

1ST HALF FY2017/3 FINANCIAL REVIEW

Investor Meeting on November 2, 2016

NIPPON PAPER INDUSTRIES CO.,LTD.



Shaping the Future with Trees

1st Half FY2017/3 Review

(April 1, 2016 – September 30, 2016)

1. Business Environment

2. Financial Results

FY2017/3 Forecast

(April 1, 2016 – March 31, 2017)

3. FY2017/3 Earnings Forecast

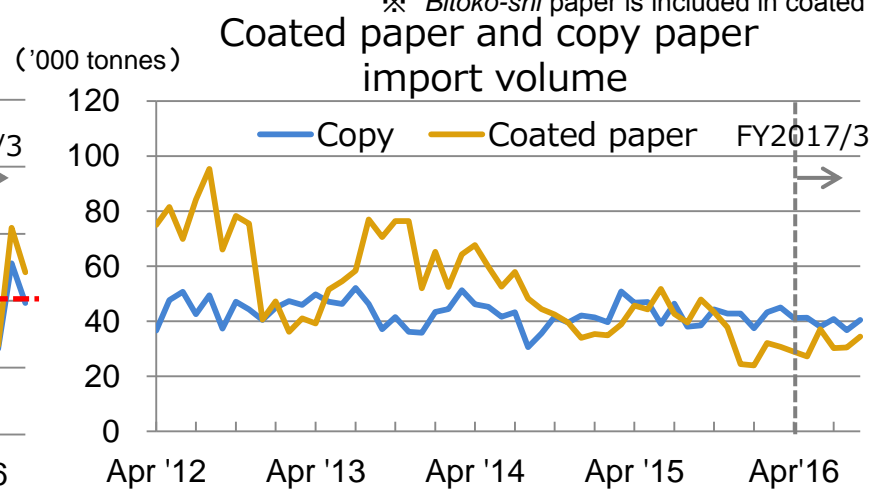
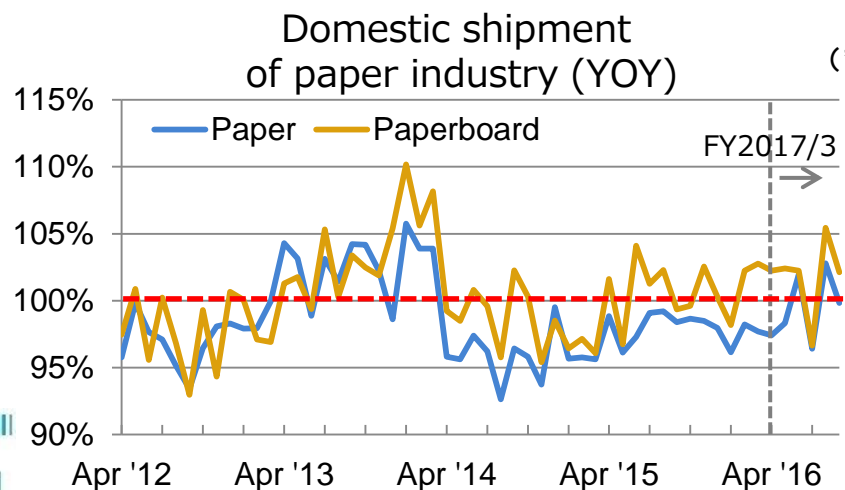


1. Business Environment: *Industry Data (domestic shipment, exports, and imports)*

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

		Apr '16 - Sep '16				volume: '000 tonnes	
		Domestic shipments		Exports		Imports	
		volume	YOY	volume	YOY	volume	YOY
	Newsprint	1,435	-3.0%	0	-67.3%	7	-70.5%
	Printing & business communication paper	3,698	-0.4%	345	10.1%	498	-16.7%
	Coated paper *	2,092	-1.0%	265	4.4%	188	-30.7%
	Uncoated & specialty printing paper	956	-0.6%	57	34.3%	71	0.8%
	Business communication paper	651	1.8%	23	33.4%	239	-6.7%
	Other papers (packaging, sanitary and other miscellaneous uses)	1,588	1.7%	137	26.9%	19	1.0%
Paper total		6,721	-0.5%	482	14.2%	525	-18.2%
	Container board	4,498	2.0%	189	22.1%	22	-21.5%
	Folding box board and others	1,074	0.9%	11	-14.6%	138	-2.9%
Paperboard total		5,572	1.8%	200	19.3%	160	-5.9%
Paper and paperboard total		12,293	0.5%	681	15.7%	684	-15.6%

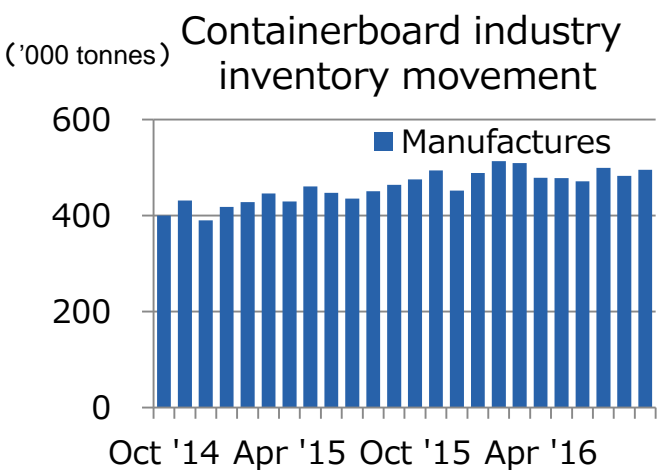
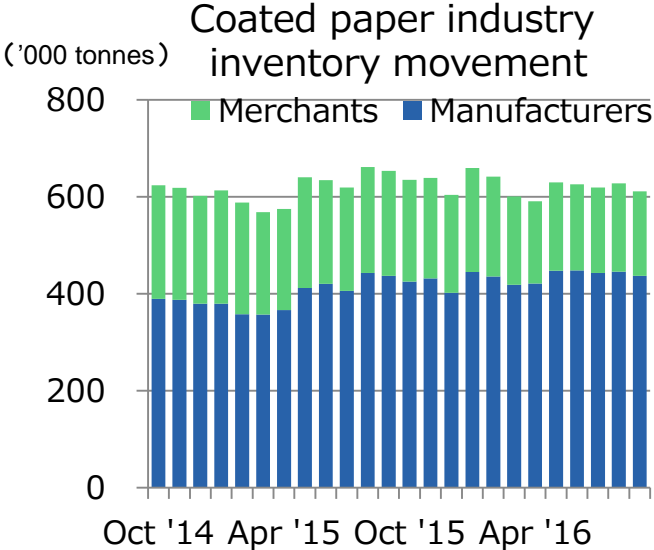
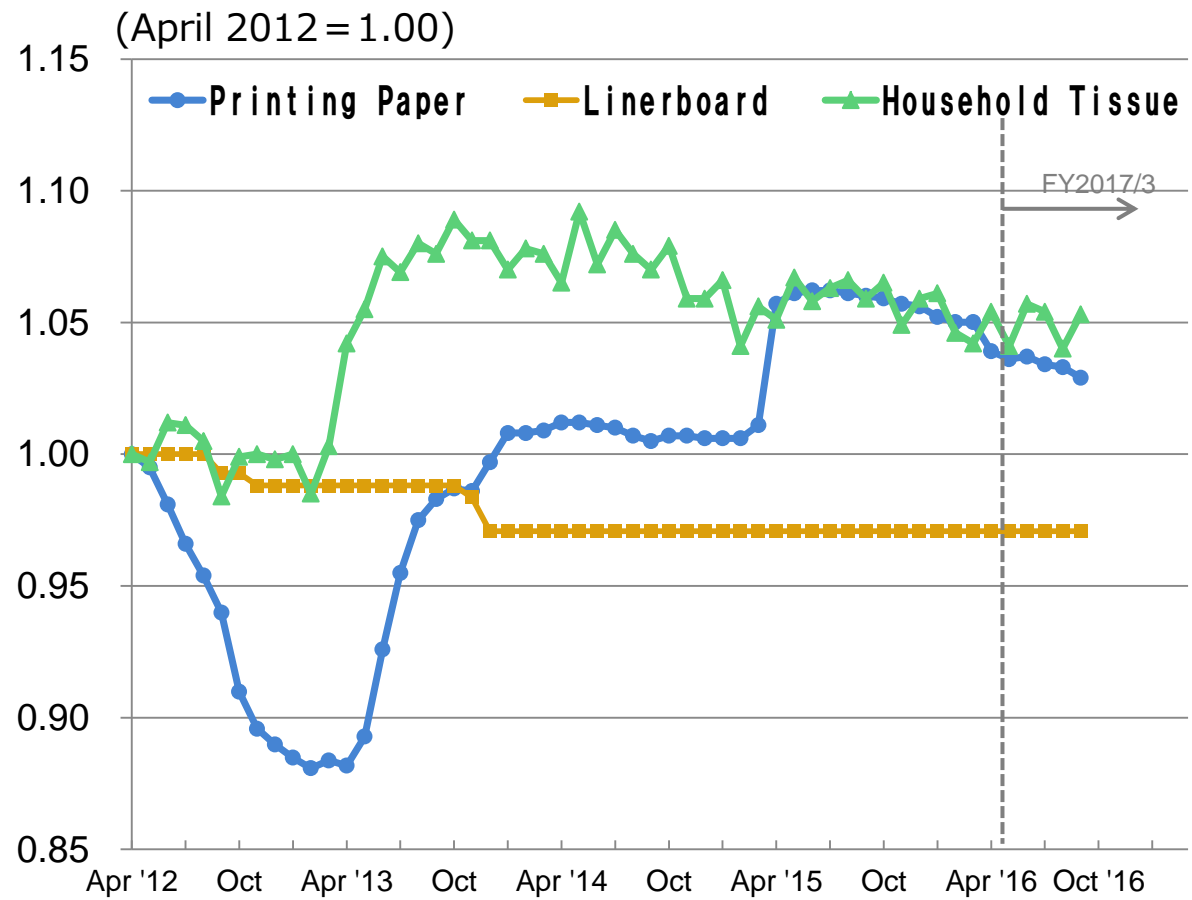
※ "Bitoko-shi" paper is included in coated paper.



Source: Japan Paper Association

Printing paper price is gradually decreasing.

Price trends by product

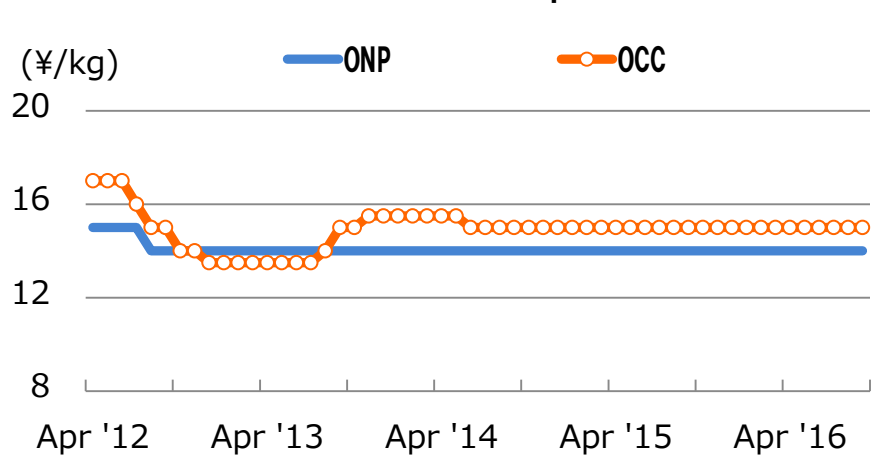


Source: Japan Paper Association, Bank of Japan "Corporate Goods Price Index"

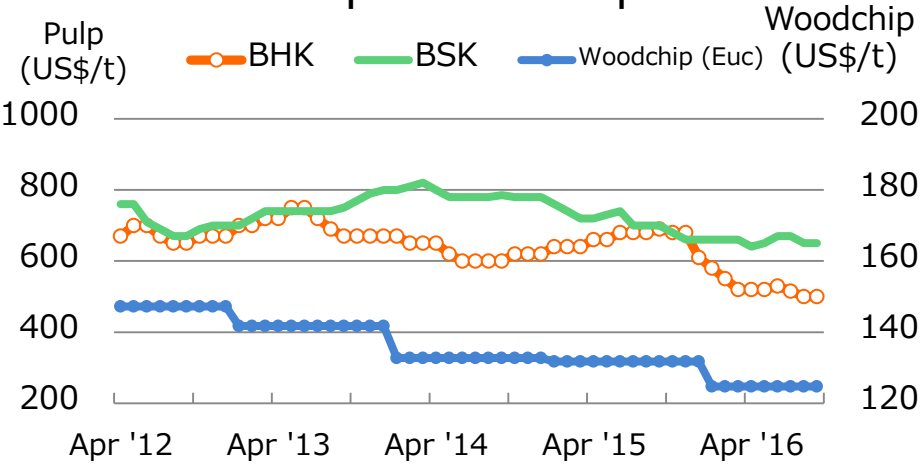


JPY continues to appreciate. Coal price is increasing.

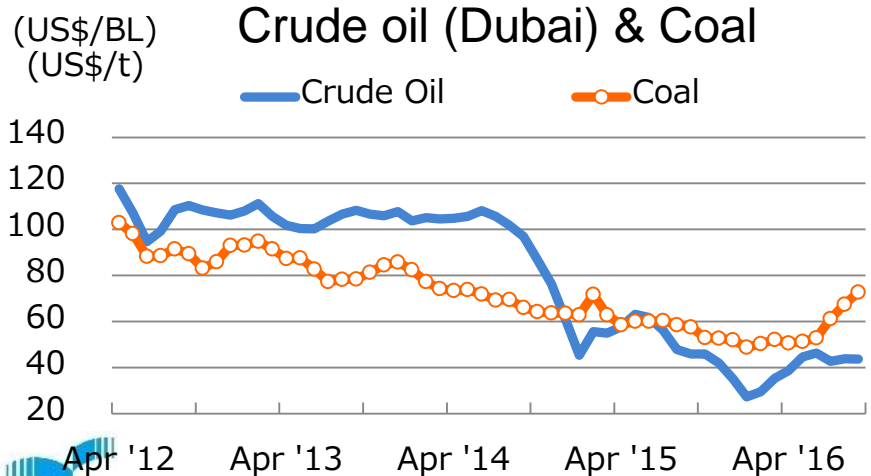
Waste Paper



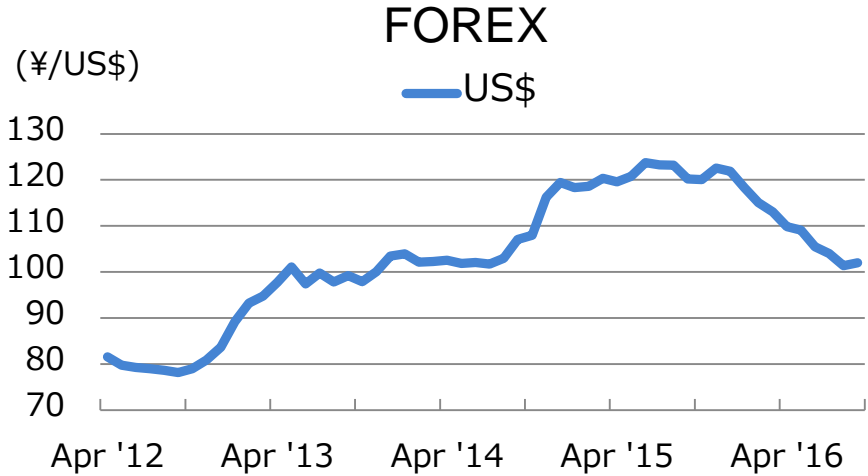
Pulp & Woodchip



Crude oil (Dubai) & Coal



FOREX



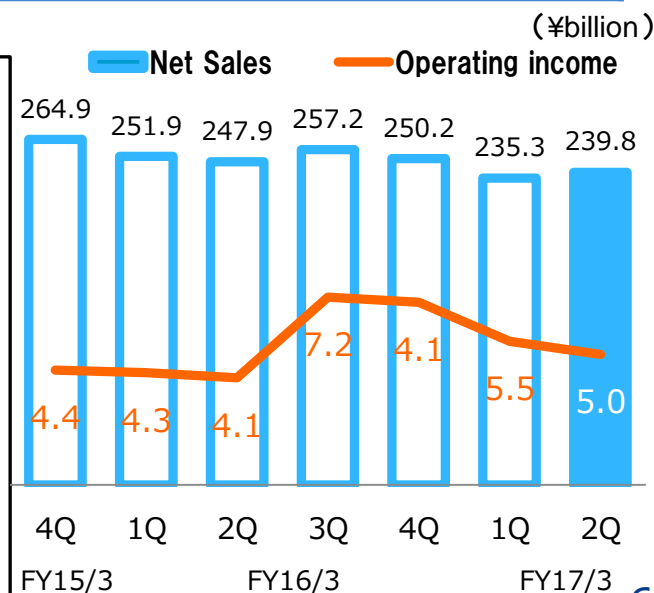
2. Financial Results: *Highlights*

Net sales decreased and operating income increased.
Booked an Ex-loss regarding withdrawing North America operations. (¥billion)

	1H FY2017/3 Result	1H FY2016/3 Result	Variance	
			Amount	%
Net sales	475.1	499.8	-24.7	-4.9%
Operating income	10.5	8.4	2.1	24.5%
Ordinary income	13.5	16.2	-2.7	-16.7%
Net income*	-3.9	14.3	-18.2	-

* Profit attributable to owners of parent

- ◆ Net sales decreased mainly due to Shikoku Coca-Cola share sale in last year.
- ◆ Operating income was below the target due to the shortage of cost reductions following the Kumamoto Earthquake, typhoons and production slumps.
- ◆ Booked an JPY17b extraordinary loss regarding withdrawing the printing & publishing paper business in North America.



2. Financial Results: *Segment information*





Operating income increased other than pulp and paper segment.

(¥billion)

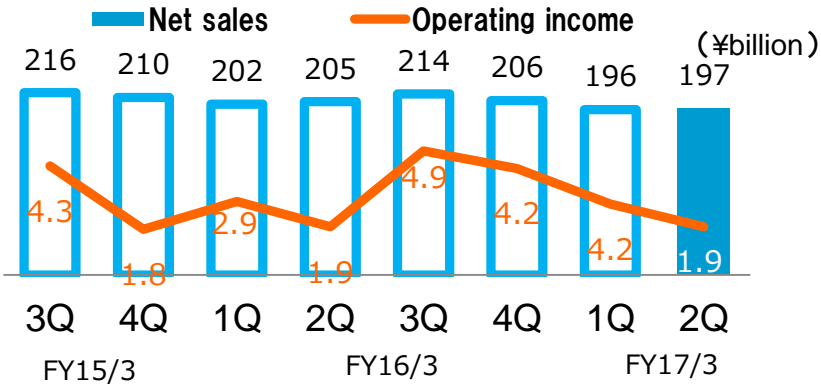
	Sales			Operating Income		
	1H FY2016/3	1H FY2017/3	Variance	1H FY2016/3	1H FY2017/3	Variance
Pulp and paper	407.0	393.2	-13.8	4.8	4.7	-0.1
Paper related (packaging and chemical products)	45.2	45.1	-0.1	1.4	2.4	1.0
Wood products and construction related	29.5	27.8	-1.7	1.4	2.1	0.7
Other (logistics, etc.)	18.1	8.9	-9.2	0.8	1.3	0.5
Total	499.8	475.1	-24.7	8.4	10.5	2.1



2. Financial Results: *Pulp & paper segment*

<div>Paper</div> <div></div>	<ul style="list-style-type: none">Shipment: -1.7% (Domestic -3.9%, Exports +28.3% (YOY)) ->Cost reductions was below the target and sales volumes of newsprint decreased mainly due to the Kumamoto Earthquake and typhoons. JPY appreciation pushed down Export prices.
<div>Paperboard</div> <div></div>	<ul style="list-style-type: none">Shipment: +1.3% (Domestic +0.2%, Exports +19.6% YOY)) ->Sales volume increased YOY due to steady demand mainly for beverages in spite of bad weather like typhoons.
<div>Household Tissue</div> <div></div>	<ul style="list-style-type: none">Demand in Tissue paper,, toilet rolls, and health care goods was good and sales volume is over YOY.
<div>Other</div> <div></div>	<ul style="list-style-type: none">Electric power sales was steady.

Net sales and operating income

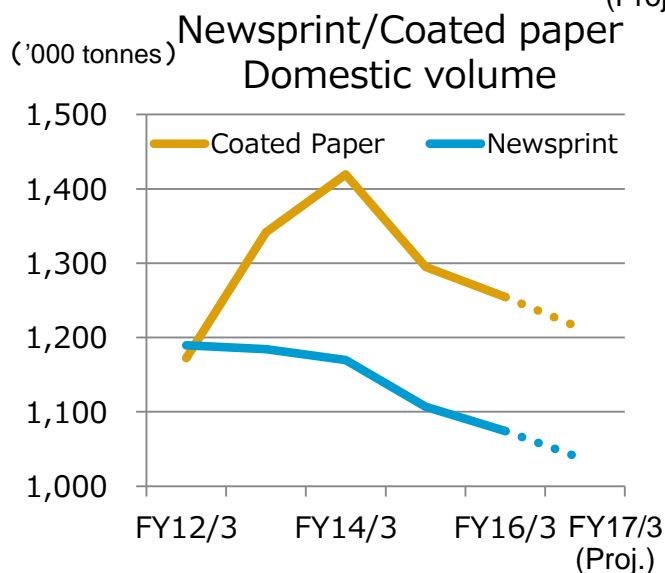
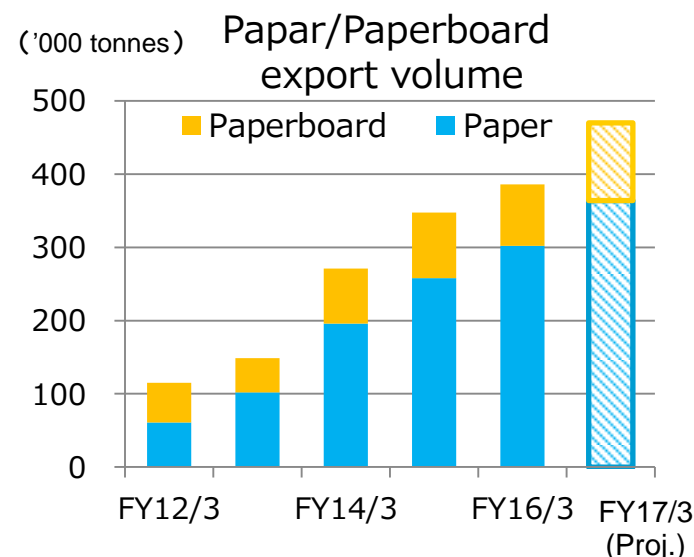


2. Financial Results: *Pulp & paper - sales volume by product*


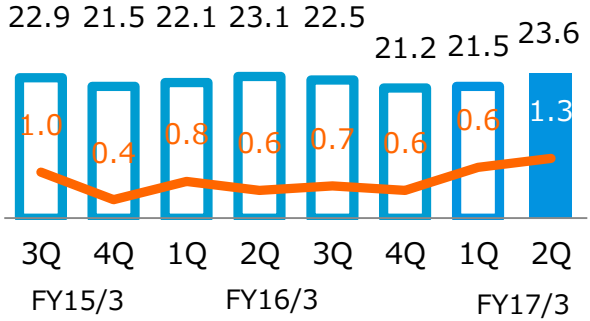

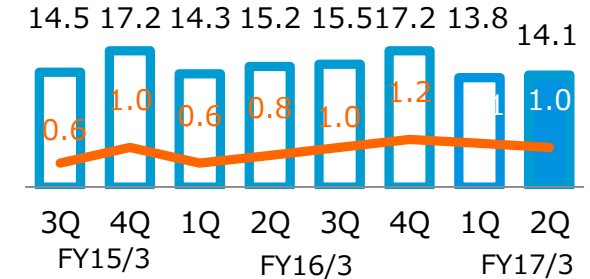

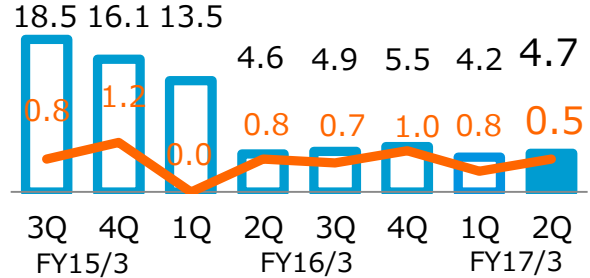
Paper domestic shipment decreased but is almost in line with our plan.

		volume: '000 tonnes		
		1H FY2016/3	1H FY2017/3	YOY
	Newsprint	530	510	-3.9%
	Printing & Business communication paper	1,146	1,098	-4.2%
	Coated paper	621	591	-4.7%
	Uncoated & Specialty printing paper	265	253	-4.7%
	Business communication paper	260	253	-2.5%
	Packaging paper and others	155	153	-1.5%
	Domestic sales (paper)	1,832	1,760	-3.9%
	Export (paper)	134	172	28.3%
Paper total		1,966	1,933	-1.7%
	Container board	591	593	0.4%
	Folding box board and others	177	177	-0.1%
	Domestic sales (paperboard)	768	770	0.2%
	Export (paperboard)	45	54	19.6%
Paperboard total		813	823	1.3%
Grand total (paper and paperboard)		2,779	2,756	-0.8%

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



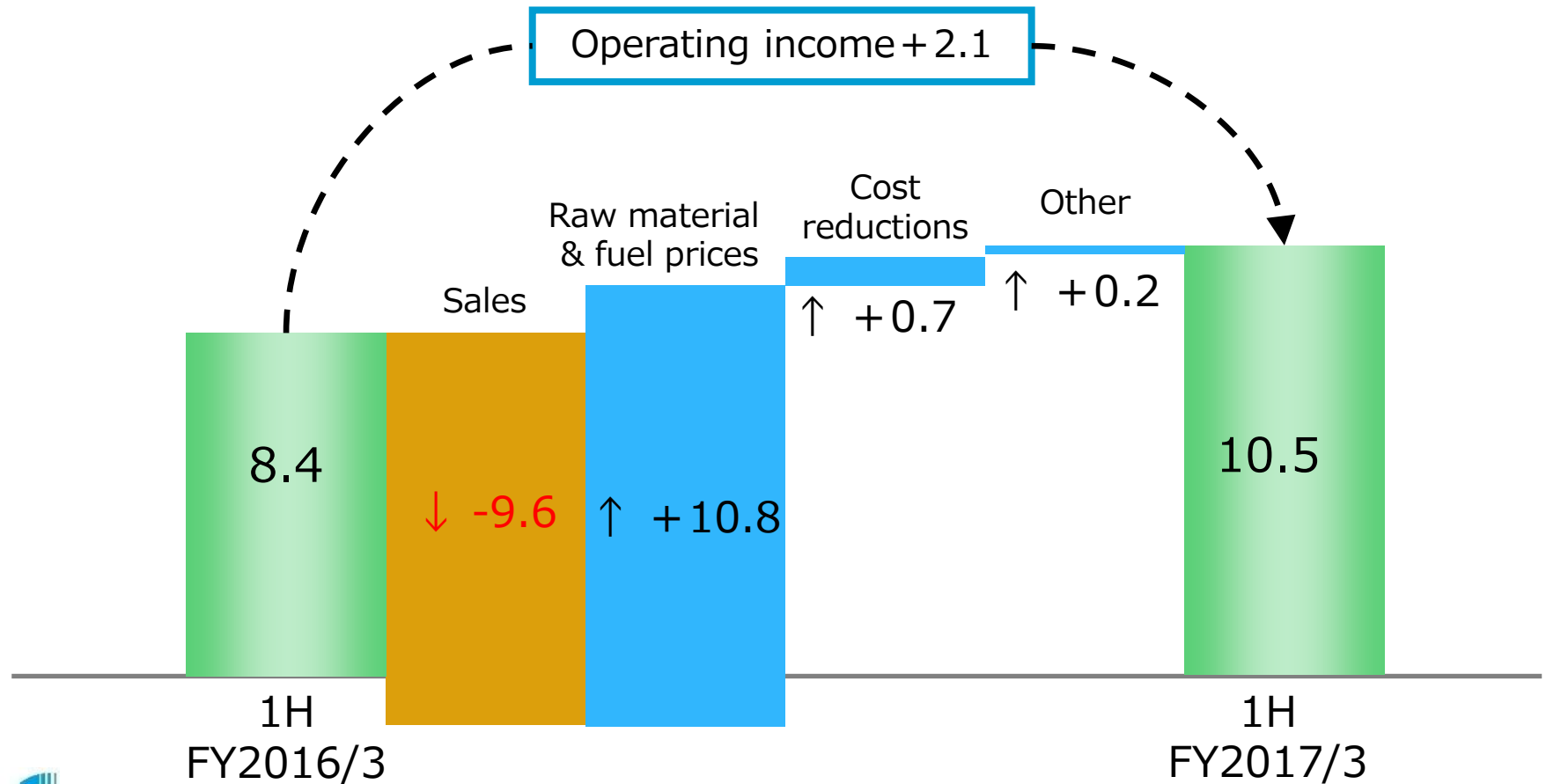
2. Financial Results: *Paper-Related Segment, Wood Products and Construction Related Segment, Other Segment*

	Business Overview	Net sales and operating income <div> <div>Net sales</div> <div>Operating income (¥billion)</div> </div>																											
Paper-related segment 	<Liquid-packaging cartons business> - Sales and operating income increased due to steady sales for beverage including vegetable juice. <Chemicals business> - Sluggish sales of LCD film continued though DP and chemical products businesses are steady.	 <table border="1"> <thead> <tr> <th>Quarter</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr><td>3Q FY15/3</td><td>22.9</td><td>1.0</td></tr> <tr><td>4Q FY15/3</td><td>21.5</td><td>0.4</td></tr> <tr><td>1Q FY16/3</td><td>22.1</td><td>0.8</td></tr> <tr><td>2Q FY16/3</td><td>23.1</td><td>0.6</td></tr> <tr><td>3Q FY16/3</td><td>22.5</td><td>0.7</td></tr> <tr><td>4Q FY16/3</td><td>21.2</td><td>0.6</td></tr> <tr><td>1Q FY17/3</td><td>21.5</td><td>0.6</td></tr> <tr><td>2Q FY17/3</td><td>23.6</td><td>1.3</td></tr> </tbody> </table>	Quarter	Net sales (¥billion)	Operating income (¥billion)	3Q FY15/3	22.9	1.0	4Q FY15/3	21.5	0.4	1Q FY16/3	22.1	0.8	2Q FY16/3	23.1	0.6	3Q FY16/3	22.5	0.7	4Q FY16/3	21.2	0.6	1Q FY17/3	21.5	0.6	2Q FY17/3	23.6	1.3
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Wood products and construction related segment 	- Operating income increased due to housing starts increase and new inclusion of Amapa Florestal e Celulose S.A. (Amcel), our subsidiary in Brazil, into our consolidated scope.	 <table border="1"> <thead> <tr> <th>Quarter</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr><td>3Q FY15/3</td><td>14.5</td><td>0.6</td></tr> <tr><td>4Q FY15/3</td><td>17.2</td><td>1.0</td></tr> <tr><td>1Q FY16/3</td><td>14.3</td><td>0.6</td></tr> <tr><td>2Q FY16/3</td><td>15.2</td><td>0.8</td></tr> <tr><td>3Q FY16/3</td><td>15.5</td><td>1.0</td></tr> <tr><td>4Q FY16/3</td><td>17.2</td><td>1.2</td></tr> <tr><td>1Q FY17/3</td><td>13.8</td><td>1.0</td></tr> <tr><td>2Q FY17/3</td><td>14.1</td><td>1.0</td></tr> </tbody> </table>	Quarter	Net sales (¥billion)	Operating income (¥billion)	3Q FY15/3	14.5	0.6	4Q FY15/3	17.2	1.0	1Q FY16/3	14.3	0.6	2Q FY16/3	15.2	0.8	3Q FY16/3	15.5	1.0	4Q FY16/3	17.2	1.2	1Q FY17/3	13.8	1.0	2Q FY17/3	14.1	1.0
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Other segment 	- Both logistics and leisure business results remained almost unchanged year-on-year. (Note) Shikoku Coca-cola was extracted out of consolidated scope from previous 2Q.	 <table border="1"> <thead> <tr> <th>Quarter</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr><td>3Q FY15/3</td><td>18.5</td><td>0.8</td></tr> <tr><td>4Q FY15/3</td><td>16.1</td><td>1.2</td></tr> <tr><td>1Q FY16/3</td><td>13.5</td><td>0.0</td></tr> <tr><td>2Q FY16/3</td><td>4.6</td><td>0.8</td></tr> <tr><td>3Q FY16/3</td><td>4.9</td><td>0.7</td></tr> <tr><td>4Q FY16/3</td><td>5.5</td><td>1.0</td></tr> <tr><td>1Q FY17/3</td><td>4.2</td><td>0.8</td></tr> <tr><td>2Q FY17/3</td><td>4.7</td><td>0.5</td></tr> </tbody> </table>	Quarter	Net sales (¥billion)	Operating income (¥billion)	3Q FY15/3	18.5	0.8	4Q FY15/3	16.1	1.2	1Q FY16/3	13.5	0.0	2Q FY16/3	4.6	0.8	3Q FY16/3	4.9	0.7	4Q FY16/3	5.5	1.0	1Q FY17/3	4.2	0.8	2Q FY17/3	4.7	0.5
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Despite less domestic sales volume and lower prices, less input prices increased profit.

(¥billion)



2. Financial Results: *Balance sheet*

	(¥billion)		
	Mar 31, 2016	Sep 30, 2016	Variance
Total assets	1,390.9	1,346.9	-44.1
Cash and time deposits	112.5	63.6	-49.0
Inventories	158.1	162.5	4.4
Other current assets	232.3	231.4	-0.9
Property, plant, equipment, and intangible fixed assets	684.6	701.5	16.9
Investments and other assets	203.4	187.9	-15.5
Total liabilities	966.2	946.3	-19.9
Interest bearing liabilities (incl. lease obligations)	703.8	675.3	-28.6
Other liabilities	262.4	271.0	8.6
Total net assets	424.7	400.6	-24.1
Shareholder's equity	402.8	385.3	-17.5
Total liabilities and net assets	1,390.9	1,346.9	-44.1
Net interest-bearing debt	591.3	611.7	20.4
Net D/E ratio	1.47	1.59	0.12
ROA*	2.0%	-	-

*ROA = (Ordinary income + Interest expenses)/Total assets



2. Financial Results: *Cash flow statement*

(¥billion)

	1H FY2016/3	1H FY2017/3	Variance
Operating activities	15.3	38.0	22.7
Income before income taxes	14.0	1.6	-12.5
Depreciation	29.0	26.9	-2.2
Change in net working capital	-13.3	4.2	17.5
Other	-14.5	5.4	19.8
Investing activities	41.6	-47.2	-88.8
Purchase of noncurrent assets and investment securities	-18.1	-58.3	-40.1
Sale of noncurrent assets and investment securities	47.4	10.8	-36.5
Other	12.4	0.2	-12.2
Free cash flows	56.9	-9.2	-66.1
Financing activities	-0.2	-44.2	-43.9
Cash and cash equivalents at the end of period	139.5	63.6	-76.0
Capital expenditure	22.0	22.9	0.9



3. FY2017/3 Earnings Forecast: *Highlights*

(¥billion)

	FY2017/3 Forecast	FY2016/3 Result	Variance	
			Amount	%
Net sales	990.0	1,007.1	-17.1	-1.7%
Operating income	28.0	22.6	5.4	23.8%
Ordinary income	28.0	17.1	10.9	63.5%
Net income*	1.0	2.4	-1.4	-58.7%

* Profit attributable to owners of parent

- ◆ Revised earnings forecast downward, taking into account 1st half results of FY17/3.
- ◆ In the revised forecast, included financial impacts from the alliance with Tokushu Tokai Paper in containerboard and kraft paper business and from the acquisition of Nippon Dynawave Packaging.
- ◆ Projected extraordinary loss from withdrawing printing and publishing paper business in North America and extraordinary profit from sale of fixed assets and investment securities.



3. FY2017/3 Earnings Forecast : *Assumptions*

● Domestic Sales (full year base projection)

Previous assumptions
(on May 13, 2016)

Volume (YOY)	Paper	-3.5%	-2.7%
	Paperboard	+1.4%	+2.1%
Price	Paper	Remain at current level	Remain at current level
	Paperboard	Remain at current level	Remain at current level

● Raw materials and fuel prices, FOREX (2nd Half projection)

Crude Oil	US\$50/BL (Dubai)	US\$40/BL
Coal	US\$62/t (Australian black coal)	US\$62/t
Waste Paper	Remain at current level	Remain at current level
FOREX	¥105/US\$	¥115/US\$



3. FY2017/3 Earnings Forecast : Sales volume by product

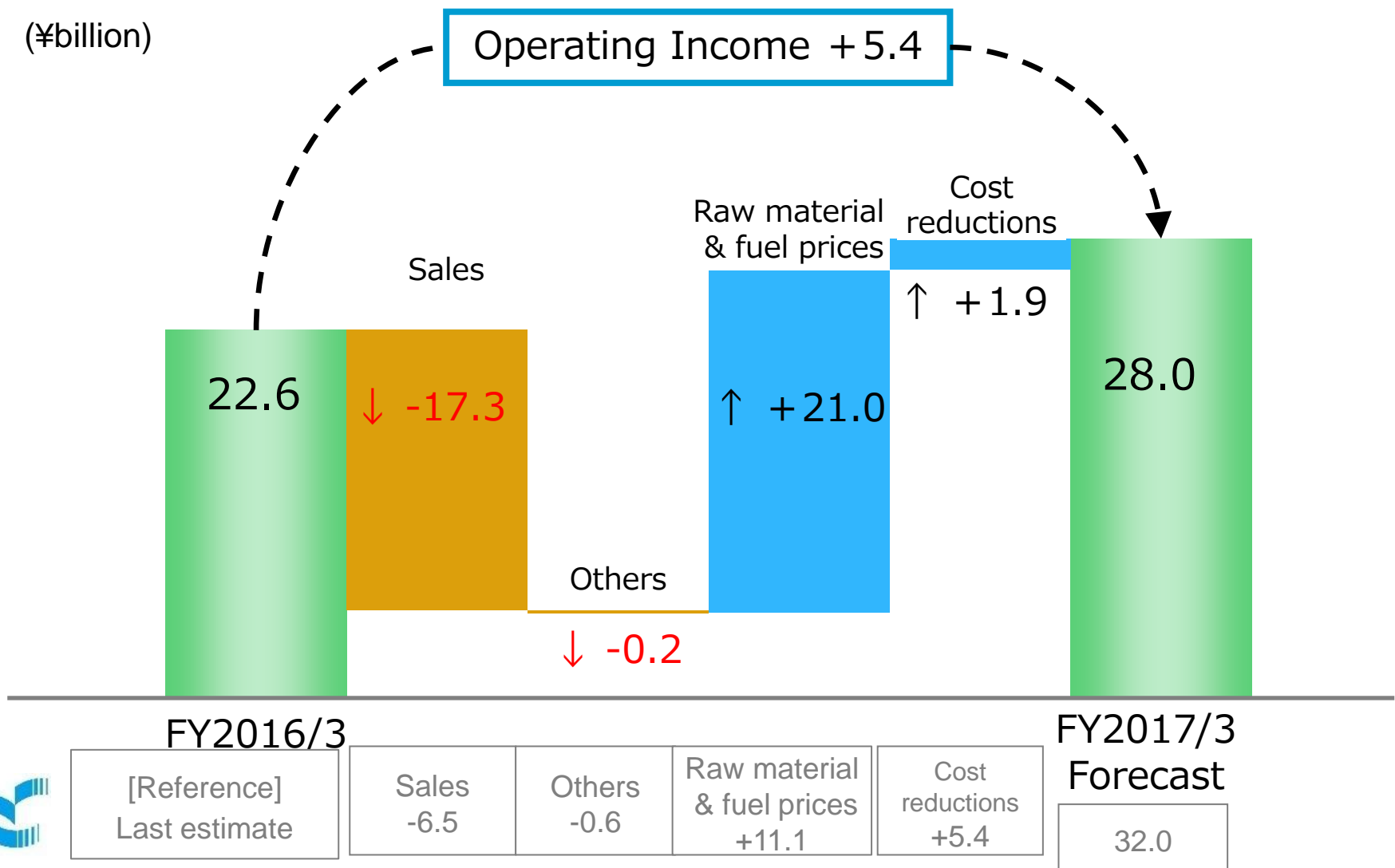
('000 tons)		FY2016/3 results	FY2017/3 estimate (As of Nov.2)	YOY	FY2017/3 estimate (As of May.13)
	Newsprint	1,074	1,036	-3.6%	1,045
	Printing & Business communication paper	2,311	2,218	-4.0%	2,237
	Coated paper	1,255	1,210	-3.5%	1,228
	Uncoated & Specialty printing paper	524	497	-5.1%	499
	Business communication paper	532	511	-4.0%	510
	Packaging paper and others	318	318	-0.1%	321
	Domestic sales (paper)	3,703	3,572	-3.5%	3,603
	Export (paper)	302	364	20.5%	373
Paper total		4,006	3,936	-1.7%	3,975
	Container board	1,146	1,165	1.7%	1,169
	Folding box board and others	363	365	0.5%	372
	Domestic sales (paperboard)	1,509	1,530	1.4%	1,541
	Export (paperboard)	84	106	26.3%	100
Paperboard total		1,593	1,636	2.7%	1,641
Grand total (paper and paperboard)		5,598	5,572	-0.5%	5,616

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



3. FY2017/3 Earnings Forecast: *Variance analysis for operating income*

Lower raw material and fuel prices push up operating income despite of sales volume and price decrease.



4. FY2017/3 Earnings Forecast : *Key figures and indices*

	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	
					1H Results	Full year forecast
Operating margin on sales	2.5%	2.6%	2.2%	2.2%	2.2%	2.8%
Ordinary margin on sales	2.3%	2.6%	2.2%	1.7%	2.8%	2.8%
Capital expenditure (¥billion)	53.3	47.2	48.5	46.9	22.9	55.0
Depreciation (¥billion)	64.9	63.2	61.4	57.7	26.9	54.2
Net interest-bearing debt (¥billion)	719.3	678.4	647.7	591.3	611.7	610.0
Net D/E (times)	1.89	1.70	1.55	1.47	1.59	1.5+
Number of employees	13,052	13,107	12,771	11,741	13,121	13,128
Earnings per share (¥)	92.00	196.67	200.27	20.95	-33.44	8.64
Dividends per share (¥)	40	40	50	60	30	60
ROA *1	2.3%	2.7%	2.2%	2.0%	-	2.9%*2

*1 ROA = (Ordinary income + Interest expenses)/Total assets

*2 Based on the total assets as of the end of September 2016



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.

