

1ST HALF FY2024/3 FINANCIAL REVIEW

November 10, 2023

Consolidated Statement

(¥billion)

	1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance	
			Amount	%
Net sales	550.9	583.9	33.0	6.0%
Operating income	-12.0	4.9	16.9	—
Ordinary income	-7.4	5.8	13.2	—
Net income *	-22.1	-9.4	12.7	—

* 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		
	1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance	1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance
Paper and Paperboard	271.4	286.4	15.0	-9.9	3.9	13.8
Daily-Life Products	212.3	218.5	6.2	-5.3	-5.0	0.3
Energy	19.7	28.3	8.6	-1.9	0.2	2.1
Wood Products and Construction Related	33.4	36.2	2.8	3.9	5.2	1.3
Others	14.1	14.5	0.4	1.2	0.6	-0.6
Total	550.9	583.9	33.0	-12.0	4.9	16.9



Variance Analysis

(¥billion)

		Paper and Paperboard Business		Daily-Life Products Business	
Volume, Sales Price	44.4	35.7	—	8.7	—
Raw material and fuel prices	-24.3	-19.0	Wood chips -5.7, Wastepaper -0.6, Pulp -0.3, Oil -0.4, Coal -4.3, LNG 0.1, Chemicals, etc. -7.8 (Price -11.9, FOREX -7.1)	-5.3	Pulp -1.7, Wood chips -0.5, Chemicals, etc. -3.1
Cost reductions, etc.	5.9	5.6	Cost reductions 2.9, Permanent machine shutdown at the Akita Mill and the Ishinomaki Mill 0.7, Labor costs 1.4, Others 0.6	0.3	—
Others	-11.9	-8.5	Overseas business -2.1, Depreciation 1.6, Retirement benefit expenses 0.7, Inventory value adjustment, etc. -8.7	-3.4	Overseas business -2.3, Inventory value adjustment, etc. -1.1
Total	14.1	13.8	Domestic 15.9, Overseas -2.1	0.3	Domestic 2.6, Overseas -2.3
Other businesses	2.8	Energy 2.1, Wood Products and Construction Related 1.3, Others -0.6			
Operating income	16.9				
Non-operating income	-3.7	Net financial cost -1.2, Equity in earnings of affiliates -0.9, FOREX -0.7, Others -0.9			
Ordinary income	13.2				

Paper and Paperboard Business

(¥billion)

Net sales			Operating income		
1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance	1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance
271.4	286.4	15.0	-9.9	3.9	13.8

- Domestic
 - Domestic sales volume of paper and paperboard products decreased year-on-year due to sluggish demand.
 - Despite the impact of higher prices for raw materials and fuels such as wood chips and coal, 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			
	1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance	1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance	
Domestic	94.9	103.6	8.7	0.4	3.0	2.6	Package 1.9, Chemical -1.0, Household paper and Healthcare 1.7
Overseas	117.4	114.9	-2.5	-5.7	-8.0	-2.3	Opal -4.7, NDP 2.3, TSP 0.1
Total	212.3	218.5	6.2	-5.3	-5.0	0.3	

- Domestic
 - Sales volumes of toilet paper rolls and healthcare products increased.
 - Sales volumes of functional films, facial tissues, 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 sales and earnings year-on-year, mainly due to lower sales volume following the withdrawal from graphic paper business.
 - Nippon Dynawave Packaging (NDP) recorded higher sales and earnings despite lower sales volume, by the contribution of product price revisions.



Energy business

(¥billion)

Net sales			Operating income		
1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance	1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance
19.7	28.3	8.6	-1.9	0.2	2.1

- 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		
1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance	1st Half FY2023/3 Results	1st Half FY2024/3 Results	Variance
33.4	36.2	2.8	3.9	5.2	1.3

- 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 Balance Sheets

	Mar.31, 2023	Sep.30, 2023	(¥billion) Variance
Total assets	1,666.5	1,704.5	38.0
Cash and time deposit	144.3	135.1	-9.2
Inventories	238.5	242.9	4.4
Other current assets	244.8	260.6	15.8
Property, equipment, and intangible fixed asset	819.3	830.1	10.8
Investment and other assets	219.4	235.6	16.2
Total liabilities	1,251.3	1,266.7	15.4
Interests bearing liabilities	924.4	921.5	-2.9
Other liabilities	326.9	345.2	18.3
Total net assets	415.2	437.7	22.5
Shareholder's equity	303.7	294.3	-9.4
Total liabilities and net assets	1,666.5	1,704.5	38.0
Net interest-bearing debt	780.1	786.4	6.3
Adjusted Net D/E ratio * (times)	2.25	2.33	0.08

* 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 financed amount)



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.
- However, the forecast for Net sales and operating income by business segment has been revised in consideration of the trends in the 1st half of the fiscal year.



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	606.0	42.8	-29.2	16.0	45.2
Daily-Life Products	440.1	450.0	9.9	-7.8	-5.0	2.8
Energy	49.9	68.0	18.1	-1.7	1.5	3.2
Wood Products and Construction Related	68.9	75.0	6.1	8.9	8.5	-0.4
Others	30.5	31.0	0.5	2.9	3.0	0.1
Total	1,152.6	1,230.0	77.4	-26.9	24.0	50.9



Major Assumptions

- Annual decline in domestic sales volume (YoY)

	2nd Half	Full year
Newsprint	-13%	-11%
Printing	-12%	-12%
Business communication	-4%	-5%
Containerboard	-2%	-4%

- Major raw material prices and FOREX

	2nd Half	Previous forecast (Full year)
FOREX (USD)	JPY 150/USD	JPY 135/USD
FOREX sensitivity	+0.9 billion yen/year due to 1 yen appreciation against USD	+1.0 billion yen/year due to 1 yen appreciation against USD
Coal	Considering current procurement plan (Australian coal benchmark price : USD 200/t)	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)	USD 85/BL (Dubai)
Wastepaper	Considering current price trends	Considering current price trends

FY2024/3 Forecast vs. FY2023/3 Variance Analysis

(¥billion)

		Paper and Paperboard Business		Daily-Life Products Business	
Volume, Sales Price	74.6	57.7	—	16.9	—
Raw material and fuel prices	-13.1	-7.3	Wood chips -8.1, Wastepaper 2.2, Pulp -0.3, Oil -0.8, Coal 8.4, LNG 1.5, Chemicals, etc. -10.2 (Price 6.8, FOREX -14.1)	-5.8	Wood chips -0.7, Pulp -1.9, Chemicals, etc. -3.2
Cost reductions, etc.	10.5	9.7	Cost reductions 5.9, Permanent machine shutdown at the Akita Mill and the Ishinomaki Mill 1.1, Labor costs 2.2, Others 0.5	0.8	—
Others	-24.0	-14.9	Overseas business -2.1, Depreciation 2.8, Retirement benefit expenses 1.2, Inventory value adjustment, etc. -16.8	-9.1	Overseas business -6.5, Inventory value adjustment, etc. -2.6
Total	48.0	45.2	Domestic 47.3, Overseas -2.1	2.8	Domestic 9.3, Overseas -6.5
Other businesses	2.9	Energy 3.2, Wood products and construction related -0.4, Others 0.1			
Operating income	50.9	Domestic: Package 2.9, Chemical 0.7, Household paper and Healthcare 5.7 Overseas: Opal -4.6, NDP -2.1, TSP 0.2			

REFERENCE MATERIALS

Sales Volume(Paper & Paperboard) *



('000 tonnes)

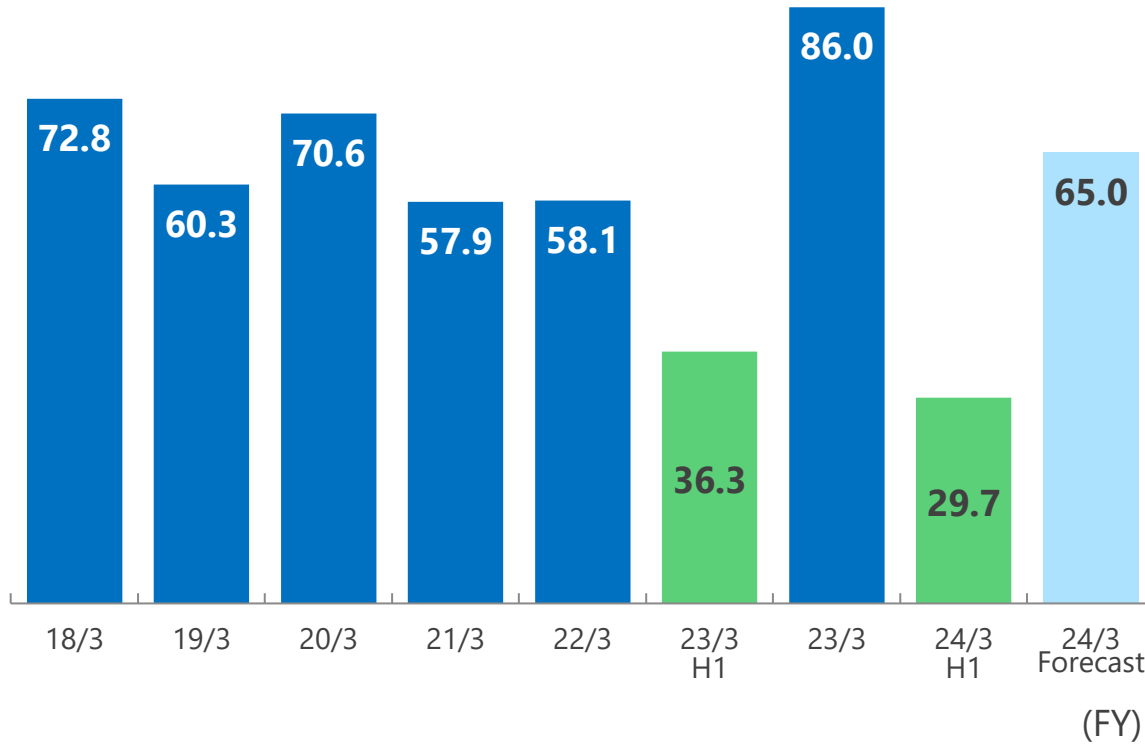
	H1 FY2023/3	H1 FY2024/3	against H1 FY23/3
Newsprint	300	270	-9.8%
Printing paper	531	471	-11.3%
Business communication paper	202	188	-7.0%
Others	157	144	-8.5%
Domestic sales (paper)	1,190	1,074	-9.8%
Export (paper)	118	79	-32.4%
Paper total	1,308	1,153	-11.8%
Container board	833	786	-5.6%
Paperboard for paper container and others	161	159	-1.5%
Domestic sales (paperboard)	994	945	-4.9%
Export (paperboard)	90	57	-36.4%
Paperboard total	1,084	1,003	-7.5%
Grand total (paper and paperboard)	2,392	2,156	-9.9%

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



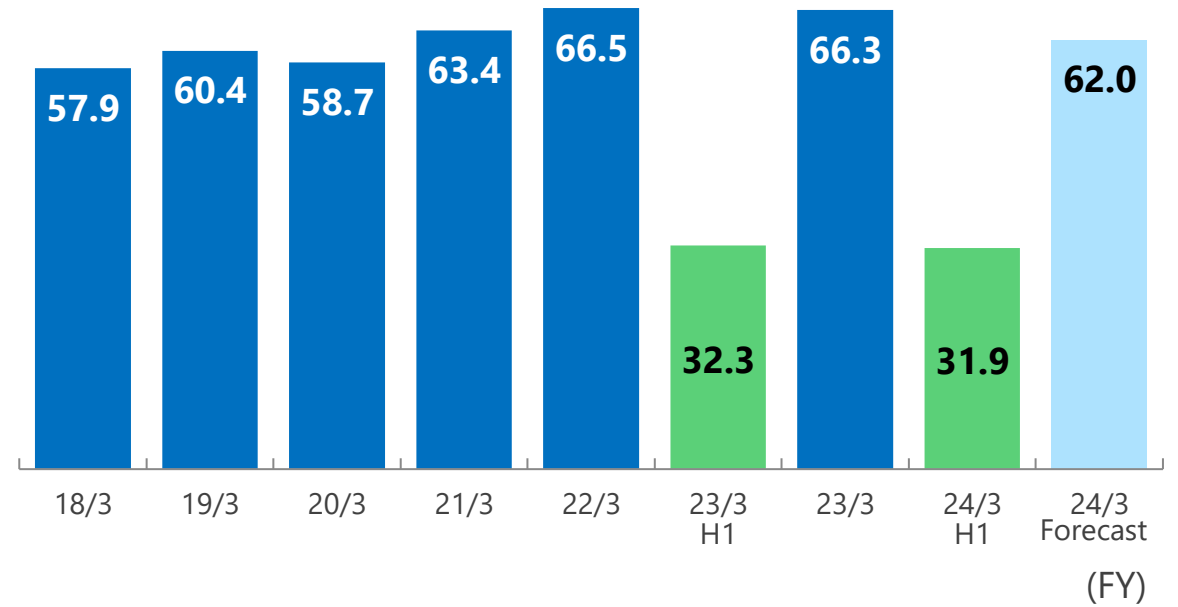
Capital expenditure *

(¥billion)



Depreciation

(¥billion)



* Construction in progress Recorded basis



Net Sales Trends by Business Segment

(¥billion)

	FY2023/3 Results				FY2024/3		FY2024/3	
	Q1	Q2	Q3	Q4	Q1	Q2	1st Half Results	2nd Half Forecast
Paper and Paperboard	132.0	139.4	144.8	147.0	143.3	143.1	286.4	319.6
Daily-Life Products	101.0	111.3	116.2	111.6	106.8	111.7	218.5	231.5
Energy	8.2	11.5	12.5	17.7	13.7	14.6	28.3	39.7
Wood Products and Construction Related	16.7	16.7	17.4	18.1	16.7	19.5	36.2	38.8
Others	6.9	7.2	7.6	8.8	6.9	7.6	14.5	16.5
Total	264.8	286.1	298.5	303.2	287.4	296.5	583.9	646.1

Operating Oncome Trends by Business Segment



(¥billion)

	FY2023/3 Results				FY2024/3		FY2024/3	
	Q1	Q2	Q3	Q4	Q1	Q2	1st Half Results	2nd Half Forecast
Paper and Paperboard	-2.2	-7.7	-12.1	-7.2	0.2	3.7	3.9	12.1
Daily-Life Products	-2.6	-2.7	-1.3	-1.2	-2.3	-2.7	-5.0	0.0
Energy	-0.3	-1.6	-0.3	0.5	0.5	-0.3	0.2	1.3
Wood Products and Construction Related	1.9	2.0	2.4	2.6	2.3	2.9	5.2	3.3
Others	0.3	0.9	0.5	1.2	0.1	0.5	0.6	2.4
Total	-2.9	-9.1	-10.8	-4.1	0.8	4.1	4.9	19.1

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

('000 tonnes)

	Domestic shipments		Exports		Imports	
	volume	against H1 FY23/3	volume	against H1 FY23/3	volume	against H1 FY23/3
Newsprint	827	-9.4%	0	—	1	18.2%
Printing & business communication paper	2,454	-8.9%	210	-21.7%	263	-1.5%
Coated paper *	1,310	-8.6%	160	-19.9%	57	63.1%
Uncoated paper	644	-10.4%	39	-29.1%	5	-42.6%
Business communication paper	500	-7.4%	11	-17.3%	201	-10.1%
Other papers	1,454	-6.1%	114	-19.6%	20	-21.8%
Paper total	4,735	-8.1%	324	-21.0%	284	-3.3%
Containerboard	4,355	-5.1%	350	-33.8%	10	-59.7%
Folding box board and others	984	-4.7%	20	-33.3%	108	-16.7%
Paperboard total	5,339	-5.1%	370	-33.8%	119	-23.8%
Paper and paperboard total	10,074	-6.5%	694	-28.4%	403	-10.4%

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

Source: Japan Paper Association, Trade Statistics of Japan

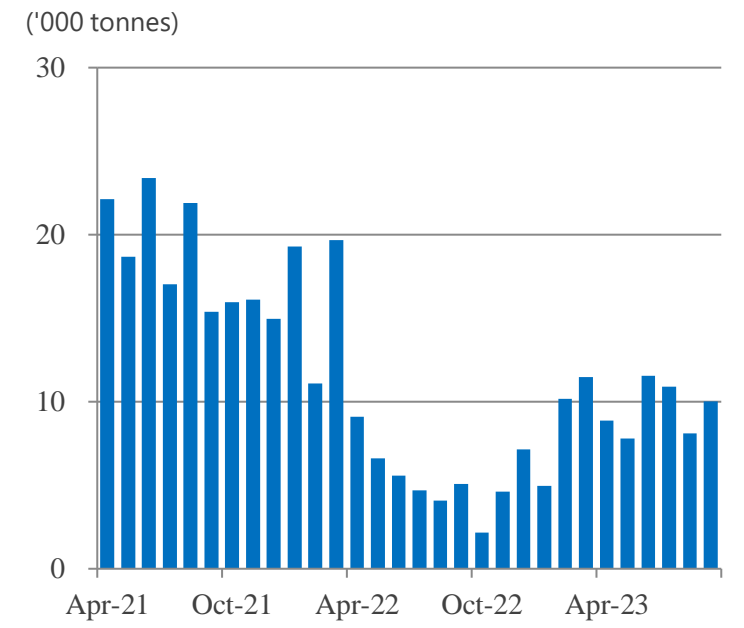
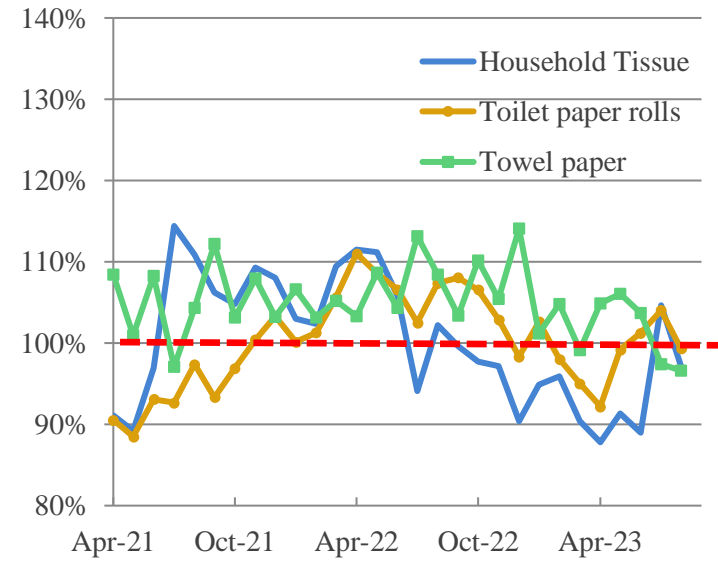
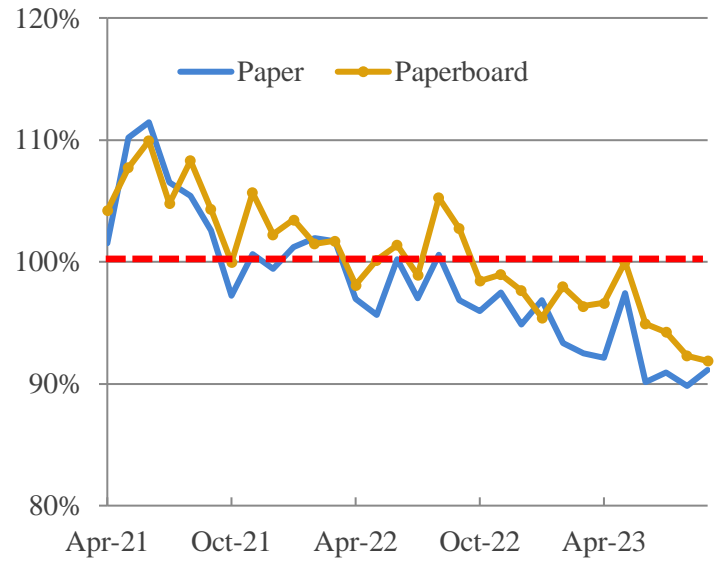


Reference (Domestic)

Domestic shipment of paper industry (YOY)

Production of sanitary paper (YOY)

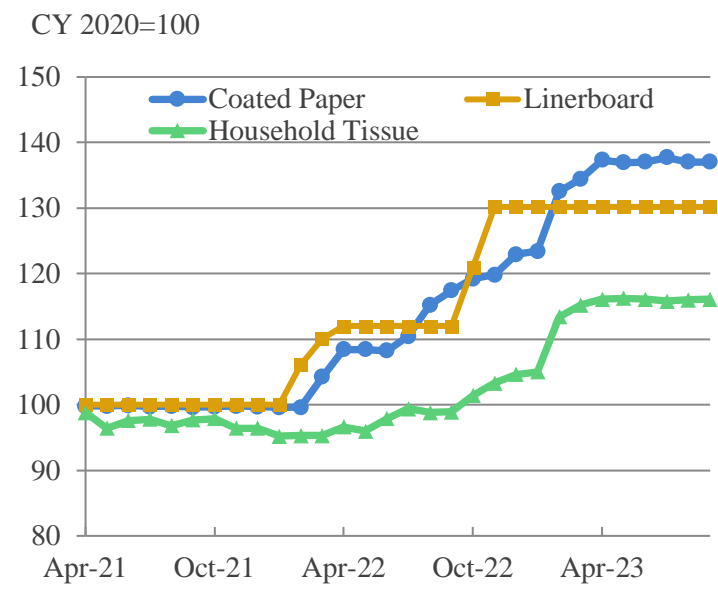
Imports of Coated Paper



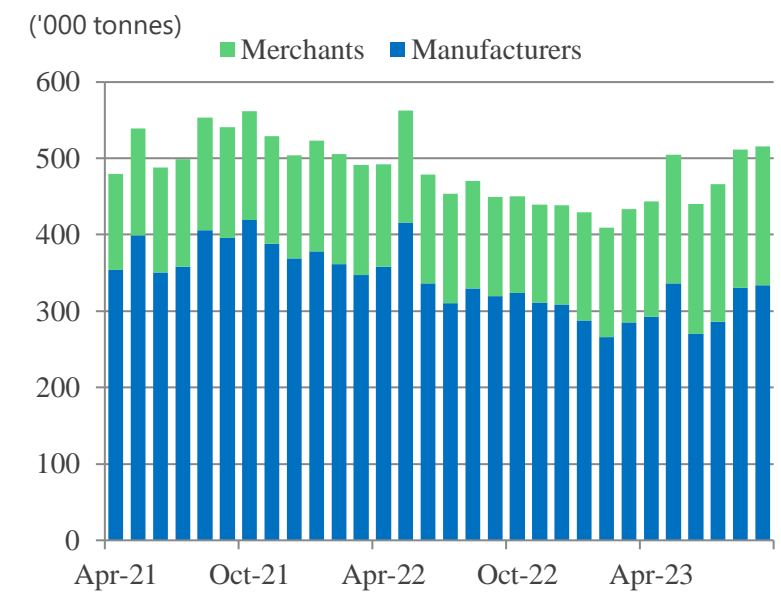
Source: Japan Paper Association, Current Survey of Production by the Ministry of Economy, Trade Statistics of Japan



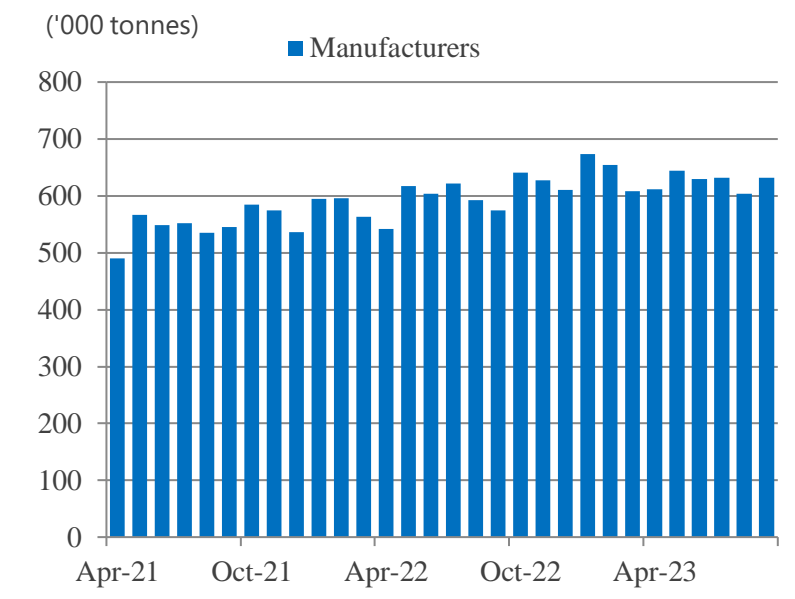
Price trends by products



Coated paper inventory



Containerboard inventory

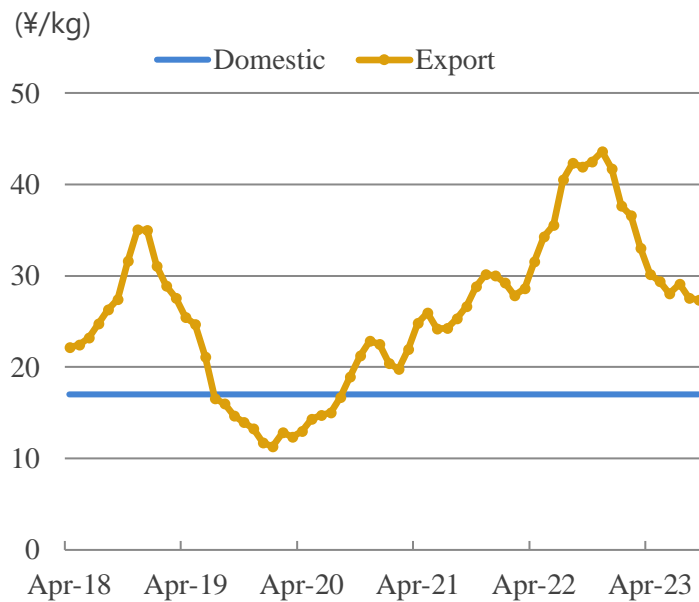


Source: Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

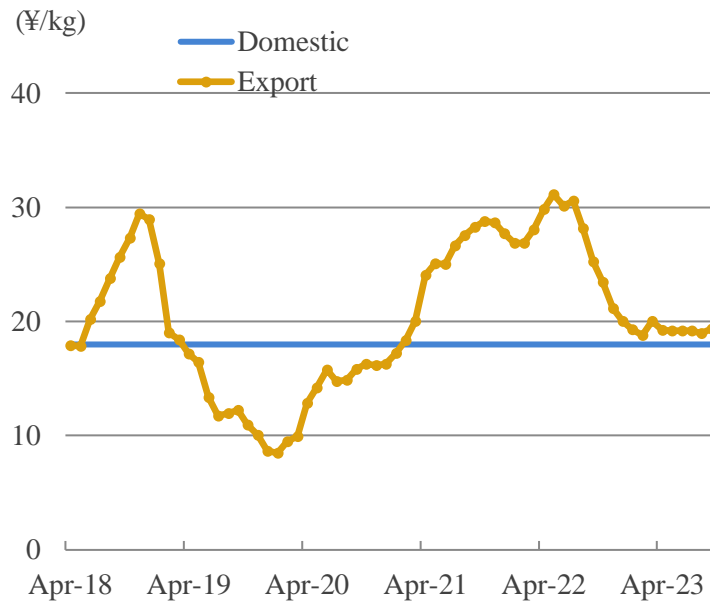


Reference (Domestic, Global)

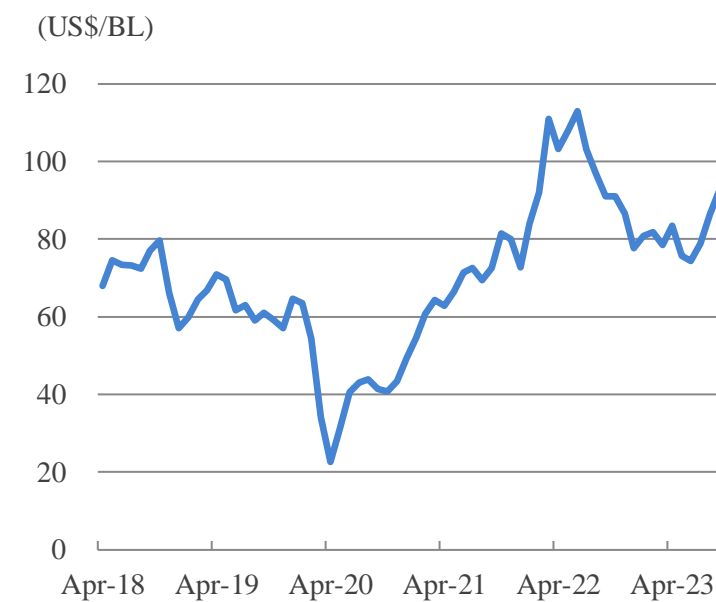
ONP



OCC



Crude oil



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



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