

Meeting Memo of Company Information Session for Individual Investors

Japan Pulp and Paper Company Limited (8032)

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Venue: Daiwa Conference Hall (Chiyoda-ku, Tokyo)

Presenter: Akihiko Watanabe, Representative Director, President & CEO

1. Overview of the Group

- As a leading primary wholesaler in the field of paper and paperboard wholesaling in Japan, we have been supporting a stable supply of paper and paperboard for many years. In Japan, paper and paperboard products, especially for printing and graphic paper, are distributed from paper manufacturers to manufacturer's agents, i.e., primary wholesalers like our company. The products are then sold to secondary wholesalers, including regional wholesalers, printing companies, publishers, processors, and brand owners. In this paper supply chain, we have played a dominant role and established a solid presence.
- Since 2017, the group has been diversifying and globalizing its operations. In light of this, we adopted the group brand "OVOL" and its brand logo to foster a sense of belonging and a unified sense of direction among the group's executives and employees, further enhancing our corporate value as a group. While we have long upheld the spirit of "only by acting with the benefit of others in mind will one achieve true gain" as our corporate motto, we have now revised our corporate philosophy and other principles. Since the majority of our business is B to B, it has been challenging for us to communicate our brand to individual investors and general consumers. However, as eight years have passed since we introduced the brand, we think we have become much better known in the paper industry. We sincerely hope that today will provide an opportunity for you to start enjoying the OVOL brand.
- This year marks the 180th anniversary of our founding. As of the end of March 2024, we have 127 group companies worldwide, and have recorded ordinary profit for 52 consecutive years since our listing on the Tokyo Stock Exchange in 1972. For the fiscal year ended March 31, 2024, consolidated revenue was JPY 534.2 billion, and consolidated ordinary profit was JPY 16.8 billion. In March 2023, mainly driven by unprecedented growth in markets outside Japan, we achieved a record-high consolidated ordinary profit of JPY 21.2 billion. As of the end of March 2024, the number of consolidated employees was 4,157, of whom as many as 46.5% are now based outside Japan.
- For data on the progress of globalization and diversification, please refer to the materials.
- Founded in Kyoto in 1845 as a merchant of Japanese *washi* paper, we later became the first in Japan to trade in domestically produced machine-made paper. Along with Japan's economic growth, domestic demand for paper and paperboard expanded steadily, and for many years we maintained the world's second-largest market share after the United States. Even in recent years,

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Japan has ranked third in the world with an annual production of approximately 20 million tons, following China and the United States. Throughout this period, we have consistently adapted to changes in the times and society, transforming and expanding our business while creating new value centered on our wholesale business of paper and paperboard. In the 1970s, we went public and entered the wastepaper recycling business. In the 2000s, we expanded into the paper manufacturing business, producing containerboard and household paper made from recovered paper, and in the 2010s, we strengthened our power generation business using renewable energy.

- Specifically, for our operations outside of Japan, we had already expanded into Shanghai and other places before World War II. After the war, we established representative offices and local subsidiaries in many major cities, including Hong Kong, Bangkok, and Düsseldorf, primarily operating as export sales hubs for Japanese-made paper and paperboard. As domestic demand for paper and paperboard in Japan peaked in the 2000s, intending to fully capture the massive demand in markets outside of Japan, we embarked on acquiring locally rooted paper wholesalers with local inventory wholesaling, known as “paper merchants,” starting around 2010. Most recently, we acquired businesses in Germany and France at the end of last year. In conjunction with these acquisitions, together with complementary acquisitions of peripheral businesses in various countries, we have made significant progress in globalizing our operations.
- The group's operations are classified into five business segments.
- First is the Japan Wholesaling segment, our original business. In fiscal 2023, it accounted for 37% of consolidated revenue and 33% of consolidated ordinary profit. While the majority of this segment consists of agency sales by Japan Pulp & Paper Company Limited, it also includes subsidiaries such as logistics companies, ICT system-related subsidiaries, and secondary distribution wholesalers.
- Second is our Non-Japan Wholesaling segment. It consists of the International Business Division, which serves as the export division of Japan Pulp & Paper Company Limited, and subsidiaries and group companies worldwide engaged in inventory, wholesaling, processing, and import/export of paper products. The segment handles a wide range of printing and packaging materials, including pulp, recovered paper, related machinery, film, labels, digital printing materials, packaging-related products, and printing ribbons, in addition to paper and paperboard. According to the latest figures, the segment accounts for 49% of total revenue and 17% of ordinary profit. These numbers are temporarily lower than their actual value, partly due to a rebound from the strong performance in fiscal 2022.
- Third is the Paper Manufacturing & Processing segment. It specializes in raw material composed of 100% recovered paper (wastepaper) and engages in producing containerboard paper, processing and selling containerboard sheets and boxes, as well as manufacturing and selling recycled household paper products, primarily toilet paper. By leveraging synergies with the

group's wastepaper collection, sorting, and sales business, and its technological advantage for utilizing difficult-to-recycle wastepaper, the segment has established itself as a market leader, particularly in recycled household paper. Although this segment accounts for only 9% of total revenue, it contributes 35% of ordinary profit.

- Our fourth category is the Raw Materials & Environment segment. In addition to the sale of pulp, wastepaper, and palm kernel shells (PKS) at Japan Pulp & Paper Company Limited, it includes a recovered paper business, power generation business using renewable energy such as biomass and solar power, PKS exporting business in Malaysia, and comprehensive recycling operations that also take into account Japan's new Plastic Resource Circulation Act. We are committed to fulfilling our corporate social responsibility while staying sharply aware of the SDGs, and will continue to contribute to the creation of social value. This segment accounts for only 4% of total revenue and 7% of ordinary profit. In fiscal 2024, however, a significant growth in the PKS business led to a substantial increase in its contribution to profits (PKS refers to the palm kernel shells, which are used as fuel for biomass power generation).
- Our fifth business grouping is the Real Estate Leasing segment. It has contributed to securing stable earnings by optimizing the portfolio of real estate owned by the company in Tokyo, Osaka, Kyoto, and other locations.
- Starting from our original business of paper wholesaling, we have diversified our business into both upstream and downstream operations to realize synergies, with a strong awareness of building a circular economy.
- Here are three of our most notable features. The first is that we have been the dominant leader in domestic paper distribution in Japan since the beginning of modern domestic paper distribution.
- The second is that we are a “glocal” paper company group, almost unprecedented in the world. Having a global network, we operate locally rooted wholesaling businesses in major countries and regions around the world. By continuously improving the quality of our functions and services, we aim to become recognized, both by ourselves and others, as the world's leading paper distribution group, as outlined in our long-term business strategy, OVOL Vision 2030.
- The third is that we have made it our mission to build a circular economy. As a company specializing in paper, a material with an extremely high environmental performance, we are working to build a circular economy by expanding from upstream to downstream operations under our corporate slogan, “Paper, and Beyond.”

2. Introduction to the Group's Business

Japan Wholesaling segment

- In Japan's paper distribution industry, there are hundreds of wholesalers nationwide acting as secondary distributors downstream from us, a primary distributor. In 2018 and 2023, we hosted

forums inviting approximately 400 people from 250 wholesale paper merchants. At the first forum in 2018, during a panel discussion among non-Japanese paper merchant members of the group, we discussed our management, sales, marketing, logistics, labor, and other practices in the paper distribution sector outside of Japan. We also introduced an IT-driven logistics system that the group was developing at the time.

- At the second forum in 2023, we held a lecture offering tips for solving challenges paper merchants were facing, a talk on reevaluating the value of paper, and a panel discussion. Regarding challenges in paper merchant management, Mr. Yasuyuki Imai, then Representative Director (currently Chairman) of SoftBank Corp., gave a lecture on the importance of digital transformation (DX) for merchants that tend to be smaller and family-run to address labor shortages. Ms. Yuri Okina, Chairperson of The Japan Research Institute, Limited, explained key considerations for business succession in small and medium-sized businesses. Mr. Hiroaki Miyahara, President of Gakken Holdings Co., Ltd., shared his company's successful experience of making a V-shaped recovery and the methods used to achieve it. During the panel discussion, executives from other industries who highly appreciate the advantages and functional value of paper, as well as representatives from paper merchants, discussed what value and functions paper possesses and how to communicate these to society at large.
- Both events were a success and highly praised not only by executives of the merchants but also by guest paper manufacturer executives and industry publications. We are confident that they contributed to enhancing corporate value, including social value. As a byproduct, the successful hosting of such large-scale events has served as a significant motivator for the group's executives and employees. We believe this experience has been highly effective in fostering the mindset required for developing new creations from scratch, as well as mechanisms and initiatives we are currently developing under OVOL Vision 2030 and OVOL Medium-term Business Plan 2026 ("Medium-term Business Plan 2026"). Regarding the commitments we made to paper merchants at the second forum, we are already implementing these initiatives in collaboration with those merchants. We also plan to hold a third forum by 2028.
- Meanwhile, in response to growing environmental awareness and the government's goals to reduce and eliminate plastic use, we are focusing on proposing paper-use solutions. By leveraging our close relationships with paper manufacturers and the market, we have developed a variety of environmentally friendly products. In addition to operating Paper & Green, a marketing website dedicated to these products, we are actively participating in various exhibitions. Last year, our products were highly praised and received awards such as the Minister of Economy, Trade and Industry Award, and the Asia Star Award.

Non-Japan Wholesaling segment

- Domestic demand for paper and paperboard in Japan peaked in the 2000s. Many other developed

countries are also experiencing stagnant or decreasing paper demand due to population decline and advances in digitization. Despite these situations, however, global demand is expected to continue growing in the future. Even in developed countries, there are markets with extremely robust demand, such as the United States. Furthermore, in many of the markets that we have already entered, the paper distribution sector has largely completed a shakeout. By including peripheral materials, sign and display products, and packaging-related printing and wrapping materials that enable immediate utilization of the inventory, delivery, and financial functions of traditional paper merchants, we are confident that our glocal network will continue to serve as a robust business model that provides a source of revenue.

- From the end of 2024 to February 2025, we acquired several businesses or companies: three in Germany, two in France, and one in Portugal. This has increased our number of locations and added approximately 500 employees. Even in terms of revenue by region, if we simply calculate the actual results of the acquired businesses in the above three countries for fiscal 2023, which was prior to the acquisitions, approximately JPY 100 billion would be added to our existing revenue.

Paper Manufacturing & Processing segment

- Our main businesses are containerboard and recycled household paper businesses, but let me talk about our mobile toilet trailers. One of the most critical issues in evacuation centers during natural disasters and other emergencies is the toilet problem. The American-made mobile toilet trailers are highly appreciated for providing clean and comfortable toilet facilities to disaster victims. These trailers are primarily purchased by local governments nationwide, and in the event of a disaster, local governments cooperate to gather these trailers in disaster-affected areas, making a significant contribution to disaster response efforts. We will further focus on this initiative to contribute to solving social issues.

Raw Materials & Environment segment

- While we operate our business with a focus on building a circular economy that starts from paper, demand for imported PKS has recently been growing. In the PKS collection and export business in Malaysia, our source of supply, the group is working to acquire a third shipping yard in addition to the two existing ones.
- Our comprehensive recycling business in Kumamoto operates smoothly and steadily. In response to the enforcement of Japan's new Plastic Resource Circulation Act, we are considering the construction of a second plant that will focus on the collection and sorting of plastic products.

Real Estate Leasing segment

- We will continue to effectively utilize our real estate assets in Tokyo, Osaka, and Kyoto. In fiscal 2022, we sold four properties in the Kachidoki area, including our headquarters, and had been searching for a new location while verifying the ideal working style for the future. As disclosed

on March 3, 2025, we have signed a lease agreement to relocate by the second half of 2026 to floors 23–25 of the TOFROM YAESU TOWER, currently under construction in Tokyo's Yaesu district. This move aims for a significant increase in productivity through investments in human capital and improvements in work engagement.

3. The Group's Growth Strategy

- As our immediate goal, we have outlined in OVOL Vision 2030 what we aspire to be, what we should be by 2030. To achieve this, we used a backcasting approach to formulate Medium-term Business Plan 2026, a three-year plan starting from fiscal 2024.
- The first goal outlined in OVOL Vision 2030 is to become “the world's leading paper distribution group.” This does not simply mean becoming the largest in terms of sales volume, sales revenue, or number of employees. Rather, it means becoming a paper distribution group that offers the most comprehensive functions and services in various paper markets around the world, and is most trusted and relied upon by our customers.

In terms of scale alone, we recognize that we currently rank third or fourth in the world, following two US companies. However, these two US companies operate only within the United States and specialize in large-scale speculative trade transactions, which is not the kind of global leader we aspire to become.

- The second goal is to become “a group that contributes to a sustainable society and the global environment.” This means that we want to be a corporate group that creates not only economic value through business activities, but also social value for the global environment and society. Paper itself is made from wood, a renewable resource. Here in Japan, which boasts one of the world's highest rates of recycled paper collection and utilization, we are confident that we can contribute to building a sustainable circular economy through the diversification of our business, starting from paper wholesaling.
- The third goal is to become “a corporate group that strives to be considered a trustworthy and engaging partner both within and beyond the paper industry.” Within the domestic Japanese paper distribution sector, we have consistently been recognized as a leading company since our founding. However, we are not well known because our business structure is centered on B to B operations. Furthermore, domestic paper demand peaked in the 2000s and there is a wrong idea spreading among some that paper production itself is harmful to the environment, which makes us think that we might not be properly understood outside the industry. We will continue to implement initiatives that earn recognition from a wide range of stakeholders, including enhancing engagement with our executives and employees.
- In our previous Medium-term Business Plan 2023, we achieved significant progress. As a result, we have obtained three major assets: stable earning power, robust financial strength, and a global

business platform that spans inside and outside of Japan. However, it is also a fact that there remains a significant gap between our current state and the desired state outlined in OVOL Vision 2030. The ongoing Medium-term Business Plan 2026 was formulated by identifying and addressing this significant gap based on a backcasting approach. We position these three years as a period for developing the necessary mechanisms and initiatives to realize OVOL Vision 2030.

- In order to achieve our long-term vision of creating economic and social value, it is essential to dramatically enhance competitiveness, profitability, and revenue scale. We have established three fundamental principles to accomplish this.
- First, we will expand communication within and outside the group to significantly increase the value provided by our functions, services, and other offerings, thereby dramatically enhancing our competitiveness. In particular, we will survive in the domestic Japanese market, which is the third largest in the world, and maximize the benefits of being one of the few remaining players in the industry. Second, we will raise the capabilities of our human resources and dramatically increase work engagement to improve productivity and efficiency, thereby dramatically enhancing profitability. Third, we will fully utilize M&As to rapidly expand our business in new and existing areas, thereby substantially raising our revenue scale. In line with these fundamental principles, we have begun to develop specific mechanisms and initiatives not only in the sales department but also in the administrative departments and group companies.
- Examples of the first year of Medium-term Business Plan 2026 (April 2024 onwards) include the acquisition of wholesale businesses for paper and peripheral materials in Germany, France, and Portugal. Synergies with existing businesses in the US, France, and Germany are already emerging, enabling us to take a major step toward realizing OVOL Vision 2030.
- Our policy for returning profits to shareholders is also outlined in detail in Medium-term Business Plan 2026. With regard to dividends, we have not reduced dividends except for commemorative dividends. As in the past, based on our policy for the period covered by Medium-term Business Plan 2026, we have committed to a progressive dividend policy with a consolidated dividend payout ratio of 30% or more.
- Additionally, we have revised the eligibility criteria for our popular shareholder benefit, which is a case of toilet paper manufactured by Corelex, our group company, from 1,000 shares or more to 500 shares (5 units) or more.

4. APPENDIX

- Regarding ordinary profit, which is our profit indicator, we aim to achieve JPY 22 billion, exceeding the record high of JPY 21.2 billion posted in fiscal 2022. We also target a ROE of 8.0% or higher, a ROA of 5.0% or higher, and a ROIC of 7.0% or higher, as well as keep the net D/E ratio to 1.0 times or less. We will maintain or further improve our long-term external credit rating

at the current A level.

- For the group, whose core business is wholesaling, its original business, human resources are the greatest asset. In Medium-term Business Plan 2026, we have established various initiatives to strengthen human capital and are working diligently to implement them.
- We believe that the most important step to achieve goals and realize visions is to first share the content, context, and intent behind those goals and visions with members and gain their understanding and empathy. While we have been making efforts to enhance communication from management to employees, it tends to become one-sided. Since last year, we have increased opportunities for two-way communication between management and employees, aiming to foster shared understanding and empathy for management's thoughts and ideas. Specifically, we have held face-to-face dialogue sessions involving department heads, section managers, non-management employees, and myself, as well as live streaming of the president's message to the entire company and making video archives of these sessions available. Through these initiatives, we are beginning to see tangible progress toward the realization of OVOL Vision 2030.
- We believe that sharing with and gaining empathy from our investors is also important. On our company website, we are currently preparing to add a more informative section tailored for individual investors.
- We have always, and will continue to, use our corporate philosophy as our guiding compass, and through the realization of OVOL Vision 2030, we will do our utmost to meet the expectations of our stakeholders. We sincerely hope that you will continue to closely watch over the further development and growth of the group.

7. Q&A

Q1. While the development of paper and containerboard products for disaster prevention seems to benefit the paper industry, won't these products take up too much space and overwhelm warehouses?

A1. Regarding your question about disaster prevention, I assume you are referring to paper and containerboard products used during evacuation or shelter life in the event of a disaster, such as toilet paper, containerboard beds, containerboard sheets, containerboard partitions, and containerboard-made temporary toilets. Based on that understanding, the manufacturing plants for recycled toilet paper that the group manufactures and sells, as well as the processing plants for containerboard sheets, boxes, and other products tend to be smaller compared to factories, including those of other companies, that produce containerboard and printing paper products. They are also widely distributed across the country. Therefore, in the event of a natural disaster, even if a factory in a particular region is damaged, we have a system in place to provide emergency support from nearby or other regional factories.

In addition, these products have extremely high versatility in their applications. For example, typical containerboard sheets or boxes can be used as temporary beds, floors, or partitions, while toilet paper can substitute for paper towels or tissues. Each factory maintains a certain amount of paper and product inventory on a regular basis, so depending on the scale of the disaster, we can provide relatively high-level emergency support.

During disasters such as the Noto Peninsula earthquake on New Year's Day last year, the group responded to requests from local governments and worked with business partners to quickly deliver toilet paper and other emergency supplies. In addition, local governments to which we sell our products promptly dispatch toilet trailers to evacuation centers and other places for disaster victims, which was highly appreciated.

Q2. How do you plan to utilize your company's shares in the future?

A2. The majority of the treasury shares currently held by the company were acquired in response to the intention of major shareholders, such as major financial institutions and paper manufacturers, to sell their shares. We have held treasury shares to enable it to flexibly implement capital policies, such as M&A through stock swaps, as necessary in response to changes in the future business environment. Additionally, although in small amounts, we use treasury shares for the granting of share-based compensation options upon exercise and as trust property for share-based compensation plans. Furthermore, as disclosed on February 10, we plan to introduce a performance-based restricted share incentive plan for our employees, and we intend to use treasury shares for this purpose as well.

We believe that these share-based compensation programs contribute to fostering a sense of shared ownership among our executives and employees, encouraging them to strongly focus on improving performance and increasing stock prices, thereby driving the sustainable enhancement of corporate value.

Q3. In Europe, the acquisitions in Germany and France are contributing to sales. Are you considering any acquisition in the UK?

A3. Prior to the acquisitions in Germany and France late last year, we had already acquired Premier Paper Group Limited, a major UK paper distributor, in 2019. Starting from there, we have also acquired Graphic And Paper Merchants Holdings Limited (GPMI), a leading paper distribution company in Ireland, and a UK-based company specializing in the sale of product display packaging, among others. We are already seeing synergies in areas such as their supplier relationships and logistics efficiency.

Gould Paper Corporation, our US subsidiary specializing in paper distribution, also operates business through subsidiaries in the UK and France. Including our existing local subsidiary in

Germany, we aim to significantly enhance the integrated strength of our expanded European network.

In addition, the three German companies and two French companies acquired late last year will have their performance effectively reflected in our consolidated results starting from fiscal 2025.

Q4. Tell us about measures for going paperless.

A4. Not only from an environmental aspect but also from an economic aspect, both for individuals and companies, we believe that the shift toward going paperless to reduce waste is a natural step for a sustainable society and a better global environment. As a company specializing in paper, we promote sustainable management. As part of ISO 14001 certification, we set annual targets for reducing the amount of copy paper used in-house and are continuously working to achieve these targets.

On the other hand, however, paper has evolved and expanded alongside economic growth as a cultural barometer over the years. Amid the rapidly growing trend toward digitalization in recent years, we are concerned that there might be many cases where digitalization is being adopted too hastily, driven by the novelty and momentum of digital technology. This is despite the fact that paper and analog formats have advantages in terms of functionality, mental and emotional aspects, and effectiveness.

Recently, the benefits of paper books, particularly their benefits for younger generations, have been gaining attention. Additionally, the significant decline in bookstores has become a concern, and debates over the merits of digitizing textbooks have intensified. We feel that addressing excessive digitization and reevaluating the functions and roles of paper have become important themes.

Since the forum held in 2023, we have been actively engaged in activities to lead the industry in these aspects. In collaboration with the Japan Paper Association and paper manufacturers, we aim to emphasize the value of paper to society as a whole, including its environmental advantages.

Q5. Tell us about your company's strengths as a leading domestic paper distributor in Japan.

A5. As a domestic paper distributor, we believe that the trust we have built with our customers over our 180-year history forms the foundation of our sales activities. Our strengths lie in our expertise in paper, which helps us respond to our customers' trust, our ability to make proposals by taking full advantage of our network within and outside the industry, and our organizational strength. Based on the stable profitability, solid financial position, and global business platform we established through our previous Medium-term Business Plan 2023, which marked a significant leap forward, we are leveraging these strengths comprehensively. Rather than resorting to easy price adjustments, we focus on enhancing the value we provide in every aspect, including

functionality, services, and added value, to further enhance customer satisfaction.

Additionally, one of the key characteristics of the group is that we not only sell paper domestically but also have an entire supply chain within the group, from raw materials to manufacturing, processing, and sales of paper, which is covered by the Non-Japan Wholesaling, Paper Manufacturing & Processing, Raw Materials & Environment, and other segments. As a result, we are proud to say that we have significantly higher resilience to economic, geopolitical, and social risks in various countries and regions than our competitors. Furthermore, we believe this has also contributed to the establishment of an exceptionally sound financial foundation.

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