official sponsor of the Afan Woodland Trust       | p.51, 56       |
|              |                                     | Utilization of managed forest resources                | Expand the handling of forest-certified products  | Utilization of managed forest resources                | Expanded sales of forest-certified products  | p.48           |
| S            | Provision of high-quality education | Dissemination of information on paper and book culture | Publish public relations magazine <i>TSUNAGU</i>  |  | Published four times a year  | p.52           |
|              |                                     |  | Display of Sendai Tanabata decorations  | Dissemination of information on paper and book culture | Displayed in the first-floor entrance hall of the head office building                 | p.52           |
|              |                                     |  | Support for holding papermaking classes at local elementary and middle schools                        |  | Supported a papermaking class at Miyanomori Elementary School, Higashi-Matsushima City | p.52           |
|              | Reduction of poverty and hunger     | Various food support                                   | Support for United Nations WFP<br>Donation to food banks  | Various food support                                   | Donated 3,624 meals of disaster stockpile foods to a food bank                         | p.52           |

## Sustainability Management System

The Company established a Sustainability Committee headed by the Chairman & CEO in April 2022. The Sustainability Committee receives reports from its five subcommittees and core operating companies, Kokusai Pulp & Paper, Antalis, and Spicers, provides guidance, advice, and oversight, and

reports the progress of sustainability issues to the Board of Directors. Each committee sets its own sustainability issues, action plans and KPIs, and manages the progress of initiatives. Under this system, we are making improvements on sustainability issues both sustainably and globally.



## Subcommittee Initiatives

| Subcommittees                      | Number of meetings held | Main activities for FY2022   |
|------------------------------------|-------------------------|--|
| Compliance Committee               | 2                       | Preparation for the establishment of a global compliance system, implementation of compliance training and insider training, accounting status investigation (no fraudulent cases found), and raising awareness of internal and external reporting centers                         |
| Risk Management Committee          | 2                       | Formulation of group risk management rules and group incident management bylaws, development of risk response measures, updating of BCP and other manuals, implementation of evacuation drills and safety confirmation drills  |
| Environmental Management Committee | 2                       | Implementation of climate change measures through environmental management systems, ongoing support for certification activities (FSC, PEFC, ISO, etc.), calculation of GHG emissions, implementation of reduction measures, strengthening ESG communication (ECOVADIS, CDP, etc.) |
| Occupational Safety Committee      | 2                       | Thorough management of overtime work by managers, promotion of paid leave acquisition (target of 5 days), implementation of health checkups and stress checks  |
| Information Security Committee     | 2                       | Strengthening information management of IT assets, information collection management from subsidiaries, implementation of cyber-attack countermeasures, and ongoing activities for security enhancement  |

| Stakeholders               | Main activities for FY2022   |
|----------------------------|--|
| All stakeholders           | Issuance of integrated reports, corporate brochures, and the <i>TSUNAGU</i> public relations magazines, and information dissemination through the corporate website and social media   |
| Customers                  | Solving challenges through sales activities, conducting product briefings, offering samples, holding and participating in exhibitions, producing and distributing product catalogues, and expanding sales of paper and paper-related products through the PAPER MALL e-commerce site   |
| Suppliers                  | Performing fair business transactions, regular information exchange, strengthening collaboration, holding business meetings, conducting plant tours, and actively disclosing information   |
| Community and environment  | Holding community events, holding Japanese washi paper-making workshops, certification activities, (ISO 14001 and forest certification CoC), sponsoring forest conservation activities, supporting the WFP, and donation to food banks   |
| Employees                  | Distributing messages from top management, offering various human resources development programs, providing health counseling sessions by occupational physicians, implementing and analyzing stress checks, issuing Group and internal newsletters, making the whistleblowing system known and used, and conducting employee satisfaction surveys |
| Shareholders and investors | Disclosing information at general shareholders' meetings and financial results briefings, timely disclosures, disseminating information through various news releases, issuing annual reports and interim reports, and disseminating information on the corporate website  |

# Disclosure on Climate Change Response (TCFD Framework)

The Company recognizes the impact of climate change on its business as a major issue and has reflected the assessment and analysis of risks and opportunities in its management strategy. In June 2022, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will continue to advance our efforts to address climate change issues, and work to realize sustainable social and economic development in coexistence and harmony with the natural environment. In addition to this, we have joined the GX League (GX: green transformation) led by the Ministry of Economy, Trade, and Industry this year, and are taking steps toward achieving carbon neutrality by 2050.



## Governance

The Board of Directors is responsible for climate change-related issues and receives reports twice a year from the Sustainability Committee on sustainability matters, including our response to climate change.

In 2022, the Board received reports on the status of our response to climate change issues, such as reduction of GHG emissions and risk management (plans, progress, issues, future plans, etc.), and provided guidance and advice.

## Strategy

With regard to the risks and opportunities posed by climate change, we anticipate risks and opportunities of transition to a decarbonized society, such as tighter regulations, innovations in low-carbon technology, and market changes in response to climate change, as well as physical risks and opportunities resulting from increased frequency and severity of disasters caused by the advance of climate change.

We have identified and organized risks and opportunities related to climate that could impact our business and finances, taking into consideration the 2°C scenario, which involves transitioning to a decarbonized society, and the 4°C scenario, in which climate change advances, based on the climate change scenarios provided by the International Energy Agency (IEA).

Assumed scenarios and main climate-related risk and opportunity factors that could impact the business

|                              |                       | 2°C scenario   | 4°C scenario   |
|------------------------------|-----------------------|--|--|
|                              |                       | Scenario for a decarbonized society  | Scenario as a result of dependence on fossil fuel  |
| Transition risks             | Regulations           | Stricter GHG emissions regulations such as carbon pricing  | —  |
|                              | Market                | Increased demand for environmentally certified products  | —  |
|                              | Reputation            | Stricter evaluation of efforts to address climate change issues, increased demand for information disclosure   | —  |
|                              | Technology            | Declining prices for competing renewable energy (solar, wind, etc.)<br>Shift in demand from woody biomass fuels due to increased demand for herbaceous biomass fuels   | —  |
| Physical risks               | Acute                 | —  | More frequent and severe flooding (typhoons and torrential rains)<br>Deterioration of water quality (increased turbidity in intake rivers, etc.)   |
|                              | Chronic               | —  | Ecosystem changes, abnormal occurrence of pests and diseases<br>Drought, worsening forest fires<br>Changes in precipitation and weather patterns and increase in average temperature<br>Depletion of water resources (changes in water supply and demand)<br>Rising sea levels |
| Transition and opportunities | Products and services | Expanding use of non-fossil energy<br>Expansion of e-commerce markets<br>Changes in consumer preferences<br>Spread of eco-friendly packaging<br>Formation of a recycling-oriented society<br>Spread of biomass material products | —  |

We evaluated the identified and organized factors from the perspectives of degree of impact on business and finances, timeframe for risk manifestation and opportunity realization, and likelihood of manifestation and realization. Accordingly, we organized the important risks and opportunities and the measures we will take to address them.

Transition risks and physical risks

|                  | Major risks | Impact on business  | Period               | Countermeasures  |
|------------------|-------------|---|----------------------|--|
| Transition risks | Regulations | Stricter GHG emissions regulations such as carbon pricing   | Medium term          | Actively utilize renewable energy to thoroughly and strengthen energy conservation<br>Actively select products with reduced environmental impact and promote green purchasing in consideration of the global environment |
|                  |             | Increase in transportation and storage costs due to introduction of carbon tax, etc. to logistics centers, offices, and delivery vehicles                             | Medium term          | Joint delivery with other companies, improve delivery efficiency<br>Improve business efficiency in logistics centers and offices   |
| Physical risks   | Acute       | Increase in restoration costs due to damage to company facilities and equipment; decrease in procurement volume and sales due to the suspension of operations         | Medium to long term  | Promote disaster prevention measures at high-risk locations<br>Reinforce collaboration among locations<br>Review and enhance BCP   |
|                  |             | Increase in procurement costs due to damage and the suspension of operations at suppliers<br>Decrease in procurement volume and sales due to supply chain disruptions | Short to medium term | Improve business resilience by strengthening supply chain, etc.  |
|                  | Chronic     | Changes in precipitation and weather patterns and increase in average temperature   | Medium term          |  |

## Disclosure on Climate Change Response (TCFD Framework)

### Opportunities

| Opportunities                |                       | Impact on business   | Period  | Measures to capture opportunities |  |
|------------------------------|-----------------------|--|---|-----------------------------------|--|
| Transition and opportunities | Products and services | Spread of eco-friendly packaging   | Increase in sales by switching from fossil fuel materials to paper materials for packaging                    | Medium term                       | Expand the Packaging Business according to market characteristics                      |
|                              |                       | Changes in consumer preferences<br>Changes in domestic and international laws and regulation | Increase in sales by switching to recyclable resources (e.g., introducing paper containers)                   | Medium term                       | Develop and distribute environment-friendly materials and products                     |
|                              |                       | Formation of a recycling-oriented society  | Increase in sales through increased business opportunities using various paper recovery services (ecomco)     | Long term                         | Establish a recycling-oriented business model through product sales and paper recovery |
|                              |                       | Expanding use of non-fossil energy   | Increase in sales due to increased demand for wood for biomass power generation and operation support systems | Medium term                       | Develop a system to support the operation of biomass power plants                      |

## Future Initiatives Based on Analysis Results

Based on our scenario analysis, we have found that cost burden on pulp and paper manufacturers, who are our supplier, associated with GHG reduction measures through means such as carbon tax is not insignificant. The risk of increased procurement costs due to these increased costs to address reduction of GHG being passed on to purchase prices could have a significant strategic and financial impact. As a countermeasure, we will proactively consider the selection of products with reduced environmental impact that will have less impact arising from transition risks. We will also work on calculating and reducing GHG emissions from the entire supply chain.

In terms of physical risk, we found that the intensification and an increase in severe disasters such as typhoons and torrential rains lead to in damage and the suspension of operations at our own facilities and those of our business partners.

## Risk Management

We evaluate material issues in terms of their importance to our business and society. As a result, we have identified climate change countermeasures as one of the KPP Group's material issues.

In addition, in assessing climate change-related risks and opportunities, we assess their importance by taking into account their impact on our business and the likelihood of their occurrence. Risks of high importance assessed by the

## Indicators and Targets

We are implementing a totally recycling-oriented business model with the aim of realizing a sustainable society. In order to mitigate climate change, we aim to reduce GHG emissions from our own business activities to net zero by 2050. First, we aim to reduce our in-house domestic GHG emissions (Scope 1 and 2) by 33% by FY2030, compared to that of FY2020,

This could have a significant strategic and financial impact in the event of a disruption in product supply. As a countermeasure, we will continuously work on securing a wide range of procurement sources.

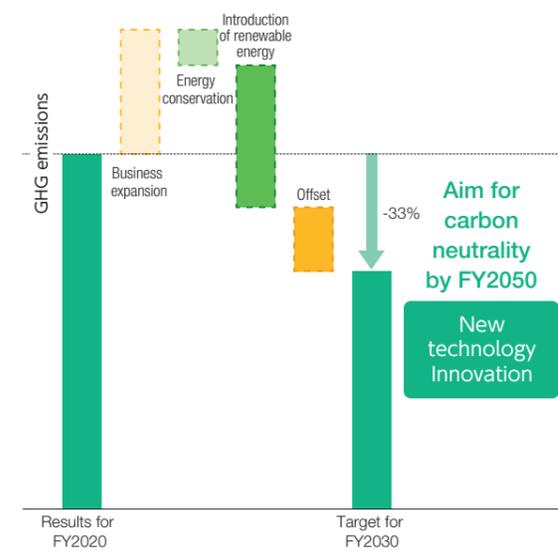
As for opportunities, demand for paper materials as packaging materials is expected to increase due to the spread of eco-friendly packaging. We will continue to expand our business areas, including the Packaging Business. In addition, in anticipation of expanding the use of non-fossil energy and the formation of a recycling-oriented society, we will actively capture business opportunities, including the development and provision of BMecomo, a biomass power plant operation support system, and the establishment and expansion of a totally recycling-oriented business model through paper recovery solution, ecomco series.

Environmental Management Committee are reported to the Risk Management Committee.

As a company-wide risk management system, risks that are judged to have a particularly significant impact on management are managed in accordance with the Risk Management Regulations through means such as establishing and controlling a response committee.

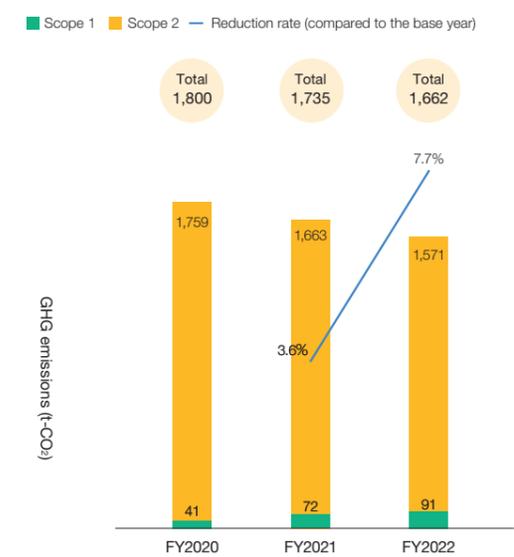
through thorough energy conservation and the introduction of renewable energy. In the future, we will set global GHG emission reduction targets that include the value chain (Scope 3) and overseas locations, and work to reduce GHG emissions throughout the entire value chain.

### In-house (Scope 1 and 2) GHG emission reduction targets



\*GHG emissions from the supply chain (Scope 3) are currently being calculated. After the calculation, we will work to reduce GHG emissions throughout the entire value chain by setting emission reduction targets and considering and implementing emission reduction measures.

### GHG emissions



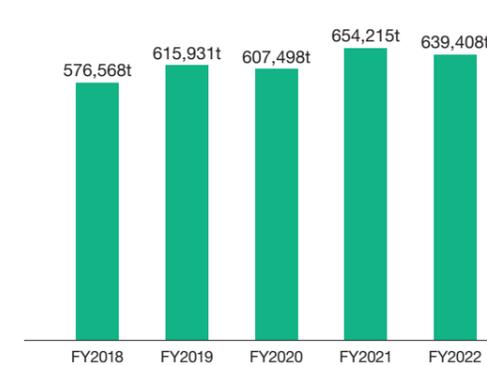
## Indicators Related to Net Sales of Products and Services That Contribute to Climate Change Mitigation

As a management indicator in achieving our sustainability strategies, we also use net sales and sales volume of environment-friendly paper and forest-certified pulp, which are products that contribute to climate change mitigation. In addition, we will

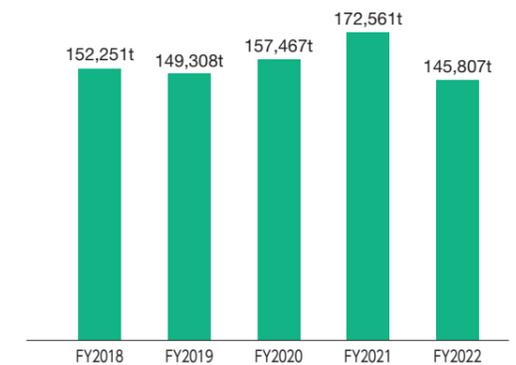
expand sales of Green Products and Green Solutions, which we define as products and services that contribute to climate change mitigation under our Green Biz Project, using net sales and sales volume as indicators.

## Sales Volume for Forest-certified Products (Paper and Pulp)

### Forest-certified paper



### Forest-certified pulp



In sales of forest-certified pulp for FY2022, orders have decreased significantly due to the suspension of forest certification (CoC certification) for Russian pulp caused by the Ukraine war. As a result, we are proposing our customers to switch to pulp from other origins.

# Environmental Management Framework

## Environmental Philosophy

KPP Group Holdings Co., Ltd. and Kokusai Pulp & Paper Co., Ltd. recognize that the sound preservation of the global environment is a noble issue affecting the survival of humanity for generations to come, and we will make every effort to realize sustainable development by coexisting and harmonizing with the natural environment.

Each and every employee shares our responsibility to take proactive action toward preserving the global environment as a good corporate citizen, under the effective organizational and management system of the Company.

## Environmental Policy

As a paper distributor, we strive to reduce environmental impact through the sales activities of paper, paperboard, paper raw materials, and paper-related products, contributing

to resource conservation and the establishment of a recycling-oriented society based on the following actions.

- 1 We constantly recognize environmental aspects related to our business activities, products sold, and services, strive for continuous improvement by establishing an environmental management system, and work to prevent environmental pollution.
- 2 We comply with environmental laws and regulations as well as other requirements that we agree to.
- 3 Among the environmental aspects related to our activities, products, and services, we focus on the following items as priority items for environmental management, and review them in response to changing circumstances.
  - 1) Promote a recovered paper collection and recycling business, promote sales of environment-friendly paper, and advance proposal-based sales activities for environment-friendly products.
  - 2) Strive to conserve all resources used in our business activities and reduce energy consumption.
  - 3) Prevent environmental pollution by actively engaging in waste reduction and the sorting and recycling of waste emitted from business activities and offices.
  - 4) Promote green procurement and contribute to resource conservation.
  - 5) Give consideration to biodiversity and strive to protect and improve biodiversity through business activities.
  - 6) Strive to reduce greenhouse gas emissions and to improve society's climate change issues through our products and services.
  - 7) Increase awareness of and work to conserve the water resources needed to develop forests and make paper.
- 4 To achieve this environmental policy, we will train and educate all employees and all people working for the Company, and promote environmental management throughout the Company.
- 5 We will build a sustainable mutually beneficial relationship in cooperation with partners who agree with our policies. In addition, we will continue to operate clean business without illegal transactions, while considering human rights, safety, and compliance.

## Sustainability and Environmental Management System

We are implementing a totally recycling-oriented business model with the aim of realizing a sustainable society. We are also striving to develop and distribute products that will help solve the marine plastic pollution problem. In order to implement countermeasures based on TCFD recommendations, which also consider topics such as climate change and marine pollution, we set targets, apply the PDCA cycle using

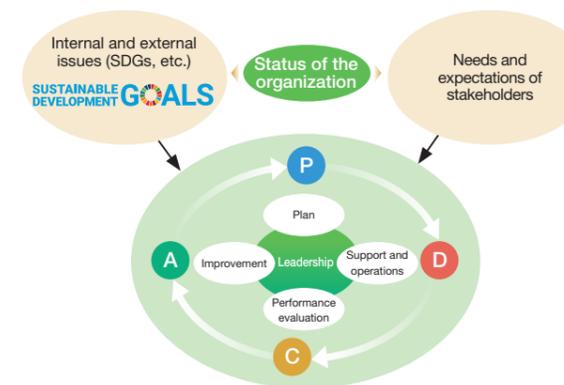
the environmental management system, and promote measures to reduce the impact on the environment including the reduction of GHG emissions. We also utilize forest certification systems to ensure that we deliver certified timber from appropriately managed forests to customers, which also contributes to the maintenance of biodiversity.

## ISO 14001

We have constructed an environmental management system (EMS) in accordance with the international standard ISO 14001 in order to fulfill our duty of compliance with environment-related laws and regulations and to improve ESG performance while carrying out both efforts to resolve social issues and business activities. Through the system, we

continue our activities to achieve environment-related KPIs. The results of our activities are regularly evaluated externally, and the evaluation results are disclosed in communication with stakeholders. In the fiscal year ending March 31, 2024 in particular, we have further clarified the targets toward the achievement of net zero emissions by 2050, and we are

promoting activities that contribute to GHG emissions reduction, such as Scope 1 and 2 calculations and disclosures, and Scope 3 calculations. In addition, we have added biodiversity, conservation of water resources, and our commitment to sustainably strengthen a mutually beneficial relationship with our business partners, while considering human rights, safety, compliance, and the eradication of unfair trade practices, to our Environmental Policy. By doing so, we are promoting EMS activities that are more effective and meet the demands of the times.

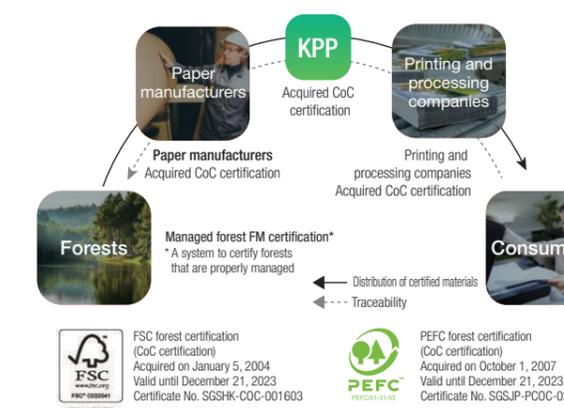


## Kokusai Pulp & Paper Co., Ltd.

Acquired on June 26, 2002 Valid until June 26, 2026 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, Chubu Branch, Kyushu Branch, Sendai Sales Dept. of Kita Nihon Branch, and Sapporo Sales Dept. of Kita Nihon Branch

## Forest Certification

Along with increasing environmental awareness comes greater demand for forest-certified paper. 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 the Forest Stewardship Council (FSC®) Certification and the Programme for the Endorsement of Forest Certification (PEFC). Both are the Chain-of-Custody (CoC) certification which certifies that we identify and separately manage forest-certified paper from general goods during the processing and distribution stages.



## Important KPIs Related to the Environment

- In-house GHG emission reduction rate (Scope 1 and 2)\*: 3.3%/year (against FY2020)
- Green Biz Project net sales target: 6.0 billion yen (FY2024)

\*Reduction targets for GHG emissions from the supply chain (Scope 3) will be set in the future.

## Initiatives to Reduce Environmental Impact

### Promotion of Green Biz Project

In order to solve the marine plastic pollution problem, we have launched the cross-divisional Green Biz Project within the Company to develop and distribute new Green Products based on the concept of 3Rs (reduce, reuse, and recycle) and renewable. In addition, we have been working on developing new solutions that contribute to reducing environmental impact, as Green Solutions, and have engaged in the development of BMecomo and other solutions. During the fiscal year ended March 31, 2023, we held Green Biz Project meetings five times, and worked to develop products and expand sales. The sales of environment-friendly products recognized within the Company under the Green Biz Project for the fiscal year ended March 31, 2023 amounted to 1.6 billion yen.

### Development of products to reduce environmental impact

In the fiscal year ended March 31, 2023, we developed a 100% paper face cover, which was adopted by customers including major apparel brands.



### Promotion of waste reduction and recycling

While the total amount of waste emitted from office activities is on a downward trend, the rate of decrease in paper waste that can be easily recycled was large, resulting in a lower recycling rate than the previous year.

## Biodiversity Initiatives

Our business relies heavily on resources derived from forests. Conserving forest resources and using them appropriately is essential to our sustainable business growth. The pulp and paper industry as a whole is increasing its plantations worldwide, and the active use of forest-certified products will accelerate this trend.

In addition to these business-based efforts, we support the activities of the C.W. Nicol Afan Woodland Trust to preserve biodiversity based on Mr. Nicol's desire to bring back the beautiful natural environment inherent to Japan.

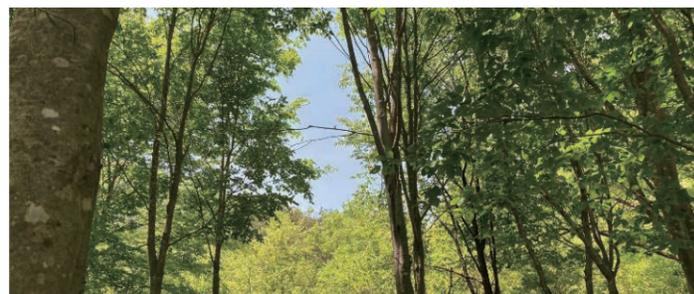
### Support for the C.W. Nicol Afan Woodland Trust

We endorse C.W. Nicol's desire to bring back the beautiful natural environment inherent to Japan as well as the Great East Japan Earthquake reconstruction project promoted by the trust, and have been supporting their activities as an official sponsor since 2015.

In February 2022, we began forest creation support for the south area of the Afan Woodland. By thinning the forest, nutrients are distributed to each individual tree, allowing sunlight to reach them and thus making them strong and straight.

Improving air circulation and allowing sunlight to reach the ground enables various flowers and saplings to grow.

We aim to restore the forest ecosystem originally belonging to this area, reviving forests of large-diameter trees with over 100 years of age that have been mostly lost in Japan, and maintaining forests where trees of different ages and species mix together like a mosaic as a sustainable forest full of biodiversity.



### Participation in the 30by30 Alliance for Biodiversity

In February 2022, we joined the 30by30 Alliance for Biodiversity, an initiative aimed at stopping and reversing biodiversity loss toward the goal of nature positive. The 30by30 Alliance was established to promote efforts throughout Japan to effectively conserve at least 30% of the country's land and sea areas as healthy ecosystems by 2030. The aim is to expand protected areas such as national parks, improve the quality of their management, register corporate forests and *satoyama* as OECM\* in the international database, and promote their conservation. The Afan Woodland is gaining attention as a model case for

this activity. We contribute to biodiversity conservation through support for the Afan Woodland Trust's forest creation activities.

\*Abbreviation for Other Effective area-based Conservation Measures. Areas where conservation is being pursued through private sector initiatives, or areas where management not aimed at conservation contributes to the preservation of the natural environment as a result.



## Coexistence with Local Communities

The Company proactively engages in local community-based activities to fulfill its role as a good corporate citizen. In addition to providing value created through our business activities to society, we also contribute to the development of local communities and society through promoting culture and arts, supporting sports, environmental conservation, and donations.

### Donation to Food Banks

The Company has been providing disaster stockpile foods to food banks in support of reducing food waste and aiding people facing hardships. This initiative, which began in FY2021, is already in its third year. We provide these disaster stockpile

foods to food banks whenever they are updated at our headquarters and branches throughout Japan. These are provided to the food bank in the district in which each branch is located and are utilized in their respective areas.

### Display of Sendai Tanabata Decorations

Our Group company Narumiya Kami-shoji has been involved in the production of Tanabata decorations for many years and has played a role in conveying local festivals and traditional culture. Every year, we display the Tanabata decorations created by Narumiya Kami-shoji in the entrance hall on the first floor of our head office building, for the enjoyment of our business partners and neighbors.

In 2023, we exhibited at two locations in Tokyo, Museum Tower Kyobashi (exhibition period: Friday, June 16 to Friday, July 14) and Ginza Shochiku Square (exhibition period: Saturday, July 22 to Sunday, August 6). In this exhibition, starting with Tanabata decorations at the entrance, we revisited the benefit of traditional materials such as bamboo and paper, provided an opportunity to contemplate a recycling-oriented society. We also introduced products such as the paper yarn OJO+ manufactured and sold by our Group company, Oji Fiber, as well as non-plastic materials such as modo-cell® tableware made from plant residues like bamboo, and bamboo paper.



### Support for Papermaking Class at Miyanomori Elementary School, Higashi-Matsushima City

The Company participates in the Great East Japan Earthquake reconstruction project promoted by the C.W. Nicol Afan Woodland Trust. As part of this, we support the papermaking class at the Miyanomori Elementary School, Higashi-Matsushima City in Miyagi Prefecture. In this class, students are encouraged to think about the blessings from nature and the use of forests, as well as learn about the Japanese tradition of *washi* paper. This year as well, we welcomed the Japanese paper craft artist Rogier Uitenboogaart as a lecturer and conducted a comprehensive learning class for third-grade elementary students.

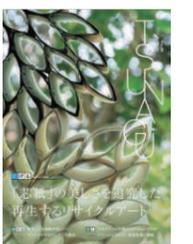
The children harvested themselves *kozo* (paper mulberry) and *mitsumata* (Oriental paper bush), materials used for papermaking, from the adjacent forest for reconstruction. He explained how tree bark is turned into paper, and the students

were able to experience the process of tapping to make the fibers finer. Leaves, flowers, and other marine materials such as seaweed and crushed seashells typical of Higashi-Matsushima were incorporated into the paper, resulting in a unique piece of Japanese *washi* paper.



### Publication of Public Relations Magazine TSUNAGU

*TSUNAGU* was first published in April 2007 as an information communication tool based on the KPP Group's corporate message, "Paper Innovation for a Connected Future." Since 2013, the magazine has been published as a quarterly publication. With the theme of rediscovering the charm of paper, we cover various topics that explore things, people, and thoughts related to paper, such as art and traditional crafts using paper. Although many companies are discontinuing their PR magazines and replacing them with electronic versions, we hope to contribute to the development of paper culture by conveying the appeal and potential of paper through our PR magazine that connects paper with culture, business, and people.



# Human Capital Management

The Company considers that an environment where the most important asset of a trading company, human resources, can fully unleash their potential is the very foundation for sustainable growth and is essential for expanding our totally recycling-oriented business. Those human resources necessary for our business are considered as human capital, centered around the Human Resources Committee composed of top executives, we conduct research and analysis on organizations and human capital, as well as formulate policies related to human capital and make decisions. The Human Resources Committee is working to establish the human resources strategy that leads to securing human resources and enabling employees to perform well and achieve results. The strategy includes developing transparent hiring and performance evaluation system and human resources development based on human capital strategy. Further, we have established the Occupational Safety Committee and continue to focus on improving the workplace environment based on the KPP Group Charter to enable all our employees to work safely with peace of mind.

## Occupational Safety and Health

Under the KPP Group Way, we have formulated the KPP Group Basic Policy on Sustainability and are working to enhance our corporate value by contributing to the creation of a sustainable society. Under the Sustainability Committee,

which oversees the company-wide sustainability management, we have set up the Occupational Safety Committee as a subcommittee to manage and improve occupational safety including at domestic subsidiaries and affiliates.

### [Basic Policy]

Promotion of occupational safety including at domestic subsidiaries and affiliates

### [Activity Policy]

- 1 Thorough management of overtime by people in managerial positions and efforts to achieve a 20% reduction compared to that of FY2022
- 2 Five days of paid leave to be taken by all employees granted ten or more days of paid leave
- 3 Achieving a paid leave utilization rate of at least 70%
- 4 Promoting understanding and formulating support measures for the system for male employees to take childcare leave
- 5 Analysis and utilization of stress checks
- 6 100% attendance in health checkups
- 7 Dissemination of information to Health and Safety Committee members and domestic affiliates

## KPIs for Occupational Safety and Health

The lost time injury severity rate (LTISR) follows the calculation method used in the Survey on Industrial Accidents of the Ministry of Health, Labour and Welfare, and because it allows for the calculation of the time value of human capital lost due to these injuries by using the total number of lost workdays due to occupational injuries as the numerator, we plan to adopt it as a KPI related to occupational safety and health.



## Promotion of Worker's Health

We offer annual health checkups for all employees so that they can continue working in good mental and physical conditions. In addition, we offer health checkups for lifestyle-related diseases, and specific health guidance is provided based on the results. Furthermore, industrial physicians provide individual guidance and interviews based on the screening results in an effort to prevent employee illnesses.



## Safety and Health Management

We have established a safety and health management system, elected Health and Safety Committee members, and hold a regular Health and Safety Committee meeting once a month, in which industrial physicians also participate. The Health and Safety Committee also checks the status of domestic subsidiaries and affiliates and promotes group-wide safety and health activities.

## Initiatives

- Implementation of labor management to prevent long working hours
- Implementation of industrial physician interviews for health management

## Diversity & Inclusion

### Diversity Promotion Policies

- 1 **Improvement of 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 **Offering of opportunities for employees' active participation**  
We will build a work environment that allows all employees to fully exert their skills and abilities by offering them development opportunities, irrespective of gender, age, position, disability, and nationality, which encourage them to proactively take on challenges.
- 3 **Diversification of hiring practices**  
We will continue our initiatives for promoting female employees to executive positions, hiring foreign students, and hiring ready-to-work mid-career personnel to further diversify human resources in an effort to improve our corporate value as a global corporation.
- 4 **Introduction of mentor system**  
We have introduced an employee mentor system for new employees who will support the Company in the future. For employees who are taking their first step from student to working adult and feel confused by society, the company, work, and changes in life, we provide support through dialogue with mentors to organize their thinking as working adults, leading to the retention of human resources.

### Important KPIs

- Related to promotion of women's career advancement (ratio of women in managerial positions, ratio of female employees on the main career track, and ratio of female employees hired for the main career track)

We are working on the development of a workplace environment where women can play active roles with the aim of raising the number of women on the main career track and in managerial positions. In April 2022, we set the goal of achieving a paid leave utilization rate of at least 70%, and from April 2023, we introduced an hourly paid leave system and continue efforts to realize diverse work styles and a workplace that is comfortable for our employees to strike a balance between their work and private lives such as childcare and nursing care.

#### Ratio of women in managerial positions



#### Increase the ratio of female employees on the main career track to over 11%



#### Maintain the ratio of female employees hired for the main career track of at least 30%



#### Gender wage gap (ratio of women's wages to men's wages)



#### Hiring rate of persons with disabilities



Regarding efforts to employ persons with disabilities, although our current hiring rate of persons with disabilities exceeds the legally mandated employment rate of 2.3% because of our continuous efforts to improve the employment environment and expand job categories, we will continue to make further efforts in preparation for revisions to the statutory employment rate going forward.

### Initiatives

- **Personnel exchanges among Group companies**  
Since April 2022, one manager from Antalis and one general employee from Spicers have been accepted. The strengthening of global Group management set forth in the third medium-term business plan requires the securing and development of human resources who can play an active role on a global level, so we will continue to promote personnel exchanges among Group companies in the future.

- **Implementation of telework**  
Based on our experience during the spread of COVID-19, we have revised our business continuity planning for emergencies and have also responded to diverse work styles for employees by establishing detailed rules on the implementation of telework that allow all employees to telework depending on their workplace and job situations. Furthermore, under the telework work system, specified teleworkers are selected every six months, with a maximum of eight working days at office per month in principle, and a total of 165 employees used the system during FY2022.

Human Resources Development

To continue the material recycling business that ranges from paper sales, in which we have been involved for nearly 100 years since our founding, to recovered paper collection, we are striving to develop human resources that possess an understanding of paper and related materials as well as the ability to provide sales solutions. We also focus on improving the quality and reliable implementation of various training programs to cultivate autonomous human resources and to produce more human resources who can pioneer the future with “paper innovation” stated as Values in the KPP Group Way, our philosophy.

Important KPIs

With regard to training, we plan to introduce total training hours per fiscal year as an important KPI in the future.

In order to realize our human resources development policy, our primary focus is not only to improve the quality and expand the effects of training but also to fully implement necessary training for all employees and the human resources needed. Quantifying training hours is one indicator for evaluating the effectiveness of human resources development.

FY2022 Employee training hours\* **291** hours

\*Total hours of employee trainings managed by the HR Dept.

FY2022 Cost of training per employee\* **58** thousand yen/  
total number of participants

\*Average cost per participant for paid training managed by the HR Dept.

Specifically, training is provided for young employees, mid-level employees, and people in managerial positions corresponding to each step in their careers. Also, in training for promoted employees, career interviews are held between the individual and the Human Resources Department, and the individual is encouraged to take courses that promote independence in conjunction with their wishes. At the same time, we have introduced e-learning to improve specialized knowledge and management skills to facilitate the required self-development when needed.

Initiatives

In addition to improving the quality of various existing training programs categorized as training by rank, career support training by age, and other training, we plan to introduce the following new training programs.

Training by rank

- Training for newly appointed executive officers

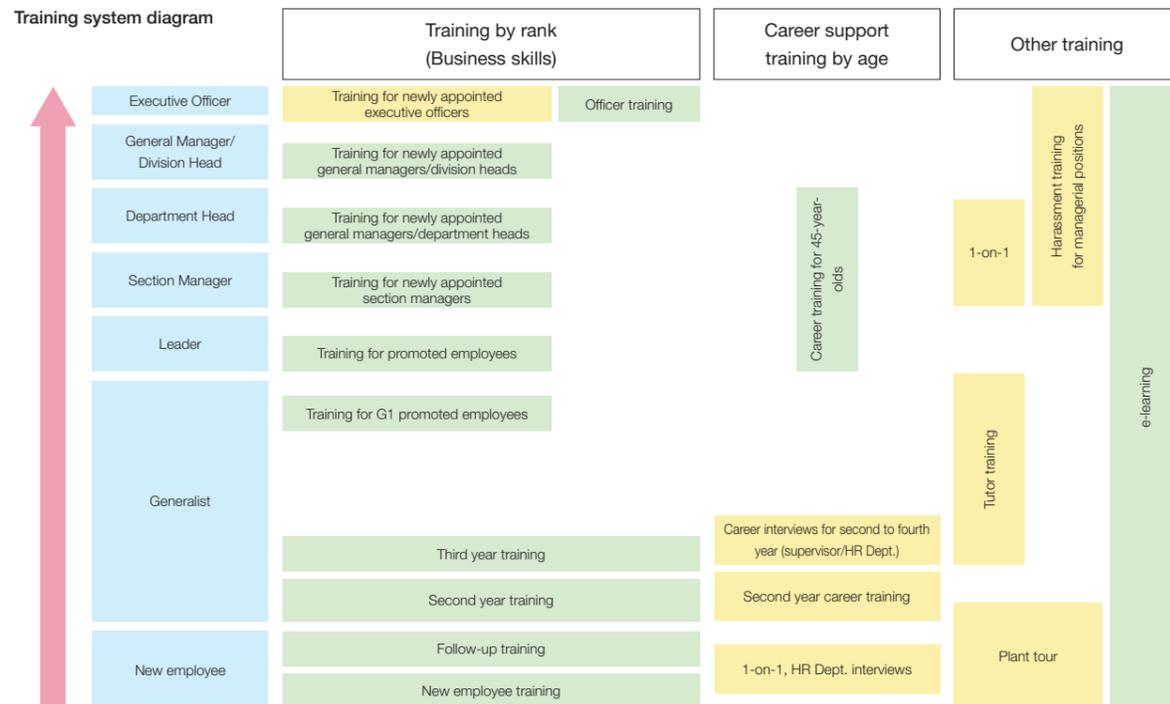
Career support training by age

- Career interviews and training for employees in their first four years of employment

Other training

- Tutor training and factory tour training (resumed)

Training system diagram



Biodiversity training in the Afan Woodland

As part of promotion of our sustainability management, we consider the conservation of biodiversity to be an important issue and are implementing various initiatives to address it. One such initiative is the support for forest creation activities in the south area of the Afan Woodland in Kurohime, Nagano Prefecture, which began in February 2022 with the aim of transforming it into forest rich in biodiversity over 100 years. We have also conducted training in the south area of the Afan Woodland to give our employees direct experience with the forests that serve as the source of the pulp and paper industry and to develop human resources that will contribute to the continuation and development of our business for the coming 100 years. This training began with lecture from the Afan Woodland Trust on the theme of “What is Biodiversity—Understanding

Afan Forest Creation.” Afterward, we took a walk through the Afan Woodland, which has transformed into a forest rich in biodiversity over the past 30 years or so, and confirmed that the forest is home to a variety of trees and plants, from tall trees to shrubs, and that it is inhabited by rodents and other animals based on the food scars found on walnuts. After the walk, we observed the current state of the south area where the Company started forest creation activities in 2022 and participated in maintenance work. By properly thinning a deteriorated forest, sunlight can penetrate and transform it into a healthy forest. Participants learned the know-how to select unhealthy trees and used saws and shears to cut down these trees, allowing sunlight to reach the once dense forest.

Comments from participants (excerpts)

“This training has given me the opportunity to think more deeply about environmental issues. What we, a specialized trading company for pulp and paper, can do in the future is to further expand the possibilities of paper as a naturally derived and environment-friendly commercial material. We must find these possibilities ourselves. I believe that such actions will ultimately lead to environmental conservation.”

“I learned about the current state of forests on a global level and the threat of extinction to various species, and understood the strong commitment of C.W. Nicol and the trust members to reforestation. While walking through the forest, we nibbled on wild plants and enjoyed a lunch box made with local ingredients, and felt tasting is also an important way to know the forest in addition to seeing it. As a member of a paper company, I will live considering what I can do for the forest from now on.”

“I understood well that the reforestation in the Afan Woodland has been a success. There are many challenges when starting something new, and I felt firsthand that each of us who are working on environmental issues must change our mindset and solve environmental problems. Through the training, this feeling became stronger, and I want to bring about a change in environmental awareness outside our company by advancing new projects.”



Field work in the forest



# Board of Directors



Directors (as of June 30, 2023)

| Name  | Position and responsibility   | Term of office | Number of shares of the Company held | Career summary  | Attendance at Board of Directors meetings (fiscal year ended March 31, 2023) | Reason for appointment  | Membership status of the Nomination Committee and Compensation Committee |                        | Skills matrix        |                          |                   |                        |                                   |     |            |                           |
|---|---|----------------|--------------------------------------|---|--|---|--|------------------------|----------------------|--------------------------|-------------------|------------------------|-----------------------------------|-----|------------|---------------------------|
|   |   |                |                                      |   |  |   | Nomination Committee   | Compensation Committee | Corporate management | International experience | Business strategy | Finance and accounting | Legal affairs and risk management | ESG | IT/Digital | Human resources and labor |
| <b>Madoka Tanabe</b>  | Representative Director of the Board, Chairman & Chief Executive Officer        | 19 years       | 70,000                               | 2013 Representative Director of the Board, President<br>2015 Representative Director of the Board, President & Chief Executive Officer<br>2020 Representative Director of the Board, Chairman & Chief Executive Officer (to present)  | 12/12  | He has been involved in the overall management of the Company as Representative Director since June 2012, leading the Company's management with his extensive experience as an executive, strong leadership, and decision-making skills.  |  | Chairperson            | ●                    | ●                        | ●                 |                        |                                   | ●   | ●          |                           |
| <b>Tadashi Kurihara</b>   | Representative Director of the Board, President                                 | 9 years        | 30,000                               | 2016 Director of the Board, Managing Executive Officer<br>2017 Representative Director of the Board, Senior Managing Executive Officer<br>2020 Representative Director of the Board, President (to present)   | 12/12  | He has been involved in the overall management of the Company as Representative Director since June 2017, leading the Company's management with his extensive experience as an executive, strong leadership, and decision-making skills.  | Chairperson  |                        | ●                    |                          | ●                 |                        |                                   | ●   | ●          | ●                         |
| <b>Yasuyuki Sakata</b> <span style="color: green;">Newly appointed</span>   | Director of the Board, Vice President Antalis S.A.S. Deputy CEO & CFO           | —              | 9,000                                | 2023 Director of the Board, Vice President (to present)   | —  | He has held various posts such as Head of Business Strategy Office of the Company and Deputy CEO & CFO, Antalis S.A.S. and possesses extensive business experience and a proven track record in M&A as well as management and administration at overseas subsidiaries.  |  |                        | ●                    | ●                        | ●                 | ●                      |                                   |     |            |                           |
| <b>Makoto Ikuta</b>   | Senior Managing Director of the Board   | 6 years        | 30,000                               | 2017 Director of the Board, Senior Executive Officer<br>2018 Director of the Board, Managing Executive Officer<br>2022 Senior Managing Director of the Board (to present)   | 12/12  | He has extensive business experience and a proven track record. He has held various posts such as General Manager of Global Business Paper Raw Material Sales Division, General Manager of Global Business Operations Division, and Head of Global Business Headquarters, providing leadership in promoting overseas business and others.   |  |                        | ●                    | ●                        | ●                 |                        |                                   |     |            |                           |
| <b>Tatsushi Yano</b> <span style="background-color: black; color: white; padding: 2px;">Outside</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>  | Outside Director of the Board   | 4 years        | —                                    | 2019 Outside Director of the Board of the Company (to present)<br>2019 Outside Director, MANI, INC. (to present)  | 12/12  | He has held officer positions along with experience in overseas business for many years at operating companies (a trading company and a manufacturer). Based on his abundant experience with M&A, post-merger integration (PMI), business reorganization, and restructuring, he is expected to provide advice on management and supervise our business execution.                                   | Member   |                        | ●                    | ●                        | ●                 |                        | ●                                 |     |            |                           |
| <b>Mina Ito</b> <span style="background-color: black; color: white; padding: 2px;">Outside</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>   | Outside Director of the Board   | 1 year         | —                                    | 2020 Special Advisor, Baker & McKenzie (to present)<br>2020 Establishes and becomes CEO of ZENMONDO Co., Ltd. (to present)<br>2020 Outside Corporate Auditor, C'BON COSMETICS Co., Ltd. (to present)<br>2021 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company<br>2022 Outside Director of the Board of the Company (to present) | 12/12  | She is well versed in corporate law in general as an international attorney and has extensive experience in M&A, global business strategy, and management support. She can be expected to supervise our business execution appropriately and provide advice on management from a global perspective based on her track record as a company owner with a mission to help solve global social issues. | Member   |                        | ●                    | ●                        |                   |                        | ●                                 | ●   |            |                           |
| <b>Yuzo Tomita</b> <span style="color: green;">Newly appointed</span>   | Director of the Board and Member of the Audit and Supervisory Committee         | —              | 30,000                               | 2023 Director of the Board, Member of the Audit and Supervisory Committee (to present)  | —  | He has held various posts such as General Manager of Group Management Strategy Division, Deputy General Manager of Global Business Headquarters, and General Manager of Business Strategy Division, and possesses business experience and a proven track record in investment and business strategies, as well as management administration of Group companies.                                     |  |                        | ●                    | ●                        | ●                 |                        |                                   |     |            |                           |
| <b>Shoko Kataoka</b> <span style="background-color: black; color: white; padding: 2px;">Outside</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>  | Outside Director of the Board and Member of the Audit and Supervisory Committee | 1 year         | —                                    | 2019 Outside Director, D.I. System Co., Ltd. (to present)<br>2020 Director and Audit and Supervisory Committee Member, COACH A Co., Ltd. (to present)<br>2021 Corporate Auditor, Prime Road Inc. (to present)<br>2022 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company (to present)   | 8/8  | She is a qualified attorney, has served as the leader of in-house legal departments of several companies, and is familiar with the support services for institutional decisions and contracts related to M&As, and accordingly she is expected to provide advice on management and supervise our business execution.  | Member   |                        | ●                    | ●                        |                   |                        | ●                                 |     |            |                           |
| <b>Keigo Omi</b> <span style="background-color: black; color: white; padding: 2px;">Outside</span> <span style="border: 1px solid black; padding: 2px;">Independent</span> <span style="color: green;">Newly appointed</span> | Outside Director of the Board and Member of the Audit and Supervisory Committee | —              | —                                    | 2018 Representative Partner, Chiyoda Audit Corporation (to present)<br>2019 Corporate Auditor, fanbase company Inc. (to present)<br>2020 Representative Director, Medical Labotics Co., Ltd. (to present)<br>2023 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company (to present)   | —  | He is a certified public accountant and has successively held posts of representative partner at accounting firms. He possesses extensive business experience and a proven track record in company integration, listing projects, and management of operating companies. He can be expected to provide advice on management and supervise our business execution.                                   | Member   |                        | ●                    | ●                        |                   | ●                      | ●                                 |     |            |                           |

# Messages from Outside Directors

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



**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, 2023)

The KPP Group has been rapidly expanding in scale and profitability through the implementation of its Long-term Management Vision GIFT+1 2024, aimed at the expansion of its revenue base and its global inorganic strategy. In the first year of the third medium-term business plan, the fiscal year ended March 31, 2023, we were able to achieve better-than-expected results despite significant market fluctuations. In October of last year, the Company transitioned to a holding company structure, and since then has been working to strengthen global governance, portfolio reform, and sustainability management. There are some regions where we are still working on improving profitability and transforming our portfolio. We are also pushing forward with our sustainability and SDGs initiatives, not only in Japan but also on a global scale. This fiscal year and the next are in a wrap-up stage of our third medium-term business plan, and we aim to achieve this plan by the fiscal year ending March 31, 2025, which will mark our 100th anniversary. The role of the holding company has become increasingly diverse with the expansion of global operations. To address these various management issues, I will utilize my past management experience and overseas business experience in a trading company and a manufacturer to not only engage in supervising business execution but also thinking and discussing these management issues together as an outside director to contribute to the KPP Group's sustainable growth and thus greatly improve its corporate value, aiming for an even better company.



**Mina Ito**

Outside Director of the Board

- June 1996 Joined Baker & McKenzie
- January 2004 Partner, Baker & McKenzie
- January 2020 Special Advisor, Baker & McKenzie (to present)
- May 2020 Established and became CEO of ZENMONDO Co., Ltd. (to present)
- June 2020 Outside Corporate Auditor, C'BON COSMETICS Co., Ltd. (to present)
- June 2021 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company
- June 2022 Outside Director of the Board of the Company (to present)

(As of June 30, 2023)

Amidst the dramatically changing environment surrounding the pulp and paper industry, the Group has formulated its Long-term Management Vision GIFT+1 2024 to ensure continued sustainable growth. As for "Globalization," an element of this Vision, global expansion has been steadily progressing as a result of boldly taking on challenges through M&As, generating significant profit. In addition, we are committed to strengthening governance on a daily basis to maintain "Trust" from our customers and investors. Managing with a focus on overseas expansion will also present new challenges different from before, and we will continue to take steps forward to become a truly global company.

The remaining three elements of our Long-term Management Vision GIFT+1 2024, "Innovation," "Function," and "+1 (plus one)," will be achieved through synergies with KPP's overseas Group companies and open innovation, making the most of KPP's traditional strengths to create value that will make it possible to leap forward in the next era after KPP's 100th anniversary in 2024 through new business methods and DX.



**Shoko Kataoka**

Outside Director of the Board and Member of the Audit and Supervisory Committee

- April 1998 Joined Koichi Kitano Law Office
- April 2000 Established DoSOLO! Law Office (joint management)
- October 2001 Legal Division, Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)
- November 2007 Leader, Legal Department, FAST RETAILING CO., LTD.
- November 2012 General Manager, Legal Department, USJ Co., Ltd. (currently USJ LLC)
- November 2018 Manager, Legal and Internal Controls, COACH A Co., Ltd.
- December 2019 Outside Director, D.I. System Co., Ltd. (to present)
- March 2020 Director and Audit and Supervisory Committee Member, COACH A Co., Ltd. (to present)
- August 2021 Corporate Auditor, Prime Road Inc. (to present)
- June 2022 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company (to present)

(As of June 30, 2023)

For the fiscal year ended March 31, 2023, we were able to make a good start to the third medium-term business plan by recording the highest-ever net sales and profits for the second consecutive term. M&As led by Antalis and Spicers are steadily progressing, and it can be said that the improvement of the portfolio is also progressing by incorporating businesses overseas with high growth potential. I believe this outcome is supported by a long-term trust relationship and cooperation with all stakeholders, including employees, suppliers, and shareholders.

On the other hand, we are facing challenges associated with the globalization of our business, such as strengthening Group internal controls and global governance, as well as further advancing DX. In Japan, we also experienced the unfortunate event of the Japan Fair Trade Commission conducting an on-site inspection of Kokusai Pulp & Paper. Although there is no magic wand to solve these diverse and complex issues at once, I think the growth driver for the KPP Group going forward is diversity. I intend to continuously monitor and propose for human resources development and organizational building for promoting diversity, always keeping in mind that I myself maintain a diverse perspective. We appreciate your continued support.



**Keigo Omi**

Outside Director of the Board and Member of the Audit and Supervisory Committee

- April 1985 Joined Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
- November 1988 Joined International Department of Chuo Audit Corporation
- September 1993 Temporarily transferred to New York Office of Coopers & Lybrand
- July 2005 Representative Partner, ChuoAoyama Audit Corporation
- September 2006 Representative Partner, PricewaterhouseCoopers Aarata LLC
- July 2018 Representative Partner, Chiyoda Audit Corporation (to present)
- October 2018 Director, bitFlyer Holdings, Inc.
- May 2019 Corporate Auditor, fanbase company Inc. (to present)
- April 2020 Representative Director, Medical Labotics Co., Ltd. (to present)
- June 2023 Outside Director of the Board and Member of the Audit and Supervisory Committee of the Company (to present)

(As of June 30, 2023)

I was appointed as an Audit and Supervisory Committee member at the General Shareholders' Meeting held in June 2023. As a certified public accountant, I have consistently worked on the internationalization of Japanese companies over the past 30 years. Thirty years ago, when Japanese companies were struggling to adjust their balance sheet after the bursting of the bubble economy, I considered that three "Ins" were needed as new action goals for Japanese companies: Integrity, Intelligence, and Innovation. I believe that these three "Ins" are universal behavioral goals that are always required of companies, even as times change. In addition, 30 years later today, another "In"—Insight, has become a very important element in corporate management.

The environment surrounding companies is constantly undergoing major changes, and the roles required of industries and individual companies are also changing drastically from the ground up. In response, companies are required to restructure strategies, reform organizations, and revitalize the industry. In 10 years, many businesses will have transformed, and quick players will likely become market leaders.

The KPP Group has rapidly expanded its scale through recent M&As in Japan and overseas, and overseas sales and the number of employees have now exceeded those in Japan. As an Audit and Supervisory Committee member, I will continue to fulfill my responsibilities to shareholders and stakeholders so that the KPP Group will continue to be valued as a useful company within the framework of the new global economy.

## Basic Stance toward Corporate Governance

The Company is committed to achieving the sustainable growth and medium- to long-term improvement of its corporate value in order to fulfill the mandate we have received from our stakeholders including shareholders, customers, suppliers, local communities, and employees. Against this backdrop, we are working to establish a corporate governance structure based on our Basic Policy on Corporate Governance in an aim for transparent, fair, swift, and decisive decision-making while balancing management supervision and business execution.

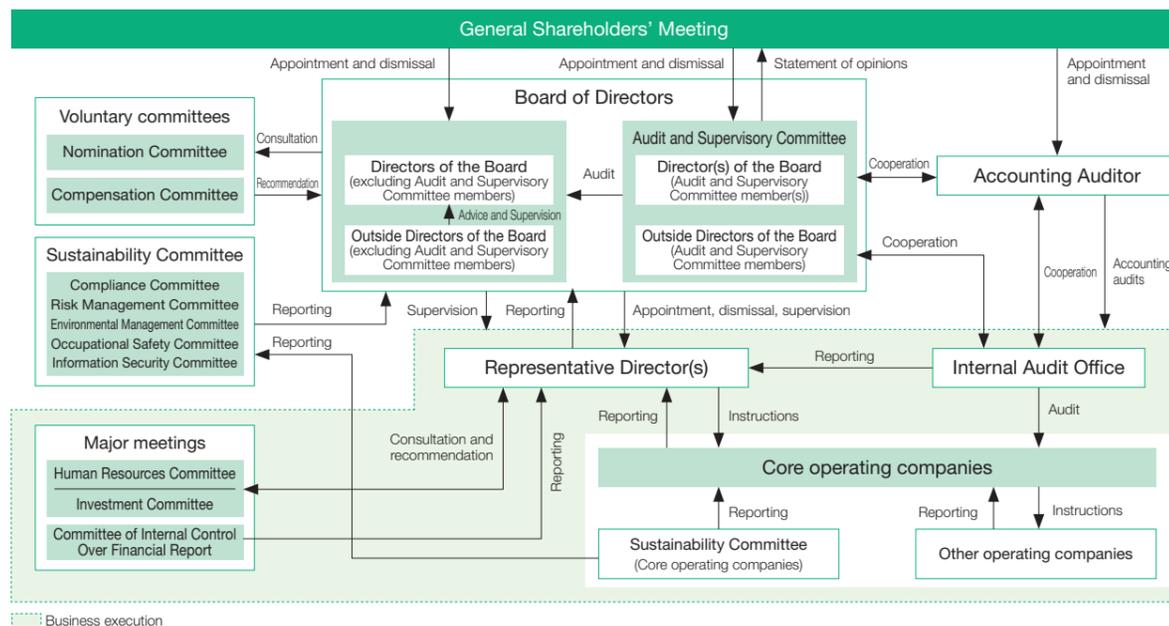
In May 2021, the Nomination Committee and the Compensation Committee were established as voluntary advisory bodies to the Board of Directors to enhance corporate governance and strengthen accountability.

In October 2022, the Company transitioned to a holding company structure, where the Board of Directors of the holding company and its members, including outside directors, are responsible for decision-making and supervision, while the business execution functions are mainly handled by each operating company, making the division of responsibilities more clearly defined.

## History of Corporate Governance Enhancements

| Measures   | FY2012   | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
|--|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Director of the Board  | Internal | 14     | 8      |        |        |        | 5      |        |        |        | 4      |        |
|  | Outside  |        |        |        |        |        |        | 2      |        |        |        |        |
|  | Total    | 14     | 8      | 8      | 8      | 8      | 5      | 7      | 7      | 7      | 6      | 6      |
| Corporate Auditor  | Internal | 2      |        |        |        |        |        |        |        |        |        |        |
|  | Outside  | 2      |        |        |        |        |        |        |        |        |        |        |
|  | Total    | 4      | 4      | 4      |        |        |        |        |        |        |        |        |
| Director of the Board (Audit and Supervisory Committee member) | Internal |        |        |        | 2      |        |        | 1      |        |        |        |        |
|  | Outside  |        |        |        | 3      |        | 2      |        |        |        |        |        |
|  | Total    |        |        |        | 5      | 5      | 5      | 4      | 3      | 3      | 3      | 3      |

## Corporate Governance Structure

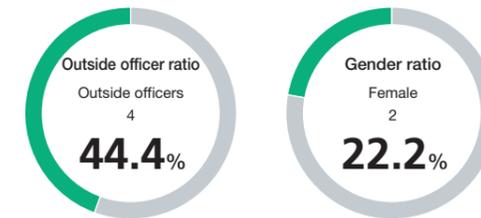


## Functions of the Board of Directors

Nine directors, including four outside directors with diverse skills and experience, make decisions on important management matters and provide supervision on business execution. In order to achieve sustainable growth and medium- to long-term improvement of corporate value, we are promoting

### Composition of Directors (Outside, Male/Female)

The Board of Directors consists of nine directors. Of these, four are outside directors, two of which are women, with a wide range of expertise, including lawyer, certified public accountant, and corporate executive, who bring diverse perspectives to the supervision of the Company's management. Candidates for outside directors, regardless of gender or nationality, are selected after organizing their knowledge and expertise into a skills matrix and considering the overall balance of the Board of Directors.



### Main Topics of Discussion and Agenda for the Board of Directors Meeting for FY2022

In accordance with the Board of Directors Regulations, the Board of Directors discusses and makes decisions on important matters related to overall management. In principle, a regular meeting of the Board of Directors is held once a month, and during FY2022, a total of 12 meetings were held to discuss and consider the following issues.

- Progress of the third medium-term business plan
- Matters related to the transition to a holding company structure and group reorganization
- Creation of KPP Group synergies
- Progress and monitoring of investment projects based on inorganic strategy
- Progress in Environment-related Business and recycling-oriented business
- Digital shift in sales and marketing
- Sustainability Committee activities report
- Compliance status
- Enhancement of corporate governance
- Internal control evaluation results and plans
- Financial strategy, capital policy, policy for shareholder returns
- Review of the significance of cross-shareholdings ownership
- Measures for achieving management that is conscious of capital costs and the stock price
- Status of dialogue with shareholders
- Analysis and evaluation of the Board of Directors' effectiveness, etc.

appropriate decision-making and management supervision by leveraging the abundant business experience of internal directors, as well as the practical and specialized knowledge of outside directors.

### Role of and Selection Policy for Independent Outside Directors

The role of independent outside directors is to provide recommendations from an objective perspective on the nomination of candidates for director, the establishment of a representative director succession plan, the implementation of procedures for appointment and dismissal of directors (including representative directors), the decision on compensation, etc. of directors (compensation levels, ratio of fixed compensation and performance-linked compensation), ensuring of the fairness, transparency, and objectivity of procedures of the Board of Directors, the enhancement of corporate governance, and strengthening of accountability.

In addition to the requirements for independent directors stipulated by the Tokyo Stock Exchange, the Company has established its own criteria for determining the independence of candidates for independent outside directors, and appoints those who will contribute to the enhancement and improvement of corporate governance.

### Provision of Information to Outside Directors

For the purpose of promoting understanding of agenda items at Board of Directors meetings and ensuring sufficient time for discussion, materials are distributed in advance by a full-time Audit and Supervisory Committee member or the general manager of the responsible division, and prior explanations are given as necessary. We also make efforts to share information by sending important meeting materials of the Group.

### Analysis and Evaluation of the Board of Directors' Effectiveness

The Company analyzes and evaluates the Board of Directors' effectiveness in order to improve the functioning of the Board of Directors on a yearly basis. In the fiscal year ended March 31, 2023, as in the prior fiscal year, the Company 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' effectiveness was ensured as a whole.

With the operation of the Nomination Committee and Compensation Committee entering their second year, further improvements were seen from the previous fiscal year in the transparency of management nomination and compensation decisions, as well as their effectiveness was recognized. The need that the Board of Directors continues to monitor progress in the management development program and the development process of successor for CEO and others was confirmed.

In addition, through initiatives based on the evaluation from the previous fiscal year, improvements were seen in comprehensive and multi-faceted considerations on management strategies and business strategies and the appropriate allocation initiative of management resources. At the Board of Directors, we continue to address important issues such as improving management efficiency and business optimization across the Group, conscious of the cost of capital. We will continue our efforts for improvement and strive to ensure a higher level of effectiveness in the future.

## Main Voluntary Committee Activities

### Nomination Committee

Its role is to provide recommendations to the Board of Directors in order to increase the fairness, transparency, and objectivity of procedures related to nomination of candidates for director, the representative director succession plan, and the appointment and dismissal of directors (including representative directors), enhance corporate governance, and strengthen accountability.

|   |   |
|---|---|
| Number and composition of committee members | 3 (1 internal director and 2 outside directors)   |
| Number of meetings held                     | 5   |
| Activities in the current fiscal year       | Deliberations on officer structure and announcement schedule, reporting of executive officer annual evaluation, proposal for appointment of members of the Nomination Committee and Compensation Committee, and review of proposed structure and skills matrix for the Board of Directors |

### Compensation Committee

Its role is to provide recommendations to the Board of Directors in order to increase the fairness, transparency, and objectivity of procedures related to the compensation, etc. of directors (compensation levels, ratio of fixed compensation and performance-linked compensation), enhance corporate governance, and strengthen accountability.

|   |   |
|---|---|
| Number and composition of committee members | 3 (1 internal director and 2 outside directors)   |
| Number of meetings held                     | 4   |
| Activities in the current fiscal year       | The committee discussed and deliberated on director compensation plan proposals and performance-linked stock-based compensation plan proposals. |

### Investment Committee

Its role is to contribute to management policies and decision-making by conducting extensive research, verification, and judgment from a professional standpoint for important investments and transfer matters based on company-wide strategies. The matters to be deliberated by the committee are business acquisitions and transfers, the establishment of new operating companies in connection with new businesses, and the withdrawal from business.

|   |  |
|---|--|
| Number and composition of committee members | 4 (4 internal directors)   |
| Number of meetings held                     | 9  |
| Activities in the current fiscal year       | In the previous fiscal year, the committee examined and deliberated mainly on overseas projects. Overseas, projects in the packaging and visual communication sectors other than paper are further promoting the transformation of our business portfolio. In Japan as well, while we are advancing discussions in the periphery of our existing business and the sector of environment-friendly products, we will determine the appropriateness of investments after examining affinity and synergies with our existing businesses. |

## Group Governance

### Internal Audit

The Company's Internal Audit Office oversees the internal audits of core operating companies, which are Kokusai Pulp & Paper, Antalis, and Spicers, receives reports on audit plans, audit results,

and improvement status from each of these core operating companies, and reports them to the representative directors and other officers after carefully examining the contents.

### Internal Control

The Company's Internal Audit Office has established and is implementing an internal control system for financial reporting (as required by J-SOX) related to our three core operating companies (Kokusai Pulp & Paper, Antalis, and Spicers). Specifically, the office is responsible for formulating basic

plans, evaluating the status of internal control maintenance and operation, preparing internal control reports, and reporting the results of group-wide internal control evaluations to the Committee of Internal Control Over Financial Report, management, and the Board of Directors.

### Basic Approach to Information Security Management

Information security is considered to be at the core of corporate risk management nowadays. Should a critical security issue arise, the continuation of business activities themselves could be jeopardized. Based on this approach, we separated the Information Security Committee from the Risk Management Committee three years ago and have been reviewing the situation and implementing PDCA at the management level on information security alone. We conduct

company-wide education on information security every year, striving to improve understanding. In addition, we are enhancing information security from Japan and other overseas bases of high importance and raising the level of information security globally. We are currently preparing the Basic Policy on Information Security that encompasses all these activities and plan to roll it out on a global level during this fiscal year.

## Officer Compensation

### Basic Policy regarding Compensation for Directors, etc.

- The structure of compensation for directors, etc., takes into account not only their achievement of short-term performance targets but also their contributions to increasing corporate value in the medium to long term. The value they have provided shall be shared with shareholders.
- The amounts of compensation for directors, etc., are determined in consideration of a balance of various factors such

- as their achievements and industry trends.
- The amount of compensation for an individual director 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.

### Outline of the System

Compensation for directors (excluding Audit and Supervisory Committee members and outside directors) consists of the fixed compensation, bonuses, and performance-linked stock-based compensation. Compensation for outside directors and directors who are Audit and Supervisory Committee members consists of the fixed compensation only.

Performance-linked stock-based compensation is a medium- to long-term incentive compensation program that

is linked to business performance and varies according to the degree of achievement of business performance in each fiscal year. The Company contributes to this stock-based compensation plan, which is funded by the amount of compensation paid to directors, etc. by the Company, and the Company's shares and money equivalent to the conversion value of the Company's shares are delivered to and paid to directors, etc. through a trust.

### Compensation Structure

Fiscal year ending March 31, 2024 (planned): Fixed compensation (62–64%), bonuses (23%), performance-linked stock-based compensation (13–15%)

Fiscal year ended March 31, 2023

| Type of compensation, etc.                  | Percentage of compensation (approximate)  |   | Process for determining compensation  |
|---|---|---|---|
|   | Directors (excluding outside directors and directors who are Audit and Supervisory Committee members) | Outside directors and directors who are Audit and Supervisory Committee members |   |
| Fixed compensation                          | 62–64%<br>[64–66%]  | 100%<br>[100%]  | <p><b>Directors (excluding directors who are Audit and Supervisory Committee members)</b></p> <ul style="list-style-type: none"> <li>The amount paid to each individual is calculated based on internal rules for each position within the limit of the compensation amount, deliberated upon by the Compensation Committee, and determined by the Board of Directors</li> </ul> <p><b>Directors who are Audit and Supervisory Committee members</b></p> <ul style="list-style-type: none"> <li>Determined through discussion in the Audit and Supervisory Committee based on internal rules within the limit of the compensation amount</li> </ul>   |
| Bonuses                                     | 23%<br>[24–25%]   | —   | <ul style="list-style-type: none"> <li>Performance-linked monetary compensation that varies according to the level of achievement of performance targets for each fiscal year as a short-term incentive</li> <li>Amount paid = monthly amount of fixed compensation × multiplier for position × performance-linked coefficient<br/>(Changes the amount calculated by monthly amount of fixed compensation × multiplier for position within a range of 0 to 200% according to the level of achievement of performance targets for each fiscal year set at the start of the fiscal year)</li> <li>Indicators for determining the performance-linked coefficient: EBITDA, ROA, and consolidated sales</li> </ul>   |
| Performance-linked stock-based compensation | 13–15%<br>[10–11%]  | —   | <ul style="list-style-type: none"> <li>Performance-linked stock-based compensation that varies according to the level of achievement of performance targets for each fiscal year as a medium- to long-term incentive<br/>(Positions and achievement of performance targets are converted into points, and the Company's shares are granted according to the number of points)</li> <li>In consideration of job responsibilities, etc., the payment ratio is determined so that the higher the position of the director, the higher the performance-linked compensation</li> <li>Points granted = basic points* × performance-linked coefficient<br/>(The points granted are provided within the range of 0 to 200% of the basic points according to the level of achievement of performance targets for each fiscal year as published in the financial results)</li> <li>Indicators for determining the performance-linked coefficient: Consolidated ROIC, profit attributable to owners of parent, and non-financial indicators (progress in development and distribution of products that contribute to reducing environmental impact, etc.)</li> </ul> |

\*Equation for calculation of basic points: Base amount specified for each position ÷ average closing price of the Company's shares on the Tokyo Stock Exchange for the month prior to the month in which the calculation period begins

# Risk Management

## Risk Management System and Management Process

We are implementing group-wide risk management to appropriately promote business activities in a rapidly changing external environment. In order to maintain and improve the Group's risk management system, the Risk Management Committee has been established and the Chairperson of the Sustainability Committee appoints the Chairperson and Vice Chairperson of the Risk Management Committee in accordance with the Risk Management Committee Rules. Based on the results of risk analysis at the core operating

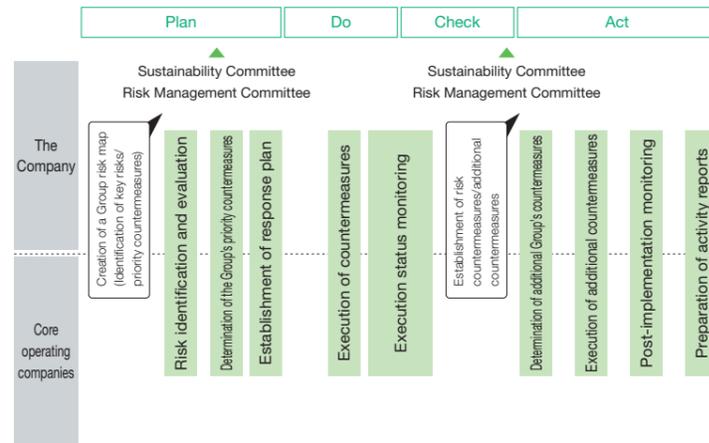
companies, the Risk Management Committee identifies and evaluates risks that are important for Group management, determines priority countermeasures, monitors the implementation of priority countermeasures on a regular basis, and reports the results to the Sustainability Committee.

The Risk Management Committee met twice this fiscal year to evaluate key risks based on comparisons with the previous fiscal year and discuss priority countermeasures.

### Our Risk Management System



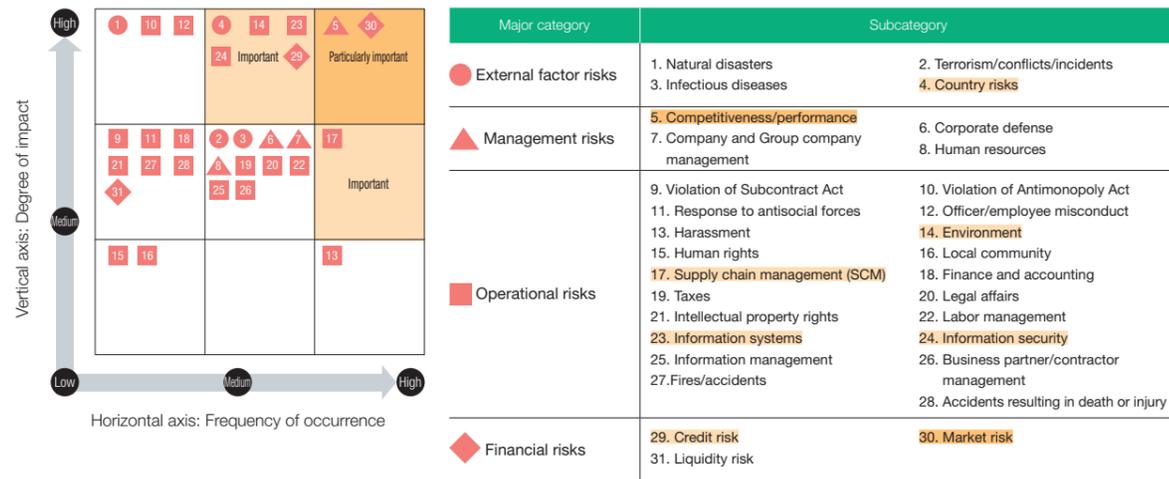
### Our Risk Management Process



## Business and Other Risks

Business and other risks that may affect the Group's business performance and financial position are shown in below. Forward-looking statements in the text are based on the

Group's judgment as of the end of the previous fiscal year. The following is a risk map that evaluates each risk item in terms of the degree of impact and frequency of occurrence.



Of the risks stated above, risks recognized as significant are shown in the table on the right. Note that these are not an exhaustive list of all risks associated with the Group, and the Group may be affected in the future by other factors that are

currently unforeseeable or not considered important. Although we have described our responses to mitigate risks, it is difficult to avoid risks entirely.

## Significant Risks and Responses

| Type of risk   | Details of risk   | Main measures  |
|--|---|--|
| <b>External factor risks</b>                                     |   |  |
| Country risks  | <ul style="list-style-type: none"> <li>Occurrence of delays in payment collection and other business execution problems in the relevant countries due to the emergence of risks from political, economic, and social conditions in various regions of the world</li> </ul>  | <ul style="list-style-type: none"> <li>Implementation of risk hedging measures such as the use of trade credit insurance for accounts receivable</li> <li>Implementation of credit management and thorough information gathering in the relevant countries</li> </ul>  |
| <b>Management risks</b>  |   |  |
| Competitiveness/performance (overseas investment)                | <ul style="list-style-type: none"> <li>Impairment loss on goodwill in the event that overseas investments are judged not to produce the expected results due to changes in the business environment and other factors</li> </ul>  | <ul style="list-style-type: none"> <li>Adequate deliberation of the profitability of investments by the Investment Committee</li> <li>Periodic confirmation of performance trends and progress of plans, surveys on the business environment, and monitoring of thorough information collection by the Board of Directors and other organizations</li> </ul>   |
| <b>Operational risks</b>   |   |  |
| Environment (climate change)                                     | <ul style="list-style-type: none"> <li>Changes in the market due to tighter environmental regulations and technological innovations, as well as climate change responses, and the resulting increase in procurement costs</li> <li>Disruptions in the supply chain due to increased severity and frequency of disasters caused by climate change</li> </ul>   | <ul style="list-style-type: none"> <li>Proactive selection of products with reduced environmental impact</li> <li>Securing a wide range of procurement sources</li> <li>Taking measures such as establishment of a recycling-oriented business model in anticipation of expanded use of non-fossil energy and the formation of a recycling-oriented society</li> </ul>   |
| Supply chain management (dependence on major suppliers, etc.)    | <ul style="list-style-type: none"> <li>Significant disruptions in the supply of products from major suppliers to the Company as a result of natural disasters or other factors</li> </ul>   | <ul style="list-style-type: none"> <li>Securing new procurement sources by developing domestic and overseas suppliers while continuing to expand transactions with existing major suppliers</li> <li>Reducing dependence on domestic transactions by expanding overseas business, lowering the business ratio of paper and paperboard sales by developing new business areas in the business portfolio reform</li> </ul>   |
| Information systems (development of core systems)                | <ul style="list-style-type: none"> <li>Possibility of not achieving expected investment effects in core system development</li> <li>Unexpected costs due to a delay in the development schedule, etc.</li> </ul>  | <ul style="list-style-type: none"> <li>Sufficient consideration of necessary functions and requirements and implementation of verification work</li> <li>Formation of a project governing body for implementation of periodic progress management and evaluation of consistency with investment effects, etc.</li> </ul>   |
| Information security (leakage of confidential information, etc.) | <ul style="list-style-type: none"> <li>Occurrence of system failures and information leaks due to external attacks or unauthorized access and data tampering by employees in information management</li> </ul>  | <ul style="list-style-type: none"> <li>Implementation of measures to ensure proper handling and secure safety management of confidential information, including at contractors, based on compliance with laws, regulations, and internal rules</li> <li>Strengthening IT governance throughout the Group and implementation of IT risk countermeasures by the Information Security Committee, a subordinate organization under the Sustainability Committee</li> </ul>   |
| <b>Financial risks</b>   |   |  |
| Credit risk (credit of business partners)                        | <ul style="list-style-type: none"> <li>Losses due to deterioration in creditworthiness or bankruptcy of business partners</li> </ul>  | <ul style="list-style-type: none"> <li>Establishment of credit limits for each business partner</li> <li>Regular credit checks and the use of collateral and trade credit insurance in accordance with the credit status of business partner</li> </ul>  |
| Market risk (impact of commodity market fluctuations)            | <ul style="list-style-type: none"> <li>Paper and paperboard, etc.                             <ul style="list-style-type: none"> <li>Increase in product purchase prices due to rising prices of raw materials, fuel, etc.</li> </ul> </li> <li>Recovered paper                             <ul style="list-style-type: none"> <li>Significant price impact in a short period of time due to changes in demand in major recovered paper consuming countries</li> </ul> </li> <li>Pulp                             <ul style="list-style-type: none"> <li>Significant price impact in a short period of time due to changes in global market conditions</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Paper and paperboard, etc.                             <ul style="list-style-type: none"> <li>Continuous price negotiations with customers to ensure fair profit margins</li> </ul> </li> <li>Recovered paper                             <ul style="list-style-type: none"> <li>Expanding sales channels and securing suppliers, particularly in regions where demand is expected to increase in the future</li> </ul> </li> <li>Pulp                             <ul style="list-style-type: none"> <li>Changes in the sales price determination process (determination of sales price at the time of purchase contracts) and reduction of inventory</li> </ul> </li> </ul> |
| Market risk (exchange rate fluctuations)                         | <ul style="list-style-type: none"> <li>Decrease in consolidated net profits in the consolidated financial statements due to the appreciation of the yen</li> <li>Decrease in price competitiveness in export sales from Japan due to exchange rate fluctuations</li> </ul>  | <ul style="list-style-type: none"> <li>Reduction of exchange rate fluctuation risk through forward exchange transactions, etc.</li> </ul>  |
| Market risk (interest rate fluctuations)                         | <ul style="list-style-type: none"> <li>Decrease in net profits in the financial statements due to interest rate increases exceeding the Group's expectations</li> </ul>   | <ul style="list-style-type: none"> <li>Reduction of interest rate fluctuation risk by raising funds at fixed interest rates through long-term debt and bonds, and incorporating interest rate swaps, etc.</li> </ul>   |
| Market risk (fluctuations in the market value of stockholdings)  | <ul style="list-style-type: none"> <li>Occurrence of losses due to declines in the stock prices of companies whose shares are held as cross-shareholdings</li> </ul>  | <ul style="list-style-type: none"> <li>Appropriate and timely reduction of cross-shareholdings based on the ownership policy described in the corporate governance report</li> </ul>   |
| Market risk (retirement benefit obligations)                     | <ul style="list-style-type: none"> <li>Decline in discount rates and investment yields for retirement benefit expenses and obligations, decline in market value of shares held in trust, and amortization of significant actuarial gains and losses</li> </ul>  | <ul style="list-style-type: none"> <li>Implementation of continuous consideration of optimal portfolio, including periodic review of pension assets</li> </ul>   |
| Market risk (real estate market conditions)                      | <ul style="list-style-type: none"> <li>Decline in value of owned real estate and reduction in rental income due to deterioration of real estate market conditions</li> </ul>  | <ul style="list-style-type: none"> <li>Ongoing consideration of effective utilization measures, including implementation of appropriate repairs to maintain the value of the property, redevelopment such as reconstruction and change of use, and sales</li> <li>Reducing the cost of operating properties</li> </ul>   |

## Basic Policy

The Group will conduct business with thorough compliance in accordance with the ten principles set forth in the KPP Group Charter, in order to ensure compliance with laws and regulations and meet the demands of stakeholders by acting in an ethical manner as a corporate citizen.

## Compliance Structure

We have established the Compliance Committee as the organization to oversee compliance. The Compliance Committee is responsible for the confirmation of laws and regulations, the establishment of related rules, and investigations of and responses to violations of laws and regulations. In addition, the committee works to raise compliance awareness of every employee by conducting internal training related to compliance. Furthermore, as a compliance-related whistleblowing system, we have established an internal compliance reporting counter at the compliance secretariat and an external compliance reporting counter at an outside contractor.

This fiscal year, we held two meetings of the Compliance Committee to discuss the content of training programs aimed at improving the compliance awareness of employees and the status of responses to whistleblowing reports.

## Thoroughly Ensuring Compliance

We define workers as people who are engaged in the business of the Group, ranging from directors to employees and temporary workers, and we require them to ensure thorough compliance, to faithfully observe laws, regulations, and rules, and to perform their duties with common sense and responsibility as members of society.

## Whistleblowing System

We have introduced a whistleblowing system to obtain information on management risks as early as possible and identify and correct problems before or shortly after their occurrence, while ensuring whistleblower protection. We have established a reporting counter (internal reporting counter and external reporting counter) at each of the core operating companies where workers of the Group can consult and report compliance issues when they are unsure on making a decision, or when they suspect a compliance violation or potential violation, and we monitor the status of response to these reports.

## Response When a Problem Occurs

Upon receiving a report, the Compliance Committee delegates, as appropriate, the relevant department to investigate and respond to the problem depending on the nature of the problem. Any problems deemed significant by the Compliance Committee are immediately reported to the Board of Directors. The Compliance Committee will promptly investigate problems that require action from an overall perspective and make recommendations for measures to prevent recurrence. In the event of a serious legal compliance incident, we will promptly disclose information to the public and take accountability, strive to investigate the cause and prevent recurrence, and deal with the incident in a strict manner.

## Elimination of Antisocial Forces

As a basic action that constitutes the KPP Group Charter, we are committed to systematic crisis management to prepare for the threat of activities by antisocial forces. In order to cut off any relationship with antisocial forces, while maintaining close cooperation with the police and other related organizations, we will take a firm stand against any demands from any groups or individuals that may disrupt social order and sound corporate activities, and will not comply with any of their requests.

## Compliance with the Antimonopoly Act

In the KPP Group Charter, we stipulate that we will conduct fair, free, and transparent business activities. Regarding compliance with the Antimonopoly Act and related laws, our specific guidelines include the prohibition of private monopolization, unreasonable restraint of trade, and unfair trade practices. However, on April 11, 2023, our consolidated subsidiary, Kokusai Pulp & Paper Co., Ltd., underwent an on-site inspection by the Japan Fair Trade Commission on suspicion of violating the Antimonopoly Act in the tendering process for recycled roll paper ordered by the National Printing Bureau. Both the Company and Kokusai Pulp & Paper Co., Ltd. take the fact of this on-site inspection seriously and have fully cooperated with the Japan Fair Trade Commission's investigation, while also working to further strengthen compliance.

## Compliance Education

We plan and implement compliance training to enhance the compliance awareness of each worker. In addition, we offer numerous compliance-related programs through e-learning and continue to conduct training on an ongoing basis.

## Company Overview

|                       |  |
|-----------------------|--|
| Trade name            | KPP GROUP HOLDINGS CO., LTD.   |
| Date of establishment | November 27, 1924  |
| Representatives       | <b>Madoka Tanabe</b><br>Representative Director of the Board,<br>Chairman & Chief Executive Officer<br><b>Tadashi Kurihara</b><br>Representative Director of the Board,<br>President |
| Capital               | 4,723.53 million yen   |
| Annual sales          | 659.6 billion yen *Consolidated  |
| Number of employees   | 5,457 *Consolidated  |

## Business Objectives

The purpose of the Company shall be to engage in the following businesses, and to control and manage the business activities of domestic and foreign companies engaged in the following or similar businesses, through the holding of shares or other equity interest in such companies.

- 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 other legitimate businesses

## Shareholdings

|                                   |             |
|-----------------------------------|-------------|
| Total number of authorized shares | 267,500,000 |
| Total number of issued shares     | 73,244,408  |

## Shareholders

- Oji Holdings Corporation
- The Master Trust Bank of Japan, Ltd. (Trust Account)
- Nippon Paper Industries Co., Ltd.
- Custody Bank of Japan, Ltd. (Hokuetsu Corporation Retirement Benefit Trust Account re-entrusted by Resona Bank, Limited.)
- KPP Group Holdings Employee Stock Ownership
- Mizuho Bank, Ltd.
- Mitsui Sumitomo Insurance Company, Limited
- 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

## Major Subsidiaries and Affiliates

| Regional business category | Major subsidiaries and affiliates  |
|----------------------------|--|
| Northeast Asia             | Kokusai Pulp & Paper Co., Ltd.,<br>Daidou Paper Trading Co., Ltd.,<br>Musashino Paper Recycling Co., Ltd.,<br>KPP Logistics Co., Ltd.,<br>Keishin Papers Trade (Shanghai) Co., LTD.,<br>DaiEi Papers Taiwan Co., Ltd.,<br>ANTALIS (HONG KONG) LIMITED,<br>DaiEi Papers Korea Company Limited |
| Europe and South America   | Antalis S.A.S.,<br>Antalis France, Antalis Ltd.,<br>Antalis GmbH,<br>Antalis Verpackungen GmbH,<br>Antalis AG, Antalis Chile SpA   |
| Asia-Pacific               | Spicers Limited,<br>Spicers Australia Pty Ltd.,<br>Spicers (NZ) Limited,<br>KPP ASIA-PACIFIC PTE. LTD.,<br>KPP-ANTALIS (SINGAPORE) PTE. LTD.   |

## Major Communication Tools

### Integrated Report

The Company began publishing the Integrated Report in 2016 to communicate financial and non-financial information regarding its corporate activities in a comprehensive and integrated manner. (Published annually)

<https://www.kpp-gr.com/en/ir/report.html>

### Public relations magazine TSUNAGU

The Company distributes a public relations magazine called *TSUNAGU* as a communication tool that acts as a bridge between stakeholders and the Company. This magazine offers the latest information about the Company and highlights the attractive qualities of paper. (Published quarterly)

<https://www.kpp-gr.com/en/tsunagu.html>

### Social media

We currently operate three social media accounts. These are designed to introduce our initiatives from various angles to our stakeholders, and a wide range of information is being provided through a mixture of video and images as needed.



### Corporate website

This is the official corporate website. We distribute information, such as corporate information and investor relations information, in a timely manner on this website. It has a section called "KPP Group at a Glance" that is designed to provide the general public with an easy-to-understand look at our operations.

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

### Contact

Corporate Communications Office, KPP Group Holdings Co., Ltd.

6-24 Akashi-cho, Chuo-ku, Tokyo, Japan 104-0044

Tel: +81-3-3542-4169 Fax: +81-3-3542-4282

## KPP GROUP HOLDINGS CO., LTD.

6-24 Akashi-cho, Chuo-ku, Tokyo, Japan 104-0044

Tel: +81-3-3542-4166 (main) <https://www.kpp-gr.com/en/>



This brochure is made with consideration for responsible forestry management.



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



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

### **This brochure is designed to reduce environmental load.**

\*Materials that contribute to the conservation of resources and the environment are used.

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