

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (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: February 14, 2023
 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 Nine Months Ended December 2022 (April 1, 2022–December 31, 2022)

(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	%
Nine Months Ended December 31, 2022	849,400	9.7	-22,766	—	-19,541	—	-25,700	—
Nine Months Ended December 31, 2021	773,976	4.8	10,423	-2.6	11,285	279.3	2,387	2.2

Note: Comprehensive income

Nine Months Ended December 31, 2022 10,724 million yen (-23.9%)
 Nine Months Ended December 31, 2021 14,101 million yen (27.5%)

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Nine Months Ended December 31, 2022	-222.44	—
Nine Months Ended December 31, 2021	20.67	—

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	1,737,910	454,524	25.0
As of March 31, 2022	1,639,286	438,604	26.0

Reference: Shareholders' equity As of December 31, 2022 434,598 million yen
 As of March 31, 2022 426,931 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	10.00	—	30.00	40.00
Fiscal year ending March 31, 2023	—	0.00	—		
Fiscal year ending March 31, 2023 (Projection)				0.00	0.00

Note: Recent revisions to dividend projection /No

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2023 (April 1, 2022–March 31, 2023)

(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	1,150,000	10.0	-24,000	—	-23,000	—	-48,000	—	-415.46

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? /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:

December 31, 2022 116,254,892 Shares

March 31, 2022 116,254,892 Shares

(ii) Number of treasury stock as of:

December 31, 2022 714,162 Shares

March 31, 2022 721,288 Shares

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

Nine Months Ended December 31, 2022 115,538,446 Shares

Nine Months Ended December 31, 2021 115,523,110 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:

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 Nine Months Ended December 2022 (April 1, 2022–December 31, 2022)

Operating results by business segment are as follows:

Paper and Paperboard:

Consolidated net sales	¥ 416,226 million	(up 5.1% year-on-year)
Consolidated operating income	¥ - 21,975 million	(The result for the same period of previous year was ¥ - 2,221 million)

Daily-life Products

Consolidated net sales	¥ 328,452 million	(up 14.0% year-on-year)
Consolidated operating income	¥ - 6,619 million	(The result for the same period of previous year was ¥ 3,232 million)

Energy

Consolidated net sales	¥ 32,249 million	(up 41.8% year-on-year)
Consolidated operating income	¥ - 2,243 million	(The result for the same period of previous year was ¥ 1,292 million)

Wood Products and Construction Related:

Consolidated net sales	¥ 50,844 million	(up 11.8% year-on-year)
Consolidated operating income	¥ 6,302 million	(up 13.5% year-on-year)

2. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2023 (April 1, 2022–March 31, 2023)

Projection of consolidated financial results for the fiscal year ending March 2023 has been revised below. Previous forecast was released on August 5, 2022.

	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
Previous Forecast (A)	1,100,000	-20,000	-20,000	-25,000	-216.39
Revised Forecast (B)	1,150,000	-24,000	-23,000	-48,000	-415.46
Variance (B-A)	50,000	-4,000	-3,000	-23,000	—
Variance (%)	4.5	-20.0	-15.0	-92.0	—
(Reference) Consolidated Financial Results for the Fiscal Year Ended March 2022	1,045,086	12,090	14,490	1,990	17.23

* This projection is revised based on the information available at present, and certain premises are thought to be reasonable. Accordingly, the result may change substantially due to various factors.

1. Supplementary Financial Results Presentation Materials for the Nine Months Ended December 31, 2022

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	136,845	106,868
Notes and accounts receivable-trade	245,205	253,829
Merchandise and finished goods	93,938	108,703
Work in process	18,206	27,377
Raw materials and supplies	78,639	109,308
Other	45,911	60,525
Allowance for doubtful accounts	(813)	(767)
Total current assets	617,934	665,845
Non-current assets		
Property, plant and equipment		
Buildings and structures	541,086	547,976
Accumulated depreciation	(392,091)	(400,465)
Buildings and structures, net	148,994	147,510
Machinery, equipment and vehicles	2,356,608	2,385,722
Accumulated depreciation	(2,023,476)	(2,046,095)
Machinery, equipment and vehicles, net	333,131	339,627
Land	208,719	212,581
Construction in progress	34,694	65,565
Other	101,196	110,024
Accumulated depreciation	(51,747)	(56,530)
Other, net	49,448	53,493
Total property, plant and equipment	774,989	818,778
Intangible assets	23,278	23,985
Investments and other assets		
Investments in securities	180,356	170,652
Other	43,300	59,104
Allowance for doubtful accounts	(572)	(456)
Total investments and other assets	223,085	229,300
Total non-current assets	1,021,352	1,072,064
Total assets	1,639,286	1,737,910

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and account payable-trade	141,435	180,702
Short-term loans payable	185,703	168,168
Commercial papers	45,000	43,000
Income taxes payable	2,182	2,019
Other	94,813	111,549
Total current liabilities	469,135	505,439
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	597,259	634,970
Provision for environmental measures	12,535	11,294
Net defined benefit liability	12,495	12,892
Other	59,256	68,788
Total non-current liabilities	731,546	777,946
Total liabilities	1,200,682	1,283,386
Net assets		
Shareholders' equity		
Capital stock	104,873	104,873
Capital surplus	216,416	216,416
Retained earnings	38,365	8,949
Treasury shares	(1,776)	(1,757)
Total shareholders' equity	357,879	328,481
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,227	11,672
Deferred gains or losses on hedges	5,810	13,469
Foreign currency translation adjustment	37,054	72,160
Remeasurements of defined benefit plans	7,959	8,813
Total accumulated other comprehensive income	69,052	106,116
Non-controlling interests	11,672	19,926
Total net assets	438,604	454,524
Total liabilities and net assets	1,639,286	1,737,910

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

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	773,976	849,400
Cost of sales	642,994	742,872
Gross profit	130,982	106,528
Selling, general and administrative expenses		
Freightage related expenses	55,462	64,279
Sales related expenses	8,668	8,651
Salaries and allowances	34,327	34,588
Other	22,099	21,775
Total selling, general and administrative expenses	120,558	129,294
Operating income (loss)	10,423	(22,766)
Non-operating income		
Interest income	116	194
Dividend income	1,575	1,747
Share of profit of entities accounted for using equity method	6,208	7,198
Exchange gain	480	1,479
Other	2,088	2,076
Total non-operating income	10,469	12,697
Non-operating expenses		
Interest expense	5,518	5,516
Other	4,090	3,955
Total non-operating expenses	9,608	9,472
Ordinary income (loss)	11,285	(19,541)
Extraordinary income		
Gain on sales of investment securities	6,515	12,126
Other	63	1,141
Total extraordinary income	6,578	13,267
Extraordinary loss		
Impairment loss	1,468	3,922
Loss on fixed asset retirement	1,771	2,476
Loss on disaster	2,835	1,777
Other	3,443	1,830
Total extraordinary loss	9,519	10,007
Profit (loss) before income taxes	8,345	(16,281)
Income taxes-current	3,360	3,350
Income taxes-deferred	1,326	5,037
Total income taxes	4,687	8,388
Profit (loss)	3,658	(24,669)
Profit attributable to non-controlling interests	1,270	1,031
Profit (loss) attributable to owners of parent	2,387	(25,700)

- Consolidated Statements of Comprehensive Income -

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit (loss)	3,658	(24,669)
Other comprehensive income		
Valuation difference on available-for-sale securities	(989)	(6,601)
Deferred gains or losses on hedges	1,671	5,237
Foreign currency translation adjustment	7,732	32,922
Remeasurements of defined benefit plans	1,884	726
Share of other comprehensive income of entities accounted for using equity method	144	3,109
Total other comprehensive income	10,443	35,394
Comprehensive income	14,101	10,724
(Details)		
Comprehensive income attributable to owners of parent	13,002	8,109
Comprehensive income attributable to non-controlling interests	1,099	2,615

(Significant Subsequent Event)

Withdrawal from White Pulp and Paper (Graphic Paper) Business at Opal, a Consolidated Overseas Subsidiary of the Company

On February 14, 2023, Paper Australia Pty Ltd. (“Opal”), an Australian consolidated subsidiary, decided to withdrawal from its graphic paper business.

1. Background of withdrawal from the business

Opal manufactures and sells paperboard, kraft paper, graphic paper, corrugated board, and folding cartons in Australia and New Zealand.

Opal’s Maryvale Mill in Victoria, Australia (MV Mill), one of Opal’s manufacturing sites, manufactures and sells graphic paper, paperboard, and kraft paper. MV Mill had sourced eucalyptus wood produced in Victoria’s state-owned forests as the raw material for bleached pulp, the main ingredient of graphic paper, from VicForests (VF), a Victorian state-owned forestry business.

VF had been contesting a combined court case involving the Environment East Gippsland and Kinglake Friends of the Forest environmental groups since 2021 regarding its timber harvesting activities. On 11 November 2022, the Supreme Court of Victoria, Australia, issued orders against VF which impacted VF ability to continue its timber harvesting operations, making it impossible for Opal to procure eucalyptus wood from VF.

In response to this sudden and unexpected suspension of supply, the Company and Opal has been considering alternative wood supplies in order to continue graphic paper operations, but has concluded that alternative procurement is not feasible and has decided to discontinue the graphic paper business at the MV Mill (permanent suspension of some manufacturing assets).

2. Outline of the business to be withdrawn

(1) Outline of Consolidated Subsidiary

Name	Paper Australia Pty Ltd
Address	Building 1, 572 Swan Street, Burnley Victoria 3121 Australia
Representative	Masanobu Iizuka, CEO
Business Description	Manufacture and sale of paperboard, kraft paper, graphic paper, corrugated board, and folding cartons
Capital	2,462 Million AUD
Consolidated Sales	1,967 Million AUD (FY2021/12)
Established	Sep 1993

(2) Outline of the business to be withdrawn

- ① Description of the withdrawn business: Manufacturing and sales of graphic paper
- ② Operating results of the discontinued business (FY2021/12) Net sales: A\$264 million
- ③ Paper machine to be discontinued
M5 paper machine at Opal’s MV Mill
Capacity: 220,000 tonnes/year
Main products: Copy Paper, etc.

3. Extraordinary loss due to withdrawal from the business

In connection with the withdrawal from the graphic paper business at the MV Mill, the Company expects to record approximately 20 billion JPY in FY2023/3 as an impairment loss on fixed assets, etc.

4. Schedule

Completion date of withdrawal from the business: Within 2023 (current plan)