

FY2022/3 FINANCIAL REVIEW

May 13, 2022



Consolidated Statement

(¥billion)

	FY2021/3 Results	FY2022/3 Results	Variance	
			Amount	%
Net sales	1,007.3	1,045.1	37.8	3.7%
Operating income	19.2	12.1	-7.1	-37.1%
Ordinary income	12.3	14.5	2.2	18.0%
Net income *	3.2	2.0	-1.2	-37.7%

* Profit attributable to owners of parent

- Despite the impact of the adoption of revenue recognition accounting standards from this fiscal year, net sales increased year-on-year due to a rebound to the significant decline in demand in the previous fiscal year due to the impact of Covid-19 and the acquisition of the paperboard packaging business in Australia and New Zealand at the end of April 2020.
- Operating income decreased year-on-year due to the severe business environment caused by higher raw material and fuel.



Results by Segment

(¥billion)

	Net sales			Operating income		
	FY2021/3 Results	FY2022/3 Results	Variance	FY2021/3 Results	FY2022/3 Results	Variance
Paper and paperboard	568.3	532.1	-36.2	2.5	-5.6	-8.1
Daily-life products	317.9	386.5	68.6	7.9	4.8	-3.1
Energy	33.4	31.8	-1.6	6.9	1.6	-5.3
Wood products and construction related	59.9	64.5	4.6	6.5	7.6	1.1
Others	27.8	30.2	2.4	1.4	3.7	2.3
Acquisition-related expenses	-	-	-	-6.0	-	6.0
Total	1,007.3	1,045.1	37.8	19.2	12.1	-7.1



Variance Analysis

(¥billion)

Volume, Sales Price	6.7	—
Raw material and fuel prices	-23.1	Wood chips -1.9, Wastepaper -1.9, Pulp -1.6, Oil -2.6, Coal -8.6, LNG -1.4, Chemicals, etc. -5.1 (Price -18.7, FOREX -4.4)
Cost reductions, etc.	3.2	Cost reductions 3.5, Repair costs -0.9, Permanent machine shutdown at Kushiro Mill 3.4, Labor costs 0.0, Logistics cost -2.8
Others	5.1	Overseas business -0.6, Depreciation 2.5, Retirement benefit expenses -1.3, Inventory value adjustment, etc. 4.5
Paper and paperboard business	-8.1	
Daily-life products business	-3.1	Domestic -5.9 : Household paper and Healthcare -5.0, Others -0.9 Overseas 2.8 : Opal 1.5, NDP 1.7, Others -0.4
Other businesses	4.1	Energy -5.3, Wood products and construction related 1.1, Others 2.3, Acquisition-related expenses 6.0
Operating income	-7.1	
Non-operating income	9.3	Net financial cost -0.1, Equity in earnings of affiliates 3.9, FOREX 4.7, Others 0.8
Ordinary income	2.2	



Paper and paperboard business

(¥billion)

Net sales			Operating income		
FY2021/3 Results	FY2022/3 Results	Variance	FY2021/3 Results	FY2022/3 Results	Variance
568.3	532.1	-36.2	2.5	-5.6	-8.1

• Domestic

- Domestic sales volume of printing paper increased by 2.7% year-on-year due to a rebound to the decline in demand in the same period of the previous fiscal year.
- Domestic sales volume of paperboard increased by 3.0% year-on-year due to steady demand for processed foods and mail-order products.
- Profit decreased due to higher prices of raw materials and fuel, such as coal, oil, and wood chips.

• Overseas

- Sales volume of Jujo Thermal and SNP increased due to a rebound to the decline in demand in the same period of the previous year.
- Although Jujo Thermal and SNP increased product prices, profit declined by ¥-0.6 billion year-on-year due to higher pulp prices and maritime transport costs.



Daily-life products business

(¥billion)

	Net sales			Operating income		
	FY2021/3 Results	FY2022/3 Results	Variance	FY2021/3 Results	FY2022/3 Results	Variance
Domestic	171.9	183.3	11.4	12.7	6.8	-5.9
Overseas	146.0	203.2	57.2	-4.8	-2.0	2.8
Daily-life products business total	317.9	386.5	68.6	7.9	4.8	-3.1

● Domestic

- In domestic Paper-pak business, sales volume was slightly lower over the last year, mainly due to the impact of the state of emergency declaration for the Covid-19 and the effects of unfavorable weather conditions, despite an positive impact due to the installation of filling machines. Profit also decreased year-on-year due to the increase in the price of liquid packaging board.
- In Household paper and Healthcare business, net sales increased year-on-year due to a rebound to the decline in demand in the same period of the previous year. Operating income decreased due to higher raw material and fuel prices.

● Overseas

- Opal faced a difficult business environment in the first half due to the Covid-19, but earnings improved in the second half due to a recovery in corrugated box sales volume, higher selling prices for export products, and synergy effects. The deficit narrowed due to higher revenues compared to the same period of the previous year.
- Both net sales and operating income of Nippon Dynawave Packaging (NDP) increased due to higher pulp sales volume because dry pulp machine is running well.



Energy business

(¥billion)

Net sales			Operating income		
FY2021/3 Results	FY2022/3 Results	Variance	FY2021/3 Results	FY2022/3 Results	Variance
33.4	31.8	-1.6	6.9	1.6	-5.3

- Both net sales and operating income decreased due to the completion of rapidly changing mitigation measures in the Feed-in tariff (FIT) fixed-price system to promote renewable energy and soaring raw material and fuel prices, etc.

Wood products and construction related business

(¥billion)

Net sales			Operating income		
FY2021/3 Results	FY2022/3 Results	Variance	FY2021/3 Results	FY2022/3 Results	Variance
59.9	64.5	4.6	6.5	7.6	1.1

- Both net sales and operating income increased due to soaring prices because of shortage of timber on a global scale, as well as an increase in the number of new housing starts.



Consolidated Balance Sheets

	(¥billion)		
	Mar.31, 2021	Mar.31, 2022	Variance
Total assets	1,547.3	1,639.2	91.9
Cash and time deposit	69.7	136.8	67.1
Inventories	173.7	190.7	17.0
Other current assets	290.4	290.3	-0.1
Property, equipment, and intangible fixed asset	806.7	798.2	-8.5
Investment and other assets	206.8	223.0	16.2
Total liabilities	1,122.6	1,200.6	78.0
Interests bearing liabilities	828.9	898.1	69.2
Other liabilities	293.7	302.5	8.8
Total net assets	424.7	438.6	13.9
Shareholder's equity	362.1	357.8	-4.3
Total liabilities and net assets	1,547.3	1,639.2	91.9
	Mar.31, 2021	Mar.31, 2022	Variance
Net interest-bearing debt	759.1	761.3	2.2
Adjusted Net D/E ratio * (times)	1.86	1.89	0.03

* Adjusted Net D/E ratio= (Net interest-bearing debt- Equity-type debt)/(Shareholders' Equity + Equity-type debt)
 Equity-type debt : The amount of debt procured by hybrid loans that has been recognized as equity credit by rating agencies (50% of the financed amount)

The forecast for FY2023/3 is not determined yet because it is extremely difficult to reasonably predict the impact on Nippon paper group at this time because the future prices of raw material and fuel including coal are unclear amidst growing uncertainty in the global economy.

Nippon paper will announce the forecast as soon as a reasonable forecast can be made.

REFERENCE MATERIALS



		FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3
Net sales	¥ billion	1,046.5	1,068.7	1,043.9	1,007.3	1,045.1
Operating income	¥ billion	17.6	19.6	35.0	19.2	12.1
Operating income to net sales	%	1.7	1.8	3.4	1.9	1.2
Net income (loss) ※1	¥ billion	7.8	-35.2	14.2	3.2	2.0
EBITDA ※2	¥ billion	80.1	84.6	97.8	86.9	81.5
ROE ※3	%	1.8	-8.6	3.7	0.8	0.5
Net interest-bearing debt	¥ billion	634.6	625.2	637.1	759.1	761.3
Adjusted Net D/E ratio ※4	times	1.61	1.76	1.75	1.86	1.89
Earnings (loss) per share	¥	67.80	-304.34	122.89	27.67	17.23
Dividends per share	¥	60	30	40	40	40
Number of employees	Person	12,881	12,943	12,592	16,156	16,129

※1: Profit (loss) attributable to owners of parent

※2: EBITDA=Operating income + Depreciation + Dividend income + Interest income + Amortization of goodwill

※3: ROE=Profit (loss) attributable to owners of parent Total assets/ [Average of balances at the beginning and end of fiscal year (Shareholders' equity + Accumulated other comprehensive income)] ×100

※4: Adjusted Net D/E ratio= (Net interest-bearing debt- Equity-type debt)/(Shareholders' Equity + Equity-type debt)

Equity-type debt : The amount of debt procured by hybrid loans that has been recognized as equity credit by rating agencies (50% of the financed amount)

Sales Volume(Paper & Paperboard) *



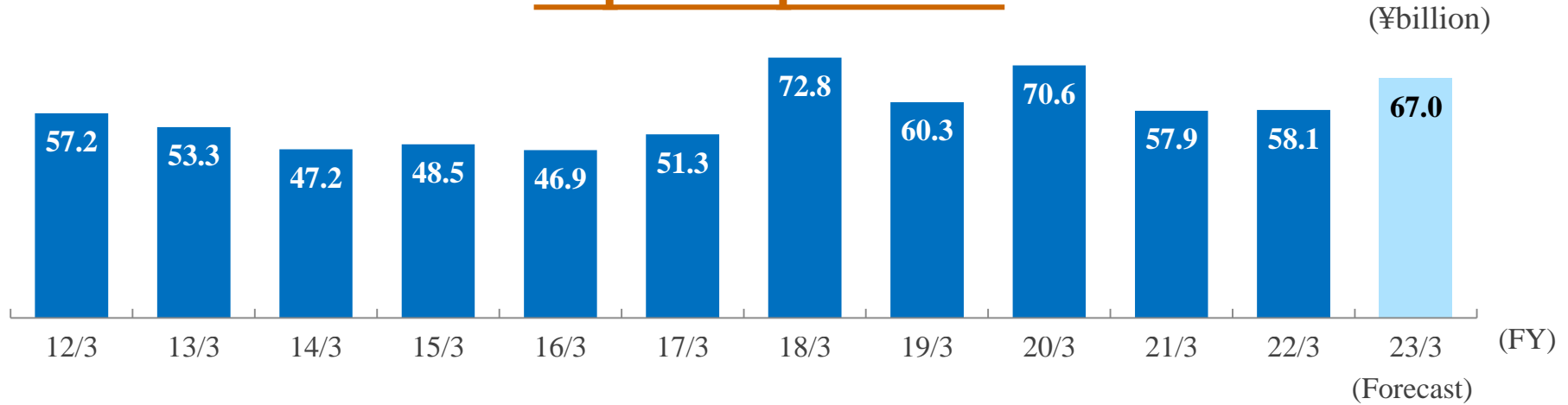
('000 tonnes)

	FY2020/3	FY2021/3	FY2022/3	against FY21/3	against FY20/3
Newsprint	818	700	661	-5.6%	-19.2%
Printing paper	1,446	1,185	1,216	2.7%	-15.9%
Business communication paper	491	435	432	-0.8%	-12.1%
Others	362	310	323	4.4%	-10.6%
Domestic sales (paper)	3,116	2,630	2,632	0.1%	-15.5%
Export (paper)	309	234	272	16.3%	-12.2%
Paper total	3,425	2,864	2,904	1.4%	-15.2%
Container board	1,614	1,601	1,629	1.8%	1.0%
Folding box board and others	344	308	337	9.5%	-1.8%
Domestic sales (paperboard)	1,958	1,909	1,967	3.0%	0.5%
Export (paperboard)	184	184	209	13.5%	14.0%
Paperboard total	2,141	2,093	2,176	4.0%	1.6%
Grand total (paper and paperboard)	5,567	4,957	5,080	2.5%	-8.7%

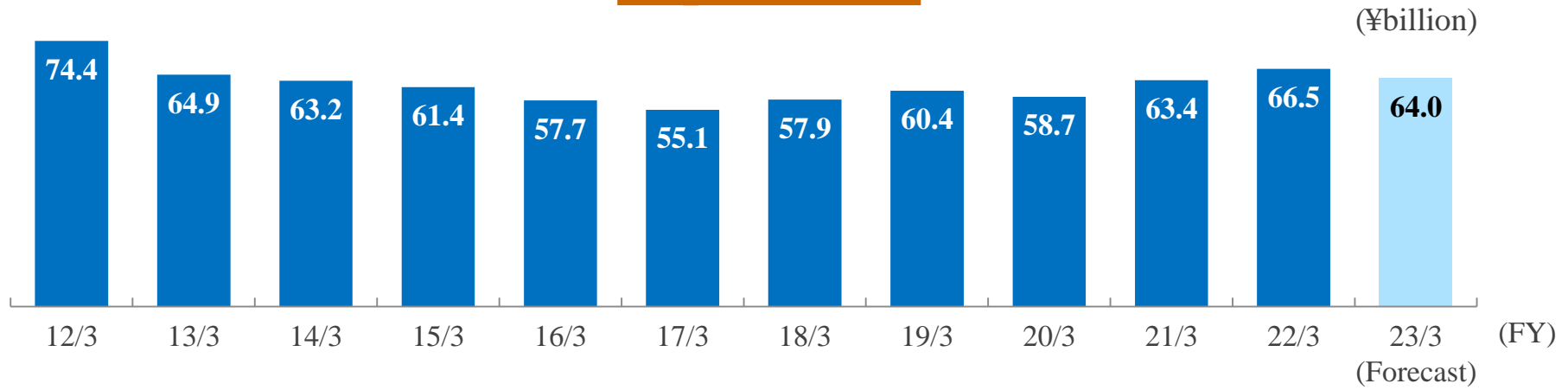
* Sales Volume Total of Nippon Paper Industries Co., Ltd., Nippon Paper Papyrus Co., Ltd., Nippon Paper Creca Co., Ltd., and Shin Tokai Paper Co., Ltd. (excluding sanitary paper)



Capital expenditure



Depreciation





(¥billion)

	FY2021/3	FY2022/3	Variance
Operating activities	84.2	72.4	-11.8
Investing activities	-182.9	-61.2	121.7
Free cash flows	-98.7	11.2	109.9
Financing activities	113.7	54.3	-59.4
Other	1.9	1.1	-0.8
Increase (decrease) in cash and cash equivalents	16.9	66.5	49.6
Cash and cash equivalent at the end of period	69.7	136.2	66.5
Depreciation	63.4	66.5	3.1
Capital expenditure	57.9	58.1	0.2



(¥billion)

	FY2022/3 Results				FY2022/3 Results		
	1Q	2Q	3Q	4Q	1st Half	2nd Half	Full year
Paper and paperboard	131.1	130.3	134.6	136.1	261.4	270.7	532.1
Daily-life products	91.9	97.8	98.3	98.5	189.7	196.8	386.5
Energy	6.4	8.4	7.9	9.1	14.8	17.0	31.8
Wood products and construction related	14.2	14.3	17.0	19.0	28.5	36.0	64.5
Others	6.9	7.1	7.8	8.4	14.0	16.2	30.2
Total	250.5	257.9	265.6	271.1	508.4	536.7	1,045.1

Operating income Trends by Segment



(¥billion)

	FY2022/3 Results				FY2022/3 Results		
	1Q	2Q	3Q	4Q	1st Half	2nd Half	Full year
Paper and paperboard	0.1	-0.3	-2.0	-3.4	-0.2	-5.4	-5.6
Daily-life products	1.4	0.4	1.4	1.6	1.8	3.0	4.8
Energy	0.5	0.6	0.2	0.3	1.1	0.5	1.6
Wood products and construction related	1.9	1.6	2.1	2.0	3.5	4.1	7.6
Others	0.9	1.0	0.6	1.2	1.9	1.8	3.7
Total	4.8	3.3	2.3	1.7	8.1	4.0	12.1

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

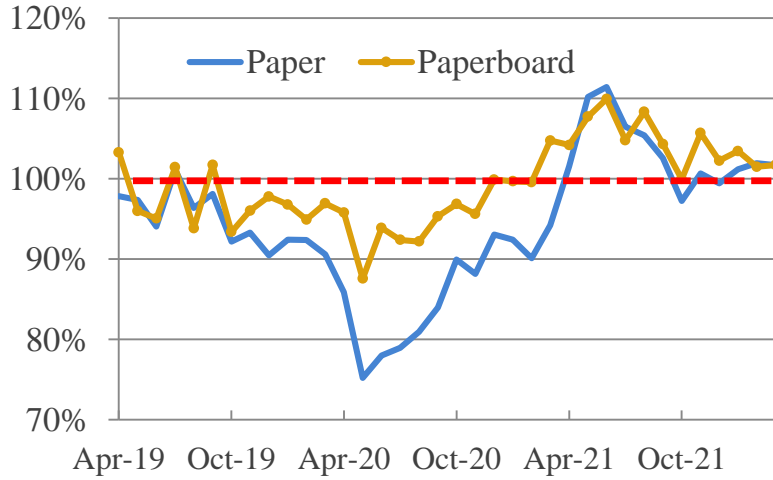
('000 tonnes)

FY2022/3	Domestic shipments			Exports			Imports		
	volume	against FY21/3	against FY20/3	volume	against FY21/3	against FY20/3	volume	against FY21/3	against FY20/3
Newsprint	1,976	-3.3%	-15.9%	0	—	—	1	-36.7%	-27.0%
Printing & business communication paper	5,715	4.3%	-14.1%	594	36.0%	10.2%	686	-2.4%	-29.5%
Coated paper *	3,052	7.3%	-15.0%	456	40.3%	11.9%	216	-4.1%	-52.5%
Uncoated paper	1,548	2.8%	-11.7%	110	27.8%	7.8%	34	-18.2%	-38.2%
Business communication paper	1,115	-1.2%	-14.5%	29	8.6%	-4.5%	437	-0.1%	-5.9%
Other papers	3,106	5.1%	-3.9%	316	6.5%	4.1%	55	19.2%	1.7%
Paper total	10,797	3.1%	-11.7%	910	24.1%	8.0%	742	-1.2%	-27.8%
Container board	9,136	3.4%	1.0%	1,018	7.3%	83.8%	43	19.4%	0.9%
Folding box board and others	2,102	8.6%	-2.5%	72	87.2%	181.1%	254	9.8%	-4.9%
Paperboard total	11,238	4.4%	0.3%	1,090	10.4%	88.1%	297	11.1%	-4.1%
Paper and paperboard total	22,035	3.7%	-6.0%	2,000	16.2%	40.6%	1,040	2.0%	-22.3%

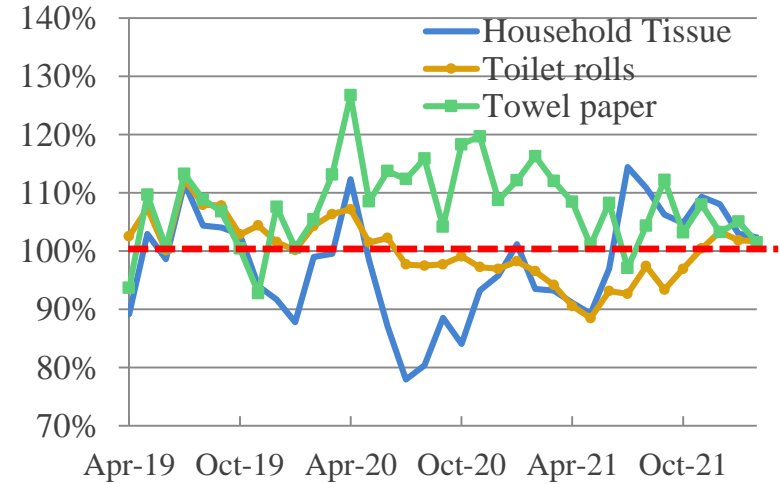
※ "Bitoko-shi" paper is included in coated paper.

Source: Japan Paper Association, Trade Statics of Japan 17

Domestic shipment of paper industry(YOY)

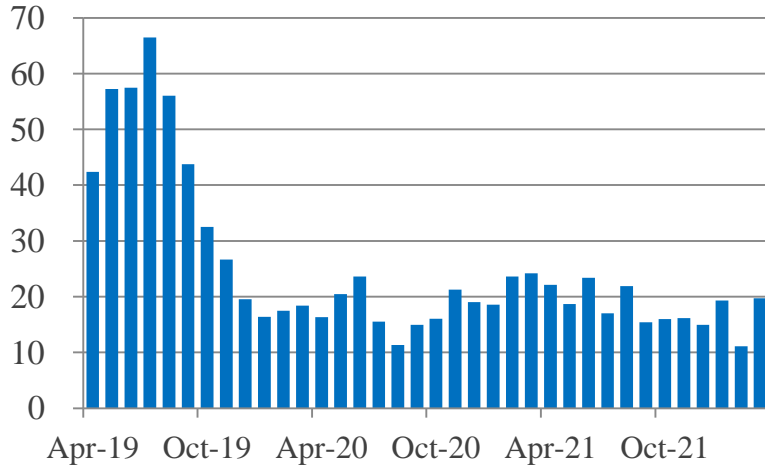


Production of sanitary paper (YOY)



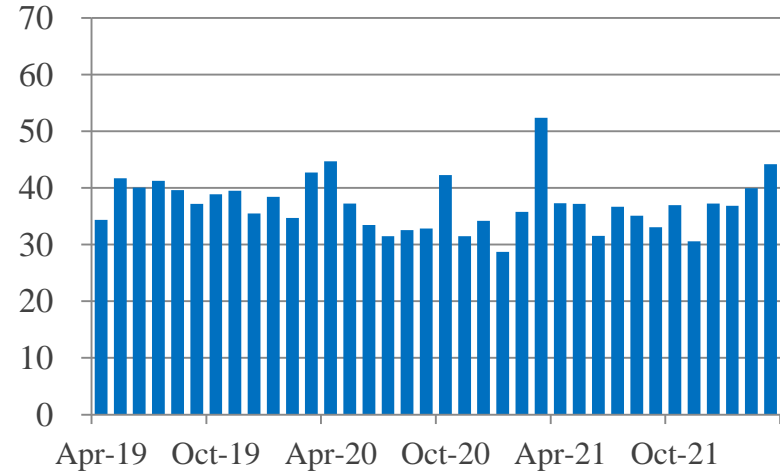
Imports of Coated Paper

('000 tonnes)



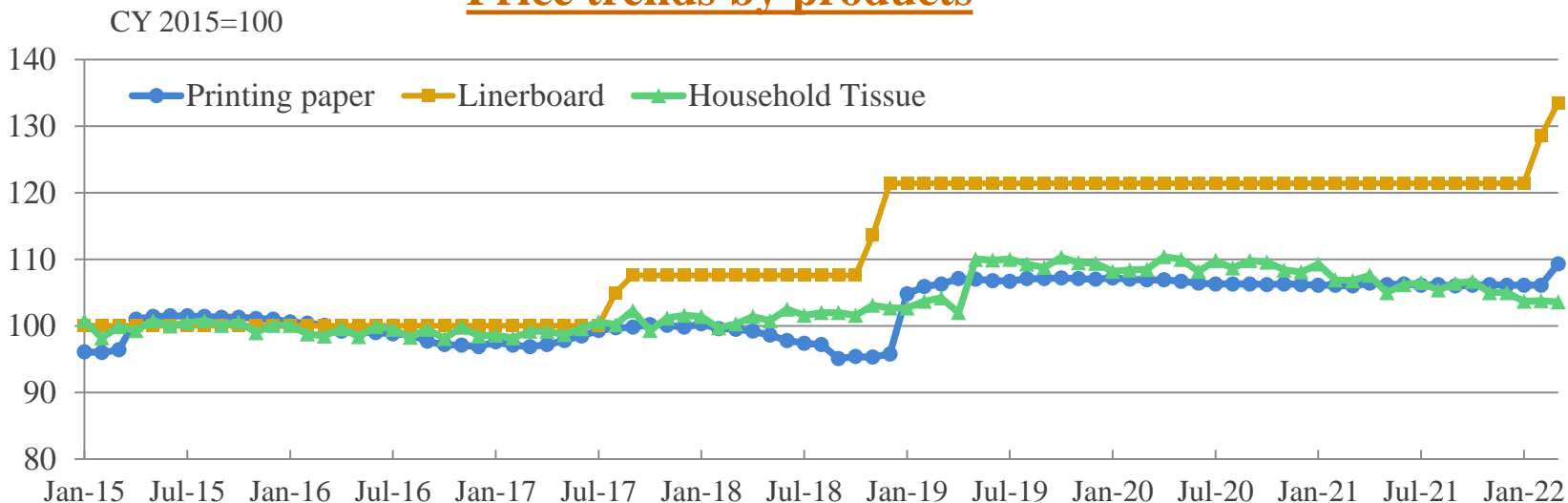
Imports of Copy Paper

('000 tonnes)

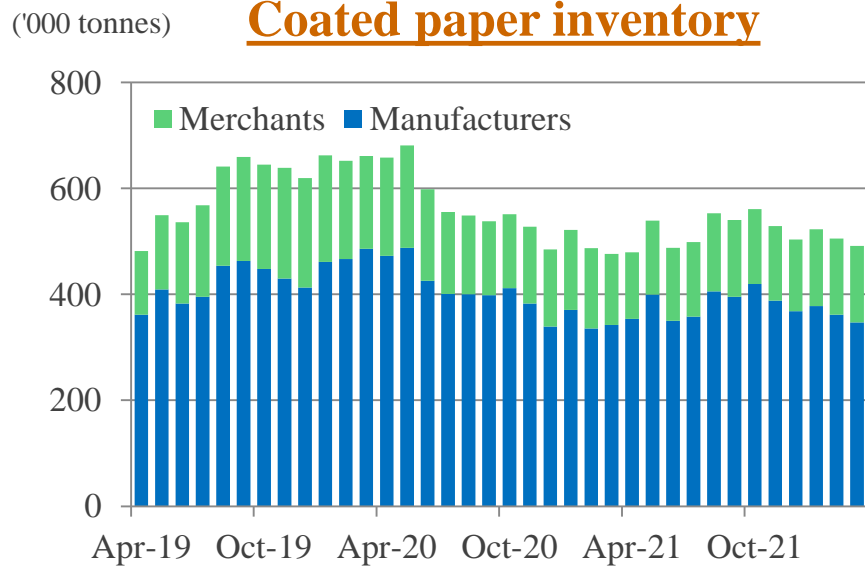




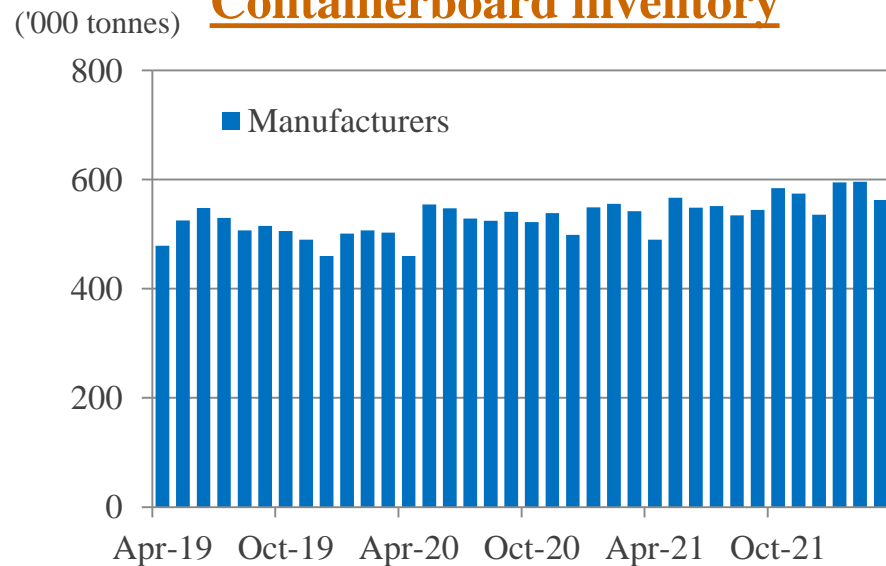
Price trends by products



Coated paper inventory

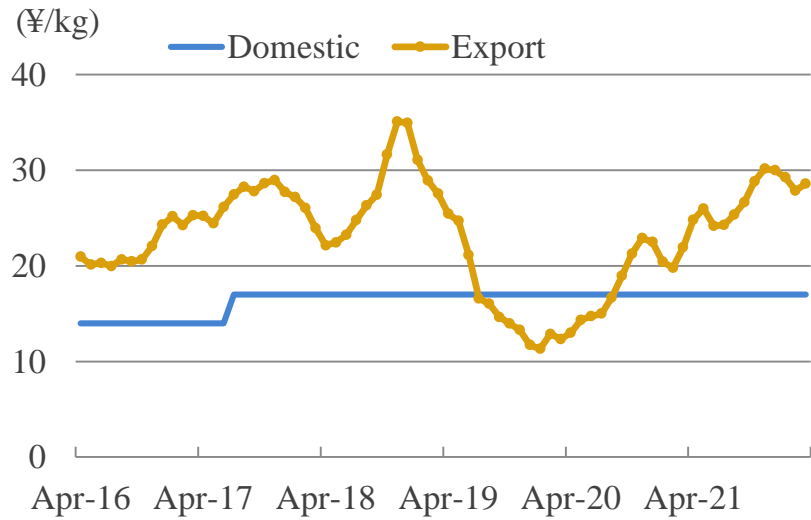


Containerboard inventory

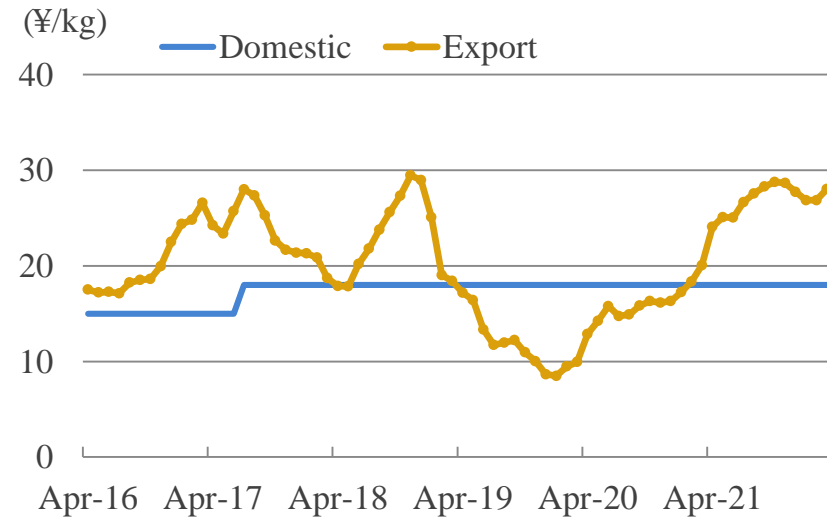




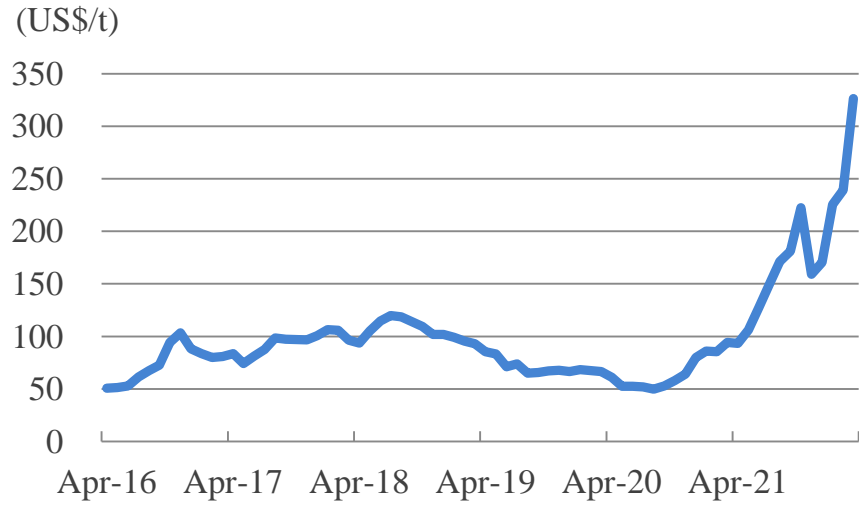
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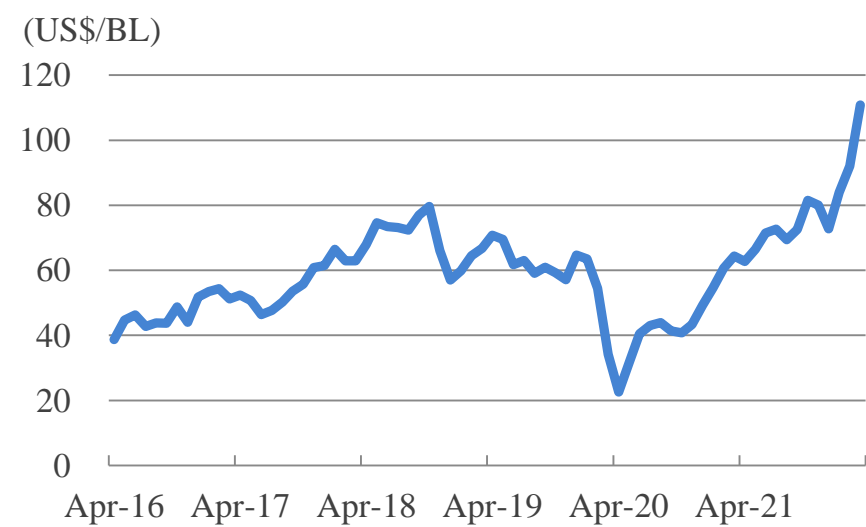
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Coal



Crude oil





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

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