

# 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]	Q1 Financial Results Briefing for the Fiscal Year Ending March 2025	
[Fiscal Period]	FY2024 Q1	
[Date]	August 7, 2024	
[Time]	17:00 – 17:44 (Total: 44 minutes, Presentation: 12 minutes, Q&A: 32 minutes)	
[Venue]	Webcast	
[Number of Speakers]	Tomoyasu Itakura	Director, Managing Director, Executive Officer, General Manager, Financial Division
	Akira Sebe	Managing Director, Executive Officer, General Manager, Corporate Planning Division
	Ryou Koide	General Manager, Accounting & Budgeting Department
	Takanori Sano	General Manager, Corporate Planning Department

# Presentation

## 1st Quarter FY2025/3 Financial Results



### Consolidated Statement

(¥billion)

	1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes	
			Amount	%
Net sales	287.4	<b>287.0</b>	-0.4	-0.1%
Operating income	0.8	<b>4.1</b>	3.3	409.3%
Ordinary income	0.4	<b>5.0</b>	4.6	1,292.1%
Net income *	-5.3	<b>-1.1</b>	4.2	-

\* Profit attributable to owners of parent

- Net sales remained at the same level as the same period of the previous fiscal year despite the demand decline in Paper and Paperboard Business because of expansion of exports.
- Operating income increased due to price revisions and cost reduction.
- Extraordinary losses were recorded for the business structure improvement expenses at Opal.

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**Itakura:** I am Itakura from the financial division. Thank you. I would like to present an overview of the financial results for Q1 FY2024.

This is a summary of the results for Q1 FY2024. Net sales were JPY287 billion, on a par with the same period of the previous year, due to growth in the Daily-Life Products Business, expanded export sales and a weaker yen, despite a decrease in sales volume in the Paper and Paperboard Business due to the impact of lower demand. As for profit and loss, operating income increased by JPY3.3 billion from the previous year to JPY4.1 billion due to the effects of product price adjustments and cost improvements. As for extraordinary income/loss items, JPY3.1 billion of business structure improvement expenses, including special severance payments at Opal, were recorded.

As a result of the above, the Company reported an ordinary income of JPY5 billion and a net loss of JPY1.1 billion.

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## 1st Quarter FY2025/3 Financial Results



### Results by Segment

(¥billion)

	Net sales			Operating income		
	1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes	1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes
Paper and Paperboard	143.3	<b>141.9</b>	-1.4	0.2	<b>2.4</b>	2.2
Daily-Life Products	106.8	<b>108.3</b>	1.5	-2.3	<b>-2.0</b>	0.3
Energy	13.7	<b>11.5</b>	-2.2	0.5	<b>0.5</b>	0.0
Wood Products and Construction Related	16.7	<b>18.4</b>	1.7	2.3	<b>2.2</b>	-0.1
Others	6.9	<b>6.9</b>	0.0	0.1	<b>1.0</b>	0.9
Total	287.4	<b>287.0</b>	-0.4	0.8	<b>4.1</b>	3.3

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Here are sales and operating income by segment.

Net sales totaled JPY287 billion, with higher sales in the Daily-Life Products Business, Wood Products and Construction Related business, and lower sales in the Paper and Paperboard Business and Energy Business.

Operating income was JPY4.1 billion, with increases in Paper and Paperboard, Daily-Life Products and other 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	1.7	0.0	—	1.7	—
Raw material and fuel prices	1.2	1.1	Wood Chips -1.4, Wastepaper -0.7, Pulp -0.1 Oil -0.5, Coal 3.8, LNG 0.2, Chemicals, etc. -0.2 (Price 4.9, FOREX -3.8)	0.1	Pulp -0.1, Coal 0.2, Chemicals, etc. 0.0
Cost reductions, etc.	-0.3	-0.3	Cost reductions 0.8, Labor costs -0.3, Logistics costs -0.8	0.0	—
Others	-0.1	1.4	Overseas business 1.3, Depreciation 0.5, Retirement benefit expenses 0.9, Inventory value adjustment 0.4, Others -1.7	-1.5	Overseas business -1.3, Depreciation -0.3 Inventory value adjustment, etc. 0.1
Total	2.5	2.2	Domestic business 0.9, Overseas business 1.3	0.3	Domestic business 1.6, Overseas business -1.3
Other businesses	0.8	Energy 0.0, Wood Products and Construction Related -0.1, Others 0.9			
Operating income	3.3				
Non-operating income	1.3	Net financial revenue 0.3, Equity in net income of affiliates 1.1, Foreign exchange difference -0.8, Others 0.7			
Ordinary income	4.6				

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

The Paper and Paperboard Business, however, saw an increase of JPY.2 billion versus the previous year. Sales volume prices are plus or minus zero. Although sales volume is decreasing, it is zero due to the positive sales price including exports. Regarding raw material and fuel prices, there was an increase in costs due to the weak yen and soaring raw material and fuel prices, mainly for wood chips, waste paper, and chemicals, but the overall effect was an increase of JPY1.1 billion in profit due to the decline in coal prices.

Cost reductions have been achieved through the use of low-cost materials and other operational innovations, but labor and logistics costs have increased.

Next is the Daily-Life Products Business, which reported a YoY increase of JPY300 million. Domestic operations have benefited from price revisions in packaging, household paper and health care, and higher sales volume in chemicals. In the overseas business, Opal's profit decreased due to lower export sales prices and foreign exchange effects, and NDP's profit decreased due to operational troubles caused by the cold wave that occurred in January 2024.

In other businesses, the Energy Business was flat YoY, while the Wood Products and Construction Related business saw a slight decline in profit, and the other businesses saw a JPY900 million increase in profit.

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## Paper and Paperboard Business

(¥billion)

Net sales			Operating income		
1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes	1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes
143.3	<b>141.9</b>	-1.4	<b>0.2</b>	<b>2.4</b>	2.2

- Domestic
  - Domestic sales volume of paper and paperboard products decreased year on year due to sluggish demand.
  - Operating income increased year on year due to decline in coal prices, cost improvement, and other factors.
- Overseas
  - Operating income of Jujo Thermal (JTOy) turned to profitability due to recovery of the demand for thermal paper in Europe.

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We will now explain our performance by segment. First is 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. However, the profit increased Y on Y due to maintenance of sales prices, decline in coal prices and cost improvement.

As for overseas business, Jujo Thermal has returned to profitability in terms of operating income, partly due to a recovery in demand for thermal paper in Europe.

As a result of the above, the Paper and Paperboard Business reported a decrease in sales and increase in profit compared to the previous year.

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## 1st Quarter FY2025/3 Financial Results



### Daily-Life Products Business

(¥billion)

	Net sales			Operating income			
	1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes	1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes	
Domestic	50.3	<b>52.7</b>	2.4	1.4	<b>3.0</b>	1.6	Package 0.1, Chemical 1.2, Household paper and Healthcare 0.3
Overseas	56.5	<b>55.6</b>	-0.9	-3.7	<b>-5.0</b>	-1.3	Opal -1.0, NDP -0.4, TSP 0.1
Total	106.8	<b>108.3</b>	1.5	-2.3	<b>-2.0</b>	0.3	

- Domestic
  - Sales volumes of dissolving pulp (DP) and functional coating resins increased.
  - Sales volumes of facial tissue, toilet paper rolls, and liquid packaging cartons decreased.
  - Net sales and operating income increased due to product price revisions.
- Overseas
  - Opal recorded lower earnings year-on-year due to decrease in sales prices for exports and impact of fluctuations in foreign exchange rate.
  - Nippon Dynawave Packaging (NDP) recorded lower earnings because of operational failure caused by the cold weather.

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This is the performance of the Daily-Life Products Business.

Domestic and overseas results are shown separately. In the domestic business, sales volumes of dissolving pulp and functional coating resins increased, but sales volumes of facial tissue, toilet paper rolls, and liquid packaging cartons decreased. Overall, product price revisions contributed to the increase in sales and income.

The breakdown of overseas operations is shown on the right of the table. As for Opal lower export sales prices and foreign exchange resulted in a YoY decrease in profit and a larger operating loss. NDP in North America also saw a YoY decline in profit due to the effects of the cold wave in January 2024 that I mentioned earlier, which resulted in a slump in operations.

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## Energy Business

(¥billion)

Net sales			Operating income		
1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes	1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes
13.7	<b>11.5</b>	-2.2	0.5	<b>0.5</b>	0.0

• Net sales decreased year on year due to decline in sales prices of energy caused by decline in coal prices.

## Wood Products and Construction Related Business

(¥billion)

Net sales			Operating income		
1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes	1Q FY2024/3 Results	1Q FY2025/3 Results	Y on Y changes
16.7	<b>18.4</b>	1.7	2.3	<b>2.2</b>	-0.1

• Net sales and operating income increased despite a decrease in the number of new housing starts, due to factors such as increase in handling volume of fuel wood chips.

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This is the Energy Business.

One is a decrease in revenue due to an increase in the number of days of maintenance shutdowns and a decrease in the sales unit prices of electricity due to the decline in coal prices, but the situation has remained almost flat in terms of profit.

In the Wood Products and Construction Related business, although the number of new housings starts declined, revenue increased due to an increase in the volume of fuel chips handled, but profit remained almost flat, with a slight decrease in profit.

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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

■ The forecast for FY2025/3 has not changed since the release of May 15.

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There is no change in the full-year forecast for FY2024 from that announced on May 15.

This is all about business performance. Please refer to the next page.

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## Reorganization of Production System



Location		Facility	Annual Production capacity (tons)	Products	Schedule
Shiraoi Mill	Shutdown	No.8 Paper machine	64,000	Fine paper Bleached kraft paper	End of September 2025
	Shutdown	N2 Paper machine	232,000	Newsprint	End of June 2025
Yatsushiro Mill	Shutdown	No.9 coal-fired boiler	-	-	End of November 2025
	Operation start	Paper machine	-	Household paper	FY 2027

- The Company decided on a new production system reorganization plan in response to the acceleration of demand decline in graphic paper. It also decided launching household paper business that primarily targets exports.
- Effects and impacts of machine shutdown
  - Impairment loss: currently under examination (to be recorded in the second quarter of FY 2025/3)
  - Personnel: the employees involved in the machines that will be shut down basically continue to be employed within their respective mills.
  - Fixed cost reduction: approx. 2 billion yen  
(to be realized by the end of FY 2027/3 when the abovementioned plan will be completed)
  - GHG emissions reduction: coal consumption in Yatsushiro Mill will be reduced to zero  
(after the shutdown of No.9 boiler)
  - Production: manufacturing of the products of these machines will continue at the Company's facilities including the abovementioned mills.

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**Sebe:** My name is Sebe from the Corporate Planning Division. In my place, I would like to conclude with an explanation of the reorganization of the production system announced today.

We have decided to shut down the No. 8 paper machine at the Shiraoi Mill and the N2 paper machine and No.9 coal-fired boiler at the Yatsushiro Mill. At the same time, we have also decided to develop a household paper business, mainly for export, at the Yatsushiro Mill.

The effects and impacts of this shutdown are as described. Impairment losses on fixed assets are currently under scrutiny but will be recorded in Q2. In principle, the employees involved in the facilities that will be shut down will continue to be employed within their respective plants and sites. The improvement effect of fixed cost reduction is estimated to be about JPY2 billion. Full expression is expected by FY2026.

At the Yatsushiro Plant, the No. 9 coal-fired boiler will be shut down, and as a result, coal consumption will be reduced to zero, thereby reducing GHG emissions. The household paper business is expected to start by FY2027. We plan to continue in-house production of the products manufactured on the paper machine that will be removed, including at both mills. Our policy is to maintain the same level of supply as before by strengthening cost competitiveness through fixed cost reductions and increased capacity utilization.

The reorganization of the production system for graphic paper is being carried out in the midst of an accelerating decline in demand, and we have decided to consolidate our production bases to about three locations by FY2028. In doing so, we plan to enhance our overall competitiveness by improving productivity and reducing GHG emissions in an integrated manner and by back casting without delay.

At the same time, we intend to steadily promote the business structure transformation by utilizing the human resources we have cultivated in the graphic paper business, as well as pulp and utility supply capabilities, supply chains, and other resources, to expand into growth areas centering on Daily-Life Products Business. That is all.

This concludes our explanation of the Q1 financial results summary. Thank you.

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