

# FY2008 1<sup>st</sup> Quarter Financial Review

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NIPPON PAPER  
GROUP

August 4, 2008

Nippon Paper Group, Inc.



## FY2008 1Q Review

**(April 1, 2008~June 30, 2008)**

- |                        |               |
|------------------------|---------------|
| (1) Overview           | <i>3-5pp</i>  |
| (2) Topics             | <i>6p</i>     |
| (3) Financial results  | <i>7-11pp</i> |
| (4) Full year forecast | <i>12p</i>    |

**(April 1, 2008~March 31, 2009)**

# (1) Industry Overview – Domestic Shipment



Paper industry

Domestic shipment of paper and paperboard  
FY2008 1Q (April 2008 – June 2008)

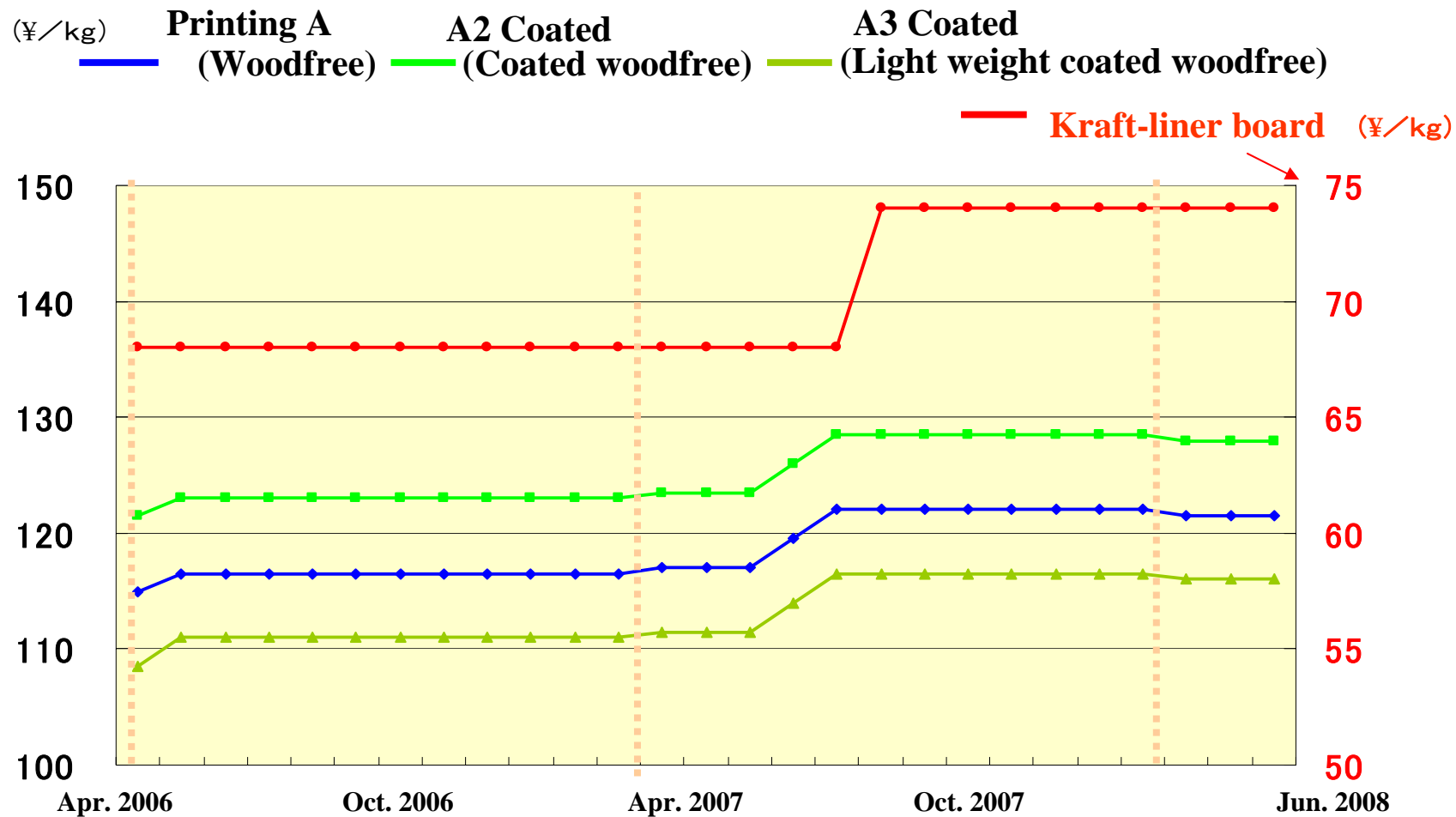
	Shipment(1,000 tons)	% change yoy
Newsprint	868	-2.5%
Uncoated printing paper	594	-4.1%
Coated printing paper ※	1,669	5.4%
Business communication paper	431	3.4%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	987	-2.6%
Paper total	4,550	0.6%
Paperboard total	2,947	-0.6%
Paper and paperboard total	7,497	0.1%

※ “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 2006 – June 2008)

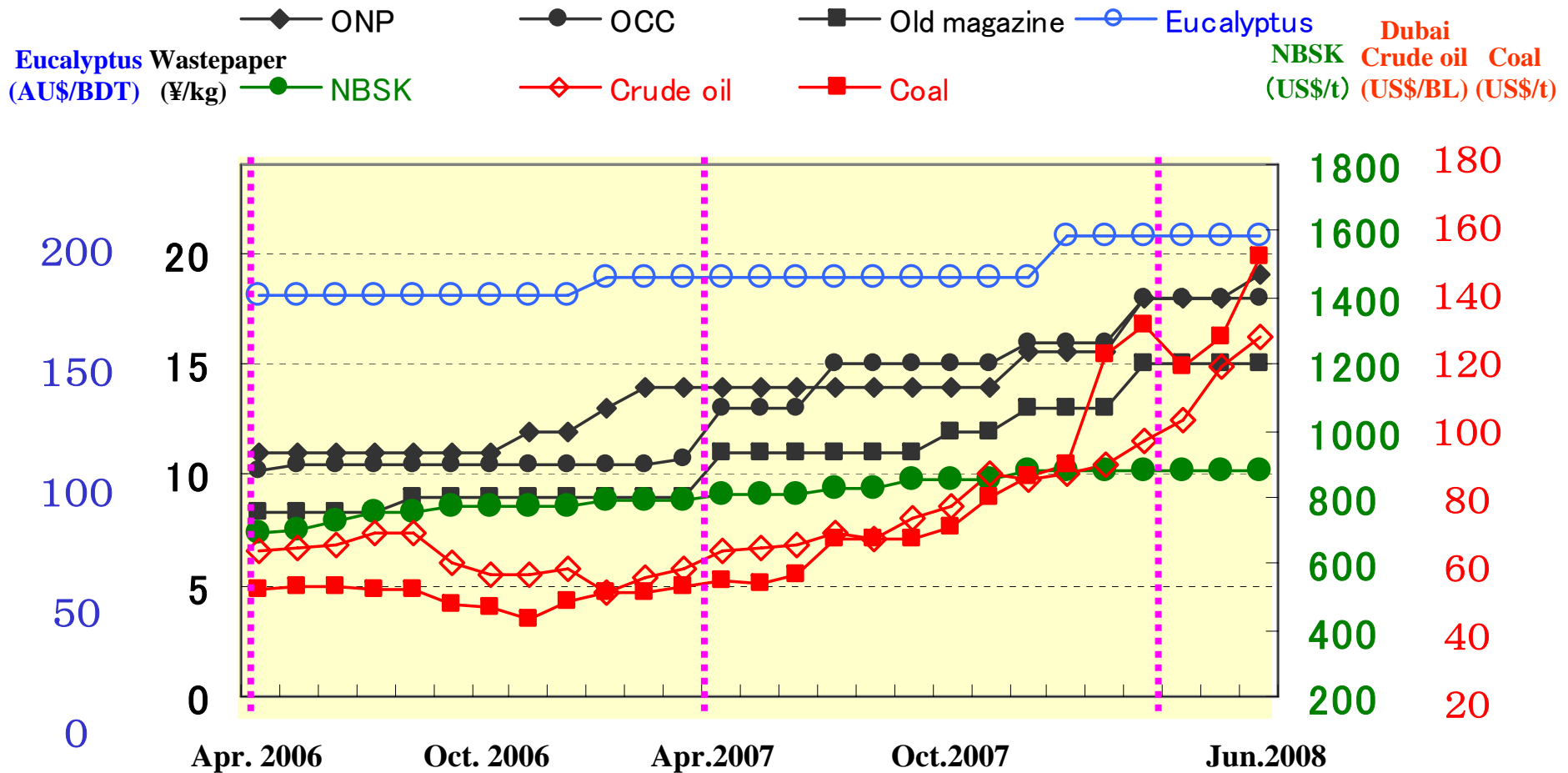


# (1) Industry Overview – Cost Environment



Paper industry

Trend in fuel and raw material prices  
(April 2006 – June 2008)



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

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### Topics of the 1<sup>st</sup> Quarter

#### **Apr. 2008 -Completed group business realignment**

- Nippon Daishowa incorporated its 4 operating subsidiaries.
- Nippon Paper Creca became a direct subsidiary of the holding company.
- Nippon Paper Papylia, a renewed specialty paper business company was incorporated.

#### **-Announced price increase**

- Printing, business communication and wrapping paper ( $\geq 15\%$ )
- High-grade paperboard ( $\geq 10\%$ )

#### **-Decided to start feasibility studies of biomass ethanol production**

jointly by Nippon Paper Chemicals Co., Ltd. and Cosmo Oil Co., Ltd.

#### **-Conducted third party audit for recycled fiber content controlling system**

#### **May -Announced stock split and adoption of unit stock system**

#### **-Revised upward the targets of counter global warming program in the Green Action Plan 2010**

#### **Jun -Announced price increase**

- Containerboard ( $\geq \text{¥}10/\text{kg}$ ), Chipboard, Coreboard, Buildingboard ( $\geq 15\%$ )
- Coated boxboard ( $\geq 15\%$ ), Specialty paperboard ( $\geq 10\%$ )

#### **-Y. Haga succeeded M.Nakamura as President**

### (3) Financial Results ① Outline



## Consolidated operating results

(¥ billion)	FY2007 1 <sup>st</sup> Q	FY2008 1 <sup>st</sup> Q	Difference
<Net sales>	295.2	311.2	16.0
<Operating income>	6.6	5.2	-1.4
<Ordinary income>	7.4	6.4	-1.0
<Net income>	2.4	1.4	-1.0

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



(Thousand tons)	FY2007 1Q	FY2008 1Q	% change yoy
Newsprint	324	312	-3.7%
Uncoated paper	184	171	-7.3%
Coated paper	510	553	8.4%
Business communication paper	193	189	-2.1%
Packaging paper and others	144	134	-7.0%
<b>Total domestic sales</b>	<b>1,355</b>	<b>1,359</b>	<b>0.3%</b>
Export (including newsprint)	113	117	4.1%
<b>Total (paper)</b>	<b>1,468</b>	<b>1,476</b>	<b>0.6%</b>
Container board	338	329	-2.7%
Folding box board and others	95	94	-0.7%
<b>Total domestic sales</b>	<b>433</b>	<b>423</b>	<b>-2.2%</b>
Export	10	10	6.8%
<b>Total (paperboard)</b>	<b>442</b>	<b>433</b>	<b>-2.0%</b>
<b>Grand total (paper and paperboard)</b>	<b>1,910</b>	<b>1,909</b>	<b>0.0%</b>



## (3) Financial Results ③ Segment information



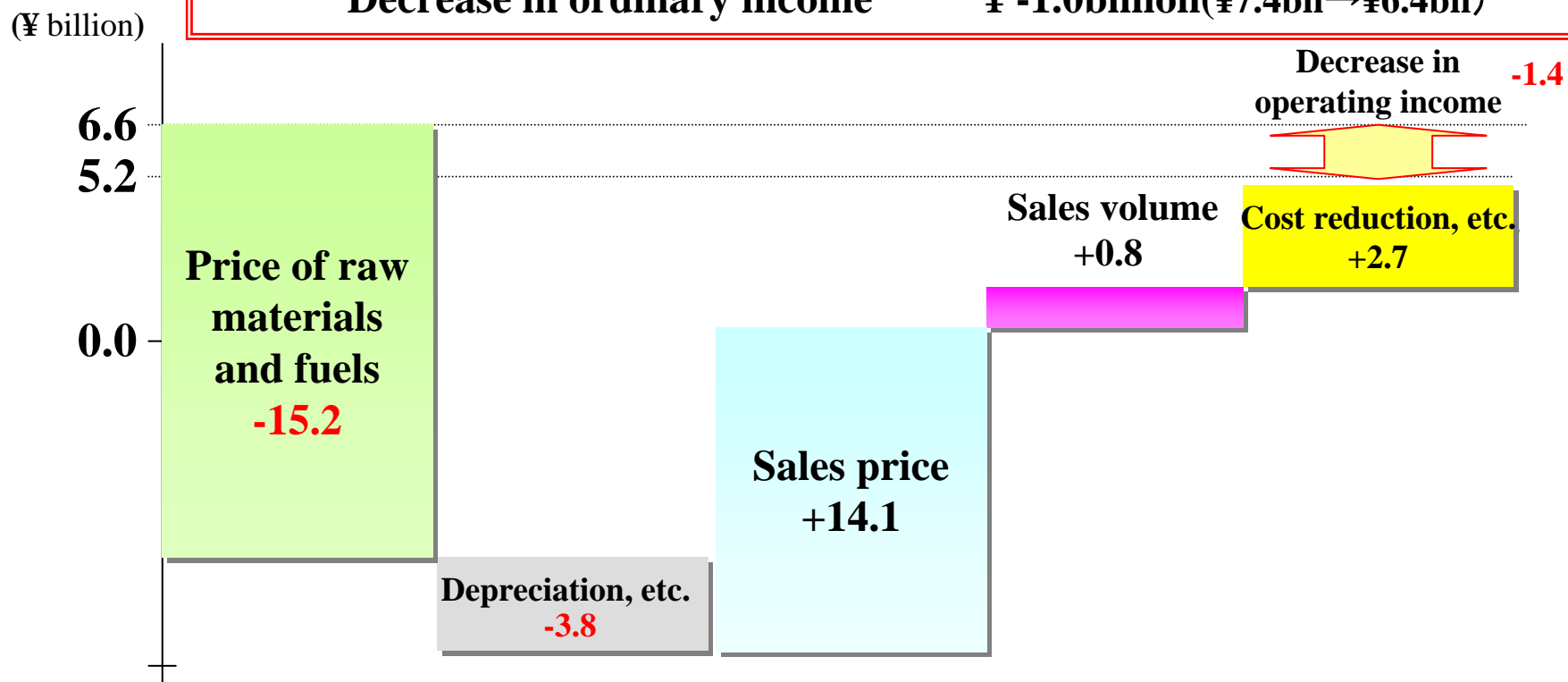
( ¥ billion)

Division	Sales			Operating income			Comments
	FY2007 1Q	FY2008 1Q	Difference	FY2007 1Q	FY2008 1Q	Difference	
<b>Pulp and Paper</b>	225.7	248.9	23.2	3.5	3.4	-0.1	Sales increased due to price recovery and group business realignment Paper and Paperboard: Profit decreased due to soaring of input cost Household tissue: Price recovery contributed to operating income
<b>Paper-related</b> (cartons, chemical products)	25.2	24.7	-0.6	1.1	1.0	-0.2	
<b>Housing and Construction Materials</b>	22.6	19.3	-3.3	0.6	0.3	-0.3	
<b>Other</b> (beverages, transport)	21.6	18.3	-3.3	1.3	0.5	-0.8	SHIKOKU COCA•COLA BOTTLING changed its accounting period
<b>Total</b>	295.2	311.2	16.0	6.6	5.2	-1.4	

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

**FY2007 1<sup>st</sup> Q vs FY2008 1<sup>st</sup> Q**

**Decrease in operating income ¥-1.4billion(¥6.6bn → ¥5.2bn)**  
**Decrease in ordinary income ¥ -1.0billion(¥7.4bn → ¥6.4bn)**



## (3) Financial Results ⑤ Balance sheet



( ¥ billion)

Balance sheet	Mar. 31, 2008	Jun. 30, 2008	Difference	Comments
Cash and time deposits	17.8	16.7	-1.0	
Notes and accounts receivable	262.7	296.6	33.9	
Inventories	165.4	178.8	13.4	
Other current assets	39.9	46.3	6.3	
Property, plant, equipment, and intangible fixed assets	919.2	917.5	-1.7	Capital investment 16.6bn , Depreciation -20.0 bn , Leased assets 5.9bn Sales and disposal of PPE -4.1bn etc.
Investments and other assets	220.6	211.8	-8.8	
<b>Total assets</b>	<b>1,625.6</b>	<b>1,667.7</b>	<b>42.2</b>	
Interest-bearing debt	785.3	860.3	75.0	
Other debt	360.5	335.8	-24.7	
<b>Net assets</b>	<b>479.8</b>	<b>471.6</b>	<b>-8.1</b>	Translation adjustments -8.2bn, Cash dividends -4.5bn, Unrealized gains on other marketable securiteies 3.4bn, Net income 1.4bn, etc.

## (4) Full Year Forecast



Unchanged from the estimation figures  
announced on April 28, 2008.

(¥ billion)	FY2008 1 <sup>st</sup> Half estimation	FY2008 estimation	FY2007 Results
<Net sales>	630.0	1,290.0	1,211.7
<Operating income>	13.0	43.0	32.8
<Ordinary income>	12.0	39.0	32.8
<Net income>	2.0	16.0	5.7

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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.**