
ACTION TO IMPLEMENT MANAGEMENT THAT IS CONSCIOUS OF THE COST OF CAPITAL AND STOCK PRICE

June 28 , 2024

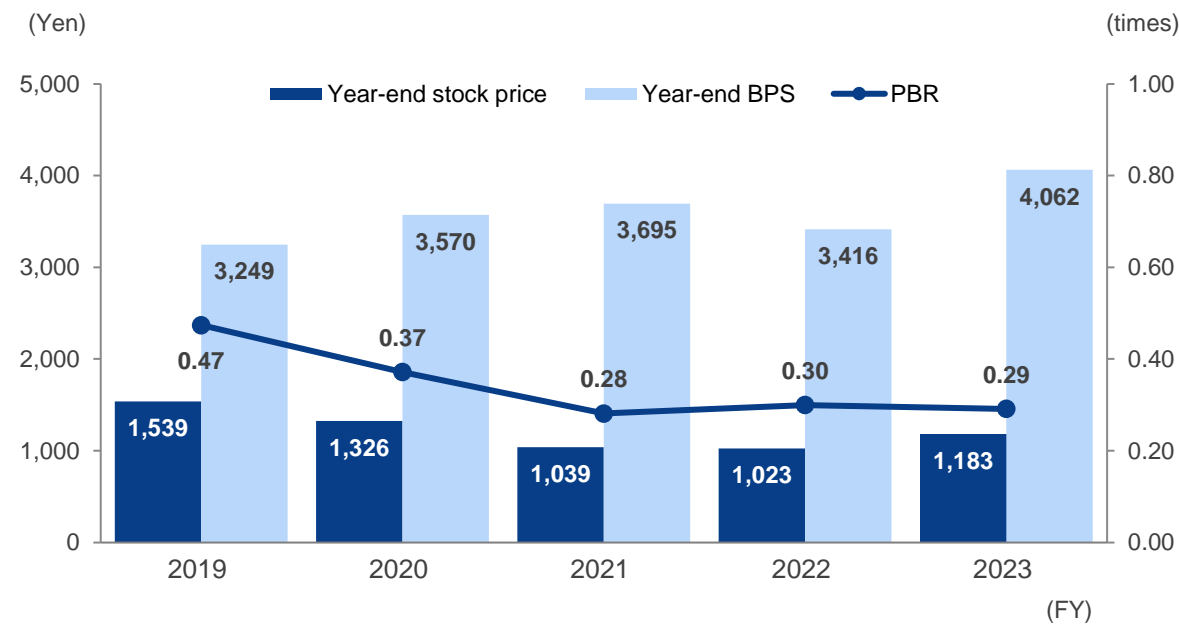


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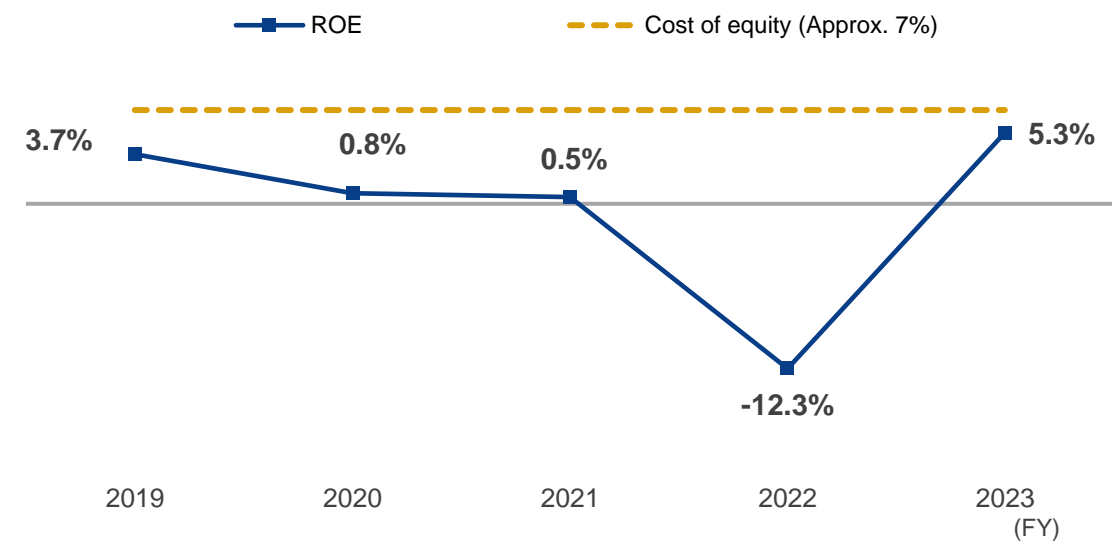
1 Analysis of current situation

- While working on 2030VISION and Medium-Term Business Plan 2025, PBR remains low due to sluggish stock prices.
- Our cost of equity, as calculated by CAPM, is approximately 7%. On the other hand, our return on equity (ROE) over the last five years has been below 7%, -12.3% to 5.3%.
- The Group is required to realize higher profitability as the expected rate of return to investors is generally higher than the level calculated using CAPM.

Changes in PBR



Changes in ROE

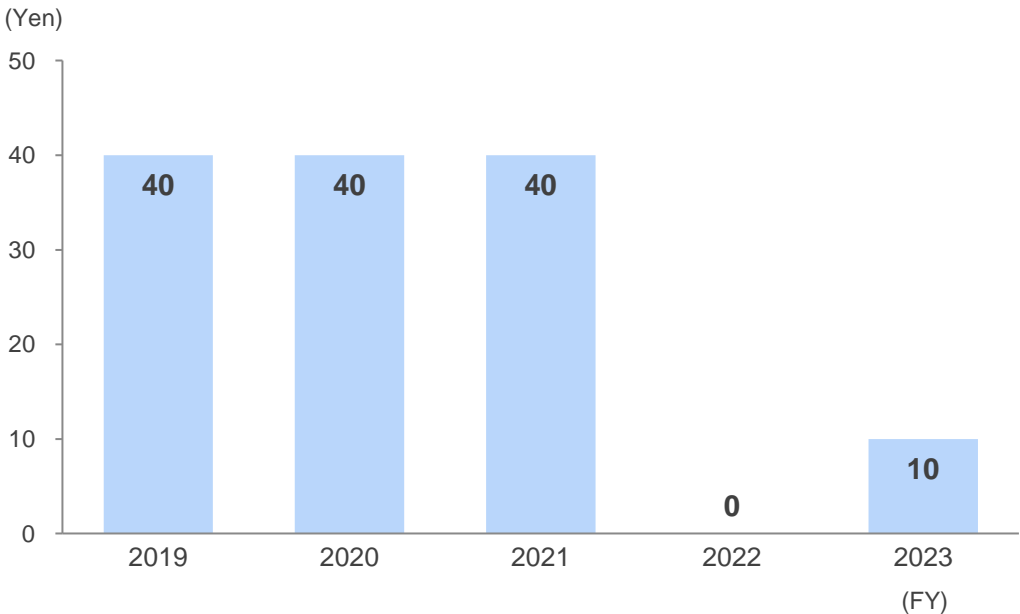


1 Analysis of current situation

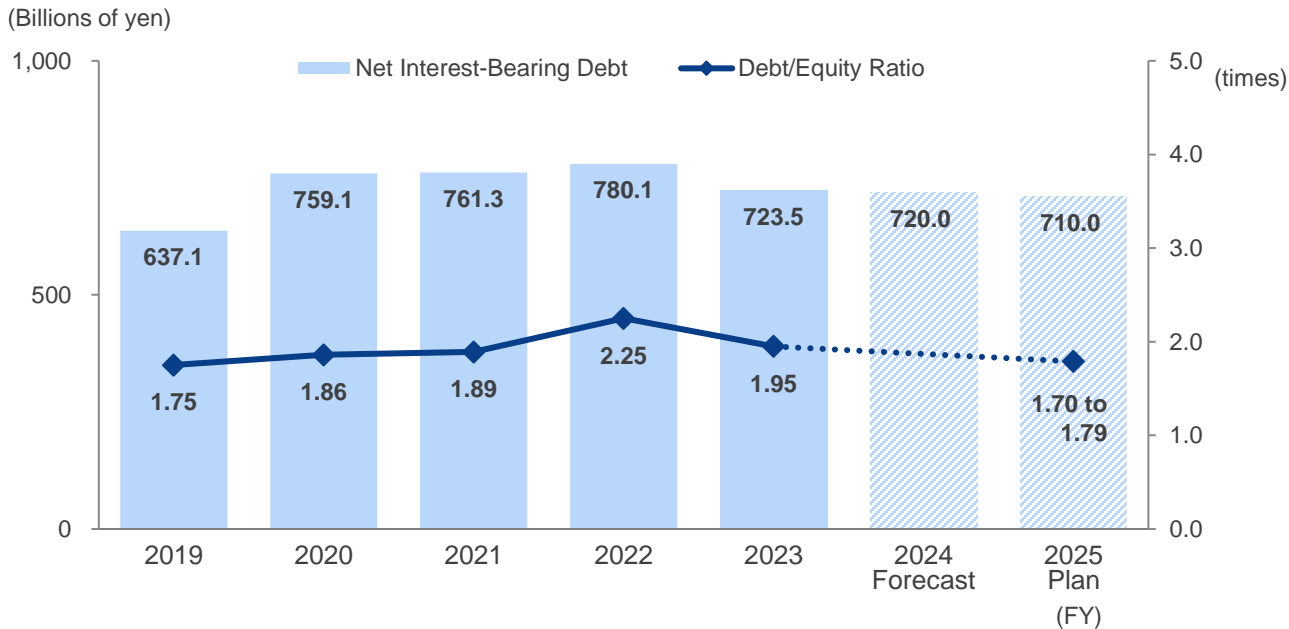
Why PBR remains low

- Based on 2030VISION and Medium-Term Business Plan 2025, the Group’s business structure transformation is in progress. While the Group’s invested capital is shifting to the growing Daily-Life Products Business from graphic paper business, its profitability has not reached the expected level of the stock market.
- Expectations of the market for our growth strategy, such as expansion of Daily-Life Products Business, have not risen.
- Our D/E ratio stays high, and financial stability has not reached a sufficient level.

Changes in Dividends



Net Interest-Bearing Debt and debt/equity ratio



2 Policies for improving PBR

Basic Initiatives to Enhance Profitability

Promote business structure transformation restructuring by expanding Daily-Life Products Business

Take measures against accelerated demand decline in graphic paper

Steadily implement and realize the effects of growth investment and strategic investment

Improve financial stability

Consider introduction of ROIC as an internal control indicator (target for FY 2025)



Achievement of Medium-Term Business Plan 2025 and Realization of 2030VISION

2 Policies for improving PBR

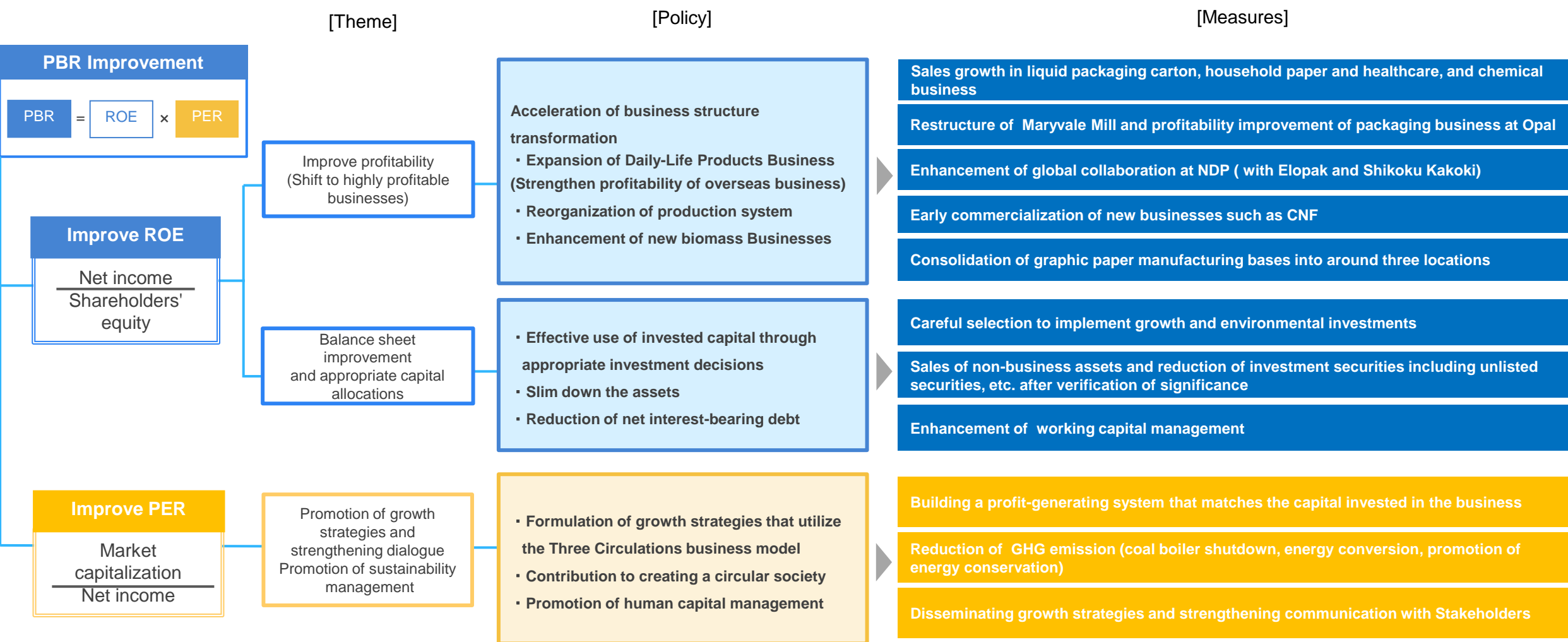
Medium-Term Business Plan 2025 & 2030VISION

Medium-Term Business Plan 2025	2030VISION																						
<p><u>Basic Strategy</u></p> <p>Acceleration of business structure transformation</p> <p><u>Priority tasks</u></p> <ol style="list-style-type: none"> 1) Improve profitability of Daily-Life Products Business 2) Strengthen competitiveness of Graphic Paper Business 3) Accelerate Reduction of GHG Emissions 4) Improve Financial Position 	<ul style="list-style-type: none"> • Realize sustainable growth of the Nippon Paper Group • Build a circulation-oriented society that maximizes use of wood resources <p><u>Basic Policy</u></p> <ol style="list-style-type: none"> 1) Shifting resources to growth businesses 2) Responding to drastic changes in social conditions, such as GHG reduction and other environmental issues 																						
<p><u>Target</u></p> <table> <tr> <td>Net sales</td><td>¥1,200 billion or more</td></tr> <tr> <td>Operating income</td><td>¥40 billion at an early stage</td></tr> <tr> <td>EBITDA</td><td>Stably ¥100 billion</td></tr> <tr> <td>Net Debt/Equity Ratio</td><td>1.7 times</td></tr> <tr> <td>ROE</td><td>5.0% or more</td></tr> </table>	Net sales	¥1,200 billion or more	Operating income	¥40 billion at an early stage	EBITDA	Stably ¥100 billion	Net Debt/Equity Ratio	1.7 times	ROE	5.0% or more	<p><u>Target</u></p> <table> <tr> <td>Net sales</td><td>¥1,300 billion</td></tr> <tr> <td colspan="2">Daily-Life Products Business accounting for 50% (650 billion yen) or more</td></tr> <tr> <td colspan="2">Including ¥65 billion of new businesses Overseas net sales ratio 30% or more</td></tr> <tr> <td>Daily-Life Products Business operating margin</td><td>7% or more</td></tr> <tr> <td>ROE</td><td>8.0% or more</td></tr> <tr> <td>GHG emissions</td><td>54% reduction (Compared to FY2013, Scope1+2)</td></tr> </table>	Net sales	¥1,300 billion	Daily-Life Products Business accounting for 50% (650 billion yen) or more		Including ¥65 billion of new businesses Overseas net sales ratio 30% or more		Daily-Life Products Business operating margin	7% or more	ROE	8.0% or more	GHG emissions	54% reduction (Compared to FY2013, Scope1+2)
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2 Policies for improving PBR

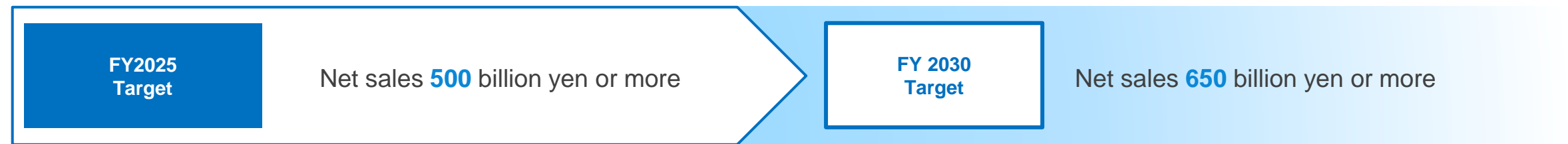
Factor Decomposition for PBR Improvement (Logic Tree)

Implementation of various measures to achieve 2030VISION and Medium-Term Business Plan 2025



3 Initiatives to Improve PBR: Improvement of Profitability

Promote business structure transformation by expanding Daily-Life Products Business



Major Measures to Strengthen Profitability

Upper row: Sales (Billions of yen)
Lower row: Operating margin (%)

Business	Measures	FY 2023 Results	FY2025 Target
Paper cartons and bag-making	<ul style="list-style-type: none"> Promote differentiation strategy utilizing the total system Global development through collaboration between NDP, Elopak, and Shikoku Kakoki 	103.8 2.3%	120.0 5%
Household Paper Healthcare	<ul style="list-style-type: none"> Expand domestic market share by differentiating products and strengthening sales functions Expansion of manufacturing capacity and enhancement of competitiveness through operation of new paper machines Expand overseas sales through collaboration with global partners 	104.8 3.0%	130.0 5%
Chemical	<ul style="list-style-type: none"> Expansion of sales through realization of investment effect on facilities for functional cellulose and functional coating resin products (including exports) 	55.0 3.8%	60.0 9%
Opal	<ul style="list-style-type: none"> Structural reforms at Maryvale Mill and improvement of profitability Strengthen the foundation of Packaging Business and expand its sales 	173.2 -8.1%	190.0 1%
Total		436.8	500.0

3 Initiatives to Improve PBR Improve Profitability

Respond to Accelerated Demand Decline in Graphic Paper

Optimization of fixed assets and working capital by reorganizing production systems

- Draft a new reorganization plan for the production system in the first half of FY 2024
- Consolidate graphic paper manufacturing bases into around three locations by FY 2028

Improving the turnover of invested capital

- Maintain and expand sales volume by developing environmentally-friendly products and strategic export
- Maintain appropriate prices
- Optimize working capital by strengthening inventory management, etc.

3 Initiatives to Improve PBR: Appropriate Capital Allocation and Balance Sheet Improvement

Improve financial stability

Appropriate investment decisions

- Carefully select investments by strengthening investment profitability management

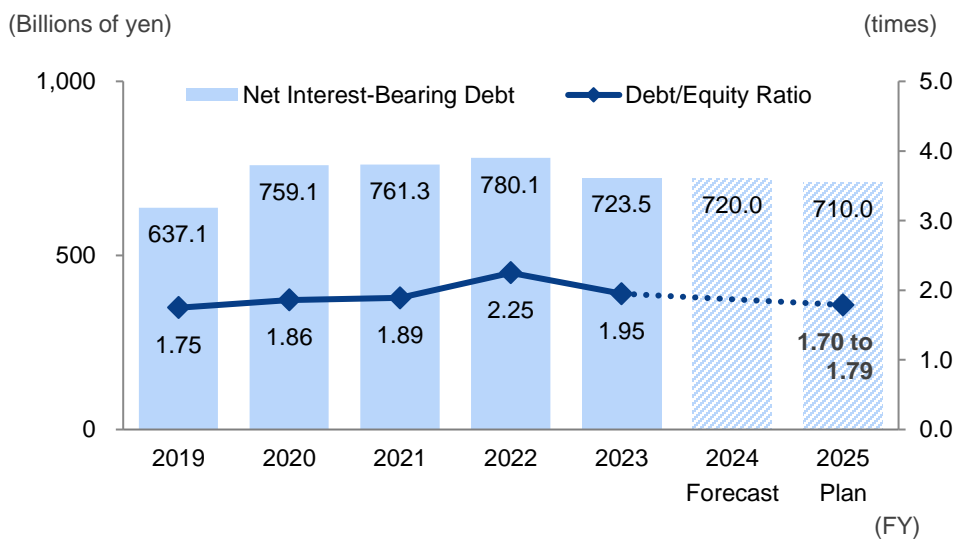
Slim down of assets

- Consider utilization and sale of idle fixed assets
- Reduce cross-shareholdings through verification of their significance

Reduction of net interest-bearing debt

- Reduce net interest-bearing debt to ¥710 billion by the end of FY 2025
- Reduce working capital
- Controll expenditures by utilizing subsidies, etc.

Net Interest-Bearing Debt and debt/equity ratio



3 Initiatives to Improve PBR: Promote Growth-Strategy and Strengthen Dialogue

Promotion of Sustainability Management

Growth strategies based on Three Circulations

- Circulation of Forest Resources: elite trees, carbon credit business , overseas afforestation, wood resources distribution business, etc.
- Expand sales of biomass products: promote paper packaging, expand new cellulose related businesses, etc.
- Promote recycling: expansion of use of unused and difficult-to-use waste paper, horizontal recycling, etc.

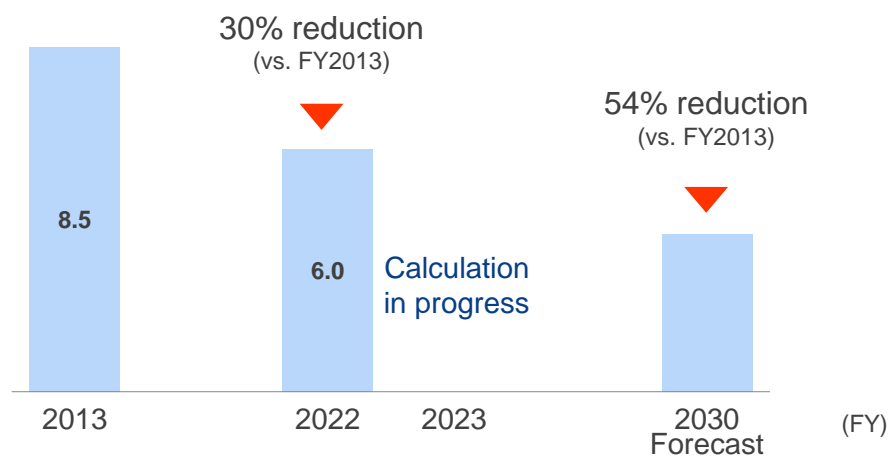
GHG Emissions Reduction Targets, Results, and Plans

- FY2030 target: 54% reduction (compared to FY2013 *Scope1+2)
 - FY2013-2022 results : 30% reduction (in line with the plan)

Promotion of human capital management

- Development of personnel who takes on the challenge of change
- HR allocation based on employees' skills and career orientation
- Establishment of compensation and work systems to realize diverse working styles
- Enhancement of employee engagement

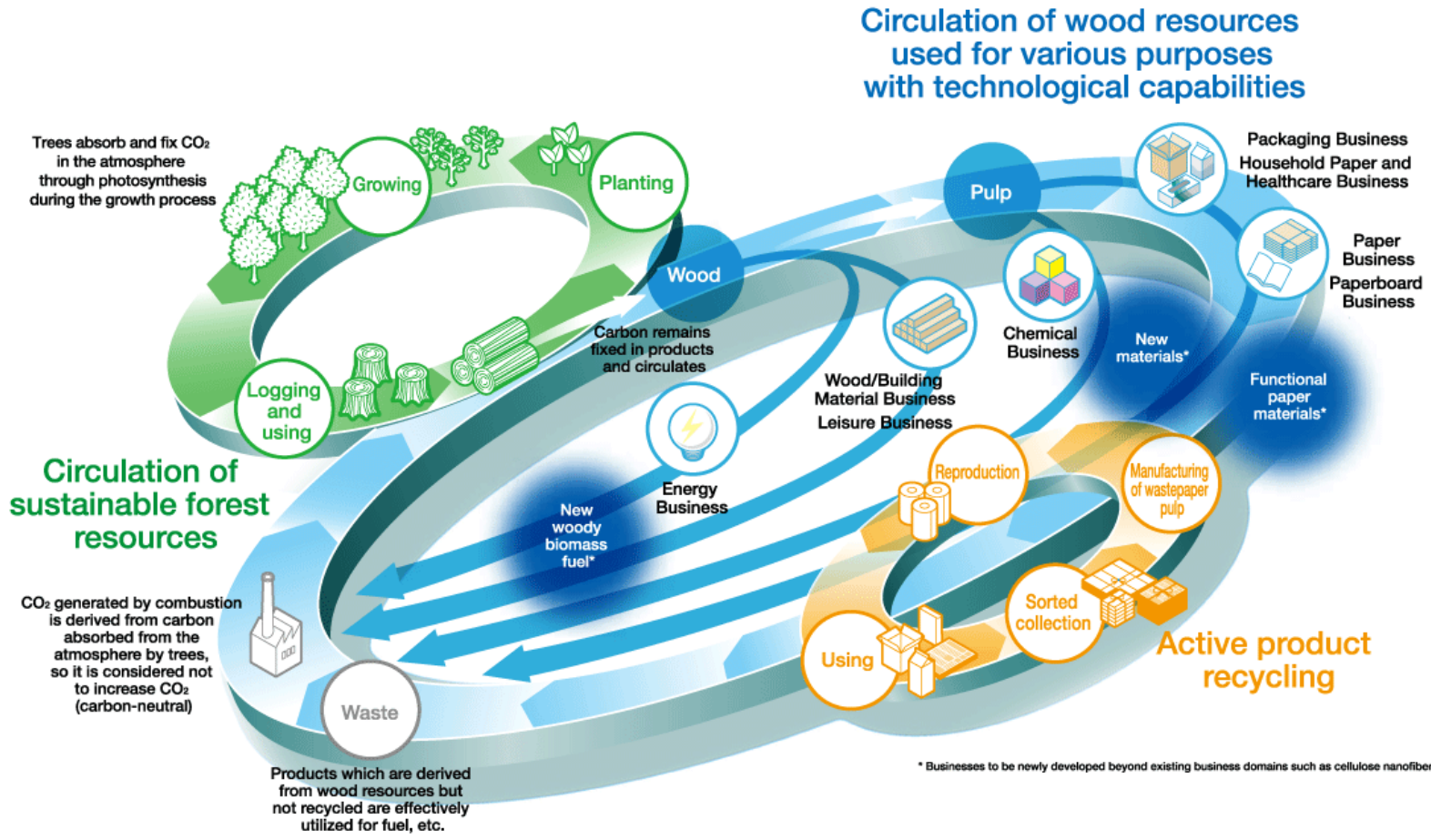
Prospects for GHG Emission Reduction (Millions of t-CO₂)



3 Initiatives to Improve PBR: Promote Growth-Strategy and Strengthen Dialogue

Aim at sustainable growth of the Nippon Paper Group and establishment of circular society through maximized utilization of wood resources

Nippon Paper Group’s Business Development as a Comprehensive Biomass Company “Three Circulations”



3 Initiatives to Improve PBR: Promote Growth-Strategy and Strengthen Dialogue

Active Dialogue with Shareholders and Promotion of IR Activities

Further enhancement of IR activities

- Strengthen dissemination of growth strategies to realize our vision
- Elimination of investor expectations gap through enhanced internal feedback of IR activities
- Strengthen disclosure by expanding information on the website

Current status of dialogue

- Hold small meetings for investors with CEO and outside directors

Main discussions during the dialogue

- Approach to management and disclosure that are conscious of capital costs and stock prices
- Approach to capital allocation and financial strategy policies
- Major business strategies
- Strengthening corporate governance and the effectiveness of the Board of Directors

IR Activities (FY 2023)

Financial results and management briefings	2
Financial results briefing	2
Individual meetings	139 times 5 of which are meetings on ESG
Small meeting of outside directors	1
Forest resource value briefing	1

Reflect the feedbacks received through dialogue in measures

- Consider introduction of ROIC as an internal control index
- Revision of the process of determining executive compensation
- Review of the operation of the Personnel and Compensation Advisory Committee

The Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business.

<Disclaimer>

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NIPPON PAPER INDUSTRIES CO.,LTD.