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[Updated] Consolidated Financial Results for the Three Months Ended June 30, 2017 [Japanese GAAP]

September 22, 2017

Company name: JAPAN PULP & PAPER CO., LTD.

Stock exchange listing: Tokyo

Code number: 8032

URL: <https://www.kamipa.co.jp/>

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Scheduled date of filing quarterly securities report: August 10, 2017

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2017 (April 01, 2017 to June 30, 2017)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|----------------------------------|-------------|-------|------------------|------|-----------------|------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2017 | 122,308 | 2.5 | 2,282 | 55.0 | 2,495 | 38.3 | 2,565 | 157.8 |
| June 30, 2016 | 119,326 | (5.9) | 1,472 | 1.7 | 1,804 | 3.5 | 995 | (39.5) |

(Note) Comprehensive income: Three months ended June 30, 2017: ¥ 4,331 million [-%]
 Three months ended June 30, 2016: ¥ (469) million [-%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| June 30, 2017 | 17.53 | 17.43 |
| June 30, 2016 | 7.24 | 7.19 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|----------------|--------------|-------------|------------------------|
| As of | Million yen | Million yen | % |
| June 30, 2017 | 298,207 | 88,264 | 28.0 |
| March 31, 2017 | 287,863 | 80,784 | 26.4 |

(Reference) Equity: As of June 30, 2017: ¥ 83,545 million
 As of March 31, 2017: ¥ 76,093 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2017 | - | 5.00 | - | 5.00 | 10.00 |
| Fiscal year ending March 31, 2018 | - | | | | |
| Fiscal year ending March 31, 2018 (Forecast) | | 5.00 | - | 50.00 | - |

(Note) Revision to the forecast for dividends announced most recently: No

* As the Company plans to conduct a consolidation of shares in which 10 shares of common shares are consolidated into one share with an effective date of October 1, 2017, the amount shown as the year-end dividend per share for the fiscal year ending March 31, 2018 (forecast) factors in the effect of the said consolidation of shares, and the total annual dividend is shown as “-.” Without factoring in the consolidation of shares, the year-end dividend per share for the fiscal year ending March 31, 2018 (forecast) would be 5.00 yen, and the annual dividend per share would be 10.00 yen. For details, please see “Explanation of the proper use of financial results forecast and other notes.”

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018(April 01, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|-----|------------------|------|-----------------|-----|---|-------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 530,000 | 8.0 | 9,500 | 14.8 | 9,000 | 9.9 | 5,200 | (2.9) | 355.68 |

(Note) Revision to the financial results forecast announced most recently: No

* Net income per share for the full-year consolidated financial results forecast for the fiscal year ending March 31, 2018 factors in the effect of the consolidation of shares. For details, please see “Explanation of the proper use of financial results forecast and other notes.”

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2017

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2017: 150,215,512 shares

March 31, 2017: 150,215,512 shares

2) Total number of treasury shares at the end of the period:

June 30, 2017: 3,802,406 shares

March 31, 2017: 14,106,206 shares

3) Average number of shares during the period:

Three months ended June 30, 2017: 146,305,258 shares

Three months ended June 30, 2016: 137,446,019 shares

*Quarterly financial results reports are not required to be subjected to quarterly reviews.

* Explanation of the proper use of financial results forecast and other notes.

(Note Concerning Forward-Looking Statements)

The forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may significantly differ from these forecasts due to various factors.

(Dividend and financial results forecast after the consolidation of shares)

At the 155th Ordinary General Meeting of Shareholders held on June 28, 2017, the change in the number of shares per share unit and the consolidation of shares were approved and resolved. Accordingly, the Company plans to change the number of shares per share unit from 1,000 shares to 100 shares and consolidate 10 shares of common shares into one share with an effective date of October 1, 2017. The dividend forecast and consolidated financial results forecast for the fiscal year ending March 31, 2018 converted to the basis before factoring in the consolidation of shares are as follows.

1. Dividend forecast for the fiscal year ending March 31, 2018

Dividend per share

Second quarter-end 5.00 yen (Note 1)

Year-end 5.00 yen (Note 2)

2. Full-year consolidated financial results forecast for the fiscal year ending March 31, 2018

Net income per share Full-year 35.57 yen

(Note 1) The dividend at the second quarter-end will be paid out to the number of shares prior to the consolidation of shares.

(Note 2) Dividend amount converted to the basis before factoring in the consolidation of shares.

(Note 3) The annual dividend for the fiscal year ending March 31, 2018 (before factoring in the consolidation of shares) would be 10.00 yen.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31,2017 | As of June 30,2017 |
|---------------------------------------|---------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,157 | 6,389 |
| Notes and accounts receivable - trade | 122,764 | 123,840 |
| Inventories | 26,080 | 24,346 |
| Other | 6,103 | 6,475 |
| Allowance for doubtful accounts | (1,694) | (1,708) |
| Total current assets | 159,410 | 159,342 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 33,238 | 34,139 |
| Land | 25,984 | 32,391 |
| Other, net | 29,116 | 29,412 |
| Total property, plant and equipment | 88,339 | 95,942 |
| Intangible assets | | |
| Goodwill | 284 | 251 |
| Other | 1,889 | 1,905 |
| Total intangible assets | 2,173 | 2,155 |
| Investments and other assets | | |
| Investment securities | 32,468 | 35,130 |
| Other | 8,332 | 8,436 |
| Allowance for doubtful accounts | (2,928) | (2,866) |
| Total investments and other assets | 37,871 | 40,701 |
| Total non-current assets | 128,382 | 138,798 |
| Deferred assets | 71 | 67 |
| Total assets | 287,863 | 298,207 |

(Million yen)

| | As of March 31,2017 | As of June 30,2017 |
|---|---------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 88,683 | 89,068 |
| Short-term loans payable | 40,841 | 42,821 |
| Current portion of long-term loans payable | 2,896 | 3,976 |
| Commercial papers | 10,000 | 7,000 |
| Income taxes payable | 1,471 | 1,008 |
| Provision | 1,785 | 1,091 |
| Other | 7,959 | 8,258 |
| Total current liabilities | 153,634 | 153,221 |
| Non-current liabilities | | |
| Bonds payable | 20,000 | 20,000 |
| Long-term loans payable | 24,805 | 26,327 |
| Provision | 83 | 771 |
| Net defined benefit liability | 4,797 | 4,951 |
| Other | 3,759 | 4,673 |
| Total non-current liabilities | 53,444 | 56,722 |
| Total liabilities | 207,079 | 209,943 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 16,649 | 16,649 |
| Capital surplus | 14,685 | 15,029 |
| Retained earnings | 43,478 | 45,362 |
| Treasury shares | (4,706) | (1,236) |
| Total shareholders' equity | 70,105 | 75,804 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,652 | 8,423 |
| Deferred gains or losses on hedges | (5) | 158 |
| Foreign currency translation adjustment | 631 | 420 |
| Remeasurements of defined benefit plans | (1,291) | (1,259) |
| Total accumulated other comprehensive income | 5,987 | 7,741 |
| Subscription rights to shares | 265 | 217 |
| Non-controlling interests | 4,426 | 4,501 |
| Total net assets | 80,784 | 88,264 |
| Total liabilities and net assets | 287,863 | 298,207 |

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

| | For the three months ended June 30,2016 | For the three months ended June 30,2017 |
|---|--|--|
| Net sales | 119,326 | 122,308 |
| Cost of sales | 107,710 | 108,793 |
| Gross profit | 11,615 | 13,515 |
| Selling, general and administrative expenses | 10,143 | 11,233 |
| Operating profit | 1,472 | 2,282 |
| Non-operating income | | |
| Interest income | 15 | 16 |
| Dividend income | 332 | 355 |
| Share of profit of entities accounted for using equity method | 154 | 90 |
| Other | 182 | 128 |
| Total non-operating income | 682 | 589 |
| Non-operating expenses | | |
| Interest expenses | 304 | 334 |
| Other | 47 | 41 |
| Total non-operating expenses | 351 | 375 |
| Ordinary profit | 1,804 | 2,495 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 4 | 788 |
| Gain on bargain purchase | - | 492 |
| Gain on sales of investment securities | - | 68 |
| Subsidy income | 155 | - |
| Total extraordinary income | 158 | 1,348 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 50 | 94 |
| Loss on sales of investment securities | - | 3 |
| Loss on change in equity | 151 | - |
| Loss on liquidation of subsidiaries and associates | 39 | - |
| Loss on valuation of investment securities | 10 | - |
| Other | 37 | - |
| Total extraordinary losses | 287 | 97 |
| Profit before income taxes | 1,675 | 3,747 |
| Income taxes - current | 276 | 605 |
| Income taxes - deferred | 313 | 403 |
| Total income taxes | 588 | 1,008 |
| Profit | 1,087 | 2,739 |
| Profit attributable to non-controlling interests | 92 | 174 |
| Profit attributable to owners of parent | 995 | 2,565 |

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Million yen)

| | For the three months ended June 30,2016 | For the three months ended June 30,2017 |
|--|--|--|
| Profit | 1,087 | 2,739 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,306) | 1,631 |
| Deferred gains or losses on hedges | 3 | 162 |
| Foreign currency translation adjustment | (249) | (393) |
| Remeasurements of defined benefit plans, net of tax | 22 | 31 |
| Share of other comprehensive income of entities accounted for using equity method | (25) | 160 |
| Total other comprehensive income | (1,556) | 1,592 |
| Comprehensive income | (469) | 4,331 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (539) | 4,319 |
| Comprehensive income attributable to non-controlling interests | 70 | 12 |

Information related to net sales, profit (loss) by reportable segment

1. Three-month period ended June 30, 2016 (consolidated)

(Millions of yen)

| | Reportable Segments | | | | | Total | Adjustments | To Quarterly consolidated financial statements of income |
|------------------------------|---------------------|-----------------------|----------------------------------|-------------------------|---------------------|---------|-------------|--|
| | Japan Wholesaling | Non-Japan Wholesaling | Paper Manufacturing & Processing | Resources & Environment | Real Estate Leasing | | | |
| Net sales | | | | | | | | |
| Sales to external customers | 71,740 | 35,397 | 5,140 | 6,349 | 699 | 119,326 | — | 119,326 |
| Intersegment sales/transfers | 2,158 | 85 | 5,930 | 1,560 | 28 | 9,761 | (9,761) | — |
| Total | 73,897 | 35,482 | 11,070 | 7,909 | 728 | 129,087 | (9,761) | 119,326 |
| Segment income (loss) | 1,180 | 246 | 550 | 14 | 129 | 2,119 | (315) | 1,804 |

(Notes)

1. Segment income (loss) is adjusted with ordinary income in the Quarterly Consolidated Statement of Income.
2. Adjustments in segment income (loss) include corporate expenses that are not allocated to each relevant business segment.

2. Three-month period ended June 30, 2017 (consolidated)

(Millions of yen)

| | Reportable Segments | | | | | Total | Adjustments | To Quarterly consolidated financial statements of income |
|------------------------------|---------------------|-----------------------|----------------------------------|-------------------------|---------------------|---------|-------------|--|
| | Japan Wholesaling | Non-Japan Wholesaling | Paper Manufacturing & Processing | Resources & Environment | Real Estate Leasing | | | |
| Net sales | | | | | | | | |
| Sales to external customers | 71,853 | 34,024 | 5,498 | 10,229 | 704 | 122,308 | — | 122,308 |
| Intersegment sales/transfers | 2,133 | 57 | 6,326 | 1,972 | 27 | 10,515 | (10,515) | — |
| Total | 73,986 | 34,081 | 11,824 | 12,200 | 730 | 132,822 | (10,515) | 122,308 |
| Segment income (loss) | 1,132 | 309 | 587 | 844 | 151 | 3,023 | (527) | 2,495 |

(Notes)

1. Segment income (loss) is adjusted with ordinary income in the Quarterly Consolidated Statement of Income.
2. Adjustments in segment income (loss) include corporate expenses that are not allocated to each relevant business segment.