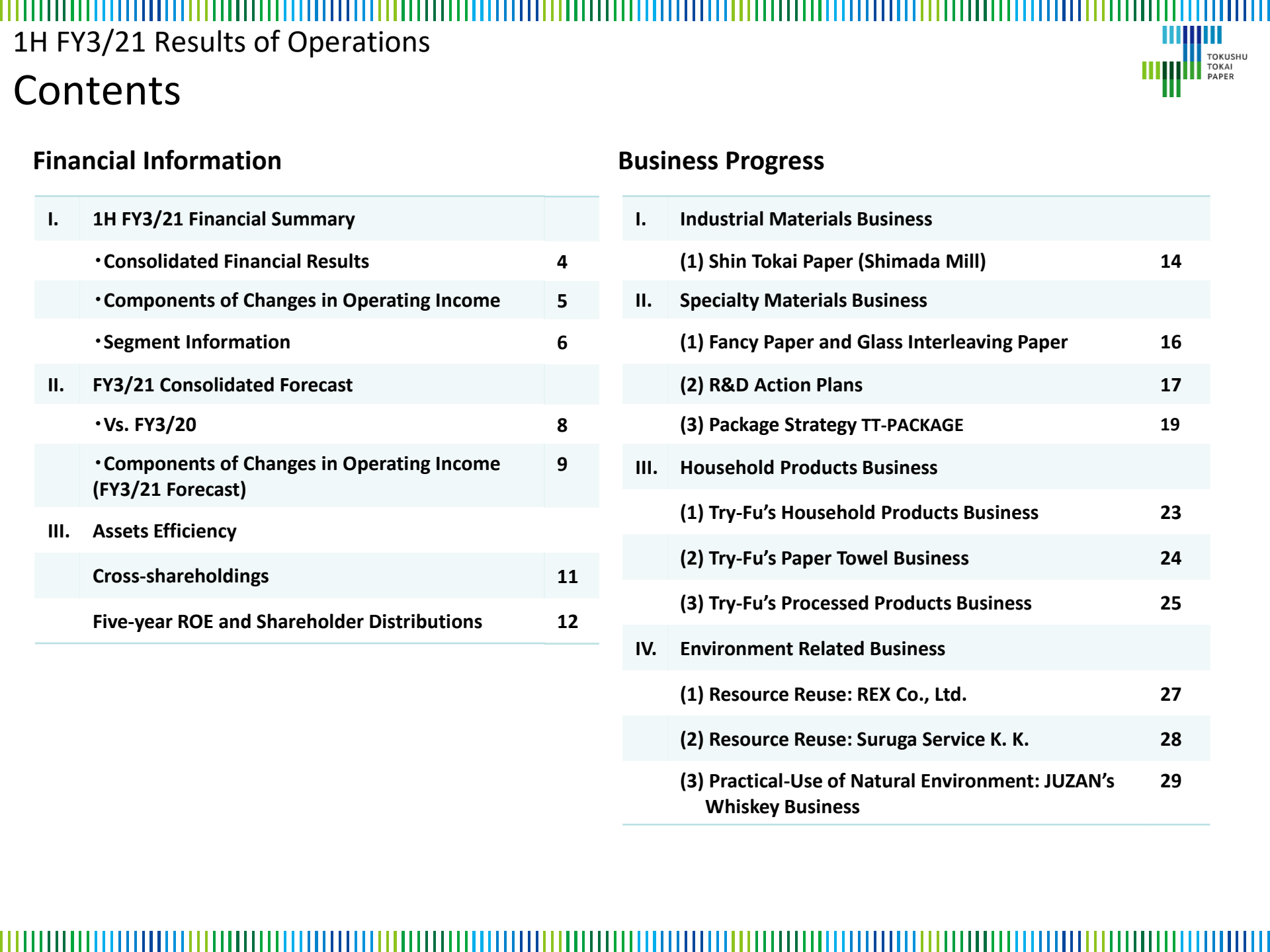


# Results of Operations for the First Half of the Fiscal Year Ending March 31, 2021



Tokushu Tokai Paper Co., Ltd.

Akaishidake  
(View from Maedake)



Financial Information

I.	1H FY3/21 Financial Summary	
	• Consolidated Financial Results	4
	• Components of Changes in Operating Income	5
	• Segment Information	6
II.	FY3/21 Consolidated Forecast	
	• Vs. FY3/20	8
	• Components of Changes in Operating Income (FY3/21 Forecast)	9
III.	Assets Efficiency	
	Cross-shareholdings	11
	Five-year ROE and Shareholder Distributions	12

Business Progress

I.	Industrial Materials Business	
	(1) Shin Tokai Paper (Shimada Mill)	14
II.	Specialty Materials Business	
	(1) Fancy Paper and Glass Interleaving Paper	16
	(2) R&D Action Plans	17
	(3) Package Strategy TT-PACKAGE	19
III.	Household Products Business	
	(1) Try-Fu’s Household Products Business	23
	(2) Try-Fu’s Paper Towel Business	24
	(3) Try-Fu’s Processed Products Business	25
IV.	Environment Related Business	
	(1) Resource Reuse: REX Co., Ltd.	27
	(2) Resource Reuse: Suruga Service K. K.	28
	(3) Practical-Use of Natural Environment: JUZAN’s Whiskey Business	29



# **I. 1H FY3/21 Financial Summary**





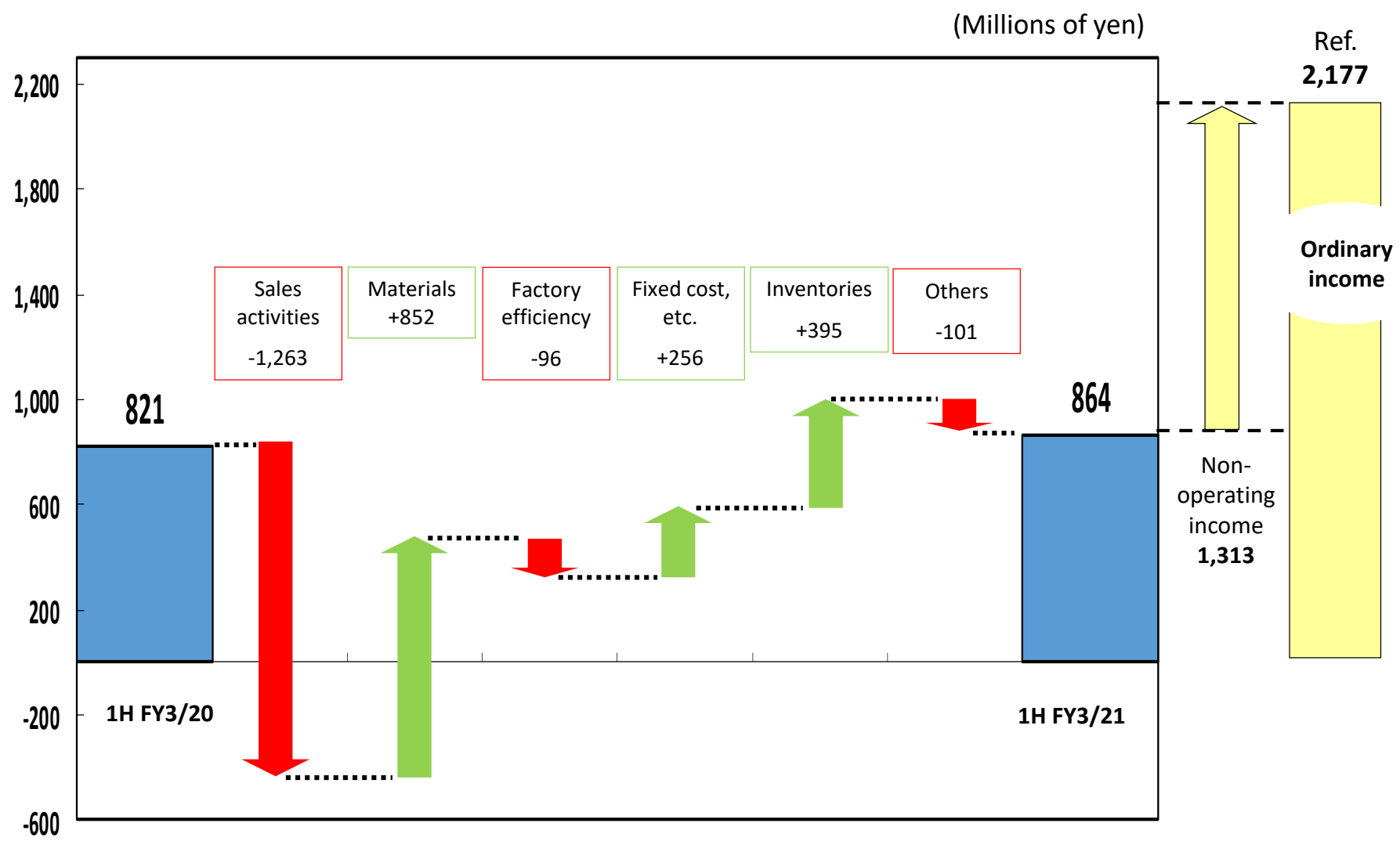
# Consolidated Financial Results

(Millions of yen)

	1H FY3/20 results	1H FY3/21 results	Change
Net sales	39,870	36,663	3,207
Operating income	821	864	43
Ordinary income	2,075	2,177	102
Profit attributable to owners of parent	1,290	3,057	1,767
Operating income to net sales	2.1%	2.4%	-



# Components of Changes in Operating Income (1H)





# Segment Information

(Millions of yen)

		1H FY3/20	1H FY3/21	Change
Industrial Materials Business	Net sales	19,711	18,348	-1,363
	Operating income	370	516	146
Specialty Materials Business	Net sales	10,976	8,414	-2,562
	Operating income	338	175	-163
Household Products Business	Net sales	8,984	8,243	-741
	Operating income	200	318	118
Environment Related Business	Net sales	2,745	4,024	1,279
	Operating income	(53)	(81)	-28
Elimination/adjustment	Net sales	(2,548)	(2,366)	182
	Operating income	(34)	(63)	-29
Total	Net sales	39,870	36,663	-3,207
	Operating income	821	864	43

\* Beginning in 1Q FY3/21, the method for determining business segment profit or loss has been revised due to a reexamination of the standards for allocating corporate expenses. Prior year operating income have been adjusted to reflect this revision.



## **II. FY3/21 Consolidated Forecast**

(Millions of yen)

	FY3/20 results	FY3/21 forecasts	Change
Net sales	80,603	76,000 <u>(81,000)</u>	-4,603
Operating income	2,870	1,800 <u>(2,000)</u>	-1,070
Ordinary income	5,389	3,600 <u>(Undetermined)</u>	-1,789
Profit attributable to owners of parent	3,694	6,800 <u>(Undetermined)</u>	3,106
Operating income to net sales	3.6%	2.4% <u>(2.5%)</u>	-

Figures in parentheses were at the time of the earnings announcement on May 21.

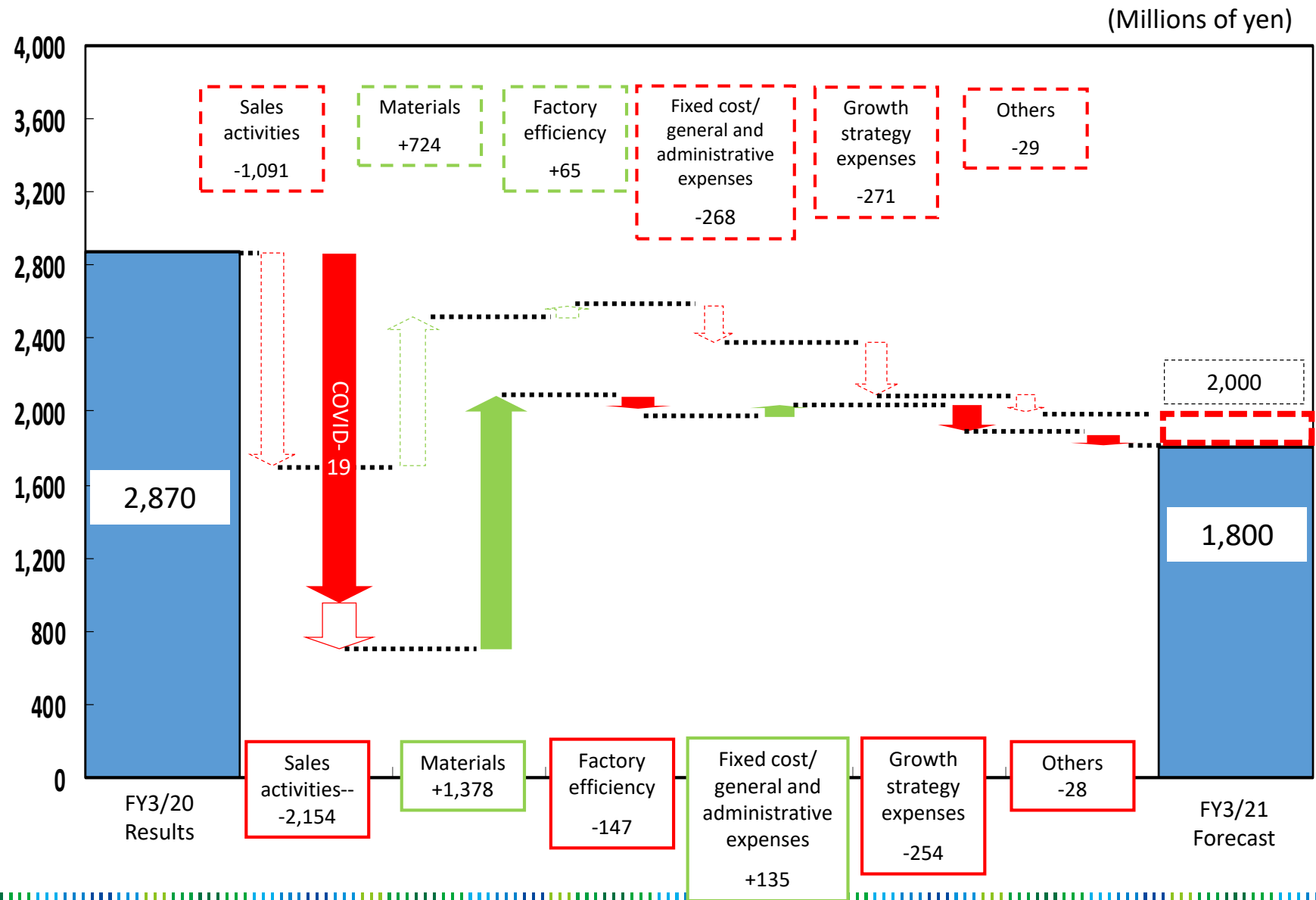
September 24: Forecasts for net sales, operating income, ordinary income and profit were revised.

November 12: The profit forecast was changed from ¥4,000 million to ¥6,800 million because a gain on sales of investment securities is expected.

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)





### **III. Assets Efficiency**



### III. Assets Efficiency

## Cross-shareholdings

#### ○ Periodic review of stock holdings

- Every year, the Board of Directors reviews stock held as cross-shareholdings.
- The benefits of owning the stock are compared with the cost of ownership, which is derived from the cost of capital. Industry trends and many other factors are also considered. The directors then reach a decision about retaining or selling each stock holding.

- ☑ About ¥6,100 million of stock was sold between the end of March 2017 and the end of September 2020.
- ☑ Plan to sell an additional ¥5,300 million (approx.) of stock by the end of March 2021. If this stock is sold, total sales during the five-year period ending in March 2021 will be about ¥11,400 million.



More actions are planned to increase the liquidity of Tokushu Tokai Paper stock and continue streamlining the balance sheet.

#### ○ Decline in cross-shareholdings as pct. of net assets

	FY3/17	FY3/18	FY3/19	FY3/20	1H FY3/21
Consolidated net assets A	74,670	72,767	75,713	77,678	76,544
Cross-shareholdings B	16,781	17,635	15,366	14,444	10,841
Ratio B/A	22.5%	24.2%	20.3%	18.6%	14.2%

III. Assets Efficiency

Five-year ROE and Shareholder Distributions (forecast for FY3/21)

○Five-year ROE Summary

	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21 *forecast
Profit (millions of yen)	3,852	2,193	4,212	3,694	6,800
Shareholders' equity (millions of yen)	68,426	66,345	69,042	70,908	69,842
ROE (%)	5.6%	3.3%	6.1%	5.2%	9.7%

○Five-year Shareholder Distribution Summary

	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21 *forecast
Earnings per share (yen)	258.89	153.91	303.55	266.07	503.28
Dividends per share (yen)	75.0	50.0	75.0	75.0	50.0
Payout ratio (%)	29.0%	32.5%	24.7%	28.2%	9.9%
Stock repurchase (millions of yen)	FY3/17 – FY3/21 (5-year cumulative) = ¥6,592 million				
Total return ratio (%)	5-year average = 53%				



# **I. Industrial Materials Business**



# (1) Shin Tokai Paper (Shimada Mill)

## Shin Tokai Paper

○ Develop new products that reflect social issues and trends

- ☑ Wrapping materials for packages (for e-commerce, etc.) ⇒  
Progressing as planned, next step is prototypes
  - ☑ Recycled kraft paper ⇒ Preparing to start sales activities
- ➡ Goal is even more superiority in the industrial paper sector both during and after the COVID-19 crisis



(↑ Reel No. 9 at the Shimada Mill)

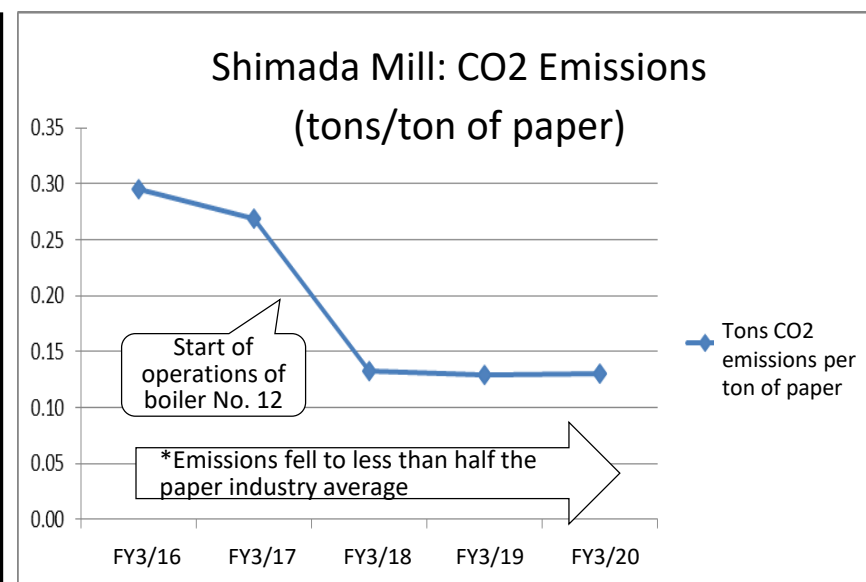
○ Programs for a lower environmental impact

- ☑ "The J-Credit Scheme" \*Started in 2019

Switching boiler No. 12 from fuel oil to biomass fuel reduced CO2 emissions. The reduction was sold as a credit to external organizations.

- ☑ Tradable Green Certificate \*Started in 2019

Electricity generated using biomass fuel at the Shimada Mill has been certified by a third-party as "environmental added value." This value was sold in the form of a green certificate to external organizations.



\* Tokushu Tokai Paper estimate



## **II. Specialty Materials Business**





# (1) Fancy Paper and Glass Interleaving Paper

### Fancy paper

#### ○Considering measures to streamline the product lineup

To respond to the declining volume of publications and the deteriorated market due to the COVID-19 crisis, **studies have started to reduce the types of fancy paper, which have increased in recent years.** Actions may include eliminating slow-selling types and reducing inventories. Aiming for a more efficient lineup regarding everything from production to sales operations.

#### ○Add new products to stop the sales downturn

Despite the challenges of the COVID-19 crisis, the decline in sales of TANT, where 50 colors were added, was smaller than the declines of other fancy paper. Plan to start selling TANT KIRA, featuring a beautiful gloss, in 2H FY3/21.

**TANT KIRA**



### Glass interleaving paper

#### ○First half sales volume and outlook

Flat panel display factories temporarily stopped operating in China, the primary producer of flat panel display, because of COVID-19. LCD production volume was down as a result, causing first half sales volume of this paper to decrease year on year.

Flat panel display factories restarted operations in August and TV demand increased as people spent more time at home for safety. As a result, **demand for glass interleaving paper increased more than expected and 2H FY3/21 sales are expected to recover to the prior-year level.**

(2) R&D Action Plans

Non-cellulose sheets have properties that surpass those of paper

○ Started sales of some products in 1H FY3/21; Started development of other new products

- ☑ Dec. 2019: Started sales of extreme heat-resistant sheets
- ☑ Jun. 2020: Started sales of sheets for electrical/electronic materials
- ☑ Started development of other non-cellulose sheets



**Heat resistant, strong, elasticity, low dielectric constant and other characteristics**

Steady progress with R&D for new products, **an important step toward creating sheets made of new types of fibers**

Goal is annual sales of ¥800 million in FY3/23, the final year of the next medium-term plan; the long-term vision goal is to achieve annual sales of ¥3,000 million

... Aiming for new functions for more differentiation from competing materials

Mixed paper incorporating synthetic fibers

○ Sales and development activities

- ☑ Started sales of some products in FY3/21 (for bags)
- ☑ Developing more versions for cargo transport, building materials, cards and other new applications
- ☑ Goal is annual sales of ¥300 million in FY3/23



Dimensional stability



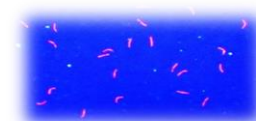
Durable

## (2) R&D Action Plans

### Anti-counterfeit paper

○ More variations of paper that prevents counterfeiting

- ☑ In addition to paper for security seals, sold overseas starting in FY3/20, more versions of anti-counterfeit paper are planned to meet upcoming needs.



Fluorescent textile coating

- (1) Increasing use of digital technologies is altering the market for paper that prevents counterfeiting.



Target more markets that can be served using existing technologies and create new ideas for the prevention of counterfeiting. Expand applications for this paper to attract new customers.

Advance  
existing  
technologies

- (2) The merchandise certificates in Japan are the primary use of this paper, but this market is not expected to grow.



Use knowledge associated with counterfeiting prevention technologies to start developing products for applications currently not covered. Aiming to begin sales of new products in FY3/22.

Develop new  
technologies

- (3) Changes in markets and the social climate are creating new needs involving the prevention of counterfeiting



Start to consider the development of new technologies that combine the strengths of digital technologies and paper.

II. Specialty Materials Business

(3) Package Strategy TT-PACKAGE

○ The Package business = Focus on the launch of TT-PACKAGE

- ☑ A package business with substantial added value backed by the diverse materials and processing equipment of the Tokushu Tokai Paper Group
- ☑ Start TT-PACKAGE as a new category of the specialty materials business and place priority on this field as one of the primary strategies of this business.

Schedule

• Aug. 2020

Started sales of TT-SPARKLE, which combines embossing, lamination and coating technologies

• Nov. 2020

Announcement of TT-PACKAGE in a press release about the TOKYO PACK 2021 international packaging show

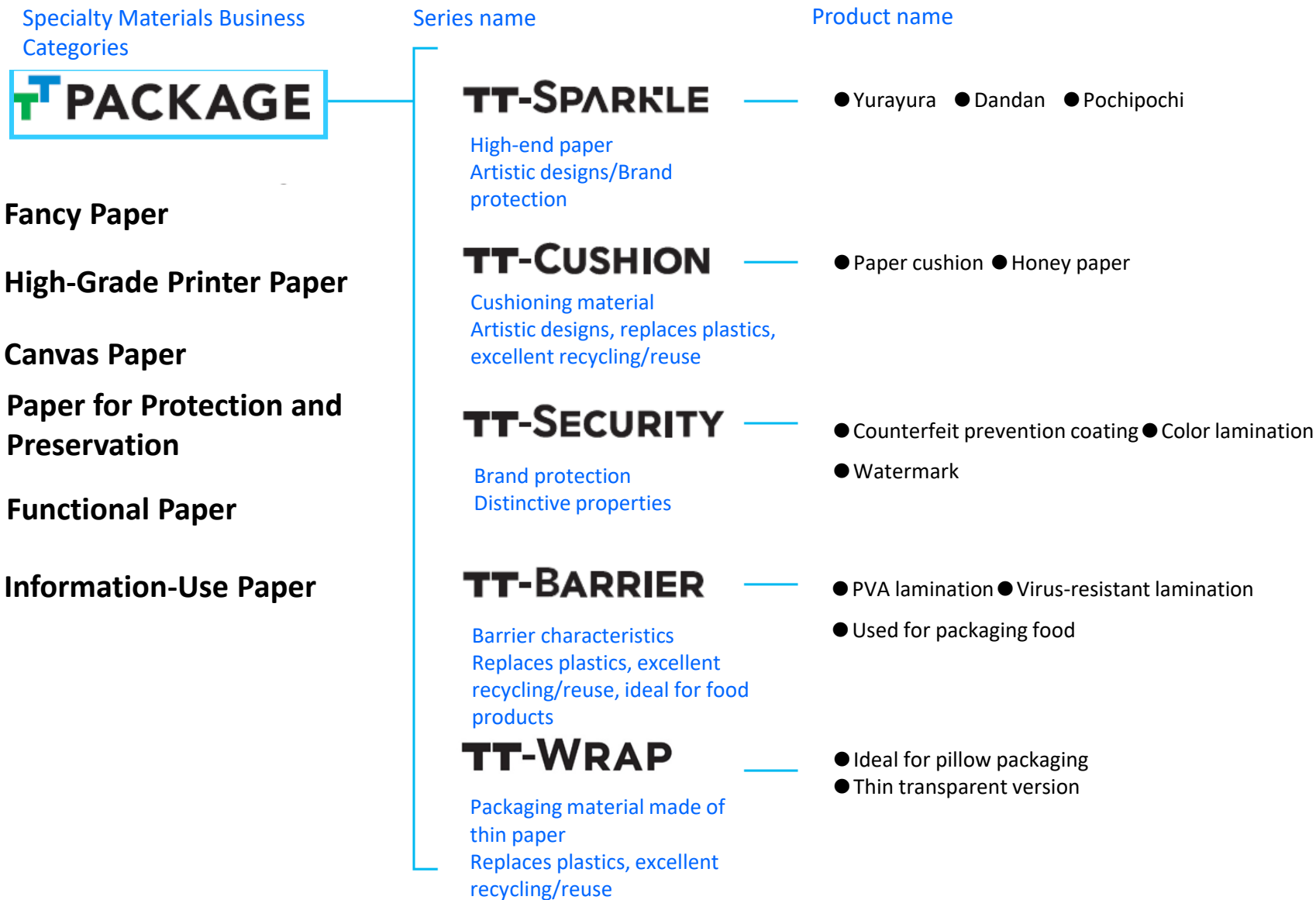
• Feb. 2021

Plan to exhibit TT-PACKAGE at TOKYO PACK 2021



II. Specialty Materials Business

(3) Package Strategy TT-PACKAGE

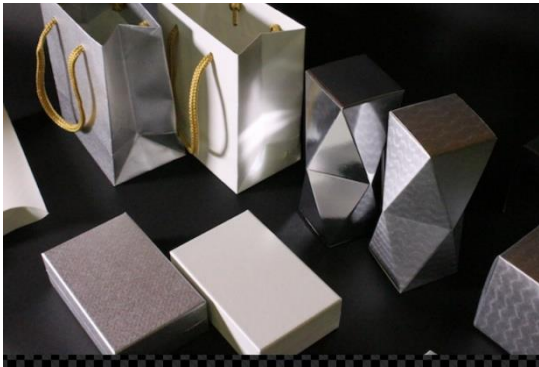




II. Specialty Materials Business

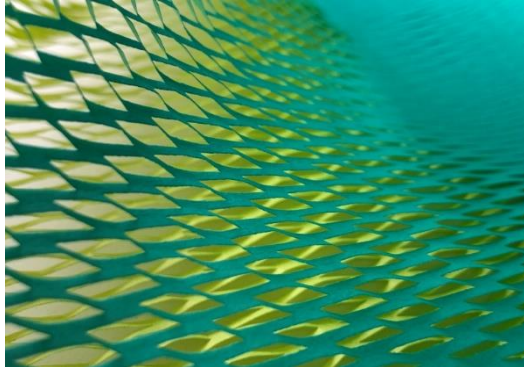
(3) Package Strategy TT-PACKAGE

**TT-SPARKLE**



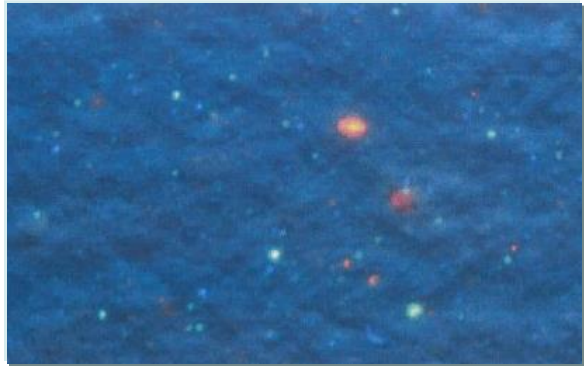
Artistic designs using the new "D-motion" embossing technology

**TT-CUSHION**



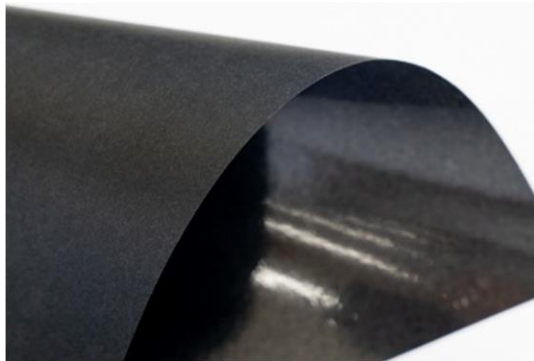
Cushioning paper technology with artistic designs

**TT-SECURITY**



Coating technology that prevents counterfeiting

**TT- BARRIER**



Kraft paper and films with virus prevention and other functions

**TT-WRAP**



Thin paper and lamination (pillow packaging)





## **III. Household Products Business**





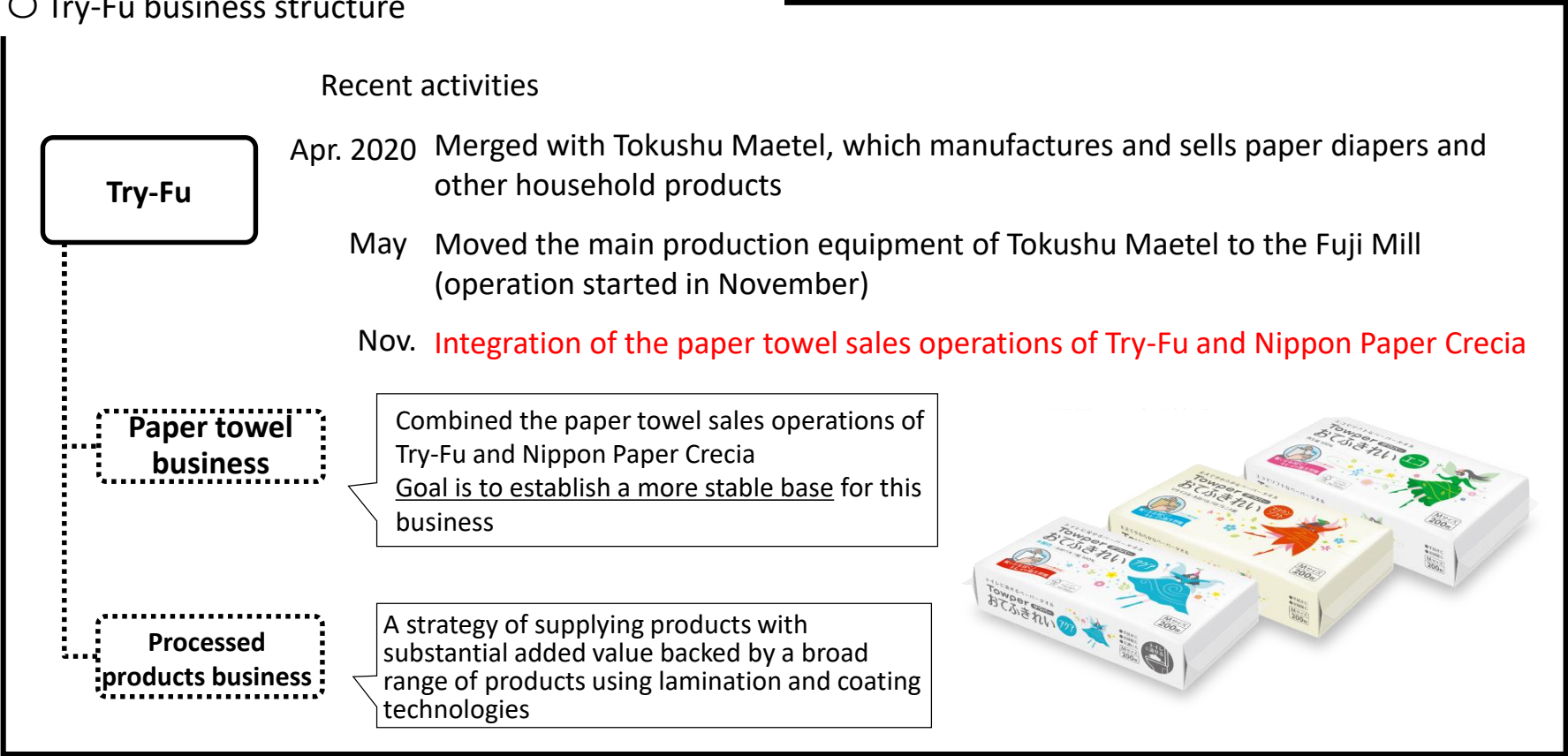
III. Household Products Business

(1) Try-Fu’s Household Products Business

**Business summary**

Strong sales of paper towels due to the higher interest in hygiene due to COVID-19. A big decrease in sales of laminated products because of downturns in foreign tourists in Japan and travel within Japan. Sales of laminated products for tourism souvenirs began to recover in October, partly due to the Go To Travel campaign of the Japanese government.

○ Try-Fu business structure



III. Household Products Business

(2) Try-Fu’s Paper Towel Business

○Business Alliance with Nippon Paper Crecia

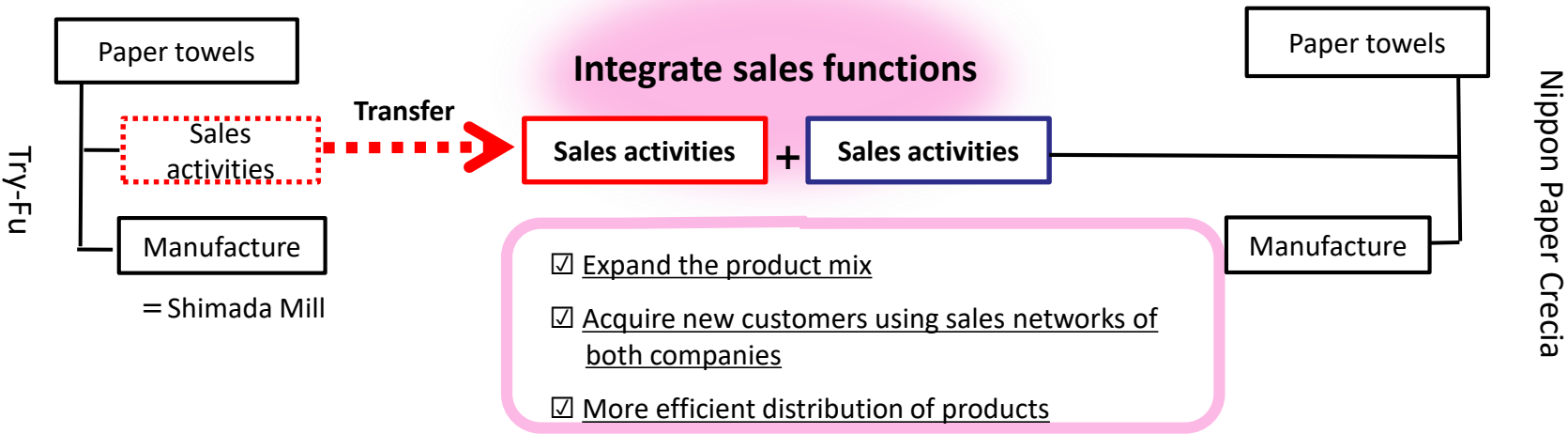
Background: Although growth is continuing, the paper towel market in Japan is becoming increasingly difficult because of intense competition, new competition from small/midsize companies, the higher cost of cargo transportation and other reasons.

➡ Combining the paper towel sales operations of Try-Fu and Nippon Paper Crecia is expected to result in more growth of the paper towel business.

- Strengths: {
- ◎ Powerful paper towel brands
  - ◎ Mutually complementary products (Try-Fu: Recycled paper + Nippon Paper Crecia: Pulp)
  - ◎ Respect for each other’s autonomy and skills

○Integration of Sales Operations

- ✓ Nippon Paper Crecia will handle external sales of all paper towels and other products covered by this alliance.
- ✓ No change is expected in the current level of operating income from sales of paper towels and other products due to this alliance.



III. Household Products Business

(3) Try-Fu’s Processed Products Business

Research and Development Activities

- ✓ Develop environmentally responsible products by using thin film technology and resins with a small environmental impact
- ✓ For food safety, develop products with FDA-approved materials and antimicrobial properties
- ✓ Develop products spanning two or more business units by cooperating with TT-PACKAGE of the specialty paper packing planning unit

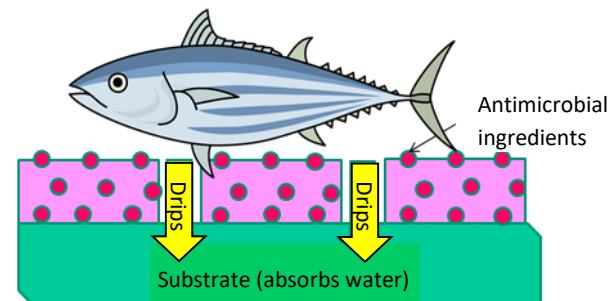


○ Paper launched in 1H FY3/21 (selected items)

- **High-barrier coating paper (PVCD coating)**  
Resistance to water and oil and a barrier to oxygen  
(Applications: tea bags, chocolate candy packaging, and others)
- **Heat seal paper**  
Formulated to attach to surfaces when heated  
(Applications: packaging materials for food and other items, heat seal tape, and others)
- **Antimicrobial paper**  
Treated to be resistant to bacteria and other microbes  
(Applications: packaging for prepared food items, and others)

○ Current R&D projects (selected items)

- **An antimicrobial resin product for food**  
This innovative material combines Try-Fu’s drip-absorbing crepe paper with an antimicrobial resin coating. \*Patent pending  
(Applications: packaging for fresh fish and meat)





## **IV. Environment Related Business**



IV. Environment Related Business

(1) Resource Reuse: REX Co., Ltd.

- REX Co., Ltd.** ☒ Strengthen the current RPF manufacturing operations  
☒ Contributing to increase internal procurement of boiler fuel

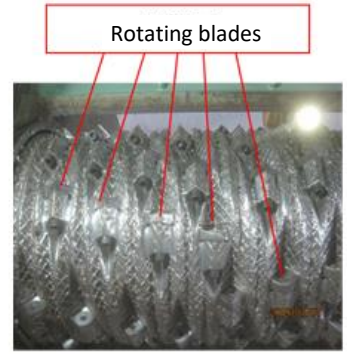
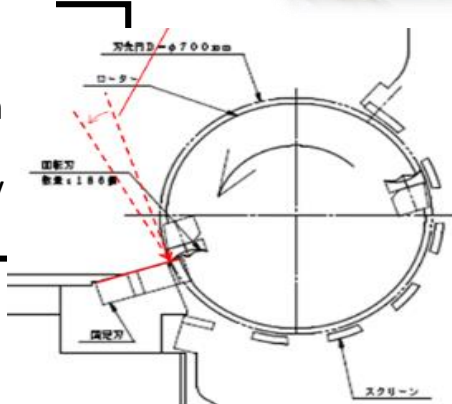
- A refuse paper/plastic fuel (RPF) factory at the Nagaizumi Logistics Center
- Operations started in March 2020. Started supplying materials to fuel the Mishima Mill boiler No. 10. Higher productivity allowed raising output while still using two shifts.  
(FY3/20: About 900t/month → 1H FY3/21: About 1,100t/month)
- The supply of used plastics, the feedstock for RPF, has been low because of COVID-19. The start of three-shift operations planned for 2H FY3/21 has been postponed to FY3/22 or afterward.

- Progress with activities to upgrade the pulverizer to raise output at the Shimada Mill

A small delay in work to modify the pulverizer's fixed blades, but still aiming for higher RPF output starting in December.  
(Modifications are expected to raise monthly output by about 100 tons.)



\* Nagaizumi Logistics Center



IV. Environment Related Business

(2) Resource Reuse: Suruga Service K. K.

- Resource Reuse** ...
- ☒ Suruga Service, acquired in January 2020, is contributing to consolidated earnings

☒ Investments for growth of the resource reuse business are a key component of the growth strategies of the Tokushu Tokai Paper Group

☒ Develop more technologies for the more effective use of discarded resources

Suruga Service K. K.

- Main factory: Industrial waste processing

Processes building materials, plastics and other waste materials from construction sites and other business sites  
Although the volume of waste materials from these sites has decreased because of COVID-19, sales are higher than one year earlier due to the receipt of high-volume contracts
- Matsuda factory: Industrial waste processing

Processes wood and other waste materials from construction sites  
Sales are higher than one-year earlier due to the receipt of high-volume contracts (separate from the main factory's contracts).
- Demolition business (Building demolition for reconstruction)

Demolition of buildings for reconstruction projects and other purposes  
Sales are lower than one year earlier because the smaller number of home reconstruction and other projects due to COVID-19 has reduced the volume of demolition orders.





### (3) Practical-Use of Natural Environment: JUZAN’s Whiskey Business

**Whiskey Business** ... Started producing whiskey in November and aims to start selling “Long Fermentation Japanese Whiskey” in 2026

○ Production Schedule

Construction of the Ikawa Distillery has been delayed due to highway damage caused by heavy rain. Full-scale operations started in November although the operations were planned to start in July. Work is proceeding as planned despite initial concerns about challenges of the mountainous site with an elevation of 1,200 meters.

Technicians are currently performing tests on the outstanding spring water at this location. Operations with about 100 production runs per year is expected to begin in FY3/22.

○ Whiskey Strategy

- (1) Operations will include tourism, such as distillery tours, and activities centered on the surrounding area, which is a UNESCO Eco Park (Biosphere Reserve).
- (2) Substantial added value by producing long fermentation single-malt whiskey
- (3) Continue making large development expenditures until the start of sales

■ Launch of products in stages for scarcity

2026: Trial sale of “five-year old” whiskey (small volume)

↓

2028: Plan to sell “seven-year old” whiskey

↓

2033: Plan to sell “twelve-year old” whiskey

■ Logo



井川蒸溜所  
Ikawa Distillery



● Located on a river in the Southern Japanese Alps



## IV. Environment Related Business

### (3) Practical-Use of Natural Environment: JUZAN's Whiskey Business

#### Reference: Whiskey Production

##### (1) Malting

The germination and drying of barley beans. The Ikawa Distillery will use malt produced in Scotland.



★ Malted barley produced in Scotland

##### (2) Milling and mashing

A sweet barley juice called wort is obtained from the germinated malt.



★ Saccharification tank

##### (3) Fermentation

Yeast is used to transform the sugar in malt to alcohol.



★ Temperature control function of cooling and heating

(4) Distilling (two times)  
The alcohol level is raised by this process, which uses a pot still.



★ Simple distillation

##### (5) Maturation

During maturation, the aroma of the wood barrels is added to the whiskey. About 99% of all whiskey is aged in barrels, a process that can take 10 to 30 years or even longer.



##### (6) Blending

This step is used to add complexity and balance to whiskey. Experts use their sense or smell and taste to combine whiskeys from different types of barrels.

★ The Ikawa Distillery's barrels use wood from many types of trees in this region.



**Inquiries:**

**Finance & IR Div.**

**Sumitomo Fudosan Yaesu Building**

**2-4-1 Yaesu, Chuo-ku, Tokyo**

**Tel: +81-3-3281-8581**

**Fax: +81-3-3281-8591**

**E-mail: [ttp.ir@s.tt-paper.co.jp](mailto:ttp.ir@s.tt-paper.co.jp)**

**\* Plans, actions and other statements in this presentation are based on management decisions using information that was available as of the date of this presentation. As these statements include numerous risk factors and other uncertainties, actual results of operations may differ from the information in this presentation.**