Innovating for the Creating New Value

Value Creation Business Model

1. Investment Business
2. Paper Business
3. White Paperboard Business
4. Specialty Paper Business
5. Packaging Business

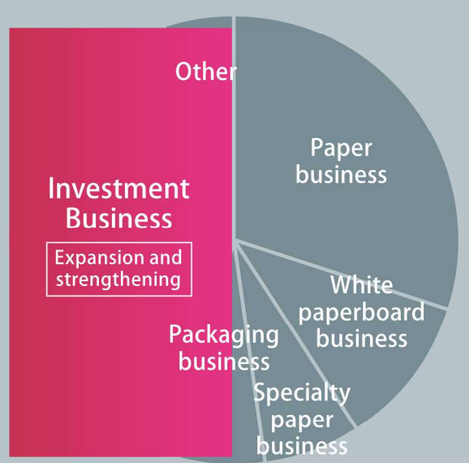
We will transform our business portfolio into one that can grow sustainably in response to changes in economic conditions



Kunihiko Kashima
COO, Group Business Investment Division



Business portfolio shift



*The above ratios are for reference only.

SDGs closely relating to our business



Business Overview

We created the new Group Business Investment Division during an organizational change in October 2020. In order to realize the basic policy set forth in Medium-term Management Plan 2023, the division will transform our portfolio into one that can grow sustainably, establish a management system that can make swift and definitive management decisions and immediately implement measures at overseas Group companies. It also plays a role as an organization to realize fair and certain management by assessing the investment profitability of domestic affiliated companies accounted for under the equity method. In addition to managing and evaluating overseas Group companies such as Alberta-Pacific Forest Industries (Al-Pac) in Canada, Jiangmen Xinghui Paper Mill Co., Ltd. in China, and Bernard Dumas S.A.S. (Dumas) in France, we will transform our business portfolio in response to rapid structural changes in the economic situation surrounding our company by assessing existing businesses in Japan and overseas and new investment businesses on the same scale and making definitive business investments.

Medium-term Management Plan 2023 initiatives

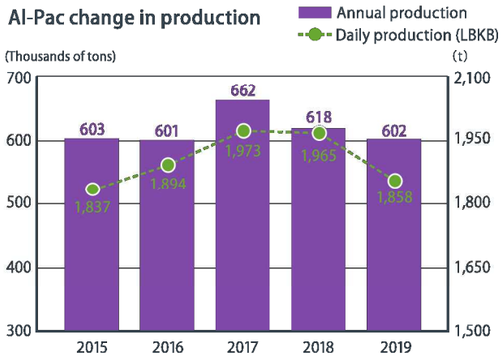
In addition to managing and assessing each related Group company, we will make strategic investments through M&As and aim to transform the Group's business portfolio into one that can grow sustainably.

Alberta-Pacific Forest Industries Inc.

Alberta-Pacific Forest Industries Inc. (Al-Pac) of Canada is the largest manufacturer and retailer of pulp in North America, boasting an annual output of 530,000 tons of hardwood bleached kraft pulp and 80,000 tons of softwood bleached kraft pulp (2019 results). Al-Pac is entrusted by the Government of Alberta with managing 6.4 million hectares of forest land (an area that is larger than Kyushu and Shikoku combined), and uses this resource as raw pulp material.



Al-Pac change in production



Jiangmen Xinghui Paper Mill Co., Ltd.

Jiangmen Xinghui Paper Mill is a white paperboard manufacturer located in Guangdong Province, China. Its main products are coated duplex board with grayback used as packaging materials for various products, blister-packaging paperboard, and uncoated products. The company has built a sales network centered on Guangdong and Liaoning provinces in the north, and Hainan in the south, and does business with customers in a wide range of regions. It is also Hokuetsu's agent for exporting and selling printing and communication paper and white paperboard produced by us to the South China area.



Bernard Dumas S.A.S.

Bernard Dumas S.A.S. (Dumas), which became a wholly owned subsidiary in 2012, is a French manufacturer of functional materials and specialty paper that boasts the top share of battery separators made from glass fiber in Europe. With the company becoming a subsidiary, the Group has become the world's second largest glass fiber sheet maker. We are developing products while sharing technical know-how with Dumas, which has led to the start of production of automotive battery separators at the Nagaoka Mill.



Daio Paper Corporation

Daio Paper, which became an affiliated company accounted for under the equity method in 2012, is a general paper manufacturer headquartered in Tokyo and Shikoku. In particular, it is a highly competitive company in containerboard and household paper that we do not produce, which helps diversify the Group's business portfolio.

Focus & Topic

Studying capital investment to expand into the power sale business at Al-Pac

Al-Pac has a policy of improving profitability by expanding the power export business (capital investment) in anticipation of higher power market prices due to changes in environmental measures. Currently, we are working on conserving steam through large-scale process waste heat recovery and using the steam to increase the amount of power generated by existing turbines. We are also studying and examining the introduction of new power generation equipment in the future.
We are confident that this will contribute to the improvement of sustainable corporate value as Al-Pac's core business that is not significantly affected by pulp market conditions, and which is in line with federal and provincial government policies that are transitioning to low-carbon energy.



The expansive forests of Alberta, Canada

Business Overview (2): Paper Business

We will strengthen our competitiveness by giving overall optimal considerations while responding to rapid changes in the market environment



Shigeharu Tachibana
COO, Paper Business Division



No. 9 paper machine at the Niigata Mill

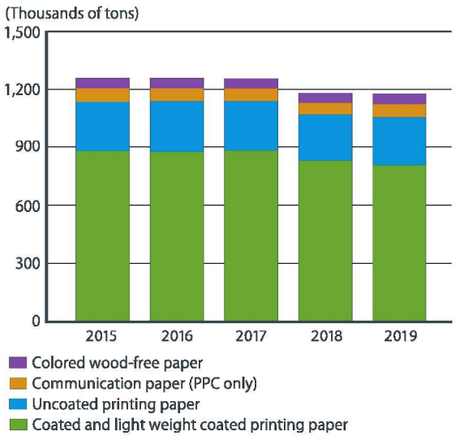
SDGs closely relating to our business



Business Overview

The main product of the Paper Business is printing and communication paper used for books, magazines, catalogs, and brochures.
Coated paper and uncoated printing paper are our key products in our product line-up, with production of coated paper in FY2019 having the third highest share in Japan and uncoated printing paper taking the second highest share.
Furthermore, our colored wood-free paper with its tradition and rich product line-up is a top brand in Japan, which shows that it is loved by a wide range of customers.

Paper production by product



Medium-term Management Plan 2023 initiatives

Thoroughly strengthening the competitiveness of the Niigata and Kishu Mills and the Sales Department

Our shipment of printing and communication paper in 2019 exceeded its previous year, especially in the first half. We drew higher orders because our production were relatively favorable, on the other hand there were multiple natural disasters and supply instabilities at other manufacturers in 2019. Export sales were 210,000 tons per year due to the deterioration of international market conditions owing to international trade friction. This was a very severe export environment and we did not reach our target of 300,000 tons per year.
For 2020, based on Medium-term Management Plan 2023, the first step toward realizing "Vision 2030," the new long-term management vision, the Niigata Mill, Kishu Mill, and the Sales Department are aligned in the same direction working together, and engaged in full-fledged efforts to enhance our competitiveness in order to respond to rapid changes in the external environment. Specifically, we will focus on the following:

Paper Business Division

With demand declining significantly due to the novel coronavirus pandemic, safety and compliance are our top priorities, and we will work to maintain firm sales prices in Japan and continue stable operations and further improve costs at both the Niigata and Kishu mills.

Niigata Mill

1. Establish an accident-free and disaster-free mill by striving for thorough compliance and independent health management.
2. Prevent operational troubles and large equipment failures with planned maintenance.
3. Give optimal consideration in response to the decrease in domestic and overseas demand and cut costs to maximize profits.
4. Promote SDGs through energy, pulp, and papermaking from chips.

Kishu Mill

1. Complete the implementation of risk assessment measures and draw up preventive measures for disasters, the environment, and operational trouble.
2. Strive for thorough compliance where all employees share awareness and responsibility as members of society.
3. Strengthen quality control, strive to prevent the occurrence of defective products, and visit customers individually to work to develop new markets and new products.
4. Work to enhance competitiveness through optimal production in line with changes and challenging cost improvements.

Sales Department

1. In the face of declining demand, maintain sales prices in Japan and engage in sales activities with an awareness of the industry share of our main products.
2. Conduct regular visits of our users by staff at our mills to strengthen relationships and respond appropriately to customer requests to generate stable sales.
3. With exports, given that demand in Japan cannot be expected to expand, aggressively promote direct trade to develop sales measures that accurately capture overseas market trends, and further strengthen relationships of trust with customers to expand sales channels.
4. Switch to paper materials as a substitute for plastic packaging and expand sales in consideration of environmental issues.

Focus & Topic

Aggressively rolling out a further modal shift

We were awarded the "21st Logistics Environmental Conservation Activity Award" for the transportation (modal shift) of DIP pulp at the Kishu Mill, which started in July 2019.
Also, part of the transportation of products from the Niigata Mill to northern Kanto, which used to be done by trucks, was converted to Japan Railway Container Transportation in March 2020. Until August 2020, rolled products were transported by rail stacked in 12 ft containers, and are then transloaded (rolled) onto trucks at a warehouse near the freight terminal before delivering them to users. From September, we have been able to use our own privately-owned 20 ft containers to transport the products to users without transloading them. We are also considering round trip freight in the future, and are aiming for so-called "container round use."

Expanding for the growing demand for process application products

In response to the global demand for plastic alternatives, the export of base paper for paper cups and paper straws produced at the Kishu Mill has been growing in recent years. Exports of base paper for notebook, paper bag and thermal paper for China are also growing, and we have made upgrades to meet the required quality. We are in the process of rapidly expanding our lineup in response to rising demand. We will move ahead with the development of products for new applications both in Japan and abroad, and aim to increase our sales volume based on these manufacturing technologies.

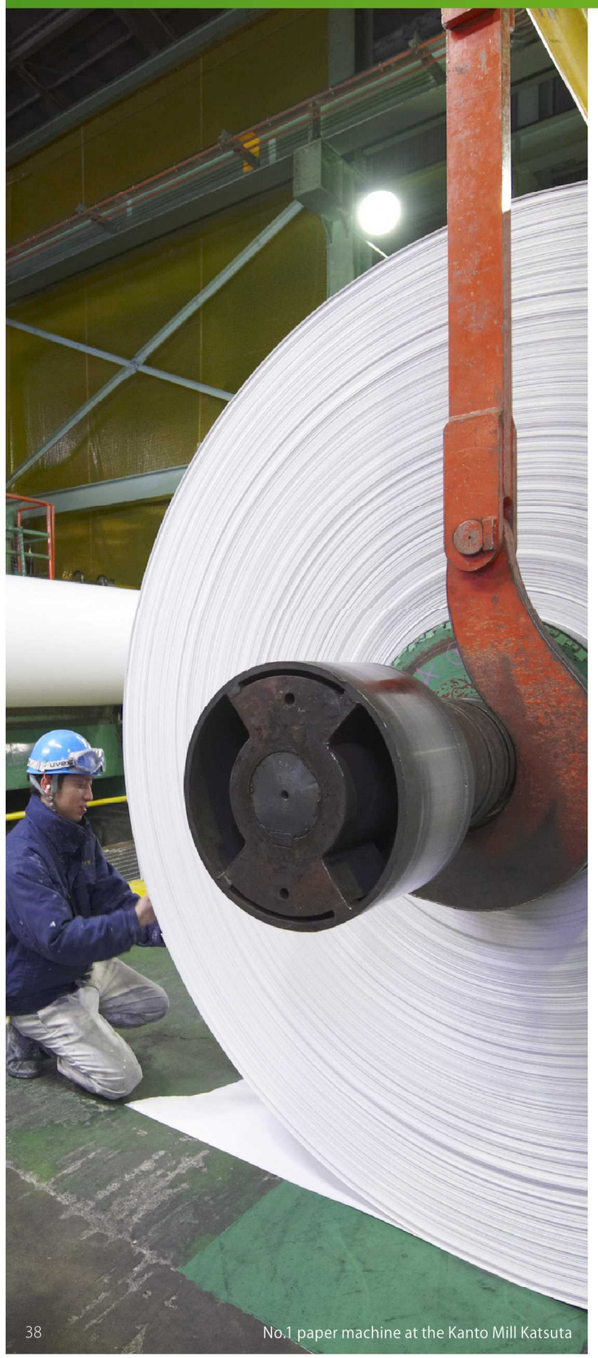


Business Overview (3): White Paperboard Business

We improve customer satisfaction by accurately understanding changes in demand structure and providing environmentally-friendly and high-quality products



Shoji Suzuki
COO, White Paperboard Business Division



No.1 paper machine at the Kanto Mill Katsuta

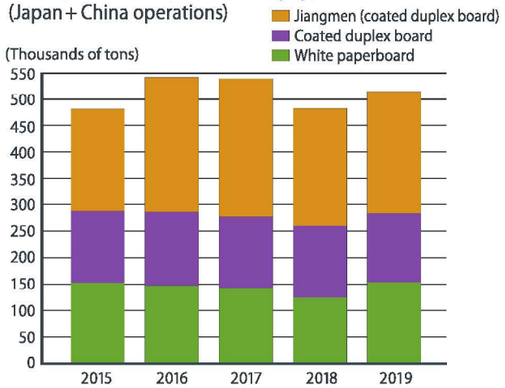
SDGs closely relating to our business



Business Overview

Our division's main products are premium white paperboard, special white paperboard, coated duplex board, cast-coated paper, etc. We have established a graded pyramid lineup of whiteboard products, in order to meet our customers' diverse needs.
The major use of our products is in commercial printing, which includes packages, catalogs, POP advertising, postcards, and publication covers. Most recently, we have been working on developments to incorporate new demand for primary food containers, alternatives to plastic containers, and packaging materials.
Our production sites in Japan are at the Niigata Mill and Kanto Mill (Ichikawa and Katsuta) and overseas by Group company Jiangmen Xinghui Paper Mill, located in Jiangmen, Guangdong Province, China.

White paperboard production by type
(Japan + China operations)



Medium-term Management Plan 2023 initiatives

The way forward with primary food containers and alternatives to plastic containers

In 2019, total shipments in Japan of white paperboard by manufacturers was approximately 1.26 million tons with the Group accounting for about 260 thousand tons, or 20% of the market share in Japan. Although we have maintained our market share, shipments have fallen by about 10,000 tons from the previous year due to lower demand.
Demand in Japan for white paperboard is strong in the food and pharmaceutical fields, which are the main uses of paperboard for paper containers, but users continue to cut costs by reducing food loss, reducing packaging, and switching to flexible packaging. The inbound effect has also shrunk after its peak in 2017. Also, due to a decrease in POP advertising and catalogs due to rethinking publishing and advertising expenses, the total volume is expected to continue to shrink. However, we anticipate new demand for primary food containers and alternatives to plastic containers, and we will continue to actively develop this field.

Building a system that can respond quickly to changes in the environment

With the start of our new medium-term management plan, we will seek to optimize the white paperboard business as a whole, build a system that can respond quickly to changes in the environment, and work to improve customer satisfaction. Specifically, we will focus on the following:

1. Further strengthen proposals to users, mutual visits, and technical cooperation to increase sales of white paperboard.
2. Promote efforts toward maintaining appropriate inventories. We will achieve efficient delivery by consolidating the products of the Kanto Mill (Ichikawa) at the i Missions Park (IMP) Ichikawashiohama warehouse, which started operation in October 2019. This will improve convenience for distributors and converters.
3. Promote the development of primary food containers and plastic alternatives with the aim of capturing new demand.
4. Contribute to the profits of the entire Group by sharing information and sales strategies with our Group companies, Hokuetsu Package and Hokuetsu Paper Sales.

Making the Kanto Mill an environmentally-friendly manufacturing hub

We are engaging in the following specific initiatives from FY2020:

- **Discover market potential for our products and improve customer satisfaction**
  Promote the creation of attractive products by uncovering user needs and leveraging the superior quality our white paperboard
- **Capture demand for alternatives to plastic containers and packaging materials**
  Move forward with proposals for paperboard-based primary food containers and packaging materials, and work with converters to expand sales in response to demands for alternatives to plastic
- **Incorporate new product needs with the Group (Hokuetsu Package and Hokuetsu Paper Sales)**
  Further strengthen collaboration with Hokuetsu Package and Hokuetsu Paper Sales, who are close to users, accurately grasp product needs from consumers, and work on developing attractive new products
- **Develop the Kanto Mill as a next-generation environmentally-friendly manufacturing hub**
  Take advantage of the location of the Kanto Mill in the Kanto region, which is the largest area of consumption and producer of used paper in Japan, and move forward with its conversion as an urban mill to an environmentally-friendly manufacturing hub.

Focus & Topic

New i Missions Park (IMP) Ichikawashiohama warehouse begins operations

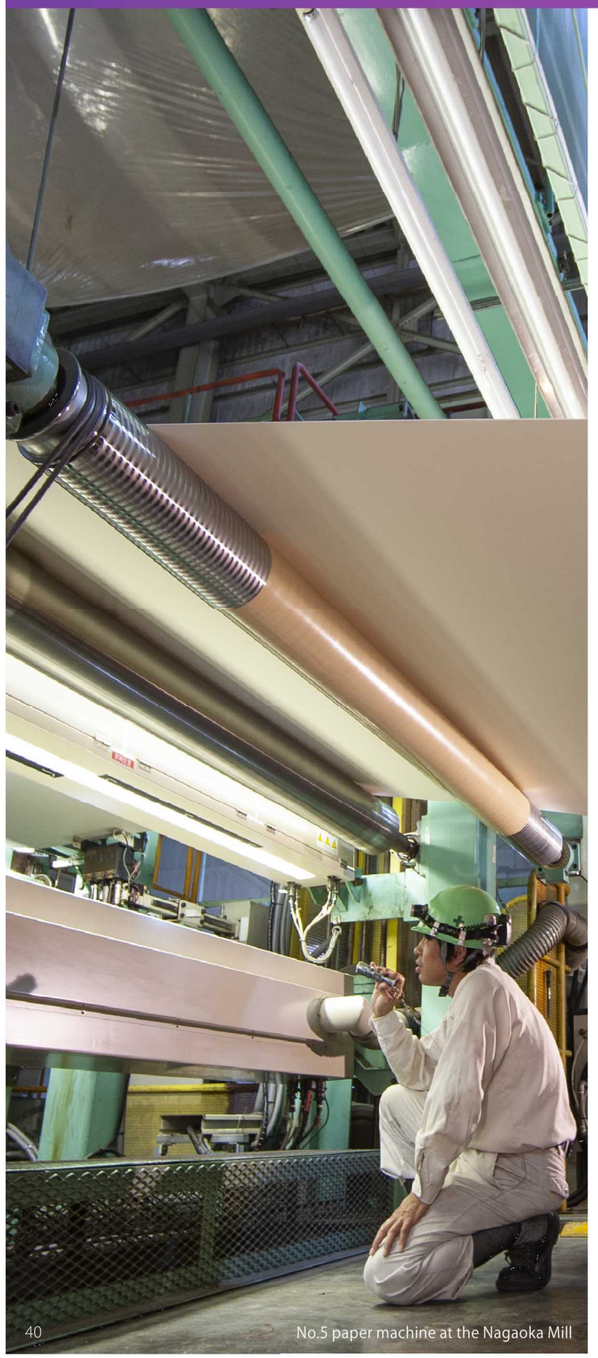
Operation of the new i Missions Park (IMP) Ichikawashiohama warehouse in Ichikawa, Chiba began in October 2019. The purpose of the warehouse is to consolidate the product inventories of the Kanto Mill (Ichikawa), which are stored at multiple locations across the Kanto region.
By consolidating product inventories, items that were previously shipped from multiple locations will be stored in one location, improving our shipping efficiency and costs. Improving our shipping efficiency will also help address the recent shortage of truck drivers.
In considering consolidation of our warehouses, we carefully gathered information in advance, and found that the IMP Ichikawashiohama warehouse was most suitable due to the fact it is close to the mill, has good access to delivery destinations and multiple road options, and has favorable operating costs. We will continue to support our customers in delivering better products with greater peace of mind and safety.



Advancing a global manufacturing and sales for growth produces that anticipates market needs



Yoshinori Kawashima
COO, Specialty Paper Business Division



No.5 paper machine at the Nagaoka Mill

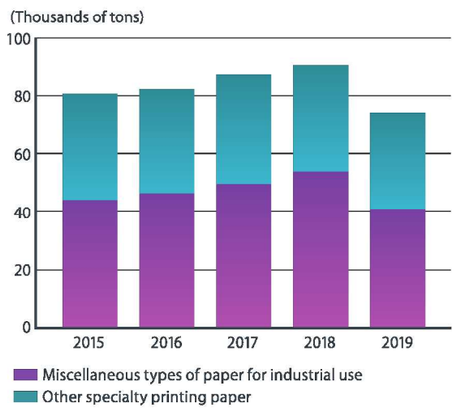
SDGs closely relating to our business



Business Overview

The main products of the Specialty Paper Business Division are premium printing paper, fancy paper, communication paper, paper for industrial use, specialty processed products, specialty fiber boards, and more. Among these, products such as chip carrier tape base paper, adhesive postcard paper, and abrasive-coated base paper boast a large share of the Japanese market. Going forward, we will further solidify our domestic base while strengthening our competitiveness and revenue-earning capability in the global market.

Production of specialty paper by product type



Medium-term Management Plan 2023 initiatives

Achieving solid expansion of our business field despite receiving some impact of the COVID-19 pandemic

The Specialty Paper Business Division conducts business in close cooperation with head office and strategic businesses and subsidiaries (Hokuetsu Toyo Fibre, Nikkan, Shanghai Toh Tech, and HC USA). From the perspective of the entire Group, including the business fields of subsidiaries, our basic policy is to become closer to end users on a global scale, accurately grasp the potential needs of customers, and bring products to the market. In 2019, we have focused on broadening our business field of the entire Group without wavering from our core businesses. This effort has steadily gotten on track and we have been able to expand our business field.
In 2019, business was affected by the trade friction between the United States and China for almost the entire year, which resulted in a serious downturn with various types of functional paper, such as chip carrier tape base paper for smartphones, which is highly dependent on the Chinese market. While there were signs of a recovery beginning to appear at the beginning of the year, the world was overwhelmed by the pandemic, and we are in a situation where we cannot forecast the direction of the business division in all business fields.

Accelerating expansion into growth markets such as plastic alternatives and environmental health

The specialty paper segment is in a difficult situation due to the accelerating decline in demand for fancy paper and premium printing paper. We are focusing on food-related fields centered on oil-resistant paper, for which we expect stable sales, and promoting the development of products related to plastic alternatives to work to expand into new markets.
While the market for communication paper is shrinking, the pandemic is creating a harsh situation due to the decline in mark sheets for car and horse race betting and answer sheets, which rely heavily on OCR paper. We will strengthen our efforts in processed base paper applications, expand sales of adhesive postcard paper, and develop new applications.
In the Functional Paper Sales Department, sales of chip carrier tape base paper for transporting electronic components for smartphones and base stations has been strong, but the situation for automotive use remains sluggish. Abrasive-coated base paper and specialty fiber board (PASCO) were affected by inventory adjustments taken due to the effects of the pandemic, but are now returning to normal to reflect actual demand. However, there is strong demand for high-performance air filter media to combat infectious diseases and water treatment membrane backings used to filter drinking water.
We will continue to work in accordance with the SDGs, such as the goals for clean air and water, the IT field, and the plastic alternatives field.

Focus & Topic

Making further advances in the efficiency and rationalization of existing businesses

The Specialty Paper Business Division is focusing on the following initiatives as the basic policy of the Medium-term Management Plan 2023.

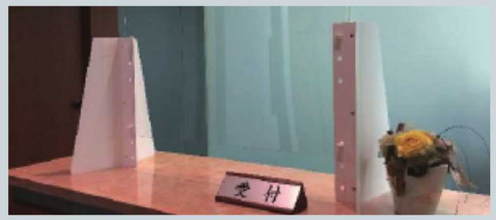
- **Build a system to produce/sell growth products from a global perspective.**
- **Address the demand for plastic alternative materials.**
- **Enter new fields and businesses for high added value products.**



Plastic alternative materials

Preparing for a market recovery after the COVID-19 pandemic

We are making preparations to strategically respond to the recovery of the market after the pandemic is over. We anticipate the smartphone market will further grow due to the steady progress of 5G, the promotion of IoT, and the trend toward the electrification of automobiles. This means we must thoroughly prepare a system to ramp up the production and sale of performance materials paper for these fields.
The pandemic has rapidly increased the need and importance of environmental health products on a global scale, such as water treatment products and air filters. We will make the early realization of a system to increase the production of RO membrane backings for water treatment that covers the entire global market a top priority.
Also, we will leverage the trend toward plastic alternatives and actively promote the development and roll out of various materials (fiber, PASCO, Panse, and other materials for food packaging) that are compatible with plastic alternatives.



PASCO spray prevention panel

Business Overview (5): Packaging Business

Aiming to improve total packaging services to be safe, secure, and environmentally-friendly



Maou Sugimoto
COO, Packaging Business Division



Katsuta Production Dept.

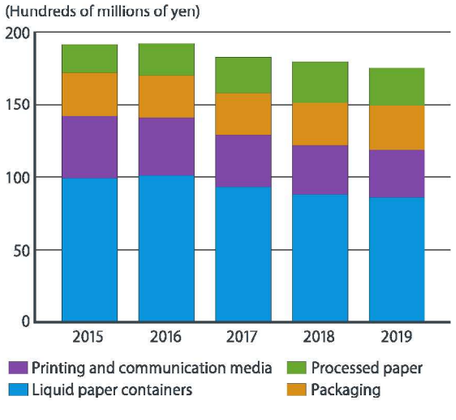
SDGs closely relating to our business



Business Overview

In the Packaging Business, our consolidated subsidiary, Hokuetsu Package Co., Ltd. (HPC) develops business by leveraging the strengths of its integrated production from making base paper and developing materials to the design, printing, and processing of finished products.
HTC produces "TOHEI-PAK" brand milk cartons, packaging materials for primary food containers and confectionery boxes, functional and cosmetic processed paper used for cosmetics and OTC pharmaceutical packaging, and printed materials such as adhesive postcard and mark sheet paper. They also manufacture communication media products for the processing of personal information data.

Net sales by business



Medium-term Management Plan 2023 initiatives

Improved profitability for mainstay milk cartons

In FY2019, sales of our mainstay milk and drink cartons declined due to a decrease in sales volume, but profits improved due to revisions of the selling price and controlling raw material costs. Sales of packaging materials increased thanks to a significant increase in the sales volume of paper trays and sleeves for convenience stores. In the processed paper segment, the sales volume of thin-film deposition paper for cosmetics decreased as inbound demand calmed down. In the business form printing and communication media products segment, the decline in demand has yet to bottom out.



Examples of product packaging

Rebuilding a system that can respond quickly to changes in the environment

FY2020 marked the start of Medium-term Management Plan 2023, but the business environment is becoming more severe due to the rapid stagnation of economic activity associated with the COVID-19 pandemic. For this reason, we will swiftly review our production system in response to changes in packaging demand trends, improve operational efficiency throughout the company, and reallocate personnel to improve profitability. On the sales front, we will steadily implement sales activities that accurately capture what our customers really want, concentrate on our core competences in our product lineup, and focus on planning and developing new products.
In the milk carton segment, we will work to recover our market share, which decreased due to the upgrading of filling machines for our business partners. In the packaging materials segment, we will expand our production system to further strengthen our competitiveness in the field of primary food containers, such as trays for prepared foods and desserts. In the processed paper segment, we will demonstrate the cost competitiveness provided by the introduction of an 8-color rotogravure printing press and expand sales of laminated products for cups for ice cream and instant noodles. In the communication media segment, we will use our newly introduced color IJ printer to provide digital on-demand printing products.

Focus & Topic

Strengthening marketing to meet demand for plastic alternatives

The sales and profits of Hokuetsu Package Co., Ltd., which is in charge of the Group's packaging business, has been on a downward trend from FY2016 since it was formed by the merger of two companies in FY2015. This is due to the high sales composition ratio of gable top type milk cartons and business form printing and communication media products, whose demand continues to decline structurally. We will further move forward with efficiency and the streamlining of these existing businesses. However, in addition to strengthening our marketing capabilities by deepening cooperation between Group companies, we will also strengthen product and application development of alternative materials to single-use plastics, for which demand is expected to increase, by collaborating with users and other industries. We will also consider building a new business portfolio with the aim of securing new sources of revenue. We will restructure our business portfolio through these efforts.

Initiatives based on Group Environmental Target 2030

As an initiative set forth in Group Environmental Target 2030, we are working to expand environmentally-friendly products such as milk cartons and processed paper made from FSC and PEFC certified paper. With processed paper in particular, our lineup includes high-brightness PET-deposited paper, made by laminating cast-coated paper containing recycled paper and aluminum-deposited PET film, and transfer-deposited paper, which does not have aluminum-deposited PET film in its products, to meet the needs to reduce the use of plastic and use more plastic alternatives. This paper is used by major cosmetics manufacturers in Japan and overseas.
We also strive to ensure product quality and be responsible to our customers. The Katsuta Production Department, which produces packaging products for beverages and food, uses FSSC22000 (food safety management system) to provide safe and secure products. The Tokorozawa Production Department, which handles personal information from customers, uses of ISMS and PMS to thoroughly protect and manage personal information.

(Hokuetsu Package FSC license code: FSC-C105145)