

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018(unaudited)

Name of Company Listed: **Nippon Paper Industries Co., Ltd.**
 Stock Exchange Listings: Tokyo
 Code Number: 3863
 URL: <https://www.nipponpapergroup.com/english/>
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Planned date of Financial Report submission: November 13, 2018
 Planned date of the commencement of dividend payments: -
 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 2018 (April 1, 2018–September 30, 2018)

(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, 2018	525,515	2.3	11,776	131.1	13,063	92.1	-6,028	-
Six months ended September 30, 2017	513,882	8.2	5,096	-51.4	6,801	-49.6	5,105	-

Note: Comprehensive income

Six months ended September 2018	-2,944 million yen	(- %)
Six months ended September 2017	10,470 million yen	(- %)

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Six months ended September 30, 2018	-52.09	-
Six months ended September 30, 2017	44.12	-

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	1,411,047	438,332	30.4
As of March 31, 2018	1,429,892	443,398	30.6

Reference: Shareholders' equity As of September 30, 2018 429,473 million yen
As of March 31, 2018 437,024 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, 2018	—	30.00	—	30.00	60.00
Fiscal year ending March, 2019	—	0.00			
Fiscal year ending March, 2019 (Projection)			—	30.00	30.00

Note: Recent revisions to dividend projection /No

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2019 (April 1, 2018–March 31, 2019)

(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	1,080,000	3.2	20,000	13.5	23,000	23.3	-8,000	-	-69.13

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? /No
- [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, 2018 116,254,892 Shares
 - March 31, 2018 116,254,892 Shares
 - (ii) Number of treasury stock as of:
 - September 30, 2018 528,411 Shares
 - March 31, 2018 525,310 Shares
 - (iii) Average number of shares during the periods of:
 - Six months ended September 30, 2018 115,727,980 Shares
 - Six months ended September 30, 2017 115,735,413 Shares

* The quarterly review for quarterly consolidated financial statements is exempt.

*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 2018 (April 1, 2018–September 30, 2018)

Operating results by business segment are as follows:

Paper and Paperboard:

Consolidated net sales	¥363,675 million (down 0.4% year-on-year)
Consolidated operating income	¥ -2,538 million (-¥6,702 million for the same period of previous year)

Livelihood-Related:

Consolidated net sales	¥ 100,540 million (up 4.5% year-on-year)
Consolidated operating income	¥ 6,225 million (down 5.1% year-on-year)

Energy

Consolidated net sales	¥ 18,221 million (up 134.2% year-on-year)
Consolidated operating income	¥ 4,324 million (up 173.6% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥27,963 million (down 6.5% year-on-year)
Consolidated operating income	¥2,241 million (up 29.4% year-on-year)

2. Revisions to Projections for Consolidated Financial Results for the Fiscal Year Ending March 2019 (April 1, 2018–March 31, 2019)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previously announced projection (A)	Millions of yen 1,080,000	Millions of yen 25,000	Millions of yen 25,000	Millions of yen -18,000	Yen -155.54
Revised projection (B)	1,080,000	20,000	23,000	-8,000	-69.13
Change (B-A)	—	-5,000	-2,000	10,000	—
Rate of change (%)	—	-20.0	-8.0	—	—
(Reference)					
Fiscal Year Ended March 2018	1,046,499	17,613	18,649	7,847	67.80

The projections presented above are based on the information available at the time of announcement. Actual results may differ from the projection due to variety of factors.

3. Supplementary Financial Results Presentation Materials for the Six Months Ended September 30, 2018

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	59,003	43,583
Notes and accounts receivable-trade	220,766	225,526
Merchandise and finished goods	82,180	84,416
Work in process	17,176	21,484
Raw materials and supplies	66,541	66,973
Other	45,323	42,425
Allowance for doubtful receivables	(511)	(128)
Total current assets	490,479	484,280
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	499,132	502,125
Accumulated depreciation	(360,867)	(364,741)
Buildings and structures, net	138,264	137,384
Machinery, equipment and vehicles	2,224,884	2,220,659
Accumulated depreciation	(1,912,493)	(1,923,362)
Machinery, equipment and vehicles, net	312,390	297,296
Land	218,318	207,415
Construction in progress	15,721	24,699
Other	73,331	72,692
Accumulated depreciation	(40,099)	(40,519)
Other, net	33,232	32,172
Total property, plant and equipment	717,927	698,968
Intangible assets	13,868	12,393
Investments and other assets		
Investments in securities	178,550	187,205
Other	29,591	28,710
Allowance for doubtful receivables	(524)	(510)
Total investments and other assets	207,616	215,405
Total noncurrent assets	939,412	926,766
Total assets	1,429,892	1,411,047

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and account payable-trade	142,275	144,890
Short-term loans payable	288,063	258,304
Income taxes payable	1,968	2,506
Other	97,409	97,509
Total current liabilities	529,717	503,210
Long-term liabilities		
Bonds payable	60,000	60,000
Long-term loans payable	343,334	359,687
Allowance for environmental costs	314	309
Net defined benefit liability	12,925	12,858
Other	40,201	36,648
Total long-term liabilities	456,776	469,504
Total liabilities	986,493	972,714
Net assets		
Shareholders' equity		
Common stock	104,873	104,873
Capital surplus	216,420	216,414
Retained earnings	73,506	64,525
Treasury stock, at cost	(1,414)	(1,420)
Total shareholders' equity	393,386	384,393
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	23,243	28,991
Net deferred gain on hedges	(1,566)	1,291
Translation adjustments	23,338	16,935
Remeasurements of defined benefit plans	(1,376)	(2,139)
Total accumulated other comprehensive income	43,638	45,079
Non-controlling interests	6,373	8,859
Total net assets	443,398	438,332
Total liabilities and net assets	1,429,892	1,411,047

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

	(Millions of yen)	
	Six months ended September 2017	Six months ended September 2018
Net sales	513,882	525,515
Cost of sales	417,655	424,790
Gross profit	96,226	100,724
Selling, general and administrative expenses		
Freightage related expenses	33,162	32,399
Sales related expenses	26,437	25,085
Salaries and allowances	18,629	17,664
Other	12,900	13,798
Total selling, general and administrative expenses	91,129	88,948
Operating income	5,096	11,776
Other income		
Interest income	334	186
Dividend income	1,332	1,421
Equity in earnings of affiliates	4,408	5,046
Other	1,567	1,742
Total other income	7,642	8,395
Other expenses		
Interest expense	3,998	3,695
Other	1,939	3,413
Total other expenses	5,937	7,109
Ordinary income	6,801	13,063
Extraordinary income		
Gain on sales of non-current assets	800	415
Gain on sales of investment securities	867	146
Other	79	30
Total extraordinary income	1,747	592
Extraordinary loss		
Loss on reorganization of production structure	—	16,753
Loss on retirement of non-current assets	1,096	800
Other	2,727	2,724
Total extraordinary loss	3,823	20,277
Income before income taxes and minority interests in consolidated subsidiaries	4,725	(6,621)
Income taxes—current	430	1,244
Income taxes—deferred	886	(2,952)
Total income taxes	1,316	(1,707)
Profit (Loss)	3,408	(4,913)
Profit (Loss) attributable to non-controlling interests	(1,696)	1,114
Profit (Loss) attributable to owners of parent	5,105	(6,028)

- Consolidated Statements of Comprehensive Income -

(Millions of yen)

	Six months ended September 2017	Six months ended September 2018
Income before minority interests	3,408	(4,913)
Other comprehensive income		
Net unrealized holding gain (loss) on other securities	5,042	5,662
Net deferred gain (loss) on hedges	48	3,396
Translation adjustments	(386)	(5,274)
Remeasurements of defined benefit plans, net of tax	1,779	(671)
Share of other comprehensive income of affiliates accounted for using the equity method	577	(1,143)
Total other comprehensive income	7,061	1,969
Comprehensive income	10,470	(2,944)
(Details)		
Comprehensive income attributable to owners of parent	12,065	(4,587)
Comprehensive income attributable to non-controlling	(1,594)	1,643

(Significant Subsequent Events)

Sale of interests in company accounted for using equity method

At the meeting of the Board of Directors of the Company held on October 4, 2018, the Company and Daishowa North America Corporation, a wholly owned subsidiary of the Company, made the resolution to sell interests in Daishowa-Marubeni International Ltd. (hereinafter "DMI), the affiliated company accounted for using equity method, to Mercer International Inc., major market pulp player in the United States. The Company signed the agreement on October 4, 2018.

(1) Reason for sales

DMI, as a market pulp producer in North America, has been selling its product mainly in North American and Asian market over a long period of time. On the other hand, the Company has proactively been reviewing its business portfolio in view of "transforming the business structure". As a result, the Company has decided to sell its interests in DMI.

(2) Outline of the deal

(i) Buyer: Mercer International Inc.

(ii) Business description of the buyer: Manufacture and sale of market pulp and chemicals, Generation and sale of electricity

(iii) Date of signing: October 4, 2018

(iv) Date of closing: November 30, 2018 (scheduled date)

(v) Number of shares transferred: 6,125,000 shares

(vi) Sales price: C\$ 465million (Of total, C\$ 232 million attributable to the Company)

(vii) Stock ownership after the transfer: 0%

(3) Impact on consolidated financial results

As a result of this deal, the Company estimates approximately ¥6 billion of loss on sales of shares in subsidiaries and associates. This will be reported as an extraordinary loss for the 3rd quarter (October 1, 2018-December 31, 2018) of this fiscal year (April 1, 2018 -March 31, 2019).