

Financial Results for the Six Months Ended September 2023

KPP GROUP HOLDINGS CO., LTD.

Tokyo Stock Exchange Prime Market : 9274

November 30, 2023

1

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 2024

2

Progress in the Third Medium-Term Business Plan

3

Reference Materials

1

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2

Progress in the Third Medium-Term Business Plan

3

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Consolidated Financial Summary

Sales remained strong due to higher selling prices in Northeast Asia, but profits fell due to the absence of special factors seen in the previous year.

Net sales

- The paper and paperboard wholesale business saw a decline in sales volume due to a decrease in demand, but the visual communication business remained steady, resulting in the same level as the previous year.

Operating profit

- In Japan, the sales volume of paper and paperboard declined year-on-year, but profit increased owing to the effect of price revision.
- Overseas, profits fell due to softer demand in the paper wholesale business in Europe and weak market conditions for paper products in China.

(JPY million)	FYE March 2022	FYE March 2023		
	Result for the first six months	Result for the first six months	Variance in amount	Variance in %
Net sales	320,699	320,681	(17)	(0.0%)
Gross profit	60,029	57,905	(2,123)	(3.5%)
SG&A	47,668	50,771	+3,102	+6.5%
Operating profit	12,360	7,133	(5,226)	(42.3%)
Ordinary profit	11,128	6,012	(5,115)	(46.0%)
Profit attributable to owners of parent	9,247	4,710	(4,537)	(49.1%)

※ There is no revision to the full-year earnings forecast.

Results by Segment

Northeast Asia

Europe/ South America

Asia-Pacific

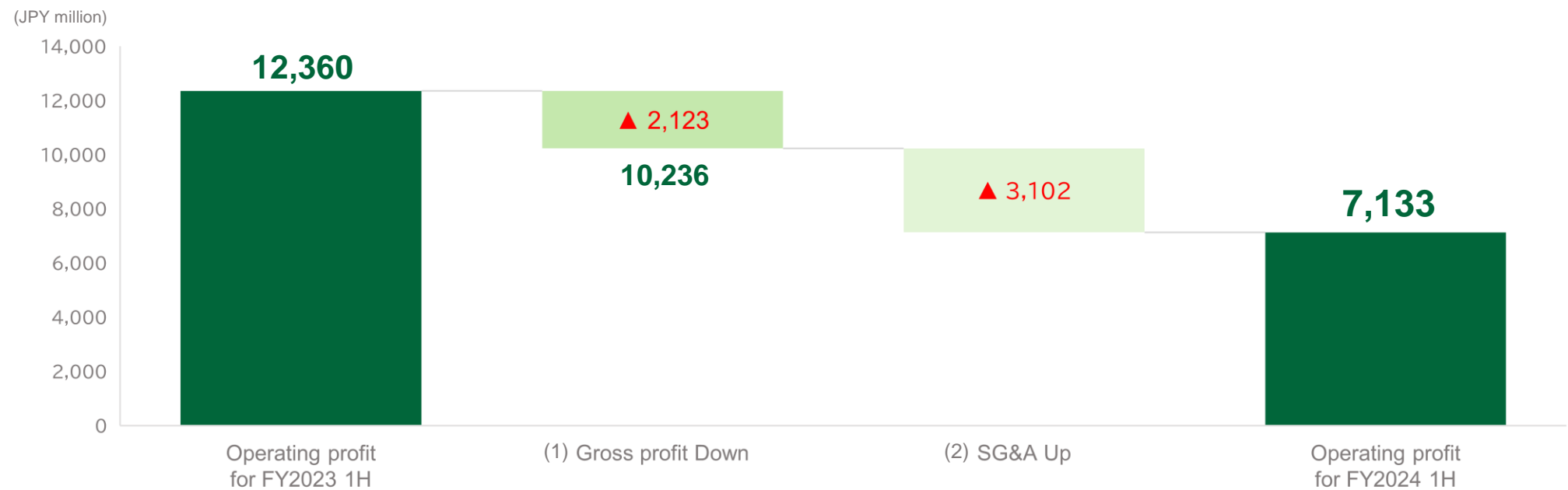
Real estate leasing

- Sales and profits rose in Japan owing to the revision of paper and paperboard prices. Sales and profits of recovered paper fell due to a decrease in the volume of recovered paper generated and a decline in market conditions. In China, sales volume fell due to lower demand and deteriorating market conditions, resulting in a decrease in sales and profits.
- In Europe, the paper wholesale business saw a decline in product prices and sluggish demand caused by inventory reduction, resulting in weak sales and profits. The packaging business was flat compared with the previous year due to sluggish demand in the automotive industry and e-commerce. The visual communication business performed steadily, thanks to more frequent events and exhibitions. M&A in the visual communication field also contributed to the business results.
- In Oceania, both sales and profits improved mainly in the commercial print business. The packaging business remained strong especially in Australia. The visual communication business also performed steadily in Asia.
- Sales and profits increased year-on-year boosted by the KPP Akashicho Building completed in February 2023, despite a vacancy period arising from tenant replacement for the KPP Yaesu Building.

(JPY million)		FYE March 2022	FYE March 2023		
		Result for the first six months	Result for the first six months	Variance in amount	Variance in %
Northeast Asia	Net sales	147,874	153,571	+5,697	+3.9%
	Segment profit	2,887	2,022	(865)	(30.0%)
	Profit ratio	2.0%	1.3%	—	(0.6pt)
Europe/South America	Net sales	149,179	141,768	(7,410)	(5.0%)
	Segment profit	9,216	4,401	(4,815)	(52.2%)
	Profit ratio	6.2%	3.1%	—	(3.1pt)
Asia-Pacific	Net sales	23,053	24,582	+1,529	+6.6%
	Segment profit	1,028	820	(208)	(20.2%)
	Profit ratio	4.5%	3.3%	—	(1.1pt)
Real estate leasing	Net sales	592	759	+166	+28.1%
	Segment profit	58	293	+235	+405.4%
	Profit ratio	9.8%	38.7%	—	+28.9pt
Total	Net sales	320,699	320,681	(17)	(0.0%)
	Operating profit* (after adjustment for corporate expenses, etc.)	12,360	7,133	(5,226)	(42.3%)
	Profit ratio	3.9%	2.2%	—	(1.6pt)

* Corporate expenses, etc.: general administrative expenses in the administrative divisions of the head office that do not belong to the above segments.

Increase/Decrease Factors in Operating Profits (Year-on-Year)



Weaker demand for paper-related products mainly in Europe led to a decrease in gross profit. Higher SG&A expenses, mainly labor costs, also contributed to a year-on-year decline in profit.

(1) Gross profit (2,123)

- In Europe and South America, gross profit in the paper and board business fell due to lower sales.
- In Japan in Northeast Asia and Australia in Oceania, the paper and board business performed well. The visual communication business in Europe and South America also remained solid but failed to offset the overall decline.

(2) SG&A (3,102)

- Labor costs, depreciation expenses and rent of overseas corporations increased due to inflation (including the effect of foreign exchange translation). The increase in labor costs was partly attributable to a company we acquired last year.

Change in Balance Sheet (Compared with March 31, 2023)

(JPY million)	March 31, 2023	September 30, 2023	Variance in amount
Current assets	243,596	242,550	(1,046)
Cash and cash equivalents	30,731	21,515	(9,216)
Accounts receivable (Notes and accounts receivable, electronically recorded monetary claims)	132,873	146,567	+ 13,693
Merchandise and manufactured goods	72,237	68,917	(3,319)
Tangible fixed assets	37,063	41,535	+ 4,471
Intangible fixed assets	13,896	15,431	+ 1,535
Goodwill	5,330	5,290	(39)
Investments and other assets	36,104	40,905	+ 4,800
Total assets	330,662	340,423	+ 9,761

(JPY million)	March 31, 2023	September 30, 2023	Variance in amount
Current liabilities	207,947	211,298	+ 3,350
Accounts payable (Notes and accounts payable - trade, electronically recorded obligations - operating)	97,418	105,242	+ 7,823
Short-term borrowings (including commercial paper)	62,884	60,122	(2,762)
Fixed liabilities	54,905	50,713	(4,192)
Long-term debt (Including bonds)	31,425	24,105	(7,320)
Total liabilities	262,853	262,012	(841)
Retained earnings	52,629	56,533	+ 3,904
Total net assets	67,808	78,410	+ 10,602
Total liabilities and net assets	330,662	340,423	+ 9,761

Main factors of change

- Cash and cash equivalents: Decreased, as the increase in cash and deposits from the issuance of bonds at the end of the previous fiscal year was used to repay borrowings.
- Accounts receivable: Increased in Japan due to holidays at the end of the fiscal year.
- Tangible fixed assets: Increased in lease agreements (right-of-use assets) due to warehouse restructuring at Spicers.
- Investments and other assets: Increased due to higher prices of listed stocks.
- Interest-bearing debt (short-term borrowings and long-term borrowings): Decreased mainly due to the appropriation of bonds issued at the end of the previous fiscal year to repay borrowings.

Financial strength and profitability indicators (vs. March 31, 2023)

- Net D/E ratio improved from **0.9** times to **0.8** times
(*D/E ratio: **1.4** times to **1.1** times)
- Equity ratio increased from **20.5%** to **23.0%**

Change in Cash Flows (Year-on-Year)

(JPY million)	Result for the first six months of FY March 2023	Result for the first six months of FY March 2024	Main breakdowns
Cash flows from operating activities	7,807	7,798	<ul style="list-style-type: none"> • Decrease in inventories +8,531 • Increase in trade payables +4,962 • Increase in trade receivables (10,266) • Income before income taxes +6,223 • Depreciation +4,194 • Income taxes paid (3,046)
Cash flows from investing activities	(5,169)	(2,769)	<ul style="list-style-type: none"> • Acquisition of tangible and intangible fixed assets (2,136) • Payments for acquisition of businesses (1,048)
Cash flows from financing activities	(7,002)	(16,881)	<ul style="list-style-type: none"> • Net decrease in long-term borrowings (10,798) • Repayments of finance lease obligations (2,877)
Translation difference for cash and cash equivalents	2,104	2,637	<ul style="list-style-type: none"> • Foreign currency translation adjustments of cash, etc.
Increase (decrease) in cash and cash equivalents	(2,259)	(9,215)	-
Cash and cash equivalents at the beginning of the period	22,631	30,699	-
Cash and cash equivalents at the end of the period	20,372	21,484	-

Basic policy on cash management

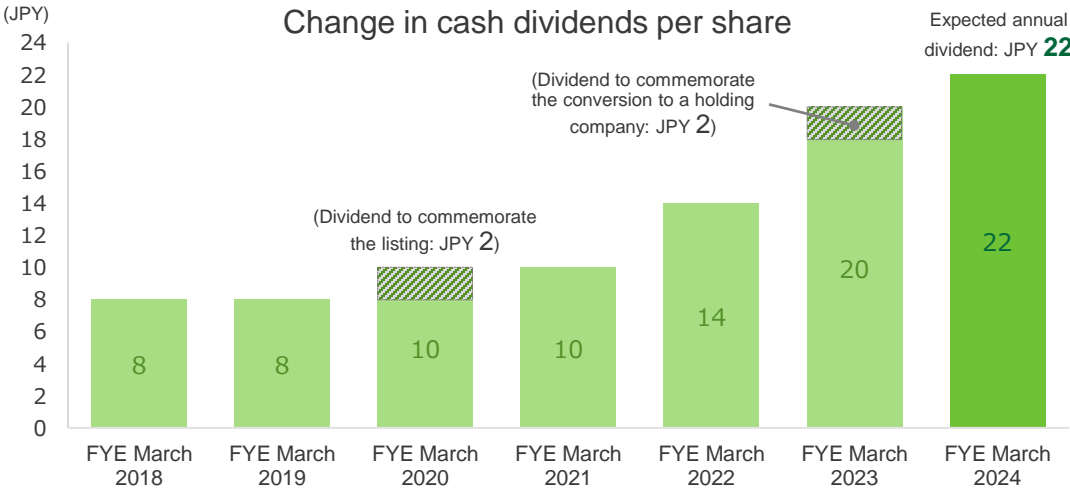
- Based on the basic policy of the Third Medium-Term Business Plan, cash flows from operating activities are used for M&A and other investment activities. We will maintain this policy.
- Going forward, we will also utilize cash inflows from financing activities for investment depending on the size of the project.

Policy on Shareholder Returns (Dividends and Repurchase of Shares)

Basic policy on dividends

Recognizing the return of profits to shareholders as one of the most important management issues, we will pay dividends on a stable and continuous basis and improve corporate competitiveness and shareholder value by enhancing and effectively utilizing retained earnings.

- The Group will pay progressive dividends (maintain or increase the dividend amount) while securing financial resources to promote **“In-Organic Growth through Strategic M&A”** and **“Improvement of Financial Position(improvement of D/E ratio and equity ratio)”** set forth in the Third Medium-Term Business Plan.
- After reviewing the status of cash flow acquisition, the Company will consider **repurchasing its own shares** in the second quarter of the fiscal year ending March 2024 or later.



• FYE March 2022

As acquisitions of Spicers and Antalis contributed significantly to the Group’s earnings and solidified the earnings base for the full year, we paid **an interim dividend for the first time**.

• FYE March 2023

In addition to **the commemorative dividend of JPY 2** for the transition to a holding company structure, we announced **a dividend increase of JPY 4** reflecting our strong performance. The annual dividend forecast was raised to **JPY 20** from the initial forecast of JPY 15.

Repurchase of shares (announced on November 14, 2023)

(1) Class of shares to be repurchased:	Shares of common stock of KPP	(4) Period of repurchase:	From November 15, 2023 to March 31, 2024
(2) Total number of shares to be repurchased:	3 million shares (maximum) (Ratio to the total number of issued shares (excluding treasury shares): 4.2%)	(5) Method of repurchase:	Open market purchase through the Tokyo Stock Exchange
(3) Total purchase price for repurchase of shares:	JPY 2,400 million (maximum)		

We will continue to provide timely and flexible returns to shareholders in consideration of the balance with investments to improve corporate value over the medium to long term.

1

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2

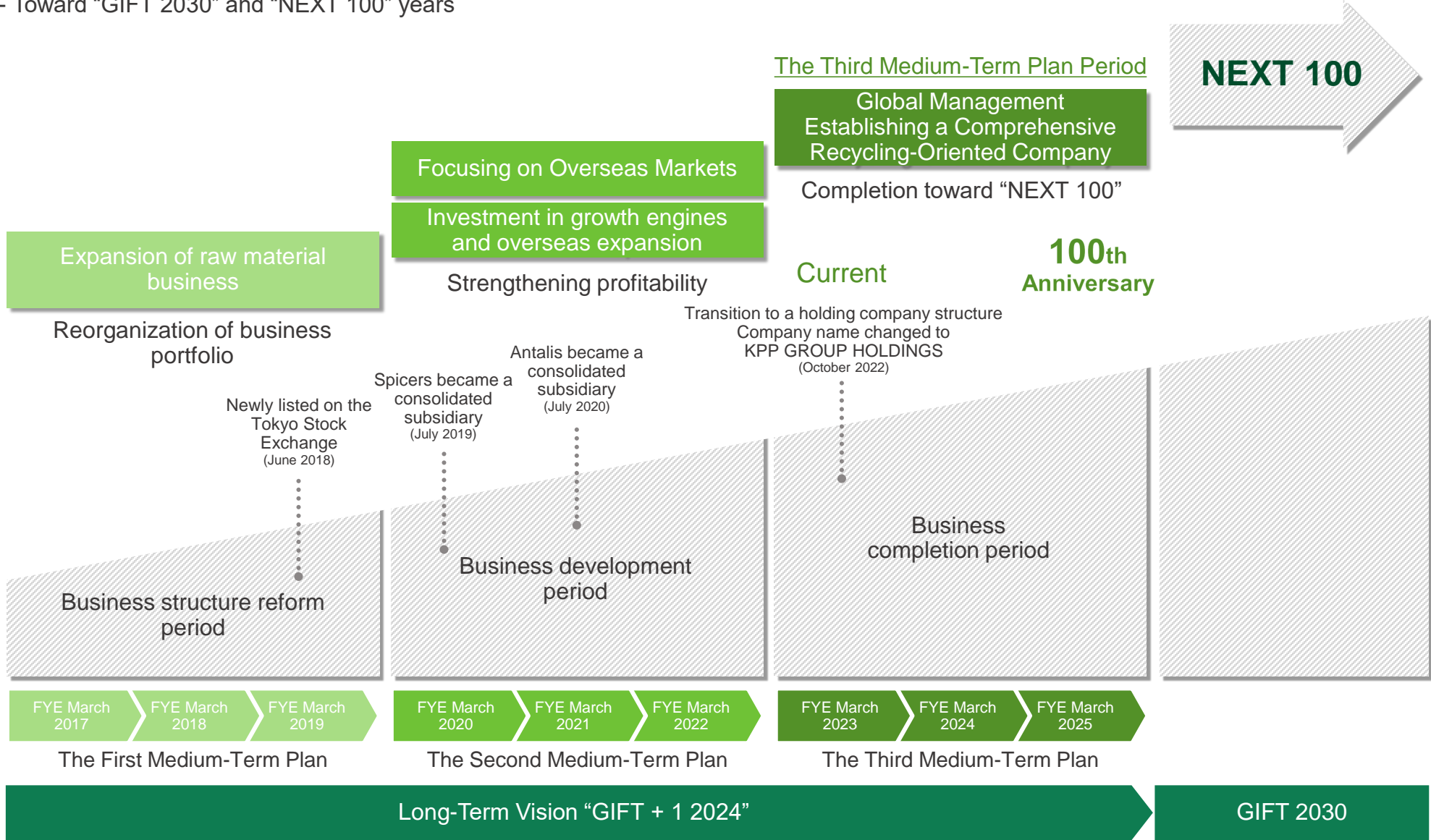
Progress in the Third Medium-Term Business Plan

3

Reference Materials

Long-Term Vision “GIFT + 1 2024”

The Third Medium-Term Plan is the final stage of the long-term vision “GIFT + 1 2024”
 - Toward “GIFT 2030” and “NEXT 100” years



Inorganic Growth/Progress of Antalis and Spicers' M&A Strategies

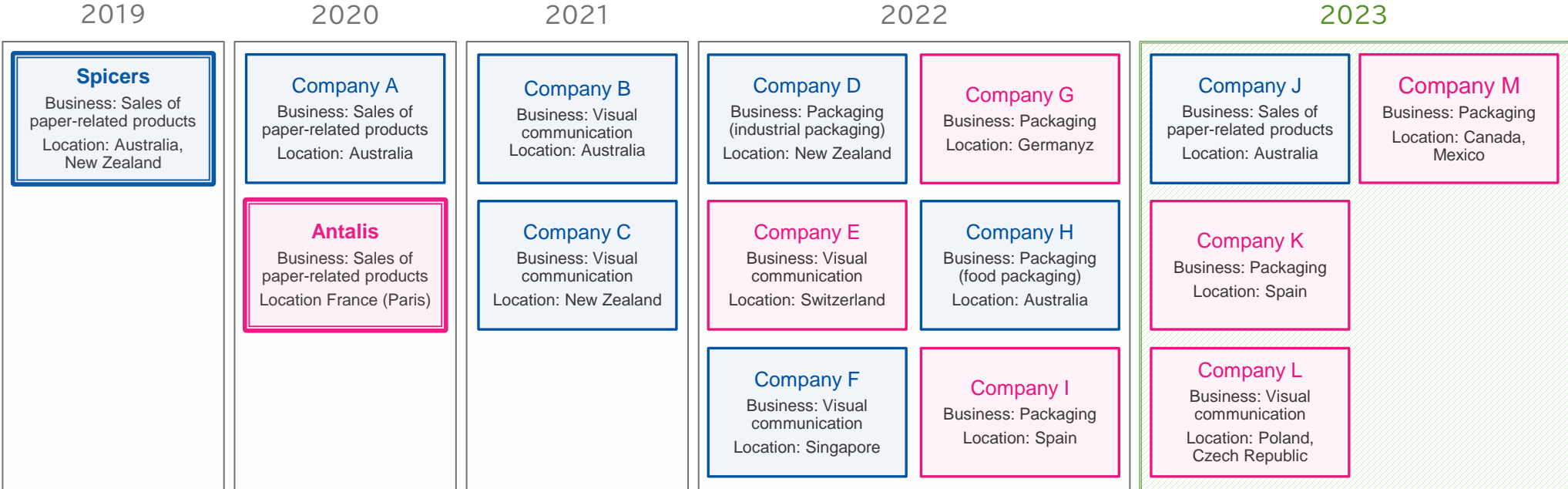
Antalis' M&A strategy

Enhance Antalis' presence in the market by acquiring companies that provide customized solutions in growth areas such as packaging and visual communication to strengthen Antalis' products and services.

Spicers' M&A strategy

Build a strong Spicers brand by acquiring companies in the fields that have an affinity with its existing businesses such as packaging and visual communications. At the same time, aim for further growth by acquiring experienced personnel.

M&A activities conducted by Antalis and Spicers



... M&As by Spicers: **7** companies in total (paper business: 2, packaging business: 2, visual communication business: 3)

... M&As by Antalis: **6** companies in total (packaging business: 4, visual communication business: 2)

Acquisition of Lovepac Inc. (Packaging Business)

In August 2023, Antalis acquired all the shares of Lovepac Inc., a packaging company processing and selling packaging products, and made it a subsidiary. This is Antalis' first foray into North America.

Overview of Lovepac Inc.

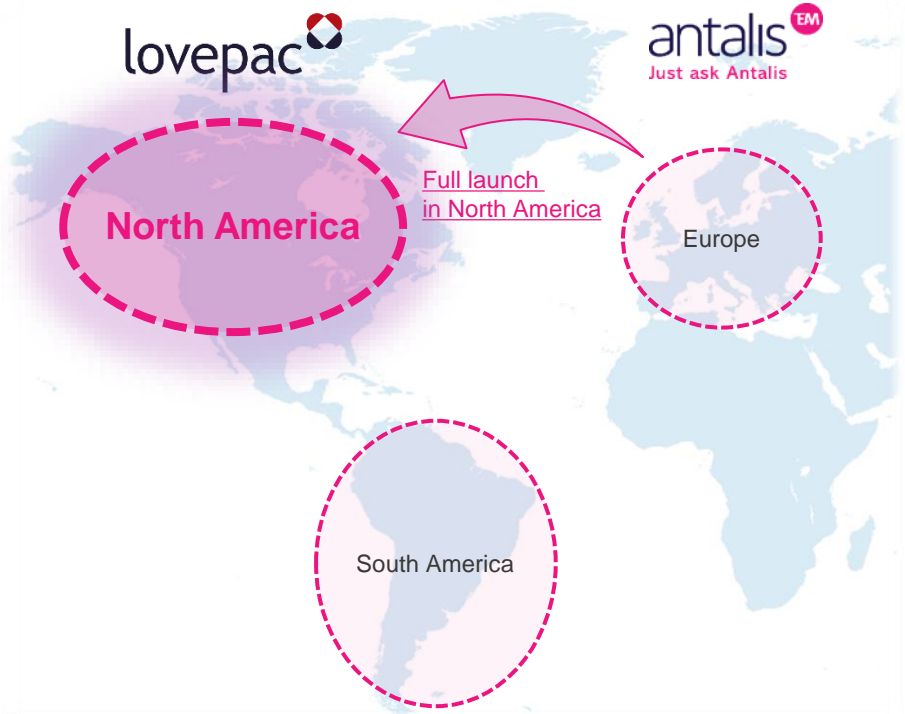
- Based in Canada (Montreal, Quebec) and Mexico, Lovepac Inc. manufactures, processes and sells custom-made packaging products.
- Excelling in design and manufacture of industrial packaging products in particular, it has developed unique specialized technologies in the fields of aircraft parts, pharmaceuticals, medical products, foods, and high-tech products for more than 20 years.
- It operates the packaging converter (processing) function completely in-house and carries out packaging product design, prototyping, and manufacture and sale of products according to customers' needs.

lovepac  Products (example)



Purpose and Future

- Antalis is developing a packaging business in Europe. Lovepac's technology and know-how can be shared also in Europe.
- Antalis will continue to leverage Lovepac's management resources when it launches in North America in the future.



Acquisition of Integart Group (Visual Communication Business)

In July 2023, Antalis acquired all the shares of Integart Group, a visual communication company operating in Poland and the Czech Republic, and made it a subsidiary.

Overview of Integart Group

- Headquartered in southwestern Poland, near the borders with Germany and the Czech Republic, Integart Group has 16 offices throughout Poland, two offices in the Czech Republic, and one office in Slovakia.
- It offers technology and materials for advertising, decoration and packaging, building materials and industrial digital printing technology.
- The main products are LFP (large-format inkjet printers), hardware, and plastic sheets. In the Poland market, it is the second-largest in LFP and handles the largest volume of hardware, which has made it a leading company in the market.



Purpose and Future

- The acquisition increases Antalis' presence in the visual communication business in the Polish market and enhances its handling of hardware.
- It also helps further strengthen the relationships with strategic suppliers.



Initiatives in Environment-related Business -1-

Aiming to build a second pillar of business in place of the KPP Group's core business, we are actively promoting R&D, business alliances and investments in new products and services handled by "Oji Fiber," "AmicaTerra" and "BMecomco." Based on a sales distributor agreement with "Ranpak," a leading company in the field of paper cushioning material, we provide packaging solutions by selling paper protective packaging materials and leasing packaging equipment in Japan.

Oji Fiber



Lightweight and excellent in moisture absorption and release, toughness, deodorization, dyeability and biodegradability

Wide range of applications including artificial grass, apparel, socks and daily necessities

- Artificial turf made of 100% paper yarn is used in the playroom of Nakamura-nami Sports Exchange Center in Nerima City, Tokyo
<https://www.kpp-gr.com/ja/news/news/news-908554080068572220807.html>
- Exhibited at the 14th Fashion World Tokyo Sustainable Fashion Expo. (October 10 to 12, 2023)

AmicaTerra



Because the main raw material comes from plants, it is completely biodegraded in soil and water including the ocean

No special mold is required for molding, and products can be manufactured using general plastic molding machines

- Business deals with the restaurant industry are on the rise.
- Exhibited at FOOD Exhibition 2023, the 19th Food System Solution Exhibition. (September 20 to 22, 2023)



* Nakamura-nami Sports Exchange Center in Nerima City



* View of the exhibition



* View of the exhibition

Initiatives in Environment-related Business -2-

Ranpak



Paper cushioning



Gap filling

Switching from plastic to paper protective packaging makes it possible to decrease environmental impact, significantly reduce time required for packaging, standardize packaging operations, and cope with busy seasons. The Company anticipates growing demand for paper cushioning materials in Japan, particularly in the EC industry.

- Held a joint webinar with Ranpak, "Ranpak Seminar for Future Logistics Solutions," to raise brand awareness of Ranpak including the features and benefits of its products.
- Exhibited at Logis-Tech Tokyo 2023, the 3rd INNOVATION EXPO. (September 13 to 15, 2023)



* View of the exhibition

BMecomo



BMecomo supports daily operations and business management by gathering and analyzing all data obtained from biomass power plants, utilizing the latest technology and providing visualization, thereby helping maximize the profits of biomass power plants

- Business alliance with Kett Electric Laboratory Co., Ltd. Launched a solution that uses data of in-line NIR moisture analyzer
- Participation in the project to develop a fully non-feed-in-tariff (NON-FIT) decarbonized power supply with hybrid fuel of wood and manufacturing by-products

[Rendering image of POWER AID MIE Shin-Biomass™ Matsusaka Power Plant in Woodpia Matsusaka]



*A fully non-feed-in-tariff (non-FIT) power generation project to establish the Internal Carbon Circulation System, which generates electricity mainly from by-products emitted in the production process from manufacturers, and sells back the energy to the emitting manufacturers as green electricity

- BMecomo already procures wood waste and food-related difficult-to-treat biomass as fuel from business sites of KPP Group's existing customers. The project is expected to supply tens of thousands of tons of biomass fuel annually.
- This project utilizes by-products to generate electricity, rather than treating them as waste, and returns the necessary electricity to the emitting companies. Through this initiative, we will further contribute to the realization of a circular economy and a comprehensive recycling-oriented society.

Initiatives of Green Biz Project

- We work on initiatives such as "promoting the resolution of issues throughout KPP to increase orders and sales of environment-related products," "activating the resolution of issues by appointing personnel with knowledge of environmental issues," and "collaborating with the Marketing Office to closely monitor market trends and deepen product knowledge."
- Training sessions on solution sales and sales methods of environment-related products are held regularly for sales employees in order to expand the environment-related business. In addition, we share training contents throughout the company to promote standardization of business operations and build a system to enhance reproducibility.

Consolidated Summary

- The year-on-year slowdown in the European economy has become clearer, China has remained stagnant since the lifting of COVID-19 restrictions, and geopolitical risks have become apparent.
- The pulp and paper industry is also in a challenging environment, but the Group is steadily advancing the regional strategy and portfolio reforms and proceeding with the Third Medium-Term Business Plan without delay.

Northeast Asia (Japan, China, etc.)

<Japan>

- The shift to paper solutions as an environmental material is slow, but steadily expanding. Focusing on textiles and artificial turf, we are expanding the “Kami no ito (paper yarn) OJO+” business.
- As a company contributing to a sustainable society, we are making efforts such as incorporating the biomass power generation business (BMecomo) and considering entering the livestock feed business (sorghum cultivation).



<China>

- Amid the slow recovery in demand for printing and communication paper in China, we implement structural changes and strengthen the highly profitable fine paper (specialty paper, functional paper) business to bolster our foundation.

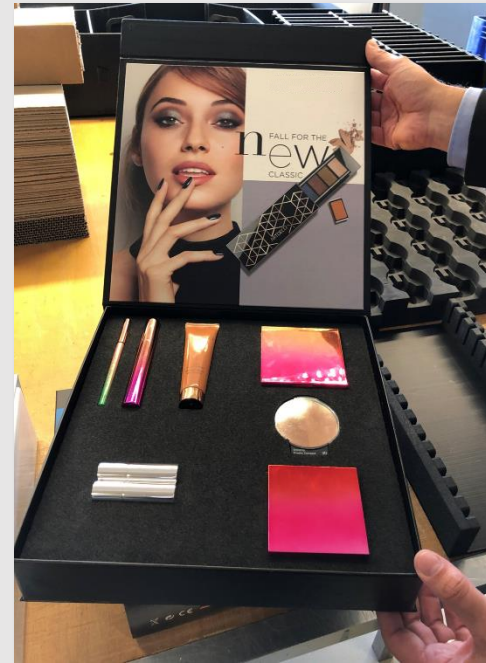


Artron Antalis Creative Paper Gallery



Europe/ South America

- Paper and packaging businesses have been affected by the recession.
- Business matching between Japanese companies operating in Europe and local subsidiaries of Antalis is taking shape.
- With acquisition of companies based in Eastern Europe, the visual communication business is moving its position in Europe up a notch.



Asia-Pacific (Oceania/ Southeast Asia and India)

- Australia, our key region, remained strong from the previous year partly due to new orders for office copy paper.
- In New Zealand, we aim to become the region's number one player through M&A. In the ASEAN region, while the trade business is still on a recovery path, the visual communication business is beginning to contribute to performance as a new segment.
- We finally have a full product lineup of fine paper and expect the performance to recover in the second half of the fiscal year.



1

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 2024

2

Progress in the Third Medium-Term Business Plan

3

Reference Materials

Theme

Achieving the Long-Term Vision “GIFT + 1 2024” and
for the 100th Anniversary of the Company

Messages

Contributing to a sustainable society through recycling-enhancing business and
increasing corporate value through business portfolio reform

Establish and deepen profit base

- Maximize profits of each operating company
- Promote strategic alliances and M&A
- Pursue global synergies
- Promote DX (Digital Transformation)



Strengthen global group management

- Realization of ESG management
- Establish a global operations system
- Strengthen group communication
- Appropriate allocation of management resources

The KPP Group’s management philosophy “KPP GROUP WAY” has been reformed along with our start with the holding company structure

- Introduced the concept of “Purpose Management.” Aim to be a company that contributes to the creation of a sustainable society based on the new KPP GROUP WAY.

Corporate Message

A Paper Trail for Creating The Future

MISSION

Contributing to the realization of a recycling-oriented society

VISION

GIFT

Globalization Innovation Function Trust

VALUES

- Pioneering The Future with “Paper Innovation”
- Cultivate Autonomous Human Resources
- Open-minded Organization

KPP Group Charter

Paper Innovation

DNA Supporting The Organization

Globalization
Leveraging our global network to become a leading pulp and paper company.

Innovation
Developing the potential of paper through a creative mind and a recycling-oriented business model.

Function
Promote e-commerce and take on the challenges of new business domains.

Trust
Continue being a sincere company trusted by stakeholders.

KPP Group's Basic Sustainability Policy

We, the KPP Group, will contribute to the realization of a sustainable society through the development of comprehensive recycling-oriented management based on the basic principles of the "KPP GROUP WAY."

We also consider the environment, society and governance as important management issues, identify material issues related to our business activities, and work to resolve these issues.

Material Issues of the KPP Group

Global Expansion

- Creation of group synergies
- Inner communication synergies

Climate Change Countermeasures

- Development of solutions to prevent global warming
- Reduction of CO2 Emissions

Response to DX

- Expansion of e-commerce
- Development of new systems

Diversity & Inclusion

- Ensuring diversity
- Utilization of diverse personnel


Implementation of Green Business

- Solving the marine plastic pollution problem
- Recycling and waste reduction

Enhancement of Governance

- Compliance
- Information security
- Risk management

ESG Management Initiatives (For details, please refer to "Integrated Report 2022" <https://www.kpp-gr.com/en/ir/report.html>)



[Issues]	[Measures]
<ul style="list-style-type: none"> • Creation of a recycling-oriented society 	<ul style="list-style-type: none"> • Establishment of a paper recovery network and selling raw materials for recovered paper
<div style="font-size: 48px; font-weight: bold; text-align: center; color: white;">E</div> <ul style="list-style-type: none"> • Response to climate change 	<ul style="list-style-type: none"> • Endorsement of TCFD and disclosure of information related to climate change countermeasures • Development and distribution of products and services with reduced environmental impact • Spread of renewable energy • Promotion of Green Biz Project • Forest conservation and reforestation • Utilization of managed forest resources



[Issues]	[Measures]
<ul style="list-style-type: none"> • Human resource development 	<ul style="list-style-type: none"> • Introduction of fair personnel system and implementation of evaluation • Education (e-learning and training by rank)
<div style="font-size: 48px; font-weight: bold; text-align: center; color: white;">S</div> <ul style="list-style-type: none"> • Development of an employee-friendly work environment • Diversity & Inclusion • Raise awareness of paper culture and book culture • Reduction of poverty and hunger 	<ul style="list-style-type: none"> • Diverse work systems • Prevention of harassment • Response to long working hours • Improvement of work-life balance • Promotion of women's career advancement • Diversification of hiring practices • Dissemination of information on paper culture and book culture • Various types of support

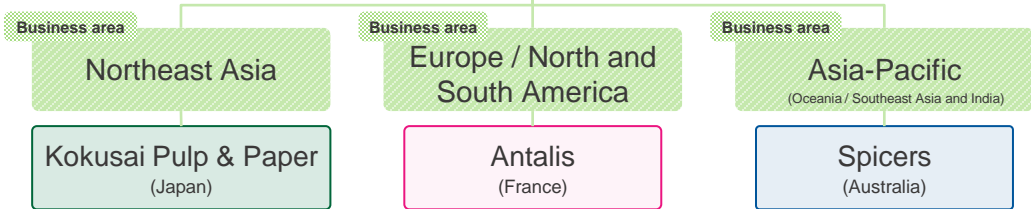


[Issues]	[Measures]
<ul style="list-style-type: none"> • Enhancement of corporate governance 	<ul style="list-style-type: none"> • Strengthening the global governance structure
<div style="font-size: 48px; font-weight: bold; text-align: center; color: white;">G</div> <ul style="list-style-type: none"> • BCP 	<ul style="list-style-type: none"> • Disaster and incident response • Evacuation drills • Safety confirmation drills
	<ul style="list-style-type: none"> • Diversity & Inclusion

Transition to a Holding Company Structure

Transition to a holding company structure was completed on October 1, 2022
 Three core operating companies (Kokusai Pulp & Paper Co., Ltd., Antalis and Spicers) come under the holding company's umbrella

KPP GROUP HOLDINGS



- Consolidated subsidiaries: 18
- Number of employees: Around 1,000
- Head office: Japan (Tokyo)

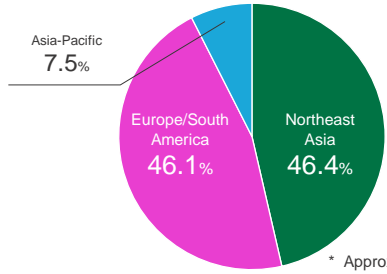
- Consolidated subsidiaries: 57
- Number of employees: Around 4,000
- Head office: France (Paris)

- Consolidated subsidiaries: 16
- Number of employees: Around 450
- Head office: Australia (near Melbourne)

* Both the number of consolidated subsidiaries and the number of employees are as of March 31, 2023. Spicers includes KPP-AP.

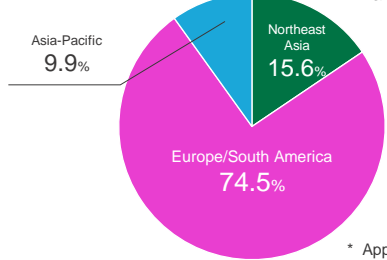


[Consolidated Net Sales Ratio] * FYE March 2023



* Approximation, excluding real estate

[Consolidated Operating Profit Ratio] * FYE March 2023



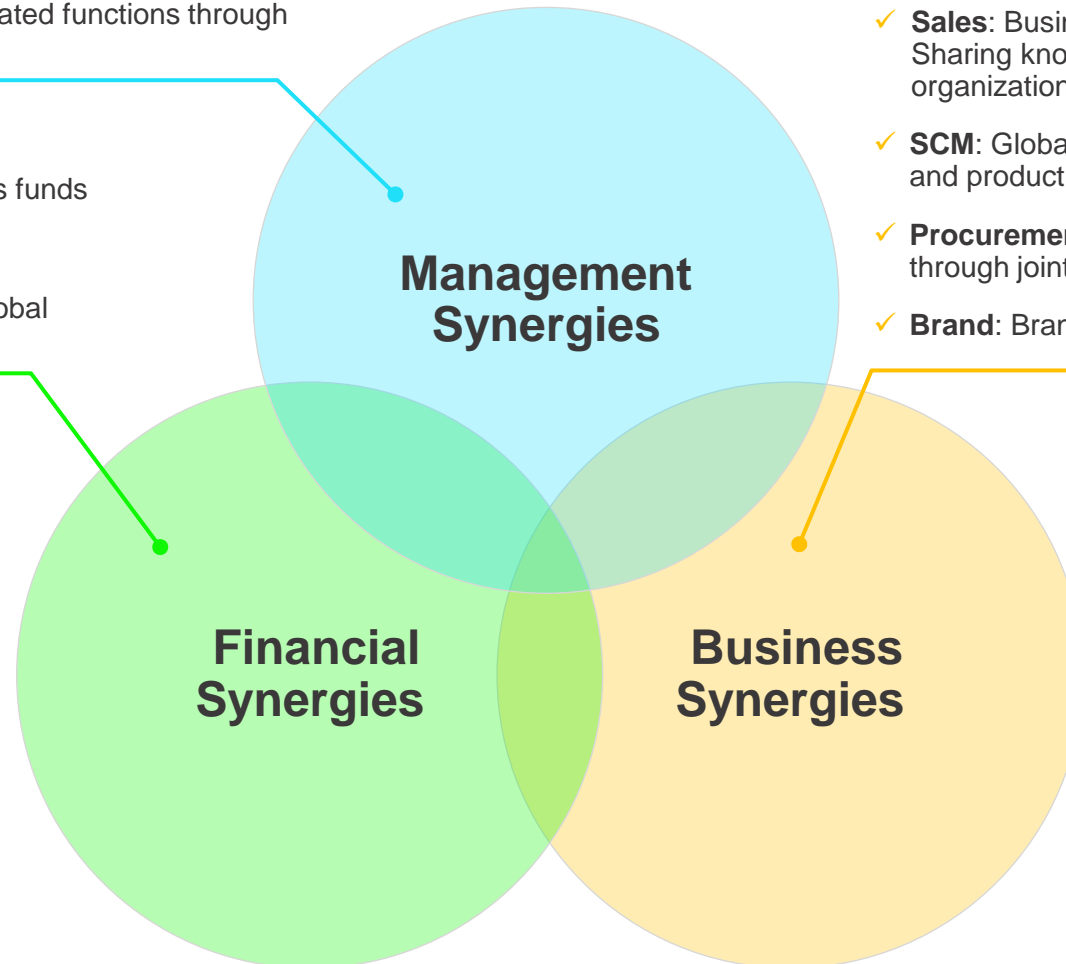
* Approximation, excluding real

* Northeast Asia: Japan, China, Taiwan, Hong Kong and South Korea

Benefits of Becoming a Holding Company (Creating Synergies)

- ✓ **Strategy:** Share strategies, tactics, and management methods across regions
- ✓ **Human Resources:** Optimizing global staffing
- ✓ **Functions:** Eliminating duplicated functions through shared services, etc.

- ✓ **Funding:** Utilization of surplus funds
- ✓ **Credit:** Utilization of credit
- ✓ **Taxation:** Development of Global Governance System



- ✓ **Sales:** Business matching within the group. Sharing know-how, skill information and sales organizations/channels
- ✓ **SCM:** Global sharing of distribution networks and product inventories
- ✓ **Procurement:** Achieving economies of scale through joint procurement of products
- ✓ **Brand:** Brand awareness and brand strength

Aim for medium- to long-term growth by promoting inorganic growth (growth through acquisition of external resources) as well as organic growth (growth through internal resources)

Organic Growth

Expansion of recycling-based business models

- Further expansion of recycling-oriented businesses by balancing used paper business with product sales
- Strengthen pulp business, including raw materials for sanitary paper
- Maximize profits by expanding the share of the paper and paperboard wholesale business, and promoting e-commerce, while reducing expenses
- Expansion of solution businesses



Inorganic Growth

Expanding business domains by acquiring external management resources

Total amount: JPY **20** billion (in three years)

- Target business for M&A

Visual communication business

Packaging business

Other processing businesses

- Management resources to be acquired

Portfolio

Human resources

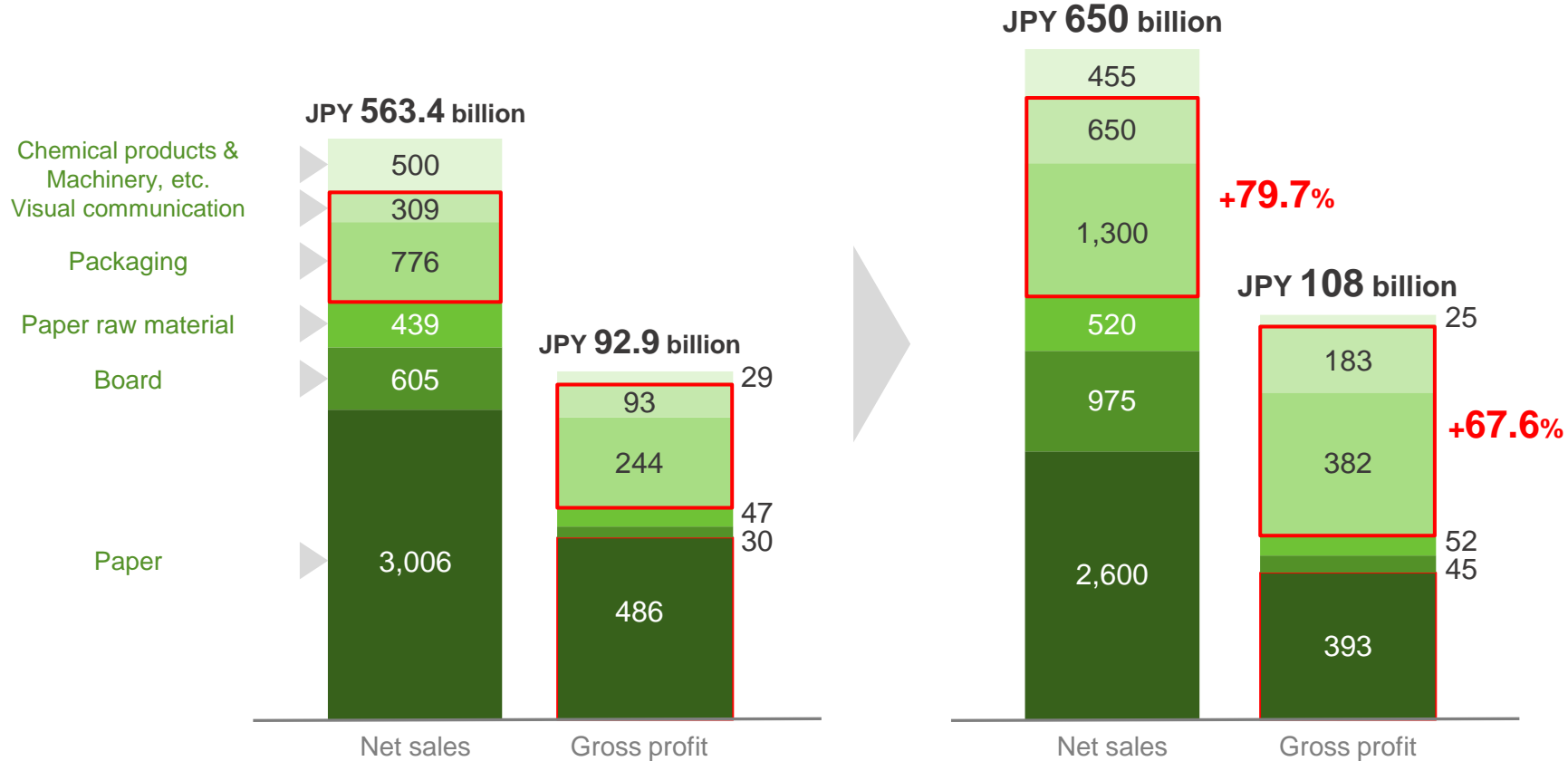
Management know-how

Offices and facilities

Continue to promote business portfolio reforms under the Third Medium-Term Plan

Final year of the Second
Medium-Term Plan
FYE March 2022

Final year of the Third Medium-
Term Plan (targets)
FYE March 2025



Ratio of visual communications and packaging businesses with higher gross margins to rise

Overseeing the global operations with the three pillars: KPP, Antalis and Spicers “North and South America” and “Southeast Asia and India” start to fully expand businesses from the Third Medium-Term Plan.

Company in charge	Area in charge	Final year of the Third Medium-Term Plan Sales Target	Strategy Overview
Kokusai Pulp & Paper (KPP)	Northeast Asia	JPY 320 billion	<ul style="list-style-type: none"> Expand sales of paper and board by reviewing marketing methods focusing on e-commerce while ensuring sales share and profits. Promote comprehensive recycling-oriented business. In China, increase both sales and profit by expanding sales volume in line with market expansion.
Antalis	Europe	JPY 250 billion	<ul style="list-style-type: none"> For paper & board, maintain the number 1 position in the region, and secure revenue and profit growth. Packaging and visual communication businesses will make good use of the inorganic strategy to expand while capturing market expansion. Promote e-commerce in all three businesses for further improvement of profit margin ratio.
	North and South America	JPY 20 billion	<ul style="list-style-type: none"> Consider full-scale entry into North America and implement inorganic strategy.
Spicers	Oceania	JPY 35 billion	<ul style="list-style-type: none"> Increase profitability by maintaining the market share in paper and board in the region and promoting e-commerce. Utilize inorganic strategy for packaging and visual communication and pursue M&A actively. Further promote adhesive labels as a product segment.
	Southeast Asia and India	JPY 25 billion	<ul style="list-style-type: none"> Complete organizational restructuring. Promote business by utilizing know-how under the control of Spicers. Aim for growth by capturing market expansion in the area of paper and board, packaging and visual communication.

Aiming to increase both sales and profits with more profitability

(JPY million)

	FYE March 2022
Net sales	563,414
Operating profit	9,379
Operating margin	1.7%
Net profit	7,497
ROE	15.0%
ROA	2.7%

FYE March 2025	Growth rate
650,000	+15.4%
14,500	+54.6%
2.2%	+0.5pt
9,000	+20.0%
12.0% or more	-
2.5% or more	-

Measures to achieve targets

- Improvement in profitability: Increase in sales and operating profit ratio, etc.
- Improvement of asset efficiency: Group business management through ROIC, etc.

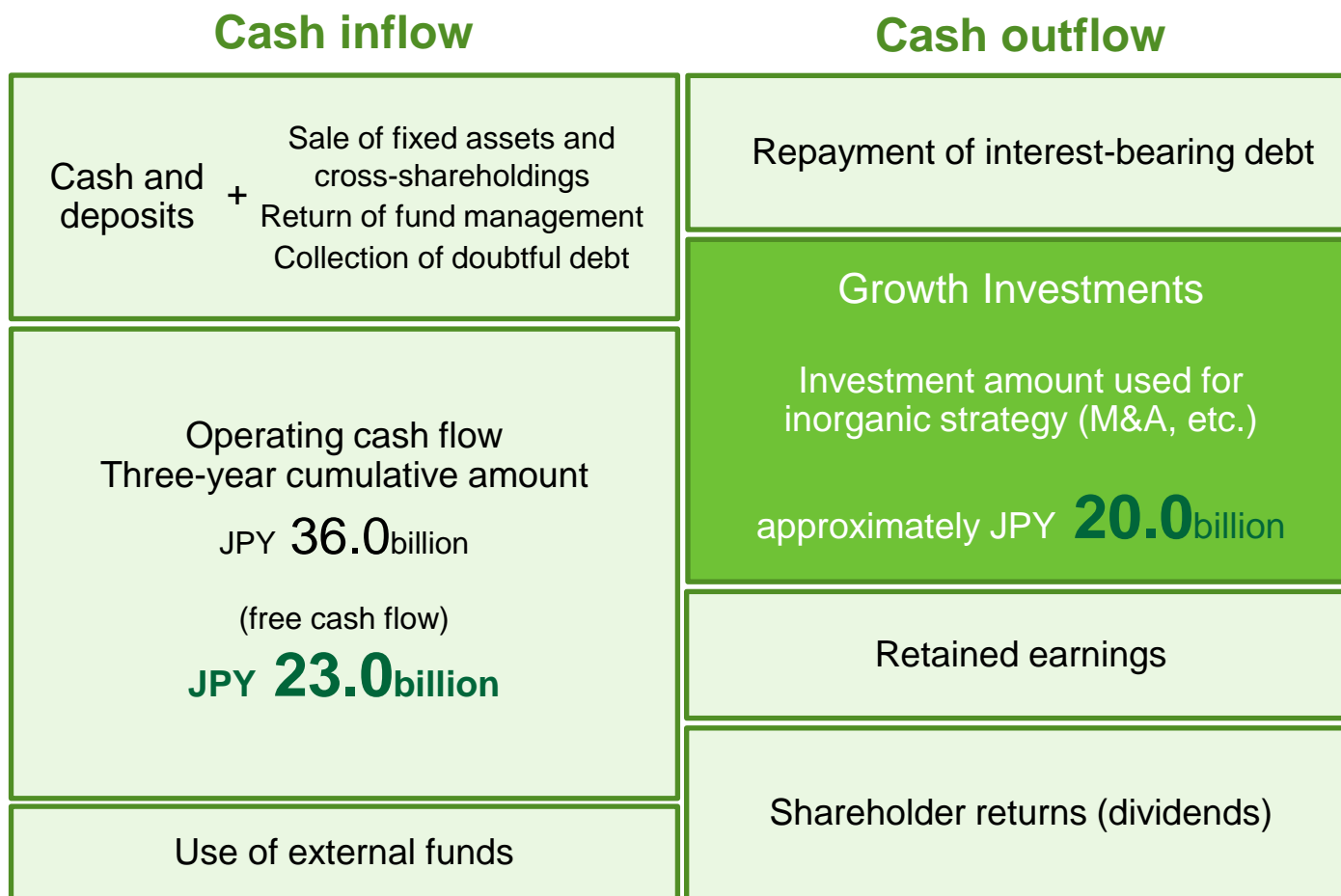
Targets for improving financial position

	FYE March 2022
DE ratio ^{*1}	1.4 times
Capital adequacy ratio	19.4%

FYE March 2025
1.0 time or less
25.0% or more

*1. DE ratio: Interest-bearing debt / net assets

- Increasing corporate value by growth investment within operating cash flow
- Improving our financial position by accumulating retained earnings
- Maintaining a net debt-to-equity ratio of less than 1 × and increase equity ratio to 25% or more
- Shareholder returns are based on an appropriate amount of retained earnings



A group of paper merchants with a 99-year history

Company Name KPP GROUP HOLDINGS CO., LTD.

Established November 1924

Representative Madoka Tanabe, Chairman & Chief Executive Officer
Tadashi Kurihara, President

Head Office Address 6-24 Akashi-cho, Chuo-ku, Tokyo

Capital JPY 4,723 million

Employees 5,457 (consolidated) * As of March 31, 2023

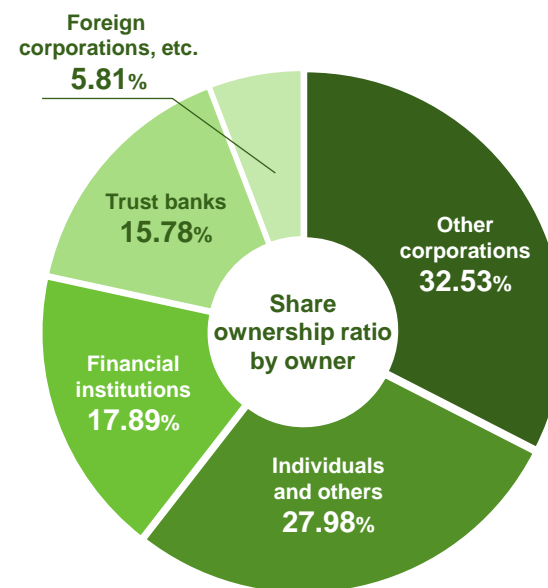


■ Number of Countries **43** ■ Number of Cities **134** ■ Number of Bases **151**

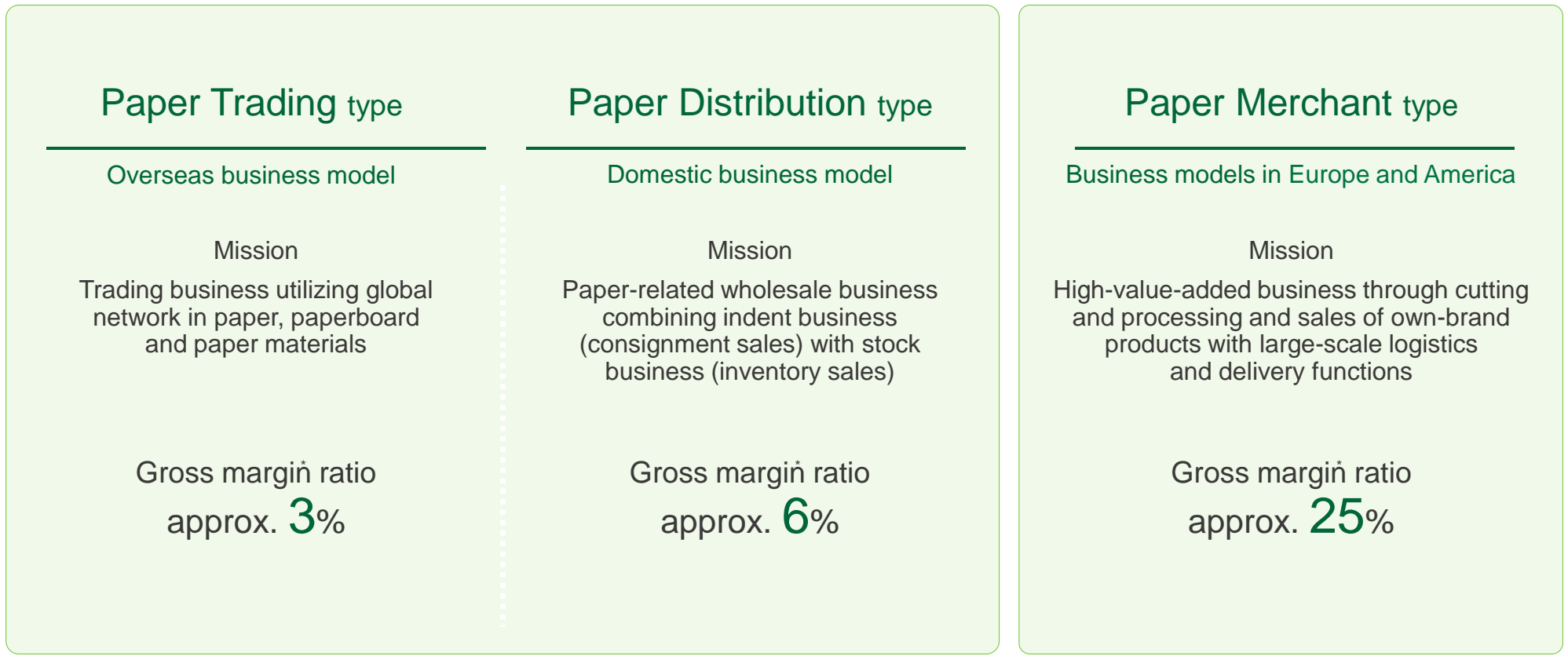
* As of March 31, 2023

Status of shareholders * As of September 30, 2023

Principal shareholders	Shareholding Ratio
Oji Holdings Corporation	17.3%
The Master Trust Bank of Japan, Ltd. (trust account)	7.8%
Nippon Paper Industries Co., Ltd.	7.1%
KPP Group Holdings (Employee Stock Ownership Association)	3.1%
Custody Bank of Japan, Ltd.	3.1%
Mizuho Bank, Ltd.	2.5%
Mitsui Sumitomo Insurance Company, Limited	2.4%
MUFG Bank, Ltd.	2.3%
Sumitomo Mitsui Banking Corporation	2.3%
The Norinchukin Bank	2.3%



Hybrid and global deployment of **three business models** in different regions



*Gross margin ratio in normal times

Maximizing profitability and efficiency by developing various business models appropriate for each region

Adhesive Label Business in Oceania

Providing services in all fields, including daily necessities, food and beverage, medical and pharmaceutical, logistics and distribution, and industrial-related fields.

- Propose to customers the best combination of surface materials, adhesives, release paper and release film for various applications.
- Wide range of supply sources, especially in Asia and Europe
- A large selection of approx. 100 different products.
- In-house slitting process provides added value, responding flexibly to customer specifications.



Daily Necessities



Logistics



Medical Care



Food & Beverage




Others



Customized solutions (Antalis)

Experts who provide **customized solutions** that meet customer needs for a wide range of packaging material Providing services in a wide range of industrial fields, including automobiles, electronics, high-tech, machinery, metals, food, chemicals and so on.

 Inquiries from Customers

We have products that need protection, but we can't find a standard packaging solution to meet our needs.

 Expert

- ✓ What protection does the product need?
- ✓ What are the transportation modes and routes, and the situation of on-site inventory?
- ✓ What do your internal logistics look like?
- ✓ What about the disposal after use?



- Carefully consider customers unique cases and develop a solution that meets their requirements
- Procurement of the highest quality packaging materials at competitive prices through a broad network of suppliers and manufacturers

Packaging Design Center



Providing a variety of packaging materials (examples)



Visual Communication Business

We provide solutions and products ranging from large-format inkjet printers to inks and other consumables, and materials for indoor and outdoor signage, displays, and car wrapping

- Experienced marketing teams provide high-level user support

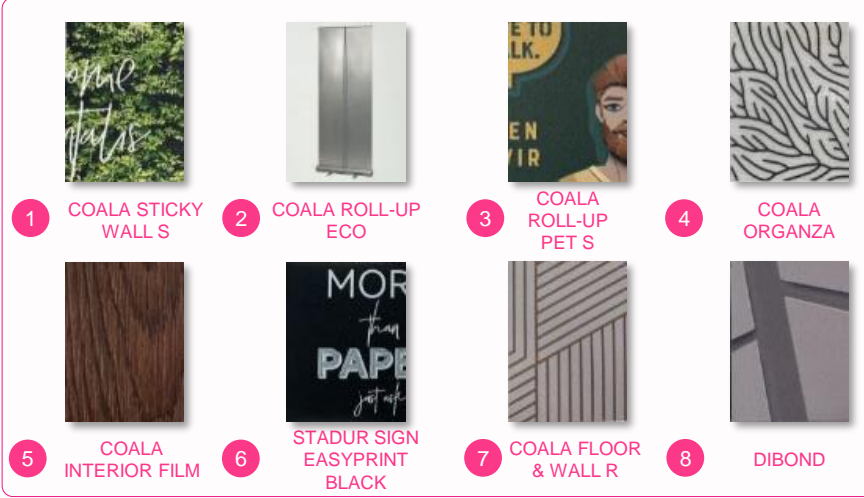
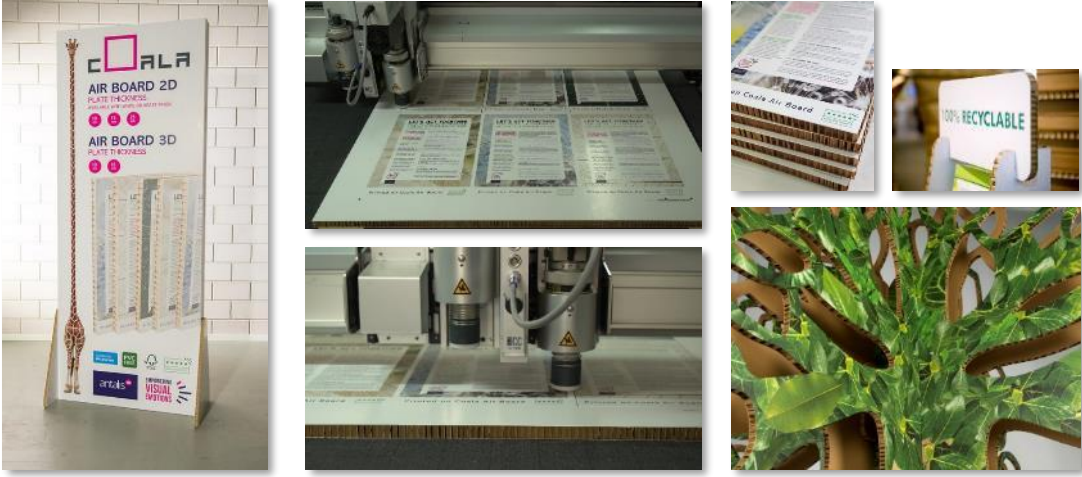
Examples of indoor and outdoor signage, display, wrapping, etc.



* Examples of projects in which products of Antalis' visual communication series were delivered in collaboration with architects, interior designers, printers and advertising agencies.



Coala Air Board



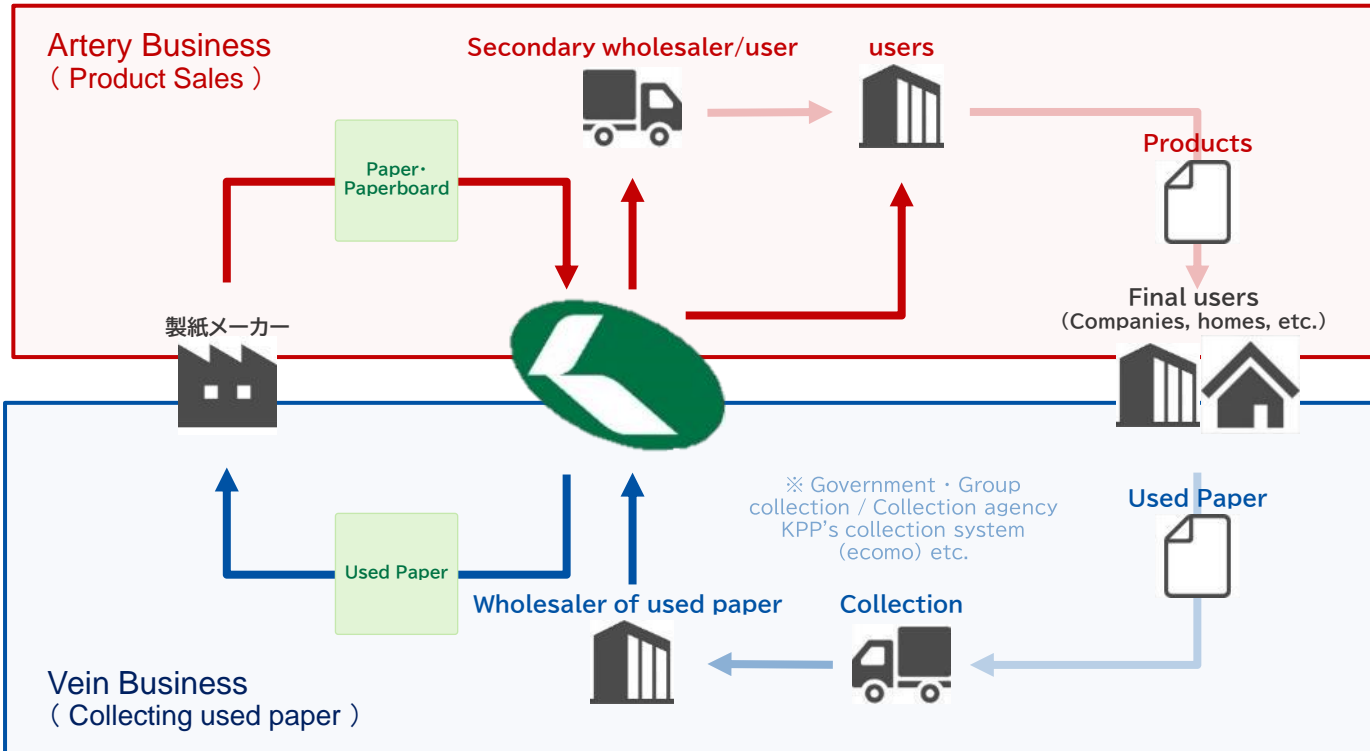
Paper raw material (pulp and used paper)

Currently, approximately 40% of the raw material consumed by the entire paper industry is pulp, and the remaining 60% is used paper.

We use our domestic and international network to procure pulp and used paper, and to sell them to paper manufacturers.



Annual sales results approx.
1.8 million tons



Annual collection results approx.
1.1 million tons



- **Recycling industry through recycling of used paper**
 - Japan's paper industry is characterized by the recycling of used paper.
 - Kokusai Pulp & Paper plays an important function in this process and has been working for many years toward the realization of a sustainable society.

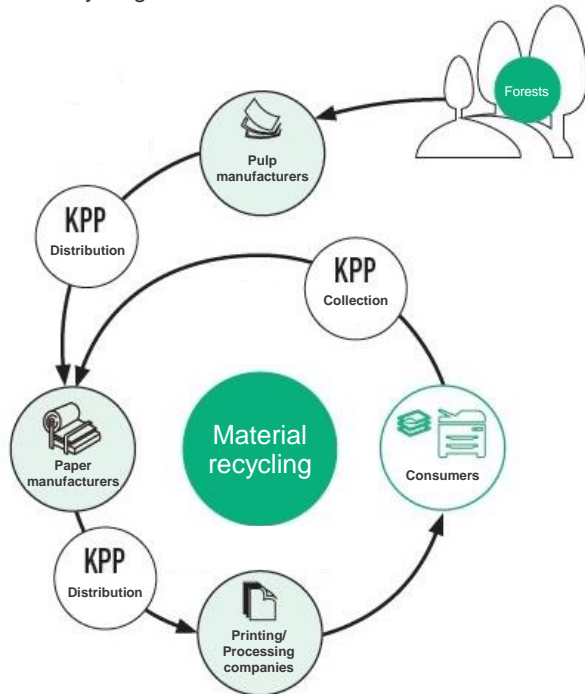
Comprehensive Recycling-Oriented Business Model in Japan

Aiming for management with an eye to a circular economy, we promote the material recycling business that supplies recovered paper and other recycled resources; develop and offer biomass power plant operation support systems; and advance the power generation business that uses by-products emitted from factories as the main fuel.

Material recycling

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

- Utilizing the collection network of used paper wholesalers throughout Japan. Collected used paper is delivered to paper manufacturers as raw materials for paper (recycling material)
- Town ecomo and other measures to collect recovered paper from stores
- Provision of the **ecomo Closed Recycling Service**, which visualizes resource emissions, recycling routes, and recycling volumes



Town ecomo



Collection bins for used paper are installed at supermarkets and other retail stores. Old newspapers and magazines are brought from home for recycling. Points are given according to the weight.

BMecomom



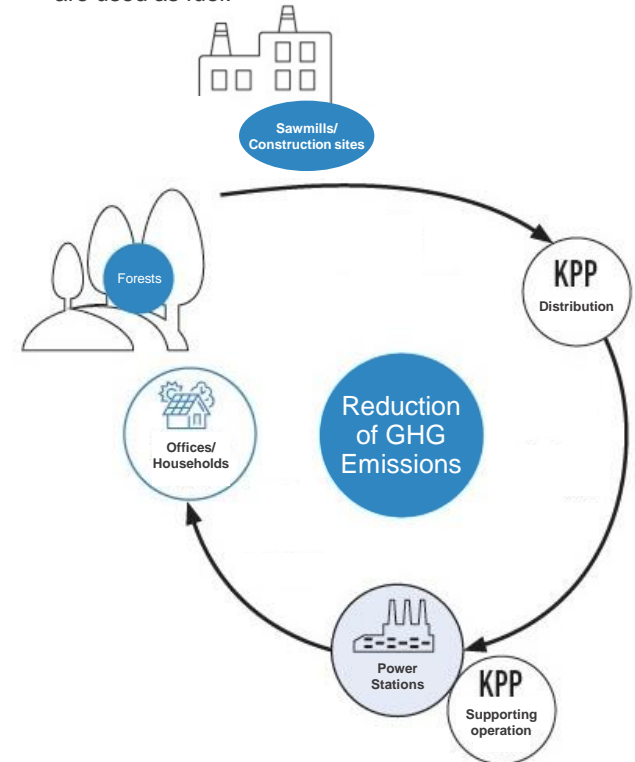
<https://bmecomom.com/>

BM ecomom supports daily operations and business management by gathering and analyzing all data obtained from biomass power plants, utilizing the latest technology and providing visualization, thereby helping maximize the profits of biomass power plants. Purchase waste wood from construction material manufacturers and supply it to biomass power plants.

Reduction of GHG Emissions

Contributing to reducing greenhouse gas emissions through projects to support biomass power generation

- Development of **BMecomom**, an operation support system for biomass power plants using AI and IoT technologies
- Contributing to the realization of a circular economy and a decarbonized society through Power Purchase Agreements (PPA) in which by-products from factories are used as fuel.



KPP RISANET Network and Recovered Paper Collection (Japan)

KPP RISANET is ...

An association founded in 2013 to promote mutual friendship among its members, conduct the recovered paper collection business based on sound management, and contribute to the development of the industry.

	2013 (At the time of establishment)	2023 (At present)
Number of members	17 companies	31 companies
Recovered paper collection (Annual)	approx. 3 million tons	approx. 7 million tons

Paper and paperboard consumption in Japan
23.15 million tons* (2021)



Recovered paper collection in Japan
18.39 million tons* (2021)

Equivalent to **about 40%** of recovered paper collected in Japan

Utilize the KPP RISANET Network and contribute to the realization of a comprehensive recycling-oriented society

* Source: Fastmarkets RISI Annual review of global pulp & paper statistics, 2021

KPP Group's Green Products

Promotion of paper solutions

- Due to the marine plastic pollution problem, moves to restrict disposable plastic are accelerating in countries around the globe, and demand for paper as an alternative material is rising.
- In recent years, research and development has been progressed mainly by paper manufacturers, and there has been an increase in examples of food packaging and daily necessities.
- Examples: Cutlery, clear folders, face covers, hangers, paper packaging, cushioning, packaging, etc.

Reduction of plastic use

- These products reduce the use of petroleum-derived plastic by innovating manufacturing technologies and mixing in biomass-derived pulp and paper to an extent that does not detract from plastic's characteristics such as barrier properties and processing suitability.
- Examples: Paper-made cold insulation box, paper + film packaging materials, waterproof & oilproof paper, etc.

Biomass materials

- As it is often difficult to switch plastic to other materials due to its various characteristics, research is being conducted with the aim of reducing the environmental impact. Biomass plastic manufactured using biomass materials and biodegradable plastic that is broken down by microorganisms are some examples.
- Examples: In-store point of purchase (POP) advertising, fishing equipment, cutlery, etc.



Paper-based clear folders



Try-on face cover for clothes shop



Reduced plastic cutlery



Artificial grass made of paper yarn

Green solutions

Town ecom

A system to collect recovered paper generated at home in collection boxes installed at retail stores and grant points according to their weight. This paper is recycled as raw materials for paper.

Office ecom

A system to safely collect confidential documents generated in offices in special boxes and recycle them as raw materials for paper.

ecom Closed Recycling System

A solution service that enables our client companies to visualize their recycling loop by centrally managing the process from the supply of paper to the collection and recycling of recovered paper.

BMecoom

A system that helps optimize the operation of biomass power plants by utilizing the latest technologies such as big data analysis, AI and the IoT.

“Green Products & Solutions” Catalog and Sample Kits

We created a catalog introducing products and solutions that help reduce environmental impact. Six samples of paper solutions and reduction of plastic use are enclosed.

- Products and solutions are presented in three categories: Retail/Restaurant/Office, Manufacturers, and Logistics Warehouse
- Six samples of environmentally friendly products, such as paper solutions and reduction of plastic use, are enclosed.



Sample Kit request form https://shifton.kpp-gr.com/catalogue_form.html



[Kami no ito (paper yarn) OJO+]

- Made from 100% “OJO +,” paper threads derived from Japanese washi paper made from natural materials (Manila hemp)
- The texture is smooth, and it is hard to believe that it was made of paper



[Paper face cover]

- Paper face cover made mainly from pulp
Used in fitting rooms in a clothes shop
- Reduces plastic use by about 70% compared with petroleum-based nonwoven fabrics



[Coala Air Board]

- Antalis' brand, Koala Air Board, is a sustainable material made of 100% recyclable paper
- Used for panels and fixtures in exhibitions



[modo-cell@]

- Main raw materials are plant fiber, starch and plant-based resin
- Various molding methods can be applied



[Paper packaging materials]

- Consists of “pure white paper, polyethylene (PE), aluminum vacuum metallizing PET (VMPET), PE, and linear low-density (LL) polyethylene film”
- Paper packaging materials that can have “Paper Mark,” an identification mark requested by laws and regulations, applied to them



[Paper clear file]

- Paper clear file bound with eco-press binder
- Very eco-friendly stationery that is manufactured without the use of glue, heat or staples

Service site “SHIFT ON”

- Part of our digital marketing initiatives. The goal is to create customer contacts and prospects. At the same time, we will introduce marketing automation (MA) tools to sophisticate marketing.

Environmental and new functional materials solutions



Comprehensive support for the planning and implementation of environmental projects, including SDGs and carbon neutrality.

Packaging solution



Helping customers solve their management issues through the development of packaging materials and original packaging.

Total solution for sales promotion



Comprehensive support for the policies of sales promotion tools installed inside and outside stores, from material selection to supply.

Analyze the potential needs of customers from the three perspectives of “environment/functional materials,” “packaging,” and “sales promotion,” thereby providing solutions that can be realized with materials and systems

- Solve important management issues such as improving operational efficiency, reducing costs, reforming work styles, and improving corporate value

Customer concerns and issues

Improving operational efficiency

- ✓ Sales are slow because of limited daily shipments
- ✓ Packing is a bottleneck and shipping is not progressing smoothly
- ✓ Too much cushioning

Standardizing operation

- ✓ Different workers put in different amounts of cushioning material. Quality of service is not standardized.
- ✓ The speed of the packing work is different from line to line, complicating management
- ✓ Want to improve the packing skills of temporary workers hired during the busy season

Green efforts

- ✓ Do not know what to start with in terms of environmental initiatives
- ✓ Packing is a bottleneck and shipping is not progressing smoothly
- ✓ Looking for alternative packaging that can contribute to SDGs



Operational improvement proposal



Improving operational efficiency and leveling operations through the introduction of automated machines for packaging

Green material proposal



Achieve plastic-free operations by changing some of the packaging materials from petroleum-derived materials to paper

PAPER MALL (EC Site for Paper-Related Products)



1枚から紙を買えるネット通販
PAPER MALL

<https://www.kpps.jp/papermall/>



Our website “Paper Mall” offers approx. **1,000 types of general paper, specialty paper and paper products**, which can be **purchased from a single sheet of paper**.

Samples and sample books can be ordered free of charge, and we also offer a **processing service to cut general paper into desired sizes** to meet a wide range of customer needs.

We have strengthened the lineup of our **“Green Products” series of environmentally friendly products** (see below) to help all stakeholders who are working on **SDGs**.

This is a **comprehensive paper-related website** that makes the most of **the strengths of our company, a paper specialist**, such as the ability to make **prompt deliveries** through the network of KOKUSAI PULP & PAPER CO., LTD., the ability to check **the latest paper-related information** such as paper industry news, and the ability to receive questions and consultations about paper.

Green Products: Environmentally friendly products



<https://www.kpps.jp/papermall/greenproducts/>



Promotion of paper solutions

Microplastics are a cause of marine pollution. There is a need to develop materials that can replace plastic.
We are working to change to paper, i.e., switching to products made from paper.



Plastic Reduction

We will reduce the amount of plastic used by mixing in other materials while maintaining the properties of the plastic.
We are developing materials and products to reduce the amount of plastic used.



Bioplastics

Plastics that return to the soil as compost and do not remain after being decomposed by microorganisms and other natural elements.
We are developing materials and products in search of the possibilities of biodegradable plastics and biomass plastics.

▶ Integrated Report



The report has been published since 2016 in order to provide comprehensive and integrated financial and non-financial information on our activities.

<https://www.kpp-gr.com/ja/ir/library/integrated.html>

▶ TSUNAGU (Public relations magazine)



The magazine is distributed as a communication tool that acts as a bridge between stakeholders and the KPP Group. It provides the latest KPP news while highlighting the various potential and attractive qualities of paper.

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

Contact

Corporate Communications Office
TEL:03-3542-4169

<https://www.kpp-gr.com/en/contact/contact3.html>

SNS

▶ YouTube



▶ X (formerly Twitter)



▶ Instagram



To our stakeholders, we provide a wide range of information on our initiatives from various angles with a mixture of video and images through these social media accounts as needed.

- This document contains forward-looking statements, future plans, and management targets related to the Company. These forward-looking statements are based on current assumptions regarding future events and trends and are not guaranteed to be accurate. Actual results may differ materially from those presented herein due to various factors.
- Unless otherwise stated, the financial data presented herein are presented in accordance with accounting principles generally accepted in Japan.
- The Company does not necessarily make any revisions to the forward-looking statements it has made, regardless of the occurrence of future events, etc., except when required by the Disclosure Rules.
- Information relating to other companies is based on publicly known information.
- This document does not constitute solicitation of offers to acquire, offer to sell, or offer to buy any securities (hereinafter referred to as “solicitation”). It is not intended for solicitation activities, nor can it be the basis for any contract or obligation.
- This English document is just a translation of the Japanese document. Therefore, please use this English document only for convenience and refer to the original Japanese document as appropriate.

Contact

KPP GROUP HOLDINGS CO., LTD. Investor Relations Contact

<https://www.kpp-gr.com/en/contact/contact3.html>



A Paper Trail for Creating the Future.