

January 16, 2018

Company name : Nippon Paper Industries Co., Ltd.

Representative : Fumio Manoshiro, President

(Stock code: 3863, First Section, TSE)

**Notice Regarding Decision by Consolidated Subsidiary (Kitakami Paper Co., Ltd.)
to Withdraw from the Business**

Nippon Paper Industries Co., Ltd. (hereinafter “the Company”) announces that its consolidated subsidiary, Kitakami Paper Co., Ltd. (hereinafter “Kitakami Paper”), has decided at the meeting of the Board of Directors held today that it will withdraw from all of its businesses on July 31, 2018.

1. Reason for the withdrawal

Kitakami Paper, as a paper company of local production for local consumption, has been providing newsprint and linerboard and corrugated medium and others, primarily to the Tohoku district since its establishment in 1948. In recent years, Kitakami Paper had been focusing on the development and sales expansion of products that contribute to the resource recycling, in particular, despite ongoing challenges in the operating environment caused by rises prices for raw materials and fuel, including wastepaper. Under the circumstances, Kitakami Paper had also been promoting thorough cost reductions as well as the price revisions for products. However, with improvements in profitability and the consistent generation of profits unlikely to occur, going forward, it has decided to terminate production and sales, and withdraw from all of its businesses.

2. Outline of Kitakami Paper

(1)	Name	Kitakami Paper Co., Ltd.	
(2)	Location	10-1 Asahi-cho, Ichinoseki-shi, Iwate	
(3)	Title and name of representative	Yoshiaki Uchida (Representative Director & President)	
(4)	Operations	Production and sales of newsprint, linerboard and corrugated medium, etc.	
(5)	Capital	300 million yen	
(6)	Establishment date	January 15, 1948	
(7)	Major shareholders and the ratios of shares held	Nippon Paper Industries Co., Ltd. 62.9% Japan Pulp and Paper Co., Ltd. 34.3% Others 2.8%	
(8)	Relationship between the Company and the Party	Capital relationship	The Company owns 62.9% of the shares issued by Kitakami Paper as of today.
		Personnel relationship	Two employees of the Company concurrently assume the position of a director and auditor of the Party, respectively. In addition, one employee is seconded to the Party.
		Business relationship	The Company provides loans to the Party.
		Applicable situation of related parties	The Party is a consolidated subsidiary of the Company and considered as a related party.

(9) Business results and financial position of the Party in the last three years			
Fiscal year	FY2014 (ended Mar. 2015)	FY2015 (ended Mar. 2016)	FY2016 (ended Mar. 2017)
Total net assets	2,234 million yen	2,068 million yen	400 million yen
Total assets	5,861 million yen	5,795 million yen	4,102 million yen
Net assets per share	372.44 yen	344.68 yen	66.78 yen
Net sales	5,962 million yen	5,900 million yen	5,421 million yen
Operating income	-150 million yen	-66 million yen	-187 million yen
Ordinary income	-176 million yen	-28 million yen	-203 million yen
Profit	-185 million yen	-165 million yen	-1,676 million yen

3. Schedule

(1) Date of the decision at the meeting of the Board of Directors of Kitakami Paper	January 16, 2018
(2) Date of the withdrawal from businesses	July 31, 2018

Going forward, Kitakami Paper is considering dissolution and liquidation although a fixed schedule has yet to be decided.

4. Outlook

The impact of the loss on business withdrawal on the Group's financial results is undergoing scrutiny and will be promptly announced if matters to be published occur.

(Reference) The Company's financial outlook for FY2017 and results for FY2016

(Unit: millions of JPY)

	Net Sales	Operating Income	Ordinary Income	Profit
Outlook for FY2017 (ending Mar. 2018)	1,050,000	15,000	18,000	8,000
Result for FY2016 (ended Mar. 2017)	992,428	23,764	26,994	8,399