

1ST QUARTER FY2022/3 FINANCIAL REVIEW

August 5, 2021



Consolidated Statement

(¥billion)

	1Q FY2021/3 Results	1Q FY2022/3 Results	Variance	
			Amount	%
Net sales	223.8	250.5	26.7	11.9%
Operating income	4.3	4.8	0.5	13.5%
Ordinary income	-0.9	3.5	4.4	-
Net income *	-3.8	1.9	5.7	-

* Profit attributable to owners of parent

- Net sales increased due to the acquisition of paperboard and packaging business in Australia and NZ at the end of April 2020.
- Operating profit increased due to a sharp rise in domestic printing paper sales volumes as a rebound from a significant drop in demand last year.
- Extraordinary income includes gain on sale of investment securities. Extraordinary loss includes the loss of disasters resulting from the earthquake off the coast of Fukushima Prefecture and the loss of the N6 paper machine shut down in Ishinomaki mill.



Results by Segment

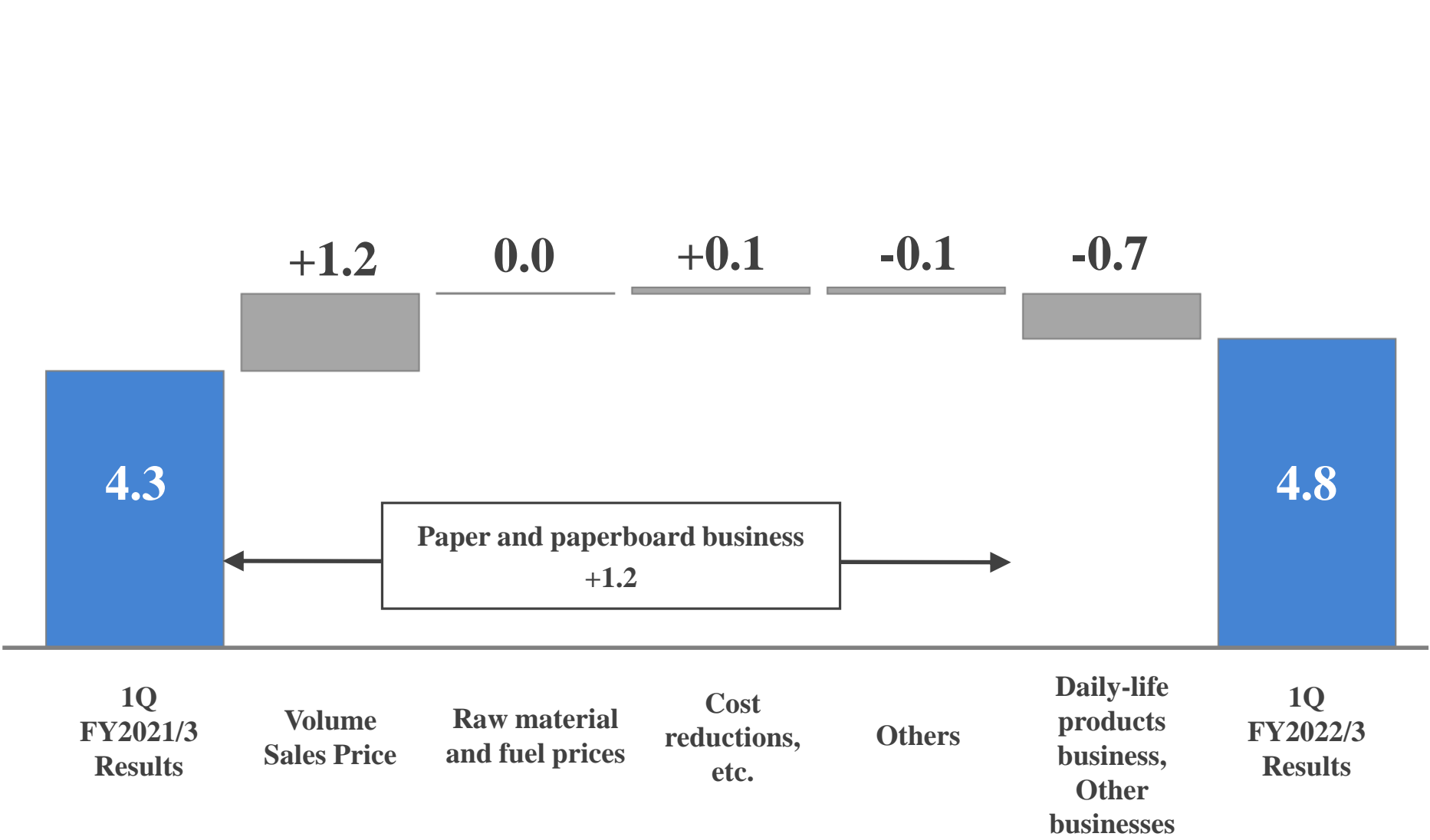
(¥billion)

	Net sales			Operating income		
	1Q FY2021/3 Results	1Q FY2022/3 Results	Variance	1Q FY2021/3 Results	1Q FY2022/3 Results	Variance
Paper and paperboard	134.7	131.1	-3.6	-1.1	0.1	1.2
Daily-life products	63.3	91.9	28.6	3.0	1.4	-1.6
Energy	7.6	6.4	-1.2	1.4	0.5	-0.9
Wood products and construction-related	12.4	14.2	1.8	1.1	1.9	0.8
Others	5.8	6.9	1.1	-0.1	0.9	1.0
Total	223.8	250.5	26.7	4.3	4.8	0.5



Variance analysis for operating income

(¥billion)





1Q FY2022/3 vs. 1Q FY2021/3 Variance Analysis

(¥billion)

Volume, Sales Price	1.2	-
Raw material and fuel prices	0.0	Woodchip 0.8, Wastepaper 0.1, Pulp -0.4, Oil -0.5, Coal 0.0, Others 0.0 (Price 0.2, FOREX -0.2)
Cost reductions, etc.	0.1	Cost reductions 0.9, Repair costs -0.7, Labor costs 0.1, Logistics cost -0.2
Others	-0.1	Oversea business -0.2, Depreciation 0.3, Retirement benefit expenses -0.3, Inventory value adjustment, etc. 0.1
Paper and paperboard business	1.2	
Daily-life products business	-1.6	Domestic -0.2 : Package -0.1, Household paper and Healthcare -0.8, Chemical 0.7 Overseas -1.4 : Opal -1.4, NDP 0.3, Others -0.3
Other businesses	0.9	Energy -0.9, Wood products and construction related 0.8, Others 1.0
Operating income	0.5	
Non-operating income	3.9	Net financial cost -0.4, Equity in earnings of affiliates 0.5, FOREX 2.4, Others 1.4
Ordinary income	4.4	



Paper and paperboard business

(¥billion)

	1Q FY2021/3 Results	1Q FY2022/3 Results	Variance
Net sales	134.7	131.1	-3.6
Operating income	-1.1	0.1	1.2

● Paper(Domestic)

- Sales volume of newsprint decreased by 16.7% due to a partial halt of operations at Iwanuma Mill following the earthquake off the coast of Fukushima Prefecture.
- Sales volume of domestic printing paper increased by +10.1% due to a reactionary decline in demand in 1Q FY2021/3.

● Paperboard(Domestic)

- Domestic sales volume increased by 5.8% due to a recovery in demand for industrial products and steady demand for processed foods and mail-order products.

● Oversea business

- Operating income of Jujo Thermal and SNP declined due to the sales price dropped from the previous year.



Daily-life products business

(¥billion)

	1Q FY2021/3 Results	1Q FY2022/3 Results	Variance
Net sales	63.3	91.9	28.6
Operating income	3.0	1.4	-1.6

- **Packaging (Operating income Variance -1.5)***
 - **Opal**
 - Operating income of the former AP declined due to problems with chip conveyors at its Mill.
 - Sales volume on paperboard and packaging business which was acquired, decreased due to Covid-19.
 - **Nippon Dynawave Packaging (NDP)**
 - Both net sales and operating income increased due to higher pulp sales volume because newly started dry pulp machine is well running.
 - **Paper cartons (Domestic)**
 - Despite a decline in demand for milk cartons for home-use, sales volume increased due to a recover in demand for milk cartons for school meal.

* Including goodwill amortization costs related to acquisition of paperboard and packaging business in Australia and NZ.



Daily-life products business

(¥billion)

	1Q FY2021/3 Results	1Q FY2022/3 Results	Variance
Net sales	63.3	91.9	28.6
Operating income	3.0	1.4	-1.6

- **Household paper and Healthcare (Operating income Variance -0.8)**

- Net Sales increased due to a rebound to the decline in demand for tissues and toilet paper rolls in 1Q FY2021/3, and integration of sales functions of hand towels with Try-Fu Co., Ltd.
- Operating income declined due to increase in pulp and other raw material and fuel prices.

- **Chemical (Operating income Variance +0.7)**

- 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 increased due to recovery overseas demand including China.
- Sales volume of Functional coating resin products and CMCs increased due to recovery of the number of vehicles produced.



Energy business

(¥billion)

	1Q FY2021/3 Results	1Q FY2022/3 Results	Variance
Net sales	7.6	6.4	-1.2
Operating income	1.4	0.5	-0.9

- Both net sales and operating income declined due to the completion of rapidly changing mitigation measures in the Feed-in tariff (FIT) fixed-price system to promote renewable energy.

Wood products and construction related business

(¥billion)

	1Q FY2021/3 Results	1Q FY2022/3 Results	Variance
Net sales	12.4	14.2	1.8
Operating income	1.1	1.9	0.8

- In lumber and construction materials, both net sales and operating income increased due to soaring prices because of shortage of timber on a global scale, as well as an increase in the number of new housing starts.



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

The forecast for FY2022/3 remains unchanged from the announcement on May 14,2021.

REFERENCE MATERIALS

Sales Volume(Paper & Paperboard)



	('000 tonnes)				
	1Q FY20/3	1Q FY21/3	1Q FY22/3	against FY21/3	against FY20/3
Newsprint	208	167	139	-16.7%	-33.0%
Printing paper	368	263	290	10.1%	-21.2%
Business communication paper	126	103	109	6.1%	-13.2%
Others	90	78	81	3.6%	-10.1%
Domestic sales (paper)	792	612	620	1.3%	-21.8%
Export (paper)	80	58	67	15.2%	-16.1%
Paper total	873	671	687	2.5%	-21.2%
Container board	413	398	417	4.9%	1.0%
Folding box board and others	87	73	81	10.7%	-7.0%
Domestic sales (paperboard)	500	471	498	5.8%	-0.4%
Export (paperboard)	36	39	56	43.7%	58.3%
Paperboard total	536	510	555	8.7%	3.5%
Grand total (paper and paperboard)	1,409	1,181	1,242	5.2%	-11.8%

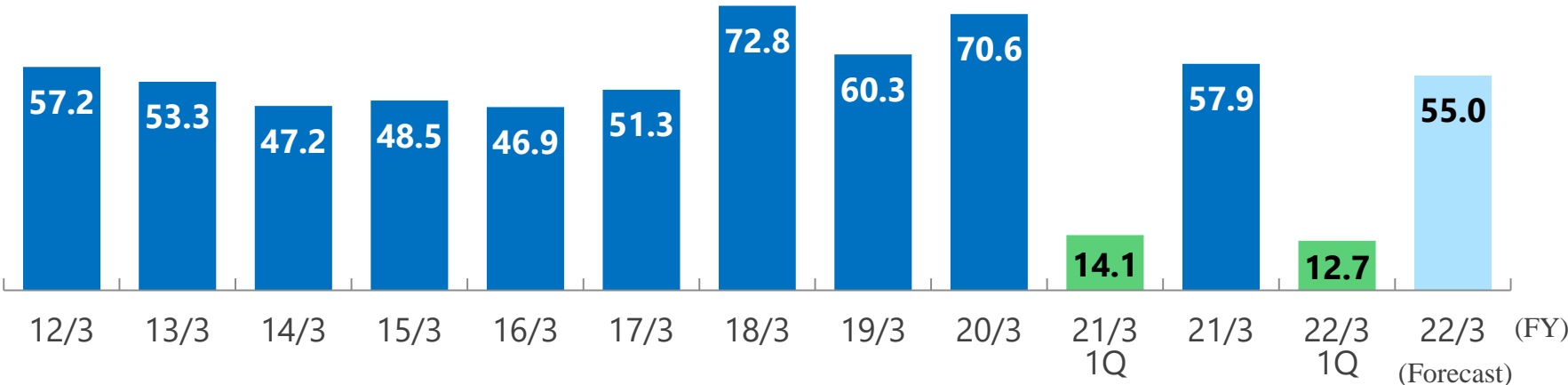
* Sales Volume Total of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Creca Co., Ltd., and Shin Tokai Paper Co., Ltd. (excluding sanitary paper)



Capital expenditure, Depreciation

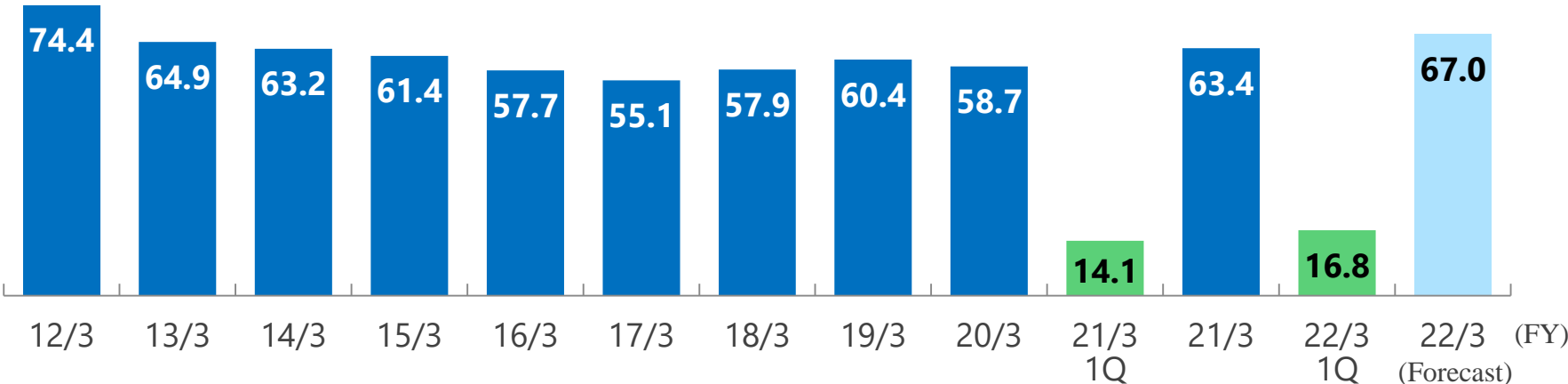
Capital expenditure

(¥billion)



Depreciation

(¥billion)



Net sales Trends by Segment



(¥billion)

	FY2021/3				FY2022/3	
	1Q	2Q	3Q	4Q	1Q	Full year forecast
Paper and paperboard	134.7	137.8	148.9	146.9	131.1	535.0
Daily-life products	63.3	77.2	91.7	85.7	91.9	380.0
Energy	7.6	8.8	7.7	9.3	6.4	30.0
Wood products and construction related	12.4	13.1	16.1	18.3	14.2	55.0
Others	5.8	6.7	7.1	8.2	6.9	30.0
Acquisition-related expenses	-	-	-	-	-	-
Total	223.8	243.7	271.4	268.4	250.5	1,030.0

Operating income Trends by Segment



(¥billion)

	FY2021/3				FY2022/3	
	1Q	2Q	3Q	4Q	1Q	Full-year Forecast
Paper and paperboard	-1.1	-0.9	1.8	2.7	0.1	1.5
Daily-life products	3.0	3.0	0.8	1.1	1.4	11.0
Energy	1.4	2.0	1.8	1.7	0.5	4.5
Wood products and construction related	1.1	1.3	1.4	2.7	1.9	6.5
Others	0.2	-0.2	1.0	0.4	0.9	1.5
Acquisition-related expenses	-0.3	-5.5	-0.1	-0.1	-	-
Total	4.3	-0.3	6.7	8.5	4.8	25.0



FY2022/3 Forecast (Announced in May 2021)

Major assumptions

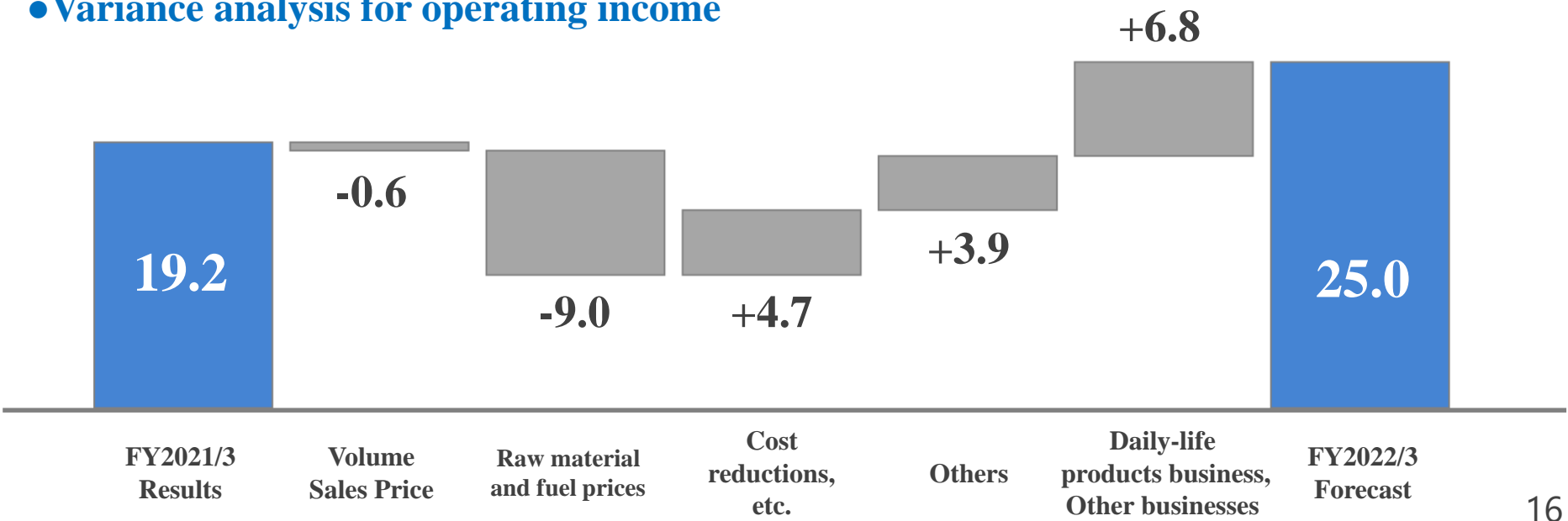
Annual decline in domestic sales volume (YoY)

	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

Variance analysis for operating income



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

('000 tonnes)

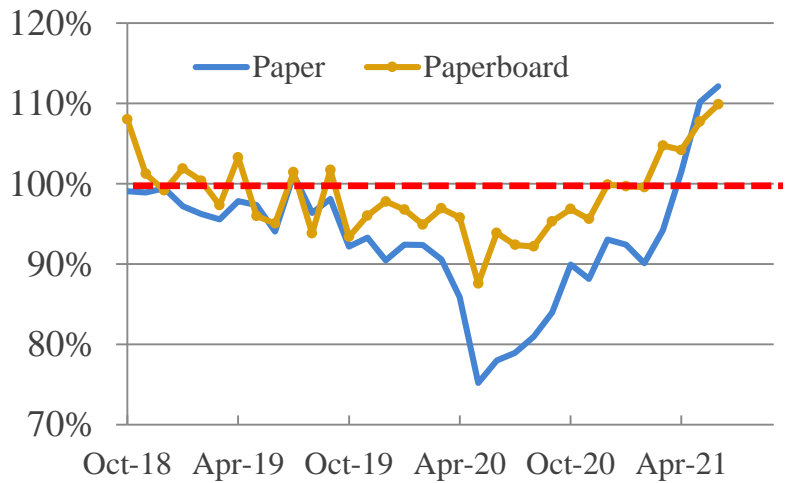
1Q FY2022/3	Domestic shipments			Exports			Imports		
	volume	against FY21/3	against FY20/3	volume	against FY21/3	against FY20/3	volume	against FY21/3	against FY20/3
Newsprint	484	-0.9%	-18.0%	0	—	—	0	-30.2%	16.9%
Printing & business communication paper	1,384	13.2%	-18.1%	145	46.6%	10.7%	178	-3.8%	-38.0%
Coated paper *	717	19.0%	-22.0%	112	54.0%	16.2%	64	6.2%	-59.1%
Uncoated paper	383	11.3%	-12.5%	25	31.2%	-4.1%	8	-15.6%	-44.8%
Business communication paper	284	2.7%	-14.6%	7	9.4%	-7.7%	106	-8.1%	-8.7%
Other papers	762	4.1%	-3.9%	81	19.5%	4.4%	14	18.5%	9.9%
Paper total	2,630	7.6%	-14.4%	226	35.6%	8.4%	193	-2.6%	-36.0%
Container board	2,300	6.4%	0.2%	269	68.9%	205.2%	9	-28.3%	-17.5%
Folding box board and others	508	10.6%	-5.5%	15	60.2%	134.4%	67	-0.7%	-9.0%
Paperboard total	2,807	7.1%	-0.8%	284	68.4%	200.4%	76	-5.1%	-10.1%
Paper and paperboard total	5,438	7.4%	-7.9%	510	52.1%	68.3%	268	-3.3%	-30.3%

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

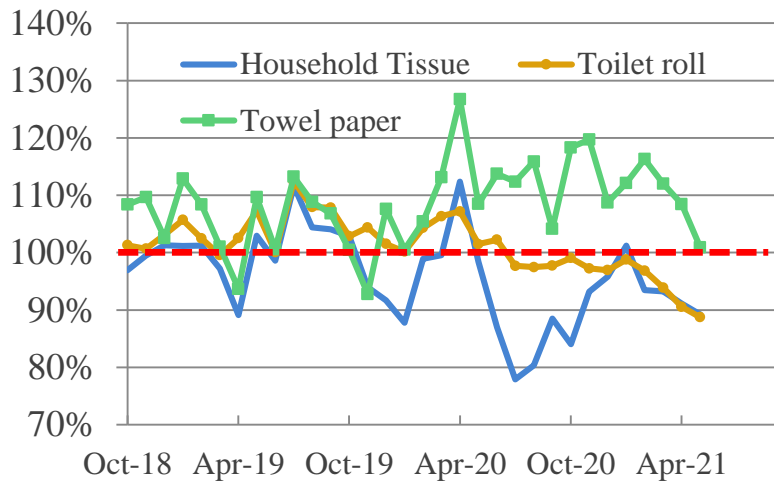
Source: Japan Paper Association, Trade Statics of Japan



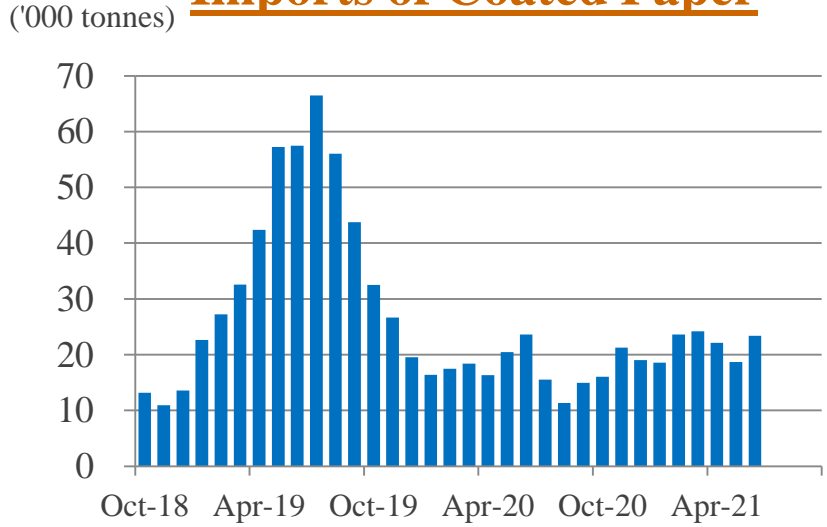
Domestic shipment of paper industry(YOY)



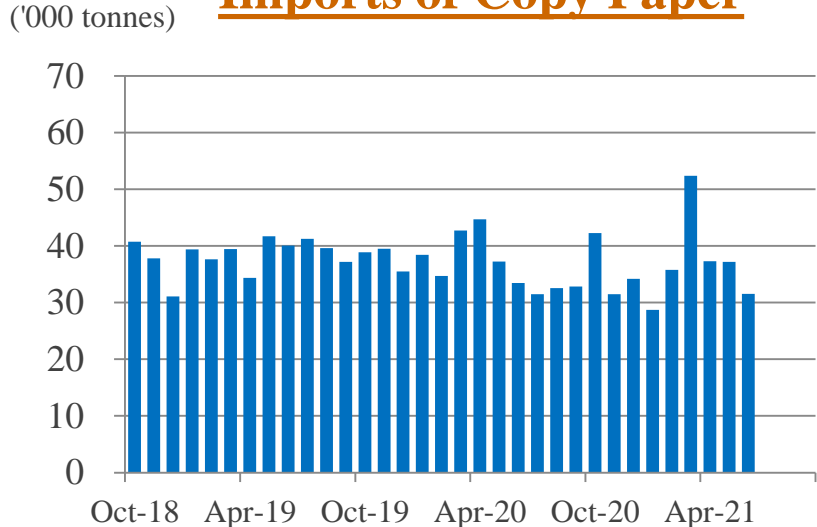
Production of sanitary paper (YOY)



Imports of Coated Paper



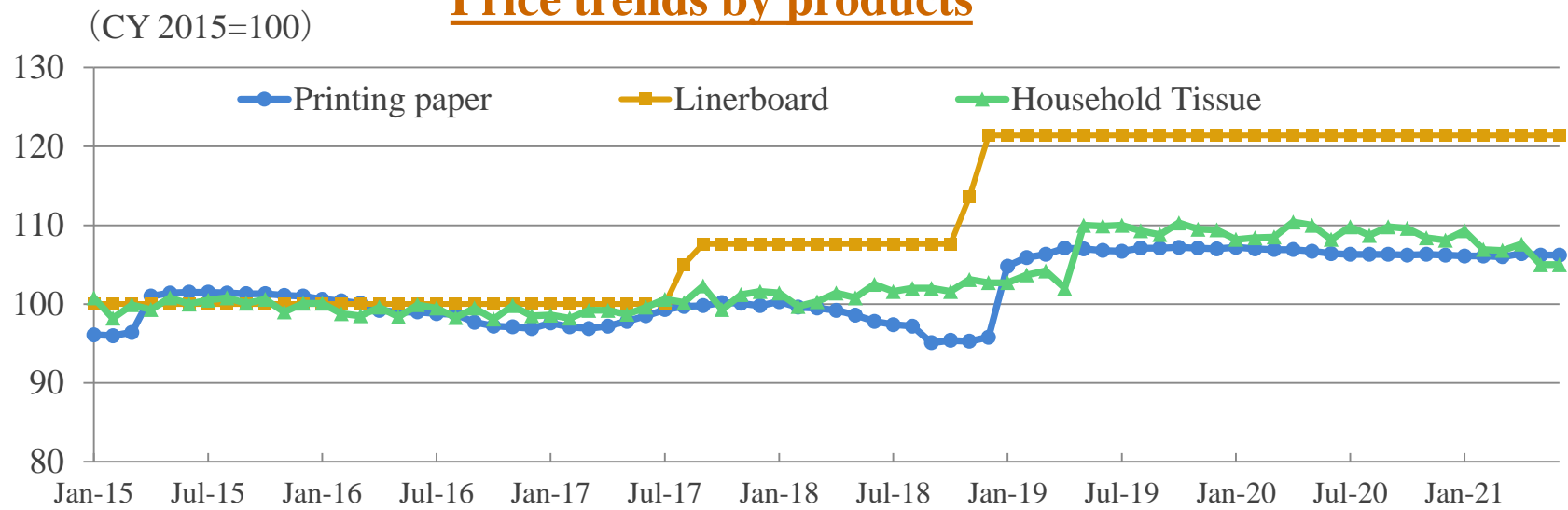
Imports of Copy Paper



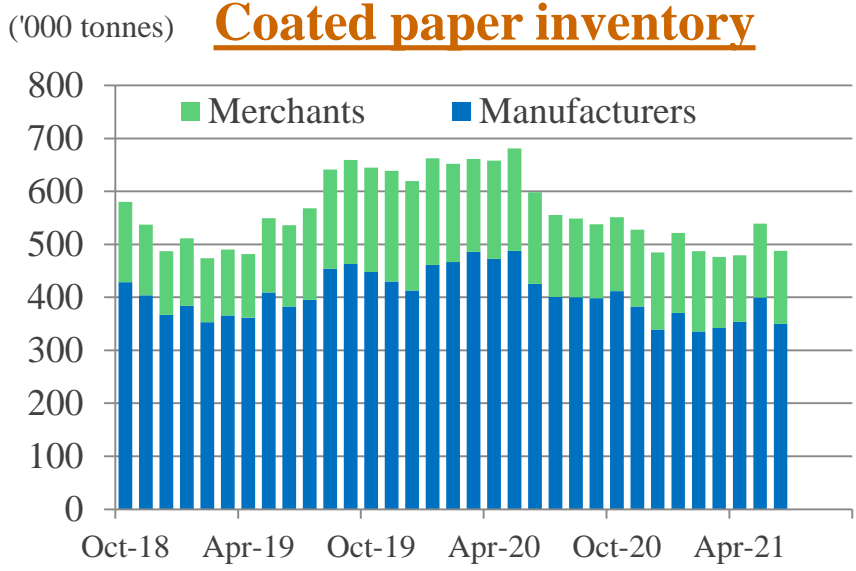
Source: Nippon Paper Association, Current Survey of Production by the Ministry of Economy, Trade and Industry, and Trade Statistics by the Ministry of Finance



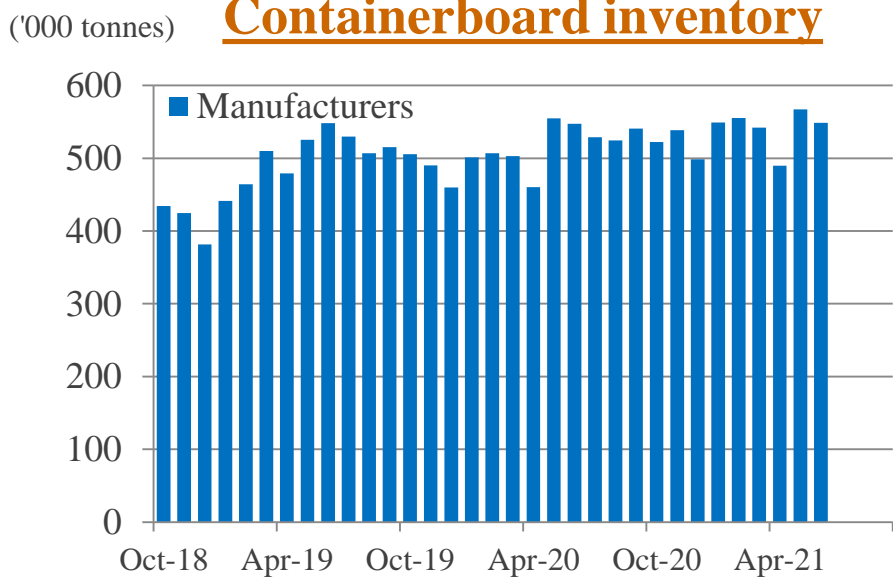
Price trends by products



Coated paper inventory

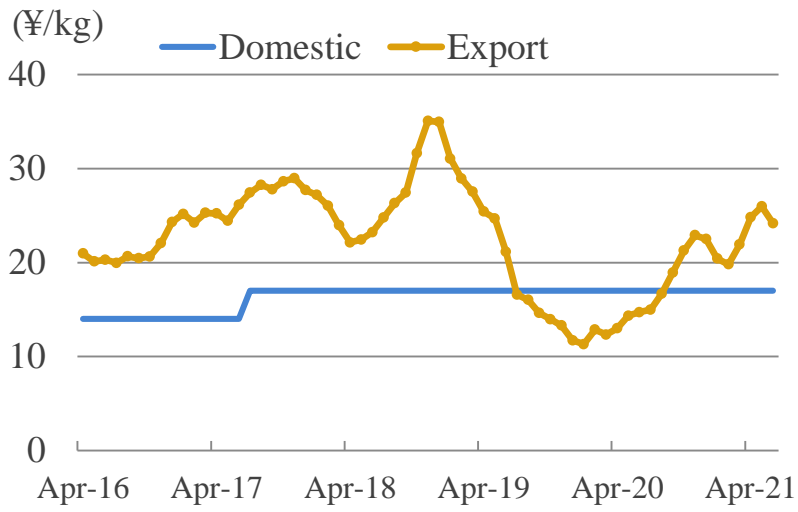


Containerboard inventory

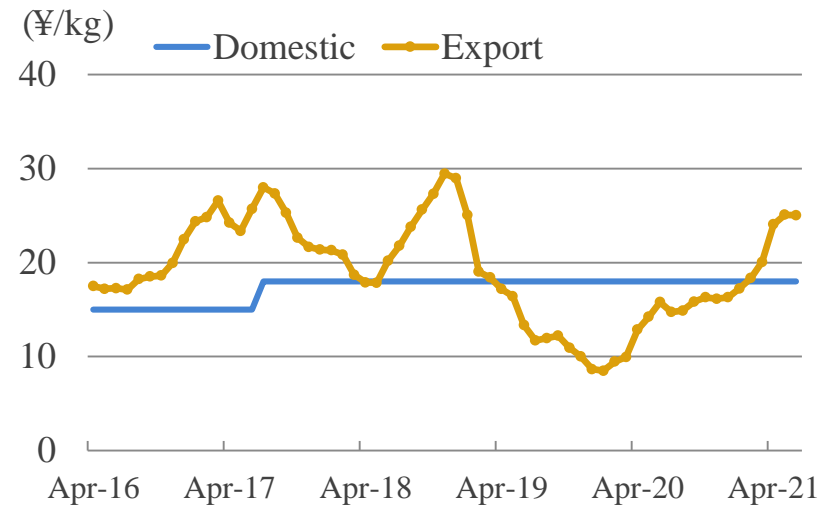




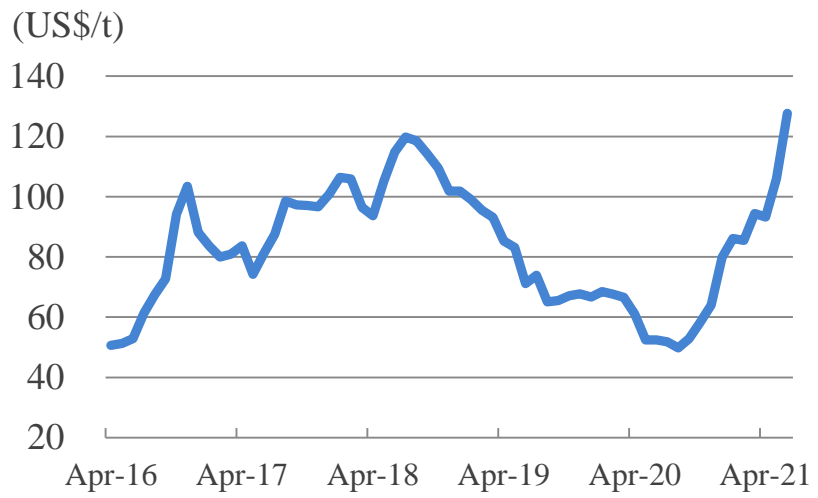
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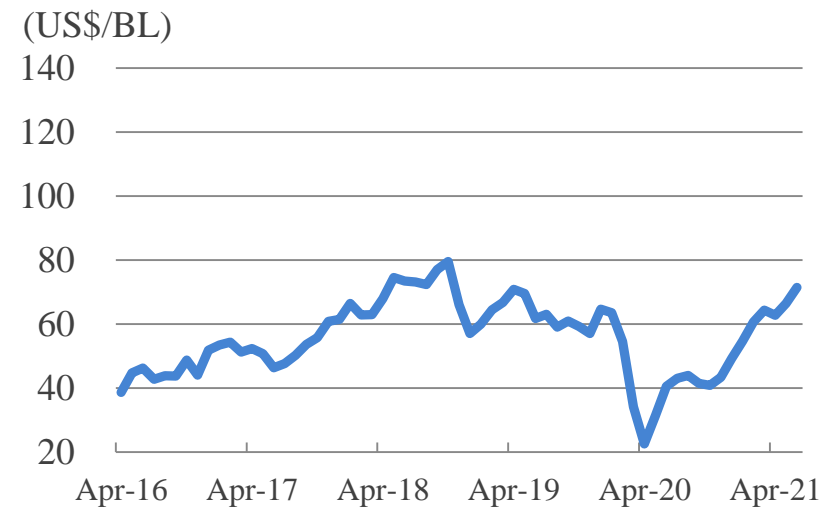
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Coal



Crude oil





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

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