

FY2009 First 6-month Result Financial Review



NIPPON PAPER
GROUP

November 9, 2009

Nippon Paper Group, Inc.



I. FY2009 First 6-month Review (1 Apr. 2009 – 30 Sep. 2009)

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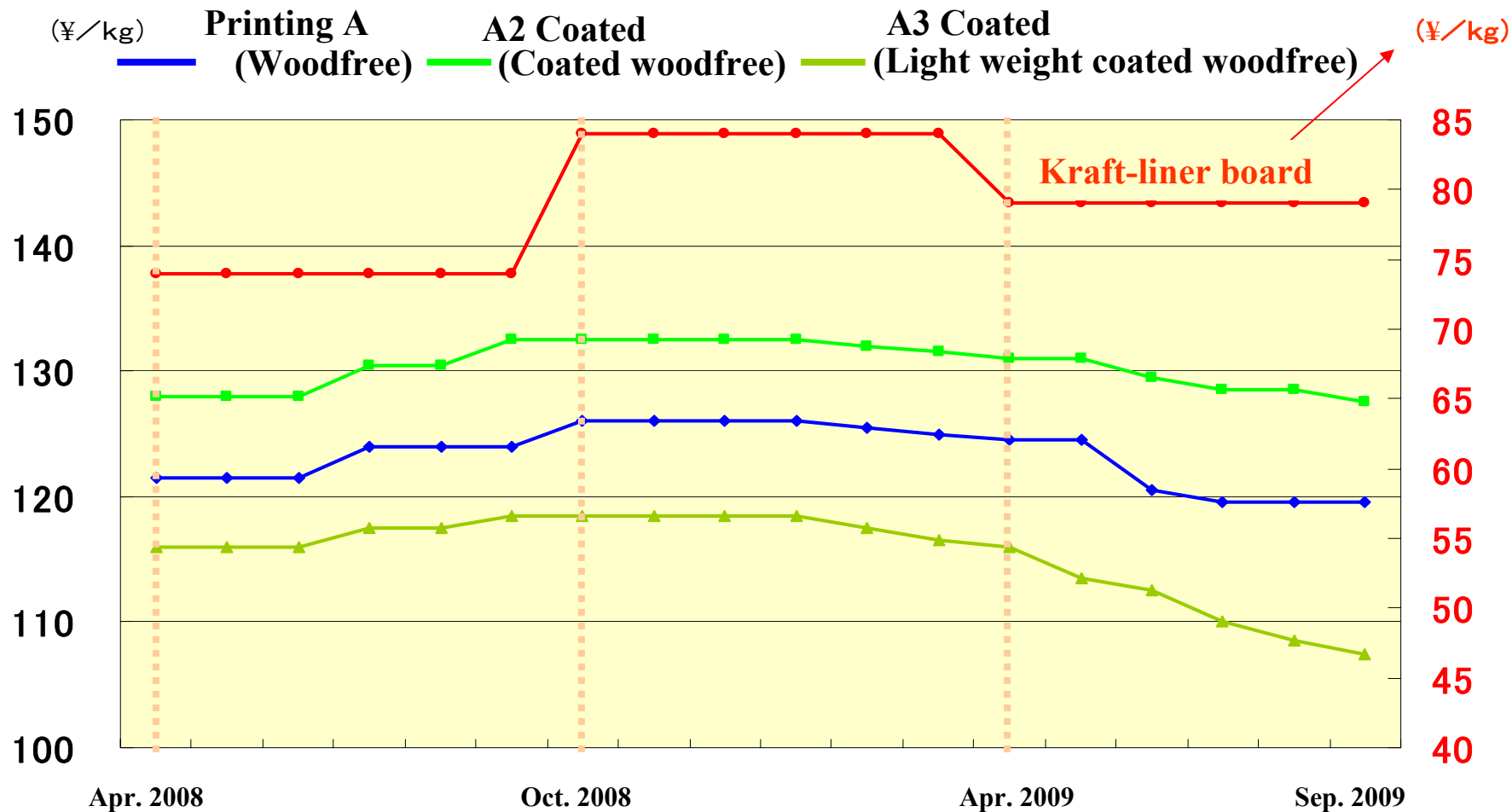
Paper industry

Domestic shipment of paper and paperboard
FY2009 1st 6-month results (Apr.2009 – Sep.2009)

	Shipment(1,000 tons)	% change yoy
Newsprint	1,671	-5.6%
Uncoated printing paper	1,036	-12.8%
Coated printing paper ※	2,426	-24.8%
Business communication paper	716	-15.0%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	1,738	-9.9%
Paper total	7,588	-15.3%
Paperboard total	5,265	-13.1%
Paper and paperboard total	12,854	-14.4%

Paper industry

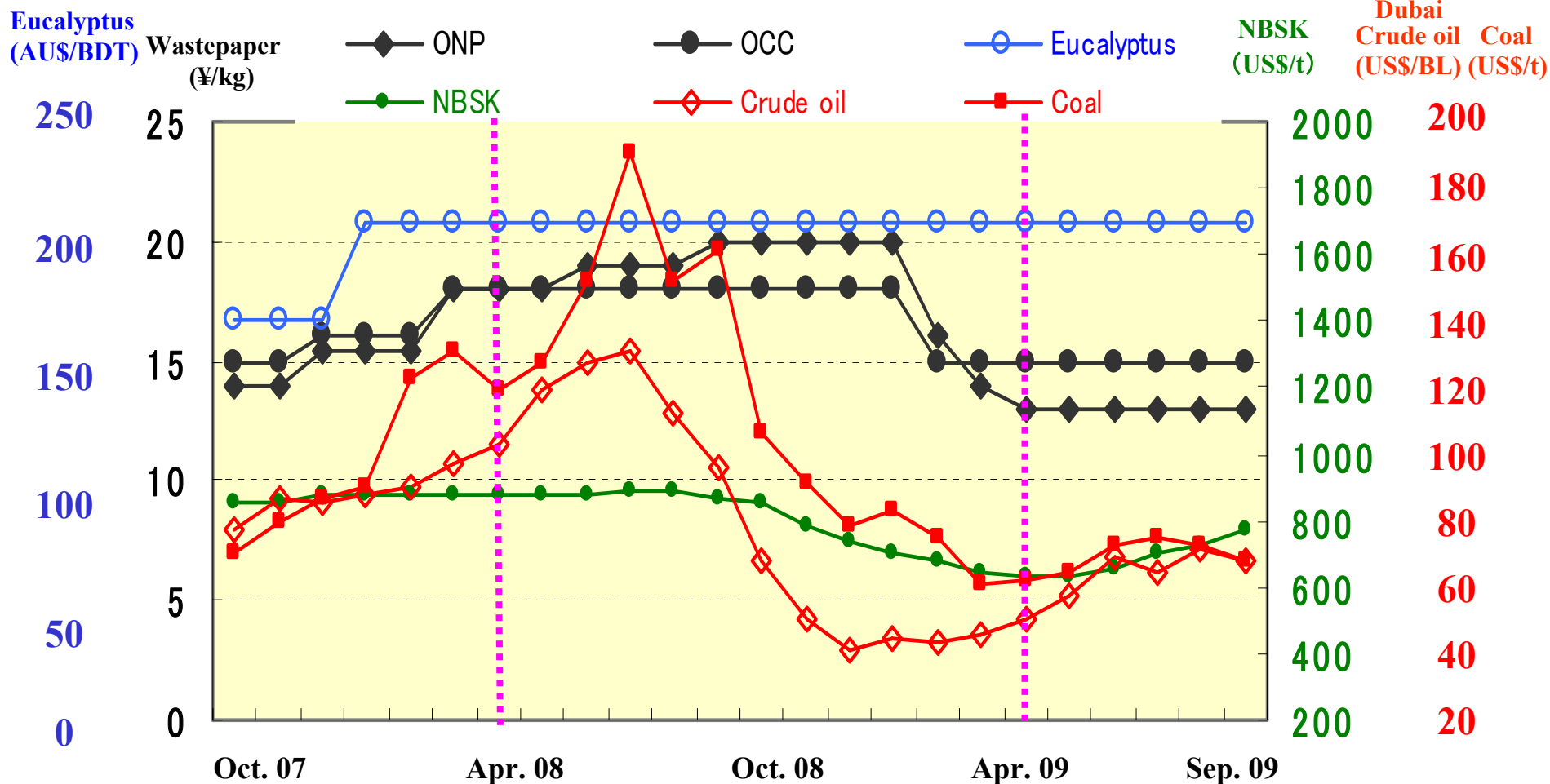
Trend in paper and paperboard prices
(Apr. 2008 — Sep. 2009)





Paper industry

Trend in fuel and raw material prices
(Oct. 2007 – Sep. 2009)



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

Group Topics (Apr - Oct. 2009)

- Apr.09** -Nippon Paper Chemicals developed clear hardcoat film for next-generation LCD Panels
- May.09** -Nippon Paper Group, Inc. and its major group companies relocated the headquarters
- Jun.09** -Nippon Paper Industries acquired all outstanding shares of Australian Paper
- An alternative fuel boiler came on line at Otake Mill, Nippon Daishowa Paperboard
- Nippon Paper Group, Inc. revised the plan against large-scale purchases of the shares (Takeover Defense Measures)
- Nippon Paper Group, Inc. announced conversion of Shikoku Coca-Cola Bottling Co.,Ltd. into a wholly owned subsidiary (Completed as of Oct.1)
- Sep.09** -Nippon Paper-Pak released the world's smallest brick-type aseptic package
- Oct.09** -Nippon Paper Industries joined a promotion program for utilizing thinning logs

Consolidated operating results

(¥ billion)	FY2008 1 st 6-month	FY2009 1 st 6-month	Change
<Net sales>	629.0	526.8	-102.2
<Operating income>	15.6	18.6	3.0
<Ordinary income>	18.7	17.8	-0.9
<Net income>	5.2	7.8	2.6

I. 1st 6-month Review (2) Operating results

② Sales volume by product



(Thous and tons)	FY2008 1st 6 mos	FY2009 1st 6 mos	% change yoy
(Average domestic paper price: ¥/kg) ※	(120.8)	(122.8)	(1.6%)
Newsprint	639	606	-5.2%
Uncoated paper	347	298	-14.3%
Coated paper	1,039	754	-27.4%
Business communication paper	366	317	-13.4%
Packaging paper and others	266	215	-19.4%
Total domestic sales	2,657	2,189	-17.6%
Export (including newsprint)	243	168	-31.0%
Total (paper)	2,900	2,357	-18.7%
(Average domestic paperboard price: ¥/kg)	(63.8)	(67.0)	(5.1%)
Container board	668	565	-15.3%
Folding box board and others	192	168	-12.6%
Total domestic sales	860	734	-14.7%
Export	19	11	-44.4%
Total (paperboard)	879	744	-15.4%
Grand total (paper and paperboard)	3,780	3,101	-18.0%

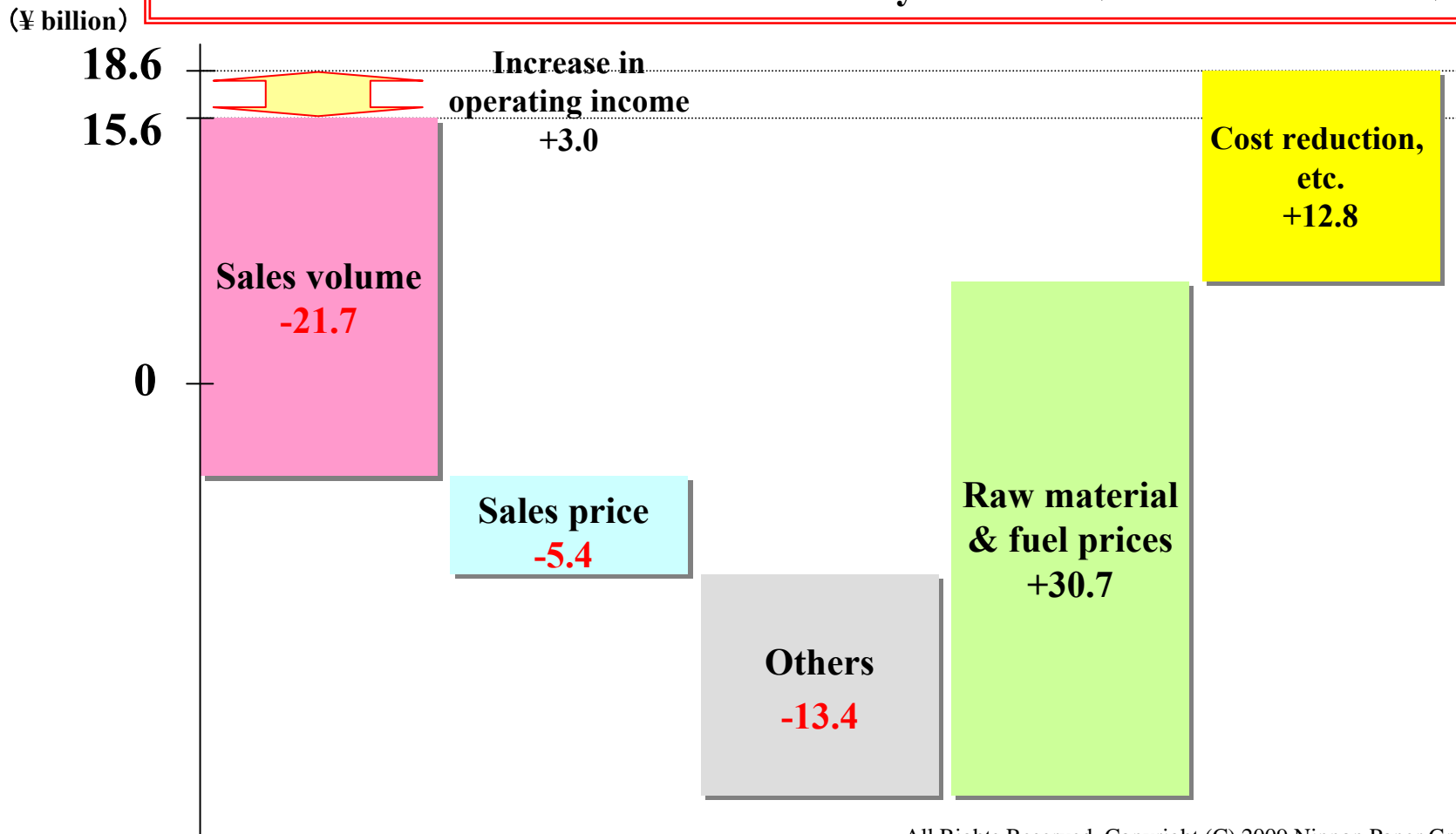
※excluding newsprint.

(¥billion)

	Sales			Operating income			Comments
	FY2008 1st 6 mos	FY2009 1st 6 mos	Difference	FY2008 1st 6 mos	FY2009 1st 6 mos	Difference	
Pulp and Paper Div.	499.6	419.5	▲ 80.1	11.2	15.4	4.2	Sales declined, but operating income increased due to decrease in input costs and cost reduction.
Paper-related Div. (cartons, chemical products)	51.2	44.5	▲ 6.7	2.5	1.9	▲ 0.6	
Housing and Construction Materials Div.	38.3	25.3	▲ 13.0	0.7	▲ 0.2	▲ 0.9	
Other Div. (beverages, transport)	39.9	37.5	▲ 2.4	1.2	1.5	0.3	
Total	629.0	526.8	▲ 102.2	15.6	18.6	3.0	

1st 6-month: FY2009 vs FY2008

A ¥3.0 billion Increase in Operating Income (¥15.6 bn → ¥18.6 bn)
A ¥0.9 billion Decrease in Ordinary Income (¥18.7 bn → ¥17.8 bn)



	FY2008 1st 6 mos	FY2009 1st 6 mos	(¥billion)
Ordinary income	18.7	17.8	
Extraordinary gains	1.1	0.4	
Gain on sale of property, plant and equipment	0.1	0.3	
Gain on sale of securities, etc.	0.4	0.0	
Others	0.6	0.1	
Extraordinary losses	10.0	2.8	
Loss on disposal of property, plant and equipment	1.8	0.8	
Impairment accounting	1.6	0.7	
Loss on restructuring	3.0	-	
Loss on valuation of inventories	1.8	-	
Others	1.8	1.3	
Income tax adjustment	-4.6	-7.5	
Minority interests(-)/loss	-0.1	0.1	
Net income	5.2	7.8	

Balance sheet

(¥billion)

	Mar. 31, 2009	Sep. 30, 2009	Change	Comments
Cash and time deposits	15.1	17.5	2.4	
Notes and accounts receivable	211.4	215.5	4.2	
Inventories	165.5	170.3	4.9	
Other current assets	44.0	38.8	-5.2	
Property, plant, equipment, and intangible fixed assets	878.7	901.9	23.2	
Investments and other assets	177.3	186.3	9.0	
Total assets	1,492.0	1,530.4	38.4	
Interest-bearing debt	784.3	791.0	6.6	
Other debt	283.1	291.8	8.7	
Net assets	424.6	447.6	23.0	Cash dividends -4.5, 1st 6-mon net income 7.8, Unrealized gains on other marketable securiteies 4.8, translation adjustments 14.6, etc.

Assumptions for FY2009 forecast

● Domestic sales (2nd 6mos)

-Sales volume [full year]

Paper : Same as FY2008 [-9.7%]

Paperboard : Same as FY2008 [-8.1%]

-Sales price

Paper, Paperboard : Stay at current levels

● Raw material and fuel prices (2nd 6 mos)

Crude oil : US\$80/BL(Dubai)

Woodchips & Coal : Stay at current levels (FOB price)

Wastepaper : Slightly increase from 1st 6 mos levels

● Forex rate (2nd 6 mos) : ¥95/US\$1 ¥85/AU\$1

FY2009 Earnings Forecast Revised:

(¥ billion)	Previous: as of 28 Apr.09	Revised: as of 30 Oct.09	(Reference) FY2008 Results
<Net sales>	1,080.0	1,090.0	1188.1
<Operating income>	32.0	36.0	20.0
<Ordinary income>	24.0	30.0	17.9
<Net income>	12.0	22.0	-23.3

II. FY2009 Forecast (1) Earnings forecast ③ Sales volume by product



(Thous and tons)	FY2008 (A)	FY2009 est. (B)	% change yoy
Newsprint	1,270	1,204	-5.2%
Uncoated paper	624	598	-4.1%
Coated paper	1,765	1,504	-14.8%
Business communication paper	688	630	-8.4%
Packaging paper and others	488	431	-11.8%
Total domestic sales	4,835	4,366	-9.7%
Export (including newsprint)	405	351	-13.3%
Total (paper)	5,240	4,718	-10.0%
Container board	1,218	1,117	-8.3%
Folding box board and others	372	345	-7.3%
Total domestic sales	1,590	1,461	-8.1%
Export	26	16	-36.3%
Total (paperboard)	1,616	1,478	-8.5%
Grand total (paper and paperboard)	6,856	6,196	-9.6%

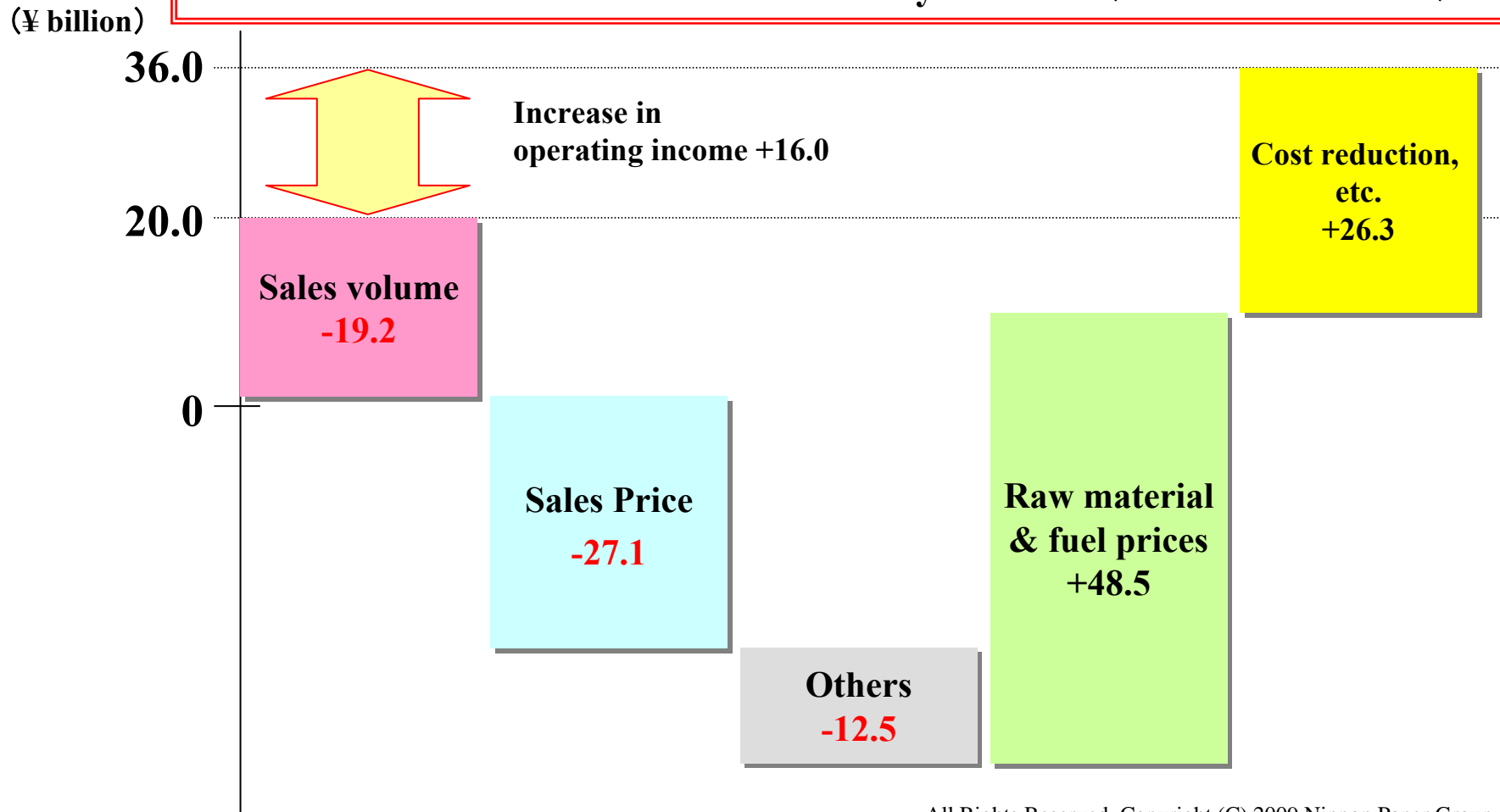
(¥billion)

	Sales			Operating Income			Comments
	FY2008	FY2009 estimated	Difference	FY2008	FY2009 estimated	Difference	
Pulp and Paper Div.	940.3	864.5	▲ 75.8	12.7	28.8	16.1	Sales declined, but operating income increased due to decrease in input costs and cost reduction.
Paper-related Div. (cartons, chemical products)	92.6	88.5	▲ 4.1	2.2	3.0	0.8	
Housing and Construction Materials Div.	70.1	54.8	▲ 15.3	1.1	▲ 0.1	▲ 1.2	
Other Div. (beverages, transport)	85.1	82.2	▲ 2.9	4.0	4.3	0.3	
Total	1,188.1	1,090.0	▲ 98.1	20.0	36.0	16.0	

FY2009 forecast vs FY2008

A ¥16.0 billion Increase in Operating Income (¥20.0 bn → ¥36.0 bn)

A ¥ 12.1 billion Increase in Ordinary Income (¥17.9 bn → ¥30.0 bn)



II. FY2009 Forecast (3)Key figures and indices



	FY2007	FY2008	FY2009 1st 6 mos	FY2009 est.
ROE	1.3%	-5.4%	3.8%	5.4%
Operating margin on sales	2.7%	1.7%	3.5%	3.3%
Ordinary margin on sales	2.7%	1.5%	3.4%	2.8%
D/E (times)	x1.7	x1.9	x1.8	x1.8
Capital investment (¥ billion)	121.2	64.9	20.1	39.7
Depreciation (¥ billion)	74.8	83.3	40.6	81.0
Interest-bearing debt (¥ billion)	785.3	784.3	791.0	770.0
Number of employees	13,666	13,088	14,639	14,236

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. These statements 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.