

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2017 (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
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 Planned date of Financial Report submission: August 10, 2017
 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 2017 (April 1, 2017–June 30, 2017)

(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, 2017	255,639	8.7	3,120	-43.5	5,352	-11.7	5,585	86.4
Three months ended June 30, 2016	235,255	-6.6	5,524	28.4	6,061	-43.5	2,995	-76.3

Note: Comprehensive income

Three months ended June 2017	7,616 million yen	(- %)
Three months ended June 2016	-988 million yen	(- %)

	Net income* per share	Net income* per share after adjusting for dilution
	Yen	Yen
Three months ended June 30, 2017	48.26	–
Three months ended June 30, 2016	25.88	–

*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, 2017	1,414,037	439,183	30.7
As of March 31, 2017	1,388,885	434,911	31.0

Reference: Shareholders' equity As of June 30, 2017 433,824 million yen
As of March 31, 2016 429,920 million yen

2. Dividend Status

	Dividends per share				
	1 st quarter end	2 nd quarter end	3 rd quarter end	End of fiscal year	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March, 2017	—	30.00	—	30.00	60.00
Fiscal year ending March, 2018	—				
Fiscal year ending March, 2018 (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 2018 (April 1, 2017–March 31, 2018)

(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, 2017	520,000	9.5	10,000	-4.7	10,000	-25.9	5,000	—	43.20
Full fiscal year	1,050,000	5.8	30,000	26.2	30,000	11.1	15,000	78.6	129.60

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? /No

[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? /No

(ii) Has the Company made any changes in accounting principles other than those described in (i)? /Yes

(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, 2017	116,254,892 Shares
March 31, 2017	116,254,892 Shares
(ii) Number of treasury stock as of:	
June 30, 2017	519,529 Shares
March 31, 2017	517,900 Shares
(iii) Average number of shares during the periods of:	
Three months ended June 30, 2017	115,736,171 Shares
Three months ended June 30, 2016	115,746,606 Shares

* The quarterly review for quarterly consolidated financial statements is exempt.

*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 2017 (April 1, 2017–June 30, 2017)

Operating results by business segment are as follows:

Pulp and Paper:

Consolidated net sales	¥ 211,839 million	(up 8.2% year-on-year)
Consolidated operating income	¥ (280) million	(previous 1Q's consolidated operating income ¥2,843 million)

Paper-Related:

Consolidated net sales	¥ 24,420 million	(up13.3% year-on-year)
Consolidated operating income	¥ 1,984 million	(up 79.6% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥ 14,810 million	(up 7.4% year-on-year)
Consolidated operating income	¥ 868 million	(down 20.2% year-on-year)

Other:

Consolidated net sales	¥ 4,568 million	(up 9.4% year-on-year)
Consolidated operating income	¥ 547 million	(up 12.6% year-on-year)

2. Supplementary Financial Results Presentation Materials for the Three Months Ended June 30, 2017

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	90,514	36,571
Notes and accounts receivable-trade	200,440	229,425
Merchandise and finished goods	83,357	82,428
Work in process	17,890	22,103
Raw materials and supplies	57,432	61,240
Other	37,169	51,784
Allowance for doubtful receivables	(600)	(590)
Total current assets	486,205	482,964
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	489,397	487,698
Accumulated depreciation	(358,767)	(358,473)
Buildings and structures, net	130,630	129,225
Machinery, equipment and vehicles	2,191,073	2,177,429
Accumulated depreciation	(1,909,252)	(1,897,172)
Machinery, equipment and vehicles, net	281,820	280,257
Land	219,360	219,097
Construction in progress	20,461	47,977
Other	74,644	75,328
Accumulated depreciation	(40,103)	(40,489)
Other, net	34,540	34,838
Total property, plant and equipment	686,813	711,396
Intangible assets	15,543	15,331
Investments and other assets		
Investments in securities	183,591	183,089
Other	17,285	21,812
Allowance for doubtful receivables	(553)	(556)
Total investments and other assets	200,323	204,345
Total noncurrent assets	902,680	931,072
Total assets	1,388,885	1,414,037

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and account payable-trade	128,926	130,003
Short-term loans payable	262,391	298,653
Commercial papers	—	20,000
Current portion of bonds	10,000	—
Accrued income taxes	5,369	2,246
Other	87,806	94,720
Total current liabilities	494,493	545,623
Long-term liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	354,353	323,692
Accrued environmental costs	381	372
Net defined benefit liability	24,371	22,070
Other	30,374	33,095
Total long-term liabilities	459,480	429,230
Total liabilities	953,974	974,853
Net assets		
Shareholders' equity		
Common stock	104,873	104,873
Capital surplus	216,531	216,531
Retained earnings	73,479	75,500
Treasury stock, at cost	(1,398)	(1,401)
Total shareholders' equity	393,486	395,504
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	22,249	23,894
Net deferred gain on hedges	626	(426)
Translation adjustments	20,260	19,649
Remeasurements of defined benefit plans	(6,702)	(4,797)
Total accumulated other comprehensive income	36,434	38,319
Non-controlling interests	4,990	5,359
Total net assets	434,911	439,183
Total liabilities and net assets	1,388,885	1,414,037

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

	(Millions of yen)	
	Three months ended June 2016	Three months ended June 2017
Net sales	235,255	255,639
Cost of sales	186,362	207,099
Gross profit	48,893	48,539
Selling, general and administrative expenses		
Freightage related expenses	14,734	16,614
Sales related expenses	13,361	13,062
Salaries and allowances	9,192	9,236
Other	6,079	6,504
Total selling, general and administrative expenses	43,368	45,419
Operating income	5,524	3,120
Other income		
Interest income	157	192
Dividend income	1,110	1,239
Equity in earnings of affiliates	645	2,203
Other	1,856	1,337
Total other income	3,771	4,972
Other expenses		
Interest expense	2,300	2,026
Other	933	714
Total other expenses	3,233	2,740
Ordinary income	6,061	5,352
Extraordinary income		
Gain on sales of investment securities	780	867
Gain on sales of noncurrent assets	1,146	717
Other	7	45
Total extraordinary income	1,934	1,630
Extraordinary loss		
Loss on retirement of noncurrent assets	173	520
Loss on seismic disaster	740	—
Other	472	145
Total extraordinary loss	1,386	666
Income before income taxes and minority interests in consolidated subsidiaries	6,609	6,316
Income taxes—current	1,258	910
Income taxes—deferred	2,394	880
Total income taxes	3,653	1,791
Profit	2,956	4,524
Loss attributable to non-controlling interests	(39)	(1,061)
Profit attributable to owners of parent	2,995	5,585

- Consolidated Statements of Comprehensive Income -

(Millions of yen)

	Three months ended June 2016	Three months ended June 2017
Income before minority interests	2,956	4,524
Other comprehensive income		
Net unrealized holding gain (loss) on other securities	(800)	1,652
Net deferred gain (loss) on hedges	(916)	93
Translation adjustments	(1,764)	(558)
Remeasurements of defined benefit plans, net of tax	561	1,874
Share of other comprehensive income of affiliates accounted for using the equity method	(1,024)	29
Total other comprehensive income	(3,945)	3,091
Comprehensive income	(988)	7,616
(Details)		
Comprehensive income attributable to owners of parent	(898)	8,674
Comprehensive income attributable to non-controlling interests	(89)	(1,058)

(Significant Subsequent Events)

1. Issuance of corporate bond

Based on the resolution made at the meeting of the Board of Directors of the Company held on August 3, 2016, the Company issued the 14th corporate bonds with total amount of ¥10 billion on July 24, 2017. .

The 14th unsecured corporate bond

- (1) Total amount of issue: maximum ¥10 billion
- (2) Interest rate: 0.490% per annum
- (3) Issue price ¥100 per face value of ¥100
- (4) Method of redemption: bullet repayment
- (5) Maturity date: July 23, 2027 (10 year bond)
- (6) Application of funds: capital investment, repayment of loans payable, etc.

2. Domestic unsecured corporate bonds for subscription

At the meeting of the Board of Directors of the Company held on August 3, 2017, 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, 2017 to August 1, 2018
- (5) Method of redemption: bullet repayment
- (6) Application of funds: capital investment, repayment of loans payable, etc.

3. Resolution in relation to coated paper production structure review

At the meeting of the Board of Directors of the Company held on August 3, 2017, the Company made the resolution that it will shut down the production facilities due to domestic demand decline of coated paper.

(1) Reason for the coated paper production structure review

Domestic demand for printing paper is in structural decline with the decrease in the number of children and the increasing availability of electronic media. Especially, coated paper demand is estimated to decline going forward. The Company has therefore decided to shift the production of coated paper, which is manufactured through the two coating machines, to other mills to establish a more efficient production system based on consolidation. This will strengthen the Company's competitiveness of its coated paper business..

(2) Production facilities to be shut down

	Annual production capacity (tonnes)	Type of products
Coating machine No.1 at Akita Mill	150,000	Coated woodfree paper, and lightweight coated paper
Coating machine No.2 at Ishinomaki Mill	90,000	Coated woodfree paper

(3) Planned date of shutdown

End of May 2018

(4) Financial impact caused by this event

Extraordinary loss including impairment loss of noncurrent assets is estimated to be recorded with this shutdown. The details is under review.