

**Financial Results for the Six Months Ended September 30, 2021**  
**[Japanese GAAP]**  
**(Consolidated)**



November 12, 2021

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 filing quarterly securities report: November 12, 2021

Scheduled date of commencing dividend payments: December 2, 2021

Availability of supplementary explanatory materials on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

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

**1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021–September 30, 2021)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2021	269,133	—	3,822	—	4,205	—	3,485	—
Six months ended September 30, 2020	166,594	(11.2)	(7,566)	—	(8,218)	—	(7,236)	—

(Note) Comprehensive income: Six months ended September 30, 2021: ¥6,727 million [–%]  
Six months ended September 30, 2020: ¥(9,099) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	48.54	—
Six months ended September 30, 2020	(100.48)	—

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended September 30, 2021	273,765	49,537	18.1
Fiscal year ended March 31, 2021	275,119	43,581	15.8

(Reference) Equity: Six months ended September 30, 2021: ¥49,489 million  
Fiscal year ended March 31, 2021: ¥43,489 million

## 2. Dividends

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

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

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

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	545,000	–	5,900	–	5,000	–	4,200	–	58.49

(Note 1) Revision to the earnings forecast announced most recently: None

(Note 2) Effective from the beginning of the fiscal year ending March 31, 2022, the Group has adopted the “Accounting Standard for Revenue Recognition” (Corporate Accounting Standard No. 29) and others, and therefore each amount for the above consolidated financial results forecast is an amount after the adoption of the said accounting standard and others, and does not include any year-on-year percentage changes.

### \* Notes:

(1) Changes in significant subsidiaries during the fiscal year

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

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

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

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

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

Six months ended September 30, 2021 75,077,406 shares

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

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

Six months ended September 30, 2021 3,243,951 shares

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

3) Average number of shares during the period:

Six months ended September 30, 2021 71,815,405 shares

Six months ended September 30, 2020 72,018,930 shares

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

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

(Cautionary notes regarding forward-looking statements)

The results forecast and other forward-looking statements contained in this document are based on the information currently available to the Company and certain assumptions deemed to be reasonable, and are not intended as a guarantee that the Company will achieve them. Actual results may differ significantly due to various factors. For assumptions for the results forecast and points to consider in utilizing them, please see “(3) Explanation of consolidated financial results forecast and other forward-looking information” in “1. Qualitative Information Regarding Settlement of Accounts for the Six Months Ended September 30, 2021” of the attachments.

(How to obtain supplementary explanatory materials for the quarterly financial results)

The Company plans to hold a briefing for institutional investors and analysts on Friday, December 10, 2021. Explanatory materials for financial results that are distributed at the meeting will be posted on the Company’s website immediately after the briefing is closed.

○ Table of Contents of Attachments

1. Qualitative Information Regarding Settlement of Accounts for the Six Months Ended September 30, 2021 ....	2
(1) Explanation on Operating Results .....	2
(2) Explanation on Financial Position .....	3
(3) Explanation of consolidated financial results forecast and other forward-looking information.....	3
2. Quarterly Consolidated Financial Statements and Key Notes .....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	6
(3) Notes to Consolidated Financial Statements .....	8
(Notes on Going Concern Assumption).....	8
(Notes on significant changes in the amount of shareholders' equity) .....	8
(Changes in accounting policies).....	8
(Additional Information) .....	9
(Segment Information, etc.).....	10
(Significant subsequent event).....	11

1. Qualitative Information Regarding Settlement of Accounts for the Six Months Ended September 30, 2021

(1) Explanation on Operating Results

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

(1) Financial Position and Status of Operating Results

(a) Status of Operating Results

In the six months ended September 30, 2021, business recovered in a wider area thanks to the spread of vaccines mainly in Europe and the United States, positive effects of large-scale economic measures and the easing of activity restrictions. On the other hand, the outlook for the global economy remains uncertain amid the confusion with supply chains and the rise in inflation. In Japan, as the infected population rapidly grew due to the pandemic and the declaration of the state of emergency and emergency measures were issued repeatedly, vaccinations progressed. But the impact in terms of a recovery in personal consumption was limited, keeping the economy sluggish. As the vaccines become more widespread, we expect the weak personal consumption will recover in the future by preventing the resurgence of COVID-19 and normalizing economic activity in a balanced manner.

Under these circumstances, net sales for the six months ended September 30, 2021 were 269,133 million yen. With regard to profit and loss, gross profit increased year on year owing to the acquisition of Antalis S.A.S. in the previous fiscal year. Operating profit was 3,822 million yen (compared with an operating loss of 7,566 million yen in the same period of the previous fiscal year), ordinary profit was 4,205 million yen (compared with an ordinary loss of 8,218 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent was 3,485 million yen (compared with loss attributable to owners of parent of 7,236 million yen in the same period of the previous fiscal year).

Results for the six months ended September 30, 2021 by segment are as follows.

<Wholesale pulp and paper, domestic locations>

During the six months ended September 30, 2021, the paper field experienced a significant recovery in sales volume mainly in graphic paper of catalogues and flyers, etc. year on year, as the same period of the previous fiscal year was one most greatly affected by the declaration of the state of emergency. The recovery, however, was limited due to the declaration of the state of emergency again in July.

Sales for paperboard decreased significantly in the previous year due to restrictions on going out and the cancellation of events in the context of controlling the pandemic. Even with a favorable recovery trend in the first six months under review, the recovery was limited as people tended to behave in a suppressed mode under the declaration of the state of emergency. Net sales for containerboard base paper increased from the previous fiscal year. This was due to the continuously strong demand for beverage packing materials, and an increase in exports to overseas, China in particular.

Net sales for waste paper exceeded the previous fiscal year, though sales volume showed little growth as waste paper production decreased amid low domestic paper consumption.

Both sales volume and net sales of pulp increased significantly from the previous fiscal year due to the rise in export and pulp prices.

As a result, net sales were 123,863 million yen, and operating profit was 2,447 million yen (149.2% year-on-year) for the six months ended September 30, 2021.

<Wholesale pulp and paper, overseas locations>

In Europe, both sales volume and net sales increased significantly year on year thanks to the earnings of Antalis S.A.S., acquired in July of the previous year. Though regional lockdowns were implemented in the

first half of the fiscal year, a recovery in regional economic activity is showing a steady trend as vaccinations have progressed, making a positive contribution to business performance.

In the Oceania region, mainly in Australia, both sales volume and net sales of Spicers Limited increased significantly year on year, boosted by the recovery from the COVID-19 crisis in the previous year and a business newly acquired.

In China, earnings improved sharply. This was because the stock business of KEISHIN PAPERS TRADE started at six sites, and because of China's healthy economy and the sudden rise in market prices.

As a result, net sales were 144,647 million yen, and operating profit was 2,752 million yen (compared with an operating loss of 8,202 million yen in the same period of the previous fiscal year) for the six months ended September 30, 2021.

#### <Real estate leasing>

In the office building market in major cities throughout Japan, office demand slumped due to the spread of COVID-19. The average rent started to decline in the Tokyo area, and has also been weakening in other areas.

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

As a result, net sales were 622 million yen, and operating profit was 86 million yen (25.4% year-on-year) for the six months ended September 30, 2021.

#### (2) Explanation on Financial Position

Total assets at the end of the second quarter ended September 30, 2021 were 273,765 million yen, down 1,354 million yen from the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits resulting chiefly from repayment of short-term borrowings.

Liabilities were 224,228 million yen, down 7,309 million yen from the end of the previous fiscal year. This was mainly due to repayment of short-term borrowings and a decrease in income taxes payable.

Net assets came to 49,537 million yen, up 5,955 million yen from the end of the previous fiscal year. This was mainly due to an increase in foreign currency translation adjustments and profit attributable to owners of parent. As a result of the above, the equity ratio was 18.1%, up 2.3 points from the end of the previous fiscal year.

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

Our consolidated financial results forecast for the fiscal year ending March 31, 2022 is unchanged from the announcement on August 11, 2021.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous Fiscal Year (March 31, 2021)	Second Quarter of Current Fiscal Year (September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	30,546	13,371
Notes and accounts receivable - trade	112,782	116,958
Electronically recorded monetary claims - operating	12,928	12,938
Merchandise	40,012	47,462
Other	10,138	12,131
Allowance for doubtful accounts	(5,735)	(5,188)
Total current assets	200,672	197,673
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,935	6,747
Land	9,581	9,607
Other, net	18,329	18,904
Total property, plant and equipment	34,845	35,259
Intangible assets		
Goodwill	4,235	4,153
Other	4,541	4,588
Total intangible assets	8,777	8,741
Investments and other assets		
Investment securities	17,806	17,320
Retirement benefit asset	9,230	11,775
Other	12,972	12,825
Allowance for doubtful accounts	(9,184)	(9,829)
Total investments and other assets	30,824	32,091
Total non-current assets	74,447	76,092
Total assets	275,119	273,765

(Million yen)

	Previous Fiscal Year (March 31, 2021)	Second Quarter of Current Fiscal Year (September 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	81,672	87,856
Electronically recorded obligations - operating	3,552	3,782
Short-term borrowings	67,999	40,193
Commercial papers	-	1,000
Income taxes payable	9,273	1,386
Provisions	3,857	2,674
Other	24,637	30,299
Total current liabilities	190,993	167,192
Non-current liabilities		
Long-term borrowings	15,272	35,733
Retirement benefit liability	4,811	3,788
Provisions	443	490
Other	20,017	17,022
Total non-current liabilities	40,544	57,035
Total liabilities	231,537	224,228
Net assets		
Shareholders' equity		
Capital stock	4,723	4,723
Capital surplus	7,833	7,833
Retained earnings	31,826	34,579
Treasury shares	(1,089)	(1,076)
Total shareholders' equity	43,293	46,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,798	3,424
Deferred gains or losses on hedges	(54)	(47)
Foreign currency translation adjustment	(1,380)	(504)
Remeasurements of defined benefit plans	(2,167)	557
Total accumulated other comprehensive income	195	3,429
Non-controlling interests	92	47
Total net assets	43,581	49,537
Total liabilities and net assets	275,119	273,765



(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30, 2021

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2020 to September 30, 2020)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2021 to September 30, 2021)
		(Million yen)
Net sales	166,594	269,133
Cost of sales	155,272	225,188
Gross profit	11,322	43,944
Selling, general and administrative expenses	18,888	40,122
Operating profit (loss)	(7,566)	3,822
Non-operating income		
Interest income	344	66
Dividend income	262	221
Share of profit of entities accounted for using equity method	—	72
Foreign exchange gains	30	362
Reversal of allowance for doubtful accounts	13	737
Other	148	322
Total non-operating income	798	1,782
Non-operating expenses		
Interest expenses	381	876
Loss on sales of trade receivables	15	8
Share of loss of entities accounted for using equity method	941	—
Other	112	514
Total non-operating expenses	1,450	1,399
Ordinary profit (loss)	(8,218)	4,205
Extraordinary income		
Gain on sales of non-current assets	2	29
Gain on sales of investment securities	6	125
Gain on bargain purchase	1,679	—
Gain on reversal of impairment losses	—	187
Penalty income	—	164
Other	—	13
Total extraordinary income	1,688	521
Extraordinary losses		
Business restructuring expenses	175	326
Loss on retirement of non-current assets	1	39
Loss on sales of non-current assets	—	0
Impairment loss	18	—
Loss on valuation of investment securities	169	—
Loss on sales of investment securities	—	2
Total extraordinary losses	365	368
Profit (loss) before income taxes	(6,894)	4,358
Income taxes—current	95	942
Income taxes—deferred	274	(76)
Total income taxes	370	865
Profit (loss)	(7,265)	3,493
Profit (loss) attributable to non-controlling interests	(28)	7
Profit (loss) attributable to owners of parent	(7,236)	3,485

Quarterly Consolidated Statements of Comprehensive Income  
Six Months Ended September 30, 2021

(Million yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From April 1, 2020 to September 30, 2020)	Cumulative Second Quarter of the Current Fiscal Year (From April 1, 2021 to September 30, 2021)
Profit (loss)	(7,265)	3,493
Other comprehensive income		
Valuation difference on available-for-sale securities	(372)	(373)
Deferred gains or losses on hedges	3	6
Foreign currency translation adjustment	(620)	859
Remeasurements of defined benefit plans, net of tax	(15)	2,725
Share of other comprehensive income of entities accounted for using equity method	(829)	17
Total other comprehensive income	(1,834)	3,234
Comprehensive income	(9,099)	6,727
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(9,070)	6,719
Comprehensive income attributable to non-controlling interests	(29)	7

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

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

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

- Revenue recognition regarding transactions acted as agent

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

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

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

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

As a result, net sales and cost of sales decreased by 6,664 million yen, respectively, for the six months ended September 30, 2021. There are no impacts on the retained earnings of the beginning balance of the first quarter of the fiscal year under review.

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

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

(Additional Information)

(Impact of COVID-19)

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

(Segment Information, etc.)

[Segment Information]

I For the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

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

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Wholesale pulp and paper, domestic locations	Wholesale pulp and paper, overseas locations	Real estate leasing	Total		
Net sales						
Net sales to external customers	120,879	45,090	623	166,594	—	166,594
Intersegment net sales or transfers	2,072	147	8	2,228	(2,228)	—
Total	122,951	45,237	632	168,822	(2,228)	166,594
Segment income (loss)	1,640	(8,202)	339	(6,222)	(1,344)	(7,566)

- (Notes) 1. The adjustment to segment profit or loss of (1,344) million yen consists of intersegment eliminations of (3) million yen and corporate expenses of (1,340) million yen. Corporate expenses are mainly general and administrative expenses at administrative divisions of the head office that are not attributable to any reportable segment.
2. Segment profit or loss is adjusted with operating loss in the Quarterly Consolidated Statements of Income.
3. In the six months ended September 30, 2020, the Group acquired the shares in Antalis S.A.S. and included the company and its 73 subsidiaries in the scope of consolidation. This resulted in an increase in the assets of the “Wholesale pulp and paper, overseas locations” segment by 101,351 million yen compared with before consolidation.

2. Information on impairment loss on non-current assets and goodwill by reportable segment  
(Significant gain on bargain purchase)

Due to the acquisition of shares in Antalis S.A.S., the “Wholesale pulp and paper, overseas” segment has included the company and its 73 subsidiaries in the scope of consolidation since the second quarter of the fiscal year ended March 2021. The gain on bargain purchase for the six months ended September 30, 2020 was 1,679 million yen due to this change. The amount is provisional at this time because allocation of acquisition cost is not completed.

II For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

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

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Wholesale pulp and paper, domestic locations	Wholesale pulp and paper, overseas locations	Real estate leasing	Total		
Net sales						
Net sales to external customers	123,863	144,647	622	269,133	—	269,133
Intersegment net sales or transfers	2,959	136	13	3,109	(3,109)	—
Total	126,822	144,784	635	272,243	(3,109)	269,133
Segment income	2,447	2,752	86	5,286	(1,463)	3,822

(Notes) 1. The adjustment to segment profit of (1,463) million yen consists of intersegment eliminations of (9) million yen and corporate expenses of (1,454) million yen. Corporate expenses are mainly general and administrative expenses at administrative divisions of the head office that are not attributable to any reportable segment.

2. Segment profit is adjusted with operating profit in the Quarterly Consolidated Statements of Income.

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

Not applicable.

3. Matters on changes in reportable segments, etc.

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

As a result of such change, net sales of wholesale pulp and paper in domestic locations for the six months ended September 30, 2021 decreased by 6,664 million yen as compared with the amount under the previous method.

(Significant subsequent event)

(Cancellation of treasury shares)

The Company resolved to cancel treasury shares at the meeting of Board of Directors held on September 22, 2021 in accordance with Article 178 of the Companies Act, and repurchased those shares for cancellation on October 1, 2021.

1. Type of shares cancelled

Common shares of the Company

2. Number of shares cancelled

1,832,998 shares (2.44% of total number of shares outstanding before cancellation)

3. Date of cancellation

October 1, 2021

4. Total number of shares outstanding after cancellation  
73,244,408 shares