

Financial Results for the Nine Months Ended December 31, 2025

Q&A Summary

Q1 : Given the challenging operating profit performance through the third quarter against the full-year forecast, please provide an update on each business segment's progress and detail the factors anticipated to achieve an operating profit of JPY 15 billion in the fourth quarter.

A1 : While overall performance in the third quarter progressed largely as planned, it was slightly below expectations due to the deteriorated sales mix of NDP and reduced sales of chemical products resulting from operational issues at the Gotsu Mill. For the fourth quarter, we anticipate a significant recovery in profit, driven by the absence of the impact from the planned shutdowns at the Opal Maryvale Mill and energy business power generation facilities in the third quarter, as well as the realization of price revision effects.

Q2 : What was the extent of the impact from the shutdown at the Opal Maryvale Mill?

A2 : A planned shutdown of approximately one month was implemented in the third quarter, incurring costs such as repair expenses and labor costs. The estimated impact of this shutdown on profit is approximately JPY 1 billion.

Q3 : Please provide an update on the demand and market conditions for the Oceania paperboard and corrugated board business, specifically addressing both the Australian domestic market and exports to Asia.

A3 : The Australian economy continues to show weakness, characterized by persistent high CPI and subdued consumer sentiment. Regarding paperboard exports to Southeast Asia, price increases remain challenging due to an overall supply glut across the Asian region. We recognize the urgent need to establish a resilient operational structure, unaffected by economic fluctuations, by advancing initiatives such as the consolidation and reorganization of our facilities towards fiscal year 2026.

Q4 : Regarding the earnings outlook for the next fiscal year and the upcoming medium-term business plan, is there a possibility of aiming for a higher stage of profit targets than current levels, driven by the progress of price revisions and improvements in the overseas businesses?"

A4 : Our domestic businesses have made significant progress in business structure transformation and have largely reached our anticipated levels; therefore, we will proceed with further structural reforms. Our overseas businesses, particularly Opal, have experienced a slower pace of progress. Consequently, we will intensify efforts from fiscal year 2026 to 2027 to establish a robust operational structure resilient to economic changes. "By enhancing domestic operations and rebuilding overseas businesses, we aim to achieve the next level of performance.

Q5 : Regarding the announced acquisition of a New Zealand-based softwood chip production and export business and the formation of a strategic partnership related to afforestation in Malaysia, how are these initiatives expected to contribute to the Company's earnings from the next fiscal year onward?

A5 : At this point, neither initiative is expected to have a material impact on our financial performance.

Q6 : Regarding the risk of volume decline due to price revisions for printing and information paper, how does the Company plan to control the impact on its target of maintaining a 90% operating rate and the impact on cost improvements?

A6 : Maintaining a 90% operating rate is recognized as essential to prevent cost deterioration. To that end, we have set a goal of reducing the number of graphic paper mills to approximately three sites and are currently engaged in various discussions as part of that review.

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