

Summary of Financial Status and Results of Operations for the First Quarter of the Fiscal Year Ending March 2006 (Consolidated) (News Flash)

Name of Company Listed: **Nippon Paper Group, Inc.** Stock Exchange Listings: Tokyo, Osaka and Nagoya (First Sections)

Code Number: 3893

URL: <http://www.np-g.com>

Representative:
 Title of Representative Person: President
 Name of Representative Person: Masatomo Nakamura

Person in Charge of Contact:
 Title of Contact Person: Director, Member of the Board
 Name of Contact Person: Keisuke Ito

Telephone: +81-(0)3-3218-9300

1. Matters Related to Preparation of the Summary of Financial Status and Results of Operations for the Quarter

- [1] Has the Company adopted a simplified accounting method? Yes
 The Company has adopted a simplified method for tax effect accounting and accounting for items such as corporation taxes.
- [2] Has the Company made any changes in accounting method since the most recent consolidated fiscal year? Yes
 The Company has adopted accounting for impairment of fixed assets since this quarter.
- [3] Has the Company made any changes in scope of consolidation and application of the equity method? Yes
 Consolidated (New): 0 company (Eliminated): 1 company Equity method: No change

2. Summary of Consolidated Financial Status and Results of Operations for the First Quarter of the Fiscal Year ending March 2006 (April 1, 2005–June 30, 2005)

(1) Consolidated Business Results

(Amounts indicated are displayed with amounts of less than one million yen rounded off.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three month ended June 30, 2005	286,210	(-3.2)	15,266	(-4.1)	15,795	(3.2)	-1,526	(-)
Three month ended June 30, 2004	295,532	(-0.7)	15,925	(25.7)	15,308	(48.3)	10,273	(114.5)
(Reference) Fiscal year ended March 31, 2005	1,179,696		65,231		62,801		24,350	

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Three month ended June 30, 2005	-1,394.84	-
Three month ended June 30, 2004	9,382.61	8,996.99
(Reference) Fiscal year ended March 31, 2005	21,996.96	21,107.50

Note: The percentages shown for net sales, operating income, etc. indicate the percentage increase or decrease compared to the same period of the previous fiscal year.

(2) Consolidated Financial Status

	Total assets	Total shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Three month ended June 30, 2005	1,564,226	438,101	28.0	400,262.04
Three month ended June 30, 2004	1,635,584	436,229	26.7	398,401.49
(Reference) Fiscal year ended March 31, 2005	1,529,975	442,876	28.9	404,369.11

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Three month ended June 30, 2005	-25,889	-11,404	31,014	12,013
(Reference) Fiscal year ended March 31, 2005	108,195	-26,062	-86,009	18,181

Note: Because it began disclosing a summary of consolidated cash flow from this period, the Company has omitted the figures of the same period of the previous fiscal year.

3. Projection of Consolidated Results of Operations for the Fiscal Year Ending March 2006 (April 1, 2005–March 31, 2006)

We lowered our projection released publicly on May 11, 2005, because we have revised our assumption for second half of the fiscal year with increase in the price of crude oil and depreciation of the yen. There are no changes to the projection for the interim accounting period.

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim accounting period of fiscal year	590,000	32,000	3,000
Full fiscal year	Revised forecast	1,180,000	64,000
	Original forecast (May 11, 2005)	1,180,000	70,000

(Reference) Projected net income per share (full fiscal year) 15,531.69 yen

Forecast performance is predicted based on the information available at the time of the announcement. Actual performance may differ from forecasts due to a variety of factors.

1. (Summary) Consolidated Balance Sheets

(Millions of yen)

	Three month ended June 2005 (as of June 30, 2005)		Three month ended June 2004 (as of June 30, 2004)		Change	Accounting period of fiscal year ended March 2005 (as of March 31, 2005)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Amount	Composition ratio
(Assets)		%		%			%
I Current assets	487,431	31.2	501,166	30.6	-13,735	443,177	29.0
Cash and time deposits	12,178		15,565		-3,386	18,349	
Notes and accounts receivable	273,927		278,524		-4,597	247,881	
Inventories	136,675		134,814		1,860	131,834	
Other current assets	64,649		72,262		-7,612	45,112	
II Fixed assets	1,076,787	68.8	1,134,304	69.4	-57,517	1,086,788	71.0
Property, plant and equipment	833,483	53.3	871,275	53.3	-37,791	843,346	55.1
Intangible fixed assets	41,362	2.6	44,910	2.8	-3,548	42,206	2.8
Investments and other assets	201,940	12.9	218,118	13.3	-16,177	201,235	13.1
III Deferred assets	8	0.0	113	0.0	-105	9	0.0
Total assets	1,564,226	100.0	1,635,584	100.0	-71,358	1,529,975	100.0
(Liabilities)							
I Current liabilities	683,829	43.7	726,467	44.4	-42,637	703,486	46.0
Notes and accounts payable	128,312		132,962		-4,650	127,542	
Short-term borrowings	316,135		325,977		-9,841	352,578	
Bonds to be redeemed in one year or less	31,000		61,500		-30,500	56,000	
Commercial paper	100,000		94,000		6,000	66,000	
Other current liabilities	108,381		112,026		-3,644	101,365	
II Long-term liabilities	418,763	26.8	449,838	27.5	-31,074	359,966	23.5
Corporate bonds	120,000		131,000		-11,000	100,000	
Long-term debt	234,944		234,359		585	191,560	
Other long-term liabilities	63,818		84,479		-20,660	68,405	
Total liabilities	1,102,593	70.5	1,176,305	71.9	-73,712	1,063,453	69.5
(Minority interests in consolidated subsidiaries)							
Minority interests in consolidated subsidiaries	23,531	1.5	23,049	1.4	481	23,644	1.6
(Shareholders' equity)							
I Common stock	55,730	3.6	55,730	3.4	-	55,730	3.6
II Capital surplus	252,442	16.1	252,447	15.4	-4	252,443	16.5
III Earned surplus	127,496	8.2	123,956	7.6	3,539	133,653	8.7
IV Unrealized gains on other marketable securities	13,286	0.8	16,603	1.0	-3,316	13,181	0.9
V Translation adjustments	-5,093	-0.3	-6,938	-0.4	1,845	-6,382	-0.4
VI Treasury stock	-5,761	-0.4	-5,570	-0.3	-191	-5,749	-0.4
Total shareholders' equity	438,101	28.0	436,229	26.7	1,872	442,876	28.9
Total liabilities, minority interests and shareholders' equity	1,564,226	100.0	1,635,584	100.0	-71,358	1,529,975	100.0

2. (Summary) Consolidated Statements of Income

(Millions of yen)

	Three month ended June 2005 (April 1, 2005 to June 30, 2005)		Three month ended June 2004 (April 1, 2004 to June 30, 2004)		Change Amount	Accounting period of fiscal year ended March 2005 (April 1, 2004 to March 31, 2005)	
	Amount	Composition ratio	Amount	Composition ratio		Amount	Composition ratio
			%		%		
I Net sales	286,210	100.0	295,532	100.0	-9,321	1,179,696	100.0
II Cost of sales	224,812	78.5	226,275	76.6	-1,462	914,384	77.5
Gross profit	61,398	21.5	69,257	23.4	-7,858	265,312	22.5
III Selling, general and administrative expenses	46,131	16.2	53,331	18.0	-7,200	200,080	17.0
Operating income	15,266	5.3	15,925	5.4	-658	65,231	5.5
IV Non-operating income	3,384	1.2	2,990	1.0	394	10,122	0.9
V Non-operating expenses	2,855	1.0	3,607	1.2	-751	12,553	1.1
Ordinary income	15,795	5.5	15,308	5.2	487	62,801	5.3
VI Extraordinary gains	419	0.2	10,822	3.7	-10,403	22,146	1.9
Gains on sales of property, plant and equipment	289		10,303		-10,014	13,819	
Others	129		519		-389	8,326	
VII Extraordinary losses	13,333	4.7	5,276	1.8	8,056	38,141	3.2
Losses on disposal of property, plant and equipment	476		1,155		-679	7,107	
Loss on impaired assets	8,808		-		8,808	-	
Extraordinary retirement benefits	3,706		402		3,303	6,134	
Losses on sales of investments in other securities	-		3,297		-3,297	3,325	
Others	342		420		-78	21,573	
Income before income taxes and minority interests	2,882	1.0	20,854	7.1	-17,972	46,805	4.0
Corporate tax and others	4,171	1.4	9,984	3.4	-5,813	21,084	1.8
Minority interests in earnings of consolidated subsidiaries	237	0.1	595	0.2	-358	1,370	0.1
Net (loss) income	-1,526	-0.5	10,273	3.5	-11,800	24,350	2.1

3. Consolidated Statements of Retained Earnings

(Millions of yen)

	Three month ended June 2005 (April 1, 2005 to June 30, 2005)	Three month ended June 2004 (April 1, 2004 to June 30, 2004)	Accounting period of fiscal year ended March 2005 (April 1, 2004 to March 31, 2005)
	Amount	Amount	Amount
(Capital surplus)			
I Capital surplus at beginning of period	252,443	252,447	252,447
II Increase in capital surplus during period	–	0	–
Gain on disposal of treasury stock	–	0	–
III Decrease in capital surplus during period	1	–	3
Loss on disposal of treasury stock	1	–	3
IV Capital surplus at end of period	252,442	252,447	252,443
(Earned surplus)			
I Earned surplus at beginning of period	133,653	118,044	118,044
II Increase in earned surplus during period	–	10,496	24,573
Net income	–	10,273	24,350
Increase due to merger with subsidiary company	–	178	178
Increase due to exclusion of certain subsidiaries in the consolidation	–	44	44
III Decrease in earned surplus during period	6,156	4,583	8,964
Net loss	1,526	–	–
Cash dividends paid	4,379	4,381	8,762
Bonuses to directors and statutory auditors	250	202	202
IV Earned surplus at end of period	127,496	123,956	133,653

4. (Summary) Consolidated Statements of Cash Flow

(Millions of yen)

	Three month ended June 2005 (April 1, 2005 to June 30, 2005)	Accounting period of fiscal year ended 2005 (April 1, 2004 to March 31, 2005)	
	Amount	Amount	
I	Cash flows from operating activities	-25,889	108,195
	Income before income taxes and minority interests	2,882	46,805
	Depreciation	17,490	74,971
	Decrease in allowance for accrued retirement benefits	-5,505	-11,045
	Interest and dividend income	-1,444	-2,473
	Interest expense	1,932	8,669
	Equity in earnings of affiliates	-418	-1,993
	Loss on impaired assets	8,808	-
	Receivables	-25,998	13,869
	Inventories	-4,788	895
	Payables	730	-9,114
	Others	-9,809	10,059
	Sub-total	-16,122	130,645
	Interest and dividends received	1,638	2,724
	Interest paid	-2,286	-8,591
	Income taxes paid	-5,379	-5,308
	Other, net	-3,740	-11,273
II	Cash flows from investing activities	-11,404	-26,062
	Acquisitions of property, plant and equipment	-12,339	-56,672
	Proceeds from sale of property, plant and equipment	640	17,591
	Acquisitions of investments in other securities	-150	-1,678
	Proceeds from sale of investments in other securities	154	10,050
	Other, net	289	4,645
III	Cash flows from financing activities	31,014	-86,009
	Decrease in short-term borrowings	-1,114	-29,788
	Increase (Decrease) in commercial paper	34,000	-13,000
	Proceeds from long-term debt	23,000	45,200
	Reduction of long-term debt	-14,944	-71,102
	Proceeds from bond issuance	20,000	30,000
	Payments on bond redemptions	-25,000	-36,500
	Dividend payments	-4,532	-9,054
	Other, net	-394	-1,764
IV	Effect of exchange rate changes on cash and cash equivalents	110	113
V	Decrease in cash and cash equivalents	-6,168	-3,763
VI	Cash and cash equivalents at beginning of period	18,181	21,624
VII	Decrease in cash and cash equivalents due to elimination from the scope of consolidation	-	-82
VIII	Increase due to merger of unconsolidated subsidiaries	-	403
IX	Cash and cash equivalents at end of period	12,013	18,181

5. Segment Information

(Business segment information)

Three month ended June 2005 (April 1, 2005 to June 30, 2005)

(Millions of yen)

	Pulp and Paper Division	Paper-Related Division	Housing and Construction Materials Division	Other Division	Total	Eliminations or corporate	Consolidated
Sales							
(1) Sales to third parties	212,148	30,776	22,271	21,014	286,210	–	286,210
(2) Intragroup sales and transfers	2,895	4,798	9,716	9,536	26,948	(26,948)	–
Total sales	215,044	35,575	31,987	30,551	313,159	(26,948)	286,210
Operating expenses	203,418	33,583	31,513	29,377	297,892	(26,948)	270,944
Operating income	11,625	1,992	474	1,174	15,266	–	15,266

Three month ended June 2004 (April 1, 2004 to June 30, 2004)

(Millions of yen)

	Pulp and Paper Division	Paper-Related Division	Housing and Construction Materials Division	Other Division	Total	Eliminations or corporate	Consolidated
Sales							
(1) Sales to third parties	219,779	31,967	23,952	19,832	295,532	–	295,532
(2) Intragroup sales and transfers	3,085	3,223	10,616	9,272	26,199	(26,199)	–
Total sales	222,864	35,191	34,569	29,105	321,731	(26,199)	295,532
Operating expenses	210,961	33,209	33,980	27,654	305,806	(26,199)	279,607
Operating income	11,903	1,982	589	1,450	15,925	–	15,925

Accounting period of fiscal year ended March, 2005 (April 1, 2004 to March 31, 2005)

(Millions of yen)

	Pulp and Paper Division	Paper-Related Division	Housing and Construction Materials Division	Other Division	Total	Eliminations or corporate	Consolidated
Sales							
(1) Sales to third parties	870,360	126,592	95,236	87,506	1,179,696	–	1,179,696
(2) Intragroup sales and transfers	12,801	8,954	38,726	38,373	98,855	(98,855)	–
Total sales	883,161	135,547	133,963	125,880	1,278,552	(98,855)	1,179,696
Operating expenses	835,891	127,261	131,624	118,543	1,213,320	(98,855)	1,114,464
Operating income	47,269	8,286	2,339	7,336	65,231	–	65,231

Notes: 1. Business classification methods

The Group classifies its business segments on the basis of manufacturing methods and similarity in products.

2. Major products by division

Pulp and Paper Division: Paper, paperboard, household tissue, pulp, raw materials for manufacturing paper

Paper-Related Division: Industrial processed paper, corrugated sheets, chemical products

Housing and Construction Materials Division: Logs and lumber, construction materials, civil engineering

Other Division: Beverages, transportation, leisure facilities, electricity supply, others

(Additional Information)

The Company transferred electricity supply business, which had been included in the “Pulp and Paper Division,” to “Other Division” because the materiality of this business has increased with the start of Nippon Paper Industries Co., Ltd.’s electricity supply business operations since October 2004.

Segment information for the first quarter of the fiscal year ended March 2005 has been restated below using the business classifications applied in the first quarter of the same period of the fiscal year ending March 2006 and accounting period of the fiscal year ended March, 2005.

Three month ended June 2004 (April 1, 2004 to June 30, 2004)

(Millions of yen)

	Pulp and Paper Division	Paper-Related Division	Housing and Construction Materials Division	Other Division	Total	Eliminations or corporate	Consolidated
Sales							
(1) Sales to third parties	218,446	31,967	23,952	21,165	295,532	–	295,532
(2) Intragroup sales and transfers	3,085	3,223	10,616	9,361	26,288	(26,288)	–
Total sales	221,532	35,191	34,569	30,527	321,820	(26,288)	295,532
Operating expenses	209,935	33,209	33,980	28,769	305,895	(26,288)	279,607
Operating income	11,596	1,982	589	1,757	15,925	–	15,925