

Summary of Consolidated Financial Results for the Fiscal Year Ended March 2020(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
Person in Charge of Contact:	Hikomichi Matoba, General Manager of Accounting & Budgeting Dept. TEL +81-(0)3-6665-1111
Planned date of Ordinary General Meeting of Shareholders:	June 25, 2020
Planned date of Financial Report submission:	June 25, 2020
Planned date of the commencement of dividend payments:	June 26, 2020
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 2020 (April 1, 2019–March 31, 2020)

(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 2020	1,043,912	-2.3	35,048	78.7	30,524	27.7	14,212	—
Fiscal Year ended March 2019	1,068,703	2.1	19,615	11.4	23,901	28.2	-35,220	—

Note: Comprehensive income

Fiscal Year ended March 2020	-1,946 million yen	(- %)
Fiscal Year ended March 2019	-45,838 million yen	(- %)

	Net income per share	Net income per share after adjusting for dilution	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal Year ended March 2020	122.89	—	3.7	2.2	3.4
Fiscal Year ended March 2019	-304.34	—	-8.6	1.7	1.8

Reference: Equity in earnings of affiliates

Fiscal Year ended March 2020	4,230 million yen
Fiscal Year ended March 2019	10,641 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, 2020	1,363,469	386,577	27.5	3,248.53
As of March 31, 2019	1,390,814	395,343	27.7	3,328.28

Reference: Shareholders' equity

As of March 31, 2020	375,232 million yen
As of March 31, 2019	385,158 million yen

(3) 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 2020	67,036	-70,113	-7,397	52,846
Fiscal year ended March 2019	59,760	-47,461	-6,720	63,455

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 2019	—	0.00	—	30.00	30.00	3,477	—	0.8
Fiscal year ended March 2020	—	10.00	—	30.00	40.00	4,636	32.6	1.2
Fiscal year ending March 2021 (Projection)	—	10.00	—	30.00	40.00		—	

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2021 (April 1, 2020–March 31, 2021)

Right now, the consumption and the economic activities are stagnated due to the impact of COVID-19. The influence is too unfathomable to predict when the pandemic wanes or how the price trends of fuels and raw materials fluctuate or when the demands in our products recover. In these circumstances, we realize that it is impossible for us to provide the sound projection of our business in this fiscal year at this moment and decided not to disclose it. When the right time comes, we will disclose our projection without delay.

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)? /Yes

New — (Company name:)
Eliminated — (Company name:) Daishowa North America Corporation

[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, 2020 116,254,892 Shares

March 31, 2019 116,254,892 Shares

(ii) Number of treasury shares as of:

March 31, 2020 746,679 Shares

March 31, 2019 531,879 Shares

(iii) Average number of shares during the periods of:

Fiscal year ended March 2020 115,656,889 Shares

Fiscal year ended March 2019 115,726,507 Shares

* This “Summary of Consolidated Financial Results” is not subject to auditing.

*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 Fiscal Year Ended March 2020 (April 1, 2019–March 31, 2020)

Operating results by business segment are as follows:

Paper and Paperboard:

Consolidated net sales	¥706,410 million (down 4.3% year-on-year)
Consolidated operating income	¥ 6,499 million (up from -¥8,057million for the same period of previous year)

Daily-life Products:

Consolidated net sales	¥ 210,545 million (up 4.4% year-on-year)
Consolidated operating income	¥ 12,623 million (up 9.2% year-on-year)

Energy

Consolidated net sales	¥ 33,003 million (down 8.9% year-on-year)
Consolidated operating income	¥ 6,795 million (down 14.2% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥61,622 million (up 3.1% year-on-year)
Consolidated operating income	¥5,904 million (up 20.6% year-on-year)

(Reference information)

1. Regarding the new coronavirus pandemic, we are assuming the huge impact on our Newsprint and Printing paper business. Given that the sluggish demand for Newsprint and Printing Paper continues at the present level all over the first half and then gradually recovers in the second half of this year, and other conditions described below, the consolidated operating income of Paper and Paperboard segment in this fiscal year ended March, 2021 is projected to be JPY 3,500 million, decreased by JPY 3,000 million from the previous year.

<Assumed conditions>

- Exchange rate: JPY 110 per USD
- Annual sales growth rate of the main domestic products (over the same period of previous year): Newsprint 85% , Printing paper 88%
- Price of waste papers: fluctuates at the current level
- Price of crude oil (Dubai): USD 50 per barrel
- price of coal (Australian coal benchmark price): USD 69 per ton

2. The acquisition of Orora's paperboard and packaging business in Australia and New Zealand

The acquisition was completed through our consolidated subsidiary, Paper Australia Pty Ltd (hereinafter Australian paper) on April 30, 2020. The acquired business is slated to be incorporated in the consolidated balance sheet in the second quarter of this fiscal year ended March, 2020. We incorporate the acquired business with Australian Paper into the newly established group, "Opal". Opal is classified in "Daily-life products business".

The amount of the acquisition-related expenses such as stamp tax is JPY 5,500 million and appropriated as a transient cost mainly in the second quarter of this fiscal year.

(Significant subsequent events)

Completion of purchase of Orora Limited's paperboard and fiber based packaging business in Australia and New Zealand

We sealed the acquisition contract with Orora Limited listed in Australia Stock Exchange Market (hereinafter Orora), and have completed the acquisition of its paperboard and packaging business in Australia and New Zealand through our consolidated subsidiary, Paper Australia Pty Ltd (hereinafter Australian paper) on April 30, 2020.

(1) Summary of the acquired business

- (i) Name of the partner company: Orora Limited
- (ii) Contents of the acquired business: Paperboard and package section in Australia and New Zealand of Orora
- (iii) The main reason of acquisition:

Our group is focusing on packaging, household paper and healthcare, chemical, energy, and wood products and construction related business as five growth business areas. Particularly in packaging business, the value of paper products is reevaluated as the eco-friendly materials and we have been searching for the opportunities to facilitate further development through investments and MA activities both in domestic and overseas market while expanding the value chain.

- (iv) Completion date of acquisition: April 30, 2020 (Australian time)
- (v) Legal form of the acquisition: Business purchase by cash
- (vi) The name of the company after the unification: Paper Australia Pty Ltd (business name: Opal)
- (vii) The main ground to verify the completion of acquisition: Because it is a business purchase in exchange for cash

(2) Provisions on calculation of purchase cost

- (i) Acquisition cost and means of purchase:

Means of purchase: by cash AUD 1,720 million
Acquisition cost: AUD 1,720 million

(Note) The acquisition cost will change because price adjustments are expected.

- (ii) Main acquisition-related expenses and amount of money:

It is estimated to be JPY 5,500 million for stamp tax and so forth.

(3) Provisions on the calculation of purchase cost

(i) The amount of assets, debt and the main items taken over on the completion date:

At present, it is not settled

(ii) When the most part of purchase cost is for intangible assets other than goodwill, the amount of money and the weighted average amortization period of the whole and each main intangible item:

At present, it is not settled.

(iii) The amount of and reasons for goodwill, method and period of amortization

At present, it is not settled.

(4) Financing and payment method

(i) Financial institution: Mizuho Bank Ltd.

(ii) The borrowed money ceiling: JPY 125 billion

(iii) Borrowing date: April 30, 2020

(iv) Interest rate: Variable rate in conjunction with TIBOR

(v) The last maturity date: March 26, 2021 (pre-due delivery available)

(vi) Collateral and warranty: No

1. Supplementary Financial Results Presentation Materials for the Fiscal Year Ended March 2019

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	63,455	52,846
Notes and accounts receivable-trade	234,671	228,178
Merchandise and finished goods	87,025	86,985
Work in process	20,518	19,087
Raw materials and supplies	70,351	65,715
Other	39,933	44,589
Allowance for doubtful accounts	(550)	(530)
Total current assets	515,407	496,871
Non-current assets		
Property, plant and equipment		
Buildings and structures	504,094	509,606
Accumulated depreciation	(368,097)	(373,790)
Buildings and structures, net	135,997	135,815
Machinery, equipment and vehicles	2,217,462	2,222,315
Accumulated depreciation	(1,930,080)	(1,946,441)
Machinery, equipment and vehicles, net	287,382	275,873
Land	199,435	197,676
Mountain forests and plantations	26,146	25,953
Construction in progress	22,096	37,803
Other	47,230	49,121
Accumulated depreciation	(40,674)	(41,719)
Other, net	6,555	7,401
Total property, plant and equipment	677,613	680,524
Intangible assets	11,137	8,996
Investments and other assets		
Investments in securities	159,198	155,891
Net defined benefit asset	6,215	1,095
Deferred tax assets	4,492	4,776
Other	17,452	15,975
Allowance for doubtful accounts	(703)	(662)
Total investments and other assets	186,655	177,077
Total non-current assets	875,406	866,598
Total assets	1,390,814	1,363,469

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and account payable-trade	145,132	120,593
Short-term loans payable	224,227	191,719
Current portion of bonds	10,000	15,000
Income taxes payable	5,156	5,363
Other	93,349	101,531
Total current liabilities	477,866	434,209
Non-current liabilities		
Bonds payable	50,000	35,000
Long-term loans payable	401,474	444,677
Deferred tax liabilities	27,600	18,569
Provision for environmental measures	14,780	14,947
Net defined benefit liability	13,776	18,361
Other	9,970	11,128
Total non-current liabilities	517,603	542,683
Total liabilities	995,470	976,892
Net assets		
Shareholders' equity		
Capital stock	104,873	104,873
Capital surplus	216,414	216,414
Retained earnings	35,265	44,847
Treasury shares	(1,427)	(1,838)
Total shareholders' equity	355,125	364,296
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,274	16,804
Deferred gains or losses on hedges	(2,283)	(7,631)
Foreign currency translation adjustment	15,419	14,095
Remeasurements of defined benefit plans	(4,377)	(12,332)
Total accumulated other comprehensive income	30,033	10,936
Non-controlling interests	10,184	11,344
Total net assets	395,343	386,577
Total liabilities and net assets	1,390,814	1,363,469

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

	(Millions of yen)	
	Fiscal Year ended March 2019	Fiscal Year ended March 2020
Net sales	1,068,703	1,043,912
Cost of sales	871,218	832,151
Gross profit	197,485	211,760
Selling, general and administrative expenses		
Freightage related expenses	66,169	65,811
Sales related expenses	49,571	47,802
Salaries and allowances	34,499	35,072
Other	27,629	28,025
Total selling, general and administrative expenses	177,870	176,711
Operating income	19,615	35,048
Non-operating income		
Interest income	444	454
Dividend income	2,066	1,732
Share of profit of entities accounted for using equity method	10,641	4,230
Rent income	1,465	1,308
Other	3,036	2,707
Total non-operating income	17,655	10,434
Non-operating expenses		
Interest expense	7,391	6,345
Foreign exchange losses	1,707	1,768
Other	4,269	6,845
Total non-operating expenses	13,368	14,958
Ordinary income	23,901	30,524
Extraordinary income		
Gain on liquidation of subsidiaries and affiliates	—	2,519
Gain on sales of non-current assets	1,987	790
Other	3,197	299
Total extraordinary income	5,185	3,609
Extraordinary loss		
Impairment loss	14,252	2,971
Loss on retirement of non-current assets	2,088	2,933
Loss on valuation of investment securities	625	2,562
Loss on reorganization of production structure	18,330	—
Provision for environmental measures	13,700	—
Other	7,733	4,018
Total extraordinary loss	56,730	12,485
Profit(loss) before income taxes	(27,644)	21,648
Income taxes—current	4,454	6,275
Income taxes—deferred	644	(1,745)
Total income taxes	5,098	4,530
Profit (Loss)	(32,742)	17,118
Profit (Loss) attributable to non-controlling interests	2,477	2,905
Profit (Loss) attributable to owners of parent	(35,220)	14,212

- Consolidated Statements of Comprehensive Income –

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year ended March 2019	Fiscal Year ended March 2020
Profit (loss)	(32,742)	17,118
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,718)	(4,221)
Deferred gains or losses on hedges	(189)	(6,125)
Foreign currency translation adjustment	(7,124)	(2,548)
Remeasurements of defined benefit plans	(3,000)	(7,781)
Share of other comprehensive income of entities accounted for using equity method	(1,062)	1,613
Total other comprehensive income	(13,096)	(19,064)
Comprehensive income	(45,838)	(1,946)
(Details)		
Comprehensive income attributable to owners of parent	(48,825)	(4,884)
Comprehensive income attributable to non-controlling interests	2,986	2,938

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year ended March 2019	Fiscal Year ended March 2020
Operating Activities		
Profit (loss) before income taxes	(27,644)	21,648
Depreciation	60,422	58,705
Amortization of goodwill	2,036	1,840
Increase (decrease) in allowance for doubtful accounts	100	(59)
Increase (decrease) in net defined benefit liability	(3,763)	(1,431)
Increase (decrease) in provision for environmental measures	14,466	166
Interest and dividend income	(2,511)	(2,187)
Interest expense	7,391	6,345
Share of loss(gain) of entities accounted for using equity method	(10,641)	(4,230)
Loss (gain) on sales of investment securities	(3,106)	(220)
Loss on valuation of investment securities	625	2,562
Loss (gain) on liquidation of subsidiaries and affiliates	—	(2,519)
Impairment loss	14,252	2,971
Loss on retirement of non-current assets	2,088	2,933
Loss on reorganization of production structure	18,330	—
Decrease (increase) in notes and accounts receivable - trade	(13,594)	6,231
Decrease (increase) in inventories	(11,821)	6,571
Increase (decrease) in notes and accounts payable - trade	2,633	(24,331)
Other	10,497	1,281
Subtotal	59,761	76,275
Interest and dividend income received	5,072	4,554
Interest expenses paid	(7,606)	(6,770)
Extra retirement payments	(389)	(166)
Income taxes (paid) refund	2,923	(6,856)
Net cash provided by (used in) operating activities	59,760	67,036
Investing Activities		
Purchases of noncurrent assets	(72,022)	(67,676)
Proceeds from sales of noncurrent assets	3,813	1,227
Purchase of investment securities	(1,294)	(1,191)
Proceeds from sales of investments securities	22,559	572
Payments for investments in capital of subsidiaries and affiliates	(1)	(977)
Payments for business withdrawal	(90)	—
Decrease (increase) in short-term loans receivable	413	(1,279)
Payments of long-term loans receivable	(699)	(849)
Collection of long-term loans receivable	130	104
Other	(270)	(43)
Net cash provided by (used in) investing activities	(47,461)	(70,113)

(Millions of yen)

	Fiscal Year ended March 2019	Fiscal Year ended March 2020
Financing Activities		
Increase (decrease) in short-term loans payable	(62,133)	(26,016)
Proceeds from long-term loans payable	129,239	106,978
Repayment of long-term loans payable	(70,030)	(69,838)
Redemption of bonds	—	(10,000)
Purchase of treasury shares	(13)	(411)
Proceeds from share issuance to non-controlling shareholders	660	—
Cash dividends paid	(3,480)	(4,634)
Dividends paid to non-controlling interests	(2)	(1,778)
Repayments of finance lease obligations	(959)	(1,684)
Other	(0)	(11)
Net cash provided by (used in) financing activities	(6,720)	(7,397)
Effect of exchange rate changes on cash and cash equivalents	(1,135)	(135)
Net increase (decrease) in cash and cash equivalents	4,443	(10,609)
Cash and cash equivalents at beginning of period	59,003	63,455
Increase in cash and cash equivalents from newly consolidated	8	—
Cash and cash equivalents at end of period	63,455	52,846