

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021(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:	February 10, 2022
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 Nine Months Ended December 2021 (April 1, 2021–December 31, 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	%
Nine months ended December 31, 2021	773,976	4.8	10,423	-2.6	11,285	279.3	2,387	2.2
Nine months ended December 31, 2020	738,867	-5.8	10,697	-51.1	2,975	-85.4	2,336	-77.5

Note: Comprehensive income

Nine months ended December 2021 14,101 million yen (27.5%)

Nine months ended December 2020 11,057 million yen (-15.5%)

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Nine months ended December 31, 2022	20.67	—
Nine months ended December 31, 2021	20.22	—

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 figures for the third quarter of the fiscal year ending March 31, 2022 are after the application of the relevant accounting standards.

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	1,598,748	430,603	26.2
As of March 31, 2021	1,547,326	424,721	26.7

Reference: Shareholders' equity As of December 31, 2021 419,133 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 figures for the third quarter of the fiscal year ending March 31, 2022 are after the application of the relevant accounting standards.

2. Dividend Status

	Dividends per share				
	1 st quarter end	2 nd quarter end	3 rd quarter end	End of fiscal year	Annual
Fiscal year ended March, 2021	Yen —	Yen 10.00	Yen —	Yen 30.00	Yen 40.00
Fiscal year ending March, 2022	—	10.00	—		
Fiscal year ending March, 2022 (Projection)				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	14,000	-27.2	14,000	14.0	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. Consolidated financial forecasts for the fiscal year ending March 31, 2022 are after the application of the relevant accounting standards.

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:

December 31, 2021 116,254,892 Shares

March 31, 2021 116,254,892 Shares

(ii) Number of treasury stock as of:

December 31, 2021 719,687 Shares

March 31, 2021 750,237 Shares

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

Nine months ended December 31, 2021 115,523,110 Shares

Nine months ended December 31, 2020 115,508,898 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:

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 Nine Months Ended September 2021 (April 1, 2021–December 31, 2021)

Operating results by business segment are as follows:

Paper and Paperboard:

Consolidated net sales	¥ 396,037 million	(down 6.0% year-on-year)
Consolidated operating income	¥ -2,221 million	(The result for the same period of previous year was ¥ -170 million)

Daily-life Products

Consolidated net sales	¥ 288,015 million	(up 24.0% year-on-year)
Consolidated operating income	¥ 3,232 million	(down 51.9% year-on-year)

Energy

Consolidated net sales	¥ 22,743 million	(down 5.5% year-on-year)
Consolidated operating income	¥ 1,292 million	(down 75.0% year-on-year)

Wood Products and Construction Related:

Consolidated net sales	¥ 45,459 million	(up 9.4% year-on-year)
Consolidated operating income	¥ 5,551 million	(up 44.5% 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 third quarter, net sales decreased by ¥51,650 million, cost of sales decreased by ¥29,130 million, selling, general and administrative expenses decreased by ¥22,502million. 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.

In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the third quarter of the previous consolidated fiscal year is not shown.

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 Nine Months Ended December 31, 2021

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	69,733	68,640
Notes and accounts receivable-trade	251,210	271,524
Merchandise and finished goods	84,596	93,174
Work in process	18,241	22,404
Raw materials and supplies	70,840	81,040
Other	39,993	47,536
Allowance for doubtful accounts	(851)	(851)
Total current assets	533,764	583,470
Non-current assets		
Property, plant and equipment		
Buildings and structures	535,112	538,896
Accumulated depreciation	(382,445)	(389,651)
Buildings and structures, net	152,666	149,245
Machinery, equipment and vehicles	2,325,630	2,341,120
Accumulated depreciation	(1,988,826)	(2,016,567)
Machinery, equipment and vehicles, net	336,803	324,552
Land	207,556	208,177
Construction in progress	35,275	38,583
Other	96,338	99,247
Accumulated depreciation	(46,628)	(50,627)
Other, net	49,710	48,620
Total property, plant and equipment	782,012	769,179
Intangible assets	24,710	23,091
Investments and other assets		
Investments in securities	161,375	179,784
Other	46,041	43,794
Allowance for doubtful accounts	(577)	(571)
Total investments and other assets	206,839	223,007
Total non-current assets	1,013,562	1,015,278
Total assets	1,547,326	1,598,748

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and account payable-trade	125,115	155,763
Short-term loans payable	199,009	201,207
Income taxes payable	3,799	901
Other	98,762	96,747
Total current liabilities	426,687	454,620
Non-current liabilities		
Bonds payable	35,000	50,000
Long-term loans payable	574,846	580,176
Provision for environmental measures	14,223	13,042
Net defined benefit liability	12,790	12,770
Other	59,057	57,535
Total non-current liabilities	695,918	713,524
Total liabilities	1,122,605	1,168,144
Net assets		
Shareholders' equity		
Capital stock	104,873	104,873
Capital surplus	216,417	216,417
Retained earnings	42,672	38,761
Treasury shares	(1,839)	(1,777)
Total shareholders' equity	362,124	358,274
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,407	21,939
Deferred gains or losses on hedges	140	3,263
Foreign currency translation adjustment	22,160	29,090
Remeasurements of defined benefit plans	4,536	6,565
Total accumulated other comprehensive income	50,244	60,859
Non-controlling interests	12,352	11,469
Total net assets	424,721	430,603
Total liabilities and net assets	1,547,326	1,598,748

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

	(Millions of yen)	
	Nine months ended December 2020	Nine months ended December 2021
Net sales	738,867	773,976
Cost of sales	592,944	642,994
Gross profit	145,922	130,982
Selling, general and administrative expenses		
Freightage related expenses	45,762	55,462
Sales related expenses	32,192	8,668
Salaries and allowances	30,243	34,327
Other	27,026	22,099
Total selling, general and administrative expenses	135,224	120,558
Operating income	10,697	10,423
Non-operating income		
Interest income	134	116
Dividend income	1,596	1,575
Share of profit of entities accounted for using equity method	3,429	6,208
Other	2,485	2,569
Total non-operating income	7,646	10,469
Non-operating expenses		
Interest expense	5,406	5,518
Exchange loss	4,512	—
Other	5,449	4,090
Total non-operating expenses	15,368	9,608
Ordinary income	2,975	11,285
Extraordinary income		
Gain on sales of investment securities	14,540	6,515
Other	257	63
Total extraordinary income	14,797	6,578
Extraordinary loss		
Loss on disaster	705	2,835
Loss on business withdrawal	—	2,010
Loss on fixed asset retirement	1,904	1,771
Impairment loss	5,288	1,468
Other	1,516	1,433
Total extraordinary loss	9,414	9,519
Profit before income taxes	8,358	8,345
Income taxes-current	3,664	3,360
Income taxes-deferred	86	1,326
Total income taxes	3,751	4,687
Profit	4,607	3,658
Profit attributable to non-controlling interests	2,271	1,270
Profit attributable to owners of parent	2,336	2,387

- Consolidated Statements of Comprehensive Income -

	(Millions of yen)	
	Nine months ended December 2020	Nine months ended December 2021
Profit	4,607	3,658
Other comprehensive income		
Valuation difference on available-for-sale securities	1,281	(989)
Deferred gains or losses on hedges	4,330	1,671
Foreign currency translation adjustment	2,065	7,732
Remeasurements of defined benefit plans	768	1,884
Share of other comprehensive income of entities accounted for using equity method	(1,994)	144
Total other comprehensive income	6,450	10,443
Comprehensive income	11,057	14,101
(Details)		
Comprehensive income attributable to owners of parent	8,904	13,002
Comprehensive income attributable to non-controlling interests	2,153	1,099