

# 3<sup>RD</sup> QUARTER FY2022/3 FINANCIAL REVIEW

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February 7, 2022



## Consolidated Statement

(¥billion)

	Total 1Q-3Q FY2021/3 Results	Total 1Q-3Q FY2022/3 Results	Variance	
			Amount	%
Net sales	738.9	774.0	35.1	4.8%
Operating income	10.7	10.4	-0.3	-2.6%
Ordinary income	3.0	11.3	8.3	279.3%
Net income *	2.3	2.4	0.1	2.2%

\* Profit attributable to owners of parent

- Despite the impact of the adoption of revenue recognition accounting standards from this fiscal year, net sales increased year-on-year due to a rebound to the significant decline in demand in the previous fiscal year due to the impact of Covid-19 and the acquisition of the paperboard packaging business in Australia and New Zealand at the end of April 2020.
- Operating income decreased year-on-year due to the severe business environment caused by higher raw material and fuel.



## Results by Segment

(¥billion)

	Net sales			Operating income		
	Total 1Q-3Q FY2021/3 Results	Total 1Q-3Q FY2022/3 Results	Variance	Total 1Q-3Q FY2021/3 Results	Total 1Q-3Q FY2022/3 Results	Variance
Paper and paperboard	421.4	396.0	-25.4	-0.2	-2.2	-2.0
Daily-life products	232.2	288.0	55.8	6.8	3.2	-3.6
Energy	24.1	22.7	-1.4	5.2	1.3	-3.9
Wood products and construction related	41.6	45.5	3.9	3.8	5.6	1.8
Others	19.6	21.8	2.2	1.0	2.5	1.5
Acquisition-related expenses	-	-	-	-5.9	-	5.9
<b>Total</b>	<b>738.9</b>	<b>774.0</b>	<b>35.1</b>	<b>10.7</b>	<b>10.4</b>	<b>-0.3</b>



## 1-3Q FY2022/3 vs. 1-3Q FY2021/3 Variance Analysis

(¥billion)

<b>Volume, Sales Price</b>	<b>4.5</b>	—
<b>Raw material and fuel prices</b>	<b>-12.4</b>	Wood chips -0.9, Wastepaper -0.9, Pulp -1.2, Oil -1.9, Coal -4.2, Others -3.3 (Price -10.0, FOREX -2.4)
<b>Cost reductions, etc.</b>	<b>1.8</b>	Cost reductions 2.3, Repair costs -0.9, Permanent machine shutdown at Kushiro Mill 2.2, Labor costs 0.0, Logistics cost -1.8
<b>Others</b>	<b>4.1</b>	Overseas business -0.5, Depreciation 1.3, Retirement benefit expenses -1.0, Inventory value adjustment, etc. 4.3
<b>Paper and paperboard business</b>	<b>-2.0</b>	
<b>Daily-life products business</b>	<b>-3.6</b>	Domestic -4.4 : Household paper and Healthcare -3.5, Others -0.9 Overseas 0.8 : Opal -1.5, NDP 2.2, Others 0.1
<b>Other businesses</b>	<b>5.3</b>	Energy -3.9, Wood products and construction related 1.8, Others 1.5, Acquisition-related expenses 5.9
<b>Operating income</b>	<b>-0.3</b>	
<b>Non-operating income</b>	<b>8.6</b>	Net financial cost -0.2, Equity in earnings of affiliates 2.8, FOREX 5.0, Others 1.0
<b>Ordinary income</b>	<b>8.3</b>	



## Paper and paperboard business

(¥billion)

Total 1Q-3Q FY2021/3 Results	Net sales		Total 1Q-3Q FY2021/3 Results	Operating income	
	Total 1Q-3Q FY2022/3 Results	Variance		Total 1Q-3Q FY2022/3 Results	Variance
421.4	396.0	-25.4	-0.2	-2.2	-2.0

### ● Domestic

- Domestic sales volume of printing paper increased by 3.6% year-on-year due to a rebound to the decline in demand in the same period of the previous fiscal year.
- Domestic sales volume of paperboard increased by 3.5% year-on-year due to steady demand for beverage-related products, processed foods and mail-order products.
- Profit decreased due to higher prices of raw materials and fuel, such as coal, oil, and wood chips.

### ● Overseas

- Although sales volume of Jujo Thermal and SNP increased due to a rebound to the significant decline in demand in the same period of the previous year, operating income decreased due to higher pulp prices and other factors.



## Daily-life products business

(¥billion)

	Net sales			Operating income		
	Total 1Q-3Q FY2021/3 Results	Total 1Q-3Q FY2022/3 Results	Variance	Total 1Q-3Q FY2021/3 Results	Total 1Q-3Q FY2022/3 Results	Variance
Domestic	129.9	137.8	7.9	10.0	5.6	-4.4
Overseas	102.3	150.2	47.9	-3.2	-2.4	0.8
<b>Daily-life products business total</b>	<b>232.2</b>	<b>288.0</b>	<b>55.8</b>	<b>6.8</b>	<b>3.2</b>	<b>-3.6</b>

### ● Domestic

- In domestic Paper-pak business, sales volume was slightly lower over the last year, mainly due to the impact of the state of emergency declaration for the Covid-19, despite an positive impact due to the installation of filling machines. Profit also decreased year-on-year due to the increase in the price of liquid packaging board.
- In Household paper and Healthcare business, net sales increased year-on-year due to a rebound to the decline in demand in the same period of the previous year. Operating income decreased due to higher raw material and fuel prices.

### ● Overseas

- Opal's net sales increased but operating income decreased. In this 1H, the business faced a challenging operating environment due to the impact of Covid-19. But in the 3Q, its earnings improved due to a recovery in corrugated box sales volume, higher selling prices for export products, and the emergence of synergy-effects.
- Both net sales and operating income of Nippon Dynawave Packaging (NDP) increased due to higher pulp sales volume because dry pulp machine is running well.



## Energy business

(¥billion)

Net sales			Operating income		
Total 1Q-3Q FY2021/3 Results	Total 1Q-3Q FY2022/3 Results	Variance	Total 1Q-3Q FY2021/3 Results	Total 1Q-3Q FY2022/3 Results	Variance
24.1	22.7	-1.4	5.2	1.3	-3.9

- Both net sales and operating income decreased due to the completion of rapidly changing mitigation measures in the Feed-in tariff (FIT) fixed-price system to promote renewable energy.

## Wood products and construction related business

(¥billion)

Net sales			Operating income		
Total 1Q-3Q FY2021/3 Results	Total 1Q-3Q FY2022/3 Results	Variance	Total 1Q-3Q FY2021/3 Results	Total 1Q-3Q FY2022/3 Results	Variance
41.6	45.5	3.9	3.8	5.6	1.8

- Both net sales and operating income increased due to soaring prices because of shortage of timber on a global scale, as well as an increase in the number of new housing starts.



## Consolidated Statement

(¥billion)

	FY2021/3 Results	FY2022/3 Forecast	Variance	
			Amount	%
Net sales	1,007.3	1,030.0	22.7	2.2%
Operating income	19.2	14.0	-5.2	-27.2%
Ordinary income	12.3	14.0	1.7	14.0%
Net income *	3.2	1.0	-2.2	-68.7%

\* Profit attributable to owners of parent

### ■ Major assumptions (Reprinted from the November 2021 announcement)

#### ■ Domestic Sales Volume (YoY)

	Revised Forecast	
	2nd Half	Full year
Newsprint	-4%	-6%
Printing	-7%	0%
Business communication	-1%	1%
Containerboard	-2%	-1%

#### ■ Major raw material prices and FOREX

	Revised Forecast (2nd Half)
FOREX(USD)	JPY 115/USD
FOREX sensitivity(USD)	+600 million yen/year due to 1 yen appreciation
Coal (Australian coal benchmark price)	Taking into account the most recent market conditions
Crude oil (Dubai)	USD 85/BL
Wastepaper	Current level continues



# REFERENCE MATERIALS

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## Overview by Segment

(¥billion)

	Net sales			Operating income		
	FY2021/3 Results	FY2022/3 Revised Forecast	Variance	FY2021/3 Results	FY2022/3 Revised Forecast	Variance
Paper and paperboard	568.3	535.0	-33.3	2.5	-4.5	-7.0
Daily-life products	317.9	380.0	62.1	7.9	6.5	-1.4
Energy	33.4	30.0	-3.4	6.9	2.5	-4.4
Wood products and construction related	59.9	55.0	-4.9	6.5	6.5	0.0
Others	27.8	30.0	2.2	1.4	3.0	1.6
Acquisition-related expenses	-	-	-	-6.0	-	6.0
<b>Total</b>	<b>1,007.3</b>	<b>1,030.0</b>	<b>22.7</b>	<b>19.2</b>	<b>14.0</b>	<b>-5.2</b>



## FY2022/3 Forecast vs. FY2021/3 Variance Analysis

(Reprinted from the November 2021 announcement)

(¥billion)

<b>Volume, Sales Price</b>	<b>5.7</b>	—
<b>Raw material and fuel prices</b>	<b>-22.7</b>	Wood chips -2.9, Wastepaper -1.0, Pulp -1.6, Oil -2.7, Coal -9.0, Others -5.5 (Price -20.5, FOREX -2.2)
<b>Cost reductions, etc.</b>	<b>3.7</b>	Cost reductions 3.5, Repair costs -0.6, Permanent machine shutdown at Kushiro Mill 3.5, Labor costs 0.0, Logistics cost -2.7
<b>Others</b>	<b>6.3</b>	Overseas Business -0.9, Depreciation 2.6, Retirement benefit expenses -1.3, Inventory value adjustment, etc. 5.9
<b>Paper and paperboard business</b>	<b>-7.0</b>	
<b>Daily-life products business</b>	<b>-1.4</b>	Domestic -5.2 : Household paper and Healthcare -4.6, Others -0.6 Overseas 3.8 : Opal 2.2, NDP 2.1, Others -0.5
<b>Other businesses</b>	<b>3.2</b>	Energy -4.4, Wood products and construction related 0.0, Others 1.6, Acquisition-related expenses 6.0
<b>Operating income</b>	<b>-5.2</b>	
<b>Non-operating income</b>	<b>6.9</b>	Net financial cost -0.3, Equity in earnings of affiliates 3.4, FOREX 3.9, Others -0.1
<b>Ordinary income</b>	<b>1.7</b>	

# Sales Volume(Paper & Paperboard) \*



	('000 tonnes)				
	1Q-3Q FY20/3	1Q-3Q FY21/3	1Q-3Q FY22/3	against FY21/3	against FY20/3
<b>Newsprint</b>	624	533	499	-6.5%	-20.1%
<b>Printing paper</b>	1,105	874	905	3.6%	-18.1%
<b>Business communication paper</b>	372	323	321	-0.6%	-13.8%
<b>Others</b>	272	228	242	5.9%	-11.1%
<b>Domestic sales (paper)</b>	2,373	1,958	1,966	0.4%	-17.1%
<b>Export (paper)</b>	235	169	196	15.7%	-16.7%
<b>Paper total</b>	2,608	2,127	2,162	1.6%	-17.1%
<b>Containerboard</b>	1,238	1,218	1,246	2.2%	0.6%
<b>Folding box board and others</b>	261	228	251	10.2%	-3.6%
<b>Domestic sales (paperboard)</b>	1,499	1,447	1,497	3.5%	-0.1%
<b>Export (paperboard)</b>	128	130	149	14.1%	16.2%
<b>Paperboard total</b>	1,627	1,577	1,646	4.4%	1.2%
<b>Grand total (paper and paperboard)</b>	4,235	3,704	3,808	2.8%	-10.1%

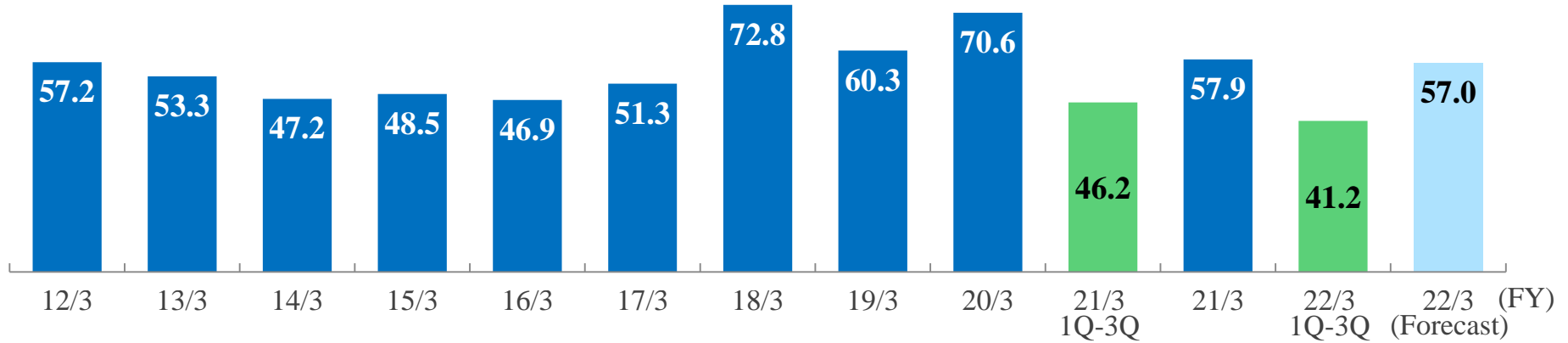
\* Sales Volume Total of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Crexia Co., Ltd., and Shin Tokai Paper Co., Ltd. (excluding sanitary paper)



# Capital expenditure, Depreciation

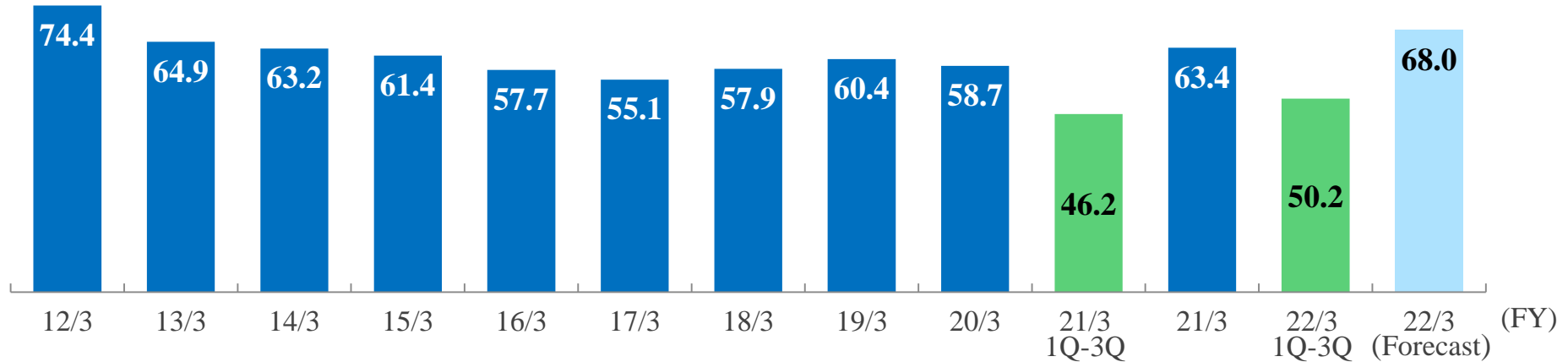
## Capital expenditure

(¥billion)



## Depreciation

(¥billion)



# Net sales Trends by Segment



(¥billion)

	FY2022/3			FY2022/3		
	1Q	2Q	3Q	1st Half Results	2nd Half Forecast	Full year Forecast
<b>Paper and paperboard</b>	131.1	130.3	134.6	261.4	273.6	535.0
<b>Daily-life products</b>	91.9	97.8	98.3	189.7	190.3	380.0
<b>Energy</b>	6.4	8.4	7.9	14.8	15.2	30.0
<b>Wood products and construction related</b>	14.2	14.3	17.0	28.5	26.5	55.0
<b>Others</b>	6.9	7.1	7.8	14.0	16.0	30.0
<b>Total</b>	250.5	257.9	265.6	508.4	521.6	1,030.0

# Operating income Trends by Segment



(¥billion)

	FY2022/3			FY2022/3		
	1Q	2Q	3Q	1st Half Results	2nd Half Forecast	Full year Forecast
<b>Paper and paperboard</b>	0.1	-0.3	-2.0	-0.2	-4.3	-4.5
<b>Daily-life products</b>	1.4	0.4	1.4	1.8	4.7	6.5
<b>Energy</b>	0.5	0.6	0.2	1.1	1.4	2.5
<b>Wood products and construction related</b>	1.9	1.6	2.1	3.5	3.0	6.5
<b>Others</b>	0.9	1.0	0.6	1.9	1.1	3.0
<b>Total</b>	4.8	3.3	2.3	8.1	5.9	14.0

## Domestic Shipment volume and Import / Export (Paper & Paperboard)

('000 tonnes)

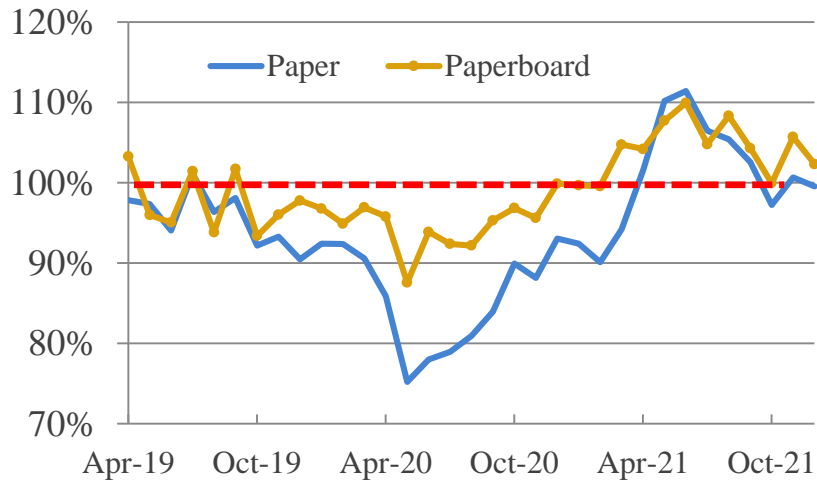
1Q-3Q FY2022/3	Domestic shipments			Exports			Imports		
	volume	against FY21/3	against FY20/3	volume	against FY21/3	against FY20/3	volume	against FY21/3	against FY20/3
<b>Newsprint</b>	1,497	-2.8%	-16.4%	0	—	—	1	-29.0%	-14.9%
<b>Printing &amp; business communication paper</b>	4,236	5.3%	-16.8%	432	43.6%	12.7%	509	-0.6%	-36.2%
<b>Coated paper *</b>	2,257	7.8%	-18.6%	331	47.6%	15.6%	166	4.4%	-58.8%
<b>Uncoated paper</b>	1,149	4.5%	-13.4%	81	38.3%	7.3%	28	-17.3%	-42.4%
<b>Business communication paper</b>	830	-0.1%	-16.1%	20	11.5%	-6.8%	316	-1.4%	-9.3%
<b>Other papers</b>	2,310	4.9%	-4.3%	240	15.9%	5.5%	42	25.6%	8.7%
<b>Paper total</b>	8,043	3.6%	-13.4%	672	32.3%	10.0%	552	0.9%	-34.1%
<b>Containerboard</b>	6,933	4.1%	0.1%	724	5.6%	103.9%	31	3.8%	-1.4%
<b>Folding box board and others</b>	1,570	9.6%	-4.2%	49	104.3%	164.7%	193	9.6%	-5.6%
<b>Paperboard total</b>	8,503	5.1%	-0.7%	773	8.9%	106.9%	224	8.8%	-5.1%
<b>Paper and paperboard total</b>	16,546	4.3%	-7.3%	1,445	18.7%	46.8%	776	3.0%	-27.7%

※ "Bitoko-shi" paper is included in coated paper.

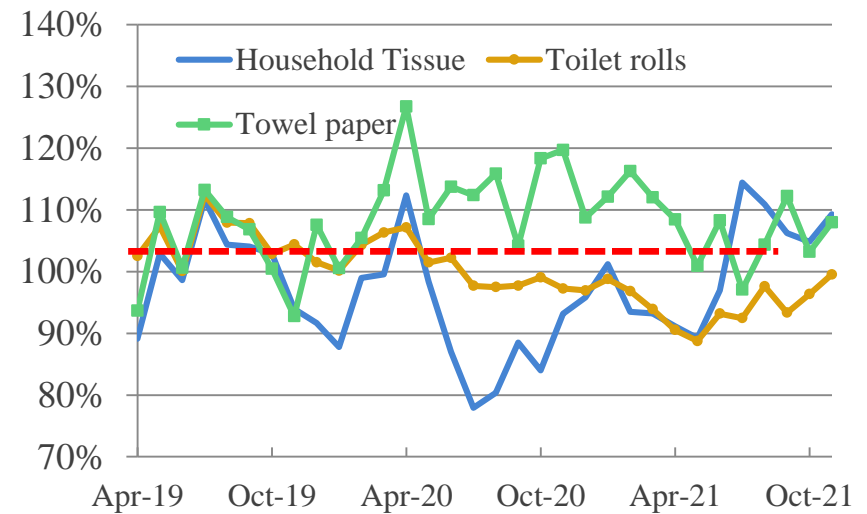
Source: Japan Paper Association, Trade Statics of Japan 16



## Domestic shipment of paper industry(YOY)

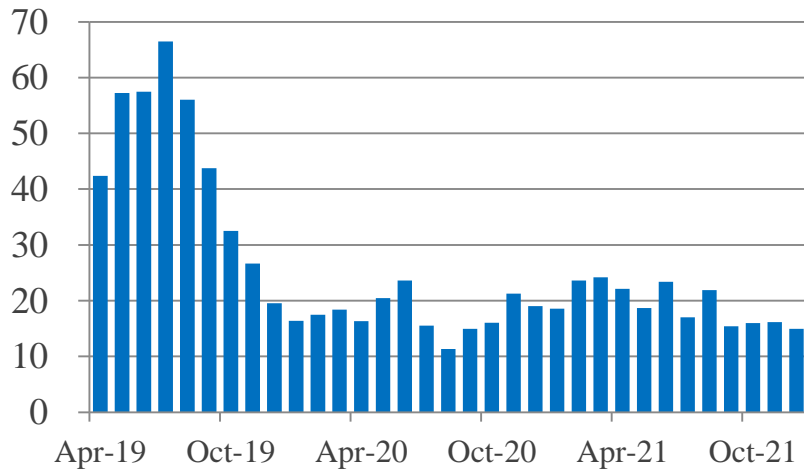


## Production of sanitary paper (YOY)



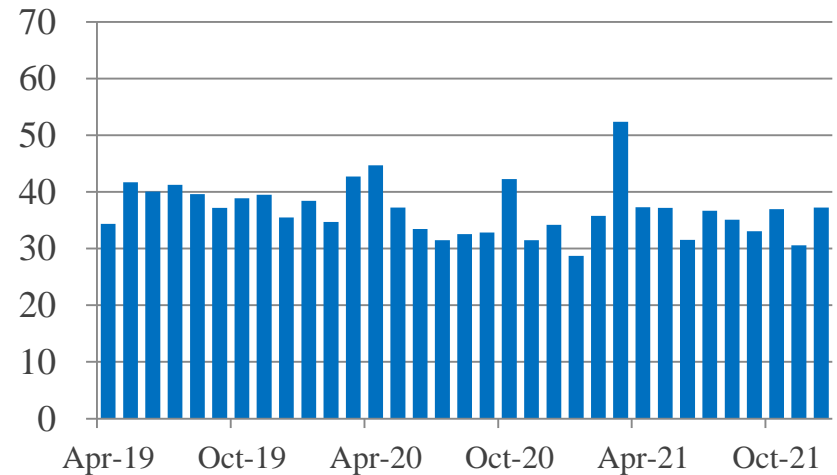
## Imports of Coated Paper

('000 tonnes)

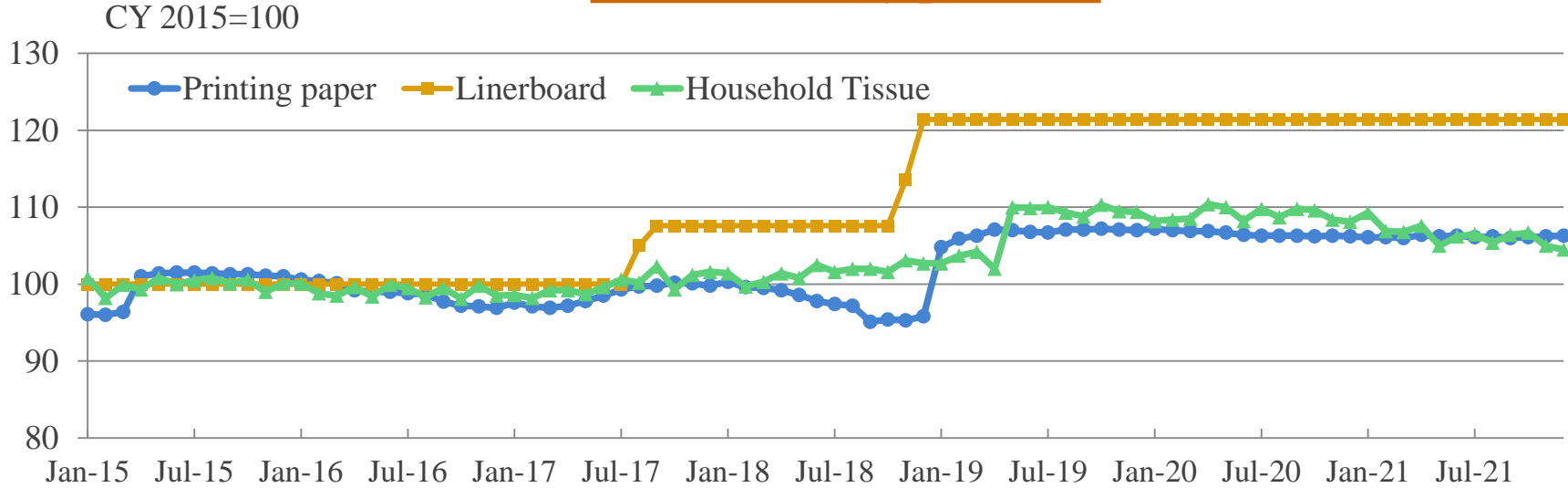


## Imports of Copy Paper

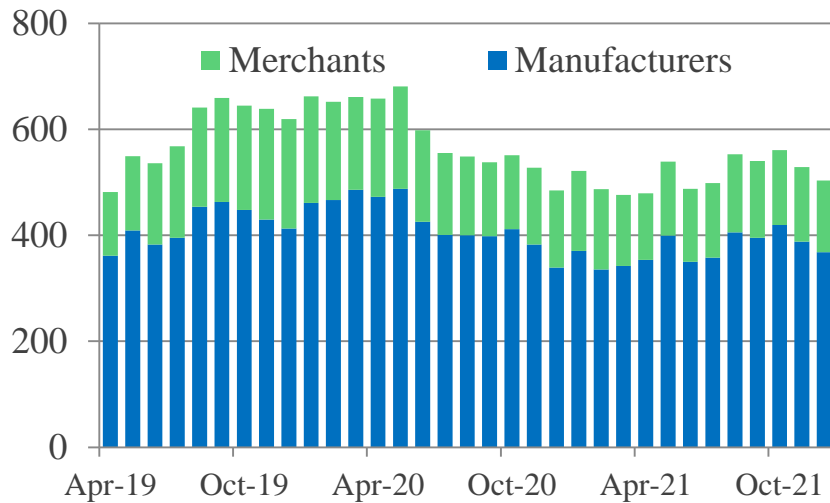
('000 tonnes)



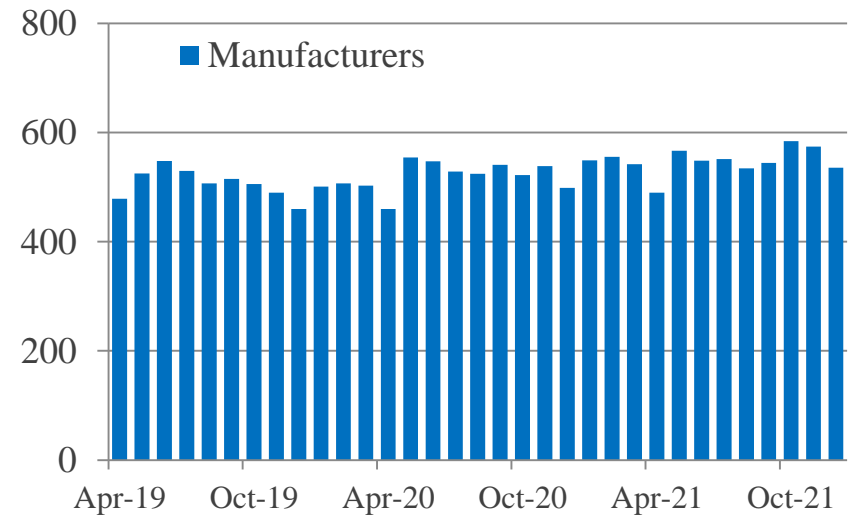
## Price trends by products



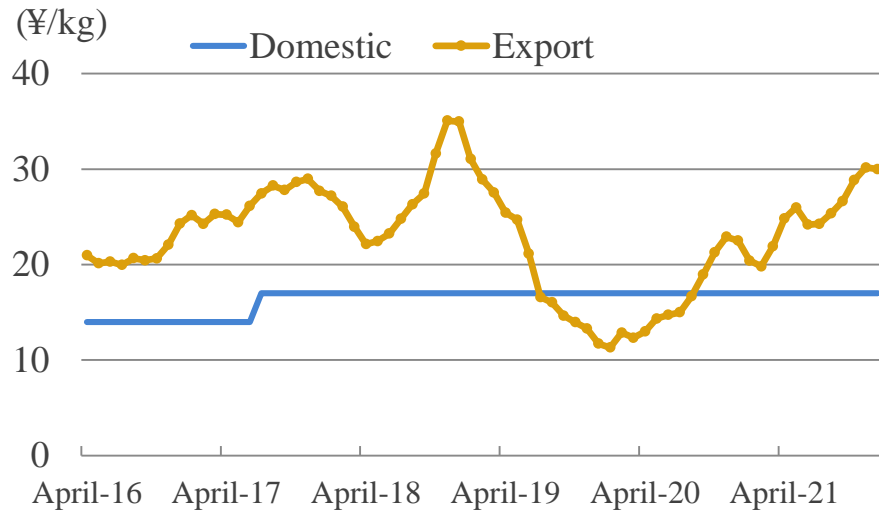
## Coated paper inventory



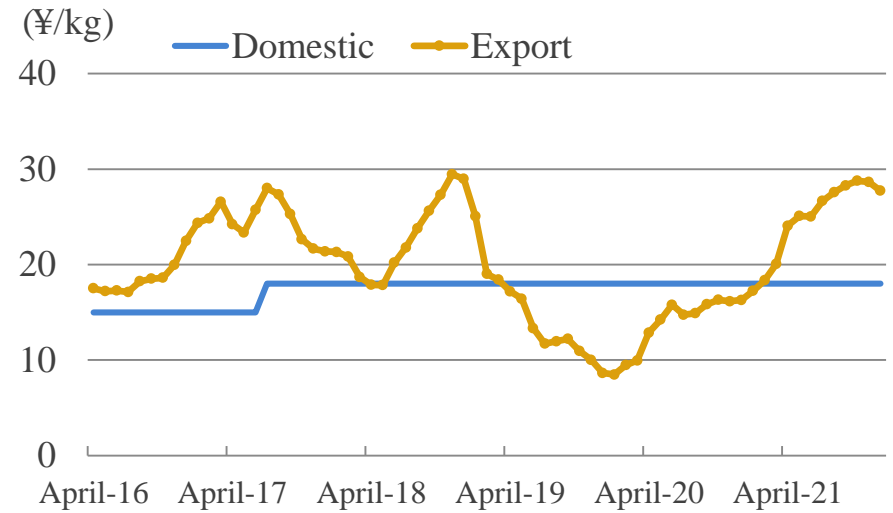
## Containerboard inventory



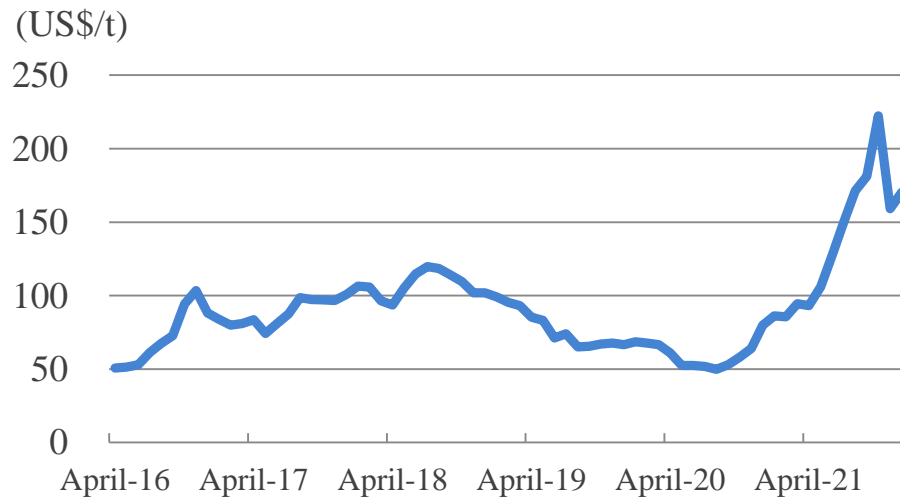
## ONP



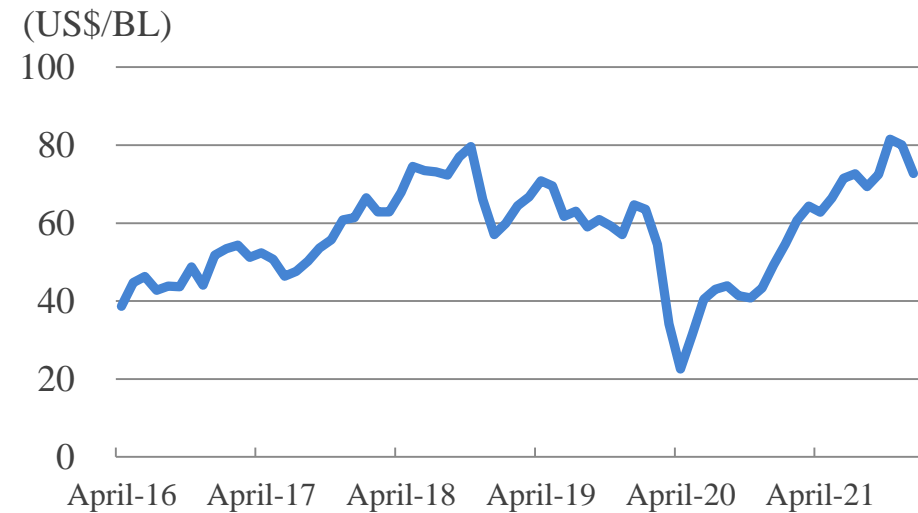
## OCC



## Coal



## Crude oil





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