

## Event Summary

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<b>[Company Name]</b>	Nippon Paper Industries Co., Ltd.	
<b>[Company ID]</b>	3863-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q3 Financial Results Briefing for the Fiscal Year Ending March 2024	
<b>[Fiscal Period]</b>	FY2023 Q3	
<b>[Date]</b>	February 9, 2024	
<b>[Time]</b>	17:04 – 17:50 (Total: 46 minutes, Presentation: 15 minutes, Q&A: 31 minutes)	
<b>[Venue]</b>	Dial-in	
<b>[Speakers]</b>	Tomoyasu Itakura	Director, Executive Officer, General Manager, Financial Division
	Akira Sebe	Executive Officer, General Manager, Corporate Planning Division
	Hikomichi Matoba	General Manager, Accounting & Budgeting Department
	Takanori Sano	General Manager, Corporate Planning Department



### Consolidated Statement

(¥billion)

	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	
			Amount	%
Net sales	849.4	<b>874.5</b>	25.1	3.0%
Operating income	-22.8	<b>9.3</b>	32.1	—
Ordinary income	-19.5	<b>7.6</b>	27.1	—
Net income *	-25.7	<b>-8.3</b>	17.4	—

\* Profit attributable to owners of parent

- Net sales increased year-on-year due to price revisions and other factors.
- Operating income returned to profitability due to cost reductions and product price revisions.
- Extraordinary gains were recorded due to the gain on sales of investment securities i.e., the sale of cross-shareholdings and others. Extraordinary losses were recorded due to the loss on withdrawal from graphic paper business of Opal.

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**Itakura:** I am Itakura from the Financial Division. Thank you for your time today.

I would like to explain an overview of the financial results for Q3 of FY2023.

Net sales increased 3% YoY to JPY874.5 billion, mainly due to the effect of various price revisions. Profits increased by JPY32.1 billion YoY due to the effects of cost reductions and price revisions, resulting in an operating income of JPY9.3 billion.

As for non-operating income or loss, equity in earnings of affiliates decreased YoY. As for extraordinary income or loss, a JPY4.5 billion gain on sales of investment securities was recorded as extraordinary income, while a JPY9.6 billion loss on withdrawal from graphic paper business of Opal, was recorded as an extraordinary loss.

Consequently, ordinary income was JPY7.6 billion and net income was a loss of JPY8.3 billion.

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### Results by Segment

(¥billion)

	Net sales			Operating income		
	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes
Paper and Paperboard	416.2	<b>430.6</b>	14.4	-22.0	<b>8.1</b>	30.1
Daily-Life Products	328.5	<b>328.5</b>	0.0	-6.6	<b>-6.0</b>	0.6
Energy	32.2	<b>39.2</b>	7.0	-2.2	<b>-0.3</b>	1.9
Wood Products and Construction Related	50.8	<b>53.8</b>	3.0	6.3	<b>6.7</b>	0.4
Others	21.7	<b>22.4</b>	0.7	1.7	<b>0.8</b>	-0.9
<b>Total</b>	<b>849.4</b>	<b>874.5</b>	<b>25.1</b>	<b>-22.8</b>	<b>9.3</b>	<b>32.1</b>

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Net sales and operating income by segment are shown in the table here.

Net sales increased in all segments, amounting to JPY874.5 billion.

Operating income also increased, excluding the other businesses. Details will be explained later in the section of each business result.

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## Factors for Changes

(¥billion)

		Paper and Paperboard Business		Daily-Life Products Business	
Volume, Sales Price	<b>61.2</b>	48.4	—	12.8	—
Raw material and fuel prices	<b>-17.3</b>	-12.0	Wood chips -5.9, Wastepaper 0.8 Pulp -0.3, Oil -0.7, Coal 1.5, LNG 1.2, Chemicals, etc. -8.6 (Price -2.9, FOREX -9.1)	-5.3	Pulp -1.9, Wood chips -0.6, Chemicals, etc. -2.8
Cost reductions, etc.	<b>6.7</b>	6.1	Cost reductions 2.1, Permanent machine shutdown at the Akita Mill and the Ishinomaki Mill 1.0, Labor costs 2.1, Others 0.9	0.6	—
Others	<b>-19.9</b>	-12.4	Overseas business -2.4, Depreciation 2.3, Retirement benefit expenses 1.1, Inventory value adjustment, etc. -13.4	-7.5	Overseas business -5.5, Inventory value adjustment, etc. -2.0
Total	<b>30.7</b>	30.1	Domestic 32.5, Overseas -2.4	0.6	Domestic 6.1, Overseas -5.5
Other businesses	<b>1.4</b>	Energy 1.9, Wood Products and Construction Related 0.4, Others -0.9			
Operating income	<b>32.1</b>				
Non-operating income	<b>-5.0</b>	Net financial cost -1.7, Equity in earnings of affiliates -2.1, FOREX -0.1, Others -1.1			
Ordinary income	<b>27.1</b>				

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The breakdown of the factors for changes is as shown here.

Although overall trends in raw material and fuel prices have calmed down, the total cost increase in the paper and paperboard business and daily-life products business was still approximately JPY17 billion in the first nine months of FY2023, due to the price difference in raw materials and fuels, as well as due to the impact of year-end inventories.

The paper and paperboard business recorded an increase of JPY30.1 billion in income YoY. Volume, sales price was an increase of JPY48.4 billion. Although volume decreased, price revisions for newsprint, printing and business communication paper, and containerboard contributed to the increase. Raw material and fuel prices recorded a minus JPY12 billion, mainly for wood chips, chemicals, and fillers.

On the other hand, cost reductions, etc. had a positive effect of JPY6.1 billion. This includes cost reductions through operational innovations, cost improvements such as energy conservation and fuel conversion, and the effects of fixed cost reductions due to the permanent machine shutdown at the Akita Mill and the Ishinomaki Mill.

The daily-life products business posted an increase of JPY0.6 billion YoY. In the domestic operation, the package, household paper and healthcare, and chemical segments all reported higher earnings, despite the impact of higher raw material and fuel prices, thanks to cost reductions and price revisions.

In the overseas operation, profits decreased due to the significant impact of the decrease in sales volume resulting from Opal's withdrawal from the graphic paper business.

As for the other businesses, profits increased in the energy business, and wood products and construction related business.

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## Paper and Paperboard Business

(¥billion)

Total Q1-Q3 FY2023/3 Results	Net sales		Total Q1-Q3 FY2023/3 Results	Operating income	
	Total Q1-Q3 FY2024/3 Results	Y on Y changes		Total Q1-Q3 FY2024/3 Results	Y on Y changes
416.2	<b>430.6</b>	14.4	-22.0	<b>8.1</b>	30.1

- Domestic
  - Domestic sales volume of paper and paperboard products decreased year-on-year due to sluggish demand.
  - Despite the impact of higher prices for raw materials and fuels such as wood chips and chemicals, operating income returned to profitability due to cost reductions and product price revisions.
- Overseas
  - Operating loss was recorded at Jujo Thermal (JTOy) due to sluggish demand for thermal paper in Europe and higher prices for raw materials and fuels.

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I will now explain our results by business.

First, let me discuss the paper and paperboard business. As for the domestic operation, domestic sales volume was lower YoY due to sluggish demand for paper and paperboard products. Despite the impact of higher prices for raw materials and fuels such as wood chips, chemicals, and fillers, operating income returned to the black, thanks to the effects of cost reductions including cost improvement and fixed cost reductions, as well as product price revisions.

Meanwhile, in the overseas operation, operating loss was recorded at Jujo Thermal Ltd. due to sluggish demand for thermal paper in Europe and higher prices for raw materials and fuels.

Overall, the paper and paperboard business posted higher sales and profits YoY.

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### Daily-Life Products Business

(¥billion)

	Net sales			Operating income		
	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes
Domestic	145.2	<b>160.3</b>	15.1	-0.7	<b>5.4</b>	6.1
Overseas	183.3	<b>168.2</b>	-15.1	-5.9	<b>-11.4</b>	-5.5
Total	328.5	<b>328.5</b>	0.0	-6.6	<b>-6.0</b>	0.6

Package 3.4, Chemical -0.9,  
Household paper and  
Healthcare 3.6

Opal -5.5, NDP -0.1, TSP 0.1

- Domestic
  - Sales volumes of healthcare products increased.
  - Sales volumes of functional films, facial tissues, and liquid-packaging cartons decreased.
  - Despite the impact of soaring raw materials and fuels prices, net sales and operating income increased due to product price revisions.
- Overseas
  - Opal recorded lower sales and earnings year-on-year, mainly due to lower sales volume following the withdrawal from graphic paper business.
  - Nippon Dynawave Packaging (NDP) recorded lower sales and earnings due to decrease in sales volume, despite product price revisions.

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Next, I will explain the results of the daily-life products business.

In the domestic operation, sales volumes of healthcare products increased, but sales volumes of functional films, facial tissues, and liquid-packaging cartons decreased. As socioeconomic activities are normalizing, differences in demand trends are being observed due to the impact of high prices and other factors.

Overall, despite the impact of surging raw material and fuel prices, cost reductions and product price revisions contributed to higher sales and earnings.

In the overseas operation, Opal's sales and profits declined YoY, mainly due to a decrease in sales volume following its withdrawal from the graphic paper business, which resulted in a larger deficit in operating income.

Nippon Dynawave Packaging Company, LLC, or NDP, in North America posted lower sales and earnings mainly due to lower sales volume, despite the contribution of product price revisions.

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## 3rd Quarter FY2024/3 Financial Results



### Energy business

(¥billion)

Total Q1-Q3 FY2023/3 Results	Net sales		Operating income		
	Total Q1-Q3 FY2024/3 Results	Y on Y changes	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes
32.2	<b>39.2</b>	7.0	-2.2	<b>-0.3</b>	1.9

• Both net sales and operating income increased mainly due to the commencement of commercial operation of Yufutsu Energy Center.

### Wood Products and Construction Related Business

(¥billion)

Total Q1-Q3 FY2023/3 Results	Net sales		Operating income		
	Total Q1-Q3 FY2024/3 Results	Y on Y changes	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes
50.8	<b>53.8</b>	3.0	6.3	<b>6.7</b>	0.4

• The sales volume of logs and building materials declined year-on-year due to decrease in the number of new housing starts. On the other hand, the volume of fuel wood chips increased. As a result, net sales and operating income increased.

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The energy business reported higher revenues and profits, mainly due to the Yufutsu Energy Center commencing commercial operations in February 2023. For the three quarters total, there were major maintenance outages at the Kushiro Mill, Nippon Paper Ishinomaki Energy Center, and Yufutsu Energy Center, resulting in a loss for the business as a whole.

In the wood products and construction related business, both net sales and operating income increased due to an increase in the volume of fuel wood chips handled, although the number of new housing starts declined and the sales volume of logs and building materials decreased YoY.

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### Consolidated Statement

	(¥billion)			
	FY2023/3 Results	FY2024/3 Revised Forecast(A)	FY2024/3 Previous Forecast(B)	Changes (A)-(B)
Net sales	1,152.6	<b>1,170.0</b>	1,230.0	-60.0
Operating income	-26.9	<b>19.0</b>	24.0	-5.0
Ordinary income	-24.5	<b>15.0</b>	18.0	-3.0
Net income *	-50.4	<b>15.0</b>	15.0	0.0

\* Profit attributable to owners of parent

- The forecast for FY2024/3 has been revised based on the financial results of the nine months ended December 2023 and recent business situations.

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This is our forecast, and we have revised our forecast for the full year of FY2023 as you can see, based on our results up to Q3 and the recent situation. Although the effects of the price revisions are being materialized as planned, we have revised our sales forecast downward in light of the recent sales situation. Operating income and ordinary income have also been revised downward.

In Q3, operating income was lower than planned due to higher costs resulting from operational irregularities and sluggish sales volume growth. We have also considered the earnings situation of overseas operation such as Opal and NDP, and as a result, we have revised our forecast.

Net income is set at JPY15 billion as before. The dividend remains undecided. We would like to make a decision on the trend of our business performance, including the next fiscal year and beyond, and would like to promptly announce the dividend forecast as soon as it becomes possible to do so. We appreciate your understanding.

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### Results and Forecasts by Business Segment

(¥billion)

	Net sales			Operating income		
	FY2023/3 Results	FY2024/3 Revised Forecast	Y on Y Changes	FY2023/3 Results	FY2024/3 Revised Forecast	Y on Y Changes
Paper and Paperboard	563.2	<b>570.0</b>	6.8	-29.2	<b>14.5</b>	43.7
Daily-Life Products	440.1	<b>442.0</b>	1.9	-7.8	<b>-8.5</b>	-0.7
Energy	49.9	<b>54.0</b>	4.1	-1.7	<b>1.5</b>	3.2
Wood Products and Construction Related	68.9	<b>73.0</b>	4.1	8.9	<b>9.5</b>	0.6
Others	30.5	<b>31.0</b>	0.5	2.9	<b>2.0</b>	-0.9
<b>Total</b>	<b>1,152.6</b>	<b>1,170.0</b>	<b>17.4</b>	<b>-26.9</b>	<b>19.0</b>	<b>45.9</b>

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Forecast for net sales and operating income by business segment are as shown here.

Net sales are expected to be lower than the previous forecast by JPY36 billion in the paper and paperboard business, JPY8 billion in the daily-life products business, JPY14 billion in the energy business, and JPY2 billion in the wood products and construction related business, respectively, in light of the results through Q3.

Operating income is expected to exceed the previous forecast in the wood products and construction related businesses, but is expected to fall short of the previous forecast in the paper and paperboard, and daily-life products businesses.

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**Major Assumptions**

■ Annual decline in domestic sales volume (YoY)

	2nd Half	Full year	(Previous Forecast)	
			2nd Half	Full year
Newsprint	-12%	-11%	-13%	-11%
Printing	-19%	-16%	-12%	-12%
Business communication	-6%	-7%	-4%	-5%
Containerboard	-3%	-4%	-2%	-4%

■ Major raw material prices and FOREX

	4 <sup>th</sup> quarter	Previous forecast (2nd Half )
FOREX (USD)	JPY 145/USD	JPY 150/USD
FOREX sensitivity	No change from previous forecast	+0.9 billion yen/year due to 1 yen appreciation against USD
Coal	No change from previous forecast	Considering current procurement plan (Australian coal benchmark price : USD 200/t)
Crude oil	No change from previous forecast	USD 85/BL (Dubai)
Wastepaper	No change from previous forecast	Considering current price trends

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The major assumptions used in the forecast are as shown here.

We have revised our domestic sales volume forecast for the paper and paperboard business to be lower than our previous assumption, taking into account the trends in Q3 and the current situation.

The assumptions for prices of major raw materials and fuels remain unchanged from the previous forecast. Regarding the exchange rate, the assumption for Q4 has been changed from JPY150 to JPY145.

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### FY2024/3 Revised Forecast vs. FY2023/3 Factors for Changes

(¥billion)

		Paper and Paperboard Business		Daily-Life Products Business	
Volume, Sales Price	<b>70.2</b>	54.2	–	16.0	–
Raw material and fuel prices	<b>-8.1</b>	-1.9	Wood chips -5.7, Wastepaper 2.1, Pulp -0.4, Oil -0.8, Coal 9.6, LNG 2.1, Chemicals, etc. -8.8 (Price 10.9, FOREX -12.8)	-6.2	Wood chips -0.6, Pulp -1.9, Chemicals, etc. -3.7
Cost reductions, etc.	<b>7.7</b>	7.1	Cost reductions 3.8, Permanent machine shutdown at the Akita Mill and the Ishinomaki Mill 1.0, Labor costs 1.6, Others 0.7	0.6	–
Others	<b>-26.8</b>	-15.7	Overseas business -1.9, Depreciation 2.9, Retirement benefit expenses 1.5, Inventory value adjustment, etc. -18.2	-11.1	Overseas business -8.7, Inventory value adjustment, etc. -2.4
Total	<b>43.0</b>	43.7	Domestic 45.6, Overseas -1.9	-0.7	Domestic 8.0, Overseas -8.7
Other businesses	<b>2.9</b>	Energy 3.2, Wood products and construction related 0.6, Others -0.9			
Operating income	<b>45.9</b>	Domestic: Package 2.9, Chemical -0.2, Household paper and Healthcare 5.3 Overseas: Opal -5.7, NDP -3.1, TSP 0.1			

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Factors for changes for the full year are as shown here.

First, let me discuss the factors affecting the paper and paperboard business. In terms of volume, sales price, we have factored in a review of sales volume and a slow recovery in export market conditions, but this is being compensated for by raw materials and fuel prices.

As for cost reductions, etc., the effects of cost improvements through operational innovations, energy saving, and fuel conversion, which we have been working on since the beginning of the fiscal year, and fixed cost reductions through the permanent machine shutdown at the Akita Mill and Ishinomaki Mill, have been realized as planned. However, we have revised our forecast to JPY7.1 billion, taking into account the one-time cost increase in Q3 due to operational irregularities and efficiency deterioration. Currently, operations have returned to normal, and we expect to see stable cost reductions and other benefits in the future.

In the daily-life products business, we have factored in the sluggish recovery of domestic sales volume of certain products in the chemical segment, among other factors. As for overseas business, we are looking at the current situation of Opal and NDP while we have already factored in the results for 2023 at these companies. Opal has been affected by a slow recovery in export market conditions, while NDP has been affected by a decline in sales volume.

Looking ahead to the next fiscal year, we will continue to promote cost reductions and maintain and review product prices, in addition to the Opal's reconstruction and the expected benefits from the investment in household paper.

This concludes my explanation of the overview of the Q3 financial results.

Thank you very much.

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