

1ST QUARTER FY2024/3 FINANCIAL REVIEW

August 7, 2023

Consolidated Statement

(¥billion)

	1Q FY2023/3 Results	1Q FY2024/3 Results	Variance	
			Amount	%
Net sales	264.8	287.4	22.6	8.6%
Operating income	-2.9	0.8	3.7	—
Ordinary income	1.2	0.4	-0.8	-70.5%
Net income *	-8.2	-5.3	2.9	—

* Profit attributable to owners of parent

- Net sales increased year-on-year because of price revisions and other factors.
- Operating income returned to profitability due to the contribution of cost reductions and price revision effects for products.
- 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.



Results by Segment

(¥billion)

	Net sales			Operating income		
	1Q FY2023/3 Results	1Q FY2024/3 Results	Variance	1Q FY2023/3 Results	1Q FY2024/3 Results	Variance
Paper and Paperboard	132.0	143.3	11.3	-2.2	0.2	2.4
Daily-Life Products	101.0	106.8	5.8	-2.6	-2.3	0.3
Energy	8.2	13.7	5.5	-0.3	0.5	0.8
Wood Products and Construction Related	16.7	16.7	0.0	1.9	2.3	0.4
Others	6.9	6.9	0.0	0.3	0.1	-0.2
Total	264.8	287.4	22.6	-2.9	0.8	3.7



Variance Analysis

(¥billion)

		Paper and Paperboard Business		Daily-Life Products Business	
Volume, Sales Price	22.7	18.5	—	4.2	—
Raw material and fuel prices	-19.8	-16.1	Wood chips -3.5, Wastepaper -1.2, Pulp -0.2, Oil -0.2, Coal -5.3, LNG -0.3, Chemicals, etc. -5.4 (Price -12.9, FOREX -3.2)	-3.7	Pulp -1.1, Wood chips -0.3, LNG -0.1, Chemicals, etc. -2.2
Cost reductions, etc.	4.1	3.9	Cost reductions 2.2, Permanent machines' shutdown at the Akita Mill and the Ishinomaki Mill 0.4, Labor costs 0.7, Logistics costs 0.6	0.2	—
Others	-4.3	-3.9	Overseas business -1.2, Depreciation 0.6, Retirement benefit expenses 0.3, Inventory value adjustment, etc. -3.6	-0.4	Overseas business 0.0, Inventory value adjustment, etc. -0.4
Total	2.7	2.4	Domestic 3.6, Overseas -1.2	0.3	Domestic 0.3, Overseas 0.0
Other businesses	1.0	Energy 0.8, Wood Products and Construction Related 0.4, Others -0.2			
Operating income	3.7				
Non-operating income	-4.5	Net financial cost -0.5, Equity in earnings of affiliates -1.0, FOREX -2.0, Others -1.0			
Ordinary income	-0.8				



Paper and Paperboard Business

(¥billion)

Net sales			Operating income		
1Q FY2023/3 Results	1Q FY2024/3 Results	Variance	1Q FY2023/3 Results	1Q FY2024/3 Results	Variance
132.0	143.3	11.3	-2.2	0.2	2.4

- Domestic
 - Domestic sales volume of paper and paperboard products decreased year-on-year due to sluggish demand.
 - Despite continued cost increases due to higher prices for raw materials and fuels such as coal and wood chips, operating income returned to profitability by the effects of cost reductions and the contribution of product price revisions.
- Overseas
 - Operating loss was recorded at Jujo Thermal (JTOy) due to sluggish demand for thermal paper in Europe and higher prices for raw materials and fuels.



Daily-Life Products Business

(¥billion)

	Net Sales			Operating Income			
	1Q FY2023/3 Results	1Q FY2024/3 Results	Variance	1Q FY2023/3 Results	1Q FY2024/3 Results	Variance	
Domestic	46.1	50.3	4.2	1.1	1.4	0.3	Package 0.7, Chemical -0.9, Household paper and Healthcare 0.5
Overseas	54.9	56.5	1.6	-3.7	-3.7	0.0	Opal -2.5, NDP 2.5, TSP 0.0
Total	101.0	106.8	5.8	-2.6	-2.3	0.3	

- Domestic
 - Sales volumes of toilet paper rolls and healthcare products increased.
 - Sales volumes of functional films, functional coating resins, and liquid-packaging cartons decreased.
 - Despite the impact of soaring raw materials and fuels prices, the effect of product price revisions was realized. As a result, net sales and operating income increased.
- Overseas
 - Opal recorded lower earnings year-on-year due to decrease in sales volume by withdrawal from graphic paper business.
 - Nippon Dynawave Packaging (NDP) increased its earnings year-on-year due to a maintenance outage and others in 1Q of FY2023/3. (In FY2024/3, maintenance outage and others in 2Q)



Energy business

(¥billion)

Net sales			Operating income		
1Q FY2023/3 Results	1Q FY2024/3 Results	Variance	1Q FY2023/3 Results	1Q FY2024/3 Results	Variance
8.2	13.7	5.5	-0.3	0.5	0.8

- Both net sales and operating income increased due to Yufutsu Energy Center starting commercial operations and higher electricity prices and other factors.

Wood Products and Construction Related Business

(¥billion)

Net sales			Operating income		
1Q FY2023/3 Results	1Q FY2024/3 Results	Variance	1Q FY2023/3 Results	1Q FY2024/3 Results	Variance
16.7	16.7	0.0	1.9	2.3	0.4

- Although the sales volume of logs and building materials declined year-on-year due to a decrease in the number of new housing starts, the volume of fuel wood chips handled increased. As a result, net sales and operating income increased.

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

- The forecast for FY2024/3 has not changed since the release of May 15.

REFERENCE MATERIALS



Results by Business

(¥billion)

	Net sales			Operating income		
	FY2023/3 Results	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 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			

Sales Volume(Paper & Paperboard) *



('000 tonnes)

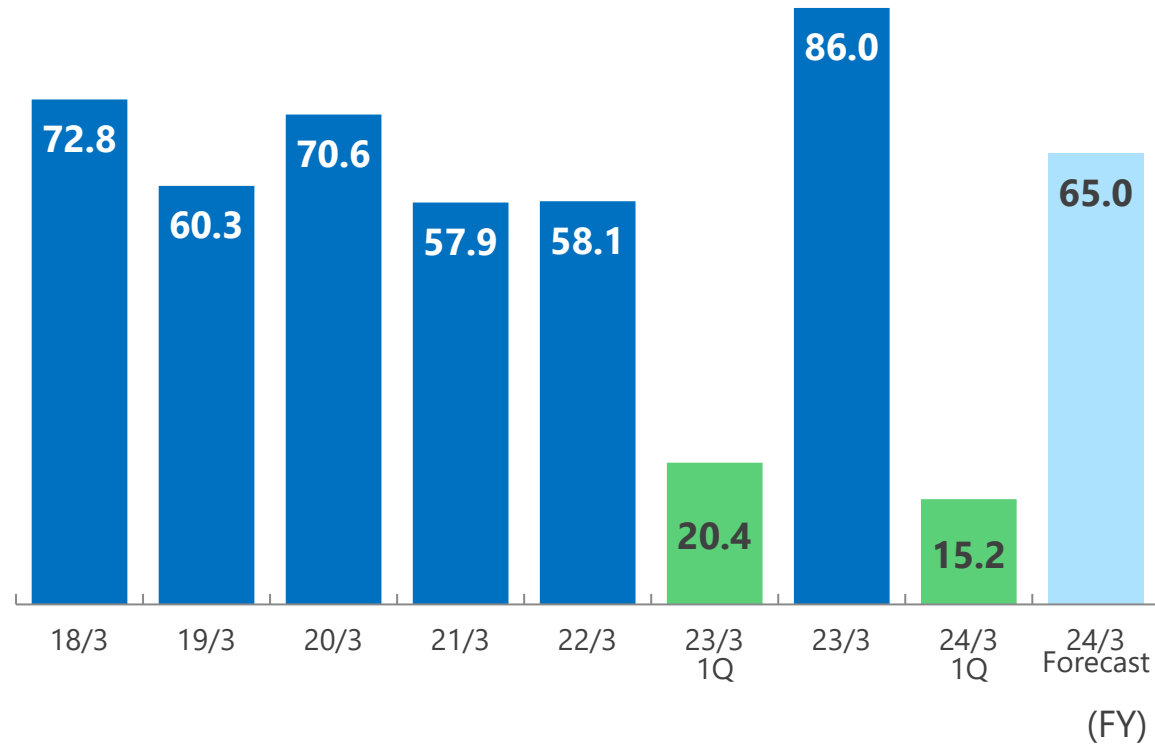
	1Q FY2023/3	1Q FY2024/3	against 1Q FY23/3
Newsprint	148	136	-7.8%
Printing paper	252	236	-6.1%
Business communication paper	102	96	-5.4%
Others	79	73	-7.1%
Domestic sales (paper)	580	542	-6.6%
Export (paper)	65	40	-38.6%
Paper total	644	581	-9.8%
Container board	415	400	-3.6%
Paperboard for paper container and others	83	81	-2.6%
Domestic sales (paperboard)	498	481	-3.4%
Export (paperboard)	42	32	-25.4%
Paperboard total	540	512	-5.1%
Grand total (paper and paperboard)	1,184	1,094	-7.7%

* 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)



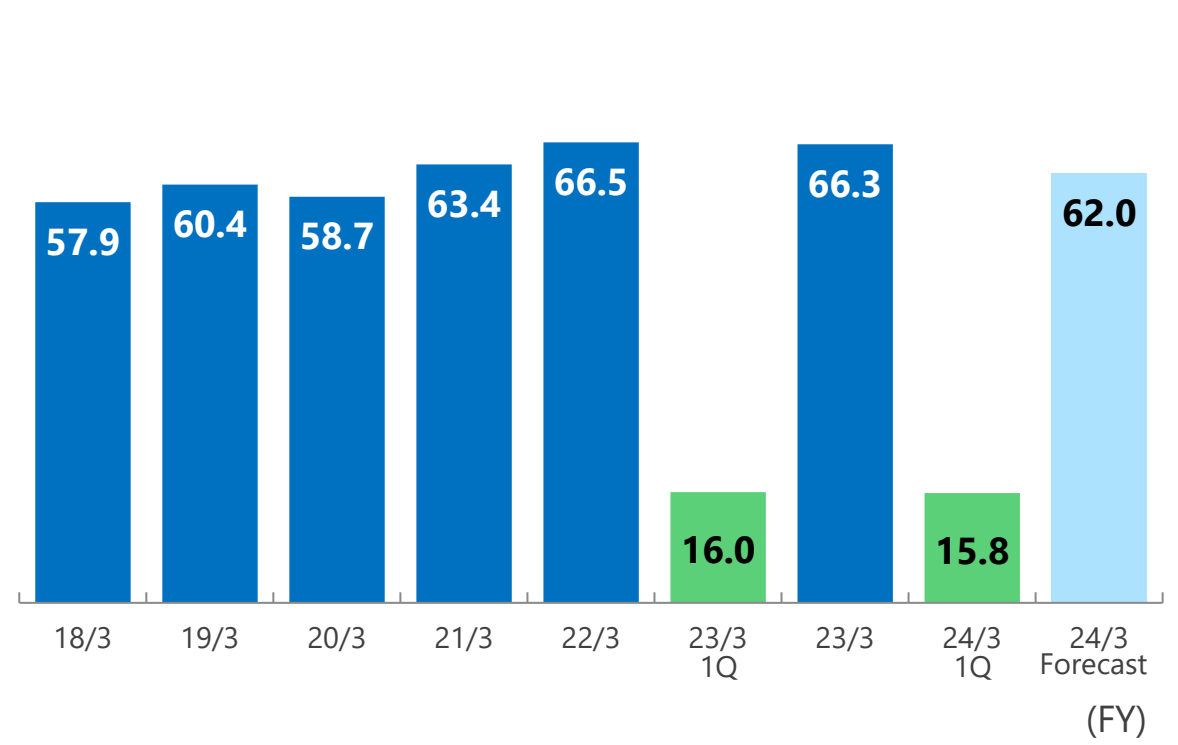
Capital expenditure *

(¥billion)



Depreciation

(¥billion)



* Construction in progress Recorded basis

Net Sales Trends by Business Segment



(¥billion)

	FY2023/3 Results				FY2024/3	
	1Q	2Q	3Q	4Q	1Q	Full year forecast
Paper and Paperboard	132.0	139.4	144.8	147.0	143.3	615.0
Daily-Life Products	101.0	111.3	116.2	111.6	106.8	441.0
Energy	8.2	11.5	12.5	17.7	13.7	68.0
Wood Products and Construction Related	16.7	16.7	17.4	18.1	16.7	75.0
Others	6.9	7.2	7.6	8.8	6.9	31.0
Total	264.8	286.1	298.5	303.2	287.4	1,230.0



Operating Oncome Trends by Business Segment

(¥billion)

	FY2023/3 Results				FY2024/3	
	1Q	2Q	3Q	4Q	1Q	Full year forecast
Paper and Paperboard	-2.2	-7.7	-12.1	-7.2	0.2	9.0
Daily-Life Products	-2.6	-2.7	-1.3	-1.2	-2.3	1.0
Energy	-0.3	-1.6	-0.3	0.5	0.5	3.0
Wood Products and Construction Related	1.9	2.0	2.4	2.6	2.3	7.0
Others	0.3	0.9	0.5	1.2	0.1	4.0
Total	-2.9	-9.1	-10.8	-4.1	0.8	24.0

Domestic Shipment Volume and Import / Export (Paper& Paperboard, 1Q FY2024/3 Results)

('000 tonnes)

	Domestic shipments		Exports		Imports	
	volume	against 1Q FY23/3	volume	against 1Q FY23/3	volume	against 1Q FY23/3
Newsprint	413	-9.7%	0	—	0	25.8%
Printing & business communication paper	1,246	-6.4%	110	-25.8%	133	-1.6%
Coated paper *	665	-5.6%	85	-25.5%	28	32.8%
Uncoated paper	326	-7.8%	20	-24.3%	3	-39.9%
Business communication paper	255	-6.6%	5	-35.0%	102	-6.7%
Other papers	730	-5.6%	56	-17.3%	11	-14.0%
Paper total	2,389	-6.8%	166	-23.1%	145	-2.6%
Containerboard	2,228	-2.8%	182	-29.4%	5	-66.4%
Folding box board and others	494	-3.3%	10	-34.1%	54	-17.6%
Paperboard total	2,722	-2.9%	192	-29.7%	59	-26.2%
Paper and paperboard total	5,111	-4.7%	358	-26.8%	203	-10.8%

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

Source: Japan Paper Association, Trade Statistics of Japan

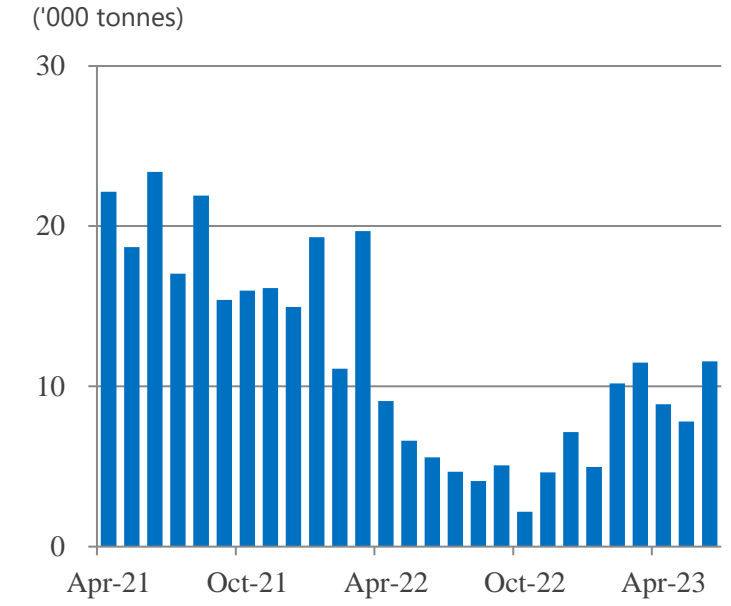
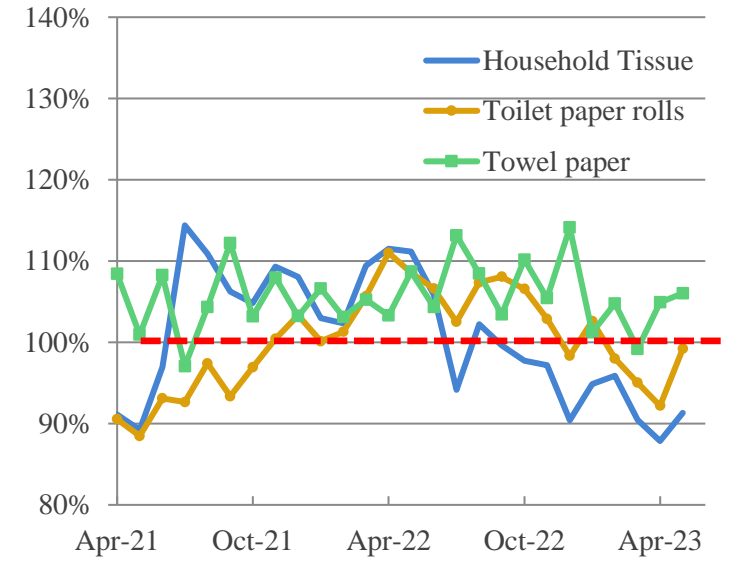
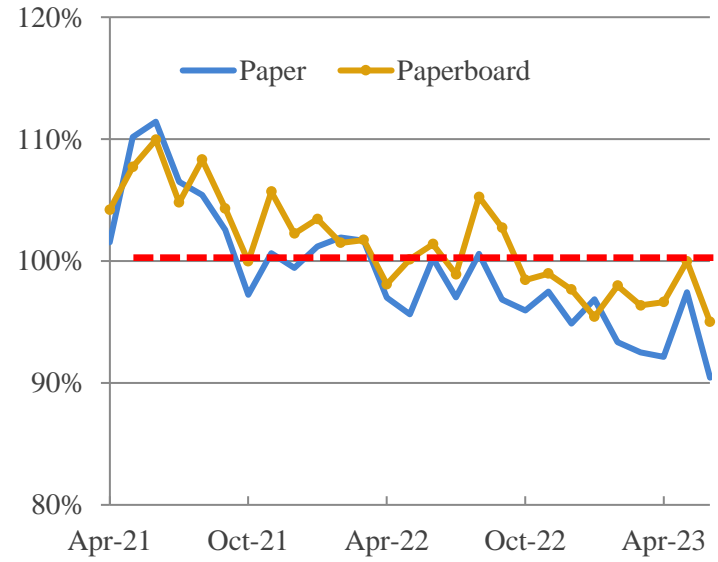


Reference (Domestic)

Domestic shipment of paper industry (YOY)

Production of sanitary paper (YOY)

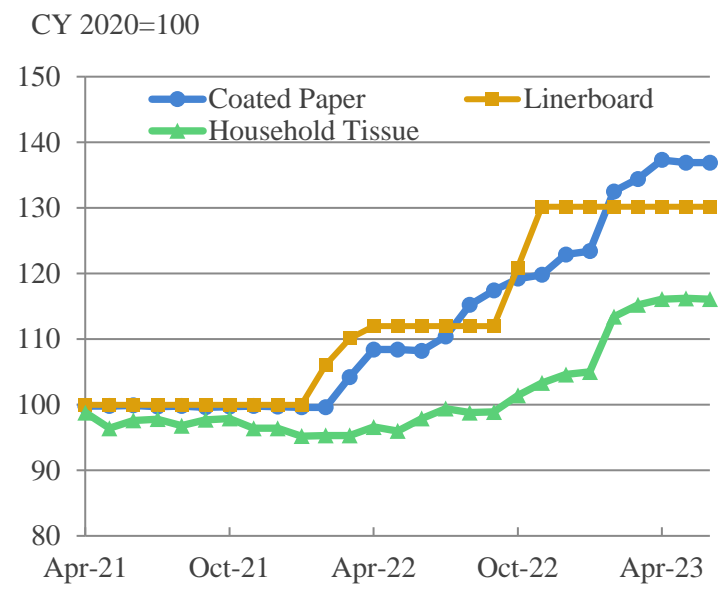
Imports of Coated Paper



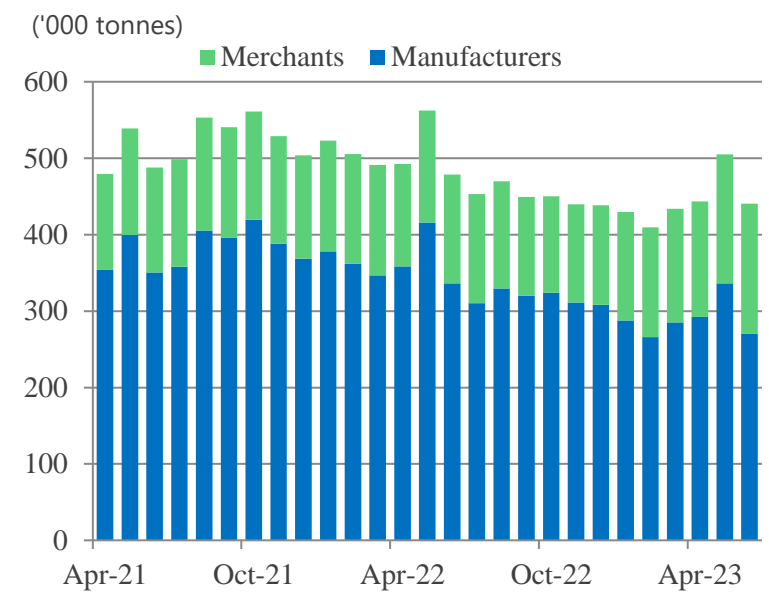
Source: Japan Paper Association, Current Survey of Production by the Ministry of Economy, Trade Statistics of Japan



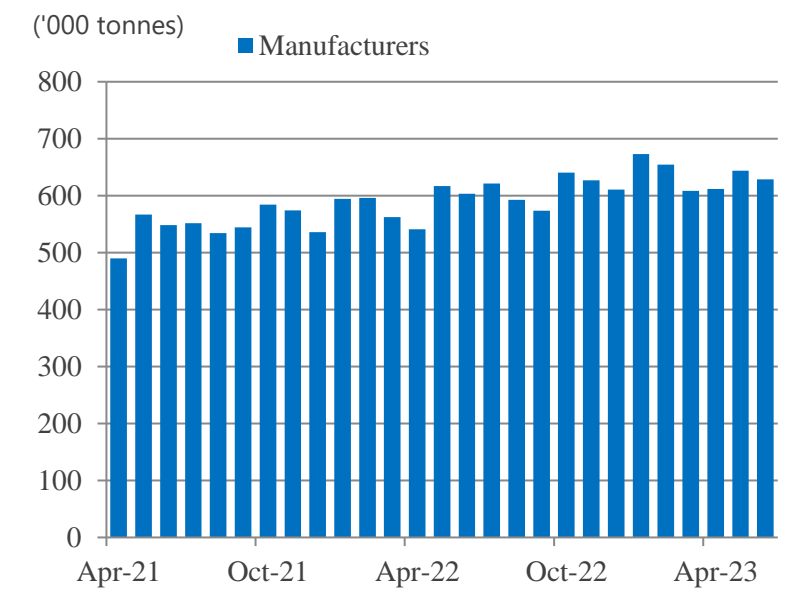
Price trends by products



Coated paper inventory



Containerboard inventory

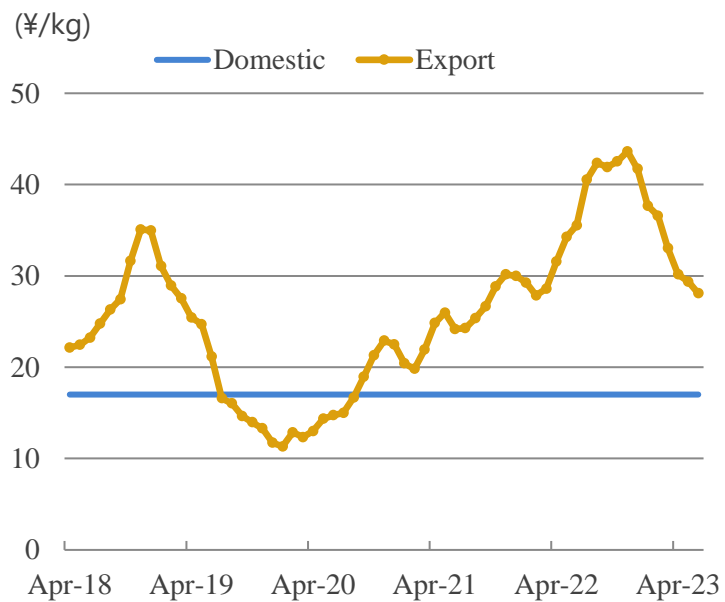


Source: Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

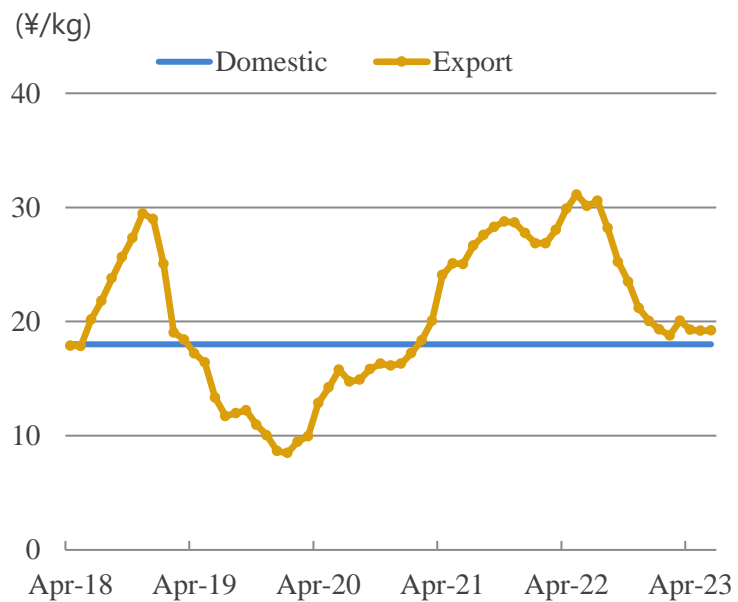


Reference (Domestic, Global)

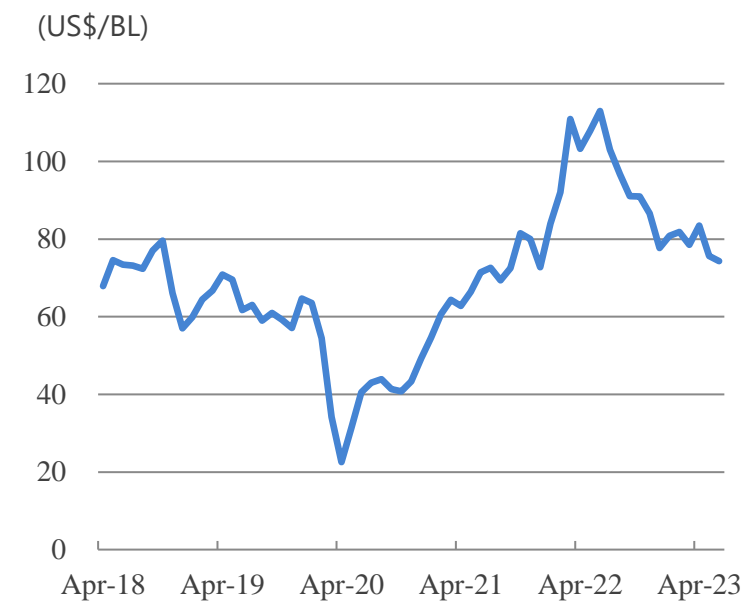
ONP



OCC



Crude oil



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



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