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# Financial Section

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# Six-Year Financial Summary

Nippon Paper Industries Co., Ltd. and Consolidated Subsidiaries  
Fiscal Years Ended March 31

						Millions of yen	Thousands of U.S. dollars*
	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2019/3
<b>Fiscal year</b>							
Net sales	¥1,081,277	¥1,052,491	¥1,007,097	¥992,428	¥1,046,499	<b>¥1,068,703</b>	<b>\$9,627,955</b>
Cost of sales	844,603	825,576	800,185	787,464	846,109	<b>871,218</b>	<b>7,848,811</b>
Operating income	28,536	23,656	22,623	23,764	17,613	<b>19,615</b>	<b>176,712</b>
Ordinary income	28,188	23,204	17,123	26,994	18,649	<b>23,901</b>	<b>215,324</b>
Profit (loss) attributable to owners of parent	22,770	23,183	2,424	8,399	7,847	<b>(35,220)</b>	<b>(317,297)</b>
Capital investment	47,162	48,518	46,899	51,289	72,765	<b>60,338</b>	<b>543,586</b>
Depreciation	63,181	61,374	57,672	55,083	57,892	<b>60,422</b>	<b>544,342</b>
Free cash flow	50,902	39,363	68,689	21,809	(17,787)	<b>12,299</b>	<b>110,802</b>
<b>End of fiscal year</b>							
Total assets	¥1,480,894	¥1,495,622	¥1,390,918	¥1,388,885	¥1,429,892	<b>¥1,390,814</b>	<b>\$12,529,856</b>
Total current assets	505,417	484,498	502,912	486,205	490,479	<b>515,407</b>	<b>4,643,306</b>
Total property, plant and equipment	729,179	715,406	669,298	686,813	717,927	<b>677,613</b>	<b>6,104,622</b>
Other noncurrent assets	246,297	295,716	218,707	215,867	221,484	<b>197,792</b>	<b>1,781,910</b>
Total liabilities	1,054,309	1,005,881	966,233	953,974	986,493	<b>995,470</b>	<b>8,968,198</b>
Total net assets	426,584	489,740	424,685	434,911	443,398	<b>395,343</b>	<b>3,561,649</b>
Interest-bearing debt	775,597	731,834	703,831	678,504	693,562	<b>688,703</b>	<b>6,204,532</b>
<b>Per share data</b>							
Profit (loss) attributable to owners of parent	¥ 196.67	¥ 200.27	¥ 20.95	¥ 72.57	¥ 67.80	<b>¥ (304.34)</b>	<b>\$ (2.74)</b>
Net assets	3,652.76	4,198.10	3,645.87	3,714.63	3,776.26	<b>3,328.28</b>	<b>29.98</b>
Cash dividends	40.00	50.00	60.00	60.00	60.00	<b>30.00</b>	<b>0.27</b>
<b>Ratios and number of employees</b>							
Operating income margin	2.6%	2.2%	2.2%	2.4%	1.7%	<b>1.8%</b>	
Net profit (loss) margin	2.1	2.2	0.2	0.8	0.7	<b>(3.3)</b>	
Equity ratio	28.6	32.5	30.3	31.0	30.6	<b>27.7</b>	
Return on equity (ROE)	5.6	5.1	0.5	2.0	1.8	<b>(8.6)</b>	
Return on invested capital (ROIC)	3.3	2.8	2.4	3.2	2.3	<b>2.9</b>	
Return on assets (ROA)	2.7	2.2	2.0	2.6	1.9	<b>2.2</b>	
Debt/equity ratio (times)	1.7	1.6	1.5	1.5	1.6	<b>1.8</b>	
Number of employees	13,107	12,771	11,741	13,057	12,881	<b>12,943</b>	

\* Amounts in U.S. dollars are included solely for convenience and are translated at the rate of ¥111 = US\$1.00, the approximate rate of exchange on March 31, 2019.

- Interest-bearing debt = Short-term borrowings + Long-term debt
- Free cash flow = Cash flows from operating activities + Cash flows from investing activities
- Return on equity (ROE) = Profit (loss) attributable to owners of parent / [Average of beginning and end of year (Shareholders' equity + Accumulated other comprehensive income)] × 100
- Return on invested capital (ROIC) = (Ordinary income + Interest expense) / (Year-end shareholders' equity + Year-end accumulated other comprehensive income + Year-end balance of interest-bearing debt) × 100
- Return on assets (ROA) = (Ordinary income + Interest expense) / Total assets × 100
- Debt/equity ratio = (Interest-bearing debt – Cash and deposits) / Shareholders' equity

# Financial Overview

## Financial Position

Consolidated total assets at the end of FY2019/3 were ¥1,390.8 billion, a decrease of ¥39.0 billion from ¥1,429.8 billion at the end of FY2018/3. The fall was mainly due to a ¥40.3 billion decline in property, plant and equipment, attributable to such factors as the reorganization of the paper business production structure and the posting of an impairment loss in the newsprint business, as well as a ¥19.3 billion decrease in investments in securities. This reduction stemmed from the sale of shares in Daishowa-Marubeni International Ltd., an overseas equity-method affiliate. Notes and accounts receivable-trade, on the other hand, rose ¥13.9 billion.

Total liabilities increased ¥8.9 billion from ¥986.4 billion at the end of FY2018/3, to ¥995.4 billion. The main reason was the new discovery of polychlorinated biphenyl (PCB) waste being stored by the Company and the ensuing posting of an allowance for environmental costs as processing expenses.

Total net assets decreased ¥48.0 billion from ¥443.3 billion at the end of FY2018/3, to ¥395.3 billion. This was mainly caused by a decrease in retained earnings due to the posting of net loss attributable to owners of the parent, as well as a decline in translation adjustments due to yen appreciation.

As a result, the equity ratio decreased to 27.7% from 30.6% at the end of FY2018/3.

## Cash Flows

Consolidated cash and cash equivalents (“cash”) increased ¥4.4 billion compared with the end of FY2018/3, to ¥63.4 billion at the end of FY2019/3.

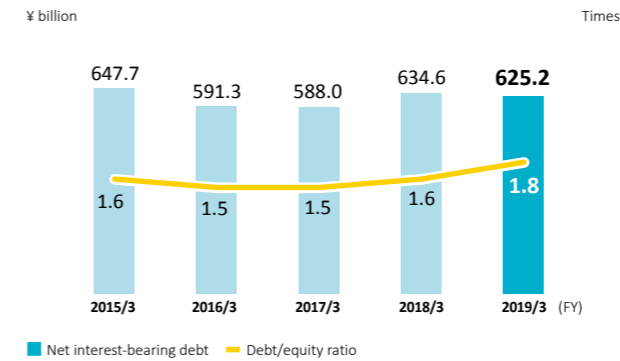
Net cash provided by operating activities increased ¥14.8 billion from FY2018/3, to ¥59.7 billion. The main factors were depreciation of ¥60.4 billion and net cash outflows of ¥22.7 billion due to changes in working capital (total changes in receivables, inventories, and payables).

Net cash used in investing activities decreased ¥15.2 billion from FY2018/3, to ¥47.4 billion. The main factors behind this result were ¥72.0 billion in purchases of noncurrent assets and ¥22.5 billion in proceeds from sales of investment securities.

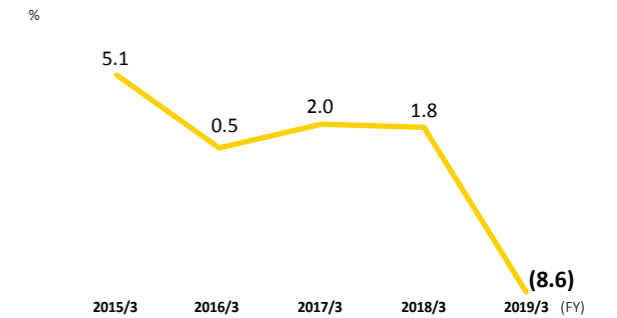
Net cash used in financing activities decreased ¥5.8 billion from FY2018/3, to ¥6.7 billion, mainly reflecting cash dividends paid.

Trends in the Nippon Paper Group’s cash flow indicators are presented below.

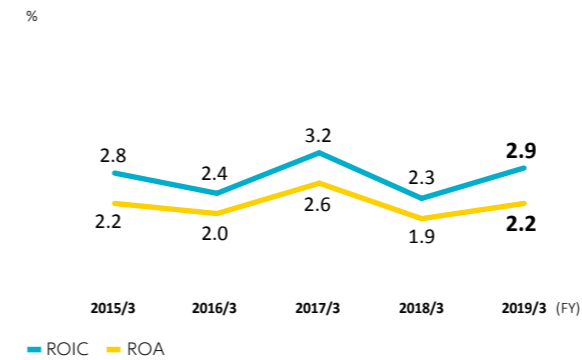
### Net Interest-Bearing Debt and Debt/Equity Ratio



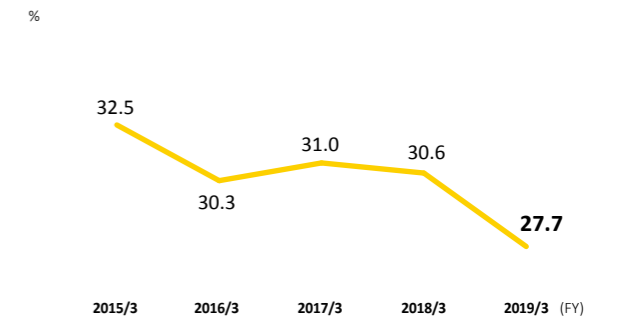
### ROE



### ROIC / ROA



### Equity Ratio



## Cash Flow Indicators

	2015/3	2016/3	2017/3	2018/3	2019/3 (FY)
Equity ratio (%)	32.5	30.3	31.0	30.6	27.7
Equity ratio based on market capitalization (%)	14.0	16.7	16.7	16.0	19.0
Interest-bearing debt / Cash flow (times)	8.9	13.4	7.8	15.4	11.5
Interest coverage ratio (times)	7.7	5.3	9.5	5.8	7.9

#### Notes:

- All indicators are calculated based on consolidated financial figures.
  - Market capitalization is calculated by multiplying the closing share price at year-end by the number of shares outstanding at year-end, not including treasury shares.
  - Calculations that include operating cash flow use cash flow from operating activities as recorded in the consolidated statements of cash flows. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets on which the Company is paying interest. Calculations that include interest paid use interest expense as recorded in the consolidated statements of cash flows.
- Equity ratio = (Year-end shareholders' equity + Year-end accumulated other comprehensive income) / Year-end total assets × 100
  - Equity ratio based on market capitalization = Market capitalization / Year-end total assets × 100
  - Interest-bearing debt / Cash flow = Interest-bearing debt / Operating cash flow
  - Interest coverage ratio = Operating cash flow / Interest paid

## Business and Other Risk Factors

The Nippon Paper Group has identified the following factors as risks that could affect its business performance and financial position:

### Product Demand and Market Conditions

The Nippon Paper Group engages in its mainstay paper and paperboard business, livelihood-related business, energy business, and wood products and construction related business. The Group is at risk of fluctuations in demand for its products and product prices in the context of economic conditions and other factors. Such fluctuations could affect the Group's business performance and financial position.

### Manufacturing Conditions

The Nippon Paper Group's production activity is based on the estimated demand and production capacity of existing facilities. The Group carries out regular preventive inspections and other maintenance checks, but is at risk of a reduction in supply capability due to fires, accidents, and other problems occurring at facilities, and interruptions in procurement, as well as the delivery of raw materials and fuel. Such fluctuations could affect the Group's business performance and financial position.

### Foreign Exchange

The Nippon Paper Group is at risk of foreign exchange rate fluctuations associated with import and export transactions. Because the Group's imports of raw materials and fuel such as wood chips, waste paper, heavy oil, coal, and chemicals, exceed its product exports, yen depreciation against the U.S. dollar has a negative impact on business performance. The Group hedges against this risk by means such as forward contracts.

### Raw Material and Fuel Prices

The Nippon Paper Group purchases raw materials and fuel such as wood chips, waste paper, heavy oil, coal, and chemicals to manufacture and sell products including paper, pulp, and others. The Group is thus at risk of input price fluctuations in domestic and international markets. Such fluctuations could affect the Group's business performance and financial position.

### Stock Prices

The Nippon Paper Group holds marketable shares in partner and affiliated companies and is thus at risk of share price fluctuations that could affect the Group's business performance and financial position. Such fluctuations could also affect retirement benefit expenses because of their impact on pension assets.

### Interest Rates

The Nippon Paper Group is at risk of interest rate fluctuations affecting its interest expense regarding interest-bearing debt, etc. Such fluctuations could affect the Group's business performance and financial position.

### Overseas Business

The Nippon Paper Group manufactures pulp and paper and operates forestry plantations and other businesses in North America, South America, Scandinavia, China, Southeast Asia, Australia, and other overseas locations. Although the Group takes the utmost care to minimize overseas business risk, unforeseen circumstances in those locations could affect the Group's business performance and financial position.

### Litigation

The Nippon Paper Group takes the utmost care to comply with laws and regulations in the course of doing business, but is nonetheless at risk of litigation associated with criminal or civil affairs, taxation, antitrust law, product liability law, intellectual property rights, and environmental and labor issues. As a result, such litigation could affect the Group's business performance and financial position.

### Impairment of Fixed Assets

The Nippon Paper Group owns fixed assets such as production facilities and land and is at risk of a decline in the value of these assets, which could affect the Group's business performance and financial position.

### Natural Disasters

In the wake of major natural disasters, including earthquakes, occurring near production and sales sites, the Nippon Paper Group's performance and financial position could be negatively affected by unanticipated costs associated with repairing damage to production equipment or facilities and distribution infrastructure, as well as opportunity losses from production shutdowns and damage to products, merchandise, and raw materials.

### Credit Risk

The Nippon Paper Group takes care to limit its credit risk, but tardy or uncollectible receivables due to deterioration in the financial condition or bankruptcy of customers could affect the Group's business performance and financial position.

### Environment-Related Legal Risk

The Group is obligated to apply environment-related regulations in the course of doing business. Revisions and amendments to such regulations could limit production activities and result in additional costs, affecting the Group's operating performance and financial condition.

### Other Risks Associated with Changes in Business Conditions, etc.

The Nippon Paper Group is subject to the risk of changes in business and economic conditions and other similar circumstances arising from contingencies, which could affect the Group's business performance and financial position.

# Consolidated Financial Statements

## Consolidated Balance Sheets

As of March 31, 2018 and 2019

	FY2018/3	Millions of yen	Thousands of U.S. dollars
		FY2019/3	FY2019/3
<b>Assets</b>			
Current assets			
Cash and deposits	¥ 59,003	¥ 63,455	\$ 571,667
Notes and accounts receivable–trade	220,766	234,671	2,114,153
Merchandise and finished goods	82,180	87,025	784,009
Work in process	17,176	20,518	184,847
Raw materials and supplies	66,541	70,351	633,793
Other	45,323	39,933	359,757
Allowance for doubtful receivables	(511)	(550)	(4,955)
Total current assets	490,479	515,407	4,643,306
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	499,132	504,094	4,541,387
Accumulated depreciation	(360,867)	(368,097)	(3,316,189)
Buildings and structures, net	138,264	135,997	1,225,198
Machinery, equipment and vehicles	2,224,884	2,217,462	19,977,135
Accumulated depreciation	(1,912,493)	(1,930,080)	(17,388,108)
Machinery, equipment and vehicles, net	312,390	287,382	2,589,027
Land	218,318	199,435	1,796,712
Mountain forests and plantations	27,508	26,146	235,550
Construction in progress	15,721	22,096	199,063
Other	45,823	47,230	425,495
Accumulated depreciation	(40,099)	(40,674)	(366,432)
Other, net	5,724	6,555	59,054
Total property, plant and equipment	717,927	677,613	6,104,622
Intangible assets	13,868	11,137	100,333
Investments and other assets			
Investments in securities	178,550	159,198	1,434,216
Net defined benefit assets	6,048	6,215	55,991
Deferred tax assets	5,508	4,492	40,468
Other	18,034	17,452	157,225
Allowance for doubtful receivables	(524)	(703)	(6,333)
Total investments and other assets	207,616	186,655	1,681,577
Total noncurrent assets	939,412	875,406	7,886,541
<b>Total assets</b>	¥ 1,429,892	¥ 1,390,814	\$ 12,529,856

	FY2018/3	Millions of yen	Thousands of U.S. dollars
		FY2019/3	FY2019/3
<b>Liabilities</b>			
Current liabilities			
Notes and account payable–trade	¥ 142,275	¥ 145,132	\$ 1,307,495
Short-term loans payable	288,063	224,227	2,020,063
Current portion of bonds	—	10,000	90,090
Accrued income taxes	1,968	5,156	46,450
Other	97,409	93,349	840,982
Total current liabilities	529,717	477,866	4,305,099
Long-term liabilities			
Bonds payable	60,000	50,000	450,450
Long-term loans payable	343,334	401,474	3,616,883
Deferred tax liability	29,565	27,600	248,649
Allowance for environmental costs	314	14,780	133,153
Net defined benefit liability	12,925	13,776	124,108
Other	10,635	9,970	89,820
Total long-term liabilities	456,776	517,603	4,663,090
<b>Total liabilities</b>	986,493	995,470	8,968,198
<b>Net assets</b>			
Shareholders' equity			
Common stock	104,873	104,873	944,802
Capital surplus	216,420	216,414	1,949,676
Retained earnings	73,506	35,265	317,703
Treasury stock, at cost	(1,414)	(1,427)	(12,856)
Total shareholders' equity	393,386	355,125	3,199,324
Accumulated other comprehensive income			
Net unrealized holding gain on other securities	23,243	21,274	191,658
Net deferred gain (loss) on hedges	(1,566)	(2,283)	(20,568)
Translation adjustments	23,338	15,419	138,910
Remeasurements of defined benefit plans	(1,376)	(4,377)	(39,432)
Total accumulated other comprehensive income	43,638	30,033	270,568
Non-controlling interests	6,373	10,184	91,748
<b>Total net assets</b>	443,398	395,343	3,561,649
<b>Total liabilities and net assets</b>	¥1,429,892	¥1,390,814	\$12,529,856

## Consolidated Financial Statements

## Consolidated Statements of Operations

Fiscal Years Ended March 31, 2018 and 2019

		Millions of yen	Thousands of U.S. dollars
	FY2018/3	FY2019/3	FY2019/3
Net sales	¥1,046,499	¥1,068,703	\$9,627,955
Cost of sales	846,109	871,218	7,848,811
Gross profit	200,390	197,485	1,779,144
Selling, general and administrative expenses			
Freightage related expenses	66,670	66,169	596,117
Sales related expenses	53,429	49,571	446,586
Salaries and allowances	36,232	34,499	310,802
Other	26,444	27,629	248,910
Total selling, general and administrative expenses	182,776	177,870	1,602,432
Operating income	17,613	19,615	176,712
Other income			
Interest income	528	444	4,000
Dividend income	2,055	2,066	18,613
Equity in earnings of affiliates	5,731	10,641	95,865
Commissioning electricity sales revenue	2,709	—	—
Other	4,246	4,501	40,550
Total other income	15,271	17,655	159,054
Other expenses			
Interest expenses	7,826	7,391	66,586
Foreign exchange losses	838	1,707	15,378
Commissioning costs	2,448	—	—
Other	3,121	4,269	38,459
Total other expenses	14,235	13,368	120,432
Ordinary income	18,649	23,901	215,324
Extraordinary income			
Gain on sales of investment securities	2,414	3,106	27,982
Gain on sales of property, plant and equipment	2,637	1,987	17,901
Gain on contribution of securities to retirement benefit trust	6,923	—	—
Other	80	90	811
Total extraordinary income	12,055	5,185	46,712
Extraordinary loss			
Loss on reorganization of production structure	—	18,330	165,135
Impairment loss	4,797	14,252	128,396
Provision for environmental measures	—	13,700	123,423
Loss on retirement of noncurrent assets	2,433	2,088	18,811
Other	5,142	8,359	75,306
Total extraordinary loss	12,373	56,730	511,081
Profit (loss) before income taxes	18,332	(27,644)	(249,045)
Income taxes—current	1,106	4,454	40,126
Income taxes—deferred	10,430	644	5,802
Total income taxes	11,536	5,098	45,928
Income (loss) before minority interests	6,795	(32,742)	(294,973)
Profit (loss) attributable to non-controlling interests	(1,051)	2,477	22,315
Profit (loss) attributable to owners of parent	¥ 7,847	¥ (35,220)	\$ (317,297)

## Consolidated Statements of Comprehensive Income

Fiscal Years Ended March 31, 2018 and 2019

		Millions of yen	Thousands of U.S. dollars
	FY2018/3	FY2019/3	FY2019/3
Income (loss) before minority interests	¥ 6,795	¥(32,742)	\$(294,973)
Other comprehensive income (loss)			
Net unrealized holding gain (loss) on other securities	792	(1,718)	(15,477)
Net deferred gain (loss) on hedges	(1,167)	(189)	(1,703)
Translation adjustments	1,734	(7,124)	(64,180)
Remeasurements of defined benefit plans, net of tax	5,349	(3,000)	(27,027)
Share of other comprehensive income of affiliates accounted for using the equity method	1,781	(1,062)	(9,568)
Total other comprehensive income (loss)	8,489	(13,096)	(117,982)
Comprehensive income (loss)	¥15,285	¥(45,838)	\$(412,955)
(Details)			
Comprehensive income (loss) attributable to owners of parent	¥16,255	¥(48,825)	\$(439,865)
Comprehensive income (loss) attributable to non-controlling interests	(970)	2,986	26,901

## Consolidated Financial Statements

## Consolidated Statements of Changes in Net Assets

Fiscal Years Ended March 31, 2018 and 2019

	Number of shares of issued common stock (Shares)	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2017	116,254,892	¥104,873	¥216,531	¥ 73,479	¥(1,398)	¥393,486
Changes of items during the period						
Cash dividends paid				(6,946)		(6,946)
Profit attributable to owners of parent				7,847		7,847
Purchase of treasury stock					(18)	(18)
Disposition of treasury stock			(0)		1	1
Changes in scope of consolidation				(1,201)		(1,201)
Change in scope of equity method				328		328
Change in ownership interest of parent due to transactions with non-controlling interests			(110)			(110)
Changes in items other than shareholders' equity, net						
Total changes of items during the period			(110)	27	(16)	(100)
Balance at March 31, 2018	116,254,892	¥104,873	¥216,420	¥ 73,506	¥(1,414)	¥393,386
Balance at April 1, 2018	116,254,892	¥104,873	¥216,420	¥ 73,506	¥(1,414)	¥393,386
Changes of items during the period						
Cash dividends paid				(3,473)		(3,473)
Profit (loss) attributable to owners of parent				(35,220)		(35,220)
Purchase of treasury stock					(13)	(13)
Disposition of treasury stock			(0)		0	0
Changes in scope of consolidation				452		452
Change in ownership interest of parent due to transactions with non-controlling interests					0	0
Change in treasury stock due to changes in equity in affiliates accounted for by equity method			(6)			(6)
Changes in items other than shareholders' equity, net						
Total changes of items during the period		—	(6)	(38,240)	(13)	(38,260)
Balance at March 31, 2019	116,254,892	¥104,873	¥216,414	¥ 35,265	¥(1,427)	¥355,125

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2018	\$944,802	\$1,949,730	\$ 662,216	\$(12,739)	\$3,544,018
Changes of items during the period					
Cash dividends paid			(31,288)		(31,288)
Profit (loss) attributable to owners of parent			(317,297)		(317,297)
Purchase of treasury stock				(117)	(117)
Disposition of treasury stock		(0)		0	0
Changes in scope of consolidation			4,072		4,072
Change in ownership interest of parent due to transactions with non-controlling interests				0	0
Change in treasury stock due to changes in equity in affiliates accounted for by equity method		(54)			(54)
Changes in items other than shareholders' equity, net					
Total changes of items during the period	—	(54)	(344,505)	(117)	(344,685)
Balance at March 31, 2019	\$944,802	\$1,949,676	\$ 317,703	\$(12,856)	\$3,199,324

Millions of yen						
Net unrealized holding gain on other securities	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net deferred gain (loss) on hedges	Translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income		
¥22,249	¥ 626	¥20,260	¥(6,702)	¥ 36,434	¥ 4,990	¥434,911
993	(2,192)	3,077	5,325	7,204	1,382	8,587
993	(2,192)	3,077	5,325	7,204	1,382	8,486
¥23,243	¥(1,566)	¥23,338	¥(1,376)	¥ 43,638	¥ 6,373	¥443,398
¥23,243	¥(1,566)	¥23,338	¥(1,376)	¥ 43,638	¥ 6,373	¥443,398
(1,968)	(717)	(7,918)	(3,000)	(13,605)	3,811	(9,793)
(1,968)	(717)	(7,918)	(3,000)	(13,605)	3,811	(48,054)
¥21,274	¥(2,283)	¥15,419	¥(4,377)	¥ 30,033	¥10,184	¥395,343

Thousands of U.S. dollars						
Net unrealized holding gain on other securities	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net deferred gain (loss) on hedges	Translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income		
\$209,396	\$(14,108)	\$210,252	\$(12,396)	\$ 393,135	\$57,414	\$3,994,577
(17,730)	(6,459)	(71,333)	(27,027)	(122,568)	34,333	(88,225)
(17,730)	(6,459)	(71,333)	(27,027)	(122,568)	34,333	(432,919)
\$191,658	\$(20,568)	\$138,910	\$(39,432)	\$ 270,568	\$91,748	\$3,561,649



## Consolidated Financial Statements

## Consolidated Statements of Cash Flows

Fiscal Years Ended March 31, 2018 and 2019

	FY2018/3	Millions of yen	Thousands of U.S. dollars
		FY2019/3	FY2019/3
Operating activities			
Profit (loss) before income taxes	¥ 18,332	¥(27,644)	\$(249,045)
Depreciation	57,892	60,422	544,342
Amortization of goodwill	2,049	2,036	18,342
Increase (decrease) in allowance for doubtful receivables	(143)	100	901
Increase (decrease) in net defined benefit liability	(1,822)	(3,763)	(33,901)
Increase (decrease) in allowance for environmental costs	(66)	14,466	130,324
Interest and dividend income	(2,583)	(2,511)	(22,622)
Interest expense	7,826	7,391	66,586
Equity in (earnings) losses of affiliates	(5,731)	(10,641)	(95,865)
Loss (gain) on foreign exchange	(216)	2,673	24,081
Loss (gain) on sales of investment securities	(2,414)	(3,106)	(27,982)
Loss (gain) on valuation of investment securities	1,731	625	5,631
Gain on contribution of securities to retirement benefit trust	(6,923)	—	—
Impairment loss	4,797	14,252	128,396
Loss on disposal of noncurrent assets	2,433	2,088	18,811
Loss on reorganization of production structure	—	18,330	165,135
Decrease (increase) in receivables	(19,641)	(13,594)	(122,468)
Decrease (increase) in inventories	(6,808)	(11,821)	(106,495)
Increase (decrease) in payables	12,942	2,633	23,721
Other	(1,755)	7,824	70,486
Subtotal	59,896	59,761	538,387
Interest and dividends received	4,524	5,072	45,694
Interest paid	(7,800)	(7,606)	(68,523)
Payments for supplementary retirement benefits	—	(389)	(3,505)
Income taxes paid	(11,677)	2,923	26,333
Net cash provided by (used in) operating activities	¥ 44,944	¥ 59,760	\$ 538,378

	FY2018/3	Millions of yen	Thousands of U.S. dollars
		FY2019/3	FY2019/3
Investing activities			
Purchases of noncurrent assets	¥(67,981)	¥(72,022)	\$( 648,847)
Proceeds from sales of noncurrent assets	4,214	3,813	34,351
Purchases of investments in other securities	(1,493)	(1,294)	(11,658)
Proceeds from sales of investments securities	10,319	22,559	203,234
Payments for business withdrawal	(6,890)	(90)	(811)
Decrease (increase) in short-term loans receivable	(150)	413	3,721
Payments of long-term loans receivable	(96)	(699)	(6,297)
Collection of long-term loans receivable	132	130	1,171
Other	(785)	(271)	(2,441)
Net cash provided by (used in) investing activities	(62,731)	(47,461)	(427,577)
Financing activities			
Increase (decrease) in short-term loans payable	(778)	(62,133)	(559,757)
Proceeds from long-term loans payable	53,556	129,239	1,164,315
Repayment of long-term loans payable	(58,396)	(70,030)	(630,901)
Proceeds from issuance of bonds	10,000	—	—
Redemption of bonds	(10,000)	—	—
Purchase of treasury shares	(18)	(13)	(117)
Proceeds from share issuance to non-controlling shareholders	930	660	5,946
Cash dividends paid	(6,939)	(3,480)	(31,351)
Dividends paid to non-controlling interests	(0)	(2)	(18)
Finance lease principal payments	(898)	(959)	(8,640)
Other	(3)	(0)	(0)
Net cash provided by (used in) financing activities	(12,548)	(6,720)	(60,541)
Effect of exchange rate changes on cash and cash equivalents	(1,305)	(1,135)	(10,225)
Increase (decrease) in cash and cash equivalents	(31,641)	4,443	40,027
Cash and cash equivalents at beginning of year	90,514	59,003	531,559
Increase due to inclusion of certain subsidiaries in consolidation	130	8	72
Cash and cash equivalents at end of period	¥ 59,003	¥ 63,455	\$ 571,667



# Consolidated Subsidiaries and Equity-Method Affiliates

(As of March 31, 2019)

## Consolidated Subsidiaries

Paper and paperboard business	Capital or Investment (¥ million)	Location	Share of Voting Rights (%)
Nippon Tokai Industrial Paper Supply Co., Ltd.	350	Japan	65.00
Nippon Paper Papyrus Co., Ltd.	3,949	Japan	100.00
Paper Australia Pty. Ltd. (and its seven subsidiaries)	(AUD1,000) 662,280	Australia	100.00
Jujo Thermal Oy	(EUR1,000) 7,651	Finland	100.00
Siam Nippon Industrial Paper Co., Ltd.	(THB1,000) 1,100,000	Thailand	55.00
Daishowa North America Corporation	(CAD1,000) 165,800	Canada	100.00
Nippon Paper Industries USA Co., Ltd.	(USD1,000) 53	U.S.A.	100.00
NP Trading Co., Ltd.	1,000	Japan	100.00
Kitakami Paper Co., Ltd.	300	Japan	99.85
Kokuei Paper Co., Ltd.	100	Japan	100.00
SUN-OAK CO., LTD.	75	Japan	100.00
Dyna Wave Holding Asia	(HKD1,000) 1	The British Cayman Islands	100.00

Daily-life products business	Capital or Investment (¥ million)	Location	Share of Voting Rights (%)
Nippon Paper Crecia Co., Ltd.	3,067	Japan	100.00
Creacia-Kasuga Co., Ltd.	450	Japan	80.00
Nippon Dynawave Packaging Company, LCC	(USD1,000) 200,000	U.S.A.	100.00
Flowric Co., Ltd.	172	Japan	100.00
Nippon Seitai Corporation	424	Japan	100.00
Kyoei Seitai K.K.	40	Japan	60.19

Energy business	Capital or Investment (¥ million)	Location	Share of Voting Rights (%)
Nippon Paper Ishinomaki Energy Center Ltd.	6,000	Japan	70.00

Wood products and construction related business	Capital or Investment (¥ million)	Location	Share of Voting Rights (%)
Nippon Paper Lumber Co., Ltd.	440	Japan	100.00
N&E Co., Ltd.	450	Japan	70.00
Daishowa Uniboard Co., Ltd.	490	Japan	100.00
Nanei Co., Ltd.	30	Japan	100.00
Nichimoku Fancy Materials Co., Ltd.	50	Japan	100.00
Amapá Florestal e Celulose S.A. (and its one subsidiary)	(BRL1,000) 329,144	Brazil	100.00
Nippon Paper Resources Australia Pty. Ltd.	(AUD1,000) 26,500	Australia	100.00
IWAKUNI-KAIUN CO., LTD.	20	Japan	100.00
NIPPON PAPER UNITEC CO., LTD.	40	Japan	100.00
Kokusaku Kiko Co., Ltd.	60	Japan	100.00
Nippon Paper Ishinomaki Technology Co., Ltd.	40	Japan	100.00

Other businesses	Capital or Investment (¥ million)	Location	Share of Voting Rights (%)
Nippon Paper Logistics Co., Ltd.	10	Japan	100.00
NIPPON PAPER LOGISTICS CO., LTD.	70	Japan	100.00
Nanko Unyu Co., Ltd.	160	Japan	100.00
Kyokushin Transport Corporation	80	Japan	100.00
Sakurai Co., Ltd.	120	Japan	54.77
Hotoku Co., Ltd.	25	Japan	100.00
GAC CO., LTD.	48	Japan	100.00
Nippon Paper Development Co., Ltd.	710	Japan	100.00

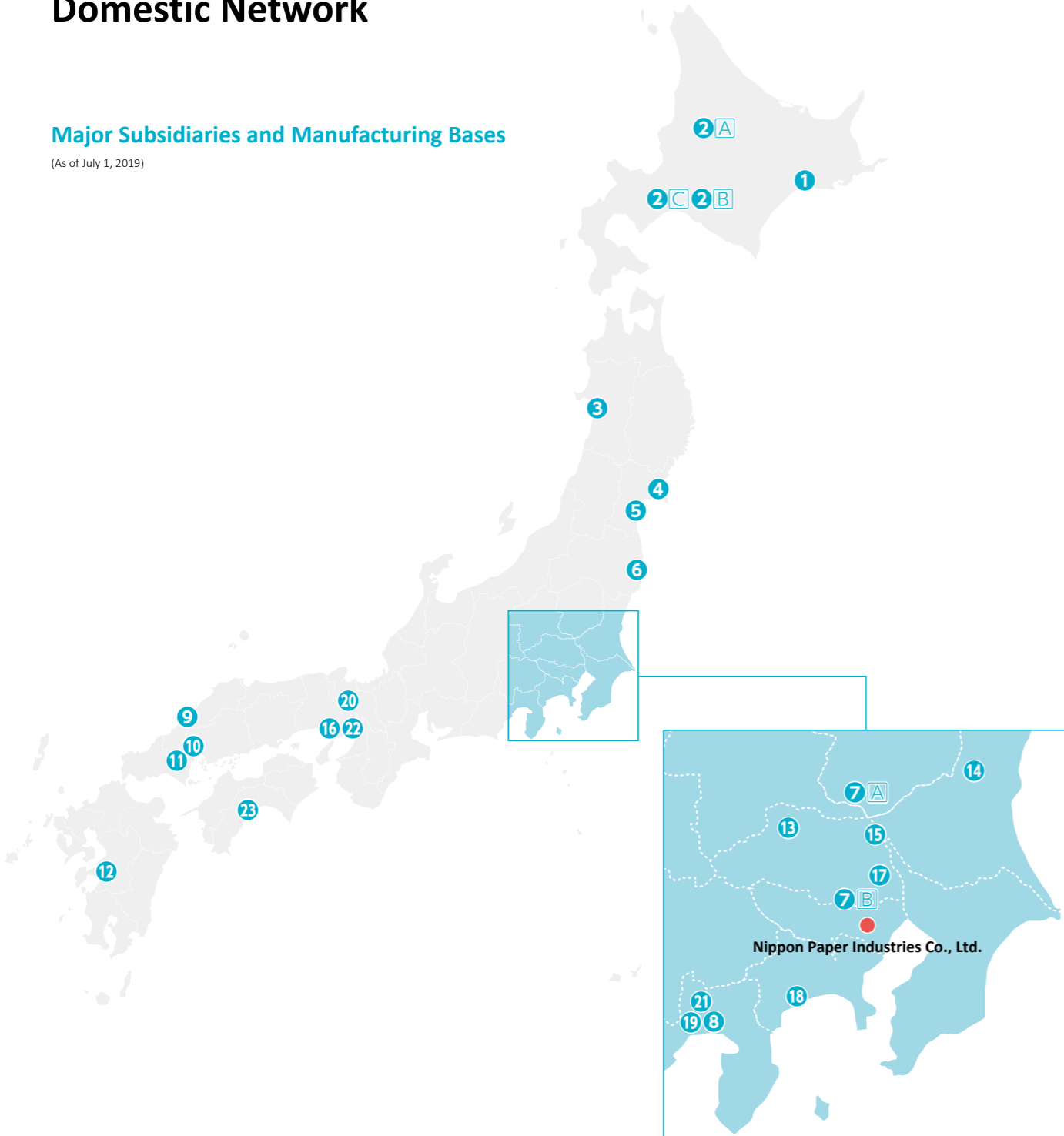
## Equity-Method Affiliates

	Capital or Investment (¥ million)	Location	Share of Voting Rights (%)
Shin Tokai Paper Co., Ltd.	3,135	Japan	35.00
KYODO PAPER HOLDINGS CO., LTD.	2,381	Japan	31.05
Phoenix Pulp & Paper Public Company Ltd.	(THB1,000) 2,462,811	Thailand	30.00
Daishowa Paper Converting Co., Ltd.	235	Japan	44.68
DIXIE JAPAN LTD.	100	Japan	44.41
Nippon Tokan Package Co., Ltd.	700	Japan	45.00
LINTEC Corporation	23,220	Japan	30.98
Nippon Paper Mega Solar Komatsushima, LLC	1	Japan	50.00
Suzukawa Energy Center Ltd.	1,298	Japan	20.00
CHIYODA SVAC CO., LTD.	200	Japan	32.50

# Domestic Network

## Major Subsidiaries and Manufacturing Bases

(As of July 1, 2019)



**Nippon Paper Industries Co., Ltd.**  
 4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
 101-0062, Japan  
 Tel: +81-3-6665-1111 Fax: +81-3-6665-0300

- 1 Kushiro Mill (Hokkaido)
- 2 Hokkaido Mill (Hokkaido)
- 3 Akita Mill (Akita)
- 4 Ishinomaki Mill (Miyagi)
- 5 Iwanuma Mill (Miyagi)
- 6 Nakoso Mill (Fukushima)
- 7 Kanto Mill (Tochigi / Saitama)
- 8 Fuji Mill (Shizuoka)
- 9 Gotsu Mill (Shimane)
- 10 Otake Mill (Hiroshima)
- 11 Iwakuni Mill (Yamaguchi)
- 12 Yatsushiro Mill (Kumamoto)

**Nippon Paper Industries Co., Ltd.**  
 Chemical Sales Division

- 13 Higashimatsuyama Mill (Saitama)

**Nippon Paper Liquid Package Product Co., Ltd.**

- 14 Ishioka Mill (Ibaraki)
- 15 Egawa Mill (Ibaraki)
- 16 Miki Mill (Hyogo)

**Nippon Paper Crecia Co., Ltd.**  
 4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
 101-0062, Japan  
 Tel: +81-3-6665-5300 Fax: +81-3-6665-0370

- 17 Tokyo Mill (Saitama)
- 18 Kaisei Mill (Kanagawa)
- 19 Koyo Mill (Shizuoka)
- 20 Kyoto Mill (Kyoto)

**Nippon Paper Papylia Co., Ltd.**  
 4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
 101-0062, Japan  
 Tel: +81-3-6665-5800 Fax: +81-3-3251-1878

- 21 Harada Mill (Shizuoka)
- 22 Suita Mill (Osaka)
- 23 Kochi Mill (Kochi)

**NP Trading Co., Ltd.**  
 4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
 101-0062, Japan  
 Tel: +81-3-6665-7032

**Nippon Paper Lumber Co., Ltd.**  
 4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo  
 101-0062, Japan  
 Tel: +81-3-6665-7500 Fax: +81-3-6665-0390

**Nippon Paper Development Co., Ltd.**  
 1-1-9, Horifune, Kita-ku, Tokyo  
 114-8555, Japan  
 Tel: +81-3-3914-6161 Fax: +81-3-3914-3706

# Overseas Network

## Major Overseas Subsidiaries and Affiliates (As of July 1, 2019)

### Asia



- ① Everwealth Paper Industries (Shanghai) Co., Ltd.  
Shanghai, China  
Nippon Paper Industries Trading (Shanghai) Co., Ltd.
- ② Shanghai Office    ③ Beijing Office  
Shanghai, China    Beijing, China
- ④ Paper Products Marketing (Singapore) Pte. Ltd.  
Singapore
- ⑤ Paper Products Marketing (Malaysia Branch) Pte. Ltd.  
Selangor, Malaysia
- ⑥ Paper Products Marketing (Hong Kong) Ltd.  
Hong Kong
- ⑦ Paper Products Marketing (Taiwan) Ltd.  
Taipei, Taiwan
- ⑧ NP Trading Co., (H.K.) Ltd.  
Hong Kong
- ⑨ NP Trading (Bangkok) Co., Ltd.  
Bangkok, Thailand
- ⑩ NP INTERNATIONAL (S) PTE. LTD.  
Singapore

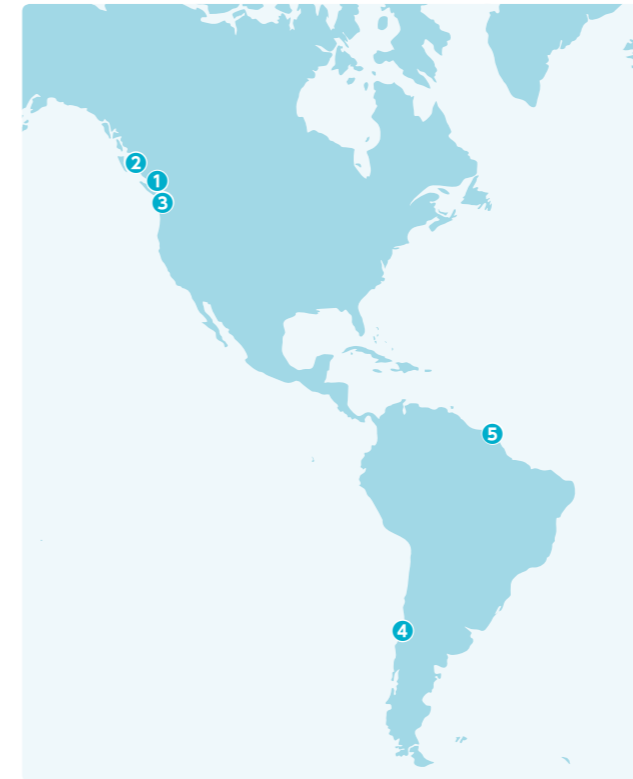
- ⑪ Siam Nippon Industrial Paper Co., Ltd.  
Ban Pong, Thailand
- ⑫ Ky Vy Corporation  
Ho Chi Minh City, Vietnam
- ⑬ Nippon Paper Viet Hoa My JSC  
Ho Chi Minh City, Vietnam
- ⑭ Nippon Paper Foodpac Pvt. Ltd.  
Mumbai, India
- ⑮ TS Plastics Sdn. Bhd.  
Perak, Malaysia

### Oceania



- ① Nippon Paper Resources Australia Pty. Ltd.  
Mt Waverley, Victoria, Australia
- ② Paper Australia Pty. Ltd.  
Mt Waverley, Victoria, Australia
- ③ Paper Products Marketing Pty. Ltd.  
Mt Waverley, Victoria, Australia

### North and South America



- ① Nippon Dynawave Packaging Co.  
Longview, WA, U.S.A.
- ② Daishowa North America Corporation  
Vancouver, B.C., Canada
- ③ Paper Products Marketing (USA) Inc.  
Portland, OR, U.S.A.
- ④ Volterra S.A.  
Concepción, Chile
- ⑤ Amapá Florestal e Celulose S.A.  
Santana, Amapá, Brazil

### Europe



- ① Jujo Thermal Oy  
Kauttua, Finland
- ② Paper Products Marketing Europe GmbH  
Neuss, Germany

# Company Profile / Stock Information (As of March 31, 2019)

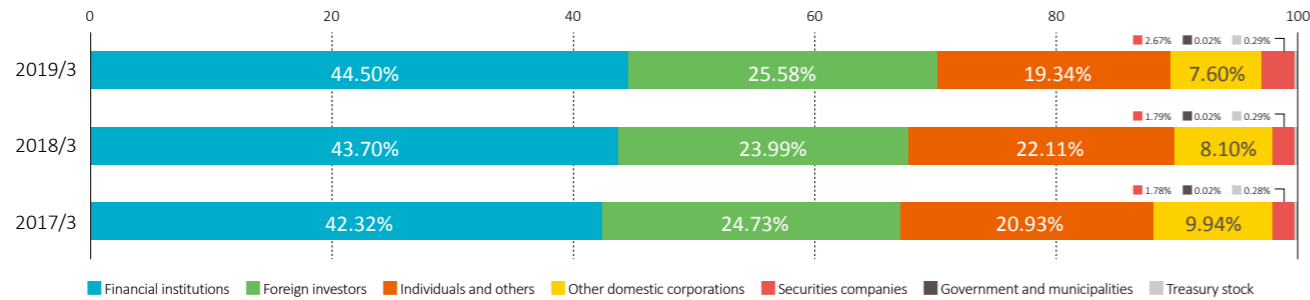
**Company Name** Nippon Paper Industries Co., Ltd.  
**Head Office** 4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo 101-0062, Japan  
**Establishment** August 1, 1949  
**Number of Employees** 5,671 non-consolidated  
 12,943 consolidated  
**Capital** ¥104,873 million  
**Shares** Number of shares authorized to be issued  
 300,000,000 shares  
 Number of shares issued  
 116,254,892 shares  
 (including 343,458 shares of treasury stock)  
**Number of Shareholders** 82,192

## Major Shareholders

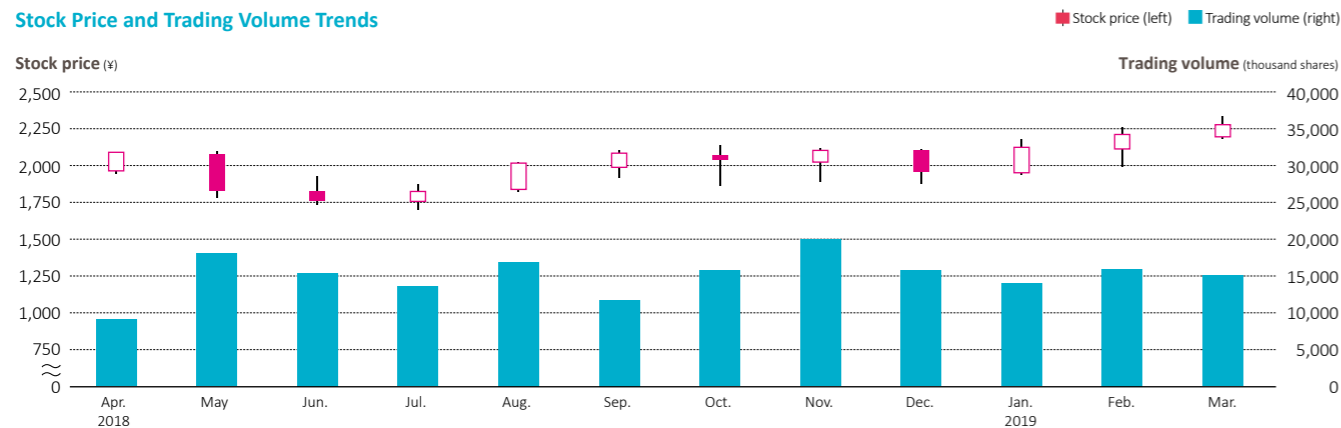
Name	Shares Held	Shareholding Ratio (%)*
Ichigo Trust Pte. Ltd.	11,739,700	10.13
Japan Trustee Services Bank, Ltd. (Trust Account)	10,411,674	8.98
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,111,800	6.14
Mizuho Bank, Ltd.	4,341,855	3.75
Nippon Paper Industries Co., Ltd. Employee Share Ownership	3,039,229	2.62
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,724,300	2.35
Nippon Life Insurance Company	2,473,165	2.13
Mitsui Life Insurance Company Limited	2,258,900	1.95
Sumitomo Mitsui Banking Corporation	1,993,846	1.72
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,840,400	1.59

\* The shareholding ratio was calculated after deducting 343,458 shares of treasury stock.

## Percentage of Shares Held by Shareholder Type



## Stock Price and Trading Volume Trends



## Overview of Our Disclosure System

This report contains a summary of information of particularly high importance on the corporate value of the Nippon Paper Group. More detailed information is provided on our website.

