

1ST HALF FY2021/3 FINANCIAL REVIEW

November 5, 2020

1st Half FY2021/3 Financial Results

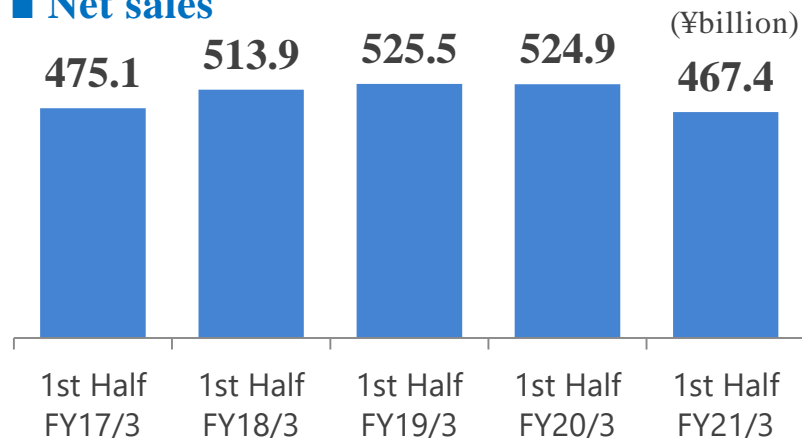
Consolidated Statement

(¥billion)

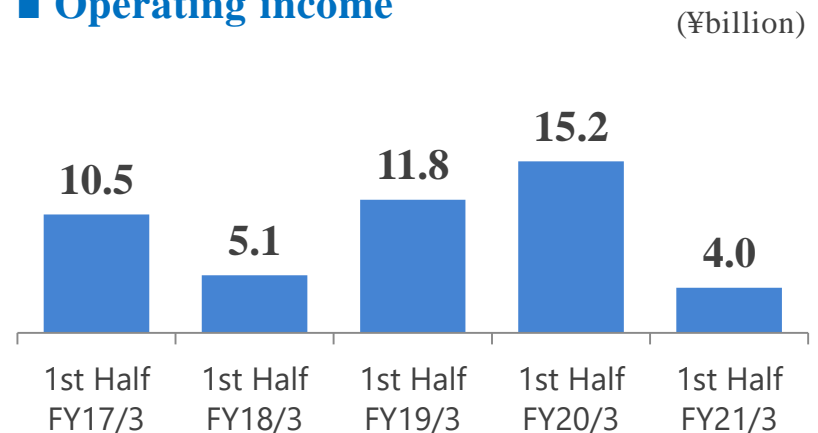
	1st Half FY2020/3 Results	1st Half FY2021/3 Results	Variance		Impact of COVID-19
			Amount	%	
Net sales	524.9	467.4	-57.5	-10.9%	-40.0
Operating income	15.2	4.0	-11.2	-73.9%	-11.7
(excluding acquisition-related expenses)		9.8	-5.4	-35.5%	
Ordinary income	15.4	-2.1	-17.5	-	
Net income *	9.6	-8.0	-17.6	-	

* Profit attributable to owners of parent

■ Net sales



■ Operating income



1st Half FY2021/3 Financial Results

Results by Segment

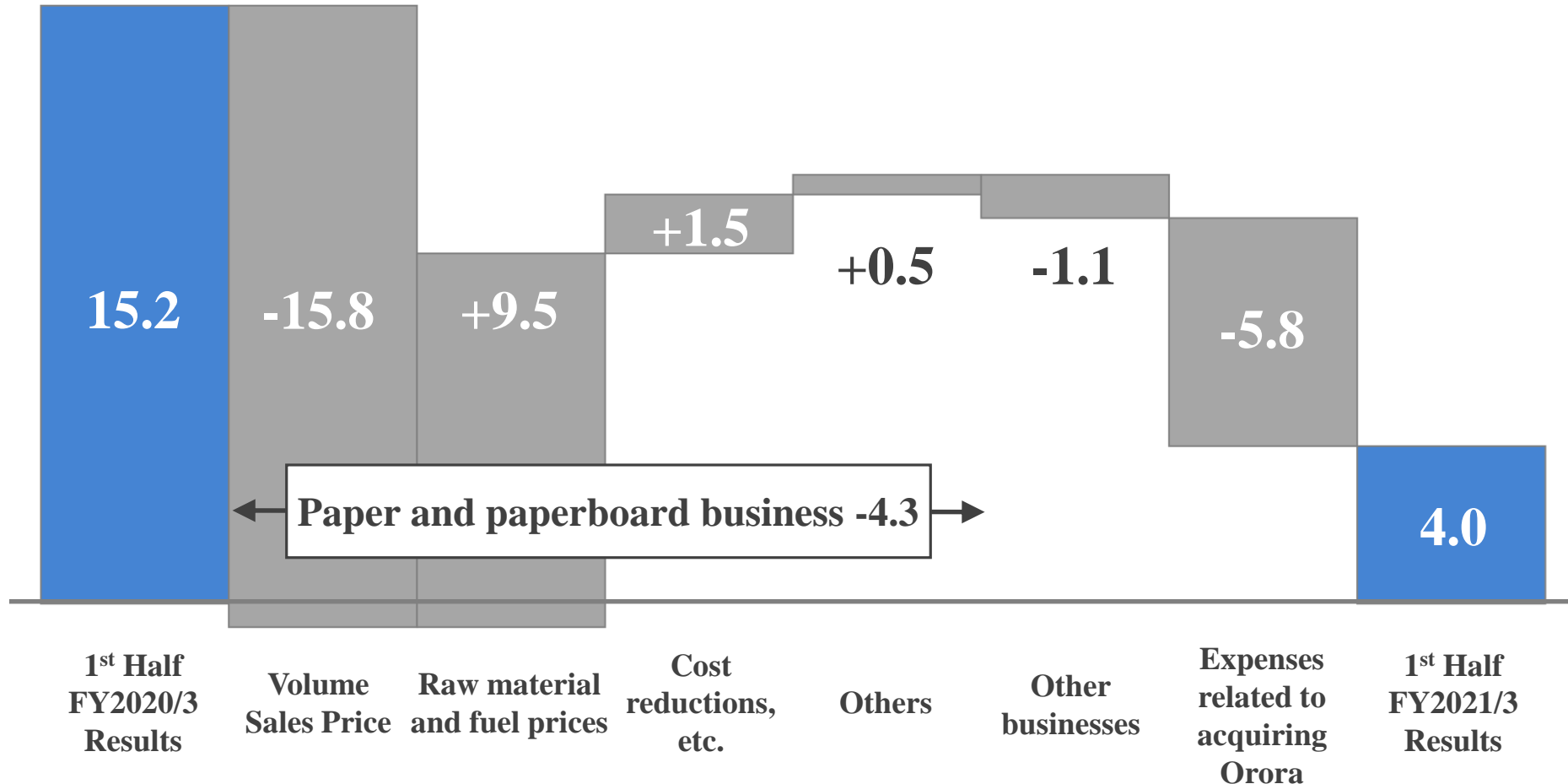
(¥billion)

	Net sales			Operating income		
	1 st Half FY2020/3 Results	1 st Half FY2021/3 Results	Variance	1 st Half FY2020/3 Results	1 st Half FY2021/3 Results	Variance
Paper and paperboard	328.5	272.5	-56.0	2.3	-2.0	-4.3
Daily-life products	136.7	140.5	3.8	5.8	6.0	0.2
Energy	16.3	16.4	0.1	3.2	3.4	0.2
Wood products and construction related	28.5	25.5	-3.0	2.5	2.4	-0.1
Others	14.9	12.5	-2.4	1.4	0.0	-1.4
Acquisition-related expenses	-	-	-	-	-5.8	-5.8
Total	524.9	467.4	-57.5	15.2	4.0	-11.2

1st Half FY2021/3 Financial Results

Variance analysis for operating income

(¥billion)



1st Half FY2021/3 Financial Results

1st Half FY2021/3 vs. 1st Half FY2020/3 Variance Analysis

(¥billion)

Paper and paperboard business	Volume, Sales Price	-15.8	-
	Raw material and fuel prices	9.5	Wood chip 1.2, Wastepaper 2.6, Pulp 0.5, Oil 1.4, Coal 2.7, Others 1.1 (Price 8.9, FOREX 0.6)
	Cost reductions, etc.	1.5	Cost reductions -2.2, Maintenance costs 0.5, Reorganization of production structure 3.4, Labor costs 0.1, Logistics cost -0.3
	Others	0.5	Overseas business 0.5, Depreciation 0.4, Retirement benefit expenses -0.7, Others 0.3
	Daily-life products	0.2	Household tissue and Health Care 1.2, NDP 2.0, Opal -2.7, etc.
	Other businesses	-1.3	Energy 0.2, Wood products and construction related -0.1, Others -1.4
	Acquisition-related expenses	-5.8	-
	Operating income	-11.2	1H FY20/3 15.2 → 1H FY21/3 4.0
	Non-operating Income	-6.3	Net financial cost -0.2, Equity in earnings of affiliates 0.0, FOREX loss -3.9, Others -2.2
	Ordinary income	-17.5	1H FY20/3 15.4 → 1H FY21/3 -2.1

Paper and paperboard business

(¥billion)

	1 st Half FY2020/3 Results	1 st Half FY2021/3 Results	Variance	Impact of COVID-19
Net sales	328.5	272.5	-56.0	-30.0
Operating income	2.3	-2.0	-4.3	-9.0

● Paper(Domestic)

- Sales volume significantly decreased due to page number reduction on newspapers and sluggish demand of printing paper for advertising.
- Due to production volume control, the operating rate in the first half was 80%^(*) and the effects of cost reduction will be substantially lower than expected.

● Paperboard(Domestic)

- Overall sales volume decreased because the number of inbound tourists and the demand for industrial use decreased despite firm demand for processed foods, mail order, and other applications

● Oversea business

- Both Jujo Thermal and SNP saw solid earnings, despite decrease in sales due to Covid-19.

(*) Operating rate relative to the number of days available

1st Half FY2021/3 Financial Results

Sales Volume(Paper & Paperboard)

('000 tonnes)

	1H FY2020/3	1H FY2021/3	YOY
Newsprint	415	345	-16.9%
Printing paper	740	545	-26.3%
Business communication paper	252	209	-16.9%
Others	180	146	-18.8%
Domestic sales (paper)	1,587	1,245	-21.5%
Export (paper)	161	112	-30.7%
Paper total	1,748	1,357	-22.3%
Container board	821	801	-2.5%
Folding box board and others	173	147	-15.0%
Domestic sales (paperboard)	994	947	-4.7%
Export (paperboard)	84	87	3.0%
Paperboard total	1,078	1,034	-4.1%
Grand total (paper and paperboard)	2,825	2,391	-15.4%

* 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)

Daily-life products business

(¥billion)

	1 st Half FY2020/3 Results	1 st Half FY2021/3 Results	Variance	Impact of COVID-19
Net sales	136.7	140.5	3.8	-5.0
Operating income	5.8	6.0	0.2	-1.5

● Opal

- The profit of the old AP is in big decline. Copy paper sales significantly decreased due to Covid-19. In addition, export market has remained sluggish.
- The old Orora sales volume on corrugated boxes for produce and meat applications decreased due to Covid-19.

● Nippon Dynawave Packaging (NDP)

- Operating income increased from previous 1H because long term maintenance shut down will take place in the 2nd half this year as opposed to the 1st half last year.

● Paper cartons (Domestic)

- Sales and operating income increased due to the installation of new filling machines and steady demand for milk cartons for home-use.

● Household tissue and HealthCare

- Sales volume of tissue paper and toilet rolls declined due to a reaction to a panic buying at previous FY end. However, sales of hand towels and other products for the prevention of infections were firm.

● Chemical

- Sales volume on functional films increased due to robust sales of mobile phones for Work From Home.
- Dissolving pulp sales volume decreased due to sluggish overseas demand including China.

1st Half FY2021/3 Financial Results

Energy business

(¥billion)

	1 st Half FY2020/3 Results	1 st Half FY2021/3 Results	Variance
Net sales	16.3	16.4	0.1
Operating income	3.2	3.4	0.2

Impact of
COVID-19

0.0

• Sales and operating income increased due to steady performance.

0.0

Wood products and construction related business

(¥billion)

	1 st Half FY2020/3 Results	1 st Half FY2021/3 Results	Variance
Net sales	28.5	25.5	-3.0
Operating income	2.5	2.4	-0.1

Impact of
COVID-19

-2.0

• Sales volume for lumber and other products decreased due to Covid-19.

-0.2

Other businesses

(¥billion)

	1 st Half FY2020/3 Results	1 st Half FY2021/3 Results	Variance
Net sales	14.9	12.5	-2.4
Operating income	1.4	0.0	-1.4

Impact of
COVID-19

-3.0

• In logistics and leisure businesses, sales decreased due to the impact of Covid-19.

-1.0

Consolidated Balance Sheets

(¥billion)

	Mar.31, 2020	Sep.30, 2020	Variance
Total assets	1,363.5	1,564.0	200.5
Cash and time deposit	52.8	115.0	62.2
Inventories	171.8	194.4	22.6
Other current assets	272.2	274.1	1.9
Property, equipment, and intangible fixed asset	689.5	796.3	106.8
Investment and other assets	177.1	184.0	6.9
Total liabilities	976.9	1,185.6	208.7
Interests bearing liabilities	689.9	899.7	209.8
Other liabilities	287.0	285.9	-1.1
Total net assets	386.6	378.3	-8.3
Shareholder's equity	364.3	352.0	-12.3
Total liabilities and net assets	1,363.5	1,564.0	200.5
Net interest-bearing debt	637.1	784.7	147.6
Adjusted Net D/E ratio * (times)	1.75	1.98	0.23

* Adjusted Net D/E ratio= (Net interest-bearing debt- Equity-type debt)/(Shareholders' Equity + Equity-type debt)
 Equity-type debt : The amount of debt procured by Hybrid loans that has been recognized as equity credit by rating agencies
 (50% of the procured amount raised)

Consolidated Statement

(¥billion)

	FY2020/3 Actual	FY2021/3 Forecast	Variance		Impact of COVID-19
			Amount	%	
Net sales	1,043.9	1,000.0	-43.9	-4.2%	-69.0
Operating income	35.0	20.0	-15.0	-42.9%	-22.0
(excluding acquisition-related expenses)		25.8	-9.2	-26.4%	
Ordinary income	30.5	12.0	-18.5	-60.7%	
Net income *	14.2	3.0	-11.2	-78.9%	

* Profit attributable to owners of parent

FY2021/3 Forecast

Results by Segment

(¥billion)

	Net sale			Operating Income		
	FY2020/3 Results	FY2021/3 Forecast	Variance	FY2020/3 Results	FY2021/3 Forecast	Variance
Paper and paperboard	646.7	560.0	-86.7	6.1	3.5	-2.6
Daily-life products	270.2	325.0	54.8	12.9	9.0	-3.9
Energy	33.0	33.0	0.0	6.8	7.0	0.2
Wood products and construction-related	61.6	52.0	-9.6	5.9	5.0	-0.9
Others	32.4	30.0	-2.4	3.3	1.3	-2.0
Acquisition-related expenses	-	-	-	-	-5.8	-5.8
Total	1,043.9	1,000.0	-43.9	35.0	20.0	-15.0

Major assumptions

■ Annual decline in domestic sales volume (YoY)

: Nearly unchanged from the assumptions of the August announcement.

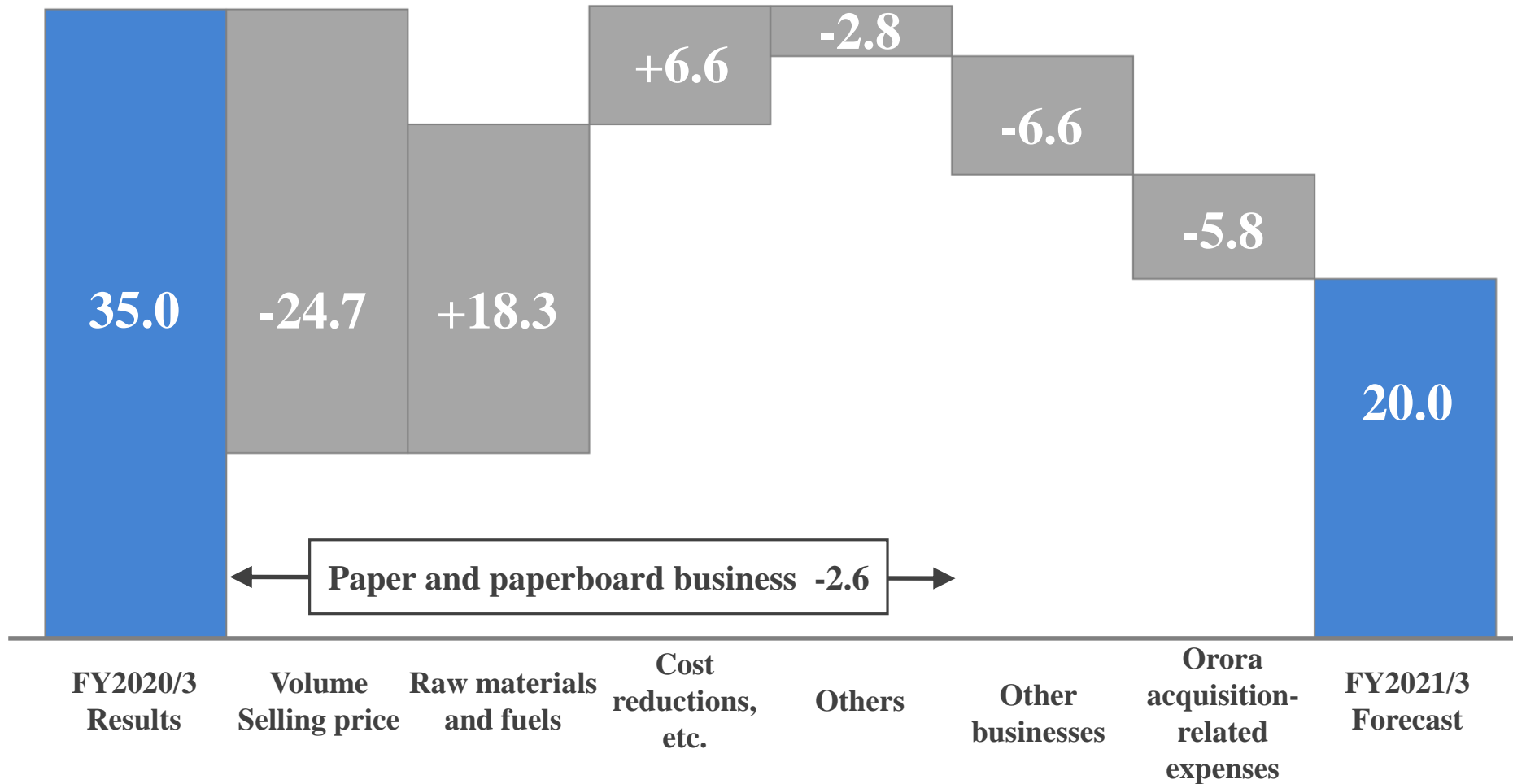
	1st Half Results	2nd half forecast	Full year forecast
Newsprint	-17%	-10%	-13%
Printing	-26%	-12%	-19%
Business communication	-17%	-7%	-12%
Containerboard	-2%	-5%	-4%

■ Major raw material prices and FOREX are expected to stay at current levels

FOREX(USD)	JPY 107/USD
FOREX sensitivity	+400 million yen/year due to 1 yen appreciation against USD
Coal	USD 69/t (Australian coal benchmark price)
Crude oil	USD 45/BL (Dubai)

Variance analysis for operating income

(¥billion)



FY2021/3 Forecast vs. FY2020/3 Results Variance Analysis

(¥billion)

Paper and paperboard business	Volume, Sales Price	-24.7	-
	Raw material and fuel prices	18.3	Woodchip 4.1, Wastepaper 2.9, Pulp 0.8, Oil 2.5, Coal 5.9, LNG 1.0, Chemicals, etc. 1.1 (Pricing 17.0, FOREX 1.3)
	Cost reductions, etc.	6.6	Cost reduction 0.7, Maintenance costs 1.4, Reorganization of production structure 4.5, Labor cost 0.1, Logistics cost-0.1
	Others	-2.8	Overseas business 0.5, Depreciation 0.7, Retirement benefit expenses -1.3, Inventory value adjustment etc. -2.7
	Daily-life products	-3.9	Household tissue and Healthcare 0.4, Opal -3.0, etc.
	Other businesses	-2.7	Energy 0.2, Others -2.9
	Acquisition-related expenses	-5.8	-
	Operating income	-15.0	FY20/3 35.0 → FY21/3 20.0
	Non-operating Income	-3.5	Net financial cost -1.2, Equity in earnings of affiliates -0.4, Others -1.9
	Ordinary income	-18.5	FY20/3 30.5 → FY21/3 12.0

REFERENCE MATERIALS

Key indicators

	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3	
					1st Half Results	Full year forecast
Operating income to net sales	2.4%	1.7%	1.8%	3.4%	0.8%	2.0%
Ordinary margin on sales	2.7%	1.8%	2.2%	2.9%	-0.5%	1.2%
Capital expenditure (¥ billion)	51.3	72.8	60.3	70.6	30.4	63.1
Depreciation (¥ billion)	55.1	57.9	60.4	58.7	29.7	62.2
EBITDA (¥ billion) ※1	89.3	83.7	86.1	97.7	-	87.5
Net interest-bearing debt (¥ billion)	588.0	634.6	625.2	637.1	784.7	760.0
Adjusted Net D/E ratio(times) ※2	1.49	1.61	1.76	1.75	1.98	around 1.8
Number of employees	13,057	12,881	12,943	12,592	15,917	15,907
Earnings per share (¥)	72.57	67.80	-304.34	122.89	-69.68	25.97
Dividends per share (¥)	60	60	30	40	10	40
ROA ※3	2.6%	1.9%	2.2%	2.7%	-	1.2%

* 1: EBITDA=Operating income+Depreciation+Dividend income +Interest income

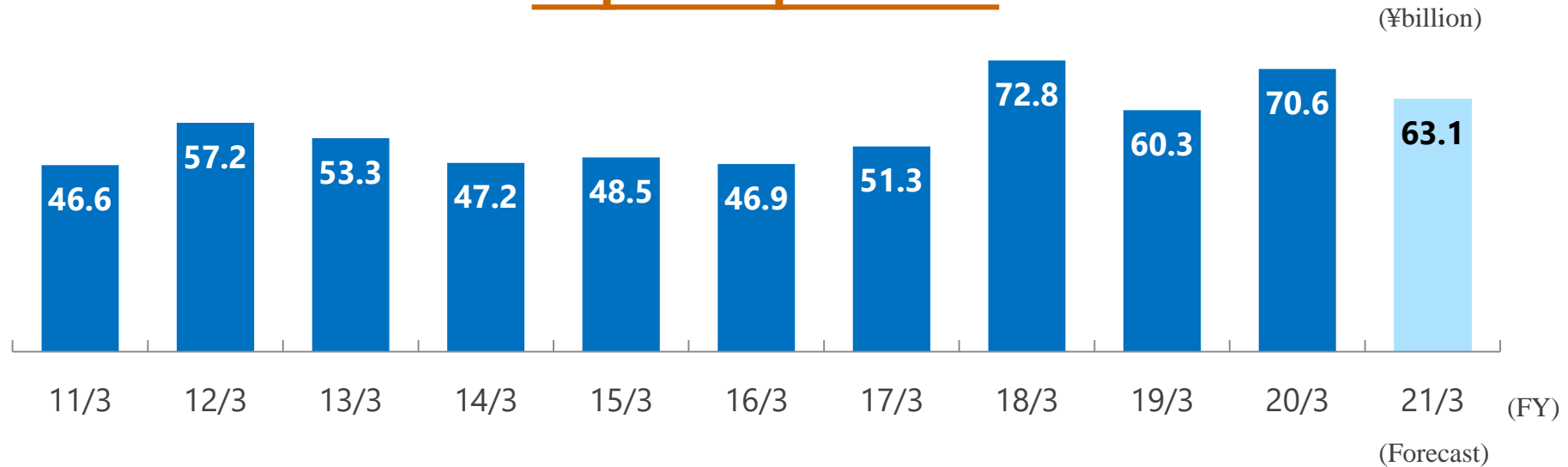
* 2 : Adjusted Net D/E ratio=(Net interest-bearing debt- Equity-type debt)/(Shareholders' Equity + Equity-type debt)

Equity-type debt : The amount of debt procured by Hybrid loans that has been recognized as equity credit by rating agencies (50% of the procured amount raised)

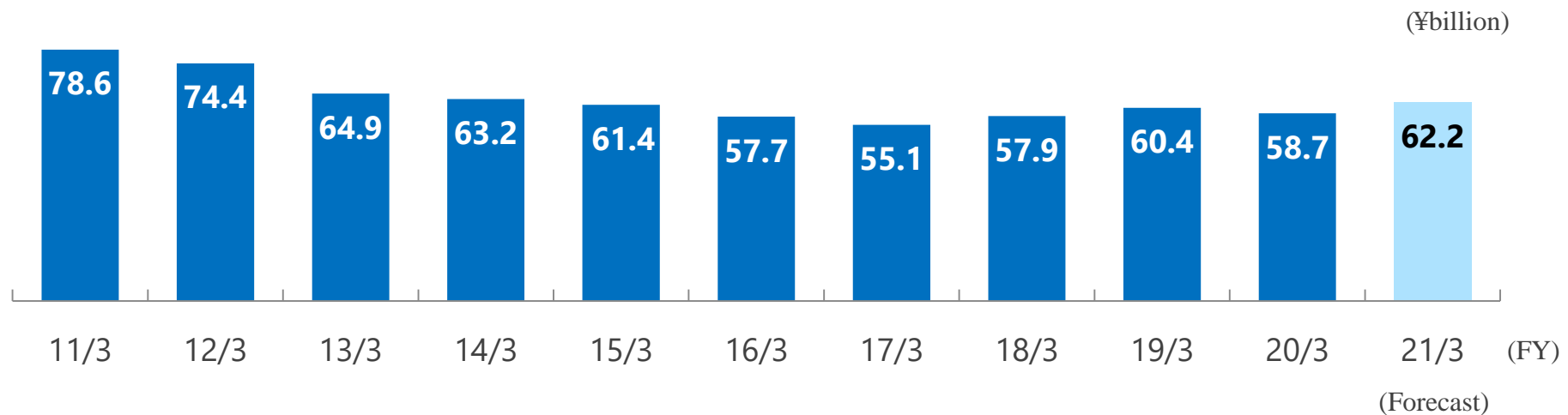
* 3 : ROA =(Ordinary income+Interest expense)/Total assets

* 2021 are based on Total assets at the end of September 2020.

Capital expenditure



Depreciation



Current Topics (August to October 2020)

■ August

1. Developed modified cellulose with Antiviral performance

■ September

2. Developed SPOPS Hygiene

3. Launched Printing paper with Antiviral performance

4. Completed NSATOM®

■ October

**5. Completed mass production facility for SHEILDPLUS®
of Jujo Thermal Oy**

6 Renewal of SHIELDPLUS®

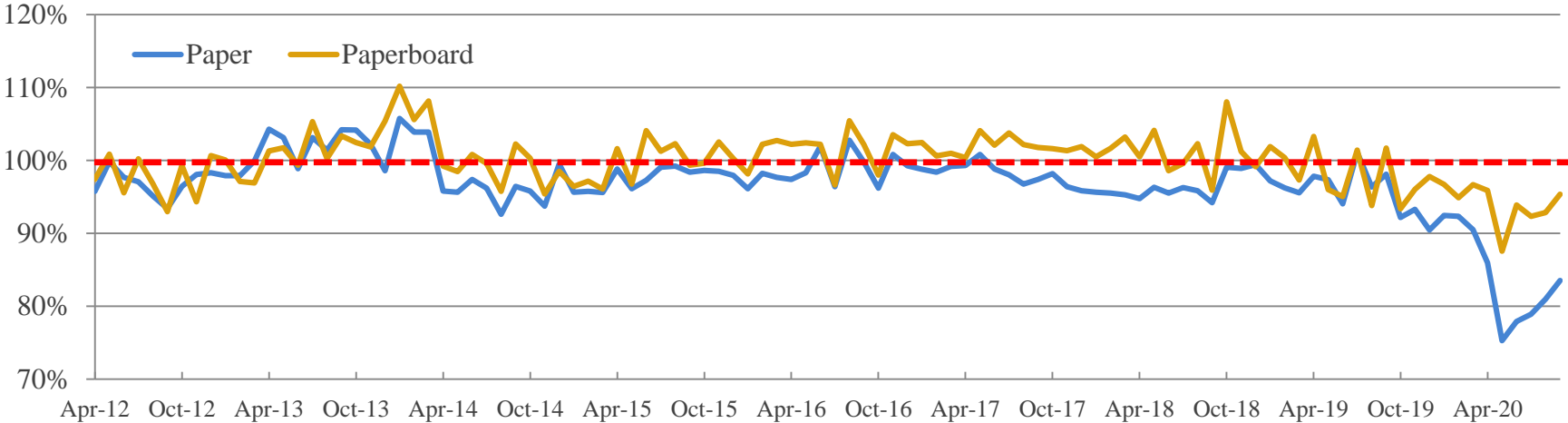
Domestic Shipment volum and Import / Export (Paper & Paperboard)**April, 2020 - September, 2020**

volume: '000 tonnes

	Domestic shipments(A)		Exports(B)		(A+B)		Imports(C)	
	volume	YOY	volume	YOY	volume	YOY	volume	YOY
Newsprint	1,002	-15.5%	0	—	1,002	-15.5%	1	90.6%
Printing & business communication paper	2,531	-25.3%	185	-28.3%	2,715	-25.5%	335	-43.4%
Coated paper *	1,287	-29.9%	136	-27.5%	1,423	-29.7%	102	-68.4%
Uncoated paper	703	-20.2%	37	-31.7%	741	-20.8%	21	-41.2%
Business communication paper	541	-19.3%	11	-25.6%	552	-19.5%	212	-9.3%
Other papers	1,427	-11.3%	133	-15.0%	1,560	-11.7%	22	-18.7%
Paper total	4,960	-19.8%	318	-23.3%	5,278	-20.0%	358	-42.2%
Container board	4,322	-5.0%	419	94.1%	4,741	-0.5%	23	5.4%
Folding box board and others	915	-15.3%	16	25.4%	932	-14.8%	122	-14.5%
Paperboard total	5,238	-6.9%	435	90.2%	5,673	-3.2%	145	-11.8%
Paper and paperboard total	10,198	-13.7%	753	17.1%	10,951	-12.1%	504	-35.8%

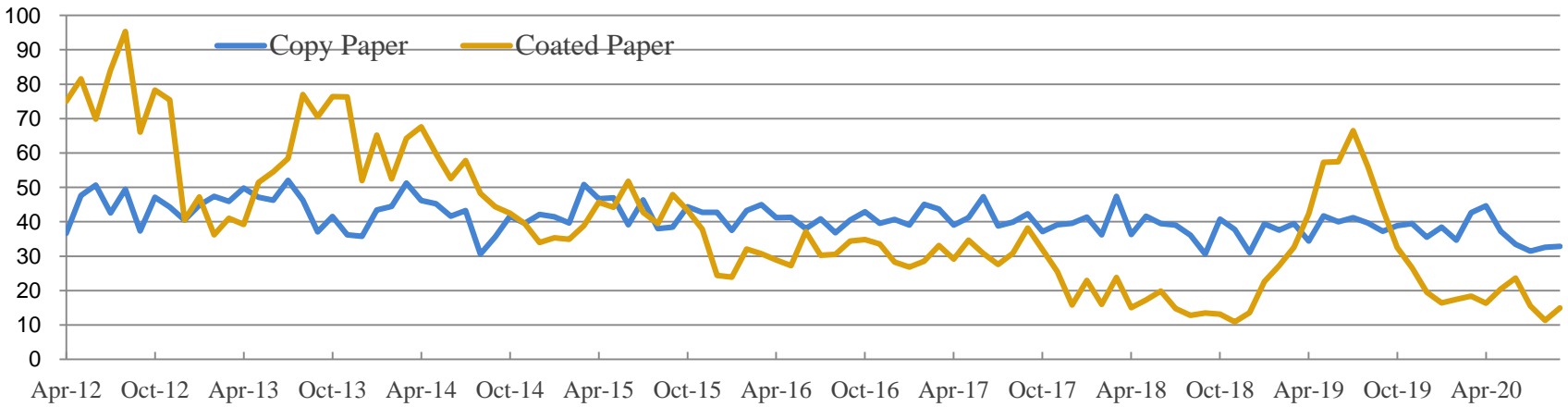
※ "Bitoko-shi" paper is included in coated paper.

Domestic shipment of paper industry(YOY)



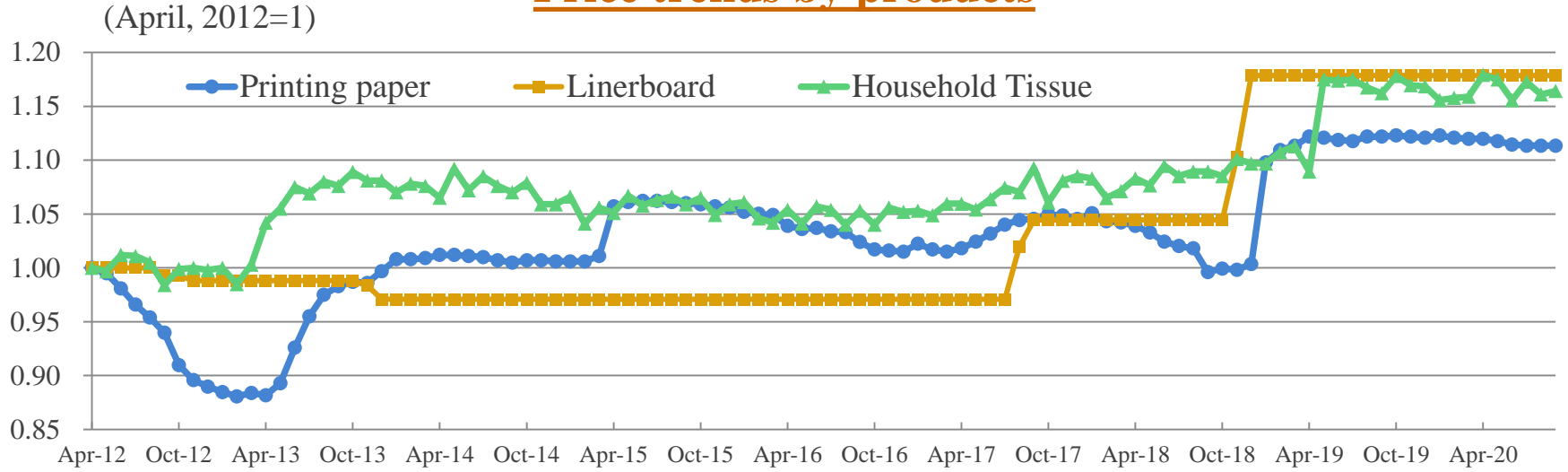
Coated paper and copy paper import volume

('000 tonnes)

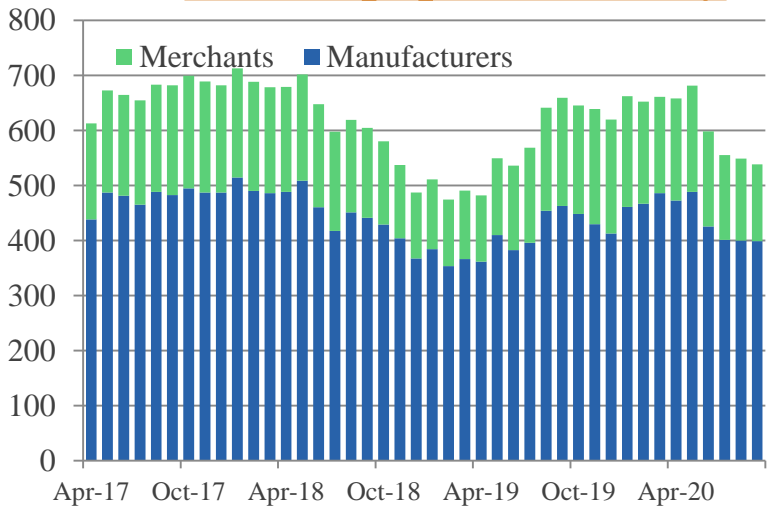


Source: Japan Paper Association, Trade Statics of Japan

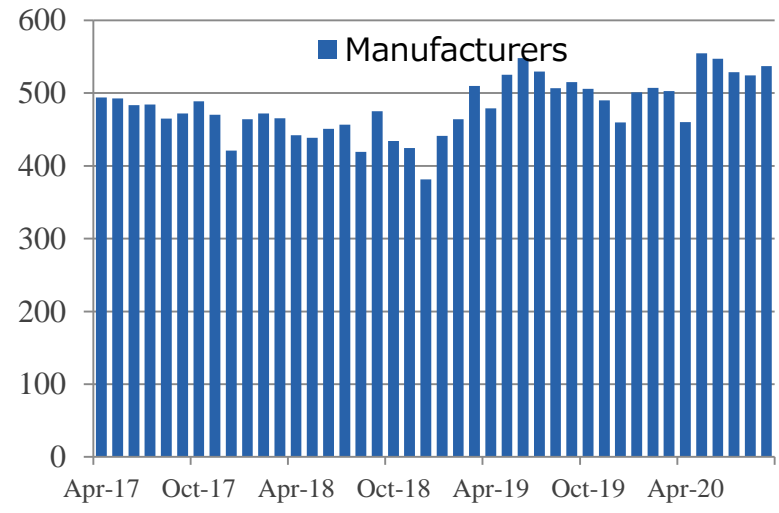
Price trends by products



Coated paper inventory ('000 tonnes)

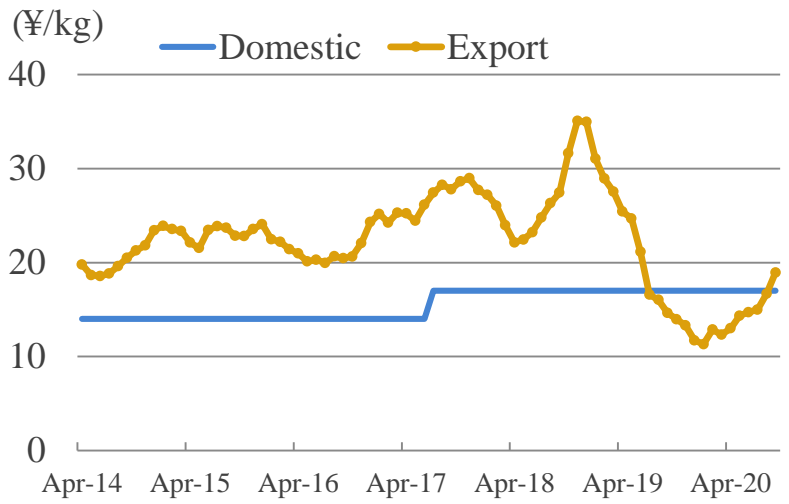


Containerboard inventory ('000 tonnes)

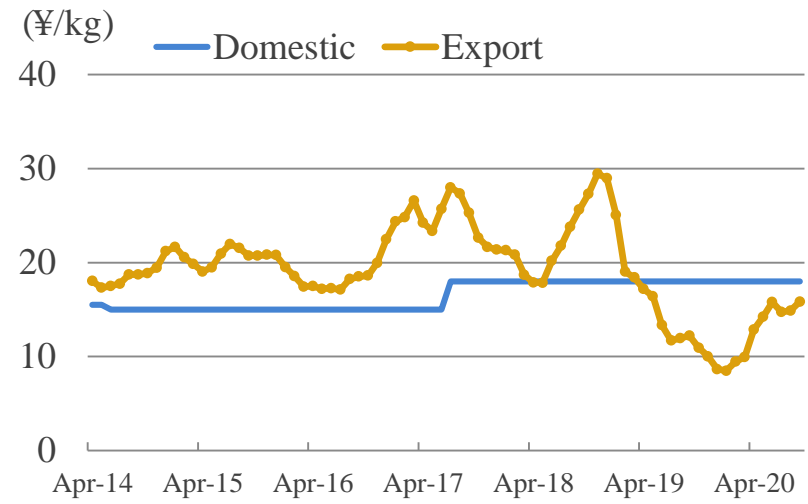


Source: Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

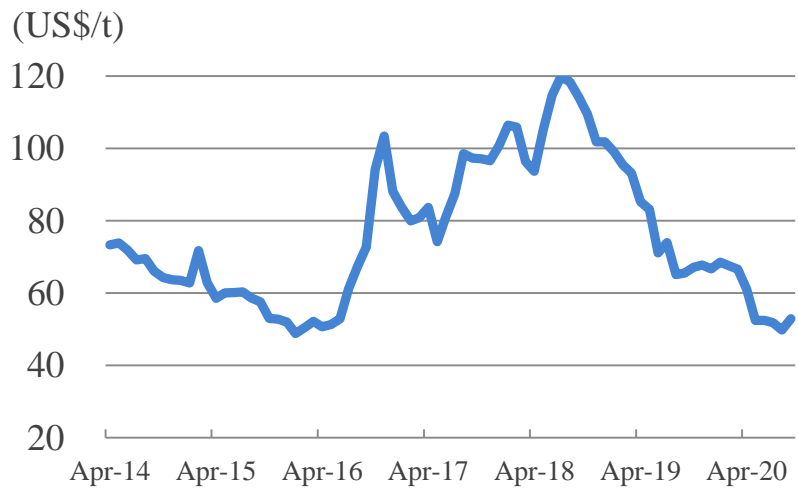
ONP



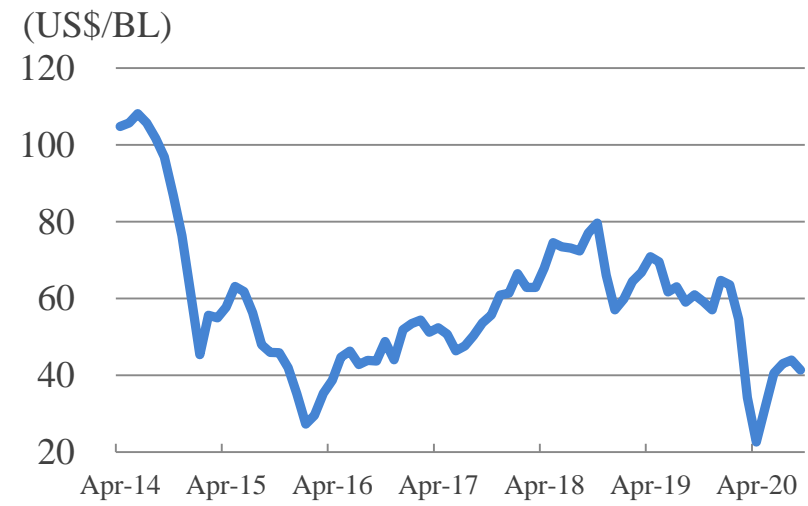
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Coal



Crude oil



Source: Wastepaper Revitalization Promotion Centre, Trade Statics of Japan, Nihon Keizai Shimbun, Global Coal Index

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

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