November 2024
Nippon Paper Industries Co., Ltd.

Financial Results for the Six Months Ended September 30, 2024 Q&A Summary

Q1： I would like to confirm the impact of the major maintenance performed by Nippon Dynawave Packaging (NDP).

A1： NDP conducted a large-scale maintenance which was longer than usual, and extended shutdown period because it found new areas that needed to be worked on. In addition, a cold wave had affected its operations in Q1. In the first half of the year, production did not reach the plan due to these two factors. Currently, operations are very stable and back to cruising mode. The company expects earnings to pick up in the second half of the year.

Q2： Opal's full-year improvement forecast was previously 5.9 billion yen, but has now been revised to 3.8 billion yen. What is the reason for this revision?

A2： The Maryvale Mill struggled to establish optimal operating conditions after restructuring of its production system. In addition, in the packaging business, sales of corrugated box were not so good in Australia as a whole. Against this backdrop, Opal increased its sales volume by 4-5%, but still fell short of its plan.

Q3： In the Paper and Paperboard Business, profits declined slightly from the first quarter to the second quarter, but could you tell us why?

A3： The major factor is increase in wastepaper prices.

Q4： What are your thoughts on the price revisions for printing paper?

A4： Currently, labor and logistics costs continue to rise. In addition, there is uncertainty regarding trends in raw material and fuel prices, as well as foreign exchange trends. If cost increases continue and the environment becomes such that price increases are necessary in the future, we will respond appropriately.

Q5： Opal's Maryvale Mill is expected to remain A$30M in the red in FY2025. What are the causes and remedial measures?

A5： The effects of various measures, such as restructuring of production systems and fixed cost reductions, are being realized. However, market conditions for export base paper continue to deteriorate, and its negative impact will remain. Currently, we are in the process of substantially revising our sales mix, and we expect the effects to begin to emerge around the middle of FY2025.

Q6： Please tell us about your dividend policy. Will it be based on business performance from the next fiscal year onward?

A6： As we move forward with our business restructuring, it is difficult to see what lies ahead. We are truly sorry to our shareholders, but we hope you would understand the situation we are in.

Q7： Based on the explanations about Opal and NDP, I suppose that repair costs are being incurred more than expected. Is there a possibility that additional repair costs will be incurred in the future?

A7： They do have the problem of aging, so preventive maintenance must be performed. The same is true of domestic factories. But we will strive to reduce overall repair costs while making sure that necessary repairs are carried out, rather than simply spending money on repairs in a vague manner.

Q7： Please let us know if there are any new measures to accelerate the reduction of interest-bearing debt.

A7： We will continue to carefully select investments and reduce assets to improve the balance sheet. We consider 710 billion yen in net interest-bearing debt to be the minimum level at the end of FY2025. We intend to further reduce it in the next medium-term management plan.

END