May 2023
Nippon Paper Industries Co., Ltd.

Financial Results for the Fiscal Year Ended March 31, 2023
Q&A Summary

Q1： In FY2024/3 expectation, both Paper/Paperboard Business and Daily-Life Products Business incorporate considerably the benefits of price revisions, but are only those for which negotiations have been settled incorporated? Are you going to consider additional price revisions to improve further profitability?

A1： Negotiations for price revisions have been largely settled, and the effort of those price revisions has been incorporated into the FY2024/3 plan. The future price revisions will be considered based on careful monitoring of raw material and fuel prices and other factors. However, if costs inflation occurred again, the first step of countermeasures will be reducing internal costs. If we will not ease the impact of inflation, it is natural to ask customers again. In addition, in order to increase profitability in the future, we think it is crucial to take measures that will contribute to growth, such as realizing capital expenditure benefits and expanding net sales.

Q2： Opal's operating income margin target for FY2025 is 3.6%, but if you are going to focus packaging business and withdrawn graphic paper business, I think this target would be a very low level. Is something different in current environment from when Opal was acquired? How are you going to improve Opal’s operating income margin?

A2： Inflation is a major difference of the external environment. Operating income margin target of 3.6% in FY2025 is lower because of considering rising costs with conservative perspective. Since we are also conducting capital expenditures, we will aim to achieve higher operating income margin by affections of those capital expenditures. Growth in demand in Australia has recently slowed considerably compared to the time of the acquisition, partly due to a temporary negative growth in the period of Covid-19. However, if the growth in demand returns in the future, I think operating income margin can be improved.

Q3： The assumption for coal prices in the current fiscal year is $300. But considering the market price that is currently declining, is it able to be expected that your profit will be higher than the plan?

A3： At the end of March of this year, coal of higher price is remained in inventory. Thus, on average, our coal price is expected to be around $300 in the first half of the year. In the second half of the year, we incorporate the risk that the spot price will exceed $400, the same as last year.

Q4： Regarding the second half of FY2024/3, it has not decided on a dividend, but is there a possibility of resuming dividend payments?

A4： Considering the timing of the benefits from the streamlining of personnel implemented as part of Opal 's withdrawal from the graphics paper business, the rise in operating income in the first half of FY2024/3 is difficult to expect.

Accordingly, the profit in this fiscal year is planning to be ¥15 billion, most of which will appear in the second half of the year. At the end of FY 2024/3, I think the accumulation of retained earnings will also be seen, but we have not decided on the dividends for second half at this point.

Q5： Opal’s operating income for FY2023 is negative A$71 million for the first half and negative A$3 million for the second half. The company plans to improve A$68 million from first half to second half, but I would like to know the visibility of this improvement.

A5： To improve Opal, the company is planning to steadily withdraw from the graphic paper business, while packaging business is planning to capture the return of demand and engage in price revisions.

Q6： In FY2024/3, the projection of cost reduction is ¥6.1 billion on Paper and Paperboard Business. What initiatives are you going to carry out?

A6： Mainly, energy savings, fuel conversion and stable production. We have been working on fuel conversion as an initiative of coal reduction since last fiscal year. It includes the benefits of switching to tires and inexpensive coal. The operation stable also includes some affections from construction.

Q7： What is the reason for revisioning target of Medium-Term Business Plan 2025's net sales to over ¥1.2 trillion this time?

A7： Net sales for FY 2024/3 is planned to be ¥1.23 trillion. We revised the target of net sales because of increasing net sales by conducting capital expenditure. Medium-Term Business Plan 2025's operating income target remains above ¥40 billion at an early stage, but we hope to expand operating income as well as net sales.

Q8： Net debt-equity ratio at the end of FY2023/3 was 2.25 times. How can it be improved at the end of FY2024/3?

A8： On a cash basis, in FY2024/3 investment expenditures were burdens, but as explained in the extraordinary gains section, we expects about ¥25 billion cash inflows . Therefore, we believe that around ¥20 - ¥25 billion can be used to repay interest-bearing debt. Accordingly, net debt-equity ratio is expected to improve.