

# 1ST QUARTER FY2023/3 FINANCIAL REVIEW

---

August 5, 2022



## Consolidated Statement

(¥billion)

	1Q FY2022/3 Results	1Q FY2023/3 Results	Variance	
			Amount	%
Net sales	250.5	264.8	14.3	5.7%
Operating income	4.8	-2.9	-7.7	-
Ordinary income	3.5	1.2	-2.3	-65.3%
Net income *	1.9	-8.2	-10.1	-

\* Profit attributable to owners of parent

- Net sales increased year on year due to the effect of price increase and other factors.
- Operating loss was recorded due to the continued harsh business environment caused by soaring raw material and fuel prices.
- Reversal of a portion of deferred tax assets based on future performance trends and other factors.



## Results by Segment

(¥billion)

	Net sales			Operating income		
	1Q FY2022/3 Results	1Q FY2023/3 Results	Variance	1Q FY2022/3 Results	1Q FY2023/3 Results	Variance
<b>Paper and paperboard</b>	131.1	132.0	0.9	0.1	-2.2	-2.3
<b>Daily-life products</b>	91.9	101.0	9.1	1.4	-2.6	-4.0
<b>Energy</b>	6.4	8.2	1.8	0.5	-0.3	-0.8
<b>Wood products and construction related</b>	14.2	16.7	2.5	1.9	1.9	0.0
<b>Others</b>	6.9	6.9	0.0	0.9	0.3	-0.6
<b>Total</b>	250.5	264.8	14.3	4.8	-2.9	-7.7



## 1Q FY2023/3 vs. 1Q FY2022/3 Variance Analysis

(¥billion)

<b>Volume, Sales Price</b>	<b>7.2</b>	-
<b>Raw material and fuel prices</b>	<b>-13.7</b>	Wood chips -1.7, Wastepaper -2.0, Pulp -0.2, Oil -0.5, Coal -4.9, LNG -0.9, Chemicals, etc. -3.5 (Price -9.6, FOREX -4.1)
<b>Cost reductions, etc.</b>	<b>2.7</b>	Cost reductions 0.8, Permanent machine shutdown at the Kushiro Mill and the Ishinomaki Mill 2.0, Coal reduction effect 0.7, Labor costs 0.0, Logistics costs -0.8
<b>Others</b>	<b>1.5</b>	Oversea business 0.1, Depreciation 0.5, Retirement benefit expenses 0.2, Inventory value adjustment, etc. 0.7
<b>Paper and paperboard business</b>	<b>-2.3</b>	
<b>Daily-life products business</b>	<b>-4.0</b>	Domestic -1.5 : Household paper and Healthcare -0.8, Package -0.3, Chemical -0.4 Overseas -2.5 : Opal 0.4, NDP -2.9
<b>Other businesses</b>	<b>-1.4</b>	Energy -0.8, Wood products and construction related 0.0, Others -0.6
<b>Operating income</b>	<b>-7.7</b>	
<b>Non-operating income</b>	<b>5.4</b>	Net financial cost 0.2, Equity in earnings of affiliates 1.1, FOREX 4.2, Others -0.1
<b>Ordinary income</b>	<b>-2.3</b>	



## Paper and paperboard business

(¥billion)

Net sales			Operating income		
1Q FY2022/3 Results	1Q FY2023/3 Results	Variance	1Q FY2022/3 Results	1Q FY2023/3 Results	Variance
131.1	132.0	0.9	0.1	-2.2	-2.3

### ● Domestic

- Domestic sales volume of paper decreased year on year due to sluggish demand.
- Domestic sales volume of paperboard remained flat year on year due to sluggish demand for industrial products, although demand for beverage-related products remained steady.
- Net sales increased year on year due to the effect of price increase.

Operating income was in the deficit due to higher prices of raw materials and fuel such as coal, wood chips, and wastepaper.

### ● Overseas

- Both Jujo Thermal and SNP slight increased profits year on year by implementing price increase for their products, despite the impact of higher raw material and fuel prices and maritime transport cost.



## Daily-life products business

(¥billion)

	Net sales			Operating income		
	1Q FY2022/3 Results	1Q FY2023/3 Results	Variance	1Q FY2022/3 Results	1Q FY2023/3 Results	Variance
Domestic	44.5	46.1	1.6	2.6	1.1	-1.5
Overseas	47.4	54.9	7.5	-1.2	-3.7	-2.5
<b>Daily-life products business total</b>	<b>91.9</b>	<b>101.0</b>	<b>9.1</b>	<b>1.4</b>	<b>-2.6</b>	<b>-4.0</b>

### ● Domestic

- The impact of higher prices for raw materials and fuels such as pulp, coal, and liquid packaging boards was ¥-3.9 billion.
- Net sales increased year on year due to the impact of the effect of price increase in the previous fiscal year and an increase in sales volume of household products and other products. But operating income decreased year on year.

### ● Overseas

- Opal has realized synergy effect as expected, and the deficit decreased year on year. But Opal's operating income fell short of the plan due to higher raw material and fuel prices and higher logistics costs caused by disruptions in marine transportation.
- Nippon Dynawave Packaging (NDP) decreased profits year on year due to the suspension of operations, and lower sales volume resulting from disruptions in marine transportation.



## Energy business

(¥billion)

Net sales			Operating income		
1Q FY2022/3 Results	1Q FY2023/3 Results	Variance	1Q FY2022/3 Results	1Q FY2023/3 Results	Variance
6.4	8.2	1.8	0.5	-0.3	-0.8

- Net sales increased and operating income decreased due to the impact of higher coal prices.

## Wood products and construction related business

(¥billion)

Net sales			Operating income		
1Q FY2022/3 Results	1Q FY2023/3 Results	Variance	1Q FY2022/3 Results	1Q FY2023/3 Results	Variance
14.2	16.7	2.5	1.9	1.9	0.0

- Domestic raw wood sales volume remained firm amid tight global demand for lumber. Operating income was almost the same level as from the previous year.



## Consolidated Statement

(¥billion)

	FY2022/3 Results	FY2023/3 Forecast	Variance	
			Amount	%
Net sales	1,045.1	1,100.0	54.9	5.3%
Operating income	12.1	-20.0	-32.1	-
Ordinary income	14.5	-20.0	-34.5	-
Net income *	2.0	-25.0	-27.0	-

\* Profit attributable to owners of parent

- We expect raw material and fuel prices, including coal, and logistics costs to remain high through the end of the current fiscal year.  
We will promote more in-depth efforts to return to profitability in the next fiscal year and beyond.
- We have determined that our first priority is to secure liquidity on hand and improve the soundness of our financial base, and will not pay a dividend for current fiscal year.





## Results by Segment

(¥billion)

	Net sales			Operating income		
	FY2022/3 Results	FY2023/3 Forecast	Variance	FY2022/3 Results	FY2023/3 Forecast	Variance
<b>Paper and paperboard</b>	532.1	540.0	7.9	-5.6	-35.0	-29.4
<b>Daily-life products</b>	386.5	420.0	33.5	4.8	6.0	1.2
<b>Energy</b>	31.8	40.0	8.2	1.6	0.0	-1.6
<b>Wood products and construction related</b>	64.5	70.0	5.5	7.6	7.0	-0.6
<b>Others</b>	30.2	30.0	-0.2	3.7	2.0	-1.7
<b>Total</b>	1,045.1	1,100.0	54.9	12.1	-20.0	-32.1



## Major assumptions

### ■ Annual decline in domestic sales volume (YoY)

	1st Half	2nd Half	Full year
<b>Newsprint</b>	<b>-4%</b>	<b>-9%</b>	<b>-7%</b>
<b>Printing</b>	<b>-12%</b>	<b>-10%</b>	<b>-11%</b>
<b>Business communication</b>	<b>-6%</b>	<b>-6%</b>	<b>-6%</b>
<b>Containerboard</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

### ■ Major raw material prices and FOREX

	Full year
<b>FOREX (USD)</b>	<b>JPY 130/USD</b>
<b>FOREX sensitivity</b>	<b>+800 million yen/year due to 1 yen appreciation against USD</b>
<b>Coal</b>	<b>USD 380/t (Australian coal benchmark price)</b>
<b>Crude oil</b>	<b>USD 110/BL (Dubai)</b>
<b>Wastepaper</b>	<b>Considering current price trends</b>



## FY2023/3 Forecast vs. FY2022/3 Variance Analysis

(¥billion)

<b>Volume, Sales Price</b>	<b>41.5</b>	-
<b>Raw material and fuel prices</b>	<b>-93.3</b>	Wood chips -13.2, Wastepaper -13.3, Pulp -0.6, Oil -1.0, Coal -43.3, LNG -4.6, Chemicals, etc. -17.3 (Price -77.3, FOREX -16.0)
<b>Cost reductions, etc.</b>	<b>12.8</b>	Cost reductions 5.2, Permanent machine shutdown at the Kushiro Mill and the Ishinomaki Mill 4.1, Coal reduction effect 5.6, Labor costs 0.2, Logistics costs -2.3
<b>Others</b>	<b>9.6</b>	Oversea business 0.7, Depreciation 1.7, Retirement benefit expenses 0.8, Inventory value adjustment , etc. 6.4
<b>Paper and paperboard business</b>	<b>-29.4</b>	
<b>Daily-life products business</b>	<b>1.2</b>	Domestic -1.9 : Household paper and Healthcare -0.9, Package -0.2, Chemical -0.8 Overseas 3.1 : Opal 4.0, NDP -0.9
<b>Other businesses</b>	<b>-3.9</b>	Energy -1.6, Wood products and construction related -0.6, Others -1.7
<b>Operating income</b>	<b>-32.1</b>	
<b>Non-operating income</b>	<b>-2.4</b>	Net financial cost 0.2, Equity in earnings of affiliates -1.1, FOREX 0.1, Others -1.6
<b>Ordinary income</b>	<b>-34.5</b>	

# REFERENCE MATERIALS

---

# Sales Volume(Paper & Paperboard) \*



('000 tonnes)

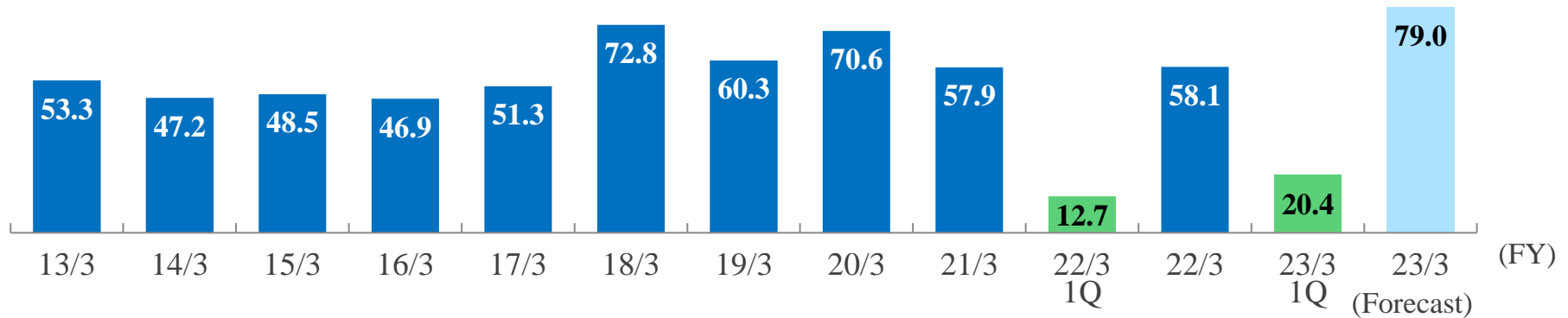
	1Q FY22/3	1Q FY23/3	against 1Q FY22/3
<b>Newsprint</b>	139	148	5.9%
<b>Printing paper</b>	290	252	-13.3%
<b>Business communication paper</b>	109	102	-6.8%
<b>Others</b>	81	79	-3.0%
<b>Domestic sales (paper)</b>	620	580	-6.5%
<b>Export (paper)</b>	67	65	-3.8%
<b>Paper total</b>	687	644	-6.2%
<b>Containerboard</b>	417	415	-0.6%
<b>Folding box board and others</b>	81	83	2.3%
<b>Domestic sales (paperboard)</b>	498	498	-0.2%
<b>Export (paperboard)</b>	56	42	-24.4%
<b>Paperboard total</b>	555	540	-2.6%
<b>Grand total (paper and paperboard)</b>	1,242	1,184	-4.6%

- 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)



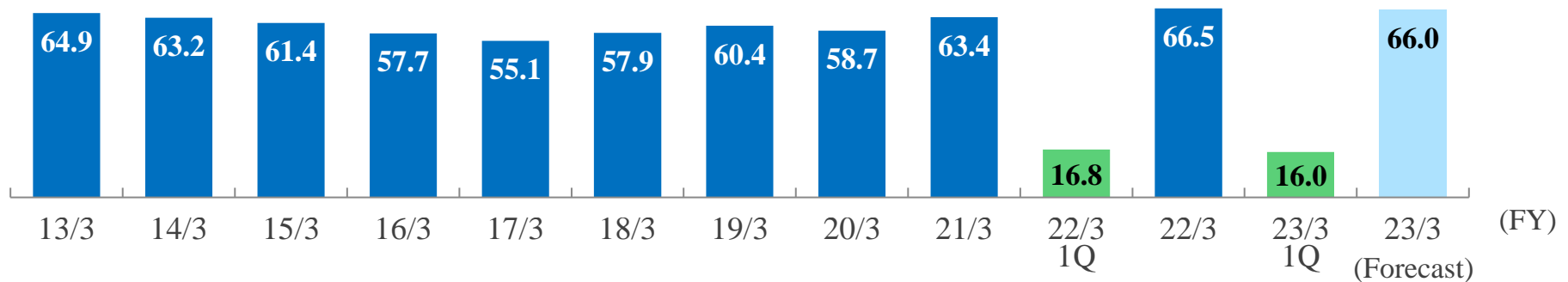
## Capital expenditure

(¥billion)



## Depreciation

(¥billion)



# Net sales Trends by Segment



(¥billion)

	FY2022/3 Results				FY2023/3	
	1Q	2Q	3Q	4Q	1Q	Full year forecast
<b>Paper and paperboard</b>	131.1	130.3	134.6	136.1	132.0	540.0
<b>Daily-life products</b>	91.9	97.8	98.3	98.5	101.0	420.0
<b>Energy</b>	6.4	8.4	7.9	9.1	8.2	40.0
<b>Wood products and construction related</b>	14.2	14.3	17.0	19.0	16.7	70.0
<b>Others</b>	6.9	7.1	7.8	8.4	6.9	30.0
<b>Total</b>	250.5	257.9	265.6	271.1	264.8	1,100.0

# Operating income Trends by Segment



(¥billion)

	FY2022/3 Results				FY2023/3	
	1Q	2Q	3Q	4Q	1Q	Full year forecast
<b>Paper and paperboard</b>	0.1	-0.3	-2.0	-3.4	-2.2	-35.0
<b>Daily-life products</b>	1.4	0.4	1.4	1.6	-2.6	6.0
<b>Energy</b>	0.5	0.6	0.2	0.3	-0.3	0.0
<b>Wood products and construction related</b>	1.9	1.6	2.1	2.0	1.9	7.0
<b>Others</b>	0.9	1.0	0.6	1.2	0.3	2.0
<b>Total</b>	4.8	3.3	2.3	1.7	-2.9	-20.0





## ■Progress on main challenges in FY2023/3

### 1. Accelerating the coal usage reduction

- Reduction of coal usage from the first quarter compared to the original plan
- Promoting further reduction of coal usage

### 2. Restructuring Paper business

- Promoting measures to reduce costs and improve production efficiency
- New production reorganization plan under consideration

### 3. Improving Opal's profitability

- Price increase in progress
- One paper machine is converted from printing paper to containerboard and kraft pulp paper
- New corrugated box plant under construction

## ■Price increase (only those announced after June 2022)

	Contents	Implementation period
Paper	Printing paper: 15% or more, Business communication paper: 15% or more	August 1, 2022
Paperboard	Containerboard: 15 yen/kg, Specialty paper : 15% or more	September 1, 2022
Paper-pak	NP-PAKs : 12% or more, FUJIPAKs: 10% or more	October 1, 2022

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

('000 tonnes)

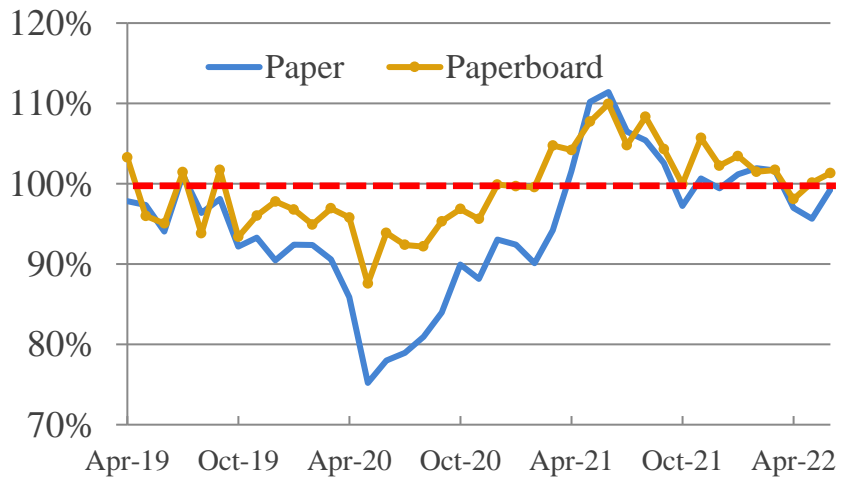
1Q FY2023/3	Domestic shipments		Exports		Imports	
	volume	against 1Q FY22/3	volume	against 1Q FY22/3	volume	against 1Q FY22/3
<b>Newsprint</b>	458	-5.4%	0	—	0	-28.0%
<b>Printing &amp; business communication paper</b>	1,327	-4.1%	148	2.3%	135	-24.1%
<b>Coated paper *</b>	704	-1.8%	114	1.1%	21	-66.9%
<b>Uncoated paper</b>	351	-8.7%	27	5.8%	4	-47.5%
<b>Business communication paper</b>	273	-3.9%	7	8.2%	110	3.6%
<b>Other papers</b>	769	1.7%	68	-16.1%	13	-5.0%
<b>Paper total</b>	2,555	-2.7%	216	-4.3%	149	-22.7%
<b>Containerboard</b>	2,292	-0.3%	258	-4.2%	14	53.9%
<b>Folding box board and others</b>	510	0.4%	15	0.2%	65	-2.2%
<b>Paperboard total</b>	2,803	-0.2%	273	-4.0%	79	4.5%
<b>Paper and paperboard total</b>	5,357	-1.4%	489	-4.1%	228	-15.0%

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

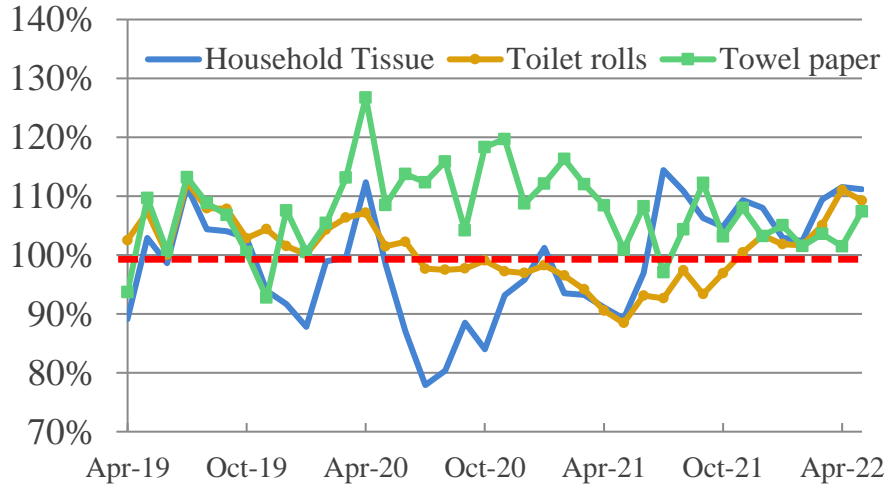
Source: Japan Paper Association, Trade Statics of Japan 18



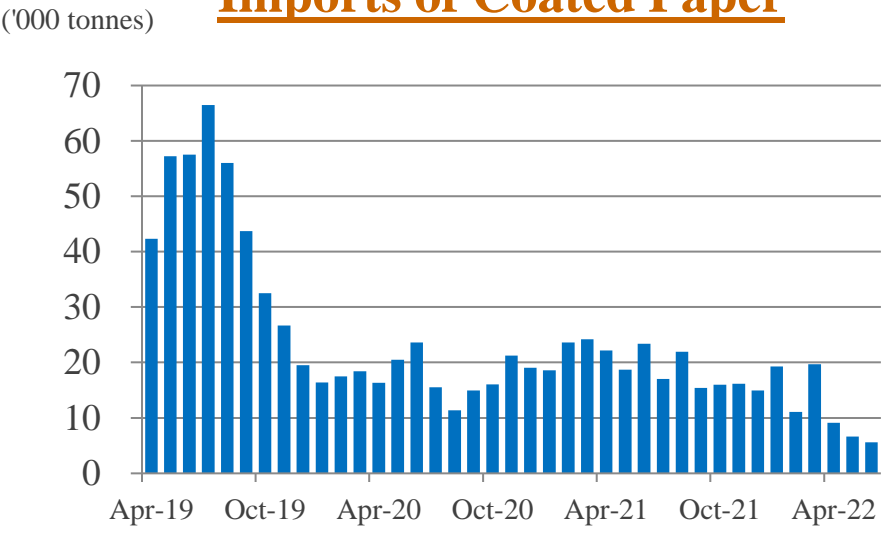
**Domestic shipment of paper industry(YOY)**



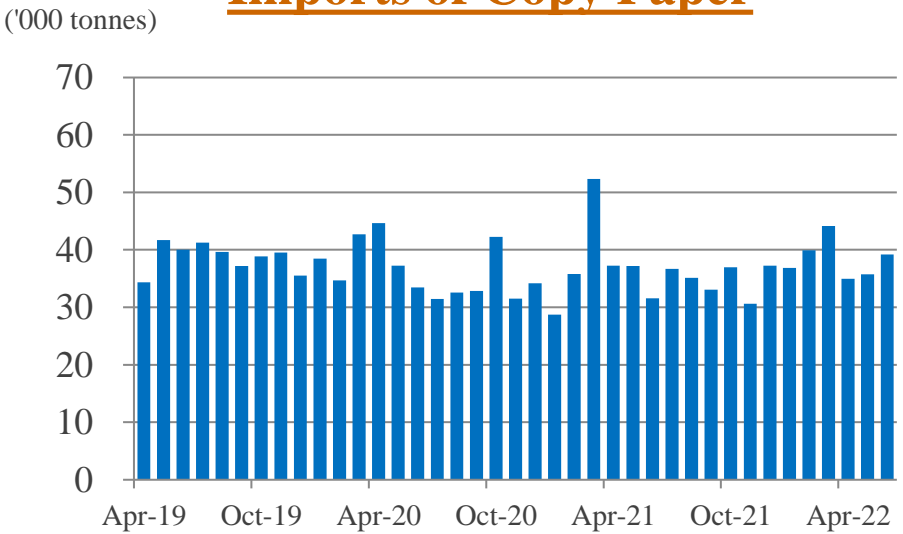
**Production of sanitary paper (YOY)**



**Imports of Coated Paper**



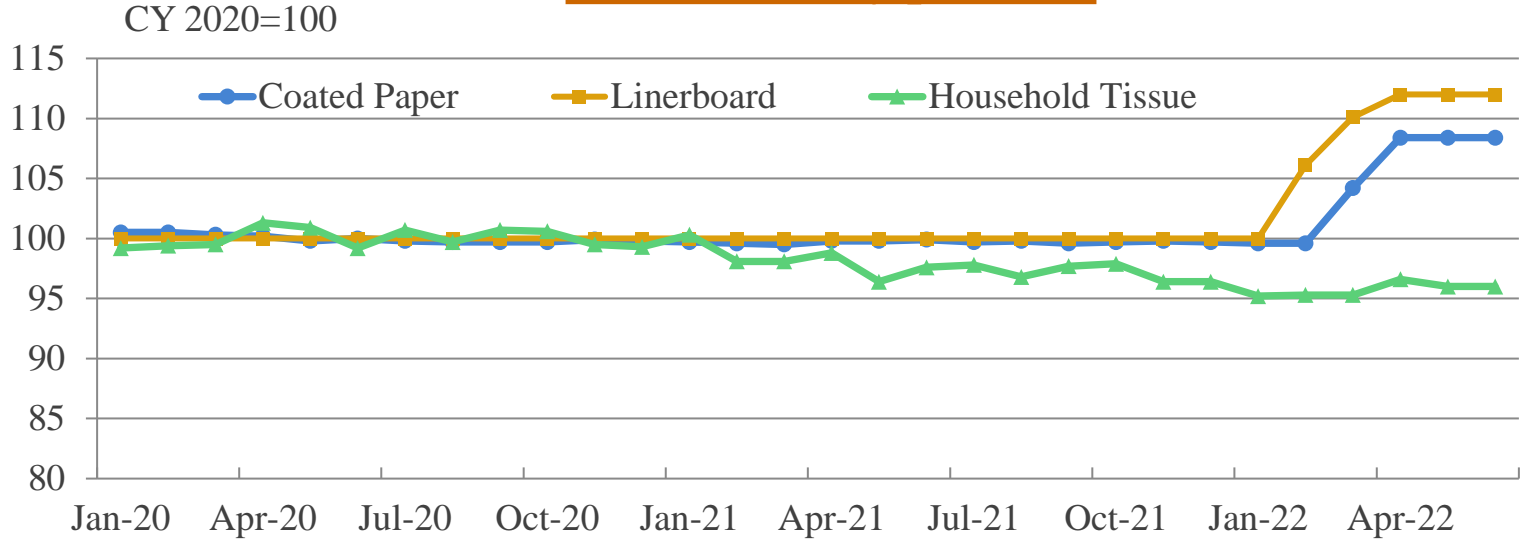
**Imports of Copy Paper**



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

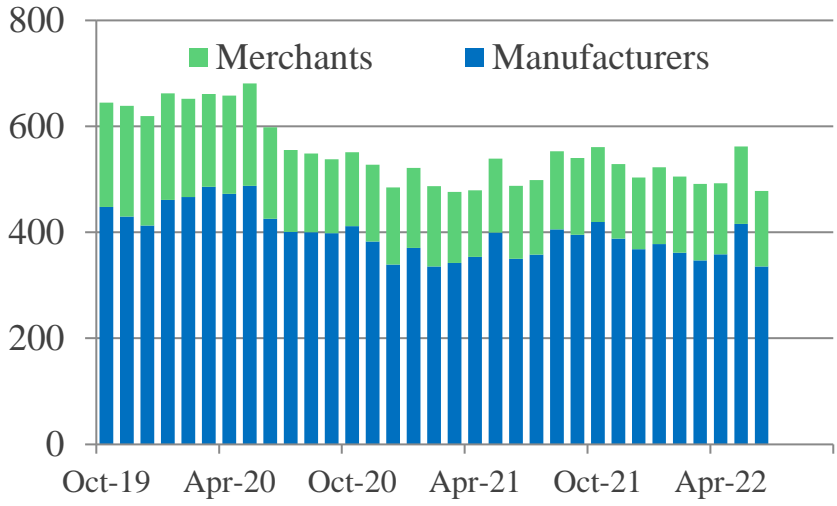


### Price trends by products



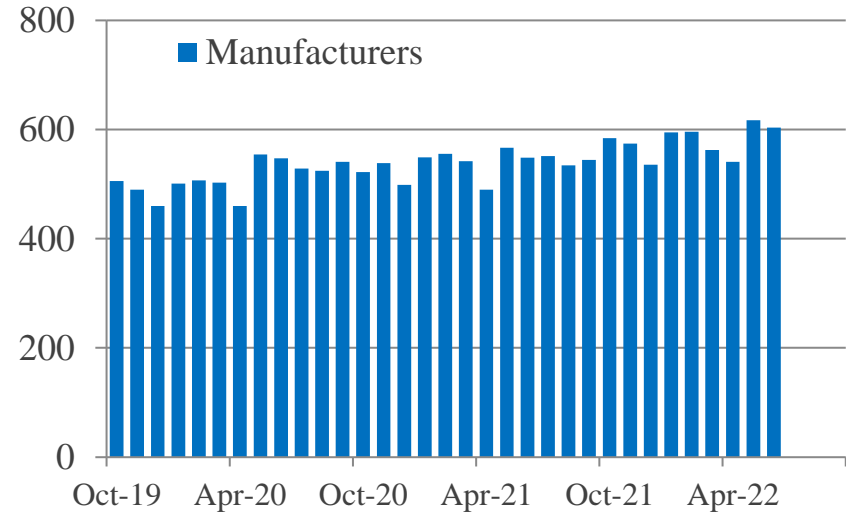
### Coated paper inventory

('000 tonnes)



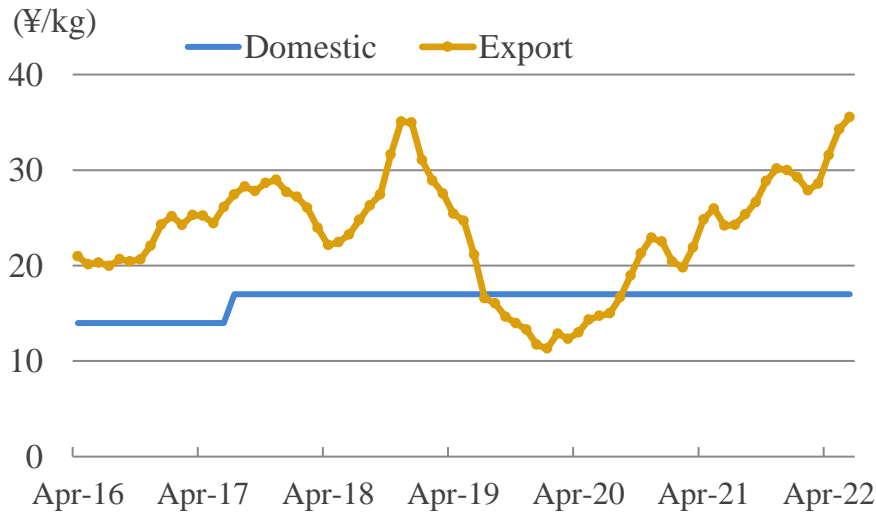
### Containerboard inventory

('000 tonnes)

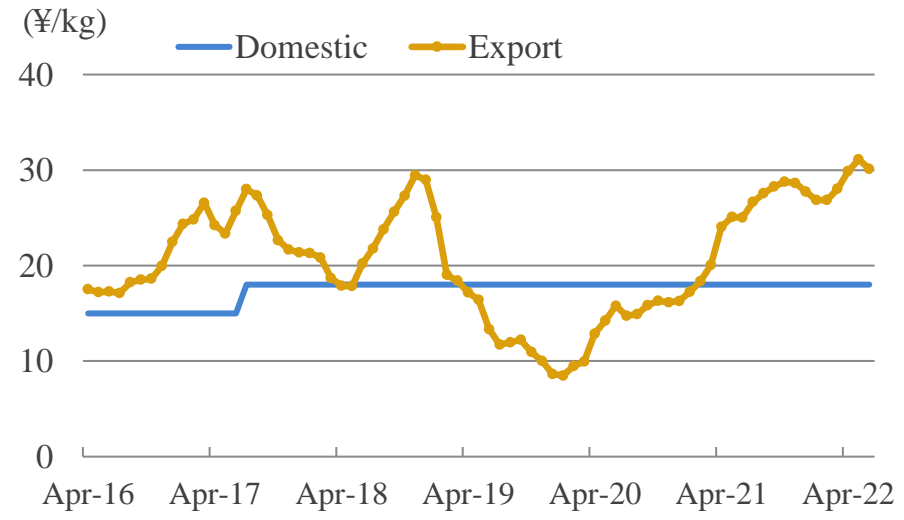




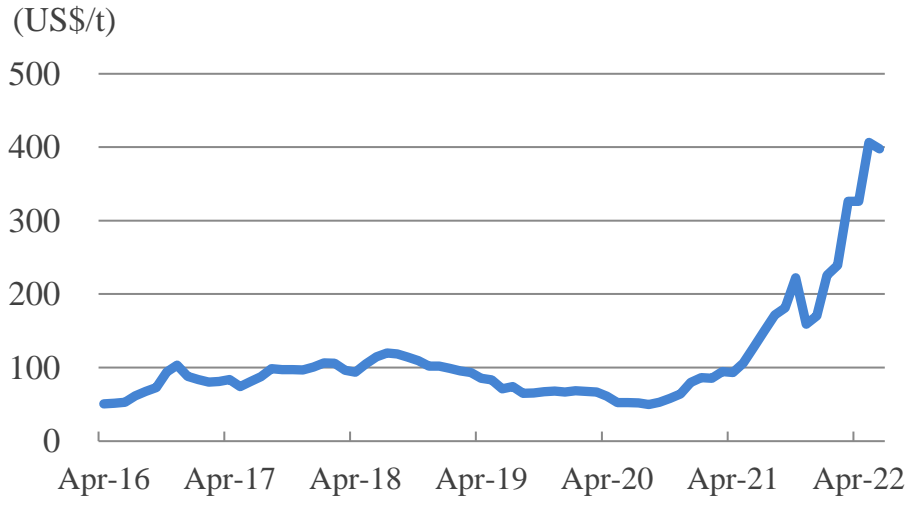
**ONP**



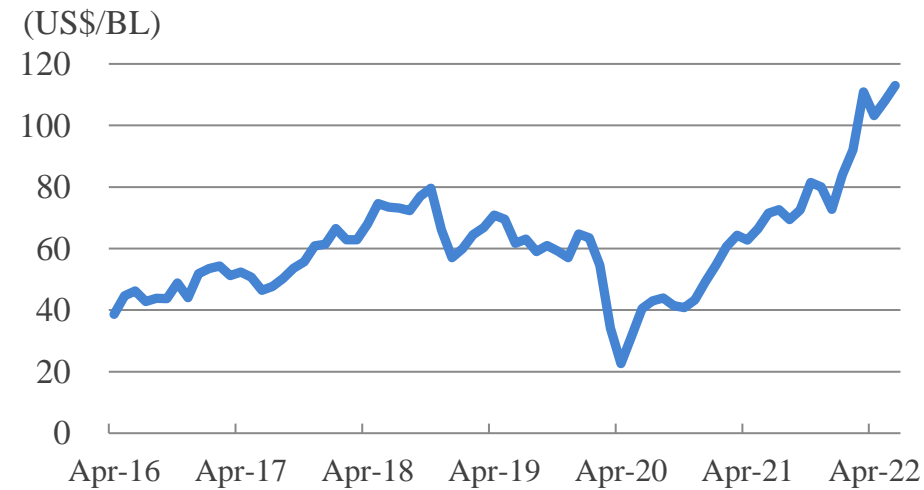
**OCC**



**Coal**



**Crude oil**





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

<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.**