

Corporate Philosophy

Our Corporate Spirit

Nurture people through **integrity**,
foster trust through **fairness**,
support society through **harmony**.

Our Mission

Carving a better future for society
and the environment.

Our Principles

- Change** Change ourselves as society changes.
- Challenge** Challenge new fields with conviction and ambitious spirit.
- Create** Create fresh global value through diversity.

Corporate Slogan

Paper, and beyond

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Integrated Report Editorial Policy

The Japan Pulp & Paper Group began issuing an integrated report in fiscal 2022. Our goals in issuing this report are to give stakeholders a deeper understanding of the group's efforts for sustainable value creation, and to facilitate dialogue that will lead to further enhancement of the group's corporate value. We hope that in addition to presenting the group's long-term vision, management strategies and business activities, it will help you to understand our commitment to sustainable management that realizes both social and economic value, including our efforts to resolve social issues through our businesses.

We will incorporate stakeholder feedback as we continue to improve the content of the integrated report and evolve it into a report that is easier to understand.

Scope

Period:
April 1, 2022 to March 31, 2023
Note: Includes some activities after March 31, 2023.

Organization:

Japan Pulp & Paper Co., Ltd. and the Japan Pulp & Paper Group

Date of next issue: October 2024

Reference Guidelines

- IFRS Foundation, "International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry, "Guidance for Collaborative Value Creation"



Forward-Looking Statements

This report includes projections, forecasts and other forward-looking statements made by the company at the time the report was produced, based on information then available to the company. All such statements are subject to certain risks and uncertainties, and are not a guarantee of future performance. Readers are cautioned that actual results may differ significantly from any projections or forecasts presented herein.

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The Japan Pulp & Paper Group by the Numbers (As of March 31, 2023)

History and Foundation

Since our establishment in 1845, we have expanded the possibilities of paper and the value we offer by diversifying our business with paper wholesaling as our mainstay.

Years Since Establishment
178 years

Continuously Profitable (Ordinary Profit) Since Listing on the Tokyo Stock Exchange in 1972
51 years

Group Companies
127

Distribution Sites for Wholesaling Businesses
92

Consolidated Results

We are working to enhance each of our diversified segments and create synergies with existing businesses to build a stable revenue base for the entire group.

Revenue
JPY 545.3 billion

Ordinary Profit
JPY 21.2 billion

Profit Attributable to Owners of Parent
JPY 25.4 billion

ROE
24.0%

Payout Ratio
6.5%

Sound Finances

We have maintained financial soundness with stable earnings and appropriate management of interest-bearing debt, and have received an A/Stable rating and outlook from two credit rating agencies.

Net D/E Ratio
0.66 times

Issuer Credit Ratings

A Rating and Investment Information, Inc. (R&I)

A Japan Credit Rating Agency, Ltd. (JCR)

Human Capital

We are enhancing cohesion and utilizing diverse human resources within the group under the OVOL brand as well as accelerating our growth strategy.

Number of Consolidated Employees
4,338

Average Length of Service (Parent Company Employees)
19.7 years

Percentage of Female Employees (Parent Company)
38.4%

Percentage of Employees Working Outside of Japan
48.3%

Global Operations

As one of the world's leading distribution companies in the paper industry, we have built a procurement and supply system that covers the entire world.

Ratio of Revenue Outside of Japan
56.0%

Trading Partner Countries and Regions (Including Japan)
57

Countries and Regions in Which We Do Business
22

Environment-related Businesses

The group's environment-related businesses aim to contribute to a sustainable society and the environment. These businesses encompass the recycling business, including wastepaper recycling, and the renewable energy power generation business.

Raw Materials & Environment Segment Revenue
JPY 26.8 billion

Renewable Energy-related Business Sites
5

- Renewable energy power plants: 3
- Palm kernel shell storage sites: 2

Manufacturing Sites Using Recycled Paper as a Raw Material
7

Recycling Business Sites
29

- Wastepaper yards: 28
- Comprehensive recycling business sites: 1

Message from the President



We will realize our group vision by promoting sustainable management based on 178 years of trust.

Akihiko Watanabe
Representative Director,
President & CEO

As a leading company in the paper distribution industry since its establishment in 1845, the Japan Pulp & Paper Group has lived up to its unchanging mission of providing a stable supply of paper and paperboard, which are indispensable for social, industrial, and cultural development as well as for people’s daily lives. We have anticipated the needs of society and customers throughout each era, and pursued value creation that is unique to the group by expanding our business fields and building a global network with paper at the core.

Currently, our business environment and the pulp and paper industry are undergoing major changes. Structural factors such as the progress of digitalization and the population decline in Japan since the 2000s continue to reduce demand for graphic paper such as newsprint and printing and communication paper. On the other hand, the demand structure is also transforming in line with social change. For example, in addition to stable demand in the food industry, mainly for processed foods, and in the consumer electronics field, demand for

packaging paper such as containerboard has remained strong due to the growth of e-commerce. Furthermore, companies are facing growing expectations to address environmental issues that impact society globally, such as climate change, biodiversity, and plastic waste. Industrial structures are also rapidly changing due to the emergence of new values.

Under these circumstances, in 2021 we formulated OVOL Vision 2030 and Medium-term Business Plan 2023 based on our corporate slogan “Paper, and beyond.” Our goal was to express our determination to create new value by evolving beyond the boundaries of the paper industry and further expanding globally. The group is now working to become “the world’s leading paper distribution group,” “a group that contributes to a sustainable society and global environment,” and “a corporate group that strives to be considered a trustworthy and engaging partner both within and beyond the paper industry,” with a view toward 2030.

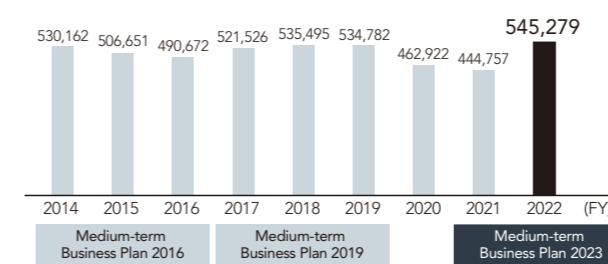
Review of Fiscal 2022 and Progress of Medium-term Business Plan 2023

Looking at the progress of Medium-term Business Plan 2023, we were able to achieve our quantitative targets as well as record-high profits (on a consolidated basis) in fiscal 2022, as we did in fiscal 2021. However, we recognize that we are still only halfway to achieving our qualitative targets, namely “creating added value in the New Normal” and “evolving into a group that pursues excellence even

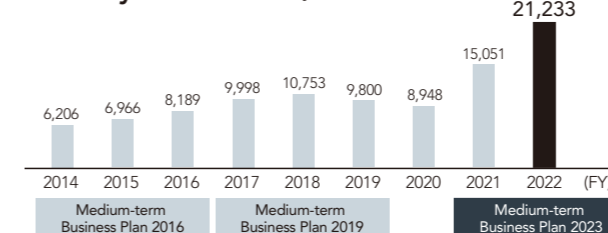
beyond the paper industry,” as stated in Medium-term Business Plan 2023.

Regarding the quantitative aspects of Medium-term Business Plan 2023, we set a target of JPY15 billion in ordinary profit for the final year (fiscal 2023). Ordinary profit in fiscal 2022 far exceeded this target, reaching JPY21.2 billion, which was a record high. However, these results

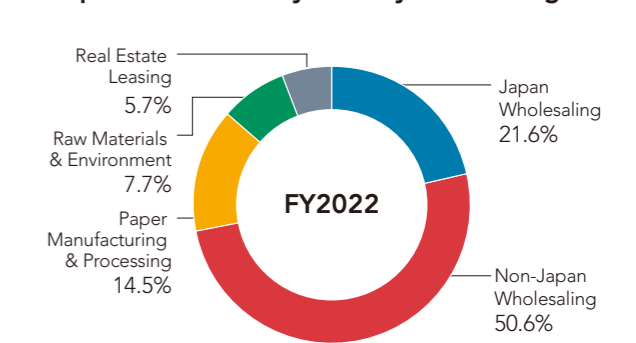
Revenue (Millions of yen)^{1, 2}



Ordinary Profit (Millions of yen)²



Composition of Ordinary Profit by Business Segment³



1. 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.” Revenue for the fiscal year ended March 31, 2022 decreased compared with the previous fiscal year. Net sales calculated according to the former accounting standard, however, would have increased by JPY58,781 million, or 12.7% year on year, to JPY521,703 million.
2. We launched the current Medium-term Business Plan 2023 in fiscal 2021 (the year ended March 31, 2022) due to the impact of the COVID-19 pandemic.
3. Ordinary profit by business segment is a simple aggregation, excluding adjustments

were boosted by favorable conditions. One factor was growth of the Non-Japan Wholesaling segment, which was driven by fluctuations in supply, demand, and prices in Europe, the United States, and Oceania at levels far exceeding the initial plan. Consolidated ordinary profit in fiscal 2021, the first year of Medium-term Business Plan 2023, was JPY15.1 billion. This means that we achieved the final year target of JPY15 billion in ordinary profit for the second consecutive year (in fiscal 2021 and fiscal 2022). This demonstrates that each segment was able to establish a robust earnings structure and respond to the rapid changes in the business environment caused by the COVID-19 pandemic, especially in the Non-Japan Wholesaling segment. In this segment, we promoted rationalization at major operating bases and further developed our “glocal” strategies. Putting the favorable conditions to the side, I think we made great progress in this area. Furthermore, I think the Paper Manufacturing & Processing segment’s performance is to be commended based on its efforts to date, despite facing difficult conditions caused by rising manufacturing costs mainly due to the impact of soaring logistics costs as well as energy costs such as electricity and gas. In addition to the initiatives in each segment, the diversification strategy that we have been promoting since 2010 has proven successful, leading to enhanced risk tolerance and expansion of our scale.

While we are working to achieve further growth in all five segments in a balanced way, there are external factors that we expect will have a significant impact on our business performance in fiscal 2023. Specifically, in the Non-Japan Wholesaling segment, we need to remain aware of the supply-demand balance in major markets such as Europe, the United States, and Oceania, as well as the activities of Chinese and Korean manufacturers. In the Paper



Manufacturing & Processing segment, the main external factor is the price of raw materials and fuel. In the Raw Materials & Environment segment, external factors include supply and demand trends for wastepaper and woody biomass fuel, as well as how various businesses and local governments respond to new plastics-related laws. We believe that by steadily implementing specific measures to address these external factors, we will be able to realize the two basic policies of Medium-term Business Plan 2023 —“creating added value in the New Normal” and “evolving into a group that pursues excellence even beyond the paper industry.” It is now essential to create specific structures and systems in order to significantly increase the value the group provides, including functions and services, while eliminating wasteful operations and costs. We will make steady progress in fiscal 2023, which is the final year of Medium-term Business Plan 2023.

As president, my mission is to win the support of the group’s executives and employees and to realize the group’s long-term vision.

My most important mission at present is to bring the group closer to achieving the three goals of OVOL Vision 2030. The first goal is to become “the world’s leading paper distribution group.” OVOL Vision 2030 is based on our desire to provide the best possible paper distribution services globally and on a local level, and to earn recognition as an outstanding and reliable company. We will also focus on achieving regional and business diversification and enhancing capital efficiency and profit margins. The second goal is to be “a group that contributes to a sustainable society and global environment.” In addition to contributing to better living and businesses by unlocking the potential of paper, we will make a significant contribution to the realization of a circular economy by strengthening our wastepaper recycling, paper manufacturing, comprehensive recycling, and renewable energy power generation businesses, which make more effective use of the environmental performance of paper. The third goal is to be “a corporate group that strives to be considered a trustworthy and engaging partner both within and beyond the paper industry.” By combining the first two goals with active investment in human capital, we will create next-generation innovation and satisfy all stakeholders, including shareholders, investors, business partners, local communities, and group executives and employees.

In order to realize the goals of OVOL Vision 2030, it is important to get as many of the group’s executives

and employees as possible to support the group’s long-term vision and the efforts being made to achieve it, as well as to get everyone moving in the same direction. I believe that the daily efforts that result will eventually lead to value creation that is unique to the group. We conducted an engagement survey for the first time in May 2023, and will analyze the results and work to increase work engagement.

As our business environment becomes even more challenging, mainly due to structural factors such as the progress of digitalization and population decline in Japan, in order for group executives and employees across the world to work as a unified front, it is critical that they experience success as much as possible, no matter how small. Since a successful experience is one in which you feel “the work is finished and the results are good,” the hardships and hurdles you faced along the way may be forgotten. However, it is important to understand and experience that process and the secrets of success. Looking back at my own experience, I have learned that while it is obviously important to have a sense of ownership, it is also important to “try when in doubt,” “never interpret problems in a manner that suits you,” and “be sincere behind the scenes.” Our failures often teach us much more than our successes, and we must remember to treat failure as a source of personal growth and make the most of it in the future.

Our Group Vision for 2030 “OVOL Vision 2030: Paper, and beyond”

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.

A Group That Contributes to a Sustainable Society and 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 global environment.

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.

Target Estimate for 2030

Consolidated ordinary profit of JPY**25** billion

Basic Policy of Medium-term Business Plan 2023

1 Creating Added Value in the New Normal

We will become a world-leading paper distribution group that continues to create new functions and added value.

2 Evolving into a Group That Pursues Excellence Even Beyond the Paper Industry

We will continue to improve every aspect of our business to ensure we maintain a high level of satisfaction for all stakeholders, and work to further extend the scope of our trust and appeal as a corporate group.

Final Target

Consolidated ordinary profit of JPY**15** billion

Note: For specific examples of the group’s unique value creation initiatives, please refer to “Value Creation Examples” on pages 26–29.

Toward OVOL Vision 2030

I will now explain the positioning of Medium-term Business Plan 2023 and Medium-term Business Plan 2026 in connection with OVOL Vision 2030. As mentioned earlier, the goals of OVOL Vision 2030 are to become “the world’s leading paper distribution group,” “a group that contributes to a sustainable society and global environment,” and “a corporate group that strives to be considered a trustworthy and engaging partner both within and beyond the paper industry.” As a quantitative target of OVOL Vision 2030, we have set a consolidated ordinary profit target estimate of JPY25 billion.

With regard to the upcoming Medium-term Business Plan 2026, I would like to talk about the direction I believe we will take in achieving the goals of OVOL Vision 2030. First, during the period of Medium-term Business Plan 2023, we have established a stable revenue structure that has enabled us to achieve the final year target of JPY15 billion in ordinary profit every year of the plan (JPY15.1 billion in fiscal 2021, JPY21.2 billion in fiscal 2022, and JPY17 billion forecast for fiscal 2023). Furthermore, our capital-to-asset ratio is over 30%, and as of the end of fiscal 2022, we have achieved all of the financial indicator targets of Medium-term Business Plan 2023, including a net D/E ratio of 1.4 times or less (currently 0.66 times, far below the target), ROE of 8%, ROA of 4%, and ROIC of 5%. As a result, we have enhanced the soundness of our financial base and ability to procure funds. For qualitative targets, we were able to establish a platform for value creation both inside and outside of Japan that is unique to the group.

In Medium-term Business Plan 2026, which is the next stage, we will work to enhance communication inside and outside the group by utilizing our value creation platform, and to significantly increase the value the group provides, including functions and services. Amid the rapid changes in society’s values and the demands placed on companies, it is easy to understand that even though conditions are good now, we live in a world where we cannot survive if we stand still, and by the time we realize this, it may already

Promoting Sustainable Management

To realize OVOL Vision 2030, we must promote sustainable management that realizes both social and economic value. To this end, we established the Executive Sustainability Committee and the Corporate Sustainability Division in April 2022, and formulated the Sustainability Policy as well as several other related policies. The establishment of these organizations and their subordinate bodies has made it possible for us to quickly and properly communicate throughout the group when an issue related to social

be too late. I want the entire group to work together to implement innovative initiatives in each of our business areas by backcasting measures and activities based on the goals of OVOL Vision 2030. We consider Medium-term Business Plan 2026 to be a period for creating the structures and systems that will determine the success or failure of OVOL Vision 2030. We will set the most ambitious, aggressive, dramatic, exciting, and challenging targets as well as concrete measures in the history of the group. Furthermore, in order to implement such measures, we must improve our human resource capabilities and enhance work engagement. We are considering the further promotion of human capital management, which will lead to higher productivity through enhanced work engagement, and also improve our competitiveness and profitability.

In addition, to achieve OVOL Vision 2030’s ordinary profit target estimate of JPY25 billion, we need to further expand the scale of our business and earnings. One measure is to significantly expand business in existing areas as well as in new areas by making full use of M&A, which will also lead to increased competitiveness. This will include both complementary and strategic M&As. For complementary M&As, we will continue to identify and add to the essential functions required for the group’s platform to operate. Especially in developed countries, where the market for graphic paper is expected to shrink further, we need to incorporate new value-added products and growth products in order to maintain a level that enables us to effectively utilize the distribution network and other resources we already possess as a paper distributor. Instead of starting from scratch, we are looking to make steady progress in a short time by implementing M&As. In addition, we will consider strategic M&A investments to create new value both inside and outside of Japan. Under the corporate slogan “Paper, and beyond,” we will examine the measures of Medium-term Business Plan 2026 to create new business pillars based on value creation that is unique to the group.

trends and needs necessitates a response, and to include the entire group in that process. In September of the same year, we issued our first integrated report as a tool for dialogue and communication with stakeholders. The report presented the group’s vision, the value creation process for achieving that vision, and our commitment to material issues, which showed what we believe is important. However, as this was our first publication, many issues and areas of concern were uncovered from the results of internal

and external questionnaires and discussions. I hope that through *Integrated Report 2023*, executives and employees will gain a greater level of sympathy with the group’s long-term vision and the efforts being made to achieve it. I also hope it serves to guide them in the same direction. Accordingly, based on the aforementioned issues and areas of concern, this report has been improved and expanded both in content and design from the previous year. In the fiscal 2024 edition, we intend to evolve it further as a tool for dialogue and communication, while also linking it to Medium-term Business Plan 2026, which will begin in the following fiscal year. For sustainable management, I am currently focusing on our approach to employees, which is one of the themes for our material issues. In particular, I am emphasizing the promotion of human capital management through enhanced work engagement. The goal of improving work engagement is to create a workplace where group executives and employees feel a sense of excitement about coming to work. This is the aspect that I am most interested in pursuing.

Note: For specific human resource initiatives, please refer to “Employees” on pages 69–72.

To Our Stakeholders

This is my own theory, but I believe that a reaction against the rapid progress of digitalization and a kind of digital fatigue are gradually emerging, and at the same time, the original aesthetics and functions of paper in relation to the human mind are being reevaluated. For example, if we compare an e-book with a paper book, the amount of information that is input, such as the progress of the story and the overall picture, differs depending first on the touch and then on the act of turning the pages. Moreover, the recent boom in trading cards is also a reminder of the attractiveness of paper products as real objects that satisfy the desire to own and collect. Furthermore, as the trend toward elimination of plastics in containers and packaging intensifies, we can expect increased demand for alternative materials such as paper due to its environmental performance. Various trials are underway and some practical applications have already been found. As paper professionals, we will continue to make proposals and communicate with society in order to enhance the value of paper.

In addition to our policy of ensuring stable shareholder returns, we will also raise dividends in line with growth in profitability and link efforts to improve the value of paper to enhancing corporate value. In this way, investors and shareholders can also share in the growth of the company.



I would also like each group executive and employee to formulate action plans that express “I will do _____,” “I will start _____,” or “I will create _____,” based on backcasting the exciting targets and objectives they have set for creating new value. By promoting this sense of excitement, the actions of each group executive and employee will lead to the creation of an organization that is ready to take on the challenges of the new world. While the path to OVOL Vision 2030 will not be a smooth one, I am excited about the journey. In order to implement specific initiatives for human capital management, we are in the process of analyzing our current position, considering the direction we should take, and formulating a promotion plan.

Under Medium-term Business Plan 2026, which begins in fiscal 2024, we will set targets and concrete, effective measures that will be more exciting for all stakeholders, including shareholders, investors, business partners, local communities, and group executives and employees. We believe that the results of these efforts will lead to the realization of OVOL Vision 2030 and the embodiment of our corporate slogan, “Paper, and beyond.” We also believe in the importance of engaging in genuine dialogue with our stakeholders. The group is currently planning events that will be held for the first time in several years, and we see these as opportunities to fully demonstrate our inherent strengths. In addition, in order to further invigorate communication, we will strengthen both the quality and quantity of our public relations and investor relations communications, and above all, we will utilize *Integrated Report 2023* as an important tool for dialogue and communication. Going forward, we will continue to work to accurately grasp the opinions and expectations of our diverse stakeholders, and reflect them in management through dialogue and co-creation in a variety of ways. We will enhance the corporate value of the group and aim to be a corporate group that is trusted by all stakeholders. I look forward to your continued guidance and support.