
STRATEGIES PRESENTATION MATERIAL

May 15, 2025



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01 | Progress of Medium-Term Business Plan 2025

- 1) Review of FY2025/3 Results
- 2) Progress in Business Structure Transformation
- 3) Operating Income Trends
- 4) Progress of Medium-Term Business Plan 2025



1) Review of FY2025/3 Results

Domestic business generally maintained the trajectory of the Medium-Term Business Plan 2025. Overseas business remains an issue, but is on a recovery track and returned to profitability in the second half of FY25/3.

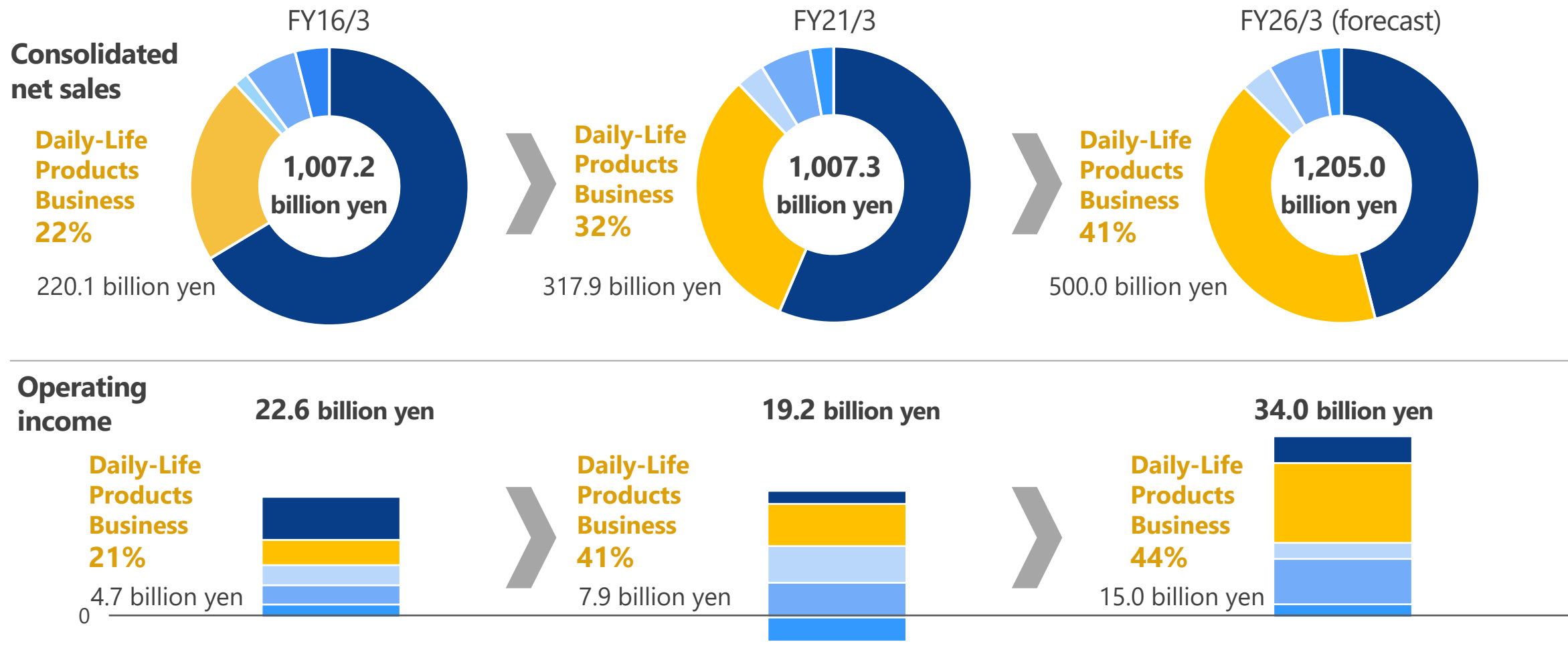
(Billions of yen)

	FY24/3 Results	FY25/3 Results			FY26/3 Forecast
		1H	2H	Full year	
Net sales	1,167.3	584.5	597.9	1,182.4	1,205.0
Operating income	17.3	2.1	17.6	19.7	34.0
Paper and Paperboard	11.7	3.5	4.8	8.3	5.0
Daily-Life Products	-8.1	-9.1	3.0	-6.1	15.0
Energy	1.6	1.7	1.9	3.6	3.0
Wood Products and Construction Related	9.8	4.0	5.6	9.6	8.5
Other	2.3	2.0	2.3	4.3	2.5
Domestic	30.4	15.6	16.0	31.6	30.5
Overseas	-13.1	-13.5	1.6	-11.9	3.5



2) Progress in Business Structure Transformation - Shift to Daily-Life Products Business-

Daily-Life Products Business achieved significant growth in both sales and operating income owing to business structure transformation.

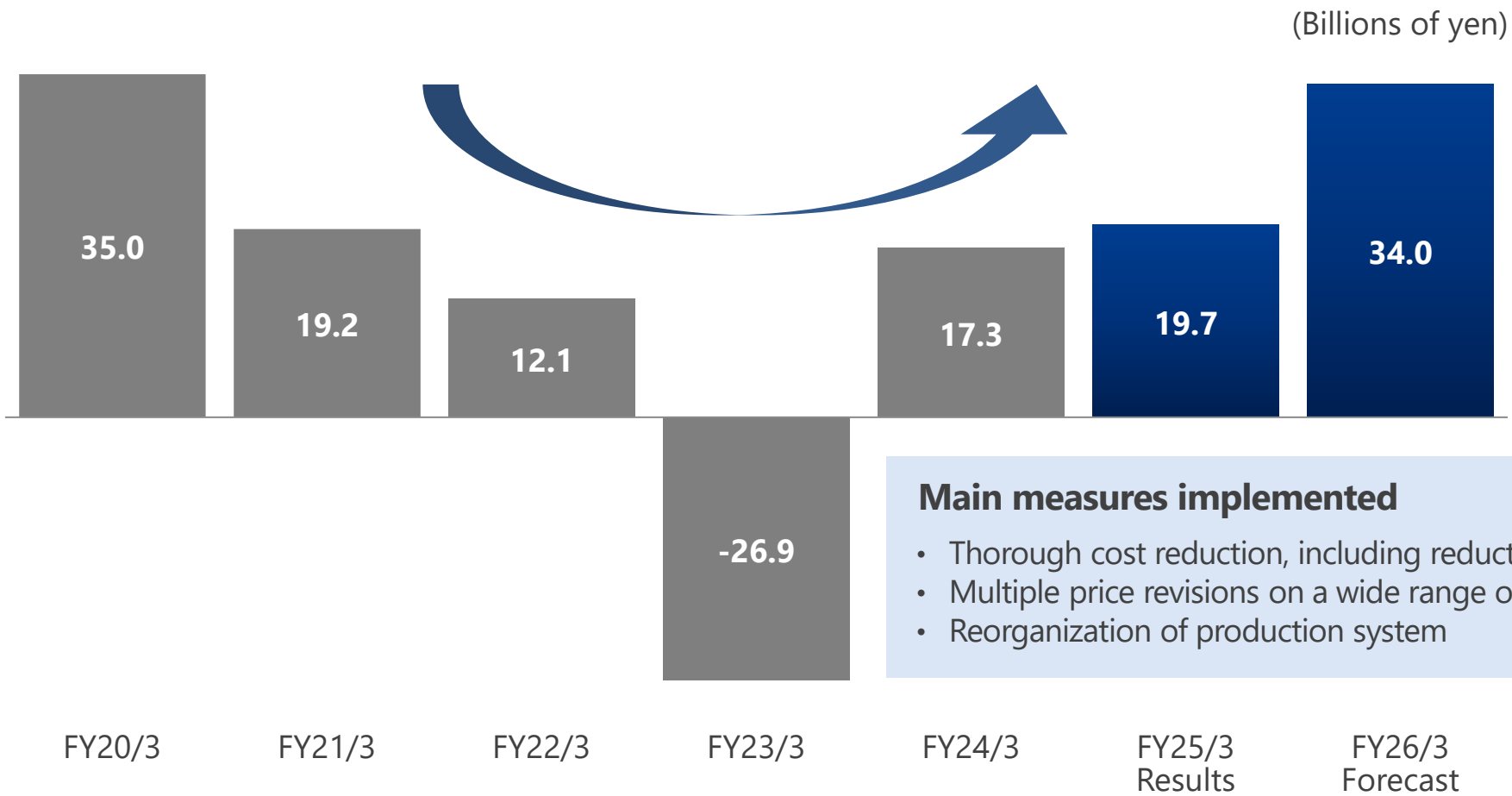


■ Paper and Paperboard ■ Daily-Life Products ■ Energy ■ Wood Products and Construction Related ■ Other



3) Operating Income Trends

Steady recovery in operating income, overcoming the COVID-19 and surging raw material and fuel prices



Average FOREX (Yen/USD)	FY20/3	FY21/3	FY22/3	FY23/3	FY24/3	FY25/3 Results	FY26/3 Forecast
	108.7	106.1	112.4	135.5	144.6	152.6	152



4) Progress of Medium-Term Business Plan 2025

- Domestic business and NDP returned to the track of the Medium-Term Business Plan; progress in Opal was behind expectations .
- Targets will be achieved for net sales, EBITDA, and net D/E ratio, but not for operating income and ROE.

Progress toward Medium-Term Business Plan 2025

(Billion yen)	Medium-Term Business Plan 2025 Target	FY26/3 forecast
Net sales	1,200.0	1,205.0
Operating income	40.0	34.0
Paper and Paperboard	5.0	5.0
Daily-Life Products	20.0	15.0
Energy	3.0	3.0
Wood Products and Construction Related	8.0	8.5
Other	4.0	2.5
EBITDA	100.0	100.0
ROE	5.0% or more	2-3%
Net D/E Ratio	1.7-1.79 times	1.7-1.79 times

Concept for FY26/3

1. Ensure implementation of priority tasks for FY26/3
 - ▶ Achieve FY26/3 financial forecast
2. Consider and implement measures to further improve profitability
 - ▶ Achieve Medium-Term Business Plan 2025 targets

Additional profitability improvement measures under consideration

- Measures against cost increases such as higher wages and prices
 - Further cost reductions and price revisions
- Early realization of investment effects
 - Thorough post-investment follow-up, including verification of the effects of the investment
- Additional measures to bring Opal back to profitability at an early stage
 - Refer to p.12



02 | Priority Tasks for FY26/3

- 1) Expansion and Profitability Improvement of Daily-Life Products Business
 - Liquid Paper Containers, Household & Healthcare, Chemicals
- 2) Improvement of Opal's Profitability
- 3) Strengthen the foundation of the Paper and Paperboard Business



1) Expansion and Profitability Improvement of Daily-Life Products Business

Trends in net sales and operating margin of Daily-Life Products Business

Upper row: net sales (billion yen) Lower row: operating margin (%)

Business	FY24/3 Results	FY25/3 Results	FY26/3 Forecast	*FY26/3 Target
Liquid paper containers	103.8	107.3	-	120.0
Heavy bags, paper cups, etc.	2.3%	0.1%	-	5%
Household paper & health care	104.8	115.3	-	130.0
	3.0%	2.5%	-	5%
Chemical, Biomass materials	55.0	58.3	-	60.0
	3.8%	7.8%	-	9%
Opal	173.2	177.0	-	190.0
	-8.1%	-6.5%	-	1%
Total amount	436.8	457.9	500.0	500.0
	-1.8%	-1.3%	3%	4%

Progress toward the FY26/3 Target

- Net sales
 - Each business expanded generally as expected due to higher sales volume and price revisions.
- Operating margin
 - Liquid paper containers, household paper & healthcare, and chemical progressed generally as planned.
 - On the other hand, Opal failed to achieve its goal.

* Target for FY26/3 has been shown "Strategies Presentation Material" disclosed in November 2024.



1) Expansion and Profitability Improvement of Daily-Life Products Business

Basic Concept

- R&D: Differentiation through development of high value-added products such as environmentally-friendly products
- Production: Production increase by expanding production capacity, cost improvement
- Sales: Expansion by realizing investment effects and price revisions

Initiatives by Business

Liquid paper containers (Japanese paper packaging business + NDP)	Household paper & health care	Chemical
Expansion of Usage for Paper Containers	Expand sales by launching new machines	Maximize capital investment effects
✓ Collaboration with global partners - Expand overseas operations (North America, South Korea, Australia, etc.) →Cooperation with Opal, Elopak, and Shikoku Kakoki ✓ Environmentally-friendly products - All-biomass paper containers - Non-aluminum paper containers, etc. ✓ Expansion into non-beverage areas - Soup, personal care products	✓ Strengthen cost competitiveness - Integrated production from pulp ✓ Collaboration with global partners - Expand overseas operations  “Compact & large volume” products (250 pairs of Scotty Flowers, 3x rolled toilet rolls, etc.)	• Dissolving pulp - Respond to existing customer demand and develop new customers • Functional chemical products (lignin, etc.) - Expansion in the industrial, agricultural, and food sectors • Functional coating resin - Aggressive sales expansion in overseas markets • Functional Films - Sales expansion for OLED



2) Opal’s Profitability Improvement

Overview of FY25/3 and Current Situation

■ Maryvale Mill

- Opal has completed the transition to dedicated packaging paper operations, following the shutdown of two paper machines, reducing the number from five to three. Kraft pulp production was transitioned from batch to continuous digesters.
- Despite improvements in operational efficiency and fixed cost reductions, production challenges and soft export market conditions resulted in continued operating losses in FY25/3.
- Following a one-month industrial action in Q1 FY26/3, an agreement in principle on labor terms suited to the current production structure was reached.

■ Packaging Business

- A combination of increased corrugated box sales, driven by expanded production capacity, and production cost reductions through site rationalization and other efficiency improvements enabled Opal to achieve profitability in the second half of FY25/3.

■ FY26/3 Forecast

- Due to the impact of the Q1 labor dispute and the broader economic slowdown in Australia, Opal is expected to remain in deficit in the first half of FY26/3, with a return to profitability anticipated in the second half.

<u>Operating profit</u>	FY24/3 Result	FY25/3 Result			FY26/3 Forecast		
		1H	2H	Full year	1H	2H	Full year
Maryvale Mill	-128	-65	-42	-107	-30	-20	-50
Packaging Business	-23	-17	9	-8	-10	25	15
Opal total	-151	-82	-33	-115	-40	5	-35



2) Opal’s Profitability Improvement

Initiatives to Accelerate Opal’s Return to Profitability

Maryvale Mill	Packaging Business
Strengthening production foundations through operational stability, cost reduction, and improved sales mix	Strengthening profitability through realization of investment benefits and sales enhancement via sales expansion and cost reduction
✓ Operational Stability - Enhance maintenance and secure optimal operating parameters with technical support from Nippon Paper Industries ✓ Cost Optimization - Further reduction of fixed costs - Cost optimization through an end-to-end review of the supply chain, including procurement, production, and logistics ✓ Sales Enhancement - Further shift toward more profitable products and markets	✓ Realization of Investment - Maximize utilization of the new corrugated box plant and upgraded converting machines ✓ Cost Optimization - Continue initiatives to improve productivity and enhance labor efficiency ✓ Sales Enhancement - Advance differentiation through quality and service to meet customer needs - Maximize internal sales and sales to customers across the Oceania region, thereby reducing low-margin exports



Advance FY26/3 profitability through further profit improvement



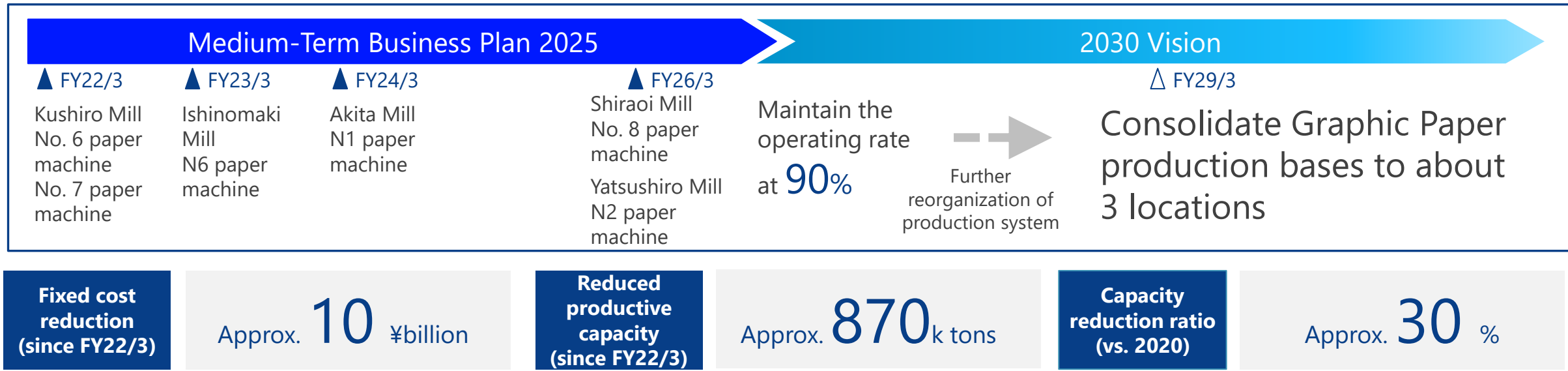
3) Strengthen the Foundation of the Paper and Paperboard Business

Initiatives to strengthen the business foundation

- production
- Stable operation and enhanced BCP system
 - Cost reduction through energy conservation, etc.
 - Optimization of production system

- sales
- Development of environmentally-friendly products in cooperation with customers
 - Export expansion
 - Ensuring a fair and reproducible price for stable supply

Progress in reorganization of production system





03 | Management based on a Strong Awareness of Balance Sheet

- 1) Reduction of Cross-Shareholdings
- 2) Improvement of Financial Stability



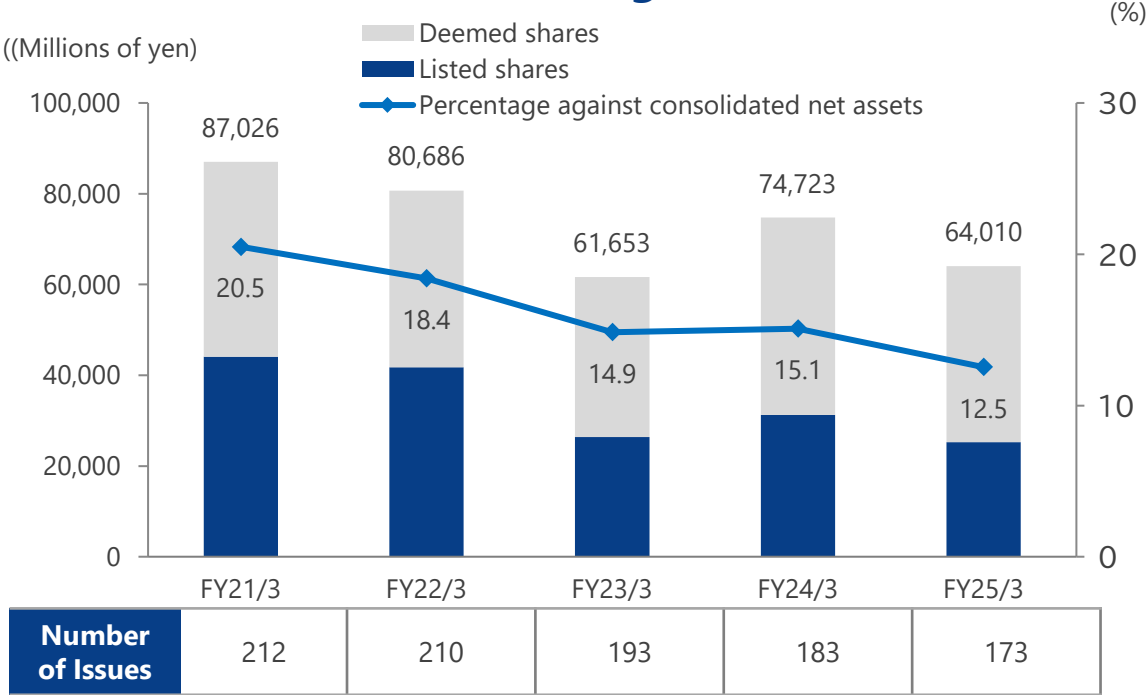
1) Reduction of Cross-Shareholdings

Work toward the goal of "total abolition in principle"

Target of cross-shareholdings reduction

Subject	Listed shares held as cross-shareholdings (including deemed shares contributed to a retirement benefit trust)
Period	From FY26/3 to the end of FY28/3
Reduction target	15 billion yen (based on sales value)
Use of fund acquired	Investments for sustainable growth with a focus on growth and environmental investments

Status of cross-shareholdings (Amount shown on Balance Sheet)



FY24/3-25/3
Amount sold

30 billion yen

- Main Use of Funds
- Reduction of interest-bearing debt
 - Capital investment

FY26/3-28/3
Reduction target

15 billion yen

- Main Use of Funds
- Growth investment: Yatsushiro Mill's household paper business development, etc.
 - Environmental investment: Installation of black liquor recovery boiler at Ishinomaki Mill, etc.

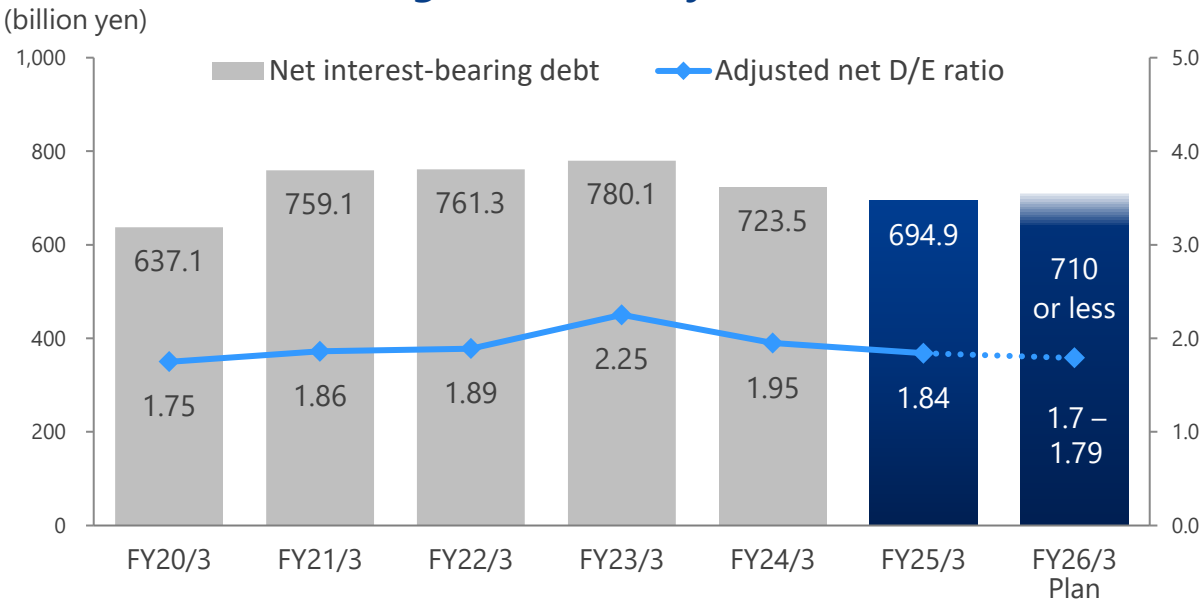


2) Improvement of financial stability

Reduction of net interest-bearing debt

- Plan for FY26/3
 - less than ¥710 billion
 - Adjusted net D/E ratio: 1.7-1.79 times
- Compress debt to appropriate working capital levels
- Further asset sales

Net interest-bearing debt and adjusted net D/E ratio*



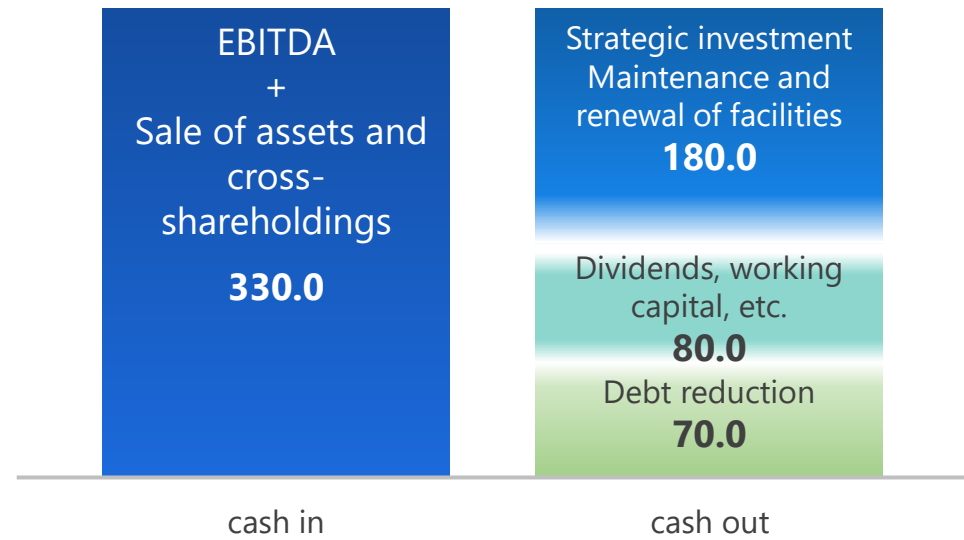
* Adjusted net D/E ratio = (net interest-bearing debt – capital liabilities) / (shareholders' equity + capital liabilities)

Capital liabilities : Amount of debt financed by hybrid loans that has been certified as capitalized by the rating agency (50% of the amount financed)

Introduction of internal management indicators to improve capital profitability

- FY25/3 Board Discussion
 - Education within the Group
- FY26/3 Hurdle rate review
 - Pilot introduction of ROIC and KPI management
 - Incorporation into internal goals

Cash Allocation (FY24/3-FY26/3 Plan) (billion yen)





04 | Toward Next Medium-Term Management Plan

- 1) Promotion of Green Strategies and Expansion of Forest and Wood Business
- 2) Expansion of Domain in the Next Long-Term Vision and Medium-Term Plan



1) Promoting Green Strategies and Expand Forest and Wood Business

Support the domestic forestry industry and expand domestic wood business

Supporting the forestry industry through "logging, using, planting, and nurturing" woods



Source of illustration: Forestry Agency data, "Toward Expansion of Wood Use."

- Elite Tree Business
- Logging and hauling operations
- Utilization of company-owned forests as forestry support fields
- Collaboration with existing supply chain



Elite Tree



Thinning work

Stable supply of domestic lumber

Stable procurement of domestic raw material



Domestic procurement rate in raw material for papermaking (FY25/3)
Industry average* 26%
Nippon Paper Group 36%
* Self-sufficiency rate of wood for pulp and chips: from "Pulpwood Supply and Demand Results" by Japan Paper Association including waste wood chips

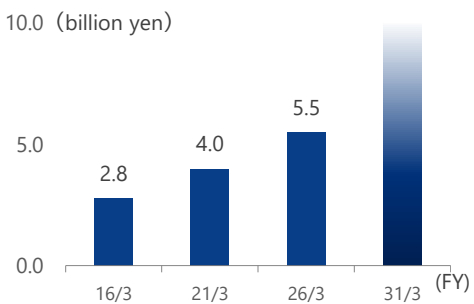
Widespread use of domestic lumber in biomass material projects in the future

Expansion of domestic Wood distribution business

Nippon Paper Lumber to handle 1Mm³ of domestic wood in FY26/3



Wood Products and Construction Related Business Operating Income (Japan)





1) Promoting Green Strategies and Expand Forest and Wood Business

Expand overseas afforestation business using breeding and propagation technologies

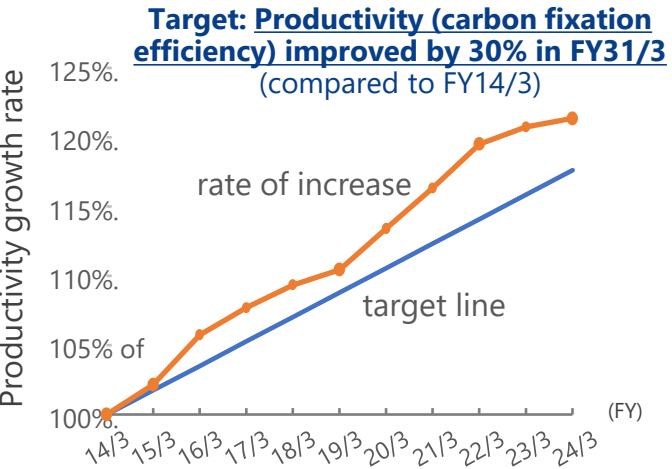
Further advancement of breeding and propagation technologies

Achievements in overseas afforestation areas, mainly in Brazil and Australia

- Shortened the selection period by using genome information(12y to 5y)
- Improved production efficiency and carbon fixation efficiency
- Development of optimal clones for intended use



Progress in Productivity Improvement (AMCEL)

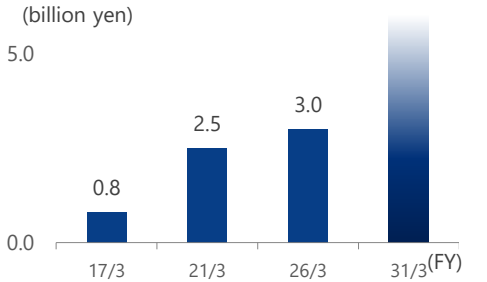


Expand earnings from afforestation business by improving productivity



AMCEL chip shipping

Wood Products and Construction Related Business Operating Income (Overseas)



Consideration of new technology utilization

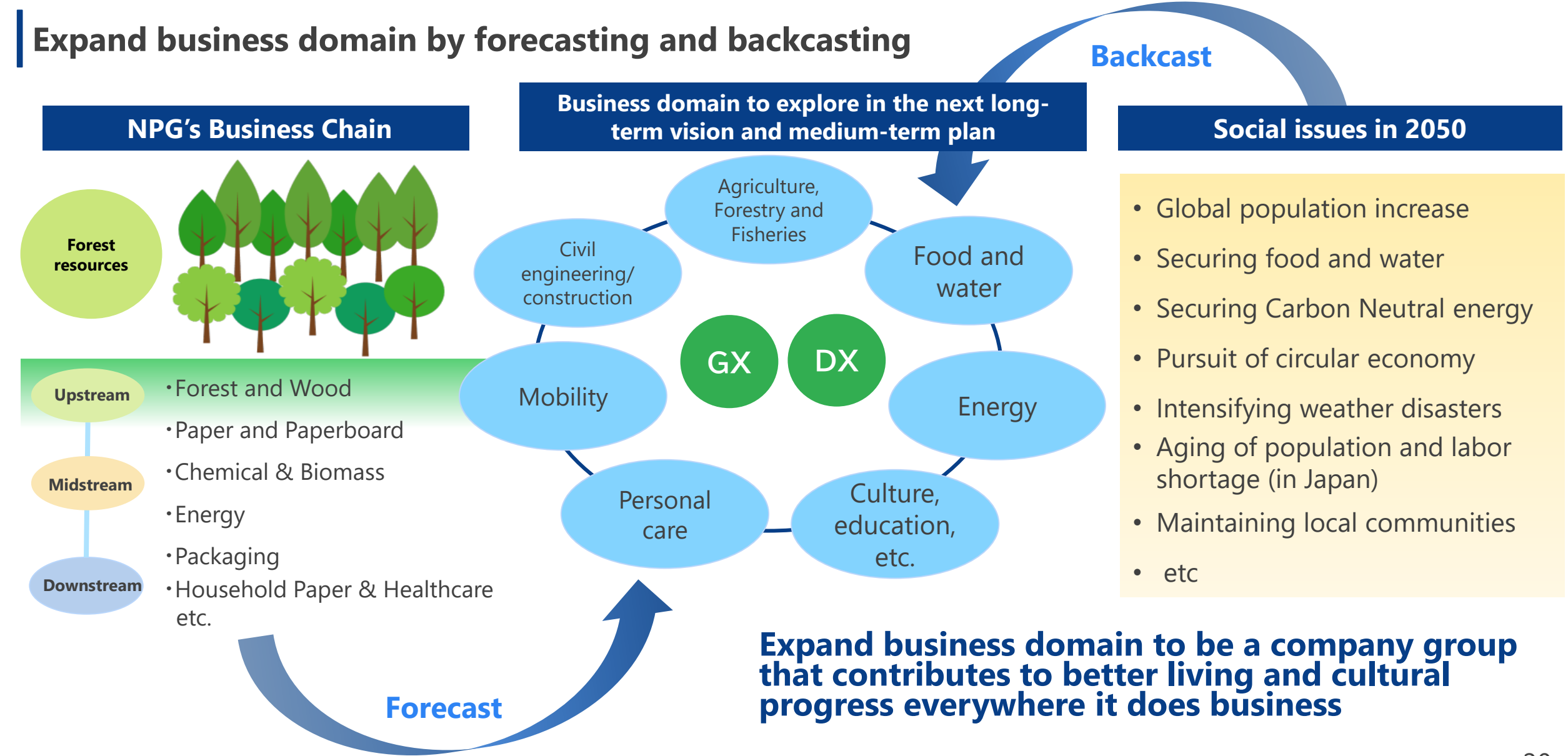
- ✓ Securing resources through technical assistance to other companies' plantation forests
- ✓ Consideration of carbon credit projects
- ✓ High value-added paper and biomass products through optimal cloning



AMCEL afforestation



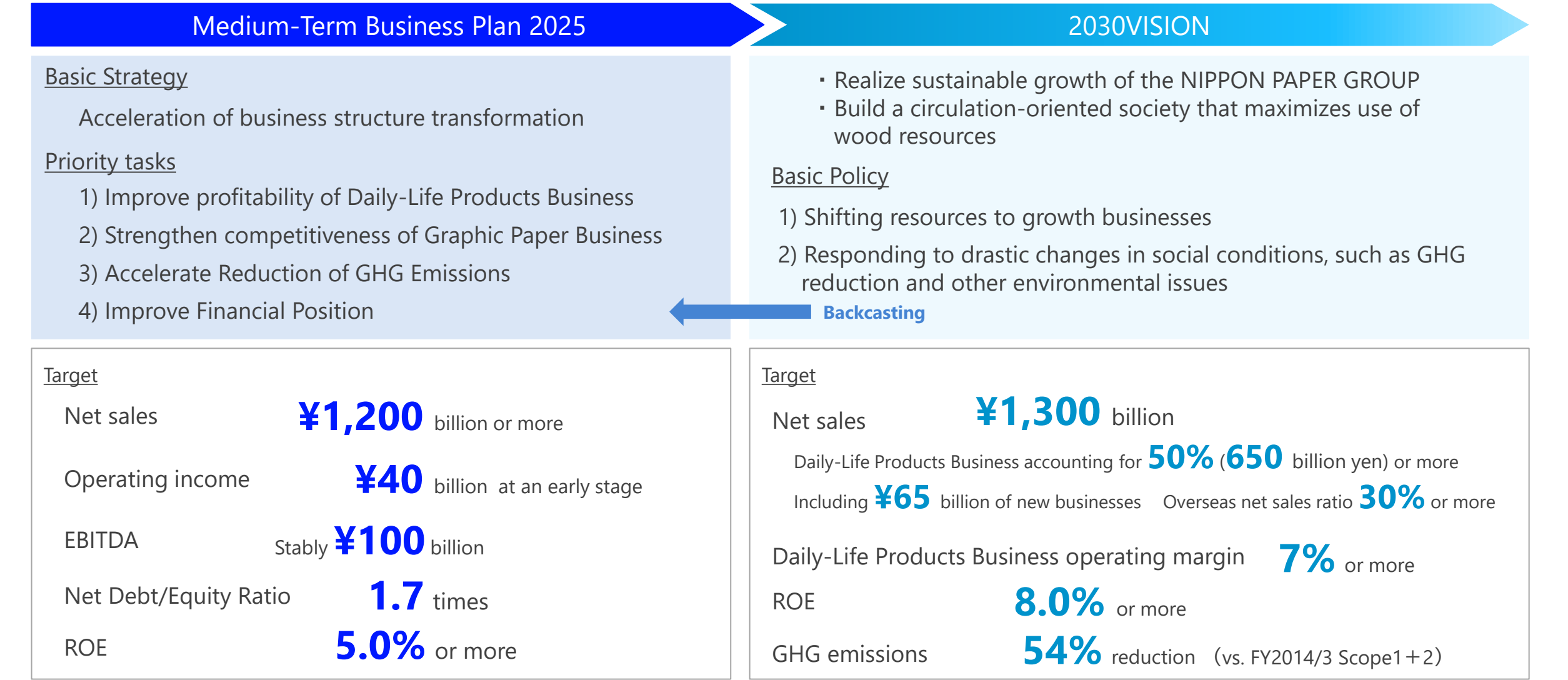
2) Expansion of Business Domain in the Next Long-Term Vision and Medium-Term Plan

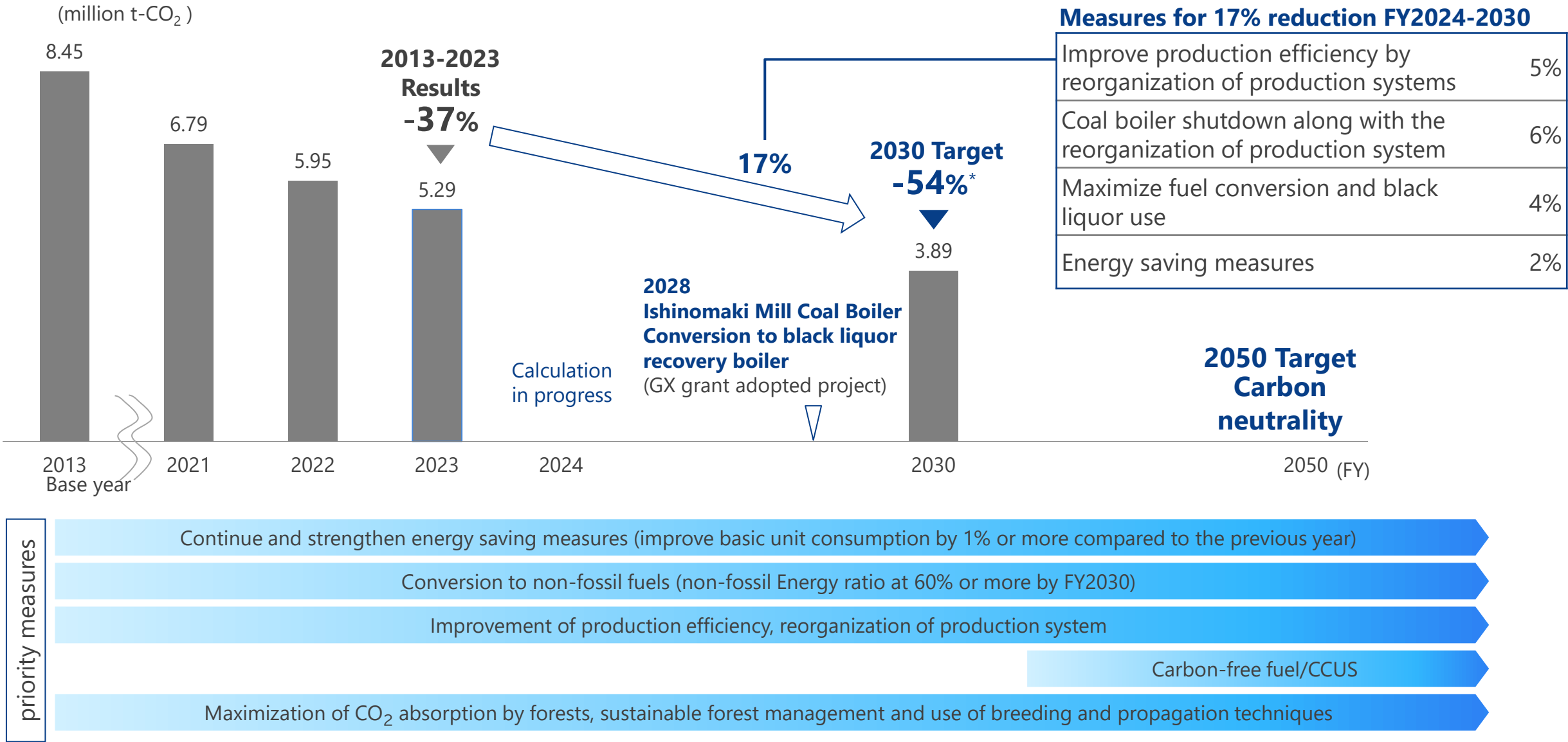




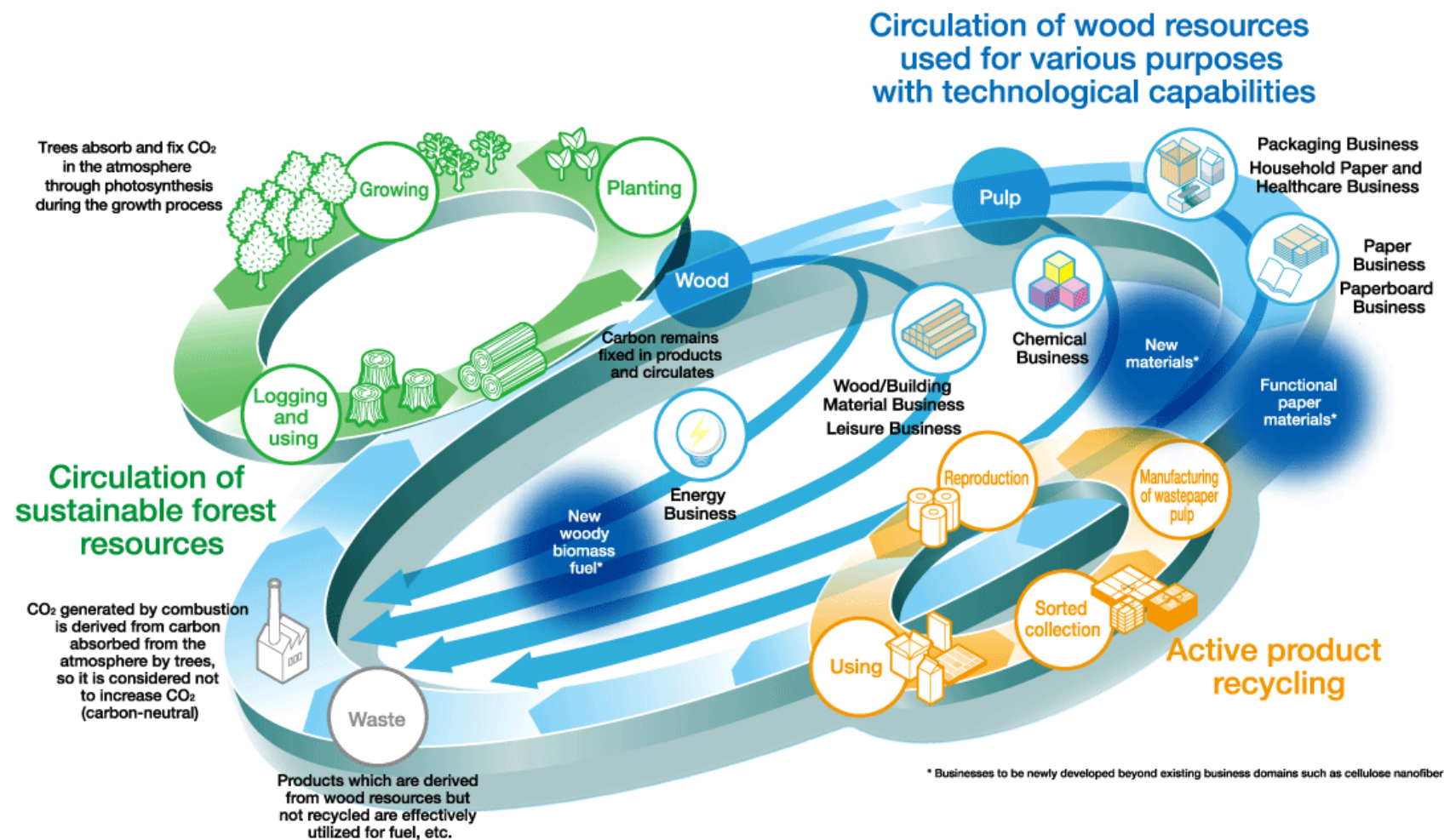
05 | Appendix

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

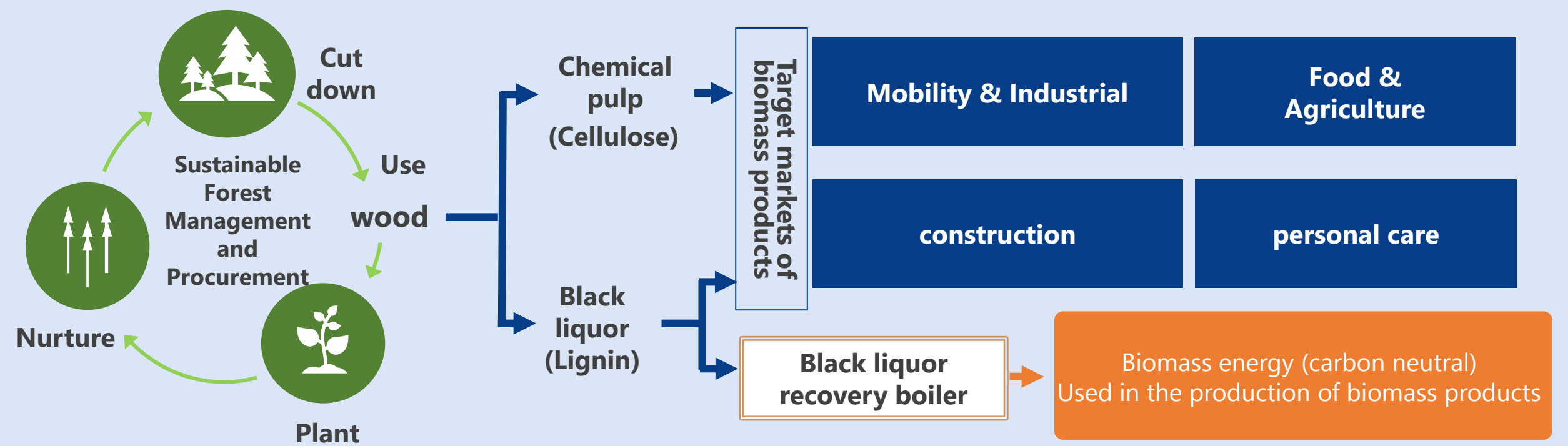




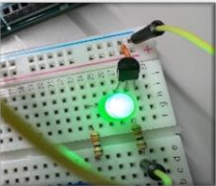
*Emissions related to manufacturing excluding the Energy Business sector



Utilizing wood resources to the fullest, we are expanding our products into a variety of markets.



Accelerate development of applications, commercialization, and sales expansion of biomass material products

	Mobility & Industrial	Construction	Food & Agri, Personal Care
Values provided to society	✓ Reduction of GHG emissions and environmental burden ✓ Fossil-derived fuels and raw materials	✓ Workload Reduction ✓ Labor and manpower saving ✓ Reduction of GHG emissions and environmental burden	✓ Domestic production of feed and fertilizer ✓ Increased livestock productivity ✓ Improvement of food self-sufficiency ✓ Food Loss Reduction
Biomass Material Products that contribute to business value expansion	Bioethanol (raw material for SAF, etc.)  Transportation equipment parts  Storage batteries and accumulators 	Additive for concrete admixture Additive for room temperature asphalt mixture  Mortar curing materials Weed suppression materials Pest control	Food additives Cosmetic additives Cattle feed Livestock Supplements Biomass ash-derived fertilizer 



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