

1st Quarter FY2010 Financial Review



NIPPON PAPER
GROUP

July 30, 2010

Nippon Paper Group, Inc.



1st Quarter FY2010 Review

(April 1—June 30, 2010)

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● (1) Business environment – Domestic shipment



Paper industry

Domestic shipment of paper and paperboard
1Q/FY2010 (Apr. – Jun.2010)

	(1,000 tons)	change yoy
Newsprint	817	-0.6%
Printing & Business communication paper	2,134	-1.4%
Coated ※	1,185	-2.5%
Uncoated & Specialty printing	579	-1.1%
Business communication	370	+1.5%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	849	+7.0%
Paper total	3,801	+0.5%
Paperboard total	2,742	+4.5%
Paper and paperboard total	6,543	+2.2%

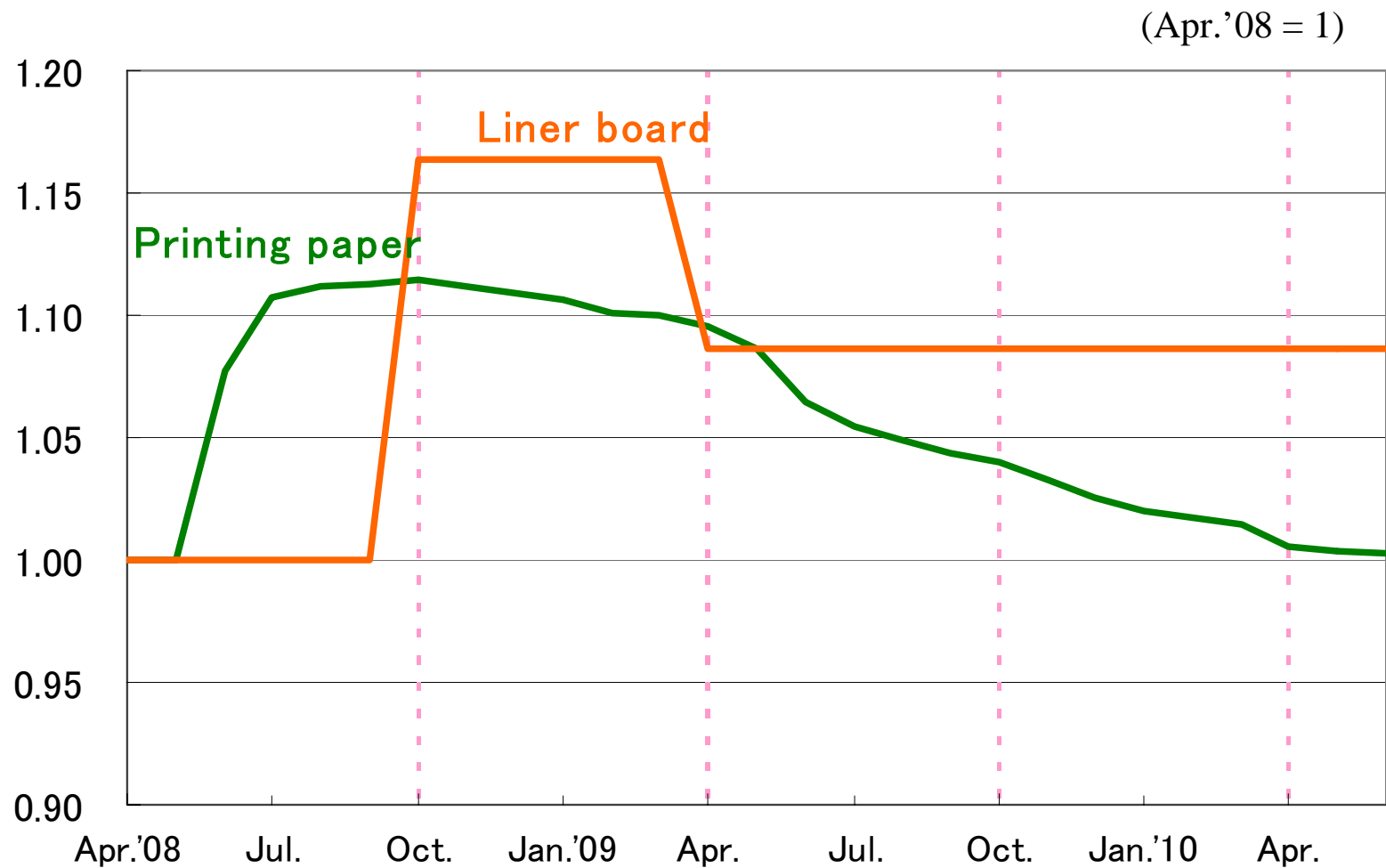
※ “Bitoko-shi” paper is included in coated printing paper. Source: Japan Paper Association

(1) Business environment – Domestic market price trends



Paper industry

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

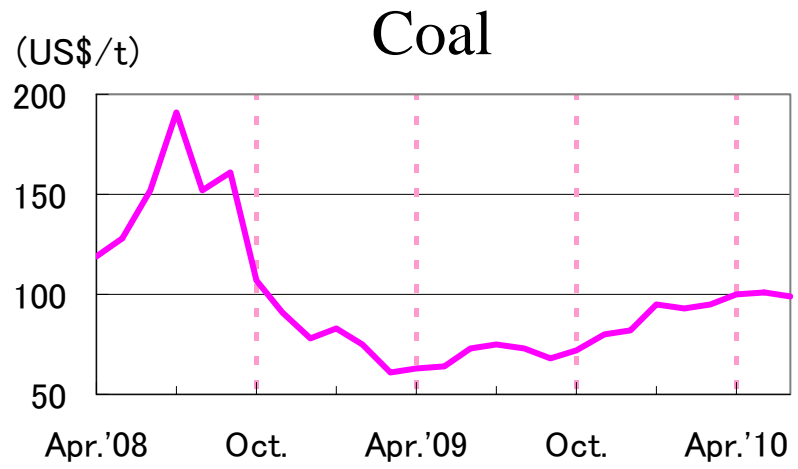
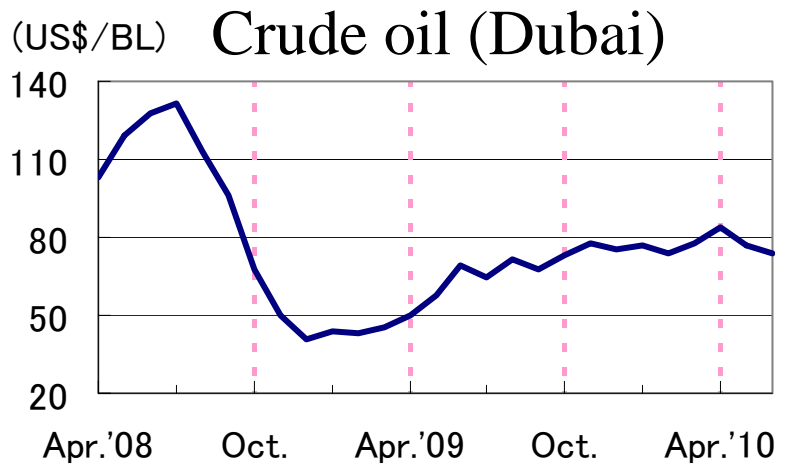
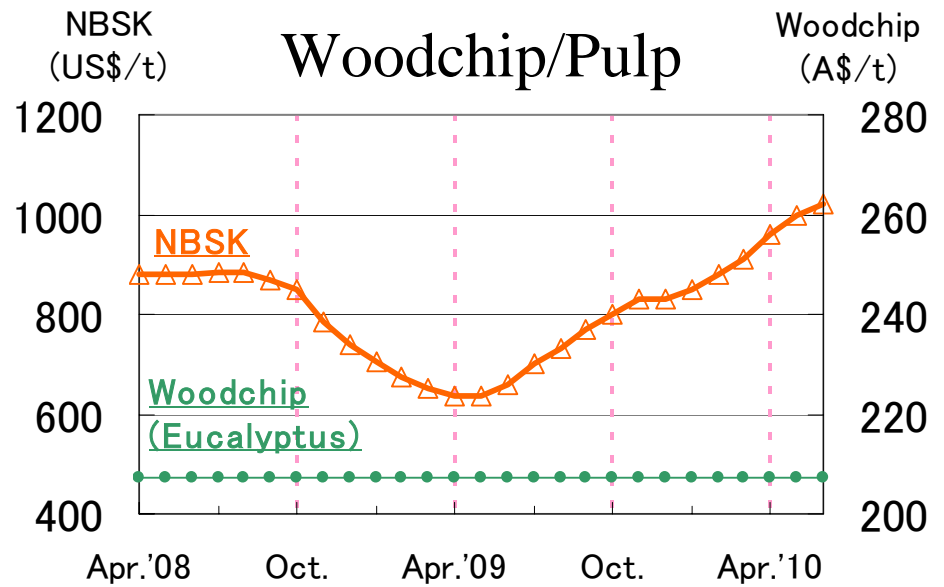
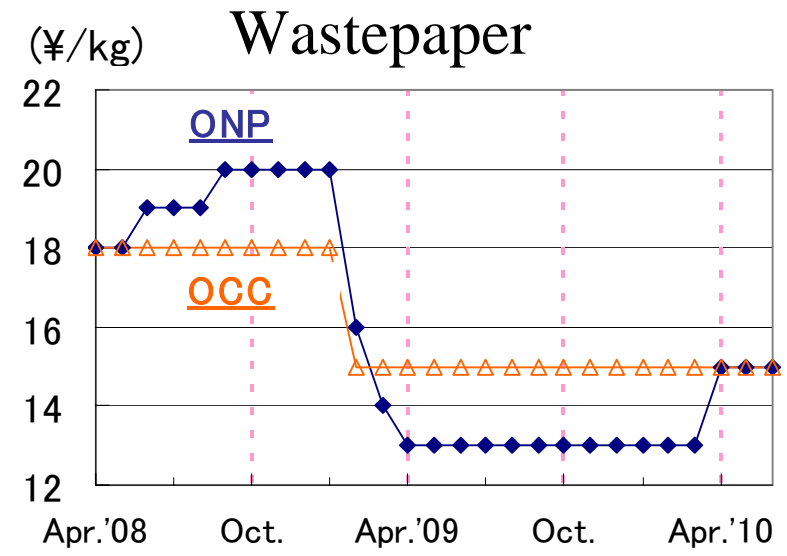


Source: Bank of Japan "Corporate Goods Price Index"

(1) Business environment – Major input price trends



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



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

(2) Financial results - Outline



Consolidated operating results

(¥ billion)	1Q FY2009	1Q FY2010	Change
<Net sales>	254.5	273.0	18.5
<Operating income>	7.2	8.8	1.6
<Ordinary income>	8.1	7.7	-0.4
<Net income>	1.9	3.8	1.9

● (2) Financial results - Sales volume by product



(Thousand tons)	1Q FY2009	1Q FY2010	change yoy
Newsprint	298	297	-0.1%
Printing & Business communication paper	689	681	-1.2%
Coated paper	371	365	-1.7%
Uncoated paper & Specialty printing paper	158	156	-1.5%
Business communication paper	160	161	0.3%
Packaging paper and others	90	97	8.5%
Total domestic sales	1,077	1,076	-0.1%
Export (including newsprint)	66	124	89.7%
Total (paper)	1,142	1,200	5.1%
Container board	277	294	6.0%
Folding box board and others	82	88	6.7%
Total domestic sales	360	382	6.2%
Export	4	11	182.5%
Total (paperboard)	364	393	8.1%
Grand total (paper and paperboard)	1,506	1,593	5.8%

● (2) Financial results - Segment information



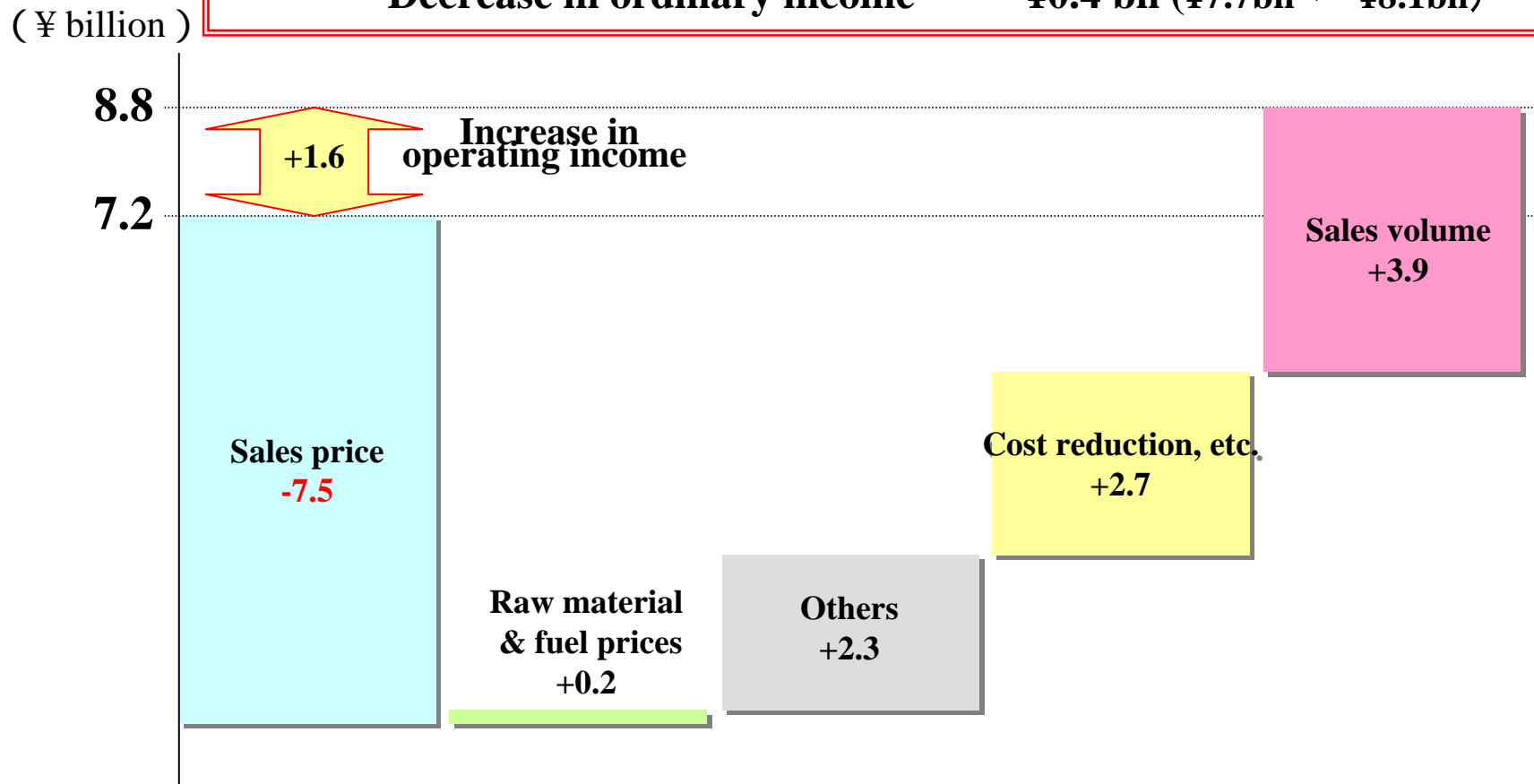
(¥billion)	Sales			Operating income		
	1Q FY2009	1Q FY2010	Change	1Q FY2009	1Q FY2010	Change
Pulp and Paper	203.9	222.8	18.9	6.7	6.5	-0.1
Paper-related (packaging, chemical products)	21.7	22.7	1.0	0.6	1.9	1.2
Wood Products and Construction-related	12.3	12.8	0.5	-0.1	0.3	0.4
Other (beverages, logistics)	16.6	14.7	-1.9	-0.0	0.1	0.1
Total	254.5	273.0	18.5	7.2	8.8	1.6

● (2) Financial results – Variance analysis for operating income



1Q/FY2009 vs. 1Q/FY2010

Increase in operating income ¥1.6 bn (¥8.8bn ← ¥7.2bn)
Decrease in ordinary income ¥0.4 bn (¥7.7bn ← ¥8.1bn)



 (2) *Financial results - Balance sheet*



(¥ billion)	Mar. 31, 2010	June. 30, 2010	Change
Cash and time deposits	24.3	22.3	-1.9
Notes and accounts receivable	223.7	217.3	-6.4
Inventories	153.5	156.7	3.3
Other current assets	49.1	43.8	-5.3
Property, plant, equipment, and intangible fixed assets	865.5	857.9	-7.5
Investments and other assets	184.2	227.0	42.8
Total assets	1,500.2	1,525.2	24.9
Interest-bearing liabilities	762.9	788.9	26.0
Other liabilities	277.4	283.3	5.9
Net assets	460.0	453.0	-7.0

 (2) Financial results - Cash flow statement



(¥ billion)

Items	1Q/FY2009	1Q/FY2010	Change
Operating activities	-26.3	36.1	62.4
Income before income taxes	7.2	5.6	-1.7
Depreciation	20.0	19.3	-0.7
Change in net working capital	-29.7	5.1	34.8
Others	-23.8	6.2	30.0
Investing activities	-44.2	-59.3	-15.0
Purchases of property, plant and equipment	-14.0	-9.0	5.0
Proceeds from sales of property, plant and equipment	0.4	0.6	0.2
Others	-30.6	-50.9	-20.2
Free cash flows	-70.5	-23.1	47.4
Financing activities	71.6	21.0	-50.6
Change in net borrowings	76.5	26.1	-50.4
Cash dividends paid	-4.5	-4.6	-0.2
Others	-0.5	-0.5	-0.0
Effect of exchange rate changes, etc.	0.6	0.3	-0.4
Cash and cash equivalents at beginning of period	14.9	24.0	9.1
Cash and cash equivalents at end of period	16.6	22.1	5.6

● (3) Earnings forecast



Unchanged from the estimates released April 28, 2010.

(¥ billion)	FY2009	FY2010	Change
<Net sales>	1,095.2	1,140.0	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

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.