

## Additional Recording of Extraordinary Losses by Nippon Paper Industries —Stronger Downward Pressure on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Nippon Paper Industries Co., Ltd. (security code: 3863)'s announcements on its recording of extraordinary losses and downward revisions to the earnings forecasts.

- (1) Nippon Paper Industries Co., Ltd. (the "Company") announced today the recording of extraordinary losses for the 3rd quarter of the fiscal year ending March 2019 (FY2018) and downward revision to the forecasts for the financial results for FY2018. The extraordinary losses consist of PCB waste processing cost amounting 13.7 billion yen and impairment loss on fixed assets in the newspaper business amounting 12.6 billion yen. These losses will expand its net loss to 40 billion yen for FY2018.
- (2) In line with its medium-term management plan announced in May 2018, the Company is reorganizing production system of its domestic paper business. Up to the 2nd quarter of FY2018, it had already recorded an extraordinary loss of 20.2 billion yen including restructuring charges amounting 16.7 billion yen. The additional extraordinary losses this time exceed JCR's assumption, and the net loss of 40 billion yen will have an impact on the financial structure.
- (3) The impairment loss on the fixed assets in the newspaper business is due to disposal of business assets, of which recoverability lowered. The Company did not incorporate these kinds of impairment losses into the domestic paper related measures in the medium-term management plan, and JCR therefore considers that such events will make downward pressure on the rating stronger. JCR will carefully examine the Company's business performance and financial structure going forward based on trend of improvement of profitability of its domestic paper business through measures such as reorganization of production system and profit optimization by revising prices and will reflect these developments in the rating.

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### <Reference>

Issuer: Nippon Paper Industries Co., Ltd.

Long-term Issuer Rating: A Outlook: Stable

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