

# Financial Section

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# Eleven-Year Financial and Non-Financial Summary

Nippon Paper Industries Co., Ltd. and Consolidated Subsidiaries\*1  
Fiscal Years Ended March 31

	FY2010/3	FY2011/3	FY2012/3	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	Millions of yen FY2020/3	Thousands of U.S. dollars*2 FY2020/3
<b>Profit/Loss (Fiscal Year)</b>												
Net sales	¥1,095,233	¥1,099,817	¥1,042,436	¥1,025,078	¥1,081,277	¥1,052,491	¥1,007,097	¥ 992,428	¥1,046,499	¥1,068,703	¥1,043,912	\$ 9,577,174
Cost of sales	844,033	854,238	803,653	796,411	844,603	825,576	800,185	787,464	846,109	871,218	832,151	7,634,413
Operating income	43,149	35,608	36,524	25,145	28,536	23,656	22,623	23,764	17,613	19,615	35,048	321,541
Ordinary income	37,547	31,599	6,057	23,081	28,188	23,204	17,123	26,994	18,649	23,901	30,524	280,037
Profit (loss) attributable to owners of parent	30,050	(24,172)	(41,675)	10,652	22,770	23,183	2,424	8,399	7,847	(35,220)	14,212	130,385
Cash flows from operating activities	116,908	115,454	60,114	65,978	75,763	81,846	52,419	87,087	44,944	59,760	67,036	615,009
Cash flows from investing activities	(70,934)	(93,467)	(46,626)	(61,766)	(24,861)	(42,483)	16,270	(65,278)	(62,731)	(47,461)	(70,113)	(643,239)
Free cash flow	45,974	21,987	13,488	4,212	50,902	39,363	68,689	21,809	(17,787)	12,299	(3,077)	(28,229)
<b>Financial Position (End of Fiscal Year)</b>												
Total assets	¥1,500,246	¥1,560,592	¥1,527,635	¥1,497,729	¥1,480,894	¥1,495,622	¥1,390,918	¥1,388,885	¥1,429,892	¥1,390,814	¥1,363,469	\$12,508,890
Total current assets	450,529	515,392	546,344	507,335	505,417	484,498	502,912	486,205	490,479	515,407	496,871	4,558,450
Total property, plant and equipment	837,698	798,482	752,501	747,423	729,179	715,406	669,298	686,813	717,927	677,613	680,524	6,243,339
Other non-current assets	212,017	246,718	228,789	242,970	246,297	295,716	218,707	215,867	221,484	197,792	186,073	1,707,092
Total liabilities	1,040,267	1,151,829	1,160,983	1,101,269	1,054,309	1,005,881	966,233	953,974	986,493	995,470	976,892	8,962,312
Total net assets	459,978	408,762	366,652	396,460	426,584	489,740	424,685	434,911	443,398	395,343	386,577	3,546,578
Interest-bearing debt	762,899	832,347	838,285	830,220	775,597	731,834	703,831	678,504	693,562	688,703	689,937	6,329,697
<b>Other</b>												
Capital investment	¥ 35,587	¥ 46,591	¥ 57,172	¥ 53,323	¥ 47,162	¥ 48,518	¥ 46,899	¥ 51,289	¥ 72,765	¥ 60,338	¥ 70,636	\$ 648,037
Depreciation	81,943	78,639	74,352	64,903	63,181	61,374	57,672	55,083	57,892	60,422	58,705	538,578
Research and development expenses	6,985	6,855	6,484	6,348	5,690	5,431	5,555	5,622	6,013	6,694	6,051	
<b>Per Share Data</b>												
Profit (loss) attributable to owners of parent	¥ 264.03	¥ (208.73)	¥ (359.90)	¥ 92.00	¥ 196.67	¥ 200.27	¥ 20.95	¥ 72.57	¥ 67.80	¥ (304.34)	¥ 122.89	\$ 1.13
Cash dividends	80.00	60.00	30.00	40.00	40.00	50.00	60.00	60.00	60.00	30.00	40.00	0.37
<b>Financial Indicators</b>												
Operating income margin	3.9%	3.2%	3.5%	2.5%	2.6%	2.2%	2.2%	2.4%	1.7%	1.8%	3.4%	
Return on equity (ROE)	7.0%	(5.6)%	(10.9)%	2.8%	5.6%	5.1%	0.5%	2.0%	1.8%	(8.6)%	3.7%	
Return on assets (ROA)	3.2%	2.7%	1.2%	2.3%	2.7%	2.2%	2.0%	2.6%	1.9%	2.2%	2.7%	
Return on invested capital (ROIC)	4.0%	3.5%	1.5%	2.9%	3.3%	2.8%	2.4%	3.2%	2.3%	2.9%	3.5%	
Debt/equity ratio (times)	1.64	1.75	1.94	1.89	1.70	1.55	1.47	1.49	1.61	1.76	1.75	
<b>ESG Indicators*3</b>												
Number of employees	14,210	13,834	13,407	13,052	13,107	12,771	11,741	13,057	12,881	12,943	12,592	
Greenhouse gas emissions generated and final disposal volume (Million t-CO <sub>2</sub> )*4	—	—	—	—	7.28	7.18	7.12	7.17	6.99	6.83	6.26	
Percentage of female employees in management (Nippon Paper)	—	—	—	1.49%	1.48%	1.57%	1.60%	1.86%	2.47%	2.29%	2.43%	

\*1 The Company underwent an absorption-type merger with parent company Nippon Paper Group and was publicly listed on April 1, 2013. As a result, the figures for FY2013/3 and prior represent consolidated results of the Company.

\*2 Amounts in U.S. dollars are included solely for convenience and are translated at the rate of ¥109 = US\$1.00, the approximate rate of exchange on March 31, 2020.

\*3 Data available on a yearly basis has been provided for comparison purposes.

\*4 Scope: Consolidated and non-consolidated Group companies in Japan subject to the Act on Rationalizing Energy Use

• Interest-bearing debt = Short-term borrowings + Long-term debt

• Free cash flow = Cash flows from operating activities + Cash flows from investing activities

• Return on equity (ROE) = Profit (loss) attributable to owners of parent / [Average of beginning and end of year (Shareholders' equity + Accumulated other comprehensive income)] × 100

• Return on assets (ROA) = (Ordinary income + Interest expense) / Year-end total assets × 100

• Return on invested capital (ROIC) = (Ordinary income + Interest expense) / (Year-end shareholders' equity + Year-end accumulated other comprehensive income + Year-end balance of interest-bearing debt) × 100

• Debt/equity ratio = (Interest-bearing debt – Cash and deposits) / Shareholders' equity

# Financial Strategies

## Financial Policy

The Nippon Paper Group's financial policy is to strengthen its cash flow-generation capabilities, through the effective capital procurement and investments toward the realization of sustainable growth, and to provide stable profit returns to shareholders while maintaining a sound financial position.

## Capital Procurement Policy

In order to ensure the stable procurement of capital, the Nippon Paper Group employs diverse procurement methods and seeks to extend repayment terms and standardize repayment amounts.

Specifically, we procure capital through various sources when necessary, including borrowings from financial institutions and the issuance of commercial paper and corporate bonds, by estimating their amount based on the capital investment plan for the entire Group.

Moreover, in order to maintain the liquidity of fund procurements, we have concluded commitment line agreements of ¥50.0 billion in total with major financial institutions.

As an emergency response to the recent spread of COVID-19, since April 2020, we have taken further steps toward maintaining liquidity by increasing our short-term capital, including foreign currencies, and raising our balance of cash and deposits on hand.

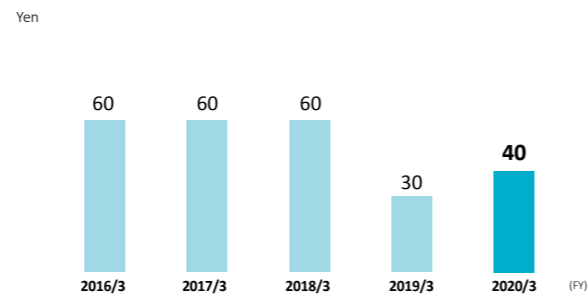
For the acquisition of Orora Limited's fiber based packaging business in Australia and New Zealand, we concluded a bridge loan agreement with a borrowing term of up to one year for flexible financing. We borrowed a total of ¥125.0 billion at the end of April 2020 and have finalized our permanent procurement through long-term borrowings.

## Shareholder Return Policy

At the Nippon Paper Group, our basic policy on shareholder returns is to continuously provide stable dividends based on a comprehensive consideration of the status of business results, increases in internal reserves, and other factors and by taking into account the Group's management soundness and increases in shareholder value over the long term.

With a view to further expanding our business and strengthening our management foundation through our internal reserves, we will strive to enhance our corporate value.

### Dividends per Share



## Policy on Ensuring Financial Stability

The Nippon Paper Group regards the (1) net debt/equity ratio, (2) debt repayment period, and (3) EBITDA as important indicators of its financial discipline, and considers the maintenance and improvement of stable credit ratings, by maintaining and improving financial discipline, as an important management issue. Please refer to page 17 for our targets under the Sixth Medium-Term Business Plan. The Nippon Paper Group's current credit ratings are as follows.

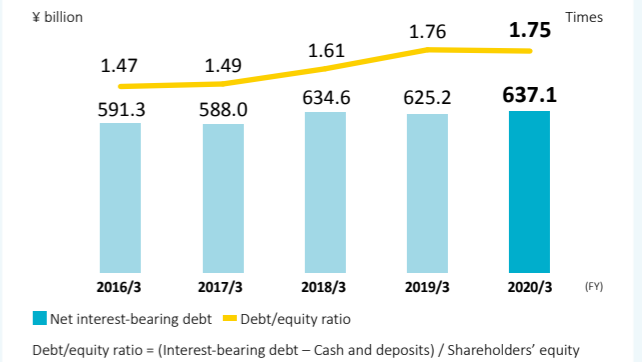
	Long-Term Debt	Short-Term Debt (CP)
Rating & Investment Information, Inc.	BBB+	a-2
Japan Credit Rating Agency, Ltd.	A	—

### Establishment of Adjusted Net Debt/Equity Ratio

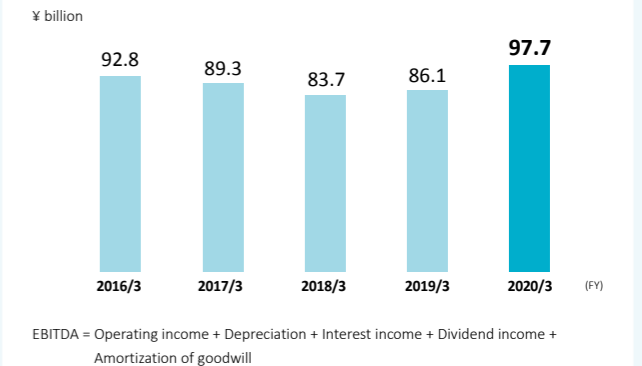
When the Orora Limited's fiber based packaging business in Australia and New Zealand was acquired at the end of April 2020, we procured ¥60.0 billion through hybrid loans, for which 50% of the procured amount is approved as capital, from the perspective of maintaining our financial discipline.

Accordingly, as a management indicator, we have adopted the adjusted net debt/equity ratio, which takes into account the amount of capital procured through hybrid loans that are recognized as capital by credit rating agencies. As of June 2020, the net debt/equity ratio before adjustment for the hybrid loans was around 1.8 times, while the net debt/equity ratio after adjustment was around 1.6 times.

### Net Interest-Bearing Debt and Debt/Equity Ratio



### EBITDA



# Financial Overview

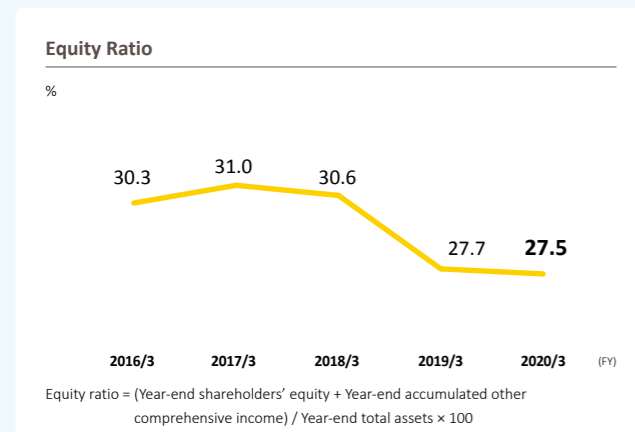
## Financial Position

Consolidated total assets at the end of FY2020/3 were ¥1,363.5 billion, a decrease of ¥27.3 billion from ¥1,390.8 billion at the end of FY2019/3. The drop was mainly due to a ¥10.6 billion decline in cash and deposits, a ¥6.5 billion fall in notes and accounts receivable—trade attributable to holiday closures of financial institutions at the end of FY2019/3 and other factors, as well as a ¥5.1 billion decline in net defined benefit assets and a ¥3.3 billion slide in investments in securities due to the downturn in the stock price and other factors stemming from the impact of COVID-19.

Total liabilities decreased ¥18.6 billion from ¥995.5 billion at the end of FY2019/3, to ¥976.9 billion. The main reason for this decline was a ¥24.5 billion drop in notes and accounts payable—trade attributable to holiday closures of financial institutions at the end of FY2019/3.

Total net assets decreased ¥8.8 billion from ¥395.3 billion at the end of FY2019/3, to ¥386.6 billion. This was mainly caused by a ¥19.1 billion drop in accumulated other comprehensive income due to a downturn in the stock price, appreciation of the Japanese yen, and other factors stemming from the impact of COVID-19, which offset a ¥9.6 billion improvement in retained earnings owing to the increase in profit attributable to owners of parent and other factors.

As a result, the net debt/equity ratio was 1.75 times and the equity ratio was 27.5%.



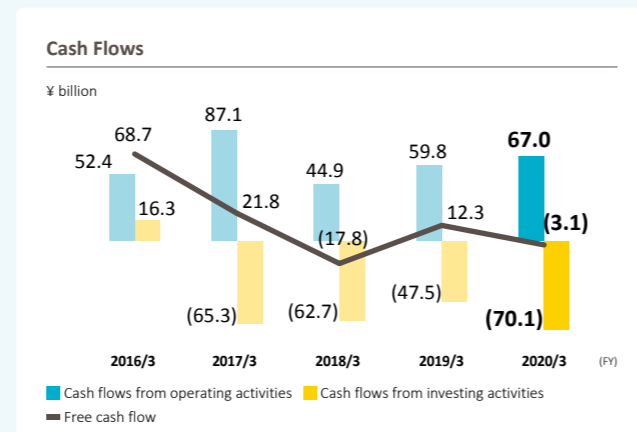
## Cash Flows

Consolidated cash and cash equivalents (“cash”) decreased ¥10.6 billion compared with the end of FY2019/3, to ¥52.8 billion at the end of FY2020/3.

Net cash provided by operating activities was ¥67.0 billion. The main factors were profit before income taxes of ¥21.6 billion, depreciation of ¥58.7 billion, and net cash outflows of ¥11.5 billion due to changes in working capital (total changes in receivables, inventories, and payables).

Net cash used in investing activities was ¥70.1 billion. The main factor behind this result was net cash outflows of ¥67.7 billion due to purchases of non-current assets.

Net cash used in financing activities was ¥7.4 billion. This was mainly due to the decrease in short-term loans payable of ¥26.0 billion, repayment of long-term loans payable of ¥69.8 billion, proceeds from long-term loans payable of ¥107.0 billion for the redemption of bonds of ¥10.0 billion, and cash dividends paid of ¥4.6 billion.



# Business and Other Risk Factors

The management of the Nippon Paper Group has identified the following as major risks due to their potentially significant impact on the financial position, business performance, and cash flows of consolidated Group companies.

## Product Demand and Market Conditions

The Nippon Paper Group engages in its mainstay Paper and Paperboard Business, Daily-life Products Business, Energy Business, and Wood Products and Construction Related Business. The Group is at risk of fluctuations in demand for its products and product prices in the context of economic conditions and other factors. Such fluctuations could affect the Group’s business performance and financial position.

## Manufacturing Conditions

The Nippon Paper Group’s production activity is based on the estimated demand and production capacity of existing facilities. The Group carries out regular preventive inspections and other maintenance checks, but is at risk of a reduction in supply capability due to fires, accidents, and other problems occurring at facilities, and interruptions in procurement, as well as the delivery of raw materials and fuel. Such fluctuations could affect the Group’s business performance and financial position.

## Raw Material and Fuel Prices

The Nippon Paper Group engages in the manufacture and sale of products through purchases of raw materials and fuel such as wood chips, waste paper, heavy oil, coal, and chemicals. The Group is thus at risk of input price fluctuations in domestic and international markets. Such fluctuations could affect the Group’s business performance and financial position.

## Litigation

The Nippon Paper Group takes the utmost care to comply with laws and regulations in the course of doing business, but is nonetheless at risk of litigation associated with criminal or civil affairs, taxation, antitrust law, product liability law, intellectual property rights, and environmental and labor issues. As a result, such litigation could affect the Group’s business performance and financial position.

## Product Liability

While it has hitherto not been subject to any significant amount of compensation for product liability, the Nippon Paper Group may be liable for the payment of compensation for damages in the future. While the Group is covered under product-liability insurance, it may not be adequate to cover the amount of compensation for which the Group may be held liable.

## Environment-Related Legal Risk

The Group is obligated to apply environment-related regulations in the course of doing business. Revisions and amendments to such regulations could limit production activities and result in additional costs, affecting the Group’s operating performance and financial condition.

## Foreign Exchange

The Nippon Paper Group is at risk of foreign exchange rate fluctuations associated with import and export transactions. Because the Group’s imports of raw materials and fuel, such as wood chips, waste paper, heavy oil, coal, and chemicals, exceed its product exports, yen depreciation against the U.S. dollar has a negative impact on business performance. The Group hedges against this risk by means such as forward contracts in order to mitigate the impact of foreign exchange rate fluctuations on its business performance.

## Stock Prices

The Nippon Paper Group holds marketable shares in partner and affiliated companies and is thus at risk of share price fluctuations that could affect the Group’s business performance and financial position.

## Interest Rates

The Nippon Paper Group is at risk of interest rate fluctuations affecting its interest expense regarding interest-bearing debt, etc. Such fluctuations could affect the Group’s business performance and financial position.

## Credit Risk

The Nippon Paper Group takes care to limit its credit risk, but tardy or uncollectible receivables due to deterioration in the financial condition or bankruptcy of customers could affect the Group’s business performance and financial position.

## Business and Other Risk Factors

### Impairment of Fixed Assets

The Nippon Paper Group owns fixed assets such as production facilities and land. Changes in the operating environment and other factors that result in a significant decline in future cash flows generated through these assets may lead to the incurrence of an impairment loss and affect the Group's business performance and financial position.

### Retirement Benefit Obligation

The Nippon Paper Group's net defined benefit costs and liabilities are calculated based on mathematical assumptions such as the rate of return and the discount rate on pension assets. However, any circumstances requiring a change in the use of the actuarial method or an impairment to pension assets resulting from stagnation of the stock market and other factors may affect the business performance and financial position of the Group.

### Reversal of Deferred Tax Assets

The Nippon Paper Group deems the future deductible amount and operating loss carryforwards as recoverable upon estimation of future taxable income and records them as deferred tax assets. However, changes in the operating environment and other factors that lead to a decline in taxable income, or a change in the tax regulations and other factors that lead to a revision in recoverability, may cause a reversal of deferred tax assets and affect the business performance and financial position of the Group.

### Human Resource Recruitment and Labor-Related

The Nippon Paper Group considers its human resource strategy to be a key element of its business activities, and understands the importance of securing and developing the right human resources for the growth of its business going forward. The Group undertakes efforts to secure the most optimal and efficient workforce by actively recruiting and developing diverse employees and establishing a workplace environment that promotes flexible and diverse work styles. However, the inability to secure appropriate human resources may result in restrictions to the Group's business operations, which may affect the business performance and financial position of the Group.

While the Group conducts measures to minimize labor-related risks, such as through appropriate labor management according to laws and regulations, the occurrence of labor-related compliance violations (employment issues, harassment, human rights infringements, etc.) may lead to lawsuits or impair society's trust in the Nippon Paper Group, and affect the business performance and financial position of the Group.

### Natural Disasters and Infectious Diseases

The occurrence of an earthquake or large-scale natural disaster and the outbreak of an infectious disease in the vicinity of the Nippon Paper Group's production and sales bases may impact its production, sales, and other business activities. This may lead to the loss of business opportunities due to a production stoppage, additional costs to recommence operations, and/or damage to products and raw materials, which may affect the business performance and financial position of the Group.

### Information Systems

The Nippon Paper Group implements rigorous security measures for its information systems and has set forth its rules concerning the handling of personal information, and made it known to its executives, employees, and business partners as part of its efforts to strengthen its management structure. However, information leakage due to unauthorized access to computers and/or the breach of data due to criminal acts may lead to the payment of compensation for damages and the impairment of the trust placed in the Nippon Paper Group by society, thereby affecting the business performance and financial position of the Group.

### Overseas Business

The Nippon Paper Group manufactures pulp and paper and operates forestry plantations and other businesses in North America, South America, Scandinavia, China, Southeast Asia, Australia, and other overseas locations. The development of business overseas entails a number of risks, including changes to laws and regulations by local governments, labor disputes, and the impact of political uncertainty on economic activities. While the Group takes preventive measures, such as through the sharing of information with external law firms, the occurrence of such risks may affect the business performance and financial position of the Group.

### M&As and Business Alliances

The Nippon Paper Group engages in M&As and business alliances with the aim of realizing sustainable growth by creating new business opportunities. The Group conducts a thorough examination of the business strategies and synergistic effects before engaging in such transactions, and works to maximize its results after concluding such agreements. However, changes in the operating environment and other factors may lead to the underachievement of results, and in turn affect the business performance and financial position of the Group.

### Other Risks Associated with Changes in Business Conditions, etc.

The Nippon Paper Group is subject to the risk of changes in business and economic conditions and other similar circumstances arising from contingencies, which could affect the Group's business performance and financial position.

# Consolidated Financial Statements

## Consolidated Balance Sheets

As of March 31, 2019 and 2020

	FY2019/3	Millions of yen	Thousands of U.S. dollars
		FY2020/3	FY2020/3
<b>Assets</b>			
Current assets			
Cash and deposits	¥ 63,455	¥ 52,846	\$ 484,826
Notes and accounts receivable—trade	234,671	228,178	2,093,376
Merchandise and finished goods	87,025	86,985	798,028
Work in process	20,518	19,087	175,110
Raw materials and supplies	70,351	65,715	602,890
Other	39,933	44,589	409,073
Allowance for doubtful receivables	(550)	(530)	(4,862)
Total current assets	515,407	496,871	4,558,450
Non-current assets			
Property, plant and equipment			
Buildings and structures	504,094	509,606	4,675,284
Accumulated depreciation	(368,097)	(373,790)	(3,429,266)
Buildings and structures, net	135,997	135,815	1,246,009
Machinery, equipment and vehicles	2,217,462	2,222,315	20,388,211
Accumulated depreciation	(1,930,080)	(1,946,441)	(17,857,257)
Machinery, equipment and vehicles, net	287,382	275,873	2,530,945
Land	199,435	197,676	1,813,541
Mountain forests and plantations	26,146	25,953	238,101
Construction in progress	22,096	37,803	346,817
Other	47,230	49,121	450,651
Accumulated depreciation	(40,674)	(41,719)	(382,743)
Other, net	6,555	7,401	67,899
Total property, plant and equipment	677,613	680,524	6,243,339
Intangible assets	11,137	8,996	82,532
Investments and other assets			
Investments in securities	159,198	155,891	1,430,193
Net defined benefit assets	6,215	1,095	10,046
Deferred tax assets	4,492	4,776	43,817
Other	17,452	15,975	146,560
Allowance for doubtful receivables	(703)	(662)	(6,073)
Total investments and other assets	186,655	177,077	1,624,560
Total non-current assets	875,406	866,598	7,950,440
<b>Total assets</b>	¥ 1,390,814	¥ 1,363,469	\$ 12,508,890

	FY2019/3	Millions of yen	Thousands of U.S. dollars
		FY2020/3	FY2020/3
<b>Liabilities</b>			
Current liabilities			
Notes and account payable—trade	¥ 145,132	¥ 120,593	\$ 1,106,358
Short-term loans payable	224,227	191,719	1,758,890
Current portion of bonds	10,000	15,000	137,615
Accrued income taxes	5,156	5,363	49,202
Other	93,349	101,531	931,477
Total current liabilities	477,866	434,209	3,983,569
Long-term liabilities			
Bonds payable	50,000	35,000	321,101
Long-term loans payable	401,474	444,677	4,079,606
Deferred tax liability	27,600	18,569	170,358
Allowance for environmental costs	14,780	14,947	137,128
Net defined benefit liability	13,776	18,361	168,450
Other	9,970	11,128	102,092
Total long-term liabilities	517,603	542,683	4,978,743
<b>Total liabilities</b>	995,470	976,892	8,962,312
<b>Net assets</b>			
Shareholders' equity			
Common stock	104,873	104,873	962,138
Capital surplus	216,414	216,414	1,985,450
Retained earnings	35,265	44,847	411,440
Treasury stock, at cost	(1,427)	(1,838)	(16,862)
Total shareholders' equity	355,125	364,296	3,342,165
Accumulated other comprehensive income			
Net unrealized holding gain on other securities	21,274	16,804	154,165
Net deferred gain (loss) on hedges	(2,283)	(7,631)	(70,009)
Translation adjustments	15,419	14,095	129,312
Remeasurements of defined benefit plans	(4,377)	(12,332)	(113,138)
Total accumulated other comprehensive income	30,033	10,936	100,330
Non-controlling interests	10,184	11,344	104,073
<b>Total net assets</b>	395,343	386,577	3,546,578
<b>Total liabilities and net assets</b>	¥1,390,814	¥1,363,469	\$12,508,890

## Consolidated Financial Statements

## Consolidated Statements of Operations

Fiscal Years Ended March 31, 2019 and 2020

	FY2019/3	Millions of yen	Thousands of U.S. dollars
		FY2020/3	FY2020/3
Net sales	¥1,068,703	¥1,043,912	\$9,577,174
Cost of sales	871,218	832,151	7,634,413
Gross profit	197,485	211,760	1,942,752
Selling, general and administrative expenses			0
Freightage-related expenses	66,169	65,811	603,771
Sales-related expenses	49,571	47,802	438,550
Salaries and allowances	34,499	35,072	321,761
Other	27,629	28,025	257,110
Total selling, general and administrative expenses	177,870	176,711	1,621,202
Operating income	19,615	35,048	321,541
Other income			
Interest income	444	454	4,165
Dividend income	2,066	1,732	15,890
Equity in earnings of affiliates	10,641	4,230	38,807
Rent income	1,465	1,308	12,000
Other	3,036	2,707	24,835
Total other income	17,655	10,434	95,725
Other expenses			
Interest expenses	7,391	6,345	58,211
Foreign exchange losses	1,707	1,768	16,220
Other	4,269	6,845	62,798
Total other expenses	13,368	14,958	137,229
Ordinary income	23,901	30,524	280,037
Extraordinary income			
Gain on liquidation of subsidiaries and affiliates	—	2,519	23,110
Gain on sales of property, plant and equipment	1,987	790	7,248
Other	3,197	299	2,743
Total extraordinary income	5,185	3,609	33,110
Extraordinary loss			
Impairment loss	14,252	2,971	27,257
Loss on retirement of non-current assets	2,088	2,933	26,908
Loss on valuation of investment securities	625	2,562	23,505
Loss on reorganization of production structure	18,330	—	—
Provision for environmental measures	13,700	—	—
Other	7,733	4,018	36,862
Total extraordinary loss	56,730	12,485	114,541
Profit (loss) before income taxes	(27,644)	21,648	198,606
Income taxes—current	4,454	6,275	57,569
Income taxes—deferred	644	(1,745)	(16,009)
Total income taxes	5,098	4,530	41,560
Income (loss) before minority interests	(32,742)	17,118	157,046
Profit attribute able to non-controlling interests	2,477	2,905	26,651
Profit (loss) attributable to owners of parent	¥ (35,220)	¥ 14,212	\$ 130,385

## Consolidated Statements of Comprehensive Income

Fiscal Years Ended March 31, 2019 and 2020

	FY2019/3	Millions of yen	Thousands of U.S. dollars
		FY2020/3	FY2020/3
Income (loss) before minority interests	¥(32,742)	¥ 17,118	\$157,046
Other comprehensive income (loss)			
Net unrealized holding gain (loss) on other securities	(1,718)	(4,221)	(38,725)
Net deferred gain (loss) on hedges	(189)	(6,125)	(56,193)
Translation adjustments	(7,124)	(2,548)	(23,376)
Remeasurements of defined benefit plans, net of tax	(3,000)	(7,781)	(71,385)
Share of other comprehensive income of affiliates accounted for using the equity method	(1,062)	1,613	14,798
Total other comprehensive income (loss)	(13,096)	(19,064)	(174,899)
Comprehensive income (loss)	¥(45,838)	¥ (1,946)	\$ (17,853)
(Details)			
Comprehensive income (loss) attributable to owners of parent	¥(48,825)	¥ (4,884)	\$ (44,807)
Comprehensive income (loss) attributable to non-controlling interests	2,986	2,938	26,954



## Consolidated Financial Statements

## Consolidated Statements of Changes in Net Assets

Fiscal Years Ended March 31, 2019 and 2020

	Number of shares of issued common stock (Shares)	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2018	116,254,892	¥104,873	¥216,420	¥ 73,506	¥(1,414)	¥393,386
Changes of items during the period						
Cash dividends paid				(3,473)		(3,473)
Profit (loss) attributable to owners of parent				(35,220)		(35,220)
Purchase of treasury stock					(13)	(13)
Disposition of treasury stock			(0)		0	0
Changes in scope of consolidation				452		452
Change in ownership interest of parent due to transactions with non-controlling interests			(6)			(6)
Change in treasury stock due to changes in equity in affiliates accounted for by equity method					0	0
Changes in items other than shareholders' equity, net						
Total changes of items during the period		—	(6)	(38,240)	(13)	(38,260)
Balance at March 31, 2019	116,254,892	¥104,873	¥216,414	¥ 35,265	¥(1,427)	¥355,125
Balance at April 1, 2019	116,254,892	¥104,873	¥216,414	¥ 35,265	¥(1,427)	¥355,125
Changes of items during the period						
Cash dividends paid				(4,630)		(4,630)
Profit (loss) attributable to owners of parent				14,212		14,212
Purchase of treasury stock					(411)	(411)
Disposition of treasury stock			(0)		0	0
Change in treasury stock due to changes in equity in affiliates accounted for by equity method					0	0
Changes in items other than shareholders' equity, net						
Total changes of items during the period		—	(0)	9,582	(411)	9,170
Balance at March 31, 2020	116,254,892	¥104,873	¥216,414	¥ 44,847	¥(1,838)	¥364,296

	Number of shares of issued common stock (Shares)	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2019		\$962,138	\$1,985,450	\$323,532	\$(13,092)	\$3,258,028
Changes of items during the period						
Cash dividends paid				(42,477)		(42,477)
Profit (loss) attributable to owners of parent				130,385		130,385
Purchase of treasury stock					(3,771)	(3,771)
Disposition of treasury stock			(0)		0	0
Change in treasury stock due to changes in equity in affiliates accounted for by equity method					0	0
Changes in items other than shareholders' equity, net						
Total changes of items during the period		—	(0)	87,908	(3,771)	84,128
Balance at March 31, 2020		\$962,138	\$1,985,450	\$411,440	\$(16,862)	\$3,342,165

Accumulated other comprehensive income							Non-controlling interests	Total net assets
Net unrealized holding gain on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income				
¥23,243	¥(1,566)	¥23,338	¥ (1,376)	¥ 43,638	¥ 6,373	¥443,398		
(1,968)	(717)	(7,918)	(3,000)	(13,605)	3,811	(9,793)		
(1,968)	(717)	(7,918)	(3,000)	(13,605)	3,811	(48,054)		
¥21,274	¥(2,283)	¥15,419	¥ (4,377)	¥ 30,033	¥10,184	¥395,343		
¥21,274	¥(2,283)	¥15,419	¥ (4,377)	¥ 30,033	¥10,184	¥395,343		
(4,470)	(5,347)	(1,324)	(7,954)	(19,097)	1,159	(17,937)		
(4,470)	(5,347)	(1,324)	(7,954)	(19,097)	1,159	(8,766)		
¥16,804	¥(7,631)	¥14,095	¥(12,332)	¥ 10,936	¥11,344	¥386,577		

Accumulated other comprehensive income							Non-controlling interests	Total net assets
Net unrealized holding gain on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income				
\$195,174	\$(20,945)	\$141,459	\$ (40,156)	\$ 275,532	\$ 93,431	\$3,627,000		
(41,009)	(49,055)	(12,147)	(72,972)	(175,202)	10,633	(164,560)		
(41,009)	(49,055)	(12,147)	(72,972)	(175,202)	10,633	(80,422)		
\$154,165	\$(70,009)	\$129,312	\$(113,138)	\$ 100,330	\$104,073	\$3,546,578		

Millions of yen

Thousands of U.S. dollars



## Consolidated Financial Statements

## Consolidated Statements of Cash Flows

Fiscal Years Ended March 31, 2019 and 2020

	FY2019/3	Millions of yen	Thousands of U.S. dollars
		FY2020/3	FY2020/3
Operating activities			
Profit (loss) before income taxes	¥(27,644)	¥ 21,648	\$ 198,606
Depreciation	60,422	58,705	538,578
Amortization of goodwill	2,036	1,840	16,881
Increase (decrease) in allowance for doubtful receivables	100	(59)	(541)
Increase (decrease) in net defined benefit liability	(3,763)	(1,431)	(13,128)
Increase (decrease) in allowance for environmental costs	14,466	166	1,523
Interest and dividend income	(2,511)	(2,187)	(20,064)
Interest expense	7,391	6,345	58,211
Equity in (earnings) losses of affiliates	(10,641)	(4,230)	(38,807)
Loss (gain) on sales of investment securities	(3,106)	(220)	(2,018)
Loss (gain) on valuation of investment securities	625	2,562	23,505
Loss (gain) on liquidation of subsidiaries and affiliates	—	(2,519)	(23,110)
Impairment loss	14,252	2,971	27,257
Loss on disposal of non-current assets	2,088	2,933	26,908
Loss on reorganization of production structure	18,330	—	—
Decrease (increase) in receivables	(13,594)	6,231	57,165
Decrease (increase) in inventories	(11,821)	6,571	60,284
Increase (decrease) in payables	2,633	(24,331)	(223,220)
Other	10,497	1,281	11,752
Subtotal	59,761	76,275	699,771
Interest and dividends received	5,072	4,554	41,780
Interest paid	(7,606)	(6,770)	(62,110)
Payments for supplementary retirement benefits	(389)	(166)	(1,523)
Income taxes paid	2,923	(6,856)	(62,899)
Net cash provided by (used in) operating activities	¥ 59,760	¥ 67,036	\$ 615,009

	FY2019/3	Millions of yen	Thousands of U.S. dollars
		FY2020/3	FY2020/3
Investing activities			
Purchases of non-current assets	¥(72,022)	¥(67,676)	\$ (620,881)
Proceeds from sales of non-current assets	3,813	1,227	11,257
Purchases of investments in other securities	(1,294)	(1,191)	(10,927)
Proceeds from sales of investments securities	22,559	572	5,248
Payments for investments in capital of subsidiaries and affiliates	(1)	(977)	(8,963)
Payments for business withdrawal	(90)	—	—
Decrease (increase) in short-term loans receivable	413	(1,279)	(11,734)
Payments of long-term loans receivable	(699)	(849)	(7,789)
Collection of long-term loans receivable	130	104	954
Other	(270)	(43)	(394)
Net cash provided by (used in) investing activities	(47,461)	(70,113)	(643,239)
Financing activities			
Increase (decrease) in short-term loans payable	(62,133)	(26,016)	(238,679)
Proceeds from long-term loans payable	129,239	106,978	981,450
Repayment of long-term loans payable	(70,030)	(69,838)	(640,716)
Redemption of bonds	—	(10,000)	(91,743)
Purchase of treasury shares	(13)	(411)	(3,771)
Proceeds from share issuance to non-controlling shareholders	660	—	—
Cash dividends paid	(3,480)	(4,634)	(42,514)
Dividends paid to non-controlling interests	(2)	(1,778)	(16,312)
Finance lease principal payments	(959)	(1,684)	(15,450)
Other	(0)	(11)	(101)
Net cash provided by (used in) financing activities	(6,720)	(7,397)	(67,862)
Effect of exchange rate changes on cash and cash equivalents	(1,135)	(135)	(1,239)
Increase (decrease) in cash and cash equivalents	4,443	(10,609)	(97,330)
Cash and cash equivalents at beginning of year	59,003	63,455	582,156
Increase due to inclusion of certain subsidiaries in consolidation	8	—	—
Cash and cash equivalents at end of period	¥ 63,455	¥ 52,846	\$ 484,826

# Consolidated Subsidiaries and Equity-Method Affiliates

(As of March 31, 2020)

## Consolidated Subsidiaries

Paper and Paperboard Business	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Tokai Industrial Paper Supply Co., Ltd.	Japan	350	65.00	Containerboards
Nippon Paper Papyrus Co., Ltd.	Japan	3,949	100.00	Printing and industrial paper
NP Trading Co., Ltd.	Japan	1,000	100.00	Purchase and sale of paper and pulp
Kitakami Paper Co., Ltd.	Japan	10	99.85	—
Kokuei Paper Co., Ltd.	Japan	100	100.00	Cutting and sale of paper
SUN-OAK CO., LTD.	Japan	75	100.00	Cutting and sale of paper
Paper Australia Pty. Ltd. (and its 10 subsidiaries)	Australia	(AUD1,000) 662,280	100.00	Printing paper
Juho Thermal Oy	Finland	(EUR1,000) 7,651	100.00	Thermal paper
Siam Nippon Industrial Paper Co., Ltd.	Thailand	(THB1,000) 1,100,000	55.00	Machine glazed paper
Nippon Paper Industries USA Co., Ltd.	U.S.A.	(USD1,000) 53	100.00	—
Dyna Wave Holding Asia	The British Cayman Islands	(HKD1,000) 1	100.00	—

Daily-Life Products Business	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Paper Crecia Co., Ltd.	Japan	3,067	100.00	Sanitary paper for household and commercial use
Creacia-Kasuga Co., Ltd.	Japan	450	80.00	Sanitary paper for household and commercial use
Flowric Co., Ltd.	Japan	172	100.00	Concrete admixture
Nippon Seitai Corporation	Japan	424	100.00	Kraft paper bags for heavy-duty packaging
Kyoei Seitai K.K.	Japan	40	60.19	Kraft paper bags for heavy-duty packaging
Nippon Dynawave Packaging Company, LCC	U.S.A.	(USD1,000) 200,000	100.00	Liquid packaging boards and pulp

Energy Business	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Paper Ishinomaki Energy Center Ltd.	Japan	6,000	70.00	Energy sales

Wood Products and Construction Related Business	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Paper Lumber Co., Ltd.	Japan	440	100.00	Lumber and construction materials
IWAKUNI-KAIUN CO., LTD.	Japan	20	100.00	Shipping business
NIPPON PAPER UNITEC CO., LTD.	Japan	40	100.00	Construction and repairs
Kokusaku Kiko Co., Ltd.	Japan	60	100.00	Construction and repairs
Nippon Paper Ishinomaki Technology Co., Ltd.	Japan	40	100.00	Construction and repairs
N&E Co., Ltd.	Japan	450	70.00	Medium density fiberboard (MDF)
Daishowa Uniboard Co., Ltd.	Japan	490	100.00	Melamine decorative particle board
Nanei Co., Ltd.	Japan	30	100.00	Wood chips
Nichimoku Fancy Materials Co., Ltd.	Japan	50	100.00	Construction materials
Amapá Florestal e Celulose S.A. (and its one subsidiary)	Brazil	(BRL1,000) 329,144	100.00	Afforestation
Nippon Paper Resources Australia Pty. Ltd.	Australia	(AUD1,000) 26,500	100.00	Afforestation

Other Businesses	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Nippon Paper Development Co., Ltd.	Japan	710	100.00	Leisure business
Nippon Paper Logistics Co., Ltd.	Japan	10	100.00	Logistics-related consulting
NIPPON PAPER LOGISTICS CO., LTD.	Japan	70	100.00	Logistics services
Kyokushin Transport Corporation	Japan	80	100.00	Logistics services
Nanko Unyu Co., Ltd.	Japan	160	100.00	Logistics services
Sakurai Co., Ltd.	Japan	120	54.77	Office products
Hotoku Co., Ltd.	Japan	25	100.00	Logistics services
GAC CO., LTD.	Japan	48	100.00	Printing and processing business

## Equity-Method Affiliates

	Location	Capital or Investment (¥ million)	Share of Voting Rights (%)	Main Products and Businesses
Shin Tokai Paper Co., Ltd.	Japan	3,135	35.00	Containerboards
KYODO PAPER HOLDINGS CO., LTD.	Japan	2,381	30.75	Paper and paper products
Phoenix Pulp & Paper Public Company Ltd.	Thailand	(THB1,000) 2,462,811	30.00	Paper and pulp
Daishowa Paper Converting Co., Ltd.	Japan	235	44.68	Laminated paper and paper containers, business communication paper
DIXIE JAPAN LTD.	Japan	100	44.41	Paper cups for beverages
Nippon Tokan Package Co., Ltd.	Japan	700	45.00	Containerboards and paper containers
LINTEC Corporation	Japan	23,249	30.97	Adhesive products
Nippon Paper Mega Solar Komatsushima, LLC	Japan	1	50.00	Operation of solar power generation facility and sale of electricity
Suzukawa Energy Center Ltd.	Japan	1,591	20.00	Energy sales
CHIYODA SVAC CO., LTD.	Japan	200	32.50	Real estate transactions

# Company Profile / Stock Information (As of March 31, 2020)

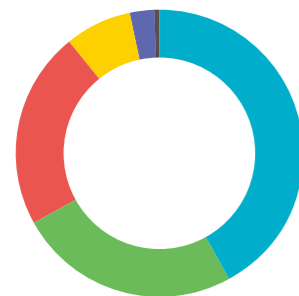
**Company Name** Nippon Paper Industries Co., Ltd.  
**Head Office** 4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo 101-0062, Japan  
**Establishment** August 1, 1949  
**Number of Employees** 5,324 non-consolidated  
 12,592 consolidated  
**Capital** ¥104,873 million  
**Shares** Number of shares authorized to be issued  
 300,000,000 shares  
 Number of shares issued  
 116,254,892 shares  
 (including 349,789 shares of treasury stock)  
**Number of Shareholders** 97,186

## Major Shareholders

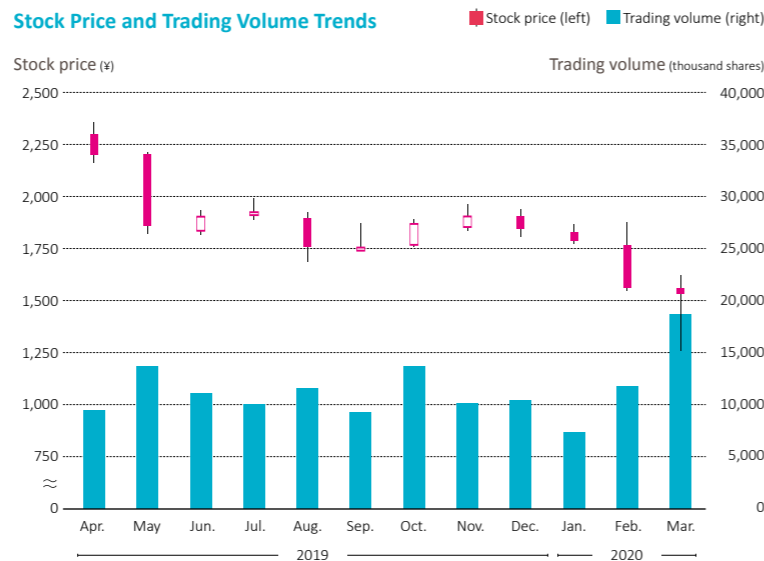
Name	Shares Held	Shareholding Ratio (%)*
Ichigo Trust Pte. Ltd.	13,493,600	11.64
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,149,800	7.03
Japan Trustee Services Bank, Ltd. (Trust Account)	8,093,400	6.98
Mizuho Bank, Ltd.	4,341,855	3.75
Nippon Paper Industries Co., Ltd. Employee Share Ownership	3,023,829	2.61
JPMorgan Securities Japan Co., Ltd.	2,616,665	2.26
Nippon Life Insurance Company	2,473,165	2.13
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,374,900	2.05
Taiju Life Insurance Co., Ltd.	2,258,900	1.95
Nippon Paper Industries Co., Ltd. Business Partners Share Ownership	1,948,700	1.68

\* The shareholding ratio was calculated after deducting 349,789 shares of treasury stock.

## Percentage of Shares Held by Shareholder Type



## Stock Price and Trading Volume Trends



## Sustainability Report

The Nippon Paper Group has been issuing a sustainability report every year to disclose information on its CSR-related activities to all stakeholders. *Sustainability Report 2020* — which, along with the online version of this integrated report, is provided on our website— was prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Sustainability Reporting Standards and discusses the Group Mission and other matters in the “Special Feature” section.

<b>Page 1</b>	Editorial Policy	<b>Page 15</b>	Management Responsibility	<b>Page 56</b>	Responsibility to Customers
<b>Page 2</b>	Message from the President	<b>Page 28</b>	Forest Management and Raw Material	<b>Page 65</b>	Human Rights, Employment and Labor Responsibility
<b>Page 6</b>	Special Feature	<b>Page 39</b>	Procurement Responsibility	<b>Page 80</b>	Responsibility to Communities
<b>Page 13</b>	Business Overview and Production Locations	<b>Page 56</b>	Environmental Responsibility	<b>Page 87</b>	External Evaluation

## Online Resources

**Nippon Paper Group's Website**  
<https://www.nipponpapergroup.com/english/>



**Sustainability Report**  
<https://www.nipponpapergroup.com/english/csr/>



**Securities Report (Japanese only)**  
 (EDINET code: E11873)



**Corporate Governance Report**  
<https://www.nipponpapergroup.com/english/ir/202000701ecg.pdf>



## External Evaluations

(Nippon Paper Industries has been recognized by the following key ESG indices and ratings)



2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)



The Development Bank of Japan (DBJ) has awarded Nippon Paper its highest environmental rating, citing its particularly advanced environmental initiatives. Environmental rating acquisition date: November 2018



Sumitomo Mitsui Banking Corporation has awarded Nippon Paper the AAA rating, its highest rating for ESG and SDG evaluation-type financing.