

FY2023/3 FINANCIAL REVIEW

May 15, 2023

Consolidated Statement

	FY2022/3 Results	FY2023/3 Results	(¥billion)	
			Variance Amount	%
Net sales	1,045.1	1,152.6	107.5	10.3%
Operating income	12.1	-26.9	-39.0	-
Ordinary income	14.5	-24.5	-39.0	-
Net income *	2.0	-50.4	-52.4	-

* Profit attributable to owners of parent

- Net sales increased year-on-year because of price revisions and other factors.
- Operating loss was recorded due to the continued harsh business environment caused by soaring raw materials and fuels prices.
- Extraordinary gains were recorded due to the gain on sales of investment securities i.e., the sale of cross-shareholdings and others. Extraordinary losses were recorded due to the loss on withdrawal from graphic paper business of Opal, and impairment loss of the shutdown of N1 Paper Machine and others at Akita Mill. The costs along with voluntary retirement were recorded.



Results by Segment

(¥billion)

	FY2022/3 Results	Net sales			Operating income		
		FY2023/3 Results	Variance	FY2022/3 Results	FY2023/3 Results	Variance	
Paper and Paperboard	532.1	563.2	31.1	-5.6	-29.2	-23.6	
Daily-Life Products	386.5	440.1	53.6	4.8	-7.8	-12.6	
Energy	31.8	49.9	18.1	1.6	-1.7	-3.3	
Wood Products and Construction Related	64.5	68.9	4.4	7.6	8.9	1.3	
Others	30.2	30.5	0.3	3.7	2.9	-0.8	
Total	1,045.1	1,152.6	107.5	12.1	-26.9	-39.0	

Variance Analysis

(¥billion)

			Paper and Paperboard Business		Daily-Life Products Business	
	Volume, Sales Price	57.1	47.9	—	9.2	—
	Raw material and fuel prices	-117.0	-98.6	Wood chips -15.4, Wastepaper -11.6, Pulp -2.4, Oil -1.0, Coal -43.4, LNG -4.8, Chemicals, etc. -20.0 (Price -72.2, FOREX -26.4)	-18.4	Pulp -3.2, Coal -2.7, LNG -2.3, Chemicals, etc. -10.2
	Cost reductions,etc.	17.1	16.0	Cost reductions 4.0, Permanent machines' shutdown at the Kushiro Mill and the Ishinomaki Mill 4.0, Coal reduction effect 7.9, Labor costs 0.2, Logistics costs -0.1	1.1	—
	Others	6.6	11.1	Overseas business 0.0, Depreciation 1.9, Retirement benefit expenses 0.8, Inventory value adjustment, etc. 8.4	-4.5	Overseas business -4.5
Total		-36.2	-23.6	Domestic -23.6, Overseas 0.0	-12.6	Domestic -8.1, Overseas -4.5
Other businesses		-2.8	Energy -3.3, Wood Products and Construction Related 1.3, Others -0.8			
Operating income		-39.0				
Non-operating income		0.0	Net financial cost -0.1, Equity in earnings of affiliates -1.1, FOREX 0.6, Others 0.6			
Ordinary income		-39.0				

Paper and Paperboard Business

(¥billion)

Net sales			Operating income		
FY2022/3 Results	FY2023/3 Results	Variance	FY2022/3 Results	FY2023/3 Results	Variance
532.1	563.2	31.1	-5.6	-29.2	-23.6

- Domestic
 - Domestic sales volume of paper products decreased year-on-year due to sluggish demand.
 - Domestic sales volume of paperboard products was generally firm; however, it was lower year-on-year due to the impact of industrial products and automobile-related products shortage.
 - Net sales increased year-on-year contributed by the effects of price revisions.
However, operating income was in deficit due to higher prices of raw materials and fuels such as coal, wood chips, and wastepaper.
- Overseas
 - In overseas business, operating income was flat year-on-year because of price revisions, despite the impact of increased costs of raw material, fuel and ocean freight.

Daily-Life Products Business

(¥billion)

	Net Sales			Operating Income			
	FY2022/3 Results	FY2023/3 Results	Variance	FY2022/3 Results	FY2023/3 Results	Variance	
Domestic	183.3	191.9	8.6	6.8	-1.3	-8.1	Package -2.0, Chemical -1.5, Household paper and Healthcare -4.6
Overseas	203.2	248.2	45.0	-2.0	-6.5	-4.5	Opal -3.8, NDP -0.6, TSP -0.1
Total	386.5	440.1	53.6	4.8	-7.8	-12.6	

- Domestic
 - Net sales improved year-on-year by price revisions, strong sales of long lasting rolls and liquid-packaging cartons with increased number of filling machines' sales.
 - Operating loss was recorded due to the impact of higher prices of raw materials and fuels such as pulp, coal, and liquid packaging boards.
- Overseas
 - Opal recorded lower earnings year-on-year due to soaring costs of row materials, fuels, logistics costs.
 - Nippon Dynawave Packaging (NDP) decreased its earnings year-on-year due to a maintenance outage and others in 1Q of FY2023/3.

Energy business

(¥billion)

Net sales			Operating income		
FY2022/3 Results	FY2023/3 Results	Variance	FY2022/3 Results	FY2023/3 Results	Variance
31.8	49.9	18.1	1.6	-1.7	-3.3

- In Energy Business, although its net sales increased year-on-year due to higher electricity prices and other factors, operating loss was recorded due to the impact of soaring coal prices and others.

Wood Products and Construction Related Business

(¥billion)

Net sales			Operating income		
FY2022/3 Results	FY2023/3 Results	Variance	FY2022/3 Results	FY2023/3 Results	Variance
64.5	68.9	4.4	7.6	8.9	1.3

- Sales volume of domestic raw wood remained firm due to global lumber supply shortage. As a result, net sales and operating income increased.

Consolidated Balance Sheets

	Mar.31, 2022	Mar.31, 2023	(¥billion) Variance
Total assets	1,639.2	1,666.5	27.3
Cash and time deposit	136.8	144.3	7.5
Inventories	190.7	238.5	47.8
Other current assets	290.3	244.8	-45.5
Property, equipment, and intangible fixed asset	798.2	819.3	21.1
Investment and other assets	223.0	219.4	-3.6
Total liabilities	1,200.6	1,251.3	50.7
Interests bearing liabilities	898.1	924.4	26.3
Other liabilities	302.5	326.9	24.4
Total net assets	438.6	415.2	-23.4
Shareholder's equity	357.8	303.7	-54.1
Total liabilities and net assets	1,639.2	1,666.5	27.3
Net interest-bearing debt	761.3	780.1	18.8
Adjusted Net D/E ratio * (times)	1.89	2.25	0.36

* 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 financed amount)

Consolidated Statement

(¥billion)

	FY2023/3 Results	FY2024/3 Forecast	Variance	
			Amount	%
Net sales	1,152.6	1,230.0	77.4	6.7%
Operating income	-26.9	24.0	50.9	-
Ordinary income	-24.5	18.0	42.5	-
Net income *	-50.4	15.0	65.4	-

* Profit attributable to owners of parent

- Expecting higher sales year-on-year by reorganization of production system in graphic paper business, cost reductions with reducing coal consumption and realization of price revision effects for various products. Consequently, operating income is expected to be profitable.
- However, the full-fledged recovery in earnings is expected to realize in the second half of the FY2024/3 due to the high prices of carry-overed inventories such as raw materials, fuel and products at the end of March 2023. And effects of the workforce rationalization to be implemented as part of Opal's withdrawal from the graphic paper business are expected to be realized in stages.



Results by Business

(¥billion)

	FY2023/3 Results	Net sales		Operating income		
		FY2024/3 Forecast	Variance	FY2023/3 Results	FY2024/3 Forecast	Variance
Paper and Paperboard	563.2	615.0	51.8	-29.2	9.0	38.2
Daily-Life Products	440.1	441.0	0.9	-7.8	1.0	8.8
Energy	49.9	68.0	18.1	-1.7	3.0	4.7
Wood Products and Construction Related	68.9	75.0	6.1	8.9	7.0	-1.9
Others	30.5	31.0	0.5	2.9	4.0	1.1
Total	1,152.6	1,230.0	77.4	-26.9	24.0	50.9

Major Assumptions

■ Annual decline in domestic sales volume (YoY)

	1st Half	2nd Half	Full year
Newsprint	-12%	-12%	-12%
Printing	-6%	-8%	-7%
Business communication	-2%	-4%	-3%
Containerboard	0%	3%	1%

■ Major raw material prices and FOREX

	Full year
FOREX (USD)	JPY 135/USD
FOREX sensitivity	+1.0 billion yen/year due to 1 yen appreciation against USD
Coal	USD 300/t (Considering the impact of inventory conditions at the end of March 2023 and the risk of future price fluctuations)
Crude oil	USD 85/BL (Dubai)
Wastepaper	Considering current price trends



FY2024/3 Forecast vs. FY2023/3 Variance Analysis

(¥billion)

			Paper and Paperboard Business		Daily-Life Products Business	
	Volume, Sales Price	80.1	63.4	—	16.7	—
	Raw material and fuel prices	-33.8	-25.2	Wood chips -8.8, Wastepaper -3.3, Pulp -0.2, Oil -0.3, Coal -2.1, LNG 0.5, Chemicals, etc. -11.0 (Price -26.0, FOREX 0.8)	-8.6	Wood chips -0.7, Pulp -1.9, Chemicals, etc. -6.0
	Cost reductions,etc.	10.8	9.9	Cost reductions 6.1, Permanent machine shutdowns at the Akita Mill and the Ishinomaki Mill 1.0, Labor costs (including voluntary redundancy) 2.4, Logistics costs 0.4	0.9	—
	Others	-10.1	-9.9	Overseas business 0.2, Depreciation 2.8, Retirement benefit expenses 1.0, Inventory value adjustment, etc. -13.9	-0.2	Overseas business 0.3, Others -0.5
Total		47.0	38.2	Domestic 38.0, Overseas 0.2	8.8	Domestic 8.5, Overseas 0.3
Other businesses		3.9	Energy 4.7, Wood products and construction related -1.9, Others 1.1			
Operating income		50.9				

Domestic:
Package 2.1, Chemical 2.2,
Household paper and Healthcare 4.2
Overseas: Opal 0.9, NDP -0.7, TSP 0.1

REFERENCE MATERIALS

		FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Net Sales	¥ billion	1,068.7	1,043.9	1,007.3	1,045.1	1,152.6
Operating Income (Loss)	¥ billion	19.6	35.0	19.2	12.1	-26.9
Operating Income Margin	%	1.8	3.4	1.9	1.2	-2.3
Profit (Loss) attributable to owners of parent	¥ billion	-35.2	14.2	3.2	2.0	-50.4
EBITDA ^{*1}	¥ billion	84.6	97.8	86.9	81.5	42.8
ROE ^{*2}	%	-8.6	3.7	0.8	0.5	-12.3
Net interest-bearing debt	¥ billion	625.2	637.1	759.1	761.3	780.1
Adjusted net D/E ratio ^{*3}	times	1.76	1.75	1.86	1.89	2.25
Earnings (Loss) per share	¥	-304.34	122.89	27.67	17.23	-436.28
Dividends per share	¥	30	40	40	40	0
Number of employees	persons	12,943	12,592	16,156	16,129	15,959

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

*2: ROE=Profit (loss) attributable to owners of parent Total assets/ [Average of balances at the beginning and end of fiscal year (Shareholders' equity + Accumulated other comprehensive income)] ×100

*3: 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 financed amount)

Sales Volume(Paper & Paperboard) *

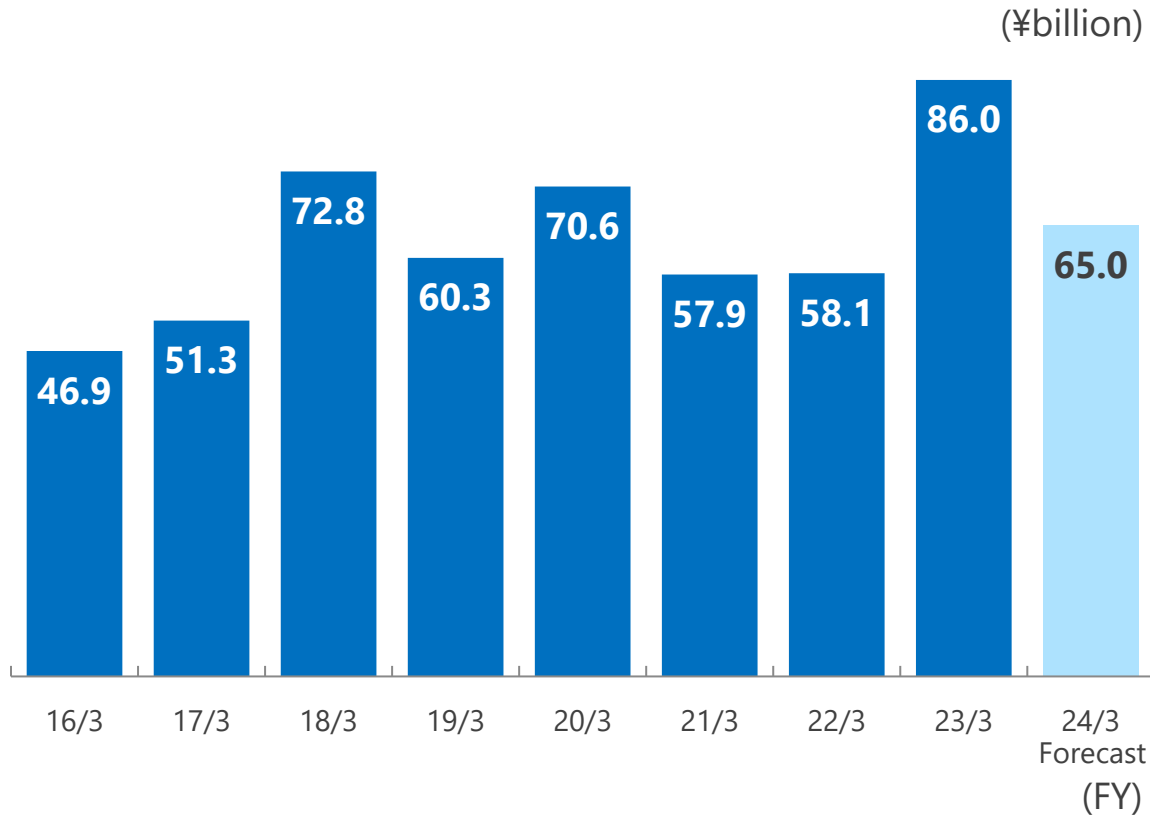


('000 tonnes)

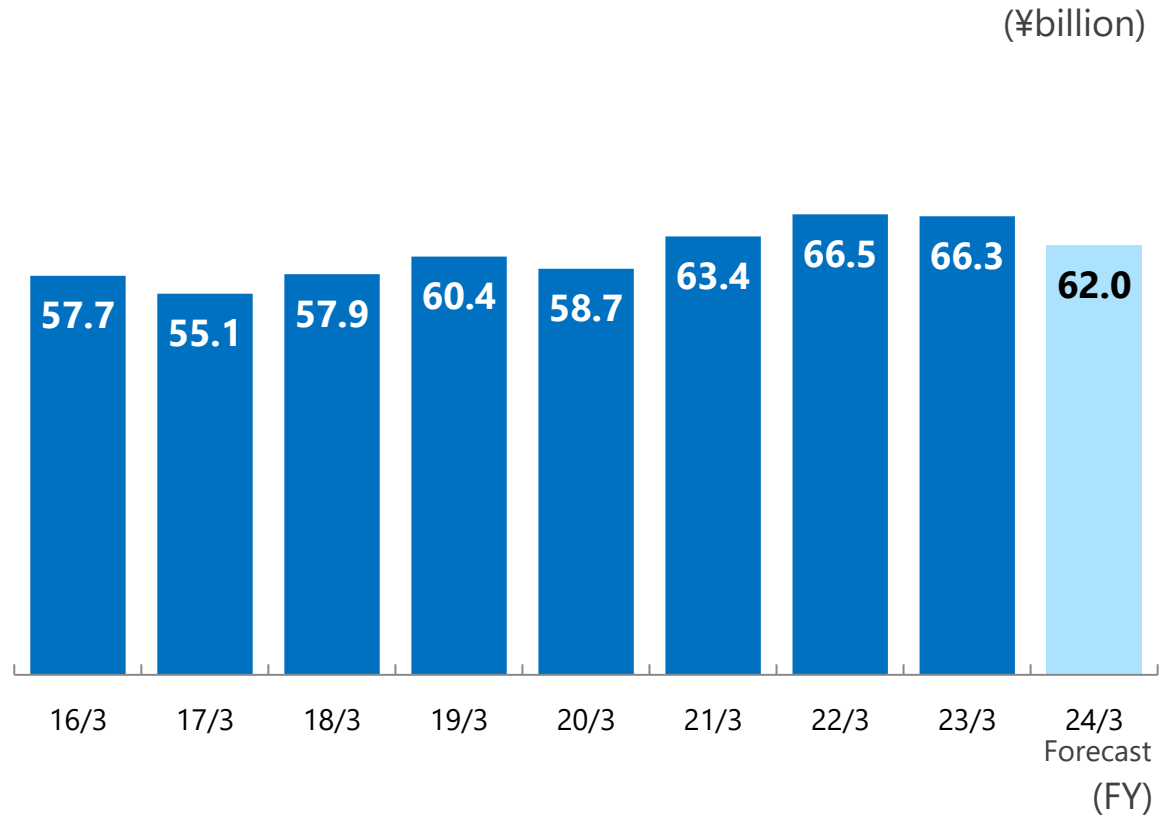
	FY2022/3	FY2023/3	against FY22/3
Newsprint	661	603	-8.8%
Printing paper	1,216	1,085	-10.8%
Business communication paper	432	411	-4.7%
Others	323	317	-1.9%
Domestic sales (paper)	2,632	2,416	-8.2%
Export (paper)	272	219	-19.5%
Paper total	2,904	2,635	-9.3%
Container board	1,629	1,612	-1.0%
Paperboard for paper container and others	337	329	-2.6%
Domestic sales (paperboard)	1,967	1,941	-1.3%
Export (paperboard)	209	158	-24.5%
Paperboard total	2,176	2,099	-3.5%
Grand total (paper and paperboard)	5,080	4,734	-6.8%

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

Capital expenditure *



Depreciation



* Construction in progress Recorded basis

Net Sales Trends by Business Segment



(¥billion)

	FY2023/3 Results				FY2023/3 Results		
	1Q	2Q	3Q	4Q	1st Half	2nd Half	Full year
Paper and Paperboard	132.0	139.4	144.8	147.0	271.4	291.8	563.2
Daily-Life Products	101.0	111.3	116.2	111.6	212.3	227.8	440.1
Energy	8.2	11.5	12.5	17.7	19.7	30.2	49.9
Wood Products and Construction Related	16.7	16.7	17.4	18.1	33.4	35.5	68.9
Others	6.9	7.2	7.6	8.8	14.1	16.4	30.5
Total	264.8	286.1	298.5	303.2	550.9	601.7	1,152.6

Operating Oncome Trends by Business Segment



(¥billion)

	FY2023/3 Results				FY2023/3 Results		
	1Q	2Q	3Q	4Q	1st Half	2nd Half	Full year
Paper and Paperboard	-2.2	-7.7	-12.1	-7.2	-9.9	-19.3	-29.2
Daily-Life Products	-2.6	-2.7	-1.3	-1.2	-5.3	-2.5	-7.8
Energy	-0.3	-1.6	-0.3	0.5	-1.9	0.2	-1.7
Wood Products and Construction Related	1.9	2.0	2.4	2.6	3.9	5.0	8.9
Others	0.3	0.9	0.5	1.2	1.2	1.7	2.9
Total	-2.9	-9.1	-10.8	-4.1	-12.0	-14.9	-26.9

	(¥billion)		
	FY2022/3	FY2023/3	Variance
Operating activities	72.4	65.8	-6.6
Investing activities	-61.2	-68.0	-6.8
Free cash flows	11.2	-2.2	-13.4
Financing activities	54.3	7.0	-47.3
Other	1.1	1.1	0.0
Increase (decrease) in cash and cash equivalents	66.5	5.9	-60.6
Increase in cash and cash equivalents from newly consolidated subsidiary	0.0	2.2	2.2
Cash and cash equivalent at the end of period	136.2	144.3	8.1
Depreciation	66.5	66.3	-0.2
Capital expenditure	58.1	86.0	27.9



Domestic Shipment Volume and Import / Export (Paper& Paperboard, FY2023/3 Results)

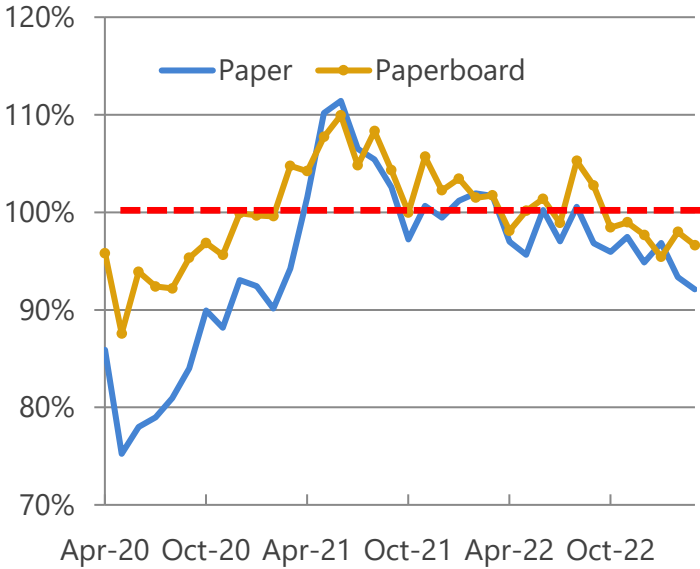
(’000 tonnes)

FY2023/3	Domestic shipments		Exports		Imports	
	volume	against FY22/3	volume	against FY22/3	volume	against FY22/3
Newsprint	1,827	-7.5%	0	—	1	-48.0%
Printing & business communication paper	5,498	-3.8%	518	-12.7%	528	-23.1%
Coated paper *	2,935	-3.8%	385	-15.7%	76	-64.9%
Uncoated paper	1,466	-5.3%	111	1.5%	15	-56.6%
Business communication paper	1,097	-1.6%	23	-20.6%	437	0.1%
Other papers	3,086	-0.6%	279	-11.6%	51	-6.2%
Paper total	10,411	-3.6%	798	-12.3%	580	-21.9%
Container board	9,061	-0.8%	894	-12.2%	38	-11.3%
Paperboard for paper container and others	2,093	-0.4%	47	-34.4%	247	-2.7%
Paperboard total	11,154	-0.7%	941	-13.7%	285	-4.0%
Paper and paperboard total	21,565	-2.1%	1,739	-13.1%	865	-16.8%

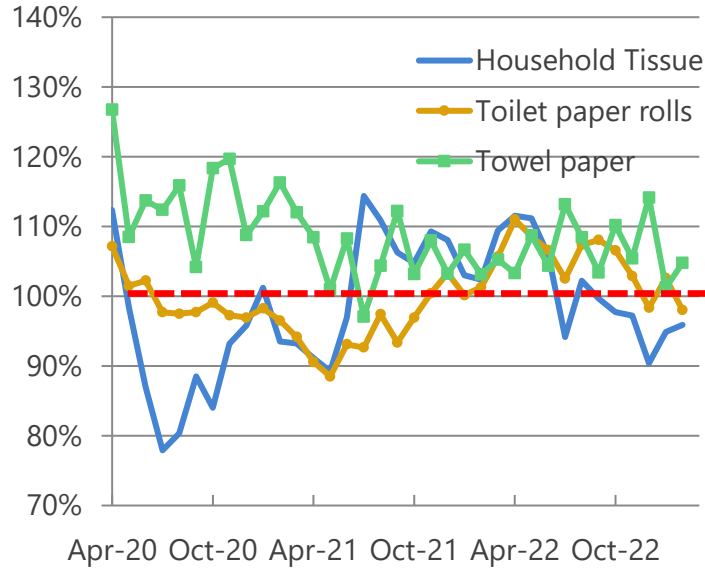
* "Bitoko-shi" paper is included in coated paper.

Source: Japan Paper Association, Trade Statics of Japan

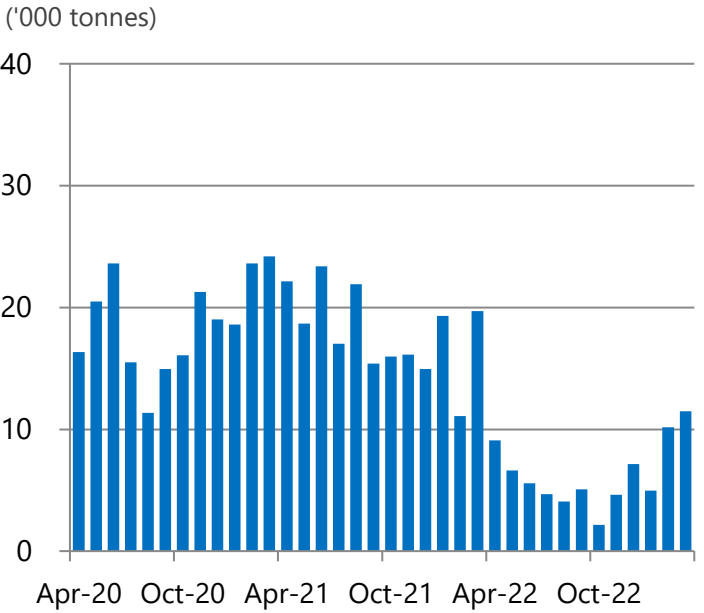
Domestic shipment of paper industry (YOY)



Production of sanitary paper (YOY)

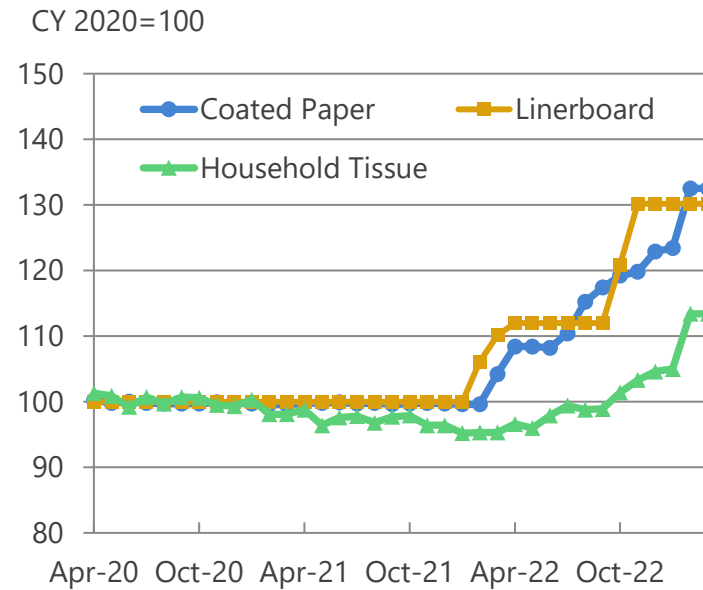


Imports of Coated Paper

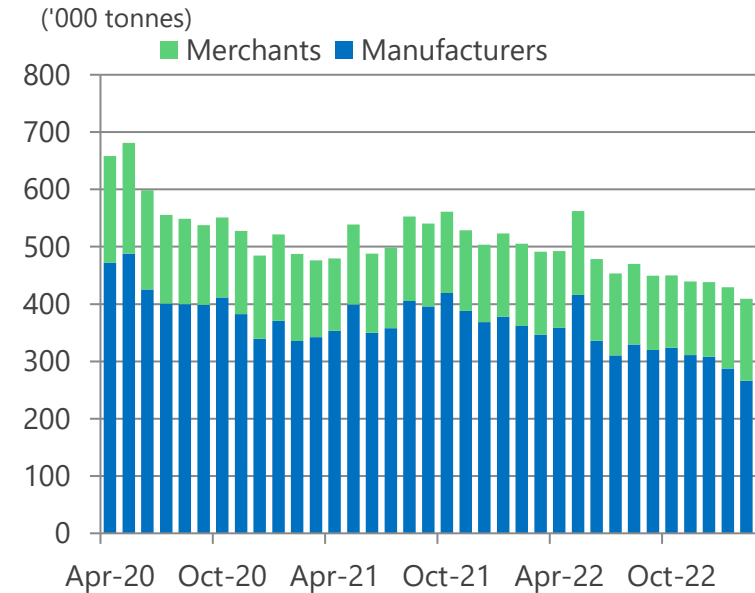


Source: Japan Paper Association, Current Survey of Production by the Ministry of Economy, Trade and Industry, and Trade Statistics by the Ministry of Finance

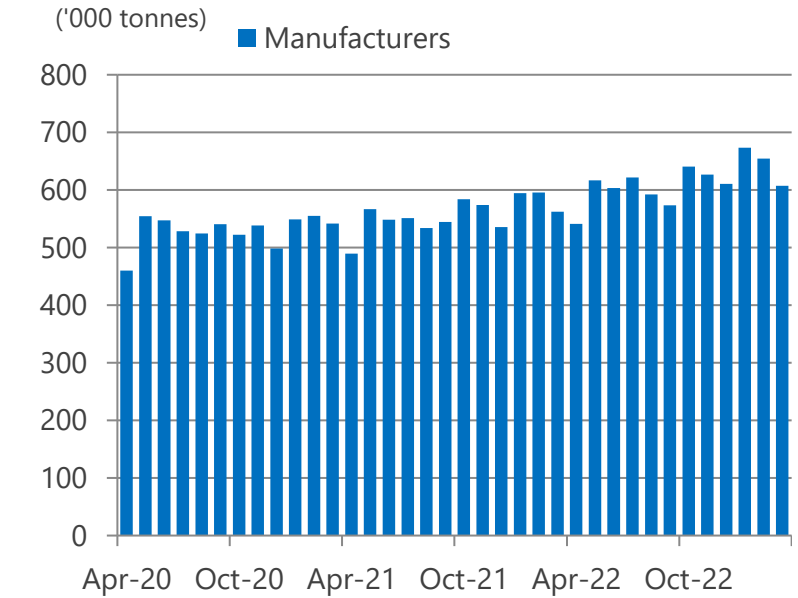
Price trends by products



Coated paper inventory

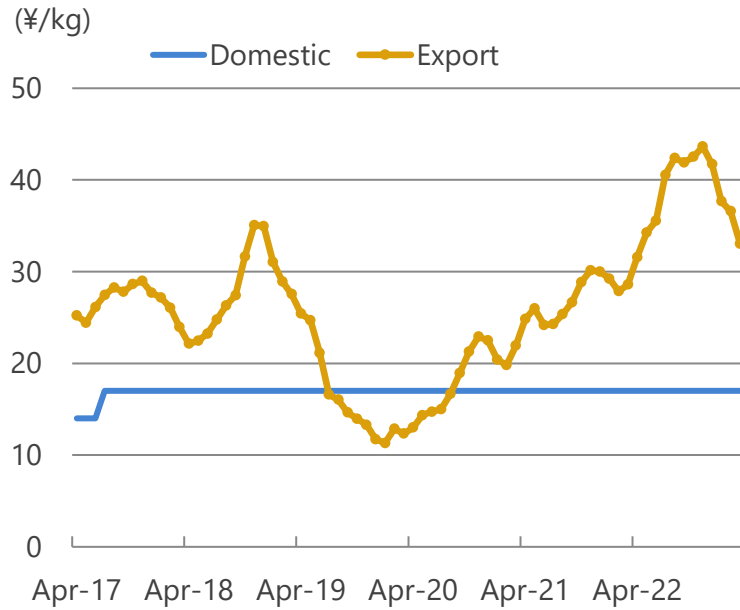


Containerboard inventory

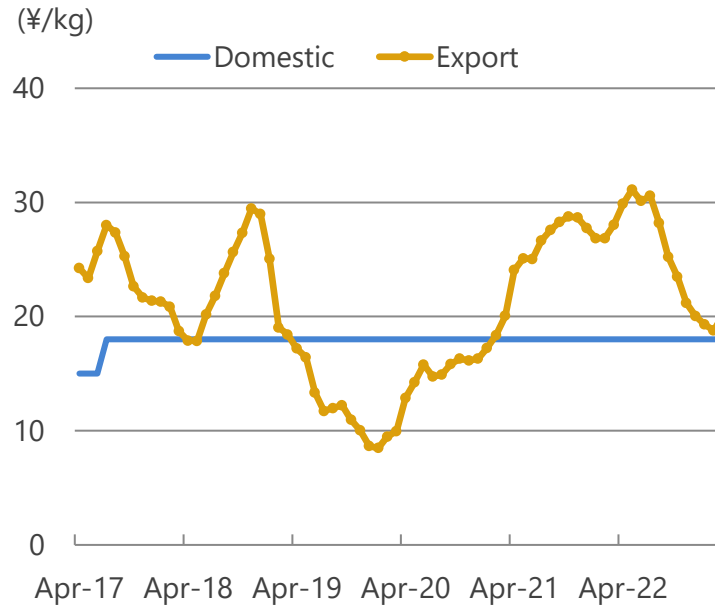


Source: Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

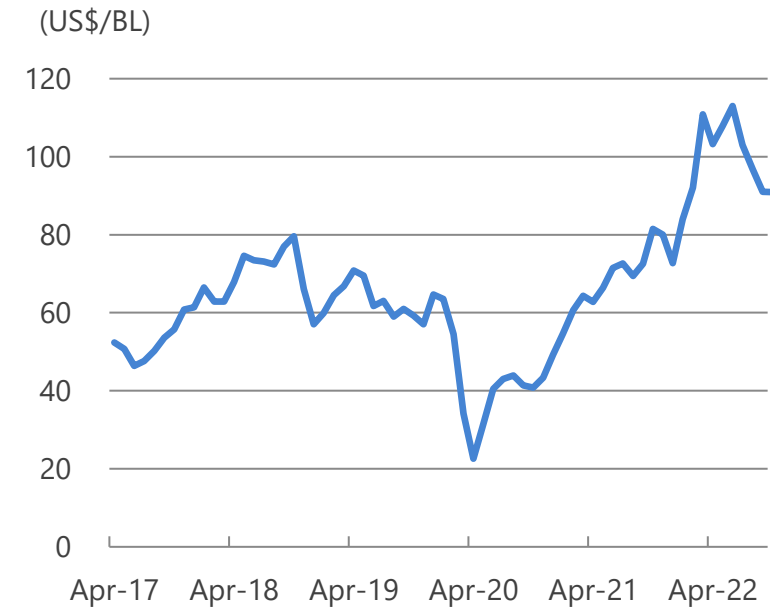
ONP



OCC



Crude oil



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

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