

# FY2013 Financial Review

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May 27, 2014

Nippon Paper Industries Co., Ltd.





## FY2013 Review

(April 1, 2013 – March 31, 2014)

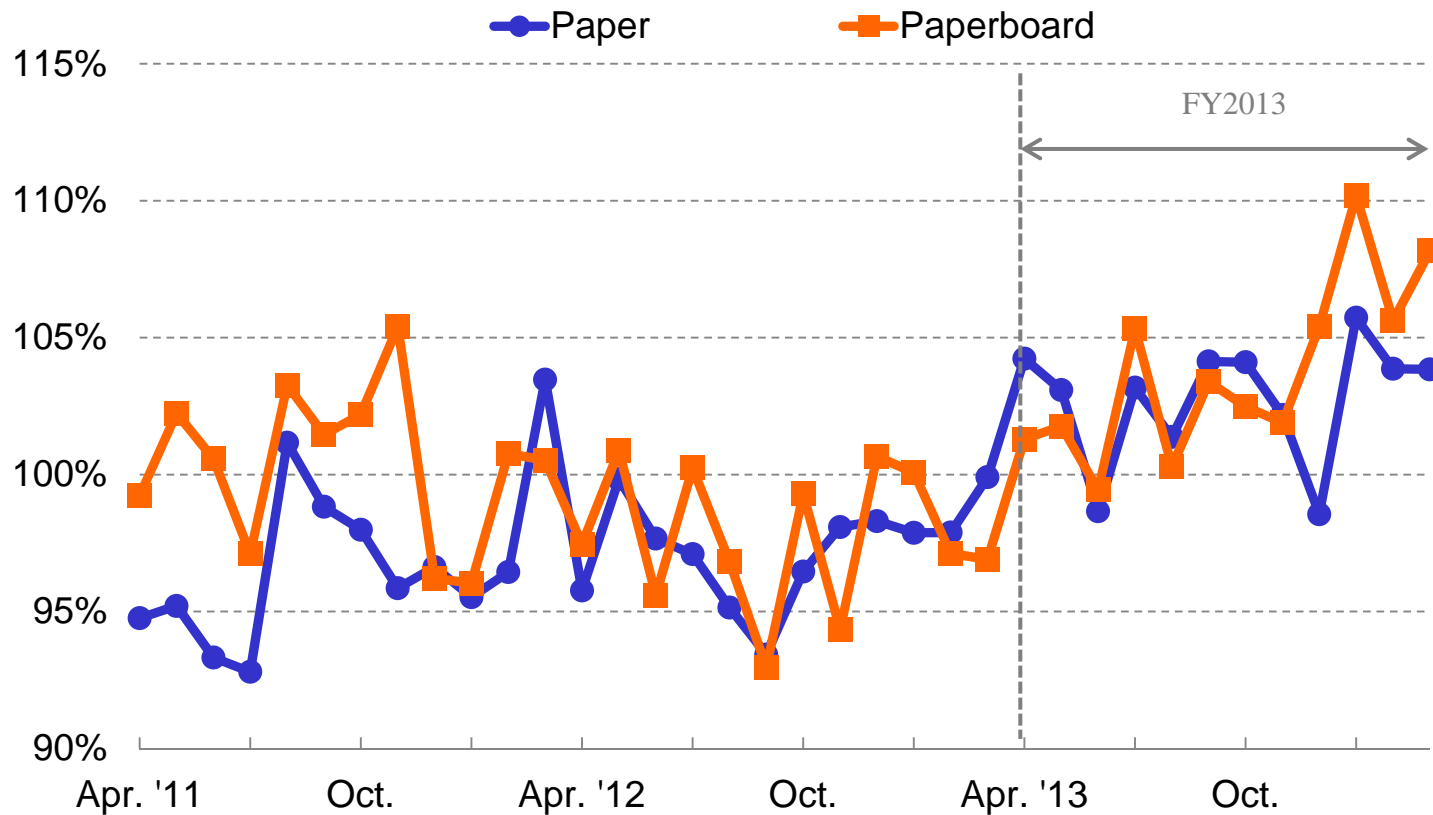
1. Business environment
2. Financial results
3. Topics
4. FY2014 earnings forecast

# 1. Business Environment: *Domestic Shipment*



Domestic shipments remained good during FY2013

Domestic shipment of Japanese paper industry (YOY)



Source: Japan Paper Association

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



## Domestic shipments and exports increased

	Apr. '13 - Mar. '14				Apr. '13- Mar. '14	
	Domestic shipments		Exports		Imports	
	volume ('000 tons)	YOY	volume ('000 tons)	YOY	volume ('000 tons)	YOY
Newsprint	3,216	-0.8%	2	64.0%	55	9.7%
Printing & business communication paper	8,230	4.6%	560	18.1%	1,438	-5.4%
Coated paper *	4,755	5.6%	430	20.3%	738	-6.7%
Uncoated & specialty printing paper	2,136	3.1%	90	6.7%	169	-13.3%
Business communication paper	1,339	3.5%	40	23.8%	531	-0.6%
Other papers (packaging, sanitary and other miscellaneous uses)	3,277	1.6%	194	35.4%	40	-4.8%
<b>Paper total</b>	<b>14,723</b>	<b>2.7%</b>	<b>756</b>	<b>22.2%</b>	<b>1,533</b>	<b>-4.9%</b>
Container board	8,865	4.2%	186	139.0%	89	-29.0%
Folding box board and others	2,255	1.8%	24	-2.0%	275	1.2%
<b>Paperboard total</b>	<b>11,121</b>	<b>3.7%</b>	<b>210</b>	<b>105.2%</b>	<b>364</b>	<b>-8.4%</b>
<b>Paper and paperboard total</b>	<b>25,843</b>	<b>3.1%</b>	<b>967</b>	<b>34.0%</b>	<b>1,896</b>	<b>-5.6%</b>

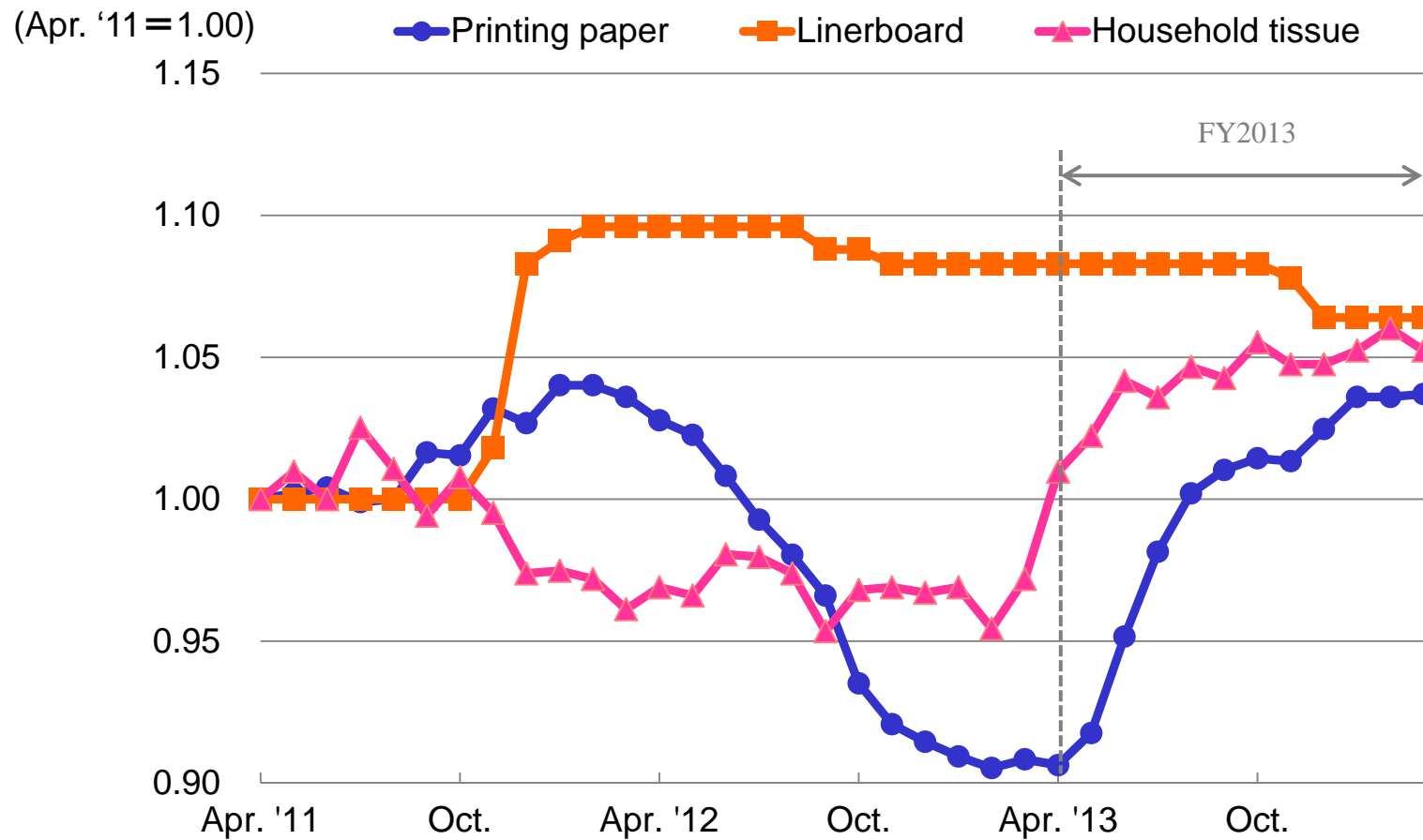
※ “Bitoko-shi” paper is included in coated paper.

Source: Japan Paper Association

# 1. Business Environment: *Domestic Price Trends*



Printing paper price and tissue price have much improved

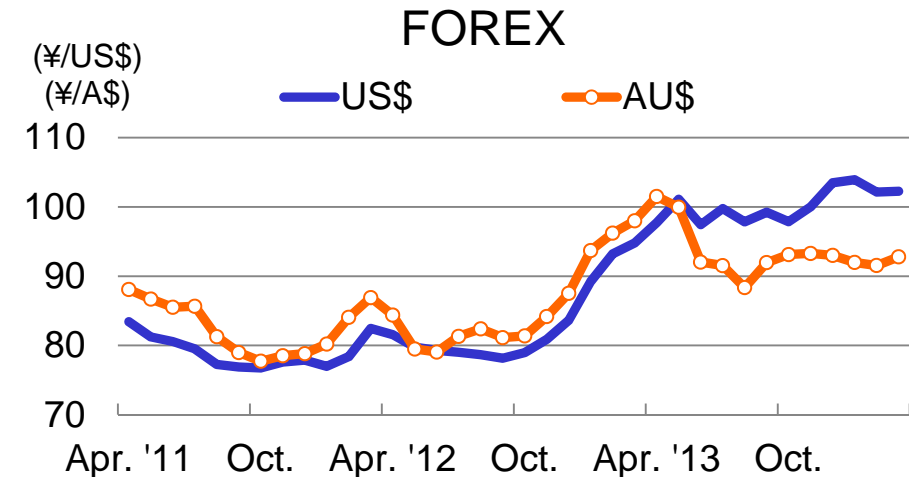
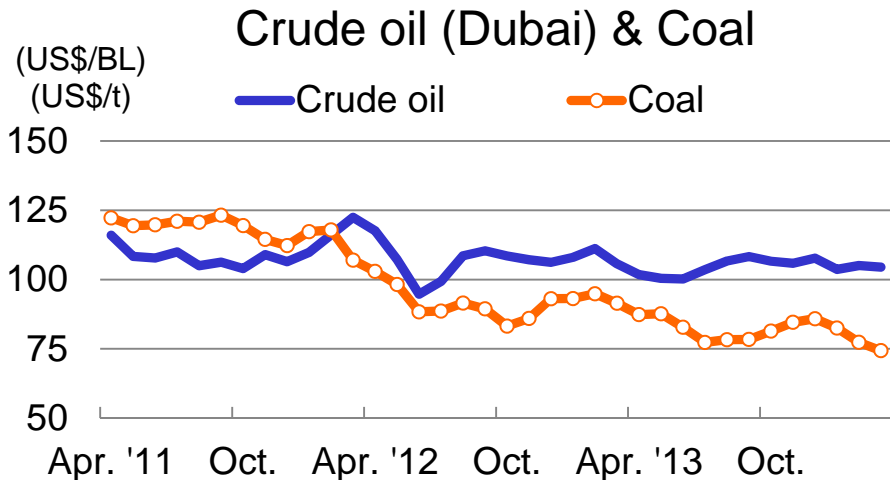
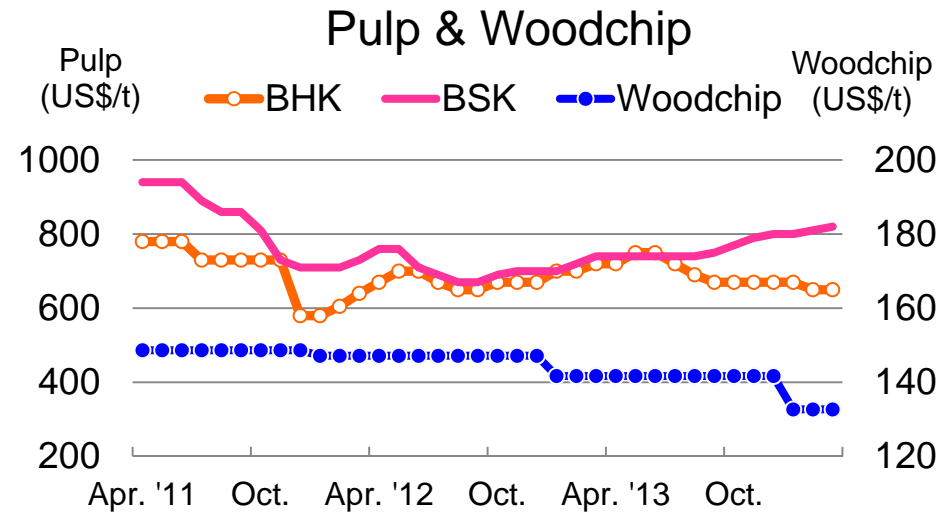
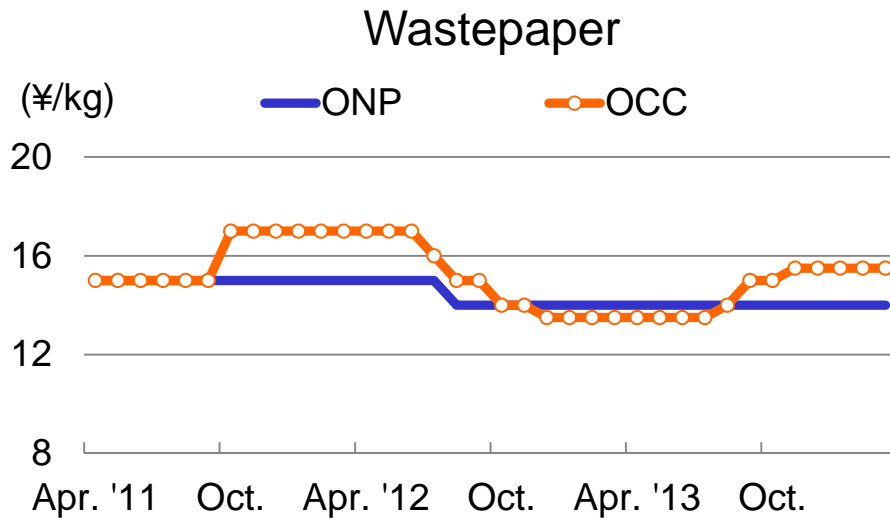


Source: Bank of Japan "Corporate Goods Price Index"

# 1. Business Environment: Major Input Price Trends



JPY depreciated by 20% against US dollar



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

## 2. Financial Results: *Highlights*



(¥billion)	FY2013	FY2012	Change (YOY)
<Net sales>	1,081.3	1,025.1	56.2
<Operating income>	28.5	25.1	3.4
<Ordinary income>	28.2	23.1	5.1
<Net income>	22.8	10.6	12.2

- Net sales and income increased YOY.
- Paper sales recovery and cost reduction efforts offset the negative impact of FOREX.
- Net income jumped up YOY due to the improvement of operating income and the gain on sales of non-current assets.
- Reduced interest-bearing debt by ¥54.6b, much improved balance sheet.

## 2. Financial Results: *Segment Information*



### Pulp and paper business improved YOY

	FY2012			FY2013			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	399.4	401.9	801.3	412.9	435.3	848.1	46.8
	7.5	5.4	13.0	5.8	11.6	17.4	4.5
Paper related	48.1	46.3	94.5	46.9	46.2	93.0	-1.5
(packaging and chemical products)	3.4	2.8	6.2	2.7	2.3	5.0	-1.2
Wood products and construction related	27.8	32.9	60.7	31.7	37.8	69.5	8.8
	0.9	1.8	2.7	1.1	1.4	2.4	-0.3
Other	31.9	36.7	68.6	31.9	38.7	70.6	2.0
(beverages, logistics, etc.)	0.8	2.4	3.2	0.8	2.8	3.6	0.4
Total	507.2	517.9	1,025.1	523.3	558.0	1,081.3	56.2
	12.7	12.4	25.1	10.4	18.1	28.5	3.4



## 2. Financial Results: *Sales Volume by Product*



Sales volume increased a lot both in paper and paperboard

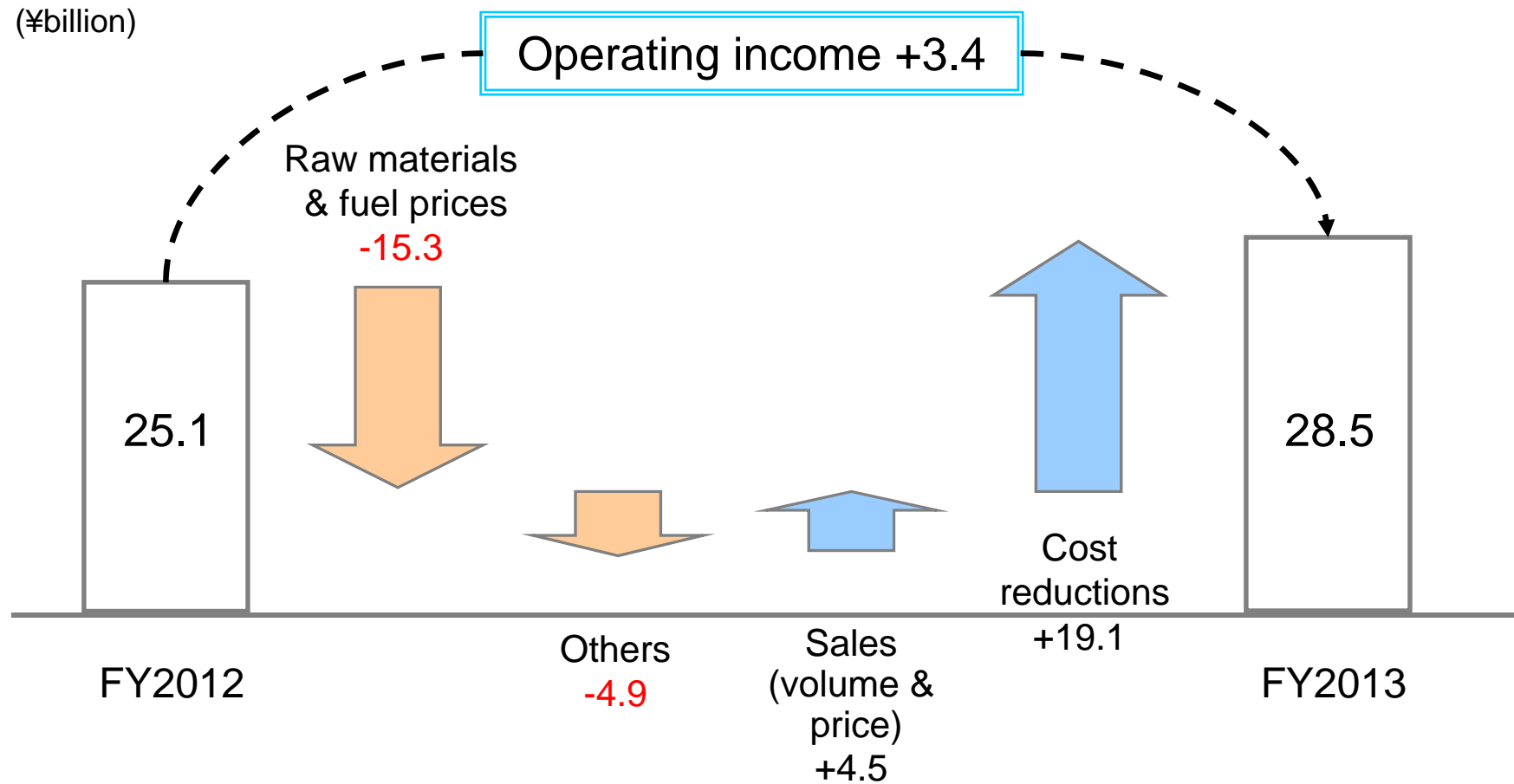
('000 tons)		FY2012	FY2013	Change YOY
Paper	Newsprint	1,184	1,170	-1.2%
	Printing & business communication paper	2,455	2,588	5.4%
	Coated paper	1,342	1,420	5.8%
	Uncoated & specialty printing paper	574	597	4.0%
	Business communication paper	540	571	5.8%
	Packaging paper and others	311	310	-0.1%
	Domestic sales (paper)	3,950	4,068	3.0%
Export (paper)	102	196	92.4%	
<b>Paper total</b>		<b>4,052</b>	<b>4,264</b>	<b>5.2%</b>
Paperboard	Container board	1,144	1,199	4.7%
	Folding boxboard and others	347	348	0.2%
	Domestic sales (paperboard)	1,491	1,546	3.7%
	Export (paperboard)	47	75	59.9%
<b>Paperboard total</b>		<b>1,538</b>	<b>1,621</b>	<b>5.4%</b>
<b>Grand total (paper and paperboard)</b>		<b>5,590</b>	<b>5,885</b>	<b>5.3%</b>

"Total" means the sum of sales volume of Nippon Paper Industries Co., Ltd. and Nippon Paper Papyrus Co., Ltd.



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

Cost reductions and sales efforts offset the input cost rising



## 2. Financial Results: *Balance Sheet*



Steadily reduced interest-bearing debt

(¥billion)	Mar. 31, 2013	Mar. 31, 2014	Change
<b>Total Assets</b>	<b>1,497.7</b>	<b>1,480.9</b>	<b>-16.8</b>
Cash and time deposits	110.9	97.2	-13.7
Notes and accounts receivable	198.9	201.7	2.8
Inventories	149.3	151.2	1.9
Other current assets	48.2	55.2	7.0
Property, plant, equipment and intangible fixed assets	770.1	751.0	-19.2
Investments and other assets	220.2	224.5	4.2
<b>Total Liabilities</b>	<b>1,101.3</b>	<b>1,054.3</b>	<b>-47.0</b>
Interest-bearing liabilities (incl. lease obligations)	830.2	775.6	-54.6
Other liabilities	271.0	278.7	7.7
<b>Total Net Assets</b>	<b>396.5</b>	<b>426.6</b>	<b>30.1</b>
Shareholder's equity	381.4	398.6	17.3

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



(¥billion)

Items	FY2012	FY2013
<b>Operating activities</b>	66.0	75.8
Income before income taxes	16.0	30.5
Depreciation	64.9	63.2
Change in net working capital	25.2	-8.7
Other	-40.2	-9.3
<b>Investing activities</b>	-61.8	-24.9
Purchases of property, plant and equipment	-58.0	-51.4
Proceeds from sales of property, plant and equipment	1.4	7.2
Other	-5.1	19.3
<b>Free cash flows</b>	4.2	50.9
<b>Financing activities</b>	-14.4	-65.5
Change in net borrowings	-10.8	-60.7
Cash dividends paid	-3.5	-4.7
Other	-0.1	-0.1
Effect of exchange rate changes on cash and cash equivalents	1.0	0.8
Increase due to inclusion of certain subsidiaries in consolidation	0.7	0.2
Cash and cash equivalents at the beginning of period	119.3	110.8
Cash and cash equivalents at the end of period	110.8	97.1

### 3. Topics



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- April 8 Decided to introduce Japan's 1<sup>st</sup> biomass power project utilizing 100% unused wood materials as its fuels at Yatsushiro Mill
  - May 14 Decided to launch the largest mega-solar project in Shikoku region of Japan
  - July 1 Decided to sell shares of YFY Cayman, a joint venture of NPI and YFY, which runs paperboard and corrugating box businesses in China and Taiwan
  - Aug 7 Decided to jointly establish a 100 kilowatt-class power generation company with Mitsubishi Corp. and Chubu Electric Power Co. in Shizuoka prefecture
  - 27 Announced to sell its land in Tokyo for JPY16.6 billion
  - Sep 10 Released price hikes of printing paper and business communication paper
  - Oct 31 Started operation of cellulose nanofiber production verification facilities at Iwakuni Mill
  - Dec. 6 Announced linerboard and corrugating medium price hike
  - Dec. 16 Decided to acquire 22% shares of SCG Paper's<sup>(\*1)</sup> Fibrous Chain<sup>(\*2)</sup>
    - Planned investment amount: Approx. ¥11.0 billion
    - <sup>(\*1)</sup> A subsidiary of the Siam Cement Group of Thailand (paper and pulp business)
    - <sup>(\*2)</sup> Revenue in FY2012: Approx. 17 billion baht
    - Capacity: Pulp (470,000 tons/y), printing & writing paper (570,000 tons/y)
  - Dec. 24 Decided to wholly own Jujo Thermal Oy (Finland)
  - <2014>
  - Jan. 20 Announced beverage cartons price hike
  - Feb. 10 Started operation of solar power facility at Otake Mill
  - Mar. 10 Announced price hikes chip board, core paper, etc.

## 4. FY2014 Earnings Forecast: *Highlights*



(¥billion)	FY2014 estimate	FY2013	Change (YOY)
<Net sales>	1,100.0	1,081.3	18.7
<Operating income>	40.0	28.5	11.5
<Ordinary income>	35.0	28.2	6.8
<Net income>	26.0	22.8	3.2

- Increase in net sales and profits due to the full year contribution of price hike.
- Estimate ¥15.0 billion gain on sales of non-current assets as extraordinary income.
- Achieve the D/E ratio target 1.5 through the improvement of operating cash flows and assets selling.
- Estimate dividend increase by 10 yen per share.

## 4. FY2014 Earnings Forecast : *Assumptions*

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### Domestic Sales

- Volume (year-on-year)
  - Paper : -0.7%
  - Paperboard : +1.7%
- Price
  - Paper : Reflecting the price hikes
  - Paperboard : Reflecting the price hikes

### Raw materials and fuel prices, FOREX

- Crude oil : US\$105/BL (Dubai)
- Coal : US\$82/t (Australian black coal)
- Wastepaper : Stay at current level
- FOREX : ¥105/US\$, ¥92/AU\$

## 4. FY2014 Earnings Forecast : Sales Volume by Product



Continue to increase exports

('000 tons)		FY2013	FY2014e	Change YOY
Paper	Newsprint	1,170	1,140	-2.5%
	Printing & business communication paper	2,588	2,582	-0.2%
	Coated paper	1,420	1,449	2.1%
	Uncoated & specialty printing paper	597	571	-4.4%
	Business communication paper	571	563	-1.6%
	Packaging paper and others	315	321	2.0%
	Domestic sales (paper)	4,073	4,044	-0.7%
Export (paper)	196	232	18.4%	
<b>Paper total</b>		<b>4,268</b>	<b>4,276</b>	<b>0.2%</b>
Paperboard	Container board	1,199	1,219	1.7%
	Folding boxboard and others	369	376	1.8%
	Domestic sales (paperboard)	1,568	1,594	1.7%
	Export (paperboard)	75	112	49.3%
<b>Paperboard total</b>		<b>1,643</b>	<b>1,707</b>	<b>3.9%</b>
<b>Grand total (paper and paperboard)</b>		<b>5,911</b>	<b>5,983</b>	<b>1.2%</b>

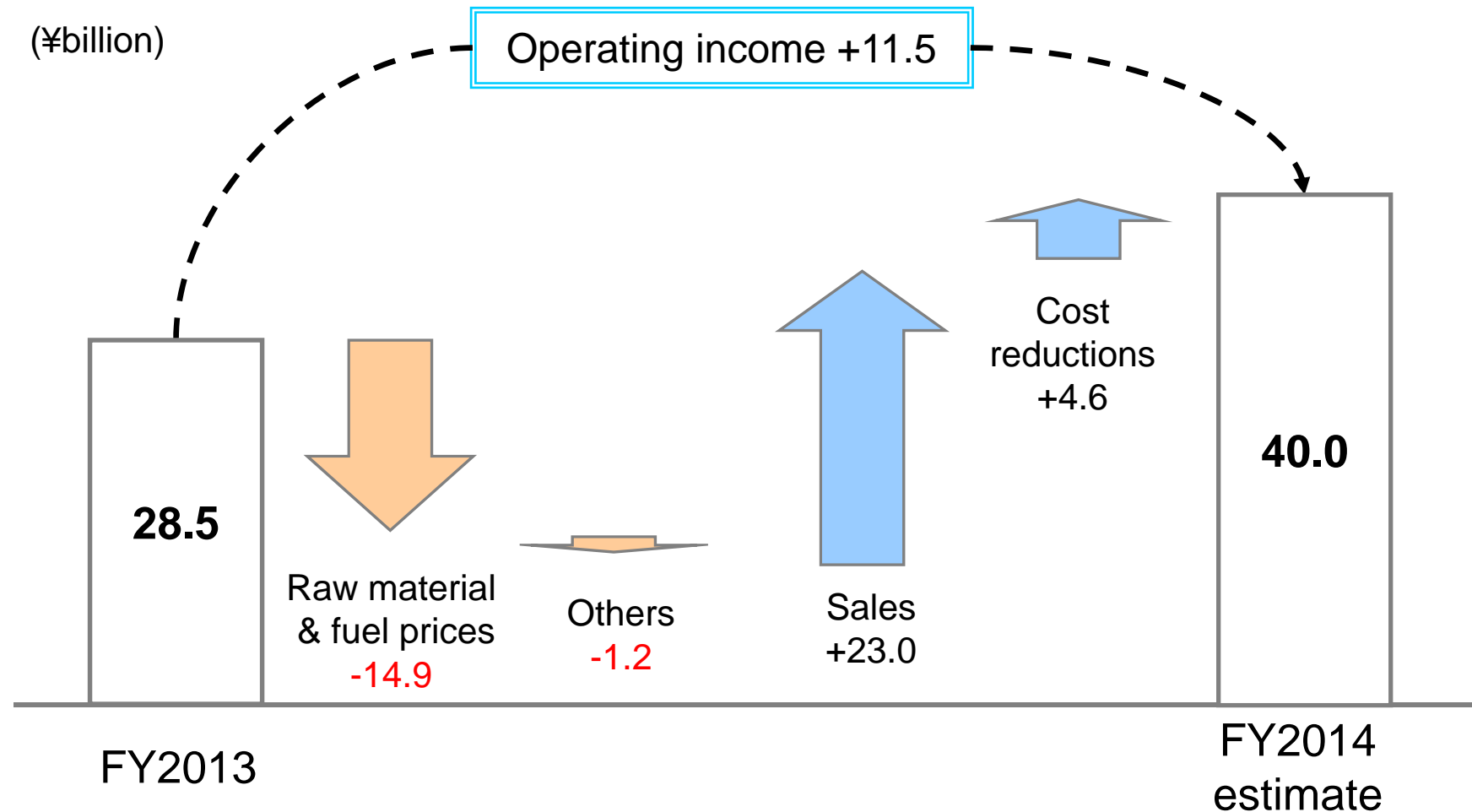
"Total" means the sum of sales volume of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd. and Nippon Paper Creca Co., Ltd.



## 4. FY2014 Earnings Forecast: *Variance Analysis for Operating Income*



### Price hikes contribute to push-up of operating income



## 4. FY2014 Earnings Forecast: *Key Figures and Indices*



	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 est.
Operating margin on sales	3.9%	3.2%	3.5%	2.5%	2.6%	3.6%
Ordinary margin on sales	3.4%	2.9%	0.6%	2.3%	2.6%	3.2%
D/E (times)	1.64	1.75	1.94	1.89	1.70	1.55
Capital investment (¥billion)	35.6	46.6	57.2	53.3	47.2	51.0
Depreciation (¥billion)	81.9	78.6	74.4	64.9	63.2	61.4
Net interest-bearing debt (¥billion)	738.6	727.5	718.9	719.3	678.4	650.0
Number of employees	14,210	13,834	13,407	13,052	13,107	12,980



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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.**