



# FY2012 Financial Review

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May 30, 2013

Nippon Paper Industries Co., Ltd.





## FY2012 Review

(April 1, 2012 – March 31, 2013)

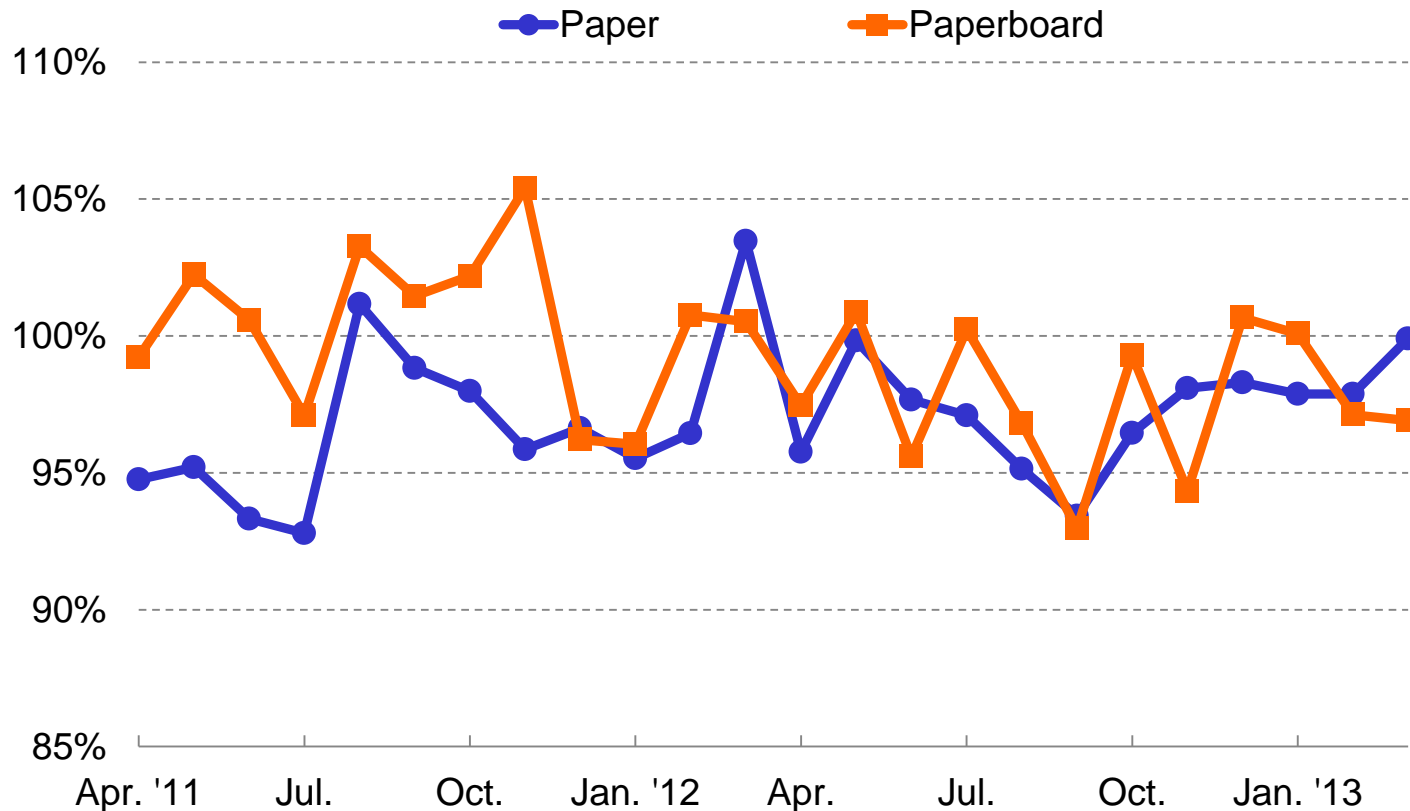
1. Business environment
2. Financial results
3. Topics
4. Earnings forecast

# 1. Business Environment: *Domestic Shipment*



Domestic paper shipment has been improving

Domestic shipment of Japanese paper industry (YOY)



Source: Japan Paper Association

# 1. Business Environment: *Domestic Shipment and Imports*



Imports volume sharply fell off,  
domestic shipments slightly decreased

	Domestic shipment Apr. 2012 - Mar. 2013		Imports Apr. 2012 - Mar. 2013	
	volume ('000 tons)	YOY	volume ('000 tons)	YOY
Newsprint	3,240	0.6%	50	▲50.9%
Printing & business communication paper	7,866	▲4.1%	1,520	▲15.8%
Coated paper *	4,504	▲2.5%	791	▲27.5%
Uncoated & specialty printing paper	2,068	▲6.1%	195	▲14.1%
Business communication paper	1,294	▲6.2%	534	9.3%
Other papers (packaging, sanitary and other miscellaneous uses)	3,225	▲2.6%	42	9.3%
<b>Paper total</b>	<b>14,331</b>	<b>▲2.7%</b>	<b>1,612</b>	<b>▲17.2%</b>
Container board	8,509	▲2.1%	125	16.4%
Folding box board and others	2,216	▲3.5%	272	10.6%
<b>Paperboard total</b>	<b>10,725</b>	<b>▲2.4%</b>	<b>397</b>	<b>12.4%</b>
<b>Paper and paperboard total</b>	<b>25,056</b>	<b>▲2.6%</b>	<b>2,009</b>	<b>▲12.6%</b>

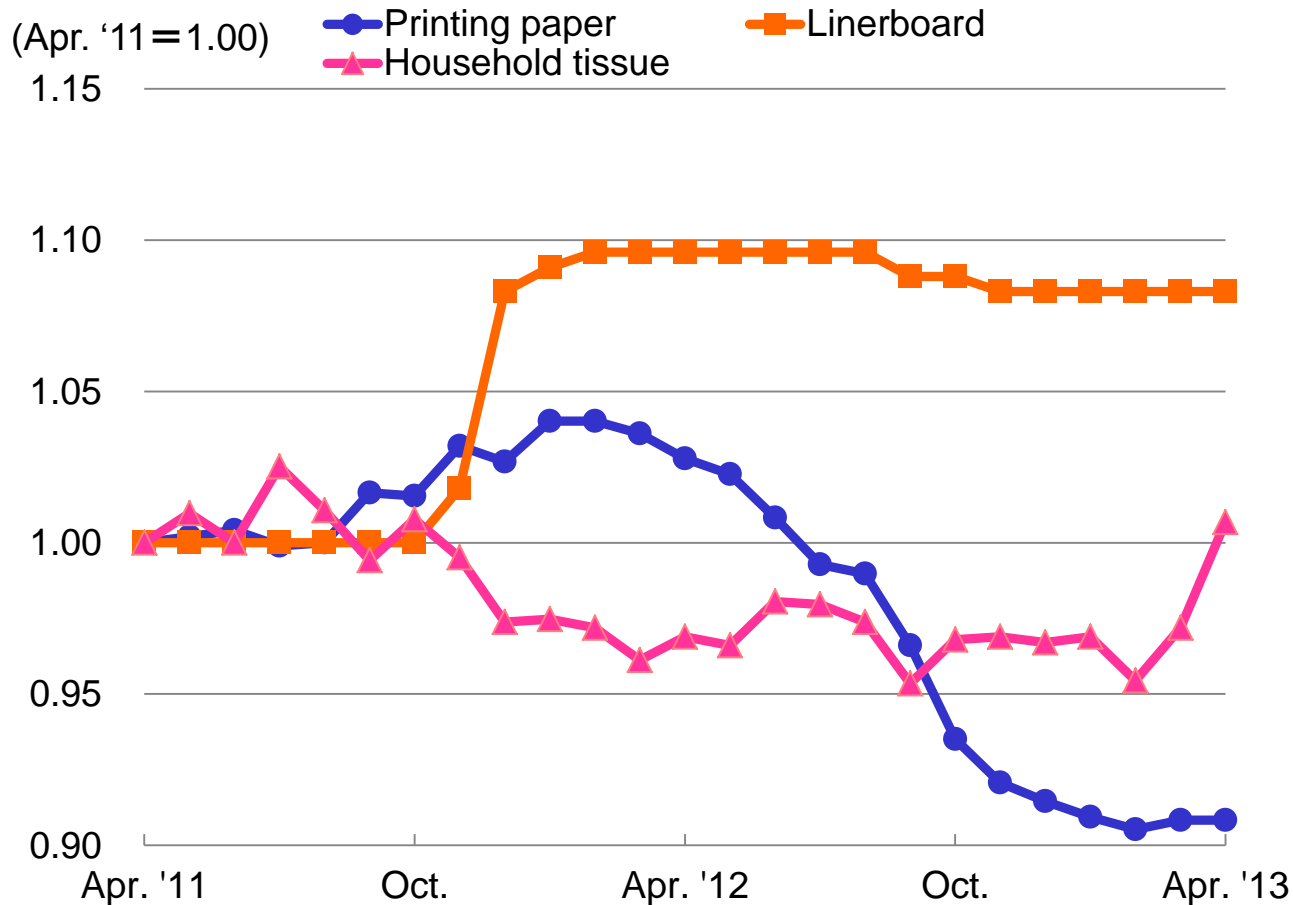
※ “*Bitoko-shi*” paper is included in coated paper.

Source: Japan Paper Association

# 1. Business Environment: *Domestic Price Trends*



## Printing paper price has bottomed out

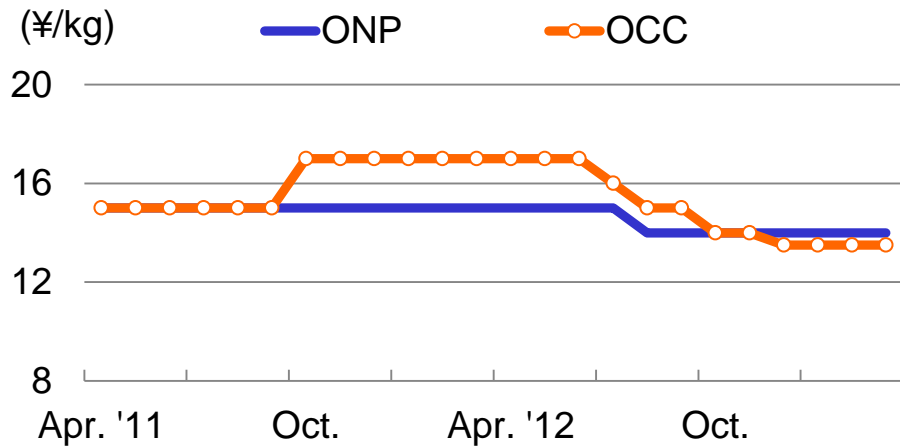


# 1. Business Environment: Major Input Price Trends

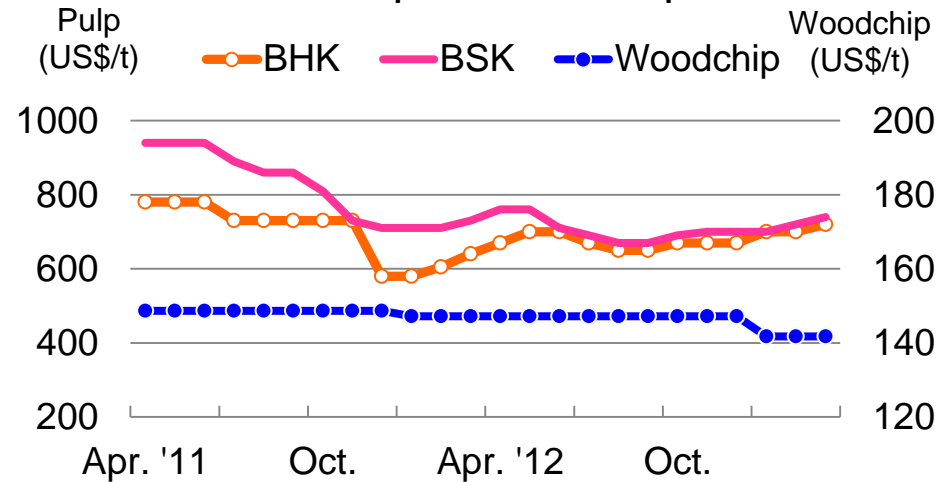


Japanese yen has been depreciated, meanwhile prices are flattened

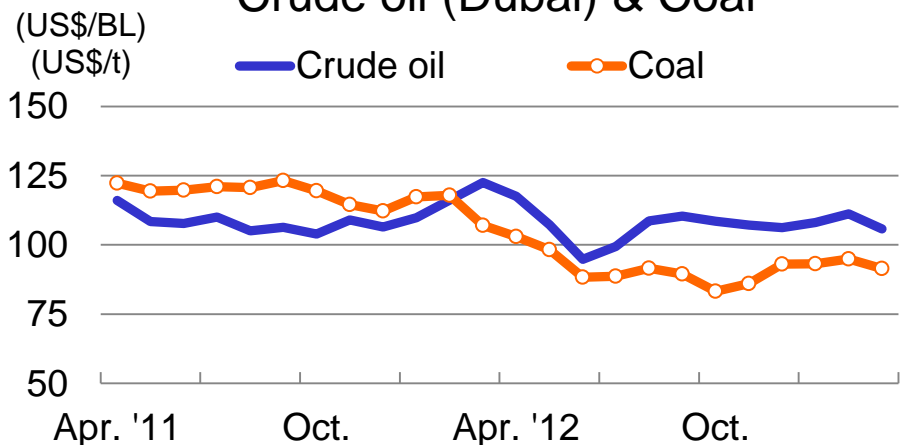
### Wastepaper



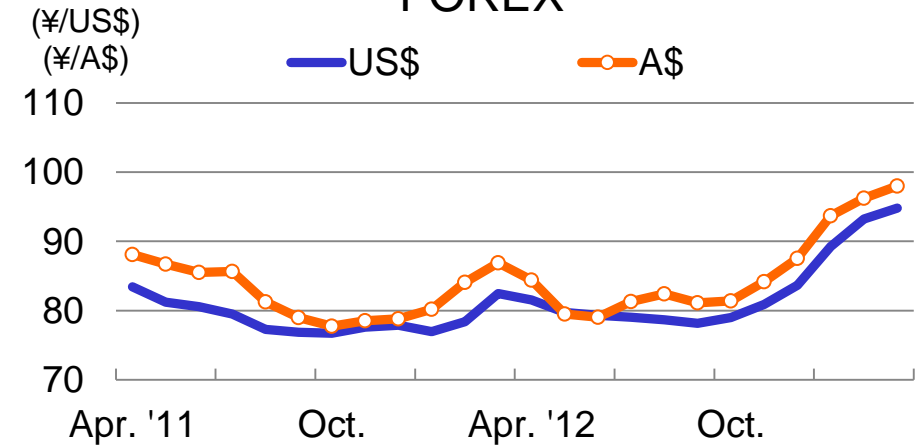
### Pulp & Woodchip



### Crude oil (Dubai) & Coal



### FOREX



Source: Paper Recycling Promotion Center, *Pulp&Paper Week*, Crude oil= Platts, Coal=Global Coal Index

## 2. Financial Results: *Highlights*



(¥billion)	FY2012	Change (YOY)	Change from the target
<Net sales>	1,025.0	-17.4	-5.0
<Operating income>	25.1	-11.4	-1.9
<Ordinary income>	23.1	17.0	3.1
<Net income>	10.6	52.3	4.6

- Paper business revitalization plan and other cost reductions were steadily executed.
- Net sales and operating income were below the previous year mainly due to the price decline of printing paper.
- Ordinary income and net income jumped up YOY due to the rebound of one-time goodwill amortization in Lee & Man share and loss on seismic disaster in FY2011.

## 2. Financial Results: *Segment Information*



### Decreased sales and income in pulp & paper segment

	FY2011			FY2012			Change (YOY)
	1st half	2nd half	Full year	1st half	2nd half	Full year	
Upper row: Sales							
Lower row: Operating income							
(¥billion)							
Pulp and paper	404.1	413.6	817.7	399.4	401.9	801.3	-16.4
	8.9	15.3	24.2	7.5	5.4	13.0	-11.3
Paper related	48.2	45.3	93.5	48.1	46.3	94.5	1.0
(packaging and chemical products)	4.1	2.6	6.7	3.4	2.8	6.2	-0.4
Wood products and construction related	28.1	32.6	60.7	27.8	32.9	60.7	0.1
	0.7	1.8	2.5	0.9	1.8	2.7	0.2
Other	31.1	39.4	70.6	31.9	36.7	68.6	-2.0
(beverages, logistics, etc.)	0.7	2.4	3.1	0.8	2.4	3.2	0.1
Total	511.5	530.9	1,042.4	507.2	517.9	1,025.1	-17.4
	14.4	22.1	36.5	12.7	12.4	25.1	-11.4



## 2. Financial Results: Sales Volume by Product



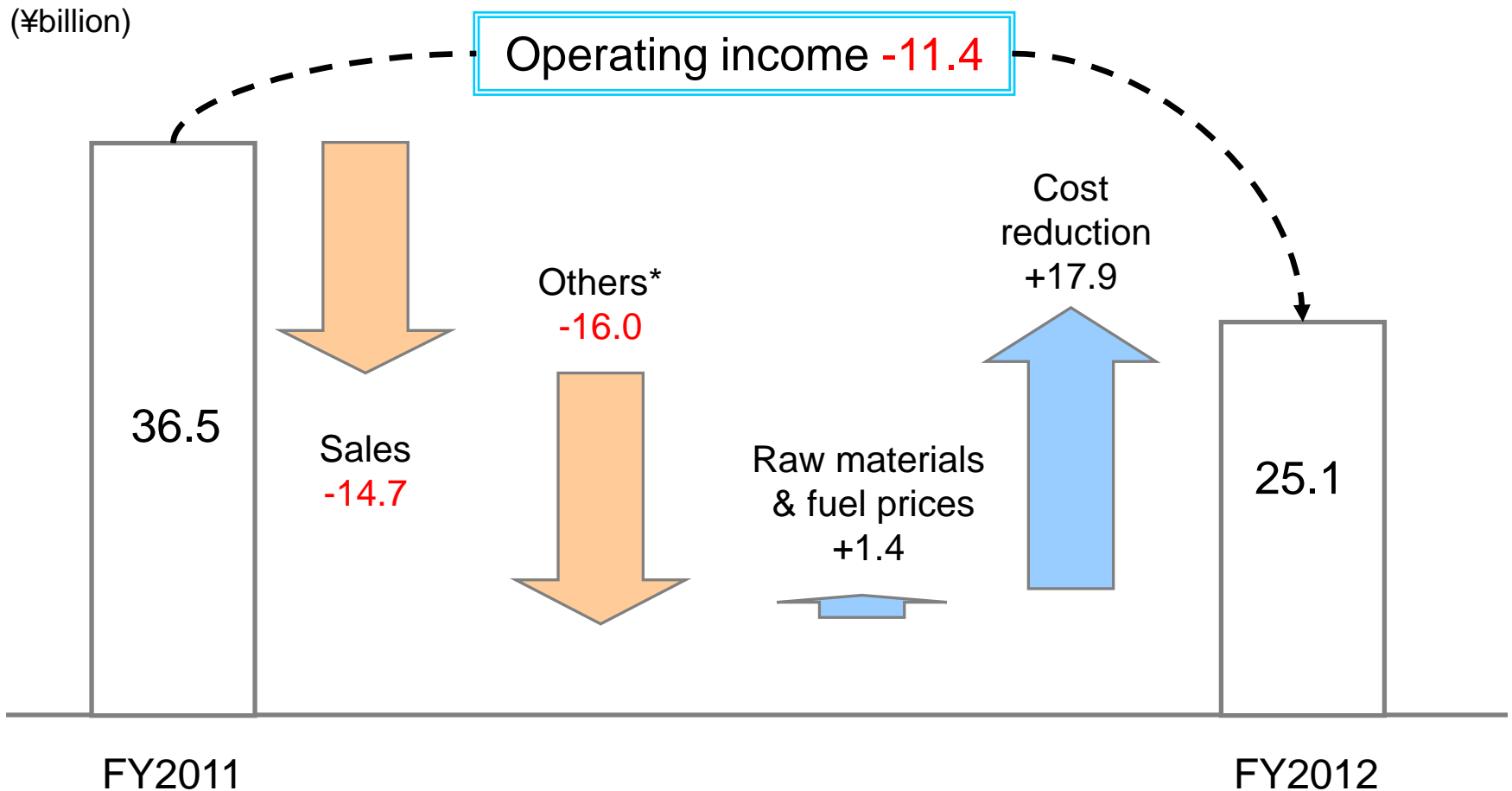
Coated paper increased due to the capacity restoration from the disaster

('000 tons)		FY2011	FY2012	Change YOY
Paper	Newsprint	1,190	1,184	-0.4%
	Printing & business communication paper	2,326	2,408	3.5%
	Coated paper	1,172	1,336	14.0%
	Uncoated & specialty printing paper	549	534	-2.8%
	Business communication paper	605	538	-11.0%
	Packaging paper and others	371	358	-3.7%
	Domestic sales (paper)	3,887	3,950	1.6%
Export (paper)	61	102	67.4%	
<b>Paper total</b>		<b>3,948</b>	<b>4,052</b>	<b>2.6%</b>
Paperboard	Container board	1,190	1,144	-3.9%
	Folding boxboard and others	359	347	-3.4%
	Domestic sales (paperboard)	1,550	1,491	-3.8%
	Export (paperboard)	54	47	-13.4%
<b>Paperboard total</b>		<b>1,604</b>	<b>1,538</b>	<b>-4.1%</b>
<b>Grand total (paper and paperboard)</b>		<b>5,552</b>	<b>5,590</b>	<b>0.7%</b>

## 2. Financial Results: *Variance Analysis for Operating Income*



### Paper business revitalization plan advanced steadily



\* “Others” includes the reversal of fixed costs on temporary shutdown facilities which were booked as an extraordinary loss in FY2011 (the costs are booked normally as production costs in FY2012) due to the earthquake and decrease on depreciation and amortization costs.

# [ Reference ]



## FY2012 vs. FY2011 Variance Analysis

(¥billion)

Sales (volume)	3.5	Paper 2.4, Others 1.1
Sales (price)	-18.2	Paper -13.6, Others -4.6
Raw material and fuel prices	1.4	Woodchip 0.6, Wastepaper 2.2, Pulp 1.5 Oil -0.4, Coal -0.3, LNG -0.8, Others -1.4 (Price 7.1, FOREX -5.7)
Cost reduction	17.9	Manufacturing 5.0, Labor 6.5, Fixed costs of decommissioned facilities 6.0, Logistics 0.4
Others	-16.0	Depreciation 5.9, Reversal effect of fixed costs transferred to extraordinary loss account in FY11 and others-21.9
Operating income	-11.4	FY12 25.1 ← FY11 36.5
Non-operating income	28.4	Net financial cost -0.3, Equity in earnings of affiliates 26.2, Others 2.5
Ordinary income	17.0	FY12 23.1 ← FY11 6.1

## 2. Financial Results: *Balance Sheet*



(¥billion)	Mar. 31, 2012	Mar.31, 2013	Change
<b>Total Assets</b>	<b>1,527.6</b>	<b>1,497.7</b>	<b>-29.9</b>
Cash and time deposits	119.4	110.9	-8.5
Notes and accounts receivable	205.2	198.9	-6.3
Inventories	154.9	149.3	-5.6
Other current assets	66.9	48.2	-18.7
Property, plant, equipment and intangible fixed assets	776.3	770.1	-6.1
Investments and other assets	205.0	220.2	15.2
<b>Total Liabilities</b>	<b>1,161.0</b>	<b>1,101.3</b>	<b>-59.7</b>
Interest-bearing liabilities (incl. lease obligations)	838.3	830.2	-8.1
Other liabilities	322.7	271.0	-51.6
<b>Total Net Assets</b>	<b>366.7</b>	<b>396.5</b>	<b>29.8</b>
Shareholder's equity	371.5	381.4	9.9

## 2. Financial Results: *Cash Flow Statement*



(¥billion)

Items	FY2011	FY2012
<b>Operating activities</b>	60.1	66.0
Income before income taxes	-41.1	16.0
Depreciation	74.4	64.9
Change in net working capital	9.5	25.2
Others	17.4	-40.2
<b>Investing activities</b>	-46.6	-61.8
Purchases of property, plant and equipment	-46.2	-58.0
Proceeds from sales of property, plant and equipment	5.5	1.4
Others	-5.9	-5.1
<b>Free cash flows</b>	13.5	4.2
<b>Financing activities</b>	1.7	-14.4
Change in net borrowings	5.3	-10.8
Cash dividends paid	-3.5	-3.5
Others	-0.1	-0.1
Effect of exchange rate changes on cash and cash equivalents	-0.6	1.0
Increase due to inclusion of certain subsidiaries in consolidation	0.0	0.7
<b>Increase in cash and cash equivalents</b>	14.5	-9.2

# 3. Topics



<Apr. – Dec. 2012>

- Jun. 12 Concluded a joint venture agreement with SCG paper for machine glazed paper
- Aug. 30 Completed restoration of tsunami-hit Ishinomaki mill
- Sep. 19 Completed closure of production facilities at Nippon Paper Creca's Iwakuni Mill
- Sep. 30 Completed closure of production facilities in Revitalization plan by shutting down all production facilities at Fuji - Suzukawa Mill
- Oct. 1 Four major subsidiaries of Nippon Paper Group, Inc. merged, with Nippon Paper Industries, Co., Ltd. being the surviving company
- Oct. 10 Decided installation of de-inked pulp facilities in Australian Paper's Maryvale Mill

<Jan. – May 2013>

- Feb. 26 Decided installation of verification and production facilities of cellulose nanofibers
- Mar. 5 Announced printing paper price revisions
- Mar. 29 Converted Brazilian forest firm AMCEL into a wholly owned subsidiaries
- Apr. 1 Nippon Paper Industries, Co., Ltd. merged with Nippon Paper Group, Inc., its wholly owning parent company, with NPI being the surviving company
- Apr. 3 Developed new biomass solid fuel, which can be co-fired in existing coal boiler
- Apr. 8 Decided to introduce Japan's first power generation project utilizing 100% unused wood materials
- May. 14 Decided mega-solar project which is to be the largest in Shikoku area

## 4. Earnings Forecast: *Highlights*



(¥billion)	FY2013 (Estimate)	FY2012	Change (YoY)
<Net sales>	1,050.0	1,025.0	25.0
<Operating income>	30.0	25.1	4.9
<Ordinary income>	25.0	23.1	1.9
<Net income>	15.0	10.6	4.4

- Continue paper business revitalization plan and other cost reduction efforts
- Reflect the printing paper price hike announced on Mar. 2013
- Input cost rises as Japanese yen depreciating



### Domestic sales

#### -Sales volume (YOY)

*Paper* : +1.4% (1<sup>st</sup> Half : +3.6%, 2<sup>nd</sup> Half : -0.6%)

*Paperboard* : +1.8%

#### -Sales price

*Paper* : *Reflecting the price hike announced on March 2013*

*Paperboard* : Stay at current level

### Raw material and fuel prices, FOREX

*Crude oil* : US\$105/BL (Dubai)

*Coal* : US\$95/t (Australian Black Coal)

*Wastepaper* : Stay at current level

*FOREX* : ¥95/US\$1, ¥98/A\$1



## 4. Earnings Forecast: *Sales Volume by Product*



Expect jump up in export sales and slight increase in domestic sales

('000 tons)		FY2011	FY2012	Change YOY
Paper	Newsprint	1,184	1,164	-1.7%
	Printing & business communication paper	2,408	2,491	3.4%
	Coated paper	1,336	1,409	5.4%
	Uncoated & specialty printing paper	534	529	-0.9%
	Business communication paper	538	553	2.8%
	Packaging paper and others	358	351	-1.7%
	Domestic sales (paper)	3,950	4,006	1.4%
Export (paper)	102	188	84.3%	
<b>Paper total</b>		<b>4,052</b>	<b>4,194</b>	<b>3.5%</b>
Paperboard	Container board	1,144	1,164	1.7%
	Folding boxboard and others	347	353	1.8%
	Domestic sales (paperboard)	1,491	1,517	1.8%
	Export (paperboard)	47	64	35.3%
<b>Paperboard total</b>		<b>1,538</b>	<b>1,581</b>	<b>2.8%</b>
<b>Grand total (paper and paperboard)</b>		<b>5,590</b>	<b>5,775</b>	<b>3.3%</b>

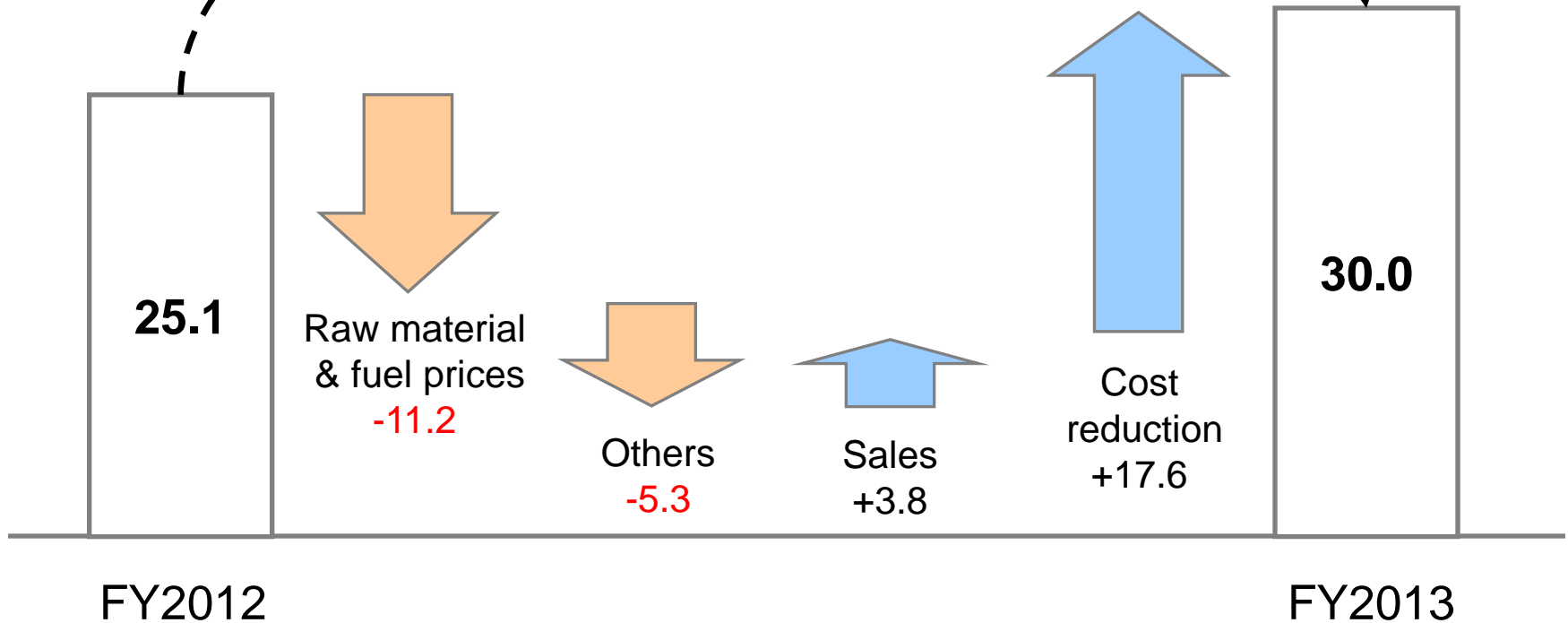
## 4. Earnings Forecast: *Variance Analysis for Operating Income*



Keep going on cost reduction efforts

(¥billion)

Operating income +4.9



## FY2013 vs. FY2012 Variance Analysis

(¥billion)

Sales	3.8	
Raw material and fuel prices	-11.2	Woodchip -2.4, Wastepaper 2.5, Pulp -3.8, Oil -1.0, Coal -0.5, LNG -0.8, Others -5.2 (Price 2.0, FOREX -13.2)
Cost reduction	17.6	Manufacturing 8.7, Labor 4.4, Logistics 1.7 Fixed costs of decommissioned facilities 2.8
Others	-5.3	Depreciation 1.0, Others -6.3
Operating income	4.9	FY13 30.0 ← FY12 25.1
Non-operating income	-3.0	Net financial cost 0.4, Equity in earnings of affiliates 1.1, others -4.5
Ordinary income	1.9	FY13 25.0 ← FY12 23.1

## 4. Earnings Forecast: *Key Figures and Indices*



	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013 Est.
Operating margin on sales	1.7%	3.9%	3.2%	3.5%	2.5%	2.9%
Ordinary margin on sales	1.5%	3.4%	2.9%	0.6%	2.3%	2.4%
D/E (times)	1.85	1.64	1.75	1.94	1.89	1.79
Capital investment (¥billion)	64.9	35.6	46.6	57.2	53.3	47.5
Depreciation (¥billion)	83.3	81.9	78.6	74.4	64.9	62.3
Net interest-bearing debt (¥billion)	769.2	738.6	727.5	718.9	7,193	7,000
Number of employees	13,088	14,210	13,834	13,407	13,052	13,003



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## Disclaimer

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Any statements in this presentation document, other than those of historical fact, are forward-looking statements about the future performance of Nippon Paper Industries, Co., Ltd. and its group companies. These statements are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

**Nippon Paper Industries Co., Ltd.**