

# FY2016/3 FINANCIAL REVIEW

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Investor Meeting on May 24, 2016

NIPPON PAPER INDUSTRIES CO.,LTD.



Shaping the Future with Trees

## FY2016/3 Review

(April 1, 2015 – March 31, 2016)

1. Business Environment
2. Financial Results
3. FY2017/3 Earnings Forecast



# 1. Business Environment: Industry Data (domestic shipment, exports, and imports)

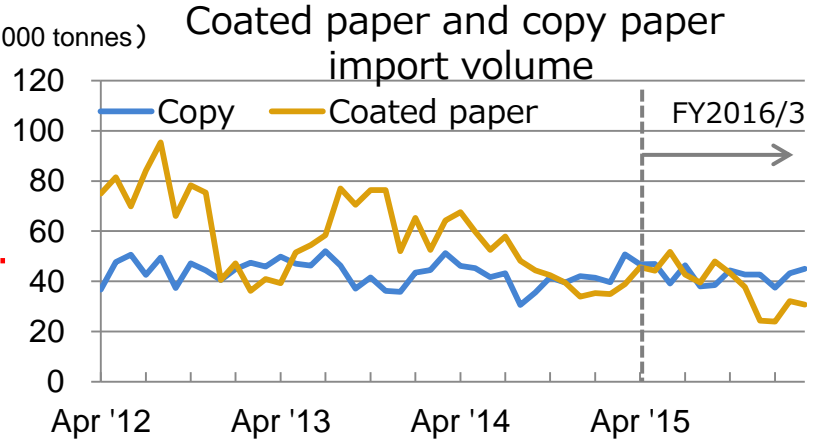
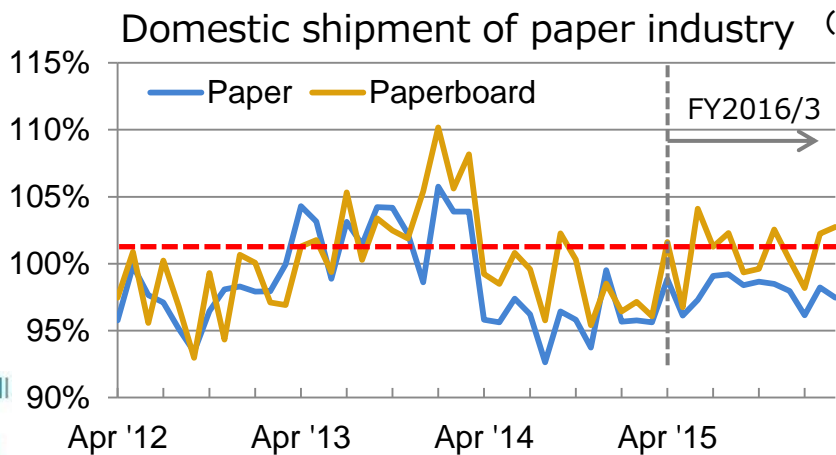
## Domestic demand of graphic paper including newsprint is declining.

		Apr '15 - Mar '16			
		Domestic shipments		Exports	
		volume	YOY	volume	YOY
Paper	Newsprint	2,984	-3.2%	1	5.3%
	Printing & business communication paper	7,627	-2.4%	650	11.7%
	Coated paper *	4,355	-2.8%	517	14.0%
	Uncoated & specialty printing paper	1,951	-3.1%	95	2.9%
	Business communication paper	1,322	0.2%	38	4.3%
	Other papers (packaging, sanitary and other miscellaneous uses)	3,227	0.6%	233	1.6%
<b>Paper total</b>		<b>13,839</b>	<b>-1.9%</b>	<b>884</b>	<b>8.8%</b>
Paperboard	Container board	8,862	1.6%	308	14.5%
	Folding box board and others	2,176	-1.8%	23	12.0%
	<b>Paperboard total</b>	<b>11,038</b>	<b>0.9%</b>	<b>331</b>	<b>14.3%</b>
<b>Paper and paperboard total</b>		<b>24,877</b>	<b>-0.7%</b>	<b>1,215</b>	<b>10.3%</b>

volume: '000 tons

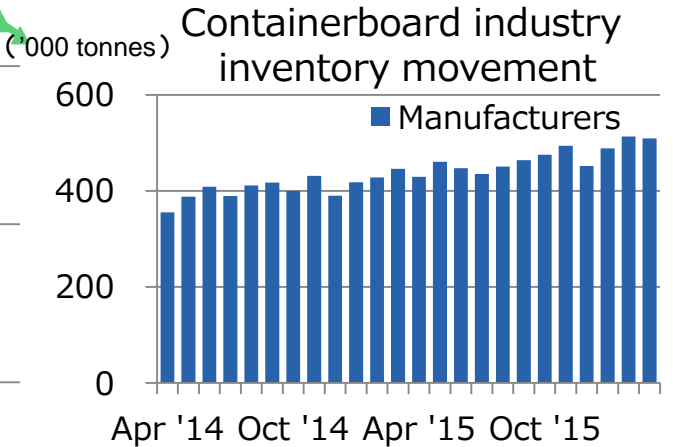
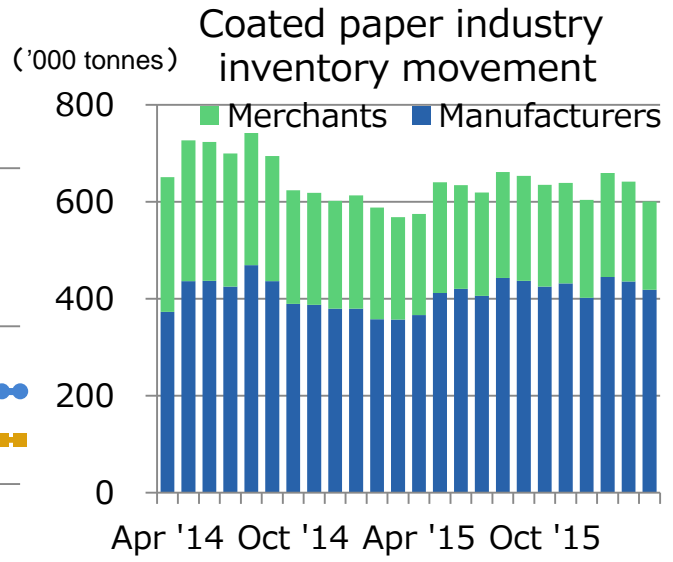
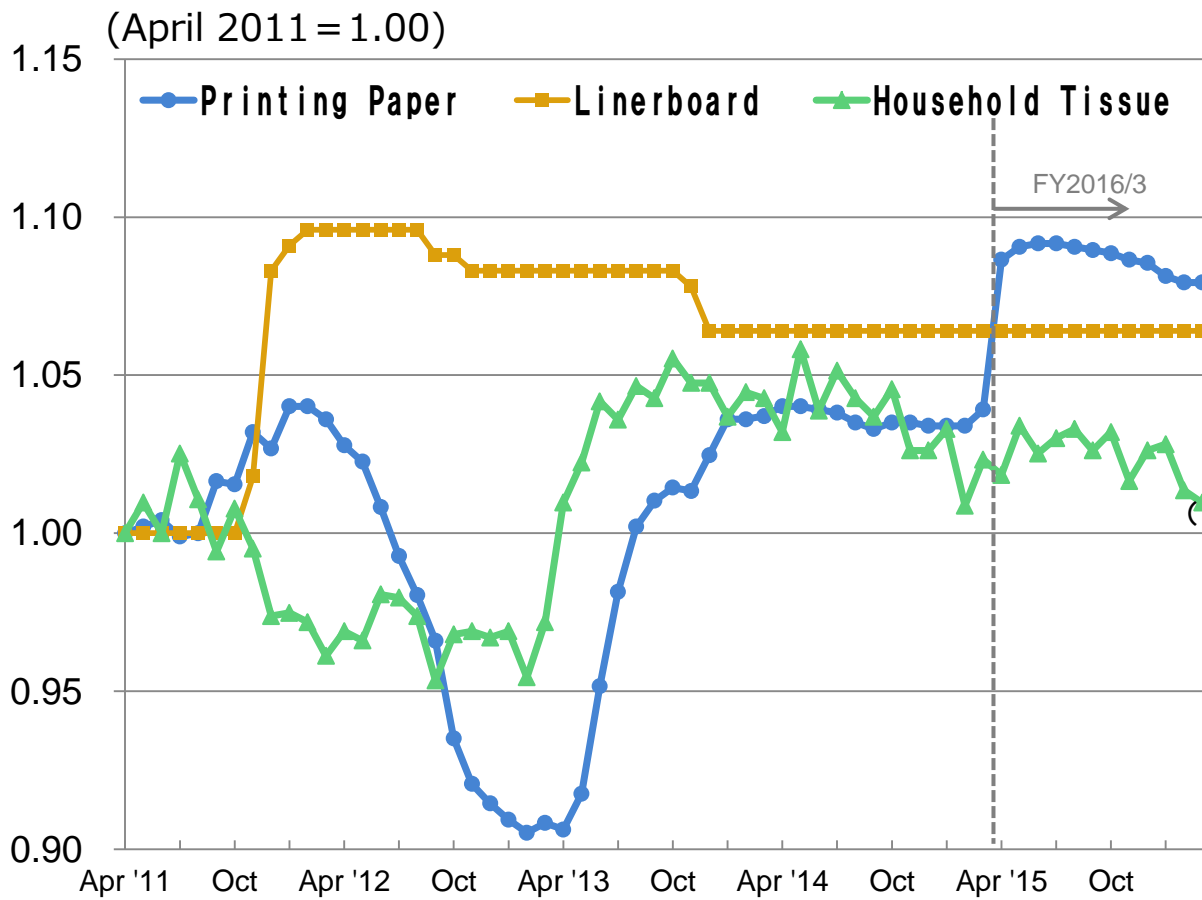
Apr '15 - Mar '16	
Imports	
volume	YOY
51	2.7%
1,116	-7.2%
464	-16.4%
140	-5.7%
511	2.7%
39	1.7%
<b>1,205</b>	<b>-6.5%</b>
46	-43.5%
282	7.9%
<b>328</b>	<b>-4.4%</b>
<b>1,534</b>	<b>-6.1%</b>

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



# Printing paper price is gradually decreasing.

Price trends by product

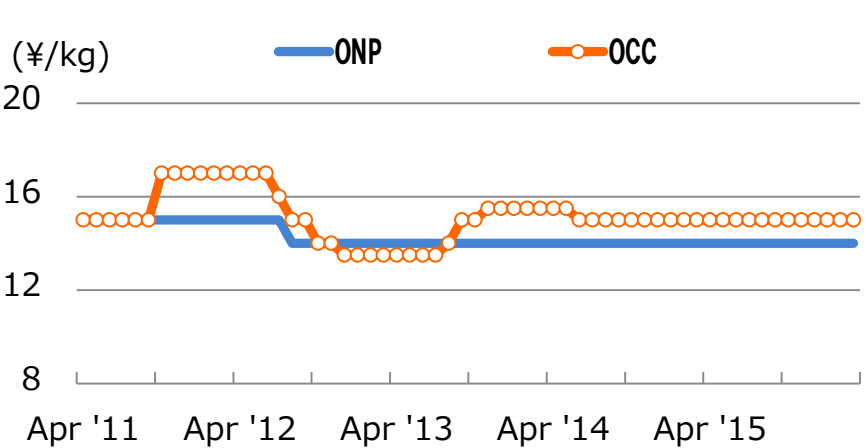


Source: Japan Paper Association, Bank of Japan "Corporate Goods Price Index"

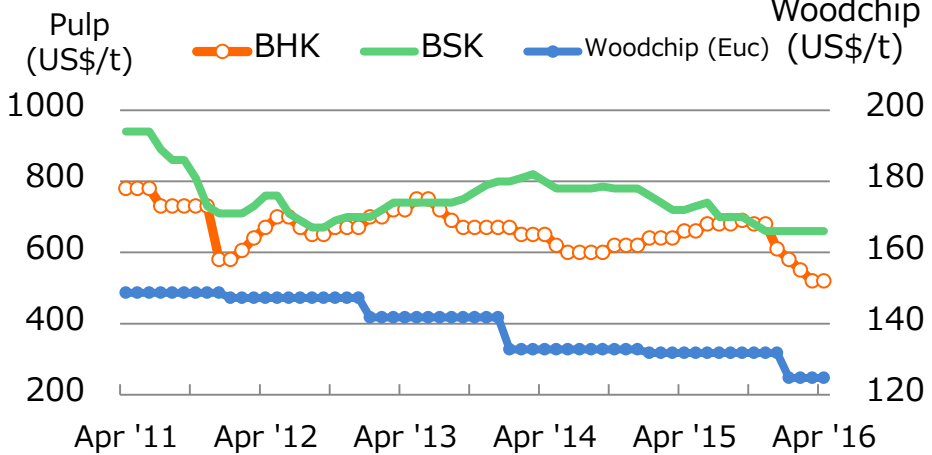


**JPY/USD showed big drop. Oil price is on a rebound.**

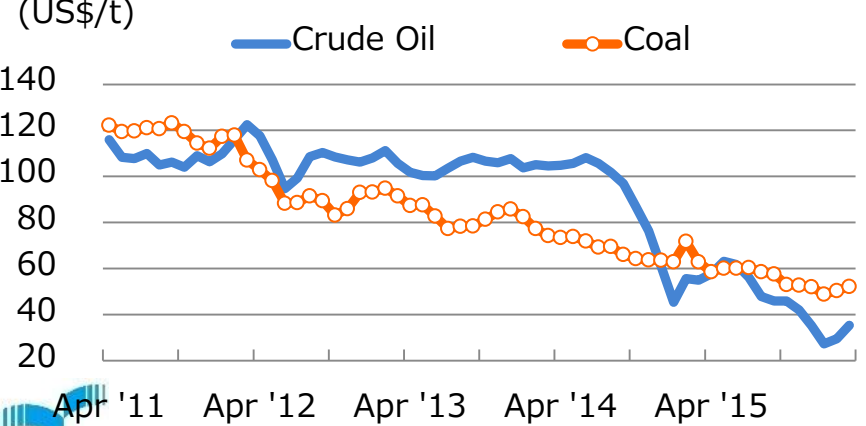
Waste Paper



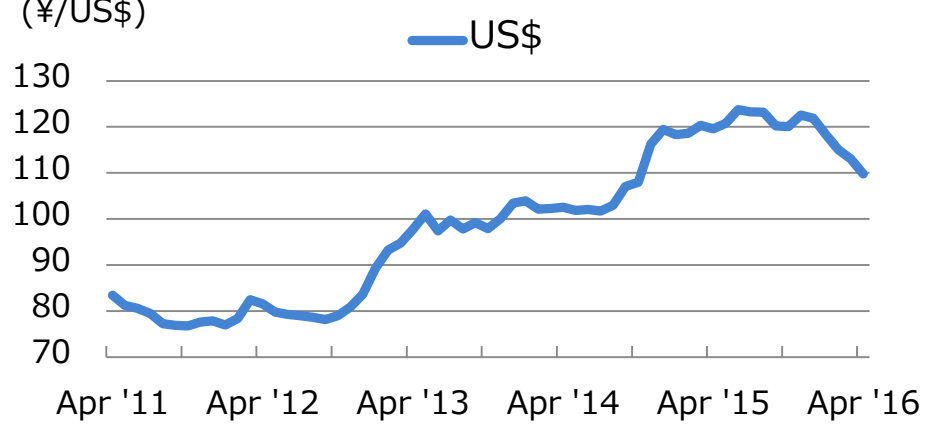
Pulp & Woodchip



Crude oil (Dubai) & Coal



FOREX



Source: Paper Recycling Promotion Center, Crude oil= Platts, Coal=Global Coal Index



## 2. Financial Results: *Highlights*

### Net sales and operating income decreased.

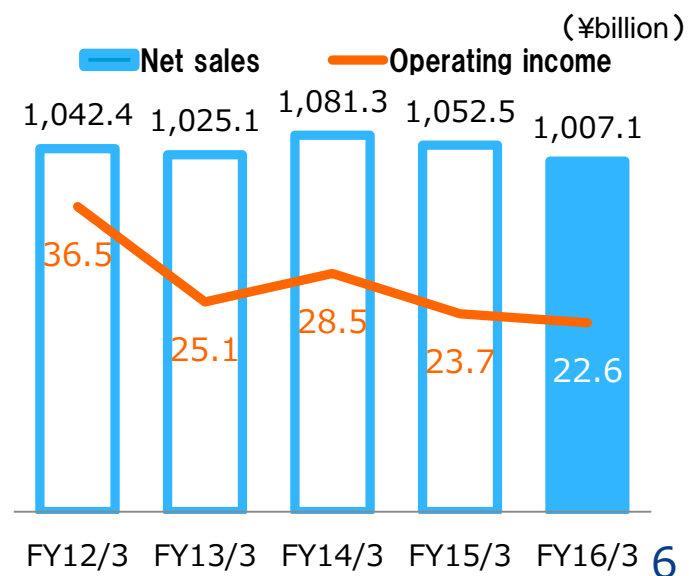
(¥billion)

	FY2016/3 Result	FY2015/3 Result	Variance	
			Amount	%
Net sales	1,007.1	1,052.5	-45.4	-4.3%
Operating income	22.6	23.7	-1.1	-4.4%
Ordinary income	17.1	23.2	-6.1	-26.2%
Net income*	2.4	23.2	-20.8	-89.5%

\* Profit attributable to owners of parent

- ◆ Net sales decreased due to Shikoku Coca-Cola share sale.
- ◆ Negative impacts due to sales volume and raw material and fuel prices outweighed positive impact of price increase and cost reduction.
- ◆ Ordinary income and net income decreased due to Shikoku Coca-Cola and Lee & Man shares sale and asset impairment of foreign operations.

#### Net sales and operating income



## 2. Financial Results: *Segment information*





**Sales and operating income decreased in all segments other than wood products and construction related segment.**

(¥billion)

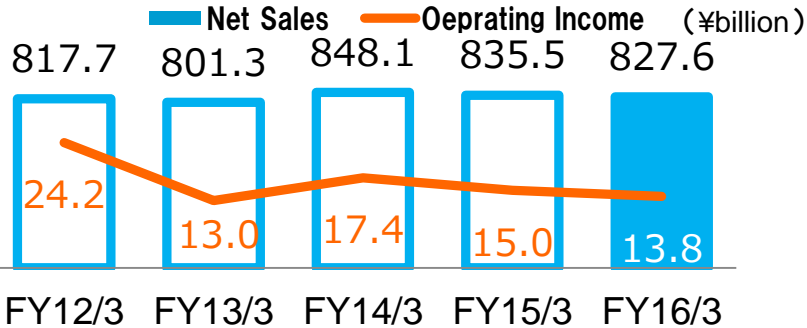
	Sales			Operating Income		
	FY2015/3 Result	FY2016/3 Result	Variance	FY2015/3 Result	FY2016/3 Result	Variance
Pulp and paper	835.5	827.6	-8.0	15.0	13.8	-1.2
Paper related (packaging and chemical products)	91.0	88.9	-2.1	3.8	2.7	-1.1
Wood products and construction related	59.2	62.2	2.9	2.1	3.6	1.5
Other (logistics, etc.)	66.7	28.5	-38.2	2.7	2.5	-0.3
Total	1,052.5	1,007.1	-45.4	23.7	22.6	-1.1



## 2. Financial Results: *Pulp & paper segment*

<p>Paper</p> 	<ul style="list-style-type: none"> <li>• Shipment: -1.6% (Domestic-2.9%, Exports +17.1% (YOY))</li> <li>-&gt;Export volume steadily increased but domestic demand is decreasing.</li> <li>• Maintained price level after the increase which offset the impact of raw material and fuel prices increase.</li> </ul>
<p>Paperboard</p> 	<ul style="list-style-type: none"> <li>• Shipment:-5.4% (Domestic -5.4%, Exports -6.1% YOY))</li> <li>-&gt;Sales volume was not good because integrated box manufacturers increased inhouse paperboard sourcing.</li> </ul>
<p>Household Tissue</p> 	<ul style="list-style-type: none"> <li>• Toilet rolls and health care goods sold well.</li> </ul>
<p>Other</p> 	<ul style="list-style-type: none"> <li>• Electric power sales is steady.</li> </ul>

Net sales and operating income





## 2. Financial Results: Pulp & paper - sales volume by product

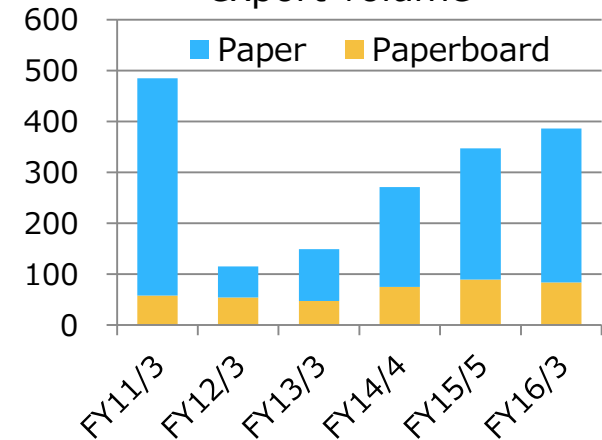
### Domestic shipment decreased but export volume of paper increased.

volume: '000 tons ('000 tonnes)

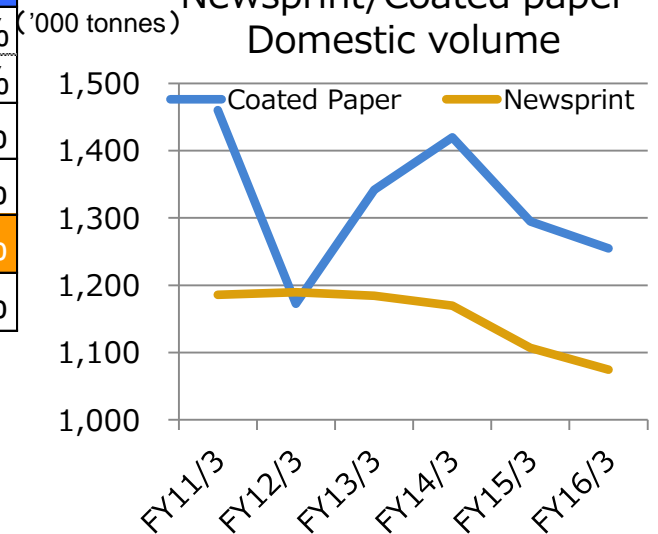
	FY2015/3	FY2016/3	YOY
Newsprint	1,107	1,074	-3.0%
Printing & Business communication paper	2,395	2,311	-3.5%
Coated paper	1,295	1,255	-3.1%
Uncoated & Specialty printing paper	544	524	-3.6%
Business communication paper	557	532	-4.5%
Packaging paper and others	312	318	2.0%
Domestic sales (paper)	3,815	3,703	-2.9%
Export (paper)	258	302	17.1%
<b>Paper total</b>	<b>4,072</b>	<b>4,006</b>	<b>-1.6%</b>
Container board	1,221	1,146	-6.1%
Folding box board and others	375	363	-3.1%
Domestic sales (paperboard)	1,595	1,509	-5.4%
Export (paperboard)	89	84	-6.1%
<b>Paperboard total</b>	<b>1,685</b>	<b>1,593</b>	<b>-5.4%</b>
<b>Grand total (paper and paperboard)</b>	<b>5,757</b>	<b>5,598</b>	<b>-2.8%</b>

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



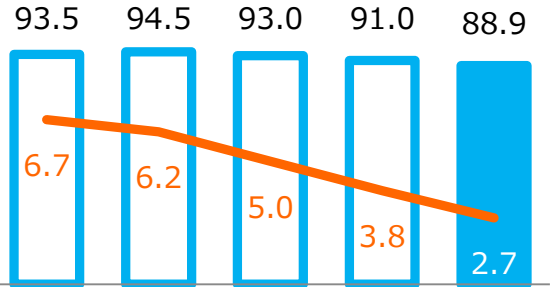

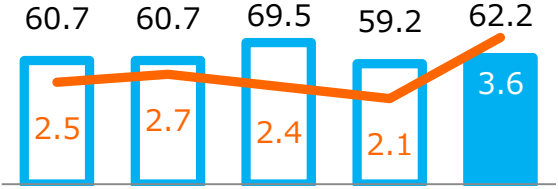

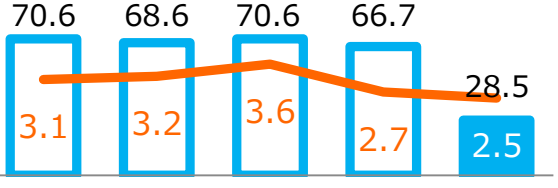
#### Papar/Paperboard export volume



#### Newsprint/Coated paper Domestic volume



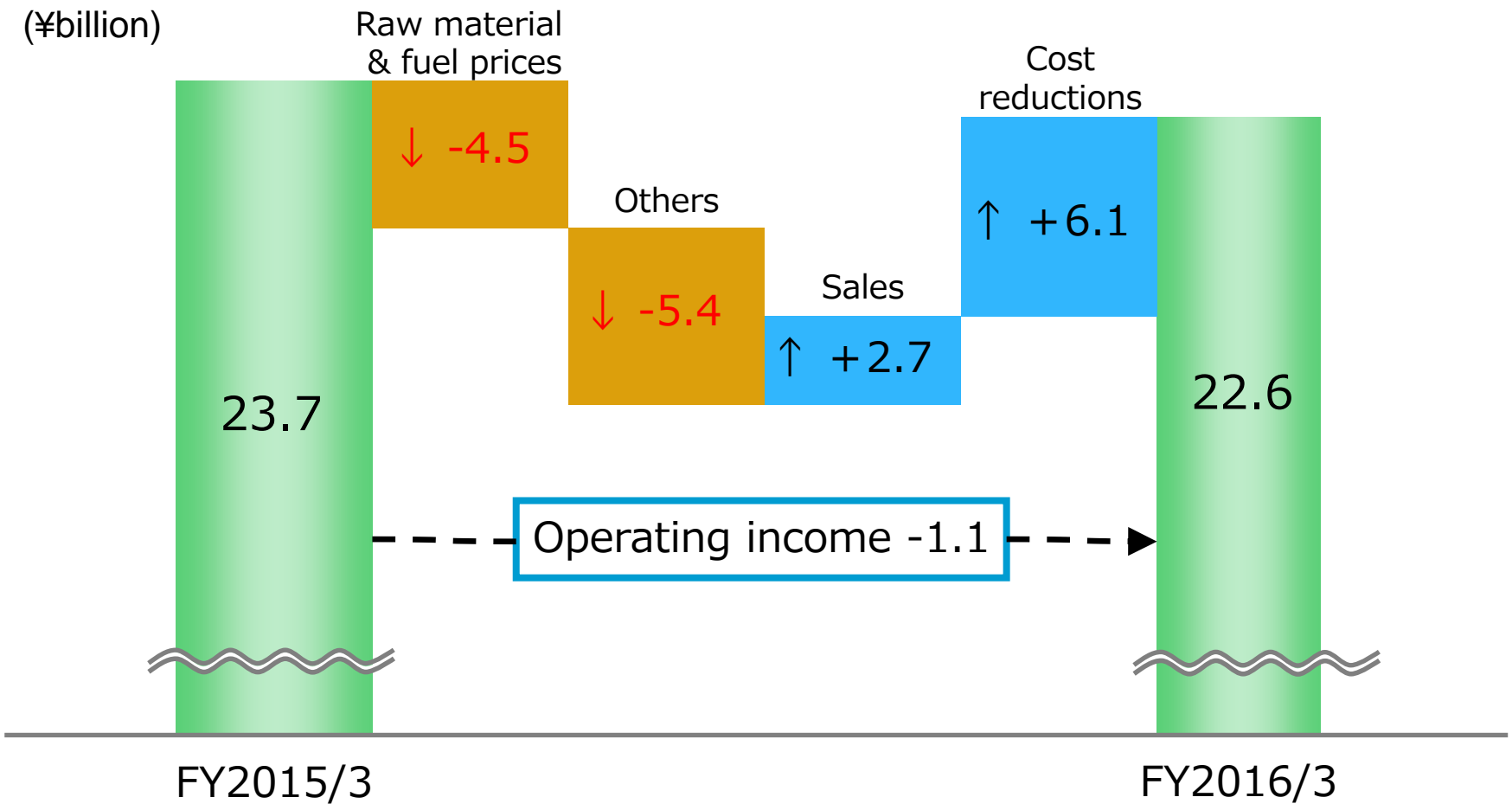
## 2. Financial Results: Paper-Related Segment, Wood Products and Construction Related Segment, Other Segment

	Business Overview	Net sales and operating income 																		
<p>Paper-related segment</p> 	<p>&lt;Liquid-packaging cartons business&gt;</p> <ul style="list-style-type: none"> <li>- Sales and operating income is close to previous year's. Milk-related sales volume is steady.</li> </ul> <p>&lt;Chemical business&gt;</p> <ul style="list-style-type: none"> <li>- Sales and operating income decreased due to sluggish sales of functional film business caused by lower PC and tablet demand.</li> </ul>	 <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <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> <tr> <td>FY16/3</td> <td>88.9</td> <td>2.7</td> </tr> </tbody> </table>	Fiscal Year	Net sales (¥billion)	Operating income (¥billion)	FY12/3	93.5	6.7	FY13/3	94.5	6.2	FY14/3	93.0	5.0	FY15/3	91.0	3.8	FY16/3	88.9	2.7
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<p>Wood products and construction related segment</p> 	<ul style="list-style-type: none"> <li>- Sales and operating income increased. Housing starts is increasing.</li> </ul>	 <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <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> <tr> <td>FY16/3</td> <td>62.2</td> <td>3.6</td> </tr> </tbody> </table>	Fiscal Year	Net sales (¥billion)	Operating income (¥billion)	FY12/3	60.7	2.5	FY13/3	60.7	2.7	FY14/3	69.5	2.4	FY15/3	59.2	2.1	FY16/3	62.2	3.6
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<p>Other segment</p> 	<ul style="list-style-type: none"> <li>- Both logistics and leisure business run well.</li> </ul> <p>(Note) Shikoku Coca-cola was extracted out of consolidated scope from 2Q.</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>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> <tr> <td>FY16/3</td> <td>28.5</td> <td>2.5</td> </tr> </tbody> </table>	Fiscal Year	Net sales (¥billion)	Operating income (¥billion)	FY12/3	70.6	3.1	FY13/3	68.6	3.2	FY14/3	70.6	3.6	FY15/3	66.7	2.7	FY16/3	28.5	2.5
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FY15/3	66.7	2.7																		
FY16/3	28.5	2.5																		



## 2. Financial Results: *Variance analysis for operating income*

**Price increase and cost reduction impact relieved the negative impact of lower sales volume and input cost rising.**



## 2. Financial Results: *Balance sheet*

### Total assets is compressed to achieve better ROA.

(¥billion)

	Mar 31, 2015	Mar 31, 2016	Variance
Total assets	1,495.6	1,390.9	-104.7
Cash and time deposits	84.1	112.5	28.4
Inventories	163.1	158.1	-5.0
Other current assets	237.3	232.3	-5.0
Property, plant, equipment, and intangible fixed assets	734.4	684.6	-49.8
Investments and other assets	276.7	203.4	-73.3
Total liabilities	1,005.9	966.2	-39.6
Interest bearing liabilities (incl. lease obligations)	731.8	703.8	-28.0
Other liabilities	274.0	262.4	-11.6
Total net assets	489.7	424.7	-65.1
Shareholder's equity	417.8	402.8	-15.0
Total liabilities and net assets	1,495.6	1,390.9	-104.7
Net interest-bearing debt	647.7	591.3	-56.4
Net D/E ratio	1.55	1.47	-0.08
ROA*	2.2%	2.0%	-0.2%

\*ROA = (Ordinary income + Interest expenses)/Total assets 12



## 2. Financial Results: *Cash flow statement*

### Asset sales created the cash for future growth investments.

(¥billion)

	FY2015/3	FY2016/3	Variance
Operating activities	81.8	52.4	-29.4
Income before income taxes	36.9	4.6	-32.3
Depreciation	61.4	57.7	-3.8
Change in net working capital	-5.5	-15.2	-9.7
Other	-11.0	5.4	16.4
Investing activities	-42.5	16.3	58.8
Purchase of noncurrent assets and investment securities	-61.7	-51.4	10.3
Sale of noncurrent assets and investment securities	19.9	67.6	47.7
Other	-0.7	0.1	0.8
Free cash flows	39.3	68.7	29.4
Financing activities	-52.7	-39.2	-13.5
Cash and cash equivalents at the end of period	84.0	112.5	28.5
Capital expenditure	48.5	46.9	-1.6



### 3. FY2017/3 Earnings Forecast: *Highlights*

## Net sales decreased. Operating income increased.

(¥billion)

	FY2017/3 Forecast	FY2016/3 Result	Variance	
			Amount	%
Net sales	1,000.0	1,007.1	-7.1	-0.7%
Operating income	32.0	22.6	9.4	41.4%
Ordinary income	32.0	17.1	14.9	86.9%
Net income*	18.0	2.4	15.6	642.3%

\* Profit attributable to owners of parent

- ◆ Operating income is estimated to increase due to cost reductions and lower raw material and fuel prices.
- ◆ 5 billion Japanese yen is planned as extraordinary loss to implement Australian Paper's profit improvement plan.
- ◆ Annual dividend projection: 60 yen per share
- ◆ Financial impact of the Business alliance with Tokushu Tokai Paper is not included in this forecast.



### 3. FY2017/3 Earnings Forecast : *Assumptions*

#### ● Domestic Sales

Volume (YOY)	Paper	-2.7%
	Paperboard	+ 2.1%
Price	Paper	Remain at current level
	Paperboard	Remain at current level

#### ● Raw materials and fuel prices, FOREX

Crude Oil	US\$40/BL (Dubai)
Coal	US\$62/t (Australian black coal)
Waste Paper	Remain at current level
FOREX	¥115/US\$



### 3. FY2017/3 Earnings Forecast : Sales volume by product

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

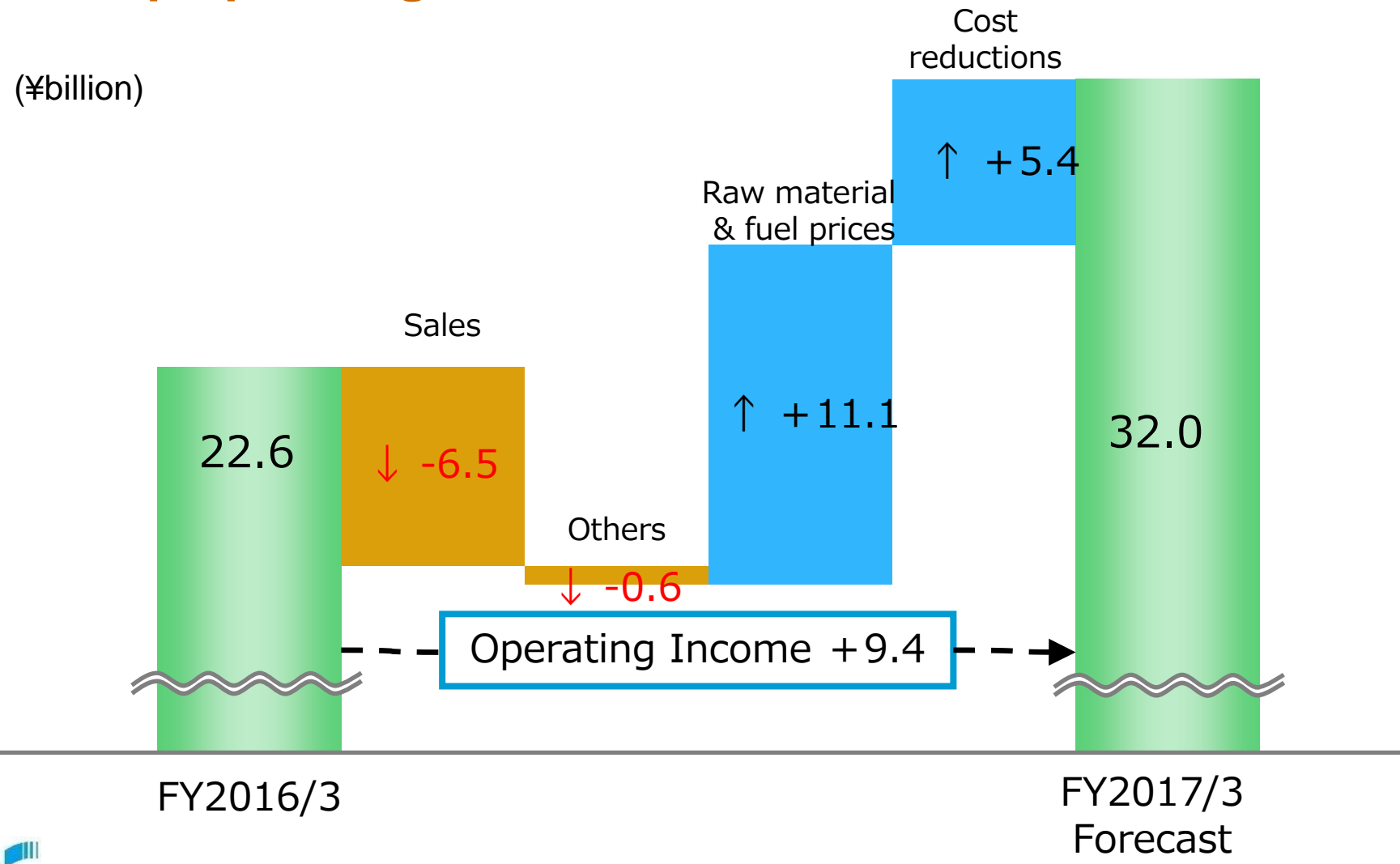
('000 tons)		FY2016/3 Result	FY2017/3 Forecast	YOY
Paper	Newsprint	1,074	1,045	-2.7%
	Printing & Business communication paper	2,311	2,237	-3.2%
	Coated paper	1,255	1,228	-2.2%
	Uncoated & Specialty printing paper	524	499	-4.7%
	Business communication paper	532	510	-4.2%
	Packaging paper and others	318	321	0.7%
	Domestic sales (paper)	3,703	3,603	-2.7%
Export (paper)	302	373	23.3%	
<b>Paper total</b>		<b>4,006</b>	<b>3,975</b>	<b>-0.8%</b>
Paperboard	Container board	1,146	1,169	2.0%
	Folding box board and others	363	372	2.4%
	Domestic sales (paperboard)	1,509	1,541	2.1%
	Export (paperboard)	84	100	19.6%
	<b>Paperboard total</b>	<b>1,593</b>	<b>1,641</b>	<b>3.0%</b>
<b>Grand total (paper and paperboard)</b>		<b>5,598</b>	<b>5,616</b>	<b>0.3%</b>

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





**Lower raw material and fuel prices and cost reduction push up operating income**



#### 4. FY2017/3 Earnings Forecast : *Key figures and indices*

	FY2012/3	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3 Forecast
Operating margin on sales	3.5%	2.5%	2.6%	2.2%	2.2%	3.2%
Ordinary margin on sales	0.6%	2.3%	2.6%	2.2%	1.7%	3.2%
Capital expenditure (¥billion)	57.2	53.3	47.2	48.5	46.9	57.3
Depreciation (¥billion)	74.4	64.9	63.2	61.4	57.7	54.5
Net interest-bearing debt (¥billion)	718.9	719.3	678.4	647.7	591.3	600.0
Net D/E (times)	1.94	1.89	1.70	1.55	1.47	1.4-1.5
Number of employees	13,407	13,052	13,107	12,771	11,741	11,918
Earnings per share (¥)	-359.90	92.00	196.67	200.27	20.95	155.51
Dividends per share (¥)	30	40	40	50	60	60
ROA *	1.2%	2.3%	2.7%	2.2%	2.0%	2.9%

\*ROA = (Ordinary income + Interest expenses)/Total assets



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## Disclaimer

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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.**

