

FY2020/3 FINANCIAL REVIEW

May 15, 2020

FY2020/3 Financial Results

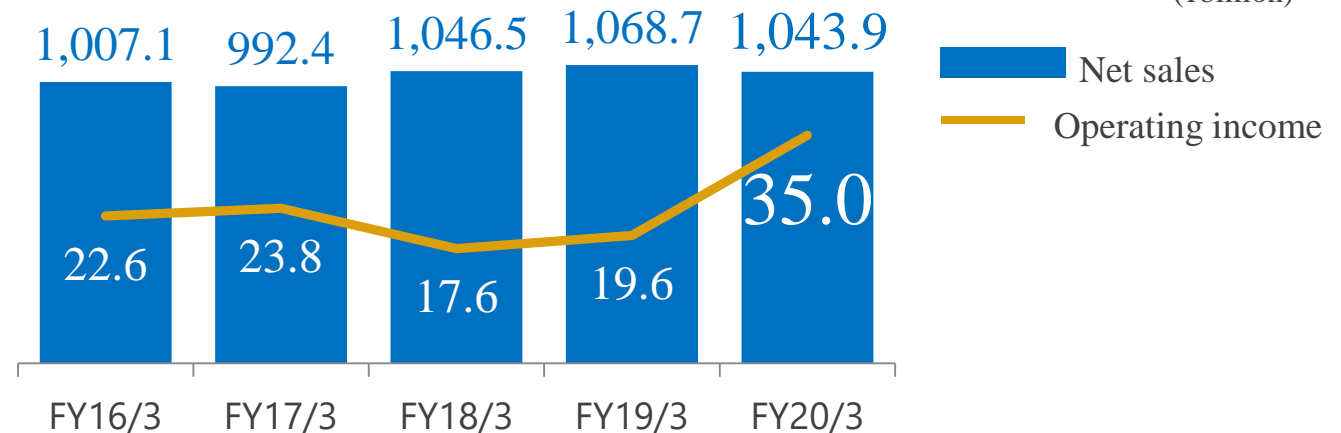
Consolidated Statement

(¥billion)

	FY2019/3 Results	FY2020/3 Results	Variance	
			Amount	Rate of change
Net sales	1,068.7	1,043.9	-24.8	-2.3%
Operating income	19.6	35.0	15.4	78.7%
Ordinary income	23.9	30.5	6.6	27.7%
Net income *	-35.2	14.2	49.4	-

* Profit attributable to owners of parent

(¥billion)



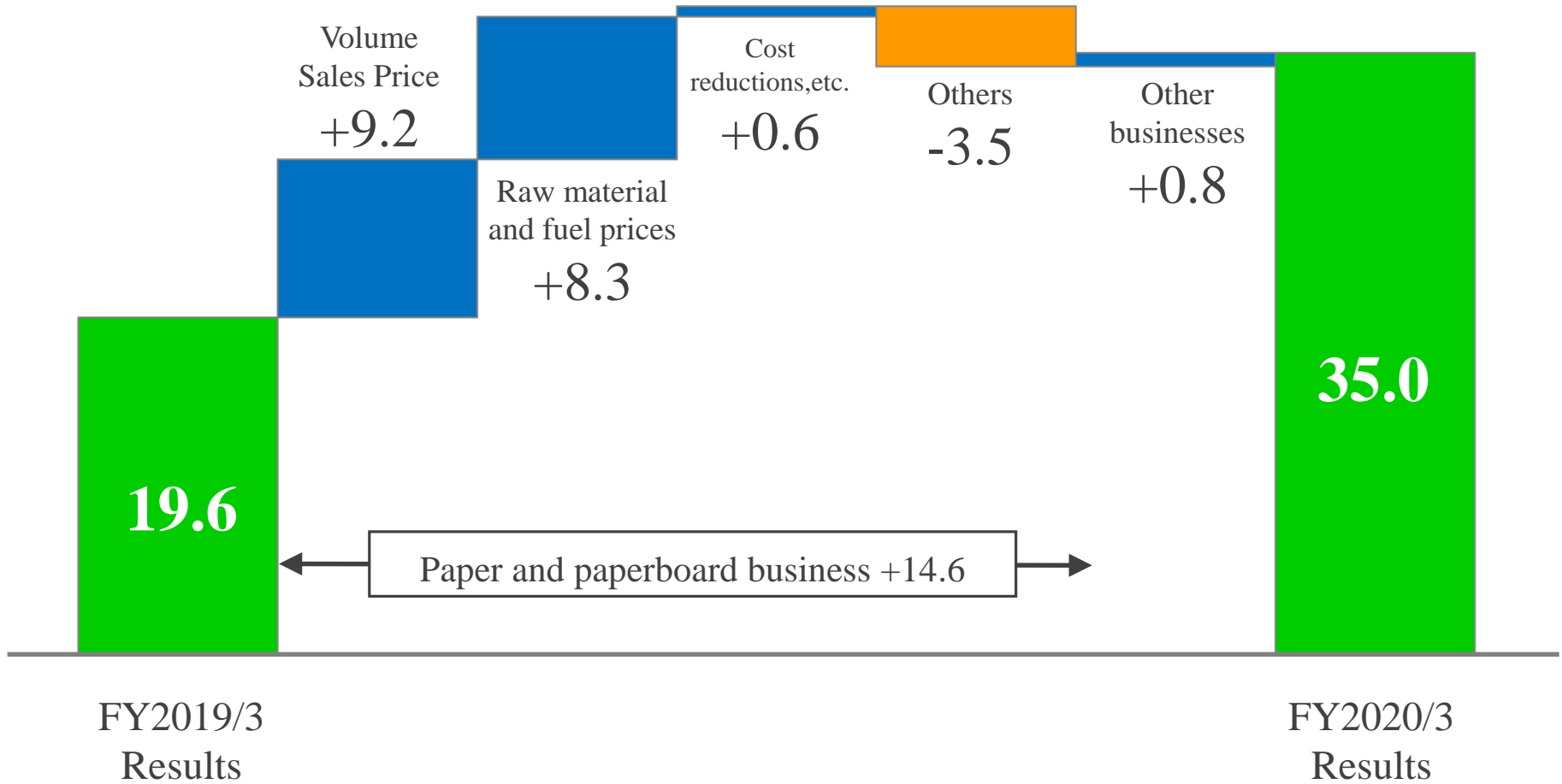
FY2020/3 Financial Results

Results by Segment

(¥billion)

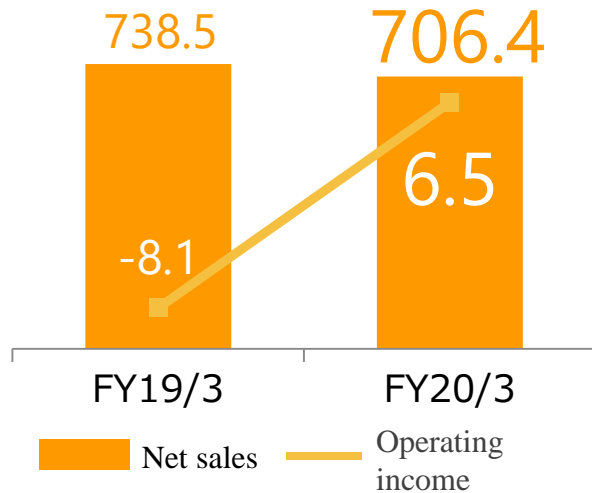
	Net sales			Operating income		
	FY2019/3 Results	FY2020/3 Results	Variance	FY2019/3 Results	FY2020/3 Results	Variance
Paper and paperboard	738.5	706.4	-32.1	-8.1	6.5	14.6
Daily-life products	201.7	210.6	8.9	11.6	12.6	1.0
Energy	36.2	33.0	-3.2	7.9	6.8	-1.1
Wood products and construction related	59.8	61.6	1.8	4.9	5.9	1.0
Others	32.5	32.3	-0.2	3.3	3.2	-0.1
Total	1,068.7	1,043.9	-24.8	19.6	35.0	15.4

Variance analysis for operating income

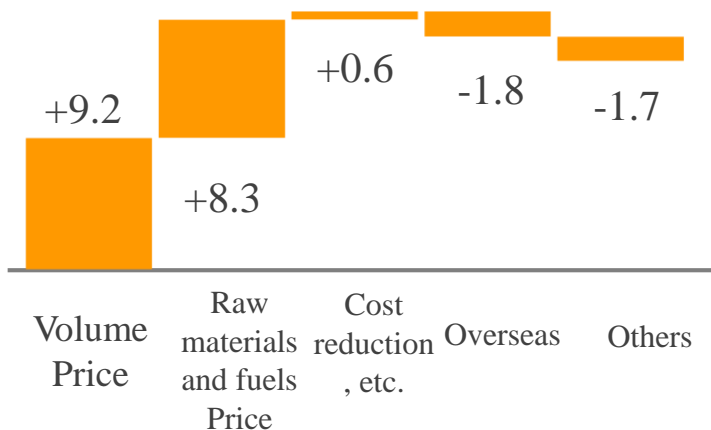


Paper and paperboard business

Net Sales and Operating Income
(¥ billion)



Variance analysis for operating income
(¥ billion)



- Domestic businesses (Paper)

Price adjustments for printing, communication paper and newsprint were effective. However, domestic sales volume was sluggish due to decrease in circulation in newspapers and sluggish advertising demand for Printing paper.

- Domestic businesses (Paperboard)

In domestic market, sales volume declined year on year due to unseasonable weather and other factors. Export demand was weak in Asian region, particularly in China, and the sales volume was decreased.

- Oversea business

Operating income declined year on year due to decrease in sales volume and sales price of Jujo Thermal.

FY2020/3 Financial Results

Sales Volume(Paper & Paperboard)

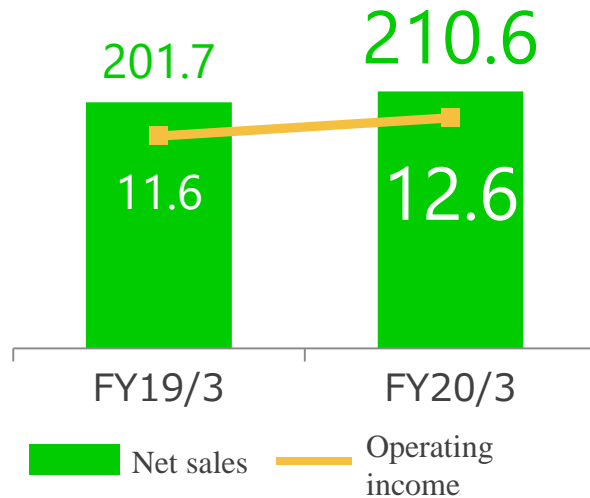
volume: '000 tonnes

	FY2019/3	FY2020/3	YOY
Newsprint	904	818	-9.5%
Printing paper	1,574	1,446	-8.2%
Business communication paper	494	491	-0.6%
Others	375	362	-3.6%
Domestic sales (paper)	3,347	3,116	-6.9%
Export (paper)	402	309	-23.0%
Paper total	3,749	3,425	-8.6%
Container board	1,683	1,614	-4.1%
Folding box board and others	369	344	-6.8%
Domestic sales (paperboard)	2,052	1,958	-4.6%
Export (paperboard)	203	184	-9.4%
Paperboard total	2,255	2,141	-5.0%
Grand total (paper and paperboard)	6,004	5,567	-7.3%

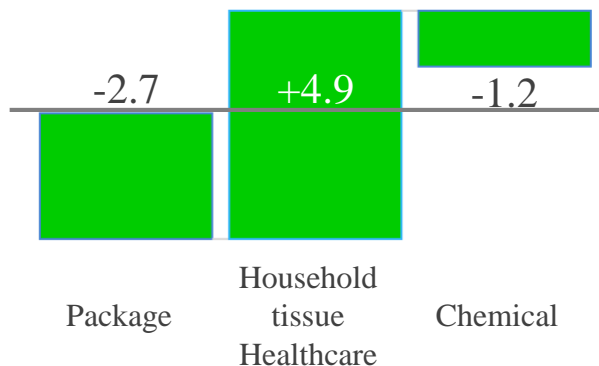
* Sales Volume Total of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Creca Co., Ltd., and Shin Tokai Paper Co., Ltd. (excluding sanitary paper)

Daily-life products business

Net Sales and Operating Income
(¥ billion)



Variance analysis for operating income
(¥ billion)



○ Package

In domestic market, sales volume of liquid-package cartons declined due to unseasonable summer weather, but sales increase in filling machine offset the loss. As a result, both sales and operating income improved. In overseas, operational income of NDP declined due to influence of sales volume decrease and maintenance shutdown.

○ Household tissue and Healthcare

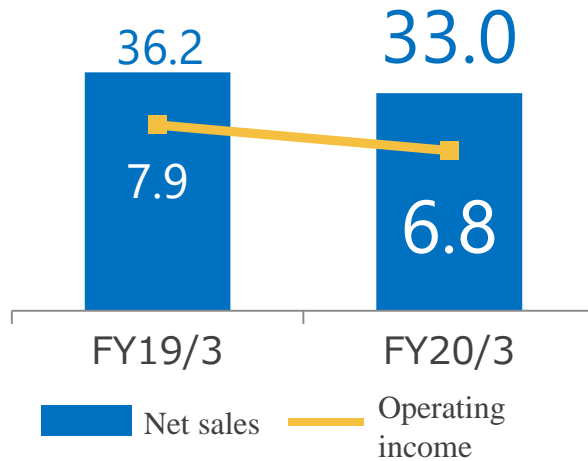
Sales increased year on year by expansion of production capacity to meet strong demand.

○ Chemical

Domestic sales volume of functional films for small and medium-sized displays increased year on year. However, Operating income of dissolving pulp posted a decline due to sluggish demand for Overseas in China and other countries.

Energy business

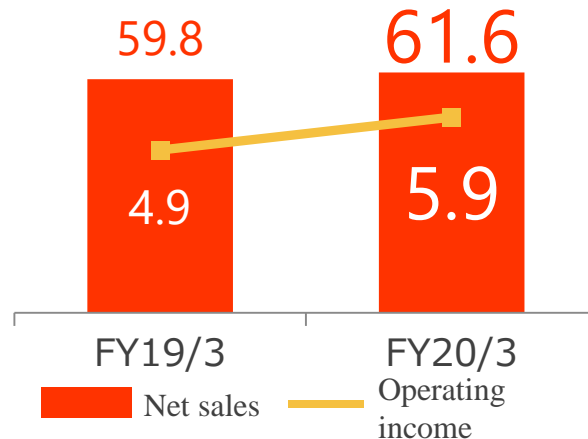
Net Sales and Operating Income (¥ billion)



Sales and operating income declined year on year due to decrease of operation days of power generator and increased fixed costs.

Wood products and construction related business

Net Sales and Operating Income (¥ billion)



The number of new housing starts remained weak, and sales volume of wood products was lower than the same period of previous year. However, AMCEL reported firm sales and construction order in civil engineering increased. As a result, both sales and operating income of this segment increased year on year.

Consolidated Balance Sheets

(¥billion)

	Mar.31, 2019	Mar.31, 2020	Variance
Total assets	1,390.8	1,363.5	-27.3
Cash and time deposit	63.4	52.8	-10.6
Inventories	177.9	171.8	-6.1
Other current assets	274.0	272.2	-1.8
Property, equipment, and intangible fixed asset	688.8	689.5	0.7
Investment and other assets	186.6	177.1	-9.5
Total liabilities	995.5	976.9	-18.6
Interests bearing liabilities	688.7	689.9	1.2
Other liabilities	306.8	287.0	-19.8
Total net assets	395.3	386.6	-8.7
Shareholder's equity	355.1	364.3	9.2
Total liabilities and net assets	1,390.8	1,363.5	-27.3
Net interest-bearing debt	625.2	637.1	11.9
Net D/E ratio	1.76	1.75	-0.01

Consolidated Statements of Cash Flows

			(¥billion)
	FY2019/3	FY2020/3	Variance
Operating activities	59.8	67.0	7.2
Investing activities	-47.5	-70.1	-22.6
Free cash flows	12.3	-3.1	-15.4
Financing activities	-6.7	-7.4	-0.7
Other	-1.1	-0.1	1.0
Increase (decrease) in cash and cash equivalents	4.4	-10.6	-15.0
Cash and cash equivalent at the end of period	63.4	52.8	-10.6
Depreciation	60.4	58.7	-1.7
Capital expenditure	60.3	70.6	10.3

we will refrain from disclosing our performance projection in this fiscal year because it is difficult to reasonably predict the impact of COVID-19 on our group, the trends of fuel and raw material prices and the timing when the pandemic converges.

When the right time comes, we will disclose our projection without delay.

(1) Consolidated operating income of Paper and Paperboard business

FY2020/3 Results: ¥6.5 billion  FY2021/3 Reference: ¥3.5 billion

* Calculated by incorporating the influence of sales volume decrease due to the COVID-19 and the impact of changes in raw material and fuel prices.

• Assumptions

Demand for Newsprint, printing paper is expected to decrease sharply in first half and then recovers moderately in second half due to impact of COVID-19.

• Sales Volume (year on year)

Domestic Newsprint

-15%/year

Domestic Printing paper

-12%/year

• Prices of fuels and raw materials, FOREX

FOREX(USD)

110 yen/dollar

Crude oil

USD50/BL (Dubai)

Wastepaper

Hovers at current level

Coal

USD 69/t (Australian coal benchmark price)

(2) Acquisition of paperboard and packaging business in Australia and NZ

Transient acquisition-related expense of about JPY5.5 billion is to be appropriated mainly in second quarter of FY 2021/3.

REFERENCE MATERIALS

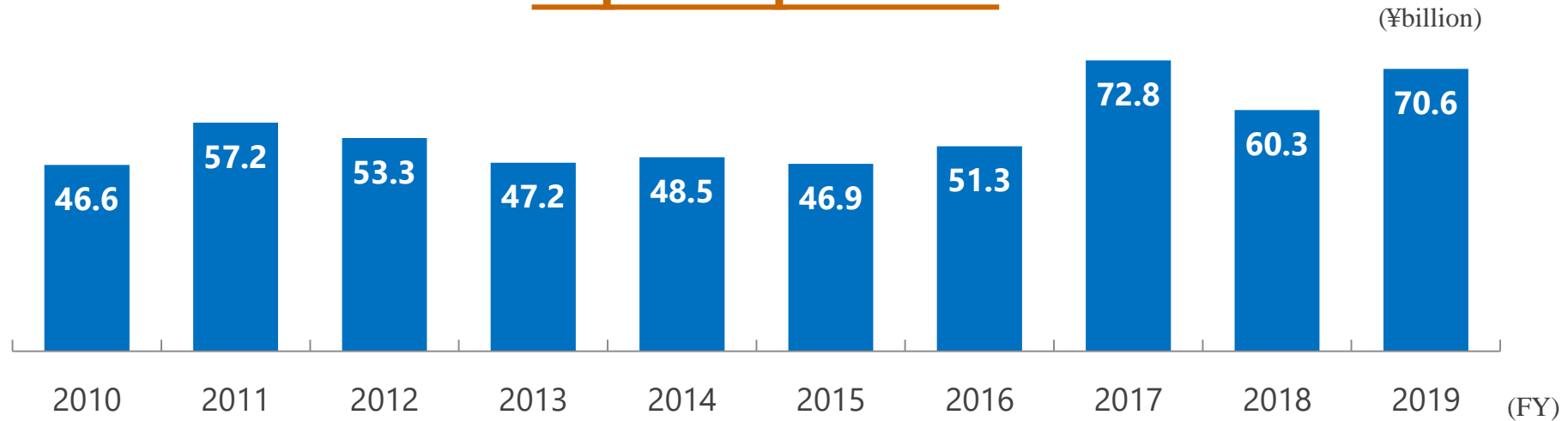
Key indicators

	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3
Operating income to net sales	2.2%	2.4%	1.7%	1.8%	3.4%
Ordinary margin on sales	1.7%	2.7%	1.8%	2.2%	2.9%
Capital expenditure (¥ billion)	46.9	51.3	72.8	60.3	70.6
Depreciation (¥ billion)	57.7	55.1	57.9	60.4	58.7
EBITDA (¥ billion) ※1	92.8	89.3	83.7	86.1	97.7
Net interest-bearing debt (¥ billion)	591.3	588.0	634.6	625.2	637.1
Net D/E ratio (times)	1.47	1.49	1.61	1.76	1.75
Number of employees	11,741	13,057	12,881	12,943	12,595
Earnings per share (¥)	20.95	72.57	67.80	-304.34	122.89
Dividends per share (¥)	60	60	60	30	40
ROA ※2	2.0%	2.6%	1.9%	2.2%	2.7%

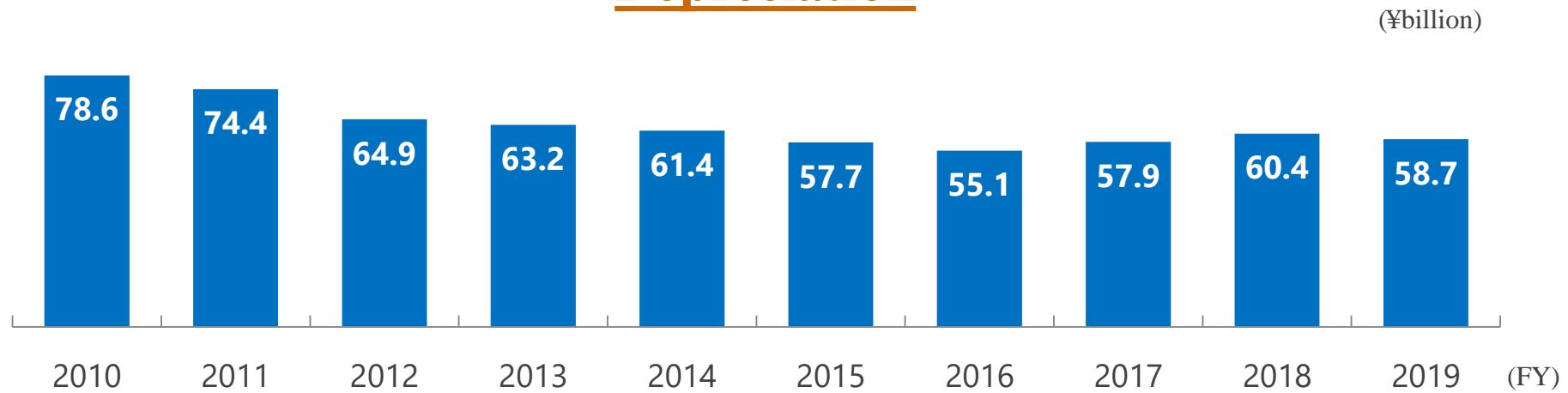
※ 1: EBITDA = Operating income + Depreciation + Dividend income + Interest income + Amortization of goodwill

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

Capital expenditure



Depreciation

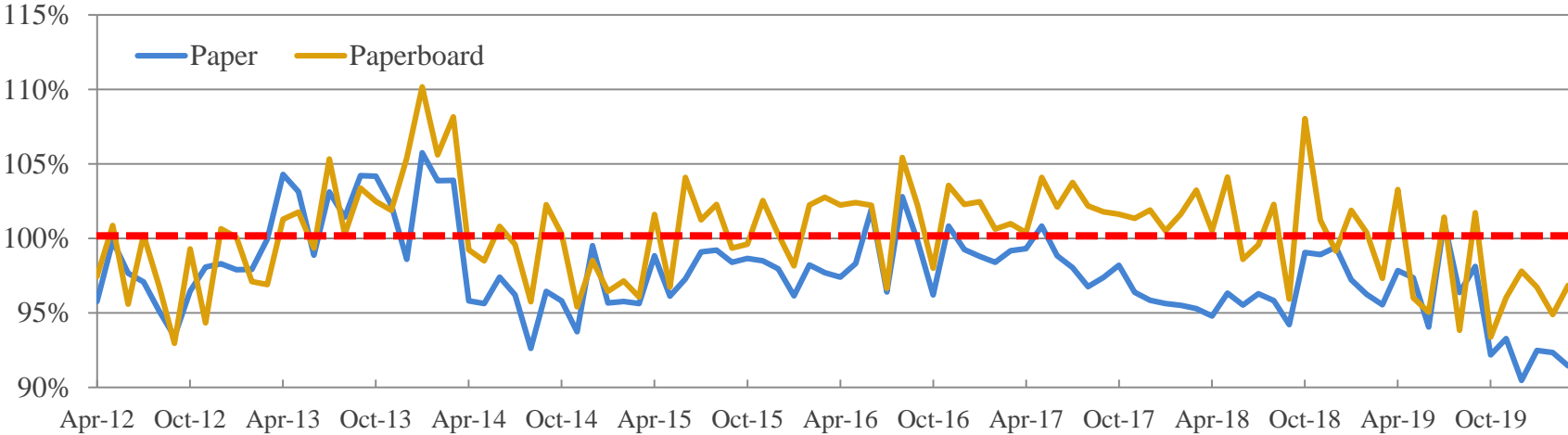


Paper and paperboard Shipments and Imports/Exports

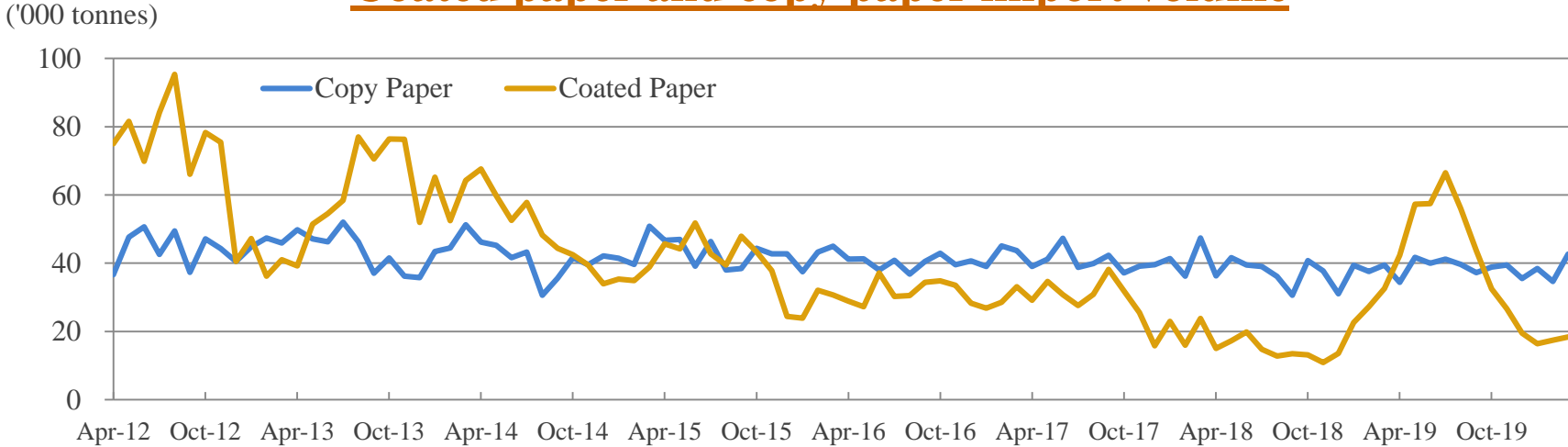
	April, 2019 - March, 2020						volume: '000 tonnes	
	Domestic shipments(A)		Exports(B)		(A+B)		Imports	
	volume	YOY	volume	YOY	volume	YOY	volume	YOY
Newsprint	2,349	-7.7%	0	—	2,349	-7.7%	2	-17.3%
Printing & business communication paper	6,642	-6.9%	539	-30.2%	7,181	-9.2%	973	37.9%
Coated paper *	3,591	-9.3%	408	-26.6%	3,999	-11.4%	454	113.0%
Uncoated paper	1,746	-4.1%	102	-44.6%	1,847	-7.8%	55	26.7%
Business communication paper	1,305	-3.7%	30	-12.2%	1,335	-3.9%	464	3.3%
Other papers	3,219	0.1%	303	-6.4%	3,523	-0.5%	54	22.1%
Paper total	12,210	-5.3%	843	-23.2%	13,053	-6.7%	1,029	36.8%
Container board	9,044	-2.4%	554	8.9%	9,598	-1.8%	43	-14.6%
Folding box board and others	2,155	-4.1%	26	-8.9%	2,181	-4.1%	267	0.3%
Paperboard total	11,200	-2.8%	579	8.0%	11,779	-2.3%	310	-2.1%
Paper and paperboard total	23,410	-4.1%	1,422	-13.0%	24,832	-4.7%	1,338	25.3%

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

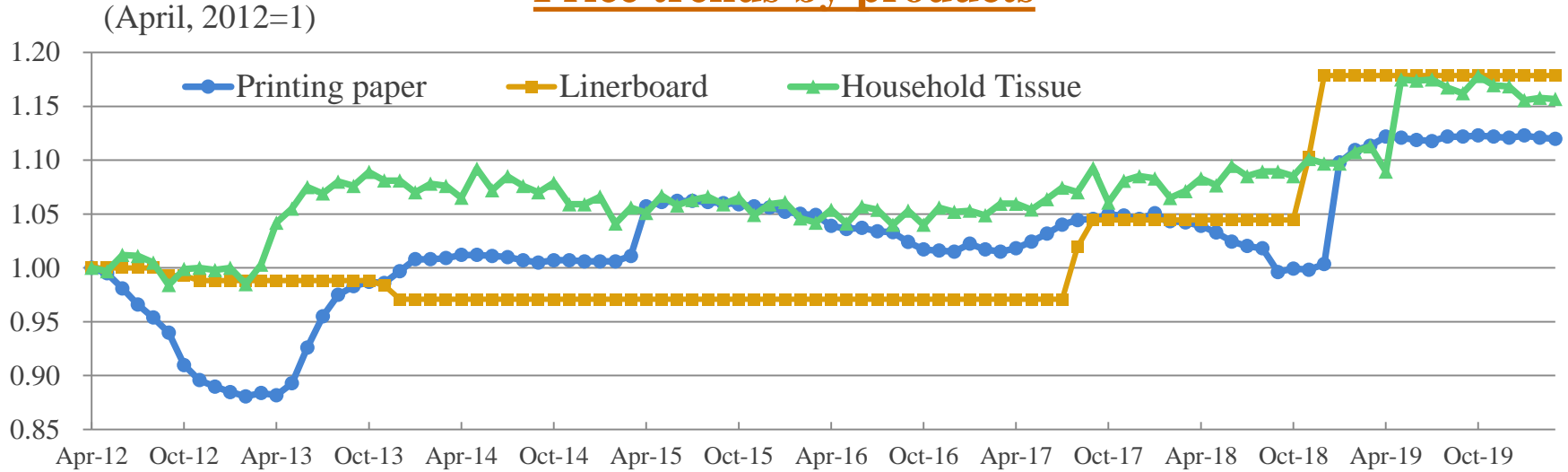
Domestic shipment of paper industry(YOY)



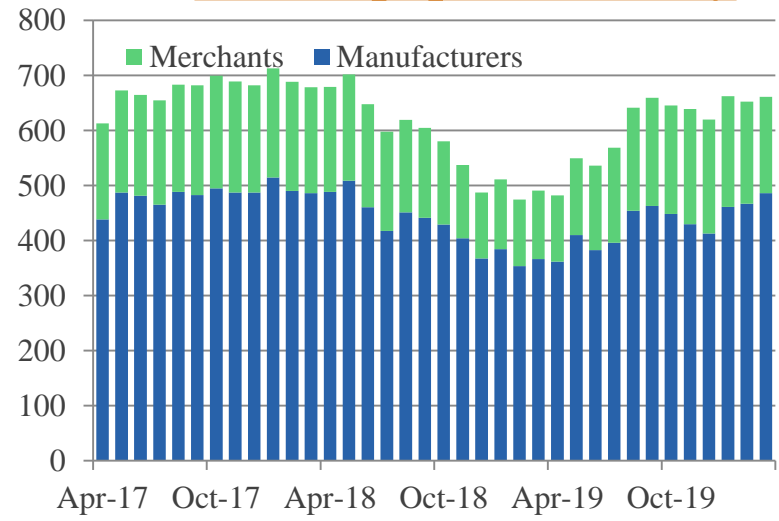
Coated paper and copy paper import volume



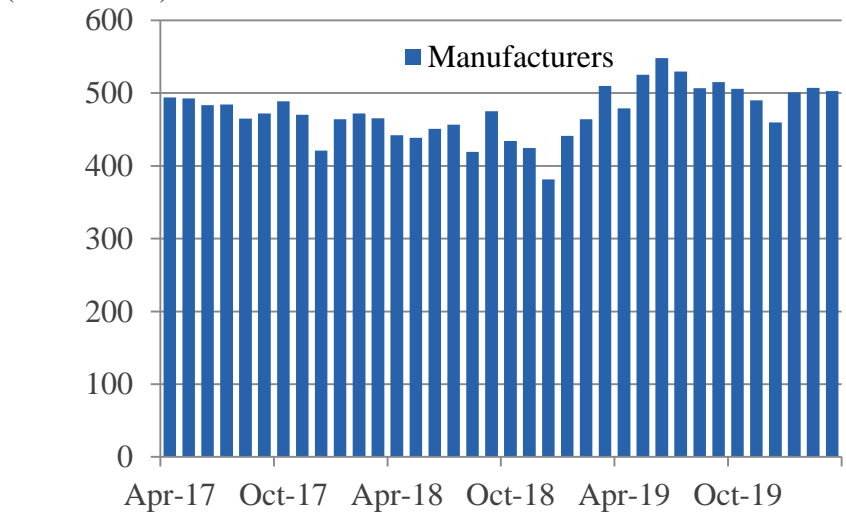
Price trends by products



Coated paper inventory ('000 tonnes)

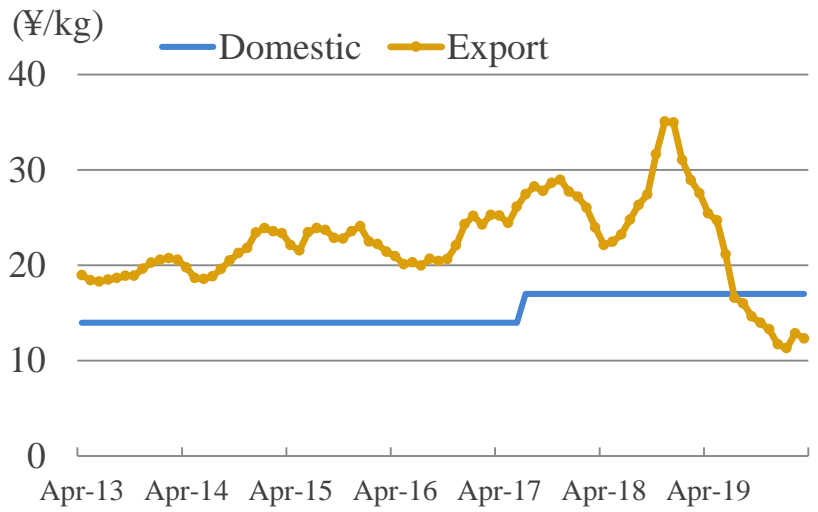


Containerboard inventory ('000 tonnes)

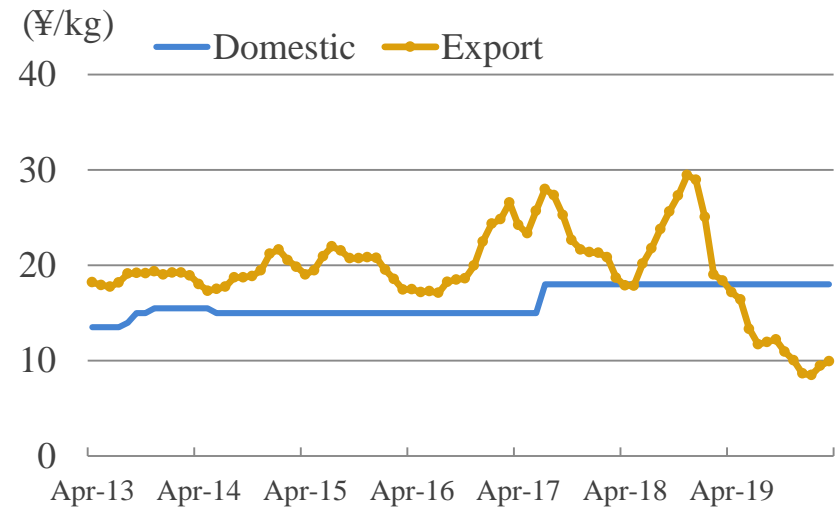


Source: Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

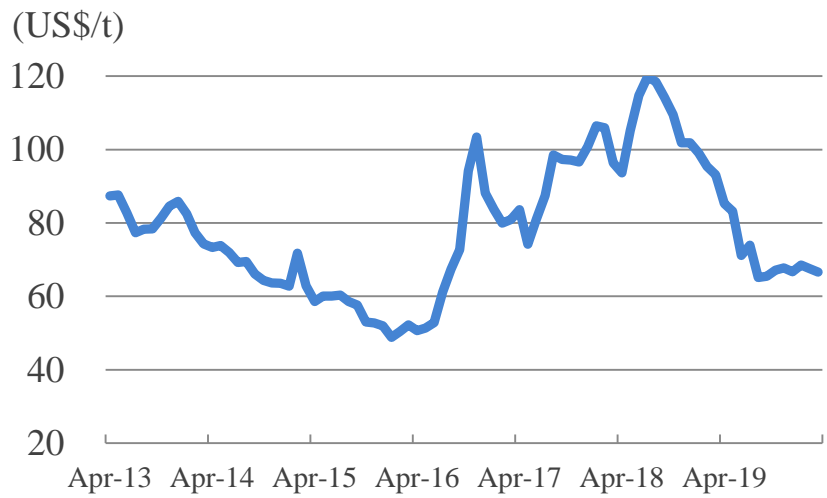
ONP



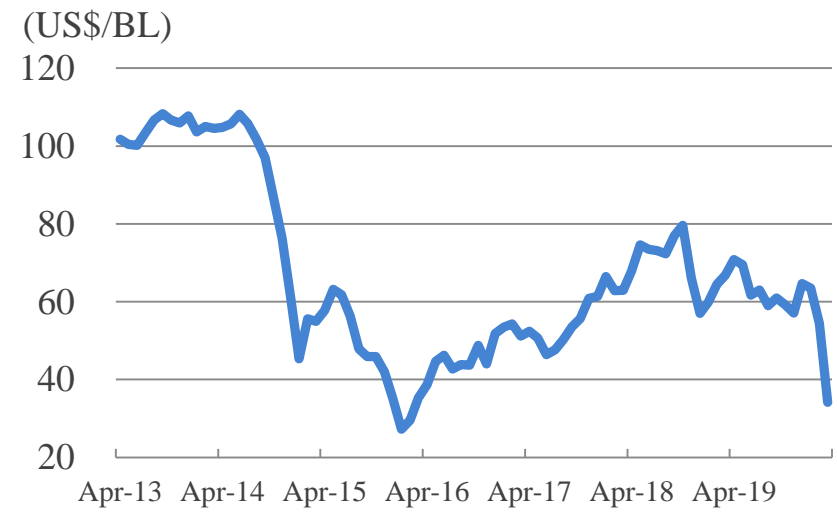
OCC



Coal



Crude oil



Source: Wastepaper Revitalization Promotion Centre, Trade Statics of Japan, Nihon Keizai Shimbun, Global Coal Index

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