

3rd Quarter FY2016/3 Financial Review



Shaping the Future with Trees

February 10, 2016

Nippon Paper Industries Co., Ltd.

3rd Quater FY2016/3 Review

(October 1, 2015 – December 31, 2015)

1. Business Environment

2. Financial Results

FY2016/3 Forecast

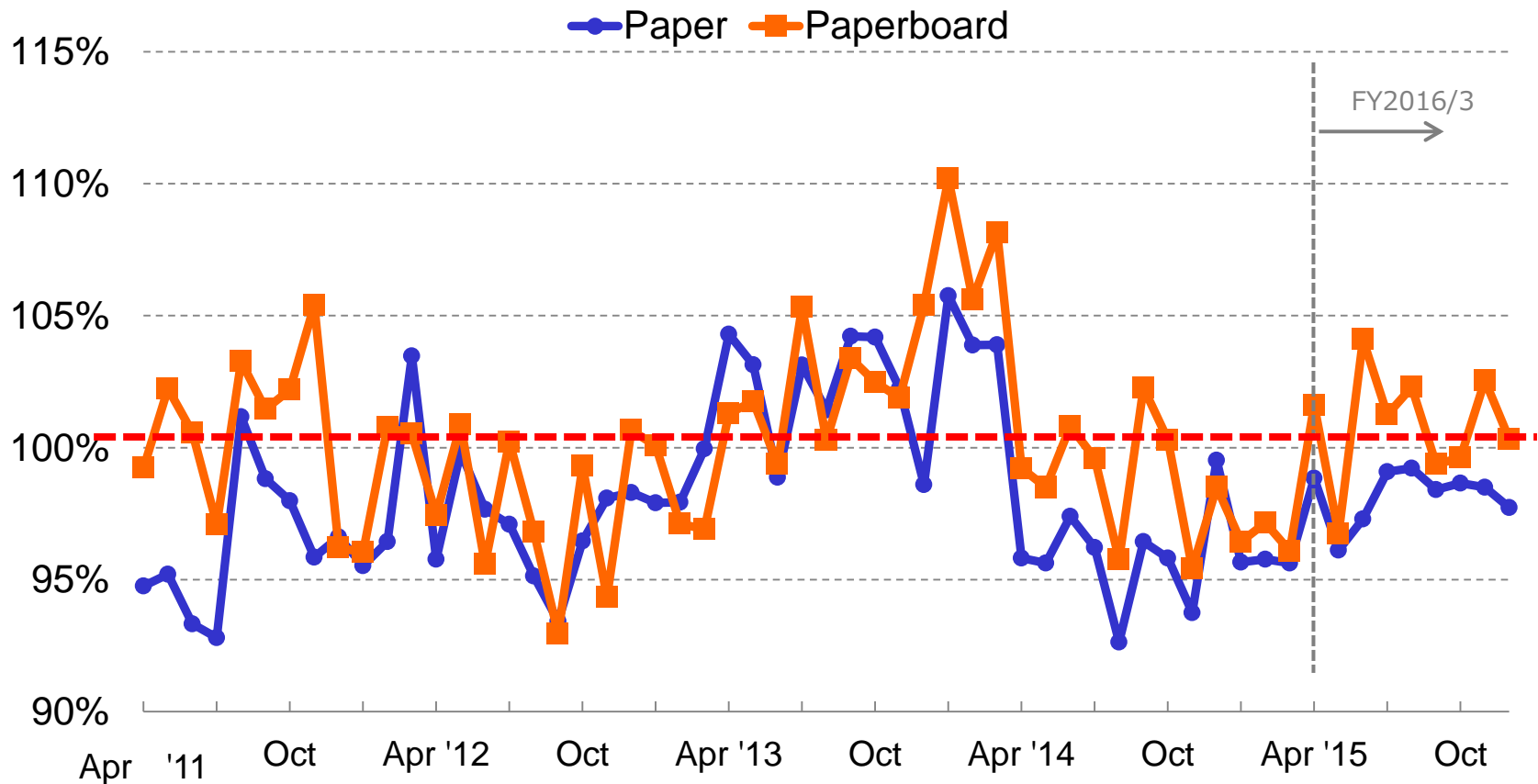
(April 1, 2015 – March 31, 2016)

3. FY2016/3 Earnings Forecast

1. Business environment: Domestic shipment of Japanese paper industry

Paperboard demand is steady.
Paper demand is in declining trend.

Domestic shipment of Japanese paper industry (YOY)



Source: Japan Paper Association

1. Business environment: *Domestic shipment, exports and imports*

Domestic demand of graphic paper including newsprint is declining.

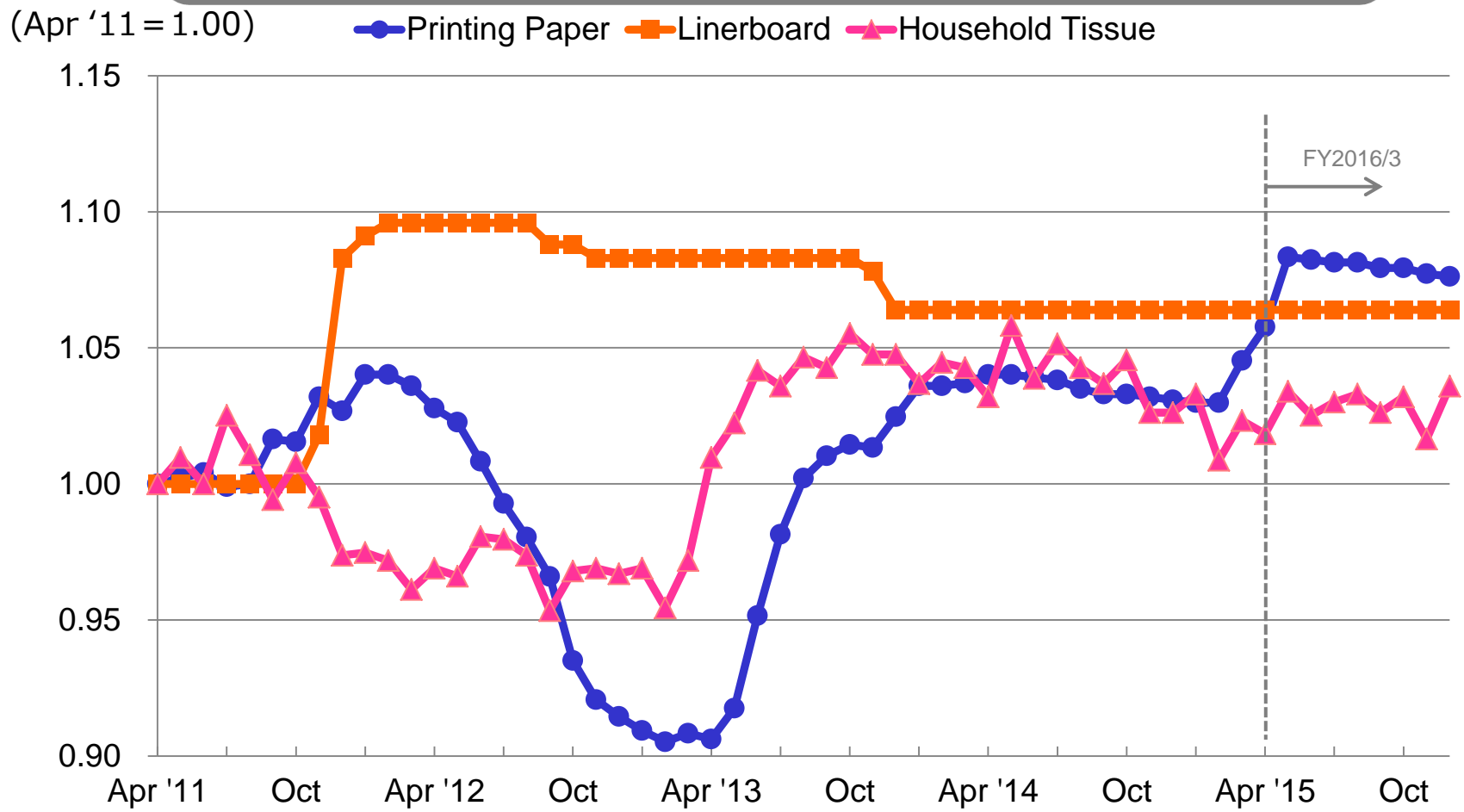
('000 tonnes)

	Oct. '15 - Dec. '15				Oct. '15 - Dec. '15	
	Domestic shipments		Exports		Imports	
	volume ('000 tons)	YOY	volume ('000 tons)	YOY	volume ('000 tons)	YOY
Newsprint	759	-4.1%	0	-	13	9.8%
Printing & business communication paper	1,951	-1.6%	150	10.8%	269	-0.4%
Coated paper *	1,137	-1.4%	120	16.4%	106	-9.0%
Uncoated & specialty printing paper	482	-4.4%	20	-17.6%	34	8.5%
Business communication paper	331	2.1%	10	25.9%	130	5.3%
Other papers (packaging, sanitary and other miscellaneous uses)	845	0.0%	58	-4.4%	10	19.9%
Paper total	3,554	-1.8%	208	6.1%	293	0.6%
Container board	2,334	1.2%	71	11.0%	9	-55.4%
Folding box board and others	566	-0.7%	5	-7.5%	66	7.2%
Paperboard total	2,900	0.9%	76	9.7%	75	-8.1%
Paper and paperboard total	6,455	-0.6%	284	7.0%	367	-1.3%

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

Source: Japan Paper Association

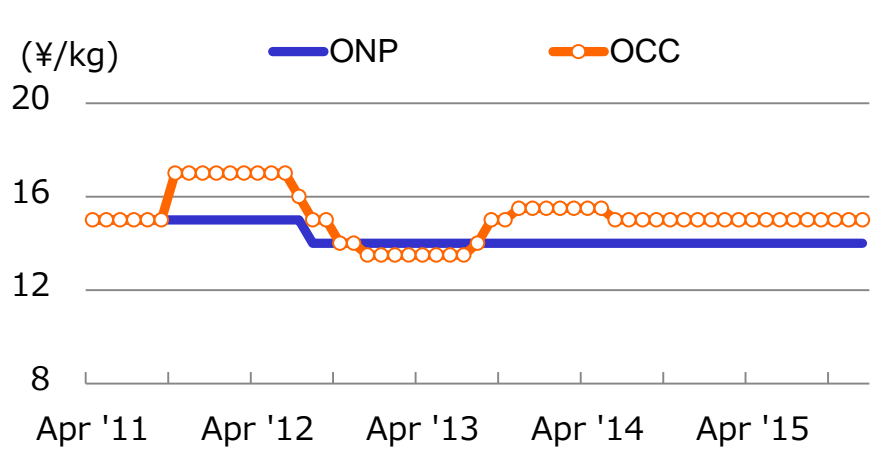
Market price of Printing paper is gradually decreasing.
But NPI maintains our price level.



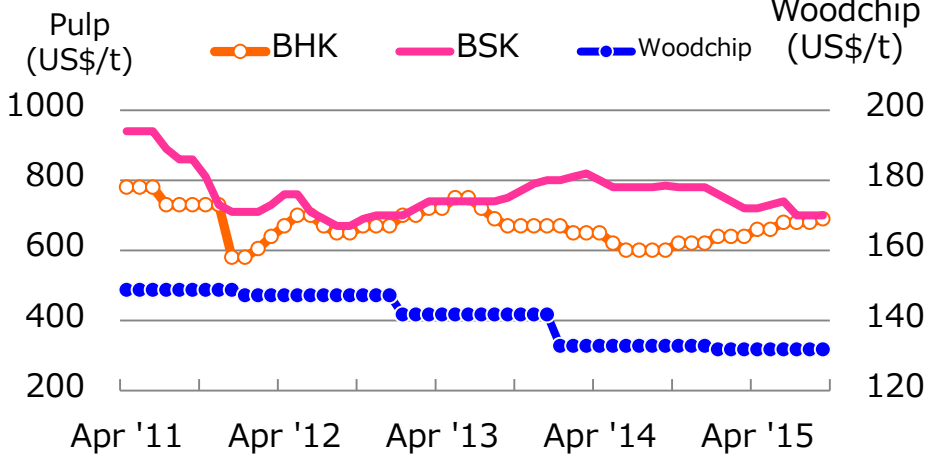
Source: Bank of Japan "Corporate Goods Price Index"

Oil and coal prices show downward trend.
Waste paper price remains flat.

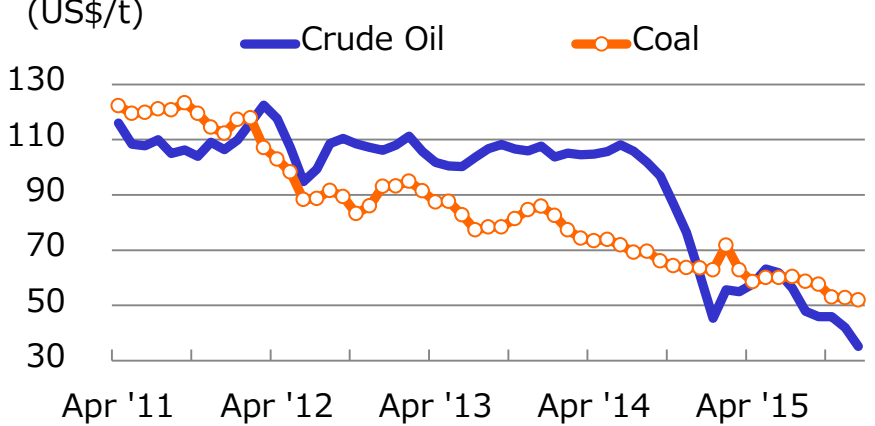
Waste Paper



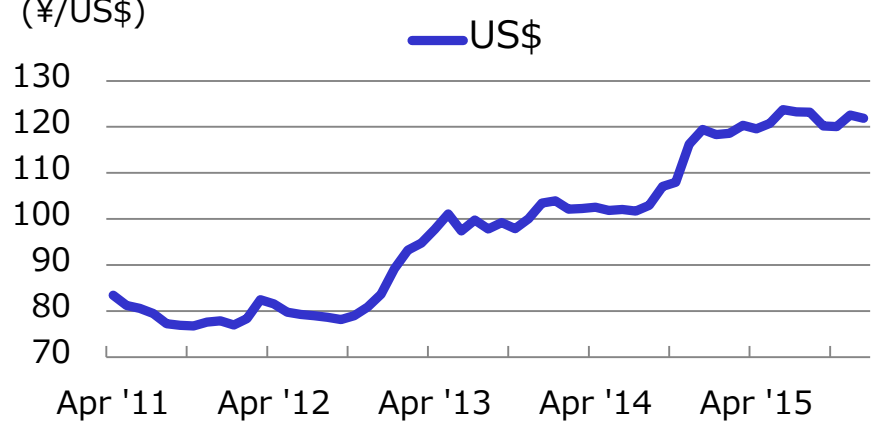
Pulp & Woodchip



Crude oil (Dubai) & Coal



FOREX



Source: Paper Recycling Promotion Center, Pulp&Paper Week, Crude oil= Platts, Coal=Global Coal Index

2. Financial Results: *Highlights*





(¥billion)	3 rd QTR FY2016/3 Result	3 rd QTR FY2015/3 Result	Variance (YOY)
<Net sales>	257.2	271.6	-14.4
<Operating income>	7.2	6.7	0.5
<Ordinary income>	5.8	7.1	-1.3
<Net income*>	-0.1	6.3	-6.4

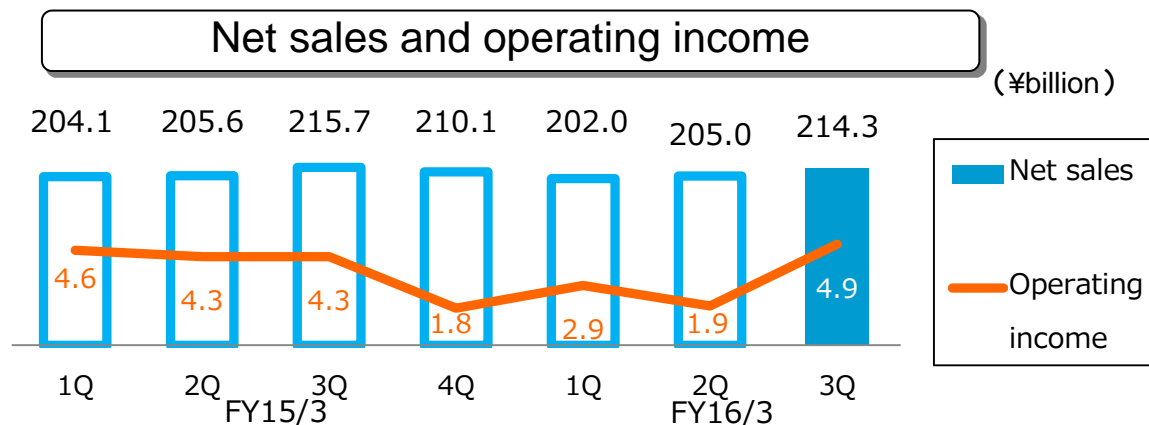
- Net sales decreased due to Shikoku Coca-Cola share sale.
- Net income decreased mainly due to ¥3.6b gain on sales of non-current assets sales booked in last 3Q and ¥3.4b impairment loss on non-current assets booked in this 3Q. This loss is in relation to Jujo Thermal Oy, our subsidiary in Finland.

Pulp and paper segment shows lower sales but 14% higher operating income.

(¥billion)	Sales			Operating Income		
	3 rd QTR FY2015/3	3 rd QTR FY2016/3		3 rd QTR FY2015/3	3 rd QTR FY2016/3	
		Variance YOY			Variance YOY	
Pulp and paper	215.7	214.3	-1.4	4.3	4.9	0.6
Paper related (packaging and chemical products)	22.9	22.5	-0.4	1.0	0.7	-0.3
Wood products and construction related	14.5	15.5	1.0	0.6	1.0	0.3
Other (beverages, logistics, etc.)	18.5	4.9	-13.6	0.8	0.7	-0.1
Total	271.6	257.2	-14.4	6.7	7.2	0.5

2. Financial Results: *Pulp & Paper Segment*

<p>Paper</p> 	<ul style="list-style-type: none"> - Shipment -0.9% (domestic -2.3%, exports +18.7% (YOY)) -> Strategically increased exports though domestic demand is not good. - Maintained price level after the increase which offset the impact of raw materials and fuels cost increase.
<p>Paperboard</p> 	<ul style="list-style-type: none"> - Shipment -9.7% (domestic -9.1%, exports -20.2% (YOY)) -> Corrugated medium sales was weak.
<p>Household Tissue</p> 	<ul style="list-style-type: none"> - Steady healthcare business contributed to higher sales volume.
<p>Other</p> 	<ul style="list-style-type: none"> - Power sales was steady. Biomass boiler in Yatsushiro mill commenced on last June is well running.





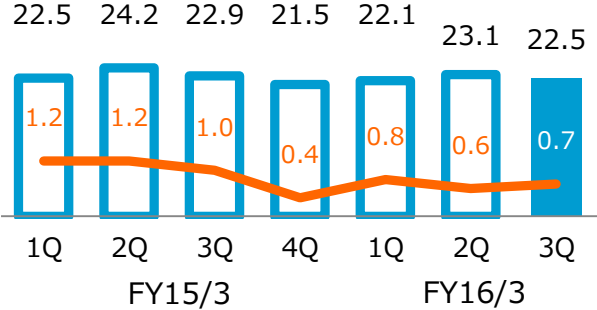

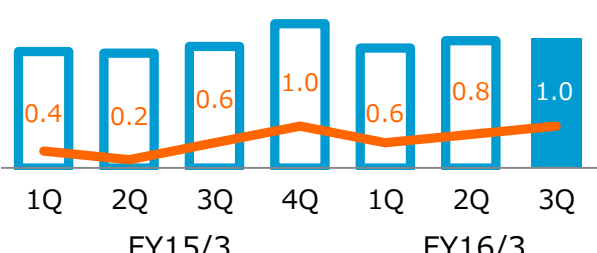

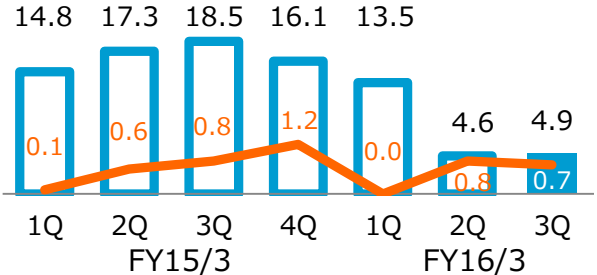
2. Financial Results: *Pulp & Paper Segment* - Sales Volume by Product

Both paper and paperboard sales declined in domestic market and export volume was increased.

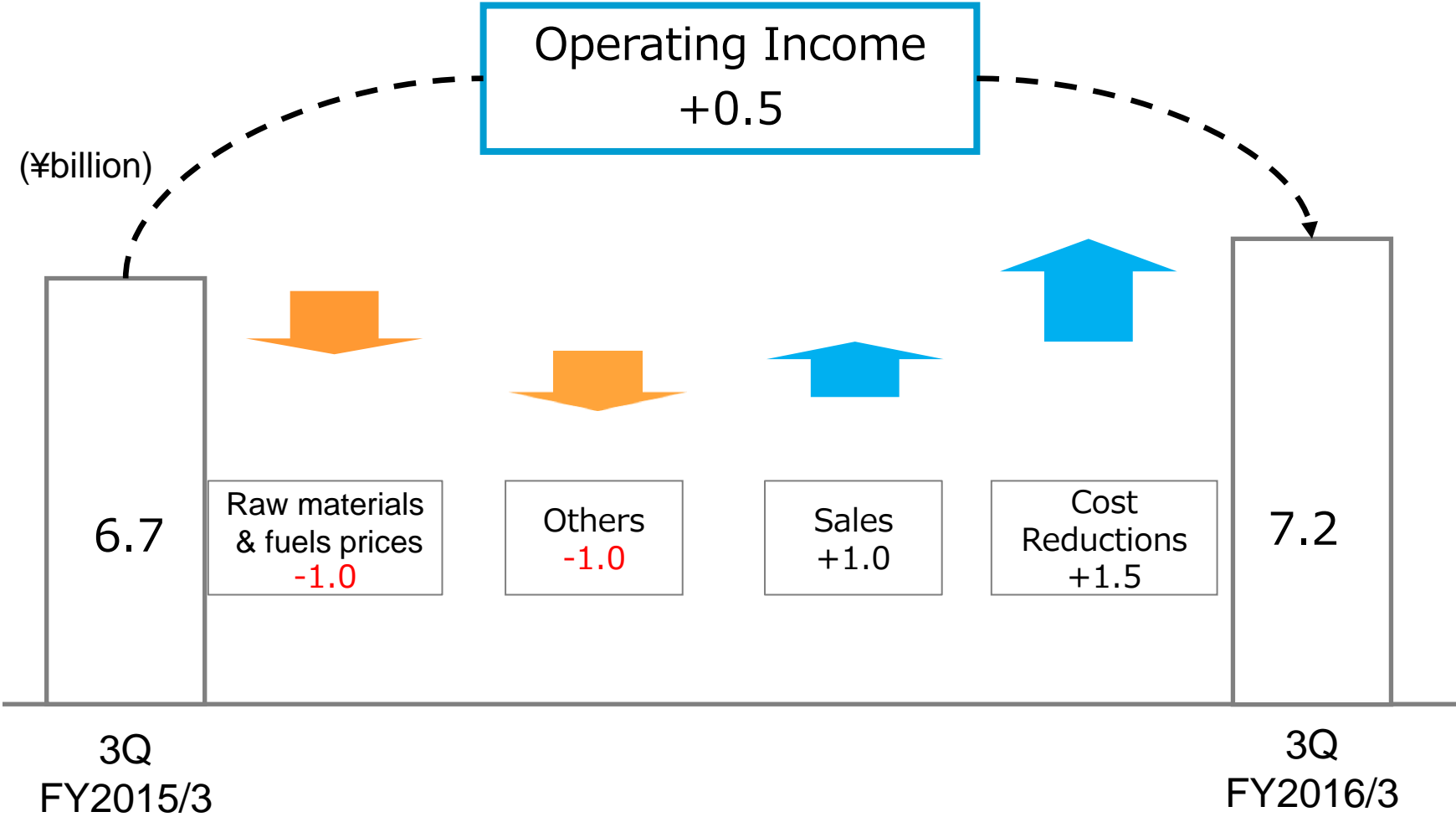
('000 tons)

		3 rd QTR FY2015/3	3 rd QTR FY2016/3	YoY
	Newsprint	286	274	-4.4%
	Printing & Business communication paper	601	589	-2.0%
	Coated paper	330	325	-1.5%
	Uncoated & Specialty printing paper	133	129	-3.5%
	Business communication paper	139	136	-2.0%
	Packaging paper and others	80	83	3.8%
	Domestic sales (paper)	967	945	-2.3%
Export (paper)	65	77	18.7%	
Paper total		1,032	1,022	-0.9%
	Container board	326	291	-10.7%
	Folding box board and others	98	94	-3.8%
	Domestic sales (paperboard)	424	385	-9.1%
	Export (paperboard)	23	18	-20.2%
Paperboard total		447	403	-9.7%
Grand total (paper and paperboard)		1,479	1,426	-3.6%

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

	Business Overview	Net sales and operating income 																								
<p>Paper-related segment</p> 	<p><Liquid-packaging cartons business></p> <ul style="list-style-type: none"> - Sales and operating income increased. Milk-related sales volume is picking up. <p><Chemical business></p> <ul style="list-style-type: none"> - Sales and operating income decreased due to sluggish sales of functional film business caused by lower PC and tablet demand. 	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <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> <tr><td>FY15/3 4Q</td><td>21.5</td><td>0.4</td></tr> <tr><td>FY16/3 1Q</td><td>22.1</td><td>0.8</td></tr> <tr><td>FY16/3 2Q</td><td>23.1</td><td>0.6</td></tr> <tr><td>FY16/3 3Q</td><td>22.5</td><td>0.7</td></tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	FY15/3 1Q	22.5	1.2	FY15/3 2Q	24.2	1.2	FY15/3 3Q	22.9	1.0	FY15/3 4Q	21.5	0.4	FY16/3 1Q	22.1	0.8	FY16/3 2Q	23.1	0.6	FY16/3 3Q	22.5	0.7
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<p>Wood products and construction related segment</p> 	<ul style="list-style-type: none"> - Sales and operating income increased. Housing starts is increasing. 	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <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> <tr><td>FY15/3 4Q</td><td>17.2</td><td>1.0</td></tr> <tr><td>FY16/3 1Q</td><td>14.3</td><td>0.6</td></tr> <tr><td>FY16/3 2Q</td><td>15.2</td><td>0.8</td></tr> <tr><td>FY16/3 3Q</td><td>15.5</td><td>1.0</td></tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	FY15/3 1Q	13.9	0.4	FY15/3 2Q	13.7	0.2	FY15/3 3Q	14.5	0.6	FY15/3 4Q	17.2	1.0	FY16/3 1Q	14.3	0.6	FY16/3 2Q	15.2	0.8	FY16/3 3Q	15.5	1.0
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<p>Other segment</p> 	<ul style="list-style-type: none"> - Sales decreased because Shikoku Coca-Cola business was sold. - Both logistics and leisure business run well. <p>(Note) Shikoku Coca-cola was extracted out of consolidated scope from 2Q.</p>	 <table border="1"> <thead> <tr> <th>Period</th> <th>Net sales (¥billion)</th> <th>Operating income (¥billion)</th> </tr> </thead> <tbody> <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> <tr><td>FY15/3 4Q</td><td>16.1</td><td>1.2</td></tr> <tr><td>FY16/3 1Q</td><td>13.5</td><td>0.0</td></tr> <tr><td>FY16/3 2Q</td><td>4.6</td><td>0.8</td></tr> <tr><td>FY16/3 3Q</td><td>4.9</td><td>0.7</td></tr> </tbody> </table>	Period	Net sales (¥billion)	Operating income (¥billion)	FY15/3 1Q	14.8	0.1	FY15/3 2Q	17.3	0.6	FY15/3 3Q	18.5	0.8	FY15/3 4Q	16.1	1.2	FY16/3 1Q	13.5	0.0	FY16/3 2Q	4.6	0.8	FY16/3 3Q	4.9	0.7
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Price increase and cost reduction impact outweighed the negative impact of lower sales volume and input cost rising



3. FY2016/3 Earnings Forecast: *Highlights*

(¥billion)	FY2016/3 Forecast (As of Nov.5)	FY2016/3 Forecast (As of Feb. 10)	FY2015/3
<Net sales>	1,030	1,030	1,052.5
<Operating income>	25	25	23.7
<Ordinary income>	30	20	23.2
<Net income*>	15	1	23.2

- ❑ Related companies located in North America and Europe are expected to incur an impairment loss.
- ❑ Ordinary income and Net income are revised downwards.

Disclaimer

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.