

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2015 (unaudited)

Name of Company Listed:	Nippon Paper Industries Co., Ltd.
Stock Exchange Listings:	Tokyo
Code Number:	3863
URL:	http://www.nipponpapergroup.com/english/
Representative:	
Title of Representative Person:	President
Name of Representative Person:	Fumio Manoshiro
Person in Charge of Contact:	
Title of Contact Person:	General Manager of Accounting & Budgeting Dept.
Name of Contact Person:	Tomoyasu Itakura
Telephone:	+81-(0)3-6665-1111
Planned date of Financial Report submission:	November 12, 2015
Planned date of the commencement of dividend payments:	December 1, 2015
Availability of support documentation:	Yes
Holding of financial result briefing:	Yes (for institutional investors and investment analysts)

(Amounts indicated are displayed with amounts of less than one million yen rounded off.)

1. Consolidated Financial Results of Operations for the Six Months Ended September 2015 (April 1, 2015–September 30, 2015)

(1) Consolidated Results of Operations

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2015	499,765	-3.1	8,421	-32.8	16,196	27.1	14,284	-32.5
Six months ended September 30, 2014	515,983	-1.4	12,534	20.4	12,739	16.7	21,154	129.4

Note: Comprehensive income

Six months ended September 2015	11,196 million yen	(-50.9 %)
Six months ended September 2014	22,809 million yen	(-1.1 %)

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Six months ended September 30, 2015	123.40	—
Six months ended September 30, 2014	182.73	—

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	1,475,065	473,236	31.7
As of March 31, 2015	1,495,622	489,740	32.5

Reference: Shareholders' equity As of September 30, 2015 468,244 million yen
As of March 31, 2015 485,968 million yen

2. Dividend Status

	Dividends per share				
	1 st quarter end	2 nd quarter end	3 rd quarter end	End of fiscal year	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March, 2015	—	20.00	—	30.00	50.00
Fiscal year ending March, 2016	—	30.00			
Fiscal year ending March, 2016 (Projection)	—	30.00	—	30.00	60.00

Note: Recent revisions to dividend projection /No

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2016 (April 1, 2015–March 31, 2016)

(The percentages indicate the percentage increase or decrease compared to the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	1,030,000	-2.1	25,000	5.7	30,000	29.3	15,000	-35.3	129.58

Note: Recent revisions to consolidated financial results /Yes

4. Others

- [1] Has the Company made any important changes in its subsidiaries (changes in specified subsidiaries which results in changes in the scope of consolidation)? /No
New — (Company name:)
Eliminated — (Company name:)
- [2] Has the Company adopted a specific accounting method for preparation of quarterly consolidated financial statements? /Yes
- [3] Changes in Accounting principles, changes in accounting estimates, or restatements
(i) Has the Company made any changes in accounting principles following the revision of the Accounting Standard and others? /Yes
(ii) Has the Company made any changes in accounting principles other than those described in (i)? /No
(iii) Has the Company made any changes in accounting estimates? /No
(iv) Has the Company made any restatements? /No

- [4] Number of issued and outstanding shares (common stock)
- (i) Number of issued and outstanding shares (including treasury stock) as of:
 - September 30, 2015 116,254,892 Shares
 - March 31, 2015 116,254,892 Shares
 - (ii) Number of treasury stock as of:
 - September 30, 2015 502,256 Shares
 - March 31, 2015 495,664 Shares
 - (iii) Average number of shares during the periods of:
 - Six months ended September 30, 2015 115,755,935 Shares
 - Six months ended September 30, 2014 115,768,080 Shares

* Presentation of implementation status of quarterly review procedure

This “Summary of Consolidated Financial Results for the Six Months Ended September 30, 2015” is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Law and, as of the date of publication of these quarterly consolidated financial results, the quarterly review procedures for the consolidated quarterly financial statements are currently in progress.

*Disclaimer regarding forward-looking statement and other remarks:

1. Any statement in this document regarding future performance of the Company is based on the information available at the time of the announcement and certain assumptions judged to be reasonable. Actual performance may differ from forecasts due to a variety of factors.
2. The support documentation will be posted on the following our website.
<http://www.nipponpapergroup.com/english/ir/library/>

This document is an English-language translation of the Japanese-language original.

(Appendices)

1. Consolidated Operating Results for the Six Months Ended September 2015 (April 1, 2015–September 30, 2015)

Operating results by business segment are as follows:

Pulp and Paper:

Consolidated net sales	¥ 406,963 million	(down 0.7% year-on-year)
Consolidated operating income	¥ 4,772 million	(down 46.3% year-on-year)

Paper-Related:

Consolidated net sales	¥ 45,207 million	(down 3.0% year-on-year)
Consolidated operating income	¥ 1,406 million	(down 40.1% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥ 29,518 million	(up 7.1% year-on-year)
Consolidated operating income	¥ 1,433 million	(up 153.9% year-on-year)

Other:

Consolidated net sales	¥ 18,075 million	(down 43.6% year-on-year)
Consolidated operating income	¥ 809 million	(up 10.8% year-on-year)

2. Revisions to Projections for Consolidated Financial Results for the Fiscal Year Ending March 2016 (April 1, 2015–March 31, 2016)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previously announced projection (A)	Millions of yen 1,060,000	Millions of yen 32,000	Millions of yen 30,000	Millions of yen 15,000	Yen 129.58
Revised projection (B)	1,030,000	25,000	30,000	15,000	129.58
Change (B-A)	-30,000	-7,000	—	—	—
Rate of change (%)	-2.8	-21.9	—	—	—
(Reference)					
Fiscal Year Ended March 2015	1,052,491	23,656	23,204	23,183	200.27

3. Supplementary Financial Results Presentation Materials for the Six Months Ended September 30, 2015

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2015	As of Sep 30, 2015
Assets		
Current assets		
Cash and deposits	84,100	139,507
Notes and accounts receivable-trade	193,481	184,628
Merchandise and finished goods	86,898	86,988
Work in process	18,204	21,393
Raw materials and supplies	57,952	59,464
Other	44,276	48,906
Allowance for doubtful receivables	(416)	(434)
Total current assets	484,498	540,453
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	492,409	484,674
Accumulated depreciation	(354,000)	△350,475
Buildings and structures, net	138,409	134,199
Machinery, equipment and vehicles	2,176,031	2,172,656
Accumulated depreciation	(1,875,709)	(1,877,123)
Machinery, equipment and vehicles, net	300,322	295,532
Land	223,696	215,782
Construction in progress	21,221	19,610
Other	90,261	65,828
Accumulated depreciation	(58,504)	(38,995)
Other, net	31,757	26,833
Total property, plant and equipment	715,406	691,957
Intangible assets	18,992	16,636
Investments and other assets		
Investments in securities	252,079	200,511
Other	25,488	26,210
Allowance for doubtful receivables	(842)	(703)
Total investments and other assets	276,724	226,018
Total noncurrent assets	1,011,123	934,611
Total assets	1,495,622	1,475,065

(Millions of yen)

	As of March 31, 2015	As of Sep 30, 2015
Liabilities		
Current liabilities		
Notes and account payable-trade	127,856	115,008
Short-term loans payable	264,898	261,739
Accrued income taxes	3,141	2,501
Other	79,936	81,438
Total current liabilities	475,832	460,687
Long-term liabilities		
Bonds payable	63,000	73,000
Long-term loans payable	401,799	402,080
Accrued environmental costs	539	529
Net defined benefit liability	21,154	20,717
Other	43,556	44,812
Total long-term liabilities	530,049	541,140
Total liabilities	1,005,881	1,001,828
Net assets		
Shareholders' equity		
Common stock	104,873	104,873
Capital surplus	217,104	217,104
Retained earnings	97,172	97,548
Treasury stock, at cost	(1,356)	(1,368)
Total shareholders' equity	417,794	418,158
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	24,345	22,166
Net deferred gain on hedges	2,314	929
Translation adjustments	37,108	22,163
Remeasurements of defined benefit plans	4,405	4,826
Total accumulated other comprehensive income	68,173	50,086
Non-controlling interests	3,771	4,992
Total net assets	489,740	473,236
Total liabilities and net assets	1,495,622	1,475,065

(2) Consolidated Statements of Operations and Statements of Comprehensive Income
- Consolidated Statements of Operations -

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	515,983	499,765
Cost of sales	403,013	397,481
Gross profit	112,969	102,284
Selling, general and administrative expenses		
Freightage related expenses	30,779	30,461
Sales related expenses	31,471	29,536
Salaries and allowances	21,669	19,746
Other	16,514	14,118
Total selling, general and administrative expenses	100,435	93,863
Operating income	12,534	8,421
Other income		
Interest income	164	164
Dividend income	1,068	1,725
Foreign exchange gains	740	8,140
Equity in earnings of affiliates	2,906	2,318
Other	2,403	1,907
Total other income	7,283	14,256
Other expenses		
Interest expense	5,315	5,025
Other	1,763	1,456
Total other expenses	7,079	6,481
Ordinary income	12,739	16,196
Extraordinary income		
Gain on sales of investment securities	130	16,573
Other	15,878	598
Total extraordinary income	16,009	17,171
Extraordinary loss		
Loss on sales of shares of subsidiaries	—	16,163
Loss on retirement of non-current assets	657	737
Other	2,413	2,429
Total extraordinary loss	3,071	19,330
Income before income taxes and minority interests in consolidated subsidiaries	25,677	14,037
Income taxes—current	3,299	1,738
Income taxes—deferred	1,234	(1,813)
Total income taxes	4,533	(74)
Profit	21,143	14,111
Profit attributable to non-controlling interests	(11)	(172)
Profit attributable to owners of parent	21,154	14,284

- Consolidated Statements of Comprehensive Income -

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Income before minority interests	21,143	14,111
Other comprehensive income		
Net unrealized holding gain (loss) on other securities	1,201	(2,125)
Net deferred gain (loss) on hedges	689	(941)
Translation adjustments	716	348
Remeasurements of defined benefit plans, net of tax	865	346
Share of other comprehensive income of affiliates accounted for using the equity method	(1,807)	(542)
Total other comprehensive income	1,665	(2,915)
Comprehensive income	22,809	11,196
(Details)		
Comprehensive income attributable to owners of parent	22,770	11,476
Comprehensive income attributable to non-controlling	38	(280)

(3) Consolidated statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Operating Activities		
Income (loss) before income taxes and minority interests in consolidated subsidiaries	25,677	14,037
Depreciation	30,369	29,034
Increase (decrease) in net defined benefit liability	(844)	(1,802)
Increase (decrease) in accrued environmental costs	(102)	(9)
Interest and dividend income	(1,232)	(1,890)
Interest expense	5,315	5,025
Equity in (earnings) losses of affiliates	(2,906)	(2,318)
Foreign exchange losses (gains)	(127)	(7,986)
Loss (gain) on sales of investment securities	(130)	(16,573)
Loss on retirement of non-current assets	657	737
Loss (gain) on sales of shares of subsidiaries	—	16,163
Decrease (increase) in receivables	5,918	6,597
Decrease (increase) in inventories	(16,126)	(8,974)
Increase (decrease) in payables	(5,282)	(10,961)
Other	(9,244)	277
Subtotal	31,939	21,356
Interest and dividends received	3,414	2,613
Interest paid	(5,346)	(4,977)
Payments for supplementary retirement benefits	(770)	—
Income taxes paid	(3,485)	(3,716)
Net cash provided by (used in) operating activities	25,750	15,274
Investing Activities		
Purchases of noncurrent assets	(19,997)	(17,627)
Proceeds from sales of noncurrent assets	15,020	653
Purchases of investments in other securities	(10,639)	(519)
Proceeds from sales of investments in other securities	488	46,654
Proceeds from redemption of investments in securities	—	3,000
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	8,950
Decrease (increase) in short-term loans receivable	130	31
Payments of long-term loans receivable	(143)	(56)
Collection of long-term loans receivable	100	248
Other	345	259
Net cash provided by (used in) investing activities	(14,695)	41,597
Financing Activities		
Increase (decrease) in short-term loans payable	1,713	1,915
Proceeds from long-term loans payable	4,350	26,930
Repayment of long-term loans payable	(36,462)	(35,100)
Proceeds from issuance of bonds	15,000	10,000
Cash dividends paid	(3,476)	(3,475)
Finance lease principal payments	(492)	(485)
Other	(59)	(25)
Net cash provided by (used in) financing activities	(19,425)	(240)
Effect of exchange rate changes on cash and cash equivalents	(129)	(1,159)
Increase (decrease) in cash and cash equivalents	(8,500)	55,471
Cash and cash equivalents at beginning of year	97,149	84,002
Increase due to inclusion of certain subsidiaries in consolidation	—	32
Cash and cash equivalents at end of period	88,648	139,507

(Significant Subsequent Events)

At a meeting of its Board of Directors held on October 7, 2015, the Company resolved to conclude a basic agreement with Tokushu Tokai Paper Co., Ltd. (hereinafter, “Tokushu Tokai Paper”) concerning their containerboard and sack & general purpose kraft paper sales business (hereinafter, “the Business”). This agreement covers the integration of their sales functions (hereinafter, “the Sales Function Integration”) and the demerger of the manufacturing business at the Shimada Mill of Tokushu Tokai Paper (hereinafter the subsidiary of Tokushu Tokai Paper to be established through the demerger is referred to as “the New Manufacturing Company”) and the Company’s investment in the New Manufacturing Company (hereinafter, “the Investment in the New Manufacturing Company”; “the Sales Function Integration” and “the Investment in the New Manufacturing Company” are referred to collectively as “the Business Alliance”).

The Business Alliance, which will be discussed and examined by both parties, will come into effect in or about October 2016, subject to conclusion of the final agreement and approval by the Japan Fair Trade Commission and the General Meeting of Shareholders of Tokushu Tokai Paper, etc.

1. Background and objectives of the Business Alliance

The Japanese paper industry business environment remains challenging amid rising wastepaper prices and higher raw material and fuel costs caused by weaker yen. Based on the recognition that cost and quality competition is set to increase further in the future, the Company and Tokushu Tokai Paper concluded a basic agreement on the Business Alliance. Under the agreement, while having mutually equal spirit, both parties will integrate their sales functions of the Business and will strengthen the cost and quality competitiveness of Tokushu Tokai Paper’s Shimada Mill as well as establishing an efficient sales structure and improving service levels in the Business.

2. Details of the Business Alliance

(1) The Sales Function Integration

The Company and Tokushu Tokai Paper will integrate their sales function of the Business by means of joint incorporation-type demerger, and the Company will hold more than 50% of the shares of the new company established by means of said joint incorporation-type demerger (hereinafter referred to as “the New Sales Company”). The New Sales Company is expected to be a consolidated subsidiary of the Company.

(2) Investment in the New Manufacturing Company

By subscribing for shares to be issued for capital increase by way of third-party allotment in a new manufacturing company to be established by Tokushu Tokai Paper through incorporation-type demerger of the Shimada Mill or other means, the Company plans to acquire a stake of between 33.4% and 50% in the New Manufacturing Company, which the Company is expected to treat as an entity accounted for using equity method.

3. Overview of the Counterparty of the Business Alliance

(1) Name	Tokushu Tokai Paper Co., Ltd.
(2) Location	4379 Mukaijima-cho, Shimada City, Shizuoka, Japan
(3) Title and name of representative	Kiyotoshi Misawa, President & Representative Director
(4) Capital	11,485 million yen (as of March 31, 2015)
(5) Business description	Manufacture, processing and sale of paper pulp, and management of subsidiaries, etc.

4. Schedule of the Business Alliance

(1) Conclusion of the basic agreement concerning the Business Alliance	7 October 2015
(2) Conclusion of final agreement concerning the Business Alliance	April 2016 (tentative)
(3) Tokushu Tokai Paper General Meeting of Shareholders (Resolution to approve demerger of Shimada Mill)	June 2016 (tentative)
(4) Completion of transactions concerning the Business Alliance (establishment of New Sales Company, establishment of New Manufacturing Company, and investment in the said companies by the Company)	October 2016 (tentative)

5. Outlook

The impact of the Business Alliance on the Company’s business performance is not yet determined.