

# 3<sup>rd</sup> Quarter FY2015/3 Financial Review

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February 4, 2015

Nippon Paper Industries Co., Ltd.

3<sup>rd</sup> Quarter FY2015/3 Review

(October 1, 2014 – December 31, 2014)

1. Business Environment

2. Financial Results

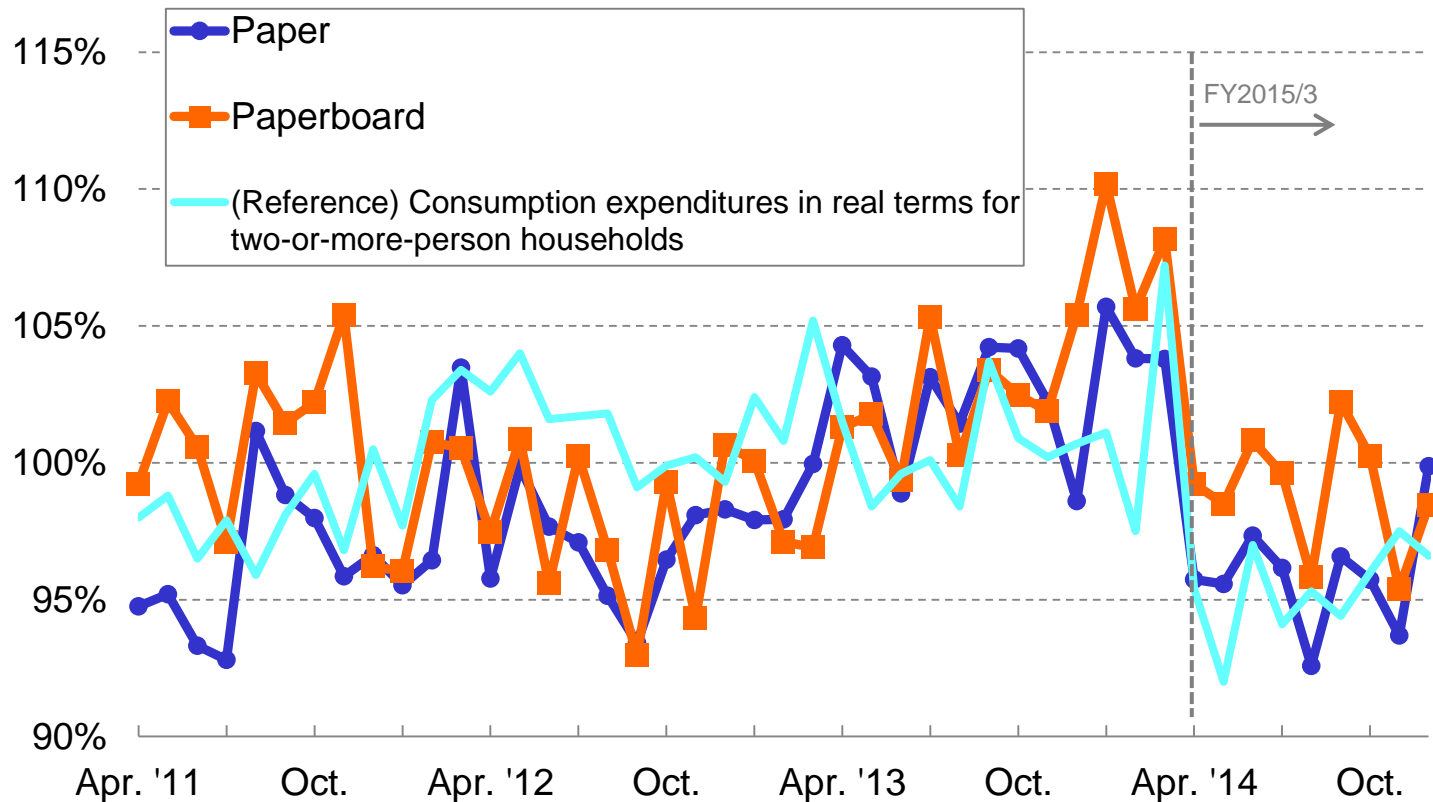
FY2015/3 Forecast

(April 1, 2014 – March 31, 2015)

3. FY2015/3 Earnings Forecast

Shipment volume decreased YOY in accordance with weak personal consumption

## Domestic shipment of Japanese paper industry (YOY)



# 1. Business Environment: *Domestic Shipment, Exports and Imports*

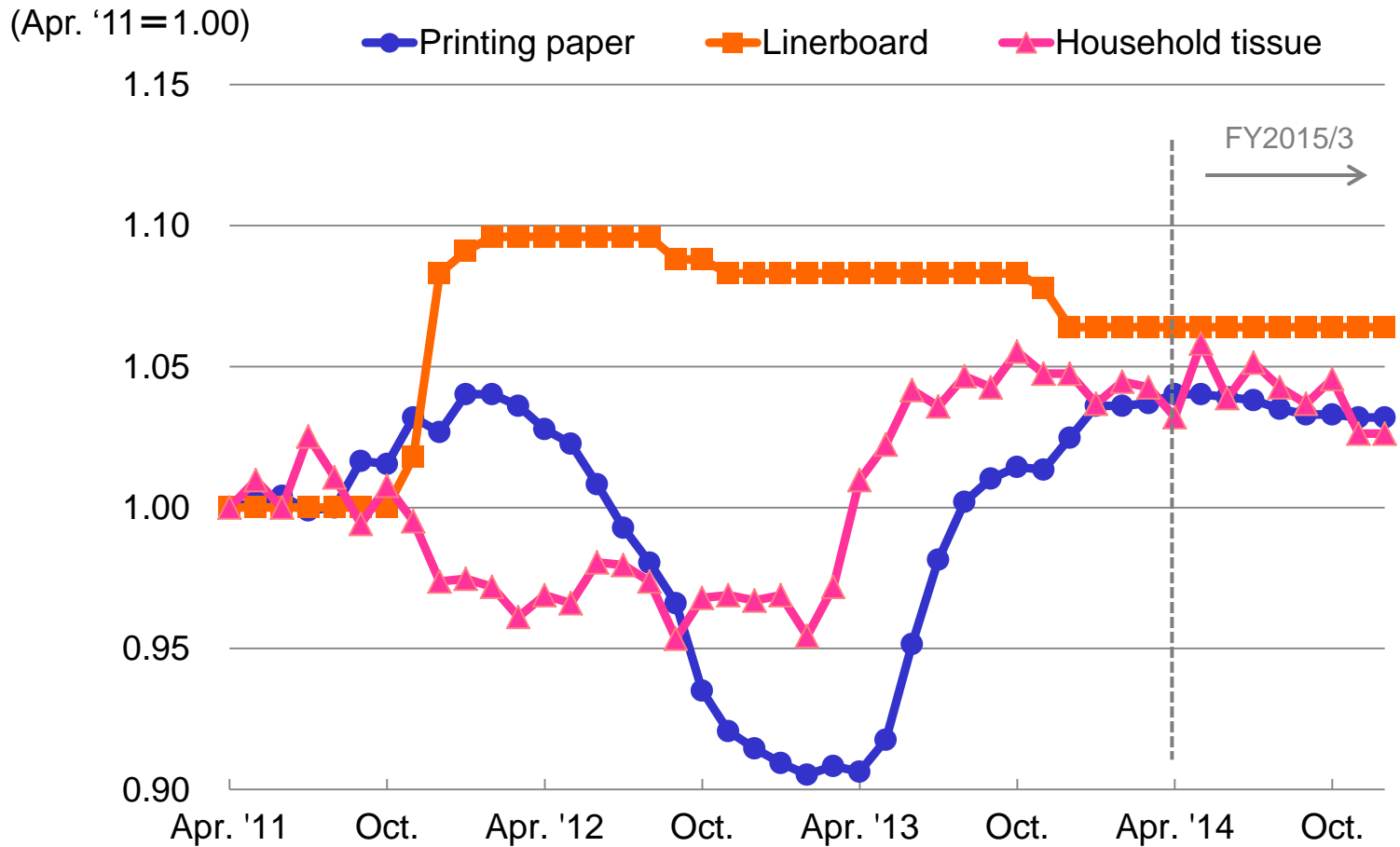
Domestic shipment decreased in both paper and paperboard

	Oct. '14 - Dec. '14				Oct. '14 - Dec. '14	
	Domestic shipments		Exports		Imports	
	volume ('000 tons)	YOY	volume ('000 tons)	YOY	volume ('000 tons)	YOY
Newsprint	792	-3.7%	0	-	12	-8.2%
Printing & business communication paper	1,982	-4.9%	135	4.9%	270	-24.4%
Coated paper *	1,152	-4.9%	103	8.3%	116	-43.4%
Uncoated & specialty printing paper	504	-5.8%	25	2.0%	31	-20.7%
Business communication paper	325	-3.4%	8	-20.3%	123	8.6%
Other papers (packaging, sanitary and other miscellaneous uses)	845	-0.4%	60	19.0%	9	-13.0%
<b>Paper total</b>	<b>3,619</b>	<b>-3.6%</b>	<b>196</b>	<b>8.9%</b>	<b>291</b>	<b>-23.5%</b>
Container board	2,306	-1.6%	64	39.4%	20	-9.7%
Folding box board and others	570	-3.3%	5	17.3%	61	-4.7%
<b>Paperboard total</b>	<b>2,876</b>	<b>-2.0%</b>	<b>69</b>	<b>37.5%</b>	<b>81</b>	<b>-6.0%</b>
<b>Paper and paperboard total</b>	<b>6,494</b>	<b>-2.9%</b>	<b>265</b>	<b>15.1%</b>	<b>372</b>	<b>-20.3%</b>

※ “Bitoko-shi” paper is included in coated paper.

Source: Japan Paper Association

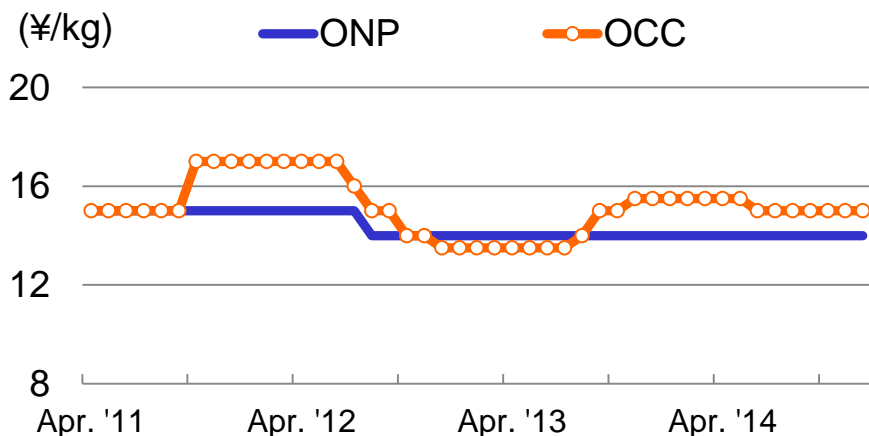
Domestic prices have been stable



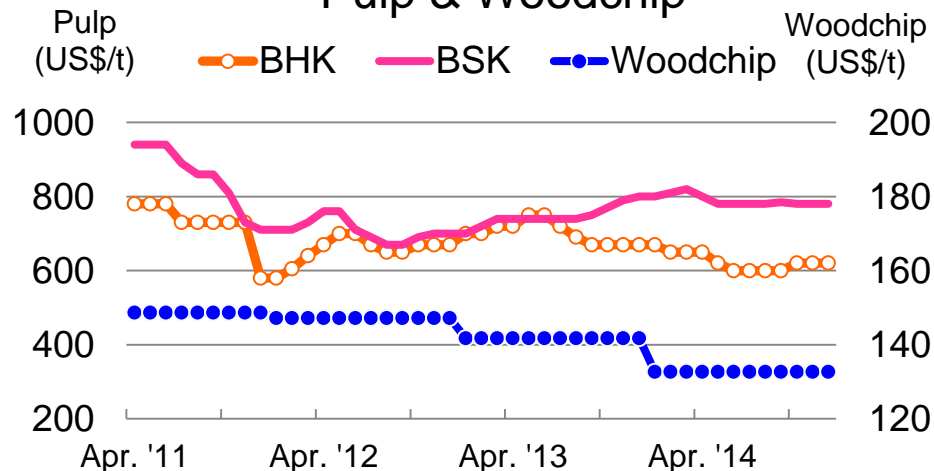
Source: Bank of Japan "Corporate Goods Price Index"

## FOREX and crude oil prices fluctuated sharply

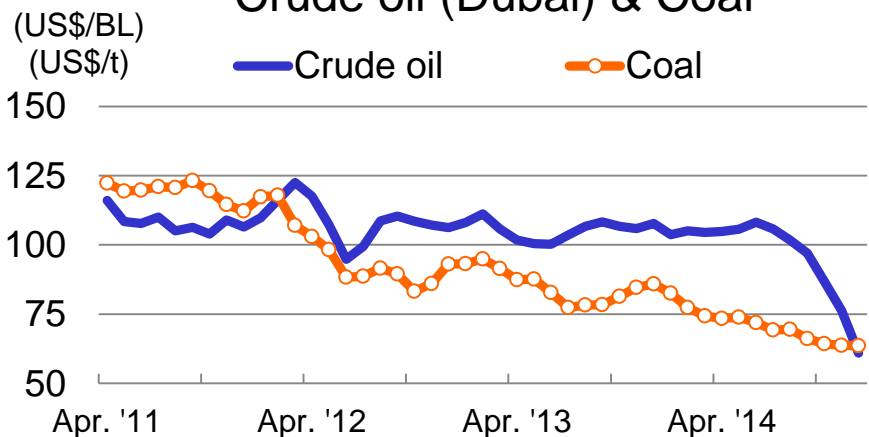
### Wastepaper



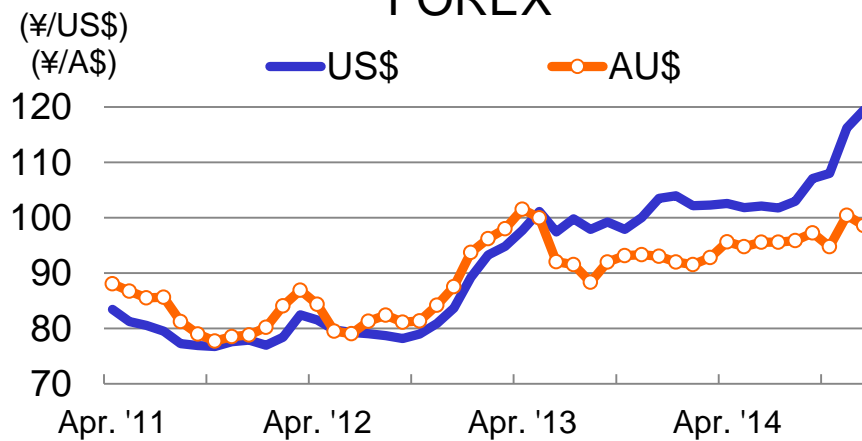
### Pulp & Woodchip



### Crude oil (Dubai) & Coal



### FOREX



## 2. Financial Results: *Highlights*

(¥billion)	3 <sup>rd</sup> QTR FY2015/3 Result	3 <sup>rd</sup> QTR FY2014/3 Result	Change (YOY)
<Net sales>	271.6	278.6	-6.9
<Operating income>	6.7	7.5	-0.8
<Ordinary income>	7.1	7.8	-0.7
<Net income>	6.3	5.8	0.6





- ❑ Pulp and paper sales decreased, but operating income increased
- ❑ Wood products and beverages sales decreased
- ❑ Booked ¥3.6 billion gain on sales of non current assets as an extraordinary income

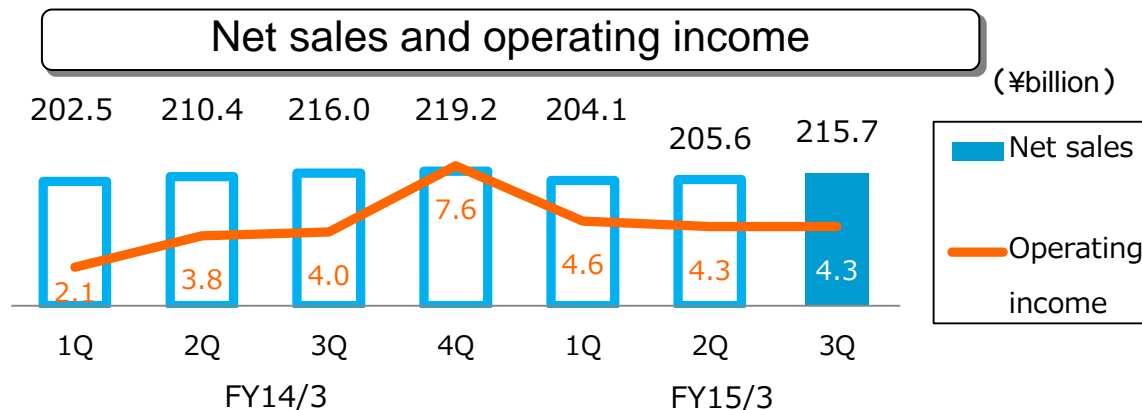
## Wood products and beverages sales decreased

(¥billion)	Sales			Operating Income		
	3 <sup>rd</sup> QTR FY2014/3	3 <sup>rd</sup> QTR FY2015/3		3 <sup>rd</sup> QTR FY2014/3	3 <sup>rd</sup> QTR FY2015/3	
		Change YOY			Change YOY	
Pulp and paper	216.0	215.7	-0.3	4.0	4.3	0.3
Paper related (packaging and chemical products)	23.3	22.9	-0.4	1.3	1.0	-0.3
Wood products and construction related	18.0	14.5	-3.6	0.7	0.6	-0.1
Other (beverages, logistics, etc.)	21.2	18.5	-2.7	1.4	0.8	-0.6
<b>Total</b>	<b>278.6</b>	<b>271.6</b>	<b>-6.9</b>	<b>7.5</b>	<b>6.7</b>	<b>-0.8</b>



## 2. Financial Results: *Pulp & Paper Business*

<p>Paper</p> 	<ul style="list-style-type: none"> <li>- Shipment -4.6% (domestic -6.3%, exports +31.7% (year on year)) -&gt; Decreased due to low consumer spending and our output cut for maintaining price level</li> <li>- Price hikes increased operating income</li> </ul>
<p>Paperboard</p> 	<ul style="list-style-type: none"> <li>- Shipment +3.8% (domestic +2.6%, exports +32.5% (year on year)) -&gt; Increased in cup stock paper and containerboard for food and beverage</li> <li>- Price hikes pushed up operating income</li> </ul>
<p>Household Tissue</p> 	<ul style="list-style-type: none"> <li>- Sales of healthcare products (e.g. pad for light incontinence and adult diaper) kept growing</li> </ul>
<p>Other</p> 	<ul style="list-style-type: none"> <li>- Electric power sales decreased a bit</li> </ul>





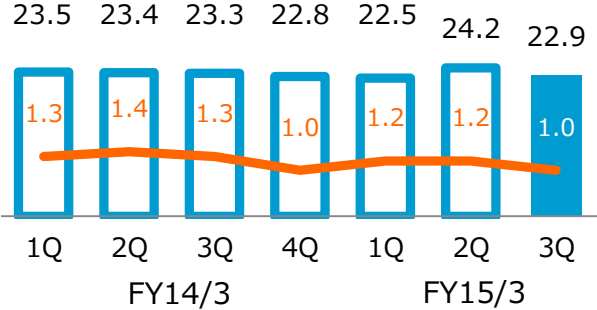

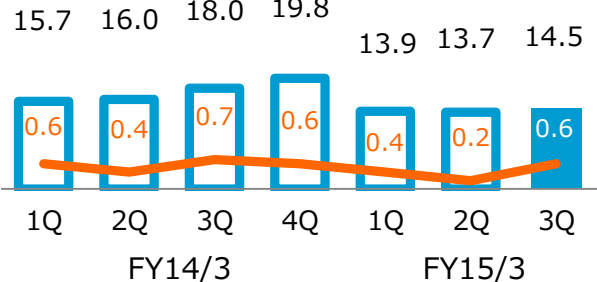

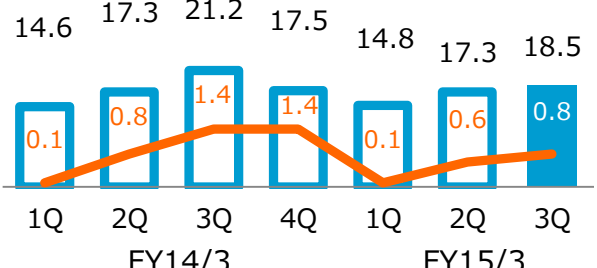
## 2. Financial Results: *Pulp & Paper Business* - Sales Volume by Product

Exports volume growth mitigated the impact of domestic sales decline

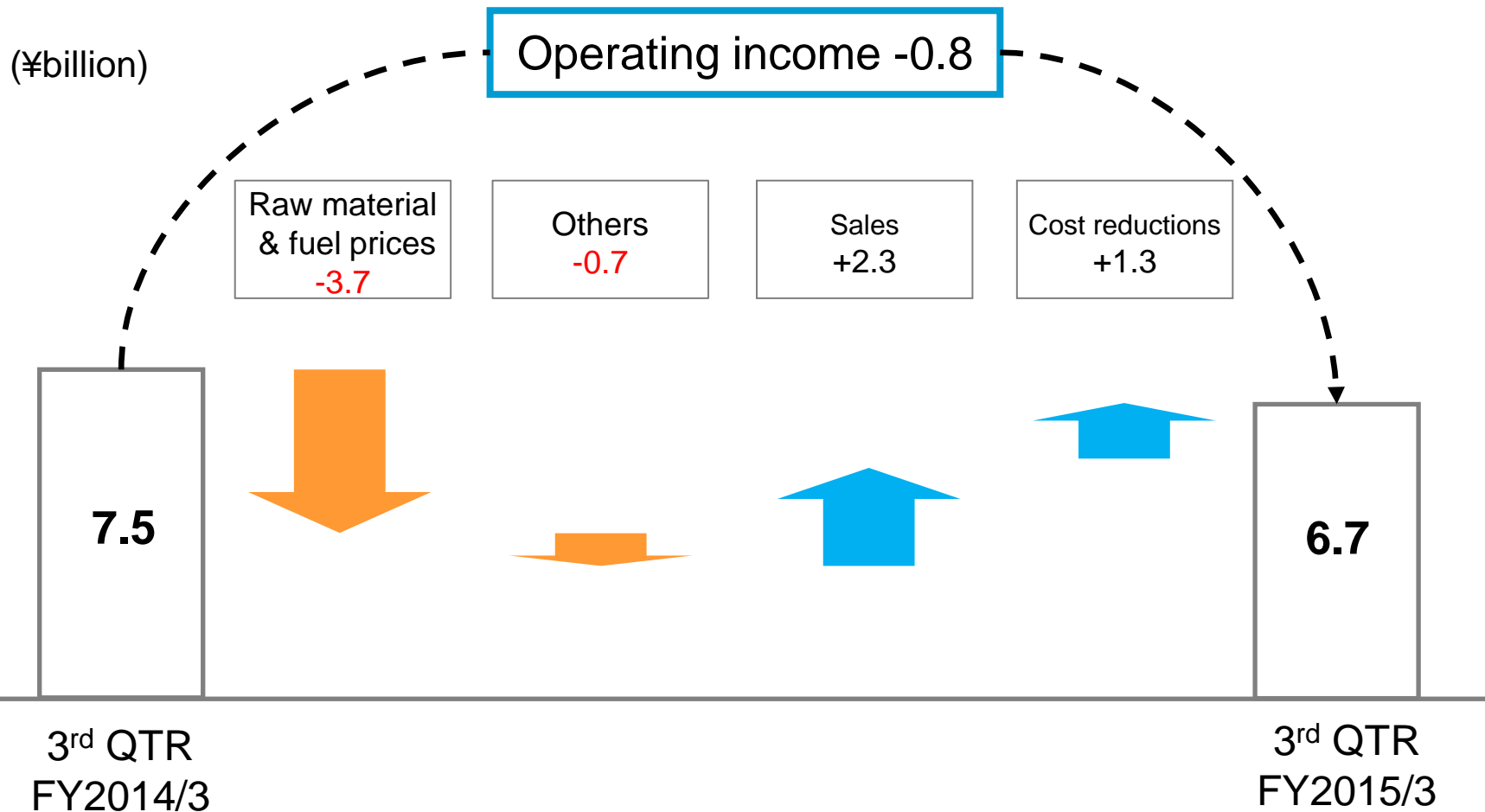
('000 tons)

		3 <sup>rd</sup> QTR FY2014/3	3 <sup>rd</sup> QTR FY2015/3	Change YOY
Paper	Newsprint	298	286	-4.1%
	Printing & business communication paper	652	601	-7.7%
	Coated paper	360	330	-8.4%
	Uncoated & specialty printing paper	149	133	-10.5%
	Business communication paper	143	139	-3.3%
	Packaging paper and others	83	80	-3.2%
	Domestic sales (paper)	1,033	967	-6.3%
Export (paper)	49	65	31.7%	
<b>Paper total</b>		<b>1,082</b>	<b>1,032</b>	<b>-4.6%</b>
Paperboard	Container board	317	326	2.9%
	Folding boxboard and others	96	98	1.6%
	Domestic sales (paperboard)	413	424	2.6%
	Export (paperboard)	17	23	32.5%
	<b>Paperboard total</b>	<b>430</b>	<b>447</b>	<b>3.8%</b>
<b>Grand total (paper and paperboard)</b>		<b>1,512</b>	<b>1,479</b>	<b>-2.2%</b>

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

Segment	Business Overview	Net sales and operating income 																								
<p>Paper-related</p> 	<p>&lt;Liquid-packaging cartons (paper-pak) &gt;                      - Sales and income were sluggish due to current soft market conditions and input cost rising.</p> <p>&lt;Chemicals&gt;                      - Export sales were bullish</p>	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr><td>FY14/3 1Q</td><td>23.5</td><td>1.3</td></tr> <tr><td>FY14/3 2Q</td><td>23.4</td><td>1.4</td></tr> <tr><td>FY14/3 3Q</td><td>23.3</td><td>1.3</td></tr> <tr><td>FY14/3 4Q</td><td>22.8</td><td>1.0</td></tr> <tr><td>FY15/3 1Q</td><td>22.5</td><td>1.2</td></tr> <tr><td>FY15/3 2Q</td><td>24.2</td><td>1.2</td></tr> <tr><td>FY15/3 3Q</td><td>22.9</td><td>1.0</td></tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	FY14/3 1Q	23.5	1.3	FY14/3 2Q	23.4	1.4	FY14/3 3Q	23.3	1.3	FY14/3 4Q	22.8	1.0	FY15/3 1Q	22.5	1.2	FY15/3 2Q	24.2	1.2	FY15/3 3Q	22.9	1.0
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<p>Wood products and construction related</p> 	<p>- Sales declined due to decrease in new housing starts.</p>	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr><td>FY14/3 1Q</td><td>15.7</td><td>0.6</td></tr> <tr><td>FY14/3 2Q</td><td>16.0</td><td>0.4</td></tr> <tr><td>FY14/3 3Q</td><td>18.0</td><td>0.7</td></tr> <tr><td>FY14/3 4Q</td><td>19.8</td><td>0.6</td></tr> <tr><td>FY15/3 1Q</td><td>13.9</td><td>0.4</td></tr> <tr><td>FY15/3 2Q</td><td>13.7</td><td>0.2</td></tr> <tr><td>FY15/3 3Q</td><td>14.5</td><td>0.6</td></tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	FY14/3 1Q	15.7	0.6	FY14/3 2Q	16.0	0.4	FY14/3 3Q	18.0	0.7	FY14/3 4Q	19.8	0.6	FY15/3 1Q	13.9	0.4	FY15/3 2Q	13.7	0.2	FY15/3 3Q	14.5	0.6
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<p>Other</p> <p>SHIKOKU COCA-COLA BOTTLING CO.,LTD.</p> 	<p>- Beverages business was slack due to the unstable weather in summer.</p>	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <tr><td>FY14/3 1Q</td><td>14.6</td><td>0.1</td></tr> <tr><td>FY14/3 2Q</td><td>17.3</td><td>0.8</td></tr> <tr><td>FY14/3 3Q</td><td>21.2</td><td>1.4</td></tr> <tr><td>FY14/3 4Q</td><td>17.5</td><td>1.4</td></tr> <tr><td>FY15/3 1Q</td><td>14.8</td><td>0.1</td></tr> <tr><td>FY15/3 2Q</td><td>17.3</td><td>0.6</td></tr> <tr><td>FY15/3 3Q</td><td>18.5</td><td>0.8</td></tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	FY14/3 1Q	14.6	0.1	FY14/3 2Q	17.3	0.8	FY14/3 3Q	21.2	1.4	FY14/3 4Q	17.5	1.4	FY15/3 1Q	14.8	0.1	FY15/3 2Q	17.3	0.6	FY15/3 3Q	18.5	0.8
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Price hikes and cost reduction efforts contributed, but did not fully offset the negative impact of sales volume decline and input cost rising



(¥billion)	FY2015/3 Estimate (As of Nov.5, 2014)	FY2014/3
<Net sales>	1,070.0	1,081.3
<Operating income>	30.0	28.5
<Ordinary income>	25.0	28.2
<Net income>	26.0	22.8

No change from the estimation announced on Nov. 5, 2014

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## Disclaimer

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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.**