



June 30, 2025

To whom it may concern:

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Actions to Implement Management That is Conscious of the Cost of Capital and Stock Price
Renewal for FY2025

On June 28, 2024, Nippon Paper Industries Co. Ltd. ("the Company") announced "Actions to Implement Management That is Conscious of the Cost of Capital and Stock Price" and has been implementing measures related to the priority items set forth in the Medium-Term Management Plan 2025. Since then, the Company has continued to seek ways to enhance our corporate value over the medium to long term.

On June 27, 2025 meeting, the Board of Directors analyzed and evaluated the current status of the indicators on the Company's cost of capital and return on capital, and updated the Company's efforts to improve them. Please refer to the attached document for detailed information.

END

ACTION TO IMPLEMENT MANAGEMENT THAT IS CONSCIOUS OF THE COST OF CAPITAL AND STOCK PRICE

June 30, 2025



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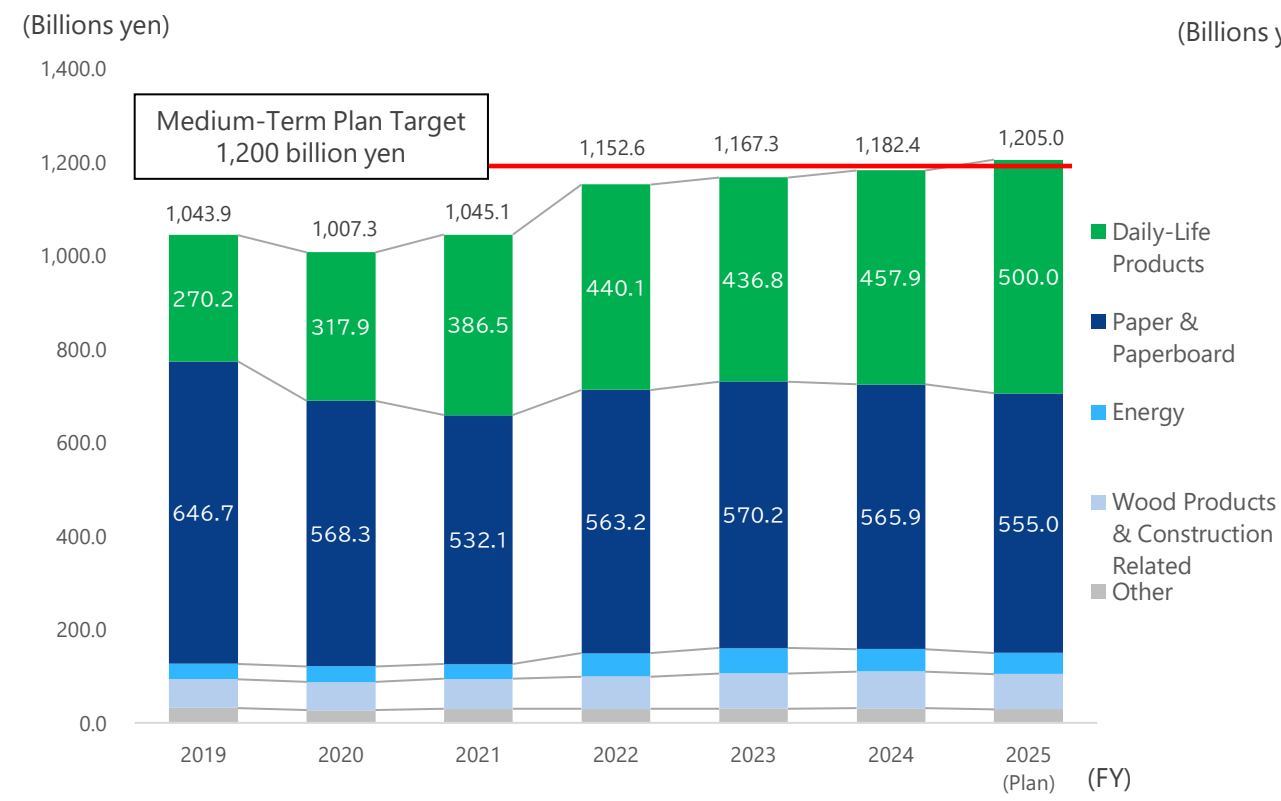
1・・・Analysis of current situation



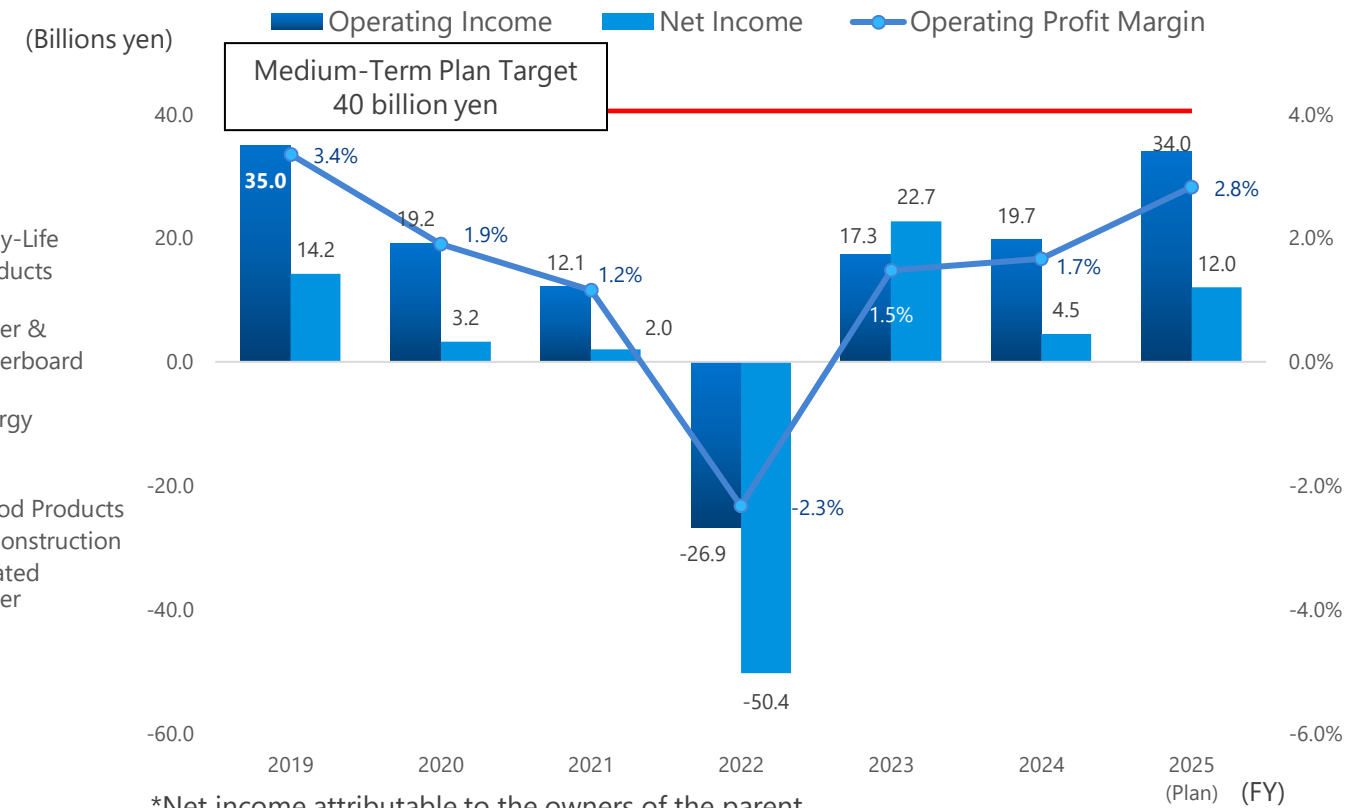
1. Analysis of Current Situation (Consolidated Financial Results)

- In FY2022, the Company posted a loss due to major changes in the external environment, including prolonged influence of COVID-19, supply chain disruptions caused by volatility in international situation, soaring raw material and fuel prices, and the suspension of wood supply to Opal's graphic paper business.
- Profit increased for two consecutive fiscal years due to a review of production system, improved profitability of Opal, and steady implementation of cost reductions and price revisions, including reductions in coal usage.
- Operating income is expected to be 34 billion yen in FY2025 ⇒ The Company aims to achieve the 40 billion yen target of its Medium-Term Business Plan by implementing further measures to improve profitability.

Consolidated Net Sales



Operating Income, Net Income* and Operating Income Margin



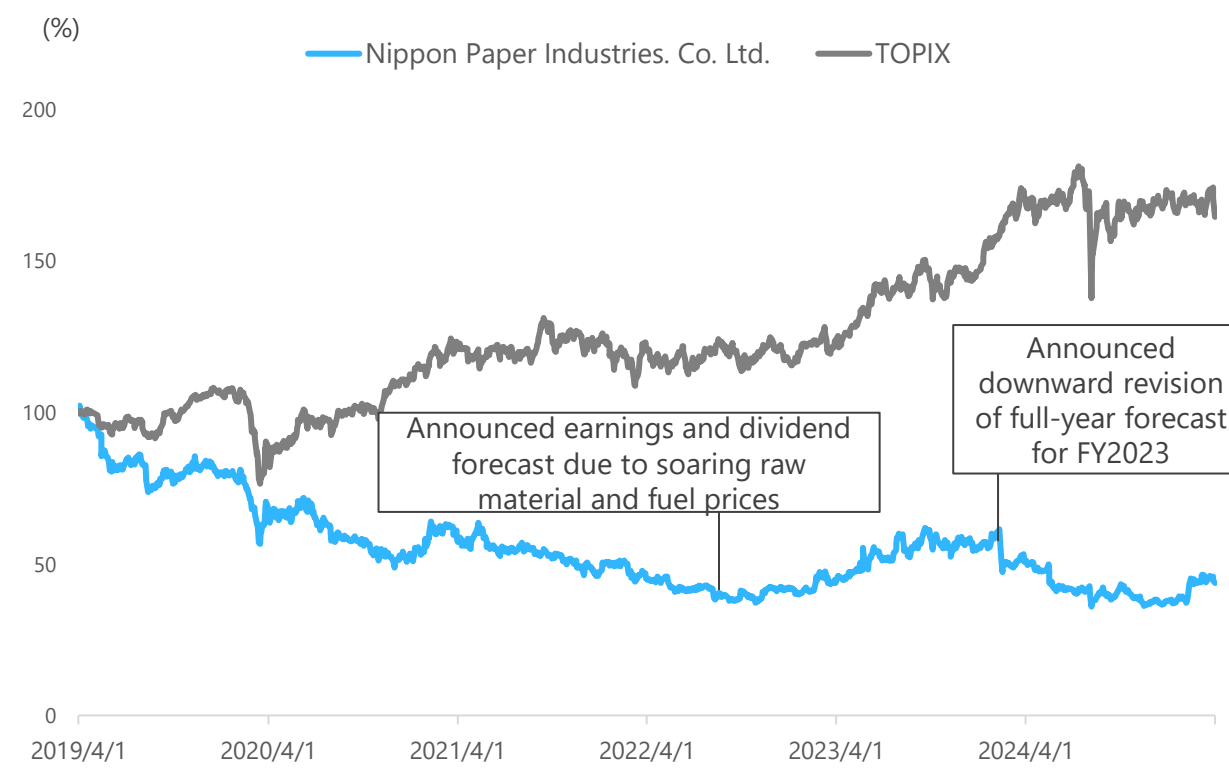
*Net income attributable to the owners of the parent



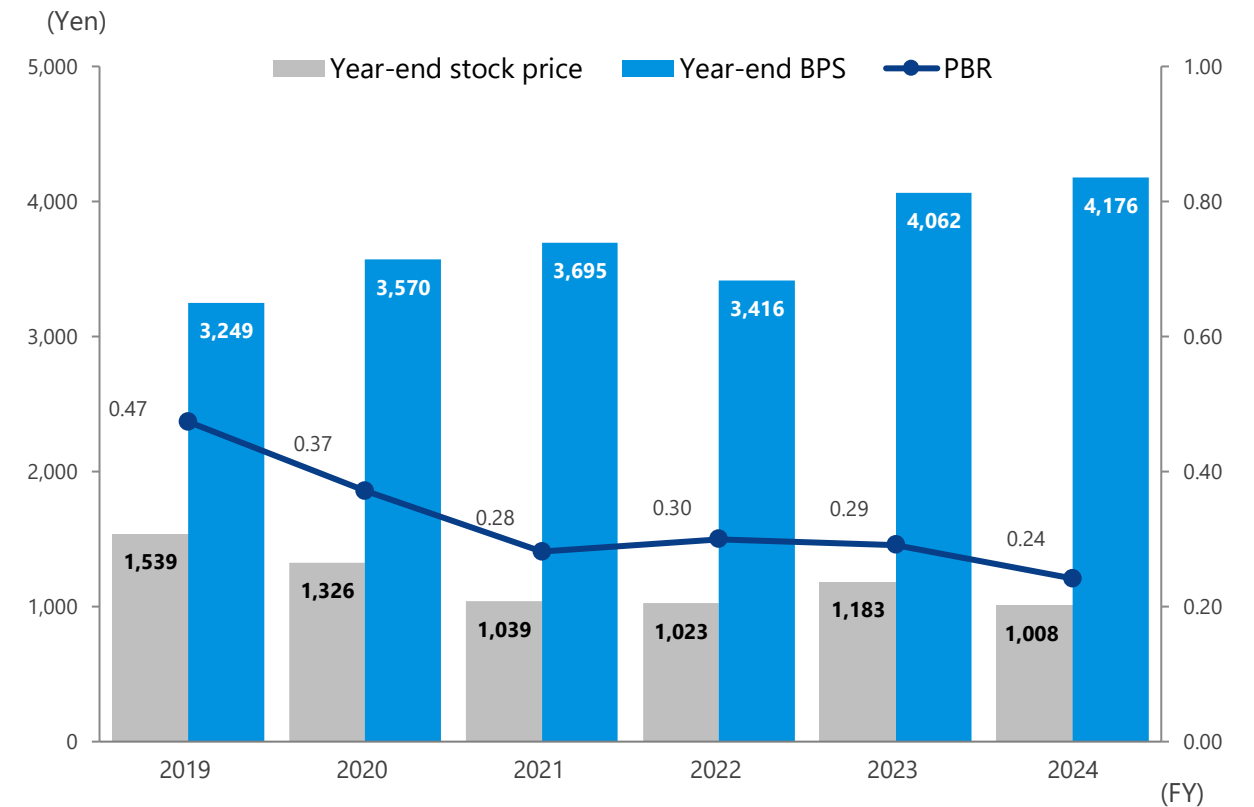
1. Analysis of Current Situation (Stock Price and PBR)

- The Company's stock price level remained low compared to TOPIX.
- Despite the efforts for achieving the 2030Vision and the Medium-Term Business Plan 2025, the stock price is stagnant and PBR remains low.

Nippon Paper Industries Stock Price Trends in Comparison with TOPIX*



Year-End BPS and PBR

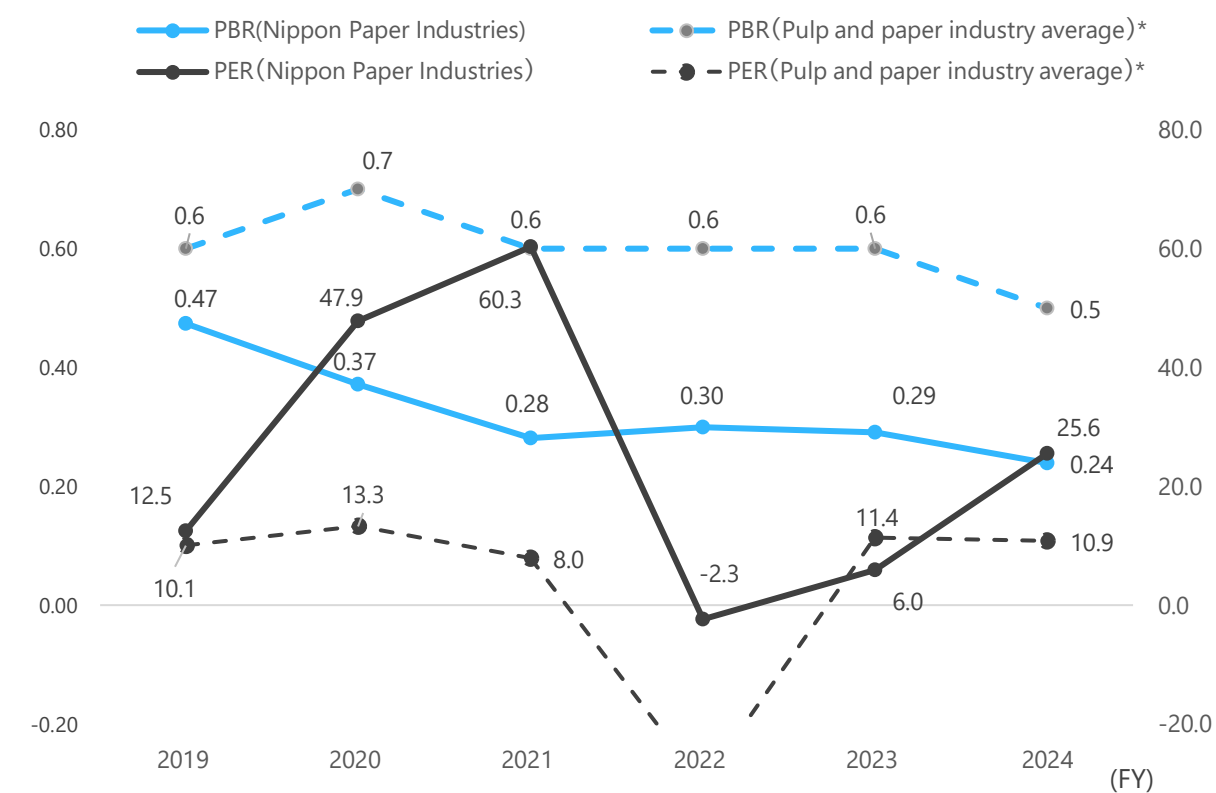


*Comparison of price change based on Nippon Paper Industries (3863) stock price of 2,301 yen and TOPIX of 1,615.81 as of April 1, 2019, which is shown as 100 on the graph. (April 1, 2019 - March 31, 2025)

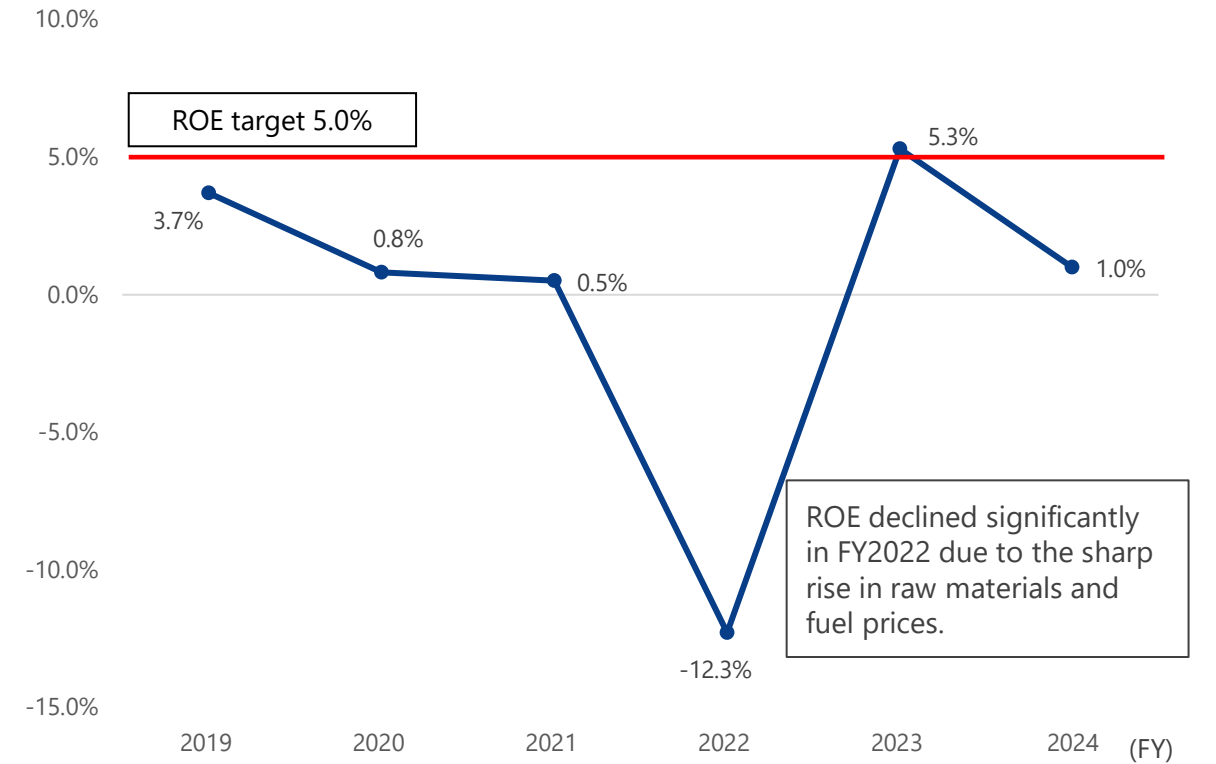
1. Analysis of Current Situation (PBR, PER, and ROE)

- PBR is in a downtrend, ranging from 0.47 to 0.24, and also remains lower than the average of competitors.
- The PER ranges from -2.3 to 60.3, volatile due to the increase and decrease in net income due to structural transformation expenses and other factors.
- ROE exceeded the 5.0% target of the Medium-Term Business Plan in FY2023, but profitability improvement is required for continuous achievement of the target.

PBR and PER



ROE



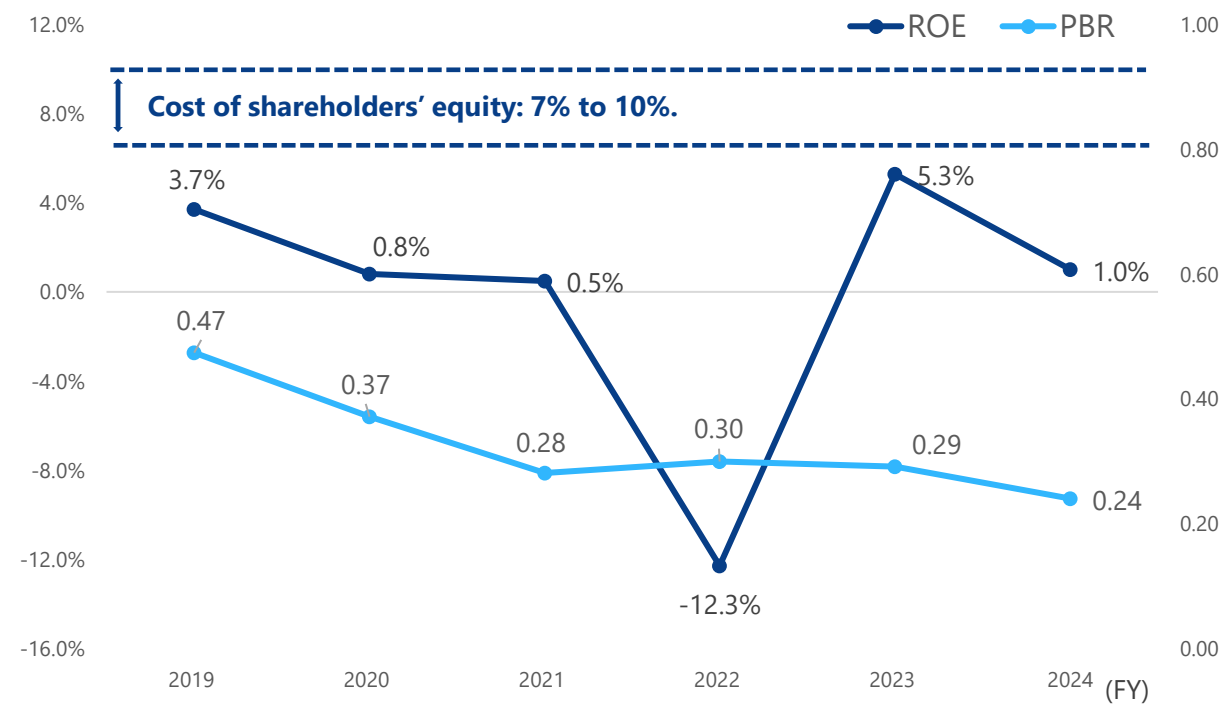
*PBR (Pulp and paper industry average)、PER (Pulp and paper industry average):
 2019-2023: Weighted average of TSE prime market disclosure data April-March 2024: most recent March-February

2・・・Evaluation

2. Evaluation (Relationship between ROE and Cost of Shareholders' Equity, PBR Decomposition)

- Re-evaluated the Company's cost of shareholders' equity: **around 7% to 10%.**
- ROE, a component of PBR, has remained below cost of shareholders' equity, falling to 1.0% in FY2024 from 5.3% in FY2023.
- In order to enhance PBR, it is necessary to **reduce the cost of shareholders' equity**, which is a component of PER, and to **increase investors' expectations**, while also **improving ROE.**

PBR and ROE



▶ ROE remained low due to low business profit and extraordinary losses incurred in connection with business structure transformation

Relationship between PBR, ROE and PER

For PBR of more than 1x:
 $ROE \geq (\text{cost of shareholders' equity} - \text{expected growth rate})$

$$\begin{aligned}
 \text{PBR} &= \text{ROE} \times \text{PER} \\
 &= \boxed{\text{ROE}} \times \frac{1}{(\boxed{\text{Cost of equity}} - \boxed{\text{Expected growth rate}})}
 \end{aligned}$$

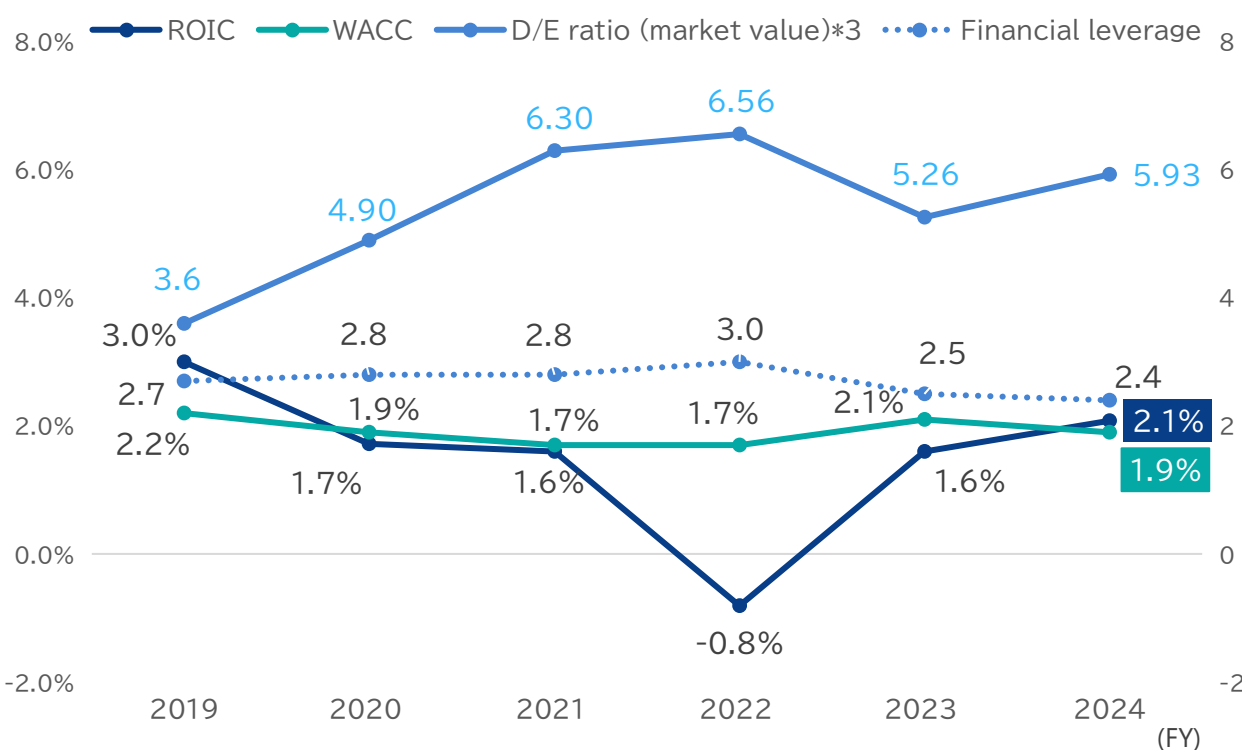
Cost of Equity Estimates:
 Set based on (1) CAPM, (2) leverage-adjusted CAPM, and (3) dialogue with investors

《CAPM Estimates ①②》
 Risk-free rate (10-year JGB) 1.5% + β (0.8-1.3) \times risk premium 7% \div 7-10%

2. Evaluation (Relationship between ROIC and WACC, ROIC Breakdown)

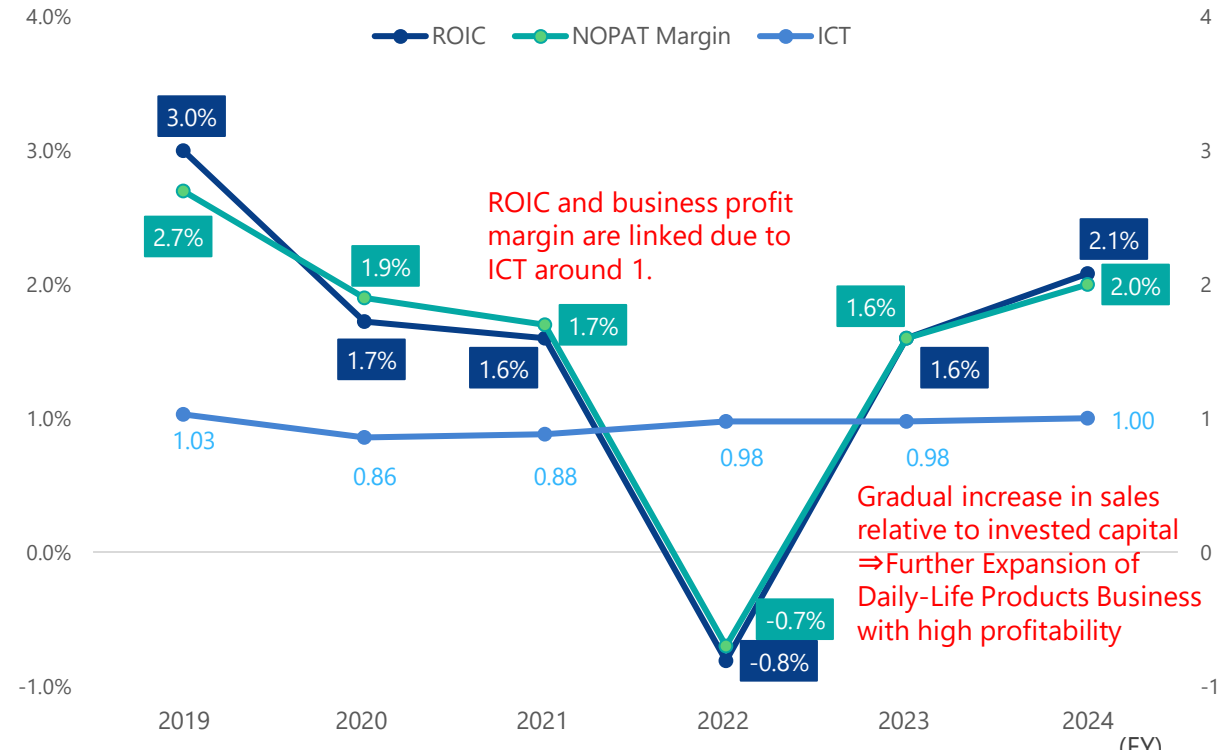
- ROIC remained low below WACC, and although financial leverage improved through reduction of net debt in FY2024, stock prices fell from the previous year, which lowered WACC and reversed the ROIC (2.1%)-WACC (1.9%) spread into positive.
- In order to improve ROIC, it is necessary to further improve Invested Capital Turnover Ratio(ICT) and NOPAT Margin, which are components of ROIC.

ROIC*1 and WACC*2



*1ROIC: NOPAT (operating income after tax + dividends received + equity in earnings of affiliates) / Invested capital (net debt + equity capital)
 *2WACC: Cost of debt; interest expense for each year, cost of shareholders' equity; 7% (CAPM), based on market capitalization
 *3D/E ratio (market value): Net interest-bearing debt / Market capitalization

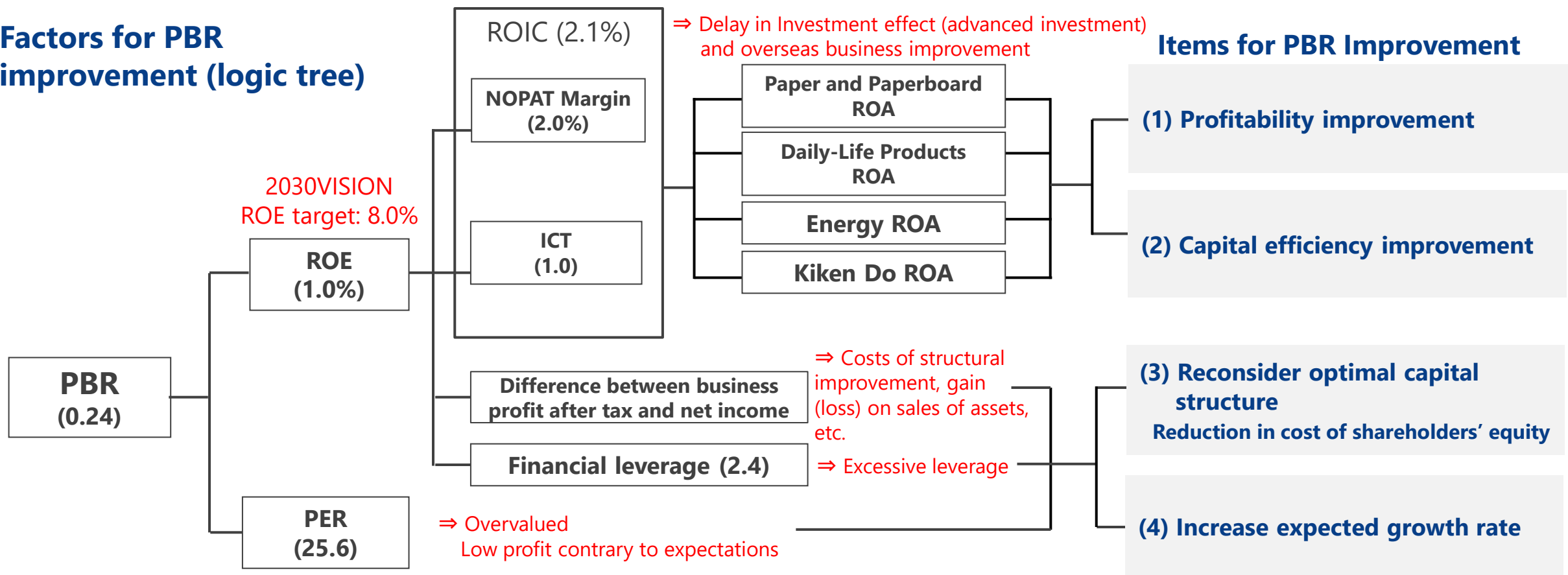
ROIC, ICT, and NOPAT Margin



2. Evaluation (FY2024 Results)

- The Company has made progress in business structure transformation (from graphic paper business to Daily-Life Products Business) and has steadily shifted invested capital to the latter business. However, at this point, return on capital (ROE and ROIC) has not reached the expected level of the market due to the delay in realizing the benefits of investments.
- Profitability improvement in overseas operations, especially Opal, has been slower than expected.
- High financial leverage and insufficient level of financial stability ⇒ High cost of shareholders' equity and heavy cost of debt

Factors for PBR improvement (logic tree)



*Figures in parentheses indicate FY2024 results (stock prices are the closing prices at the end of the fiscal year).

3・・・Initiatives to improve PBR

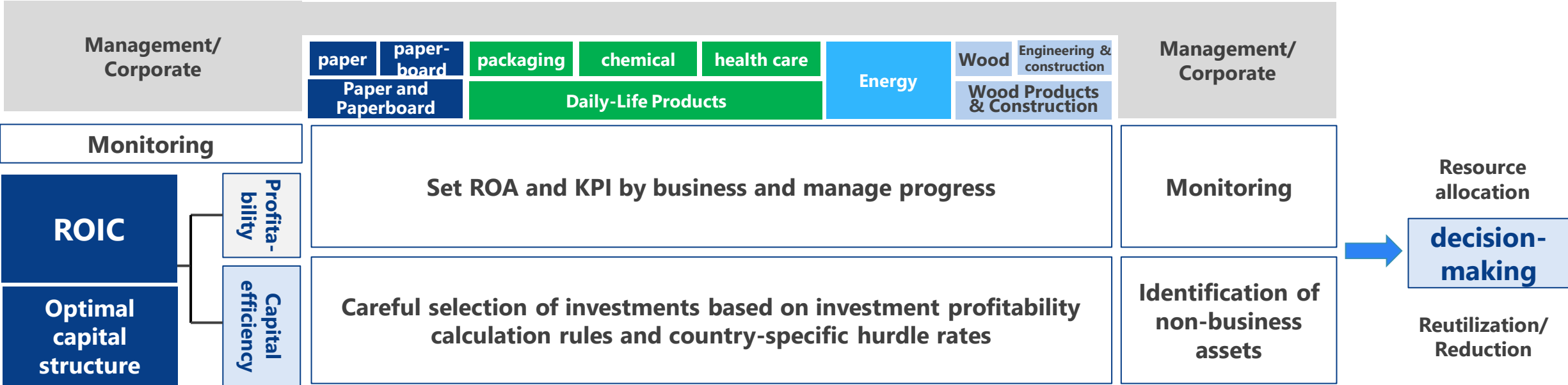


3. Initiatives to improve PBR (1)

Items for PBR Improvement	Policy	Initiatives
(1) Profitability improvement	<ul style="list-style-type: none"> ■ Introduction of profitability improvement management system 	<ul style="list-style-type: none"> ✓ From FY2025, establish Key Success Factors (KSFs) and KPIs by company and business, and report them to the Board of Directors. ✓ Strengthen management system for early realization of the effects of major investments
	<ul style="list-style-type: none"> ■ Ensuring a fair and reproducible price for stable supply 	<ul style="list-style-type: none"> ✓ Price pass-through of cost increases in logistics, labor, raw material, etc.
(2) Capital efficiency improvement	<ul style="list-style-type: none"> ■ Introduction of capital efficiency management system (p.13) 	<ul style="list-style-type: none"> ✓ Introduce group-wide ROIC, ROIC by company, ROA management by business, and KPI by business from FY2025. ✓ Target ROE and ROIC to be set for the next medium-term plan ✓ Review of investment profitability calculation rules and hurdle rates (linked to management indicator ROIC) ✓ Set hurdle rates by company incorporating appropriate D/E ratios and cost of shareholders' equity
	<ul style="list-style-type: none"> ■ Promotion of business structure transformation (p.14) 	<ul style="list-style-type: none"> ✓ Invest management resources in Daily-Life Products Business (packaging, household paper, healthcare, biomass materials, and chemicals), which are positioned as growth businesses, to boost earnings. ✓ Improvement of Opal's profitability (ensuring the realization of investment effects, strengthening sales force, and promoting cost reductions) ✓ Further strengthen the foundation of Paper and Paperboard Business by reorganizing the graphic paper production system ✓ Create further synergies with domestic and overseas business partners (including equity method affiliates)

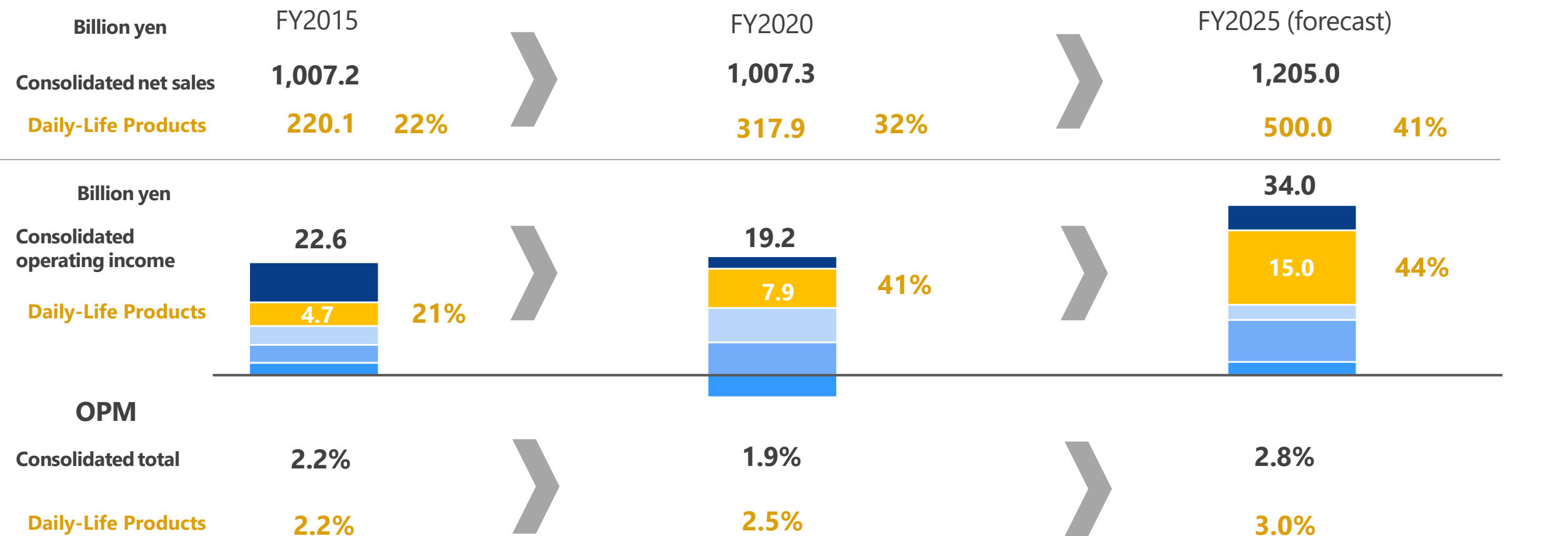
3. Initiatives to improve PBR (Introduction of capital efficiency management system)

- Pilot introduction of group-wide ROIC on a consolidated basis, ROIC by company, ROA management by business, and KPI by business from FY2025 budget (full-scale operation from the next medium-term business plan)
 - ⇒ Efficient management of business assets (including accounts receivable, inventories, fixed assets for business use, investment securities, and stocks of subsidiaries and affiliates)
 - ⇒ Reutilization/reduction of non-business assets, including reduction of cross-shareholdings
- Set Key Success Factors (KSF) and KPIs by company and business, using ROIC and ROA as indicators, and report progress to the Board of Directors on a quarterly basis.



3. Initiatives to improve PBR (Progress in business structure transformation - shift to Daily-Products Businesses)

Daily-Life Products Business significantly grew in both sales and operating income. The business will further expand in the next Medium-Term Business Plan.

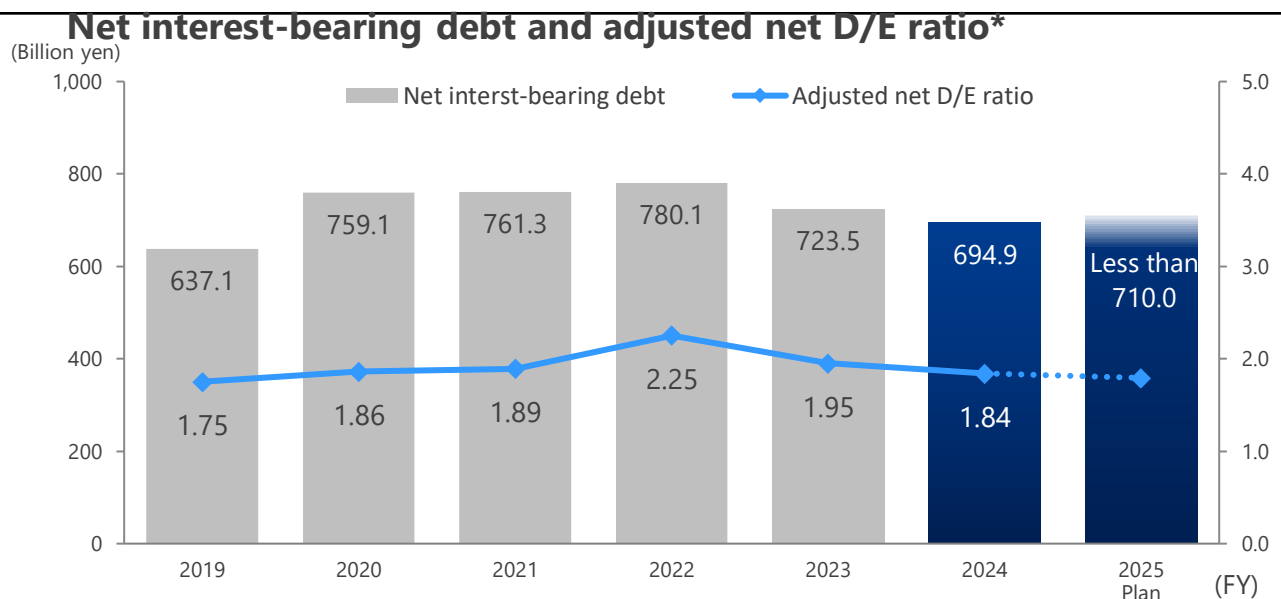
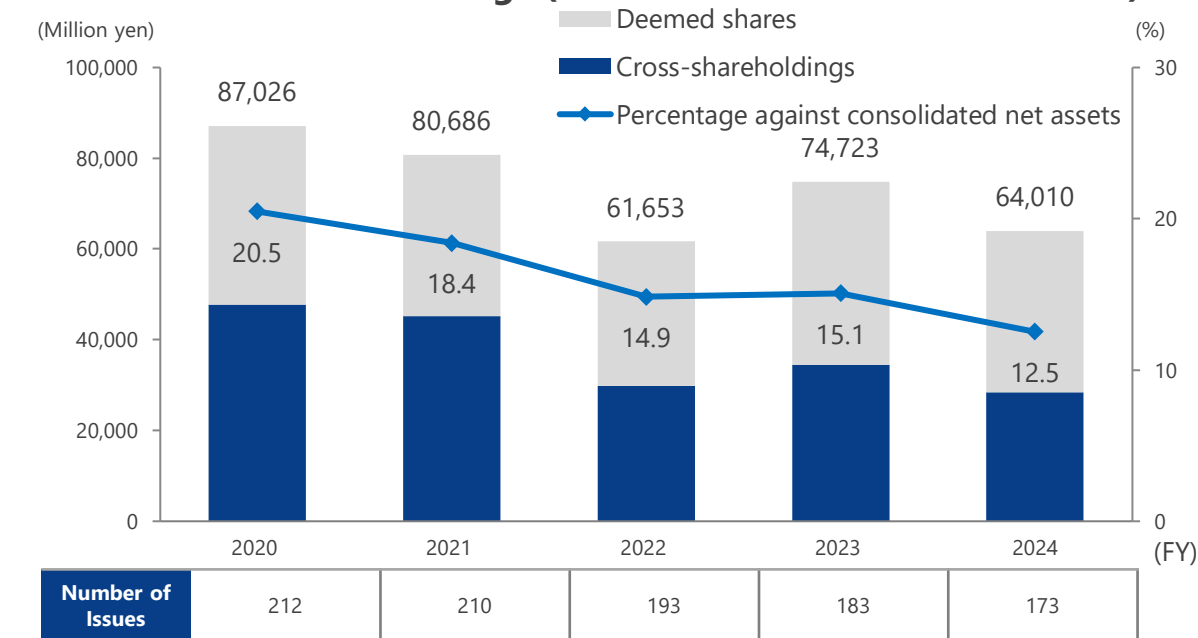


■ Paper and paperboard
 ■ Daily-Life Products
 ■ Energy
 ■ Wood Products & Construction Related
 ■ Other

3. Initiatives to improve PBR (2)

Items for PBR Improvement	Policy	Initiatives
<p>(2) Capital efficiency improvement</p>	<p>■ Streamlining of assets</p>	<ul style="list-style-type: none"> ✓ Reduction target for cross-shareholdings: 15 billion yen in listed shares by the end of FY2027 from FY2025. Further reduction of remaining shares through dialogue with business partners. ✓ Consider and implement utilization and sale of idle fixed assets
<p>(3) Reconsider optimal capital structure Reduction in cost of shareholders' equity</p>	<p>■ Improvement of financial stability</p>	<ul style="list-style-type: none"> ✓ Reduce net interest-bearing debt to 710 billion yen or less by the end of FY2025, with an adjusted net D/E ratio of 1.7 times or lower ➡To lower the D/E ratio in the next medium-term plan through further reductions ✓ Compress working capital to appropriate levels ✓ Controll fund expenditures utilizing subsidies, etc.

Status of Cross-shareholdings (amount shown on Balance Sheet)



* Adjusted net D/E ratio = (net interest-bearing debt – capital liabilities) / (shareholders' equity + capital liabilities)
 Capital liabilities : Amount of debt financed by hybrid loans that has been certified as capitalized by the rating agency (50% of the amount financed)

3. Initiatives to improve PBR (3)

Items for PBR Improvement	Policy	Initiatives
<p>(4) Increase expected growth rate</p>	<p>■ Attentive dialogue with capital markets (Set up opportunities for interactive communication with analysts and investors)</p>	<p>(FY2024)</p> <ul style="list-style-type: none"> ✓ Financial results and management briefings (Q2, Q4) : 2 ✓ Financial results briefing (Q1, Q3) : 2 ✓ Outside Directors Small Meeting: held in March 2025 ✓ R&D briefing in April 2025 to explain the role of the R&D Division and the latest technological trends (attended by 22 analysts and institutional investors and 20 members of the mass media). ✓ 135 individual meetings (including 4 meetings on ESG) <p>(Main discussion during the dialogue)</p> <ul style="list-style-type: none"> ✓ Approach to capital allocation and financial strategies ✓ Growth strategy

Outside Director Small Meetings

A small meeting with outside directors and institutional investors was held at the Company's headquarters on March 12, 2025. Our outside directors, Mr. Fujioka, Ms. Hatta, and Mr. Kunigo attended the meeting, with 10 institutional investors, both online and in person. The participants exchanged opinions on the efforts of outside directors to enhance corporate value and governance systems.



A small meeting of outside directors held in a conference room at the headquarters of NIPPON PAPER GROUP.

R&D Briefing

A briefing on R&D was held at Research & Development Division in Oji, Kita-ku, Tokyo on April 22, 2025. The basic policy of the R&D Division, which is to “expand earnings of existing businesses, maximize the use of wood components, and contribute to the reduction of environmental impact and improvement of people’s lives”, was explained. After each presentation, exhibits of research results were presented at the institute.



Q&A session at the institute's information session



An introduction to the exhibits

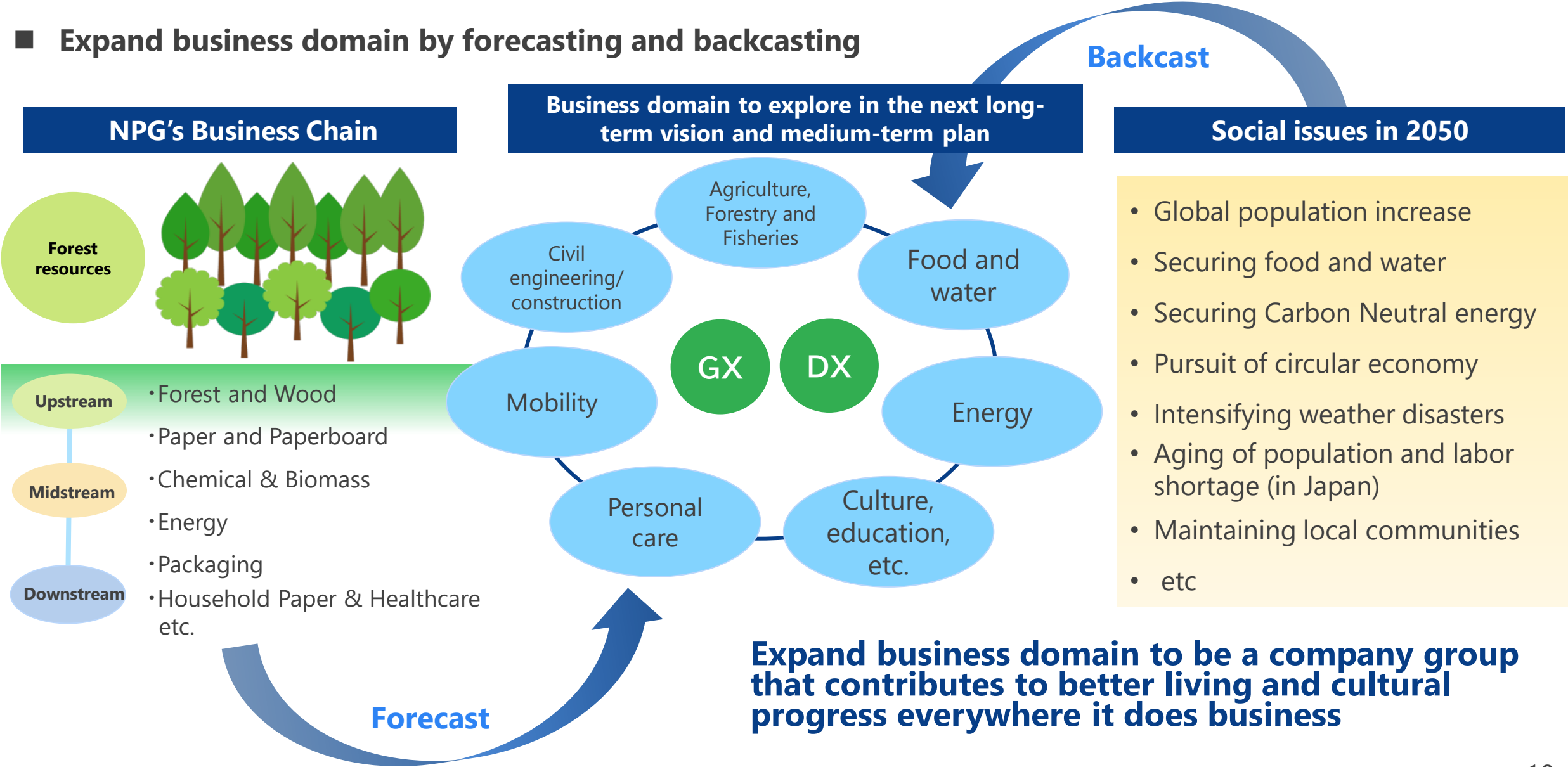
3. Initiatives to improve PBR (4)

Items for PBR Improvement	Policy	Initiatives
<div>(4)</div> <div>Increase expected growth rate</div>	<div>■ Proactive Information Disclosure</div>	<ul style="list-style-type: none"> ✓ Publication of Integrated Report ✓ Disclosure of FACTBOOK ✓ Enhanced disclosure including non-financial information (ESG Data Book) ✓ Post financial results presentation materials and scripts on external websites
	<div>■ Communicate growth strategy (see p. 18) and strengthen dialogue</div> <div>■ Strengthen Sustainability Management</div>	<ul style="list-style-type: none"> ✓ To announce next long-term vision and medium-term business plan in FY2026 ⇒ Disseminate the strengths of each business in upstream, midstream, and downstream in the Group's value chain <ul style="list-style-type: none"> • Promote green strategies and expand forest and timber-related businesses • Expansion of environmentally friendly biomass materials business and promotion of recycling • Promotion of GHG reduction • Promotion of human capital management, etc. ✓ Climate change, decarbonization <ul style="list-style-type: none"> • Endorsed the Task Force on Climate-related Financial Disclosures (TCFD) • Participation in GX League ✓ Biodiversity <ul style="list-style-type: none"> • Participation in the 30 by 30 Alliance for Biodiversity • Participation in the Nature Positive Management Promotion Platform ✓ Forestry <ul style="list-style-type: none"> • Participation in the International Sustainable Forestry Coalition (ISFC)

3. Initiatives to improve PBR

(Expansion of Business Domain in the Next Long-Term Vision and Medium-Term Plan)

■ Expand business domain by forecasting and backcasting



4・・・Appendix



Medium-Term Business Plan 2025 and 2030 Vision

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

Medium-Term Business Plan 2025

Basic Strategy

Acceleration of business structure transformation

Priority tasks

- 1) Improve profitability of Daily-Life Products Business
- 2) Strengthen competitiveness of Graphic Paper Business
- 3) Accelerate Reduction of GHG Emissions
- 4) Improve Financial Position

Target

Net sales	¥1,200 billion or more
Operating income	¥40 billion at an early stage
EBITDA	Stably ¥100 billion
Net Debt/Equity Ratio	1.7 times
ROE	5.0% or more

2030VISION

- Realize sustainable growth of the NIPPON PAPER GROUP
- Build a circulation-oriented society that maximizes use of wood resources

Basic Policy

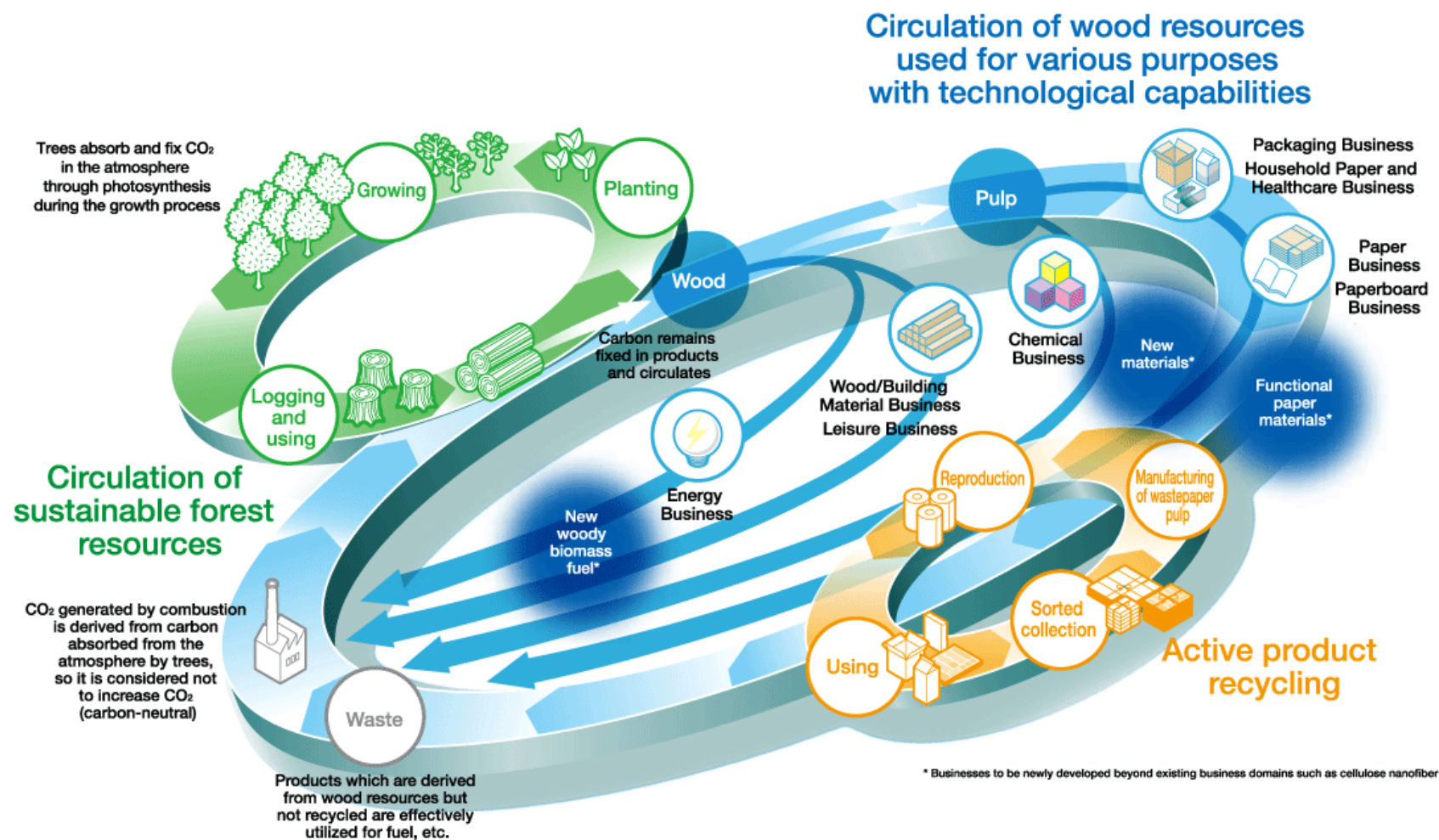
- 1) Shifting resources to growth businesses
- 2) Responding to drastic changes in social conditions, such as GHG reduction and other environmental issues

Backcasting

Target

Net sales	¥1,300 billion
Daily-Life Products Business accounting for 50% (650 billion yen) or more	
Including ¥65 billion of new businesses Overseas net sales ratio 30% or more	
Daily-Life Products Business operating margin	7% or more
ROE	8.0% or more
GHG emissions	54% reduction (vs. FY2014/3 Scope1 + 2)

Growth Strategy Based on the Three Circulations





Trends in financial data used for calculations

(Billion yen)

(Fiscal year)	2019	2020	2021	2022	2023	2024
Net sales	1,043.9	1,007.3	1,045.1	1,152.6	1,167.3	1,182.4
Operating income	35.0	19.2	12.1	(26.9)	17.3	19.7
Operating margin	3.4%	1.9%	1.2%	(2.3%)	1.5%	1.7%
Net income attributable to parent	14.2	3.2	2.0	(50.4)	22.7	4.5
Total assets	1,363.5	1,547.3	1,639.3	1,666.5	1,731.2	1,703.3
Invested capital (procurement)	1,012.3	1,171.5	1,188.2	1,174.8	1,192.3	1,176.9
Cash	52.8	69.7	136.8	144.4	164.9	185.9
Interest-bearing debt	689.9	828.9	898.1	924.4	888.4	880.8
Net interest-bearing debt	637.1	759.1	761.3	780.1	723.5	694.9
Shareholders' equity	364.3	362.1	357.9	303.8	326.5	331.0
Owners' equity	375.2	412.4	426.9	394.7	468.8	482.0
Share price (closing price at the end of the period Yen/share)	1,539	1,326	1,039	1,023	1,183	1,008



Financial Analysis and Stock Price Index Trends

(Fiscal year)	2019	2020	2021	2022	2023	2024
PBR	0.47	0.37	0.28	0.30	0.29	0.24
PBR (Pulp and paper industry average)	0.6	0.7	0.6	0.6	0.6	0.5
ROE	3.7%	0.8%	0.5%	(12.3%)	5.3%	1.0%
PER	12.5	47.9	60.3	(2.3)	6.0	25.6
PER (Pulp and paper industry average)	10.1	13.3	8.0	(91.2)	11.4	10.9
ROIC	3.0%	1.7%	1.6%	(0.8%)	1.6%	2.1%
NOPAT margin	2.7%	1.9%	1.7%	(0.7%)	1.6%	2.0%
Net income margin	1.4%	0.3%	0.2%	(4.4%)	2.0%	0.4%
Invested capital turnover	1.03	0.86	0.88	0.98	0.98	1.00
Financial Leverage	2.7	2.8	2.8	3.0	2.5	2.4
D/E ratio (1)	1.70	1.65	1.60	1.77	1.39	1.30
D/E ratio (2)	1.75	1.86	1.89	2.25	1.95	1.84

Formula
PBR = market capitalization (closing price at the end of the period) / Equity capital (shareholders' equity + accumulated other comprehensive income); PBR (pulp and paper average): 2020-2023: weighted average of TSE prime market disclosure data from April to March; 2024: latest March to February
ROE = Net income (loss) attributable to shareholders of the parent company / Shareholders' equity, average of beginning and ending amounts
PER = Stock price (closing price at the end of the period) / net income (loss) attributable to shareholders of the parent company per share : PER (pulp and paper average): 2020-2023: weighted average of TSE prime market disclosure data from April to March; 2024: latest March to February
ROIC = Business profit after tax (operating income after tax + dividends received + equity in earnings of affiliates) / Invested capital (equity capital + net debt), corporate tax rate 30.6
Ratio of business profit after tax to net sales = Business profit after tax / Net sales
Return on sales = Net income (loss) attributable to owners of the parent / Net sales
Turnover of invested capital = Net sales / Invested capital (Shareholders' equity + Net debt)
Financial leverage = Invested capital (Shareholders' equity + Net debt) / Shareholders' equity
D/E ratio (1) = (net debt - equity debt)/(equity + equity debt)
D/E ratio (2)=(Net debt - Equity debt)/(Shareholders' equity + Equity debt)

The Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business.

<Disclaimer>

Any statements in this presentation document, other than those of historical fact, are forward-looking statements about the future performance of Nippon Paper Industries Co., Ltd., and its Group companies. These statements are based on management's assumptions and beliefs in light of information currently available and involve risks and uncertainties. Actual results may differ materially from these forecasts.

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