

Event Summary

[Company Name]	Nippon Paper Industries Co., Ltd.	
[Company ID]	3863-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending March 2025	
[Fiscal Period]	FY2024 Q3	
[Date]	February 7, 2025	
[Time]	17:00 – 17:44 (Total: 44 minutes, Presentation: 14 minutes, Q&A: 30 minutes)	
[Venue]	Webcast	
[Number of Speakers]	Tomoyasu Itakura	Director, Managing Executive Officer, and General Manager, Financial Division
	Akira Sebe	Managing Executive Officer, and General Manager, Corporate Planning Division
	Ryo Koide	General Manager, Accounting & Budgeting Department
	Takanori Sano	General Manager, Corporate Planning Department

3rd Quarter FY2025/3 Financial Results



Consolidated Statement

(¥billion)

	Total Q1-Q3 FY2024/3 Results	Total Q1-Q3 FY2025/3 Results	Y on Y changes	
			Amount	%
Net sales	874.5	886.3	11.8	1.3 %
Operating income	9.3	11.1	1.8	19.2%
Ordinary income	7.6	12.8	5.2	68.4%
Net income *	-8.3	0.1	8.4	-

* 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 increased year-on-year due to strong performance in the Daily-Life Products Business (domestic) and Energy Business.

Domestic/Overseas

Operating Income Trends (¥billion)

	FY2025/3			
	Q1	Q2	Q3	Total
Domestic	8.0	7.6	9.0	24.6
Overseas	-3.9	-9.6	0.0	-13.5
Total	4.1	-2.0	9.0	11.1

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Itakura: Hello, everyone. I am Itakura from the Financial Division. Thank you for your cooperation. I would like to present an overview of the financial results for Q3 of FY2024.

This is a summary of results for Q3 of FY2024. Net sales increased by JPY11.8 billion YoY to JPY886.3 billion, mainly due to sales growth in household paper & healthcare products and chemicals, where demand remained strong, despite a decrease in sales volume due to the impact of lower demand for graphic paper. Operating income increased by JPY1.8 billion YoY to JPY11.1 billion due to solid performance in the domestic Daily-Life Products Business and Energy Business, despite the impact of large-scale maintenance work performed at Nippon Dynawave Packaging. As shown in the domestic/overseas operating income trends, the domestic business has been consistently profitable in each quarter. Overseas business also saw a significant improvement in profits in Q3. Extraordinary items included Opal's business restructure improvement expenses such as special retirement payments and impairment losses related to the planned shutdown of the Shiraio Mill and Yatsushiro Mill, while gains on sales of investment securities were recorded as a result of continued sales of cross-shareholdings and others. As a result, ordinary income was JPY12.8 billion and net income was JPY0.1 billion.

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3rd Quarter FY2025/3 Financial Results



Results by Segment

(¥billion)

	Net sales			Operating income		
	Total Q1-Q3 FY2024/3 Results	Total Q1-Q3 FY2025/3 Results	Y on Y changes	Total Q1-Q3 FY2024/3 Results	Total Q1-Q3 FY2025/3 Results	Y on Y changes
Paper and Paperboard	430.6	429.4	-1.2	8.1	6.8	-1.3
Daily-Life Products	328.5	343.1	14.6	-6.0	-6.9	-0.9
Energy	39.2	35.5	-3.7	-0.3	2.0	2.3
Wood Products and Construction Related	53.8	55.7	1.9	6.7	6.1	-0.6
Others	22.4	22.6	0.2	0.8	3.1	2.3
Total	874.5	886.3	11.8	9.3	11.1	1.8

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Net sales and operating income by segment are shown in the table. Net sales totaled JPY886.3 billion, with higher sales in the Daily-Life Products Business, Wood Products and Construction Related Business, and other business, and lower sales in the Paper and Paperboard Business and Energy Business. Operating income was JPY11.1 billion, with higher income in the Energy Business, which performed well, and lower income in the Paper and Paperboard Business and Daily-Life Products Business. 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	4.3	-1.5	—	5.8	—
Raw material and fuel prices	-3.9	-2.0	Wood Chips -2.6, Wastepaper -5.3, Pulp -0.4 Oil -0.4, Coal 8.6, LNG 0.0, Chemicals, etc. -1.9 (Price 3.8, FOREX -5.8)	-1.9	Pulp -0.9, Coal 0.3, Chemicals, etc. -1.3
Cost reductions, etc.	-1.8	-0.7	Cost reductions 4.4, Labor costs -1.7, Logistics costs -3.4	-1.1	Cost reductions 0.4, Labor costs -0.5, Logistics costs -1.0
Others	-0.8	2.9	Overseas business 1.5, Depreciation 1.2, Retirement benefit expenses 3.0, Inventory value adjustment, etc. -2.8	-3.7	Overseas business -3.8, Depreciation -0.7 Inventory value adjustment, etc. 0.8
Total	-2.2	-1.3	Domestic business -2.8, Overseas business 1.5	-0.9	Domestic business 2.9, Overseas business -3.8
Other businesses	4.0	Energy 2.3, Wood Products and Construction Related -0.6, Others 2.3			
Operating income	1.8				
Non-operating income	3.4	Net financial revenue 1.3, Equity in net income of affiliates 4.7, Foreign exchange difference -3.3, Others 0.7			
Ordinary income	5.2				

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The breakdown of the factors for the increase/decrease is as shown here. First, the Paper and Paperboard Business reported a JPY1.3 billion decrease in profit YoY. Volume and sales price is negative JPY1.5 billion. This was due to a decline in sales volume resulting from lower demand for graphic paper. Although raw material and fuel prices such as coal remained stable, costs increased due to the weak yen and price hikes mainly in wood chips and wastepaper, resulting in a JPY2 billion decrease in profit.

Cost reductions etc., such as increased efficiency through operational innovations, energy conservation, and the use of inexpensive materials, resulted in cost improvements that were largely in line with plans, but labor costs and logistics costs including ocean freight, increased, resulting in an overall negative result.

Daily-Life Products Business reported a JPY0.9 billion decrease in profit YoY. The domestic business reported an increase due to the effect of price revisions in packaging, increased sales volume and the effect of price revisions in household paper & healthcare products and chemicals.

The overseas business reported a YoY increase in profit in Q3, but a decrease in profit mainly due to the impact of large-scale maintenance at NDP in H1. In other businesses, the Energy Business reported an increase of JPY2.3 billion, while the Wood Products and Construction Related Business reported a decrease of JPY0.6 billion. As for the JPY2.3 billion increase in others, the major difference factor was an adjustment due to intersegment eliminations.

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Paper and Paperboard Business

(¥billion)					
Total Q1-Q3 FY2024/3 Results	Net sales		Total Q1-Q3 FY2024/3 Results	Operating income	
	Total Q1-Q3 FY2025/3 Results	Y on Y changes		Total Q1-Q3 FY2025/3 Results	Y on Y changes
430.6	429.4	-1.2	8.1	6.8	-1.3

- 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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We will now explain our performance by segment. First, the Paper and Paperboard Business. Regarding the domestic business, demand for both paper and paperboard products remained sluggish, and domestic sales volume was lower than in the same period of the previous year. Despite the stable price of coal and other fuels and the positive effect of cost improvements, the increase in labor and logistics costs had a significant impact, resulting in a decrease in profit.

The overseas business of Jujo Thermal 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. 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)

	Total Q1-Q3 FY2024/3 Results	Net sales		Operating income		
		Total Q1-Q3 FY2025/3 Results	Y on Y changes	Total Q1-Q3 FY2024/3 Results	Total Q1-Q3 FY2025/3 Results	Y on Y changes
Domestic	160.3	169.7	9.4	5.4	8.3	2.9
Overseas	168.2	173.4	5.2	-11.4	-15.2	-3.8
Total	328.5	343.1	14.6	-6.0	-6.9	-0.9

Package 0.5, Chemical 2.0,
Household paper and Healthcare 0.4

Opal -0.3, NDP -3.5, TSP 0.0

- 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
 - Although Opal saw a year-on-year decrease in profits due to the impact of exchange rates, etc., it made progress in cost improvement such as reduction of fixed costs. As a result, both Maryvale Mill and the packaging business saw improvements in quarterly earnings.
 - NDP saw a year-on-year decrease in profits due to the impact of cold wave and a long-term maintenance shutdown in the first half of the year. However, after the maintenance shutdown, the production system returned to normal in the third quarter and profits increased year-on-year.

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Next, I will explain the performance of the Daily-Life Products Business. In the domestic business, sales volumes of dissolving pulp, functional coating resins, and toilet paper rolls increased, but sales volumes of facial tissue and liquid packaging cartons decreased. Overall, despite cost increases in raw materials and logistics costs, higher volume and product price revisions contributed to higher sales and income.

Among overseas businesses, Opal reported a YoY decline in earnings, partly due to the impact of foreign exchange rates, but both the Maryvale Mill and the packaging business improved their quarterly earnings as a result of cost improvements, including fixed cost reductions.

NDP in North America experienced a significant YoY decline in profit on a cumulative basis due to the impact of cold wave and a long-term maintenance shutdown in H1. However, after the maintenance shutdown, the production system returned to normal in Q3 and profits increased YoY.

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Energy Business

(¥billion)

Total Q1-Q3 FY2024/3 Results	Net sales		Total Q1-Q3 FY2024/3 Results	Operating income	
	Total Q1-Q3 FY2025/3 Results	Y on Y changes		Total Q1-Q3 FY2025/3 Results	Y on Y changes
39.2	35.5	-3.7	-0.3	2.0	2.3

• 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)

Total Q1-Q3 FY2024/3 Results	Net sales		Total Q1-Q3 FY2024/3 Results	Operating income	
	Total Q1-Q3 FY2025/3 Results	Y on Y changes		Total Q1-Q3 FY2025/3 Results	Y on Y changes
53.8	55.7	1.9	6.7	6.1	-0.6

• 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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In the Energy Business, revenue decreased due to an increase in the number of days off from maintenance and lower electricity sales prices following the decline in coal prices, but operations were generally stable, resulting in a YoY increase in earnings. In the Wood Products and Construction Related Business, revenue increased mainly due to an increase in the volume of fuel chips handled, despite a decrease in the number of new housing starts.

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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.

(The forecast for the breakdown of operating income by segment has been revised in November 2024.)

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There is no change in the forecast for the full year of FY2024 from that announced on May 15. The forecast of operating income by segment was revised in November last year.

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Fuel conversion at Ishinomaki Mill

- Achieve a significant reduction in GHG emissions by shutting down the coal boiler and installing a high-efficiency black liquor recovery boiler.
- This project has been included in the ¥52 billion environmental investment plan for the 2030VISION.
- Establishment of infrastructure for expansion of low GHG biomass products.

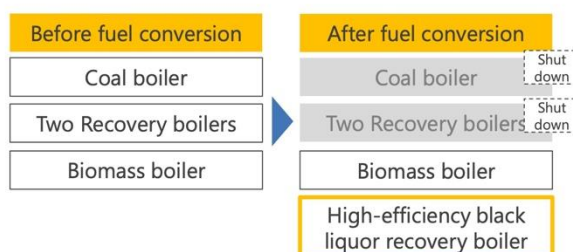
Capital Investment

Facility to be installed	A high-efficiency black liquor recovery boiler
Start of operation	Q4 FY2028
GHG emission reduction	500,000t-CO ₂ e* ¹ (794,000t-CO ₂ e → 294,000t-CO ₂ e) 10% of current company emission*²
Investment	¥55.5 billion (including ¥18.3 billion, the maximum amount of government support* ³)

*¹Includes the reduction effect of shutting down existing coal boilers.

*²Scope 1 and Scope 2 emissions related to product manufacturing

*³Selected for "Support Program for Energy and Manufacturing Process Transformation in Industries with Difficulty in Emission Reductions" of METI (January 2025).



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Sebe: I am Sebe from the Corporate Planning Division, taking over as speaker here. I would like to explain a little about the announcement made on January 21 regarding the enhancement of competitiveness of biomass products through GHG reduction at the Ishinomaki Mill.

This project for fuel conversion at the Ishinomaki Mill was selected for a government support program using GX Economic Transition Bonds. Specifically, a new high-efficiency black liquor recovery boiler will be installed at the Ishinomaki Mill, and at the same time, coal boilers will be shut down to significantly reduce GHG emissions, thereby laying the groundwork for future biomass product expansion.

The total investment will be JPY55.5 billion, one-third of which will be subsidized by the government. We are planning to invest JPY52 billion in the environment under our group 2030VISION, and this capital investment is not only a part of that but is positioned as a central project in that plan.

This is expected to reduce GHG emissions by approximately 500,000 tons of CO₂, or 10% of the Group's current GHG emissions. The Ishinomaki Mill mainly produces graphic paper and household paper, and as for new biomass products, in 2017 we installed the largest cellulose nanofiber production facility in Japan to develop the market.

We intend to make the mill one of our biorefinery bases for a wider range of biomass products with low GHG emissions, and this investment is supposed to develop an important foundation for the business.

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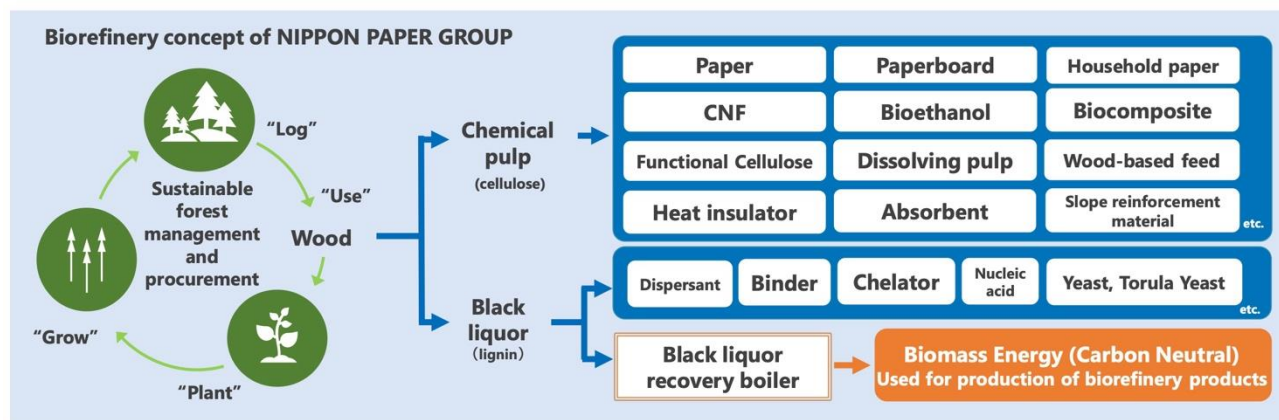
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Biorefinery Concept of NIPPON PAPER GROUP



- Produce a wide range of biomass products utilizing domestic wood.
- Expand this system from Ishinomaki Mill to other domestic mills and overseas sites.



Achieve ¥65 billion sales in new business as stated in the 2030VISION

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I would like to take this opportunity to take a few moments of your time to introduce a little bit about our group's biorefinery concept, which is not necessarily limited to the Ishinomaki Mill. The Group has long contributed to the circulation of forest resources and the revitalization of the forestry and timber industries through the cascade use of timber, especially in Japan, resulting in the stable procurement of domestic timber with low life cycle GHG emissions.

The concept is to utilize pulp with high environmental value made from such wood resources, and to use the black liquor generated in the production process as biomass energy to produce a wide variety of biomass materials such as cellulose nanofiber, bioethanol, and biocomposite, in addition to existing products such as paper, paperboard, and household paper.

The Group, through its chemical business, originally developed businesses of dissolving pulp, functional cellulose, and various lignin products, which can be regarded as the prototype of biorefinery from early on. We would like to utilize the unique technology and know-how we have accumulated over the years to provide a variety of biomass products to a wide range of markets, such as the mobility field, mainly automobiles, agriculture, civil engineering, foodstuffs, and cosmetics. We will develop our biorefinery concept at the Ishinomaki Mill and other domestic plants, as well as at overseas bases, and aim to achieve JPY65 billion in sales from new businesses as stated in our 2030VISION.

That is all. This concludes the presentation of the summary of financial results for Q3 of FY2024. Thank you very much.

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