

FY2008 3rd Quarter Financial Review



NIPPON PAPER
GROUP

February 2, 2009

Nippon Paper Group, Inc.



FY2008 3Q Review

(October 1, 2008 ~ December 31, 2008)

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(April 1, 2008 ~ March 31, 2009)

(1) Industry Overview – Domestic Shipment



Paper industry

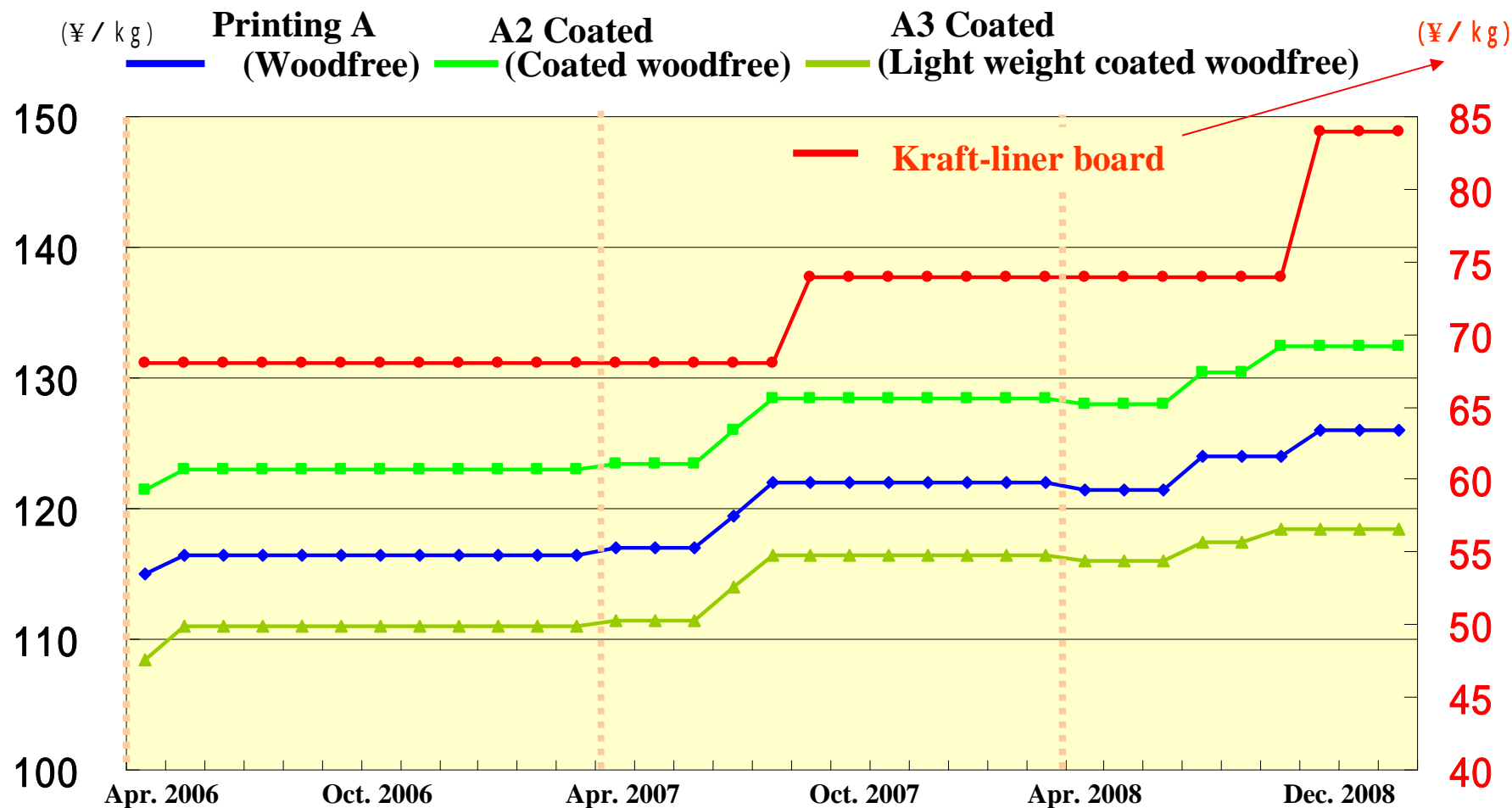
Domestic shipment of paper and paperboard
FY2008 3Q (October - December 2008)

	Shipment(1,000 tons)	% change yoy
Newsprint	888	-3.5%
Uncoated printing paper	549	-13.9%
Coated printing paper	1,356	-19.9%
Business communication paper	372	-12.2%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	947	-9.1%
Paper total	4,113	-12.8%
Paperboard total	2,784	-10.8%
Paper and paperboard total	6,897	-12.0%

(1) Industry Overview – Market Prices

Paper industry

Trend in paper and paperboard prices (April 2006 - December 2008)

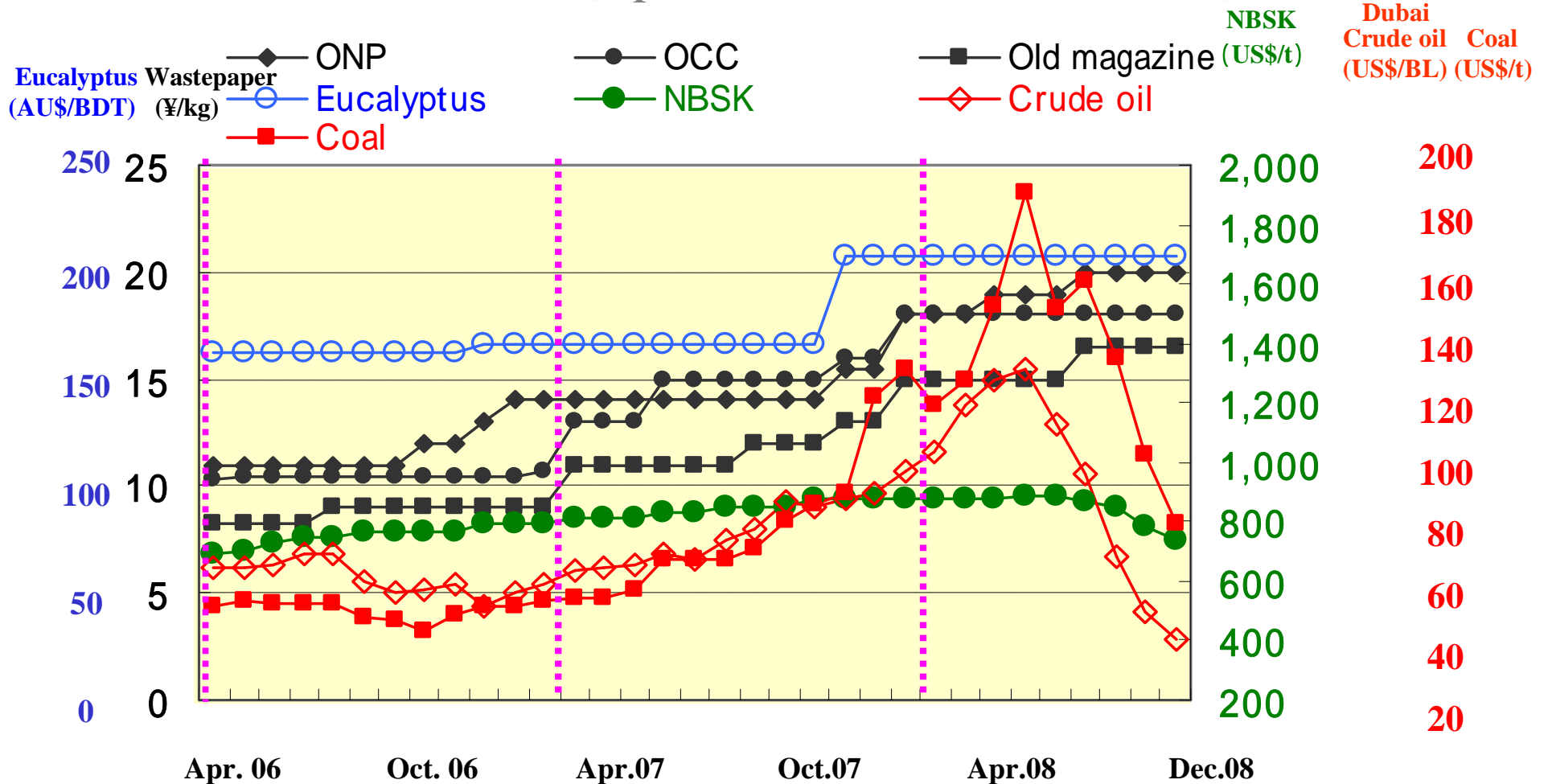


(1) Industry Overview – Cost Environment



Paper industry

Trend in fuel and raw material prices
(April 2006 - December 2008)



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

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Topics of the 3rd Quarter

3rd Medium Term Business Plan under development

- Oct. 08** -Exhibited at Frankfurt Book Fair 2008 to promote “KASADAKA”
in European markets
- Renewed product line-up of PPC paper:
launching N100 series (made of 100% recycled pulp)
 - Strategic Alliance with Yueng Foon Yu Paper(YFY), Taiwan:
Nippon Paper Industries to invest in YFY’s paperboard business
- Jan.09** -To split stock(1 100) and adopt unit share system

(3) Financial Results Outline



Consolidated operating results

(¥ billion)	FY2007 3 rd Q	FY2008 3 rd Q	FY2008 9 mos Accum. (Apr. – Dec. 2008)
<Net sales>	318.4	300.4	929.3
<Operating income>	7.9	5.8	21.5
<Ordinary income>	8.3	3.4	22.1
<Net income>	3.7	0.5	5.8

(3) Financial Results Sales volume by product



(Thousand tons)	FY2007 3Q	FY2008 3Q	% change yoy
Newsprint	337	323	-4.2%
Uncoated paper	180	143	-20.4%
Coated paper	534	379	-29.0%
Business communication paper	189	166	-12.0%
Packaging paper and others	131	117	-10.3%
Total domestic sales	1,370	1,128	-17.7%
Export (including newsprint)	118	99	-16.5%
Total (paper)	1,489	1,227	-17.6%
Container board	349	315	-9.6%
Folding box board and others	101	96	-5.3%
Total domestic sales	450	411	-8.7%
Export	11	4	-62.6%
Total (paperboard)	461	415	-9.9%
Grand total (paper and paperboard)	1,950	1,642	-15.8%

(3) Financial Results Segment information



(¥ billion)

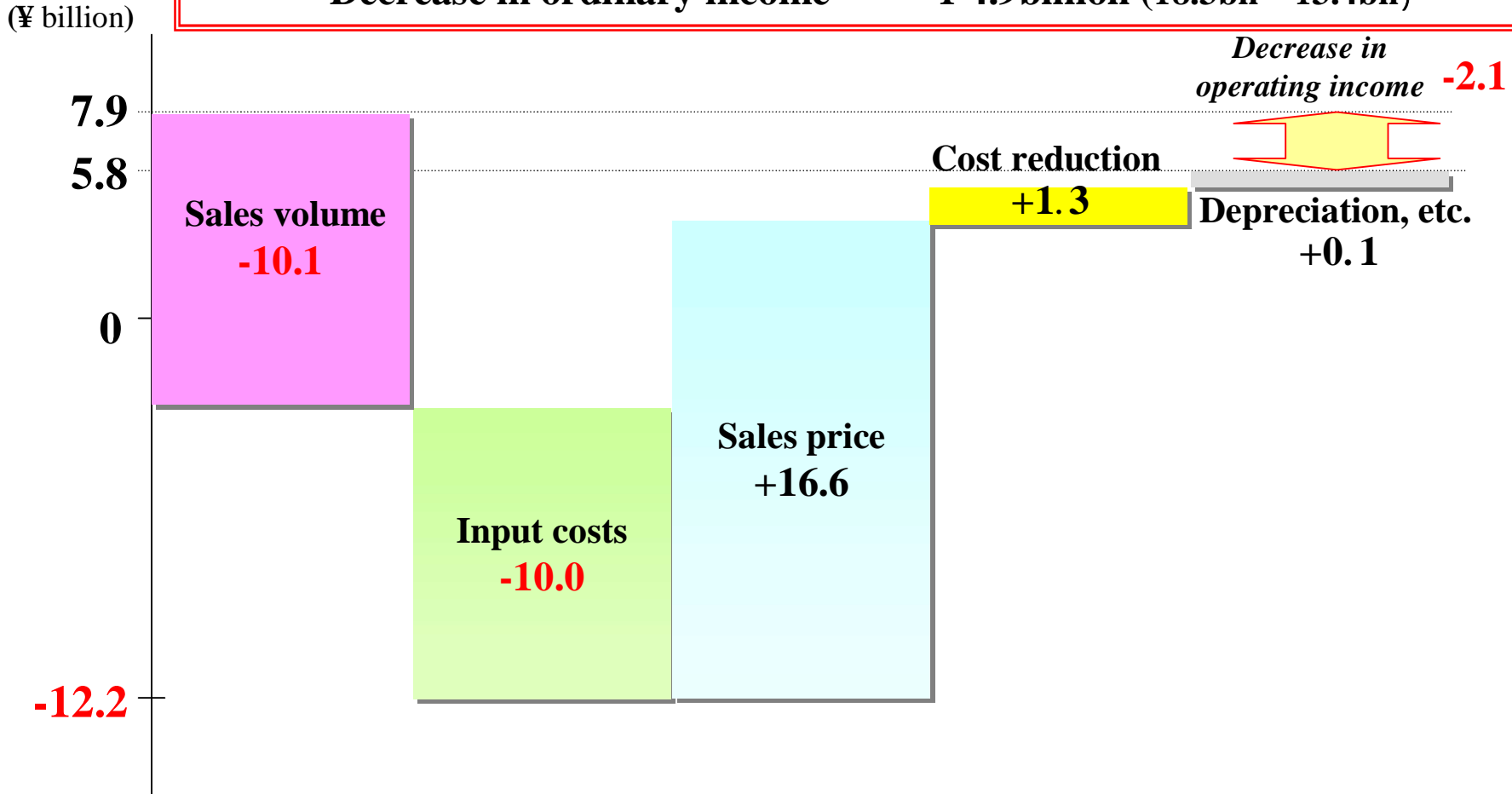
Division	Sales			Operating income			Comments
	FY2007 3Q	FY2008 3Q	Difference	FY2007 3Q	FY2008 3Q	Difference	
Pulp and Paper	250.2	235.7	-14.5	4.5	2.9	-1.6	Despite improved margins of Paperboard and Household tissue business after price hikes, Division's operating income decreased due to significant decline in Paper sales
Paper-related (cartons, chemical products)	26.1	22.6	-3.5	1.5	0.6	-0.9	Sales decline in DP and chemical products
Housing and Construction Materials	20.1	17.8	-2.3	0.5	0.7	0.2	
Other (beverages, transport)	22.0	24.3	2.3	1.4	1.6	0.3	
Total	318.4	300.4	-18.0	7.9	5.8	-2.1	

(3) Financial Results Analysis of profit and loss



FY2007 3rd Q vs FY2008 3rd Q

Decrease in operating income ¥ 2.1billion (¥7.9bn ¥5.8bn)
Decrease in ordinary income ¥ 4.9billion (¥8.3bn ¥3.4bn)



(3) Financial Results Balance sheet



(¥ billion)

Balance sheet

	Sep. 30, 2008	Dec. 31, 2008	Difference	Comments
Cash and time deposits	14.8	16.7	1.9	
Notes and accounts receivable	269.6	259.4	-10.1	
Inventories	188.7	184.3	-4.4	
Other current assets	36.5	42.8	6.2	
Property, plant, equipment, and intangible fixed assets	914.3	901.9	-12.4	Capex 10.9 , Depreciation -21.2, etc.
Investments and other assets	208.4	201.8	-6.6	
Total assets	1,632.4	1,606.9	-25.5	
Interest-bearing debt	811.3	799.1	-12.2	
Other debt	348.5	348.3	-0.1	
Net assets	472.6	459.5	-13.2	Cash dividends -4.5, Net income 0.5, Decrease in valuation, translation adjustment and other -9.0, etc.

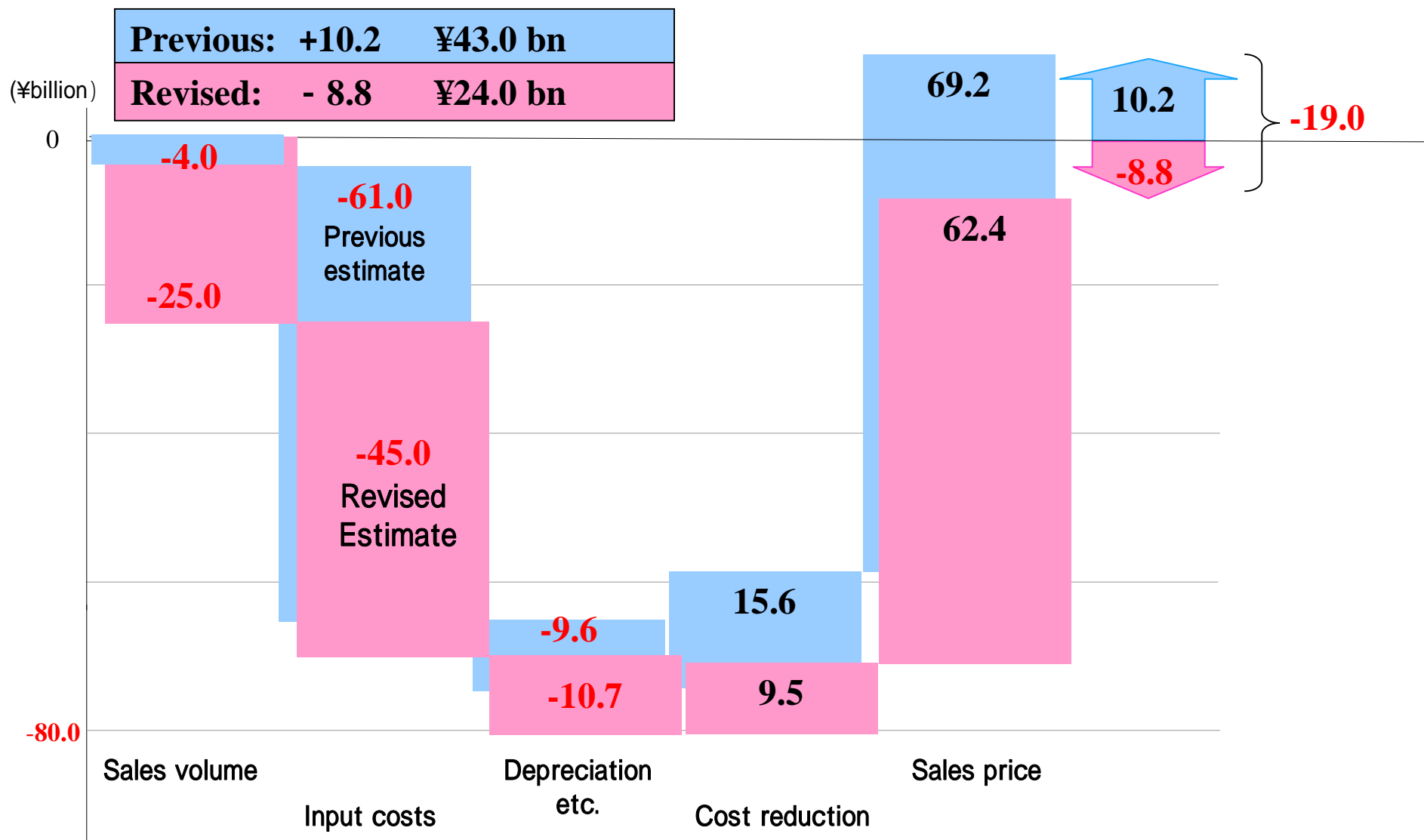
● (4) Full year forecast

Revised FY2008 financial forecast,
considering 3Q result and recent business environment changes:

(¥ billion)	FY2008 Previous estimate	FY2008 Revised estimate	FY2007 (Reference)
<Net sales>	1,280.0	1,180.0	1,211.7
<Operating income>	43.0	24.0	32.8
<Ordinary income>	43.0	23.0	32.8
<Net income>	19.0	5.0	5.7

(4) Full year forecast – [Factor Analysis]

Impacts on Operating Income (vs ¥32.8 bn/FY2007)



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.