

FY2015/3 Financial Review



May 26, 2015

Nippon Paper Industries Co., Ltd.

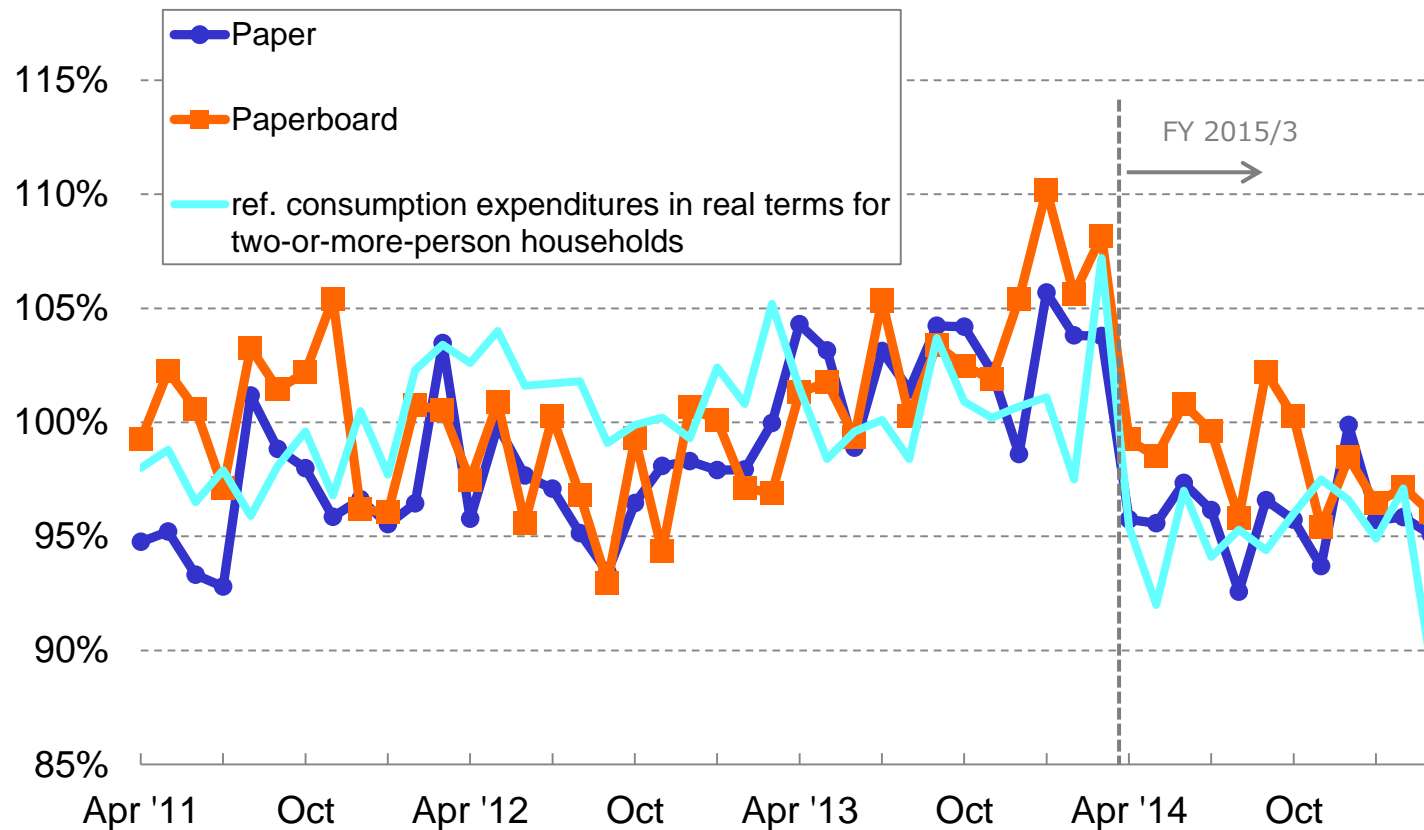
FY2015/3 Review

(April 1, 2014 – March 31, 2015)

1. Business environment
2. Financial results
3. FY2016/3 earnings forecast

Domestic shipments decreased YOY in accordance with weak personal consumption

Domestic shipment of Japanese paper industry (YOY)



Source: Japan Paper Association, Ministry of Internal Affairs and Communications

1. Business environment: *Domestic shipment, exports and imports*

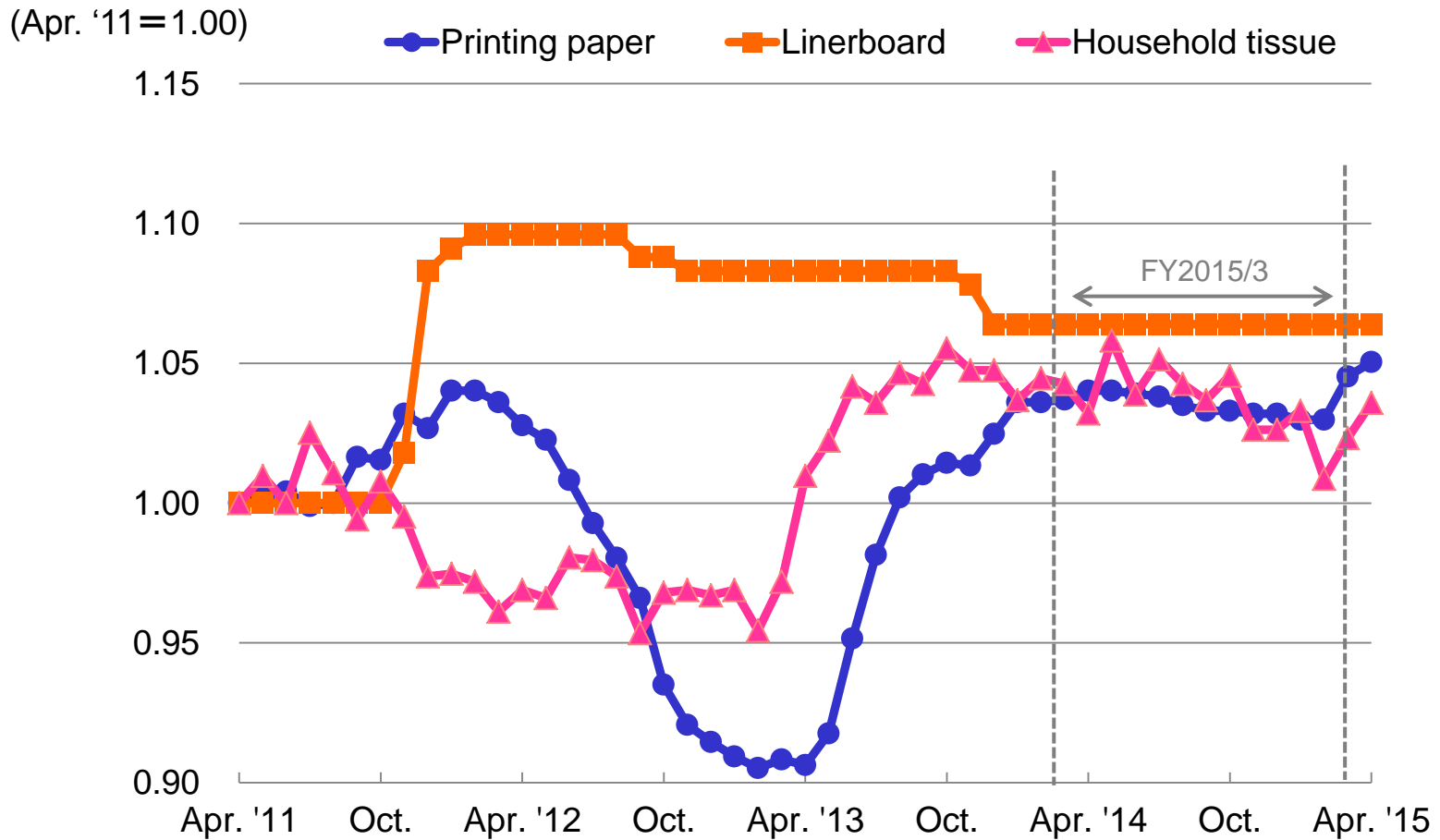
Paper demand is stagnating.
Paperboard shipment slightly reduced.

('000 tonnes)	Apr '14 - Mar '15				Apr '14 - Mar '15	
	Domestic Shipments		Exports		Imports	
	volume	YOY	volume	YOY	volume	YOY
Newsprint	3,083	-4.1%	1	-59.7%	50	-9.0%
Printing & business communication paper	7,814	-5.1%	582	3.9%	1,202	-16.4%
Coated paper *	4,480	-5.8%	454	5.5%	556	-24.7%
Uncoated & specialty printing paper	2,014	-5.9%	92	2.4%	149	-11.9%
Business communication paper	1,320	-1.4%	36	-9.3%	498	-6.3%
Other papers (packaging, sanitary and other miscellaneous uses)	3,209	-2.1%	229	18.0%	38	-5.3%
Paper total	14,105	-4.2%	812	7.4%	1,290	-15.8%
Container board	8,721	-1.6%	269	44.5%	82	-7.6%
Folding box board and others	2,217	-1.7%	21	-13.9%	261	-4.9%
Paperboard total	10,938	-1.6%	290	37.8%	343	-5.6%
Paper and paperboard total	25,044	-3.1%	1,102	14.0%	1,633	-13.9%

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

Source: Japan Paper Association

Printing paper price has increased from Mar '15

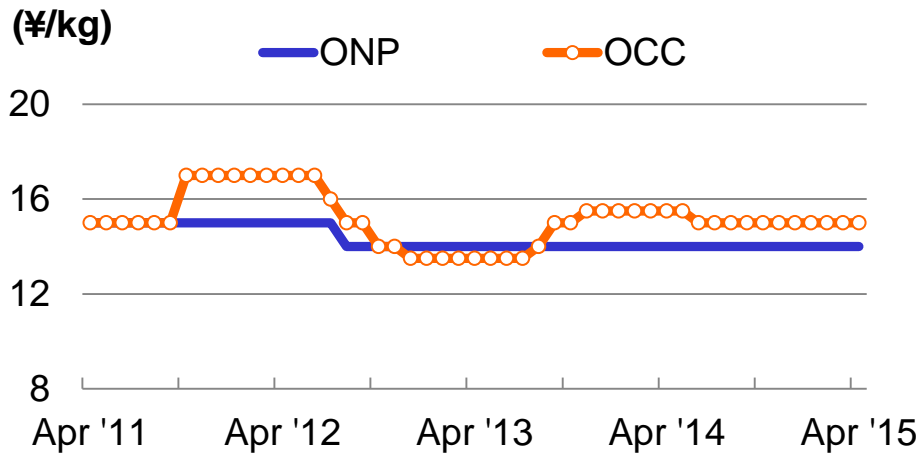


Source: Bank of Japan "Corporate Goods Price Index"

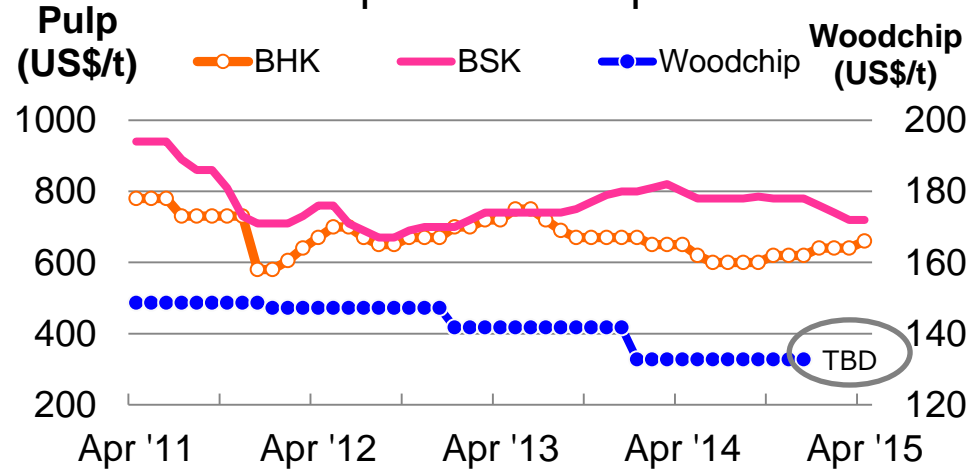
1. Business environment: Major input price trends

In 2H, JPY depreciated against USD and fuel prices dropped further

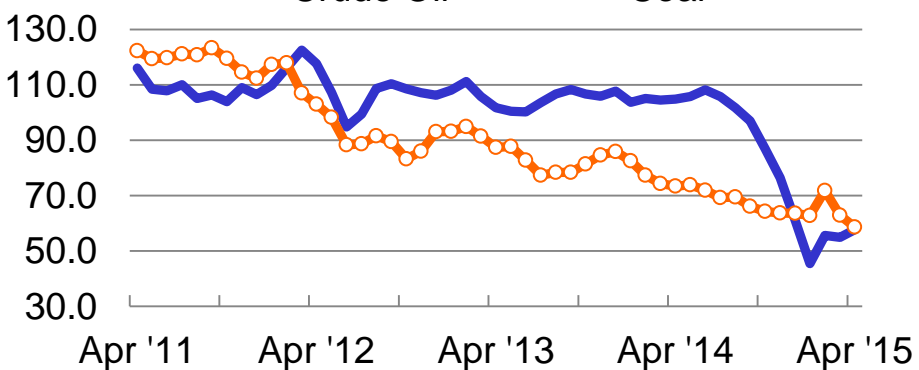
Wastepaper



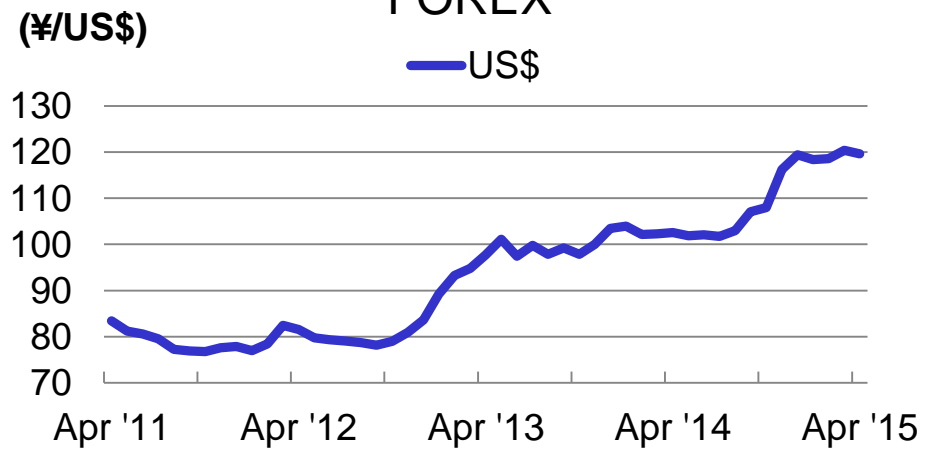
Pulp & Woodchip



Crude oil (Dubai) & Coal



FOREX







(¥billion)	FY2015/3 Result	FY2014/3 Result	Variance (YOY)
<Net sales>	1,052.5	1,081.3	-28.8
<Operating income>	23.7	28.5	-4.8
<Ordinary income>	23.2	28.2	-5.0
<Net income>	23.2	22.8	0.4

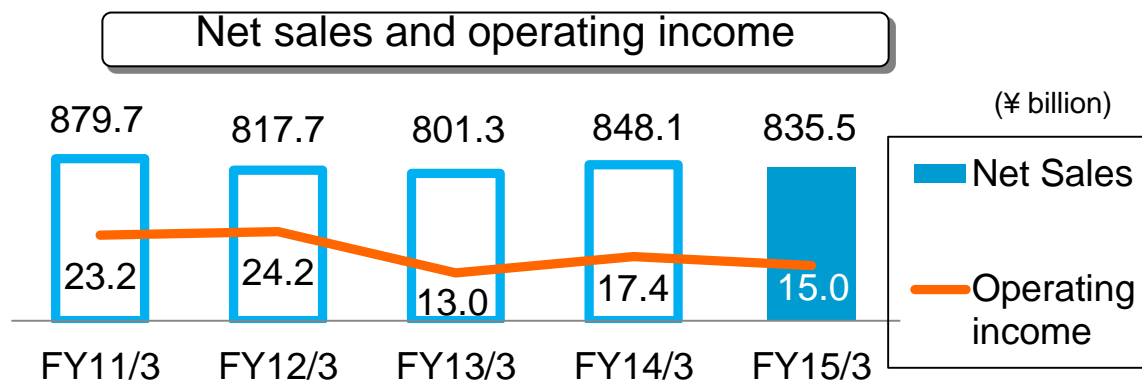
- ❑ Sales decreased due to a rush in demand before consumption tax increase in previous year
- ❑ Operating income decreased though price increase and cost reduction eased the raw material price surge impact due to FX
- ❑ Booked ¥19.4 billion gain on sales of non-current assets as an extraordinary income

Sales decreased due to a rush in demand before consumption tax increase in previous year

(¥billion)	Sales			Operating Income		
	FY2014/3	FY2015/3		FY2014/3	FY2015/3	
		Variance (YOY)			Variance (YOY)	
Pulp and paper	848.1	835.5	-12.6	17.4	15.0	-2.4
Paper related (packaging and chemical products)	93.0	91.0	-2.0	5.0	3.8	-1.3
Wood products and construction related	69.5	59.2	-10.3	2.4	2.1	-0.3
Other (beverages, logistics, etc.)	70.6	66.7	-3.9	3.6	2.7	-0.9
Total	1,081.3	1,052.5	-28.8	28.5	23.7	-4.8

2. Financial results: *Pulp & paper segment*



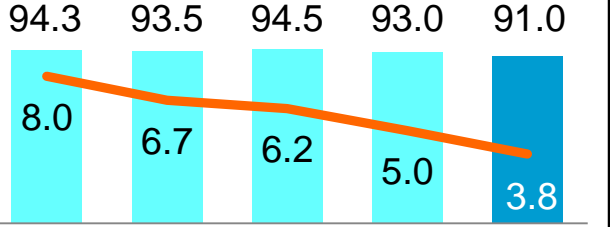

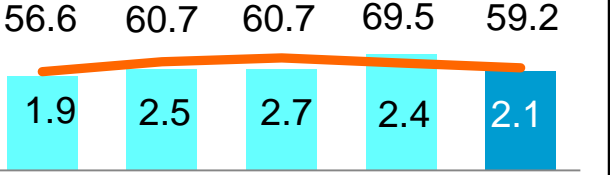

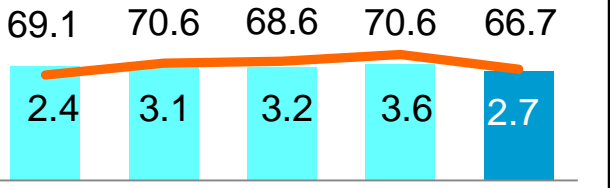
<p>Paper</p> 	<ul style="list-style-type: none"> • Shipment: -4.6% (Domestic-6.3%, Exports +31.7% (YOY)) ->Decreased due to impact of Consumption tax increase and output reduction for maintaining price level • Price increase contributed to better operating income
<p>Paperboard</p> 	<ul style="list-style-type: none"> • Shipment:+2.5% (Domestic +1.8%, Exports +18.9% YOY) ->Increased in cup stock paper and containerboard for beverage and foods • Price increase contributed to better operating income
<p>Household Tissue</p> 	<ul style="list-style-type: none"> • Sales volume reduced due to the impact of Consumption tax increase • Price increase contributed to better operating income
<p>Other</p> 	<ul style="list-style-type: none"> • Electric power sales declined ->Basic (non-temporary) electric power business kept growing, while temporary sale after the earthquake in 2011 sharply decreased



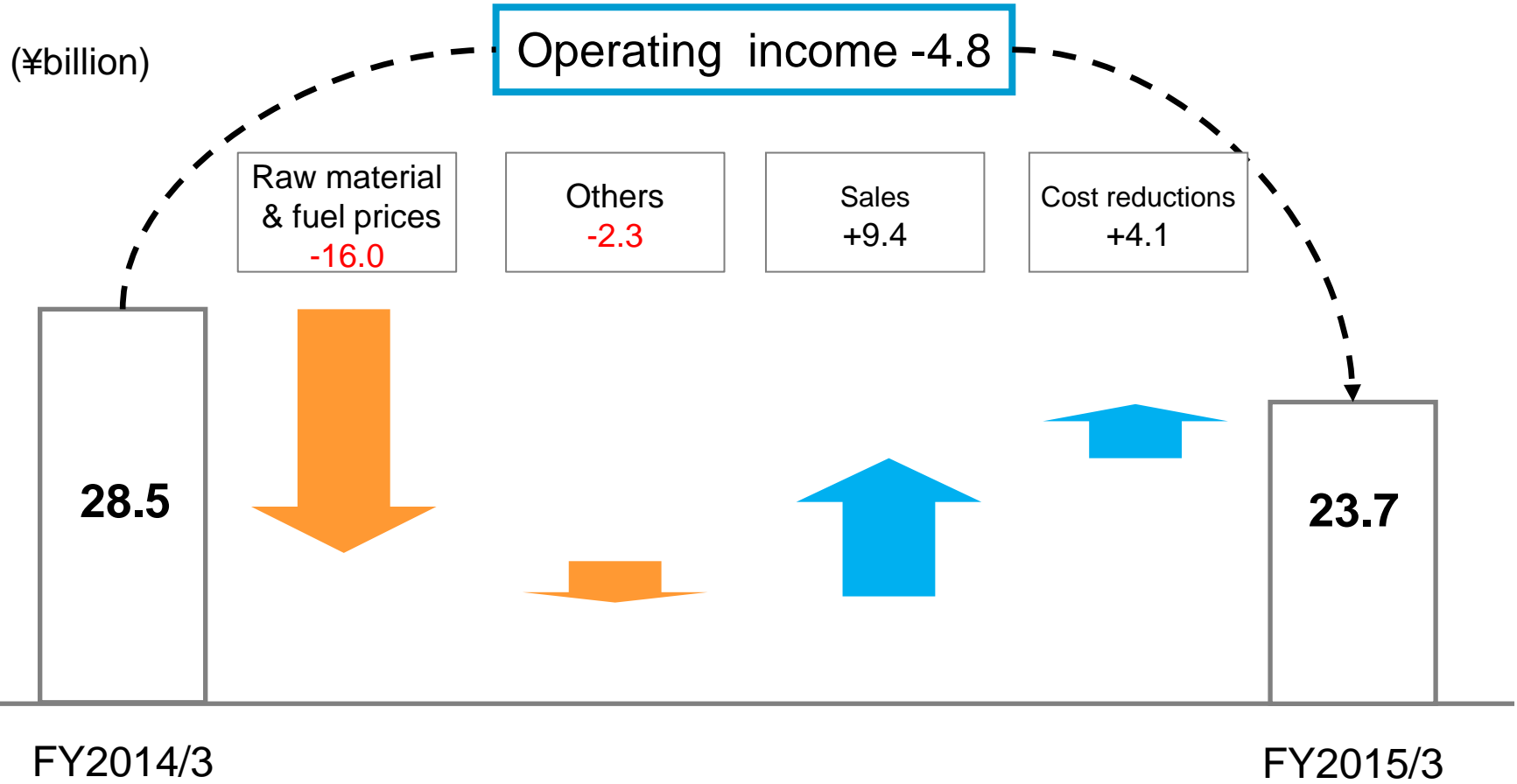
2. Financial results: *Pulp & paper* - sales volume by product

Higher export volume offset the impact of domestic sales decline

('000 tonnes)		FY2014/3	FY2015/3	YOY
	Newsprint	1,170	1,107	-5.4%
	Printing & business communication paper	2,588	2,395	-7.4%
	Coated paper	1,420	1,295	-8.8%
	Uncoated & specialty printing paper	597	544	-8.9%
	Business communication paper	571	557	-2.5%
	Packaging paper and others	315	312	-0.9%
Domestic sales (paper)		4,073	3,815	-6.3%
Export (paper)		196	258	31.7%
Paper total		4,268	4,072	-4.6%
	Container board	1,199	1,221	1.9%
	Folding boxboard and others	369	375	1.5%
	Domestic sales (paperboard)	1,568	1,595	1.8%
	Export (paperboard)	75	89	18.9%
Paperboard total		1,643	1,685	2.5%
Grand total (paper and paperboard)		5,911	5,757	-2.6%

	Business Overview	Net sales and operating income 																		
<p>Paper-related</p> 	<p><Liquid-packaging cartons> -Sales and income were sluggish due to bad weather, consumption tax increase and input cost rising.</p> <p><Chemicals> - Sales was steady in dissolving pulp and chemical products.</p>	 <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr> <td>FY11/3</td> <td>94.3</td> <td>8.0</td> </tr> <tr> <td>FY12/3</td> <td>93.5</td> <td>6.7</td> </tr> <tr> <td>FY13/3</td> <td>94.5</td> <td>6.2</td> </tr> <tr> <td>FY14/3</td> <td>93.0</td> <td>5.0</td> </tr> <tr> <td>FY15/3</td> <td>91.0</td> <td>3.8</td> </tr> </tbody> </table>	Fiscal Year	Net sales (¥billion)	Operating income (¥billion)	FY11/3	94.3	8.0	FY12/3	93.5	6.7	FY13/3	94.5	6.2	FY14/3	93.0	5.0	FY15/3	91.0	3.8
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<p>Wood products and construction related</p> 	<p>- Sales was sluggish due to drop in new housing starts.</p>	 <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr> <td>FY11/3</td> <td>56.6</td> <td>1.9</td> </tr> <tr> <td>FY12/3</td> <td>60.7</td> <td>2.5</td> </tr> <tr> <td>FY13/3</td> <td>60.7</td> <td>2.7</td> </tr> <tr> <td>FY14/3</td> <td>69.5</td> <td>2.4</td> </tr> <tr> <td>FY15/3</td> <td>59.2</td> <td>2.1</td> </tr> </tbody> </table>	Fiscal Year	Net sales (¥billion)	Operating income (¥billion)	FY11/3	56.6	1.9	FY12/3	60.7	2.5	FY13/3	60.7	2.7	FY14/3	69.5	2.4	FY15/3	59.2	2.1
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<p>Other</p> <p>SHIKOKU COCA-COLA BOTTLING CO.,LTD.</p> 	<p><Beverage> - Operating income declined due to bad weather and fiercer competitions</p>	 <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr> <td>FY11/3</td> <td>69.1</td> <td>2.4</td> </tr> <tr> <td>FY12/3</td> <td>70.6</td> <td>3.1</td> </tr> <tr> <td>FY13/3</td> <td>68.6</td> <td>3.2</td> </tr> <tr> <td>FY14/3</td> <td>70.6</td> <td>3.6</td> </tr> <tr> <td>FY15/3</td> <td>66.7</td> <td>2.7</td> </tr> </tbody> </table>	Fiscal Year	Net sales (¥billion)	Operating income (¥billion)	FY11/3	69.1	2.4	FY12/3	70.6	3.1	FY13/3	68.6	3.2	FY14/3	70.6	3.6	FY15/3	66.7	2.7
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Price increase and cost reduction efforts did not fully offset the negative impact of input cost rising due to Japanese yen depreciation



Achieved the target level of net interest-bearing debt

(¥billion)	Mar.31 2015	Compared to Mar.31 2014
Total assets	1,495.6	14.7
Cash and time deposits	84.1	-13.1
Notes and accounts receivable	193.5	-8.2
Inventories	163.1	11.8
Other current assets	43.9	-11.3
Property, plant, equipment and intangible fixed assets	734.4	-16.6
Investments and other assets	276.7	52.2
Total liabilities	1,005.9	-48.4
Interest-bearing liabilities (incl. lease obligations)	731.8	-43.8
Other liabilities	274.0	-4.7
Total net assets	489.7	63.2
Shareholder's equity	417.8	19.2
Net interest-bearing debt	647.7	-30.6
Net D/E ratio	1.55	-0.15

Item	FY2015/3
Operating activities	81.8
Income before income taxes	36.9
Depreciation	61.4
Change in net working capital	-5.5
Other	-11.0
Investing activities	-42.5
Purchases of property, plant and equipment	-48.7
Proceeds from sales of property, plant and equipment	19.3
Other	-13.1
Free cash flows	39.3
Financing activities	-52.7
Change in net borrowings	-46.8
Cash dividends paid	-5.8
Other	-0.1
Effect of exchange rate changes on cash and cash equivalents	0.2
Cash and cash equivalents at the beginning of period	97.1
Cash and cash equivalents at the end of period	84.0

3. FY2016/3 earnings forecast

(¥billion)	FY2016/3 forecast	FY2015/3	Variance (YOY)
<Net sales>	1,060.0	1,052.5	7.5
<Operating income>	32.0	23.7	8.3
<Ordinary income>	30.0	23.2	6.8
<Net income>	15.0	23.2	-8.2

- ❑ Plan operating income increase due to price increases & cost reductions
- ❑ Estimate ¥6.5b sales gain & ¥3.5b FOREX profit due to Lee & Man shares sale, and ¥-16.4b loss & ¥6.5b reversal of tax expense due to Shikoku Coca-Cola shares sale
- ❑ Project annual dividend increase by ¥10 per share (¥50 -> ¥60)

Domestic Sales

- Volume (year-on-year)

Paper : -1.3%

Paperboard : +2.0%

- Price

Paper : Remain at current level

Paperboard : Remain at current level

Raw materials and fuel prices, FOREX

Crude oil : US\$60/BL (Dubai)

Coal : US\$68/t (Australian black coal)

Wastepaper : Remain at current level

FOREX : ¥120/US\$

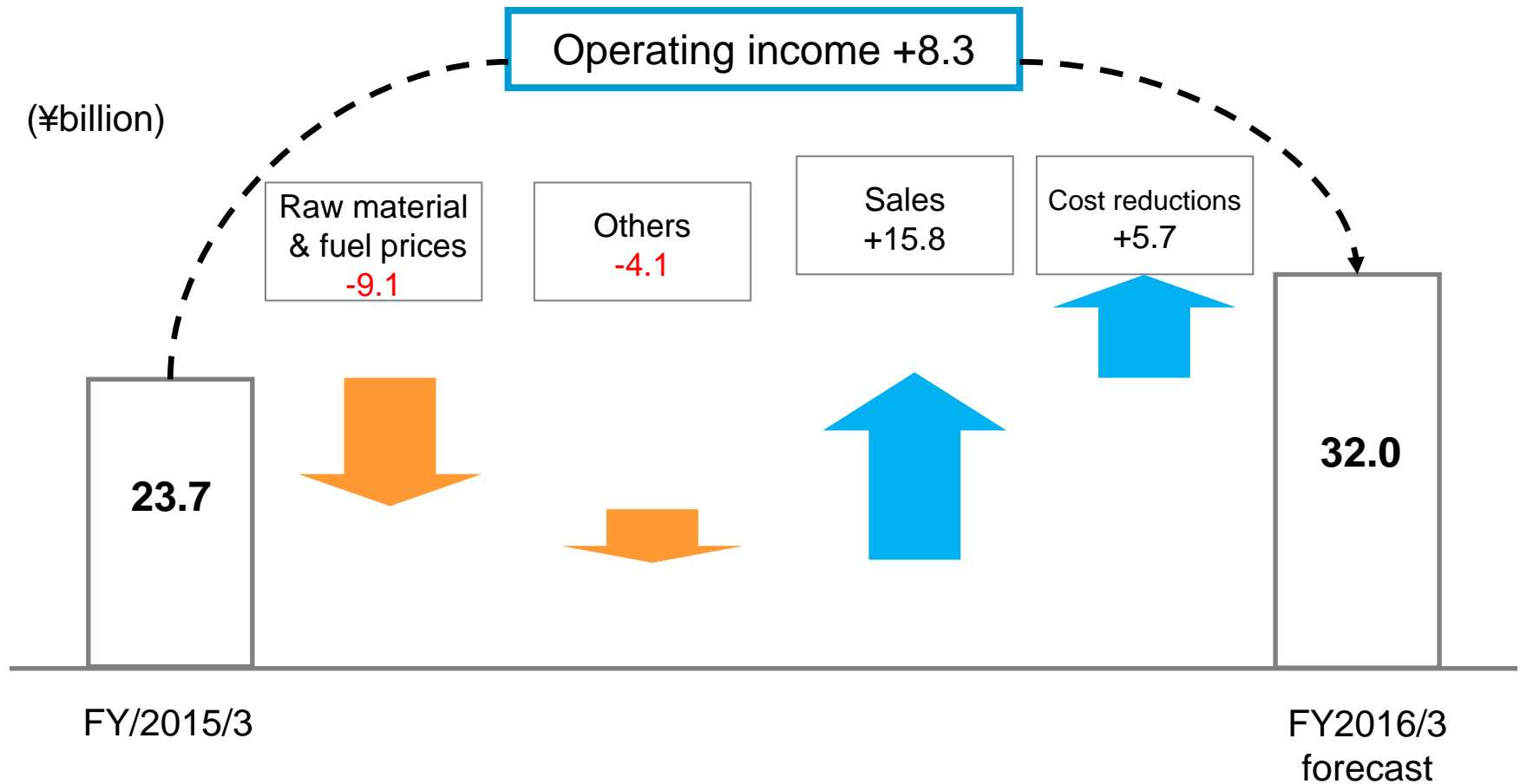
Sales increase in paper exports & paperboard offset decline of domestic paper sales

('000 tonnes)		FY2016/3 forecast	FY2015/3 results	Change YOY
Paper	Newsprint	1,084	1,107	-2.1%
	Printing & business communication paper	2,367	2,395	-1.2%
	Coated paper	1,287	1,295	-0.6%
	Uncoated & specialty printing paper	525	544	-3.4%
	Business communication paper	555	557	-0.4%
	Packaging paper and others	313	312	0.4%
	Domestic sales (paper)	3,764	3,815	-1.3%
Export (paper)	303	258	17.4%	
Paper total		4,067	4,072	-0.1%
Paperboard	Container board	1,247	1,221	2.1%
	Folding boxboard and others	381	375	1.6%
	Domestic sales (paperboard)	1,628	1,595	2.0%
	Export (paperboard)	105	89	18.2%
Paperboard total		1,733	1,685	2.9%
Grand total (paper and paperboard)		5,800	5,757	0.7%

"Total" means the sum of sales volume of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd. and Nippon Paper Crexia Co., Ltd.

3. FY2016/3 earnings forecast: *Variance analysis* for operating income

Price increases and cost reductions push up operating income



4. FY2016/3 earnings forecast : *Key figures and indices*

	FY2011/3	FY2012/3	FY2013/3	FY2014/3	FY2015/3	FY2016/3 forecast
Operating margin on sales	3.2%	3.5%	2.5%	2.6%	2.2%	3.0%
Ordinary margin on sales	2.9%	0.6%	2.3%	2.6%	2.2%	2.8%
Capital expenditure (¥billion)	46.6	57.2	53.3	47.2	48.5	48.4
Depreciation (¥billion)	78.6	74.4	64.9	63.2	61.4	58.0
Net interest-bearing debt (¥billion)	727.5	718.9	719.3	678.4	647.7	650.0
Net D/E (times)	1.75	1.94	1.89	1.70	1.55	1.5-1.6
Number of employees	13,834	13,407	13,052	13,107	12,771	11,939
Earnings per share (¥)	-208.73	-359.90	92.00	196.67	200.27	129.58
Dividends per share (¥)	60	30	40	40	50	60

Disclaimer

Any statements in this presentation document, other than those of historical fact, are forward-looking statements about the future performance of Nippon Paper Industries, Co., Ltd. and its group companies. These statements are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

Nippon Paper Industries Co., Ltd.