

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019(unaudited)

Name of Company Listed: **Nippon Paper Industries Co., Ltd.**
 Stock Exchange Listings: Tokyo
 Code Number: 3863
 URL: <https://www.nipponpapergroup.com/english/>
 Representative: Toru Nozawa, President
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Planned date of Financial Report submission: November 13, 2019
 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 2019 (April 1, 2019–September 30, 2019)

(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, 2019	524,876	-0.1	15,195	29.0	15,361	17.6	9,645	-
Six months ended September 30, 2018	525,515	2.3	11,776	131.1	13,063	92.1	-6,028	-

Note: Comprehensive income

Six months ended September 2019	8,005 million yen	(- %)	
Six months ended September 2018	-2,944 million yen	(- %)	

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Six months ended September 30, 2019	83.35	-
Six months ended September 30, 2018	-52.09	-

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	1,363,155	398,090	28.5
As of March 31, 2019	1,390,814	395,343	27.7

Reference: Shareholders' equity As of September 30, 2019 388,502 million yen
As of March 31, 2019 385,158 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, 2019	—	0.00	—	30.00	30.00
Fiscal year ending March, 2020	—	10.00			
Fiscal year ending March, 2020 (Projection)			—	30.00	40.00

Note: Recent revisions to dividend projection /No

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2020 (April 1, 2019–March 31, 2020)

(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	1,070,000	0.1	30,000	52.9	28,000	17.1	13,000	-	112.34

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, 2019 116,254,892 Shares
 - March 31, 2019 116,254,892 Shares
 - (ii) Number of treasury stock as of:
 - September 30, 2019 535,243 Shares
 - March 31, 2019 531,879 Shares
 - (iii) Average number of shares during the periods of:
 - Six months ended September 30, 2019 115,721,434 Shares
 - Six months ended September 30, 2018 115,727,980 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.

<https://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 2019 (April 1, 2019–September 30, 2019)

Operating results by business segment are as follows:

Paper and Paperboard:

Consolidated net sales	¥359,992 million (down 1.0% year-on-year)
Consolidated operating income	¥ 3,644 million (The result for the same period of previous year was ¥-2,538 million)

Daily-life Products:

Consolidated net sales	¥ 105,204 million (up 4.6% year-on-year)
Consolidated operating income	¥ 4,542 million (down 27.0% year-on-year)

Energy

Consolidated net sales	¥ 16,256 million (down 10.8% year-on-year)
Consolidated operating income	¥ 3,156 million (down 27.0% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥28,484 million (up 1.9% year-on-year)
Consolidated operating income	¥2,521 million (up 12.5% year-on-year)

2. Revisions to Projections for Consolidated Financial Results for the Fiscal Year Ending March 2020 (April 1, 2019–March 31, 2020)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previously announced projection (A)	Millions of yen 1,120,000	Millions of yen 30,000	Millions of yen 28,000	Millions of yen 13,000	Yen 112.34
Revised projection (B)	1,070,000	30,000	28,000	13,000	112.34
Change (B-A)	-50,000	—	—	—	—
Rate of change (%)	-4.5	—	—	—	—
(Reference)					
Fiscal Year Ended March 2019	1,068,703	19,615	23,901	-35,220	-304.34

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, 2019

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	63,455	41,276
Notes and accounts receivable-trade	234,671	226,929
Merchandise and finished goods	87,025	88,153
Work in process	20,518	24,160
Raw materials and supplies	70,351	68,275
Other	39,933	40,312
Allowance for doubtful accounts	(550)	(549)
Total current assets	515,407	488,556
Non-current assets		
Property, plant and equipment		
Buildings and structures	504,094	503,803
Accumulated depreciation	(368,097)	(371,126)
Buildings and structures, net	135,997	132,677
Machinery, equipment and vehicles	2,217,462	2,221,912
Accumulated depreciation	(1,930,080)	(1,943,104)
Machinery, equipment and vehicles, net	287,382	278,807
Land	199,435	198,437
Construction in progress	22,096	33,383
Other	73,376	74,643
Accumulated depreciation	(40,674)	(41,134)
Other, net	32,701	33,509
Total property, plant and equipment	677,613	676,814
Intangible assets	11,137	9,989
Investments and other assets		
Investments in securities	159,198	160,139
Other	28,160	28,358
Allowance for doubtful accounts	(703)	(704)
Total investments and other assets	186,655	187,793
Total non-current assets	875,406	874,598
Total assets	1,390,814	1,363,155

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and account payable-trade	145,132	121,841
Short-term loans payable	224,227	202,510
Current portion of bonds	10,000	10,000
Commercial papers	—	30,000
Income taxes payable	5,156	3,472
Other	93,349	91,238
Total current liabilities	477,866	459,062
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	401,474	389,622
Provision for environmental measures	14,780	14,652
Net defined benefit liability	13,776	13,562
Other	37,571	38,165
Total non-current liabilities	517,603	506,002
Total liabilities	995,470	965,064
Net assets		
Shareholders' equity		
Capital stock	104,873	104,873
Capital surplus	216,414	216,414
Retained earnings	35,265	41,437
Treasury shares	(1,427)	(1,434)
Total shareholders' equity	355,125	361,290
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,274	21,495
Deferred gains or losses on hedges	(2,283)	(3,458)
Foreign currency translation adjustment	15,419	13,408
Remeasurements of defined benefit plans	(4,377)	(4,234)
Total accumulated other comprehensive income	30,033	27,211
Non-controlling interests	10,184	9,588
Total net assets	395,343	398,090
Total liabilities and net assets	1,390,814	1,363,155

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

(Millions of yen)

	Six months ended September 2018	Six months ended September 2019
Net sales	525,515	524,876
Cost of sales	424,790	421,234
Gross profit	100,724	103,642
Selling, general and administrative expenses		
Freightage related expenses	32,399	33,167
Sales related expenses	25,085	23,949
Salaries and allowances	17,664	17,513
Other	13,798	13,815
Total selling, general and administrative expenses	88,948	88,446
Operating income	11,776	15,195
Non-operating income		
Interest income	186	266
Dividend income	1,421	1,178
Share of profit of entities accounted for using equity method	5,046	2,335
Other	1,742	1,756
Total non-operating income	8,395	5,536
Non-operating expenses		
Interest expense	3,695	3,294
Other	3,413	2,076
Total non-operating expenses	7,109	5,370
Ordinary income	13,063	15,361
Extraordinary income		
Gain on sales of non-current assets	415	543
Other	177	80
Total extraordinary income	592	624
Extraordinary loss		
Loss on retirement of non-current assets	800	1,039
Loss on impairment	1,197	919
Loss on reorganization of production structure	16,753	—
Other	1,526	1,013
Total extraordinary loss	20,277	2,972
Profit (loss) before income taxes	(6,621)	13,013
Income taxes—current	1,244	2,249
Income taxes—deferred	(2,952)	(57)
Total income taxes	(1,707)	2,191
Profit(loss)	(4,913)	10,822
Profit attributable to non-controlling interests	1,114	1,176
Profit(loss) attributable to owners of parent	(6,028)	9,645

- Consolidated Statements of Comprehensive Income –

	(Millions of yen)	
	Six months ended September 2018	Six months ended September 2019
Profit (loss)	(4,913)	10,822
Other comprehensive income		
Valuation difference on available-for-sale securities	5,662	322
Deferred gains or losses on hedges	3,396	(89)
Foreign currency translation adjustment	(5,274)	(2,518)
Remeasurements of defined benefit plans	(671)	52
Share of other comprehensive income of entities accounted for using equity method	(1,143)	(584)
Total other comprehensive income	1,969	(2,816)
Comprehensive income	(2,944)	8,005
(Details)		
Comprehensive income attributable to owners of parent	(4,587)	6,822
Comprehensive income attributable to non-controlling interests	1,643	1,182

(Significant subsequent events)

Purchase of Orora Limited's paperboard fiber based, packaging business in Australia and New Zealand

We have reached an agreement with Orora Limited (Orora), a listed company of the Australian Securities Exchange, to purchase its paperboard fiber based, packaging business in Australia and New Zealand. The signing of the contract was resolved at the extraordinary meeting of the Board of Directors held on October 10, 2019.

(1) Purpose of the purchase

The Group has been positioning packaging, household tissue and healthcare, chemicals, energy, and wood-related business as its five key growth business fields. Particularly, in the packaging business, while aiming to expand the value chain from paperboard production to processing, we are looking for the opportunities of capital investment and M&A in Japan and overseas amidst the ongoing review of paper value as an environmentally friendly material.

In this business, Orora has established a high market share in Australia and New Zealand through the integrated business model combining its original wastepaper collecting system, state-of-the-art containerboard manufacturing equipment, highly automated corrugated plant and the provision of packaging-related materials and services.

Through the acquisition of this business, we will enter the integrated corrugated paperboard manufacturing business in the Oceania region and further develop the packaging business of the Group.

(2) Name, address, name and title of representative, amount of capital, and details of business

(i) Name: Orora Limited

(ii) Address: 109 Burwood Road, Hawthorn, Victoria 3122, Australia

(iii) Title and Name of Representative: Brian Lowe (Chief Executive Officer) and Stuart Hutton (Chief Financial Officer)

(iv) Capital: AUD 488 million

(v) Business: Production and sales of paper packages, glass, and aluminum packages and cans

(3) Main reasons for determining the acquiring company: Because it is a business transfer in exchange for cash.

(4) Content of the contract for the purchase

(i) Content of the business to be transferred: Paperboard packaging division of Orora's Australian and New Zealand businesses

(ii) Consideration for the Acquisition: AUD 1,720 million

(iii) Settlement method: Cash settlement

(iv) Schedule

Resolution date of extraordinary meeting of the Board of Directors: October 10, 2019

Contract date: October 10, 2019

Acquisition date: January 31, 2020 (planned)