

Financial Results for the Fiscal Year Ended March 2022 Q&A Summary

Q1) What is the approximate volume of printing paper and container board for this fiscal year? Are the price increases announced last year penetrated the market as originally expected

A1) We would like to refrain from commenting on the outlook for volume because of the uncertainties of the economy trend and because the COVID-19 is not at an end. We believe the price increase has progressed as planned.

Q2) Can you expect Opal to improve its earnings?

A2) On Opal we made the plan while factoring in the possibility of an upturn in volume, but to be honest, although there has been some gradual recovery, the recovery has been slower than we had expected. Analysis shows that this is the main reason for the delay in earnings recovery relative to our plan.

Q3) You explained in your presentation that you are going to preemptively reduce the production capacity of domestic graphic paper, but How much of a reduction in fixed costs can this accumulate.

A3) As for the cost effect of the reorganization of the production system, to be honest, it depends on the scale of the project, so I would like to refrain from giving a quantitative answer at this point. We need to do it in a way that maximizes cost effectiveness. At the same time, it would be meaningless if we don't just stop the machine but also utilize it for other business. We also believe that we need to create a synergistic effect.

Q4) Is it possible that production will be reduced because coal is too expensive or its quantity cannot be obtained?

A4) At this time, we do not believe that production will be reduced immediately. The main measure is to reduce coal by improving production efficiency.

Q5) I am concerned about whether paper has been affected more by the volume decline as the price increase has become more pervasive. What is the status of inquiries after the price increase?

A5) While sales volume continues to be a decline to the extent expected, we do not feel that the price increase has started a major decline in sales volume.

Q6) Profits in the energy business have declined considerably. In the Ishinomaki Energy Center, biomass and coal co-firing is used, so I think that there is an impact of the rising coal price. If it were to be higher priced coal, would there be a risk of this Energy business going into the red or something?

A6) In the Ishinomaki Energy Center, there were two earthquakes in May last year and March this year, which reduced the amount of electricity generated. Also, the price pass-through of the increase in coal prices will inevitably have a time lag. Although price pass-through has not

caught up with the current upward trend, there is a time lag, so we believe that profits will be generated properly.

Q7) Coal prices are up to the USD390 level if we go by spot today (as of 5/13). Under these circumstances, I think the relative cost competitiveness of biomass power generation will emerge. Do you see any business opportunities from this?

A7) Currently, we are already doing everything we can to replace coal and other fossil fuels with biomass and wood fuels. If we are going to replace more than this, we will finally need to spend more money to get, for example, trees out of the mountains that have been left unattended.

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