

Financial Results for the Three Months Ended June 30, 2024

Q&A Summary

- Q1 :** What percentage of capacity will be reduced by the reorganization of the production system announced this time? Also, are there any plans to announce further reorganization of the production system during this fiscal year?
- A1 :** Compared to FY2020, prior to the start of Medium-Term Business Plan 2025, the production capacity for graphic paper will be reduced by approximately 30%. Since it has been reduced by about 20% so far, the announced production system reorganization will result in a reduction of about 10%. We plan to consolidate our graphic paper manufacturing bases in about three locations by the end of FY2028. And we announced what needs to be done at this stage in light of the plan. Going forward, we will continue the production system reorganization in stages.
- Q2 :** You have announced that in Yatsushiro Mill, Household Paper Business centered on exports will be launched in FY2027. Would you give us some more specification on the extent of required investment?
- A2 :** I would like to refrain from going into details as some final adjustments are currently being made.
- Q3 :** The full year forecast remained unchanged. What is your expectation on 1H performances?
- A3 :** As discussed at the financial results and management briefings in May, Nippon Dynawave Packaging (NDP) implements maintenance outage which is longer than usual. Therefore, the burden of fixed costs will be heavier in Q2 as already expected. In this sense, business performance will be more difficult in Q2 compared to Q1.
- Q4 :** Please tell us about the factors behind the year-on-year change in Opal's operating income in Q1.
- A4 :** The operating income deteriorated by about 1 billion yen compared to the Q1 in the previous fiscal year. This was largely due to the export market conditions for containerboard. In Q1 of the previous fiscal year, the market conditions were still good, so the difference had an impact on the business performance. However, we are generally on track with the plan, including self-help efforts.
- Q5 :** Given Asian market conditions and business confidence, the increase in exports seems unlikely. In this context, please tell us the reason for the increase in export volume.
- A5 :** We actively carry out exports with strategy amidst declining demand of paper. Rather than offering discounts, we prioritize sound business with regular customers as much as possible.

- Q6 :** As for restructuring of Opal, a loss of AUD 90 million at Maryvale Mill and a profit of AUD 10 million at Packaging Business are expected for this fiscal year. What is your evaluation on the progress of Q1?
- A6 :** Q1 results were largely in line with forecasts. Fixed cost reduction and profitability improvement are proceeding as planned through Q2. Although there will be some fluctuations, we are generally progressing in line with the forecast.
- Q7 :** Please tell us about cost improvement. Given the risk of a decline in export volume due to the appreciation of the yen and the fact that demand for containerboard in the domestic market does not recover easily, is there a possibility that the cost reductions will be lower than planned due to the downturn in volume?
- A7 :** It is true that cost improvement can be affected by low operating rate, but a variety of innovations are being made. Ideas are coming up from manufacturing sites one after another. Although there is a risk of a decrease in volume, we strive to realize cost reductions as much as possible.
- Q8 :** Please tell us about the possibility of price increases in the future.
- A8 :** We are considering it while looking at the market situation. We anticipate that personnel and logistics costs will increase in the future, so we will have to ask customers for understanding if we cannot absorb the increased cost with our self-help efforts.

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