

At a Glance

[Goal to Be Achieved in 2030]

Realize sustainable growth as a comprehensive biomass company shaping the future with trees

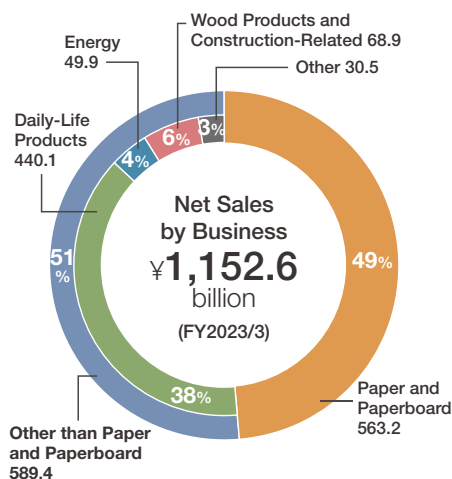
What it means to be a comprehensive biomass company: A company group that consists of multiple businesses which generate stable profits and realize better living and cultural progress. It achieves this by using diverse technologies and know-how to maximize the use of renewable wood resources. This provides a wide range of products that help form a circulation-oriented society, supporting profit growth.

Scale of Business

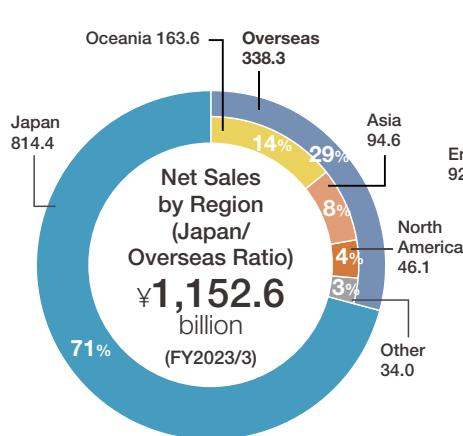
(as of March 31, 2023)

Consolidated total assets	¥ 1,666.5 billion	Managed forest areas	Approx. 160,000 hectares <small>(as of December 31, 2022)</small>
Net sales	¥ 1,152.6 billion <small>(FY2023/3)</small>	Domestic company-owned forests	Approx. 90,000 hectares Approx. 400 locations
Operating income (loss)	(¥ 26.9 billion) <small>(FY2023/3)</small>	Overseas plantation areas	Approx. 70,000 hectares
Number of employees (consolidated)	15,959	Number of group companies	160
		Domestic affiliated companies	115
		Overseas affiliated companies	45

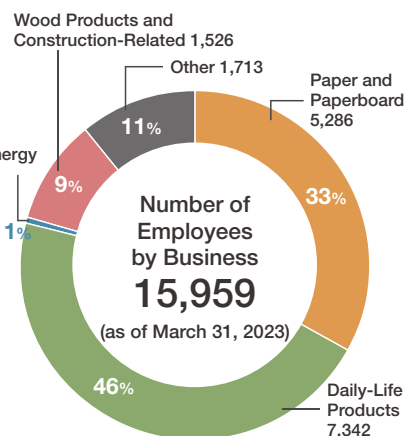
Net Sales by Business / Net Sales by Region / Number of Employees by Business



In FY2023/3, sales from businesses other than the Paper and Paperboard Business accounted for more than 50% of total sales. The Group aims to increase the ratio of sales of Daily-Life Products Business to total sales to 40% by FY2026/3 and to more than 50% by FY2031/3.



In FY2023/3, the ratio of overseas sales to total sales was 29%. In the future, the Group plans to expand sales mainly in Oceania and South-east Asian markets where economic growth is expected, aiming for an overseas sales ratio of 30% or more by FY2031/3.



The Group is promoting a shift of management resources, such as human capital, to growing businesses. The Group will accelerate the transformation of the business structure by putting human resources to work based on their skills and career aspirations, such as by reallocating them from the Graphic Paper Business to growing fields.

Message from the President

Achieving the Medium-Term Business Plan 2025 with a Strong Sense of Duty

Toru Nozawa

President and Representative Director
Nippon Paper Industries Co., Ltd.

Looking Back on FY2023/3

In FY2023/3, drastic changes in world affairs following Russia's invasion of Ukraine sharply and significantly drove up the prices of various raw materials and fuel, especially that of coal. These surging prices for raw materials and fuel had a significant impact on our business performance, resulting in an overall cost increase of more than ¥100.0 billion in the Paper and Paperboard Business and the Daily-Life Products Business. In particular, the Paper and Paperboard Business was severely affected because coal accounts for a large percentage of its fuel consumption.

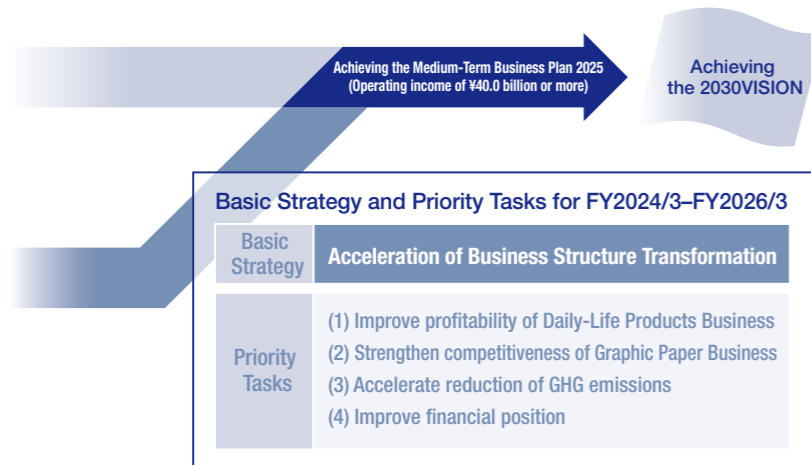
Amid such circumstances, the entire Nippon Paper Group shared a sense of urgency and promoted cost cuts through self-help efforts. For example, under the policy of "don't buy, don't use, and don't store extra" with regard to coal, we launched a Coal Reduction Project led by the General Manager of the Technical & Engineering Division and took measures at mills such as enhancing energy saving and controlling output of coal boilers. As a result, in FY2023/3 we reduced coal consumption by 360,000 tonnes, which is over

20% of the previous year's amount. Furthermore, we achieved cost reductions of approximately ¥16.0 billion in the Paper and Paperboard Business through efforts such as stable operations.

Despite these self-help efforts, we asked our customers to accept product price increases to cover the remaining deficiencies. We managed to raise prices, but this was not enough to offset the unprecedented surging prices for raw materials and fuel. In addition, Opal in Australia decided to withdraw from the Graphic Paper Business in response to the sudden and unexpected suspension of the supply of wood chips.

As a result, in FY2023/3, we faced an operating loss for the first time since our listing, and regrettably, we decided to postpone dividend payments. Despite this very difficult business environment, our net sales increased by more than 10% year on year. Therefore, we consider FY2024/3 to be a very important year for us to get back on track with the Medium-Term Business Plan 2025 at all costs and to resume dividend payments as soon as possible.

Getting Back on Track to Achieve the Targets of the Medium-Term Business Plan 2025



Improving Profitability of Daily-Life Products Business, the Core of Business Structure Transformation

FY2024/3 is the halfway point for the Medium-Term Business Plan 2025, which we rolled out in the midst of the recovery from the COVID-19 pandemic. The basic strategy for FY2024/3-FY2026/3 continues to be “acceleration of business structure transformation,” and the priority tasks are to “improve profitability of Daily-Life Products Business,” “strengthen competitiveness of Graphic Paper Business,” “accelerate reduction of GHG emissions,” and “improve financial position.”

Our Daily-Life Products Business will serve as the core of our business structure transformation. In order to improve the profitability of the Daily-Life Products Business, we are focusing on increasing net sales and recovering the operating income margin. We aim to restore the operating income margin of the Daily-Life Products Business to 5% by FY2026/3, and to reach 7% by FY2031/3.

Our Daily-Life Products Business consists of three core businesses, namely the Liquid Packaging Carton, Household Paper and Healthcare, and Chemical Businesses. In the Liquid Packaging Carton Business, we will further expand sales of products that will enable differentiation from competitors such as School POP® strawless milk cartons for school. At the same time, we will leverage our alliances with Shikoku Kakoki Co., Ltd. and Elopak ASA in Norway to grow our business in global markets such as Australia.

The Household Paper and Healthcare Business is a highly competitive B-to-C business, but we are increasing the sales volume of our unique and beloved products such as long-lasting toilet paper rolls, and will continuously check and assure the quality of our products. We are also determined to take advantage of the trend of recovering inbound demand.

We are developing our Chemical Business globally, including through exports. There are concerns that economic trends

and financial problems in various countries, particularly in North America and China, could possibly have an impact on our lines of business. However, we expect a steady growing demand, especially for environmentally friendly products, over the medium- to long-term. Therefore, we are pushing proactive product development and capital investment.

In addition to strengthening these businesses, it is essential and of top priority that we recover the profitability of Opal in Australia in order to meet our Daily-Life Products Business targets. Unfortunately, Opal has not been able to achieve its business plan for FY2023/3, as the Australian corrugated

box market was severely affected by increasing costs and decreasing demand due to the COVID-19 pandemic. We are planning to completely withdraw from the Graphic Paper Business by the end of 2023, after which we intend to establish a system that will allow us to leverage our competitive edge as a supplier with integrated packaging production. We will launch a new corrugated plant as scheduled to improve production efficiency, and increase sales volume as demand recovers, aiming for a quick business turnaround to expand earnings toward FY2026/3, the final year of the Medium-Term Business Plan 2025.

I sense that we still lack sufficient face-to-face communication with Opal, partly due to the lingering impact of COVID-19. As the president, I feel responsible for this situation, and will continue to visit Opal directly and reemphasize how much Opal means to the Group in order to enhance governance.

As for the domestic Graphic Paper Business, we assume that the demand will further decline due to factors such as the advancement of digital transformation and price hikes. We will continually implement various measures based on backcasting, bearing in mind our long-term goals of strong cost competitiveness, low GHG emissions, and a stable supply of products. We intend to strengthen our competitiveness by thoroughly reducing costs and maintaining appropriate prices. We will also consolidate our graphic paper domestic production sites to approximately three locations by 2030. In addition, we will reduce GHG emissions by shutting down coal boilers and reducing coal consumption in conjunction with the reorganization of our production structure.

In order to improve our financial position, we will carefully select and promote capital investments while remaining conscious of financial discipline. We will ensure that the effects of the capital investments we have made thus far will be leveraged to increase sales and earnings.

While we have been able to make progress in business structure transformation by implementing these measures, we have not seen enough of a speed increase to be called an

acceleration. We recognize this is because the progress has not been accompanied by profits. At the same time, we are certain that we will feel a sense of speed once we are able to generate profits. Therefore, FY2024/3 will be a critical year for us to achieve this.

Our Three Circulations Business Model Is an Overwhelming Advantage

The Group's business model called “Three Circulations” develops business that achieves resource circulation. The Three Circulations refer to the following three types of resource recycling: circulation of sustainable forest resources, circulation of wood resources used for various purposes with technological capabilities, and active product recycling.

Amid turbulent world affairs and global risks arising one after another, including energy crises, food security, environmental issues, and supply chain disruptions, we believe that our renewable forest resources and technologies to effectively utilize them will be an overwhelming advantage in the years to come when we will be required to solve environmental and social problems and realize a sustainable society. To fully leverage this strength, we must figure out how to maximize forest value and expand the types of new products that can be created from wood resources.

In order to maximize forest value, we are expanding our Elite Tree Seedling Production Business by utilizing our proprietary propagation technologies. These low-pollen, fast-growing elite trees are expected not only to help boost the competitiveness of the plantation business in Japan, but also to increase the amount of fixed CO₂ and contribute to the government's measures to fight hay fever.

J-Credit methodologies have been revised to allow for an extension of the period covered and a fixed emissions amount to be deducted by conducting reforestation after final cutting. In addition, J-Credits are now eligible for emissions trading in the GX League. The Company is also working on creating J-Credits based on the revised methodologies, and in

September 2022, we obtained J-Credit certification for CO₂ forest absorption from thinning at the Kazaki company-owned forest in Shizuoka Prefecture. We will continue to closely monitor future trends, as possibilities for acquiring and expanding J-credits have been growing.

For new products that can be created from wood resources, we have invested many resources in research and development aimed at broadening the use of cellulose, and we are taking various measures to expand sales and develop new markets, mainly through the Biomass Material Business Division, which was established in 2021.

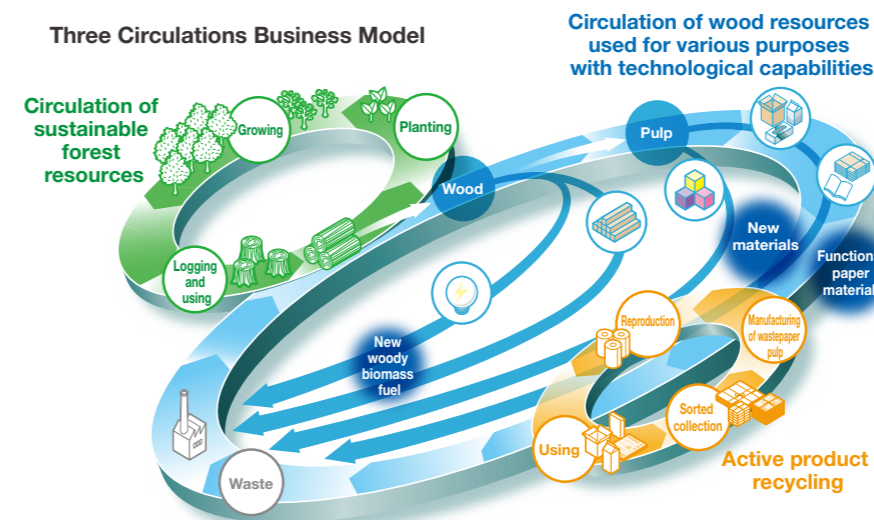
Adoption of cellulose nanofiber (CNF) has increased, mainly for food and cosmetics applications, and its use has expanded significantly by approximately four times compared to FY2021. We believe that this is the result of our initiatives based on market-oriented concepts. We are a leader in the field of CNFs and will continue to lead the way by implementing our products in society.

In the early commercialization of new products, we are strengthening business alliances with other companies. For example, we have begun joint studies for biocomposite with Mitsui Chemicals, Inc. and for bioethanol with Sumitomo Corporation and Green Earth Institute Co., Ltd. Biocomposite is a composite material made from resin and biomass and is expected to be used as an alternative to plastic. We have begun providing samples in the fields of daily goods, building materials, home appliances, and automobiles. Bioethanol is expected to be used as feedstock for sustainable aviation fuel (SAF) in place of fossil fuels, and has great potential for the development of domestically produced SAF.

In response to the trend of moving away from plastic and replacing it with paper, we will be quick to introduce products that meet the growing demand for the transition to functional packaging materials and paper cartons.

As demand for graphic paper will continue to decline, the question of how to utilize pulp is a major theme. We will continue to persevere in the development and commercialization of pulp applications.

Although forest resources are renewable, the Earth's surface area is of course limited and forests cannot be expanded indefinitely. Trees absorb and fix CO₂ as they grow. It is important to continue the cycle of planting, growing, logging, using, and planting again in a sustainable way, not only for our own forests, but also for the resources of other companies. At the same time, from the perspective of protecting resources, we recognize that recycling resources through product recycling will become even more important in the future. In 2022, we installed recycling facilities for paper containers used for food and



The Nippon Paper Group's Goals

Message from the President

beverages at the Fuji Mill. Currently, the paper cups we collect are recycled into paperboards and toilet paper rolls, but in the future, we aim to achieve horizontal recycling, where paper cups are recycled into paper cups.

Balancing the proper use and recycling of forest resources can have a positive effect on the global environment. We hope to demonstrate this to the world through the Three Circulations business model.

Revision of GHG Emissions Reduction Targets

When we formulated the 2030VISION, we had set a goal of reducing greenhouse gas (GHG) emissions in FY2031/3 by 45% from the FY2014/3 level. Despite the challenges we have faced in business performance, we have promoted measures such as reduction of coal consumption, fuel conversion, and energy saving measures, resulting in a 30% reduction by FY2023/3 compared to FY2014/3, and we are on track to achieve the 45% reduction target early. Therefore, after considering additional measures such as improving production efficiency through a reorganized production structure, shutting down coal boilers, fuel conversion, maximizing the use of black liquor*, and energy saving, we have revised our target for FY2031/3 to a 54% reduction.

Given the difficulty of developing new coal mines and the unlikelihood of considerable growth in coal production, prices for fossil fuel resources are expected to remain high and not decrease as the world advances toward decarbonization.

Furthermore, there is a movement toward carbon pricing. The government's Basic Policy for the Realization of GX proposed carbon pricing, which requires companies to bear the burden of GHG emissions, and introduced a carbon levy system to start in FY2029/3. It is essential for us to go carbon neutral and reduce our fossil fuel consumption by FY2029/3. We will also utilize the TCFD scenario analysis as we continue striving to reduce GHG emissions.

* Black liquor: A black liquid that contains resin, lignin, and other major components of wood that are separated during the pulping process. Concentrated black liquor is burned in boilers for use as biomass energy.

Aiming to Instill Pride in Employees

One of the corporate goals in our Group Mission is to instill pride in our employees. Since assuming the position of president, I have been striving to achieve this goal, and what I consider most important is engagement. As the Company grows, I want our employees to feel that they are growing with the Company.

However, some employees are concerned about the future because of the current accelerating pace of decline in demand for graphic paper. That is why we present the sustainable future image we are aiming for in the 2030VISION, implement measures and treatment for career development and skill improvement, and improve our working environment.

We want our employees to experience the transformation of the business structure and see a new world of possibilities. We will be more proactive in promoting reassignments between different businesses and increase opportunities for employees to gain diverse experiences, not just experience in one business.

I believe that it is up to us to nurture the human resources that lead to the improvement of corporate value. In order for employees to grow, they should be involved in many different businesses and have the experience of hearing words of appreciation and encouragement from people in various positions. We have introduced such programs as recurrent education and an internal side occupations system because they let employees experience new things. Through these efforts, we will increase engagement by letting employees directly experience the Company's growth.

Strengthening the Functions of the Board of Directors and Utilizing the Opinions of Outside Directors

In strengthening the supervisory function of the Board of Directors, we consider the frank and diverse opinions of outside directors to be indispensable in envisioning the future of the Group, and we intend to thoroughly utilize them in management.

At the Board of Directors meetings, discussions are held based on reports such as monthly business reports and quarterly operational issues reports, and outside directors have expressed opinions that they would like to see reports with a greater awareness of the 2030VISION and Medium-Term Business Plan 2025, and that more comparison and verification should be made between initial forecasts and current performance. While clarifying the progress of our targets and confirming the horizontal functions led by chief officers, we are working to deepen discussions on progress, issues, and future strategies in order to achieve the Medium-Term Business Plan 2025.

From FY2023/3, the Personnel & Remuneration Advisory Committee has increased the frequency of its meetings from twice to four times a year, expanding opportunities for in-depth discussion of management issues with outside directors. The expanded agenda includes discussion on the executive structure and evaluation of representative directors. At these meetings, I mainly explain about management issues, answer questions from the outside directors, and exchange opinions with them. We are quite straightforward in our exchange of opinions, and it is a good opportunity for me to share with the outside directors the future direction of the Company and the issues we must address.

When promoting management strategies including investments, the Company periodically holds Group Management Strategy Committee meetings, and engages in discussions from various angles that feature participation by not only those from relevant divisions but a wide variety of people such as

presidents from main Group companies and our outside directors. Outside directors also attend the meetings of the Management Executive Committee, which makes decisions about the execution of management projects and files reports, when monthly results are reported. I also make sure to talk openly with outside directors about matters that may be thought of as unpleasant.

Demonstrating Leadership with a Strong Sense of Duty

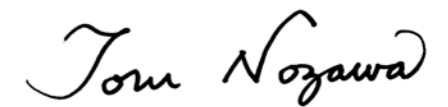
During periods when demand for paper was growing, mills were able to continue a cycle that generated profit by expanding production, which improved resource intensity per unit. However, as demand for paper is declining significantly due to the impact of COVID-19 and the accelerated pace of digital transformation, I felt that it was necessary to change the Company's understanding of the sales divisions' role; namely, to take ultimate responsibility for profit and loss and to generate profits. In 2021, as an initiative to strengthen governance, I personally took the lead in developing a policy to change the Paper and Paperboard Business' profit center from the mills to the sales divisions. This meant changing the employee mindset, which had been built up over our 150-year history, and I knew that this change would not be easy. However, in the face of surging prices for raw materials and fuel, the sales divisions themselves began to think about what they needed to do next to increase profits and ensure that they could work together with mills to run the business, and this mindset shift took root more quickly than I had expected.

In addition, in FY2023/3, we were able to change the employee mindset in the process of our cost reduction initiatives, making lateral communication possible across the entire company, including the mills. We believe that this also helped the Coal Reduction Project mentioned at the beginning of this message be achieved swiftly.

Due to its long corporate history, the Group is still a strongly vertically-divided organization, but we will continue to promote various measures to ensure that employees are always aware of the importance of cross-organizational operations.

Again, the Group's business is always based on the Three Circulations. I am determined to meet the goals set forth in the Medium-Term Business Plan 2025 at all costs, and I constantly remind those around me that we must achieve the Medium-Term Business Plan 2025 goals in order to realize the 2030VISION. As a comprehensive biomass company shaping the future with trees, we will convincingly and seamlessly strengthen the Three Circulations to achieve goals of our Medium-Term Business Plan 2025 and ultimately to realize the 2030VISION.

FY2024/3 is a very crucial year for us to get back on track with the Medium-Term Business Plan 2025. We will achieve results by all means necessary to ensure the continued support of all our stakeholders. As the president, I will demonstrate leadership with a strong sense of duty as we take on these endeavors.



Toru Nozawa
President and Representative Director
Nippon Paper Industries Co., Ltd.

