

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (unaudited)

Name of Company Listed: **Nippon Paper Industries Co., Ltd.**
 Stock Exchange Listings: Tokyo
 Code Number: 3863
 URL: <https://www.nipponpapergroup.com/english/>
 Representative: Toru Nozawa, President
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Planned date of Financial Report submission: August 13, 2020
 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 2020 (April 1, 2020–June 30, 2020)

(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 2020	223,821	-14.2	4,252	-41.8	-936	—	-3,791	—
Three months ended June 2019	260,968	0.0	7,313	8.7	7,113	-16.2	4,180	—

Note: Comprehensive income

Three months ended June 2020	-14,686 million yen	(- %)
Three months ended June 2019	5,405 million yen	(- %)

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Three months ended June 30, 2020	-32.83	—
Three months ended June 30, 2019	36.13	—

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	1,534,868	365,692	23.2
As of March 31, 2020	1,363,469	386,577	27.5

Reference: Shareholders' equity	As of June 30, 2020	355,567 million yen
	As of March 31, 2020	375,232 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
Fiscal year ended March, 2020	Yen —	Yen 10.00	Yen —	Yen 30.00	Yen 40.00
Fiscal year ending March, 2021	—				
Fiscal year ending March, 2021 (Projection)		10.00	—	30.00	40.00

Note: Recent revisions to dividend projection /No

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2021 (April 1, 2020–March 31, 2021)

(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
Full fiscal year	1,000,000	-4.2	20,000	-42.9	12,000	-60.7	3,000	-78.9	25.97

Note: Recent revisions to projection of consolidated financial results/Yes

4. Others

[1] Has the Company made any important changes in its subsidiaries (changes in specified subsidiaries which result 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)? /No

(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, 2020 116,254,892 Shares

March 31, 2020 116,254,892 Shares

(ii) Number of treasury stock as of:

June 30, 2020 746,556 Shares

March 31, 2020 746,679 Shares

(iii) Average number of shares during the periods of:

Three months ended June 2020 115,507,872 Shares

Three months ended June 2019 115,722,180 Shares

* This “Summary of Consolidated Financial Results” is not subject to auditing.

*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.

<https://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 2020 (April 1, 2020–June 30, 2020)

Operating results by business segment are as follows:

Paper and Paperboard:

Consolidated net sales	¥ 134,655 million	(down 18.7% year-on-year)
Consolidated operating income	¥ -1,061 million	(The result for the same period of previous year was ¥1,213 million)

Daily-life Products

Consolidated net sales	¥ 63,285 million	(down 6.5% year-on-year)
Consolidated operating income	¥ 2,998 million	(down 21.7% year-on-year)

Energy

Consolidated net sales	¥ 7,615 million	(up 8.7% year-on-year)
Consolidated operating income	¥ 1,449 million	(up 38.3% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥ 12,424 million	(down 8.2% year-on-year)
Consolidated operating income	¥ 1,086 million	(down 15.2% year-on-year)

(Reference information)

Regarding the consolidated financial forecast for the fiscal year ending March 2021, we forecast consolidated net sales of ¥1,000,000 million, consolidated operating income of ¥20,000 million, consolidated ordinary income of ¥12,000 million, and net income attributable to owners of the parent of ¥3,000 million. The forecast is based on the information available at the moment, and actual earnings may differ from the forecast figures due to various factors. The above consolidated earnings forecast is based on the information available at the moment, and actual earnings may differ from the forecast figures due to various factors.

1. Information on the consolidated financial forecast for the fiscal year ending March 2021

As for the impact of the new coronavirus infection, we expect the demand for newsprint and printing paper has hit the bottom in the first quarter of this fiscal year and then will gradually begin to recover. Regarding the demand for household papers such as tissue paper and toilet rolls, which has been declining due to the reaction of panic buying occurred at the end of the previous fiscal year, has also hit the bottom in the first quarter of this fiscal year and then will gradually begin to recover to the normal levels in the second half of the year.

We also anticipate posting temporary acquisition-related expenses of approximately 5,500 million yen, including stamp taxes related to the transfer of the paperboard packaging business in Australia and New Zealand, mainly in the second quarter of this fiscal year ended March 2021.

The foreign exchange rate and price of raw materials are assumed to fluctuate at the current level

2. Information on change in business segment

The Group completed the acquisition of Orora's paperboard and packaging business in Australia and New Zealand through our consolidated subsidiary, Paper Australia Pty Ltd (hereinafter Australian paper) on April 30, 2020. We incorporate the acquired business with Australian Paper into the newly established group, "Opal". Opal is classified in "Daily-life products business". In compliance of this change, Australian Paper which was classified into "Paper and Paperboard business" is reclassified in "Daily-life products business" from the first quarter of this fiscal year ended March 2021.

The segment information for the first quarter of the previous consolidated fiscal year is adjusted based on this change.

3. Information on change by business segment

The Group completed the acquisition of Orora's paperboard and packaging business in Australia and New Zealand through our consolidated subsidiary, Paper Australia Pty Ltd (hereinafter Australian paper) on April 30, 2020. We incorporate the acquired business with Australian Paper into the newly established group, "Opal" And Opal's settlement of accounts is at the end of December and we made the necessary adjustments to this transaction. Therefore, the assets of "Daily-life products business" increased by JPY 113,527 million.

1. Supplementary Financial Results Presentation Materials for the Three Months Ended June 30, 2020

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	52,846	231,982
Notes and accounts receivable-trade	228,178	220,434
Merchandise and finished goods	86,985	88,016
Work in process	19,087	23,561
Raw materials and supplies	65,715	67,713
Other	44,589	46,325
Allowance for doubtful accounts	(530)	(562)
Total current assets	496,871	677,470
Non-current assets		
Property, plant and equipment		
Buildings and structures	509,606	511,179
Accumulated depreciation	(373,790)	(375,253)
Buildings and structures, net	135,815	135,925
Machinery, equipment and vehicles	2,222,315	2,215,196
Accumulated depreciation	(1,946,441)	(1,940,921)
Machinery, equipment and vehicles, net	275,873	274,274
Land	197,676	196,869
Construction in progress	37,803	31,957
Other	75,075	72,807
Accumulated depreciation	(41,719)	(41,144)
Other, net	33,355	31,663
Total property, plant and equipment	680,524	670,690
Intangible assets	8,996	8,819
Investments and other assets		
Investments in securities	155,891	156,993
Other	21,848	21,557
Allowance for doubtful accounts	(662)	(661)
Total investments and other assets	177,077	177,889
Total non-current assets	866,598	857,398
Total assets	1,363,469	1,534,868

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and account payable-trade	120,593	112,601
Short-term loans payable	191,719	305,935
Current portion of bonds	15,000	15,000
Commercial papers	—	61,000
Income taxes payable	5,363	1,721
Other	101,531	88,376
Total current liabilities	434,209	584,635
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term loans payable	444,677	481,924
Provision for environmental measures	14,947	14,860
Net defined benefit liability	18,361	18,121
Other	29,697	34,635
Total non-current liabilities	542,683	584,541
Total liabilities	976,892	1,169,176
Net assets		
Shareholders' equity		
Capital stock	104,873	104,873
Capital surplus	216,414	216,414
Retained earnings	44,847	36,860
Treasury shares	(1,838)	(1,838)
Total shareholders' equity	364,296	356,309
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,804	20,186
Deferred gains or losses on hedges	(7,631)	(4,201)
Foreign currency translation adjustment	14,095	(4,721)
Remeasurements of defined benefit plans	(12,332)	(12,005)
Total accumulated other comprehensive income	10,936	(742)
Non-controlling interests	11,344	10,124
Total net assets	386,577	365,692
Total liabilities and net assets	1,363,469	1,534,868

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

(Millions of yen)

	Three months ended June 2019	Three months ended June 2020
Net sales	260,968	223,821
Cost of sales	209,394	178,691
Gross profit	51,573	45,129
Selling, general and administrative expenses		
Freightage related expenses	16,577	14,640
Sales related expenses	11,952	10,223
Salaries and allowances	8,785	9,189
Other	6,943	6,823
Total selling, general and administrative expenses	44,260	40,877
Operating income	7,313	4,252
Non-operating income		
Interest income	125	53
Dividend income	839	1,039
Share of profit of entities accounted for using equity method	814	392
Other	1,005	751
Total non-operating income	2,785	2,236
Non-operating expenses		
Interest expense	1,730	1,590
Exchange loss	403	3,346
Other	850	2,488
Total non-operating expenses	2,984	7,426
Ordinary income	7,113	(936)
Extraordinary income		
Gain on sales of investment securities	56	862
Other	47	68
Total extraordinary income	104	930
Extraordinary loss		
Loss on fixed asset retirement	393	465
Loss on infectious diseases-related	-	266
Other	762	89
Total extraordinary loss	1,156	821
Profit (loss) before income taxes	6,062	(827)
Income taxes—current	1,384	1,203
Income taxes—deferred	(330)	919
Total income taxes	1,053	2,123
Profit(loss)	5,008	(2,950)
Profit(loss)attributable to non-controlling interests	827	841
Profit(loss) attributable to owners of parent	4,180	(3,791)

- Consolidated Statements of Comprehensive Income -

	(Millions of yen)	
	Three months ended June 2019	Three months ended June 2020
Profit (loss)	5,008	(2,950)
Other comprehensive income		
Valuation difference on available-for-sale securities	241	3,287
Deferred gains or losses on hedges	(321)	3,302
Foreign currency translation adjustment	54	(17,235)
Remeasurements of defined benefit plans	6	266
Share of other comprehensive income of entities accounted for using equity method	415	(1,356)
Total other comprehensive income	396	(11,735)
Comprehensive income	5,405	(14,686)
(Details)		
Comprehensive income attributable to owners of parent	4,574	(15,469)
Comprehensive income attributable to non-controlling interests	830	782

(Significant Subsequent Events)

At the meeting of the Board of Directors of the Company held on August 6, 2020, 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 6, 2020 to August 1, 2021
- (5) Method of redemption: bullet repayment
- (6) Application of funds: capital investment, repayment of loans payable, etc.