

3RD QUARTER FY2023/3 FINANCIAL REVIEW

February 14, 2023



Consolidated Statement

(¥billion)

	Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance	
			Amount	%
Net sales	774.0	849.4	75.4	9.7%
Operating income	10.4	-22.8	-33.2	-
Ordinary income	11.3	-19.5	-30.8	-
Net income *	2.4	-25.7	-28.1	-

* Profit attributable to owners of parent

- Net sales increased year-on-year because of price revisions and other factors.
- Operating loss was recorded due to the continued harsh business environment caused by soaring raw materials and fuels prices.
- Extraordinary gains/losses were recorded due to the gain on sales of investment securities i.e., the sale of cross-shareholdings and others. Impairment loss of the shutdown of N1 Paper Machine and others at Akita Mill were recorded.



Results by Segment

(¥billion)

	Net sales			Operating income		
	Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance	Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance
Paper and paperboard	396.0	416.2	20.2	-2.2	-22.0	-19.8
Daily-life products	288.0	328.5	40.5	3.2	-6.6	-9.8
Energy	22.7	32.2	9.5	1.3	-2.2	-3.5
Wood products and construction related	45.5	50.8	5.3	5.6	6.3	0.7
Others	21.8	21.7	-0.1	2.5	1.7	-0.8
Total	774.0	849.4	75.4	10.4	-22.8	-33.2



1-3Q FY2023/3 vs. 1-3Q FY2022/3 Variance Analysis

(¥billion)

Volume and Sales Price	29.5	-
Raw materials and fuels prices	-67.0	Wood chips -10.4, Wastepaper -8.1, Pulp -1.6, Oil -0.9, Coal -28.2, LNG -3.8, Chemicals, etc. -14.0 (Price -47.3, FOREX -19.7)
Cost reductions, etc.	10.0	Cost reductions 2.0, Permanent machine shutdown at the Kushiro Mill and the Ishinomaki Mill 3.7, Coal reduction effect 4.8, Labor costs 0.2, Logistics costs -0.7
Others	7.7	Oversea business 0.6, Depreciation 1.4, Retirement benefit expenses 0.6, Inventory value adjustment, etc. 5.1
Paper and paperboard business	-19.8	
Daily-life products business	-9.8	Domestic -6.3 : Household paper and Healthcare -3.4, Paper-Pak -2.1, Chemical -0.8 Overseas -3.5 : Opal -0.7, NDP -2.8
Other businesses	-3.6	Energy -3.5, Wood products and construction related 0.7, Others -0.8
Operating income	-33.2	
Non-operating income	2.4	Net financial cost 0.2, Equity in earnings of affiliates 1.0, FOREX 1.0, Others 0.2
Ordinary income	-30.8	

Paper and paperboard business

(¥billion)

Net sales			Operating income		
Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance	Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance
396.0	416.2	20.2	-2.2	-22.0	-19.8

● Domestic

- Domestic sales volume of paper products decreased year-on-year due to sluggish demand.
- Domestic sales volume of paperboard products was generally firm; however, it was slightly lower year-on-year due to the impact of industrial products and automobile-related products shortage.
- Net sales increased year-on-year contributed by the effects of price revisions.

However, operating income was in deficit due to higher prices of raw materials and fuels such as coal, wood chips, and wastepaper.

● Overseas

- In overseas business, both net sales and operating income increased year-on-year because of price revisions, despite the impact of increased costs of raw material, fuel and ocean freight.

Daily-life products business

(¥billion)

	Net sales			Operating income		
	Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance	Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance
Domestic	137.8	145.2	7.4	5.6	-0.7	-6.3
Overseas	150.2	183.3	33.1	-2.4	-5.9	-3.5
Daily-life products business total	288.0	328.5	40.5	3.2	-6.6	-9.8

● Domestic

- The impact of higher prices of raw materials and fuels such as pulp, coal, and liquid packaging boards was ¥-13.8 billion.
- Net sales was increased by the effects of price revisions and strong sales of long-lasting rolls/paper towels; however, operating income was decreased year-on-year.

● Overseas

- Despite a recovering sales volume of corrugated boxes, Opal recorded lower earnings year-on-year due to soaring costs of raw materials and fuels. Ocean freight cost was increased by a turmoil in marine transportation.
- Nippon Dynawave Packaging (NDP) decreased its earnings year-on-year due to a maintenance outage and others in 1Q of FY2023/3.

Energy business

(¥billion)

Net sales			Operating income		
Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance	Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance
22.7	32.2	9.5	1.3	-2.2	-3.5

- In Energy business, although its net sales increased year-on-year due to higher electricity prices and other factors, its profits declined due to the impact of soaring coal prices and others.

Wood products and construction related business

(¥billion)

Net sales			Operating income		
Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance	Total 1Q-3Q FY2022/3 Results	Total 1Q-3Q FY2023/3 Results	Variance
45.5	50.8	5.3	5.6	6.3	0.7

- Sales volume of domestic raw wood remained firm due to global lumber supply shortage. As a result, net sales and operating income increased.

Consolidated Statement

(¥billion)

	FY2022/3 Results	FY2023/3 Revised Forecast	FY2023/3 Previous Forecast	Variance
Net sales	1,045.1	1,150.0	1,100.0	50.0
Operating income	12.1	-24.0	-20.0	-4.0
Ordinary income	14.5	-23.0	-20.0	-3.0
Net income *	2.0	-48.0	-25.0	-23.0

* Profit attributable to owners of parent

- The forecast has been revised based on the results of performance through 3Q and current business environment.
- The forecasts of operating income and ordinary income have been revised downward due to the progress of price revision effects and the difficult earnings situation of Opal.
- Net income incorporates approximately ¥20.0 billion of impairment loss on non-current assets associated with Opal's withdrawal from the graphic paper business, which was announced today.

Results by Segment

(¥billion)

	Net sales			Operating income		
	FY2022/3 Results	FY2023/3 Revised Forecast	Variance	FY2022/3 Results	FY2023/3 Revised Forecast	Variance
Paper and paperboard	532.1	560.0	27.9	-5.6	-27.0	-21.4
Daily-life products	386.5	440.0	53.5	4.8	-7.5	-12.3
Energy	31.8	50.0	18.2	1.6	-0.5	-2.1
Wood products and construction related	64.5	70.0	5.5	7.6	8.0	0.4
Others	30.2	30.0	-0.2	3.7	3.0	-0.7
Total	1,045.1	1,150.0	104.9	12.1	-24.0	-36.1

FY2023/3 Forecast vs. FY2022/3 Variance Analysis

(¥billion)

Volume and Sales Price	48.0	-
Raw materials and fuels prices	-97.7	Wood chips -15.3, Wastepaper -11.6, Pulp -2.4, Oil -1.1, Coal -42.3, LNG -4.9, Chemicals, etc. -20.1 (Price -71.3, FOREX -26.4)
Cost reductions, etc.	16.0	Cost reductions 4.3, Permanent machine shutdown at the Kushiro Mill and the Ishinomaki Mill 4.0, Coal reduction effect 7.4, Labor costs 0.2, Logistics costs 0.1
Others	12.3	Oversea business 0.1, Depreciation 2.0, Retirement benefit expenses 0.8, Inventory value adjustment, etc. 9.4
Paper and paperboard business	-21.4	
Daily-life products business	-12.3	Domestic -7.3 : Household paper and Healthcare -3.9, Paper-Pak -2.1, Chemical -1.3 Overseas -5.0 : Opal -4.0, NDP -1.0
Other businesses	-2.4	Energy -2.1, Wood products and construction related 0.4, Others -0.7
Operating income	-36.1	
Non-operating income	-1.4	-
Ordinary income	-37.5	

Operating income Trends by Segment

■Earnings are expected to improve from 4Q onward because of various measures' effects.

(¥billion)

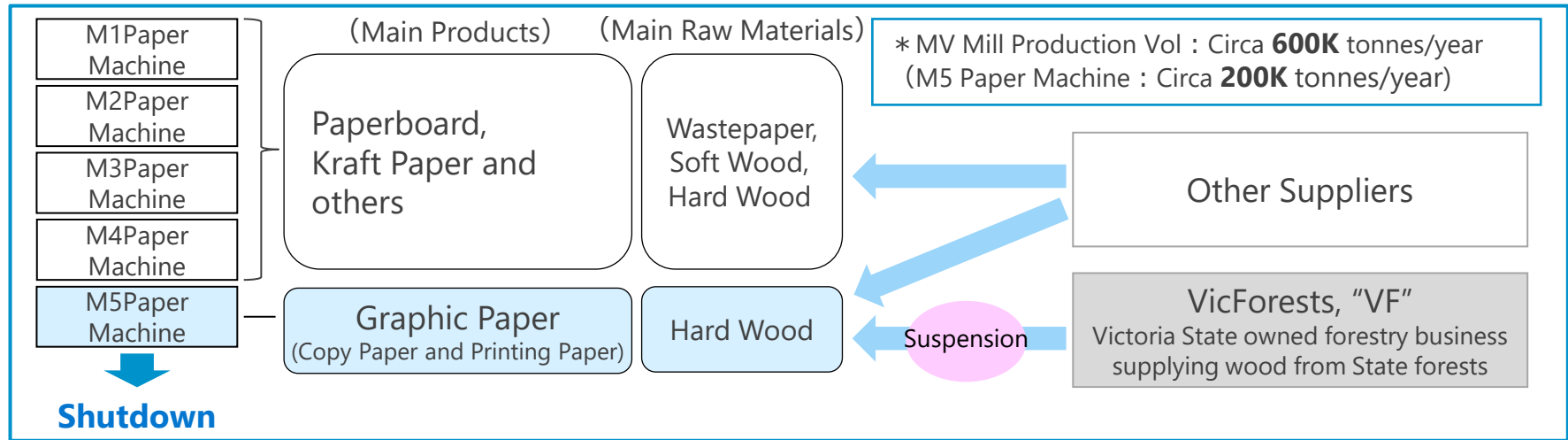
	FY2023/3				Major Profit Improvement Measures in FY2024/3
	1Q Results	2Q Results	3Q Results	4Q Forecast	
Paper and paperboard	-2.2	-7.7	-12.1	-5.0	<ul style="list-style-type: none"> • Over 10.0 billion yen of cost reduction due to the restructuring of production system and others • Price revisions (Paper and Paperboard)
Daily-life products	-2.6	-2.7	-1.3	-0.9	<ul style="list-style-type: none"> • Household paper and Healthcare Business: Price revisions and the expanding pulp procurements among Nippon Paper Group. • Robust performance of Paper-Pak business, Chemical business and NDP
Energy	-0.3	-1.6	-0.3	1.7	<ul style="list-style-type: none"> • Commercial operation of Yufutsu EC* started in February 2023 • Increasing biomass co-firing ratio of Ishinomaki EC*
Wood products and construction related	1.9	2.0	2.4	1.7	
Others	0.3	0.9	0.5	1.3	
Total	-2.9	-9.1	-10.8	-1.2	

* Yufutsu EC : Yufutsu Energy Center, Ishinomaki EC : Nippon Paper Ishinomaki Energy Center

Opal Withdraws from Its White Pulp and Paper (Graphic) Paper Business



● Opal Maryvale Mill (MV Mill)



■ Background

- 2021- Two ENGOs began legal proceedings against VF regarding its timber harvesting activities
- 2022.11 Court orders issued against VF impacted its ability to supply wood to Opal
- Present M5 Paper Machine and related operations ceased production due to lack of VF wood supply

■ Financial Impacts of the Decision

- Impairment losses of non-current assets and others approx. ¥20.0 billion *unaudited (Plan to records in FY2023/3)

■ Future of MV Mill

- MV Mill will withdraw from the graphic paper business by the end of 2023 and focus on packaging business, where the market growth is expected, to strengthen Opal's integrated packaging supply strategy.

■ Opal

- Opal had been considering alternative wood supplies after suspension of supply from VF
- Opal concluded that alternative procurement is not feasible and **decided to withdraw from its graphic paper business**



REFERENCE MATERIALS



NIPPON PAPER INDUSTRIES
SHAPING THE FUTURE WITH TREES 

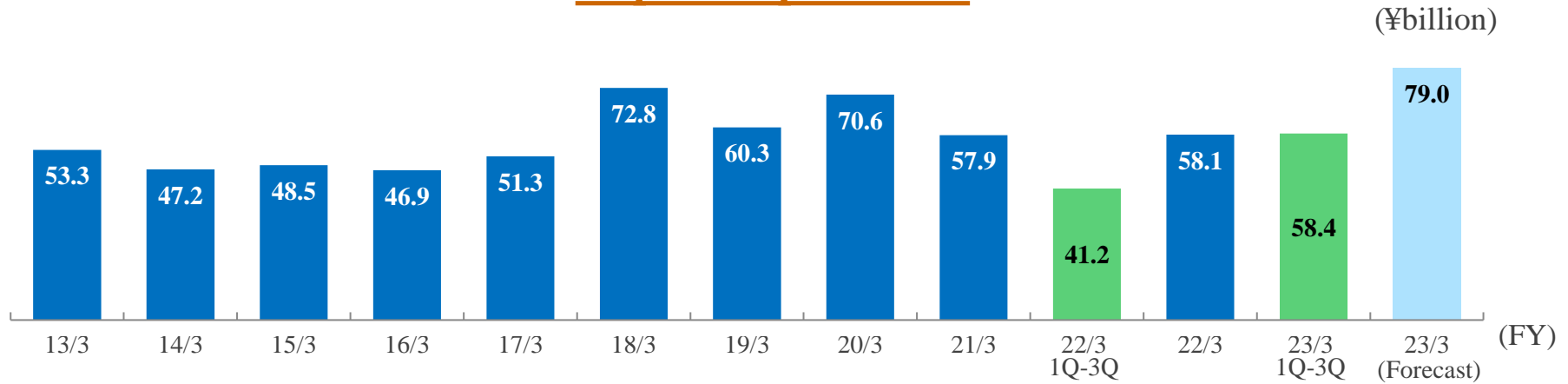
Sales Volume(Paper & Paperboard) *



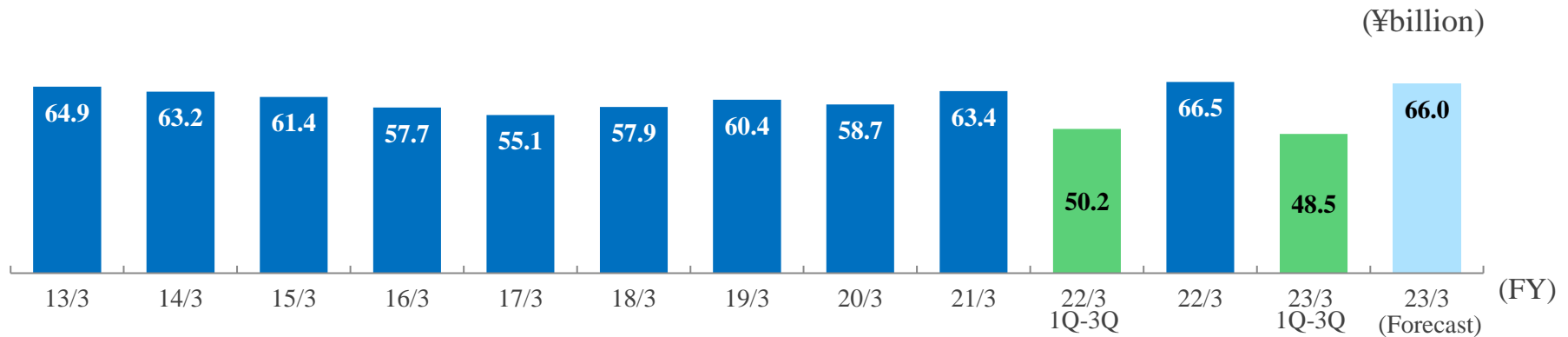
	('000 tonnes)		
	1Q-3Q FY22/3	1Q-3Q FY23/3	against FY22/3
Newsprint	499	455	-8.6%
Printing paper	905	803	-11.3%
Business communication paper	321	305	-5.0%
Others	242	239	-0.9%
Domestic sales (paper)	1,966	1,803	-8.3%
Export (paper)	196	171	-12.8%
Paper total	2,162	1,973	-8.7%
Containerboard	1,246	1,240	-0.5%
Paperboard for paper container and others	251	247	-1.7%
Domestic sales (paperboard)	1,497	1,487	-0.7%
Export (paperboard)	149	123	-17.5%
Paperboard total	1,646	1,610	-2.2%
Grand total (paper and paperboard)	3,808	3,583	-5.9%

- Total Sales Volume 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)

Capital expenditure



Depreciation



Net sales Trends by Segment



(¥billion)

	FY2023/3			FY2023/3		
	1Q	2Q	3Q	1st Half Results	2nd Half Forecast	Full year Forecast
Paper and paperboard	132.0	139.4	144.8	271.4	288.6	560.0
Daily-life products	101.0	111.3	116.2	212.3	227.7	440.0
Energy	8.2	11.5	12.5	19.7	30.3	50.0
Wood products and construction related	16.7	16.7	17.4	33.4	36.6	70.0
Others	6.9	7.2	7.6	14.1	15.9	30.0
Total	264.8	286.1	298.5	550.9	599.1	1,150.0

Operating income Trends by Segment



(¥billion)

	FY2023/3			FY2023/3		
	1Q	2Q	3Q	1st Half Results	2nd Half Forecast	Full year Forecast
Paper and paperboard	-2.2	-7.7	-12.1	-9.9	-17.1	-27.0
Daily-life products	-2.6	-2.7	-1.3	-5.3	-2.2	-7.5
Energy	-0.3	-1.6	-0.3	-1.9	1.4	-0.5
Wood products and construction related	1.9	2.0	2.4	3.9	4.1	8.0
Others	0.3	0.9	0.5	1.2	1.8	3.0
Total	-2.9	-9.1	-10.8	-12.0	-12.0	-24.0

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

('000 tonnes)

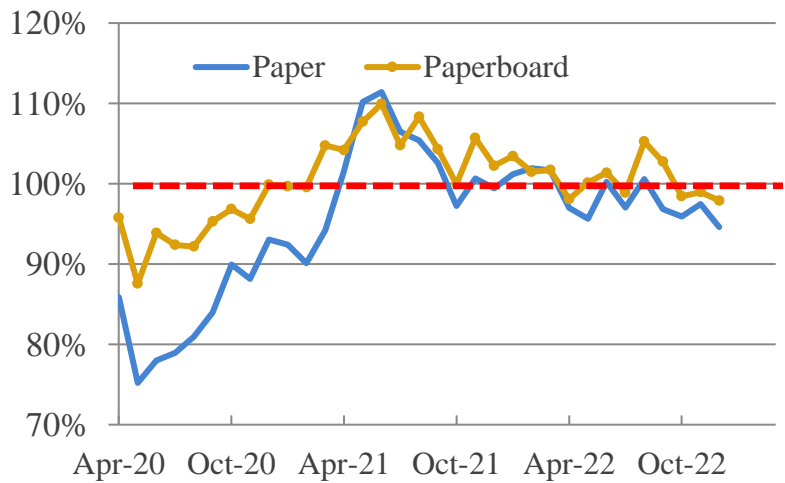
1Q-3Q FY2023/3	Domestic shipments		Exports		Imports	
	volume	against FY22/3	volume	against FY22/3	volume	against FY22/3
Newsprint	1,385	-7.5%	0	—	1	-53.9%
Printing & business communication paper	4,080	-3.7%	390	-9.7%	387	-24.0%
Coated paper *	2,185	-3.2%	289	-12.7%	49	-70.4%
Uncoated paper	1,082	-5.9%	84	3.4%	12	-55.1%
Business communication paper	814	-1.9%	18	-13.8%	325	3.0%
Other papers	2,354	1.9%	210	-12.5%	39	-7.7%
Paper total	7,819	-2.8%	600	-10.7%	426	-22.8%
Containerboard	6,927	-0.1%	702	-2.9%	32	1.5%
Paperboard for paper container and others	1,585	1.0%	38	-23.7%	189	-1.9%
Paperboard total	8,512	0.1%	740	-4.3%	221	-1.4%
Paper and paperboard total	16,331	-1.3%	1,340	-7.3%	647	-16.7%

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

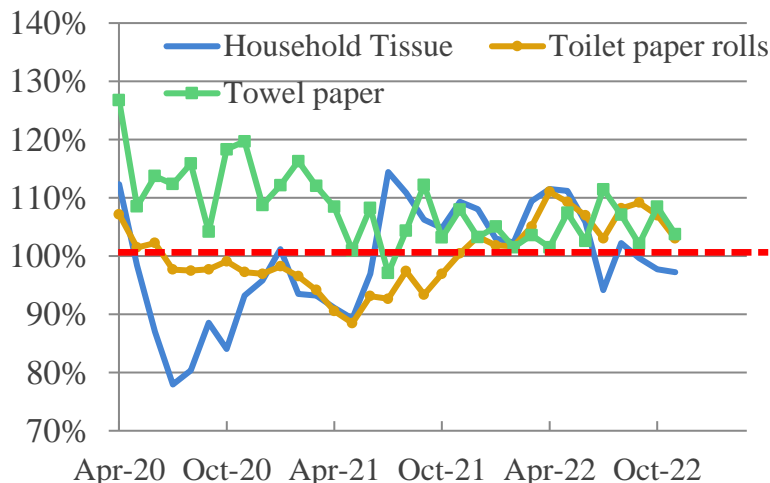
Source: Japan Paper Association, Trade Statics of Japan



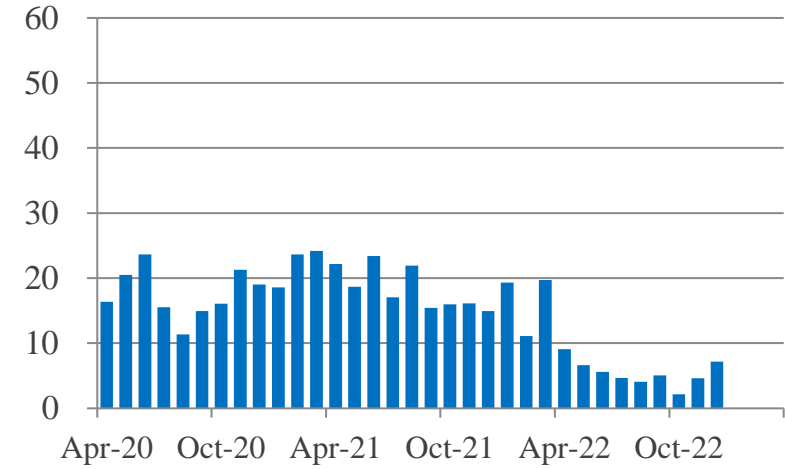
Domestic shipment of paper industry(YOY)



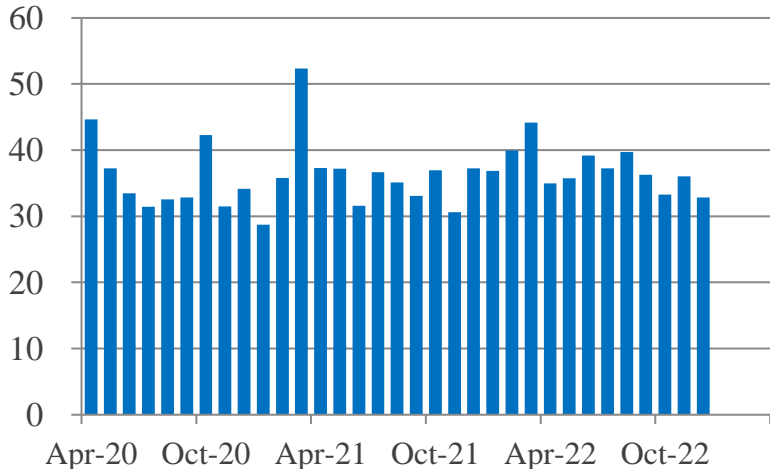
Production of sanitary paper (YOY)



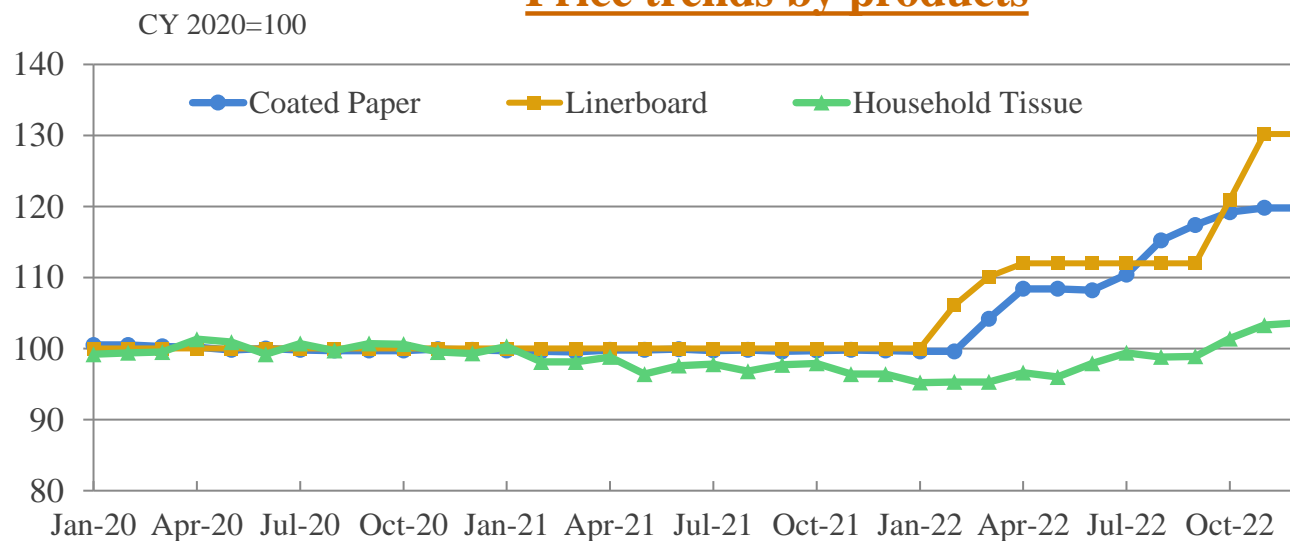
('000 tonnes) Imports of Coated Paper



('000 tonnes) Imports of Copy Paper

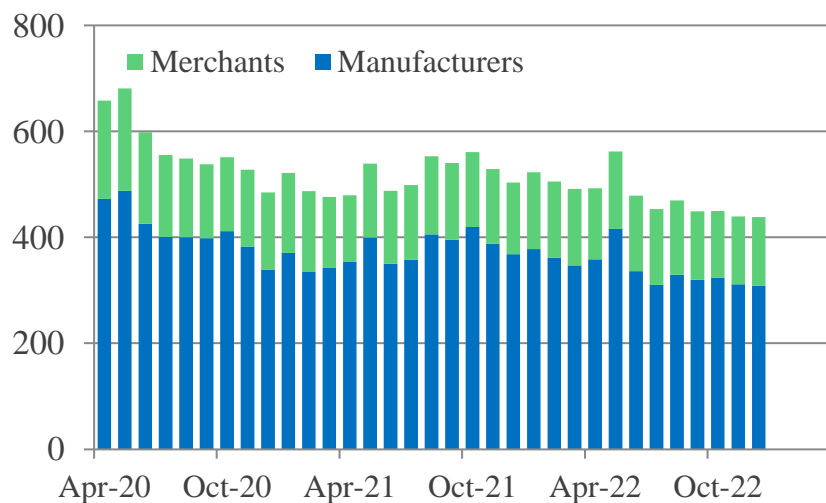


Price trends by products



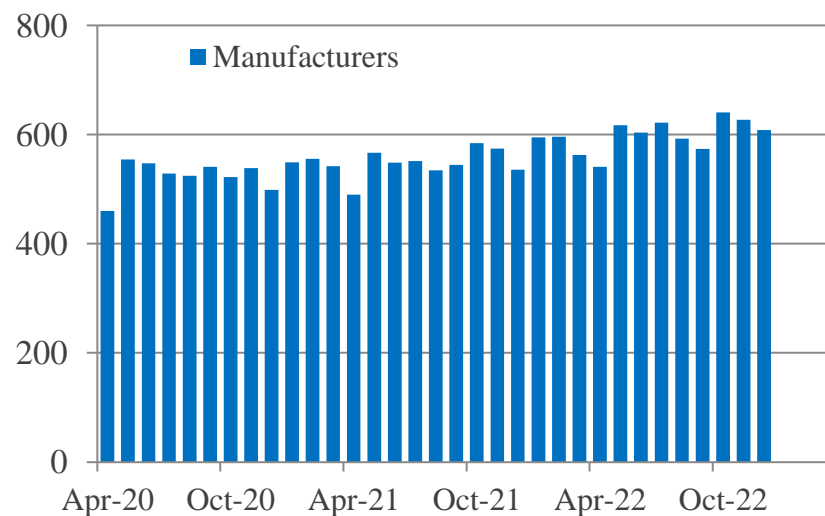
('000 tonnes)

Coated paper inventory



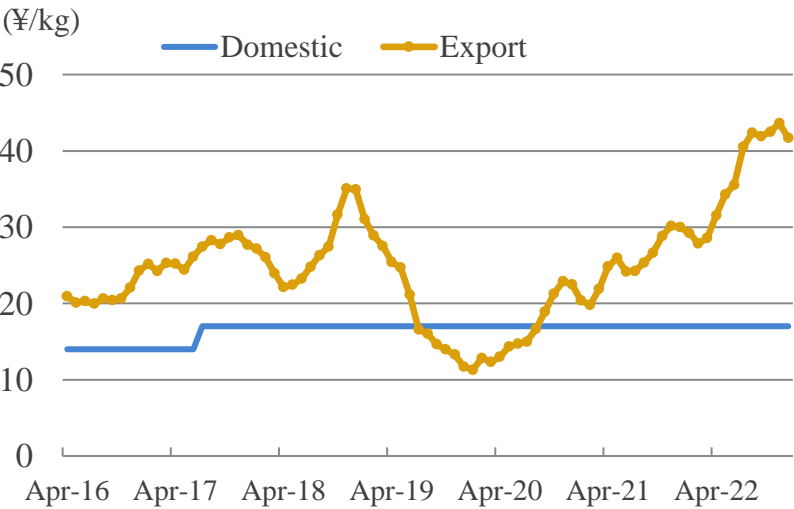
('000 tonnes)

Containerboard inventory

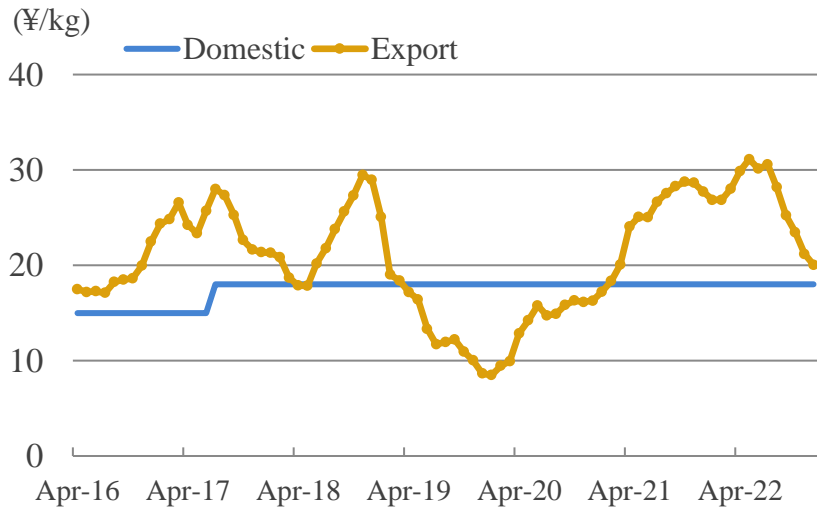




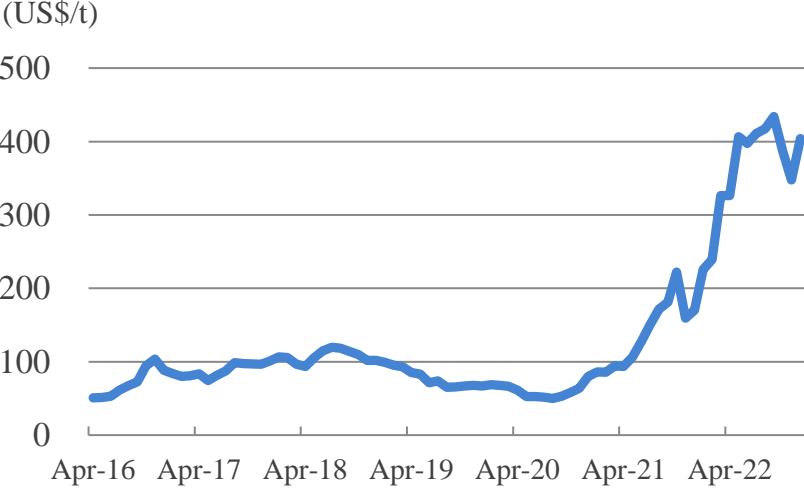
ONP



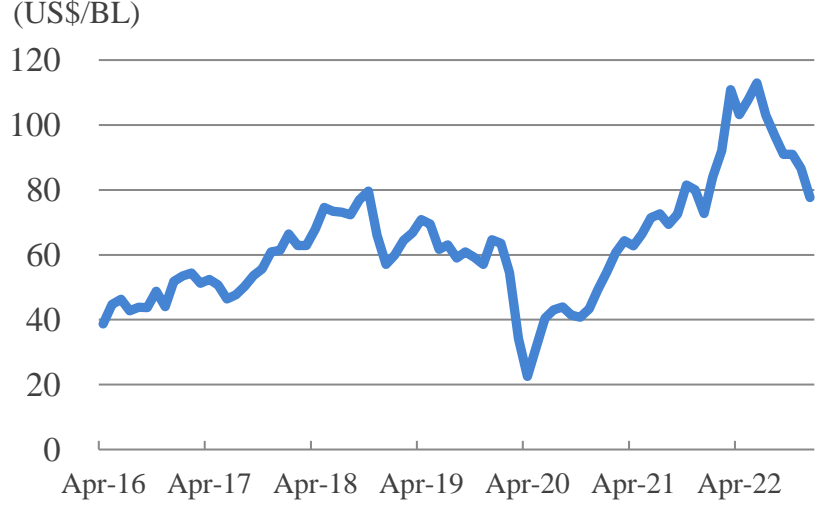
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Coal



Crude oil





The Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business.

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NIPPON PAPER INDUSTRIES CO.,LTD.