

May 15, 2023

Summary of Consolidated Financial Results for the Fiscal Year Ended March 2023(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
 Person in Charge of Contact: Hiromichi Matoba, General Manager of Accounting & Budgeting Dept.
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Planned date of Ordinary General Meeting of Shareholders: June 29, 2023
 Planned date of Financial Report submission: June 29, 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 Fiscal Year Ended March 2023 (April 1, 2022–March 31, 2023)

(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	%
Fiscal Year ended March 2023	1,152,645	10.3	-26,855	—	-24,530	—	-50,406	—
Fiscal Year ended March 2022	1,045,086	3.7	12,090	-37.1	14,490	18.0	1,990	-37.7

Note: Comprehensive income

Fiscal Year ended March 2023 -28,588 million yen (— %)

Fiscal Year ended March 2022 22,104 million yen (-51.5 %)

	Net income per share	Net income per share after adjusting for dilution	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal Year ended March 2023	-436.28	—	-12.3	-1.5	-2.3
Fiscal Year ended March 2022	17.23	—	0.5	0.9	1.2

Reference: Equity in earnings of affiliates

Fiscal Year ended March 2023 7,434 million yen

Fiscal Year ended March 2022 8,618 million yen

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	1,666,542	415,200	23.7	3,415.75
As of March 31, 2022	1,639,286	438,604	26.0	3,695.31

Reference: Shareholders' equity

As of March 31, 2023 394,653 million yen

As of March 31, 2022 426,931 million yen

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 2023	65,823	-68,018	6,976	144,346
Fiscal year ended March 2022	72,378	-61,247	54,314	136,216

2. Dividend Status

	Dividends per share					Amount of total dividends (Annual)	Dividend payout (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1 st quarter end	2 nd quarter end	3 rd quarter end	End of fiscal year	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 2022	—	10.00	—	30.00	40.00	4,635	232.1	1.1
Fiscal year ended March 2023	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending March 2024 (Projection)	—	0.00	—	—	—		—	

Note: The year-end dividend forecast for the fiscal year ending March 2024 is undecided at this time.

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2024 (April 1, 2023–March 31, 2024)

(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	1,230,000	6.7	24,000	—	18,000	—	15,000	—	129.83

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] 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
- [3] Number of issued and outstanding shares (common stock)
 (i) Number of issued and outstanding shares (including treasury stock) as of:
 March 31, 2023 116,254,892 Shares
 March 31, 2022 116,254,892 Shares
 (ii) Number of treasury stock as of:
 March 31, 2023 715,494 Shares
 March 31, 2022 721,288 Shares
 (iii) Average number of shares during the periods of:
 Fiscal year ended March 2023 115,538,852 Shares
 Fiscal year ended March 2022 115,525,868 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.
- The support documentation will be posted on the following our website.
<https://www.nipponpapergroup.com/english/ir/library/>

(Appendices)

1. Consolidated Operating Results for the Fiscal Year Ended March 2023 (April 1, 2022–March 31, 2023)

Operating results by business segment are as follows:

Paper and Paperboard:

Consolidated net sales	¥ 563,246 million	(up 5.9% year-on-year)
Consolidated operating income	¥ -29,221 million	(The result for the same period of previous year was ¥ -5,575 million)

Daily-life Products

Consolidated net sales	¥ 440,059 million	(up 13.9% year-on-year)
Consolidated operating income	¥ -7,818 million	(The result for the same period of previous year was ¥ 4,770 million)

Energy

Consolidated net sales	¥ 49,908 million	(up 56.9% year-on-year)
Consolidated operating income	¥ -1,734 million	(The result for the same period of previous year was ¥ 1,586 million)

Wood Products and Construction Related:

Consolidated net sales	¥ 68,896 million	(up 6.8% year-on-year)
Consolidated operating income	¥ 8,894 million	(up 16.8% year-on-year)

1. Supplementary Financial Results Presentation Materials for the Fiscal Year Ended March 2023

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	136,845	144,350
Notes and accounts receivable-trade	245,205	189,128
Merchandise and finished goods	93,938	116,273
Work in process	18,206	22,973
Raw materials and supplies	78,639	99,267
Other	45,911	56,459
Allowance for doubtful accounts	(813)	(747)
Total current assets	617,934	627,705
Non-current assets		
Property, plant and equipment		
Buildings and structures	541,086	553,627
Accumulated depreciation	(392,091)	(402,290)
Buildings and structures, net	148,994	151,336
Machinery, equipment and vehicles	2,356,608	2,347,209
Accumulated depreciation	(2,023,476)	(2,014,534)
Machinery, equipment and vehicles, net	333,131	332,675
Land	208,719	211,230
Mountain forests and plantations	24,650	27,041
Construction in progress	34,694	48,277
Other	76,546	83,663
Accumulated depreciation	(51,747)	(57,404)
Other, net	24,798	26,258
Total property, plant and equipment	774,989	796,820
Intangible assets	23,278	22,540
Investments and other assets		
Investments in securities	180,356	166,626
Net defined benefit asset	19,954	15,486
Deferred tax assets	7,425	9,624
Other	15,921	28,332
Allowance for doubtful accounts	(572)	(593)
Total investments and other assets	223,085	219,476
Total non-current assets	1,021,352	1,038,837
Total assets	1,639,286	1,666,542

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and account payable-trade	141,435	154,167
Short-term loans payable	185,703	214,383
Commercial papers	45,000	30,000
Income taxes payable	2,182	3,269
Other	94,813	102,765
Total current liabilities	469,135	504,585
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	597,259	607,850
Deferred tax liabilities	34,945	41,303
Provision for environmental measures	12,535	10,921
Net defined benefit liability	12,495	11,669
Other	24,310	25,012
Total non-current liabilities	731,546	746,755
Total liabilities	1,200,682	1,251,341
Net assets		
Shareholders' equity		
Capital stock	104,873	104,873
Capital surplus	216,416	216,416
Retained earnings	38,365	(15,765)
Treasury shares	(1,776)	(1,759)
Total shareholders' equity	357,879	303,765
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,227	11,475
Deferred gains or losses on hedges	5,810	10,294
Foreign currency translation adjustment	37,054	60,006
Remeasurements of defined benefit plans	7,959	9,110
Total accumulated other comprehensive income	69,052	90,887
Non-controlling interests	11,672	20,547
Total net assets	438,604	415,200
Total liabilities and net assets	1,639,286	1,666,542

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

(Millions of yen)

	Fiscal Year ended March 2022	Fiscal Year ended March 2023
Net sales	1,045,086	1,152,645
Cost of sales	872,011	1,008,246
Gross profit	173,074	144,399
Selling, general and administrative expenses		
Freightage related expenses	75,320	85,001
Sales related expenses	11,401	11,683
Salaries and allowances	45,348	45,527
Other	28,913	29,043
Total selling, general and administrative expenses	160,984	171,254
Operating income (loss)	12,090	(26,855)
Non-operating income		
Interest income	208	502
Dividend income	1,683	1,855
Share of profit of entities accounted for using equity method	8,618	7,434
Exchange gain	1,226	1,851
Other	3,347	3,439
Total non-operating income	15,083	15,082
Non-operating expenses		
Interest expense	7,352	7,750
Expenses of preparing for business	1,663	1,732
Other	3,667	3,274
Total non-operating expenses	12,683	12,757
Ordinary income (loss)	14,490	(24,530)
Extraordinary income		
Gain on sales of investment securities	6,640	13,719
Gain on sales of non-current assets	364	2,440
Other	9	635
Total extraordinary income	7,015	16,795
Extraordinary loss		
Loss on withdrawal from business of subsidiaries	—	19,705
Impairment loss	1,476	3,966
Loss on retirement of non-current assets	2,902	3,404
Other	9,329	6,554
Total extraordinary loss	13,709	33,630
Profit (loss) before income taxes	7,797	(41,365)
Income taxes-current	3,489	3,808
Income taxes-deferred	1,056	3,473
Total income taxes	4,545	7,282
Profit (loss)	3,251	(48,647)
Profit attributable to non-controlling interests	1,260	1,758
Profit (loss) attributable to owners of parent	1,990	(50,406)

- Consolidated Statements of Comprehensive Income -

	(Millions of yen)	
	Fiscal Year ended March 2022	Fiscal Year ended March 2023
Profit (loss)	3,251	(48,647)
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,678)	(6,796)
Deferred gains or losses on hedges	4,066	2,912
Foreign currency translation adjustment	14,966	20,834
Remeasurements of defined benefit plans	3,187	(556)
Share of other comprehensive income of entities accounted for using equity method	1,311	3,665
Total other comprehensive income	18,853	20,059
Comprehensive income	22,104	(28,588)
(Details)		
Comprehensive income attributable to owners of parent	20,798	(31,825)
Comprehensive income attributable to non-controlling interests	1,305	3,237

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Fiscal Year ended March 2022	Fiscal Year ended March 2023
Operating Activities		
Profit (loss) before income taxes	7,797	(41,365)
Depreciation	66,549	66,279
Amortization of goodwill	1,016	1,049
Increase (decrease) in allowance for doubtful accounts	(62)	(62)
Increase (decrease) in net defined benefit liability	3,386	2,424
Increase (decrease) in provision for environmental measures	(1,742)	(1,729)
Interest and dividend income	(1,892)	(2,357)
Interest expense	7,352	7,750
Share of loss (gain) of entities accounted for using equity method	(8,618)	(7,434)
Loss (gain) on sales of investment securities	(6,640)	(13,630)
Impairment loss	1,476	3,966
Loss on fixed asset retirement	2,902	3,404
Loss (gain) on sales of non-current assets	(364)	(2,440)
Loss on withdrawal from business of subsidiaries	—	19,705
Decrease (increase) in notes and accounts receivable - trade	8,079	59,158
Decrease (increase) in inventories	(13,346)	(42,867)
Increase (decrease) in notes and accounts payable - trade	15,088	10,544
Other	4,963	10,436
Subtotal	85,944	72,830
Interest and dividend income received	4,089	6,553
Interest expenses paid	(7,370)	(7,761)
Income taxes (paid) refund	(4,156)	(3,326)
Payments for loss on disaster	(3,879)	(1,516)
Payments for loss on business withdrawal	(2,073)	(520)
Extra retirement payments	(176)	(434)
Net cash provided by (used in) operating activities	72,378	65,823
Investing Activities		
Purchases of noncurrent assets	(59,683)	(89,357)
Proceeds from sales of noncurrent assets	804	3,044
Purchase of investment securities	(16,191)	(2,314)
Proceeds from sales of investments securities	7,685	21,207
Decrease (increase) in short-term loans receivable	457	(2,939)
Payments of long-term loans receivable	(398)	(30)
Collection of long-term loans receivable	150	153
Other	5,927	2,217
Net cash provided by (used in) investing activities	(61,247)	(68,018)

(Millions of yen)

	Fiscal Year ended March 2022	Fiscal Year ended March 2023
Financing Activities		
Net increase (decrease) in short-term loans payable	3,500	2,430
Proceeds from long-term loans payable	62,598	68,143
Repayment of long-term loans payable	(60,305)	(41,720)
Proceeds from issuance of bonds	15,000	—
Increase (decrease) in commercial papers	45,000	(15,000)
Purchase of treasury shares	(7)	(5)
Proceeds from stock issuance to non-controlling interests	—	1,853
Cash dividends paid	(4,632)	(3,484)
Dividends paid to non-controlling interests	(1,987)	(798)
Repayments of finance lease obligations	(4,255)	(5,000)
Other	(595)	558
Net cash provided by (used in) financing activities	54,314	6,976
Effect of exchange rate changes on cash and cash equivalents	1,071	1,117
Net increase (decrease) in cash and cash equivalents	66,517	5,899
Cash and cash equivalents at beginning of period	69,698	136,216
Increase in cash and cash equivalents from newly consolidated subsidiary	—	2,231
Cash and cash equivalents at end of period	136,216	144,346

(Significant Subsequent Event)

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

Our Australian consolidated subsidiary Paper Australia Pty Ltd (“Opal”) has decided to withdraw from the graphic paper business on 14 February 2023 and accordingly is in the designing rationalizing workforce and taking processes.

1. Background of withdrawal from the business

Opal’s Maryvale Mill in Victoria, Australia (MV Mill), one of Opal’s manufacturing sites, 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 had been considering alternative wood supplies in order to continue graphic paper operations, but 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	2,111 Million AUD (FY2022/12)
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 (FY2022/12) Net sales: A\$309 million
- ③ Closed Paper Machine
M5 paper machine at Opal’s MV Mill
Capacity: 220,000 tonnes/year
Main products: Copy Paper, etc.

3. Schedule

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

4. Material impact of the withdrawal on business activities, etc.

With regard to workforce rationalization, Opal is in the process of downsizing the MV mill-related workforce. This process is ongoing and subject to Australian labor laws and regulations. As part of the workforce rationalization, we are proceeding with voluntary redundancy procedures based on the agreement with the parties concerned.

An extraordinary loss is expected to be incurred in the fiscal year ending March 31, 2024 as expenses related to workforce rationalization, but the details are under scrutiny.

5. Others

In connection with the withdrawal from the graphic paper business, the Company recorded 19.7 billion yen as impairment loss on fixed assets, etc. in the financial results for the fiscal year ending March 31, 2023.