

Financial Results for the Six Months Ended September 2022

KPP GROUP HOLDINGS CO., LTD.

Tokyo Stock Exchange Prime Market: 9274

December 7, 2022

I

Transition to a Holding Company Structure

II

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 2023 and Forecast for the Full Fiscal Year

III

Progress in the Third Medium-Term Plan

IV

Reference Materials

I

Transition to a Holding Company Structure

II

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 2023 and Forecast for the Full Fiscal Year

III

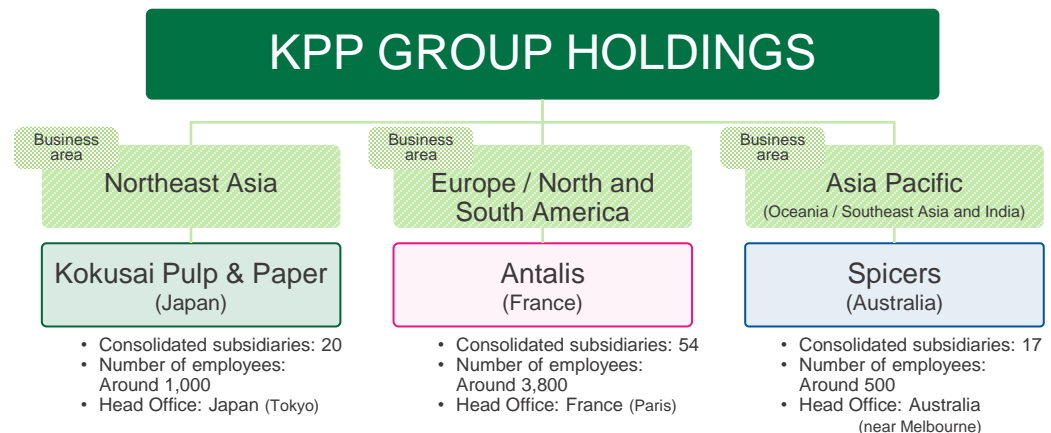
Progress in the Third Medium-Term Plan

IV

Reference Materials

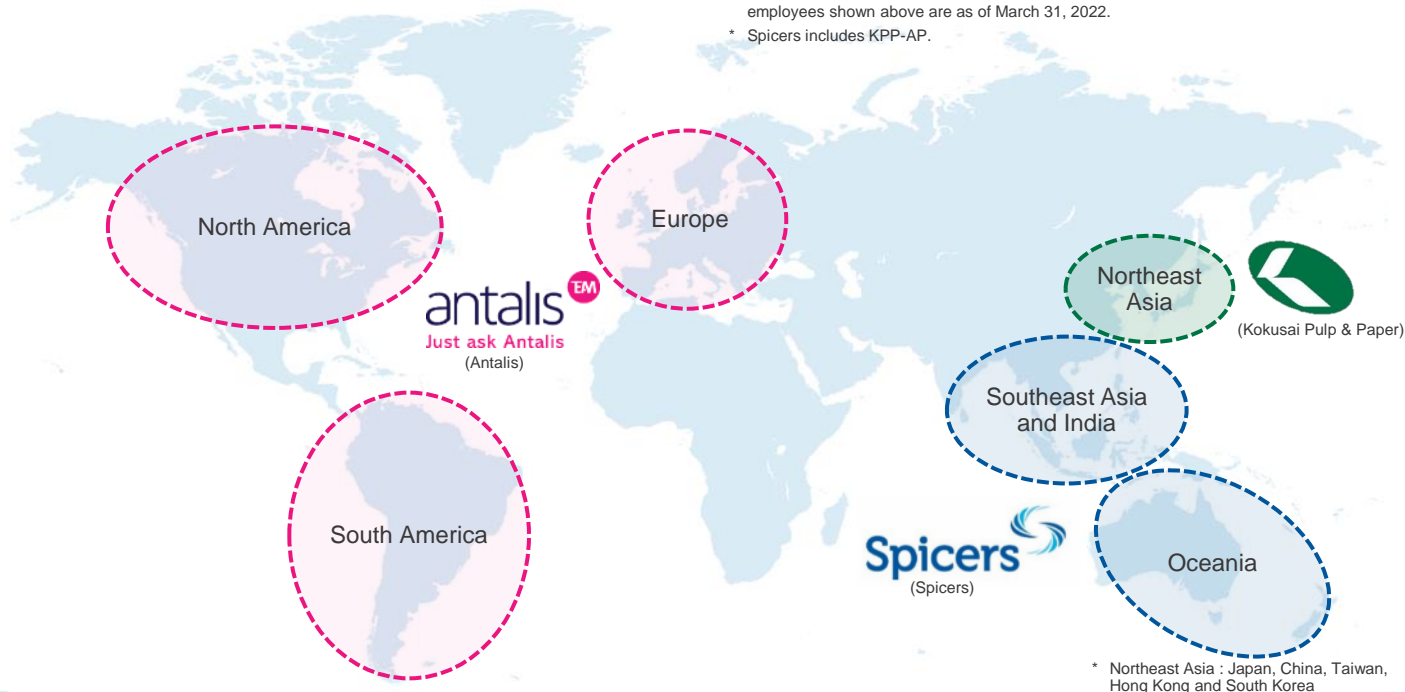
Changing Company Name to “KPP Group Holdings” and Starting with a Holding Company Structure

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

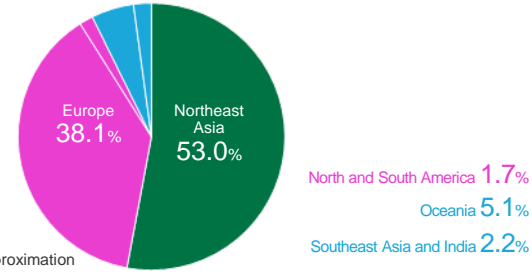


- Kokusai Pulp & Paper (Japan)**
 - Consolidated subsidiaries: 20
 - Number of employees: Around 1,000
 - Head Office: Japan (Tokyo)
- Antalis (France)**
 - Consolidated subsidiaries: 54
 - Number of employees: Around 3,800
 - Head Office: France (Paris)
- Spicers (Australia)**
 - Consolidated subsidiaries: 17
 - Number of employees: Around 500
 - Head Office: Australia (near Melbourne)

* Both the number of consolidated subsidiaries and the number of employees shown above are as of March 31, 2022.
 * Spicers includes KPP-AP.

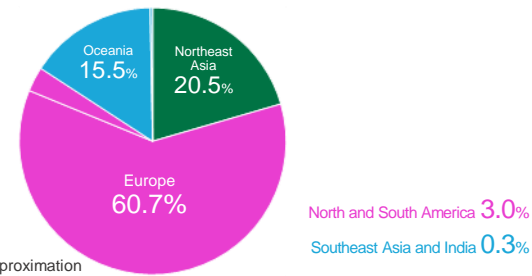


[Consolidated Net Sales Ratio] * FY March 2022



* Approximation

[Consolidated Operating Profit Ratio] * FY March 2022



* Approximation

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

Promote various measures in line with the purpose of transitioning to a holding company

Strengthening global governance

- Transfer of more authority to three core operating companies
 - Clarification of management responsibility, improvement of independency, higher efficiency and acceleration of business activity
- Centralized management of information and appropriate group management
- Establishing a rapid information management system by improving IT infrastructure
- Enhancement of internal control and internal audit systems
- Analysis of global markets and information sharing to group companies
- Activation of internal communication

Business portfolio reform and expansion of new business

- Proactive investment in high-growth businesses
(packaging, visual communication, and environment-related products)
- Introducing digital marketing and e-commerce knowledge from Antalis and Spicers into Japan
- Creation of various synergies
(e.g., strengthening the Group's fund-raising capability by leveraging KPP creditworthiness)

Promoting sustainability management

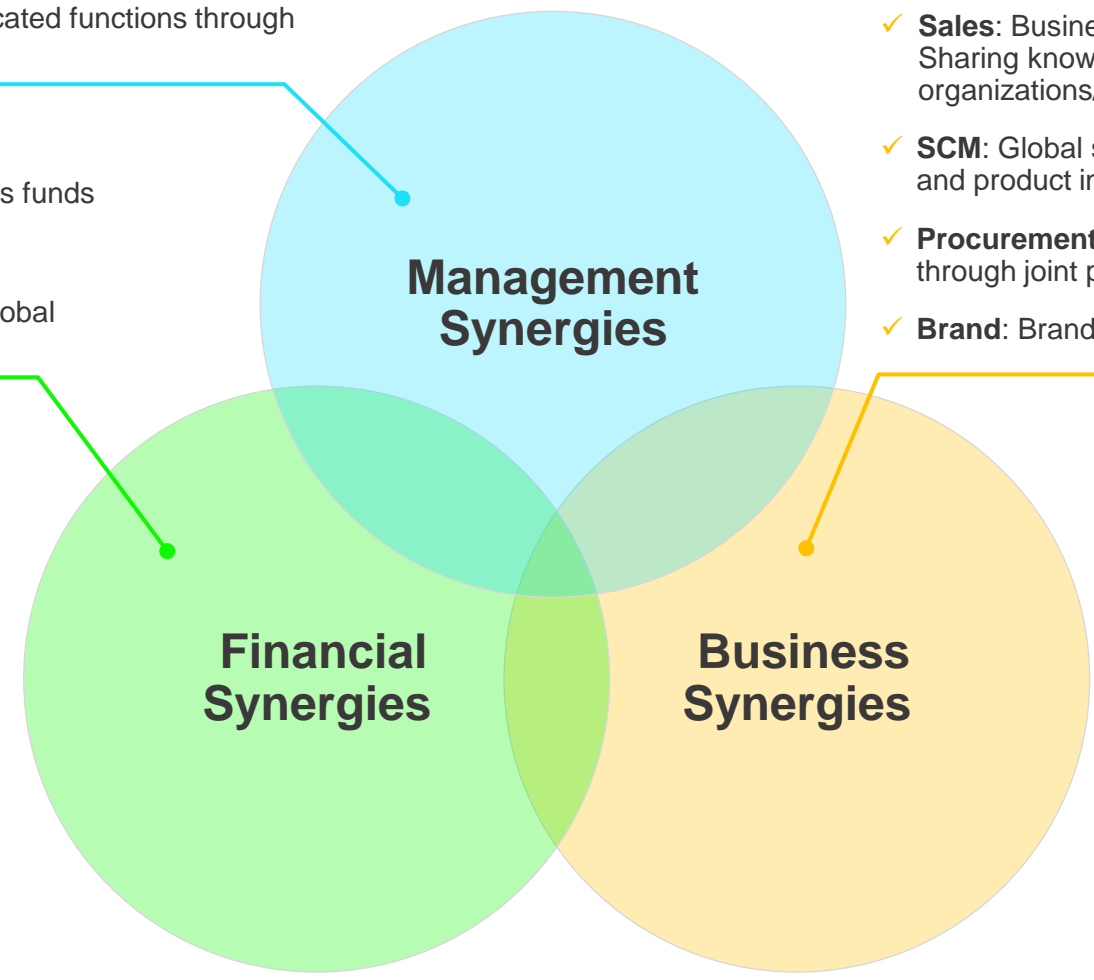
- Response to carbon neutrality
- Achievement of KPIs and PDCA management for identified materiality
(diversity, response to DX, climate change countermeasures, etc.)
- Sustainability management on a global basis and integration with business plans

Benefits of Becoming a Holding Company (Creating Synergies)

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

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

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

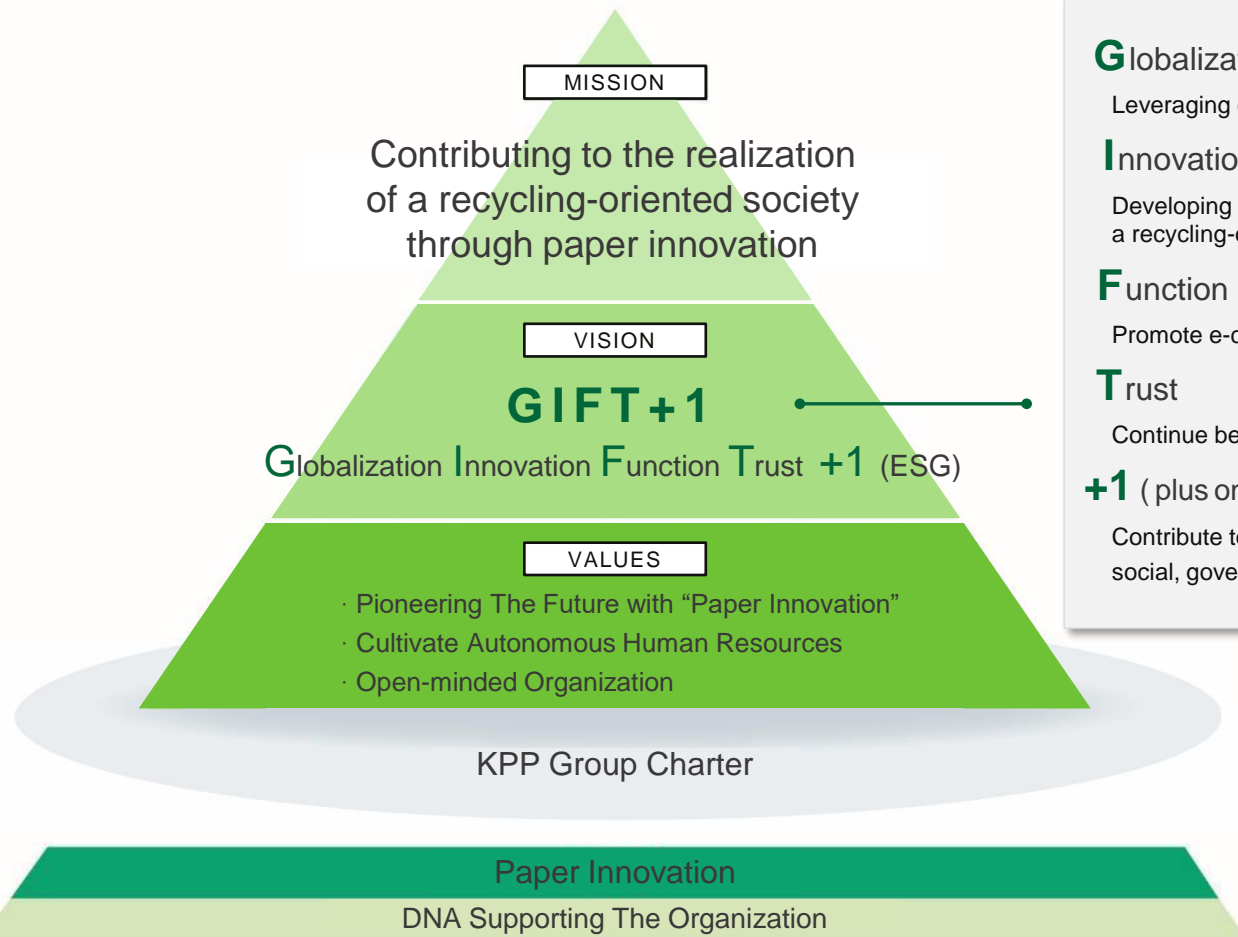


The KPP Group’s management philosophy “KPP GROUP WAY” has been reformed along with our start with the holding company structure

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

Corporate Message

A Paper Trail for Creating The Future



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

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

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

Trust
Continue being a sincere company trusted by stakeholders.

+1 (plus one)
Contribute to the realization of a sustainable society by adding environmental, social, governance, and other initiatives to all elements of our vision as "plus one".

I

Transition to a Holding Company Structure

II

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 2023 and Forecast for the Full Fiscal Year

III

Progress in the Third Medium-Term Plan

IV

Reference Materials

Continuing from the previous fiscal year, we achieved record sales and profit for the first half of the fiscal year.

Net sales

- Sales increased significantly in Northeast Asia, Europe/South America, and Asia Pacific due to higher sales prices.

Operating profit

- Gross profit rose particularly in Europe and Oceania, resulting in a sharp increase in profit year-on-year.
- Sales and profit increased in Japan due to growing sales of used paper and pulp.

Ordinary profit

- Although the variance in % between FY March 2022 and 2023 was lower than that of operating profit due to the absence of the gain on reversal of allowance for doubtful accounts that occurred in the previous fiscal year, profit increased significantly.

(JPY million)	FY March 2022	FY March 2023		
	Result for the first six months	Result for the first six months	Variance in amount	Variance in %
Net sales	269,133	320,699	+51,565	+19.2%
Gross profit	43,944	60,029	+16,084	+36.6%
SG&A	40,122	47,729	+7,607	+19.0%
Operating profit	3,822	12,299	+8,477	+221.8%
Ordinary profit	4,205	11,067	+6,861	+163.1%
Profit attributable to owners of parent	3,485	9,186	+5,700	+163.6%

Segment profit of overseas bases increased by + 273.8%

Domestic bases

- Revised sales prices for paper and paperboard. Net sales and gross profit both increased year-on-year.
- Both sales and profit of used paper and pulp rose sharply due to higher sales prices and improved gross profit margins.

Overseas bases

- In the paper business, market prices rose due to a series of price revisions. Sales are much higher than a year ago.
- Packaging and visual communication businesses remain strong. Sales are higher than a year ago.

Real estate leasing

- Sales and profits fell year-on-year due to a decrease in rental income resulting from redevelopment of rental parking lots and tenant replacement at the KPP Yaesu Building, which led to the occurrence of vacancy periods.

(JPY million)		FY March 2022	FY March 2023		
		Result for the first six months	Result for the first six months	Variance in amount	Variance in %
Wholesale pulp and paper, domestic bases	Net sales	123,863	133,675	+9,811	+7.9%
	Segment profit	2,447	3,611	+1,164	+47.6%
	Profit ratio	2.0%	2.7%	-	+0.7pt
Wholesale pulp and paper, overseas bases	Net sales	144,647	186,431	+41,783	+28.9%
	Segment profit	2,752	10,287	+7,535	+273.8%
	Profit ratio	1.9%	5.5%	-	+3.6pt
Real estate leasing	Net sales	622	592	(29)	(4.8%)
	Segment profit	86	58	(28)	(32.6%)
	Profit ratio	13.9%	9.8%	-	(4.1pt)
Total	Net sales	269,133	320,699	+51,565	+19.2%
	Operating profit (after adjustment for corporate expenses, etc.)	3,822	12,299	+8,477	+221.8%
	Profit ratio	1.4%	3.8%	-	+2.4pt

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

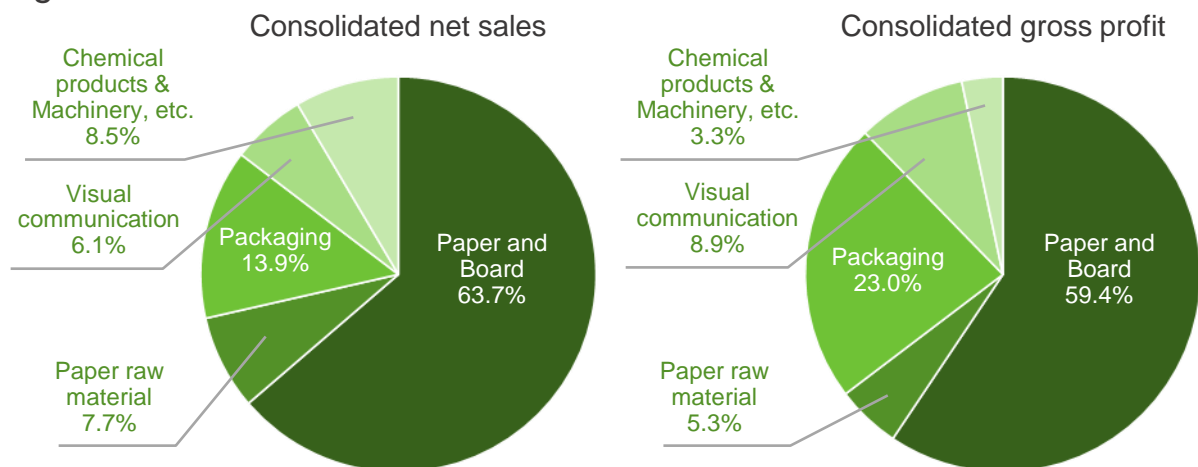
Results by region (approximation)

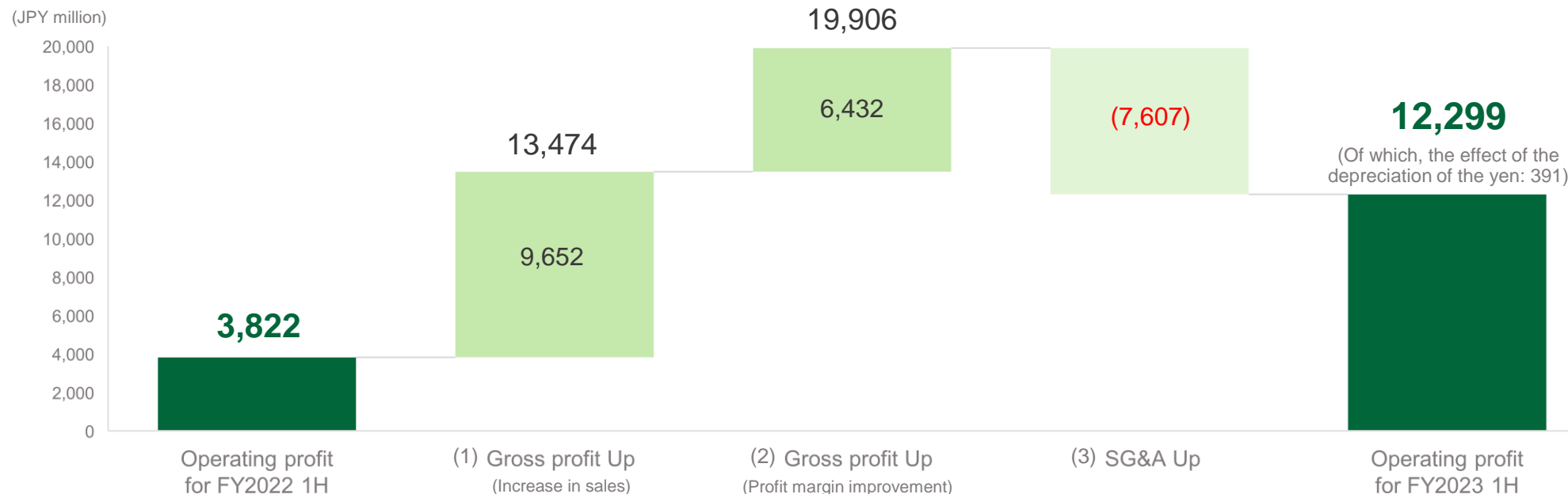
- Of the current reportable segments, we plan to reclassify two segments—"Wholesale pulp and paper, domestic bases" and "Wholesale pulp and paper, overseas bases"—into three segments: "Northeast Asia," "Europe/South America," and "Asia Pacific."

	Wholesale pulp and paper, domestic bases	Wholesale pulp and paper, overseas bases	Real estate	
	Northeast Asia	Europe/South America	Asia Pacific	Real estate
Before adjustment for internal sales Net sales	around JPY 152 billion	around JPY 149 billion	around JPY 23 billion	around JPY 0.6 billion
Before adjustment for corporate expenses, etc. Operating profit	around JPY 3.6 billion	around JPY 9.1 billion	around JPY 1.1 billion	around JPY 0.05 billion
				Internal sales adjustment/Corporate expenses adjustment
				around JPY (4.1) billion
				around JPY (1.6) billion

The above amounts are approximate amounts calculated based on the situation before the transition to the holding company structure.

Results by business segment





Significant contribution from overseas business to a large increase in operating profit

(1) Gross profit (effect of sales increase) **+9,652**

- Profit increased significantly due to higher sales prices in Northeast Asia, which is the region led by Kokusai Pulp and Paper; Europe and South America, led by Antalis; and Asia Pacific, led by Spicers.

(2) Gross profit (effect of improved gross margin) **+6,432**

- Consolidated gross profit margin rose sharply from 16.3% to **18.7%** (+ 2.4%). Profit margins increased significantly in Europe and Oceania in particular, due to the characteristics of the stock business (inventory sales).

(3) SG&A **+7,607**

(Main factors)

- Selling expenses: Increased mainly due to higher freight costs as the prices of raw materials and fuels rose worldwide.
- Labor costs: Up in Europe as a result of higher incentives due to strong sales.
- Amortization of goodwill: Increased due to the implementation of M&A in Europe and Asia Pacific in the current fiscal year.
- Travel and transportation expenses: Increased due to active sales meetings in the regions where COVID-19 is under control.

(JPY million)	March 31, 2022	September 30, 2022	Variance in amount
Current assets	210,523	233,231	+22,707
Cash and cash equivalents	22,634	20,375	(2,258)
Accounts receivable (Notes and accounts receivable, electronically recorded monetary claims)	126,965	133,101	+6,135
Merchandise and manufactured goods	51,250	71,861	+20,610
Tangible fixed assets	34,196	36,591	+2,395
Intangible fixed assets	9,248	13,329	+4,080
Goodwill	4,508	7,939	+3,430
Investments and other assets	36,738	37,553	+815
Total assets	290,707	320,706	+29,999

(JPY million)	March 31, 2022	September 30, 2022	Variance in amount
Current liabilities	170,164	199,387	+29,223
Accounts payable (Notes and accounts payable - trade, electronically recorded obligations - operating)	94,503	103,701	+9,198
Short-term borrowings (including commercial paper)	37,615	50,300	+12,685
Fixed liabilities	64,167	53,634	(10,533)
Long-term borrowings	42,622	30,120	(12,502)
Total liabilities	234,332	253,021	+18,689
Retained earnings	38,225	46,752	+8,527
Total net assets	56,374	67,684	+11,310
Total liabilities and net assets	290,707	320,706	+29,999

Main factors of change

- Merchandise and manufactured goods : Inventory increased due to growth in the stock business (inventory sales) in Europe and Oceania. Kokusai Pulp & Paper has an offshore inventory of pulp.
- Goodwill: Increase due to M&A implemented in Europe during the current fiscal year.
- Interest-bearing debt: Transferred to short-term borrowings from long-term borrowings due to the arrival of maturity.

About ratings

- Domestic CP rating : **J1**, up from **J2**
- Long-term issuer rating: newly acquired **A-**

▶ Building a system that enables flexible and diverse financing

Financial strength and profitability indicators

- DE ratio improved from **1.4** times to **1.2** times
(Net DE ratio **1.0** time → **0.9** times)

* DE ratio: Interest-bearing debt / net assets * Net DE ratio: (Interest-bearing debt - cash and deposits) / Net assets

- Equity ratio increased from **19.4%** to **21.1%**
- ROE (2023/3 2Q) **14.8%** (* 2022/3 2Q: **7.5%**, 2022/3 4Q: **15.0%**)
- ROE (2023/3 2Q) **3.0%** (* 2022/3 2Q: **1.4%**, 2022/3 4Q: **2.7%**)

Change in Cash Flows (Year-on-Year)

(JPY million)	Result for the first six months of FY March 2022	Result for the first six months of FY March 2023	Main breakdowns
Cash flows from operating activities	(4,886)	7,807	<ul style="list-style-type: none"> ▪ Income before income taxes +11,647 ▪ Depreciation +3,643 ▪ Increase in inventories (14,887) ▪ Increase in trade payables +5,011 ▪ Increase in accrued expenses +1,995
Cash flows from investing activities	(1,340)	(5,169)	<ul style="list-style-type: none"> ▪ Acquisition of shares of subsidiaries (4,569) ▪ Acquisition of tangible and intangible fixed assets (2,230) ▪ Sale of tangible and intangible fixed assets +1,927
Cash flows from financing activities	(12,097)	(7,002)	<ul style="list-style-type: none"> ▪ Decrease in short-term borrowing and commercial paper (5,443) ▪ Repayments of lease obligations (2,564) ▪ Dividends paid (659) ▪ Increase in long-term debt +1,673
Translation difference for cash and cash equivalents	1,149	2,104	<ul style="list-style-type: none"> ▪ Foreign currency translation adjustments of cash and loans receivable from foreign subsidiaries etc.
Increase (decrease) in cash and cash equivalents	(17,175)	(2,259)	-
Cash and cash equivalents at the beginning of the period	30,543	22,631	-
Cash and cash equivalents at the end of the period	13,368	20,372	-

Basic policy on cash management

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

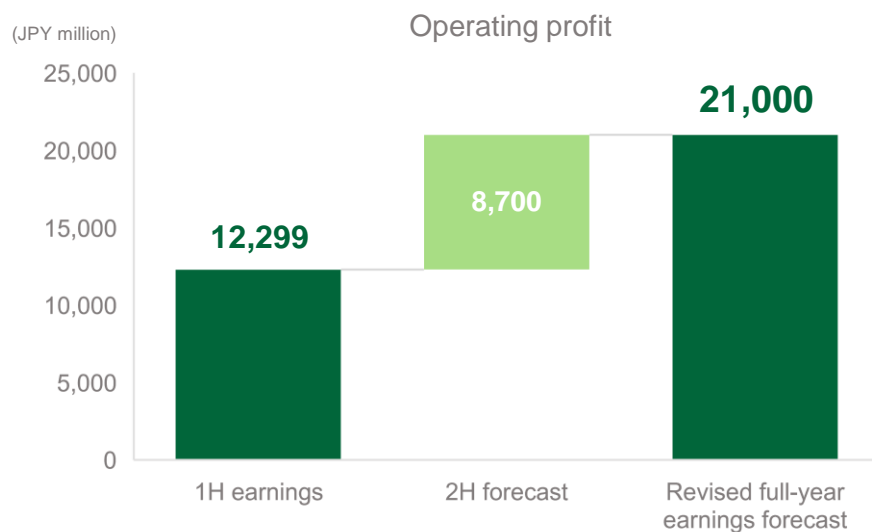
Revisions to Full-Year Earnings Forecasts

Compared with the previous forecast

(JPY million)	Previous forecast (May 13, 2022)	Revised forecast (November 14, 2022)	Variance in amount	Variance in %
Net sales	590,000	650,000	+60,000	+10.2%
Gross profit	97,000	119,000	+22,000	+22.7%
SG&A	85,000	98,000	+13,000	+15.3%
Operating profit	12,000	21,000	+9,000	+75.0%
Ordinary profit	9,400	18,500	+9,100	+96.8%
Profit attributable to owners of parent	7,500	15,000	+7,500	+100.0%

Year-on-year comparison

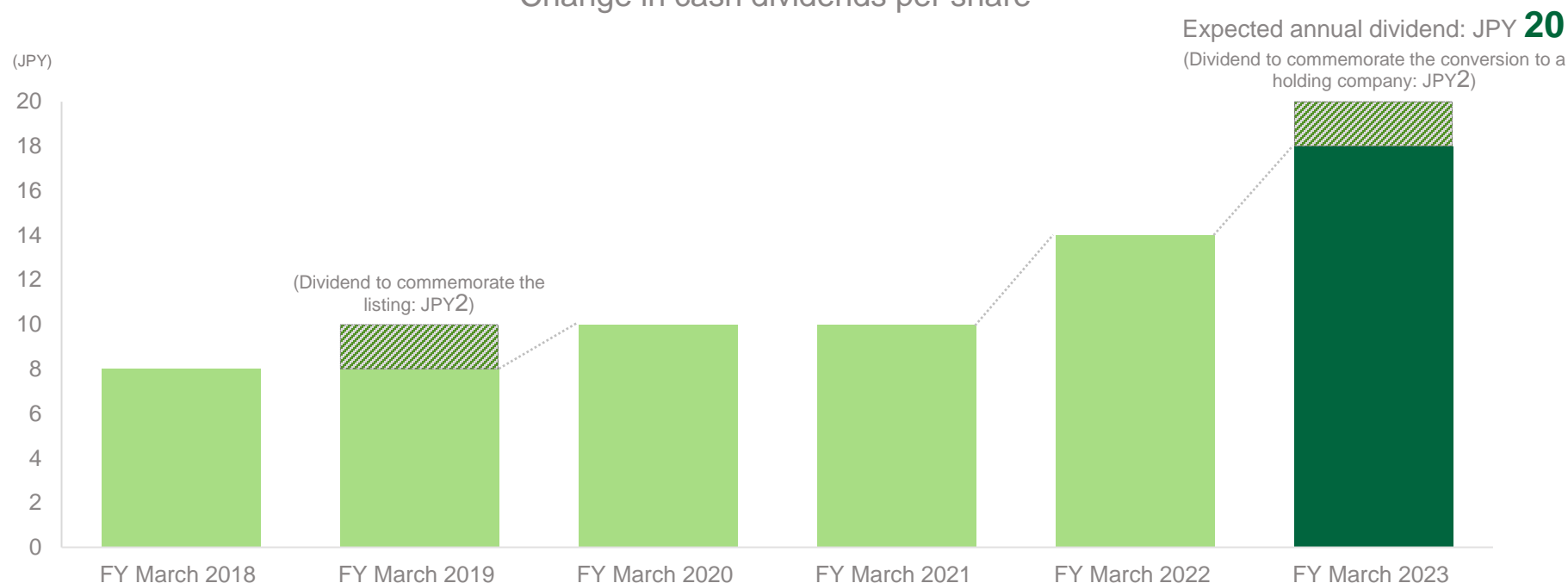
(JPY million)	FY March 2022 Results	Revised forecast (November 14, 2022)	Variance in amount	Variance in %
Net sales	563,414	650,000	+86,585	+15.4%
Gross profit	92,951	119,000	+26,048	+28.0%
SG&A	83,571	98,000	+14,428	+17.3%
Operating profit	9,379	21,000	+11,620	+123.9%
Ordinary profit	8,844	18,500	+9,655	+109.2%
Profit attributable to owners of parent	7,497	15,000	+7,502	+100.1%



Summary of revisions to earnings forecasts

- Reason for the revision
 - Antalis S.A.S., which operates mainly in Europe, had a series of price revisions in its paper business, and JPY has weakened compared with the previous year.
 - Despite concerns about a potential recession caused by tight monetary policy, geopolitical risks, and other factors, we made an upward revision to the forecast in light of the performance through the second quarter.
- Changes in assumed exchange rates
 - Assumed exchange rates for the fiscal year (average exchange rate for the fiscal year)
JPY 138/EUR , JPY 91/AUD, JPY 133/USD
- Outlook for the second half
 - Sales prices are expected to remain at the level of the 1H of the fiscal year, but we forecast that the financial results will be weaker than they were in the 1H due to concerns about a potential recession in Europe and the impact of China's zero-COVID policy.

Change in cash dividends per share



Basic policy on dividends

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

- FY March 2022 (previous fiscal year)
 - As acquisitions of Spicers and Antalis contributed significantly to the Group's earnings and solidified the earning base for the full year, we paid **an interim dividend for the first time**.
- FY March 2023 (current fiscal year)
 - In addition to **the commemorative dividend of JPY 2** for the transition to a holding company structure, we announced **a dividend increase of JPY 3** reflecting its strong performance.
The annual dividend forecast was raised to **JPY 20** from the initial forecast of JPY 15.

I

Transition to a Holding Company Structure

II

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III

Progress in the Third Medium-Term Plan

IV

Reference Materials

Aiming to increase both sales and profits with more profitability

(JPY million)

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

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

Measures to achieve targets

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

Targets for improving financial position

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

FY March 2025
1.0 time or less
25.0% or more

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

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

Organic Growth

Expansion of recycling-based business models

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



Inorganic Growth

Expanding business domains by acquiring external management resources

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

- Target business for M&A

Visual communication business	Packaging business	Other processing businesses
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- Management resources to be acquired

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

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

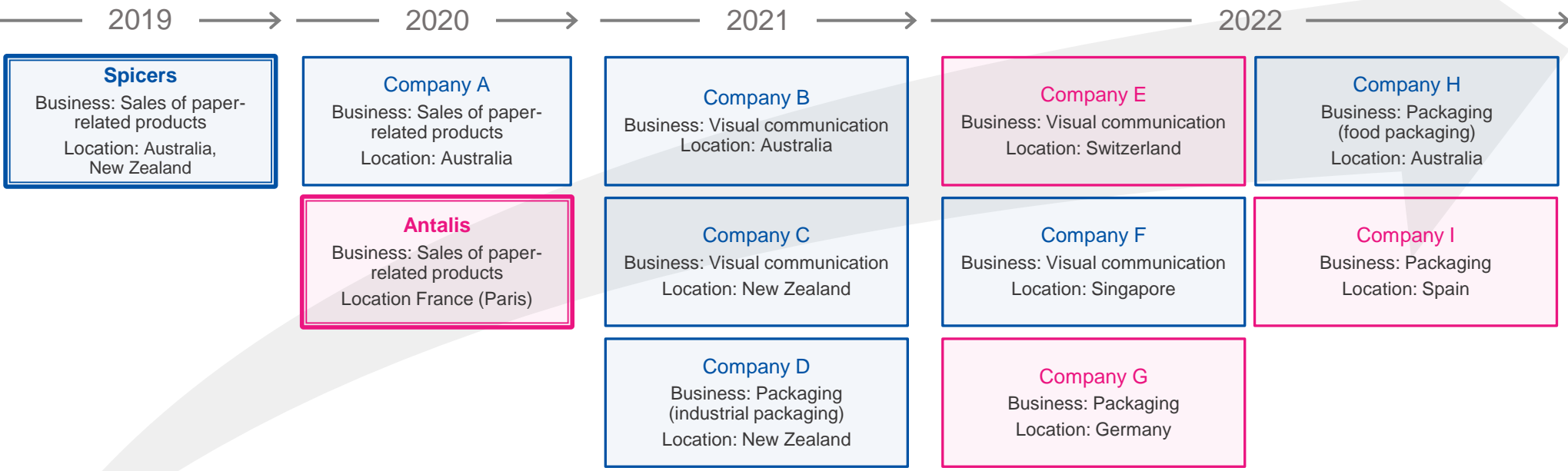
Antalis' M&A strategy

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

Spicers' M&A strategy

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

M&A activities conducted by Antalis and Spicers



... M&As by Antalis: **3** companies in total (visual communication business: 1, packaging business: 2)

... M&As by Spicers: **6** companies in total (paper business: 1, packaging business: 2, visual communication business: 3)

We established the Marketing Office, which provides company-wide support for the realization of the basic policies of the Third Medium-Term Plan for domestic businesses, such as “Reform of sales methods,” “Transformation of sales and service content,” and “Low-cost management.”



- Increase sales and maximize profitability by streamlining the sales and marketing process, thereby realizing sustainable corporate development and purpose management
(setting up a purpose that expresses what kind of significance we have and what kind of contribution we will make in society, and conducting management based on it)

- Market development for new businesses and paper wholesale business by utilizing marketing
- New business model services using data-driven and digital technology in the paper wholesale business → Creating new value (value proposal)

- Introduce digital efficiencies in some sales and marketing processes
 - Marketing field: Utilization of digital marketing (new businesses and paper wholesale business), **service site** *, web advertising/SNS, webinars, MA
 - Sales field: Building new business models with DX (paper wholesale business), CRM, SFA, B2B e-business, EDI

Create new value from paper and transform into a company that offers sustainable solutions

*Service site **SHIFT ON** (SHIFT ON) has started operation.

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

- Solve important management issues such as improving operational efficiency, reducing costs, reforming work styles.
(Details are provided on page 40 of this material.)











KPP Group Basic Sustainability Policy

We, the KPP Group, contribute to the realization of a sustainable society through the development of comprehensive recycling-oriented management based on the basic philosophy of the “KPP GROUP WAY”. We also regard the environment, society, and governance as important management issues, and are committed to resolving critical issues related to our business activities.

Material Issues of the KPP Group

- | | | |
|--|---|---|
| Global Expansion <ul style="list-style-type: none"> Creation of group synergies Internal communication | Response to DX <ul style="list-style-type: none"> Expansion of e-commerce Development of new systems | Implementation of Green Business <ul style="list-style-type: none"> Resolution of the marine plastic pollution problem Recycling and waste reduction |
| Climate Change Countermeasures <ul style="list-style-type: none"> Development of solutions to prevent global warming Reduction of CO2 emissions | Diversity & Inclusion <ul style="list-style-type: none"> Ensuring diversity Utilization of diverse personnel | Enhancement of Governance <ul style="list-style-type: none"> Compliance Information security Risk management |

ESG Management Initiatives

E	Reduction of GHG Emissions We have established a method for measuring emissions and started measuring them globally. Gradually broaden the scope and set goals for the entire group.	
	Implementation of Green Business In addition to Green Products, we aim to achieve global results in Europe and Oceania.	
	Expansion of Environmentally Friendly Businesses We promote recycling-oriented business through our nationwide used paper collection network, material recycling with our "ecom series" used paper collection solutions, and biomass power generation support business.	 
S	Utilization and Development of Diverse Human Resources <small>* Targets for Japan (Kokusai Pulp & Paper)</small> Continue to respect work-life balance, employ people past retirement, employ people with disabilities, foreigners, and mid-career employees. Continue various types of training (by level, harassment, etc.) and education. Promote business activities with consideration to forests and biodiversity. Creating a safe, healthy and fulfilling work environment that takes into account the circumstances of each region.	   
	Development of Risk and Incident Management Develop global management rules, global risk maps, and risk action plans.	
G	Risk-based Implementation of Internal Audits Examination, preparation and construction of risk-based internal audits based on awareness of global risks. Introduction and implementation of audit plans/methods and advancement of audit methods, based on the above.	
	Strengthening Compliance Promote surveys of core operating companies and establish a reporting system equivalent to risks and incidents. Strongly promote compliance education at overseas bases, as necessary.	
	Strengthening Information Security We will strive to strengthen risk management by identifying the responses to risks revealed in risk assessments conducted by core operating companies and the status of responses.	



OJO+ was exhibited at the Sustainable Fashion Expo (October 18–20, 2022 at Tokyo Big Sight)



- Exhibited “Kami no ito (paper yarn) OJO+” products from Oji Fiber, which are lightweight and excellent in water absorption, quick-drying property, toughness, deodorization, dyeability and biodegradability.
- Exhibited environmentally friendly products and services for the fashion industry, such as paper face covers, paper inner bags, paper hangers, and paper hooks, which use environmentally friendly paper products with the ratio of at least 70% of the material.

* The acquisition of shares in Oji Fiber is described on page 41 of this material.

Exhibitor PR Seminar “The Attractiveness of OJO+ Socks” from the Viewpoint of Professional Athletes and Producers



Invited Yuko Arimori, a former professional marathon runner, and Mr. Kita, Senior Managing Director of KITAI Co., Ltd., which produces OJO+ socks, to talk about the appeal of functional socks made of OJO+ paper yarn.



In September 2022, a sales distributor agreement was concluded between Ranpak B.V. (“Ranpak”), the largest provider of product protection solutions with paper cushioning material, and Kokusai Pulp & Paper

Details of Ranpak’s business

A leading company in the field of paper cushioning material, providing packaging solutions in 50 countries around the world by selling paper packaging materials including protective material and leasing packaging equipment.

Reason for and purpose of the agreement

Switching from plastic to paper protective packaging makes it possible to decrease environmental impact, significantly reduce time required for packaging, standardize packaging operations, and cope with busy seasons.

This agreement was concluded in anticipation of growing demand for paper cushioning materials in Japan, particularly in the EC industry.

→ Antalis was originally a Ranpak distributor in Europe.

We will continue to actively pursue the creation of business synergies among KPP Group companies and the promotion of environmentally friendly products through information exchange.



Paper cushioning



Gap filling



Packaging

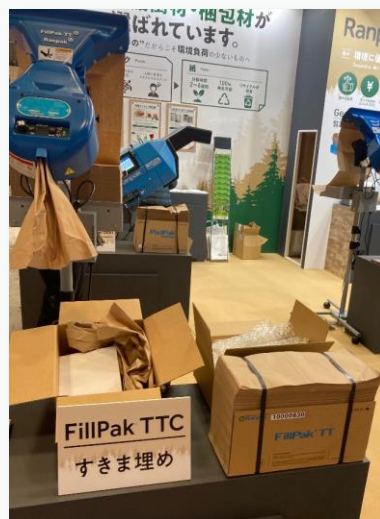


Cold chain



Packing equipment (example)

Exhibiting at the Next-Generation EC & Store Expo (October 26–28, 2022 at Makuhari Messe)



- Demonstration of high-speed generation of paper cushioning material
- Exhibited environmentally friendly products and services for the industry, such as water-soluble duct tape, all-paper cushioned envelopes as packaging for posting items, and packaging materials coated with self-adhesive glue

Coala Air Board



- “Coala” is Antalis’s own brand for visual communication products
- Coala Air Board is paper-based board with a honeycomb-like core structure inside, which is an environmentally friendly alternative to traditional synthetic rigid substrates (*1).
 - Ranked the highest 5 stars in Antalis’ Green Star System (*2)
 - Made of 100% recyclable paper, a more sustainable alternative to hard-to-recycle fossil materials
 - The product is sustainable and can be used in a wide range of applications from exhibition stands to art installations



*1 Boards using fossil resources such as plastic.
 *2 Antalis's original system for objectively evaluating the environmental impact of products by analyzing the origin of raw materials and recyclability.

Sustainability catalog “Environs”

- A sustainability catalog Environs was released. It features a full collection of products that contribute to reducing environmental impact.
- In addition to introducing paper-based products, Environs includes various contents such as Spicers' Sustainability Statement, sustainability goals and practices and tips to consider when designing products.
- Spicers will continue to create innovative and sustainable solutions to meet the needs of today's market and to ensure a healthy global environment for future generations.



I

Transition to a Holding Company Structure

II

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 2023 and Forecast for the Full Fiscal Year

III

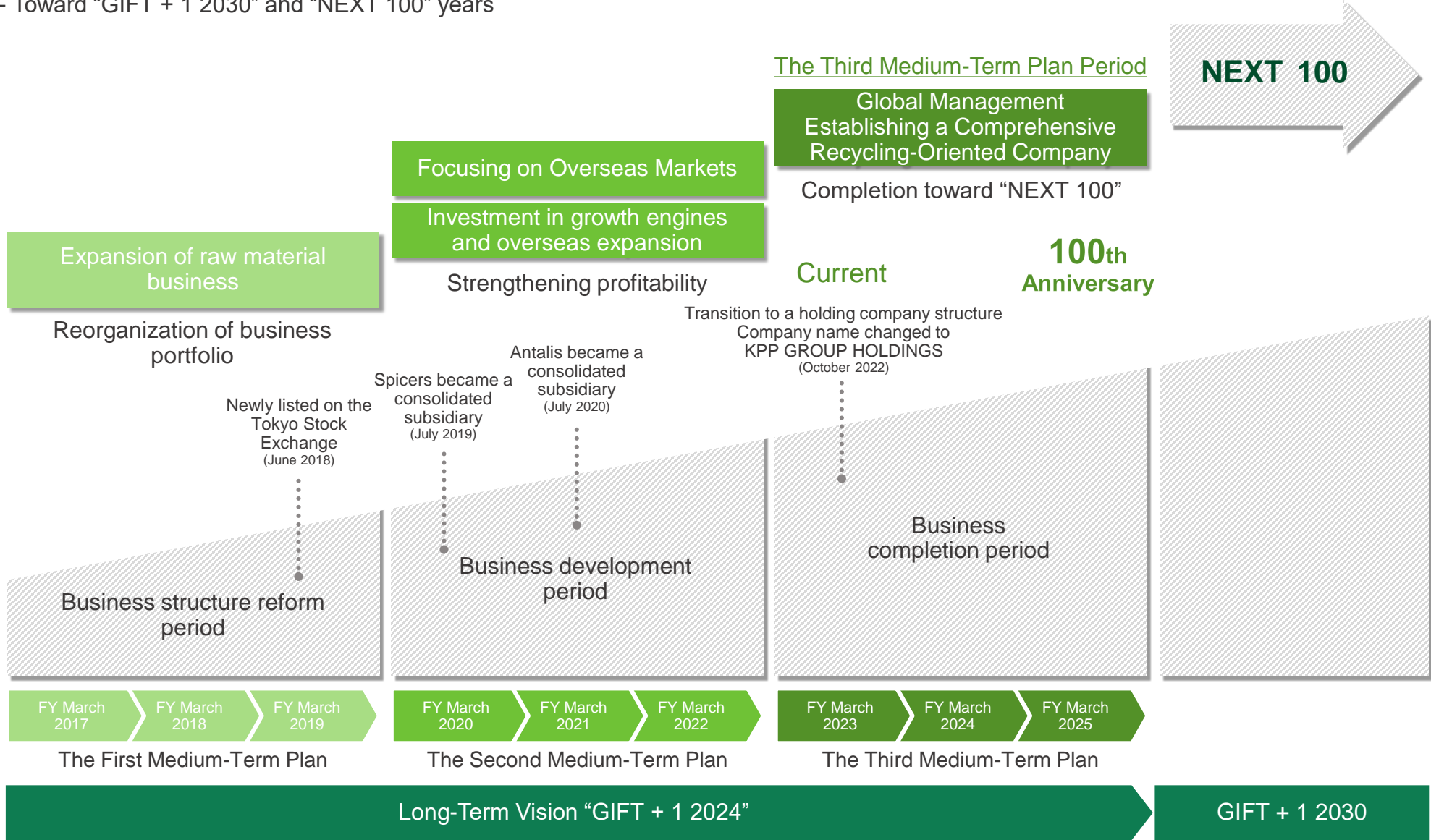
Progress in the Third Medium-Term Plan

IV

Reference Materials

Long-Term Vision “GIFT + 1 2024”

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



Theme

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

Messages

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

Establish and deepen profit base

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



Strengthen global group management

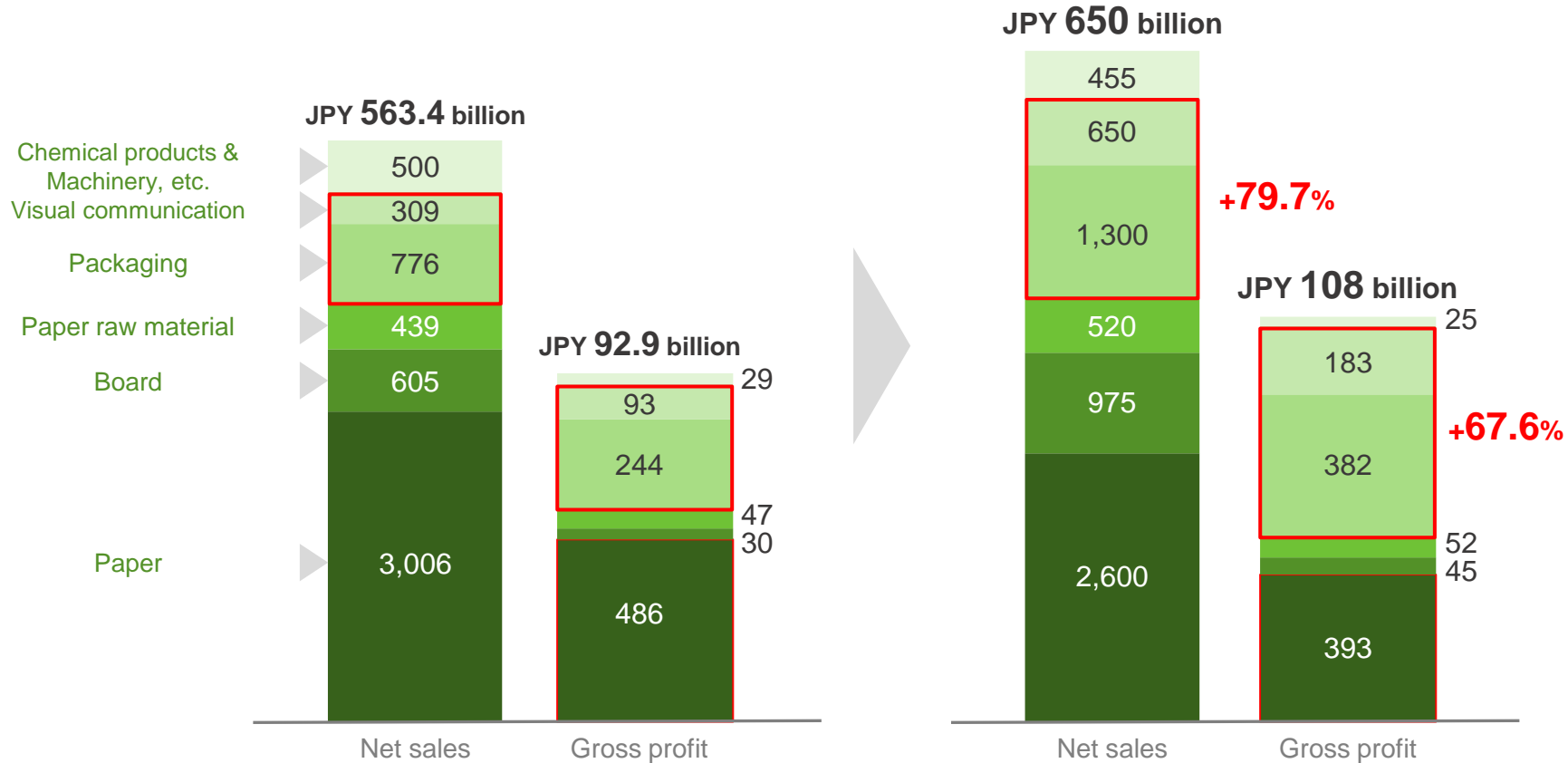
- Realization of ESG management
- Establish a global operations system
- Strengthen group communication
- Appropriate allocation of management resources

Net Sales and Gross Profit by Business Segment

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

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

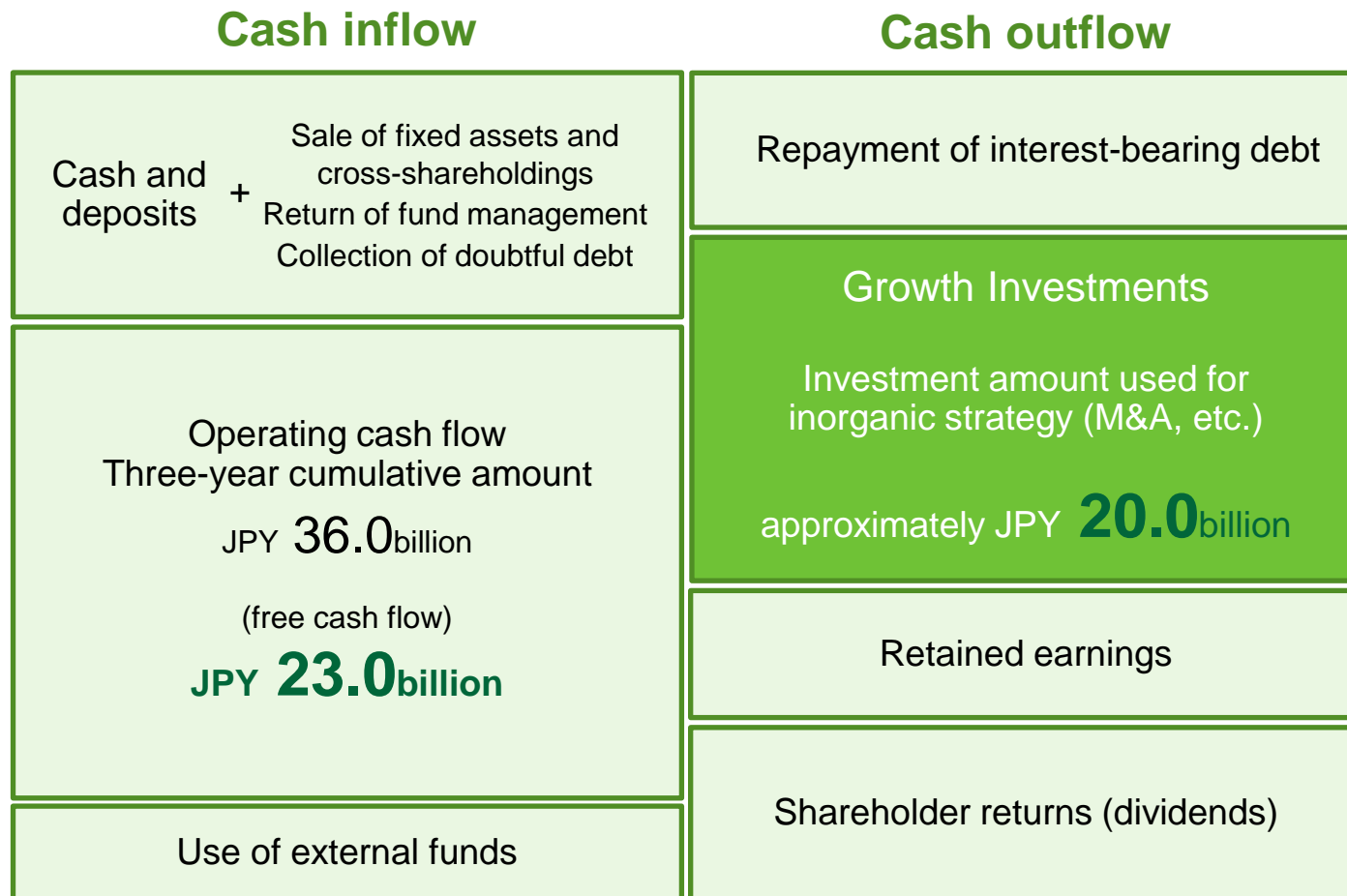
Final year of the Third Medium-Term Plan (targets)
FY March 2025



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

Cash Flow Allocation

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



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



Paper Trading type

Overseas business model

Mission

Trading business utilizing global network in paper, paperboard and paper materials

Gross margin ratio
approx. **3%**

Paper Distribution type

Domestic business model

Mission

Paper-related wholesale business combining indent business (consignment sales) with stock business (inventory sales)

Gross margin ratio
approx. **6%**

Paper Merchant type

Business models in Europe and America

Mission

High-value-added business through cutting and processing and sales of own-brand products with large-scale logistics and delivery functions

Gross margin ratio
approx. **25%**

*Gross margin ratio in normal times

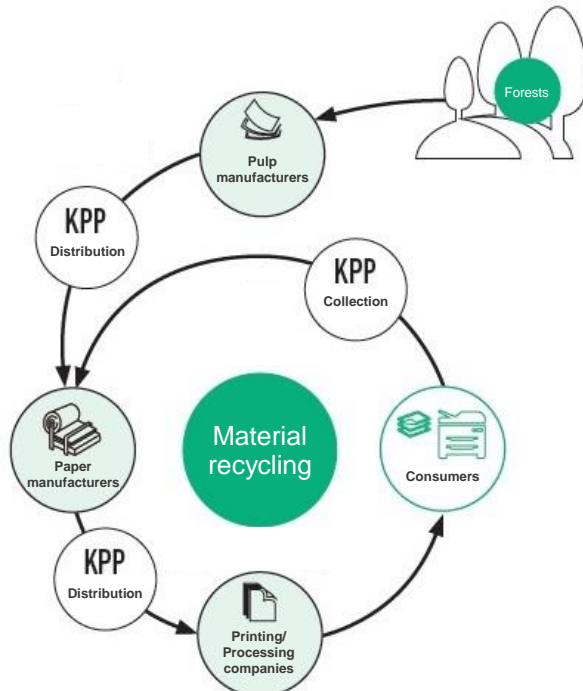
Maximizing profitability and efficiency by developing various business models appropriate for each region

Building a comprehensive recycling-oriented business model contributing to the realization of a sustainable society

Material recycling

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

- Utilizing the collection network of used paper wholesalers throughout Japan. Collected used paper is delivered to paper manufacturers as raw materials for paper (recycling material)
*see "Paper Raw Materials Business" on page 36 of this material.
- Used paper collection solution business using our originally developed **Town ecomo** and **Office ecomo**.
- Provision of the **ecom Closed Recycling Service**, which visualizes resource emissions, recycling routes, and recycling volumes



Town ecomo



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

Office ecomo



Confidential documents generated in corporate offices are collected to convert them into recycled paper. Significantly reducing the time and effort required for shredding and contributing to the environment

BMecom



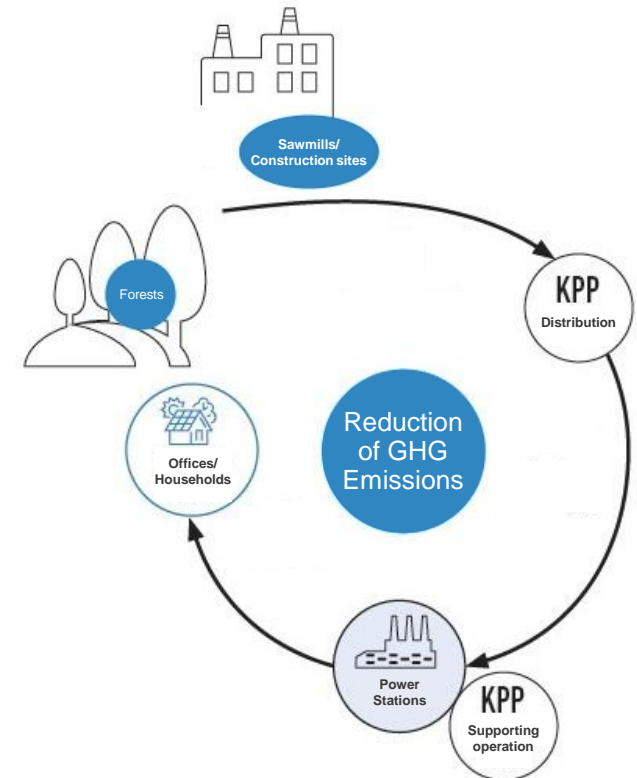
<https://bmecom.com/>

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

Reduction of GHG Emissions

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

- Development of **BMecom**, an operation support system for biomass power plants using AI and IoT technologies
- Purchase unused wood, waste wood, and scrap wood, and supply them to biomass power plants



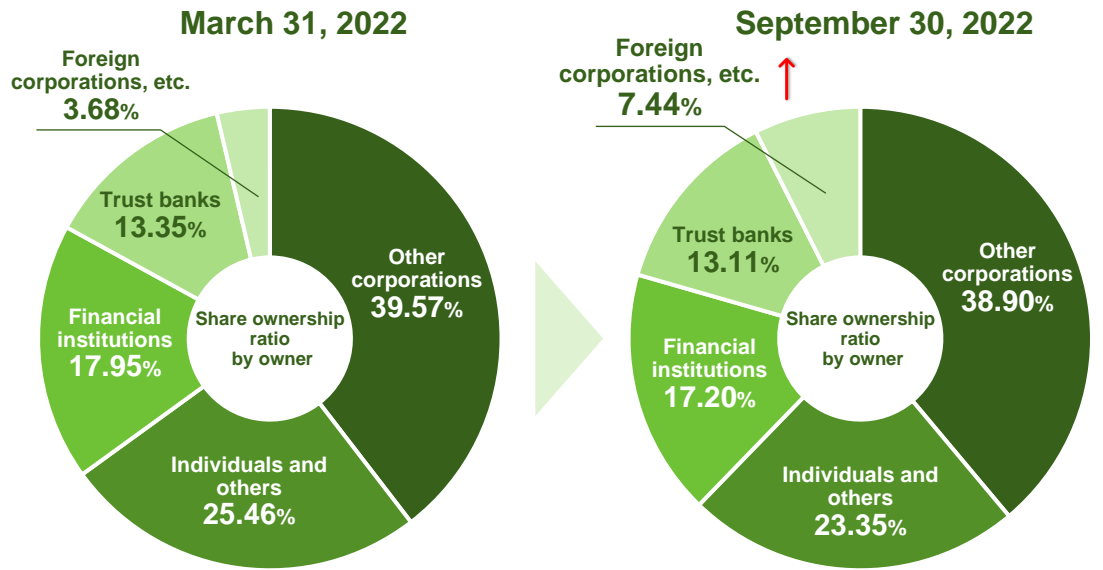
A group of paper merchants with a 98-year history

Company Name	KPP GROUP HOLDINGS CO., LTD.
Established	November 1924
Representative	Madoka Tanabe, Chairman & Chief Executive Officer Tadashi Kurihara, President
Head Office Address	6-24 Akashi-cho, Chuo-ku, Tokyo
Capital	JPY 4,723 million
Employees	5,410 (consolidated) *As of September 30, 2022



Status of shareholders

Principal shareholders <small>(As of September 30, 2022)</small>	Oji Holdings Corporation	17.3%
	Nippon Paper Industries Co., Ltd.	9.2%
	The Master Trust Bank of Japan, Ltd. (trust account)	6.9%
	Kokusai Pulp & Paper Co., Ltd. (stock ownership association)	3.4%
	Hokuetsu Corporation	3.4%
	Mizuho Bank, Ltd.	2.5%
	Mitsui Sumitomo Insurance Company, Limited	2.4%
	MUFG Bank, Ltd.	2.3%
	Sumitomo Mitsui Banking Corporation	2.3%
	The Norinchukin Bank	2.3%



Paper

Deals in newsprint, printing paper, and information-related paper. There is a wide range of paper types, and we make proposals that match the properties and characteristics of each type of paper depending on the application.

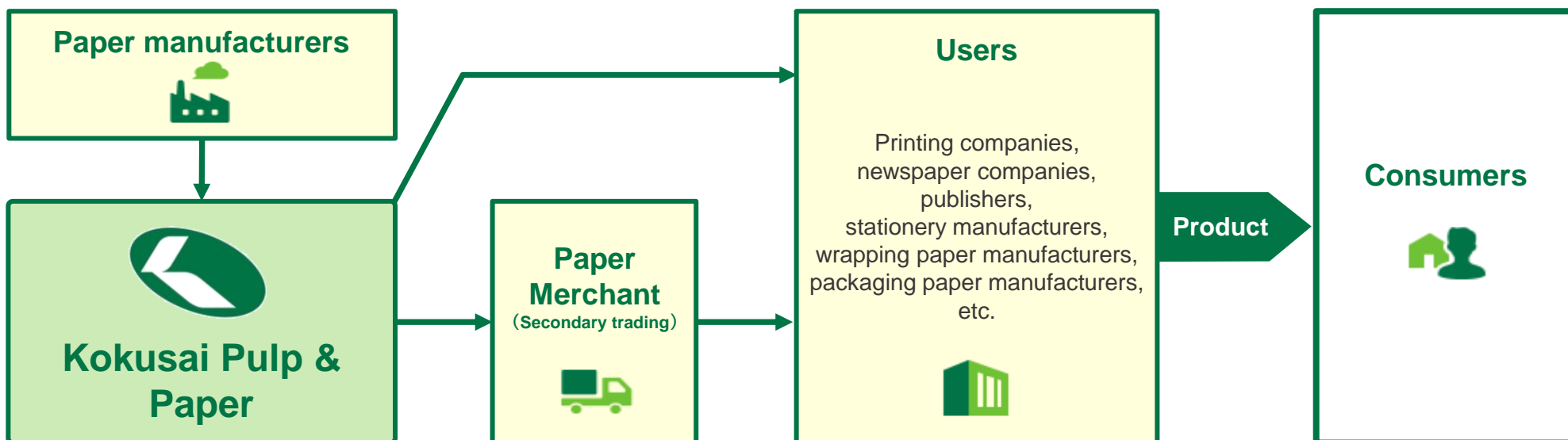


Paperboard

Paperboard is mainly classified into “container board” and “folding box board” and is widely used for packaging.

“Container board” is the base paper used to make corrugated boxes, and accounts for about 80% of all paperboard.

“Folding box board” is the base paper for paper boxes such as candy, tissues, cards, etc.



- **Independent common distributors**
 - Primary paper distribution is mainly classified into paper manufacturer affiliates, general trading company affiliates, and independent common distributors

Paper Raw Materials Business (domestic)

Paper raw material (pulp and used paper)

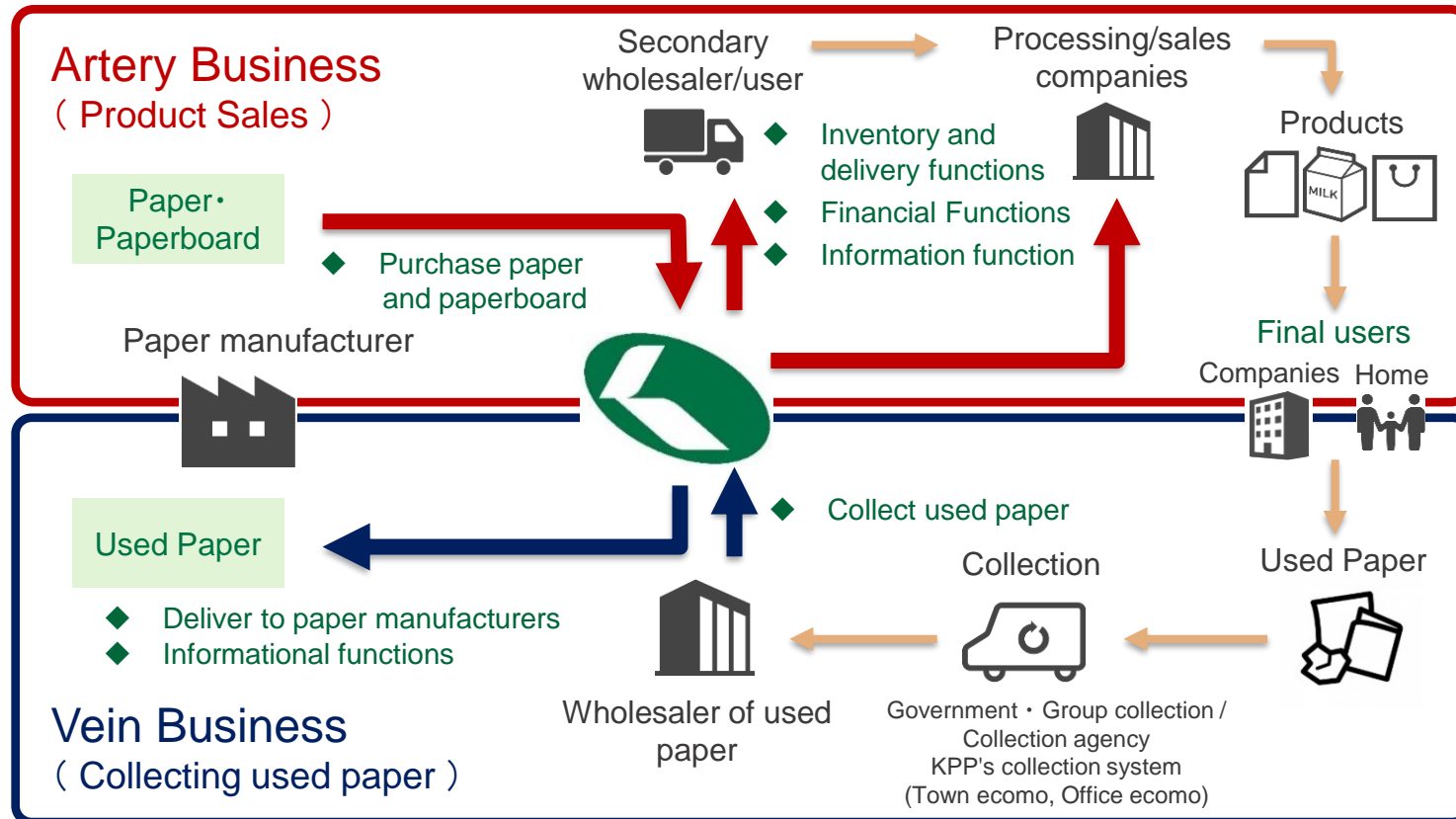
Currently, approximately 40% of the raw material consumed by the entire paper industry is pulp, and the remaining 60% is used paper.

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



Annual sales results approx. **1.8 million tons**


Annual collection results approx. **1.1 million tons**



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

Customized solutions (Antalis)

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

 Inquiries from Customers

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

 Expert

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



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

Packaging Design Center



Providing a variety of packaging materials (examples)



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

- Experienced marketing teams provide high-level user support.

Outdoor advertisements



Vehicle graphics



Retail



Hotel



A view of the work



Various examples of installation



1 COALA STICKY WALL S



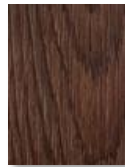
2 COALA ROLL-UP ECO



3 COALA ROLL-UP PET S



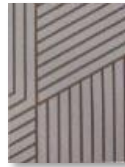
4 COALA ORGANZA



5 COALA INTERIOR FILM



6 STADUR SIGN EASYPRINT BLACK



7 COALA FLOOR & WALL R



8 DIBOND

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

Adhesive Label Business in Oceania

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

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



Daily Necessities



Logistics



Medical Care



Food & Beverage



Others



Service site “SHIFT ON”

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

Environmental and new functional materials solutions

SHIFTON green

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

Packaging solution

SHIFTON packaging

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

Total solution for sales promotion

SHIFTON promotion

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

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

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

Customer concerns and issues

Improving operational efficiency

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

Standardizing operation

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

Green efforts

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

未来にかさねて
SHIFTON
<https://shifton.kpp-gr.com/>



Operational improvement proposal



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

Green material proposal



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

Example of ESG Management Investments for Realization of a Recycling-Oriented Society in Japan

Capital and business alliance with Amica Terra Co., Ltd., engaged in the sale and manufacturing of non-plastic products.

In February 2022, formed a capital and business alliance with Amica Terra Co., Ltd., which is engaged in plastic substitute materials (modo-cell®) made mainly from plant fibers (cellulose).



modo-cell®

Characteristics of modo-cell®

- ✔ Plants are the main raw material, and plant residues that were previously discarded of can be used as raw materials.
- ✔ The main raw material is plants, and so it completely biodegrades on the ground and in the soil.
- ✔ No special mold is required for molding, and products can be manufactured using general plastic molding machines.
- ✔ Effective for disposing of abandoned bamboo forests and agricultural waste
- ✔ Possible to reflect the characteristics of plants used as raw materials in products.

Examples of products using modo-cell®



Oji Fiber Co., Ltd., which manufactures and processes paper yarn and other textile products made from paper, became a subsidiary.

In March 2022, Oji Fiber Co., Ltd. became a subsidiary, and it manufactures paper yarn "Kami no Ito OJO+" made from Manila hemp.



Features of Kami no Ito OJO+

- ✔ Lightweight and excellent in water absorption, quick drying property, toughness, deodorization, dyeability and biodegradability.
- ✔ Wide range of applications including artificial grass, apparel, night wear and daily necessities

Examples of products using Kami no Ito OJO+



KPP Group's Green Products

Green Products

Promotion of paper solutions

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

Reduction of plastic use

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

Biomass materials

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

Paper-based clear folders



Try-on face cover for clothes shop



Reduced plastic cutlery



Artificial grass made of paper yarn



PAPER MALL (EC Site for Paper-Related Products)



1枚から紙を買えるネット通販
PAPER MALL
<https://www.kpps.jp/papermall/>



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

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

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

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

Green Products: Environmentally friendly products



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



Promotion of paper solutions

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

Plastic Reduction

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

Bioplastics

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

Support for “The C.W. Nicol Afan Woodland Trust”

Since 2015, we have been supporting the C.W. Nicol Afan Woodland Trust, a general incorporated foundation, as we respect Mr. C.W. Nicol’s wish to **Restore Japan’s Beautiful Natural Environment** and the **Disaster Recovery Project** organized by the trust.



After Mr. Nicol moved to Japan, he bought a degraded forest in Kurohime, Nagano Prefecture, and took care of it for more than 30 years, restoring it to a forest rich in biodiversity.

He died in April 2022 at the age of 79, but his goal was to create a future 100 years ahead.

We will continue to support the trust and promote environmental management to realize a sustainable society, respecting his wish to expand biodiversity-rich natural environments throughout Japan.

Keynote address by Mr. C.W. Nicol

Mr. C.W. Nicol was invited to KPP Group Holdings to give a keynote speech at the 7th KPP Exhibition held for three days from Monday, November 11 to Wednesday, November 13, 2019.

We have released a video that excerpts and summarizes part of the speech. Follow the link below to access the video.

https://www.youtube.com/watch?v=z9MKE8_zwVc



Integrated Report (FY2022)

A report including KPP's financial and non-financial information. It provides details of our ESG and sustainability strategies.



TSUNAGU (Vol.51)

In addition to KPP news, the magazine introduces paper-based artists, traditional paper crafts, and various paper-related topics to readers to rediscover a fascination with paper.



Contact

Corporate Communications Office
TEL:03-3542-4169

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

- 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.
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Contact

KPP GROUP HOLDINGS CO., LTD. Investor Relations Contact

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



A Paper Trail
for Creating the Future.