

## Announcement of Medium-Term Business Plan 2030 Q&A Summary

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**Q1: Regarding Opal, how have changes in the business environment since the acquisition—compared with what was originally assumed—impacted profitability? In addition, I would like to understand in detail the profit-improvement initiatives described on page 20 of the Mid-Term Business Plan 2030 (the “MTBP presentation”), including both the timing and the specific measures.**

A1: The biggest change at the Maryvale Mill in Opal was the cessation of raw material supply in 2022. The impact has lingered, and the operational challenges at the Maryvale Mill have continued. Meanwhile, for the packaging business acquired in 2020, growth in the Australian economy has been weaker than expected, and demand in the market has not expanded as anticipated. Of the initiatives listed on page 20 of the MTBP presentation, for improving the profitability of the integrated corrugated packaging business, the commissioning of the new large-scale plant has already been completed, and the benefits are expected to materialize in the early stages from FY2026 onward. In addition, fixed-cost reduction measures are already underway. With respect to optimizing the production system at the Maryvale Mill, the focus is on operational improvements, and the effects have started to emerge from FY2025.

**Q2: You mentioned that going forward you will further tighten investment decisions based on hurdle rates, among other measures. Are you considering exiting low-profit or loss-making businesses?**

A2: If a business is unprofitable, pursuing an exit should be considered as a management option. For all businesses, we will review exit decisions without exception based on a comprehensive assessment that takes into account both quantitative and qualitative factors.

**Q3: Please explain the current status and the measures planned going forward regarding the incident that occurred at Nippon Dynawave Packaging.**

A3: We recognize the depth of impact this incident has had on all related parties. Safety is fully integrated into NDP’s ongoing approach. NDP is coordinating closely with the relevant authorities, and kindly ask for your patience as we work to provide further details.

**Q4: Over what time horizon will the consolidation of production sites for the graphic paper business be implemented? Also, how exactly are you considering transforming the business structure at other plants?**

A4: In the Medium-Term Business Plan 2030, the plan is based on the assumption that demand for graphic paper will decline by at least 30% over the next five years. We are committed to executing the plan within that five-year period. If the pace of demand decline accelerates, however, the timing will be adjusted accordingly, and implementation will be brought forward when necessary.

Regarding business structure transformations, the Yatsushiro Mill, whose structural transformation was announced earlier, is one example. It was previously focused primarily on graphic paper production. Its newsprint machine was shut down, and a household paper machine will be installed. The Yatsushiro Mill is also strategically positioned to serve overseas

markets from a location standpoint, so it will be used as a household paper production hub. At other sites as well, the business structure will be transformed in line with location characteristics and available plant resources. Conceptually, the shift will be toward areas with relatively resilient demand, such as household paper, paperboard, and packaging.

**Q5: As shown on page 12 of the MTBP presentation, there appears to be upside potential in the segment-level operating profit targets (¥60 billion in 2030). What are the drivers of this upside? In particular, we would like to understand the background behind the relatively larger contribution from the Daily-Life Products Business.**

A5: The upside factors include packaging conversion, household paper and healthcare, and chemicals. As also outlined in the key initiatives for each business, we believe this upside could materialize by steadily expanding and developing these businesses, including through business partners.

**Q6: Operating profit for the Forest and Wood-Related Business is expected to increase significantly—from ¥10 billion in FY2025 to ¥15 billion in the Medium-Term Business Plan 2030. This appears to be gaining prominence as a key component of the Green Strategy. How will profitability grow over time? Are results from initiatives such as elite tree also contributing to this?**

A6: The drivers of the revenue growth can be summarized into two main factors. First, the expansion of the wood distribution business at Nippon Paper Lumber Co., Ltd, a subsidiary. The company handles both domestic and imported wood, covering a broad range of activities—from logs and pulpwood to fuels. Second, the overseas plantation business. Through breeding and propagation technologies, productivity of the forests improves, enabling greater volumes of production to be secured. Going forward, we intend to further develop these as core strengths. In Japan, in order to expand the domestic wood distribution business by handling more domestic timber, support for forestry will become a pillar of our domestic green strategy, because domestic timber is difficult to mobilize unless the domestic forestry sector strengthens. One example of such support is elite tree, which leverages our breeding and propagation technologies. Overseas, in addition to increasing productivity in our plantation sites, we will grow the accumulated forest resource base through support for productivity improvements in other companies' plantation sites and through plantation services that leverage breeding technologies. With a view to future opportunities in carbon and natural capital markets as well, we aim to further expand this business.

**Q7: With the execution of a MOU regarding discussions on collaboration with Tomoku Co., Ltd., is there potential to achieve stable volume and profitability in containerboard, and to further expand downstream initiatives, including potential capital investment?**

A7: We are a specialized containerboard manufacturer; however, there are also many dedicated corrugated packaging product manufacturers. Therefore, unless the business is linked in a vertically integrated manner, it becomes difficult not only to secure stable volumes and pricing, but also to expand volumes through product development and customer delivery. With this in mind, we entered into a MOU regarding collaboration. While we will maintain our position as a specialized containerboard manufacturer, we will continue to expand our vertically integrated business development through this collaboration.

**Q8: With regard to Opal, as shown on page 20 of the MTBP presentation, you indicated that the fixed-cost reduction impact will be significant. Could you please share the specific**

**measures behind this? Also, by the end of FY2030, what level of results do you expect across Opal as a whole?**

A8: Fixed-cost reduction will be centered on streamlining and consolidating the organization. In addition, from a functional perspective, efficiency will be improved by further integrating procurement and logistics. This approach is intended not only to reduce fixed costs but also to incorporate operational efficiency improvements. As for the overall target for Opal in the final year, AUD\$50 million is expected to be achieved in the early stages, with additional fixed-cost reductions and further improvements in organizational efficiency providing upside thereafter. While specific figures are being withheld, we are targeting an operating margin of 5%.

**Q9: How do you view the consistency between targeting an operating margin of 5% or higher and achieving an ROE of 8%?**

A9: We are strongly focused on improving ROE. On the numerator side, profitability needs to be enhanced further through structural reforms and expansion into growth areas. On the denominator side, we will prioritize optimizing our interest-bearing debt position and manage the overall balance sheet. We will work toward achieving ROE by incorporating measures based on each component of ROE.

**Q10: Given the scale of the investment and financing plan of approximately ¥350 billion, after excluding strategic investments and other initiatives, can sufficient funding be secured for safety-related investments and maintenance? Since maintaining safe operations is essential for employees to work with peace of mind, how will you balance this with growth investments?**

A10: Investments to ensure stable operations are necessary, including investments in safety. We will implement them by carefully examining priorities. At the same time, we will not focus on safety investment alone. By reassessing the overall production system, reducing the number of equipment, and consolidating facilities, we aim to improve overall efficiency, control capital expenditures, and ensure both operational stability and safety.

**Q11: As shown in the graph on page 21 of the MTBP presentation, Opal's market share in the Australian corrugated packaging market appears likely to grow in the future. What is the background behind Opal having a competitive advantage and being able to increase its share?**

A11: Opal's strengths lie in its vertically integrated system—from containerboard to conversion—and its broader approach to office resource supply compared with competitors. As customers increasingly demand lightweight solutions, we have already started developing and selling lightweight containerboard that other companies have difficulty producing. This differentiation at the containerboard level drives further expansion of conversion sales. In addition, since Opal's cardboard business has grown at an approximately 3% CAGR since the acquisition—higher than the market growth rate—we view this as evidence that our differentiation strategy is working.

**Q12: Could you explain why no profit margin targets are shown for the Paper and Paperboard Business in the table on page 12 of the MTBP presentation? Also, even amid declining demand, with an operating profit target of ¥10 billion and cash generation assumed, how do you view this business—what is the outlook for the next five and 10 years?**

A12: We did not include a profit margin target because, overall, we focused on areas where we aim to improve profit margins, namely the Wood and Construction-Related Business and Daily-Life Products Business. However, we do not believe that the Paper and Paperboard business can afford to have low profit margins. Even in a period where volumes decline, we need to improve profit margins through price revisions and structural reforms. At present, we will address this not so much in terms of profit margin as with a “resilience” mindset. As for the operating profit target of ¥10 billion, while it is related to net sales, we also intend to preserve a certain scale.

**Q13: Looking at page 13 of the MTBP presentation, regarding the ¥18 billion increase in profit from price revisions, should we understand that it already reflects previously announced price increases, and that from FY2026 onward cost increases are assumed to be offset by further price revisions? Also, please explain the measures to absorb future cost increases such as labor costs, aside from price pass-through.**

A13: The ¥18 billion increase from price revisions reflects the effects of price revisions announced in FY2025. When formulating the Medium-Term Business Plan 2030, we assumed costs such as inflation and labor costs would increase at a year-on-year rate, and conducted simulations of the resulting burden increases, including labor costs and related expenses, as well as logistics costs. To cover these increases, the Medium-Term Business Plan 2030 includes initiatives to enhance competitiveness through reviews of the production structure and to implement the necessary price revisions.

**Q14: On page 24 of the MTBP presentation, it states “Value creation of forest resources in the carbon market and natural capital market.” Could you share your view on the industry discussion—current progress and your assessment of key issues?**

A14: It is still challenging to establish methodologies for valuing forest resources. For example, rules have not yet been fully established for forests crossing national borders. While various discussions are underway, we consider that we still need further work to organize and advance the debate. From our perspective, we want to create value in both carbon and natural capital markets as well, so we intend to move forward with establishing the methodology.

**Q15: The Medium-Term Business Plan 2030 highlights slimming down assets and reducing interest-bearing debt. How do you view the rationale for holding a significant amount of Lintec shares?**

A15: We intend to steadily progress with slimming down assets under the Medium-Term Business Plan 2030. We will refrain from commenting on individual assets, but our priority is to reduce cross-shareholdings appropriately. For other assets as well, we will pursue slimming measures.

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