



# FY2009 Financial Review

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NIPPON PAPER  
GROUP

May 10, 2010

Nippon Paper Group, Inc.



I. FY2009 Review (April 1, 2009 – March 31, 2010)

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Paper industry

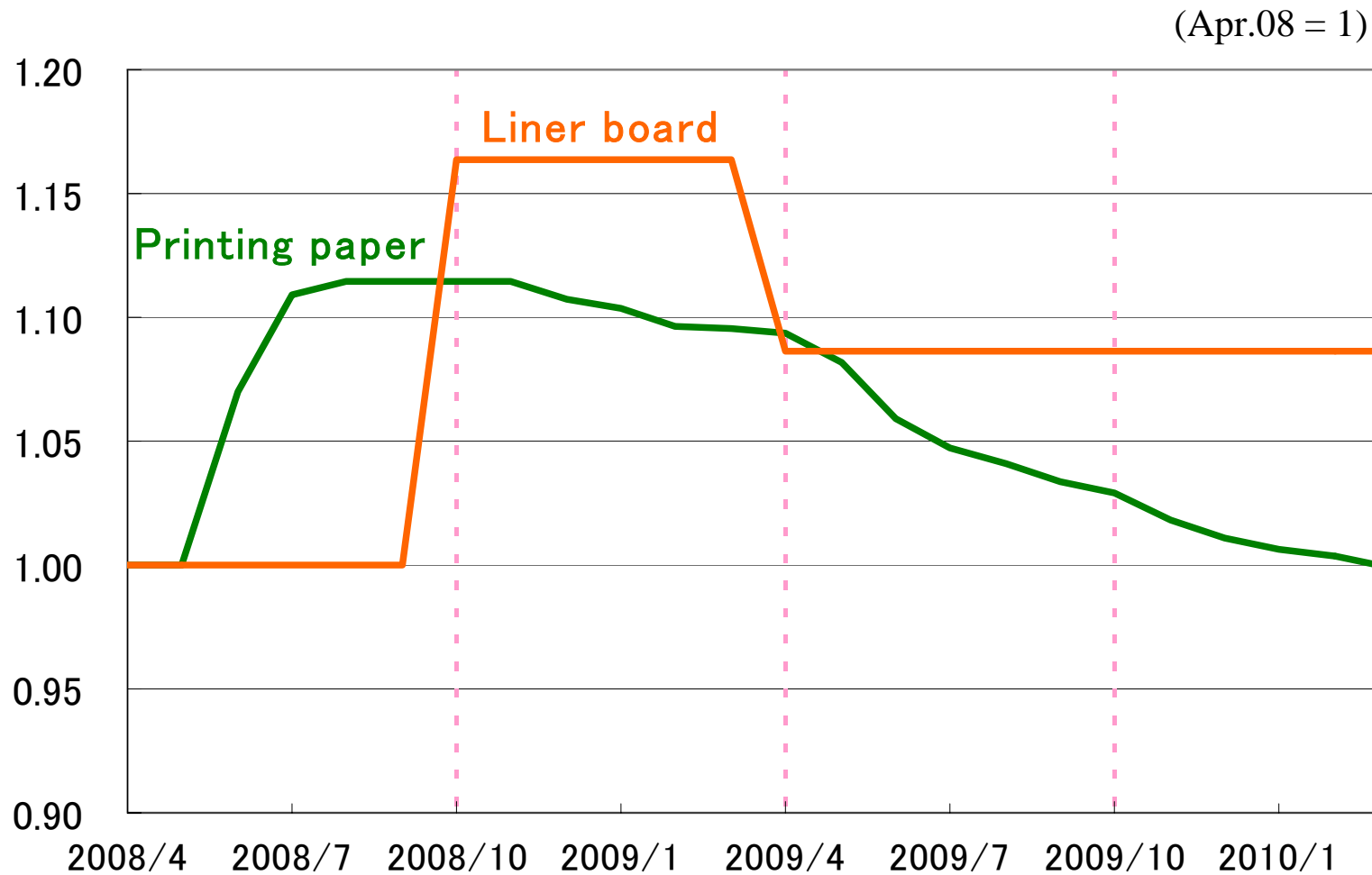
Domestic shipment of paper and paperboard  
FY2009 (Apr. 2009 – Mar. 2010)

	Shipment(1,000 tons)	% change yoy
Newsprint	3,357	-4.2%
Printing & Biz communication	8,676	-11.9%
Coated ※	4,889	-14.8%
Uncoated & Specialty printing	2,338	-8.0%
Business communication	1,449	-7.8%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	3,321	-2.0%
Paper total	15,354	-8.3%
Paperboard total	10,623	-4.7%
Paper and paperboard total	25,978	-6.9%



Paper industry

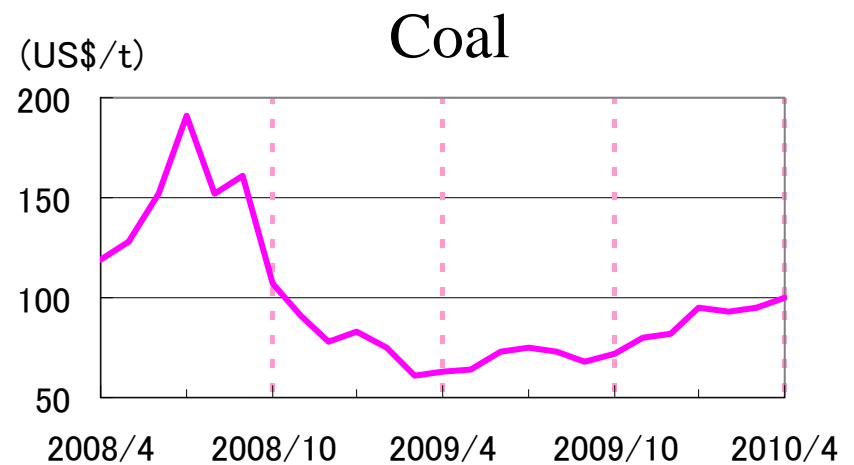
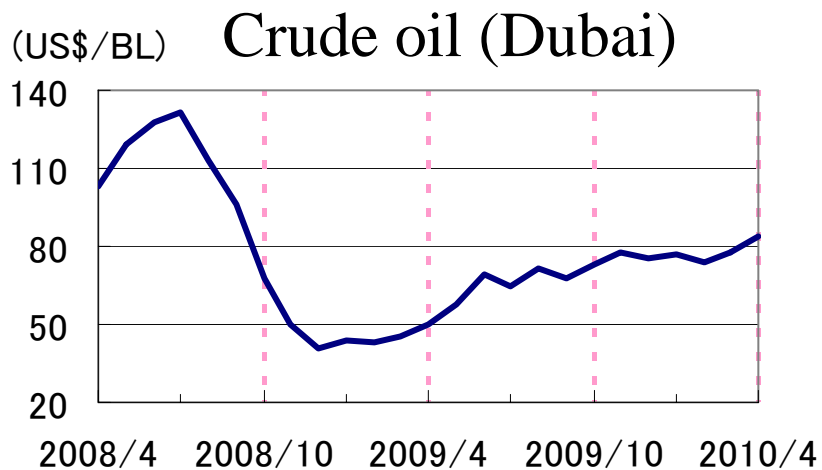
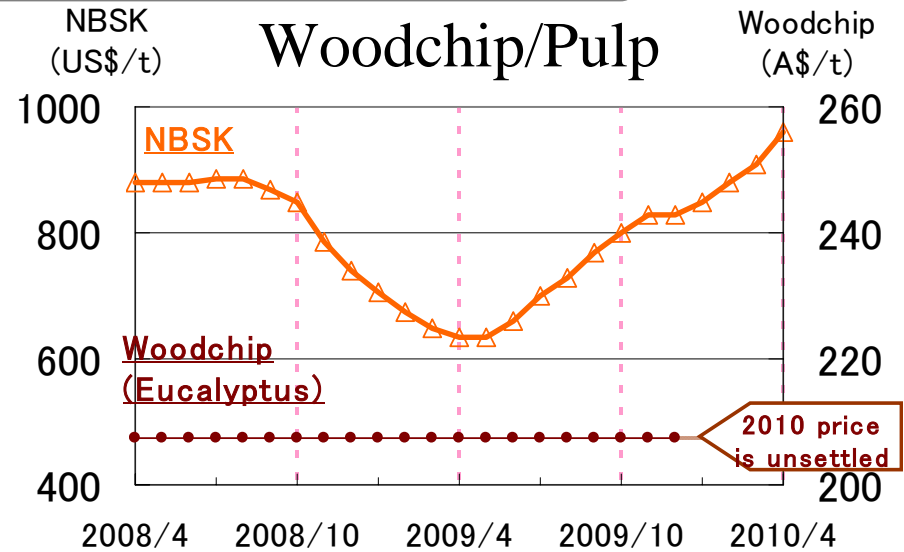
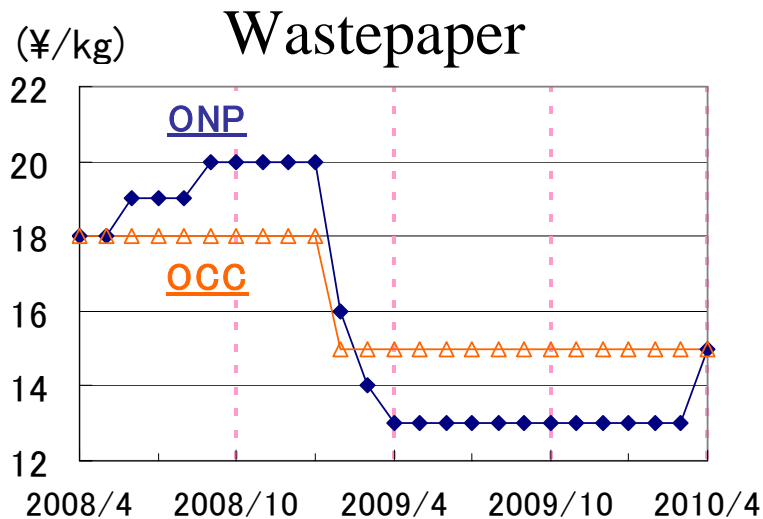
Trend in paper and paperboard prices  
(Apr. 2008 – Mar. 2010)



Source: Bank of Japan "Corporate Goods Price Index"

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Trend in fuel and raw material prices (Apr. 2008 —)



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

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## Topics of FY2009

- Apr.09** -Nippon Paper Chemicals developed new film for next-generation LCD panels
- Jun.09** -Nippon Paper Industries acquired Australian Paper
  - An alternative fuel boiler came on line at Otake Mill, Nippon Daishowa Paperboard
  - Nippon Paper Group, Inc. revised the Takeover Defense Measures
  - Nippon Paper Group, Inc. made Shikoku Coca-Cola Bottling into a wholly owned subsidiary
- 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 in Shizuoka Pref.
- Dec.09** -Nippon Paper Chemicals decided to build a new pulp machine at Gotsu Mill
  - Nippon Paper Industries joined a promotion program for utilizing thinning logs in Okayama Pref.
- Jan.10** -Shikoku Coca-Cola Bottling decided to expand PET bottle filling line
- Mar.10** -Nippon Paper Industries signed an investment agreement on Yuen Foong Yu's Asian containerboard business

Consolidated operating results

(¥ billion)	FY2008	FY2009	Change
<Net sales>	1,188.1	1,095.2	-92.9
<Operating income>	20.0	43.1	23.2
<Ordinary income>	17.9	37.5	19.6
<Net income>	-23.3	30.1	53.4



( Thousand tons)	FY2008	FY2009	% change yoy
( Average domestic paper price : ¥/kg ) ※	(123.9)	(120.9)	(-2.4%)
Newsprint	1,270	1,217	-4.1%
Printing & Business communication paper	3,149	2,771	-12.0%
Coated paper	1,765	1,481	-16.1%
Uncoated paper & Specialty printing paper	696	650	-6.7%
Business communication paper	688	641	-6.9%
Packaging paper and others	416	377	-9.2%
<b>Total domestic sales</b>	<b>4,835</b>	<b>4,366</b>	<b>-9.7%</b>
Export (including newsprint)	405	396	-2.2%
<b>Total (paper)</b>	<b>5,240</b>	<b>4,763</b>	<b>-9.1%</b>
( Average domestic paperboard price : ¥/kg )	(67.7)	(67.0)	(-1.1%)
Container board	1,218	1,126	-7.6%
Folding box board and others	372	348	-6.3%
<b>Total domestic sales</b>	<b>1,590</b>	<b>1,474</b>	<b>-7.3%</b>
Export	26	23	-9.3%
<b>Total (paperboard)</b>	<b>1,616</b>	<b>1,497</b>	<b>-7.3%</b>
<b>Grand total (paper and paperboard)</b>	<b>6,856</b>	<b>6,260</b>	<b>-8.7%</b>

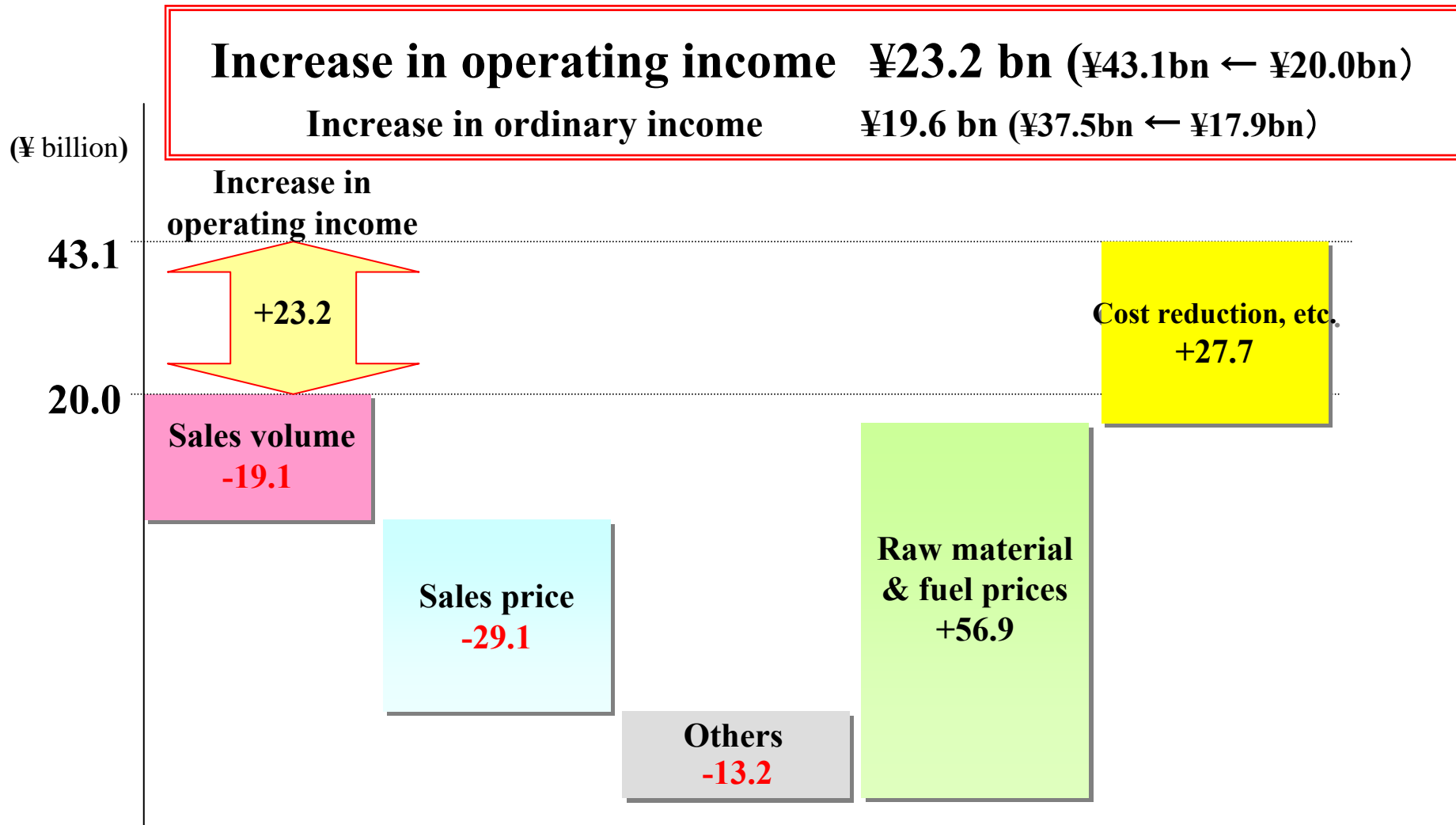
※calculated excluding newsprint.



(¥billion)

	Sales			Operating income		
	FY2008	FY2009	Change	FY2008	FY2009	Change
Pulp and Paper Div.	940.3	873.9	▲ 66.4	12.7	34.0	21.4
Paper-related Div. (cartons, chemical products)	92.6	88.6	▲ 4.0	2.2	4.2	2.0
Housing and Construction Materials Div.	70.1	53.6	▲ 16.5	1.1	0.6	▲ 0.5
Other Div. (beverages, transport)	85.1	79.2	▲ 5.9	4.0	4.3	0.3
<b>Total</b>	<b>1,188.1</b>	<b>1,095.2</b>	<b>▲ 92.9</b>	<b>20.0</b>	<b>43.1</b>	<b>23.2</b>

FY2009 vs. FY2008



	FY2008	FY2009	(¥billion)
Ordinary income	17.9	37.5	
Extraordinary gains	1.6	13.9	
Gain on sale of property, plant and equipment	0.2	1.1	
Gain on sale of securities, etc.	0.5	1.0	
Others	0.9	11.8	
Extraordinary losses	41.4	11.9	
Loss on disposal of property, plant and equipment	3.4	2.0	
Impairment accounting	6.0	3.4	
Devaluation of investment in securities	8.6	1.5	
Loss on restructuring	5.0	—	
Losses from the reconfiguration of the production structure	10.8	—	
Loss on valuation of inventories	1.8	—	
Others	5.7	5.0	
Income tax adjustment	-1.5	-9.1	
Minority interests(-)/loss	0.1	-0.4	
Net income	-23.3	30.1	

Balance sheet

(¥billion)

	Mar. 31, 2009	Mar. 31, 2010	Change
Cash and time deposits	15.1	24.3	9.1
Notes and accounts receivable	211.4	223.7	12.4
Inventories	165.5	153.5	-12.0
Other current assets	44.0	49.1	5.0
Property, plant, equipment, and intangible fixed assets	878.7	865.5	-13.2
Investments and other assets	177.3	184.2	6.9
<b>Total assets</b>	<b>1,492.0</b>	<b>1,500.2</b>	<b>8.2</b>
Interest-bearing debt	784.3	762.9	-21.4
Other debt	283.1	277.4	-5.8
<b>Net assets</b>	<b>424.6</b>	<b>460.0</b>	<b>35.4</b>

( ¥billion )

Items	FY2008	FY2009	Change
<b>Operating activities</b>	<b>84.2</b>	<b>116.9</b>	<b>32.7</b>
Income before income taxes	-21.9	39.6	61.5
Depreciation	83.3	81.9	-1.4
Change in net working capital	23.0	15.7	-7.3
Others	-0.3	-20.3	-20.0
<b>Investing activities</b>	<b>-65.2</b>	<b>-70.9</b>	<b>-5.8</b>
Purchases of property, plant and equipment	-83.2	-41.3	41.8
Proceeds from sales of property, plant and equipment	2.6	2.1	-0.5
Others	15.4	-31.7	-47.1
<b>Free cash flows</b>	<b>19.0</b>	<b>46.0</b>	<b>27.0</b>
<b>Financing activities</b>	<b>-18.8</b>	<b>-38.2</b>	<b>-19.4</b>
Change in net borrowings	-9.0	-29.0	-20.0
Cash dividends paid	-9.3	-9.2	0.1
Others	-0.5	-0.0	0.5
Effect of exchange rate changes, etc.	-3.0	1.4	4.4
Cash and cash equivalents at beginning of period	17.7	14.9	-2.8
Cash and cash equivalents at end of period	14.9	24.0	9.1



## Assumptions for FY2010 forecast

### ● Domestic sales

#### -Sales volume(yoy)

*Paper* : +1.5%

*Paperboard* : +1.4%

#### -Sales price

*Paper, Paperboard* : Stay at current levels

### ● Raw material and fuel prices

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

*Coal* : US\$98/t(Australian Black Coal)

*Woodchips* : Slightly increase

*Wastepaper* : Stay at current levels

### ● Forex rate : ¥95/US\$1    ¥85/A\$1

## Consolidated earnings forecast FY2010

(¥ billion)	FY2009	FY2010 est.	Change
<Net sales>	1,095.2	1140.0	44.8
<Operating income>	43.1	42.0	-1.1
<Ordinary income>	37.5	36.0	-1.5
<Net income>	30.1	20.0	-10.1

## II. FY2010 Forecast

### (1) Earnings Forecast

### ③ Sales volume by product



(Thousand tons)	FY2009	FY2010 est.	% change yoy
Newsprint	1,217	1,193	-2.0%
Printing & Business communication paper	2,771	2,851	2.9%
Coated paper	1,481	1,548	4.5%
Uncoated paper & Specialty printing paper	650	631	-3.0%
Business communication paper	641	672	4.9%
Packaging paper and others	377	386	2.4%
<b>Total domestic sales</b>	<b>4,366</b>	<b>4,430</b>	<b>1.5%</b>
Export (including newsprint)	396	402	1.5%
<b>Total (paper)</b>	<b>4,763</b>	<b>4,832</b>	<b>1.5%</b>
Container board	1,126	1,134	0.7%
Folding box board and others	348	361	3.7%
<b>Total domestic sales</b>	<b>1,474</b>	<b>1,495</b>	<b>1.4%</b>
Export	23	21	-11.0%
<b>Total (paperboard)</b>	<b>1,497</b>	<b>1,516</b>	<b>1.3%</b>
<b>Grand total (paper and paperboard)</b>	<b>6,260</b>	<b>6,348</b>	<b>1.4%</b>



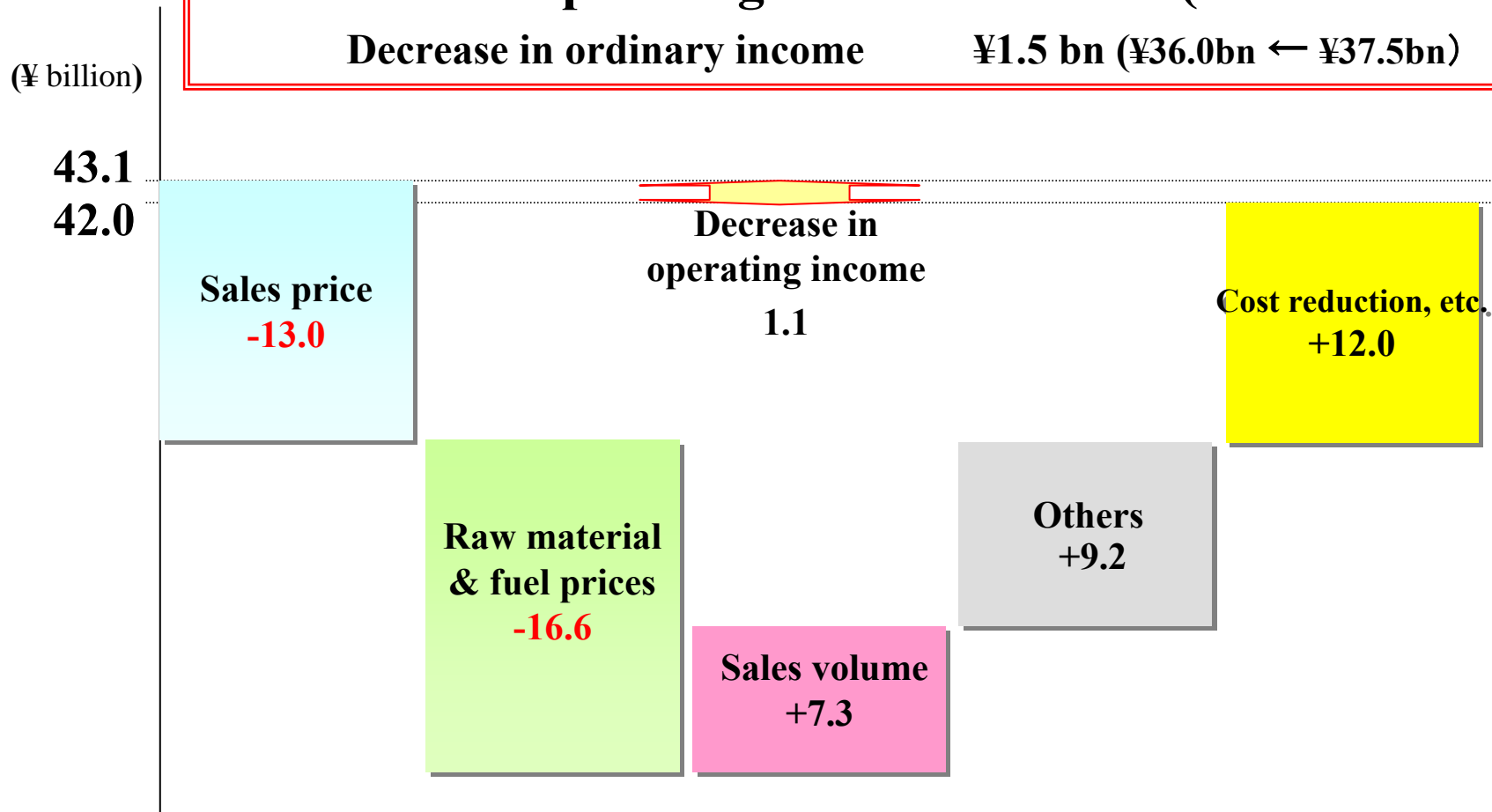


(¥billion)

	Sales			Operating income		
	FY2009	FY2010 est.	Change	FY2009	FY2010 est.	Change
Pulp and Paper Div.	873.9	917.3	43.4	34.0	33.0	▲ 1.1
Paper-related Div. (cartons, chemical products)	88.6	90.1	1.6	4.2	4.7	0.5
Housing and Construction Materials Div.	53.6	55.6	2.0	0.6	0.9	0.3
Other Div. (beverages, transport)	79.2	76.9	▲ 2.3	4.3	3.5	▲ 0.8
<b>Total</b>	<b>1,095.2</b>	<b>1,140.0</b>	<b>44.8</b>	<b>43.1</b>	<b>42.0</b>	<b>▲ 1.1</b>

FY2010 est. vs. FY2009

**Decrease in operating income ¥1.1 bn (¥42.0bn ← ¥43.1bn)**  
**Decrease in ordinary income ¥1.5 bn (¥36.0bn ← ¥37.5bn)**



## ● II. FY2010 Forecast ● (3)Key figures and indices



	FY2007	FY2008	FY2009	FY2010 est.
<b>ROE</b>	1.3%	-5.4%	7.0%	4.3%
<b>Operating margin on sales</b>	2.7%	1.7%	3.9%	3.7%
<b>Ordinary margin on sales</b>	2.7%	1.5%	3.4%	3.2%
<b>D/E (times)</b>	x1.7	x1.9	x1.6	x1.5
<b>Capital investment (¥ billion)</b>	121.2	64.9	35.6	51.7
<b>Depreciation (¥ billion)</b>	74.8	83.3	81.9	77.8
<b>Interest-bearing debt (¥ billion)</b>	785.3	784.3	762.9	730.0
<b>Number of employees</b>	13,666	13,088	14,210	13,976



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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. 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.**