

FY2022/3

Financial and Management Report

P A R T – 1. Financial Summary

- FY2022/3 Financial results
- FY2023/3 Financial forecast

P A R T – 2. Management Report

- Medium-Term Management Plan
(FY2023/3-FY2025/3)

**FY2022/3
Financial Results**

<Consolidated>

(Unit : 100 Million Yen)

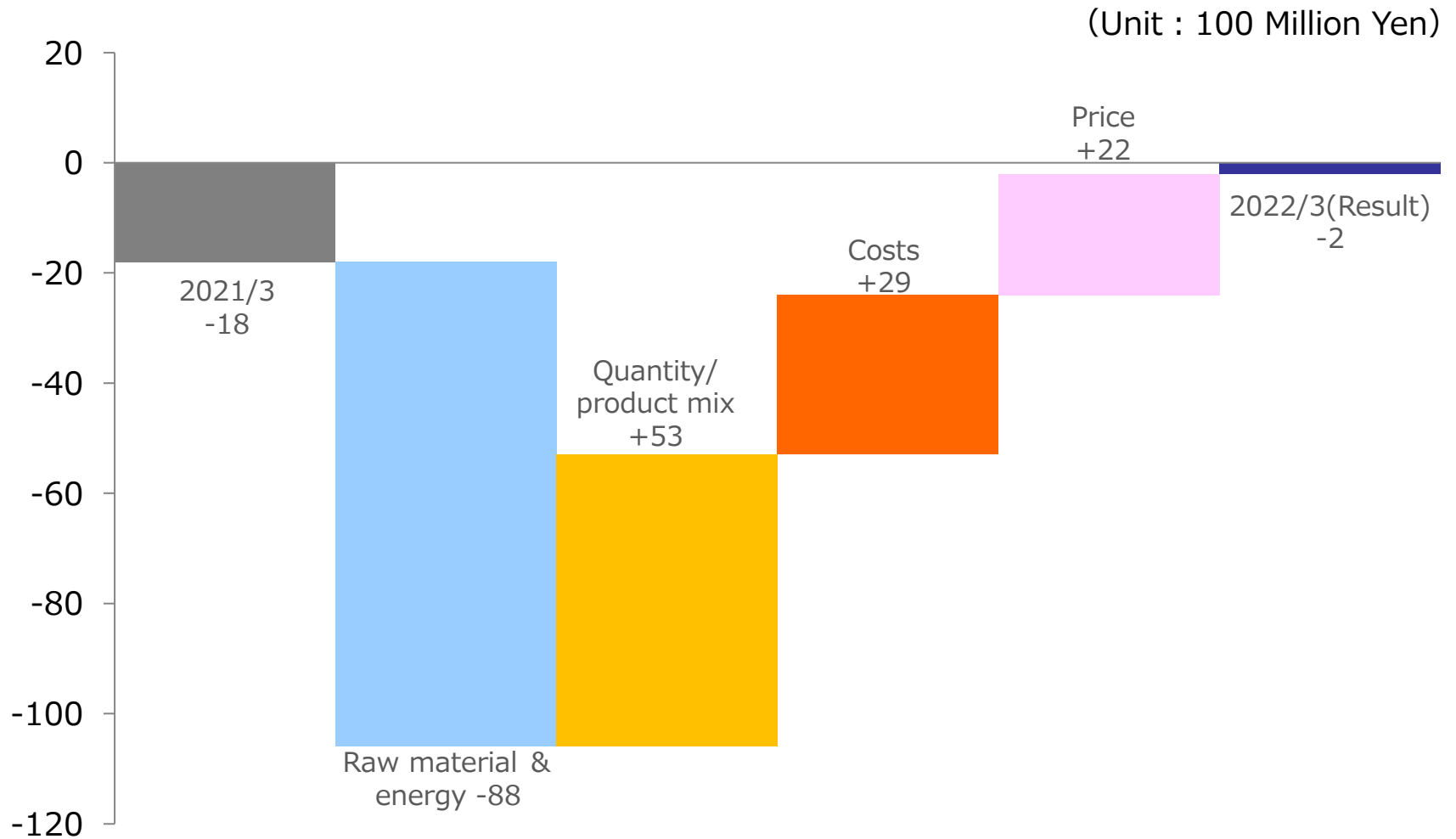
	FY2021/3 Result (a)	FY2022/3 Result (b)	(b) - (a)
Sales	1,623	1,819	196
Operating income	-18	-2	16
Ordinary income	-6	20	26
Profit attributable to owners of parent	-25	11	36
Interest-bearing liabilities	979	923	-56
D/E ratio	1.6	1.3	0.3 improvement
Depreciation	90	85	-5
Capital investment (Accounting base)	64	58	-6

<Segment-based>

(Unit : 100 Million Yen)

		FY2021/3 Result (c)	FY2022/3 Result (d)	(d) - (c)
Sales	Pulp & paper	1,253	1,360	107
	Imaging	252	323	71
	Speciality materials	151	181	30
	Warehouse & transport, others	132	148	16
	Adjustment	-165	-193	-28
	Total	1,623	1,819	196
Operating income	Pulp & paper	-13	-34	-21
	Imaging	-21	8	29
	Speciality materials	15	21	6
	Warehouse & transport, others	2	3	1
	Adjustment	-1	0	1
	Total	-18	-2	16

<Variation of operating income> +16 (-18→-2)



**FY2023/3
Financial Forecast**

<Consolidated>

(Unit: 100 Million Yen)

	FY2022/3 Result (e)	FY2023/3 Forecast (f)	(f) - (e)
Sales	1,819	2,000	181
Operating income	-2	25	27
Ordinary income	20	35	15
Profit attributable to owners of parent	11	15	4
Interest-bearing liabilities	923	880	-43
D/E ratio	1.3	1.3	-
Depreciation	85	85	0
Capital investment (Accounting base)	58	65	7

<Segment-based*>

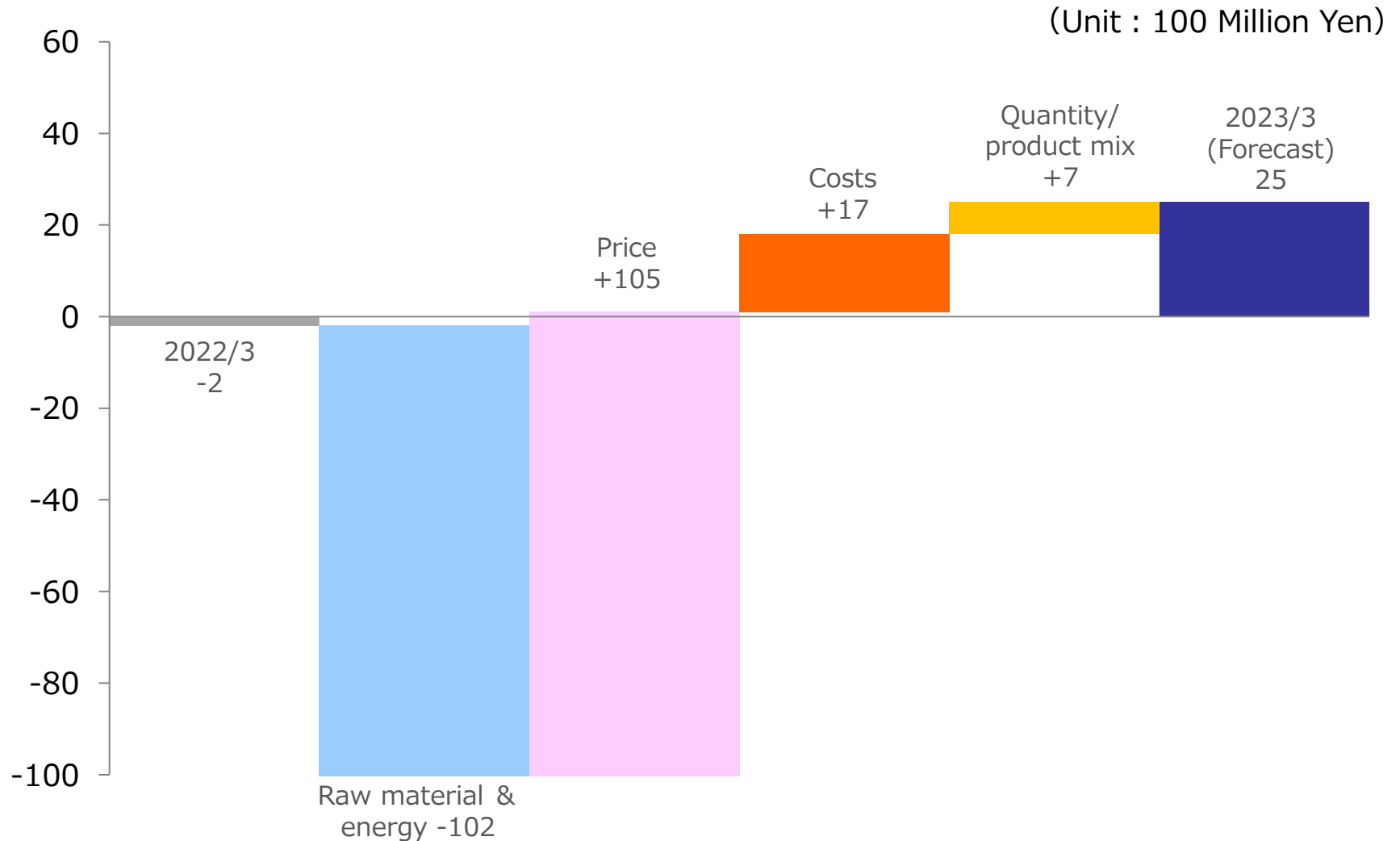
(Unit : 100 Million Yen)

		FY2022/3 Result (g)	FY2023/3 Forecast (h)	(h) - (g)
Sales	Paper materials	1,417	1,570	153
	Functional materials	502	570	68
	Others	70	55	-15
	Adjustment	-170	-195	-25
	Total	1,819	2,000	181
Operating income	Paper materials	-32	0	32
	Functional materials	30	25	-5
	Others	1	1	0
	Adjustment	-1	-1	0
	Total	-2	25	27

<Assumptions of the forecast>\$1 = ¥125, € 1 = ¥135, Dubai Crude Oil \$95 per barrel (1st half) , \$85 (2nd half),
 Coal price per MT \$300 (1st half), \$200 (2nd half)

*According to current internal organization, former "Pulp & paper" includes "Warehouse & transport" and is newly named "Paper materials." Also, former "Imaging" and "Speciality materials" are combined into "Functional materials."

<Variation of operating income> +27 (-2→25)



**Medium-term Management Plan
(FY2023/3-FY2025/3)**

Management goals of FY2025/3

Sales	¥195 bil.
Sales ratio	2.5 : 1
<Paper materials vs Functional materials>	
Operating income	¥7.5 bil.
Operating income margins	above 3.5%
(Paper materials 2%, Functional materials 7.5%)	
D/E ratio	1.0

Destination of MPM Group

— Medium, long-term aspiration —

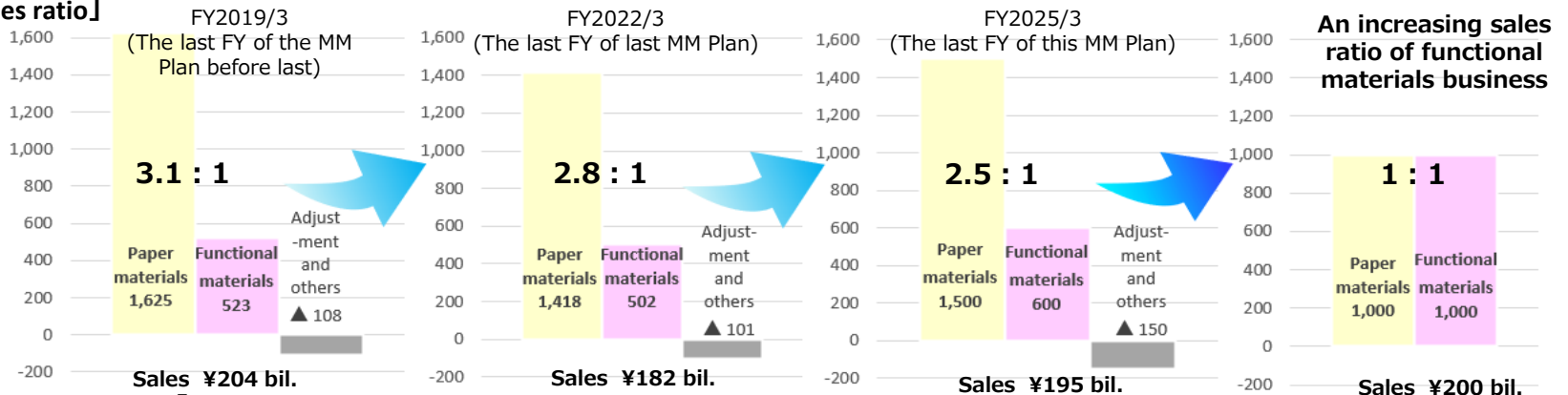
Sales	¥200 bil.
Sales ratio	1 : 1
<Paper materials vs Functional materials>	
Operating income	¥15 bil.
Operating income margins	7.5%
(Paper materials 5%, Functional materials 10%)	
D/E ratio	0.5

[Basic Principles]

- ① Strengthen our earning capacity by “selection and concentration” strategies and “expansion of new business”
- ② “Contribution to green society”
- ③ “Organizational change to improve sustainability”

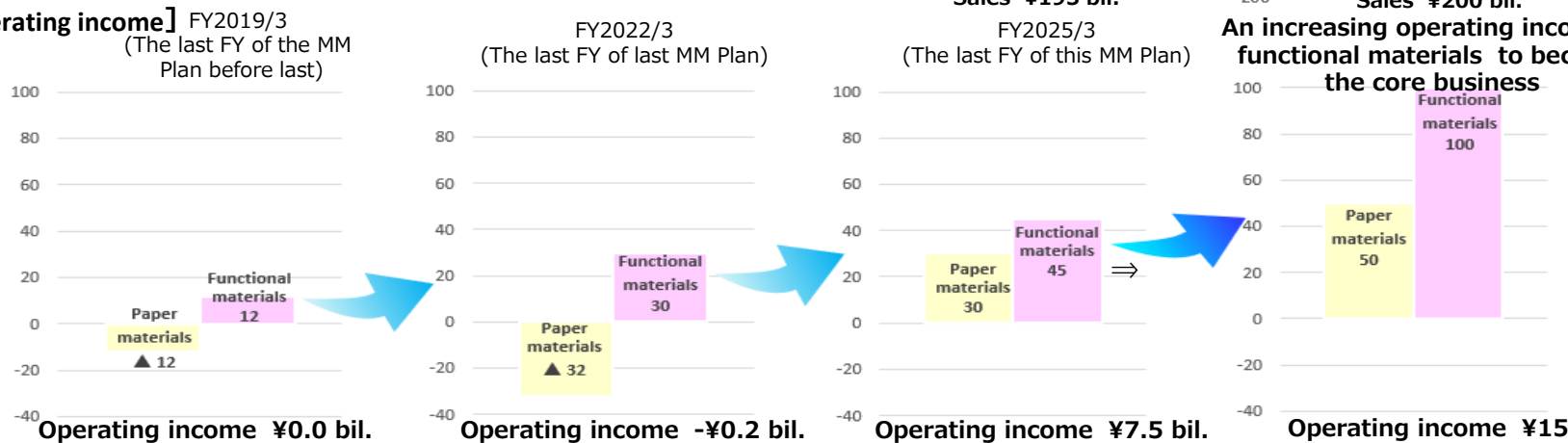
- ▶ With paper demand decreasing, we will ensure the steady increase of sales and profit by intensive investment to our growing **“Functional materials business,”** and make it our main business segment. (Target operating income margin: 10%)
- ▶ We will change our existing business focusing on **“Paper materials business”** to stable profit-earning infrastructure business by selection and concentration. (Target operating income margin: 5%)
- ▶ We will also take an extra profit improvement measures equivalent to ¥1 bil. by FY2025/3 with systematization etc.

[Sales ratio]



An increasing sales ratio of functional materials business

[Operating income]



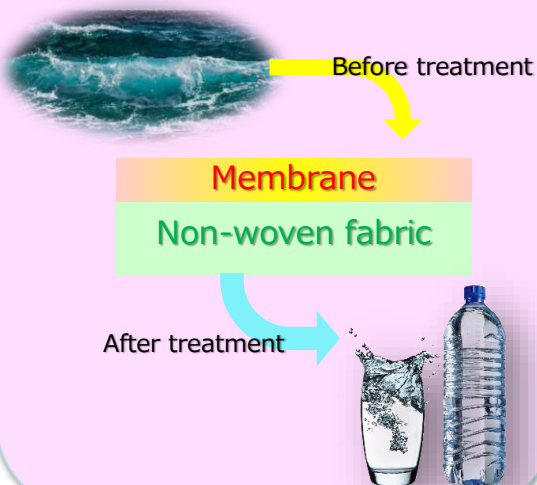
An increasing operating income of functional materials to become the core business

Contribution to the creation of sustainable society with safety and comfort
Additional ¥2.5 bil. sales of functional non-woven fabric related business
(FY2022/3 ¥7.5 bil. → FY2025/3 ¥10 bil.)

Water treatment membrane support substrate business

【Specific strategy】

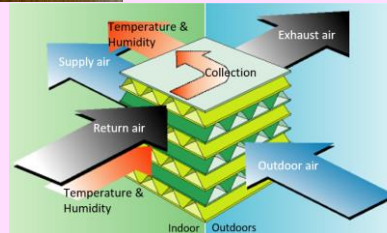
Gain market share abroad due to increased demand in water related businesses and take competitive advantage of the high technology used in the production of the non-woven fabric.



Filter business

【Specific strategy】

Grow the total enthalpy heat exchanger business (as high moisture permeable film is newly developed) with the increased demand of ventilation related products related to both Covid-19 and energy savings.



Entering new market segments of non-woven fabrics

【Specific strategy】

Enter the markets of melt blown (dry) non-woven fabric, expansion of the functional filter media business, and super heat-resistant glass fiber non-woven fabrics etc.

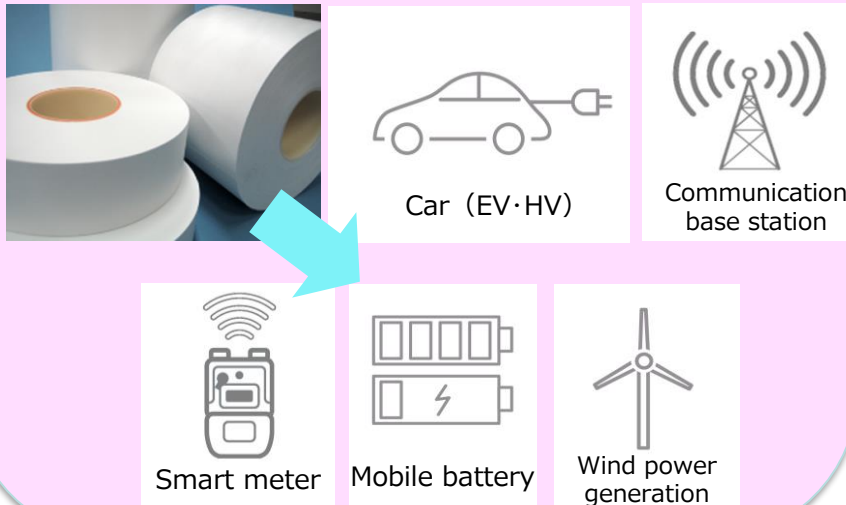


Additional ¥2 bil. sales in total of battery separator and electronics industry materials (FY2022/3 ¥1.5 bil. → FY2025/3 ¥3.5 bil.)

Battery separator business (New paper machine in operation)

【Specific strategy】

Starting the operation of No.13 paper machine at Takasago Mill, we will expand the scale of business for car, energy saving and communication equipment.



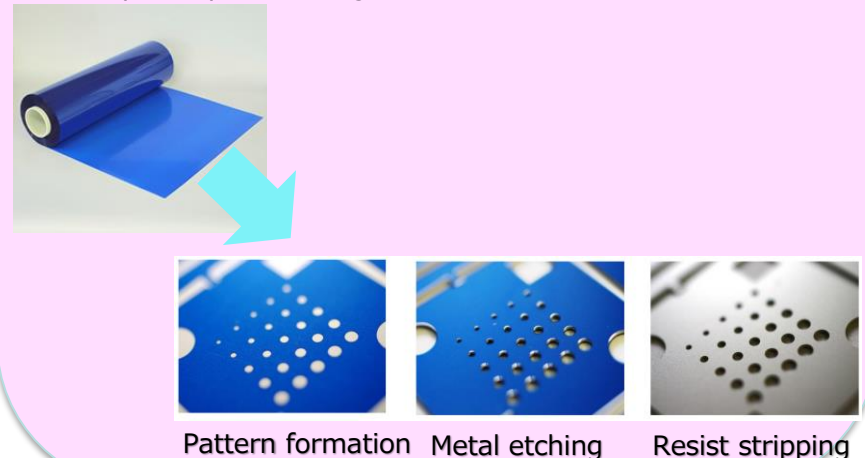
Electronics industry materials business based on special DFR*

(*DFR: Dry Film Resist)

【Specific strategy】

With the system of high development technology acquired by extensive experience with photographic sensitive materials, we will expand the scale of processing business of electronics-related materials as information and communication technology advances.

<Metal parts processing>



Additional ¥5.5 bil. sales of other functional materials business such as industrial speciality paper area by expansion of product line and new product development.

Sales expansion of KJ Speciality Paper Co.,Ltd.

[Specific strategy]

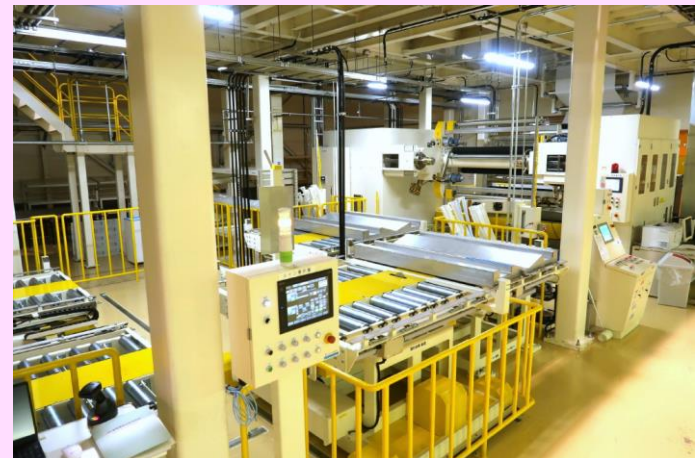
Increase sales by utilizing the quality-advantage for the base paper of decorative laminates and masking tape backing where the foreign market demand is expected to grow.



Kitakami HiTec Paper Corp. new business development

[Specific strategy]

Accelerate the shift in business focus from market-shrinking imaging to industrial materials by retooling and remodeling current facilities and developing new products.



**– From “Paper” to “Materials” –
Explore the potential of pulp and paper materials, and open up wide-
ranging applications.**

- ① Expansion of pulp business Sales FY2022/3 ¥4.5 bil. ⇒ FY2025/3 ¥7.5 bil.
An increase in sales of pulp for external sales through product line expansion, coping with shrinking demand for graphic paper.
- ② Expansion of eco-conscious products Sales FY2022/3 ¥0.5 bil. ⇒ FY2025/3 ¥3 bil.
<Kraft paper> Strong and steady demand for paper bag of e-commerce and takeout bag at restaurants etc. continues.
<Barrier paper> With the enforcement of new plastic law in April 2022, movement toward “less plastic” and “plastic-free” products will be accelerated.



[Application examples of our products]



Outer bag (barricote®)

LOTTE CO., LTD. DO Cacao chocolate

- ③ Structural change in production and sales system
Optimizing production system including streamlining facilities according to energy-saving and demand, promoting drastic systematization including reorganization of subsidiaries, and changing to a sales policy for profitability, i.e. streamlining the brands etc.




Changing to stable profit-earning infrastructure business

by structural reform with selection and concentration

Carbon Neutrality by 2050 and 2030 Target

2030 Target

Decrease in energy-related CO2 emissions of 40% from 2013 
⇒ Promotion of energy-saving
⇒ Reduction in fossil fuel use

MPM Group Green Vision 2050

Contribution to Japanese gov. long-term goal, “realization of decarbonized and carbon neutral society by 2050, which enables net zero greenhouse gas emissions .”

Support for the recommendations of the TCFD and information disclosure (April 13, 2022 news release)

- Support for the recommendations of the TCFD, participation in TCFD Consortium
- Carrying out scenario analysis of climate-related risks and opportunities, information disclosure based on TCFD recommendations



Actions on SDGs

- Participation in “30by30 Alliance for Biodiversity” established by Japanese Ministry of the Environment.

(April 13, 2022 news release)



- Contribution to the creation of sustainable society by continuous activity of “Ecosystem Academy.” [The logo of Ecosystem Academy]



Strengthening corporate governance

- Building up a system of governance meeting the Prime Market standards of TSE
- Appropriate information disclosure
- Good communication with outside directors

Promoting sustainability

- Creation of sustainability promotion committee
- Promotion of corporate-wide activities involving a director in charge of sustainability promotion

Diversity and inclusion

- Development of personnel systems, which takes advantage of diverse human resources
- Reallocation of human resources, which offers flexibility with the changing external environment
- Enrichment of career advancement training

Observance of compliance

- Extensive training, cultivation of corporate culture
- Improvement of the effectiveness of whistle-blowing system
- Building up credibility with stake-holders

Work style reform

- Improvement of working efficiency, reducing working hours by revision of human resources allocation
- Strengthening the system of occupational health and safety
- Helping employees to balance work with child and family care, introducing staggered working hours/working from home system
- Introduction of shared-desk style at the Head Office



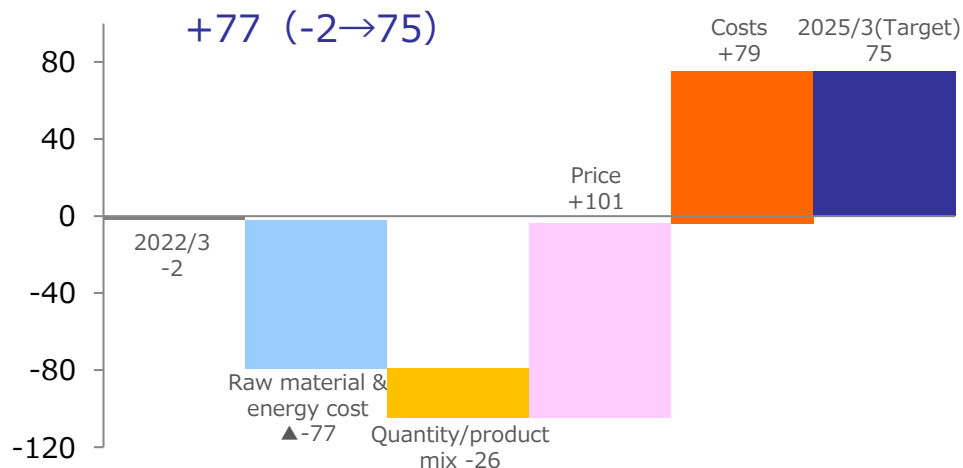
<Consolidated>

(Unit : 100 Million Yen)

	FY2022/3 Result (i)	FY2025/3 Plan (j)	(j) - (i)
Sales	1,819	1,950	131
Operating income	-2	75	77
Ordinary income	20	85	65
Interest-bearing liabilities	923	760	-163
D/E ratio	1.3	1.0	0.3 improvement
Depreciation	85	75	-10

<Consolidated operating income>

(Unit : 100 Million Yen)



<Assumptions> *FY2025/3

\$ 1 = ¥125

€ 1 = ¥135

Dubai Crude Oil ⇒ \$85 per barrel

Coal price (FOB AU) ⇒ \$ 200 per MT

<Segment-based>

(Unit : 100 Million Yen)

Sales	FY2022/3 Result (k)	FY2025/3 Plan (l)	(l) - (k)
Paper materials	1,417	1,500	83
Functional materials	502	600	98
Others	70	50	-20
Adjustment	-170	-200	-30
Total	1,819	1,950	131

(Unit : 100 Million Yen)

Operating income	FY2022/3 Result (m)	FY2025/3 Plan (n)	(n) -(m)
Paper materials	-32	30	62
Functional materials	30	45	15
Others	1	0	-1
Adjustment	-1	0	1
Total	-2	75	77

<Investment plan of Medium-term three-year Management Plan> (Unit : 100 Million Yen)

Investment plan **220**

(breakdown)

Strategic investment* 1 **90**

Investment in maintenance
and improvement **130**

* 1 With the recent energy costs hike,
we are going to make investments
in shifting energy, energy-saving,
growth strategies and transforming
business portfolio.

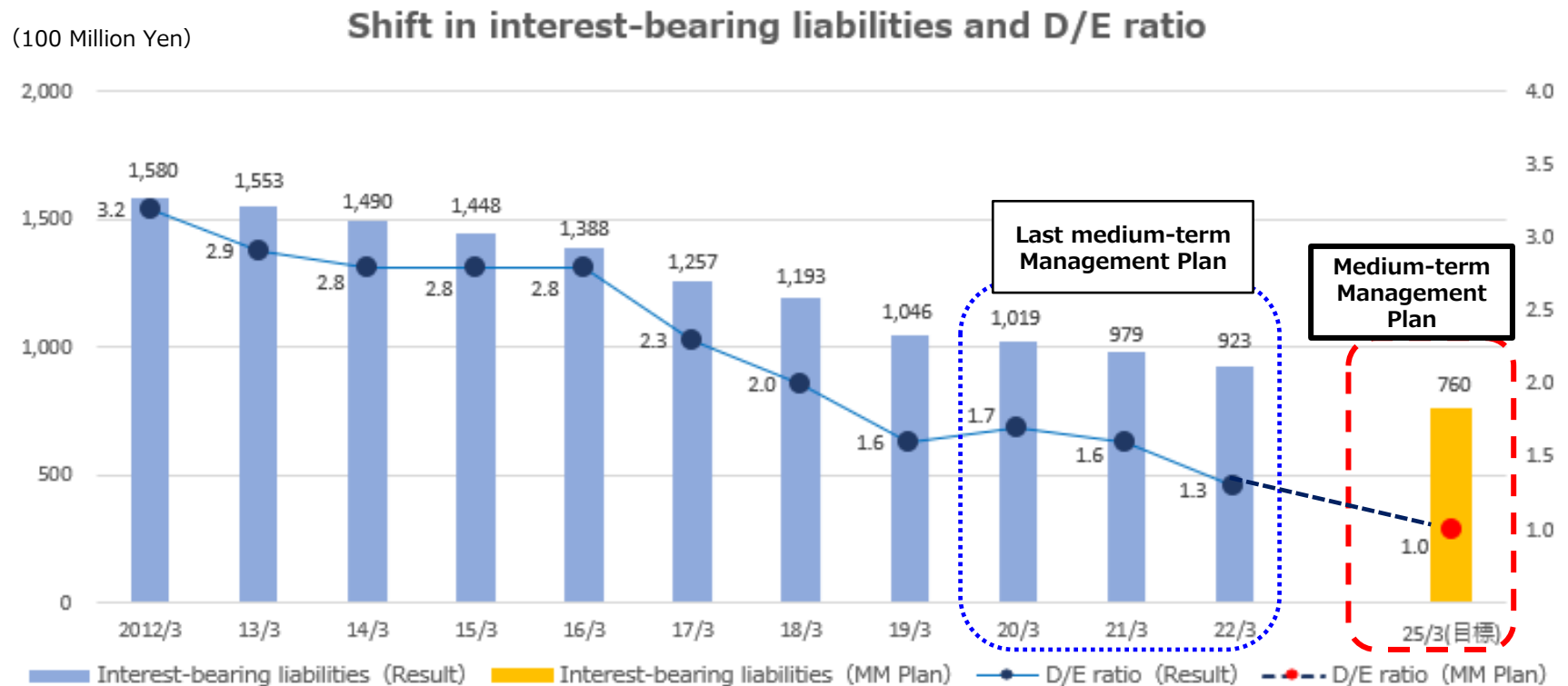
(Breakdown)

Paper materials business	¥25
Functional materials business	¥45
Others	¥20

<The Change in Financial Status>

(Unit : 100 Million Yen)

	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2022/3	Last MM Plan	FY2025/3	Three-year MM Plan
	Result	Result	Result	Last MM Plan Targets	Result	Improved Results	MM Plan Targets	Total Improvement
Interest-bearing Liabilities	1,046	1,019	979	980	923	57 reduction	760	163 reduction
D/E ratio	1.6	1.7	1.6	1.3	1.3	achieved	1.0	0.3 improvement



The statements concerning expected numbers and business forecasts in this documents have been prepared based on predictions of the economic environment in the future and information available at the present point in time. The actual numbers in our financial results and performance in the future may differ.