

August 7, 2024

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2024 (unaudited) (Under Japanese GAAP)

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 and Representative Director
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Planned date of the commencement of dividend payments: -

Availability of supplementary material on quarterly financial results: Yes

Holding of quarterly financial result briefing: Yes (for institutional investors and investment analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results of Operations for the Three Months Ended June 2024 (April 1, 2024–June 30, 2024)

(1) Consolidated Results of Operations

(Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Profit (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three Months Ended June 30, 2024	287,014	(0.1)	4,137	409.3	5,049	—	(1,089)	—
Three Months Ended June 30, 2023	287,424	8.6	812	—	362	(70.5)	(5,267)	—

Note: Comprehensive income

Three Months Ended June 30, 2024	12,941 million yen	80.9%
Three Months Ended June 30, 2023	7,153 million yen	(71.1 %)

	Net income (loss) per share	Net income per share after adjusting for dilution
	Yen	Yen
Three Months Ended June 30, 2024	(9.44)	—
Three Months Ended June 30, 2023	(45.63)	—

Reference: The year-on-year change (%) in ordinary income for the first quarter of the three months ended June 30, 2024 is shown as "-" because it exceeds 1,000%.

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	1,724,767	506,180	27.7
As of March 31, 2024	1,731,245	495,648	27.1

Reference: Shareholders' equity	As of June 30, 2024	478,183 million yen
	As of March 31, 2024	468,788 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, 2024	—	0.00	—	10.00	10.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		0.00	—	10.00	10.00

Note: Recent revisions to dividend forecast /None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 2025 (April 1, 2024–March 31, 2025)

(Percentages indicate year-on-year changes.)

	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	1,200,000	2.8	23,000	33.2	19,000	30.6	3,000	(86.8)	26.00

Note: Recent revisions to forecast of consolidated financial results / None

4. Others

[1] Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: — (Company name:)

Excluded: — (Company name:)

[2] Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

[3] Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

[4] Number of issued and outstanding shares (common stock)

(i) Number of issued and outstanding shares (including treasury stock) as of:

June 30, 2024 116,254,892 Shares

March 31, 2024 116,254,892 Shares

(ii) Number of treasury stock as of:

June 30, 2024 853,531 Shares

March 31, 2024 851,948 Shares

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

Three Months Ended June 30, 2024 115,402,223 Shares

Three Months Ended June 30, 2023 115,454,525 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/>

(Appendices)

1. Consolidated Operating Results for the Three Months Ended June 2023 (April 1, 2024–June 30, 2024)

Operating results by business segment are as follows:

Paper and Paperboard:	(Millions of yen)	
Consolidated net sales	141,918	(1.0% decrease year on year)
Consolidated operating income	2,366	(increased by 14.8 times year on year)
Daily-life Products:		
Consolidated net sales	108,291	(1.3% increase year on year)
Consolidated operating loss	1,993	(The same period of previous year: operating loss of 2,253 million yen)
Energy:		
Consolidated net sales	11,455	(16.2% decrease year on year)
Consolidated operating income	443	(3.6% decrease year on year)
Wood Products and Construction Related:		
Consolidated net sales	18,406	(10.2% increase year on year)
Consolidated operating income	2,166	(7.2% decrease year on year)

(Reference information)

1. Changes in accounting policies

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”) effective from beginning of the first quarter of the fiscal year under review.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). The new accounting policies are applied from that beginning of the current fiscal year. The cumulative effect of retrospective application of new accounting policies prior to the beginning of the first quarter of the current fiscal year is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The corresponding amounts are added to or subtracted from the appropriate category of capital surplus or accumulated other comprehensive income. As a result, retained earnings at the beginning of the first quarter of the current fiscal year increased by 702 million yen and unrealized gains on available-for-sale securities decreased by the same amount.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter ended June 30, 2024. This change in accounting policies is applied retrospectively, and quarterly consolidated financial statements and consolidated financial statements for the previous year are after retrospective application. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

2. Significant Subsequent Events

At the meeting of the Board of Directors of the Company held on August 7, 2024, 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 ¥50 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 7, 2024 to August 1, 2025
- (5) Method of redemption: bullet repayment
- (6) Application of funds: capital investment, repayment of loans payable, etc.

1. Supplementary Financial Results Presentation Materials for the Three Months Ended June 30, 2024

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	164,858	138,493
Notes and accounts receivable-trade	204,990	205,549
Merchandise and finished goods	116,454	113,107
Work in process	21,684	22,173
Raw materials and supplies	86,672	97,142
Other	44,394	49,558
Allowance for doubtful accounts	(442)	(385)
Total current assets	638,613	625,640
Non-current assets		
Property, plant and equipment		
Buildings and structures	560,032	564,083
Accumulated depreciation	(410,248)	(412,842)
Buildings and structures, net	149,784	151,241
Machinery, equipment and vehicles	2,240,355	2,262,878
Accumulated depreciation	(1,901,796)	(1,914,555)
Machinery, equipment and vehicles, net	338,558	348,323
Land	212,843	215,255
Construction in progress	47,799	37,435
Other	113,740	114,143
Accumulated depreciation	(57,394)	(58,842)
Other, net	56,345	55,301
Total property, plant and equipment	805,331	807,557
Intangible assets	22,599	21,974
Investments and other assets		
Investments in securities	174,726	176,202
Other	90,499	93,963
Allowance for doubtful accounts	(525)	(570)
Total investments and other assets	264,701	269,595
Total non-current assets	1,092,632	1,099,127
Total assets	1,731,245	1,724,767

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and account payable-trade	157,815	158,877
Short-term loans payable	207,176	219,731
Current portion of bonds payable	15,000	10,000
Income taxes payable	7,246	1,824
Other	107,530	106,000
Total current liabilities	494,769	496,433
Non-current liabilities		
Bonds payable	65,000	55,000
Long-term loans payable	577,083	566,941
Provision for environmental measures	9,567	8,825
Net defined benefit liability	10,984	11,170
Other	78,192	80,215
Total non-current liabilities	740,827	722,153
Total liabilities	1,235,597	1,218,586
Net assets		
Shareholders' equity		
Capital stock	104,873	104,873
Capital surplus	216,416	216,416
Retained earnings	7,102	5,919
Treasury shares	(1,904)	(1,906)
Total shareholders' equity	326,487	325,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,541	18,330
Deferred gains or losses on hedges	16,989	19,953
Foreign currency translation adjustment	79,535	86,930
Remeasurements of defined benefit plans	28,234	27,666
Total accumulated other comprehensive income	142,301	152,880
Non-controlling interests	26,859	27,997
Total net assets	495,648	506,180
Total liabilities and net assets	1,731,245	1,724,767

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

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	287,424	287,014
Cost of sales	246,014	240,900
Gross profit	41,409	46,113
Selling, general and administrative expenses		
Freightage related expenses	19,072	19,436
Sales related expenses	2,815	2,924
Salaries and allowances	10,998	11,185
Other	7,710	8,430
Total selling, general and administrative expenses	40,597	41,976
Operating income	812	4,137
Non-operating income		
Interest income	135	160
Dividend income	975	1,089
Share of profit of entities accounted for using equity method	992	2,097
Other	1,743	1,150
Total non-operating income	3,847	4,498
Non-operating expenses		
Interest expense	2,315	2,107
Other	1,981	1,477
Total non-operating expenses	4,297	3,585
Ordinary income	362	5,049
Extraordinary income		
Gain on sales of investment securities	2,057	603
Other	98	138
Total extraordinary income	2,155	741
Extraordinary loss		
Australia business structure improvement expenses	—	3,064
Loss on retirement of non-current assets	777	377
Other	5,171	153
Total extraordinary loss	5,948	3,595
Profit (loss) before income taxes	(3,430)	2,196
Income taxes-current	1,814	1,115
Income taxes-deferred	(1,155)	1,289
Total income taxes	658	2,404
Profit (loss)	(4,089)	(207)
Profit attributable to non-controlling interests	1,178	881
Profit (loss) attributable to owners of parent	(5,267)	(1,089)

- Consolidated Statements of Comprehensive Income -

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit (loss)	(4,089)	(207)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,772	1,496
Deferred gains or losses on hedges	6,032	4,869
Foreign currency translation adjustment	1,694	7,215
Remeasurements of defined benefit plans	(71)	(599)
Share of other comprehensive income of associates accounted for using equity method	1,815	166
Total other comprehensive income	11,243	13,149
Comprehensive income	7,153	12,941
(Details)		
Comprehensive income attributable to owners of parent	4,133	10,192
Comprehensive income attributable to non-controlling interests	3,020	2,749

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