

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2021 (unaudited)

Name of Company Listed: **Nippon Paper Industries Co., Ltd.**
 Stock Exchange Listings: Tokyo
 Code Number: 3863
 URL: <https://www.nipponpapergroup.com/english/>
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Planned date of Financial Report submission: November 12, 2021
 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 Six Months Ended September 2021 (April 1, 2021–September 30, 2021)

(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	%
Six months ended September 30, 2021	508,402	8.8	8,113	104.3	9,696	–	2,196	–
Six months ended September 30, 2020	467,403	-10.9	3,971	-73.9	-2,128	–	-8,048	–

Note: Comprehensive income

Six months ended September 2021	20,048 million yen	(– %)
Six months ended September 2020	-2,029 million yen	(– %)

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Six months ended September 30, 2021	19.01	–
Six months ended September 30, 2020	-69.68	–

Note: Nippon paper has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the current consolidated fiscal year. The Accounting Standard for Revenue Recognition has been accounted for in the consolidated financial results for the fiscal year ending in March 2022.

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	1,552,692	437,703	27.5
As of March 31, 2021	1,547,326	424,721	26.7

Reference: Shareholders' equity	As of September 30, 2021	426,371 million yen
	As of March 31, 2021	412,368 million yen

Note: Nippon paper has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the current consolidated fiscal year. The Accounting Standard for Revenue Recognition has been accounted for in the consolidated financial results for the fiscal year ending in March 2022.

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, 2021	Yen —	Yen 10.00	Yen —	Yen 30.00	Yen 40.00
Fiscal year ending March, 2022	—	10.00			
Fiscal year ending March, 2022 (Projection)			—	30.00	40.00

Note: Recent revisions to dividend projection /No

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2022 (April 1, 2021–March 31, 2022)

(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	1,030,000	2.2	14,000	-27.2	14,000	14.0	1,000	-68.7	8.66

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

Note: Nippon paper has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the current consolidated fiscal year. The Accounting Standard for Revenue Recognition has been accounted for in the consolidated financial results for the fiscal year ending in March 2022.

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? /Yes
 (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:
 September 30, 2021 116,254,892 Shares
 March 31, 2021 116,254,892 Shares
 (ii) Number of treasury stock as of:
 September 30, 2021 721,183 Shares
 March 31, 2021 750,237 Shares
 (iii) Average number of shares during the periods of:
 Six months ended September 2021 115,516,848 Shares
 Six months ended September 2020 115,509,504 Shares

*We introduced the "Board Benefit Trust (BBT)", and have included our shares held by this trust in treasury stock, which is deducted from the calculation of the number of treasury shares at the end of the period and the average number of shares during the period.

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

*Disclaimer regarding forward-looking statement and other remarks:

- 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.
- 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 Six Months Ended September 2021 (April 1, 2021–September 30, 2021)

Operating results by business segment are as follows:

Paper and Paperboard:

Consolidated net sales	¥ 261,387 million	(down 4.1% year-on-year)
Consolidated operating income	¥ -150 million	(The result for the same period of previous year was ¥ -2,020 million)

Daily-life Products

Consolidated net sales	¥ 189,684 million	(up 35.0% year-on-year)
Consolidated operating income	¥ 1,772 million	(down 70.2% year-on-year)

Energy

Consolidated net sales	¥ 14,760 million	(down 10.1% year-on-year)
Consolidated operating income	¥ 1,124 million	(down 66.7% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥ 28,546 million	(up 11.7% year-on-year)
Consolidated operating income	¥ 3,499 million	(up 45.5% year-on-year)

(Reference information)

1. Revisions to Projections for Consolidated Financial Results for the Fiscal Year Ending March 2022 (April 1, 2021–March 31, 2022)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previously announced projection (A)	Millions of yen 1,030,000	Millions of yen 25,000	Millions of yen 19,000	Millions of yen 1,000	Yen 8.66
Revised projection (B)	1,030,000	14,000	14,000	1,000	8.66
Change (B-A)	—	-11,000	-5,000	—	—
Rate of change (%)	—	-44.0	-26.3	—	—
(Reference) Fiscal Year Ended March 2021	1,007,339	19,223	12,276	3,196	27.67

The projections presented above are based on the information available at the time of announcement. Actual results may differ from the projection due to variety of factors.

2. Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition, etc.)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020. Hereinafter “Revenue Recognition Standard”) and related guidelines have been adopted from the beginning of the current first quarter. In line with this adoption, revenue is recognized at the time of the transfer of controls for promised goods or services to customers in the amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

As a main change of the adoption of the new accounting standard, the compensation paid to some customers was previously recorded in selling, general and administrative expenses, but it has been changed to a method of reducing it from net sales. In addition, for certain transactions that qualify as an agent, the entire amount received as compensation from the customers was previously recognized as revenue, but now only the difference between the amount received from the customers and the amount paid to the supplier is recognized as revenue. In adopting the Revenue Recognition Standard, in accordance with the transitional treatment set forth in the proviso of Article 84 of the Revenue Recognition Standard, the cumulative effect of retrospective application of the standards prior to the beginning of the current first quarter was added to or subtracted from retained earnings at the beginning of the current first quarter. The new accounting policy was applied from the beginning balance of the current first quarter.

As a result, for the period of current second quarter, net sales decreased by ¥30,764 million, cost of sales decreased by ¥16,441 million, selling, general and administrative expenses decreased by ¥14,302 million. Operating income, ordinary income, and profit before income taxes respectively decreased by ¥21 million. In addition, the balance of retained earnings at the beginning of the current first quarter decreased by ¥4 million.

In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the second quarter of the previous consolidated fiscal year is not shown.

3. Application of Accounting Standard for Fair Value Measurement, etc.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019. Hereinafter “Fair Value Measurement Standard”) and other standards have been adopted from the beginning of the current first quarter, and in accordance with the transitional treatment set forth in Article 19 of Fair Value Measurement Standard and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), Nippon paper will continue to apply new accounting policies prescribed by Fair Value Measurement Standard and other standards into the future. There are no impacts from these changes in the Quarterly Consolidated Financial Statements.

1. Supplementary Financial Results Presentation Materials for the Six Months Ended September 30, 2021

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	69,733	56,794
Notes and accounts receivable-trade	251,210	236,414
Merchandise and finished goods	84,596	93,717
Work in process	18,241	21,219
Raw materials and supplies	70,840	73,748
Other	39,993	44,944
Allowance for doubtful accounts	(851)	(866)
Total current assets	533,764	525,972
Non-current assets		
Property, plant and equipment		
Buildings and structures	535,112	538,705
Accumulated depreciation	(382,445)	(387,700)
Buildings and structures, net	152,666	151,004
Machinery, equipment and vehicles	2,325,630	2,346,159
Accumulated depreciation	(1,988,826)	(2,013,907)
Machinery, equipment and vehicles, net	336,803	332,251
Land	207,556	208,762
Construction in progress	35,275	34,241
Other	96,338	99,556
Accumulated depreciation	(46,628)	(49,276)
Other, net	49,710	50,280
Total property, plant and equipment	782,012	776,540
Intangible assets	24,710	24,303
Investments and other assets		
Investments in securities	161,375	181,117
Other	46,041	45,329
Allowance for doubtful accounts	(577)	(571)
Total investments and other assets	206,839	225,876
Total non-current assets	1,013,562	1,026,720
Total assets	1,547,326	1,552,692

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and account payable-trade	125,115	131,337
Short-term loans payable	199,009	206,098
Income taxes payable	3,799	3,633
Other	98,762	97,258
Total current liabilities	426,687	438,327
Non-current liabilities		
Bonds payable	35,000	50,000
Long-term loans payable	574,846	542,010
Provision for environmental measures	14,223	13,471
Net defined benefit liability	12,790	12,920
Other	59,057	58,257
Total non-current liabilities	695,918	676,661
Total liabilities	1,122,605	1,114,989
Net assets		
Shareholders' equity		
Capital stock	104,873	104,873
Capital surplus	216,417	216,417
Retained earnings	42,672	39,728
Treasury shares	(1,839)	(1,781)
Total shareholders' equity	362,124	359,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,407	23,587
Deferred gains or losses on hedges	140	2,897
Foreign currency translation adjustment	22,160	34,704
Remeasurements of defined benefit plans	4,536	5,945
Total accumulated other comprehensive income	50,244	67,134
Non-controlling interests	12,352	11,331
Total net assets	424,721	437,703
Total liabilities and net assets	1,547,326	1,552,692

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

	(Millions of yen)	
	Six months ended September 2020	Six months ended September 2021
Net sales	467,403	508,402
Cost of sales	374,522	420,993
Gross profit	92,880	87,409
Selling, general and administrative expenses		
Freightage related expenses	29,580	35,958
Sales related expenses	20,906	5,790
Salaries and allowances	19,069	22,909
Other	19,352	14,638
Total selling, general and administrative expenses	88,909	79,295
Operating income	3,971	8,113
Non-operating income		
Interest income	94	126
Dividend income	1,416	1,061
Share of profit of entities accounted for using equity method	2,297	4,577
Other	1,699	2,267
Total non-operating income	5,507	8,033
Non-operating expenses		
Interest expense	3,509	3,760
Exchange loss	4,117	—
Other	3,981	2,688
Total non-operating expenses	11,608	6,449
Ordinary income(loss)	(2,128)	9,696
Extraordinary income		
Gain on sales of investment securities	5,869	5,395
Other	93	47
Total extraordinary income	5,963	5,442
Extraordinary loss		
Loss on disaster	688	2,534
Loss on business withdrawal	—	1,720
Impairment loss	5,288	1,468
Loss on fixed asset retirement	1,273	1,112
Other	980	765
Total extraordinary loss	8,231	7,602
Profit (loss) before income taxes	(4,396)	7,536
Income taxes-current	2,462	3,112
Income taxes-deferred	(314)	1,261
Total income taxes	2,148	4,374
Profit(loss)	(6,545)	3,162
Profit attributable to non-controlling interests	1,502	966
Profit(loss) attributable to owners of parent	(8,048)	2,196

- Consolidated Statements of Comprehensive Income -

	(Millions of yen)	
	Six months ended September 2020	Six months ended September 2021
Profit (loss)	(6,545)	3,162
Other comprehensive income		
Valuation difference on available-for-sale securities	1,109	573
Deferred gains or losses on hedges	3,991	1,888
Foreign currency translation adjustment	(506)	12,563
Remeasurements of defined benefit plans	513	1,306
Share of other comprehensive income of entities accounted for using equity method	(591)	553
Total other comprehensive income	4,516	16,885
Comprehensive income	(2,029)	20,048
(Details)		
Comprehensive income attributable to owners of parent	(3,516)	19,086
Comprehensive income attributable to non-controlling interests	1,487	961