

# 3<sup>rd</sup> Quarter FY2010 Financial Review

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February 2, 2011

Nippon Paper Group, Inc.



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● (1) Business environment – Domestic shipment



Paper industry

Domestic shipment of paper and paperboard  
3Q/FY2010 (Oct. – Dec.2010)

	(1,000 tons)	change yoy
Newsprint	842	-1.5%
Printing & Business communication paper	2,184	0.0%
Coated ※	1,257	+1.2%
Uncoated & Specialty printing	565	-3.5%
Business communication	362	+1.3%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	877	+0.2%
Paper total	3,903	-0.3%
Paperboard total	2,861	+1.2%
Paper and paperboard total	6,764	+0.3%

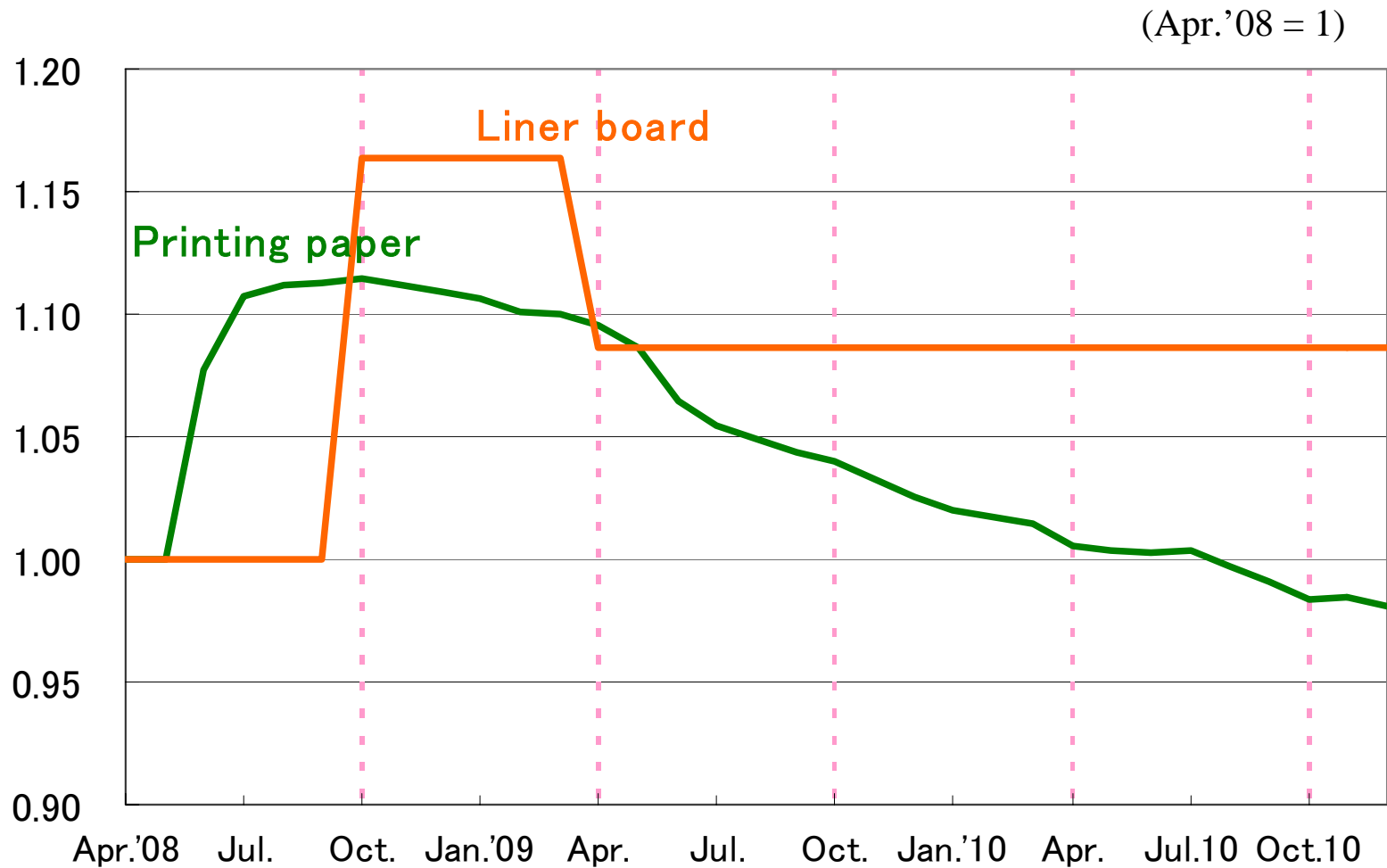
※ “Bitoko-shi” paper is included in coated printing paper. Source: Japan Paper Association

# (1) Business environment – Domestic market price trends



## Paper industry

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

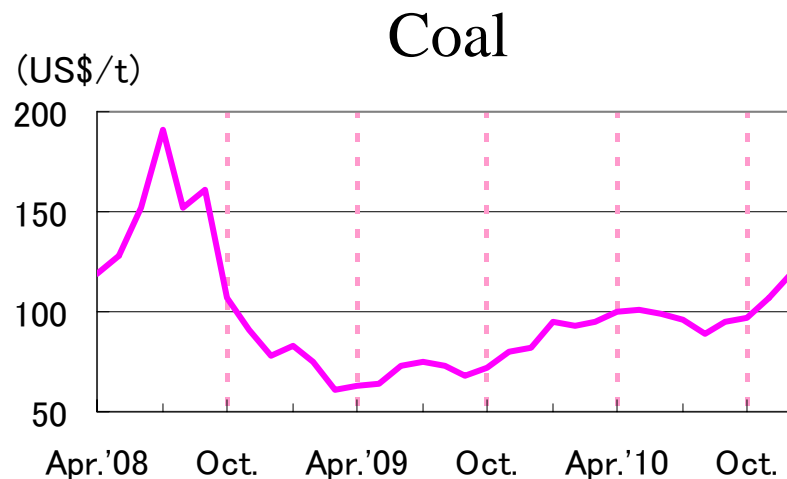
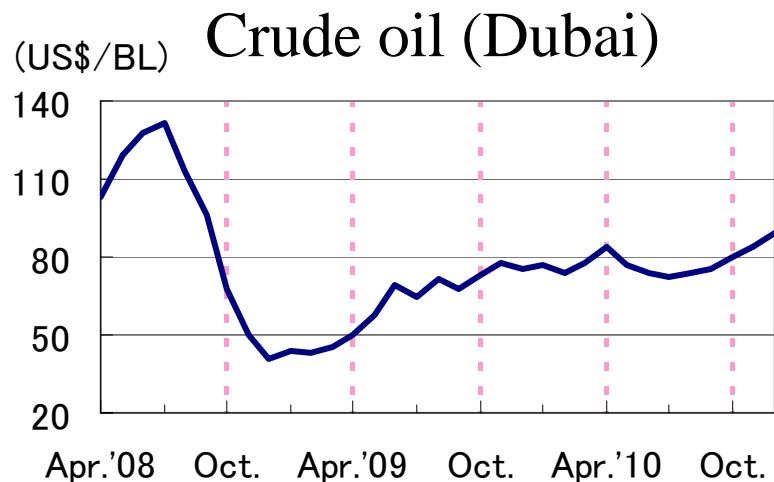
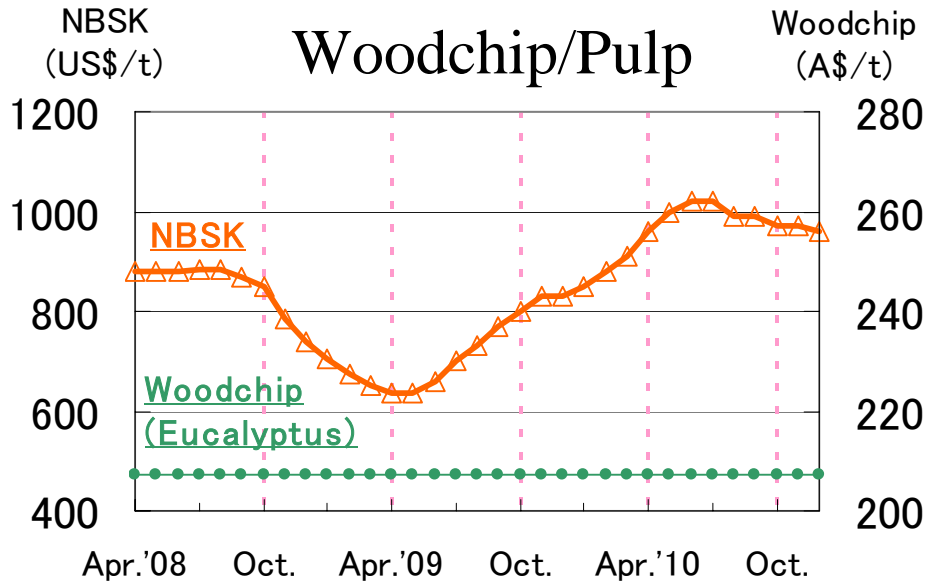
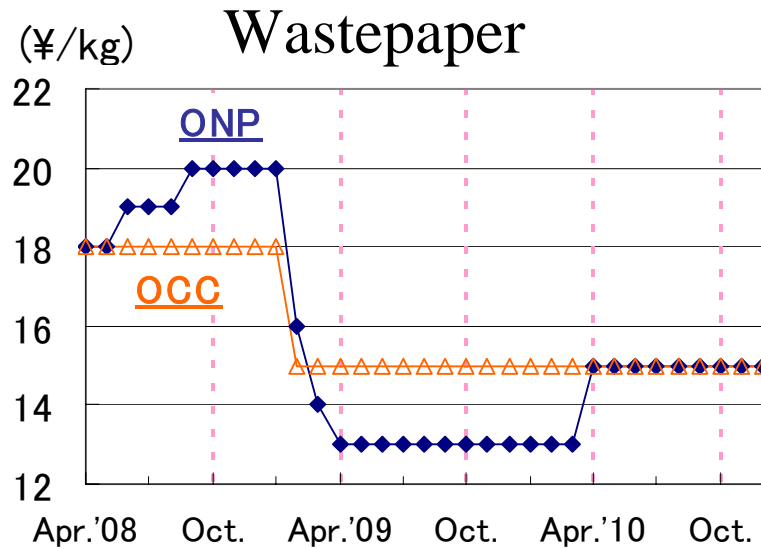


Source: Bank of Japan "Corporate Goods Price Index"

● (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)	3Q FY09	3Q FY10	Change
<Net sales>	290.5	283.0	-7.5
<Operating income>	12.3	9.5	-2.8
<Ordinary income>	10.8	9.0	-1.8
<Net income>	18.9	5.3	-13.6

**(2) Financial results - Sales volume by product**



(Thousand tons)	3Q FY09	3Q FY10	change yoy
Newsprint	310	308	-0.8%
Printing & Business communication paper	689	699	1.6%
Coated paper	367	388	5.7%
Uncoated paper & Specialty printing paper	161	153	-5.1%
Business communication paper	160	158	-1.2%
Packaging paper and others	99	95	-4.3%
<b>Total domestic sales</b>	<b>1,098</b>	<b>1,102</b>	<b>0.4%</b>
Export (including newsprint)	112	103	-7.6%
<b>Total (paper)</b>	<b>1,210</b>	<b>1,205</b>	<b>-0.4%</b>
Container board	301	300	-0.4%
Folding box board and others	91	93	2.5%
<b>Total domestic sales</b>	<b>392</b>	<b>393</b>	<b>0.3%</b>
Export	6	15	160.9%
<b>Total (paperboard)</b>	<b>398</b>	<b>408</b>	<b>2.7%</b>
<b>Grand total (paper and paperboard)</b>	<b>1,607</b>	<b>1,613</b>	<b>0.4%</b>

## ● (2) Financial results - Segment information



( ¥billion )	Sales			Operating income		
	3Q FY09	3Q FY10	Change	3Q FY09	3Q FY10	Change
<b>Pulp and Paper</b>	<b>233.7</b>	<b>225.0</b>	<b>-8.7</b>	<b>9.4</b>	<b>5.4</b>	<b>-4.0</b>
<b>Paper-related (packaging, chemical products)</b>	<b>22.5</b>	<b>22.5</b>	<b>-0.0</b>	<b>1.4</b>	<b>2.0</b>	<b>0.6</b>
<b>Wood Products and Construction-related</b>	<b>13.8</b>	<b>14.8</b>	<b>1.0</b>	<b>0.5</b>	<b>0.8</b>	<b>0.3</b>
<b>Other (beverages, logistics)</b>	<b>20.5</b>	<b>20.7</b>	<b>0.2</b>	<b>1.1</b>	<b>1.4</b>	<b>0.3</b>
<b>Total</b>	<b>290.5</b>	<b>283.0</b>	<b>-7.5</b>	<b>12.3</b>	<b>9.5</b>	<b>-2.8</b>

※We changed the segment composition in accordance with the new standard regarding segment reporting.

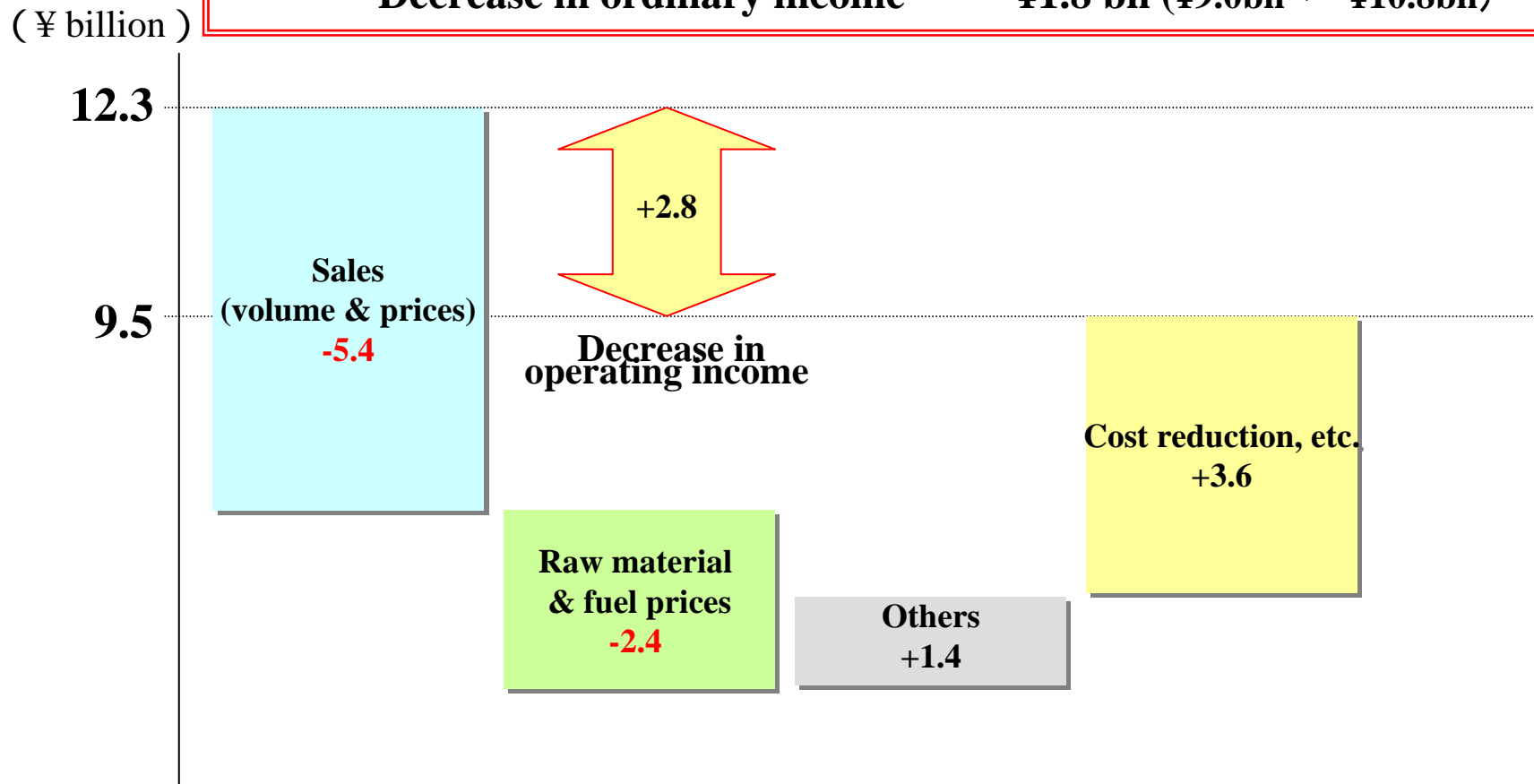


● (2) Financial results – Variance analysis for operating income



3Q/FY09 vs. 3Q/FY10

**Decrease in operating income ¥2.8 bn (¥9.5bn ← ¥12.3bn)**  
**Decrease in ordinary income ¥1.8 bn (¥9.0bn ← ¥10.8bn)**



● (2) Financial results - Balance sheet



( ¥ billion )	Sep. 30, 2010	Dec. 31, 2010	Change
Cash and time deposits	15.3	23.5	8.1
Notes and accounts receivable	217.8	247.7	29.9
Inventories	152.8	151.3	-1.5
Other current assets	48.3	60.9	12.6
Property, plant, equipment, and intangible fixed assets	845.3	836.0	-9.3
Investments and other assets	227.9	223.6	-4.3
<b>Total assets</b>	<b>1,507.4</b>	<b>1,543.0</b>	<b>35.6</b>
Interest-bearing liabilities (incl. lease obligations)	782.0	796.9	14.9
Other liabilities	276.9	299.5	22.6
<b>Net assets</b>	<b>448.5</b>	<b>446.6</b>	<b>-1.9</b>

## (2) Financial results - Cash flow statement



( ¥ billion )

Items	3Q FY09	3Q FY10	Change
<b>Operating activities</b>	<b>0.4</b>	<b>5.7</b>	<b>5.3</b>
Income before income taxes	19.6	9.6	-10.0
Depreciation	20.8	19.8	-1.0
Change in net working capital	-13.4	-11.3	2.1
Others	-26.6	-12.4	14.2
<b>Investing activities</b>	<b>1.1</b>	<b>-6.7</b>	<b>-7.9</b>
Purchases of property, plant and equipment	-6.4	-8.0	-1.6
Proceeds from sales of property, plant and equipment	0.6	1.0	0.4
Others	6.9	0.3	-6.6
<b>Free cash flows</b>	<b>1.5</b>	<b>-1.0</b>	<b>-2.6</b>
<b>Financing activities</b>	<b>1.7</b>	<b>9.0</b>	<b>7.4</b>
Change in net borrowings	6.7	14.2	7.5
Cash dividends paid	-4.5	-4.6	-0.2
Others	-0.5	-0.5	0.1
Effect of exchange rate changes, etc.	0.1	0.1	0.1
Cash and cash equivalents at beginning of period	17.3	15.2	-2.1
Cash and cash equivalents at end of period	20.5	23.3	2.8

### ● (3) Earnings forecast



Unchanged from the estimates released November 2, 2010.

(¥ billion)	FY2009	FY2010	Change
<Net sales>	1,095.2	1,120.0	24.8
<Operating income>	43.1	35.0	-8.1
<Ordinary income>	37.5	30.0	-7.5
<Net income>	30.1	15.0	-15.1

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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.**