

# Strategies and Strengths

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## Explanation of Business Strategies—Progress of OVOL Vision 2030 and OVOL 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 JPY 25.0 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 wastepaper 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 JPY 25.0 billion

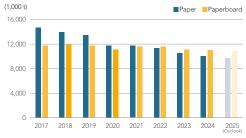
#### Explanation of Business Strategies—Progress of OVOL Vision 2030 and OVOL Medium-term Business Plan 2026

#### **Business Environment**

## Japan

- Demand for graphic paper continues to decrease due to structural issues, mainly digitization and the declining birthrate.
- Demand for packaging paper is firm, supported by growth in 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 paper instead of plastic packaging is increasing.

## Paper and Paperboard Demand in Japan



Source: Japan Paper Association: 2025 Paper and Paperboard Domestic Demand Forecast

#### Non-Japan

- Paper and paperboard consumption in the group's key markets: approx. 60 million tons in the U.S., 17 million tons in Germany, 9 million tons in France, 7 million tons in 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 industrial structure due to industrialization.

# Per Capita Paper and Paperboard Consumption and GDP (2022)



\* No changes in recognition of the recognition of the business environment, only data has been updated

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.

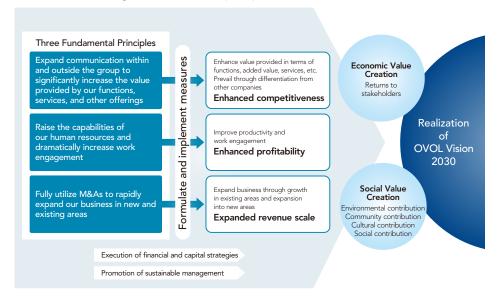
	Influencing Factors	Opportunities
Environment	<ul> <li>Increasing impact of climate change on forest resources</li> <li>Stricter environmental regulations related to logistics and factory operations</li> </ul>	<ul> <li>Promotion of paper alternatives for plastic containers and packaging</li> <li>Increase in selling opportunities due to offering of products that contribute to CO₂ reduction</li> </ul>
Society	<ul> <li>Increasing importance of realizing a 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 digitization</li> </ul>	<ul> <li>Establishment of a stable supply structure through sustainable supply chain development</li> <li>Creation of paper demand by proposing new value in a digital society</li> </ul>
Employees	<ul> <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> <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> <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>	Enhancement of corporate value through fair and honest governance     Conduct of business activities with a strong sense of ethics and responsibility     Reflection of expectations and requests from stakeholders in management

### Overview of the OVOL Medium-term Business Plan 2026

Introduction

#### 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.



Policies by Segment and Ordinary Profit Targets

#### **Consolidated Financial Targets**

\* For financial and capital strategies. please refer to ▶ page 35

- New record high for consolidated ordinary profit of JPY 22.0 billion
- Realize ROE of 8.0% or more, ROA of 5.0% or more, and ROIC of 7.0% 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

	FY2021 Results	FY2022 Results	FY2023 Results	FY2024 Results	FY2026 Target
Consolidated Ordinary Profit	JPY 15.1 billion	JPY 21.2 billion	JPY 16.8 billion	JPY 15.8 billion	JPY 22.0 billion
Return on Equity (ROE)*1	13.0%	24.0%	8.4%	5.8%	8.0% or more
Return on Assets (ROA)*2	4.6%	5.9%	4.4%	4.1%	5.0% or more
Return on Invested Capital (ROIC)*3	5.7%	7.5%	6.2%	5.7%	7.0% or more
Net D/E Ratio <sup>4</sup>	1.06x	0.66x	0.59x	0.60x	1.0 <sub>x</sub> or less

#### Regarding the fiscal 2026 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 fiscal 2022, 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.

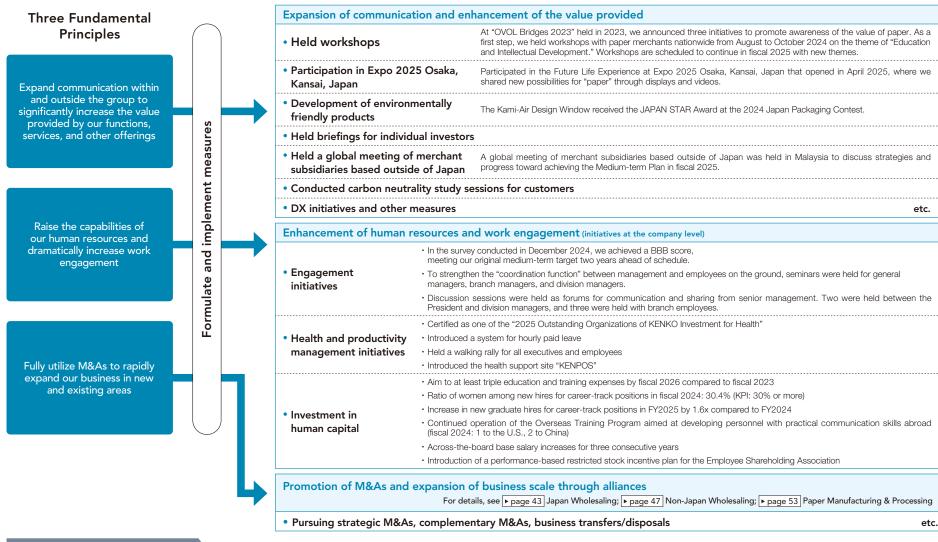
- \*Exchange rate assumptions for fiscal 2026: JPY 141.83 to USD1, JPY 180.68 to GBP1, JPY 96.94 to AUD1 (as of December 31, 2023)
- \*1 Profit attributable to owners of parent ÷ Equity (average of beginning and ending balances)
- \*2 Ordinary profit ÷ Total assets (average of beginning and ending balances)
- \*3 Change in ROIC calculation method: For NOPAT (the numerator), the calculation was changed to be 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

Olicles by Segi	ilent and Ordinary Front Targets		FY2024 Results	FY2026 Target
Japan Wholesaling	Maximize earnings by leveraging the group's collective strengths		JPY 6.0 billion	JPY 7.0 billion
Non-Japan Wholesaling	Build a stable revenue structure and further diversify revenue sources		JPY 3.2 billion	JPY 8.0 billion
Paper Manufacturing & Processing	Proactive efforts to conserve the global environment and build a stable reve	enue base	JPY 6.8 billion	JPY 7.5 billion
Raw Materials & Environment	Contribute to a sustainable society and the future of the Earth through a cir	cular business model	JPY 2.0 billion	JPY 2.0 billion
Real Estate Leasing	Continue to earn stable income from real estate holdings and optimize the real	al estate portfolio	JPY 1.6 billion	JPY 1.5 billion
VOL Medium-term Business Plan 2026		Adjustments	(JPY 3.7 billion)	(JPY 4.0 billion)
	rp-content/themes/jp-2017/assets/img/company/pdf/20240603_eng.pdf	Total	JPY 15.8 billion	JPY 22.0 billion

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

Introduction

# Progress of OVOL Medium-term Business Plan 2026



Head Office Relocation Project Launched As part of growth investments and human capital investments toward realizing OVOL Vision 2030, it has been decided that the Head Office will relocate from Kachidoki to Yaesu, Tokyo, in the second half of 2026. The relocation aims to strengthen relationships within the group and with business partners by improving accessibility and is being positioned as an important measure to enhance corporate value.

# **Sustainable Management Initiatives**

Under OVOL Medium-term Business Plan 2026, we are steadily promoting various measures based on the following five key priorities: expanding human capital investment, initiatives toward achieving carbon neutrality, responding to business and human rights, strengthening compliance systems related to environmental and occupational safety, and strengthening risk management.

#### 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

For details, see | page 8|

- · Analyze the future talent gap, and carry out recruitment, 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 specialized human resources

KPI		FY2024 Results
Percentage of eligible male employees taking childcare leave	100%	100% (achieved)
Employee engagement rating	BBB or higher	BBB (achieved)
Training expenses compared to FY2023	3x or more	2x
Percentage of leave taken	80% or more	80%
Average monthly overtime hours	10 hrs. or less	13 hrs. 20 min.
Ratio of female employees in career-track positions	30% or more	30.4% (achieved)

<sup>\*1</sup> 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

Achieve a 50% reduction from FY2019 levels by FY2030

\* Scope of targets: Scope 1 and 2 emissions for Japan Pulp & Paper and its consolidated subsidiaries

#### Long-term Target

Achieve carbon neutrality by 2050

#### Fiscal 2024 Initiative Results

- Formulated targets and action plans for Japan Pulp & Paper and group companies in Japan
- Achieved 100% renewable energy (Scope 2) for Japan Pulp & Paper in fiscal 2024
- Two group paper manufacturing companies promoted the switch to renewable energy derived from hydroelectric power.
- Underwent third-party verification of Scope 1 and 2 as well as Scope 3 emissions at Japan Pulp & Paper in fiscal 2023

#### **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 grievance mechanism

#### Fiscal 2024 Initiative Results

- Conducted business and human rights training at both Japan and non-Japan group companies
- Implemented monitoring using CSR procurement self-assessment questionnaires, covering major suppliers accounting for 80% of total procurement
- From the second half of fiscal 2024, launched human rights due diligence to identify and assess negative human rights impacts of the group

# Strengthening Environmental and Occupational Safety Compliance Systems

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

#### Fiscal 2024 Initiative Results

- Explained the three-tiered environmental/occupational safety compliance management system three separate times at OVOL Environment & Safety Meetings in fiscal 2024
- Held three rank-based compliance training sessions and conducted two e-learning tests during fiscal 2024

#### Strengthening Risk Management

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

#### Fiscal 2024 Initiative Results

 The secretariat of the Risk Management Meetings headed a risk assessment of Japan Pulp & Paper and all group companies in and outside of Japan between the end of fiscal 2023 and the first half of fiscal 2024.

# Financial and Capital Strategy



We will pursue proactive growth investments and steady improvements in capital efficiency, aiming to sustainably enhance corporate value alongside our shareholders in 2030 and beyond.

#### Chihiro Katsuta

Representative Director Senior Executive Vice President CFO, Business Head - Raw Materials & Environment

## **Review of Fiscal 2024**

\* First year of OVOL Medium-term Business Plan 2026

Consolidated results for fiscal 2024 were operating profit of JPY 15.1 billion (down 13.4% year on year), ordinary profit of JPY 15.8 billion (down 5.6% year on year), and profit attributable to owners of parent of JPY 7.6 billion (down 26.9% year on year), with each stage of profit falling below the previous fiscal year. Consolidated ordinary profit in the first year of OVOL Medium-term Business Plan 2026, which we had positioned as a "firm target," also fell significantly short of the initial forecast, resulting in very severe results.

Consolidated ordinary profit of JPY 15.8 billion was 12.1% lower than the initial forecast of JPY 18.0 billion. The main factor was that the results in the Non-Japan Wholesaling segment deteriorated more than expected. In our key non-Japan markets, continued decline in demand for paper and paperboard and intensified price competition

caused recovery to be slower than anticipated. In addition, we executed large-scale strategic M&As in Europe at the end of fiscal 2024, which were not anticipated when OVOL Medium-term Business Plan 2026 was formulated, whose related costs of approximately JPY 1.0 billion were recorded in advance. This was another factor behind the shortfall in the initial forecast, but we regard these strategic M&As as a business acquisition necessary to ensure achievement of OVOL Vision 2030, and as an upfront investment for medium- to long-term growth.

On the other hand, the results from other segments, although subject to some fluctuations, were generally within the initially expected ranges. Despite increases in personnel and logistics costs in the Japan Wholesaling segment, and increases in labor, logistics, fuel, electricity, and auxiliary material costs in the Paper Manufacturing &

Processing segment, these were all within initially expected ranges. Furthermore, as these were offset by increases in price and production efficiencies, the deviations from the initial forecast were limited. In the Raw Materials & Environment segment, higher sales prices of fuel for woody biomass power generation plants allowed for results to exceed expectations. In the Real Estate Leasing segment, selective investments in well-located properties were effective, and contributed to continued stable results.

Profit attributable to owners of parent was significantly lower, down 24.3% from the initial forecast of JPY 10.0 billion. This was due to extraordinary losses recorded for impairment of property, plant, and equipment in the Paper Manufacturing & Processing segment, and impairment of goodwill in the Non-Japan Wholesaling segment.

#### **Status of Capital Efficiency**

Capital efficiency indicators for fiscal 2024 were all below the previous fiscal year. ROE was 5.8%, down 2.6 percentage points year on year. This was mainly due to a decline in profit attributable to owners of parent as a result of recording losses on the transfer of non-core and unprofitable businesses, and impairment losses on property, plant, equipment and goodwill. These were one-off losses, and we believe that in the medium to long term, they will lead to improved profitability through optimization of the business portfolio. Total asset turnover ratio and financial leverage remained at roughly the same levels as the previous fiscal year.

ROA was 4.1%, down 0.3 percentage points year on year, mainly due to a temporary decline in asset efficiency caused by the execution of strategic M&As in Europe. While total assets increased as a result of M&As, the acquired businesses have not yet contributed to profit, as costs were recorded in advance.

ROIC was 5.7%, down 0.5 percentage points year on year. Growth investments executed during the fiscal year

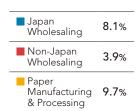
were positioned as upfront investments for medium- to long-term growth and to build the mechanisms and measures necessary to achieve OVOL Vision 2030. As a result, both the operating profit margin and invested capital turnover declined. The decline in the operating profit margin was due to a sharp increase in the selling, general, and administrative (SG&A) expense ratio, resulting from recording approximately JPY 1.0 billion for expenses related to the strategic M&A in Europe. The decline in invested capital turnover was mainly due to an advanced increase in invested capital, such as inventories, arising

from the M&As. From the next fiscal year onward, we expect contributions from the businesses acquired through these M&As to gradually increase, leading to improvements in both profitability and capital efficiency.

Segment ROIC for fiscal 2024, estimated based on invested capital on the operating side, is shown in the table on the right.

The Non-Japan Wholesaling segment was well below the target of 7%, and we recognize improvement in returns in this segment as a key priority. We will continue to work on optimizing invested capital and restoring ROIC levels.

#### Segment ROIC





Consolidated total: 5.7% (medium-term target: 7.0% or more)

## **Outlook for Fiscal 2025**

\* Second year of OVOL Medium-term Business Plan 2026

For fiscal 2025, we forecast consolidated operating profit of JPY 16.5 billion (up 9.5% year on year), consolidated ordinary profit of JPY 15.5 billion (down 2.0% year on year), and profit attributable to owners of parent of JPY 8.5 billion (up 12.3% year on year). However, progress rates in the first quarter were low with consolidated operating profit of 14.7%, consolidated ordinary profit of 16.8%, and profit attributable to owners of parent of 13.7%.

Looking at ordinary profit by segment: Demand recovery in packaging paper is expected in the Japan Wholesaling segment, but continued decline in demand for graphic paper and rising costs will squeeze profits. Ordinary profit is forecast at JPY 5.8 billion (down 3.3% year on year).

In the Non-Japan Wholesaling segment, demand for graphic paper in key markets continues to decline, and a sluggish market is expected. However, increased sales of high-value-added products resulting from complementary M&As executed thus far will support ordinary profit,

forecast at JPY 3.9 billion (up 22.1% year on year). For the German businesses acquired through strategic M&As in Europe in fiscal 2024, it will take time before performance recovery and profit contribution are achieved.

In the Paper Manufacturing & Processing segment, rising manufacturing costs are expected to continue putting pressure on profits, but ongoing efforts to improve production efficiency will keep ordinary profit at JPY 6.8 billion, about the same as the previous fiscal year.

In the Raw Materials & Environment segment, the plastic recycling business and solar power business will remain strong, and profits will be secured in the wastepaper business by maintaining quality despite ongoing declines in wastepaper generation. However, sales prices in the fuel sales business for biomass power plants are not expected to rise as they did in the previous fiscal year, resulting in an ordinary profit forecast of JPY 1.8 billion (down 10.5% year on year).

In the Real Estate Leasing segment, we expect future

rent revisions from rising office building rents alongside temporary decreases in rental income in fiscal 2025 due to vacancy periods from tenant turnover. Ordinary profit is forecast at JPY 1.4 billion (down 9.8% year on year).

In OVOL Vision 2030, the group has set a quantitative target of consolidated ordinary profit of JPY 25.0 billion in fiscal 2030. OVOL Medium-term Business Plan 2026 is positioned as the time to build mechanisms and measures to achieve OVOL Vision 2030. From consolidated ordinary profit of JPY 15.8 billion in fiscal 2024 to the fiscal 2030 target of JPY 25.0 billion, the CAGR will be approximately 7.9%. To ensure the achievement of OVOL Vision 2030 and aim even higher, we have been proactively executing growth investments from fiscal 2024, the first year of OVOL Medium-term Business Plan 2026, and will continue this policy in fiscal 2025 with further proactive growth investments.

3. Foundation for

Sustainable Growth

#### Financial and Capital Strategy



# Financial and Capital Strategies

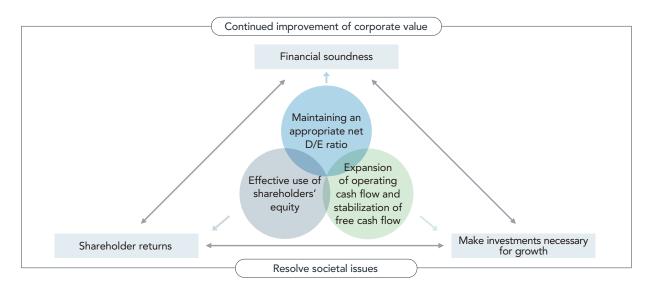
# Basic Approach to Financial and Capital Strategy

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. Based on these basic policies, in OVOL Medium-term Business Plan 2026, the group positions the expansion of cash flow and the use of financial leverage to execute growth investments and proactive shareholder returns as the core of its financial and capital strategy. For the final year of the plan (fiscal 2026), the consolidated financial targets are set as consolidated ordinary profit of JPY 22.0 billion, ROE of 8% or higher, ROA of 5% or higher, ROIC of 7% or higher, and a net D/E ratio of 1.0x or lower. By placing greater emphasis on capital cost and optimizing the allocation of management resources, the group will further enhance profitability and capital efficiency while executing proactive growth investments as concrete measures to build the framework necessary to achieve OVOL Vision 2030.

#### **Maintaining Financial Soundness**

At the end of fiscal 2024, the net D/E ratio was  $0.6\times$ , the same level as the end of the previous fiscal year, maintaining the financial target of "1.0× or lower" set in OVOL Medium-term Business Plan 2026. The equity ratio was also 34.2%, the same level as the end of the previous fiscal year.

At the end of fiscal 2024, our group's working capital requirements amounted to JPY 106.2 billion, up JPY 5.8 billion from the previous fiscal year-end. This reflected an increase of JPY 8.2 billion in inventories stemming from



the acquisition of businesses through strategic M&As in Europe, offset by a decrease in accounts receivable that had remained unsettled at the previous fiscal year-end due to the closing date falling on a holiday but were settled during the fiscal year. As a result, cash flow from operating activities was JPY 21.0 billion, and net interest-bearing debt increased by JPY 4.4 billion year on year to JPY 80.0 billion. The group retained an ample financial position at the end of fiscal 2024, with about 25% of working capital covered by equity. Even after executing large-scale strategic M&As in Europe in fiscal 2024, the group's financial soundness has been fully maintained.

Going forward, the group recognizes that it will be important to manage our financial position to cover the increased working capital requirements that will accompany sales growth from the businesses acquired through M&As, as well as those accompanying further growth investments. Accordingly, the group will properly manage working capital, actively execute growth investments, optimize the allocation of management

resources, enhance profitability and capital efficiency, increase operating cash flow, and maintain and improve financial soundness.

The group secures funding through a variety of methods, taking into account market conditions at the time of procurement. As a rule, working capital required for business activities is procured through short-term borrowings from financial institutions or by issuing commercial paper. Meanwhile, funds for growth investments and capital expenditures are procured through equity, long-term borrowings from financial institutions, and the issuance of straight corporate bonds. Recently, cash obtained from the sale of real estate in fiscal 2022 has boosted on-hand funds, and the group plans to allocate these funds to growth investments during the OVOL Medium-term Business Plan 2026 period.

As for the issuer credit rating on straight corporate bonds, in February 2022, two credit rating agencies upgraded the group's rating to Single A (Stable), and it has remained at that level since. The group will continue to strengthen profitability through targeted growth investments while maintaining its financial soundness, and will strive to achieve an early upgrade to Single A (Positive), and then further to Single A+.

#### **Optimal Resource Allocation**

To optimize our allocation of management resources, we have been re-examining assets and investments in each segment and disposing of and liquidating those that we have determined to have little potential of contributing to future profits. In fiscal 2024, the group executed the reorganization and sale of two non-core and unprofitable business bases located in the United States and Europe from the Non-Japan Wholesaling segment, and transferred

three business sites and closed two business bases, located in the Kanto region of Japan and the United States, respectively, from the Raw Materials & Environment segment. With regard to investment securities (stocks held as cross-shareholdings, etc.), the group has conducted annual reviews, and since the adoption of the Corporate Governance Code in 2015, has sold a cumulative total of 62 stocks amounting to approximately JPY 13.7 billion as of March 2025. Funds obtained from such sales have been redirected to growth investments, reflecting the group's ongoing commitment to asset efficiency.

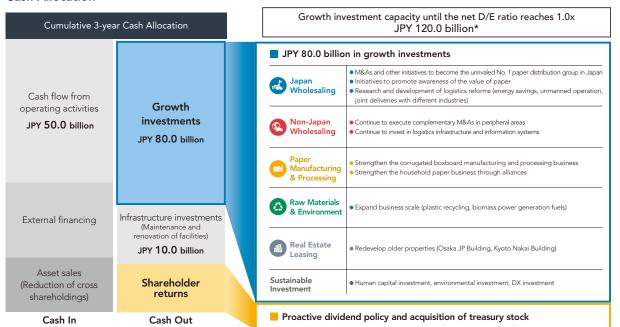
Regarding real estate, the group has selectively redeveloped, maintained, and renewed high-profit, low-risk properties, which have contributed to earnings.

Conversely, the group has sold properties with low profitability or unclear prospects for effective utilization, rather than redeveloping them, thereby improving asset efficiency. Going forward, the group will continue to optimally allocate management resources, actively undertake investments necessary for growth, and work to enhance profitability and capital efficiency while maintaining financial soundness.

#### **Cash Allocation**

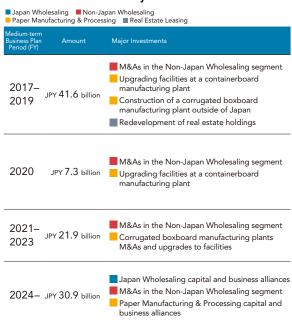
The plan for cash allocation over the three years of OVOL Medium-term Business Plan 2026 is to allocate a total of JPY 80.0 billion to growth investment, consisting of JPY 50.0 billion in cash flow from operating activities and JPY

#### **Cash Allocation**



Introduction

#### **Overview of Recent Major Investments**



<sup>\*</sup> 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 and Capital Strategy

30.0 billion in funds raised externally and from asset sales. However, there is no change in our view that utilizing financial leverage until the upper limit of the net D/E ratio of 1.0×, the management indicator for maintaining financial soundness under OVOL Medium-term Business Plan 2026, would allow for as much as JPY 120.0 billion to be allocated to growth investment. In fiscal 2024, cash outflows totaled approximately JPY 34.0 billion, consisting of JPY 26.3 billion for growth investment, JPY 4.6 billion for base investment, and JPY 3.1 billion for shareholder returns, while cash inflows consisted of JPY 21.0 billion from cash flow from operating activities, JPY 6.1 billion from external fundraising, and JPY 6.9 billion from asset sales, etc.

The JPY 26.3 billion in growth investment executed in fiscal 2024 was distributed as follows. In the Japan Wholesaling segment, we advanced investments and capital and business alliances aimed at ensuring competitiveness, executing two such alliances during the fiscal year, with several more in progress. In the Non-

Japan Wholesaling segment, we continuously considered complementary M&As to strengthen the earnings base of existing businesses, executing four new complementary M&A deals and also large-scale strategic M&As in Europe. In the Paper Manufacturing & Processing segment, we advanced capital and business alliances in the household paper business, an area with strong future growth prospects.

In the Raw Materials & Environment segment, we began land acquisition for expansion of the plastic recycling business and yard expansion to increase the handling volume of fuel for biomass power generation plants. In the Real Estate Leasing segment, we began examining new developments on properties owned in Kyoto and Osaka. In this way, in fiscal 2024, each segment began working on building the mechanisms and measures to make OVOL Vision 2030 a reality.

We executed a series of large-scale strategic M&As in Europe in fiscal 2024, using approximately one-third of the JPY 80.0 billion growth investment framework for the three years of OVOL Medium-term Business Plan 2026 already.

However, ample growth investment funds remain for largescale investments, and in the second and third years of the Plan we intend to continue proactive growth investment in each segment.

For fiscal 2025, growth investment directions are the continued execution of proactive investment strategies to ensure competitiveness in the Japan Wholesaling segment, a focus on complementary M&A in the Non-Japan Wholesaling segment, a focus on the business areas of household paper and corrugated board processing in the Paper Manufacturing & Processing segment, and a focus on capital investment for expansion of existing businesses in the Raw Materials & Environment segment. Careful examination will continue for new developments on properties owned in Kyoto and Osaka in the Real Estate Leasing segment, but specific plans are expected to take more time.

# Improvement of Corporate Value

#### **Current Stock Price Evaluation**

Our PBR, which once hovered around 1.0x, has in recent years remained in the range of 0.5x to 0.6x.

Over the past 10 years, the group's consolidated ordinary profit increased approximately 2.5×, from JPY 6.2 billion in fiscal 2014 to JPY 15.8 billion in fiscal 2024, representing a CAGR of 9.8%. During this period, in fiscal 2022, consolidated ordinary profit reached a record high of JPY 21.2 billion, due to multiple price increases

achieved in the Non-Japan Wholesaling segment under tight supply-demand conditions in major markets. However, our PBR remained largely unchanged, from 0.6x in fiscal 2014 to 0.6x in fiscal 2022, when record profits were posted, and has continued to show little change through fiscal 2024. In OVOL Medium-term Business Plan 2026, we have set the goal of achieving a PBR above 1.0x and identified six measures to improve valuation: 1. Make strategic growth investments to enhance competitiveness,

increase profitability, and expand the revenue scale. Active growth investments are underway across all segments. 2. Expand the market and broaden our customer base with measures to promote awareness of the value of paper, such as conducting the OVOL CREATIVE WORKSHOP SERIES and participating in Future Life Experience at EXPO 2025 Osaka, Kansai, Japan. 3. Strengthen IR and communicate our growth strategy through IR activities. We hold individual meetings with institutional investors and

biannual financial results briefings, and in March 2025, we held our first briefing for individual investors. 4. Achieve a stable generation of excess return with management that has a heightened awareness of the cost of capital. While executing aggressive growth investments, we also rationalize unprofitable assets and investments, making management decisions with a clear awareness of the cost of capital. 5. Further reduce cross-shareholdings. In addition to the existing reduction policy, we have begun discussions with major shareholders to unwind crossshareholdings. 6. Take a more proactive approach to shareholder returns. We have significantly increased dividends per share, from the previous value (JPY 10 in fiscal 2014, JPY 11 in fiscal 2018, JPY 11.5 in fiscal 2021, JPY 12 in fiscal 2022, and JPY 13 in fiscal 2023) to JPY 25 in fiscal 2024, and plan JPY 28 in fiscal 2025. At present, however, the market's evaluation of our shares remains limited. We recognize the need to further strengthen these initiatives, particularly by accelerating the earnings contributions of our growth investments, clearly demonstrating our growth strategy, and further enhancing shareholder return measures.

#### Policy on Reduction of Crossshareholdings

Each year, the Board of Directors reviews the appropriateness of each individual stock held based on a quantitative assessment of whether the earnings from transactions and dividends exceed cost of capital, as well as a qualitative assessment of the medium-to-long-term business relationship with the company in question. If

holding the company's stock is determined to be no longer necessary, it is sold to reduce our holdings. In fiscal 2024, we sold nine stocks, including partial disposals. Going forward, we will continue to scrutinize holdings on an individual basis and work toward reduction through dialogue with the relevant companies, thereby enhancing capital efficiency.

#### Reduction in Cross-shareholdings

FY		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Number of stocks sold		7	21	13	6	3	5	6	7	5	9	62
Proceeds	(Billions of yen)	1.9	5.2	0.2	0.9	0.0	0.4	1.1	0.8	0.9	2.2	13.7
Gains/Losses	(Billions of yen)	0.9	1.8	0.1	0.3	0.0	0.2	0.4	0.4	0.1	0.6	4.9
Ratio of holdings to consolidated net assets	(%)	33.2	28.8	28.6	25.7	24.0	27.1	23.8	18.1	21.2	17.5	

<sup>\*</sup> As some shares were sold over multiple years, totals by year and overall may not align.

# **Shareholder Returns and Dialogue with Investors**

#### **Shareholder Returns**

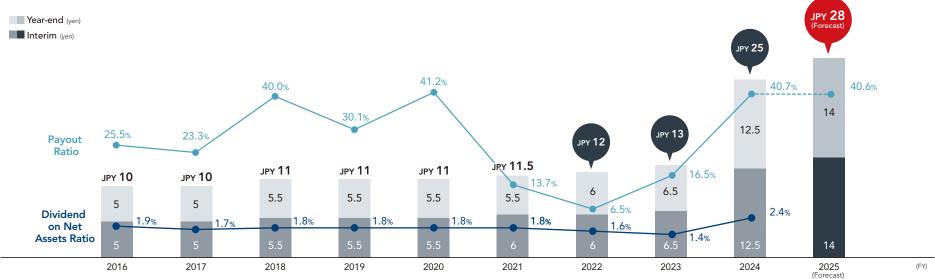
Under OVOL Medium-term Business Plan 2026, our shareholder return policy is to maintain progressive dividends, targeting a consolidated payout ratio of 30% or more, and flexibly and promptly conduct share repurchases. Based on this policy, the annual dividend for

fiscal 2024, the first year of the plan, was set at JPY 25 per share (after share split adjustment), representing a significant increase of JPY 12. Due to results falling short of initial forecasts, the consolidated payout ratio was 40.7%, compared with the minimum 30% specified in our policy (16.5% in the previous fiscal year). For fiscal 2025,

we plan a further increase of JPY 3 to JPY 28 per share, with a payout ratio of 40.6%. Note that the consolidated payout ratio has a lower limit of 30%, but we have not set an upper limit. Under the plan, we will not reduce dividends regardless of our results.

#### Financial and Capital Strategy

#### Payout ratio / Dividend per share



<sup>\*</sup> Figures before fiscal 2023 are adjusted to reflect the 10-to-1 reverse stock split effective October 1, 2017, and the 1-to-10 stock split effective October 1, 2024.

Regarding stock buybacks, we have executed these in accordance with market conditions and shareholder structure. In recent years, we have also entered into discussions with major shareholders regarding unwinding cross-shareholdings, and going forward, we intend to further advance both the reduction of cross-shareholdings and stock buybacks.

Previously, we have retained treasury shares with the possibility of using them for large-scale M&As. However, if no such opportunities are foreseeable in the near term, we will also consider cancelling them.

#### **Dialogue with Investors**

Our basic policy is to enhance sustainable growth and medium- to long-term corporate value through

constructive dialogue with shareholders and investors. The IR department responds in coordination with General Affairs, Corporate Planning, Finance, and other relevant departments, and feedback from investors is reported to the Board of Directors. In these dialogues, we proactively use disclosure materials such as the Integrated Report to communicate clearly about our management strategy, financial condition, governance, and sustainability initiatives, deepening understanding of our corporate value creation story.

For institutional investors, we provide dialogue opportunities through biannual financial results briefings and hold individual meetings upon request. We also believe it is essential to explain our growth strategy and other initiatives to individual investors in a more transparent

manner. In March 2025, we held our first-ever briefing for individual investors. To enhance their understanding, we also redesigned the top page of our corporate website, established a new page for individual investors, and continue to expand opportunities for engagement.

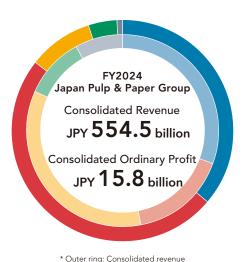
Additionally, we conducted a 10-for-1 stock split in October 2024, lowering the per-unit investment amount to make shares more accessible, increase liquidity, and further expand the investor base.

Through deeper dialogue with shareholders and investors, we will continue to enhance trust in the capital markets and achieve fair evaluation of our shares.

#### **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.



Inner ring: Consolidated ordinary profit (Simple aggregation of each segment, excluding adjustments)

Consolidated Subsidiaries

94

Associated Companies (Equity-Method)

6

#### FY2024 Results by Segment

Introduction

#### Main Businesses

[]: Composition



Revenue JPY 200.6 billion [36.2%]

**Ordinary Profit** JPY 6.0 billion [30.7%]

Number of Consolidated Subsidiaries 10

· Sale of paper, paperboard, and related products

· Warehousing and transportation businesses

· Information service business

etc.

Non-Japan Wholesaling

Revenue JPY 275.5 billion [49.7%]

**Ordinary Profit** JPY 3.2 billion [16.4%]

Number of Consolidated Subsidiaries 67

· Sale of paper, paperboard, and related products

 Manufacturing and sale of sign & display products, packaging, films, and related products

etc



#### **Paper Manufacturing** & Processing

Revenue JPY 51.6 billion [9.3%]

**Ordinary Profit** JPY 6.8 billion [34.6%]

Number of Consolidated Subsidiaries 10

 Manufacturing of household paper, containerboard, and printing paper using recycled wastepaper as a raw material

Manufacturing of containerboard boxes and related products



#### Raw Materials & **Environment**

Revenue JPY 22.7 billion [4.1%]

**Ordinary Profit** JPY 2.0 billion [10.3%]

Number of Consolidated Subsidiaries 7

· Wastepaper recycling

• Sale of raw materials such as wastepaper and pulp as well as of biomass fuel and related products

• Comprehensive recycling business

· Renewable energy power generation business etc.



## **Real Estate Leasing**

Revenue JPY 4.2 billion [0.8%]

**Ordinary Profit** JPY 1.6 billion [8.0%]

· Leasing of real estate



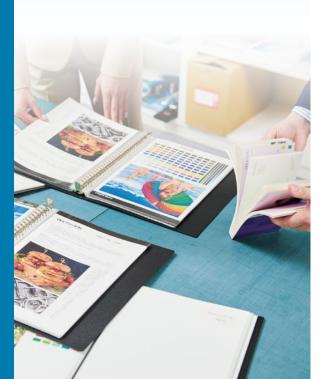
# **Business Segments**



# Japan Wholesaling

#### Major Group Companies

- JP Household Supply Co., Ltd.
- JP Loginet Co., Ltd.
- · Gokura Co., Ltd.
- OVOL ICT Solutions Co., Ltd.
- Cosmo Paper Trading Co., Ltd.



# A Dominant Presence in the Industry and the Leading Share of Paper Distribution in Japan

- Based on the expertise and trust accumulated over 180 years since our founding, we have developed the sale of paper, paperboard, and related products as a distributor for manufacturers.
- In addition to proposing and supplying household and industrial materials that use a diverse range of materials and address a wide variety of applications beyond paper, we also handle more specialized products such as functional materials for electronic components, environmentally friendly films, and packaging materials.
- Establishing and operating a nationwide logistics network.
- Developing and selling wholesale systems and logistics systems specialized for the paper industry.
- Promoting diversified business development by leveraging the strengths of the entire group.

- Manufacturing of recycled household paper
- Manufacturing of containerboard and printing paper
- Manufacturing of packaging materials





• Paper and paperboard sales business

- recycling business Waste plastic
- recycling business

#### Wholesale of Paper, Paperboard and Related Products

- Holding the leading share in sales of paper and paper board in Japan as a distributor for major domestic manufacturers
- Not only supplying a wide range of household and industrial materials, such as packaging paper, functional materials for electronic components, and environmentally friendly films, but also proposing new solutions for how to adopt them



#### Logistics

- Enabling stable supplies of paper nationwide through our network of group and partner companies
- Planning and implementing rationalization and efficiency improvements that encompass shared storage and joint delivery



#### **ICT System Development**

 Selling and operating business systems specifically for the paper industry, and developing and selling of Al-driven services

A leader in paper distribution system infrastructure, with a dominant industry share in the number of users of our systems for paper wholesaling and for paper logistics



# Current Status of Japan Wholesaling Business

#### **Strengths**

- Relationships with business partners based on trust built over 180 years
- Human resources to support our position as an industry-leading company
- Ability to create 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 declining population and digitization
- Changing trends in demand due to rising prices

#### Revenue/Ordinary Profit

(Billions of yen)



#### Segment Policy Under OVOL Medium-term Business Plan 2026

# Maximize Earnings by Leveraging the Group's Collective Strengths

FY2026 Quantitative Target Segment Ordinary Profit JPY 7.0 billion

- Differentiate ourselves from competitors and succeed by promoting our capabilities and value throughout the supply chain
- → Invest in the digital transformation (DX) of the paper industry; invest in logistics reforms and promote awareness of the value of paper
- Expand sales of household paper and high-performance/high-valueadded products
- → Strengthen relationships with suppliers and expand sales of environmentally friendly products
- Carry out M&As to become the unrivaled No. 1 paper distribution group in Japan
- → Use M&As and alliances to expand business areas and strengthen the supply chain
- Enhance organizational capabilities and ability to make proposals by promoting human capital investment
- Develop human resources well-versed in the 3Cs (Change, Challenge, Create) so that we can propose and provide new functions and services
- · Improve productivity and profitability through DX initiatives
- → Promote both "defensive DX" and "offensive DX"

Enhanced competitiveness

Enhanced profitability

Expanded revenue scale

#### Japan Wholesaling

## **Overview of Fiscal 2024 Segments**

Revenue

Although sales volume of paper decreased due to factors such as the progress of digitization and the decline in publishing and commercial printing, paperboard and functional materials compensated, resulting in an increase from the previous period.

#### Ordinary Profit

Decreased from the previous period due to increases in labor and logistics costs.

Paper	In addition to declining demand due to structural factors such as digitization, a decrease in circulation of periodicals and catalogs led to a lower sales volume than the previous period.
Paperboard	Sales of containerboard for fresh produce packaging were sluggish due to poor weather, and sales from industrial product packaging were also weak, but sales from beverage packaging were steady. Sales volume of white paperboard increased from the previous period, supported by steady demand for inbound consumption and trading card use.

Demand for functional materials continued to recover, especially in electronics-related fields, resulting in higher sales value year on year.

#### Japan Sales Volume and Revenue (Non-consolidated)

		FY2023	FY2024	Change from the Previous Period	Comparison with the Previous Period
Sales volume (10,000 tons)	Paper	88.3	87.7	(0.7)	99.3%
	Paper board	78.4	79.5	+1.1	101.4%
Revenue (Billions of yen)	Paper	130.14	130.21	+0.07	100.1%
	Paper board	33.17	35.80	+2.62	107.9%

<sup>\*</sup> For fiscal 2024, domestic demand\* comparison with the previous period: Paper 97.1%, Paperboard 100.1%. Paper and Paperboard total was 98.7%.

## Progress of OVOL Medium-term Business Plan 2026

	<ul> <li>Implemented two M&amp;As in Hyogo Prefecture to strengthen wholesale business resilience</li> </ul>
Expansion of business areas and strengthening of the supply chain through M&As and alliances	Seibunsha Co., Ltd.  [Location] Hyogo, Japan  [Business] Manufacturing of paper products, retail of paper, wholesale and retail of bookbinding materials
	Nishimura Paper Co., Ltd.  * Business succeeded by the group subsidiary, Koyosha Co., Ltd.
	[Location] Hyogo, Japan [Business] Sales of paper and paperboard
Differentiation from competitors by providing our capabilities and value	<ul> <li>Held workshops to explore the possibilities of paper</li> <li>Established a paper study group to research environmental performance and the new value of paper</li> </ul>
Expansion of sales of household paper and high-performance/ high-value-added products	<ul> <li>The Kami-Air Design Window received the JAPAN STAR Award at the 2024 Japan Packaging Contest.</li> <li>Sales of environmentally friendly products</li> </ul>

#### **Outlook for this Fiscal Year**

FY2025 Forecast for JPY 5.8 billion

- While demand for paper is expected to continue declining, demand for paperboard is anticipated to recover steadily.
- Increases in logistics and labor costs
- By leveraging DX to create new mechanisms and measures, we aim to expand earnings through enhanced customer retention and productivity improvements.

<sup>\*</sup> Domestic demand = Manufacturers' domestic shipments + Imports (Source: Japan Paper Association / Japan Paper Importers' Association)



Group Companies

#### Gokura Co., Ltd.

Head Office Ehime, Japan

Business Wholesaling of Japanese and Western paper, processed paper products, packaging materials, papermaking raw materials, industrial chemicals; building materials business

#### **Providing New Value as a** "Paper Coordinator"





#### **Sales Capabilities That** Listen to Customers and **Deliver Value**

Kazumori Ito

Sales Department No. 1, Section No. 1 Section Manager



Since our founding in 1905, we have focused on the sale and processing of paper and paper products, while also handling a range of additional products, including papermaking raw materials and cement-based materials. In particular, for paper processing we own numerous unique and custom-made processing machines, which enable us to achieve differentiation. Our strength lies not only in responding to orders but in flexibly proposing optimal solutions tailored to customers' issues. Beyond paper distribution and sales, we develop planning- and proposal-oriented sales that leverage our network and information capabilities, and we pride ourselves on providing new value to customers as a "Paper Coordinator."

Looking ahead to achieving OVOL Medium-term Business Plan 2026, we will work to expand sales channels by leveraging the business foundation we have established with schools and childcare centers. Among these, we will advance collaboration with companies that publish mail-order catalogs to strengthen access to a broader customer base. Additionally, in the field of paper products for 100-yen shops, which continues to grow, we will serve as a bridge between paper manufacturers and customers through our raw paper supply, demonstrating our coordinator function. We will also focus on expanding sales of cushioning paper, where demand is increasing. While we are already seeing results, by continuing to use Eco Paper JP products as our raw paper, we intend to further contribute to enhancing synergies within the Japan Pulp & Paper Group.

I belong to the Sales Department, where we primarily sell converted paper base stock for stationery products. including notebooks, origami, sketch pads, and colored drawing paper, with a focus on local converters. My daily work involves sales visits to customers, as well as efforts at new product development and discussions with paper manufacturers. Through listening closely to customer issues and market conditions, and building trust through careful communication, I serve as a coordinator, accurately delivering customers' voices to manufacturers.

Recently, when I proposed a packaging machine for masking tape to a customer who supplies converted paper base stock, it was well-received and led to an order. It also received high praise on-site, resulting in repeat orders and increased sales of converted paper base stock for masking tape. Behind such results is proactive communication with not only purchasing staff, but also sales representatives and plant personnel across departments. By visiting sites and carefully listening to live feedback. I was able to uncover latent needs and make informed proposals. Going forward, we will continue to take on the challenge of crafting proposals that go beyond the framework of paper, in order to provide value that exceeds customer expectations.

#### Highlights

## Imagining the Possibilities of Paper Through Future-oriented Thinking and Collaboration

#### — OVOL CREATIVE WORKSHOP SERIES

At OVOL Bridges 2023 — The 2nd Paper Merchants Forum. we announced the regular holding of workshops to promote awareness of the value of paper. As the first installment, from August to October 2024, we held the first OVOL CREATIVE WORKSHOP SERIES together with paper merchants nationwide. With the initial theme set as "Education and Intellectual Development," a total of 111 participants from 75 paper merchants across the country took part in the workshops. Each workshop was conducted over two days, with the aim of envisioning the future of education.

On Day 1, "Future Talk," we invited Ms. Nanako Ishido (Professor of Keio University / Representative of CANVAS) and Mr. Yoshihiro Kaneko (Director of Center for Open Innovation in Education, Tokyo Gakugei University) as experts in the education field. They gave lectures on how educational settings are changing and what kind of future is opening up as a result.

On Day 2, "Combining Current Strengths and Emerging Trends to Envision Our Desired Future," participants discussed, based on the lectures, the role that paper and paper distribution can play in education by combining "current strengths" and "emerging trends." Each group came up with and shared challenging ideas aimed at the future they want to realize.

We will continue the series with different themes. thereby contributing to finding solutions for social issues, including education.







Top left] Ms. Nanako Ishido / [Bottom left] Mr. Yoshihiro Kaneko / [Right] Scene from the workshop



# Non-Japan Wholesaling

#### Major Group Companies

- Gould Paper Corporation
- Premier Paper Group Limited
- Ball & Doggett Group Pty Ltd
- OVOL Papier Deutschland GmbH
- OVOL France, S.A.S.

etc.



# Glocal and Cross Border Business Rooted in Many Countries and Regions as One of the World's Leading Paper Distribution Companies

- Since entering markets outside Japan, starting in Shanghai, China in 1899, we have accumulated knowledge and expertise through business continuity under different cultures and business practices.
- · Global development of paper merchant businesses equipped with inventory and delivery functions
- Establishment of regional supply systems by leveraging the functions of each base
- Expansion into end-user products such as PPC paper, labels, films, and sign & display-related items, in addition to delivering to printing companies and paper processors
- Utilization of regional characteristics and creation of synergies for the entire group through business development rooted in each country and region



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

As of March 31, 2025

#### **Focus Markets**

#### Sign & Display Market

- Outdoor advertisements, wrap advertising on vehicles
- Facility information displays
   POP advertising
- Traffic signs

#### Items We Sell

- Printers
- Technical services
- Paper & film media
- Ink and other supplies



#### **Packaging Market**

- Light packaging
- · Heavy duty packaging
- Flexible packaging

#### Items We Sell

- Paper products such as shipping boxes and decorative boxes
- Molded pulp containers and cushioning
- Flexible packaging film used in food, pharmaceuticals, etc.



#### **Current Status of Non-Japan Wholesaling Business**

#### **Strengths**

- Trust from business partners outside Japan built up over more than 120 years since entering Shanghai, China in 1899
- Procurement and supply system with regional inventory, processing, and delivery functions covering the entire globe through 78 group companies in 22 countries and regions including Japan
- · Ability to make proposals based on procurement, supply, and information capabilities, leveraging our global network

#### **Opportunities**

- Expansion in demand for high value-added products such as films, packaging, and sign & display-related items
- 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 digitization of information media
- Supply and demand gap, fluctuation in market prices, and other related issues
- Expansion of Chinese and Korean manufacturers in European and U.S. markets

#### **Revenue/Ordinary Profit**

(Billions of yen)



#### **Segment Policy Under OVOL** Medium-term Business Plan 2026

# **Build a Stable Revenue Structure and Further Diversify Revenue Sources**

FY2026 Quantitative Target Segment Ordinary Profit JPY 8.0 billion

- Continue to invest in logistics infrastructure and information systems in the graphic paper market.
- Expand sales of high-value-added products such as sign & displayrelated items, packaging, flexible packaging, and environmentally friendly products.
- → Expand revenue scale and engage in cross-selling.
- Continue to execute complementary M&As in peripheral business areas.
- → Combine existing merchant functions with the value chains of peripheral products to diversify revenue sources and expand capabilities.
- Improve organizational strength and productivity by promoting investment in human capital.
- Implement training programs, secure/develop human resources with specialist knowledge.

**Enhanced** competitiveness

**Enhanced** profitability

Expanded revenue scale

#### Non-Japan Wholesaling

### **Overview of Fiscal 2024 Segments**

Revenue

Increased year on year due to completion of inventory adjustments in the U.S. market, sales growth accompanying M&As in Germany and France, and foreign exchange translation.

#### Ordinary Profit

Decreased year on year due to falling sales prices from intensifying competition, rising labor and logistics costs, and the recording of M&A-related expenses.

# Status of

In the U.K. and Australia, price competition intensified amid sluggish demand, leading to declines in sales prices. In the U.S., Major Markets inventory adjustments came to an end, and sales volumes showed signs of recovery.

#### **Exports from** Japan

Although sales of paperboard to China decreased, sales of paper to South Korea and Southeast Asia increased, resulting in higher sales volume and value year on year.

#### Sales Volume by Region Within the Segment

(10,000 t)	FY2023	FY2024	Change from the Previous Period	Comparison with the Previous Period
U.S.	45.0	62.8	+17.8	139.7%
Europe	17.5	17.4	(0.1)	99.4%
Oceania	15.2	14.4	(0.8)	94.6%

Note: Sales volumes are simple totals of major subsidiaries and are not identical to the table above.

In our major markets in 2024, demand for paper and paperboard remained sluggish. particularly in the U.K. and Australia, due to the impact of digitization and economic trends. In the U.S., however, demand remained firm, partly due to the rebound from inventory adjustments.

#### **Progress of OVOL Medium-term Business Plan 2026**

#### Investment (Strategic M&A)

In fiscal 2024, six companies located in Germany, France, and Portugal were newly added to the group, strengthening our business foundation in Europe. This enabled the construction of inventory and logistics networks covering the entirety of Germany and France. Leveraging that infrastructure, we are promoting the expansion of our wholesaling business in Europe.

• 3 companies in Germany: OVOL Papier Deutschland GmbH / OVOL ComPlott GmbH / OVOL Packaging GmbH

• 2 companies in France : OVOL France, S.A.S. / OVOL Sign & Display, S.A.S.

• 1 company in Portugal : OVOL Shared Center, Unipessoal Lda.

#### Investment (Complementary M&A)

#### Sign & Display Business

Fully

utilizing

M&As.

 Singapore CAS Technology Pte. Ltd (January 2024) Australia Sign Essentials Pty Ltd (September 2024)

#### Flexible Packaging Materials Business

 Australia Caspak Products Pty Ltd (November 2024) New Zealand Pacrite Industries Limited (August 2024) Carter Consolidated Limited (April 2025)

#### Divestment (Transfers and Disposals, Etc.)

North America JRS Resources, Inc. (Wastepaper recycling business)

Business suspended in January 2024 due to decreased sales volume to

Chinese containerboard manufacturers.

Weiss McNair LLC

(Nut seed husk harvesting machinery manufacturing business) Sold in October 2024 as part of the restructuring of non-core,

unprofitable businesses.

Europe OVOL Fiber Europe BV (Wastepaper recycling business)

Sold in January 2025 as part of the restructuring of unprofitable businesses.

#### Outlook for this Fiscal Year

**Ordinary Profit** 

FY2025 Forecast for JPY 3.9 billion

- Prolonged market stagnation
   Continuing upfront costs
- · Rising labor and other costs
- M&As conducted through fiscal 2024 and increased sales from high-valueadded products

**Highlights** 

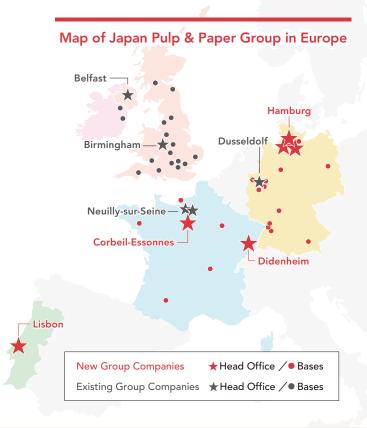
#### Strengthening the Foundation of Our European Business

Introduction

#### Working to Expand the Paper Distribution Business on the European Continent by Utilizing Inventory and Logistics Networks Across Both Germany and France

As part of the Non-Japan Wholesaling segment policy of OVOL Medium-term Business Plan 2026, which is to "build a stable earnings structure and diversify revenue sources," in fiscal 2024, we made six paper merchant companies our subsidiaries. Through this, the group expanded its market-focused paper distribution business into Europe. This business, which includes inventory and delivery functions, has already been developed in the U.S., Oceania, the U.K., and other regions. We have now established logistics networks that cover the entirety of Germany, France, and Austria, positioning them as footholds for business expansion throughout the European continent. Although consumption of paper and paperboard is declining as in other developed countries, Germany is the world's third largest market and the largest in Europe, while France is the tenth largest in the world and the third largest in Europe (after Germany and Italy), making both extremely important markets for the group. Additionally, in both countries, we are expanding sales of sign & display-related items, as well as packaging-related products, by leveraging our inventory and delivery capabilities. These initiatives are also consistent with the Non-Japan Wholesaling segment strategy of "expanding sales of high value-added products," contributing to the diversification of revenue sources and sustainable growth.

		★ OVOL Papier Deutschland GmbH	Graphic paper sales		
	Germany	★ OVOL ComPlott GmbH	Sales of sign & display-related products		
		★ OVOL Packaging GmbH	Sales of packaging-related products		
Face of	France	★ OVOL France, S.A.S.	Graphic paper sales		
France		★ OVOL Sign & Display, S.A.S.	Sales of sign & display-related products		
(8)	Portugal	★ OVOL Shared Center, Unipessoal Lda.	Shared services business		



## Current Status and Future Strategy of European Business



Senior Vice President Chief Representative of Europe Hiroshi Kashima

As previously disclosed, in November 2024, we acquired the business of a subsidiary whose parent company had gone bankrupt. Accordingly, an urgent issue was to recover its performance levels prior to the bankruptcy as soon as possible. Following its transition to becoming a group subsidiary, we promptly implemented various measures and are now working to restore relationships with suppliers, mainly in Europe, and also focusing the entire company on regaining the customers lost during the period prior to joining the group and on recovering sales volumes. In addition, through structural reforms implemented at the time of its consolidation into our group, we are working to rebuild its business foundation. However, given the impact of declining real demand in Europe, full contribution to consolidated performance is expected to begin in the next fiscal year.

Meanwhile, in February 2025, we held a global meeting for paper merchant companies of the group located outside of Japan. The management teams from Germany and France also participated, strengthening collaboration with other paper merchant group companies through presentations about their businesses. In addition to strengthening relationships with European paper manufacturers and expanding procurement sources for the group as a whole, the acquisition of this business also helps enhance recognition of the OVOL brand in Europe. Going forward, we will strategically integrate the businesses that have been recently added to the group from France and Germany with the existing businesses in the U.K. and Ireland, and promote synergies across the group by leveraging our global network. Moreover, through localized sales systems, we aim to secure stable earnings and further strengthen profitability in the Non-Japan Wholesaling segment.

#### Non-Japan Wholesaling

# Non-Japan Wholesaling Segment / Major Group Companies

This section introduces the main group companies outside Japan with inventory and distribution functions.

#### U.S.

#### OVOL USA (Gould Paper)



- With its head office in New York, this is one of the leading paper distribution groups in the U.S.
- They hold bases primarily on the East Coast and the South, as well as develop their business in countries including the U.K. and France.
- In 2023, they acquired a company in France handling communication paper and industrial paper, strengthening their sales structure in Europe.

#### OVOL USA

#### U.K. & Ireland

### ■ Premier Paper Group

- With its head office in Birmingham, they are the leading paper distribution group in the UK.
- As the U.K. relies heavily on imports of paper and paperboard, distributors with inventory and distribution functions play an important role.
- They are expanding their business in ways such as strengthening their sign & display-related items and flexible packaging offerings and entering package manufacturing and sales.
- In 2023, they acquired a company in Ireland, strengthening their sales system by utilizing the group's procurement infrastructure.







#### Oceania

## ■ Ball & Doggett Group **\*\*\***





- With its head office in Melbourne, they are one of the largest paper distribution groups in Oceania.
- They conduct business as Ball & Doggett in Australia and BJ Ball in New Zealand.
- As both countries have low domestic production ratios for paper and paperboard, they play an important role as a paper
- They are also expanding their business into markets such as sign & display-related items, and flexible packaging.

Ball & Doggett





#### **South East Asia**

- Japan Pulp & Paper (M)
- OVOL Malaysia
- OVOL Singapore
- Leading paper distribution group in Malaysia and Singapore
- As both countries have low domestic production ratios for paper and paperboard, they play an important role as a paper
- Expanding business fields through sign & display-related items, processing of thermal transfer ribbons, etc.







#### Germany

- OVOL Papier Deutschland
- OVOL ComPlott
- OVOL Packaging
- In 2024, we acquired the German operations of Inapa, a leading European paper distribution group, and renamed
- They handle sales of graphic paper, packaging-related materials, and sign & display-related items in Germany.





#### France

- OVOL France
- In 2024, we acquired the French operations of Inapa, a leading European paper distribution group, and renamed them.
- They handle sales of graphic paper and sign & display-related items in France (OVOL Sign & Display) and operate a group shared services base in Portugal (OVOL Shared Center).





Group Companies

# **Gould Paper Corporation** (OVOL USA)

Head Office New York, U.S.A. Business Paper wholesaling

**Transforming Change into Growth and Opening** a Path to the Future in North America

Koichi Okuda

President, Japan Pulp & Paper (U.S.A.) Corp. Chairman, Gould Paper Corporation (OVOL USA)



Introduction

**Expanding Diverse Value** from Paper and Becoming a Distributor that Connects the World

Michael Trachtenberg

Gould Paper Corporation (OVOL USA) President & CEO



Since opening a representative office in New York in 1967, Japan Pulp & Paper has welcomed numerous companies into the group in the Americas through M&A. In 2010, we invested in Gould Paper Corporation ("Gould"), and in 2015, made it a wholly owned subsidiary. Founded in 1924, Gould also has subsidiaries in the U.K. and France, and today serves as a core company of the Japan Pulp & Paper Group in North America and Europe.

Currently, in the U.S. market, consumption of paper and paperboard has contracted significantly, with packaging paper accounting for about 70% of demand, further accelerating structural changes. In addition, since the COVID-19 pandemic, paper manufacturers have increasingly closed mills or converted production from paper to containerboard. In this market environment. Gould has secured the No. 4 position in the U.S. paper distribution industry. Going forward, in addition to expanding existing businesses, we will proactively pursue diversification through M&A of peer companies and peripheral businesses that reflect changes in demand structure, aiming for sustainable growth. The driving force behind this growth will be "people." By focusing on cultivating and securing talented personnel and responding flexibly to the changing market environment, we aim to continue providing new value to our customers and society.

Since its founding, Gould has continued to expand its business areas and has evolved into a global distributor that handles everything from printing and writing paper to publishing paper, newsprint, containerboard, food packaging grades, tissue and pulp. Additionally, it has developed print management and logistics services.

Gould's strength lies in its business model based on the philosophy of "providing supply chains tailored to customer objectives," supporting customers' businesses through a supply chain that combines agility and strategic procurement. Among the various businesses Gould operates, its paper trading business in Texas is particularly symbolic. By establishing bases in Dallas, Houston, and Austin. Gould can offer customized sizes and short delivery times to meet customer needs, demonstrating its strengths as a distributor while achieving cost reductions for its customers.

Furthermore, in product development, Gould collaborates with paper manufacturers to commercialize high-speed inkiet paper and food label paper, promoting the acquisition of new customers in the United States, the United Kingdom, and Europe. By expanding print management and logistics services that cover everything from procurement to delivery, Gould enhances added value.

#### Highlights

# Planting Trees, to Cultivate a Lowcarbon Society: Building the Future Together with Forests.

Premier Paper Group Limited ("Premier"), a consolidated subsidiary and a leading supplier of paper, paperboard, and packaging materials in the U.K. market, continues to engage in donation-raising activities through its environmental program Carbon Capture<sup>®</sup>. In November 2024, cumulative donations reached GBP 2 million (approx. JPY 374 million). Through the Woodland Trust, the U.K.'s largest woodland conservation charity and the donation recipient, 519,132 trees have been planted to date, with expected absorption of approx, 119,869 tons of CO<sub>2</sub> as the trees grow.

Carbon Capture® is a framework that supports U.K. government-certified tree-planting projects, and is designed to enable customers to measure the CO2 emissions associated with their product purchases as well as contribute to their reduction. Premier certifies participating customer companies in Carbon Capture® and supports their decarbonization efforts while also contributing to the creation and restoration of native U.K. woodlands. The program was launched in 2011, with cumulative donations exceeding GBP 1 million in 2019. Since then, all donations have been allocated to the Woodland Trust and used for forest regeneration and ecosystem conservation. Today, the program is widely recognized as a leading environmental initiative in the U.K. distribution market, providing a framework through which companies and customers can participate together in creating a sustainable future.

Premier will continue to promote sustainable and effective environmental conservation activities through measurable and highly transparent environmental programs, aiming to contribute to a low-carbon society and enhance biodiversity.





# **Paper Manufacturing** & Processing

#### Major Group Companies

- Corelex Group
- Eco Paper JP Co., Ltd.
- Taiho Paper Co., Ltd.
- · Showa Packaging Industry Co., Ltd.



# Optimizing the Group's Supply Chain

#### (Raw Material Procurement → Manufacturing → Sales)

- Developing manufacturing businesses for various paper products using wastepaper as a raw material, contributing to the effective use of resources
- In the recycled household paper business centered on the Corelex Group, one of the largest groups of its kind in Japan, we have established a stable supply system for household paper
- In the containerboard business, investing in containerboard and box production facilities and incorporating corrugated box manufacturing companies into the group
- · Promoting optimization of the group's raw material procurement, manufacturing, and sales supply chain
- Across the segment, efforts are underway to further strengthen competitiveness, including reducing CO<sub>2</sub> emissions through improved production efficiency

#### **Recycled Household Paper Business**

Contributing to the effective use of limited resources and the reduction of paper waste by recycling difficult-to-recycle wastepaper using superior recycling technology



- Manufacturing of household paper, including recycled toilet paper and recycled tissues
- Superior wastepaper recycling and processing technology enables the use of wastepaper that is difficult for other companies to recycle
- High domestic market share in recycled toilet paper owing to proprietary technology and product development strengths
- Because toilet paper cannot be recycled again, the effective use of limited resources is important

#### Toilet trailer business

 When a disaster occurs, mobile toilet trailers sold by group company JP Household Supply are provided to affected areas through a mutual aid network with local governments, disaster relief organizations, and councils.





- Manufacturing of recycled household paper
- Manufacturing of containerboard and printing paper
- Manufacturing of packaging materials



 Paper and paperboard sales business



- Wastepaper recycling business
- Waste plastic recycling business

#### **Containerboard Business**

#### A comprehensive packaging supplier engaged in everything from containerboard manufacturing to sheet and box processing

- Promoting the establishment of a comprehensive packaging supply structure by developing a paper manufacturing business for containerboard and a processing business that manufactures corrugated boxboard products
- Using wastepaper as raw material and pursuing the reduction of environmental impact
- Developing environmentally conscious businesses in manufacturing, utilizing renewable energy sources such as woody biomass power generation
- · Continuing investments in productivity improvement and ensuring safety



# **Current Status of Paper Manufacturing and Processing Business**

#### 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.
- Employing difficult-to-recycle wastepaper processing technology from the Corelex Group

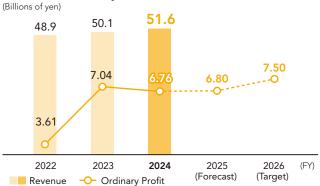
#### **Opportunities**

- 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 price increases in raw materials, fuel, etc.

#### **Revenue/Ordinary Profit**



#### Segment Policy Under OVOL Medium-term Business Plan 2026

# Proactive Efforts to Conserve the Global Environment and Build a Stable Revenue Base

FY2026 Quantitative Target Segment Ordinary Profit JPY 7.5 billion

- Realize operation and sales at full capacity in the containerboard business
- Expand revenue scale and establish a procurement and facility management system that enables operation at full capacity
- Improve brand strength and expand sales in the recycled household paper business
- → Reinforce procurement network through alliances, implement a branding strategy (advertising, events, etc.), and develop new products
- Reduce CO<sub>2</sub> emissions, conserve energy, and improve efficiency through DX utilization
- → Introduce equipment with less environmental impact and reform business operations with DX
- Secure talent for business continuity with human capital investment
- Develop and secure management personnel in the manufacturing segment with knowledge of manufacturing

Enhanced competitiveness

Enhanced profitability

Expanded revenue scale

#### Paper Manufacturing & Processing

## **Overview of Fiscal 2024 Segments**

Revenue

Sales volumes of the containerboard, corrugated boxboard, and recycled household paper businesses remained at the same level as the previous period. Sales increased year on year, supported by higher sales prices of recycled household paper.

#### Ordinary Profit

Although manufacturing costs decreased due to improved production efficiency in the recycled household paper business, ordinary profit declined year on year due to increases in labor, fuel, and logistics costs.

#### Containerboard & Corrugated Boxboard Business

Sales volume: Slight decrease year on year in the containerboard business; increase year on year in the processing business. Sales prices: Remained at the same level year on year in both containerboard and processing businesses

#### Recycled Household Paper Business

Sales volume: Same level as previous period. Sales prices: Increased, but total sales value remained at the same level as the previous period due to the sale of a business outside of Japan.

#### Sales Volume by Business Within the Segment

	FY2023	FY2024	Change from the Previous Period	Comparison with the Previous Period
Containerboard business sales volume (10,000 tons)	22.9	22.7	(0.2)	99.1%
Corrugated boxboard processing business sales volume (10,000 m²)	15,735	16,195	+460.3	102.9%
Recycled household paper business sales volume (10,000 tons)	11.4	11.3	(0.1)	99.5%

<sup>\*</sup> For recycled household paper, production volume only. Production and sales volumes are simple totals of major subsidiaries

Domestic Japanese demand\* for household paper (toilet paper) in fiscal 2024 was 101.7% year on year, a slight increase.

## Progress of OVOL Medium-term Business Plan 2026

Expansion of business scale through promotion of M&As and alliances  Strengthened alliances to increase the market share of household paper sales in the recycled household paper business.

#### MASUKOH PAPER CO., LTD

\* We acquired 20% of issued shares of MASUKOH.

[Location] Fujinomiya, Shizuoka

[Business] Manufacturing of household paper

Improvement of production efficiency driven by DX

 Introduced a distributed control system (DCS) at Corelex San-Ei's Tokyo Mill for remotely controlling manufacturing processes in each department within the factory and automating manufacturing processes to improve production efficiency.

Implementation of branding strategy

- Corelex Shin-Ei participated in the Future Society Showcase Project Green Expo: Recycling of Hard-to-Recycle Wastepaper at Expo 2025 Osaka, Kansai, Japan.
- In addition to using the official "Corero" character on Corelex Shin-Ei's e-commerce website, the company is also working with outside companies to enhance brand recognition.

#### Outlook for this Fiscal Year

FY2025 Forecast for Ordinary Profit JPY 6.8 billion

• While costs such as raw fuels and logistics are expected to increase, we anticipate higher sales volumes in the containerboard & boxboard business and cost reductions through streamlining of manufacturing processes.

<sup>\*</sup> Japanese demand = shipments + imports (Source: Japan Household Paper Industry Association, Ministry of Finance Trade Statistics)



Group **Companies** 

## Corelex Shin-Ei Co., Ltd.

Head Office Shizuoka, Japan

E-commerce

Contributing to the

Introduction

Business Manufacturing and sales of household paper

Taking on the Next Challenge as a Pioneer of **Paper Resource Recycling** 

generated at the venues.

Hitoshi Sano

Director, Vice President and Executive Officer



Assistant Manager Mass Retail Department, Tokyo Sales Office

**Environment and Expanding** 

**Brand Presence Through** 

As the pioneer of coreless toilet paper, Corelex Shin-Ei has led the way in the recycled household paper industry. Through proprietary technology, we recycle wastepaper, including difficult-to-recycle grades, and use this to manufacture toilet paper and tissue paper made from 100% recycled materials. We have enabled effective use of mixed paper that was previously incinerated, making major contributions to extending the life of municipal incinerators, reducing combustible waste, and lowering environmental impact. In recent years, our advanced technology has been recognized and highly evaluated. We have provided technical support for paper resource recycling projects at international events, including the Olympic and Paralympic Games Tokyo 2020, the G7 Hiroshima Summit, and Expo 2025 Osaka, Kansai, Japan, where we produced recycled products from paper waste

Currently, in collaboration with approximately 30 municipalities nationwide, we also separate and reuse items such as photographs, window envelopes, and water-resistant paper containers as mixed paper. Through waste calendars and awareness campaigns, we encourage residents to participate as well. Going forward, we will work to raise recognition of the "Corelex" brand, and through collaborations with industries such as sports, entertainment, and tourism, take on the further expansion of the paper resource recycling business together with a new service called "Kami Taio"."

In recent years, demand for environmentally friendly products has increased in line with growing ecoconsciousness. At Corelex Shin-Ei's official online store, Corero no Omise, we not only present product features through images and videos, but also share our environmental initiatives, emphasizing the value of coreless toilet paper: "no core, usable to the very end, no waste." As a result, the purchase rate of customers who viewed the videos increased by more than 10%, and we have received many favorable reviews, such as those that say that it is convenient and reduces waste, Customers have come to feel that these small daily choices help reduce environmental impact.

Chie Kojima

Although both our company and I myself personally entered the e-commerce business with no prior experience, through annual planning and repeated campaigns, sales have grown, and targets have been achieved. Because customer responses are directly linked to numbers, they serve as guidance for improvement, and I find great motivation in experimenting with how to communicate in ways that increase purchase rates. Delivering bulky household paper products directly to customers has also been highly valued for its convenience. and we have many comments of appreciation that say it is a big help. Furthermore, expansion into Amazon and Rakuten has led to greater access to Corero no Omise and increased brand recognition. At the same time, the use of the official character "Corero" has also contributed to branding. E-commerce has become an important business that expands contact points with new customers and supports sustainable growth.



### **Expanding Paper Resource Recycling** at International Events

Corelex Shin-Ei is also promoting paper resource recycling at international events by leveraging its unique recycling technology. At Expo 2025 Osaka, Kansai, Japan, which opened in April 2025, we participated in the Future Society Showcase Project Green Expo: Recycling of Hard-to-Recycle Wastepaper. There, we collected difficult-to-recycle wastepaper that was previously incinerated, such as waterresistant paper, thermal paper, and window envelopes, removed foreign substances, extracted fibers, and recycled it into high-quality toilet paper. These products were then used in the Future Life Zone of the venue, creating a system that allowed visitors to "visualize" resource recycling firsthand. In addition, at the Osaka Gourmet EXPO 2025, which also opened in April of the same year, used paper containers and pamphlets were collected at the venue and recycled into toilet paper. By reusing them at the venue, visitors were provided the chance to easily participate in the resource recycling process. Through these initiatives, we expect to reduce CO2 emissions by about 62%\* compared with incineration, contributing to multiple SDGs.

Such initiatives on international stages like this demonstrate the stance of the Japan Pulp & Paper Group and Corelex Shin-Ei toward realizing a recycling-oriented society. We will continue to communicate concrete initiatives as models for incorporating recycling into daily life.

\* Source: FY2004 Report on Survey Project for Life Cycle Assessment of Containers and Packaging, calculated using paper cartons as an example



<sup>\*</sup> Kami Taio = A modern version of the traditional wastepaper collection service provided by Corelex. It collects wastepaper from companies, schools, and hospitals through a variety of methods, and recycles it into paper products in line with customer use or donation needs



# Raw Materials & Environment

#### Major Group Companies

- Fukudasansho Co., Ltd
- Eco-Port Kyushu Co., Ltd.
- Noda Bio Power JP Co., Ltd.
- OVOL New Energy Sdn. Bhd. etc.



# Initiatives to Regenerate and Recycle Resources to Promote a Circular Economy

- Contributing to the creation of a circular society since the 1970s through the recycling of wastepaper.
- Wastepaper recycling business: Establishing a collection network centered on the group company Fukudasansho and promoting stable supply to paper manufacturers both within and outside the group, while also strengthening the collection of waste paper.
- Outside of Japan: Developing collection networks with bases for wastepaper recycling in the U.S. and India.
- Currently, expanding businesses dealing with waste plastics recycling and renewable energy power generation.
- Biomass fuel business: collecting and exporting palm kernel shells (PKS) in Malaysia as a stable supply for power plants inside and outside of Japan.

# ###<sup>i</sup>

- Manufacturing of recycled household paper
- Manufacturing of containerboard and printing paper
- Manufacturing of packaging materials



Paper and paperboard sales business



- Wastepaper recycling business
- Waste plastic recycling business

# Recovered Paper Recycling Business

# Promoting recycling of wastepaper for use as a raw material for paper manufacturing

- Realizing a quality-focused wastepaper recycling business that delivers stable supplies to paper manufacturers in Japan.
- Promoting the collection and recycling of confidential documents throughout Japan.
- Promoting the recycling of wastepaper as a raw material for paper manufacturing with a global perspective gained from operating bases outside Japan in the U.S. and India.
- Promoting a circular economy together with group paper manufacturing companies.



# Comprehensive Recycling Business

# Recycling plastic waste, wastepaper, and wood-based waste

- Automated sorting by optical sorters, washing, and pelletization of plastic waste that is difficult to separate.
- Manufacturing of solid fuels from composite plastics, which are difficult to separate into different materials.
- Manufacturing wood fuel from wood-based waste

#### Renewable Energy Business

# Providing stable supplies of clean and safe electric power

- Solar and woody biomass power generation businesses
- Collecting and exporting PKS in Malaysia





# Current Status of Raw Materials & Environment Business

#### **Strengths**

- Stable supplies to paper manufacturers in Japan with an emphasis on the quality of wastepaper raw material
- Ability to promote the reuse of wastepaper as a raw material for paper manufacturing with a global perspective, through our wastepaper yards in Japan and other countries.
- 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
- · Pulp business that is 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

#### Revenue/Ordinary Profit



#### Segment Policy Under OVOL Medium-term Business Plan 2026

# Contribute to a Sustainable Society and the Future of the Planet Through a Circular Business Model

FY2026 Quantitative Target Segment Ordinary Profit JPY 2.0 billion

- Maximize existing businesses and enter new areas by strengthening cooperation with business partners.
- → Develop new products in the fuel business and cultivate new suppliers and customers in the pulp business.
- Expand business scale with new investments.
- Plan the construction of a second factory at Eco-Port Kyushu and consider a third yard for the PKS business.
- Expand revenue through information sharing and mutual collaboration among group companies.
- → Revenue opportunities and realization of group synergy
- Secure talent with diverse expertise through human capital investment.
- → Develop and secure human resources at each operating company who are knowledgeable about operations and facilities.

**Enhanced** competitiveness

Enhanced profitability

Expanded revenue scale

#### Raw Materials & Environment

### **Overview of Fiscal 2024 Segments**

Revenue

Decreased from the previous period due to lower sales volumes of wastepaper.

#### Ordinary Profit

Increased from the previous period, supported by higher sales and prices for fuel used for woody biomass power generation plants.

### Recovered Paper

Sales volume decreased due to reduced generation of wastepaper resulting from declining demand for paper and paperboard in both Japan and the U.S., as well as business transfers and office closures.

#### Pulp

Sales volume decreased both inside and outside of Japan.

#### Renewable Energy Business

- Solar power generation remained flat compared with the previous year; revenue from woody biomass power generation was under pressure due to rising fuel costs.
- Sales of fuel for woody biomass power generation plants increased significantly due to the opening of a second yard in Malaysia in the previous period and higher sales prices.

#### Comprehensive Recycling Business

Sales remained flat compared with the previous year.

# Revenue by Business within the Segment (Non-consolidated)

(Billions of yen)	FY2023	FY2024	Change from the Previous Period	Comparison with the Previous Period
Japan Pulp & Paper	7.62	8.85	+1.22	116.0%
Wastepaper Recycling Business	12.02	8.79	(3.23)	73.2%
Renewable Energy Business	4.00	5.01	+1.02	125.4%

Note: Sales volumes are simple aggregations of major subsidiaries and are not identical to the table above.

### Progress of OVOL Medium-term Business Plan 2026

Creation of income opportunities from promotion of a circular economy

- Promoted initiatives to maximize resource recycling by building a consistent supply chain within the group, from wastepaper collection and recycling to paper manufacturing and product supply. Strengthened competitiveness by controlling raw material costs and establishing a stable supply system.
- Expanded use of biomass boilers and renewable energy-derived electricity to achieve both CO<sub>2</sub> reduction and lower energy costs.

Expansion of business scale through investment

 Promoted investments in fields such as plastic recycling and biomass power generation fuels to drive further business growth.

#### **Outlook for this Fiscal Year**

FY2025 Forecast for JPY 1.8 billion

• Decrease in the generation of wastepaper due to declining consumption of paper and paperboard



Group Companies

## **Eco-Port Kyushu** Co., Ltd.

Head Office Kumamoto, Japan

Introduction

Business Waste plastics recycling business, confidential document destruction (dissolution) and papermaking business, woody raw material manufacturing business, RPF\* manufacturing business, warehousing

#### **Evolving Our** Comprehensive Recycling **Business Toward Realizing Circular Society**

Kotaro Uchino Managing Director



#### Trust from Customers as the Foundation of Our **Business**

Takashi Ogata Security Business Division General Manager



Eco-Port Kyushu operates a comprehensive recycling business, focusing primarily on recycling plastic packaging waste from households and processing and recycling confidential documents. Currently, while basing our business on the material recycling of plastic containers and packaging, which accounts for about 70% of sales, we are expanding into new business fields such as the security business (confidential document dissolution and manufacturing/sales of recycled pulp) and the thermal business (manufacturing/sales of solid fuel RPF\*). To comply with the Plastic Resource Circulation Act enforced in April 2022, we are promoting the construction of a second plant and strengthening sales structures inside and outside of Japan by leveraging the Japan Pulp & Paper Group network. In addition, we are participating in the "Chemical Material Recycling Promotion Project," aiming to build a process in which waste plastics collected by municipalities mainly in the Kyushu region are sorted and recycled, delivered to petrochemical plants, and converted into basic chemical products. Through this, we are taking on the challenge of establishing a new recycling model that achieves reduced environmental impact while leveraging the superior properties of plastics. Our recycling business not only contributes to achieving a recyclingoriented society but also helps address the increasingly serious problem of marine plastics.

\* RPF = Refuse Paper & Plastic Fuel. A solid fuel made by mixing waste plastics unsuited for material recycling with paper waste and other materials.

Our security business is centered on secure "dissolution" processing of confidential documents and the sale of recycled pulp. Its greatest feature is that, in addition to strict proprietary transport systems and dedicated warehouse storage, we adopt the method of dissolution instead of shredding, which means that documents can be processed as they are, in their containerboard boxes, reducing the risk of information leakage. This has been highly valued, resulting in an increase in orders from new customers, including municipalities. We also hold permits for the disposal of industrial and general waste, allowing for the proper processing of items mixed with documents, such as clips and folders. Furthermore, collected plastics are recycled into RPF fuel, contributing to reduced fuel costs and CO<sub>2</sub> emissions for client companies. The recycled pulp obtained after dissolution is processed into crepe paper, a type of cushioning paper with a surface texture that features wrinkles, used as a protective material for pottery and other products. Using this paper enables customers to witness directly the results of recycling. and giving them a tangible sense of how resource recycling works.

Our efforts extend beyond mere business transactions. In fact, there are cases where document managers at client companies ask us to handle their own personal documents as well. We take pride in the fact that our business itself is recognized as a "proof of trust."

#### Highlights

# Contributing to Reduced **Environmental Impact Through the Stable Supply of Biomass Fuel**

Since the inception of our biomass power generation business, which supplies electricity and steam to group paper manufacturers, we have contributed to the stable supply of clean and safe electricity by utilizing renewable energy sources. Amid rising demands for measures to combat global warming and enhance energy selfsufficiency, our power generation business has become a key initiative that supports both reduced environmental impact and industrial activity.

In 2018, OVOL New Energy was established in Malaysia, and began full-scale collection and export of palm kernel shells (PKS), a type of fuel used for woody biomass power generation. A consistent supply system, spanning from procurement to transport, was established. In the fiscal year ended March 2025, the opening of a second yard significantly increased collection and sales volume, further strengthening its business foundation. Going forward, we plan to establish a third PKS yard to further enhance fuel supply stability. Through this, we will ensure a sustainable supply of biomass fuel in Japan and contribute to realizing carbon neutrality.

We will continue to work on effective resource utilization and building a recycling-oriented society. By leveraging our global procurement and supply network, we aim to lead the way toward the realization of a sustainable energy society.



PKS being loaded into a receiving hopper by heavy machinery



# Real Estate Leasing



# **Utilization of Community-Based Real Estate**

- · Utilizing properties owned in Tokyo, Osaka, Kyoto, and other cities as offices, multi-dwelling residences, and hotels.
- In 2018, completed the OVOL Nihonbashi Building in Tokyo as part of the second phase of the Nihonbashi Revitalization Plan.
- In 2019, completed the OVOL Kyoto Ekimae Building in Kyoto, which opened as a hotel capable of accommodating both tourism and business needs.
- Going forward, we will continue to secure stable revenue through the effective use of real estate and contribute to community development.

#### **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 diverse needs of companies

#### **Opportunities**

• Improvement in economic trends and real estate market conditions

#### Risks

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

#### Main Rental Properties

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



Nihombashi Nichigin-Dori Building



OVOL Nihonbashi Building



OVOL Kyoto Ekimae Building

## Overview of Fiscal 2024 Segments

Revenue

Major properties continued to operate at high occupancy levels, resulting in an increase from the previous period.

#### Ordinary Profit

Increased from the previous period due to higher rental income and lower repair expenses associated with less tenant turnover.

• Major properties continued to operate at high occupancy, resulting in increases from the previous period in both revenue and profit.

#### Revenue/Ordinary Profit (Billions of yen)



#### Segment Policy Under OVOL Medium-term Business Plan 2026

# Continue to Earn Stable Income from Real Estate Holdings and Optimize Our Real Estate Portfolio

FY2026 Quantitative Target Segment Ordinary Profit JPY 1.5 billion

- Properly manage and maximize the value of key properties.
- Formulate and implement redevelopment plans for older properties.
- → Redevelop older properties (Osaka JP Building, Kyoto Nakai Building).
- Optimize the real estate portfolio through selection and concentration.

#### **Outlook for this Fiscal Year**

FY2025 Forecast for JPY 1.4 billion

# Highlights



# Communicating the Value and Capabilities of Paper

Introduction

At OVOL Bridges 2023—The 2nd Paper Merchants Forum, held in October 2023, we announced our plans to collaborate with wholesalers nationwide on three projects, all of which we have begun: the nationwide expansion of on-site classes, regular workshops, and the establishment of a paper study group aimed at spreading the value of paper. By taking action on these three initiatives, the aim is to uncover hidden potential demand for paper and discover new uses, thereby raising its impact and appeal.



### ▶ Nationwide On-Site Classes

We are preparing to implement on-site classes for elementary school students nationwide (targeted at grades 3–5) to convey accurate knowledge on the environmental aspects of paper, as well as its qualities and joys. As a company pursuing the endless possibilities of paper, we have partnered with Gakken, which continues to challenge itself to develop the unlimited potential of children, and together have been preparing this project for the past year. With the intention of passing on the value and appeal of paper to the next generation, in February 2025, we participated in the event "Exciting ★ SDGs − Children's Future Operation," hosted by Shinagawa Ward in Tokyo, and from the second half of fiscal 2025, we plan to conduct on-site classes at elementary schools nationwide together with paper merchants.

► For details on "Exciting ★ SDGs Children's Future Operation," see the "Local Communities" initiatives on page 79.

# ► Regular Workshops

In fiscal 2024, we held the first OVOL CREATIVE WORKSHOP SERIES together with paper merchants nationwide. In fiscal 2025, in order to generate more exciting and challenging ideas for the entire paper distribution industry, we will hold "Imagining the Possibilities of Paper Through Future-oriented Thinking and Collaboration— 'OVOL CREATIVE WORKSHOP SERIES Vol. 2.'" The theme this time will be "Creating ideas and action plans that convey the appeal of paper which get people to want to use more of it." We will communicate the appeal of paper by incorporating the perspectives of not only paper distributors but also users, including consumers, and consider a variety of ideas that make people want to use paper. Each group will also discuss and present specific action plans for executing and disseminating these ideas.

► For details on the OVOL CREATIVE WORKSHOP SERIES, see Highlights in "Japan Wholesaling" on page 46.





# Launch of Study Group for Promoting the Value of Paper

In the paper study group, activities are conducted in two teams, the Value of Paper team and the Paper and the Global Environment team, to raise awareness about the appeal of paper among a broader audience. The Value of Paper team has been examining the roles and functions of paper. It has now begun an initiative focusing on paper books, systematically organizing and visualizing their appeal and value, and communicating this information widely. Professor Hirohito Shibata of the Faculty of Informatics at Gunma University was welcomed as an advisor to provide academic support. The Paper and the Global Environment team, in cooperation with the Japan Paper Association and others, is seeking to clarify the relationship between paper and the environment and discussing what kind of information should be communicated. The knowledge and discussions gained from this study group have been used in on-site classes and in exhibits at Expo 2025 Osaka, Kansai, Japan. We will continue to actively disseminate the knowledge and insights on paper gained from these activities.



# Digital Transformation Initiatives Centered on People

We see digital transformation (DX) as a corporate transformation centered on people. Through DX, we will further enhance human capabilities and provide new value to customers and the industry.

# Understanding Business Practices and Formulating a DX Grand Design

From the first half of fiscal 2024, a business inventory survey was conducted covering the entire company, analyzing our businesses from multiple perspectives, including quantity, type, skill set, and position to visualize each business structure. This was not merely a status check but also an opportunity for each executive and employee to review "what work is truly necessary" and to become aware of knowledge-based work that can be created through efficiency gains. Based on these survey results, we formulated a DX grand design in fiscal 2025, clarifying the direction of DX and its future vision, and translating these into concrete strategies. DX is not only about improving sales activities and operational efficiency, but it is also a pillar of transformation that will rebuild overall corporate competitiveness. It is positioned as an essential initiative for achieving OVOL Vision 2030.

#### "Defensive" and "Offensive" DX

Our digital transformation will advance with both "defensive" and "offensive" aspects. "Defensive DX" will thoroughly pursue efficiency and risk management through the company-wide optimization of operations and renewal of core systems. On the other hand, "offensive DX" will utilize the expertise of the sales division to create new value through the advanced use of data, improved logistics efficiency, and strengthened customer engagement. This will achieve both operational efficiency and enhanced value provided to customers, while also contributing to improved employee engagement and organizational revitalization.

# Use of AI for Operational Efficiency and Advancement

Looking ahead to a future where AI will be deeply involved in all operations, we are actively promoting the research and practical use of AI. As an initial step, we have established a dedicated ChatGPT environment to support planning and document creation, thereby enhancing efficiency and operational advancement. Since acquiring skills for AI use, starting with prompt creation (commands to AI), is indispensable for effective AI utilization, we will focus on enhancing educational programs so that executives and employees can properly master AI. Looking forward, we also envision the introduction of "AI agents" capable of exercising self-judgment to perform multiple tasks, thereby reducing routine processing tasks and establishing a system that enables executive and employees to concentrate on higher value-added work, further strengthening our competitiveness.