



Results of Operations for the Fiscal Year Ended March 31, 2021



Tokushu Tokai Paper Co., Ltd.

I. Financial Information

FY3/21 Financial Summary

- » Consolidated Financial Results
- » Components of Changes in Earnings
- » Segment Information

FY3/22 Consolidated Forecast

- » Consolidated Forecast
- » Components of Changes in Operating Income

II. The Fifth Medium-term Management Plan

- » Positioning of the Fifth Plan within the Long-term Plan
- » Business Environment
- » Plan for Improving Performance and Growth
- » Sustainability
 - Activities for a Sustainable Society-

III. Business Foundation Reinforcement/ Growth Strategy

Business Foundation Reinforcement

- » Industrial Materials Business and Household Products Business
- » Specialty Materials Business

Growth Strategy (1)

- Creating New Sources of Demand for Paper Products
- » The New Added Value Strategy
- » The Added Value Package Strategy
- » Accomplishments at TOKYO PACK 2021
- » Establishment of MOLDEA
- » Development of Environmentally Responsible Products

Growth Strategy (2)

- New Businesses Other Than Paper Products
- » Environment Related Business

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FY3/21 Financial Summary

Consolidated Financial Results

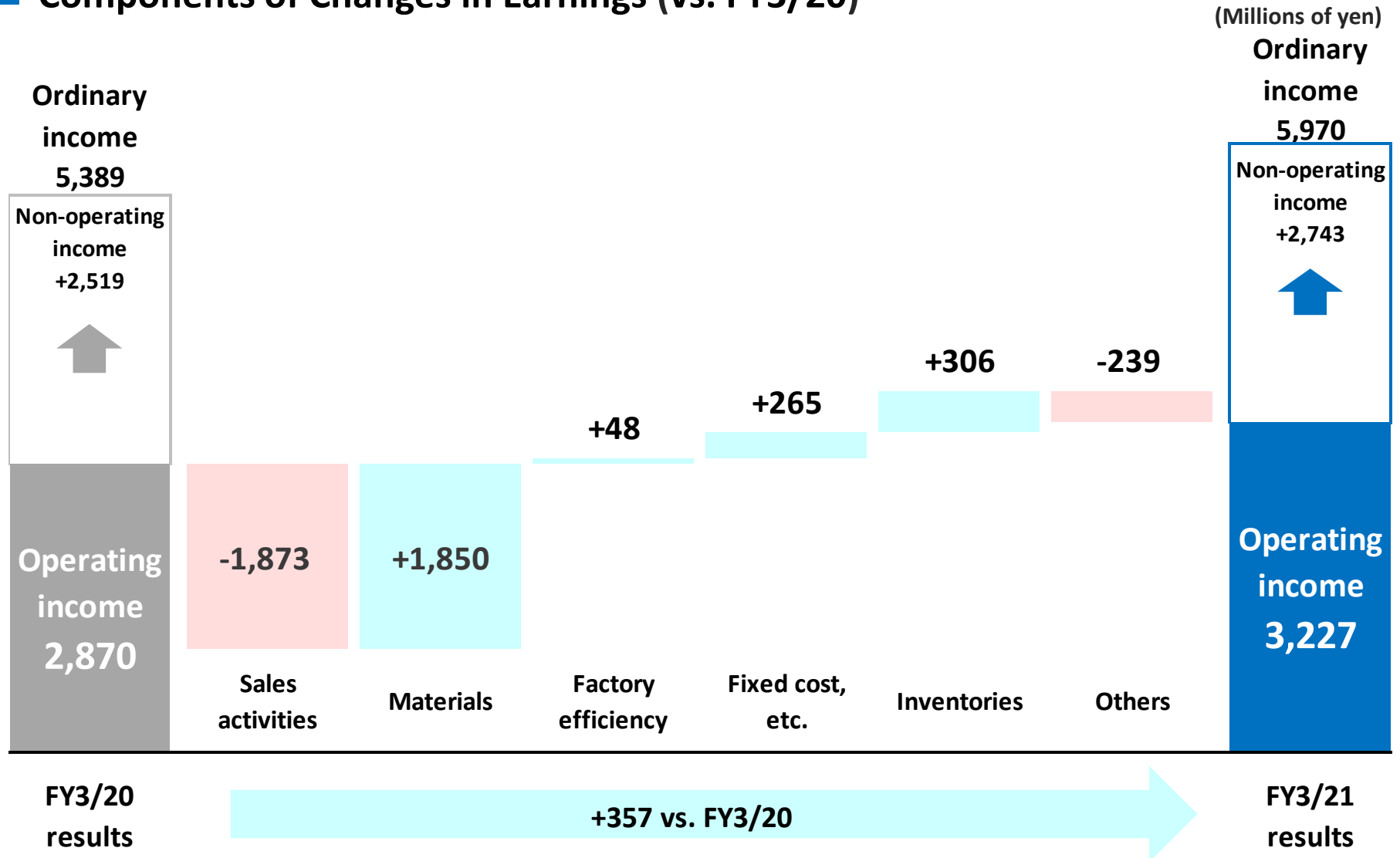
(Millions of yen)

	FY3/20	FY3/21	Change
Net sales	80,603	76,403	-4,200
Operating income	2,870	3,227	357
Ordinary income	5,389	5,970	581
Profit attributable to owners of parent	3,694	5,594	1,900
Operating income to net sales	3.6%	4.2%	-

FY3/21 Financial Summary



Components of Changes in Earnings (vs. FY3/20)



FY3/21 Financial Summary



■ Segment Information

		(Millions of yen)		
		FY3/20	FY3/21	Change
Industrial Materials Business	Net sales	39,159	37,130	-2,029
	Operating income	1,209	1,177	-32
Specialty Materials Business	Net sales	21,911	18,746	-3,165
	Operating income	1,118	1,302	184
Household Products Business	Net sales	17,860	16,584	-1,276
	Operating income	528	833	305
Environment Related Business	Net sales	6,759	8,773	2,014
	Operating income	120	70	-50
Elimination/ adjustment	Net sales	(5,087)	(4,831)	256
	Operating income	(106)	(156)	-50
Total	Net sales	80,603	76,403	-4,200
	Operating income	2,870	3,227	357

* 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 has been adjusted to reflect this revision.

FY3/22 Consolidated Forecast



Consolidated Forecast

(Millions of yen)

	FY3/21 results	FY3/22 forecasts	Change
Net sales	76,403	81,000	4,597
Operating income	3,227	3,600	373
Ordinary income	5,970	5,000	-970
Profit attributable to owners of parent	5,594	3,600	-1,994
Operating income to net sales	4.2%	4.4%	-

*Assumptions: Foreign exchange rate: 1H: ¥105/US\$; 2H: ¥105/US\$

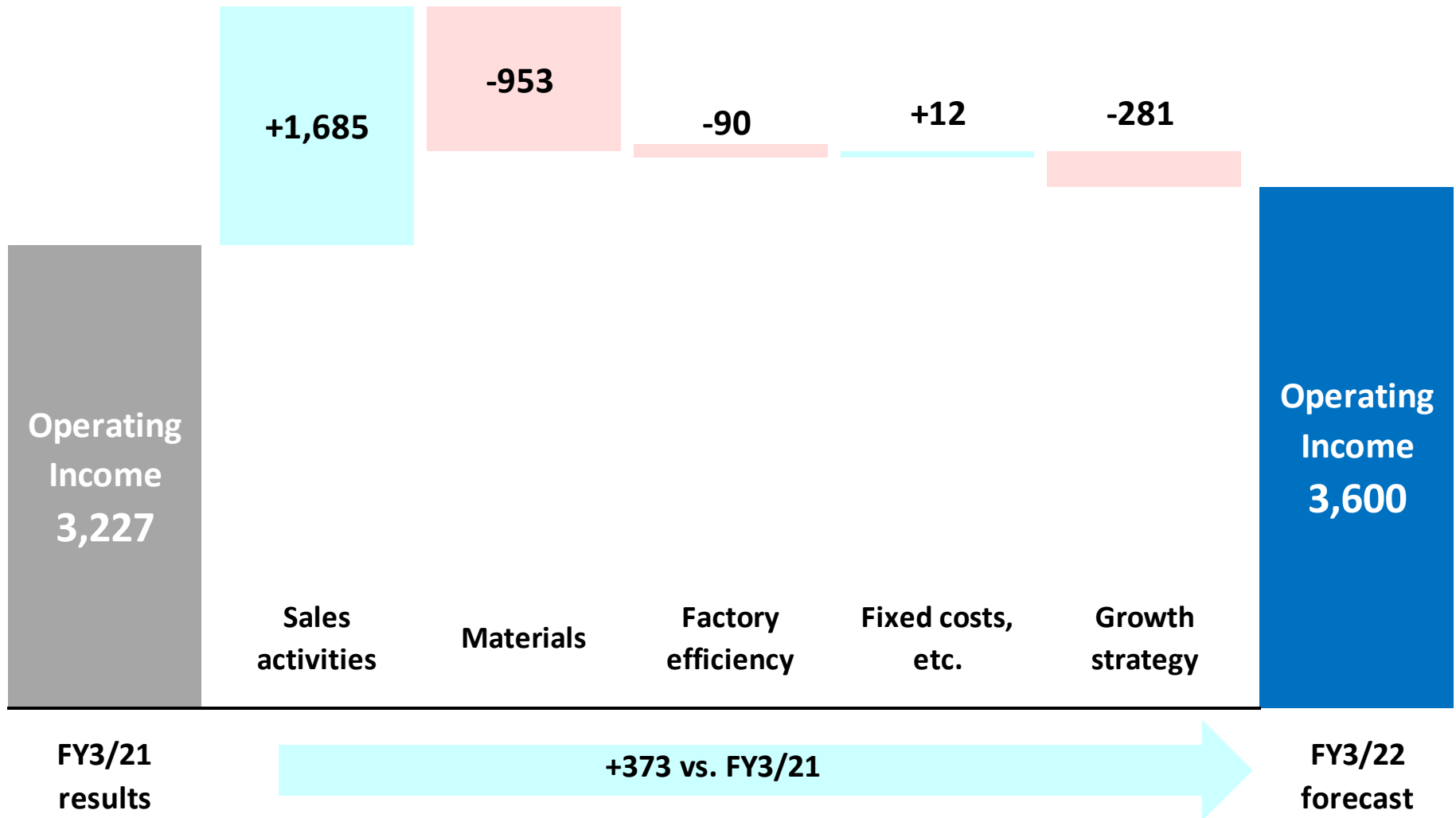
Crude oil price (Dubai) 1H: \$55/B; 2H: \$55/B

FY3/22 Consolidated Forecast



Components of Changes in Operating Income (vs. FY3/21)

(Millions of yen)



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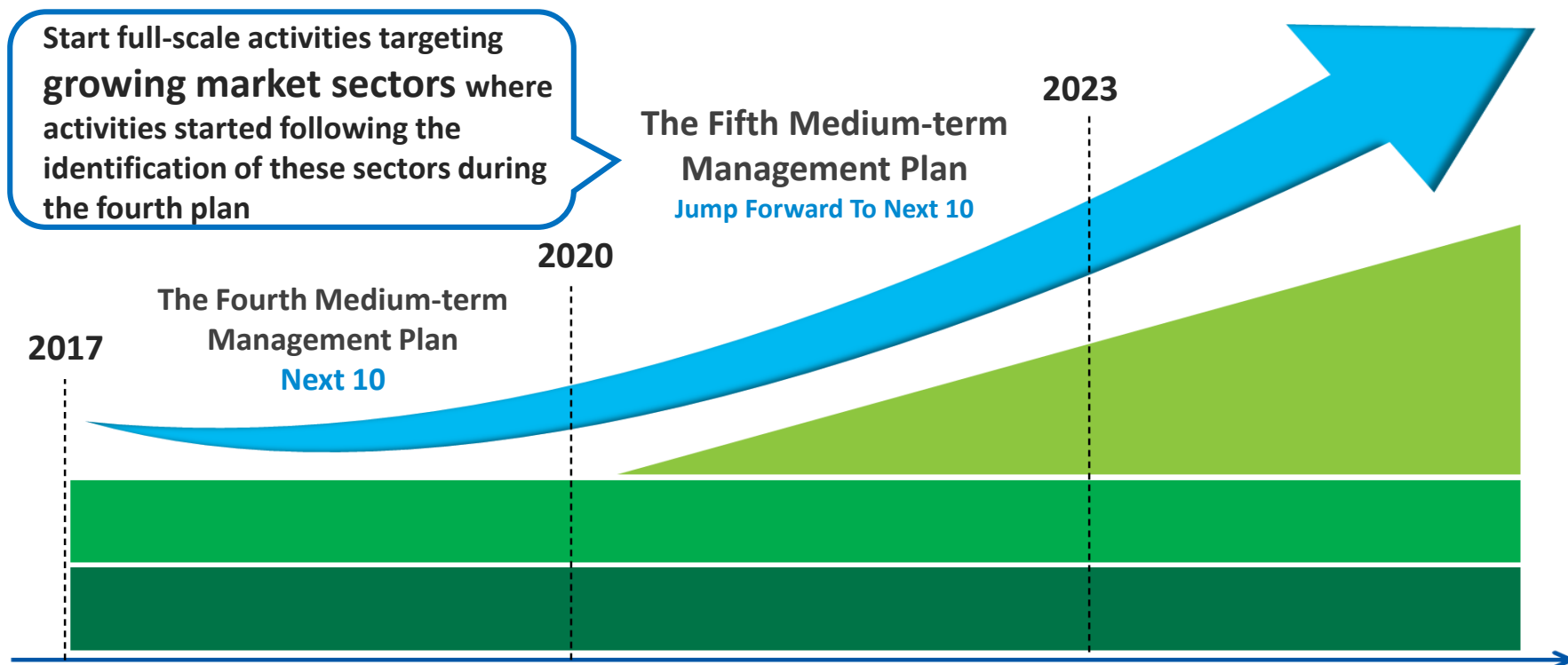
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II. The Fifth Medium-term Management Plan



Positioning of the Fifth Plan within the Long-term Plan



	FY3/23 targets Final year of Fifth Medium-term Plan	Long-term goals
Net sales	¥82.5 billion	¥120 billion
Operating income	¥4.5 billion	¥10 billion
Operating margin	5.5%	8.3%
ROE	6.5%	8.0%

II. The Fifth Medium-term Management Plan



Business Environment

- Market conditions are expected to become even more challenging for existing product categories and other sectors of the papermaking business. But social demands for reducing the use of fossil fuels, plastic and other materials to protect the environment may create additional demand for paper products.

	Negative effects	Positive effects
Political and social factors	Slow global economic growth, Japan's declining population, increasing speed of the downturn in use of paper as an information communication medium	Activities to shift to a sustainable society
Market factors	Market saturation in Japan, weak performance of the publishing industry, higher cost of logistics	Increasing awareness of the importance of hygiene Increasing demand in Japan associated with foreign tourists
The paper industry factors	More machinery and oversupply for cardboard, household paper products and other paper products Price- based competition for printing paper, paper for IT applications and other types of paper	Demand for reducing the use of fossil fuels and plastics

- For more growth, we are realigning the business portfolio by **creating new sources of demand for paper products** and starting **new businesses other than paper products**
- Management resources will be focused on products involving the environment and hygiene.

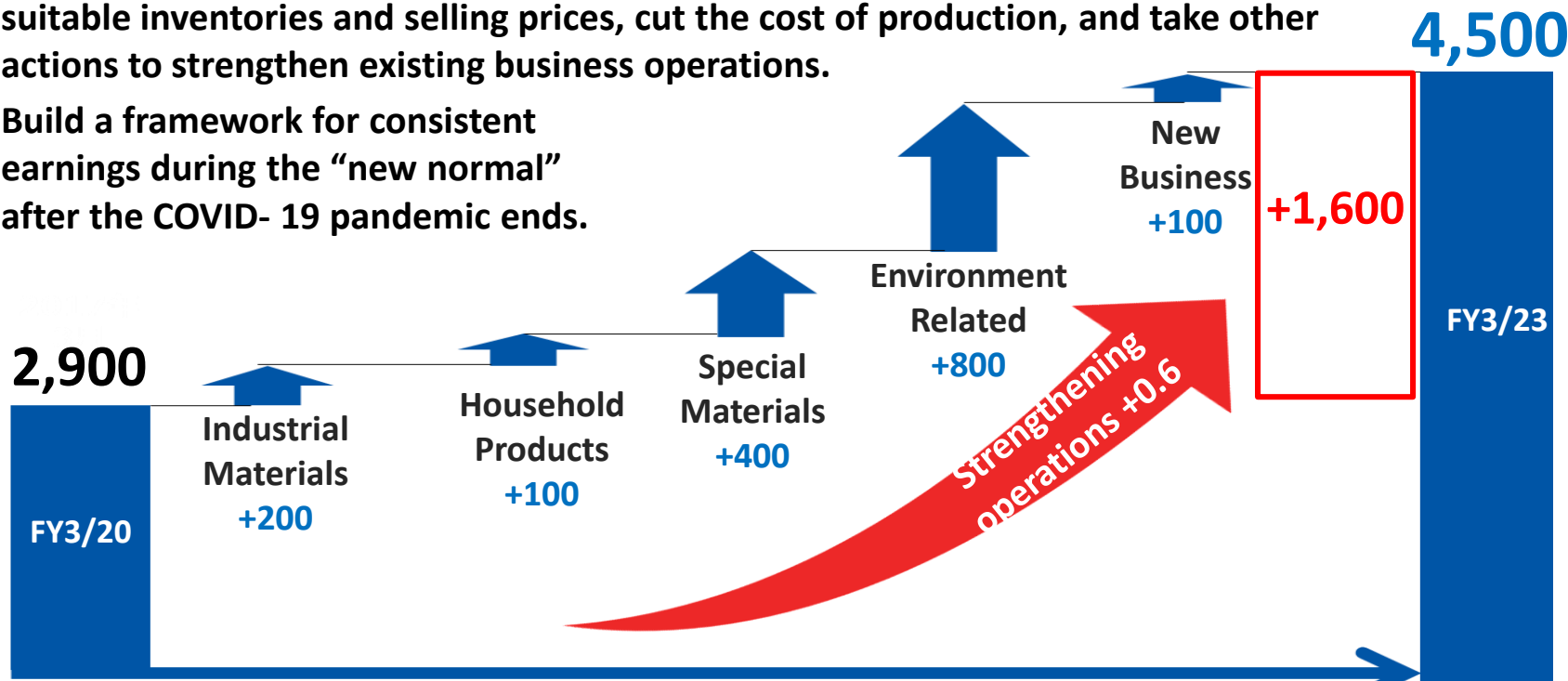
II. The Fifth Medium-term Management Plan



Plan for Improving Performance and Growth

- To grow as the demand for paper products changes rapidly, we will maintain suitable inventories and selling prices, cut the cost of production, and take other actions to strengthen existing business operations.
- Build a framework for consistent earnings during the “new normal” after the COVID-19 pandemic ends.

(Millions of yen)



Expected improvements	FY3/23	Long-term goals
Suitable selling prices	¥260 million	¥300 million
Review of business processes	¥270 million	¥400 million
Other	¥60 million	¥220 million
Total	¥590 million	¥920 million

II. The Fifth Medium-term Management Plan



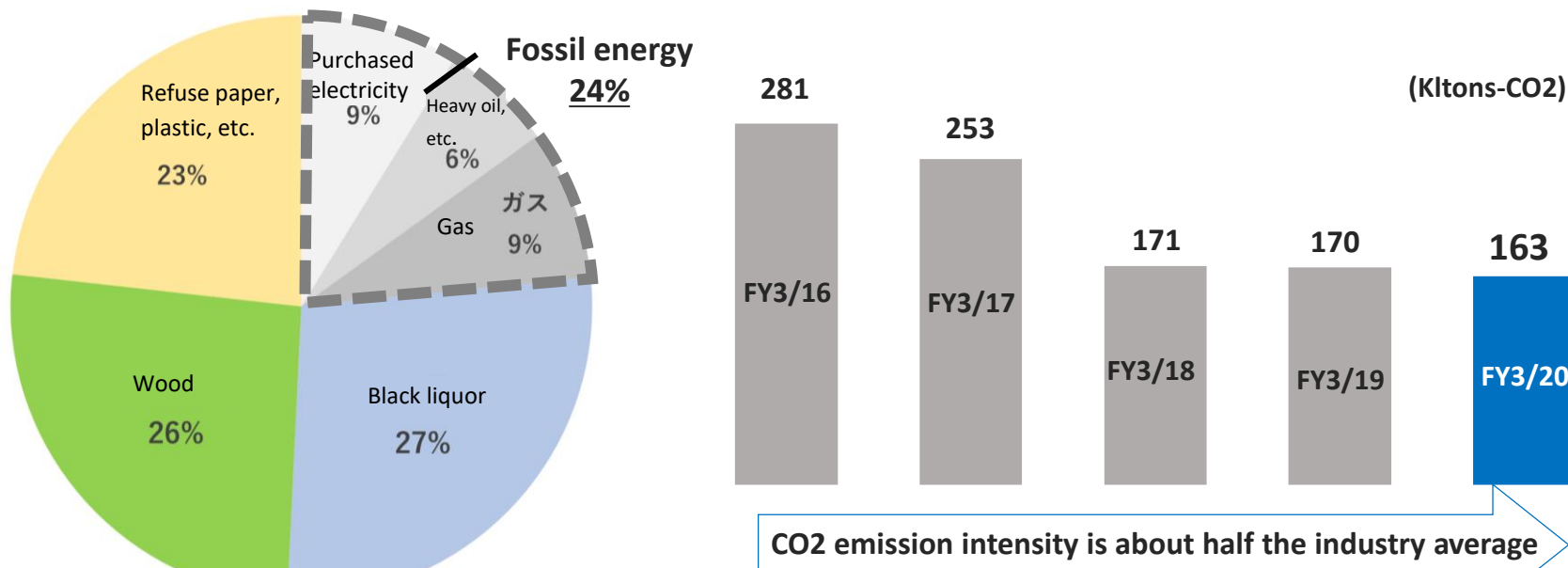
Sustainability - Activities for a Sustainable Society

■ The Tokushu Tokai Paper SDG Project started in February 2021

Planned activities

- (1) Post data for the entire group, mainly involving the environment, on the corporate website.
- (2) Conduct a comprehensive review of the group's activities in prior years involving the SDGs.
- (3) Plan to issue a sustainability report at the end of FY3/22 with information about activities, issues and targets.

■ Reference: Energy Composition (FY3/20) and CO2 Emissions from Fossil energy



CO2 emission intensity is about half the industry average

*1. Includes four companies subject to the Act on the Rational Use of Energy.

*2. CO2 emissions are calculated by Tokushu Tokai Paper based on the Act on the Rational Use of Energy and basic emission coefficients of individual electricity providers.

*3. The industry average is an estimate by Tokushu Tokai Paper.

II. The Fifth Medium-term Management Plan

Sustainability - Activities for a Sustainable Society



■ Reference: Basic Policy for Procuring Wood

Basic Philosophy

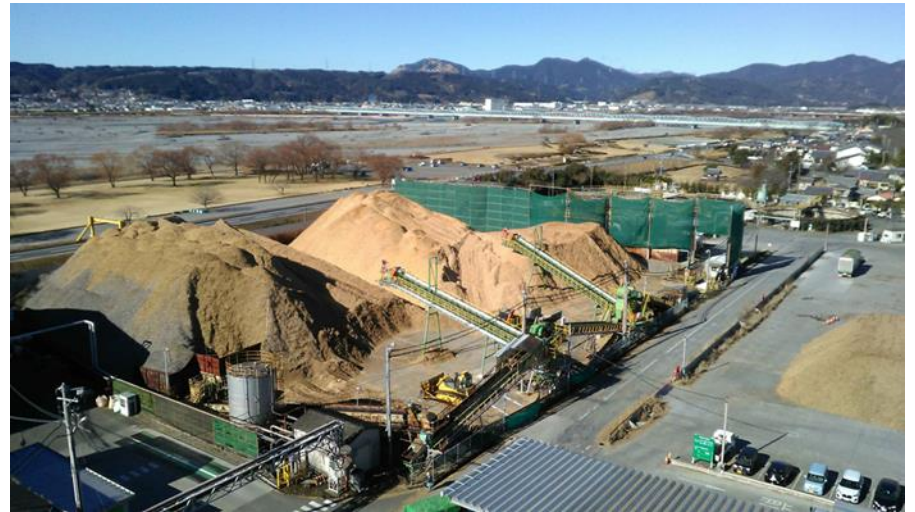
Tokushu Tokai Paper is dedicated to procuring wood used as raw materials in an environmentally responsible manner in order to operate in harmony with the environment as prescribed in the Environmental Charter.

Procurement Policy and Activities

1. We do not purchase or supply the following types of wood.
 - Wood harvested illegally
 - Wood harvested by violating traditional rights or civil rights
 - Wood harvested from forests there is a risk to the high value of preserving these forests due to administrative activities
 - Wood harvested from planted forests (plantations) or from forests that are to be converted to a different use
 - Wood harvested from forests that include genetically modified trees
2. Suppliers of all wood raw materials used are contacted to confirm compliance with all items in the preceding section as well as the characteristics of the region where the wood was harvested.
3. All procurement activities comply with the raw material procurement standards of the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (known as the Green Wood Act).

(Company' HP: <https://www.tt-paper.co.jp/csr/environment/symbiosis/lumber/>)

- In accordance with this basic policy for procuring wood, we purchase raw materials from sustainable sources that contribute to progress concerning environmental and social issues.
- The Shimada Mill, which manufactures kraft pulp, uses only wood chips that satisfy the Forest Stewardship Council requirements for wood and other materials that have been properly managed.



The chip storage area of the Shimada Mill

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**Business Foundation
Reinforcement**



Industrial Materials Business/Household Products Business

Fifth Medium-term Management Plan:

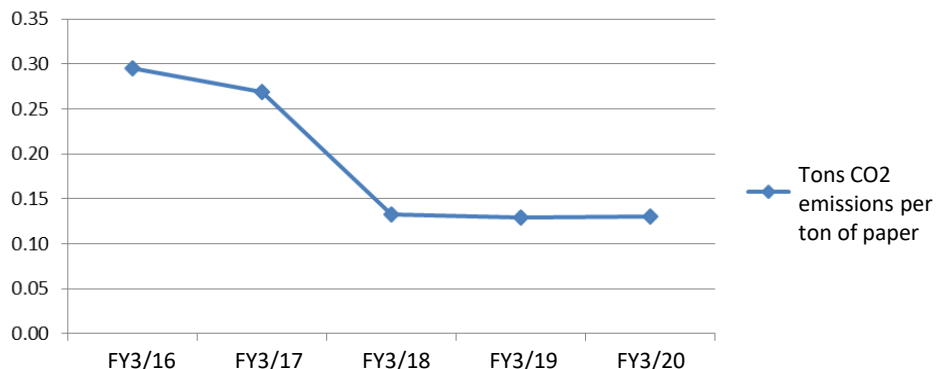
Reinforce the current profit structure primarily by building a stronger foundation for operations

■ Industrial Materials Business

Hold down the pct. of energy from fossil fuels at the Shimada Mill of Shin Tokai Paper to maintain the superiority of this mill as a low-carbon factory.

The recycled kraft paper development project is near the commercialization stage. Plan to start developing products that can replace plastic in many applications.

Shimada Mill Fossil Energy CO2 Emission Intensity

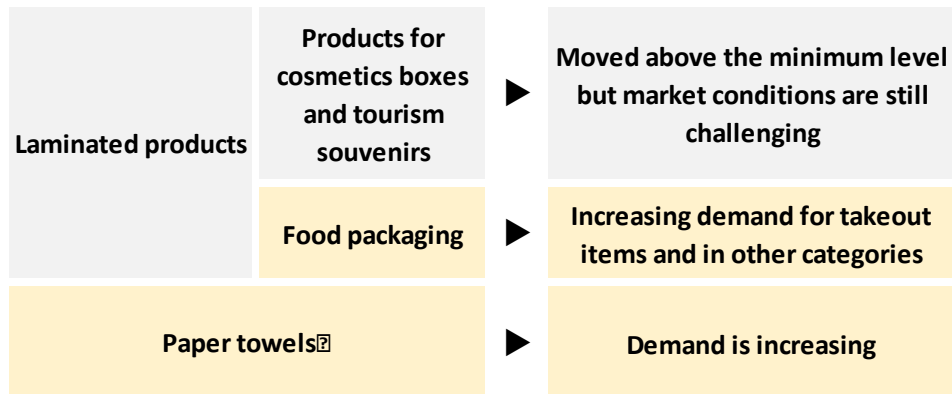


■ Household Products Business

Demand for laminated paper is recovering for some food products.

The paper towel business alliance with Nippon Paper Creca is progressing as planned. In FY3/21, a new product was launched that enables paper to replace wrapping film.

Outlook for the Household Products Business (Major activities)





Specialty Materials Business

Fifth Medium-term Management Plan:

Aiming for big increases in sales and earnings by building on the accomplishments of the fourth plan.

■ Glass interleaving paper

Continue to aim for a higher market share by further differentiating products from competing products.

■ Research and Development

Use new and existing technologies to develop environmentally responsible products.

Examples: Process paper that can replace film used in manufacturing processes
Specialty paper used as a substrate for electronic devices

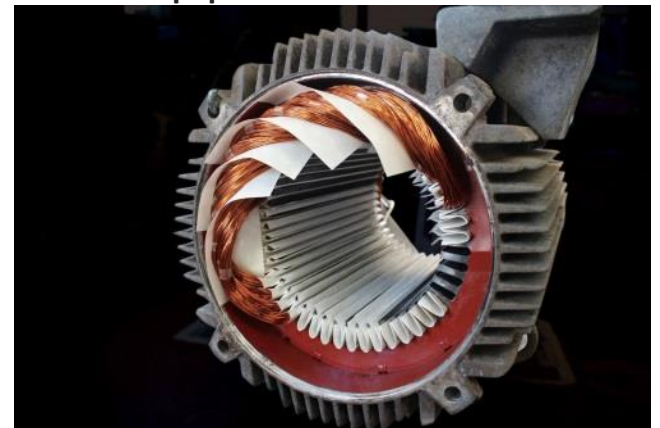
In the synthetic fiber sheet business, we will continue to upgrade the quality of current products and develop and sell new paper for building materials (floors, walls, etc.) and other new products. The goal is sales of ¥740 million in FY3/23.


Heat resistance and electrical insulation make this paper ideal for motors

Example of fiber product: TT-TOKRON

Characteristics: TT-TOKRON is a meta- aramid fiber sheet that can withstand heat, has high tensile strength and is an electrical insulator.

Applications: Electrical transformers, motors, etc.





Growth Strategy (1)
**-Creating New Sources of Demand
for Paper Products-**



The New Added Value Strategy

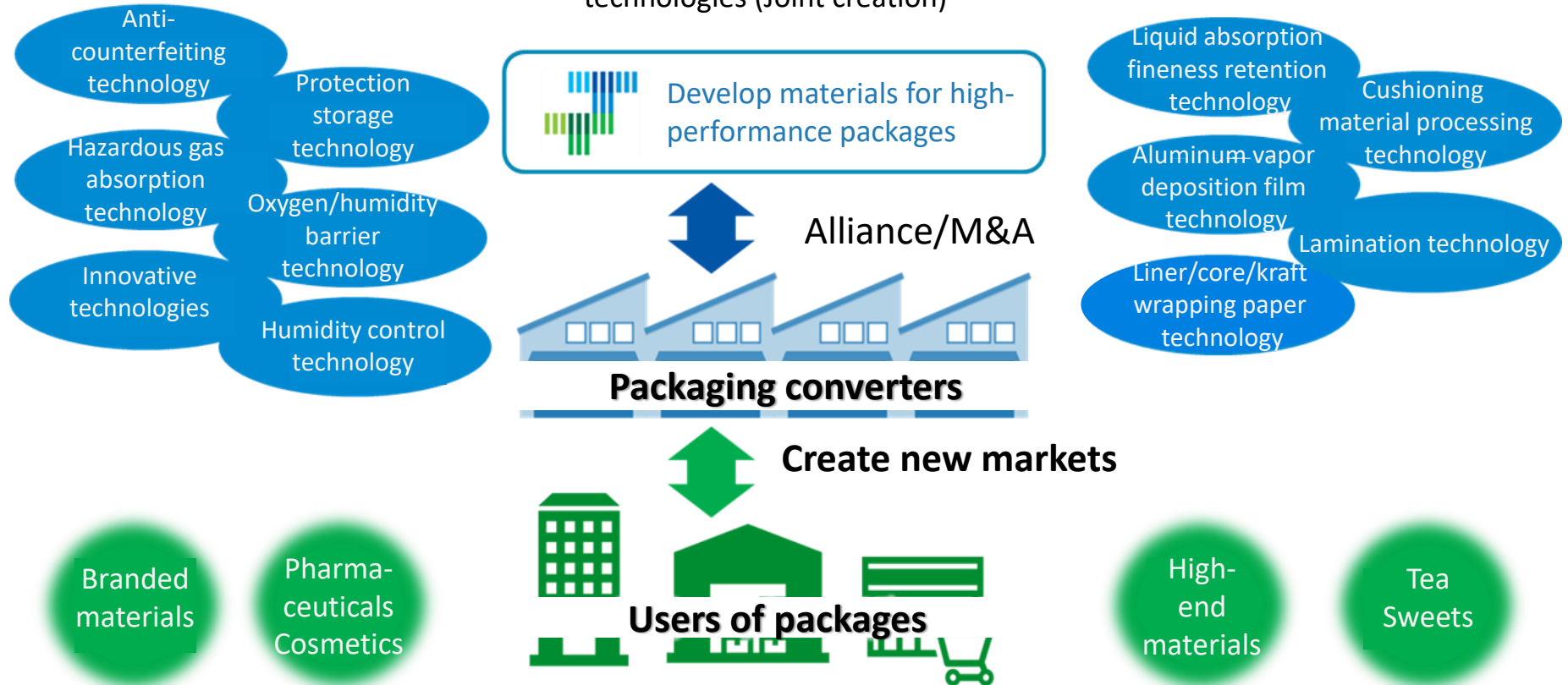
Creating New Sources of Demand for Paper Products

- Tokushu Tokai Paper has started a value-added package business for using expertise involving high-performance paper to create products that enable replacing many types of materials with paper-based products.

T PACKAGE

The Added Value Package Strategy

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





The Added Value Package Strategy

Creating New Sources of Demand for Paper Products

- Launching the package business is one of the highest priorities of the first year of the Fifth Medium-term Management Plan. We are positioning packages as a new business category and will take actions for the growth of this business.

T PACKAGE

MOLDEA

- » **Target new needs**

New needs involving packages are constantly emerging, such as for environmentally responsible packages. We will use a broad range of materials and processing machinery to supply many types of packaging paper in order to meet these needs.

- » **Direct ties with end users**

This business will use a B-to-B e-commerce and other marketing activities to supply more products directly to end users.

- » **3D innovations**

We have established a new company called MOLDEA with Ueroku Printing Co., Ltd. and Nagoya Mould Co., Ltd. By using the strengths of its three owners, the new company fabricates molds with new forms of value by handling every step from basic materials to finished products.

The silky mold





Accomplishments at TOKYO PACK 2021

Creating New Sources of Demand for Paper Products

- Interest in our products and new ideas was stronger than anticipated at the TOKYO PACK 2021 international packaging show. In particular, the high level of interest among planning and design firms bodes well for sales growth.

- Accomplishment 1: Relationships with new users**

This trade show resulted in more relationships with new users than in prior years at this show. We will continue to promote the use of our products to these users.

Interest in our products	
Sample requests	45 companies
Meeting requests	101 companies

The Tokushu Tokai Paper booth



- Accomplishment 2: Used the TT-PACKAGE display to target customers' needs**

As expected, there was very strong interest in new products for food. Many people asked for information about our innovative cushioning materials and water soluble laminates.



New product
TT-BARRIER DELI

Takeout food packaging demand
×
Resistant to water/oil and absorbs water/oil
×
Alternatives for plastic packaging



Establishment of MOLDEA

Creating New Sources of Demand for Paper Products

Nagoya Mould	Ueroku Printing	Tokushu Tokai Paper
Specialty design package using the texture of paper	Integrated operations including assembly	Expertise for the production of high-quality specialty paper
Designs and fabrication of molds	Techniques for many types of decorations	Ideas for raw materials for specific needs



■ Preparations under way for the start of operations

STEP1

Studies concerning profitability, required equipment and other subjects needed to start business operations

STEP2

Start operating equipment, supply samples and begin sales of general-purpose products

STEP3

Establish framework for selling wet molds and start operating this business

■ Sample shipments and other sales activities are under way for visitors to the company's booth at the TOKYO PACK 2021 international packaging show. The goal is to increase sales starting in June and studies are progressing for the addition of another group of products.

III. Business Foundation Reinforcement/Growth Strategy - Growth Strategy (1)

Development of Environmentally Responsible Products

Creating New Sources of Demand for Paper Products

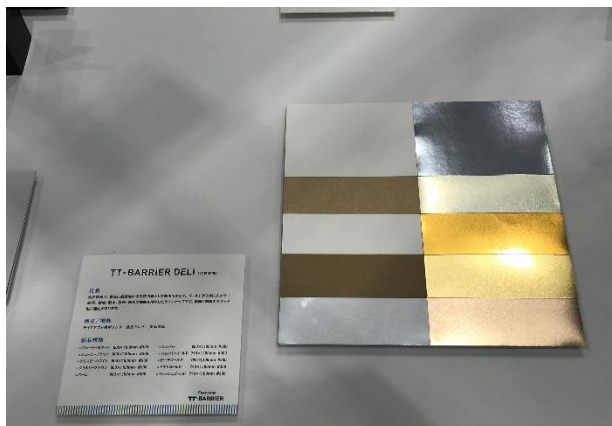
- The research activities of the processed products business of Try- Fu Co., Ltd. are contributing to progress with environmental products, which is a research theme of the Fifth Medium-term Management Plan.

NatuLami – A processed paper with a low environmental impact by using plant-derived resins and biodegradable resins

NatuLami

- Add new value by combining NatuLami and Milax with the products of other business units.

Example: TT- BARRIER DERI using Milax



TT- BARRIER DERI is available in 10 variations



Food packaging products were exhibited at TOKYO PACK 2021 jointly with the package business



Growth Strategy (2)
**-New Businesses Other Than Paper
Products-**



Environment Related Business

New Businesses Other Than Paper Products

Fifth Medium-term Management Plan:

Channel substantial resources to this business for growth

Practical-Use of Natural Environment Div.

- In the first year of the Fifth Plan, this division focused on starting to operate the Ikawa Distillery. (Full-scale operation started in November 2020.)
- Accomplishment 1: Average of 632 liters of unblended whisky per production run (goal was 500 liters)
- Accomplishment 2: Received highest of four rankings in the unblended whisky quality examination by the National Tax Agency
- Continuing to focus on consistent production activities in order to increase the variations of unblended whisky



Above left: Sherry and bourbon barrels filled with unblended whisky



Above right: Whisky ages for many years at an altitude of 1,200 meters





Environment Related Business

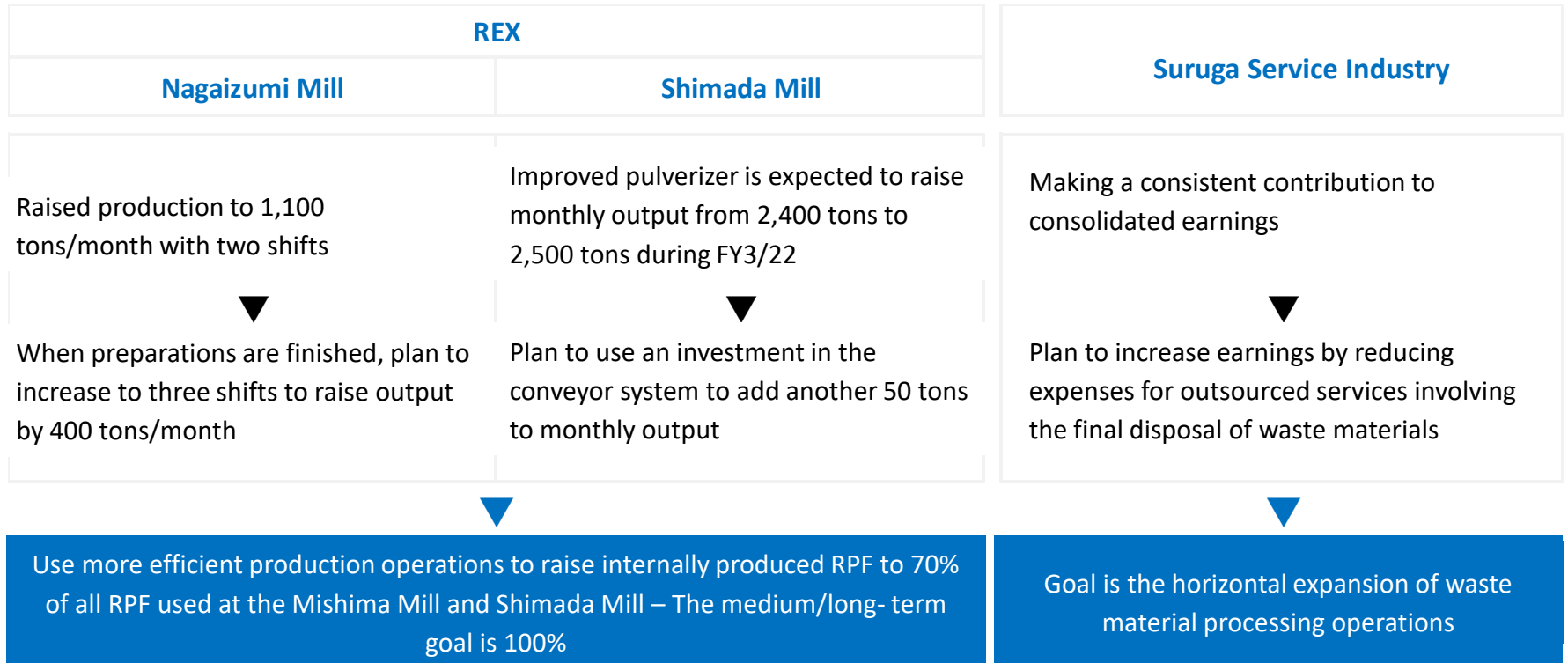
New Businesses Other Than Paper Products

Fifth Medium-term Management Plan:

Channel substantial resources to this business for growth

Resource Reuse Div.

- Increase the production of refuse paper/plastic fuel (RPF) at REX Co., Ltd. and increase the breadth of activities of the recycling business.





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