

Errata

A number of changes have arisen since our AR 2011 was printed. The following is a list of corrects. We apologize for these errors and regret any inconvenience they may have caused.

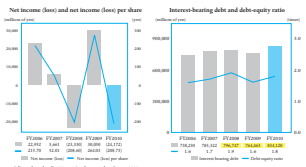
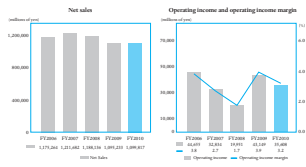
Page	error	correct
6	784,333	796,747
	762,899	764,463
	3.9	4.0
7	832,347	834,120
	10,028,277	10,049,639
	26.3	25.9
	784,333	796,747
	762,899	764,463
	832,347	834,120
25	832.3	834.1
	69.4	69.7
63	784,333	796,747
	762,899	764,463
	832,347	834,120
	10,028,277	10,049,639
	42.53	42.13
	3.9	4.0
65	784,333	796,747
	762,899	764,463
	832,347	834,120
	3.9	4.0
	9.3	9.5

Consolidated Financial Highlights

Nippon Paper Group Inc.

	Millions of yen		Thousands of US dollars	
	Fiscal 2008 April 1, 2008 - March 31, 2009	Fiscal 2009 ¹⁾ April 1, 2009 - March 31, 2010	Fiscal 2010 April 1, 2010 - March 31, 2011	Fiscal 2010 April 1, 2010 - March 31, 2011
Net sales	¥ 1,188,156	¥ 1,091,233	\$ 1,126,837	\$ 1,126,837
Operating income	19,971	41,149	21,489	42,612
Ordinary income	17,868	37,407	18,389	38,211
Net income (loss)	(23,130)	30,079	(24,172)	(2,291,229)
Total assets	1,492,227	1,509,240	1,466,702	18,402,213
Net assets	543,751	519,979	496,742	6,674,843
Interest-bearing debt ²⁾	786,747	704,463	1,044,238	10,649,238
Net income (loss) per share ³⁾	(206.46)	344.03	(208.75)	13.46
Cash dividend per share ⁴⁾	80.00	80.00	80.00	8.72
Operating income margin (%)	1.7	3.9	2.2	
Returns on equity (ROE) (%) ⁵⁾	(9.4)	7.0	(14.6)	
Returns on invested capital (ROIC) (%) ⁶⁾	2.4	4.0	3.1	
Equity ratio (%) ⁷⁾	37.0	34.4	33.9	
Returns on assets (ROA) (%) ⁸⁾	1.9	2.2	1.5	
Number of employees	13,088	13,210	13,834	

1) Amounts in US dollars are included solely for convenience and are translated at a rate of 100:113.10.
 2) The approximation rate of exchange on March 31, 2011.
 3) Interest-bearing debt = (Short-term borrowings + Long-term debt).
 4) 2010 stock split was implemented on January 4, 2009.
 5) Returns on equity (ROE) = Average shareholder equity and valuation, translation adjustments and other ÷ Net income (loss).
 6) Returns on invested capital (ROIC) = (Ordinary income + Income taxes) ÷ (Shareholder equity and valuation, translation adjustments and other - Interest-bearing debt) × 100.
 7) Returns on assets (ROA) = (Ordinary income + Interest expense) ÷ Total assets × 100.
 8) Net income (loss) ÷ Average shareholder equity and valuation, translation adjustments and other × 100.



04 How are your overseas businesses doing? Has the earthquake prompted any changes?

Our direction in the overseas business remains unchanged. To reach our Group Vision 2013 goal of being one of the top five pulp and paper groups worldwide, we need to secure stable earnings at domestic businesses and achieve substantial growth in our overseas businesses. Higher earnings at Australian Paper, stronger partnerships with Yuan Foong Yu Paper Manufacturing and Lee & Man Paper Manufacturing, and growth in Asia and Oceania as a principal production and consumption region all contribute to profit growth at Nippon Paper Group.

Overseas businesses

Lee & Man

Paper mill, China 4
Capacity: 4,550t/yr



YFY Cayman

Converting box plant, China 1, Vietnam 1
Capacity: 1,400t/yr
Paper mill, China 1, Taiwan 2
Capacity: 1,105t/yr



Australian Paper

Paper & Paperboard mill, Australia 2
Capacity: 910 kt/yr



Message from the President

05 What are your thoughts on the Group Vision 2015 and how does it correlate with the Third Medium-Term Business Plan and medium-term revitalization plan?

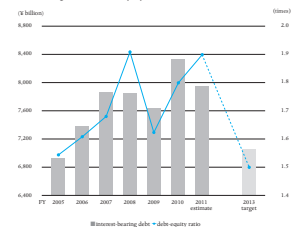
The targets cited in our Group Vision 2015 are unchanged. Our Third Medium-Term Business Plan targets operating income of ¥33 billion in fiscal 2011, and although this will unfortunately be difficult to achieve, we have taken steps to achieve our Group Vision in the five areas of downsizing the domestic paper business to 80% of its former size, growing business in overseas markets, implementing a resource procurement strategy, enhancing group flexibility and management efficiency, and developing new businesses. The medium-term revitalization plan makes necessary adjustments in the direction of our domestic paper business.

06 What are your thoughts on future capital policies?

Interest-bearing debt totaled **¥104.1 billion** at the end of March 2011, an increase of **¥69.7 billion** from the end of March 2010, due to our need to quickly secure cash and cash equivalents to prepare for demand once post-earthquake recovery gets under way. This caused our debt-equity ratio to rise to 1.8 times.

Going forward, we will basically work to improve our balance sheet by prioritizing the allocation of cash flow to the repayment of loans. Our Third Medium-Term Business Plan targets a debt-equity ratio of 1.5 times, and we seek to achieve this level by the end of fiscal 2013.

Interest-bearing debt and debt-equity ratio



Consolidated Five-Year Summary

Nippon Paper Group Inc. and Consolidated Subsidiaries

	Millions of yen					Thousands of US Dollars	
	FY2006 April 1, 2006 (March 31, 2007)	FY2007 April 1, 2007 (March 31, 2008)	FY2008 April 1, 2008 (March 31, 2009)	FY2009 April 1, 2009 (March 31, 2010)	FY2010 April 1, 2010 (March 31, 2011)	FY2011 April 1, 2011 (March 31, 2012)	FY2012 April 1, 2012 (March 31, 2013)
Net sales	¥ 1,379,264	¥ 1,211,682	¥ 1,095,233	¥ 1,099,817	¥ 1,099,817	¥ 1,130,807	¥ 1,130,807
Cost of sales	948,852	869,466	978,664	844,833	854,218	852,824	852,824
Operating income	44,615	32,834	19,951	43,149	35,608	429,812	429,812
Ordinary income	47,098	32,800	17,844	37,547	31,299	388,713	388,713
Net income (loss)	22,952	5,661	(21,300)	36,050	(24,732)	(291,209)	(291,209)
Total assets	1,365,978	1,625,571	1,492,027	1,908,246	1,568,592	18,882,313	18,882,313
Total current assets	456,620	485,422	436,021	450,529	511,392	6,209,542	6,209,542
Property, plant and equipment, net	841,287	892,612	851,921	837,698	798,482	9,620,265	9,620,265
Total investments and other assets	208,069	247,536	204,085	212,017	246,718	2,972,506	2,972,506
Liabilities	1,095,456	1,145,812	1,067,475	1,040,267	1,115,829	11,877,458	11,877,458
Net assets	476,121	479,759	424,551	478,978	408,762	4,924,843	4,924,843
Interest-bearing debt	738,220	785,322	796,747	764,463	834,120	10,049,439	10,049,439
Depreciation	67,049	74,791	83,294	83,943	78,639	947,416	947,416
Capital investment	102,961	121,190	64,840	55,787	46,391	541,237	541,237
Free cash flow	(51,466)	(64,481)	18,988	41,974	23,287	264,884	264,884
Per share data							US Dollars
Net income (loss)							
Basic	¥ 21,970.23	¥ 3,208.50	(208.40)	284.03	(208.73)	(2.11)	
Diluted	—	—	—	—	—	—	
Net assets	421,626.81	407,492.96	3,691.71	3,940.06	1,496.49	62.11	
Cash dividends	8,000.00	8,000.00	80.00	80.00	80.00	0.72	
Ratios							
Operating income margin (%)	3.3	2.7	1.7	3.9	3.2		
Net income (loss) to net sales (%)	2.0	0.5	(2.0)	3.3	(2.2)		
Return on equity (ROE) (%)	5.2	1.3	(1.4)	7.0	(1.6)		
Return on invested capital (ROIC) (%)	4.6	3.4	2.4	6.0	3.5		
Equity ratio (%)	28.6	28.0	27.0	30.4	25.9		
Return on assets (ROA) (%)	1.5	2.7	1.9	3.2	2.7		
Debt/equity ratio (times)	1.6	1.7	1.9	1.6	1.8		
Number of employees	12,184	13,666	13,088	14,210	13,814		

Net income to US dollars are included only for convenience and are translated at a rate of ¥ 103:1, the approximate rate of exchange on March 31, 2013.

- * Interest-bearing debt: Short-term borrowings + Long-term debt
- * Free cash flow: Cash flows from operating activities + Cash flows from investing activities
- * Return on equity (ROE): Net income (loss) / Average shareholder's equity + valuation, translation adjustments and other + 100
- * Return on invested capital (ROIC): (Ordinary income + Interest expense) / (Shareholder's equity + valuation, translation adjustments and other + Interest-bearing debt) + 100
- * Equity ratio: Total shareholder's equity and valuation, translation adjustments and other / Total assets + 100
- * Debt/equity ratio: Interest-bearing debt / (Cash and cash equivalents) + Shareholder's equity and valuation, translation adjustments and other
- * Debt/Equity ratio: Interest-bearing debt / (Cash and cash equivalents) + Shareholder's equity and valuation, translation adjustments and other
- * We conducted a split of shares of common stock to increase 1:1 effective as of January 1, 2009

Financial Position

Consolidated assets increased ¥61,340 million from ¥1,500,240 million at the end of fiscal 2009 to ¥1,569,592 million at the end of fiscal 2010. This was due mainly to an increase in funds and to investments in securities.

Current assets increased ¥64,863 million year-on-year to ¥311,392 million. This was due mainly to cash and cash equivalents rising by ¥80,699 million on an increase in funds.

Property, plant, and equipment decreased ¥30,216 million year-on-year to ¥798,482 million. This was due to our holding capital expenditures to ¥46,591 million, versus depreciation of ¥78,839 million.

Investments and other assets increased ¥34,700 million year-on-year to ¥246,718 million. This was the partly to our purchase of Lee & Man Paper stock.

Current and long-term liabilities increased ¥111,542 million year-on-year to ¥1,351,829 million. This was due to an increase in interest-bearing debt, including an increase in borrowings to increase funds.

Net assets were down ¥31,216 million year-on-year to ¥408,762 million. This was mainly because retained earnings declined by ¥33,441 million, net unrealized holding gains (losses) on other securities declined by ¥9,692 million, and translation adjustments shrunk by ¥7,834 million.

Cash Flows

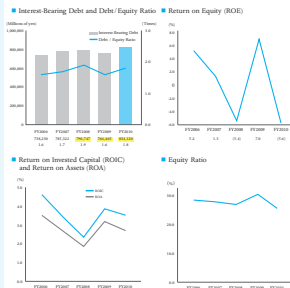
Consolidated cash and cash equivalents rose ¥80,699 million from the end of fiscal 2009 to ¥104,739 million at the end of fiscal 2010.

Net cash provided by operating activities decreased ¥1,454 million year-on-year to ¥115,454 million, due mainly to a loss before income taxes and minority interests in consolidated subsidiaries of ¥38,513 million, depreciation of ¥79,639 million, and earthquake loss reserves of ¥46,044 million.

Net cash used in investing activities increasing ¥22,333 million year-on-year to ¥93,467 million, due mainly to purchases of investments in securities of ¥12,140 million, including stock in Lee & Man Paper, and purchases of property, plant and equipment of ¥44,541 million.

Net cash provided by financing activities increasing by ¥97,267 million to ¥39,051 million, due mainly to short-term borrowings rising by ¥68,834 million.

Trends in Nippon Paper Group's cash flow indicators are presented below.



	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Equity ratio (%)	28.6	28.0	27.0	30.4	25.9		
Equity ratio based on market capitalization (%)	28.5	16.2	17.9	18.6	13.1		
Interest-bearing debt/cash flow (times)	9.8	10.6	9.5	6.1	6.5		
Interest coverage ratio (times)	11.7	8.0	7.8	10.8	10.2		

- * Equity ratio: Total shareholder's equity and valuation, translation adjustments and other / Total assets + 100
- * Equity ratio based on market capitalization: Market capitalization / Total assets + 100
- * Interest-bearing debt/cash flow (times): Interest-bearing debt / Operating cash flow
- * Interest coverage ratio: Operating cash flow / Interest paid

Note: 1. All indicators are calculated based on consolidated financial figures.
 2. Market capitalization is calculated by multiplying the closing share price at year end by the number of shares outstanding at year end, not including treasury shares.
 3. Calculation of the equity ratio: Equity ratio based on market capitalization is calculated based on the consolidated statement of cash flows. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheet on which the company is paying interest. Calculation of the interest coverage ratio includes interest paid on interest paid as recorded in the consolidated statement of cash flows.