

# Event Summary

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[Company Name]	Nippon Paper Industries Co., Ltd.	
[Company ID]	3863-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2024	
[Fiscal Period]	FY2024 Annual	
[Date]	May 15, 2024	
[Time]	17:00 - 18:25 (Total: 85 minutes, Presentation: 48 minutes, Q&A: 37 minutes)	
[Venue]	Webcast	
[Number of Speakers]	Toru Nozawa	President & Representative Director
	Tomoyasu Itakura	Director, Executive Officer, General Manager, Financial Division
	Akira Sebe	Executive Officer, General Manager, Corporate Planning Division
	Takanori Sano	General Manager, Corporate Planning Department

**Consolidated Statement**

(¥billion)

	FY2023/3 Results	FY2024/3 Results	Y on Y changes	
			Amount	%
Net sales	1,152.6	<b>1,167.3</b>	14.7	1.3%
Operating income	-26.9	<b>17.3</b>	44.2	—
Ordinary income	-24.5	<b>14.6</b>	39.1	—
Net income *	-50.4	<b>22.7</b>	73.1	—

\* Profit attributable to owners of parent

- Net sales increased year-on-year due to price revisions and other factors.
- Operating income returned to profitability due to cost reductions and product price revisions.
- Extraordinary gains were recorded due to the gain on sales of noncurrent assets, i.e., land and buildings.  
Extraordinary losses were recorded due to the loss on withdrawal from graphic paper business of Opal.

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**Itakura:** I am Itakura from the Financial Division. I would like to explain the summary of the financial results for FY2024/3.

This is a summary of our financial results for FY2024/3.

Net sales increased 1.3% from the previous year to JPY1,167.3 billion, mainly due to the effect of various price revisions. As for profit and loss, operating income was JPY17.3 billion, an increase of JPY44.2 billion versus the same period last year, due to the effect of cost reductions and the contribution of price revisions.

In non-operating income/loss, equity in earnings of affiliates decreased from the same period of the previous year.

As for extraordinary income and loss, a gain of JPY26.6 billion on the sale of fixed assets, resulting from the transfer of land and buildings owned in Kita-ku, Tokyo, was recorded as extraordinary income, while a loss of JPY10.3 billion from the Opal's withdrawal from graphic paper business was recorded as an extraordinary loss.

As a result, ordinary income was JPY14.6 billion and net income was JPY22.7 billion.

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## Results by Segment

(¥billion)

	FY2023/3 Results	Net sales		FY2023/3 Results	Operating income	
		FY2024/3 Results	Y on Y changes		FY2024/3 Results	Y on Y changes
Paper and Paperboard	563.2	<b>570.2</b>	7.0	-29.2	<b>11.7</b>	40.9
Daily-Life Products	440.1	<b>436.8</b>	-3.3	-7.8	<b>-8.1</b>	-0.3
Energy	49.9	<b>53.7</b>	3.8	-1.7	<b>1.6</b>	3.3
Wood Products and Construction Related	68.9	<b>75.5</b>	6.6	8.9	<b>9.8</b>	0.9
Others	30.5	<b>31.1</b>	0.6	2.9	<b>2.3</b>	-0.6
Total	1,152.6	<b>1,167.3</b>	14.7	-26.9	<b>17.3</b>	44.2

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Net sales and operating income by segment are as shown.

Net sales increased, excluding the daily-life products business, to JPY1,167.3 billion. Operating income increased in the paper and paperboard, energy, and wood products and construction related businesses. Details will be explained later in the segment results section.

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## Factors for Changes

(¥billion)

		Paper and Paperboard Business		Daily-Life Products Business	
Volume, Sales Price	69.5	54.1	—	15.4	—
Raw material and fuel prices	-8.2	-2.2	Wood chips -6.3, Wastepaper 2.4 Pulp -0.3, Oil -0.8, Coal 9.6, LNG 1.9, Chemicals, etc. -8.7 (Price 10.7, FOREX -12.9)	-6.0	Pulp -1.9, Wood chips -0.6, Chemicals, etc. -3.5
Cost reductions, etc.	5.9	5.4	Cost reductions 2.3, Permanent machine shutdown at the Akita Mill and the Ishinomaki Mill 1.0, Labor costs 1.6, Others 0.5	0.5	—
Others	-26.6	-16.4	Overseas business -2.0, Depreciation 2.9, Retirement benefit expenses 1.5, Inventory value adjustment, etc. -18.8	-10.2	Overseas business -8.9, Inventory value adjustment, etc. -1.3
Total	40.6	40.9	Domestic 42.9, Overseas -2.0	-0.3	Domestic 8.6, Overseas -8.9
Other businesses	3.6	Energy 3.3, Wood Products and Construction Related 0.9, Others -0.6			
Operating income	44.2				
Non-operating income	-5.1	Net financial cost -2.5, Equity in earnings of affiliates -1.9, FOREX 0.8, Others -1.5			
Ordinary income	39.1				

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The breakdown of the factors for the increase/decrease is as shown above.

Although the overall trend of raw material and fuel prices has been calming down, in FY2024/3, due in part to the impact of foreign exchange rates, the paper and paperboard and the daily-life products businesses combined continued to incur an JPY8.2 billion cost increase due to raw material and fuel price differentials.

First, in the paper and paperboard business, operating income increased by JPY40.9 billion from the previous year. The increase from volume and sales price was JPY54.1 billion. Although sales volume decreased, price revisions for newsprint, printing and business communication, and containerboard contributed to the increase. Raw material and fuel prices decreased by JPY2.2 billion, mainly for chips, chemicals, and raw materials.

On the other hand, cost reductions and other measures had a positive effect of JPY5.4 billion. This includes cost reductions through operational innovations, cost improvements such as energy conservation and fuel conversion, and the effects of fixed-cost reductions due to the suspension of facilities at the Akita Mill and Ishinomaki Mill.

Next, in the daily-life products business, profits declined JPY0.3 billion YoY. In the domestic business, the package, household paper and healthcare, and chemical segments all posted higher earnings despite the impact of higher raw material and fuel prices, thanks to cost reductions and price revisions.

On the other hand, the overseas business posted lower earnings due to the significant impact of the decline in sales volume resulting from Opal's withdrawal from the graphic paper business.

As for other businesses, profit increased in the energy and the wood products and construction related businesses.

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## Paper and Paperboard Business

(¥billion)					
FY2023/3 Results	Net sales		FY2023/3 Results	Operating income	
	FY2024/3 Results	Y on Y changes		FY2024/3 Results	Y on Y changes
563.2	<b>570.2</b>	7.0	-29.2	<b>11.7</b>	40.9

- Domestic
  - Domestic sales volume of paper and paperboard products decreased year-on-year due to sluggish demand.
  - Despite the impact of higher prices for raw materials and fuels such as wood chips and chemicals, operating income returned to profitability due to cost reductions and product price revisions.
- Overseas
  - Operating loss was recorded at Jujo Thermal (JTOy) due to sluggish demand for thermal paper in Europe and higher prices for raw materials and fuels.

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From here, I will explain our performance by segment.

First, let me discuss the paper and paperboard business.

Regarding the domestic business, demand for both paper and paperboard remained sluggish, and domestic sales volume was lower than in the same period of the previous year. Operating income returned to the black, despite the impact of higher prices for raw materials and fuel such as chips, chemicals, and filling materials, thanks to the effect of cost reductions, such as cost improvement and fixed-cost reductions, as well as product price revisions.

On the other hand, in the overseas business, Jujo Thermal posted an operating loss due to weak demand for thermal paper in Europe, as well as higher raw material and fuel prices, including electricity.

As a result of the above, the paper and paperboard business posted higher sales and profits compared to the previous year.

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## Daily-Life Products Business

(¥billion)

	FY2023/3 Results	Net sales		Operating income		
		FY2024/3 Results	Y on Y changes	FY2023/3 Results	FY2024/3 Results	Y on Y changes
Domestic	191.9	<b>210.8</b>	18.9	-1.3	<b>7.3</b>	8.6
Overseas	248.2	<b>226.0</b>	-22.2	-6.5	<b>-15.4</b>	-8.9
Total	440.1	<b>436.8</b>	-3.3	-7.8	<b>-8.1</b>	-0.3

Package 3.3, Chemical 0,  
Household paper and  
Healthcare 5.3

Opal -6.4, NDP -2.6, TSP 0.1

- Domestic
  - Sales volume of healthcare products increased.
  - Sales volume of functional films, facial tissues, and liquid-packaging cartons decreased.
  - Despite the impact of soaring raw materials and fuels prices, net sales and operating income increased due to product price revisions.
- Overseas
  - Opal recorded lower sales and earnings year-on-year, mainly due to lower sales volume following the withdrawal from graphic paper business.
  - Nippon Dynawave Packaging (NDP) saw a decline in sales and profits compared to last fiscal year. This is because sales volume decreased due to sluggish demand in the North American market.

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Next, I will explain the performance of the daily-life products business.

In the domestic business, sales volumes of healthcare products and other products increased, but sales volumes of functional films, tissue paper, and liquid-packaging cartons decreased. This means that while socioeconomic activities are normalizing, the impact of high prices has led to differences in demand trends.

Overall, despite the impact of the sharp rise in raw material and fuel prices, cost reductions and product price revisions contributed to the increase in domestic sales and income.

On the other hand, in the overseas business, Opal's sales and profits declined from the same period of the previous year due to a decrease in sales volume following the withdrawal from the graphic paper business, resulting in a larger operating loss than in the same period of the previous year.

Sales and profits of NDP in North America decreased mainly due to a decline in sales volume caused by sluggish demand in the market.

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### Energy Business

(¥billion)

FY2023/3 Results	Net sales		FY2023/3 Results	Operating income	
	FY2024/3 Results	Y on Y changes		FY2024/3 Results	Y on Y changes
49.9	<b>53.7</b>	3.8	-1.7	<b>1.6</b>	3.3

• Both net sales and operating income increased mainly due to the commencement of commercial operation of Yufutsu Energy Center.

### Wood Products and Construction Related Business

(¥billion)

FY2023/3 Results	Net sales		FY2023/3 Results	Operating income	
	FY2024/3 Results	Y on Y changes		FY2024/3 Results	Y on Y changes
68.9	<b>75.5</b>	6.6	8.9	<b>9.8</b>	0.9

• The sales volume of logs and building materials declined year-on-year due to decrease in the number of new housing starts. On the other hand, the sales volume of fuel wood chips increased. As a result, net sales and operating income increased.

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In the energy business, the Yufutsu Energy Center began commercial operation in February 2023. Due in part to these factors, both sales and profits increased, and operating income also returned to the black.

In the wood products and construction related business, the number of new housing starts declined. Although the sales volume of lumber products was lower than the same period of the previous year, the increase in the volume of fuel chips handled contributed to the increase in both sales and income.

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### Consolidated Balance Sheets

	Mar.31, 2023	Mar.31, 2024	Variance
<b>Total assets</b>	<b>1,666.5</b>	<b>1,731.2</b>	<b>64.7</b>
Cash and time deposit	144.3	164.8	20.5
Inventories	238.5	224.8	-13.7
Other current assets	244.8	248.9	4.1
Property, equipment, and intangible fixed asset	819.3	827.9	8.6
Investment and other assets	219.4	264.7	45.3
<b>Total liabilities</b>	<b>1,251.3</b>	<b>1,235.5</b>	<b>-15.8</b>
Interests bearing liabilities	924.4	888.3	-36.1
Other liabilities	326.9	347.2	20.3
<b>Total net assets</b>	<b>415.2</b>	<b>495.6</b>	<b>80.4</b>
Shareholder's equity	303.7	326.4	22.7
<b>Total liabilities and net assets</b>	<b>1,666.5</b>	<b>1,731.2</b>	<b>64.7</b>
<b>Net interest-bearing debt</b>	<b>780.1</b>	<b>723.5</b>	<b>-56.6</b>
<b>Adjusted Net D/E ratio * (times)</b>	<b>2.25</b>	<b>1.95</b>	<b>-0.30</b>

\* Adjusted Net D/E ratio = (Net interest-bearing debt - Equity-type debt) / (Shareholders' Equity + Equity-type debt)  
 Equity-type debt : The amount of debt procured by hybrid loans that has been recognized as equity credit by rating agencies  
 (50% of the financed amount)

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This is the balance sheet.

Total assets as of March 31, 2024 were JPY1,731.2 billion, an increase of JPY64.7 billion from the end of the previous period. This was mainly affected by the yen's depreciation and rising stock prices, in addition to the fact that the end of March was a holiday.

Net interest-bearing debt as of March 31, 2024 was JPY723.5 billion, a decrease of JPY56.6 billion from the previous year.

With regard to the net D/E ratio, we take into account the amount of debt financed by hybrid loans that has been certified as equity by the rating agencies. The ratio was 1.95 times at the end of March 2024, recovering to the 1x level from the 2x level last year.

For FY2024/3, we have been working to reduce net interest-bearing debt and enhance capitalization. We will continue our efforts to achieve the goals of the Medium-Term Business Plan 2025, which are net interest-bearing debt of JPY710 billion or less, and a D/E ratio of 1.7 times.

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**Consolidated Statement**

(¥billion)

	FY2024/3 Results	FY2025/3 Forecast	Y on Y changes	
			Amount	%
Net sales	1,167.3	<b>1,200.0</b>	32.7	2.8%
Operating income	17.3	<b>23.0</b>	5.7	33.2%
Ordinary income	14.6	<b>19.0</b>	4.4	30.6%
Net income *	22.7	<b>3.0</b>	-19.7	-86.8%

\* Profit attributable to owners of parent

- Sales and profits will increase as sales volume is expected to grow with operation of new facilities such as Opal's corrugated board factory and Crecia Miyagi Mill. Improvement of profitability in overseas business through Opal's structural reforms and JTOy's sales volume recovery will also contribute to the increase.
- However, most of the profits are expected to be recorded in the second half. This is because NDP will implement a large-scale outage in the first half, which will be longer than usual, and also because the effects of structural reforms at Opal's Maryvale Mill are expected to be realized in stages.
- Opal will record extraordinary losses due to structural reforms.

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See page nine. This is an explanation of our forecast for FY2025/3.

Net sales are expected to increase as Opal's new corrugated board factory and Crecia's Miyagi Mill become operational. Overall, we project a 2.8% increase over the previous year to JPY1.2 trillion.

Operating income is expected to be JPY23 billion. We expect improved earnings from overseas operations, mainly due to structural reforms at Opal's Maryvale Mill, as well as a recovery in sales volume at Jujo Thermal. Taking these factors into account, we are projecting a 33.2% increase over the previous year to JPY23 billion.

However, we expect operating income to be higher in H2 of the year as NDP is currently taking a longer-than-usual shutdown in H1, and the effects of the structural reforms at Maryvale Mill in Opal will emerge gradually throughout the year.

Net income for the FY 2025/3 is expected to be JPY3 billion, which is quite low compared to the ordinary income. This is because some items are expected to be posted as extraordinary losses resulting from structural reforms of Opal, including measures to reduce fixed costs in the next fiscal year and beyond, as well as restructuring measures to improve Opal's profitability.

As a result, we estimate that the net income will be JPY3 billion.

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### Results and Forecasts by Business Segment

(¥billion)

	Net sales			Operating income		
	FY2024/3 Results	FY2025/3 Forecast	Y on Y Changes	FY2024/3 Results	FY2025/3 Forecast	Y on Y Changes
Paper and Paperboard	570.2	<b>565.0</b>	-5.2	11.7	<b>13.0</b>	1.3
Daily-Life Products	436.8	<b>480.0</b>	43.2	-8.1	<b>-2.0</b>	6.1
Energy	53.7	<b>50.0</b>	-3.7	1.6	<b>2.0</b>	0.4
Wood Products and Construction Related	75.5	<b>75.0</b>	-0.5	9.8	<b>7.5</b>	-2.3
Others	31.1	<b>30.0</b>	-1.1	2.3	<b>2.5</b>	0.2
Total	1167.3	<b>1,200.0</b>	32.7	17.3	<b>23.0</b>	5.7

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Segment net sales and operating income are as shown.

Sales are expected to grow, particularly in the daily-life products business, including the effect of the operation of new facilities at Opal and Crecia. Operating income is expected to be lower in the wood products and construction related business than in the previous year, but is expected to increase in the other segments.

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## Major Assumptions

### ■ Annual decline in domestic sales volume (YoY)

	1st Half	2nd Half	Full year
Newsprint	-9%	-8%	-9%
Printing	-12%	-3%	-8%
Business communication	-5%	-3%	-4%
Containerboard	-1%	3%	1%

### ■ Major raw material prices and FOREX

	Full year
FOREX (USD)	JPY 155/USD
FOREX sensitivity	+0.7 billion yen/year due to 1 yen appreciation against USD
Coal	USD 145.95/t (Considering the impact of inventory conditions at the end of March 2024 and the risk of future price fluctuations)
Crude oil	USD 90/BL (Dubai)
Wastepaper	Considering current price trends

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The above are the main assumptions used in the forecast of financial results.

The left side shows the domestic sales volume of paper. There is a slight difference between H1 and H2, but demand for newsprint, printing, and business communication continues to decline and is expected to be negative compared to the previous year.

For containerboard, we expect a slight increase over the previous year for the full year.

The prices of major raw materials and foreign exchange rates are basically based on current price trends. We consider the sensitivity to exchange rates to be an increase of JPY700 million per year, for a JPY1 appreciation of the yen against the US dollar.

Coal prices are assumed in consideration of the current procurement plan. The Australian coal benchmark for FY2025/3 is USD145.95 per ton. We have contracted at this benchmark price for a certain volume of coal,, but, we will determine the price separately, such as spot prices, for the rest.

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## Forecast for Changes (FY2025 Forecast vs FY2024 Results)

(¥billion)

		Paper and Paperboard Business		Daily-Life Products Business	
Volume, Sales Price	7.3	-2.1	—	9.4	—
Raw material and fuel prices	-8.8	-6.0	Wood chips -8.0, Wastepaper -2.2, Pulp -0.2, Oil -1.5, Coal 9.7, LNG -0.2, Chemicals, etc. -3.6 (Price 1.9, FOREX -7.9)	-2.8	Wood chips 0.2, Pulp -1.3, Chemicals, etc. -1.7
Cost reductions, etc.	2.1	3.3	Cost reductions 8.2, Labor costs -2.3, Logistics costs -2.6	-1.2	—
Others	6.8	6.1	Overseas business 2.9, Depreciation 1.6, Retirement benefit expenses 3.9, Others -2.3	0.7	Overseas business 4.4, Others -3.7
Total	7.4	1.3	Domestic -1.6, Overseas 2.9	6.1	Domestic 1.7, Overseas 4.4
Other businesses	-1.7	Energy 0.4, Wood products and construction related -2.3, Others 0.2		Domestic: Package 0.1, Chemical 1.6, Household paper and Healthcare 0.0	
Operating income	5.7			Overseas: Opal 5.9, NDP -1.5, TSP 0.0	

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The breakdown of the factors for the forecast increase/decrease is as shown above.

First, in the paper and paperboard business, we expect a total increase of JPY1.3 billion in profit over the previous year. The breakdown is a decrease of JPY1.6 billion in Japan, and an increase of JPY2.9 billion overseas.

For Japan, volume and sales price impact is expected to be a decrease of JPY2.1 billion. This is mainly due to an expected decrease in domestic sales volume. The price impact of raw materials and fuel is expected to be a decrease of JPY6 billion, partly because we are looking at an exchange rate of JPY155. We expect an increase in profit of JPY3.3 billion due to cost reductions and other factors.

We will continue to work vigorously to improve our cost of sales through more efficient operation, energy conservation, and fuel conversion, but we expect labor and logistics costs to increase.

In the overseas business, we expect Jujo Thermal, which performed poorly in the previous fiscal year, to recover its performance through sales expansion and cost reduction.

Next, we will discuss the daily-life products business. The total is estimated at JPY6.1 billion: JPY1.7 billion in Japan and JPY4.4 billion overseas. In the domestic business, cost increases in raw material and fuel prices will continue, while the effects of sales volume expansion and price revisions have been factored in.

In the overseas business, Opal is expected to improve profitability through structural reforms at the Maryvale Mill. NDP has factored in the increase in repair costs due to the large-scale turnaround planned for a longer period than usual, as well as the recent production decrease due to the cold weather in January 2024.

The wood products and construction related business has been performing well over the past three years due to various tailwinds, but the current business environment both in Japan and overseas has settled down, so the figures take this situation into account.

The Medium-Term Business Plan 2025 has two years remaining. We are determined to take various measures to expand earnings toward the final year of the plan, FY2026/3.

This concludes our explanation of the summary of financial results for FY2024/3. Thank you very much.

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○Current Situation and Actions for Medium-Term Business Plan 2025	P5
○Strategies and Measures for Achieving Medium-Term Business Plan 2025	
• Measures against Accelerated Demand Decline in Graphic Paper	P8
• Expansion and Profitability Improvement in Daily-Life Products Business	P10
• Restructuring Opal	P14
• Profitability Improvement of other Overseas Business	P21
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**Sebe:** My name is Sebe from the Corporate Planning Division of Nippon Paper. I will explain our strategies, focusing on our efforts to achieve the goals of our Medium-Term Business Plan 2025.

See page two. Today I am going to explain those that are shown on the slide.

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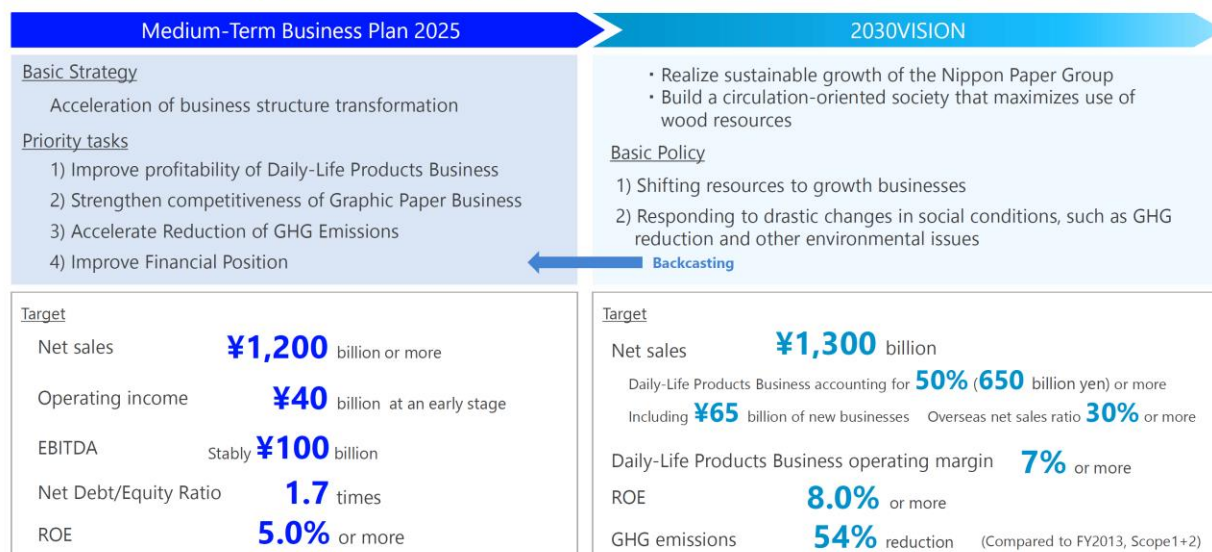
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## Medium-Term Business Plan 2025 and 2030VISION



Realize sustainable growth as a comprehensive biomass company shaping the future with trees



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This is a reiteration of the strategies and targets of Medium-Term Business Plan 2025 and 2030Vision.

We have completed three years of Medium-Term Business Plan 2025, which was formulated as a plan for the first five years of the 2030Vision, and we are now working to achieve our goals in the remaining two years of the plan.

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## Business Results

(Billions of yen)

	FY2021 Results	FY2022 Results (a)	FY2023 Results (b)	FY2024 Forecasts (c)	(b-a)	(c-b)
Net sales	1,045.1	1,152.6	1,167.3	1,200.0	14.7	32.7
Operating income	12.1	-26.9	17.3	23.0	44.2	5.7
Domestic*	9.9	-22.2	31.1	30.0	53.3	-1.1
Overseas *	2.0	-1.9	-12.0	-7.0	-10.1	5.0
Eliminations*	0.2	-2.8	-1.8	0.0	1.0	1.8
Net income attributable to owners of the parent	2.0	-50.4	22.7	3.0	73.1	-19.7
EBITDA	81.5	42.8	84.8	90.0	42.0	5.2

\* Simple calculations of totals

- Operating income recovered to profitability in FY 2023
- Domestic business profitability has significantly improved, but on the other hand, earnings deteriorated in overseas business

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This shows the main performance trends from FY2022/3, the first year of the medium-term business plan, to the forecast for this year, FY2025/3.

As explained earlier, operating income for FY2024/3 was JPY17.3 billion, turning from a loss of JPY26.9 billion in FY2023/3 to a profit.

On a simple combined basis before consolidation and elimination, operating income in Japan improved by more than JPY53 billion from the previous fiscal year, while overseas, as I will explain later, operating income declined by more than JPY10 billion from the previous fiscal year due to the deteriorating profitability of Opal and other businesses.

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### Domestic Business

- Returned to the track of medium-term plan in FY 2023 through price revisions and cost reductions
- Maintain and enhance profitability in FY 2024 and beyond

<Initiatives to Achieve Targets>

- Take measures against accelerated decline in Graphic Paper demand
- ➡ Maintain sales volume, reduce cost, and optimize manufacturing structure
- Expand Daily-Life Products Business and improve profitability
- ➡ Continuous capital investment and steady realization of benefits

### Overseas business

- Profits deteriorated in FY 2023 at Opal and other overseas businesses
- Urgent need for profitability improvement to achieve the medium-term management plan

<Initiatives to Achieve Targets>

- Restructuring Opal
- ➡ Restructure Maryvale Mill and strengthen Packaging Business competitiveness
- Profitability improvement of other overseas business
- ➡ Improve profitability of Nippon Dynawave Packaging (NDP) and Jujo Thermal Oy (JTOy)

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I will explain the status of these domestic and overseas businesses, as well as our efforts to achieve the goals of Medium-Term Business Plan 2025.

In the domestic business, operating income improved significantly from the previous year as a result of cost and profit improvements, and although there are some fluctuations in each business, in general we were able to get back on track for the medium-term plan. We are feeling a positive response here.

In FY2025/3 and beyond, we will maintain and expand profitability in line with the medium-term plan.

The main initiatives needed to achieve these goals include responding to the accelerating decline in demand for graphic paper and expanding and strengthening the profitability of the daily-life products business. In the graphic paper business, we will appropriately review our production system while striving to maintain sales volume and improve costs. In the daily-life products business, we will continue to make capital investments and ensure that the benefits of these investments are realized.

On the other hand, earnings of overseas businesses, especially Opal, have been deteriorating. In addition, in FY2024/3, earnings also declined at NDP in North America and Jujo Thermal in Finland, and we see the improvement of our overseas business as a major and urgent task in order to achieve our Medium-Term Business Plan 2025.

As I will explain later, Opal will proceed with structural reforms at its Maryvale Mill and strengthen the competitiveness of its packaging business. NDP and Jujo Thermal are also in the process of implementing initiatives to improve profitability.

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## Strategic volume maintenance and expansion

- Develop and expand sales of environment-friendly products that will be chosen by the market leveraging our high-level technology  
Ex. Magazine paper N.Polaris43Mocha: GHG emissions reduced by approx. 20% throughout its lifecycle (compared to conventional products)
- Strategic expansion of exports in industrial paper (packaging, label applications, etc.)

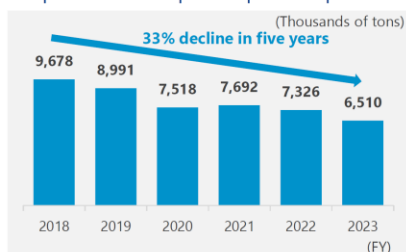
## Strengthen competitiveness by cost reduction

- Improve operating efficiency by stable operation
- Continuous cost reductions such as energy saving and reduction of coal consumption

## Accelerate reorganization of production system

- Establish a new reorganization plan for production system in the 1st half of FY 2024
- Consolidate graphic paper manufacturing bases into three locations around FY 2028
- Realize reorganization of production system, productivity improvement, and GHG reduction in an integrated manner

Shipments of Graphic Paper in Japan



Source: Japan Paper Association  
(Graphic Paper = newsprint paper + print, business communication paper)

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First, I would like to explain our response to the accelerating decline in demand for graphic paper.

As you know, the shrinking demand in the graphic paper business has accelerated further, with domestic shipments declining by approximately 33% over the five-year period from FY2019/3 to FY2024/3. In response to the accelerating decline in demand for graphic paper, we will take three main actions.

The first is to maintain and expand strategic sales volume. Rather than simply sitting on our hands in the face of declining demand, we will leverage the technological capabilities we have developed over the years to develop and expand sales of products that will be chosen by the market, such as environmentally friendly products. We also intend to strategically expand exports to include industrial paper for packaging and label applications.

The second is to strengthen competitiveness through cost improvement. In the domestic paper and paperboard business, we achieved a cost improvement of approximately JPY25 billion over the three-year period from FY2022/3 to FY2024/3. We will continue our cost-reduction efforts in FY2025/3 and beyond by improving operational efficiency through stable operations, saving energy, and reducing coal consumption.

The third will still be to accelerate the reorganization of the production system. We will draw up a new production system reorganization plan by H1 of FY2025/3, and are considering consolidating our graphic paper production bases to about three locations by FY2029/3, earlier than originally planned.

Our policy is to proceed with the reorganization of the production system without delay by backcasting in an integrated manner, with productivity improvement and GHG emissions reduction.

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### Accelerate reorganization of production system

#### Reorganization of production system through business structure transformation

- Strengthen competitiveness by consolidating graphic paper manufacturing bases into around three locations
- Expand growing business such as Daily-Life Products Business by leveraging our existing resources (human resources, capability to provide utility and pulp, supply chain, etc.)



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Here, I would like to reiterate the concept of production system reorganization.

The purpose of the reorganization is to strengthen the competitiveness of the graphic paper business by consolidating production sites, while improving productivity and reducing GHG emissions.

At the same time, we will utilize our human resources, pulp and utility supply capabilities, supply chains, and other important resources that we have cultivated in the graphic paper business to date to expand growth areas, particularly in the daily-life products business, and strengthen our earnings power as a whole.

In particular, we believe it is important to make effective use of pulp surplus from the graphic paper business in the daily-life products business, such as liquid-packaging cartons, household paper, chemicals, and new cellulose-related businesses.

In the daily-life products business, we aim to expand sales to over JPY650 billion in FY2031/3. We believe that the utilization of existing resources, in conjunction with the reorganization of our production system, is the key to achieving our goal.

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## Liquid Packaging Carton

### Domestic Thoroughly promote differentiation strategy utilizing integrated production system

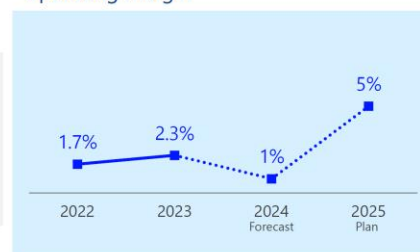
- Develop environment-friendly packaging board & cartons, and promote recycling  
Ex. School POP®, Non-aluminium series, LiterLyte®, PakUpcycle®\*
- Develop and launch new filling system jointly with Shikoku Kakoki Co., Ltd.  
Ex. NSATOM, LA82 (filling machine), etc.
- Utilize domestic-made packaging board
- Enhance engineering services for filling machines

### Overseas Global expansion based on collaboration between ELOPAK, Shikoku Kakoki, and our Group including NDP

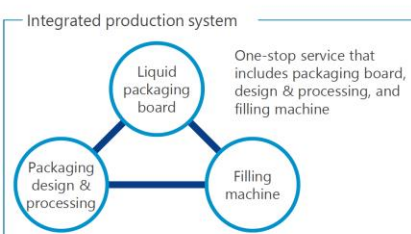
- Enhance sales of NDP liquid packaging board with high-added value
- Expand exports from Japan to the Pan-Pacific market
- Utilize Australian subsidiary for sales of liquid packaging carton

\*PakUpcycle®  
"Pak" (paper-pack for beverages) + "Upcycle" (processing and reusing used goods and wastes to increase their value as products)  
A term to represent the recycling of liquid paper containers

Operating margin



\*Domestic Paper Pack + Nippon Dynawave Packaging (NDP)



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From here, I will explain the expansion of the daily-life products business and strengthening of profitability that I have just mentioned.

First, I would like to discuss the liquid-packaging cartons business, which is a combination of Nippon Paper's paper packaging business and NDP in North America.

In Japan, we will promote a differentiation strategy by utilizing our total system, which is a service that provides liquid packaging board, packaging design and processing, and filling machines all in one package.

We will continue to develop and expand sales of environmentally friendly products such as School POP, a straw-less paper container, and LiterLyte, an environmentally friendly paper carton. With regard to recycling, under the concept of "PakUpcycle," we are promoting efforts to strengthen the recycling of paper cartons that were previously disposed of as waste.

With regard to filling machines, we are proceeding with joint development with Shikoku Kakoki and expanding our engineering services.

Overseas, we will promote global development based on collaboration between ELOPAK, Shikoku Kakoki, and our group companies including NDP. As for NDP, we will continue to expand sales mainly of high value-added base paper with high barrier properties.

In addition, we will expand exports from Japan to the Pacific Rim, and in Oceania, we will make use of the sales subsidiary we have established in Australia.

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### Household Paper and Healthcare

#### Expand market share in Japan with differentiating products and enhanced sales functions

- Expand sales under the concept of "compact and large volume"  
Ex. 3 times longer toilet paper rolls, Scottie Flower 250W, Poise Super Slim&Compact
- Sales expansion through e-commerce  
E-commerce sales: 8.1 billion yen in FY 2021, 11 billion yen in FY 2023

#### Expand production capacity and reduce costs by starting operation of new papermaking machines

- New papermaking machine  
Crecia Kasuga (August 2023) , Crecia Miyagi Mill (April 2024)
- Improve productivity through state-of-the-art machines and reduce costs by utilizing in-house pulp

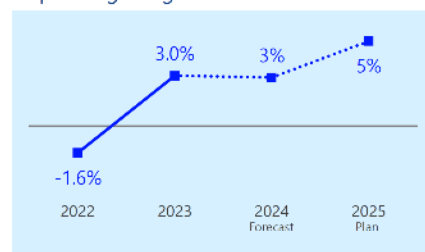
#### Secure appropriate prices

- Price revisions in line with the actual status of logistics and personnel expenses  
Raised prices by 5 to 10% from April 22, 2024

#### Overseas expansion

- Consider overseas sales in collaboration with global partners

Operating margin



Product lineup based on the concept of "compact and large volume"

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Next, I would like to discuss the household paper and health care business.

In the household paper and health care business, the Company aims to expand its domestic market share by differentiating its products based on the concept of "compact and large volume," and by strengthening its sales functions.

Following long-lasting toilet paper rolls, kitchen towels, and compact-type skin care products, we launched long-lasting products in tissue paper last fall, and have been increasing sales volume. E-commerce sales have also expanded to over JPY10 billion, and we will continue to strengthen our sales functions in response to changes in customer purchasing patterns.

As for expansion of production capacity and cost reduction through the operation of new papermaking machines, following the operation of the No. 3 papermaking machine at Crecia-Kasuga in August 2023, a new papermaking machine at Crecia's Miyagi Mill started operation in Ishinomaki in April of this year, and production has started smoothly.

We intend to enhance profitability through an integrated production system from pulp to finished products by improving productivity with the new papermaking machine, and reducing costs by utilizing pulp produced by the Group.

On the other hand, the household paper sector is also facing a major challenge in dealing with rising distribution, labor, and other costs. As we did the year before last and last year, we have asked our customers to accept price revisions starting this April, and we will continue to consider appropriate price ranges for cost increases that cannot be covered by our self-help efforts.

We also intend to promote overseas expansion in the household paper business in the future. We will consider expanding sales overseas from a medium- to long-term perspective, including collaboration with global partners.

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### Chemical

#### Expand sales by capital investment

- Ensure the effects of capacity expansion implemented in FY2021-2023  
(For functional cellulose, functional coating resin products, etc.)

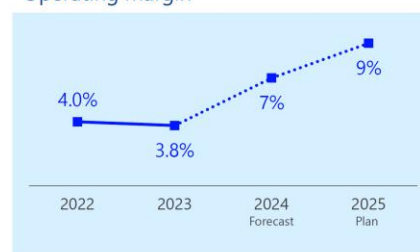
#### Expand sales through development of new applications and product development

- Expand sales of dissolved pulp for cellulose derivatives and other applications
- Develop new applications for Lignin related products
- Develop environment-friendly functional films etc.

#### Expand into overseas markets and increase exports

- Expand sales of CMC for LiB by local production (in Hungary)  
(Scheduled to start operation in December 2024)
- Expand sales of functional coating resin to the Asian market etc.

Operating margin



Functional cellulose



Dissolved pulp

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Next, I would like to discuss the chemical business.

Since the market for many of the Group's chemical products is expected to grow over the medium to long term, we have been systematically implementing construction work to increase production or upgrading facilities in anticipation of growth in demand.

During the period of Medium-Term Business Plan 2025, we are making large capital investments in functional cellulose and functional coating resins, and we plan to expand sales and earnings by steadily realizing the effects of the investments.

With respect to the development of new applications and products, the potential for new uses for dissolved pulp and Lignin-related products is expanding, and we are not only aiming to expand sales by supplying products that meet market demand, but we are also promoting sales expansion through the advanced development of environment-friendly functional films.

As for entering the overseas markets and expanding exports, the chemical business has always had a high export ratio, but we intend to further expand overseas sales in the future. Construction of a new plant for CMC for lithium batteries in Hungary is progressing smoothly, with operations scheduled to start in December of this year.

In addition, we are expanding sales of functional coating resins not only in China but also in the wider Asian market, and we plan to accelerate overseas market development in the chemical business as a whole.

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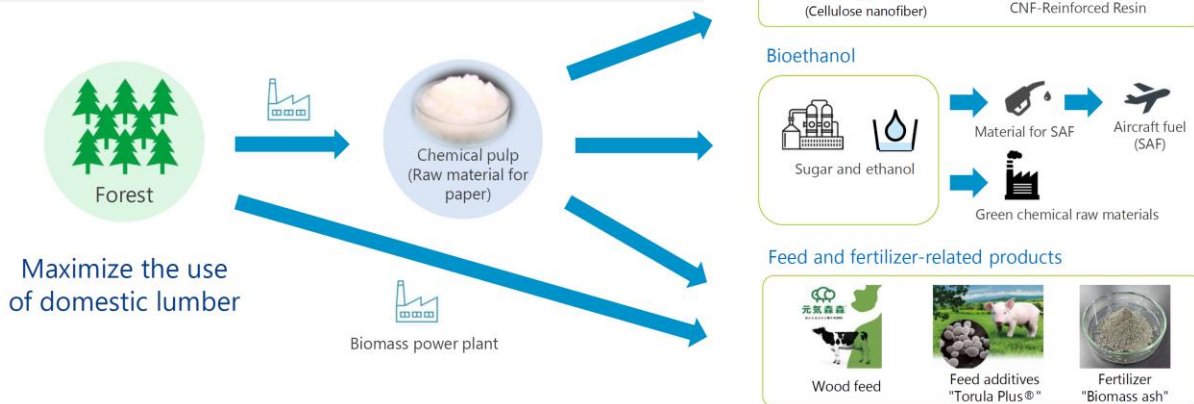
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### New Cellulose-related Business

#### Expand the use of pulp/cellulose, a renewable resource

- Product development utilizing domestic lumber procurement network
- Expand into diverse applications by leveraging the Group's distribution channels
- Commercialize new items by strengthening cooperation system with other companies, research institutions, and other external organizations



Next, we will discuss new cellulose-related business.

We are developing a wide range of cellulose-related businesses using our pulp production capacity, which is an important resource for us. Sales of cellulose nanofibers (CNF) are steadily expanding in the food and cosmetics fields, and we plan to strengthen overseas sales in the future.

CNF-reinforced resins have a growing potential for practical use, as low-cost production methods are being established. Product development that takes advantage of our ability to procure domestic lumber is also a feature of our company.

We are studying the possibility of producing bioethanol derived from domestic timber, which is expected to be superior in terms of LCA, with our partner companies and supplying it as a feedstock for sustainable aviation fuel.

We are also focusing on the development and sales of related products in the agricultural sector, where there are growing expectations for domestic production, such as pulp-based feedstuffs and fertilizers utilizing biomass charcoal.

We will continue to work on the development of cellulose-related products in a broad and speedy manner, aiming to quickly bring them to the forefront of the market.

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## Basic Policy and Priority Tasks

Basic Policy	<p>Recognising Opal's business turnaround as the most important issue at hand Strengthen its efforts to rebuild the business through NPI group</p> <p style="text-align: center;">↓</p> <p>Establish a structure to return to profitability by the end of FY2024 <b>Aiming to earn positive profit in FY2025</b></p>
Priority Tasks	<p><b>Restructuring and profitability enhancement of Maryvale Mill</b> <b>Strengthen the foundation of packaging business and expand profits</b></p>

### Opal's Operating Income Trends (Forecast)

(A\$ million)

	FY2023 Actual	FY2024 Forecast	FY2025 Forecast
Maryvale Mill (ex-AP)	-128	-90	-30
Packaging Business (non-AP)	-23	10	50
Opal Total	-151	-80	20

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Here are a few details about the restructuring of Opal.

We recognize that restructuring Opal is currently the most important issue, and the entire Group is currently engaged in the restructuring efforts. Our basic policy is to establish a profitable structure by the end of FY2025/3 and to ensure profitability in FY2026/3.

Our priority tasks are to restructure and strengthen the profitability of the former Australian Paper's business, i.e. Maryvale Mill, and to strengthen the foundation and expand earnings in the packaging business.

In FY2024/3, the Maryvale Mill and the packaging business each lost AUD128 million and AUD23 million, respectively, for a total loss of AUD151 million, which is a very unfavorable result. We take this situation very seriously. While the packaging business is on track to return to profitability beginning in FY2025/3, the Maryvale Mill is currently expected to remain in the red until FY2026/3, and we recognize the need for additional profit improvement measures.

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## Structural Reform of Maryvale Mill and Strengthening its Profitability

### Basic Strategy

- Optimize manufacturing footprint (pulp & paper)
- Fixed costs reduction
- Minimise volatile export sales



- Streamlined and competitive packaging paper mill
- Enhance the integrated packaging business by increasing internal paper sales
- Implement further profit improvement measures to achieve positive profits

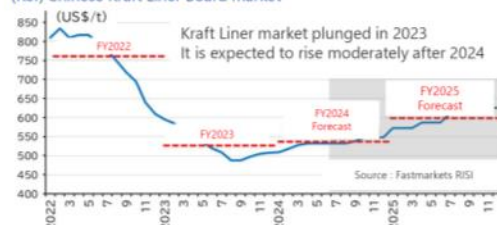
### Overview of optimisation of manufacturing footprint

Type	Manufacturing footprint
Pulp	Continuous mill (Kraft Pulp)
	Batch mill (Kraft pulp) → closed
	Semi Chemical Pulp
	Recycled Pulp
	Deinked Pulp → closed
Paper	M1 (kraft grade etc.)
	M2 (bleached kraft grade etc.) → closed
	M3 (graphic paper → recycled paper/medium) → Production grade change
	M4 (kraft linerboard)
	M5 (graphic paper) → closed

### Maryvale Mill's integration level

FY2022	FY2023	FY2024 Forecast	FY2025 Forecast
30%	47%	52%	Further increase

(Ref) Chinese Kraft Liner Board market



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First, I would like to explain the structural reform of Maryvale Mill and strengthening its profitability.

Our basic strategy is to shift to a simple and competitive packaging base paper mill by pursuing an optimal production system, reducing costs thoroughly, and minimizing export base paper, which is unstable in the market, to increase the ratio of internal sales of paper, and to strengthen the integrated packaging production system.

We will also consider additional measures to improve profitability in order to eliminate losses as soon as possible.

In response to the withdrawal from the graphic paper business triggered by the suspension of eucalyptus wood supply from Victoria State's forests at the end of 2022, we have implemented a reorganization of our production system, as shown in the table, and have worked to reduce fixed costs, mainly through large-scale reduction of personnel, and to increase the ratio of internal sales of base paper.

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## Structural Reform of Maryvale Mill and Strengthening its Profitability

### FY2023-FY2025 Overview and Main Measures

	FY2023	FY2024-FY2025 (Forecast)
Optimisation of manufacturing footprint	<ul style="list-style-type: none"> <li>Withdrawal from the graphic paper business resulted in the closures of 2 paper machines with 3 remaining machines operating for packaging grade</li> <li>Delayed pulp mill transition (from batch to continuous mill) to 2024 due to the time required to obtain development license</li> </ul>	<ul style="list-style-type: none"> <li>Pulp mill transition completed in March 2024, improving daily pulp output and efficiencies</li> </ul>
Fixed costs reduction	<ul style="list-style-type: none"> <li>Reduction in personnel, repair and maintenance, etc. were generally implemented as planned</li> </ul>	<ul style="list-style-type: none"> <li>Reduction effect contributes to full year.</li> <li>Execute company-wide headcount reduction</li> </ul>
Sales	<ul style="list-style-type: none"> <li>Market conditions in Asian export markets deteriorated significantly</li> </ul>	<ul style="list-style-type: none"> <li>Driving export in non-Asia regions and integration</li> </ul>
Strengthen group collaboration	<ul style="list-style-type: none"> <li>Reinforcement of operational and technical support from Nippon Paper Industries</li> </ul>	<ul style="list-style-type: none"> <li>Expand NPI group collaboration in sales</li> </ul>

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As for optimization of the production system, two papermaking machines were shut down in FY2024/3 to establish a system of three package machines, and the delayed transition of pulp production from batch to continuous mill was completed in March of this year, resulting in an increase in daily pulp production and the improvement of the basic unit.

With regard to fixed-cost reductions, headcount and repair cost reductions are generally progressing as planned, and additional company-wide headcount reductions are underway for FY2025/3.

On the other hand, on the sales front, earnings in FY2024/3 deteriorated significantly due to a significant downturn in the export market to Asia, and we are working to increase the ratio of internal sales and shift sales to regions other than Asia, as mentioned earlier.

In addition, we recognize that the restructuring of the Maryvale Mill is an issue that must be tackled by the entire Group. In addition to operational and technical support from Nippon Paper, we are expanding our cooperation in the area of sales, and the entire Group is working together to restructure the Maryvale Mill.

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## Structural Reform of Maryvale Mill and Strengthening its Profitability

### Variance Operating Income Analysis (year on year)

(A\$ million)

	FY2023	FY2024 Forecast	FY2025 Forecast
Decrease in marginal profit due to 2 paper machines closures	-101	-10	-
Improve production volume and raw material/energy usage per unit due to transition to continuous mill	-	+26	+15
Fixed costs reduction (personnel, repair & maintenance, etc.)	+78	+23	+30
Export sales market volatility	-53	-	+10
Sales mix improvement (Driving non-Asia region and integration)	-	+4	+5
Other	+1	-5	-
Total change from the previous year	-75	+38	+60
Maryvale's Operating Income	-128	-90	-30

**Despite implementing production footprint optimization and fixed cost reduction measures, it is anticipated that FY2025 will still operate at a loss. ⇒ Explore additional profit improvement measures toward achieving profitability.**

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This chart shows the factors for the increase or decrease in operating income of the Maryvale Mill compared to the previous year.

In FY2024/3, the Company was unable to cover the more than AUD100 million reduction in marginal profit due to the shutdown of two papermaking machines by reducing fixed costs, and was also severely affected by the deteriorating export market for paper, resulting in a very unfavorable AUD128-million loss for the year.

In FY2025/3 and FY2026/3, Maryvale Mill's earnings will improve as it realizes the benefits of fixed-cost reductions from the pulp production transition, but at present, a deficit of about AUD30 million is expected to remain in FY2026/3.

We are currently studying measures to further improve profits in order to return to profitability, and we will continue to make concerted efforts to restructure the business as soon as possible.

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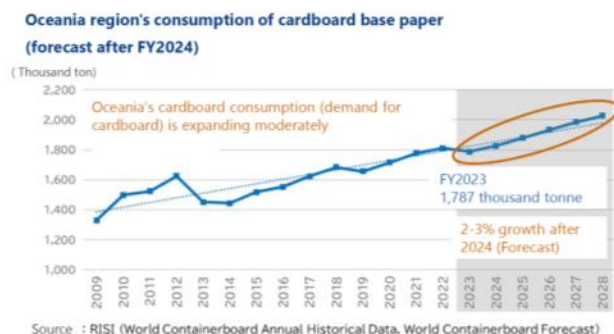
## Strengthen the Foundation of the Packaging Business and Expand Profits

### Basic Strategy

- Capital investment to increase production capacity and reduce costs
- Enhance sales system and reinforce customer service



### Capturing demand in the moderately growing Oceania region Acquire new customers and increase market share



### Increase sales volume in the Australian corrugated box business

- Increase production capacity by 22% until 2025 (vs. 2022)  
Improved productivity through the introduction of new converting machine
- Focus on capturing demand in the eastern coastal region of Australia by leveraging the location advantage of the Botany Paper Mill



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Next, I would like to explain how we are strengthening the foundation of our packaging business and expanding earnings.

Our basic strategy is to increase production capacity and reduce costs through capital investment, strengthen our sales organization and restructure our customer service in order to capture the modestly growing demand for corrugated containers in the Oceania region, and to increase sales and earnings by acquiring new customers and expanding our market share.

The Oceania corrugated containers market is expected to grow by 2% to 3% in FY2025/3 and beyond, albeit gradually, and we plan to increase our market share by making effective capital investments, locating production bases in an effective way, and strengthening our sales strategy.

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## Strengthen the Foundation of the Packaging Business and Expand Profits

### FY2023-FY2025 Summary and Main Measures

	FY2023	FY2024-FY2025 (Forecast)
Capital investment	<ul style="list-style-type: none"> <li>New corrugated box plant started operation from August 2023 in VIC state</li> <li>Decision made to invest total of 5 converting machines (replace 8 ageing equipment) at 3 plants in NSW, QLD, and SA states</li> </ul>	<ul style="list-style-type: none"> <li>The new corrugated box plant is operating smoothly. Labor productivity is approximately double that of conventional plant</li> <li>The new machines are scheduled to be in operation from April 2024</li> </ul>
Fixed costs reduction	<ul style="list-style-type: none"> <li>Consolidation of bag manufacturing sites</li> </ul>	<ul style="list-style-type: none"> <li>Rationalisation of personnel by improving productivity through renewal of processing machines</li> <li>Promote company-wide headcount reduction</li> <li>Closure of paper container business bases</li> </ul>
Sales	<ul style="list-style-type: none"> <li>Demand for corrugated packaging in Oceania grows moderately</li> <li>Reinforcement of sales structure and sales personnel</li> <li>The market in Asian export markets at Botany Mill also deteriorate</li> </ul>	<ul style="list-style-type: none"> <li>Expand market share of corrugated box market by increasing production capacity and improved costs through capital investment</li> <li>Increase internal sales of base paper due to expanded sales of cardboard (decrease in exports)</li> </ul>
Strengthen group collaboration		<ul style="list-style-type: none"> <li>New product development and sales expansion through NPI group collaboration</li> </ul>

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As for capital investment, a new corrugated container plant in Victoria has started operation in August 2023, and is currently operating at approximately twice the labor productivity of the previous plant.

In addition, at three plants in New South Wales, Queensland, and South Australia, eight aging facilities were shut down and five new processing machines were installed and began operation in April of this year.

With regard to fixed cost reduction, we plan to significantly reduce personnel expenses from FY2025/3 onward, as personnel reduction will become possible as productivity improves through capital investment, and we are also moving forward with company-wide personnel reductions in the packaging division.

On the sales front, we strengthened our sales structure by increasing sales personnel with extensive experience in the packaging industry. Armed with the capacity expansion through capital investment and cost reduction, we will strive not only to capture growing demand but also to expand our market share.

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## Strengthen the Foundation of the Packaging Business and Expand Profits

### Variance Operating Income Analysis (year on year)

(A\$ million)

	FY2023	FY2024 Forecast	FY2025 Forecast
Expand sales of corrugated box (590 million m <sup>2</sup> in 2023 to 660 million m <sup>2</sup> in 2025)	+4	+15	+13
Price revision	+36	-	-
Export sales market volatility	-16	-	+10
Increase integrated sales of base paper (Decrease in exports)	-	+9	+9
Fixed costs reduction (renewal of converting machines, company-wide personnel reduction, consolidation of sites)	-	+30	+22
Price increase of raw materials, freight and others	-15	-21	-14
Total change from the previous year	+9	+33	+40
Packaging business operating Income	-23	10	50

**Increase profits by enhancing production capacity, reducing costs, and expanding sales through capital investment and strengthening sales strategy**

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Operating income in the packaging business remained in the red in FY2024/3 due to deteriorating export market conditions for base paper and higher raw material and fuel costs, while implementing a price revision for corrugated packaging.

However, the Company expects to return to profitability in FY2025/3 and beyond by expanding sales of corrugated boxes, increasing internal sales of base paper, and reducing fixed costs, especially personnel expenses.

In the packaging business, we plan and expect to achieve a steady increase in earnings by increasing production capacity, reducing costs, and expanding sales through capital investment and strengthening sales strategies.

To reiterate, we recognize that restructuring Opal is an urgent management issue, and our policy is to aim to strengthen profitability under an integrated packaging production system by quickly bringing the Maryvale Mill out of the red, and expanding earnings in the packaging business.

That is all I have to say about the restructuring of Opal.

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### NDP (Nippon Dynawave Packaging)

#### ■ FY 2023 Overview

- Profits deteriorated significantly due to factors such as sluggish demand in North America, production volume decline and poor efficiency caused by wood chip yard fire, etc.

#### ■ Actions for FY 2024 and 2025

- Long-term outages from May to June 2024 for facility restoration  
(Normal maintenance period: approx. 15 days → Over 30 days for this year Additional repair cost: approx. US\$15 million)  
Large-scale maintenance of recovery boiler and other major facilities is in progress
- Profits will remain at low level in FY 2024 due to production cutbacks caused by cold weather in January 2024, in addition to the long-term outages.
- Current demand for liquid packaging board and pulp is stable  
Plan to secure steady earnings from the second half of FY 2024 by stabilizing operation

### JTOy (Jujo Thermal)

#### ■ FY 2023 Overview

- Earnings declined due to high raw material & energy costs, as well as sluggish sales (decreased by 20% year-on-year) caused by economic slowdown in Europe

#### ■ Actions for FY 2024 and 2025

- Expand sales outside Europe, further promote environment-friendly products, and improve cost for business recovery in FY 2024
- Expand earnings by implementing price revisions

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Next, I will explain about our overseas operations other than Opal, NDP in North America and Jujo Thermal in Finland.

As mentioned earlier, earnings at NDP and Jujo Thermal also deteriorated in FY2024/3, and we are working to strengthen profitability for FY2025/3 and FY2026/3.

NDP in the US suffered damage to its earnings in FY2024/3, due to the sluggish demand for base paper for liquid packaging board in the North American market, as well as production cutbacks caused by a chip yard fire and worsening operating efficiency.

Meanwhile, in FY2025/3, we are planning a long shutdown of more than 30 days, about two weeks longer than usual, for the purpose of improving the restoration of our facilities, which has been a pending issue, and we are planning to conduct major maintenance on the recovery boiler and other major facilities, which is being implemented this May.

Repair costs are expected to be about USD15 million more than in previous years, but we intend to work on aging facilities to stabilize operations in the future.

In addition to the impact of this long-term suspension of operations, we expect earnings in FY2025/3 to remain low due to the production cutback caused by the cold weather in January. However, we plan to secure stable earnings from H2 of FY2025/3 onward by stabilizing operations, as demand for liquid-packaging board and pulp is currently strong.

Next is Jujo Thermal in Finland, which experienced a significant decline in sales volume in H1 of FY2024/3 due to the slowdown of the European economy, as well as high raw material and energy costs, resulting in a deterioration of earnings in FY2024/3.

In response, we have worked to expand sales outside of Europe, increase sales of environment-friendly products, and reduce costs, and with sales volumes recovering recently, we expect our performance to recover in FY2025/3. We will continue to work on sales expansion and cost improvement to further strengthen profitability toward FY2026/3. That is all for this page.

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## Financial and capital strategies

### Asset sales

- Transferred land and buildings in Kita-ku, Tokyo in March 2024
- Completed sale of nine cross-shareholdings in FY 2023

### Strategic investment

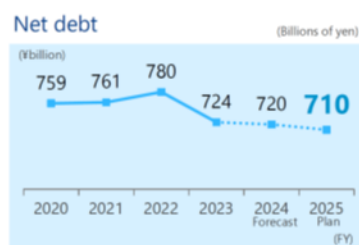
- Carefully select environmental and growth investments
- Curtail expenditure by using subsidies, etc.

### Shareholder Returns

- Aim to maintain stable dividends

### Reduction of net interest-bearing debt

- Net interest-bearing debt is expected to be 720 billion yen at the end of FY 2024.
- Improve Financial Position while Considering Financial Discipline



### Cash allocation



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We will now go on to explain management with a strong focus on the balance sheet.

First, I would like to discuss our financial and capital strategies. Regarding the sale of assets, as explained earlier, in March 2024, we completed the transfer of the land and building we owned in Oji, Kita-ku, Tokyo. In addition, we sold nine cross-shareholdings in FY2024/3.

There is no change in the basic approach to strategic investments. As shown in the figure, we plan to make strategic investments of approximately JPY90 billion from FY2024/3 to FY2026/3, within which we will carefully select projects and give priority to environmental investments and growth investments.

At the same time, the Company will seek to control fund expenditures through the use of subsidies and other means.

As for net interest-bearing debt, as explained earlier, we are generally progressing as planned toward our target of JPY710 billion at the end of FY2026/3.

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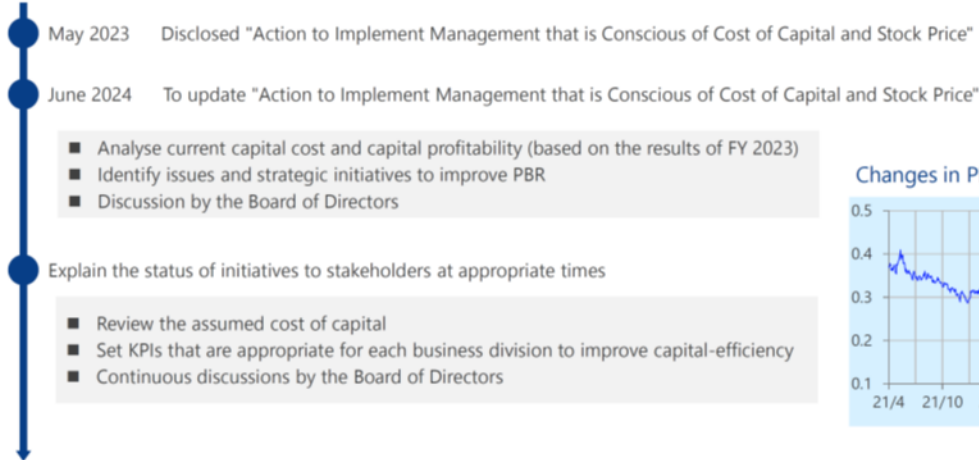
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### Enhance management that is conscious of cost of capital and stock price

#### Our Actions



Changes in PBR



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Next, I would like to discuss the promotion of management that is conscious of cost of capital and stock price.

In May 2023, the Company disclosed its response to achieving cost of capital and stock price conscious management, and following subsequent discussions, the Company plans to update its disclosure by June of this year.

We are currently reviewing the current status of cost of capital and capital efficiency based on FY2024/3 results, as well as identifying issues and growth strategies to improve PBR. The Board of Directors is in the process of discussing this issue.

We will continue to confirm the assumed cost of capital, examine KPIs for improving capital efficiency, and explain the status of our efforts to investors and other stakeholders as appropriate.

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### Achievement and Target for GHG Reduction

■ GHG reduction target for FY 2030: **54%** (vs FY2013 \*Scope1+2)

- FY 2013-2022 achievement: 30% reduction
- FY 2023-2030 plan: **24% reduction**

#### Measures for 24% reduction from FY 2023 to 2030

Nippon Paper Industries	Improve production efficiency by reorganization of production systems	6%
	Coal boiler shutdown along with the reorganization of production system	7%
	Maximize fuel conversion and black liquor use	5%
	Energy conservation measures	2%
Affiliated companies	Overall initiatives	4%

Forecasts of GHG reduction  
(Millions of t-CO<sub>2</sub>)



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Last but not least, I would like to explain our efforts related to enhancing sustainability management.

First, with regard to our efforts to reduce GHG emissions, we will continue to systematically improve production efficiency by reorganizing our production system, shut down coal boilers, switch fuels, maximize fuel conversion and black liquor use, and implement energy-saving measures in order to achieve our reduction target for FY2031/3, which is a 54% reduction compared to FY2014/3.

GHG emissions for FY2024/3 are currently being compiled, but reduction measures are generally progressing as planned. We will continue to reduce GHG emissions in an integrated manner with the reorganization of our production system.

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## Linking Business Strategies and Human Resource Strategies



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Here I will explain the promotion of human resource management.

Based on the belief that it is essential to develop human resources capable of taking on the challenges of change in order to achieve the goals of Medium-Term Business Plan 2025, we have clarified human resource strategies for each business based on the three pillars of development, recruitment and retention, and appropriate allocation, and are working on measures to address each of these priority issues.

To strengthen the competitiveness of the graphic paper business, which we have set as a priority issue, we aim to simultaneously maintain and strengthen our competitiveness and reduce manpower, based on the basic policy of promoting the utilization and appropriate allocation of human resources.

In addition, to strengthen the profitability of the daily-life products business, our basic policy is to invest human resources in new and growing fields, which will lead to the smooth implementation of business structure transformation.

From the viewpoint of securing human resources to support our business strategy, we consider improving employee engagement as another important basic policy in our human resources strategy, and we will work to secure and maintain excellent human resources through various human resource policies. We will continue to pursue human resource strategies that are linked to our business strategies, based on the priority issues of each business.

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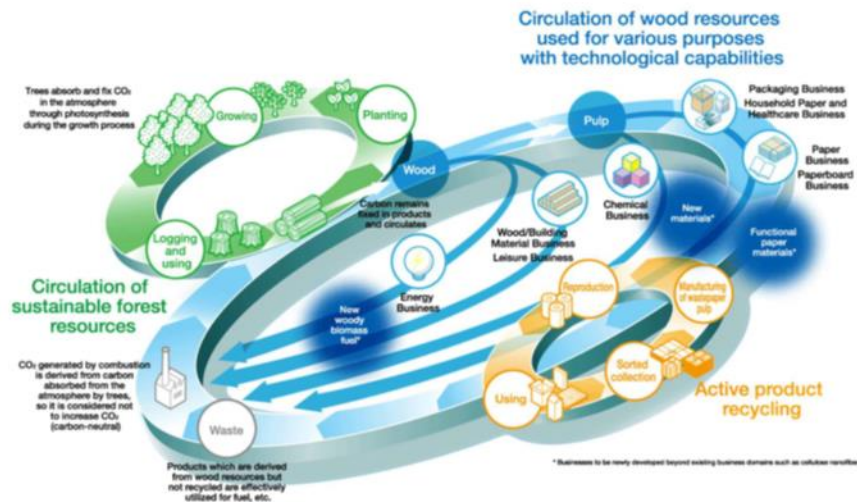


## Growth Strategy based on Three Circulations



**Aiming to Build a Recycling-Oriented Society through Sustainable Growth of the Nippon Paper Group and Maximizing the Utilization of Wood Resources**

Nippon Paper Group's Business Development as a Comprehensive Biomass Company "Three Circulations"



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Finally, I would like to mention the three cycles that indicate the business development of our group as a comprehensive biomass company.

This represents a business model that aims to simultaneously achieve sustainable growth of the Group and the creation of a recycling-oriented society by turning the three cycles of sustainable forest resource recycling, wood resource recycling that uses a wide variety of wood resources through technological capabilities, and active product recycling, into a faster and larger cycle.

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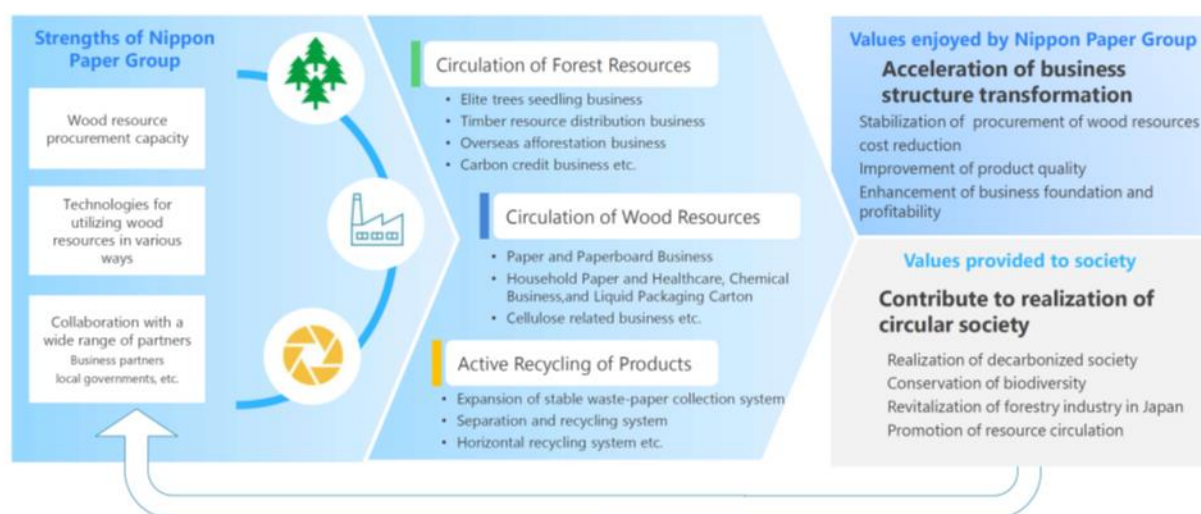
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## Growth Strategy based on Three Circulations



### Leverage the Nippon Paper Group's Strengths to Contribute to Realization of a Sustainable Society



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We believe that the Group's strengths lie in its ability to procure wood resources, its diverse wood resource utilization technologies, and its collaboration with a wide range of partners. These strengths provide the Group with a variety of business development opportunities, as described, in each of the cycles of forest resource recycling, wood resource recycling, and active product recycling.

The expansion of these businesses is the driving force behind the acceleration of business structure transformation, which is the theme of the medium-term business plan, and at the same time, it is an initiative that contributes to the creation of a recycling-oriented society.

We will continue to pursue our growth strategy based on the three cycles to achieve our Medium-Term Business Plan 2025 and 2030 Vision.

This concludes the Strategies Presentation.

Thank you very much.

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