



Results of Operations for the Fiscal Year Ended March 31, 2020

Hijiridake
(View from Hyakkendaira)



Tokushu Tokai Paper Co., Ltd.



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Company Outline

- Company name Tokushu Tokai Paper Co., Ltd
- Head office 4379 Mukaijima-cho, Shimada-shi, Shizuoka
- Newly established April 2007^(note 1)
- Representative Yuji Matsuda, President & Chief Executive Officer
- Capital ¥11,485 million
- Employees 1,576 (consolidated, March 2020)
- Business Manufacturing, processing and sales of paper and pulp products
- Mills Mishima, Shimada, Gifu, others

Note 1: Merged by Tokai Pulp & Paper Co., Ltd (foundation: December 1907) and Tokushu Paper Mfg. Co., Ltd. (foundation: November 1926)



FY3/20 Financial Summary





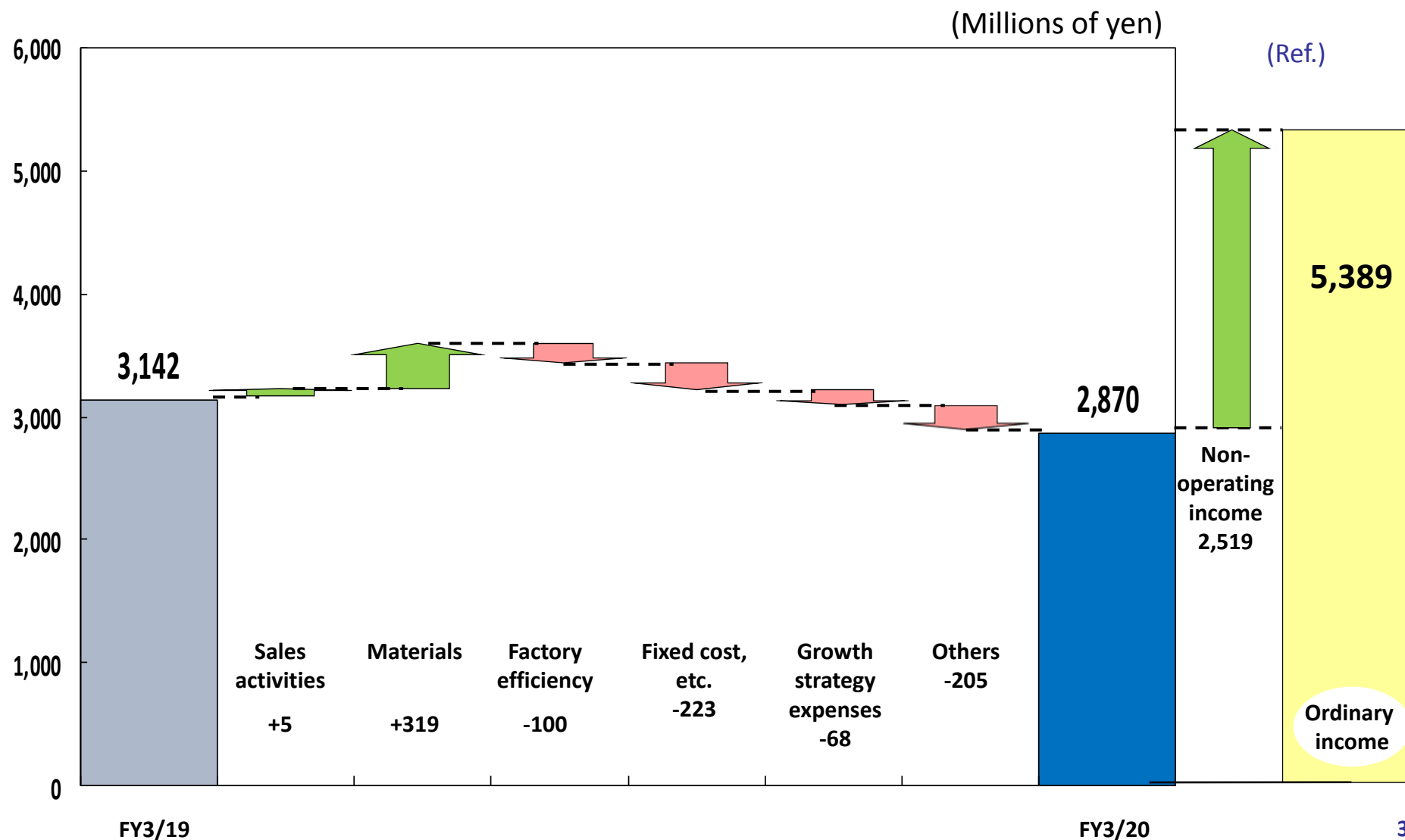
FY3/20 Consolidated Financial Results

(Millions of yen)

	FY3/19 results	FY3/20 results	Change
Net sales	81,901	80,603	-1,298
Operating income	3,142	2,870	-272
Ordinary income	5,353	5,389	36
Profit attributable to owners of parent	4,212	3,694	-518
Operating income to net sales	3.8%	3.6%	-

*The presentation method for financial statements was revised in FY3/20.
Sales and earnings for FY3/19 have been revised accordingly for consistency.

Components of Changes in Operating Income (FY3/20)



Segment Information

(Millions of yen)

		FY3/19	FY3/20	Change
Industrial Materials Business	Net sales	41,107	39,159	-1,948
	Operating income	1,125	1,039	-86
Specialty Materials Business	Net sales	22,566	21,911	-655
	Operating income	1,668	1,271	-397
Households Products Business	Net sales	18,132	17,860	-272
	Operating income	280	536	256
Environmental related business	Net sales	6,958	6,759	-199
	Operating income	406	121	-285
Elimination	Net sales	(6,865)	(5,087)	1,778
	Operating income	(338)	(97)	241
Total	Net sales	81,901	80,603	-1,298
	Operating income	3,142	2,870	-272

*The presentation method for financial statements was revised in FY3/20.
Sales and earnings for FY3/19 have been revised accordingly for consistency.



FY3/21 Consolidated Forecast



FY3/21 Consolidated Forecast

(Millions of yen)

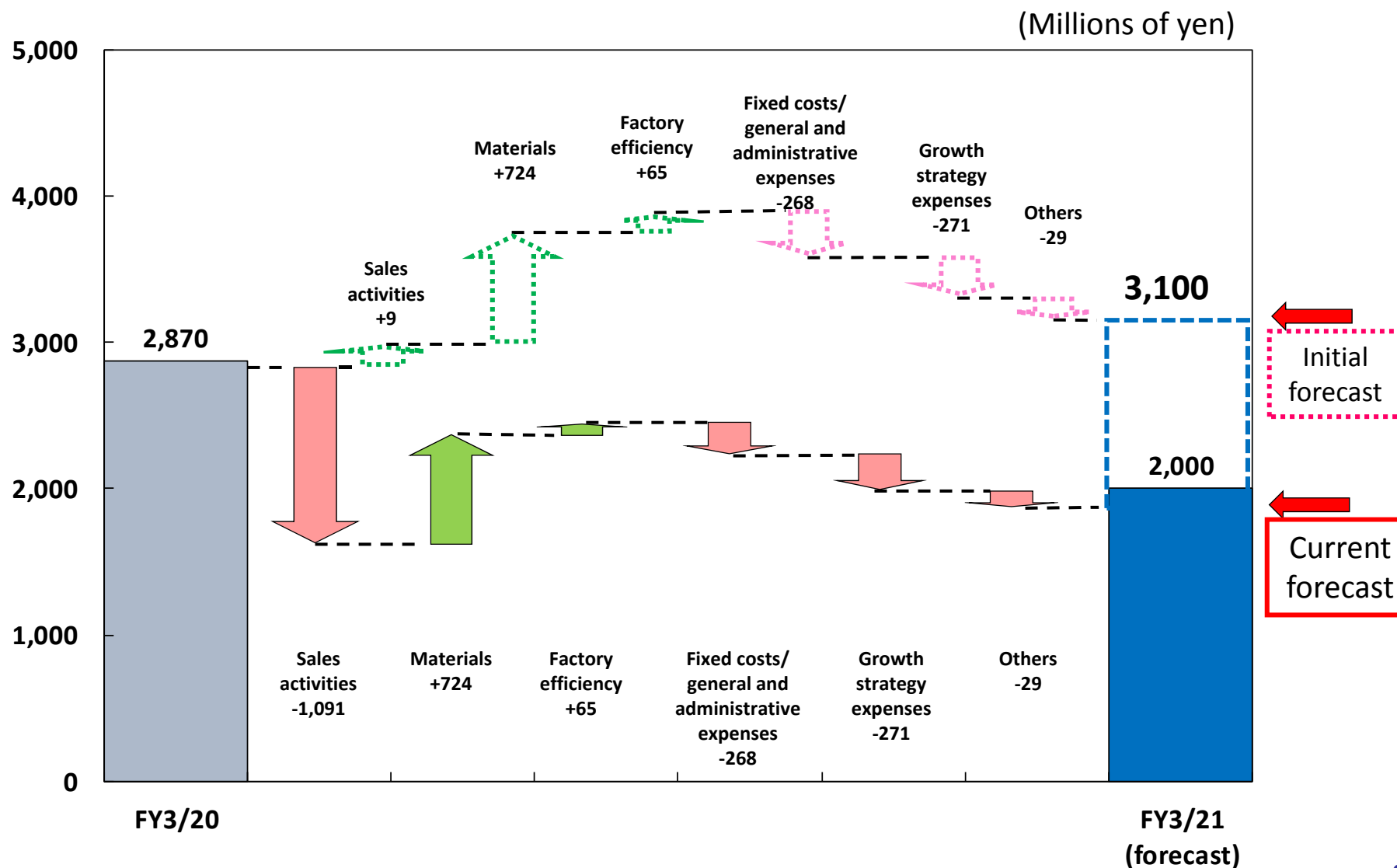
	FY3/20 results	FY3/21 forecasts	Change
Net sales	80,603	81,000 <u>Initial plan: 83,000</u>	397
Operating income	2,870	2,000 <u>Initial plan: 3,100</u>	-870
Ordinary income	5,389	Undetermined <u>Initial plan: 4,700</u>	-
Profit attributable to owners of parent	3,694	Undetermined <u>Initial plan: 3,300</u>	-
Operating income to net sales	3.6%	2.5%	-

* The initial plan did not incorporate any effects of COVID-19.

Assumptions: Foreign exchange rate: 1H: ¥110/US\$; 2H: ¥110/US\$

Crude oil price (Dubai) 1H: \$65/B; 2H: \$65/B

Components of Changes in Operating Income (FY3/21 Forecast)





Results of the Fourth Medium-term Management Plan (FY3/18-FY3/20)

NEXT 10

- The Next Phase of Growth and the Next Challenges -



Summary of the Fourth Medium-term Management Plan

- Under the Fourth Management Plan, titled “NEXT 10 - The next phase of growth and the next challenges -,” we planned and took actions for growth that look ahead 10 years
- Many accomplishments in the three core businesses.

Progress in the three core businesses

Accomplishments	Industrial Materials Business	<ul style="list-style-type: none"> ✓ Implemented and completed as planned cost cutting and other measures to build a stronger foundation ✓ Consistently benefited from synergies created by the joint venture with Nippon Paper Industries Co., Ltd.
	Specialty Materials Business	<ul style="list-style-type: none"> ✓ Implemented a broad range of measures for upgrading technologies and sales activities for core products ✓ Completed preparations for new product development and mass production
	Households Products Business	<ul style="list-style-type: none"> ✓ Strengthened processing capabilities by purchasing new waste paper recycling equipment ✓ Focused on developing new laminated products for food ✓ Developed environmentally responsible and highly functional types of paper towels
Ongoing	Specialty Materials Business	<ul style="list-style-type: none"> ✓ Commercialize sheets made of new materials and increase sales of these products ✓ Seek opportunities in new markets, including downstream sectors
	Households Products Business	<ul style="list-style-type: none"> ✓ Develop paper towels with specific functions

Progress during the NEXT 10 Medium-term Plan

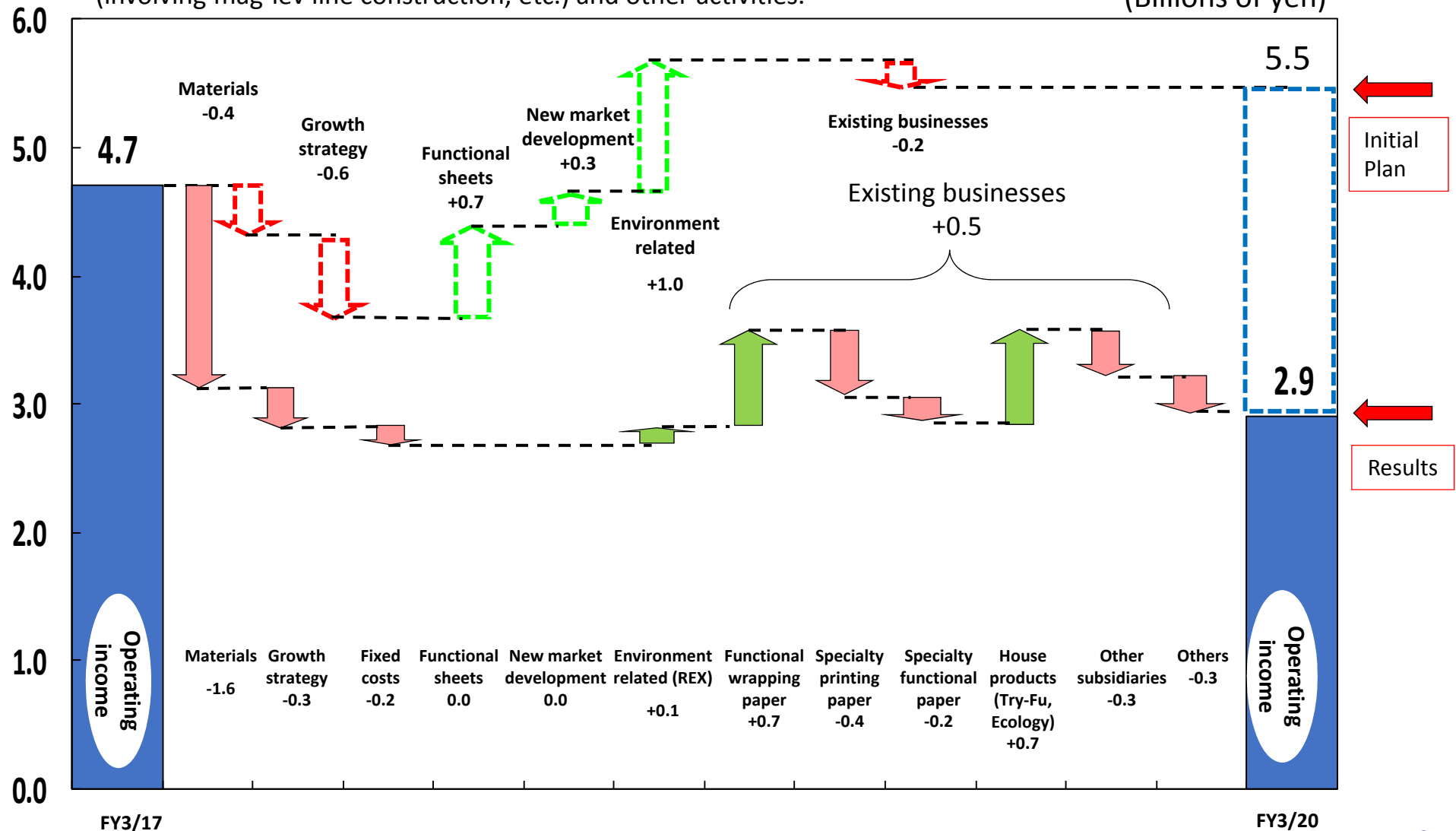
Fourth Medium-term Management Plan (Billions of yen)

	FY3/17	FY3/18	FY3/19	FY3/20 results	FY3/20 targets (final year of the plan)
Net sales	77.7	79.1	81.9	80.6	85.0
Operating income	4.7	3.9	3.1	2.9	5.5
Ordinary income	5.1	3.2	5.4	5.4	-
Operating margin (Ordinary income ratio)	6.1%	5.0%	3.8% (6.5%)	3.6% (6.7%)	6.5%
ROE	5.6%	3.3%	6.1%	5.2%	5.0 - 6.0%
TSR (Total shareholder return)	156.4%	154.2%	156.6%	167.7%	-
Sales of cross-shareholdings	1.1	1.1	1.3	0.0	-

* The TSR is the five-year return based on the stock price at the end of March 2015.

Change in Operating Income during the Medium-term Plan

- ✓ Profitability of the three core businesses improved but pulp and other materials had a much larger negative impact than expected.
- ✓ No growth involving development/sales of functional sheets, entering new markets, environmental activities (involving mag-lev line construction, etc.) and other activities.





The Fifth Medium-term Management Plan

The announcement of the Fifth Medium-term Management Plan has been postponed because of uncertainty about market conditions after the COVID-19 crisis settles down. We will announce the date and method for this announcement as soon as a decision has been made.

We apologize for any problems this delay may have caused. Thank you for your understanding.



Business Foundation Reinforcement and Reforms



Business Foundation Reinforcement and Reforms: Industrial Materials Business Div.

Industrial
Materials

NaSFA

1. Maintain efficient manufacturing structure to contribute to sales company earnings

- For cardboard, highly efficient manufacturing structure at Shin Tokai Paper (Shimada Mill) makes a big contribution to the earnings of sales company Nippon Tokai Industrial Paper Supply Co., Ltd. (NTI)
- For kraft paper, the goal is to maintain a reliable supply by using the steadily growing output of UKP.

Reference: UKP output

When alliance started (Apr. - Sep. 2017)	Current output (Oct. 2019 - Mar. 2020)	Growth
68,716	77,555t	12.9%



2. Develop new products that reflect social issues and trends

- Started developing new wrapping materials for packages used for e-commerce shipments due to the outlook for more growth of the e-commerce market.
- Demand is increasing for materials to replace polyethylene. Work is progressing on development of recycled kraft paper. The launch date is not yet determined, but potential users give this paper high marks for ease of processing and other characteristics.

Business Foundation Reinforcement and Reforms: Specialty Materials Business Div.

Specialty
Materials

NaSFA

1. Use more TANT colors and thicker paper to increase fancy paper sales

- The market for fancy paper is shrinking because of weakness in the publishing industry.
- The goal is to offer more colors and thicker paper in the core TANT category in order to create demand for this paper for packaging in order to capture market share.

- Goal is more than 1,000 tons/year for the TANT Series within three years
- Plan to launch TANT BOARD-F and TANT KIRA in the second half



TANT BOARD-F

Ream weight 300kg, ideal for high-end packaging

TANT KIRA

Features a beautiful gloss and sparkle



2. Improve glass interleaving paper for a stronger position in this market

- Big changes are taking place in the Flat Panel Display (FPD) market, mainly as production shifts from Korea to China. Our goal is to increase our global market share of the glass interleaving paper market by strengthening the relationships with customers and supplying paper that exactly meet customers' requirements. (maintain major share in this market)
- Quality requirements are becoming even more exacting because of advances in display technologies. We will constantly improve the quality in order to supply the glass interleaving paper with the best quality in the world.

Business Foundation Reinforcement and Reforms: Households Products Business Div.

- Development of technologies at Try-Fu Co., Ltd.-

Households
Products

NaSFA

- ✓ Progress and evolution in the paper towel business
Shifting from “quantity to quality” = Developing paper with functions to supply products competitors cannot match

1. Developed a paper that dissolves in water

- A paper towel that can be flushed down a toilet
- Even when wet, the paper has the strength for wiping hands and can still be discarded in a toilet



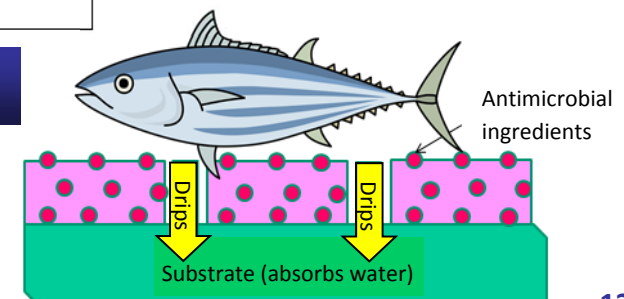
2. Crepe paper

- Developed a highly functional paper consisting primarily of paper but also including chemical fibers
- More strength and elasticity for wiping
- Used the N2 paper towel machine made by Try-Fu to create this added-value paper



3. An antimicrobial resin product for food (to be patented)

- Developed a sheet with an antimicrobial resin for storing fresh fish and meat
- Based on Try-Fu's crepe paper that absorbs drips





Growth Strategy/Overseas Strategy



R&D Achievements

Specialty
Materials

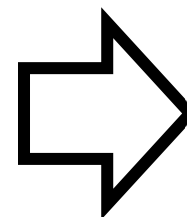
NaSFA

- New applications for sheets that go beyond paper-

- ✓ Finished developing a non-cellulose sheet that surpasses paper
- ✓ Developed mass production technology and now creating applications

1. A non-cellulose sheet

- Started sales of some products in December 2019
- Goal is annual sales of ¥800 million in FY3/23, the final year of the next medium-term plan
- Our long-term vision goal is to increase sales volume to achieve annual sales of ¥3,000 million

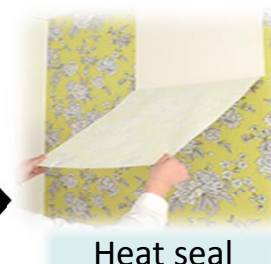
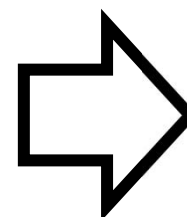


Heat resistant

Suitable for electrical/
electronics applications

2. Mixed paper incorporating synthetic fibers

- Plan to start selling some products in FY3/21
- Used for cargo transport, building materials, cards and other applications
- Goal is annual sales of ¥300 million in FY3/23



Heat seal



Strength with
dimensional
stability

Overseas Growth

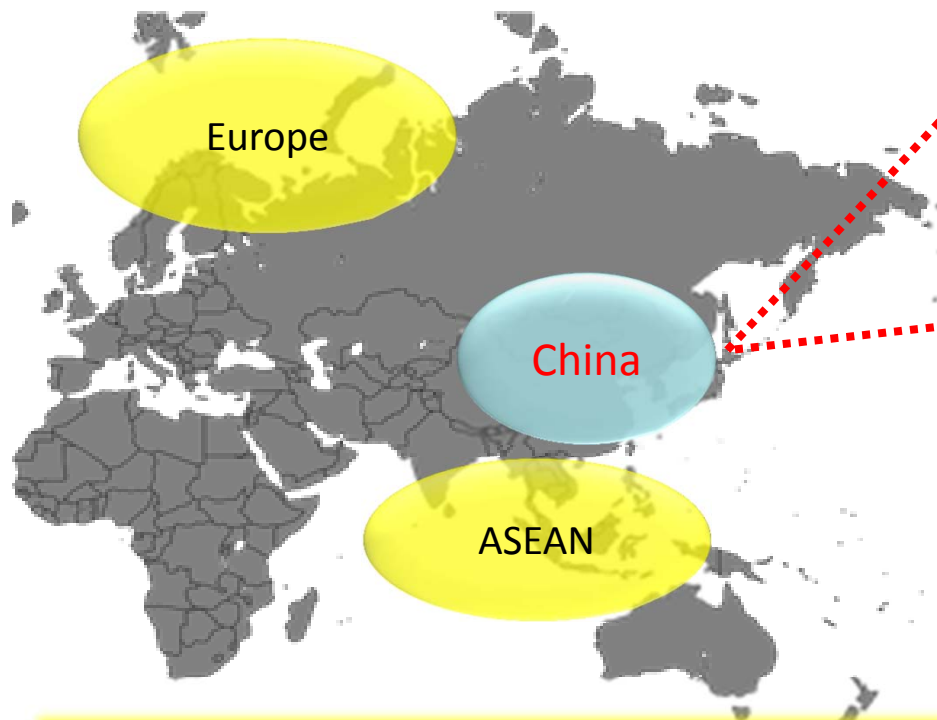
- Fancy paper-

Specialty
Materials

NaSFA

- ✓ Highly specialized activities utilizing innovative technologies

- ✓ Increase interest in Japanese fancy paper in China



Europe: Using unique technologies to enter new markets

ASEAN: Seeking opportunities from a medium/long-term perspective and in markets of the future

KAMI Lab.



Activities to raise brand awareness

Five trade shows and two seminars in FY3/20

KAMI Lab. seminar at BEIJING INSTITUTE OF GRAPHIC COMMUNICATION

绮绫纸

KIRINSHI

New product development

Luxe Pack plans to announce in 2020 a two-sided embossed paper with a textile-like appearance

A new design created for a broad range of uses

Seeking new forms of cooperation

Cooperation with a Japanese trading company and Chinese converter

Increase sales of our fancy paper by using new distribution formats, including the use of IT, to offer customers even more convenience.

Overseas Growth

Specialty
Materials

NaSFA

- Conservation paper and anti-counterfeit paper-

1. Conservation paper

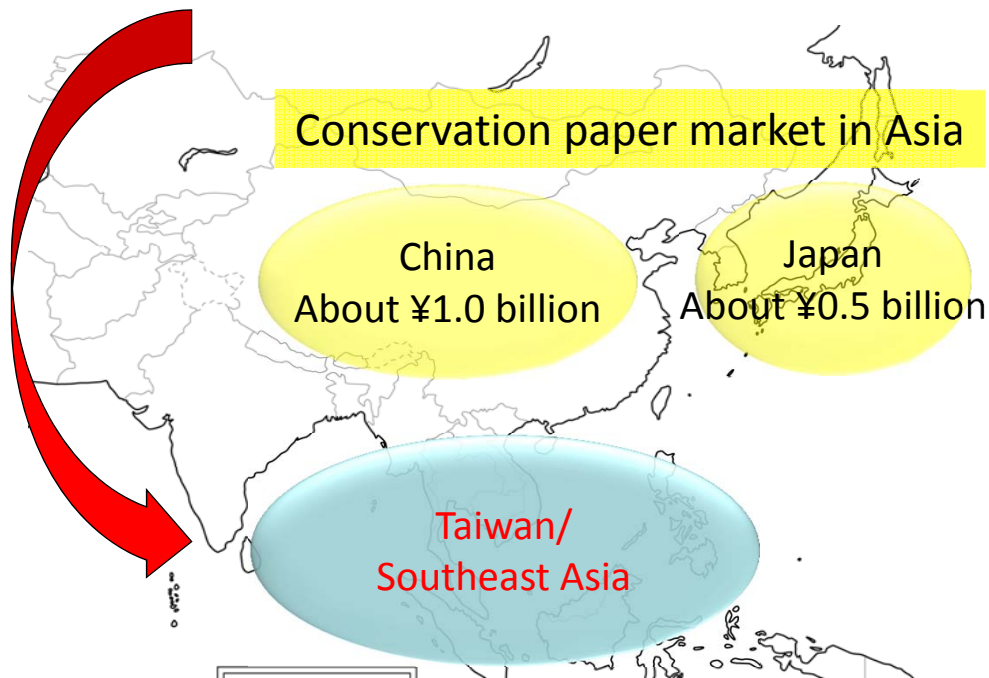
✓ Aim for a higher market share in Asia, the region with the best growth prospects

- In China, boxes made of neutral or slightly alkaline paper are widely used at museums.
- We will continue to use our strong relationships with museums in Beijing while looking for new partners and using FENKO to develop new markets in Asia.



A storage box made of neutral or slightly alkaline paper

Conservation paper market in Asia



*Numbers are Tokushu Tokai Paper estimates of annual conservation paper sales based on museum storage boxes

2. Anti-counterfeit paper

✓ Developed the first anti-counterfeiting paper technology in Japan and have started selling this paper in other countries

- Started overseas sales in FY3/20 as paper for security seals
- A major new product with annual sales of more than ¥100 million



Fluorescent textile coating

Strengthen Operations in the Package Category

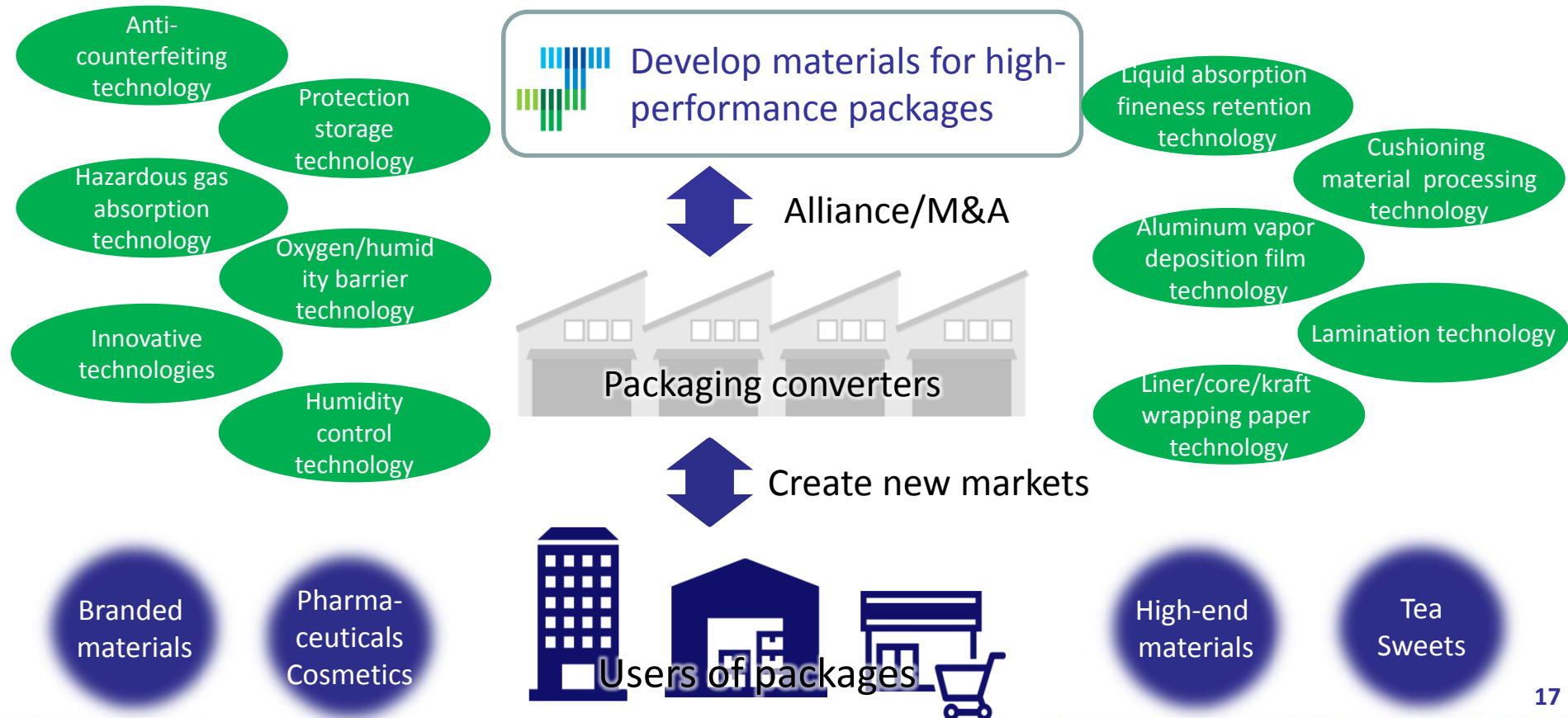
- Package Planning Div. -

Specialty
Materials

NaSFA

- ✓ Established the Package Planning Div. to create new sources of demand for paper products.
- ✓ The division has the goal of creating new packaging markets by leveraging our expertise in creating high-performance paper and coordination across the entire supply chain.

Consolidation and fusion of high-performance technologies (Joint creation)



Strengthen Operations in the Package Category

- New product development -

Specialty
Materials

NaSFA

✓ Create new forms of added value by combining technologies

The new product development process

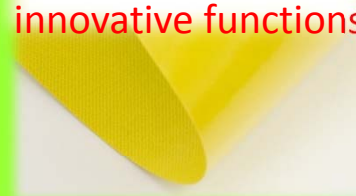
Innovation

×

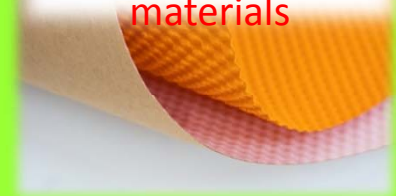
Functionality

=

Packaging paper with
innovative functions



Innovative cushioning
materials



Functional
paper

×

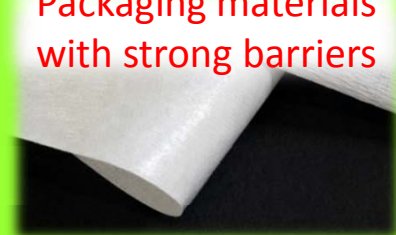
Specialty film

=

Functional
packaging paper



Packaging materials
with strong barriers



Materials

×

Materials

=

Textured
packaging paper



Materials with a new
feel and texture



Try-Fu Co., Ltd. Growth Strategy

Households
Products

NaSFA

✓ Replacing plastic with paper

Develop products that reduce the use of plastic and are environmentally responsible

Continue to create environmentally responsible products

- More types of environmentally responsible paper (added Snook, which uses recycled paper)
- Consider the use of plant-derived resins in the exterior film of paper towels
- Consider the use of water-based painting ink



Develop an environmentally responsible resin products for laminating (to be patented)

- Develop a way to utilize plant-derived materials (no petroleum-based materials)
- Create ways to use biodegradable materials (materials that are broken down by microbes)
- Create ways to use oxygen degradable materials (materials that are broken down by atmospheric oxygen)

High-barrier coating materials (paper + coating)

- Water and oil resistance and a gas barrier to preserve food longer
- PVCD • Water/oil high barrier coating • Heat seal + Water resistant coating

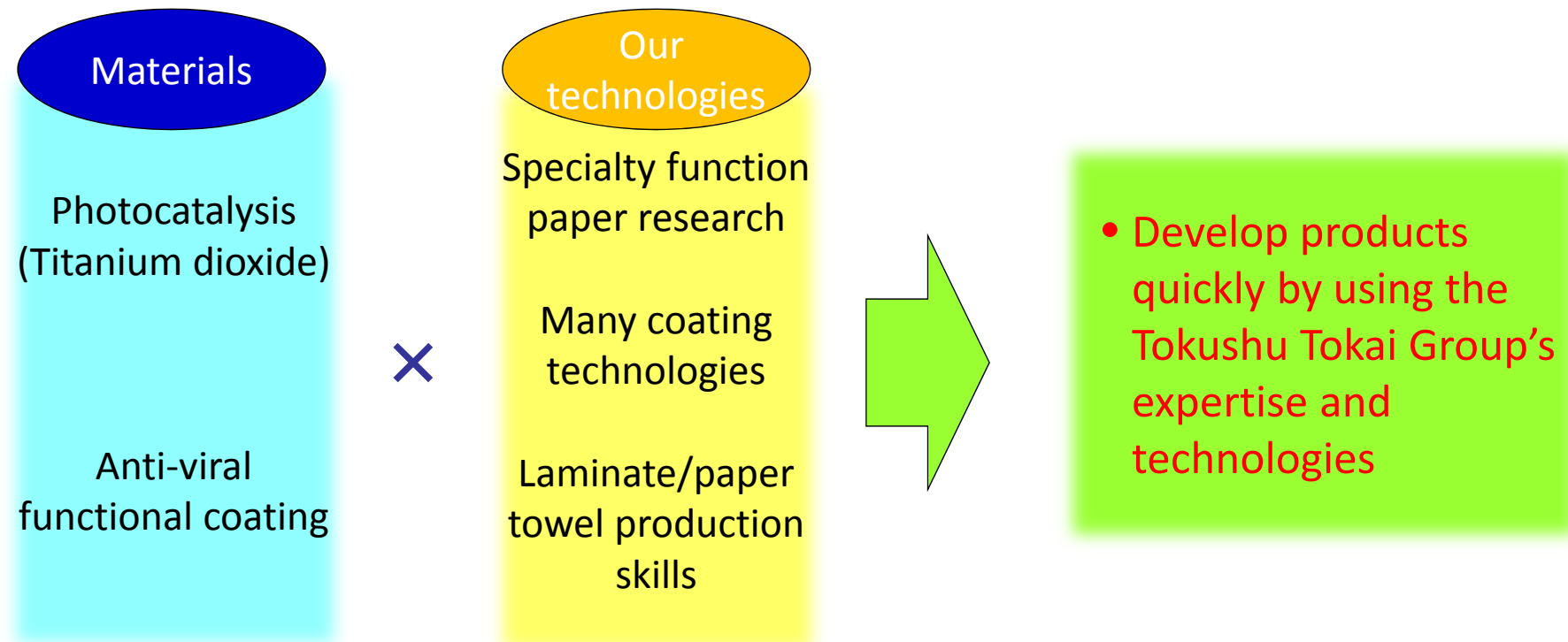
Development of Coronavirus Products

NaSFA

- ✓ Develop products associated with the COVID-19 pandemic
Develop socially responsible products that precisely match changes in market conditions and user needs



We have started studies for the development of coronavirus products





Environment Related Business



Environment Related Business (Resource Reuse Div.)

- Acquisition of Suruga Service K. K. -

Environment
Related

A stronger upstream recycling business

Acquisition of Suruga Service K. K.

Time of acquisition: January 2020

Acquisition cost: About ¥1.8 billion

Business: Collection, transport and disposal of general and industrial waste, building demolition

Business domain
expansion

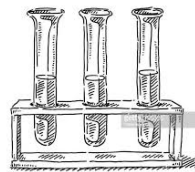


Reuse of incinerator ash

A more advanced recycling process



Incinerator ash



Analysis of composition



Mixing and other
processing



Soil improvement and other ways
for reuse

Environment Related Business (Resource Reuse Div.)

- Expand recycling business of REX Co., Ltd.

Environment
Related

Strengthen REX existing businesses

Strengthen RPF
production

Constructed a refuse paper/plastic fuel (RPF) factory at the Nagaizumi Logistics Center

Operations started in March 2020

Raising output in 2H by shifting to a 3-3 system, which will help protect the environment by increasing the effective use of waste plastics processed by Mishima Mill boiler No. 10.

(1H: About 900t/month → 2H: About 1400t/month)



* Nagaizumi Logistics Center

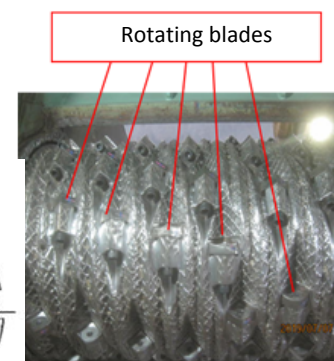
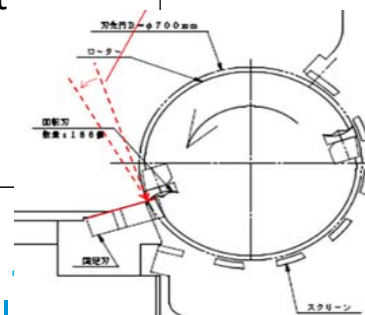
Plan to upgrade the pulverizer to raise output at the Shimada Mill

Improve pulverizer fixed blades = Higher RPF output

Raise hourly output at the Shimada Mill in the 2H

(5.37t/h → 5.60t/h)

Will increase monthly output to about 100 tons



Environment Related Business (Practical-Use of Natural Environment Div.) - Spin-off of operations involving owned forest -

Environment
Related

Purpose

- ◆ Whisky and other B-to-C businesses at our Ikawa Forest require a perspective that differs from paper manufacturing, a B-to-B business.
- ◆ Use joint activities for invigorating the Ikawa region, where we have a long history and many strong relationships.

Overview

Trade name	JUZAN Co., Ltd.
Business	Management of the owned Ikawa Forest, production and sale of alcoholic beverages, management of entertainment, lodging and other facilities
Split method	Simple incorporation-type spin-off
Established	April 1, 2020
Location	1301-1 Tashiro, Aoi-ku, Shizuoka-shi, Shizuoka (Sawarajima)
Capital	¥90 million (wholly owned subsidiary)



*** The Tokushu Tokai Forest will continue to operate lodges and huts**

Environment Related Business (Practical-Use of Natural Environment Div.) - Start of whisky business -

Environment
Related

- ◆ The initial investment for construction of the Ikawa Distillery at the Ikawa Forest was about ¥1.14 billion.
- ◆ Preparations for starting operations scheduled to begin in July 2020.
- ◆ The whisky business, which will take advantage of its location in a beautiful forest, is expected to produce synergies by producing whisky and through tourism, including tours of the distillery.

The Whisky Business

- ◆ Quality is the highest priority
The business aims to produce whisky with consistently outstanding quality by utilizing the knowledge gained in the paper business that extends from organic raw materials to the manufacture of products with consistent quality.
- ◆ Utilization of the forest location
Whisky will be marketed by emphasizing its aroma and other characteristics that reflect the distillery's beautiful forest location.
- ◆ Long fermentation
The distillery will produce a single malt whisky and use long fermentation.



The beautiful forest setting of the Ikawa Distillery



Pot stills for first (in back) and second (front) distillation



Other Activities



Sustainable Development Goals Activities (1)

1. Activities for developing skills and for diversity

- Following receipt of the 2020 Nadeshiko Brand designation, which is given to companies that encourage the success of women in the workplace, we have increased measures for women and diversity. Another priority involving human resources is providing support for achieving career goals in order to give all our employees rewarding and stimulating jobs.



2. Activities for workplace health and safety and disaster preparedness

- Recognized as an Outstanding Health and Productivity Management Enterprise for 2020 by Japan's Ministry of Economy, Trade and Industry. We are continuing to strengthen health management programs. Examples include support for employees with health concerns and programs to prevent mental health issues.
- Disaster preparedness measures at all business sites. We are reviewing our programs for disaster mitigation for minimizing damage from natural disasters and for establishing a system for restarting business operations as quickly as possible.

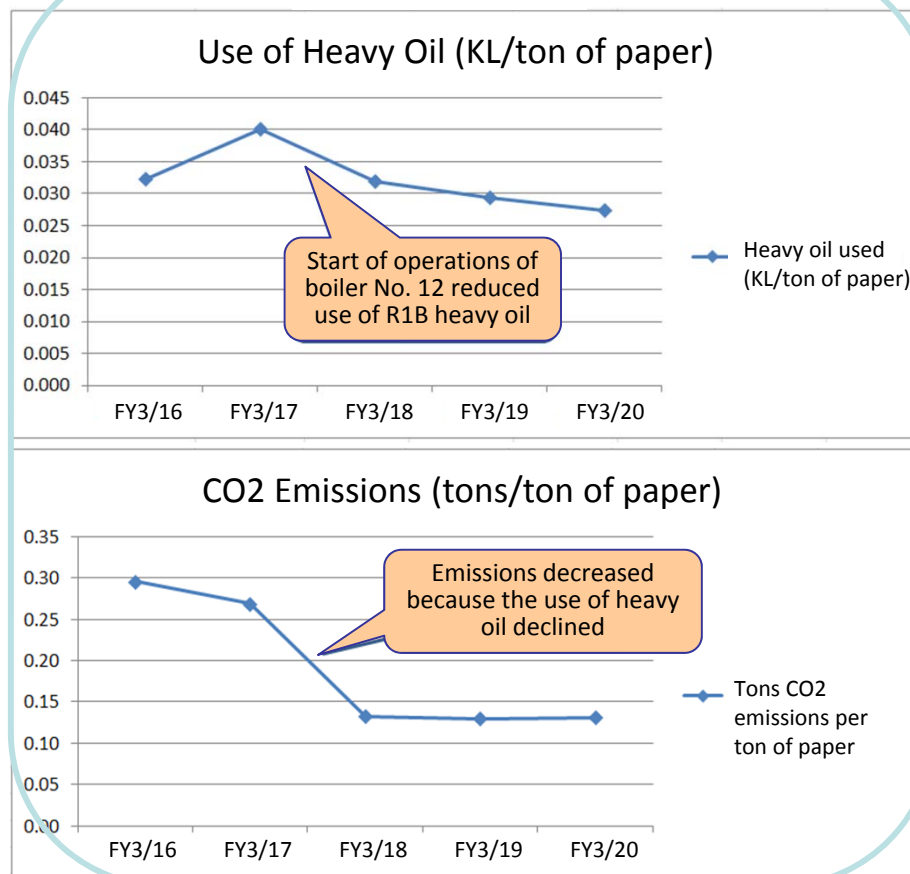


Sustainable Development Goals Activities (2)

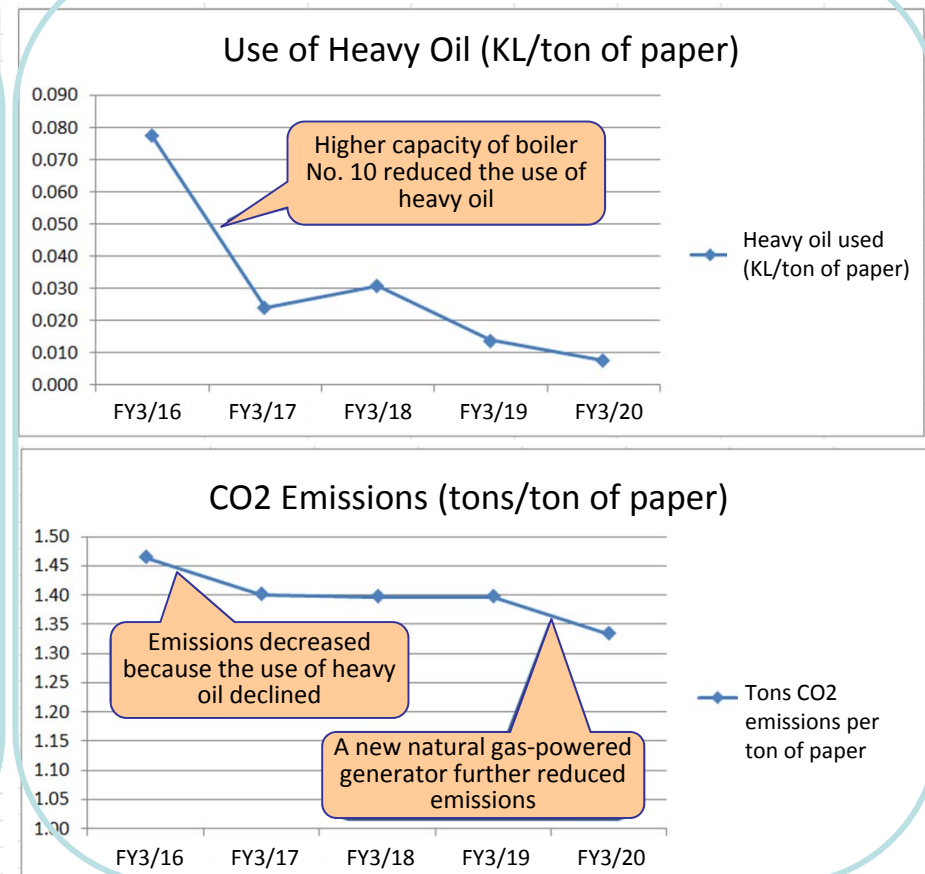
3. Improve equipment for environmental responsibility

- The biomass boiler at the Shimada Mill and the larger boiler capacity and natural gas-powered generator at the Mishima Mill significantly reduce the amount of heavy oil used and CO2 emissions.

Shimada Mill



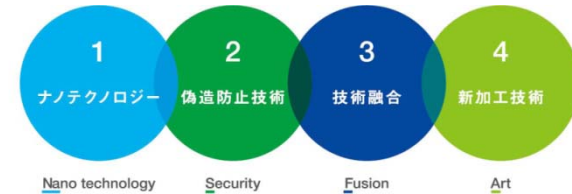
Mishima Mill



(Reference) NaSFA

NaSFA

NaSFA is the abbreviation for the four categories of technologies that we use to develop products



1. Nano technology (New directions)

→ Using the potential of nano technology to develop sheets that surpasses paper

2. Security (Use of anti-counterfeiting technology for global growth)

→ New products with black watermarks, sophisticated thread insertion technology and other advances
→ Develop new technologies associated with products for the Tokyo Olympics

3. Fusion (Use the fusion of technologies to create new markets)

→ Fuse the technologies behind the distinctive strengths of the group's business units and companies

4. Art (Use new processing technologies to take on new challenges)

→ Use innovative process technologies for adding functions and cost cutting



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