

FY2018/3 FINANCIAL REVIEW

May 28th,2018

NIPPON PAPER INDUSTRIES CO.,LTD.

1

FY2018/3 Financial Results

2

FY2019/3 Forecast

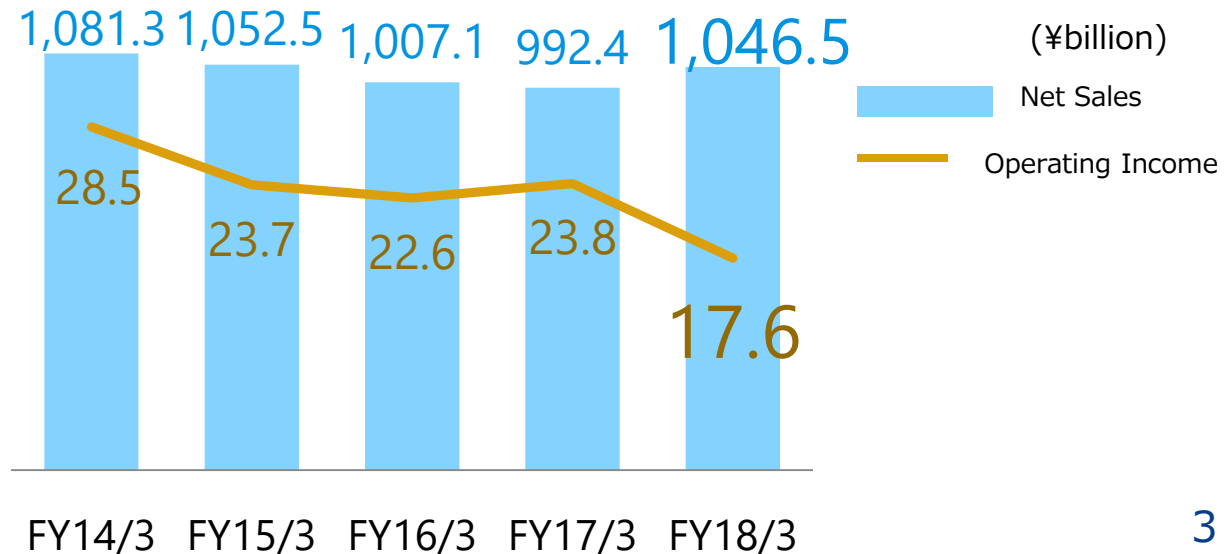
1. FY2018/3 Financial Results

Consolidated Statement

(¥billion)

	FY2017/3 Results	FY2018/3 Results	Variance	
			Amount	%
Net Sales	992.4	1,046.5	54.1	5.4%
Operating Income	23.8	17.6	-6.2	-25.9%
Ordinary Income	27.0	18.6	-8.4	-30.9%
Net Income*	8.4	7.8	-0.6	-6.6%

*Profit attributable to owners of parent



1. FY2018/3 Financial Results

Results by Segment

(¥billion)

	Net Sales			Operating Income		
	FY2017/3 Results	FY2018/3 Results	Variance	FY2017/3 Results	FY2018/3 Results	Variance
Pulp & Paper	820.0	868.5	48.5	10.8	3.3	-7.5
Paper related	89.2	94.7	5.5	5.2	7.1	1.9
Wood products and construction related	63.5	62.8	-0.7	4.8	4.5	-0.3
Other	19.7	20.5	0.8	3.0	2.7	-0.3
Total	992.4	1,046.5	54.1	23.8	17.6	-6.2

1. FY2018/3 Financial Results

Sales Volume (Paper & Paperboard)

volume: '000 tonnes

		FY2017/3	FY2018/3	YOY
Paper	Newsprint	1,033	974	-5.7%
	Printing & Business communication paper	2,228	2,130	-4.4%
	Coated paper	1,220	1,167	-4.3%
	Uncoated & Specialty printing paper	498	473	-5.0%
	Business communication paper	511	490	-4.0%
	others	308	316	2.5%
	Domestic sales (paper)	3,569	3,420	-4.2%
Export (paper)	356	443	24.6%	
Paper total		3,925	3,864	-1.6%
Paperboard	Container board	1,156	1,153	-0.2%
	Folding box board and others	362	368	1.5%
	Domestic sales (paperboard)	1,518	1,521	0.2%
	Export (paperboard)	141	193	36.8%
	Paperboard total	1,659	1,714	3.3%
Grand total (paper and paperboard)		5,584	5,577	-0.1%

"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 house hold tissue). Shin Tokai Paper Co., Ltd is not included

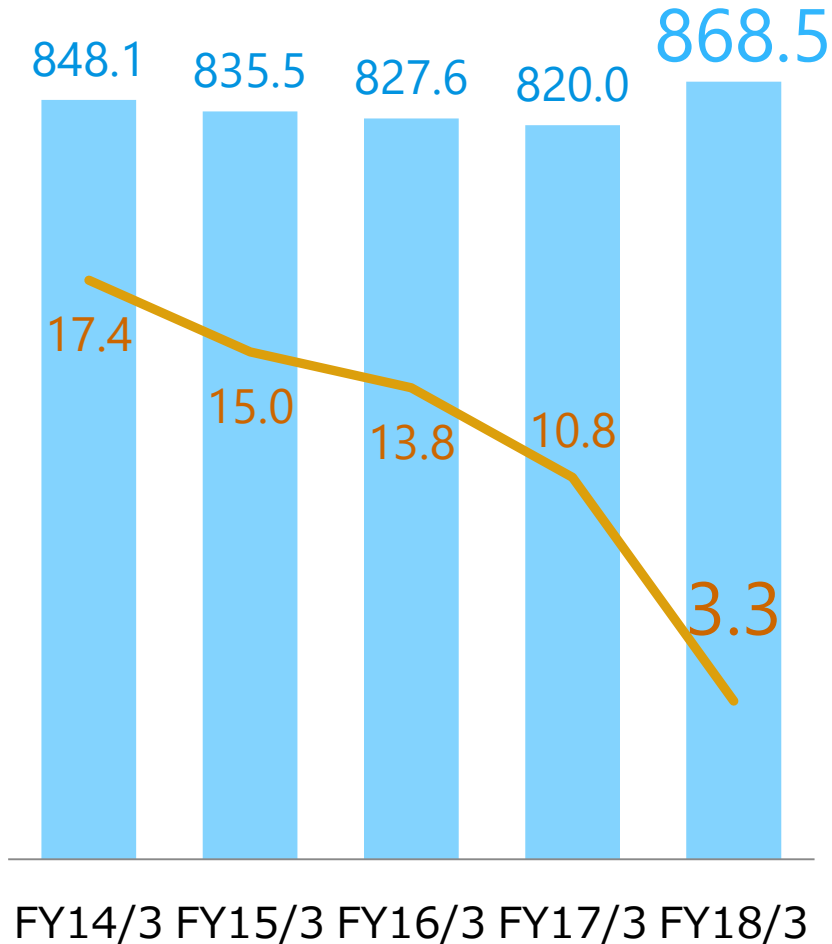
◆ Shipment(YOY)

• Paper : -1.6% (Domestic : -4.2%、Export : +24.6%)

• Paperboard : +3.3% (Domestic : +0.2%、Export : +36.8%)

Pulp & Paper segment

(¥billion)



Net Sales Operating Income

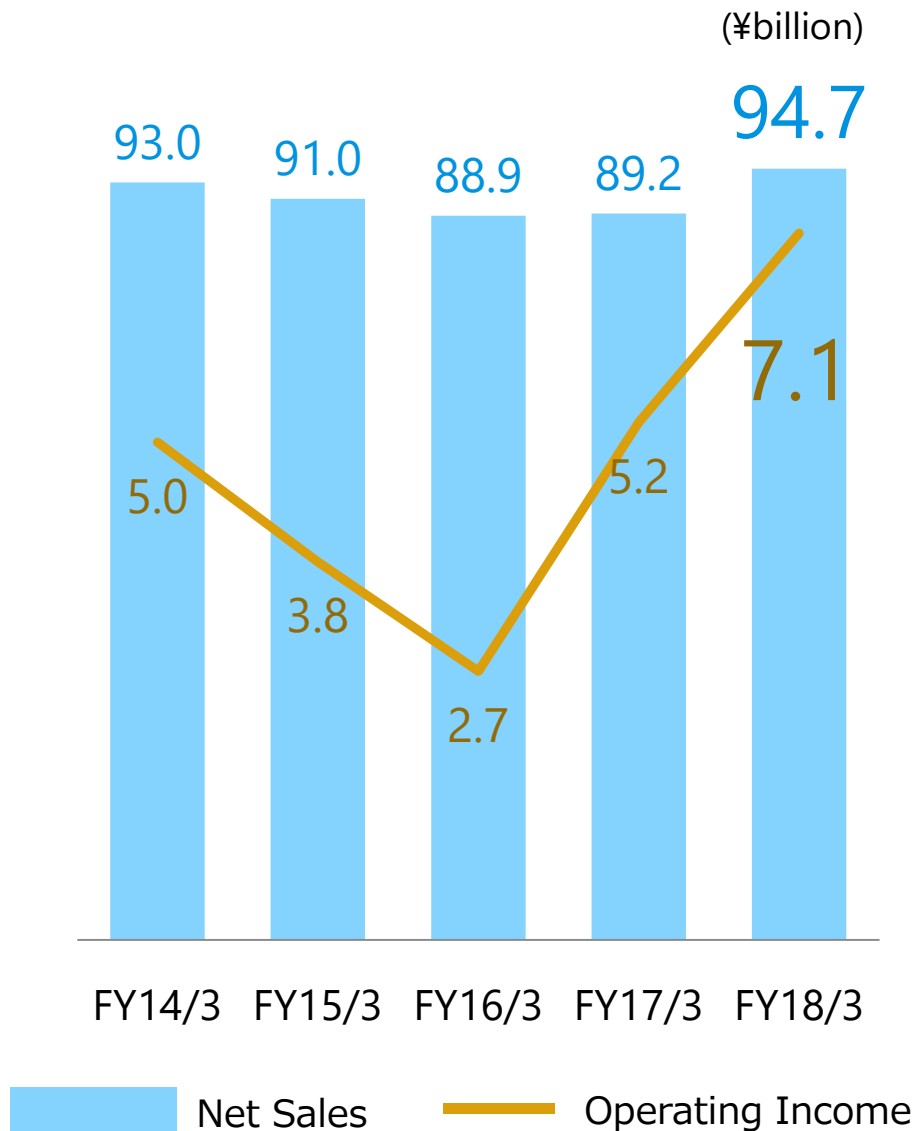
○Paper
Sales decreased from the previous year due to circulation decline in newspaper and sluggish demand on printed advertisement. Overseas businesses returned to profitability by promoting revenue improvement activities.

○Paperboard
Sales increased from the previous year as Nippon Tokai Industrial Paper Supply started its operation in October 2016. However, operating income decreased due to rise in wastepaper price, while the company promoted revision in product prices.

○Household tissue
Sales increased from the previous year as demand for health care products and business-use products stayed firm. However, operating income decreased due to rise in pulp price.

1. FY2018/3 Financial Results

Paper – Related segment



○Paper-Pak

Sales volume increased from the previous year mainly on cartons for fruit and vegetable juice as new-shape carton with closure was placed on market. The development of new customers also contributed to sales volume increase.

○Chemical

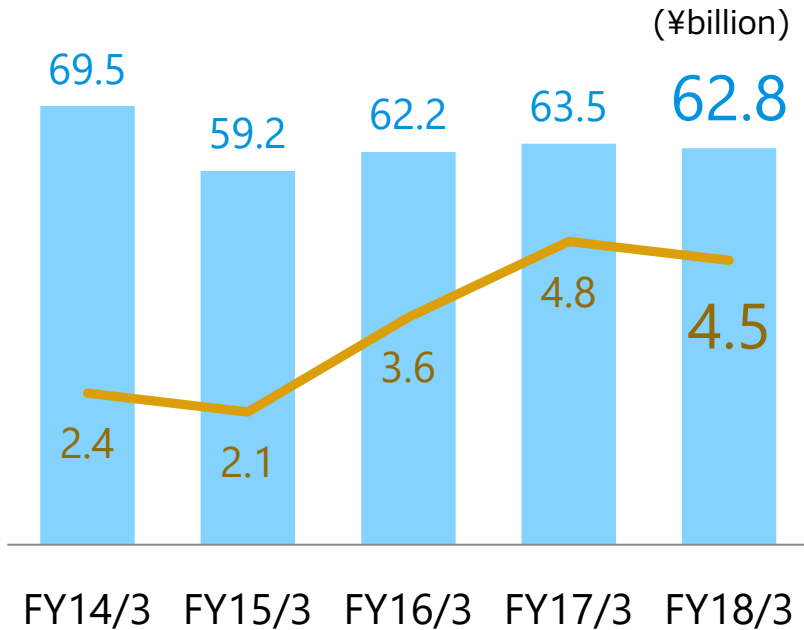
Sales volume increased from previous year led by the effect of production capacity increase on dissolving pulp and strong demand on functional coating resin. Moreover, new grade development on functional films contributed to revenue growth.



1. FY2018/3 Financial Results

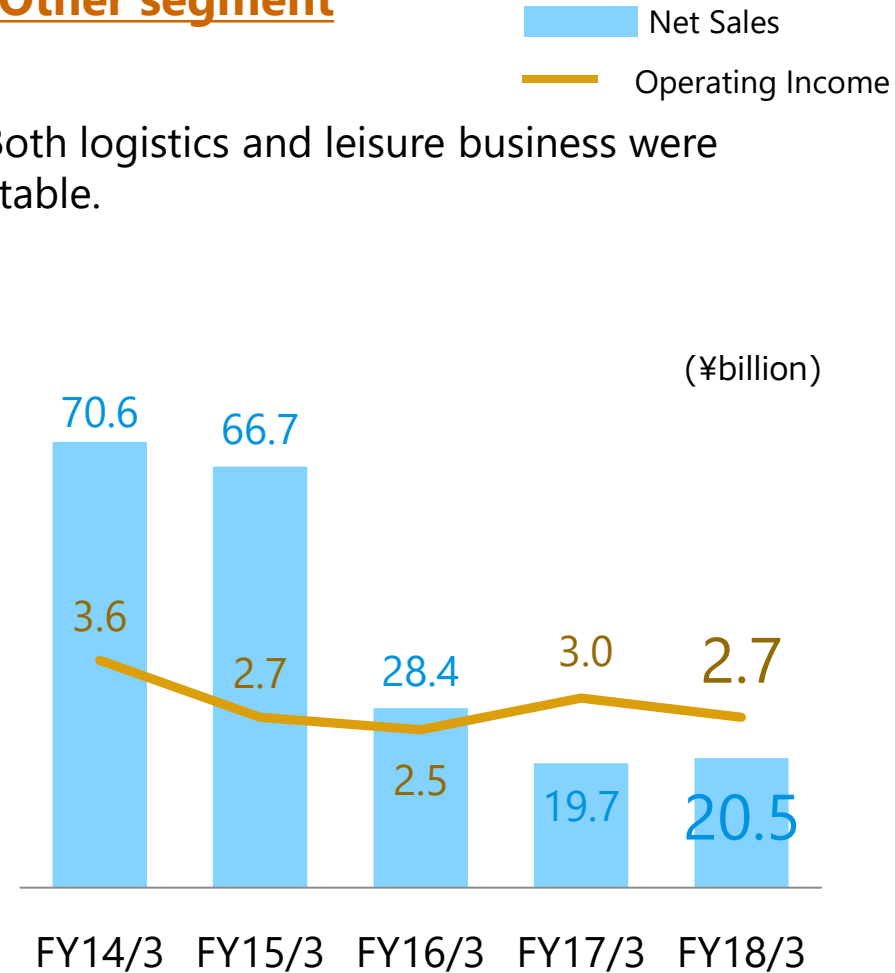
Wood Products and Construction Related segment

Sales volume of pulp log and other products increased from the previous year, while the housing starts have been weak.



Other segment

Both logistics and leisure business were stable.

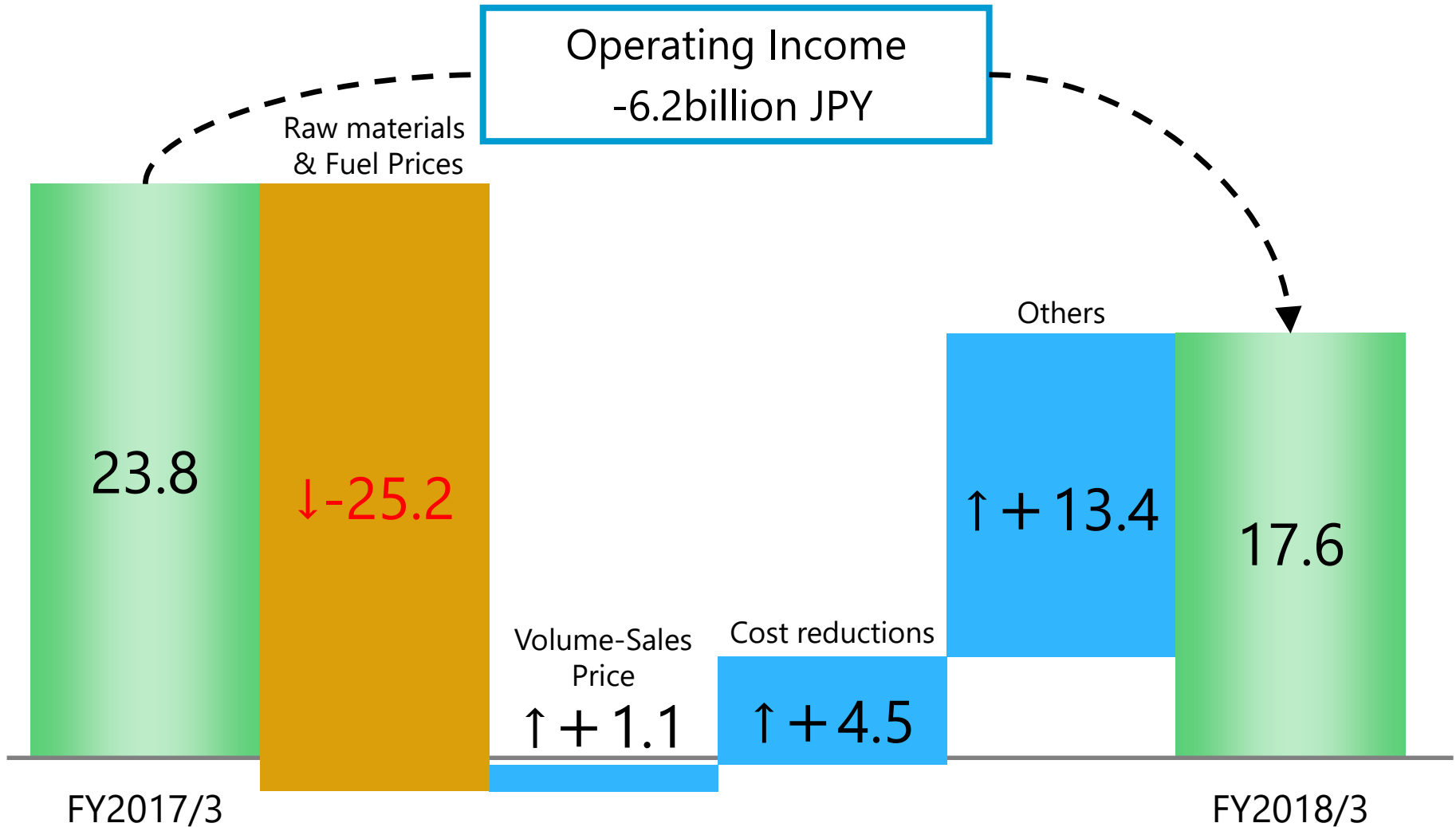


※Shikoku Coca-Cola was removed in 2nd quarter of FY 2016/3



(¥billion)

Variance Analysis for Operating Income



1 . FY2018/3 Financial Results

Consolidated Balance Sheet

(¥billion)

	Mar.31, 2017	Mar.31, 2018	Variance
Total assets	1,388.9	1,433.0	44.1
Cash and time deposit	90.5	59.0	-31.5
Inventories	158.7	165.9	7.2
Other current assets	237.0	271.7	34.7
Property, equipment, and intangible fixed asset	702.4	731.8	29.4
Investment and other assets	200.3	204.6	4.3
Total liabilities	954.0	989.6	35.7
Interests bearing liabilities	678.5	693.6	15.1
Other liabilities	275.5	296.0	20.6
Total net assets	434.9	443.4	8.5
Shareholder's equity	393.5	393.4	-0.1
Total liabilities and net assets	1,388.9	1,433.0	44.1
Net interest-bearing debt	588.0	634.6	46.6
Net D/E ratio	1.49	1.61	0.12
ROA※	2.6%	1.8%	-0.8%

※ ROA = (Ordinary Income + Interest expense) / Total assets

1 . FY2018/3 Financial Results

Consolidated Cash Flow Statement

(¥billion)

	FY2017/3	FY2018/3	Variance
Operating activities	87.1	44.9	-42.2
Income before income taxes	22.8	18.3	-4.5
Depreciation	55.1	57.9	2.8
Change in net working capital	16.6	-13.5	-30.1
Other	-7.4	-17.8	-10.4
Investing activities	-65.3	-62.7	2.6
Purchase of non-current assets and investment securities, Payment for transfer of business and business withdrawal	-99.2	-76.4	22.8
Sale of non-current assets and investment securities	34.3	14.5	-19.8
Other	-0.3	-0.8	-0.5
Free cash flows	21.8	-17.8	-39.6
Financing activities	-49.7	-12.5	37.2
Cash and cash equivalent at the end of period	90.5	59.0	-31.5
Capital expenditure	51.3	72.8	21.5

Consolidated Statements

(¥billion)

	FY2018/3 Results	FY2019/3 Forecast	Variance	
			Amount	%
Net Sales	1,046.5	1,080.0	33.5	3.2%
Operating Income	17.6	25.0	7.4	42.0%
Ordinary Income	18.6	25.0	6.4	34.4%
Net Income*	7.8	-18.0	-25.8	—

* Profit attributable to owners of parent

2. FY2019/3 Forecast

Major Assumptions

Domestic Sales	Volume(YOY)	Paper -3.2%	Price	Paper	Remain at current level
		Paperboard +2.1%		Paperboard	Remain at current level
Raw Materials & Fuel Prices	Waste Paper	Old Newsprint, OCC	Almost same as average price in FY2018/3		
		Old Magazine	Remain at current level		
	Crude Oil	US\$70/BL (Dubai)			
	Coal	US\$95/ t (Australian coal benchmark price)			
Other	FOREX	US\$ ¥110/US\$			

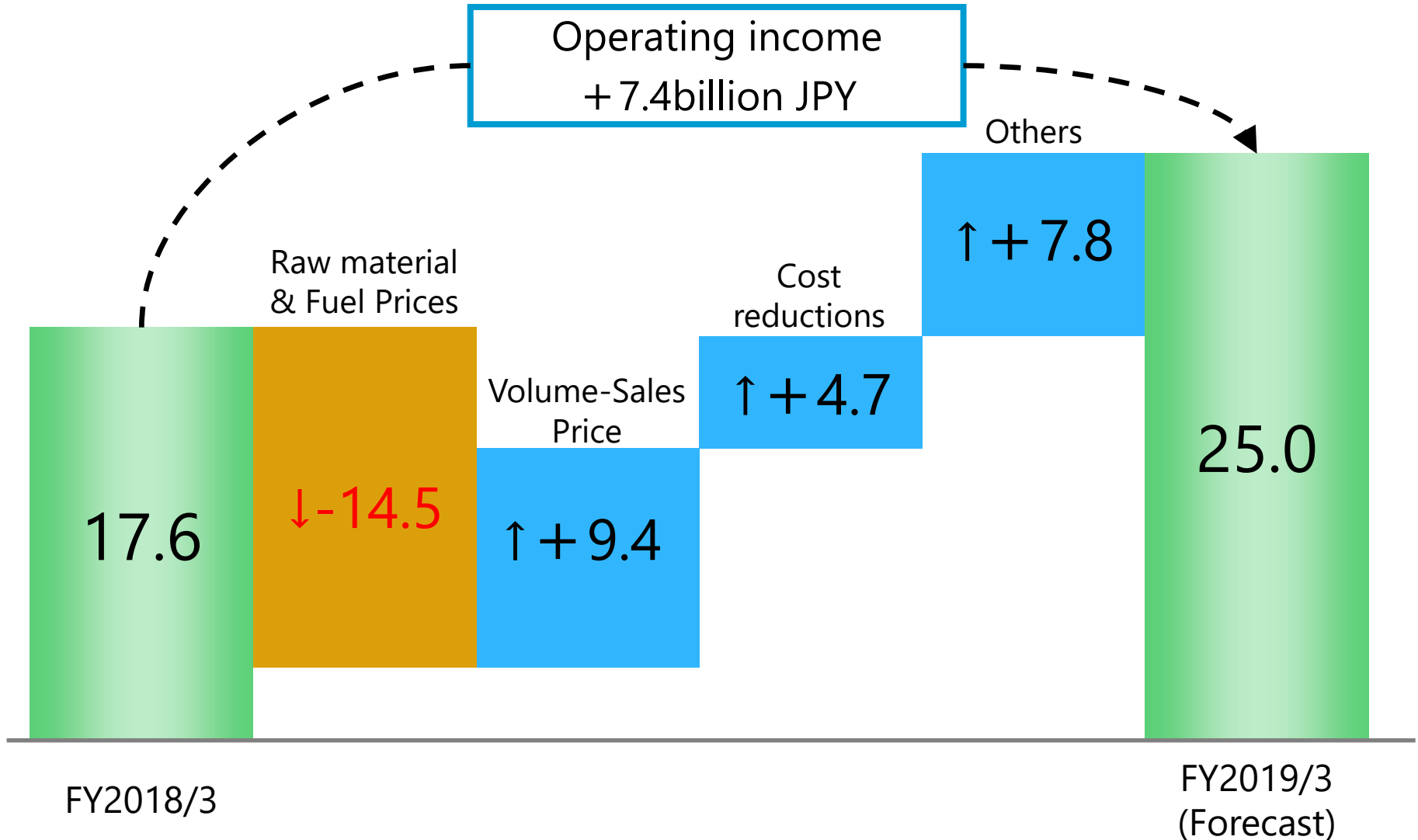
● Sales Volume Forecast (Paper & Paperboard)

		volume: '000 tonnes		
		FY2018/3 Results	FY2019/3 Forecast	YOY
Paper	Newsprint	974	909	-6.7%
	Printing & Business communication paper	2,130	2,082	-2.3%
	others	378	379	0.2%
	Domestic sales (paper)	3,482	3,369	-3.2%
	Export (paper)	456	464	1.8%
	Paper total	3,938	3,833	-2.7%
Paperboard	Domestic sales (paperboard)	2,066	2,108	2.1%
	Export (paperboard)	194	200	3.1%
	Paperboard total	2,260	2,309	2.2%
Grand total (paper and paperboard)		6,198	6,142	-0.9%

"Total" means the sum of sales volume of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Creca Co., Ltd and Shin Tokai Paper Co., Ltd. (Not include house hold tissue).

Variance Analysis for Operating Income

(¥billion)



New Segment

● Until Mar. 31, 2018

Pulp & Paper

<Major Companies>
 Nippon Paper Industries (Paper·Paperboard·Energy)
Nippon Paper Crecia, Nippon Paper Papyrus,
 Paper Australia, JTOy, SNP,
Nippon Dynawave Packaging (NDP)
Nippon Paper Ishinomaki Energy Center

Paper - Related

<Major Companies>
 Nippon Paper Industries (Chemical·Paper-Pak), Flowric, Nippon Seitai, Sakurai

Wood Products and Construction Related

<Major Companies>
 Nippon Paper Lumber, N&E, AMCEL,
 Nippon Paper Unitec, Kokusaku Kiko

Other

<Major Companies>
 Nippon Paper Development,
 Nippon Paper Logistics

*Underlined parts indicate major changes

● From Apr. 1, 2018

Paper and Paperboard

<Major Companies>
 Nippon Paper Industries (Paper·Paperboard),
 Nippon Paper Papyrus, Paper Australia,
 JTOy, SNP,

Livelihood- Related (Healthcare·Package·Chemical)

<Major Companies>
 Nippon Paper Industries (Chemical·Paper-Pak),
NDP, Nippon Paper Crecia. Flowric, Nippon Seitai

Energy

<Major Companies>
Nippon Paper Industries (Energy),
Nippon Paper Ishinomaki Energy Center

Wood Products and Construction Related

<Major Companies>
 Nippon Paper Lumber, N&E, AMCEL,
 Nippon Paper Unitec, Kokusaku Kiko

Other

<Major Companies>
 Nippon Paper Development,
 Nippon Paper Logistics, Sakurai

2. FY2019/3 Forecast

Forecast by Segment

(¥billion)

	Net Sales			Operating Income		
	FY2018/3 Results ※	FY2019/3 Forecast	Variance	FY2018/3 Results ※	FY2019/3 Forecast	Variance
Paper and Paperboard	741.4	740.0	-1.4	-5.5	-2.3	3.2
Livelihood related	192.8	210.0	17.2	11.9	13.7	1.8
Energy	17.8	35.0	17.2	3.9	7.3	3.4
Wood products and construction related	62.8	63.0	0.2	4.5	3.7	-0.8
Other	31.7	32.0	0.3	2.8	2.6	-0.2
Total	1,046.5	1,080.0	33.5	17.6	25.0	7.4

※FY2018/3 results for each segment are preliminary. Total numbers for FY2018/3 results are fixed.

REFERENCE MATERIALS

NIPPON PAPER INDUSTRIES CO.,LTD.

Key indicators

	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3
Operating margin on sales	2.6%	2.2%	2.2%	2.4%	1.7%
Ordinary margin on sales	2.6%	2.2%	1.7%	2.7%	1.8%
Capital expenditure (¥billion)	47.2	48.5	46.9	51.3	72.8
Depreciation (¥billion)	63.2	61.4	57.7	55.1	57.9
EBITDA (¥billion) ※1	94.0	87.1	83.1	81.5	78.1
Net interest-bearing debt (¥billion)	678.4	647.7	591.3	588.0	634.6
Net D/E (times)	1.70	1.55	1.47	1.49	1.61
Number of employees	13,107	12,771	11,741	13,057	12,881
Earnings per share (¥)	196.67	200.27	20.95	72.57	67.80
Dividends per share (¥)	40	50	60	60	60
ROA ※2	2.7%	2.2%	2.0%	2.6%	1.8%

※1 : EBITDA = Operating income + Depreciation + Dividend income + Interest income

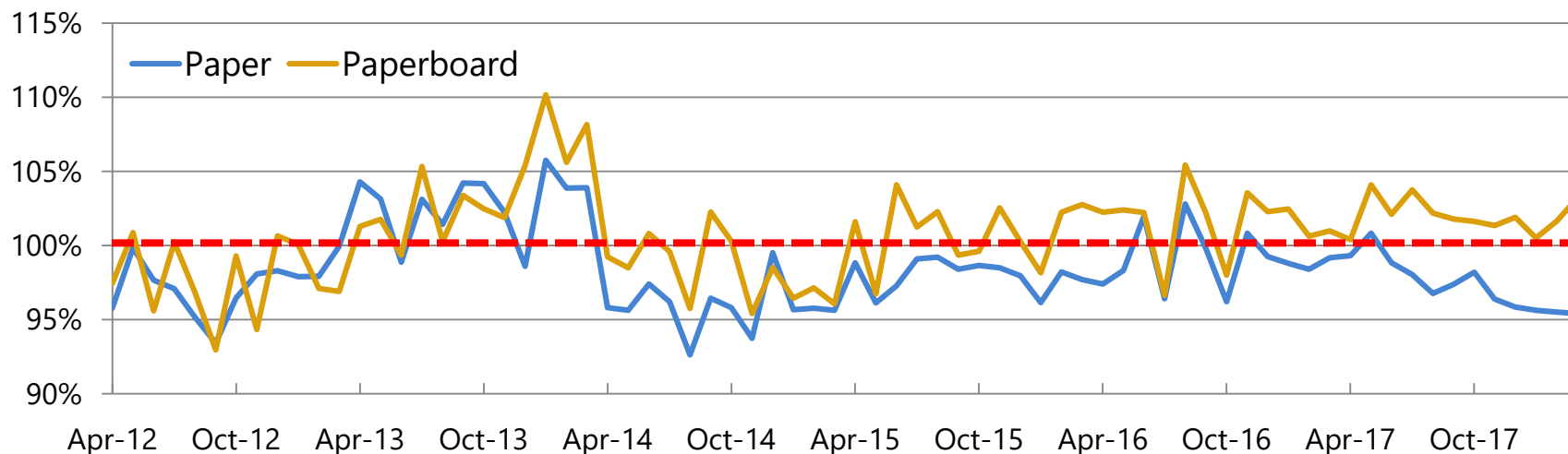
※2 : ROA = (Ordinary income + Interest expense) / Total assets

Domestic Demand and Export (Paper & Paperboard)

	Apr '17 - Mar '18						volume: '000 tonnes			
	Domestic shipments(A)		Exports(B)		(A+B)		Imports(C)		Domestic demand(A+C)	
	volume	YOY	volume	YOY	volume	YOY	volume	YOY	volume	YOY
Newsprint	2,742	-4.8%	0	-100.0%	2,742	-4.8%	10	-21.8%	2,752	-4.9%
Printing & business communication paper	7,359	-3.2%	751	10.0%	8,109	-2.1%	934	-6.6%	8,292	-3.6%
Coated paper *	4,193	-3.5%	584	12.4%	4,777	-1.8%	327	-12.4%	4,520	-4.2%
Uncoated paper	1,855	-3.8%	131	8.2%	1,986	-3.1%	117	-14.0%	1,973	-4.5%
Business communication paper	1,310	-1.5%	36	-14.9%	1,346	-1.9%	489	0.0%	1,800	-1.1%
Other papers	3,246	0.5%	318	14.9%	3,564	1.7%	47	14.3%	3,293	0.7%
Paper total	13,347	-2.7%	1,068	11.3%	14,416	-1.8%	991	-5.9%	14,338	-2.9%
Container board	9,201	2.1%	546	24.2%	9,748	3.1%	43	7.4%	9,244	2.1%
Folding box board and others	2,233	1.9%	28	17.2%	2,262	2.1%	268	-2.4%	2,501	1.5%
Paperboard total	11,435	2.0%	575	23.9%	12,009	2.9%	311	-1.1%	11,746	2.0%
Paper and paperboard total	24,782	-0.6%	1,643	15.4%	26,425	0.3%	1,302	-4.8%	26,084	-0.8%

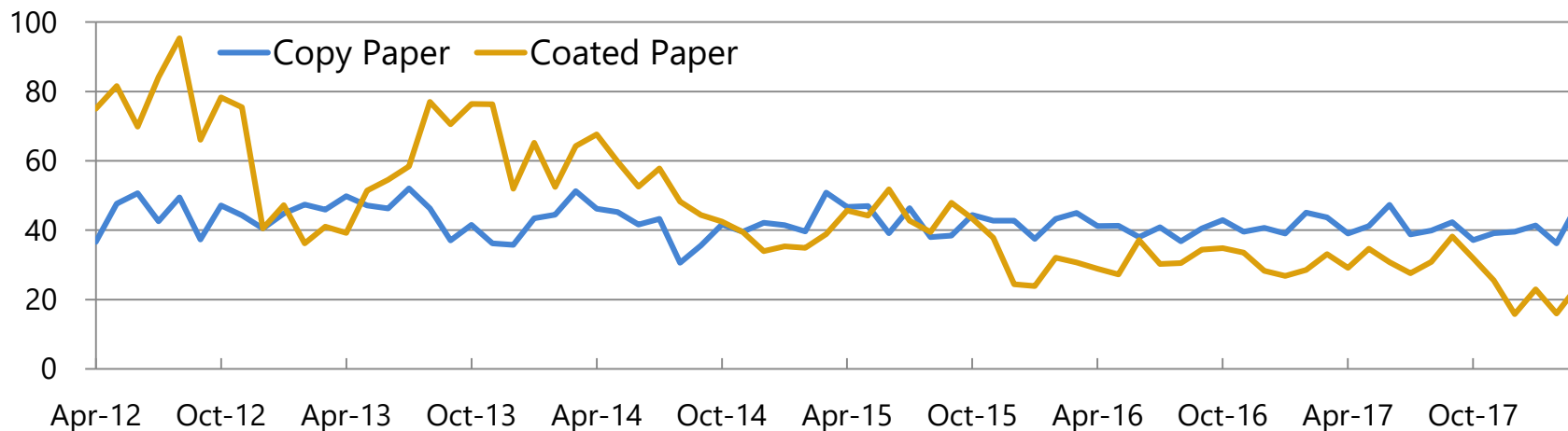
※ “Bitoko-shi” paper is included in coated paper.

Domestic shipment of paper industry(YOY)

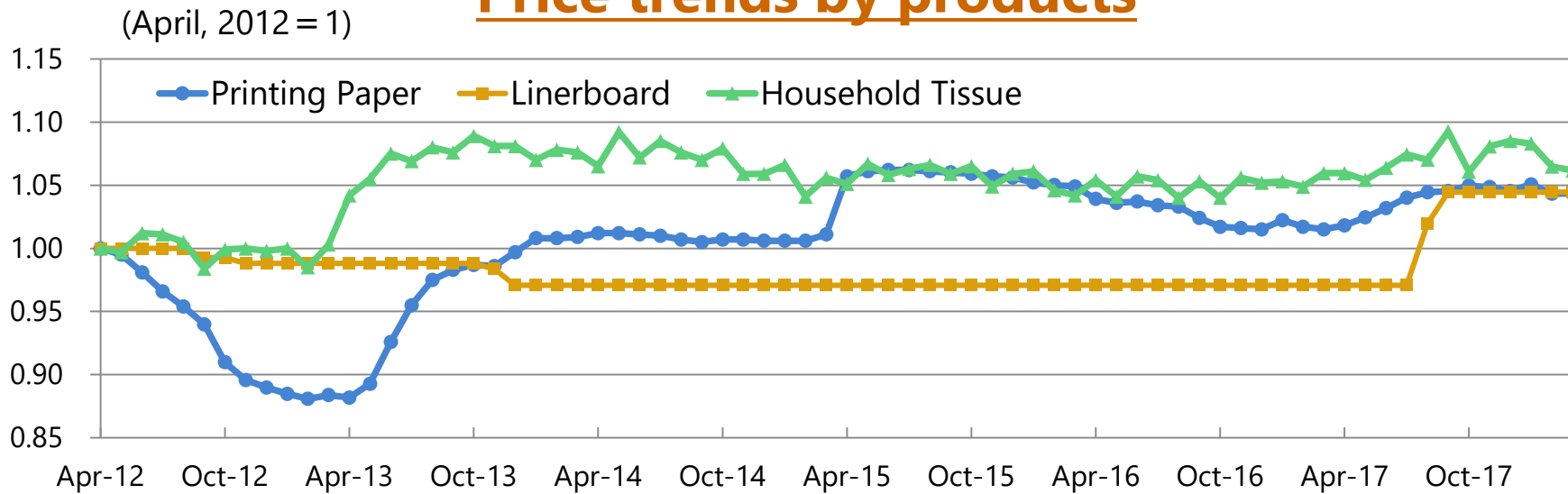


Coated paper and copy paper import volume

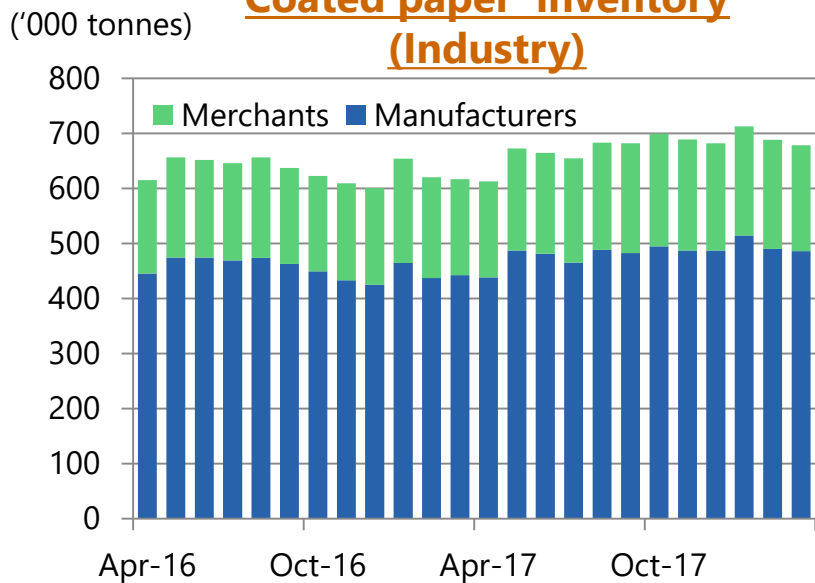
('000 tonnes)



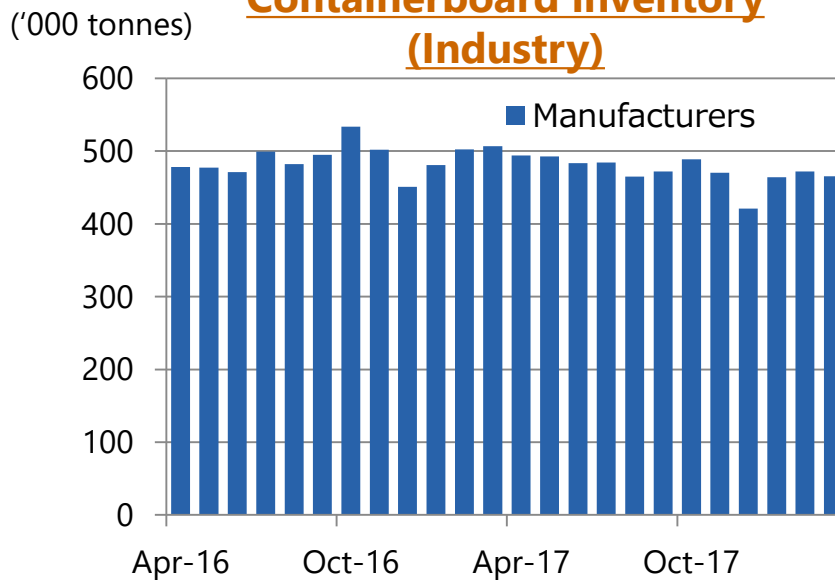
Price trends by products



Coated paper inventory (Industry)

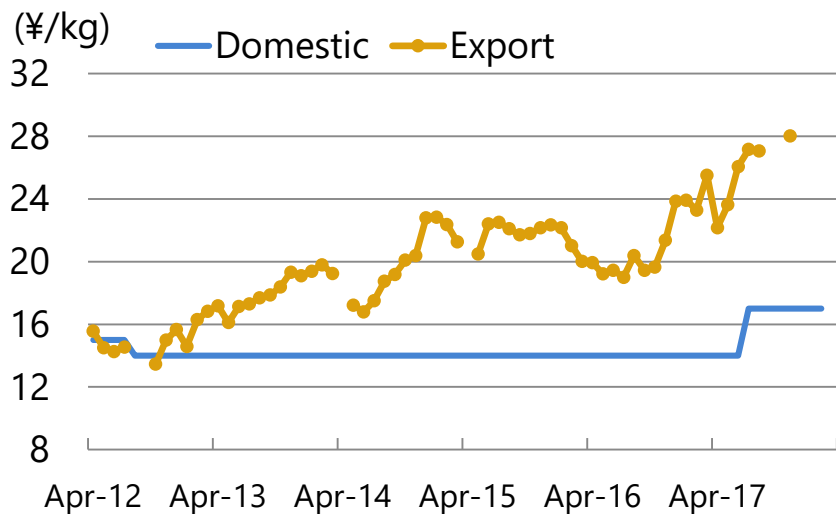


Containerboard inventory (Industry)

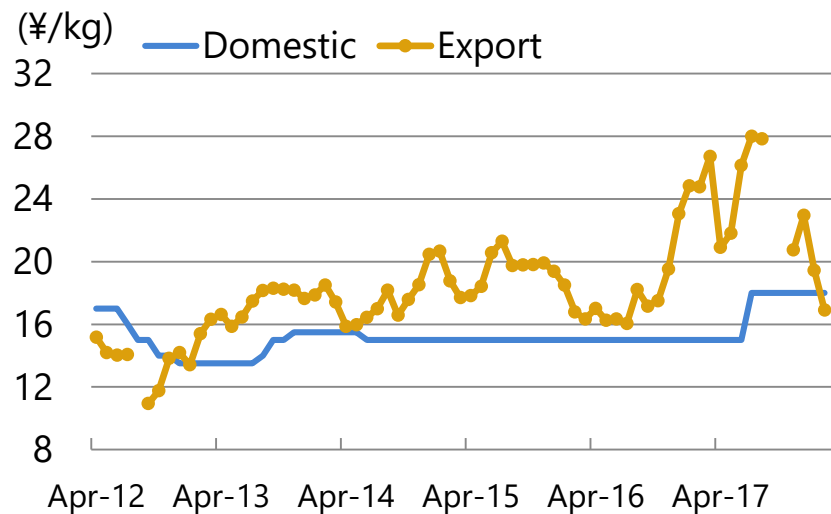


Source : Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

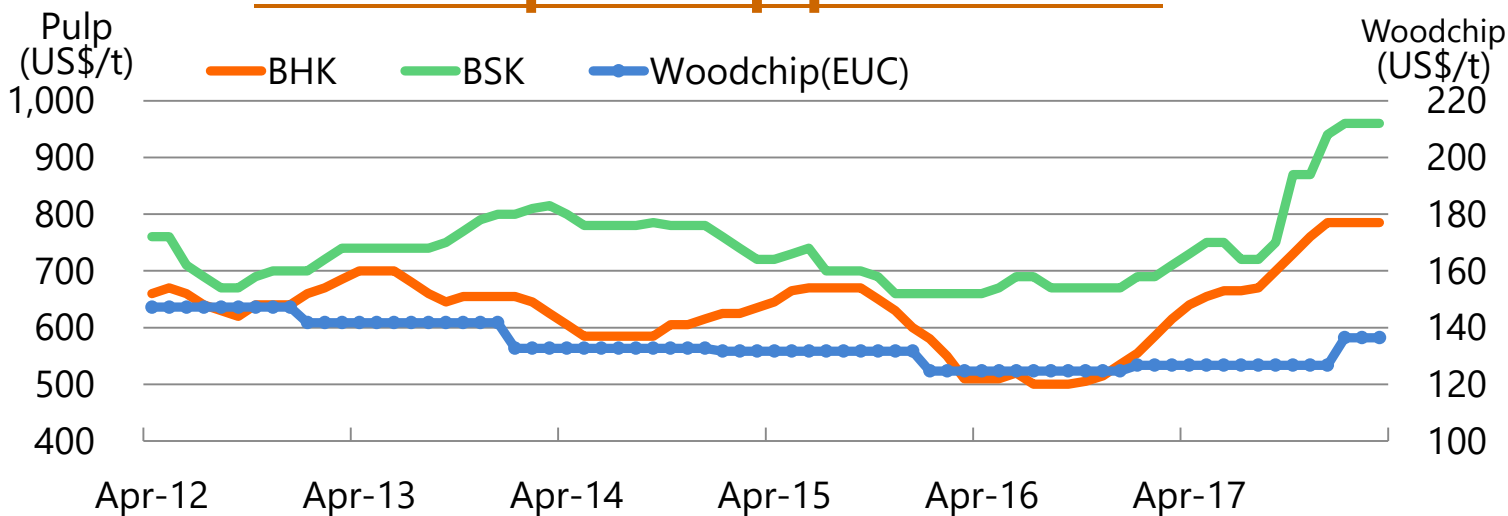
ONP price trends



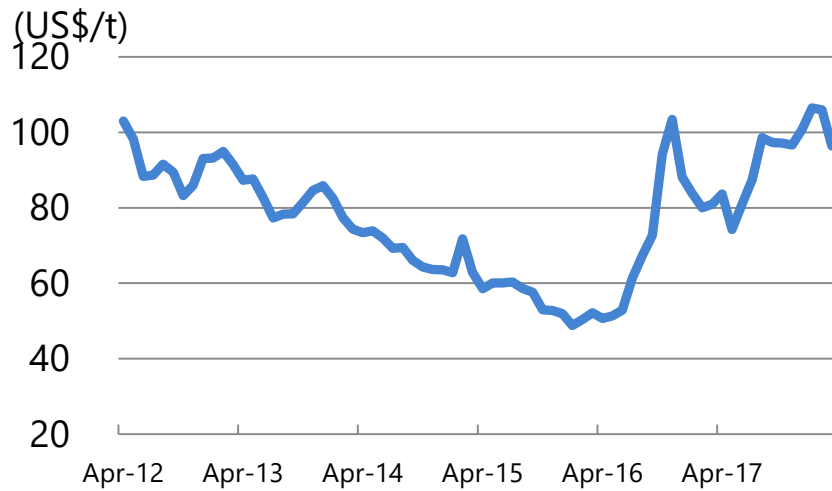
OCC price trends



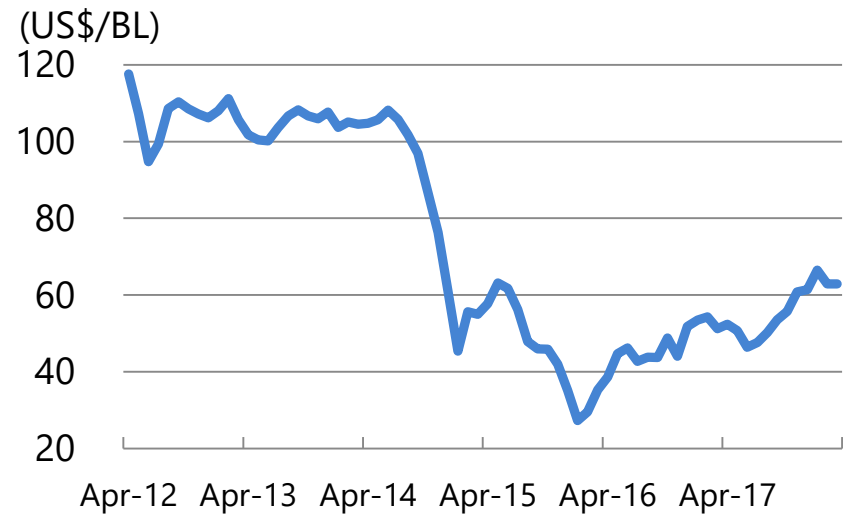
Woodchip & Pulp price trends



Coal price trends



Crude Oil price trends



Disclaimer

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NIPPON PAPER INDUSTRIES CO.,LTD.