

# 02

## Strategies and Strengths

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## Explanation of Business Strategies—Progress of OVOL Vision 2030 and Medium-term Business Plan 2026

### OVOL Vision 2030: “Paper, and beyond”

We are working toward realizing the three key goals set forth in OVOL Vision 2030, and aim to achieve consolidated ordinary profit of JPY25.0 billion.

#### The World’s Leading Paper Distribution Group

We will refine our know-how and network cultivated over more than 170 years in the paper and paperboard wholesaling business to become recognized as the world’s leading paper distribution group.

##### Objectives

- Demonstrate unparalleled reliability, presence and functionality in the supply chain of the paper and paperboard market worldwide.
- Help customers add value to their products and services, and enhance their corporate value.
- Operate platforms with a broad global reach that deliver the specialized functions required by the group’s paper business.

#### A Group That Contributes to a Sustainable Society and the Global Environment

In addition to our core paper and paperboard wholesaling business, through the recycling of recovered paper and other materials, paper manufacturing, and our renewable energy businesses, we will become a corporate group with an acute awareness of the UN’s Sustainable Development Goals (SDGs) that further contributes to a sustainable society and the global environment.

##### Objectives

- Work toward carbon neutrality and the minimization of environmental impact throughout the entire supply chain.
- Contribute to the restoration and preservation of biodiversity.
- Contribute to the creation of a circular economy through our paper and plastic recycling businesses and the manufacturing of paper using wastepaper as a raw material.

#### A Corporate Group That Strives to Be Considered a Trustworthy and Engaging Partner Both Within and Beyond the Paper Industry

We will strive to become widely recognized and well thought of within society for our corporate excellence.

##### Objectives

- Continue to enhance corporate value through growth investment, including investment in sustainability.
- Continue to increase work engagement.
- Be highly valued by shareholders for ongoing improvements in growth potential, management transparency, financial soundness, and investment efficiency, backed by a robust governance structure.
- Ensure thorough compliance and environmental, health and safety management throughout the group.
- Contribute to the development of paper culture by raising awareness of the functions and value of paper.

Quantitative target for FY2030

**Consolidated ordinary profit of JPY25.0 billion**

## Explanation of Business Strategies—Progress of OVOL Vision 2030 and Medium-term Business Plan 2026

### Review of Medium-term Business Plan 2023

During the three years of Medium-term Business Plan 2023, we achieved the consolidated ordinary profit target of JPY15.0 billion for three consecutive years, and in the final year, we achieved the targets for all financial indicators. Furthermore, we secured the three elements that serve as the foundation for realizing our long-term vision: robust financial strength, stable earning power, and a global platform.

#### Medium-term Business Plan 2023

	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Results	Medium-term Business Plan 2023 Initial Target	Status
Consolidated Ordinary Profit	JPY8.9 billion	JPY15.1 billion	JPY21.2 billion	<b>JPY16.8 billion</b>	JPY15.0 billion	Achieved
Return on Equity (ROE) <sup>1</sup>	4.5%	13.0%	24.0%	<b>8.4%</b>	8.0%	Achieved
Return on Assets (ROA) <sup>2</sup>	2.7%	4.6%	5.9%	<b>4.4%</b>	4.0%	Achieved
Return on Invested Capital (ROIC) <sup>3</sup>	3.7%	5.7%	7.5%	<b>6.2%</b>	5.0%	Achieved
Net D/E Ratio <sup>4</sup>	1.23x	1.06x	0.66x	<b>0.59x</b>	1.40x or less	Achieved

1. Profit attributable to owners of parent ÷ Equity (average of beginning and ending balances)

2. Ordinary profit ÷ Total assets (average of beginning and ending balances)

3. Change in ROIC calculation method: For NOPAT (the numerator), the method was changed to a calculation method based on ordinary profit, the target consolidated financial indicator.

After change: NOPAT (Net ordinary profit after tax (before interest expense)) ÷ Invested capital (Interest bearing debt + Equity (average of beginning and ending balances))

4. (Interest bearing debt – Cash and deposits) ÷ Equity

#### Three Elements Achieved during Medium-term Business Plan 2023

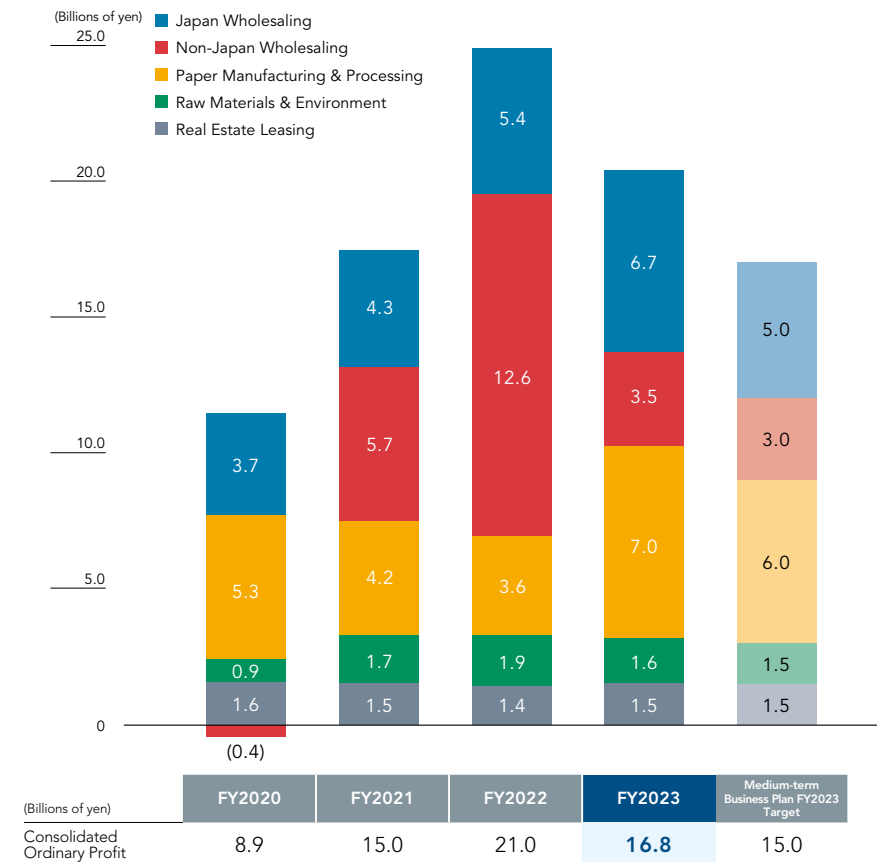
<b>Robust financial strength</b>	<ul style="list-style-type: none"> <li>Free cash flow of JPY 51.9 billion (3-year total)</li> <li>Issuer credit rating: A</li> </ul>
<b>Stable earning power</b>	<ul style="list-style-type: none"> <li>Steadily achieved consolidated ordinary profit of JPY15.0 billion during the period of the plan, with growth in all five segments</li> </ul>
<b>A global platform</b>	<ul style="list-style-type: none"> <li>Three companies inside and 12 companies outside Japan were added to the group</li> <li>Expanded business fields and enhanced resources</li> </ul>

OVOL Medium-term Business Plan 2026

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We achieved balanced growth in the five segments, and all reached their initial targets.

#### Ordinary Profit by Segment

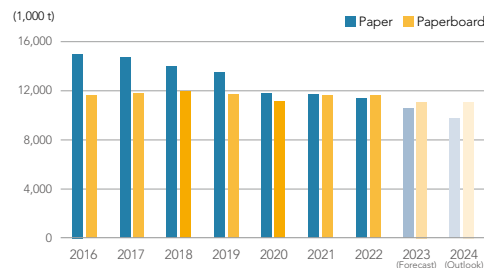


## Business Environment

### Japan

- Demand for graphic paper continues to decrease due to structural issues, mainly digitalization and the declining birthrate.
- Demand for packaging paper is firm due to the spread of e-commerce and increased demand from visitors to Japan.
- Japan's paper and paperboard market remains the world's third largest, after China and the U.S. (paper and paperboard total: 20 million tons).
- Demand for switching to paper instead of plastic packaging is increasing.

### Paper and Paperboard Demand in Japan

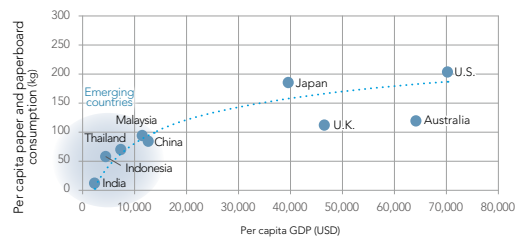


Source: Japan Paper Association: 2024 Paper and Paperboard Domestic Demand Forecast

### Non-Japan

- Consumption in countries/regions where we have major operating bases was 60 million tons in the U.S., 7 million tons in the U.K., and 4 million tons in Oceania.
- In developed countries, demand for graphic paper continues to decline, but demand for packaging paper is strong.
- Paper and paperboard demand is expected to increase with rising living standards due to population growth and economic development in emerging countries and changes in the industrial structure due to industrialization.

### Per Capita Paper and Paperboard Consumption and GDP (2021)



Source: Company estimates

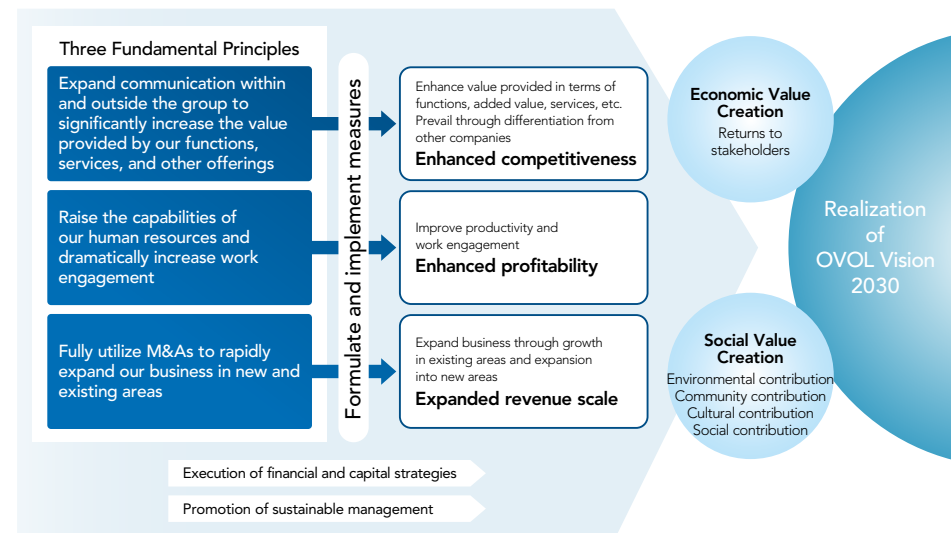
We will identify factors and opportunities that will have a significant impact on the alignment of both economic value and social value with regards to the realization of OVOL Vision 2030. We will continue to respond to changes in the business environment and society, and remain committed to self-transformation.

	Influencing Factors	Opportunities
Environment	<ul style="list-style-type: none"> <li>• Increasing impact of climate change on forest resources</li> <li>• Stricter environmental regulations related to logistics and factory operations</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of paper alternatives for plastic containers and packaging</li> <li>• Increase in selling opportunities due to offering of products that contribute to CO<sub>2</sub> reduction</li> </ul>
Society	<ul style="list-style-type: none"> <li>• Increasing importance of stable supply and responsible procurement</li> <li>• Growing demands for reduced environmental impact and economic and social contributions in local communities</li> <li>• Decrease in paper demand due to progress of digitalization</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of a stable supply structure through ongoing supply chain development</li> <li>• Creation of paper demand by proposing new value in a digital society</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Increasing importance of working environment including stable employment and skill development</li> <li>• Increasing need to improve labor productivity and employee engagement</li> <li>• Active participation of diverse human resources through diversity &amp; inclusion initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Realization of high engagement, well-being, and improved productivity through effective human capital management</li> <li>• Stronger competitiveness as a group through the sharing of diverse talents and ideas</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Increasing need for transparent and effective management structure</li> <li>• Occurrence of compliance-related issues</li> <li>• Expectations and demands from stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement of corporate value through fair and honest governance</li> <li>• Conduct of business activities with a strong sense of ethics and responsibility</li> <li>• Reflection of expectations and requests from stakeholders in management</li> </ul>

## Explanation of Business Strategies—Progress of OVOL Vision 2030 and Medium-term Business Plan 2026

### Fundamental Principles of OVOL Medium-term Business Plan 2026

We have positioned OVOL Medium-term Business Plan 2026 as a three-year period to develop specific mechanisms and measures to create economic value and social value toward the realization of OVOL Vision 2030. We are formulating and implementing measures based on the following three fundamental principles.



#### Consolidated Financial Targets

- New record high for consolidated ordinary profit of JPY22.0 billion
- Realize ROE of 8% or more, ROA of 5% or more, and ROIC of 7% or more through greater awareness of the cost of capital
- Maintain or improve “A” credit rating, secure funding capability, and utilize financial leverage while keeping the net D/E ratio at 1.0x or less

	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Results	FY2026 Targets
Consolidated Ordinary Profit	JPY8.9 billion	JPY15.1 billion	JPY21.2 billion	JPY16.8 billion	<b>JPY22.0 billion</b>
Return on Equity (ROE) <sup>1</sup>	4.5%	13.0%	24.0%	8.4%	<b>8.0% or more</b>
Return on Assets (ROA) <sup>2</sup>	2.7%	4.6%	5.9%	4.4%	<b>5.0% or more</b>
Return on Invested Capital (ROIC) <sup>3</sup>	3.7%	5.7%	7.5%	6.2%	<b>7.0% or more</b>
Net D/E Ratio <sup>4</sup>	1.23x	1.06x	0.66x	0.59x	<b>1.0x or less</b>

#### Regarding the FY2026 target for the net D/E ratio:

The net D/E ratio improved to the 0.6x level largely due to income from the sale of fixed assets in FY2022, and financial soundness improved substantially. We set the ratio target at 1.0x or less to allow for flexibility in growth investments while still maintaining financial soundness.

Exchange rate assumptions for FY2026: JPY141.83 to USD1, JPY180.68 to GBP1, JPY96.94 to AUD1 (as of December 31, 2023)

1. Profit attributable to owners of parent + Equity (average of beginning and ending balances)

2. Ordinary profit ÷ Total assets (average of beginning and ending balances)

3. Change in ROIC calculation method: For NOPAT (the numerator), the method was changed to a calculation method based on ordinary profit, the target consolidated financial indicator.

After change: NOPAT (Net ordinary profit after tax (before interest expense)) ÷ Invested capital (Interest bearing debt + Equity (average of beginning and ending balances))

4. (Interest-bearing debt – Cash and deposits) ÷ Equity

### Policies by Segment and Ordinary Profit Targets

		FY2023 Results	FY2026 Targets
<b>Japan Wholesaling</b>	Maximize earnings by leveraging the group's collective strengths	JPY6.7 billion	<b>JPY7.0 billion</b>
<b>Non-Japan Wholesaling</b>	Build a stable revenue structure and further diversify revenue sources	JPY3.5 billion	<b>JPY8.0 billion</b>
<b>Paper Manufacturing &amp; Processing</b>	Proactive efforts to conserve the global environment and build a stable revenue base	JPY7.0 billion	<b>JPY7.5 billion</b>
<b>Raw Materials &amp; Environment</b>	Contribute to a sustainable society and the future of the Earth through a circular business model	JPY1.6 billion	<b>JPY2.0 billion</b>
<b>Real Estate Leasing</b>	Continue to earn stable income from real estate holdings and optimize the real estate portfolio	JPY1.5 billion	<b>JPY1.5 billion</b>
	Adjustments	(JPY3.6 billion)	<b>(JPY4.0 billion)</b>
	Total	JPY16.8 billion	<b>JPY22.0 billion</b>

OVOL Medium-term Business Plan 2026

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## Financial and Capital Strategies

<b>Capital Efficiency</b>	We expect WACC to rise in the future, and we have set an ROIC target of 7.0% or more for fiscal 2026. We will continue to carry out optimal resource allocation from the perspective of profitability and capital efficiency.
<b>Cash Allocation</b>	We have set a three-year cumulative cash allocation plan with JPY80.0 billion earmarked for growth investments. <a href="#">▶ See page 40</a> We will make growth investments and deliver proactive shareholder returns by expanding cash flow and utilizing financial leverage.
<b>Shareholder Returns</b>	Our dividend policy is to pay a progressive dividend based on a consolidated payout ratio of 30% or more. In addition, we will implement stock buybacks with agility and flexibility to meet market expectations and ensure shareholder returns.

## Sustainable Management Initiatives

### Strengthening Human Capital

**Strengthen human capital, our greatest form of management capital, and foster a corporate culture in which diverse human resources can make the most of their individual qualities and continue to take on challenges**

- Analyze the future talent gap, and carry out recruiting, development, and placement with a dynamic portfolio
- Increase employee engagement to energize our workforce and organization and raise productivity
- Raise the skill level of employees and enhance training to develop human resources with expertise

Indicator	KPI (Japan Pulp & Paper Targets)
Percentage of eligible male employees taking childcare leave (includes the company's unique leave system)	<b>100%</b> (FY2023: 76.9%)
Employee engagement rating	<b>BBB or higher</b> (FY2023 rating: B) <sup>1</sup>
Training expenses	<b>3 times or more</b> (Compared with FY2023)
Percentage of leave taken	<b>80% or more</b> (FY2023: 79.0%)
Monthly overtime hours	<b>10 hours or less</b> (FY2023: 13 hours)
Ratio of female in career track hiring	<b>30% or more</b> (25.2% average over last five years) <sup>2</sup>

1. The current B rating is the sixth of the eleven engagement rating levels. Our target is a BBB rating, which is two levels higher.

2. The ratio of female employees in career track positions at the company was 9.2% as of April 1, 2024. We have set the above target to increase the ratio of women in career track positions.

### Toward Achieving Carbon Neutrality

#### Japan Pulp & Paper Group Medium- and Long-term Reduction Targets for Greenhouse Gas Emissions

Medium-term Target	Long-term Target
Achieve a 50% reduction from FY2019 levels by FY2030 <small>Scope of targets: Scope 1 and 2 emissions for Japan Pulp &amp; Paper and its consolidated subsidiaries</small>	Achieve carbon neutrality by 2050

Priority Measures	Pursue further improvement of production efficiency in Paper Manufacturing & Processing segment	Promote thorough energy savings	Switch to renewable energy
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### Response to Business and Human Rights

1. Fostering and instilling a culture of respect for human rights
2. Implementation of human rights due diligence and identification and improvement of risks
3. Implementation of complaint handling mechanism

### Strengthen the Environmental and Occupational Safety Compliance Systems

1. Establishment and operation of a three-tier supervisory system (group companies, the Environment & Safety Promotion Office, and external organizations)
2. Enhancement of awareness of the environment and occupational safety among group employees through activities of OVOL Environment & Safety Meetings

### Strengthen Risk Management

1. Use of risk assessment to identify risks that could impact business activities and formulate/implement countermeasures
2. Revision of the business continuity plan
3. Enhancement of initiatives to ensure compliance

## Financial Strategies



**Chihiro Katsuta**

Representative Director, Senior Executive Vice President  
CFO

**Under OVOL Medium-term Business Plan 2026, we aim to achieve record-high profits by fiscal 2026. We will focus on capital efficiency, cash allocation, and shareholder returns to maximize our corporate value.**

### Review of Medium-term Business Plan 2023

Over the three years of Medium-term Business Plan 2023, we achieved the final year targets of consolidated ordinary profit of JPY15.0 billion, ROE of 8%, ROA of 4%, ROIC of 5%, and a net D/E ratio of less than 1.4x in each year. Notably, consolidated ordinary profit recorded a three-year compound annual growth rate (CAGR) of 23.3%, growing from JPY8.9 billion in fiscal 2020 (before Medium-term Business Plan 2023 started), compared with the 10-year average CAGR of 8.1%. This indicates significant growth during the period of the plan.

In addition, all five business segments achieved balanced growth, which resulted in stable profitability, and each segment exceeded its ordinary profit target for the final year of the plan (fiscal 2023).

In the Japan Wholesaling segment, while demand for graphic paper has declined, packaging paper continues to see strong demand. Profit improved due to price revisions and streamlining, which led to three consecutive years of profit growth. In the Non-Japan Wholesaling segment in particular, in addition to the recovery in demand following normalization of socio-economic activities in fiscal 2022, we conducted multiple price increases amid tightening supply and demand and the profit margin increased in the short term. This led to results that greatly exceeded expectations. However, in the final year of the plan, prolonged inventory adjustments by customers led to a decrease in sales volume, resulting in a significant decline in profit year on year. Nevertheless, we have established a sound structure capable of generating profit, especially when compared with the two

consecutive years of losses before the start of Medium-term Business Plan 2023. We accomplished this by streamlining operations and implementing complementary M&As. In the Paper Manufacturing & Processing segment, there was a significant year-on-year increase in profit in the final year of the plan. This was supported by robust demand for packaging paper and household paper. We were able to offset cost increases due to rising raw material and fuel prices through price revisions and improved production efficiency. In the Raw Materials & Environment segment, although the wastepaper business continues to be negatively impacted by reduced availability and use of wastepaper, strong sales of imported PKS for biomass power plants and the comprehensive recycling business helped the segment exceed its ordinary profit targets over the three years of the plan. In the Real Estate Leasing segment, although rental income decreased due to the partial transfer of non-current assets in Chuo-ku, Tokyo during Medium-term Business Plan 2023, lower expenses enabled us to achieve the ordinary profit target for the segment in the final year of the plan, contributing to the group's overall performance.

Regarding cash flow during Medium-term Business Plan 2023, cumulative cash flows from operating activities over the three years amounted to JPY35.2 billion, while cash flows from investing activities was JPY16.7 billion, resulting in free cash flow of JPY51.9 billion. The cash was mostly used to repay interest-bearing debt, while a portion was reserved for future growth investments during the current medium-term business plan.

## OVOL Medium-term Business Plan 2026 and Fiscal 2024 Performance Outlook

We launched OVOL Medium-term Business Plan 2026, which covers the three years from fiscal 2024 to fiscal 2026, on May 10, 2024. Under the new plan, consolidated financial targets for the final year (fiscal 2026) are set as follows: consolidated ordinary profit of JPY22 billion, ROE of 8% or more, ROA of 5% or more, ROIC of 7% or more, and a net D/E ratio of 1.0x or less. In OVOL Vision 2030, the group has set the following goals: becoming “the world’s leading paper distribution group,” “a group that contributes to a sustainable society and the global environment,” and “a corporate group that strives to be considered a trustworthy and engaging partner both within and beyond the paper industry.” The new medium-term business plan is positioned as a three-year period for developing specific mechanisms and measures to create economic and social value. As such, we will further strengthen the profitability of the five segments, which achieved stable profit growth during the period of the previous plan, and will implement growth investments to create the mechanisms and measures needed to achieve our long-term vision.

The performance forecast for the first year of OVOL Medium-term Business Plan 2026 (fiscal 2024) is as follows: consolidated operating profit of JPY18.0 billion, consolidated ordinary profit of JPY18.0 billion, and profit attributable to owners of the parent of JPY10.0 billion.

In the Japan Wholesaling segment, although demand for packaging paper is expected to recover, demand for graphic paper continues to decline. With the increase in logistics and labor costs, and given that profit increased due to the sale of inventory at pre-price-hike levels in the previous year, we expect a decrease in profit compared with the previous year. In the Non-Japan Wholesaling segment, a recovery in sales volume is

expected due to the conclusion of customer inventory adjustments, along with anticipated expansion in market share through complementary M&As and increased sales of high-value-added products, leading to a significant profit increase year on year. In the Paper Manufacturing & Processing segment, we have been able to offset the continuing high raw material, fuel, and logistics costs with higher selling prices, which has resulted in a slight increase in profit. In the Raw Materials & Environment segment, which is facing a difficult business environment where the availability of wastepaper continues to decline, we expect a decrease in profit compared with the previous year. The Real Estate Leasing segment is expected to continue operating stably.

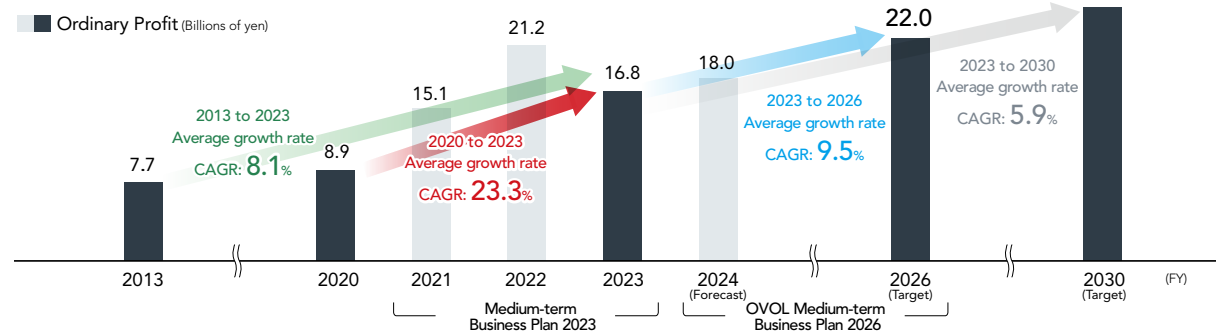
Projected fiscal 2024 consolidated ordinary profit of JPY18.0 billion represents an increase of 7.4% compared with consolidated ordinary profit of JPY16.8 billion in the final year of Medium-term Business Plan 2023. However, the CAGR from consolidated ordinary profit of JPY16.8 billion in the final year of Medium-term Business Plan 2023 to the JPY22.0 billion target for the final year of the new plan is 9.5%. We have set firm

targets for the first year of the new medium-term business plan and we must achieve them. Under OVOL Vision 2030, the quantitative target for consolidated ordinary profit for fiscal 2030 is JPY25.0 billion. The CAGR from fiscal 2023, for which consolidated ordinary profit was JPY16.8 billion, to the fiscal 2030 target, is 5.9%. We expect to be able to meet the quantitative target of OVOL Vision 2030 by strengthening the foundation of each business segment, and we aim for further growth through growth investments during the period of the new plan.

For the first quarter of fiscal 2024, compared with the same period of the previous fiscal year, revenue was 99.5% of the total, operating profit was 92.8%, ordinary profit was 94.1%, and profit attributable to owners of parent was 102.7%. Progress compared with the annual plan formulated at the beginning of the term shows operating profit at 24%, ordinary profit at 26.4%, and profit attributable to owners of parent at 29.2%, indicating performance is progressing largely in line with the plan.

In the Japan Wholesaling segment, while the decline in demand for graphic paper continues, demand for

**CAGR of Consolidated Ordinary Profit**





## Financial Strategies

packaging paper remains strong. Segment profit decreased due to rising expenses, such as labor costs, compared with the previous fiscal year, in which profits were high due to price hikes. However, performance exceeded that of the first quarter of fiscal 2022, and the segment is performing well. In the Non-Japan Wholesaling segment, a decline in demand and lower sales prices resulted in decreased revenue and profit year on year. Compared with fiscal 2022 and fiscal 2023, when performance benefited significantly from multiple price hikes under tightening supply and demand conditions, profit declined

substantially. However, when compared with earlier periods, performance improved significantly, and the impact of complementary M&As and operational efficiency improvements have enhanced the segment's potential. In the Paper Manufacturing & Processing segment, strong performance in both the containerboard and recycled household paper businesses led to increased revenue. Segment profit also increased due to initiatives to improve production efficiency. Segment profit for the first quarter of fiscal 2024 was a record high, partly due to the transfer of the household paper manufacturing business in Vietnam

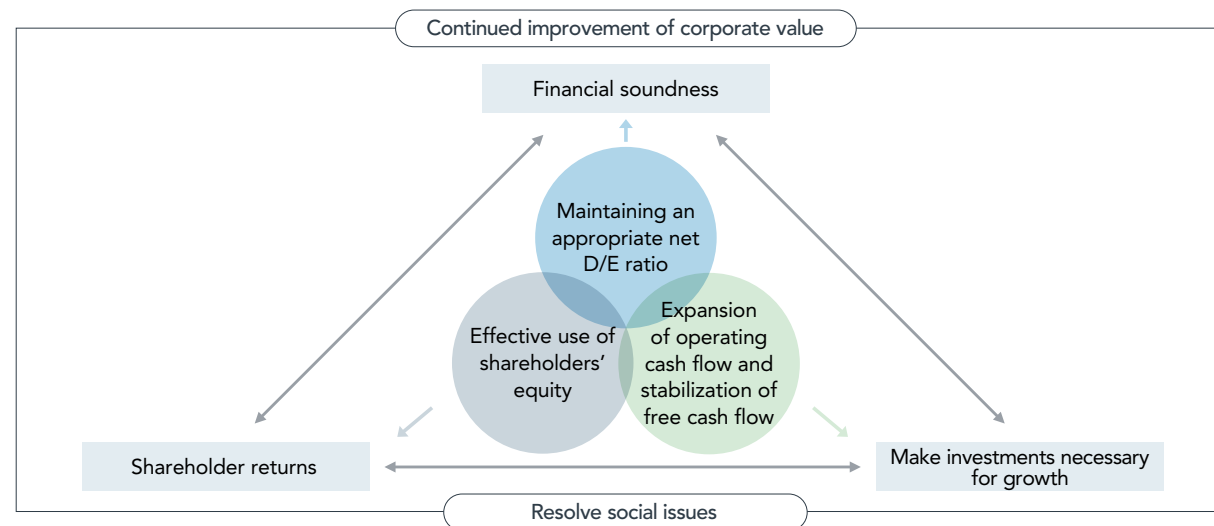
(unprofitable in the previous fiscal year), which contributed to the improvement in profit. In the Raw Materials & Environment segment, although the wastepaper business was sluggish both inside and outside of Japan, which resulted in decreased revenue, strong sales of imported PKS for biomass power plants continued, leading to an increase in segment profit. In the Real Estate Leasing segment, revenue and profit increased as main rental properties continued to operate at high occupancy levels, contributing to overall performance.

## Financial Strategy of OVOL Medium-term Business Plan 2026

The basic policies of our financial strategy are as follows: maintaining financial soundness through proper management of interest-bearing debt, making aggressive growth investments, and providing proactive and stable shareholder returns.

### Maintain Financial Soundness

The group's largest funding requirements are for working capital, particularly in the wholesaling business. However, during Medium-term Business Plan 2023, we made significant progress in improving the group's balance sheet through measures such as revising the retirement benefit plan, selling off some non-current assets, and continuing to reduce cross-shareholdings. As a result, at the end of fiscal 2023, net interest-bearing debt was reduced to about 75% of working capital requirements. Working capital requirements for the group at the end of fiscal 2023 remained strong and were comparable with the previous year-end, despite a reduction in inventories. The fact that the fiscal year-end (March 31,



2024) fell on a holiday left some accounts receivable uncollected. Nevertheless, by reducing cash on hand and focusing on debt reduction for improved efficiency, we were able to reduce loans by approximately JPY15.9 billion, and net interest-bearing debt decreased by about

JPY2.8 billion at the end of fiscal 2023. On the other hand, with an increase in shareholders' equity of approximately JPY9.2 billion, the net D/E ratio further decreased from the previous fiscal year to 0.59x, resulting in sufficient financial flexibility, with about 25% of working

capital covered by equity. In February 2022, two credit rating agencies raised our credit rating to A, and that remained unchanged in 2023 and 2024.

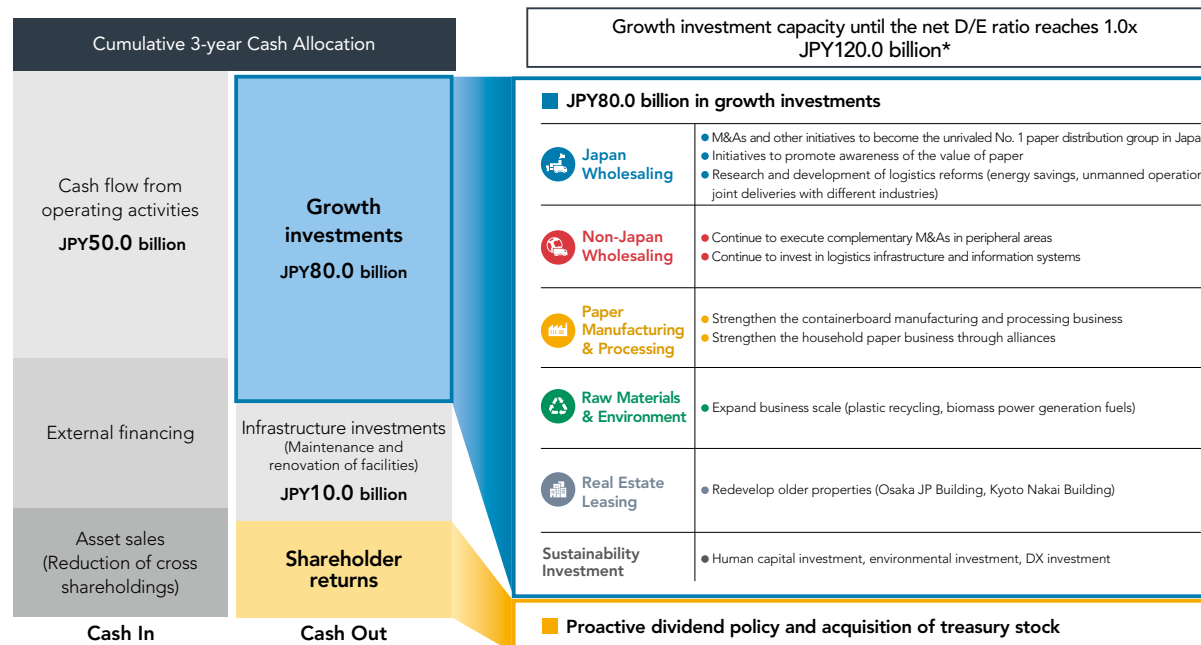
In addition, we have been re-examining assets and investments in each segment and disposing of and liquidating assets and investments that we have determined to have little potential of contributing to future profits. In terms of stocks held as cross-shareholdings, we conduct yearly reviews, and since the adoption of the Corporate Governance Code in 2015, we have sold a total of 62 stocks (worth approximately JPY11.4 billion) resulting in a gain of approximately JPY4.3 billion (as of March 2024), and we will continue to improve the efficiency of our assets.

Furthermore, we have inherited, invested in, and operated real estate in prime locations throughout our long history. We invest in and manage the Real Estate Leasing segment as a foundation for our company's profits, and select highly profitable and low-risk investments for redevelopment, maintenance, and renewal. In addition, we work to improve asset efficiency, and low-profit investments with little chance of being effectively utilized are sold instead of being redeveloped. The sale of some non-current assets during the period of the previous medium-term business plan was made in consideration of real estate market conditions, with the aim of effectively utilizing management resources and improving asset efficiency.

In OVOL Medium-term Business Plan 2026, the group has set targets for consolidated financial indicators: maintain a net D/E ratio at 1.0x or less and achieve ROE of 8% or more, ROA of 5% or more, and ROIC of 7% or more. We have tightened the management indicator for the net D/E ratio, previously set at 1.4x or less, to 1.0x or less, with a strong focus on maintaining financial soundness.

Under this management indicator, we will continue to focus on improving asset efficiency by reviewing low-profit assets and investments that have lost strategic significance. At the same time, we will actively pursue the growth investments necessary to enhance profitability while maintaining financial soundness, and work to meet the high expectations of our stakeholders.

### Cash Allocation



### Overview of Recent Major Investments

Medium-term Business Plan Period (FY)	Amount	Major Investments
2014–2016	JPY22.9 billion	<ul style="list-style-type: none"> <li>Construction of a mill for recycled household paper</li> <li>Upgrade of facilities at a containerboard manufacturing plant</li> <li>Construction of a solar power generation plant</li> <li>Construction of a biomass power generation plant</li> </ul>
2017–2019	JPY41.6 billion	<ul style="list-style-type: none"> <li>M&amp;As in the Non-Japan Wholesaling segment</li> <li>Upgrade of facilities at a containerboard manufacturing plant</li> <li>Construction of a corrugated packaging manufacturing plant outside of Japan</li> <li>Redevelopment of real estate holdings</li> </ul>
2020	JPY7.3 billion	<ul style="list-style-type: none"> <li>M&amp;As in the Non-Japan Wholesaling segment</li> <li>Upgrade of facilities at a containerboard manufacturing plant</li> </ul>
2021–2023	JPY21.9 billion	<ul style="list-style-type: none"> <li>M&amp;As in the Non-Japan Wholesaling segment</li> <li>M&amp;As of corrugated packaging manufacturing plants and upgrades to facilities</li> </ul>

\* The group will respond with agility to growth investment opportunities such as M&As, utilizing financial leverage up to a net D/E ratio of 1.0x.

## Financial Strategies

### Investment Strategies

Decisions on investments are based on the strategies of each business segment as well as qualitative and quantitative analyses and deliberation by the Executive Management Committee. Final decisions about important investment projects are made after further discussion by the Board of Directors.

For cash allocation during the three years of OVOL Medium-term Business Plan 2026, we plan to allocate a total of JPY80.0 billion to growth investments, combining JPY50.0 billion in cumulative cash flow from operating

activities with JPY30.0 billion of external funding. However, with the net D/E ratio set at 1.0x or less as the management indicator for maintaining financial soundness under the new medium-term business plan, growth investment capacity can be expanded up to JPY120.0 billion if financial leverage is fully utilized. This financial flexibility will enable us to respond swiftly to growth investment opportunities such as large-scale M&As.

Given that fluctuations in working capital have a major impact on the group's funding needs, we will manage working capital requirements appropriately and

carry out the necessary growth investments. Going forward, we will actively implement growth investments to further strengthen the revenue base of each business segment, maintain and enhance the asset value of real estate and facilities, invest in new promising businesses, and invest in human capital, which is the most important form of management capital, to achieve further growth.

### Shareholder Returns

Our basic policy for shareholder returns is to pay stable dividends, taking into account trends in consolidated performance.

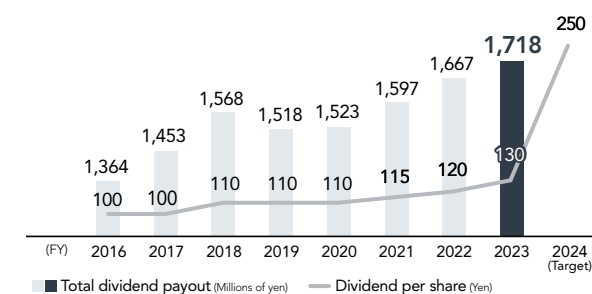
During the period of OVOL Medium-term Business Plan 2026, our shareholder return policy will be to maintain progressive dividends, targeting a consolidated payout ratio of 30% or more. This policy ensures that we can provide higher dividends during periods of strong performance compared with before, while also guaranteeing stable dividends throughout the period without any reductions.

Our ability to offer proactive and stable dividends stems from several key factors, including stable rental income from our real estate and the improved financial

soundness of subsidiaries, particularly in the Paper Manufacturing & Processing and Non-Japan Wholesaling segments. We have established a robust structure for receiving stable dividends from these subsidiaries, enhancing our standalone cash inflows and stability. This is a major point.

Furthermore, we believe that the acquisition of treasury shares is a means of raising shareholder value per share, increasing shareholder returns, and enhancing corporate value through, for example, the improvement of ROE. We have acquired treasury shares in the past based on the stock price and financial conditions, and will continue to consider such measures in the future, responding with agility and flexibility.

#### Total Dividend Payout and Dividend Per Share



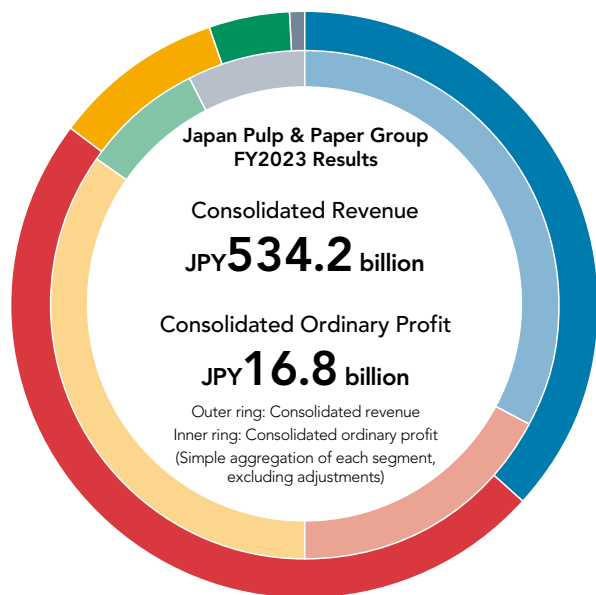
Note: On August 8, 2024, we announced a stock split of 10 shares for every 1 common share with a record date of September 30, 2024. In addition, we disclosed a revision to the dividend forecast in association with the stock split, but the actual dividend amount will effectively remain the same.

As a company listed on the Prime Market of the Tokyo Stock Exchange, we will continue to pursue a good balance between aggressive growth investments with a focus on capital efficiency and enhanced shareholder returns, while also strengthening our IR activities. We want a broad range of investors to view us as an attractive medium-to-long-term investment.

# Business Overview

The Japan Pulp & Paper Group supports the enrichment of people's lives and the development of industry and culture. We are making efforts to build a sustainable society through the sale and manufacture of paper, our recycling businesses, renewable energy-related initiatives, and through the utilization of our global platform.

To achieve our mission of "Carving a better future for society and the environment," we will contribute to the creation of a circular economy through the new power of paper.



Consolidated Subsidiaries

89

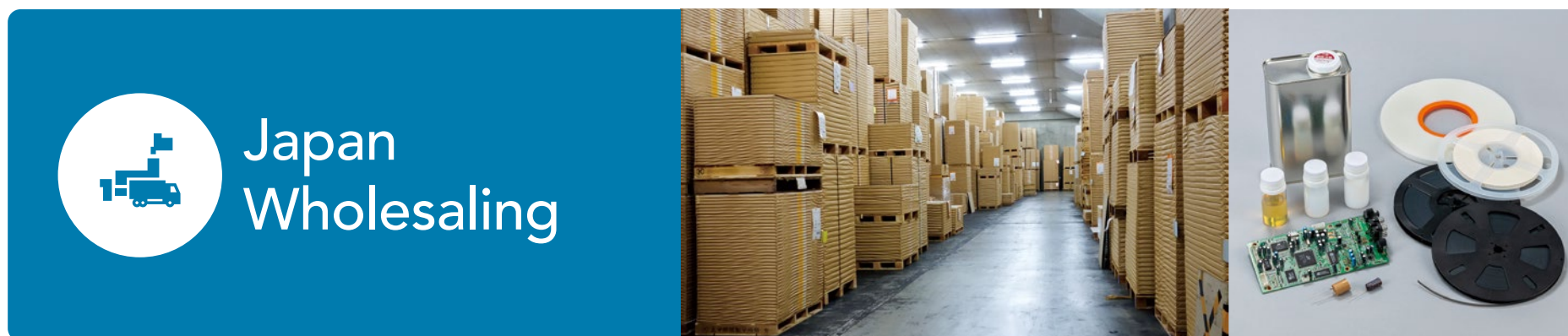
Associated Companies  
(Equity-Method)

6

## FY2023 Results by Segment

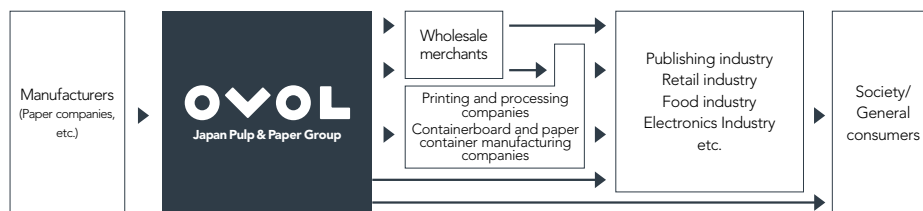
FY2023 Results by Segment	Main Businesses	Number of Consolidated Subsidiaries
<p><b>Japan Wholesaling</b> [ ]: Composition</p> <ul style="list-style-type: none"> <li>Revenue JPY <b>196.4 billion</b> [36.8%]</li> <li>Ordinary Profit JPY <b>6.7 billion</b> [32.7%]</li> </ul>	<ul style="list-style-type: none"> <li>Sale of paper, paperboard, and related products</li> <li>Warehousing and transportation businesses</li> <li>ICT system development</li> <li>Sale of information equipment</li> <li>Information service business etc.</li> </ul>	<p><b>10</b></p> 
<p><b>Non-Japan Wholesaling</b></p> <ul style="list-style-type: none"> <li>Revenue JPY <b>260.1 billion</b> [48.7%]</li> <li>Ordinary Profit JPY <b>3.5 billion</b> [17.1%]</li> </ul>	<ul style="list-style-type: none"> <li>Sale of paper, paperboard, and related products</li> <li>Sign and display products, packaging, films, and related business etc.</li> </ul>	<p><b>62</b> (Entities outside of Japan: 62)</p> 
<p><b>Paper Manufacturing &amp; Processing</b></p> <ul style="list-style-type: none"> <li>Revenue JPY <b>50.1 billion</b> [9.4%]</li> <li>Ordinary Profit JPY <b>7.0 billion</b> [34.6%]</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing of household paper, containerboard, and printing paper using recycled wastepaper as a raw material</li> <li>Manufacturing of containerboard boxes and related products etc.</li> </ul>	<p><b>10</b> (Entities outside of Japan: 1)</p> 
<p><b>Raw Materials &amp; Environment</b></p> <ul style="list-style-type: none"> <li>Revenue JPY <b>23.6 billion</b> [4.4%]</li> <li>Ordinary Profit JPY <b>1.6 billion</b> [8.1%]</li> </ul>	<ul style="list-style-type: none"> <li>Sale of raw materials such as wastepaper and pulp as well as of biomass fuel and related products</li> <li>Comprehensive recycling business</li> <li>Renewable energy power generation business etc.</li> </ul>	<p><b>7</b> (Entities outside of Japan: 3)</p> 
<p><b>Real Estate Leasing</b></p> <ul style="list-style-type: none"> <li>Revenue JPY <b>4.1 billion</b> [0.8%]</li> <li>Ordinary Profit JPY <b>1.5 billion</b> [7.6%]</li> </ul>	<ul style="list-style-type: none"> <li>Leasing of real estate</li> </ul>	

## Business Segments



### A dominant presence in the industry and the leading share of paper distribution in Japan

Based on the expertise and trust it has accumulated since its founding 179 years ago, the Japan Pulp & Paper Group sells paper, paperboard, and related products as a distributor for manufacturers. Today, we are pursuing new possibilities in paper and peripheral fields. While we supply various materials, daily necessities, and industrial goods with a wide range of applications, we also handle more specialized functional materials for electronic components, ecofriendly films, and packaging materials. In addition, we are leveraging the group's collective capabilities by developing and selling ICT systems for the paper industry and mobilizing our nationwide distribution network to diversify our businesses.



#### Strengths

- Relationships with business partners based on trust built over 179 years
- Human resources to support our position as an industry leading company
- Ability to make proposals based on advanced expertise and know-how in the paper business
- A nationwide distribution network that enables the stable supply of paper

#### Opportunities

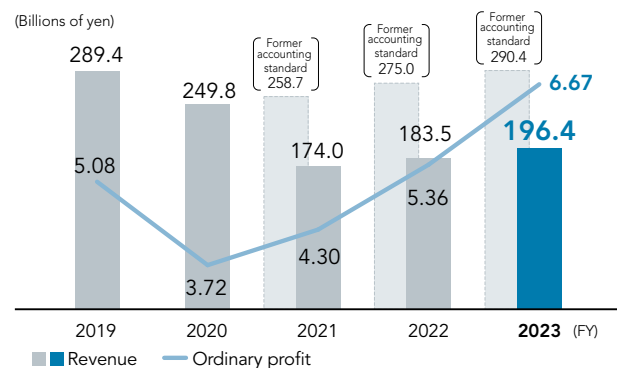
- Return to paper from digital formats as people rediscover its enriching and comforting value and qualities
- Growing demand for environmentally friendly products

#### Risks

- Decreasing demand for paper due to the declining population and digitalization
- Changing trends in demand due to rising prices

## FY2023 Results

### Revenue/Ordinary Profit



- In addition to the decline in demand for paper due to structural issues such as digitalization, factors including the discontinuation and lower circulation of magazines and the decrease in use of flyers and catalogs reduced sales volume year on year.
- While demand for paperboard used for pharmaceuticals and cosmetics increased, demand for products used in e-commerce and processed food packaging decreased, and delays in the recovery of demand for automotive and machinery-related applications impacted sales volume, which was lower year on year.
- Demand for functional materials, particularly for electronic components, recovered.
- Although sales volume decreased, revenue increased year on year due to higher selling prices following the price revisions for paper and paperboard made in the previous fiscal year.
- Despite rising logistics and labor costs, the increase in revenue exceeded these expenses, resulting in higher ordinary profit year on year.

Note: From the fiscal year ended March 31, 2022, "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) has been adopted. Accordingly, "Net sales" has been reclassified as "Revenue."

## FY2024 Forecast for Ordinary Profit

	FY2023 Results	FY2024 Forecast	Year-on-Year Comparison
Japan Wholesaling	JPY6.7 billion	JPY5.7 billion	85.4%

### Outlook

- Although the decline in demand for paper is expected to continue, we expect a recovery in demand for paperboard
- Increases in logistics and labor costs

## Business Segments

## OVOL Medium-term Business Plan 2026 Initiatives

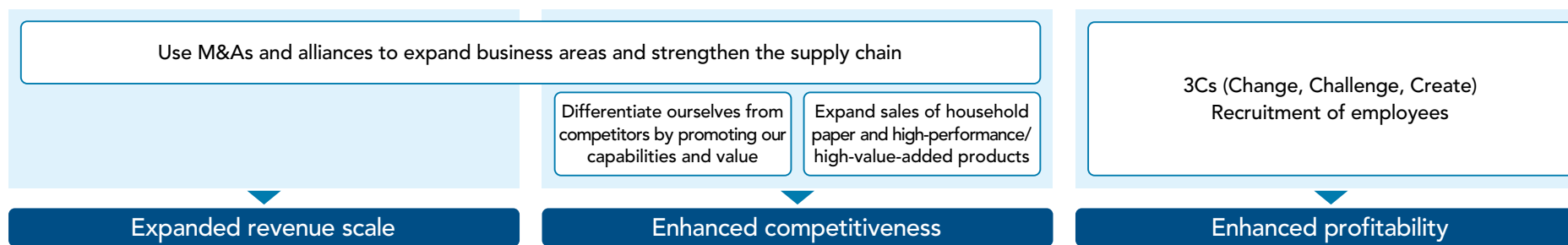
Segment Policy

## Maximize earnings by leveraging the group's collective strengths

FY2026 Quantitative Target  
Segment Ordinary Profit

JPY7.0 billion

## Future Initiatives



## Message from Management



Tetsuo Izawa

Director of the Board  
Senior Executive Vice President  
Paper Sales & Marketing, Logistics

## A Corporate Group Chosen for Its New Initiatives

The Japan Wholesaling segment's policy under OVOL Medium-term Business Plan 2026 is to maximize earnings by leveraging the group's collective strengths.

We anticipate that demand in the domestic market, particularly for graphic paper, will continue to decline. In markets where demand is expected to decline and competition is intensifying, we believe that the group's collective capabilities—going beyond paper distribution to logistics, ICT, and the Paper Manufacturing & Processing and Raw Materials & Environment segments—together with our technical strengths and organizational capabilities will be crucial differentiators. We believe that the medium-term business plan's goals cannot be achieved by merely continuing on the same path, but will instead require new initiatives like those

mentioned above. For example, at OVOL Bridges 2023—The 2nd Paper Merchants Forum (pages 27-28), we strengthened our ties and collaboration with paper merchants, who are both our customers and important business partners. From fiscal 2024, we have been implementing specific initiatives, such as promoting awareness of the value of paper as announced at the event.

We believe that future growth will not simply be about expanding volume but will focus on improving quality. To achieve this, we will further develop our human resources, a key strength that keeps us ahead of competitors, and sharpen our ability to make proposals, ensuring that customers choose us.

### Group Company Spotlight



**Takeshi Arima**  
Representative Director  
President

## JP Loginet Co., Ltd.

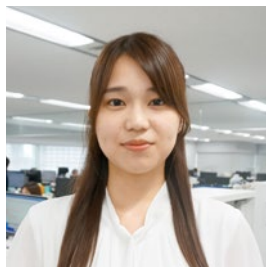
### Further Improving the Efficiency of Our Logistics Functions

Our company was established in 2013 as a spin-off from the logistics department of Japan Pulp & Paper Co., Ltd. Currently, we have bases primarily in the Tokyo metropolitan area, as well as in Sapporo and Fukuoka. We utilize six key logistics functions—delivery, storage, cargo handling, packaging, information processing, and logistics processing—to ensure the stable supply of paper. Although logistics faced numerous challenges recently, our most important mission is to reliably deliver products, such as paper and paperboard ordered by Japan Pulp & Paper, to wholesalers, printing companies, and other customers. Securing drivers and trucks, which are the foundation of logistics within the Japan Pulp & Paper Group, is crucial for maintaining a stable delivery system and one of our strengths. In addition, we have been able to create systems for improving logistics efficiency through joint deliveries between paper distributors and collaboration with paper merchants as customers. This is possible because we are a member of the Japan Pulp & Paper Group, a leading company in the paper distribution industry. Furthermore, joint logistics requires a shared information infrastructure, and the paper logistics system developed at group company, OVOL ICT Solutions Co., Ltd., is a key asset that enhances the group's capabilities and value. To continue being chosen by customers in a paper market that is not expected to grow significantly, we will work to further improve the efficiency of our logistics functions, focusing on storage and delivery.



EV trucks introduced in 2023

### Account from the Frontlines



**Kotone Kobayashi**  
Paper Merchant & Printer  
Sales Division

## Japan Pulp & Paper Co., Ltd.

### Trust Is the Source of Our Competitiveness

Printing Paper & Direct Sales Section 1, where I work, primarily sells printing paper for flyers and brochures to printing companies, as well as to end-users in retail and mail-order distributors. We are expected to propose products that meet customer requirements in terms of quality and cost. The numerous requests we have received, especially recently, have emphasized stable supply and precise delivery times. To ensure a stable supply, it is important to gather information such as the production status of paper manufacturers, while collaboration with JP Loginet is important for ensuring precise delivery times. By constantly sharing information with paper manufacturers and JP Loginet, we can promptly respond to customer requests, which leads to product orders. We believe that the trust we have built through these efforts is the source of our competitive strength. Our daily sales activities and the trust we have accumulated through the strength of the group have led customers to say, “We feel at ease when we rely on Japan Pulp & Paper’s Paper Merchant & Printer Sales Division.”





## Non-Japan Wholesaling



### Glocal and cross border business rooted in many countries and regions as one of the world's leading paper distribution companies

Our first foray into the global arena dates back to our expansion into Shanghai, China in 1899. Since then, we have continued to do business in a number of countries and regions with differing cultures and business customs. We are building on our know-how as we continue to expand our business activities throughout the world. We currently have paper distribution operations with inventory and delivery functions in the U.S., the U.K., Ireland, Australia, New Zealand, India, Hong Kong, Singapore, and Malaysia. We have established systems to enable the stable supply of products throughout each region. This has allowed us to extend our range of services beyond merely supplying printing and paper processing companies, to now include the delivery of products such as photocopying papers, labels, films, and sign and display products directly to consumers as we continue to promote the “glocalization” of our business. By maximizing the strengths rooted in each country and region, the group aims to create synergies, and become the world's leading paper distribution group.

#### Strengths

- Trust from business partners outside Japan built over 125 years since expanding into Shanghai in 1899
- Paper wholesaling business with locally rooted inventory, processing, and delivery functions
- A procurement and supply system that spans the globe (70 group companies operating in 21 countries and regions outside Japan)
- Glocal distribution sites
- Ability to make proposals based on procurement, supply, and information capabilities that leverage our global network

#### Opportunities

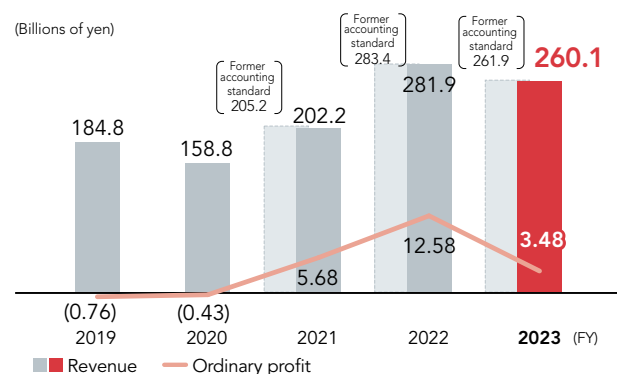
- Expansion of demand for high-value-added films, packaging, and sign and display products
- Increase in demand for environmentally friendly products
- Growth potential of the Asian market

#### Risks

- Decline in paper demand due to structural issues such as the digitalization of information media
- Supply and demand gap, fluctuation in market prices, and other related issues
- Trends of Chinese and Korean manufacturers

## FY2023 Results

### Revenue/Ordinary Profit



- In key markets such as the U.S., the U.K., and Australia, the sales volume and sales amount of paper and paperboard decreased due to a decline in demand resulting from the advance of digitalization and prolonged inventory adjustments by customers.
- Paper exports from Japan were on par with the previous year, and paperboard sales showed signs of recovery toward the end of the year. However, a downturn in demand due to economic stagnation in China and Southeast Asia, along with increased price competition, led to a decline in both sales volume and amount, resulting in a year-on-year decrease in revenue.
- In addition to the decrease in revenue, ordinary profit decreased year on year due to rising labor costs and increased interest payments caused by higher interest rates.

Note: From the fiscal year ended March 31, 2022, "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) has been adopted. Accordingly, "Net sales" has been reclassified as "Revenue."

## FY2024 Forecast for Ordinary Profit

	FY2023 Results	FY2024 Forecast	Year-on-Year Comparison
Non-Japan Wholesaling	JPY3.5 billion	JPY5.5 billion	158.0%

### Outlook

- Customer inventory adjustments stabilized, and we expect sales volume to recover.
- Share expansion through complementary M&As and increased sales of high-value-added products

## Non-Japan Wholesaling

## OVOL Medium-term Business Plan 2026 Initiatives

Segment  
Policy

## Build a stable revenue structure and further diversify revenue sources

FY2026 Quantitative Target  
Segment Ordinary Profit **JPY8.0 billion**

## Future Initiatives

Continue to execute complementary M&amp;As

Expanded revenue scale

Expand sales of high-value-added products

Enhanced competitiveness

Continue to invest in logistics infrastructure and information systems

Implement training programs  
Secure and develop human resources with expertise

Enhanced profitability

## Message from Management



**Mitsutoshi Imamura**  
Executive Vice President  
Global Business, Specialties

## Strengthening the Revenue Base and Achieving Sustainable Growth through Complementary M&amp;As

Reflecting on the previous medium-term business plan period, in fiscal 2022 we saw rising market prices due to strained maritime logistics and soaring raw material costs. In fiscal 2023, the impact of these factors led to a decline in sales as a result of inventory adjustments, creating significant fluctuations in profit that were not anticipated during the formulation of the plan. On the other hand, structural reforms implemented before the spread of COVID-19 contributed to improvements in profitability. Another major achievement was the successful execution of complementary M&As related to companies involved with packaging, sign and display, film, and flexible packaging products in regions such as Europe, Southeast Asia, and Oceania.

Under OVOL Medium-term Business Plan 2026, we will continue to build a stable revenue base and execute complementary M&As to offset the decline in demand for graphic paper. These M&A activities are designed not only to expand our product and service offerings but also to create synergies by sharing suppliers and customers with the newly acquired group companies, which will increase sales opportunities for both parties.

The CEOs and CFOs of group companies include people with expertise related to M&As, which has led to successful results. However, fostering such talent within our own company is an urgent issue, and we will address this during the period of the current medium-term business plan.

### Group Company Spotlight



**Takahiro Miyata**  
Managing Director

## Ball & Doggett Group Pty Ltd

### Leading the Industry with a Highly Skilled Workforce

Ball & Doggett Group (“B&D”) is a paper distribution group in Oceania that joined the Japan Pulp & Paper Group in 2017. In the Oceania region, there are limited paper manufacturers, so we have to rely on imports. One of B&D’s strengths is its bases in all the major cities of Australia and New Zealand, with its inventory and distribution functions giving it a significant presence in the Oceania market. However, similar to other developed countries, the demand for graphic paper is declining in the Australian and New Zealand markets. B&D is leveraging its logistics infrastructure to focus on growth areas such as the sign and display market and flexible packaging, especially for food-related applications. B&D is also working on IT-related projects aimed not only at improving internal operational efficiency but also at enhancing the value it provides to suppliers and customers through digital transformation (DX), as well as expanding business through effective marketing strategies. B&D is not just a paper distributor. It also leads the industry in promoting various initiatives, supported by its highly skilled workforce. The company is implementing numerous strategies to secure talented individuals. Going forward, B&D will continue to enhance its value as a business partner for customers and suppliers, aiming to grow as the company of choice.

### Account from the Frontlines



**Tony Bertrand**  
National Marketing Manager

## Ball & Doggett Pty Ltd

### Enhancing Customer Performance by Strengthening IT Services

As we are reminded by Kotler who said, “Marketing is the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit,” the Marketing team at Ball & Doggett continues to deliver on this and the promise of value creation. It is becoming more difficult in the digital world to differentiate ourselves from our competitors. However, we see great opportunities in developing unique personalized offerings that connect with our customers. It’s the art of Marketing to thousands but having a 1 to 1 relationship. Our new CE system through the implementation of D365 will enhance those connections and allow us to target customers with tailored solutions. As Head of Marketing, I’m committed to the successful delivery of our programs that make a real impact on the performance of our business. Our customers are responding favorably to our programs. Whether this be through product innovation in partnership with our suppliers or the work we are doing in sustainability, that helps our customers make better decisions. As a leader in the industry, our customers are asking us to educate them; to lead them through their journey.

## Non-Japan Wholesaling Segment Highlights

In the Non-Japan Wholesaling segment, we are actively conducting complementary M&As with the aim of strengthening sales functions at key business locations and enhancing sales of high-value-added products such as signs and displays. In this section, we will introduce companies that joined the group in Southeast Asia and France in fiscal 2023.

### ▶ CAS Technology Pte. Ltd.

CAS Technology (hereafter “CASTECH”), a Singaporean distributor of printing equipment, became part of the OVOL Singapore Group in January 2024. CASTECH specializes in providing hardware such as printers, laminators, cutting plotters, and flatbed cutters, as well as offering technical services. It is a leading distributor with a solid presence in the wide-format printing machine market.

The main supplier of printing machines is Epson, which holds a large market share in the eco-solvent (environmentally friendly ink) printing market. CASTECH is highly regarded for its excellent technical services and strong sales capabilities, and it has established a leading position in the sale of Epson eco-solvent printers in Singapore. CASTECH is also the sole distributor of Graphtec Corporation’s cutting plotters in Singapore, which is another Japanese supplier. The company also sells Chinese-made UV printers and flatbed cutters, enabling them to provide comprehensive distribution services in the sign and display market. Through the acquisition of CASTECH, OVOL Singapore, which previously only handled printing materials in the sign and display market, has added experience and expertise in hardware sales and can now offer a broader range of products to its customers. By leveraging both companies’ customer bases, OVOL Singapore can sell printing machines to CASTECH’s customers, and CASTECH can sell printing materials to OVOL Singapore’s customers, creating synergy. This synergy is also expected to result in cost reductions and improved logistics services. By utilizing CASTECH’s warehouse for the delivery of OVOL Singapore’s printing materials, customers can receive ink and printing materials at the same time, streamlining their time and management processes. The integration of both companies is currently being planned, with the goal of becoming the No. 1 supplier in the sign and display market, while further improving service levels.

# CASTECH



### ▶ Mutiara Paper (M) Sdn. Bhd.

Mutiara Paper (hereafter “Mutiara”) is a major paper distributor in Kuala Lumpur’s general paper sector, and joined Japan Pulp & Paper (M), a Malaysia-based subsidiary of the Japan Pulp and Paper Group, in November 2023.

Mutiara is a leading paper distributor that has maintained a strong position for over 20 years in Kuala Lumpur, Malaysia’s largest city. It has a high market share in premium paper, coated paper, and high-grade paper, and provides excellent service. The company’s warehouse is strategically located near Kuala Lumpur’s printing hubs, and it utilizes its own logistics network for deliveries.

The integration of OVOL Malaysia and Mutiara is currently underway. Our goal is to provide a higher level of service and a broader product lineup to customers. By combining OVOL Malaysia’s six branches and broad product lineup with Mutiara’s logistics and sales expertise, we aim to create the leading company in Malaysia’s paper distribution industry.

# MUTIARA



## ▶ Compedo Media Sdn. Bhd.

Compedo Media (hereafter “Compedo”) is a major supplier of wide-format printing materials and hardware such as printers for the sign and display market in Kuala Lumpur, and joined the Japan Pulp & Paper (M) group in November 2023. Compedo covers not only the sign and display market but also the architecture, engineering, and construction (AEC) market. The company supplies printing materials such as PVC sheets, plastic corrugated board sheets, foam boards, and paper-based products for the water-based ink market, as well as high-quality film labels from Avery Dennison. In addition, in the printing machinery market, Compedo is known for its high market share in the AEC sector and for offering eco-friendly printers that use HP Latex Technology from Hewlett-Packard (HP), one of its major suppliers. Compedo also offers UV printers and finishing machines such as cutters. In addition to handling a wide range of machines, it has a dedicated hardware technical support team that provides maintenance services for customer machines. With the acquisition of Compedo, Japan Pulp & Paper (M) has expanded its expertise in hardware and technical services, while also broadening its range of printing materials for the wide-format printing market. Collaboration with OVOL Malaysia, which has six branches in Malaysia, will enable both companies to offer a wider range of products to their existing customers. Japan Pulp & Paper (M), with OVOL Malaysia as its core business, aims to become the leading company in Malaysia’s paper distribution and sign and display market.

**COMPEDO**  
www.compedo.com.my



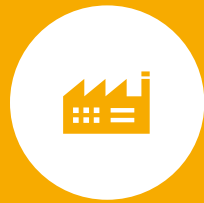
## ▶ EFP-Chavassieu

In December 2023, EFP-Chavassieu (based in Paris, France) was acquired by Gould Paper Corporation (colloquially known as OVOL USA) and joined the Japan Pulp & Paper Group. EFP-Chavassieu, established in 1991, is a French company that sells over 120,000 tons of paper, paperboard, and non-woven fabrics annually. Its 10 members sell products from manufacturers in France and other European countries.

The company handles a wide range of products, including testliner, fluting, white top testliner, tinted liner for luxury packaging, 1-side coated wet-strength and standard label paper, thin-print for pharmaceutical leaflets, security paper including water-marked paper, flexible packaging including grease-proof and other coated and uncoated barrier grades, recycled and virgin fiber office paper and stationary products, printing and writing paper and non-woven products for the hygiene industry (wipes, diapers, etc.). It leads the market in many of these categories. EFP-Chavassieu deals with over 200 clients, including printing companies, paper manufacturers, processors, publishers, office supply retailers, e-commerce companies, and retailers, most of whom have been customers for decades. The company also actively collaborates with major brand companies in product development.

Furthermore, the company focuses on handling products from paper manufacturers engaged in highly sustainable businesses, such as some of the world’s leading low CO<sub>2</sub>-emission paper companies. EFP-Chavassieu also works closely with Fibers365, a company with technology to produce carbon-neutral paper pulp and biopolymers from agricultural waste, such as straw and hemp, as well as other types of biomass. By leveraging its strong supplier network in Europe, the company aims to contribute to value creation for Gould Paper and the Japan Pulp & Paper Group through expanded sales volumes and operations in more regions.





## Paper Manufacturing & Processing



### A Manufacturing Business That Contributes to the Creation of a Circular Economy

The Japan Pulp & Paper Group is contributing to resource conservation through its paper manufacturing and processing business, which uses recycled wastepaper as a raw material for containerboard, printing papers, and household paper.

In our recycled household paper business, the Corelex Group, an industry leader in Japan, has established a stable supply structure for household paper including toilet paper. In the containerboard business, we are focusing on investment in production facilities for containerboard and boxes, and on building a structure capable of meeting diverse needs by adding corrugated packaging manufacturing companies to the group.

Throughout this segment, we are optimizing the group's internal supply chain from raw material procurement to manufacturing and sales, and are working to manage rising costs in order to further strengthen our competitiveness.

#### Strengths

- The group's supply chain covers upstream to downstream operations, ranging from wastepaper recycling to the manufacture of containerboard and household paper as well as wholesaling.
- Difficult-to-recycle wastepaper processing technology of the Corelex Group

#### Opportunities

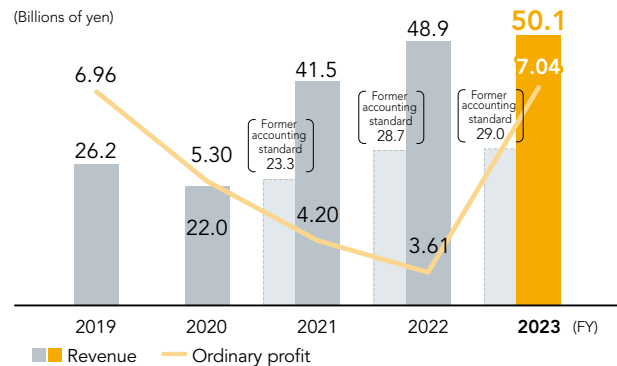
- Expanding need for wastepaper processing technology in response to rising environmental awareness and environmental measures
- Growing demand for environmentally friendly products, including plastic alternatives
- Initiatives for decarbonization

#### Risks

- Decrease in the availability of wastepaper and market fluctuations due to decline in paper demand
- Rising manufacturing costs due to sharp increases in raw material and fuel prices

## FY2023 Results

### Revenue/Ordinary Profit



- Sales volume decreased in both the containerboard and recycled household paper businesses.
- Revenue increased year on year due to higher selling prices resulting from the gradual implementation of price revisions for containerboard and household paper in the previous fiscal year.
- Despite the high costs of raw materials, electricity, and auxiliary materials, ordinary profit increased significantly year on year due to increased revenue and successful efforts to improve production efficiency.

Note: From the fiscal year ended March 31, 2022, "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) has been adopted. Accordingly, "Net sales" has been reclassified as "Revenue."

## FY2024 Forecast for Ordinary Profit

	FY2023 Results	FY2024 Forecast	Year-on-Year Comparison
Paper Manufacturing & Processing	JPY7.0 billion	JPY7.4 billion	105.1%

### Outlook

- Raw material and logistics costs are expected to remain high, while selling prices are forecast to increase.



## Paper Manufacturing &amp; Processing

## OVOL Medium-term Business Plan 2026 Initiatives

Segment  
Policy

## Proactive initiatives to conserve the global environment and build a stable revenue base

FY2026 Quantitative Target  
Segment Ordinary Profit

JPY7.5 billion

## Future Initiatives

Expand and strengthen procurement and logistics network through alliances

Expanded revenue scale

Realization of operation and sales at full capacity in the containerboard business

Improve brand strength and expand sales in the household paper business

Enhanced competitiveness

Reduce CO<sub>2</sub> emissions, conserve energy, and improve efficiency through DX utilization

Develop and secure manufacturing management talent

Enhanced profitability

## Message from Management



Kazuhiko Sakurai

Director of the Board  
Senior Executive Vice President  
Paperboard & Household Paper

## Responding Appropriately to the Speed of Change

The three years of OVOL Medium-term Business Plan 2026 will be marked by faster change than during the period of the previous plan. We believe it is essential to respond more proactively to social changes.

The Paper Manufacturing & Processing segment must play a central role in the group's efforts to reduce greenhouse gas emissions, as outlined in the medium-term business plan. The group's use of recycled wastepaper as a raw material also contributes to building a circular economy, and our segment's ability to collaborate with the Raw Materials & Environment segment is another strength.

The Paper Manufacturing & Processing segment focuses on products essential for society such as containerboard and household paper, which gives us a stable revenue base. To ensure that these essential products reach society, we will

enhance our logistics capabilities over the three years of the medium-term business plan. Optimizing logistics will lead to stronger sales capabilities. In the containerboard business, we are exploring a cross-group logistics strategy, while in the household paper business, we are expanding alliances outside the group to build a nationwide logistics network.

Furthermore, strengthening human resources is the most important task for ensuring the future growth of our manufacturing business. We will focus not only on the management of group companies but also on securing and developing human resources who will support our manufacturing operations. Building a solid logistics foundation and securing and developing human resources are major challenges, but we believe that addressing these challenges will give us a significant advantage.

### Group Company Spotlight



**Hiroyuki Ito**

Representative Director  
Vice President

## JP Corelex Holdings Co., Ltd.

### Contributing to the Preservation of the Global Environment and the Realization of a Sustainable Society.

The Corelex Group (Corelex San-Ei, Corelex Shin-Ei, and Corelex Doh-Ei), the core of the household paper business, possesses highly advanced recycling technology. This technology, which won its developer, Noboru Kurosaki, the Science and Technology Agency Director-General's Award in 1995, enables the recycling of difficult-to-recycle wastepaper such as mixed paper\* (previously incinerated as combustible waste) for use as a raw material. The Corelex Group has been contributing to reducing environmental impact long before the SDGs principles became prominent. Recently, leveraging this advanced technology and long-established expertise, the Corelex Group has been actively promoting digital transformation (DX) and energy conservation, significantly contributing to the reduction of greenhouse gas emissions. The Corelex Group has some of the highest quality products in the industry, including coreless toilet paper rolls. It also has been a leader in innovation, such as the development of "Smart Flower" products, which show CO<sub>2</sub> reduction rates on the packaging, and toilet paper made from recycled containerboard.

We are also actively involved in social initiatives. The Corelex Group carries out recycling programs in collaboration with various organizations and companies in sectors such as the government, schools, and retail. We also support employment for people with disabilities by outsourcing processing tasks to welfare work centers, and quickly provide support in the form of materials to disaster-stricken areas. These initiatives and achievements have been highly recognized by the Japanese government. We will continue to actively contribute across various fields to preserve the global environment and realize a sustainable society while further enhancing our corporate value to meet the expectations of stakeholders.

\* Wastepaper that falls outside the category of items that are typically collected such as newspapers, containerboard, and milk cartons.

### Account from the Frontlines



**Takafumi Usami**

General Planning Office  
Shizuoka Branch

## Corelex Shin-Ei Co., Ltd.

### Further Promoting Wastepaper Recycling

I am primarily involved in sales and planning activities. The main focus of my work is promoting Corelex's strength in recycling difficult-to-recycle wastepaper into toilet paper and tissue. I collaborate with various companies, local governments, and organizations to spread awareness of the importance of recycling wastepaper. One example is planning workshops on recycling in collaboration with Yoshimoto Kogyo, an entertainment company that is actively involved in SDG-related initiatives, when holding factory-hosted events with local residents or government-organized exhibitions. These workshops are a fun way to learn about recycling. I also plan and manage other educational campaigns with companies and organizations such as Tokyu Land Corporation, a major real estate company, the Shibuya City Tourism Association, and S-Pulse, a local professional soccer team. By collaborating with such companies and organizations, we are able to amplify our message, raising awareness about paper recycling among a wider audience of consumers. Going forward, we will continue to actively promote paper recycling, contributing to the creation of a circular economy and working to spread the name Corelex throughout Japan and the world.





## Raw Materials & Environment



### Building a Circular Economy through Resource Recycling

The Japan Pulp & Paper Group has been working since the 1970s to build a circular economy through the recycling of wastepaper, which is increasingly important as a raw material for paper manufacturing. The Japan Pulp & Paper Group is expanding its wastepaper recycling business in Japan and other countries, its comprehensive recycling business, which aims to efficiently recycle plastic and other waste, and its renewable energy power generation business, which includes solar and woody biomass power, as well as the provision of biomass fuel for the woody biomass power generation business. In the wastepaper recycling business, we have built a wastepaper collection network centered on Fukudasansho, which became a group company in 2017, ensuring stable supply to the group's paper manufacturers and other domestic manufacturers. We are also strengthening initiatives related to the collection of confidential documents. Outside of Japan, we have established a network with bases in the United States and India. In the biomass fuel business, we established a business entity in Malaysia that collects palm kernel shells (PKS), a fuel source for woody biomass power generation plants, and exports them to Japan and other countries. It supplies PKS to woody biomass power generation plants in the Japan Pulp & Paper Group, as well as to outside companies.

#### Strengths

- Stable supplies to paper manufacturers in Japan with an emphasis on the quality of wastepaper
- Own wastepaper yards in Japan and other countries, and the ability to promote the reuse of recovered paper as a raw material for paper manufacturing with a global perspective
- A comprehensive recycling business that efficiently recycles plastic waste, wastepaper, and wood-based waste
- Group fuel suppliers and woody biomass power plants operating outside of Japan
- A pulp business linked to our original business of selling paper

#### Opportunities

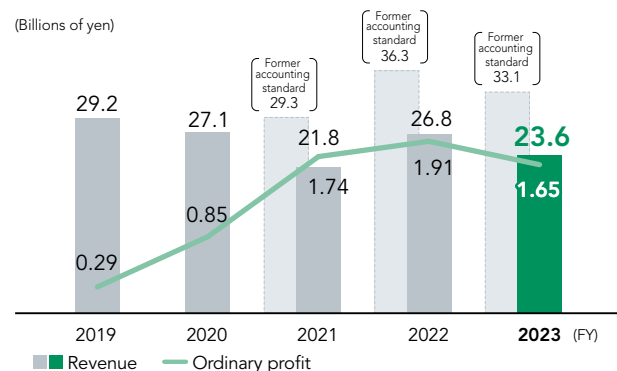
- Expansion of the market and increase in demand for plastic recycling due to Japan's Plastic Resource Circulation Act, which came into force in April 2022

#### Risks

- Rising costs related to unused materials and wood chips for woody biomass fuel
- Change in the procurement environment due to a decrease in the availability of wastepaper

## FY2023 Results

### Revenue/Ordinary Profit



- The wastepaper business continues to face a decline in wastepaper availability due to reduced demand for paper and paperboard, which resulted in lower sales volume in both Japan and the United States.
- Sales volume of pulp for paper manufacturers outside of Japan, particularly in China and South Korea, as well as fuel for woody biomass power generation plants, increased.
- Revenue decreased overall year on year.
- Ordinary profit decreased overall year on year due to the decline in revenue from the wastepaper business in Japan and the United States, despite an increase in profit in the fuel sales business for woody biomass power plants and the comprehensive recycling business.

Note: From the fiscal year ended March 31, 2022, "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) has been adopted. Accordingly, "Net sales" has been reclassified as "Revenue."

## FY2024 Forecast for Ordinary Profit

	FY2023 Results	FY2024 Forecast	Year-on-Year Comparison
Raw Materials & Environment	JPY 1.6 billion	JPY 1.5 billion	91.2%

### Outlook

- The volume of wastepaper sales is expected to decrease due to a decline in paper and paperboard usage.

## Raw Materials &amp; Environment

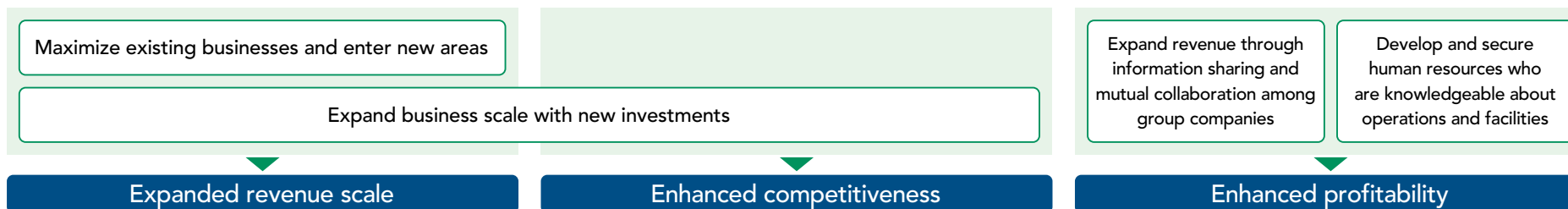
## OVOL Medium-term Business Plan 2026 Initiatives

Segment  
Policy

# Contribute to a sustainable society and the future of the Earth through a circular business model

FY2026 Quantitative Target  
Segment Ordinary Profit**JPY2.0 billion**

## Future Initiatives



## Message from Management

**Makoto Shirovani**Executive Vice President  
Raw Materials & Environment

## Formulating Growth Strategies Centered on Creating a Circular Business Model

Under OVOL Medium-term Business Plan 2026, we aim to continue developing growth strategies centered on creating a circular business model. We are focusing on the recycling of wastepaper and waste plastic, renewable energy power generation, procurement of fuel from outside of Japan, and the sale of pulp from Japan to markets in other countries and regions.

One major challenge is the decline in paper demand in Japan. This has led to a decrease in the availability of wastepaper, an international commodity. The group prioritizes securing wastepaper to ensure a stable supply of raw materials to domestic paper manufacturers. In anticipation of the growing momentum of the plastic-free movement as typified by Japan's Plastic Resource Circulation Act, which came into force in April 2022, we are looking to expand the scale of our comprehensive recycling business in Kyushu, mainly through group company Eco-Port Kyushu. We also plan to build a second plant.

Our power generation business will continue to focus on solar power generation in Hokkaido and woody biomass power generation in Iwate Prefecture. As the construction of new woody biomass power plants continues, we will maintain strong relationships with local forestry cooperatives to address the increasingly tight supply and demand situation for fuel procurement. In our fuel business, which also supplies fuel to power plants outside of the group, we are planning to establish a third PKS yard in Malaysia and are considering handling wood pellets as well.

The group's strength lies in its internal organizational capabilities which, in the wastepaper and non-Japan fuel businesses, encompass everything from upstream suppliers of raw materials to downstream paper companies and power plants. We are committed to further strengthening these capabilities.

### Group Company Spotlight



**Hideo Ogi**

Representative Director  
Senior Executive Director

## Eco-Port Kyushu Co., Ltd.

### Enhancing Processing Capacity to Meet the Increasing Demand for Plastic Waste Treatment

Our company operates a comprehensive recycling business in Kumamoto Prefecture, focusing primarily on recycling plastic packaging waste from households and processing and recycling confidential documents. Various types of plastics are used in the home for packaging food and daily necessities, and you can find information on what type of recycled plastic is used for these items. In material recycling, we use optical sorting machines to produce recycled plastic raw materials from single-type plastics. However, some plastic waste has unremovable contaminants that make them unsuitable for material recycling. This kind of waste is processed through thermal recycling, where it is mixed with wastepaper, wood chips, and textile waste to create RPF (an abbreviation for Refuse Paper & Plastic Fuel), a solid fuel.

With the enforcement of the Plastic Resource Circulation Act in April 2022, we have been working to increase our processing capacity by upgrading existing equipment and improving operations. In addition, we are planning to build a second plant adjacent to our current factory. Through our plastic recycling business, we aim to contribute to the reduction of fossil fuel usage and waste generation.



Optical sorting machine for sorting waste plastic

### Account from the Frontlines



**Kimihiro Ito**

General Manager  
Thermal Business Department

## Eco-Port Kyushu Co., Ltd.

### Contributing to the Creation of a Sustainable Society

As head of the Thermal Business Department, I oversee the production of RPF solid fuel. I have noticed that our operations can be significantly impacted by various social and other factors such as natural disasters and legal changes. Specifically, following the Kumamoto earthquake and amid the state of emergency during the COVID-19 pandemic, we handled large volumes of household waste as essential work contributing to the infrastructure of society. I realized that these business activities contribute greatly to society, and I felt a strong sense of purpose and fulfillment. In plastic waste recycling, I see RPF as the final stronghold for effectively utilizing waste plastic. The RPF we produce has received high praise from our customers for its quality and is contributing to the reduction of fossil fuel usage as an alternative to coal. Together with my colleagues, I will continue to face daily challenges head on as we work to build a sustainable society for the future of our children.





## Real Estate Leasing



### Utilization of Community-based Real Estate

In our real estate leasing business, our properties in areas including Tokyo, Osaka and Kyoto are used as offices, multi-dwelling residences and hotels. In 2018, construction was completed on the OVOL Nihonbashi Building, which is one of the projects in the second phase of the Nihonbashi Revitalization Plan. Furthermore, the OVOL Kyoto Ekimae Building was completed in 2019. This building opened as a hotel, and is meeting the diverse needs of customers, from tourists to businesspersons. The Japan Pulp & Paper Group will continue to make effective use of its real estate assets as a source of stable income while contributing to new urban development.

#### Main Rental Properties

Name	Location	Number of Floors	Use	Completed
Nihombashi Nichigin-Dori Building	Nihonbashihongokucho, Chuo-ku, Tokyo	8 floors above ground	Offices, shops	September 2014
OVOL Nihonbashi Building	Nihonbashimuromachi, Chuo-ku, Tokyo	15 floors above ground and 3 below	Offices, hotel, shops	June 2018
OVOL Kyoto Ekimae Building	Kita-Fudondocho, Shimogyo-ku, Kyoto	10 floors above ground and 1 rooftop facility	Hotel	March 2019
Cerulean Homes Kachidoki	Kachidoki, Chuo-ku, Tokyo	26 floors above ground and 1 below	Apartments, shops	March 2001
Osaka JP Building	Kawaramachi, Chuo-ku, Osaka	8 floors above ground and 2 below	Offices, shops	October 1972

#### Strengths

- Business operations utilizing real estate assets in prime locations in major urban areas, including Tokyo, Osaka, and Kyoto
- Provision of office space for rent to meet the needs of diverse companies

#### Opportunities

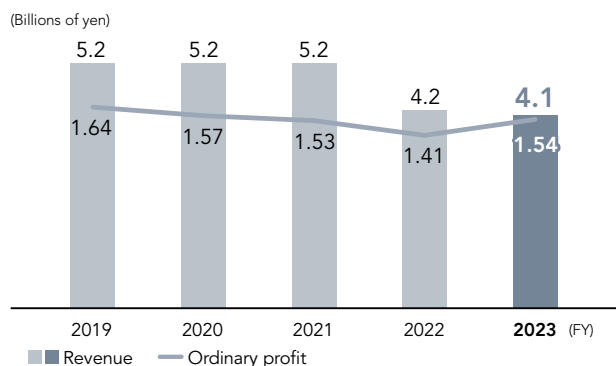
- Improvement in economic trends and real estate market conditions
- Prime locations in major urban areas

#### Risks

- Fluctuations due to economic trends and real estate market conditions
- Decrease in office demand and in rent levels due to changes in ways of working
- Major repairs of aged buildings

## FY2023 Results

### Revenue/Ordinary Profit



- Rental income decreased due to the partial transfer of non-current assets in Chuo-ku, Tokyo, in the previous fiscal year.
- Revenue decreased year on year.
- Despite the decrease in revenue, ordinary profit increased year on year due to the absence of one-time costs associated with the partial transfer of non-current asset in the previous fiscal year and a reduction in real estate management expenses and other costs.

## FY2024 Forecast for Ordinary Profit

	FY2023 Results	FY2024 Forecast	Year-on-Year Comparison
Real Estate Leasing	JPY 1.5 billion	JPY 1.5 billion	97.4%

## OVOL Medium-term Business Plan 2026 Initiatives

Segment Policy

Continue to generate stable income from real estate holdings and optimize the real estate portfolio

FY2026 Quantitative Target Segment Ordinary Profit

JPY 1.5 billion

### Future Initiatives

