



July 5, 2019

Company Name: Japan Pulp & Paper Co., Ltd.  
Representative: Akihiko Watanabe – President  
Tokyo Stock Exchange – First Section (Code # 8032)

## **Capital Participation (Subsidiary Acquisition) in UK Enterprise RADMS PAPER LIMITED**

Japan Pulp & Paper Co., Ltd. (the Company) hereby announces the adoption of a resolution at a Board of Directors meeting held today formally approving the acquisition of 100% of the beneficial interest in the issued share capital of RADMS PAPER LIMITED (RADMS), with 60% of the legal interest being acquired today and 40% of the legal interest being acquired in one year's time, making it a subsidiary of the Company and the entering into of a share transfer agreement to that end. RADMS is the sole owner of PREMIER PAPER GROUP LIMITED (PREMIER), which is predominantly involved in the import and wholesale of paper and packaging materials throughout the United Kingdom (UK).

### **1. Purpose of the Share Acquisition**

In response to changes in the business environment, the Company has been proceeding with a reform of its business activities and organizational structure inline with its Group Medium-term Business Plan 2019 -Paper, and beyond - striving to expand its activities in its core Japan Wholesaling business field and also in its other major business segments of Non-Japan Wholesaling, Paper Manufacturing & Processing, Resources & Environment, and Real Estate Leasing. In its Non-Japan Wholesaling segment, the Company has been concentrating on bringing paper merchants with a significant market presence in their respective regions of the globe into the Japan Pulp & Paper Group (the Group). To this end, in 2010 the Company acquired Gould Paper in the USA; in 2012 it invested in India's KCT Trading; in 2017 it purchased Ball & Doggett Group; and in 2018 it acquired Spicers Paper Singapore (Now OVOL Singapore) and Spicers Paper Malaysia (Now OVOL Malaysia) and their networks in Southeast Asia, and has been working to enhance the sales capacity and to improve the profitability of each entity. The Group currently extends to 94 operation sites situated throughout 21 countries and will continue to take on challenges as one of the world's leading paper distribution enterprises.

Demand for paper and paperboard in the UK is approximately 8.5 million tons annually. The UK is heavily reliant on imports from continental Europe to meet a large portion of this demand, and as such paper merchants with warehousing and distribution functions have an important role to play. PREMIER, RADMS' operating company and the second largest paper merchant by sales in the UK, has an annual turnover of GBP233 million, a workforce of 480 employees, operates out of 18 facilities, and has approximately 3,000 customers. PREMIER utilizes a comprehensive low-cost operation system and has been able to maintain its increasing sales and profits by concentrating on growing markets, such as packaging, converted paper products, and the sign and display field, which includes digital applications.

Through this capital participation and by strategically combining PREMIER with its global network, the Company aims to contribute to the expansion and development of its wholesale business activities in the UK. Despite the anticipation that a "no-deal" withdrawal from the European Union would temporarily lead to the deceleration of the economy, we believe that PREMIER with its efficient inventory and distribution network across the UK will extend its presence in the market in the mid-to-long term.

The Company will maintain the option to make an additional share acquisition with the effect of making RADMS a wholly-owned subsidiary approximately one year following this capital participation. The schedule, overview and other details concerning this additional share acquisition will be announced once they have been decided.

## 2. Outline of New Subsidiary

### RADMS PAPER LIMITED

|   |   |   |   |
|---|---|---|---|
| (1) Name  | RADMS PAPER LIMITED   |   |   |
| (2) Head Office   | Midpoint Park, Kingsbury Road, Minworth, Sutton Coldfield, West Midlands, United Kingdom, B76 1AF |   |   |
| (3) Representative  | David Allen, Managing Director  |   |   |
| (4) Main Business   | Import and sale of paper and packaging materials  |   |   |
| (5) Capital   | GBP796 (JPY108,710)   |   |   |
| (6) Date Established  | March 4, 2016   |   |   |
| (7) Major Shareholders  | RADMS Trustee Limited and 8 individuals total 100%  |   |   |
| (8) Relationship between the Subsidiary and the Company   | Capital   | No capital relationships to be stated.    |   |
|   | Personnel   | No personnel relationships to be stated.  |   |
|   | Business  | No business relationships to be stated.   |   |
| (9) The Subsidiary's consolidated financial status and consolidated business operation results for the past 3 years |   |   |   |
| Fiscal Year Ended   | December 2016   | December 2017                             | December 2018                             |
| Consolidated Net Assets   | GBP3 million<br>(JPY410 million)  | GBP8.226 million<br>(JPY1,123 million)    | GBP14.536 million<br>(JPY1,985 million)   |
| Consolidated Total Assets   | GBP87.016 million<br>(JPY11,884 million)  | GBP89.355 million<br>(JPY12,203 million)  | GBP87.674 million<br>(JPY11,974 million)  |
| Consolidated Sales  | GBP172.470 million<br>(JPY23,554 million)   | GBP223.648 million<br>(JPY30,544 million) | GBP233.458 million<br>(JPY31,883 million) |
| Consolidated Operating Profit   | GBP7.478 million<br>(JPY1,021 million)  | GBP9.279 million<br>(JPY1,267 million)    | GBP10.413 million<br>(JPY1,422 million)   |
| Consolidated Ordinary Profit  | GBP6.232 million<br>(JPY851 million)  | GBP8.139 million<br>(JPY1,112 million)    | GBP9.489 million<br>(JPY1,296 million)    |
| Current Term Net Earnings   | GBP4.393 million<br>(JPY600 million)  | GBP5.854 million<br>(JPY799 million)      | GBP8.400 million<br>(JPY1,147 million)    |
| Number of Issued Shares   | 800 shares  | 800 shares                                | 796 shares                                |
| Consolidated Net Assets per Share   | GBP3,750<br>(JPY0.512 million)  | GBP10,283<br>(JPY1.404 million)           | GBP18,261<br>(JPY2.494 million)           |
| Consolidated Earnings per Share   | GBP5,491<br>(JPY0.750 million)  | GBP7,318<br>(JPY0.999 million)            | GBP10,553<br>(JPY1.441 million)           |
| Dividends per Share   | GBP375<br>(JPY51,214)   | GBP1,494<br>(JPY204,001)                  | GBP2,500<br>(JPY341,425)                  |

Note:

1. Per share data was calculated based on the number of issued shares at the end of the fiscal period.
2. The foreign exchange rate of GBP1=JPY136.57 used for conversions in this table is based on the TTM rate announced by MUFG Bank, Ltd., Tokyo on June 28, 2019.
3. Due to a subdivision of shares the total number of issued shares currently stands at 7,960 (As at July 5, 2019).

### 3. Outline of the Parties from which Shares are being Acquired

#### Employee Benefit Trust

|   |   |
|---|---|
| (1) Name  | RADMS TRUSTEE LIMITED   |
| (2) Address   | Midpoint Park, Kingsbury Road, Minworth, Sutton Coldfield, West Midlands, United Kingdom, B76 1AF |
| (3) Relationship between the Employee Benefit Trust and the Company | No relationship   |

#### Individuals

|                       |   |
|-----------------------|---|
| Number of Individuals | Relationship between the Individual and the Company |
| 8                     | No relationship                                     |

### 4. Share Status & Cost of Share Acquisition

|   |  |
|---|--|
| (1) Number of Shares Held Prior to Transfer | 0 shares   |
| (2) Number of Shares Acquired               | 4,776 shares   |
| (3) Acquisition Price                       | RADMS common shares                      Approx. JPY5,000 million<br>Advisory Costs, etc. (Estimate)                      JPY220 million<br>Total (Estimate)    JPY5,220 million |
| (4) Number of Shares Held After Transfer    | 4,776 shares   |

### 5. Schedule

|   |                     |
|---|---------------------|
| (1) Date of Board of Directors Resolution | July 5, 2019        |
| (2) Date of Agreement                     | July 5, 2019        |
| (3) Date of Share Transfer                | July 5, 2019 (Plan) |

### 6. Future Outlook

The effect of this share acquisition on the Company's consolidated results for the period ending March 31 2020 is small.

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