

## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2016 (unaudited)

Name of Company Listed: **Nippon Paper Industries Co., Ltd.**  
 Stock Exchange Listings: Tokyo  
 Code Number: 3863  
 URL: <http://www.nipponpapergroup.com/english/>  
 Representative:  
 Title of Representative Person: President  
 Name of Representative Person: Fumio Manoshiro  
 Person in Charge of Contact:  
 Title of Contact Person: General Manager of Accounting & Budgeting Dept.  
 Name of Contact Person: Tomoyasu Itakura  
 Telephone: +81-(0)3-6665-1111  
 Planned date of Financial Report submission: August 12, 2016  
 Planned date of the commencement of dividend payments: -  
 Availability of support documentation: Yes  
 Holding of financial result briefing: Yes (for institutional investors and investment analysts)

(Amounts indicated are displayed with amounts of less than one million yen rounded off.)

### 1. Consolidated Financial Results of Operations for the Three Months Ended June 2016 (April 1, 2016–June 30, 2016)

#### (1) Consolidated Results of Operations

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2016	235,255	-6.6	5,524	28.4	6,061	-43.5	2,995	-76.3
Three months ended June 30, 2015	251,901	-1.3	4,304	-31.4	10,725	77.7	12,633	295.5

Note: Comprehensive income

Three months ended June 2016	-988 million yen	(- %)
Three months ended June 2015	14,167 million yen	(283.9 %)

	Net income* per share	Net income* per share after adjusting for dilution
	Yen	Yen
Three months ended June 30, 2016	25.88	-
Three months ended June 30, 2015	109.13	-

\*Profit attributable to owners of parent

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	1,368,530	411,407	29.8
As of March 31, 2016	1,390,918	424,685	30.3

Reference: Shareholders' equity As of June 30, 2016 407,702 million yen  
As of March 31, 2015 422,000 million yen

2. Dividend Status

	Dividends per share				
	1 <sup>st</sup> quarter end	2 <sup>nd</sup> quarter end	3 <sup>rd</sup> quarter end	End of fiscal year	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March, 2016	—	30.00	—	30.00	60.00
Fiscal year ending March, 2017	—				
Fiscal year ending March, 2017 (Projection)		30.00	—	30.00	60.00

Note: Recent revisions to dividend projection /No

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2017 (April 1, 2016–March 31, 2017)

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ended September 30, 2016	490,000	-2.0	14,000	66.2	14,000	-13.6	5,000	-65.0	43.20
Full fiscal year	1,000,000	-0.7	32,000	41.4	32,000	86.9	18,000	642.3	155.51

Note: Recent revisions to consolidated financial results /No

4. Others

- [1] Has the Company made any important changes in its subsidiaries (changes in specified subsidiaries which results in changes in the scope of consolidation)? /No  
 New — (Company name: )  
 Eliminated — (Company name: )
- [2] Has the Company adopted a specific accounting method for preparation of quarterly consolidated financial statements? /Yes
- [3] Changes in Accounting principles, changes in accounting estimates, or restatements  
 (i) Has the Company made any changes in accounting principles following the revision of the Accounting Standard and others? /Yes  
 (ii) Has the Company made any changes in accounting principles other than those described in (i)? /No  
 (iii) Has the Company made any changes in accounting estimates? /No  
 (iv) Has the Company made any restatements? /No

[4] Number of issued and outstanding shares (common stock)	
(i) Number of issued and outstanding shares (including treasury stock) as of:	
June 30, 2016	116,254,892 Shares
March 31, 2016	116,254,892 Shares
(ii) Number of treasury stock as of:	
June 30, 2016	509,213 Shares
March 31, 2016	507,381 Shares
(iii) Average number of shares during the periods of:	
Three months ended June 30, 2016	115,746,606 Shares
Three months ended June 30, 2015	115,757,603 Shares

\* Presentation of implementation status of quarterly review procedure

This “Summary of Consolidated Financial Results for the Three Months Ended June 30, 2016” is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Law and, as of the date of publication of these quarterly consolidated financial results, the quarterly review procedures for the consolidated quarterly financial statements are currently in progress.

\*Disclaimer regarding forward-looking statement and other remarks:

1. Any statement in this document regarding future performance of the Company is based on the information available at the time of the announcement and certain assumptions judged to be reasonable. Actual performance may differ from forecasts due to a variety of factors.

2. The support documentation will be posted on the following our website.

<http://www.nipponpapergroup.com/english/ir/library/>

*This document is an English-language translation of the Japanese-language original.*

**(Appendices)**

**1. Consolidated Operating Results for the Three Months Ended June 2016 (April 1, 2016–June 30, 2016)**

Operating results by business segment are as follows:

Pulp and Paper:

Consolidated net sales	¥ 195,745 million	(down 3.1% year-on-year)
Consolidated operating income	¥ 2,843 million	(down 0.4% year-on-year)

Paper-Related:

Consolidated net sales	¥ 21,547 million	(down 2.5% year-on-year)
Consolidated operating income	¥ 1,104 million	(up 35.0% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥ 13,789 million	(down 3.7% year-on-year)
Consolidated operating income	¥ 1,088 million	(up 85.7% year-on-year)

Other:

Consolidated net sales	¥ 4,172 million	(down 69.1% year-on-year)
Consolidated operating income	¥ 486 million	(Previous 1Q's consolidated operating income: ¥43million)

## 2. Supplementary Financial Results Presentation Materials for the Three Months Ended June 30, 2016

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	112,510	41,079
Notes and accounts receivable-trade	192,941	227,334
Merchandise and finished goods	79,529	80,253
Work in process	18,299	22,431
Raw materials and supplies	60,244	59,077
Other	39,934	47,314
Allowance for doubtful receivables	(547)	(577)
Total current assets	502,912	476,912
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	485,784	487,177
Accumulated depreciation	(353,073)	(355,219)
Buildings and structures, net	132,711	131,957
Machinery, equipment and vehicles	2,161,323	2,163,593
Accumulated depreciation	(1,879,807)	(1,887,462)
Machinery, equipment and vehicles, net	281,515	276,131
Land	215,084	218,286
Construction in progress	14,101	16,362
Other	65,098	72,858
Accumulated depreciation	(39,213)	(39,438)
Other, net	25,884	33,419
Total property, plant and equipment	669,298	676,157
Intangible assets	15,291	14,541
Investments and other assets		
Investments in securities	180,782	176,885
Other	23,223	24,619
Allowance for doubtful receivables	(590)	(586)
Total investments and other assets	203,416	200,918
Total noncurrent assets	888,006	891,617
<b>Total assets</b>	<b>1,390,918</b>	<b>1,368,530</b>

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and account payable-trade	113,354	110,373
Short-term loans payable	243,366	236,688
Current portion of bonds	13,000	23,000
Accrued income taxes	4,147	1,925
Other	76,043	80,502
Total current liabilities	449,912	452,489
Long-term liabilities		
Bonds payable	60,000	50,000
Long-term loans payable	385,725	382,672
Accrued environmental costs	470	469
Net defined benefit liability	42,210	41,391
Other	27,913	30,098
Total long-term liabilities	516,320	504,633
<b>Total liabilities</b>	<b>966,233</b>	<b>957,122</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	104,873	104,873
Capital surplus	217,104	217,104
Retained earnings	82,215	71,756
Treasury stock, at cost	(1,378)	(1,381)
Total shareholders' equity	402,814	392,352
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	18,974	18,158
Net deferred gain on hedges	(1,193)	(1,753)
Translation adjustments	15,088	12,022
Remeasurements of defined benefit plans	(13,683)	(13,077)
Total accumulated other comprehensive income	19,185	15,350
Non-controlling interests	2,685	3,704
<b>Total net assets</b>	<b>424,685</b>	<b>411,407</b>
<b>Total liabilities and net assets</b>	<b>1,390,918</b>	<b>1,368,530</b>

(2) Consolidated Statements of Operations and Statements of Comprehensive Income  
- Consolidated Statements of Operations -

	(Millions of yen)	
	Three months ended June 2015	Three months ended June 2016
Net sales	251,901	235,255
Cost of sales	198,745	186,362
Gross profit	53,155	48,893
Selling, general and administrative expenses		
Freightage related expenses	15,132	14,734
Sales related expenses	15,255	13,361
Salaries and allowances	10,342	9,192
Other	8,120	6,079
Total selling, general and administrative expenses	48,851	43,368
Operating income	4,304	5,524
Other income		
Interest income	68	157
Dividend income	1,645	1,110
Foreign exchange gains	5,844	948
Equity in earnings of affiliates	1,274	645
Other	764	908
Total other income	9,597	3,771
Other expenses		
Interest expense	2,421	2,300
Other	755	933
Total other expenses	3,176	3,233
Ordinary income	10,725	6,061
Extraordinary income		
Gain on sales of non-current assets	56	1,146
Gain on sales of investment securities	16,534	780
Other	342	7
Total extraordinary income	16,933	1,934
Extraordinary loss		
Loss on seismic disaster	—	740
Loss on retirement of noncurrent assets	246	173
Loss on sales of shares of subsidiaries	16,163	—
Other	909	472
Total extraordinary loss	17,319	1,386
Income before income taxes and minority interests in consolidated subsidiaries	10,338	6,609
Income taxes—current	466	1,258
Income taxes—deferred	(2,610)	2,394
Total income taxes	(2,144)	3,653
Profit	12,483	2,956
Profit attributable to non-controlling interests	(149)	(39)
Profit attributable to owners of parent	12,633	2,995

- Consolidated Statements of Comprehensive Income -

(Millions of yen)

	Three months ended June 2015	Three months ended June 2016
Profit	12,483	2,956
Other comprehensive income		
Net unrealized holding gain (loss) on other securities	2,369	(800)
Net deferred gain (loss) on hedges	(123)	(916)
Translation adjustments	128	(1,764)
Remeasurements of defined benefit plans, net of tax	244	561
Share of other comprehensive income of affiliates accounted for using the equity method	(935)	(1,024)
Total other comprehensive income	1,683	(3,945)
Comprehensive income	14,167	(988)
(Details)		
Comprehensive income attributable to owners of parent	14,427	(898)
Comprehensive income attributable to non-controlling	(260)	(89)



( Significant Subsequent Events )

1. Conclusion of Company Split Agreement and Share Undertaking Agreement Concerning the Sales Function Integration in terms of Containerboard and Sack & General Purpose Kraft Paper Business Alliance with Tokushu Tokai Paper Co., Ltd.

On October 7, 2015, the company executed a basic agreement (hereinafter, “the MOU”) with Tokushu Tokai Paper Co., Ltd. (hereinafter, “Tokushu Tokai Paper”) concerning their containerboard and sack & general purpose kraft paper sales business (hereinafter, “ the Business”). This MOU covers the demerger of the manufacturing business at Shimada Mill of Tokushu Tokai Paper (hereinafter, “Shimada Mill”) and the Company’s investment (hereinafter, “the Investment”) in the new manufacturing company (hereinafter “the New Manufacturing Company”) and the integration of their sales functions of the Business (hereafter, the transactions stated above are collectively referred to as “the Business Alliance”). Based on the MOU, on April 25, 2016, the Company concluded the integration agreement (hereinafter, “the Integration Agreement”), which contains the terms and conditions of the Business Alliance, and the shareholders’ agreements which prescribe to jointly operate the New Manufacturing Company and the new sales company (hereinafter “the New Sales Company”).

Based on the Integration Agreement, the Company resolved that, at the Board of Directors meeting on August 3, 2016, the Company will conduct an absorption-type company split (hereinafter, “the Company Split”) on October 1, 2016 by which rights and obligations, owned by the Company related to the sales function of the Business, will be transferred to the New Sales Company, and the Company consequently executed an absorption-type company split agreement (hereinafter “ the New Sales Company Split Agreement”) on August 3, 2016. In addition, the Company resolved that, also based on the Integration Agreement, at the Board of Directors meeting on August 3, 2016, the Company will undertake the shares in New Manufacturing Company (hereinafter, “the Share Undertaking”) on October 1, 2016 and consequently executed a share undertaking agreement (hereinafter, “the Share Undertaking Agreement”) on August 3, 2016.

(1) . Background and objectives of the Business Alliance

The Japanese paper industry business environment remains challenging amid rising wastepaper prices and excessive production capacity.

Based on the recognition that cost and quality competition is set to increase further in the future, the Company and Tokushu Tokai Paper concluded the Integration Agreement on the Business Alliance based on the MOU to conduct this Business Alliance and integrate both sales function in order to strengthen the cost and quality competitiveness of the Shimada Mill and to establish an efficient sales structure and improve service levels in the Business while having mutually equal spirit.

(2).Overview of the New Sales Company Split Agreement

(1) The New Sales Company name	Nippon Tokai Industrial Paper Supply Co., Ltd. [*1]
(2) Location	Chiyoda-ku, Tokyo, Japan
(3) Business description	Sale of paper and paperboard
(4) Capital	10 million yen
(5) Date established	July 15, 2016
(6) Number of outstanding shares	200
(7) Fiscal year end	March 31
(8) Major shareholders and shareholding ratios	The Company 100% [*2]

[\*1] As this company was established on July 15, 2016, it does not have any fixed fiscal financial and business results.

[\*2] the Company 65%, Tokushu Tokai Paper 35% (since 1 October, 2016)

(3). Overview of the Share Undertaking Agreement

(1) Issuer	Shin Tokai Paper Co., Ltd.
(2) Type and number of undertaken shares	Common shares 122,500
(3) Amount paid	6,250 million yen
(4) Due date	October 1, 2016
(5) Major shareholders and shareholding ratios	Tokushu Tokai Paper 65%, the Company 35%

5 . Future Outlook

The Company is currently examining the impact of this Business Alliance on its consolidated financial results.

## 2. Domestic unsecured corporate bonds for subscription

At the meeting of the Board of Directors of the Company held on August 3, 2016, the Company made the resolution in relation to domestic unsecured corporate bonds for subscription. The summary is as follows. President of the Company is authorized to decide necessary items within the scope described down below when the Company solicits persons who subscribe for the bonds.

- (1) Total amount of issue: maximum ¥30 billion (multiple issuances within this amount is allowed)
- (2) Interest rate: maximum 3.0% per annum
- (3) Maturity: from 3 years up to 20 years
- (4) Issue timing: from August 3, 2016 to August 1, 2017
- (5) Method of redemption: bullet repayment
- (6) Application of funds: capital investment, repayment of loans payable, etc.