

Financial Results for the Nine Months Ended December 31, 2023 Q&A Summary

- Q1 :** The full-year operating income plan of the daily-life products business has been reduced by JPY3.5 billion. Could you tell me how you changed your domestic and overseas profit plans for the business, and the background of the changes?
- A1 :** The earnings of Maryvale Mill, in particular, have been worse than previously explained. The overall cost unit was deteriorated due to a slight delay in the pulp production conversion. In addition, the export market is slightly worse than expected.
- On the other hand, the package business other than Maryvale Mill have already turned profitable as of now, as the effects of price increases and cost reductions are being materialized to a certain extent. Structural reform of the package business is progressing rather ahead of schedule.
- NDP in the US is worse off than previously explained due to the deteriorating pulp market and the impact of a drop in sales volume caused by some troubles and other factors.
- The profit plan for Opal and NDP deteriorated by JPY1.1 billion and JPY1.0 billion respectively, compared to the previous forecast.
- Q2 :** I think it will be a very important issue to improve Opal's profit and loss in the next fiscal year, but how much of the increase in profit can you calculate with certainty, related to fixed costs or other factors over the next fiscal year?
- A2 :** As previously explained, the fixed costs would be reduced by AUD50 million in 2024. We are now moving forward to make sure that this is done.
- Q3 :** I believe that in the previous forecast the cost reduction effect was approximately JPY10 billion throughout the year. However, it is more than JPY7 billion in the revised forecast. What are the factors behind the decline in cost improvement of about JPY3 billion here? Are the effects from cost reductions not fully materialized because the volume is still weak? Or are there any other factors?
- A3 :** The current volume is lower than expected, so it naturally influenced the decline. However, the biggest drop from our forecast is attributable to the deterioration in cost improvement due to temporary operational irregularities. Meanwhile, what we initially planned to do for cost improvement has already been done ahead of schedule. We can say that what we planned to do has been done. We believe that the operational irregularities are temporary, and we want to make sure that it recovers well.

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