

Financial Results for the Fiscal Year Ended March 31, 2024

Q&A Summary

- Q1 :** Why has the cost improvement plan not been achieved in Q4 at the Paper & Paperboard Business?
- A1 :** It is because the cost improvement effect was not realized as planned since production volume did not grow due to weak demand. We had planned to realize the cost improvement effect by improving production efficiency through steady production.
- Q2 :** Opal has never been profitable since its acquisition in 2020. Despite the fact, you have made considerable investments, including the construction of a new corrugated box plant; when do you expect to recoup all of your previous investments in Opal?
- A2 :** As for Opal, we believe that it is necessary to consider the Maryvale Mill's business and the packaging-related business separately. We must complete the exit from the graphic paper business at the Maryvale Mill as quickly as possible and recover the expenses spent for the exit through the packaging business.
The packaging-related business is competitive in base paper production. We will make capital investments in aging processing machines to increase profitability. We believe that the certainty of the investment effect is quite high, so it is important to make sure that the packaging-related business recovers the investments.
- Q3 :** What are your thoughts on the printing paper price increase?
- A3 :** In general, increases in logistics and labor costs will probably continue to occur in the future. In that sense, we must always consider raising prices not only for printing paper, but for all of our products.
- Q4 :** I had expected Opal's FY2024 earnings to improve a bit more. Could you please explain the reasons for the delay of improvement?
- A4 :** The fixed cost reduction at Maryvale mill is progressing as planned. Although we had hoped to complete the transition of pulp production during 2023, we were able to do so in March of this year after a delay of about six months. We believe that we will be able to make up for this delay.
The main reason for the delay of earning improvement is the deteriorating market conditions for export of containerboards. We have not factored in any recovery in market conditions for the business outlook.
- Q5 :** Operating income of the Energy Business in FY2024 is planned to be 2 billion yen. I had thought that a stable profit level would be 3 to 4 billion yen, but should I consider that 2 billion yen is a sustainable level for the business?

- A5 :** The main reasons for the decrease in profit are that the Yufutsu Energy Center will incur property tax from FY2024 and that some of the deterioration at the Nippon Paper Ishinomaki Energy Center has been incorporated.
- Q6 :** I believe that the original idea was to consolidate the domestic graphic paper production capacity to about three production sites by around 2030, but this time the plan has been changed to around FY2028. Is it safe to assume that this means that the timeline may be moved up a little more? Or are you making a drastic revision, including the consolidation of production to about three locations?
- A6 :** To be precise, the original idea was to "consolidate the domestic graphic paper production capacity to about three locations as early as possible by FY2030," with timing to be determined according to the situation. Currently, we see the pace of demand decline as such that we should consolidate to about three locations by FY2028 or so. The reorganization of the production system will be carried out gradually, including a shift to Daily-Life Products Business. As a result of the gradual process, we expect consolidate its production to about three locations by FY2028.
- Q7 :** The level of domestic inventories of containerboard exceeds 600,000 tons. What is the risk of a supply-demand imbalance and price decline in the future?
- A7 :** When viewed as a whole, including exports, the current inventory level is not considered to be extremely high. We continue to maintain our policy of keeping prices at the same level.

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