

FY2007 3rd Quarter Financial Review



NIPPON PAPER
GROUP

February 4, 2008

Nippon Paper Group, Inc.



FY2007 3Q Review

(October 1, 2007 ~ December 31, 2007)

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(April 1, 2007 ~ March 31, 2008)

(1) Industry Overview – Domestic Shipment



Paper industry

Domestic shipment of paper and paperboard
FY2007 3Q (October 2007 – December 2007)

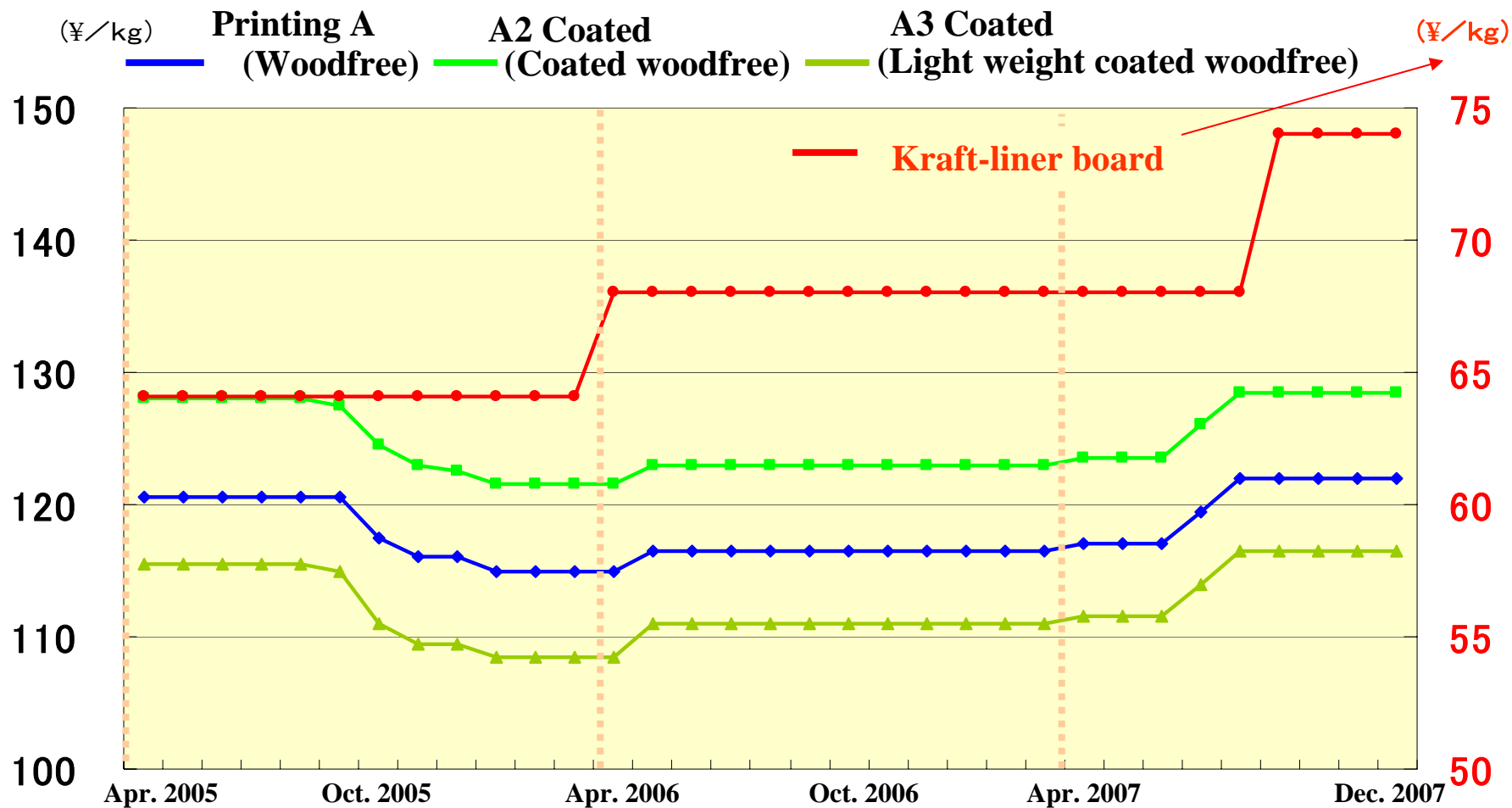
	Shipment(1,000 tons)	% change yoy
Newsprint	920	0.3%
Uncoated printing paper	640	-1.2%
Coated printing paper ※	1,692	1.2%
Business communication paper	425	6.9%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	1,045	2.3%
Paper total	4,722	1.4%
Paperboard total	3,123	0.7%
Paper and paperboard total	7,845	1.1%

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

(1) Industry Overview – Market Prices

Paper industry

Trend in paper and paperboard prices
(April 2005 – December 2007)

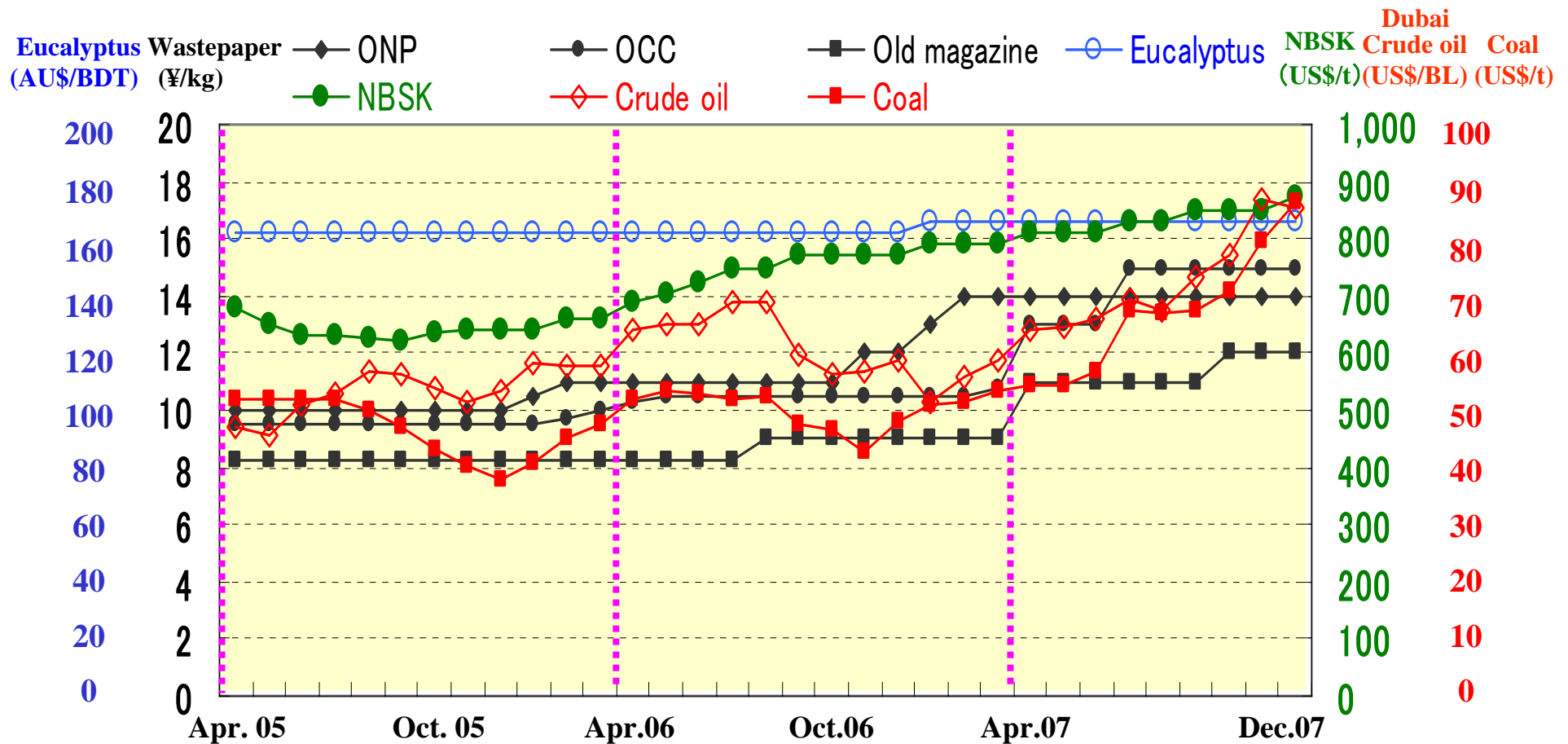


(1) Industry Overview – Cost Environment



Paper industry

Trend in fuel and raw material prices
(April 2005 – December 2007)



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

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Topics of the 3rd Quarter

- Oct. 2007 -Merger of NP Trading Co., Ltd. and Mantsune Corporation
- Announced group business realignment
 - Paper -Fushiki mill and Komatsushima mill to be closed
 - Paperboard -Waki works to be closed
 - Four subsidiaries to be absorbed into Nippon Daishowa Paperboard
 - Household tissue -To be a direct subsidiary of holding company
 - Specialty paper -Mishima Paper Co., Ltd. to become a wholly owned subsidiary
- Nov. -N6 paper machine at Ishinomaki mill to start commercial production
- Annual capacity: 350,000t
 - Main grade: Lightweight coated paper
- Conclusion of a memorandum of understanding regarding alliance with Taiwanese Yuen Foong Yu Paper Mfg. Co., Ltd.
- Dec. -Price increase announcement for PPC and Ink-jet paper
- Nippon Paper Crecia strengthened strategic alliance with Kimberly-Clark

●(3)Financial Results ①Outline



Consolidated operating results

(¥ billion)	FY2006 3rd Q	FY2007 3rd Q	FY2007 Accum. (Apr. 2007 – Dec. 2007)
<Net sales>	301.8	318.4	915.8
<Operating income>	12.5	7.8	22.2
<Ordinary income>	12.4	8.3	22.2
<Net income>	6.2	3.7	8.3

(3) Financial Results ② Sales volume by product



(Thousand tons)	FY2006 3Q	FY2007 3Q	% change yoy
Newsprint	342	337	-1.4%
Uncoated paper	187	180	-3.7%
Coated paper	520	534	2.6%
Business communication paper	178	189	6.0%
Packaging paper and others	144	131	-9.3%
Total domestic sales	1,371	1,370	0.0%
Export (including newsprint)	105	118	13.1%
Total (paper)	1,476	1,489	0.9%
Container board	346	349	1.0%
Folding box board and others	104	101	-2.9%
Total domestic sales	450	450	0.1%
Export	9	11	21.1%
Total (paperboard)	459	461	0.5%
Grand total (paper and paperboard)	1,935	1,950	0.8%

(3) Financial Results ③ Segment information



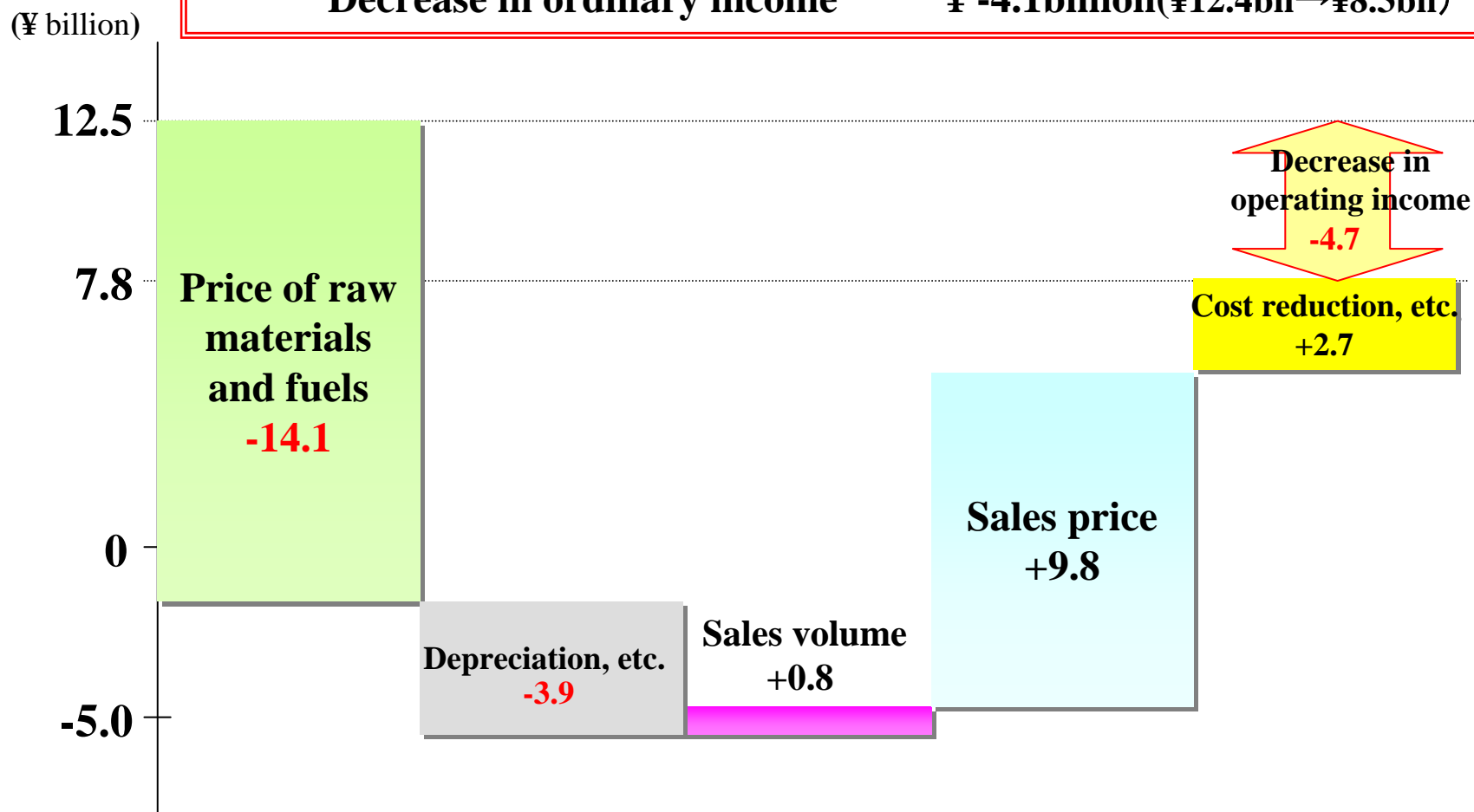
(¥ billion)

Division	Sales			Operating income			Comments
	FY2006 3Q	FY2007 3Q	Difference	FY2006 3Q	FY2007 3Q	Difference	
Pulp and Paper	228.2	250.2	22.1	8.4	4.5	-3.9	Paper/Paperboard: Negative impact from raw materials and fuel cost hike exceeded price recovery. Household tissue: Price recovery contributed to turnaround.
Paper-related (cartons, chemical products)	25.6	26.1	0.5	1.5	1.5	0.0	
Housing and Construction Materials	27.0	20.1	-7.0	1.0	0.5	-0.4	Affected by weakened housing starts.
Other (beverages, transport)	21.0	22.0	0.9	1.7	1.4	-0.4	
Total	301.8	318.4	16.6	12.5	7.8	-4.7	

(3) Financial Results (4) Analysis of profit and loss

FY2006 3rd Q vs FY2007 3rd Q

Decrease in operating income ¥-4.7billion(¥12.5bn → ¥7.8bn)
Decrease in ordinary income ¥ -4.1billion(¥12.4bn → ¥8.3bn)



(3) Financial Results ⑤ Balance sheet



(¥ billion)

Balance sheet	Mar. 31, 2007	Dec. 31, 2007	Difference	Comments
Cash and time deposits	16.0	17.8	1.8	
Notes and accounts receivable	247.1	300.2	53.0	
Inventories	147.1	161.9	14.8	
Other current assets	46.3	70.0	23.7	
Property, plant, equipment, and intangible fixed assets	874.1	903.5	29.4	Capital investment 93.5bn , Depreciation -57.7bn , etc.
Investments and other assets	235.2	237.3	2.1	
Total assets	1,566.0	1,690.8	124.8	
Interest-bearing debt	738.2	803.7	65.5	
Other debt	357.2	401.9	44.7	
Net assets	470.5	485.1	14.6	Cash dividends -8.7bn, Net income 8.3bn, Decrease in treasury stock 17.9bn, Decrease in valuation, translation adjustment and other -4.1bn, etc.

(3) Financial Results ⑥ Cash flow statement



(¥ billion)

Items	FY2006/3Q	FY2007/3Q	Difference	Comments
Operating activities	-30.5	-25.4	5.1	
Income before income taxes	11.6	6.7	-4.9	
Depreciation	16.9	① 20.0	3.1	① Tax reform effect (2.5bn) is included.
Change in net working capital	-33.1	-27.9	5.2	
Others	-25.9	-24.2	1.7	
Investing activities	-28.5	-32.2	-3.7	
Purchases of property, plant and equipment	-26.5	-31.5	② -5.0	② Capital expenditures increased due to strategic investments.
Proceeds from sales of property, plant and equipment	0.8	0.5	-0.4	
Others	-2.8	-1.2	1.7	
Free cash flows	-59.0	-57.6	1.4	
Financing activities	59.3	53.9	-5.3	
Change in net borrowings	63.7	58.5	-5.2	
Cash dividends paid	-4.4	-4.5	-0.2	
Others	-0.1	-0.0	0.0	
Effect of exchange rate changes, etc.	0.2	0.4	0.2	
Cash and cash equivalents at beginning of period	17.0	20.9	3.9	
Cash and cash equivalents at end of period	17.5	17.6	0.1	

(4) Full year forecast



Unchanged from the estimation figures
announced on October 24, 2007.

(¥ billion)	FY2007 Estimation	(Reference) FY2006 Results
<Net sales>	1,220.0	1,175.3
<Operating income>	30.0	44.7
<Ordinary income>	30.0	47.1
<Net income>	5.0	23.0

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 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.