

Results of Operations for the First Half of the Fiscal Year Ending March 31, 2023

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





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First Half Financial Summary

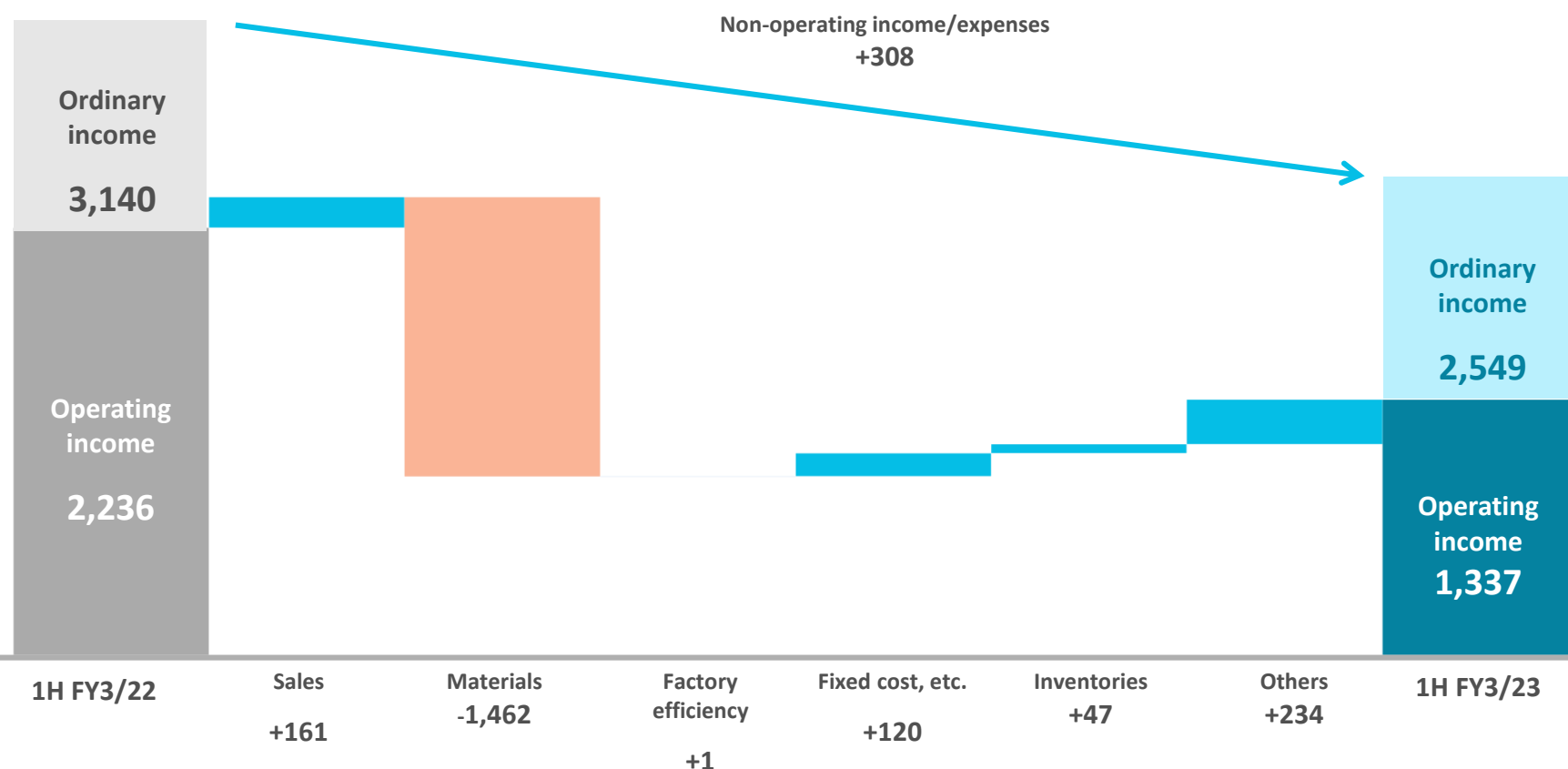
- Sales increased 8.3% as volumes were high in all three paper businesses and price revisions started.
- Operating income was down 40.2% because of the sharp increase in the cost of pulp and other raw materials.

(Millions of yen)	1H FY3/22	1H FY3/23	Change
Net sales	38,839	42,071	3,232
Operating income	2,236	1,337	-899
Ordinary income	3,140	2,549	-591
Profit attributable to owners of parent	3,455	3,150	-305
Operating income to net sales	5.8%	3.2%	-

Components of Change in First Half Earnings

- There was a combined ¥563 million contribution to earnings from sales growth, measures for lowering fixed expenses and higher earnings at subsidiaries. However, earnings decreased at the three paper businesses because higher prices of raw materials raised the cost of manufacturing.

(Millions of yen)



Segment Information

- Sales increased in all segments.
- Environment-related sales and earnings increased as growth continues in this segment.

(Millions of yen)		1H FY3/22	1H FY3/23	Change
Industrial Materials Business	Net sales	19,199	21,846	+2,647
	Operating income	605	520	-85
Specialty Materials Business	Net sales	10,406	10,543	+137
	Operating income	1,391	718	-673
Household Products Business	Net sales	8,246	8,576	+330
	Operating income	349	61	-288
Environment Related Business	Net sales	3,424	3,995	+571
	Operating income	(180)	(34)	+146
Elimination/ adjustment	Net sales	(2,437)	(2,890)	-453
	Operating income	+71	+73	+2
Total	Net sales	38,839	42,071	+3,232
	Operating income	2,236	1,337	-899



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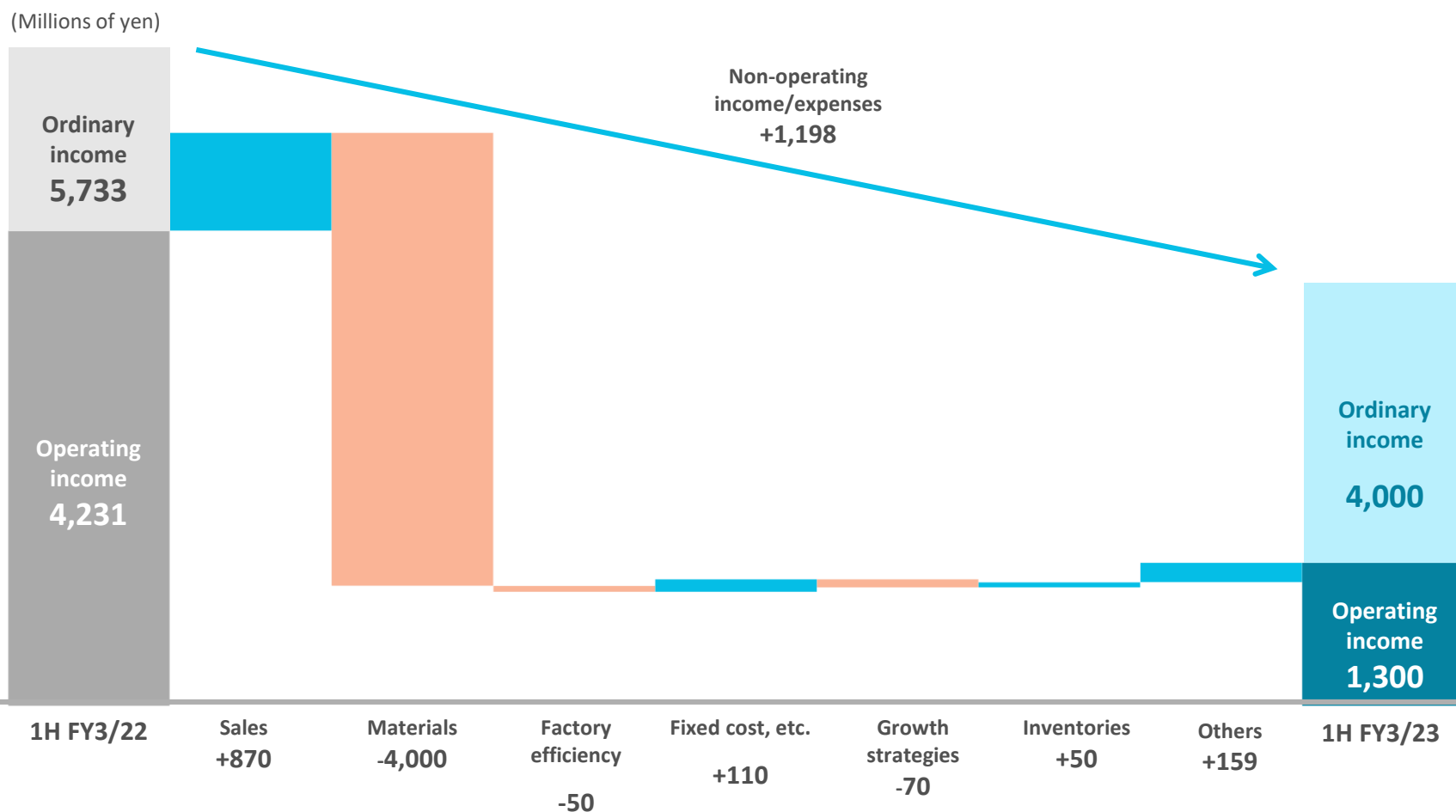
Revised FY3/23 Forecasts

- The original forex rate assumption of ¥125/US\$ has been revised to ¥150/US\$.
- There is no change in the original crude oil price assumption of \$100/barrel (Dubai).

(Millions of yen)	FY3/22 results	FY3/23 initial forecasts	FY3/23 revised forecasts	Change
Net sales	80,711	87,000	87,000	0
Operating income	4,231	3,100	1,300	-1,800
Ordinary income	5,733	4,000	4,000	0
Profit attributable to owners of parent	5,251	3,900	3,900	0
Operating income to net sales	5.2%	3.6%	1.5%	-

Components in Change in FY3/23 Earnings

- Negative effects of the high cost of raw materials due to the yen's depreciation and hydroelectric power interruptions in September due to a typhoon
- Smaller decrease in ordinary income because of firm equity-method income in the industrial materials business





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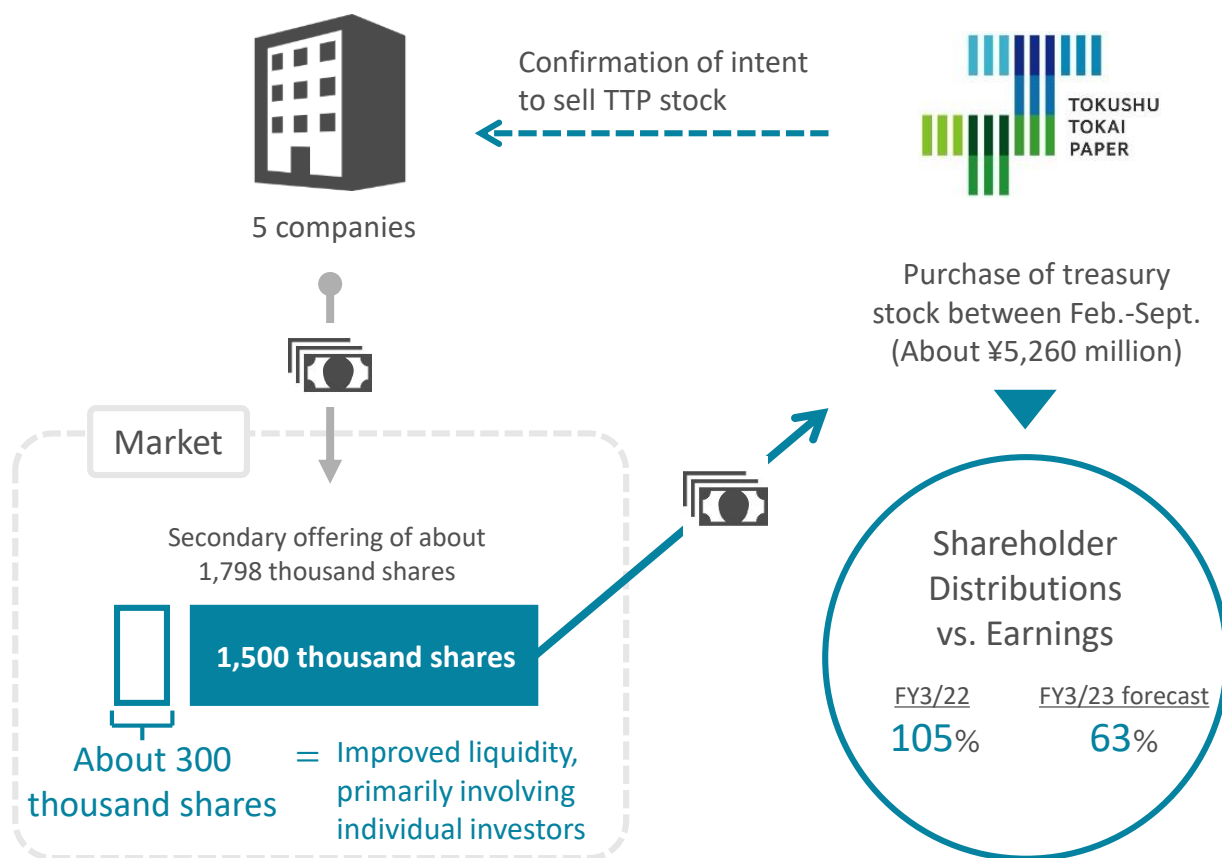
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Retirement of Treasury Stock

- About 1.5 million shares of treasury stock were purchased between February and September 2022 in conjunction with the February 2022 secondary stock offering.
- Based on the treasury stock policy, an amount of treasury stock was retired in October that was sufficient to reduce this stock to about 10% of all shares issued.

Stock Activities after the Secondary Offering



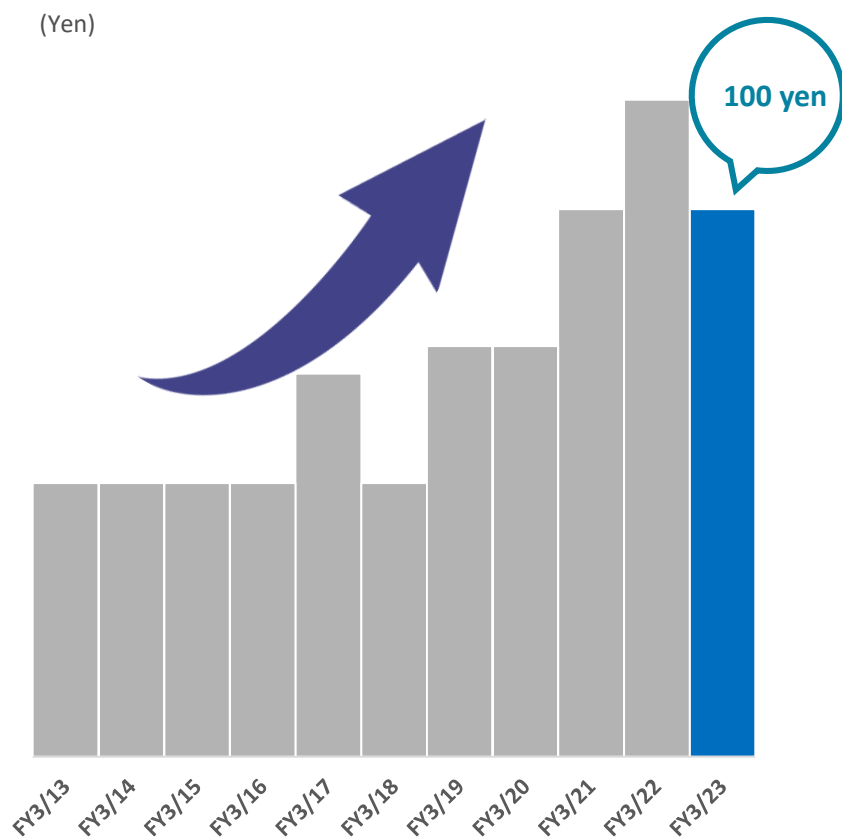
Treasury Stock Holding Ratio

End of January	10.2 %
End of March	17.7 %
End of September	20.2 %
October	Retired 1.6 million shares
November	<u>10.7</u> %

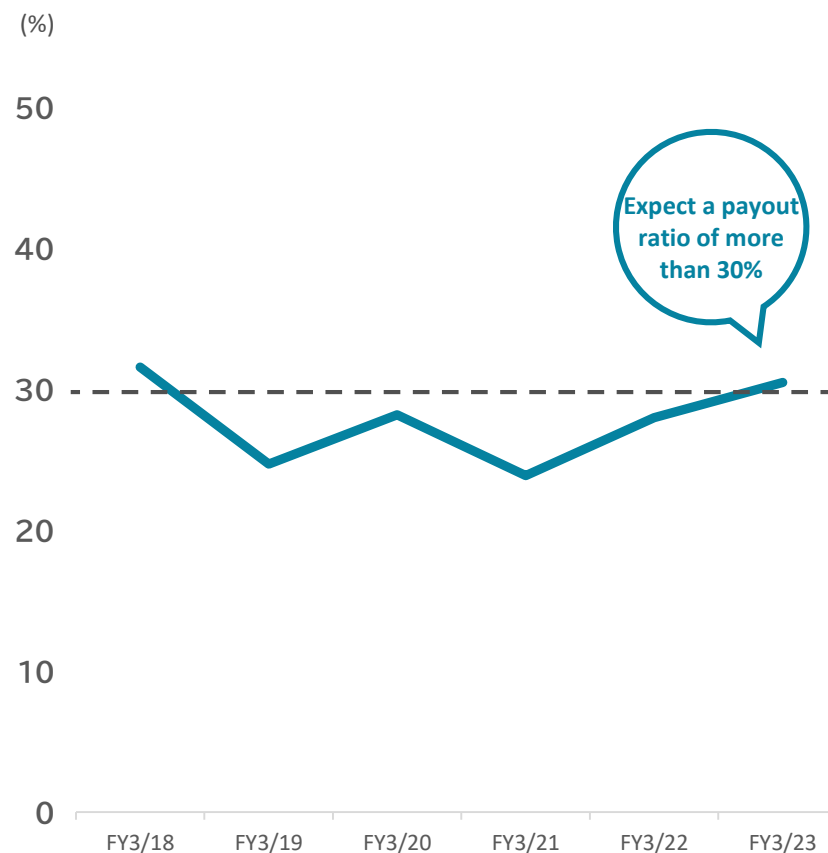
Shareholder Distributions

- No change in FY3/23 dividend forecast of ¥100
- Plan to maintain the dividend payout ratio target of 30%, as stated in our return policy

Dividends per share (Yen)



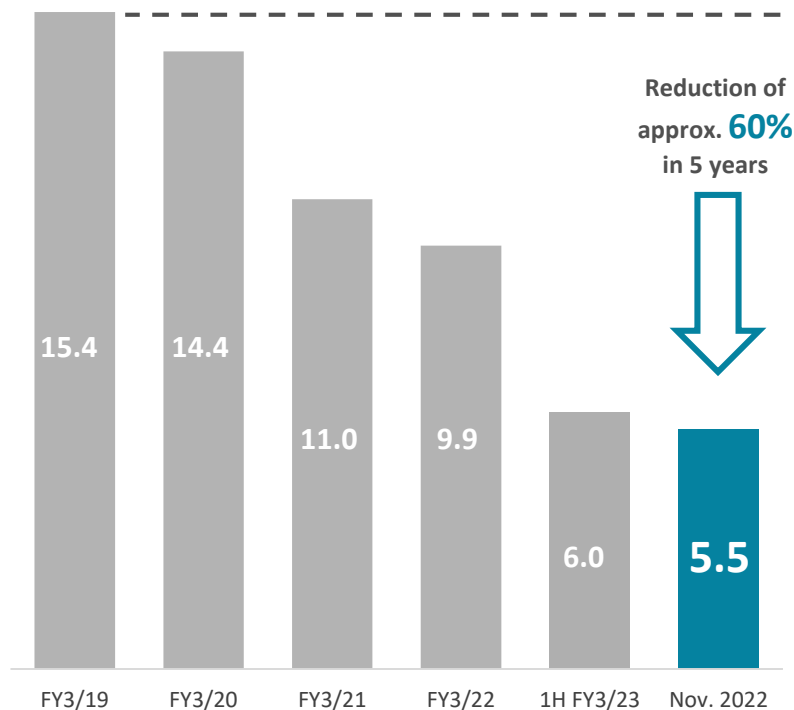
Consolidated payout ratio (%)



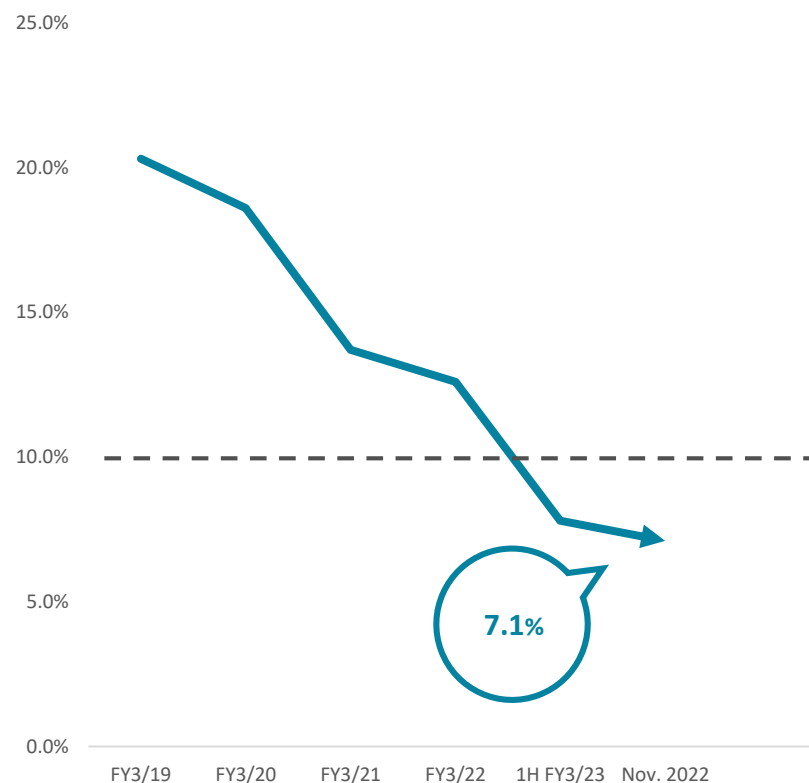
Cross-shareholdings

- In addition to the cross-shareholding sales already planned for FY3/23, an additional ¥500 million (approx.) of cross-shareholdings were sold in October.
- Cross-shareholdings were about 7.1% of net assets in November.

Cross-shareholdings (Billions of yen)



Cross-shareholdings as pct. of net assets (%)



* Estimated using market value as of the end of September 2022



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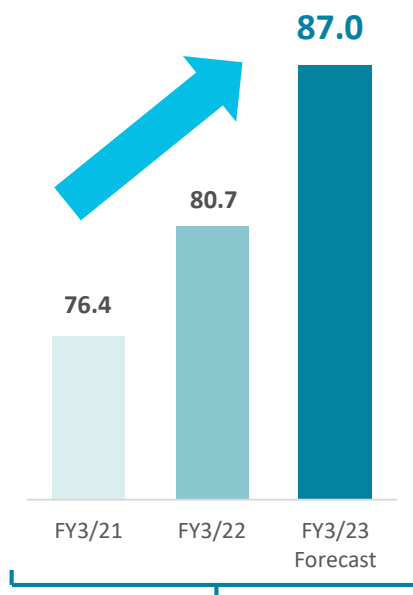
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Progress of the Final Year of the Fifth Medium-term Management Plan

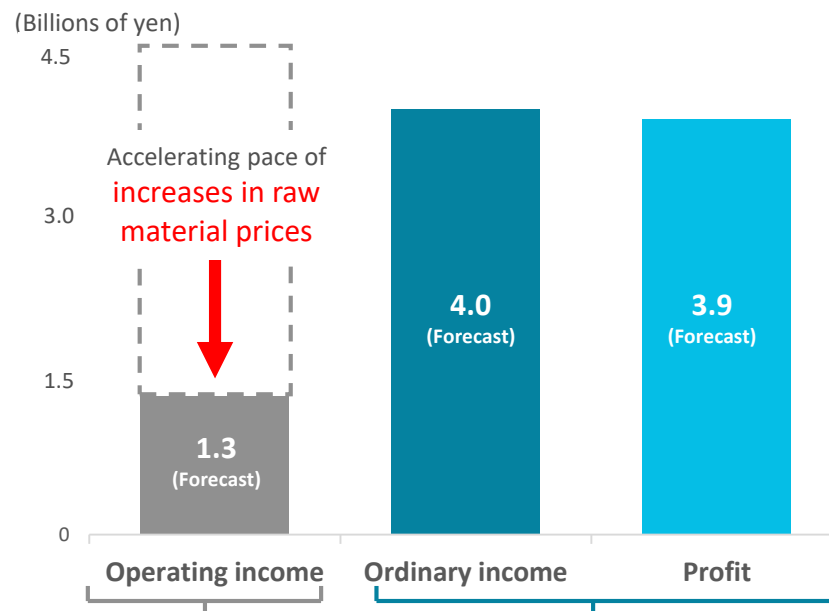
- The business climate has been extremely challenging because of the Ukraine crisis, rapid decline of the yen and other events. Sales are strong but operating income well below the target.
- Ordinary income and profit are expected to be relatively firm and activities are continuing to reach the ROE target.

Sales target
¥82.5 billion



Expect to reach the target

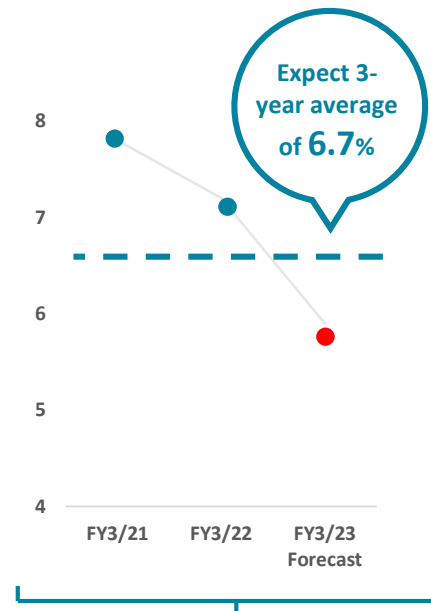
Operating income (margin) target
¥4.5 billion (5.5%)



Unlikely to reach target

Firm earnings to some extent

ROE target
6.5%



Still aiming to reach the target

Progress of the Final Year of the Fifth Medium-term Management Plan

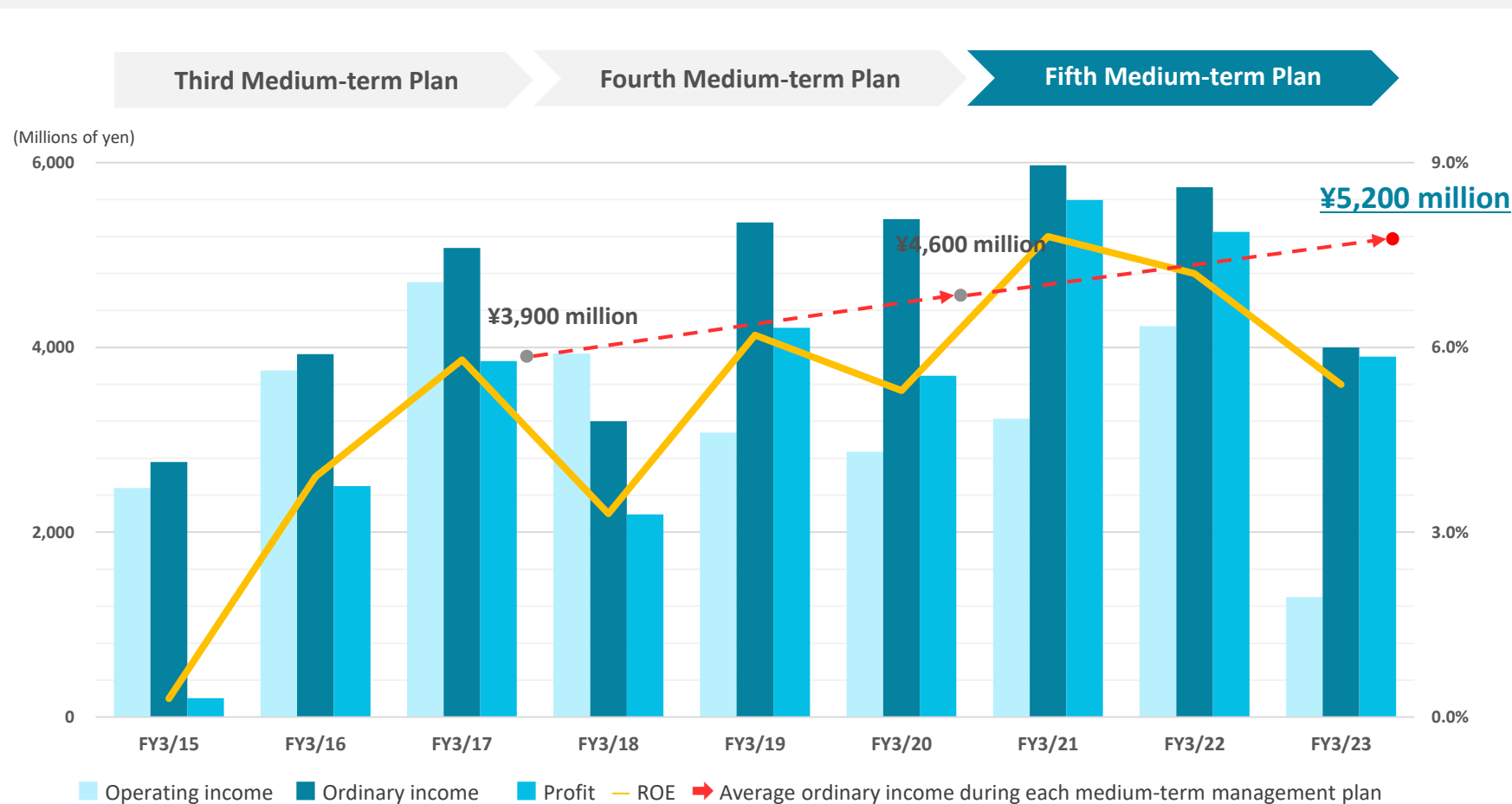
- Aiming for a big increase in earnings in FY3/24 despite the difficult business climate by revising prices, cutting costs and making new products profitable quickly



Medium-term Management Plan Earnings

- Ordinary income has generally been on an upward trend since the start of the Third Medium-term Plan.
- Performance has been good in terms of the ROE too.

Earnings since the Third Medium-term Plan and Avg. Ordinary Income for Each Plan



Overview of the Three Paper Businesses

- In the two paper businesses where consumer necessities are the main products, sales are strong despite the negative effect on paper use of the shift to digital formats.
- The specialty materials business handles paper used for reports and other communications, a category where demand is declining due to the shift to digital formats. Structural reforms are planned by creating new profit centers that use a variety of knowledge and other resources acquired by operating the specialty paper business.

Industrial Materials Business

No effect of digital shift



Strong sales of paper involving e-commerce shopping and cardboard for boxes as people stayed home for safety during the pandemic

Households Products Business



Increasing demand for paper towels because of heightened vigilance about hygiene during the pandemic

Specialty materials business structural reforms

Effect of digital shift



Declining use of paper for reports and other communications



Personnel



Technologies



Knowledge

Fiblic

Package

Synthetic fiber products

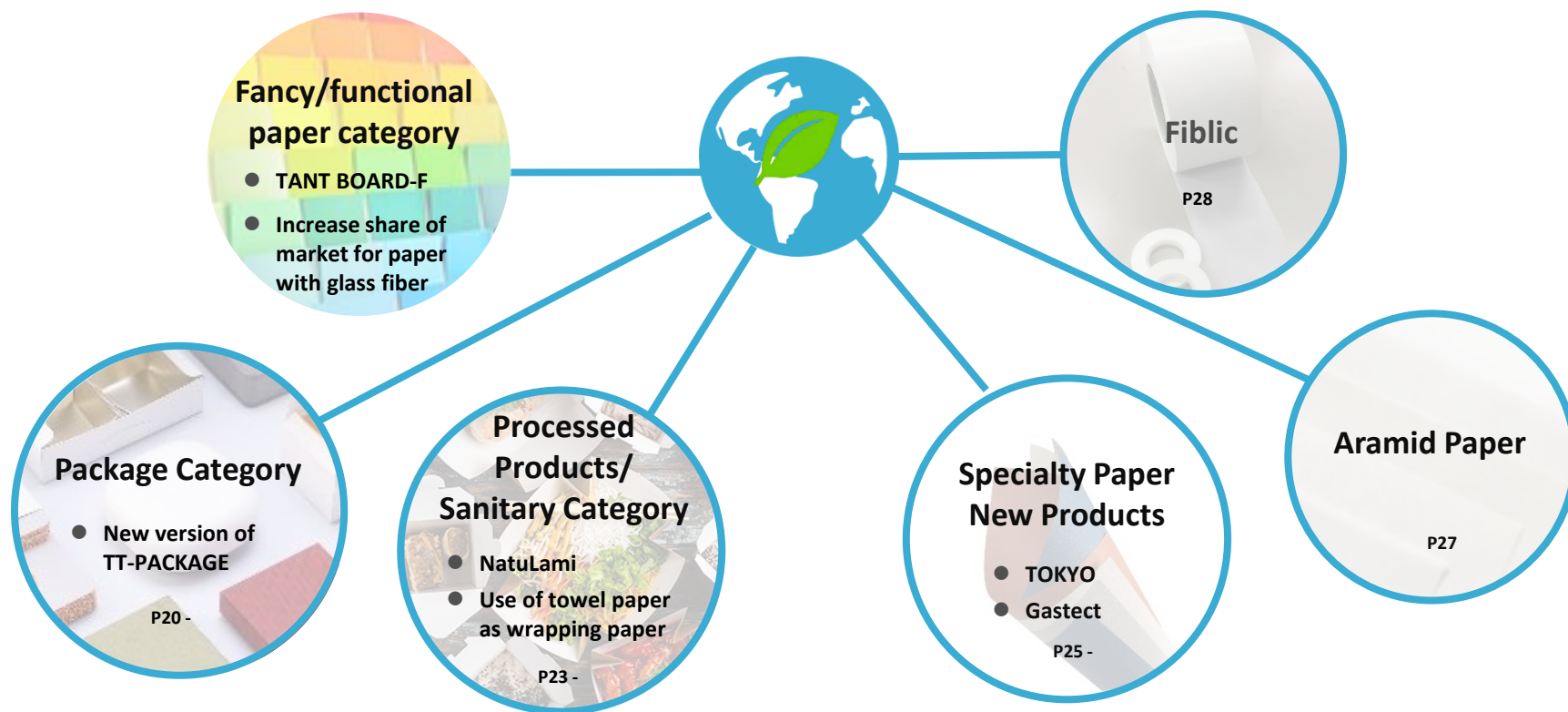
Industrial functional paper



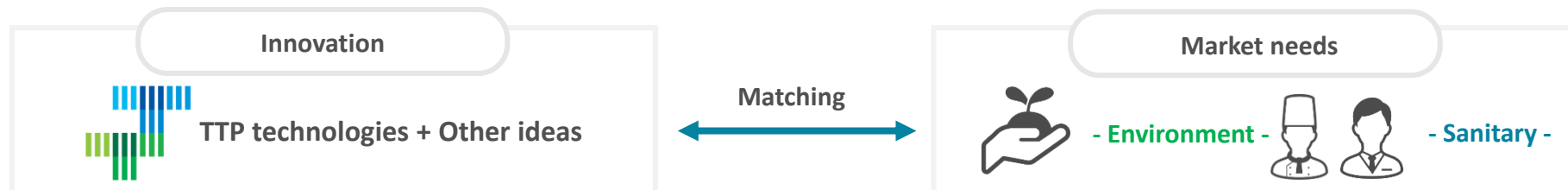
To offset declining product lineup
New products and new businesses

Growth of the Use of Paper and Biomass

As interest in protecting the environment increases, TTP is working on the conversion of many items to paper and biomass materials in many business sectors.



Increase marketing and research activities



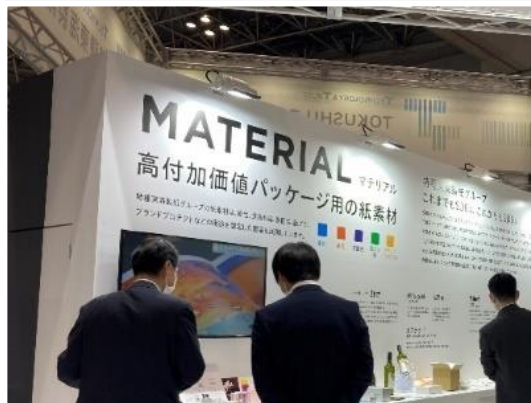
*Pictures are not actual products

Package Category: Highlights

- Using trade shows and a website to provide information about products in this category
- Focusing on raising awareness of TTP and building strong ties with customers

TOKYO PACK 2022

Requests for samples
250 companies



Requests for sales
meetings
110 companies

TT-PACKAGE CONCIERGE



Constantly adding new information that is useful for businesses, such as **examples** of how TT-PACKAGE solves problems for customers and **knowledge** about paper and packaging



(<https://www.tt-package.com/>)

Package Category: TT-PACKAGE

- Updated the product lineup
- Added the MATERIAL series of paper materials and the FORM series of 3D products to the TT-PACKAGE category

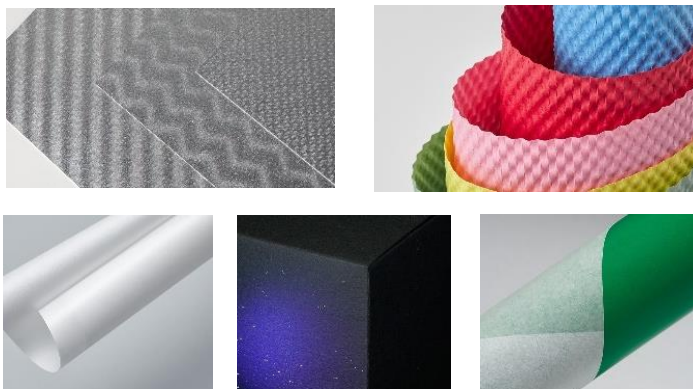
Paper for packaging
TT PACKAGE

Paper for 3D objects
MOLDEA

Focus on **TT PACKAGE** and categorization in individual products

TT PACKAGE **MATERIAL** マテリアル

- A diverse lineup of TT-PACKAGE sheet products



TT PACKAGE **FORM** フォーム

- A series of 3D products consisting of three categories
- A lineup of ready-made and custom-made products



Package Category: Goal of TT-PACKAGE

- Meet needs extending from intermediate to end users as well as demand created by rising consumer interest in replacing plastic with other materials

How the package business provides value

The new TT PACKAGE

TT PACKAGE MATERIAL

Colorful and versatile
**paper
materials**



Intermediate demand

(examples: packaging material producers, trading companies, printing companies)

TT PACKAGE FORM

Ready to use
3D objects



End users

(examples: producers of food products, cosmetics and medical products)



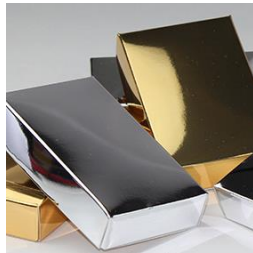
Consumers

Processed Products/Sanitary Category (Households Products Business): Processed Products Business

- A lineup centered on environmentally responsible products, such as products using lamination
More variations of packaging products by combining these products with specialty material products

Major products

MILAX
DECORATE



MILAX
FOODS



paper
cushion



Synergies from combining product categories

MILAX



 和纸乐活
KAMI LAB.

×

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Many types of 3D products to precisely match users' requirements

Processed Products/Sanitary Category (Households Products Business): Examples of Applications

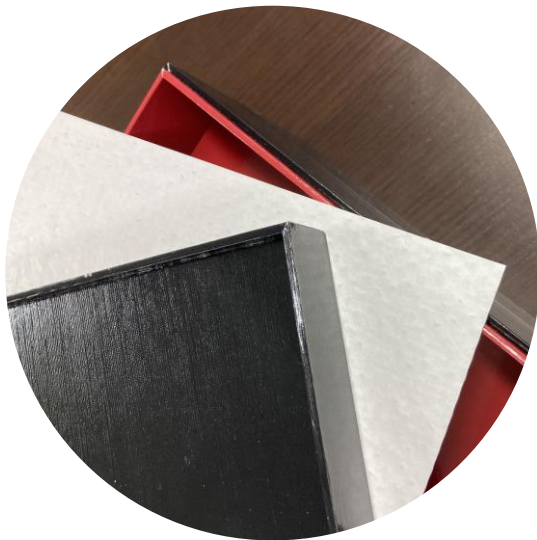
- Interest among package users is high due to use of trade fairs and other activities

Increasing use of these products, including the **NatuLami** brand, as companies switch to paper from other materials

Examples of applications and new products

Large convenience store company

Traditional New Year holiday food



Theme park

Candy packaging



Consumer **Towper** wrapping paper towel



Specialty Paper New Product (Specialty Materials Business): “TOKYO™”

- Used a collaboration with FAVINI, a prominent Italian maker of specialty paper, to start selling a new type of fancy paper that is environmentally responsible
- Plan to start overseas operations in Europe, North America and Asia.

Collaboration

Tokushu Tokai Paper

- Dye and embossing technologies
- Development of designs

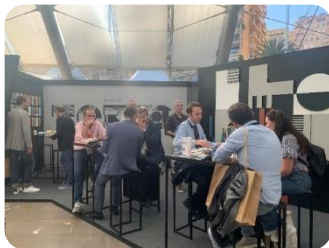


FAVINI

- Marketing power mainly in Europe
- Strong sales network



TOKYO | Italian style, Japanese quality



- Announced at the LuxePack Monaco creative packaging trade show
- Positive response to the paper's texture and design concept

Feature

- Fancy paper containing more than **40%** recycled paper



- Sales using FAVINI's **global network**



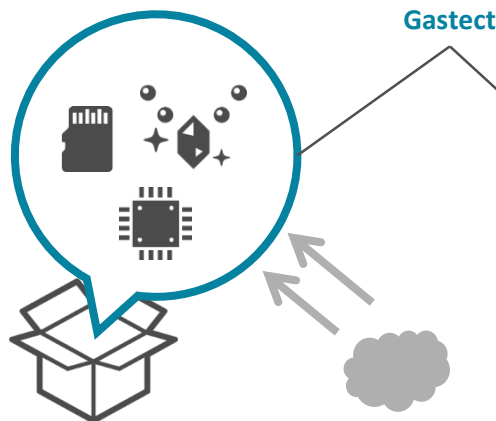
Specialty Paper New Product (Specialty Materials Business): Gastect®

- TTP will soon start selling Gastect®, a packaging material that absorbs corrosive gases.

Features

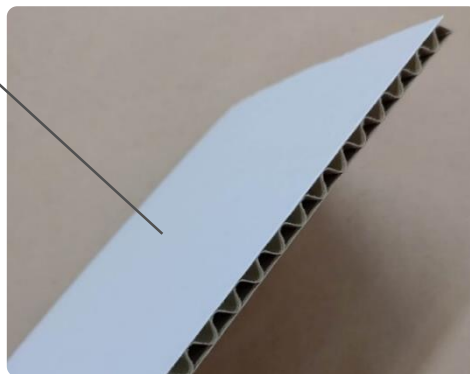
- Absorbs sulfurous gases that corrode copper and silver
- Protects electronic materials, metallic parts, jewelry and other products

Use



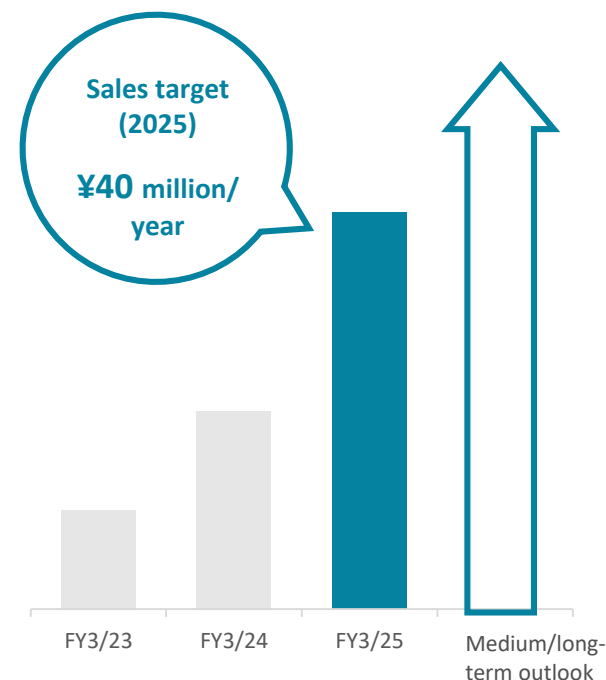
Sample applications

- Interior of cardboard boxes
- Cover for items in packages



Sales plan

Target markets will be the transport of electronic parts and jewelry and the protection of metallic items near natural hot springs.



Aramid Paper (Specialty Materials Business): Toray Group Collaboration

- Collaboration with the Toray Group, which is already working with TTP for TT-TOKRON®, where sales are rising consistently, for the launch of a manufacturing and sales business for moist nonwoven fabrics using synthetic fibers.

Fourth Medium-term Plan

Toray Group
Toray Advanced Materials
Korea Inc.
(TAK)



High-performance
synthetic fiber



Develop synthetic
fiber sheets



Manufacturing technology

Tokushu Tokai Paper

Fourth Medium-term Plan



Launch of TT-TOKRON®

- Use of TTP's advanced manufacturing technology to fabricate sheets of heat-resistant aramid fiber made by TAK
- Sales started in 2020 for use as an insulation material in transformers and motors

Steady increase in applications



*Photos are examples of applications

Medium/Long-term Forecast

Develop and sell new
types of functional sheets
using aramid and other fibers



Current sales target for the synthetic
fiber business including TT-TOKRON

Net sales

¥**3.0** billion/year

Fiblic Business

- Started sales of a cellulose separator for lithium-ion rechargeable batteries
- Planning on more capital expenditures due to the strong positive response from users

Superiority for lithium-ion batteries

	Film	Nonwoven textile	Fiblic
Heat resistant	△	○	○
Permeable	△	○	○
Pore diameter	○	×	○
Thin	○	△	○
Strong	◎	△	○ to △

Meets users' requirements



Increasing output to meet expected growth in demand

- Companies using Fiblic want output increased
- Medium/long-term orders may exceed production capacity



From 2023
**Production increase
and modifications**



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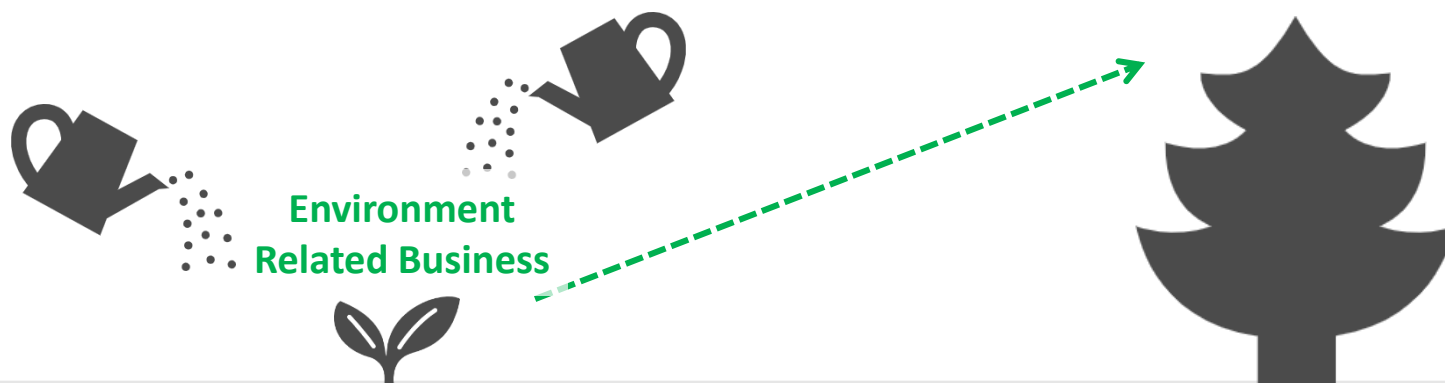
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Environment Related Business

- Activities for growth in businesses involving the environment as a new business domain other than the three paper businesses
- Channeling substantial resources to the two categories of the environment related business to aim for more growth



Natural Environment Business

Resource Reuse Business



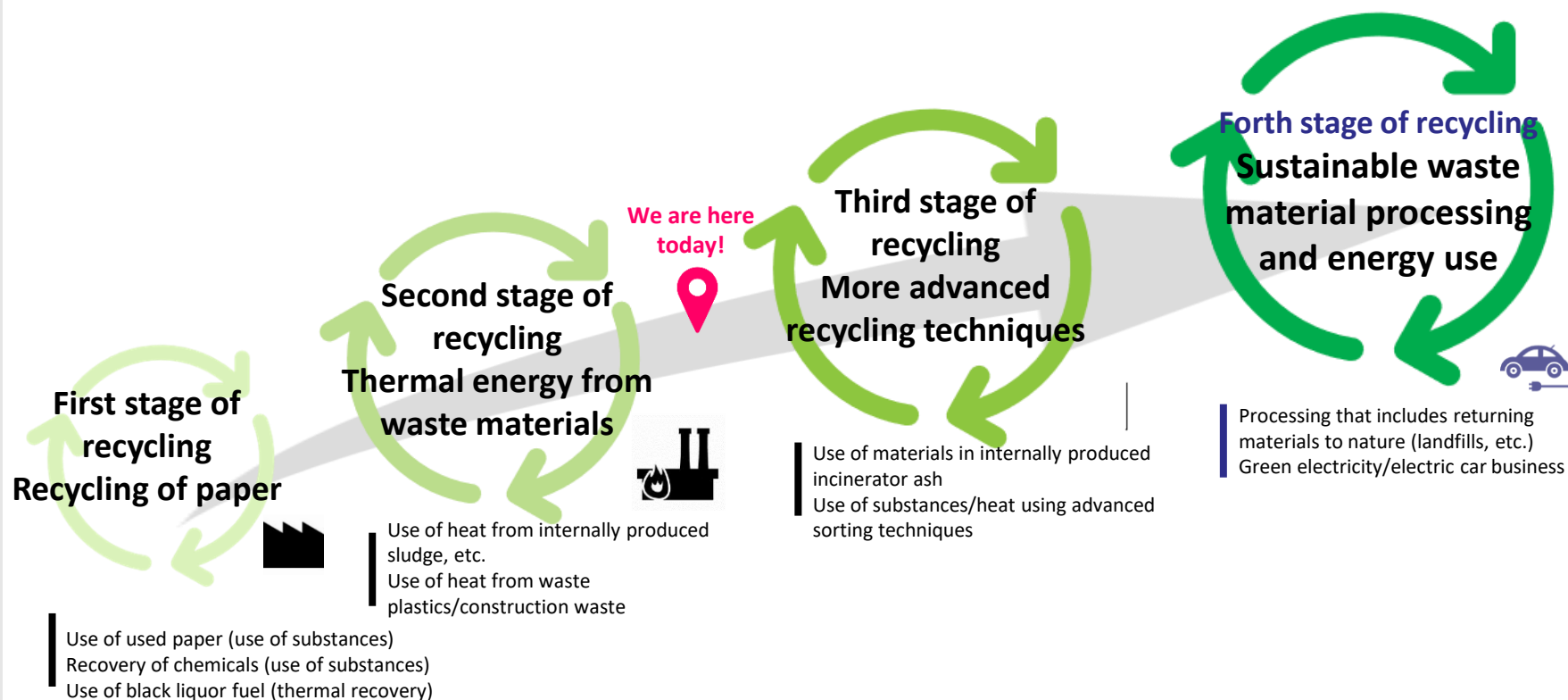
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Resource Reuse Business

- Continuing to make investments for the advancement and growth of the recycling business
- Aiming for a growth trajectory that differs from those of major companies that handle industrial waste materials

Stages of Growth of the Resource Reuse Business



Natural Environment Business: Whisky Business Overview

- Using the website, participation in events and other activities to provide information about this business
- Priority now is establishing a base to start sales of Ikawa Distillery brand whisky

Web site



The new JUZAN corporate website has information about the whisky business as well as the Minami Alps region where this business is located.

The appeal of Ikawa

(<https://juzan.co.jp/>)

Events



Booths at numerous events throughout Japan, including the Shizuoka Craft Beer and Whisky Fair

Interacting with whisky fans

Competitions



The Tokyo Whisky & Spirits Competition, one of the largest events of this type in Asia

Won the Newcomer Award

Natural Environment Business: NEW BORN Non-Peat 2022

- Started sales of Newborn*, a limited release of one of approximately 600 barrels at the Ikawa Distillery, as the first step to heighten expectations for the whisky of this distillery, which is aged longer.
- Sales of this whisky will be used to raise awareness of the Ikawa brand.



Products

- | | |
|------------------|--|
| ● Sale locations | Bars, stores and other locations in Tokyo and Shizuoka |
| ● Bottle size | 200ml |
| ● Number | 923 bottles |
| ● Launch | October 24, 2022 |
| ● Retail price | ¥4,800 plus tax |

*Newborn is a spirit rather than a whisky, which requires a minimum of three years of aging.



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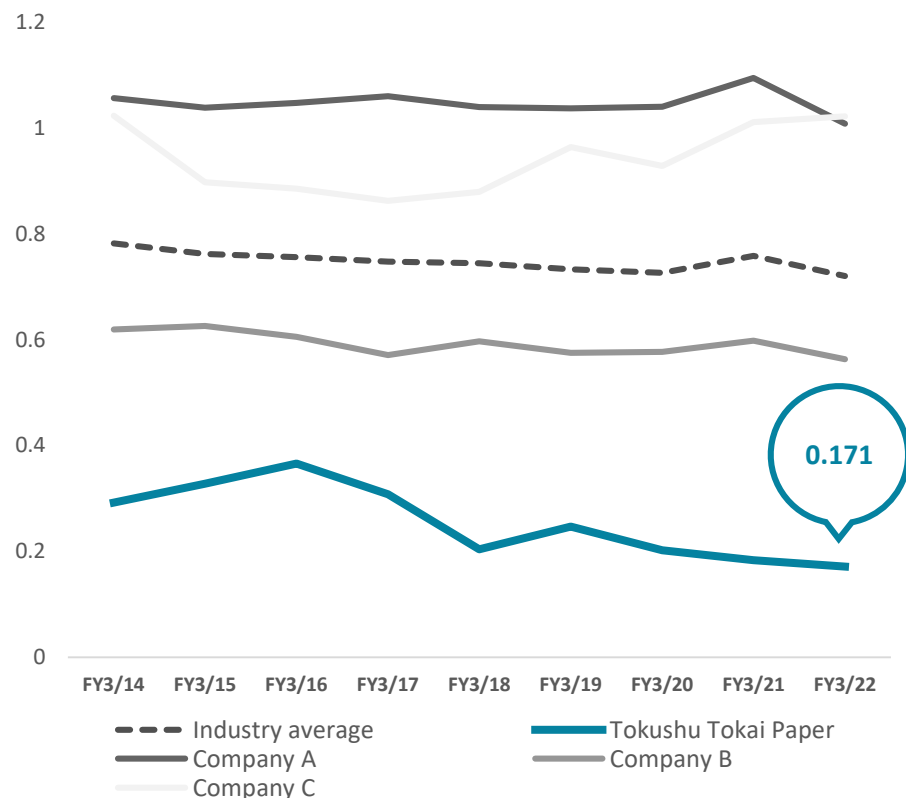


ESG Information CO2 Emissions

- Currently, TTP's low-carbon performance is far better than at other paper companies in Japan due to the installation of biomass boilers many years ago.
- The replacement of the Shimada boiler that will be completed in FY3/27 will further lower CO2 emissions.

Fossil Fuel Energy CO2 Emission Intensity*

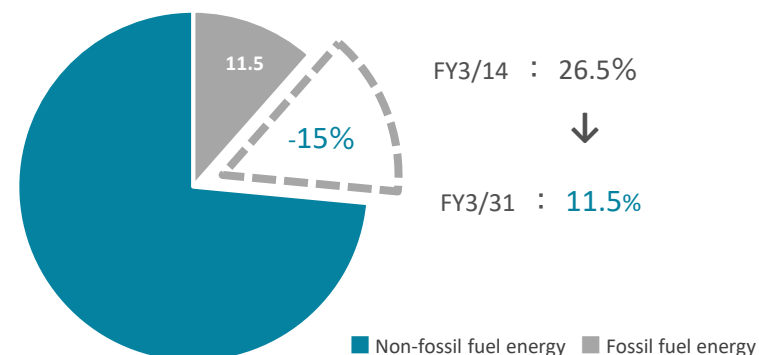
(t-CO2/ton of production)



13B

- 10B boiler replacement work started in September 2023 and is to be completed in FY3/27.
- The use of wood chips and RPF (refuse paper and plastic fuel) as fuel is expected to continue to lower the amount of fossil fuel energy used.

Expected Fossil Fuel Energy Use Pct. at Shimada Mill in FY3/31 (Vs. FY3/14)



Including the benefit of installing 13B, the fossil fuel energy derived CO2 emission intensity in FY3/31 is expected to decrease to **0.14** ton of CO2 per ton of products manufactured.

ESG Biodiversity Activities

- In September 2022, TTP joined the 30by30 Alliance for Biodiversity.
- Aiming for OECM (Other Effective area-based Conservation Measures) registration of the Ikawa Forest, which is a central element of TTP's corporate identity.



ESG Strengthening Corporate Governance

- In July, the number of independent directors increased to four, making these directors more than one-third of all directors as specified in the new Corporate Governance Code.
- One of the new outside directors has experience in corporate management in order to facilitate more thorough discussions at board meetings.

Management Structure

Directors

Internal



×
5

External



× 3 × 1

Audit & Supervisory Board Members

Internal



×
1

External



× 1 × 1

Skill Matrix

Name	Corporate Management	Corporate Management	R&D	Sales	Manufacture and technology	Finance and Accounting	Legal
Yuji Matsuda	●	●	●	●			
Katsuhiro Watanabe	●				●		
Toyohisa Mori	●		●		●		
Hiroyuki Onuma	●			●			
Tomoaki Sano	●				●		
Kyoko Kanazawa		●					●
Akira Isogai			●				
Takashi Nagasaka						●	
Yuzo Ishikawa	●	●		●			

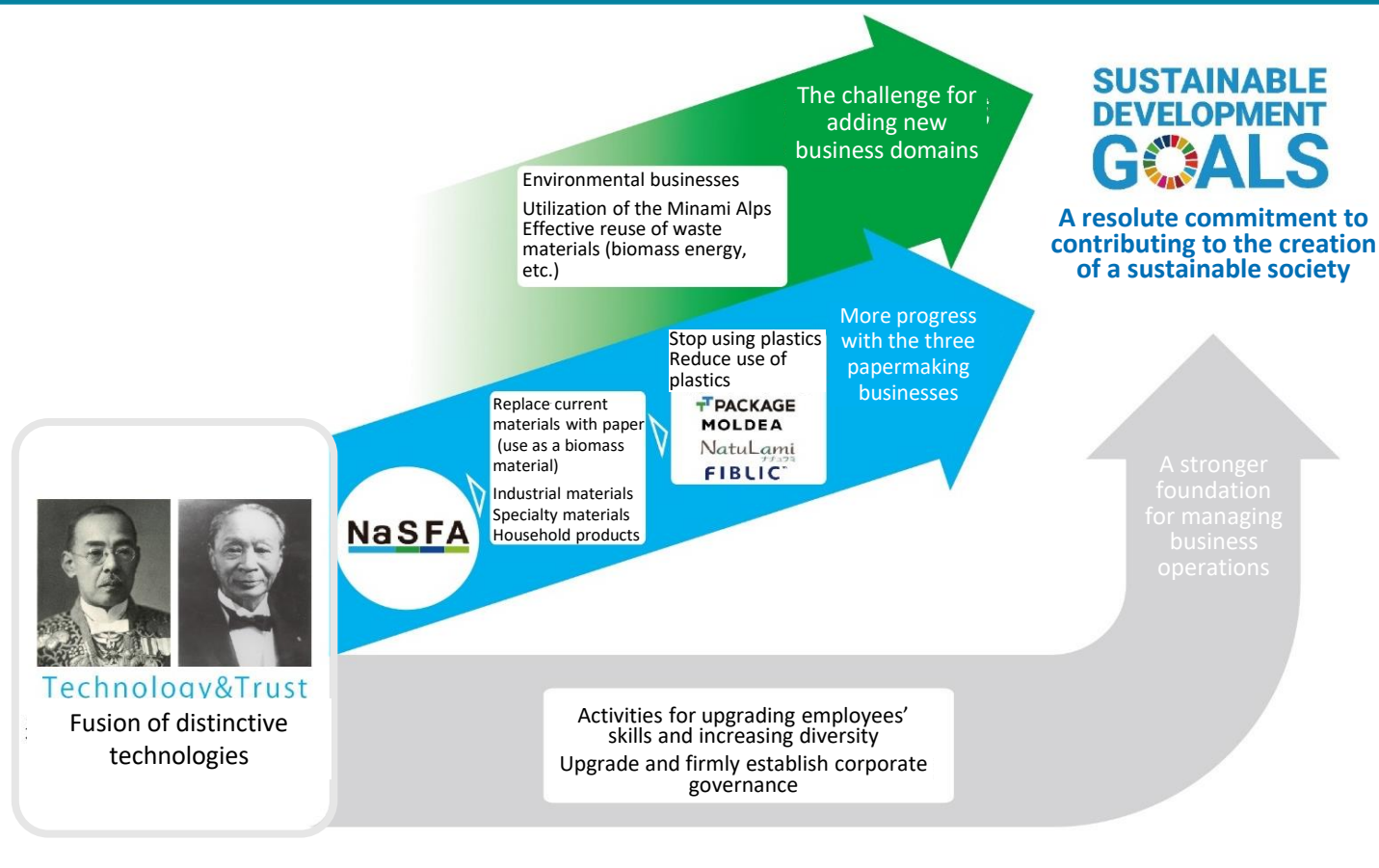
*The information in the skill matrix covers only part of the experience and professional skills of the directors.

The Goals of TTP

Our Vision

Use technologies and reliability to operate businesses like no others for progress with our customers

Corporate activities that contribute to creating a sustainable society



* Excerpts from the CEO message in the Integrated Report 2021



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* 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.