

Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP] (Consolidated)



May 13, 2022

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

Stock exchange listing: Tokyo Stock Exchange

Code number: 9274

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

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Scheduled date of Ordinary General Meeting of Shareholders: June 29, 2022

Scheduled date of commencing dividend payments: June 30, 2022

Scheduled date of filing the securities report: June 29, 2022

Preparation of supplementary explanatory materials for financial results: Yes

Convening financial results briefing: Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	563,414	—	9,379	—	8,844	—	7,497	—
Fiscal year ended March 31, 2021	430,404	12.8	(9,035)	—	(12,041)	—	1,416	15.0

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥13,904 million [—%]

Fiscal year ended March 31, 2021: ¥(1,736) million [—%]

	Profit per share	Profit per share - diluted	Profit to shareholders' equity	Total assets Ordinary profit margin	Net sales Operating profit margin
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2022	104.39	—	15.0	3.1	1.7
Fiscal year ended March 31, 2021	19.70	—	3.1	(5.2)	(2.1)

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

Fiscal year ended March 31, 2022: ¥103 million

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

(Note) The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review, and therefore the figures for the fiscal year ended March 31, 2022 are those after the adoption of the said accounting standard, etc., and they do not include any year-on-year percentage changes.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	290,707	56,374	19.4	783.65
As of March 31, 2021	275,119	43,581	15.8	605.71

(Reference) Equity: As of March 31, 2022: ¥56,291 million

As of March 31, 2021: ¥43,489 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2022	3,828	(2,678)	(10,810)	22,631
Fiscal year ended March 31, 2021	(6,472)	23,046	6,597	30,543

2. Dividends

	Annual dividends					Total amount of annual dividends	Dividend payout ratio (consoli- dated)	Ratio of dividends to net assets (consoli- dated)
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	—	0.00	—	10.00	10.00	732	50.8	1.6
Fiscal year ended March 31, 2022	—	5.00	—	9.00	14.00	1,025	13.4	2.0
Fiscal year ending March 31, 2023 (Forecast)	—	7.00	—	8.00	15.00		—	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(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	590,000	4.7	12,000	27.9	9,400	6.3	7,500	0.0	104.41

* Notes:

(1) Changes in significant subsidiaries during the fiscal year: None

(2) 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

(3) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

As of March 31, 2022: 73,244,408 shares
As of March 31, 2021: 75,077,406 shares

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

As of March 31, 2022: 1,410,953 shares
As of March 31, 2021: 3,278,133 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2022: 71,823,736 shares
Fiscal year ended March 31, 2021: 71,917,550 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(1) Non-Consolidated Operating Results**(Percentages represent year-on-year changes.)**

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	257,822	1.9	1,925	29.2	3,246	—	1,782	—
Fiscal year ended March 31, 2021	253,111	(13.1)	1,490	(20.1)	(5,876)	—	(1,820)	—

	Profit per share	Profit per share - diluted
	Yen	Yen
Fiscal year ended March 31, 2022	24.82	—
Fiscal year ended March 31, 2021	(25.31)	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	165,694	43,991	26.5	612.41
As of March 31, 2021	152,378	43,647	28.6	607.90

(Reference) Equity: As of March 31, 2022: ¥43,991 million
As of March 31, 2021: ¥43,647 million

* These financial results are outside the scope of audits by certified public accountants or auditing firms.

* Explanation of the proper use of financial results forecast and other notes

(Cautionary notes regarding forward-looking statements)

The results forecast and other forward-looking statements contained in this document are based on the information currently available to the Company and certain assumptions deemed to be reasonable, and are not intended as a guarantee that the Company will achieve them. Actual results may differ significantly due to various factors. For assumptions for the results forecast and points to consider in utilizing them, please see “1. Overview of Operating Results, etc., (4) Future Outlook” of the attachments.

(How to obtain supplementary explanatory materials for financial results)

The Company plans to hold a briefing for institutional investors and analysts on Monday, June 13, 2022. The explanatory materials for financial results distributed at the briefing will be posted on the Company’s website as soon as it is held.

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1. Overview of Operating Results, etc.

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

The Group has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review. Therefore, with respect to net sales, the explanation of operating results for the fiscal year under review is provided without stating percentage changes from the previous fiscal year.

1) Operating results

In the fiscal year under review, the outlook for the Japanese economy remained uncertain due to concerns about the spread of a new variant, Omicron, despite some signs of economic recovery due to the progress of vaccination and the effects of various policies. In the pulp and paper industry, which is the Company’s core business, domestic demand for paper and paperboard recovered slightly from the previous fiscal year, but did not recover to the level before the spread of COVID-19.

On the other hand, in the global economy, there is a difference in the speed of economic recovery between developing countries and Western countries where vaccination has progressed. In China in particular, the impact of intermittent urban lockdowns under the zero-COVID policy on society and the economy has cast a shadow. In addition, while supply shortages are becoming normal due to supply chain disruptions caused by a shortage of port workers and containers, the future is uncertain due to the invasion of Ukraine by Russia as a new issue.

Under these circumstances, the Group’s consolidated net sales for the fiscal year under review were 563,414 million yen, operating profit was 9,379 million yen (compared with operating loss of 9,035 million yen in the previous fiscal year), ordinary profit came to 8,844 million yen (compared with ordinary loss of 12,041 million yen in the previous fiscal year), and profit attributable to owners of parent was 7,497 million yen.

2) Overview by segment for the fiscal year under review

Net sales by business segment are as follows.

<Wholesale pulp and paper, domestic locations>

In the paper field, following the resumption of economic activities, both sales volume and net sales increased from the previous fiscal year, which was greatly affected by COVID-19. However, as the tourism and event business was on the way to recovery mainly due to reduced office demand, priority measures to prevent the spread of the disease and the reissuance of a state of emergency, they did not recover to the level before the COVID-19 disaster.

In the paperboard field, on the other hand, positive factors such as the e-commerce home delivery business and economic resumption boosted demand for paperboard for paper containers and containerboard, and both sales volume and net sales increased from the previous fiscal year.

In the paper materials field, although the sales volume of waste paper fell below the previous fiscal year’s level as a result of a decrease in the volume of waste paper generated by households due to the extension of the state of emergency, net sales increased from the previous fiscal year due to higher prices.

Although demand for pulp for domestic household paper manufacturers decreased, both sales volume and net sales increased from the previous fiscal year due to increased exports to China and higher sales unit prices.

As a result of the above, net sales of the wholesale pulp and paper, domestic locations, were 256,282 million yen and segment profit was 4,982 million yen (up 34.3% year-on-year).

<Wholesale pulp and paper, overseas locations>

● Trade business

In the trade business, the trading volume remained sluggish due to production limits on paper manufacturers in addition to supply chain disruptions and container shortages.

- Intraregional business

In the ANZ (Australia and New Zealand) and European markets, demand recovered as economic activities resumed, backed by the “living with COVID” policy. In addition, prices have continued to rise due to supply shortages and energy cost problems. Under these circumstances, both net sales and profit increased significantly partly due to the full-year contribution of the financial results of Antalis S.A.S., which was acquired in the previous fiscal year.

In the ASEAN region, although economic recovery has been slow, synergies have been generated through consolidation of overlapping locations.

In the China business, net sales and ordinary profit increased from the previous fiscal year as sales in the paper wholesale business at subsidiaries and newly established branches contributed.

As a result of the above, net sales of the wholesale pulp and paper, overseas locations, were 305,901 million yen and segment profit was 7,160 million yen (compared with segment loss of 10,557 million yen in the previous fiscal year).

<Real estate leasing>

In the office building market in major cities throughout Japan, office demand has declined mainly due to the economic downturn caused by the effects of the COVID-19 disaster and the spread of teleworking, resulting in a continued rise in the average vacancy rate and continued decline in the average rent. Close attention needs to be paid to the balance of supply and demand as new buildings are scheduled to be completed in many areas in the future.

In the Group, although full operation of the main KPP Yaesu Building continued, net sales fell year-on-year partly due to a decrease in rent income associated with the redevelopment of properties owned.

As a result of the above, net sales of real estate leasing were 1,230 million yen and segment profit was 176 million yen (down 72.0% year-on-year).

(2) Overview of Financial Position for the Current Fiscal Year

(Assets)

Total assets at the end of the fiscal year under review were 290,707 million yen, up 15,587 million yen from the end of the previous fiscal year. This was mainly due to an increase in merchandise and finished goods and an increase in retirement benefit asset.

(Liabilities)

Liabilities were up 2,794 million yen to 234,332 million yen from the end of the previous fiscal year. This was mainly due to an increase in trade payables despite a decrease in interest-bearing debt.

(Net assets)

Net assets grew 12,792 million yen to 56,374 million yen from the end of the previous fiscal year, and the equity ratio increased 3.8 points to 19.4% from the end of the previous fiscal year. This was mainly due to an increase in profit attributable to owners of parent and an increase in remeasurements of defined benefit plans.

(3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents at the end of the fiscal year under review (hereinafter referred to as “funds”) were 22,631 million yen, down 7,912 million yen from the end of the previous fiscal year. This was mainly a result of appropriation of funds provided by profit before income taxes to purchase of non-current assets and decreased short-term borrowings.

Funds provided by operating activities totaled 3,828 million yen (compared with funds used in operating activities of 6,472 million yen for the previous fiscal year). This was mainly due to the acquisition of profit before income taxes and an increase in trade payables.

Funds used in investing activities totaled 2,678 million yen (compared with funds provided by investing activities of 23,046 million yen for the previous fiscal year). This was mainly due to purchase of non-current assets.

Funds used in financing activities totaled 10,810 million yen (compared with funds provided by financing activities of 6,597 million yen for the previous fiscal year). This was mainly due to a decrease in short-term borrowings.

(4) Future Outlook

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

Under these circumstances, the consolidated results forecast for the fiscal year ending March 31, 2023 is as follows.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Results forecast for the fiscal year ending March 31, 2023	590,000	12,000	9,400	7,500
Operating results for the fiscal year ended March 31, 2022	563,414	9,379	8,844	7,497
Changes	26,585	2,620	555	2

The financial results for the fiscal year ended March 31, 2022 set new record highs in net sales and each profit on a consolidated basis, reflecting the full-year contribution of the financial results of Antalis S.A.S., which was acquired in the previous fiscal year, and strong performance in Europe and Oceania.

For the fiscal year ending March 31, 2023, the Group expects both net sales and profit to increase on a consolidated basis based on the expected recovery of demand in domestic and overseas markets following the resumption of economic activities as well as the rising market conditions due to product supply shortages and energy cost problems.

* Notes on forward-looking information

The results forecast and other forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may differ substantially due to various factors, and the forecast and other forward-looking statements are not intended as a guarantee that the Company will achieve them.

(5) Significant Events, etc. Related to Going Concern Assumption

Not applicable.

2. Basic Approach to the Selection of Accounting Standards

For the time being, the Group has a policy to prepare consolidated financial statements in accordance with Japan GAAP, taking into account the comparability of consolidated financial statements over time and among entities.

Regarding the adoption of the International Financial Reporting Standards (IFRS), the Group will respond appropriately in consideration of various domestic and international situations.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Million yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and deposits	30,546	22,634
Notes and accounts receivable - trade	112,782	111,168
Electronically recorded monetary claims - operating	12,928	15,797
Merchandise and finished goods	40,012	51,270
Other	10,138	14,830
Allowance for doubtful accounts	(5,735)	(5,177)
Total current assets	200,672	210,523
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,935	6,333
Machinery, equipment and vehicles, net	1,255	1,467
Tools, furniture and fixtures, net	1,210	1,184
Land	9,581	9,268
Leased assets, net	178	210
Right-of-use assets, net	15,576	14,997
Construction in progress	108	734
Total property, plant and equipment	34,845	34,196
Intangible assets		
Goodwill	4,235	4,508
Software	4,327	4,583
Other	213	156
Total intangible assets	8,777	9,248
Investments and other assets		
Investment securities	17,806	17,028
Long-term loans receivable	188	22
Deferred tax assets	1,594	1,499
Retirement benefit asset	9,230	16,518
Other	11,190	11,809
Allowance for doubtful accounts	(9,184)	(10,139)
Total investments and other assets	30,824	36,738
Total non-current assets	74,447	80,183
Total assets	275,119	290,707

(Million yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	81,672	90,743
Electronically recorded obligations - operating	3,552	3,760
Short-term borrowings	67,999	26,615
Commercial papers	—	11,000
Lease obligations	4,754	4,853
Income taxes payable	9,273	1,264
Provision for bonuses	2,291	3,290
Provision for bonuses for directors (and other officers)	47	184
Provision for point card certificates	26	23
Provision for product warranties	60	25
Provision for loss on business liquidation	1,298	759
Provision for risk costs	134	76
Other	19,882	27,568
Total current liabilities	190,993	170,164
Non-current liabilities		
Long-term borrowings	15,272	42,622
Lease obligations	12,490	11,750
Deferred tax liabilities	694	1,910
Provision for retirement benefits for directors (and other officers)	16	18
Provision for share awards for directors (and other officers)	110	166
Provision for risk costs	316	384
Retirement benefit liability	4,811	4,616
Asset retirement obligations	431	434
Other	6,401	2,263
Total non-current liabilities	40,544	64,167
Total liabilities	231,537	234,332
Net assets		
Shareholders' equity		
Capital stock	4,723	4,723
Capital surplus	7,833	7,292
Retained earnings	31,826	38,225
Treasury shares	(1,089)	(535)
Total shareholders' equity	43,293	49,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,798	3,480
Deferred gains or losses on hedges	(54)	(112)
Foreign currency translation adjustment	(1,380)	(782)
Remeasurements of defined benefit plans	(2,167)	4,000
Total accumulated other comprehensive income	195	6,586
Non-controlling interests	92	82
Total net assets	43,581	56,374
Total liabilities and net assets	275,119	290,707

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	430,404	563,414
Cost of sales	378,489	470,463
Gross profit	51,915	92,951
Selling, general and administrative expenses		
Selling expenses	9,747	15,616
Employees' salaries and allowances	16,749	30,491
Provision for bonuses	2,243	3,265
Provision for bonuses for directors (and other officers)	46	184
Retirement benefit expenses	705	1,863
Provision of allowance for doubtful accounts	11,627	255
Provision for retirement benefits for directors (and other officers)	(5)	1
Provision for share awards for directors (and other officers)	35	68
Provision for risk costs	23	—
Other	19,776	31,823
Total selling, general and administrative expenses	60,950	83,571
Operating profit	(9,035)	9,379
Non-operating income		
Interest income	273	31
Dividend income	443	385
Share of profit of entities accounted for using equity method	—	103
Foreign exchange gains	274	373
Reversal of allowance for doubtful accounts	—	933
Other	368	336
Total non-operating income	1,360	2,164
Non-operating expenses		
Interest expenses	1,221	1,604
Loss on sale of trade receivables	233	393
Share of loss of entities accounted for using equity method	2,452	—
Insurance expenses	170	388
Other	289	312
Total non-operating expenses	4,366	2,699
Ordinary profit	(12,041)	8,844

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Extraordinary income		
Gain on sale of non-current assets	10,599	1,344
Gain on sale of investment securities	924	265
Gain on bargain purchase	1,679	—
Other	763	345
Total extraordinary income	13,966	1,956
Extraordinary losses		
Business restructuring expenses	181	331
Loss on retirement of non-current assets	7	348
Impairment loss	218	204
Loss on sale of investment securities	—	4
Loss on valuation of investment securities	229	681
Loss on cancellation of leases	119	—
Other	5	1
Total extraordinary losses	763	1,572
Profit before income taxes	1,161	9,227
Income taxes - current	3,537	2,892
Income taxes - deferred	(3,647)	(1,178)
Total income taxes	(109)	1,713
Profit	1,271	7,513
Profit attributable to non-controlling interests	(145)	16
Profit attributable to owners of parent	1,416	7,497

Consolidated Statement of Comprehensive Income

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Profit	1,271	7,513
Other comprehensive income		
Valuation difference on available-for-sale securities	1,017	(317)
Deferred gains or losses on hedges	(55)	(58)
Foreign currency translation adjustment	(956)	555
Remeasurements of defined benefit plans, net of tax	(2,232)	6,168
Share of other comprehensive income of entities accounted for using equity method	(779)	42
Total other comprehensive income	(3,007)	6,390
Comprehensive income	(1,736)	13,904
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,590)	13,888
Comprehensive income attributable to non-controlling interests	(145)	16

(3) Consolidated Statement of Changes in Equity

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

(Million yen)

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at beginning of period	2,781	1	355	64	92	47,277
Changes during period						
Dividends of surplus						(741)
Profit attributable to owners of parent						1,416
Purchase of treasury shares						(263)
Disposal of treasury shares						19
Change in ownership interest of parent due to transactions with non-controlling interests						(1,118)
Net changes in items other than shareholders' equity	1,017	(55)	(1,735)	(2,232)	(0)	(3,007)
Total changes during period	1,017	(55)	(1,735)	(2,232)	(0)	(3,695)
Balance at end of period	3,798	(54)	(1,380)	(2,167)	92	43,581

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,723	7,833	31,826	(1,089)	43,293
Changes during period					
Dividends of surplus			(1,098)		(1,098)
Profit attributable to owners of parent			7,497		7,497
Cancellation of treasury shares		(540)		540	—
Disposal of treasury shares				12	12
Net changes in items other than shareholders' equity					
Total changes during period	—	(540)	6,398	553	6,411
Balance at end of period	4,723	7,292	38,225	(535)	49,705

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at beginning of period	3,798	(54)	(1,380)	(2,167)	92	43,581
Changes during period						
Dividends of surplus						(1,098)
Profit attributable to owners of parent						7,497
Cancellation of treasury shares						—
Disposal of treasury shares						12
Net changes in items other than shareholders' equity	(317)	(58)	597	6,168	(10)	6,380
Total changes during period	(317)	(58)	597	6,168	(10)	12,792
Balance at end of period	3,480	(112)	(782)	4,000	82	56,374

(4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,161	9,227
Depreciation	4,461	7,226
Impairment loss	218	204
Amortization of goodwill	485	638
Gain on bargain purchase	(1,679)	—
Share of loss (profit) of entities accounted for using equity method	2,452	(103)
Loss (gain) on valuation of investment securities	229	681
Increase (decrease) in retirement benefit liability	(570)	51
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(5)	1
Increase (decrease) in provision for share awards for directors (and other officers)	15	55
Increase (decrease) in provision for bonuses	531	948
Increase (decrease) in provision for bonuses for directors (and other officers)	(72)	136
Increase (decrease) in allowance for doubtful accounts	10,501	(968)
Increase (decrease) in provision for point card certificates	(2)	(3)
Interest and dividend income	(717)	(416)
Interest expenses	1,221	1,604
Loss (gain) on sale and retirement of non-current assets	(10,590)	(994)
Loss (gain) on sale of investment securities	(924)	(261)
Reversal of foreign currency translation adjustments	(296)	—
Decrease (increase) in trade receivables	5,984	1,633
Decrease (increase) in inventories	1,902	(9,982)
Decrease (increase) in other assets	(892)	(4,145)
Increase (decrease) in trade payables	(14,386)	7,498
Increase (decrease) in other liabilities	(2,754)	2,267
Other	(1,120)	(854)
Subtotal	(4,846)	14,447
Interest and dividends received	717	438
Interest paid	(1,247)	(1,667)
Income taxes paid	(1,096)	(9,390)
Net cash provided by (used in) operating activities	(6,472)	3,828
Cash flows from investing activities		
Payments into time deposits	(2)	(2)
Proceeds from withdrawal of time deposits	10	2
Purchase of property, plant and equipment and intangible assets	(1,776)	(3,182)
Proceeds from sale of property, plant and equipment and intangible assets	20,133	1,795
Purchase of investment securities	(101)	(227)
Proceeds from sale of investment securities	1,978	494
Payments for acquisition of businesses	(3,551)	(341)
Loan advances	(179)	(65)
Proceeds from collection of loans receivable	96	171

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(714)	(1,247)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	7,154	5
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(86)
Other	0	6
Net cash provided by (used in) investing activities	23,046	(2,678)

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	14,607	(44,357)
Net increase (decrease) in commercial papers	(4,000)	11,000
Proceeds from long-term borrowings	2,327	29,079
Repayments of long-term borrowings	(687)	(650)
Repayments of lease obligations	(3,441)	(4,783)
Proceeds from share issuance to non-controlling shareholders	(1,223)	—
Purchase of treasury shares	(263)	—
Proceeds from sale of treasury shares	19	—
Dividends paid	(741)	(1,098)
Net cash provided by (used in) financing activities	6,597	(10,810)
Effect of exchange rate change on cash and cash equivalents	(403)	1,748
Net increase (decrease) in cash and cash equivalents	22,768	(7,912)
Cash and cash equivalents at beginning of period	7,775	30,543
Cash and cash equivalents at end of period	30,543	22,631

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Adoption of the Accounting Standard for Revenue Recognition, etc.)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. from the beginning of the fiscal year under review, and recognizes revenue when control over the promised goods or services is transferred to customers in the amount expected to be received in exchange for the said goods or services. The main changes resulting from the adoption of the Revenue Recognition Accounting Standard, etc. are as follows.

- Revenue recognition for agent transactions

In the wholesale pulp and paper business, the Company previously recognized the total amount of consideration received from customers as revenue. However, in the case of transactions in which the provision of goods or services to customers is performed as an agent, based on the judgment of the role (principal or agent) in the provision of goods or services to customers, it changed the method to recognize revenue as the net amount excluding payments to suppliers from the total amount.

- Variable consideration (sales rebates and transactions at provisional prices)

Although the Company previously treated the reassessment of the amount of sales rebates or transactions at provisional prices as cost of sales, it changed the method to include the estimated amount of the variable portion of the transaction consideration in the transaction price when goods or services are provided to customers.

In applying the Revenue Recognition Accounting Standard, etc., the Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied prior to the beginning of the fiscal year under review, is added to or deducted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied from the balance at the beginning of the period.

As a result, net sales for the fiscal year under review decreased 16,675 million yen and cost of sales fell by 16,675 million yen, respectively. There is no impact on the balance of retained earnings at the beginning of the period.

In accordance with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Accounting Standard, breakdowns of revenue arising from contracts with customers for the previous fiscal year are not presented.

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

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the fiscal year under review. The Company has adopted the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc. prospectively, in accordance with the transitional treatment prescribed 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). There is no impact on the consolidated financial statements.

(Segment Information, etc.)

[Segment Information]

1. Outline of Reportable Segments

The Company's reportable segments are components of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors in determining the allocation of management resources and in assessing performance.

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

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

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

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

Profit in the reportable segments is based on operating profit.

Intersegment revenues and transfers are based on prevailing market prices.

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

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

(Million yen)

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

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

- (1) The adjustment to segment profit of (2,817) million yen consists of intersegment eliminations of 4 million yen and corporate expenses of (2,821) million yen. Corporate expenses are mainly general and administrative expenses at administrative divisions of the head office that are not attributable to any reportable segment.
 - (2) The adjustment to segment assets of (14,529) million yen consists of intersegment eliminations of (32,925) million yen and corporate assets of 18,395 million yen. Corporate assets are mainly surplus operating funds, long-term investment funds and assets related to administrative divisions of the head office that are not attributable to any reportable segment.
2. Segment profit (loss) is adjusted with operating profit in consolidated financial statements.

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Wholesale pulp and paper, domestic locations	Wholesale pulp and paper, overseas locations	Real estate leasing	Total		
Net sales						
Net sales to external customers	256,282	305,901	1,230	563,414	—	563,414
Intersegment net sales or transfers	5,296	148	27	5,472	(5,472)	—
Total	261,579	306,050	1,258	568,887	(5,472)	563,414
Segment profit	4,982	7,160	176	12,319	(2,940)	9,379
Segment assets	148,000	148,511	6,581	303,092	(12,385)	290,707
Other items						
Depreciation	329	6,691	183	7,204	22	7,226
Amortization of goodwill	105	533	—	638	—	638
Investment in entities accounted for using equity method	646	772	—	1,419	—	1,419
Increase in property, plant and equipment and intangible assets	625	1,891	424	2,941	241	3,182

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

- (1) The adjustment to segment profit of (2,940) million yen consists of intersegment eliminations of (18) million yen and corporate expenses of (2,921) million yen. Corporate expenses are mainly general and administrative expenses at administrative divisions of the head office that are not attributable to any reportable segment.
 - (2) The adjustment to segment assets of (12,385) million yen consists of intersegment eliminations of (30,652) million yen and corporate assets of 18,266 million yen. Corporate assets are mainly surplus operating funds, long-term investment funds and assets related to administrative divisions of the head office that are not attributable to any reportable segment.
2. Segment profit is adjusted with operating profit in consolidated financial statements.

As described in “Changes in Accounting Policies,” the Company has adopted the Revenue Recognition Accounting Standard, etc. beginning with the consolidated financial statements for the fiscal year under review, and has changed the accounting method for revenue recognition. Accordingly, it has changed the method for calculating profit of business segments in the same way.

As a result of this change, compared with the previous method, net sales of the wholesale pulp and paper, domestic locations, for the fiscal year under review decreased 16,675 million yen.

(Per-share Information)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	605.71 yen	783.65 yen
Profit per share	19.70 yen	104.39 yen
Profit per share - diluted	-	-

- (Notes) 1. Profit per share - diluted is not stated as there are no dilutive shares that have a dilutive effect.
2. In calculating “net assets per share,” the Company’s shares owned by the executive compensation BIP trust are included in treasury shares to be deducted from the total number of outstanding shares at the end of the fiscal year (1,445 thousand shares in the previous fiscal year, and 1,410 thousand shares in the fiscal year under review). In calculating “profit per share,” the Company’s shares owned by the executive compensation BIP trust are included in treasury shares to be deducted in the calculation of average number of shares during the fiscal year (1,459 thousand shares in the previous fiscal year, and 1,420 thousand shares in the fiscal year under review).
3. The basis for calculating the amount of net assets per share is as follows.

	Previous fiscal year end (March 31, 2021)	Current fiscal year end (March 31, 2022)
Total net assets (million yen)	43,581	56,374
Amount to be deducted from total net assets (million yen)	92	82
(Non-controlling interests (million yen))	(92)	(82)
Net assets at the end of the fiscal year related to common shares (million yen)	43,489	56,291
Number of common shares at the end of the fiscal year used for calculation of net assets per share (thousand shares)	71,799	71,833

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

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Profit per share		
Profit attributable to owners of parent (million yen)	1,416	7,497
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	1,416	7,497
Average number of common shares during the fiscal year (thousand shares)	71,918	71,824
Outline of dilutive shares not included in the calculation of profit per share - diluted because they have no dilutive effect	—	—

(Significant Subsequent Events)

(Acquisition of companies, etc. through share purchase)

The Company resolved at the Board of Directors meeting held on March 28, 2022, that ANTALIS GmbH (Frechen, Germany), a business company of Antalis S.A.S. (Paris, France; hereinafter referred to as “Antalis,” which has a December 31 fiscal year-end), the Company’s consolidated subsidiary, would make BB Pack GmbH (Gotha, Germany; hereinafter referred to as “BB Pack”), a German package manufacturer and

distributor, Cr8packaging GmbH (Berlin, Germany; hereinafter referred to as “Cr8,” a subsidiary of BB Pack) and Printmate GmbH (Berlin, Germany; hereinafter referred to as “Printmate”) (these three companies are collectively referred to as the “BB Pack Group”) into subsidiaries (sub-subsidiaries), and purchased all of their shares as of April 29, 2022.

(1) Purpose of share purchase

The BB Pack Group has a customer base mainly in the e-commerce sector and provides customized solutions for packages in that sector.

Antalis has focused on expanding its packaging business as an area of future growth. The decision to purchase these shares was based on the expectation that the BB Pack Group’s business model will help to further expand the packaging business and to boost consolidated profit through packaging materials, design and customized printing solutions, in addition to attracting new users and expanding the product lineup.

(2) Name, business description and size of the acquired company

1) Name of the acquired company: BB Pack GmbH

Business description Manufacture of packaged products

Amount of capital stock 25,000 euros

2) Name of the acquired company: Cr8packaging GmbH

Business description Design, processing and sale of packaged products

Amount of capital stock 25,000 euros

3) Name of the acquired company: Printmate GmbH

Business description Manufacture and sale of packaged products

Amount of capital stock 39,683 euros

(3) Timing of share purchase

April 29, 2022

(4) Number of shares to be purchased, purchase price and equity ratio after purchase

1) BB Pack

Number of shares to be purchased 2

Purchase price Not disclosed

* The purchase price will not be disclosed based on a confidentiality agreement with the counterparty. The purchase price was determined by comprehensively taking into consideration the evaluation by a third-party appraiser and other factors.
The purchase price also includes consideration for Cr8.

Advisory fees, etc.: 39 million yen (290,000 euros)

* The advisory fees are the total for the BB Pack Group.

Equity ratio after purchase 100%

2) Printmate GmbH

Number of shares to be purchased 39,683

Purchase price Not disclosed

- * The purchase price will not be disclosed based on a confidentiality agreement with the counterparty. The purchase price was determined by comprehensively taking into consideration the evaluation by a third-party appraiser and other factors.

Equity ratio after purchase 100%