

Event Summary

[Company Name]	Nippon Paper Industries Co., Ltd.	
[Company ID]	3863-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results and Management Briefing for the Fiscal Year Ending March 2025	
[Fiscal Period]	FY2025 Q2	
[Date]	November 6, 2024	
[Time]	17:00 – 18:31 (Total: 91 minutes, Presentation: 50 minutes, Q&A: 41 minutes)	
[Venue]	Webcast	
[Number of Speakers]	Toru Nozawa Tomoyasu Itakura Akira Sebe Takanori Sano	President & Representative Director Director, Managing Executive Officer, and General Manager, Financial Division Managing Executive Officer, and General Manager, Corporate Planning Division General Manager, Corporate Planning Department

1st HALF FY2025/3 Financial Results



Consolidated Statement

(¥billion)

	1st Half FY2024/3 Results	1st Half FY2025/3 Results	Y on Y changes	
			Amount	%
Net sales	583.9	584.5	0.6	0.1 %
Operating income	4.9	2.1	-2.8	-57.6%
Ordinary income	5.8	1.8	-4.0	-69.0%
Net income *	-9.4	-12.4	-3.0	-

* Profit attributable to owners of parent

- Net sales increased year on year, despite the impact of a decrease in demand for graphic paper, due to growth in sales of household paper & healthcare products and chemicals.
- Operating income decreased year on year due to the impact of large scale maintenance work carried out at Nippon Dynawave Packaging (NDP).
- Extraordinary income and loss includes Opal's business structure improvement expenses and impairment losses related to the planned shutdown of the Shiraoi Mill and Yatsushiro Mill.

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Here is the summary of results for Q2 of FY2024. Net sales increased JPY0.6 billion from the previous year to JPY584.5 billion, mainly due to sales growth in household paper & healthcare products and chemical products, where demand remained strong, despite a decrease in sales volume due to the impact of lower demand for graphic paper. Operating income decreased by JPY2.8 billion from the previous year to JPY2.1 billion due to the impact of large-scale maintenance work at Nippon Dynawave Packaging (NDP). Extraordinary loss include business structure improvement expenses such as special retirement payments at Opal, and impairment losses related to assets scheduled for shutdown at the Shiraoi and Yatsushiro Mills. As a result, ordinary income was JPY1.8 billion and net loss was JPY12.4 billion.

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1st HALF FY2025/3 Financial Results



Results by Segment

(¥billion)

	1st Half FY2024/3 Results	Net sales		1st Half FY2024/3 Results	Operating income	
		1st Half FY2025/3 Results	Y on Y changes		1st Half FY2025/3 Results	Y on Y changes
Paper and Paperboard	286.4	283.1	-3.3	3.9	3.5	-0.4
Daily-Life Products	218.5	224.7	6.2	-5.0	-9.1	-4.1
Energy	28.3	24.8	-3.5	0.2	1.7	1.5
Wood Products and Construction Related	36.2	37.7	1.5	5.2	4.0	-1.2
Others	14.5	14.2	-0.3	0.6	2.0	1.4
Total	583.9	584.5	0.6	4.9	2.1	-2.8

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Net sales and operating income by segment are as shown. Net sales totaled JPY584.5 billion, with higher sales in daily-life products, Wood Products and Construction Related Business, and lower sales in the Paper and Paperboard Business, Energy Business, and other businesses, compared to the previous year.

Operating income declined JPY2.8 billion YoY to JPY2.1 billion due to a significant decrease in income in the Daily-Life Products Business, reflecting the impact of large-scale maintenance at NDP in Q2. We have not presented a forecast for H1, so the figure is at the low level of JPY2.1 billion. However, we had originally been looking at the suspension and turnaround of NDP, and we believe that the overall progress in earnings is not bad at the end of H1. The 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	1.9	-1.7	—	3.6	—
Raw material and fuel prices	-0.2	0.3	Wood Chips -2.3, Wastepaper -2.6, Pulp -0.2 Oil -0.5, Coal 6.8, LNG 0.1, Chemicals, etc. -1.0 (Price 4.9, FOREX -4.6)	-0.5	Pulp -0.4, Coal 0.2, Chemicals, etc. -0.3
Cost reductions, etc.	-1.3	-1.0	Cost reductions 2.1, Labor costs -0.9, Logistics costs -2.2	-0.3	—
Others	-4.9	2.0	Overseas business 1.8, Depreciation 0.8, Retirement benefit expenses 2.0, Inventory value adjustment, etc. -2.6	-6.9	Overseas business -6.9, Depreciation -0.5 Inventory value adjustment, etc. 0.5
Total	-4.5	-0.4	Domestic business -2.2, Overseas business 1.8	-4.1	Domestic business 2.8, Overseas business -6.9
Other businesses	1.7	Energy 1.5, Wood Products and Construction Related -1.2, Others 1.4			
Operating income	-2.8				
Non-operating income	-1.2	Net financial revenue 0.8, Equity in net income of affiliates 3.2, Foreign exchange difference -5.6, Others 0.4			
Ordinary income	-4.0				

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4

The breakdown of the factors for the changes is as shown. In the Paper and Paperboard Business, profit declined JPY0.4 billion from the previous year. Volume and sales price is minus JPY1.7 billion. The decrease in sales volume was due to lower demand for graphic paper.

As for raw material and fuel prices, the cost of raw materials and fuel increased due to the weak yen and price hikes mainly for wood chips and wastepaper, but the price of coal and other fuels remained stable, resulting in an overall increase in profit of JPY0.3 billion.

As for cost reductions, etc., cost improvements have been achieved almost according to our plan through operational innovations, such as increased efficiency, energy conservation, and the use of inexpensive materials. However, labor and logistics costs, including ocean freight, were negative and profit decreased overall due to higher costs.

The next column is about the Daily-Life Products Business, which saw a decrease of JPY4.1 billion in profit compared to the previous year. We divided it into domestic and overseas operations. The domestic business increased due to the effect of price revisions in packaging, increased sales volume and price revisions in household paper & healthcare products and chemicals. On the other hand, for the overseas business, the impact of the large-scale maintenance work at NDP resulted in a significant decrease in profit here.

As for other businesses, the Energy Business reported an increase of JPY1.5 billion, the Wood Products and Construction Related Business reported a decrease of JPY1.2 billion, and an increase of JPY1.4 billion was reported due to other factors, which is mainly adjustments such as elimination of intersegment transactions.

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Paper and Paperboard Business

(¥billion)					
1st Half FY2024/3 Results	Net sales		1st Half FY2024/3 Results	Operating income	
	1st Half FY2025/3 Results	Y on Y changes		1st Half FY2025/3 Results	Y on Y changes
286.4	283.1	-3.3	3.9	3.5	-0.4

- Domestic
 - Domestic sales volume of paper and paperboard products decreased year on year due to sluggish demand.
 - Despite the stable price of coal and other fuels and the positive effect of cost improvements, profits decreased year on year due to increase in labor and logistics cost.
- Overseas
 - Jujo Thermal (JTOy) saw a recovery in sales volume and an increase in profits compared to the same period last year, despite the continued slump in demand for thermal paper in the European market.

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I will now explain our performance by segment. First, let me discuss the Paper and Paperboard Business. As for the domestic business, demand for both paper and paperboard products remained sluggish, and domestic sales volume was lower than the same period of the previous year. Although fuel prices, such as coal, have stabilized and cost improvements have been made, labor and logistics costs have risen significantly, resulting in a decrease in profits.

In the overseas business of Jujo Thermal, although demand for thermal paper continues to be sluggish in the European market, the sales volume is recovering compared to the previous year, resulting in an increase in profit. As a result of the above, the Paper and Paperboard Business posted lower sales and profits compared to the previous year.

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Daily-Life Products Business

(¥billion)

	Net sales			Operating income			
	1st Half FY2024/3 Results	1st Half FY2025/3 Results	Y on Y changes	1st Half FY2024/3 Results	1st Half FY2025/3 Results	Y on Y changes	
Domestic	103.6	110.3	6.7	3.0	5.8	2.8	Package 0.7, Chemical 1.7, Household paper and Healthcare 0.4
Overseas	114.9	114.4	-0.5	-8.0	-14.9	-6.9	Opal -0.8, NDP -6.1, TSP 0.0
Total	218.5	224.7	6.2	-5.0	-9.1	-4.1	

- Domestic
 - Sales volumes of dissolving pulp (DP), functional coating resins, and toilet paper rolls increased.
 - Sales volumes of facial tissue and liquid packaging cartons decreased.
 - Net sales and operating income increased due to product price revisions.
- Overseas
 - Opal carried out its planned workforce reduction. On the other hand, it took time to establish optimal operating conditions at the Maryvale Mill, and the market conditions for base paper export to Asia continued to be sluggish.
 - Nippon Dynawave Packaging (NDP) saw a year on year decrease in profits due to the implementation of large scale maintenance.

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6

Next, I will explain the performance of our Daily-Life Products Business. First is about the domestic business. The sales volumes of dissolving pulp, functional coating resins, and toilet paper rolls increased, while the sales volumes of facial tissue and liquid packaging cartons decreased. Overall, despite the soaring prices of raw materials and fuels and higher logistics and other costs, an increase in sales volume and price revisions contributed to higher net sales and operating income.

Now for the overseas business. Regarding Opal, a large-scale workforce reduction was implemented as planned, but it took some time to establish optimal operating conditions at the Maryvale Mill, and the market for base paper export to Asia remained sluggish, resulting in a YoY decline in profit. As I mentioned earlier, NDP in North America has experienced a significant decrease in profit due to higher repair costs from major maintenance and lower volumes.

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Energy Business

(¥billion)

1st Half FY2024/3 Results	Net sales		Y on Y changes	Operating income		Y on Y changes
	1st Half FY2025/3 Results			1st Half FY2024/3 Results	1st Half FY2025/3 Results	
28.3	24.8		-3.5	0.2	1.7	1.5

• Net sales decreased year on year due to a fall in electricity sales prices in line with a fall in coal prices.

Wood Products and Construction Related Business

(¥billion)

1st Half FY2024/3 Results	Net sales		Y on Y changes	1st Half FY2024/3 Results	Operating income		Y on Y changes
	1st Half FY2025/3 Results				1st Half FY2025/3 Results		
36.2	37.7		1.5	5.2	4.0		-1.2

• Net sales increased due to factors such as an increase in the volume of fuel chips handled, despite a decrease in the number of new housing starts.

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Next is the Energy Business. Although sales decreased due to an increase in the number of days off for maintenance work and lower electricity sales prices following the decline in coal prices, operations were generally favorable, resulting in an increase in profits compared YoY. In the Wood Products and Construction Related Business, net sales increased partly due to an increase in the volume of fuel chips handled, although the number of new housings starts declined.

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Consolidated Balance Sheets

	Mar.31, 2024	Sep.30, 2024	Variance
Total assets	1,731.2	1,739.1	7.9
Cash and deposit	164.8	166.4	1.6
Inventories	224.8	229.7	4.9
Other current assets	248.9	236.8	-12.1
Tangible and intangible fixed asset	827.9	839.2	11.3
Investment and other assets	264.7	266.8	2.1
Total liabilities	1,235.5	1,235.2	-0.3
Interest-bearing liabilities	888.3	908.7	20.4
Other liabilities	347.2	326.5	-20.7
Total net assets	495.6	503.8	8.2
Shareholder's equity	326.4	314.0	-12.4
Total liabilities and net assets	1,731.2	1,739.1	7.9
Net interest-bearing debt	723.5	742.3	18.8
Adjusted Net D/E ratio * (times)	1.95	2.07	0.12

* Adjusted Net D/E ratio = (Net interest-bearing debt - Equity-type debt) / (Shareholders' Equity + Equity-type debt)
Equity-type debt : The amount of debt procured by hybrid loans that has been recognized as equity credit by rating agencies (50% of the financed amount)

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This is the balance sheet. As for total assets on September 30, 2024, the balance sheet shows JPY1,739.1 billion, an increase of JPY7.9 billion from the end of March and the previous fiscal year. The main factor was an increase in assets of overseas subsidiaries due to the weaker yen.

The net interest-bearing debt on September 30, 2024, was JPY742.3 billion and the adjusted net D/E ratio was 2.07 times, which is a worsening situation. Net interest-bearing debt increased.

This is because the operating cash flow in H1 has a low profit base. In H2, operating income will increase, as I will explain later, and we will promote the sale of assets such as investment securities, mainly cross-shareholdings, and fixed assets in H2. We will also aim to return to profitability in net income for at the end of the current fiscal year.

In addition, we will continue to work toward the goals of the Medium-Term Business Plan 2025, which are to reduce net interest-bearing debt to less than JPY710 billion and the debt-to-equity ratio of 1.7-1.79 times.

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Consolidated Statement

(¥billion)

	FY2024/3 Results	FY2025/3 Forecast	Y on Y changes	
			Amount	%
Net sales	1,167.3	1,200.0	32.7	2.8%
Operating income	17.3	23.0	5.7	33.2%
Ordinary income	14.6	19.0	4.4	30.6%
Net income *	22.7	3.0	-19.7	-86.8%

* Profit attributable to owners of parent

- The forecast for FY2025/3 has not changed since the release of May 15, 2024.
- However, the forecast for the breakdown of operating income by segment has been revised to take into account the trends in the first half of the year.

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Now, I would like to discuss our forecast for FY2024. There is no change to the full-year forecast for FY2024 from that announced on May 15. However, the forecast for the breakdown of operating income by segment has been revised, taking into account trends in H1 and other factors.

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Results and Forecasts by Business Segment

(¥billion)

	Net sales			FY2024/3 Results	Operating income			Y on Y Changes
	FY2024/3 Results	FY2025/3 Forecast	Y on Y Changes		1st Half FY2025/3 Results	2nd Half FY2025/3 Forecast	FY2025/3 Forecast	
Paper and Paperboard	570.2	565.0	-5.2	11.7	3.5	6.5	10.0	-1.7
Daily-Life Products	436.8	480.0	43.2	-8.1	-9.1	7.1	-2.0	6.1
Energy	53.7	50.0	-3.7	1.6	1.7	1.3	3.0	1.4
Wood Products and Construction Related	75.5	75.0	-0.5	9.8	4.0	4.5	8.5	-1.3
Others	31.1	30.0	-1.1	2.3	2.0	1.5	3.5	1.2
Total	1167.3	1,200.0	32.7	17.3	2.1	20.9	23.0	5.7

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Here are the net sales and operating income by segment. Operating income by segment has been changed. To be a little more specific, the forecast for Paper and Paperboard is JPY10 billion. The initial figure was JPY13 billion, so the downward revision is JPY3 billion. The downward revision includes the progress made in H1 and takes into account the higher-than-expected ocean freight rates and the progress of the Jujo Thermal. On the other hand, we have made changes to Energy, Wood Products and Construction Related, and others, revising them upward by JPY1 billion each, in light of the progress made in H1.

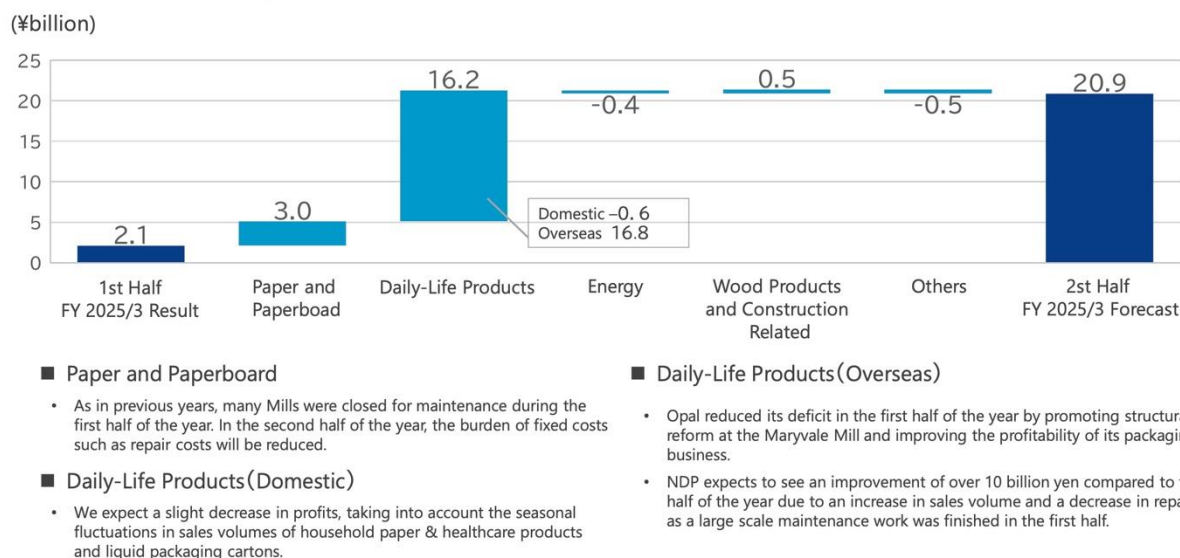
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Factors for Changes (H1 FY2025/3 Results vs. H2 FY2025/3 Forecast)



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The forecast for H1 is JPY2.1 billion, and the forecast for the full year remains unchanged at JPY23 billion, which means that operating income for H2 will be JPY20.9 billion. As you can see in the graph, the two major segments that have seen a large increase from H1 to H2 are the Paper and Paperboard segment, which is the second from the left, and the Daily-Life Products segment.

In the Paper and Paperboard Business, many plants are closed in H1 of each year, which tends to reduce the burden of fixed costs, such as repair costs, in H2. As a result, we expect profits in H2 to increase by about JPY3 billion compared to H1.

As for the larger Daily-Life Products Business, we have divided it into domestic and overseas operations. In the domestic business, we expect a slight decrease in profits in H2 compared to H1 due to seasonal factors, such as an increase or decrease in the volume of household paper & healthcare products and liquid packaging cartons.

As for the overseas business, we expect to see an increase of JPY16.8 billion. We expect to see a decrease of deficit YoY due to Opal reducing its deficit by promoting structural reform at the Maryvale Mill in H1 and improved profitability in its packaging business.

In addition, NDP alone is expected to improve by more than JPY10 billion in H2 compared to H1, due to the absence of large-scale maintenance repair costs incurred in H1, as well as an increase in volume compared to H1. In past years, we have tended to be more profitable in H2, but for FY2024, we believe the trend will be more pronounced for the reasons I mentioned earlier.

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Major Assumptions

■ Annual decline in domestic sales volume (YoY)

	2nd Half	Full year
Newsprint	-8%	-9%
Printing	-3%	-7%
Business communication	-4%	-4%
Containerboard	1%	-1%

■ Major raw material prices and FOREX

	2nd Half
FOREX (USD)	JPY 155/USD
FOREX sensitivity	+0.7 billion yen/year due to 1 yen appreciation against USD
Coal	USD 145.95/t (Considering the impact of inventory conditions at the end of March 2024 and the risk of future price fluctuations)
Crude oil	USD 85/BL (Dubai)
Wastepaper	Considering current price trends

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The main assumptions for the earnings forecast are as shown. On the sales volume column on the left, domestic sales volume of newsprint, printing, and business communication paper in H1 was generally at the level assumed in the initial plan. For H2, we have not made any major revisions to our initial projections.

On the other hand, containerboard sales were lower than initially planned in H1 due to the impact of inflation and other factors. For H2, we have revised our forecast to remain below the initial plan, taking into consideration the trends in H1 and the current situation.

The assumptions for major raw material and fuel prices and foreign exchange rates for H2 are as shown. The exchange rate is assumed to be JPY155, unchanged from the beginning of the period. As for crude oil, the initial price of USD90 per barrel is now revised to USD85 per barrel.

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Forecast for Changes (FY2025 Forecast vs FY2024 Results)

(¥billion)

		Paper and Paperboard Business		Daily-Life Products Business	
Volume, Sales Price	8.4	-1.3	–	9.7	–
Raw material and fuel prices	-10.3	-6.2	Wood chips -5.0, Wastepaper -6.4, Pulp -0.8, Oil -1.3, Coal 10.1, LNG -0.1, Chemicals, etc. -2.7 (Price 1.5, FOREX -7.7)	-4.1	Pulp -1.5, Coal 0.2 , Chemicals, etc. -2.8
Cost reductions,etc.	0.2	1.3	Cost reductions 7.6, Labor costs -2.1, Logistics costs -4.2	-1.1	–
Others	6.1	4.5	Overseas business 1.9, Depreciation 1.6, Retirement benefit expenses 4.1, Others -3.1	1.6	Overseas business 2.4, depreciation -0.8 Retirement benefit expenses etc.0.0
Total	4.4	-1.7	Domestic -3.6, Overseas 1.9	6.1	Domestic 3.7, Overseas 2.4
Other businesses	1.3	Energy 1.4, Wood products and construction related -1.3, Others 1.2		Domestic: Package 0.6, Chemical 2.7, Household paper and Healthcare 0.4 Overseas: Opal 3.8, NDP -1.4, TSP 0.0	
Operating income	5.7				

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This is a breakdown of the factors that will contribute to the changes for the full year. First, in the Paper and Paperboard Business, we expect an overall decrease of JPY1.7 billion from the previous year. The breakdown is as follows: minus JPY3.6 billion in the domestic business and an increase of JPY1.9 billion in the overseas business. In the domestic business, volume and sales price were minus JPY1.3 billion. We expect the raw material and fuel prices to be minus JPY6.2 billion, partly because we are looking at an exchange rate of JPY155. The breakdown is as shown. Cost reductions, etc., are a plus JPY1.3 billion. We will continue to work vigorously on cost improvement, but on the other hand, we expect a large increase in labor and logistics costs, which were mentioned in H1.

Continuing on, we have the Daily-Life Products Business. Domestic and overseas profits will increase by JPY3.7 billion and JPY2.4 billion, respectively, for a total of JPY6.1 billion. In the domestic business, although raw material and fuel prices and other costs will continue to rise, we have factored in the effects of sales volume expansion and price revisions. As for the overseas business, Opal expects to improve profitability by restructuring its Maryvale Mill and by strengthening its foundation in the packaging business. As for NDP, we expect that the impact of the large-scale maintenance work will remain throughout the year.

We believe that the Energy Business, Wood Products and Construction Related Business, and other businesses will perform well as planned at the beginning of the period.

Lastly, in terms of operating income, we recorded a large, extraordinary loss in H1. Therefore, we do not expect to record any major extraordinary losses in H2. On the other hand, as I mentioned earlier, in H2, we intend to promote sales of assets, such as securities and fixed assets, mainly cross-shareholdings, so in this sense, the JPY3 billion surplus in operating income is unchanged.

This concludes our explanation of the summary of financial results for FY2024. Thank you very much.

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01	Progress toward achieving Medium-Term Business Plan 2025	P4
02	Measures and Strategies to Achieve the Medium-Term Business Plan 2025	P8
	• Measures against Accelerated Demand Decline in Graphic Paper	P9
	• Expansion and Profitability Improvement of Daily-Life Products Business	P11
	• Restructuring Opal	P15
	• Management based on a Strong Awareness of Balance Sheet	P18
03	Enhancement of Sustainability Management	P19
	• GHG Emission Reduction Targets, Results and Plans	P20
	• Promotion of human capital management	P21
	• Growth strategy based on the Three Circulations	P22

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Sebe: Everyone, once again, my name is Sebe from the Corporate Planning Division of Nippon Paper Industries. Thank you. I will explain our strategy, focusing on our efforts to achieve the goals of our Medium-Term Business Plan 2025.

Today, I will explain the contents as shown.

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Realize sustainable growth as a comprehensive biomass company shaping the future with trees

Medium-Term Business Plan 2025	2030VISION
<p><u>Basic Strategy</u></p> <p>Acceleration of business structure transformation</p> <p><u>Priority tasks</u></p> <ol style="list-style-type: none"> 1) Improve profitability of Daily-Life Products Business 2) Strengthen competitiveness of Graphic Paper Business 3) Accelerate Reduction of GHG Emissions 4) Improve Financial Position 	<ul style="list-style-type: none"> • Realize sustainable growth of the NIPPON PAPER GROUP • Build a circulation-oriented society that maximizes use of wood resources <p><u>Basic Policy</u></p> <ol style="list-style-type: none"> 1) Shifting resources to growth businesses 2) Responding to drastic changes in social conditions, such as GHG reduction and other environmental issues
<p><u>Target</u></p> <p>Net sales ¥1,200 billion or more</p> <p>Operating income ¥40 billion at an early stage</p> <p>EBITDA Stably ¥100 billion</p> <p>Net Debt/Equity Ratio 1.7 times</p> <p>ROE 5.0% or more</p>	<p><u>Target</u></p> <p>Net sales ¥1,300 billion</p> <p>Daily-Life Products Business accounting for 50% (650 billion yen) or more Including ¥65 billion of new businesses Overseas net sales ratio 30% or more</p> <p>Daily-Life Products Business operating margin 7% or more</p> <p>ROE 8.0% or more</p> <p>GHG emissions 54% reduction (vs. FY2014/3 Scope1+2)</p>

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I will begin by explaining our progress toward achieving our Medium-Term Business Plan 2025. This is a reiteration of the strategies and goals of the Medium-Term Business Plan 2025 and the 2030 VISION. As you will see in the contents of this report, we are currently accelerating our efforts to achieve the goals of the Medium-Term Business Plan 2025, which was formulated as a plan for the first five years of the 2030 Vision, with only one and a half years to go.

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In the domestic business, each segment generally maintained the track to the Medium-Term Business Plan 2025. The overseas business is expected to return to profitability in the second half despite a loss in the H1.

(billion yen)

	FY 24/3 Results	FY 25/3		
		H1 Results	H2 Forecast	Full Year Forecast
Net sales	1,167.3	584.5	615.5	1,200.0
Operating income	17.3	2.1	20.9	23.0
Paper and Paperboard	11.7	3.5	6.5	10.0
Daily-Life Products Business	-8.1	-9.1	7.1	-2.0
Energy	1.6	1.7	1.3	3.0
Wood Products and Construction Related	9.8	4.0	4.5	8.5
Other	2.3	2.0	1.5	3.5
Domestic business	30.4	15.6	17.4	33.0
Overseas business	-13.1	-13.5	3.5	-10.0

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5

This is a reiteration of our net sales and operating income for FY2024. As mentioned in the earlier explanation of financial results, operating income for FY2024 is expected to be JPY2.1 billion for H1 and JPY20.9 billion for H2, for a total of JPY23 billion for the fiscal year. The breakdown by segment has been explained earlier, but here, I would like to show you the figures broken down into domestic and overseas in the bottom rows.

Operating income for the domestic business in FY2024 is expected to be JPY15.6 billion in H1 and JPY17.4 billion in H2, for a total of JPY33 billion for the year, generally maintaining the trajectory planned in the Medium-Term Business Plan 2025.

On the other hand, our overseas business, which has been a challenge, posted a significant loss of JPY13.5 billion in H1, as explained on the next page. However, in H2, we expect to turn to a surplus of JPY3.5 billion, resulting in a total deficit of JPY10 billion for the fiscal year.

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Current Situation of Financial Performance in Overseas Business

01 Progress toward achieving
Medium-Term Business Plan 2025



Strengthened its profitability and turn it to positive in Q3

Quarterly Operating Income for Overseas Business in FY2024

(billion yen)

Q1 Result	Q2 Result	H1 Result	Q3 Forecast	Q4 Forecast	H2 Forecast	Full Year Forecast
-3.9	-9.6	-13.5	0.3	3.2	3.5	-10.0

Overview of Main Overseas Business in FY2024

Business Unit	1 st Half	2 nd Half
Opal Australian Paper [OAP] (Maryvale Mill)	<ul style="list-style-type: none"> After the adjustment of manufacturing footprint, optimizing operating conditions took more time than expected. Conditions in Asia export paper markets continued to deteriorate. 	<ul style="list-style-type: none"> Achieve stable operations, reduce fixed costs and improve sales mix.
Opal Packaging Business	<ul style="list-style-type: none"> Generally, demands of corrugated box market was weak. Improved production efficiency with updating old converting machines. 	<ul style="list-style-type: none"> Strengthen cardboards sales, improve production efficiency and reduce fixed cost.
NDP	<ul style="list-style-type: none"> Reduced production due to cold wave related issues in 1Q. Extended shutdown for major maintenance and additional maintenance in 2Q. 	<ul style="list-style-type: none"> Stable production from 3Q. Steady demands in liquid packaging board and pulp.

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6

This chart shows the operating income of the overseas business as a whole by quarter. Since the fiscal year of all of our group's overseas businesses end in December, the Q3 forecast is almost a definite result of the actual figures. As you can see, the overseas business is expected to bottom out in Q2, improve its earnings, and return to profitability from Q3 onward.

H1 had JPY13.5 billion in deficit. This was due to the fact that it took time to establish optimal operating conditions at Opal's Maryvale Mill after a review of its production system, the continued weakness in the Asia export base paper markets, the generally weak demand for corrugated box market in Australia in Opal's packaging business, and the extended shutdown period of NDP due to major maintenance and additional maintenance.

On the other hand, as explained earlier, the overseas business is expected to return to profitability in H2, as the impact of the long-term suspension of operations at NDP is gone, operations and sales are currently favorable, and the effects of various measures being promoted by Opal are expected to emerge.

We will discuss Opal in more detail later.

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Measures against accelerated demand decline in graphic paper

- Maintenance of sales volume, cost improvement, and timely reorganization of production system

Expansion and profitability improvement of Daily-Life Products Business

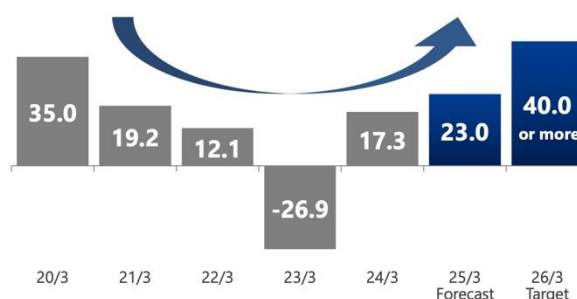
- Sales expansion through differentiation strategies such as high value-added products
- Enhancement of profitability of overseas business

Management based on a strong awareness of balance sheet

- Streamlining of assets and reduction of net interest-bearing debt

Operating Income

(billion yen)



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Here, we would like to explain some of the priority tasks we are focusing on to achieve the goals of our Medium-Term Business Plan 2025. The first is measures against the accelerated demand decline in graphic paper. In the graphic paper business, we will review our production system in a timely manner while striving to maintain sales volume and improve costs.

The second is to expand and strengthen profitability of the Daily-Life Products Business. In the domestic business, we will strive to expand sales by focusing on differentiation strategies, such as high value-added products. In the overseas business, we will continue to strengthen the profitability of Opal and NDP.

The third is management based on a strong awareness of the balance sheet. Efforts are underway to streamline assets, including idle fixed assets and investment securities, and to reduce net interest-bearing debt.

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Measures against Accelerated Demand Decline

Strategically expand and maintain sales volume

- Develop and expand lineup of environmentally-friendly products such as printing paper with reduced GHG emissions in its production process.
- Strategically expand exports of industrial paper (packaging, label applications, etc.)

Strengthen competitiveness through cost improvement

- Promote cost reduction in Paper and Paperboard Business, including energy conservation.

Timely reorganization of production system

- No.8 paper machine at Shiraoi Mill and N2 paper machine at Yatsushiro Mill to be shut down in FY2026/3



Maintain profitability of Paper and Paperboard Business

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9

From here, I will explain the measures and strategies for each business to achieve the Medium-Term Business Plan 2025. First, we will discuss the measures against the accelerated demand decline for graphic paper. As you know, the shrinking demand for graphic paper is accelerating, and we are responding to this situation mainly in three ways.

The first measure is to strategically expand and maintain sales volume. We will expand sales by leveraging our technological capabilities cultivated over many years to develop and expand our lineup of environmentally-friendly products that will be chosen by the market, such as printing paper with reduced GHG emissions in its production process. We also intend to continue to strategically expand exports, including industrial paper for packaging and label applications.

The second measure is to strengthen competitiveness through cost improvement. We will continue our efforts to improve operating efficiency through stable operations or cost reductions, such as energy conservation.

Finally, the third measure is a timely reorganization of the production system. As announced in August, the Shiraoi Mill's number eight paper machine and the Yatsushiro Mill's N2 paper machine are scheduled to be shut down in FY2025. We will continue to review our production system in a timely manner. Through these measures, we intend to maintain profitability of the Paper and Paperboard Business in FY2025 and beyond.

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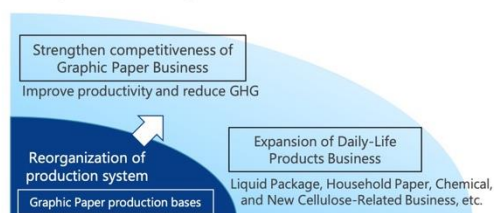




Plan and Progress of Production System Reorganization



Policy for Reorganization of Production System



- Strengthen competitiveness by consolidating production bases of graphic paper
- Reduction of fixed costs such as depreciation, and improvement of productivity by maintaining and improving operating rates.
- Expand growth areas such as Daily-Life Products Business by leveraging existing resources (human resources, pulp and utility supply capacity, supply chain, etc.)
- April 2024 Paper machine for household paper starts operation at Ishinomaki Mill.
- FY2028/3 Household paper operations to begin at Yatsushiro Mill.

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I would like to reiterate our plan and progress of the production system reorganization. Since 2021, when the Medium-Term Business Plan 2025 was launched, we have shut down or have made decisions of shutdown for six paper machines. The reduction in fixed costs due to the shutdown will be approximately JPY10 billion, mainly in depreciation and repair costs. The reduction in production capacity will be approximately 870,000 tons, or about 30% less than in 2020.

In the face of declining demand, we are considering consolidating our graphic paper production bases to about three locations by FY2028, while maintaining a capacity utilization rate of about 90%. By consolidating production bases, we will maintain and strengthen the competitiveness of our graphic paper business while improving productivity and reducing GHG emissions.

At the same time, we intend to utilize the resources we have accumulated in the graphic paper business, such as human resources, pulp and utility supply capabilities, and supply chains, to expand our growth areas, particularly in the Daily-Life Products Business.

With the paper machine for household paper starting operations at the Ishinomaki Mill in April 2024 and household paper operations scheduled to begin in FY2027 at the Yatsushiro Mill, we will continue to leverage our existing resources to strengthen our earning power as a whole.

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Expansion and Profitability Improvement of Daily-Life Products Business

02 Measures and Strategies to Achieve
Medium-Term Business Plan 2025



Targets for Daily-Life Products Business for FY26/3

Upper row: net sales (billion yen) Lower row: operating margin (%)

Business	FY 24/3 Results	FY 25/3 Forecast (a)	FY26/3 Target (b)	Key Actions for Achieving Medium-Term Business Plan 2025
Paper containers and bags	103.8 2.3%	115.0 0.9%	120.0 5%	Expand sales of paper containers and secure stable earnings from NDP
Household Paper & Healthcare	104.8 3.0%	120.0 2.5%	130.0 5%	Further promote differentiation strategy Maximize the use of new facilities
Chemical Cellulose Products	55.0 3.8%	60.0 8.3%	60.0 9%	Realize the benefit of capital investment Accelerate development and sales expansion of cellulose products
Opal	173.2 -8.1%	185.0 -5.7%	190.0 1%	Structural Reforms at the Maryvale Mill Strengthen the foundation of the packaging business
Total	436.8 -1.8%	480.0 -0.4%	500.0 4%	

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From here, I will explain how we are expanding and strengthening profitability of our Daily-Life Products Business. In order to achieve the Medium-Term Business Plan 2025, we have set targets of net sales and operating income margin for each business in the Daily-Life Products Business for FY2025. For the Daily-Life Products Business as a whole, we are targeting net sales of JPY500 billion and an operating margin of 4% in FY2025.

While net sales in each business are generally expanding as planned, we must further improve the operating income margin toward FY2025. The key actions for each of these businesses are as described and will be explained in detail on the following pages and beyond.

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Expansion and Profitability Improvement of Daily-Life Products Business

02 Measures and Strategies to Achieve
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Liquid paper containers

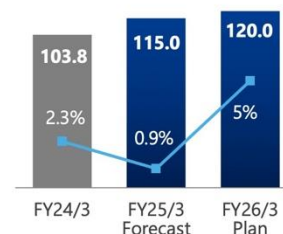
Domestic: Expand sales through differentiation strategy using total system

- Expand sales of environmentally-friendly base paper and containers
 - Further expand areas where School POP® straw-less containers are used.
 - Increase sales of environmentally-friendly paper cartons.
 - Early commercialization of the next-generation aseptic paper container system NSATOM®.
- Expand the use of domestically produced base paper within the Group

NDP: Increase earnings through stable operations and maximized production and sales

- Maintain stable operations (realize the benefits of large-scale maintenance)
- Expand earnings by maximizing production and sales
 - Expand sales of liquid packaging board and base paper for cups based on stable demand.
- Expand sales of high value-added products

Net Sales / Operating margin (billion yen)



*Domestic paper pack + Nippon Dynawave Packaging (NDP)

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First, I would like to discuss the liquid paper containers business, which is a combination of Nippon Paper, paper pack business and NDP in North America. In the domestic paper pack business, we aim to increase sales through a differentiation strategy based on a total system that provides services for base paper, container design and processing, and filling machines all in one package. We plan to further expand sales of environmentally-friendly base paper and containers, such as School POP straw-less paper containers, environmentally-friendly paper cartons, including lightweight base paper and non-aluminum, and the next-generation aseptic paper container system NSATOM.

We will also work to further expand the use of domestically produced base paper of our group. Furthermore, for NDP, we will strive to increase earnings through stable operations and maximization of production and sales. Thanks to the effects of the large-scale maintenance work carried out in H1 of this fiscal year, the current operation is stable and will be maintained in the future.

Regarding sales, we aim to maximize earnings by expanding sales of liquid packaging board and base paper for cups, for which demand is strong. NDP also has high value-added products, such as high-barrier base paper, and we plan to utilize these products to expand earnings.

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Expansion and Profitability Improvement of Daily-Life Products Business

02 Measures and Strategies to Achieve
Medium-Term Business Plan 2025



Household Paper & Healthcare

Expand sales by differentiation and enhancement of sales functions

- Sales expansion based on the concept of “compact & large volume”
- Sales expansion through e-commerce

Strengthen profitability by reducing costs and securing fair prices

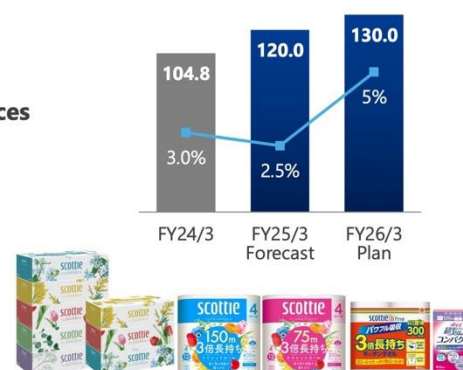
- Improve productivity with new cutting-edge machines, reduce cost by using self-manufactured pulp, and maximize group benefits
- Maintain fair prices in line with actual logistics and labor costs

Promote overseas expansion

- Promote overseas expansion by strengthening cooperation with global partners

Net Sales / Operating margin

(billion yen)



Product lineup based on the concept of “compact & large volume”
(250 pairs of Scotty Flowers, 3x rolled toilet rolls, etc.)

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Next, I would like to discuss the household paper & healthcare business. In the household paper & healthcare business, we aim to expand sales by differentiating our products based on the concept of compact and large volume, and by strengthening our sales functions.

Sales of large-volume, long-lasting tissue paper, long toilet paper rolls and kitchen towels, or compact-type skin care products are growing. We plan to further expand these in the future. Sales through e-commerce are also growing year by year, and we will continue to strengthen our sales functions in response to the changing purchasing patterns of our customers.

At the same time, we will continue our efforts to strengthen profitability by reducing costs and securing reasonable prices. In addition to improving productivity with new cutting-edge machines and strengthening cost competitiveness through integrated production from pulp to finished products, we will also pursue maximization of group benefits by utilizing pulp produced by our group.

In the event of cost increases that cannot be covered by our own efforts, such as logistics and labor costs, we will continue to take appropriate price action to maintain fair prices. In promoting overseas expansion, we intend to expand overseas sales from a medium- to long-term perspective by strengthening cooperation with global partners.

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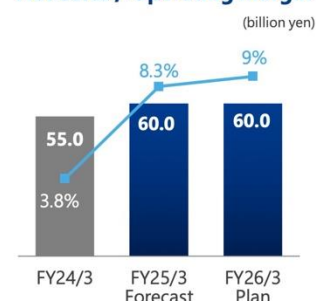


Chemical

Improve operating margin through capital investment and development & expansion of high value-added products

- Demonstration of the benefit of capital investment
 - Production increase in functional cellulose and functional coating resin through capacity enhancement.
- Expand sales of dissolving pulp (DP)
 - Volume expansion in Japan and overseas.
 - Improve production efficiency at Gotsu Mill by increasing production volume.
- Expand sales of functional cellulose and build a stable supply system
 - Market development and expansion of sales destination in food, industrial, and other high-demand applications.
 - Increase sales of CMCs for LiB through full utilization of new facilities at Gotsu Mill and start-up of new plant in Hungary (scheduled to start operation in spring 2025).
- Actions for other products
 - Functional coating resin ➡ Develop environmentally-friendly products and expand sales by developing new applications.
 - Functional Films ➡ Continue to develop products with high functionality and expand sales in the display market.
 - Lignin and other functional chemical products ➡ Expand market in industrial and agricultural sectors.

Net Sales / Operating margin



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Continuing on, I would like to talk about the chemical business. In the chemical business, the Company will aim to improve the operating income margin to net sales by realizing the effects of capital investment and developing and expanding sales of high value-added products.

With respect to capital investment effects, during the period of the Medium-Term Business Plan 2025, we are implementing large-scale construction projects to support increased production in the areas of functional cellulose and functional coating resins, and we plan to ensure that the effects of these projects are realized.

In terms of sales, we will work to expand sales of dissolving pulp both in Japan and overseas and promote cost improvement at the Gotsu Mill by maximizing production volume as well as sales expansion.

With regard to functional cellulose, we are developing markets and expanding sales destinations for food and industrial applications where demand is strong. We will also increase production of CMCs for lithium-ion batteries by fully utilizing the new facilities at the Gotsu Mill and by launching a new plant in Hungary.

In functional coating resins, functional films, and functional chemical products such as lignin, we plan to expand sales by developing high value-added products.

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Basic Policy and Priority Tasks

Basic Policy	Aiming to earn positive profit in FY2025
Priority Tasks	<ul style="list-style-type: none"> • Restructuring and profitability enhancement of Opal Australian Paper [OAP] (Maryvale Mill) • Strengthen the foundation of packaging business and improve profits

Opal's Operating Income Trends(Forecast)

(A\$ million)

	2023 Actual	2024Forecast						2025 Forecast	※Announce in May 2024 Forecast
		1QActual	2QActual	1H Total	3Q Forecast	4Q Forecast	2H/Total	FY2024 Total	
Opal Australian Paper [OAP] (Maryvale Mill)	-128	-38	-27	-65	-20	-15	-35	-100	-30
Packaging Business	-23	-13	-4	-17	-2	15	13	-5	50
Opal Total	-151	-51	-31	-82	-22	0	-22	-105	20

- Despite negative profit in 2024 for both Maryvale Mill and Packaging Business, steady QTR on QTR profit improvement is shown.
- Turn Packaging Business positive profit in 4Q.

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Here is a little more detail on the restructuring of Opal. We recognize that restructuring Opal is the most important issue at hand, and we are making group-wide efforts to rebuild the business with the aim of achieving a solid profit in FY2025. Our priority tasks are to restructure and enhance the profitability of the Maryvale Mill, the former Opal Australian Paper, and to strengthen the foundation of the packaging business and increase its earnings.

For FY2024, we forecast an operating loss of AUD100 million for the Maryvale Mill, a loss of AUD5 million for the packaging business, and a total loss of AUD105 million for Opal, an improvement from the AUD151 million loss in FY2023, but still a difficult situation.

However, a quarterly review of FY2024 shows that the losses in both the Maryvale Mill and the packaging business have narrowed, and in Q4 the packaging business is expected to turn profitable and Opal as a whole is expected to break even.

In FY2025, the Maryvale Mill is expected to post a AUD30 million loss and the packaging business a AUD50 million surplus, for a total of AUD20 million surplus. In addition to ensuring Opal's overall profitability, we intend to address the issues of eliminating the deficit at the Maryvale Mill, which still remains, and further expanding earnings in the packaging business.

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Restructuring and profitability enhancement of Maryvale Mill

Overview and Main Measures in FY2023 - FY2025

	FY2023-FY2024 1 st Half	FY2024 2 nd Half – FY2025
Optimization of manufacturing footprint Operating stabilization	<ul style="list-style-type: none"> Closed 2 paper machines with 3 remaining machines operating for packaging grade. Completed pulp mill transition (from batch to continuous mill). Not achieved the initial plan of daily output and targeted yield due to delay in optimizing operating conditions. 	<ul style="list-style-type: none"> Reinforce operational and technical engineering support from NPI. Optimize operating conditions and achieve stable operation.
Fixed cost reduction	<ul style="list-style-type: none"> Implemented reduction in personnel as planned. Maintenance costs increased due to operating troubles. 	<ul style="list-style-type: none"> Continue to review headcount. Reduce maintenance costs through operating stabilization. End to end review of fixed costs for efficiency gain.
Sales mix improvement	<ul style="list-style-type: none"> Deterioration of export market in Asia drove transition of sales mix to more profitable products and regions. 	<ul style="list-style-type: none"> Increase sales volume of profitable kraft papers. Increase sales volume of internal-sales and non-Asia regions' export.
Strengthen group collaboration	<ul style="list-style-type: none"> Reinforced operational and technical support from NPI. 	<ul style="list-style-type: none"> Expand NPI group collaboration including sharing group sales distribution channels.

Accelerate earnings improvement to build a structure that will achieve profitability
urgently by operational stabilization, fixed cost reduction, and a review of the sales mix.

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I would like to explain a little about our efforts to reform the structure and strengthen the profitability of the Maryvale Mill. First is the optimization of the manufacturing system and stabilization of operations. Three package-type paper machines are in operation, and the pulp mill transition from batch to continuous mill has been completed. However, it took time to establish optimal operating conditions, resulting in slower-than-planned improvements in daily pulp production and specific consumption. In response, Nippon Paper has been strengthening its technical support and other measures and has recently been able to establish generally optimal operating conditions, with operations gradually stabilizing.

With regard to fixed cost reductions, reductions in personnel generally progressed as planned, but repair and maintenance costs were higher than planned due to unstable operations. We will continue to reduce fixed costs further by continuing to cut personnel and reduce repair costs by stabilizing operations.

On the other hand, in terms of sales, while the market for export base paper to Asia remains sluggish, we are making drastic improvements in the sales mix by shifting to advantageous products and regions, such as expanding sales of highly profitable kraft paper, increasing the ratio of internal sales, and increasing sales to regions outside Asia, and the effects of these efforts are gradually beginning to show.

In FY2025, we intend to further expand this initiative to improve profitability. In addition to operational and technical support from Nippon Paper, the Group will also strengthen cooperation in sales, and the Group as a whole will work together to rebuild the Maryvale Mill.

Since our withdrawal from the graphic paper business, it has taken time to implement structural reforms and improve profitability, but the effects of measures to stabilize operations, reduce fixed costs, and revise the sales mix are beginning to show results. We intend to accelerate the improvement of profitability by further promoting these initiatives, with the aim of achieving profitability at the Maryvale Mill at the earliest possible date.

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Strengthen the Foundation of the Packaging Business and Improve Profits

Overview and Main Measures in FY2023 - FY2025

	FY2023-1st FY2024 1st Half	FY2024 2nd Half - FY2025
Capital investment	<ul style="list-style-type: none"> New corrugated box plant in VIC state is operating smoothly. Invest in 4 converting machines (3 plants in NSW, QLD and SA states) to replace 8 aging pieces of equipment. 	<ul style="list-style-type: none"> Fully utilize new corrugated box plant and new converting machines.
Fixed cost reduction	<ul style="list-style-type: none"> Consolidated bag manufacturing sites and paper carton manufacturing sites respectively. Rationalized personnel and improving productivity through renewal of converting machines. Company-wide headcount reduction. 	<ul style="list-style-type: none"> Consolidate corrugated box plants. (closure of 1 plant in QLD state). Realize the full benefit of personnel rationalization. Continue to review company-wide headcount.
Sales	<ul style="list-style-type: none"> Despite weak market demand of corrugated box in Oceania, Opal's sales volume increased 4%-5% YoY. Conditions in Asia export paper markets continued to deteriorate. 	<ul style="list-style-type: none"> Capital investment to increase productivity. Differentiation through providing quality and customer service. Expand market share of corrugated box market profitably. Increase internal sales of paper (and decrease export)



Improve profits by enhancing production efficiency, reducing costs, and expanding sales through capital investment and strengthening sales strategy

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This page explains how Opal is strengthening the foundation of its packaging business and expanding profits. With regard to capital investment, the new corrugated box plant in Victoria, which started operation in August 2023, is operating smoothly, and the three plants in New South Wales, Queensland, and South Australia have been progressively upgrading aging corrugated box processing machines to significantly improve production efficiency.

In terms of fixed cost reduction, the Company has promoted significant personnel rationalization by consolidating and closing bases in the bag-making and carton businesses and updating corrugated box processing machines, while also implementing company-wide personnel reductions. Furthermore, we are continuing our efforts to reduce fixed costs, including the closure of our corrugated box plant in Queensland this past August.

In terms of sales, demand for corrugated boxes in Australia has been sluggish due to the economic slowdown and a slowdown in consumer spending. Despite this, Opal's sales volume grew 4% to 5% YoY by strengthening its sales strategy. We will continue to expand our market share in the Oceania region by improving production efficiency through capital investment and differentiating ourselves through high quality and service.

In the packaging business, we plan to improve production efficiency, reduce costs, and expand sales through the effects of capital investment and strengthened sales strategies, thereby steadily increasing earnings toward FY2025. That is all I have to say about the restructuring of Opal.

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Improvement of financial stability

Appropriate investment decisions

- Careful selection of projects by strengthening investment profitability management

Streamlining of assets

- Consider utilization or sale of idle fixed assets
- Verify the significance of holding investment securities to reduce them

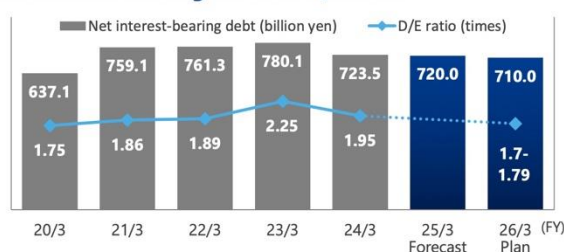
Reduction of net interest-bearing debt

- Reduce net interest-bearing debt to 710 billion yen by FY26/3 end.
- Reduce working capital.
- Control cash outflow with subsidies, etc.

Introduction of internal management indicators to improve asset and capital profitability

- Direction will be disclosed within FY25/3.

Net interest-bearing debt and D/E Ratio



Cash Allocation (FY24/3-26/3 Plan) (billion yen)



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I will continue with an explanation of management based on a strong awareness on the balance sheet. With an eye to improving financial stability, the Company is working to improve its balance sheet by pursuing initiatives as described.

Regarding appropriate investment decisions, we will carefully select investment projects by strengthening investment profitability management. With respect to asset streamlining, we will promote the utilization and sale of idle fixed assets. In addition, as in the past, we will continue to reduce investment securities, including cross-shareholdings, after examining the significance of such holdings.

With respect to the reduction of net interest-bearing debt, we are generally progressing as planned toward our goal of JPY710 billion by the end of FY2025. We will continue to reduce working capital and control cash outflow through the use of subsidies.

In June of this year, the Company also updated its disclosure of its response to achieving cost of capital and stock price conscious management. We are currently considering the introduction of internal management indicators to improve asset and capital profitability and hope to have a clear direction by the end of FY2024.

This is the end of the explanation of measures and strategies to achieve the Medium-Term Business Plan 2025.

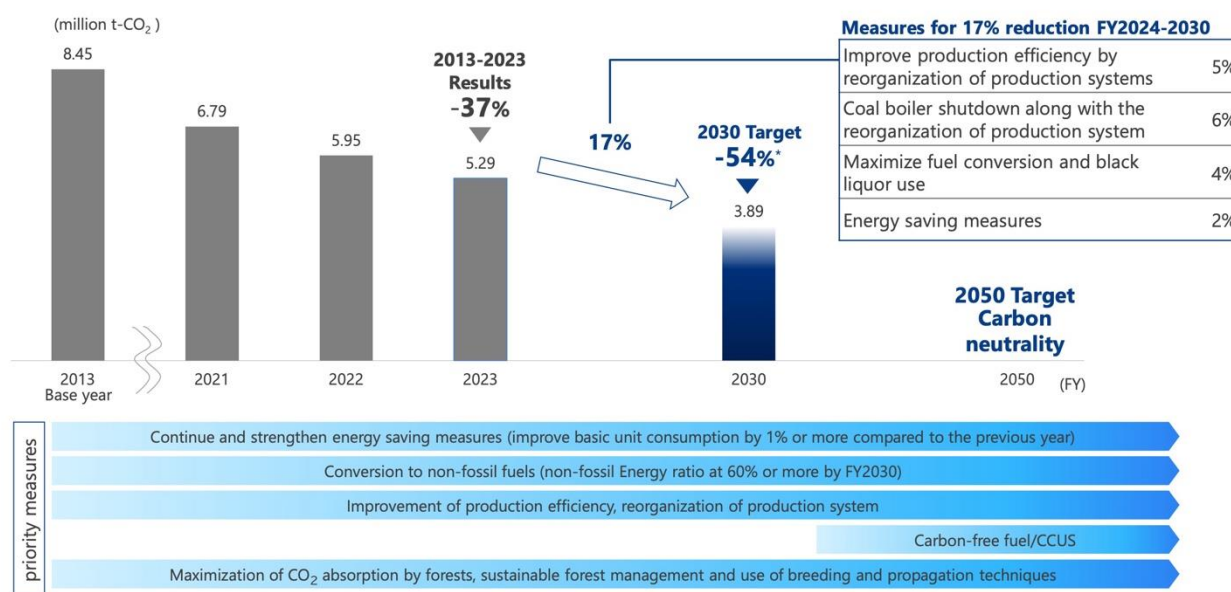
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GHG Emission Reduction Targets, Results and Plans



*Emissions related to manufacturing excluding the Energy Business sector

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20

Here, I would like to begin by explaining our efforts to reduce GHG emissions as part of our efforts to strengthen our sustainability management. GHG emissions in FY2023 were reduced by 37% compared to FY2013. Various efforts to reduce emissions are generally progressing according to the plan.

In order to achieve our target of 54% reduction from the FY2013 level for FY2030, we will continue to systematically improve production efficiency by reorganizing our production systems, stop using coal boilers, switching fuels, or maximizing the use of black liquor, and implement energy saving measures. We will continue to reduce GHG emissions in an integrated manner with the reorganization of our production systems.

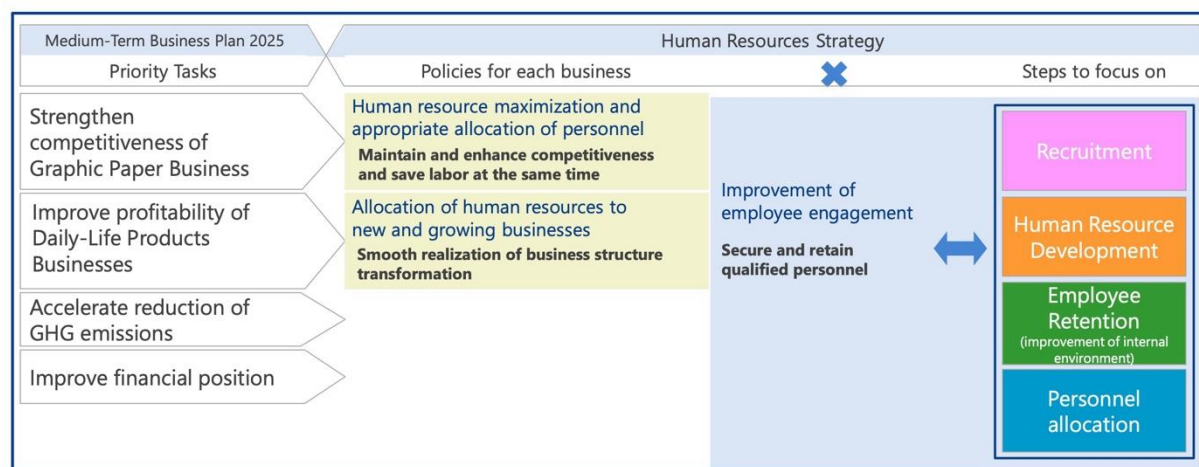
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Human Resource Strategy Linked to Priority Tasks Set Forth in the Medium-Term Business Plan 2025



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Here I will explain the promotion of human capital management. Based on the belief that it is essential to develop human resources who can take on the challenges of change in order to achieve the goals of the Medium-Term Business Plan 2025, we have clarified human resource strategies for each business and are working on measures to address each priority issue, with emphasis on recruitment, training, retention, and appropriate allocation.

To strengthen the competitiveness of the graphic paper business, which we have set as a priority task, we aim to simultaneously maintain and strengthen our competitiveness and reduce labor, based on the basic policy of promoting the utilization and appropriate allocation of personnel.

In order to strengthen the profitability of the Daily-Life Products Businesses, our basic policy is to allocate human resources to new and growing businesses, which will lead to the smooth implementation of a business structure transformation.

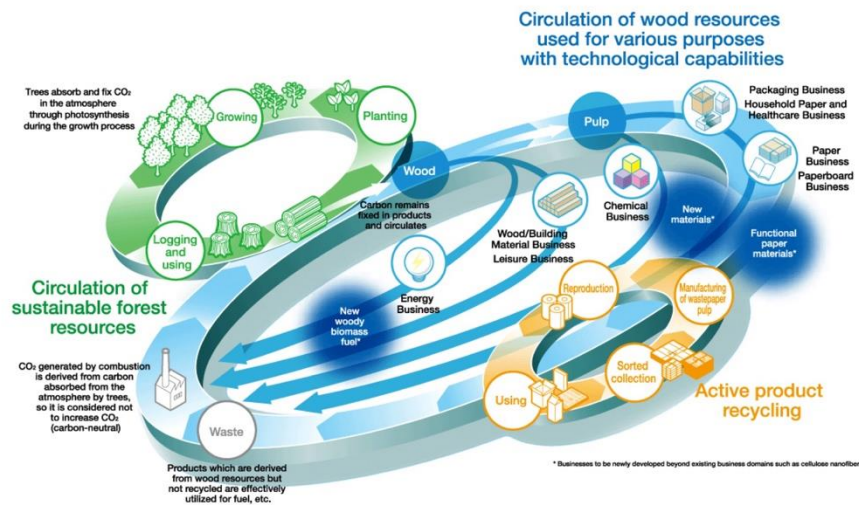
From the viewpoint of securing human resources to support our business strategy, we consider the improvement of employee engagement as another important basic policy in our human resources strategy, and we will strive to secure and retain excellent personnel through various human resource policies. We will continue to promote human resource strategies that are linked to our business strategies, based on the priority tasks of each business.

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Lastly, I would like to reiterate the three circulations that represent the business strategy of our group as a comprehensive biomass company. This represents a business model that simultaneously aims for the sustainable growth of the Group and the creation of a recycling-oriented society by circulating the three circulations of sustainable forest resources, wood resources used for various purposes with technological capabilities, and active product recycling into a faster and larger cycle.

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Monetary value of public interest functions of company-owned forests in Japan

Nippon Paper Industries' company-owned forests in Japan

Approx. 90,000 ha

Valorization of public interest functions of the company-owned forests in Japan

Approx. 350.0 billion yen*

*Estimates based on "the 2017 ecosystem service value evaluation related to corporate biodiversity preservation activities" published by the Ministry of the Environment.
Figures are taken from the figures already published on page 24 of the NIPPON PAPER GROUP Integrated Report 2022.

Public interest functions of forests

- Water resource conservation (water resource cultivation)
- Landslide disaster prevention
- Biodiversity conservation
- Global warming prevention
- Cultural, health and recreational functions
- Forming comfortable environment

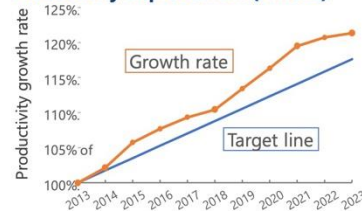
Improving productivity in overseas forest plantation

- Leveraging forest tree breeding technology using genome information
- Significantly shortened the selection period for superior strains (from 12 years to 5 years)
- Improvement in productivity and CO₂ fixation rate

CO₂ fixation efficiency improvement target (vs. 2013)

30%

Productivity improvement (AMCEL)



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Of the three circulations, I will mention here the efforts related to the sustainable forest resources circulation. We own approximately 90,000 hectares of company-owned forests in Japan. Using the Ministry of the Environment's "The 2017 eco system service value evaluation related to corporate biodiversity preservation activities", we estimate the value of the public interest functions of these company-owned forests in Japan to be approximately JPY350 billion. This is only an estimate based on the Ministry of the Environment's evaluation method, but we intend to deepen our study on how to visualize and realize such value in the future.

Meanwhile, we are working to improve productivity in overseas forest plantation with the goal of increasing CO₂ fixation rate by 30% by 2030 compared to 2013. AMCEL in Brazil is making steady progress toward achieving its goals, including the use of genome-based selection and breeding technology to shorten the selection period for superior lines from 12 years to about five years.

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Growth Strategy Based on the Three Circulations

- Expansion of forest and timber related businesses

03 Enhancement of Sustainability Management



Strengthening Wood Procurement Foundation by utilizing Collection & Supply System and Proprietary Technologies and Capturing New Demand

Promoting use of domestic Wood

- Maximize nationwide wood collection & supply system
- Further expand national top-class domestic wood handling volume

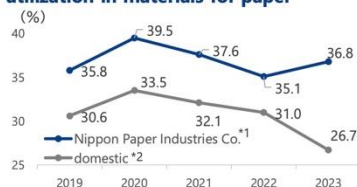
Stable supply of fuel wood chips

- Increased demand for fuel chips due to increase in biomass power plants
- Focus on stable supply of fuel chips and capturing new demand

Expansion of Elite Tree Seedling Business

- Steadily supply of seedlings with excellent properties, including 1.5 times the normal growth rate
- Contribute to enhance competitiveness of Japanese forestry industry by shortening payback time and reducing afforestation costs
- Aim to build a production system for 10 million trees/year

Changes in the rate of domestic wood utilization in materials for paper (%)

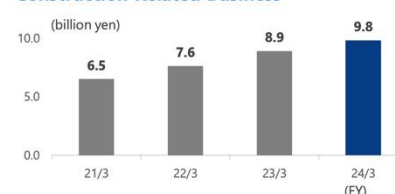


^{*1} Rate of domestic wood utilization in materials for paper (NPI). Calculation includes waste wood chips from domestic sawmills.
^{*2} Self-sufficiency rate for wood used for pulp and chip production.
 Source: "Pulpwood Supply and Demand" Japan Paper Association

Elite Tree/ Production of quality seeds in closed seed gardens



Operating income of Wood Products and Construction Related Business (billion yen)



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Here I will explain the expansion of our forest and timber related businesses. In the forest and timber related businesses, we are working to strengthen our supply system and expand our business by utilizing our stable procurement foundation and proprietary technologies.

In the domestic wood business, we will further expand the volume of domestic wood handled, which is one of the highest in Japan; by fully utilizing the collection and supply system we have established throughout Japan over our long history.

In the fuel wood chips business, the Group is strengthening its procurement foundation in Japan and overseas and is expanding the supply of fuel chips not only within the Group but also to outside the Group.

The elite tree seedling business will contribute to strengthening the competitiveness of the Japanese forestry industry by providing a stable supply of seedlings with excellent properties, and at the same time, we plan to expand the business by establishing a production system to produce 10 million seedlings by FY2030.

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Growth Strategy Based on the Three Circulations

-Promotion of new cellulose-related businesses

03 Enhancement of Sustainability Management



Roadmap for New Businesses and New Materials

Develop and distribute products that contribute to solving social issues such as food security and reduction of GHG emissions by effectively utilizing domestically- procured wood resources.



*Selected as an R&D theme for Research and Development of Technologies to Promote Biomanufacturing by New Energy and Industrial Technology Development Organization (NEDO)

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25

Finally, I will explain the promotion of new cellulose-related businesses. The Group aims to develop and distribute products that contribute to solving social issues, such as food security and reduction of GHG emissions, by effectively utilizing wood resources, mainly domestic wood.

Due to time constraints, I will omit explanations on each today, but we would like to promote the development, market development, and sales expansion of a wide range of cellulose-related businesses by utilizing pulp production capacity, including the new cellulose-based products, bioethanol, biocomposite, and wood-based feed that are shown here.

We will continue to further strengthen our collaboration with other companies and research institutions and accelerate our efforts to quickly bring the new cellulose business into competitive strength.

That is all for my explanation of the strategies. Thank you very much.

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