



# **Results of Operations for the Fiscal Year Ended March 31, 2022**

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**Tokushu Tokai Paper Co., Ltd. (TSE, Prime section: 3708)**





## Financial Information

**FY3/22 Financial Summary**

**FY3/23 Consolidated Forecast**

**Shareholder Returns**

## Business Strategy

### **The Fifth Medium-term Management Plan**

**Financial Summary and Earnings**

**Business Climate**

**Goals for the Final Year**

### **Business Foundation Reinforcement**

**Industrial Materials**

**Household Products**

**Specialty Materials**

### **Growth Strategy**

**Package Business**

**Synthetic Fiber Sheet Business**

**Fiblic**

**Environment Related Business**

## For More Growth of Corporate Value

**Listing to the Prime Market**

**Increase the percentage of tradable  
shares**

**Reduce cross-shareholdings**

**Activities for sustainability**



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**For More Growth of Corporate Value**



# Financial Results



(Millions of yen)	FY3/21 results	FY3/22 results	Change
Net sales	76,403	80,711	+4,308
Operating income	3,227	4,231	+1,004
Ordinary income	5,970	5,733	-237
Profit attributable to owners of parent	5,594	5,251	-343
Operating income to net sales	4.2%	5.2%	-

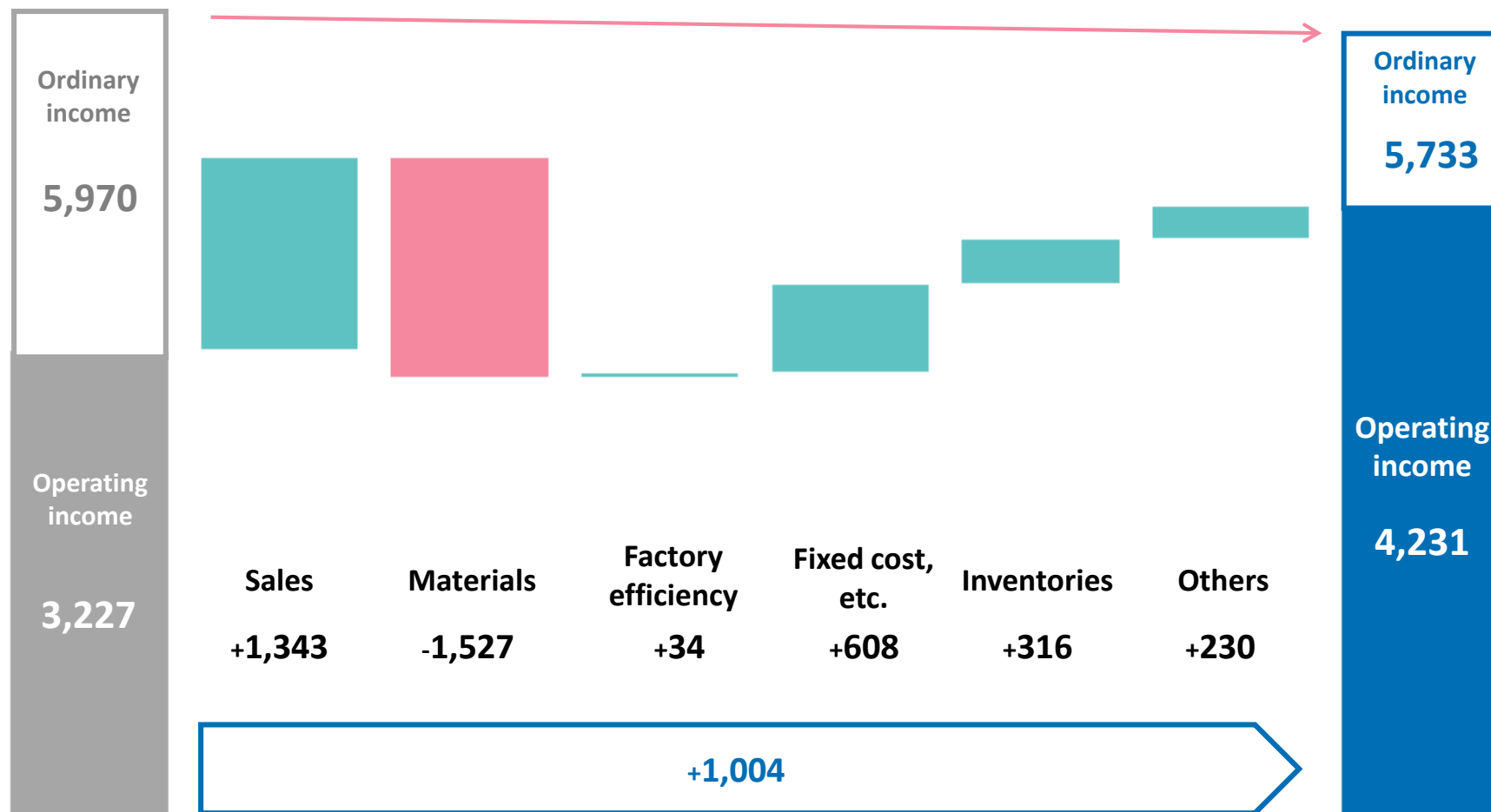
# Components of Changes in Earnings (vs. FY3/21)



(Millions of yen)

Equity in earnings of affiliates

-1,208



FY3/21 results

FY3/22 results<sub>5</sub>

# Segment Information



(Millions of yen)		FY3/21 results	FY3/22 results	Change
Industrial Materials Business	Net sales	37,130	39,375	+2,245
	Operating income	1,177	1,154	-23
Specialty Materials Business	Net sales	18,746	21,275	+2,529
	Operating income	1,302	2,643	+1,341
Household Products Business	Net sales	16,584	16,859	+275
	Operating income	833	574	-259
Environment Related Business	Net sales	8,773	8,174	-599
	Operating income	70	2	-68
Elimination/adjustment	Net sales	(4,831)	(4,974)	-143
	Operating income	(156)	(143)	+13
Total	Net sales	76,403	80,711	+4,308
	Operating income	3,227	4,231	+1,004

# FY3/23 Consolidated Forecast



(Millions of yen)	FY3/22 results	FY3/23 forecasts	Change
Net sales	80,711	87,000	+6,289
Operating income	4,231	3,100	-1,131
Ordinary income	5,733	4,000	-1,733
Profit attributable to owners of parent	5,251	3,900	-1,351
Operating income to net sales	5.2%	3.6%	-

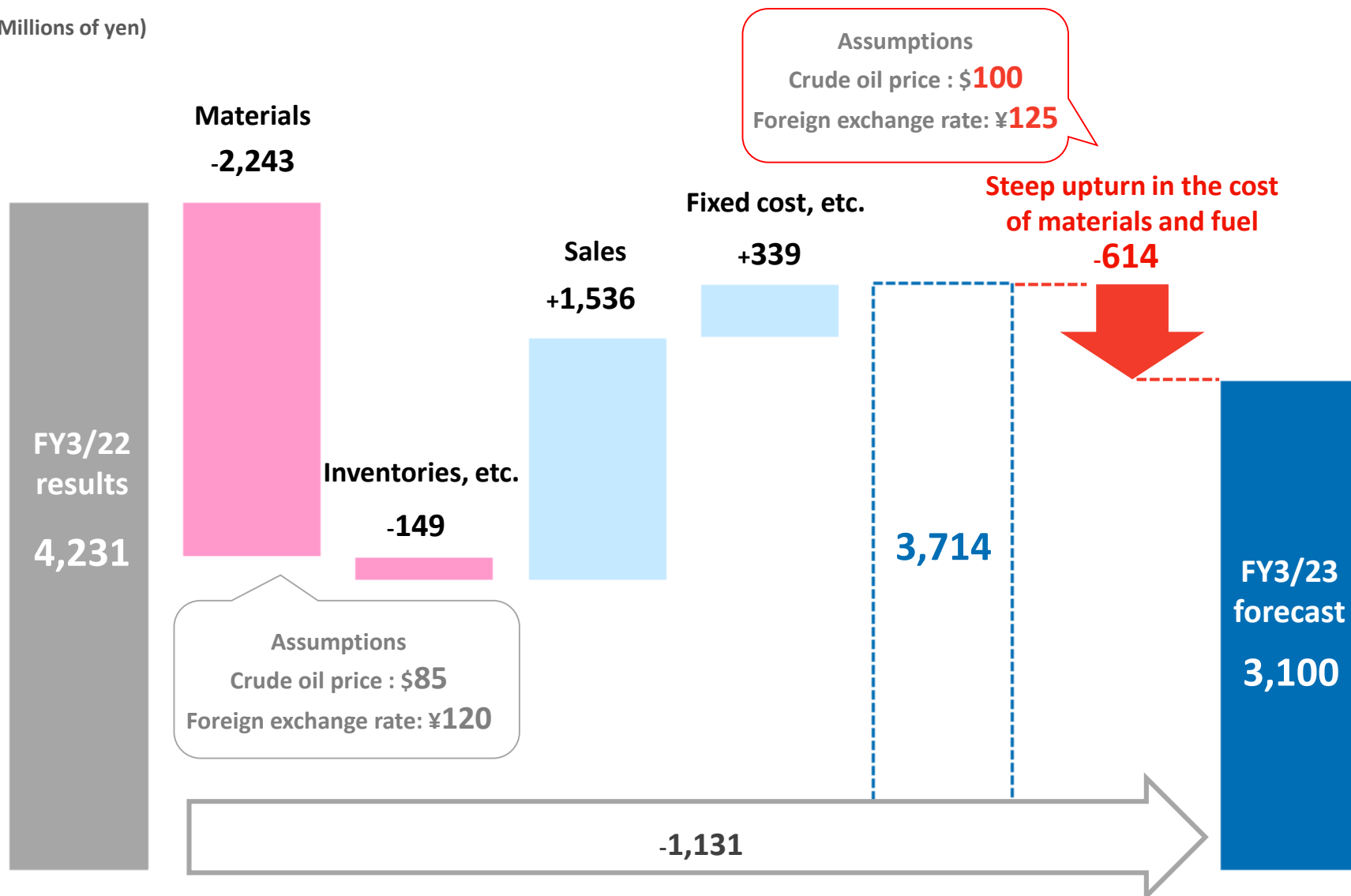
\*Assumptions: Foreign exchange rate: FY ¥125/US\$

Crude oil price (Dubai) FY \$100/B

# Components of Changes in Operating Income



(Millions of yen)





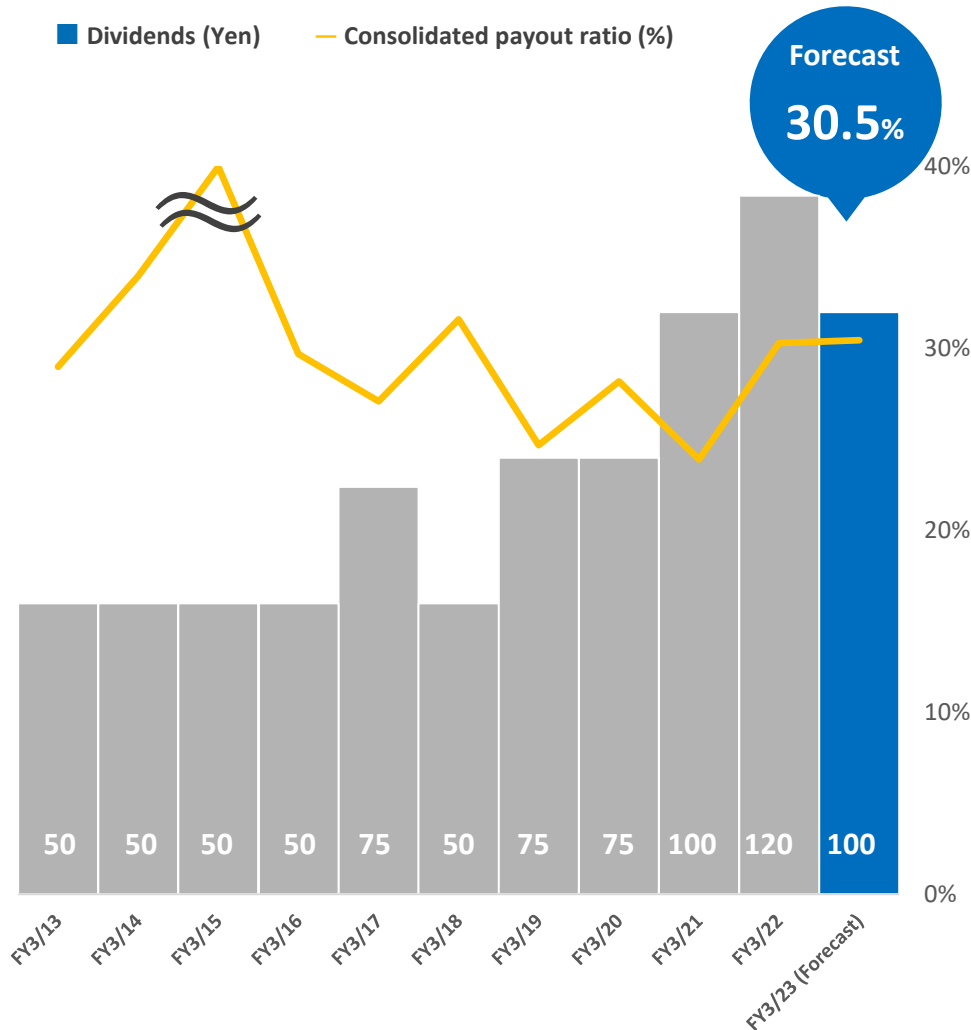
# Shareholder Distributions



## Dividend per Share and Consolidated Payout Ratio

■ Dividends (Yen)

— Consolidated payout ratio (%)



Plan to maintain a consolidated payout ratio of **at least 30%**



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# Financial Summary of the Fifth Medium-term Management Plan

(Millions of yen)	FY3/21	FY3/22	FY3/23 Forecast	Goals
Net sales	76,403	80,711	87,000	82,500
Operating income	3,227	4,231	3,100	4,500
Ordinary income	5,970	5,733	4,000	-
Profit	5,594	5,251	3,900	-
Operating income to net sales	4.2%	5.2%	3.6%	5.5%
ROE	7.8%	7.2%	5.3%	6.5%

# Medium-term Management Plan Earnings



## Average of Third Medium-term Plan

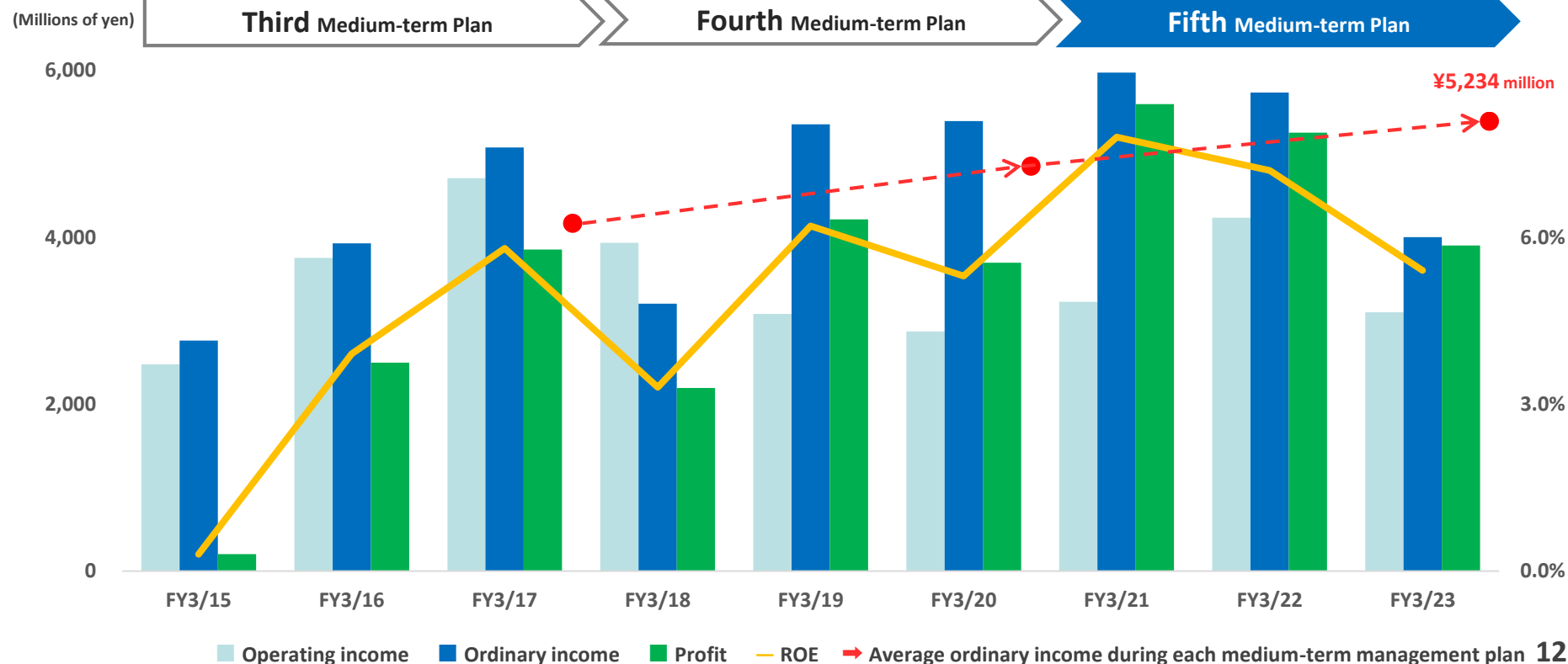
Operating income: ¥3,645 million  
Ordinary income: ¥3,921 million  
Profit: ¥2,185 million  
ROE: 3.3%

## Average of Fourth Medium-term Plan

Operating income: ¥3,294 million  
Ordinary income: ¥4,648 million  
Profit: ¥3,366 million  
ROE: 4.9%

## Average of Fifth Medium-term Plan

Operating income: ¥3,519 million  
Ordinary income: ¥5,234 million  
Profit: ¥4,915 million  
ROE: 6.7%

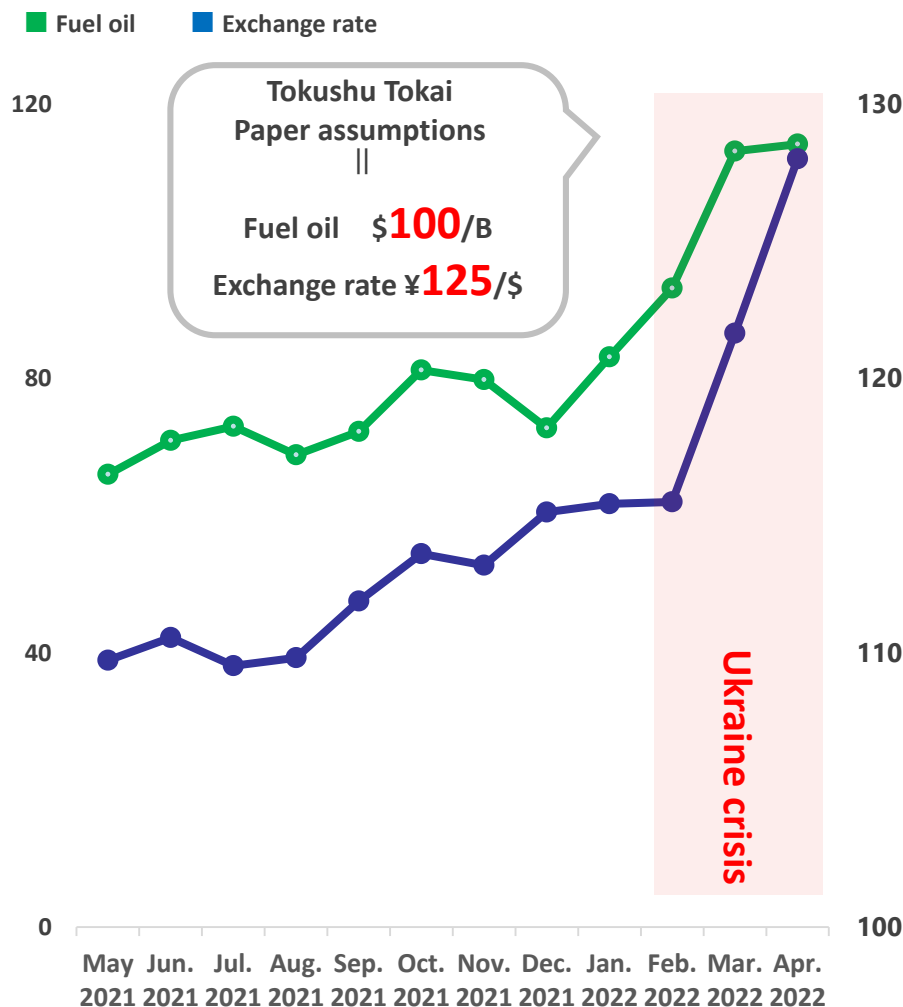


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# Business Climate for the Final Year of the Current Medium-term Management Plan



Fuel oil (\$/barrel) and exchange rate (yen/dollar)



- Russia's invasion of Ukraine
- Rapid depreciation of the yen



**The steep upturn in the cost of materials and fuel has severely impacted earnings.**

## Actions in response to a challenging business climate

Do everything possible to achieve the goals of the Fifth Medium-term Management Plan

### Quick actions in growing market sectors

- ✓ Quickly start selling new products
- ✓ Identify and meet needs of customers

### Initiatives involving key issues

- ✓ Determine the best actions to use
- ✓ Aim to resolve these issues even faster

### Business foundation reinforcement

- ✓ Expand measures to sell products at proper prices
- ✓ Make factories more cost competitive



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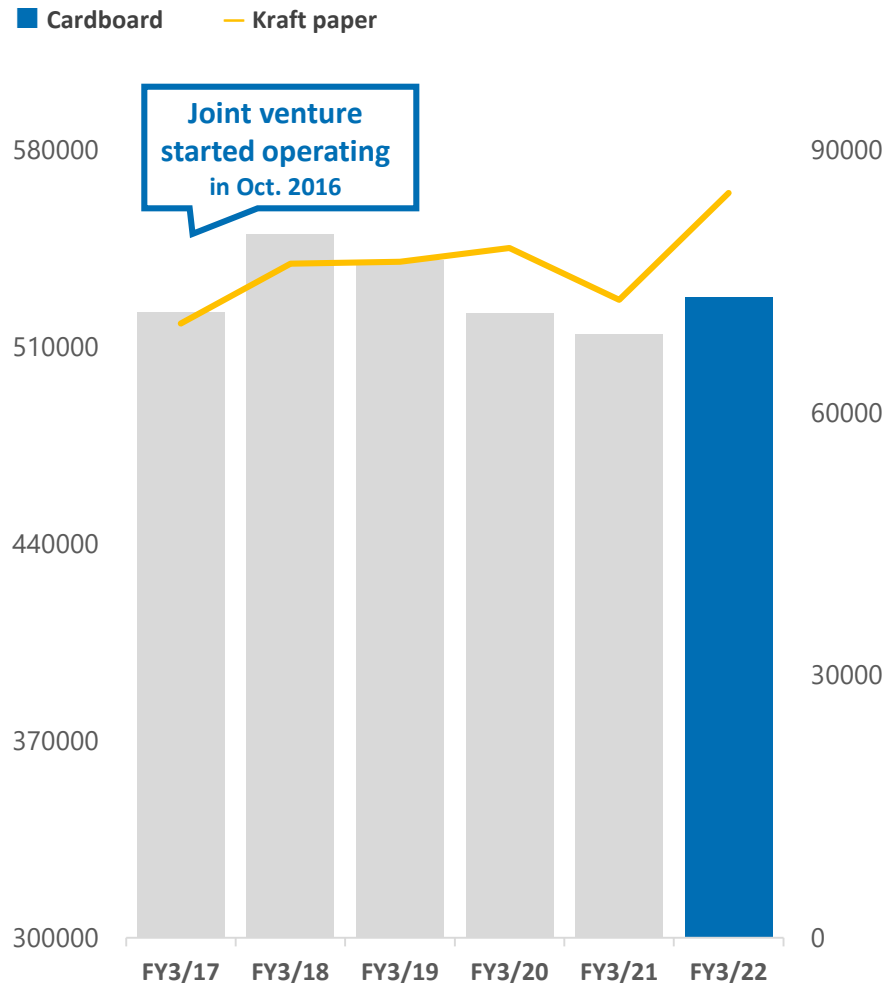
## For More Growth of Corporate Value



# Industrial Materials (Shin Tokai Paper )



Output of the Shimada Mill (Tons/year)



- A consistent supply of products after establishing the alliance with Nippon Paper Industries Co., Ltd.
- Plan to complete the shift of Kraft paper production from the Kushiro Mill to the Shamada Mill soon



## A stronger production infrastructure

Use manufacturing strengths to support operations of sales companies

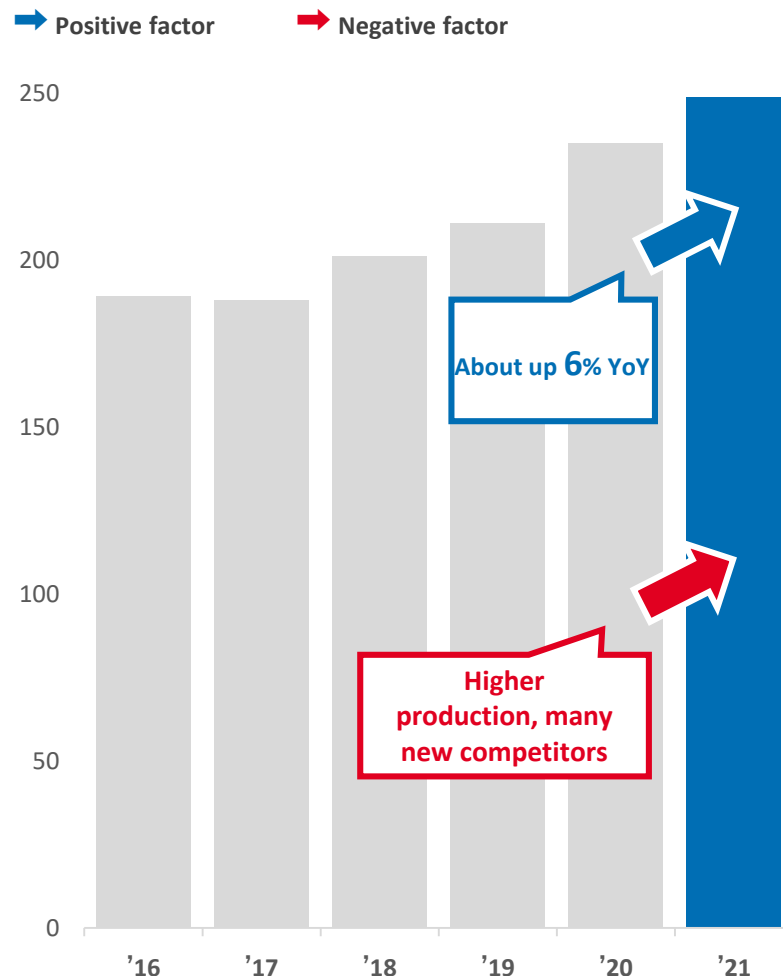
Make the Shimada Mill an even more important part of Japan's paper industry



# Household Products (Paper Towels)



Paper Towel Sales in Japan (Tons/year)



- Growth of the paper towel market is continuing
- Currently an oversupply of paper towels due to higher production and new competitors



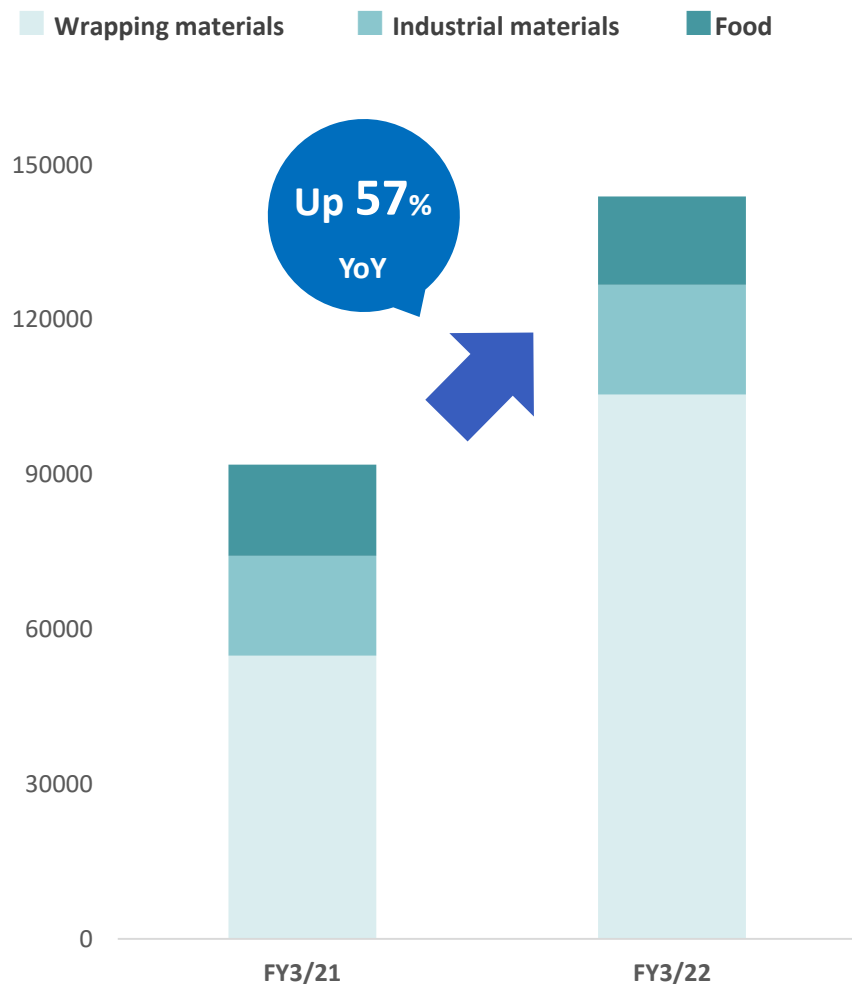
**Aiming for synergies  
from the alliance with  
Nippon Paper Crexia Co., Ltd.**

Using cross-selling for higher sales and warehouses in big cities for more efficient logistics; aiming to increase sales in household products sales channels

# Household Products (Laminated Paper)



Orders Received at the Shimada Mill (Square meters/year)



- Total industry output capacity has decreased; orders received at the Shimada Mill exceed its output capacity
- Increasing pressure for making operations even more environmentally responsible



For higher production and logistics efficiency for laminated paper at the Shimada Mill:

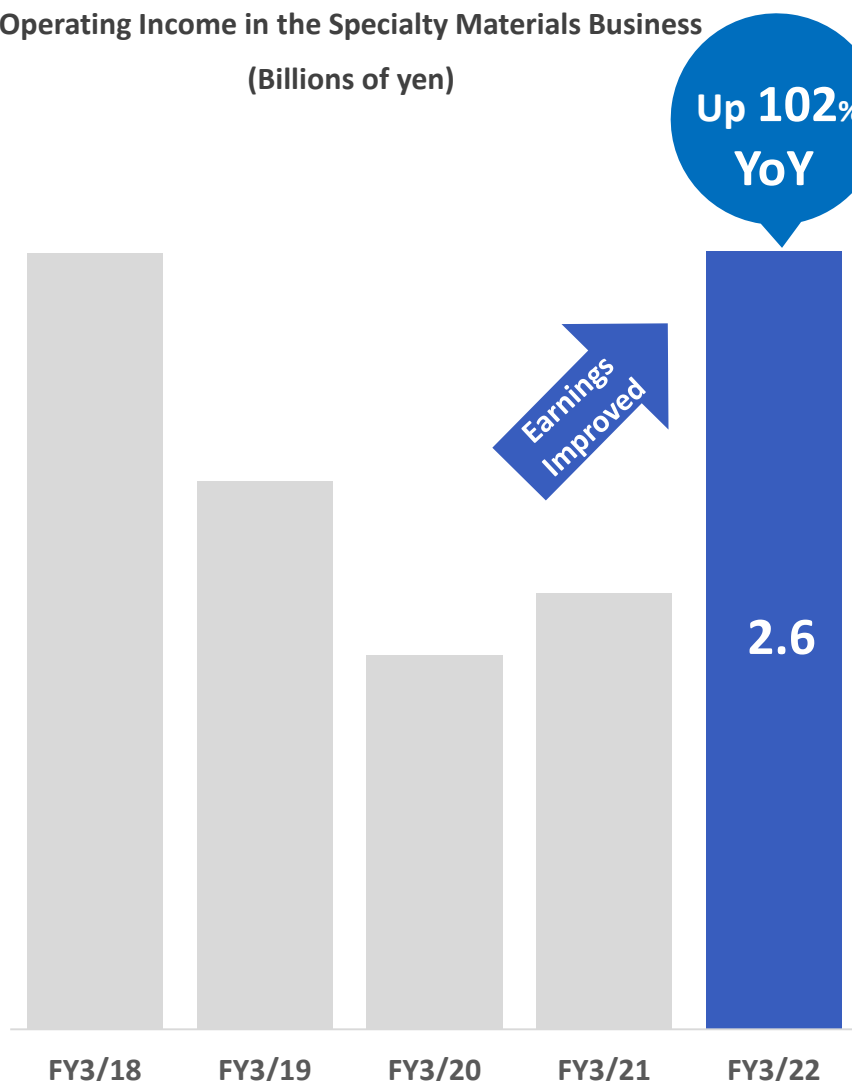
**Consider alliances with other companies**

For more environmentally responsible operations, use the Fuji laminated paper technologies in the packaging materials business.

**Helps reduce/eliminate the use of plastics**



Operating Income in the Specialty Materials Business  
(Billions of yen)



- Demand for fancy paper is recovering
- Firm demand for paper for industrial processes
- Measures to strengthen operations produced benefits



## Activities to cut costs and sell products at suitable prices

Continue to build a stronger framework for business operations and work on developing new functional materials, such as new types of paper that are environmentally responsible.

# Special Materials: Examples of Cost Reduction Measures



## Activities

Broke down the work flow for changing types of products made on a production line, which is a time consuming process, in order to examine individual elements of this task.

How about transporting materials in a different way?



Do you have to carry three at once?



Raised efficiency by reexamining work practices that had not changed for many years



Shorter time for tasks = **Lowered personnel expenses**

- Reduced man-hours in every section of the Mishima Mill
- Improvement measures raised labor productivity\* **7.5%**



Continuing activities for manufacturing products more efficiently for **more cost reductions**

\*Labor productivity = Production volume / Man-hours



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In the second year after establishing the Package Business Headquarters, the number of **prospective customers** is increasing steadily.

Second year

Third year (goal)

**Up 50%** vs. first year   **Up 3** times vs. first year

- Participated in eight exhibitions and distributed e-magazines 13 times
- Many types of marketing activities produced results



Continuing activities close to customers for submitting proposals and identifying new needs for

**sales growth**

Goal for FY3/23: **¥100** million

# Package Business: Use of Paper for Accessories



Use of TT-SPARKLE as a backing paper for accessories (from Tokushu Tokai Paper website)

## Product application

### Used by Hashimoto Neco accessories

Brand producer and accessory designer is Hashimoto Neco



## Customer feedback



Using paper embossing makes **the pattern appear to jump out** and **the appearance changes with the viewing angle**. This is a perfect match with our brand image.

We appreciate the speedy responses and ability to purchase paper in small quantities!



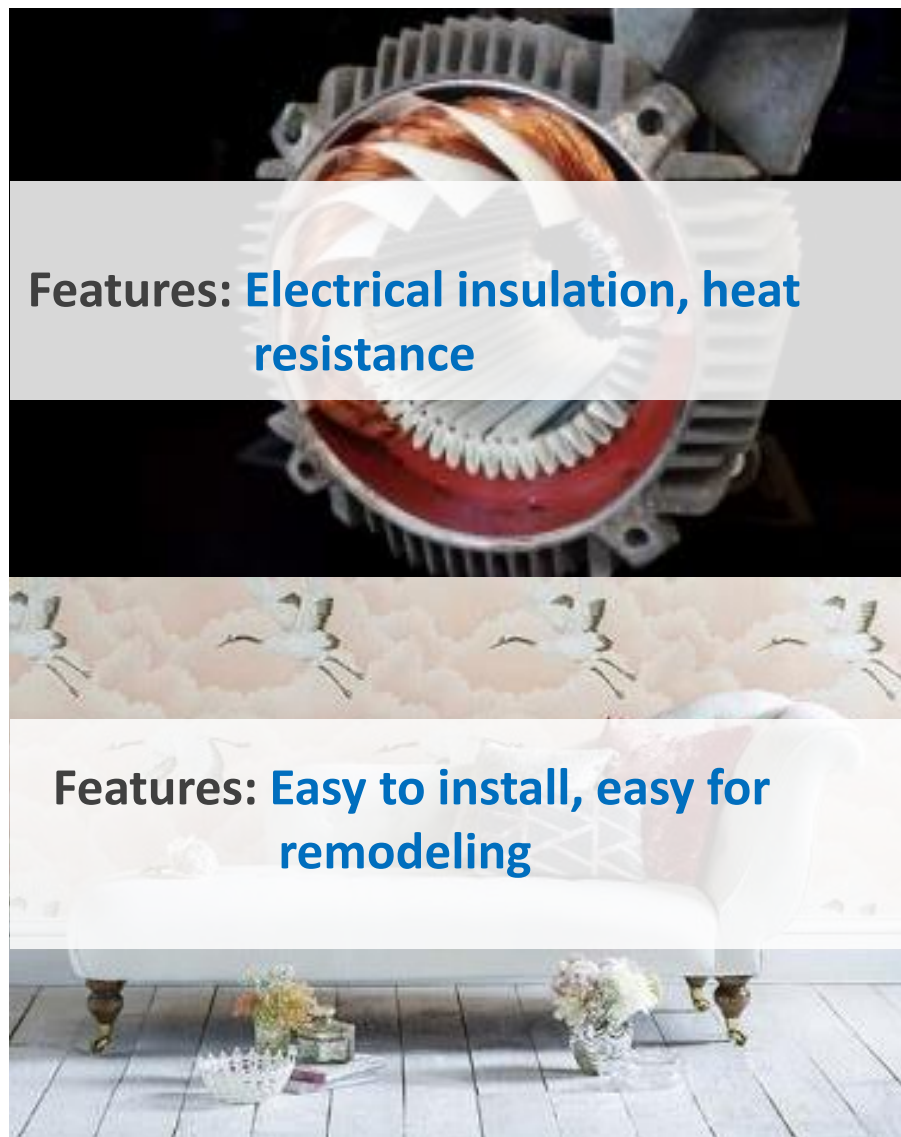
## Package Business: Examples of Product Applications



**The number of applications for TT-PACKAGE and molded products are increasing steadily.**



# Synthetic Fiber Sheet Business



- TT-TOKRON is increasing the number of customers
- Plan to start selling fleece wallpaper during FY3/23

▼  
Aiming for growth as these sheets are used in many applications

Goal for the synthetic fiber sheet business

FY3/23 Goal

¥408 million

Long-term goal

¥3,000 million





## Three features of cellulose separators

Easy to process

Heat resistance

High electrolyte permeability



**Competitive advantage**  
in the film separator market

- Started full-scale production in December 2021
- Sales activities started in the second half of FY3/23



This business is expected to **become profitable** during the Fifth Medium-term Management Plan

# Natural Environment Business (Whisky Business)




## Stability of production and quality

Received **highest rating** for two consecutive years in the National Tax Agency unblended whisky quality examinations

Upgrading technologies while remaining committed to the fundamental policy of long-term aging

Submitting **new-make spirit\*** for evaluations



## Raising the value of Ikawa's forest land

Completed the **“trial production of barrels”** using wood grown in this forest



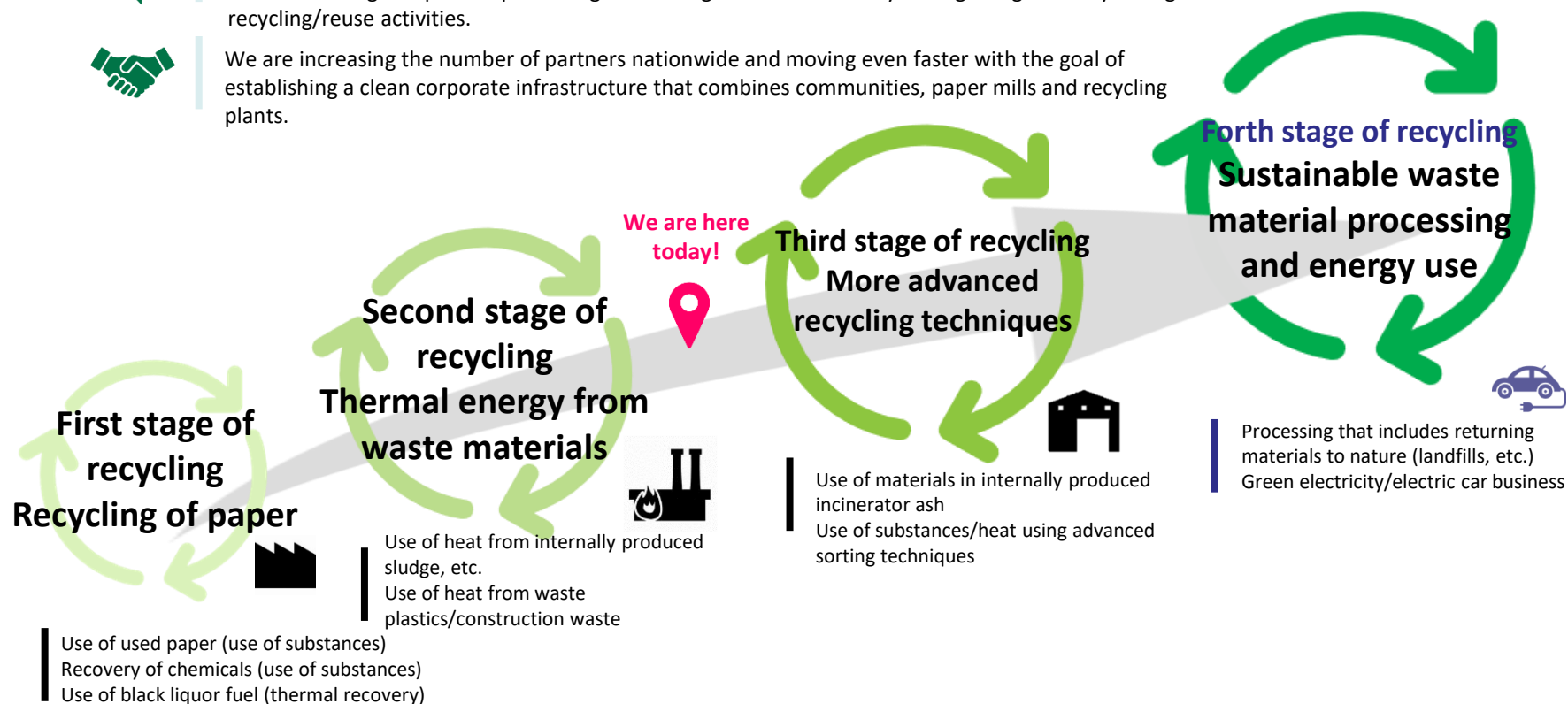
## Our Vision



Tokushu Tokai Paper is one of the very few companies able to use the perspectives of both a manufacturer and a recycling/reuse company for directly assessing progress concerning the processing and recycling of waste materials. Our goal is growth that differs from that of big companies specializing in handling waste materials by aiming to significantly enlarge the breadth of resource recycling/reuse activities.



We are increasing the number of partners nationwide and moving even faster with the goal of establishing a clean corporate infrastructure that combines communities, paper mills and recycling plants.





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## For More Growth of Corporate Value



# Prime Market Listing Requirements



Major issues	Progress
At least one-third of the board must be independent, outside directors	Improving
Diversity of key management personnel	
Increase the percentage of tradable shares	
Reduce cross-shareholdings	
Activities for sustainability	Continuing

- Start of the new market segments of the Tokyo Stock Exchange
- Prime Market listed companies must meet high standards for corporate governance



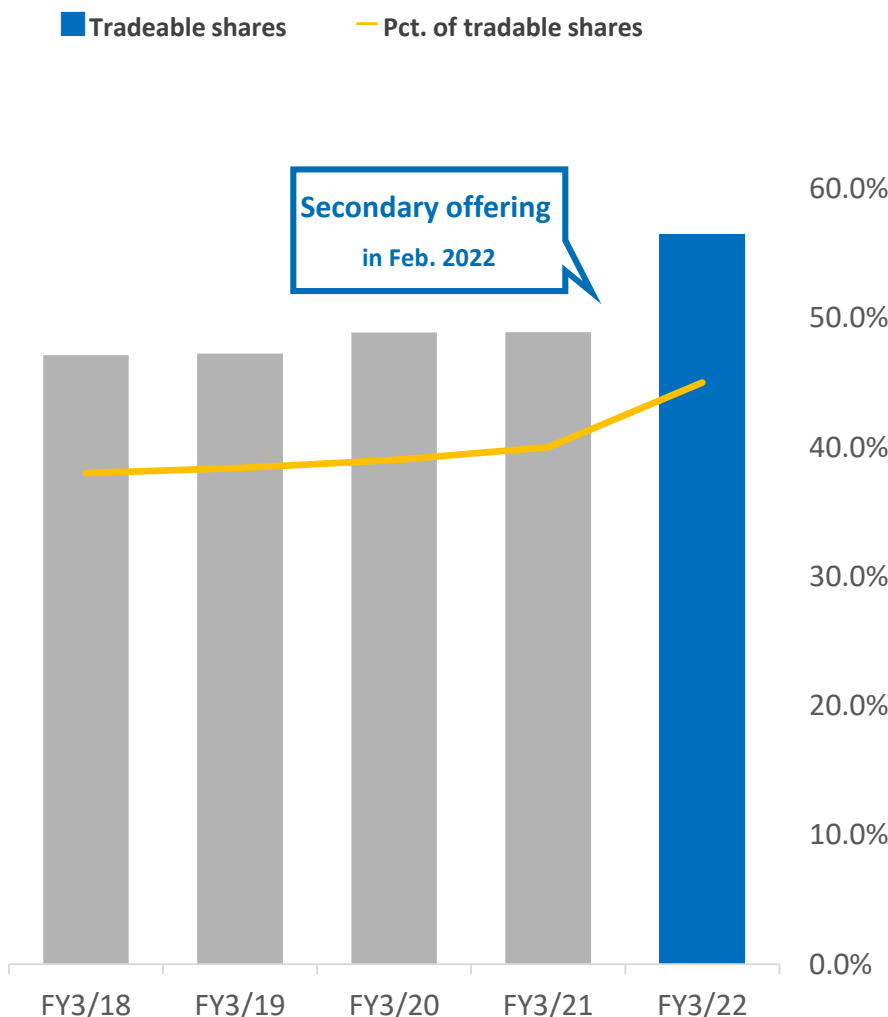
## Strengthen corporate governance

We are dedicated to complying with the revised Corporate Governance Code as well as to making progress with other issues for the purpose of achieving medium and long-term growth of corporate value.

# Increase the Percentage of Tradeable Shares



Number of tradeable shares



At preliminary  
market category  
listing assessment

40.6%



March 31, 2022

45.0%

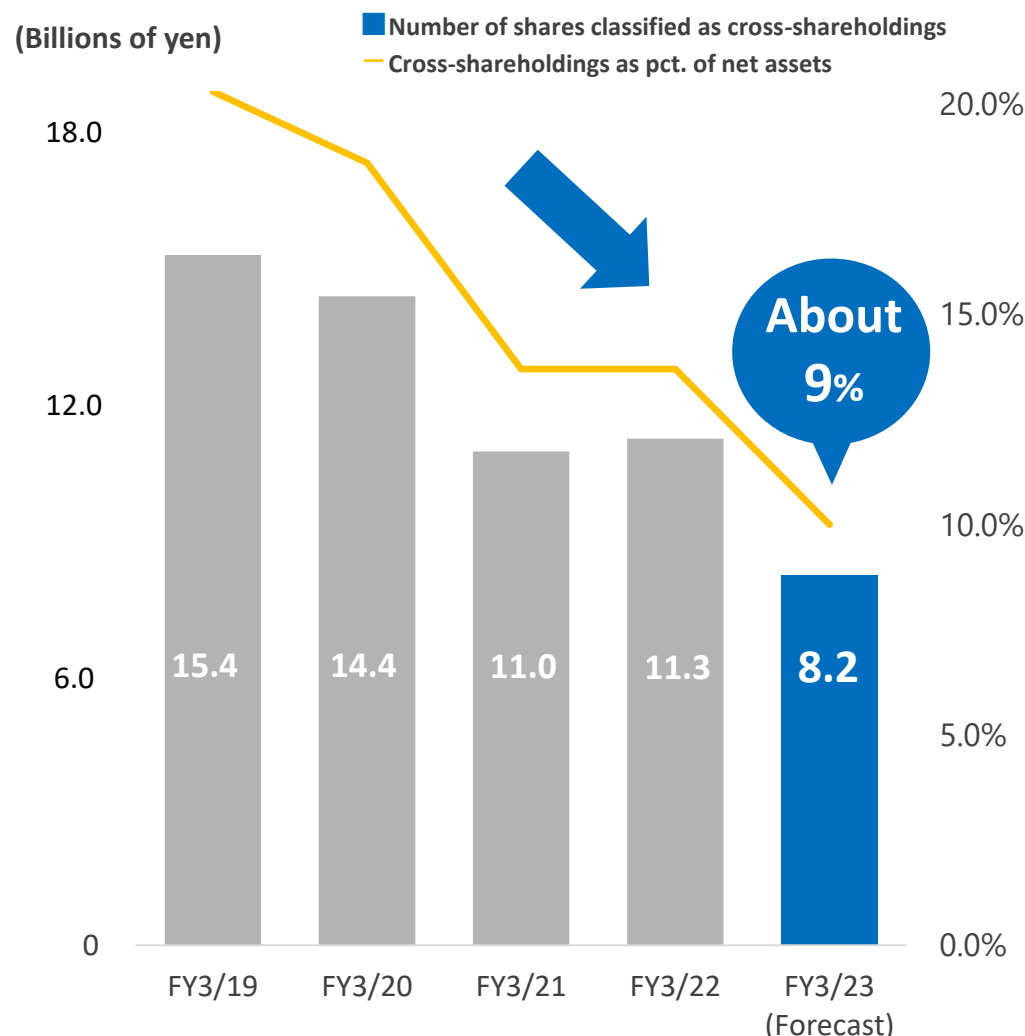


**Continuing to take actions  
to raise the percentage of  
tradeable shares**

# Reduce Cross-shareholdings



## Cross-shareholdings



- The board of directors periodically examines the policy for holding stock of other companies
- Sales of some cross-shareholdings are planned during 2022 (An announcement has been made)

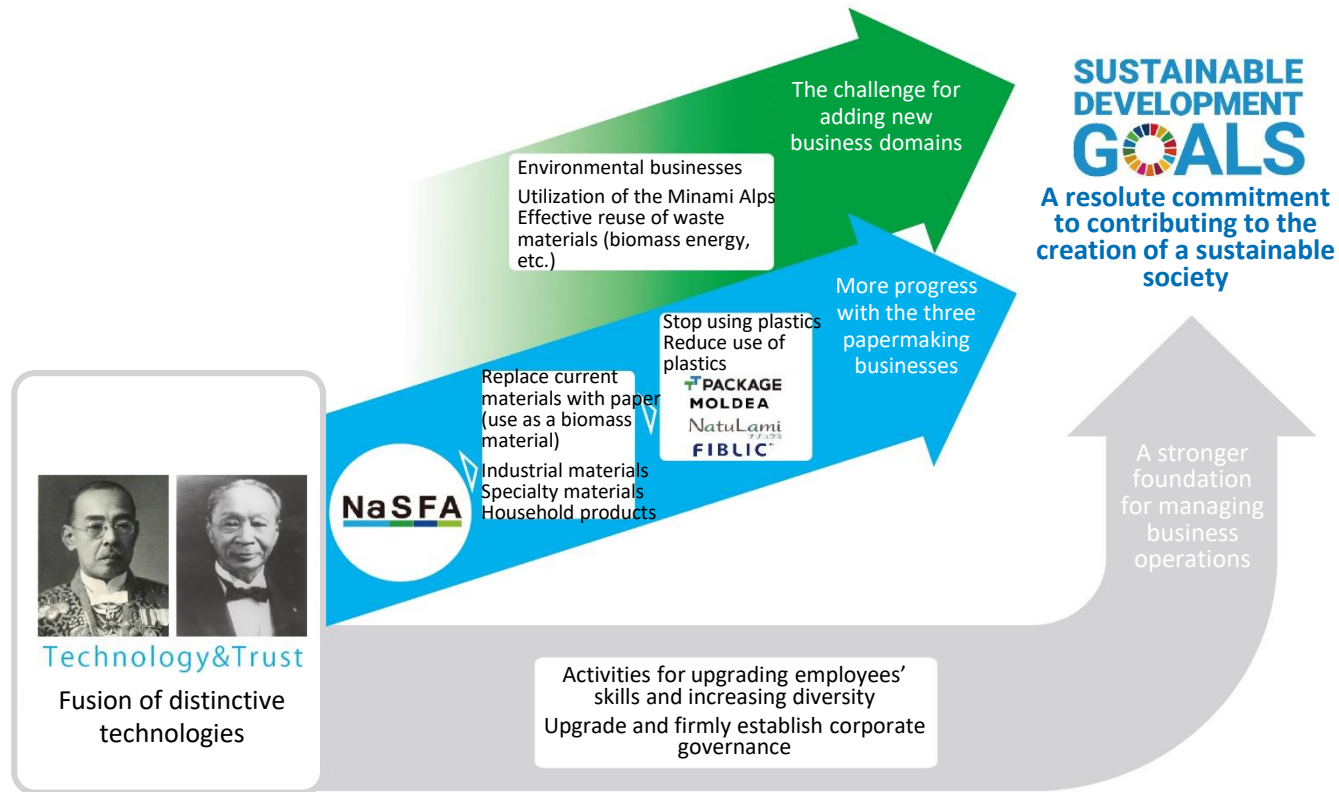


## No more than 10%

We plan to meet the Glass Lewis and other standards for cross-shareholdings as a percentage of net assets



# Activities for Sustainability (1)



## Technologies we have created

Leather-like paper	Paper for paper towels	Handbook cover paper	Playing card paper
Paper with glass	Offset master support	Tile laying paper	
Hand towel paper	Marble-pattern paper	Medical packaging	Nonwoven fabric
Uepron	Umbrella paper	Red rope	Tire wrapping paper

\*Tokushu Tokai has created many other innovative technologies in addition to these examples.

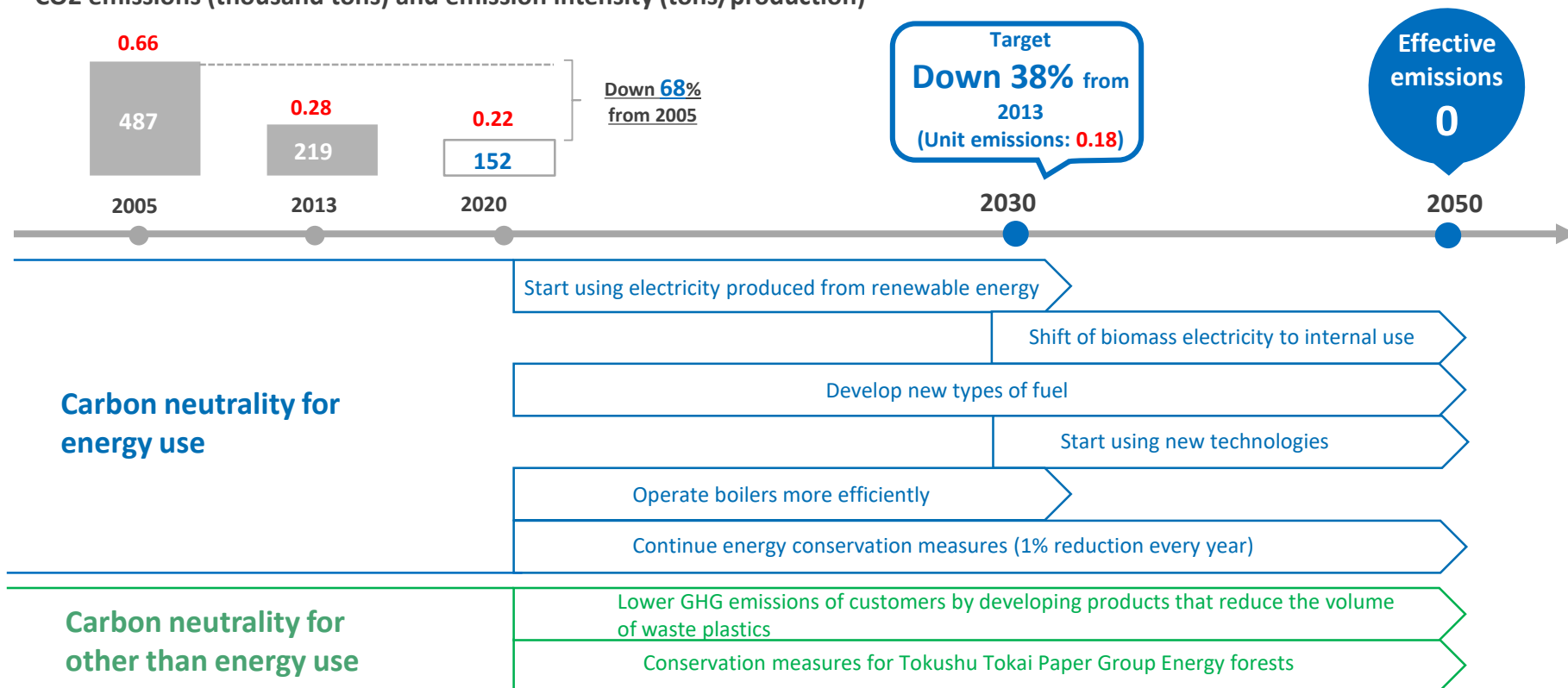
## Equipment that helps protect the environment

Boilers for the recovery of black liquor	Biomass boilers
Hydroelectric power equipment	Solar power equipment

# Activities for Sustainability (2)



CO2 emissions (thousand tons) and emission intensity (tons/production)



## Information disclosure schedule

Feb: Announcement of agreement with TCFD → Mar.: Release of Integrated Report → Jun.: Start of disclosures on TCFD basis

\*CO2 emissions involving fossil fuel energy used for manufacturing operations of the four Tokushu Tokai Paper Group manufacturing companies.

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