

Results of Operations for the First Half of the Fiscal Year Ending March 31, 2022



Tokushu Tokai Paper Co., Ltd.

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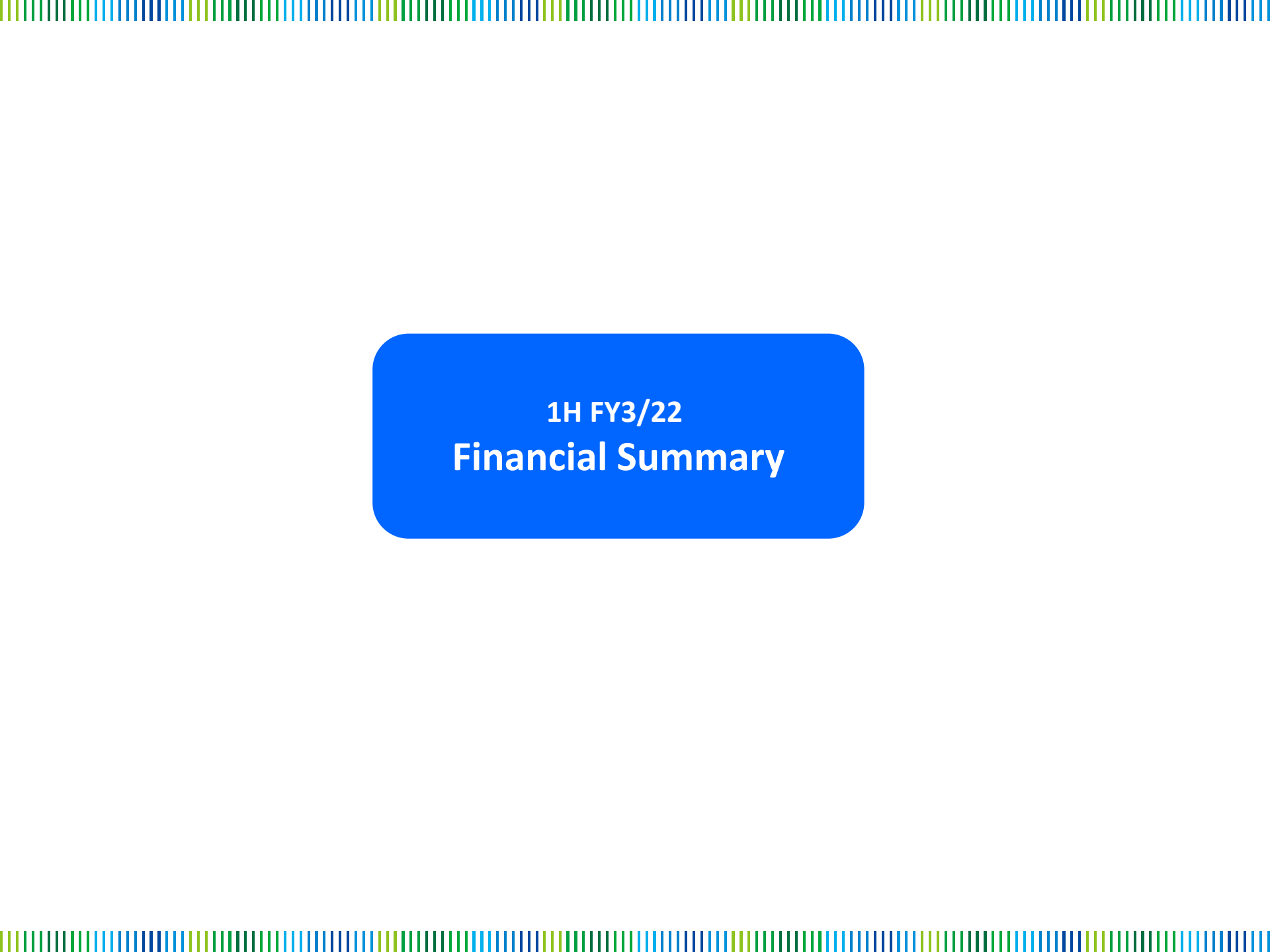
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1H FY3/22
Financial Summary

1H FY3/22 Financial Summary

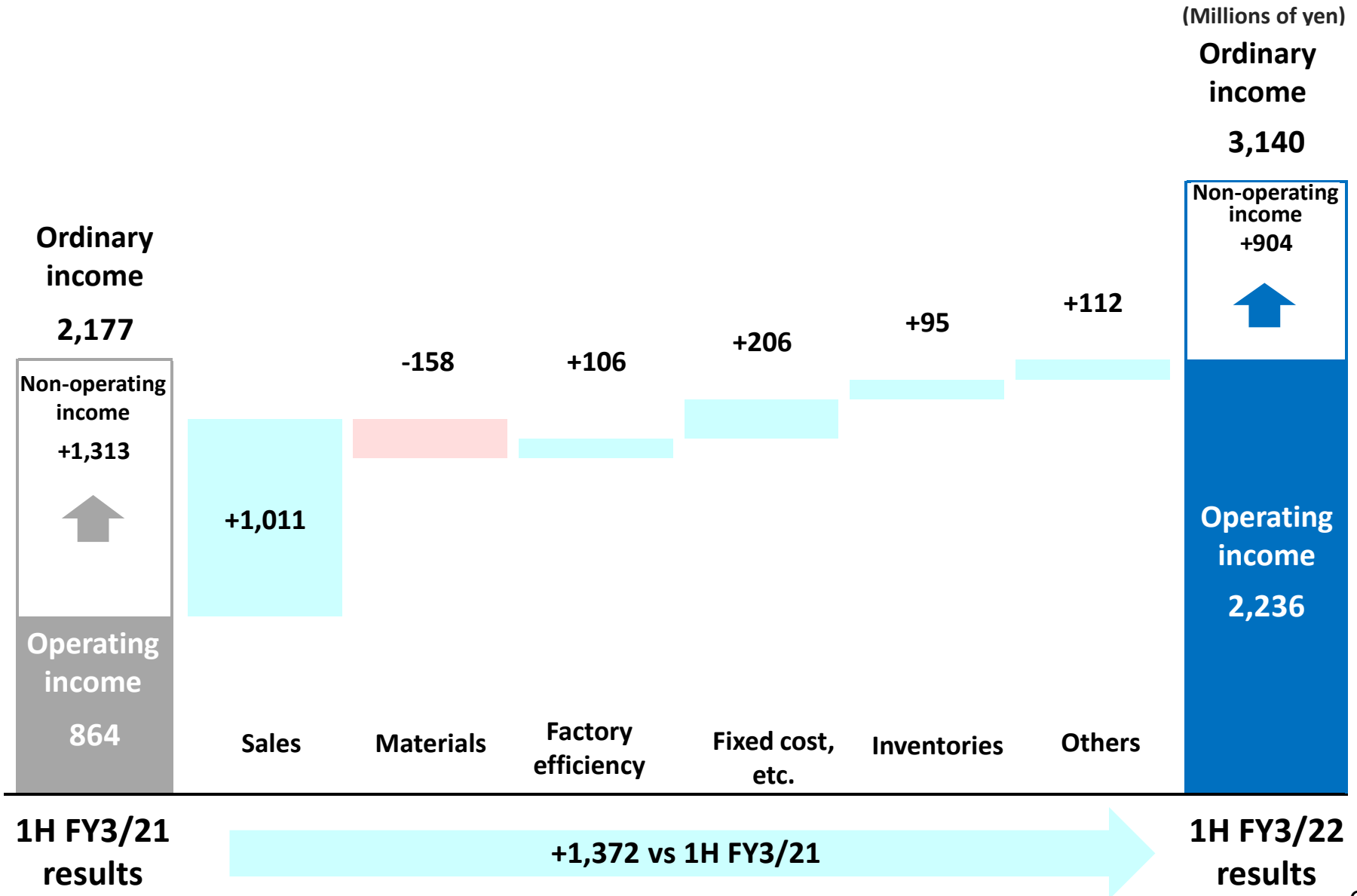


(Millions of yen)

	1H FY3/21 results	1H FY3/22 results	Change
Net sales	36,663	38,839	2,176
Operating income	864	2,236	1,372
Ordinary income	2,177	3,140	963
Profit attributable to owners of parent	3,057	3,455	398
Operating income to net sales	2.4%	5.8%	-



1H FY3/22 Components of Changes in Operating Income




1H FY3/22 Segment Information



(Millions of yen)

		1H FY3/21 results	1H FY3/22 results	Change
Industrial Materials Business	Net sales	18,348	19,199	851
	Operating income	516	605	89
Specialty Materials Business	Net sales	8,414	10,406	1,992
	Operating income	175	1,526	1,351
Household Products Business	Net sales	8,243	8,246	3
	Operating income	318	349	31
Environment Related Business	Net sales	4,024	3,424	-600
	Operating income	(81)	(180)	-99
Elimination/ adjustment	Net sales	(2,366)	(2,437)	-71
	Operating income	(63)	(64)	-1
Total	Net sales	36,663	38,839	2,176
	Operating income	864	2,236	1,372



FY3/22
Consolidated Forecast

FY3/22 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%	-

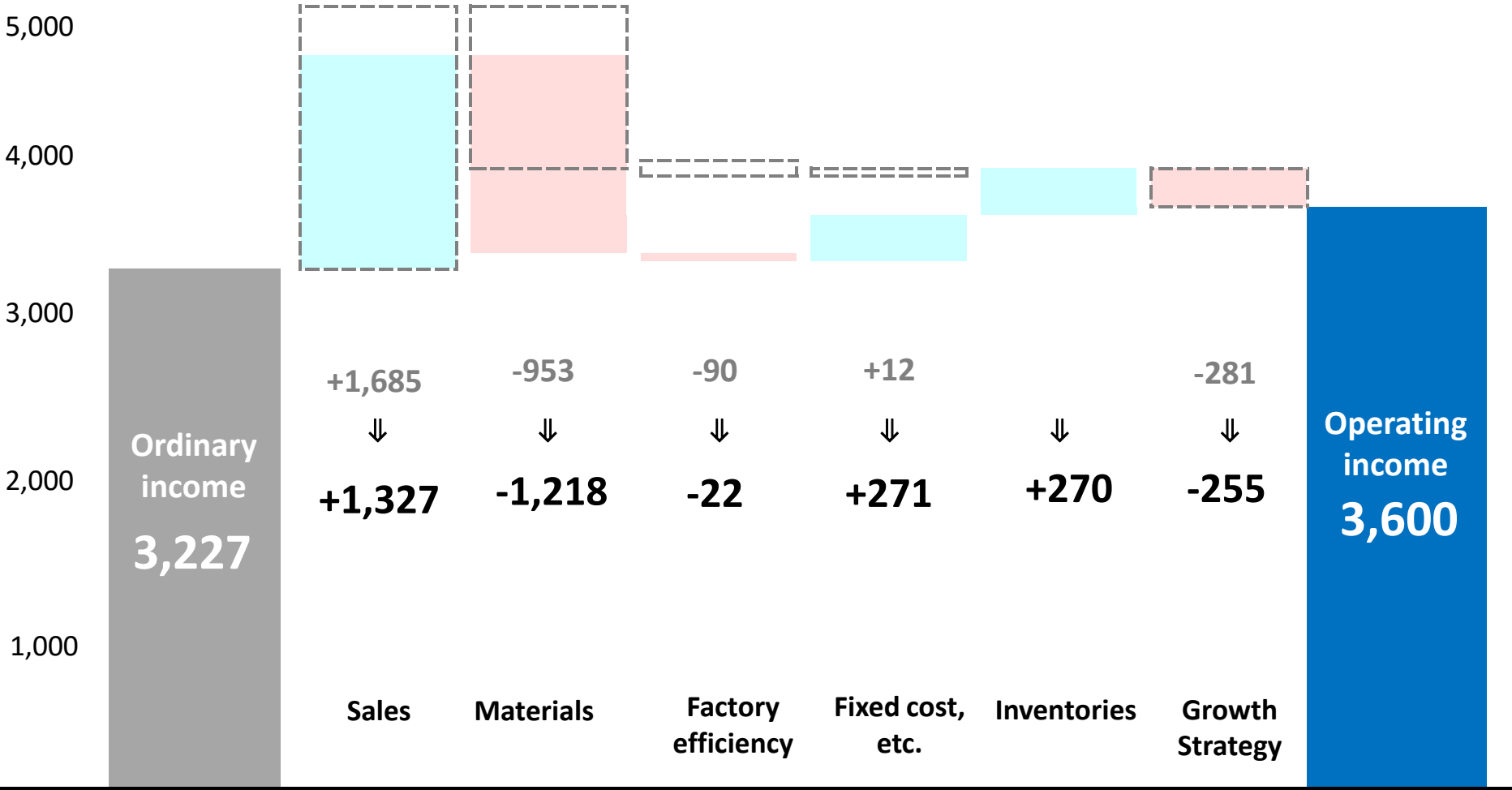
*Assumptions: Foreign exchange rate: 1H: ¥105/US\$; 2H: ¥110/US\$

Crude oil price (Dubai) 1H: \$55/B; 2H: \$70/B

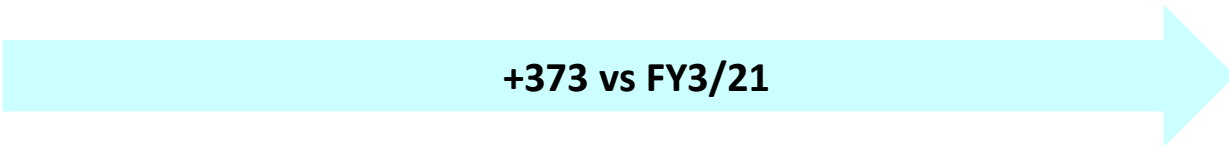
FY3/22 Consolidated Forecast



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



FY3/21 results



FY3/22 forecast



Cross-shareholdings/ROE

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.

➡ More actions are planned to increase the liquidity of Tokushu Tokai Paper stock

Table: Cross-shareholdings as pct. of net assets

	FY3/18	FY3/19	FY3/20	FY3/21	1H FY3/22
Consolidated net assets A	72,767	75,713	77,678	80,286	82,319
Cross-shareholdings B	17,635	15,366	14,444	10,990	11,273
Ratio B/A	24.2%	20.3%	18.6%	13.7%	13.7%

Five-year ROE Summary

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22 *forecast
Profit (millions of yen)	2,193	4,212	3,694	5,594	3,600
Shareholders' equity (millions of yen)	66,345	69,042	70,908	73,429	-
ROE (%)	3.3%	6.1%	5.2%	7.6%	5.0%

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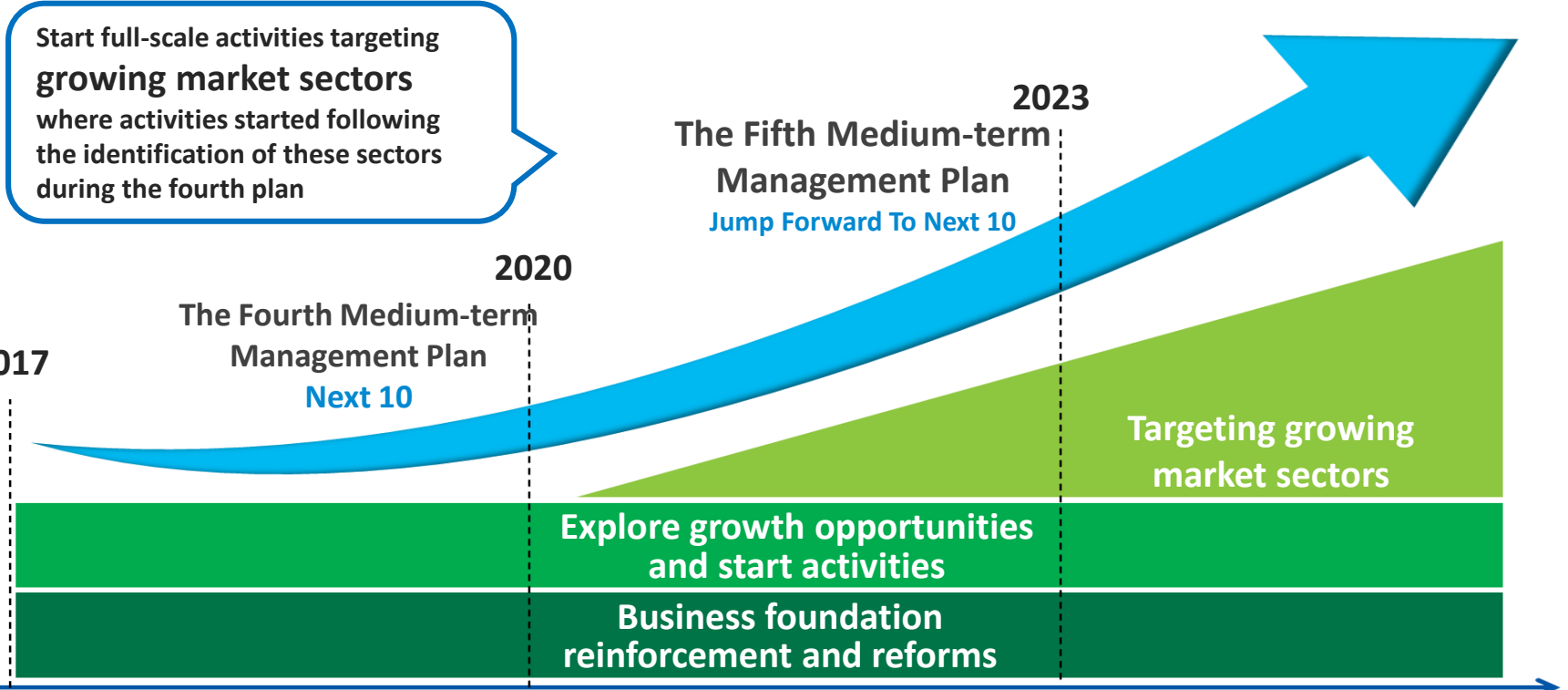
III. For More Growth of Corporate Value



The Fifth Medium-term Management Plan



Positioning of the Fifth Medium-term Management Plan

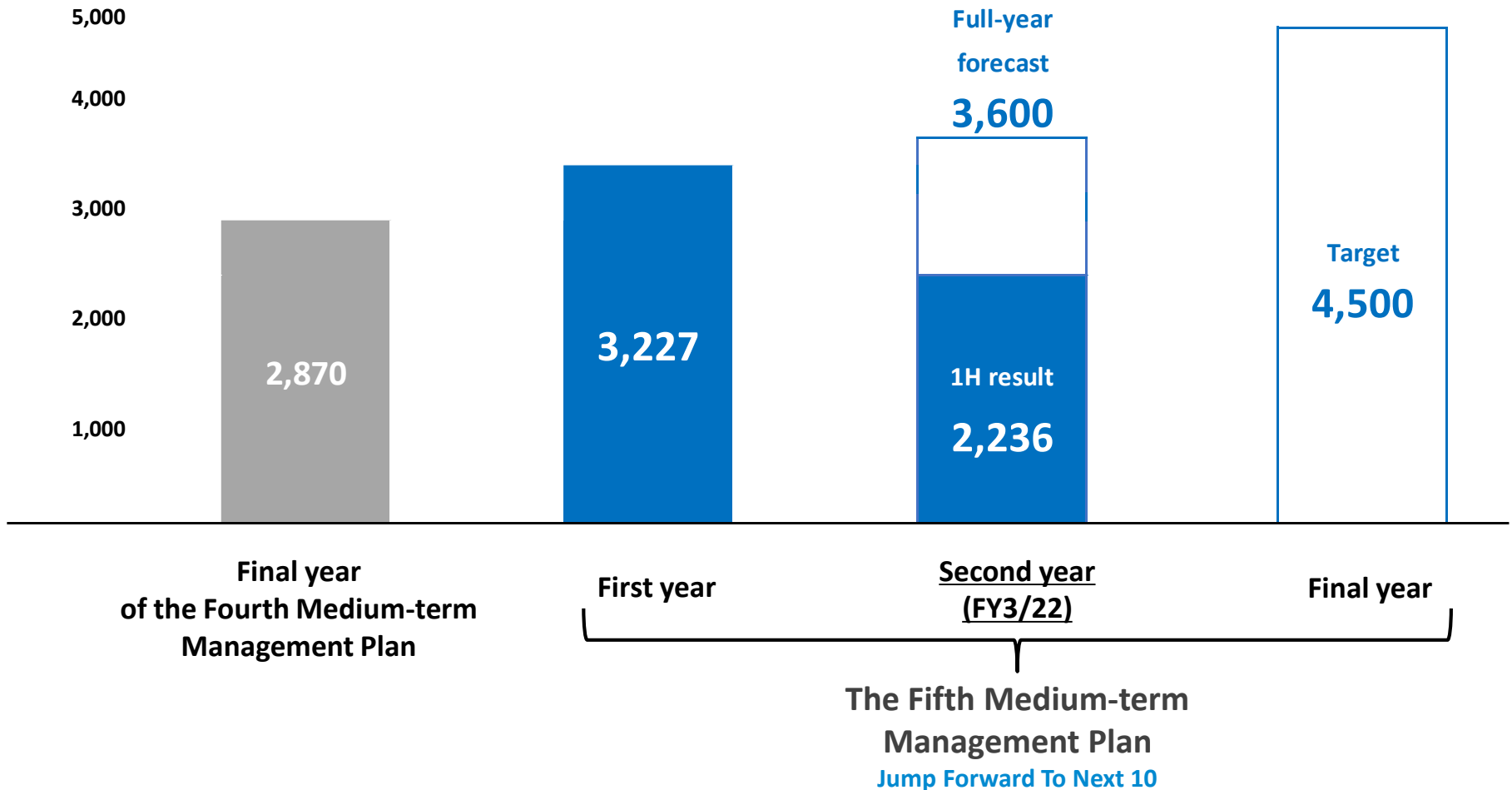


	FY3/23 targets Final year of Fifth Medium-term Plan	Long-term goals
Net sales	¥ 82.5 billion	¥ 120 billion
Operating income	¥ 4.5 billion	¥ 10 billion
Operating margin	5.5%	8.3%
ROE	6.5%	8.0%



Fifth Medium-term Management Plan Progress

Benefits of actions to strengthen business operations are emerging despite the challenging business climate caused by the pandemic. The challenging operating income target of **¥4.5 billion** is within our reach.



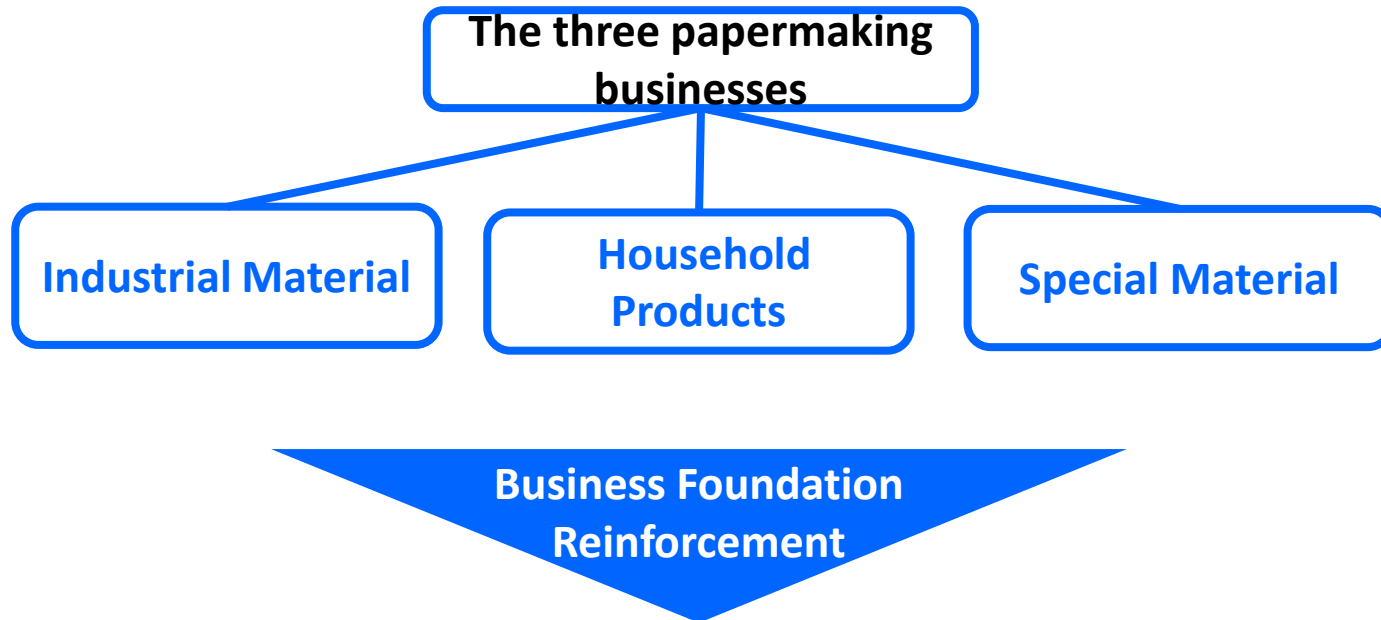


**Business Foundation
Reinforcement**



Activities for Strengthening Core Businesses

Continuing to streamline the three papermaking businesses as **the pandemic impacts** market conditions



Paper demand for information media is declining, but **we are building a business structure that can continue to grow**



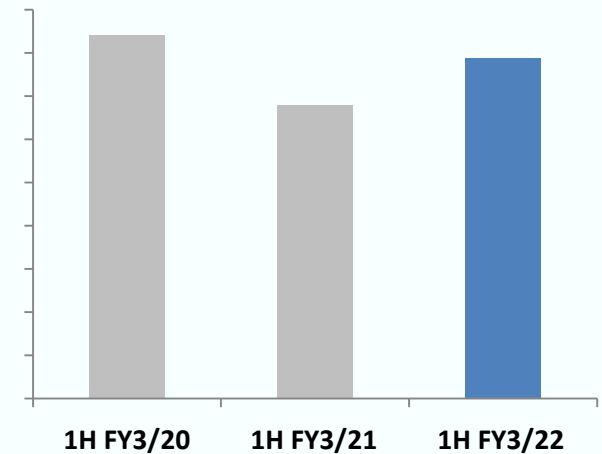
Industrial Material

First half summary

Sales in Japan are recovering from the pandemic downturn and factory production volume was higher than one year earlier.

- Sales in Japan were strong for industrial products and in other sectors as demand recovers from the downturn caused by the pandemic.
- Output of cardboard and kraft paper at the Shimada Mill were higher than one year earlier because of the strong sales recovery. (see graph on right)
- There are concerns about the negative effects of the higher cost of fuel oil and other types of fuel and of raw materials.

Reference: Output of the Shimada Mill
(Tons of cardboard and kraft paper)



Issues and actions

- More progress with the efficiency and stabilization of production
- Develop new products → Quickly identifying needs of users

Starting to study ways to **meet the need for lighter liners and thinner kraft paper**



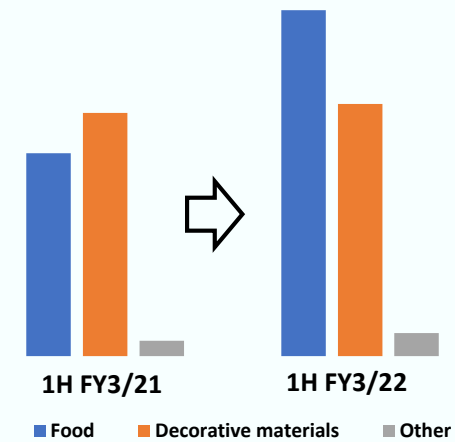
Household Products

First half summary

Restrictions on outings reduced the use of paper products at restaurants and other businesses, but **the demand for paper towels continued to increase.**

- Using cross-selling and other activities to maximize the benefits of the Nippon Paper Crecia business alliance
- Toilet paper demand is steady but the commercial-use market remains challenging.
- For laminated products, the recovery of decorative product demand is slow but total orders increased partly because of new business, such as products used for packaging food. (see graph on right)

Reference: Orders at the Fuji Mill (m³)



Issues and actions

- **Maintain competitive advantage as new competitors emerge in the household paper products market**
- ➔ **Started selling the industry's first paper packaging product, an environmentally responsible type of paper towel packaging, that can replace polypropylene packaging and conducted marketing activities to raise awareness of this product.**



Special Material

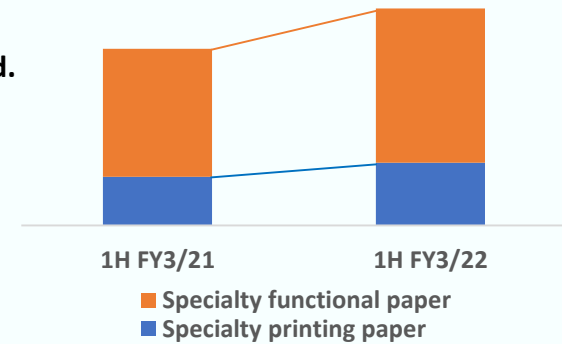
First half summary

To adapt to a shift in the structure of demand, **using production system innovations for cost cutting and a proper level of selling prices** in order to make the specialty materials business stronger.

- Demand in the commercial printing, tourist souvenirs and other applications was higher than one year earlier but the negative effects of the downturns in various events and in travel continued. As a result, sales did not reach the 1H FY3/20 level.
- Sales of glass interleaving paper remained high because of strong sales of flat-panel televisions. Sales also benefited from one-time demand involving regional economic revitalization activities. As a result, specialty functional paper supported the overall performance of specialty materials.

Reference (1): Operating Income in the Specialty Materials Business
1H FY3/21 1H FY3/22
¥175 million ⇒ ¥1,526 million

Reference (2): Sales of Products (Million of yen)



Issues and actions

- More activities to cut costs and achieve a suitable level of selling prices
- Further differentiation of paper for industrial processes and a larger market share



Growth Strategy



Components of the Growth Strategy

Continue to **realize the full potential of the need for paper** as market conditions remain challenging and continue channeling resources to **business domains other than paper products**.

Growth Strategy

Creating New Sources of Demand for Paper Products

- **T^T PACKAGE**
- **MOLDEA**
- Sheet products with better performance than paper

Use unmatched technologies for ways to reduce the use and need for plastic packaging

New Businesses Other Than Paper Products

- **Fiblic**
- Reuse of various resources
- Practical ways to utilize the natural environment


Expand to new business domains by effectively using the Tokushu Tokai Paper Group's resources



**Creating New Sources
of Demand for Paper
Products**

- **T^T PACKAGE**
- **MOLDEA**
- **Sheet products with better performance than paper**

Use unmatched technologies for ways to reduce the use and need for plastic packaging



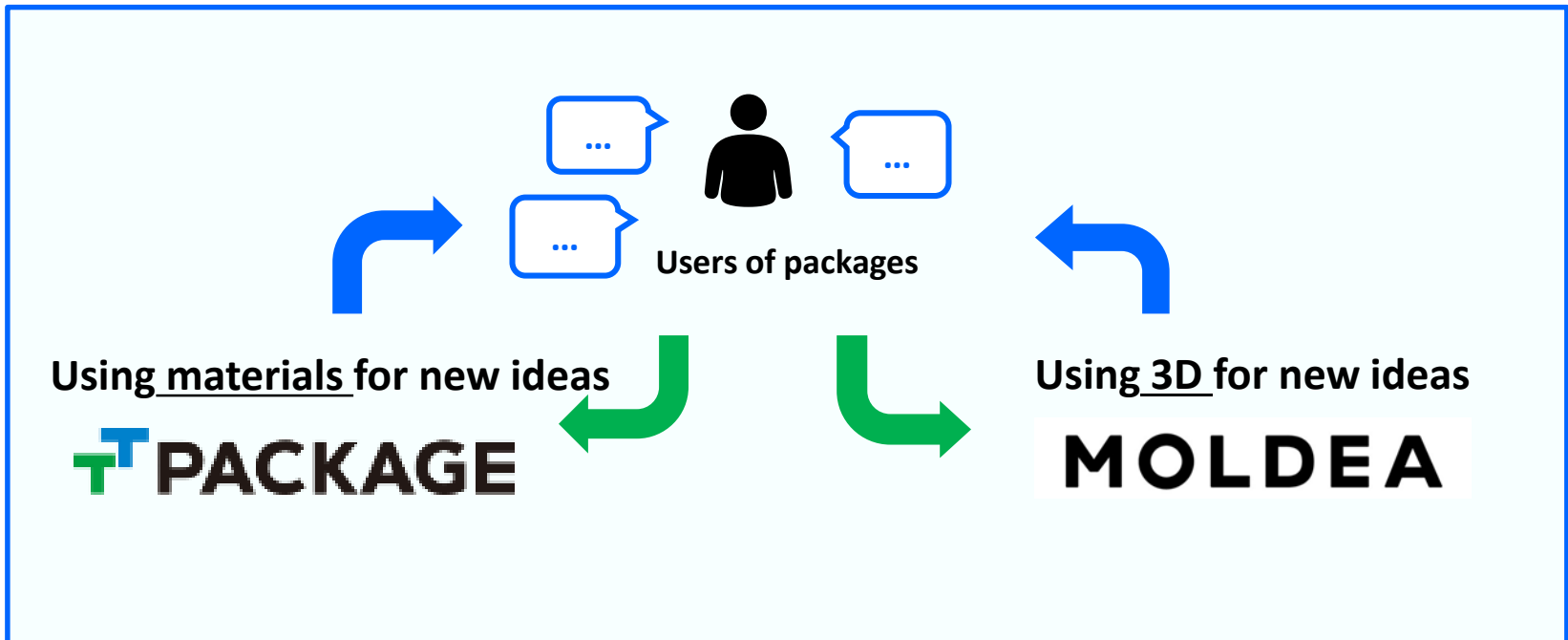


The Added Value Package Strategy

Theme

New ideas for package users by using the materials/3D dual approach

Target new needs created by social change, such as increasing concerns about environmental issues, and use these needs for ideas for new products in the package business.



Goal

Create new markets by matching the product-out approach with end user needs

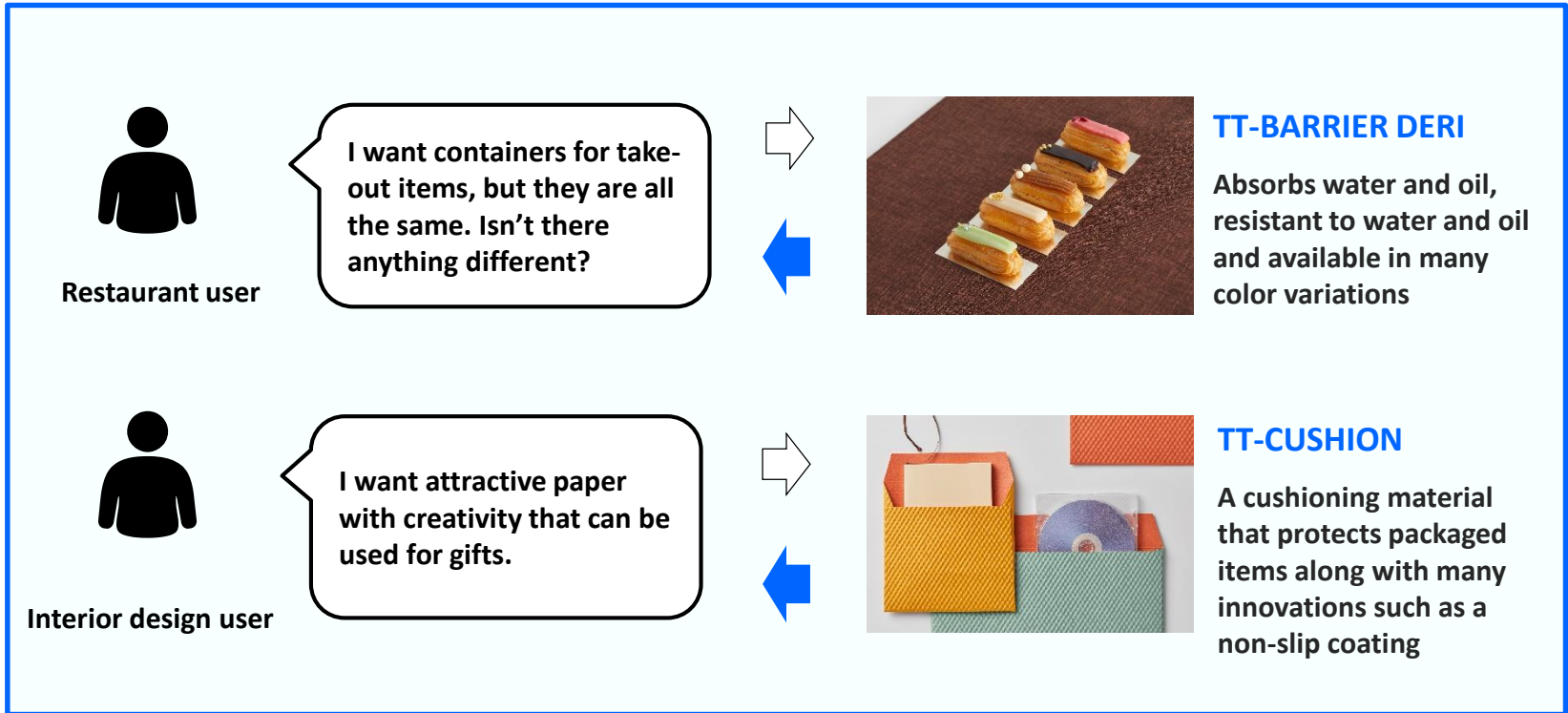


TT-PACKAGE

Features

Uses communications using positions close to end users

Product development and new ideas begin with user feedback



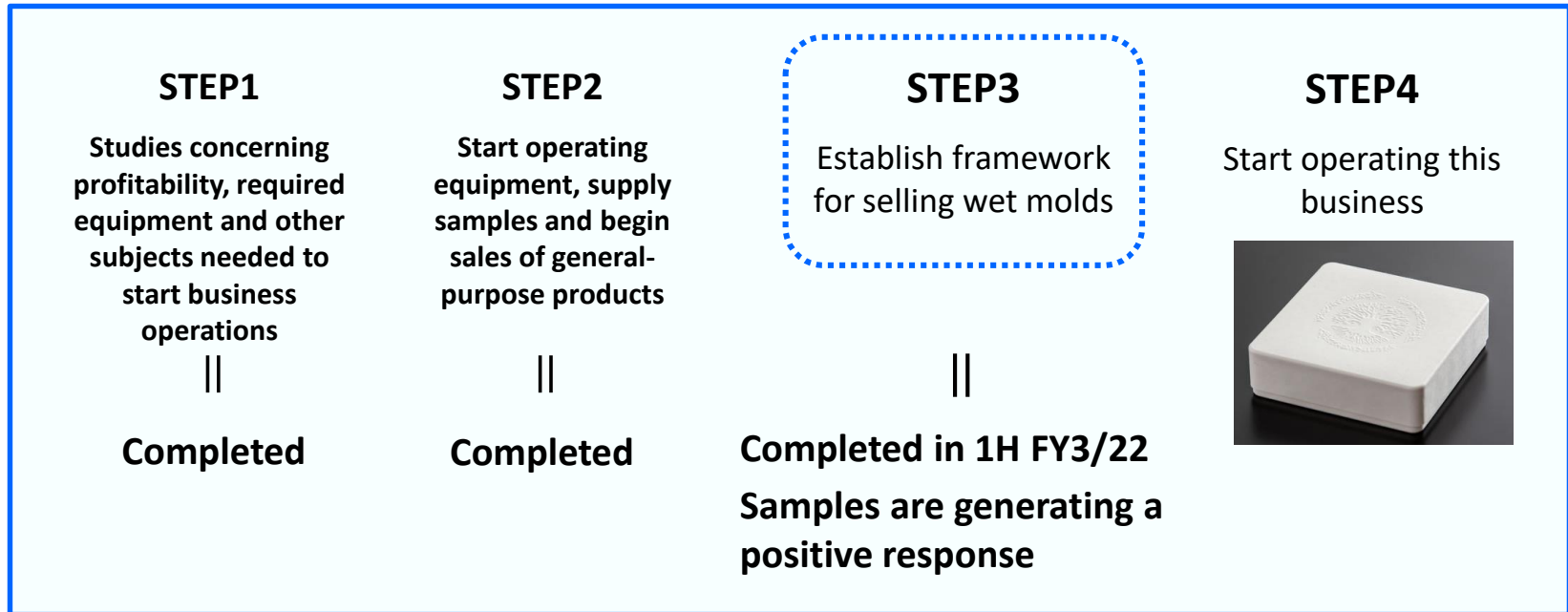
Next theme

Enlarge the TT-PACKAGE lineup by using trade shows and e-commerce sites for marketing activities that identify new needs



Features

Progress toward becoming an integrated manufacturer all the way to finished products



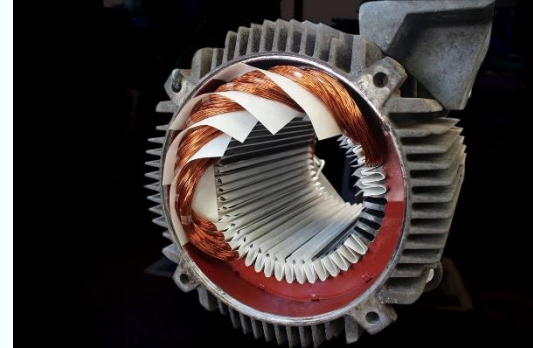
Next theme

Establish a product development capability that can quickly use technologies for meeting newly identified user needs



Meta-aramid fiber sheet

- Used expertise for manufacturing electrical insulating sheets to create a high-performance heat-resistant electrical insulating sheet = TT-TOKRON
- Heat resistant, high tensile strength, outstanding dimensional stability
- Strict quality assurance for production, management and distribution in order to precisely match every user's requirements



Heat resistance and electrical insulation make this paper ideal for motors

Plan to introduce a fleece wallpaper

Conventional wallpaper: Only the surface layer is removed when replacing the wallpaper, resulting in the accumulation of old paper underneath the new paper.

Fleece wallpaper: The surface and back layers can both be peeled off, leaving no paper on the wall.

Next theme

Constantly improve the quality of current products and development new products and increase sales of these products

New Businesses Other Than Paper Products

- **Fiblic**
- **Reuse of various resources**
- **Practical ways to utilize the natural environment**

**Expand to new business domains
by effectively using the Tokushu
Tokai Paper Group's resources**



Summary

Plan to start sales in FY3/22 of a cellulose separator for LIB under development

Easy to process and modify

Functions can be added easily by using the same process (film formation process) rather than a separate process (coating process).

Excellent resistance to heat

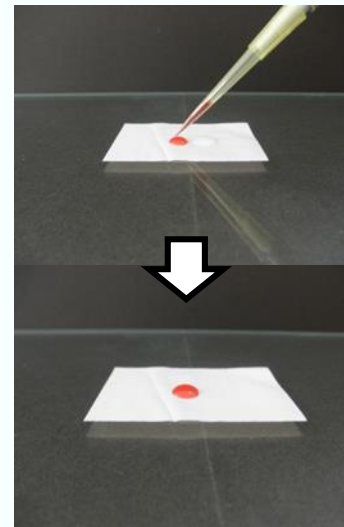
Much better safety than with film separators because Fiblic does not melt even at high temperatures.

Electrolyte with high permeability (see diagram on right)

Lower electrical resistance and shorter takt time than with film separators

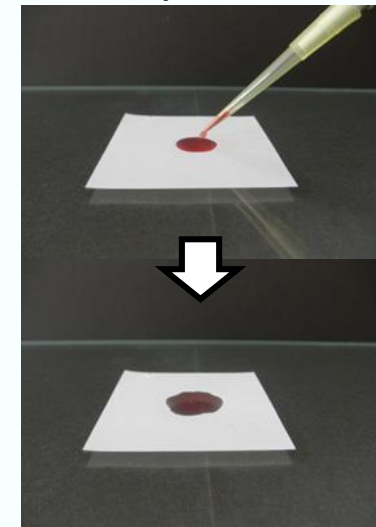
Reference: Permeability test using propylene carbonate-based liquid electrolyte

Film separator



Liquid remains on the surface and is not absorbed

Cellulose separator



Liquid quickly soaks into and permeates the separator



Plan on single-year profitability in the second year of commercialization



Resource Reuse Division

Summary

Operating income was higher than planned at REX Co., Ltd. and Suruga Service Industry in August, Suruga Service absorbed Shonan Shoji, which was a non-consolidated subsidiary.

- The volume of materials collected was as planned despite the small volume of industrial waste generated because the pandemic reduced industrial activity and the low volume of construction and demolition activity.
- Replacement of the pulverizer and conveyor system at the REX Shimada Mill raised refuse paper/plastic fuel (RPF) production capacity by about 150 tons/month as planned. The Nagaizumi Mill started 24-hour operations in the second half of FY3/22.



Trees from the July 2021 Atami landslide that were processed by Suruga Service

Issues and actions

Establish production system at REX, increase earnings at Suruga Service

- | | | |
|---|---|--|
| (1) Insufficient raw materials storage capacity at the REX Nagaizumi Mill | ➔ | Work has started to enlarge storage space |
| (2) Rising cost of processing outsourced by Suruga Service | ➔ | Considering installation of equipment for better sorting of mixed refuse |

Summary

Production operating as planned for single-malt whiskey with long aging

Stable production

Extra and unusual value

Received “**Excellent**” rating from National Tax Agency Quality Assessment



A joint program with the community where JUZAN is located started the **Barrel Project**, a trial for making whiskey aging barrels from mizunara trees in the Tokushu Tokai Paper Group's Ikawa Forest.



A local TV station is reporting on progress with the Barrel Project and this project is also in Yahoo! News.

Goal

Higher value of the Tokushu Tokai Paper Group by using trees in the Ikawa Forest, which is owned by the group

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Issues for Change of Listing to the Prime Market

Measures to strengthen governance for more growth of corporate value

Shareholder rights and equality

- Further reduce shareholdings for business relationships (eliminate cross-shareholdings)
- More frequent and thorough constructive dialogues with shareholders

More prominent roles for outside directors

- Rethinking the roles of outside directors and the number of these directors
- Considering the selection of outside directors based on skills involving management

Proper disclosure of useful information

- Increase the provision of non-financial information, such as the skill matrix for directors and executives
- Disclose information about sustainability

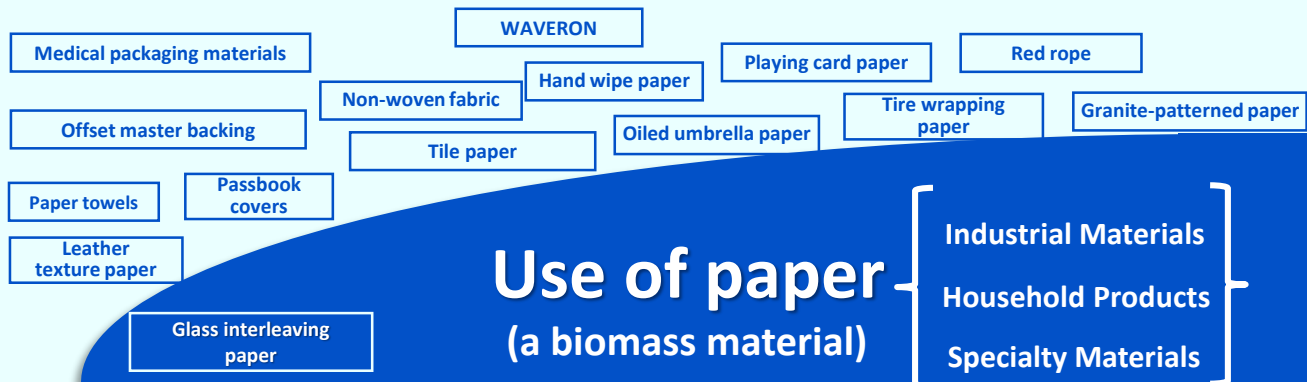


An Integrated Report is to be issued in March 2022

Plan to start **the disclosure of information based on the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines** in June 2022.



Dedicated to the Creation of a Sustainable Society



Technology & Trust
Fusion of distinctive technologies
NaSFA

Use of paper
 (a biomass material)

- Industrial Materials
- Household Products
- Specialty Materials

Replace/reduce plastics

- **T PACKAGE**
- **MOLDEA**
- **NatuLami**
ナチュラムミ
- **Fiblic**

Meet needs of end users

Environment Related

Hydropower generation

Pulp black liquor recovery boiler

Biomass boiler

Use of resources of the Minami Alps

Effective reuse of waste materials (biomass energy and other ways)



A firm commitment to making a contribution to the creation of a sustainable society



A Road Map for Achieving Carbon Neutrality

Started using biomass boilers and other low-carbon measures years ago

Reference: CO2 emissions per ton of production at the four primary group manufacturing companies

FY3/06
0.66 t-CO2/t



FY3/14
0.28 t-CO2/t



FY3/20
0.22 t-CO2/t



FY3/31 forecast
0.18 t-CO2/t

2030

2050

Activities to become carbon neutral

FY3/31 target: 38% reduction vs. FY3/14
(Ref. value: 72% reduction vs. FY3/06)

Achieve carbon neutrality in 2050

Increase use of
**renewable
energy**

Install systems for generating electricity from renewable energy sources

Switch from FIT sales of biomass-generated electricity to internal use of this electricity

Develop new types of fuel

Start using new technologies for papermaking and energy

Operate boilers more efficiently

**Energy
conservation**

More progress with conserving energy (avg. annual reduction of at least 1%)

Activities to contribute to achieving a carbon neutral society

**CO2 absorption
by trees**

Responsible management and preservation of **company-owned forests**

**Development of
environmentally
responsible materials**

Develop materials that can replace plastic to lower greenhouse gas emissions of client companies



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