

FY2017-2019

Japan Pulp and Paper Group

Medium-term Business Plan 2019

Paper, and beyond



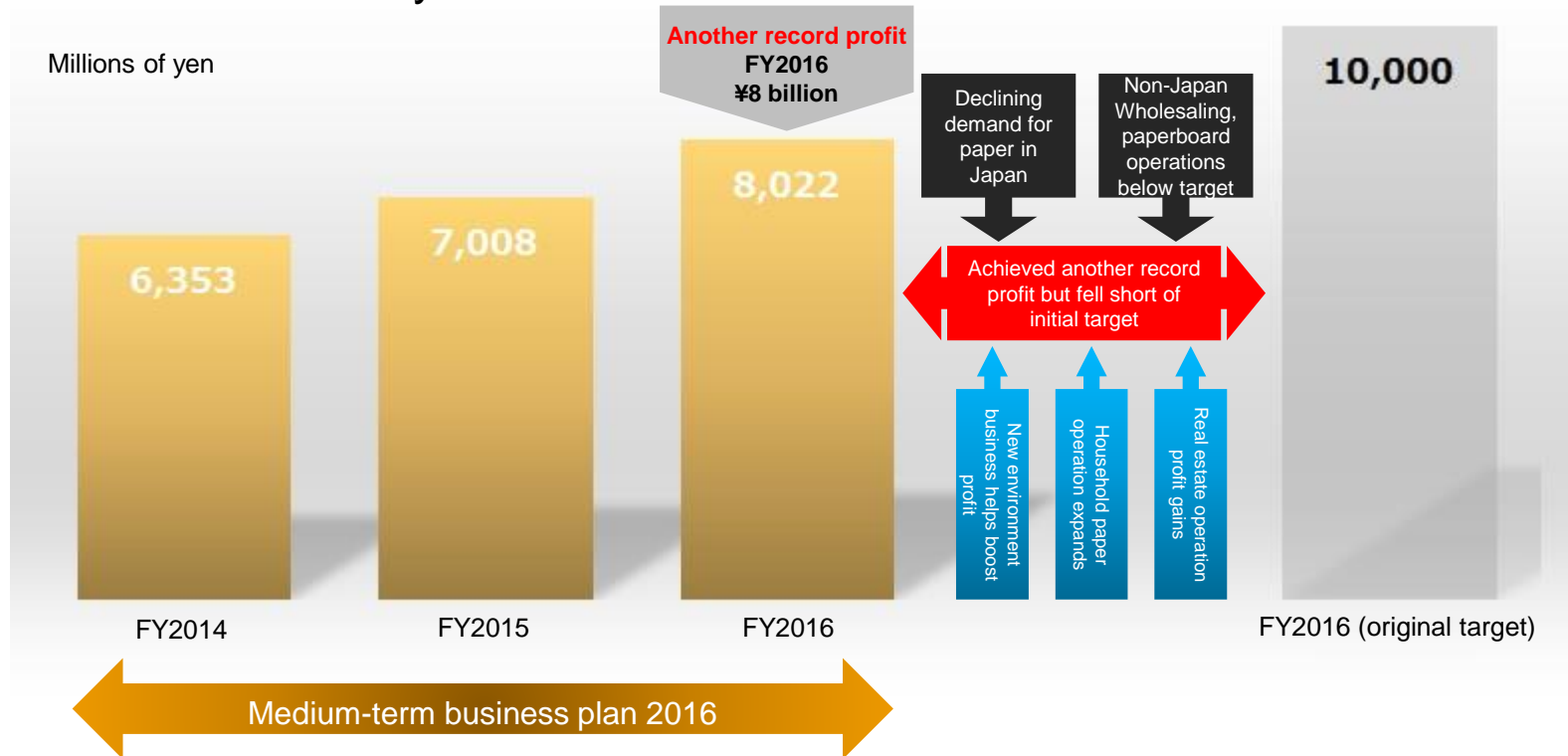
Japan Pulp & Paper Co.,Ltd.

Contents

- ◆ Review of Medium-term Business Plan 2016 (1)–(2)
- ◆ Basic Direction of Medium-term Business Plan 2019
- ◆ Medium-term Business Plan 2019 Numerical Targets
- ◆ Medium-term Business Plan 2019 Profit Forecast Breakdown
- ◆ Targeted Segment Structure under Medium-term Business Plan 2019
- ◆ Operational Strategy by Business Segment
 - Japan Wholesaling
 - Non-Japan Wholesaling
 - Paper Manufacturing & Processing
 - Resources & Environment
 - Real Estate Leasing
- ◆ Medium-term Business Plan 2019: Strengthening Our Financial Base

Review of Medium-term Business Plan 2016 (1)

Consolidated ordinary income



Our pillar paper business in Japan shrank faster than expected and our non-Japan business and paperboard operation fell short of target. In contrast, household paper and new environment-related projects launched during the period contributed to profit, helping propel consolidated ordinary income to a **new record high**.

Review of Medium-term Business Plan 2016 (2)

Date	Segment	New operations and projects launched during FY2014–2016
2014.4	Resource & Environment	Ishinomaki Tomarihama Solar Power Station (Sun Energy Ishinomaki Co., Ltd.) starts operating in Ishinomaki City, Miyagi
2014.9	Real Estate	Completion of Nihombashi Nichigin-Dori rental office building in Chuo-ku, Tokyo
2014.10	Resources & Environment	Hirono Kadonohama Solar Power Station (Sun Energy Hirono Co., Ltd.) starts operating in Hirono Town, Iwate
2014.10	Japan Wholesaling	Established subsidiary company for retailing recycled household paper and announced agency agreement with five recycled household paper manufacturers
2015.4	Non-Japan Wholesaling	Opened a representative office in Manila, the Philippines
2015.4	Japan Wholesaling	Reading Port JP Co., Ltd. opened its first BOWL combined service book shop in LaLaport Fujimi, Saitama
2015.4	Resources & Environment	Launched Matsue Biomass Power Co., Ltd.
2015.6	Non-Japan Wholesaling	Acquired additional stock in Gould Paper Corporation to make it a fully owned subsidiary
2015.7	Resources & Environment	Launched solar power company, Eco Power JP Co., Ltd., in Kushiro City, Hokkaido
2015.10	Paper Manufacturing & Processing	Recycled household paper manufacturer Corelex Shin-Ei Co., Ltd. completed new plant in Fuji City, Shizuoka
2015.10	Japan Wholesaling	Reading Port JP Co., Ltd. opened second BOWL combined service book shop in LaLaport Ebina, Kanagawa
2016.4	Resources & Environment	JRS Resources, Inc. established a new wastepaper recycling plant in Phoenix, Arizona
2016.7	Japan Wholesaling	Established Arise Innovation, Inc. to promote sales of enterprise artificial intelligence (AI), rapid application development tools, and public cloud services
2016.8	Resources & Environment	Launched Noda Bio Power JP Co., Ltd. to operate a new wood-based biomass energy generation venture in Noda Village, Iwate
2016.12	Japan Wholesaling	Capital injection for Jasmisoft Co., Ltd., developer of Wagby rapid application development software packages
2017.1	Resources & Environment	Signed stock exchange agreement with major wastepaper trader Fukudasansho Co., Ltd., with the intention of ultimately making it a fully owned subsidiary.



Nihombashi Nichigin-Dori Building



Corelex Shin-Ei household paper recycling plant



Noda Bio Power JP starts operation



Arise Innovation, Inc.

Newly established Arise Innovation

Basic Direction of Medium-term Business Plan 2019

Basic direction of Medium-term Business Plan 2019

Enhance individual business segments to ensure stable profits
 Invigorate our already proactively diversified individual business segments to help establish a stable profit platform for the Japan Pulp & Paper Group

Operational strategy by business segment

Japan Wholesaling



Expand retail share, increase sales of functional materials, enhance ICT operations

Non-Japan Wholesaling



Confirm operational framework to help drive our quest to become the world's No.1 paper distributor

Paper Manufacturing & Processing



Boost competitiveness by strengthening all supply-chain processes from raw materials procurement through manufacturing and retail

Resources & Environment



Strengthen raw materials business and stabilize energy generation operation

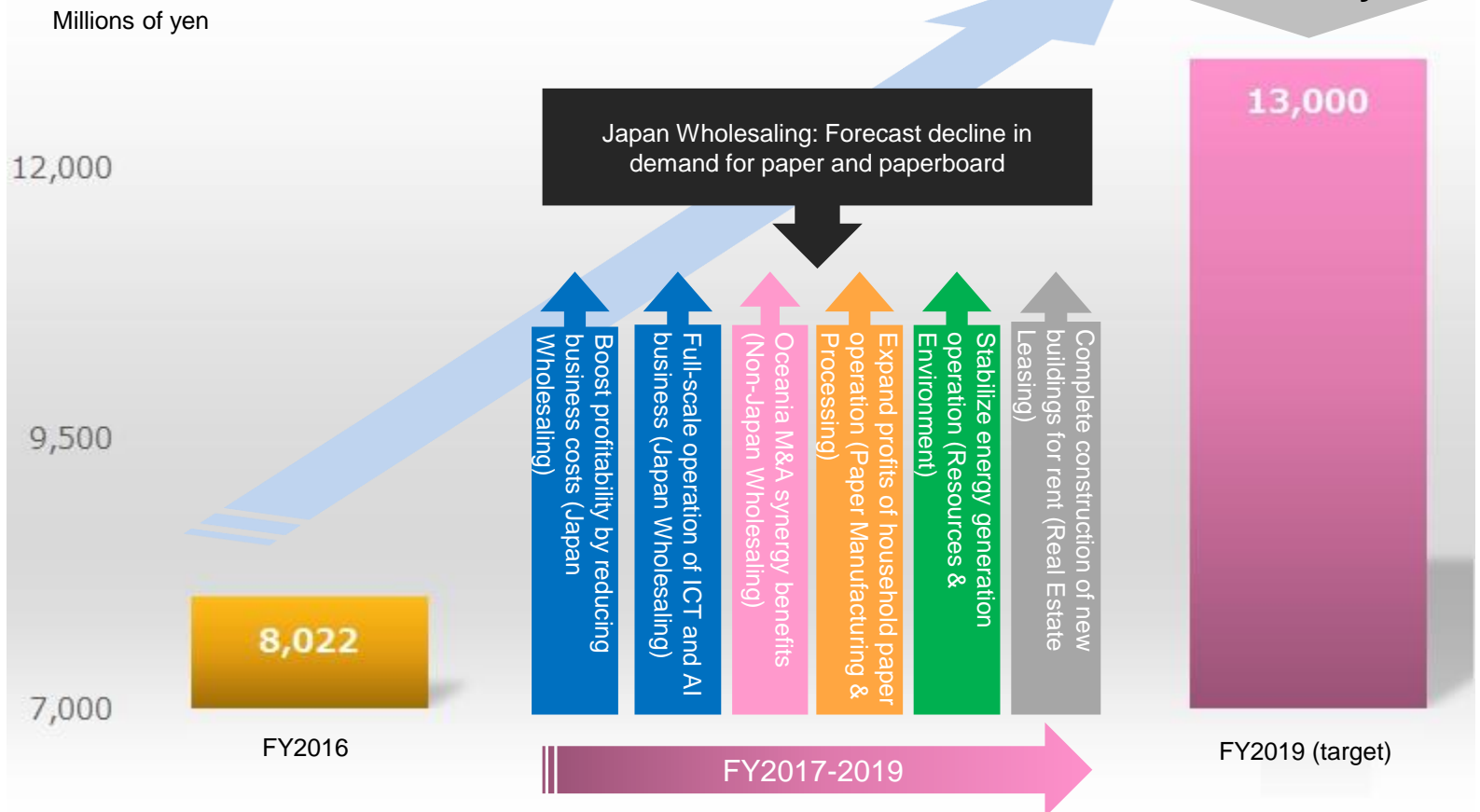
Real Estate Leasing



Efficient operation of current real-estate holdings and pursuit of new projects

Medium-term Business Plan 2019 Numerical Targets

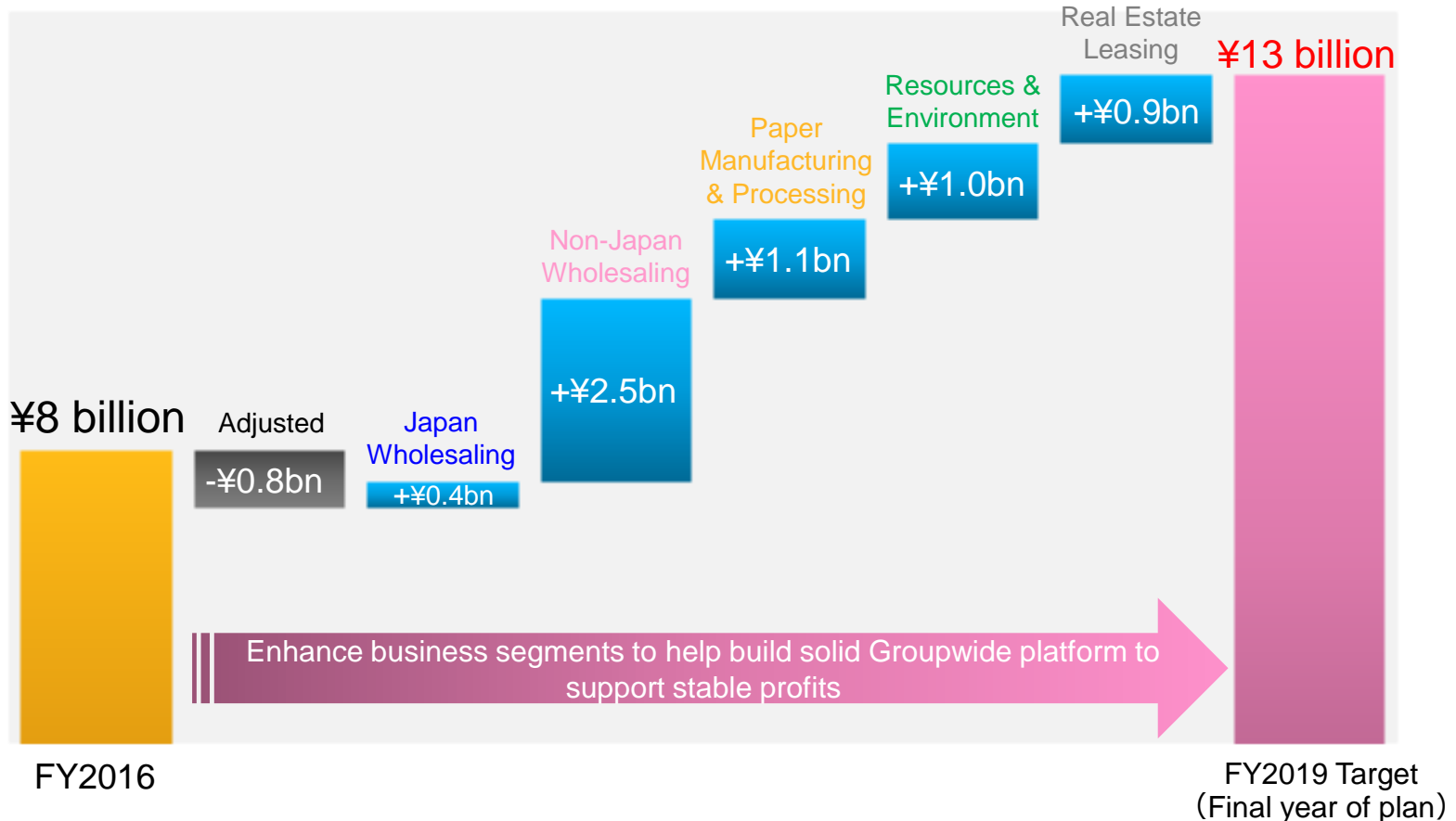
Consolidated ordinary income (Actual & Targets)



* Operating income of 9 billion yen forecast for first year of medium-term Business Plan 2019 (FY2017)

Medium-term Business Plan 2019 Profit Forecast Breakdown

Consolidated ordinary income profit forecast breakdown by business segment
(Comparison of FY2016 performance and FY2019 targets)

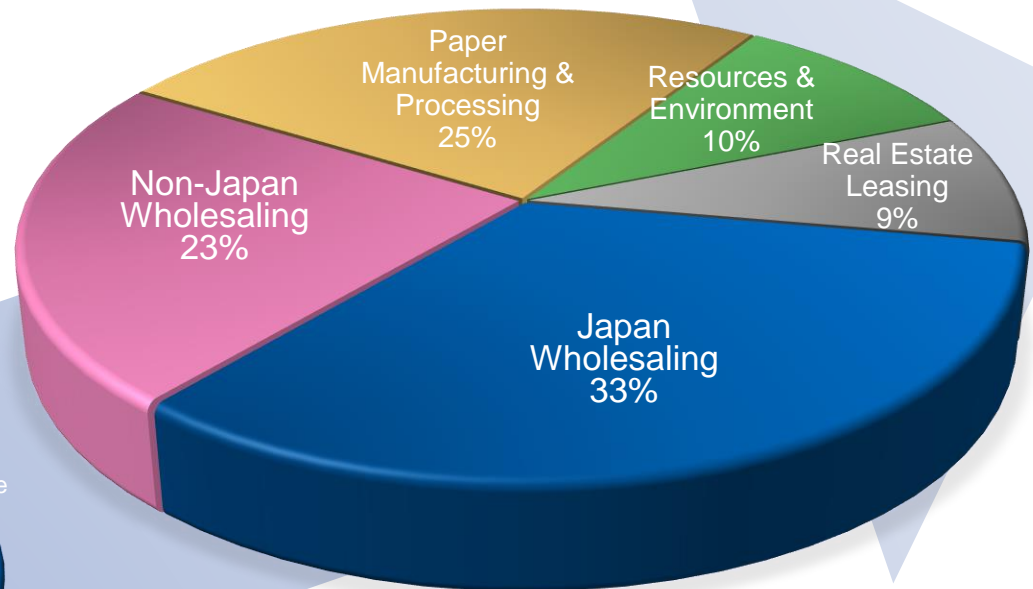


* Figures adjusted to reflect corporate costs and consolidation elimination, etc.

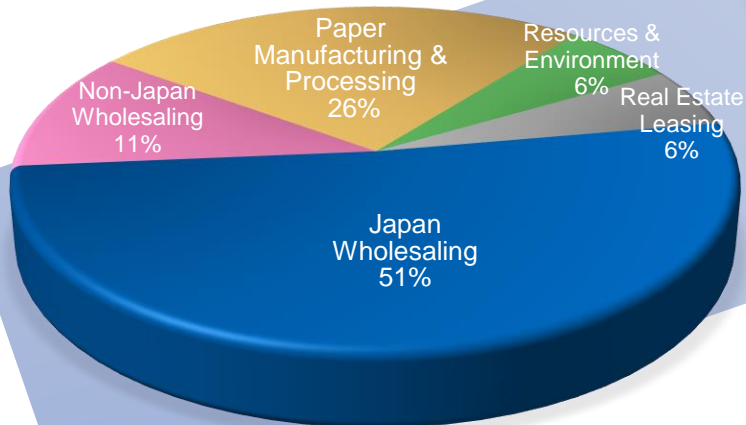
Targeted Segment Structure under Medium-term Business Plan 2019

Business segments as a proportion of consolidated ordinary income

FY2019 TARGET



FY2016



Strengthen profitability of individual business segments by promoting segment growth and maximizing synergy benefits, creating a well-balanced structure for generating profits

* Segment proportions are simple combined totals

Operational Strategy by Business Segment (1) Japan Wholesaling

Expand retail share, increase sales of functional materials, enhance ICT operations

- ◆ Expand share of print sheet demand in Japan by boosting cooperation among our existing retail network (FY2016: 14.9% => FY2019 final year target: 16.4%)
- ◆ Offer new paper opportunities to satisfy latent customer needs
- ◆ Develop more paperboard end users, and a stronger downstream strategy
- ◆ Expand use of functional materials such as eco-friendly film
- ◆ Use ICT/AI to optimize materials purchasing and logistics operations
- ◆ Accelerate development of ICT/AI-driven software systems and successfully monetize external sales operations



Optimize distribution operation



Incorporate ICT/AI technology

Operational Strategy by Business Segment (2) Non-Japan Wholesaling

Confirm operational framework to help drive our quest to become the world's No.1 paper distributor

- ◆ Focus on complementary M&A and other means to strengthen our sales capability and expand profits across our global operations
- ◆ Review and rationalize unprofitable operations and segments
- ◆ Pursue synergies in Oceania, and on a global scale
- ◆ Diversify range of products that successfully utilize our current business platform (Electric materials products, eco-friendly film, sanitary products and raw materials)



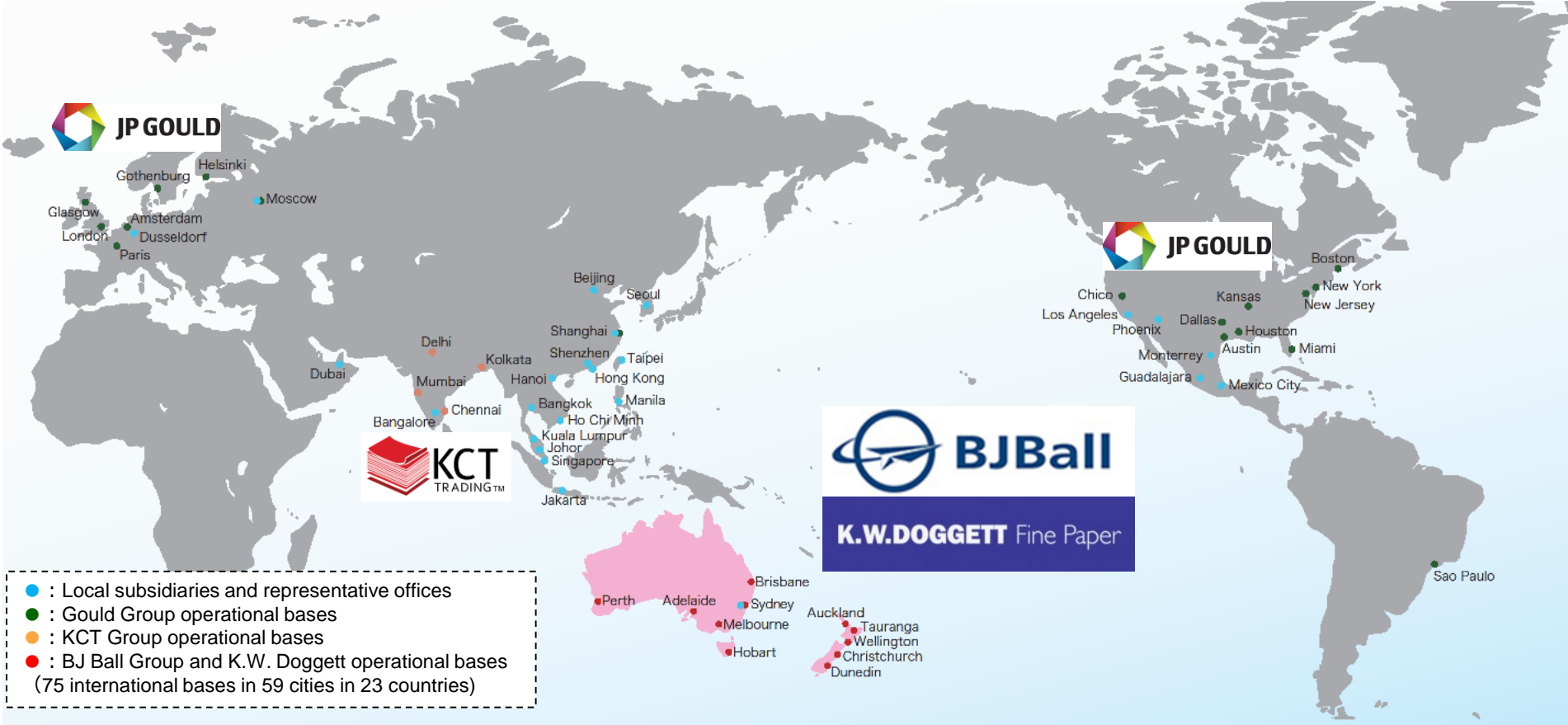
Pursue global synergies



Our new platform for Oceania

OVOL Expanding Our Global Network

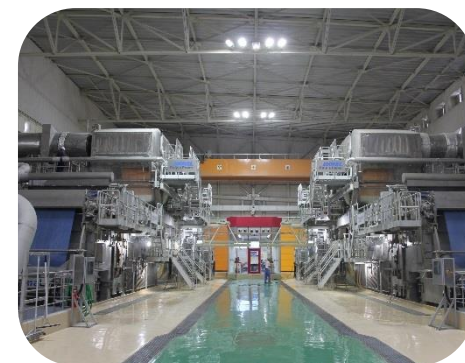
Major paper merchants from the Oceania region, BJ Ball and K. W. Doggett, join the Japan Pulp & Paper global network



Operational Strategy by Business Segment (3) Paper Manufacturing & Processing

Boost competitiveness by strengthening all supply-chain processes from raw materials procurement through manufacturing and retail

- ◆ Maintain stable manufacturing framework by strengthening ties with wastepaper recycling companies
- ◆ Reduce costs through astute capital investment and more efficient distribution
- ◆ Develop value-added paperboard products with strong market appeal
- ◆ Establish a processing framework that can accommodate diverse needs
- ◆ Expand national-brand recycled household paper products and boost sales
- ◆ Cultivate end users through our Group network



Main household paper recycling plant
Corelex Shin-Ei



Make full use of marketing in
development of new packaging

Operational Strategy by Business Segment (4) Resources & Environment

Strengthen resource business and stabilize energy generation operation

- ◆ Reorganize and optimize procurement and supply framework for Japan Pulp & Paper Group wastepaper operations
- ◆ Strengthen basic fuel procurement for wood-based biomass energy generation ventures
- ◆ Establish a solid purchasing base for palm kernel shells (PKS) and other biomass fuels
- ◆ Promote new business research and development



Noda Bio Power JP wood-based biomass energy generation



Fukudasansho Co., Ltd. joins the JP Group

Operational Strategy by Business Segment (5) Real Estate Leasing

Efficient operation of current real-estate holdings and pursuit of new projects

- ◆ Press ahead with reconstruction of Nihombashi Muromachi JP Building* in Tokyo
- ◆ Review real estate portfolio

*...tentative name



Illustration of the finished Nihombashi Muromachi JP Building *in Tokyo



Review the Japan Pulp & Paper Group's real-estate holdings

Medium-term Business Plan 2019: Strengthen Our Financial Base

Targets for Consolidated Financial Indicators				
Control indicator	FY2014	FY2015	FY2016	FY2019 Target
Return on equity (ROE)	4.22%	4.52%	6.98%	8.00%
Return on assets (ROA)	2.11%	2.31%	2.74%	4.00%
Return on invested capital (ROIC)	2.53%	2.35%	3.11%	5.00%
Net debt/equity ratio	1.35 times	1.49 times	1.21 times	1.40 times or less

- ◆ Improve ROA by employing assets more efficiently, swiftly boosting ROE to 8%
- ◆ Improve ROIC by conducting detailed evaluations of the effectiveness of new and existing investments to optimize our business portfolio
- ◆ Cap net D/E ratio at 1.4 times and strike a healthy balance between investing in new business and ensuring strong financial health

Paper, and beyond

Disclaimer:

This Medium-term Business Plan uses company-related forecasts, targets and other projections to illustrate the intended direction and targets for Japan Pulp & Paper Co., Ltd. Group over the medium term. The future projections included in this document were compiled by the company using various information available at the time of writing and, as such, include some uncertain data. Therefore, this document should not be considered to guarantee the attainment of the included targets or predicted future performance, and the Japan Pulp & Paper Co., Ltd. Group accepts no responsibility for any damages sustained as of result of action taken based on the information provided in this document.