

FY2021/3 FINANCIAL REVIEW

May 14, 2021



Consolidated Statement

(¥billion)

	FY2020/3 Results	FY2021/3 Results	Variance		Impact of COVID-19
			Amount	%	
Net sales	1,043.9	1,007.3	-36.6	-3.5%	-69.0
Operating income	35.0	19.2	-15.8	-45.1%	-22.0
(Excluding acquisition-related expenses)		25.2	-9.8	-28.0%	
Ordinary income	30.5	12.3	-18.2	-59.8%	
Net income *	14.2	3.2	-11.0	-77.5%	

* Profit attributable to owners of parent

- Net sales declined year-on-year due to the large impact of Covid-19 despite an increase due to the acquisition of Paperboard's Package division in Australia and New Zealand from Orora.
- Operating income declined year-on-year due to orora acquisition-related expenses 6 billion yen and the impact of Covid-19.
- Extraordinary loss was incurred due to the impairment loss from withdrawal from pulp and paper business at Kushiro Mill and the loss on disaster from Fukushima Prefecture Offshore Earthquake.



Results by Segment

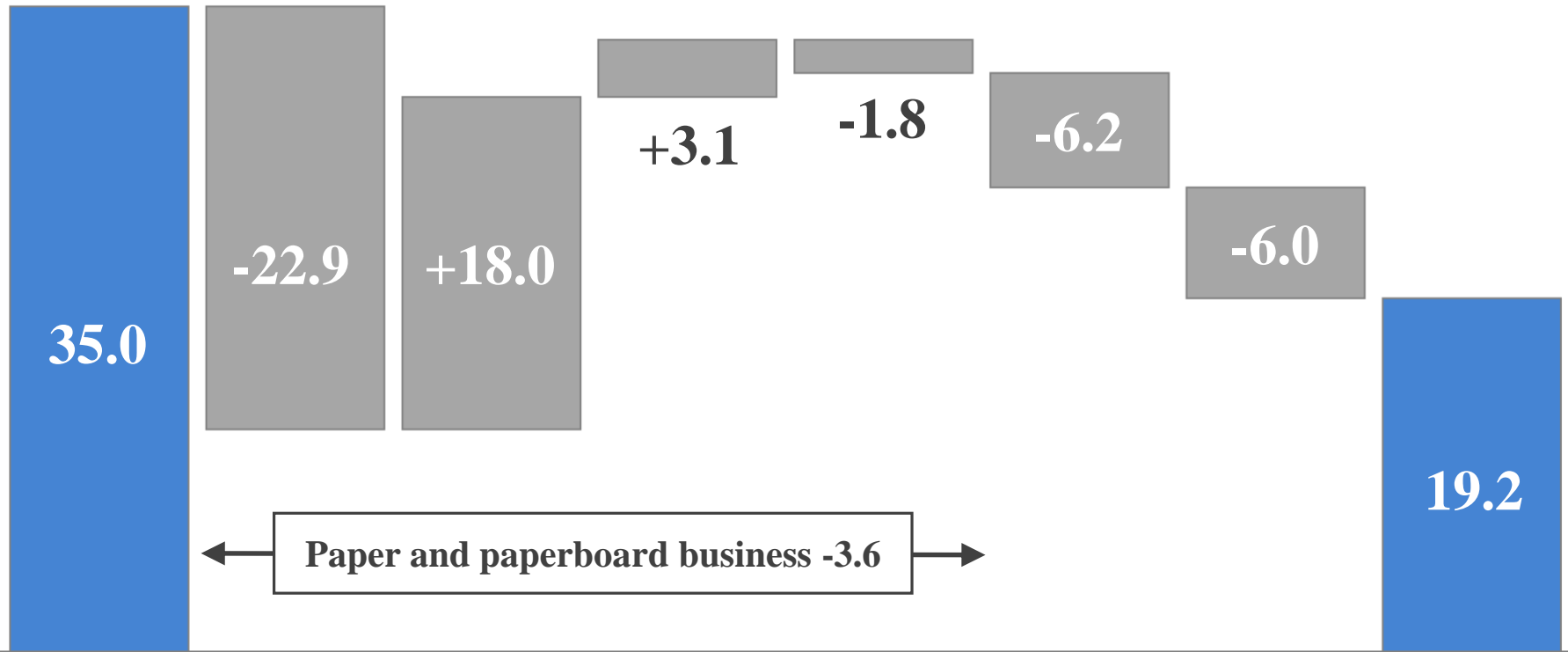
(¥billion)

	Net sales			Operating income		
	FY2020/3 Results	FY2021/3 Results	Variance	FY2020/3 Results	FY2021/3 Results	Variance
Paper and paperboard	646.7	568.3	-78.4	6.1	2.5	-3.6
Daily-life products	270.2	317.9	47.7	13.0	7.9	-5.1
Energy	33.0	33.4	0.4	6.8	6.9	0.1
Wood products and construction related	61.6	59.9	-1.7	5.9	6.5	0.6
Others	32.4	27.8	-4.6	3.2	1.4	-1.8
Acquisition-related expenses	-	-	-	-	-6.0	-6.0
Total	1,043.9	1,007.3	-36.6	35.0	19.2	-15.8



Variance analysis for operating income

(¥billion)



FY2020/3
Results

Volume
Sales Price

Raw material
and fuel prices

Cost
reductions,
etc.

Others

Daily-life
products
business,
Other
businesses

Expenses
related to
acquiring
Orora

FY2021/3
Results



FY2021/3 vs. FY2020/3 Variance Analysis

(¥billion)

Volume, Sales Price	-22.9	-
Raw material and fuel prices	18.0	Woodchip 3.5, Wastepaper 3.6, Pulp 0.9, Oil 2.2, Coal 5.3, Others 2.5 (Price 16.3, FOREX 1.7)
Cost reductions, etc.	3.1	Cost reductions -0.4, Repair costs -0.7, Reorganization of production structure 4.5, Labor costs 0.0, Logistics cost -0.3
Others	-1.8	Oversea business 0.7, Depreciation 0.7, Retirement benefit expenses -1.3, Inventory value adjustment, etc. -1.9
Paper and paperboard business	-3.6	
Daily-life products business	-5.1	Domestic 1.3 : Package 0.2, Household paper and Healthcare 0.5, Chemical 0.6 Overseas -6.4 : Opal -4.4, NDP -0.2, Others -1.8
Other businesses	-1.2	Energy 0.1, Wood products and construction related 0.6, Others -1.8
Acquisition-related expenses	-6.0	-
Operating income	-15.8	
Non-operating income	-2.4	Net financial cost -1.2, Equity in earnings of affiliates 0.5, FOREX loss -1.7, Others 0.0
Ordinary income	-18.2	



Paper and paperboard business

(¥billion)

	FY2020/3 Results	FY2021/3 Results	Variance	Impact of COVID-19
Net sales	646.7	568.3	-78.4	-46.0
Operating income	6.1	2.5	-3.6	-15.0

● Paper(Domestic)

- Domestic sales volume declined 15.6% year-on-year, due to page number reduction on newspapers and sluggish demand for advertising of printing papers.

● Paperboard(Domestic)

- Domestic sales volume declined 2.5% year-on-year, due to a decrease in the demand for industrial use and sluggish demand for general consumer spending due to refrain from going out, despite firm demand for processed foods, mail order, and other applications.

● Oversea business

- Both Jujo Thermal and SNP saw lower sales but higher profits due to lower raw material prices compared to the previous year, despite decrease in sales due to Covid-19.



Daily-life products business

(¥billion)

	FY2020/3 Results	FY2021/3 Results	Variance	Impact of COVID-19
Net sales	270.2	317.9	47.7	-14.0
Operating income	13.0	7.9	-5.1	-5.5

- **Packaging (Operating income Variance -6.2)***

- **Opal**

- The profit of the former AP is in decline. Copy paper sales significantly decreased due to Covid-19. In addition, export market has remained sluggish.
- The former Orora sales volume on corrugated boxes for produce and meat applications decreased due to Covid-19.

- **Nippon Dynawave Packaging (NDP)**

- Sales volume decreased due to Covid-19.

- **Paper cartons (Domestic)**

- Operating income increased due to the installation of new filling machines, launched new cartons, and steady demand for milk cartons for home-use.

* Including goodwill amortization costs related to the acquisition of Paperboard's Package division in Australia and New Zealand from Orora.



Daily-life products business

(¥billion)

	FY2020/3 Results	FY2021/3 Results	Variance	Impact of COVID-19
Net sales	270.2	317.9	47.7	-14.0
Operating income	13.0	7.9	-5.1	-5.5

- **Household paper and Healthcare (Operating income Variance +0.5)**

- Sales volume of tissues and toilet paper rolls declined due to a reaction to an panic buying at previous FY end.
- Sales volume of hand towels were firm due to integration of sales functions with Try-Fu Co., Ltd. and an increase in demand for the infection prevention.

- **Chemical (Operating income Variance +0.6)**

- Sales volume of Functional films increased due to robust sales of mobile devices for Work From Home and mobile phones.
- Sales volume of Dissolving pulp decreased due to sluggish overseas demand including China.
- Sales volume of Functional coating resin products and CMCs decreased despite gradual increase in demand as the number of vehicles produced picked up.



Energy business

	FY2020/3 Results	FY2021/3 Results	Variance	(¥billion)	Impact of COVID-19
Net sales	33.0	33.4	0.4		0.0
Operating income	6.8	6.9	0.1		0.0

Wood products and construction related business

	FY2020/3 Results	FY2021/3 Results	Variance	(¥billion)	Impact of COVID-19	
Net sales	61.6	59.9	-1.7		-4.0	• Sales volume for lumber and other products decreased due to Covid-19.
Operating income	5.9	6.5	0.6		-0.5	

Other businesses

	FY2020/3 Results	FY2021/3 Results	Variance	(¥billion)	Impact of COVID-19	
Net sales	32.4	27.8	-4.6		-5.0	• In logistics and leisure businesses, sales decreased due to the impact of Covid-19.
Operating income	3.2	1.4	-1.8		-1.0	



Consolidated Balance Sheets

	(¥billion)		
	Mar.31, 2020	Mar.31, 2021	Variance
Total assets	1,363.5	1,547.3	183.8
Cash and time deposit	52.8	69.7	16.9
Inventories	171.8	173.7	1.9
Other current assets	272.2	290.4	18.2
Property, equipment, and intangible fixed asset	689.5	806.7	117.2
Investment and other assets	177.1	206.8	29.7
Total liabilities	976.9	1,122.6	145.7
Interests bearing liabilities	689.9	828.9	139.0
Other liabilities	287.0	293.7	6.7
Total net assets	386.6	424.7	38.1
Shareholder's equity	364.3	362.1	-2.2
Total liabilities and net assets	1,363.5	1,547.3	183.8
Net interest-bearing debt	637.1	759.1	122.0
Adjusted Net D/E ratio * (times)	1.75	1.86	0.11

* Adjusted Net D/E ratio= (Net interest-bearing debt- Equity-type debt)/(Shareholders' Equity + Equity-type debt)
 Equity-type debt : The amount of debt procured by Hybrid loans that has been recognized as equity credit by rating agencies
 (50% of the procured amount raised)



Consolidated Statement

(¥billion)

	FY2021/3 Results	FY2022/3 Forecast	Variance	
			Amount	%
Net sales	1,007.3	1,030.0	22.7	2.2%
Operating income	19.2	25.0	5.8	30.0%
Ordinary income	12.3	19.0	6.7	54.8%
Net income *	3.2	1.0	-2.2	-68.7%

* Profit attributable to owners of parent

- Profit attributable to owners of parent is expected to decline year-on-year due to the booking of extraordinary losses including disaster recovery expenses of Fukushima Prefecture Offshore Earthquake and expenses of business portfolio transformation.



Results by Segment

(¥billion)

	Net sales			Operating income		
	FY2021/3 Results	FY2022/3 Forecast	Variance	FY2021/3 Results	FY2022/3 Forecast	Variance
Paper and paperboard	568.3	535.0	-33.3	2.5	1.5	-1.0
Daily-life products	317.9	380.0	62.1	7.9	11.0	3.1
Energy	33.4	30.0	-3.4	6.9	4.5	-2.4
Wood products and construction related	59.9	55.0	-4.9	6.5	6.5	0.0
Others	27.8	30.0	2.2	1.4	1.5	0.1
Acquisition-related expenses	-	-	-	-6.0	-	6.0
Total	1,007.3	1,030.0	22.7	19.2	25.0	5.8



■ Annual decline in domestic sales volume (YoY)

	1st Half	2nd Half	Full year
Newsprint	-9%	-6%	-8%
Printing	9%	-5%	1%
Business communication	4%	-2%	1%
Containerboard	1%	-2%	-1%

■ Major raw material prices and FOREX

FOREX (USD)	JPY 108/USD
FOREX sensitivity	+500 million yen/year due to 1 yen appreciation against USD
Coal	USD 85/t (Australian coal benchmark price)
Crude oil	USD 60/BL (Dubai)
Wastepaper	Current level continues

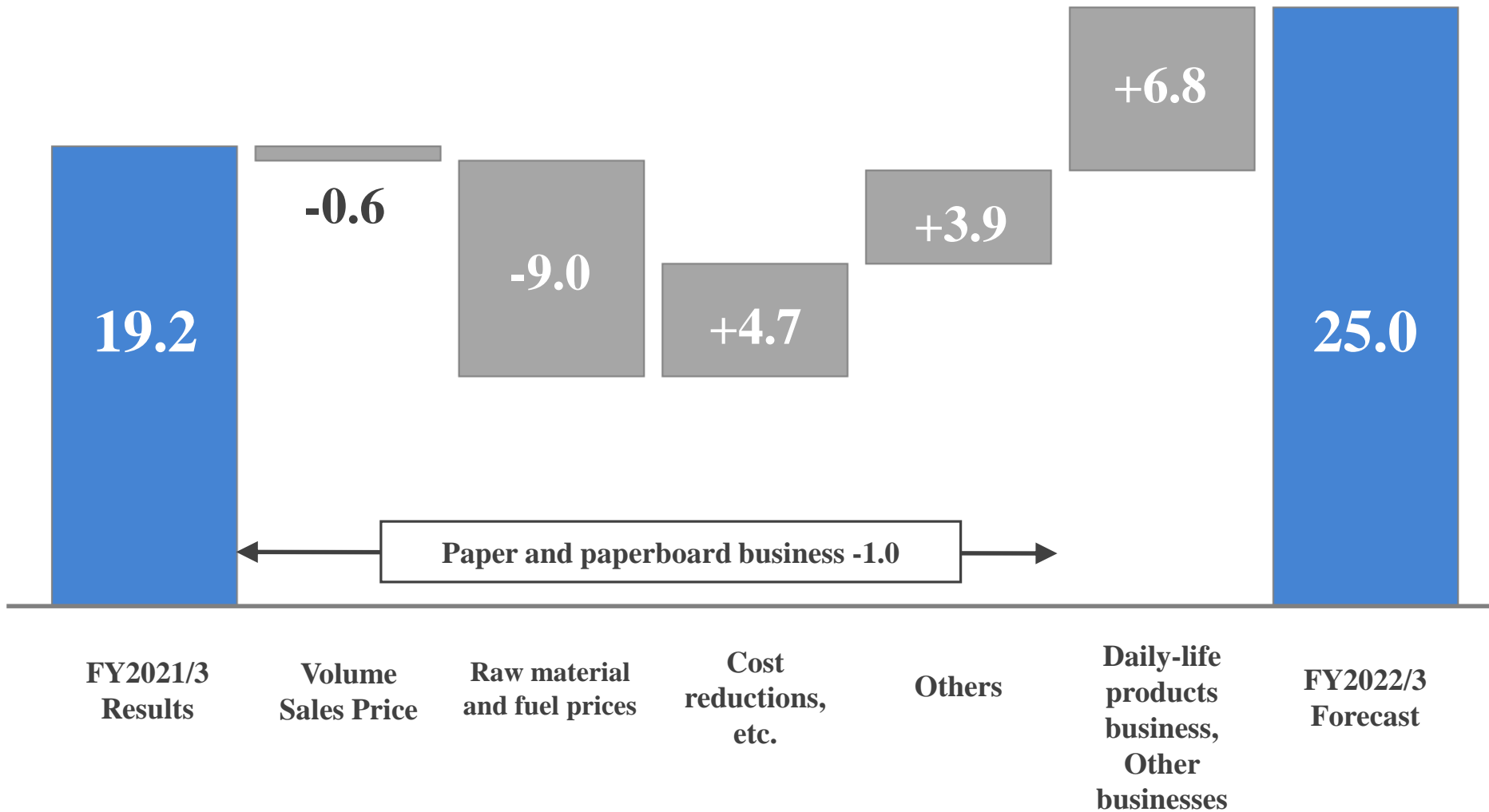
■ Depreciation and capital expenditure

	(¥billion)	
	FY2021/3 Results	FY2022/3 Forecast
Depreciation	63.4	67.0
Capital expenditure	57.9	55.0



Variance analysis for operating income

(¥billion)





FY2022/3 Forecast vs. FY2021/3 Variance Analysis

(¥billion)

Volume Sales Price	-0.6	-
Raw material and fuel prices	-9.0	-
Cost reductions,etc.	4.7	Cost reductions 1.7, Permanent machine shutdown at Kushiro Mill 3.5, Labor costs 0.0, Logistics cost -0.5
Others	3.9	Oversea business -0.3, Depreciation 2.8, Retirement benefit expenses -1.5, Inventory value adjustment , etc. 2.9
Paper and paperboard business	-1.0	
Daily-life products business	3.1	Domestic -4.2 : Package -0.5, Household paper and Healthcare -4.7, Chemical 1.0 Overseas 7.3 : Opal 3.8, NDP 2.5, Others 1.0
Other businesses	3.7	Energy -2.4, Wood products and construction related 0.0, Others 0.1, Acquisition-related expenses 6.0
Operating income	5.8	
Non-operating income	0.9	Net financial cost -0.5, Equity in earnings of affiliates -1.5, FOREX gain 3.5, Others -0.6
Ordinary income	6.7	

REFERENCE MATERIALS



		FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3
Net sales	¥ billion	992.4	1,046.5	1,068.7	1,043.9	1,007.3
Operating income	¥ billion	23.8	17.6	19.6	35.0	19.2
Operating income to net sales	%	2.4	1.7	1.8	3.4	1.9
Net income (loss) ※1	¥ billion	8.4	7.8	-35.2	14.2	3.2
EBITDA ※2	¥ billion	83.6	80.1	84.6	97.8	86.9
ROA ※3	%	2.6	1.9	2.2	2.7	1.3
Net interest-bearing debt	¥ billion	588.0	634.6	625.2	637.1	759.1
Adjusted Net D/E ratio ※4	times	1.49	1.61	1.76	1.75	1.86
Earnings (loss) per share	¥	72.57	67.80	-304.34	122.89	27.67
Dividends per share	¥	60	60	30	40	40
Number of employees	Person	13,057	12,881	12,943	12,592	16,156

※1: Profit (loss) attributable to owners of parent

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

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

※4: Adjusted Net D/E ratio= (Net interest-bearing debt- Equity-type debt)/(Shareholders' Equity + Equity-type debt)

Equity-type debt : The amount of debt procured by Hybrid loans that has been recognized as equity credit by rating agencies (50% of the procured amount raised)

Sales Volume(Paper & Paperboard)



	FY2020/3	FY2021/3	YOY
			(‘000 tonnes)
Newsprint	818	700	-14.4%
Printing paper	1,446	1,185	-18.0%
Business communication paper	491	435	-11.3%
Others	362	310	-14.4%
Domestic sales (paper)	3,116	2,630	-15.6%
Export (paper)	309	234	-24.5%
Paper total	3,425	2,864	-16.4%
Container board	1,614	1,601	-0.8%
Folding box board and others	344	308	-10.4%
Domestic sales (paperboard)	1,958	1,909	-2.5%
Export (paperboard)	184	184	0.4%
Paperboard total	2,141	2,093	-2.2%
Grand total (paper and paperboard)	5,567	4,957	-11.0%

* 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)

Net sales Trends by Segment



(¥billion)

	FY2021/3				FY2021/3		
	1Q	2Q	3Q	4Q	1st Half Results	2nd Half Results	Full-year Results
Paper and paperboard	134.7	137.8	148.9	146.9	272.5	295.8	568.3
Daily-life products	63.3	77.2	91.7	85.7	140.5	177.4	317.9
Energy	7.6	8.8	7.7	9.3	16.4	17.0	33.4
Wood products and construction related	12.4	13.1	16.1	18.3	25.5	34.4	59.9
Others	5.8	6.7	7.1	8.2	12.5	15.3	27.8
Acquisition-related expenses	-	-	-	-	-	-	-
Total	223.8	243.7	271.4	268.4	467.4	539.9	1,007.3

Operating income Trends by Segment



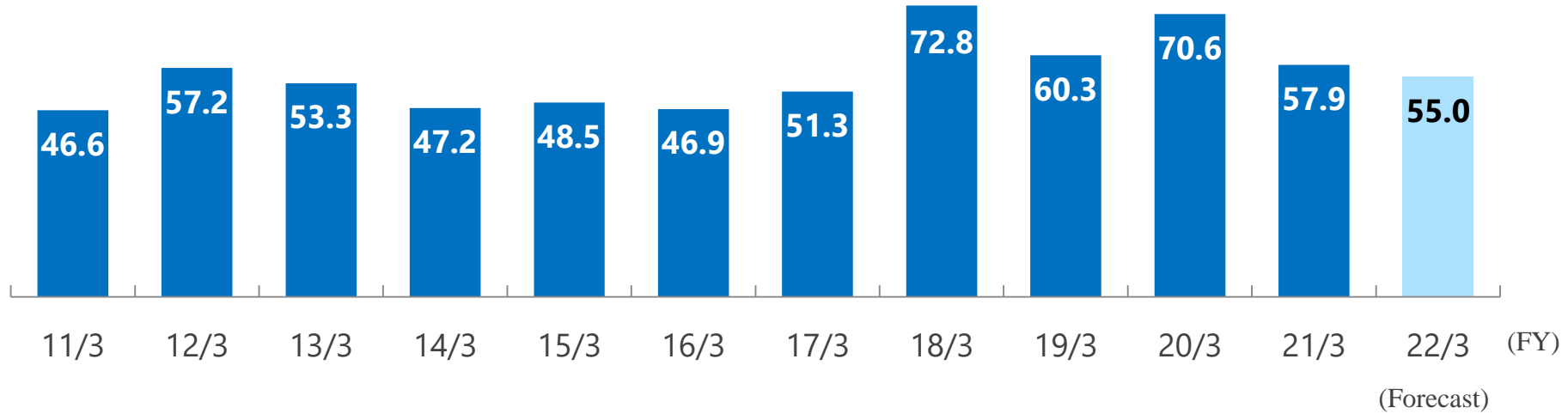
(¥billion)

	FY2021/3				FY2021/3		
	1Q	2Q	3Q	4Q	1st Half Results	2nd Half Results	Full-year Results
Paper and paperboard	-1.1	-0.9	1.8	2.7	-2.0	4.5	2.5
Daily-life products	3.0	3.0	0.8	1.1	6.0	1.9	7.9
Energy	1.4	2.0	1.8	1.7	3.4	3.5	6.9
Wood products and construction related	1.1	1.3	1.4	2.7	2.4	4.1	6.5
Others	-0.1	0.1	1.0	0.4	0.0	1.4	1.4
Acquisition-related expenses	-	-5.8	-0.1	-0.1	-5.8	-0.2	-6.0
Total	4.3	-0.3	6.7	8.5	4.0	15.2	19.2



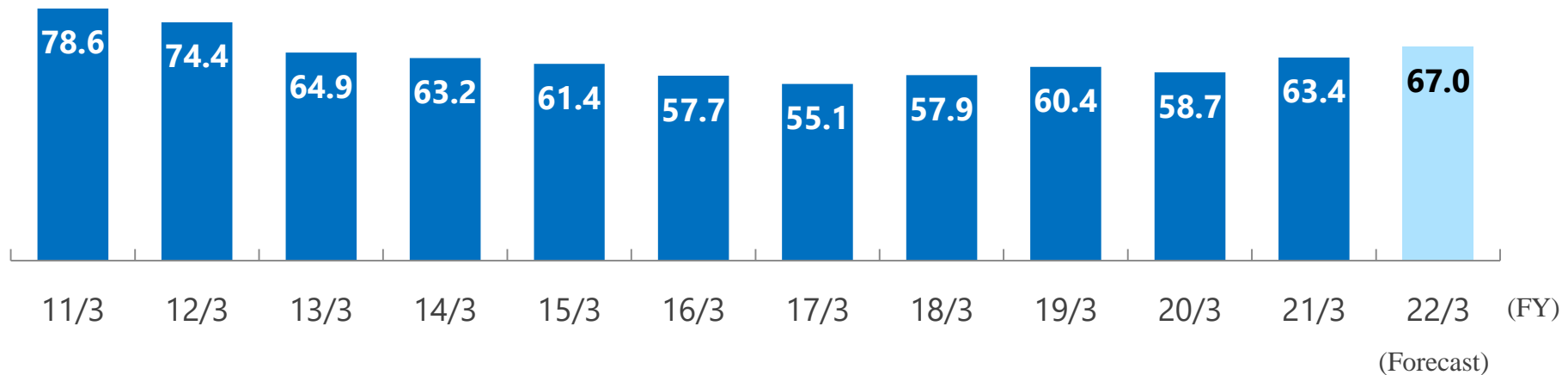
Capital expenditure

(¥billion)



Depreciation

(¥billion)





(¥billion)

	FY2020/3	FY2021/3	Variance
Operating activities	67.0	84.2	17.2
Investing activities	-70.1	-182.9	-112.8
Free cash flows	-3.1	-98.7	-95.6
Financing activities	-7.4	113.7	121.1
Other	-0.1	1.9	2.0
Increase (decrease) in cash and cash equivalents	-10.6	16.9	27.5
Cash and cash equivalent at the end of period	52.8	69.7	16.9
Depreciation	58.7	63.4	4.7
Capital expenditure	70.6	57.9	-12.7

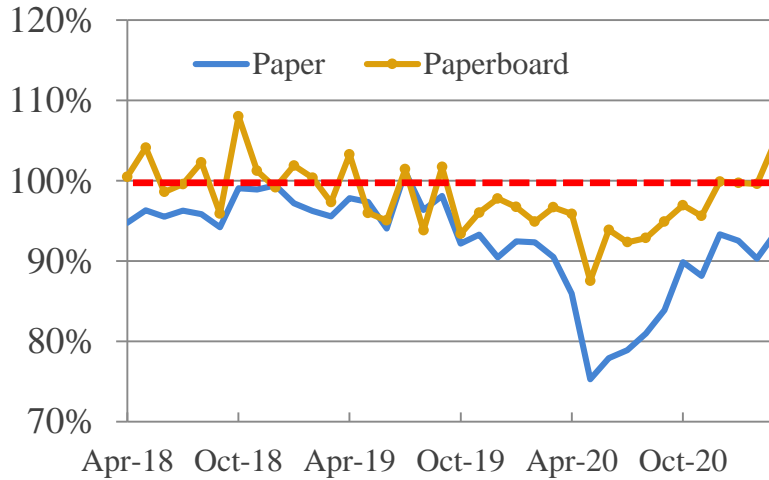
Domestic Shipment volume and Import / Export (Paper & Paperboard)

	April, 2020 - March, 2021						volume: '000 tonnes	
	Domestic shipments(A)		Exports(B)		(A+B)		Imports	
	volume	YOY	volume	YOY	volume	YOY	volume	YOY
Newsprint	2,044	-13.0%	0	—	2,044	-13.0%	2	15.2%
Printing & business communication paper	5,473	-17.6%	437	-18.9%	5,910	-17.7%	703	-27.7%
Coated paper *	2,843	-20.8%	325	-20.3%	3,168	-20.8%	225	-50.5%
Uncoated paper	1,503	-13.9%	86	-15.7%	1,589	-14.0%	41	-24.4%
Business communication paper	1,127	-13.7%	26	-12.1%	1,153	-13.6%	437	-5.8%
Other papers	2,956	-7.9%	292	-3.6%	3,248	-7.5%	46	-14.7%
Paper total	10,473	-14.2%	729	-13.4%	11,202	-14.1%	752	-26.9%
Container board	8,837	-2.3%	949	71.3%	9,785	2.0%	36	-15.6%
Folding box board and others	1,934	-10.3%	38	50.2%	1,973	-9.6%	231	-13.4%
Paperboard total	10,771	-3.8%	987	70.4%	11,758	-0.2%	267	-13.7%
Paper and paperboard total	21,244	-9.2%	1,716	20.7%	22,960	-7.5%	1,019	-23.9%

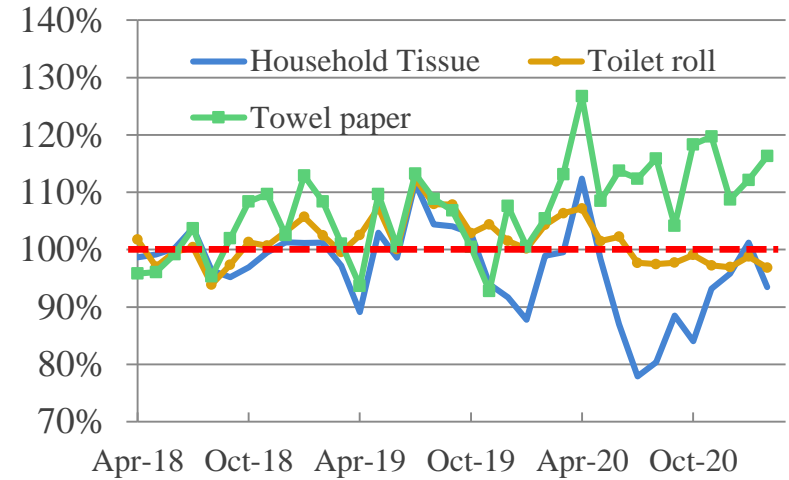
※ "Bitoko-shi" paper is included in coated paper.

Source: Japan Paper Association, Trade Statics of Japan

Domestic shipment of paper industry(YOY)

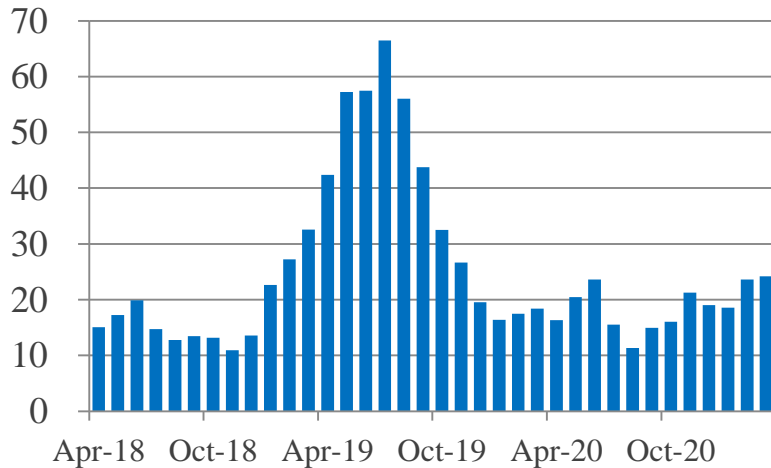


Production of sanitary paper (YOY)



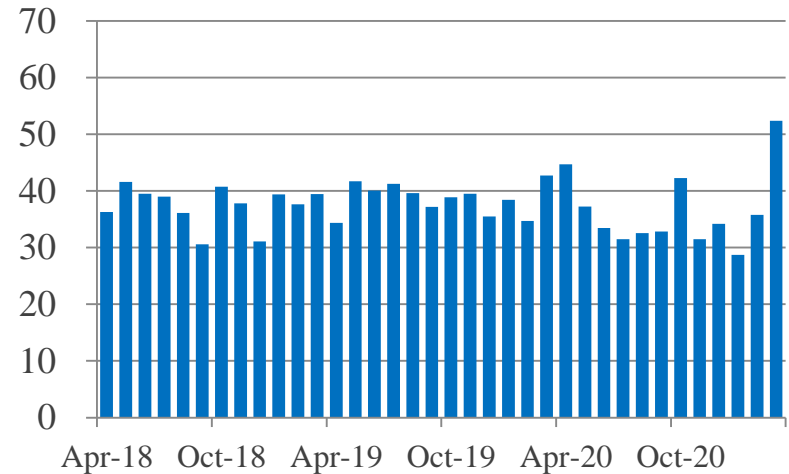
Imports of Coated Paper

('000 tonnes)



Imports of Copy Paper

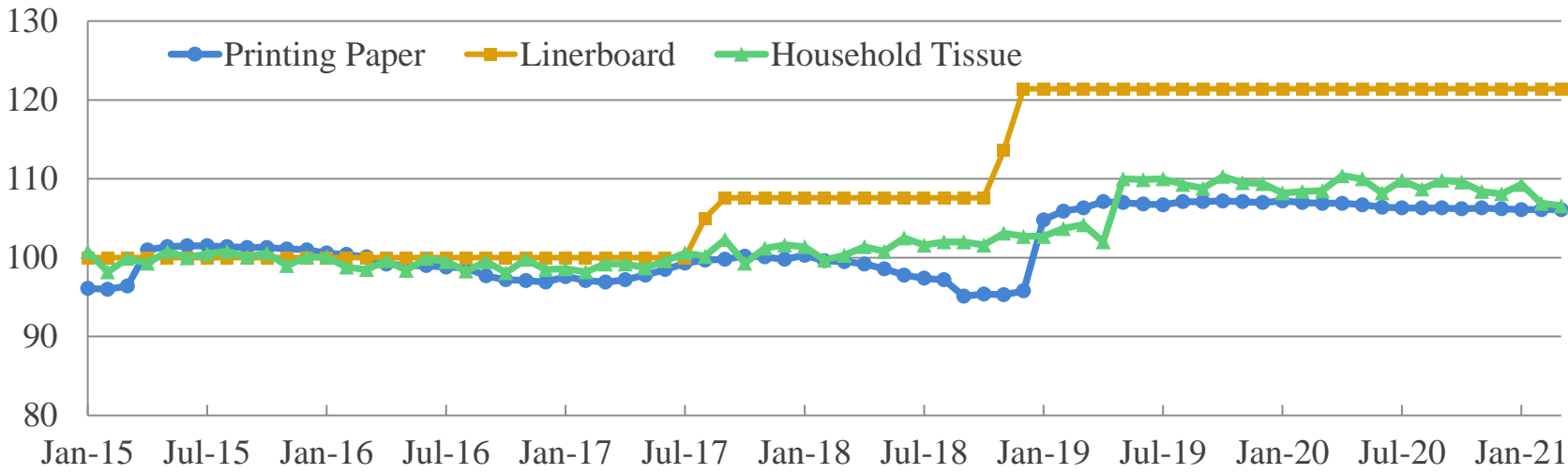
('000 tonnes)





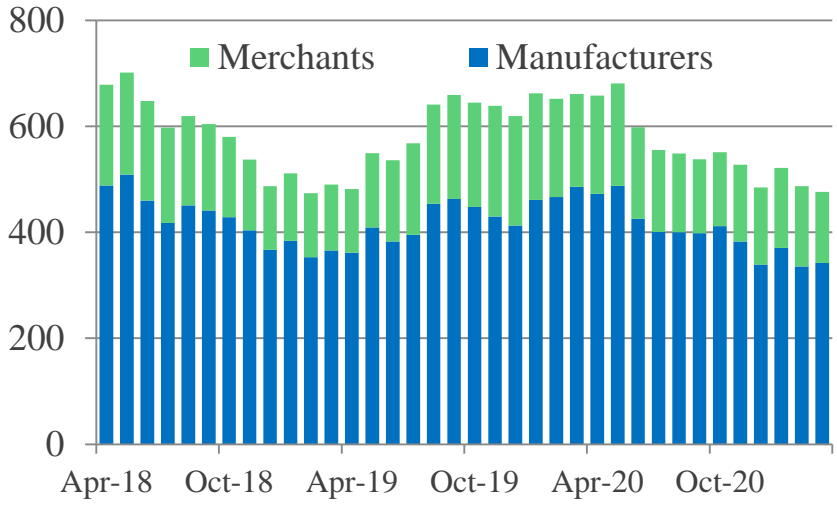
Price trends by products

(CY 2015=100)



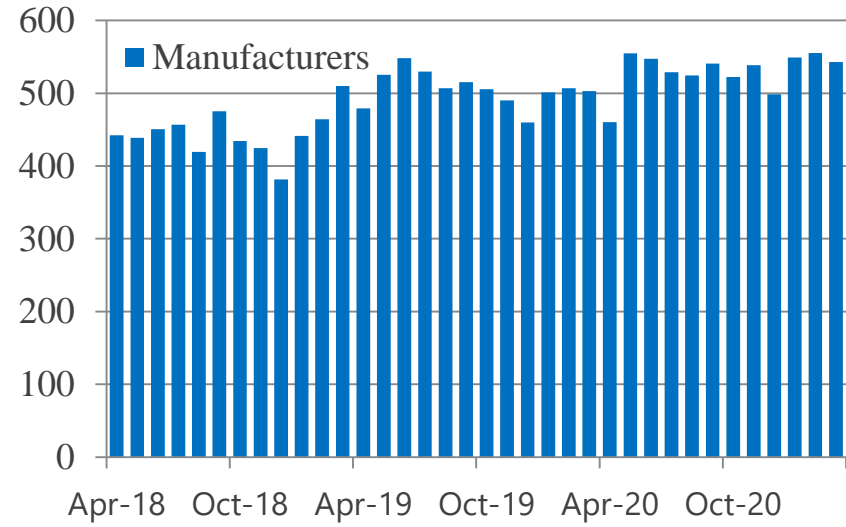
Coated paper inventory

('000 tonnes)



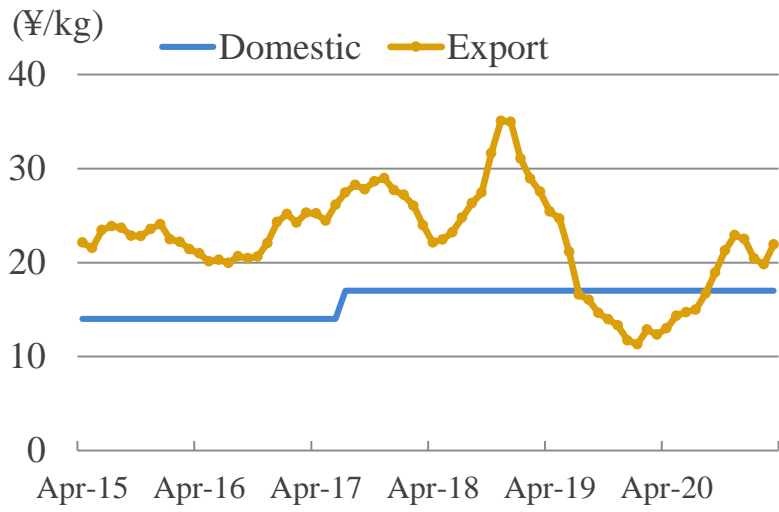
Containerboard inventory

('000 tonnes)

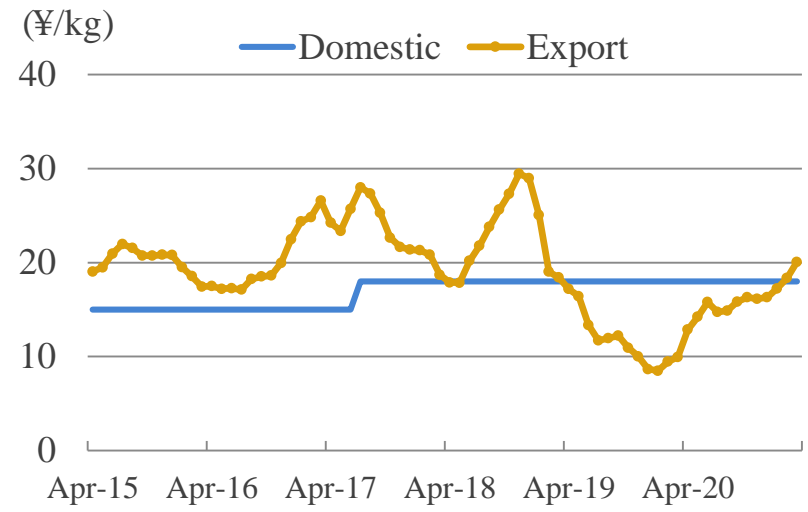




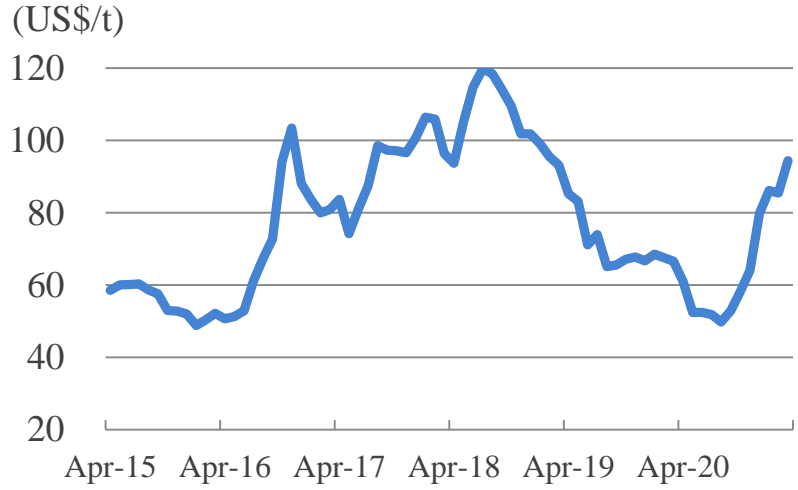
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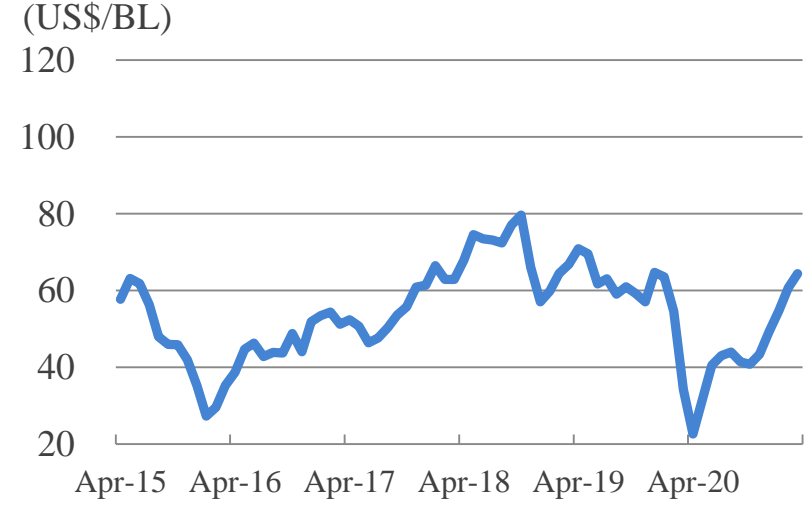
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Coal



Crude oil





The Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business.

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