

Financial Results for the Three Months Ended June 30, 2022 Q&A Summary

Q1) I would like to ask you about the reversal of deferred tax assets and the price increase. I think the earnings situation is difficult, but what factors led to the reversal of deferred tax assets? Also, is there a strong will to ensure that the price increase is carried out?

A1) Deferred tax assets were reversed due to the extremely difficult business outlook for the current fiscal year. We are also taking the stance that in order to continue our business, we have no choice but to pass on prices.

Q2) When considering the future energy balance, is it possible to reduce costs while rearranging the current coal-dependent energy portfolio?

A2) There are several ways to reduce the ratio of coal use, but energy conservation and fuel conversion are the most important. We have also begun to study what kind of operation is possible with the coal boilers shut down. Because of the large cost burden caused by soaring coal prices, we must think differently and reduce coal use at a considerable speed. We intend to put all possible measures in place.

Q3) The company will be in an operating deficit this fiscal year. What measures will be taken next fiscal year other than raising prices? Or should we assume that an additional third or fourth price increase?

A3) Of course, measures other than price increases must also be taken drastically. Of these, restructuring paper business will be the most important. We need to consider bold cost reduction measures, including a review of our production system. We will also promote cost reductions in both proportional and fixed costs. Next year, if the violent high prices of raw materials and fuel continue and cannot be covered by cost reductions, there is a possibility that we will pass on the price again.

Q4) In the daily-life products business, operating income decreased in the 1Q but is expected to increase in the full-year plan. Could you tell us the background behind the increase in profit for the full year?

A4) The daily-life products business was in the red in 1Q, partly because of the overall impact of the sharp rise in raw materials and fuel prices, but also because of the large negative impact from overseas operations. NDP implemented suspension of operations in Q1 of this fiscal year, which was not done last year. Opal improved from the previous year, but a little later than planned, aiming to recover in the full year. We are looking for a recovery mainly in overseas markets, and ultimately, we expect to see a YoY increase in profit. However, we are still losing ground YoY in Japan due to the rise in raw materials and fuels prices. Therefore, we believe that we need to continue to take measures to address this issue.

Q5) I would like to know a little bit more about the Opal part of your forecast for this fiscal year. Does the recovery in earnings from 1Q onward mean that demand will recover to some extent or is it due to the effect of the price increase?

A5) The growth of the packaging in Australia had been in a growth standstill for about two years due to the COVID-19 pandemic, but it is finally on the road to recovery. Sales volume probably bottomed out this year and will recover after that. Our current aim is to cover the annual increase in raw materials and fuels costs and logistics costs by raising prices, while at the same time capturing the demand that is recovering, and somehow bring the balance into zero or the black.

Q6) The energy business is expected to generate zero earnings this fiscal year, but if coal prices level off next fiscal year, will it return to its original profit level?

A6) Basically, we believe it will come back. The Yufutsu Energy Center will also start operation in January 2023, which will also contribute.

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