

## Summary of Financial Results for the Nine Months Ended December 2005 (Consolidated) (News Flash)

Name of Company Listed: **Nippon Paper Group, Inc.**

Code Number: 3893

Stock Exchange Listings: Tokyo, Osaka and Nagoya (First Sections)

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

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### 1. Matters Related to Preparation of the Summary of Financial Status and Results of Operations for the Nine Months

- [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 last consolidated fiscal year? Yes  
The Company has adopted accounting for impairment of fixed assets since this fiscal year.
- [3] Has the Company made any changes in scope of consolidation and application of the equity method? Yes  
Consolidated (New): 0 company (Eliminated): 2 companies Equity method (New): 1 company (Eliminated): 0 company

### 2. Summary of Consolidated Financial Status and Results of Operations for the Nine Months Ended December 2005 (April 1, 2005–December 31, 2005)

#### (1) Consolidated Results of Operations

(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	%
Nine months ended December 31, 2005	870,453	(-2.8)	41,470	(-18.4)	41,597	(-14.4)	10,175	(-40.2)
Nine months ended December 31, 2004	895,332	(-0.4)	50,830	(32.4)	48,567	(47.1)	17,026	(10.7)
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
Nine months ended December 31, 2005	9,409.89	9,035.59
Nine months ended December 31, 2004	15,551.00	14,922.90
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
Nine months ended December 31, 2005	1,551,070	445,372	28.7	418,440.68
Nine months ended December 31, 2004	1,624,588	440,125	27.1	402,057.35
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
Nine months ended December 31, 2005	64,386	-29,090	-37,533	16,418
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 the first quarter of this fiscal year, 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)**

There are no changes to the projection released publicly on October 31, 2005 when the company issued its Consolidated Financial Results for the Interim Accounting Period of Fiscal Year Ending March, 2006.

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Full fiscal year	1,165,000	53,000	17,000

(Reference) Projected net income per share (full fiscal year) 15,972.00 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.

*This document is an English-language translation of the Japanese-language original.*

**1. (Summary) Consolidated Balance Sheets**

(Millions of yen)

	Nine months ended December 2005 (as of December 31, 2005)		Nine months ended December 2004 (as of December 31, 2004)		Change Amount	Accounting period of fiscal year ended March 2005 (as of March 31, 2005)	
	Amount	Composition ratio	Amount	Composition ratio		Amount	Composition ratio
(Assets)		%		%			%
<b>I Current assets</b>	473,670	30.5	513,516	31.6	-39,846	443,177	29.0
Cash and time deposits	16,565		17,012		-447	18,349	
Notes and accounts receivable	270,105		303,048		-32,943	247,881	
Inventories	138,202		136,737		1,465	131,834	
Other current assets	48,796		56,717		-7,920	45,112	
<b>II Fixed assets</b>	1,077,393	69.5	1,111,027	68.4	-33,634	1,086,788	71.0
Property, plant and equipment	810,204	52.2	854,194	52.6	-43,989	843,346	55.1
Intangible fixed assets	38,230	2.5	42,948	2.6	-4,718	42,206	2.8
Investments and other assets	228,957	14.8	213,885	13.2	15,072	201,235	13.1
<b>III Deferred assets</b>	6	0.0	43	0.0	-37	9	0.0
<b>Total assets</b>	1,551,070	100.0	1,624,588	100.0	-73,518	1,529,975	100.0
(Liabilities)							
<b>I Current liabilities</b>	672,917	43.4	720,922	44.4	-48,004	703,486	46.0
Notes and accounts payable	149,143		151,798		-2,654	127,542	
Short-term borrowings	285,384		330,351		-44,966	352,578	
Bonds to be redeemed in one year or less	31,000		26,500		4,500	56,000	
Commercial paper	99,000		86,000		13,000	66,000	
Other current liabilities	108,389		126,273		-17,883	101,365	
<b>II Long-term liabilities</b>	409,762	26.4	439,821	27.0	-30,058	359,966	23.5
Corporate bonds	120,000		131,000		-11,000	100,000	
Long-term debt	215,464		231,920		-16,456	191,560	
Other long-term liabilities	74,298		76,901		-2,602	68,405	
<b>Total liabilities</b>	1,082,680	69.8	1,160,743	71.4	-78,063	1,063,453	69.5
(Minority interests in consolidated subsidiaries)							
Minority interests in consolidated subsidiaries	23,017	1.5	23,719	1.5	-701	23,644	1.6
(Shareholders' equity)							
<b>I Common stock</b>	55,730	3.6	55,730	3.4	-	55,730	3.6
<b>II Capital surplus</b>	252,441	16.3	252,444	15.5	-3	252,443	16.5
<b>III Earned surplus</b>	134,929	8.7	126,328	7.8	8,600	133,653	8.7
<b>IV Unrealized gains on other marketable securities</b>	22,413	1.4	15,712	1.0	6,701	13,181	0.9
<b>V Translation adjustments</b>	-1,988	-0.1	-4,392	-0.3	2,403	-6,382	-0.4
<b>VI Treasury stock</b>	-18,153	-1.2	-5,697	-0.3	-12,455	-5,749	-0.4
<b>Total shareholders' equity</b>	445,372	28.7	440,125	27.1	5,247	442,876	28.9
<b>Total liabilities, minority interests and shareholders' equity</b>	1,551,070	100.0	1,624,588	100.0	-73,518	1,529,975	100.0

**2. (Summary) Consolidated Statements of Income**

(Millions of yen)

	Nine months ended December 2005  (April 1, 2005 to December 31, 2005)		Nine months ended December 2004  (April 1, 2004 to December 31, 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	870,453	100.0	895,332	100.0	-24,878	1,179,696	100.0
II Cost of sales	690,371	79.3	690,419	77.1	-48	914,384	77.5
Gross profit	180,082	20.7	204,912	22.9	-24,830	265,312	22.5
III Selling, general and administrative expenses	138,612	15.9	154,082	17.2	-15,470	200,080	17.0
Operating income	41,470	4.8	50,830	5.7	-9,359	65,231	5.5
IV Non-operating income	8,228	0.9	7,914	0.8	314	10,122	0.9
V Non-operating expenses	8,101	0.9	10,176	1.1	-2,075	12,553	1.1
Ordinary income	41,597	4.8	48,567	5.4	-6,970	62,801	5.3
VI Extraordinary gains	5,140	0.5	12,883	1.4	-7,743	22,146	1.9
Gains on sales of property, plant and equipment	956		11,573		-10,617	13,819	
Gains on change in equity holdings in affiliate	2,434		-		2,434	-	
Others	1,749		1,310		439	8,326	
Extraordinary losses	21,175	2.4	24,600	2.7	-3,425	38,141	3.2
Losses on disposal of property, plant and equipment	2,624		5,516		-2,892	7,107	
Loss on impaired assets	8,820		-		8,820	-	
Provision for doubtful receivables	89		4,385		-4,296	8,978	
Extraordinary retirement benefits	6,246		5,213		1,032	6,134	
Losses on restructuring	576		3,810		-3,234	4,997	
Losses on sales of investments in other securities	-		3,329		-3,329	3,325	
Others	2,817		2,344		473	7,597	
Income before income taxes and minority interests	25,562	2.9	36,850	4.1	-11,288	46,805	4.0
Corporate tax and others	14,561	1.6	18,383	2.0	-3,822	21,084	1.8
Minority interests in earnings of consolidated subsidiaries	825	0.1	1,440	0.2	-614	1,370	0.1
Net income	10,175	1.2	17,026	1.9	-6,851	24,350	2.1

### 3. Consolidated Statements of Retained Earnings

(Millions of yen)

	Nine months ended December 2005 (April 1, 2005 to December 31, 2005)	Nine months ended December 2004 (April 1, 2004 to December 31, 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 Decrease in capital surplus during period	2	2	3
Loss on disposal of treasury stock	2	2	3
III Capital surplus at end of period	252,441	252,444	252,443
(Earned surplus)			
I Earned surplus at beginning of period	133,653	118,044	118,044
II Increase in earned surplus during period	10,175	17,249	24,573
Net income	10,175	17,026	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	8,899	8,964	8,964
Cash dividends paid	8,649	8,762	8,762
Bonuses to directors and statutory auditors	250	202	202
IV Earned surplus at end of period	134,929	126,328	133,653

**4. (Summary) Consolidated Statements of Cash Flow**

(Millions of yen)

	Nine months ended December 2005 (April 1, 2005 to December 31, 2005)	Accounting period of fiscal year ended March 2005 (April 1, 2004 to March 31, 2005)	
	Amount	Amount	
I	Cash flows from operating activities	64,386	108,195
	Income before income taxes and minority interests	25,562	46,805
	Depreciation	52,415	74,971
	Decrease in allowance for accrued retirement benefits	-3,404	-11,045
	Interest and dividend income	-2,142	-2,473
	Interest expense	5,284	8,669
	Equity in earnings of affiliates	-1,257	-1,993
	Loss on impaired assets	8,820	-
	Receivables	-31,129	13,869
	Inventories	-7,050	895
	Payables	28,963	-9,114
	Others	6,442	10,059
	Sub-total	82,503	130,645
	Interest and dividends received	2,598	2,724
	Interest paid	-5,868	-8,591
	Income taxes paid	-7,935	-5,308
	Other, net	-6,912	-11,273
II	Cash flows from investing activities	-29,090	-26,062
	Acquisitions of property, plant and equipment	-36,889	-56,672
	Proceeds from sale of property, plant and equipment	4,916	17,591
	Acquisitions of investments in other securities	-1,101	-1,678
	Proceeds from sale of investments in other securities	2,223	10,050
	Other, net	1,761	4,645
III	Cash flows from financing activities	-37,533	-86,009
	Decrease in short-term borrowings	-27,680	-29,788
	Increase (Decrease) in commercial paper	33,000	-13,000
	Proceeds from long-term debt	36,000	45,200
	Reduction of long-term debt	-51,493	-71,102
	Proceeds from bond issuance	20,000	30,000
	Payments on bond redemptions	-25,000	-36,500
	Dividend payments	-8,940	-9,054
	Other, net	-13,418	-1,764
IV	Effect of exchange rate changes on cash and cash equivalents	503	113
V	Decrease in cash and cash equivalents	-1,734	-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	-28	-82
VIII	Increase due to merger of unconsolidated subsidiaries	-	403
IX	Cash and cash equivalents at end of period	16,418	18,181

## 5. Segment Information

(Business segment information)

Nine months ended December 2005 (April 1, 2005 to December 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	646,690	87,362	69,723	66,677	870,453	–	870,453
(2) Intragroup sales and transfers	6,755	6,461	29,024	29,113	71,355	(71,355)	–
Total sales	653,445	93,824	98,747	95,790	941,809	(71,355)	870,453
Operating expenses	624,417	88,121	96,867	90,932	900,338	(71,355)	828,983
Operating income	29,028	5,703	1,880	4,858	41,470	–	41,470

Nine months ended December 2004 (April 1, 2004 to December 31, 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	665,139	97,746	72,182	60,263	895,332	–	895,332
(2) Intragroup sales and transfers	9,638	6,468	29,764	28,609	74,481	(74,481)	–
Total sales	674,778	104,215	101,947	88,872	969,813	(74,481)	895,332
Operating expenses	637,810	96,870	100,157	84,145	918,983	(74,481)	844,502
Operating income	36,968	7,344	1,789	4,727	50,830	–	50,830

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: Processed Paper Products, 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 nine months ended December 2004 has been restated below using the business classifications applied in the nine months ended December 2005 and accounting period of the fiscal year ended March, 2005.

Nine months ended December 2004 (April 1, 2004 to December 31, 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	659,722	97,746	72,182	65,681	895,332	–	895,332
(2) Intragroup sales and transfers	9,638	6,468	29,764	28,892	74,764	(74,764)	–
Total sales	669,361	104,215	101,947	94,573	970,096	(74,764)	895,332
Operating expenses	633,457	96,870	100,157	88,780	919,266	(74,764)	844,502
Operating income	35,903	7,344	1,789	5,792	50,830	–	50,830