

Financial Results for the Fiscal Year Ended March 31, 2021

June 2021

KOKUSAI PULP & PAPER CO., LTD.

Tokyo Stock Exchange 1st Section
9274



I

Fiscal Year Ended March 2021

II

**Forecast for the Fiscal Year Ended
March 2022**

III

**Outline of Medium and Long-Term Growth
Strategy**

Impact of the COVID-19



Summary

- Japan : Demand is expected to exceed the previous year's level for this fiscal year despite the current severe situation following the third declaration of a state of emergency.
- Overseas : In regions such as Australia and China where COVID-19 has been successfully controlled, sales have been strong. On the other hand, in ASEAN and Europe, sales were weak, although they are starting to recover.

Domestic market

- While the demand for graphic paper such as flyers was sluggish, sales of comic books was bullish and educational reference books was also strong with stay-at-home consumption providing a tailwind.
- Folding box board sales was weak due to plummeting inbound demand. Demand for containerboard was firm, mainly due to e-commerce consumption.
- The amount of used paper has decreased due to the fall in paper and paperboard consumption in Japan. Growing demand for corrugated cardboard has led to a worldwide shortage of used paper.
- Demand increased for pulp as a substitute for used paper in China, the largest market for pulp, due to a ban on the import of used paper. In addition, prices have skyrocketed since the beginning of 2021 due to a shortage of containers.

Overseas market

- The demand in ASEAN and the United States was sluggish due to COVID-19 pandemic. On the other hand, demand in China has recovered quickly.
- ANZ 's* sign and display business performed well.
- In Europe, demand for graphic paper and visual communications was weak, however, as the number of new infections of COVID-19 has declined, demand is recovering. On the other hand, the demand for packaging paper has been strong through the last fiscal year.
- Antalis (France) will contribute fully to our group from this fiscal year.

* ANZ. Australia/ New Zealand

I

Fiscal Year Ended March 2021

Fiscal Year Ended March 2021



Sales

Operating loss

Net profit

- ✓ The revenue increased due to the contribution of acquired subsidiaries such as Spicers of Australia and Antalis of France.
- ✓ The operating loss due to provision of allowance for doubtful accounts in Hong Kong and China
- ✓ The net profit increased due to recording of extraordinary profit such as sales of fixed assets

(Million yen)	Fiscal year ended March 2020		Fiscal year ended March 2021			
		Sales ratio		Sales ratio	Year-on-year comparison	Variance
Sales	381,397	100.0%	430,404	100.0%	+49,007	+12.8%
Gross profit	23,708	6.2%	51,915	12.1%	+28,206	+119.0%
SG & A	21,857	5.7%	60,950	14.2%	+39,093	+178.9%
Operating profit	1,850	0.5%	(9,035)	-	(10,885)	-
Ordinary profit	2,194	0.6%	(12,041)	-	(14,236)	-
Profit attributable to owners of parent	1,232	0.3%	1,416	0.3%	+184	+15.0%

Fiscal Year Ended March 2021 (by Segment)



Domestic business

Overseas business

Real estate leasing business

- ✓ The demand for comic books was bullish, and for study reference books was also strong due to stay-at-home consumption, but demand for flyers decreased due to cancellation of events.
- ✓ Sales doubled due to the contribution of Spicers of Australia and Antalis of France.
- ✓ KPP Yaesu Building, one of the main properties, was fully occupied, and unit rent increased for some tenants.

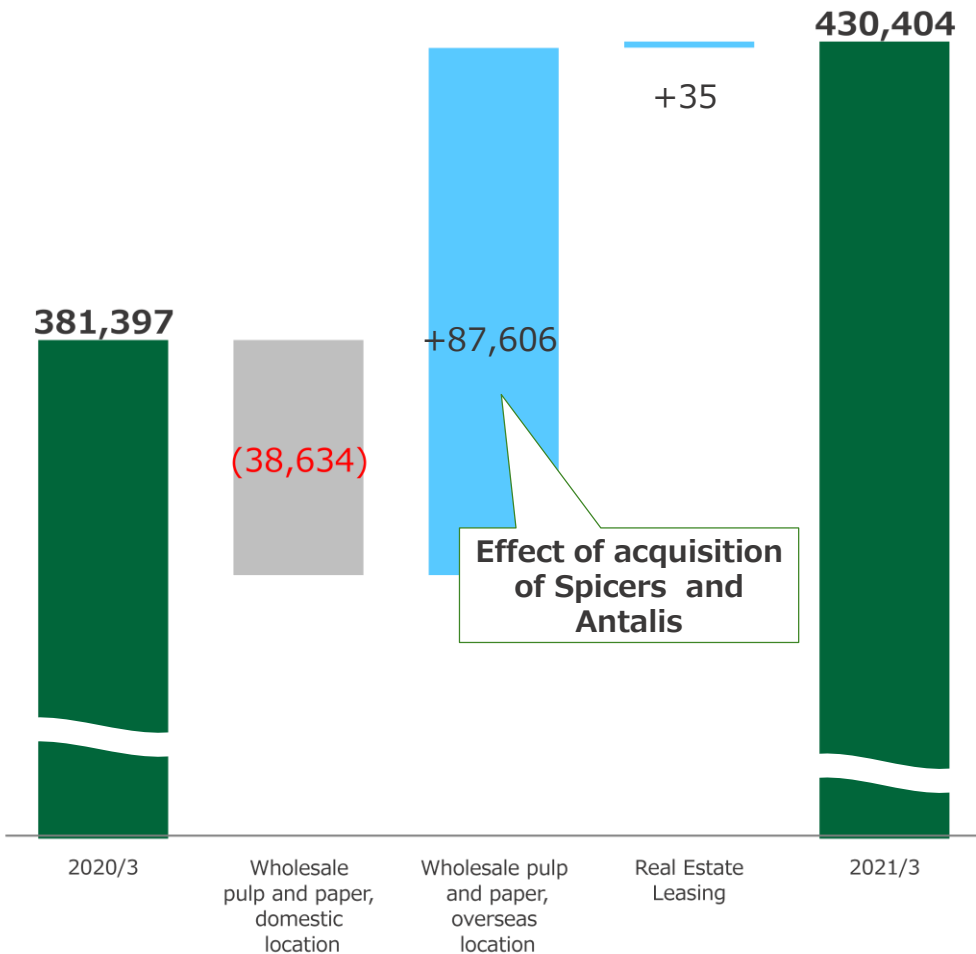
(Million yen)		Fiscal year ended March 2020	Fiscal year ended March 2021		
				Year-on-year comparison	Variance
Wholesale pulp and paper, Domestic locations	Sales	290,738	252,104	(38,634)	(13.3%)
	Segment profit	4,088	3,710	(377)	(9.2%)
	Profit ratio	1.4%	1.5%	+0.1P	-
Wholesale pulp and paper, Overseas locations	Sales	89,446	177,052	+87,606	+97.9%
	Segment profit	179	(10,557)	(10,736)	-
	Profit ratio	0.2%	-	-	-
Real estate leasing	Sales	1,212	1,247	+35	+2.9%
	Segment profit	590	629	+38	+6.6%
	Profit ratio	48.7%	50.4%	+1.7P	-
Total	Sales	381,397	430,404	+49,007	+12.8%
	Segment profit	4,858	(6217)	(11,075)	-
	Adjustments	(3007)	(2817)	+189	-
	Operating profit	1,850	(9035)	(10,885)	-
	Profit ratio	0.5%	-	-	-

Sales and Operating Profit by Segment



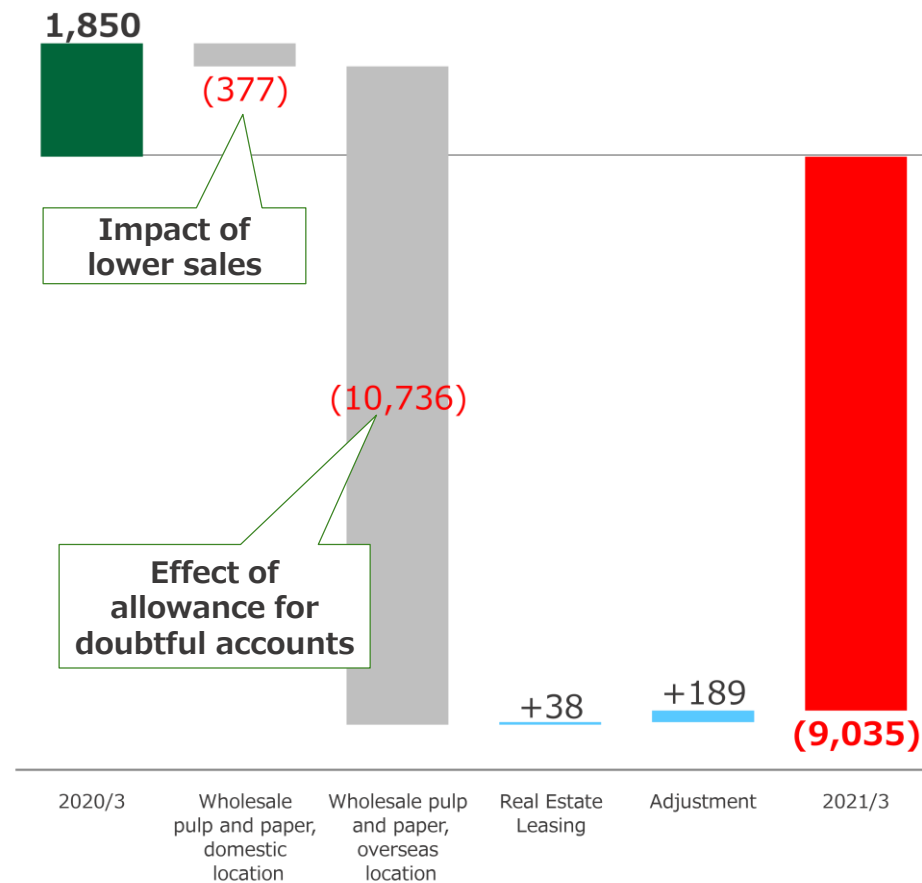
Increase/Decrease of Sales

(Million yen)



Increase/Decrease of Operating Profit

(Million yen)



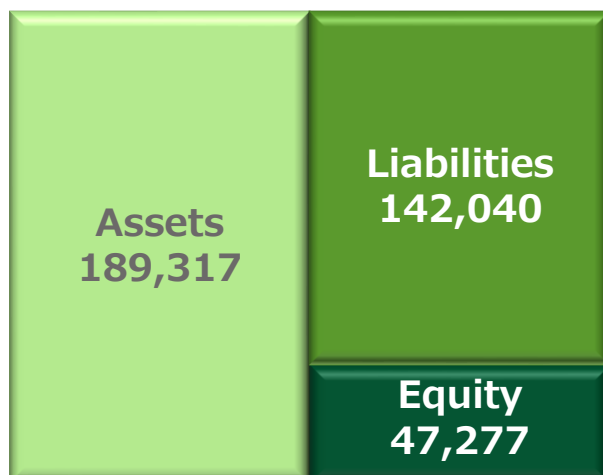
Current Financial Condition



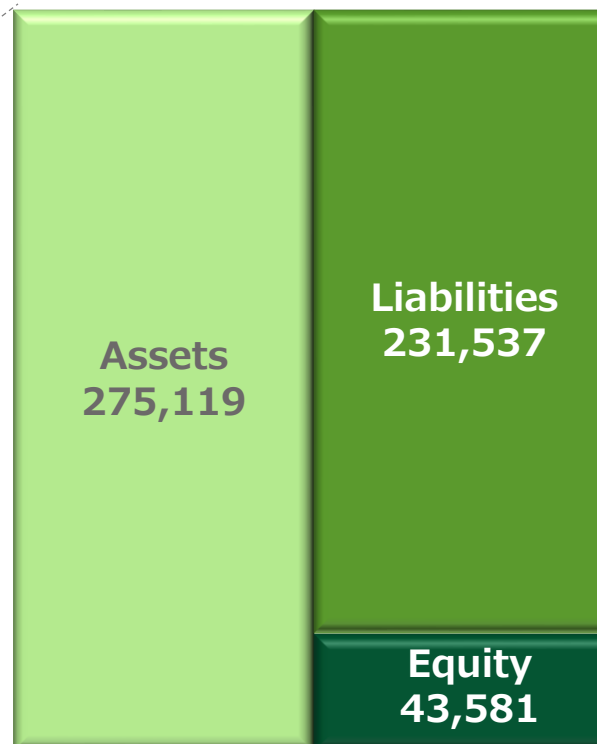
- Total assets increased due to acquisition of Antalis. Net assets decreased due to provision for doubtful accounts in Hong Kong and China businesses. Equity ratio declined significantly (from **24.9%** to **15.8%**)
- From this fiscal year onward, KPP aims to quickly recover its capital adequacy ratio through constant profit recognition due to recovery of business performance, efficient asset management and cash management (**15.8%** → **25%** target).

Balance Sheet Summary (as of March 31, 2020)

(Million yen)



Balance Sheet Summary (as of March 31, 2021)



II

Forecast for the Fiscal Year Ended March 31 2022

Forecast for the Fiscal Year Ended March 2022



Sales

Operating Profit

Net Profit

- ✓ In addition to the recovery of existing businesses, Antalis' performance will contribute throughout the year
- ✓ Reach a record high due to the completion of provision of allowance for doubtful accounts
- ✓ Operating profit and ordinary profit are expected to return to black, and net profit is expected to increase.

(Million yen)	Fiscal year ended March 2021		Forecast for the fiscal Year ended March 2022			
		Sales ratio		Sales ratio	Year-on-Year	Variance
Sales	430,404	100.0%	534,000	100.0%	+103,596	+24.1%
Operating profit	(9,035)	-	4,900	0.9%	+13,935	-
Ordinary profit	(12,041)	-	3,400	0.6%	+15,441	-
Profit attributable to owners of parent	1,416	0.3%	2,300	0.4%	+884	+62.4%
Basic earnings per share	19.7 yen	-	32.03 yen	-	+ 12.33 yen	-

* As the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29) has been applied from the beginning of the fiscal year ended March 31, 2022, the above earnings forecast is the amount after the application of the said accounting standard.

Forecast by Segment for Fiscal Year Ended March 2022



**Domestic
business**

**Overseas
business**

- ✓ Assume increased demand for paper and paperboard due to economic recovery and stable pulp prices
- ✓ In addition to the full year contribution of Antalis, we expect to restructure our businesses in China.

(Million yen)		Fiscal Year ended March 2021	Forecast for the fiscal year ended March 2022		
				Year-on-year comparison	Variance
Wholesale pulp and paper, domestic locations	Sales	252,104	244,300	(7,804)	(3.1%)
	Segment profit	3,710	4,000	+290	+7.8%
	Profit ratio	1.5%	1.6%	+0.1P	-
Wholesale pulp and paper, overseas locations	Sales	177,052	288,500	+111,447	+62.9%
	Segment profit	(10,557)	3,500	+14,057	-
	Profit ratio	-	1.2%	-	-
Real estate leasing	Sales	1,247	1,200	△ 47	(3.8%)
	Segment profit	629	100	(529)	(84.1%)
	Profit ratio	50.4%	8.3%	△ 42.1P	-
Total	Sales	430,404	534,000	+103,596	+24.1%
	Segment profit	(6,217)	7,600	+13,817	-
	Adjustments	(2,817)	(2,700)	+117	-
	Operating profit	(9,035)	4,900	+13,935	-
	Profit Ratio	-	0.9%	-	-

III

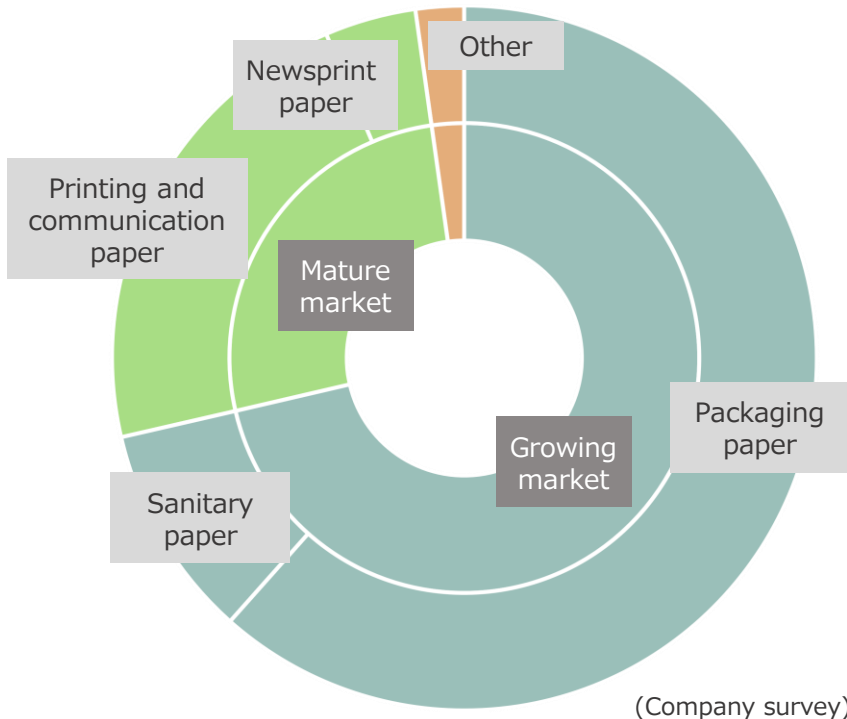
Outline of Medium and Long Term Growth Strategy

External Environment Surrounding the Group

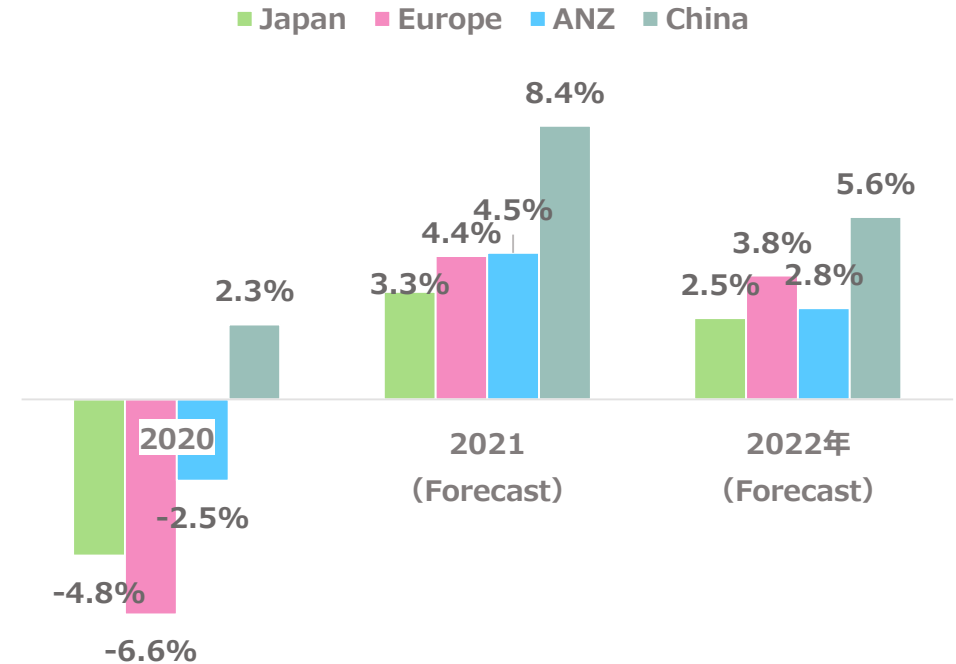


- Packaging paper and sanitary paper are growing markets, accounting for more than 2/3 of the world's paper and paperboard production volume. Market growth in this areas is linked to GDP growth
- Japan, Europe and ANZ are expected to turn to positive GDP growth from 2021. China will continue to grow.

The production ratio of world's paper and paperboard



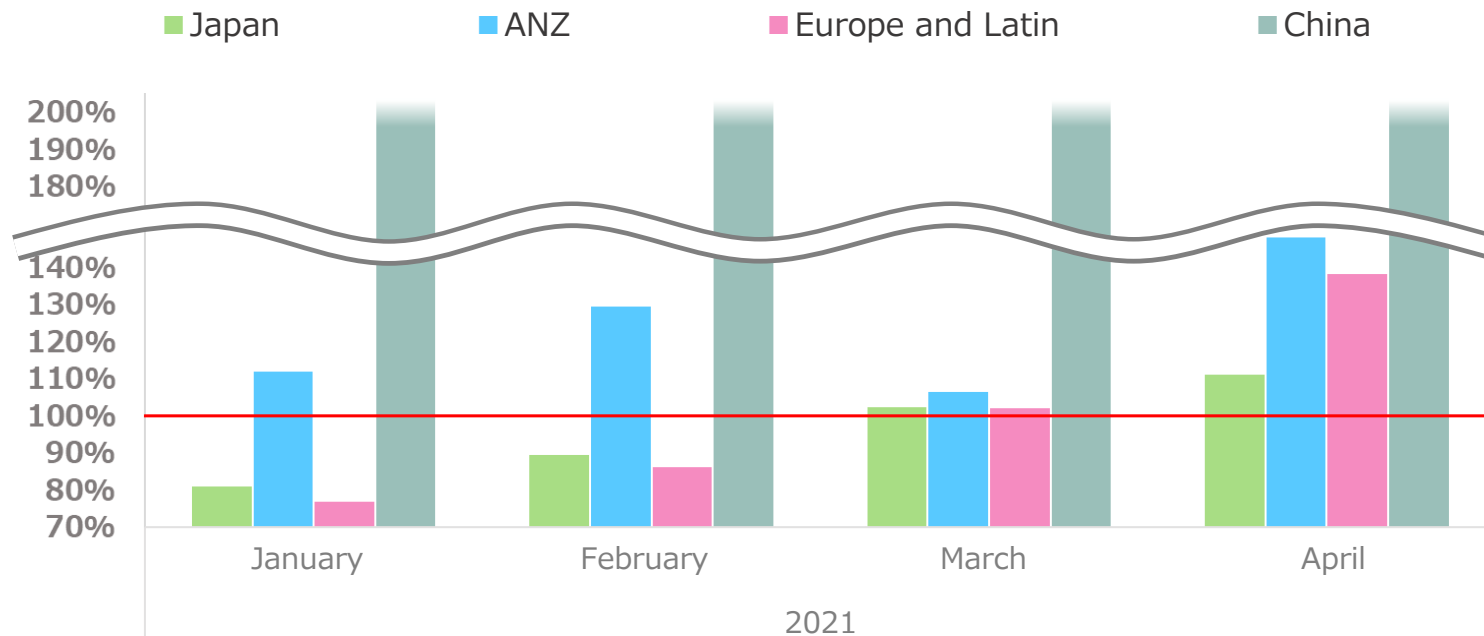
GDP Growth Rate in Japan, Europe, ANZ and China



Our business environment is steadily improving.

Current Business Conditions : Monthly sales - YoY ratio

- Demand in Japan and Europe has been sluggish for a long time due to the declaration of a state of emergency and a number of lockdowns. However, there has been a clear recovery trend.
- Australia performed well due to the early suppression of COVID-19, the recovery of the Australian dollar and the New Zealand dollar.
- We have changed our business model in China, bringing a significant improvement in performance by improved earnings and a recovery in market demand.



* Figures for the China business after application of Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)

**The economy has been recovering
in line with rate of vaccination against COVID-19, acceleratedly since March, 2021**

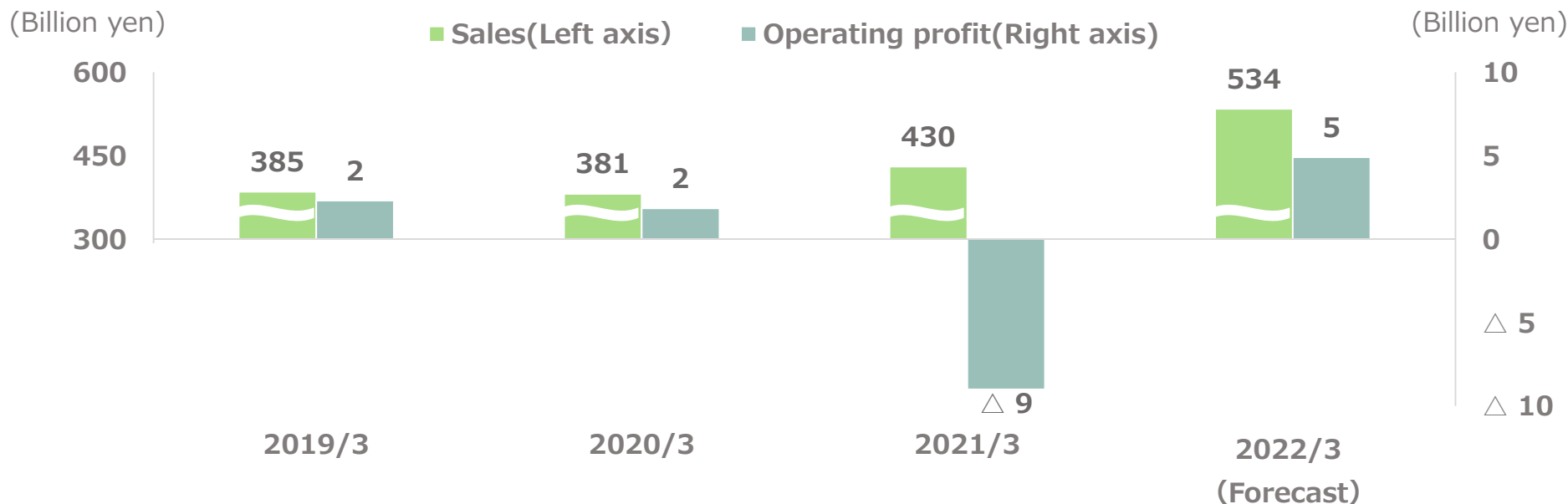
Progress of the Second Medium-Term Business Plan



Fiscal year ended March 2022 (the final year of Our Second Medium-Term Business Plan)

	Initial target (as of December 5, 2019)	Forecast (as of May 14, 2021)	Variance
Sales	430 billion yen	534 billion yen	+ 104 billion yen
Operating profit	3 billion yen	4.9 billion yen	+ 1.9 billion yen

Our company's business performance is expected to substantially exceed the initial target due to the contribution of Spicers Limited and Antalis S.A.S





Key issues

- Expansion of e-commerce business (IT platform for graphics paper)
- Expansion of biomass-based products (expansion of packaging business)

Market development after COVID-19

- ① Portfolio strategy (fourth pillar after paper business, packaging business and VC business)
⇒ Environmental businesses
- ② Regional strategy : Building a sales network on five continents

Acquiring External Resources through M&A : Spicers Limited and Antalis S.A.S

Diversification of business segments

The businesses of Spicers and Antalis to be in Our Core Business

- Packaging solution
- Visual communication
- E-commerce (paper business)
- Environmental business

Increase of overseas market share

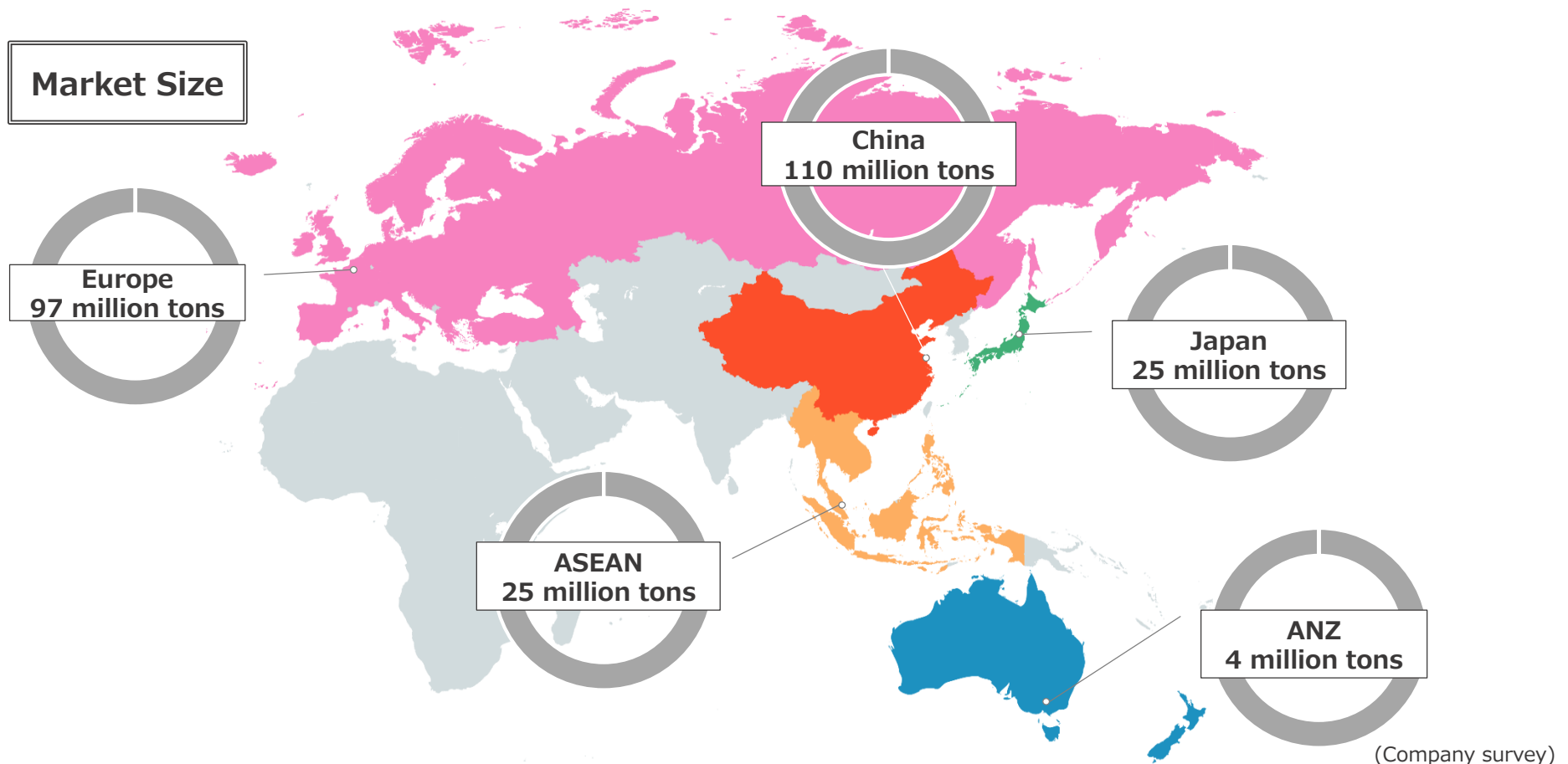
We will gain market share in five continents

- KPP (Northeast Asia)
- Spicers (ANZ)
- Antalis (Europe and South America)
- KPP AP (ASEAN + India)
- Keishin Paper Industry (China)



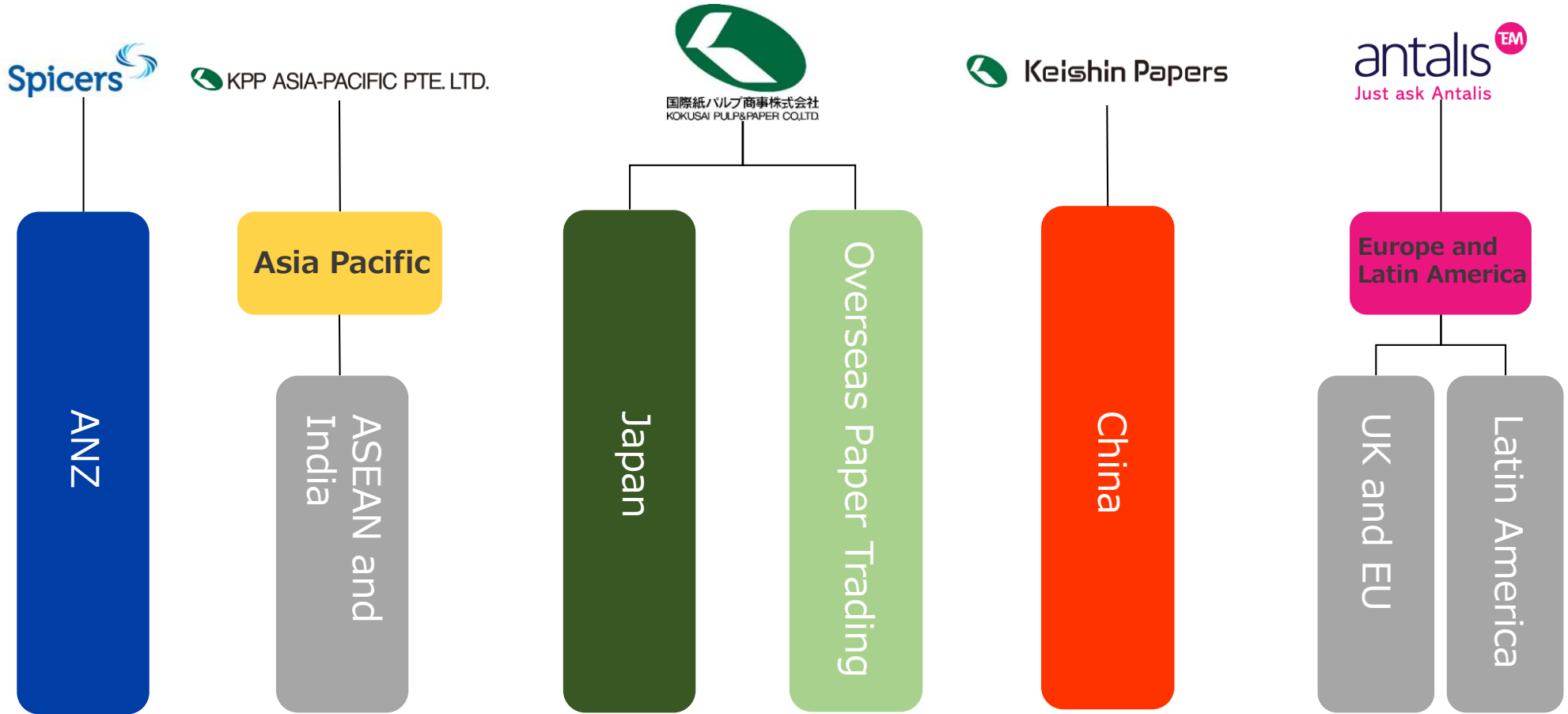
Expanding Businesses in Growing Markets

- In the mature markets of Japan, Europe, and ANZ, we will maximise profits through our portfolio restructures.
- In China (the world's largest market) and rapidly growing ASEAN markets, we will expand businesses through our group companies reorganization mainly of Keishin Papers Trade (China) and KPP ASIA-PACIFIC (ASEAN).



Our Organisational Structure

Supporting Global Management Strategy (Image)



* Asia Pacific ... ASEAN countries such as Indonesia, Singapore, Thailand, Philippines, Vietnam and Malaysia + India



In charge



国際紙パルプ商事株式会社
KOKUSAI PULP&PAPER CO.,LTD.

Achievement

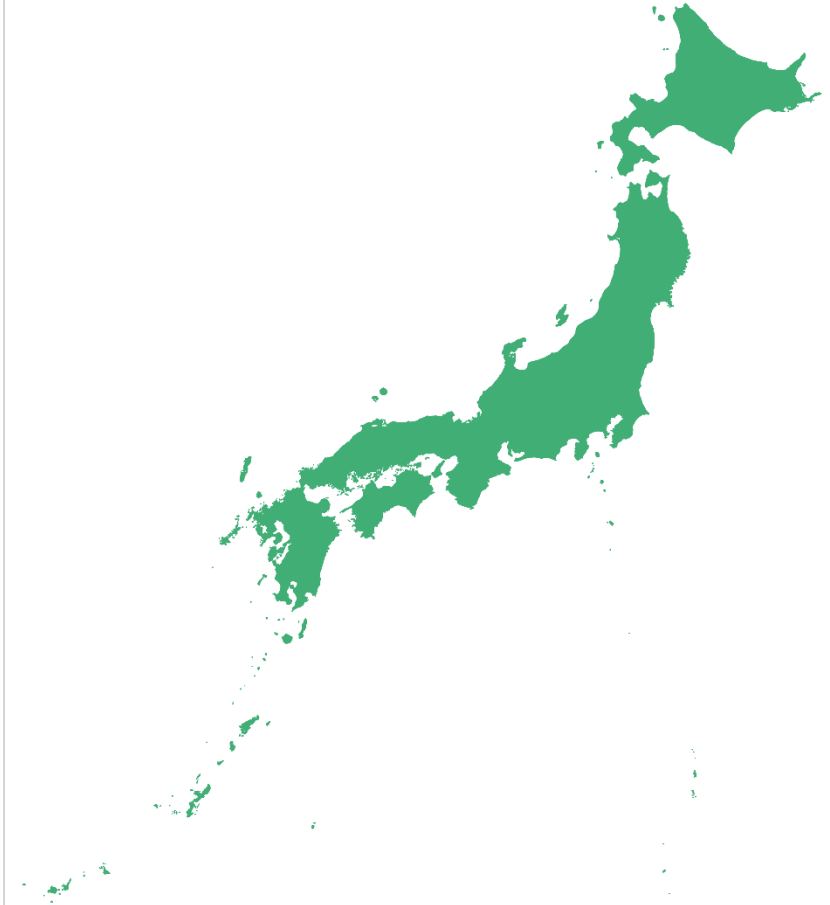


- Became one of the largest paper trading companies in Japan through major mergers in 1999 (Nichia Co., Ltd.) and 2006 (Hattori Paper & Board Ltd.)
- Acquired paperboard business and pulp / recovered paper business (for packaging) through the acquisition of Sumisho Paper Co., Ltd. in 2013
- Build a recycling-oriented business by the largest paper and paperboard sales in Japan and collecting used paper. Clear differentiation from other companies in the industry

Planned measures



- Creating synergies with overseas group companies (package business and VC business)
- Expanding the market share of paper and used paper businesses by promoting comprehensive recycling-oriented businesses
- Promoting biomass power plant business and expanding platforms for environment-related products
- Significant reduction in costs (SG&A) through promotion of DX





In charge



Achievement



Planned measures

- Paper wholesale business: expansion of the supply chain and improvement of customer service with KPP group's resource
 - Reformed sign & display business, adhesive products business, and food packaging business
 - Expanded synergies and market share through acquiring Direct Paper (paperboard merchant), Rojo Pacific (industrial sign and display), and Blueprint (visual sign and display)
- Optimization of paper business through e-commerce
 - Integration of group companies' bases and optimization of logistics
 - Expansion of environment-related products and bolt-on M&A





In charge



Achievement

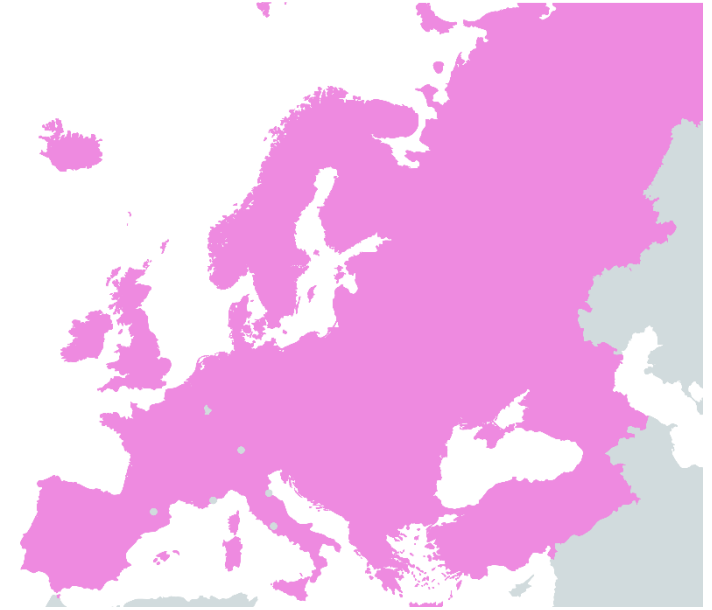


- Improved profitability through business portfolio reforms
- Improvement of financing and restoration of creditworthiness supported by KPP Group
- Improved asset efficiency by consolidating bases, optimizing personnel, and deal with COVID-19

Planned measures



- Converting paper business to e-commerce (online shopping on the website)
- Solid expansion of packaging, recovery of VC business and expansion of market share through M&A
- Cost reduction through continuous promotion of asset efficiency





In charge

Keishin Papers

Achievement



Planned measures



- Restructured the business model - from an Indent business to a direct sales business for local companies
- Optimization of personnel allocation and expansion of sales distribution bases. Establishment of credit management and IT systems.
- Integration with Antalis China and maximization of synergies
- Collaboration with Antalis China to meet a wide range of customer needs, from high-end to commodities
- Aiming to become the largest paper trading company in China





In charge

 KPP ASIA-PACIFIC PTE. LTD.

Achievement



- Integration of KPP-AP (Asia Pacific) and Antalis AP
- Improvement of supply chain management
- Change in overall management structure

Planned measures

- Transfer of former Antalis Asia's China business to Keishin Paper
- Reduce costs by consolidating bases and optimizing personnel allocation
- Business expansion through M&A (paper merchants or processing companies)



Our regional strategy and portfolio



Regional and Business Segment Matrix

Business segment

Area	Business segment				
	Paper	Paper manufacturing materials (pulp and used paper)	Packaging	Visual communication	Chemicals & machinery sales and others
Northeast Asia	○	○			○
Asia Pacific	○	○	○ (ANZ market only)	○ (ANZ market only)	○
Europe and South America	○		○	○	
North America		○	○		

※ ○ means that KPP group has already entered the segments. Regarding the field left blank, we plan to develop the business in the future.

※ Paper business is a wholesale business of paper and paperboard.

Covering major regions of the world with diversified businesses (products)

Sales and Operating Profit Growth by Overseas Business Expansion and Portfolio Restructures

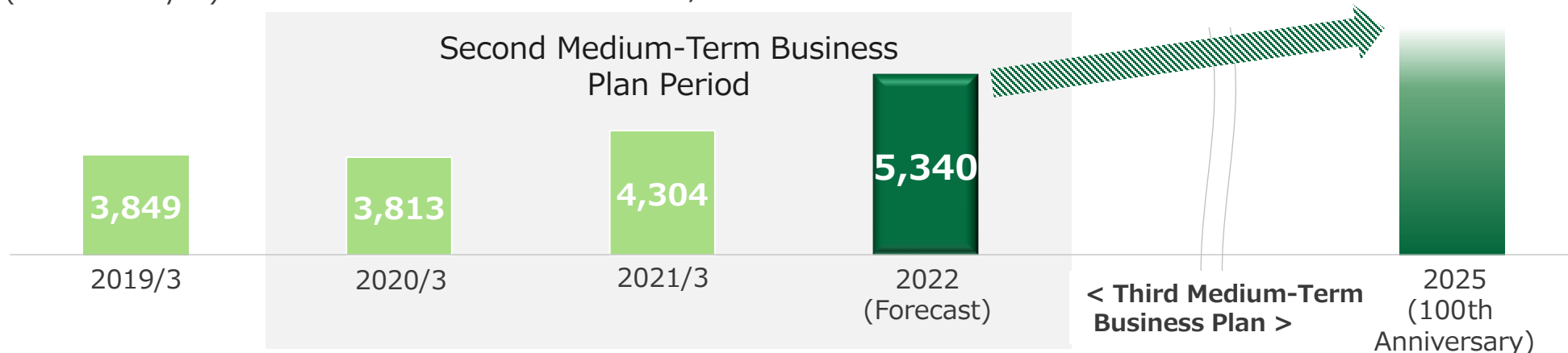


Sales growth picture

(100 million yen)

(Fiscal years ended March 31)

Second Medium-Term Business Plan Period

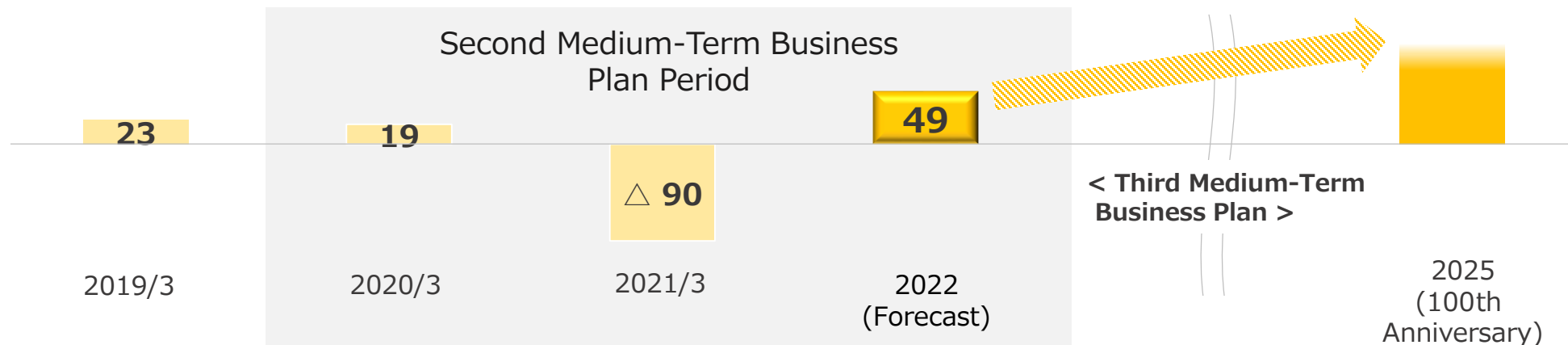


Operating profit growth picture

(100 million yen)

(Fiscal years ended March 31)

Second Medium-Term Business Plan Period

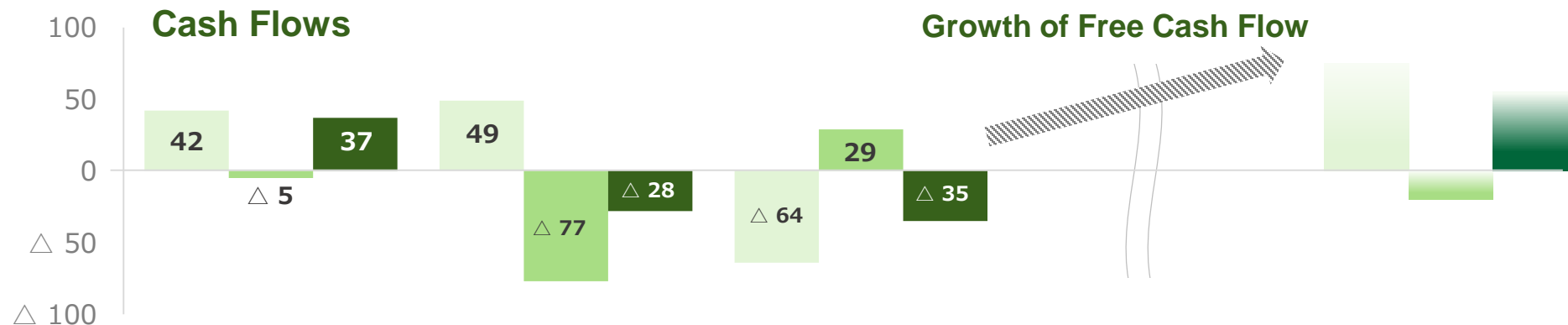


Pursuing rapid growth with both business and regional strategies

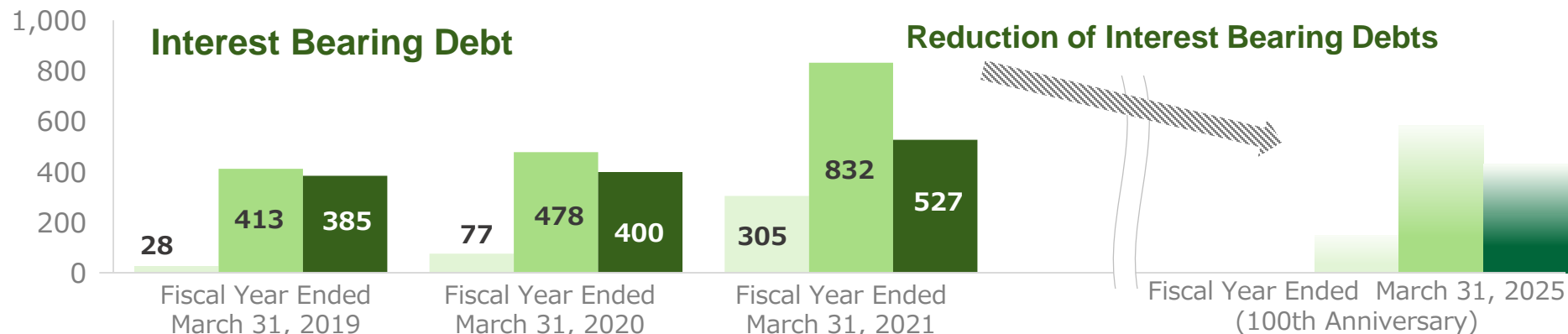
Free Cash Flow and Interest Bearing Debt



(100 million yen) ■ Operating cash flow ■ Investment cash flow ■ Free cash flow * Excluding the impact of sales of fixed assets



(100 million yen) ■ Cash and deposits ■ Interest-bearing debt ■ Net interest-bearing debt



Main Measures

■ Growth of free cash flow

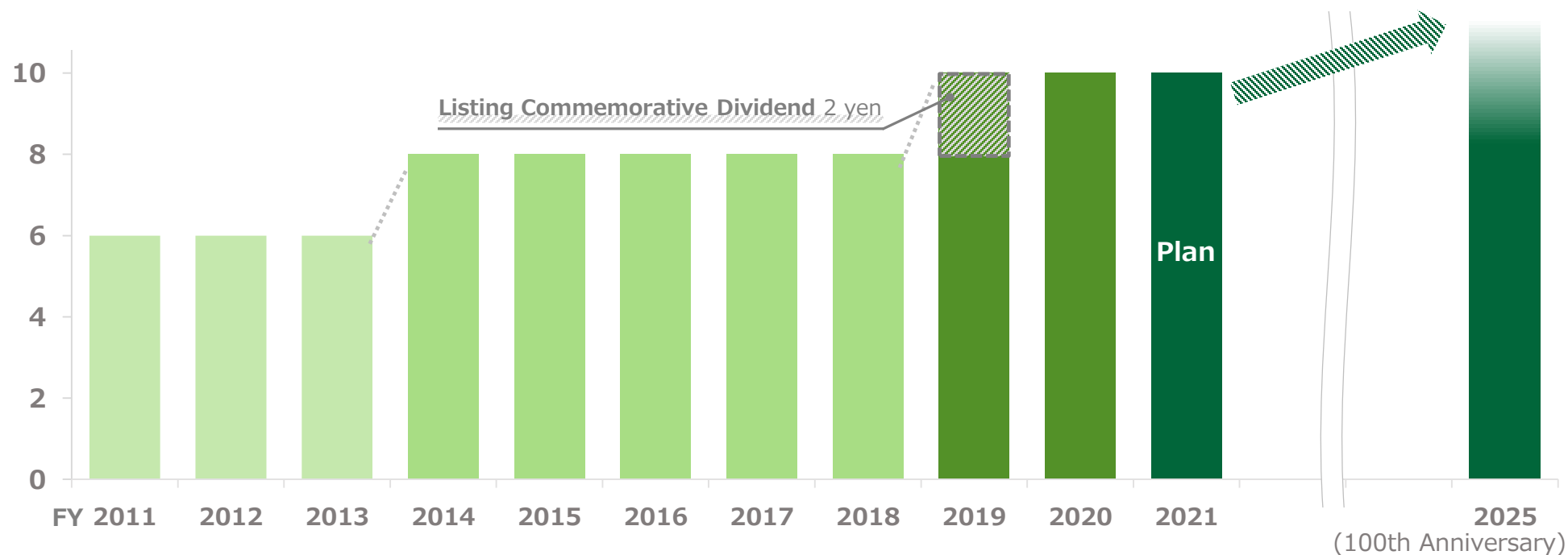
- ✓ Shortening collection cycles and extending payment terms
- ✓ Reduction of product inventory and increase of stock turn
- ✓ Effective use of idle real estate

■ Reduction of interest bearing debt

- ✓ Efficient management of funds
- ✓ Sale of fixed assets and cross-shareholdings
- ✓ Collection of non-performing loans (loans recorded as allowance for doubtful accounts in the previous period)
- ✓ Consolidation and efficient operation of overseas distribution bases



Dividends per share (past 10 fiscal years)



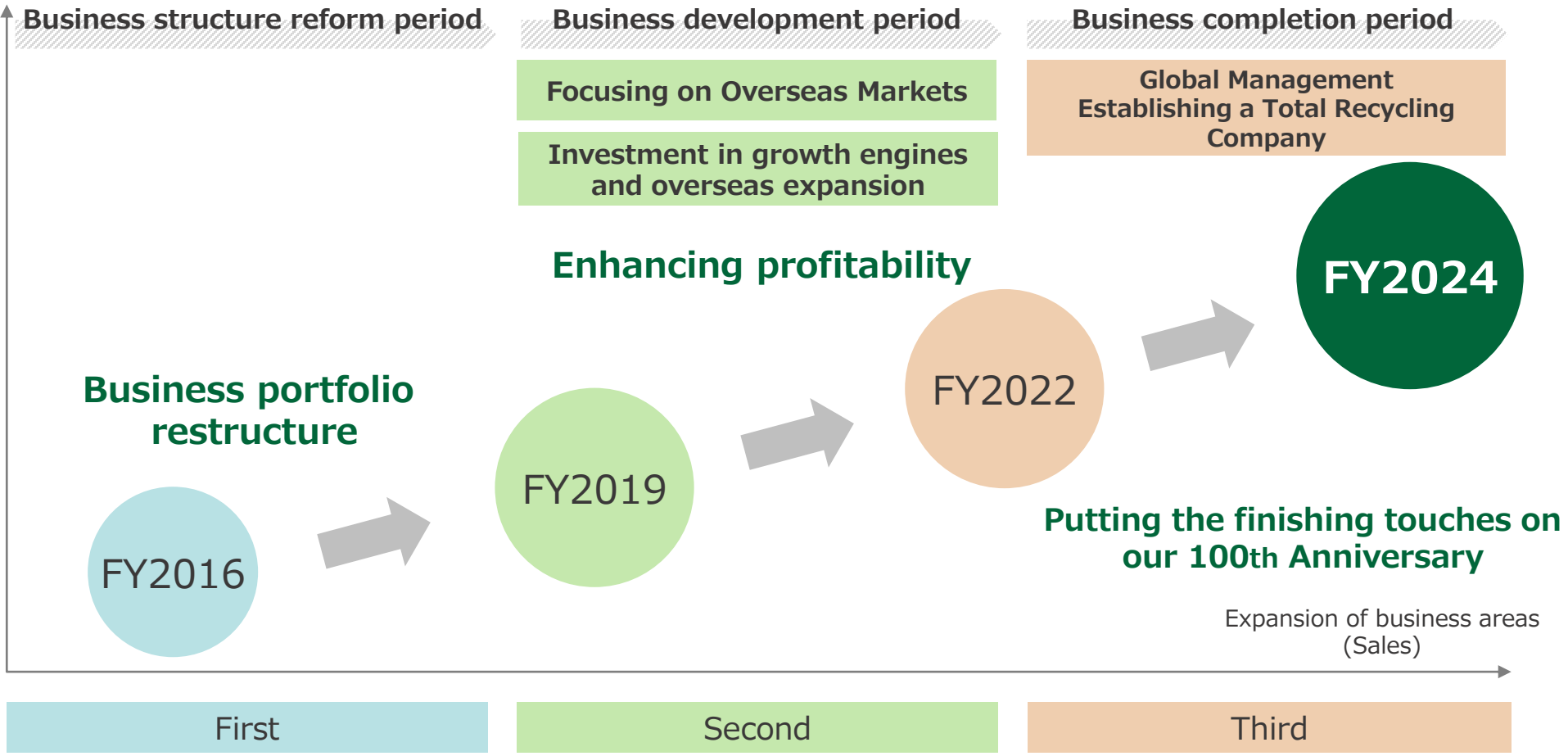
- Stable and continuous dividends with a target payout ratio of **30%**
 - Plans to pay a dividend of **10** yen for the fiscal year ended March 31, 2021

Aiming to increase dividends as a result of profit growth while considering a balance between investments and shareholder returns

Medium & Long-Term Growth Image : Growth Roadmap toward Our 100th Anniversary



Earning power
(Profit margin)



Medium-Term Business Plan (1st to 3rd)



- 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 contains information on solicitation of offers to acquire, offer to sell, or offer to buy any securities (hereinafter referred to as "solicitation"). It is not intended to constitute conduct solicitation activities, nor can it be the basis for any contract or obligation.



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A Paper Trail for Creating the Future.
KPP Group