

Financial Results for the Six Months Ended September 30, 2022 Q&A Summary

- Q1 :** The net debt-to-equity ratio as of the end of September is 2.13 times, and the target of the Medium-Term Business Plan 2025 is 1.5 to 1.6 times. It would be required to reduce your debt by probably more than JPY200 billion in order to achieve the target. I am not sure how much can be reduced when it comes to human resource development and investment in growth areas, although you have said that you will carefully select your investments. Accordingly, I would like to know more about what level of cash generation and investment restraint you have in mind for each.
- A1 :** First of all, I believe that the elimination of the current heavy debt situation must be systematically pursued during the period of this Medium-Term Business Plan 2025, although it may be difficult to do so in just one or two years. We will continue to work on debt reduction while raising the funds. Also, when we look at this year and next year and beyond, on the other hand, rather than this capital strategy, I believe that we must hurry to increase EBITDA firmly. We believe that the first priority is to raise cash inflows, so we will earn money while reducing these liabilities.
- Q2 :** I have always heard that even if your company cuts costs on a considerable scale, the profit made would not remain in your company. I also think that in order to stop this structure, you must think about raising prices rather than reducing costs. I have heard that some companies overseas are already making more than 10% profit margin on graphic paper.
- A2 :** I think it has probably never been the case before that we would consider at least two or more price revisions in such a short period of time. I think the expectation of the market is being changed, not only our company, therefore we would like to promote policies and price setting that will allow us to earn a fair profit. I think we need to do required price revisions and it not limited for only graphic paper.
- Q3 :** The assumption for this fiscal year's sales volume of printing paper, it shows 11% decrease from the previous year, and the decrease is a considerably larger degree than the average for the industry. It may be as you expected, but I would like to know why this negative range is so large.
- A3 :** One of our policies may be to focus on price rather than sales volume. In addition, I believe that the supply capacity has been temporarily and intentionally reduced by some facilities have been shut down.
- Q4 :** Speaking of the process of consolidating graphic paper production bases into three locations, do you carry out the plan along with demand decrease? And how the effect of cost reduction change if you would not do that? .
- A4 :** I believe that it is no longer good to think that we can just gradually stop the system as demand decreases, but that we need to plan ahead and organize the system to some extent. We need to immediately rebuild our factories to be

competitive. Including reduction of GHG emissions, I don't think we can invest to all mills. We would like to reduce the number of factories to about three, not only from the aspect of cost reduction, but also from the aspect of investment efficiency.

Q5 : I would like to ask whether or not you will be able to bring profit back to the original level of operating income of JPY30 billion to JPY40 billion next fiscal year if you implement the price revisions and cost reductions that you have just explained. In light of this, if you come to have a certain amount of profit, will it be possible to return the dividend?

A5 : First of all, as for lifting profits from next fiscal year onward, I believe that we must, of course, return to profitability from FY2024/3 onward. The key to this will be whether or not we can bring the graphic paper business into the black. If we can get rid of the paper deficit, including the cost reduction efforts we are making now and the price revision efforts, I believe that we will be able to return to a certain level of profitability in the next fiscal year. I think we can get back to a level of profitability that is in line with the Medium-Term Business Plan 2025's trajectory.

I would like to refrain from commenting on our dividend policy at this time, but our policy is to pay stable dividends, therefore I will speak in general terms, I believe that we must quickly return to a position where we can make a profit and pay dividends to our shareholders.

Q6 : I would like to ask you about daily-life products business in general. Do you think that Opal will recovery its profitability with the various implemental measures you explained earlier even there is difficult situation for its profitability to be recovered?

Also, in household paper and healthcare business, in a situation where pulp prices are rising, your company will need to raise prices a little more and restore earnings. If there is no improvement in the daily-life products business, which you have focused on, I think it will be difficult to evaluate it in the market.

A6 : Regarding packaging of Opal, the demand for packaging has been slow to return due to the impact of the COVID-19, but it is finally returning, albeit gradually, and statistics show that demand will bottom out this fiscal year and rise further in FY2024/3. As long as we are able to make solid efforts in this area, we believe that we will be able to secure a certain level of profit from packaging. I believe that one of the key points is whether we can firmly fix the problems of graphic paper or not, and we will work hard on that.

In the area of household paper and healthcare business, and other domestic daily-life products businesses, we believe that we need to make firm cost reductions and then make firm price revisions.

We believe that the range of price revisions is still weak against the rise in raw materials and fuels prices, so we believe that the key point is to secure a firm price revision and make a full contribution in the next fiscal year. It requires the ability to pass on prices is important, and I believe that this is a combination of strengthening sales capabilities, including product development.

Q7 : There was a comment that the cost increase in overseas could not be absorbed. I thought it was relatively easier to pass on higher raw materials and fuels prices overseas than in Japan, but could you elaborate on the reason for the slight delay in price revisions?

A7 : Regarding Opal, there was a sharp increase in prices, including logistics costs, in the middle of the fiscal year, so honestly, we haven't been able to keep up. The timing is a little off, but I think we still need to do it from now on.