

Summary of Consolidated Financial Results for the Fiscal Year Ended March 2016 (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 Ordinary General Meeting of Shareholders: June 29, 2016
 Planned date of Financial Report submission: June 29, 2016
 Planned date of the commencement of dividend payments: June 30, 2016
 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 Fiscal Year Ended March 2016 (April 1, 2015–March 31, 2016)

(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	%
Fiscal Year ended March 2016	1,007,097	-4.3	22,623	-4.4	17,123	-26.2	2,424	-89.5
Fiscal Year ended March 2015	1,052,491	-2.7	23,656	-17.1	23,204	-17.7	23,183	1.8

Note: Comprehensive income

Fiscal Year ended March 2016	-31,821 million yen	(- %)
Fiscal Year ended March 2015	67,295 million yen	(60.7 %)

	Net income per share	Net income per share after adjusting for dilution	Return on equity	Ordinary income to gross capital	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal Year ended March 2016	20.95	—	0.5	1.2	2.2
Fiscal Year ended March 2015	200.27	—	5.1	1.6	2.2

Reference: Income from equity in earnings of affiliates

Fiscal Year ended March 2016	-7,500 million yen
Fiscal Year ended March 2015	4,583 million yen

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2016	1,390,918	424,685	30.3	3,645.87
As of March 31, 2015	1,495,622	489,740	32.5	4,198.10

Reference: Shareholders' equity As of March 31, 2016 422,000 million yen
As of March 31, 2015 485,968 million yen

(2) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 2016	52,419	16,270	-39,168	112,510
Fiscal year ended March 2015	81,846	-42,483	-52,744	84,002

2. Dividend Status

	Dividends per share					Amount of total dividends (Annual)	Dividend payout (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1 st quarter end	2 nd quarter end	3 rd quarter end	End of fiscal year	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 2015	—	20.00	—	30.00	50.00	5,797	25.0	1.3
Fiscal year ended March 2016	—	30.00	—	30.00	60.00	6,956	286.4	1.5
Fiscal year ending March 2017 (Projection)	—	30.00	—	30.00	60.00		38.6	

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2017 (April 1, 2016–March 31, 2017)

(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
Six months ended September 30, 2016	490,000	-2.0	14,000	66.2	14,000	-13.6	5,000	-65.0	43.20
Full fiscal year	1,000,000	-0.7	32,000	41.4	32,000	86.9	18,000	642.3	155.51

Note: This projection does not include the impact of the Business Alliance with Tokushu Tokai Paper which was announced on April 25, 2016. The impact is now under review.

4. Others

- [1] Has the Company made any important changes in its subsidiaries (changes in specified subsidiaries which result in changes in the scope of consolidation)? /No
New — (Company name:)
Eliminated — (Company name:)
- [2] 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
- [3] Number of issued and outstanding shares (common stock)
(i) Number of issued and outstanding shares (including treasury stock) as of:
March 31, 2016 116,254,892 Shares
March 31, 2015 116,254,892 Shares
(ii) Number of treasury stock as of:

March 31, 2016	507,381 Shares
March 31, 2015	495,664 Shares
(iii) Average number of shares during the periods of:	
Fiscal year ended March 2016	115,752,912 Shares
Fiscal year ended March 2015	115,764,843 Shares

* Presentation of implementation status of auditing procedure

This “Summary of Consolidated Financial Results for the Fiscal Year Ended March 2016” is not subject to auditing procedures in accordance with the Financial Instruments and Exchange Law and, as of the date of publication of this document, the auditing procedures for the consolidated financial statements are still 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 Fiscal Year Ended March 2016 (April 1, 2015–March 31, 2016)

Operating results by business segment are as follows:

Pulp and Paper:

Consolidated net sales	¥ 827,560 million	(down 1.0% year-on-year)
Consolidated operating income	¥ 13,840million	(down 7.9% year-on-year)

Paper-Related:

Consolidated net sales	¥ 88,912 million	(down 2.3% year-on-year)
Consolidated operating income	¥ 2,661 million	(down 29.2% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥ 62,155 million	(up 4.9% year-on-year)
Consolidated operating income	¥ 3,639 million	(up 71.4% year-on-year)

Other:

Consolidated net sales	¥ 28,469 million	(down 57.3% year-on-year)
Consolidated operating income	¥ 2,481 million	(down 9.8% year-on-year)

2. Supplementary Financial Results Presentation Materials for the Fiscal Year Ended March 2016

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	84,100	112,510
Notes and accounts receivable-trade	193,481	192,941
Merchandise and finished goods	86,898	79,529
Work in process	18,204	18,299
Raw materials and supplies	57,952	60,244
Deferred tax assets	12,650	9,324
Other	31,626	30,609
Allowance for doubtful receivables	(416)	(547)
Total current assets	484,498	502,912
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	492,409	485,784
Accumulated depreciation	(354,000)	(353,073)
Buildings and structures, net	138,409	132,711
Machinery, equipment and vehicles	2,176,031	2,161,323
Accumulated depreciation	(1,875,709)	(1,879,807)
Machinery, equipment and vehicles, net	300,322	281,515
Land	223,696	215,084
Mountain forests and plantations	20,951	20,046
Construction in progress	21,221	14,101
Other	69,309	45,051
Accumulated depreciation	(58,504)	(39,213)
Other, net	10,805	5,838
Total property, plant and equipment	715,406	669,298
Intangible assets	18,992	15,291
Investments and other assets		
Investments in securities	252,079	180,782
Net defined benefit asset	4,643	1,750
Deferred tax assets	8,928	10,730
Other	11,915	10,743
Allowance for doubtful receivables	(842)	(590)
Total investments and other assets	276,724	203,416
Total noncurrent assets	1,011,123	888,006
Total assets	1,495,622	1,390,918

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and account payable-trade	127,856	113,354
Short-term loans payable	264,898	243,366
Current portion of bonds	—	13,000
Accrued income taxes	3,141	4,147
Other	79,936	76,043
Total current liabilities	475,832	449,912
Long-term liabilities		
Bonds payable	63,000	60,000
Long-term loans payable	401,799	385,725
Deferred tax liability	33,961	18,877
Accrued environmental costs	539	470
Net defined benefit liability	21,154	42,210
Other	9,594	9,036
Total long-term liabilities	530,049	516,320
Total liabilities	1,005,881	966,233
Net assets		
Shareholders' equity		
Common stock	104,873	104,873
Capital surplus	217,104	217,104
Retained earnings	97,172	82,215
Treasury stock, at cost	(1,356)	(1,378)
Total shareholders' equity	417,794	402,814
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	24,345	18,974
Net deferred gain on hedges	2,314	(1,193)
Translation adjustments	37,108	15,088
Remeasurements of defined benefit plans	4,405	(13,683)
Total accumulated other comprehensive income	68,173	19,185
Non-controlling interests	3,771	2,685
Total net assets	489,740	424,685
Total liabilities and net assets	1,495,622	1,390,918

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

	(Millions of yen)	
	Fiscal year ended March 2015	Fiscal year ended March 2016
Net sales	1,052,491	1,007,097
Cost of sales	825,576	800,185
Gross profit	226,915	206,912
Selling, general and administrative expenses		
Freightage related expenses	62,796	60,913
Sales related expenses	64,179	58,605
Salaries and allowances	43,174	38,006
Other	33,108	26,763
Total selling, general and administrative expenses	203,259	184,289
Operating income	23,656	22,623
Other income		
Interest income	324	307
Dividend income	1,761	2,472
Foreign exchange gains	1,873	7,628
Equity in earnings of affiliates	4,583	—
Other	4,176	4,109
Total other income	12,719	14,518
Other expenses		
Interest expense	10,292	10,002
Share of loss of entities accounted for using equity method	—	7,500
Other	2,879	2,514
Total other expenses	13,171	20,017
Ordinary income	23,204	17,123
Extraordinary income		
Gain on sales of investment securities	151	20,821
Other	19,946	803
Total extraordinary income	20,097	21,625
Extraordinary loss		
Loss on sales of shares of subsidiaries	—	16,510
Impairment loss	1,096	9,925
Business restructuring expenses	1,438	3,701
Loss on retirement of noncurrent assets	2,166	2,172
Other	1,675	1,776
Total extraordinary loss	6,375	34,086
Income before income taxes and minority interests in consolidated subsidiaries	36,925	4,662
Income taxes—current	4,207	5,048
Income taxes—deferred	9,465	(2,486)
Total income taxes	13,673	2,562
Profit	23,252	2,100
Profit attributable to non-controlling interests	68	(324)
Profit attributable to owners of parent	23,183	2,424

- Consolidated Statements of Comprehensive Income -

(Millions of yen)

	Fiscal year ended March 2015	Fiscal year ended March 2016
Income before minority interests	23,252	2,100
Other comprehensive income		
Net unrealized holding gain (loss) on other securities	16,264	(5,376)
Net deferred gain (loss) on hedges	893	(1,880)
Translation adjustments	5,198	(4,679)
Remeasurements of defined benefit plans, net of tax	10,222	(17,114)
Share of other comprehensive income of affiliates accounted for using the equity method	11,464	(4,871)
Total other comprehensive income	44,042	(33,922)
Comprehensive income	67,295	(31,821)
(Details)		
Comprehensive income attributable to owners of parent	67,112	(31,283)
Comprehensive income attributable to non-controlling	182	(538)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 2015	Fiscal year ended March 2016
Operating Activities		
Income (loss) before income taxes and minority interests in consolidated subsidiaries	36,925	4,662
Depreciation	61,374	57,672
Amortization of goodwill	2,352	2,071
Increase (decrease) in allowance for doubtful receivables	136	(53)
Increase (decrease) in net defined benefit liability	(2,628)	(911)
Increase (decrease) in accrued environmental costs	(244)	(68)
Interest and dividend income	(2,086)	(2,780)
Interest expense	10,292	10,002
Share of (profit) loss of entities accounted for using equity method	(4,583)	7,500
Foreign exchange losses (gains)	282	(7,155)
Loss (gain) on sales of investment securities	(151)	(20,821)
Loss (gain) on sales of shares of subsidiaries	—	16,510
Loss on retirement of non-current assets	2,166	2,172
Impairment loss	1,096	9,925
Business restructuring expenses	1,438	3,701
Decrease (increase) in receivables	8,853	(2,439)
Decrease (increase) in inventories	(10,443)	(1,188)
Increase (decrease) in payables	(3,911)	(11,600)
Other	(5,657)	(4,009)
Subtotal	95,211	63,189
Interest and dividends received	4,808	5,799
Interest paid	(10,624)	(9,981)
Payments for supplementary retirement benefits	(1,262)	(1,374)
Income taxes paid	(6,285)	(5,213)
Net cash provided by (used in) operating activities	81,846	52,419
Investing Activities		
Purchases of time deposits	(100)	(3)
Withdrawals of time deposits	100	3
Purchases of noncurrent assets	(48,692)	(44,511)
Proceeds from sales of noncurrent assets	19,346	1,177
Purchases of investments in other securities	(12,972)	(6,933)
Proceeds from sales of investments in other securities	558	53,296
Proceeds from redemption of investment securities	—	3,000
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	10,111
Decrease (increase) in short-term loans receivable	(275)	(250)
Payments of long-term loans receivable	(187)	(58)
Collection of long-term loans receivable	337	309
Other	(598)	129
Net cash provided by (used in) investing activities	(42,483)	16,270
Financing Activities		
Increase (decrease) in short-term loans payable	9,714	(8,835)
Proceeds from long-term loans payable	35,577	39,095
Repayment of long-term loans payable	(106,116)	(69,846)
Proceeds from issuance of bonds	15,000	10,000
Purchases of treasury stock	(23)	(27)
Proceeds from sales of treasury stock	1	1
Cash dividends paid	(5,797)	(6,953)
Repayment to minority shareholders	(83)	(1,607)
Finance lease principal payments	(1,015)	(994)
Net cash provided by (used in) financing activities	(52,744)	(39,168)
Effect of exchange rate changes on cash and cash equivalents	233	(1,046)
Increase (decrease) in cash and cash equivalents	(13,146)	28,475
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	84,002	112,510

(Significant Subsequent Events)

On October 7, 2015, the company executed a basic agreement (hereinafter, “the MOU”) 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 MOU covers the demerger of the manufacturing business at Shimada Mill of Tokushu Tokai Paper (hereinafter, “Shimada Mill”) and the Company’s investment in the New Manufacturing Company (defined later) (hereinafter, “the Investment”) and the integration of their sales functions of the Business (hereafter, the transactions stated above are collectively referred to as “the Business Alliance”).

Based on the MOU, the Board of Directors resolved on April 25, 2016 that the Company conduct the integration agreement (hereinafter, “the Integration Agreement”), which contains the terms and conditions of the Business Alliance, and the shareholders’ agreements (hereinafter, “the Shareholders’ Agreements”), which prescribe to jointly operate the New Manufacturing Company and the New Sales Company (defined later).

This Business Alliance is subject to the approval by the Japan Fair Trade Commission.

1. Background and objectives of the Business Alliance

The Japanese paper industry business environment remains challenging amid rising wastepaper prices and excessive production capacity.

Based on the recognition that cost and quality competition is set to increase further in the future, the Company and Tokushu Tokai Paper concluded the Integration Agreement on the Business Alliance based on the MOU to strengthen the cost and quality competitiveness of the Shimada Mill as well as establishing an efficient sales structure and improving service levels in the Business while having mutually equal spirit.

2. Scheme of the Business Alliance

① Process of the New Manufacturing Company Split and the Share Undertaking

- (i) Tokushu Tokai Paper to establish a new company for the demerger of Shimada Mill
- (ii) Tokushu Tokai Paper to conduct an absorption-type company split by which rights and obligations, including the manufacturing function of the Business of Tokushu Tokai Paper, that Tokushu Tokai Paper owns related to its business operated in Shimada Mill will be transferred to the New Manufacturing Company (the New Manufacturing Company Split).
- (iii) The Company to undertake the shares in the New Manufacturing Company, amounting to 6,250 million Japanese yen (the Share Undertaking).
- (iv) As a result of (ii) and (iii) above, the Company will hold 122,500 shares (35%), and Tokushu Tokai Paper will hold 227,500 shares (65%) in the New Manufacturing Company.

② Process of the New Sales Company Split

- (i) The Company to establish a new company for the integration of their sales functions of the Business.
- (ii) The Company and Tokushu Tokai Paper to conduct an absorption-type company split respectively by which rights and obligations, that the Company and Tokushu Tokai Paper respectively own related to their sales functions of the Business, will be transferred to the New Sales Company (the New Sales Company Split).
- (iii) As a result of (ii) above, the Company will hold 84,500 shares (65%), and Tokushu Tokai Paper will hold 45,500 shares (35%) in the New Sales Company Split.

3. Overview of the counter party to the Business Alliance

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

4. Schedule of the Business Alliance

Conclusion of the MOU concerning the Business Alliance	7 October 2015
Resolution of the Board of Directors	25 April 2016
Conclusion of the Integration Agreement and the Shareholders’ Agreements	25 April 2016
Conclusion of the New Manufacturing Company Split Agreement	By the end of May 2016 (tentative)
Tokushu Tokai Paper General Meeting of Shareholders (Note1)	24 June 2016 (tentative)
Conclusion of the New Sales Company Split Agreement	By the middle of August 2016 (tentative)
Conclusion of the Share Undertaking Agreement	August 2016 (tentative)
Completion of the transactions (Note2)	1 October 2016 (tentative)

(Note1) The Company and Tokushu Tokai Paper plan to conduct the New Sales Company Split without obtaining the approval of their shareholders meetings in accordance with the procedures for short from company splits under the provisions of Article 784, Paragraph 2

of the Companies Act.,

(Note2) Effective date of the New Manufacturing Company Split, the Share Undertaking and the New Sales Company Split

5. Future Outlook

The Company is currently examining the impact on its consolidated financial results.