

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2021 (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: August 12, 2021
 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 Three Months Ended June 2021 (April 1, 2021–June 30, 2021)

(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	%
Three months ended June 2021	250,460	11.9	4,828	13.5	3,536	–	1,871	–
Three months ended June 2020	223,821	-14.2	4,252	-41.8	-936	–	-3,791	–

Note: Comprehensive income

Three months ended June 2021	15,097 million yen	(– %)
Three months ended June 2020	-14,686 million yen	(– %)

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Three months ended June 30, 2021	16.20	–
Three months ended June 30, 2020	-32.83	–

Note: Nippon paper has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the current consolidated fiscal year. The Accounting Standard for Revenue Recognition has been accounted for in the consolidated financial results for the fiscal year ending in March 2022.

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	1,545,555	432,693	27.3
As of March 31, 2021	1,547,326	424,721	26.7

Reference: Shareholders' equity	As of June 30, 2021	421,612 million yen
	As of March 31, 2021	412,368 million yen

Note: Nippon paper has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the current consolidated fiscal year. The Accounting Standard for Revenue Recognition has been accounted for in the consolidated financial results for the fiscal year ending in March 2022.

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, 2021	—	10.00	—	30.00	40.00
Fiscal year ending March, 2022	—				
Fiscal year ending March, 2022 (Projection)		10.00	—	30.00	40.00

Note: Recent revisions to dividend projection /No

3. Projection of Consolidated Financial Results for the Fiscal Year Ending March 2022 (April 1, 2021–March 31, 2022)

(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	1,030,000	2.2	25,000	30.0	19,000	54.8	1,000	-68.7	8.66

Note: Recent revisions to projection of consolidated financial results / No

Note: Nippon paper has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the current consolidated fiscal year. The Accounting Standard for Revenue Recognition has been accounted for in the consolidated financial results for the fiscal year ending in March 2022.

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)? /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:
 June 30, 2021 116,254,892 Shares
 March 31, 2021 116,254,892 Shares
 (ii) Number of treasury stock as of:
 June 30, 2021 751,058 Shares
 March 31, 2021 750,237 Shares
 (iii) Average number of shares during the periods of:
 Three months ended June 2021 115,504,199 Shares
 Three months ended June 2020 115,507,872 Shares

*We introduced the "Board Benefit Trust (BBT)", and have included our shares held by this trust in treasury stock, which is deducted from the calculation of the number of treasury shares at the end of the period and the average number of shares during the period.

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

*Disclaimer regarding forward-looking statement and other remarks:

- 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.
- 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 Three Months Ended June 2021 (April 1, 2021–June 30, 2021)

Operating results by business segment are as follows:

Paper and Paperboard:

Consolidated net sales	¥ 131,133 million	(down 2.6% year-on-year)
Consolidated operating income	¥ 165 million	(The result for the same period of previous year was ¥-1,061 million)

Daily-life Products

Consolidated net sales	¥ 91,879 million	(up 45.2% year-on-year)
Consolidated operating income	¥ 1,417 million	(down 52.7% year-on-year)

Energy

Consolidated net sales	¥ 6,413 million	(down 15.8% year-on-year)
Consolidated operating income	¥ 491 million	(down 66.1% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥ 14,176 million	(up 14.1% year-on-year)
Consolidated operating income	¥ 1,879 million	(up 72.9% year-on-year)

(Reference information)

1. Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition, etc.)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020. Hereinafter “Revenue Recognition Standard”) and related guidelines have been adopted from the beginning of the current first quarter. In line with this adoption, revenue is recognized at the time of the transfer of controls for promised goods or services to customers in the amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

As a main change of the adoption of the new accounting standard, the compensation paid to some customers was previously recorded in selling, general and administrative expenses, but it has been changed to a method of reducing it from net sales. In addition, for certain transactions that qualify as an agent, the entire amount received as compensation from the customers was previously recognized as revenue, but now only the difference between the amount received from the customers and the amount paid to the supplier is recognized as revenue.

In adopting the Revenue Recognition Standard, in accordance with the transitional treatment set forth in the proviso of Article 84 of the Revenue Recognition Standard, the cumulative effect of retrospective application of the standards prior to the beginning of the current first quarter was added to or subtracted from retained earnings at the beginning of the current first quarter. The new accounting policy was applied from the beginning balance of the current first quarter.

As a result, for the period of current first quarter, net sales decreased by ¥12,708 million, cost of sales decreased by ¥6,573 million, selling, general and administrative expenses decreased by ¥6,118 million. Operating income, ordinary income, and profit before income taxes respectively decreased by ¥17 million. In addition, the balance of retained earnings at the beginning of the current first quarter decreased by ¥4 million.

2. Application of Accounting Standard for Fair Value Measurement, etc.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019. Hereinafter “Fair Value Measurement Standard”) and other standards have been adopted from the beginning of the current first quarter, and in accordance with the transitional treatment set forth in Article 19 of Fair Value Measurement Standard and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), Nippon paper will continue to apply new accounting policies prescribed by Fair Value Measurement Standard and other standards into the future. There are no impacts from these changes in the Quarterly Consolidated Financial Statements.

1. Supplementary Financial Results Presentation Materials for the Three Months Ended June 30, 2021

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	69,733	47,198
Notes and accounts receivable-trade	251,210	245,197
Merchandise and finished goods	84,596	90,661
Work in process	18,241	20,220
Raw materials and supplies	70,840	74,964
Other	39,993	45,995
Allowance for doubtful accounts	(851)	(878)
Total current assets	533,764	523,360
Non-current assets		
Property, plant and equipment		
Buildings and structures	535,112	537,990
Accumulated depreciation	(382,445)	(385,248)
Buildings and structures, net	152,666	152,742
Machinery, equipment and vehicles	2,325,630	2,344,022
Accumulated depreciation	(1,988,826)	(2,006,351)
Machinery, equipment and vehicles, net	336,803	337,670
Land	207,556	208,653
Construction in progress	35,275	32,822
Other	96,338	98,218
Accumulated depreciation	(46,628)	(47,833)
Other, net	49,710	50,385
Total property, plant and equipment	782,012	782,276
Intangible assets	24,710	24,759
Investments and other assets		
Investments in securities	161,375	163,779
Other	46,041	51,952
Allowance for doubtful accounts	(577)	(571)
Total investments and other assets	206,839	215,159
Total non-current assets	1,013,562	1,022,195
Total assets	1,547,326	1,545,555

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and account payable-trade	125,115	128,904
Short-term loans payable	199,009	215,559
Income taxes payable	3,799	1,625
Other	98,762	99,541
Total current liabilities	426,687	445,632
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term loans payable	574,846	547,719
Provision for environmental measures	14,223	14,115
Net defined benefit liability	12,790	13,034
Other	59,057	57,361
Total non-current liabilities	695,918	667,230
Total liabilities	1,122,605	1,112,862
Net assets		
Shareholders' equity		
Capital stock	104,873	104,873
Capital surplus	216,417	216,417
Retained earnings	42,672	39,403
Treasury shares	(1,839)	(1,840)
Total shareholders' equity	362,124	358,853
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,407	19,488
Deferred gains or losses on hedges	140	1,062
Foreign currency translation adjustment	22,160	37,118
Remeasurements of defined benefit plans	4,536	5,089
Total accumulated other comprehensive income	50,244	62,759
Non-controlling interests	12,352	11,080
Total net assets	424,721	432,693
Total liabilities and net assets	1,547,326	1,545,555

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

Consolidated Statements of Operations

(Millions of yen)

	Three months ended June 2020	Three months ended June 2021
Net sales	223,821	250,460
Cost of sales	178,691	206,100
Gross profit	45,129	44,360
Selling, general and administrative expenses		
Freightage related expenses	14,640	17,878
Sales related expenses	10,223	2,875
Salaries and allowances	9,189	11,435
Other	6,823	7,342
Total selling, general and administrative expenses	40,877	39,532
Operating income	4,252	4,828
Non-operating income		
Interest income	53	39
Dividend income	1,039	962
Share of profit of entities accounted for using equity method	392	915
Other	751	700
Total non-operating income	2,236	2,617
Non-operating expenses		
Interest expense	1,590	1,875
Exchange loss	3,346	915
Other	2,488	1,117
Total non-operating expenses	7,426	3,908
Ordinary income	(936)	3,536
Extraordinary income		
Gain on sales of investment securities	862	5,003
Other	68	15
Total extraordinary income	930	5,018
Extraordinary loss		
Loss on disaster	—	2,210
Impairment loss	—	1,317
Loss on fixed asset retirement	465	606
Loss on infectious diseases-related	266	—
Other	89	1,354
Total extraordinary loss	821	5,489
Profit (loss) before income taxes	(827)	3,066
Income taxes-current	1,203	1,476
Income taxes-deferred	919	(939)
Total income taxes	2,123	537
Profit(loss)	(2,950)	2,529
Profit(loss) attributable to non-controlling interests	841	657
Profit(loss) attributable to owners of parent	(3,791)	1,871

- Consolidated Statements of Comprehensive Income -

	(Millions of yen)	
	Three months ended June 2020	Three months ended June 2021
Profit (loss)	(2,950)	2,529
Other comprehensive income		
Valuation difference on available-for-sale securities	3,287	(3,511)
Deferred gains or losses on hedges	3,302	407
Foreign currency translation adjustment	(17,235)	14,431
Remeasurements of defined benefit plans	266	503
Share of other comprehensive income of entities accounted for using equity method	(1,356)	736
Total other comprehensive income	(11,735)	12,568
Comprehensive income	(14,686)	15,097
(Details)		
Comprehensive income attributable to owners of parent	(15,469)	14,386
Comprehensive income attributable to non-controlling interests	782	711

(Significant Subsequent Events)

At the meeting of the Board of Directors of the Company held on August 5, 2021, 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 ¥50 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 5, 2021 to August 1, 2022
- (5) Method of redemption: bullet repayment
- (6) Application of funds: capital investment, repayment of loans payable, etc.