

# **FY2019/3 FINANCIAL REVIEW**

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**May 15, 2019**

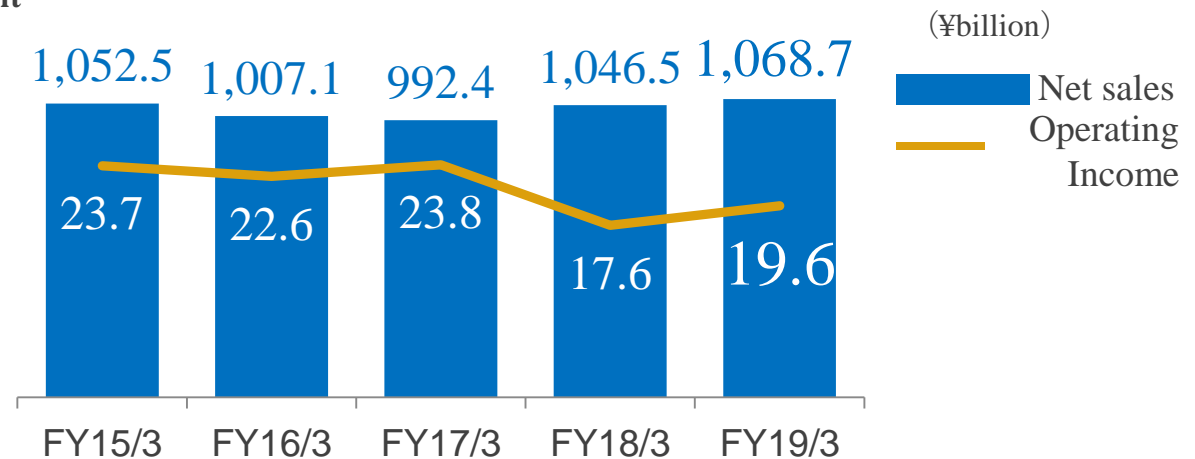
# FY2019/3 Financial Results

## Consolidated Statement

(¥billion)

	FY2018/3 Result	FY2019/3 Result	Year on year	
			Variance	Rate of changes
Net sales	1,046.5	1,068.7	22.2	2.1%
Operating Income	17.6	19.6	2.0	11.4%
Ordinary Income	18.6	23.9	5.3	28.2%
Net Income*	7.8	-35.2	-43.0	-

\* Profit attributable to owners of parent



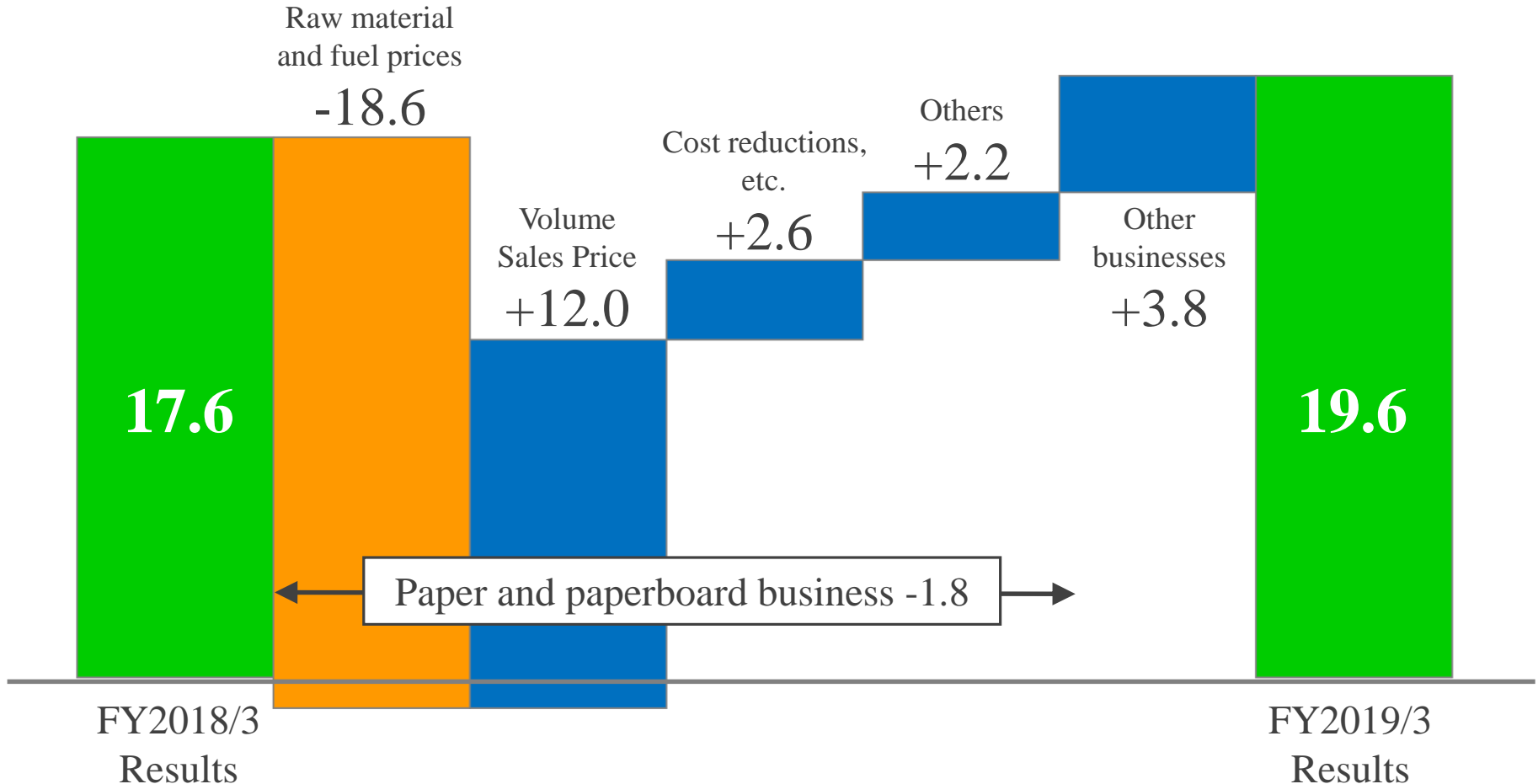
# FY2019/3 Financial Results

## Results by Segment

(¥billion)

	Net sales			Operating Income		
	FY2018/3 Result	FY2019/3 Result	YOY comparison	FY2018/3 Result	FY2019/3 Result	YOY comparison
Paper and paperboard	741.7	738.5	-3.2	-6.3	-8.1	-1.8
Livelihood-related	192.5	201.7	9.2	12.0	11.6	-0.4
Energy	17.8	36.2	18.4	4.1	7.9	3.8
Wood products and construction related	62.8	59.8	-3.0	4.5	4.9	0.4
Other	31.7	32.5	0.8	3.3	3.3	0.0
<b>Total</b>	<b>1,046.5</b>	<b>1,068.7</b>	<b>22.2</b>	<b>17.6</b>	<b>19.6</b>	<b>2.0</b>

## Factors for change in operating income

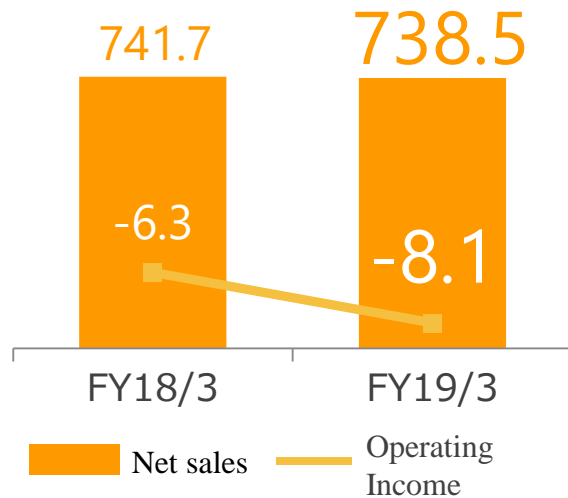


<Initial forecast> (Announced in May 2018)

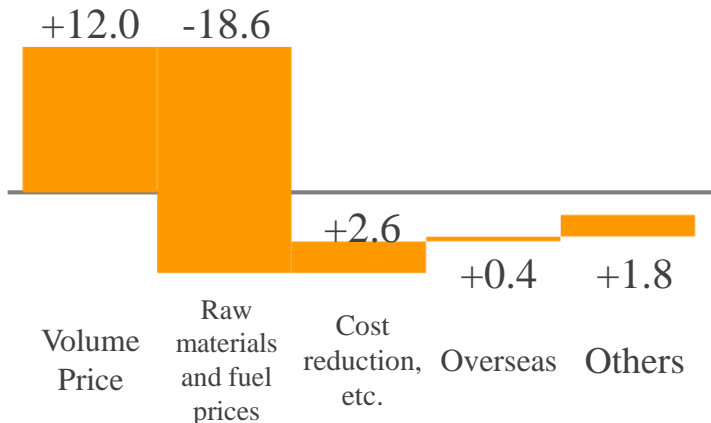
<b>17.6</b>	Raw material and fuel prices <b>-9.7</b>	Volume Sales Price <b>+5.5</b>	Cost reductions, etc. <b>+4.1</b>	Others <b>+3.3</b>	Other businesses <b>+4.2</b>	<b>25.0</b>
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## Paper and paperboard business

Net Sales and Operating Income  
(¥ billion)



Factors for change in operating income  
(¥ billion)



- Domestic businesses (Paper)

Domestic sales volume remained low due to circulation decline in newspaper and sluggish demand on printing advertisement.

For export, the profit improved due to price revision.

- Domestic(Paperboard)

Domestic sales volume fell below the previous year's level. However, demand for export was strong mainly in Asian markets, and the export volume increased 4% from the same period of previous year.

- Oversea business

Profit in oversea business increased from the same period of previous year mainly due to price revision implemented by Jujo Thermal. The impact of NPI USA, which was sold two years ago, also contributed profit increase.

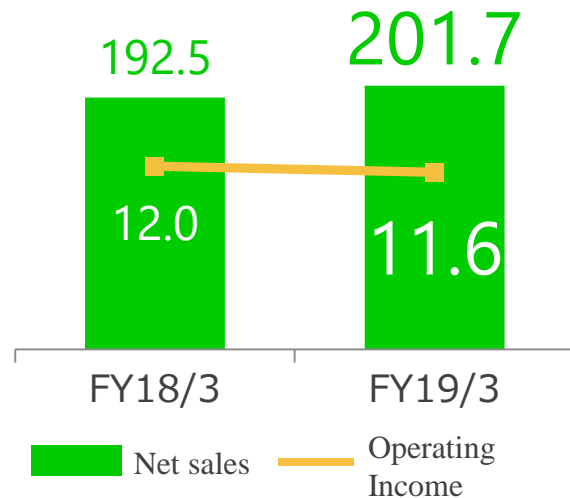
## Paper and Paperboard Sales Volume

	FY2018/3	FY2019/3	YOY
			(‘000tonnes)
Newsprint	974	904	-7.2%
Printing paper	1,640	1,574	-4.0%
Business communication paper	490	494	0.7%
Others	378	375	-0.7%
Domestic sales (paper)	3,482	3,347	-3.9%
Export (paper)	456	402	-11.8%
Paper total	3,938	3,749	-4.8%
Container board	1,698	1,683	-0.9%
Folding box board and others	368	369	0.3%
Domestic sales (paperboard)	2,066	2,052	-0.7%
Export (paperboard)	194	203	4.4%
Paperboard total	2,260	2,255	-0.2%
Grand total (paper and paperboard)	6,198	6,004	-3.1%

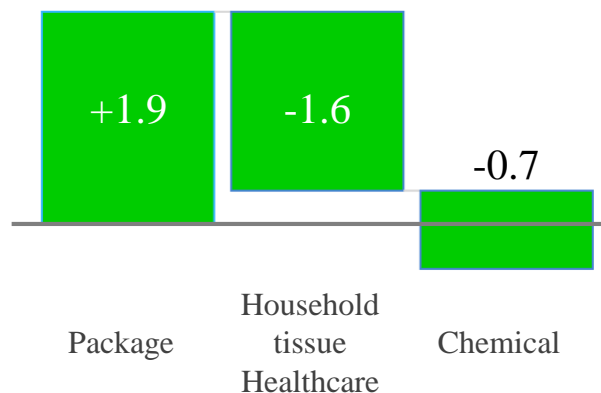
\* Total of Nippon Paper Industries Co., Ltd., Nippon Paper Papiria Co., Ltd., Nippon Paper Crexia Co., Ltd., and Shin-Tokai Paper Industries Co., Ltd. (excluding sanitary paper)

## Livelihood-related business

Net Sales and Operating Income  
(¥ billion)



Factors for change in operating income  
(¥ billion)



### ○ Package

For domestic liquid-packaging, the sales increased from the same period of previous year, as sales for filling machines increased, but operating income fell below the previous year's level due to higher raw material prices. Nippon Dynawave Packaging posted steady growth in both sales and profits.

### ○ Household tissue and Healthcare

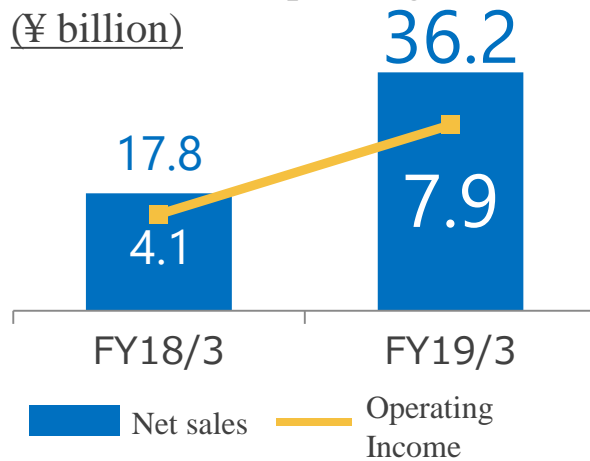
Demand for healthcare products and business-use products for hotels were firm, and the sales volume increased from the same period of previous year. However, operating income was down year-over-year due to increase in raw material and fuel prices.

### ○ Chemical

While the demand for functional coating resin and functional cellulose was strong, sales volume of dissolving pulp and functional films were down year-over-year. Both sales and profits decreased due to rise in raw material and fuel prices.

## Energy business

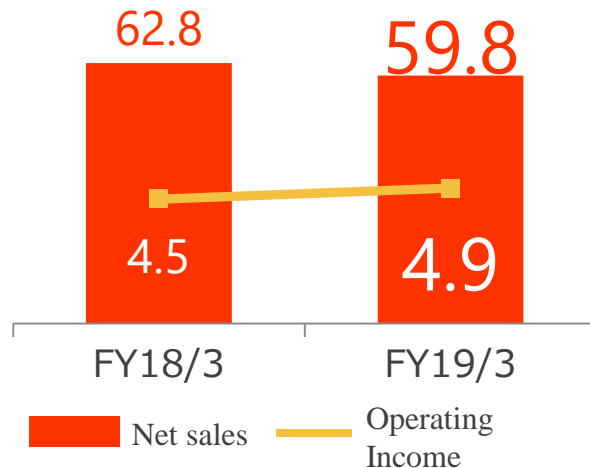
Net Sales and Operating Income  
(¥ billion)



The Nippon Paper Ishinomaki Energy Center power plant, which commenced commercial operations in March 2018, is now operating steadily. Sales and profits increased from the same period of previous year.

## Wood products and construction related business

Net Sales and Operating Income (¥ billion)



Sales and profits of Nippon Paper Lumber declined due to weak new housing starts and lower sales volume of lumber and building materials.

In AMCEL, the profit increased, as sales in Europe increased.



## Consolidated Balance Sheet

(¥billion)

	Mar.31, 2018	Mar.31, 2019	Variance
<b>Total assets</b>	<b>1,429.9</b>	<b>1,390.8</b>	<b>-39.1</b>
Cash and time deposit	59.0	63.5	4.5
Inventories	165.9	177.9	12.0
Other current assets	265.6	274.0	8.4
Property, equipment, and intangible fixed asset	731.8	688.8	-43.0
Investment and other assets	207.6	186.6	-21.0
<b>Total liabilities</b>	<b>986.5</b>	<b>995.5</b>	<b>9.0</b>
Interests bearing liabilities	693.6	688.7	-4.9
Other liabilities	292.9	306.8	13.9
<b>Total net assets</b>	<b>443.4</b>	<b>395.3</b>	<b>-48.1</b>
Shareholder's equity	393.4	355.1	-38.3
<b>Total liabilities and net assets</b>	<b>1,429.9</b>	<b>1,390.8</b>	<b>-39.1</b>
<b>Net interest-bearing debt</b>	<b>634.6</b>	<b>625.2</b>	<b>-9.4</b>
<b>Net D/E ratio</b>	<b>1.61</b>	<b>1.76</b>	<b>0.15</b>

## Consolidated Statements of Cash Flows

	(¥billion)		
	FY2018/3	FY2019/3	Variance
Operating activities	44.9	59.8	14.9
Investing activities	-62.7	-47.5	15.2
Free cash flows	-17.8	12.3	30.1
Financing activities	-12.5	-6.7	5.8
Other	-1.3	-1.1	0.2
Increase (decrease) in cash and cash equivalents	-31.6	4.4	36.0
Increase in cash and cash equivalents from newly consolidated subsidiary	0.1	0.0	-0.1
Cash and cash equivalent at the end of period	59.0	63.5	4.5
Depreciation	57.9	60.4	2.5
Capital expenditure	72.8	60.3	-12.5

# Forecast for the FY2020/3

## Consolidated Statement

(¥billion)

	FY2019/3 Result	FY2020 Forecast	Year on year	
			Variance	Rate of changes
Net sales	1,068.7	1,120.0	51.3	4.8%
Operating Income	19.6	30.0	10.4	52.9%
Ordinary Income	23.9	28.0	4.1	17.1%
Net Income*	-35.2	13.0	48.2	-

\* Profit attributable to owners of parent

### Major assumptions

Raw material and fuel prices	Wastepaper	Same as FY2018 results
	Crude oil	US\$70/BL(Dubai)
	Coal	US\$95/t (Australian coal benchmark price)
FOREX	US\$	112 yen/dollar

# Forecast for the FY2020/3

## Results by Segment

(¥billion)

	Net sales			Operating Income		
	FY2019/3 Result	FY2020/3 Forecast	YOY comparison	FY2019/3 Result	FY2020/3 Forecast	YOY comparison
Paper and paperboard	738.5	764.0	25.5	-8.1	4.4	12.5
Livelihood-related	201.7	223.0	21.3	11.6	11.9	0.3
Energy	36.2	35.0	-1.2	7.9	6.6	-1.3
Wood products and construction related	59.8	64.0	4.2	4.9	4.6	-0.3
Other	32.5	34.0	1.5	3.3	2.5	-0.8
<b>Total</b>	<b>1,068.7</b>	<b>1,120.0</b>	<b>51.3</b>	<b>19.6</b>	<b>30.0</b>	<b>10.4</b>

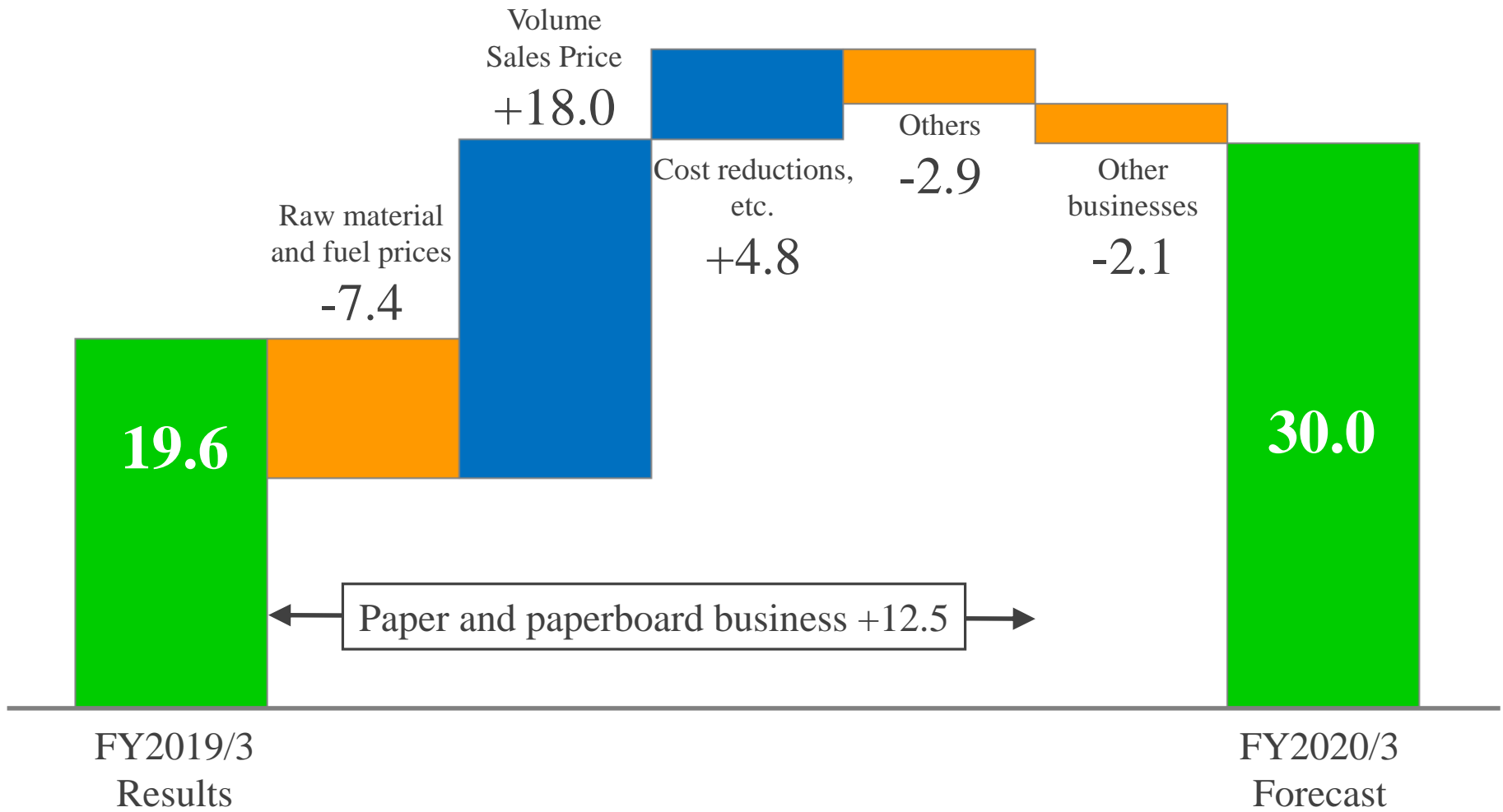
## Sales Volume Forecast (Paper & Paperboard)

	FY2019/3 results	FY2020/3 estimate	(‘000tonnes) YOY
Newsprint	904	824	-8.9%
Printing & Business communication paper	2,068	1,993	-3.6%
Others	375	377	0.5%
Domestic sales (paper)	3,347	3,194	-4.6%
Export (paper)	402	402	-0.1%
Paper total	3,749	3,595	-4.1%
Domestic sales (paperboard)	2,052	2,094	2.0%
Export (paperboard)	203	215	6.0%
Paperboard total	2,255	2,309	2.4%
Grand total (paper and paperboard)	6,004	5,904	-1.7%

※ Total of Nippon Paper Industries Co., Ltd., Nippon Paper Papiria Co., Ltd., Nippon Paper Crecia Co., Ltd., and Shin-Tokai Paper Industries Co., Ltd. (excluding sanitary paper)

(¥billion)

## Factors for change in operating income



# REFERENCE MATERIALS

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## Key indicators

	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3
Operating margin on sales	2.2%	2.2%	2.4%	1.7%	1.8%
Ordinary margin on sales	2.2%	1.7%	2.7%	1.8%	2.2%
Capital expenditure (¥ billion)	48.5	46.9	51.3	72.8	60.3
Depreciation (¥ billion)	61.4	57.7	55.1	57.9	60.4
EBITDA (¥ billion)*1	87.1	83.1	81.5	78.1	82.5
Net interest-bearing debt (¥ billion)	647.7	591.3	588.0	634.6	625.2
Net D/E ratio(times)	1.55	1.47	1.49	1.61	1.76
Number of employees	12,771	11,741	13,057	12,881	12,943
Earnings per share (¥)	200.27	20.95	72.57	67.80	-304.34
Dividends per share (¥)	50	60	60	60	30
ROA※2	2.2%	2.0%	2.6%	1.8%	2.2%

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

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



# Domestic Demand and Export (Paper& Paperboard)

## Domestic Demand and Export (Paper& Paperboard)

**April, 2018 - March, 2019**

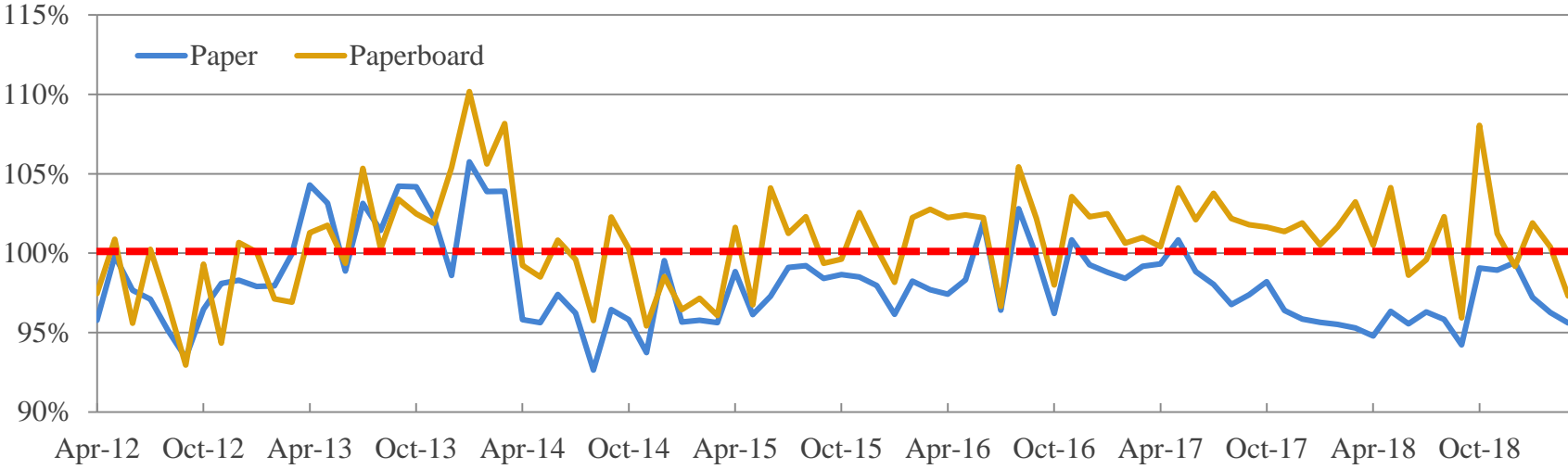
volume: '000 tonnes

	Domestic shipments(A)		Exports(B)		(A+B)		Imports(C)		Domestic demand(A+C)	
	volume	YOY	volume	YOY	volume	YOY	volume	YOY	volume	YOY
Newsprint	2,545	-7.2%	0	—	2,545	-7.2%	2	-75.6%	2,547	-7.5%
Printing & business communication paper	7,133	-3.1%	773	2.9%	7,905	-2.5%	705	-24.5%	7,838	-5.5%
Coated paper *	3,958	-5.6%	555	-5.0%	4,513	-5.5%	213	-34.8%	4,171	-7.7%
Uncoated paper	1,820	-1.9%	183	40.5%	2,003	0.9%	43	-63.2%	1,863	-5.5%
Business communication paper	1,355	3.4%	34	-5.3%	1,389	3.2%	449	-8.2%	1,804	0.2%
Other papers	3,217	-0.9%	324	2.1%	3,541	-0.6%	44	-6.7%	3,261	-0.9%
<b>Paper total</b>	<b>12,895</b>	<b>-3.4%</b>	<b>1,097</b>	<b>2.7%</b>	<b>13,992</b>	<b>-2.9%</b>	<b>752</b>	<b>-24.1%</b>	<b>13,647</b>	<b>-4.8%</b>
Container board	9,270	0.7%	509	-6.9%	9,778	0.3%	50	16.1%	9,320	0.8%
Folding box board and others	2,247	0.6%	28	-0.6%	2,276	0.6%	266	-0.6%	2,514	0.5%
<b>Paperboard total</b>	<b>11,517</b>	<b>0.7%</b>	<b>537</b>	<b>-6.6%</b>	<b>12,054</b>	<b>0.4%</b>	<b>316</b>	<b>1.7%</b>	<b>11,834</b>	<b>0.7%</b>
<b>Paper and paperboard total</b>	<b>24,412</b>	<b>-1.5%</b>	<b>1,633</b>	<b>-0.6%</b>	<b>26,045</b>	<b>-1.4%</b>	<b>1,068</b>	<b>-18.0%</b>	<b>25,480</b>	<b>-2.3%</b>

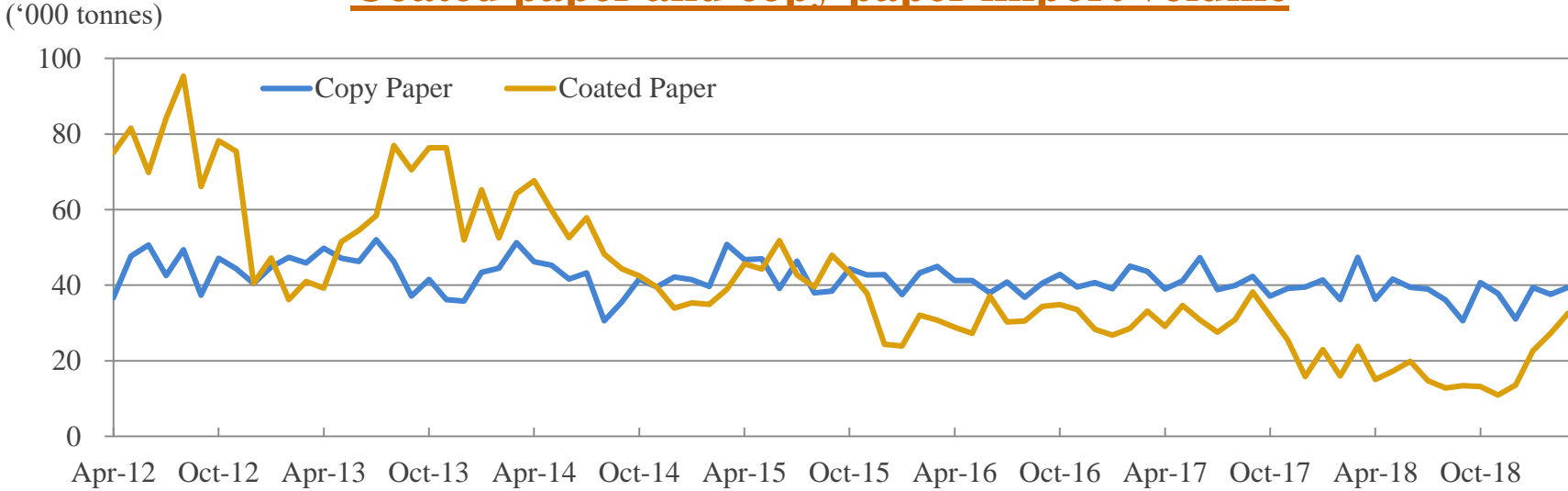
※ “Bitoko-shi” paper is included in coated paper.

# Manufacturers Domestic shipments (YoY), Import volume

## Domestic shipment of Manufacturers (YOY)



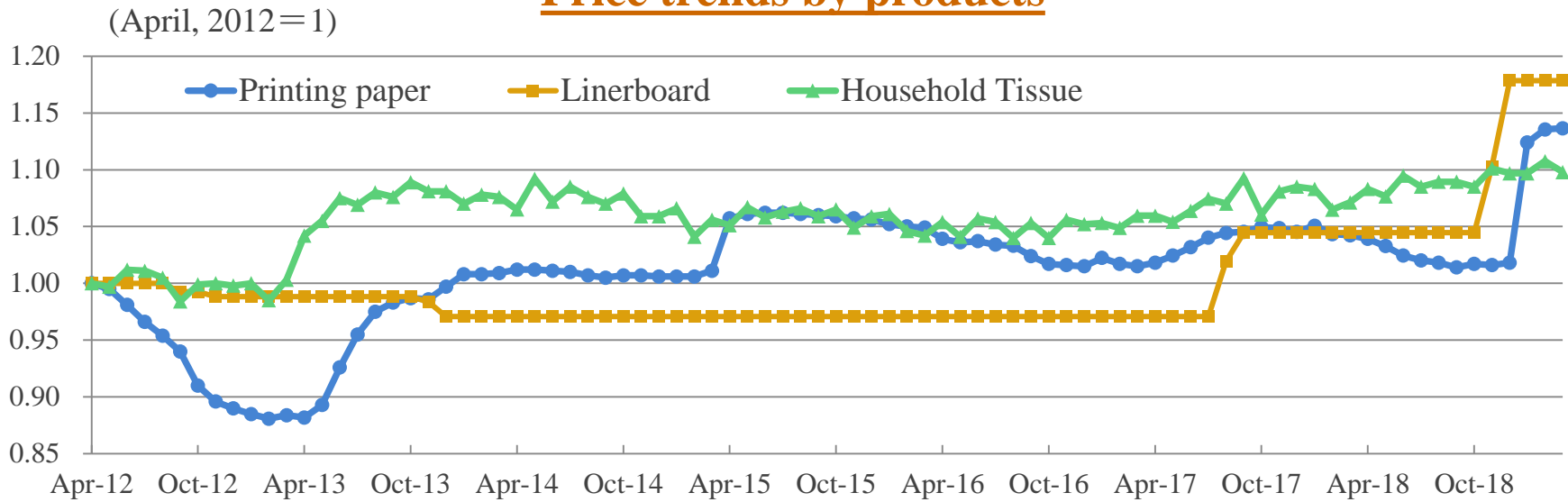
## Coated paper and copy paper import volume



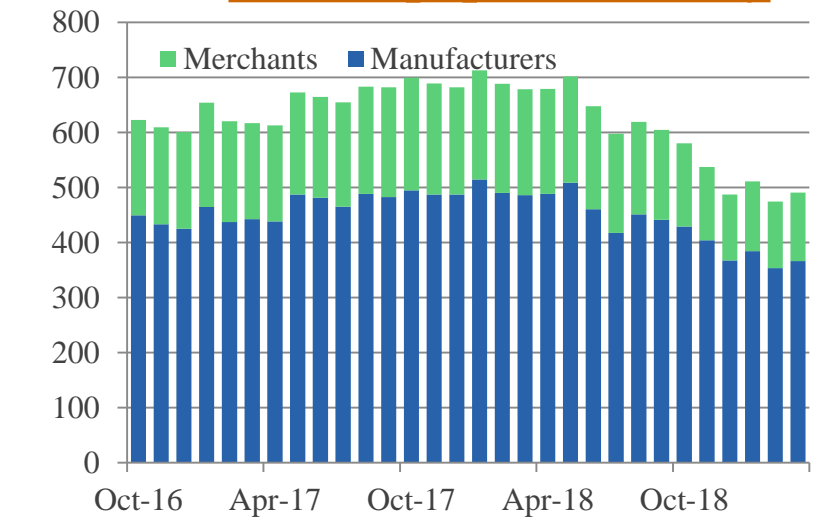
Source: Japan Paper Association, Trade Statics of Japan

# Price trends by products, Inventory

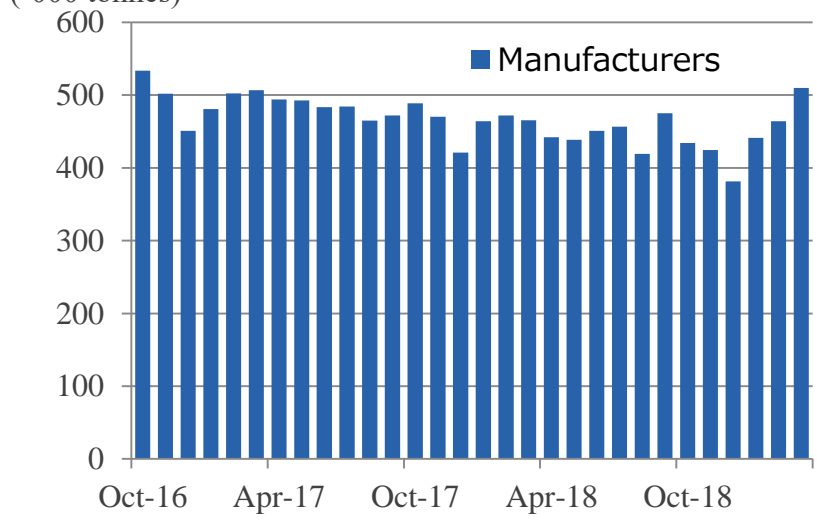
## Price trends by products



## Coated paper inventory



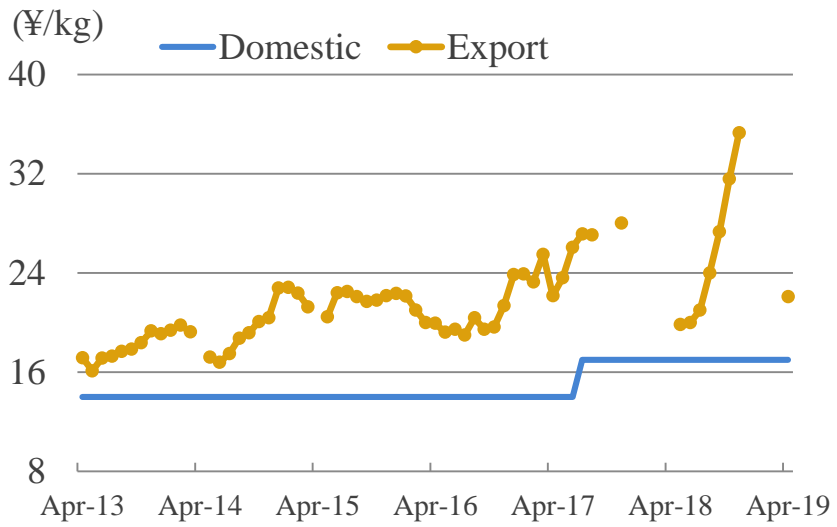
## Containerboard inventory



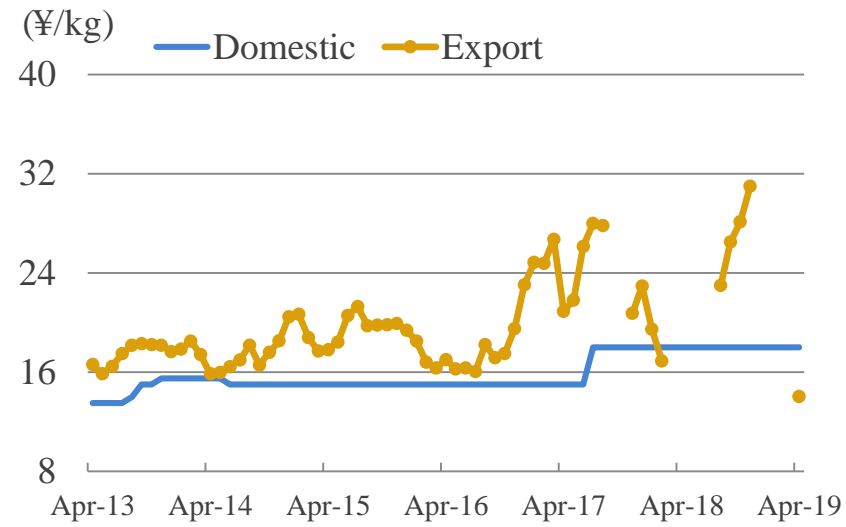
Source: Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

# Raw material and fuel prices trends

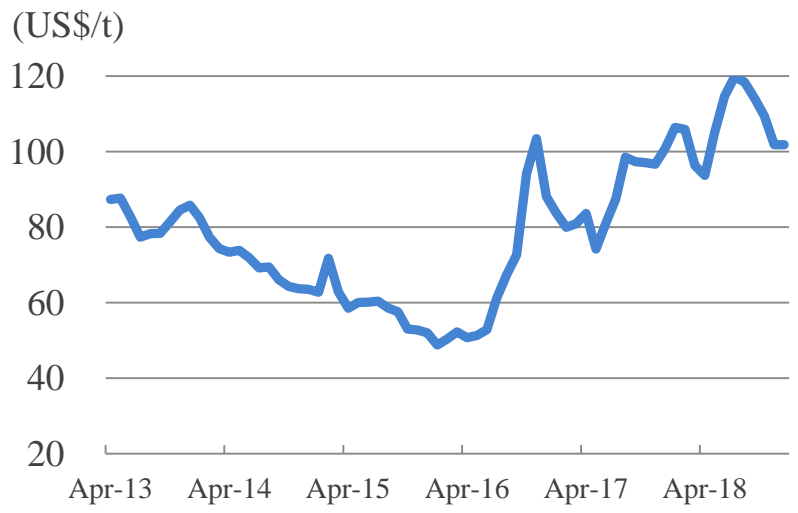
## ONP



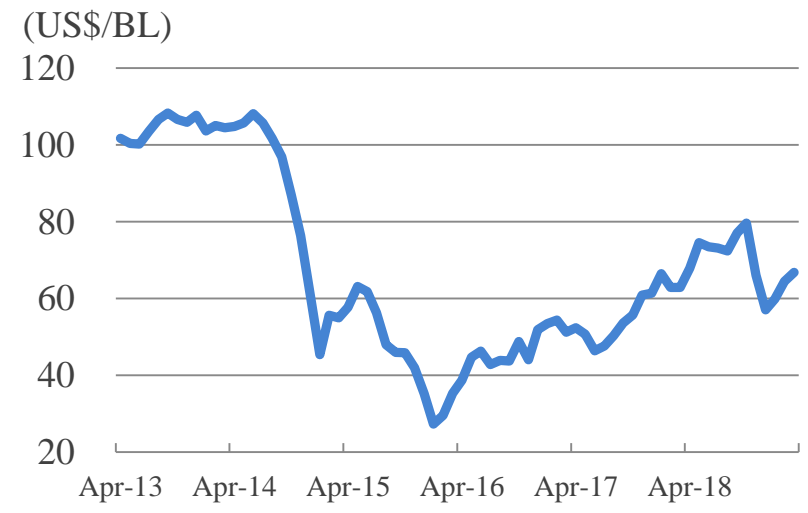
## OCC



## Coal



## Crude oil



Source: Recycling Promotion Center, Kanto Seishi Genryo Chokuno Kumiai, Nikkei, Global Coal Index

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