

1ST HALF FY2023/3 FINANCIAL REVIEW

November 9, 2022

Consolidated Statement

(¥billion)

	1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance	
			Amount	%
Net sales	508.4	550.9	42.5	8.4%
Operating income	8.1	-12.0	-20.1	-
Ordinary income	9.7	-7.4	-17.1	-
Net income *	2.2	-22.1	-24.3	-

* Profit attributable to owners of parent

- Net sales increased year-on-year because of price revisions and other factors.
- Operating loss was recorded due to the continued harsh business environment caused by soaring raw materials and fuels prices.
- Recorded impairment losses of shutdown of N1 Paper Machine and others, Akita Mill.



Results by Segment

(¥billion)

	Net sales			Operating income		
	1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance	1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance
Paper and paperboard	261.4	271.4	10.0	-0.2	-9.9	-9.7
Daily-life products	189.7	212.3	22.6	1.8	-5.3	-7.1
Energy	14.8	19.7	4.9	1.1	-1.9	-3.0
Wood products and construction related	28.5	33.4	4.9	3.5	3.9	0.4
Others	14.0	14.1	0.1	1.9	1.2	-0.7
Total	508.4	550.9	42.5	8.1	-12.0	-20.1

1st Half FY2023/3 vs. 1st Half FY2022/3 Variance Analysis

(¥billion)

Volume, Sales Price	16.7	-
Raw materials and fuels prices	-36.8	Wood chips -5.2, Wastepaper -5.1, Pulp -0.5, Oil -0.8, Coal -14.9, LNG -2.0, Chemicals, etc. -8.3 (Price -27.1, FOREX -9.7)
Cost reductions, etc.	7.0	Cost reductions 1.9, Permanent machine shutdown at the Kushiro Mill and the Ishinomaki Mill 3.1, Coal reduction effect 2.4 Labor costs 0.2, Logistics costs -0.6
Others	3.4	Oversea business 0.3, Depreciation 1.0, Retirement benefit expenses 0.4, Inventory value adjustment , etc. 1.7
Paper and paperboard business	-9.7	
Daily-life products business	-7.1	Domestic -3.7: Household paper and Healthcare -2.2, Package -1.2, Chemical -0.3 Overseas -3.4: Opal 0.9, NDP -4.3
Other businesses	-3.3	Energy -3.0, Wood products and construction related 0.4, Others -0.7
Operating income	-20.1	
Non-operating income	3.0	Net financial cost 0.4, Equity in earnings of affiliates 0.4, FOREX 2.3, Others -0.1
Ordinary income	-17.1	

Paper and paperboard business

(¥billion)

Net sales			Operating income		
1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance	1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance
261.4	271.4	10.0	-0.2	-9.9	-9.7

● Domestic

- Domestic sales volume of paper decreased year-on-year due to sluggish demand.
- Domestic sales volume of paperboard increased from the same period of the previous fiscal year due to firm demands for beverage-related products.
- Net sales increased year-on-year due to the price revisions.

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

● Overseas

- Despite the impact of increase costs of raw materials, fuels and ocean freight, profitability has been growth year-on-year by price revisions.

Daily-life products business

(¥billion)

	Net sales			Operating income		
	1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance	1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance
Domestic	90.5	94.9	4.4	4.1	0.4	-3.7
Overseas	99.2	117.4	18.2	-2.3	-5.7	-3.4
Daily-life products business total	189.7	212.3	22.6	1.8	-5.3	-7.1

● Domestic

- The impact of higher prices for raw materials and fuels such as pulp, coal, and liquid packaging boards was ¥-8.6 billion.
- Net sales was increased by that expression of price revisions, strong sales of long-lasting rolls/paper towels and expanded sales of filling machines for liquid package, however, operating income was decreased year-on-year.

● Overseas

- Opal reduced its deficit year-on-year by synergy effect and recovering sales volume of corrugated boxes. However, its operating income lowered due to soaring costs of raw materials and fuels and increasing freight cost by turmoil 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		
1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance	1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance
14.8	19.7	4.9	1.1	-1.9	-3.0

- Net sales was higher than the same period of previous fiscal year contributed by the advances of power cost by soaring costs of raw materials and fuels. However, the operating income was decreased by soaring coal cost and monthly carry-forwards of fuel adjustment cost.

Wood products and construction related business

(¥billion)

Net sales			Operating income		
1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance	1st Half FY2022/3 Results	1st Half FY2023/3 Results	Variance
28.5	33.4	4.9	3.5	3.9	0.4

- Domestic raw wood sales volume remained firm due to global lumber supply shortages. As a result , net sales and operating income increased.

Consolidated Balance Sheets

	Mar.31, 2022	Sep.30, 2022	(¥billion) Variance
Total assets	1,639.2	1,697.3	58.1
Cash and time deposit	136.8	93.5	-43.3
Inventories	190.7	238.7	48.0
Other current assets	290.3	287.2	-3.1
Property, equipment, and intangible fixed asset	798.2	834.7	36.5
Investment and other assets	223.0	243.1	20.1
Total liabilities	1,200.6	1,228.0	27.4
Interests bearing liabilities	898.1	896.4	-1.7
Other liabilities	302.5	331.5	29.0
Total net assets	438.6	469.3	30.7
Shareholder's equity	357.8	332.1	-25.7
Total liabilities and net assets	1,639.2	1,697.3	58.1
	Mar.31, 2022	Sep.30, 2022	Variance
Net interest-bearing debt	761.3	802.9	41.6
Adjusted Net D/E ratio * (times)	1.89	2.13	0.24

* 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)

	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

- Yearly forecast has not changed since the release of August 5.
- However, the forecast for operating income by business segment has been revised in consideration of the trends in the 1st half of the fiscal year.

Results by Segment

(¥billion)

	Net sales			Operating income		
	FY2022/3 Results	FY2023/3 Forecast	Variance	FY2022/3 Results	FY2023/3 Forecast	Variance
Paper and paperboard	532.1	540.0	7.9	-5.6	-28.5	-22.9
Daily-life products	386.5	420.0	33.5	4.8	-2.0	-6.8
Energy	31.8	40.0	8.2	1.6	-0.5	-2.1
Wood products and construction related	64.5	70.0	5.5	7.6	8.0	0.4
Others	30.2	30.0	-0.2	3.7	3.0	-0.7
Total	1,045.1	1,100.0	54.9	12.1	-20.0	-32.1

Major assumptions

■ Annual decline in domestic sales volume (YoY)

	2nd half	Full year
Newsprint	-9%	-7%
Printing	-10%	-11%
Business communication	-7%	-6%
Containerboard	0%	0%

■ Major raw material prices and FOREX

	2nd half forecast	Previous forecast (Full year)
FOREX (USD)	JPY 145/USD	JPY 130/USD
FOREX sensitivity (USD)	+1.2 billion yen/year due to 1 yen appreciation against USD	+0.8 billion yen/year due to 1 yen appreciation against USD
Coal (Australian coal benchmark price)	USD 385/t	USD 380/t
Crude oil (Dubai)	USD 90/BL	USD 110/BL
Wastepaper	Continues at the current level	Considering current price trends

FY2023/3 Forecast vs. FY2022/3 Variance Analysis

(¥billion)

Volume, Sales Price	56.2	-
Raw materials and fuels prices	-104.4	Wood chips -17.2, Wastepaper -12.1, Pulp -2.2, Oil -1.1, Coal -45.2, LNG -4.9, Chemicals, etc. -21.7 (Price -74.3, FOREX -30.1)
Cost reductions, etc.	12.7	Cost reductions 4.9, Permanent machine shutdown at the Kushiro Mill and the Ishinomaki Mill 4.0, Coal reduction effect 5.8 Labor costs 0.1, Logistics costs -2.1
Others	12.6	Oversea business 0.5, Depreciation 1.9, Retirement benefit expenses 0.8, Inventory value adjustment, etc. 9.4
Paper and paperboard business	-22.9	
Daily-life products business	-6.8	Domestic - 3.9: Household paper and Healthcare -1.9, Package -1.2, Chemical - 0.8 Overseas -2.9: Opal -1.6, NDP -1.3
Other businesses	-2.4	Energy -2.1, Wood products and construction related 0.4, Others -0.7
Operating income	-32.1	
Non-operating income	-2.4	-
Ordinary income	-34.5	

REFERENCE MATERIALS



NIPPON PAPER INDUSTRIES
SHAPING THE FUTURE WITH TREES 

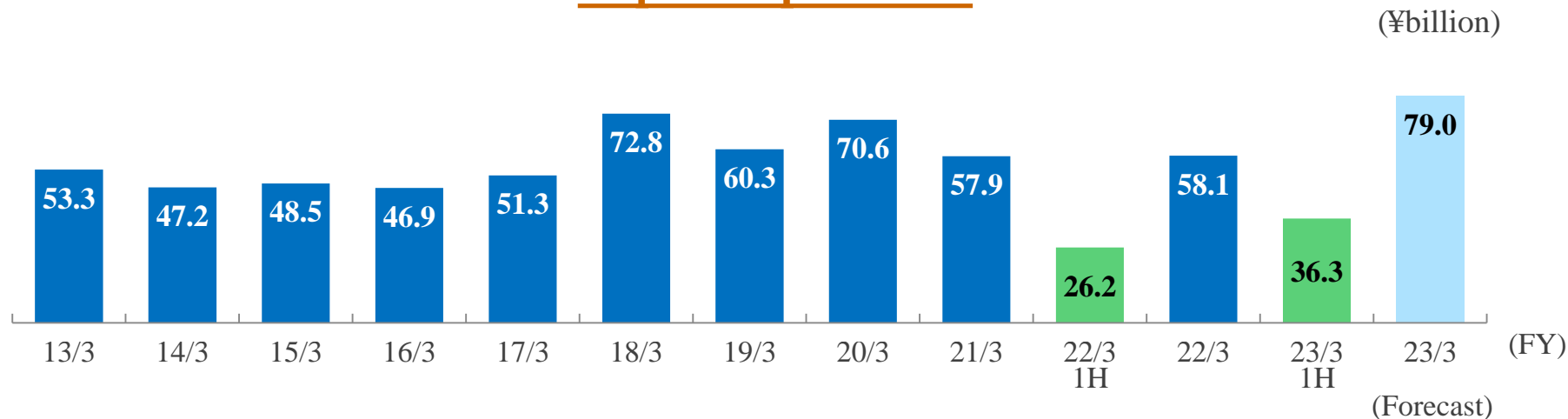
Sales Volume(Paper & Paperboard) *



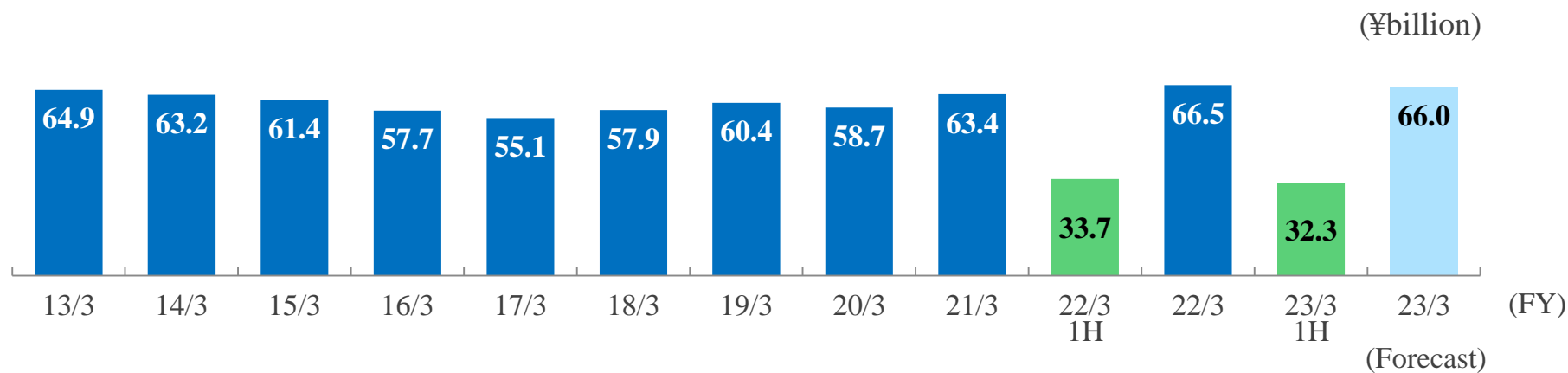
	('000 tonnes)		
	1H FY22/3	1H FY23/3	against FY22/3
Newsprint	317	300	-5.5%
Printing paper	592	531	-10.3%
Business communication paper	212	202	-5.0%
Others	159	157	-1.2%
Domestic sales (paper)	1,281	1,190	-7.1%
Export (paper)	131	118	-9.9%
Paper total	1,412	1,308	-7.4%
Container board	828	833	0.6%
Folding box board and others	163	161	-0.9%
Domestic sales (paperboard)	991	994	0.3%
Export (paperboard)	93	90	-2.6%
Paperboard total	1,084	1,084	0.1%
Grand total (paper and paperboard)	2,495	2,392	-4.1%

- Sales Volume Total of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Crecia Co., Ltd., and Shin Tokai Paper Co., Ltd. (excluding sanitary paper)

Capital expenditure



Depreciation



Net sales Trends by Segment



(¥billion)

	FY2022/3				FY2023/3		FY2023/3	
	1Q	2Q	3Q	4Q	1Q	2Q	1H Results	2H Forecast
Paper and paperboard	131.1	130.3	134.6	136.1	132.0	139.4	271.4	268.6
Daily-life products	91.9	97.8	98.3	98.5	101.0	111.3	212.3	207.7
Energy	6.4	8.4	7.9	9.1	8.2	11.5	19.7	20.3
Wood products and construction related	14.2	14.3	17.0	19.0	16.7	16.7	33.4	36.6
Others	6.9	7.1	7.8	8.4	6.9	7.2	14.1	15.9
Total	250.5	257.9	265.6	271.1	264.8	286.1	550.9	549.1

Operating income Trends by Segment



(¥billion)

	FY2022/3				FY2023/3		FY2023/3	
	1Q	2Q	3Q	4Q	1Q	2Q	1H Results	2H Forecast
Paper and paperboard	0.1	-0.3	-2.0	-3.4	-2.2	-7.7	-9.9	-18.6
Daily-life products	1.4	0.4	1.4	1.6	-2.6	-2.7	-5.3	3.3
Energy	0.5	0.6	0.2	0.3	-0.3	-1.6	-1.9	1.4
Wood products and construction related	1.9	1.6	2.1	2.0	1.9	2.0	3.9	4.1
Others	0.9	1.0	0.6	1.2	0.3	0.9	1.2	1.8
Total	4.8	3.3	2.3	1.7	-2.9	-9.1	-12.0	-8.0

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

('000 tonnes)

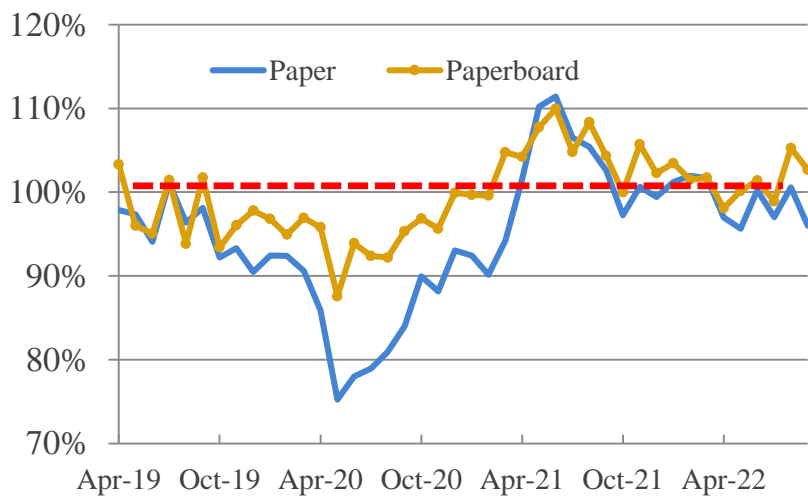
1H FY2023/3	Domestic shipments		Exports		Imports	
	volume	against FY22/3	volume	against FY22/3	volume	against FY22/3
Newsprint	912	-7.1%	0	—	1	-40.3%
Printing & business communication paper	2,692	-3.1%	268	-6.5%	267	-23.5%
Coated paper *	1,434	-1.6%	200	-8.6%	35	-70.4%
Uncoated paper	718	-6.0%	55	2.0%	9	-54.6%
Business communication paper	540	-2.8%	13	-5.5%	223	5.8%
Other papers	1,541	2.3%	141	-11.1%	26	-8.7%
Paper total	5,145	-2.3%	409	-8.1%	294	-22.4%
Container board	4,591	0.9%	529	5.1%	26	35.8%
Folding box board and others	1,033	1.2%	30	-13.4%	130	-1.7%
Paperboard total	5,623	1.0%	559	3.9%	156	3.0%
Paper and paperboard total	10,768	-0.6%	968	-1.5%	450	-15.2%

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

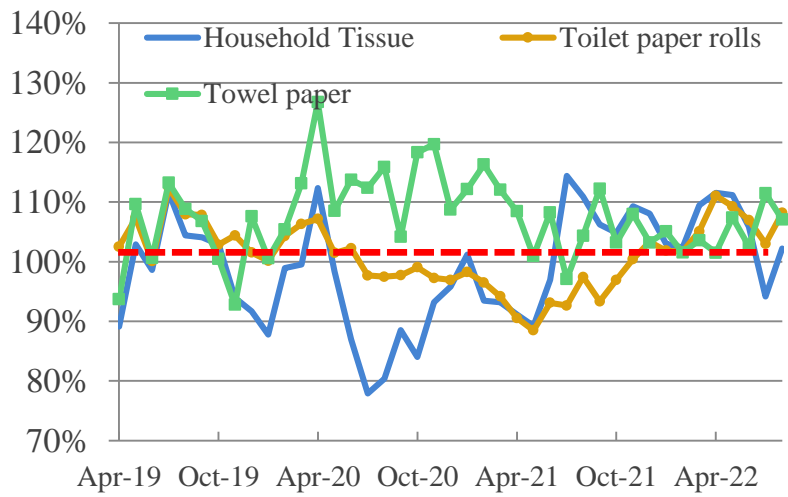
Source: Japan Paper Association, Trade Statics of Japan 18



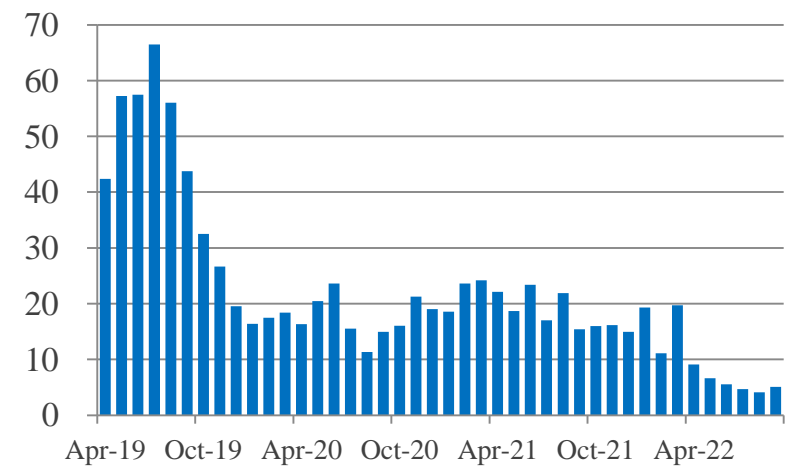
Domestic shipment of paper industry(YOY)



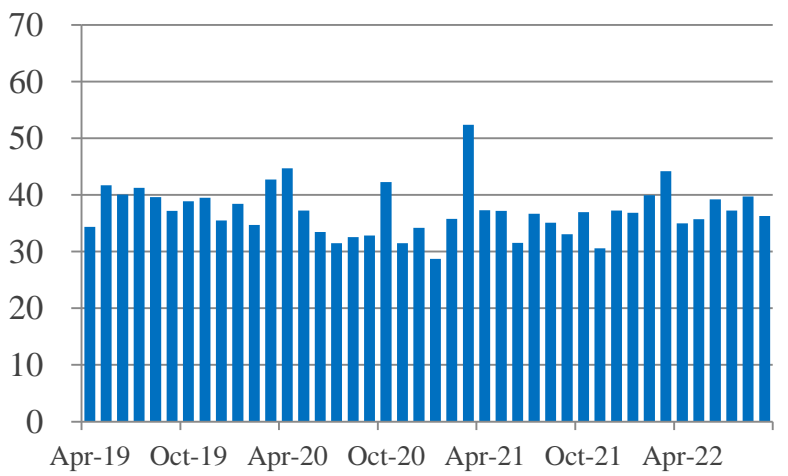
Production of sanitary paper (YOY)



Imports of Coated Paper
(’000 tonnes)



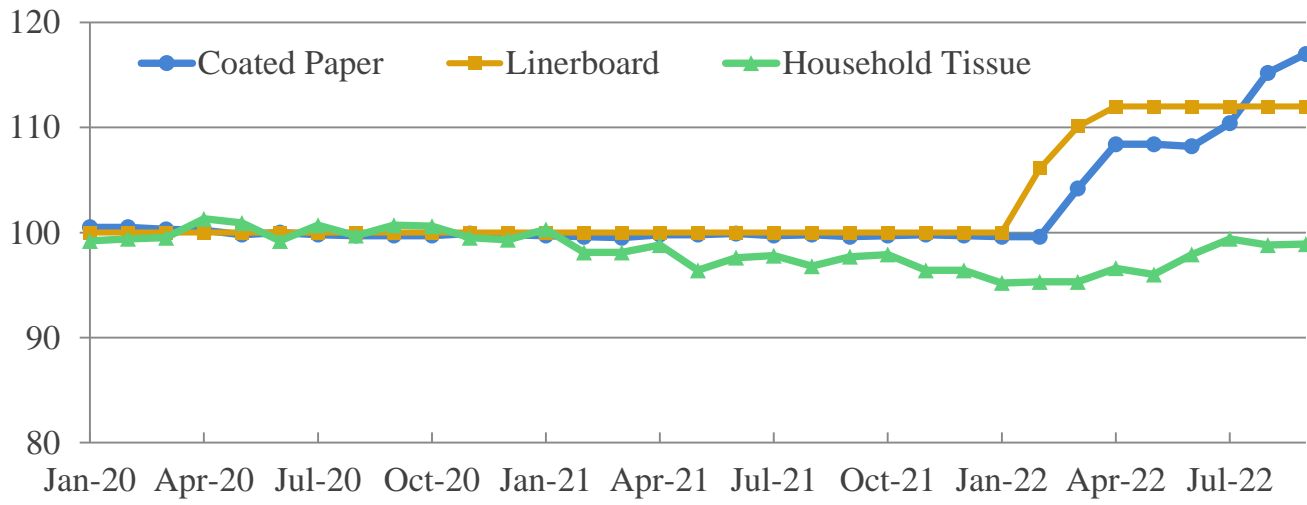
Imports of Copy Paper
(’000 tonnes)





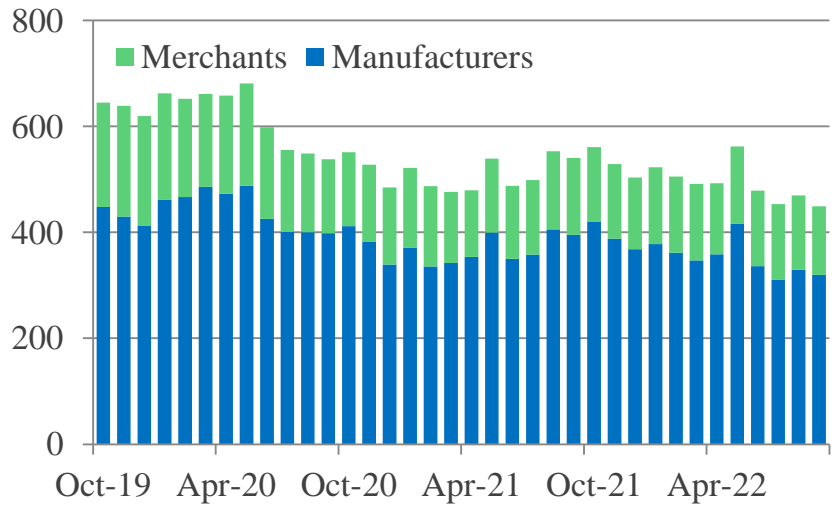
Price trends by products

CY 2020=100



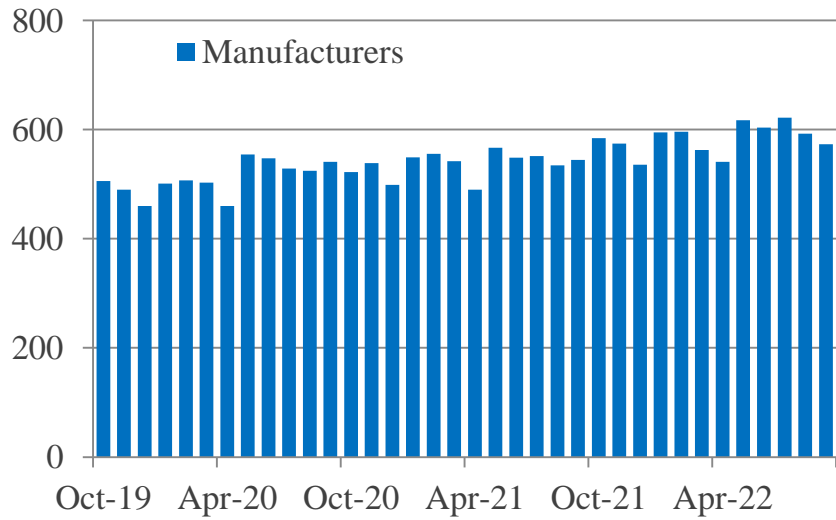
('000 tonnes)

Coated paper inventory



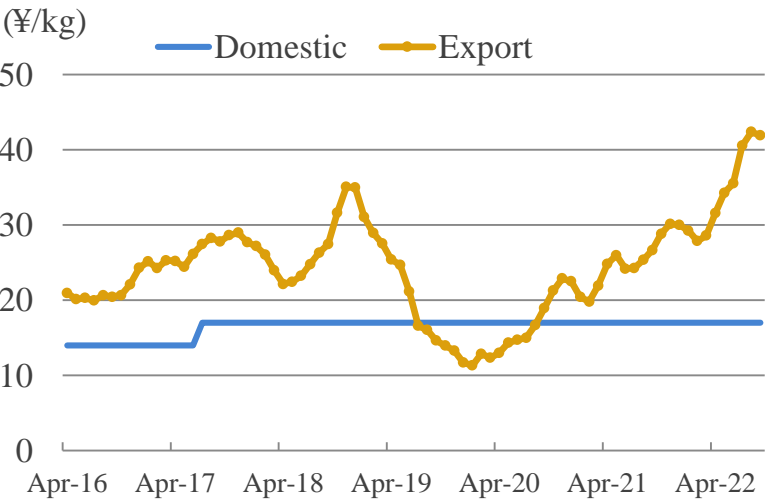
('000 tonnes)

Containerboard inventory

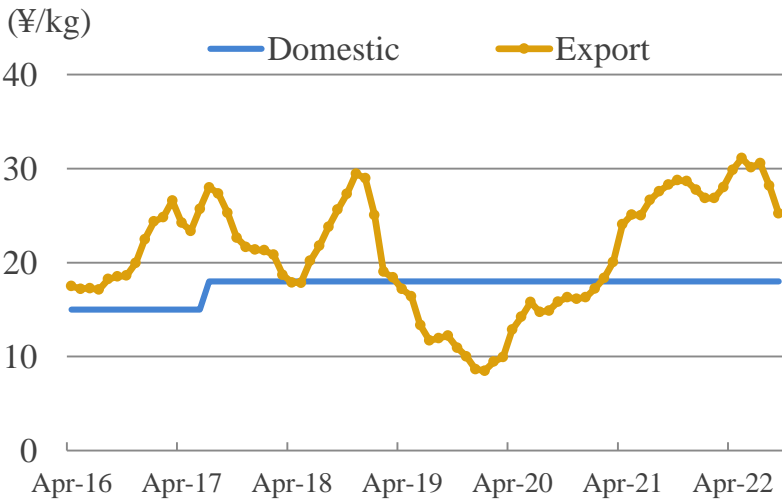




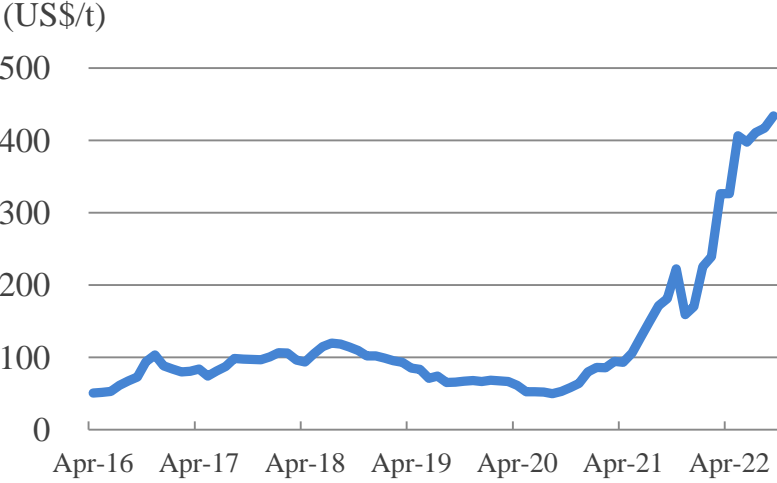
ONP



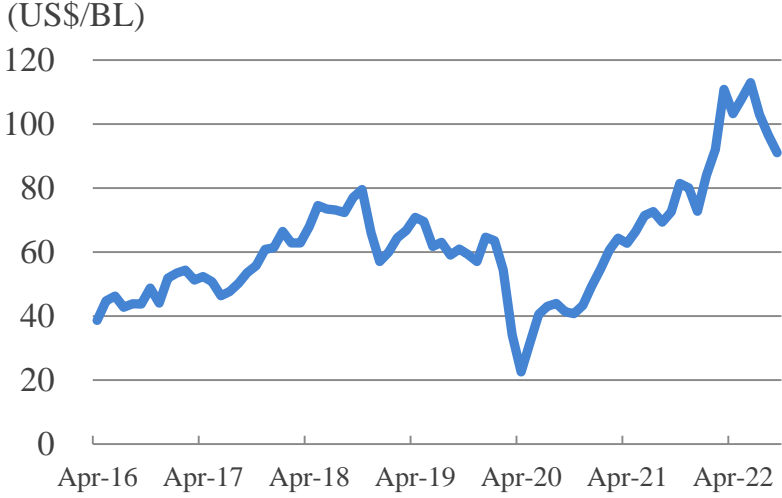
OCC



Coal



Crude oil





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

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