

3RD QUARTER FY2024/3 FINANCIAL REVIEW

February 9, 2024

Consolidated Statement

(¥billion)

	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	
			Amount	%
Net sales	849.4	874.5	25.1	3.0%
Operating income	-22.8	9.3	32.1	—
Ordinary income	-19.5	7.6	27.1	—
Net income *	-25.7	-8.3	17.4	—

* Profit attributable to owners of parent

- Net sales increased year-on-year due to price revisions and other factors.
- Operating income returned to profitability due to cost reductions and product price revisions.
- Extraordinary gains were recorded due to the gain on sales of investment securities i.e., the sale of cross-shareholdings and others. Extraordinary losses were recorded due to the loss on withdrawal from graphic paper business of Opal.



Results by Segment

(¥billion)

	Net sales			Operating income		
	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes
Paper and Paperboard	416.2	430.6	14.4	-22.0	8.1	30.1
Daily-Life Products	328.5	328.5	0.0	-6.6	-6.0	0.6
Energy	32.2	39.2	7.0	-2.2	-0.3	1.9
Wood Products and Construction Related	50.8	53.8	3.0	6.3	6.7	0.4
Others	21.7	22.4	0.7	1.7	0.8	-0.9
Total	849.4	874.5	25.1	-22.8	9.3	32.1

Factors for Changes

(¥billion)

			Paper and Paperboard Business		Daily-Life Products Business	
	Volume, Sales Price	61.2	48.4	—	12.8	—
	Raw material and fuel prices	-17.3	-12.0	Wood chips -5.9, Wastepaper 0.8 Pulp -0.3, Oil -0.7, Coal 1.5, LNG 1.2, Chemicals, etc. -8.6 (Price -2.9, FOREX -9.1)	-5.3	Pulp -1.9, Wood chips -0.6, Chemicals, etc. -2.8
	Cost reductions,etc.	6.7	6.1	Cost reductions 2.1, Permanent machine shutdown at the Akita Mill and the Ishinomaki Mill 1.0, Labor costs 2.1, Others 0.9	0.6	—
	Others	-19.9	-12.4	Overseas business -2.4, Depreciation 2.3, Retirement benefit expenses 1.1, Inventory value adjustment, etc. -13.4	-7.5	Overseas business -5.5, Inventory value adjustment, etc. -2.0
	Total	30.7	30.1	Domestic 32.5, Overseas -2.4	0.6	Domestic 6.1, Overseas -5.5
	Other businesses	1.4	Energy 1.9, Wood Products and Construction Related 0.4, Others -0.9			
	Operating income	32.1				
	Non-operating income	-5.0	Net financial cost -1.7, Equity in earnings of affiliates -2.1, FOREX -0.1, Others -1.1			
	Ordinary income	27.1				

Paper and Paperboard Business

(¥billion)

Net sales			Operating income		
Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes
416.2	430.6	14.4	-22.0	8.1	30.1

- Domestic
 - Domestic sales volume of paper and paperboard products decreased year-on-year due to sluggish demand.
 - Despite the impact of higher prices for raw materials and fuels such as wood chips and chemicals, operating income returned to profitability due to cost reductions and product price revisions.
- Overseas
 - Operating loss was recorded at Jujo Thermal (JTOy) due to sluggish demand for thermal paper in Europe and higher prices for raw materials and fuels.

Daily-Life Products Business

(¥billion)

	Net sales			Operating income			
	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	
Domestic	145.2	160.3	15.1	-0.7	5.4	6.1	Package 3.4, Chemical -0.9, Household paper and Healthcare 3.6
Overseas	183.3	168.2	-15.1	-5.9	-11.4	-5.5	Opal -5.5, NDP -0.1, TSP 0.1
Total	328.5	328.5	0.0	-6.6	-6.0	0.6	

- Domestic
 - Sales volumes of healthcare products increased.
 - Sales volumes of functional films, facial tissues, and liquid-packaging cartons decreased.
 - Despite the impact of soaring raw materials and fuels prices, net sales and operating income increased due to product price revisions.
- Overseas
 - Opal recorded lower sales and earnings year-on-year, mainly due to lower sales volume following the withdrawal from graphic paper business.
 - Nippon Dynawave Packaging (NDP) recorded lower sales and earnings due to decrease in sales volume, despite product price revisions.

Energy business

(¥billion)

Net sales			Operating income		
Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes
32.2	39.2	7.0	-2.2	-0.3	1.9

- Both net sales and operating income increased mainly due to the commencement of commercial operation of Yufutsu Energy Center.

Wood Products and Construction Related Business

(¥billion)

Net sales			Operating income		
Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes	Total Q1-Q3 FY2023/3 Results	Total Q1-Q3 FY2024/3 Results	Y on Y changes
50.8	53.8	3.0	6.3	6.7	0.4

- The sales volume of logs and building materials declined year-on-year due to decrease in the number of new housing starts. On the other hand, the volume of fuel wood chips increased. As a result, net sales and operating income increased.

Consolidated Statement

(¥billion)				
	FY2023/3 Results	FY2024/3 Revised Forecast(A)	FY2024/3 Previous Forecast(B)	Changes (A)-(B)
Net sales	1,152.6	1,170.0	1,230.0	-60.0
Operating income	-26.9	19.0	24.0	-5.0
Ordinary income	-24.5	15.0	18.0	-3.0
Net income *	-50.4	15.0	15.0	0.0

* Profit attributable to owners of parent

- The forecast for FY2024/3 has been revised based on the financial results of the nine months ended December 2023 and recent business situations.

Results and Forecasts by Business Segment

(¥billion)

	FY2023/3 Results	Net sales	Y on Y Changes	Operating income		
		FY2024/3 Revised Forecast		FY2023/3 Results	FY2024/3 Revised Forecast	Y on Y Changes
Paper and Paperboard	563.2	570.0	6.8	-29.2	14.5	43.7
Daily-Life Products	440.1	442.0	1.9	-7.8	-8.5	-0.7
Energy	49.9	54.0	4.1	-1.7	1.5	3.2
Wood Products and Construction Related	68.9	73.0	4.1	8.9	9.5	0.6
Others	30.5	31.0	0.5	2.9	2.0	-0.9
Total	1,152.6	1,170.0	17.4	-26.9	19.0	45.9



Major Assumptions

■ Annual decline in domestic sales volume (YoY)

	2nd Half	Full year	(Previous Forecast)	
			2nd Half	Full year
Newsprint	-12%	-11%	-13%	-11%
Printing	-19%	-16%	-12%	-12%
Business communication	-6%	-7%	-4%	-5%
Containerboard	-3%	-4%	-2%	-4%

■ Major raw material prices and FOREX

	4 th quarter	Previous forecast (2nd Half)
FOREX (USD)	JPY 145/USD	JPY 150/USD
FOREX sensitivity	No change from previous forecast	+0.9 billion yen/year due to 1 yen appreciation against USD
Coal	No change from previous forecast	Considering current procurement plan (Australian coal benchmark price : USD 200/t)
Crude oil	No change from previous forecast	USD 85/BL (Dubai)
Wastepaper	No change from previous forecast	Considering current price trends

FY2024/3 Revised Forecast vs. FY2023/3 Factors for Changes

(¥billion)

			Paper and Paperboard Business		Daily-Life Products Business	
Volume, Sales Price	70.2	54.2	—		16.0	—
Raw material and fuel prices	-8.1	-1.9	Wood chips -5.7, Wastepaper 2.1, Pulp -0.4, Oil -0.8, Coal 9.6, LNG 2.1, Chemicals, etc. -8.8 (Price 10.9, FOREX -12.8)		-6.2	Wood chips -0.6, Pulp -1.9, Chemicals, etc. -3.7
Cost reductions,etc.	7.7	7.1	Cost reductions 3.8, Permanent machine shutdown at the Akita Mill and the Ishinomaki Mill 1.0, Labor costs 1.6, Others 0.7		0.6	—
Others	-26.8	-15.7	Overseas business -1.9, Depreciation 2.9, Retirement benefit expenses 1.5, Inventory value adjustment, etc. -18.2		-11.1	Overseas business -8.7, Inventory value adjustment, etc. -2.4
Total	43.0	43.7	Domestic 45.6, Overseas -1.9		-0.7	Domestic 8.0, Overseas -8.7
Other businesses	2.9	Energy 3.2, Wood products and construction related 0.6, Others -0.9				
Operating income	45.9	Domestic: Package 2.9, Chemical -0.2, Household paper and Healthcare 5.3				

REFERENCE MATERIALS



Changes in Forecast by Business Segment

(¥billion)

	Net sales			Operating income		
	FY2024/3 Previous Forecast	FY2024/3 Revised Forecast	Changes	FY2024/3 Previous Forecast	FY2024/3 Revised Forecast	Changes
Paper and Paperboard	606.0	570.0	-36.0	16.0	14.5	-1.5
Daily-Life Products	450.0	442.0	-8.0	-5.0	-8.5	-3.5
Energy	68.0	54.0	-14.0	1.5	1.5	0.0
Wood Products and Construction Related	75.0	73.0	-2.0	8.5	9.5	1.0
Others	31.0	31.0	0.0	3.0	2.0	-1.0
Total	1,230.0	1,170.0	-60.0	24.0	19.0	-5.0

Sales Volume(Paper & Paperboard) *



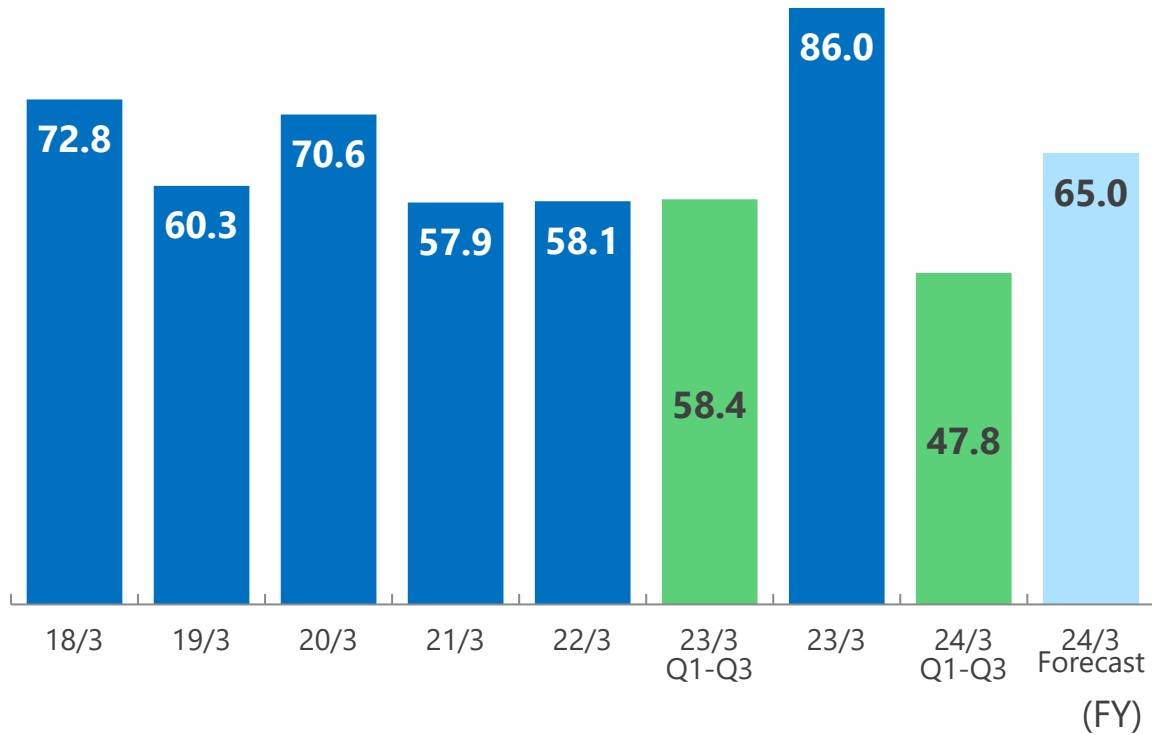
('000 tonnes)

	Q1-Q3 FY2023/3	Q1-Q3 FY2024/3	against Q1-Q3 FY23/3
Newsprint	455	406	-10.8%
Printing paper	803	695	-13.4%
Business communication paper	305	285	-6.4%
Others	239	217	-9.5%
Domestic sales (paper)	1,803	1,604	-11.0%
Export (paper)	171	133	-22.3%
Paper total	1,973	1,736	-12.0%
Container board	1,240	1,179	-4.9%
Paperboard for paper container and others	247	242	-2.0%
Domestic sales (paperboard)	1,487	1,421	-4.4%
Export (paperboard)	123	87	-29.4%
Paperboard total	1,610	1,507	-6.3%
Grand total (paper and paperboard)	3,583	3,244	-9.5%

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

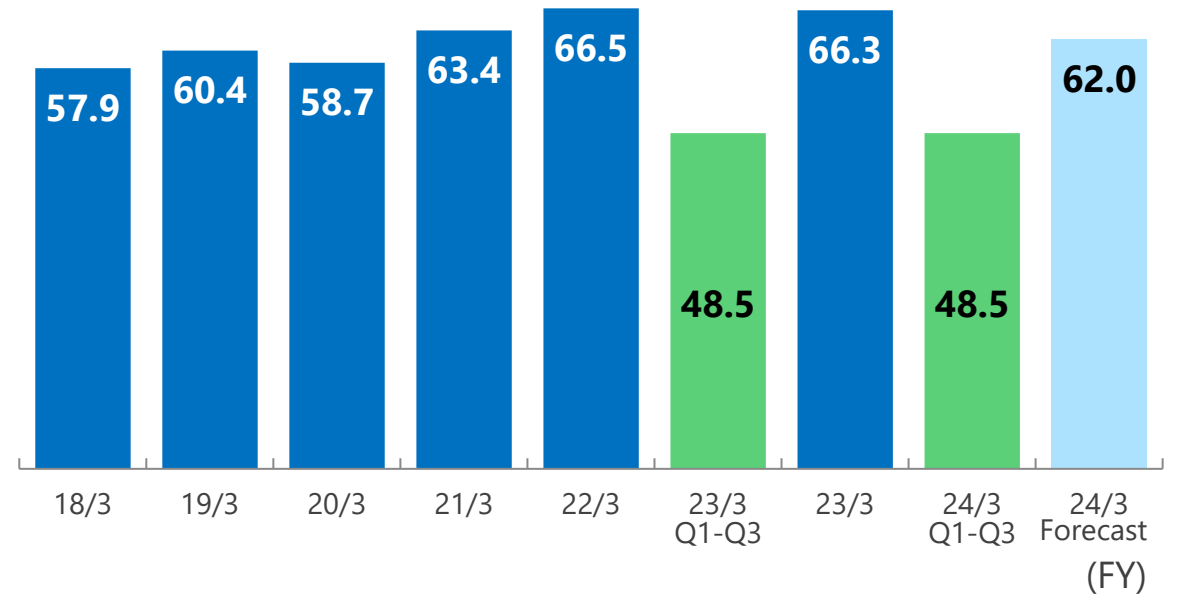
Capital expenditure *

(¥billion)



Depreciation

(¥billion)



* Including construction in progress

Net Sales Trends by Business Segment



(¥billion)

	FY2024/3			FY2024/3		
	Q1	Q2	Q3	1st Half Results	2nd Half Forecast	Full year Forecast
Paper and Paperboard	143.3	143.1	144.2	286.4	283.6	570.0
Daily-Life Products	106.8	111.7	110.0	218.5	223.5	442.0
Energy	13.7	14.6	10.9	28.3	25.7	54.0
Wood Products and Construction Related	16.7	19.5	17.6	36.2	36.8	73.0
Others	6.9	7.6	7.9	14.5	16.5	31.0
Total	287.4	296.5	290.6	583.9	586.1	1,170.0

Operating Income Trends by Business Segment



(¥billion)

	FY2024/3			FY2024/3		
	Q1	Q2	Q3	1st Half Results	2nd Half Forecast	Full year Forecast
Paper and Paperboard	0.2	3.7	4.2	3.9	10.6	14.5
Daily-Life Products	-2.3	-2.7	-1.0	-5.0	-3.5	-8.5
Energy	0.5	-0.3	-0.5	0.2	1.3	1.5
Wood Products and Construction Related	2.3	2.9	1.5	5.2	4.3	9.5
Others	0.1	0.5	0.2	0.6	1.4	2.0
Total	0.8	4.1	4.4	4.9	14.1	19.0

Domestic Shipment and Import / Export Volume(Paper& Paperboard, Q3 FY2024/3 Results)

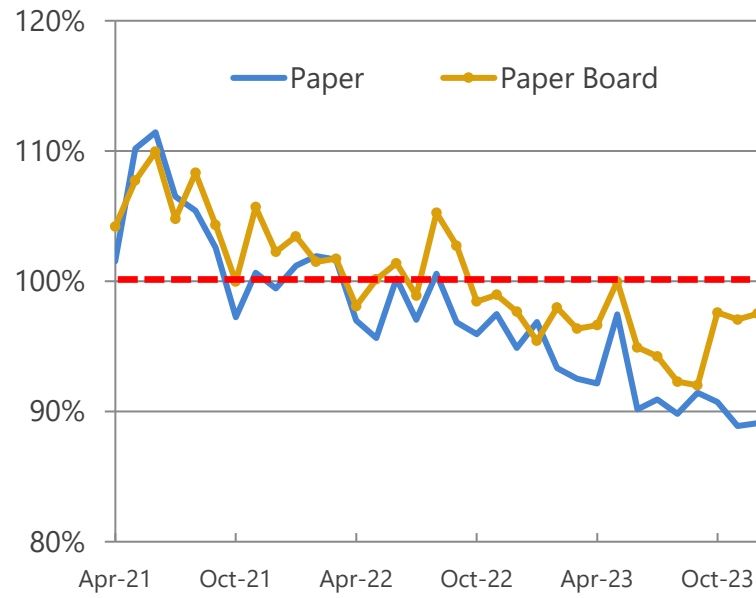
('000 tonnes)

	Domestic shipments		Exports		Imports	
	volume	against FY23/3	volume	against FY23/3	volume	against FY23/3
Newsprint	1,238	-10.6%	0	—	1	39.0%
Printing & business communication paper	3,668	-10.1%	356	-8.8%	388	0.5%
Coated paper *	1,952	-10.6%	269	-6.8%	83	70.1%
Uncoated paper	958	-11.4%	68	-18.1%	8	-36.8%
Business communication paper	757	-6.9%	18	2.4%	297	-8.6%
Other papers	2,221	-5.6%	177	-15.8%	30	-22.3%
Paper total	7,127	-8.8%	533	-11.2%	420	-1.6%
Containerboard	6,646	-4.1%	569	-18.9%	16	-48.7%
Folding box board and others	1,505	-5.0%	30	-19.6%	160	-15.5%
Paperboard total	8,151	-4.2%	600	-19.0%	176	-20.3%
Paper and paperboard total	15,278	-6.4%	1,132	-15.5%	595	-8.0%

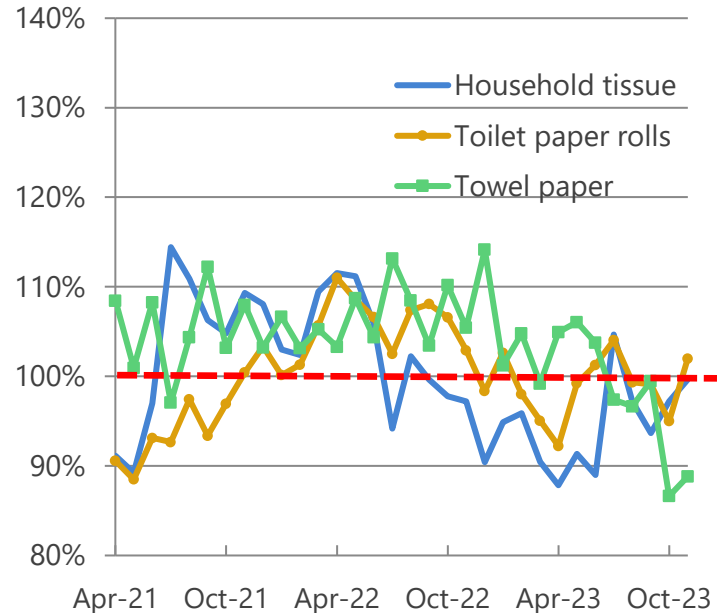
* "Bitoko-shi" paper is included in coated paper.

Source: Japan Paper Association, Trade Statistics of Japan

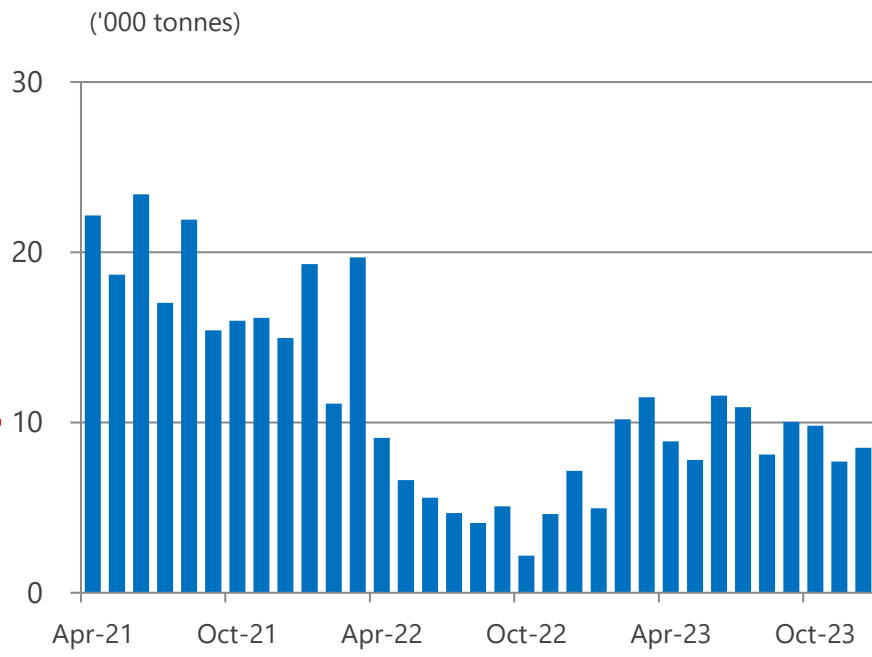
Domestic shipment of paper industry (YOY)



Production of sanitary paper (YOY)



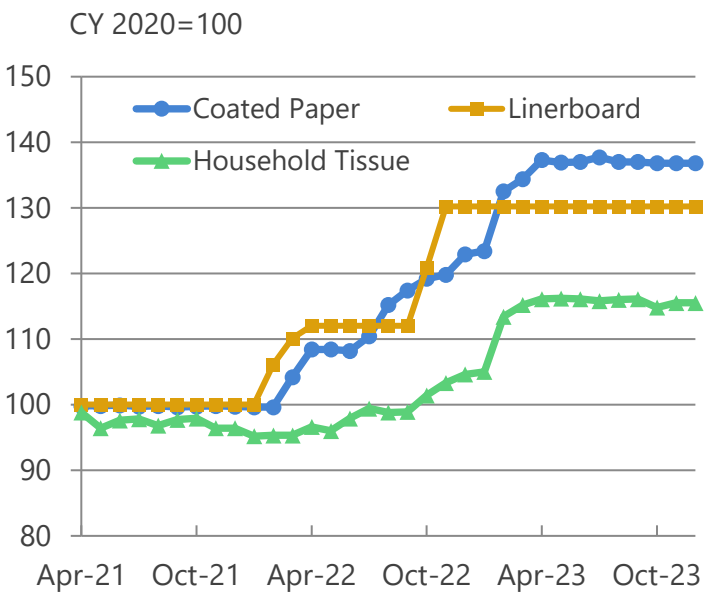
Imports of Coated Paper



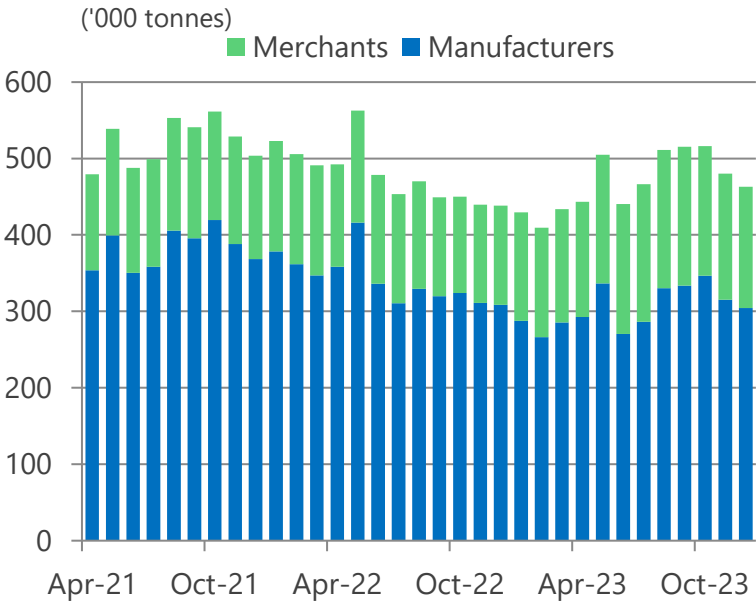
Source: Japan Paper Association, Current Survey of Production by the Ministry of Economy, Trade Statistics of Japan



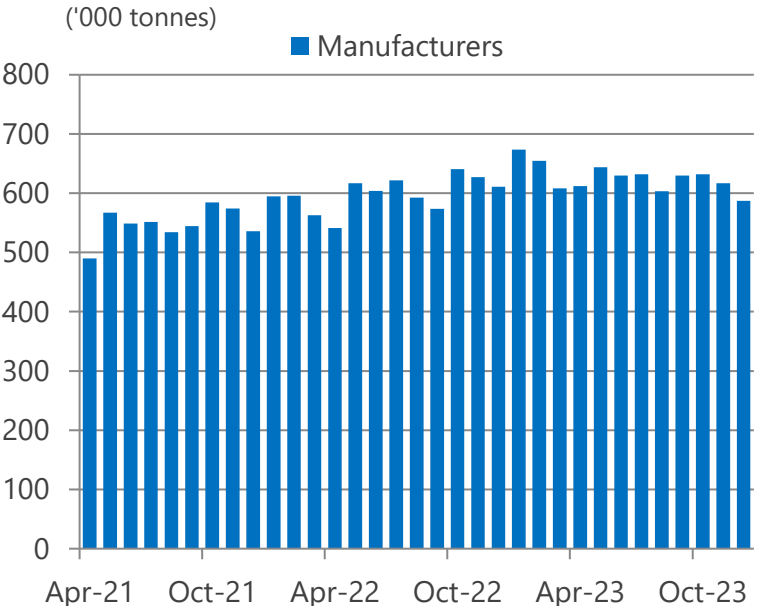
Price trends by products



Coated paper inventory

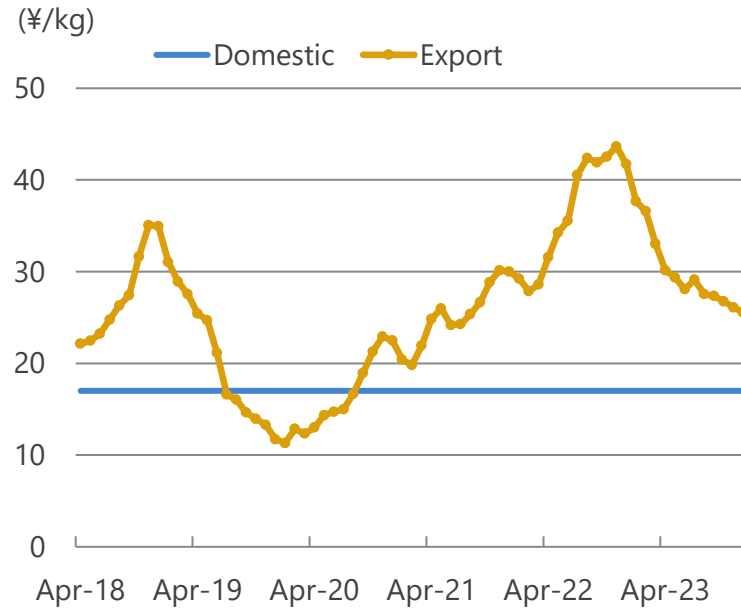


Containerboard inventory

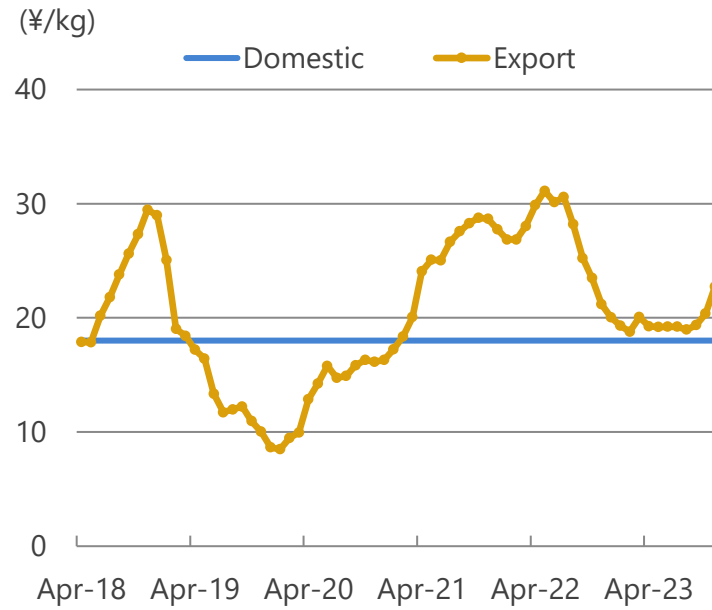


Source: Japan Paper Association, Bank of Japan(Corporate Goods Price Index)

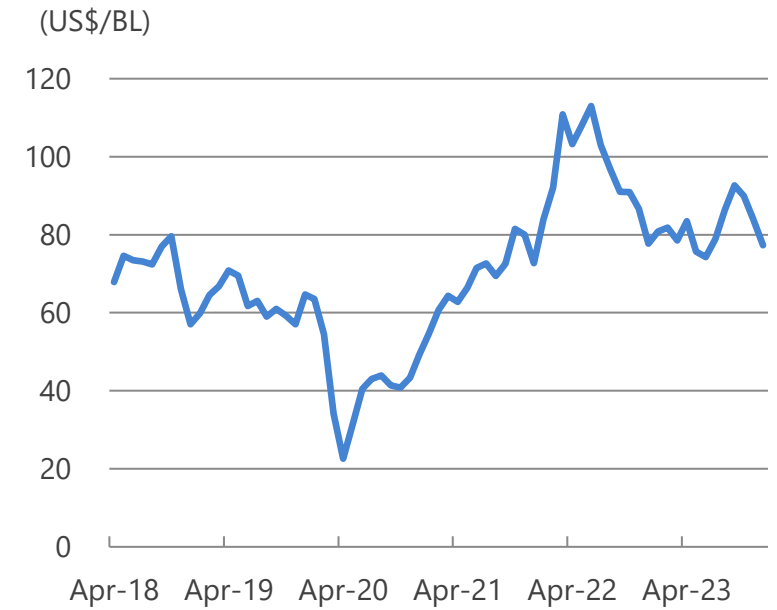
ONP



OCC



Crude oil



Source: Wastepaper Revitalization Promotion Centre, Trade Statistics of Japan, Nihon Keizai Shimbun

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