

3RD QUARTER FY2017/3 FINANCIAL REVIEW

Investor Meeting on February 8, 2017

NIPPON PAPER INDUSTRIES CO.,LTD.



Shaping the Future with Trees

3rd Quarter FY2017/3 Review
(April 1, 2016 – December 31, 2016)

1. Business Environment
2. Financial Results

FY2017/3 Forecast
(April 1, 2016 – March 31, 2017)

3. FY2017/3 Earnings Forecast

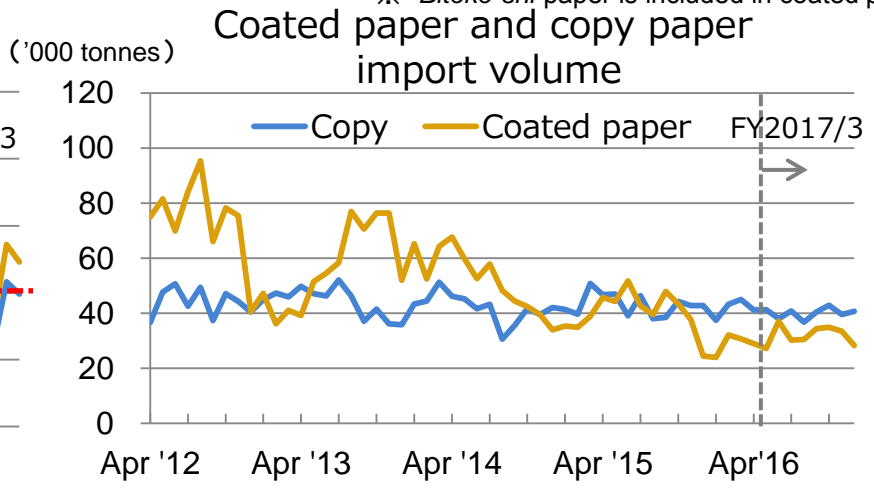
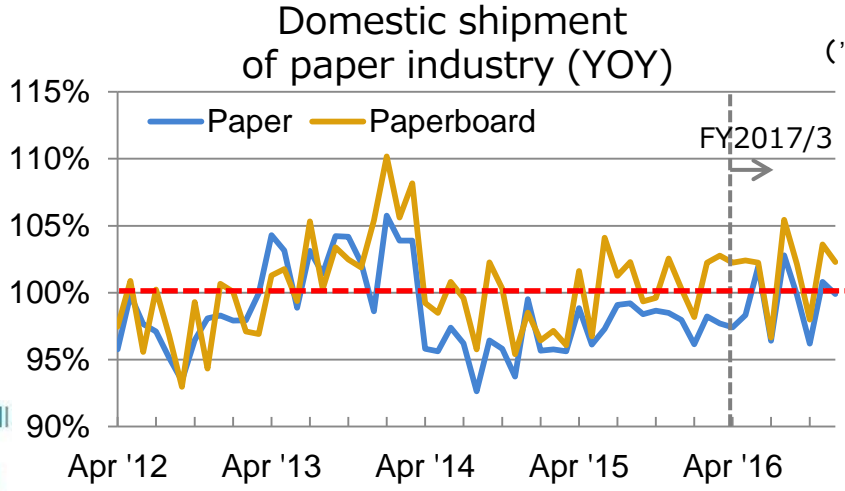


1. Business Environment: *Industry Data (domestic shipment, exports, and imports)*

**Domestic newsprint demand was sluggish.
Paperboard demand was steady.**

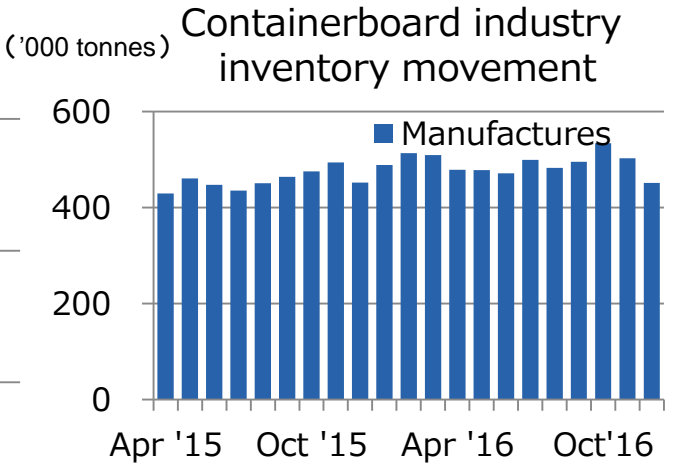
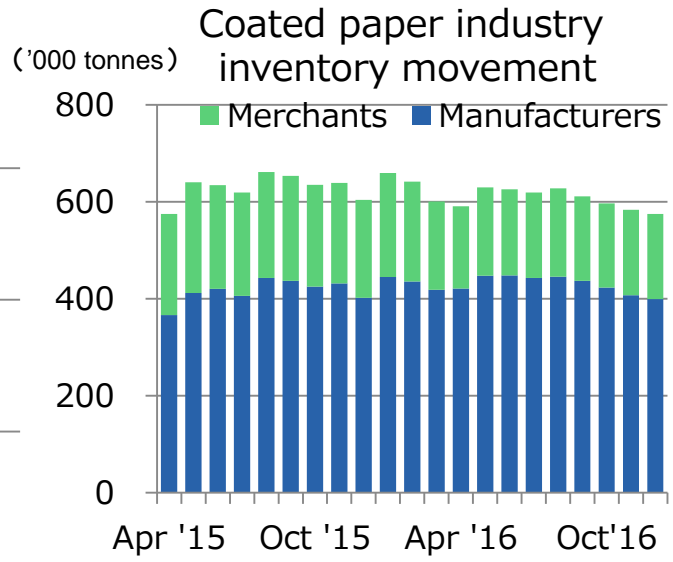
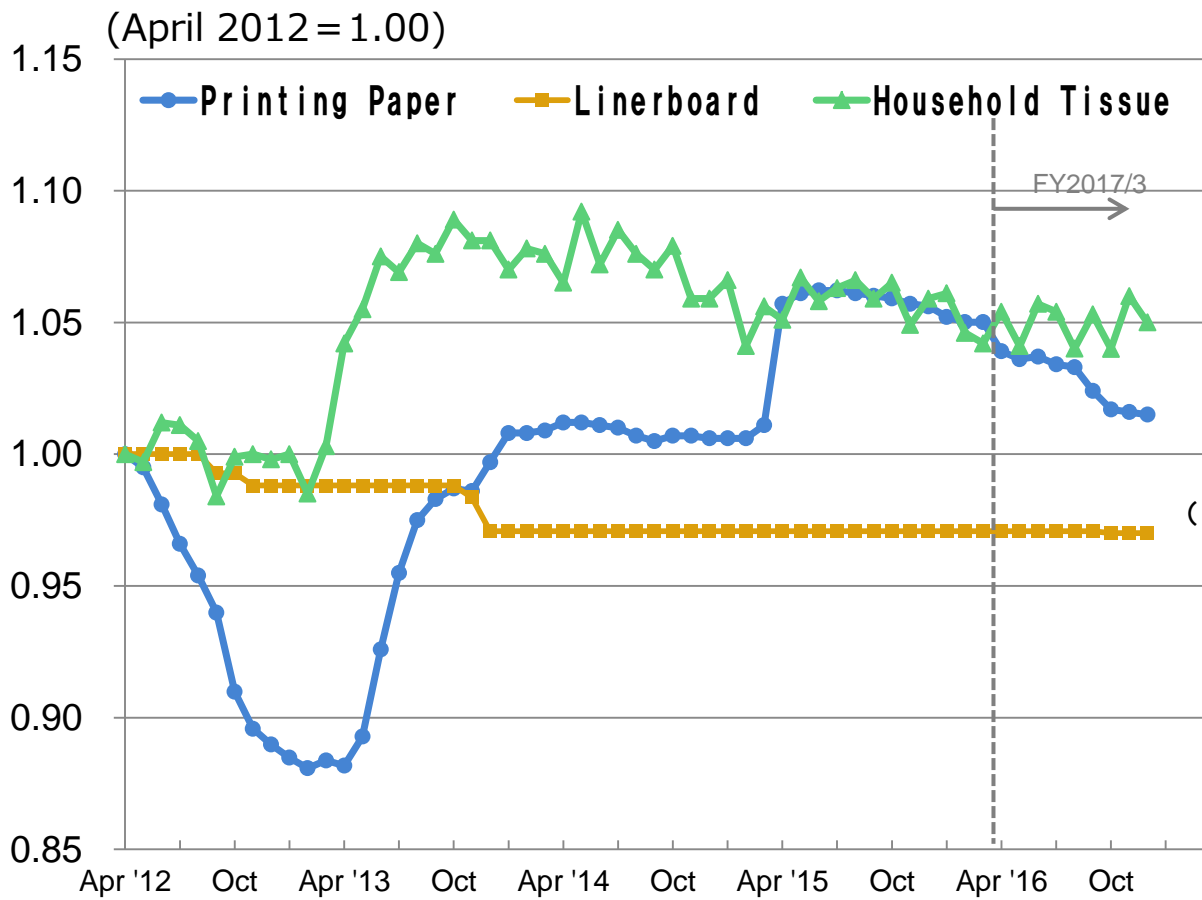
		Oct '16 - Dec '16				volume: '000 tonnes	
		Domestic shipments		Exports		Imports	
		volume	YOY	volume	YOY	volume	YOY
Paper	Newsprint	729	-4.0%	0	-	3	-77.3%
	Printing & business communication paper	1,953	0.1%	159	5.8%	250	-7.0%
	Coated paper *	1,142	0.5%	118	-1.9%	97	-8.4%
	Uncoated & specialty printing paper	475	-1.4%	30	47.7%	31	-9.8%
	Business communication paper	336	1.4%	11	12.7%	123	-5.2%
	Other papers (packaging, sanitary and other miscellaneous uses)	838	-0.8%	69	19.8%	11	2.7%
Paper total		3,520	-1.0%	228	9.7%	264	-9.9%
Paperboard	Container board	2,366	1.4%	112	57.3%	11	20.3%
	Folding box board and others	569	0.5%	6	33.3%	69	4.7%
	Paperboard total	2,935	1.2%	118	55.8%	79	6.5%
Paper and paperboard total		6,456	0.0%	346	22.0%	343	-6.5%

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



Printing paper price is gradually decreasing.

Price trends by product



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

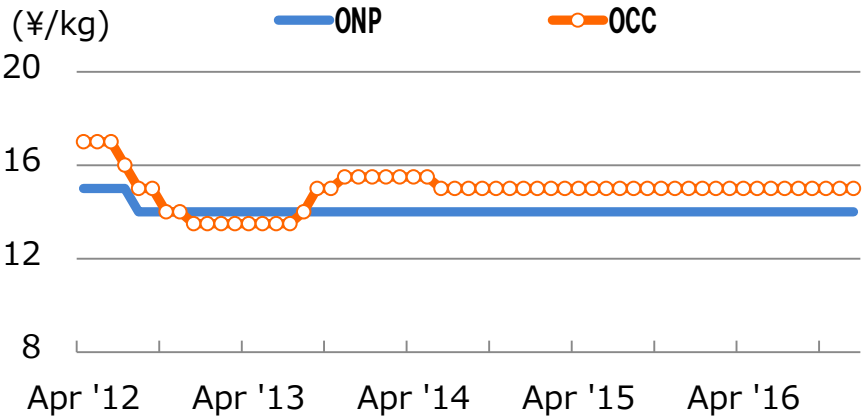


1. Business Environment: Major input price trends

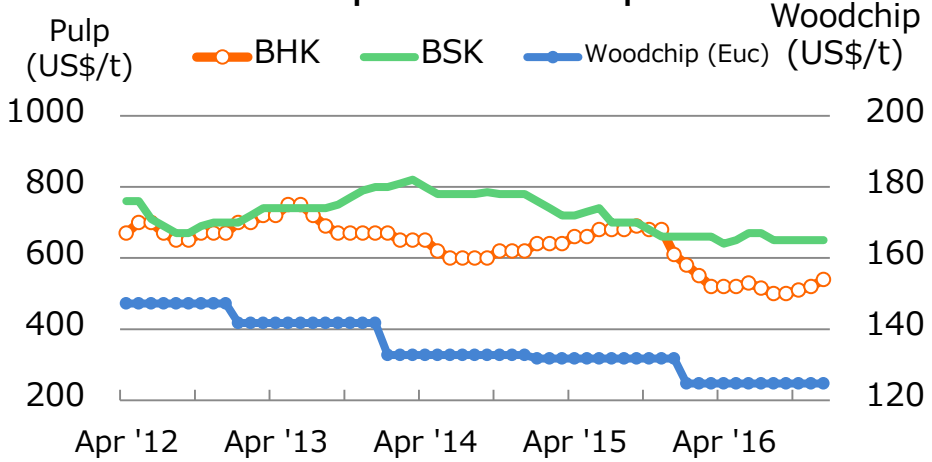
JPY depreciated against USD.

Coal price has skyrocketed.

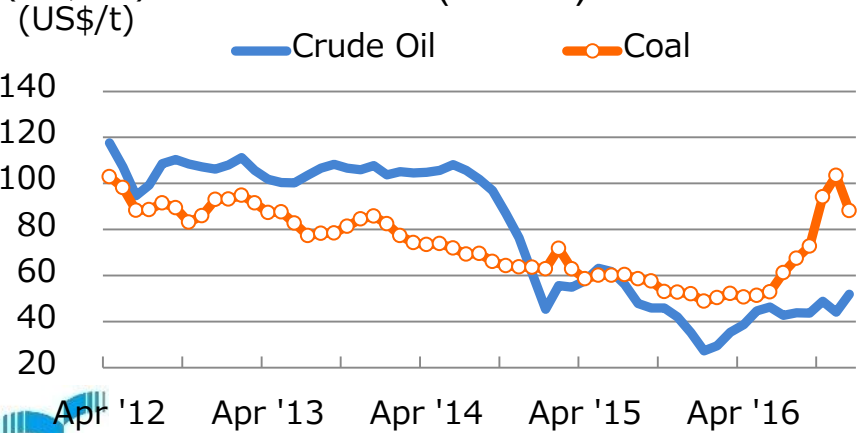
Waste Paper



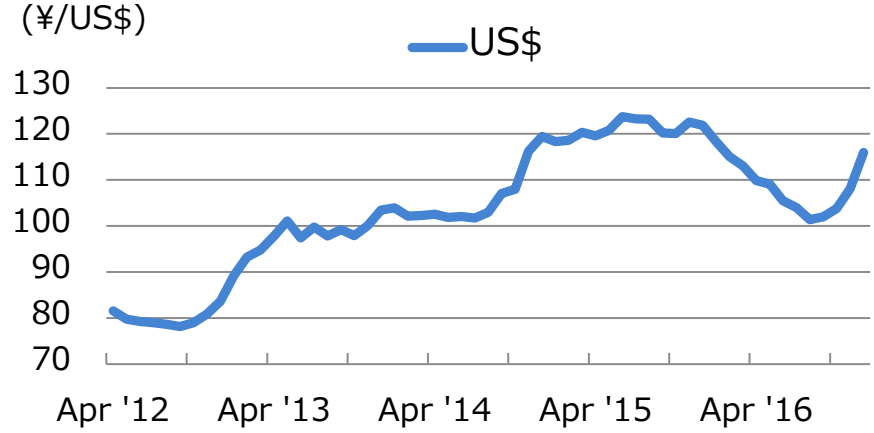
Pulp & Woodchip



Crude oil (Dubai) & Coal



FOREX



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

Net sales and operating income decreased. Booked an Ex-loss on NPIUSA business withdrawal.

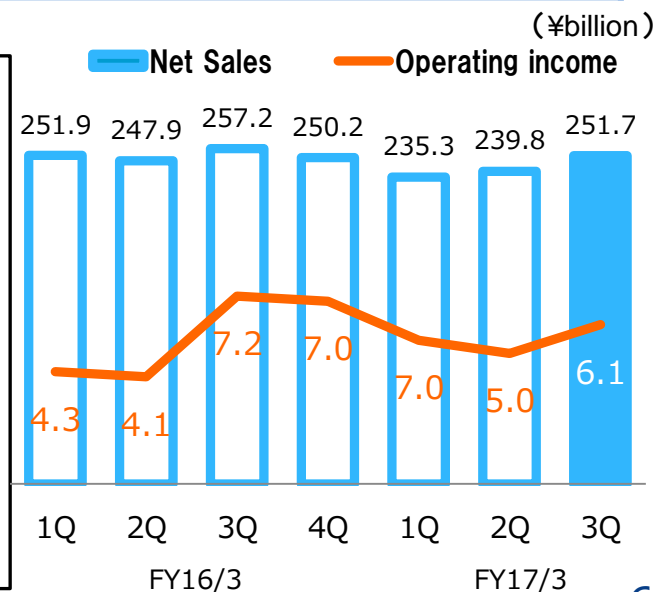
(¥billion)

	3Q FY2017/3 Result	3Q FY2016/3 Result	Variance	
			Amount	%
Net sales	251.7	257.2	-5.5	-2.1%
Operating income	6.1	7.3	-1.2	-16.4%
Ordinary income	8.1	5.9	2.2	37.3%
Net income*	-2.4	-0.1	-2.3	-

* Profit attributable to owners of parent

◆ Operating income decreased. On top of increase of the purchase power volume due to Ishinomaki turbine replacement work, the operation stabilization have taken longer time than planned.

◆ Booked an extraordinary loss on NPIUSA business withdrawal.



2. Financial Results: *Segment information*





Net Sales and operating income decreased in pulp and paper segment. Operating income increased in paper related segment .

(¥billion)

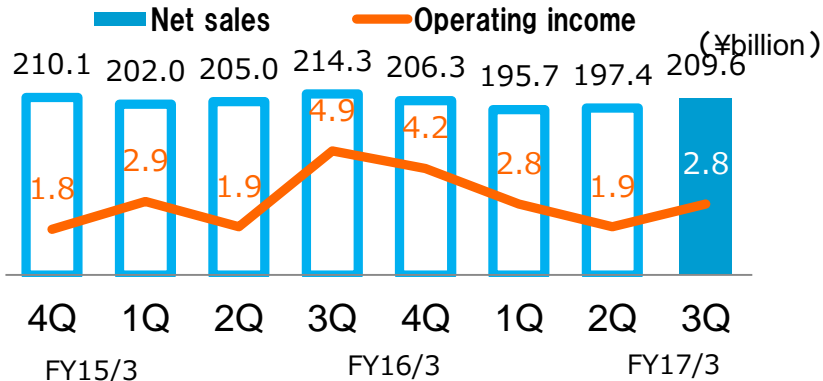
	Sales			Operating Income		
	3Q FY2016/3	3Q FY2017/3	Variance	3Q FY2016/3	3Q FY2017/3	Variance
Pulp and paper	214.3	209.6	-4.7	4.9	2.8	-2.1
Paper related (packaging and chemical products)	22.5	22.3	-0.2	0.7	1.6	0.9
Wood products and construction related	15.5	14.8	-0.7	1.0	1.1	0.1
Other (logistics, etc.)	4.9	5.0	0.1	0.7	0.6	-0.1
Total	257.2	251.7	-5.5	7.3	6.1	-1.2



2. Financial Results: Pulp & paper segment

<p>Paper</p> 	<ul style="list-style-type: none"> Shipment: -0.6% (Domestic -2.6%, Exports +23.3% (YOY)) ->Cost reduction did not meet our plan target. On top of increase of the purchase power volume due to Ishinomaki turbine replacement work, the operation stabilization have taken longer time than planned.
<p>Paperboard</p> 	<ul style="list-style-type: none"> Shipment: +5.6% (Domestic +1.5%, Exports +91.4% YOY) ->Our sales volume increase was higher than the one of the industry. Export was good in volume but bad in price due to JPY appreciation.
<p>Household Tissue</p> 	<ul style="list-style-type: none"> Demand in Tissue paper,, toilet rolls, and health care products was good and sales was higher than last 3Q.
<p>Other</p> 	<ul style="list-style-type: none"> Electric power sales has been steady.

Net sales and operating income

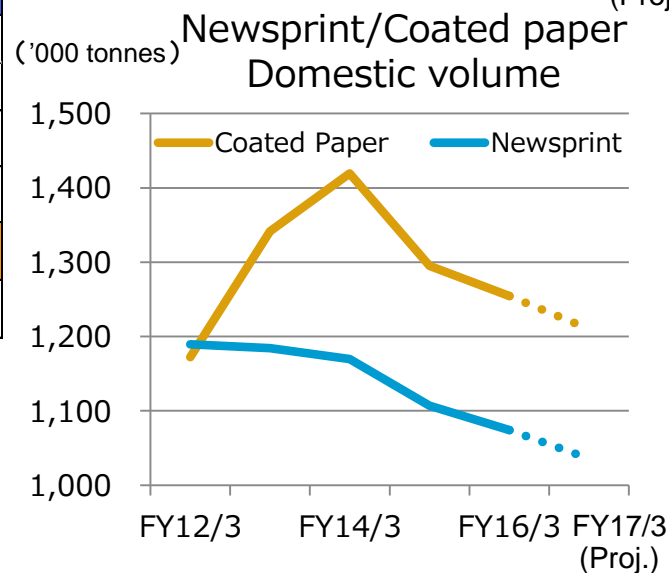
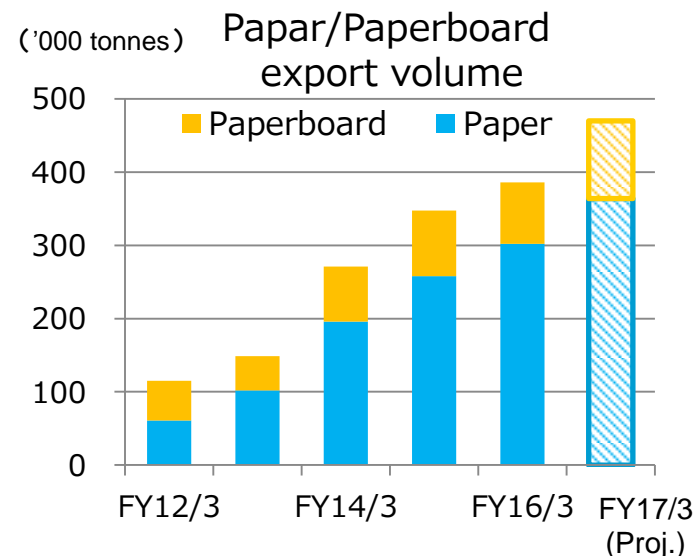


2. Financial Results: Pulp & paper - sales volume by product



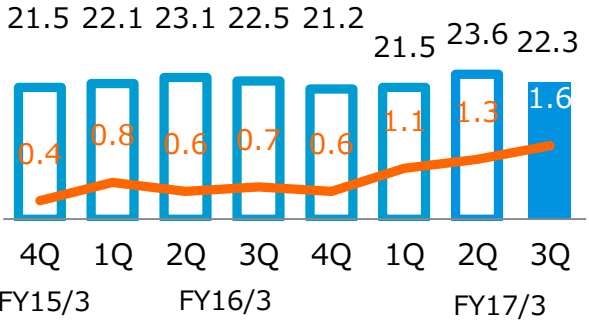

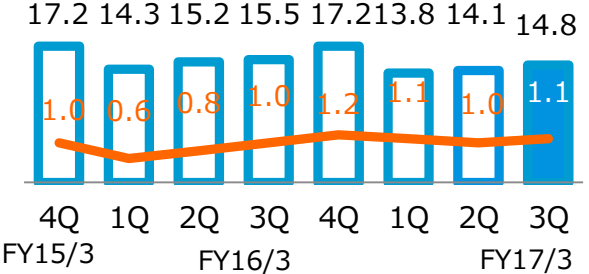

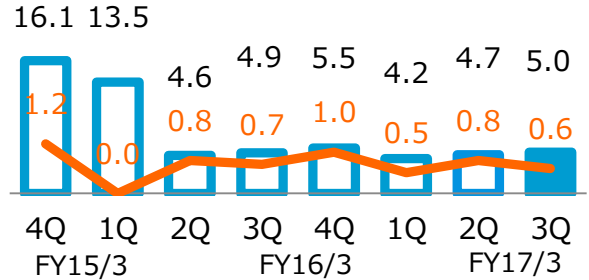
Paper domestic shipment decreased against last 3Q. But domestic shipment of paper and paperboard was almost in line with our plan.

		volume: '000 tonnes		
		3rd QTR FY2016/3	3rd QTR FY2017/3	YOY
Paper	Newsprint	274	264	-3.4%
	Printing & Business communication paper	589	570	-3.3%
	Coated paper	325	319	-1.6%
	Uncoated & Specialty printing paper	129	121	-5.8%
	Business communication paper	136	129	-5.0%
	Packaging paper and others	83	87	4.9%
	Domestic sales (paper)	945	921	-2.6%
Export (paper)	77	95	23.3%	
Paper total		1,022	1,016	-0.6%
Paperboard	Container board	291	298	2.2%
	Folding box board and others	94	93	-0.7%
	Domestic sales (paperboard)	385	391	1.5%
	Export (paperboard)	18	35	91.4%
Paperboard total		403	426	5.6%
Grand total (paper and paperboard)		1,426	1,442	1.1%

"Total" means the sum of sales volume of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd. and Nippon Paper Creca Co., Ltd. Sales volume of Nippon Paper Creca does not include Sanitary Paper.



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

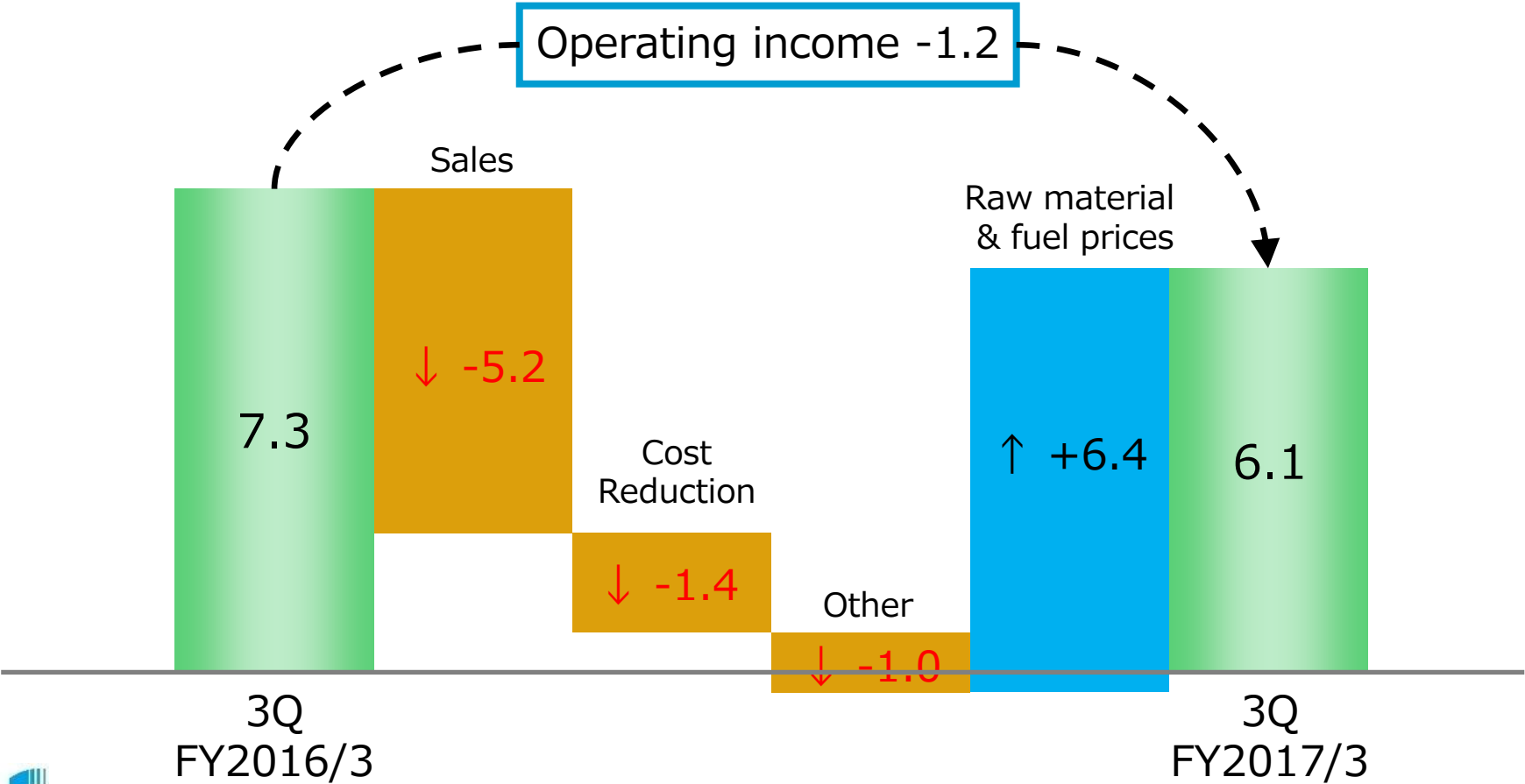
	Business Overview	Net sales and operating income 																											
<p>Paper-related segment</p> 	<p><Liquid-packaging cartons business></p> <ul style="list-style-type: none"> - Net Sales decreased and Operating income increased. Sales volume decreased due to lower sales for juice usage. Lower input price impact increased operating income. <p><Chemicals business></p> <ul style="list-style-type: none"> - Net sales and operating income increased. DP and chemical products businesses are steady. 	 <table border="1"> <caption>Net sales and operating income (¥billion)</caption> <thead> <tr> <th>Period</th> <th>Net sales</th> <th>Operating income</th> </tr> </thead> <tbody> <tr><td>4Q FY15/3</td><td>21.5</td><td>0.4</td></tr> <tr><td>1Q FY16/3</td><td>22.1</td><td>0.8</td></tr> <tr><td>2Q FY16/3</td><td>23.1</td><td>0.6</td></tr> <tr><td>3Q FY16/3</td><td>22.5</td><td>0.7</td></tr> <tr><td>4Q FY16/3</td><td>21.2</td><td>0.6</td></tr> <tr><td>1Q FY17/3</td><td>21.5</td><td>1.1</td></tr> <tr><td>2Q FY17/3</td><td>23.6</td><td>1.3</td></tr> <tr><td>3Q FY17/3</td><td>22.3</td><td>1.6</td></tr> </tbody> </table>	Period	Net sales	Operating income	4Q FY15/3	21.5	0.4	1Q FY16/3	22.1	0.8	2Q FY16/3	23.1	0.6	3Q FY16/3	22.5	0.7	4Q FY16/3	21.2	0.6	1Q FY17/3	21.5	1.1	2Q FY17/3	23.6	1.3	3Q FY17/3	22.3	1.6
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<p>Wood products and construction related segment</p> 	<ul style="list-style-type: none"> - Housing starts increased. - Every business in this segment showed similar performance to last 3Q. 	 <table border="1"> <caption>Net sales and operating income (¥billion)</caption> <thead> <tr> <th>Period</th> <th>Net sales</th> <th>Operating income</th> </tr> </thead> <tbody> <tr><td>4Q FY15/3</td><td>17.2</td><td>1.0</td></tr> <tr><td>1Q FY16/3</td><td>14.3</td><td>0.6</td></tr> <tr><td>2Q FY16/3</td><td>15.2</td><td>0.8</td></tr> <tr><td>3Q FY16/3</td><td>15.5</td><td>1.0</td></tr> <tr><td>4Q FY16/3</td><td>17.2</td><td>1.2</td></tr> <tr><td>1Q FY17/3</td><td>13.8</td><td>1.1</td></tr> <tr><td>2Q FY17/3</td><td>14.1</td><td>1.0</td></tr> <tr><td>3Q FY17/3</td><td>14.8</td><td>1.1</td></tr> </tbody> </table>	Period	Net sales	Operating income	4Q FY15/3	17.2	1.0	1Q FY16/3	14.3	0.6	2Q FY16/3	15.2	0.8	3Q FY16/3	15.5	1.0	4Q FY16/3	17.2	1.2	1Q FY17/3	13.8	1.1	2Q FY17/3	14.1	1.0	3Q FY17/3	14.8	1.1
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<p>Other segment</p> 	<ul style="list-style-type: none"> - Both logistics and leisure business results remained almost unchanged year-on-year. <p>(Note) Shikoku Coca-cola was extracted out of consolidated scope from previous 2Q.</p>	 <table border="1"> <caption>Net sales and operating income (¥billion)</caption> <thead> <tr> <th>Period</th> <th>Net sales</th> <th>Operating income</th> </tr> </thead> <tbody> <tr><td>4Q FY15/3</td><td>16.1</td><td>1.2</td></tr> <tr><td>1Q FY16/3</td><td>13.5</td><td>0.0</td></tr> <tr><td>2Q FY16/3</td><td>4.6</td><td>0.8</td></tr> <tr><td>3Q FY16/3</td><td>4.9</td><td>0.7</td></tr> <tr><td>4Q FY16/3</td><td>5.5</td><td>1.0</td></tr> <tr><td>1Q FY17/3</td><td>4.2</td><td>0.5</td></tr> <tr><td>2Q FY17/3</td><td>4.7</td><td>0.8</td></tr> <tr><td>3Q FY17/3</td><td>5.0</td><td>0.6</td></tr> </tbody> </table>	Period	Net sales	Operating income	4Q FY15/3	16.1	1.2	1Q FY16/3	13.5	0.0	2Q FY16/3	4.6	0.8	3Q FY16/3	4.9	0.7	4Q FY16/3	5.5	1.0	1Q FY17/3	4.2	0.5	2Q FY17/3	4.7	0.8	3Q FY17/3	5.0	0.6
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2. Financial Results: *Variance analysis for operating income*

Less input prices partially offset negative profit impact from less domestic sales volume and lower prices.

(¥billion)



3. FY2017/3 Earnings Forecast: *Highlights*

(¥billion)

	FY2017/3 Forecast	FY2016/3 Result	Variance	
			Amount	%
Net sales	990.0	1,007.1	-17.1	-1.7%
Operating income	28.0	22.6	5.4	23.8%
Ordinary income	28.0	17.1	10.9	63.5%
Net income*	1.0	2.4	-1.4	-58.7%

* Profit attributable to owners of parent

◆ No change from the forecast announced on Nov. 2, 2016.



Major announcements in 3rd Quarter

Date	Title	Area
Nov 29	Nippon Paper Industries Launches "NP-PAK Bio," an Eco-friendly Liquid Packaging Carton for Chilled Products with a 98% Degree of Biomass	Paper pak
Dec 6	Nippon Paper Crecia and Kasuga Paper Industry Reach an Agreement on a Joint Venture for Household Paper Products	Household tissue
Dec 15	NPI Decides to Build a Demonstration Plant for CNF-Reinforced Resin at Fuji Mill	CNF
Jan 24	<ul style="list-style-type: none">•NPI Develops Paper Cup Business and Healthcare Business in Vietnam•NPI Makes Full-Scale Entry into Paper Container Processing Business in India	Overseas
Jan 30	NPI Develops New Functional Materials, Composites of Minerals and Cellulose Fibers	New business



CNF coming production facilities

CNF Research Laboratory will be relocated to Fuji mill in 2H 2017.

- Fuji mill has large space for labo expansion and good access to Kanto and Chubu
- Technology development is achieved with larger facility.

Gotsu mill (Mass production facility)

- CM-CNF
- 30~100t/yr
- Start in Sep 2017

Ishinomaki mill (Mass production facility)

- TEMPO oxidised CNF
- 500t/yr
- Start in Apr 2017

Iwakuni mill (demonstration plant)

- demonstration plant
- 30t/yr
- started in 2013

Fuji mill (demonstration plant)

- CNF-Reinforced Resin
- 10t/yr
- Start in Jun 2017



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.

