

**Financial Results for the Fiscal Year Ended March 31, 2023**  
**[Japanese GAAP]**  
**(Consolidated)**



May 15, 2023

Company name: KPP GROUP HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9274

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

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Scheduled date of Ordinary General Meeting of Shareholders: June 29, 2023

Scheduled date of commencing dividend payments: June 30, 2023

Scheduled date of filing the securities report: June 29, 2023

Preparation of supplementary explanatory materials for financial results: Yes

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

(Amounts less than 1 million yen are rounded down.)

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)**

**(1) Consolidated Operating Results**

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2023	659,656	17.1	20,401	117.5	18,404	108.1	15,722	109.7
Fiscal year ended March 31, 2022	563,414	—	9,379	—	8,844	—	7,497	—

(Note) Comprehensive income: Fiscal year ended March 31, 2023: 13,012 million yen (-6.4%)  
Fiscal year ended March 31, 2022: 13,904 million yen (-%)

	Basic earnings per share	Diluted earnings per share	Profit to shareholders' equity	Total assets Ordinary profit margin	Net sales Operating profit margin
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	219.09	—	25.4	5.9	3.1
Fiscal year ended March 31, 2022	104.39	—	15.0	3.1	1.7

(Note) Effective from the beginning of the fiscal year ended March 31, 2022, the Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others. Therefore, each amount for the fiscal year ended March 31, 2022 is an amount after the adoption of the said accounting standard and others, and does not include any year-on-year percentage changes.

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	330,662	67,808	20.5	944.75
As of March 31, 2022	290,707	56,374	19.4	783.65

(Reference) Equity As of March 31, 2023: 67,730 million yen  
As of March 31, 2022: 56,291 million yen

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2023	10,308	(8,530)	4,205	30,699
Fiscal year ended March 31, 2022	4,821	(2,678)	(11,803)	22,631

### 2. Dividends

	Annual dividends					Total amount of annual dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	—	5.00	—	9.00	14.00	1,025	13.4	2.0
Fiscal year ended March 31, 2023	—	9.00	—	11.00	20.00	1,464	9.1	2.3
Fiscal year ending March 31, 2024 (Forecast)	—	11.00	—	11.00	22.00		15.0	

(Notes) Breakdown of interim dividend for the fiscal year ended March 31, 2023: Ordinary dividend: 7.00 yen  
Commemorative dividend: 2.00 yen

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	650,000	(1.5)	17,000	(16.7)	13,500	(26.6)	10,500	(33.2)	146.32

\*Notes:

(1) Changes in significant subsidiaries during the fiscal year

(Changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: Yes

4) Retrospective restatement: No

(3) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

Fiscal year ended March 31, 2023 73,244,408 shares

Fiscal year ended March 31, 2022 73,244,408 shares

2) Total number of treasury shares at the end of the period:

Fiscal year ended March 31, 2023 1,552,732 shares

Fiscal year ended March 31, 2022 1,410,953 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2023	71,762,323 shares
Fiscal year ended March 31, 2022	71,823,736 shares

**(Reference) Summary of Non-Consolidated Financial Results**

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-Consolidated Operating Results (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2023	136,695	(47.0)	1,474	(23.4)	1,728	(46.8)	1,911	7.3
Fiscal year ended March 31, 2022	257,822	1.9	1,925	29.2	3,246	—	1,782	—

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Fiscal year ended March 31, 2023	26.64		—	
Fiscal year ended March 31, 2022	24.82		—	

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

(2) Non-Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
Fiscal year ended March 31, 2023	79,388		45,008		56.7		627.81	
Fiscal year ended March 31, 2022	165,694		43,991		26.5		612.41	

(Reference) Equity: Fiscal year ended March 31, 2023: 45,008 million yen  
Fiscal year ended March 31, 2022: 43,991 million yen

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

\* Explanation of the proper use of financial results forecast and other notes  
(Cautionary notes regarding forward-looking statements)

The results forecast and other forward-looking statements contained in this document are based on the information currently available to the Company and certain assumptions deemed to be reasonable, and are not intended as a guarantee that the Company will achieve them. Actual results may differ significantly due to various factors. For assumptions for the results forecast and points to consider in utilizing them, please see “(4) Future Outlook” in “1. Overview of Operating Results, Etc.” of the attachments.

(How to obtain supplementary explanatory materials for financial results)

The Company plans to hold a briefing for institutional investors and analysts on Wednesday, June 7, 2023. The explanatory materials for financial results distributed at the briefing will be posted on the Company’s website as soon as it is held.

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## 1. Overview of Operating Results, Etc.

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

#### (a) Status of Operating Results

In the fiscal year under review, the Japanese economy finally saw signs of an economic recovery showing up as COVID-19 infections calmed down and the government eased border measures for entry to Japan and started domestic travel subsidy programs. On the other hand, however, new challenges have arisen: the progression of cost-push inflation, caused by surges in raw materials and fuels, and serious labor shortages.

In the global economy as well, demand has begun to slow down due to the recession resulting from monetary tightening and high inflation, especially in Europe and the United States, and China's economy too has remained stagnant with the impact of its zero-COVID policy lingering. Despite these circumstances, the Group managed to expand its earnings both in Japan and overseas primarily by expanding the packaging business through price policy and M&A.

Consequently, the Group's consolidated net sales for the fiscal year under review were 659,656 million yen (up 17.1% year-on-year), operating profit came to 20,401 million yen (up 117.5% year-on-year), ordinary profit posted 18,404 million yen (up 108.1% year-on-year), and profit attributable to owners of parent was 15,722 million yen (up 109.7% year-on-year).

On October 1, 2022, the Company transitioned to a holding company structure and had its wholly owned subsidiary, Kokusai Pulp & Paper Split Preparation Company, succeed the pulp and paper wholesaling business. On the same date, the Company also changed its trade name from Kokusai Pulp & Paper Co., Ltd. to KPP Group Holdings Co., Ltd., and Kokusai Pulp & Paper Split Preparation Company changed its trade name to Kokusai Pulp & Paper Co., Ltd.

In addition, the category of reportable segments was changed with the organizational restructuring which followed the transition to the holding company structure. The following year-on-year comparison is made with figures for the same period of the previous fiscal year after regrouping into the reportable segments after such change.

#### (b) Overview by Segment

Results for the fiscal year ended March 31, 2023 by business are as follows.

##### <Northeast Asia>

###### Japan

In the paper field, net sales grew by means of the second and third rounds of price revision although sales volume fell from the previous year as the digitization of information media sped up, and the use of graphic paper did not stop falling.

The paperboard segment saw annual sales volume decline year-on-year for corrugated cardboard base paper due to decreased exports and a fall in consumption caused by inflation, despite persistently strong sales for beverage packaging materials. As for packaging paperboard, sales volume fell year-on-year as inbound demand was hoped for but a recovery was limited.

The paper production material segment saw both sales volume and net sales significantly grow year-on-year though the effort to diversify the collection methods amid a decline in waste paper generation in Japan. As for commercial pulp, demand from domestic household paper manufacturers fell, and sales volume decreased year-on-year. Yet, net sales greatly exceeded the previous year, helped by increased sales unit prices.

###### China

Both sales volume and net sales decreased year-on-year due to the stagnant economy resulting from its zero-COVID policy, which lasted until early December 2022, and confusion in society, caused by the ensuing surging infections. Profit too considerably fell year-on-year as the paper market deteriorated significantly in the latter half of the year in the wake of an economic slowdown and a worsening of the demand and supply balance.

As a result, net sales of the Northeast Asia business were 305,461 million yen (up 6.3% year-on-year), and segment profit came to 3,432 million yen (down 1.3% year-on-year).

#### <Europe/South America>

The European business saw a tight supply and demand situation last until the middle of the year resulting from a series of factors including a container shortage and industrial actions of major paper manufacturers. In addition, a series of price revisions due to soaring prices of raw materials and fuels also helped the performance of the paper business improve significantly. In the packaging business as well, the performance improved year-on-year due to a recovery in demand and an expansion of business size via M&A. As for the visual communication business as well, various events and demand for vehicle graphics were boosted, resulting in the performance staying firm. In Latin America, performance was solid and firm, mainly in the packaging business.

As a result, net sales of the Europe business and the South America business were 303,709 million yen (up 28.5% year-on-year), and segment profit was 16,453 million yen (up 176.0% year-on-year).

#### <Asia Pacific>

##### Oceania

In the ANZ market (Australia and New Zealand), prices remained on an upward trend due to surging raw material and fuel prices in addition to a recovery from the pandemic. Both net sales and profit increased partly due to the impact of the expanded business size brought about by the M&A that the Group had worked on so far.

##### Southeast Asia

In the ASEAN region, although the economy has yet to fully recover, the profit and loss situation improved due to the effects of business restructuring. Net sales of the Southeast Asia business increased year-on-year due to the contribution made by the visual communication business to the performance through Singapore investment deals.

As a result, net sales of the Asia Pacific business were 49,269 million yen (up 28.3% year-on-year), and segment profit posted 2,186 million yen (up 77.2% year-on-year).

#### <Real Estate Leasing>

In the office market in major cities across the nation, the average vacancy rate, which has been on an upward trend since the expansion of COVID-19, is gradually improving. However, the market outlook is uncertain as new buildings are nearing the completion of construction. Rent prices have remained weak due to rent adjustments to secure tenants.

Net sales and profit decreased year-on-year as rent revenue fell mainly due to vacancy periods arising from the redevelopment of rental parking lots and occupant replacement for the KPP Yaesu Building. This was despite seeing increased sales at some leased building spaces of the Group owing to a management system revamp.

As a result, net sales of the Real Estate Leasing business were 1,216 million yen (down 1.2% year-on-year), and segment profit posted 115 million yen (down 34.3% year-on-year).

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

### (Assets)

Total assets at the end of the fiscal year under review were 330,662 million yen, up 39,955 million yen from the end of the previous fiscal year. This was mainly due to an increase in merchandise and finished goods and an increase in cash and deposits.

(Liabilities)

Liabilities were up 28,521 million yen to 262,853 million yen from the end of the previous fiscal year. This was mainly due to increases in short-term borrowings and bonds payable.

(Net assets)

Net assets grew 11,433 million yen to 67,808 million yen from the end of the previous fiscal year, and the equity ratio rose 1.1 points to 20.5% from the end of the previous fiscal year. This was mainly due to an increase in profit attributable to owners of parent and an increase in foreign currency translation adjustment.

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

Cash and cash equivalents at the end of the fiscal year under review (hereinafter referred to as “funds” ) were 30,699 million yen, up 8,068 million yen from the end of the previous fiscal year. This was a result of appropriating funds provided by mainly profit before income taxes and the issuance of bonds to purchase of inventories and non-current assets.

Funds provided by operating activities totaled 10,308 million yen (funds provided by operating activities of 4,821 million yen for the previous fiscal year). This was mainly due to the acquisition of profit before income taxes, the reporting of depreciation, and acquisition of inventories.

Funds used in investing activities totaled 8,530 million yen (funds used in investing activities of 2,678 million yen for the previous fiscal year). This was mainly due to purchases of non-current assets and shares of subsidiaries.

Funds provided by financing activities totaled 4,205 million yen (funds used in financing activities of 11,803 million yen for the previous fiscal year). This was mainly due to an issuance of bonds and the repayment of lease obligations.

(4) Future Outlook

In the future outlook, the business environment is expected to remain uncertain primarily due to concerns over an economic downturn, resulting from Russia’s prolonged invasion of Ukraine, rising inflation and a tightening monetary policy. In the Japanese economy, the outlook is likely to stay uncertain mainly due to rises in various consumer goods prices and restraints on wage increases although a further recovery in inbound demand is hoped for and consumer confidence is expected to rise with the policy to live with and manage COVID-19 underway.

Under these circumstances, the consolidated results forecast for the fiscal year ending March 31, 2024 is as follows.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Results forecast for the fiscal year ending March 31, 2024	650,000	17,000	13,500	10,500
Operating results for the fiscal year ended March 31, 2023	659,656	20,401	18,404	15,722
Changes	(9,656)	(3,401)	(4,904)	(5,222)

In the fiscal year ended March 31, 2023, the Group recorded the highest performance through a temporary expansion of gains from sale of inventories in the wake of a rise in selling prices mainly in the paper business in Northeast Asia, centered on Japan, Europe/South America and Oceania.

For the fiscal year ending March 31, 2024, the paper business expects demand for graphic paper to decrease in each segment region. But the Company will secure a certain level of profit as it expects selling prices to be

maintained. However, the one-time profit, which was generated in inventories sales in the previous year, is likely to disappear. Consequently, the Company expects to see a decrease in profit as a whole. The packaging business and the visual communication business in Europe, South America and Oceania are expected to offset the downturn of the paper business primarily due to the full-year contribution from the financial results of an operational company acquired through M&A and accommodating robust demand.

In light of the above, it is expected that net sales will be at the same level as the previous fiscal year and profit in each stage will decline.

The assumed exchange rates are 130.0 yen/euro, 80.0 yen/Australian dollar, 125.0 yen/U.S. dollar and 17.0 yen/yuan.

\*Notes on forward-looking information

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

## 2. Basic Approach to the Selection of Accounting Standards

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

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



### 3. Consolidated Financial Statements and Key Notes

#### (1) Consolidated Balance Sheets

(Million yen)

	Previous Fiscal Year (March 31, 2022)	Current Fiscal Year (March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	22,634	30,731
Notes receivable–trade	10,787	8,801
Accounts receivable–trade	100,380	104,583
Electronically recorded monetary claims–operating	15,797	19,489
Merchandise and finished goods	51,270	72,237
Other	14,830	14,655
Allowance for doubtful accounts	(5,177)	(6,901)
Total current assets	210,523	243,596
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,333	8,163
Machinery, equipment and vehicles, net	1,467	1,721
Tools, furniture and fixtures, net	1,184	1,642
Land	9,268	9,189
Leased assets, net	210	239
Right-of-use assets, net	14,997	15,706
Construction in progress	734	402
Total property, plant and equipment	34,196	37,063
Intangible assets		
Goodwill	4,508	5,330
Software	4,583	6,139
Customer-related intangible assets	–	2,277
Other	156	148
Total intangible assets	9,248	13,896
Investments and other assets		
Investment securities	17,028	17,971
Long-term loans receivable	22	16
Deferred tax assets	1,499	5,378
Retirement benefit asset	16,518	9,554
Other	11,809	13,594
Allowance for doubtful accounts	(10,139)	(10,411)
Total investments and other assets	36,738	36,104
Total non-current assets	80,183	87,065
Total assets	290,707	330,662

(Million yen)

	Previous Fiscal Year (March 31, 2022)	Current Fiscal Year (March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	90,743	93,570
Electronically recorded obligations–operating	3,760	3,848
Short-term borrowings	26,615	52,884
Commercial papers	11,000	10,000
Advances received	1,961	1,513
Lease obligations	4,853	5,347
Income taxes payable	1,264	4,034
Provision for bonuses	3,290	4,324
Provision for bonuses for directors (and other officers)	184	220
Provision for point card certificates	23	21
Provision for product warranties	25	30
Provision for loss on business liquidation	759	1,010
Provision for risk costs	76	362
Other	25,606	30,778
Total current liabilities	170,164	207,947
Non-current liabilities		
Bonds payable	—	10,000
Long-term borrowings	42,622	21,425
Lease obligations	11,750	12,593
Deferred tax liabilities	1,910	5,346
Provision for retirement benefits for directors (and other officers)	18	1
Provision for share awards for directors (and other officers)	166	271
Provision for risk costs	384	432
Retirement benefit liability	4,616	2,111
Asset retirement obligations	434	438
Other	2,263	2,283
Total non-current liabilities	64,167	54,905
Total liabilities	234,332	262,853
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,723	4,723
Capital surplus	7,292	7,292
Retained earnings	38,225	52,629
Treasury shares	(535)	(788)
Total shareholders' equity	49,705	63,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,480	4,056
Deferred gains or losses on hedges	(112)	33
Foreign currency translation adjustment	(782)	1,405
Remeasurements of defined benefit plans	4,000	(1,623)
Total accumulated other comprehensive income	6,586	3,872
Non-controlling interests	82	77
Total net assets	56,374	67,808
Total liabilities and net assets	290,707	330,662

## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statements of Income

(Million yen)

	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Net sales	563,414	659,656
Cost of sales	470,463	539,072
Gross profit	92,951	120,584
Selling, general and administrative expenses		
Selling expenses	15,616	18,104
Employees' salaries and allowances	30,491	34,818
Provision for bonuses	3,265	4,235
Provision for bonuses for directors (and other officers)	184	218
Retirement benefit expenses	1,863	648
Provision of allowance for doubtful accounts	255	1,591
Provision for retirement benefits for directors (and other officers)	1	—
Provision for share awards for directors (and other officers)	68	208
Other	31,823	40,358
Total selling, general and administrative expenses	83,571	100,182
Operating profit	9,379	20,401
Non-operating income		
Interest income	31	53
Dividend income	385	444
Share of profit of entities accounted for using equity method	103	48
Foreign exchange gains	373	—
Reversal of allowance for doubtful accounts	933	1,160
Other	336	622
Total non-operating income	2,164	2,328
Non-operating expenses		
Interest expenses	1,604	1,634
Loss on sales of trade receivables	393	835
Foreign exchange losses	—	675
Insurance expenses	388	543
Other	312	637
Total non-operating expenses	2,699	4,325
Ordinary profit	8,844	18,404

(Million yen)

	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	1,344	922
Gain on sales of investment securities	265	48
Other	345	—
<b>Total extraordinary income</b>	<b>1,956</b>	<b>971</b>
<b>Extraordinary losses</b>		
Business restructuring expenses	331	—
Loss on sales of non-current assets	1	14
Loss on retirement of non-current assets	348	31
Impairment loss	204	—
Reversal of foreign currency translation adjustment	—	19
Loss on valuation of investment securities	681	—
Other	4	0
<b>Total extraordinary losses</b>	<b>1,572</b>	<b>66</b>
<b>Profit before income taxes</b>	<b>9,227</b>	<b>19,309</b>
Income taxes—current	2,892	4,568
Income taxes—deferred	(1,178)	(984)
<b>Total income taxes</b>	<b>1,713</b>	<b>3,583</b>
<b>Profit</b>	<b>7,513</b>	<b>15,725</b>
Profit attributable to non-controlling interests	16	3
<b>Profit attributable to owners of parent</b>	<b>7,497</b>	<b>15,722</b>

## Consolidated Statements of Comprehensive Income

(Million yen)

	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Profit	7,513	15,725
Other comprehensive income		
Valuation difference on available-for-sale securities	(317)	575
Deferred gains or losses on hedges	(58)	146
Foreign currency translation adjustment	555	2,147
Remeasurements of defined benefit plans, net of tax	6,168	(5,624)
Share of other comprehensive income of entities accounted for using equity method	42	40
Total other comprehensive income	6,390	(2,713)
Comprehensive income	13,904	13,012
Comprehensive income attributable to		
Owners of parent	13,888	13,009
Non-controlling interests	16	3

## (3) Consolidated Statements of Changes in Equity

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,723	7,833	31,826	(1,089)	43,293
Changes during period					
Dividends of surplus			(1,098)		(1,098)
Profit attributable to owners of parent			7,497		7,497
Cancellation of treasury shares		(540)		540	—
Disposal of treasury shares				12	12
Net changes in items other than shareholders' equity					
Total changes during period	—	(540)	6,398	553	6,411
Balance at end of period	4,723	7,292	38,225	(535)	49,705

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at beginning of period	3,798	(54)	(1,380)	(2,167)	92	43,581
Changes during period						
Dividends of surplus						(1,098)
Profit attributable to owners of parent						7,497
Cancellation of treasury shares						—
Disposal of treasury shares						12
Net changes in items other than shareholders' equity	(317)	(58)	597	6,168	(10)	6,380
Total changes during period	(317)	(58)	597	6,168	(10)	12,792
Balance at end of period	3,480	(112)	(782)	4,000	82	56,374

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

(Million yen)

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at beginning of period	3,480	(112)	(782)	4,000	82	56,374
Changes during period						
Dividends of surplus						(1,318)
Profit attributable to owners of parent						15,722
Purchase of treasury shares						(354)
Disposal of treasury shares						102
Change in ownership interest of parent due to transactions with non-controlling interests						(0)
Net changes in items other than shareholders' equity	575	146	2,188	(5,624)	(4)	(2,717)
Total changes during period	575	146	2,188	(5,624)	(4)	11,433
Balance at end of period	4,056	33	1,405	(1,623)	77	67,808

## (4) Consolidated Statements of Cash Flows

(Million yen)

	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	9,227	19,309
Depreciation	7,226	7,706
Impairment loss	204	—
Amortization of goodwill	638	1,227
Share of loss (profit) of entities accounted for using equity method	(103)	(48)
Loss (gain) on valuation of investment securities	681	—
Increase (decrease) in retirement benefit liability	51	(803)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	1	(16)
Increase (decrease) in provision for share awards for directors (and other officers)	55	105
Increase (decrease) in provision for bonuses	948	815
Increase (decrease) in provision for bonuses for directors (and other officers)	136	30
Increase (decrease) in allowance for doubtful accounts	(968)	179
Increase (decrease) in provision for point card certificates	(3)	(1)
Interest and dividend income	(416)	(497)
Interest expenses	1,604	1,634
Loss (gain) on sale and retirement of non-current assets	(994)	(876)
Loss (gain) on sale of investment securities	(261)	(48)
Reversal of foreign currency translation adjustment	—	19
Decrease (increase) in trade receivables	1,633	(769)
Decrease (increase) in inventories	(9,982)	(16,374)
Decrease (increase) in other assets	(3,585)	(603)
Increase (decrease) in trade payables	7,498	(272)
Increase (decrease) in other liabilities	3,561	2,457
Other	(1,154)	100
Subtotal	16,001	13,273
Interest and dividends received	438	516
Interest paid	(1,667)	(1,752)
Income taxes paid	(9,950)	(1,728)
Net cash provided by (used in) operating activities	4,821	10,308
<b>Cash flows from investing activities</b>		
Payments into time deposits	(2)	(28)
Proceeds from withdrawal of time deposits	2	—
Purchase of property, plant and equipment and intangible assets	(3,182)	(5,957)
Proceeds from sale of property, plant and equipment and intangible assets	1,795	2,617
Purchase of investment securities	(227)	(112)
Proceeds from sale of investment securities	494	103
Payments for acquisition of businesses	(341)	(345)
Loan advances	(65)	(44)
Proceeds from collection of loans receivable	171	18
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,247)	(4,682)



(Million yen)

	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	5	—
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(86)	—
Other	6	(99)
Net cash provided by (used in) investing activities	(2,678)	(8,530)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(44,357)	1,475
Net increase (decrease) in commercial papers	11,000	(1,000)
Proceeds from long-term borrowings	28,310	2,050
Repayments of long-term borrowings	(874)	(1,565)
Proceeds from issuance of bonds	—	10,000
Repayments of lease obligations	(4,783)	(5,427)
Purchase of treasury shares	—	(0)
Dividends paid	(1,098)	(1,326)
Net cash provided by (used in) financing activities	(11,803)	4,205
Effect of exchange rate change on cash and cash equivalents	1,748	2,085
Net increase (decrease) in cash and cash equivalents	(7,912)	8,068
Cash and cash equivalents at beginning of period	30,543	22,631
Cash and cash equivalents at end of period	22,631	30,699

## (5) Notes to Consolidated Financial Statements

### (Notes on Going Concern Assumption)

Not applicable.

### (Changes in Accounting Estimates)

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

Regarding the number of years of amortizing actuarial gains and losses on the accounting treatment method related to retirement benefits, some of the foreign consolidated subsidiaries of the Company amortized them over one to four years as the average remaining years of service of eligible employees. However, they have changed to one to five years in light of changes to the average remaining years of service at the end of the previous consolidated fiscal year. The impact of this change on earnings for the current fiscal year is minor.

In respect of the number of years of amortizing actuarial gains and losses relating to the defined benefit pension plan, Antalis Ltd. in the UK, among overseas consolidated subsidiaries, has switched to the calculation method by subtracting the average age of current employees as of the date of the consolidated balance sheet from the standard retirement age on the calculation of retirement benefits in lieu of the calculation method by subtracting the average age of current employees as of the date of the consolidated balance sheet from the average age of retirees. As a result, effective at the end of the following fiscal year, the number of years of amortizing actuarial gains and losses will be changed to 11 years from the range of one to five years.

The change was made to shift to a more realistic and reasonable calculation method because the average remaining years of service that were calculated by the previous calculation method turned different from the actual remaining years of service.

### (Segment Information, Etc.)

#### 1. Outline of Reportable Segments

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

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

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

Details of business and major countries or regions of each reportable segment are as follows:

- Northeast Asia

Paper, paperboard, pulp, waste paper, and other paper-related materials are sold in Japan, China, Taiwan, Hong Kong, South Korea, and other countries.

- Europe/South America

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

- Asia Pacific

Paper, paperboard, pulp, waste paper, and other paper-related materials are sold in Australia, New Zealand, Singapore, and other countries.

- Real Estate Leasing

Real estate is leased in Japan.

## 2. Matters Regarding Changes, Etc. in Reportable Segments

On October 1, 2022, the Company transitioned to a holding company structure to strengthen global governance in line with the expansion of its business scale, reform its portfolio, expand new businesses, and promote sustainability management.

The organization was restructured as a result of the transition, through which managerial decision-making, performance evaluation, and others are conducted under a structure with three affiliated core operating companies, namely Kokusai Pulp & Paper, Antalis, and Spicers, each operating business in the Northeast Asia, Europe/South America, and Asia Pacific regions respectively.

Against this backdrop, to provide an appropriate explanation of the Company's businesses to shareholders and stakeholders, and from a perspective of management approach, reportable segments have been changed by area to "Northeast Asia," "Europe/South America," and "Asia Pacific" from the previous "wholesale pulp and paper, domestic locations" and "wholesale pulp and paper, overseas locations."

Segment information for the previous consolidated fiscal year is presented under the segment category after such change.

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

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

Profit in the reportable segments is based on operating profit.

Intersegment revenues and transfers are based on prevailing market prices.

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

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Northeast Asia	Europe/South America	Asia Pacific	Real estate leasing	Total		
Net sales							
Net sales to external customers	287,390	236,383	38,409	1,230	563,414		563,414
Intersegment net sales or transfers	1,638	375	29	27	2,071	(2,071)	—
Total	289,028	236,759	38,439	1,258	565,485	(2,071)	563,414
Segment profit	3,479	5,961	1,234	176	10,850	(1,471)	9,379
Segment assets	123,450	103,195	33,076	12,783	272,506	18,200	290,707
Other items							
Depreciation	340	5,706	973	183	7,204	22	7,226
Amortization of goodwill	105	—	533	—	638	—	638
Investment in entities accounted for using equity method	1,419	—	—	—	1,419	—	1,419
Increase in property, plant and equipment and intangible assets	647	1,803	65	424	2,941	241	3,182

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

- (1) The adjustment to segment profit of (1,471) million yen consists of intersegment eliminations of (17) million yen and corporate expenses of (1,454) million yen. Corporate expenses are mainly general and administrative expenses at administrative divisions of the head office that are not attributable to any reportable segment.
  - (2) The adjustment to segment assets of 18,200 million yen consists of intersegment eliminations of (20,749) million yen and corporate assets of 38,950 million yen. Corporate assets are mainly surplus operating funds, long-term investment funds and assets related to administrative divisions of the head office that are not attributable to any reportable segment.
2. Segment profit is adjusted with operating profit in consolidated financial statements.

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

(Million yen)

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

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

- (1) The adjustment to segment profit of (1,786) million yen consists of intersegment eliminations of 142 million yen and corporate expenses of (1,928) million yen. Corporate expenses are mainly general and administrative expenses at administrative divisions of the head office that are not attributable to any reportable segment.
- (2) The adjustment to segment assets of 28,005 million yen consists of intersegment eliminations of (39,237) million yen and corporate assets of 67,243 million yen. Corporate assets are mainly surplus operating funds, long-term investment funds and assets related to administrative divisions of the head office that are not attributable to any reportable segment.

2. Segment profit is adjusted with operating profit in consolidated financial statements.

(Per-share Information)

	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Net assets per share	783.65 yen	944.75 yen
Basic earnings per share	104.39 yen	219.09 yen
Diluted earnings per share	—	—

- (Notes) 1. Diluted earnings per share is not stated as there are no dilutive shares that have a dilutive effect.
2. In calculating “net assets per share,” the Company’s shares owned by the executive compensation BIP trust are included in treasury shares to be deducted from the total number of outstanding shares at the end of the fiscal year (1,410,000 shares in the previous fiscal year, and 1,552,000 shares in the fiscal year under review). In calculating “basic earnings per share,” the Company’s shares owned by the executive compensation BIP trust are included in treasury shares to be deducted in the calculation of average number of shares during the fiscal year (1,420,000 shares in the previous fiscal year, and 1,482,000 shares in the fiscal year under review).
  3. The basis for calculating the amount of net assets per share is as follows.

	End of the Previous Fiscal Year (March 31, 2022)	End of the Current Fiscal Year (March 31, 2023)
Total net assets (million yen)	56,374	67,808
Amount to be deducted from total net assets (million yen)	82	77
(Non-controlling interests (million yen))	(82)	(77)
Net assets at the end of the fiscal year related to common shares (million yen)	56,291	67,730
Number of common shares at the end of the fiscal year used for calculation of net assets per share (thousand shares)	71,833	71,691

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

	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Earnings per share		
Profit attributable to owners of parent (million yen)	7,497	15,722
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	7,497	15,722
Average number of common shares during the fiscal year (thousand shares)	71,824	71,762
Outline of dilutive shares not included in the calculation of diluted earnings per share because they have no dilutive effect	—	—

(Significant Subsequent Events)

On April 11, 2023, Kokusai Pulp & Paper Co., Ltd., a consolidated subsidiary of the Company, received an on-site inspection by the Japan Fair Trade Commission on suspicion of antimonopoly law violations in connection with a bidding for recycled roll paper for which the National Printing Bureau, an independent administrative agency, planned to issue orders. The Company and Kokusai Pulp & Paper Co., Ltd. take the fact that an on-site inspection was conducted seriously and will cooperate fully with inspections by the Japan Fair Trade Commission.

The investigation is ongoing and it is difficult at this point in time to reasonably estimate the impact on the Group's financial condition and operating results.