Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

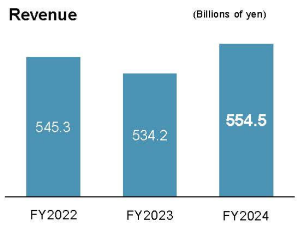
Ⅰ FY2024 Financial Results Overview

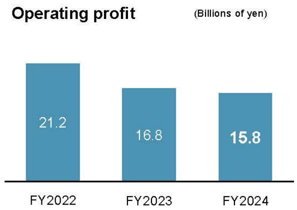
Consolidated Financial Results Overview

Revenue increased in all business segments except Raw Materials & Environment. Ordinary profit decreased due to increased personnel expenses and logistics costs, as well as the expenses relating to overseas M&As.

(Millions of yen)

	FY2023	FY2024	Year-on-Year Comparison
Revenue	534,230	554,524	103.8%
Gross Profit	87,406	91,466	104.6%
Operating Profit	17,403	15,071	86.6%
Ordinary Profit	16,753	15,822	94.4%
Profit Attributable to Owners of Parent	10,357	7,569	73.1%





[Title]

[Q&A Session: Included] Japan Pulp & Paper posted increased revenue in four out of its five segments, but ended with a decline in profit due to rising personnel expenses and logistics costs

[Lead]

Here is the transcript of the financial results briefing for the fiscal year ended March 2025 of Japan Pulp & Paper Co., Ltd., which was announced on May 29, 2025.

[Speaker]

Akihiko Watanabe, Representative Director, President & CEO

Kenichiro Fujii, General Manager, Finance & Administration Division

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Kenichiro Fujii: My name is Fujii from the Finance & Administration Division. Financial results for the fiscal year ended March 31, 2025 were disclosed on May 14.

I will provide an overview of the financial results for the fiscal year ended March 31, 2025, the forecast for the full fiscal year ending March 31, 2026, and the dividend situation.

Financial Highlights

I FY2024 Financial Results Overview

Financial Highlights

- Revenue increased year on year due to higher revenues in the Japan Wholesaling, Non-Japan Wholesaling, Paper Manufacturing & Processing, and Real Estate Leasing segments (103.8% compared to the previous fiscal year).
- Ordinary profit decreased year on year due to an increase in selling, general and administrative expenses such as personnel expenses and logistics costs in the Japan Wholesaling, Non-Japan Wholesaling, and Paper Manufacturing & Processing segments (94.4% compared to the previous fiscal year).
- Profit attributable to owners of the parent decreased year on year, mainly due to the recording of impairment losses on property, plant and equipment and goodwill at consolidated subsidiaries in the Paper Manufacturing & Processing and Non-Japan Wholesaling segments (73.1% compared to the previous fiscal year).

This is the summary of consolidated financial results for the fiscal year ended March 31, 2025. Although revenue in the Raw Materials & Environment segment declined year on year, revenue increased in the other four segments, resulting in an overall year-on-year increase in revenue.

Ordinary profit decreased due to an increase in personnel, logistics, and other expenses.

Profit attributable to owners of parent decreased from the previous year due to the recording of impairment losses on property, plant and equipment and goodwill.

Consolidated Financial Results Overview

I FY2024 Financial Results Overview

Consolidated Financial Results Overview

Revenue increased in all business segments except Raw Materials & Environment. Ordinary profit decreased due to increased personnel expenses and logistics costs, as well as the expenses relating to overseas M&As.

(Millions of yen)

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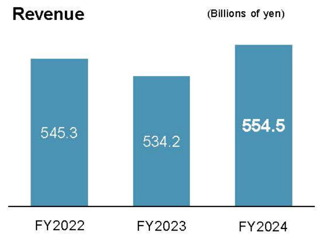

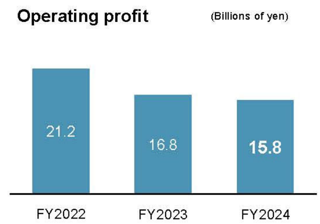

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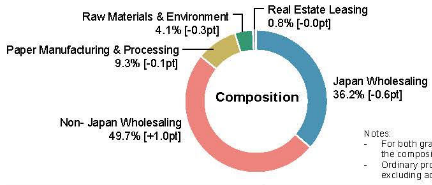
The key figures for the consolidated results are as presented on slide 4. Operating profit also declined, totaling around JPY 15,100 million, which represents 86.6% of the previous fiscal year's level.

Financial Results by Segment

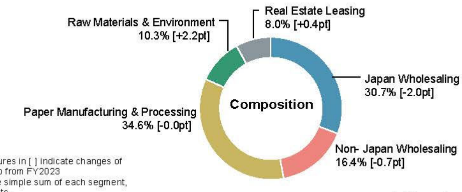
Financial Results by Segment

Strengths of a stable revenue base: While profits in Japan Wholesaling and Non-Japan Wholesaling declined significantly, the decline in consolidated ordinary profit was limited due to increased profits in Raw Materials & Environment.

Composition of Revenue from External Customers by Business Segment



Composition of Ordinary Profit by Business Segment



Notes:
- For both graphs, figures in [ ] indicate changes of the composition ratio from FY2023
- Ordinary profit is the simple sum of each segment, excluding adjustments.

(Millions of yen)

	Revenue from External Customers			Ordinary Profit		
	FY2023	FY2024	Year-on-Year Comparison	FY2023	FY2024	Year-on-Year Comparison
Japan Wholesaling	196,359	**200,627**	102.2%	6,673	**6,000**	89.9%
Non-Japan Wholesaling	260,104	**275,488**	105.9%	3,481	**3,195**	91.8%
Paper Manufacturing & Processing	50,051	**51,597**	103.1%	7,044	**6,761**	96.0%
Raw Materials & Environment	23,641	**22,650**	95.8%	1,645	**2,012**	122.3%
Real Estate Leasing	4,075	**4,161**	102.1%	1,540	**1,553**	100.8%
Adjustments	–	**–**	–	-3,630	**-3,698**	–
Amount recorded on consolidated statements of income	534,230	**554,524**	103.8%	16,753	**15,822**	94.4%

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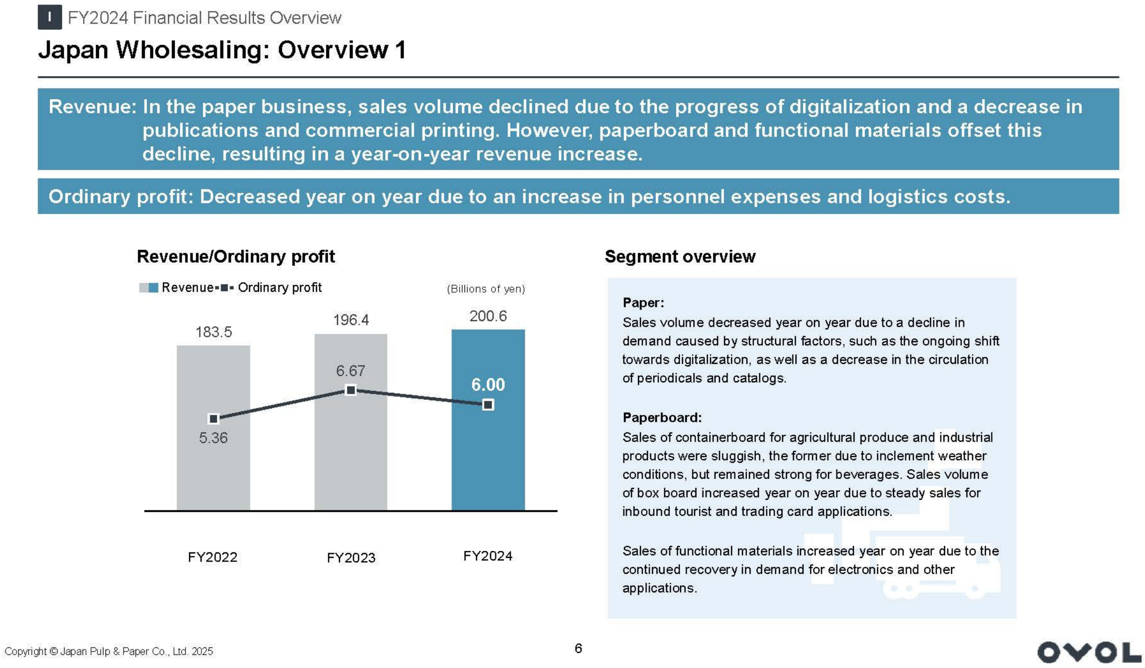
Slide 5 provides the financial results by segment. The next and subsequent slides will provide an overview of each segment's performance.

Japan Wholesaling: Overview 1



The Japan Wholesaling segment reported higher revenue and lower profits compared to the previous fiscal year. As for paper, sales volumes of paper for publishing and catalogs decreased from the previous year due to the progress of digitization.

As for paperboard, sales of containerboard for agricultural produce and industrial products were sluggish due to inclement weather conditions, but remained strong for beverages.

Sales volume of box board increased year on year due to steady sales for inbound tourist and trading card applications. Sales of functional materials increased year on year due to the continued recovery in demand.

Revenue increased as paperboard and functional materials offset the decline in paper sales. Although revenue increased, ordinary profit declined due to higher personnel expenses and logistics costs outweighing the increase in revenue.

Japan Wholesaling: Overview 2

I FY2024 Financial Results Overview

Japan Wholesaling: Overview 2

For FY2024, year-on-year domestic demand in Japan* was 97.1% for paper, 100.1% for paperboard, and 98.7% for paper and paperboard combined.

*Domestic demand in Japan = shipments + imports (Japan Paper Association and Japan Paper Importers' Association)

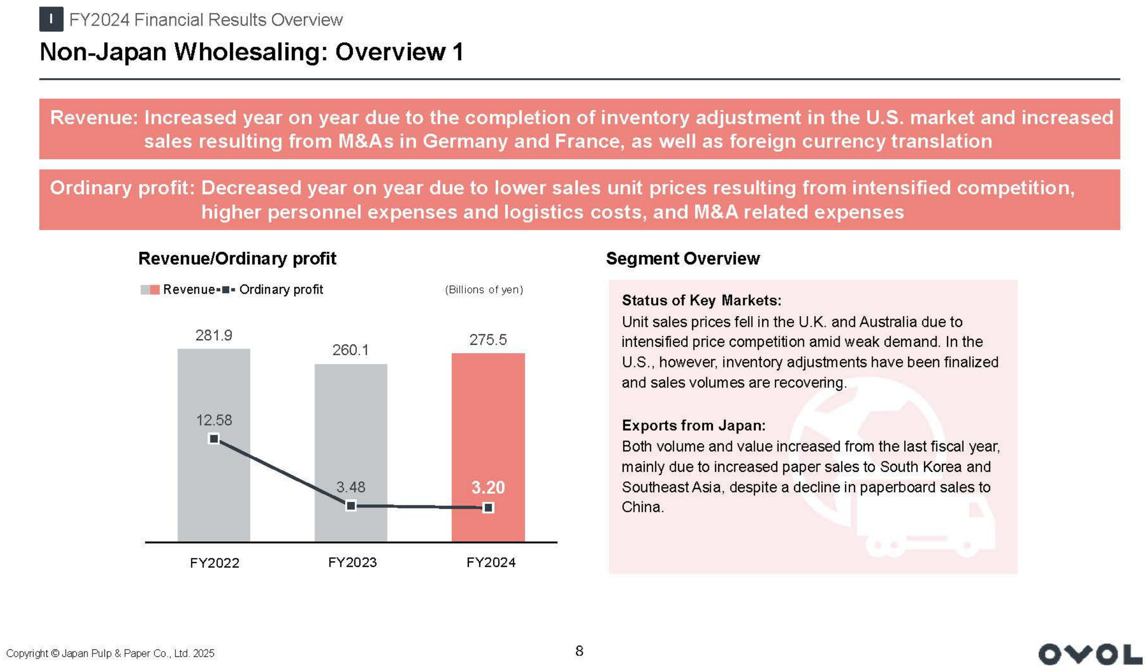
Sales Volume and Revenue from Domestic Customers in Japan (Non-consolidated)

	Sales Volume (10,000 tons)			
	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
Paper	88.3	**87.7**	-0.7	99.3%
Paperboard	78.4	**79.5**	+1.1	101.4%

	Revenue (Billions of yen)			
	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
Paper	130.14	**130.21**	+0.07	100.1%
Paperboard	33.17	**35.80**	+2.62	107.9%

Slide 7 shows the sales volume and revenue for paper and paperboard on a non-consolidated basis, which account for 80% of the revenue in the Japan Wholesaling segment.

Non-Japan Wholesaling: Overview 1



The Non-Japan Wholesaling segment saw an increase in revenue and a decrease in profit compared to the previous fiscal year. As for status of key markets, unit sales prices fell in the U.K. and Australia due to intensified price competition amid weak demand. In the U.S., however, inventory adjustments have been finalized and sales volumes are recovering.

As for exports from Japan, both volume and value increased from the last fiscal year, mainly due to increased paper sales to South Korea and Southeast Asia, despite a decrease in paperboard sales to China. The increase was also due to M&A in Germany and France conducted in the third quarter and the effect of currency translation.

Ordinary profit decreased year on year due to lower sales unit prices resulting from intensified competition, higher personnel expenses and logistics costs, and M&A related expenses.

Non-Japan Wholesaling: Overview 2

I FY2024 Financial Results Overview

Non-Japan Wholesaling: Overview 2

Demand for paper and paperboard remained weak in our key markets in 2024, particularly in the U.K. and Australia, due to digitalization and the impact of economic trends. The situation in the U.S. was stable, partly due to a recovery following inventory adjustments.

Non-consolidated and Regional Revenue and Ordinary Profit (Within Segment)

	Revenue (Billions of yen)			
	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
Non-consolidated	27.17	**29.17**	+2.01	107.4%
United States	103.44	**111.29**	+7.85	107.6%
Europe	57.34	**63.71**	+6.37	111.1%
Oceania	47.15	**44.03**	-3.12	93.4%
Asia	25.01	**27.30**	+2.28	109.1%

	Ordinary Profit (Billions of yen)			
	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
Non-consolidated	0.73	**0.79**	+0.07	108.9%
United States	1.81	**2.80**	+1.00	155.1%
Europe	0.60	**-1.28**	-1.89	–
Oceania	0.90	**0.82**	-0.08	91.1%
Asia	-0.61	**0.06**	+0.67	–

Sales Volume by Region (Within Segment)

(10,000 tons)	Sales Volume (10,000 tons)			
	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
United States	45.0	**62.8**	+17.8	139.7%
Europe	17.5	**17.4**	-0.1	99.4%
Oceania	15.2	**14.4**	-0.8	94.6%

Note: Sales volumes are simple totals of major subsidiaries.
Targets for aggregation are not the same as those for the table on the left.

The table on the left side of slide 9 shows a comparison of revenue and ordinary profit on a non-consolidated basis and by geographic region within the segment to the previous year.

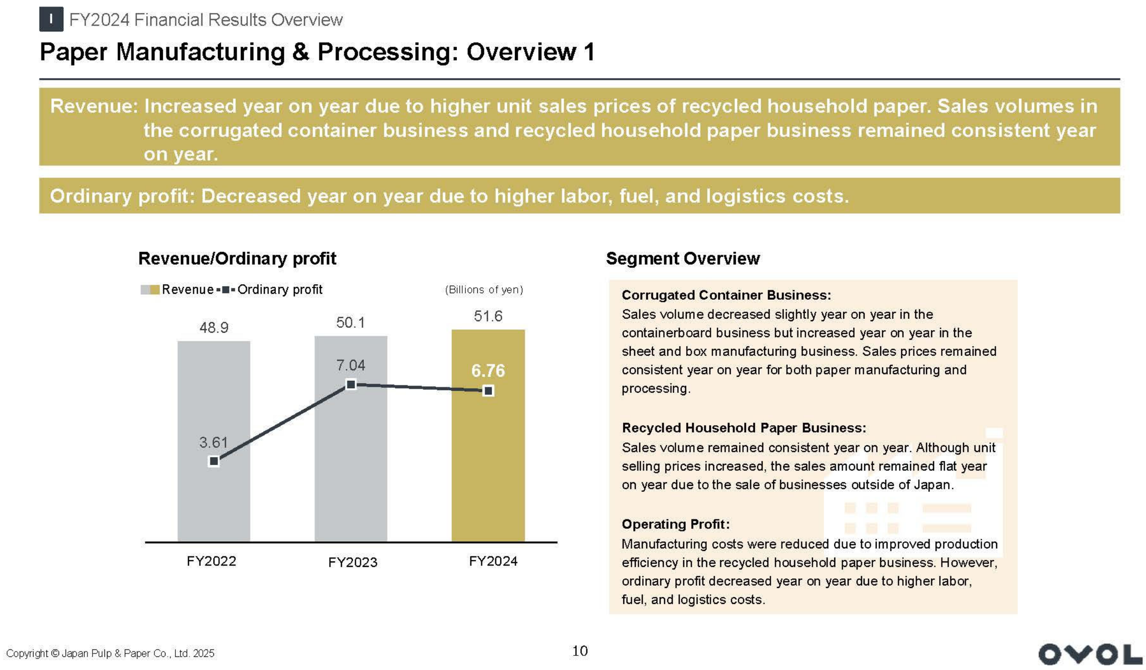
Although revenue declined in the Oceania operation, it increased for the Company (Non-consolidated) and in other business regions. Ordinary profit increased for the Company (Non-consolidated) and its United States and Asian operations, but decreased for its European and Oceanian operations.

The table on the right shows year-on-year comparisons of sales volume in each of our major business regions: the United States, Europe, and Oceania.

Please note, as indicated in the footnote at the bottom of the table, that the sales volumes are simple totals of major subsidiaries, and targets for aggregation are not the same as those for the table on the left.

As you can see, sales volumes in the United States increased significantly, while those in Europe and Oceania decreased.

Paper Manufacturing & Processing: Overview 1



The Paper Manufacturing & Processing segment saw an increase in revenue and a decrease in profit compared to the previous fiscal year.

Sales volume in the corrugated container business decreased slightly year on year in the containerboard business but increased year on year in the sheet and box manufacturing business. In the recycled household paper business, sales volume remained consistent year on year. Although unit selling prices increased, the sales amount remained flat year on year due to the sale of business in Vietnam.

Higher unit sales prices in the recycled household paper business contributed to higher revenues in this segment. Ordinary profit decreased year on year due to higher labor, fuel, and logistics costs, despite reduced manufacturing costs due to improved production efficiency in the recycled household paper business.

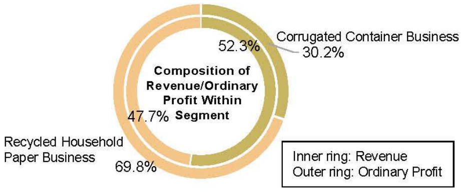
Paper Manufacturing & Processing: Overview 2

I FY2024 Financial Results Overview

Paper Manufacturing & Processing: Overview 2

Japanese domestic demand for household paper products (e.g., toilet paper) increased slightly by 101.7% year on year in FY2024

Domestic demand = shipments + imports Nihon Kateishi Kougyokai (Japan Household Paper Manufacturers Association) and Ministry of Finance trade statistics



Quantity by Business (Within segment)

	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
Containerboard Business Sales Volume (10,000 tons)	22.9	**22.7**	-0.2	99.1%
Corrugated Container Manufacturing Business Sales Volume (10,000 ㎡)	15,735	**16,195**	+460.3	102.9%
Recycled Household Paper Business Production Volume (10,000 tons)	11.4	**11.3**	-0.1	99.5%

Note: Production volume is listed for household paper only.
Production and sales volumes are simple totals of major subsidiaries.

Revenue/Ordinary Profit by Business (Within Segment)

	Revenue (Billions of yen)			
	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
Corrugated Container Business	25.30	**27.00**	+1.70	106.7%
Recycled Household Paper Business	24.75	**24.60**	-0.15	99.4%

	Ordinary Profit (Billions of yen)			
	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
Corrugated Container Business	3.45	**2.04**	-1.41	59.2%
Recycled Household Paper Business	3.60	**4.72**	+1.12	131.2%

The table on the lower left of slide 11 shows the quantity by business within the segment. Sales volume in the containerboard business slightly decreased from the previous year, while sales volume in the corrugated container manufacturing business increased from the previous year. Production volume is shown for the recycled household paper business, and this volume is slightly down from the previous year.

Trends in revenue and ordinary profit by business within the segment are shown in the table to the right.

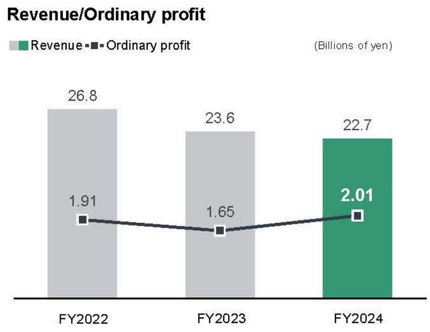
Raw Materials & Environment: Overview 1

I FY2024 Financial Results Overview

Raw Materials & Environment: Overview 1

Revenue: Decreased year on year due mainly to lower sales volume of recovered paper

Ordinary profit: Increased year on year due to higher sales of fuel for woody biomass power plants and increased selling prices



Segment Overview

Recovered Paper:
In both Japan and the U.S., the decline in demand for paper and paperboard has resulted in a reduction in the amount of wastepaper being generated, as well as business sites being transferred or closed. Consequently, sales volume has decreased.

Pulp:
Sales volume decreased both inside and outside of Japan.

Renewable Energy Business:
Sales in solar power generation were consistent year on year. The profitability of woody biomass power generation is under severe pressure due to rising fuel costs.

Sales of fuel for woody biomass power generation plants saw a significant increase in handling volume following the opening of a second yard in Malaysia in the previous fiscal year. The sales price has also increased.

Comprehensive Recycling Business:
Sales remained consistent year on year.

The Raw Materials & Environment segment saw a decrease in revenue and an increase in profit compared to the previous fiscal year.

As for recovered paper, sales volume has decreased year on year due to a decline in the amount of wastepaper being generated, as well as business sites being transferred or closed in both Japan and the U.S. Sales volumes for pulp have also decreased both inside and outside of Japan.

Among renewable energy businesses, the solar power generation business, which is being developed in Kushiro, Hokkaido, and other areas, were consistent year on year, while the woody biomass power generation business, which is being developed in Iwate Prefecture, struggled due to rising fuel costs.

On the other hand, sales volume of palm kernel shells (PKS), a fuel for woody biomass power plants, increased significantly, and unit sales prices also rose.

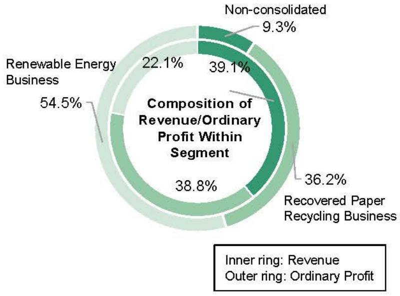
The comprehensive recycling business operating in Kumamoto remained consistent year on year.

As described above, there were ups and downs depending on the products and businesses handled, but overall segment revenue decreased. As for ordinary profit, fuel sales to woody biomass power plants contributed to the increase.

Raw Materials & Environment: Overview 2

I FY2024 Financial Results Overview

Raw Materials & Environment: Overview 2



Revenue and Ordinary Profit on a Non-consolidated Basis and by Business (Within Segment)

	Revenue (Billions of yen)			
	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
Non-consolidated	7.62	8.85	+1.22	116.0%
Recovered Paper Recycling Business	12.02	8.79	-3.23	73.2%
Renewable Energy Business	4.00	5.01	+1.02	125.4%

	Operating Profit (Billions of yen)			
	FY2023	FY2024	Year-on-Year Change	Year-on-Year Comparison
Non-consolidated	0.15	0.19	+0.04	127%
Recovered Paper Recycling Business	0.69	0.73	+0.04	105.3%
Renewable Energy Business	0.81	1.10	+0.29	135.3%

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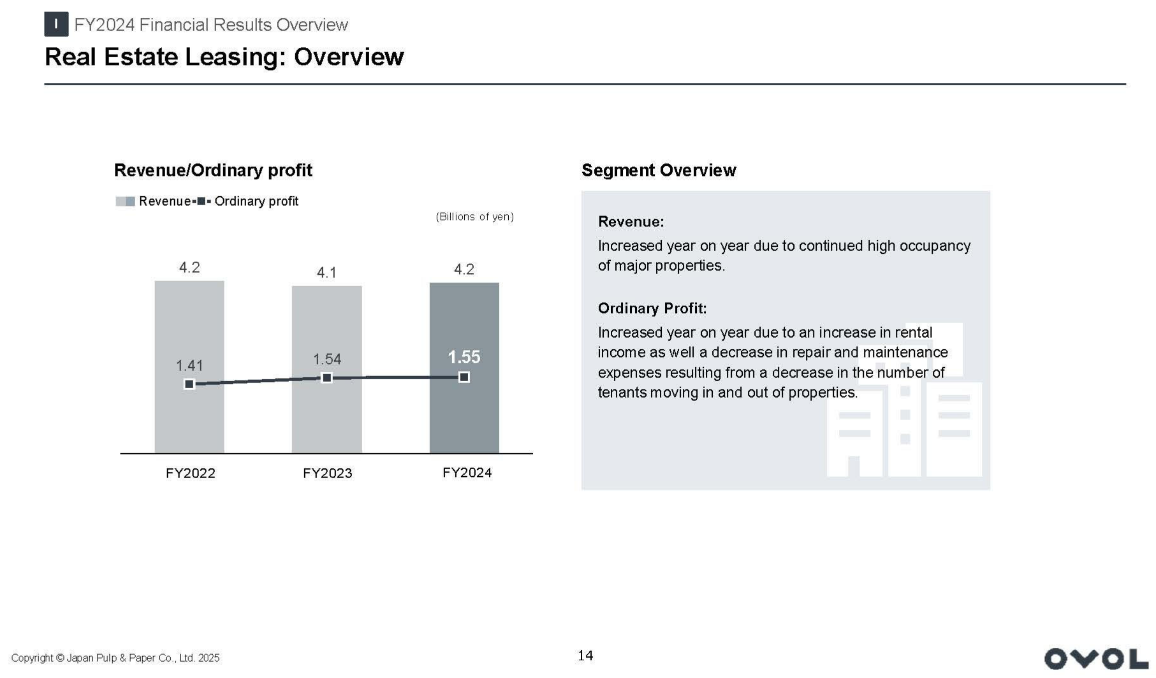
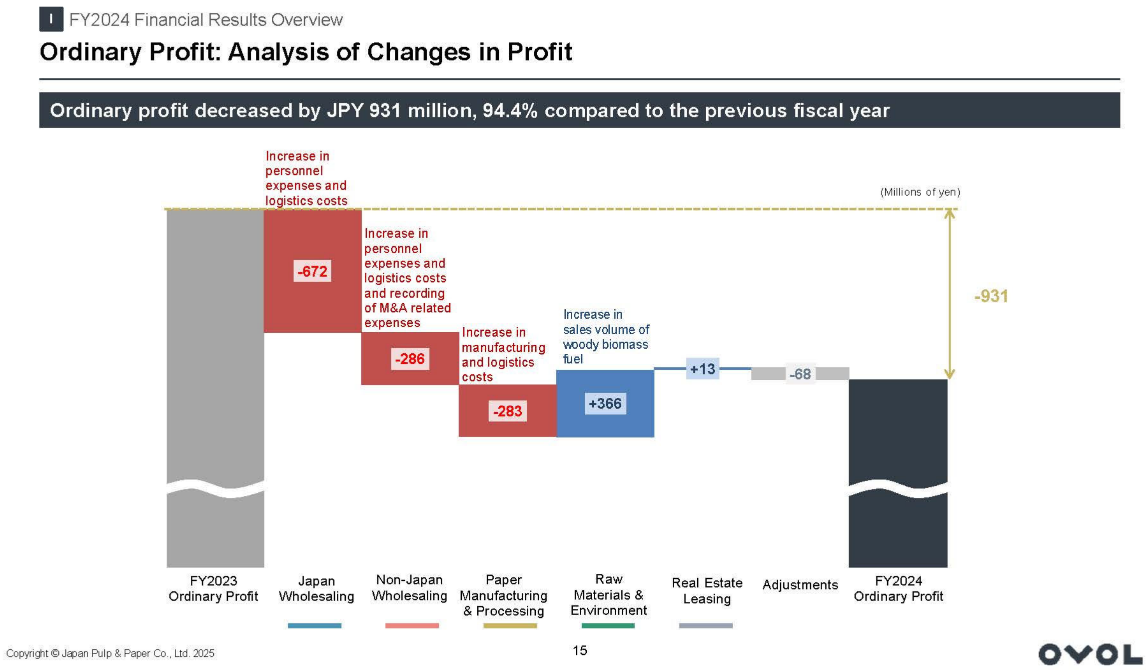
The pie chart on the left-hand side of slide 13 shows the composition of revenue and ordinary profit by business within the segment in which the Company and its group companies operate, and the table on the right-hand side compares the respective amounts to the previous year.

Real Estate Leasing: Overview



The Real Estate Leasing segment saw an increase in revenue and profit year on year due to continued high occupancy of major properties.

Ordinary Profit: Analysis of Changes in Profit



The graph on slide 15 presents a year-on-year analysis of increases and decreases in ordinary profit by segment, summarizing the performance for each business segment explained thus far.

Consolidated Financial Results Forecast

Ⅱ FY2025 Financial Results Forecast

Consolidated Financial Results Forecast

The forecasts for ordinary profit and profit attributable to owners of the parent are 98.0% and 112.3% respectively, compared to FY2024.

(Millions of yen)

	FY2024 Results	FY2025 Forecasts	Year-on-Year Comparison
Operating Profit	15,071	16,500	109.5%
Ordinary Profit	15,822	15,500	98.0%
Profit Attributable to Owners of Parent	7,569	8,500	112.3%

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I would like to explain our full-year forecast for the fiscal year ending March 31, 2026. Operating profit is projected at JPY 16,500 million, 109.5% of the previous year's level; ordinary profit at JPY 15,500 million, 98.0% of the previous year's level; and profit attributable to owners of parent at JPY 8,500 million, 112.3% of the previous year's level.

Financial Results Forecast: Underlying Assumptions

Ⅱ FY2025 Financial Results Forecast

Financial Results Forecast: Underlying Assumptions

Based on expected higher sales volumes in markets outside of Japan and stable selling prices in the Japanese market, ordinary profit is forecast to be JPY 15.5 billion.

Segment	Outlook
Japan Wholesaling	● Demand for paper is expected to continue declining, but paperboard demand is expected to continue recovering. ● Increased logistics costs and personnel expenses
Non-Japan Wholesaling	● Prolonged market slump ● Continued upfront costs ● Increased personnel expenses and other costs ● Increased sales of high value-added products and increased sales through M&As implemented in FY2024
Paper Manufacturing & Processing	● Costs for raw materials, fuel, logistics, etc. are expected to increase. On the other hand, an increase in sales volume in the corrugated container business, as well as cost reductions through the streamlining of manufacturing processes are expected.
Raw Materials & Environment	● Decrease in the amount of wastepaper generated due to lower consumption of paper and paperboard

Slide 18 presents the outlook for each segment, which serves as the basis for the consolidated financial results forecast.

As for the Japan Wholesaling segment, demand for paper is expected to continue declining, but paperboard demand is expected to continue recovering. On the expense side, logistics costs and personnel expenses are expected to increase.

For the Non-Japan Wholesaling segment, while prolonged market slump, continued upfront costs prior to realizing M&A effects, and increased personnel expenses and other costs are expected, the positive impact of M&A executed in prior periods and increased sales of high value-added products are also anticipated.

For the Paper Manufacturing & Processing segment, while costs for raw materials, fuel, logistics, etc. are expected to increase, on the other hand, an increase in sales volume in the corrugated container business, as well as cost reductions through the streamlining of manufacturing processes are expected.

For the Raw Materials & Environment segment, we expect a continued decrease in the amount of wastepaper generated due to lower consumption of paper and paperboard.

FY2025 Forecasts by Segment

Ⅱ FY2025 Financial Results Forecast

FY2025 Forecasts by Segment

Ordinary profit forecasts by segment

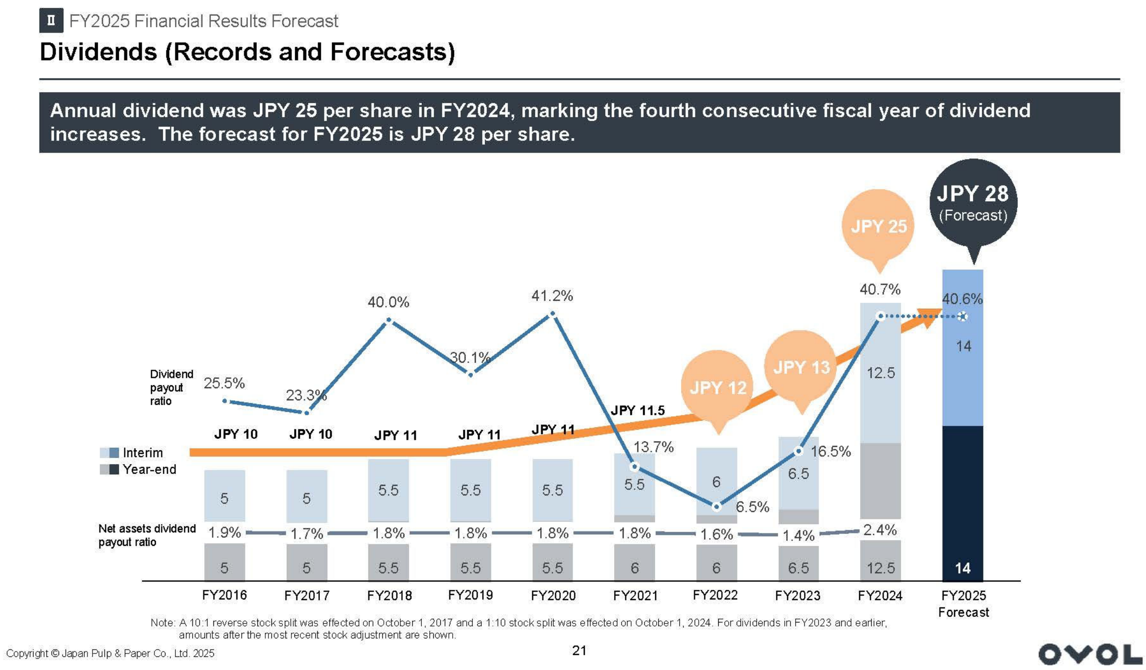
(Millions of yen)

	FY2024 Results	FY2025 Forecast	Year-on-Year Comparison	Medium-term Business Plan 2026 Final Year Plan (FY2026)
Japan Wholesaling	6,000	5,800	96.7%	7,000
Non-Japan Wholesaling	3,195	3,900	122.1%	8,000
Paper Manufacturing & Processing	6,761	6,800	100.6%	7,500
Raw Materials & Environment	2,012	1,800	89.5%	2,000
Real Estate Leasing	1,553	1,400	90.2%	1,500
Adjustments	-3,698	-4,200		-4,000
Consolidated Ordinary Profit	15,822	15,500	98.0%	**22,000**

Exchange rate assumptions: JPY 158.18 to USD 1, JPY 164.92 to EUR 1, JPY 199.02 to GBP 1, JPY 98.5 to AUD 1 (as of December 31, 2024)

The ordinary profit forecasts based on the outlook for each segment are shown on slide 19. The column on the right shows the target figures to be achieved in the final year of the medium-term business plan.

Dividends (Records and Forecasts)



Regarding dividends: Our basic policy is to continue providing stable dividends, while taking into consideration trends in the consolidated financial results forecast.

During the period of the medium-term business plan that commenced this fiscal year, we intend to implement a progressive dividend policy with a consolidated dividend payout ratio of 30% or more, as an active shareholder return measure that meets market expectations.

In line with this policy, the year-end dividend will be JPY 12.5 per share, resulting in an annual dividend of JPY 25 per share. This represents an increase of JPY 12 per share over the previous fiscal year. For the fiscal year ending March 31, 2026, we forecast a further increase in dividends, with an interim dividend of JPY 14 and a year-end dividend of JPY 14, for a total annual dividend of JPY 28. The projected dividend payout ratio is 40.6%.

Consolidated Balance Sheet as of March 31, 2025

Consolidated Balance Sheets as of March 31, 2025

Assets (Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Current Assets	222,963	233,953
Non-current Assets	149,641	158,211
Deferred Assets	41	70
Total assets	372,645	**392,234**

Liabilities and Net Assets (Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Current Liabilities	189,337	192,050
Non-current Liabilities	44,960	54,620
Total Liabilities	234,297	246,670
Total Net Assets	138,347	145,565
Total Liabilities and Net Assets	372,645	**392,234**

Equity Ratio	34.2%	**34.2%**
Net D/E Ratio	0.59x	**0.60x**

- Total assets increased by JPY 19,590 million.
  In current assets, while trade receivables decreased, inventories and other assets increased due to the addition of OVOL Papier Deutschland, OVOL France, and other subsidiaries through M&As in Germany and France.
- Total liabilities increased by JPY 12,372 million.
  Interest-bearing debt increased due to the addition of OVOL Papier Deutschland, OVOL France, and other subsidiaries.
- Interest-bearing debt totaled JPY 99,038 million as of March 31, 2025, an increase of ¥6,081 million year on year. ⇒ Net D/E ratio remained stable at 0.60x.
- Net assets increased by JPY 7,217 million due to increases in retained earnings and foreign currency translation adjustment.

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The slide shows a summary of the consolidated balance sheets as of March 31, 2025.

Consolidated Statements of Cash Flows for the Fiscal Year Ended March 31, 2025

Consolidated Statements of Cash Flows for the Fiscal Year Ended March 31, 2025

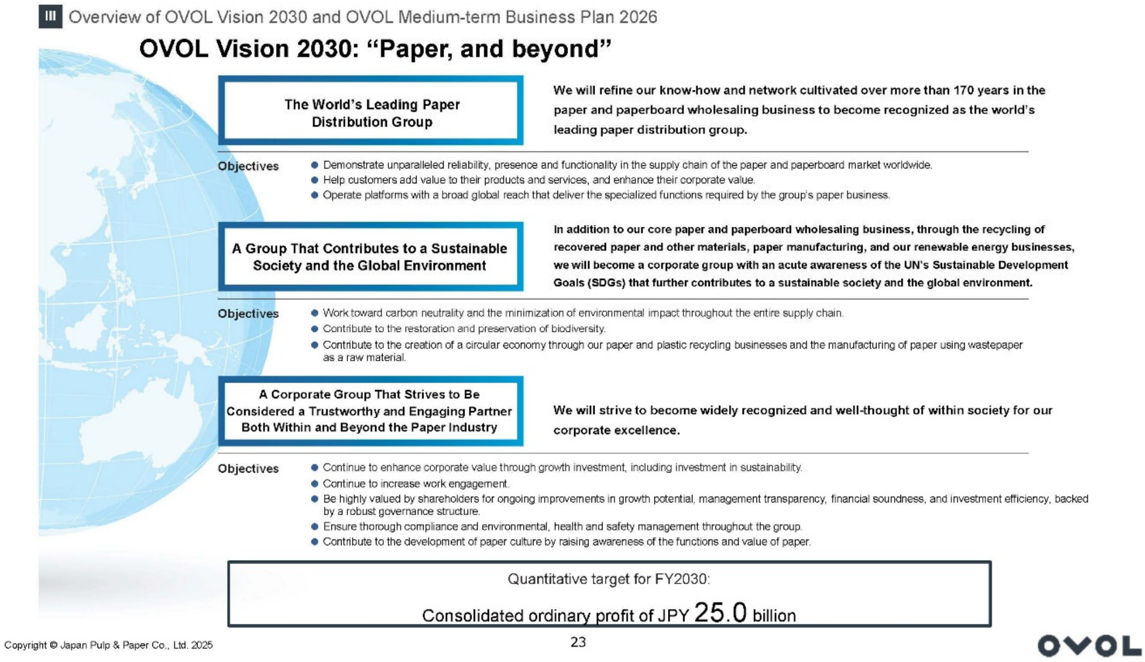
(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025	Year-on-year change
Cash and Cash Equivalents at Beginning of Period	30,550	**17,387**	-13,164
Cash Flows from Operating Activities	20,891	**21,010**	119
Cash Flows from Investing Activities	-2,917	**-11,217**	-8,300
Cash Flows from Financing Activities	-31,678	**-9,335**	22,344
Cash and Cash Equivalents at End of Period	17,387	**19,027**	1,640

- Cash from operating activities was a net cash inflow of JPY 21,010 million (a net cash inflow of JPY 20,891 million in the previous fiscal year). This was mainly due to the recording of profit before income taxes and a decrease in trade receivables.
- Cash from investing activities was a net cash outflow of JPY 11,217 million (a net cash outflow of JPY 2,917 million in the previous fiscal year). This was mainly due to acquisitions of businesses and the purchases of shares of subsidiaries resulting in change in scope of consolidation in Germany, France, Australia, and others.
- Free cash flows were JPY 9,793 million.
- Cash from financing activities was a net cash outflow of JPY 9,335 million (a net cash outflow of JPY 31,678 million in the previous fiscal year). This was mainly due to redemption of bonds, repayments of long-term borrowings, and dividends paid.
- The balance of cash and cash equivalents at the end of the fiscal year under review increased by JPY 1,640 million from the end of the previous fiscal year.

Consolidated statements of cash flows are as shown on the slide.

OVOL Vision 2030: "Paper, and beyond"



Akihiko Watanabe: I am President Watanabe. I will give an overview of the OVOL Vision 2030 and the OVOL Medium-term Business Plan 2026, which overlaps with the content of the past two financial results briefings.

I would then like to discuss, to the extent possible, the results of the fiscal year ended March 31, 2025, which is the first year of the OVOL Medium-term Business Plan 2026, current challenges and directions, and prospects for the final year of the plan.

First, let me talk about the OVOL Vision 2030. The slide illustrates our envisioned and ideal state for the Company in 2030. In addition to envisioning consolidated ordinary profit of JPY 25.0 billion as a quantitative target, the slide presents three qualitative visions for the group, which are considered even more important.

The first is "The World's Leading Paper Distribution Group," the second is "A Group That Contributes to a Sustainable Society and the Global Environment," and the third is "A Corporate Group That Strives to Be Considered a Trustworthy and Engaging Partner Both Within and Beyond the Paper Industry". As we have not fully explained these three qualitative visions in the past, we would like to take this opportunity to clarify their meanings.

The first is "The World's Leading Paper Distribution Group". In terms of revenue scale alone, we recognize that the Company currently ranks third or fourth among paper distribution companies worldwide.

The first and second largest companies are both U.S. companies, but the scope of their activities is generally limited to North America, and their business focus is biased toward the trade business, which is not the business model we are aiming for.

Our goal is to become a merchant group with localized inventory, distribution, and financial functions rooted in major markets around the world. In this context, we aim to become a paper distribution corporate group that is most trusted and relied upon by customers and suppliers in terms of the value provided in products, services, and information, by leveraging its global network.

This target itself is a key component for us to recognize and affirm our identity as "an excellent company", which is the third qualitative element of our long-term vision and the ultimate goal of the entire organization. At the same time, for that very reason, we believe it is acceptable for the target to remain somewhat abstract.

However, through feedback on past financial results briefings and integrated reports, we have received multiple comments pointing out a lack of specificity. This time, I would like to share at least what specific state I believe would enable me to confidently declare, both internally and externally, that we are "The World's Leading Paper Distribution Group".

In quantitative terms, we consider one benchmark to be the segment profit of JPY 12.5 billion, our record high achieved in the Non-Japan Wholesaling segment in the fiscal year 2022, and the consolidated ordinary profit target of JPY 25.0 billion set forth in the OVOL Vision 2030.

From a qualitative perspective, we aim to restore the paper wholesale businesses in Germany and France, acquired last year, to a combined revenue level of approximately JPY 100 billion to JPY 120 billion, based on their scale prior to the bankruptcy of the former owner.

In addition, we aim for overall company profitability through the restructuring of unprofitable businesses and other measures within our existing overseas network. Additionally, we will promote further complementary M&A, launch local businesses at Southeast Asian bases such as Thailand and Indonesia, and work to strengthen the wholesale business in India.

Once these are confirmed, and assuming that each base has gained broad trust from its customers and that these efforts are also recognized by clients in the Japan Wholesaling business, I would confidently declare that we are "The World's Leading Paper Distribution Group".

The second goal is to become "A Group That Contributes to a Sustainable Society and the Global Environment". Through diversification centered on the paper business, the group has been engaged not only in the distribution of paper and paperboard that effectively utilizes renewable forest resources, but also in the collection and sales of recovered paper, as well as the manufacturing, processing, and sales of containerboard and household paper made from 100% recovered paper, including difficult-to-recycle wastepaper.

In addition, we are engaged in power generation businesses using renewable energy sources such as solar and biomass, import and sales of palm kernel shells (PKS) as biomass fuel, comprehensive recycling operations including container and product plastics, and a business proposing paper-based solutions that support the shift toward plastic reduction and elimination, driven by issues such as marine plastic pollution.

Through these paper-related and surrounding businesses, we aim to become a corporate group that contributes more than ever to a sustainable circular society and the global environment.

At the same time, we will steadily promote "promotion of sustainable management" as stated in the OVOL Medium-term Business Plan 2026, which includes addressing business and human rights and climate change. We understand that fulfilling such social responsibilities is an important and indispensable element of the third ultimate vision, being "an excellent company".

The third is "A Corporate Group That Strives to Be Considered a Trustworthy and Engaging Partner Both Within and Beyond the Paper Industry". Over our 180-year history, we have consistently conducted our business with integrity as a leading company in domestic paper distribution, and we take pride in having earned a certain level of recognition from various sectors within the paper industry.

We understand that this has, for example, contributed to our current issuer credit rating of single A with the belief that "trust" is the greatest asset and strength of the group.

On the other hand, we aim to become "an excellent company" that is widely and highly regarded not only within the paper industry but also beyond its boundaries in society, looking ahead to challenges such as the shrinking domestic paper market, labor shortages due to population decline, the need for business diversification and further globalization, the necessity of productivity improvement to address continuously rising business costs, and the enhancement of work engagement essential for the sustainability of the group whose greatest asset is its people.

Furthermore, we consider this third element to be the most important in realizing our OVOL Vision 2030 and in building a sustainable corporate group beyond that.

In an increasingly uncertain and unpredictable global and economic environment, we believe that the driving force behind maintaining and continuously developing corporate resilience is, above all, our human resources.

Productivity will improve significantly by raising the motivation and engagement of all officers and employees as much as possible. We believe this creates differentiation as a company, leading to customer retention and competitive survival.

As a result, returns to many stakeholders, including officers, employees, and shareholders, will increase, enhancing their satisfaction. It allows us to recognize ourselves as "an excellent company".

Needless to say, pride in being "an excellent company" keeps motivation high and creates a virtuous cycle that further improves productivity.

We believe that external recognition naturally follows such results, and first and foremost, it is essential for us to raise our business operations, performance, work styles, organization, compensation, and treatment to a level where we can acknowledge ourselves as an excellent company.

As explained earlier in the first point, recognizing ourselves as "The World's Leading Paper Distribution Group" is one of the most important elements in identifying ourselves as "an excellent company". We believe that all three qualitative visions, including the second, sustainability, are deeply interconnected.

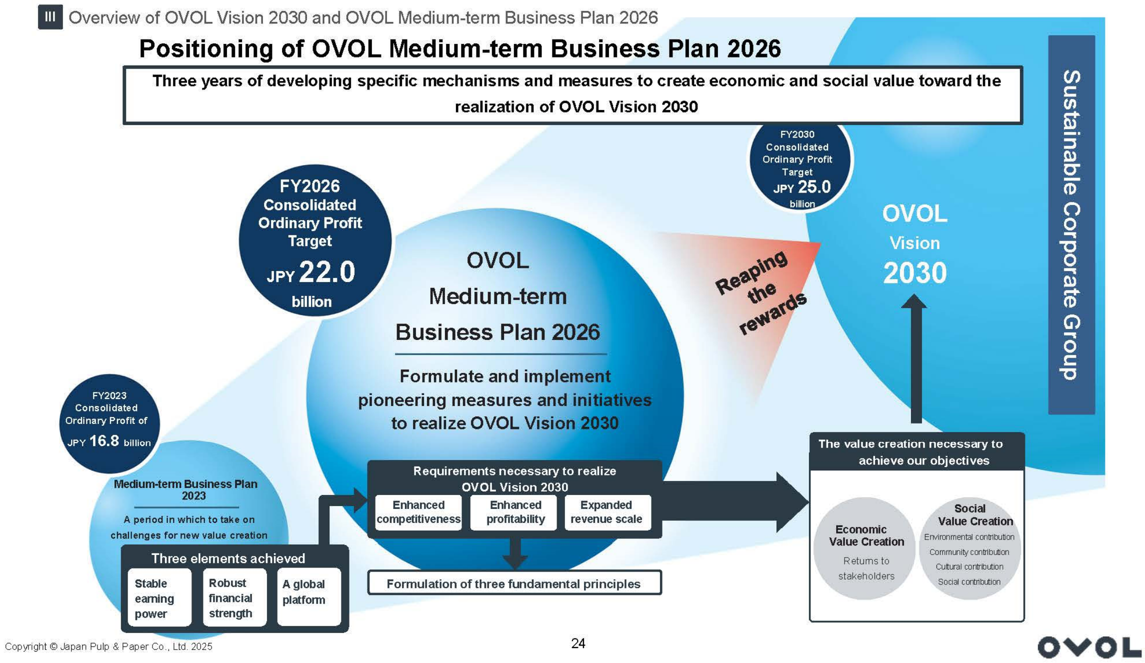
We are taking a back-casting approach to identify what is lacking and what is needed to realize our envisioned and ideal state for 2030. The current OVOL Medium-term Business Plan 2026 represents a crucial three-year period dedicated to developing new systems and mechanisms from scratch, which we have not done before, to close the gap between our reality at the end of the previous Medium-term Business Plan 2023 and the long-term vision.

Because we are back-casting from our goal, this approach presents a much bolder and higher hurdle compared to the traditional bottom-up method used in formulating past medium-term business plans. It is also important to continuously explore and develop new systems and mechanisms throughout the medium-term business plan period.

In the current OVOL Medium-term Business Plan 2026, we have also formulated and presented the necessary human capital investments and financial and capital strategies to support the implementation of such bold initiatives.

In addition, as an effective means to enhance competitiveness, including productivity improvement and differentiation, we have established a DX promotion organization, which was elevated to a headquarters-level unit in April, with the aim of making an early contribution through both offensive and defensive DX initiatives. We see this as one of the outcomes of incorporating back-casting into our thinking.

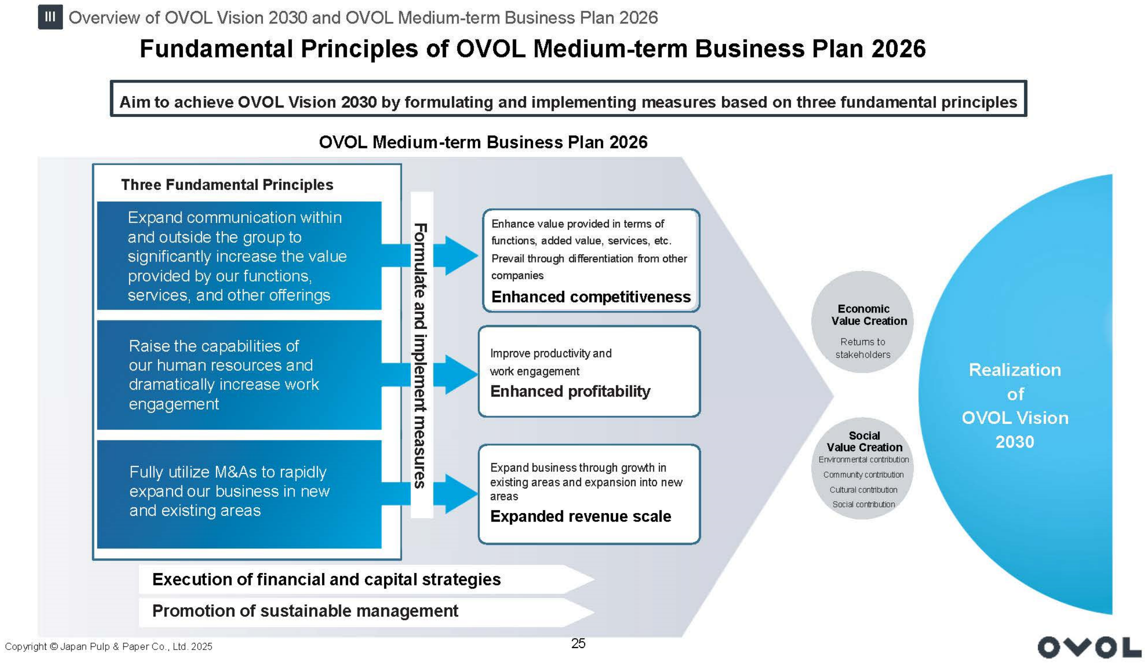
Positioning of OVOL Medium-term Business Plan 2026



Let me return to the topic of the OVOL Medium-term Business Plan 2026. As a result of the Medium-term Business Plan 2023, we have obtained three major assets: stable earning power, robust financial strength, and a global business platform.

On the other hand, the conditions we have identified as necessary for realizing the "OVOL Long-term Vision 2030" are further enhancing competitiveness, enhancing profitability, and expanding the revenue scale.

Fundamental Principles of OVOL Medium-term Business Plan 2026



We have established three fundamental principles to fulfill these conditions. The first is to expand communication within and outside the group to significantly increase the value provided by our functions, services, and other offerings. The second is to raise the capabilities of our human resources and increase work engagement. The third is to fully utilize M&As to expand our business in new and existing areas.

Based on these fundamental principles, the first-year activities of the OVOL Medium-term Business Plan 2026 have been carried out, and qualitatively, as exemplified below, we believe that many systems and mechanisms have been established over the past year.

Implementation examples are provided for each basic fundamental principle. Many of these efforts are related to both the first and second fundamental principles.

(i) Expand Communication and Increase Value Provided 1

IV Progress of OVOL Medium-term Business Plan 2026

(i) Expand Communication and Increase Value Provided 1

Workshops Exploring the Potential of Paper

At OVOL Bridges 2023 - The 2nd Paper Merchants Forum, held in 2023, we announced that we would implement three initiatives in Japan to promote the value of paper: nationwide expansion of classes, regular holding of workshops, and the establishment of a study group to promote the value of paper. As a first step, we held the OVOL CREATIVE WORKSHOP SERIES with the theme of education and intellectual development from August to October 2024. This event was held in collaboration with paper wholesalers nationwide, who are our customers and important business partners. Further workshops are planned for 2025 under a new theme.

Participation in Expo 2025 Osaka, Kansai, Japan

We are participating in the Future Life Experience presentation unit located in the Future Life Village (FLV) area of Expo 2025 Osaka, Kansai, Japan that commenced in April 2025.
The Future Life Experience pavilion addresses various questions and proposals regarding "future life" and "actions for the future." It is designed to foster dialogue among participants and visitors about future societal lifestyles and promoting co-creation.
At Expo 2025 we aim to introduce new possibilities of paper through exhibits and videos, and provide visitors with new discoveries and impressions of paper.

Received Japan Star Award at the 2024 Japan Packaging Contest

At the Japan Packaging Contest 2024 organized by the Japan Packaging Institute, the Kami-Air Design Window packaging material, which we exhibited jointly with Imura & Co., Ltd., received the highest award: the Japan Star Award. This product uses transparent white kraft paper and was highly acclaimed for its recyclability and design, and also allows for FSC mix certification. The Japan Pulp & Paper Group will continue to promote the use of paper and the elimination of plastics in the packaging field, and develop sustainable business activities.

Participation in SDGs Event for Elementary School Students

In February 2025, we collaborated with Gakken Inc. to participate in the "Exciting★SDGs – Children's Future Operation" event organized by the Shinagawa Ward in Tokyo for elementary school students. Through the experience of making original notebooks and taking quizzes about paper and the environment, local children interacted with paper and learned about its positive global environmental impact. Going forward, we will continue to offer classes and events to promote the value of paper.

OVOL

From the perspective of the first fundamental principle, "Expand Communication and Increase Value Provided," we held three workshops in 2023 to explore the potential of paper, as a follow-up to the commitment made at the OVOL Bridges 2023 forum for paper wholesalers. We invited paper wholesaler representatives from across the country to participate in these sessions.

This time, we aim to explore further possibilities of paper in the fields of intellectual development and education, while also fostering lasting relationships among participants to revitalize the industry as a whole.

The next example is our participation in the "Future Life Experience," which has been held since April at the Future Life Village (FLV) area of Expo 2025 Osaka, Kansai. We are planning an exhibition that explores the role, value, and potential of paper in future lifestyles and behaviors, along with six workshops.

Through these initiatives, we aim to promote a correct understanding of the environmental performance of paper, while effectively showcasing its appeal and functionality, thereby contributing to boosting paper demand and enhancing the industry's presence.

(i) Expand Communication and Increase Value Provided 2

IV Progress of OVOL Medium-term Business Plan 2026

(i) Expand Communication and Increase Value Provided 2

Company Information Session for Individual Investors

To strengthen IR activities, we held our first company information session for individual investors in March 2025.

Renewal of Our Japanese Website Homepage

The homepage of our corporate website has been renewed.
To provide a one-stop overview of the Japan Pulp & Paper Group, the homepage now includes new content, including 'Stock Price Information,' a 'Pick UP' link to recent OVOL Insight entries, and 'The Japan Pulp & Paper Group by the Numbers.'

Global Meeting for Non-Japan Group Paper Distribution Subsidiaries

Our group paper distribution subsidiaries located outside of Japan gathered for a global meeting in Malaysia. Each company presented on its management strategy and plans for achieving its medium-term business plan for FY2025

Main Sponsor of the Book Fair Championship

We were the main sponsor of the Book Fair Championship (BFC), in which booksellers compete to create the most engaging bookstore fairs in Japan. BFC is a championship in which bookstore staff compete to widely promote fairs being held at bookstores to the public and increase the number of customers who visit bookstores specifically for the fair. In March 2025, the top ten fairs were announced, and an awards ceremony was held. As the main sponsor, we presented the Japan Pulp & Paper Award to the winners. We will continue to explore the endless potential of paper and embrace the challenge of generating new value by supporting bookstores and publishers.

page2025 Exhibit

In February 2025, we exhibited at page2025, a comprehensive event for the print media industry, in partnership with Yupo Corporation. The theme of this year's event was 'Kyosou,' which expresses the desire to work together with various stakeholders to create business together. By exhibiting with Yupo Corporation, we aimed to strengthen our collaboration and provide new value to our customers.

Carbon Neutral Study Session for Customers

In February 2025, a carbon-neutral study session was held for JP-Kai members in the Kansai area. The JP-Kai is a network that connects our company with wholesalers nationwide.
The session aimed to provide an overview of carbon neutrality, including our group's initiatives and ways we, as paper distributors, can contribute to carbon neutrality. Many members from Osaka, Okayama, and Hiroshima attended.

OVOL

Meanwhile, as a first-time initiative for the Company, we held a corporate information session for individual investors, launched a dedicated webpage for individual investors, and renewed our website's top page. We hope that by promoting a better understanding of the Company, we can also contribute to an increase in our PBR.

We held a global meeting within the group gathering overseas merchant subsidiaries, including the newly added ones in Germany and France, to share information and collaborate on products, suppliers, and business models within the group for synergy realization.

(i) Expand Communication and Increase Value Provided 3

IV Progress of OVOL Medium-term Business Plan 2026

(i) Expand Communication and Increase Value Provided 3

OVOL Sustainability Promotion Meetings and OVOL Environment & Safety Meetings Hold Plenary Sessions

The OVOL Sustainability Promotion Meetings and the OVOL Environment & Safety Meetings, whose membership spans the entire group, held plenary meetings for group companies in Japan.

- OVOL Sustainability Promotion Meetings convened twice in FY2024. The main agenda items included explanations on ESG data collection, how data is used within the group, an explanation of what companies must address in terms of human rights, the group's training on business and human rights, human rights due diligence, and implementation methods within the group. The results of the survey on the group's social and community contribution activities were also shared.
- OVOL Environment & Safety Meetings convened three times in FY2024. The main agenda items included the group's medium- and long-term goals for reducing greenhouse gas emissions, results relating to greenhouse gas emissions in FY2023 and the first half of FY2024, the group's environmental and occupational safety policies, and an explanation of the its three-tier compliance management system.

Digital Transformation Initiatives

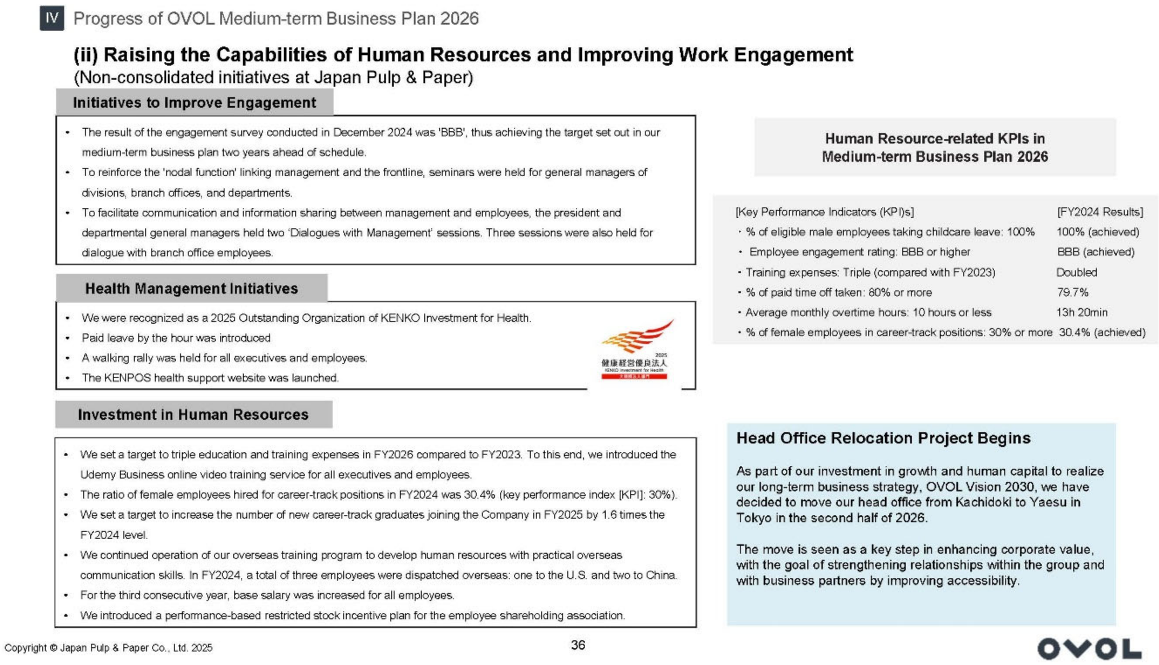
- Establishing and strengthening framework
  To strengthen our digital transformation (DX) framework, we set up the Corporate DX Division in April 2025 to promote DX and IT control within the group.
- DX promotion
  ・A business inventory survey has been created for all company divisions to analyze business operations in terms of 'quantity,' 'type,' 'skills,' and 'position.'
  ・We have begun formulating a DX grand design to define the big picture for our DX and build specific strategies.
- Generative AI use
  Currently, 326 employees use our dedicated ChatGPT environment as a support tool for planning and document creation.
- IT control and IT security implementation
  We have formulated the Japan Pulp & Paper Group IT Governance Policy and Information Security Policy as group-wide policies.
  We began IT control audits for all group companies and completed audits of 14 companies in FY2024. Audits of 15 companies are planned for FY2025, with all audits expected to be completed by FY2026.
  Preparations are underway to establish a computer security incident response team (CSIRT), which will begin operations in FY2025.

OVOL

In Japan, we held three carbon neutral study sessions for our business partners.

We have established the Sustainability Promotion Division. By widely sharing the accumulated experience and knowledge with the smaller-scale secondary distribution, namely paper wholesalers, we assist participating companies in adequately responding to environmental requests and inquiries from printing companies and end users.

(ii) Raising the Capabilities of Human Resources and Improving Work Engagement (Non-consolidated initiatives at Japan Pulp & Paper)



This is an implementation example from the perspective of the second fundamental principle, "Raising the Capabilities of Human Resources and Improving Work Engagement". For the past two years, we have been conducting engagement surveys twice a year on a regular basis, analyzing the results each time and repeatedly following up.

The results of last December's implementation resulted in a "BBB" score, enabling us to achieve our medium-term business plan targets two years ahead of schedule. Of course, we will continue these efforts going forward and strive to achieve even higher levels.

To support employee reskilling, we introduced an online video training service, which is being widely utilized.

Additionally, responding to societal demands, we have implemented base salary increases for three consecutive years. Including regular raises, the average employee wage has grown by more than 5% each year over the past three years, firmly supporting employees' livelihoods and motivation.

Furthermore, we have introduced a performance-based restricted stock incentive program for members of the employee stock ownership plan, with the aim of further raising employees' awareness of the company's performance and helping to create a virtuous cycle of improved motivation, engagement, and business results.

In addition, to improve productivity at the Tokyo head office and enhance operational quality directly linked to competitiveness, we have decided to relocate our head office to Yaesu, Tokyo in the second half of FY2026. A relocation project, led primarily by younger employees, is already underway.

(iii) Business Expansion Through Promotion of M&As and Alliances 2

IV Progress of OVOL Medium-term Business Plan 2026

(iii) Business Expansion Through Promotion of M&As and Alliances 2

Non-Japan Wholesaling

- In the Non-Japan Wholesaling segment, we are developing a group of regionally-based paper wholesale companies that have inventory and distribution functions in various countries and regions around the world.
  We have established a system that ensures a stable product supply within the U.S., U.K., Ireland, Germany, France, Australia, New Zealand, India, Hong Kong, Singapore, and Malaysia.

Investments (Complementary M&As)

Increase market share and expand the business domain in each market by continuing to execute complementary M&As.
Increase revenue by expanding sales of high value-added products such as signs and displays, packaging-related materials, and flexible packaging.

Sign & display business

- Singapore
  CAS Technology (January 2024)
- Australia
  Sign Essentials (September 2024)

Flexible packaging business

- Australia
  Caspak Products (November 2024)
- New Zealand
  Pacrite Industries (August 2024)
  Carter Consolidated (April 2025)

Divestments (Transfers, sales, etc.)

- Southeast Asia
  JP Corelex (Vietnam) Co., Ltd. (Recycled household paper manufacturing business)
  Sold for efficient use of management resources (December 2023)
- North America
  JRS Resources, Inc. (Recovered paper recycling business)
  Suspended operations due to decline in sales volume to containerboard base paper manufacturers in China (January 2024)
  Weiss McNair, LLC (Nut seed husk harvesting machinery manufacturing business)
  Sold to liquidate non-core and unprofitable business (October 2024)
- Europe
  OVOL Fiber Europe BV (Recovered paper recycling business)
  Sold to liquidate unprofitable business (January 2025)

OVOL

This is an update on the progress related to the third fundamental principle, "Business Expansion Through M&A and Alliances".

As shown on the slide, in addition to complementary M&As in the Japan Wholesaling, Paper Manufacturing & Processing, and Non-Japan Wholesaling segments, we also carried out a large-scale strategic M&A last fiscal year, as mentioned at the beginning.

In order to confidently position ourselves as "The World's Leading Paper Distribution Group," we are also steadily advancing the identification and restructuring of unprofitable businesses in parallel.

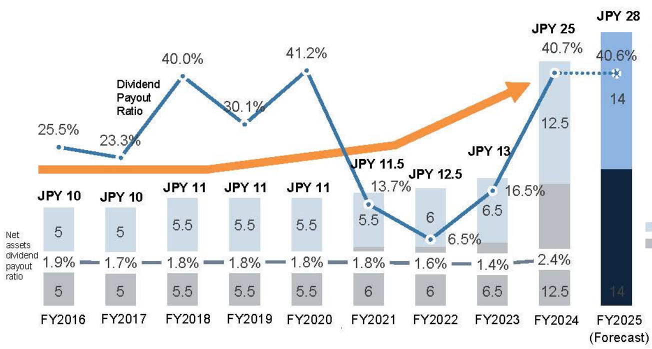
Execution of Financial and Capital Strategies

IV Progress of OVOL Medium-term Business Plan 2026

Execution of Financial and Capital Strategies

Dividends increased four consecutive fiscal years through FY2024. Cross-shareholdings are being reduced.

Dividend Record and Forecasts



Note: A 10:1 reverse stock split was effected on October 1, 2017 and a 1:10 stock split was effected on October 1, 2024.
For dividends in FY2023 and earlier, amounts after the most recent stock adjustment are shown.

Status of Cross-shareholdings

	FY2022	FY2023	FY2024	Year-on-Year Change
Number of Stocks (of which listed stocks)	120 (56)	120 (56)	117 (53)	-3 (-3)
Balance Sheet Amount	JPY 23,191 million	JPY 29,279 million	JPY 25,530 million	-JPY 3,749 million
Ratio to Consolidated Net Assets	18.1%	21.2%	17.5%	-3.6%

Other

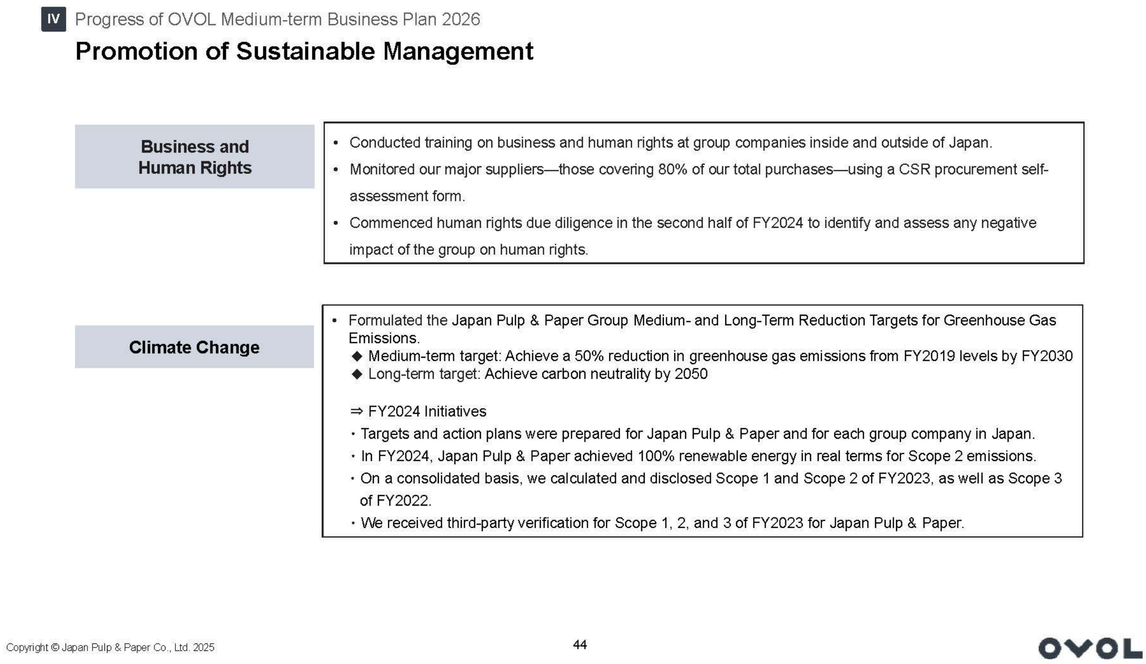
- 1:10 stock split effected on October 1, 2024
- Base number of shares for shareholder benefits was reduced from 1,000 to 500

OVOL

This is an update on the progress in our financial and capital strategies. Regarding dividends, the results for the first year marked the fourth consecutive year of dividend increases, with a payout ratio of 40.7%.

In line with our existing policy of reducing cross-shareholdings, we have continued regular reviews and sales. As a result, the balance sheet value as of the end of March 2025 decreased by approximately JPY 3.7 billion compared to the previous fiscal year. The ratio to consolidated net assets also declined by 3.62 percentage points from the previous year's 21.16%, falling to 17.54%, which is even lower than the level two years ago. We will continue to further reduce cross-shareholdings in the current fiscal year and beyond.

Promotion of Sustainable Management

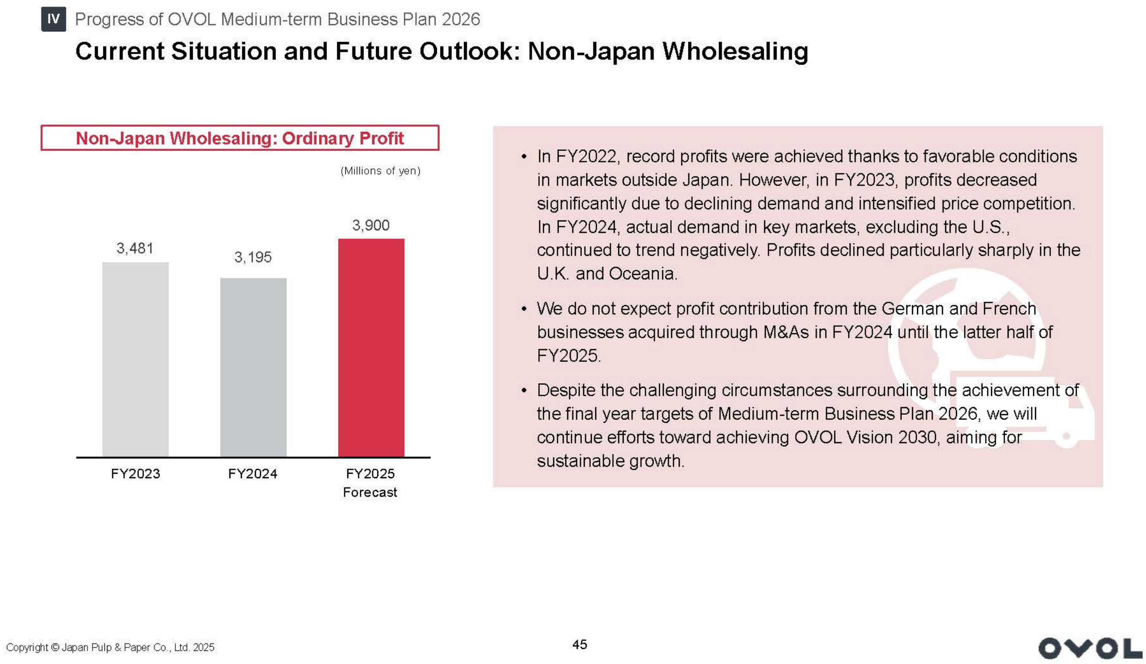


With regard to another key element of the medium-term business plan, "Promoting Sustainable Management," we are steadily advancing our initiatives in areas such as business and human rights, as well as climate change, as shown on the slide. Through these efforts, we are fulfilling our social responsibilities while laying the foundation for becoming "an excellent company".

In this fiscal year, which marks the second year of the medium-term business plan, we will continue to actively pursue these initiatives while also aiming to create even bolder systems and mechanisms to realize the OVOL Vision 2030.

On the other hand, in terms of quantitative outcomes accompanying this progress, the reality is that results have been slower than expected or facing difficulties due to various environmental changes. This is clearly reflected in the financial results for the fiscal year ended March 2025, as reported earlier by Mr. Fujii, as well as in the performance forecasts for the fiscal year ending March 2026.

Current Situation and Future Outlook: Non-Japan Wholesaling



I would like to briefly talk again about the current quantitative downside factors. First, the most influential factor is the longer-than-expected slump in market conditions, especially overseas markets.

In 2022, the paper and paperboard markets in major overseas regions such as Europe, North America, Asia, and Oceania experienced an unprecedented boom, particularly in terms of pricing, driven by high resource prices, container shortages for maritime transport, and surging freight rates. Our group also benefited significantly from these favorable conditions. Led by the Non-Japan Wholesaling segment, we recorded our highest-ever consolidated ordinary profit of JPY 21.2 billion in the fiscal year 2022.

Repeated price hikes and excessive inventory accumulation by users and distributors occurred in the fiscal year 2022. However, in 2023, economic activity lacked strength across various markets, and actual demand for paper and paperboard remained subdued.

As a reaction, demand, including shipments from manufacturers and distributors, dropped significantly across markets. Global production capacity became excessive beyond national borders, while maritime transport capacity and freight rates returned to normal. Particularly in Europe, Oceania, and major Asian countries, intense price competition and battles for market share occurred not so much among manufacturers, but at the distribution level. As a result, market prices declined, margins were compressed, and our Non-Japan Wholesaling segment suffered a substantial decrease in profitability.

Initially, we expected that the most recent fiscal year 2024 would settle at a midpoint between the strong performance of 2022 and the slump of 2023, essentially converging toward a cruising speed. However, except for the relatively solid U.S. market, actual demand in Europe, Oceania, and Southeast Asia continued to show a significant downward trend.

Within our group, the declines in the U.K. and Oceania were particularly pronounced. In the U.K., we prioritized maintaining market share through pricing strategies and managed to achieve revenue growth. However, profits declined due to rising personnel expenses, other cost increases, and margin compression resulting from price competition.

In Oceania, we prioritized margin preservation and tried to increase revenue by accelerating complementary M&A activities. Nevertheless, the decline in sales volume had a major negative impact. Combined with rising personnel expenses and costs related to the introduction of a new ERP system, profits dropped sharply.

In addition, the large acquisitions made in Germany and France in the second half of the year have resulted in significant costs, and the Non-Japan Wholesaling segment is significantly behind the previous year's results, the single-year plan, and the final year target of the OVOL Medium-term Business Plan 2026.

In addition, preliminary figures for the first quarter regarding shipment volumes in major overseas markets have been gradually released, and overall, it appears that the downward trend in demand is still continuing.

Here are a few examples. From January to April of this year, domestic shipments within Germany of paper and paperboard production decreased by 4.4% compared to the same period of the previous year. When focusing specifically on graphic paper, the decline was even more significant, with a year-on-year decrease of 18.5%.

In addition, apparent consumption in the U.K. for January and February combined fell by 11.3% year on year for uncoated fine paper and by 6.9% for coated fine paper.

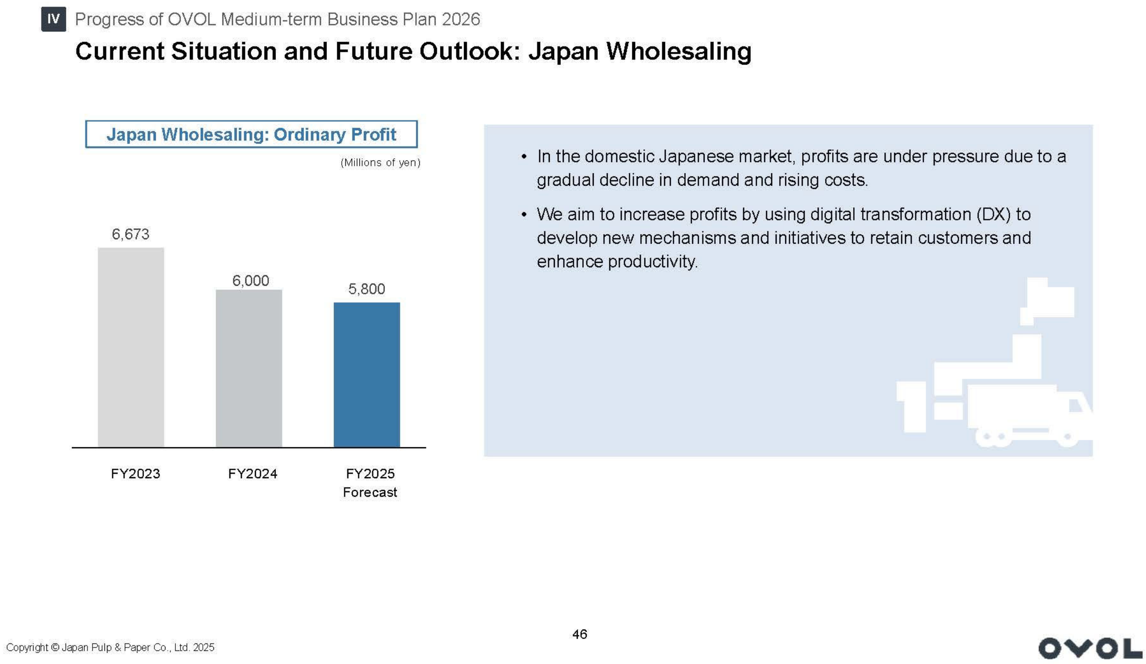
In North America during the first quarter, demand for uncoated fine paper remained nearly flat with a slight 0.6% decrease year on year, while coated fine paper declined by 6.0% compared to the same period last year.

Given this situation, we anticipate that it will take more time than initially expected to secure stable earnings from our newly added businesses in Germany and France. As such, meaningful positive contributions to consolidated profits are now expected toward the end of this fiscal year or possibly into the next. The only market still showing resilience is domestic demand in the U.S., but depending on the future developments related to Trump-era tariffs, even this outlook remains uncertain.

Considering these conditions, although initiatives and structural preparations for achieving the OVOL Long-term Vision 2030 are steadily and boldly advancing within the Non-Japan Wholesaling segment, the significant impact of external changes and the burden of upfront costs make it a challenging path to reach the final-year quantitative targets of the OVOL Medium-term Business Plan 2026.

How quickly we can bring the newly added German and French businesses up to cruising speed will be an extremely important key factor. Both local management and the Tokyo head office are working together with full commitment to this effort.

Current Situation and Future Outlook: Japan Wholesaling



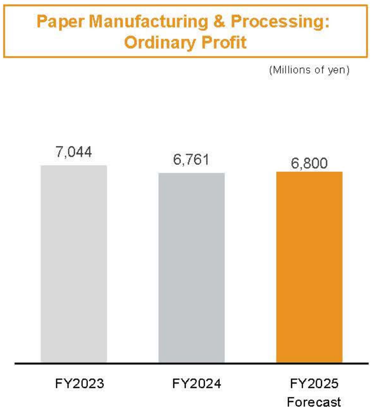
The Japan Wholesaling segment is facing similar market conditions. With a continued gradual decline in demand and an increase in direct costs and selling, general, and administrative expenses, such as personnel expenses, profits have been under pressure.

To address this, we aim to strengthen both internal and external communication and actively leverage digital transformation (DX) to promote customer retention through differentiation, increase sales, and reduce costs through improved productivity, thereby securing and expanding profitability.

Current Situation and Future Outlook: Paper Manufacturing & Processing

IV Progress of OVOL Medium-term Business Plan 2026

Current Situation and Future Outlook: Paper Manufacturing & Processing



- Demand has plateaued while raw material and fuel costs have risen and remained high, putting pressure on revenue.
- We aim to increase profitability by more efficient procurement of wastepaper, further use of difficult-to-recycle wastepaper, and improvement of production efficiency.

This concerns the Paper Manufacturing & Processing segment. Although there are signs that demand is reaching a plateau and price adjustments at the retail level are not progressing as expected, we believe that the group is performing well in terms of production and sales volumes. However, rising and persistently high raw material and energy costs are putting pressure on earnings at a certain level, particularly in the production of containerboard and the corrugated container manufacturing business. Additionally, rising costs of secondary and auxiliary materials are having a similar impact, especially in the household paper production business.

While it remains difficult to forecast the future due to factors such as the impact of Trump-era tariffs, currency fluctuations, and shifts in geopolitical balance, it is reasonable to assume, as a general outlook, that the current raw material and energy cost environment is likely to persist for some time.

We will continue to secure profitability by leveraging the group's collective strength in recovered paper procurement, promoting the use of hard-to-recycle wastepaper, and further improving production efficiency.

Conversely, if this cost environment turns around, we expect that we may be able to compensate for the downside of the Japan and Non-Japan Wholesale segments that I explained earlier.

Current Situation and Future Outlook: Impact of Additional U.S. Tariffs

IV Progress of OVOL Medium-term Business Plan 2026

Current Situation and Future Outlook: Impact of Additional U.S. Tariffs

The impact of additional tariffs by the Trump administration has not been factored into our current financial results forecast due to many uncertain factors, including timeline.

It is also currently difficult to predict how the economic slowdown in various countries will affect demand for paper and paperboard.

Reference: Scale of trade transactions with the U.S. within the Japan Pulp & Paper Group

	Direct Exports to the U.S.	Exports to the U.S. Via a Third Country	Exports from the U.S.	Total
Sales Volume (tons)	approx. 8,000	approx. 15,000	approx. 17,000	approx. 40,000
Sales Amount (Billions of yen)	approx. 2.1	approx. 2.2	approx. 2.0	approx. 6.3

Note: Excludes U.S. sales of European manufacturers' products imported by U.S. subsidiaries

OVOL

The fiscal 2025 earnings forecast we are reporting this time does not individually reflect the potential impacts of Trump’s policies, particularly those related to reciprocal tariffs, as their timing and magnitude are extremely uncertain and have been subject to repeated changes.

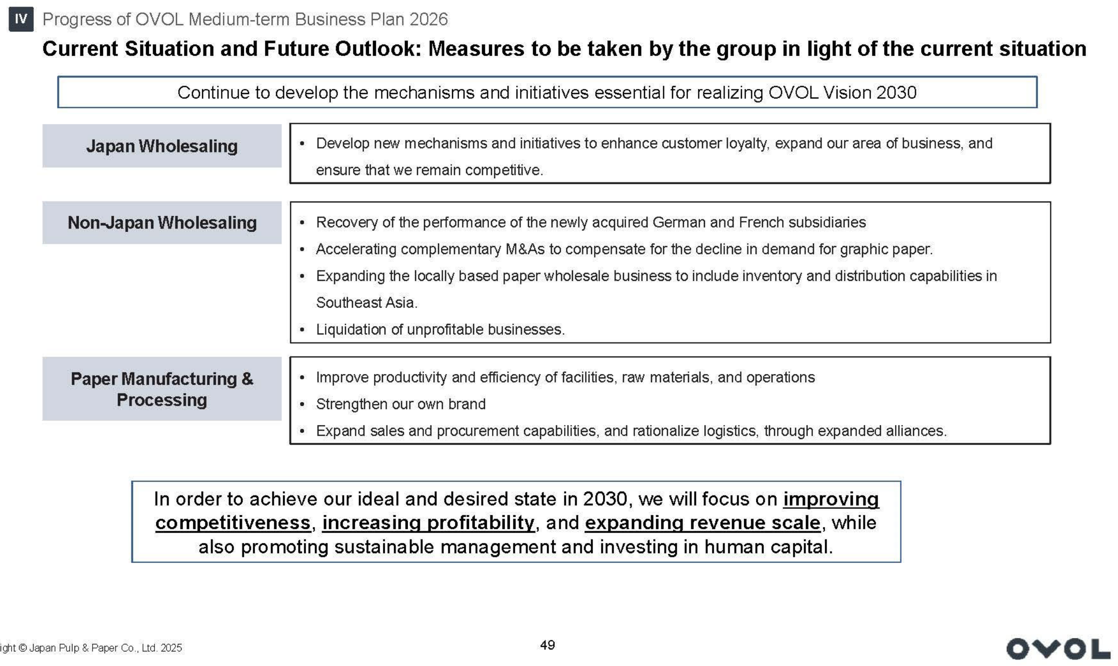
For your reference, we have calculated the volume of trade business directly affected at each of our group’s locations, including those overseas and in Tokyo, in the event that the additional tariffs were to be implemented as originally proposed. The total volume of directly impacted business, including direct exports to the U.S., exports to the U.S. via third countries, and exports originating from the U.S., amounts to 40,000 tons annually, with sales equivalent to approximately JPY 6.3 billion.

However, this does not include sales in the U.S. of European products handled by our U.S. subsidiary Gould Paper, which is extremely difficult to forecast and compile, and for which the European manufacturer itself is the U.S. importer.

Furthermore, the most far-reaching and significant impact on paper and paperboard demand itself, which is likely to shrink further due to the economic slowdown in many countries caused by Trump administration's policies, is unfortunately unpredictable at this point in time.

We are beginning to see signs of a global slowdown in economic activity due to factors such as the sharper-than-expected decline in paper demand both in Japan and overseas, increased upfront costs associated with executing large-scale M&A deals, persistently high raw material and energy costs, and continued rises in personnel expenses, as well as the Trump administration's policies we just explained. As a result, we must acknowledge that achieving the final-year targets of the OVOL Medium-term Business Plan 2026 has become significantly more challenging.

Current Situation and Future Outlook: Measures to be taken by the group in light of the current situation



On the other hand, what we must do to realize the OVOL Vision 2030 is extremely clear. In response to the shrinking demand for paper, we will implement as many new systems and mechanisms as possible in Japan Wholesaling to retain customers, expand our market coverage, and ensure we remain competitive.

In Non-Japan Wholesaling, we will work to restore our businesses in Germany and France to their original scale as quickly as possible. In addition, to offset the decline in demand for graphic paper, we will further accelerate complementary M&A activities, build local businesses in Southeast Asia, and restructure unprofitable operations.

In Paper Manufacturing & Processing, we will continue to enhance productivity and efficiency through improvements in facilities, raw materials, and operations. We will also aim to raise our profitability by strengthening our brand and expanding alliances to benefit from economies of scale.

Furthermore, by promoting sustainable management and investing in human capital, we will enhance work engagement and, through our people, continue to pursue new mechanisms and systems that we have not yet undertaken. Keeping a clear vision of what we aim to be in 2030, we are committed to improving our competitiveness, profitability, and the overall scale of our earnings.

That is all for my explanation. Thank you for your attention.

Q&A: Profit Recovery in Germany and France

Questioner: You mentioned "the urgent need to restore profitability at the subsidiaries in Germany and France" as one of the key points regarding the Non-Japan Wholesaling business. I believe your company also worked on structural reforms of overseas subsidiaries during the previous medium-term business plan period and achieved significant profit improvements. Is there anything different this time compared to back then?

Watanabe: A major difference regarding the businesses in Germany and France is that the former owner, a Portuguese company that was actually operating them, went bankrupt in the summer of last year.

Since our acquisition took place in December, there was a gap of about four months after the bankruptcy. During that time, trust from suppliers was lost, which caused significant disruptions in paper procurement. As a result, we were unable to prepare adequate sales inventory, leading to a loss of customers.

We promptly implemented various measures from the time we made the five companies our subsidiaries in December, and have almost completed the restoration of relationships with our suppliers, mainly in Europe. Currently, we are working diligently to regain the customers that were lost during the gap period.

However, as I mentioned earlier, actual demand in Europe is now declining at a considerable pace, so there is a possibility that progress may not proceed as initially expected. When we took over the business, we carried out the first round of restructuring, which has since been completed. Looking ahead, depending on the progress of sales recovery, we are preparing for and considering a possible second round of restructuring if necessary.