

FY2005 3rd Quarter Financial Review



NIPPON PAPER
GROUP

January 31, 2005

Nippon Paper Group, Inc.



FY2005 3Q Review

(Oct. 1, 2004~Dec. 31, 2004)

- (1) Overview**
- (2) Topics**
- (3) Operating results**
- (4) Full year forecast**

(Apr. 1, 2004~Mar. 31, 2005)

● (1) Overview - Business environment



Paper Industry

Domestic shipment of paper and paperboard FY2005 3Q(October 2004 – December 2004)

	Shipment(1,000 tons)	%change yoy
Newsprint	882	2.0%
Uncoated printing paper	662	0.9%
Coated printing paper ※	1,612	4.6%
Business communication paper	388	-3.9%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	1,038	1.2%
Paper total	4,582	2.0%
Paperboard total	3,089	-0.1%
Paper and paperboard total	7,671	1.2%

※ "Bitoko-shi" paper is included in coated printing paper.

Source: Japan Paper Association (Temporary figures for December results)

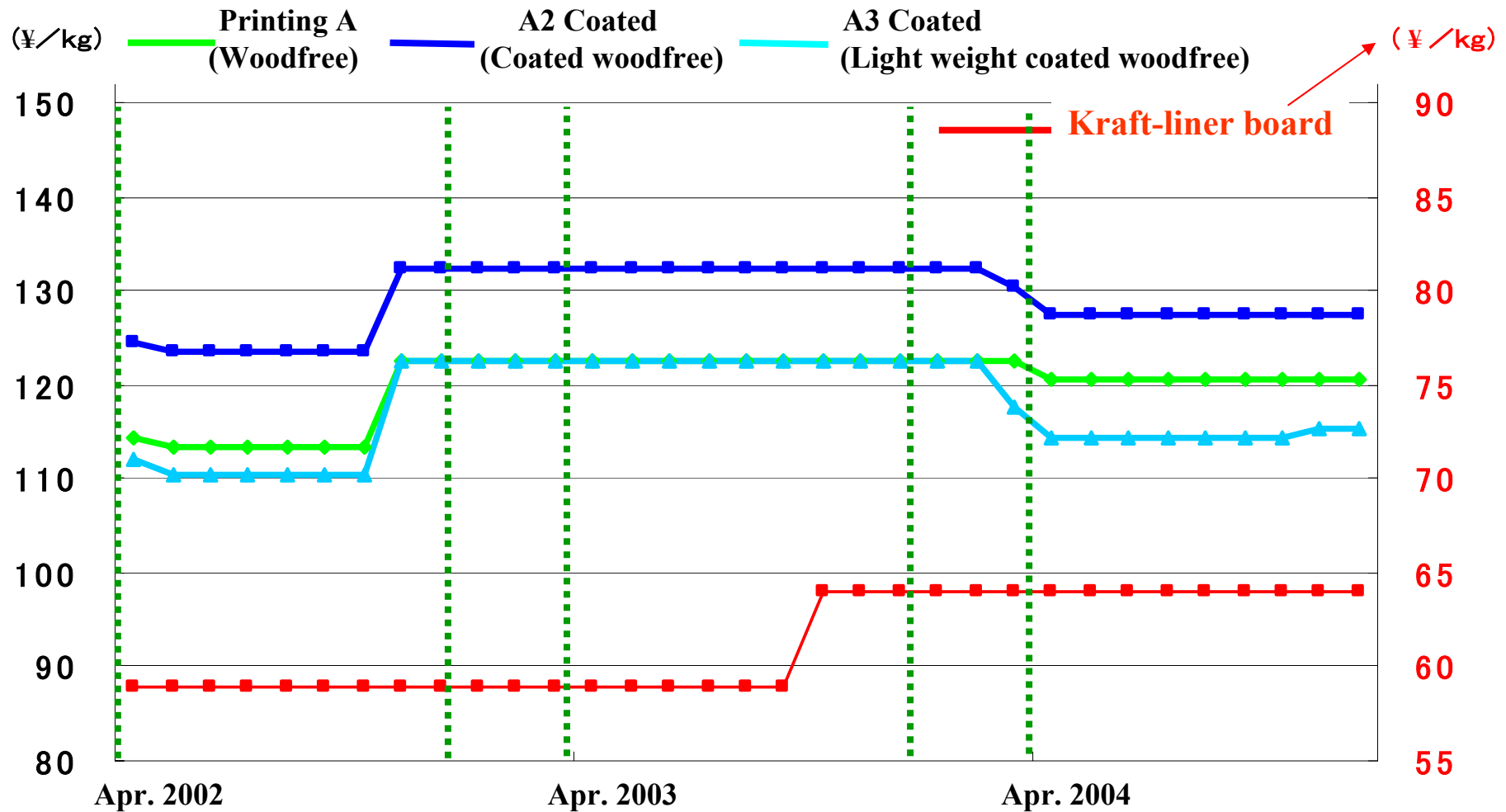
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(1) Overview – Business environment



Paper industry

Trend in paper and paperboard prices (April 2002 - December 2004)

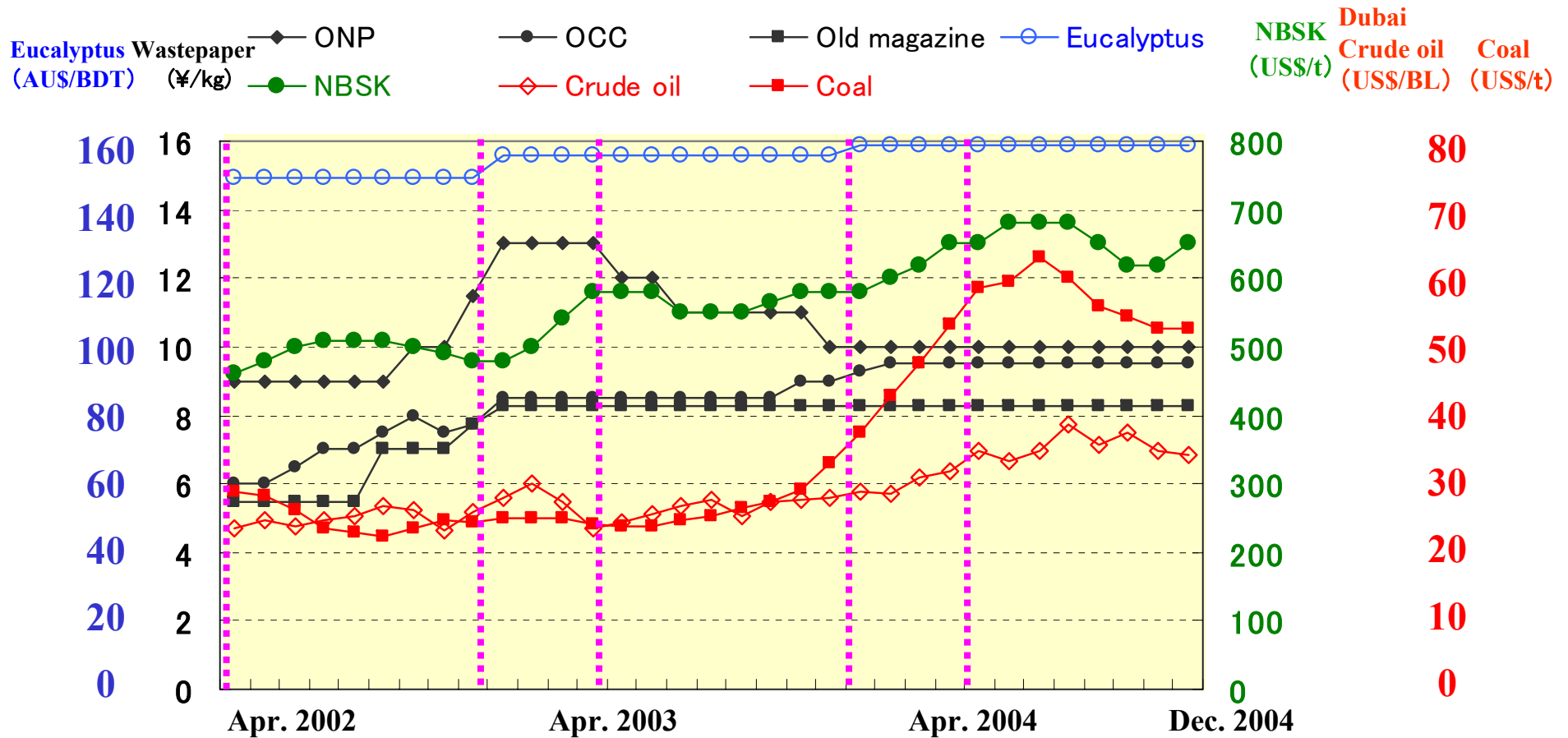


(1) Overview – Business environment



Paper Industry

Trend in fuel and raw material prices (April 2002 – December 2004)



Source: Paper Recycling Promotion Center, *Pulp&Paper Week*,

Crude oil=Platts, Coal=Barlow Jonker Index

Topics of the 3rd Quarter

- Oct. 2004 : Changed the holding company name to “[Nippon Paper Group, Inc.](#)”
: Integrated functional materials business of Nippon Paper Industries Co., Ltd. into Nippon Paper Chemicals Co., Ltd.
: Started electricity wholesale business (IPP business) at Kushiro Mill.
- Nov. 2004 : Announced an agreement on merger of Nichiita Package Industries Co., Ltd. and Tokan Packaging System Co., Ltd. (subsidiary of Tokan Kogyo Co., Ltd.) (scheduled for Oct. 2005)
: Announced construction of New Biomass Boiler at Ishinomaki Mill.
- Dec. 2004 : Started test run of corrugating-medium paper machine at Zhejiang Jingxing Nippon Paper Co., Ltd. (started operation from January)

Company	Location	Project	Invested amount (¥ billion)	Completion
Nippon Paper Industries	Kushiro	Installation of wholesale power plant (IPP)	9.8	Oct. 2004

● (3) Operating results ① Outline



Consolidated operating results

(¥ billion)	FY2004 3 rd Q	FY2005 3 rd Q	FY2005 Accum. (Apr. 2004-Dec. 2004)
<Net sales>	304.3	297.6	895.3
<Operating income>	13.4	16.4	50.8
<Ordinary income>	11.5	15.9	48.6
<Net income>	6.9	6.6	17.0

● (3) Operating results ② Sales volume by product



(Thousand tons)	FY2004 3Q	FY2005 3Q	% Change yoy
Newsprint	352	346	- 1.6%
Uncoated paper	188	189	0.5%
Coated paper	490	496	1.2%
Business communication paper	165	165	0.0%
Packaging paper and others	164	155	- 5.4%
Total domestic sales	1,358	1,350	- 0.6%
Export (including newsprint)	113	117	2.8%
Total (paper)	1,471	1,466	- 0.3%
Container board	364	363	- 0.4%
Folding box board and others	104	104	0.1%
Total domestic sales	469	467	- 0.3%
Export	11	9	- 17.8%
Total (paperboard)	479	476	- 0.7%
Grand total (paper and paperboard)	1,951	1,943	- 0.4%

● (3) Operating results ③ Segment information



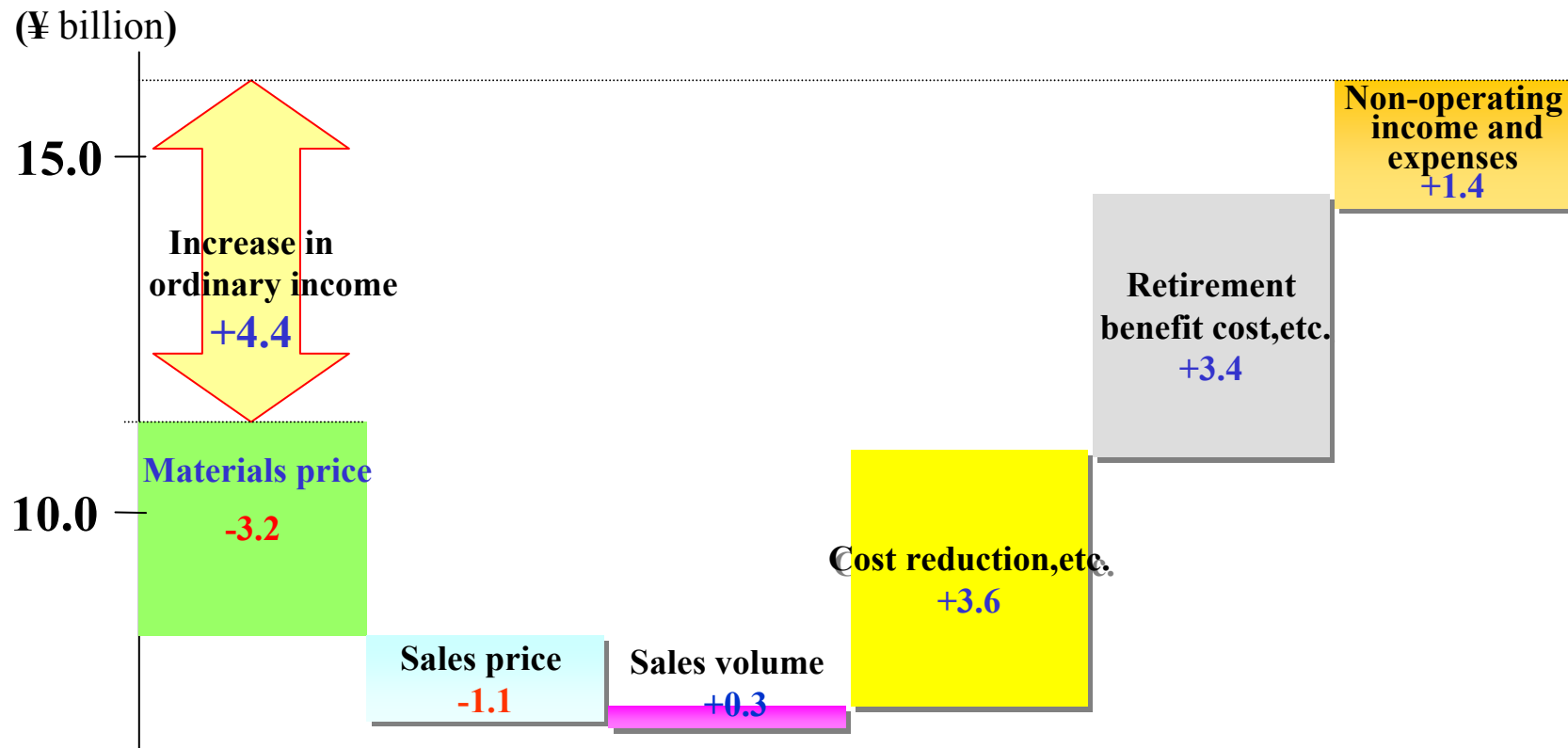
(¥ billion)

	Sales		Operating income		Comments
	FY2004 3Q	FY2005 3Q	FY2004 3Q	FY2005 3Q	
Pulp and Paper Div.	228.4	221.3	9.9	11.8	Paper: Profit increased with cost reduction and price recovery. Paperboard: Maintained sales price. Household tissue: Sales volume was steady, while price deteriorated.
Paper-related Div. (cartons, chemical products)	31.4	33.3	1.5	2.6	Functional material business and corrugated board business improved.
Housing and Construction Materials Div.	24.9	23.9	0.7	0.6	
Other Div. (beverages, transport)	19.5	19.1	1.4	1.4	Sales and profit were almost unchanged from 2004 3Q.
Total	304.3	297.6	13.4	16.4	

[Reference]

FY2004 3rd Q vs FY2005 3rd Q

Increase in ordinary income ¥4.4billion(¥11.5bn →¥15.9bn)
Increase in operating income ¥3.0billion(¥13.4bn→¥16.4bn)



● (3) Operating results ④ Balance sheet



(¥ billion)

Balance sheet

	Mar. 31, 2004	Dec. 31, 2004	Difference	Comments
Cash and time deposits	21.8	17.0	-4.8	Cash reduction(CMS effect)
Notes and accounts receivable	260.8	303.0	42.3	Carry over due to holidays and decrease in liquidation of receivables
inventories	134.6	136.7	2.1	
Other current assets	59.4	56.7	-2.7	
Property, plant, equipment, and intangible fixed assets	944.5	897.1	-47.3	
Investments and other assets	216.2	213.9	-2.3	
Total assets	1,637.4	1,624.6	-12.8	
Interest-bearing debt	842.3	805.8	-36.5	
Other debt	342.9	355.0	12.1	Carry over due to holidays
Minority interests in consolidated subsidiaries	22.6	23.7	1.1	
Total shareholders' equity	429.6	440.1	10.5	

● (4) Full year forecast

The figures of FY2005 estimation are unchanged
from the figures announced on November 12, 2004.

(¥ billion)	FY2005 Est.	(Reference) FY2004 full year
<Net sales>	1,190.0	1,192.6
<Operating income>	69.0	55.7
<Ordinary income>	65.0	50.7
<Net income>	26.0	24.3

Topics of businesses in China

① Nippon Paper Industries Trading (Shanghai)

Started business as marketing foothold in China.

Business: Import and sale of paper and raw materials

② Zhejiang Jingxing Nippon Paper

Started operation of corrugating-medium paper machine.

Business: Manufacture of corrugating medium

③ Nippon Paper Industries Chengde

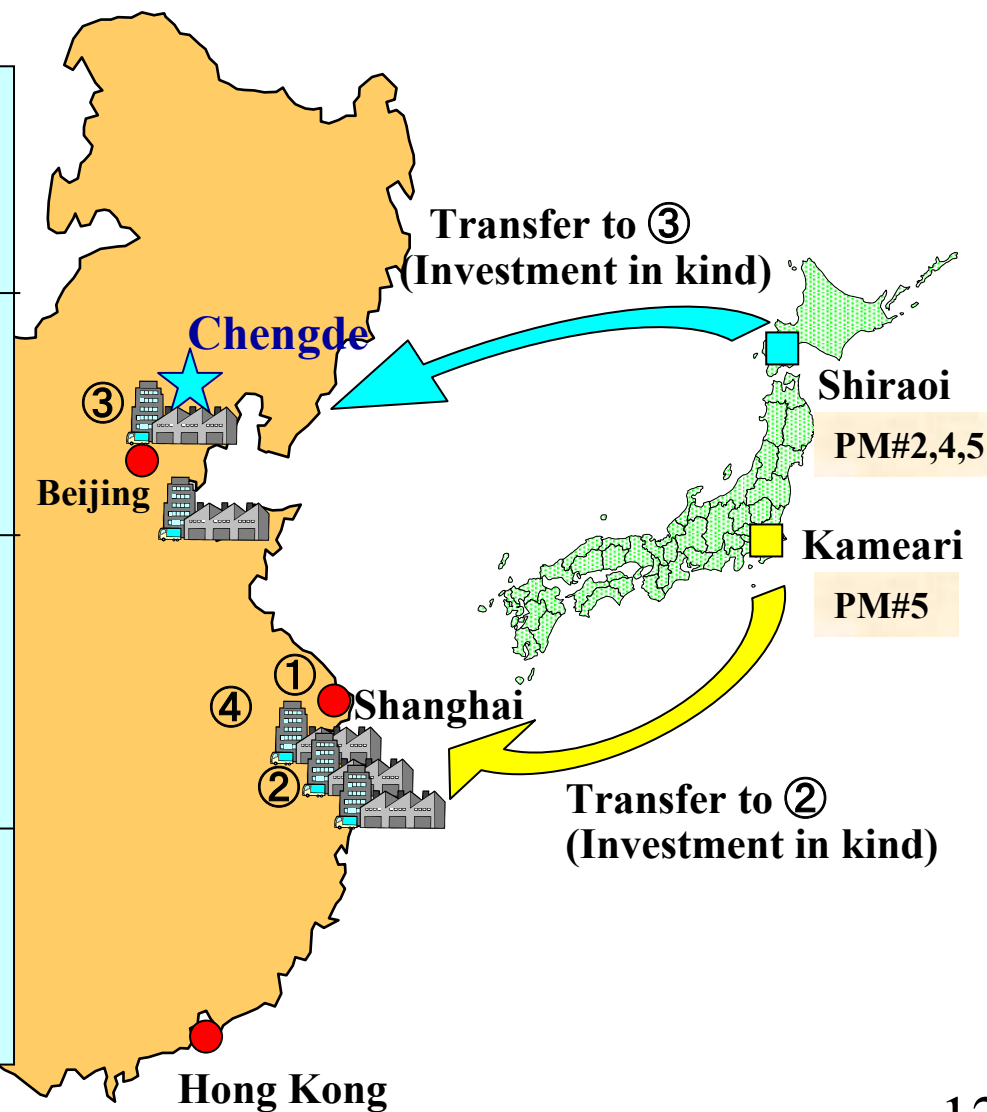
Currently under investigation.

Business: Manufacture of paper

④ Elopak China (Suzhou)

The plant is now in course of construction.

Business: Manufacture of beverage cartons



Disclaimer Regarding Forward-Looking Statements

Any statements in this presentation document, other than those of historical fact, are forward-looking statements about the future performance of Nippon Unipac Holding and its group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

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