

November 5, 2020

Company name : Nippon Paper Industries Co.,Ltd.

Representative :Toru Nozawa, President

(Stock code :3863, First Section,TSE)

Withdrawal from Pulp and Paper Business at Kushiro Mill

Nippon Paper Industries Co., Ltd. (hereinafter “the Company”, headquartered in Chiyoda-ku, Tokyo) hereby announces that the Board of Directors resolved to withdraw from the pulp and paper business at Kushiro Mill at today’s meeting. Details are as follows.

1. Background and purpose

As one of the leading manufacturers of newsprint and printing paper, the Company has reduced approximately 760,000 tonnes of annual production capacity with the aim to achieve a proper balance between demand and supply during the period of the Sixth Medium-Term Business Plan (FY2019/3 – FY2021/3). On the other hand, domestic demand for newsprint and printing paper has been exacerbated by significant decreases due to stagnant economic activities in the backdrop of the spread of the COVID-19 in addition to structural demand decreases with the ongoing advancement of information technology.

In this environment, the Company has been implemented cost-reduction measures to improve profitability. However, it is expected that the decrease in demand for newsprint, printing paper and other types of paper will continue in the future. Accordingly, this withdrawal from the pulp and paper business at Kushiro Mill will be an action to optimize demand and supply balance and increase profitability. We are sorry for the inconvenience that this coming production curtailment may cause to our customers, suppliers and other relevant parties and appreciate your understanding as we take this measure.

2. Outline of withdrawal from pulp and paper business at Kushiro Mill

All paper machines and relevant facilities at Kushiro Mill will cease production in August 2021 and will be shut down in September 2021.

However, the Company will continue to conduct the energy sales business at the Mill in the future.

The Company plans to transfer the large part of products at Kushiro Mill to other machines across the Company and to outsource a part of its products to other companies.

The following machines planned to be shut down.

Venue	Equipment	Annual production capacity (1,000 tonnes)	Main products	Machine closure timing (planned)
Kushiro Mill	Paper machine No.6	104	Newsprint and kraft paper	Sep 2021
	Paper machine No.7	117	Newsprint and publication paper	Sep 2021

The Company’s employees (approximately 250) affected by this closure are planned to keep hired on the assumption that they will be transferred across our group.

3. The financial impact of withdrawal from pulp and paper business at Kushiro Mill

(1) Effect of fixed cost reductions

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|----------------------|--------------|
| • Labor cost | ¥2.5 billion |
| • Depreciation, etc. | ¥2.9 billion |

< Total> Approx. ¥5.4 billion

(2) Recording of extraordinary loss

In 1st half of the fiscal year ending March 31, 2021, non-current assets impairment losses of ¥5.0 billion and others are recorded as an extraordinary loss.

(3) Outlook for the future

The business forecast for the consolidated fiscal year ending March 31, 2021 remains unchanged from the forecast released on August 6, 2020. If it becomes necessary to revise the business forecast, the Company will make immediate disclosure.