

1ST HALF FY2018/3 FINANCIAL REVIEW

Investor Meeting on November 8, 2017

NIPPON PAPER INDUSTRIES CO.,LTD.

1 . 1st Half FY2018/3 Financial Results
(April 1,2017 – September 30,2017)

2 . FY2018/3 Forecast



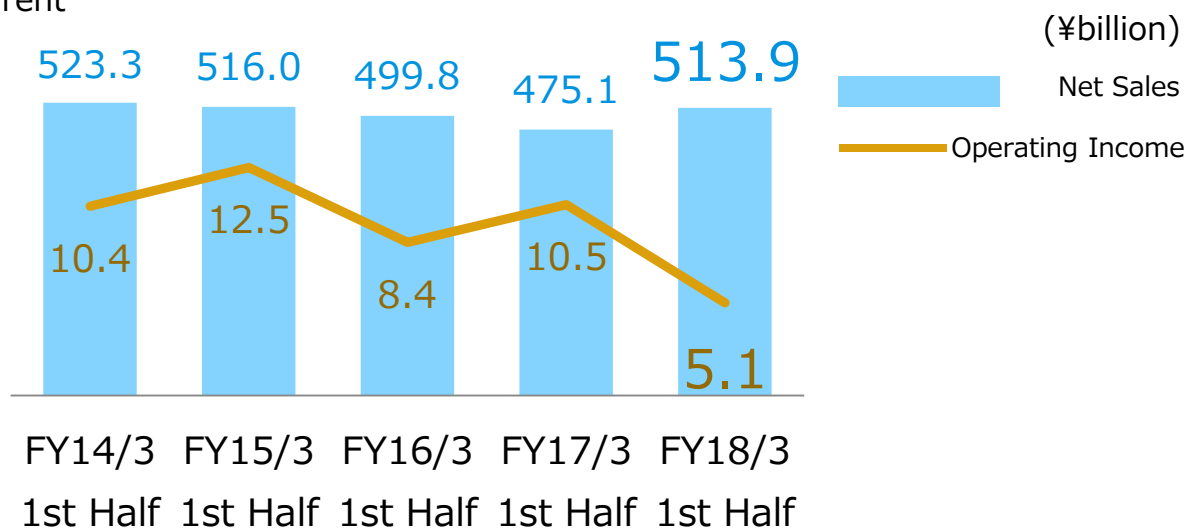
1. 1st Half FY 2018/3 Financial Results

Consolidated Statement

(¥billion)

	1st Half FY2017/3 Results	1st Half FY2018/3 Results	Variance	
			Amount	%
Net Sales	475.1	513.9	38.8	8.2%
Operating Income	10.5	5.1	-5.4	-51.4%
Ordinary Income	13.5	6.8	-6.7	-49.6%
Net Income*	-3.9	5.1	9.0	—

* Profit attributable to owners of parent



Results by Segment

(¥billion)

	Net Sales			Operating Income		
	1st Half FY2017/3 Results	1st Half FY2018/3 Results	Variance	1st Half FY2017/3 Results	1st Half FY2018/3 Results	Variance
Pulp & Paper	393.2	426.0	32.8	4.7	-1.6	-6.3
Paper related	45.1	48.4	3.3	2.4	3.6	1.2
Wood Products and Construction related	27.8	29.9	2.1	2.1	1.7	-0.4
Other	9.0	9.6	0.6	1.3	1.4	0.1
Total	475.1	513.9	38.8	10.5	5.1	-5.4



1. 1st Half FY2018/3 Results – Pulp & Paper segment

Sales Volume (Paper & Paperboard)

volume: '000 tonnes

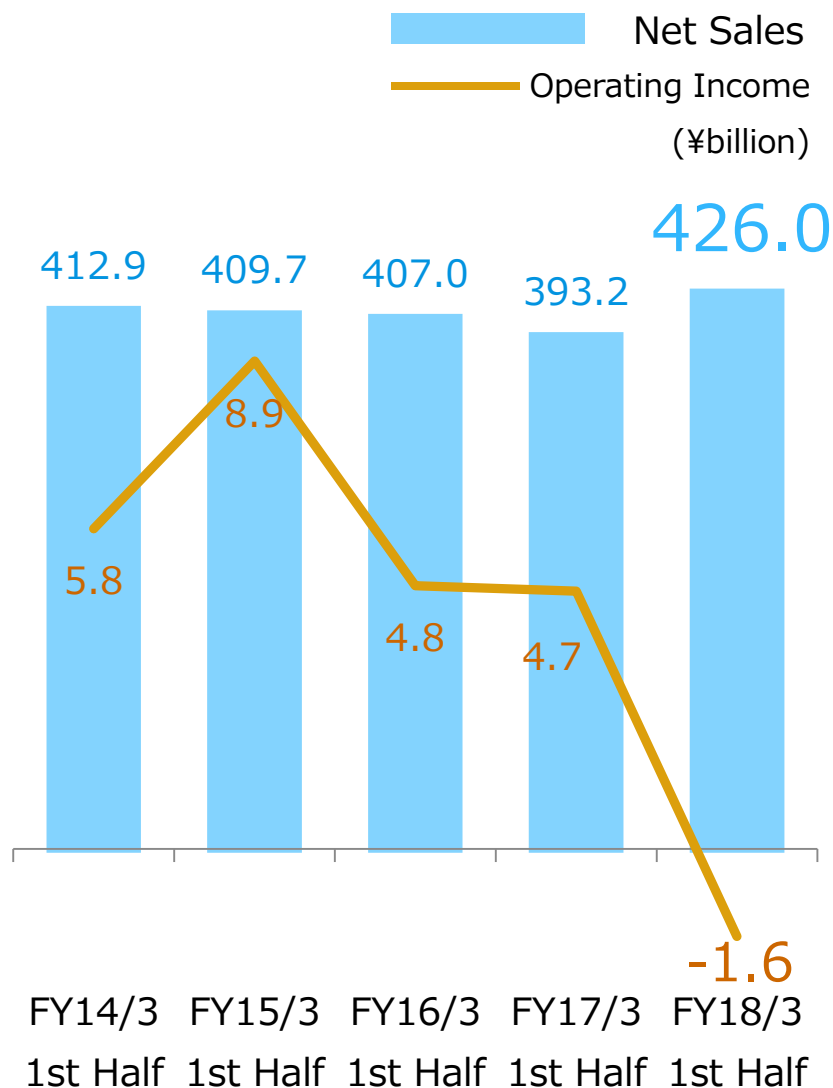
	1H FY2017/3	1H FY2018/3	YOY
Newsprint	510	479	-5.9%
Printing & Business communication paper	1,098	1,064	-3.1%
Coated paper	591	580	-1.9%
Uncoated & Specialty printing paper	253	239	-5.3%
Business communication paper	253	244	-3.5%
Others	153	155	1.6%
Domestic sales (paper)	1,760	1,699	-3.5%
Export (paper)	172	209	21.4%
Paper total	1,933	1,908	-1.3%
Container board	593	586	-1.1%
Folding box board and others	177	179	1.1%
Domestic sales (paperboard)	770	765	-0.6%
Export (paperboard)	54	91	69.5%
Paperboard total	823	856	4.0%
Grand total (paper and paperboard)	2,756	2,764	0.3%

“Total” means the sum of sales volume of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd. and Nippon Paper Crexia Co., Ltd (Not include house hold tissue). Shin Tokai Paper Co., Ltd is not included

◆ Shipment

- Paper : -1.3% (Domestic : -3.5%、Export : +21.4%)
- Paperboard : +4.0% (Domestic : -0.6%、Export : +69.5%)

Pulp & Paper Segment



○Paper

- Sales decreased from the same period of previous year due to circulation decline in newspapers and sluggish demand on printed advertisement.

○Paperboard

- Net sales increased from the same period of previous year, as Nippon Tokai Industrial Paper Supply started its operation last October. However, operating income decreased due to rise in wastepaper price.

○Household tissue

- Demand for healthcare products and business products for hotel stay firm.



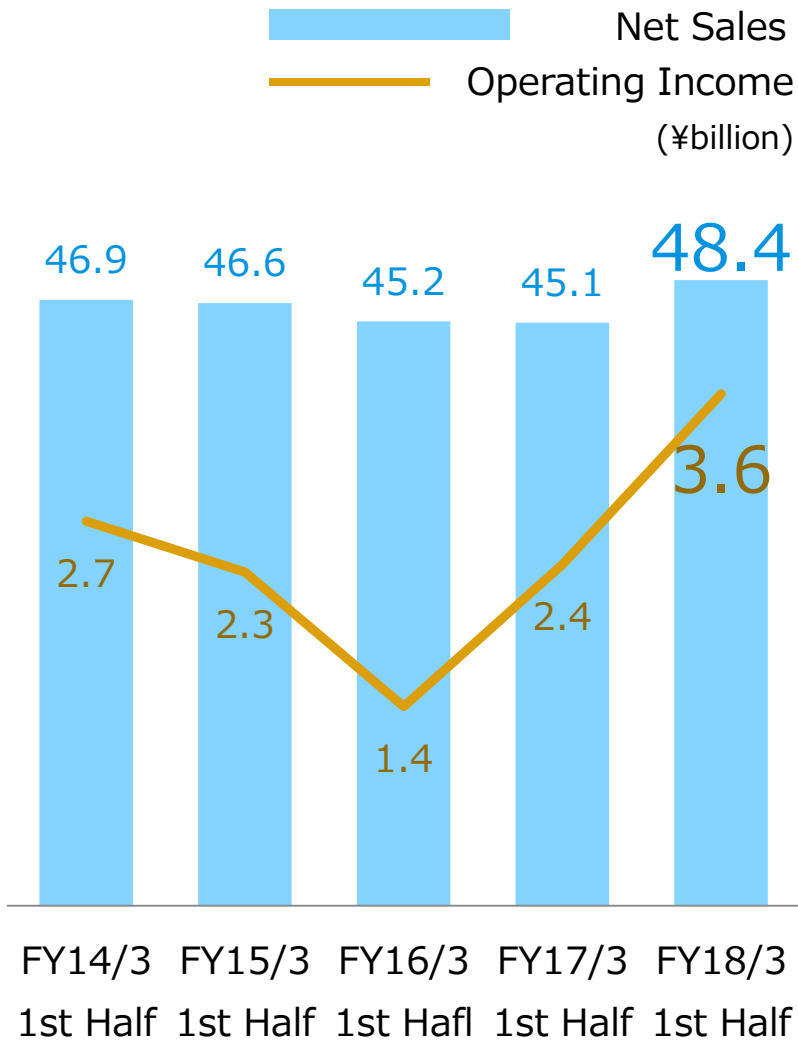
Kleenex
クリネックス®



暮らしソリューション
ポイズ **scottie**



Paper Related Segment



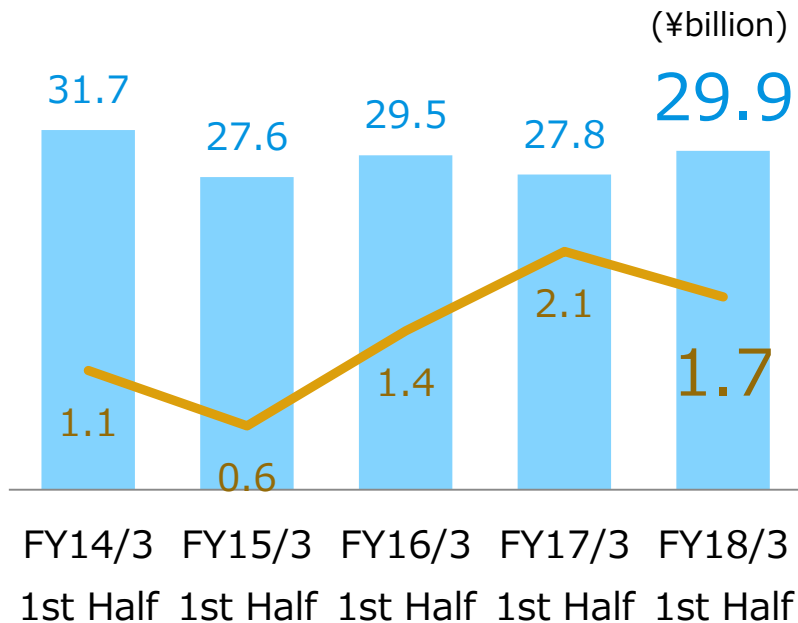
• For Paper-Pak Business, sales volume increased from the same period of previous year mainly on cartons for fruit and vegetable juice.

• For chemical business, sales volume of dissolving pulp and chemical products increased from the same period of previous year. In addition, new grade development on functional films contributed to revenue growth.



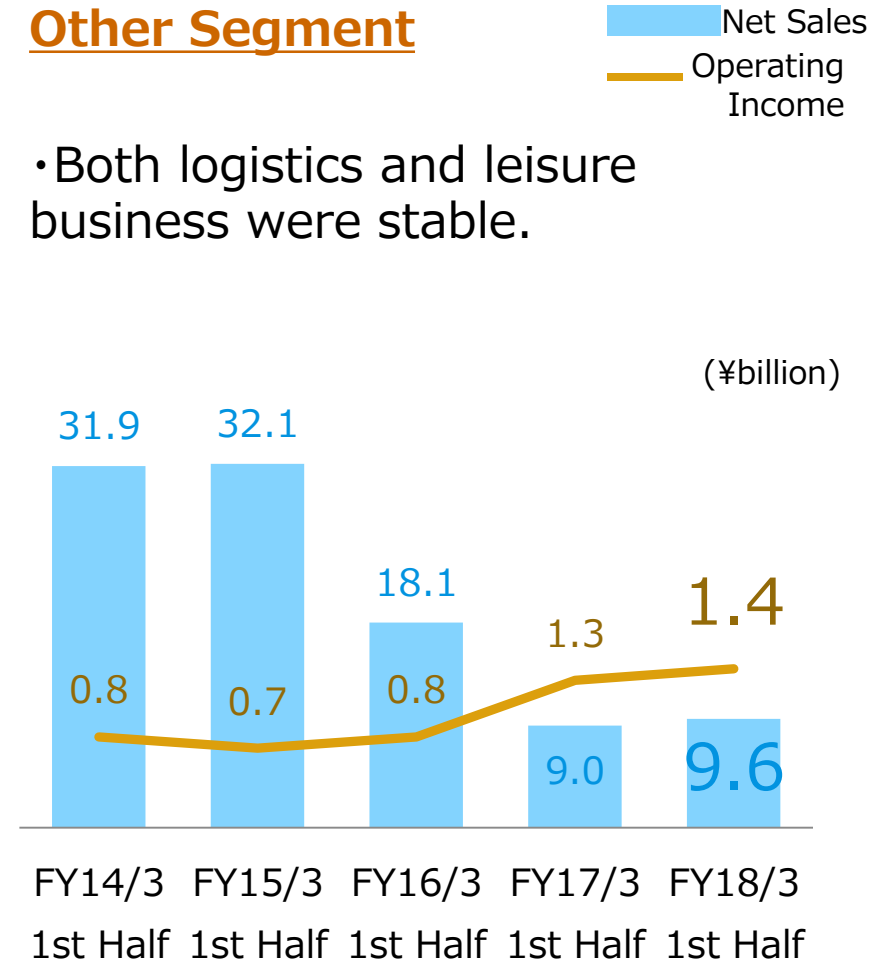
Wood Products and Construction Related Segment

•Housing starts was stable while it remained flat from the previous year.



Other Segment

•Both logistics and leisure business were stable.



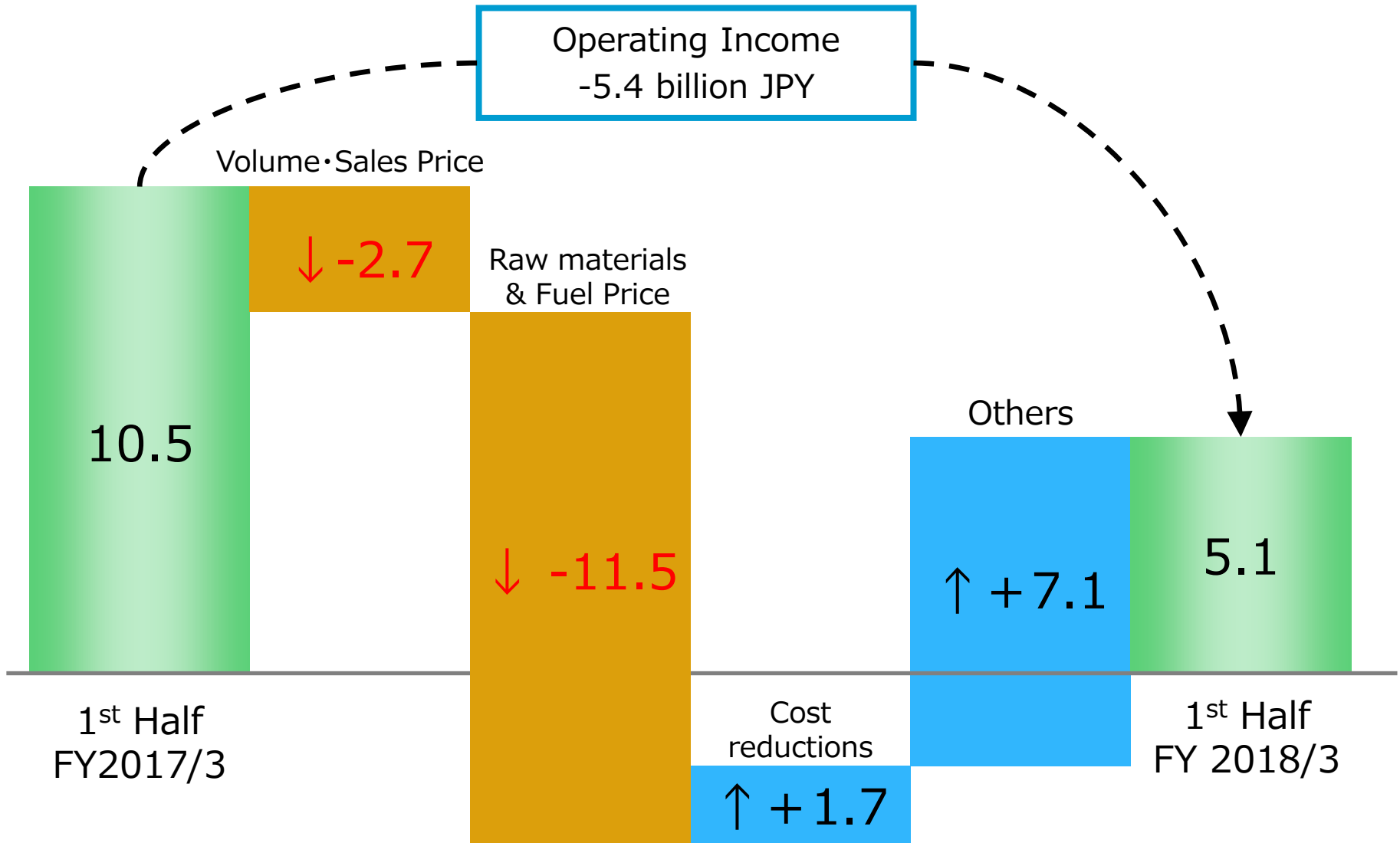
※Shikoku Coca-Cola was removed in 2nd quarter of FY 2016/3



1. 1st Half FY2018/3 Results

Variance Analysis for Operating Income

(¥billion)



Consolidated Balance Sheet

	(¥billion)		
	Mar 31, 2017	Sep30, 2017	Variance
Total assets	1,388.9	1,421.7	32.8
Cash and time deposits	90.5	48.3	-42.2
Inventories	158.7	170.4	11.7
Other current assets	237.0	258.2	21.2
Property, equipment, and intangible fixed assets	702.4	733.6	31.2
Investments and other assets	200.3	211.2	10.9
Total liabilities	954.0	978.7	24.7
Interests bearing liabilities	678.5	678.7	0.2
Other liabilities	275.5	300.0	24.5
Total net assets	434.9	443.0	8.1
Shareholder's equity	393.5	395.0	1.5
Total liabilities and net assets	1,388.9	1,421.7	32.8
Net interest-bearing debt	588.0	630.5	42.5
Net D/E ratio	1.49	1.60	0.11
ROA ※	2.6%	—	—

※ : R O A = (Ordinary income + Interest expenses) / Total assets 10



Consolidated Cash flow Statement

(¥billion)

	1 st Half FY2017/3	1 st Half FY2018/3	Variance
Operating activities	38.0	15.7	-22.3
Income before income taxes	1.6	4.7	3.1
Depreciation	26.9	28.2	1.3
Change in net working capital	4.2	-3.7	-7.9
Other	5.3	-13.5	-18.8
Investing activities	-47.2	-33.7	13.5
Purchase of noncurrent assets and investment securities, Payment for transfer of business and business withdrawal	-58.2	-36.9	21.3
Sale of noncurrent assets and investment securities	10.8	3.9	-6.9
Other	0.2	-0.7	-0.9
Free cash flows	-9.2	-18.0	-8.8
Financing activities	-44.2	-24.8	19.4
Cash and cash equivalents at the end of period	63.6	48.3	-15.3

Capital expenditure	22.9	36.3	13.4
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Consolidated Statements

(¥billion)

	FY 2017/3 Results	FY 2018/3 Forecast	Variance	
			Amount	%
Net Sales	992.4	1,050.0	57.6	5.8%
Operating Income	23.8	15.0	-8.8	-36.9%
Ordinary Income	27.0	18.0	-9.0	-33.3%
Net Income*	8.4	8.0	-0.4	-4.8%

* Profit attributable to owners of parent



2. FY 2018/3 Forecast – Assumption

Domestic Sales(Full year base projection)

Volume (YOY)
 Paper -3.4%
 Paperboard +0.4%

● Previous assumption (May 12.2017)

Paper -2.5%
 Paperboard +1.0%

● Sales Forecast (Paper and Paperboard)

		FY2017/3 results	FY2018/3 estimate (As of Nov.8)	YOY	FY2018/3 estimate (As of May.12)
		volume: '000 tonnes			
Paper	Newsprint	1,033	972	-5.9%	997
	Printing & Business communication paper	2,228	2,161	-3.0%	2,172
	Coated paper	1,220	1,197	-1.9%	1,184
	Uncoated & Specialty printing paper	498	472	-5.3%	480
	Business communication paper	511	493	-3.5%	508
	Packaging paper and others	308	314	1.8%	311
	Domestic sales (paper)	3,569	3,446	-3.4%	3,479
	Export (paper)	356	426	19.7%	413
	Paper total	3,925	3,872	-1.4%	3,892
	Paperboard	Container board	1,156	1,155	-0.1%
Folding box board and others		362	370	2.0%	369
Domestic sales (paperboard)		1,518	1,524	0.4%	1,533
Export (paperboard)		141	178	26.7%	144
Paperboard total		1,659	1,703	2.6%	1,677
Grand total (paper and paperboard)	5,584	5,575	-0.2%	5,570	

“Total” means the sum of sales volume of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd. and Nippon Paper Creca Co., Ltd(Not include house hold tissue). Shin Tokai Paper Co., Ltd is not included

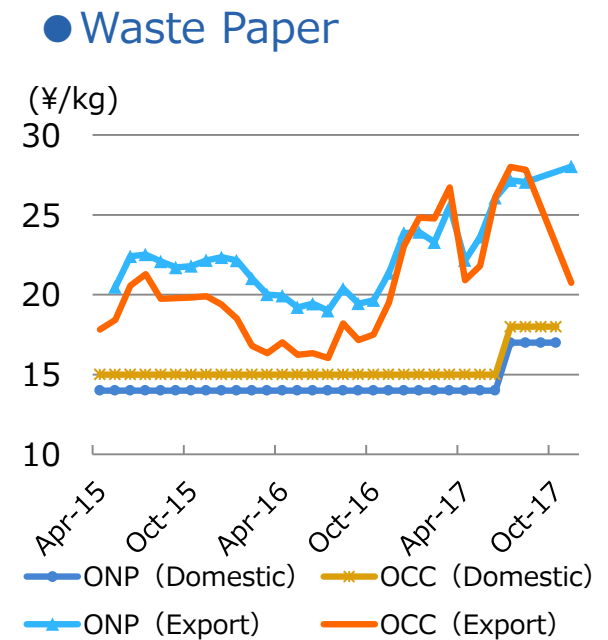
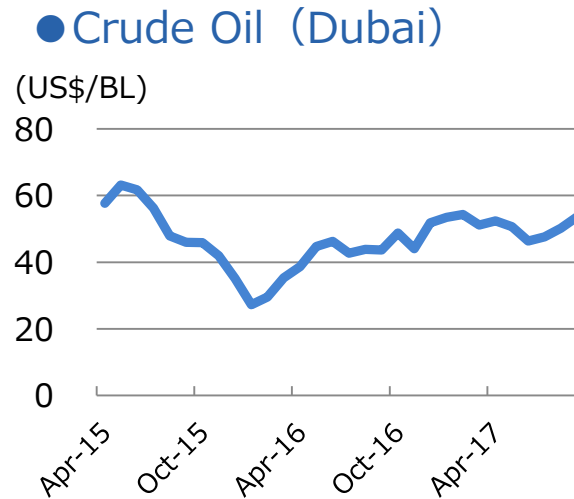
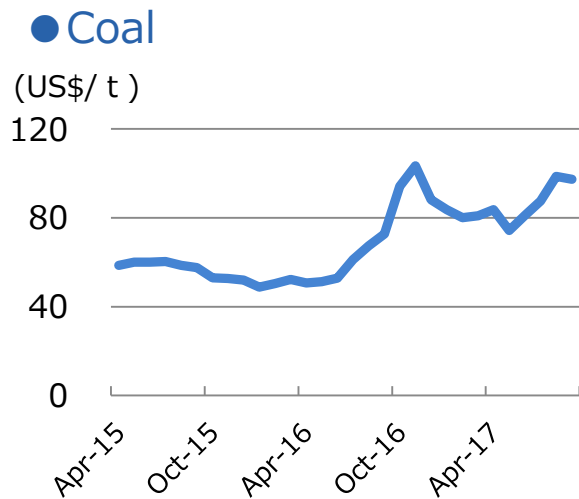
2. FY 2018/3 Forecast – Assumption

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

Coal	US\$85/ t (Australian black coal)
Crude Oil	US\$55/BL (Dubai)
Waste Paper	Remain at high level
FOREX	¥115/US\$

Previous Assumption
(May 12, 2017)

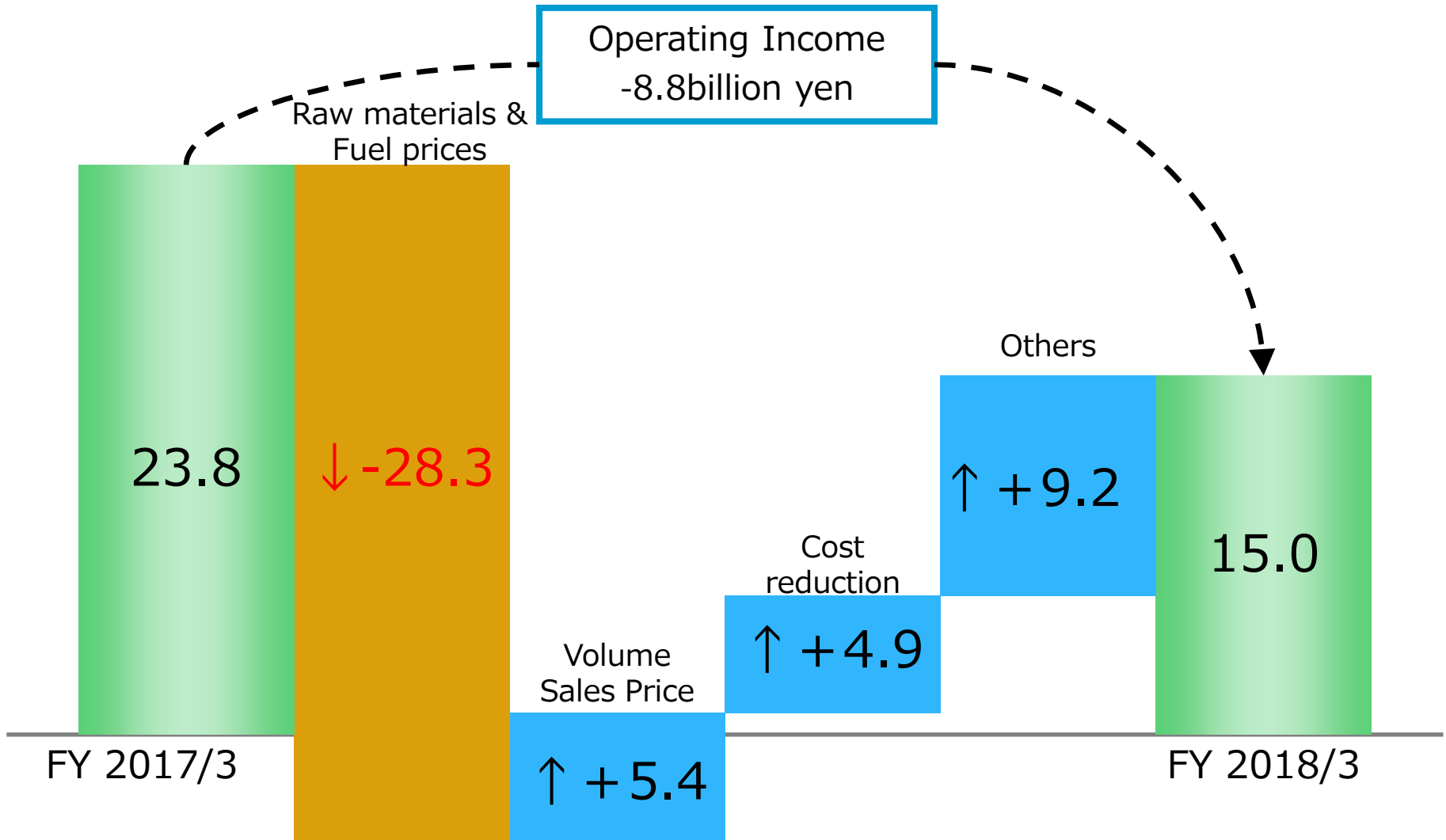
US\$85/t
US\$52/BL
Remain at current level
¥115/US\$



Source : Paper Recycling Promotion Center, Kanto Seishi Genryo Chokuno Shoko Kumiai, Crude Oil=Platts, Coal=Global Coal Index

Variance analysis for Operating Income

(¥billion)



Initial Forecast	Market Factors -8.3	Cost reductions +7.4	Others +7.1	30.0
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Key indicators

	FY 2014/3	FY 2015/3	FY 2016/3	FY 2017/3	FY 2018/3	
					1 st Half Results	Full year Forecast
Operating margin on sales	2.6%	2.2%	2.2%	2.4%	1.0%	1.4%
Ordinary margin on sales	2.6%	2.2%	1.7%	2.7%	1.3%	1.7%
Capital expenditure(¥billion)	47.2	48.5	46.9	51.3	36.3	83.1
Depreciation (¥billion)	63.2	61.4	57.7	55.1	28.2	58.0
Net interest-bearing debt (¥billion)	678.4	647.7	591.3	588.0	630.5	640.0
Net D/E (times)	1.70	1.55	1.47	1.49	1.60	1.6+
Number of employees	13,107	12,771	11,741	13,057	13,127	13,147
Earnings per share(¥)	196.67	200.27	20.95	72.57	44.12	69.12
Dividends per share(¥)	40	50	60	60	30	60
ROA※	2.7%	2.2%	2.0%	2.6%	—	1.8%

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

Full year forecast is based on the total assets as of the end of September 2017.



REFERENCE MATERIALS

November 8, 2017

NIPPON PAPER INDUSTRIES CO.,LTD.



NIPPON PAPER INDUSTRIES

SHAPING THE FUTURE WITH TREES 

Domestic industry shipment, exports and imports

(1st Half FY2018/3)

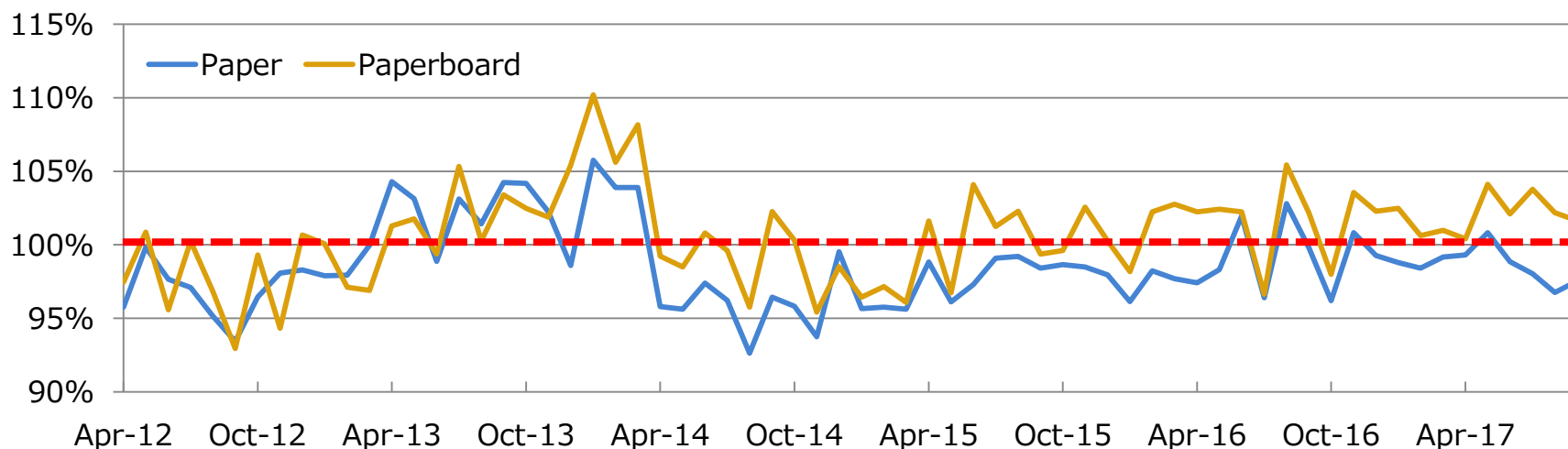
		Apr '17 - Sep '17						Imports(C)		Domestic demand(A+C)	
		Domestic shipments(A)		Exports(B)		(A+B)					
		volume	YOY	volume	YOY	volume	YOY				
Newsprint		1,355	-5.6%	0	-100.0%	1,355	-5.6%	5	-25.6%	1,360	-5.7%
Printing & business communication paper		3,655	-1.2%	341	-1.2%	3,995	-1.2%	509	2.2%	4,164	-0.8%
Coated paper *		2,081	-0.5%	265	0.1%	2,346	-0.5%	191	1.5%	2,272	-0.4%
Uncoated paper		926	-3.1%	58	1.4%	984	-2.9%	69	-2.6%	995	-3.1%
Business communication paper		648	-0.4%	18	-21.9%	666	-1.2%	249	4.2%	896	0.8%
Other papers		1,614	1.6%	149	9.0%	1,763	2.2%	23	16.3%	1,636	1.8%
Paper total		6,623	-1.5%	490	1.7%	7,113	-1.2%	537	2.3%	7,160	-1.2%
Container board		4,611	2.5%	248	31.4%	4,859	3.7%	23	6.2%	4,634	2.5%
Folding box board and others		1,090	1.6%	16	44.2%	1,106	2.0%	140	1.6%	1,230	1.6%
Paperboard total		5,701	2.3%	264	32.1%	5,965	3.4%	163	2.2%	5,865	2.3%
Paper and paperboard total		12,325	0.3%	754	10.6%	13,078	0.8%	700	2.3%	13,025	0.4%

volume: '000 tonnes

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

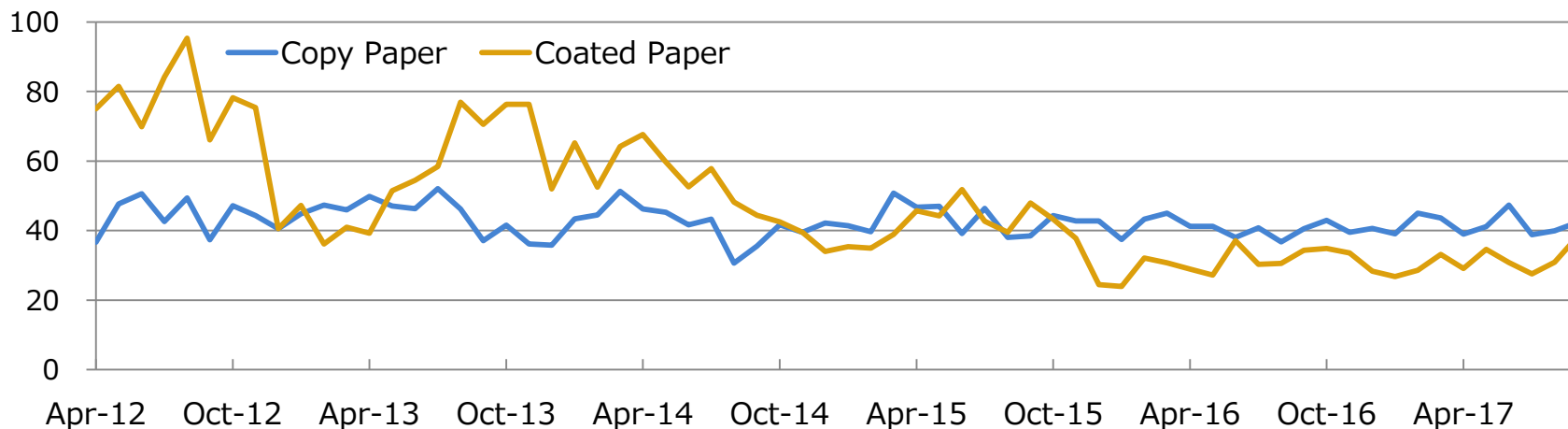


Domestic shipment of paper industry(YOY)

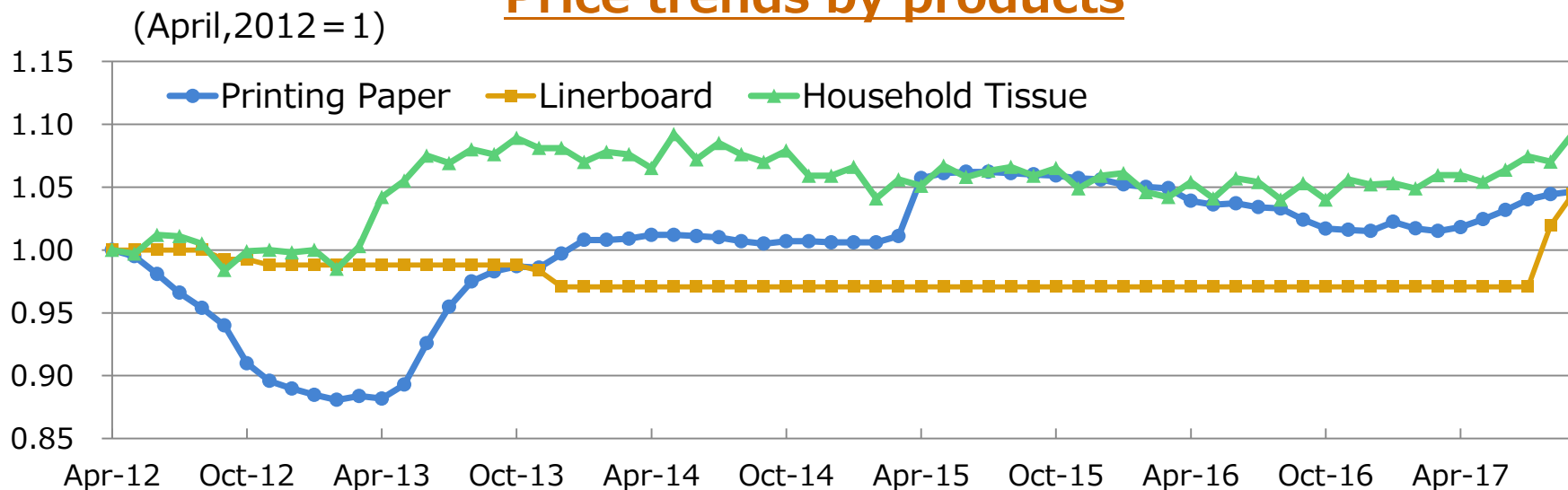


Coated paper and copy paper import volume

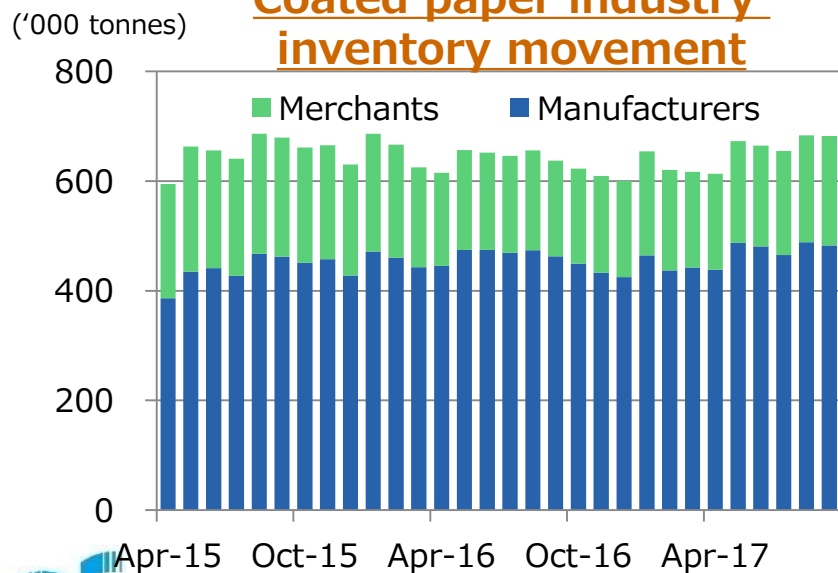
('000 tonnes)



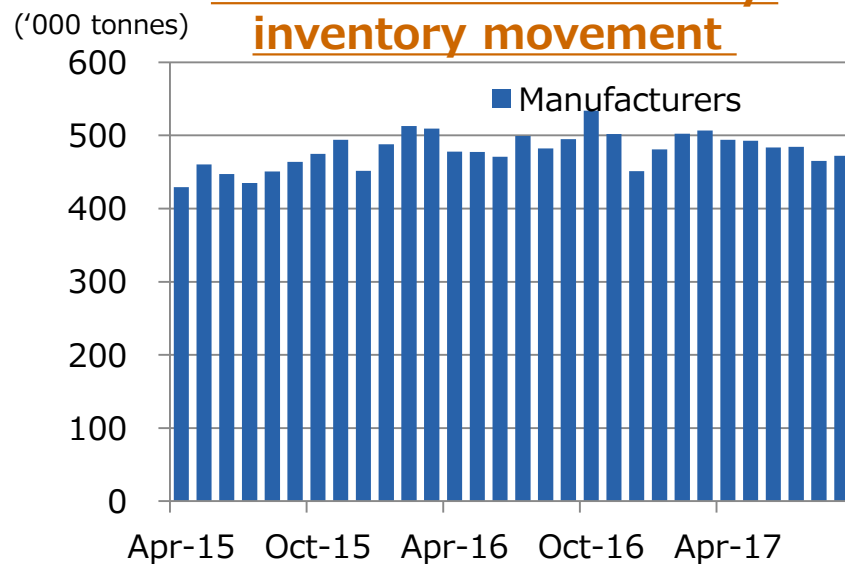
Price trends by products



Coated paper industry inventory movement

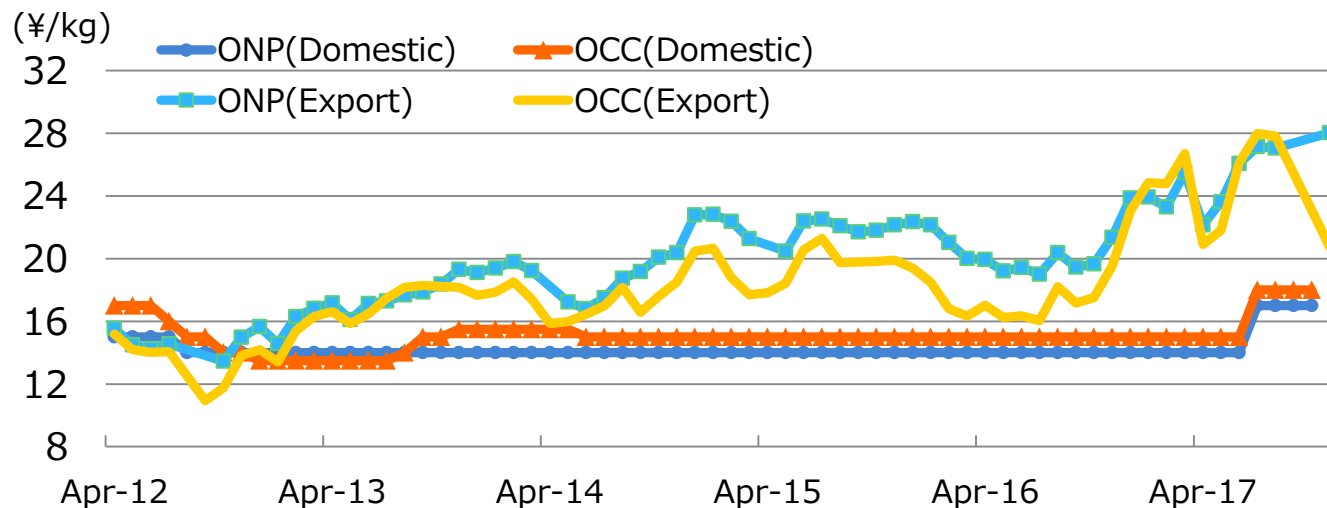


Containerboard industry inventory movement

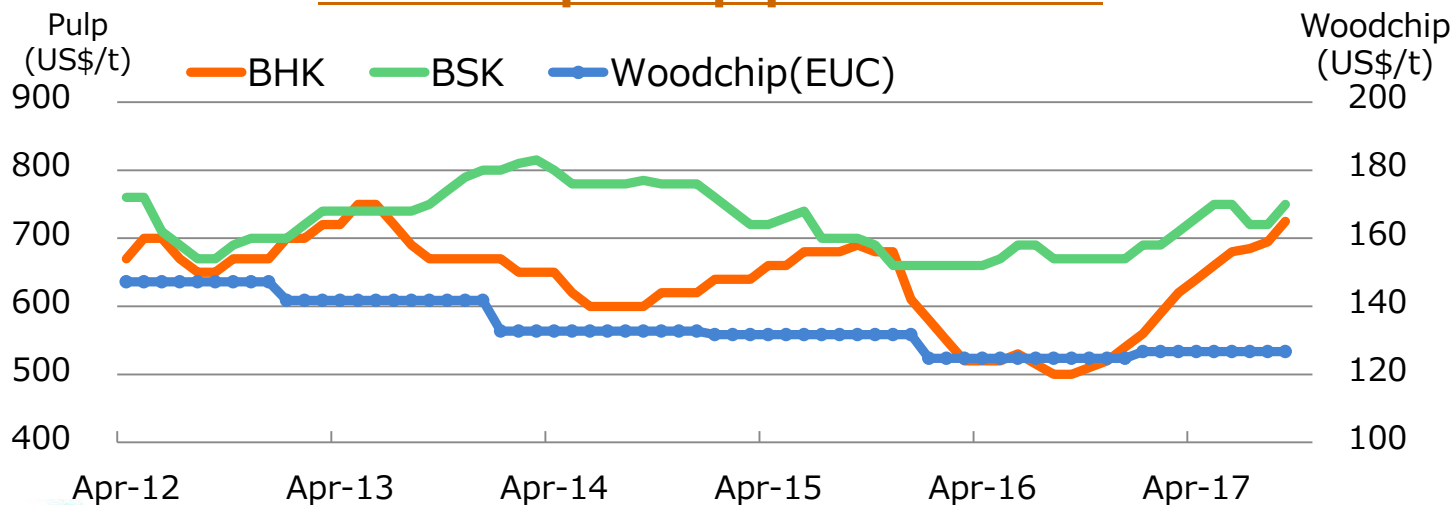


Source : Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

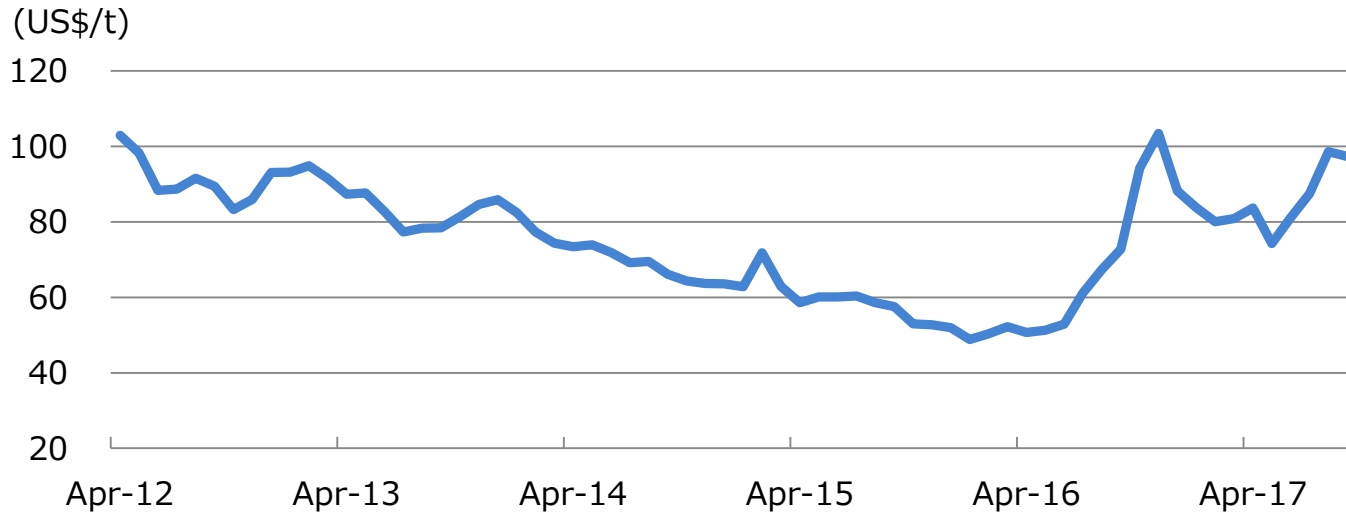
ONP·OCC price trends



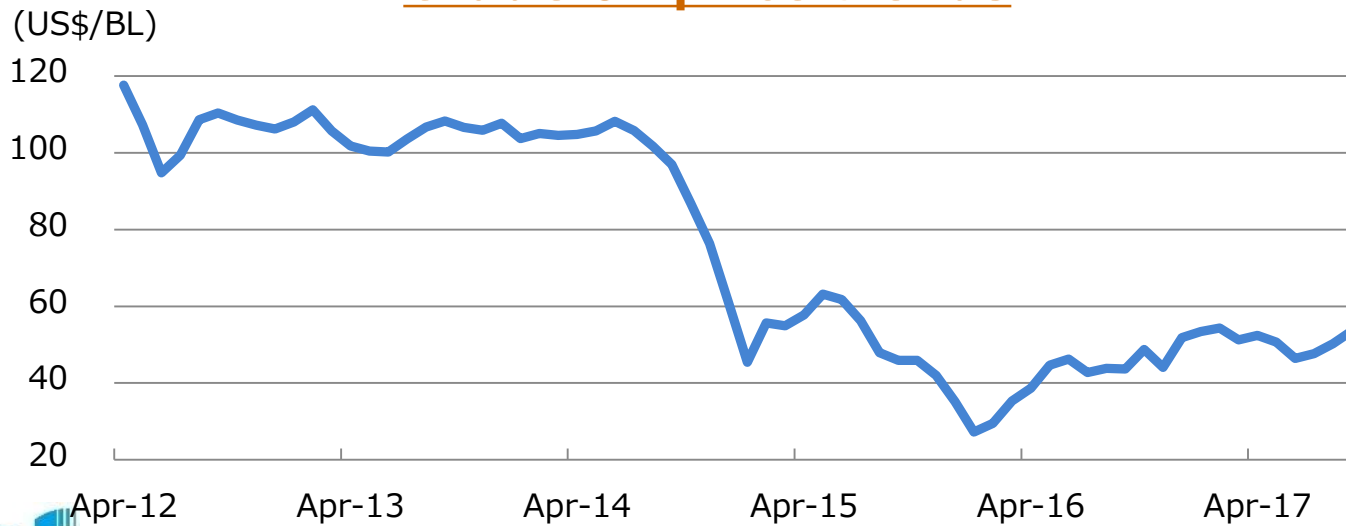
Woodchip·Pulp price trends



Coal price trends



Crude oil price trends



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Nippon Paper Industries Co., Ltd.

