

Summary of Consolidated Financial and Business Results for the Year Ended March 2022 (Japanese GAAP)

Company Name: **Oji Holdings Corporation** (Code No. 3861 Tokyo Stock Exchange)
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 General meeting of stockholders to be held: June 29, 2022 Start of dividend payout: June 7, 2022
 Statutory annual report to be presented: June 29, 2022

(All yen figures are rounded down to the nearest one million yen)

1. Results for the Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(Unaudited)

(1) Consolidated Business Results

(Figures shown in percentage are ratios compared to the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021	1,470,161	8.2	120,119	41.7	135,100	62.7	87,509	76.3
FY2020	1,358,985	(9.9)	84,793	(20.1)	83,061	(18.0)	49,635	(14.7)

Note: Comprehensive income FY2021 135,388 million yen FY2020 72,179 million yen

	Profit per share	Diluted profit per share	Ratio of profit to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2021	88.35	88.30	10.9	6.7	8.2
FY2020	50.13	50.09	6.9	4.3	6.2

Note: Equity in earning of affiliates FY2021 2,679 million yen FY2020 142 million yen

Note: Oji Holdings has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the current consolidated fiscal year.

The figures for the fiscal year ending March 31, 2022 are the figures after the application of the accounting standards.

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2021	2,053,752	875,470	41.4	859.29
FY2020	1,981,438	865,606	37.9	758.28

Note: Shareholders' equity FY2021 851,232 million yen FY2020 750,981 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2021	143,587	(92,567)	(136,002)	55,474
FY2020	127,107	(91,559)	19,932	135,669

2. Cash Dividends

	Dividend per share					Total dividend (Annual) Millions of yen	Dividend payout ratio (Consolidated) %	Dividend on net assets (Consolidated) %
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen			
FY2020	-	7.00	-	7.00	14.00	13,889	27.9	1.9
FY2021	-	7.00	-	7.00	14.00	13,890	15.9	1.7
FY2022(Forecast)	-	8.00	-	8.00	16.00		22.6	

3. Consolidated Financial Forecasts for the Year Ending March 2023 (April 1, 2022-March 31, 2023)

(Figures shown in percentage for the full year are ratios compared to the previous year,

Figures shown in percentage for the first half are ratios compared to the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	800,000	12.9	37,000	(41.9)	43,000	(37.5)	27,000	(40.8)	27.26
Full year	1,700,000	15.6	105,000	(12.6)	110,000	(18.6)	70,000	(20.0)	70.66

4. Notes

(1) Changes in important subsidiaries
(changes regarding specified subsidiaries accompanying changes in the scope of consolidation) : None

(2) Changes in accounting methods compared with recent consolidated accounting periods

- | | |
|--|------|
| (i) Changes due to accounting standard changes : | Yes |
| (ii) Changes besides (i) : | None |
| (iii) Accounting estimate change : | None |
| (iv) Restatement : | None |

(Note) Please refer to “Consolidated Quarterly Financial Statements and Notes (Changes in accounting policies)” on page 11 of the attached document for more details.

(3) Outstanding balance of issued shares (common stock)

- | | | | | |
|--|---------------|--------|---------------|--|
| (i) Outstanding balance of issued shares at the end of fiscal year (Including treasury shares) | | | | |
| FY2021 | 1,014,381,817 | FY2020 | 1,014,381,817 | |
| (ii) Outstanding balance of treasury shares at the end of fiscal year | | | | |
| FY2021 | 23,764,570 | FY2020 | 24,002,558 | |
| (iii) Weighted average number of shares during fiscal year | | | | |
| FY2021 | 990,497,836 | FY2020 | 990,221,801 | |

(Reference)

1. Results for the Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(1) Non-consolidated Business Results

(Figures shown in percentage are ratios compared to the previous year)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021	40,335	(24.0)	24,618	(31.5)	25,759	(24.8)	23,899	(31.9)
FY2020	53,055	40.9	35,932	71.0	34,235	50.6	35,108	139.1

	Profit per share	Diluted profit per share
	Yen	Yen
FY2021	24.12	24.11
FY2020	35.45	35.43

(2) Non-consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2021	1,098,746	401,274	36.5	404.83
FY2020	1,092,092	392,130	35.9	395.65

Note: Shareholders' equity FY2021 401,117 million yen FY2020 391,931 million yen

NOTICE

- This document is out of the scope of the audit procedures required by Financial Instruments and Exchange Act, and audit procedures for consolidated financial statement have not been finished as of the date of publication.
- Forecasts released are based on expectations of future economic conditions as of the date of publication. The actual results may differ drastically from these forecasts due to various factors that may arise in the future.
- This document is an excerpt translation of the Japanese original and is only for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

1. Qualitative Information Concerning Business Performance and Financial Situation

(1) Qualitative Information Concerning Business Performance

Business Performance for FY2021

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent	Profit Per Share
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Yen
FY2021	1,470.2	120.1	135.1	87.5	88.35
FY2020	1,359.0	84.8	83.1	49.6	50.13
Increase (Decrease)	111.2	35.3	52.0	37.9	
Increase (Decrease)	8.2%	41.7%	62.7%	76.3%	

Consolidated net sales for FY2021 increased by ¥111.2 billion to ¥1,470.2 billion (year-on-year increase of 8.2%) due to a gradual recovery in demand, resulting from the resumption of economic activities that had been stagnant due to the spread of COVID-19, and higher pulp sales prices. Overseas sales ratio increased by 4.3 points from the previous year to 33.5%.

Consolidated operating profit increased by ¥35.3 billion to ¥120.1 billion (year-on-year increase of 41.7%) due to increased sales volume, higher pulp sales prices, and cost reduction efforts throughout the Group, although raw materials and fuel prices have sharply increased. Ordinary profit increased by ¥52.0 billion to ¥135.1 billion (year-on-year increase of 62.7%) due in part to foreign exchange gains from revaluation of foreign currency-denominated receivables and payables as well as an increase in operating profit. Profit before taxes increased by ¥48.4 billion to ¥129.3 billion (year-on-year increase of 59.8%), and profit attributable to owners of parent decreased by ¥37.9 billion to ¥87.5 billion (year-on-year increase of 76.3%).

Effective from the beginning of the current consolidated fiscal year, Oji Holdings has applied "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)" and has changed the accounting method for revenue recognition. "Consolidated Financial Statements and Notes (Changes in accounting policies)" on page 11 of the attached document show more details.

In its FY2019-2021 Medium-term Management Plan, the Oji Group set "Profitability Improvement of Domestic Business", "Expansion of Overseas Business", and "Promotion of Innovation" as the fundamental policies, and aimed to become a global corporate group, which stably maintains consolidated operating profit of more than ¥100.0 billion through, "Contribution to a Sustainable Society".

We operated our business with the following management targets for FY2021: consolidated operating profit of more than ¥150.0 billion, overseas sales ratio of 40%, return on equity (ROE) of 10.0%, and net debt-to-equity ratio of 0.7 times. However, we were unable to achieve the targets except for those for ROE and net debt-to-equity ratio due to the economic stagnation and delay in recovery caused by the spread of COVID-19.

Meanwhile, we steadily implemented business structure reforms in light of diversity of consumption structure, lifestyles, and working styles caused by the spread of COVID-19, and strategic measures to improve our corporate value based on the Medium-term Management Plan. In domestic business, we worked to improve capital efficiency by restructuring our production system our production system in response to the structural changes the structural changes in demand and by utilizing effectively our facilities our facilities, and strived to enhance profitability by concentrating management resources on promising businesses. In regard to overseas business, mainly in packaging business in Southeast Asia, we organically expanded the existing operations and also created synergies among our businesses as well as operations. Also, we promoted the development and the early commercialization of new businesses and new products that meet the needs of the environment and society. As a result of the efforts, we achieved a record-high consolidated operating profit of ¥120.1 billion in FY2021.

Overview of Business Performance for FY2021 by Segment

(I) Business Performance by Segment

(Unit: Billions of yen)

		Net Sales			Operating Profit (Loss)		
		FY2020	FY2021	Increase (Decrease)	FY2020	FY2021	Increase (Decrease)
Reporting Segment	Household & Industrial Materials	647.5	700.7	8.2%	38.1	26.1	(31.4%)
	Functional Materials	182.3	184.7	1.3%	11.5	15.3	33.0%
	Forest Resources & Environment Marketing	245.3	314.5	28.2%	16.7	55.5	233.1%
	Printing & Communications Media	244.0	244.5	0.2%	11.2	17.8	59.5%
	Total	1,319.1	1,444.5	9.5%	77.4	114.7	48.2%
Others		270.2	296.5	9.8%	6.8	7.0	3.8%
Total		1,589.3	1,741.0	9.5%	84.1	121.7	44.6%
Adjustment (*)		(230.3)	(270.9)		0.7	(1.6)	
Consolidated total		1,359.0	1,470.2	8.2%	84.8	120.1	41.7%

*Adjustment is mainly those concerning internal transactions.

(II) Overview of Business Performance by Segment

The Oji Group's four reporting segments are: "Household and Industrial Materials", "Functional Materials", "Forest Resources and Environment Marketing", and "Printing and Communications Media". Each of the reporting segment consists of those that are recognized to be similar in terms of economic characteristics, manufacturing methods or processes of products, markets in which products are sold, and types of customers, among the constituent units of the Oji Group.

Business segments that are not included in the reporting segments are classified as "Others".

Major business lineup for the segments are as follows.

- Household and Industrial Materials:
Containerboard/corrugated containers, boxboard/folding cartons, packing paper/paper bags, household paper, disposable diapers, etc.
- Functional Materials:
Specialty paper, thermal paper, adhesive materials, film, etc.
- Forest Resources and Environment Marketing:
Pulp, energy, forest plantation/lumber processing, etc.
- Printing and Communications Media:
Newsprint, printing/publication/communication paper, etc.
- Others:
Real estate, engineering, trading business, logistics, etc.

As stated in "Change in accounting policies", "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)" has been adopted from the beginning of the current consolidated fiscal year and the accounting method for revenue recognition and the method used to calculate profit and loss for business segments have been changed.

As a result of this change, compared to the previous method, net sales of FY2021 decreased by ¥2.5 billion for Household and Industrial Materials segment, ¥13.4 billion for Functional Materials segment, ¥0.6 billion for Forest Resources and Environment Marketing segment, ¥26.7 billion for Printing and Communications Media segment, and ¥6.7 billion for Others. The effect on profit or loss for each segment is immaterial.

○Household and Industrial Materials

In FY2021, net sales amounted to ¥700.7 billion (year-on-year increase of 8.2%), and operating profit was ¥26.1 billion (year-on-year decrease of 31.4%).

Regarding domestic business, sales amount increased from the previous year due to continued steady sales of containerboard and corrugated containers for e-commerce industry as a result of a trend of staying home to prevent the spread of COVID-19, in addition to the overall recovery in demand of containerboard, corrugated containers, boxboard and packing paper. As for disposable diapers, sales amount decreased from the previous year. As for household paper, sales amount increased from the previous year.

Regarding overseas business, sales amount increased from the previous year. Although sales of disposable diapers at major retailers in Malaysia were not strong due to the spread of COVID-19, strong sales of containerboard and corrugated containers mainly in Southeast Asia and the penetration of price increases contributed to the increase in sales amount.

○Functional Materials

In FY2021, net sales amounted to ¥184.7 billion (year-on-year increase of 1.3%), and operating profit was ¥15.3 billion (year-on-year increase of 33.0%).

Regarding domestic business, sales amount decreased from the previous year due to the adoption of the “Accounting Standard for Revenue Recognition“. On the other hand, demands for films for condensers used in electric vehicles and general industrial use, and packaging films for foods and general goods remained strong.

Regarding overseas business, sales amount of thermal paper increased from the previous year due to a gradual recovery in demand, despite the continued impact of a trend of staying home to prevent the spread of COVID-19 and economic stagnation.

○Forest Resources and Environment Marketing

In FY2021, net sales amounted to ¥314.5 billion (year-on-year increase of 28.2%), and operating profit was ¥55.5 billion (year-on-year increase of 233.1%).

Regarding domestic business, sales amount increased from the previous year. Although sales volume of energy business decreased from the previous year due to an increase in in-house electricity consumption resulting from higher capacity utilization at domestic mills, exports of dissolving pulp, mainly to China, showed signs of recovery from the economic stagnation caused by the spread of COVID-19.

Regarding overseas business, sales volume of pulp business decreased from the previous year, while sales amount increased due to higher pulp sales prices.

○Printing and Communications Media

In FY2021, net sales amounted to ¥244.5 billion (year-on-year increase of 0.2%), and operating profit was ¥17.8 billion (year-on-year increase of 59.5%).

Regarding domestic business, sales volume increased from the previous year due to the rebound from the economic stagnation caused by the spread of COVID-19 in the previous year in printing paper for commercial printing use, although demands for newsprint and printing paper for publication use continued to decrease from the previous year. However, sales amount decreased from the previous year due to the adoption of the “Accounting Standard for Revenue Recognition“.

Regarding overseas business, sales amount increased from the previous year at Jiangsu Oji Paper Co., Ltd., as China is recovering from the economic stagnation caused by the spread of COVID-19.

Forecast for the Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023, "FY2022")

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Yen
First Half of FY2022	800.0	37.0	43.0	27.0	27.26
First Half of FY2021	708.5	63.7	68.8	45.6	46.02
Increase (Decrease)	91.5	(26.7)	(25.8)	(18.6)	
Increase (Decrease)	12.9%	(41.9%)	(37.5%)	(40.8%)	
FY2022	1,700.0	105.0	110.0	70.0	70.66
FY2021	1,470.2	120.1	135.1	87.5	88.35
Increase (Decrease)	229.8	(15.1)	(25.1)	(17.5)	
Increase (Decrease)	15.6%	(12.6%)	(18.6%)	(20.0%)	

<FY2022 Forecast and Future Outlook >

The forecast for the next fiscal year is based on net sales of ¥1,700.0 billion, operating profit of ¥105.0 billion, ordinary profit of ¥110.0 billion, and net profit attributable to owners of parent of ¥70.0 billion.

Starting in FY2022, a new Medium-term Management Plan will be launched with FY2024 as the final year. We will continue to enhance our existing businesses, centering on the packaging business, and expand new businesses in Japan and overseas, aiming to increase the profitability and scale of our core businesses. At the same time, we will promote ESG management and address climate change issues through fuel conversion to zero coal consumption, expansion of renewable energy use, expansion of forest plantations and sustainable forest management, and development of environmentally friendly materials and products derived from plants. Through the efforts, we will strive to provide new sustainable value.

The assumed exchange rates for FY2022 forecast are as follows:

	Exchange rates	(Reference) Sensitivity for operating income
JPY/USD	130.00	Approx. ¥320 million with a fluctuation of USD by 1% (strong USD: -)
BRL/USD	5.00	Approx. ¥360 million with a fluctuation of USD by 1% (strong USD: +)
NZD/USD	1.55	Approx. ¥1,040 million with a fluctuation of USD by 1% (strong USD: +)

2. Outline of Business Performance and Financial Situation

Business Performance

Billions of yen

	FY2021		Forecasts for FY2022	
		Increase(Decrease)		Increase(Decrease)
Net Sales	1,470.2	111.2	1,700.0	229.8
Domestic	977.3	16.0		
Overseas	492.9	95.2		
ratio	33.5%	4.3%		
Operating Profit	120.1	35.3	105.0	(15.1)
Ordinary Profit	135.1	52.0	110.0	(25.1)
Profit attributable to owners of parent	87.5	37.9	70.0	(17.5)

Billions of yen

Depreciation	65.9	3.1	70.4	4.5
Capital expenditure	106.5	13.0	134.8	28.3

Average foreign exchange rate

	FY2021		Forecasts for FY2022	
		Increase(Decrease)		Increase(Decrease)
JPY / USD April to March	112.4	6.3	130.0	17.6
BRL / USD January to December	5.39	0.23	5.00	(0.39)
NZD / USD January to December	1.41	(0.13)	1.55	0.14
CNY / USD January to December	6.45	(0.45)	6.70	0.25

Financial situation

Billions of yen

	Mar 31,2022	
		Increase(Decrease)from Mar 31,2021
Total assets	2,053.8	72.3
Net assets	875.5	9.8
Interest bearing debts	650.5	2.8
Net debts	594.7	83.3

Consolidated Statements of Cash Flows

Billions of yen

	FY2021	
		Increase(Decrease)
Cash flows from operating activities	143.6	16.5
Cash flows from investing activities	(92.6)	(1.0)
Cash flows from financing activities	(136.0)	(155.9)

Number of employees

person

	Mar 31,2022	
		Increase(Decrease)from Mar 31,2021
Number of employees	35,608	(426)
Domestic	16,368	(210)
Overseas	19,240	(216)

3.Consolidated Financial Statements and Notes

Consolidated balance sheets

	(Unit : Millions of yen)	
	FY2020 Mar 31,2021	FY2021 Mar 31,2022
Assets		
Current assets		
Cash and deposits	130,529	44,749
Notes and accounts receivable - trade	297,718	—
Notes receivable - trade	—	60,227
Accounts receivable - trade	—	260,231
Contract assets	—	3,983
Securities	5,725	11,074
Merchandise and finished goods	86,440	98,616
Work in process	19,273	20,294
Raw materials and supplies	89,090	106,266
Short-term loans receivable	4,324	4,764
Accounts receivable - other	19,608	18,575
Other	17,734	18,800
Allowance for doubtful accounts	(1,675)	(1,790)
Total current assets	<u>668,770</u>	<u>645,795</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	685,779	709,982
Accumulated depreciation	(494,548)	△513,533
Buildings and structures, net	<u>191,231</u>	<u>196,448</u>
Machinery, equipment and vehicles	2,389,121	2,495,207
Accumulated depreciation	(2,090,184)	(2,156,261)
Machinery, equipment and vehicles, net	<u>298,937</u>	<u>338,946</u>
Tools, furniture and fixtures	60,791	61,622
Accumulated depreciation	(55,099)	(56,037)
Tools, furniture and fixtures, net	<u>5,691</u>	<u>5,585</u>
Land	239,052	240,765
Forests	105,560	116,490
Standing Timber	85,584	92,343
Leased assets	55,844	65,356
Accumulated depreciation	(19,767)	(22,713)
Leased assets, net	<u>36,077</u>	<u>42,643</u>
Construction in progress	79,279	94,091
Total property, plant and equipment	<u>1,041,413</u>	<u>1,127,315</u>
Intangible assets		
Goodwill	3,122	3,472
Other	9,049	8,079
Total intangible assets	<u>12,171</u>	<u>11,552</u>
Investments and other assets		
Investment securities	163,961	168,545
Long-term loans receivable	6,933	5,571
Long-term prepaid expenses	3,692	3,497
Retirement benefit asset	60,993	61,542
Deferred tax assets	7,074	8,819
Other	17,379	22,095
Allowance for doubtful accounts	(952)	(982)
Total investments and other assets	<u>259,083</u>	<u>269,089</u>
Total non-current assets	<u>1,312,668</u>	<u>1,407,956</u>
Total assets	<u>1,981,438</u>	<u>2,053,752</u>

(Unit : Millions of yen)

	FY2020 Mar 31,2021	FY2021 Mar 31,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	197,950	234,650
Short-term borrowings	129,963	166,445
Accounts payable - other	20,741	24,653
Accrued expenses	48,874	51,457
Income taxes payable	11,526	23,993
Other	32,657	31,818
Total current liabilities	441,713	533,020
Non-current liabilities		
Bonds payable	155,000	155,000
Long-term borrowings	362,718	329,062
Deferred tax liabilities	59,892	64,013
Deferred tax liabilities for land revaluation	7,739	7,737
Retirement benefit liability	54,010	54,022
Long-term deposits received	7,305	6,809
Other	27,450	28,616
Total non-current liabilities	674,117	645,261
Total liabilities	1,115,831	1,178,282
Net assets		
Shareholders' equity		
Share capital	103,880	103,880
Capital surplus	109,100	99,163
Retained earnings	493,224	567,150
Treasury shares	(13,400)	(13,277)
Total shareholders' equity	692,805	756,918
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,654	30,500
Deferred gains or losses on hedges	2,721	2,076
Revaluation reserve for land	5,684	5,728
Foreign currency translation adjustment	(6,418)	29,593
Remeasurements of defined benefit plans	24,533	26,415
Total accumulated other comprehensive income	58,176	94,314
Share acquisition rights	199	157
Non-controlling interests	114,426	24,080
Total net assets	865,606	875,470
Total liabilities and net assets	1,981,438	2,053,752

Consolidated statements of income

(Unit : Millions of yen)

	FY2020 Apr '20 - Mar '21	FY2021 Apr '21 - Mar '22
Net sales	1,358,985	1,470,161
Cost of sales	1,031,553	1,126,207
Gross profit	<u>327,431</u>	<u>343,954</u>
Selling, general and administrative expenses		
Freight and incidental costs	131,590	112,417
Storage costs	6,506	6,771
Employees' salaries	51,921	52,957
Retirement benefit expenses	853	(241)
Depreciation	6,343	5,624
Other	45,422	46,306
Total selling, general and administrative expenses	<u>242,638</u>	<u>223,834</u>
Operating profit	<u>84,793</u>	<u>120,119</u>
Non-operating income		
Interest income	1,121	883
Dividend income	3,170	3,269
Foreign exchange gains	4,616	15,404
Share of profit of entities accounted for using equity method	142	2,679
Other	5,524	8,145
Total non-operating income	<u>14,576</u>	<u>30,381</u>
Non-operating expenses		
Interest expenses	6,791	6,692
Other	9,516	8,708
Total non-operating expenses	<u>16,308</u>	<u>15,401</u>
Ordinary profit	<u>83,061</u>	<u>135,100</u>
Extraordinary income		
Gain on sale of non-current assets	398	1,955
Gain on return of assets from retirement benefits trust	—	1,049
Insurance claim income	2,866	904
Gain on sale of investment securities	292	651
Gain on sale of businesses	906	—
Profit on subsidiary status change from equity method affiliate to consolidated subsidiary	808	—
Other	473	345
Total extraordinary income	<u>5,746</u>	<u>4,906</u>
Extraordinary losses		
Impairment losses	497	2,968
Loss on retirement of non-current assets	1,459	2,283
Loss on disaster	2,065	2,007
Business restructuring expenses	1,977	1,869
Other	1,923	1,615
Total extraordinary losses	<u>7,923</u>	<u>10,745</u>
Profit before income taxes	<u>80,883</u>	<u>129,262</u>
Income taxes - current	28,830	37,476
Income taxes - deferred	354	(614)
Total income taxes	<u>29,185</u>	<u>36,861</u>
Profit	<u>51,698</u>	<u>92,400</u>
Profit attributable to non-controlling interests	<u>2,062</u>	<u>4,890</u>
Profit attributable to owners of parent	<u>49,635</u>	<u>87,509</u>

Consolidated quarterly statements of comprehensive income

(Unit : Millions of yen)

	FY2020	FY2021
	Apr '20 - Mar '21	Apr '21 - Mar '22
Profit	51,698	92,400
Other comprehensive income		
Valuation difference on available-for-sale securities	9,305	(1,655)
Deferred gains or losses on hedges	3,633	(711)
Foreign currency translation adjustment	(12,937)	42,093
Remeasurements of defined benefit plans, net of tax	18,258	277
Share of other comprehensive income of entities accounted for using equity method	2,221	2,984
Total other comprehensive income	20,481	42,988
Comprehensive income	72,179	135,388
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	74,429	123,713
Comprehensive income attributable to non-controlling interests	(2,249)	11,674

Consolidated Statements of Cash Flows

(Unit : Millions of yen)

	FY2020 Apr '20 - Mar '21	FY2021 Apr '21 - Mar '22
Cash flows from operating activities		
Profit before income taxes	80,883	129,262
Depreciation	62,758	65,885
Impairment losses	497	2,968
Amortization of goodwill	1,099	804
Depletion of standing timber	6,958	6,995
Increase (decrease) in allowance for doubtful accounts	(52)	31
Decrease (increase) in retirement benefit asset	(2,913)	(3,498)
Increase (decrease) in retirement benefit liability	760	(60)
Interest and dividend income	(4,292)	(4,152)
Interest expenses	6,791	6,692
Foreign exchange losses (gains)	(3,946)	(12,626)
Share of loss (profit) of entities accounted for using equity method	(142)	(2,679)
Loss (gain) on sale of investment securities	438	282
Loss (Gain) on return of assets from retirement benefits trust	—	(1,049)
Loss on retirement of non-current assets	1,459	2,283
Loss (gain) on sale of non-current assets	(366)	(1,948)
Business restructuring expenses	1,977	1,869
Loss (gain) on sale of businesses	(906)	—
Loss (profit) on subsidiary status change from equity method affiliate to consolidated subsidiary	(808)	—
Decrease (increase) in trade receivables	1,870	(20,960)
Decrease (increase) in inventories	20,163	(26,001)
Increase (decrease) in trade payables	(11,933)	33,937
Other, net	6,237	(11,262)
Subtotal	<u>166,535</u>	<u>166,771</u>
Interest and dividends received	5,397	4,962
Interest paid	(5,623)	(5,805)
Income taxes paid	(39,202)	(22,341)
Net cash provided by (used in) operating activities	<u>127,107</u>	<u>143,587</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(94,674)	(98,659)
Proceeds from sale of property, plant and equipment and intangible assets	854	2,905
Purchase of investment securities	(1,916)	(1,308)
Proceeds from sale and redemption of investment securities	1,163	4,967
Loan advances	(1,066)	(546)
Proceeds from collection of loans receivable	1,396	1,640
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,441)
Other, net	2,682	(125)
Net cash provided by (used in) investing activities	<u>(91,559)</u>	<u>(92,567)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,049)	(23,001)
Net increase (decrease) in commercial papers	(14,000)	—
Proceeds from long-term borrowings	71,279	26,003
Repayments of long-term borrowings	(43,250)	(5,218)
Proceeds from issuance of bonds	74,561	—
Redemption of bonds	(20,000)	—
Purchase of treasury shares of subsidiaries	(24,162)	(77,000)
Repayments of lease liabilities	(4,786)	(6,952)
Dividends paid	(13,888)	(13,889)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(584)	(35,059)
Other, net	(1,186)	(883)
Net cash provided by (used in) financing activities	<u>19,932</u>	<u>(136,002)</u>
Effect of exchange rate change on cash and cash equivalents	(2,169)	4,691
Net increase (decrease) in cash and cash equivalents	<u>53,310</u>	<u>(80,291)</u>
Cash and cash equivalents at beginning of period	82,390	135,669
Increase in cash and cash equivalents resulting from merger	7	115
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(39)	(20)
Cash and cash equivalents at end of period	<u>135,669</u>	<u>55,474</u>

(Changes in accounting policies)

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

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020. Hereinafter “Revenue Recognition Standard”) and related guidelines have been adopted from the beginning of the current fiscal year. In line with this adoption, revenue is recognized at the time of the transfer of controls for promised goods or services to customers in the amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

The main changes due to the adoption of the new accounting standard are the accounting treatment of consideration paid to customers, such as sales incentives, and the accounting treatment of transactions in which purchased goods are sold to customers. With respect to sales incentives and other consideration paid to customers, a portion of the expenses that were previously recorded in selling, general and administrative expenses are now reduced from sales. In addition, as for transactions in which purchased goods are sold to customers, revenue was previously recognized at the total amount of consideration received from the customer, but has partly changed to be recognized at the net amount received from the customer less the amount paid to the supplier.

In adopting the Revenue Recognition Standard, in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Standard, the cumulative effect of retrospective application of the accounting policy to the beginning of the current fiscal year was charged to retained earnings at the beginning of the current fiscal year. The new accounting policy was applied from the beginning balance of the current fiscal year. However, the Group has applied the method prescribed in Paragraph 86 of the Revenue Recognition Standard and has not retrospectively applied the new accounting policy to contracts in which almost all the revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year. In addition, the Group has applied the method prescribed in Paragraph 86, second sentence (1) of the Revenue Recognition Standard and accounted for contract changes made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract changes and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the current fiscal year.

As a result, for the current fiscal year, net sales decreased by ¥49,989 million, cost of sales decreased by ¥20,405 million, selling, general and administrative expenses decreased by ¥29,325 million, non-operating expenses decreased by ¥120 million, operating profit decreased by ¥259 million, and ordinary profit and profit before income taxes each decreased by ¥139 million. In addition, the balance of retained earnings at the beginning of the current fiscal year increased by ¥110 million. The impact on information per share is immaterial.

Due to the adoption of the Revenue Recognition Standard, “Trade notes and accounts receivable” which was presented in “Current assets” of the consolidated balance sheet for the previous fiscal year, is included in “Note receivable – trade”, “Accounts receivable – trade”, and “Contract assets” from the current fiscal year. In accordance with the transitional treatment set forth in Article 89-2 of the Revenue Recognition Standard, consolidated financial statements for past periods have not been reclassified using the new presentation method.

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

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019. Hereinafter “Fair Value Measurement Standard”) and other standards have been adopted from the beginning of the current fiscal year, and in accordance with the transitional treatment set forth in Article 19 of Fair Value Measurement Standard and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Group has determined to continue to apply new accounting policies prescribed by Fair Value Measurement Standard and other standards prospectively. The effects of this adoption on the consolidated financial statements is immaterial.