

3RD QUARTER FY2021/3 FINANCIAL REVIEW

February 5, 2021

3rd Quarter FY2021/3 Financial Results

Consolidated Statement

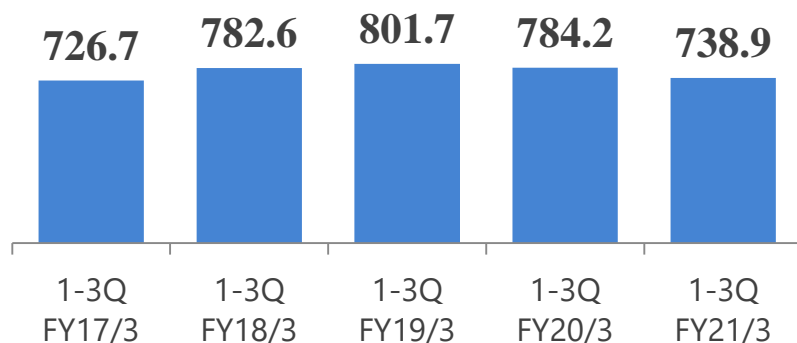
(¥billion)

	Total 1Q-3Q FY2020/3 Results	Total 1Q-3Q FY2021/3 Results	Variance		Impact of COVID-19
			Amount	%	
Net sales	784.2	738.9	-45.3	-5.8%	-55.0
Operating income	21.9	10.7	-11.2	-51.1%	-16.2
(Excluding acquisition-related expenses)		16.6	-5.3	-24.2%	
Ordinary income	20.4	3.0	-17.4	-85.4%	
Net income *	10.4	2.3	-8.1	-77.5%	

* Profit attributable to owners of parent

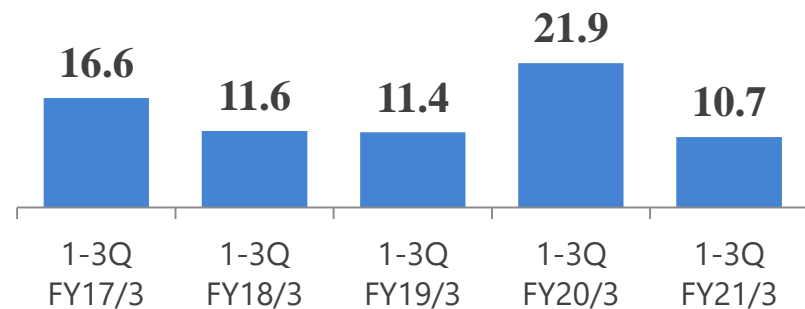
■ Net sales

(¥billion)



■ Operating income

(¥billion)



3rd Quarter FY2021/3 Financial Results

Results by Segment

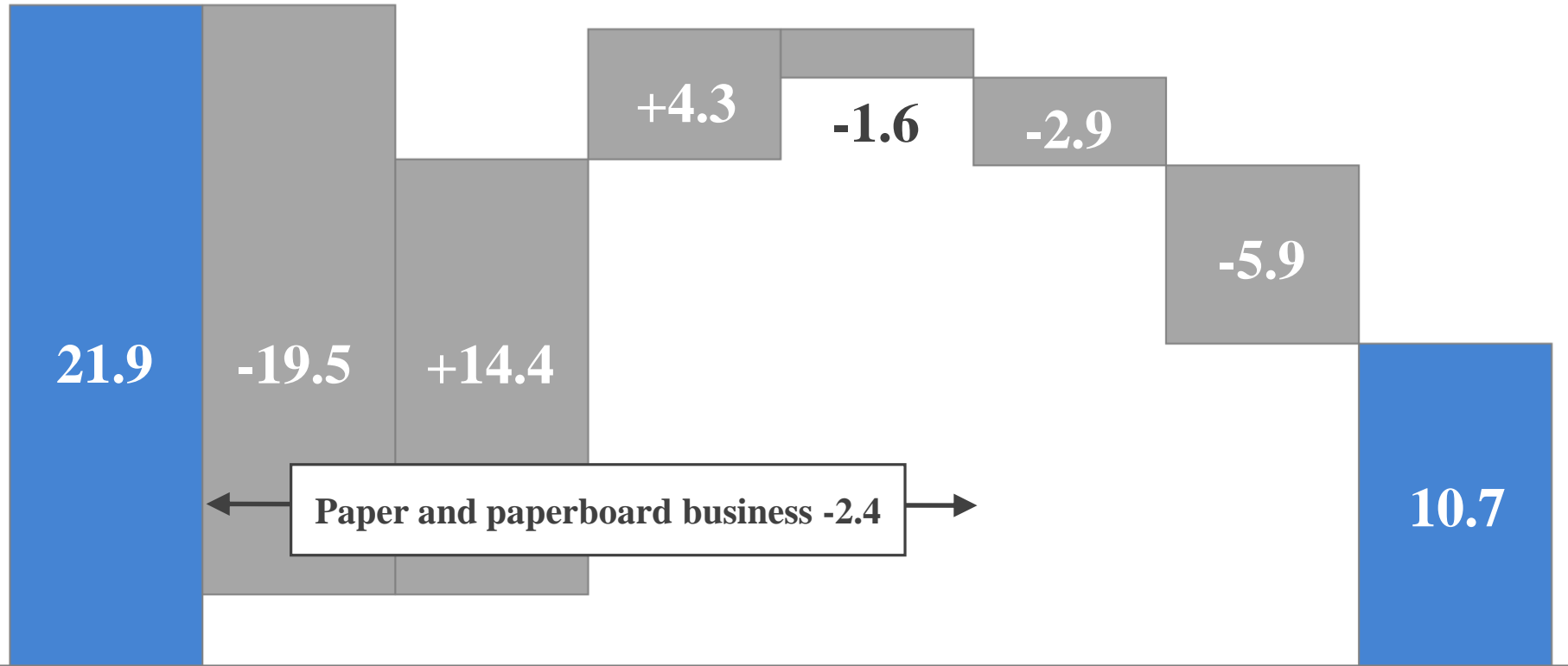
(¥billion)

	Net sales			Operating income		
	Total 1Q-3Q FY2020/3 Results	Total 1Q-3Q FY2021/3 Results	Variance	Total 1Q-3Q FY2020/3 Results	Total 1Q-3Q FY2021/3 Results	Variance
Paper and paperboard	490.9	421.4	-69.5	2.2	-0.2	-2.4
Daily-life products	202.2	232.2	30.0	9.3	6.8	-2.5
Energy	23.6	24.1	0.5	4.4	5.2	0.8
Wood products and construction related	44.5	41.6	-2.9	3.9	3.8	-0.1
Others	23.0	19.6	-3.4	2.1	1.0	-1.1
Acquisition-related expenses	-	-	-	-	-5.9	-5.9
Total	784.2	738.9	-45.3	21.9	10.7	-11.2

3rd Quarter FY2021/3 Financial Results

Variance analysis for operating income

(¥billion)



Total 1Q-3Q
FY2020/3
Results

Volume
Sales Price

Raw material
and fuel prices

Cost
reductions,
etc.

Others

Daily-life
products
business,
Other
businesses

Expenses
related to
acquiring
Orora

Total 1Q-3Q
FY2021/3
Results

3rd Quarter FY2021/3 Financial Results

1-3Q FY2021/3 vs. 1-3Q FY2020/3 Variance Analysis

(¥billion)

Paper and paperboard business	Volume, Sales Price	-19.5	-
	Raw material and fuel prices	14.4	Woodchip 2.5, Wastepaper 3.2, Pulp 0.5, Oil 1.9, Coal 4.1, Others 2.2 (Price 13.2, FOREX 1.2)
	Cost reductions, etc.	4.3	Cost reductions 0.0, Repair costs 0.3, Reorganization of production structure 4.5, Labor costs -0.2, Logistics cost -0.3
	Others	-1.6	Oversea business 0.6, Depreciation 0.6, Retirement benefit expenses -1.0, Others -1.8
	Daily-life products business	-2.5	Household paper and Health Care 1.8, Opal -3.8, NDP -0.3, etc.
	Other businesses	-0.4	Energy 0.8, Wood products and construction related -0.1, Others -1.1
	Acquisition-related expenses	-5.9	-
	Operating income	-11.2	1Q-3Q FY20/3 21.9 → 1Q-3Q FY21/3 10.7
	Non-operating Income	-6.2	Net financial cost -0.8, Equity in earnings of affiliates 0.1, FOREX loss -3.4, Others -2.1
	Ordinary income	-17.4	1Q-3Q FY20/3 20.4 → 1Q-3Q FY21/3 3.0

Paper and paperboard business

(¥billion)

	Total 1Q-3Q FY2020/3 Results	Total 1Q-3Q FY2021/3 Results	Variance	Impact of COVID-19
Net sales	490.9	421.4	-69.5	-38.0
Operating income	2.2	-0.2	-2.4	-11.5

● Paper(Domestic)

- Sales volume significantly decreased due to page number reduction on newspapers and sluggish demand of printing papers for advertising.
- Cost reduction target in 3Q was achieved as planned.

● Paperboard(Domestic)

- Overall sales volume decreased because the number of inbound tourists and the demand for industrial use decreased despite firm demand for processed foods, mail order, and other applications.

● Oversea business

- Both Jujo Thermal and SNP saw solid earnings, despite decrease in sales due to Covid-19.

3rd Quarter FY2021/3 Financial Results

Sales Volume(Paper & Paperboard)

('000 tonnes)

	1Q-3Q FY2020/3	1Q-3Q FY2021/3	YOY
Newsprint	624	533	-14.6%
Printing paper	1,105	874	-20.9%
Business communication paper	372	323	-13.3%
Others	272	228	-16.1%
Domestic sales (paper)	2,373	1,958	-17.5%
Export (paper)	235	169	-28.0%
Paper total	2,608	2,127	-18.4%
Container board	1,238	1,218	-1.6%
Folding box board and others	261	228	-12.5%
Domestic sales (paperboard)	1,499	1,447	-3.5%
Export (paperboard)	128	130	1.9%
Paperboard total	1,627	1,577	-3.1%
Grand total (paper and paperboard)	4,235	3,704	-12.5%

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

Daily-life products business

(¥billion)

	Total 1Q-3Q FY2020/3 Results	Total 1Q-3Q FY2021/3 Results	Variance	Impact of COVID-19
Net sales	202.2	232.2	30.0	-10.0
Operating income	9.3	6.8	-2.5	-3.5

- **Package (Operating income Variance -4.3)***

- **Opal**

- The profit of the former AP is in big decline. Copy paper sales significantly decreased due to Covid-19. In addition, export market has remained sluggish.
- The former Orora sales volume on corrugated boxes for produce and meat applications decreased due to Covid-19.

- **Nippon Dynawave Packaging (NDP)**

- Sales volume decreased due to Covid-19.

- **Paper cartons (Domestic)**

- Sales and operating income increased due to the installation of new filling machines and steady demand for milk cartons for home-use.

* Including goodwill amortization costs related to the acquisition of Paperboard's Package division in Australia and New Zealand from Orora.

Daily-life products business

(¥billion)

	Total 1Q-3Q FY2020/3 Results	Total 1Q-3Q FY2021/3 Results	Variance	Impact of COVID-19
Net sales	202.2	232.2	30.0	-10.0
Operating income	9.3	6.8	-2.5	-3.5

- **Household paper and HealthCare (Operating income Variance +1.8)**

- Sales volume of tissues and toilet paper rolls declined due to a reaction to an panic buying at previous FY end.
- Sales volume of hand towels and wet towels for the prevention of infections were firm.

- **Chemical (Operating income Variance ±0.0)**

- Sales volume on Functional films increased due to robust sales of mobile devices for Work From Home and mobile phones.
- Dissolving pulp sales volume decreased due to sluggish overseas demand including China.
- Demand for Functional coating resin products and CMCs recovered gradually as the number of vehicles produced recovered.

3rd Quarter FY2021/3 Financial Results

Energy business

(¥billion)

	Total 1Q-3Q FY2020/3 Results	Total 1Q-3Q FY2021/3 Results	Variance	Impact of COVID-19
Net sales	23.6	24.1	0.5	0.0
Operating income	4.4	5.2	0.8	0.0

Wood products and construction related business

(¥billion)

	Total 1Q-3Q FY2020/3 Results	Total 1Q-3Q FY2021/3 Results	Variance	Impact of COVID-19
Net sales	44.5	41.6	-2.9	-3.0
Operating income	3.9	3.8	-0.1	-0.2

- Sales volume for lumber and other products decreased due to Covid-19.

Other businesses

(¥billion)

	Total 1Q-3Q FY2020/3 Results	Total 1Q-3Q FY2021/3 Results	Variance	Impact of COVID-19
Net sales	23.0	19.6	-3.4	-4.0
Operating income	2.1	1.0	-1.1	-1.0

- In logistics and leisure businesses, sales decreased due to the impact of Covid-19.

Consolidated Statement

3Q sales and earnings remained unchanged. Demand for Household tissue and Chemical products is recovering.

(¥billion)

	3Q FY 2020/3 Results	3Q FY 2021/3 Results	Variance	Variance analysis
Net sales	259.3	271.4	12.1	New consolidation of Opal 26.6
Operating income	6.7	6.7	0.0	
Paper and paperboard	-0.1	1.8	1.9	Cost reductions, etc. 2.8
Daily-life products	3.5	0.8	-2.7	NDP-2.3 (Impact of suspension, etc.)
Energy	1.2	1.8	0.6	
Wood products and construction related	1.4	1.4	0.0	
Others	0.7	0.9	0.2	
Ordinary income	5.0	5.1	0.1	
Net income *	0.7	10.4	9.7	Gain on sales of Investment securities 8.6

* Profit attributable to owners of parent

Consolidated Statement

(¥billion)

	FY2020/3 Actual	FY2021/3 Forecast	Variance		Impact of COVID-19
			Amount	%	
Net sales	1,043.9	1,000.0	-43.9	-4.2%	-69.0
Operating income	35.0	20.0	-15.0	-42.9%	-22.0
(Excluding acquisition-related expenses)		25.9	-9.1	-26.1%	
Ordinary income	30.5	12.0	-18.5	-60.7%	
Net income *	14.2	3.0	-11.2	-78.9%	

* Profit attributable to owners of parent

● Major assumptions

■ Annual decline in domestic sales volume (YoY)

	1st Half Results	2nd Half Forecast	Full year Forecast
Newsprint	-17%	-10%	-13%
Printing	-26%	-12%	-19%
Business communication	-17%	-7%	-12%
Containerboard	-2%	-5%	-4%

■ Major raw material prices and FOREX

FOREX (USD)	JPY 107/USD
FOREX sensitivity	+400 million yen/year due to 1 yen appreciation against USD
Coal	USD 69/t (Australian coal benchmark price)
Crude oil	USD 45/BL (Dubai)

REFERENCE MATERIALS

Net sales Trends by Segment

(¥billion)

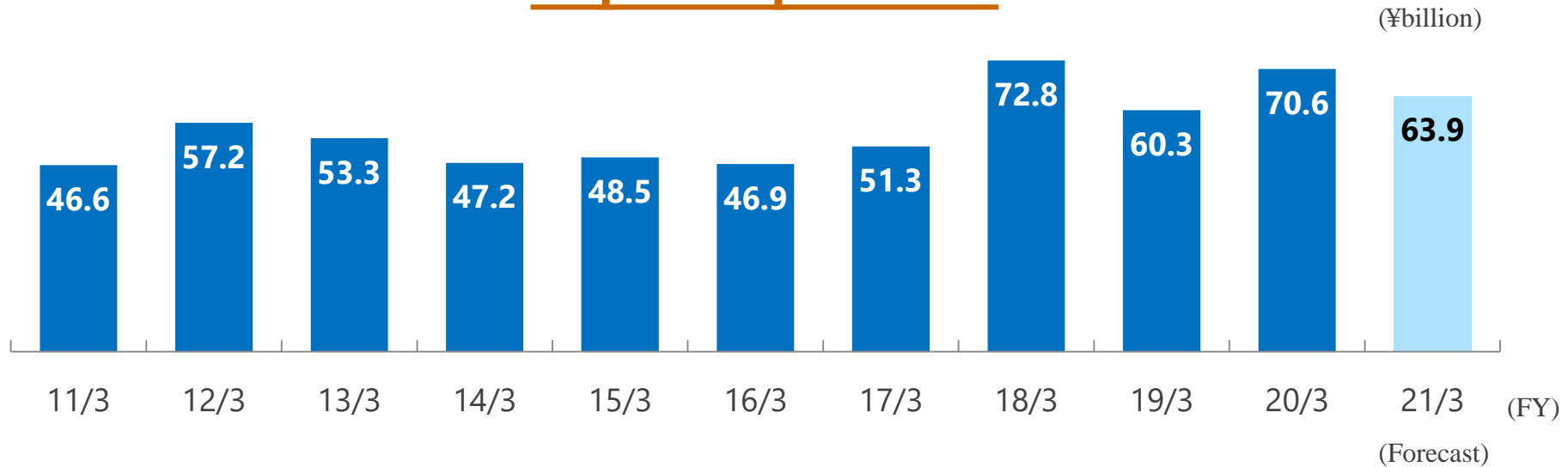
	FY2021/3			FY2021/3		
	1Q	2Q	3Q	1st Half Results	2nd Half Forecast	Full year Forecast
Paper and paperboard	134.7	137.8	148.9	272.5	287.5	560.0
Daily-life products	63.3	77.2	91.7	140.5	184.5	325.0
Energy	7.6	8.8	7.7	16.4	16.6	33.0
Wood products and construction related	12.4	13.1	16.1	25.5	26.5	52.0
Others	5.8	6.7	7.1	12.5	17.5	30.0
Acquisition-related expenses	-	-	-	-	-	-
Total	223.8	243.7	271.4	467.4	532.6	1,000.0

Operating income Trends by Segment

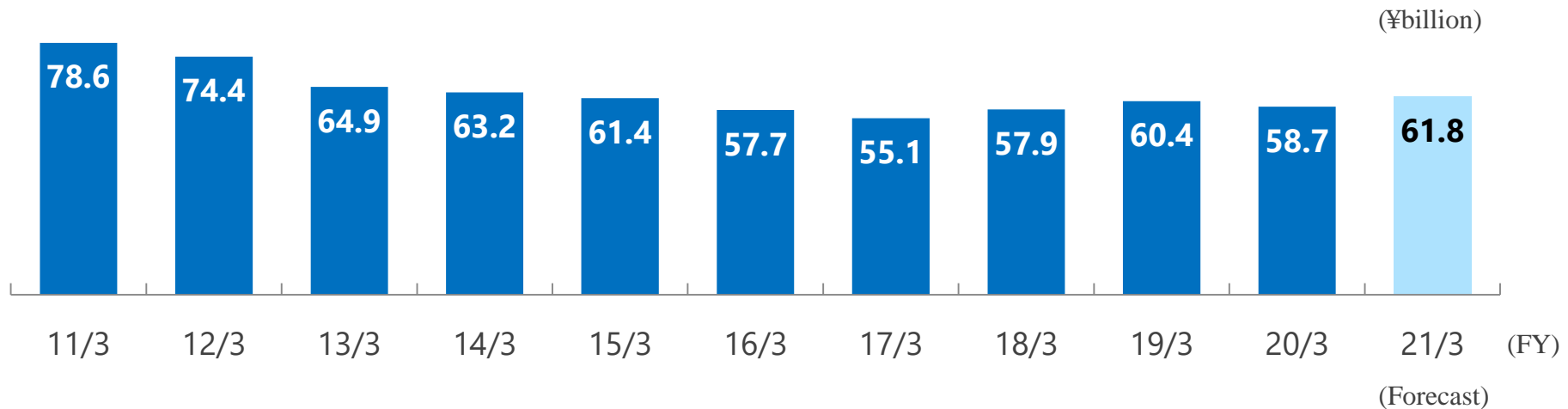
(¥billion)

	FY2021/3			FY2021/3		
	1Q	2Q	3Q	1st Half Results	2nd Half Forecast	Full year Forecast
Paper and paperboard	-1.1	-0.9	1.8	-2.0	5.5	3.5
Daily-life products	3.0	3.0	0.8	6.0	3.0	9.0
Energy	1.4	2.0	1.8	3.4	3.6	7.0
Wood products and construction related	1.1	1.3	1.4	2.4	2.6	5.0
Others	-0.1	0.1	1.0	0.0	1.4	1.4
Acquisition-related expenses	-	-5.8	-0.1	-5.8	-0.1	-5.9
Total	4.3	-0.3	6.7	4.0	16.0	20.0

Capital expenditure



Depreciation



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

volume: '000 tonnes

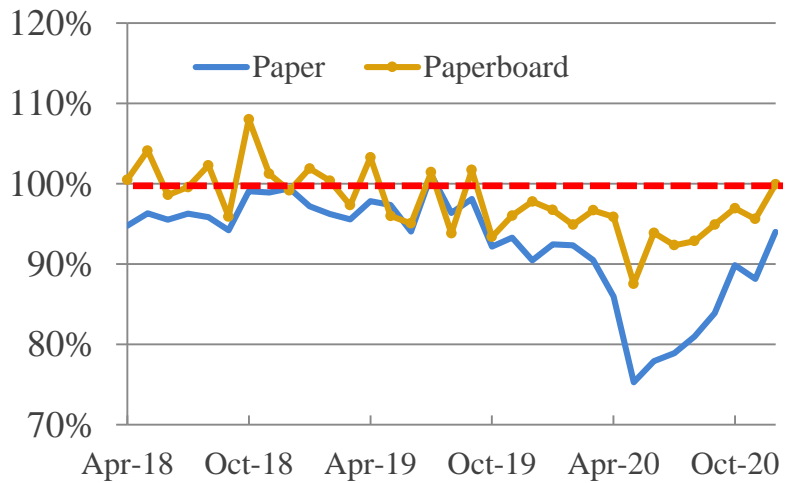
April, 2020 - December, 2020

	Domestic shipments(A)		Exports(B)		(A+B)		Imports	
	volume	YOY	volume	YOY	volume	YOY	volume	YOY
Newsprint	1,540	-14.0%	0	—	1,540	-14.0%	2	19.8%
Printing & business communication paper	4,022	-20.9%	301	-21.5%	4,323	-20.9%	512	-35.8%
Coated paper *	2,094	-24.5%	224	-21.7%	2,318	-24.3%	159	-60.5%
Uncoated paper	1,100	-16.7%	58	-22.4%	1,158	-17.0%	33	-30.4%
Business communication paper	829	-16.2%	18	-16.5%	847	-16.2%	320	-8.0%
Other papers	2,213	-7.4%	207	-9.0%	2,420	-7.6%	34	-13.5%
Paper total	7,775	-16.1%	508	-16.8%	8,283	-16.1%	547	-34.7%
Container board	6,662	-3.8%	685	93.1%	7,348	0.9%	30	-5.0%
Folding box board and others	1,432	-12.6%	24	29.6%	1,456	-12.1%	176	-13.9%
Paperboard total	8,094	-5.5%	709	89.9%	8,804	-1.5%	206	-12.7%
Paper and paperboard total	15,869	-11.0%	1,217	23.7%	17,087	-9.2%	753	-29.9%

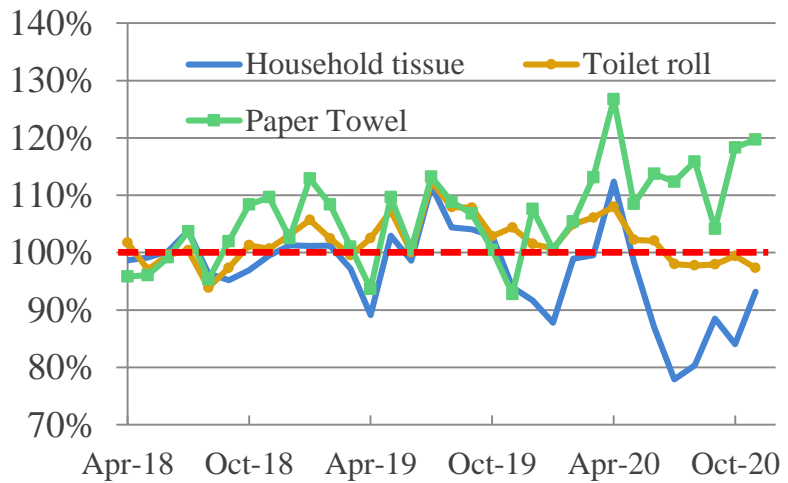
※ "Bitoko-shi" paper is included in coated paper.

Source: Japan Paper Association, Trade Statics of Japan

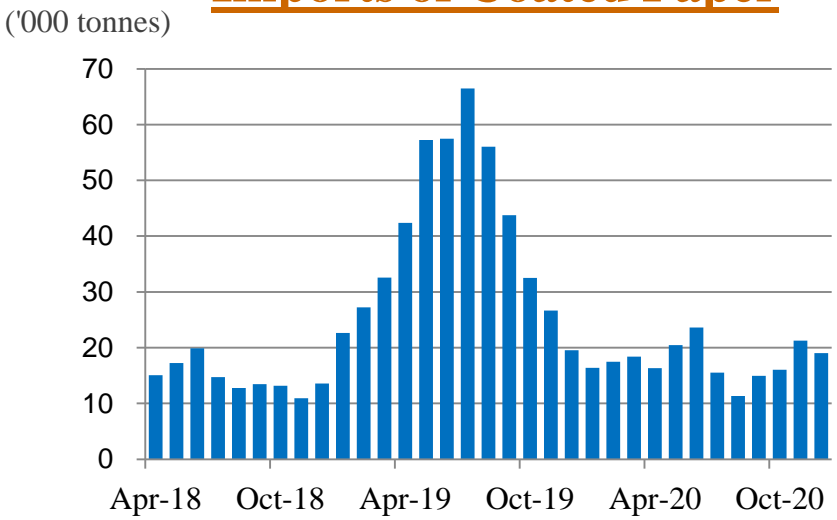
Domestic shipment of paper industry(YOY)



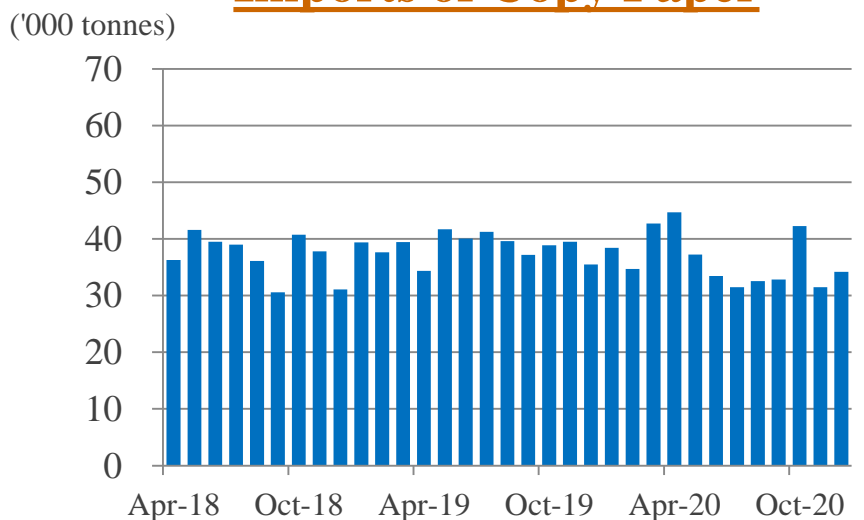
Production of sanitary paper (YOY)



Imports of Coated Paper

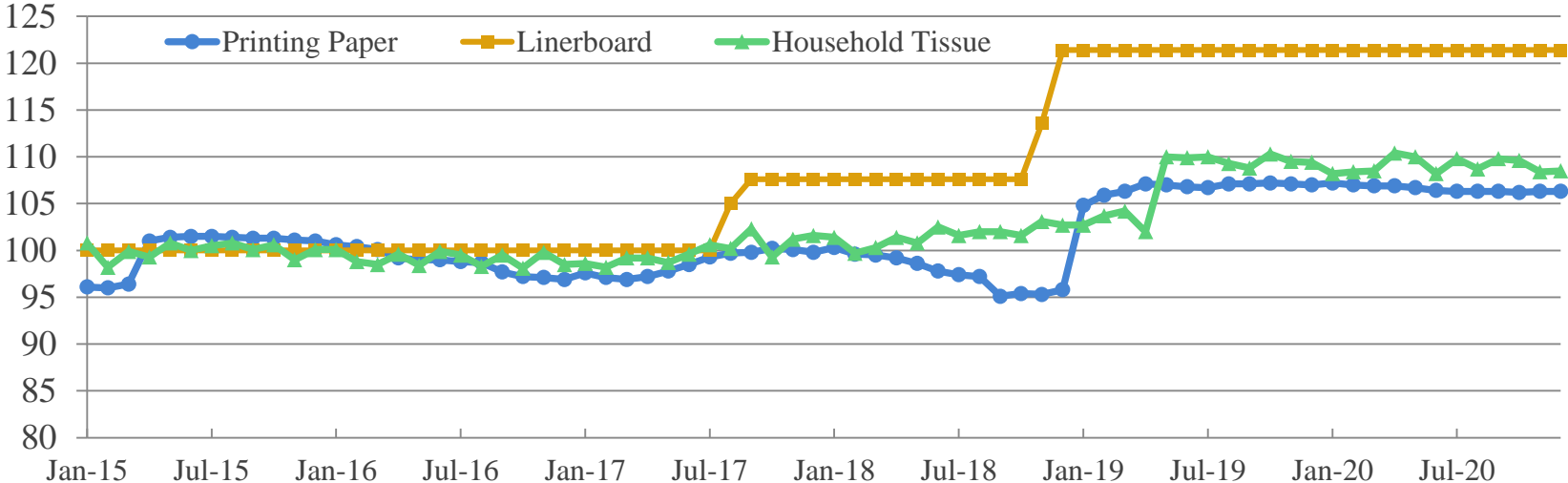


Imports of Copy Paper



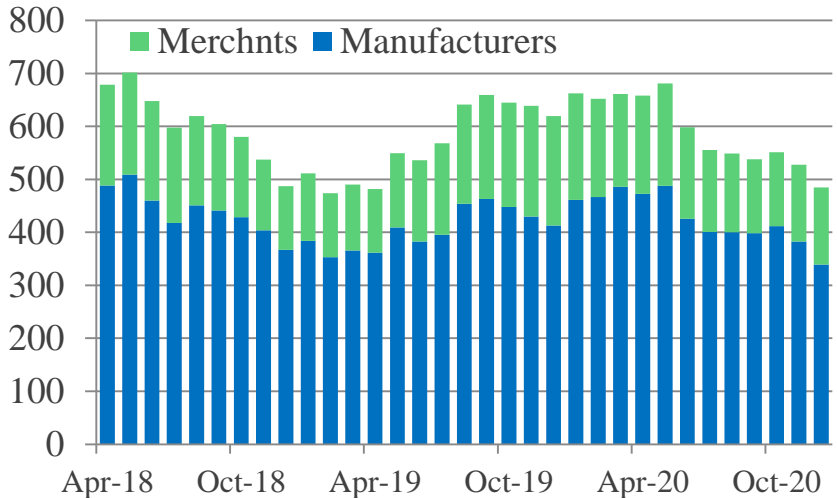
Price trends by products

(CY2015=100)



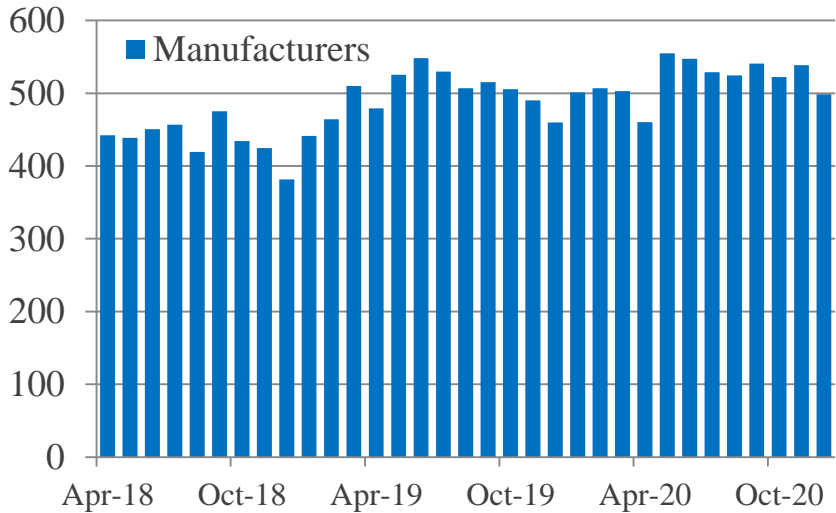
('000 tonnes)

Coated paper inventory



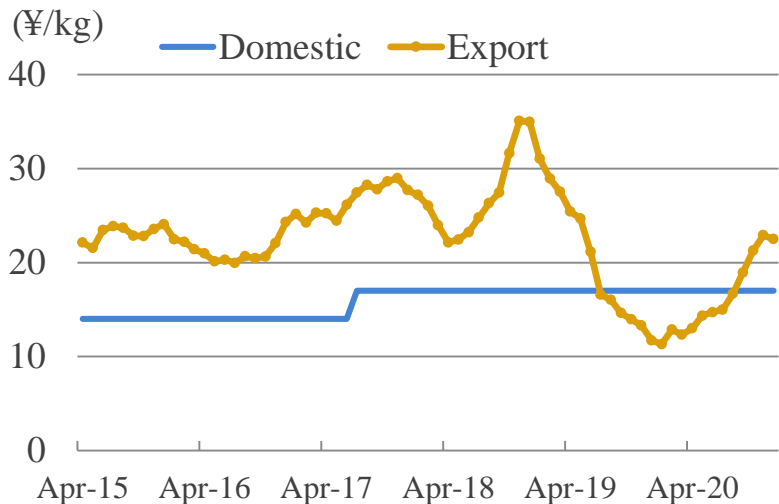
('000 tonnes)

Containerboard inventory

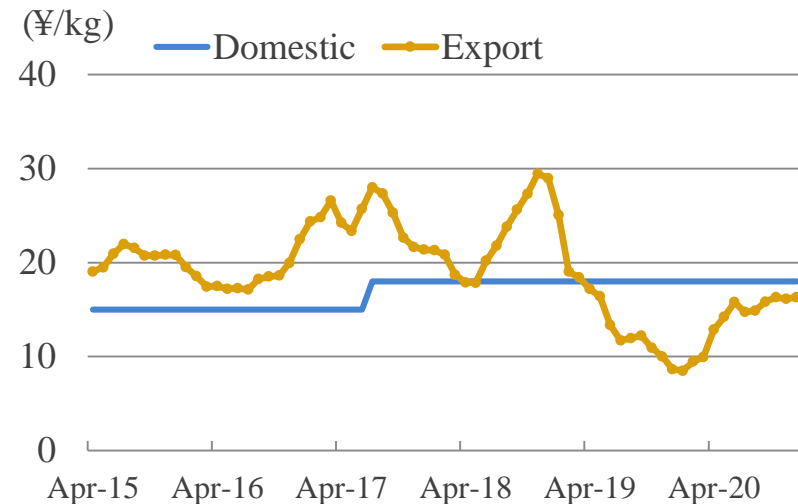


Source: Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

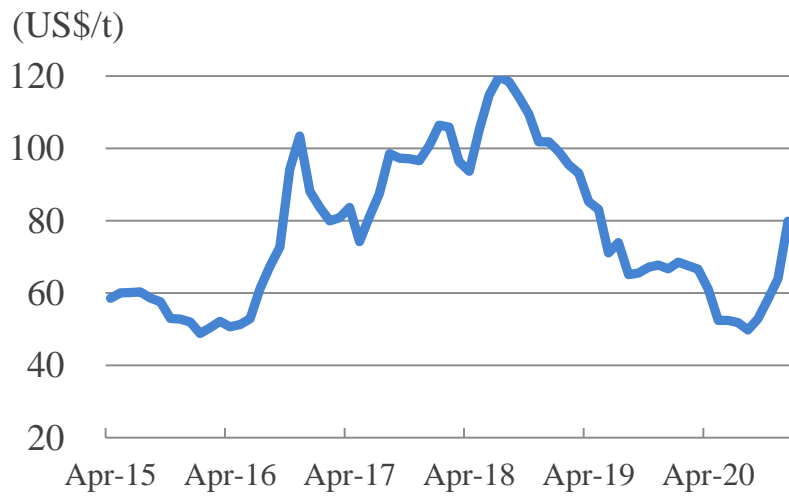
ONP



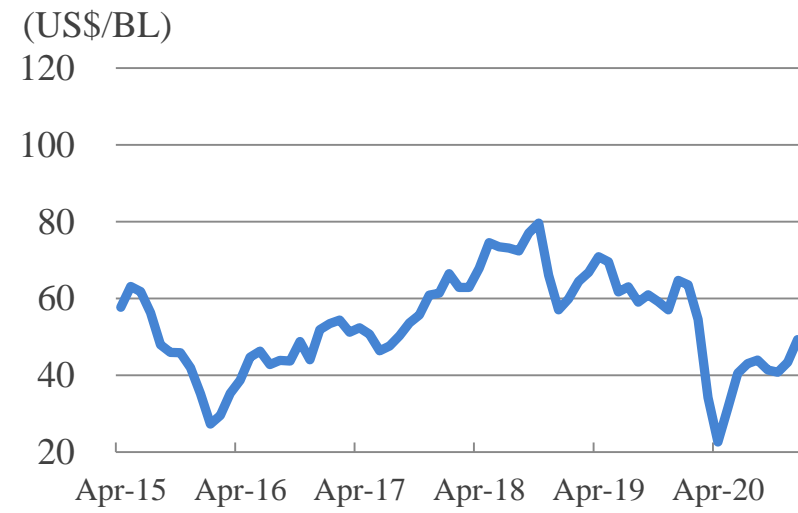
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Coal



Crude oil



Source: Wastepaper Revitalization Promotion Centre, Trade Statics of Japan, Nihon Keizai Shimbun, Global Coal Index

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