

# Financial Results for the Fiscal Year Ended March 31, 2021 [Japan GAAP] (Consolidated)



May 14, 2021

Company name: Kokusai Pulp & Paper Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9274

URL: <https://www.kppc.co.jp/>

Representative: Tadashi Kurihara, Director of the Board, President & Executive Officer

Contact: Tatsuhiko Tachibana, Managing Executive Officer and General Manager of Administration Division

Phone: +81-3-3542-4169

Scheduled date of Ordinary General Meeting of Shareholders: June 29, 2021

Scheduled date of commencing dividend payments: June 30, 2021

Scheduled date of filing the securities report: June 29, 2021

Preparation of supplementary explanatory materials for financial results: Yes

Convening financial results briefing: Yes

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(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, 2021	430,404	12.8	(9,035)	–	(12,041)	–	1,416	15.0
Fiscal year ended March 31, 2020	381,397	(0.9)	1,850	(18.9)	2,194	(12.9)	1,232	(50.7)

(Note) Comprehensive income: Fiscal year ended March 31, 2021: ¥(1,736) million [–%]  
Fiscal year ended March 31, 2020: ¥(2,189) million [–%]

	Profit per share	Profit per share - diluted	Profit to shareholders' equity	Total assets Ordinary profit margin	Net sales Operating profit margin
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2021	19.70	–	3.1	(5.2)	(2.1)
Fiscal year ended March 31, 2020	16.86	–	2.5	1.2	0.5

(Reference) Share of profit/loss of entities accounted for using equity method

Fiscal year ended March 31, 2021: ¥(2,452) million

Fiscal year ended March 31, 2020: ¥(246) million

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2021	275,119	43,581	15.8	605.71
Fiscal year ended March 31, 2020	189,317	47,277	24.9	649.48

(Reference) Equity: Fiscal year ended March 31, 2021: ¥43,489 million  
Fiscal year ended March 31, 2020: ¥47,184 million

### (3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2021	(6,472)	23,046	6,597	30,543
Fiscal year ended March 31, 2020	4,905	(5,400)	5,504	7,775

### 2. Dividends

	Annual dividends					Total amount of annual dividend s	Dividend payout ratio (consolid ated)	Ratio of dividend s to net assets (consolid ated)
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2020	–	0.00	–	10.00	10.00	741	59.3	1.5
Fiscal year ended March 31, 2021	–	0.00	–	10.00	10.00	732	50.8	1.6
Fiscal year ending March 31, 2022 (Forecast)	–	0.00	–	10.00	10.00		–	

(Note) The total amount of dividends for the fiscal year ended March 31, 2021 includes dividends of 14 million yen on the Company's shares owned by the executive compensation BIP trust.

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	534,000	–	4,900	–	3,400	–	2,300	–	32.03

(Note) Effective from the beginning of the fiscal year ending March 31, 2022, the Company will adopt the "Accounting Standard for Revenue Recognition" (Corporate Accounting Standard No. 29) and others, and therefore the consolidated results forecast is for amounts after the adoption of the said accounting standard and others, and does not include any year-on-year percentage changes.

#### \* Notes:

(1) Changes in significant subsidiaries during the fiscal year: Yes

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

Newly included: 26 (Company name) Antalis S.A.S.(\*), Antalis Limited, Antalis France, Antalis Gmbh, Antalis Austria Gmbh, Antalis AG, Antalis Portugal, S.A., Antalis Iberia, S.A., S.A. Antalis, Antalis Oy, Antalis S.R.O., Antalis Poland Spolka Z Ograniczona Odpowiedzialnoscia, Antalis S.A.(Romania), Inversiones Antalis Holdings SPA, Antalis Chile SPA, Antalis Asia Pacific Pte. Ltd., Antalis Do Brasil Produtos para a industria grafica Ltda, Antalis Group, Antalis Overseas Holdings Limited, Antalis Holdings Limited, Antalis Participations, Antalis Investments, Antalis Holding,

Antalis Group (Holdings) Limited, Map Merchant Group Limited,  
Map Merchant Holdings GmbH

Excluded: 3 (Company name) Spicers Holdings (Asia) Pte Ltd, Antalis Investments, Antalis Holding

\*It changed its name from Antalis S.A. to Antalis S.A.S. due to the change of its corporate form effective January 1, 2021.

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

- 1) Changes in accounting policies due to the revision of accounting standards: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Retrospective restatement: None

(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, 2021:	75,077,406 shares
Fiscal year ended March 31, 2020:	75,077,406 shares

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

Fiscal year ended March 31, 2021:	3,278,133 shares
Fiscal year ended March 31, 2020:	2,427,465 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2021:	71,917,550 shares
Fiscal year ended March 31, 2020:	73,094,072 shares

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

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(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, 2021	253,111	(13.1)	1,490	(20.1)	(5,876)	–	(1,820)	–
Fiscal year ended March 31, 2020	291,310	(7.1)	1,864	(10.8)	2,182	(4.5)	1,273	(45.6)

	Profit per share	Profit per share - diluted
	Yen	Yen
Fiscal year ended March 31, 2021	(25.31)	–
Fiscal year ended March 31, 2020	17.42	–

(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, 2021	152,378	43,647	28.6	607.90
Fiscal year ended March 31, 2020	152,928	45,468	29.7	625.86

(Reference) Equity: Fiscal year ended March 31, 2021: ¥43,647 million  
Fiscal year ended March 31, 2020: ¥45,468 million

\* These 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 “1. Overview of Operating Results, etc., (4) Future Outlook” 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 Tuesday, June 8, 2021. The explanatory materials for financial results distributed at the briefing will be posted on the Company’s website as soon as it is held.

○ Table of Contents of Attachments

1.	Overview of Operating Results, etc.....	2
	(1) Overview of Operating Results for the Current Fiscal Year .....	3
	(2) Overview of Financial Position for the Current Fiscal Year.....	3
	(3) Overview of Cash Flows for the Current Fiscal Year.....	3
	(4) Future Outlook.....	4
	(5) Basic Policy for Profit Distribution and Dividends for the Current Fiscal Year and Next Fiscal Year.....	4
2.	Basic Approach to the Selection of Accounting Standards.....	5
3.	Consolidated Financial Statements and Key Notes .....	6
	(1) Consolidated Balance Sheet .....	6
	(2) Consolidated Statements of Income and Comprehensive Income.....	8
	(3) Consolidated Statement of Changes in Equity .....	11
	(4) Consolidated Statement of Cash Flows .....	13
	(5) Notes to Consolidated Financial Statements .....	15
	(Notes on Going Concern Assumption).....	15
	(Significant Matters Forming the Basis in Preparation of Consolidated Financial Statements).....	15
	(Additional Information) .....	17
	(Information Related to Consolidated Balance Sheet).....	17
	(Information Related to Consolidated Statement of Income) .....	18
	(Information Related to Consolidated Statement of Changes in Equity).....	19
	(Information Related to Consolidated Statement of Cash Flows) .....	21
	(Information Related to Business Combination, Etc.).....	21
	(Segment Information, etc.).....	25
	(Per-share information).....	27
	(Significant Subsequent Events).....	28

## 1. Overview of Operating Results, etc.

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

The Japanese economy in the fiscal year under review experienced a significant downturn. This was the result of a decline in domestic demand centering on personal consumption and external demand centering on exports caused by a substantial restriction on socioeconomic activities such as the declaration of a state of emergency issued by the government twice due to the spread of COVID-19 worldwide. In the pulp and paper industry, to which the Company belongs, domestic demand for paper and paperboard has shown negative growth since 2011. However, the pace of decline accelerated in the fiscal year under review because of the COVID-19 disaster, and the negative range exceeded that of the period immediately after the 2008 financial crisis (called Lehman shock in Japan).

On the other hand, the global economy also experienced a sharp downturn significantly influenced by the restriction on economic activities due to the spread of COVID-19. In Europe, the influence of large-scale urban blockades and other events following the another wave of infections in various countries meant that consumption fell sharply and the economy continued to experience a significant downturn. In China, as a result of the early suppression of COVID-19, the economy recovered quickly, and real GDP in the fourth quarter of 2020 (Oct.-Dec.) increased by 6.5% year-on-year, showing positive growth for the full year. In Australia, as in China, the expansion of COVID-19 was suppressed at an early stage, and the economy was boosted mainly by personal consumption. The real GDP growth rate in the fourth quarter of 2020 (Oct.-Dec.) exceeded market expectations, showing the highest growth among the major countries.

Under these circumstances, the Group's consolidated net sales for the fiscal year under review were 430,404 million yen (up 12.8% year-on-year). With regard to profit and loss, gross profit increased significantly owing to the acquisition of overseas subsidiaries in the previous and fiscal year under review. However, a provision of allowance for doubtful accounts of 11,627 million yen was recorded due to delays in the collection of trade receivables related to the filing for provisional liquidation by business partners in Hong Kong and China. Consequently, operating loss was 9,035 million yen (compared with operating profit of 1,850 million yen in the previous fiscal year) and ordinary loss was 12,041 million yen (compared with ordinary profit of 2,194 million yen in the previous fiscal year). As a result of the recording of a gain on sales of real estate, profit attributable to owners of parent was 1,416 million yen (up 15.0% year-on-year).

Net sales by business segment are as follows.

#### <Wholesale pulp and paper, domestic locations>

In the paper field, amid a shift away from paper caused by digitalization, sales of comic books and educational reference materials were strong due to demand from people staying at home associated with the spread of COVID-19. However, demand for flyers, etc. decreased due to the cancellation of events, and both sales volume and net sales were below the level of those in the previous fiscal year.

In the paperboard field, sales of containerboard base paper, particularly for beverage packaging materials, remained relatively strong. But sales of white paperboard decreased due to a loss in inbound demand, and sales volume and net sales decreased slightly from the previous fiscal year.

In the paper materials field, due to effects of a decrease in the volume of waste paper generated accompanying weaker demand for paper and a shortage of containers caused by disruptions in maritime transportation, both sales volume and net sales decreased slightly from the previous fiscal year. Owing to an increase in demand for household paper in early spring, the sales volume of pulp increased from the previous fiscal year.

As a result of the above, net sales of the wholesale pulp and paper, domestic locations, were 252,104 million yen (down 13.3% year-on-year) and segment profit was 3,710 million yen (down 9.2% year-on-year).

#### <Wholesale pulp and paper, overseas locations>

Overseas locations were affected by the lockdown following the spread of COVID-19 and a shortage of containers caused by disruptions in maritime transportation. However, owing to the full-year contribution of

the financial results of Spicers Limited from the fiscal year under review and the acquisition of Antalis S.A.S., which operates mainly in Europe and South America, in the second half of the fiscal year, sales volume and net sales increased significantly from the previous fiscal year.

In Europe, while the spread of COVID-19 had a significant impact on the graphic paper business and the signage & visual communication business, the packaging business remained strong. In Australia, the packaging business remained strong, and the signage & visual communication business recovered to the level before the impact of COVID-19. In China, where COVID-19 had been quickly suppressed, sales have recovered, reflecting stronger demand for containerboard driven by an economic recovery. However, as a result of the recording of a provision of allowance for doubtful accounts due to delays in the collection of trade receivables related to the filing for provisional liquidation by business partners in Hong Kong and China, a significant operating loss was recorded.

As a result of the above, net sales of the wholesale pulp and paper, overseas locations, were 177,052 million yen (up 97.9% year-on-year) and segment loss was 10,557 million yen (compared with segment profit of 179 million yen in the previous fiscal year).

#### <Real estate leasing>

In the office building market in major cities throughout Japan, the average vacancy rate rose. This was the result of a movement to reduce office space after the summer due to changes in work patterns such as teleworking, affected by the spread of COVID-19. Accordingly, the average rent in the Tokyo area started to decline, and close attention needs to be paid to other areas.

In the Group, owing to the full operation of the KPP Yaesu Building, which is the main property, and higher unit rents resulting from the replacement of some tenants, net sales increased year-on-year.

As a result of the above, net sales of the real estate leasing were 1,247 million yen (up 2.9% year-on-year) and segment profit was 629 million yen (up 6.6% 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 275,119 million yen, up 85,802 million yen from the end of the previous fiscal year. This was mainly due to an increase in trade receivables and an increase in merchandise resulting from the acquisition of Antalis S.A.S.

Liabilities increased by 89,497 million yen to 231,537 million yen from the end of the previous fiscal year. This was mainly due to an increase in trade payables and short-term borrowings resulting from the acquisition of Antalis S.A.S. and an increase in long-term borrowings accompanying the purchase of shares of subsidiaries.

### (Net assets)

Net assets decreased by 3,695 million yen to 43,581 million yen from the end of the previous fiscal year, and the equity ratio decreased by 9.1 points to 15.8% from the end of the previous fiscal year. This was mainly due to a decrease in foreign currency translation adjustment caused by the yen's appreciation and remeasurements of defined benefit plans.

## (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 30,543 million yen, up 22,768 million yen from the end of the previous fiscal year. This was mainly a result of appropriation of funds acquired through profit before income taxes, sales of property, plant and equipment, and increased short-term borrowings to purchase shares of subsidiaries and purchase treasury shares.

Funds used in operating activities totaled 6,472 million yen (compared with funds provided by operating activities of 4,905 million yen for the previous fiscal year). This was mainly due to a decrease in trade payables.

Funds provided by investing activities totaled 23,046 million yen (compared with funds used in investing activities of 5,400 million yen for the previous fiscal year). This was mainly due to proceeds from sales of property, plant and equipment and proceeds from purchase of shares of subsidiaries resulting in a change in the scope of consolidation.

Funds provided by financing activities totaled 6,597 million yen (compared with funds provided by financing activities of 5,504 million yen for the previous fiscal year). This was mainly due to an increase in short-term borrowings and proceeds from long-term borrowings.

#### (4) Future Outlook

Looking ahead, the global economy is expected to continue on a recovery trend, owing to the eased restrictions along with the spread of vaccinations against COVID-19, and supported by fiscal and monetary policies, although they vary depending on the country, region and industry. In Japan, the economy is expected to head toward a gradual recovery due to the penetration of measures to prevent the spread of COVID-19 and the progress of vaccinations. But it remains to be seen when the spread of infections will cease and the economic uncertainty is expected to persist.

Under these circumstances, the consolidated results forecast for the fiscal year ending March 31, 2022 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, 2022	534,000	4,900	3,400	2,300
Operating results for the fiscal year ended March 31, 2021	430,404	(9,035)	(12,041)	1,416
Changes	103,596	13,935	15,441	884

In the fiscal year ended March 31, 2021, we recorded significant one-time losses such as provision of allowance for doubtful accounts related to the filing for provisional liquidation by business partners and share of loss of entities accounted for using the equity method in addition to the impact of COVID-19. As a result, the Group recorded an operating loss and ordinary loss. For the fiscal year ending March 31, 2022, the Group expects a significant increase in both sales and profit on a consolidated basis. This will be due to a recovery in the performance of existing businesses, the full-year contribution of the financial results of Antalis S.A.S., which was acquired last year, and an increase in sales from the restructured China business.

#### \* 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.

#### (5) Basic Policy for Profit Distribution and Dividends for the Current Fiscal Year and Next Fiscal Year

The Company recognizes the return of profits to shareholders as an important management issue, and has made it a basic policy to enhance corporate competitiveness and shareholder value. It will do this by expanding and effectively utilizing retained earnings and making stable and continuous payments of dividends.



Under this basic policy, the annual dividend for the fiscal year under review will be 10 yen per share. The annual dividend for fiscal 2021 is expected to be 10 yen per share based on the above policy, results forecast and other factors.

## 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 Sheet

(Million yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	7,786	30,546
Notes and accounts receivable - trade	95,698	112,782
Electronically recorded monetary claims - operating	10,926	12,928
Merchandise	19,764	40,012
Other	2,921	10,138
Allowance for doubtful accounts	(550)	(5,735)
Total current assets	136,546	200,672
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,983	6,935
Machinery, equipment and vehicles, net	273	1,255
Tools, furniture and fixtures, net	311	1,210
Land	18,498	9,581
Leased assets, net	190	178
Right-of-use assets, net	2,370	15,576
Construction in progress	44	108
Total property, plant and equipment	27,671	34,845
Intangible assets		
Goodwill	2,365	4,235
Software	264	4,327
Other	8	213
Total intangible assets	2,637	8,777
Investments and other assets		
Investment securities	20,606	17,806
Long-term loans receivable	29	188
Deferred tax assets	337	1,594
Retirement benefit asset	276	9,230
Other	1,968	11,190
Allowance for doubtful accounts	(756)	(9,184)
Total investments and other assets	22,462	30,824
Total non-current assets	52,771	74,447
Total assets	189,317	275,119

(Million yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	75,471	81,672
Electronically recorded obligations - operating	3,361	3,552
Short-term borrowings	30,303	67,999
Commercial papers	4,000	-
Lease obligations	611	4,754
Income taxes payable	705	9,273
Provision for bonuses	853	2,291
Provision for bonuses for directors (and other officers)	40	47
Provision for point card certificates	29	26
Provision for product warranties	48	60
Provision for loss on business liquidation	76	1,298
Provision for risk costs	-	134
Other	5,792	19,882
Total current liabilities	121,293	190,993
Non-current liabilities		
Long-term borrowings	13,504	15,272
Lease obligations	2,021	12,490
Deferred tax liabilities	2,945	694
Provision for retirement benefits for directors (and other officers)	21	16
Provision for share-based remuneration for directors (and other officers)	94	110
Provision for risk costs	-	316
Retirement benefit liability	317	4,678
Asset retirement obligations	42	431
Other	1,797	6,533
Total non-current liabilities	20,746	40,544
Total liabilities	142,040	231,537
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,723	4,723
Capital surplus	8,952	7,833
Retained earnings	31,151	31,826
Treasury shares	(845)	(1,089)
Total shareholders' equity	43,981	43,293
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,781	3,798
Deferred gains or losses on hedges	1	(54)
Foreign currency translation adjustment	355	(1,380)
Remeasurements of defined benefit plans	64	(2,167)
Total accumulated other comprehensive income	3,202	195
Non-controlling interests	92	92
Total net assets	47,277	43,581
Total liabilities and net assets	189,317	275,119

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

## Consolidated Statement of Income

(Million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net sales	381,397	430,404
Cost of sales	357,689	378,489
Gross profit	23,708	51,915
Selling, general and administrative expenses		
Selling expenses	5,517	9,747
Employees' salaries and allowances	7,050	16,749
Provision for bonuses	840	2,243
Provision for bonuses for directors (and other officers)	39	46
Retirement benefit expenses	177	705
Provision of allowance for doubtful accounts	141	11,627
Provision for retirement benefits for directors (and other officers)	2	(5)
Provision for share-based remuneration for directors (and other officers)	46	35
Provision for risk costs	-	23
Other	8,042	19,776
Total selling, general and administrative expenses	21,857	60,950
Operating profit	1,850	(9,035)
Non-operating income		
Interest income	692	273
Dividend income	439	443
Foreign exchange gains	-	274
Reversal of allowance for doubtful accounts	84	-
Other	259	368
Total non-operating income	1,476	1,360
Non-operating expenses		
Interest expenses	658	1,221
Loss on sales of trade receivables	34	233
Foreign exchange losses	50	-
Share of loss of entities accounted for using equity method	246	2,452
Other	142	460
Total non-operating expenses	1,132	4,366
Ordinary profit	2,194	(12,041)

(Million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Extraordinary income		
Gain on sales of non-current assets	2,238	10,599
Gain on sales of investment securities	958	924
Gain on reversal of asset retirement obligations	40	-
Gain on bargain purchase	-	1,679
Other	13	763
Total extraordinary income	3,250	13,966
Extraordinary losses		
Loss on retirement of non-current assets	18	7
Impairment loss	3,523	218
Loss on liquidation of business	14	181
Loss on valuation of investment securities	-	229
Loss on cancellation of leases	-	119
Other	38	5
Total extraordinary losses	3,595	763
Profit before income taxes	1,849	1,161
Income taxes - current	1,151	3,537
Income taxes - deferred	(519)	(3,647)
Total income taxes	632	(109)
Profit	1,217	1,271
Profit attributable to non-controlling interests	(14)	(145)
Profit attributable to owners of parent	1,232	1,416

## Consolidated Statement of Comprehensive Income

(Million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Profit	1,217	1,271
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,680)	1,017
Deferred gains or losses on hedges	(11)	(55)
Foreign currency translation adjustment	(232)	(956)
Remeasurements of defined benefit plans, net of tax	(355)	(2,232)
Share of other comprehensive income of entities accounted for using equity method	(126)	(779)
Total other comprehensive income	(3,407)	(3,007)
Comprehensive income	(2,189)	(1,736)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,173)	(1,590)
Comprehensive income attributable to non-controlling interests	(15)	(145)

## (3) Consolidated Statement of Changes in Equity

Previous fiscal year (From April 1, 2019 to March 31, 2020)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,723	8,952	30,554	(721)	43,508
Changes during period					
Dividends of surplus			(746)		(746)
Profit attributable to owners of parent			1,232		1,232
Purchase of treasury shares				(126)	(126)
Disposal of treasury shares				2	2
Change in scope of equity method			110		110
Net changes in items other than shareholders' equity					
Total changes during period	—	—	596	(123)	472
Balance at end of period	4,723	8,952	31,151	(845)	43,981

	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	5,461	13	713	420	107	50,225
Changes during period						
Dividends of surplus						(746)
Profit attributable to owners of parent						1,232
Purchase of treasury shares						(126)
Disposal of treasury shares						2
Change in scope of equity method						110
Net changes in items other than shareholders' equity	(2,680)	(11)	(357)	(355)	(14)	(3,421)
Total changes during period	(2,680)	(11)	(357)	(355)	(14)	(2,948)
Balance at end of period	2,781	1	355	64	92	47,277

Current fiscal year (From April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,723	8,952	31,151	(845)	43,981
Changes during period					
Dividends of surplus			(741)		(741)
Profit attributable to owners of parent			1,416		1,416
Purchase of treasury shares				(263)	(263)
Disposal of treasury shares				19	19
Change in ownership interest of parent due to transactions with non-controlling interests		(1,118)			(1,118)
Net changes in items other than shareholders' equity					
Total changes during period	—	(1,118)	675	(244)	(687)
Balance at end of period	4,723	7,833	31,826	(1,089)	43,293

	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	2,781	1	355	64	92	47,277
Changes during period						
Dividends of surplus						(741)
Profit attributable to owners of parent						1,416
Purchase of treasury shares						(263)
Disposal of treasury shares						19
Change in ownership interest of parent due to transactions with non-controlling interests						(1,118)
Net changes in items other than shareholders' equity	1,017	(55)	(1,735)	(2,232)	(0)	(3,007)
Total changes during period	1,017	(55)	(1,735)	(2,232)	(0)	(3,695)
Balance at end of period	3,798	(54)	(1,380)	(2,167)	92	43,581



## (4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,800	1,161
Depreciation	80	4,707
Impairment loss	3,500	218
Amortization of goodwill	20	485
Gain on bargain purchase		(1,679)
Share of loss (profit) of entities accounted for using equity method	20	2,452
Loss (gain) on valuation of investment securities		229
Increase (decrease) in retirement benefit liability	(20)	(570)
Increase (decrease) in provision for retirement benefits for directors (and other officers)		(5)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)		15
Increase (decrease) in provision for bonuses	(10)	531
Increase (decrease) in provision for bonuses for directors (and other officers)		(72)
Increase (decrease) in allowance for doubtful accounts	(90)	10,501
Increase (decrease) in provision for point card certificates		(2)
Interest and dividend income	(1,100)	(717)
Interest expenses	60	1,221
Loss (gain) on sales and retirement of non-current assets	(2,200)	(10,590)
Loss (gain) on sales of investment securities	(90)	(924)
Gain on reversal of asset retirement obligations	(0)	-
Reversal of foreign currency translation adjustments		(296)
Decrease (increase) in trade receivables	14,900	5,984
Decrease (increase) in inventories	50	1,902
Decrease (increase) in other assets	(0)	(892)
Increase (decrease) in trade payables	(12,000)	(14,386)
Increase (decrease) in other liabilities	50	(2,754)
Other		(1,366)
Subtotal	5,600	(4,846)
Interest and dividends received	1,100	717
Interest paid	(60)	(1,247)
Income taxes paid	(1,200)	(1,096)
Net cash provided by (used in) operating activities	4,900	(6,472)
Net cash provided by (used in) investing activities		
Payments into time deposits	(0)	(2)
Proceeds from withdrawal of time deposits		10
Purchase of property, plant and equipment and intangible assets	(2,000)	(1,776)
Proceeds from sales of property, plant and equipment and intangible assets	2,300	20,133
Purchase of investment securities	(40)	(101)
Proceeds from sales of investment securities	1,200	1,978
Payments for acquisition of businesses		(3,551)
Loan advances	(4,100)	(179)
Collection of loans receivable	4,300	96
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,500)	(714)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation		7,154
Other		0
Net cash provided by (used in) investing activities	(5,400)	23,046

(Million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	2,575	14,607
Net increase (decrease) in commercial papers	1,000	(4,000)
Proceeds from long-term borrowings	6,000	2,327
Repayments of long-term borrowings	(2,935)	(687)
Repayments of lease obligations	(263)	(3,441)
Purchase of treasury shares	(126)	(263)
Proceeds from sales of treasury shares	-	19
Dividends paid	(746)	(741)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(1,223)
Net cash provided by (used in) financing activities	5,504	6,597
Effect of exchange rate change on cash and cash equivalents	(72)	(403)
Net increase (decrease) in cash and cash equivalents	4,937	22,768
Cash and cash equivalents at beginning of period	2,838	7,775
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(1)	-
Cash and cash equivalents at end of period	7,775	30,543

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Significant Matters Forming the Basis in Preparation of Consolidated Financial Statements)

Matters concerning accounting policies

(1) Basis and methods of valuation of significant assets

1) Securities

Available-for-sale securities

Securities with market value

Stated at market value based on the market price and others at the last day of the fiscal year (valuation difference is reported as a component of net assets, and the cost of securities sold is calculated by the moving-average method).

Securities with no market value

Stated at cost based on the moving-average method.

2) Derivatives

Stated at market value (hedge transactions are accounted for by hedge accounting).

3) Inventories

Stated at cost primarily based on the moving-average method (the balance sheet amount is calculated by devaluing the book value based on a decline in profitability).

(2) Method of depreciation and amortization for significant depreciable assets

1) Property, plant and equipment (excluding leased assets and right-of-use assets)

The Company and its consolidated subsidiaries principally use the declining-balance method.

(However, the Company and its domestic consolidated subsidiaries use the straight-line method for buildings (excluding attached facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.)

2) Intangible assets (excluding leased assets)

The Company and its consolidated subsidiaries principally use the straight-line method. Software for internal use is amortized using the straight-line method over the period of internal use (5 years).

3) Leased assets

The straight-line method is used with the lease period as the useful life and the residual value as zero.

4) Right-of-use assets

The straight-line method is used with the lease period as the useful life and the residual value as zero.

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

To prepare for losses on trade receivables, loans receivable and others, the estimated uncollectable amounts regarding general receivables are recorded based on the actual default ratio, and the estimated uncollectable amounts regarding certain receivables such as doubtful receivables are recorded by separately examining their collectability.

2) Provision for bonuses

The Company and some of its consolidated subsidiaries provide for bonus payments to employees at an estimated amount to be paid for the fiscal year under review.

- 3) Provision for bonuses for directors (and other officers)  
The Company and some of its consolidated subsidiaries provide for bonus payments to directors (and other officers; including executive officers) based on an estimated amount to be paid.
  - 4) Provision for point card certificates  
To prepare for the cost of exchanging the points granted based on the collection of waste paper under the ecomo (waste paper recycling points system) for recycling coupons, the amount corresponding to the points expected to be used in the future is recorded against the unused points balance.
  - 5) Provision for product warranties  
Certain consolidated subsidiaries provide for repair costs on products covered under warranty to be incurred in the future based on the estimated warranty costs at the end of the fiscal year.
  - 6) Provision for loss on business liquidation  
Provision for loss on business liquidation is recorded at the amount of losses expected to arise in the future.
  - 7) Provision for retirement benefits for directors (and other officers)  
Certain consolidated subsidiaries provide for the payment of retirement benefits for directors (and other officers; including executive officers) at an amount required to be paid at the end of the fiscal year based on their internal regulations.
  - 8) Provision for share-based remuneration for directors (and other officers)  
The Company provides for share-based remuneration for directors (and other officers; including executive officers) based on the estimated share-based payment obligation at the end of the fiscal year.
  - 9) Provision for risk costs  
Certain overseas consolidated subsidiaries provide for risk costs such as litigation risks and tax risks at the estimated amount of losses in consideration of the probability of their occurrence.
- (4) Other significant matters for preparation of consolidated financial statements
- 1) Method of hedge accounting  
Deferred hedge accounting is applied. The appropriation treatment is applied for hedging foreign exchange fluctuation risk when the requirements for the treatment are met, while the special treatment is applied for interest rate swaps when the requirements for the treatment are met.
  - 2) Accounting procedures for consumption taxes and others  
Tax-exclusive method is adopted.
  - 3) Matters concerning amortization of goodwill  
Goodwill is amortized on a straight-line basis mainly over a period of 10 or 12 years. Insignificant amounts are fully amortized in the fiscal year incurred.
  - 4) Method of accounting for retirement benefits
    - a. Period attribution method for the estimated retirement benefits: In calculating retirement benefit obligations, the method of attributing the estimated retirement benefits to the period up to the end of the fiscal year under review is based on the benefit formula basis.
    - b. Method of expensing actuarial differences and prior service costs: Prior service costs are fully charged to income as incurred. Actuarial differences are amortized using the straight-line method from the fiscal year following their accrual over a certain number of years within the average remaining service period of employees (1–4 years) and the average remaining service period of employees (6 years) at the time of their accrual.
    - c. Adoption of simplified method for small corporations, etc.: Certain consolidated subsidiaries adopt the simplified method, which assumes retirement benefit obligations to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the end of the fiscal year, for the calculation of the retirement benefit liability and retirement benefit expenses.

(5) Scope of funds in the consolidated statement of cash flows

Funds consist of cash on hand, demand deposits, and short-term investments with maturities of 3 months or less from the date of acquisition, which are readily convertible into cash and bear only an insignificant risk of price fluctuation.

(Additional Information)

(Inability or delays in the collection of receivables)

Samson Paper Holdings Limited (listed on the Hong Kong Stock Exchange; hereinafter referred to as “Samson”), the parent company of the business partner of DaiEi Papers (H.K.) Limited (hereinafter referred to as “Hong Kong DaiEi”) and Keishin Papers Trade (Shanghai) Co., Ltd. (hereinafter referred to as “Keishin Papers”), both of which are the Company’s consolidated subsidiaries, disclosed that it had filed for “light touch” provisional liquidation for its reorganization to the Bermuda Supreme Court on July 20, 2020. As a result, delays occurred in the collection of trade receivables held by Samson Paper Company Limited and Samson Paper (Beijing) Company Limited (hereinafter referred to as the “Business Partners”), both of which are Samson’s consolidated subsidiaries.

Of 13,548 million yen in trade receivables held by Hong Kong DaiEi and Keishin Papers against the Business Partners, the Company recorded 11,475 million yen in provision of allowance for doubtful accounts as selling, general and administrative expenses. Trade receivables of 8,133 million yen, which are not expected to be collected within 1 year, have been transferred to “other” in investments and other assets.

The Company, Hong Kong DaiEi and Keishin Papers strive to collect trade receivables by continuously focusing on negotiations for their collection and filing lawsuits against Business Partners demanding payment of sales proceeds.

The provision of allowance for doubtful accounts is calculated by subtracting from the balance of trade receivables the amount secured by real estate collateral and the amount of money received after the fiscal year-end. Allowance for doubtful accounts may fluctuate in and after the following fiscal year if a payment is made by compulsory execution against the bank account secured through court proceedings or a liquidating dividend derived from the sale of real estate held by the Business Partners is paid.

(Information Related to Consolidated Balance Sheet)

1 Amounts related to unconsolidated subsidiaries and affiliates are as follows.

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Investment securities (shares)	4,848 million yen	1,520 million yen

2 Accumulated depreciation of property, plant and equipment

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Accumulated depreciation of property, plant and equipment	9,516 million yen	33,819 million yen

3 Repurchase obligation following securitization

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Repurchase obligation following securitization of receivables	2,000 million yen	1,292 million yen

(Information Related to Consolidated Statement of Income)

1. Impairment loss

In the previous fiscal year, the Group recorded impairment losses for the following assets.

Location	Purpose of use	Type	Amount
Chuo-ku, Tokyo	Business assets	Software	3,523 million yen

The Group primarily groups its assets by the management accounting segmentation (company, branch) utilized to monitor receipts and disbursements on an ongoing basis.

As a result of discontinuing the development project of the software for internal use, the book value of the portion that is not expected to be used in the future was reduced to the recoverable amount, and the relevant decrease was recorded as an impairment loss. The recoverable amount is regarded as zero.

In the fiscal year under review, the Group recorded impairment losses for the following assets.

Location	Purpose of use	Type	Amount
Ichihara-shi, Chiba	Business assets	Furniture and fixtures	18 million yen
Germany, Austria	Business assets	Furniture and fixtures, right-of-use assets and other intangible assets	40 million yen
Portugal, Spain	Business assets	Other intangible assets	119 million yen
Eastern Europe	Business assets	Furniture and fixtures, and other intangible assets	40 million yen
Total			218 million yen

The Group primarily groups its assets by the management accounting segmentation (region, company, branch) utilized to monitor receipts and disbursements on an ongoing basis.

For asset groups that are not expected to be used in the future, the book value is reduced to the recoverable amount, and the relevant decrease is recorded as an impairment loss. The recoverable amount is regarded as zero.

For asset groups that continuously record operating losses and have estimated cash flows that are less than the book value of each asset, the book value is reduced to the recoverable amount, and the relevant decrease is recorded as an impairment loss.

The recoverable amount is measured based on their value in use and was calculated by discounting the future cash flows by the discount rate (6.75% to 9%).

2. Share of loss of entities accounted for using equity method

Current fiscal year (From April 1, 2020 to March 31, 2021)

As Universal Pulp and Paper (Shandong) Co., Ltd., a subsidiary of Mission Sky Group Limited, the Company's equity-method affiliate, faced a cash flow crisis, its creditors filed for bankruptcy with the district court, which accepted the filing. The resulting share of loss of entities accounted for using the equity method of 2,463 million yen was recorded.

(Information Related to Consolidated Statement of Changes in Equity)

Previous fiscal year (From April 1, 2019 to March 31, 2020)

1. Matters Concerning Types and Total Number of Outstanding Shares and Treasury Shares

	Number of shares at the beginning of the fiscal year under review (thousand shares)	Increase in number of shares during the fiscal year under review (thousand shares)	Decrease in number of shares during the fiscal year under review (thousand shares)	Number of shares at the end of the fiscal year under review (thousand shares)
Outstanding shares				
Common shares	75,077	—	—	75,077
Total	75,077	—	—	75,077
Treasury shares				
Common shares <sup>(Note 1, 2, 3)</sup>	1,935	498	6	2,427
Total	1,935	498	6	2,427

- (Notes) 1. The increase in the number of treasury shares (common shares) is due to the open-market purchase of 498,000 treasury shares.
2. The decrease in the number of treasury shares (common shares) is all due to the exercise of stock options.
3. Treasury shares (common shares) include the treasury shares owned by the executive compensation BIP trust.

2. Matters Concerning Dividends

(1) Cash dividends paid

(Resolution)	Type of shares	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2019	Common shares	746	10	March 31, 2019	June 28, 2019

- (Notes) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 27, 2019 includes dividends of 15 million yen on the Company's shares owned by the executive compensation BIP trust.

(2) Dividends whose record date is in the fiscal year under review and that come into effect in the next fiscal year

(Resolution)	Type of shares	Total amount of dividends (million yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2020	Common shares	741	Retained earnings	10	March 31, 2020	June 29, 2020

- (Notes) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 26, 2020 includes dividends of 14 million yen on the Company's shares owned by the executive compensation BIP trust.

Current fiscal year (From April 1, 2020 to March 31, 2021)

1. Matters Concerning Types and Total Number of Outstanding Shares and Treasury Shares

	Number of shares at the beginning of the fiscal year under review (thousand shares)	Increase in number of shares during the fiscal year under review (thousand shares)	Decrease in number of shares during the fiscal year under review (thousand shares)	Number of shares at the end of the fiscal year under review (thousand shares)
Outstanding shares				
Common shares	75,077	—	—	75,077
Total	75,077	—	—	75,077
Treasury shares				
Common shares <sup>(Note 1, 2, 3)</sup>	2,427	901	50	3,278
Total	2,427	901	50	3,278

- (Notes) 1. The increase in the number of treasury shares (common shares) is due to the open-market purchase of 901,000 treasury shares.
2. The decrease in the number of treasury shares (common shares) is due to the issuance of the Company's shares by the executive compensation BIP trust.
3. Treasury shares (common shares) include the treasury shares owned by the executive compensation BIP trust.

2. Matters Concerning Dividends

(1) Cash dividends paid

(Resolution)	Type of shares	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2020	Common shares	741	10	March 31, 2020	June 29, 2020

(Notes) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 26, 2020 includes dividends of 14 million yen on the Company's shares owned by the executive compensation BIP trust.

(2) Dividends whose record date is in the fiscal year under review and that come into effect in the next fiscal year

(Resolution)	Type of shares	Total amount of dividends (million yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2021	Common shares	732	Retained earnings	10	March 31, 2021	June 30, 2021

(Notes) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 29, 2021 includes dividends of 14 million yen on the Company's shares owned by the executive compensation BIP trust.



(Information Related to Consolidated Statement of Cash Flows)

Relationship between cash and cash equivalents at end of period and amounts stated in the consolidated balance sheet

	Previous fiscal year (From April 1, 2019 to March 31, 2020)		Current fiscal year (From April 1, 2020 to March 31, 2021)	
Cash and deposits	7,786	million yen	30,546	million yen
Time deposits with maturities of more than 3 months	(10)		(2)	
Cash and cash equivalents	7,775		30,543	

(Information Related to Business Combination, Etc.)

Business combination through acquisition (Wilmaridge Pty Ltd)

(1) Outline of the business combination

1) Name of the acquired company and description of its business

Acquired company	Wilmaridge Pty Ltd
Business description	Wholesale and processing of paper and packaging materials, printing and wholesale of food packaging materials

2) Main reasons for the business combination

The Company resolved at the Board of Directors meeting held on November 26, 2019, that Spicers Australia Pty Ltd, a business company of Spicers Limited (Address: Melbourne, Victoria, Australia; hereinafter referred to as “Spicers”), the Company’s consolidated subsidiary, would enter into a business transfer agreement with Wilmaridge Pty Ltd (Address: Melbourne, Victoria, Australia; hereinafter referred to as “Wilmaridge”) to acquire Wilmaridge’s wholesale business of paper, paperboard, etc. (hereinafter referred to as “Direct Paper”).

This business acquisition was executed on February 28, 2020, after the conditions were met upon the approval of the Australian Competition and Consumer Commission on February 20, 2020.

With eight locations in Australia and four in New Zealand, Spicers has established a strong position in the Australian and New Zealand markets as a leading wholesaler of paper, packaging materials and paper-related products. In addition to entering the signature and display market, which is expected to expand, the Spicers is also focusing on wrapping and packaging products, and has strength in the wine label and copying paper markets.

On the other hand, Direct Paper has three locations in Australia, and focuses on sales and conversion of commercial printing paper, packaging materials and food packaging materials. Accordingly, the acquisition of this business is expected to diversify Spicers’ business portfolio and further enhance Spicer’s presence in the Australian market by capturing a growing packaging segment. Based on the above, the business transfer agreement was concluded.

3) Date of the business combination

February 28, 2020

4) Legal form of the business combination

Business acquisition

5) Name of the company after the business combination

No change

- 6) Main grounds for determining the acquiring company  
Spicers Australia Pty Ltd, the Company's consolidated subsidiary, acquired the business in exchange for cash.
- (2) Period of the acquired company's financial results included in the consolidated statement of income  
Because the fiscal year-end of Spicers Australia Pty Ltd differs from the consolidated fiscal year-end by 3 months, its financial results from March 1, 2020 to December 31, 2020 are included.
- (3) Acquisition cost of the acquired business and the breakdown thereof by type of consideration  

<u>Consideration for the acquisition (cash)</u>	3,468 million yen (A\$48 million)
Acquisition cost	3,468 million yen (A\$48 million)
- (4) Amount of goodwill that occurred, the cause of its occurrence, the amortization method and the amortization period
- 1) Amount of goodwill that occurred 1,785 million yen
  - 2) Cause of occurrence Excess profitability expected from future business development
  - 3) Amortization method and period Straight-line depreciation over 10 years
- (5) Amount of assets received and liabilities assumed on the date of the business combination and the breakdown thereof
- |                         |                   |
|-------------------------|-------------------|
| Current assets          | 2,181 million yen |
| Non-current assets      | 75 million yen    |
| Total assets            | 2,257 million yen |
| Current liabilities     | 575 million yen   |
| Non-current liabilities | - million yen     |
| Total liabilities       | 575 million yen   |

#### Business combination through acquisition (Antalis S.A.S.)

- (1) Outline of the business combination
- 1) Name of the acquired company and description of its business

Acquired company	Antalis S.A.S. (hereinafter referred to as "Antalis")
Business description	Wholesale of paper, packaging materials, and consumable parts for signatures and displays
  - 2) Main reasons for the business combination  
The Group has established the management philosophy of realizing a recycling-oriented society and widely contributing to the promotion of education, culture, and industry, and it engages in a broad range of businesses mainly in Japan and the Asia-Pacific region. In the second medium-term management plan "Business Development Period" that commenced in this fiscal year, the Group aims to achieve sustainable growth by incorporating growth through the acquisition of external resources (inorganic growth) as one of its basic strategies.  
  
On the other hand, Antalis is Europe's largest paper merchant, and a leading wholesaler of paper and paper-related products mainly in Europe, and in South America and the Asia-Pacific region. Antalis also

has strength in its packaging business and visual communications business (such as signatures and displays), both of which have high growth potential as post-graphic paper, and is promoting business portfolio reform and investment in e-commerce.

Antalis, which has a business base in European countries, and the Company, which has a business base mainly in the Asia-Pacific region, have a strong complementary relationship. It was judged that the Group can expect to pursue synergies, such as product development and brand power development, by collaborating with Antalis. Accordingly, the put option agreement and the share purchase agreement were concluded. It is also judged that, by acquiring Antalis, the Group will further strengthen its competitiveness through the trade business of the Company's overseas business and the paper wholesale business of Antalis. Going forward, the Group will aggressively expand its business not only in the Asia-Pacific region but also in Europe and other regions of the world, with the aim of achieving sustainable development.

- 3) Date of the business combination  
July 21, 2020
  - 4) Legal form of the business combination  
Purchase of shares in exchange for cash
  - 5) Name of the company after the business combination  
No change
  - 6) Percentage of voting rights acquired  
83.60%
  - 7) Main grounds for determining the acquiring company  
The Company purchased shares in exchange for cash.
- (2) Period of the acquired company's financial results included in the consolidated statement of income  
Because the fiscal year-end of Antalis S.A.S. differs from the consolidated fiscal year-end by 3 months, its financial results from July 1, 2020 to December 31, 2020 are included.
- (3) Acquisition cost of the acquired business and the breakdown thereof by type of consideration
- |   |                 |                     |
|---|-----------------|---------------------|
| Consideration for the acquisition (cash and deposits) | 955 million yen | (7.7 million euros) |
| Acquisition cost                                      | 955 million yen |                     |
- (4) Amount of gain on bargain purchase and the cause of its occurrence
- 1) Gain on bargain purchase: 1,679 million yen  
The amount of gain on bargain purchase is a tentatively calculated amount because allocation of the acquisition cost has not been completed in the fiscal year.
  - 2) Cause of occurrence  
The market value of net assets at the time of the business combination exceeded the acquisition cost.
- (5) Amount of assets received and liabilities assumed on the date of the business combination and the breakdown thereof
- |                    |                     |  |
|--------------------|---------------------|--|
| Current assets     | 71,758 million yen  |  |
| Non-current assets | 29,592 million yen  |  |
| Total assets       | 101,351 million yen |  |

Current liabilities	83,691 million yen
Non-current liabilities	14,487 million yen
Total liabilities	98,178 million yen

(Transactions, etc. under Common Control)

Additional purchase of shares of a subsidiary (Antalis S.A.S.)

(1) Outline of the transaction

1) Name of the party to the business combination and description of its business

Name of the party to the business combination Antalis S.A.S.

Business description Wholesale of paper, packaging materials, and consumable parts for signatures and displays

2) Date of the business combination

November 5, 2020 (Deemed acquisition date: September 30, 2020)

3) Legal form of the business combination

Purchase of shares from non-controlling shareholders

4) Name of the company after the business combination

No change

5) Other matters concerning the outline of the transaction

The Company made Antalis S.A.S. its wholly-owned subsidiary as a result of the tender offer and squeeze-out.

(2) Outline of the accounting procedures implemented

The transaction is accounted for as one with non-controlling shareholders among transactions under common control in accordance with the “Accounting Standard for Business Combinations” and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

(3) Matters stated in the case where shares of subsidiaries are additionally purchased

Consideration for the acquisition (cash and deposits)

1,223 million yen (9.9 million euros)

Acquisition cost

1,223 million yen

(4) Matters concerning changes in the Company's equity due to transactions with non-controlling shareholders

1) Major causes of changes in capital surplus

Additional purchase of shares of subsidiaries

2) The amount of capital surplus decreased due to transactions with non-controlling shareholders

1,118 million yen

Additional purchase of shares of a subsidiary (Keishin Papers Trade (Shanghai) Co., Ltd.)

(1) Outline of the transaction

1) Name of the party to the business combination and description of its business

Name of the party to the business combination Keishin Papers Trade (Shanghai) Co., LTD.

Business description

Sales of paper, packaging materials, pulp, etc.

- 2) Date of the business combination  
October 28, 2020
- 3) Legal form of the business combination  
Purchase of shares by subscription to third-party allotment in exchange for cash
- 4) Name of the company after the business combination  
No change
- 5) Other matters concerning the outline of the transaction  
The transaction was implemented with the aim of strengthening the financial position and securing funds necessary for further business expansion through the allocation of new shares to a third party.

- (2) Outline of the accounting procedures implemented  
The transaction is accounted for as one with non-controlling shareholders among transactions under common control in accordance with the “Accounting Standard for Business Combinations” and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

- (3) Matters stated in the case where shares of subsidiaries are additionally purchased

Consideration for the acquisition (cash and deposits)	1,959 million yen	(US\$18.7 million)
Acquisition cost	1,959 million yen	

- (4) Matters concerning changes in the Company's equity due to transactions with non-controlling shareholders
  - 1) Major causes of changes in capital surplus  
Additional purchase of shares of subsidiaries
  - 2) The amount of capital surplus decreased due to transactions with non-controlling shareholders  
- million yen

(Segment Information, etc.)

[Segment Information]

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 allocation of management resources is determined and performance is assessed for the Company by accounting unit based on its business and locations in Japan, and for its consolidated subsidiaries principally by company, and the Group identifies them as business segments. By consolidating these business segments by business and location (domestic and overseas) in consideration of the similarity in economic characteristics and other factors, the Group has three reportable segments: “wholesale pulp and paper, domestic locations,” “wholesale pulp and paper, overseas locations” and “real estate leasing.”

In the “wholesale pulp and paper, domestic locations” and “wholesale pulp and paper, overseas locations,” the Group sells paper, paperboard, pulp, waste paper and other paper-related materials. In the “real estate leasing,” the Group rents real estate.

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

The method of accounting for reported business segments is generally the same as that described in “Significant Matters Forming the Basis in Preparation of Consolidated Financial Statements.”

Profit in the reportable segments is based on operating profit.

Intersegment revenues and transfers are based on prevailing market prices.

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

Previous fiscal year (From April 1, 2019 to March 31, 2020)

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Wholesale pulp and paper, domestic locations	Wholesale pulp and paper, overseas locations	Real estate leasing	Total		
Net sales						
Net sales to external customers	290,738	89,446	1,212	381,397	—	381,397
Intersegment net sales or transfers	5,109	428	12	5,550	(5,550)	—
Total	295,848	89,874	1,224	386,947	(5,550)	381,397
Segment profit	4,088	179	590	4,858	(3,007)	1,850
Segment assets	119,694	43,475	15,886	179,056	10,261	189,317
Other items						
Depreciation	313	299	181	794	31	826
Amortization of goodwill	105	98	—	203	—	203
Investment in entities accounted for using equity method	601	4,001	—	4,603	—	4,603
Increase in property, plant and equipment and intangible assets	1,866	2,566	180	4,613	9	4,622

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

- (1) The adjustment to segment profit of (3,007) million yen consists of intersegment eliminations of (8) million yen and corporate expenses of (2,998) 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 10,261 million yen consists of intersegment eliminations of (10,242) million yen and corporate assets of 20,504 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, 2020 to March 31, 2021)

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Wholesale pulp and paper, domestic locations	Wholesale pulp and paper, overseas locations	Real estate leasing	Total		
Net sales						
Net sales to external customers	252,104	177,052	1,247	430,404	—	430,404
Intersegment net sales or transfers	4,902	251	17	5,171	(5,171)	—
Total	257,006	177,304	1,264	435,575	(5,171)	430,404
Segment income (loss)	3,710	(10,557)	629	(6,217)	(2,817)	(9,035)
Segment assets	136,782	145,994	6,873	289,649	(14,529)	275,119
Other items						
Depreciation	555	3,939	180	4,675	31	4,707
Amortization of goodwill	105	380	—	485	—	485
Investment in entities accounted for using equity method	571	711	—	1,283	—	1,283
Increase in property, plant and equipment and intangible assets	674	7,600	17	8,293	53	8,346

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

- (1) The adjustment to segment profit (loss) of (2,817) million yen consists of intersegment eliminations of 4 million yen and corporate expenses of (2,821) 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 (14,529) million yen consists of intersegment eliminations of (32,925) million yen and corporate assets of 18,395 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 (loss) is adjusted with operating profit (loss) in consolidated financial statements.

(Per-share information)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net assets per share	649.48 yen	605.71 yen
Profit per share	16.86 yen	19.70 yen
Profit per share - diluted	-	-

- (Notes) 1. Profit per share - diluted is not stated as there are no dilutive shares which 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 (1,495,000 shares in the previous fiscal year, and 1,445,000 shares in the fiscal year under review). In calculating “profit 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 (1,498,000 shares in the previous fiscal year, and 1,459,000 shares in the fiscal year under review).

3. The basis for calculating the amount of net assets per share is as follows.

	Previous fiscal year end (March 31, 2020)	Current fiscal year end (March 31, 2021)
Total net assets (million yen)	47,277	43,581
Amount to be deducted from total net assets (million yen)	92	92
(Non-controlling interests (million yen))	(92)	(92)
Net assets at the end of the fiscal year related to common shares (million yen)	47,184	43,489
Number of common shares at the end of the fiscal year used for calculation of net assets per share (thousand shares)	72,649	71,799

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

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Profit per share		
Profit attributable to owners of parent (million yen)	1,232	1,416
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	1,232	1,416
Average number of common shares during the fiscal year (thousand shares)	73,094	71,918
Outline of dilutive shares not included in the calculation of profit per share - diluted because they have no dilutive effect	—	—

(Significant Subsequent Events)

Not applicable.