

# FY2017/3 FINANCIAL REVIEW

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Investor Meeting on May 29<sup>th</sup>, 2017  
NIPPON PAPER INDUSTRIES CO., LTD.



1 . FY2017/3 Financial Results

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2 . FY2018/3 Forecast

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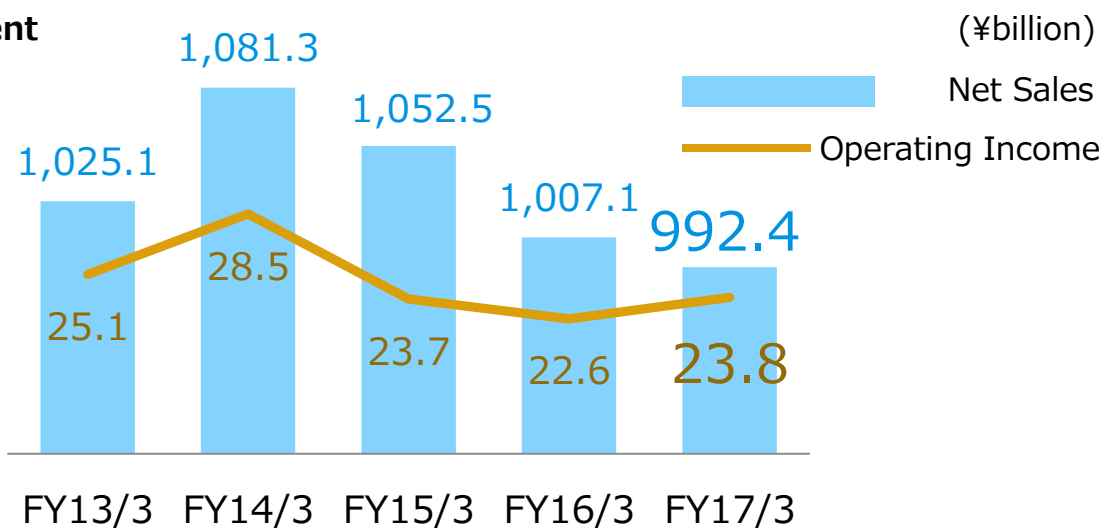


## Consolidated Statement

(¥billion)

	FY2016/3 Results	FY2017/3 Results	Variance	
			Amount	%
Net Sales	1,007.1	992.4	-14.7	-1.5%
Operating Income	22.6	23.8	1.2	5.0%
Ordinary Income	17.1	27.0	9.9	57.6%
Net Income*	2.4	8.4	6.0	246.4%

\* Profit attributable to owners of parent



# 1. FY2017 Financial Results

## Results by Segment

(¥billion)

	Net Sales			Operating Income		
	FY2016/3 Results	FY2017/3 Results	Variance	FY2016/3 Results	FY2017/3 Results	Variance
Pulp & Paper	827.6	820.0	-7.6	13.8	10.8	-3.0
Paper related	88.9	89.2	0.3	2.7	5.2	2.5
Wood products and construction related	62.2	63.5	1.3	3.6	4.8	1.2
Other	28.4	19.7	-8.7	2.5	3.0	0.5
Total	1,007.1	992.4	-14.7	22.6	23.8	1.2



# 1. FY2017/3 Results – Pulp & Paper segment

## Sales Volume(Paper & Paperboard)

volume: '000 tonnes

		FY2016/3	FY2017/3	YOY
Paper	Newsprint	1,074	1,033	-3.9%
	Printing & Business communication paper	2,311	2,228	-3.6%
	Coated paper	1,255	1,220	-2.8%
	Uncoated & Specialty printing paper	524	498	-5.0%
	Business communication paper	532	511	-4.0%
	others	318	308	-3.2%
	Domestic sales (paper)	3,703	3,569	-3.6%
Export (paper)	302	356	17.7%	
<b>Paper total</b>		<b>4,006</b>	<b>3,925</b>	<b>-2.0%</b>
Paperboard	Container board	1,146	1,156	0.9%
	Folding box board and others	363	362	-0.2%
	Domestic sales (paperboard)	1,509	1,518	0.6%
	Export (paperboard)	84	141	67.8%
	<b>Paperboard total</b>	<b>1,593</b>	<b>1,659</b>	<b>4.2%</b>
<b>Grand total (paper and paperboard)</b>		<b>5,598</b>	<b>5,584</b>	<b>-0.3%</b>

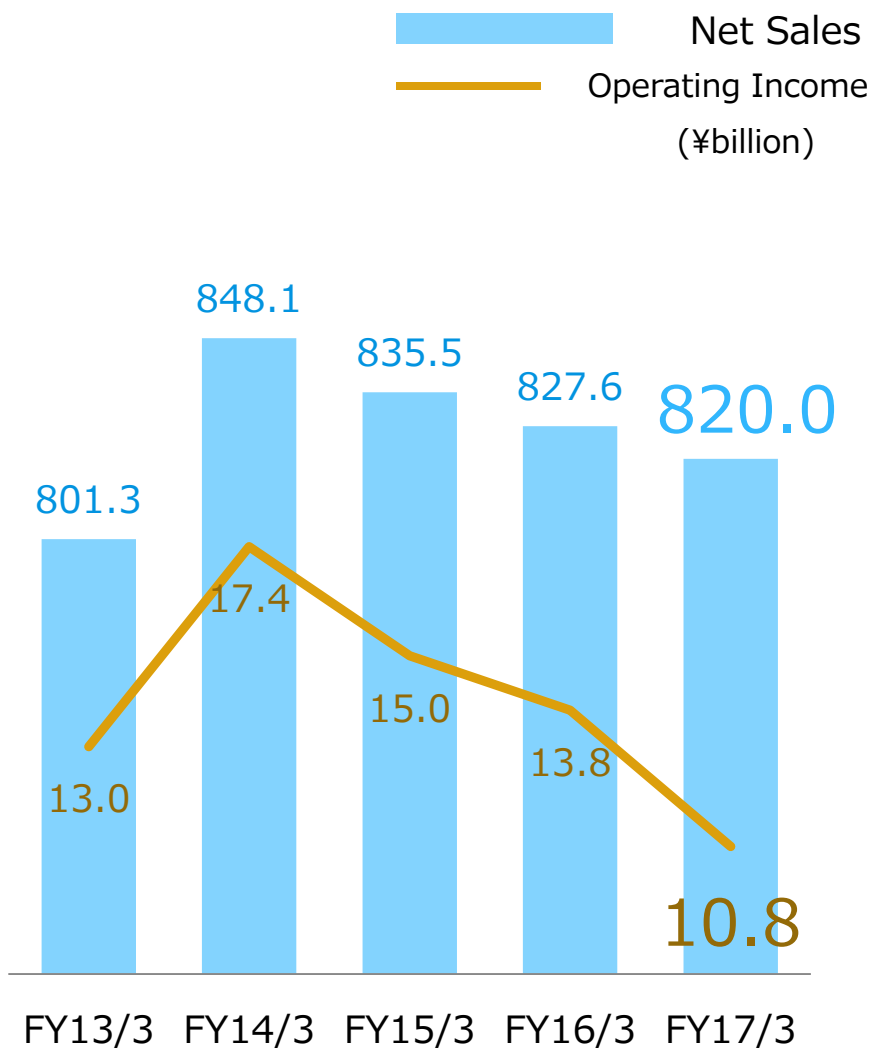
“Total” means the sum of sales volume of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd. and Nippon Paper Creca Co., Ltd. (Not include Shin Tokai Paper Co., Ltd.)

### ◆ Shipment

• Paper : -2.0% (Domestic : -3.6%、Export : +17.7%)

• Paperboard : +4.2% (Domestic : +0.6%、Export : +67.8%)

## Pulp & Paper segment



### ○Paper

- Sales decreased from the previous year due to circulation decline in newspaper and sluggish demand on printed advertisement.

### ○Paperboard

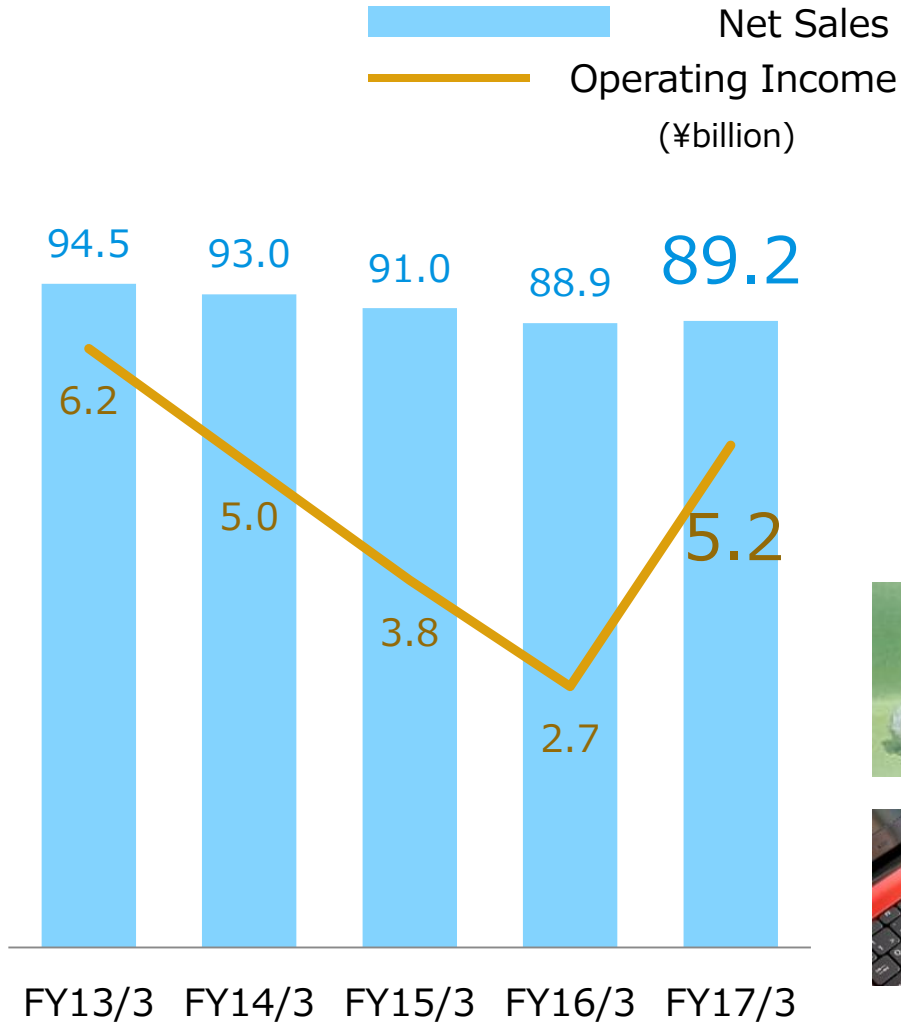
- Demand was stable mainly on containerboard for beverages.

### ○Household tissue

- Sales of tissue, toilet rolls, and health care products were in good shape.



## Paper – Related segment



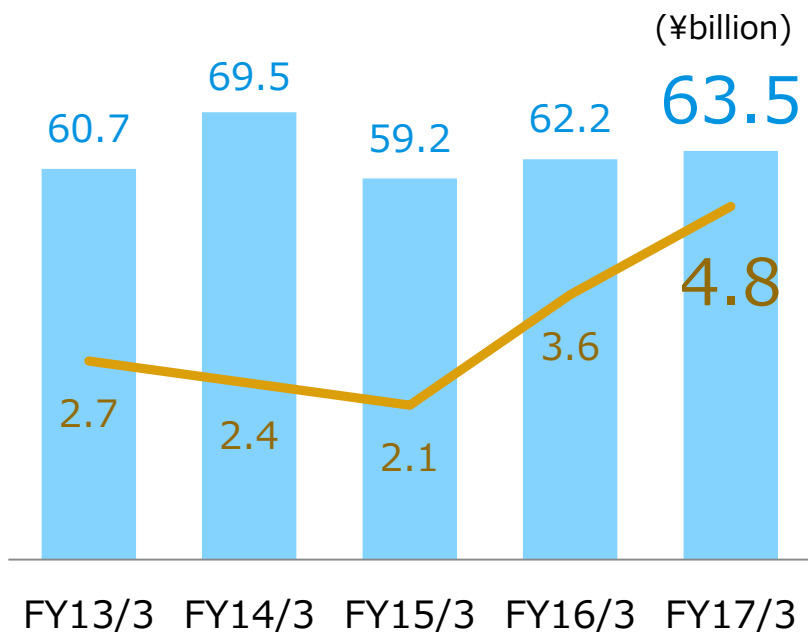
- For Paper-Pak Business, sales volume increased from the previous year mainly on cartons for cold beverage including vegetable juice.
- In regard to chemical business, demand for dissolving pulp and chemical products was stable.



# 1. FY2017/3 Results – Wood Products and Construction Related segment and Other segment

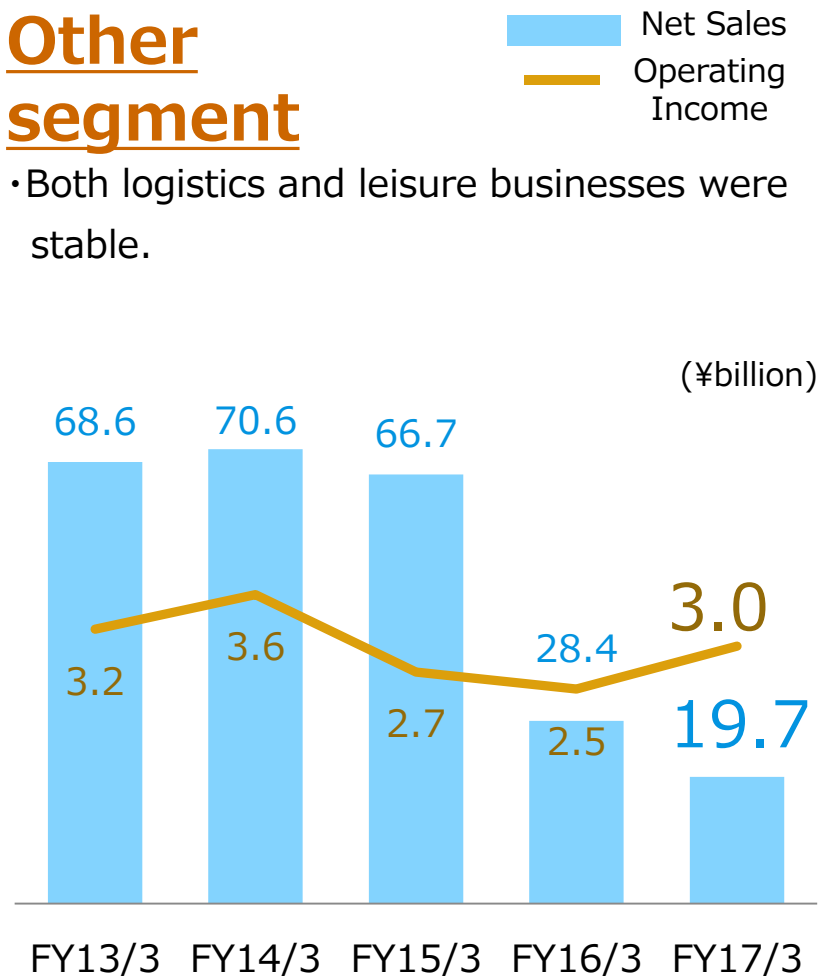
## Wood Products and Construction Related segment

- Housing starts increased.
- AMCEL became consolidated subsidiary in FY 2017/3.



## Other segment

- Both logistics and leisure businesses were stable.



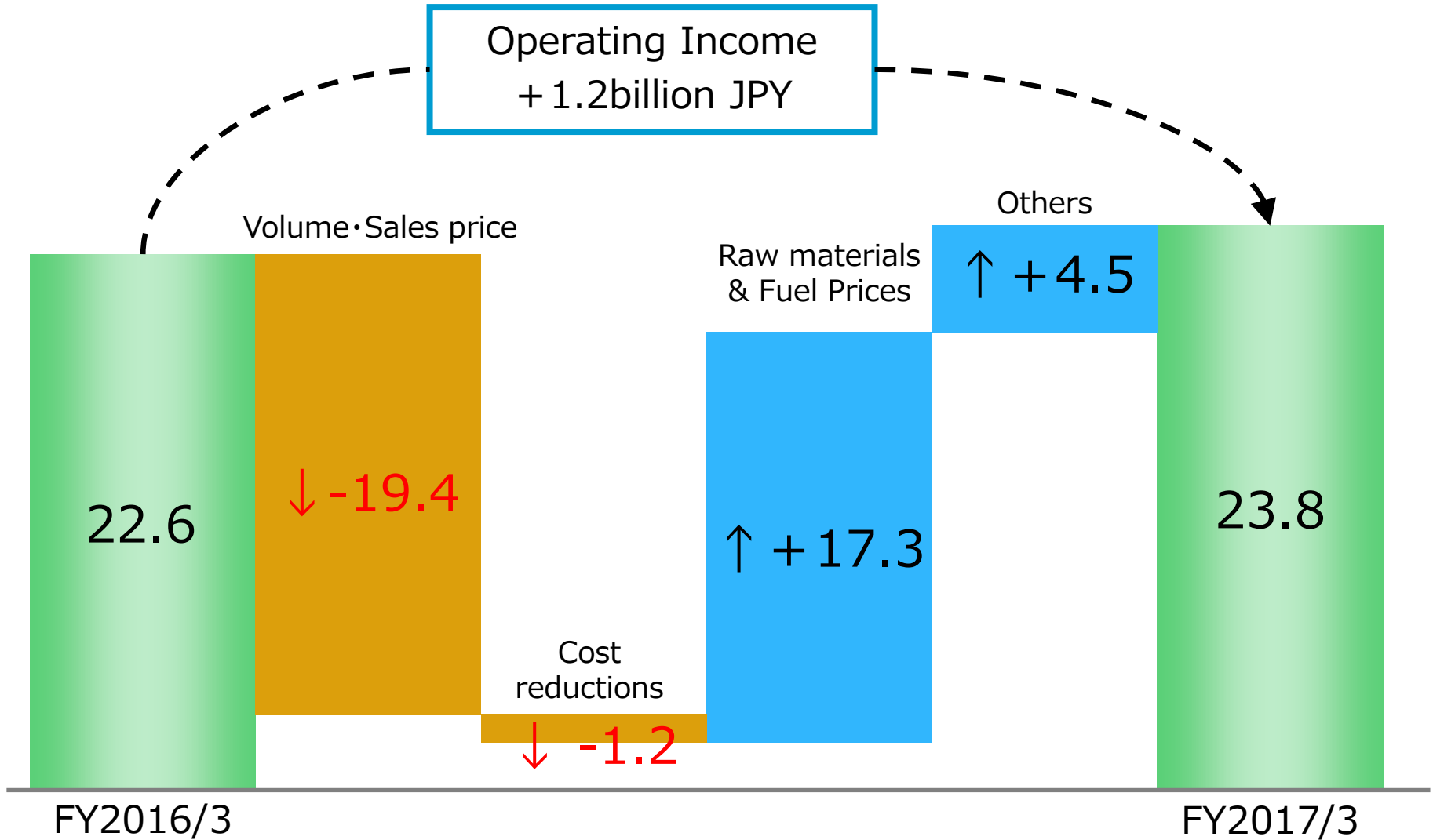
※Shikoku Coca-Cola was removed in 2<sup>nd</sup> quarter of FY 2015/3.





# Variance Analysis for Operating Income

(¥billion)



## Balance Sheet

(¥billion)

	Mar.31, 2016	Mar.31, 2017	Variance
<b>Total assets</b>	<b>1,390.9</b>	<b>1,388.9</b>	<b>-2.0</b>
Cash and time deposit	112.5	90.5	-22.0
Inventories	158.1	158.7	0.6
Other current assets	232.3	237.0	4.7
Property, plant, equipment, and intangible fixed assets	684.6	702.4	17.8
Investment and other assets	203.4	200.3	-3.1
<b>Total liabilities</b>	<b>966.2</b>	<b>954.0</b>	<b>-12.2</b>
Interest bearing liabilities (incl. lease obligations)	703.8	678.5	-25.3
Other liabilities	262.4	275.5	13.1
<b>Total net assets</b>	<b>424.7</b>	<b>434.9</b>	<b>10.2</b>
Shareholder's equity	402.8	393.5	-9.3
<b>Total liabilities and net assets</b>	<b>1,390.9</b>	<b>1,388.9</b>	<b>-2.0</b>

Net interest-bearing debt	591.3	588.0	-3.3
Net D/E ratio	1.47	1.49	0.02
ROA※	2.0%	2.6%	0.6%

※ : R O A = (Ordinary income + Interest expense) / Total assets

## Cash Flow Statement

(¥billion)

	FY2016/3	FY2017/3	Variance
Operating activities	52.4	87.1	34.7
Income before income taxes	4.6	22.8	18.2
Depreciation	57.7	55.1	-2.6
Change in net working capital	-15.2	16.6	31.8
Other	5.4	-7.4	-12.8
Investing activities	16.3	-65.3	-81.6
Purchase of non-current assets and investment securities	-51.4	-99.2	-47.8
Sale of non-current assets and investment securities	67.6	34.3	-33.3
Other	0.1	-0.3	-0.4
Free cash flows	68.7	21.8	-46.9
Financing activities	-39.2	-49.7	-10.5
Cash and cash equivalent at the end of period	112.5	90.5	-22.0

Capital expenditure	46.9	51.3	4.4
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## Consolidated Statements

(¥billion)

	FY2017/3 Results	FY2018/3 Forecast	Variance	
			Amount	%
Net sales	992.4	1,050.0	57.6	5.8%
Operating income	23.8	30.0	6.2	26.2%
Ordinary income	27.0	30.0	3.0	11.1%
Net income*	8.4	15.0	6.6	78.6%

\* Profit attributable to owners of parent



## 2. FY2018/3 Forecast – Major Assumptions

### Domestic Sales

Volume (YOY)	Paper	-2.5%	Price	Paper	Under negotiation
	Paperboard	+1.0%		Paperboard	Under negotiation

#### ● Paper·Paperboard sales forecast

volume: '000 tonnes

	FY2017/3 Results	FY2018/3 Forecast	YOY
Newsprint	1,033	997	-3.5%
Printing & Business communication paper	2,228	2,172	-2.5%
Coated paper	1,220	1,184	-2.9%
Uncoated & Specialty printing paper	498	480	-3.6%
Business communication paper	511	508	-0.6%
others	308	311	0.8%
Domestic sales (paper)	3,569	3,479	-2.5%
Export (paper)	356	413	16.2%
<b>Paper total</b>	<b>3,925</b>	<b>3,892</b>	<b>-0.8%</b>
Container board	1,156	1,164	0.7%
Folding box board and others	362	369	1.9%
Domestic sales (paperboard)	1,518	1,533	1.0%
Export (paperboard)	141	144	2.3%
<b>Paperboard total</b>	<b>1,659</b>	<b>1,677</b>	<b>1.1%</b>
<b>Grand total (paper and paperboard)</b>	<b>5,584</b>	<b>5,570</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 Creca Co., Ltd. (Not include Shin Tokai Paper Co., Ltd.)

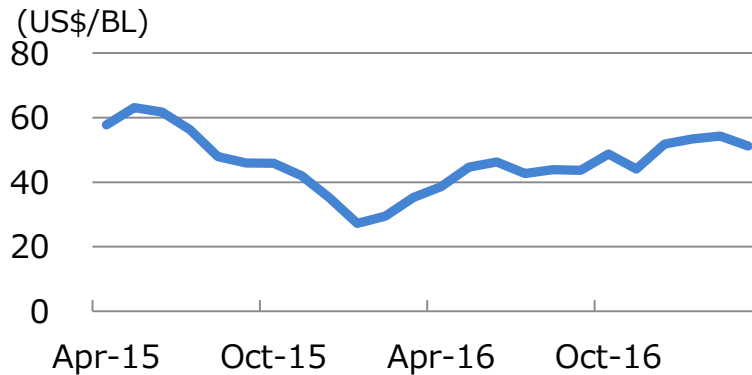


## 2. FY2018/3 Forecast – Assumptions

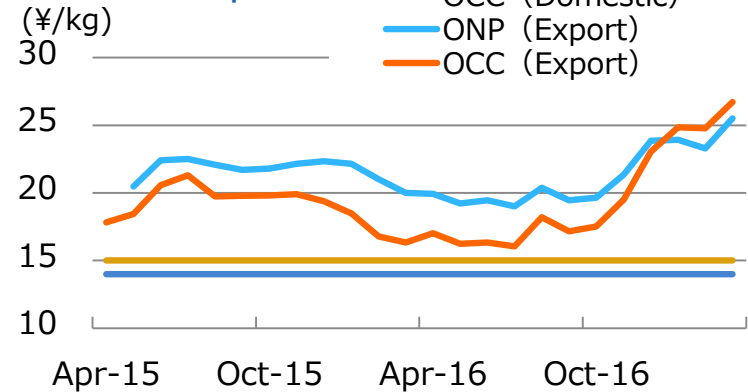
# Assumptions of Raw materials, Fuel price & FOREX

Crude Oil	US\$52/BL (Dubai)	Waste Paper	Remain at current level
Coal	US\$85/t (Australian black coal)	FOREX	US\$ ¥115/US\$

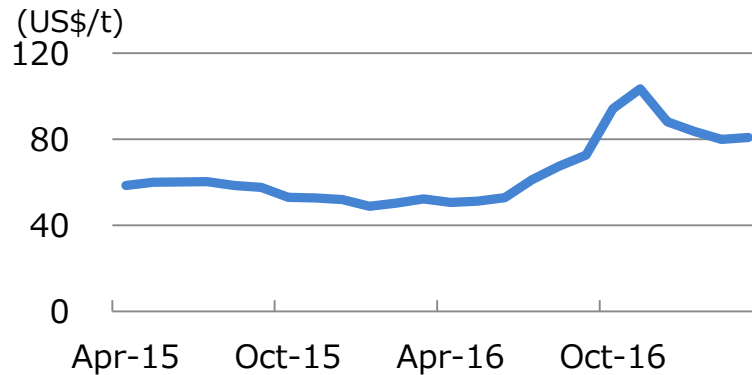
### ● Crude Oil (Dubai)



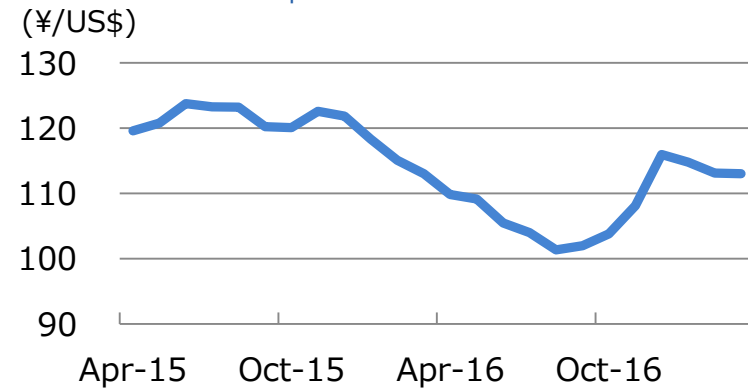
### ● Waste Paper



### ● Coal

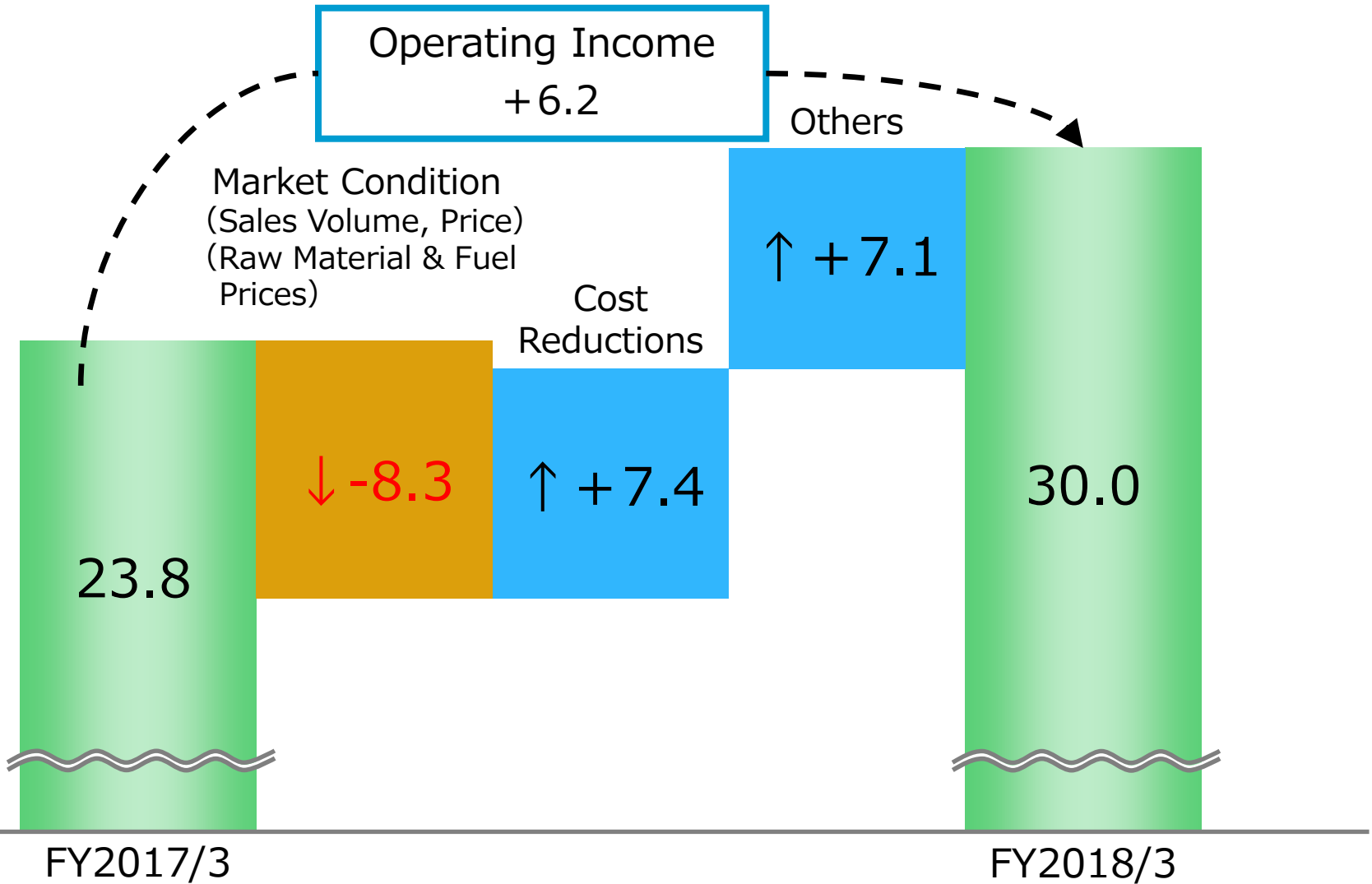


### ● FOREX (US\$)



# Variance analysis for operating income

(¥billion)



## Key figures and indices

	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3 Forecast
Operating margin on sales	2.5%	2.6%	2.2%	2.2%	2.4%	2.9%
Ordinary margin on sales	2.3%	2.6%	2.2%	1.7%	2.7%	2.9%
Capital expenditure (¥billion)	53.3	47.2	48.5	46.9	51.3	77.6
Depreciation (¥billion)	64.9	63.2	61.4	57.7	55.1	58.7
Net interest-bearing debt (¥billion)	719.3	678.4	647.7	591.3	588.0	640.0
Net D/E (times)	1.89	1.70	1.55	1.47	1.49	Circa 1.5
Number of employees	13,052	13,107	12,771	11,741	13,057	13,134
Earnings per share (¥)	92.00	196.67	200.27	20.95	72.57	129.60
Dividends per share (¥)	40	40	50	60	60	60
ROA *	2.3%	2.7%	2.2%	2.0%	2.6%	2.8%

\* :  $ROA = (\text{Ordinary income} + \text{Interest expense}) / \text{Total assets}$





# REFERENCE MATERIALS

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May 29<sup>th</sup>, 2017

NIPPON PAPER INDUSTRIES CO.,LTD.



# Domestic shipment, exports and imports (FY2017/3)

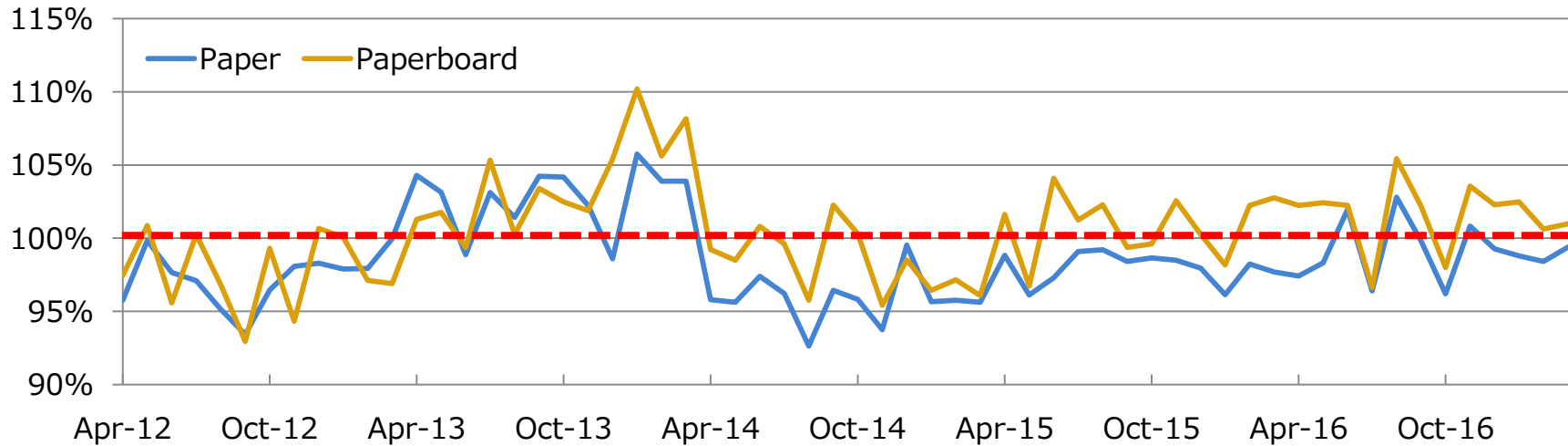
	Apr '16 - Mar '17						Imports(C)		Domestic demand(A+C)	
	Domestic shipments(A)		Exports(B)		(A+B)		volume	YOY	volume	YOY
	volume	YOY	volume	YOY	volume	YOY				
Newsprint	2,882	▲3.4%	0	▲80.3%	2,882	▲3.5%	13	▲74.8%	2,894	▲4.6%
Printing & business communication paper	7,604	▲0.3%	683	5.1%	8,287	0.1%	999	▲10.4%	8,603	▲1.6%
Coated paper *	4,346	▲0.2%	520	0.5%	4,866	▲0.1%	374	▲19.5%	4,720	▲2.1%
Uncoated paper	1,928	▲1.2%	121	27.2%	2,048	0.1%	136	▲2.8%	2,064	▲1.3%
Business communication paper	1,330	0.5%	42	12.3%	1,372	0.9%	489	▲4.3%	1,819	▲0.8%
Other papers	3,232	0.1%	276	18.7%	3,509	1.3%	41	6.9%	3,274	0.2%
<b>Paper total</b>	<b>13,717</b>	<b>▲0.9%</b>	<b>960</b>	<b>8.6%</b>	<b>14,677</b>	<b>▲0.3%</b>	<b>1,054</b>	<b>▲12.6%</b>	<b>14,771</b>	<b>▲1.8%</b>
Container board	9,015	1.7%	440	42.7%	9,455	3.1%	40	▲13.2%	9,056	1.7%
Folding box board and others	2,191	0.7%	24	3.7%	2,215	0.7%	274	▲2.7%	2,465	0.3%
<b>Paperboard total</b>	<b>11,206</b>	<b>1.5%</b>	<b>464</b>	<b>39.9%</b>	<b>11,670</b>	<b>2.6%</b>	<b>315</b>	<b>▲4.2%</b>	<b>11,521</b>	<b>1.4%</b>
<b>Paper and paperboard total</b>	<b>24,924</b>	<b>0.2%</b>	<b>1,423</b>	<b>17.1%</b>	<b>26,347</b>	<b>1.0%</b>	<b>1,368</b>	<b>▲10.8%</b>	<b>26,292</b>	<b>▲0.5%</b>

volume: '000 tonnes

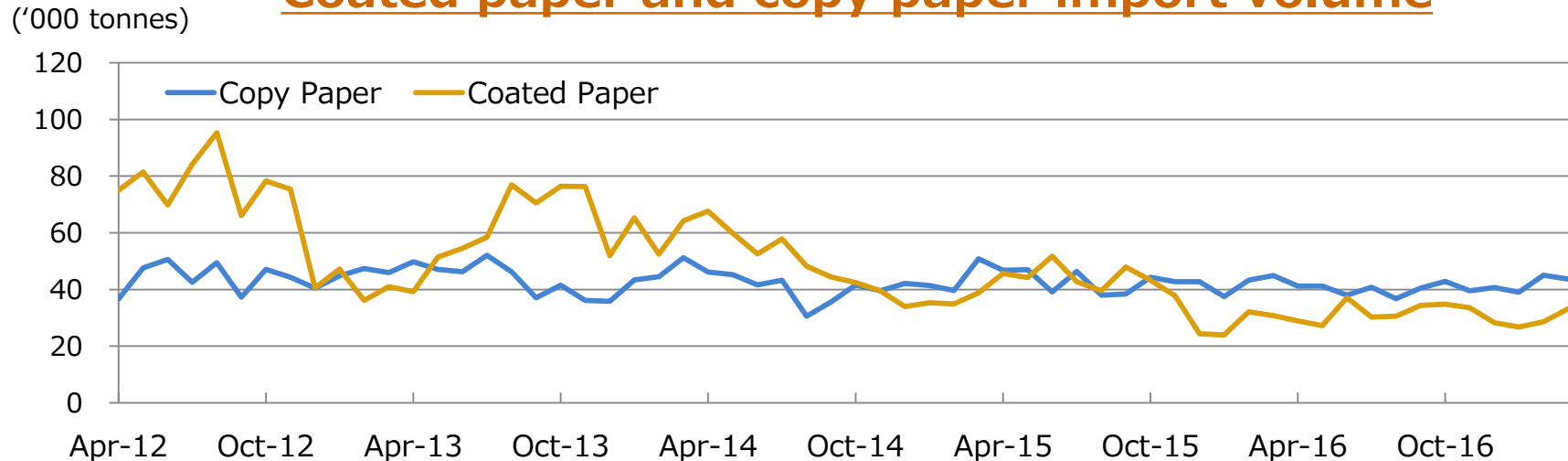
\* "Bitoko-shi" paper is included in coated paper.



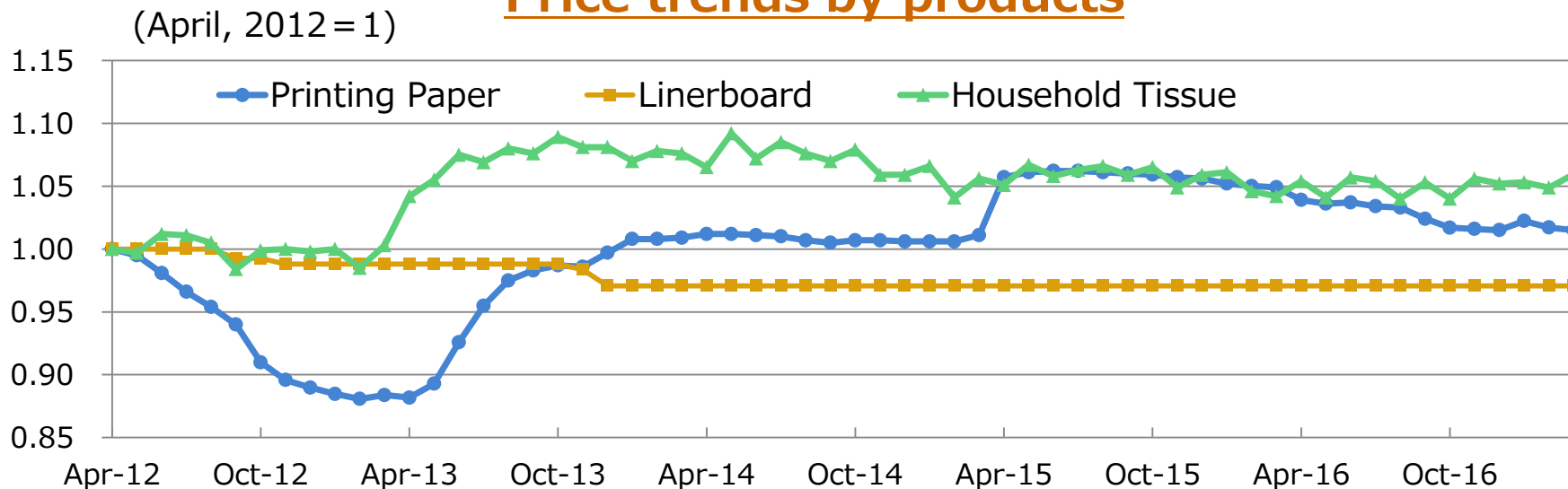
## Domestic shipment of paper industry (YOY)



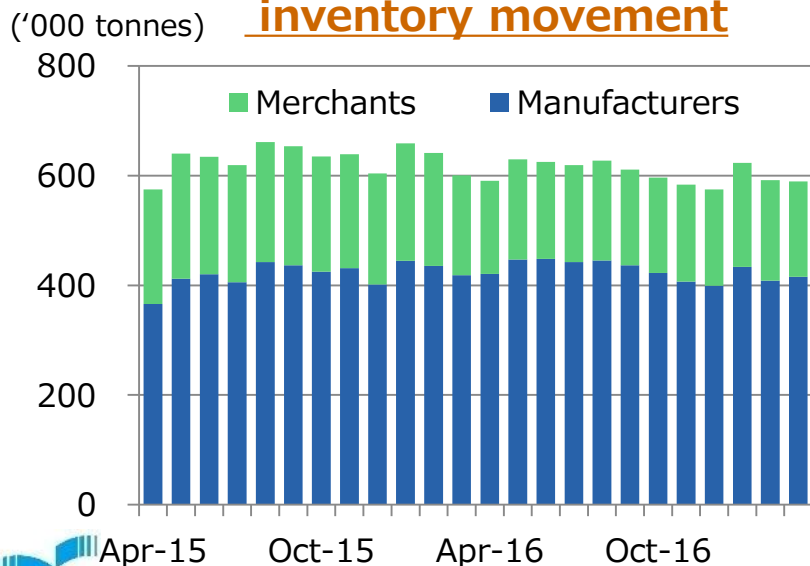
## Coated paper and copy paper import volume



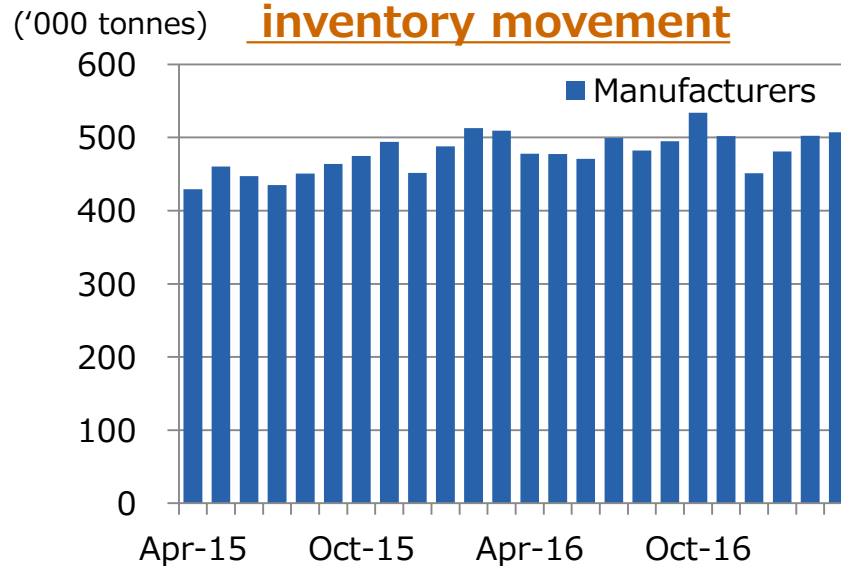
## Price trends by products



### Coated paper industry inventory movement

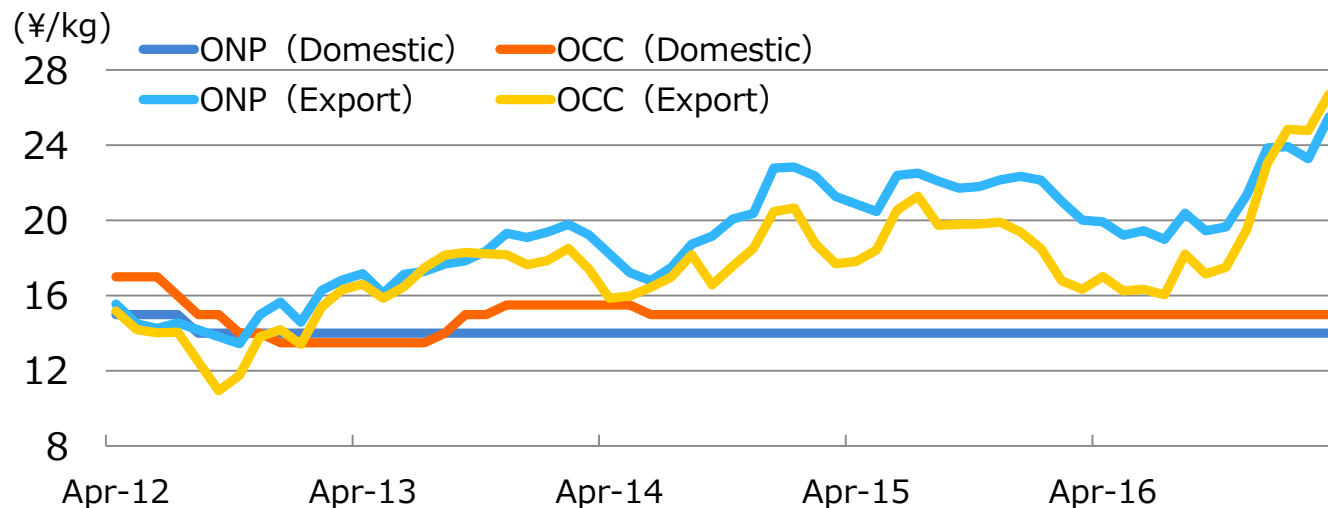


### Containerboard industry inventory movement

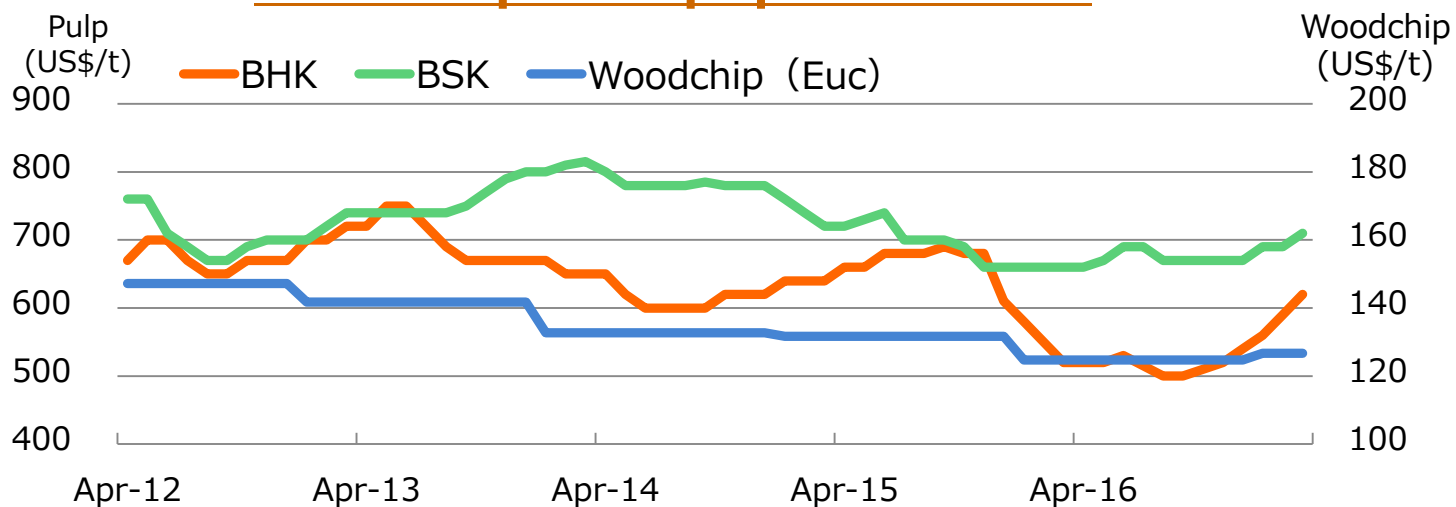


Source: Japan Paper Association, Bank of Japan "Corporate Goods Price Index"

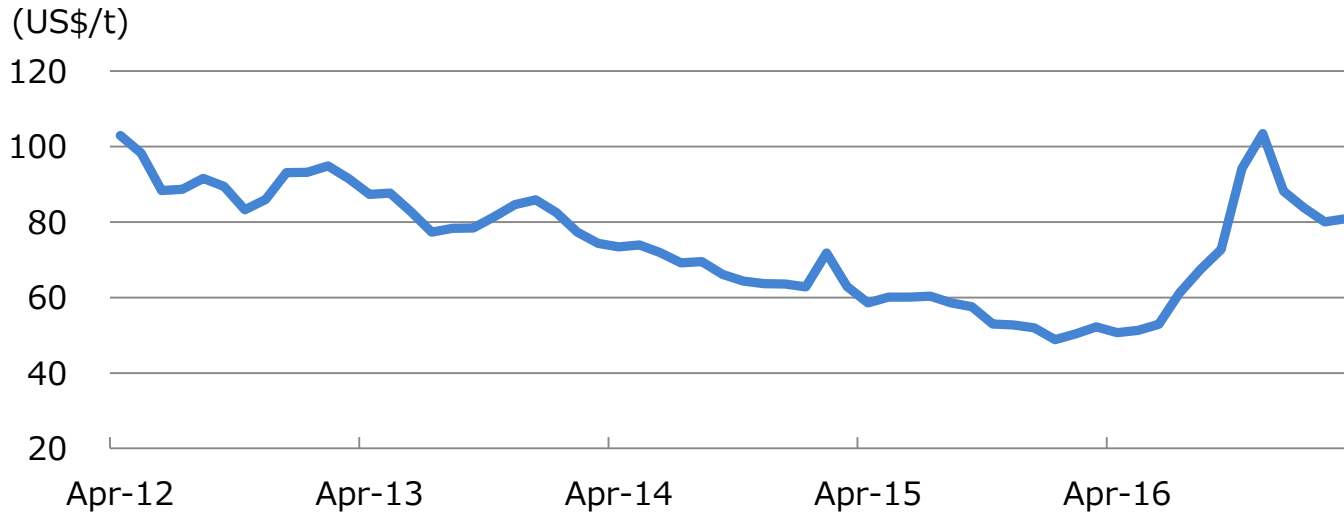
### ONP · OCC price trends



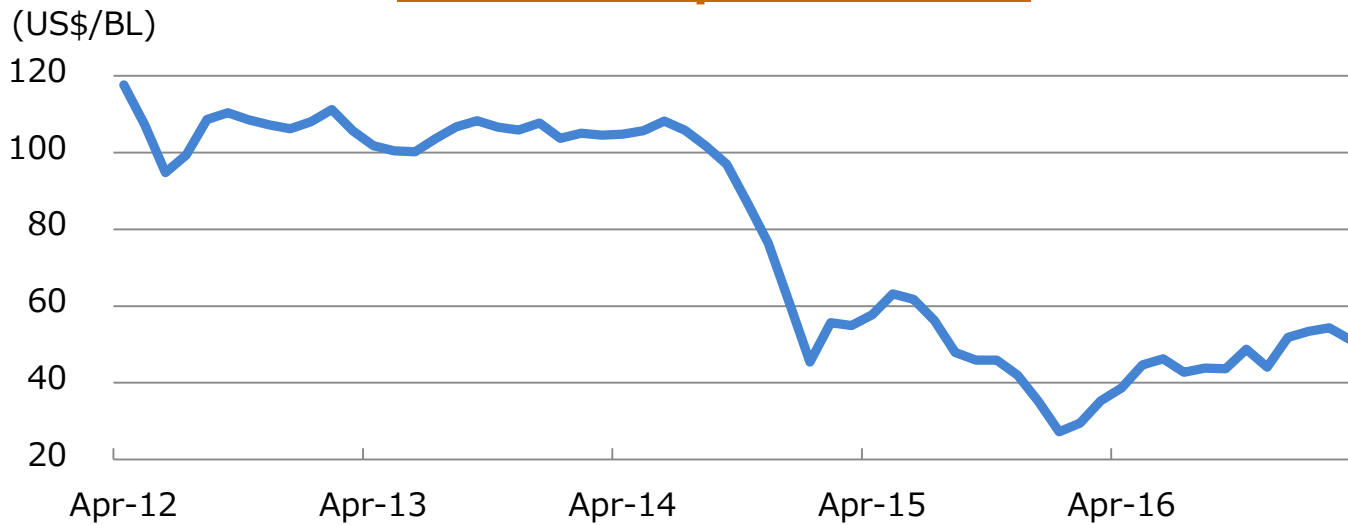
### Woodchip · Pulp price trends



### Coal price trends



### Crude Oil price trends



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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.**

