

# Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP] (Consolidated)



August 11, 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 filing quarterly securities report: August 12, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary explanatory materials on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021–June 30, 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	%
Three months ended June 30, 2021	129,687	–	1,551	–	1,797	–	1,412	–
June 30, 2020	82,118	(11.0)	(2,717)	–	(2,515)	–	(2,690)	–

(Note) Comprehensive income: Three months ended June 30, 2021: ¥1,857 million [–%]  
Three months ended June 30, 2020: ¥(3,618) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	19.67	–
June 30, 2020	(37.27)	–

(Note) Effective from the beginning of the first quarter ended June 30, 2021, the Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others. Therefore, each amount for the first quarter of the fiscal year ending March 31, 2022 is an amount after the adoption of the said accounting standard and others, and does not include any year-on-year percentage changes.

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended June 30, 2021	273,908	44,673	16.3
Fiscal year ended March 31, 2021	275,119	43,581	15.8

(Reference) Equity: Three months ended June 30, 2021: ¥44,616 million  
Fiscal year ended March 31, 2021: ¥43,489 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	0.00	–	10.00	10.00
Fiscal year ended March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		5.00	–	7.00	12.00

(Note) Revision to the forecast for dividends announced most recently: None

## 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	545,000	–	5,900	–	5,000	–	4,200	–	58.49

(Note) Effective from the beginning of the fiscal year ending March 31, 2022, the Group has adopted the “Accounting Standard for Revenue Recognition” (Corporate Accounting Standard No. 29) and others, and therefore each amount for the above consolidated financial results forecast is an amount 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

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

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) 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):

Three months ended June 30, 2021: 75,077,406 shares

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

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

Three months ended June 30, 2021: 3,267,751 shares

Fiscal year ended March 31, 2021: 3,278,133 shares

3) Average number of shares during the period:

Three months ended June 30, 2021: 71,801,868 shares

Three months ended June 30, 2020: 72,185,624 shares

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

\* 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 “(3) Explanation of consolidated financial results forecast and other forward-looking information” in “1. Qualitative Information Regarding Settlement of Accounts for the Three Months Ended June 30, 2021” of the attachments.

(How to obtain supplementary explanatory materials for financial results)

Explanatory materials for financial results will be posted on the Company’s website.

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## 1. Qualitative Information Regarding Settlement of Accounts for the Three Months Ended June 30, 2021

### (1) Explanation on Operating Results

Effective from the beginning of the first quarter ended June 30, 2021, the Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others. Therefore, explanation on operating results for net sales for the three months ended June 30, 2021 does not include year-on-year percentage changes (%).

#### (1) Financial Position and Status of Operating Results

##### (a) Status of Operating Results

The global economy in the three months ended June 30, 2021 experienced a general recovery trend in the U.S., Europe, and China, mainly due to the dissemination of vaccines and growth in domestic demand from the effectiveness of large-scale economic measures, although the situation of the spread of COVID-19 differed by region. The Japanese economy experienced a recovery in capital investment with the improvement in corporate earnings, following the steady trend in production and export to the U.S. and China. The economic recovery, however, was limited due to the prolonged sluggish inbound demand and personal consumption, resulting from the repeated issuance of a declaration of a state of emergency and priority preventative measures with the further waves of COVID-19.

Under these circumstances, net sales for the three months ended June 30, 2021 were 129,687 million yen. With regard to profit and loss, operating profit was 1,551 million yen (compared with an operating loss of 2,717 million yen in the same period of the previous fiscal year), ordinary profit was 1,797 million yen (compared with an ordinary loss of 2,515 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent was 1,412 million yen (compared with loss attributable to owners of parent of 2,690 million yen in the same period of the previous fiscal year).

Results for three months ended June 30, 2021 by segment are as follows.

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

During the three months ended June 30, 2021, the paper field experienced a significant recovery in sales volume mainly in graphic paper year-on-year, as the same period of the previous fiscal year was one most greatly affected by the issuance of the declaration of a state of emergency. While sales for books and comic books also remained strong, in general, the situation has not recovered to the level of sales before the spread of COVID-19. Net sales for paperboard increased from the previous fiscal year. This was due to the continuously strong sales of containerboard base paper for beverage packing materials from the previous year, and an increase in export of containerboard base paper to overseas, China in particular. Net sales for waste paper increased significantly, resulting from the rise in export price of Japanese waste paper under increasing demand. This was in line with the shortage of waste paper due to the increase in global demand for containerboards. Net sales of pulp also increased significantly due to the rise in pulp price on a global basis.

As a result, net sales were 60,888 million yen, and operating profit was 1,175 million yen (251.4% year-on-year) for three months ended June 30, 2021.

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

Owing to the great contribution to earnings from the performance by Antalis S.A.S., which was acquired in July 2020, sales volume and net sales increased significantly year-on-year.

In Europe, sales volume decreased in the paper business and performance in the visual communication business experienced a downturn, mainly due to the lockdown imposed since the beginning of the year following the further waves of COVID-19. But net sales are on a recovery trend mainly due to the recovery of the visual communication business and hike in sales price in the paper business, resulting from economic activities that recovered through the dissemination of vaccines and others. Furthermore, even under such circumstances, the packaging business continued to be strong supported by active demand.

In the Oceania region, mainly in Australia, economic activities resumed promptly and performance remained steady.

In China, both net sales and operating profit increased significantly. This was due to the strong recovery in sales volume and steady business restructuring, along with the demand increase in paper and paperboard due to economic expansion, and soaring sales price combined with a rise in pulp price. As a result, net sales were 68,489 million yen, and operating profit was 1,035 million yen (compared with an operating loss of 2,710 million yen in the same period of the previous fiscal year) for three months ended June 30, 2021.

<Real estate leasing>

Owing mainly to the continuous full operation of the KPP Yaesu Building, which is the main property, the Group's net sales roughly remained the same. But operating profit decreased mainly due to rent arising from the sale of land of KPP Yaesu Building in February 2021.

As a result, net sales were 310 million yen, and operating profit was 43 million yen (25.6% year-on-year) for the three months ended June 30, 2021.

(2) Explanation on Financial Position

Total assets at the end of the first quarter ended June 30, 2021 were 273,908 million yen, down 1,210 million yen from the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits resulting mainly from repayment of short-term borrowings.

Liabilities were 229,235 million yen, down 2,302 million yen from the end of the previous fiscal year. This was mainly due to repayment of short-term borrowings.

Net assets came to 44,673 million yen, up 1,091 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent. As a result of the above, the equity ratio was 16.3%, up 0.5 points from the end of the previous fiscal year.

(3) Explanation of consolidated financial results forecast and other forward-looking information

The Company has revised the consolidated financial results forecast for the fiscal year ending March 31, 2022 announced on May 14, 2021 based on its recent performance trends.

For details, please refer to "Notice Regarding Revision of Consolidated Financial Results Forecast and Dividends Forecast for the Fiscal Year Ending March 31, 2022" announced today (August 11, 2021).

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous Fiscal Year (March 31, 2021)	First Quarter of Current Fiscal Year (June 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	30,546	15,277
Notes and accounts receivable - trade	112,782	117,113
Electronically recorded monetary claims - operating	12,928	16,811
Merchandise	40,012	43,530
Other	10,138	11,028
Allowance for doubtful accounts	(5,735)	(5,453)
<b>Total current assets</b>	<b>200,672</b>	<b>198,306</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,935	6,844
Land	9,581	9,605
Other, net	18,329	18,882
<b>Total property, plant and equipment</b>	<b>34,845</b>	<b>35,332</b>
Intangible assets		
Goodwill	4,235	4,360
Other	4,541	4,509
<b>Total intangible assets</b>	<b>8,777</b>	<b>8,869</b>
Investments and other assets		
Investment securities	17,806	17,396
Retirement benefit asset	9,230	10,744
Other	12,972	13,062
Allowance for doubtful accounts	(9,184)	(9,803)
<b>Total investments and other assets</b>	<b>30,824</b>	<b>31,400</b>
<b>Total non-current assets</b>	<b>74,447</b>	<b>75,602</b>
<b>Total assets</b>	<b>275,119</b>	<b>273,908</b>

(Million yen)

	Previous Fiscal Year (March 31, 2021)	First Quarter of Current Fiscal Year (June 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	81,672	84,219
Electronically recorded obligations - operating	3,552	3,546
Short-term borrowings	67,999	51,536
Commercial papers	-	5,000
Income taxes payable	9,273	5,839
Provisions	3,857	2,546
Other	24,637	29,277
Total current liabilities	190,993	181,964
Non-current liabilities		
Long-term borrowings	15,272	26,707
Retirement benefit liability	4,811	4,131
Provisions	443	441
Other	20,017	15,990
Total non-current liabilities	40,544	47,270
Total liabilities	231,537	229,235
Net assets		
Shareholders' equity		
Capital stock	4,723	4,723
Capital surplus	7,833	7,833
Retained earnings	31,826	32,505
Treasury shares	(1,089)	(1,085)
Total shareholders' equity	43,293	43,977
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,798	3,452
Deferred gains or losses on hedges	(54)	(27)
Foreign currency translation adjustment	(1,380)	(2,169)
Remeasurements of defined benefit plans	(2,167)	(616)
Total accumulated other comprehensive income	195	639
Non-controlling interests	92	56
Total net assets	43,581	44,673
Total liabilities and net assets	275,119	273,908



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

## Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Million yen)

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2020 to June 30, 2020)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2021 to June 30, 2021)
Net sales	82,118	129,687
Cost of sales	76,559	108,762
Gross profit	5,558	20,924
Selling, general and administrative expenses	8,276	19,372
Operating profit (loss)	(2,717)	1,551
Non-operating income		
Interest income	190	6
Dividend income	210	169
Share of profit of entities accounted for using equity method	-	34
Foreign exchange gains	12	4
Reversal of allowance for doubtful accounts	15	559
Other	54	85
Total non-operating income	484	860
Non-operating expenses		
Interest expenses	185	424
Loss on sales of trade receivables	7	70
Share of loss of entities accounted for using equity method	70	-
Other	18	120
Total non-operating expenses	282	615
Ordinary profit (loss)	(2,515)	1,797
Extraordinary income		
Gain on sales of non-current assets	1	22
Gain on sales of investment securities	3	-
Gain on sales of shares of subsidiaries and associates	-	13
Other	-	0
Total extraordinary income	4	36
Extraordinary losses		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	0	19
Loss on valuation of investment securities	169	-
Total extraordinary losses	170	19
Profit (loss) before income taxes	(2,681)	1,813
Income taxes—current	41	194
Income taxes—deferred	(1)	205
Total income taxes	40	400
Profit (loss)	(2,721)	1,413
Profit (loss) attributable to non-controlling interests	(30)	1
Profit (loss) attributable to owners of parent	(2,690)	1,412

Quarterly Consolidated Statements of Comprehensive Income  
Three Months Ended June 30

(Million yen)

	Cumulative First Quarter of the Previous Fiscal Year (From April 1, 2020 to June 30, 2020)	Cumulative First Quarter of the Current Fiscal Year (From April 1, 2021 to June 30, 2021)
Profit (loss)	(2,721)	1,413
Other comprehensive income		
Valuation difference on available-for-sale securities	255	(345)
Deferred gains or losses on hedges	(3)	27
Foreign currency translation adjustment	(1,079)	(806)
Remeasurements of defined benefit plans, net of tax	(7)	1,551
Share of other comprehensive income of entities accounted for using equity method	(62)	18
Total other comprehensive income	(897)	444
Comprehensive income	(3,618)	1,857
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,587)	1,856
Comprehensive income attributable to non-controlling interests	(31)	1

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as "Revenue Recognition Accounting Standard") and others effective from the beginning of the first quarter ended June 30, 2021. Accordingly, revenue is recognized at the time of the transfer of control for promised goods or services to customers in the amount expected to receive in exchange for such goods or services. Major changes due to the adoption of the Revenue Recognition Accounting Standard and others are as follows.

- Revenue recognition regarding transactions acted as agent

In the wholesale pulp and paper business, the entire amount of consideration received from customers was previously recognized as revenue. The method has been changed to recognize revenue by the net amount, which is the entire amount less the amount paid to the supplier, for transactions performed as agent to provide goods or services, after the role (whether as entity itself or as agent) in the provision of goods or services to customers has been assessed.

- Variable consideration (sales rebate, transaction by provisional price)

Portion of the revised amount for sales rebates or transactions by provisional price previously have been treated as cost of sales. The method has been changed to estimate the amount of variable portion of consideration for transactions when providing goods or services to customers, and to include such amount in the transaction price.

In adopting the Revenue Recognition Accounting Standard and others, in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative impact of retrospective application of the new accounting policies prior to the beginning of the first quarter ended June 30, 2021 was added to or subtracted from retained earnings at the beginning of the first quarter ended June 30, 2021. The new accounting policy has been applied from the beginning balance of the first quarter ended June 30, 2021.

As a result, net sales and cost of sales decreased by 3,888 million yen, respectively, for three months ended June 30, 2021. There are no impacts on the retained earnings of the beginning balance of the first quarter of the fiscal year under review.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Measurement Accounting Standard”) and others effective from the beginning of the first quarter ended June 30, 2021. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth by the Fair Value Measurement Accounting Standard and others will be applied in the future. There are no impacts on the Quarterly Consolidated Financial Statements.

(Additional Information)

(Impact of COVID-19)

There are no significant changes on the impact of COVID-19 described in the securities report (significant accounting estimates) for the previous fiscal year.

(Segment Information, etc.)

[Segment Information]

I For the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (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	58,082	23,724	311	82,118	-	82,118
Intersegment net sales or transfers	948	100	3	1,052	(1,052)	-
Total	59,030	23,824	314	83,170	(1,052)	82,118
Segment income (loss)	467	(2,710)	168	(2,073)	(643)	(2,717)

- (Notes) 1. The adjustment to segment profit of (643) million yen consists of intersegment eliminations of 0 million yen and corporate expenses of (644) 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. Segment profit is adjusted with operating profit in consolidated financial statements.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

(Significant change in the amount of goodwill)

In the “wholesale pulp and paper, overseas locations” segment, Spicers Australia Pty Ltd, a business company of Spicers Limited, the Company’s consolidated subsidiary, acquired the wholesale business of paper and paperboard from Wilmaridge Pty Ltd.

The increase in goodwill for the three months ended June 30, 2021 was 1,785 million yen due to this change.

II For the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (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	60,888	68,489	310	129,687	-	129,687
Intersegment net sales or transfers	1,409	60	6	1,476	(1,476)	-
Total	62,297	68,549	316	131,164	(1,476)	129,687
Segment income	1,175	1,035	43	2,253	(702)	1,551

(Notes) 1. The adjustment to segment profit of (702) million yen consists of intersegment eliminations of (2) million yen and corporate expenses of (699) 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. Segment profit is adjusted with operating profit in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

Not applicable.

3. Matters on changes in reportable segments, etc.

As described in (Changes in accounting policies), the Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others effective from the beginning of the first quarter ended June 30, 2021, and has changed the method of accounting treatment on revenue recognition. Accordingly, the measurement method of business segment profit or loss has also been changed.

As a result of such change, net sales of wholesale pulp and paper in domestic locations for the three months ended June 30, 2021 decreased by 3,888 million yen as compared with the amount under the previous method.

(Information Related to Business Combination, etc.)

Settlement of provisional treatment for business combinations

The business combination with Antalis S.A.S. conducted on July 21, 2020 was provisionally accounted for in the previous fiscal year and settled in the first quarter ended June 30, 2021.

With this settlement of provisional accounting treatment, the initial allocation amount of the acquisition cost, included under comparative information in the Quarterly Consolidated Financial Statements for the three months ended June 30, 2021 has been reviewed. As a result, there are no impacts on the Consolidated Financial Statements for the previous fiscal year.