

## Key Takeaways from the Q&A Session of the Management Conference

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Date and Time	May 16, 2025, 10:00 AM - 11:00 AM (JST)	
Venue	Tokyo Head Office / online	
Presenters	Kiyoshi Otsubo	Representative Director Chairman and CEO
	Yosuke Kawamoto	Representative Director President and COO

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### Questions and Answers

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**Question:** What is your outlook on the demand environment during the “Vision120” period?

**Answer:** The demand for packaging is linked to GDP growth, and since the domestic population is not increasing, significant growth is difficult to expect. We anticipate that domestic demand will remain stable, with at most a 1% increase. Within this context, we aim to differentiate ourselves and strive for volume growth.

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**Question:** What is your understanding of changes in demand regions overseas?

**Answer:** While China was previously a major demand region, India is now also showing promise. We have some bases in the United States, but they are still under development. Therefore, we plan to respond while closely monitoring the country's economic trends.

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**Question:** How do you plan to improve profitability in the Paperboard and Packaging-Related Business?

**Answer:** We aim to increase profitability by comprehensively addressing both volume and price. As cost increases, including personnel expenses, are unavoidable, it is important to gain societal acceptance for price revisions. We also recognize the need to address the issue of business succession in the packaging industry, where management is aging, by strengthening our group structure.

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**Question:** When will the effects of capital investment positively impact free cash flow overall?

**Answer:** In the short term, investments in plant renewals and environmental measures are necessary,

and we anticipate negative free cash flow. However, we expect improvements after the fiscal year ending March 2026, which we anticipate will be the bottom.

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**Question:** What are your thoughts on the reorganization and consolidation of the production system?

**Answer:** We currently have no specific plans, but we might need to reorganize and consolidate the production system in the future.

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**Question:** What is the budget for capital investment and M&A over the next five years?

**Answer:** We anticipate a total cash outflow of 470 billion yen for capital investment and M&A, with 20% allocated to growth investments, including M&A and financing.

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**Question:** What are the key targets for M&A?

**Answer:** We are focusing on the United States and India. In India, we are considering greenfield developments. In the United States, we are paying attention to trends in the heavy duty packaging market and also focusing on flexible packaging.

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**Question:** How do you plan to achieve revenue growth in the Overseas Business?

**Answer:** We aim to achieve revenue growth primarily through M&A, while also expecting growth in existing businesses due to economic recovery in Europe, including Germany.

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**Question:** What is the trend in demand for environmentally friendly products in Japan?

**Answer:** In Japan, awareness of costs related to environmental conservation is gradually increasing, and orders for cellulose microbeads are on the rise. Based on this situation, we are advancing the renewal of the Takefu plant and efforts to commercialize bioethanol.

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**Question:** What is your policy on M&A in the domestic corrugated industry?

**Answer:** We plan to proceed cautiously, considering the specifics and relationships of each company on a case-by-case basis.

**Question:** What is your understanding of the 30% dividend payout ratio?

**Answer:** In addition to the dividend payout ratio, we aim to enhance corporate value from a comprehensive perspective, with share buybacks as an option. We recognize the importance of direct dialogue with shareholders and investors to understand our company better.

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**Question:** What are the advantages of the bioethanol business and its synergy with existing businesses?

**Answer:** By producing bioethanol based on pulp from Taiko Paper Mfg., Ltd., we are leveraging synergies with existing businesses. The research team at Biomaterial in Tokyo Co., Ltd. is advancing enzyme research necessary for converting pulp to bioethanol. Additionally, through collaboration with Sumitomo Forestry Co., Ltd., we ensure the stable procurement of construction waste as CORSIA-certified eligible feedstock for bioethanol.

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**Question:** What are your thoughts on the profit target for the fiscal year ending March 2030?

**Answer:** We need to enhance our profit margins through efforts such as price revisions. We aim to achieve an ordinary profit margin of at least 6% in "Vision120," which was not reached in "Vision115."

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**Question:** What are your thoughts on the pricing strategy?

**Answer:** We need to advance price revisions, including passing on increases in fixed costs. Changes in customer perspectives are evident in relation to the 'Declaration of Partnership Building' initiatives, and bolstered by supportive government policies, we are moving towards realizing a new pricing structure.

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**Question:** How do you plan to achieve profit targets in the Flexible Packaging-Related Business?

**Answer:** By leveraging synergies through collaboration among group companies, including RM TOHCELLO CO., LTD. upstream and Nihon Matai Co., Ltd., Howa Sangyo Co., Ltd., and the Takigawa Group downstream, we aim to enhance profits. We will particularly expand Howa Sangyo's strengths across the entire Flexible Packaging-Related Business.

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**Question:** What are your thoughts on achieving a 30% dividend payout ratio?

**Answer:** We aim for a progressive dividend amount, striving to achieve a 30% dividend payout ratio as much as possible.

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**Question:** What is the growth outlook for the heavy duty packaging sector?

**Answer:** Domestically, Nihon Matai Co., Ltd. is the core of our existing business, but globally, we plan to expand comprehensively, including the Tri-Wall Group.

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**Question:** Which financial indicator do you prioritize most as a management goal?

**Answer:** We prioritize increasing profits. We want to raise our profit margin to at least the average level of listed manufacturing companies, as it currently falls below that. We also recognize the need to raise wages in the pulp and paper industry, which are at the lowest level across all industries.

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**Question:** With the current stock price at a low level and a PBR of 0.4, shouldn't share buybacks also be part of your considerations?

**Answer:** We are committed to fostering mutual understanding by directly engaging with our stakeholders. Although the dividend payout ratio remained in the 20% range in the previous fiscal year, our goal is to enhance ROE by first increasing profit levels and achieving progressive dividends. While "Vision120" does not specifically mention share buybacks, we are open to considering them through ongoing dialogue with our shareholders and investors.

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**Question:** What are your thoughts on management with an awareness of ROIC?

**Answer:** In "Vision115," we were quite focused on achieving one trillion yen in sales, but going forward, we recognize the importance of perspectives beyond just sales figures.

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