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

November 10, 2021

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

Stock exchange listing: Tokyo

Code number: 8032

URL: <https://www.kamipa.co.jp/eng/>

Representative: Akihiko Watanabe President

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Scheduled date of filing quarterly securities report: November 12, 2021

Scheduled date of commencing dividend payments: December 01, 2021

Availability of supplementary briefing material on quarterly financial results: Yes (available in Japanese only)

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts / available in Japanese only)

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 01, 2021 to September 30, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2021	208,029	-	6,316	73.4	6,661	82.1	8,454	418.6
September 30, 2020	224,787	(15.0)	3,643	(34.3)	3,657	(29.0)	1,630	(51.3)

(Note) Comprehensive income: Six months ended September 30, 2021: ¥ 8,950 million [-%]
Six months ended September 30, 2020: ¥ 461 million [(53.1)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	617.36	615.88
September 30, 2020	119.23	118.85

(Notes)1. From the beginning of the year ending March 31, 2022, “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29) etc. have been adopted. Therefore, the rate of increase and decrease concerning sales compared to the previous year is not stated. In addition, the account name has been changed from “Net sales” to “Revenue”.

2. The rate of increase and decrease is shown as (-) for comprehensive income in the six months ended September 30, 2021 because the rate exceeds 1,000%.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2021	325,554	98,108	28.0
March 31, 2021	321,986	89,872	25.9

(Reference) Equity: As of September 30, 2021: ¥ 91,169 million
As of March 31, 2021: ¥ 83,451 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	-	55.00	-	55.00	110.00
Fiscal year ending March 31, 2022	-	55.00			
Fiscal year ending March 31, 2022 (Forecast)			-	55.00	110.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	
Full year	9,800	10.2	9,300	3.9	9,400	157.6	Yen 687.54

(Notes) 1. Revision to the financial results forecast announced most recently: No

2. From the beginning of the year ending March 31, 2022, "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29) etc. have been adopted. Financial forecasts above reflect the effect of such new standards.

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2021

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

(2) Accounting policies adopted specially 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: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

September 30, 2021: 15,021,551 shares

March 31, 2021: 15,021,551 shares

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

September 30, 2021: 1,318,520 shares

March 31, 2021: 1,349,600 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 13,693,466 shares

Six months ended September 30, 2020: 13,671,699 shares

*This report is not subject to quarterly reviews by certified public accountants or auditing firms.

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

(Note Concerning Forward-Looking Statements)

The forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may significantly differ from these forecasts due to various factors.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of September 30,2021
Assets		
Current assets		
Cash and deposits	11,643	11,011
Notes and accounts receivable - trade	111,389	113,310
Inventories	34,778	38,746
Other	3,908	3,991
Allowance for doubtful accounts	(1,308)	(1,328)
Total current assets	160,410	165,730
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,933	45,888
Land	32,420	32,279
Other, net	32,331	31,774
Total property, plant and equipment	111,683	109,941
Intangible assets		
Goodwill	4,869	4,234
Other	2,113	2,098
Total intangible assets	6,982	6,332
Investments and other assets		
Investment securities	36,290	36,667
Retirement benefit asset	6	217
Other	8,605	8,792
Allowance for doubtful accounts	(2,090)	(2,215)
Total investments and other assets	42,811	43,461
Total non-current assets	161,476	159,734
Deferred assets	100	91
Total assets	321,986	325,554

(Million yen)

	As of March 31,2021	As of September 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	85,523	87,490
Short-term borrowings	36,324	36,604
Current portion of long-term borrowings	5,288	5,151
Commercial papers	9,000	6,500
Current portion of bonds payable	23	23
Income taxes payable	1,231	1,998
Provisions	2,383	2,270
Other	11,907	10,740
Total current liabilities	151,679	150,775
Non-current liabilities		
Bonds payable	30,011	30,000
Long-term borrowings	33,412	30,904
Provisions	1,189	1,179
Retirement benefit liability	4,237	1,322
Other	11,585	13,268
Total non-current liabilities	80,435	76,672
Total liabilities	232,114	227,446
Net assets		
Shareholders' equity		
Share capital	16,649	16,649
Capital surplus	7,280	7,236
Retained earnings	55,661	63,285
Treasury shares	(5,123)	(5,000)
Total shareholders' equity	74,467	82,170
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,702	7,746
Deferred gains or losses on hedges	(7)	(8)
Foreign currency translation adjustment	(107)	1,272
Remeasurements of defined benefit plans	397	(11)
Total accumulated other comprehensive income	8,985	8,999
Share acquisition rights	117	83
Non-controlling interests	6,304	6,856
Total net assets	89,872	98,108
Total liabilities and net assets	321,986	325,554

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Revenue	224,787	208,029
Cost of sales	194,684	173,562
Gross profit	30,102	34,467
Selling, general and administrative expenses	26,460	28,151
Operating profit	3,643	6,316
Non-operating income		
Interest income	143	162
Dividend income	415	387
Share of profit of entities accounted for using equity method	107	271
Other	424	453
Total non-operating income	1,089	1,273
Non-operating expenses		
Interest expenses	956	824
Other	118	103
Total non-operating expenses	1,074	928
Ordinary profit	3,657	6,661
Extraordinary income		
Gain on revision of retirement benefit plan	-	5,969
Gain on sale of non-current assets	19	421
Gain on sale of investment securities	128	338
Other	-	4
Total extraordinary income	147	6,732
Extraordinary losses		
Loss on disposal of non-current assets	45	67
Sublease loss	-	64
Compensation for claims	147	-
Waste disposal expenses	133	-
Business restructuring expenses	124	-
Loss on sale of investment securities	5	-
Other	4	23
Total extraordinary losses	458	154
Profit before income taxes	3,346	13,240
Income taxes - current	1,396	2,168
Income taxes - deferred	(108)	2,231
Total income taxes	1,287	4,399
Profit	2,059	8,840
Profit attributable to non-controlling interests	429	386
Profit attributable to owners of parent	1,630	8,454

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Profit	2,059	8,840
Other comprehensive income		
Valuation difference on available-for-sale securities	(711)	(965)
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustment	(1,076)	1,480
Remeasurements of defined benefit plans, net of tax	88	(409)
Share of other comprehensive income of entities accounted for using equity method	102	5
Total other comprehensive income	(1,598)	110
Comprehensive income	461	8,950
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	79	8,468
Comprehensive income attributable to non-controlling interests	382	482

Changes in accounting policies

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

From the beginning of the year ending March 31, 2022, “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29 March 31, 2020) etc. have been adopted and the Company recognized revenue as the amount expected to be received in exchange for promised goods or services at the time the control of such goods or services is transferred to the customer.

Regarding the application of the Accounting Standard for Revenue Recognition, etc., the Company follows the transitional treatment stipulated in the proviso of Article 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively adopting the new accounting policy to the periods prior to the beginning of the first quarter to the current fiscal year is reflected in the balance of retained earnings at the beginning of the first quarter of the current fiscal year, and the Company has adopted the new accounting policy from the beginning of the current period.

As a result, revenue for the first six months of the current fiscal year decreased by ¥37,109 million, but operating profit, ordinary profit, and profit before income taxes had no change. Also, there was no effect on the balance of retained earnings at the beginning of the current fiscal year.

In addition, the account name has been changed from “Net sales” to “Revenue”.

In accordance with the transitional treatment stipulated in the Article 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12, March 31, 2020), the Company has not provided information on the breakdown of revenues arising from contracts with customers for the first six months of the previous fiscal year.

Information related to revenue, profit (loss), and disaggregation of revenue by reportable segment

1. Six-months period ended September 30, 2020 (consolidated)

(Million yen)

	Reportable Segments					Total	Adjustments	To Quarterly consolidated statements of income
	Japan Wholesaling	Non-Japan Wholesaling	Paper Manufacturing & Processing	Raw Materials & Environment	Real Estate Leasing			
Revenue								
Revenue to external customers	119,602	77,852	10,847	13,876	2,610	224,787	—	224,787
Intersegment revenue/transfers	3,126	554	11,755	2,948	52	18,435	(18,435)	—
Total	122,728	78,406	22,602	16,824	2,662	243,222	(18,435)	224,787
Segment income (loss)	1,272	(411)	2,376	368	819	4,425	(767)	3,657

(Notes)

1. Segment income (loss) is adjusted with ordinary profit in the Quarterly Consolidated Statements of Income.
2. Adjustments in segment income (loss) include corporate expenses that are not allocated to each relevant business segment.

2. Six-months period ended September 30, 2021 (consolidated)

(Million yen)

	Reportable Segments					Total	Adjustments	To Quarterly consolidated statements of income
	Japan Wholesaling	Non-Japan Wholesaling	Paper Manufacturing & Processing	Raw Materials & Environment	Real Estate Leasing			
Revenue								
Revenue to customers	85,042	89,777	20,599	9,978	—	205,396	—	205,396
Other revenue	—	—	—	—	2,632	2,632	—	2,632
Revenue to external customers	85,042	89,777	20,599	9,978	2,632	208,029	—	208,029
Intersegment revenue/transfers	3,562	585	2,515	3,068	55	9,786	(9,786)	—
Total	88,603	90,363	23,114	13,046	2,687	217,814	(9,786)	208,029
Segment income (loss)	2,061	1,537	2,368	754	832	7,552	(891)	6,661

(Notes)

1. Segment income (loss) is adjusted with ordinary profit in the Quarterly Consolidated Statements of Income.
2. Adjustments in segment income (loss) include corporate expenses that are not allocated to each relevant business segment.

(Changes in segment name)

From the beginning of the year ending March 31, 2022, the name of the reporting segment previously presented as “Resources & Environment” has been changed to “Raw Materials & Environment”. This change is merely a change in segment name and has no impact on segment information.

In addition, the segment information for the second quarter of the previous consolidated fiscal year is presented under the altered name.

(Adoption of the Accounting Standard for Revenue Recognition)

In accordance with the Changes in Accounting Policies stated above, from the beginning of the year ending March 31, 2022, “Accounting Standard for Revenue Recognition” etc. have been adopted, and because the accounting method for revenue recognition has been changed, the method used to measure profit or loss in each reportable segment has been similarly changed.

As a result of these changes, the revenue to external customers through the second quarter of the current consolidated fiscal year decreased by ¥41,645 million in Japan Wholesaling segment, decreased by ¥1,170 million in Non-Japan Wholesaling segment, increased by ¥9,273 million in Paper Manufacturing & Processing segment and decreased by ¥3,567 million in Raw Materials & Environment segment. However, there was no impact on the profit or loss in each reportable segment.