

Results of Operations for the First Half of the Fiscal Year Ending March 31, 2025

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

Financial Information

(Millions of yen)	1H FY3/24	1H FY3/25	YoY	
Net sales	42,615	46,572	+3,957	+9.3%
Operating income	783	1,873	+1,090	+139.1%
Ordinary income	2,949	3,059	+110	+3.7%
Profit attributable to owners of parent	2,328	2,096	-232	-10.0%

Net sales

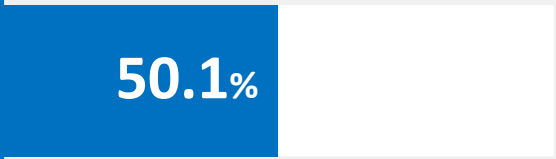
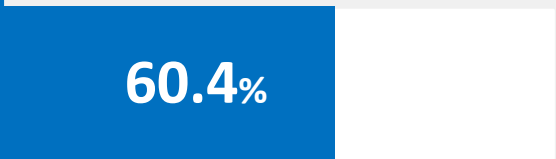
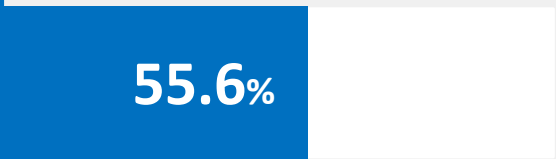
- Benefits of price revisions in the Specialty Materials and Household Products businesses
- Growth of the Environment Related Business

Operating income

- Contribution to earnings from higher sales in the Environment Related Business and from price revisions of specialty paper and toilet paper

Ordinary income

- Equity in earnings of affiliates decreased from one year earlier

1H FY3/25 Result	Progress ratio	Forecasts announced in May 2024	
<p>Net sales</p> <p>46,572 million yen</p>	 <p>50.1%</p>	<p>93,000</p>	<p>▶ 95,000 million yen</p>
<p>Operating income</p> <p>1,873 million yen</p>	 <p>60.4%</p>	<p>3,100</p>	<p>▶ 4,000 million yen</p>
<p>Ordinary income</p> <p>3,059 million yen</p>	 <p>55.6%</p>	<p>5,500</p>	<p>▶ 6,200 million yen</p>

(Millions of yen)		1H FY3/24	1H FY3/25	YoY	
Industrial Materials Business	Net sales	21,372	22,144	+772	+3.6%
	Operating income	521	356	-165	-31.7%
Specialty Materials Business	Net sales	10,342	10,597	+255	+2.5%
	Operating income	(71)	884	+955	-

Industrial Materials Business

- Sales increased because of higher prices of products sold to NTI (Nihon Tokai Industrial Paper Supply) to reflect the rising cost of materials. Sales volumes of cardboard for boxes and kraft paper decreased.
- Electricity sales and earnings were down due to the suspension of the sale of electricity for about 1.5 months caused by equipment problems at the hydroelectric power plant.

Specialty Materials Business

- Sales and earnings were supported by a recovery in the sales volume of functional specialty paper. Demand for specialty printing paper in Japan continues to decline.
- Stable prices of materials and price revisions were the main reasons for the improvement in profitability.

(Millions of yen)		1H FY3/24	1H FY3/25	YoY	
Household Products Business	Net sales	9,022	9,283	+261	+2.9%
	Operating income	258	339	+81	+31.2%
Environment Related Business	Net sales	5,290	8,084	+2,794	+52.8%
	Operating income	23	215	+192	+801.0%

Household Products Business

- The sales volume of paper towels was firm but toilet paper price revisions and sales volume growth were the main reasons for the increases in sales and earnings.

Natural Environment Business

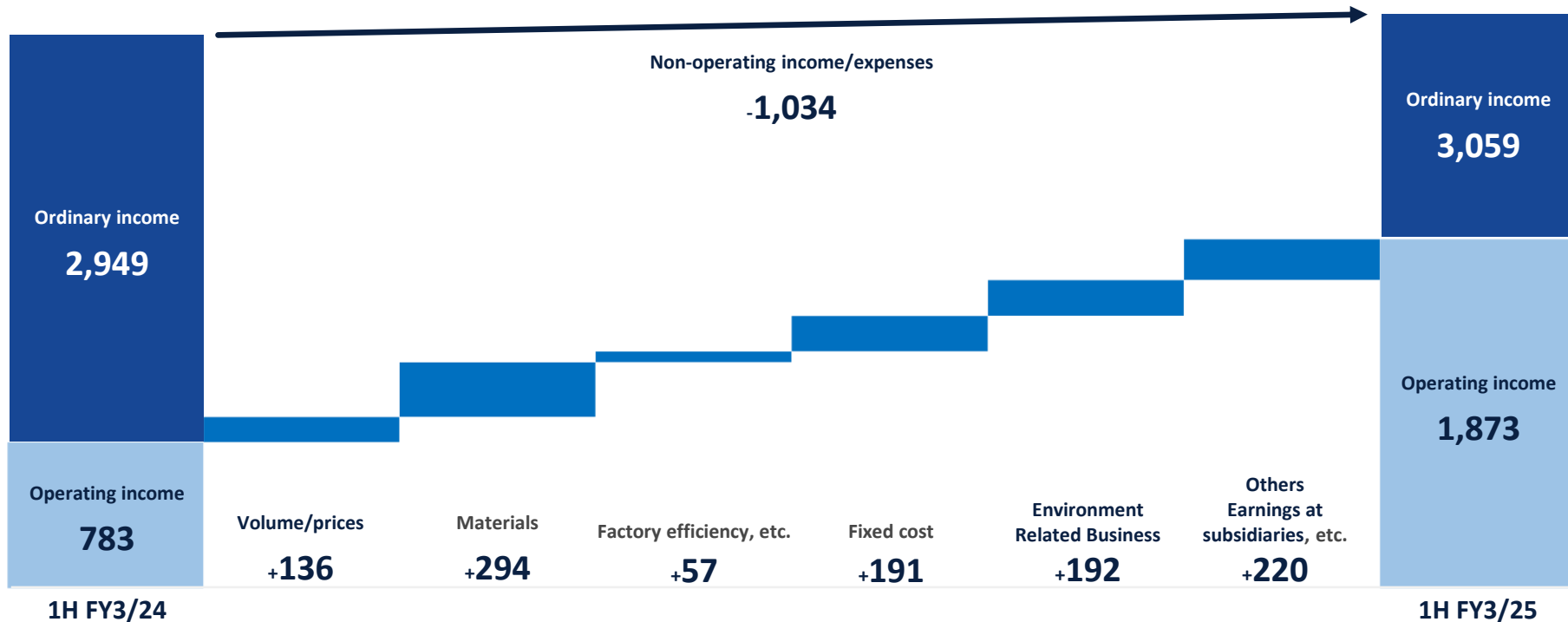
- Civil engineering performed well
- Whiskey sales started in the third quarter

Resource Reuse Business

- Strong performance of the material recycling operations of Toei
- Sales and earnings of Takafuji, a waste material collection and intermediate processing company, are consolidated beginning with 2Q FY3/25.

Components of Change in First Half Earnings (YoY)

(Millions of yen)



Major components

- The negative impact of lower hydroelectric plant electricity sales was offset by price revisions in the Specialty Materials and Household Products businesses. The net result was a volume/prices contribution of +136.
- Materials were +294 mainly because of stable prices of imported pulp.
- Environment Related Business was +192 because of sales of materials by Toei, a larger volume of materials collected by REX, and progress as planned at projects in the construction business.

(Millions of yen)	FY3/24 results	FY3/25 forecasts		YoY change	
		Before revision	After revision		
Net sales	86,517	93,000	95,000	+8,483	+9.8%
Operating income	2,296	3,100	4,000	+1,704	+74.2%
Ordinary income	6,188	5,500	6,200	+12	+0.2%
Profit attributable to owners of parent	4,590	4,300	4,300	-290	-6.3%

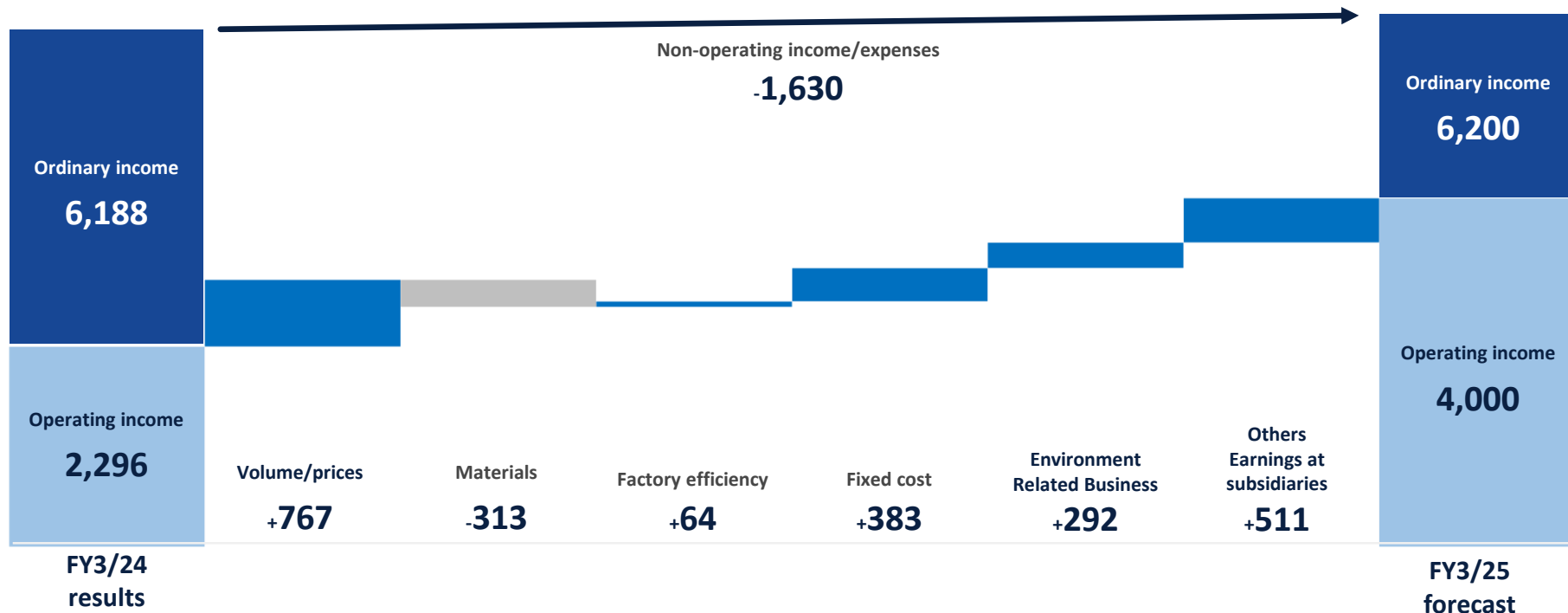
Net sales/Operating income

- The forecasts reflect price revisions of specialty paper and toilet paper and the outlook for firm demand for functional specialty paper.

Ordinary income

- Although equity-method income was expected to decrease, the forecast is now no change in FY3/25 due to the increase in operating income.

(Millions of yen)



Major components

- Volume/prices +767 because of the outlook for a second half recovery vs. FY3/24 in the sales volumes in the Specialty Materials and Household Products businesses and for contributions of price revisions in these businesses
- Materials -313 because of the outlook for prices of raw materials to remain high, including the high cost of imported pulp due to the yen's depreciation
- Environment Related Business +292 because of Toei sales growth and the outlook for a recovery in construction waste material processing beginning in July at Takafuji and Suruga Service

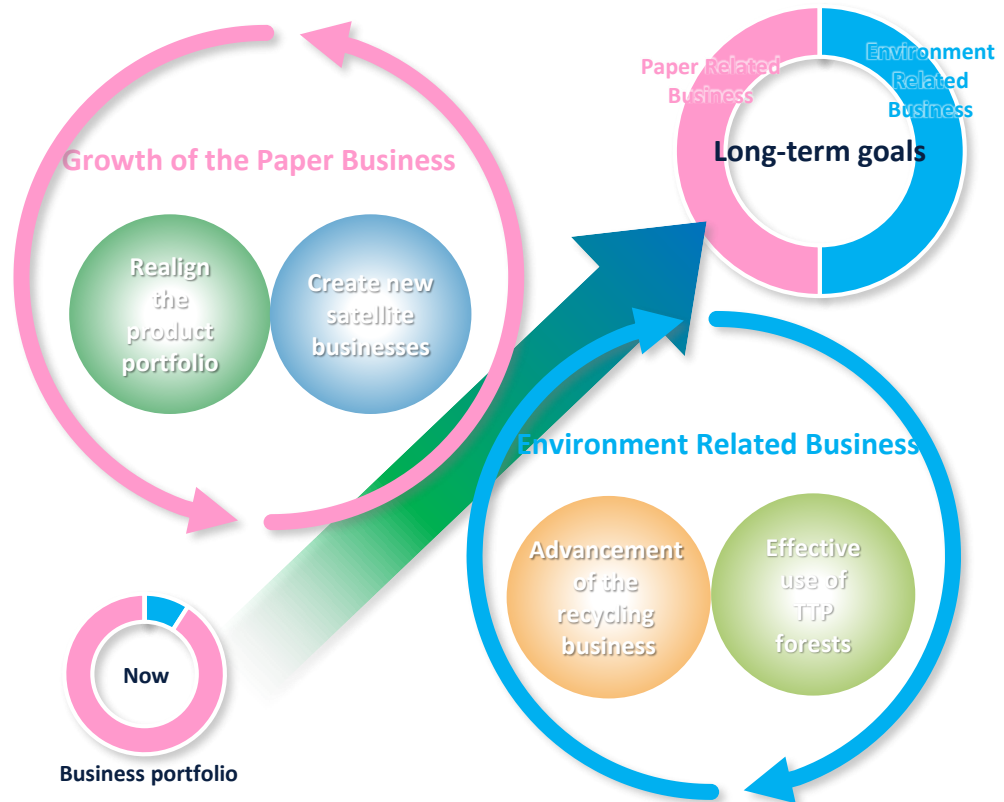
Growth Strategies

The fusion of papermaking and the environment for businesses possible only at TTP Building a sustainable business portfolio

Transition from mainly paper to a 50:50 paper/environment business portfolio

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

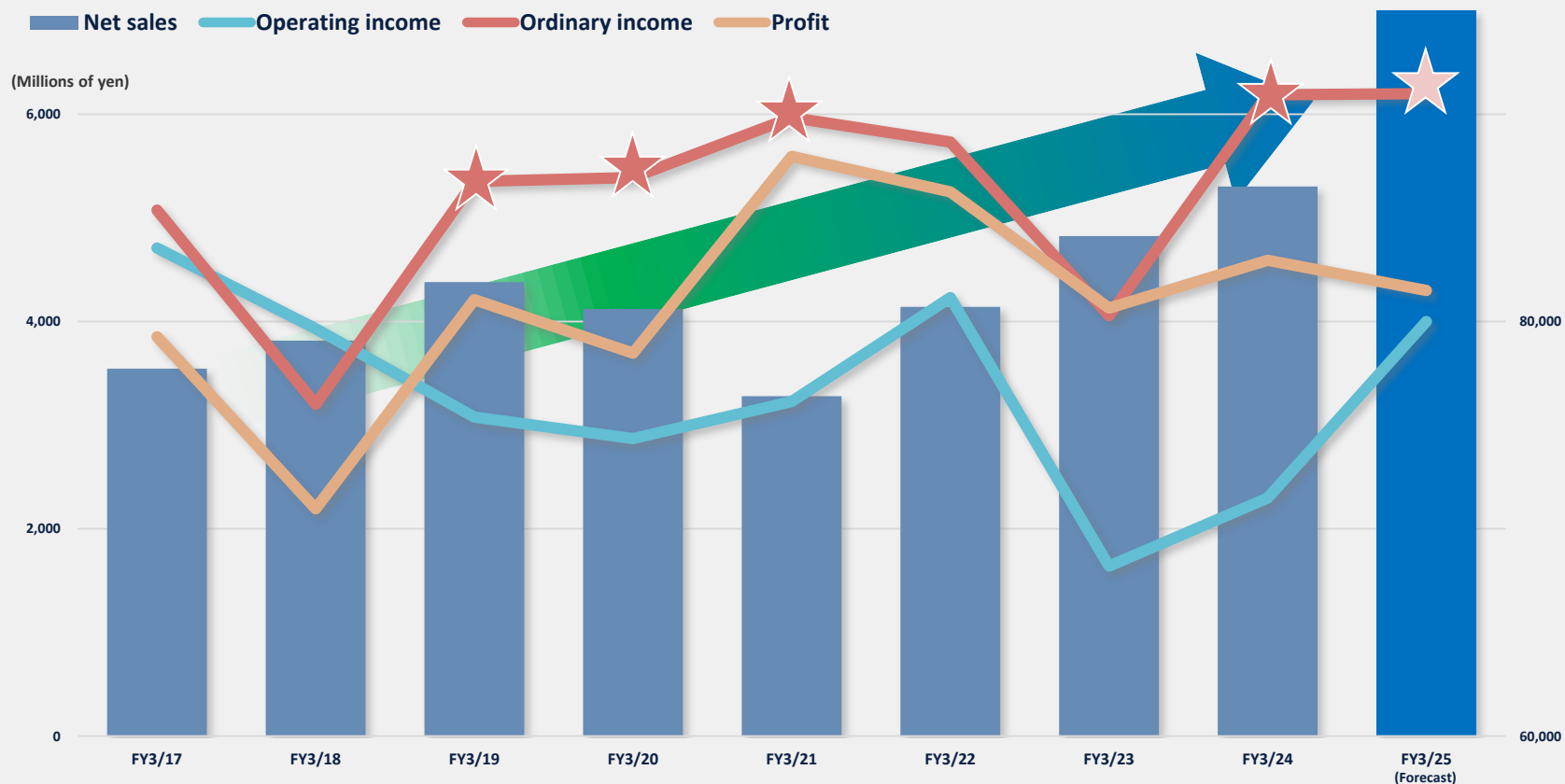
Our goal is to use business activities in the paper and environmental services sectors to meet customers' needs by providing products and services that no other company can match.



Steady growth of consolidated sales and earnings

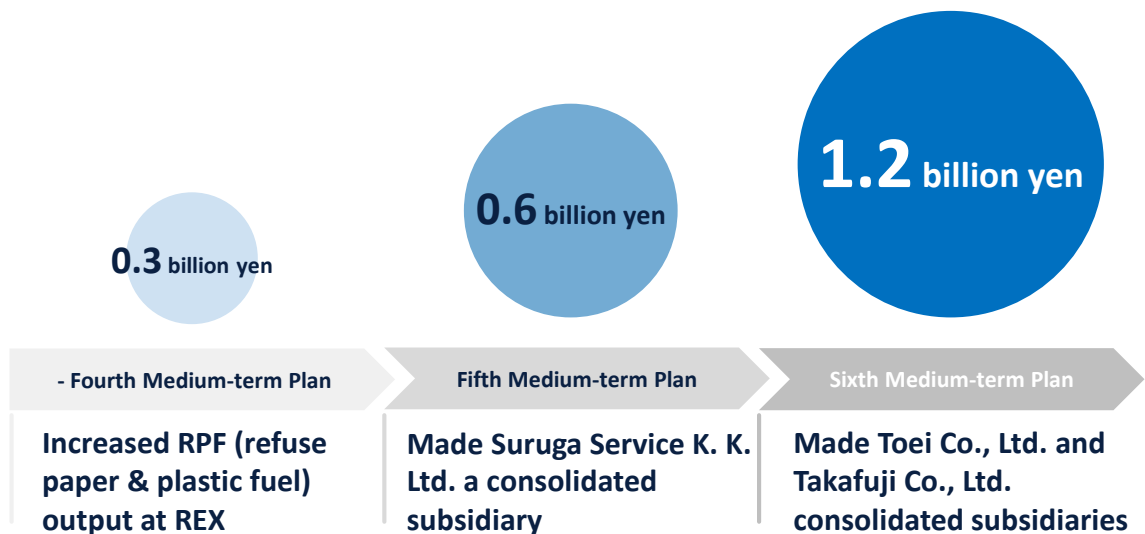
Forecast record-high ordinary income for the fifth time during the past 9 years

Over the past 9 years, sales increased 22% and ordinary income increased 22%

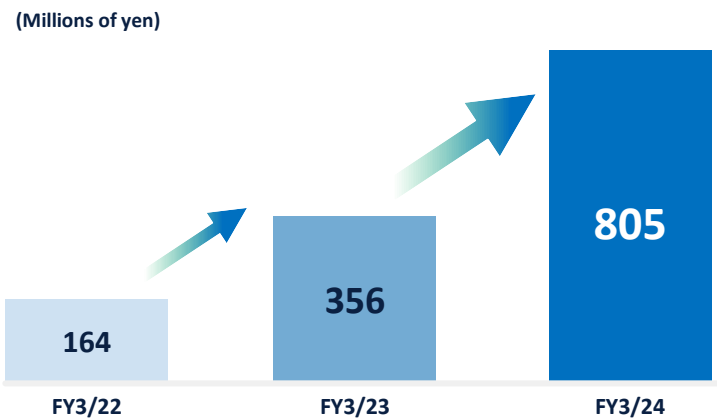


Channeling many resources to the Environment Related Business Consistent growth of earnings mainly in the recycling business

Outlook for earnings contribution from recycling sector expansion
(Sum of operating income of TTP Group companies)

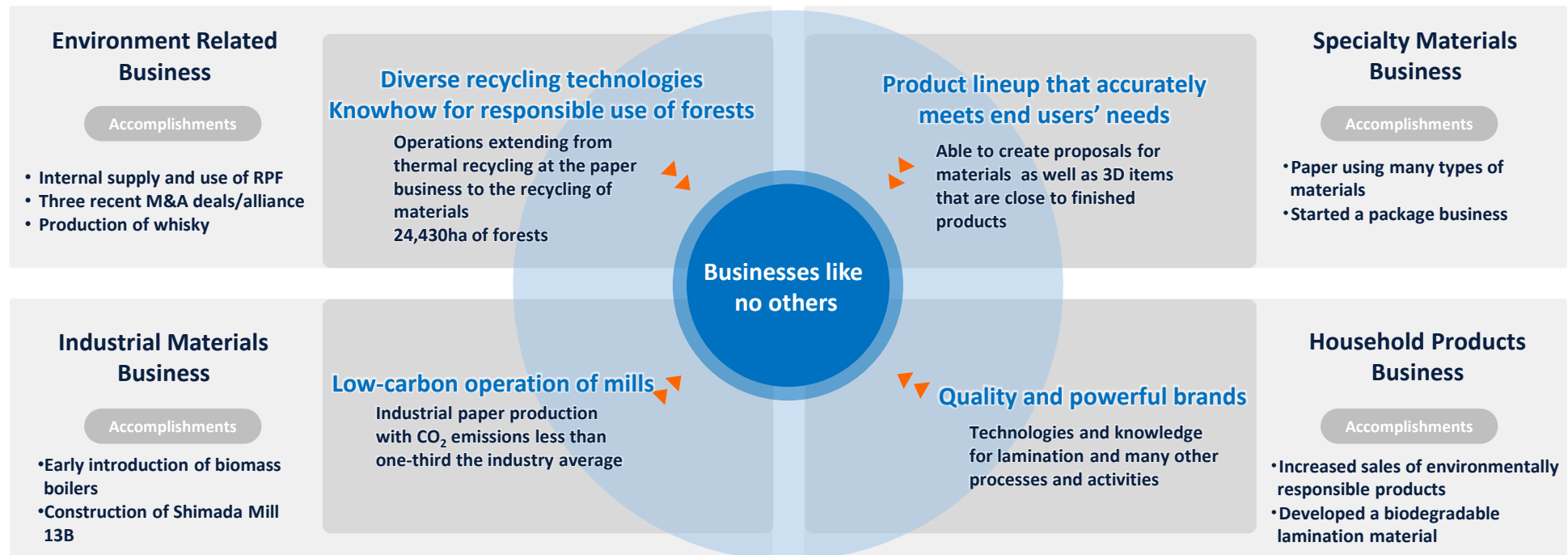


Environment Related Business operating income growth
(Sum of operating income of TTP Group companies)



Increasing contribution to
profitability of the entire TTP Group

Take technologies and knowledge to a higher level for taking on new challenges that will further differentiate TTP products and services



New initiatives for continuing to leverage the strengths of individual businesses

New Activities Leveraging Paper Expertise

Past – Future



Industrial Materials Business

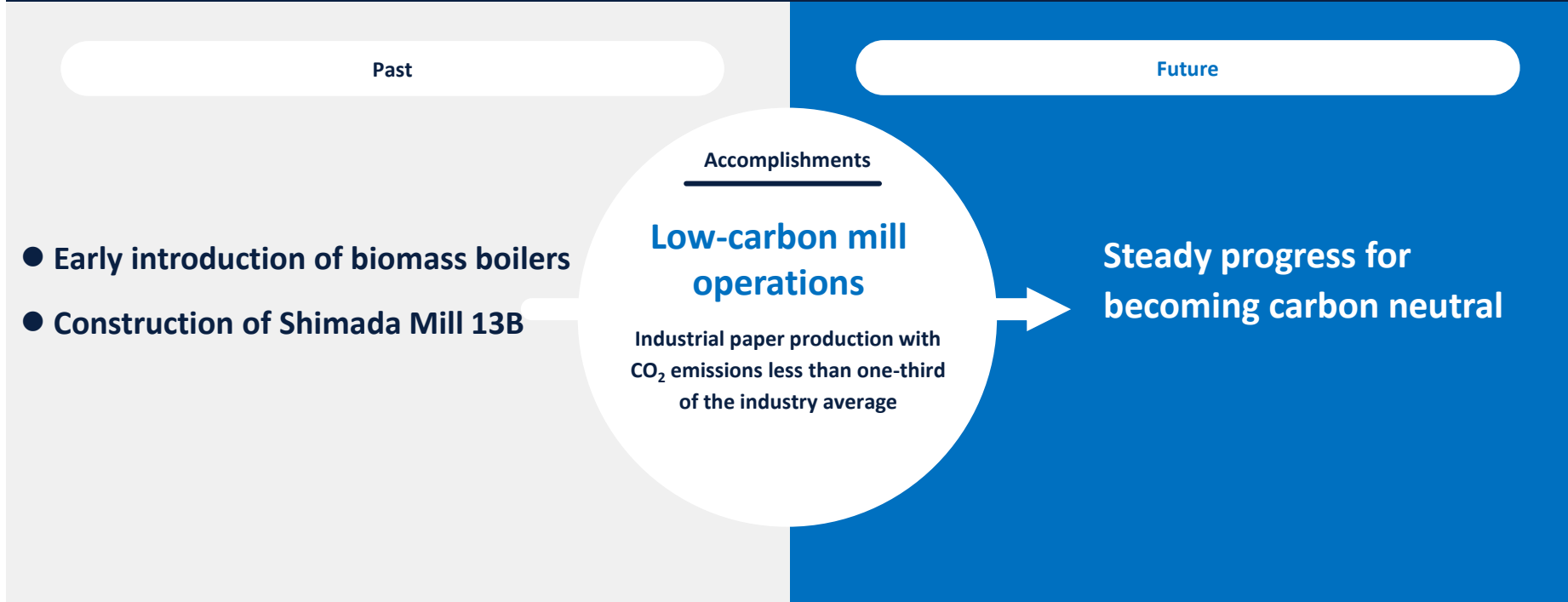
Specialty Materials Business

Household Products Business



Main Businesses	<ul style="list-style-type: none">● Containerboard, kraft paper and other industrial paper● Sale of electricity generated by hydroelectric power plant	Basic Information	<ul style="list-style-type: none">● Main location: Shimada Mill (Shimada-shi, Shizuoka)● Main Scheme: Industrial paper is sold to customers by a company owned jointly with Nippon Paper Industries
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Activities for differentiation in the Industrial Materials Business



Working with Toshiba Energy Systems & Solutions, Chubu Electric Power and the City of Shimada for a demonstration test of rock bed thermal storage power generation at the Shin Tokai Paper Shimada Mill

Solving energy issues to achieve carbon neutrality

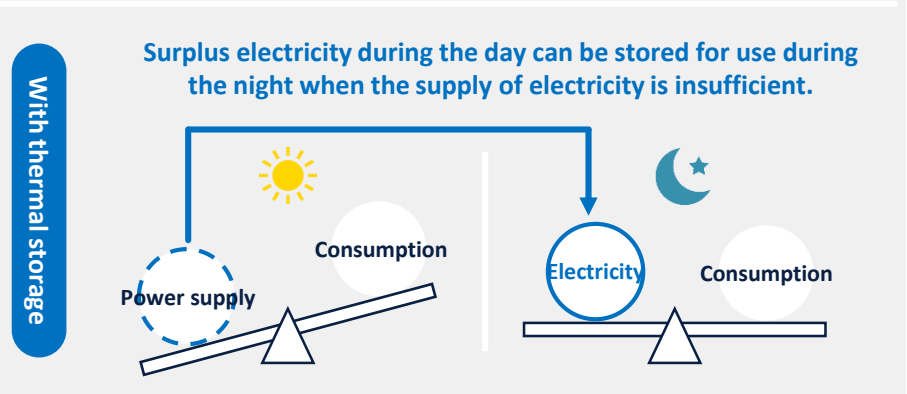
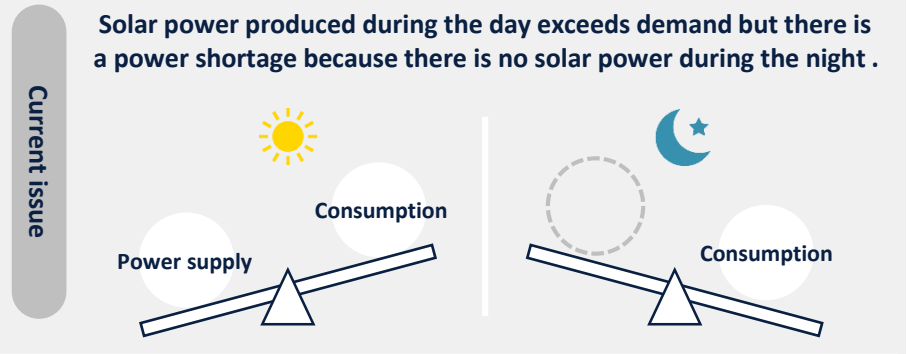
- By storing surplus electricity as heat using rock bed thermal storage, the heat can be used later when needed to produce steam for turbines at a power plant.
- A trial unit with a thermal capacity of about 10 megawatt-hours has been installed at the Shimada Mill to confirm the performance of this system.

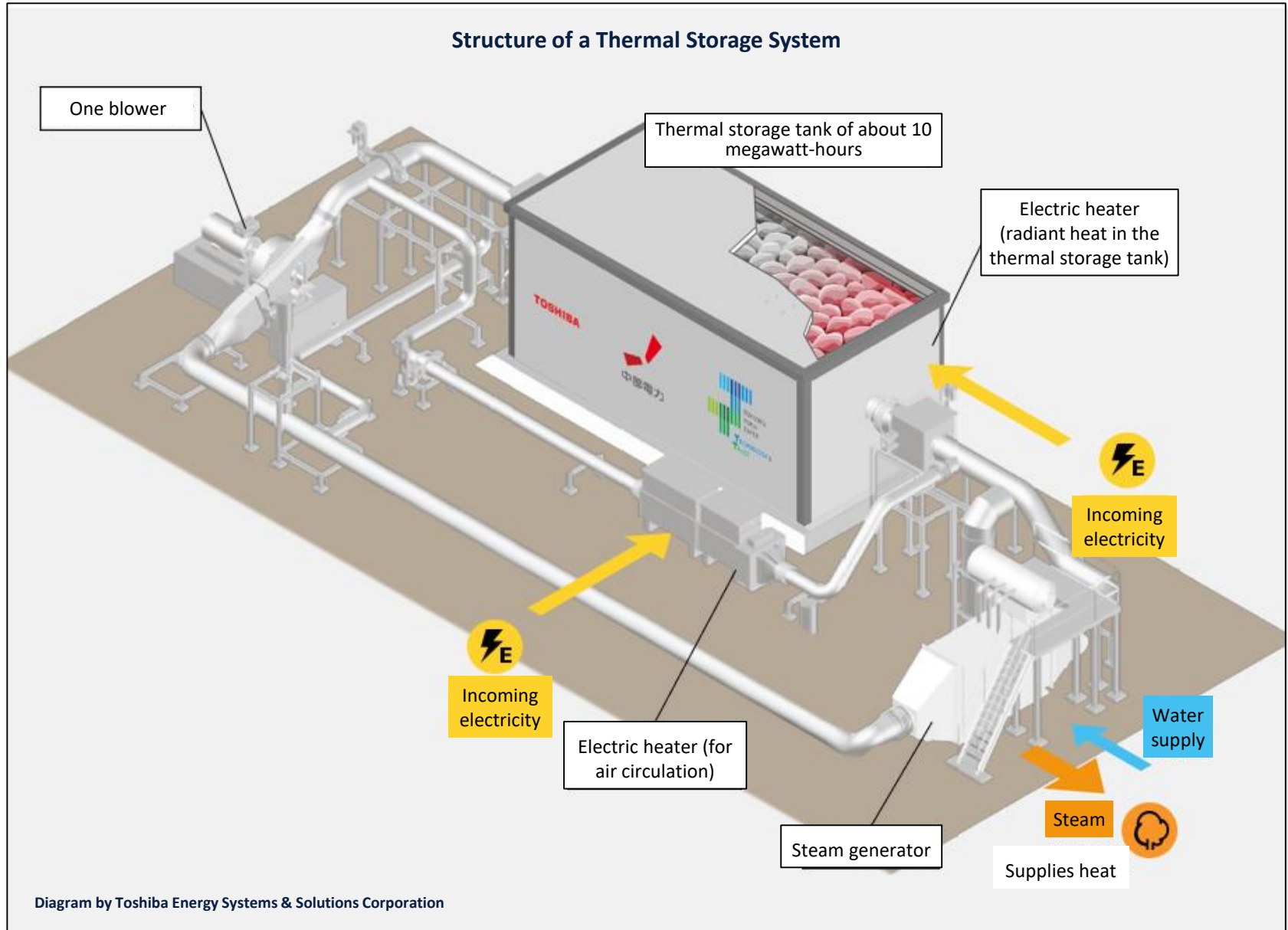


Results of this trial will be used to determine if a permanent rock bed thermal storage system should be installed at the Shimada Mill. The storage system is estimated to reduce the mill's annual CO₂ emissions by 2,000 tons.

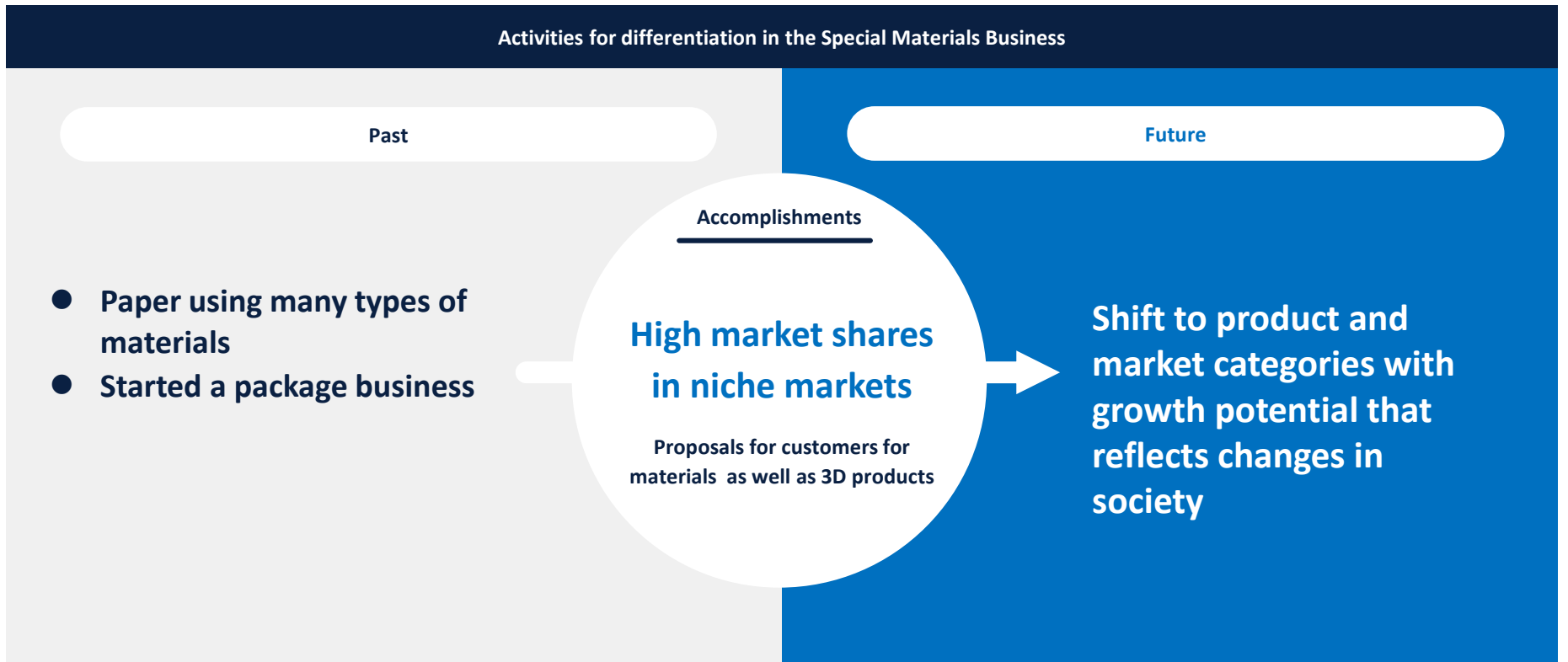
Developing innovative technologies to play a role in achieving a carbon-free society

How thermal storage reduces gaps between electricity supply and demand (Solar power used as an example)





Main Businesses	<ul style="list-style-type: none">● Fancy paper/ High-grade printer paper● Specialty functional paper● Package business	Basic Information	<ul style="list-style-type: none">● Main location: Mishima Mill (Nagaizumi-cho, Sunto-gun, Shizuoka)● Product Features: Many products in small quantities
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Larger product lineup and stronger sales organization for fluorine-free oil-resistant paper due to outlook for growing demand

Sales of fluorine-free oil-resistant paper for food packaging

7 to 8
thousand tons/year



Expect a shift to fluorine-free oil-resistant paper
with no harm for people or the environment

- Organic fluorine compounds in oil-resistant paper creates risk for people and the environment.
- Japan is tightening restrictions on the use of these compounds and companies are eliminating their use.
- The market is now shifting to fluorine-free oil-resistant paper.

More sales to fast-food restaurants and other end users



- Started selling fluorine-free oil-resistant paper in 2005, well before other companies
- Uses oil-resistant substance made of natural ingredients that has both outstanding oil resistance and air permeability
- Stringent hygiene management, such as production on the fifth floor of a building to keep out flying insects



Used by a large fast-food company

Focusing on products with growth potential as the printing paper and other paper categories shrink

Sales activities outside Japan targeting potential new sources of demand

Fancy paper

Overseas sales activities in prior years



Market in China



Market in Europe

The goal is to start operations in other countries

Aramid paper

Sales activities in Japan in prior years



TT-TOKRON®

- Heat-resistant insulating paper made of meta-aramid fiber sheets
- Launched in 2020 to demonstrate reliability as an insulation material in transformers and motors

The goal is sales growth in Japan and the start of sales outside Japan

Many activities for sales growth in Japan and in countries where there is demand

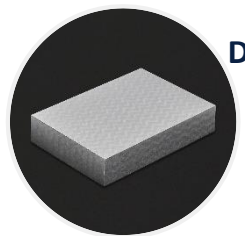
Larger lineup of package products and use in a broader range of applications

Examples of past activities in the 3D category



Started a mold business

- Established MOLDEA Inc. with Ueroku Printing and Nagoya Mould.



Double-V cut fabrication process

- Produces sharp edges that products of competitors cannot match.
- Used to make CD/DVD boxes.

New package products to meet the growing demand for environmentally responsibility

Recent new product



Silky mold
Post card size

Recent applications



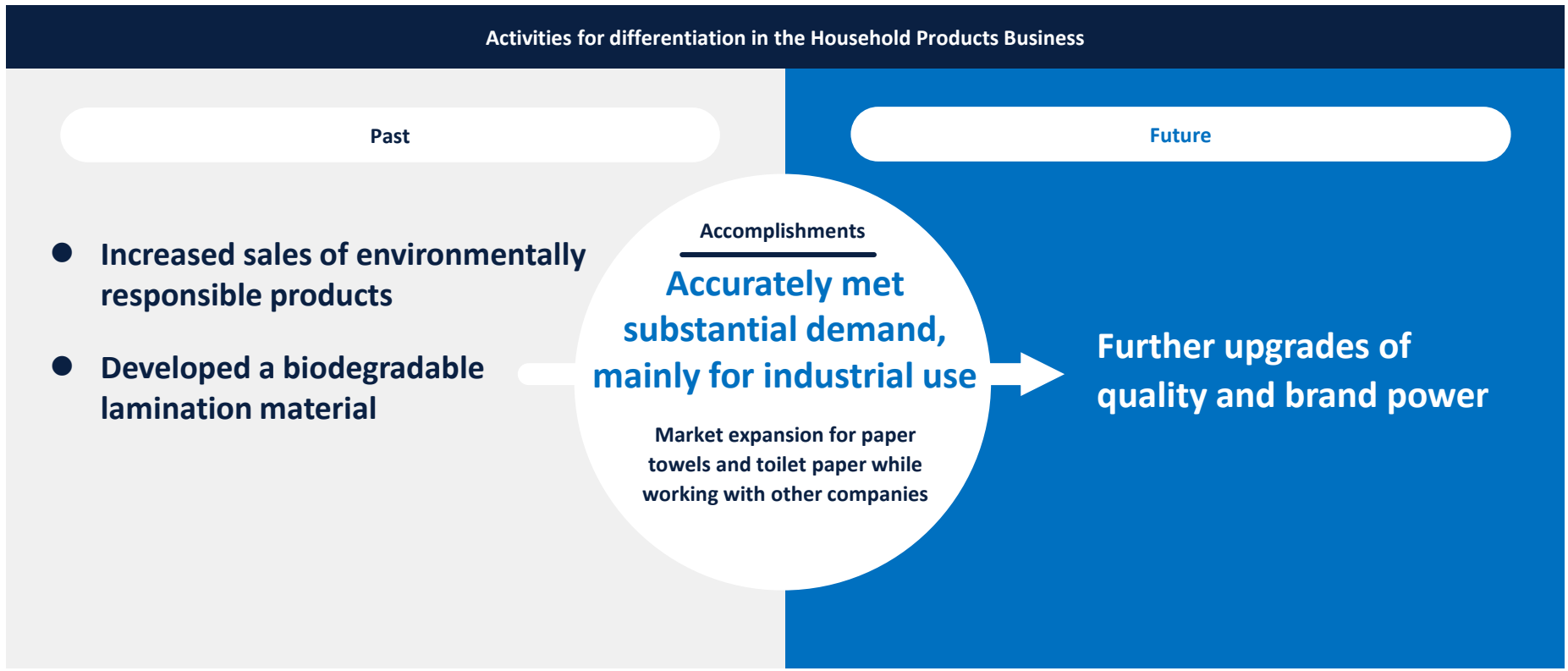
Yamazakura Co., Ltd.
Pulp mold box



Miyoshi Shoji Co., Ltd.
Package dividers for rice flour bread (base paper is MILAX by TRY-FU)

Use the easy recyclability of paper to meet customers' needs for environmentally responsible products

Main Businesses	<ul style="list-style-type: none">● Paper towels/Toilet paper● Laminate business	Basic Information	<ul style="list-style-type: none">● Number of locations: 6● Product feature: Production technologies for use of recycled paper
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Ecology Premium Toilet Paper is a top hometown tax program product

2024 first half ranking –
Satofuru Chubu region
**Popular hometown
tax program products**

1st place

- Ecology Premium Toilet Paper placed first for the **first time** in the Chubu region ranking of merchandise other than food products.
- This product paced **fifth** nationwide.

Popular as a useful household product as prices continue to climb

Soft texture and
easy to use

Shipped in eco-
friendly boxes



Sold in large
packages

Sales volume is increasing as consumers recognize this product's outstanding quality.

Activities are continuing to further increase quality and the brand's power.

New Activities to Leverage Environment Related Business

Past – Future

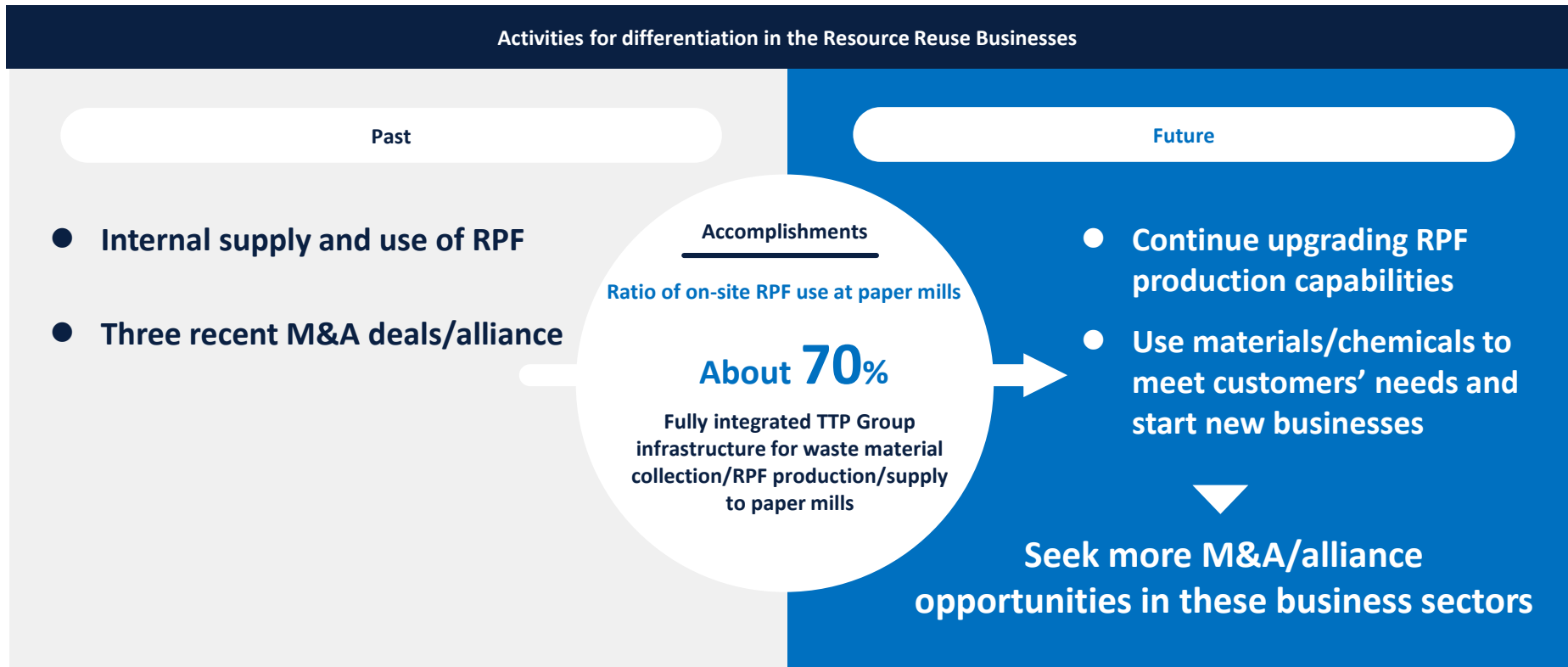


Resource Reuse businesses

Natural Environment Business



<p>Main Businesses</p>	<ul style="list-style-type: none"> ● Collection and transport of waste materials ● Intermediate processing of industrial waste ● Production and sales of RPF 	<ul style="list-style-type: none"> ● Recycling of home appliances, glass, etc. 	<p>Basic Information</p>	<ul style="list-style-type: none"> ● Number of plants: 14 ● Number of vehicles owned: About 200
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Suruga Service starts operating a sorting plant Increases sorting volume and the ratio of materials recycled

Uses machinery for some sorting tasks that were previously done by hand



Benefits



Higher sorting accuracy



Reduces volume of work done by employees

Sorting equipment



Goal for maximum volume
150m³/day

Main categories of materials

- Waste plastic
- Hard plastic
- Wood
- Scrap metal, others

Machinery

- Primary sieving machine
- Manual sorting line
- Magnetic sorting machine
- Secondary sieving machine

Increasing the supply of materials used for RPF and starting the recycling of waste plastic will help maximize synergies among TTP Group companies.

The new plastic high-purity sorting line at the Handa Port facility will allow the recycling of more types of plastics (scheduled to start in Feb. 2025)

The new facility will provide services for customers that were previously impossible

Objectives

- Handle a larger variation of materials for recycling
- Reuse plastics consisting of the same material
- Add more buyers of recycled materials



Toei's Port Dream Factory

Technologies acquired in the paper business for reusing materials
= Use for pulverizing and sorting too

The goal is differentiation in the recycling domain too

Cooperation for the Circular Economy Project in the toy category

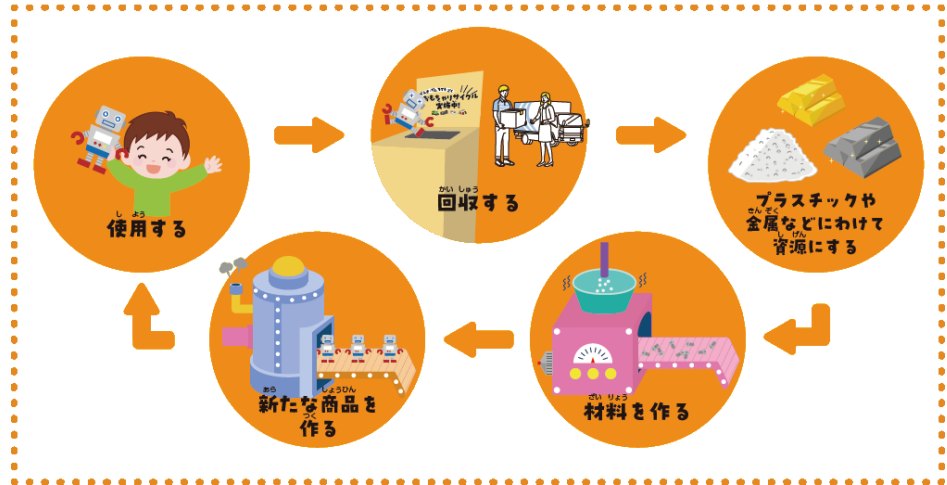
Toys intended to be discarded

Total of **2,700kg**



- Toei is participating as a cooperating partner in the joint project of Toyota Tsusho and ReNet Japan Recycle.
- Electric and battery-powered plastic toys are collected, sorted and materials are reused to make new products.
- Toei is involved with the sorting of plastics and processing for reuse

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Activities with companies and the public sector will continue to create a circular economy.

Toei participation in the Sustainable Plastics Initiative (SusPla) for the growth of the market for recycled plastics



A partner company for Studio 10X, a Tokyo metropolitan government collaborative project for creating start-up companies led by 01Booster

Project overview

- Provides issues, specific themes and useable resources in the business/technology sectors of partner companies
- Program participants (candidate entrepreneurs) create ideas and businesses for these issues and themes
- Partner companies and venture studios launch start-up companies backed by mutual support



Create start-up companies

Primary project domains

Environment/Construction/Communities and Real estate/Logistics

TTP activities

- Reuse of construction waste materials
- Green construction
- Biodiversity and carbon neutrality activities

Benefits of participation as a partner company

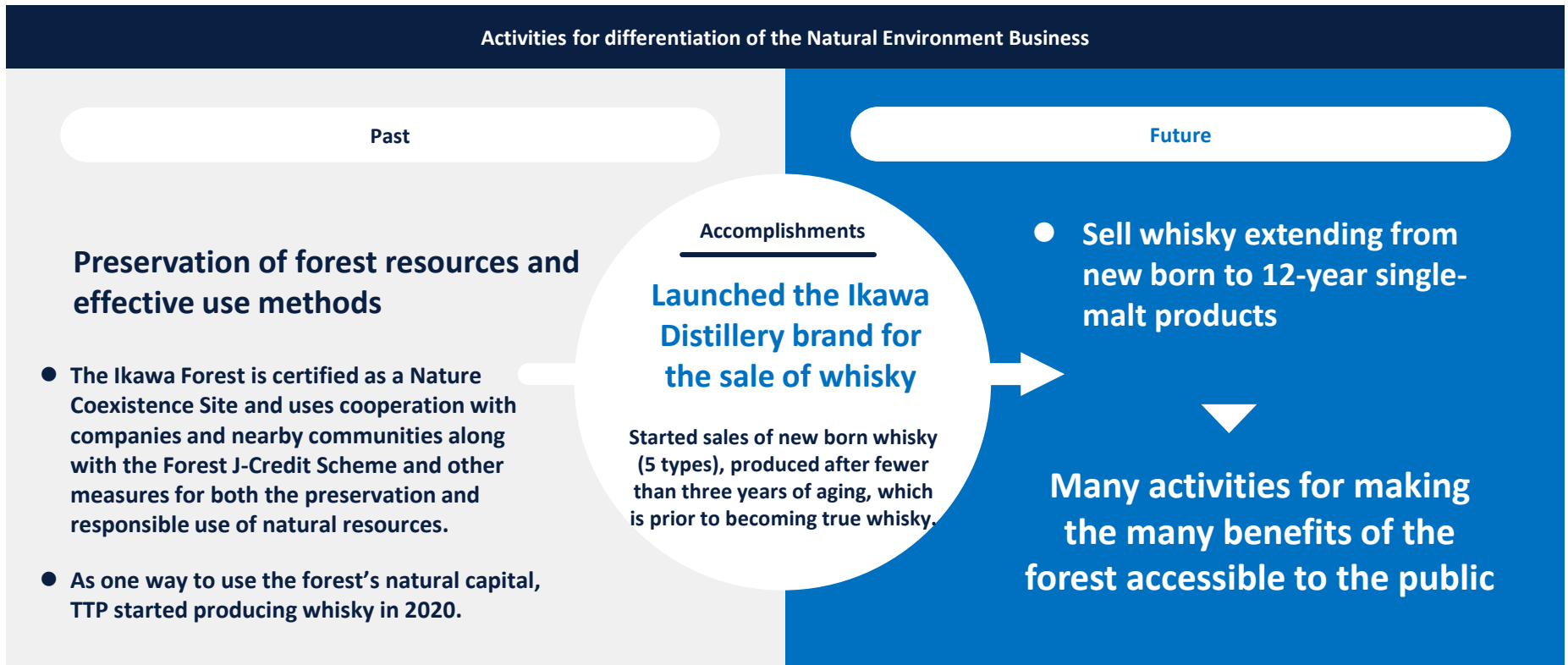
Opportunities to solve issues involving the reuse of resources

This project provides opportunities to create and use innovative ideas as the starting point for launching start-up companies involving issues in society, industry and individual companies

Alliances with highly promising start-up companies at an early stage

Participation in this project will allow TTP to establish alliances with start-up companies before other companies can.

Main Businesses	<ul style="list-style-type: none"> ● Forestry management ● Production and sales of whisky 	<ul style="list-style-type: none"> ● Civil engineering/building ● Sightseeing business 	Basic Information	<ul style="list-style-type: none"> ● Area of The Ikawa Forest: About 24,430ha ● Forest certification, etc.: Nationally certified Nature Coexistence Site Forest J-Credit Scheme
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Middle of November 2024
Debut of the first Ikawa Distillery single malt whisky



Dessin Series
Flora
Flora & Fauna of the Alps
2024

Product
information

- Product name: Single malt Dessin Series Flora 2024
- Number of units sold: About 6,000
- Suggested retail price: 15,000 yen (Before tax)
- Release date: Middle of November 2024

Whisky is the first step for making the value of the natural resources of the Minami Alps accessible to everyone

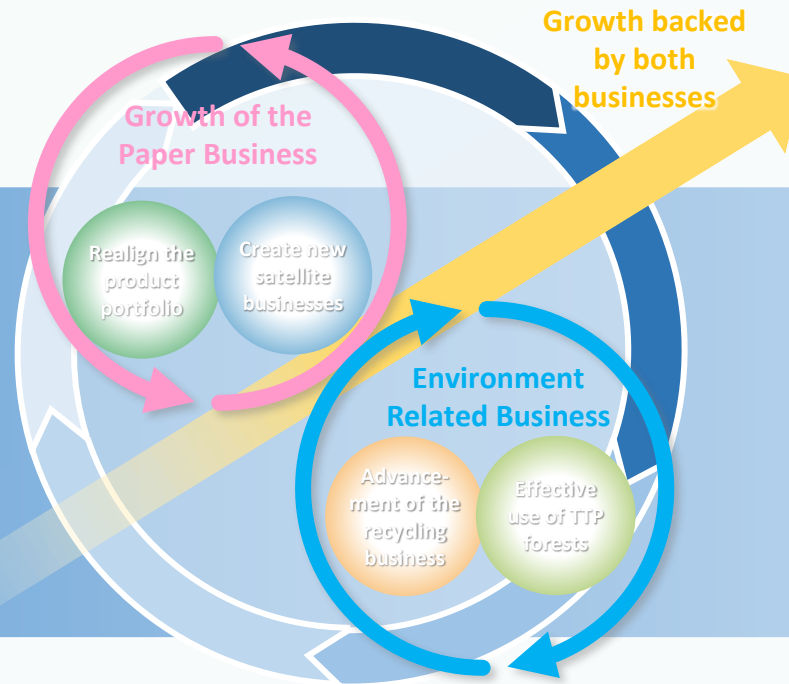
The Dessin Series, which is the first whisky series, uses labels featuring the flora and fauna of the Minami Alps



- The Ikawa Distillery plans to release new Flora and Fauna whisky products every six months. The next release is scheduled for May 2025.
- The pursuit of whisky that can be produced only with the backing of the rich biodiversity of the Minami Alps

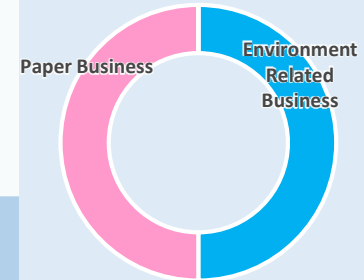
Activities will continue for sharing the value of nature with everyone
(Two examples are the use of Forest J-Credit Scheme and the creation of a forest use and preservation virtuous cycle with the cooperation of Taisei Corporation and the City of Shizuoka.)

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



Long-term goals

Future business portfolio



Value for society

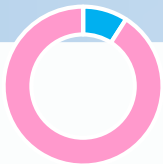
Coexisting with the environment

- 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

Current business portfolio



Our Vision

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