

Financial Results for the Six Months Ended September 30, 2023

Q&A Summary

- Q1 :** How much does profit and loss of Opal's Maryvale Mill expect to improve in 2024 and 2025?
- A1 :** Maryvale Mill is making various efforts, but it is struggling due in part to the deterioration of market conditions. In addition to the reduction of fixed costs, we will work on additional measures, with the goal of bringing in at least break-even results through in 2024 and 2025.
- Q2 :** Operating profit in H1 was ¥4.9 billion, but how do you evaluate the plan? In the full year forecast, the company changed its breakdown by segment, but what specific thinking behind this change?
- A2 :** Compared to the assumptions as of May, trends in raw material and fuel prices have stabilized, and this has exceeded the forecasts mainly in the paper and paperboard business. On the other hand, the harshness remained in the daily-life products business.
For the full year, we are looking at the upside in the paper and paperboard business in H1, but since we are looking at the exchange rate of JPY 135/USD to date at JPY 150/USD, the impact will be negative. In the daily-life products business, in particular, was changed because the severity remained in the overseas business. In the energy business, the company revised downward the point that the gap between selling prices and raw material prices at the Kushiro Mill was not tight.
- Q3 :** What are your views on volume and selling prices in the paper and paperboard business and daily-life products business? Are there any parts that have changed since the beginning of the period?
- A3 :** For paper and paperboard, the decline in volume was larger than the initial forecast, so we see that amount in the H2. Price increases penetrated the market properly. In the daily-life products business, despite a decline in volume in the chemical business, price increases also penetrated properly.
- Q4 :** There is a recovery trend in earnings, but what do you think about dividends? In addition, with PBR below 1x being a topic, how will the company aim to achieve PBR of 1x by improving it, including the medium-term business plan?
- A4 :** With regard to the interim dividend, we decided to place the highest priority on strengthening our financial base, and we decided not to pay a dividend, although we regret to do so. The company has not decided on a year-end dividend at this point, but I would like to announce it as soon as it becomes possible to disclose dividend forecasts, including future earnings.
PBR thinks that it will not go up unless it becomes profitable. First of all, I think it will be exhaustive to achieve the medium-term business plan 2025.

- Q5 :** In the paper and paperboard business, operating profit improved to ¥3.7 billion in Q2, compared to ¥200 million in Q1. Furthermore, in H2, the plan is to greatly improve to ¥12.1 billion, but I would like to know the factors that cause this amount of income difference.
- A5 :** In this fiscal year, there is an impact from raw material and fuel prices in H1 and H2. In addition, we originally had a concentration of maintenance outage in H1, particularly in Q1. Including the amount of fixed costs, profits tend to be generated in H2.
- Q6 :** I see the volume of containerboard in H2 as negative 2% compared to the previous year, but I would like to hear the reason that it is a little weak.
- A6 :** I think the containerboard market is by no means strong. Based on this, we have taken a slightly conservative view of volumes in H2.
- Q7 :** What is the extent to which the profitability of household paper has recovered? The weaker yen will offset this, so there may still be some tough spots?
- A7 :** Pulp, a raw material, is susceptible to weaker yen, but over the past year, the company has promoted the use of in-house pulp, making it less vulnerable to weaker yen than before. Concerns in the future include rising costs such as logistics costs and personnel costs. First, we will thoroughly reduce costs, but to what extent can we cover them.
In addition, the sales strategy becomes very important. At the same time as differentiating, I think it's how far we can launch products that people will buy based on quality.