

## Summary of Financial Status and Results of Operations for the Third Quarter of the Fiscal Year Ending March 2005 (Consolidated)

Name of Company Listed: **Nippon Paper Group, Inc.** Stock Exchange Listings: Tokyo, Osaka, and Nagoya (First Sections)

Code Number: 3893

URL: <http://www.np-g.com>

Representative:  
 Title of Representative Person: President  
 Name of Representative Person: Takahiko Miyoshi

Person in Charge of Contact:  
 Title of Contact Person: Director, Member of the Board  
 Name of Contact Person: Keisuke Ito

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### 1. Matters Related to Preparation of the Summary of Financial Status and Results of Operations for the Quarter

- [1] Has the Company adopted a simplified accounting method? Yes  
 The Company has adopted a simplified method for tax effect accounting and accounting for items such as corporation taxes.
- [2] Has the Company made any changes in accounting method since the most recent consolidated fiscal year? No
- [3] Has the Company made any changes in scope of consolidation and application of the equity method? Yes  
 Consolidated (New): 1 company (Eliminated): 7 companies Equity method: No change

### 2. Summary of Consolidated Financial Status and Results of Operations for the Third Quarter of the Fiscal Year Ending March 2005 (April 1, 2004–December 31, 2004)

#### (1) Consolidated Business Results

(Amounts indicated are displayed with amounts of less than one million yen rounded off.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of fiscal year 2005	895,332	(-0.4)	50,830	(32.4)	48,567	(47.1)	17,026	(10.7)
Third quarter of fiscal year 2004	898,797	( - )	38,397	( - )	33,012	( - )	15,382	( - )
(Reference) Fiscal year 2004	1,192,649		55,679		50,665		24,258	

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Third quarter of fiscal year 2005	15,551.00	14,922.90
Third quarter of fiscal year 2004	14,091.60	13,522.71
(Reference) Fiscal year 2004	22,025.22	21,132.64

Note: The percentages shown for net sales, operating income, ordinary income and net income indicate the percentage increase or decrease compared to the same quarter of the previous fiscal year.

(2) Consolidated Financial Status

(Amounts indicated are displayed with amounts of less than one million yen rounded off.)

	Total assets	Total shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Third quarter of fiscal year 2005	1,624,588	440,125	27.1	402,057.35
(Reference) Fiscal year 2004	1,637,366	429,621	26.2	392,140.80

Note: Because it began disclosing a summary of consolidated financial status from this period, the Company has omitted the figures of the same quarter of the previous fiscal year.

(Reference) Projection of Consolidated Results of Operations for the Fiscal Year Ending March 2005 (April 1, 2004–March 31, 2005)  
There are no changes to the projection released publicly on November 12, 2004 when the Group issued its Consolidated Results of Operations for the Interim Accounting Period of Fiscal Year Ending March 31, 2005.

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Full fiscal year	1,190,000	65,000	26,000

(Reference) Projected net income per share (full fiscal year) 23,751.17

Forecast performance is predicted based on the information available at the time of the announcement. Actual performance may differ from forecasts due to a variety of factors.

**1. (Summary) Quarterly Consolidated Balance Sheets**

(Attached Materials)

(Millions of yen)

	Third quarter of accounting period of fiscal year 2005 (as of December 31, 2004)		(Reference) Accounting period of fiscal year 2004 (as of March 31, 2004)	
	Amount	Composition ratio	Amount	Composition ratio
(Assets)		%		%
<b>I Current assets</b>	513,516	31.6	476,649	29.1
Cash and time deposits	17,012		21,848	
Notes and accounts receivable	303,048		260,798	
Inventories	136,737		134,616	
Other current assets	56,717		59,386	
<b>II Fixed assets</b>	1,111,027	68.4	1,160,572	70.9
Property, plant and equipment	854,194	52.6	900,013	55.0
Intangible fixed assets	42,948	2.6	44,459	2.7
Investments and other assets	213,885	13.2	216,100	13.2
<b>III Deferred assets</b>	43	0.0	144	0.0
<b>Total assets</b>	1,624,588	100.0	1,637,366	100.0
(Liabilities)				
<b>I Current liabilities</b>	720,922	44.4	726,418	44.4
Notes and accounts payable	151,798		131,541	
Short-term borrowings	330,351		359,828	
Bonds to be redeemed in one year or less	26,500		36,500	
Commercial paper	86,000		79,000	
Other current liabilities	126,273		119,548	
<b>II Long-term liabilities</b>	439,821	27.0	458,724	28.0
Corporate bonds	131,000		126,000	
Long-term debt	231,920		240,950	
Other long-term liabilities	76,901		91,773	
<b>Total liabilities</b>	1,160,743	71.4	1,185,143	72.4
(Minority interests in consolidated subsidiaries)				
Minority interests in consolidated subsidiaries	23,719	1.5	22,601	1.4
(Shareholders' equity)				
<b>I Common stock</b>	55,730	3.4	55,730	3.4
<b>II Capital surplus</b>	252,444	15.5	252,447	15.4
<b>III Earned surplus</b>	126,328	7.8	118,044	7.2
<b>IV Unrealized gains on other marketable securities</b>	15,712	1.0	15,427	0.9
<b>V Translation adjustments</b>	-4,392	-0.3	-6,525	-0.4
<b>VI Treasury stock</b>	-5,697	-0.3	-5,502	-0.3
<b>Total shareholders' equity</b>	440,125	27.1	429,621	26.2
<b>Total liabilities, minority interests and shareholders' equity</b>	1,624,588	100.0	1,637,366	100.0

**2. (Summary) Quarterly Consolidated Statements of Income**

(Millions of yen)

	Third quarter of accounting period of fiscal year 2005		Third quarter of accounting period of fiscal year 2004		Change	(Reference) Accounting period of fiscal year 2004	
	(April 1, 2004 to December 31, 2004)		(April 1, 2003 to December 31, 2003)			(April 1, 2003 to March 31, 2004)	
	Amount	Percentage	Amount	Percentage	Amount	Amount	Percentage
		%		%			%
I Net sales	895,332	100.0	898,797	100.0	-3,464	1,192,649	100.0
II Cost of sales	690,419	77.1	696,042	77.4	-5,622	919,602	77.1
Gross profit	204,912	22.9	202,754	22.6	2,157	273,047	22.9
III Selling, general and administrative expenses	154,082	17.2	164,357	18.3	-10,275	217,367	18.2
Operating income	50,830	5.7	38,397	4.3	12,433	55,679	4.7
IV Non-operating income	7,914	0.8	9,553	1.1	-1,639	12,193	1.0
V Non-operating expenses	10,176	1.1	14,938	1.7	-4,761	17,208	1.5
Ordinary income	48,567	5.4	33,012	3.7	15,555	50,665	4.2
VI Extraordinary gains	12,883	1.4	2,632	0.3	10,251	10,056	0.9
Gains on sales of property, plant and equipment	11,573		1,200		10,373	1,438	
Others	1,310		1,431		-121	8,618	
VII Extraordinary losses	24,600	2.7	5,876	0.7	18,724	24,204	2.0
Losses on disposal of property, plant and equipment	5,516		2,203		3,313	5,137	
Extraordinary retirement benefits	5,213		215		4,998	7,120	
Provision for doubtful receivables	4,385		1,200		3,185	1,265	
Losses on restructuring	3,810		-		3,810	6,054	
Losses on sales of investments in other securities	3,329		28		3,301	504	
Others	2,344		2,228		115	4,122	
Income before income taxes and minority interests	36,850	4.1	29,767	3.3	7,082	36,517	3.1
Corporate tax and others	18,383	2.0	13,193	1.5	5,189	10,898	0.9
Minority interests in earnings of consolidated subsidiaries	1,440	0.2	1,192	0.1	248	1,359	0.2
Net income	17,026	1.9	15,382	1.7	1,644	24,258	2.0

### 3. Quarterly Consolidated Statements of Retained Earnings

(Millions of yen)

	Third quarter of accounting period of fiscal year 2005 (April 1, 2004 to December 31, 2004)	(Reference) Accounting period of fiscal year 2004 (April 1, 2003 to March 31, 2004)
	Amount	Amount
(Capital surplus)		
I Capital surplus at beginning of period	252,447	252,964
II Decrease in capital surplus during period	2	517
Loss on disposal of treasury stock	2	517
III Capital surplus at end of quarter (fiscal year)	252,444	252,447
(Earned surplus)		
I Earned surplus at beginning of period	118,044	112,668
II Increase in earned surplus during period	17,249	24,258
Net income for the quarter (fiscal year)	17,026	24,258
Increase due to merger with subsidiary company	178	—
Increase due to exclusion of certain subsidiaries in the consolidation	44	—
III Decrease in earned surplus during period	8,964	18,883
Cash dividends paid	8,762	13,094
Bonuses to directors and statutory auditors	202	198
Decrease due to inclusion of certain subsidiaries in the consolidation	—	5,575
Decrease due to exclusion of certain subsidiaries in the consolidation	—	15
IV Earned surplus at end of quarter (fiscal year)	126,328	118,044

#### 4. Segment Information

##### Business segment information

The third quarter of accounting period of fiscal year 2005 (April 1, 2004 to December 31, 2004)

(Millions of yen)

	Pulp and Paper Division	Paper-Related Division	Housing and Construction Materials Division	Other Division	Total	Eliminations or corporate	Consolidated
Sales							
(1) Sales to third parties	665,139	97,746	72,182	60,263	895,332	–	895,332
(2) Intergroup sales and transfers	9,638	6,468	29,764	28,609	74,481	(74,481)	–
Total sales	674,778	104,215	101,947	88,872	969,813	(74,481)	895,332
Operating expenses	637,810	96,870	100,157	84,145	918,983	(74,481)	844,502
Operating income	36,968	7,344	1,789	4,727	50,830	–	50,830

The third quarter of accounting period of fiscal year 2004 (April 1, 2003 to December 31, 2003)

(Millions of yen)

	Pulp and Paper Division	Paper-Related Division	Housing and Construction Materials Division	Other Division	Total	Eliminations or corporate	Consolidated
Sales							
(1) Sales to third parties	674,574	92,859	70,219	61,143	898,797	–	898,797
(2) Intergroup sales and transfers	9,082	8,361	27,001	27,639	72,084	(72,084)	–
Total sales	683,656	101,221	97,221	88,782	970,882	(72,084)	898,797
Operating expenses	655,297	96,927	95,358	84,901	932,485	(72,084)	860,400
Operating income	28,359	4,294	1,862	3,880	38,397	–	38,397

(Reference) Accounting period of fiscal year 2004 (April 1, 2003 to March 31, 2004)

(Millions of yen)

	Pulp and Paper Division	Paper-Related Division	Housing and Construction Materials Division	Other Division	Total	Eliminations or corporate	Consolidated
Sales							
(1) Sales to third parties	896,179	123,737	93,469	79,262	1,192,649	–	1,192,649
(2) Intergroup sales and transfers	12,189	10,913	38,043	37,102	98,249	(98,249)	–
Total sales	908,368	134,651	131,513	116,365	1,290,899	(98,249)	1,192,649
Operating expenses	865,353	129,663	128,881	111,320	1,235,219	(98,249)	1,136,970
Operating income	43,014	4,987	2,632	5,044	55,679	–	55,679

Notes: 1. Business classification methods

The Group classifies its business segments on the basis of manufacturing methods and similarity in products.

2. Major products by division

Pulp and Paper Division: Paper, paperboard, household tissue, pulp, raw materials for manufacturing paper

Paper-Related Division: Industrial processed paper, corrugated sheets, chemical products

Housing and Construction Materials Division: Logs and lumber, construction materials, civil engineering

Other Division: Beverages, transportation, leisure facilities, others