

## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (unaudited)

Name of Company Listed:	<b>Nippon Paper Industries Co., Ltd.</b>
Stock Exchange Listings:	Tokyo
Code Number:	3863
URL:	<a href="http://www.nipponpapergroup.com/english/">http://www.nipponpapergroup.com/english/</a>
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 11, 2016
Planned date of the commencement of dividend payments:	December 1, 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 Six Months Ended September 2016 (April 1, 2016–September 30, 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	%
Six months ended September 30, 2016	475,069	-4.9	10,488	24.5	13,493	-16.7	-3,871	-
Six months ended September 30, 2015	499,765	-3.1	8,421	-32.8	16,196	27.1	14,284	-32.5

Note: Comprehensive income

Six months ended September 2016	-10,722 million yen	(- %)
Six months ended September 2015	11,196 million yen	(-50.9 %)

	Net income per share	Net income* per share after adjusting for dilution
	Yen	Yen
Six months ended September 30, 2016	-33.44	—
Six months ended September 30, 2015	123.40	—

\*Profit attributable to owners of parent

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	1,346,863	400,578	29.5
As of March 31, 2016	1,390,918	424,685	30.3

Reference: Shareholders' equity As of September 30, 2016 396,946 million yen  
As of March 31, 2016 422,000 million yen

2. Dividend Status

	Dividends per share				
	1 <sup>st</sup> quarter end	2 <sup>nd</sup> quarter end	3 <sup>rd</sup> quarter end	End of fiscal year	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March, 2016	—	30.00	—	30.00	60.00
Fiscal year ending March, 2017	—	30.00			
Fiscal year ending March, 2017 (Projection)			—	30.00	60.00

Note: Recent revisions to dividend projection /No

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
Full fiscal year	990,000	-1.7	28,000	23.8	28,000	86.9	1,000	-58.8	8.64

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)? /Yes

New One Company (Company name: ) Nippon Dynawave Packaging Co.

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, 2016 | 116,254,892 Shares |
| March 31, 2016     | 116,254,892 Shares |
- (ii) Number of treasury stock as of:
- |                    |                |
|--------------------|----------------|
| September 30, 2016 | 511,738 Shares |
| March 31, 2016     | 507,381 Shares |
- (iii) Average number of shares during the periods of:
- |                                     |                    |
|-------------------------------------|--------------------|
| Six months ended September 30, 2016 | 115,745,521 Shares |
| Six months ended September 30, 2015 | 115,755,935 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 2016 (April 1, 2016–September 30, 2016)**

Operating results by business segment are as follows:

Pulp and Paper:

Consolidated net sales	¥393,195 million	(down 3.4% year-on-year)
Consolidated operating income	¥ 4,735 million	(down 0.8% year-on-year)

Paper-Related:

Consolidated net sales	¥ 45,132 million	(down 0.2% year-on-year)
Consolidated operating income	¥ 2,360 million	(up 67.8% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥27,845 million	(down 5.7% year-on-year)
Consolidated operating income	¥2,120 million	(up 47.9% year-on-year)

Other:

Consolidated net sales	¥ 8,896 million	(down 50.8% year-on-year)
Consolidated operating income	¥ 1,272 million	(up 57.3% year-on-year)

**2. Revisions to Projections for Consolidated Financial Results for the Fiscal Year Ending March 2017 (April 1, 2016–March 31, 2017)**

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previously announced projection (A)	Millions of yen 1,000,000	Millions of yen 32,000	Millions of yen 32,000	Millions of yen 18,000	Yen 155.51
Revised projection (B)	990,000	28,000	28,000	1,000	8.64
Change (B-A)	-10,000	-4,000	-4,000	-17,000	—
Rate of change (%)	-1.0	-12.5	-12.5	-94.4	—
(Reference)					
Fiscal Year Ended March 2016	1,007,097	22,623	17,123	2,424	20.95

### 3. Supplementary Financial Results Presentation Materials for the Six Months Ended September 30, 2016

#### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2016	As of Sep 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	112,510	63,553
Notes and accounts receivable-trade	192,941	188,755
Merchandise and finished goods	79,529	79,094
Work in process	18,299	23,737
Raw materials and supplies	60,244	59,689
Other	39,934	43,188
Allowance for doubtful receivables	(547)	(533)
Total current assets	502,912	457,485
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	485,784	492,567
Accumulated depreciation	(353,073)	(362,878)
Buildings and structures, net	132,711	129,688
Machinery, equipment and vehicles	2,161,323	2,231,031
Accumulated depreciation	(1,879,807)	(1,947,578)
Machinery, equipment and vehicles, net	281,515	283,452
Land	215,084	217,972
Construction in progress	14,101	16,011
Other	65,098	74,736
Accumulated depreciation	(39,213)	(41,033)
Other, net	25,884	33,702
Total property, plant and equipment	669,298	680,828
Intangible assets		
Goodwill	9,747	15,390
Other	5,543	5,262
Total Intangible assets	15,291	20,653
Investments and other assets		
Investments in securities	180,782	167,453
Other	23,223	21,025
Allowance for doubtful receivables	(590)	(584)
Total investments and other assets	203,416	187,894
Total noncurrent assets	888,006	889,377
<b>Total assets</b>	1,390,918	1,346,863

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and account payable-trade	113,354	111,834
Short-term loans payable	243,366	244,957
Current portion of bonds	13,000	23,000
Accrued income taxes	4,147	5,125
Other	76,043	89,863
Total current liabilities	449,912	474,781
Long-term liabilities		
Bonds payable	60,000	50,000
Long-term loans payable	385,725	355,802
Accrued environmental costs	470	469
Net defined benefit liability	42,210	39,960
Other	27,913	25,271
Total long-term liabilities	516,320	471,503
<b>Total liabilities</b>	<b>966,233</b>	<b>946,285</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	104,873	104,873
Capital surplus	217,104	217,104
Retained earnings	82,215	64,682
Treasury stock, at cost	(1,378)	(1,386)
Total shareholders' equity	402,814	385,273
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	18,974	15,004
Net deferred gain on hedges	(1,193)	(602)
Translation adjustments	15,088	9,889
Remeasurements of defined benefit plans	(13,683)	(12,617)
Total accumulated other comprehensive income	19,185	11,673
Non-controlling interests	2,685	3,631
<b>Total net assets</b>	<b>424,685</b>	<b>400,578</b>
<b>Total liabilities and net assets</b>	<b>1,390,918</b>	<b>1,346,863</b>

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

	(Millions of yen)	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	499,765	475,069
Cost of sales	397,481	375,754
Gross profit	102,284	99,314
Selling, general and administrative expenses		
Freightage related expenses	30,461	29,655
Sales related expenses	29,536	27,781
Salaries and allowances	19,746	18,448
Other	14,118	12,940
Total selling, general and administrative expenses	93,863	88,826
Operating income	8,421	10,488
Other income		
Interest income	164	434
Dividend income	1,725	1,219
Equity in earnings of affiliates	2,318	3,802
Other	10,047	4,338
Total other income	14,256	9,795
Other expenses		
Interest expense	5,025	4,588
Other	1,456	2,201
Total other expenses	6,481	6,789
Ordinary income	16,196	13,493
Extraordinary income		
Gain on sales of investment securities	16,573	7,308
Gain on sales of non-current assets	121	1,167
Other	476	169
Total extraordinary income	17,171	8,645
Extraordinary loss		
Loss on business withdrawal	—	16,978
Loss on retirement of non-current assets	737	936
Loss on sales of shares of subsidiaries	16,163	—
Other	2,429	2,649
Total extraordinary loss	19,330	20,564
Income before income taxes and minority interests in consolidated subsidiaries	14,037	1,574
Income taxes—current	1,738	4,087
Income taxes—deferred	(1,813)	1,388
Total income taxes	(74)	5,476
Profit	14,111	(3,902)
Profit attributable to non-controlling interests	(172)	(30)
Profit attributable to owners of parent	14,284	(3,871)

- Consolidated Statements of Comprehensive Income -

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Income before minority interests	14,111	(3,902)
Other comprehensive income		
Net unrealized holding gain (loss) on other securities	(2,125)	(4,020)
Net deferred gain (loss) on hedges	(941)	405
Translation adjustments	348	(6,808)
Remeasurements of defined benefit plans, net of tax	346	962
Share of other comprehensive income of affiliates accounted for using the equity method	(542)	2,640
Total other comprehensive income	(2,915)	(6,820)
Comprehensive income	11,196	(10,722)
(Details)		
Comprehensive income attributable to owners of parent	11,476	(10,561)
Comprehensive income attributable to non-controlling	(280)	(161)



## (3) Consolidated statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
<b>Operating Activities</b>		
Income (loss) before income taxes and minority interests in consolidated subsidiaries	14,037	1,574
Depreciation	29,034	26,873
Increase (decrease) in net defined benefit liability	(1,802)	(651)
Interest and dividend income	(1,890)	(1,654)
Interest expense	5,025	4,588
Equity in (earnings) losses of affiliates	(2,318)	(3,802)
Loss (gain) on sales of investment securities	(16,573)	(7,308)
Loss (gain) on sales of non-current assets	(121)	(1,167)
Loss on business withdrawal	—	16,978
Loss on retirement of non-current assets	737	936
Loss (gain) on sales of shares of subsidiaries	16,163	—
Decrease (increase) in receivables	6,597	6,765
Decrease (increase) in inventories	(8,974)	(701)
Increase (decrease) in payables	(10,961)	(1,876)
Other	(7,596)	712
Subtotal	21,356	41,267
Interest and dividends received	2,613	2,342
Interest paid	(4,977)	(4,722)
Payments for supplementary retirement benefits	—	(112)
Income taxes paid	(3,716)	(751)
Net cash provided by (used in) operating activities	15,274	38,022
<b>Investing Activities</b>		
Purchases of noncurrent assets	(17,627)	(18,748)
Proceeds from sales of noncurrent assets	653	1,452
Purchases of investments in other securities	(519)	(9,349)
Proceeds from sales of investments in other securities	46,654	9,331
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	—
Payments for transfer of business	—	(30,177)
Decrease (increase) in short-term loans receivable	31	(52)
Payments of long-term loans receivable	(56)	(62)
Collection of long-term loans receivable	248	44
Other	259	313
Net cash provided by (used in) investing activities	41,597	(47,247)
<b>Financing Activities</b>		
Increase (decrease) in short-term loans payable	1,915	(1,693)
Proceeds from long-term loans payable	26,930	—
Repayment of long-term loans payable	(35,100)	(38,515)
Proceeds from issuance of bonds	10,000	—
Cash dividends paid	(3,475)	(3,470)
Finance lease principal payments	(485)	(455)
Other	(25)	(15)
Net cash provided by (used in) financing activities	(240)	(44,150)
Effect of exchange rate changes on cash and cash equivalents	(1,159)	(1,035)
Increase (decrease) in cash and cash equivalents	55,471	(54,411)
Cash and cash equivalents at beginning of year	84,002	112,510
Increase due to inclusion of certain subsidiaries in consolidation	32	5,454
Cash and cash equivalents at end of period	139,507	63,553

(Significant Subsequent Events)

Company Split Agreement concerning the Sales Function Integration in terms of Containerboard and Sack & General Purpose Kraft Paper Business Alliance with Tokushu Tokai Paper Co., Ltd. , and related agreements.

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 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 (hereinafter “the New Manufacturing Company”) and the integration of their sales functions of the Business (hereafter, the transactions stated above are collectively referred to as “the Business Alliance”).

1. Nippon Tokai Industrial Paper Supply Co., Ltd (New Sales Company)  
before the commencement of the Business Alliance On July 15, 2016, the Company established Nippon Tokai Industrial Paper Supply Co., Ltd (hereinafter “NTI”) as 100% owned subsidiary and acquired all of 200 issued ordinary shares. On October 1, 2016, the Company and Tokushu Tokai Paper transferred their rights and duties of their sales function on the Business to NTI through Absorption-type company split method. NTI as transferee issued 129,800 shares and allocated 84,300 shares to the Company and 45,500 shares to Tokushu Tokai Paper. As a result, the Company and Tokushu Tokai Paper have respectively owned 65% and 35% of the share of voting rights on NTI.

<Transaction under Common Control>

(1). Overview of the Transaction

(1) Business description	Sale of paper and paperboard
(2) Date combined	October 1, 2016
(3) Legal structure of the business combination	Absorption-type company split with the Company being the split company and NTI being the transferee.
(4) Company name after the business combination	Nippon Tokai Industrial Paper Supply Co., Ltd. (which is the Company’s consolidated subsidiary.)
(5) Other information	The Company and Tokushu Tokai Paper conduct this Business Alliance and integrate both sales function in order to strengthen the cost and quality competitiveness of the Shimada Mill and to establish an efficient sales structure and improve service levels in the Business while having mutually equal spirit.

(2). Implemented accounting methods

This will be treated as Transaction under common control based on “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, September 13, 2013)

<Business Combination due to acquisition>

(1). Overview of the Business Combination

(1) Name of counterpart	Tokushu Tokai Paper
(2) Business description	Sale of paper and paperboard
(3) Purpose of the business combination	The Company and Tokushu Tokai Paper conduct this Business Alliance and integrate both sales function in order to strengthen the cost and quality competitiveness of the Shimada Mill and to establish an efficient sales structure and improve service levels in the Business while having mutually equal spirit.
(4) Date combined	October 1, 2016
(5) Legal structure of the business combination	Absorption-type company split with Tokushu Tokai Paper being the split company and NTI being the successor.
(6) Company name after the business combination	Nippon Tokai Industrial Paper Supply Co., Ltd. (which is the Company’s consolidated subsidiary.)
(7) Reason why NTI acquired the share	It was decided that NTI is appropriate as the one which acquired the shares considering the relative percentage of voting rights owned by shareholders.

(2). The share’s historical cost and its breakdown of the seller

45,500 shares of NTI were issued, but the amount of consideration is not yet determined.

2. Shin Tokai Paper Co., Ltd. (New Manufacturing Company)

<Summary of the Share Undertaking Agreement>

(1) Issuer	Shin Tokai Paper Co., Ltd.
(2) Type and numbers of the subscribed shares	122,500 ordinary shares
(3) Total amount paid	6,250 million Japanese yen
(4) Payment date	October 1, 2016
(5) Shareholders and percentage owned	Tokushu Tokai Paper 65%, the Company 35%

## 2. Domestic unsecured corporate bonds for subscription

At the meeting of the Board of Directors of the Company held on August 3, 2016, the Company made the resolution in relation to domestic unsecured corporate bonds for subscription. The summary is as follows. President of the Company is authorized to decide necessary items within the scope described down below when the Company solicits persons who subscribe for the bonds.

- (1) Total amount of issue: maximum ¥30 billion (multiple issuances within this amount is allowed)
- (2) Interest rate: maximum 3.0% per annum
- (3) Maturity: from 3 years up to 20 years
- (4) Issue timing: from August 3, 2016 to August 1, 2017
- (5) Method of redemption: bullet repayment
- (6) Application of funds: capital investment, repayment of loans payable, etc.