



# Results of Operations for the Fiscal Year Ended March 31, 2024

Tokushu Tokai Paper Co., Ltd. (Securities code: 3708)

May 28, 2024



# Financial Information

Ordinary income reached record high.

Second-highest sales and third-highest profit

## YoY change

(Millions of yen)	FY3/23	FY3/24	YoY change	
Net sales	84,130	86,517	+2,387	+2.8%
Operating income	1,640	2,296	+656	+40.0%
Ordinary income	4,058	6,188	+2,130	+52.5%
Profit attributable to owners of parent	4,130	4,590	+460	+11.1%

Volume was somewhat low in all paper segments but price revisions supported monetary sales.

Big increase in sales and earnings in the environment related business because of the acquisition of Toei Co., Ltd. in April 2023.

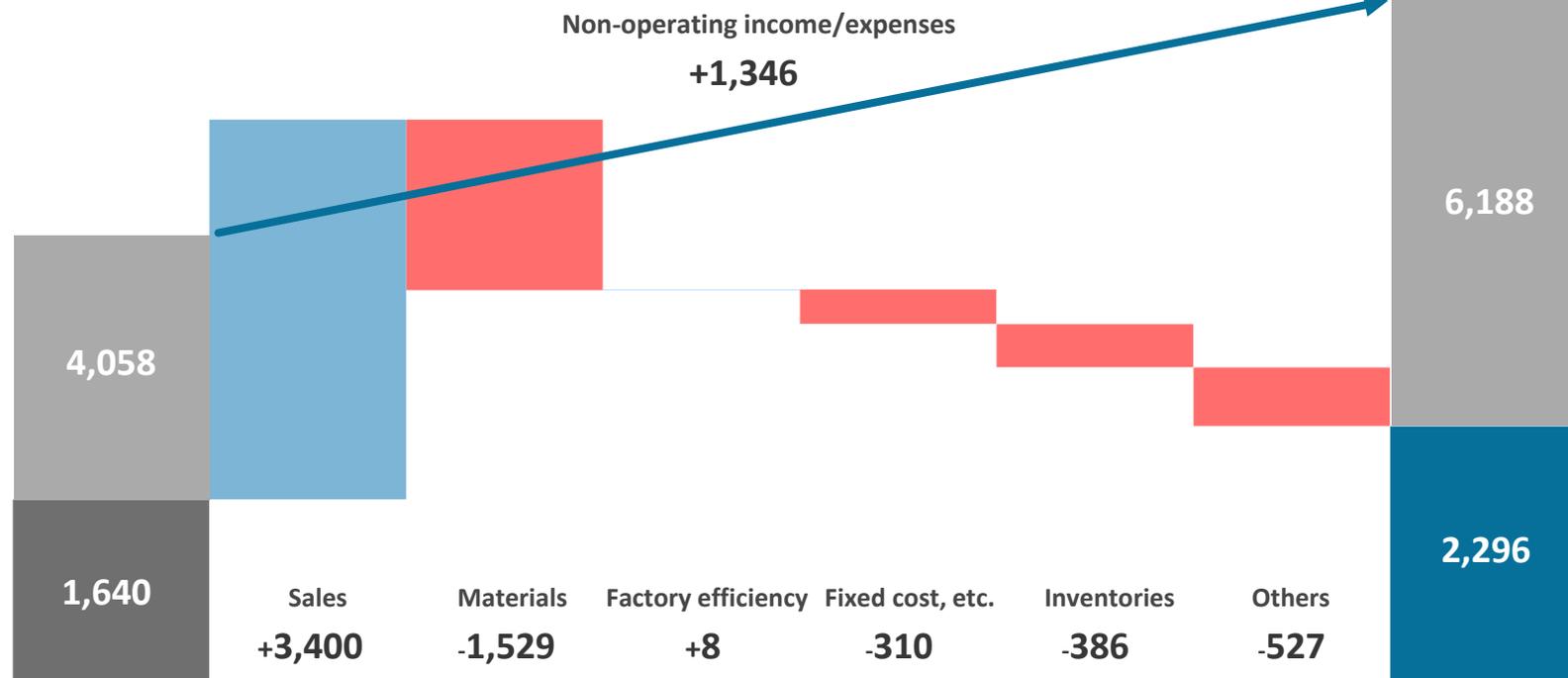
## YoY change

(Millions of yen)		FY3/23	FY3/24	YoY change
Industrial Materials Business	Net sales	43,493	42,455	-1,038
	Operating income	977	1,282	+305
Specialty Materials Business	Net sales	20,661	20,427	-234
	Operating income	615	495	-120
Household Products Business	Net sales	17,358	18,151	+793
	Operating income	(139)	567	+706
Environment Related Business	Net sales	8,502	11,875	+3,373
	Operating income	84	122	+38
Elimination/ adjustment	Net sales	(5,884)	(6,392)	-508
	Operating income	101	(170)	-271
Total	Net sales	84,130	86,517	+2,387
	Operating income	1,640	2,296	+656

Price revisions more than offset the decline in sales volumes, resulting in a ¥0.65 billion increase in operating income. Ordinary income increased ¥2.13 billion.

YoY change

(Millions of yen)



FY3/23

FY3/24

## YoY change

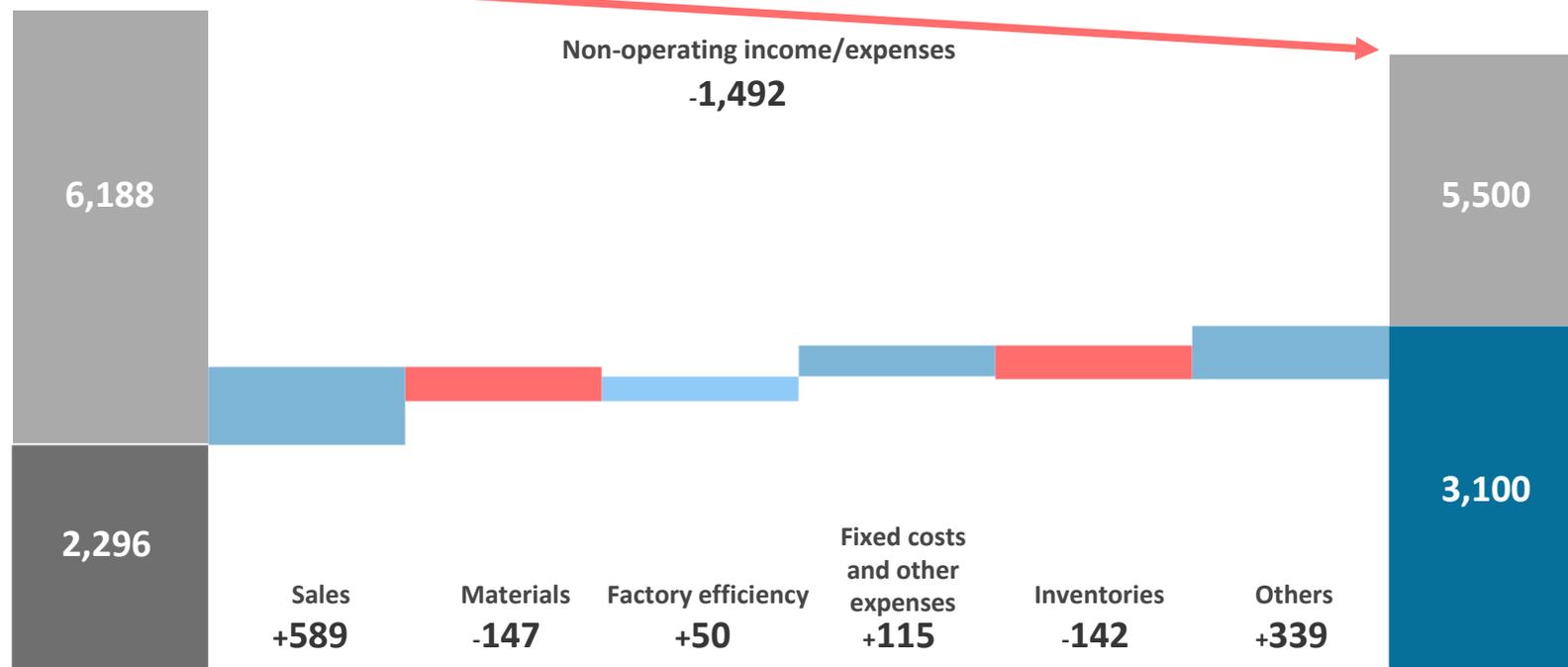
(Millions of yen)	FY3/24	FY3/25	YoY change	
Net sales	86,517	93,000	+6,483	+7.5%
Operating income	2,296	3,100	+804	+35.0%
Ordinary income	6,188	5,500	-688	-11.1%
Profit attributable to owners of parent	4,590	4,300	-290	-6.3%

Forecast an increase in operating income despite the outlook for consistently high prices of raw materials and energy as price revisions and a recovery in sales volumes contribute to earnings.

Forecast lower ordinary income due to the outlook for a decrease in equity-method income.

YoY change

(Millions of yen)



FY3/24

FY3/25

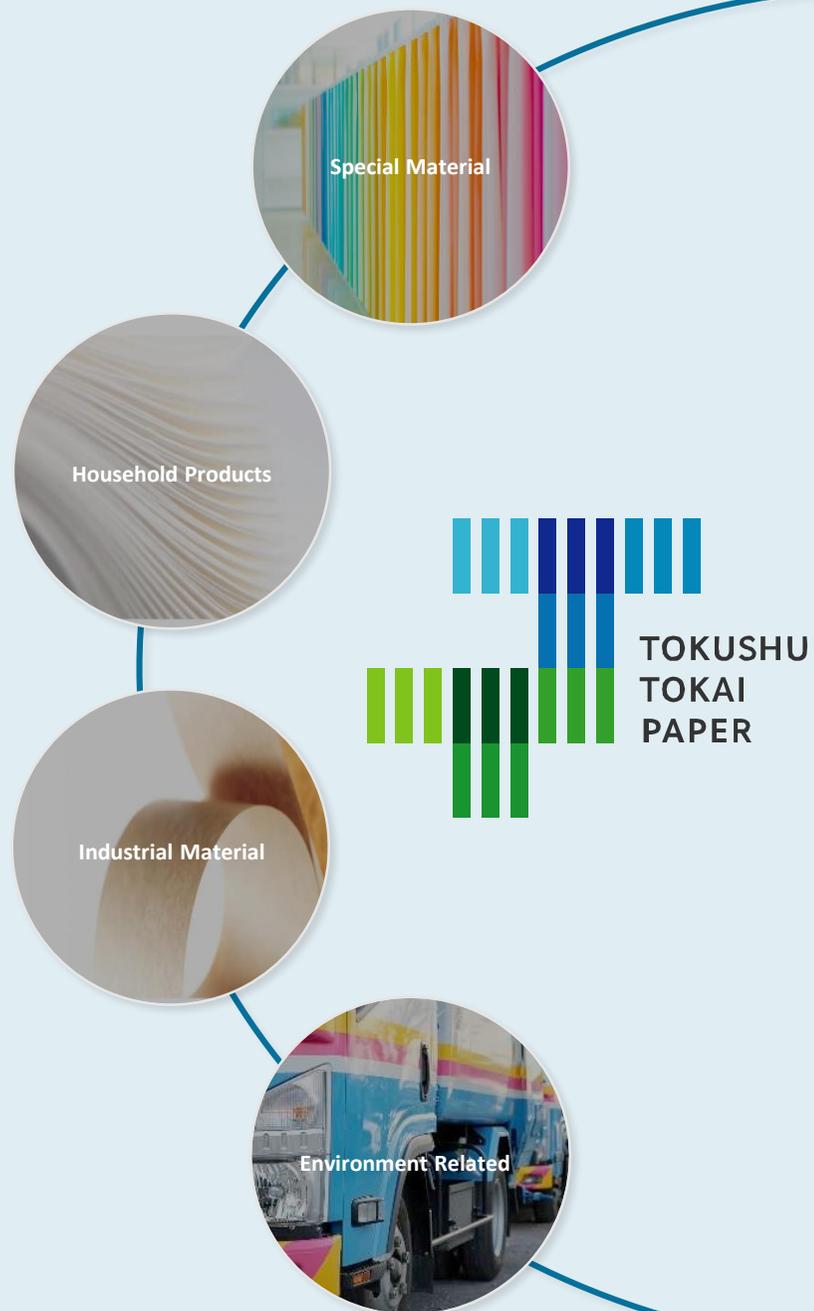


# Business Strategies

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

Tokushu Tokai Paper has consistently focused on the growth of corporate value as a distinctive corporate group that is guided by the commitment to technology and trust originating with the company's two founders.

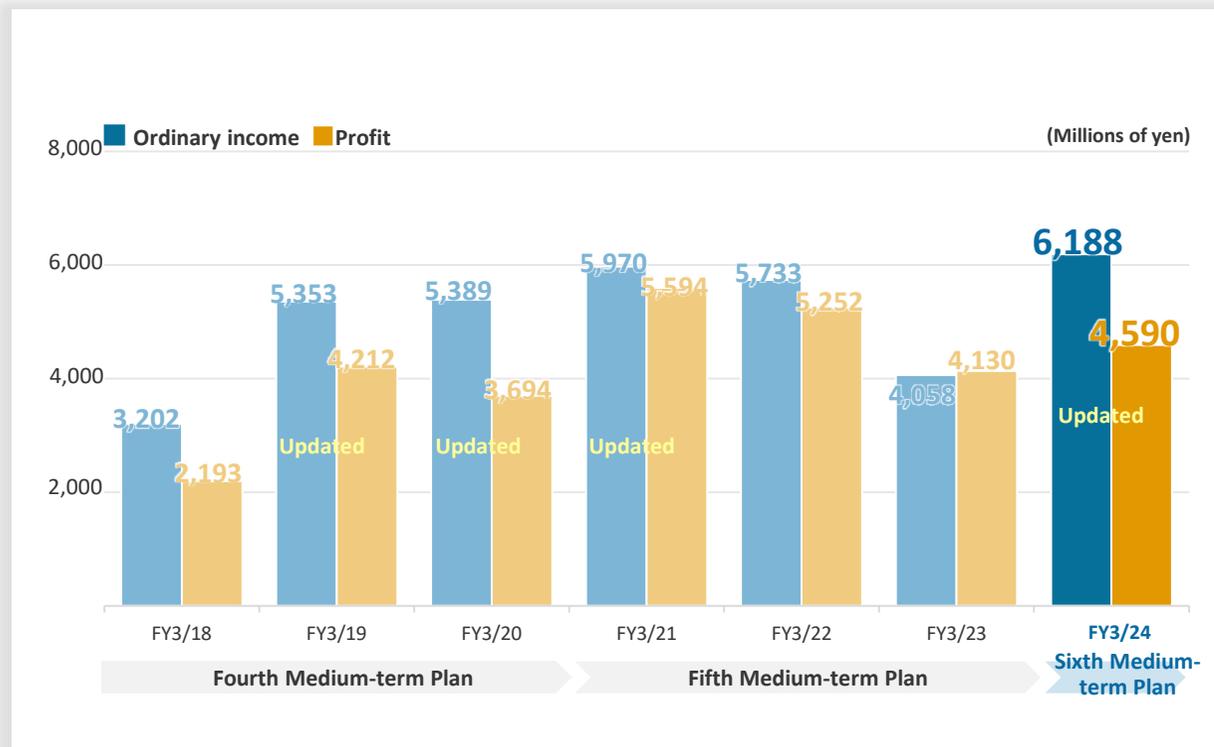
The business climate for the paper business is constantly changing. To continue to grow, the TTP Group must change as well while aiming to reinforce its position as **an organization that is like no other.**



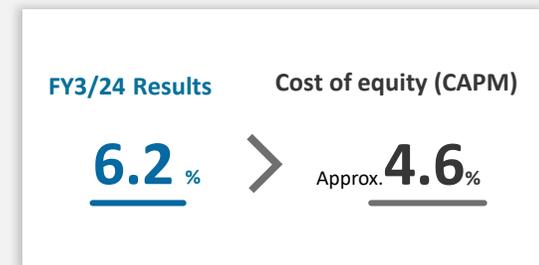
Sales and earnings have been firm following the Fourth Medium-term Plan.

During the past seven years, ordinary income has increased to a new record high four times.

### Financial Summary



### Return on equity (ROE)



Since the beginning of the Fourth Medium-term Plan, the return on equity (using the capital asset pricing model) has consistently been higher than the cost of equity. Furthermore, the ROE has been increasing slowly.

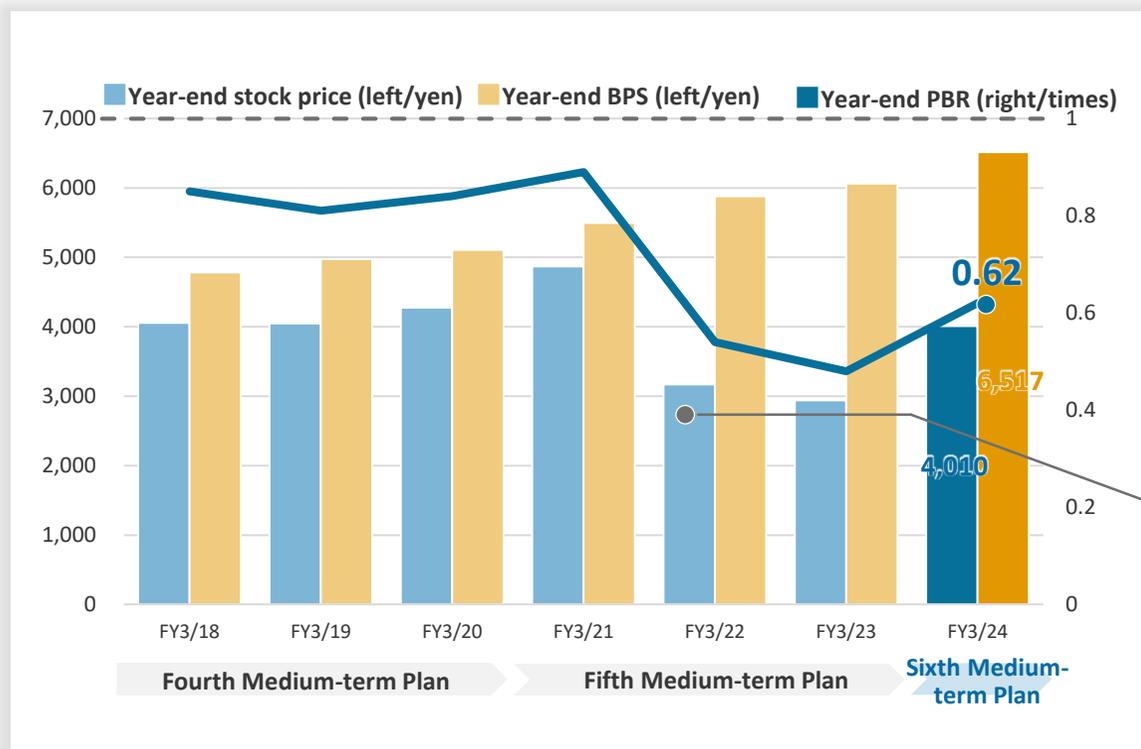
#### Reference



An urgent need to raise the PBR, which has remained below one despite strong sales and earnings.

The effective cost of equity is higher than the CAPM cost of equity. TTP believes that more measures are needed to improve profitability and disclose information about effective measures involving equity.

Price-book Ratio (PBR) and Book Value per Share (BPS)



Analysis

	FY3/24 Results	Cost of equity (CAPM)
<u>Market requirement</u>	> <u>6.2%</u>	> Approx. <u>4.6%</u>

TTP believes that investors expect a higher level of profitability because the average ROE for manufacturers in Japan is about 8.4%.

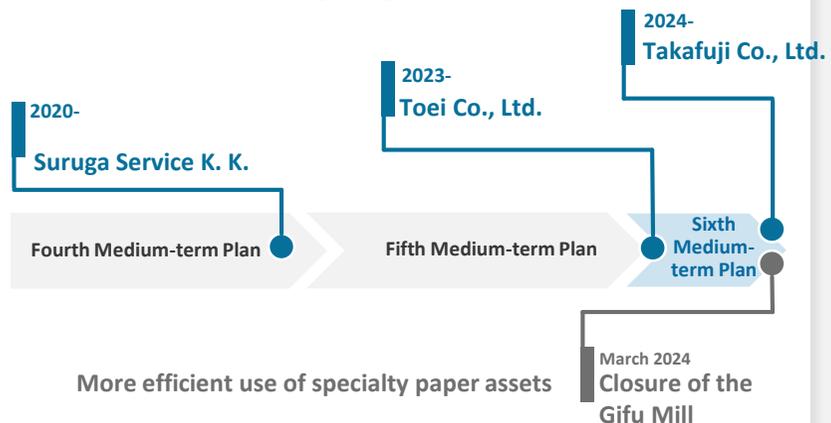
TOPICS

There was a secondary offering of 1,798,000 shares of stock in February 2022. TTP purchased 1,500,000 shares to hold as treasury stock and the remaining approximately 300,000 shares were sold to investors. Although the stock price declined for a while due to this offering, the offering is expected to support a higher stock price in the coming years due to the increase in trading liquidity.

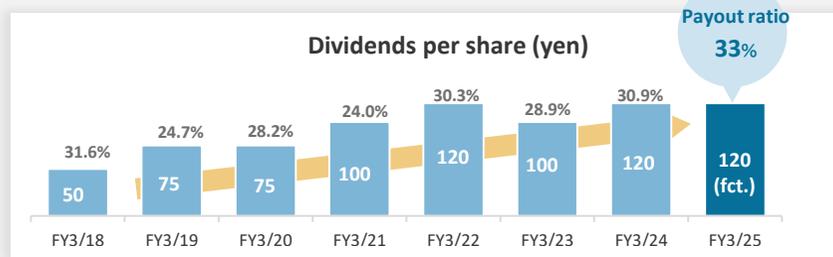
## TTP Plans to Announce Plans in FY3/25 Based on Growth Investments and Shareholder Distributions

### Investments for Growth (Portfolio Management)

Investments and Closures Beginning with the Fourth Medium-term Plan



### Shareholder Distributions



Fiscal Year	Amount (billion yen)
FY3/18	¥4.4 billion
FY3/21	¥2.2 billion
FY3/22	¥4.0 billion
FY3/23	¥1.3 billion
FY3/24	¥0.3 billion
<b>Total</b>	<b>¥12.2 billion</b>

As of	Number of shares (thousand)	Change (%)
As of March 31, 2018	15,412	-
As of May 31, 2024 (tentative)	13,000	-15.6%

### Activities During the Past Seven Years

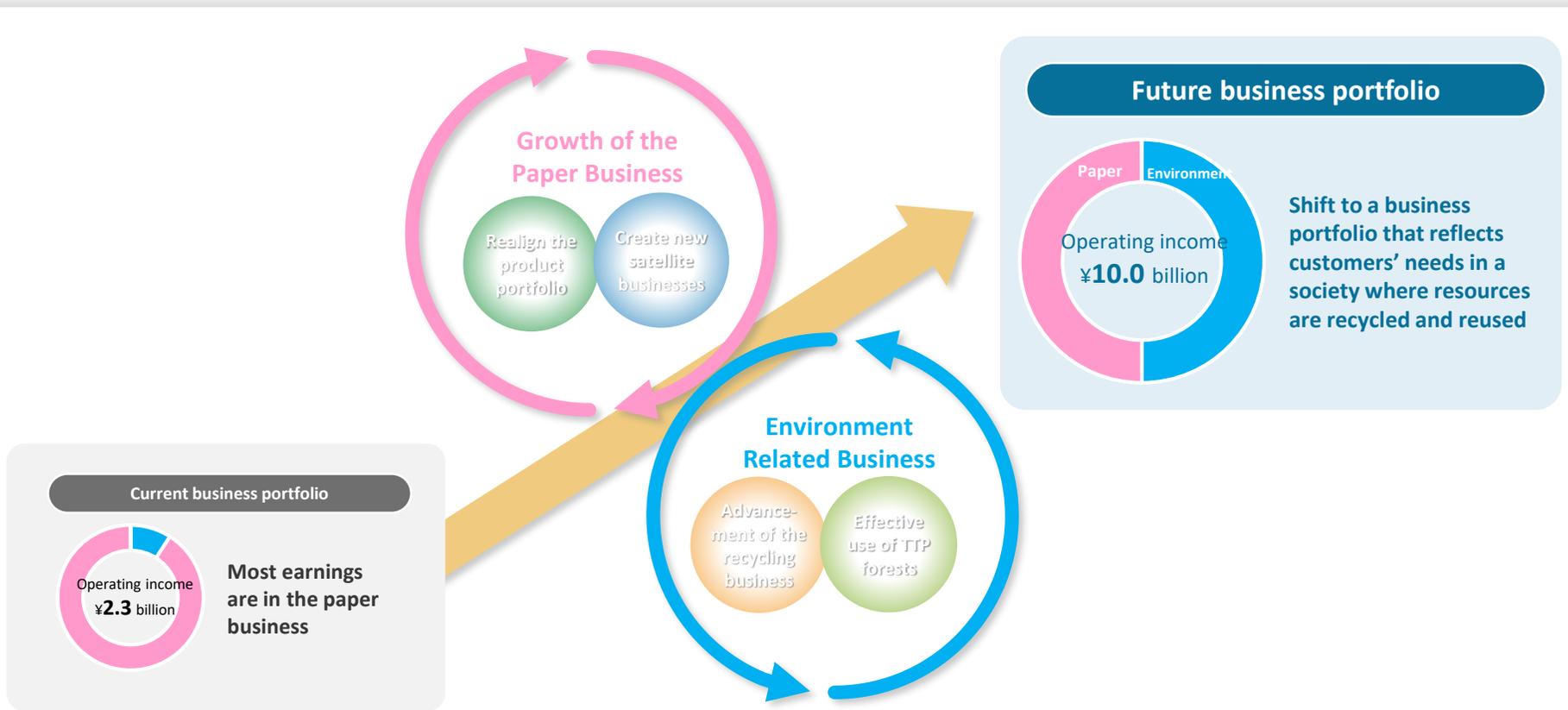


Quickly concentrate investments on growing market sectors while maintaining financial soundness

Continue making timely and flexible decisions about dividend increases and stock repurchases based on the dividend policy

Clearly explain to investors the TTP Group's growth story based on the strategy of being an organization like no other due to the utilization of unique strengths in all businesses

Higher profitability by strengthening a business portfolio with two core components: paper and the environment



Initiatives to become an organization like no other

## Environment Related Business

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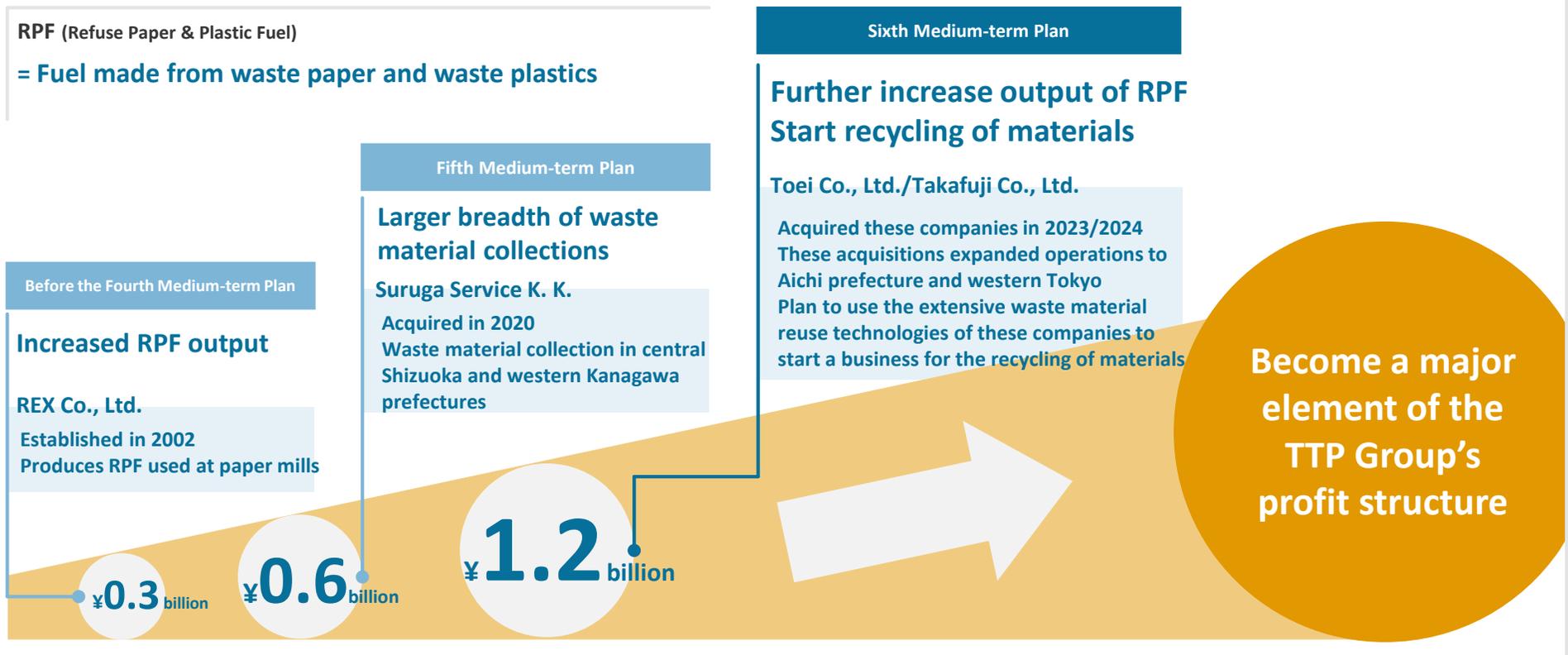
During the Fourth Medium-term Plan, the environment related business became a reportable segment. During the next plan, Suruga Service K.K., an intermediary waste material processing company, joined the TTP Group. In addition, whisky distilling started at the Minami Alps distillery. During the Sixth Medium-term Plan, the goal is growth of environmental operations into a new core business alongside the three paper businesses. In the future, this business is expected to be a major element of the group's profit structure.



TTP is using acquisitions for growth in the recycling business sector.

One step was the April 2024 acquisition of **Takafuji Co., Ltd.**, a waste material processing company based in western Tokyo.

Outlook for Resource Reuse Business Earnings



\* Amounts are simply the sum of each group company

Processes about 90,000 tons of waste materials, mainly building materials, received from construction companies, homebuilders and other companies

Supplies RPF feedstock to REX Co., Ltd. and is expected to produce synergies involving thermal recycling

Distinctive Strengths and Profile

Many customer relationships created during 30 years of operations

Customers range from large, publicly owned companies to small local construction companies

A vital infrastructure in western Tokyo

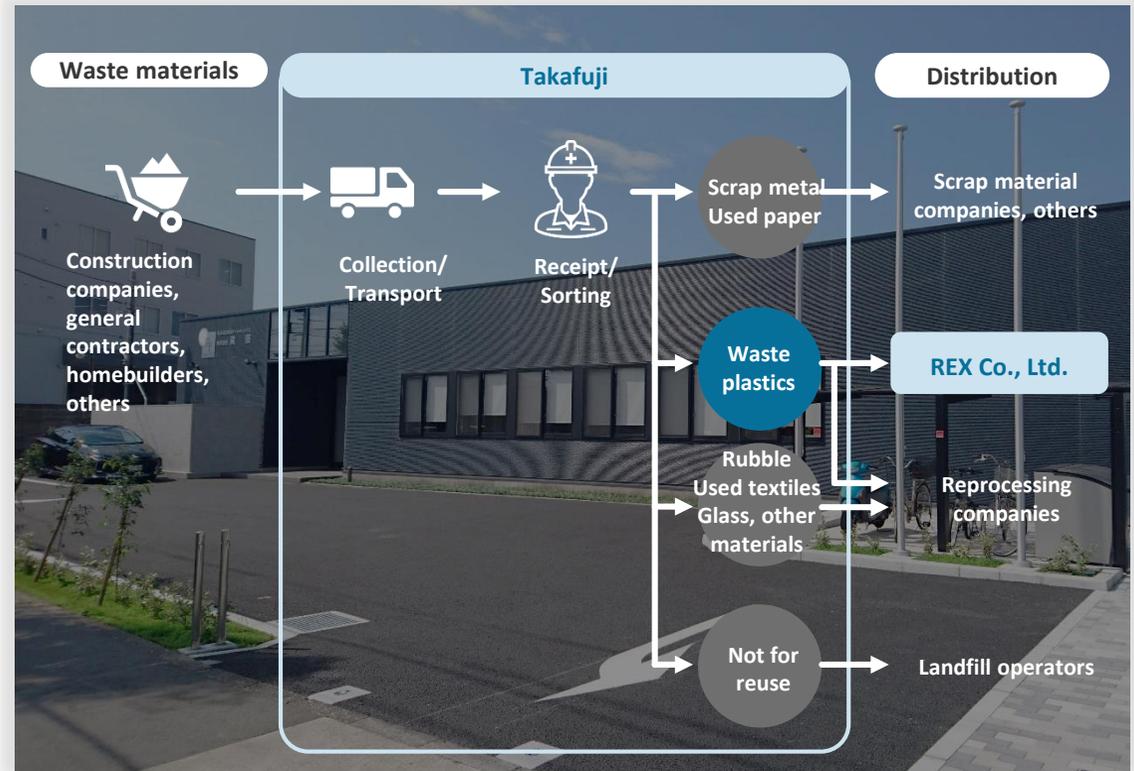
Signed agreement to cooperate with the City of Akishima for the removal of waste materials following natural disasters

Factory expansion in Dec. 2023

Installation of a crusher and packaging machine doubled the capacity of the main processing facility

Head office: 3-1-3 Haijima-cho, Akishima-shi, Tokyo  
 Factories: 3 locations (Hamura, Akishima, Tachikawa)  
 Sales: ¥2.7 billion (FY9/22 results)  
 Ownership: 100% owned by Takefuji Holdings (holding company of Takafuji)

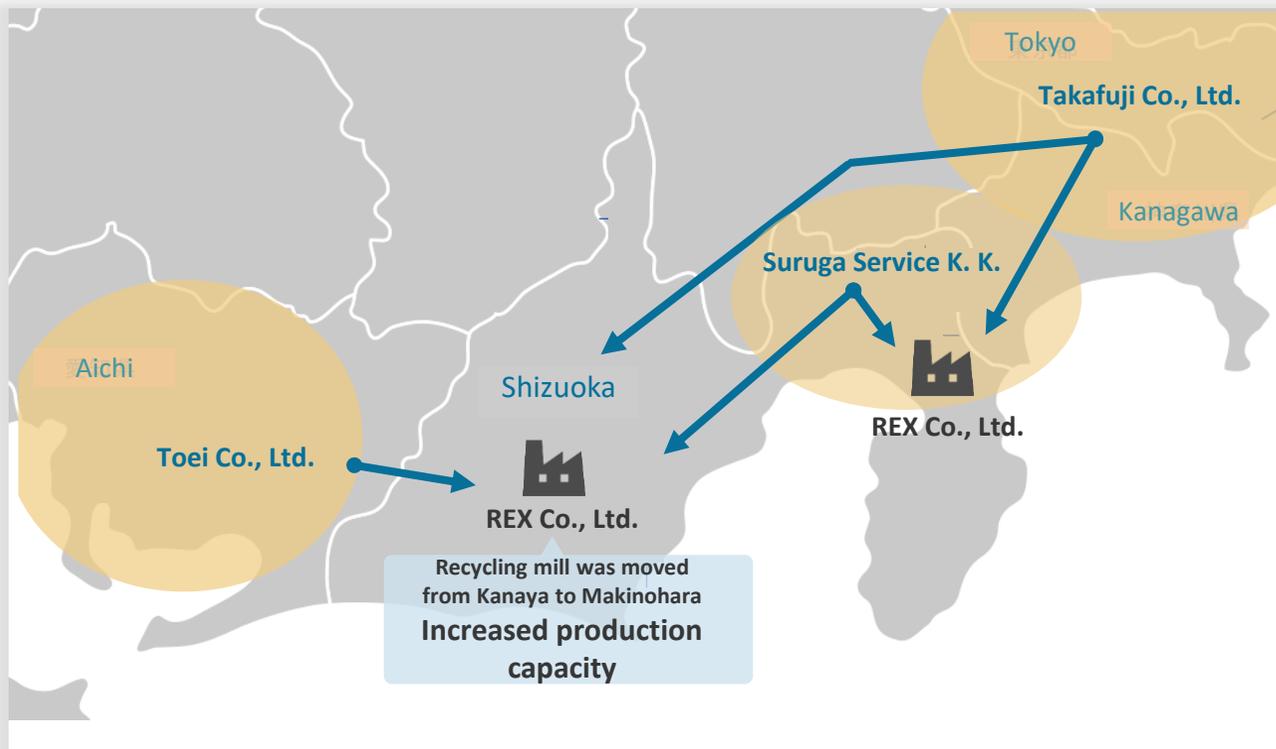
Business Flowchart



Three acquisitions during the past four years have expanded to the east and west areas for the collection of waste materials that can be used as a feedstock for making RPF. The establishment of an infrastructure for producing high-quality RPF **has succeeded at giving TTP a competitive advantage in the thermal recycling sector.**

Waste material collection spanning Aichi-Shizuoka and western Tokyo

■ Areas of expansion



Objectives of Expansion to More Areas

Internal environment	External environment
More RPF output requires the input of a larger volume of waste materials.	Growing demand for energy from waste materials is creating more competition for the collection of these materials.

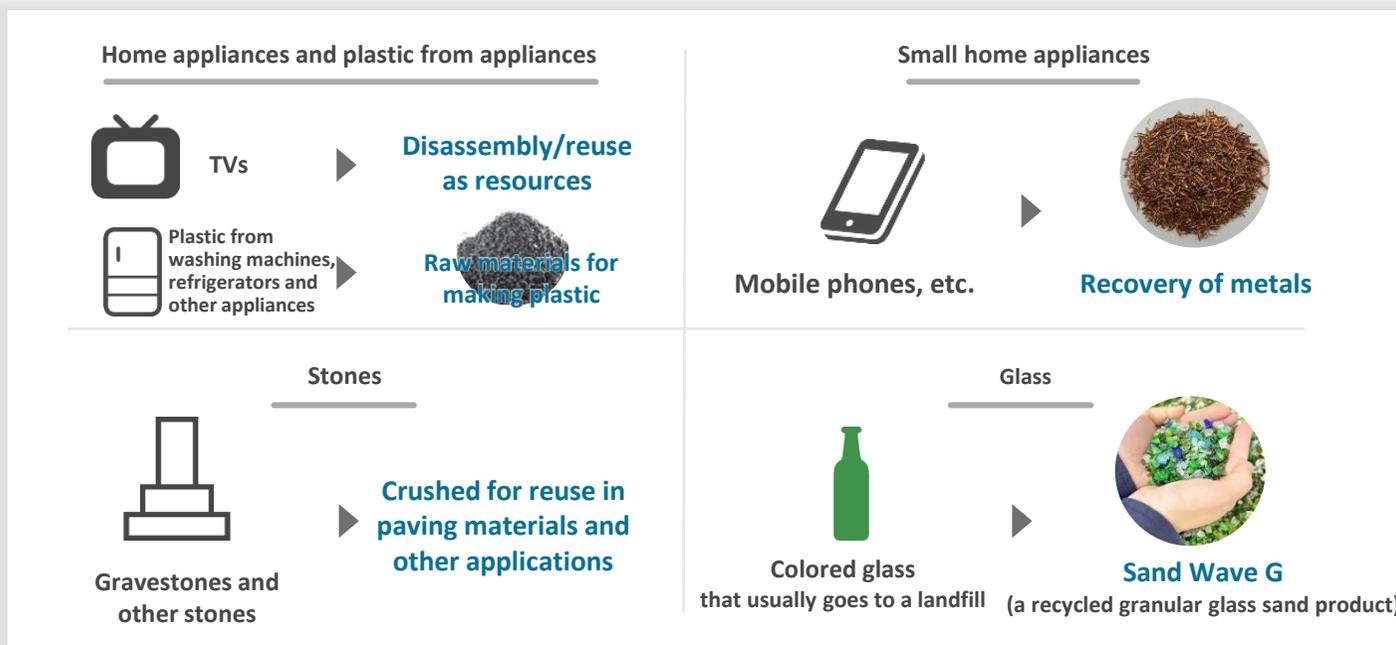
**Reliable sources of raw materials helps increase production**

RPF production volume (FY3/20 vs FY3/24)  
About + **9.2** %

Building a framework for recycling materials that is centered on Toei.

The goal is to **establish a presence like that of no other competitor in the material recycling market** in order to capture orders due to new demand that will emerge in the coming years.

Examples of material recycling possible due to expansion of this business



A **plastic high-purity sorting line** will begin operating early in 2025 at Toei’s Port Dream Factory (transforms waste plastics into raw materials for reuse) at this company’s Handa Port facility near Nagoya.

Differentiation through **new material recycling** tailored to customer needs that could not be met in the past

Reasons for expansion to more areas of Japan

Internal environment

Types of plastics that can be processed are currently limited. Unable to increase the volume of materials for processing by relying only on the used home appliance category.

External environment

Increasing **need for the recycling of plastic products other than home appliances** due to the enactment of Japan’s new plastic materials recycling law.



New capabilities due to the new sorting line



Crushing and sorting of plastic materials, including plastics with metal and composite materials, such as automotive parts



Crushing/pulverizing of a variety of household plastic products, such as laundry baskets



Higher accuracy of sorting based on colors, composition and other properties of waste plastics

Started operating **Mercari Shops** with the town of Higashiura (near Nagoya); the first system in Japan for selling large household trash items using Mercari shops based on a tie-up with a local government

Received an **Aichi Environment Award**, which is given to companies that support the reuse of resources and lower the environmental impact of various activities

Toei collects and sells large discarded household items



For sale by Higashiura Reuse by Toei

Usually, furniture and other large items discarded by households are crushed and incinerated or processed in other ways. Toei carefully selects items that can still be used and sells them at Mercari Shops operated jointly with the town of Higashiura. Selling these items reduces the volume of trash sent to landfills. These stores are a reuse program possible only by Toei due to its reputation for reliability in this region.



Higashiura Reuse by Toei

Recognition for contributions to creating a society where resources are reused



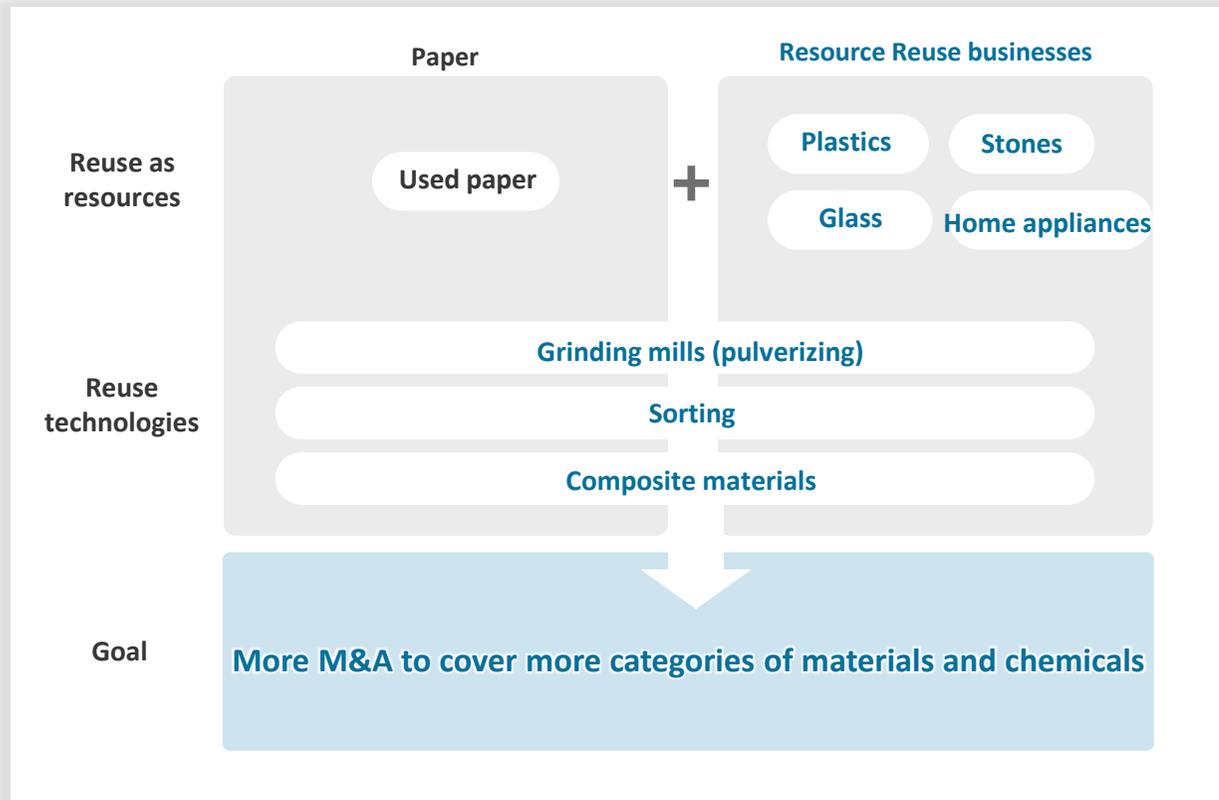
From right, Hideaki Omura, governor of Aichi prefecture, Shinji Imazu, president of Toei, Toshikazu Koike, chairman of Environmental Partnership Organizing Club (chairman of Brother Industries)

The outstanding achievement award the significant contribution of Toei to creating a society where resources are reused through the utilization of advanced recycling technologies that include the processing of plastics in used home appliances and the operation of an urban mining business.

Continuing to seek many opportunities for growth by using M&A and alliances

Aiming to **become a business like no other** while enlarging operations to include more types of materials and chemicals

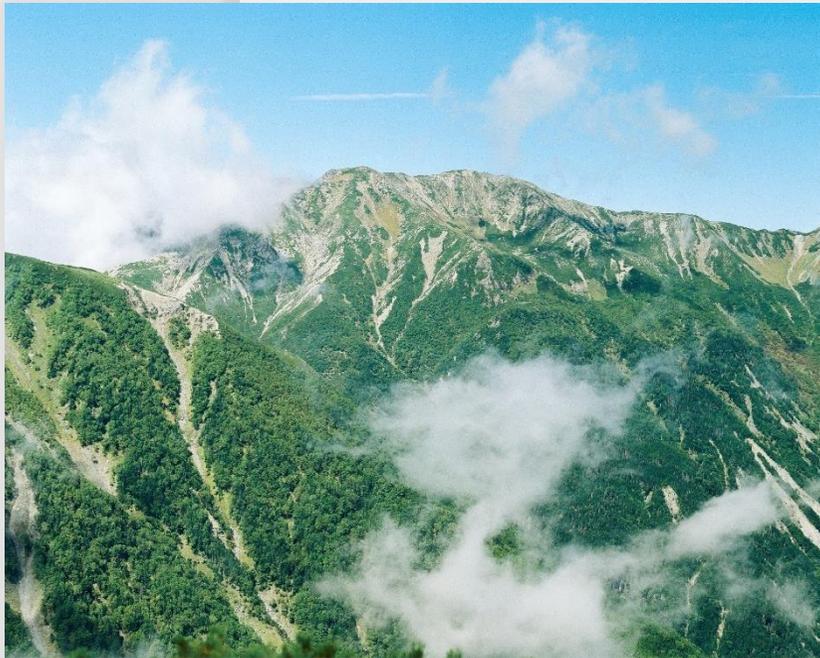
Recycling in the TTP Group



▶ Create recycling technologies that competitors cannot match

The Ikawa Forest is a key component of the TTP Group's identity.

The goal is to use this Southern Alps, which TTP has been preserving for many years, to make **the value of the forest** accessible to the public.



Mt. Arakawa

- Activity **Build partnerships with communities and companies for the protection and effective use of the forest**
- Activity **Use the J-Credit Scheme for the absorption of CO2 by responsibly managed forests**
- Activity **Production of single malt Japanese whisky**

## Agreement with Taisei Corporation (a construction company) concerning use of the Ikawa Forest and participation in the Minami Alps Partnership of the city of Shizuoka

Started building a model for a **virtuous use-preservation cycle** of the Ikawa Forest, including agreements with Taisei Corporation and the city of Shizuoka

### Lodging with a low environmental impact

Studies are under way for the use of Taisei technologies at the Ikawa Forest lodge for electricity and other facilities to take the lodge off the grid.

### Planting trees and more deer fences

Conduct examinations of areas where difficult access has prevented studies in prior years. Identify priority areas for protection and build more fences to keep out deer.

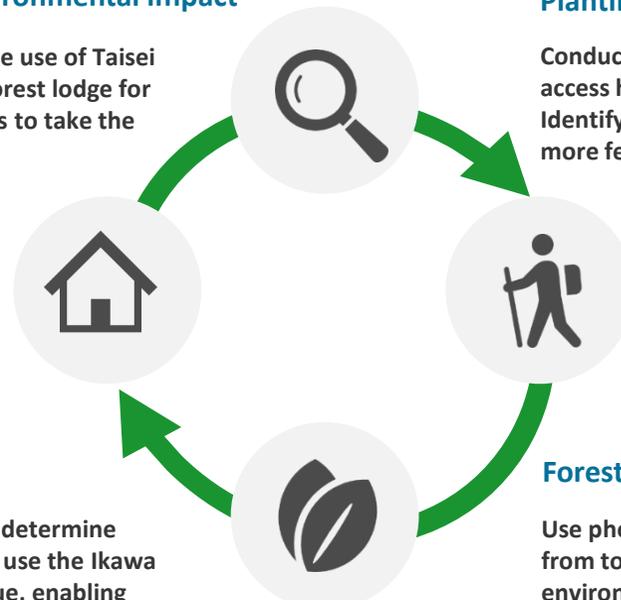
Use these activities to build a framework for cooperation with communities and companies.

### Rediscovering nature

Use surveys and research to determine new and innovative ways to use the Ikawa Forest to create tourism value, enabling people to experience a natural forest.

### Forest monitoring that uses tourists

Use photos taken by tourists and other input from tourists to obtain data about the natural environment. Use this information to determine distributions of vegetation only in this region and for forest preservation plans.



Part of the Ikawa Forest has been registered for the creation of **forest J-Credits**.

First sale of whisky in the fall of 2024, the fourth year of distillery operations at the Ikawa Forest.

Started sales of differentiated credits that use value of the Minami Alps natural environment

Purchase benefit + Added value

Benefit

**Offsets CO2 emissions**

+

Added value

**Contribution to protecting the forest**

J-Credit income is used for the management of the Ikawa Forest. Therefore, purchasing credits supports the Minami Alps Eco Park and locations for coexistence with nature. This reinforces TTP's appeal as an organization that protects nature.

Added value

**More opportunities for activities (requires separate contract)**

The Ikawa Forest can be used for activities that protect nature and use nature responsibly. Activities involve education, one of the SDGs, forest therapy and other programs for training TTP Group employees and providing them with other benefits.

Markets

In addition to CO2 offsets, added value by enjoying nature and in other ways after purchasing credits



**Expect significant demand for forest credits**

Credits for a forest where a natural forest is more than 90% of the entire applicable area are extremely rare in Japan.

There is already interest in the credits, mainly at companies located near the Ikawa Forest. Offsets involving the distillery are now under consideration.

Plan to start sales in November 2024



The fifth new born series

**Production as planned**  
**Completion of the second aging building in July**

The fifth new born whisky was launched for the purpose of increasing interest and expectations involving longer-aged whisky. Plan to start selling the first single malt Japanese whisky in November 2024. The price, concept, bottle design and other information is expected to be announced in about October.

Initiatives to become an organization like no other

## Paper Related Business

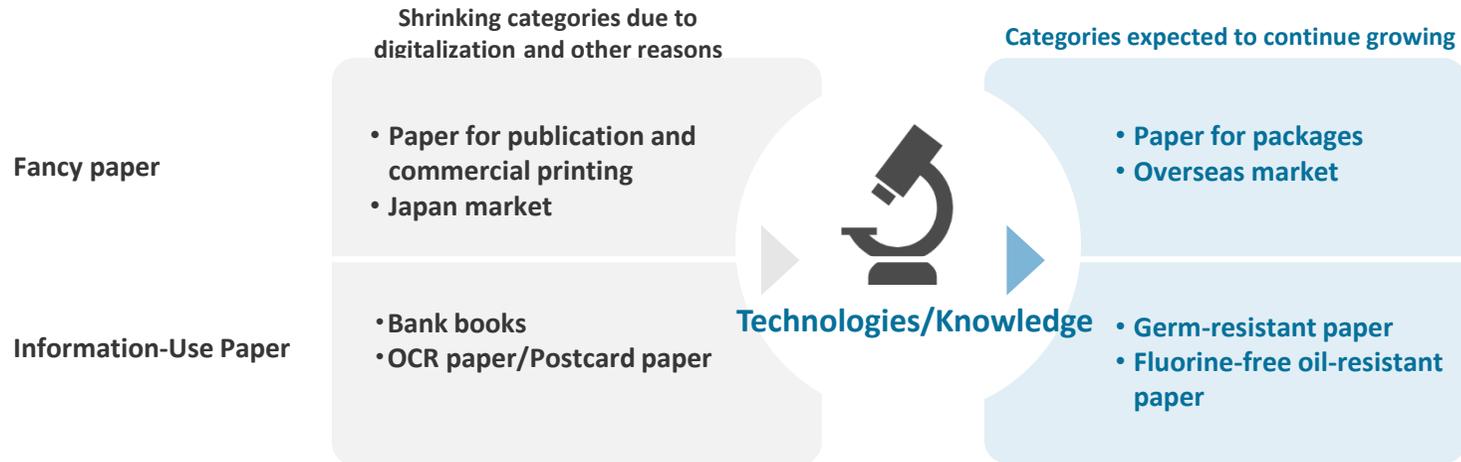
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For many years, office-use and printing paper have been core products of the TTP Group. The increasing use of digital technologies has dramatically altered the structure of the paper industry during the past few decades. Furthermore, interest in biomass is growing because of the increasing need to reduce or eliminate the use of plastic. TTP is using a broad array of technologies and knowledge acquired from papermaking operations to shift activities to market sectors peripheral to paper where these trends are expected to create even greater demand.



Using technologies acquired from specialty paper operations for **the replacement of products** in sectors where demand is falling due to digital technologies and other reasons with products in growing market categories

### Overview of the Product Replacement Process



**Increasing sales of environmentally responsible products, such as products using lamination, and further upgrading quality and the power of brands in order to differentiate TTP products from those of competitors**

### Examples of environmentally responsible products



**NatuLami brand laminated products**



**Tower paper-wrapped towels for consumers**

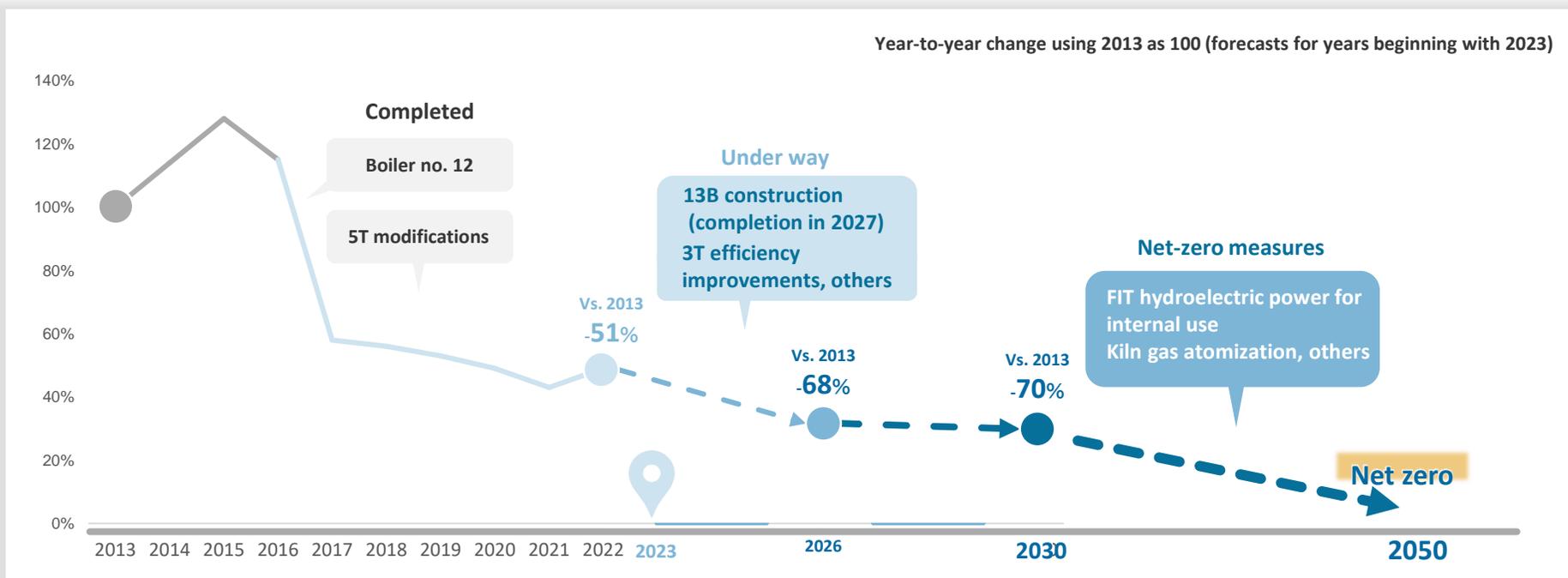


**Extra long toilet paper**

Industrial-use paper demand is fairly stable in comparison with the demand for other existing paper products.

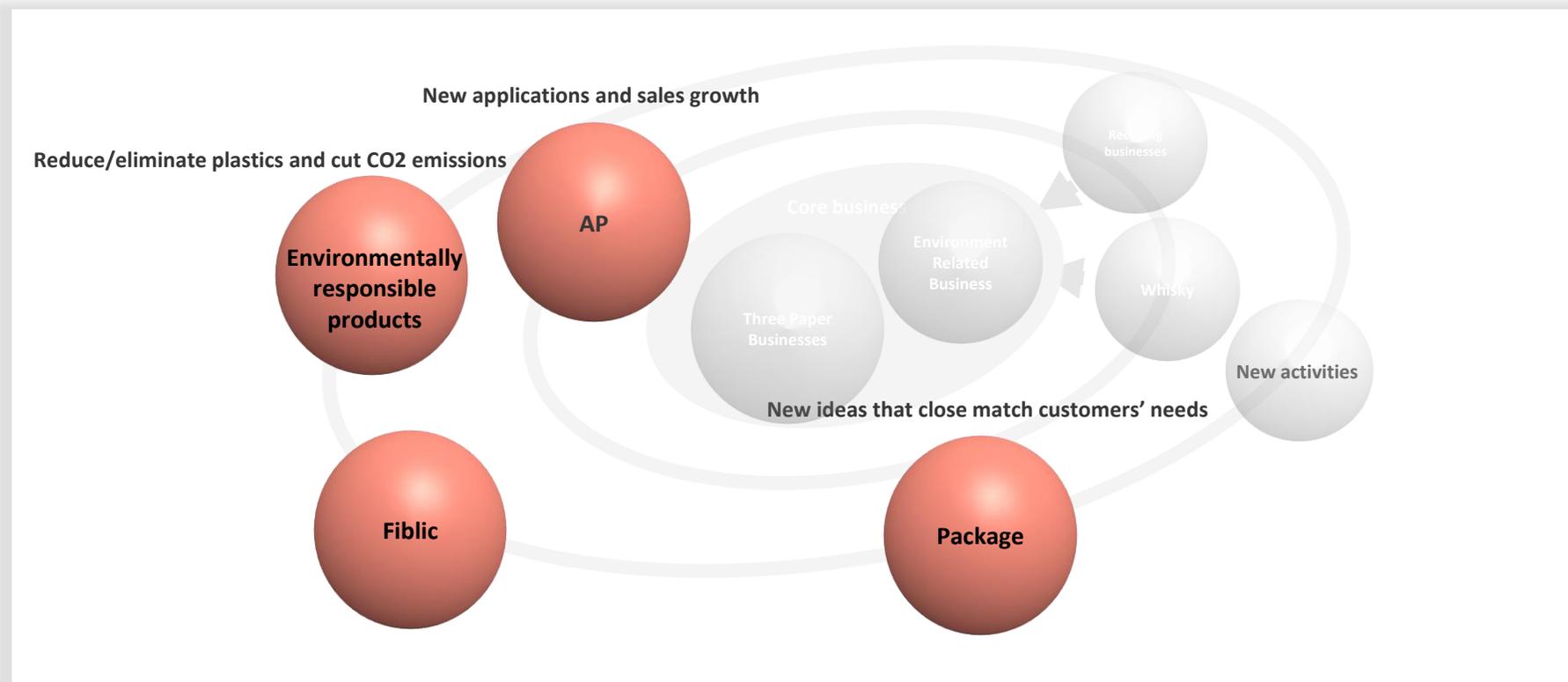
Aiming to become more competitive by **utilizing the low-carbon operations** that are a distinctive strength of the Shimada Mill of Shin Tokai Paper.

CO2 Emissions (tons/ton of paper produced) at the Shimada Mill and Major Actions



## Aiming for technologies that differentiate every TTP Group business

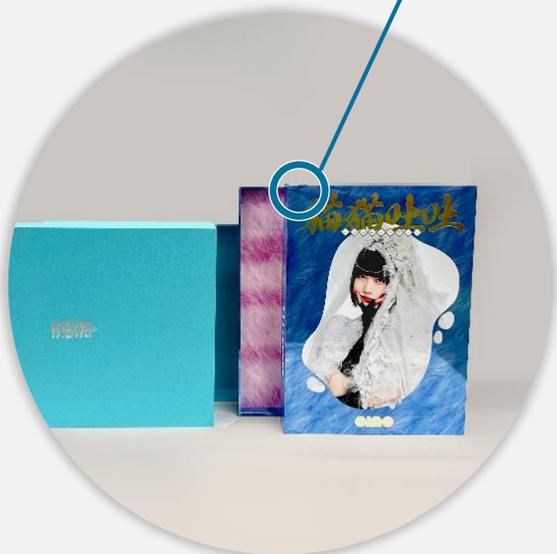
The satellites are business sectors peripheral to the paper business



Constantly create innovative ideas incorporating TTP technologies and knowledge backed by progress with R&D and adding new markets

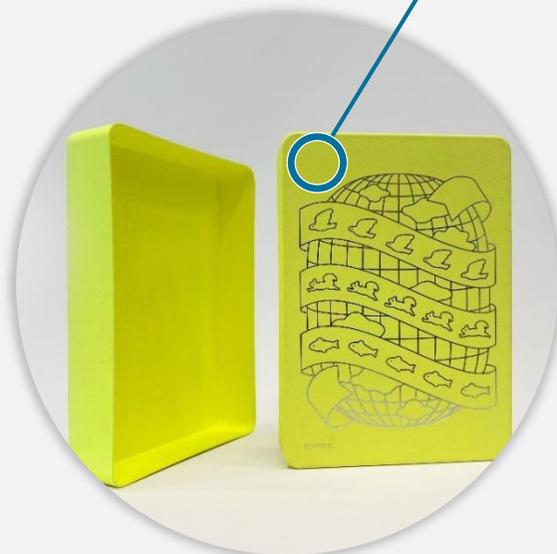
Expertise originating from specialty paper

Double-V cut fabrication method  
Acute-angle edge  
Solid Box®



Music industry  
CD/DVD boxes

Dyeing techniques rarely used even in Japan  
Fluorescent colors



A molded case  
for King Jim Co., Ltd.

Easy workability and outstanding water resistance  
Wet mold



A paper tumbler with a lacquer finish  
for COCOO LLC.

Constantly create innovative ideas incorporating TTP technologies and knowledge backed by progress with R&D and adding new markets

Environmentally responsible products  
incorporation wood utilization expertise

Use of resources  
that are normally discarded

Molded packaging that uses a byproduct of beer production. For the use of malt flour normally discarded, a project was conducted by FANCL Corporation, Kirin Holdings Co., Ltd. and MOLDEA, a TTP Group company that manufactured the packaging.



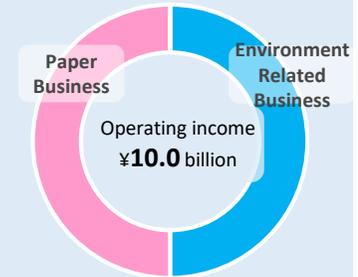
FANCL/Kirin Holdings  
Molded package for cosmetics products

# Medium/Long-term Strategies of the Tokushu Tokai Paper Group

Philosophy **Unique paper maker with high uniqueness and originality**

## Long-term goals

### Future business portfolio



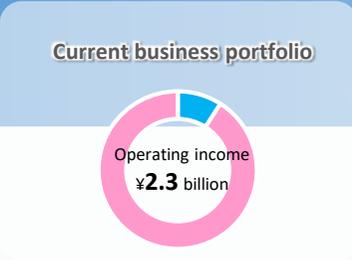
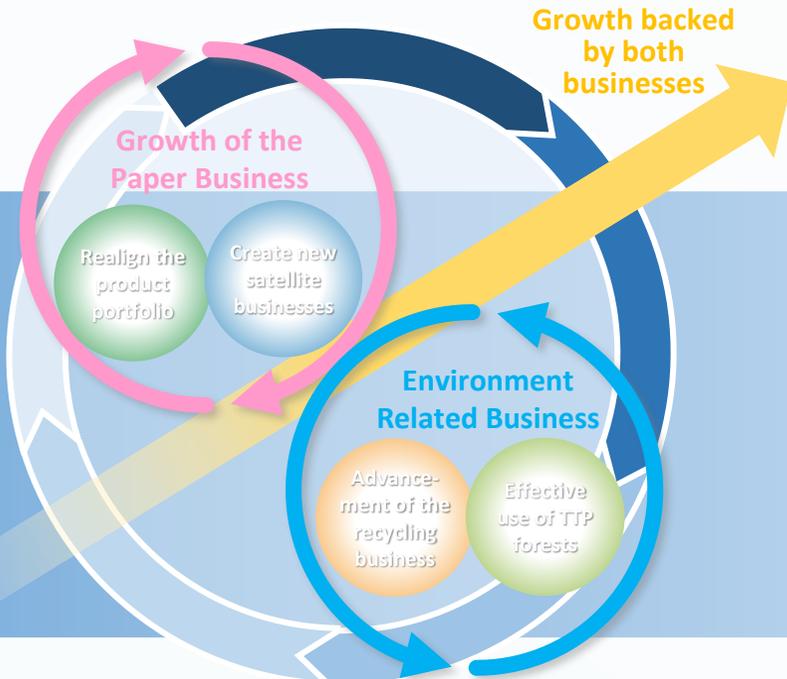
## Value for society

### Coexisting with the environment

- Contributions for decarbonization
- Value as source of natural capital
- Effective use of resources
- Helping reduce the use of plastic
- Products/services that accurately meet specific needs

### Coexisting with communities/society

- Support for cultural activities
- Safety and health
- Utilization of a diverse workforce
- Improve productivity



Our Vision

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



\* 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.