

1st Half FY2015/3 Financial Review



November 5, 2014

Nippon Paper Industries Co., Ltd.

1st Half FY2015/3 Review

(April 1, 2014 – September 30, 2014)

1. Business Environment

2. Financial Results

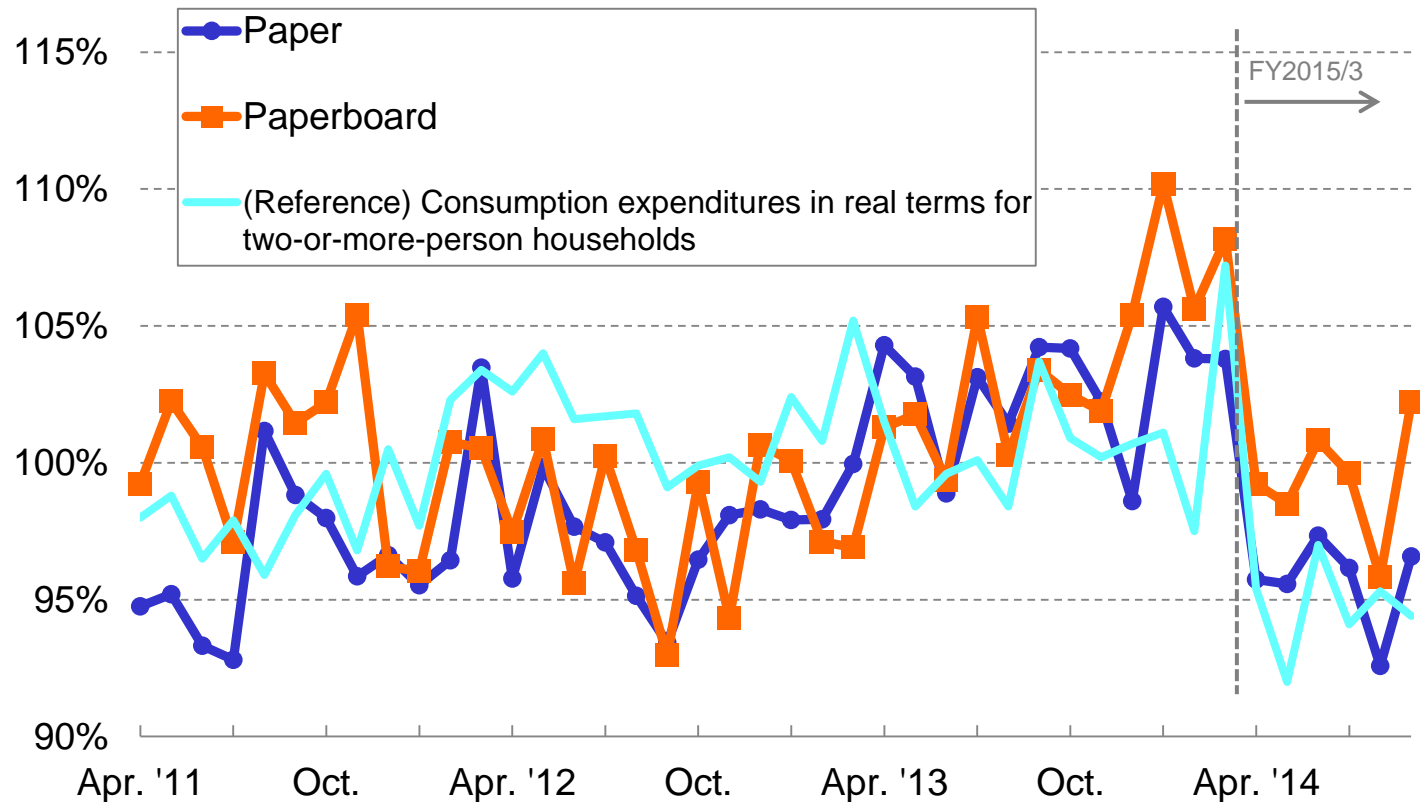
FY2015/3 Forecast

(April 1, 2014 – March 31, 2015)

3. FY2014 Earnings Forecast

Shipment volume decreased mainly due to sluggish personal consumption

Domestic shipment of Japanese paper industry (YOY)



1. Business Environment: *Domestic Shipment, Exports and Imports*

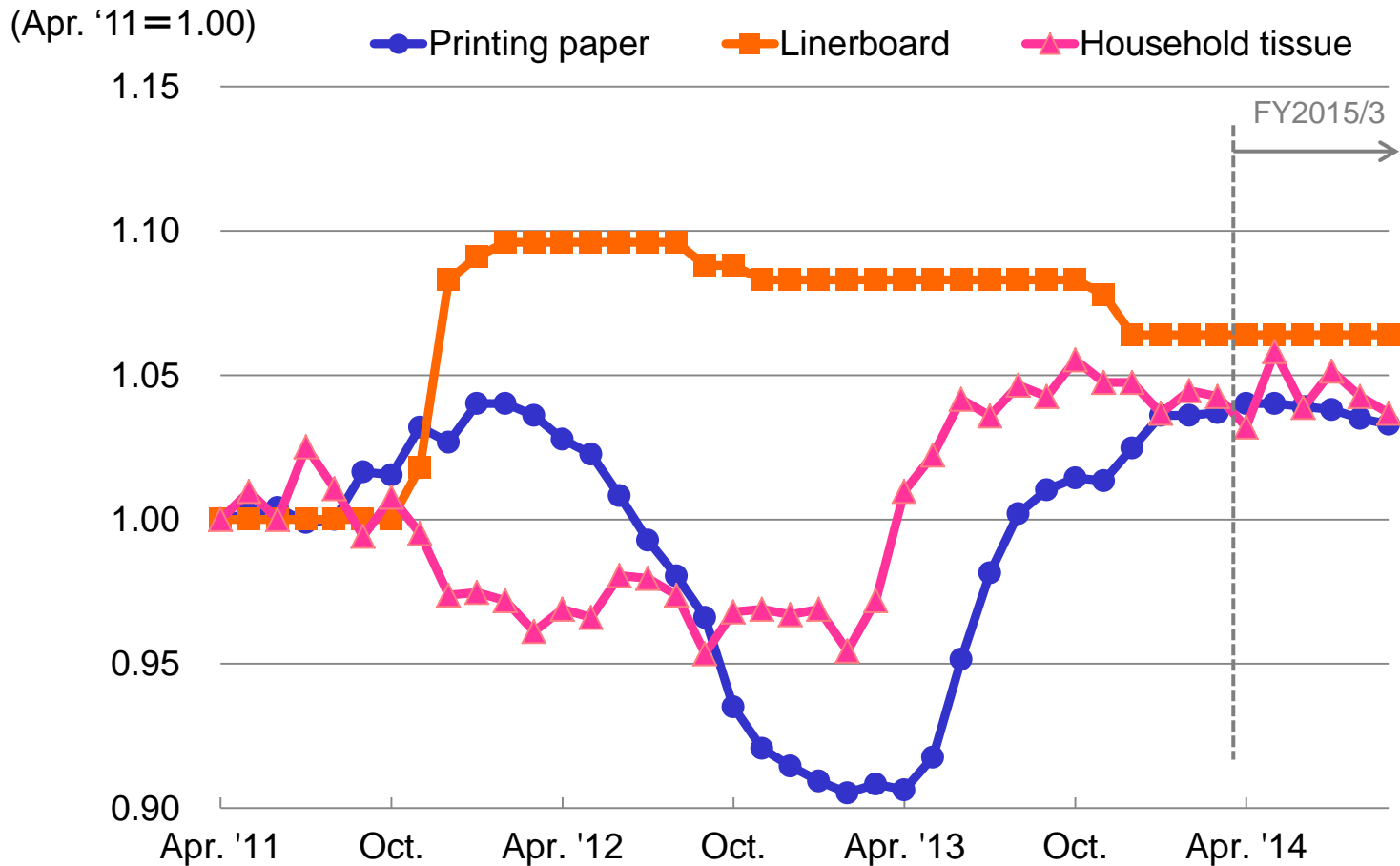
Printing paper demand slowed down

	Apr. '14 - Sep. '14				Apr. '14 - Sep. '14	
	Domestic shipments		Exports		Imports	
	volume ('000 tons)	YOY	volume ('000 tons)	YOY	volume ('000 tons)	YOY
Newsprint	1,535	-2.9%	0	-33.1%	26	-1.3%
Printing & business communication paper	3,773	-6.4%	287	-1.3%	659	-7.8%
Coated paper *	2,134	-8.1%	221	-2.4%	330	-5.9%
Uncoated & specialty printing paper	987	-7.3%	46	1.7%	86	1.2%
Business communication paper	652	1.4%	20	4.0%	243	-12.9%
Other papers (packaging, sanitary and other miscellaneous uses)	1,578	-0.6%	111	24.5%	21	6.3%
Paper total	6,886	-4.3%	398	4.6%	707	-7.2%
Container board	4,328	-0.7%	137	55.5%	43	-7.8%
Folding box board and others	1,099	-0.1%	10	-27.6%	139	-4.6%
Paperboard total	5,427	-0.6%	147	44.5%	181	-5.4%
Paper and paperboard total	12,313	-2.7%	544	13.0%	888	-6.8%

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

Source: Japan Paper Association

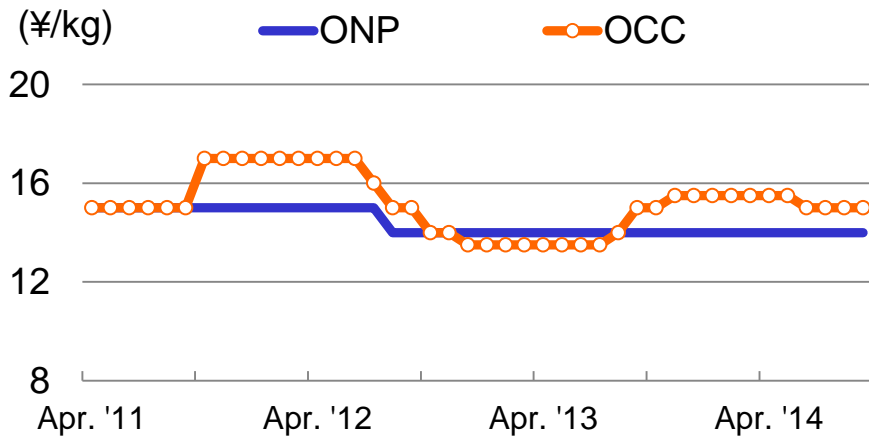
Prices for printing paper and household tissue maintained the levels achieved by recent hikes



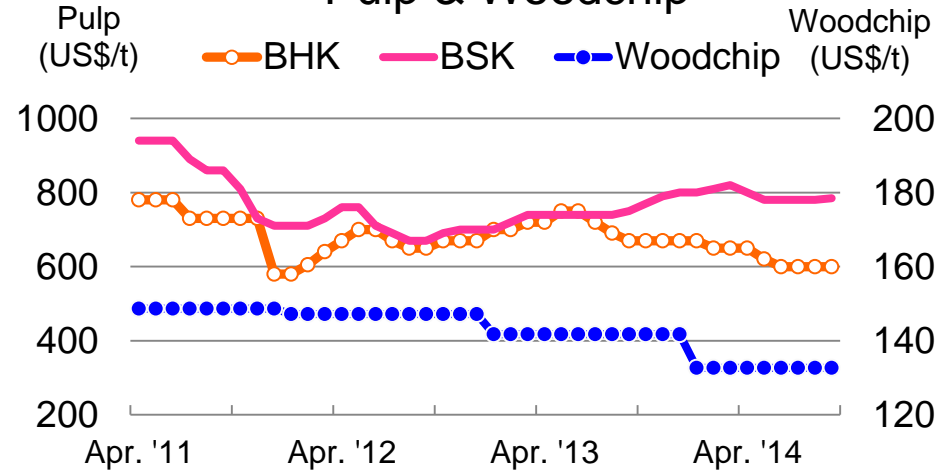
Source: Bank of Japan "Corporate Goods Price Index"

Japanese yen weakening rapidly

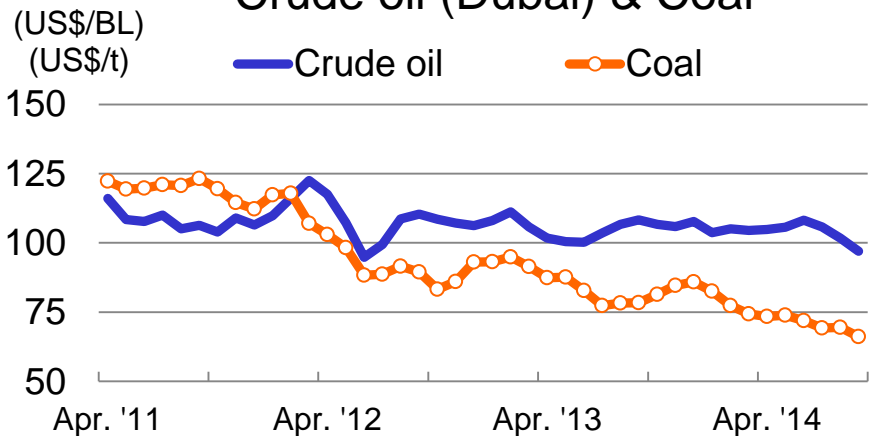
Wastepaper



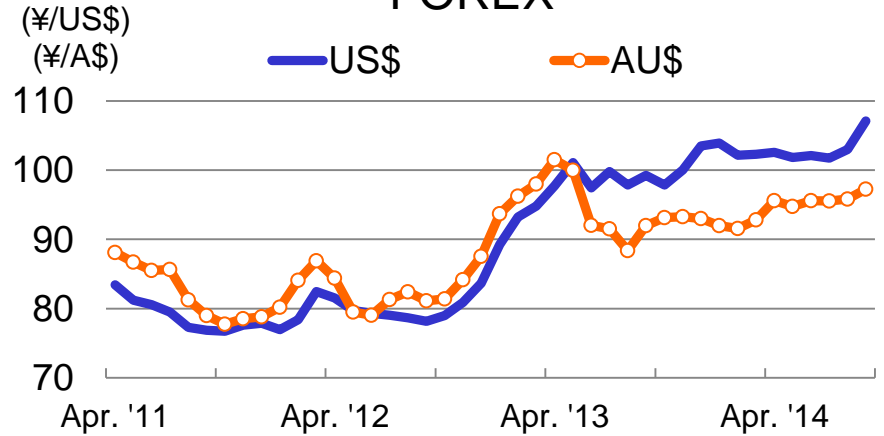
Pulp & Woodchip



Crude oil (Dubai) & Coal



FOREX







(¥billion)	1H FY2015/3 Result	1H FY2014/3 Result	Change (YOY)
<Net sales>	516.0	523.3	-7.3
<Operating income>	12.5	10.4	2.1
<Ordinary income>	12.7	10.9	1.8
<Net income>	21.2	9.2	11.9

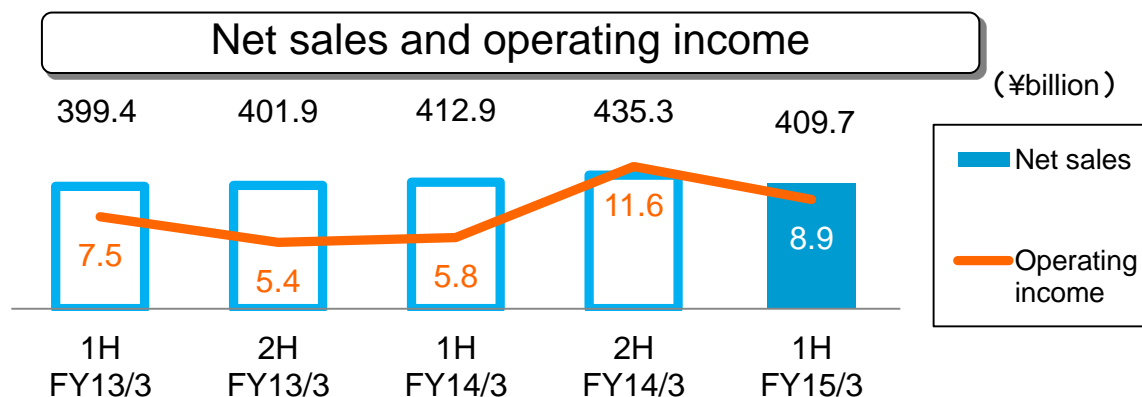
- ❑ Net sales decreased due to printing paper sales volume falling
- ❑ Paper price hike contributed to year-on-year income increase
- ❑ Booked ¥15.7 billion gain from sales of fixed assets on an extraordinary income

Operating income increased year-on-year due to pulp and paper business improvements

(¥billion)	Sales			Operating Income		
	1 st Half FY2014/3	1 st Half FY2015/3		1 st Half FY2014/3	1 st Half FY2015/3	
		Change YOY			Change YOY	
Pulp and paper	412.9	409.7	-3.2	5.8	8.9	3.1
Paper related (packaging and chemical products)	46.9	46.6	-0.3	2.7	2.3	-0.4
Wood products and construction related	31.7	27.6	-4.1	1.1	0.6	-0.5
Other (beverages, logistics, etc.)	31.9	32.1	0.2	0.8	0.7	-0.1
Total	523.4	516.0	-7.4	10.4	12.5	2.1

2. Financial Results: *Pulp & Paper Segment*

<p>Paper</p> 	<ul style="list-style-type: none"> - Shipment -4.6% (domestic -6.3%, exports +30.6% (year-on-year)) -> Decreased due to low consumer spending and output cut for maintaining price level - Recent price hikes from 2013 onward increased operating income
<p>Paperboard</p> 	<ul style="list-style-type: none"> - Shipment +4.0% (domestic +3.1%, exports +23.5% (year-on-year)) -> Increased year-on-year despite climate instability - Recent price hikes in 2013 increased operating income
<p>Household Tissue</p> 	<ul style="list-style-type: none"> - Tissue sales decreased due to backlash from rush demand before consumption tax hike - Sales of healthcare products (e.g. pad for light incontinence and adult diaper) kept growing
<p>Other</p> 	<ul style="list-style-type: none"> - Electric power output decreased a bit





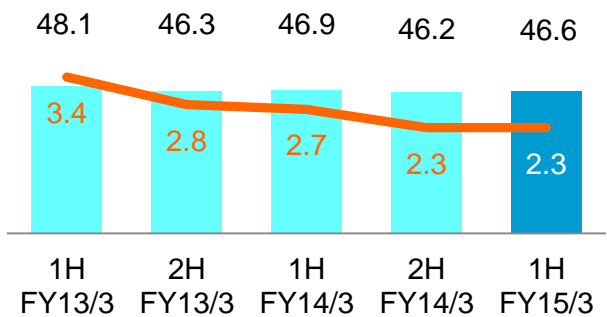

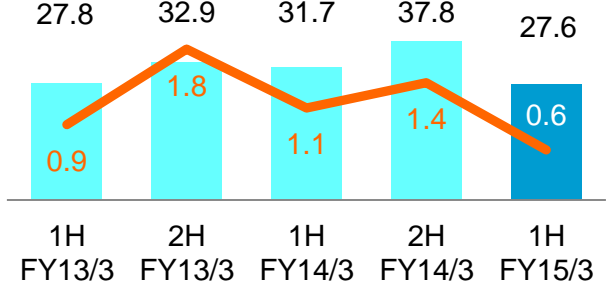

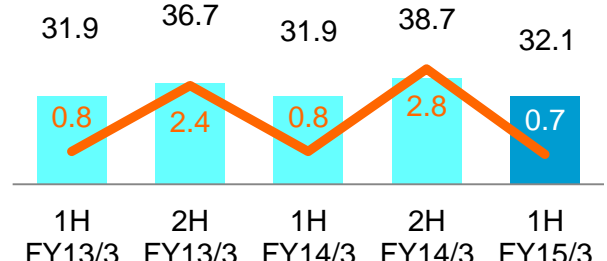
2. Financial Results: *Pulp & Paper Segment* - Sales Volume by Product

Sales volume in newsprint and printing paper decreased

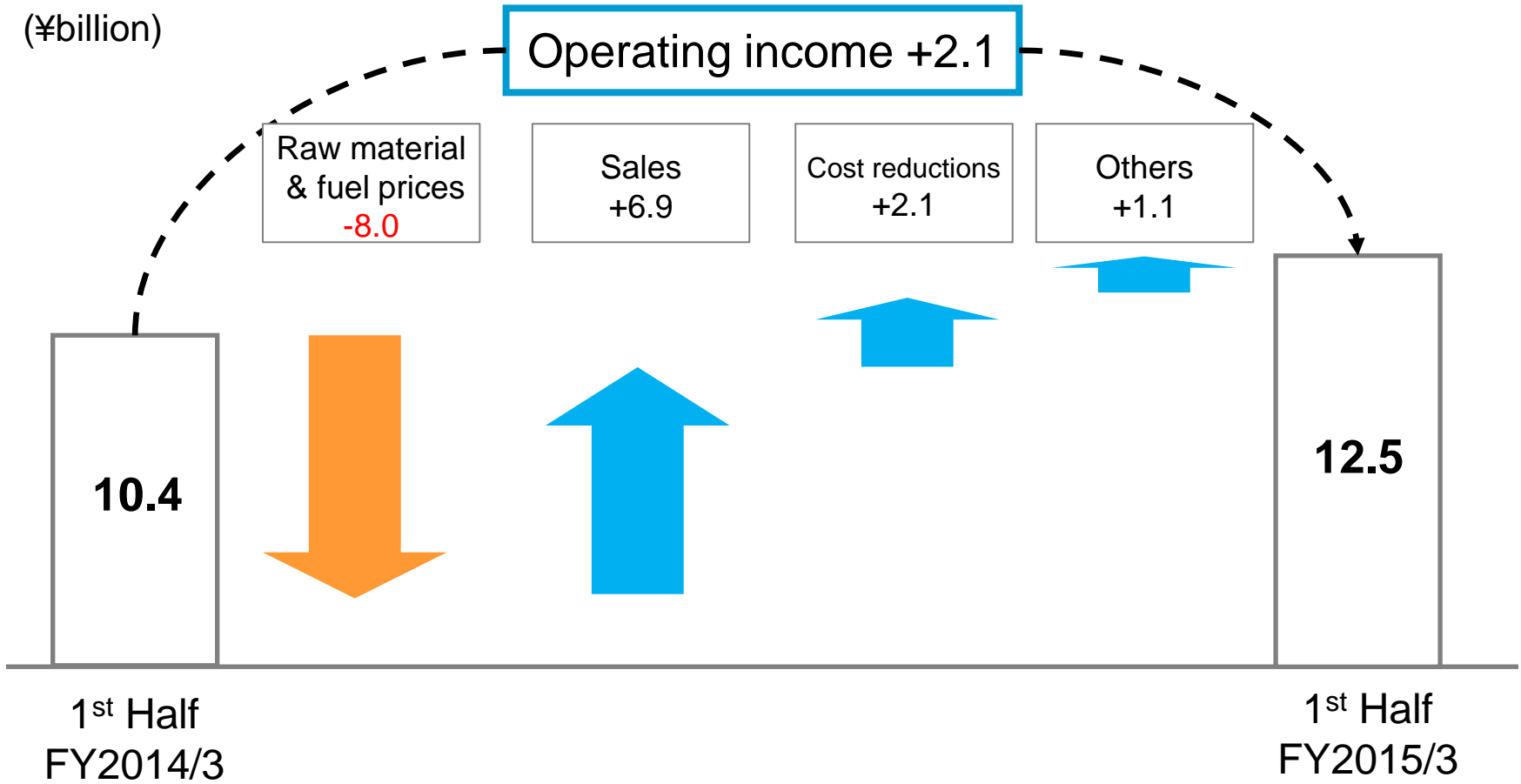
('000 tons)

		1 st Half FY2014/3	1 st Half FY2015/3	Change YOY
Paper	Newsprint	574	549	-4.3%
	Printing & business communication paper	1,274	1,174	-7.9%
	Coated paper	704	623	-11.5%
	Uncoated & specialty printing paper	298	271	-9.1%
	Business communication paper	273	280	2.8%
	Packaging paper and others	153	153	-0.2%
	Domestic sales (paper)	2,001	1,876	-6.3%
Export (paper)	96	125	30.6%	
Paper total		2,097	2,001	-4.6%
Paperboard	Container board	588	609	3.7%
	Folding boxboard and others	180	182	1.0%
	Domestic sales (paperboard)	768	791	3.1%
	Export (paperboard)	36	44	23.5%
	Paperboard total	804	836	4.0%
Grand total (paper and paperboard)		2,901	2,836	-2.2%

2. Financial Results: Paper-Related Segment, Wood Products and Construction Related Segment, Other Segment

	Business Overview	Net sales and operating income 																		
<p>Paper-related segment</p> 	<p><Liquid-packaging cartons (paper-pak) business></p> <ul style="list-style-type: none"> - Sales and income were sluggish due to bad weather, decreasing milk consumption and input cost rising. <p><Chemical business></p> <ul style="list-style-type: none"> - Sales was steady in dissolving pulp and chemical products. 	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr> <td>1H FY13/3</td> <td>48.1</td> <td>3.4</td> </tr> <tr> <td>2H FY13/3</td> <td>46.3</td> <td>2.8</td> </tr> <tr> <td>1H FY14/3</td> <td>46.9</td> <td>2.7</td> </tr> <tr> <td>2H FY14/3</td> <td>46.2</td> <td>2.3</td> </tr> <tr> <td>1H FY15/3</td> <td>46.6</td> <td>2.3</td> </tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	1H FY13/3	48.1	3.4	2H FY13/3	46.3	2.8	1H FY14/3	46.9	2.7	2H FY14/3	46.2	2.3	1H FY15/3	46.6	2.3
Period	Net sales (¥billion)	Operating income (¥billion)																		
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1H FY15/3	46.6	2.3																		
<p>Wood products and construction related segment</p> 	<ul style="list-style-type: none"> - Sales declined due to decrease in new housing starts and public works for earthquake reconstruction results. 	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr> <td>1H FY13/3</td> <td>27.8</td> <td>0.9</td> </tr> <tr> <td>2H FY13/3</td> <td>32.9</td> <td>1.8</td> </tr> <tr> <td>1H FY14/3</td> <td>31.7</td> <td>1.1</td> </tr> <tr> <td>2H FY14/3</td> <td>37.8</td> <td>1.4</td> </tr> <tr> <td>1H FY15/3</td> <td>27.6</td> <td>0.6</td> </tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	1H FY13/3	27.8	0.9	2H FY13/3	32.9	1.8	1H FY14/3	31.7	1.1	2H FY14/3	37.8	1.4	1H FY15/3	27.6	0.6
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1H FY15/3	27.6	0.6																		
<p>Other segment</p> <p>SHIKOKU COCA-COLA BOTTLING CO.,LTD.</p> 	<ul style="list-style-type: none"> - Beverages business remained unchanged from the previous year. 	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr> <td>1H FY13/3</td> <td>31.9</td> <td>0.8</td> </tr> <tr> <td>2H FY13/3</td> <td>36.7</td> <td>2.4</td> </tr> <tr> <td>1H FY14/3</td> <td>31.9</td> <td>0.8</td> </tr> <tr> <td>2H FY14/3</td> <td>38.7</td> <td>2.8</td> </tr> <tr> <td>1H FY15/3</td> <td>32.1</td> <td>0.7</td> </tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	1H FY13/3	31.9	0.8	2H FY13/3	36.7	2.4	1H FY14/3	31.9	0.8	2H FY14/3	38.7	2.8	1H FY15/3	32.1	0.7
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1H FY15/3	32.1	0.7																		

Achieved income increase year-on-year due to price hikes



Achieved steady reductions in interest-bearing debt through streamlining assets

(¥billion)

	Sep.30 2014	Compared to Mar.31 2014
Total assets	1,485.8	4.9
Cash and time deposits	88.7	-8.5
Notes and accounts receivable	195.8	-5.9
Inventories	167.7	16.4
Other current assets	56.9	1.7
Property, plant, equipment and intangible fixed assets	741.7	-9.3
Investments and other assets	235.0	10.5
Total liabilities	1,038.2	-16.1
Interest-bearing liabilities (incl. lease obligations)	759.1	-16.5
Other liabilities	279.1	0.4
Total net assets	447.6	21.0
Shareholder's equity	418.1	19.5
Net interest-bearing debt	670.4	-8.0
Net D/E ratio	1.60	-0.1

Item	1H FY2015/3
Operating activities	25.8
Income before income taxes	25.7
Depreciation	30.4
Change in net working capital	-15.5
Other	-14.8
Investing activities	-14.7
Purchases of property, plant and equipment	-20.0
Proceeds from sales of property, plant and equipment	15.0
Other	-9.7
Free cash flows	11.1
Financing activities	-19.4
Change in net borrowings	-15.4
Cash dividends paid	-3.5
Other	-0.5
Effect of exchange rate changes on cash and cash equivalents	-0.1
Increase due to inclusion of certain subsidiaries in consolidation	-
Cash and cash equivalents at the beginning of period	97.1
Cash and cash equivalents at the end of period	88.6

3. FY2015/3 Earnings Forecast: *Highlights*

(¥billion)	FY2015/3 Estimate (As of Nov.5)	FY2015/3 Estimate (As of May.15)	FY2014/3
<Net sales>	1,070.0	1,100.0	1,081.3
<Operating income>	30.0	40.0	28.5
<Ordinary income>	25.0	35.0	28.2
<Net income>	26.0	26.0	22.8

- ❑ Revised the estimate reflecting the sales and FOREX situation
- ❑ Net income unchanged recognizing the ¥3.5 billion fixed asset sales gains in Q3
- ❑ Target of net interest-bearing debt ¥650 billion, net D/E 1.55 times unchanged

Domestic Sales(for full fiscal year)

- Volume (year-on-year)

Paper : -5.1%

Paperboard : +2.6%

- Price

Paper : Reflecting the announced price hikes

Paperboard : Reflecting the announced price hikes

Raw materials and fuel prices, FOREX(for 2nd Half)

Crude oil : US\$95/BL (Dubai)

Coal : US\$82/t (Australian black coal)

Wastepaper : Stay at current level

FOREX : ¥110/US\$, ¥95/AU\$

Last assumptions
(on May.15, 2014)

-0.7%

+1.7%

Done & planned hikes

Done & planned hikes

US\$105/BL

US\$82/t

Stay at current level

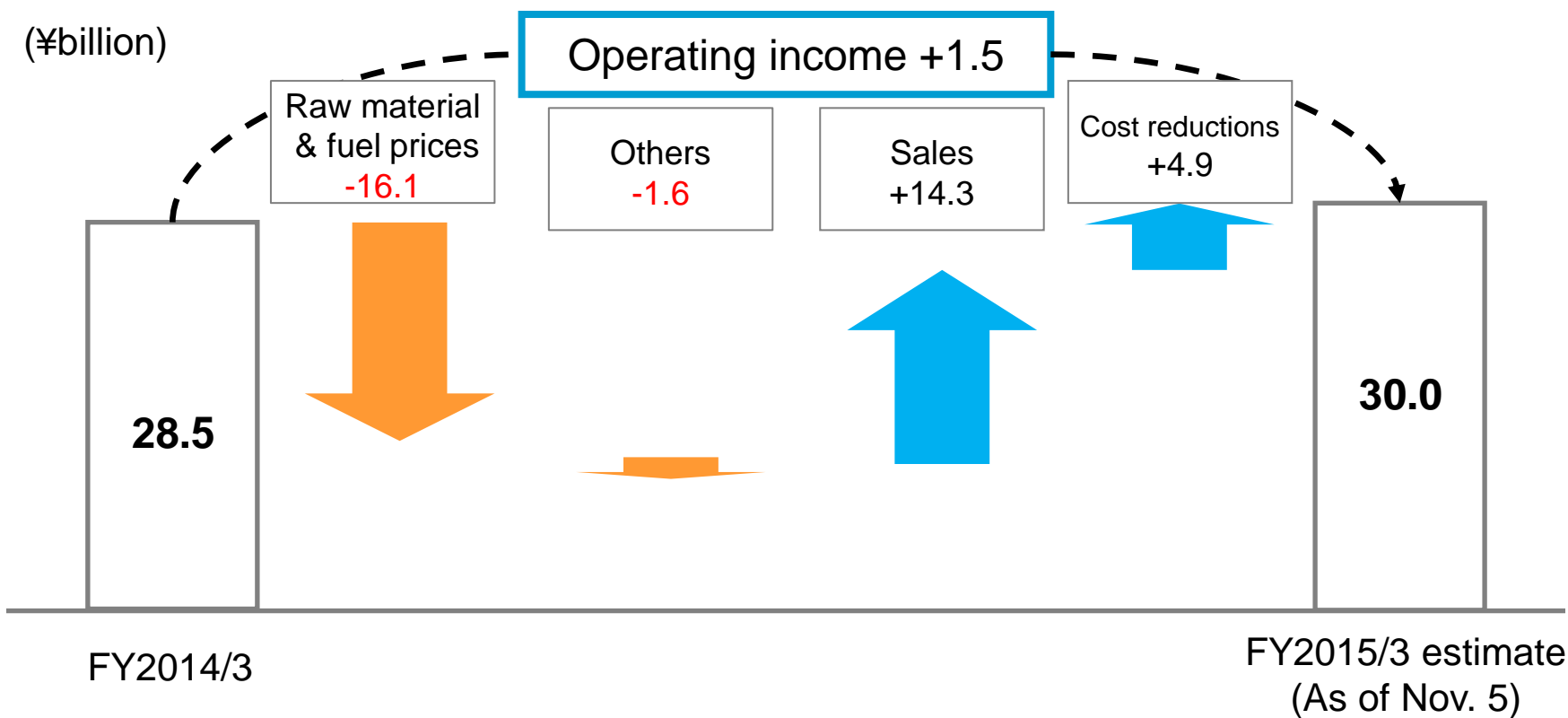
¥105/US\$, ¥92/AU\$

Lower printing paper sales estimate

('000 tons)

	FY2015/3 estimate (As of Nov.5)	FY2014/3 results	Change YOY	FY2015/3 estimate (As of May.15)
Newsprint	1,115	1,170	-4.7%	1,140
Printing & business communication paper	2,429	2,588	-6.1%	2,582
Coated paper	1,313	1,420	-7.5%	1,449
Uncoated & specialty printing paper	552	597	-7.4%	571
Business communication paper	564	571	-1.4%	563
Packaging paper and others	319	315	1.2%	321
Domestic sales (paper)	3,864	4,073	-5.1%	4,044
Export (paper)	279	196	42.6%	232
Paper total	4,143	4,268	-2.9%	4,276
Container board	1,233	1,199	2.9%	1,219
Folding boxboard and others	375	369	1.7%	376
Domestic sales (paperboard)	1,608	1,568	2.6%	1,594
Export (paperboard)	101	75	34.4%	112
Paperboard total	1,709	1,643	4.1%	1,707
Grand total (paper and paperboard)	5,853	5,911	-1.0%	5,983

Revise income downward reflecting the 1st half sales and foreign exchange movements



[Reference] Last estimate (as of May.15)	Raw material & fuel prices -14.9	Others -1.2	Sales +23.0	Cost reductions +4.6	40.0
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4. FY2015/3 Earnings Forecast : *Key Figures and Indices*

	FY2011/3	FY2012/3	FY2013/3	FY2014/3	FY2015/3	
					1 st Half	Full-year estimate
Operating margin on sales	3.2%	3.5%	2.5%	2.6%	2.4%	2.8%
Ordinary margin on sales	2.9%	0.6%	2.3%	2.6%	2.5%	2.3%
Capital investment (¥billion)	46.6	57.2	53.3	47.2	23.7	55.5
Depreciation (¥billion)	78.6	74.4	64.9	63.2	30.4	61.7
Net interest-bearing debt (¥billion)	727.5	718.9	719.3	678.4	670.4	650.0
Net D/E (times)	1.75	1.94	1.89	1.70	1.60	1.55
Number of employees	13,834	13,407	13,052	13,107	12,962	12,948
Earnings per share (¥)	-208.73	-359.90	92.00	196.67	182.73	224.59
Dividends per share (¥)	60	30	40	40	20	50

Disclaimer

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.