

Progress of the Medium-Term Business Plan 2025

The Nippon Paper Group's Medium-Term Business Plan 2025 is a five-year action plan from FY2022/3 to FY2026/3 to resolve and achieve the management issues necessary to realize its vision for 2030.

In terms of the progress on the plan in FY2023/3, the Group first achieved the initial target of net sales in the medium-term business plan. It believes this is the result of "acceleration of business structure transformation," which has involved investment in growth areas, particularly in the Daily-Life Products Business, developing high-value-added and differentiated products, and expanding supply capacity.

On the other hand, operating income declined significantly, resulting in the first operating loss since becoming listed. The main reason for this was a significant rise in various costs, including those for raw materials, fuel, and logistics, due to unstable international conditions and global inflation. As a countermeasure, the Group reduced fixed costs, including the shutdown of production facilities, reduced coal consumption,

and implemented price revisions for a wide range of products, but was unable to fully offset the cost increases.

In light of changes in the external environment, in FY2024/3, which marks the halfway point of the Medium-Term Business Plan 2025, the Group has revised some of the plan's targets and redefined the basic strategies and priority issues for FY2024/3–FY2026/3 (see table on the right).

The Group will counteract rising raw materials and fuel costs through measures centered on cost reductions and price revisions, and turn profitable in the Paper and Paperboard Business, Daily-Life Products Business, and Energy Business to quickly return to the track of the Medium-Term Business Plan 2025 and achieve its goals as well as those set forth in 2030VISION*.

* 2030VISION: Guidelines established to clarify the Nippon Paper Group's vision for 2030 and the management tasks required to achieve it, and to realize the Group Mission.

Basic Strategies and Priority Tasks for FY2024/3–FY2026/3

Basic strategy	Acceleration of business structure transformation	
Priority task	(1) Improve profitability of Daily-Life Products Business	<ul style="list-style-type: none"> • Increase net sales by realizing the effects of capital investment • Rebuild Opal as an integrated packaging supplier
	(2) Strengthen competitiveness of Graphic Paper Business	<ul style="list-style-type: none"> • Continue to reduce costs and maintain appropriate prices • Reorganize production structure to anticipate declining demand
	(3) Accelerate reduction of GHG emissions	<ul style="list-style-type: none"> • Energy saving measures, fuel conversion and maximization of the use of black liquor • Shut down coal boilers due to reorganization of production structure
	(4) Improve financial position	<ul style="list-style-type: none"> • Sale of strategic holdings stocks and idle assets • Careful selection of capital investment

Progress on Medium-Term Business Plan 2025, 2030VISION

Items set as targets of Medium-Term Business Plan 2025

FY	2022/3 Results	2023/3 Results	2024/3 Plan	2026/3 Plan
Net sales (¥ billion)	1,045.1	1,152.6	1,230.0	¥1,200.0 billion or more
Percentage of Daily-Life Products Business among total net sales	37%	38%	36%	40%
Overseas sales ratio	27.0%	29.4%		
Operating income (¥ billion)	12.1	(26.9)	24.0	¥40.0 billion or more at an early stage
Operating income margin in the Daily-Life Products Business	1.2%	(1.8)%	0.2%	5.0%
EBITDA (¥ billion)	81.5	42.8	90.0	Stably ¥100.0 billion
ROE	0.5%	(12.3)%		5.0% or more
Net debt/equity ratio	1.89	2.25		1.7–1.8 times
Net interest-bearing debt (¥ billion)	761.3	780.1		710.0
GHG emissions (vs. FY2014/3)	(20)%	(30)%		

Measures to reduce GHG emissions

- Improve productivity through reorganization of production structure
- Shut down coal boilers through reorganization of production structure
- Fuel conversion and maximization of the use of black liquor
- Energy saving measures

2027/3–2031/3
Daily-Life Products Business <ul style="list-style-type: none"> • Further improve profitability of Opal • Continue strategic investment
Graphic Paper Business <ul style="list-style-type: none"> • Consolidate graphic paper domestic production sites to approximately three locations • Secure profitability through operational stability, cost reduction, maintaining appropriate prices, and reorganization of production structure
New businesses and innovative materials <ul style="list-style-type: none"> • Commercialization at an early stage • Develop new businesses based on pulp and cellulose
Increase overseas net sales
Improve financial position <ul style="list-style-type: none"> • Compression of interest-bearing debt • Expansion of capital • Reduce the net debt/equity ratio to 1.5–1.6 times at an early stage, and make further improvements

2030VISION

Basic policies <ul style="list-style-type: none"> • Reallocate management resources to growing businesses • Respond to the rapidly changing social landscape, including GHG emissions reduction and environmental issues 	
Net sales	¥1,300.0 billion (Of which, Daily-Life Products Business) 50% or more (New businesses) ¥65.0 billion (Overseas sales ratio) 30% or more
Operating income margin in the Daily-Life Products Business	7% or more
ROE	8.0% or more
GHG emissions (vs. FY2014/3) (Scope 1+2)	54% reduction

Strategy by Business

Paper Business

[Main products] Newsprint, printing paper, business communication paper, industrial paper, functional specialty paper, functional paper



Link strengths to opportunities	
<ul style="list-style-type: none"> Technical capabilities and know-how to produce various products Stable supply system and sales channel network covering the entire country 	<ul style="list-style-type: none"> Rising awareness of environmental issues, including carbon neutrality, and moving away from plastic (trend toward using paper)
S Strengths	O Opportunities
W Weaknesses	T Threats
<ul style="list-style-type: none"> High percentage of coal in fuel composition High fixed costs due to extensive facilities 	<ul style="list-style-type: none"> Reduction of the graphic paper market due to digitalization Acceleration of declining demand for graphic paper due to factors such as the entrenchment of remote work and the enactment of the revised Electronic Books Preservation Act
Address challenges and threats	

Strengthen Cost Competitiveness and Profitability through a Reorganized Production Structure

It is predicted that the declining demand for newsprint, printing paper and PPC (copy) paper will accelerate even further due to digitalization as well as the entrenchment of new lifestyles such as remote work.

In anticipation of a future decline in demand, the Company plans to concentrate domestic production sites for graphic paper in approximately three locations as quickly as possible by FY2031/3, while also working to shift production to the packaging business, and accelerate the transformation of the business structure.

Amid this situation, it will introduce measures through back-casting to achieve its long-term goals (strong cost competitiveness, low GHG emissions, and stable supply of products). The Company will both enhance cost competitiveness and reduce GHG emissions by decreasing coal consumption by maximizing production efficiency. This includes fuel conversion for coal boilers, implementing energy conservation, and narrowing down production items. It will also concentrate on stable operations to continue supplying products that can earn customers' trust.

Maintaining appropriate prices will be critical to implementing these measures, which is why the Company will continue its dialogues with customers, and work to maintain market conditions.

Paperboard Business

[Main products] Containerboards, white paperboards



Link strengths to opportunities	
<ul style="list-style-type: none"> Development of high value-added products using kraft pulp manufactured in-house New product development and sales structure with integrated sales and development 	<ul style="list-style-type: none"> Stable demand for beverages and food and demand related to e-commerce
S Strengths	O Opportunities
W Weaknesses	T Threats
<ul style="list-style-type: none"> Stability of operations Maintaining sales prices 	<ul style="list-style-type: none"> Falling demand due to economic deterioration in Japan and overseas Increasing logistics costs Surging raw materials and fuel prices
Address challenges and threats	

Expand Sales by Maximizing Utilization of Kraft Pulp Facilities

In FY2023/3, prices of raw materials and fuel rose sharply due to a fluctuation in supply-demand balance on an international scale. In the Paperboard Business, the Company worked on energy conservation and other measures to reduce coal consumption and implemented price revisions to secure profits that can be reproduced. Going forward, it will further strengthen its stable procurement system for wastepaper, a raw material, and promote initiatives to expand the use of difficult-to-treat wastepaper and other materials to secure stable earnings.

Paperboard products are expected to hold strong going forward, supported by stable demand for use as a packaging material for daily necessities such as food and beverages and there is also demand related to e-commerce. The Company will focus on the development and sales of high value-added products using kraft pulp manufactured in-house in order to capture market demands both in Japan and overseas, and achieve further business growth. Utilizing its well-balanced positioning of production sites throughout Japan, including the coastal Akita Mill, the Company will stably supply products within Japan and overseas.

On the other hand, in response to the "2024 issue" in Japan's logistics industry, the Company will address the associated risks ahead of time and promote the optimization of logistical systems.

Liquid Packaging Carton Business

[Main products] Liquid packaging cartons, liquid packaging boards



Link strengths to opportunities	
<ul style="list-style-type: none"> World-class technology for developing paper cartons and filling machines Presence of powerful strategic partners 	<ul style="list-style-type: none"> Rising needs for eco-friendly products both in Japan and overseas Rising needs for filling systems capable of handling various types of beverages and cartons
S Strengths	O Opportunities
W Weaknesses	T Threats
<ul style="list-style-type: none"> Developing and securing personnel for overseas expansion 	<ul style="list-style-type: none"> Intensifying competition in the paper carton market
Address challenges and threats	

Develop Business in Overseas Markets and Expand Sales of Environmentally Friendly, Next-Generation Paper Cartons

Despite soaring prices of beverages triggered by surging raw materials and fuel and exchange rates, demand for paper cartons is expected to grow as the trend to move away from plastic continues both in Japan and overseas.

In order to quickly seize these business opportunities, the Company is promoting a strategy of differentiation through next-generation paper cartons such as School POP® (strawless paper cartons for schools) and Non-Aluminum FUJIPAK (environmentally friendly paper cartons). Steady results are being obtained, as both products have seen an increase in the number of adoptions.

By signing a licensing agreement with Elopak ASA, a liquid packaging cartons company, for the Oceania region, and establishing a local subsidiary, the Company set up a sales structure for developing Elopak and the Company's brand paper cartons and Shikoku Kakoki Co., Ltd.'s filling machines in the Oceania region, where it aims to acquire a 10% market share at an early stage.

The Company will also work to expand its business foundation as one of the world's leading integrated system suppliers by setting up a structure for in-house liquid packaging board procurement, and further enhancing its cost competitiveness.

Opal

[Main products] Corrugated boxes, containerboards



Link strengths to opportunities	
<ul style="list-style-type: none"> Providing innovative products and solutions to meet customer needs Integrated production structure from the procurement of raw materials and paper manufacturing through to converting 	<ul style="list-style-type: none"> Growing demand for e-commerce as a result of changing lifestyles Rising awareness of environmental issues, including carbon neutrality, and moving away from plastic (trend toward using paper)
S Strengths	O Opportunities
W Weaknesses	T Threats
<ul style="list-style-type: none"> Deterioration of manufacturing facilities 	<ul style="list-style-type: none"> Intensifying competition due to reinforcement of facilities by competitors Domestic logistics costs remaining high Concerns about domestic economic slowdown due to rising interest rates
Address challenges and threats	

Enhancing Competitiveness and Profitability as an Integrated Packaging Supplier

Opal made the decision to withdraw from the Graphic Paper Business due to the fact that its supply of eucalyptus wood, produced in Victoria's state-owned forests in Australia, from VicForests was stopped. By the end of 2023, it will complete the rationalization of the Maryvale Mill in conjunction with its withdrawal and focus on the packaging business where future growth is expected.

In August 2023, Opal launched a new corrugated box plant in Victoria. It will capture demand in growing markets while gradually updating facilities at existing corrugated box mills, and enhance its product supply structure. Also, in addition to improving profitability by enhancing cost competitiveness, it will increase the internal consumption rate of base paper, thereby reducing the impact of fluctuations in the export market and supply chain risk.

In Australia, the move to sustainable packaging is accelerating toward government targets for 2025, and momentum is building to convert product packaging from plastic materials with high environmental loads to paper materials. Opal will promote new product development in order to rapidly capture these market demands and aims to increase profitability.

Household Paper and Healthcare Business [Main products] Facial tissues, toilet paper rolls, adult diapers



Link strengths to opportunities	
<ul style="list-style-type: none"> Sustainable wood resources as a raw material (carbon neutrality) Technological capabilities and brand power as a pioneer in household paper Development of sustainable products 	<ul style="list-style-type: none"> Heightened awareness of environment and hygiene Demand for products that are friendly to the global environment
S Strengths	O Opportunities
W Weaknesses	T Threats
<ul style="list-style-type: none"> Operations and logistics which are partially inefficient Room to increase amount of pulp procurement within the Group 	<ul style="list-style-type: none"> Large number of competitors Intensifying competition due to reinforcement of facilities by competitors Fluctuations in prices for raw materials and fuel
Address challenges and threats	

Expand “Long-Lasting & Compact” Products to Solve Environmental and Social Issues

It is anticipated that the domestic market will continue to be strong, as the demands and purchasing behaviors of consumers diversify due to heightened awareness of hygiene and changes in lifestyle environments.

Nippon Paper Crecia has established “maintaining and expanding a hygienic environment” as its purpose so that people could continue to lead hygienic lives at any time. It strives to develop new products and expand its lineup that appeal to the global environment and hygiene in order to help realize a sustainable society, and focuses on providing products that improve consumers’ convenience and reduce environmental loads. Meanwhile, the increasing global demand for hygienic paper and disruptions to logistics networks have had a major impact on the price of pulp and other raw materials and fuel. To reduce fluctuations in the pulp market, the company will expand the usage of in-house manufactured pulp from within the Group, which has stable quality and cost competitiveness.

Its “long-lasting & compact” concept for toilet paper rolls, which is highly evaluated, will be deployed to all categories in the future. The aim for the Household Paper and Healthcare Business is to grow sales by developing products anticipating customer needs while responding to changes in the environment and society and penetrate the market with the concept of “four beneficiaries.”*

* Four beneficiaries: consumers, commerce, manufacturers, global environment

Energy Business [Main products] Electricity sales



Link strengths to opportunities	
<ul style="list-style-type: none"> Technological capabilities in power generation and infrastructure cultivated over many years Woody biomass fuel procurement capabilities 	<ul style="list-style-type: none"> Rising demand for renewable energy toward carbon neutrality in 2050
S Strengths	O Opportunities
W Weaknesses	T Threats
<ul style="list-style-type: none"> High percentage of fossil fuels in energy composition Issues of cost and social reputation due to use of coal 	<ul style="list-style-type: none"> Heightened environmental awareness around the world Movement to introduce carbon pricing
Address challenges and threats	

Further Enhance Renewable Energy Supply Capacity

The Group, which develops business as a comprehensive biomass company, is working to further enhance its renewable energy supply capacity.

The Yufutsu Energy Center began operating in February 2023 as a biomass power generation facility with a generation capacity of 75 MW that utilizes the Shiraoi Mill Yufutsu site and infrastructure. In addition, Nippon Paper Ishinomaki Energy Center, a biomass co-firing facility, is undergoing modifications to increase its woody biomass co-firing ratio to 42%, and is scheduled to be completed in November 2023. As a result of these initiatives, the volume of electricity sales from renewable energy for the entire Group will expand to about 1.7 million MWh annually in FY2026/3. Furthermore, the Company will work to reduce GHG emissions from coal boilers for in-house power generation that are also used to sell surplus electricity through switching to alternative fuels and energy conservation among other means.

The Group will work to secure stable earnings over the medium to long term centered on biomass power generation utilizing the power generation technology and procurement capabilities for wood resources it has cultivated through existing businesses and aims to develop the Energy Business.

Chemical Business [Main products] Dissolving pulp, functional cellulose, functional chemicals, functional coating resins, functional films



Link strengths to opportunities	
<ul style="list-style-type: none"> Product lineup and technological capabilities with high shares in niche markets Rich lineup of wood-derived resources for a circulation-oriented society 	<ul style="list-style-type: none"> Global trend toward converting to battery electric vehicles Heightened environmental awareness
S Strengths	O Opportunities
W Weaknesses	T Threats
<ul style="list-style-type: none"> Investment cost to upgrade production facilities Production with small scale but high cost 	<ul style="list-style-type: none"> Growing quality requirements and declining value of existing products due to changes in the market environment Offensive maneuvers by overseas manufacturers
Address challenges and threats	

Aim to Grow Business with Environmentally Friendly Products That Meet Society’s Needs

At a time when awareness of environmental issues is growing globally, there is increasing demand for environmentally friendly products. Moreover, the environment surrounding the Chemical Business is changing dramatically due to factors such as the automotive industry accelerating its shift to battery electric vehicles (BEVs). Here, the Company has continued to develop business through a comprehensive use of renewable wood resources such as dissolving pulp, lignin, cellulose, and hemicellulose. It will respond to the increase in environmental awareness and continue to develop and provide new wood-derived products.

For BEVs, where the market will expand, the Company is working to expand facilities for functional cellulose (CMC) to be used in lithium-ion batteries. Functional coating resins are added to paints used on plastic car parts that must be lightweight, and demand is even rising for ink applications in packaging film. Quality requirements are increasing in response to rapidly changing market environments, and a shift to high-quality, highly functional products that meet customer needs is underway. In addition, strengthening collaboration with corporate partners will lead to generating new business and enhancing competitiveness.

The Chemical Business will provide products that meet changing needs and promote the expansion of markets, including those overseas, through a trinity of sales, R&D and production.

Wood/Building Material Business [Main products] Logs, building materials, raw materials and fuel for papermaking



Link strengths to opportunities	
<ul style="list-style-type: none"> Top-class handling volume of domestic wood in Japan Procurement and supply system for wood chips used as fuel 	<ul style="list-style-type: none"> Movement to expand self-sufficiency of domestic wood Rising demand for biomass fuel due to the increase in biomass power generation facilities
S Strengths	O Opportunities
W Weaknesses	T Threats
<ul style="list-style-type: none"> Weakening procurement network of raw materials for paper manufacturing due to declining paper demand 	<ul style="list-style-type: none"> Lack of forestry workers and low productivity in the forestry industry
Address challenges and threats	

Further Strengthen Domestic Wood Procurement Foundation and Expand Profitability of the Fuel Business

In FY2023/3, the so-called “lumber crisis” that had taken the industry by surprise in the previous year came to an end in the latter half of the fiscal year. In the aftermath, distribution inventories remain high and markets continue to trend downward. Meanwhile, amid the global movement to a carbon neutral society, an additional increase in demand is forecast for biomass fuel due to the increase in biomass power generation in Japan.

To respond to these changes, Nippon Paper Lumber established a strategy of expanding the domestic wood business, and aims to expand sales of domestic materials by switching from imported materials to domestic materials and expanding sales routes overseas, among other means. Through maximum utilization of procurement and sales networks, one of the Group’s strengths, it will further strengthen its procurement foundation for domestic materials. It will similarly concentrate on strengthening fuel business, bolster initiatives aimed at transitioning to a carbon neutral society such as a stable supply for biomass generation facilities in the Company’s Energy Business and seizing sales opportunities with external customers, and aims to improve the profitability of the fuel business.

Nippon Paper Lumber aims to continue to be a leading company in the domestic wood business and to work to further expand the Group’s Wood/Building Material Business.