

# FY2005 3<sup>rd</sup> Quarter Financial Review

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NIPPON PAPER  
GROUP

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Nippon Paper Group, Inc.



## FY2005 3Q Review

**(October 1, 2005~December 31, 2005)**

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

**(April 1, 2005~March 31, 2006)**

# (1) Overview – Business environment



## Paper industry

### Domestic shipment of paper and paperboard FY2005 3Q (October 2005 – December 2005)

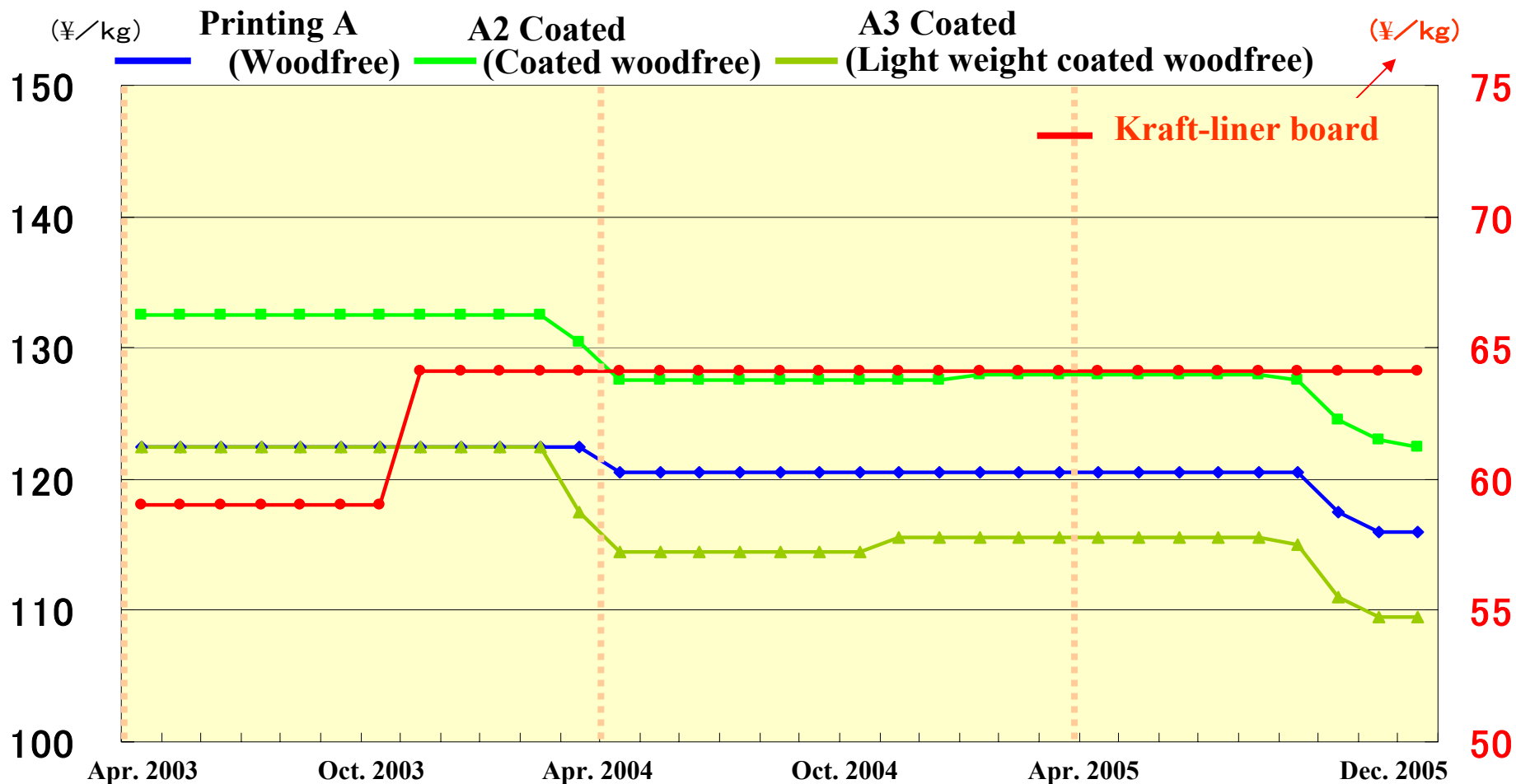
	Shipment(1,000 tons)	% change yoy
Newsprint	906	2.7%
Uncoated printing paper	653	-1.3%
Coated printing paper ※	1,650	2.4%
Business communication paper	395	1.9%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	1,037	-0.3%
Paper total	4,641	1.3%
Paperboard total	3,128	1.2%
Paper and paperboard total	7,769	1.3%

※ “*Bitoko-shi*” paper is included in coated printing paper. Source: Japan Paper Association

# (1) Overview – Business environment

Paper industry

Trend in paper and paperboard prices  
(April 2003 – December 2005)

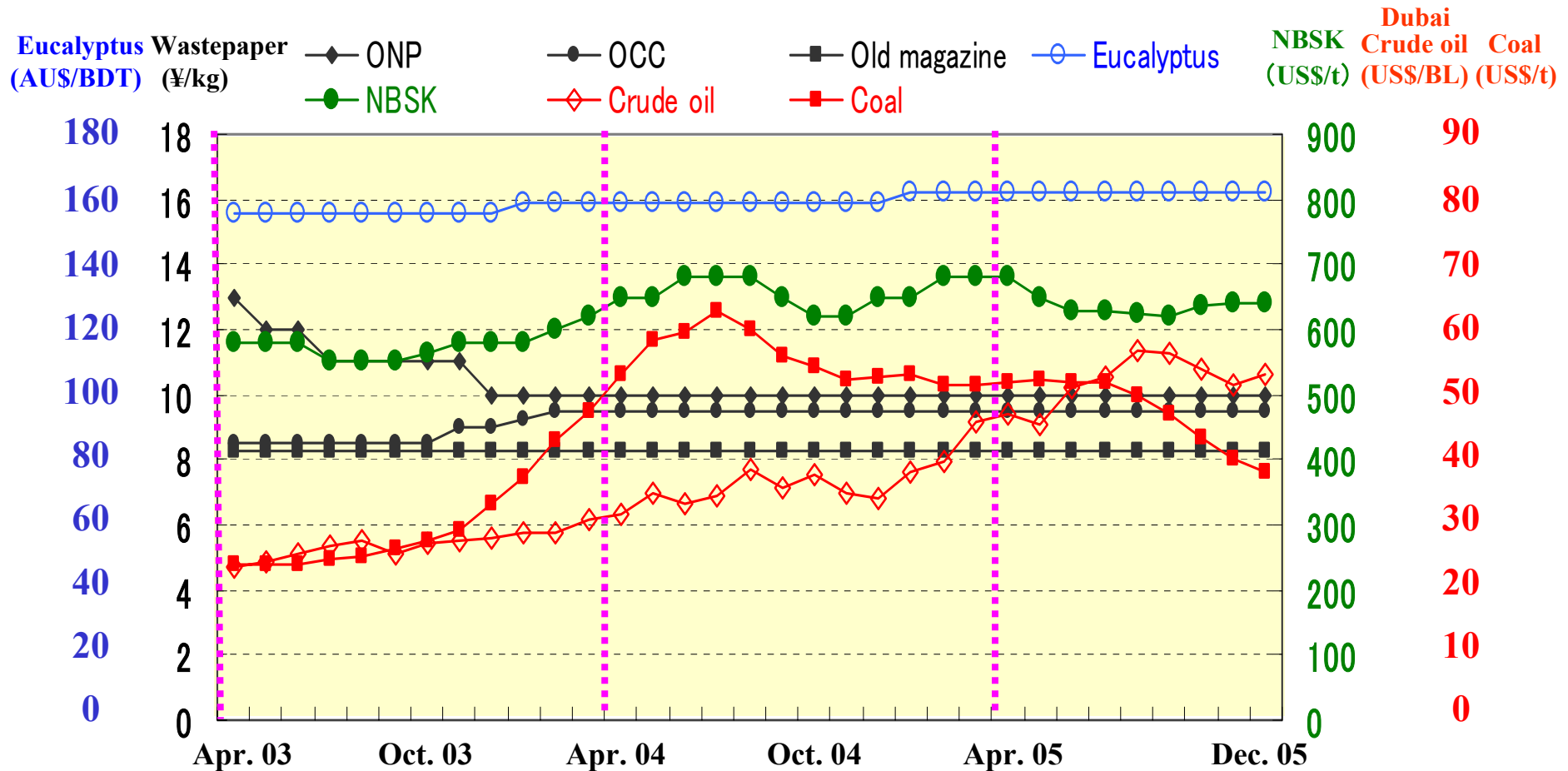


# (1) Overview – Business environment



Paper industry

Trend in fuel and raw material prices  
(April 2003 – December 2005)



Source: Paper Recycling Promotion Center, *Pulp&Paper Week*,  
Crude oil= Platts, Coal=Barlow Jonker Index

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## Topics of the 3<sup>rd</sup> Quarter

- Oct. 2005 : Merger of Nichiita Package Industries Co., Ltd. and Tokan Packaging System Co., Ltd. (subsidiary of Tokan Kogyo Co., Ltd.)  
Establishment of NIPPON TOKAN PACKAGE CO., LTD.
- : Announced Nippon Paper Industries Co., Ltd. commencing agribio plant business.
- : Completion of the acquisition of treasury stock  
(Number of shares purchased: 30,000 shares  
Total purchase price for the shares: 12,318,802,000 yen)
- Nov. : San-mic Shoji Co., Ltd. and Komine Nissho Co., Ltd. reached a basic agreement of merger. (Planned date of merger: April 1, 2006)
- Dec. : Nippon Paper Industries Co., Ltd. announced the increase in the sales price of copier paper. (From the shipment on April 1, 2006)

Company	Location	Project	Invested amount (¥ billion)	Operation start (Forecast)
Nippon Paper Industries	Iwanuma	Measures for producing high quality (neutralized) newsprint	1.5	Oct. 2005
	Shiraoi	Introducing ECF bleaching process to No.3 kraft pulp line	1.5	Nov. 2005

## ●(3)Financial results ①Outline



### Consolidated operating results

(¥ billion)	FY2004 3 <sup>rd</sup> Q	FY2005 3 <sup>rd</sup> Q	FY2005 Accum. (Apr. 2005-Dec. 2005)
<Net sales>	297.6	292.3	870.5
<Operating income>	16.4	10.9	41.5
<Ordinary income>	15.9	10.4	41.6
<Net income>	6.6	6.7	10.2

## ●(3)Financial results ②Sales volume by product

(Thousand tons)	FY2004 3Q	FY2005 3Q	% change yoy
Newsprint	346	348	0.4%
Uncoated paper	189	190	0.6%
Coated paper	496	517	4.4%
Business communication paper	165	179	8.3%
Packaging paper and others	155	146	-5.4%
<b>Total domestic sales</b>	<b>1,350</b>	<b>1,380</b>	<b>2.2%</b>
Export (including newsprint)	117	98	-16.0%
<b>Total (paper)</b>	<b>1,466</b>	<b>1,478</b>	<b>0.8%</b>
Contaier board	363	359	-1.1%
Folding box board and others	104	104	0.1%
<b>Total domestic sales</b>	<b>467</b>	<b>463</b>	<b>-0.8%</b>
Export	9	7	-23.7%
<b>Total (paperboard)</b>	<b>476</b>	<b>470</b>	<b>-1.3%</b>
<b>Grand total (paper and paperboard)</b>	<b>1,943</b>	<b>1,948</b>	<b>0.3%</b>



## (3) Financial results ③ Segment information



( ¥ billion)

	Sales		Operating income		Comments
	FY2004 3Q	FY2005 3Q	FY2004 3Q	FY2005 3Q	
Pulp and Paper Div. ※	218.9	222.1	11.5	6.8	Paper: Heavily affected by fuel cost pressure, although sales volume increased. Paperboard: Profit decreased due to fuel cost hike despite cost reduction. Household tissue: Intensified competition continued.
Paper-related Div. (cartons, chemical products)	33.3	24.4	2.6	1.8	Nichiita Package Industries Co., Ltd. was acquired. And newly established company is applied to equity method.
Housing and Construction Materials Div.	23.9	24.3	0.6	0.9	
Other Div. ※ (beverages, transport)	21.5	21.5	1.8	1.4	
<b>Total</b>	<b>297.6</b>	<b>292.3</b>	<b>16.4</b>	<b>10.9</b>	

※FY2004 3Q : Electricity wholesale business transferred from Pulp and Paper Div. to Other Div..

## (3) Financial results ④ Balance sheet



Balance sheet	( ¥ billion)			
	Mar. 31, 2005	Dec. 31, 2005	Difference	Comments
Cash and time deposits	18.3	16.6	-1.8	
Notes and accounts receivable	247.9	270.1	22.2	Carry over due to holiday.
Inventories	131.8	138.2	6.4	
Other current assets	45.1	48.8	3.7	
Property, plant, equipment, and intangible fixed assets	885.6	848.4	-37.1	Capital investment 45.5bn , Depreciation -52.4bn , Impairment accounting -8.8bn, etc.
Investments and other assets	201.2	229.0	27.7	
<b>Total assets</b>	<b>1,530.0</b>	<b>1,551.1</b>	<b>21.1</b>	
Interest-bearing debt	766.1	750.8	-15.3	
Other debt	297.3	331.8	34.5	Carry over due to holiday.
Minority interests in consolidated subsidiaries	23.6	23.0	-0.6	
Total shareholders' equity	442.9	445.4	2.5	Cash dividends -8.6bn, Net income 10.2bn, etc.

## (3) Financial results ⑤ Cash flow statement

( ¥ billion)

Items	FY2005 3Q	Comments
<b>Operating activities</b>	<b>9.1</b>	
Income before income taxes	12.2	
Depreciation, and amortization of difference between cost and underlying net equity in consolidated subsidiaries	17.5	
Change in net working capital	-12.2	Decrease in liquidation of receivables, etc.
Others	-8.4	
<b>Investing activities</b>	<b>-9.8</b>	
Purchases of property, plant and equipment	-12.1	
Proceeds from sales of property, plant and equipment	1.4	
Others	0.9	
<b>Free cash flows</b>	<b>-0.7</b>	
<b>Financing activities</b>	<b>1.7</b>	
Change in net borrowings	7.3	
Cash dividends paid	-4.3	Interim dividends (¥4,000 per share)
Others	-1.3	
<b>Effect of exchange rate changes</b>	<b>0.2</b>	
Cash and cash equivalents at beginning of year	15.2	
Cash and cash equivalents at end of FY2005 1st quarter	16.4	

## (4) Full year forecast



The figures of FY2005 estimation are unchanged from the figures announced on October 31, 2005.

(¥ billion)	FY2005 estimation	FY2004 Results
<Net sales>	1,165.0	1,179.7
<Operating income>	53.0	65.2
<Ordinary income>	53.0	62.8
<Net income>	17.0	24.4

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## Disclaimer Regarding Forward-Looking Statements

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Any statements in this presentation document, other than those of historical fact, are forward-looking statements about the future performance of Nippon Paper Group, Inc. 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.

**Nippon Paper Group, Inc.**