

Financial Section

Business results in fiscal 2021

(From April 1, 2020 to March 31, 2021)

In this term, the economic situations in both Japan and the world were harsh due to the impact of COVID-19. Although some economic activities showed signs of recovery, the future outlook remains uncertain as predictions cannot be made about how much longer it will take for the coronavirus crisis to subside. The paper and pulp industry was confronted with a structural decrease in the demand due to the digitization of information media, and the increase of telecommuting, cancellation of events, etc. accelerated decline in the demand for printing and communication paper.

Amid such situation, we have flexibly responded to the rapidly changing circumstances, for example, by developing a production system tailored for the demand trend.

In regard to the “New Mid-Term Management Plan” (from April 2019 to March 2022), which is now in its second year, we have actively engaged in the following three priority strategies:

- (1) Establish a robust management base through the alliance with the Oji Group;
- (2) Make structural reforms and enrich existing business; and
- (3) Diversify the business base by fostering new profit pillars,

and we are progressing with the basic principle: Strengthening and diversifying the business base for a new stage.

In the alliance with the Oji Group, we are progressing with the reform of the business portfolio and the reinforcement of the management base based on the effects of capital and business alliances brought about by measures such as “transferring the carbonless-copy paper business to our Takasago Mill in July 2020” and “business transfer of the pressboard business at our Shirakawa Site to Oji F-Tex Co., Ltd. in October 2021 (planned).”

In this term, all businesses were heavily affected by the decline in demand caused by the coronavirus crisis and consolidated net sales stood at 162,325 million yen (down 16.6% year on year).

While the reduction of costs, such as fixed costs of factories, and low prices of raw materials and fuel proved to be effective, profit and loss were heavily impacted by the decline in the production and sales volume. As a result, consolidated operating loss was 1,770 million yen (operating income was 1,976 million yen in the previous term) and consolidated ordinary loss was 636 million yen (ordinary income was 2,696 million yen in the previous term). Loss attributable to owners of parent stood at 2,532 million yen due to the recording of the impairment loss related to the closing of the Tsukuba R&D Laboratory, etc. (profit attributable to owners of parent was 801 million yen in the previous term).

Non-consolidated results are as follows: Net sales were 86,619 million yen, operating loss was 3,095 million yen, and ordinary loss was 735 million yen, while net loss was 5,818 million yen as loss on valuation of shares of subsidiaries and associates, loss on valuation of investments of subsidiaries and associates, etc. were recorded.

Financial condition in fiscal 2021

(From April 1, 2020 to March 31, 2021)

Statuses of assets, liabilities and net assets

Although there was some increase in assets related to investment securities and net defined benefit asset, etc., resulting from a rise in share price, the assets as of the end of this consolidated fiscal year stood at 209,438 million yen, down 2,779 million yen year on year, due to the reduction of inventories, etc.

As of the end of this consolidated fiscal year, liabilities decreased 5,153 million yen year on year to 146,535 million yen, as interest-bearing debt was cut down, notes and accounts payable - trade were reduced, and so on.

Despite the recording of loss attributable to owners of parent, net assets increased 2,374 million yen from the end of the previous consolidated fiscal year to 62,902 million yen owing to an increase in valuation difference on available-for-sale securities, remeasurements of defined benefit plans, etc. brought about by a rise in share price.

Cash flow situation

Cash and cash equivalents at the end of this consolidated fiscal year stood at 15,701 million yen, up 6,440 million yen from the end of the previous consolidated fiscal year.

■ Cash flows from operating activities

Cash provided by operating activities increased 3,037 million yen year on year to 13,014 million yen. The revenues are broken down mainly into depreciation of 9,031 million yen and decrease in inventories of 8,175 million yen, while the expenses mostly consist of decrease in notes and accounts payable - trade of 4,193 million yen.

■ Cash flows from investing activities

Cash expended in investing activities was 2,098 million yen, down 4,473 million yen year on year. The expenses were comprised mainly of purchase of property, plant and equipment and intangible assets amounting to 3,931 million yen.

■ Cash flows from financing activities

Cash expended in financing activities decreased 1,142 million yen year on year to 4,512 million yen. This was caused mainly by the reduction of interest-bearing debt.

Basic policy concerning distribution of profit and dividends

In regard to determination of dividends from retained earnings, etc., we view the return of profits to shareholders as an important management subject and make it our basic policy to keep paying dividends stably while taking into consideration the performance in respective fiscal years and internal reserves for allowing the implementation of future management measures.

We have decided to refrain from paying term-end dividends, after comprehensively considering recent performance trends.

※Basic policy concerning the selection of accounting standards

Taking into consideration the possibility of comparison between terms of the consolidated financial statements as well as the possibility of comparison between companies, the policy of our Group plans to produce consolidated financial statements using Japanese standards for the time being. Our policy is to take into account the trends of other companies in Japan adopting IFRS, etc., and go on to respond as appropriate.