

## Summary of Financial Results for the Three Months Ended June 2006 (Consolidated)

Name of Company Listed: **Nippon Paper Group, Inc.**  
 Code Number: 3893  
 Stock Exchange Listings: Tokyo, Osaka and Nagoya (First Sections)  
 URL: <http://www.np-g.com>  
 Representative:  
 Title of Representative Person: President  
 Name of Representative Person: Masatomo Nakamura  
 Person in Charge of Contact:  
 Title of Contact Person: Director, Member of the Board  
 Name of Contact Person: Yukuo Fukunaga  
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### 1. Matters Related to Preparation of the Summary of Financial Status and Results of Operations for the Three Months

- [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): 0 company (Eliminated): 2 company Equity method: No change

### 2. Summary of Consolidated Financial Status and Results of Operations for the Three Months Ended June 2006 (April 1, 2006–June 30, 2006)

#### (1) Consolidated Results of Operations

(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	%
Three months ended June 30, 2006	288,005	(0.6)	7,844	(-48.6)	8,822	(-44.1)	4,576	(-)
Three months ended June 30, 2005	286,210	(-3.2)	15,266	(-4.1)	15,795	(3.2)	-1,526	(-)
(Reference) Fiscal year ended March 31, 2006	1,152,166		48,391		49,403		17,192	

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Three months ended June 30, 2006	4,300.59	—
Three months ended June 30, 2005	-1,394.84	—
(Reference) Fiscal year ended March 31, 2006	15,760.27	15,123.82

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

(2) Consolidated Financial Status

	Total assets	Net Assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Three months ended June 30, 2006	1,542,735	458,506	28.3	430,838.10
Three months ended June 30, 2005	1,564,226	438,101	28.0	400,262.04
(Reference) Fiscal year ended March 31, 2006	1,492,427	440,316	29.5	413,525.41

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Three months ended June 30, 2006	-28,058	-18,295	46,438	14,372
Three months ended June 30, 2005	-25,889	-11,404	31,014	12,013
(Reference) Fiscal year ended March 31, 2006	132,054	-40,398	-96,550	13,963

**3. Projection of Consolidated Results of Operations for the Fiscal Year Ending March 2007 (April 1, 2006–March 31, 2007)**

There are no changes to the projection released publicly on April 28, 2006 when the company issued its Consolidated Financial Results for the Accounting Period of Fiscal Year Ended March, 2006.

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim accounting period of fiscal year	590,000	19,000	6,000
Full fiscal year	1,200,000	51,000	21,000

(Reference) Projected net income per share (full fiscal year) 19,732.78 yen

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.

*This document is an English-language translation of the Japanese-language original.*

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

(Millions of yen)

	Three months ended June 2006 (as of June 30, 2006)		Three months ended June 2005 (as of June 30, 2005)		Change	Accounting period of fiscal year ended March 2006 (as of March 31, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Amount	Composition ratio
		%		%			%
<b>(Assets)</b>							
<b>I Current assets</b>	464,794	30.1	487,431	31.2	-22,636	412,657	27.7
Cash and time deposits	14,520		12,178		2,341	14,111	
Notes and accounts receivable	257,527		273,927		-16,399	218,357	
Inventories	144,403		136,675		7,728	139,187	
Other current assets	48,342		64,649		-16,307	41,001	
<b>II Fixed assets</b>	1,077,936	69.9	1,076,787	68.8	1,149	1,079,764	72.3
Property, plant and equipment	817,721	53.0	833,483	53.3	-15,762	811,110	54.3
Intangible fixed assets	36,490	2.4	41,362	2.6	-4,871	36,902	2.5
Investments and other assets	223,724	14.5	201,940	12.9	21,783	231,751	15.5
<b>III Deferred assets</b>	4	0.0	8	0.0	-3	5	0.0
<b>Total assets</b>	1,542,735	100.0	1,564,226	100.0	-21,491	1,492,427	100.0
<b>(Liabilities)</b>							
<b>I Current liabilities</b>	615,547	39.9	683,829	43.7	-68,282	587,455	39.4
Notes and accounts payable	130,675		128,312		2,363	133,377	
Short-term borrowings	250,186		316,135		-65,949	254,904	
Bonds to be redeemed in one year or less	30,000		31,000		-1,000	10,000	
Commercial paper	96,000		100,000		-4,000	83,000	
Other current liabilities	108,685		108,381		303	106,173	
<b>II Long-term liabilities</b>	468,681	30.4	418,763	26.8	49,918	442,332	29.6
Corporate bonds	110,000		120,000		-10,000	110,000	
Long-term debt	261,036		234,944		26,092	234,176	
Other long-term liabilities	97,644		63,818		33,826	98,156	
<b>Total liabilities</b>	1,084,229	70.3	1,102,593	70.5	-18,364	1,029,787	69.0
(Minority interests in consolidated subsidiaries)							
Minority interests in consolidated subsidiaries	-	-	23,531	1.5	-	22,323	1.5
<b>(Shareholders' equity)</b>							
<b>I Common stock</b>	-	-	55,730	3.6	-	55,730	3.8
<b>II Capital surplus</b>	-	-	252,442	16.1	-	252,441	16.9
<b>III Earned surplus</b>	-	-	127,496	8.2	-	125,679	8.4
<b>IV Unrealized gains on other marketable securities</b>	-	-	13,286	0.8	-	24,352	1.6
<b>V Translation adjustments</b>	-	-	-5,093	-0.3	-	312	0.0
<b>VI Treasury stock</b>	-	-	-5,761	-0.4	-	-18,199	-1.2
<b>Total shareholders' equity</b>	-	-	438,101	28.0	-	440,316	29.5
<b>Total liabilities, minority interests and shareholders' equity</b>	-	-	1,564,226	100.0	-	1,492,427	100.0
<b>(Net assets)</b>							
<b>I Shareholders' equity</b>	415,466	26.9					
Common stock	55,730						
Capital surplus	252,441						
Earned surplus	125,518						
Treasury stock	-18,223						
<b>II Valuation and translation adjustments</b>	20,984	1.4					
Unrealized gains on other marketable securities	19,331						
Deferred gains or loss on hedges	1,575						
Translation adjustments	77						
<b>III Minority interests in consolidated subsidiaries</b>	22,055	1.4					
<b>Total net assets</b>	458,506	29.7					
<b>Total liabilities and net assets</b>	1,542,735	100.0					

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

(Millions of yen)

	Three months ended June 2006  (April 1, 2006 to June 30, 2006)		Three months ended June 2005  (April 1, 2005 to June 30, 2005)		Change	Accounting period of fiscal year ended March 2006  (April 1, 2005 to March 31, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Amount	Composition ratio
		%		%			%
I Net sales	288,005	100.0	286,210	100.0	1,794	1,152,166	100.0
II Cost of sales	234,665	81.5	224,812	78.5	9,853	920,819	79.9
Gross profit	53,339	18.5	61,398	21.5	-8,058	231,347	20.1
III Selling, general and administrative expenses	45,495	15.8	46,131	16.2	-635	182,955	15.9
Operating income	7,844	2.7	15,266	5.3	-7,422	48,391	4.2
IV Non-operating income	3,538	1.3	3,384	1.2	153	11,342	1.0
V Non-operating expenses	2,559	0.9	2,855	1.0	-296	10,330	0.9
Ordinary income	8,822	3.1	15,795	5.5	-6,972	49,403	4.3
VI Extraordinary gains	418	0.1	419	0.2	-1	19,514	1.7
Gains on sales of property, plant and equipment	372		289		82	14,678	
Others	46		129		-83	4,836	
VII Extraordinary losses	1,052	0.4	13,333	4.7	-12,280	29,879	2.6
Losses on disposal of property, plant and equipment	340		476		-136	3,614	
Loss on impaired assets	-		8,808		-8,808	10,269	
Extraordinary retirement benefits	469		3,706		-3,236	7,708	
Others	243		342		-99	8,286	
Income before income taxes and minority interests	8,188	2.8	2,882	1.0	5,306	39,038	3.4
Corporate tax and others	3,428	1.1	4,171	1.4	-743	21,056	1.8
Minority interests in earnings of consolidated subsidiaries	183	0.1	237	0.1	-54	790	0.1
Net income (loss)	4,576	1.6	-1,526	-0.5	6,103	17,192	1.5

### 3. Consolidated Statements of Changes in Net Assets

Three months ended June 2006 (April 1, 2006 to June 30, 2006)

(Millions of yen)

		Shareholders' equity				
		Common stock	Capital surplus	Earned surplus	Treasury stock	Total Shareholders' equity
I	Balance at the end of previous period	55,730	252,441	125,679	-18,199	415,651
II	Changes of items during the period	-	0	-161	-23	-185
	Dividends from surplus			-4,258		-4,258
	Bonuses to directors and statutory auditors			-195		-195
	Net income			4,576		4,576
	Purchases of treasury stock				-24	-24
	Disposal of treasury stock		0		1	1
	Merger of subsidiaries			-284		-284
	Net changes of items other than Shareholders' equity					-
III	Balance at the end of the current period	55,730	252,441	125,518	-18,223	415,466

		Valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets
		Unrealized gains on other marketable securities	Deferred gains or loss on hedges	Translation adjustments	Total Valuation and translation adjustments		
I	Balance at the end of previous period	24,352	-	312	24,664	22,323	462,639
II	Changes of items during the period	-5,020	1,575	-235	-3,680	-268	-4,133
	Dividends from surplus						-4,258
	Bonuses to directors and statutory auditors						-195
	Net income						4,576
	Purchases of treasury stock						-24
	Disposal of treasury stock						1
	Merger of subsidiaries						-284
	Net changes of items other than Shareholders' equity	-5,020	1,575	-235	-3,680	-268	-3,948
III	Balance at the end of the current period	19,331	1,575	77	20,984	22,055	458,506

**4. Consolidated Statements of Retained Earnings**

(Millions of yen)

	Three months ended June 2005 (April 1, 2005 to June 30, 2005)	Accounting period of fiscal year ended March 2006 (April 1, 2005 to March 31, 2006)
	Amount	Amount
(Capital surplus)		
I Capital surplus at beginning of period	252,443	252,443
II Decrease in capital surplus during period	1	2
Loss on disposal of treasury stock	1	2
III Capital surplus at end of period	252,442	252,441
(Earned surplus)		
I Earned surplus at beginning of period	133,653	133,653
II Increase in earned surplus during period	–	17,192
Net income	–	17,192
III Decrease in earned surplus during period	6,156	25,165
Net loss	1,526	–
Cash dividends paid	4,379	8,649
Bonuses to directors and statutory auditors	250	250
Adjustment for tax effect accounting applied to a consolidated subsidiary's land revaluation	–	16,266
IV Earned surplus at end of period	127,496	125,679

**5. (Summary) Consolidated Statements of Cash Flow**

(Millions of yen)

	Three months ended June 2006 (April 1, 2006 to June 30, 2006)	Three months ended June 2005 (April 1, 2005 to June 30, 2005)	Change	Accounting period of fiscal year ended March 2006 (April 1, 2005 to March 31, 2006)
	Amount	Amount	Amount	Amount
I Cash flows from operating activities	-28,058	-25,889	-2,168	132,054
Income before income taxes and minority interests	8,188	2,882	5,306	39,038
Depreciation	16,382	17,490	-1,107	70,106
Decrease in allowance for accrued retirement benefits	-361	-5,505	5,144	-4,333
Interest and dividend income	-1,399	-1,444	44	-2,507
Interest expense	1,521	1,932	-411	6,797
Equity in earnings of affiliates	-455	-418	-36	-1,696
Loss on impaired assets	-	8,808	-8,808	10,269
Receivables	-37,603	-25,998	-11,604	20,696
Inventories	-3,289	-4,788	1,498	-7,903
Payables	-5,262	730	-5,992	13,067
Others	-1,989	-9,809	7,819	10,430
Sub-total	-24,270	-16,122	-8,148	153,967
Interest and dividends received	1,652	1,638	13	3,202
Interest paid	-1,551	-2,286	734	-7,406
Income taxes paid	-3,157	-5,379	2,222	-9,407
Other, net	-731	-3,740	3,008	-8,302
II Cash flows from investing activities	-18,295	-11,404	-6,891	-40,398
Acquisitions of property, plant and equipment	-19,310	-12,339	-6,971	-62,555
Proceeds from sale of property, plant and equipment	574	640	-66	22,437
Acquisitions of investments in other securities	-912	-150	-762	-4,806
Proceeds from sale of investments in other securities	3	154	-151	3,150
Other, net	1,349	289	1,060	1,375
III Cash flows from financing activities	46,438	31,014	15,423	-96,550
Decrease in short-term borrowings	-3,164	-1,114	-2,050	-47,167
Increase in commercial paper	13,000	34,000	-21,000	17,000
Proceeds from long-term debt	34,000	23,000	11,000	62,059
Reduction of long-term debt	-12,762	-14,944	2,182	-69,835
Proceeds from bond issuance	20,000	20,000	-	20,000
Payments on bond redemptions	-	-25,000	25,000	-56,000
Dividend payments	-4,371	-4,532	161	-8,983
Other, net	-263	-394	130	-13,623
IV Effect of exchange rate changes on cash and cash equivalents	-53	110	-164	705
V Increase (Decrease) in cash and cash equivalents	30	-6,168	6,198	-4,189
VI Cash and cash equivalents at beginning of period	13,963	18,181	-4,217	18,181
VII Decrease in cash and cash equivalents due to elimination from the scope of consolidation	-	-	-	-28
VIII Increase due to merger of unconsolidated subsidiaries	378	-	378	-
IX Cash and cash equivalents at end of period	14,372	12,013	2,359	13,963

## 6. Segment Information

(Business segment information)

Three months ended June 2006 (April 1, 2006 to June 30, 2006)

(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	220,081	25,301	22,332	20,289	288,005	–	288,005
(2) Intragroup sales and transfers	844	3,164	12,750	10,336	27,095	(27,095)	–
Total sales	220,926	28,466	35,082	30,626	315,101	(27,095)	288,005
Operating expenses	215,813	27,350	34,591	29,501	307,257	(27,095)	280,161
Operating income	5,112	1,115	491	1,124	7,844	–	7,844

Three months ended June 2005 (April 1, 2005 to June 30, 2005)

(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	212,148	30,776	22,271	21,014	286,210	–	286,210
(2) Intragroup sales and transfers	2,895	4,798	9,716	9,536	26,948	(26,948)	–
Total sales	215,044	35,575	31,987	30,551	313,159	(26,948)	286,210
Operating expenses	203,418	33,583	31,513	29,377	297,892	(26,948)	270,944
Operating income	11,625	1,992	474	1,174	15,266	–	15,266

Accounting period of fiscal year ended March, 2006 (April 1, 2005 to March 31, 2006)

(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	860,993	110,350	94,041	86,781	1,152,166	–	1,152,166
(2) Intragroup sales and transfers	8,813	8,183	39,769	39,585	96,352	(96,352)	–
Total sales	869,806	118,534	133,811	126,367	1,248,519	(96,352)	1,152,166
Operating expenses	836,609	112,352	131,203	119,962	1,200,128	(96,352)	1,103,775
Operating income	33,197	6,181	2,607	6,404	48,391	–	48,391

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, electricity supply, others