



KPP
Integrated Report

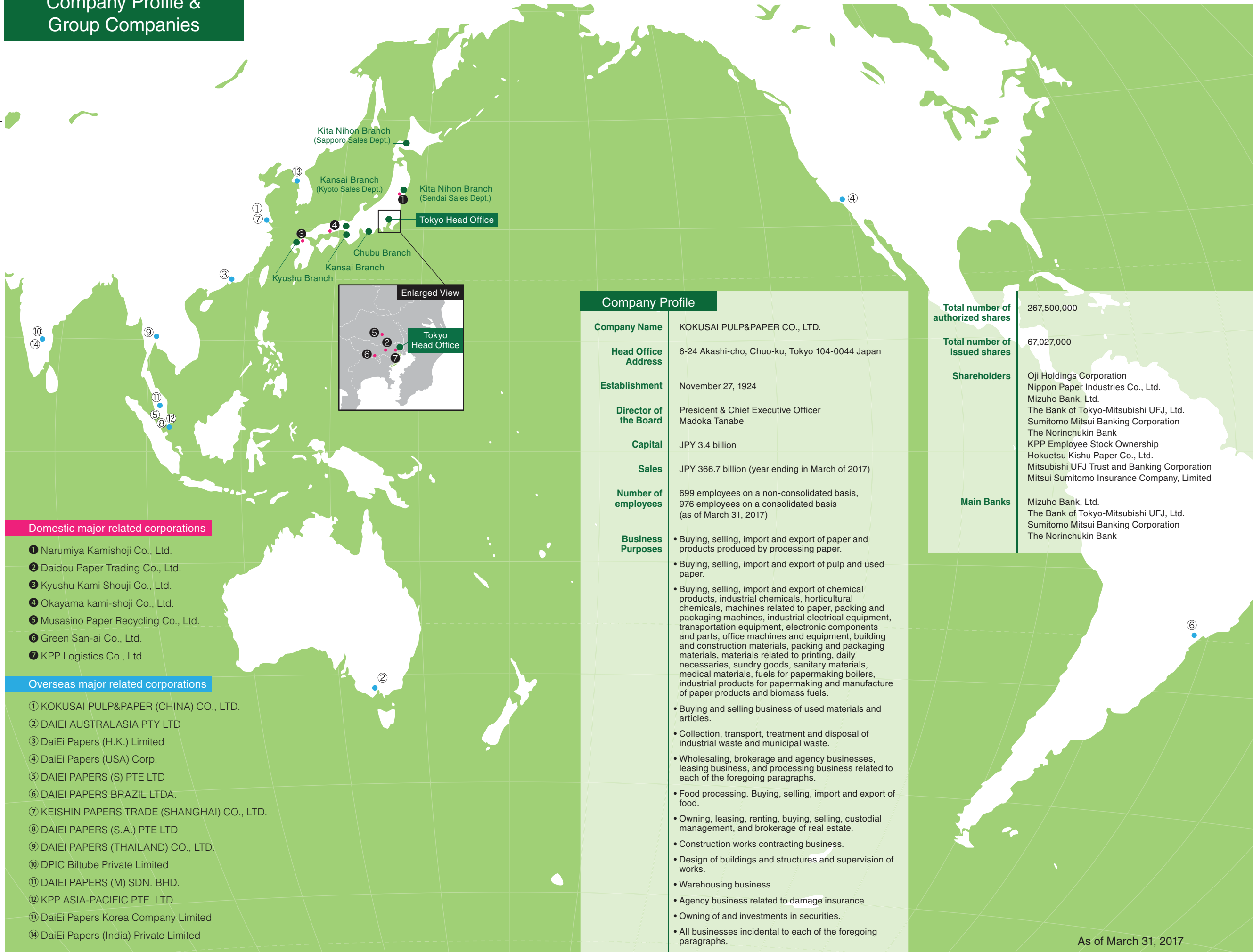
KPP Integrated Report 2017

KOKUSAI PULP & PAPER CO., LTD.

Company Profile & Group Companies

INDEX

- 2** Company Profile & Group Companies
- 4** History of KPP
- 6** Top Message
- 10** Business Overview
- 14** Environment
- 18** Social
- 24** Corporate Governance
- 29** Interview with Outside Director
- 30** Member of the Board of Directors
- 32** Finance/data sections
- 43** Communication Tools



Domestic major related corporations

- ① Narumiya Kamishoji Co., Ltd.
- ② Daidou Paper Trading Co., Ltd.
- ③ Kyushu Kami Shouji Co., Ltd.
- ④ Okayama kami-shoji Co., Ltd.
- ⑤ Musasino Paper Recycling Co., Ltd.
- ⑥ Green San-ai Co., Ltd.
- ⑦ KPP Logistics Co., Ltd.

Overseas major related corporations

- ① KOKUSAI PULP&PAPER (CHINA) CO., LTD.
- ② DAIEI AUSTRALASIA PTY LTD
- ③ DaiEi Papers (H.K.) Limited
- ④ DaiEi Papers (USA) Corp.
- ⑤ DAIEI PAPERS (S) PTE LTD
- ⑥ DAIEI PAPERS BRAZIL LTDA.
- ⑦ KEISHIN PAPERS TRADE (SHANGHAI) CO., LTD.
- ⑧ DAIEI PAPERS (S.A.) PTE LTD
- ⑨ DAIEI PAPERS (THAILAND) CO., LTD.
- ⑩ DPIC Biltube Private Limited
- ⑪ DAIEI PAPERS (M) SDN. BHD.
- ⑫ KPP ASIA-PACIFIC PTE. LTD.
- ⑬ DaiEi Papers Korea Company Limited
- ⑭ DaiEi Papers (India) Private Limited

Scope and Period of Report
 The main items stated in this Report describe the conditions of the Group in the fiscal year ended March 31, 2017 (the period from April 1, 2016 to March 31, 2017). The Report also partially covers the Group's conditions in the period from April 2017.

Date of issue
 This issue: September 2017
 Next scheduled issue: September 2018

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 Tokyo 104-0044 Japan
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Company Profile

Company Name	KOKUSAI PULP&PAPER CO., LTD.
Head Office Address	6-24 Akashi-cho, Chuo-ku, Tokyo 104-0044 Japan
Establishment	November 27, 1924
Director of the Board	President & Chief Executive Officer Madoka Tanabe
Capital	JPY 3.4 billion
Sales	JPY 366.7 billion (year ending in March of 2017)
Number of employees	699 employees on a non-consolidated basis, 976 employees on a consolidated basis (as of March 31, 2017)
Business Purposes	<ul style="list-style-type: none"> • Buying, selling, import and export of paper and products produced by processing paper. • Buying, selling, import and export of pulp and used paper. • Buying, selling, import and export of chemical products, industrial chemicals, horticultural chemicals, machines related to paper, packing and packaging machines, industrial electrical equipment, transportation equipment, electronic components and parts, office machines and equipment, building and construction materials, packing and packaging materials, materials related to printing, daily necessities, sundry goods, sanitary materials, medical materials, fuels for papermaking boilers, industrial products for papermaking and manufacture of paper products and biomass fuels. • Buying and selling business of used materials and articles. • Collection, transport, treatment and disposal of industrial waste and municipal waste. • Wholesaling, brokerage and agency businesses, leasing business, and processing business related to each of the foregoing paragraphs. • Food processing. Buying, selling, import and export of food. • Owning, leasing, renting, buying, selling, custodial management, and brokerage of real estate. • Construction works contracting business. • Design of buildings and structures and supervision of works. • Warehousing business. • Agency business related to damage insurance. • Owning of and investments in securities. • All businesses incidental to each of the foregoing paragraphs.

Total number of authorized shares	267,500,000
Total number of issued shares	67,027,000
Shareholders	Oji Holdings Corporation Nippon Paper Industries Co., Ltd. Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation The Norinchukin Bank KPP Employee Stock Ownership Hokuetsu Kishu Paper Co., Ltd. Mitsubishi UFJ Trust and Banking Corporation Mitsui Sumitomo Insurance Company, Limited
Main Banks	Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation The Norinchukin Bank

As of March 31, 2017

Creating Values That Lead Us to the Future

Established in 1924, Kokusai Pulp & Paper Co., Ltd. has carefully studied the needs of the times and helped to develop culture in different forms through the sale of paper products. We will continue pursuing various possibilities in an effort to develop new businesses in the years to come.



Kokusai Pulp & Paper Co., Ltd.'s founding in 1999



Current head office building

Initial period

Daido Yoshiten Ltd., the predecessor of KPP, was established during the early days of modern paper manufacturing.

Growth period

We expanded businesses in sync with trends during the period of rapid growth.

Vibrant period

We enhanced operations through mergers and promoted global development as a key player in the industry realignment.

Period of the second foundation

We are moving forward with the reform of our business structures and expansion of our domains with an eye to our centenary.

Period from 1920

- ▶ **1924**
Daido Yoshiten Ltd. is founded in Osaka with 2 million yen in capital. The company sets up branches in Kyoto, Nagoya, and Tokyo.
- ▶ **1925**
Daido Yoshiten sets up its first overseas branch in Shanghai. The company opens branches in China in quick succession in the period that followed.

- ▶ **1926**
Daido Yoshiten sets up the Kyushu branch.
- ▶ **1931**
Daido Yoshiten becomes the first Japanese company to export paper to the United States. The company succeeds in exporting newsprint to the United States through a joint project with Karafuto Kogyo.
- ▶ **1954**
Daido Yoshiten increases its capital to 100 million yen.

Period from 1960

- ▶ **1968**
Daido Yoshiten moves its head office to Tokyo.
- ▶ **1971**
Daido Yoshiten sets up in Australia, its first overseas subsidiary.
- ▶ **1973**
Daido Yoshiten merges with Oji Group Trading Co., Ltd., and changes its name to DaiEi Papers Ltd. and increases its capital to 800 million yen. The capital increase strengthens its functions for exporting and importing.

Period from 1975

- ▶ **1975**
DaiEi Papers merges with Taisei Papers Ltd. to strengthen business foundations for breaking through a recession that followed an oil crisis.
- ▶ **1976**
DaiEi Papers sets up a local subsidiary in Hong Kong.
- ▶ **1979**
Net sales for DaiEi Papers surpass 200,000 million yen in the fiscal year ended March 31, 1980.
- ▶ **1982**
DaiEi Papers sets up a local subsidiary in the United States.
- ▶ **1997**
DaiEi Papers sets up a local subsidiary in Singapore.
- ▶ **1999**
DaiEi Papers changes its name to Kokusai Pulp & Paper Co., Ltd. (commonly known as KPP) and increases its capital to 2,678 million yen through its merger with Nichia Co., Ltd., taking the initiative in the restructuring of the paper distribution industry.

Period from 2000

- ▶ **2000**
Net sales for KPP surpass 300,000 million yen in the fiscal year ended March 31, 2001.
- ▶ **2006**
KPP sets up Kokusai Pulp & Paper (China) Co., Ltd. as a subsidiary in China. The company also merges with Hattori Paper & Board Ltd. to improve distribution functions and solidify its business foundation.
- ▶ **2007**
KPP merges with Kashiwai Shigyo Co., Ltd. to raise sales capabilities and expand its revenue base. Net sales and ordinary income for KPP reach the record highs of 423,000 million yen 4,500 million yen, respectively, in the fiscal year ended March 31, 2008. KPP increases its capital to 3,442.78 million yen through the merger.

Period from 2010

- ▶ **2013**
KPP merges with Sumisho Paper Co., Ltd. to strengthen the paper raw material division and packaging material section.
- ▶ **2015**
KPP sets up KPP ASIA-PACIFIC PTE. LTD. in Singapore in effort to expand business through the subsidiary. The new company was established to control business planning and management functions in the ASEAN region, India, and Oceania.
- ▶ **2016**
KPP expands into the thermal recycling business to sell biomass fuel for power generation with the goal of creating a comprehensive recycling-oriented company. Completes installation of the ecomo, a used paper recycling point system, in 400 stores.
- ▶ **2017**
KPP sets up HOKAN TOKYO BUSINESS SERVICE CO., LTD.



Founding party in 1924



Shanghai branch in 1935

Stock market crashes in the United States and the Great Depression begins (1929).

The Pacific War ends (1945).

The Constitution of Japan is promulgated (1946).

The Constitution of Japan comes into force (1947).

The San Francisco Peace Treaty and the Japan-U.S. Security Treaty are signed (1951).

Tokyo Tower is completed (1958).

The Tokaido Shinkansen Line begins operation (1964).

The Summer Olympics in Tokyo (1964).

The Izanagi boom (1965 to 1970).

The Japan World Exposition in Osaka (1970).

The Winter Olympics in Sapporo (1972).

The first oil crisis (1973).

The Japan-China Peace and Friendship Treaty is signed (1978).

The second oil crisis (1979).

The International Exposition in Tsukuba (1985).

The Plaza Accord (1985).

The Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment comes into force (1986).

The Bubble Economy era (1986 to 1991).

The reunification of Germany (1990).

Kansai International Airport opens (1994).

The Great Hanshin and Awaji Earthquake (1995).

The Winter Olympics in Nagano (1998).

The September 11 terrorist attacks in the United States (2001).

Digital terrestrial broadcasting begins (2003).

The Central Japan International Airport opens (2005).

The World Exposition in Aichi (2005).

Postal services are privatized (2007).

The Lehman Brothers collapse (2008).

The Great East Japan Earthquake (2011).

The Tokyo Skytree opens (2012).

The consumption tax rate is increased to 8% (2014).

The Social Security and Tax Number System is launched (2015).

Voting age lowered to 18 (2016).



Madoka Tanabe
Madoka Tanabe
Director of the Board
President and Chief Executive Officer

Growing beyond our 100th anniversary. Determined to expand through restructuring.

Pursuing Sustainable Growth Based on “Paper Culture”

The paper and pulp industry evolved significantly as the Japanese economy achieved high growth after World War II. We expanded our own operations as a key agent for major paper manufacturers. During the reorganization of the paper distributors following the collapse of the bubble economy, we also boosted our strength as a core player in the industry. Consequently, we are confident that we have the ability to address the challenges that are shaking the backbone of the paper industry: the collapse of financial systems following the Lehman crisis, the information technology revolution based on the Internet, and the aging society with fewer children.

The paper industry covers a wide range of fields. Growth fields have potential. The use of paper for packaging, processed paper and pulp materials is expanding. In recent years, the advantages of paper have been reviewed worldwide by people who are tired of digital media. The Company aims for sustainable growth, tapping into business fields vital to the next generation, based on the great legacy of “paper culture.”

Results in FY Ended March 31, 2017 and Forecast for FY Ending March 31, 2018

In the fiscal year ended March 31, 2017, Kokusai Pulp & Paper Co., Ltd. (hereinafter referred to as “KPP”) posted consolidated net sales of 366,700 million yen, down 5.9% year on year, consolidated operating income of 1,000 million yen, down 32.0% year on year, and consolidated profit attributable to owners of parent of 2,200 million yen, up 82.3% year on year. In the wholesale business at domestic bases, the sales volume of paper and paperboard, the mainstay products, remained roughly flat from one year ago, but such sales declined in terms of value due to the softening of the market.

Management Vision (GIFT +1)



- G** **Globalization**
Expanding our business fields on a global scale
- I** **Innovation**
Pioneering the new future of the paper with the imagination and the creativity
- F** **Function**
Creating added value by utilizing our abilities to plan and propose
- T** **Trust**
Responding to the trust our stakeholders place in us



By adding environmental initiatives to each element of this management vision, our Group endeavors to build a recycling-oriented society through tree-planting efforts, proposals for environmentally friendly products, the collection of waste paper, and the recycling of resources.



Although sales of pulp and chemical products, the strategic products of KPP, were strong, they fell short of outweighing the decline in sales of other products. Logistics costs, which was planned to be reduced as part of selling expenses, exceeded the initial plan. Sales in the wholesale business at overseas bases declined, reflecting a stronger yen and thorough risk management overseas as part of business restructuring.

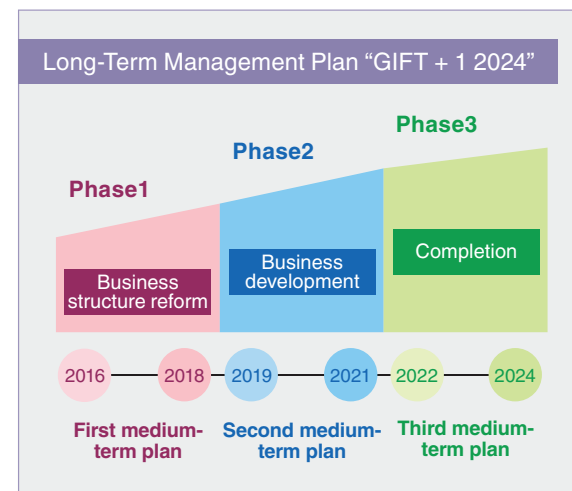
In the fiscal year ending March 31, 2018, consolidated net sales, consolidated operating income, and consolidated profit attributable to owners of parent were forecast to be 365,000 million yen, down 0.5% year on year, 1,300 million yen, up 26.1% year on year, and 900 million yen, down 59.4% year on year, respectively. In wholesale in Japan, KPP ranked first for the third consecutive fiscal year, and sales of paper and paperboard are expected to be boosted by forecasted price changes. In overseas wholesale, KPP ASIA-PACIFIC PTE.LTD., a regional headquarters established to expedite decision making in Asia, is taking the lead in efforts to achieve a v-shaped recovery.

Steadily Implementing the Roadmap Looking Ahead 100 Years

KPP has formulated "GIFT + 1 2024." It shows how the Group should be in 2024 (our 100th anniversary). The plan is a roadmap that specifies our position in 2024 and is intended to enable us to achieve sustainable growth in the following 100 years. We position the first medium-term plan to cover the three years from 2016 to 2018. We call these three years a business structure reform period. We have already been executing three initiatives: the personnel system reform, the core systems renewal, and the enhancement of corporate governance.

Personnel system reform is intended to secure and cultivate a variety of human resources that are needed to create and expand businesses in response to changes and to evaluate them according to their abilities.

We have developed a framework for creating a workplace where each employee can fulfill their potential based on work-life balance. But we have yet to implement the framework. As part of the updating of systems for expanding business fields, we are working to fully introduce new core systems. To enhance corporate governance, a basis for soundness, transparency, and efficiency in management, KPP became a company with an audit and supervisory committee in June 2015. We appoint outside directors who satisfy our requirements for independence. Our aim is to revitalize the Board of Directors with the help of suggestions and proposals from an external perspective, one not bound by corporate culture. We believe KPP needs to sustainably enhance corporate value through business administration based on speedy decisions.



Four Priorities for Aggressive Business Development

KPP will develop its businesses under four priority strategies. The first strategy is promoting the revitalization of sales of paper and paperboard. As domestic demand contracts, we will strive to achieve a share in the domestic paper and paperboard market. Our paper and paperboard transaction volume is the highest in Japan. To harness this, we will consistently communicate paper's potential as a material, developing effective solutions to customers' challenges. In overseas operations, we are changing our existing business models, including the export of Japanese goods and intermediary trade. Specifically, we are localizing overseas corporations. We are also looking to generate operating revenue through M&A and

investments in processing operations. We believe that we cannot develop overseas operations without tapping into the potential capacity and growth potential of Asia, focusing on Asian countries, including India.

The second strategy is expanding the packaging materials business. There are a variety of materials and forms used for wrapping, conveying, and labelling goods, including corrugated board paperboard for packaging, flexible packaging, seals, and labels. We have a variety of supply sources. Taking advantage of this strength, we are working to strengthen our "total package solution" system for creating the best proposal in accordance with customers' requests. In the traditional distribution business, we will become involved in manufacturing in Japan and overseas and will play a part in expanding logistics operations. In March 2017, a film printing plant of Chengdu Xinguofu Packaging Material Co., Ltd., a joint venture between three companies from Japan and China, including KPP, was completed in Chengdu, Sichuan. The plant is planned to commence full-scale operation in autumn. At a corrugated board manufacturing plant in Shandong, where we have been participating in management, production has remained strong on the back of demand for packaging materials in China. The plant is planning to add machinery in 2018.

The third strategy is expanding the recycling-oriented business. KPP is selling approximately 2.2 million tons of paper and paperboard annually and is collecting and selling approximately 1.4 million tons of used paper annually. In other words, we are returning to paper manufacturers as raw materials approximately 65% of the paper and paperboard that we sell. Establishing and operating a sustainable recycling system is very important, and we are playing a large part in solving environmental issues in Japan in terms of transaction volume. We are also promoting "ecom" to expand its recycling system. The ecom initiative is based on two recycling systems: Town ecom, a system where waste paper collection stations are placed in retail shops and other stores, and Office ecom, a system that ensures that confidential documents created at offices are discarded in a secure fashion. The ecom systems have been expanding steadily.

KPP has been expanding material recycling where waste paper is recycled. In addition, we started thermal recycling in fiscal 2017, where the thermal energy generated from the burning of waste is collected and used. Specifically, we invested in a biomass power generation company in September 2016 and started to sell wood fuel, which is part of the thermal recycling business. We provide raw materials to power generation companies in the beginning of this business and plans to import and sell pellets and palm kernel shells, also considering the effective use of untapped wood in Japan. We are

considering establishing ourselves as a comprehensive recycling-oriented company engaging in thermal recycling and material recycling.

We are a comprehensive recycling-oriented company. I believe this message has an affinity with the social contributions pursued by KPP and helps us to be recognized by stakeholders, which in turn will aid in achieving sustainable growth. Seeking to solve environmental issues in society as a comprehensive recycling-oriented company is, I believe, the type of social contribution we should pursue based on our business characteristics. As part of our social contributions, we established HOKAN TOKYO BUSINESS SERVICE CO., LTD., a subsidiary that will help launch and operate visiting nursing businesses in April 2017, to promote the "establishment of a community comprehensive care system," an initiative of the Ministry of Health, Labour and Welfare to address the aging population. The establishment of this subsidiary exemplifies our aspiration to clearly demonstrate our policy to cooperate with society to solve issues in Japanese society, which is aging more rapidly than any other nation in the world. The social contributions described above are our fourth strategy.

We are determined to sustain our growth until 2024, when we will celebrate our 100th anniversary, and beyond. Over the next 100 years, we will strengthen our base through business structure reform. To begin, we will facilitate growth by assessing priority operations and using our resources efficiently until 2018. From 2019, we will make further progress, expanding operations based on our stronger business structure.

I hope that you will look forward to developments in the Group.



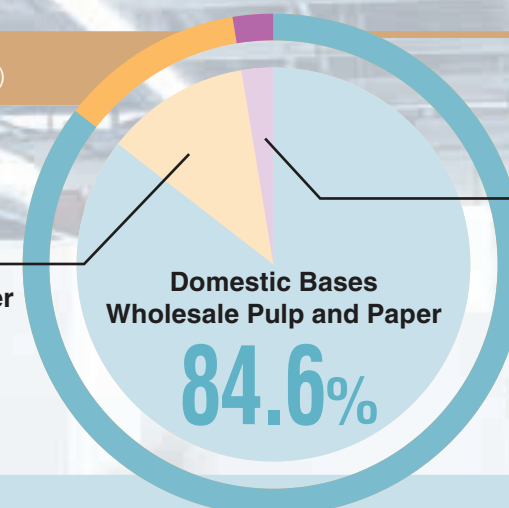
Business Overview

During the fiscal year ended March 31, 2017, on a consolidated basis the Group achieved net sales of 366,777 million yen, a decrease of 5.9% year on year, operating income of 1,031 million yen, a decrease of 32.0% year on year, and net non-operating income of 83 million yen, a decrease from 336 million yen from the previous fiscal year. Ordinary income stood at 1,114 million yen, down 39.9% year on year.

In addition, the Group posted a net extraordinary income of 2,383 million yen, compared to the net extraordinary loss of 261 million yen in the previous fiscal year. As a result, profit attributable to owners of parent was 2,215 million yen (compared to 1,215 million yen in the previous fiscal year). Net income per share was 33.27 yen, compared to 18.25 yen in the previous fiscal year.

Sales Composition (FY2016)

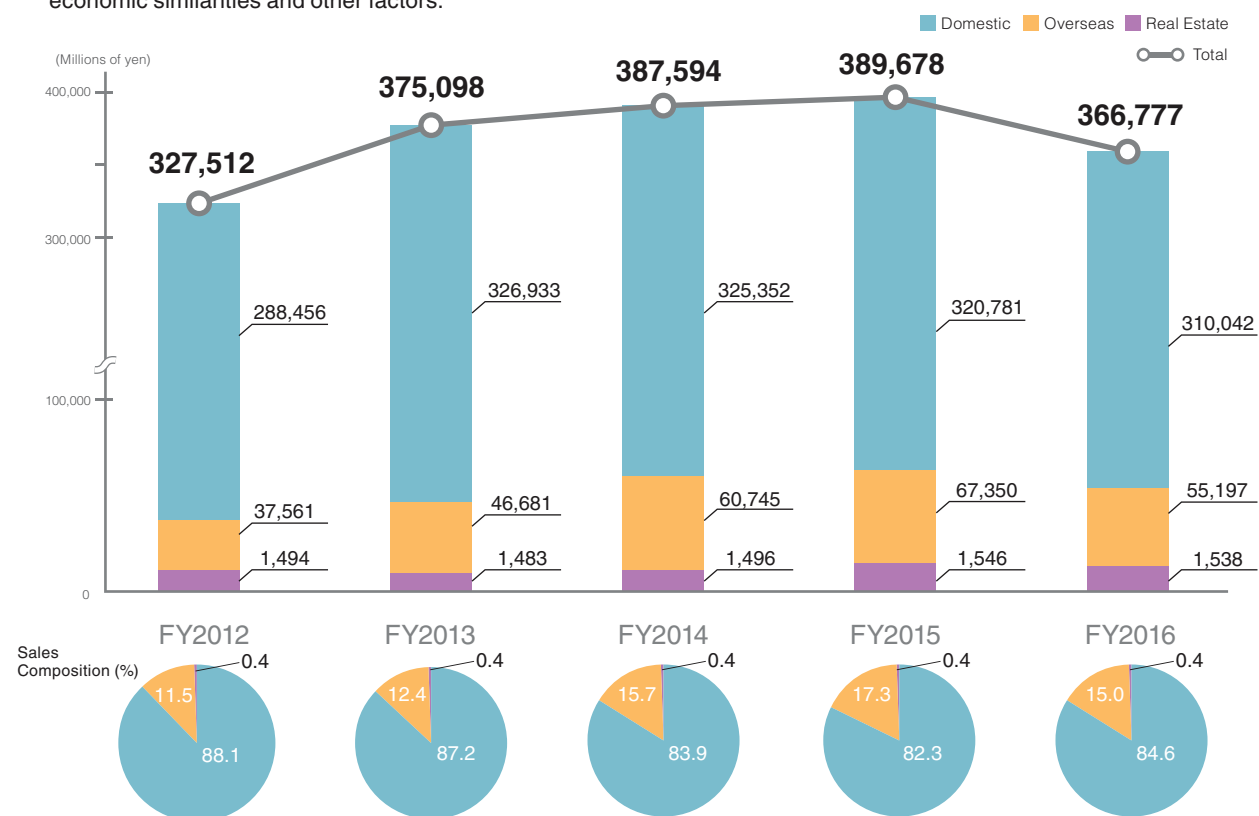
Overseas Bases Wholesale Pulp and Paper
15.0%



Real Estate Leasing
0.4%

Sales Performance by Segment

The Group determines the allocation of management resources and evaluates business results by distinguishing between each business segment. We consolidate our businesses into three segments: Domestic Bases Wholesale Pulp and Paper, Overseas Bases Wholesale Pulp and Paper, and Real Estate Leasing. These segments are based on combinations of the products or services offered and locations (domestic or overseas), taking into account economic similarities and other factors.



Domestic Bases Wholesale Pulp and Paper

The Domestic Bases Wholesale Pulp and Paper segment mainly engages in the sale of paper, paperboard, pulp, and other related materials, the collection and sale of waste paper, and the processing and sale of paper products. Our head office is in Tokyo with branches in the Kansai, Chubu, Kyushu, and Kita Nihon regions. The main affiliated companies in Japan include Narumiya Kamishoji Co. Ltd., Daidou Paper Trading Co., Ltd., Kyushu Kami Shouji Co., Ltd., and Okayama kami-shoji Co., Ltd. The Group will strengthen the packaging, film and chemical products, and waste paper and pulp businesses and promote new businesses.

Despite an increase in sales of copying paper, the paper sector saw a year on year decline in both sales value and volume. This decline was the result of decreased consumption of print media, particularly in the publication and advertising industries, due to changes in the demand structure. The paperboard sector also experienced a year on year decrease in both sales value and volume, despite posting a strong performance in beverage fields as a result of the hot weather, because of paperboard weight savings and a decrease in sales of base paper for corrugated board for fruit and vegetables due to the unseasonable weather. The waste paper sector also saw a year on year fall in both sales value and volume partly due to many typhoons. Sales of pulp, especially imported pulp, were strong. As a result, net sales in the Domestic Bases Wholesale Pulp and Paper segment came to 310,042 million yen (down 3.3% year on year).

Please refer to page 12.

Overseas Bases Wholesale Pulp and Paper

One of the key focus areas of the Group in "GIFT + 1 2024," the long-term management plan, is globalization. We have expanded to 18 overseas locations and have established a global business headquarters in Japan to develop a system for overseas expansion. The Overseas Bases Wholesale Pulp and Paper segment mainly engages in the sale of paper, paperboard, pulp, waste paper, and other related materials. Our main affiliated companies include DAIEI AUSTRALASIA PTY LTD, DaiEi Papers (H.K.) Limited, DaiEi Papers (USA) Corp., and DAIEI PAPERS (S) PTE LTD.

In the Overseas Bases Wholesale Pulp and Paper segment, sales remained flat from a year earlier in Hong Kong and Southeast Asia despite the softening of the market. Sales in Australia were weak partly due to exchange rates. Sales at all overseas bases, including those in the U.S. and China, where business structure reform took place, declined year on year partly due to the strengthened yen. As a result, net sales in the Overseas Bases Wholesale Pulp and Paper segment came to 55,197 million yen (down 18.0% year on year).

Please refer to page 13.

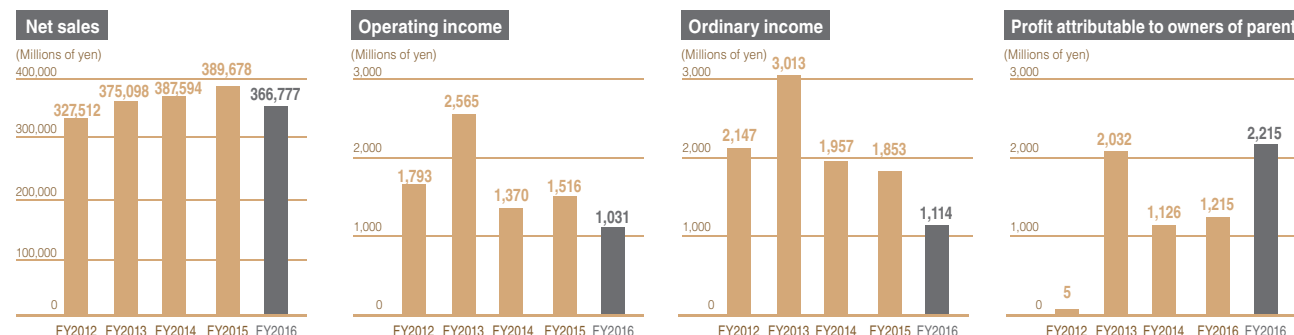
Real Estate Leasing

The Real Estate Leasing segment engages in the leasing business of buildings, warehouses and other facilities, including the KPP Yaesu Building in Tokyo.

The office building market in major cities across Japan was solid overall. In the Tokyo area, the average rent showed a moderate upward trend due to a downward trend in the average vacancy rate. In this environment, rent income at the Group remained roughly flat, reflecting a decline in sales due to the sales of certain properties, despite positive factors, including full occupancy at the KPP Yaesu Building, the main property, and almost full occupancy at tenant buildings in Osaka and Nagoya. As a result, net sales in the Real Estate Leasing segment amounted to 1,538 million yen (down 0.6% year on year).

Please refer to page 13.

Consolidated Net Sales and Operating Income by Fiscal Year



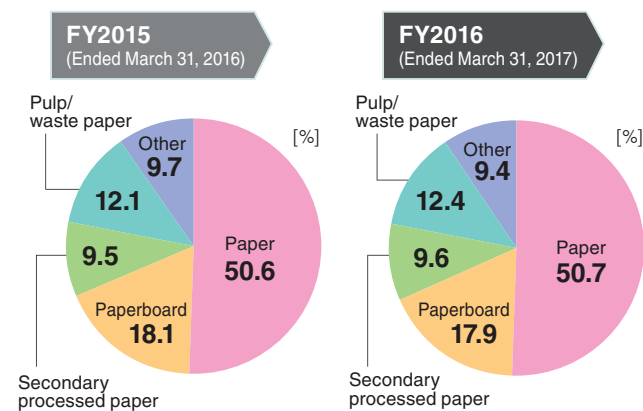
Domestic Bases Wholesale Pulp and Paper

The following is information on products and services provided by KOKUSAI PULP&PAPER CO., LTD. (non-consolidated), sales at which account for almost all sales in the Domestic Bases Wholesale Pulp and Paper segment.

Sales Performance by Product

	(Millions of yen)	
	FY2015 (Ended March 31, 2016)	FY2016 (Ended March 31, 2017)
Paper	164,615	157,902
Paperboard	59,011	55,907
Secondary processed paper	31,006	29,798
Pulp/waste paper	39,244	38,623
Other	31,399	29,272
Total	325,277	311,505

Sales Composition by Product

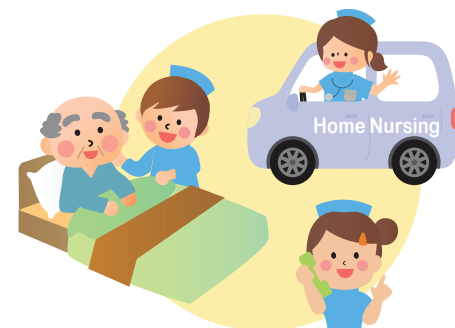


Classification by Product Type

Paper	Newsprint, printing and communication paper, packaging paper, etc.	There are a wide variety of types and uses for paper. It may be the material most commonly used by us. Paper is widely used for media, including books, newspapers, advertisements, and flyers, and for packaging materials, including paper bags and wrapping paper.	
Paperboard	Corrugated board base paper, paperboard for paper containers, etc.	Paperboard includes corrugated board, which is indispensable for carrying a variety of goods, Duplex Board and Art Card, which are used for the outer boxes of confectionaries and cosmetics. Corrugated board is environmentally friendly. Over 90% of corrugated board is made with waste paper.	
Secondary processed paper	Secondary processed communication paper, secondary processed self-adhesive tack paper, etc.	Secondary processed products include thermal paper, which produces color when heat is applied and is used for receipts and fax paper, tack paper with adhesive applied on the back side that is used as labels and stickers, and carbonless paper used for duplicate slips.	
Pulp/waste paper	Pulp, waste paper, chips, etc.	Pulp is a papermaking material made from fibers extracted mainly from wood. waste paper primarily consists of used newspapers, corrugated board, and magazines. Fibers can be extracted from them for use as papermaking materials. Waste paper accounts for approximately 60% of raw materials consumed in the entire paper-manufacturing industry.	
Other	Chemical products, machinery and materials, functional paper, and other related products, etc.	Other products include a variety of materials and products for daily living, including packaging films and trays for food, synthetic paper that hardly tears and is resistant to water and is used mainly for posters and ballot paper, and base paper for paper packages for beverages.	

Start-Up of New Business

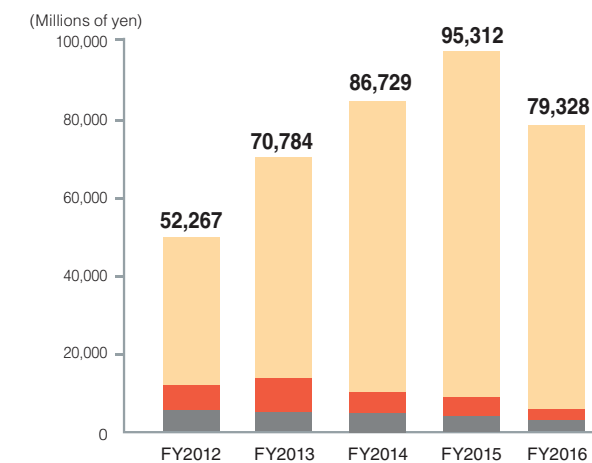
In April 2017, the Group established HOKAN TOKYO BUSINESS SERVICE CO., LTD. to reform its portfolio. We position the establishment of the new company as a social contribution in line with an initiative of the Ministry of Health, Labour and Welfare to promote the establishment of "a community comprehensive care system" as the population is aging in Japan. The company will help to launch and operate visiting nursing businesses.



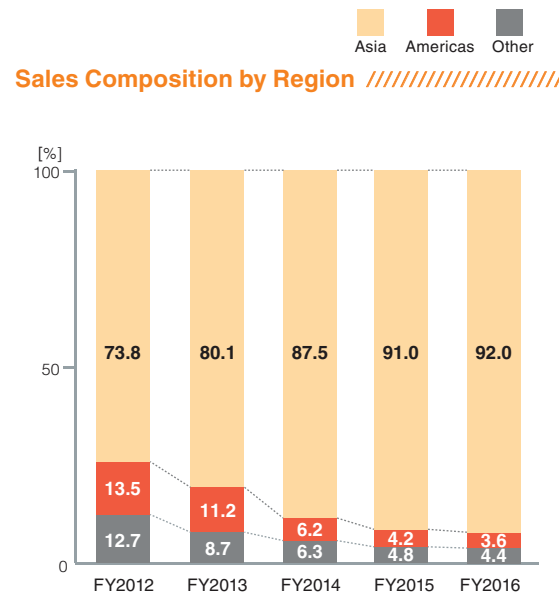
Overseas Bases Wholesale Pulp and Paper

The graphs below show sales performance by region and sales composition by region at affiliates in the Overseas Bases Wholesale Pulp and Paper segment.

Sales Performance by Region



Sales Composition by Region



Overseas Business Development

A film printing plant of Chengdu Xinguofu Packaging Material Co., Ltd., a joint venture of KPP, Fuji Tokushu Shigyo Co., Ltd. and New Hope Liuhe Food Holdings Limited in Sichuan, China, has been completed. The joint venture is a flexible packaging manufacturer that makes the most of KPP's global sourcing channels, good customers of New Hope Liuhe Food Holdings in China, and the environmentally- friendly technology of Fuji Tokushu Shigyo. The joint venture will provide eco-friendly, high value-added products, such as shrink barrier nylon film for casing, thus accelerating the development of the flexible packaging business. Providing products in China as well as neighboring countries, including rapidly growing ASEAN countries, is being considered.



Real Estate Leasing

The office buildings market in major cities nationwide remained strong, reflecting floor space expansion in the same buildings and relocations for expansion. The KPP Yaesu Building, the Group's main property, maintained full occupancy. The other tenant buildings of the Group saw an improvement in the occupancy rate.



Environment



Resources that come from forests are used for manufacturing paper. For this reason, we have furthered our businesses as a dealer of paper and peripheral materials, always keeping consideration for the environment in mind. Sustained attempts to use less energy in our businesses and the expansion of operations aimed at using limited resources effectively are our environmental contributions to society as a corporate citizen, making the most of our characteristics.

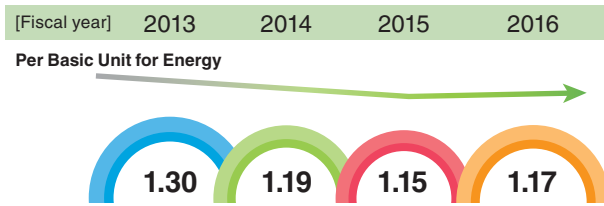
Environmental Management

We have built an environmental management system based on the ISO 14001 standards for improving our green activities in a sustained manner. Based on the environmental policy we set ourselves, we have developed an internal environmental management system in an effort to improve our performance based on studies of the state of activities undertaken by each department and their results. We rate the effectiveness of this system through internal audits conducted annually. Furthermore, an external audit organization has certified our environmental management system continuously since 2002.

Scope of Certification Application

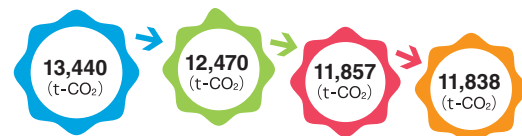
Registration Number: EC02J0078
Audit Organization: Japan Audit and Certification Organization for Environment and Quality (JACO)
Scope of Application: Sales activities for paper, pulp, waste paper, films, their peripheral materials and related machines at KPP
Bases under the Scope of Application: Tokyo Head Office, Kansai Branch, Kyoto Sales Department of Kansai Branch, Chubu Branch, Kyushu Branch, Sendai Sales Department of Kita Nihon Branch and Sapporo Sales Department of Kita Nihon Branch

Logistics Initiatives



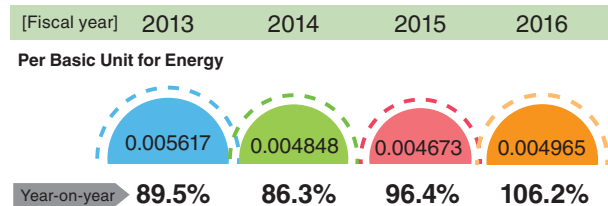
* Calculation method: crude oil equivalent (kiloliters) / annual sales volume (thousand tons) = Per basic unit for energy

CO₂ Emissions Based on the Ton-Kilometer Method



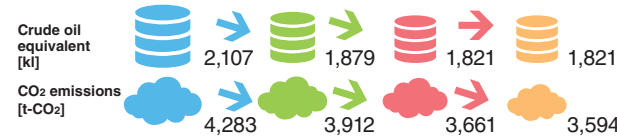
* The above figures are figures we report to the Ministry of Economy, Trade and Industry on a nonconsolidated basis in cases where the energy we have consumed for freight carriage as a cosigner amounts to 30 million ton-kilometers or more. Ton-kilometer is a unit for values obtained by multiplying the weight of each freight carriage (tons) by the distance traveled (kilometers). We adopt figures calculated by dividing the crude oil equivalent (kiloliters) by the annual sales volume (thousand tons) as our figures per basic unit.

Initiatives as a Business Operator



* Calculation method: crude oil equivalent (kiloliters) / net sales = Per basic unit for energy

Energy consumption by business operators



* The above figures are based on the crude oil equivalents (kiloliters) of the sums of electricity, city gas, LP gas and kerosene used annually in buildings we own (on a nonconsolidated basis), which we report to the Ministry of Economy, Trade and Industry. The figures per basic unit are values obtained by dividing the crude oil equivalent (kiloliters) by annual net sales (millions of yen).
 * We adopt coefficients updated by the respective electric power companies each year as emission factors used as the bases for calculating CO₂ emissions.

Initiatives to Reduce the Environmental Impact

As a business operator using energy beyond a certain level prescribed in the Act on Rationalizing Energy Use, we fall under the scope of specified business operators and special consigners. We are aiming to reduce the environmental impact of our operations in a sustained manner.

Logistics Initiatives

As a special consigner, we are aiming to improve our energy consumption per basic unit at a year-on-year rate of 1% or more toward the goal of reducing the environmental impact associated with logistics in a sustained manner. To that end, we are implementing measures and monitoring their results. In fiscal 2016, we worked to improve our efficiency again, attaching priority to the improvement of the direct delivery rate, the consolidation of inventory and delivery bases and the optimization of inventory locations for shortening the distances traveled to delivery destinations. However, we failed to improve the direct delivery rate in some of the areas. Our energy consumption per basic unit rose 1.6% year on year and our overall CO₂ emissions fell 0.2% year on year. The annual reduction rate for our CO₂ emissions averaged 4.8% in the last five years.

Summer Power-Saving Initiatives

In fiscal 2016, we continued with our power saving enhancement campaign for the three summer months (July to September), which we began implementing in fiscal 2012 against the background of the nationwide power shortages caused by the Great East Japan Earthquake. As measures for reducing power consumption, we took part in the Cool Biz campaign (wearing light summer clothing for business), established no overtime days in the respective departments, and designated two days as company-wide summer holidays. However, power consumption in fiscal 2016 surpassed our forecast at the beginning of the fiscal year due to efforts to keep our workplace in an appropriate condition necessitated by factors including the temperature climbs caused by the heat waves.

Initiatives as a Business Operator

As a specified business operator, we have been advancing activities for achieving our energy consumption reduction target (improvement of consumption per basic unit by the average annualized rate of 1% or above) since fiscal 2013. In fiscal 2016, our energy consumption per basic unit increased 6.2% year on year on a single fiscal year basis. Our CO₂ emissions decreased 1.8% year on year. However, the annual reduction rate for our CO₂ emissions averaged 5.7% in the last five years.

Environmental Education

To raise the environmental awareness of our employees, we began encouraging them to take the semiannual Certification Test for Environmental Specialists (Eco Test) organized by the Tokyo Chamber of Commerce and Industry in fiscal 2011. We increased the ratio of employees certified through this Test to our total workforce to 50% in fiscal 2015, one year ahead of the target of fiscal 2016 set in the Eco People 50 Plan. We continued activities to raise their ratio in fiscal 2016. As of March 31, 2017, 58.5% of our employees are certified through the Test.

Percentage of Employees Certified through the Eco Test



Environmental Data

		Fiscal 2014	Fiscal 2015	Fiscal 2016	
Amount of electricity consumed ^{*1} [Unit: kWh]	Head office and branches in Japan	1,294,806	1,306,053	1,315,895	
Amount of energy used as a business operator ^{*2} [Unit: t-CO ₂]	Properties owned in Japan	3,912	3,661	3,594	
Amount of CO ₂ emitted for distribution ^{*3} [Unit: t-CO ₂]	Head office and branches in Japan	12,470	11,857	11,838	
Amount of waste discharged	Head office and branches in Japan	Amount of waste discharged (Unit: kg)	137,986	143,583	132,557
		Ratio of waste recycled (Unit: %)	70.6	68.6	70.4
Amount of water used ^{*4} [Unit: m ³]	Head office and branches in Japan	17,529	19,206	18,114	

[Period covered] April 1 to March 31 of each fiscal year
 [Scope of aggregation] The scope of aggregation for all items, excluding the amount of energy used as a business operator, equals the scope to which KPP's environmental management system is applied (its head office and branches in Japan).

* 1: The amount of electricity consumed at the head office, branches and other offices occupied by sales departments under the control of branches in Japan
 * 2: Converted CO₂ equivalents to the amounts of electricity, city gas, LP gas and kerosene used in buildings owned by KPP (on a nonconsolidated basis)
 * 3: Converted CO₂ equivalent to the amount of energy used and discharged when KPP shipped cargo as a consigner
 * 4: The amount of water used at the head office, branches and other offices occupied by sales departments under the control of branches in Japan

Solving Environmental Issues through its Businesses Aiming to Become a Comprehensive Recycling-Oriented Company

Goods manufactured upstream using resources generally reach downstream consumers before long, following the flows of processing and distribution. Resource consumption continues to rise upstream when these flows are one-way and in descending order, causing waste to grow downstream. In other words, the environmental impact keeps increasing. To deal with this problem and minimize the load, the concept known as a recycling-oriented society was born. This is a society where materials are not wasted. This society sustains its growth while expanding the circle of recycling aimed at saving resources and reducing waste. We would like to contribute to the solution of environmental issues in society through the expansion of our businesses aimed at realizing this recycling-oriented society.

We have expanded our businesses related to waste paper recycling (paper-to-paper material recycling) through the course of our operations. We made our position as a comprehensive recycling-oriented company stronger in April 2017 by entering the thermal recycling business through which we supply wood resources to biomass power plants.

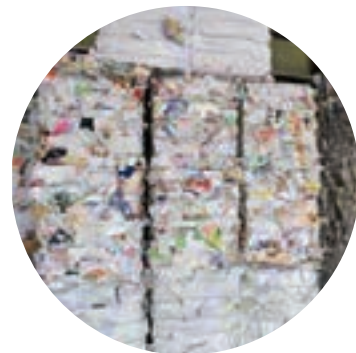
Responsible Use of Wood Resources

How to secure the legality of raw materials used in products supplied by companies is drawing attention as an aspect of corporate social responsibility in a mass consumption society. The supply of reassuring and reliable products to customers is also an essential issue for KPP, which sells paper. Forest certification systems are systems that secure the sustained use and protection of forests by combining appropriate forest management with wood materials management across supply chains from processing to distribution. We have acquired Chain of Custody (CoC) certification, a type of processing and distribution certification, from two leading forest certification authorities (FSC® and PEFC). We are aggressively promoting sales of forest-certified pulp and paper that can be used as materials for making paper.

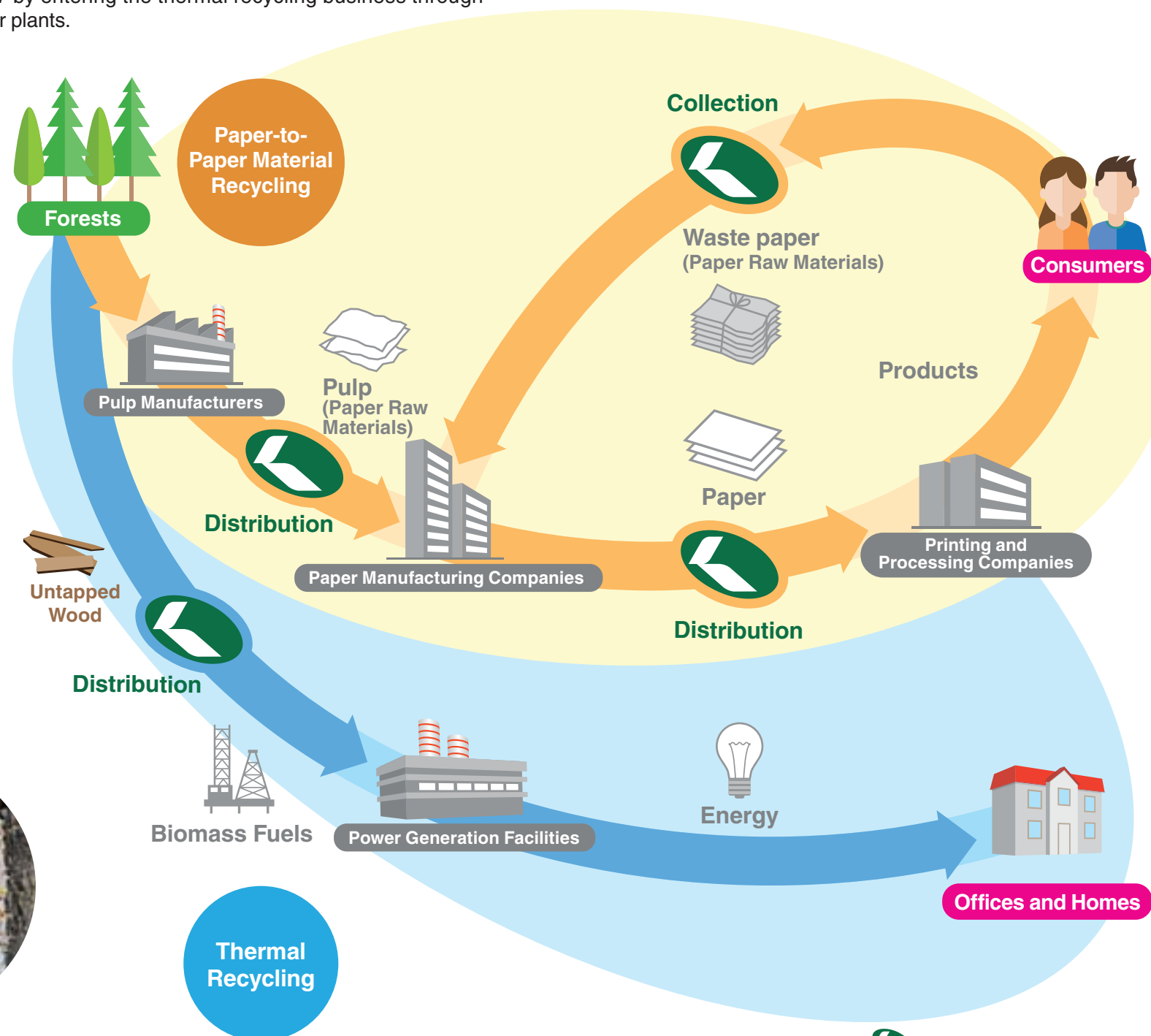


Paper Raw Material Business

Processes through which goods manufactured with forest resources as base materials reach consumers correspond to arteries when we liken them to the flow of blood. The processes through which consumed waste paper is collected, transported and recycled into paper raw materials correspond to veins. We must ensure that goods circulate actively through these arteries and veins without stagnation in order to sustain a sound society through the conservation of resources and the reduction of waste. In this circulation, we play the role of the heart that governs the flows through arteries and veins. We continue to feed paper raw materials to the veins by collecting and selling about 1.4 million tons* of waste paper annually as a trading company while sending about 2.2 million tons* of paper products to the arteries each year as a leading company in the paper industry.



* KPP's nonconsolidated operating results for fiscal 2016



Ecom Business to Expand the Recycling Circle

The name of our business model, "ecom," reflects the concept of bringing (*mottekuru* in Japanese) eco. Ecom is one of our businesses aimed at promoting the effective use of renewable resources. Town ecom, one of our ecom projects, is a system that enables users to bring old newspapers and magazines to waste paper collection boxes installed in locations such as local retail shops when they go shopping there, and receive shopping points that can be used at the stores in exchange for the waste based on its weight. Town ecom reduces the waste collection burdens borne by local governments. In addition, it is attracting attention as a new system that connects waste

paper, which has previously been incinerated because of the inability of community-based waste collection services to deal with it, with the circle of recycling. Town ecom recycling boxes have been installed in 411 stores throughout Japan as of March 31, 2017. They contribute to local residents' care for the environment. We also collect confidential documents in offices through special recycling boxes installed there, and shred these documents and reduce their volume with consideration given to security aspects through office ecom, another of our ecom programs aimed at recycling these documents safely and reliably.



Advance into the Thermal Recycling Business

We have made forays into a business aimed at selling woodchips, pellets, palm kernel shells (PKS) and other fuels for biomass power generation. To further this business, we contributed capital to Biomass Power Technologies Inc., a company operating the biomass power generation business, in September 2016. We are accumulating knowhow for the renewable energy business with Biomass Power Technologies, a power generation business operator, from our position as a fuel supplier.

From this point on, we will expand the thermal recycling business through which we supply fuels based on wood resources and the like in addition to the paper-to-paper material recycling business through which we offer waste paper and other recycled materials. We hope to strengthen our position as a comprehensive recycling-oriented company by expanding these two recycling circles.

Care for the Environment in Another Way

Chengdu Xinguofu Packaging Material Co., Ltd. is a joint venture that we established with two other companies in Japan and China as part of our total packaging strategy. The joint venture's film printing plant is a green factory that suppresses emissions of volatile organic compounds (VOCs), a cause of air pollution, in an exhaustive manner.

The plant offers peace of mind and safety to people in China by printing films used for packaging ham and sausages.



Social



One of KPP's management philosophies is to pursue the happiness of employees and their families and aim to become a company that is trusted by its shareholders, customers, suppliers, and communities. We are undertaking a number of activities as a corporate citizen, setting a high value on its relationships with those stakeholders.

Realization of a Recycling-Oriented Society

Reconstruction Assistance in Higashi Matsushima City, Miyagi Prefecture

KPP is supporting the Afan Earthquake Restoration Project advanced by the C. W. Nicol Afan Woodland Trust. We have been assisting the Trust's activities in building a public school of forests in Higashi Matsushima City, Miyagi Prefecture, since 2015. Out of an aspiration to offer the opportunity to study the connection between forests and people's lifestyles, we joined with the Trust in planting *kozo* and *mitsumata*, two types of trees used to make Japanese paper, in March 2016 and harvested them in November of the same year. KPP and the Trust are planning a papermaking event in the future, in which these materials will be used. The school was completed in January 2017. We have received a letter of appreciation from the mayor of Higashi Matsushima for our assistance in the reconstruction efforts.

Sendai Tanabata Bamboo Paper Project

The Sendai Sales Department of the Kita Nihon Branch and Narumiya Kami-shoji Co., Ltd., a KPP affiliate, has been undertaking the Sendai *Tanabata* Bamboo Paper Project since fiscal 2012. This project is aimed at recovering a type of bamboo used in the Sendai *Tanabata* Festival, one of the three major festivals in the Tohoku region, and reusing it as part of materials for making bamboo paper with the cooperation of paper manufacturers. Bamboo paper made in this way is contributing to the development of Sendai City and Miyagi Prefecture, too.

Regional and Social Contribution

KPP is doing what it can do, step by step, to transform itself into a trusted company. We are working to improve our communication with host communities.

Promotion of Education and Culture

Support for the Japan Rugby Football Union

KPP has been supporting the Scrum Japan Program sponsored by the Japan Rugby Football Union (JRFU) since 2015. This Program is aimed at training the next generation of capable individuals through rugby. Its objectives are to popularize rugby among young people and beginners, assist extracurricular activities at elementary, junior high and senior high schools, and link those activities with the training of individuals able to work successfully in various fields in the future. We hope to contribute to the development of a healthy and vibrant society through sports in the period through the Rugby World Cup scheduled to take place in Japan.

Support for the Environment Athletes Organization

Since our founding, we have been supporting the Environment Athletes Organization, endorsing its objective of offering environmental education and realizing a social contribution with sports as a focus. The Organization is dispatching athletes to elementary schools in each area to give extracurricular lessons on the environment where participating children can learn the importance of clean water, air and the earth from nature with athletic activities as a medium.

Tanabata Decorations Display at the Entrance to KPP Head Office

Following its annual practice, we displayed Sendai *Tanabata* Festival decorations at the entrance to our head office from June 19 to August 18, 2017. We invited a total of 127 children from the Akashi Kindergarten and the Pocket Land Akashicho Day Nursery nearby to decorate paper strips and take commemorative photos. Produced by Narumiya Kami-shoji Co., Ltd., a KPP affiliate, these decorations equal those used in the Sendai *Tanabata* Festival in size.

Elementary School Pupils Visit Musashino Paper Recycling for an Extracurricular Lesson

The Yokohama Office of Musashino Paper Recycling Co., Ltd., a KPP affiliate, took in pupils from the nearby Municipal Shin Yoshida Daini Elementary School for an extracurricular lesson as part of its regional contribution activities. On June 8, 2017, 56 fourth-graders from the school visited the Office's stock yard to study waste paper and compressors through observation. They learned about the paper recycling system and the need for it through the on-site lesson.



Support for the C. W. Nicol Afan Woodland Trust



Completed Miyanomori Elementary School



Harvesting materials used for making Japanese paper



Sendai Tanabata Bamboo Paper Project



Tanabata decorations displayed at the entrance to KPP head office



Support for the Environment Athletes Organization



Social contributions by Musashino Paper Recycling

Contributing to Host Communities

Participation in a Rooftop Greening Project in Ginza

There is a vegetable garden on the roof of KPP's head office, which was greened in 2010. Volunteers among employees are using this garden as a place for communication, growing vegetables and fruits all year around. Since 2015, KPP has also been taking part in a rooftop greening project advanced by an NPO called the Ginza Honey Bee Project. The project is an attempt to grow sweet potatoes on rooftops around the Ginza district, harvest them and use them as ingredients for a spirit distilled from sweet potatoes called Ginza Imojin. KPP again handed the sweet potatoes grown on its rooftop over to the Project in November 2016. They were used as part of the ingredients in Ginza Imojin.

Support for Communities Damaged in the Kumamoto Earthquake

As a corporate citizen, KPP provided support to assist in efforts for the earliest possible reconstruction of stricken areas in connection with the earthquake that hit the Kyushu region centered on Kumamoto Prefecture on April 14, 2016. In addition to making donations for their relief, the Company sent part of its disaster prevention stockpiles to the earthquake-stricken areas.

Affiliate Green San-ai's Support for FC Machida Zelfia in the J2 League

Green San-ai Co., Ltd., a KPP affiliate, began supporting FC Machida Zelfia, a professional soccer club in the J2 League based in Machida City, the company's office location, this year. At the end of 2016, Green San-ai organized a waste paper collection event for FC Machida Zelfia supporters with environmental preservation and resource recycling as its objectives. The event was received favorably. Green San-ai plans to continue to support the team and through that support, promote regional vitalization and resource recycling.

Social Contribution Project at the Kansai Branch

The Kansai Branch of KPP has been actively supporting childcare through paper since 2015. The Branch supplied toys and playthings using corrugated cardboards at sites such as the Childcare Support Center and the venue for a community festival in Matsubara City, Osaka Prefecture, and planned a number of other events in 2016. The Branch will continue those contribution activities rooted in host communities.



Participated in a rooftop greening project in Ginza



Ginza Imojin, a spirit distilled from sweet potatoes grown on roofs around the Ginza district



A waste paper collection event for FC Machida Zelfia supporters



Social contribution project at the Kansai Branch



Respect for Human Rights and Individuals

KPP developed the Diversity Promotion Policies in April 2017 to ensure that its diverse employees can approach their businesses efficiently by displaying their individual abilities to the full under the condition of advancing globalization.

Diversity Promotion Policies

We aim to manage ourselves globally and sustain our growth. We consider an environment that enables employees, the most important asset for a trading company, to work enthusiastically and successfully to be the basis of its sustainable management. We expect all employees to work more energetically toward sustainable management under the diversity promotion policies it has established.

Promotion of Diversity

We offer opportunities for our employees to develop their potential, encouraging independent efforts irrespective of sex, age, official duties, disabilities, nationalities and other attributes. We establish an environment that permits all employees to work energetically to the best of their abilities.

Diversification of Employees

We continue to appoint women to executive positions and to hire students from other countries and ready workers in mid-career. We are striving to enhance our value as a global company by advancing its efforts to diversify its workforce.

Improving the Work-Life Balance

We establish an environment that permits employees to take on more challenging jobs that while maintaining employment by balancing their work with their personal commitments, such as childcare and nursing care.

Promotion of Diversity



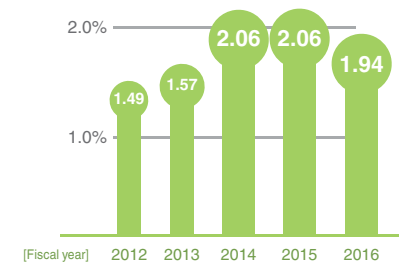
We take the view that the collective strength of people at work sites equals the strength of a company. To bring out the capacity of each employee to the maximum extent possible, we have systematized personnel training programs that enable employees to perform their expected roles and display the abilities sought. These programs start with training for new employees and cover on-the-job training, rank-based training, e-learning and support for the acquisition of qualifications. Meanwhile, we are expanding our foreign language training programs in response to the globalization of operations.

In addition to the continued employment of female managerial workers with a view to appointing them to management posts in the future, we have formulated an action plan aimed at actively assigning female managerial workers to job categories where the ratio of women has been low, anchoring them there for developing managerial capacities and supporting their career formation. Moreover, we are advancing efforts to establish an environment that permits women to take on jobs of a higher level while maintaining employment by balancing their work with childcare.

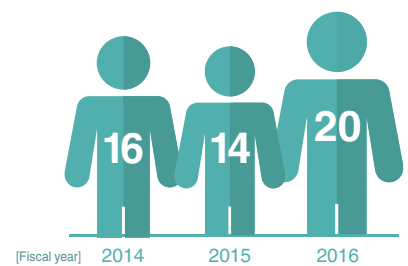
We are working to establish employment conditions and areas of responsibilities for persons with disabilities. We aim at promoting employment of these workers in the future so that their ratio to the entire workforce surpasses 2%, the mandatory proportion of jobs for persons with disabilities.

We have set up a system for retaining employees who have reached retirement age to help its diverse employees work successfully and pass on skills they have cultivated over many years down to the next generation of workers. Beginning in April 2025, we will retain employees until they turn 65 years old through this system, which is linked to the central government's pension plan. In addition to maintaining this system, we will work to establish conditions that enable employees to keep working with greater motivation and a stronger sense of reward in a society that is forecasted to age increasingly with a declining birthrate.

• Changes in the ratio of persons with disabilities employed [unit: %]



• Number of continued employment system users [unit: persons]



Diversification of Employees

Personnel System

KPP's personnel system is aimed at realizing the appropriate treatment of employees and facilitating their training, taking into consideration the need for employees to display their abilities and skills to the fullest to promote operational globalization, business structure conversion and new business development, as stated in its "GIFT + 1 2024" Long-Term Management Plan, and stimulate their company. Grades and salaries were systematized to provide multiple tracks based on posts. The system makes it possible to evaluate employees based on their posts and responsibilities, in addition to realizing diverse career paths for them. The system is also designed to address the need for nursing care, which is expected to increase in the future. Looking at the evaluation, the system rates respective employees' performance as a matter of course. It also clarifies the levels of duties respective employees are expected to perform and the codes of conduct they should observe. We promote the employment of diverse individuals and their career enhancement through this personnel system.

Employment of Diverse Individuals

KPP's basic hiring policy is to employ new graduates from universities in Japan, new graduates from universities overseas (starting in fiscal 2014) and mid-career workers with experience and expertise in growing businesses. To sustain our growth, we seek to vitalize ourself, advancing the employment of diverse individuals, irrespective of the places of their education and the types of businesses they have experienced.

Improvement in Work-Life Balance

Short Courses on Mental Health

Qualified outside speakers, such as industrial counselors and mental care psychologists, offer short courses on mental self-care and line-care to groups of KPP employees when they join the Company and when they are promoted to the position of section chief. We also encourage our employees to take short follow-up e-learning courses to deepen their understanding of mental health care.

Management of Employees' Health

KPP asks an industrial physician to visit the Tokyo Head Office and Chubu Branch twice each month and the Kansai Branch once a month to help employees there improve their mental and physical health care. The physician makes rounds of the offices and gives health advice on those visits.

Support for Work-Life Balance

KPP is taking a number of steps to make sure its employees can work with a sense of security by handling both their career and household chores. We are working to establish an environment that enables employees to work in ways based on their lifestyles, including leave for childcare and nursing care and a shortened work-hour system. Eight employees used our childcare leave system and six others took advantage of its shortened work-hour system in fiscal 2016.

VOICE



Sim Yi Sheng, Group Corporate Strategy Division, Group Corporate Strategy Department, Overseas Subsidiaries Management Section (Temporarily transferred to DAIEI PAPERS (S) PTE LTD in July 2017)

While studying the Japanese language at university, I was impressed by the unique Japanese spirit of hospitality, or "omotenashi," and this inspired me to join KPP. It was my first time in Japan and through interactions with my seniors at the workplace, I experienced the high level of service offered by Japanese corporations and the natural consideration towards their surroundings in all aspects; I was able to reaffirm that this spirit of "omotenashi" is one that should be spread across the world. After about a year of working at Headquarters, and while I will be posted to handle sales in Singapore, I hope to be able to bring this wonderful Japanese culture to life in local business there as well.

Personnel Data

		Fiscal 2014	Fiscal 2015	Fiscal 2016
Number of employees (figures on a consolidated basis)*		980	1,011	976
	Men	460	460	449
Number of employees (figures on a non-consolidated basis)*	Women	243	244	250
	Total	703	704	699
	Men	96.6%	96.0%	95.7%
Ratio of men and women in administrative positions (figures on a non-consolidated basis)*	Women	3.4%	4.0%	4.3%
Average length of continuous service (figures on a non-consolidated basis)*		17.4	17.4	17.7
Changes in the ratio of persons with disabilities employed		2.06%	2.06%	1.94%

* The figures are the number of such employees and their ratio as of March 31 of the relevant fiscal year.

VOICE



Megumi Fujiwara, Import Section, Global Business Purchasing & Logistics Department, Global Business Head quarters

I returned to work in May 2017 after taking maternity and childcare leave. The gap created by the leave made me worried about my work after the return, but I was able to make a comeback without trouble because KPP assigned me to take charge of negotiations with manufacturers and import duties in the same section. During the leave, I studied for tests such as the Japan Chamber of Commerce and Industry Bookkeeping Certification Examination and the Test of English for International Communication (TOEIC®), in my breaks from childcare, to prepare myself for my return. Right now, I'm trying to adjust the pace of my work without changing my power output within the shortened work hours. Thanks to the support of people around me, I'm performing work, household chores and childcare without sacrificing any of them. They keep me busy every day, but I'm experiencing a sense of fulfillment.

Personnel Data

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Number childcare leave system users*	7	6	8
Percentage of employees who return to work after taking childcare leave	100%	100%	100%
Number of childcare time (shortened work-hour) system users*	7	3	6
Number of continued employment system users	16	14	20

* Number of employees who started using the system during this fiscal year

Our Approach to Corporate Governance

KOKUSAI PULP&PAPER CO.,LTD. (the "Company") views the establishment of corporate governance and its sustained improvement as important business challenges for responding to the mandate of stakeholders, including shareholders, customers, business acquaintances, local community members and employees, and for achieving sustainable growth and enhancing the corporate value in the medium- and long-term.

To make its management more transparent and agile, we made the change to a company with an audit and supervisory committee in June 2015. The Audit and Supervisory Committee, in which Outside Directors of the Board make up the majority, audits and supervises the legality and appropriateness of the way in which we conduct business. In addition, we adopted an executive officer system under which Directors of the Board, who make up the Board of Directors, handle the decision-making and supervisory functions, and Executive Officers perform business execution functions. Through these reforms, we clarified where decision-making and supervisory functions and business execution functions lie within our management organization.

Number of meetings held by the deliberative bodies in the fiscal year ended March 31, 2017

Board of Directors:
17 meetings

Audit and Supervisory Committee:
17 meetings

Management Committee:
34 meetings

Board of Directors

The Board of Directors consists of 13 members, including three Outside Directors of the Board, makes decisions on important management matters, and oversees business execution by the Company. It works to make appropriate decisions and realize management control for making contributions to the Company's sustainable growth and enhancing its corporate value in the medium- and long-term, taking advantage of the practical and specialized viewpoints of the Outside Directors of the Board, in addition to the abundant business experience of Directors of the Board.

Management Committee

The Company has set up the Management Committee, which is made up of the Directors of the Board in charge of business execution, to discuss business challenges more promptly and in greater detail. The role of the Management Committee is to support the Board of Directors.

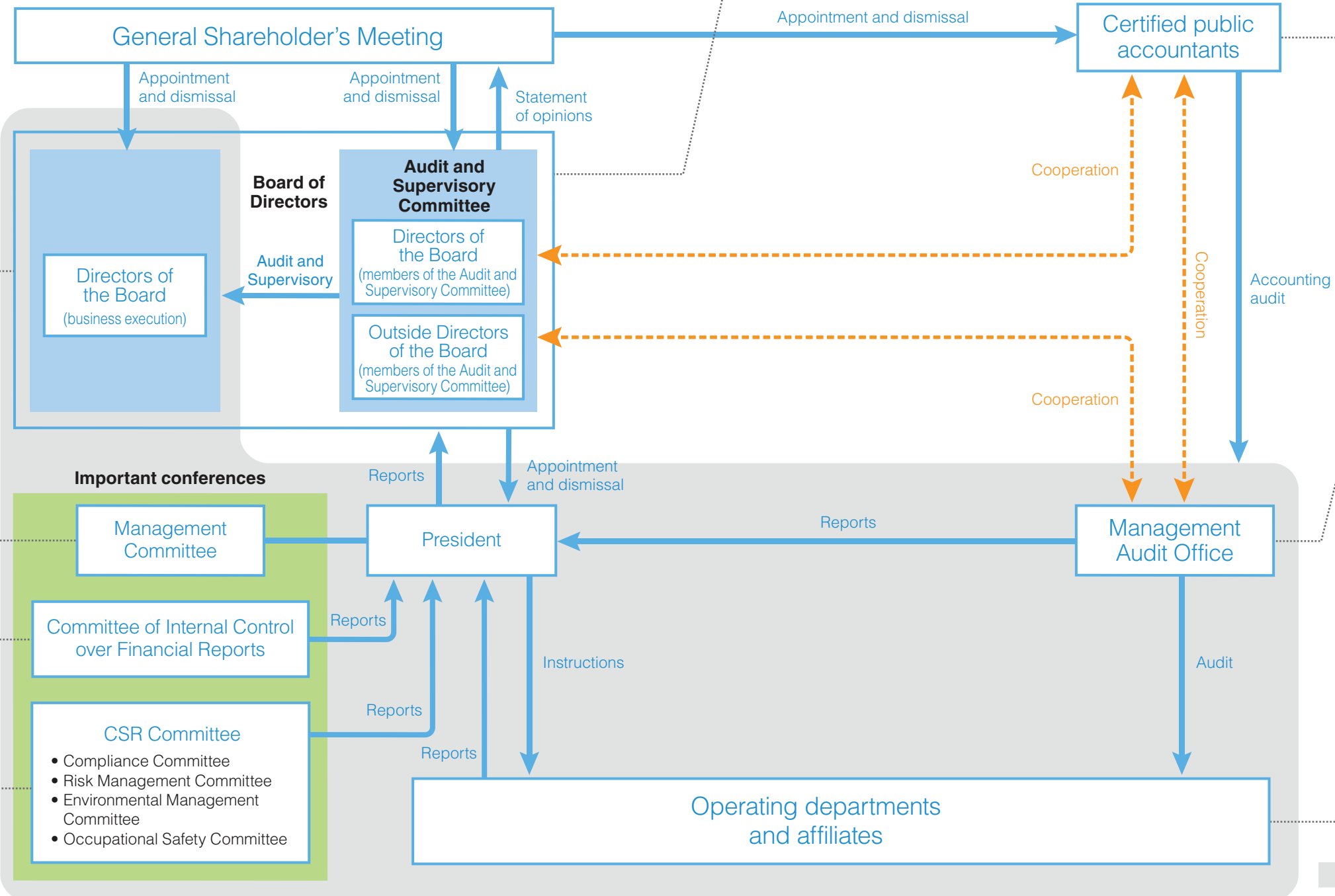
Committee for Internal Control over Financial Reports

The Company has set up a committee that establishes and promotes an internal control system, and submits reports to the CEO and the Board of Directors for maintaining and improving trust in matters related to internal control over financial reports. This committee, which is called the Committee for Internal Control over Financial Reports, drafts basic plans and assessment.

CSR Committee

The Company has set up the CSR Committee for improving transparency and trust in its corporate activities. Four committees—the Compliance Committee, the Risk Management Committee, the Environmental Management Committee, and the Occupational Safety Committee—serve as subordinate organizations of the CSR Committee, studying the issues the Company faces and proposing ideas for improvement.

Figure Showing Our Corporate Governance Structure



Audit and Supervisory Committee

Five members, including three Outside Directors of the Board with voting rights, confirm the proper form of governance and the state of governance administration. The members of the Audit and Supervisory Committee also work to ensure function improvement and optimization of the Board of Directors. In addition, the members of this committee also attend important meetings, and audit and oversee business execution by Directors of the Board through their actions, including the statement of opinions on business administration in general and specific matters from a fair and impartial position. Members of the Audit and Supervisory Committee hold briefing sessions on a regular basis with the Management Audit Office, which is an internal audit department, and provide instructions as the occasion demands in response to internal control assessment reports in connection with internal audits and financial reports. In regards to cooperation with the external accounting auditor, members also actively exchange opinions and information based on reports on the progress of implemented audits with the external accounting auditor on a regular basis and when needed.

Certified public accountants

The Company commissions accounting audits to Ernst & Young ShinNihon LLC. Ernst & Young audits the Company in accordance with the Companies Act and the Financial Instruments and Exchange Act, and provides input on corporate governance based on its position as an auditor.

Management Audit Office

In regards to internal audits, the Management Audit Office under the direct control of the President conducts assessments from an independent and objective position. It operates in line with the business audits and accounting audits on the Company and its consolidated subsidiaries, and the reporting system for internal controls over financial reports prescribed in the Financial Instruments and Exchange Act.

Business execution structure

The Company has introduced an executive officer system to strengthen the decision making and supervisory functions of the Board of Directors, and increase the efficiency and speed of business execution. Appointed by the resolution of the Board of Directors, Executive Officers perform the duties they are assigned under the command and supervision of the President and the Chief Executive Officer.

Development of a CSR Promotion System ■■■■■■■■

The trust companies need for sustaining their development is fostered little by little over a long period. The Company is working to build a CSR system, promote CSR activities, and disclose corporate activities appropriately in a bid to strengthen this trust and secure a positive assessment from all stakeholders.

The Company has also announced the Kokusai Pulp & Paper Group Guidelines for Corporate Conduct as the basis for its corporate activities. At the same time, it has distributed a leaflet that introduces the Kokusai Pulp & Paper Group Employee Rules of Conduct, a standard for the actions all directors and employees of the Company in accordance with the Guidelines for Corporate Conduct. It has widely publicized this leaflet to ensure that the rules are understood by as many employees as possible.

Guidelines for Corporate Conduct — Kokusai Pulp & Paper Group

1. Compliance with Laws and Regulations

The Group companies are committed to conduct company management in compliance with domestic and global laws, regulations and rules, as well as their spirit, and respect social norms.

2. Fair, Free and Transparent Business Activities

The Group companies are committed to undertake transparent and fair business activities based on just, fair and free competition. The Group companies shall maintain sound and normal relations with politics and administration.

3. Winning Confidence of Society, Suppliers and Users

The Group companies are committed to act faithfully to enhance the confidence of suppliers and users by supplying useful products and services that widely contribute to the development of society and by thoroughly protecting personal and customer information.

4. Promoting Social Contribution Activities

The Group companies are committed to widely contribute to communities and society by striving to return profits to them through corporate activities.

5. Active Disclosure of Company Information

The Group companies are committed to appropriately disclose company information to all stakeholders including the stockholders and to strive to have good and active communication with society.

6. Coexistence with International Society

The Group companies are committed to respect international codes of conduct and to make a contribution to the development of communities through their business activities as a member of international society.

7. Enhancement of Workplace Environment

The Group companies are committed to realize the comfort and affluence of their employees by ensuring a workplace environment that is healthy and in which the personalities and individualities of their employees are respected.

8. Harmony with Natural Environment

The Group companies are committed to contribute to building a society in which an affluent future can be shared through symbiosis and harmony with the natural environment, and

9. Severing Relations with Antisocial Forces

The Group companies are committed to sever any relations with antisocial forces by maintaining close cooperation with police and other organizations concerned while the Group companies unite as one.

Established on March 27, 2007 Revised on June 25, 2013

Kokusai Pulp & Paper Co., Ltd.

Madoka Tanabe

Director of the Board

President & CEO

CSR Committee

The Company set up the CSR Committee in 2013 to clarify the systems associated with improving the transparency and trust in corporate activities, and to enhance the corporate value through the sustained promotion and improvement of CSR activities. Chaired by the President, the members of the CSR Committee consist of the chairmen and deputy chairmen of various in-house committees. The Committee meets twice each year. Subordinate organizations—namely the Compliance Committee, the Risk Management Committee, the Environmental Management Committee, and the Occupational Safety Committee—report the progress of their activities and submit annual reports to the CSR Committee at these meetings. Based on their reports, the Committee comes up with ideas for improvement and identifies issues to be resolved as the occasion demands to move forward with CSR activities in general.

Status of respective committee activities in fiscal 2016

Compliance Committee

Themes for the fiscal year under review: Sustained compliance with laws, internal regulations and so on (to ensure full awareness of the importance of compliance)

Activities in the fiscal year under review: For the compliance structure to work effectively, the Compliance Committee provides compliance training courses to employees of all ranks to foster and firmly establish greater awareness among each person. It also offers DVD training sessions for Group employees in affiliated companies to ensure thorough awareness. Effective in January 2017, business operators are obliged to take preventive measures against maternity harassment and related harassment under the Revised Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment and the Child Care and Family Care Leave Law. In February, it held a workshop to properly communicate this matter to all employees. In addition, to improve the effectiveness of the whistle-blowing system and provide an accessible environment, it opened an external point of contact staffed by dedicated operators in April 2016. It distributes leaflets to all Group company employees to disseminate that information.

Risk Management Committee

Themes for the fiscal year under review: Identification, analysis and assessment of risks

Activities in the fiscal year under review: To continue to maintain the Company's business continuity plan (BCP), the BCM (business continuity management) Subcommittee, a subordinate organization of the Risk

Management Committee, annually updates the BCP manuals and periodically renews supplier lists for each business facility. In preparation for a disaster, it also ensures the existence of a safety confirmation system for employees and conducts emergency drills. Additionally, the Information Security Subcommittee holds a security measures drill and conducts a trend survey to understand how well employees have developed security awareness. It also provides educational activities for employees by publishing the latest SNS trends, actual cases of damages, security status reports and more on the Company's intranet.

Environmental Management Committee

Themes for the fiscal year under review: Promotion of environmental activities based on ISO 14001 and environmental activities in line with business

Activities in the fiscal year under review: The Environmental Management Committee pushed forward with the environmental management system and implemented a company-wide, summer power-saving enhancement campaign. In addition, to develop the conventional CSR report, it published Integrated Reports in September 2016, a booklet to comprehensively communicate financial and non-financial information to outside stakeholders.

Occupational Safety Committee

Themes for the fiscal year under review: The execution and the verification of actions aimed at ensuring safety and improving the status in a workplace environment

Activities in the fiscal year under review: It regularly holds the Safety and Hygiene Committee based on the safety and hygiene promotion systems of the respective branches. It has also introduced a new attendance management system and implemented and verified measures for reducing overtime work by employees.

Efforts for comprehensive compliance and risk management

Compliance

The Company believes that trust is the foundation that sustains corporate activities. Trust comes not only from compliance with laws, but also from appropriate actions in accordance with corporate ethics and social norms. The Company set up the Compliance Committee with business administration that places emphasis on trust as its main objective, and is working to prepare a system for this business administration, as well to maintain and increase the system's effectiveness. The Compliance Committee promotes awareness by updating manuals that serve as guides for observing a wide variety of laws related to the Company's operations, in-house regulations, and the like. At the same time, the Committee offers compliance training that covers all employees.

Information security

The Company has set up the Information Security Subcommittee for properly managing information as part of its risk management. The Information Security Subcommittee works to formulate specific management measures for preventing accidents, such as information falsification and leaks, and to ensure comprehensive in-house education is carried out. At the same time, the Subcommittee makes proposals for developing the IT environment in a manner that is efficient and safe.

Risk management

The proper management of various risks that stand in the way of sustained business advancement is indispensable for organizational management. The Company has established Risk Management Regulations for preventing risks and ensuring a speedy response when risks emerge. It has also set up the Risk Management Committee as an organization subordinate to the CSR Committee.

The BCM Subcommittee and the Information Security Subcommittee continue to examine matters such as management measures and response plans for disaster risks, which the Company considers as particularly important (management responses associated with business continuity following the occurrence of disasters), and information risks and system risks (the management of information, including personal information, and information system management).

Business continuity management

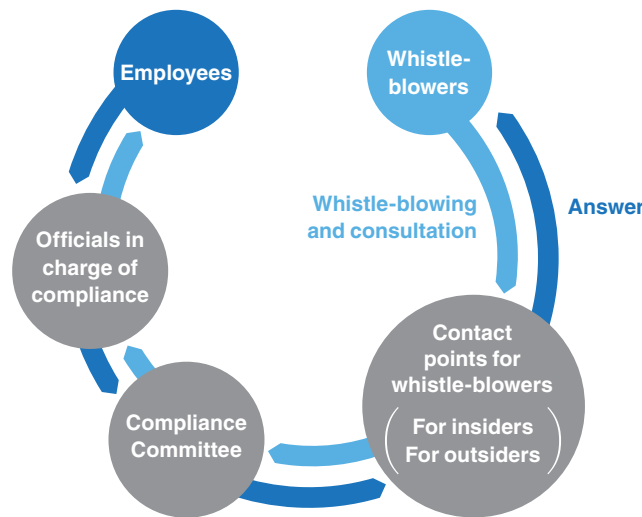
The Company formulates and updates its business continuity plan to minimize the effects of disasters and other similar occurrences, and realize the quick restoration of business at the points where these disasters occurred, drawing upon the lessons learned from the responses to the Great East Japan Earthquake. It improves management and makes this plan known Group-wide annually through the specific review and examination of things such as employee training programs for responding to forecasted future disasters and the anticipated supply chains at the points where disasters occur.

Establishment of contact points for whistle-blowers

We have set up a whistleblowing hotline to encourage people to promptly report any actions that violate laws, regulations, and corporate ethics so that quick action can be taken. Those who contact or submit a report through this hotline will not be subjected to disadvantage treatment.

The CEO will work to solve problems promptly in person and fulfill its responsibility to disclose information to the public appropriately in cases where a serious situation related to compliance emerges. At the same time, the CEO will clarify the authorities and responsibilities, and take strong action, including those involving him or herself, while moving forward with efforts to determine the causes of the situation and prevent it from reoccurring.

• Figure showing the compliance structure



Internal control

The Company set up the Committee of Internal Control over Financial Reports in April 2008. The Committee of Internal Control over Financial Reports works to prepare and operate an internal control system associated with financial reports. The Company's internal control assessment organization consists of 13 individuals who belong to the Management Audit Office, including seven from the Internal Auditing Section and five from the Corporate Control Center Section. The organization oversees the state of the internal controls put in place and operation associated with financial reports, and reports the assessment results to the Board of Directors and the Audit and Supervisory Committee.

Guarantee of the appropriateness of businesses in consolidated management

The Company has laid down internal regulations associated with the management of affiliates. It has departments in charge of the affiliates established under these regulations. The managers of the management departments ask the directors of the respective affiliates to submit reports on business execution. In addition, they assess the operating results and business efficiency of respective affiliates quantitatively, and work to identify qualitative issues in areas such as compliance and risk management. The Company seeks to secure the appropriateness of the businesses undertaken by its affiliates through actions that include the dispatching of directors and the exercising of voting rights in accordance with laws, the Articles of Incorporation, and Kokusai Pulp & Paper Group Guidelines for Corporate Conduct, which comprise basic ideas for management. The Company aims to enhance its value on a consolidated basis, taking various measures that ensure efficient business execution by affiliates and sustain their growth.

Appointment and Independence of Outside Directors of the Board

Policy Regarding the Appointment of Outside Directors of the Board

The Company strengthens its management oversight functions, applying the input and suggestions on business administration the Outside Directors of the Board provide from their independent positions. The Company has criteria for independence set by the Board of Directors in regards to the appointment of Outside Directors of the Board.

Outside Directors of the Board and Reasons for Their Appointment

Toshiro Kobayashi

Chief, Toshiro Kobayashi Certified Public Accountant Office

Appointed to apply his high-level knowledge and experience in the fields of financial affairs, tax affairs and accounting as a certified public accountant and licensed tax accountant to the auditing and supervision of the Company

Yoshinari Nagashima

Chief, Nagashima Yoshinari Law Office

Appointed to apply his high-level knowledge of and experience in fields such as corporate legal affairs and as a lawyer to the auditing and supervision of the Company

Shigeharu Yoshii

President and CEO, IP Bridge, Inc.

Appointed to apply his high-level knowledge of and experience as a business manager to the auditing and supervision of the Company

Policy of compensation for Directors

The Company comprehensively calculates compensation for Directors of the Board, taking into account the details of the Company's management and other factors after deciding their basic portion based on the posts and ranks prescribed in internal rules for their compensation resolved by the Board of Directors.

• Details of compensation paid to Directors of the Board in the fiscal year ended March 31, 2017

Post	Number	Compensation
Directors of the Board (excluding members of the Audit and Supervisory Committee)	10	282 million yen
Directors of the Board (members of the Audit and Supervisory Committee)	5	59 million yen

* Two Directors of the Board who stepped down from their office in the fiscal year under review are included.

Interview with Outside Director

We spoke with Yoshinari Nagashima, an outside director, about issues to be addressed going forward to boost the Company's corporate value.

Yoshinari Nagashima
Outside director



PROFILE

President of Nagashima Yoshinari Law Office
He has been serving as a member of the Board of Directors and as a member of the Audit and Supervisory Committee since June 2015.

Serving as an Outside Director

The Company established an Audit and Supervisory Committee in 2015, and I became part of the Board of Directors. Looking back at the time of the organizational change, the Board was already defined by the management team, led by the President, as an opportunity for the active exchange of opinions among the members. I assume that this resulted in its current favorable state. Individual board members have their say to hold active, flexible discussions. I found our Board to be very active.

In this situation, my role is to provide rational, neutral proposals and advice from the standpoint of corporate legal affairs, which I deal with as a lawyer. In addition, I believe that I need to provide honest opinions from an objective viewpoint to prevent the Company's decisions based on its own corporate culture from deviating from the norms of society. I hope that this enables it to maintain an appropriately vigilant atmosphere between inside and outside board members and helps the Board to make truly well-balanced decisions.

I prefer to place emphasis on the working level. In fiscal 2016, I visited a paper mill that is a paper supplier to the Company, and I also visited provincial bases to exchange opinions on the situation with operation managers.

I will take a look at the business operation sites to maximize my understanding of the Company's businesses.

Compliance and Risk Management

In business, there are some cases where it is difficult to make decisions. In these cases, it is important for every single staff member to have a practice of making decisions with a firm attitude at a personal level. The management team is so strongly aware of compliance that it works continuously to raise awareness among the staff, but I feel that it is necessary to further improve awareness among the field staff. The Company has a large number of highly skilled personnel and gains a high level of trust from customers. For the purpose of business promotion, it is

essential to improve the degree of autonomy of these staff members and develop them into more reliable businesspeople. Training aimed at raising awareness of compliance must be given repeatedly to keep the awareness of all the staff at a certain level.

In addition, the Company is pushing ahead with business globalization, but it has a risk factor. Specifically, it is a cultural difference between Japan and the country where we operate business. We need to pay attention to it. It is vital to respect international codes of conduct to the utmost degree. However, we must avoid regarding the world outside Japan as something special and then stopping thinking. Basically, it is essential to build relationships of trust between us and other parties to run business positively through mutual cooperation. It is important to identify whether they turn to us. If we identify that accurately, the risk will be significantly reduced. I consider this to be the case both in Japan and abroad.

Toward Continued Growth

Domestic demand for paper is declining for a range of reasons. In this situation, it is difficult to envision the Company's continued growth on the assumption of maintaining the same business model that has long supported its growth. It is therefore necessary to further improve the quality of business from the present level through business structural reforms and to make intrepid attempts to create new businesses. The Company is already making progress under its long-term plan, "GIFT+1 2024." Neither the president nor the rest of the management team are negative about the creation of new businesses. As I observe their enthusiasm and positive attitude toward seeking new engines of growth with their eyes constantly on the future, I hope that the positive results of the reforms will come into being in tangible form. From the perspective of risk management, I will participate positively in discussions that lay the basis for the future.

Member of the Board of Directors



Yuji Nakagawa

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

Toshinori Kametani

Director of the Board
Member of the Audit
and Supervisory Committee
2014
Corporate Auditor
2015
Director of the Board
Member of the Audit
and Supervisory Committee (to present)

Makoto Ikuta

Director of the Board
Senior Executive Officer
Deputy General Manager,
Global Business Headquarters
2016
Senior Executive Officer
2017
Director of the Board
Senior Executive Officer (to present)

Tatsuhiko Tachibana

Director of the Board
Senior Executive Officer
General Manager of the Chubu
Branch
2015
Senior Executive Officer
2015
Director of the Board
Senior Executive Officer (to present)

Kunitoshi Nishimura

Director of the Board
Senior Executive Officer
Responsible for the Corporate Planning Div. and
the General Affairs and Human Resources Div.
2013
Senior Executive Officer
2016
Director of the Board
Senior Executive Officer (to present)

Keizo Hara

Director of the Board
Senior Executive Officer
General Manager of the Kansai Branch
2013
Senior Executive Officer
2016
Director of the Board
Senior Executive Officer (to present)

Akihiko Tetsumoto

Director of the Board
Senior Executive Officer
Responsible for the Office of President,
the Finance Div., the Administration Div.
and the Group Corporate Strategy Div.
2014
Senior Executive Officer
2017
Director of the Board
Senior Executive Officer (to present)

Toshiro Kobayashi

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

Yoshinari Nagashima

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

Shigeharu Yoshii

*Director of the Board
Member of the Audit
and Supervisory Committee
2013
President & CEO, IP Bridge, Inc.
(to present)
2015
*Director of the Board
Member of the Audit
and Supervisory Committee (to present)

Ichiro Akamatsu

Director of the Board
Managing Executive Officer
Head of the Global Business Headquarters
2014
Managing Director
2015
Director of the Board
Managing Executive Officer (to present)

Madoka Tanabe

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

Tadashi Kurihara

Director of the Board
Senior Managing Executive Officer
Overall Sales & Marketing,
Head of the National Sales Headquarters
2016
Director of the Board
Managing Executive Officer
2017
Director of the Board
Senior Managing Executive Officer (to present)

*independent outside director
(As of June 29, 2017)

Consolidated Financial Summary for Eleven Years

(Millions of yen)

		2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Balance Sheet	Current assets	145,912	151,778	136,590	130,718	130,052	131,420	132,365	136,776	147,548	136,377	137,577
	Non-current assets	50,508	48,484	43,410	44,454	42,326	46,239	43,759	45,754	48,240	48,550	46,668
	Current liabilities	148,528	149,311	134,473	127,636	123,136	128,527	121,378	123,887	133,826	127,290	128,615
	Non-current liabilities	17,667	17,301	15,624	17,043	19,848	18,558	20,614	20,343	20,680	16,668	11,586
	Interest bearing liabilities* ¹	45,276	44,871	54,202	47,990	49,052	51,660	47,003	48,563	54,345	50,817	43,596
	Net assets* ²	30,097	33,465	29,798	30,403	29,306	30,474	33,979	38,136	41,163	40,870	43,927
	ROE* ³	4.64%	10.11%	2.39%	1.41%	2.55%	4.56%	0.02%	5.64%	2.84%	2.96%	5.22%
	Total assets	196,421	200,262	180,001	175,173	172,378	177,659	176,125	182,530	195,788	184,927	184,245
	ROA* ⁴	0.75%	1.63%	0.40%	0.24%	0.44%	0.78%	0.00%	1.13%	0.60%	0.64%	1.20%
Equity ratio	15.3%	16.7%	16.6%	17.4%	17.0%	17.2%	19.3%	20.9%	21.0%	22.1%	23.8%	
Income Statement	Net sales	367,018	423,077	404,602	356,242	351,981	340,503	327,512	375,098	387,594	389,678	366,777
	Gross profit	22,978	26,699	24,000	21,176	19,761	19,400	19,844	23,077	22,374	21,377	21,115
	(Ratio to net sales)	6.26%	6.31%	5.93%	5.94%	5.61%	5.70%	6.06%	6.15%	5.77%	5.49%	5.76%
	Operating income	3,090	4,902	3,108	2,130	2,118	1,812	1,793	2,565	1,370	1,516	1,031
	(Ratio to net sales)	0.84%	1.16%	0.77%	0.60%	0.60%	0.53%	0.55%	0.68%	0.35%	0.39%	0.28%
	Ordinary income	2,790	4,537	2,847	2,166	2,456	2,152	2,147	3,013	1,957	1,853	1,114
	(Ratio to net sales)	0.76%	1.07%	0.70%	0.61%	0.70%	0.63%	0.66%	0.80%	0.50%	0.48%	0.30%
	Profit attributable to owners of parent	1,316	3,229	760	425	763	1,368	5	2,032	1,126	1,215	2,215
	(Ratio to net sales)	0.36%	0.76%	0.19%	0.12%	0.22%	0.40%	0.00%	0.54%	0.29%	0.31%	0.60%
Cash Flow	Cash flows from operating activities	3,902	3,996	(4,992)	7,099	(460)	575	9,555	66	(2,087)	5,378	1,114
	Cash flows from investing activities	(432)	606	(1,999)	(1,544)	(235)	(3,289)	6,041	(276)	(497)	(1,249)	5,596
	Cash flows from financing activities	(6,004)	(4,638)	9,486	(6,956)	1,376	1,166	(15,388)	(479)	2,950	(3,960)	(6,791)
	Cash and cash equivalents	2,186	2,199	4,433	3,068	3,661	2,157	2,534	2,046	2,546	2,502	2,291
Information per Share	Net income/Share (in yen)	22.94	49.76	11.46	6.55	11.74	21.05	0.08	30.51	16.92	18.25	33.27
	Net assets/Share (in yen)	480.99	499.56	458.01	467.32	450.79	468.77	510.17	572.67	618.16	613.78	659.69
	Annual dividend per share (in yen)	6.00	8.00	8.00	6.00	6.00	6.00	6.00	8.00	8.00	8.00	8.00
	Total assets turnover	186.9%	211.3%	224.8%	203.4%	204.2%	191.7%	186.0%	205.5%	198.0%	210.7%	199.1%
	Payout ratio	26.2%	16.1%	69.8%	91.6%	51.1%	28.5%	7500.0%	26.2%	47.3%	43.8%	24.0%
	Debt ratio	150.4%	134.1%	181.9%	157.8%	167.4%	169.5%	138.3%	127.3%	132.0%	124.3%	99.2%
	Current ratio	98.2%	101.7%	101.6%	102.4%	105.6%	102.3%	109.1%	110.4%	110.3%	107.1%	107.0%

* 1. Interest-bearing debt is the sum of short-term loans payable, long-term loans payable, and commercial paper.

* 2. The net assets represent the value after the deduction of non-controlling interests.

* 3. ROE is calculated from the average value of net assets for the fiscal year concerned and for the preceding one. The fraction is adjusted in accordance with the value disclosed in the securities report. *ROE (return on equity) = profit attributable to owners of parent / net assets

* 4. ROA is calculated from the average value of net assets for the fiscal year concerned and for the preceding one. The fraction is adjusted in accordance with the value disclosed in the securities report. *ROA (return on assets) = profit attributable to owners of parent / total assets

Financial Analysis

Summary of Business Circumstances and Financial Results

For the consolidated fiscal year under review, Japan saw weak corporate performance in the first half, mainly among financial institutions and export-oriented companies, due to the Bank of Japan's negative interest rates and the appreciation of the Japanese currency. After the results of the U.S. presidential election in November, the foreign exchange market started to move toward yen depreciation. This caused a rally in exports and capital investment, and the Japanese economy showed a modest turnaround. The employment situation continued to improve, with the total unemployment rate in February reaching a 22-year low of 2.8%. With respect to consumer income, many companies, especially large ones, raised their wage bases for the fourth consecutive year. It is anticipated that this will lead to a future hike in consumer spending. The Japanese government presented an Action Plan for the Realization of Work Style Reform at the Council to Realize Working-style Reform. The plan is aimed at rectifying the practice of long working hours, thus embarking on improving the working environment. Constituting the basis of work style reform, diversity management will be increasingly emphasized.

Looking at the global economy, the United States saw its employment improve constantly and consumer spending remain strong. Its economy is on an upward trend. Given expectations for the economic package of President Donald J. Trump, share prices were in a record high range. This helped improve consumer sentiment as well as corporate sentiment. The Federal Open Market Committee (FOMC) made two decisions to increase interest rates, one in December and the other in March. In Europe, the Brexit process officially commenced. There is concern about the rise of forces in favor of leaving the European Union within its zone. When it comes to the economy, however, the improvement of the employment situation led to a modest turnaround in consumer spending. In China, the real GDP growth rate fell below 7%, but investments in infrastructure and real estate applied brakes to the economic slowdown. In the future, China will face a challenge of executing structural reform to maintain growth without dependence on public investment. Among emerging countries, India suddenly scrapped high denomination notes, sending its domestic economy into turmoil, but it saw minor impacts of its economic growth. Brazil appeared to depart from its worst period, but its consumer spending and investment had yet to rally. Russia saw sluggish consumer spending and investment, and its economic recovery was delayed.

In the domestic paper and pulp industry, paper consumption continued to fall below the preceding year's level due to the structural changes following the contraction and aging of the population and a decline in the birth rate, along with a shift of publications and advertisements to electronic media. While corrugated board is becoming lighter and lighter, the consumption of paperboard was higher than in the preceding year, supported by the expansion of beverage-related demand in the extremely hot summer and strong online shopping sales.

Under these circumstances, the Group's financial results for the consolidated fiscal year under review were as follows. Net sales stood at 366,777 million yen, representing a 5.9% decline year on year; operating income was 1,031 million yen, representing a 32.0% fall year on year; ordinary income was 1,114 million yen, suffering a 39.9% drop year on year; and

profit attributable to owners of parent was 2,215 million yen, representing an 82.3% rise year on year.

Financial Standing and Business Performance

The information about the future given here reflects judgments of the Group as of the end of the consolidated fiscal year under review.

[Significant Accounting Policies and Estimation]

The Group prepares its consolidated financial statements in accordance with the accounting standards that are generally regarded as fair and appropriate in Japan. Matters requiring accounting estimates in the preparation of the consolidated financial statements are estimated on the basis of actual past data and by employing other reasonable methods. However, estimates involve uncertainties specific to the data and methods used, and thus the actual results may differ from the estimates.

The Group understands that the important accounting policies specified below have a significant impact on key judgments and estimates made in the preparation of the financial statements.

(1) Allowance for doubtful accounts

In preparation for possible losses due to the inability to collect receivables, the Group posts an estimated amount of uncollectible receivables as an allowance for doubtful accounts, taking into consideration the collectability of individual specific receivables, with concern given to the failure to collect in accordance with the rate of actually uncollectible general receivables in the past.

(2) Impairment of investment securities

The Group holds shares of specific customers and financial institutions in order to maintain long-term trade relationships. For securities with market value, impairment processing is conducted for those with a non-temporary decline in investment value by more than 30%. For securities without market value, impairment processing is conducted for those for which net assets per share of the company concerned contracted by at least 50% of their book value, based on the assumption that its financial results are unlikely to recover.

(3) Deferred tax assets

The Group rationally estimates its future taxable income. If it judges that it will be unable to collect all or part of the deferred tax assets, the income figures may change due to the accrual of deferred tax assets.

[Business Performance for Consolidated Fiscal Year under Review]

(1) Net sales

Net sales decreased 5.9% from the preceding consolidated fiscal year to 366,777 million yen.

(2) Operating income

Operating income decreased 32.0% from the preceding consolidated fiscal year to 1,031 million yen.

(3) Non-operating income and ordinary income

Non-operating income stood at 336 million yen on a net

basis, while it amounted to 83 million yen on a net basis for the preceding fiscal year.

Accordingly, ordinary income was down 39.9% from the preceding fiscal year to 1,114 million yen.

(4) Extraordinary income

An extraordinary loss of 261 million yen was suffered on a net basis, while extraordinary income of 2,383 million yen on a net basis was posted for the preceding fiscal year.

(5) Profit attributable to owners of parent

Profit attributable to owners of parent stood at 2,215 million yen, while it stood at 1,215 million yen for the preceding fiscal year. Net income per share stood at 18.25 yen, while it was 33.27 yen for the preceding consolidated fiscal year.

(6) Cash flow status

As of the end of the consolidated fiscal year under review, cash and cash equivalents (hereinafter collectively referred to as "cash") fell 210 million yen from a year earlier to 2,291 million yen.

The following describes the status of the individual cash flows for the consolidated fiscal year under review and the underlying factors.

(Cash flows from operating activities)

Net cash of 1,114 million yen was gained from operating activities, while net cash of 5,378 million yen was gained a year earlier. This was mainly attributable to the posting of income before income taxes and an increase in notes and accounts payable – trade.

(Cash flows from investing activities)

Net cash of 5,596 million yen was gained from investing activities, while net cash of 1,249 million was used a year earlier. This was mainly attributable to proceeds from the sale of property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash of 6,791 million yen was used by financing activities, whereas net cash of 3,960 million yen was used a year earlier. This was mainly attributable to decreases in short-term and long-term loans payable.

[Fiscal Policy]

At the moment, the Group finances its operations and its capital investments by using internal funds or by borrowing. In principle, operating funds are procured by short-term loans, and capital investment is procured by long-term loans. In addition, the Group raises funds by means of bills receivable and by liquidation of accounts receivable.

[Dividend Policy]

In regards to the distribution of profit, the Company has a basic policy of returning stable profits, taking into account its financial results and internal reserves in preparation for future business expansion.

The Company has a basic policy of distributing capital surplus and retained earnings once a year as year-end dividends. The General Meeting of Shareholders is the body that has the authority to make decisions on year-end dividends.

In regards to dividends for the fiscal year under review, it was determined that the Company would pay a dividend of 8 yen per share in accordance with the aforementioned policies.

As a result, the payout ratio for the fiscal year under review stood at 21.2%.

The internal reserves will be used to bolster capital strength in preparation for future business expansion.

The Company stipulates in its Articles of Incorporation that it may pay interim dividends, with the date of September 30 each year as the record date, by a resolution of the Board of Directors.

[Capital Policy]

Under its basic capital policy, the Group strives to achieve a medium-term increase in corporate value and deliver stable returns to shareholders. To improve its outside ratings and stabilize its financial standing, the Group will endeavor to attain an equity rate of 25% at an early stage. Meanwhile, it will define ROA as a key management indicator, and achieve the optimal capital portfolio by boosting asset efficiency. The Company will also aim to increase ROE to a level higher than the cost of shareholders' equity and ensure a payout ratio of 30%.

[Business Risks and Other Risks]

The following describes examples of business and other risks that may affect the Group's financial results and standing.

It should be noted that the matters relating to the future in the descriptions here reflect judgments of the Group as of the date of June 29, 2017. They do not include all the risks that may arise in the future.

(1) Dependency on principal business partners

Oji Holdings Corporation and Nippon Paper Industries Co., Ltd. are among the Company's major shareholders and among the principal suppliers of paper and paper boards, which are the Group's mainstay products. The total amount of purchases from these two groups for the consolidated fiscal year made up 41.1% of the Group's total purchases.

At this time, the Company has basic agreements with these companies under which they are designated dealers, and plans to continuously expand transactions with them. However, if any significant problem should arise in supplying goods from their groups to the Company for some reason, it may affect the Group's business expansion, financial standing, and financial results.

(2) Impact of commodity market conditions

The purchase prices of the Group's mainstay products such as paper and paper boards are subject to the influence of worldwide demand for their raw materials, such as pulp, chips, and waste paper, and to trends in crude oil and other fuel prices. A significant rise in these prices will affect the purchase prices of products.

The Group constantly conducts price negotiations with suppliers in an attempt to ensure appropriate profits, but its financial standing and results may be affected depending on whether or to what extent the selling prices take into consideration the changes in material prices.

(3) Reorganization of distribution in the paper and pulp industry

The paper industry is heavily susceptible to economic trends and consumer trends. In view of the shrinking population and shift towards paper-free operations, the domestic market is expected to contract even further. For this reason, there is a possibility that further reorganization of distributors may occur. The Group has already been

responding to the industry reorganization by means of mergers and acquisitions and other methods. While it will continue to adopt a flexible approach in the future, changes in market circumstances that exceed the Group's assumptions or any merger or acquisition that fails to produce the effect expected by the Group may affect its financial standing and results.

(4) Manufacturers' orientation towards direct sales

Faced with harsh economic circumstances, an increasing number of corporate users of paper products are actively working to cost cuts. The Group is also making efforts to reduce distribution costs and other costs to maintain its business relationships with corporate users. However, in recent years, paper manufacturers are becoming more and more oriented towards direct sales. This trend is especially evident in the area of industrial paper.

In this environment, it is possible that users to which the Group sells products may shift to doing direct transactions with manufacturers. The financial position and results of the Group could be affected if the increase in these cases occurs at a pace faster than what it expects.

(5) Foreign exchange rate fluctuation risks

The paper and public wholesale business at overseas bases, which is one of the business segments of the Group, sells products in many different countries, particularly in Asia and the Americas. For the consolidated fiscal year under review, overseas sales accounted for 15.0% of consolidated net sales.

The process of preparing consolidated financial statements involves converting the sales and expenses in the local currencies of different countries into the yen so that they can be posted in the statements. During this process, the figures are affected by the foreign exchange rates at the time they are converted into the Japanese currency. The Group employs various means to minimize the impact of exchange rate fluctuations, such as bringing foreign exchange forward. However, fluctuations in exchange rates that are greater than the Group expects may affect its financial standing and results.

(6) Interest rate fluctuation risks

The Group procures its operating funds chiefly by borrowing from financial institutions and by issuing commercial paper. It endeavors to minimize the impact of interest rate fluctuations by procuring funds through the introduction of long-term loans at fixed interest rates and interest rate swapping. However, fluctuations in interest rates that are greater than what the Group expects may affect its financial standing and results. For reference, the balance of loans payable and commercial paper amounted to 43,596 million yen as of the end of the consolidated fiscal year under review, accounting for 23.7% of all assets.

(7) Country risks

The Group engages in sales in many different countries around the world, particularly in Asia and the Americas. The pulp and paper wholesale business at overseas bases contributed to 15.0% of consolidated net sales for the consolidated fiscal year under review. In these

countries, business activities may be constrained by legislative amendments, rapidly rising personnel costs, diplomatic issues, and other factors. The pulp and paper market is heavily reliant on economic trends, consumption trends and other factors in the countries and regions where the business is operated. The Group has taken out an insurance policy for trade accounts receivable in its overseas business, and it works tirelessly to collect information on the countries in which it operates in order to minimize these risks. Should these risks become more noticeable, however, they could affect its financial position and results.

For the consolidated fiscal year under review and for the preceding consolidated fiscal year, business partners in China, Hong Kong and elsewhere recorded very large provisions for allowances for doubtful accounts, and Overseas Bases Wholesale Pulp and Paper ultimately posted a segment loss. In the China business, the procedures for liquidation of Kokusai Pulp & Paper (China) Co., Ltd., the financial position of which deteriorated mainly because of the provisions for allowances for doubtful accounts mentioned above, are underway. If any unexpected loss occurs in the process of liquidation, it may affect the Group's financial standing and results.

(8) Credit risks concerning customers

In the Group's sales transactions, many of our customers are adopting the practice of credit sales and bill collection. The Company works to avert credit risks by tightening the management of individual customers and by formulating regulations and manuals to prevent uncollectible receivables from arising, and regularly examines these risks in accordance with the regulations. Even so, the Group's financial standing and results may be affected, provided that uncollectible receivables exceed the level it anticipated as a result of the deterioration in the credit status of some customers.

(9) Liabilities for retirement grants

The Group employs a defined benefits pension plan, a retirement lump-sum grants program, and a defined contribution pension plan. The expenses and liabilities for retirement grants under these plans are calculated in accordance with the discount rate and other preconditions defined in actuarial calculation and the expected long-term management gains ratio for pension assets. In addition, a stock trust is adopted as part of the pension assets. Therefore, the Group's financial standing and results may be affected in the event of a decline in the discount rate, a deteriorating investment yield, and a decline in the market price of shares included in the trust.

(10) Risk of fluctuations in the market prices of shares owned

Most of the shares owned by the Group are those of suppliers, corporate customers, financial institutions with which it does business, and other companies with which it enjoys close business relationships. The Group's financial position and results may be affected if the price of any of these shares changes due to stock market conditions and the financial results of the company concerned.

(11) Impact of real estate market conditions and other factors

In order to stabilize its revenue base, the Group engages in the real estate leasing business using the real estate it owns.

However, the Group's financial standing and results may be affected if the value or rent of the real estate it owns declines as a result of changes in the real estate market conditions. For reference, the ratio of real estate leased to total assets was 7.9% as of the end of the consolidated fiscal year under review.

(12) Relationship with major shareholder

In March 1979, Oji Paper Co., Ltd. and Nippon Pulp Industry Co., Ltd., both of which held shares in the Company, merged. As a result, Oji Paper as the surviving company held 24.3% of the voting rights in the Company and the Company became an equity-method affiliate of Oji Paper, which later shifted to a holding company structure and changed its company name to Oji Holdings Corporation. As of the date of June 29, 2017, Oji Holdings owns 20.7% of the voting rights in the Company, including an indirect ownership component.

Since the Company was established in 1924, Oji Holdings and its group companies (hereinafter referred to as "the Oji Group") have been its principal supply destinations and have been dealing continuously with the Company under the same terms and conditions as those applicable to other paper manufacturers which the Company's supplies.

As of the date of June 29, 2017, there are no officers or employees serving both the Oji Group and the Group, and the two Groups have no personnel on loan from each other. In addition, there are no items requiring prior approval from the Oji Group in the Group's managerial decision-making. The Group's management is therefore independent. If the Oji Group changes its management policy or strategy in the future, however, it may affect the Group's business activities.

[Issues to be Addressed]

The issues the Group has set out to tackle are stepping up its overseas expansion, reforming its business portfolio through the launch of new businesses, achieving a high level of transparency in governance, and securing and nurturing staff members. It will make active efforts to address each of these issues.

(1) Stepping up overseas expansion

The Group places particular emphasis on globalization in its long-term management plan "GIFT+1 2024." It is investing in the area of total packages outside Japan. In March, we held a ceremony for the completion of a plant of Chengdu Xinguofu Packaging Material Co., Ltd., a joint venture of KPP with New Hope Liuhe Food Holdings Limited. With equipment that complies with China's strict volatile organic compounds (VOCs) regulations, this plant will speed up the expansion of the film and chemical products business in China through the production of casing shrink film and other products with low environmental impacts. In the future, we will focus on growing markets around the world, such as ASEAN countries, while actively moving ahead with overseas business expansion.

(2) Launching new businesses

As a trading firm specializing in paper, the Group sells paper and paper boards. Meanwhile, it also engages in the material recycling business, in which it collects waste paper as a raw material for paper and delivers it to paper manufacturers. In addition, it has embarked on the thermal recycling business, in which it sells wooden biomass fuels for power generation. As part of this business, the Group has already made a partial investment in a biomass power generation operator. It will strive to solidify its position as a comprehensive recycling company with twin recycling operations, namely material recycling and thermal recycling.

Established to broaden its business portfolio, the Office of New Business Initiation took the initiative in launching HOKAN TOKYO BUSINESS SERVICE CO., LTD., which would engage in providing support for launching home nursing businesses and operating them after the launch. The Company plays a part in the Integrated Community Care System project implemented by the Ministry of Health, Labour and Welfare to offer solutions to the issue of the aging population.

(3) Achieving a high level of transparency in governance

To unflinchingly achieve continuous corporate growth and medium- and long-term growth in its corporate value, it is essential to place emphasis on the Corporate Governance Code and undertake positive communications with stakeholders. The Group has already transformed into a company with an audit and supervisory committee and will, in the future, aim to attain management with an even higher level of transparency and agility. From the perspective of continuously enriching governance, it is pressing ahead with the construction and introduction of a new enterprise mission-critical systems. In addition, it began publishing integrated reports intended to comprehensively disclose its management state. These reports cover not only financial information but also management strategies, corporate governance and environmental management.

(4) Nurturing and securing staff members

The Group has developed its diversity promotion policy to provide its staff members, as the most important resources of a trading company, with an environment where they are able to enthusiastically demonstrate their abilities. Aspiring to evolve into a more global company, it employs new graduates from overseas universities and mid-career job seekers who are appropriate as executives for overseas facilities. As part of its plan for encouraging women to play more active roles, it continues to recruit women in fast-track career positions with a view to promoting them to managerial posts, and assigns female staff members to job categories where women have rarely worked in the past. With regard to the training program, the Group has introduced e-learning to impart the skills for adapting flexibly to new business environments. Staff development begins with training for new employees, followed by on-the-job training from senior colleagues in the workplace, internal and external training for specific levels and a program for supporting the acquisition of qualifications.

Consolidated Financial Statement

(1) Consolidated Balance Sheet

(Millions of yen)

	Preceding Consolidated Fiscal Year (March 31, 2016)	Consolidated Fiscal Year Concerned (March 31, 2017)
Assets		
Current asset		
Cash and deposits	2,504	2,352
Notes and accounts receivable - trade	108,051	105,066
Electronically recorded monetary claims - operating	8,896	13,290
Inventories	15,675	15,728
Deferred tax assets	748	558
Other	2,786	2,872
Allowance for doubtful accounts	(2,285)	(2,291)
Total current assets	136,377	137,577
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,982	4,506
Machinery, equipment and vehicles, net	21	26
Tools, furniture and fixtures, net	154	127
Land	15,935	12,569
Leased assets, net	146	121
Total property, plant and equipment	22,240	17,353
Intangible assets		
Goodwill	957	842
Other	749	1,925
Total intangible assets	1,706	2,767
Investments and other assets		
Investment securities	22,689	24,703
Long-term loans receivable	8	9
Deferred tax assets	—	55
Net defined benefit asset	207	147
Other	1,987	2,598
Allowance for doubtful accounts	(290)	(966)
Total investments and other assets	24,603	26,547
Total non-current assets	48,550	46,668
Total assets	184,927	184,245

(Millions of yen)

	Preceding Consolidated Fiscal Year (March 31, 2016)	Consolidated Fiscal Year Concerned (March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	78,480	80,904
Electronically recorded obligations - operating	2,859	2,892
Short-term loans payable	37,668	35,071
Commercial papers	3,000	4,000
Lease obligations	44	41
Income taxes payable	418	598
Provision for bonuses	763	923
Provision for directors' bonuses	22	21
Provision for point card certificates	36	30
Provision for loss on business	—	79
Other	3,997	4,051
Total current liabilities	127,290	128,615
Non-current liabilities		
Long-term loans payable	10,149	4,524
Lease obligations	121	94
Deferred tax liabilities	3,424	4,453
Provision for directors' retirement benefits	238	228
Net defined benefit liability	850	732
Asset retirement obligations	109	70
Other	1,774	1,481
Total non-current liabilities	16,668	11,586
Total liabilities	143,958	140,201
Net assets		
Shareholders' equity		
Capital stock	3,442	3,442
Capital surplus	7,670	7,670
Retained earnings	24,966	26,648
Treasury shares	(153)	(153)
Total shareholders' equity	35,925	37,608
Total other accumulated comprehensive income		
Valuation difference on available-for-sale securities	3,636	5,337
Deferred gains or losses on hedges	(42)	10
Foreign currency translation adjustment	1,383	976
Remeasurements of defined benefit plans	(33)	(4)
Other accumulated comprehensive income	4,944	6,319
Non-controlling interests	98	116
Total net assets	40,969	44,044
Total liabilities and net assets	184,927	184,245

(2) Consolidated Income Statement/Consolidated Statements of Comprehensive Income
Consolidated Income Statement

(Millions of yen)

	Preceding Consolidated Fiscal Year (April 1, 2015 to March 31, 2016)	Consolidated Fiscal Year Concerned (April 1, 2016 to March 31, 2017)
Net sales	389,678	366,777
Cost of sales	368,301	345,662
Gross profit	21,377	21,115
Selling, general and administrative expenses		
Selling expenses	5,538	5,400
Employees' salaries and allowances	6,020	5,838
Provision for bonuses	760	916
Provision for directors' bonuses	22	21
Retirement benefit expenses	227	304
Provision of allowance for doubtful accounts	502	1,025
Provision for directors' retirement benefits	59	62
Other	6,730	6,513
Total selling, general and administrative expenses	19,861	20,084
Operating income	1,516	1,031
Non-operating income		
Interest income	424	423
Dividend income	409	391
Amortization of negative goodwill	139	—
Reversal of allowance for doubtful accounts	197	32
Other	216	197
Total non-operating income	1,387	1,045
Non-operating expenses		
Interest expenses	577	459
Loss on sales of accounts receivable	36	28
Foreign exchange losses	200	272
Share of loss of entities accounted for using equity method	154	135
Other	81	68
Total non-operating expenses	1,050	962
Ordinary income	1,853	1,114
Extraordinary income		
Gain on sales of non-current assets	308	2,773
Gain on sales of investment securities	15	483
Other	18	0
Total extraordinary income	342	3,257
Extraordinary losses		
Loss on sales of non-current assets	0	588
Impairment loss	50	77
Loss on valuation of investment securities	327	93
Provision for loss on business	—	79
Business structure improvement expenses	200	—
Other	24	35
Total extraordinary losses	603	874
Profit before income taxes	1,592	3,497
Income taxes-current	853	947
Income taxes-deferred	(474)	316
Total income taxes	378	1,264
Profit	1,213	2,232
Profit (loss) attributable to non-controlling interests	(2)	17
Profit attributable to owners of parent	1,215	2,215

Consolidated Statements of Comprehensive Income

(Millions of yen)

Profit	1,213	2,232
Other comprehensive income		
Valuation difference on available-for-sale securities	(555)	1,700
Deferred gains or losses on hedges	(88)	52
Foreign currency translation adjustment	(126)	(85)
Remeasurements of defined benefit plans, net of tax	(189)	28
Share of other comprehensive income of entities accounted for using equity	(15)	(323)
Total other comprehensive income	(976)	1,372
Comprehensive income	236	3,605
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	240	3,589
Comprehensive income attributable to non-controlling interests	(3)	15

(3) Statement of Changes in Equity

Preceding Consolidated Fiscal Year (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	3,442	7,670	24,282	(152)	35,243
Changes of items during period					
Dividends of surplus			(532)		(532)
Profit attributable to owners of parent			1,215		1,215
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation			0		0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	683	(0)	682
Balance at end of current period	3,442	7,670	24,966	(153)	35,925

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at beginning of current period	4,192	46	1,524	156	118	41,281
Changes of items during period						
Dividends of surplus						(532)
Profit attributable to owners of parent						1,215
Purchase of treasury shares						(0)
Change of scope of consolidation						0
Net changes of items other than shareholders' equity	(556)	(88)	(140)	(189)	(20)	(995)
Total changes of items during period	(556)	(88)	(140)	(189)	(20)	(312)
Balance at end of current period	3,636	(42)	1,383	(33)	98	40,969

Consolidated Fiscal Year Concerned (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	3,442	7,670	24,966	(153)	35,925
Changes of items during period					
Dividends of surplus			(532)		(532)
Profit attributable to owners of parent			2,215		2,215
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,682	(0)	1,682
Balance at end of current period	3,442	7,670	26,648	(153)	37,608

	Other accumulated comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at beginning of current period	3,636	(42)	1,383	(33)	98	40,969
Changes of items during period						
Dividends of surplus						(532)
Profit attributable to owners of parent						2,215
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	1,700	52	(407)	28	18	1,392
Total changes of items during period	1,700	52	(407)	28	18	3,075
Balance at end of current period	5,337	10	976	(4)	116	44,044

(4) Consolidated Statement of Cash Flows

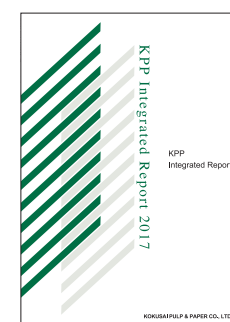
(Millions of yen)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Profit before income taxes	1,592	3,497
Depreciation	598	523
Impairment loss	50	77
Amortization of goodwill	114	114
Amortization of negative goodwill	(139)	—
Share of (profit) loss of entities accounted for using equity method	154	135
Loss (gain) on valuation of investment securities	327	93
Increase (decrease) in net defined benefit liability	(57)	(1)
Increase (decrease) in provision for directors' retirement benefits	(21)	(10)
Increase (decrease) in provision for bonuses	(110)	160
Increase (decrease) in provision for directors' bonuses	(3)	(0)
Increase (decrease) in allowance for doubtful accounts	300	777
Increase (decrease) in provision for point card certificates	(7)	(6)
Increase (decrease) in provision for loss on business	—	79
Interest and dividend income	(833)	(815)
Interest expenses	577	459
Loss (gain) on sales and retirement of non-current assets	(298)	(2,183)
Loss (gain) on sales of investment securities	(15)	(477)
Decrease (increase) in notes and accounts receivable - trade	7,417	(3,351)
Decrease (increase) in inventories	1,793	(142)
Decrease (increase) in other assets	1,455	(57)
Increase (decrease) in notes and accounts payable - trade	(6,433)	2,875
Increase (decrease) in other liabilities	(193)	(113)
Other	(10)	(39)
Subtotal	6,258	1,594
Interest and dividend income received	838	820
Interest expenses paid	(578)	(461)
Income taxes paid	(1,140)	(839)
Net cash provided by (used in) operating activities	5,378	1,114
Cash flows from investing activities		
Payments into time deposits	(2)	(76)
Proceeds from withdrawal of time deposits	—	21
Purchase of property, plant and equipment and intangible assets	(939)	(1,511)
Proceeds from sales of property, plant and equipment and intangible assets	578	6,818
Purchase of investment securities	(1,024)	(675)
Proceeds from sales of investment securities	38	1,042
Payments of loans receivable	(270)	(101)
Collection of loans receivable	252	79
Proceeds from transfer of business	81	—
Other	36	—
Net cash provided by (used in) investing activities	(1,249)	5,596
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(769)	(3,041)
Net increase (decrease) in commercial papers	(1,000)	1,000
Proceeds from long-term loans payable	1,500	400
Repayments of long-term loans payable	(3,125)	(4,565)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(532)	(532)
Other	(31)	(51)
Net cash provided by (used in) financing activities	(3,960)	(6,791)
Effect of exchange rate change on cash and cash equivalents	(116)	(130)
Net increase (decrease) in cash and cash equivalents	51	(210)
Cash and cash equivalents at beginning of period	2,546	2,502
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(95)	—
Cash and cash equivalents at end of period	2,502	2,291

Efforts for communication between Kokusai Pulp & Paper (KPP) and stakeholders

We use various channels for making available information to facilitate communication with its stakeholders and help them deepen their understanding of our activities.

Integrated Reports



The Company began publishing Integrated Reports in 2016 to communicate financial and non-financial information from its corporate activities in a comprehensive manner.

Integrated Report 2017 (published annually)

Public relations magazine TSUNAGU



We distribute a public relations magazine called TSUNAGU as a communications tool that acts as a bridge between stakeholders and KPP. This magazine offers the latest information about the Company, and also highlights the attractive qualities of paper.

Public relations magazine
TSUNAGU (published quarterly)

Websites

Corporate website



(<http://www.kppc.co.jp/en/>)

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

PAPER MALL



(<http://www.kpps.jp/papermall/>)

This is a paper sales website run by KPP. Visitors to this site can search a lineup of approximately 1,000 choices to find the desired type of paper based on applications and characteristics, and buy paper from individual sheets. We also share paper industry news from Japan and overseas through the website.

Environmental Communication



We have introduced our activities at the EcoPro, the largest environmental exhibition in Japan held at the Tokyo Big Sight, every year since 2009. We use this exhibition to tell the general public about our initiatives and environment-related businesses.

TSUNAGU GALLERY



The TSUNAGU GALLERY opened at the first floor entrance of the head office for a limited time as an exhibition space where visitors could see works by the paper artists who appeared in our public relations magazine *TSUNAGU*. First, the TSUNAGU GALLERY exhibited works by origami artist, Tomoko Fuse, followed by an exhibition of the plastic artist, Natsumi Tomita. Our business partners, local residents and many others enjoyed the works on display.

Meaning behind Our Logo



KOKUSAI PULP&PAPER CO.,LTD.

Our corporate logo consists of the letter K, the initial for KOKUSAI PULP&PAPER CO.,LTD., and an image of young leaves full of life. The logo was designed to express the spirit of innovation we display in our pursuit of all possibilities.

Our corporate color, green, symbolizes coexisting with nature. In short, it represents our active commitment to coexisting with the environment.



This paper considers responsibly managed forests.



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



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This brochure has been designed to reduce the environmental load.

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

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