

Financial Review 1st Quarter FY2012



August 9, 2012

Nippon Paper Group, Inc.



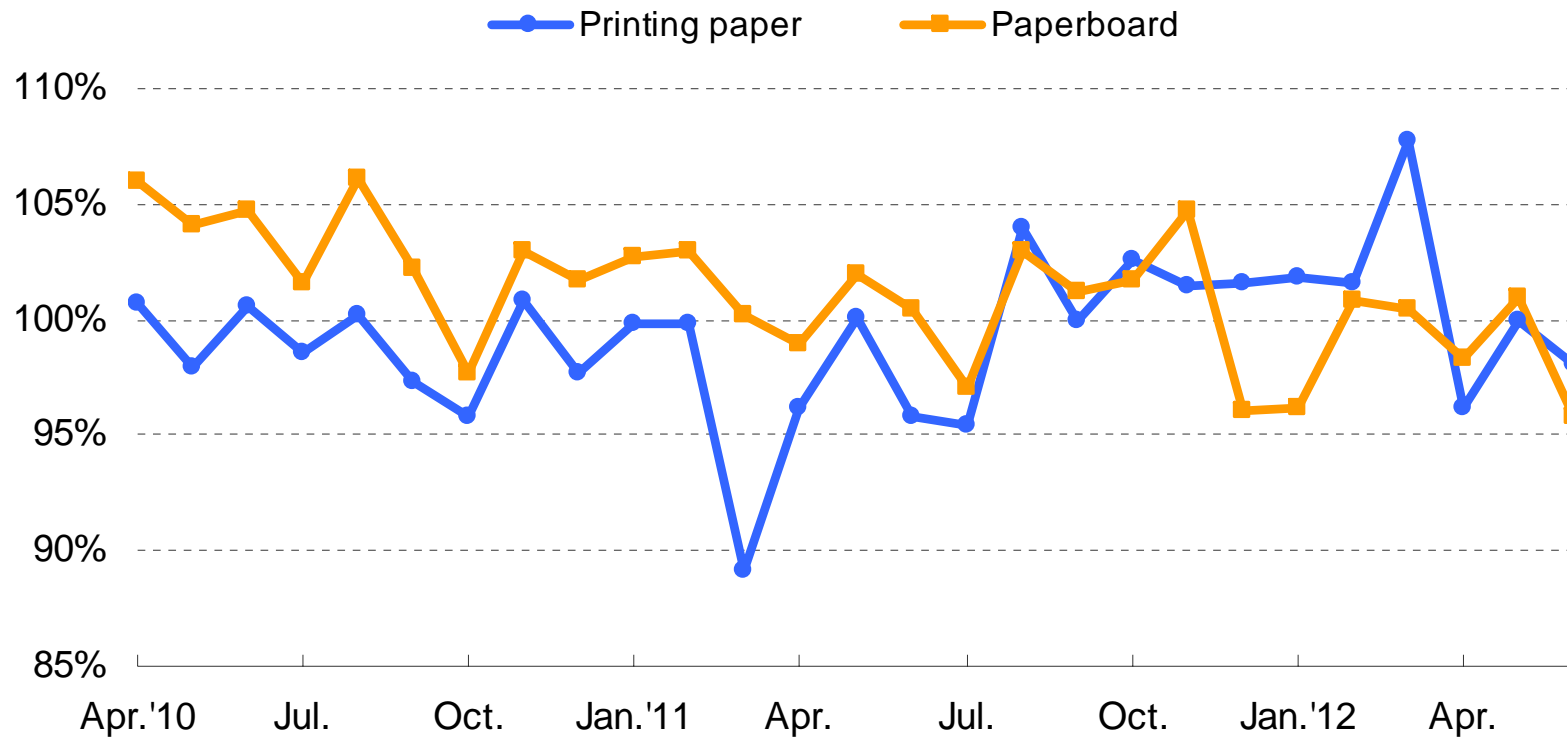
1. Business environment
2. Financial results
3. Earnings forecast
4. Topics

1. Business Environment – Domestic demand



Domestic demand was down YoY

Domestic demand (domestic shipment and imports) YoY



Source: Japan Paper Association

1. Business Environment – Domestic shipment



Domestic shipments were slow

Domestic shipment of Japanese paper industry (Apr.2012 – Jun. 2012)

(thousand tons)

	FY2011/1Q	FY2012/1Q	Change YoY
Newsprint	763	792	3.7%
Printing & Business communication paper	1,994	1,907	-4.3%
Coated paper*	1,110	1,066	-4.0%
Uncoated & Specialty printing paper	534	507	-5.1%
Business communication paper	349	335	-4.1%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	837	812	-3.0%
Paper Total	3,594	3,512	-2.3%
Container board	2,186	2,150	-1.7%
Folding box board and others	573	551	-3.9%
Paperboard Total	2,760	2,701	-2.1%
Paper and Paperboard Total	6,354	6,213	-2.2%

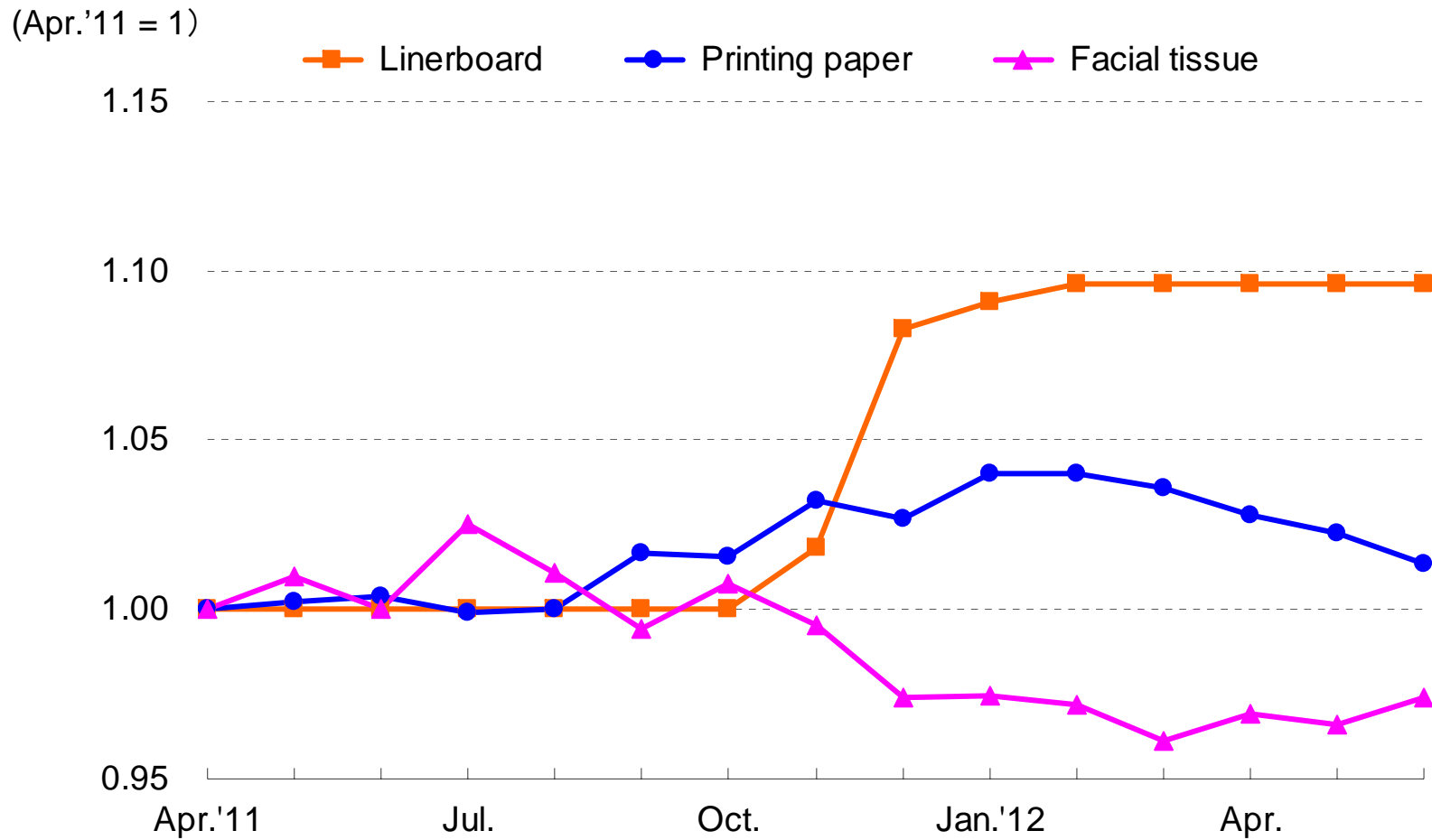
※ “Bitoko-shi” paper is included in coated paper.

Source: Japan Paper Association

1. Business Environment – Domestic price trends



Printing paper price was weakened, while facial tissue hit the bottom

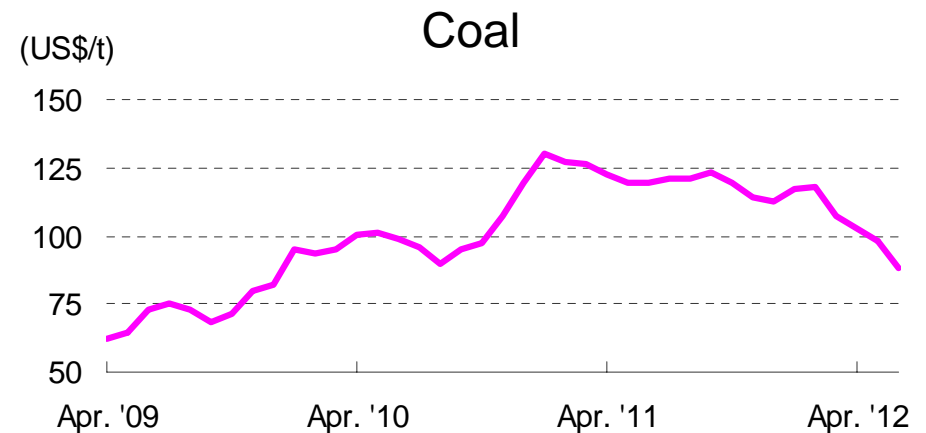
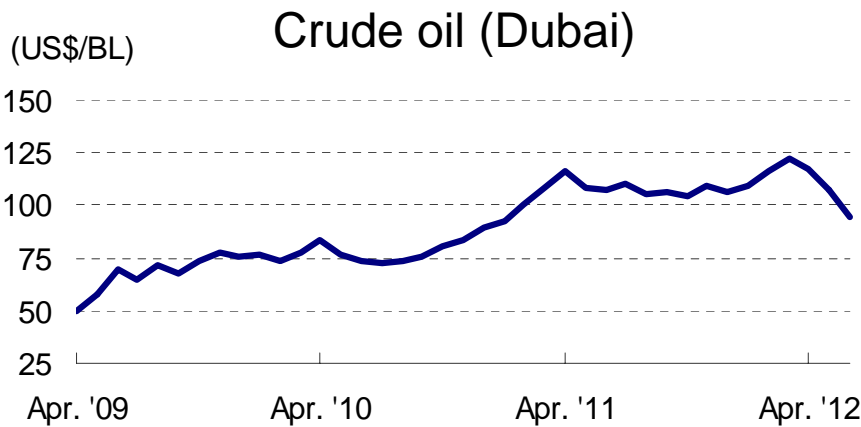
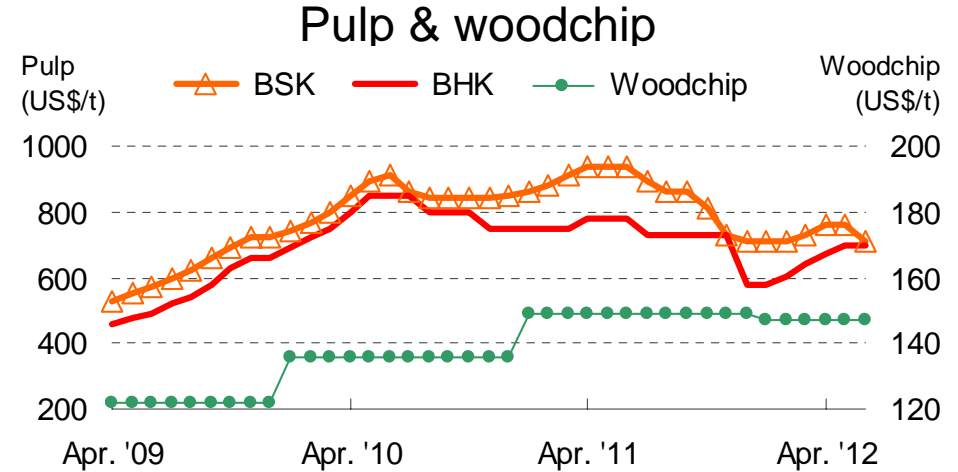
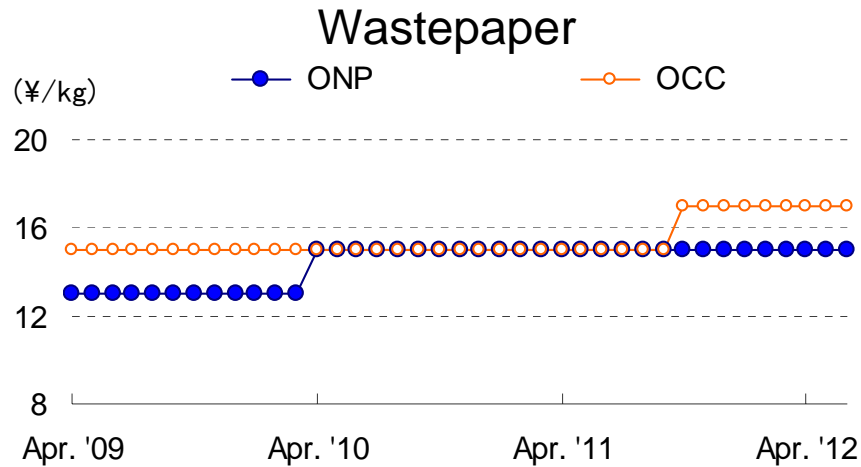


Source: Bank of Japan "Corporate Goods Price Index"

1. Business Environment – Major input price trends



Raw material & fuel prices hit the ceiling



2. Financial Results - *Highlights*



(¥billion)	FY2012 1Q	Change (YoY)	FY2011 1Q
<Net sales>	251.5	1.2	250.2
<Operating income>	6.0	-1.1	7.1
<Ordinary income>	5.2	-1.8	7.0
<Net income>	0.4	-1.2	1.6

- Sales in pulp & paper segment increased YoY due to recovery from the earthquake.
- Raw materials & fuel prices reduced operating income YoY.
- Booked ¥3.0b loss from revaluation of securities as an extraordinary loss.

2. Financial Results - *Segment information*



Sales increased YoY due to recovery from the quake

Upper row: Sales Lower row: Operating income (¥billion)	FY2011				FY2012	Change YoY
	1Q	2Q	3Q	4Q	1Q	
Pulp & paper	198.3	205.8	209.0	204.6	200.2	1.9
	4.6	4.3	6.4	8.9	4.1	-0.6
Paper related (packaging, chemical products)	23.6	24.6	23.0	22.2	23.5	-0.1
	2.4	1.7	2.0	0.6	1.7	-0.7
Wood products and construction related	14.9	13.2	15.3	17.3	13.1	-1.8
	0.3	0.3	0.7	1.2	0.3	-0.0
Other (beverages, logistics, etc.)	13.4	17.7	20.5	18.9	14.7	1.3
	-0.3	1.0	1.2	1.2	-0.1	0.2
Total	250.2	261.3	267.9	263.0	251.5	1.2
	7.1	7.3	10.2	11.9	6.0	-1.1

2. Financial Results - Sales volume by product



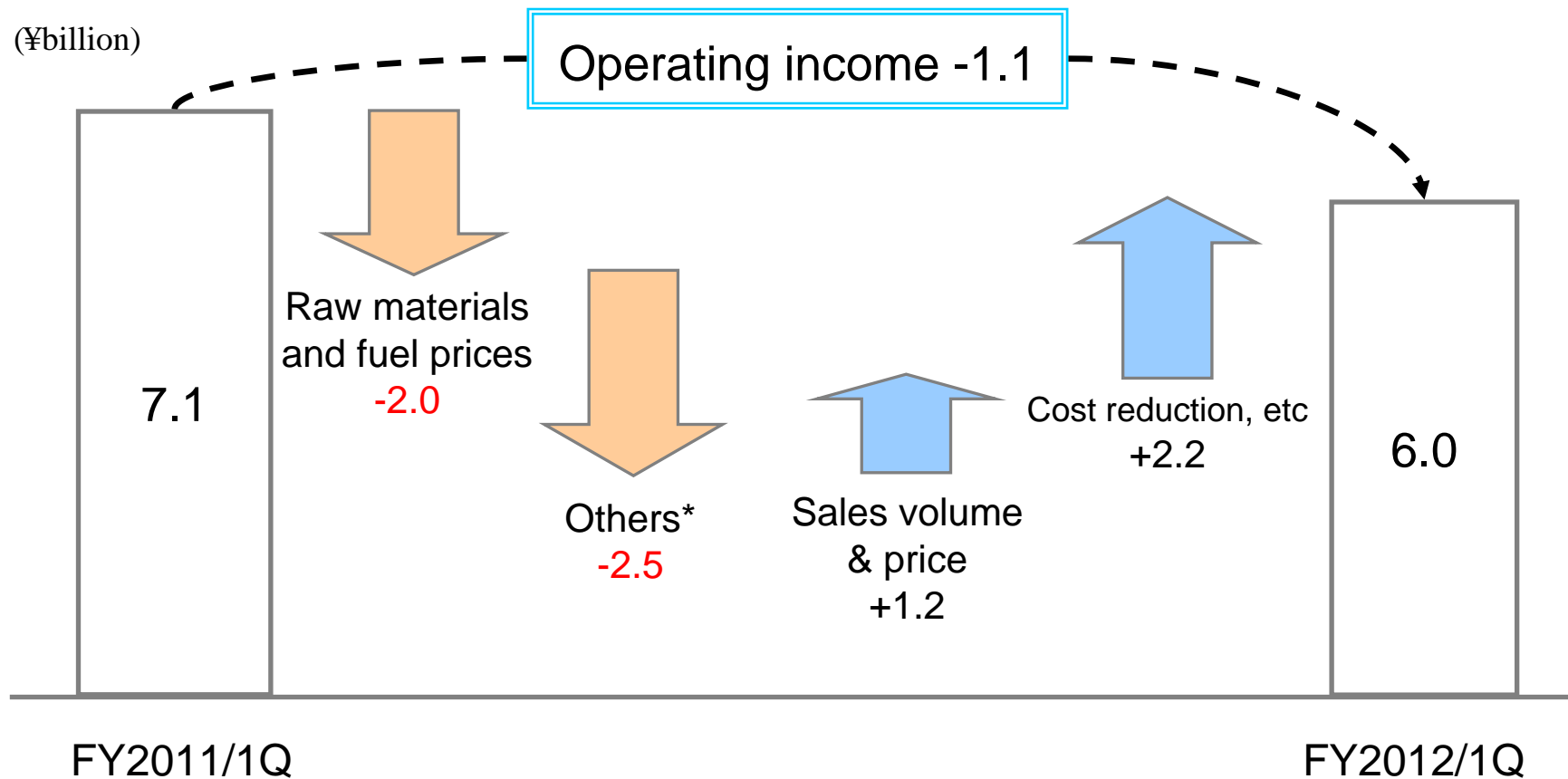
Coated paper & newsprint increased YoY due to capacity recovery

(kt)		FY2010/1Q	FY2012/1Q	change YoY
	Newsprint	277	288	4.0%
	Printing & Business communication paper	588	572	-2.7%
	Coated paper	288	305	6.0%
	Uncoated & Specialty printing paper	137	128	-6.6%
	Business communication paper	162	138	-15.0%
	Packaging paper and others	97	94	-3.7%
	Domestic sales (paper)	962	953	-0.9%
	Export (paper)	18	22	22.5%
	Paper total	980	976	-0.5%
	Container board	309	292	-5.4%
	Folding box board and others	90	86	-4.3%
	Domestic sales (paperboard)	399	379	-5.1%
	Export (paperboard)	12	12	7.3%
	Paperboard total	411	391	-4.8%
	Grand total (paper and paperboard)	1,391	1,367	-1.7%

2. Financial Results - Variance analysis for operating income



Sales recovery & cost reduction partly offset negative impacts



* “ Others ” includes fixed costs on temporary shutdown facilities due to the earthquake which were booked as an extraordinary loss in FY2011 (the costs are booked normally as production costs in FY2012) and decrease on depreciation & amortization costs.

3. Earnings Forecast



(¥billion)	FY2012 (estimate)	FY2011	Change (yoy)
<Net Sales>	1,080.0	1,042.4	37.6
<Operating Income>	41.0	36.5	4.5
<Ordinary Income>	38.0	6.1	31.9
<Net Income>	20.0	-41.7	61.7

No change from the initial estimation on May 15, 2012

4. Topics



< Apr. – Jun. 2012 >

- Apr 25** Announced its transforming to an operating holding company by the merger with Nippon Paper Industries (as of April 1, 2013) after the merger of Nippon Paper Industries, Nippon Daishowa Paperboard, Nippon Paper-Pak and Nippon Paper Chemicals (as of October 1, 2012)
- May 9** Commenced copying paper production at Paper Machine 7 at Ishinomaki mill
 - 17** Nippon Paper Industries submitted notification as a power producer & supplier (PPS: a specified scale electricity utility)
 - 23** Developed the 4th Mid-term Business Plan (FY2012 - 2014)
- Jun 12** Announced joint venture with SCG Paper for machine glazed paper
 - 29** Japanese authorities decided to start an investigation of anti-dumping duties for cut-sized paper made in Indonesia

Disclaimer

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.