

1ST QUARTER FY2017/3 FINANCIAL REVIEW

Investor Meeting on August 3, 2016

NIPPON PAPER INDUSTRIES CO.,LTD.



Shaping the Future with Trees

1st Quarter FY2017/3 Review
(April 1, 2016 – June 30, 2016)

1. Business Environment
2. Financial Results

FY2017/3 Forecast
(April 1, 2016 – March 31, 2017)

3. FY2017/3 Earnings Forecast



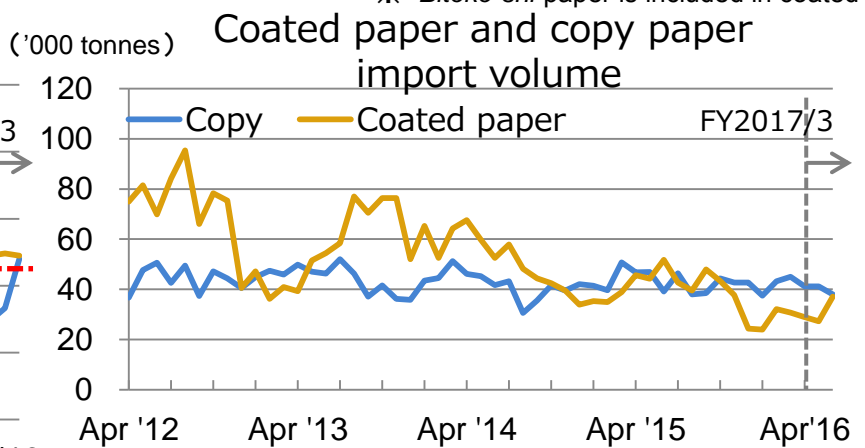
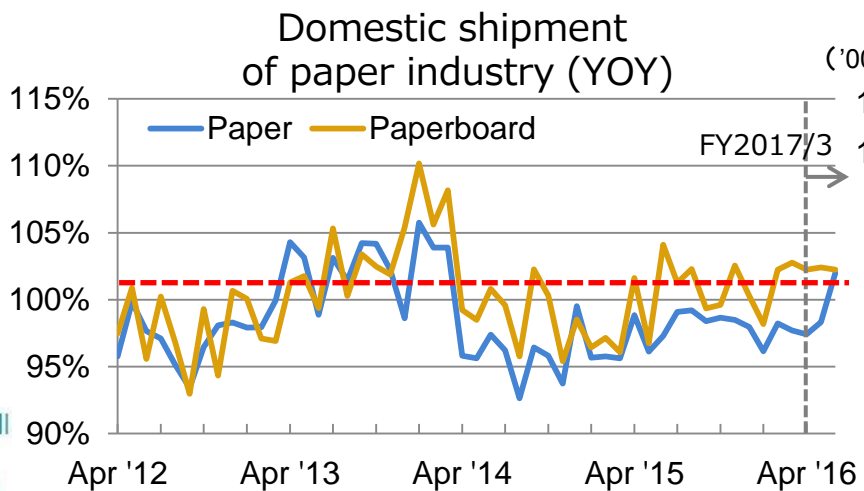
1. Business Environment: *Industry Data (domestic shipment, exports, and imports)*

Domestic demand of graphic paper including newsprint is declining. Paperboard demand is steady.

	Apr '16 - Jun '16				Imports	
	Domestic shipments		Exports		volume	YOY
	volume	YOY	volume	YOY		
Newsprint	703	-4.2%	0	-56.4%	5	-60.6%
Printing & business communication paper	1,835	-0.4%	175	18.0%	246	-21.0%
Coated paper *	1,029	-1.1%	136	14.3%	93	-34.2%
Uncoated & specialty printing paper	476	0.3%	28	39.5%	32	-12.7%
Business communication paper	329	0.7%	11	19.8%	120	-9.3%
Other papers (packaging, sanitary and other miscellaneous uses)	799	1.5%	66	20.0%	11	2.1%
Paper total	3,337	-0.8%	241	18.4%	262	-21.7%
Container board	2,265	2.7%	85	20.2%	10	-45.5%
Folding box board and others	531	0.9%	5	-16.6%	67	-11.2%
Paperboard total	2,796	2.3%	91	17.3%	77	-18.0%
Paper and paperboard total	6,133	0.6%	332	18.1%	338	-20.9%

volume: '000 tons

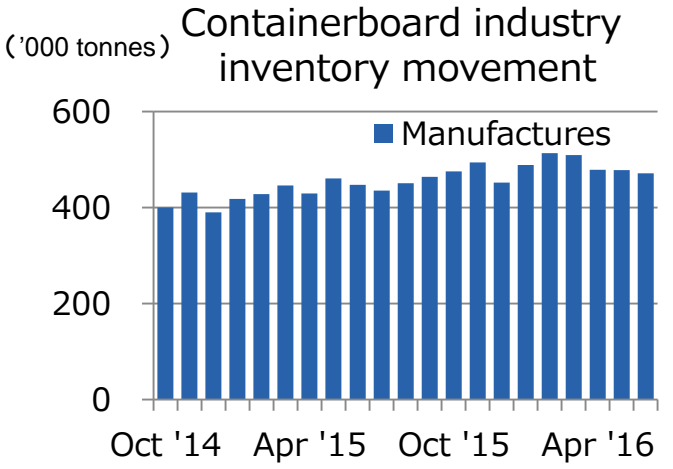
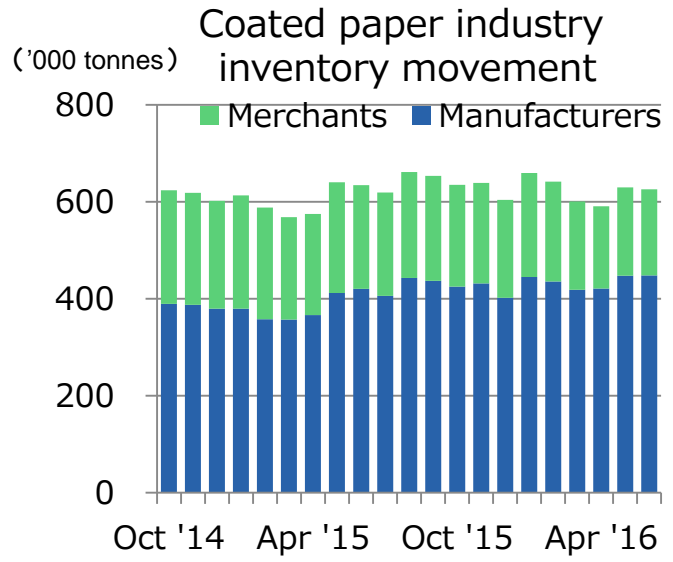
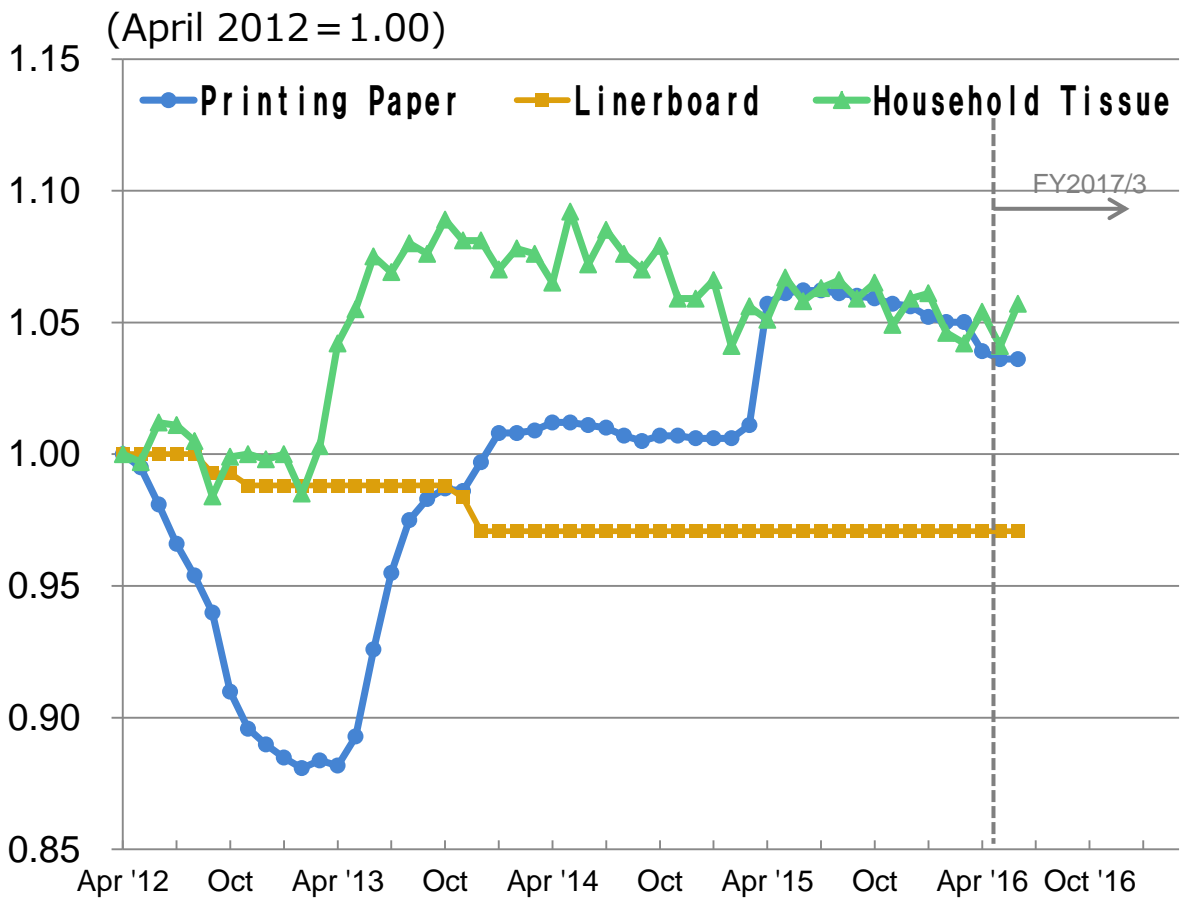
※ “Bitoko-shi” paper is included in coated paper.



Source: Japan Paper Association

Printing paper price is gradually decreasing.

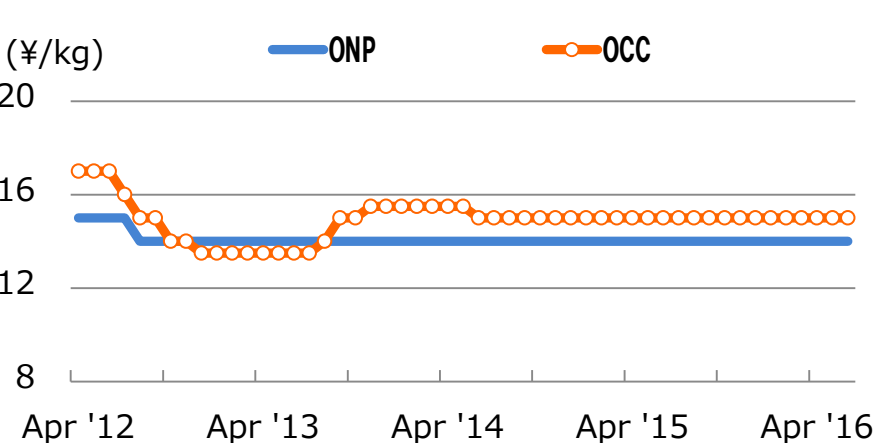
Price trends by product



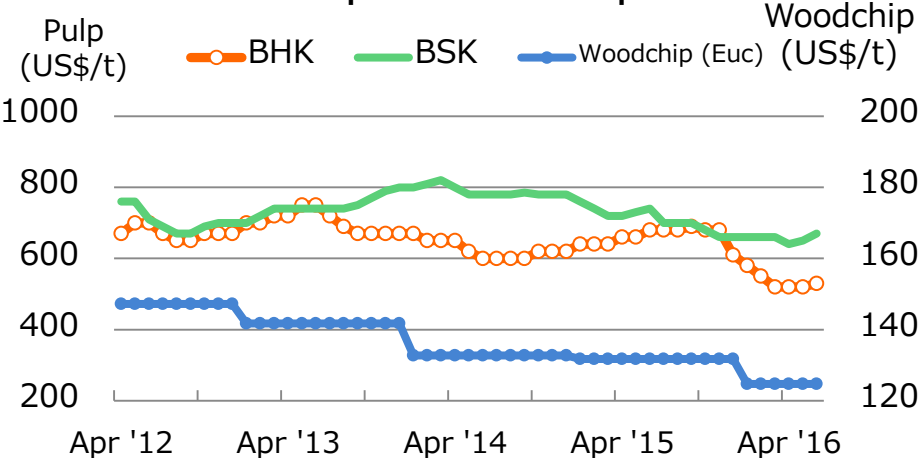
Source: Japan Paper Association, Bank of Japan "Corporate Goods Price Index"

JPY and oil price continue to appreciate.

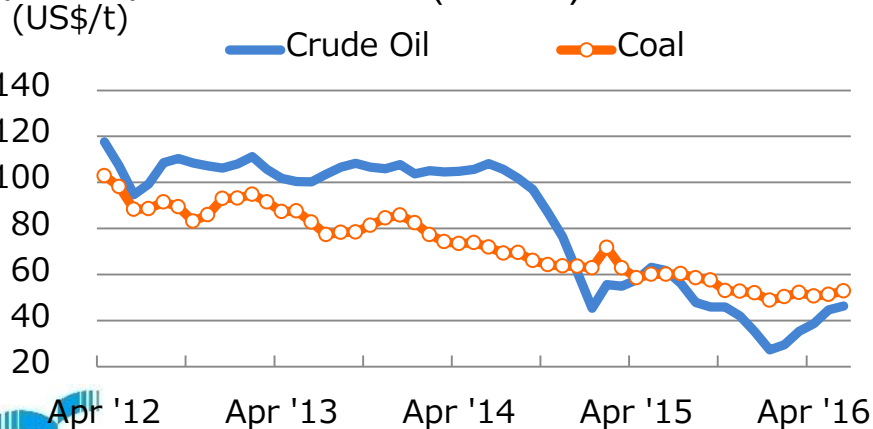
Waste Paper



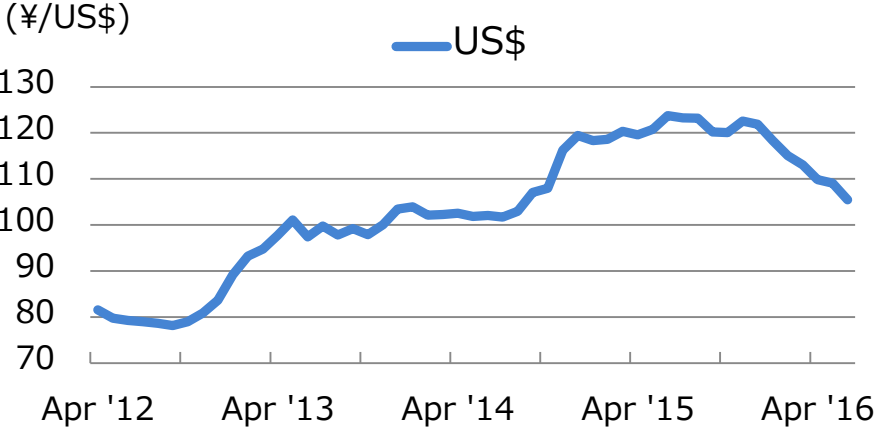
Pulp & Woodchip



Crude oil (Dubai) & Coal



FOREX



Source: Paper Recycling Promotion Center, Crude oil= Platts, Coal=Global Coal Index

2. Financial Results: *Highlights*

Net sales decreased and operating income increased.

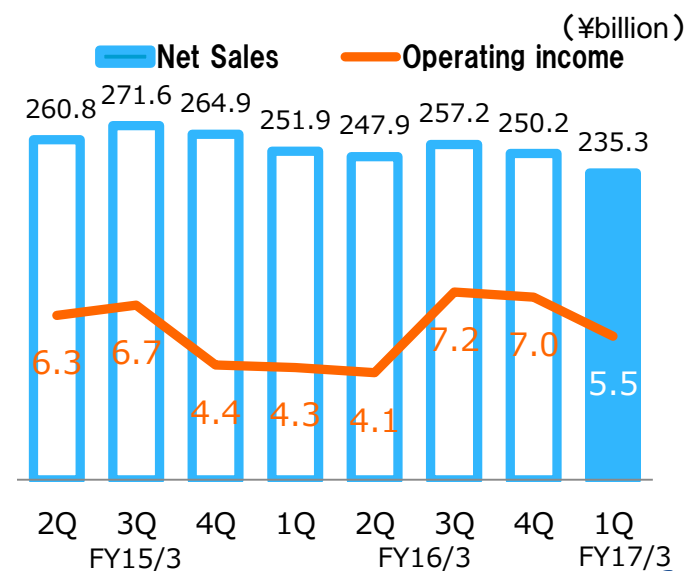
(¥billion)

	1Q FY2017/3 Result	1Q FY2016/3 Result	Variance	
			Amount	%
Net sales	235.3	251.9	-16.6	-6.6%
Operating income	5.5	4.3	1.2	28.4%
Ordinary income	6.1	10.7	-4.6	-43.5%
Net income*	3.0	12.6	-9.6	-76.3%

* Profit attributable to owners of parent

- ◆ Net sales decreased due to Shikoku Coca-Cola share sale in previous 1Q.
- ◆ Operating income increased due to cost reductions. Sales impact and raw material and fuel prices impact offset each other.
- ◆ Ordinary income and net income decreased due to Shikoku Coca-Cola and Lee & Man shares sale in previous 1Q.

Net sales and operating income



2. Financial Results: *Segment information*





Operating income increased other than pulp and paper segment.

(¥billion)

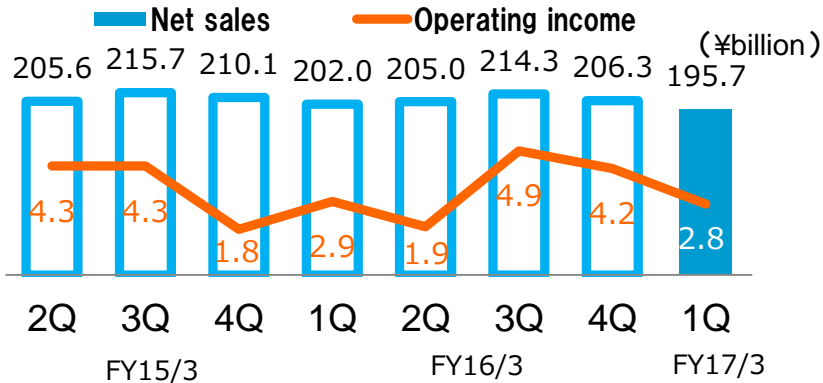
	Sales			Operating Income		
	1Q FY2016/3	1Q FY2017/3	Variance	1Q FY2016/3	1Q FY2017/3	Variance
Pulp and paper	202.0	195.7	-6.4	2.9	2.8	-0.1
Paper related (packaging and chemical products)	22.1	21.5	-0.6	0.8	1.1	0.3
Wood products and construction related	14.3	13.8	-0.5	0.6	1.1	0.5
Other (logistics, etc.)	13.5	4.3	-9.2	0.0	0.5	0.5
Total	251.9	235.3	-16.6	4.3	5.5	1.2



2. Financial Results: Pulp & paper segment

<p>Paper</p> 	<ul style="list-style-type: none"> • Shipment: -3.5% (Domestic-5.7%, Exports +29.9% (YOY)) ->Export volume steadily increased but domestic demand is decreasing partly because of Kumamoto Earthquake. • Export price decreased due to yen appreciation and local price movement.
<p>Paperboard</p> 	<ul style="list-style-type: none"> • Shipment:+0.8% (Domestic +0.6%, Exports +4.8% YOY)) ->Sales volume increased due to our sales efforts though integrated box manufacturers increased in-house paperboard sourcing.
<p>Household Tissue</p> 	<ul style="list-style-type: none"> • Tissue paper, toilet rolls and health care goods sold well.
<p>Other</p> 	<ul style="list-style-type: none"> • Electric power sales is steady.

Net sales and operating income

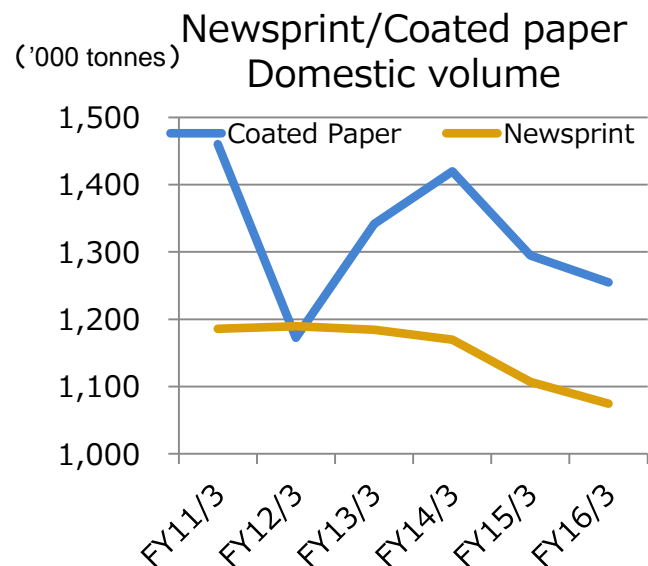
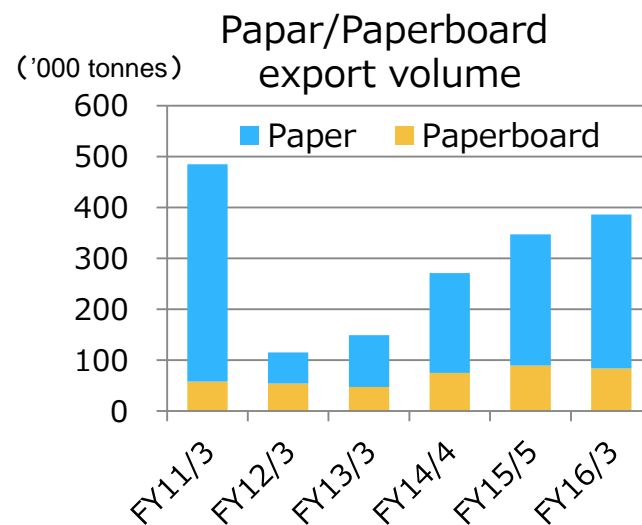


2. Financial Results: Pulp & paper - sales volume by product



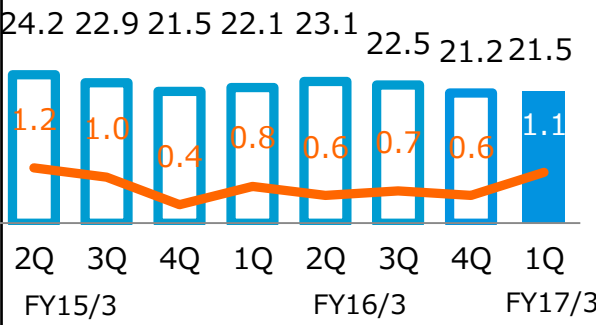

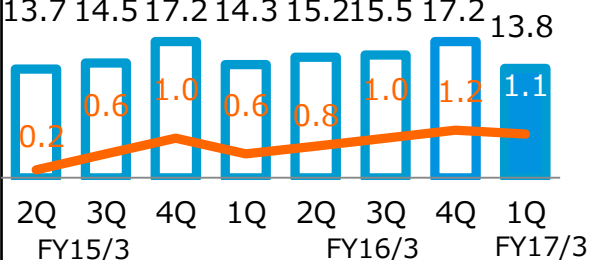

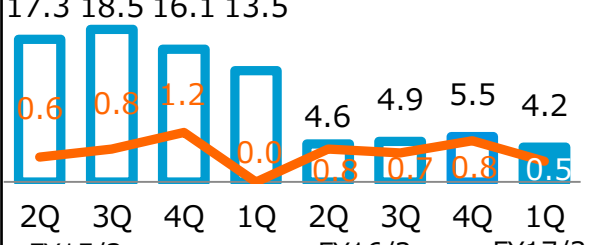
Paper domestic shipment decreased. Paperboard domestic shipment picked up.

		volume: '000 tonnes		
		1Q FY2016/3	1Q FY2017/3	YOY
Paper	Newsprint	263	247	-6.1%
	Printing & Business communication paper	579	543	-6.2%
	Coated paper	316	292	-7.7%
	Uncoated & Specialty printing paper	129	122	-5.8%
	Business communication paper	134	129	-3.2%
	Packaging paper and others	78	78	-0.3%
Domestic sales (paper)		920	867	-5.7%
Export (paper)		62	80	29.9%
Paper total		981	947	-3.5%
Paperboard	Container board	299	301	0.6%
	Folding box board and others	89	89	0.4%
	Domestic sales (paperboard)	388	390	0.6%
	Export (paperboard)	23	24	4.8%
Paperboard total		411	414	0.8%
Grand total (paper and paperboard)		1,392	1,361	-2.2%

"Total" means the sum of sales volume of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd. and Nippon Paper Creca Co., Ltd.



2. Financial Results: Paper-Related Segment, Wood Products and Construction Related Segment, Other Segment

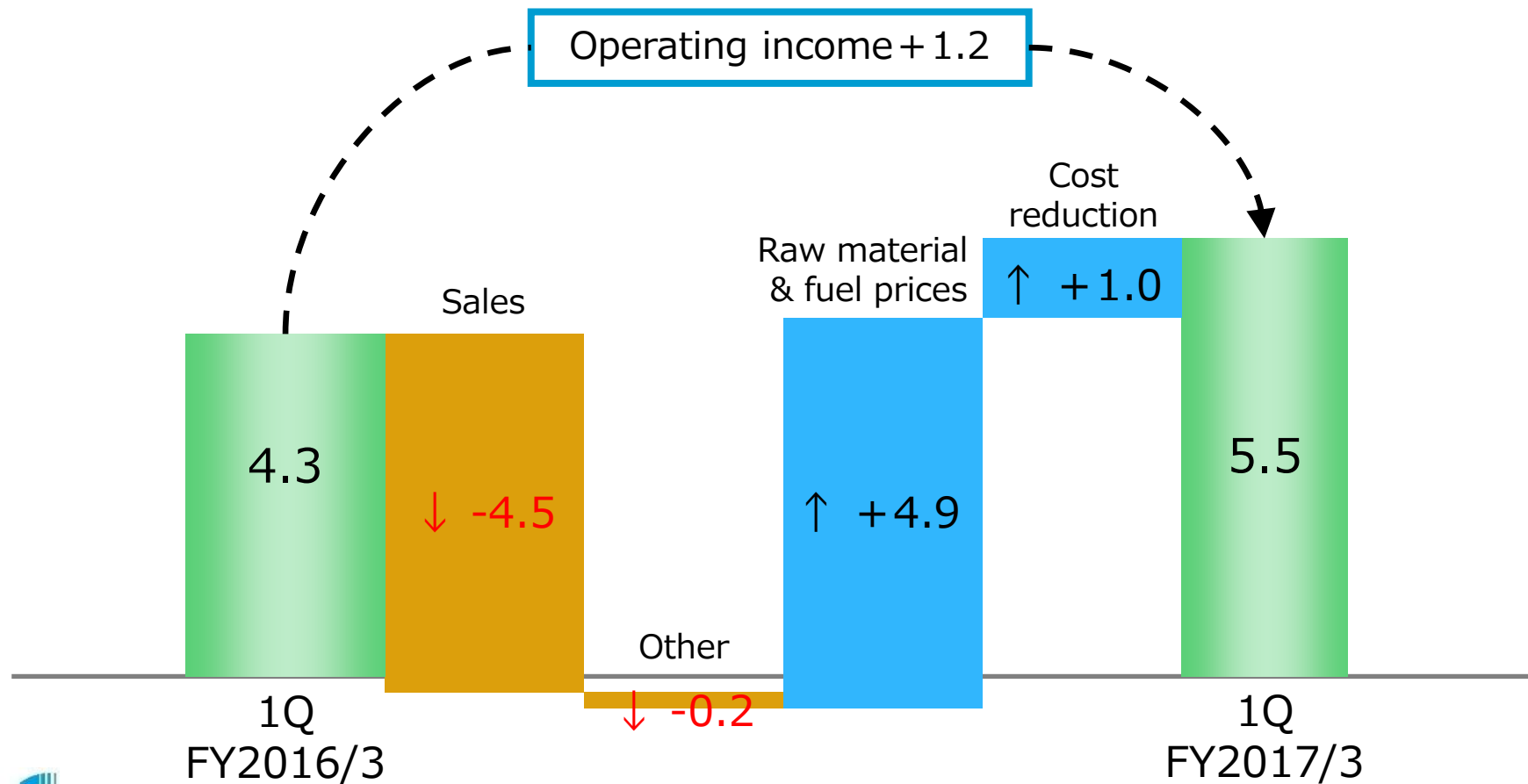
	Business Overview	Net sales and operating income 																											
<p>Paper-related segment</p> 	<p><Liquid-packaging cartons business></p> <ul style="list-style-type: none"> - Sales and operating income increased due to steady beverage sales including vegetable juice. <p><Chemical business></p> <ul style="list-style-type: none"> - Sales and operating income decreased due to sluggish sales of LCD film though DP and chemical product businesses are steady. 	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr><td>FY15/3 2Q</td><td>24.2</td><td>1.2</td></tr> <tr><td>FY15/3 3Q</td><td>22.9</td><td>1.0</td></tr> <tr><td>FY15/3 4Q</td><td>21.5</td><td>0.4</td></tr> <tr><td>FY16/3 1Q</td><td>22.1</td><td>0.8</td></tr> <tr><td>FY16/3 2Q</td><td>23.1</td><td>0.6</td></tr> <tr><td>FY16/3 3Q</td><td>22.5</td><td>0.7</td></tr> <tr><td>FY16/3 4Q</td><td>21.2</td><td>0.6</td></tr> <tr><td>FY17/3 1Q</td><td>21.5</td><td>1.1</td></tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	FY15/3 2Q	24.2	1.2	FY15/3 3Q	22.9	1.0	FY15/3 4Q	21.5	0.4	FY16/3 1Q	22.1	0.8	FY16/3 2Q	23.1	0.6	FY16/3 3Q	22.5	0.7	FY16/3 4Q	21.2	0.6	FY17/3 1Q	21.5	1.1
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<p>Wood products and construction related segment</p> 	<ul style="list-style-type: none"> - Operating income increased. Housing starts is increasing. And Amapa Florestal e Celulose S.A. (Amcel), our subsidiary in brazil is newly included in our consolidated scope. 	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr><td>FY15/3 2Q</td><td>13.7</td><td>0.2</td></tr> <tr><td>FY15/3 3Q</td><td>14.5</td><td>0.6</td></tr> <tr><td>FY15/3 4Q</td><td>17.2</td><td>1.0</td></tr> <tr><td>FY16/3 1Q</td><td>14.3</td><td>0.6</td></tr> <tr><td>FY16/3 2Q</td><td>15.2</td><td>0.8</td></tr> <tr><td>FY16/3 3Q</td><td>15.5</td><td>1.0</td></tr> <tr><td>FY16/3 4Q</td><td>17.2</td><td>1.2</td></tr> <tr><td>FY17/3 1Q</td><td>13.8</td><td>1.1</td></tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	FY15/3 2Q	13.7	0.2	FY15/3 3Q	14.5	0.6	FY15/3 4Q	17.2	1.0	FY16/3 1Q	14.3	0.6	FY16/3 2Q	15.2	0.8	FY16/3 3Q	15.5	1.0	FY16/3 4Q	17.2	1.2	FY17/3 1Q	13.8	1.1
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<p>Other segment</p> 	<ul style="list-style-type: none"> - Both logistics and leisure business run well. <p>(Note) Shikoku Coca-cola was extracted out of consolidated scope from previous 2Q.</p>	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr><td>FY15/3 2Q</td><td>17.3</td><td>0.6</td></tr> <tr><td>FY15/3 3Q</td><td>18.5</td><td>0.8</td></tr> <tr><td>FY15/3 4Q</td><td>16.1</td><td>1.2</td></tr> <tr><td>FY16/3 1Q</td><td>13.5</td><td>0.0</td></tr> <tr><td>FY16/3 2Q</td><td>4.6</td><td>0.3</td></tr> <tr><td>FY16/3 3Q</td><td>4.9</td><td>0.7</td></tr> <tr><td>FY16/3 4Q</td><td>5.5</td><td>0.8</td></tr> <tr><td>FY17/3 1Q</td><td>4.2</td><td>0.5</td></tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	FY15/3 2Q	17.3	0.6	FY15/3 3Q	18.5	0.8	FY15/3 4Q	16.1	1.2	FY16/3 1Q	13.5	0.0	FY16/3 2Q	4.6	0.3	FY16/3 3Q	4.9	0.7	FY16/3 4Q	5.5	0.8	FY17/3 1Q	4.2	0.5
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2. Financial Results: *Variance analysis for operating income*

Despite less domestic sales volume and lower export price, less input prices and cost reduction increased profit.

(¥billion)



3. FY2017/3 Earnings Forecast: *Highlights*

Net sales decreased. Operating income increased.

(¥billion)

	FY2017/3 Forecast	FY2016/3 Result	Variance	
			Amount	%
Net sales	1,000.0	1,007.1	-7.1	-0.7%
Operating income	32.0	22.6	9.4	41.4%
Ordinary income	32.0	17.1	14.9	86.9%
Net income*	18.0	2.4	15.6	642.3%

* Profit attributable to owners of parent

- ◆ No change from the forecast announced on May. 13, 2016.
- ◆ Financial impact of the Business alliance with Tokushu Tokai Paper and the asset purchase of the Liquid Packaging Board business of Weyerhaeuser Company is not included in this forecast.



Disclaimer

Any statements in this presentation document, other than those of historical fact, are forward-looking statements about the future performance of Nippon Paper Industries, Co., Ltd. and its group companies. These statements are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

Nippon Paper Industries Co., Ltd.

