

## Summary of Financial Results for the Nine Months Ended December 2006 (Consolidated)

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

### 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 most recent consolidated fiscal year? No  
 [3] Has the Company made any changes in scope of consolidation and application of the equity method? Yes  
 Consolidated (New): 0 company (Eliminated): 3 companies Equity method: No change

### 2. Summary of Consolidated Financial Status and Results of Operations for the Nine Months Ended December 2006 (April 1, 2006–December 31, 2006)

#### (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, 2006	882,942	1.4	32,282	-22.2	32,594	-21.6	13,144	29.2
Nine months ended December 31, 2005	870,453	-2.8	41,470	-18.4	41,597	-14.4	10,175	-40.2
(Reference) Fiscal year ended March 31, 2006	1,152,166		48,391		49,403		17,192	

	Net income per share	Net income per share after adjusting for dilution
	Yen	Yen
Nine months ended December 31, 2006	12,352.40	—
Nine months ended December 31, 2005	9,409.89	9,035.59
(Reference) Fiscal year ended March 31, 2006	15,760.27	15,123.82

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	Net Assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended December 31, 2006	1,612,051	462,344	27.3	414,020.71
Nine months ended December 31, 2005	1,551,070	445,372	28.7	418,440.68
(Reference) Fiscal year ended March 31, 2006	1,492,427	440,316	29.5	413,525.41

(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, 2006	118	-80,099	82,871	17,485
Nine months ended December 31, 2005	64,386	-29,090	-37,533	16,418
(Reference) Fiscal year ended March 31, 2006	132,054	-40,398	-96,550	13,963

**3. Projection of Consolidated Results of Operations for the Fiscal Year Ending March 2007 (April 1, 2006–March 31, 2007)**

We lowered our projection released publicly on October 30, 2006, considering recent business environment.

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast	1,180,000	47,000	21,000
Original forecast (October 30, 2006)	1,200,000	51,000	21,000

(Reference) Projected net income per share (full fiscal year) 19,737.16 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 2006 (as of December 31, 2006)		Nine months ended December 2005 (as of December 31, 2005)		Change Amount	Accounting period of fiscal year ended March 2006 (as of March 31, 2006)	
	Amount	Composition ratio	Amount	Composition ratio		Amount	Amount
		%		%			%
<b>(Assets)</b>							
<b>I Current assets</b>	504,775	31.3	473,670	30.5	31,104	412,657	27.7
Cash and time deposits	17,643		16,565		1,077	14,111	
Notes and accounts receivable	281,036		270,105		10,930	218,357	
Inventories	146,689		138,202		8,486	139,187	
Other current assets	59,406		48,796		10,609	41,001	
<b>II Fixed assets</b>	1,107,273	68.7	1,077,393	69.5	29,880	1,079,764	72.3
Property, plant and equipment	833,238	51.7	810,204	52.2	23,033	811,110	54.3
Intangible fixed assets	33,827	2.1	38,230	2.5	-4,403	36,902	2.5
Investments and other assets	240,208	14.9	228,957	14.8	11,250	231,751	15.5
<b>III Deferred assets</b>	2	0.0	6	0.0	-3	5	0.0
<b>Total assets</b>	1,612,051	100.0	1,551,070	100.0	60,981	1,492,427	100.0
<b>(Liabilities)</b>							
<b>I Current liabilities</b>	654,644	40.6	672,917	43.4	-18,272	587,455	39.4
Notes and accounts payable	148,751		149,143		-391	133,377	
Short-term borrowings	262,590		285,384		-22,794	254,904	
Bonds to be redeemed in one year or less	20,000		31,000		-11,000	10,000	
Commercial paper	105,000		99,000		6,000	83,000	
Other current liabilities	118,302		108,389		9,913	106,173	
<b>II Long-term liabilities</b>	495,062	30.7	409,762	26.4	85,300	442,332	29.6
Corporate bonds	110,000		120,000		-10,000	110,000	
Long-term debt	290,595		215,464		75,130	234,176	
Other long-term liabilities	94,467		74,298		20,169	98,156	
<b>Total liabilities</b>	1,149,707	71.3	1,082,680	69.8	67,027	1,029,787	69.0
(Minority interests in consolidated subsidiaries) Minority interests in consolidated subsidiaries	-	-	23,017	1.5	-	22,323	1.5
<b>(Shareholders' equity)</b>							
<b>I Common stock</b>	-	-	55,730	3.6	-	55,730	3.8
<b>II Capital surplus</b>	-	-	252,441	16.3	-	252,441	16.9
<b>III Earned surplus</b>	-	-	134,929	8.7	-	125,679	8.4
<b>IV Unrealized gains on other marketable securities</b>	-	-	22,413	1.4	-	24,352	1.6
<b>V Translation adjustments</b>	-	-	-1,988	-0.1	-	312	0.0
<b>VI Treasury stock</b>	-	-	-18,153	-1.2	-	-18,199	-1.2
<b>Total shareholders' equity</b>	-	-	445,372	28.7	-	440,316	29.5
<b>Total liabilities, minority interests and shareholders' equity</b>	-	-	1,551,070	100.0	-	1,492,427	100.0
<b>(Net assets)</b>							
<b>I Shareholders' equity</b>	419,677	26.0					
Common stock	55,730	3.4					
Capital surplus	252,441	15.7					
Earned surplus	129,830	8.0					
Treasury stock	-18,324	-1.1					
<b>II Valuation and translation adjustments</b>	20,833	1.3					
Unrealized gains on other marketable securities	17,615	1.1					
Deferred gains or loss on hedges	1,996	0.1					
Translation adjustments	1,221	0.1					
<b>III Minority interests in consolidated subsidiaries</b>	21,833	1.4					
<b>Total net assets</b>	462,344	28.7					
<b>Total liabilities and net assets</b>	1,612,051	100.0					

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

(Millions of yen)

	Nine months ended December 2006  (April 1, 2006 to December 31, 2006)		Nine months ended December 2005  (April 1, 2005 to December 31, 2005)		Change	Accounting period of fiscal year ended March 2006  (April 1, 2005 to March 31, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Amount	Composition ratio
		%		%			%
I Net sales	882,942	100.0	870,453	100.0	12,488	1,152,166	100.0
II Cost of sales	715,582	81.0	690,371	79.3	25,210	920,819	79.9
Gross profit	167,359	19.0	180,082	20.7	-12,722	231,347	20.1
III Selling, general and administrative expenses	135,076	15.3	138,612	15.9	-3,535	182,955	15.9
Operating income	32,282	3.7	41,470	4.8	-9,187	48,391	4.2
IV Non-operating income	9,461	1.1	8,228	0.9	1,232	11,342	1.0
V Non-operating expenses	9,150	1.1	8,101	0.9	1,048	10,330	0.9
Ordinary income	32,594	3.7	41,597	4.8	-9,002	49,403	4.3
VI Extraordinary gains	1,782	0.2	5,140	0.5	-3,357	19,514	1.7
Gains on sales of property, plant and equipment	1,003		956		46	14,678	
Others	779		4,183		-3,404	4,836	
VII Extraordinary losses	9,642	1.1	21,175	2.4	-11,532	29,879	2.6
Losses on disposal of property, plant and equipment	3,253		2,624		628	3,614	
Loss on impaired assets	3,259		8,820		-5,561	10,269	
Extraordinary retirement benefits	1,503		6,246		-4,743	7,708	
Others	1,627		3,484		-1,856	8,286	
Income before income taxes and minority interests	24,735	2.8	25,562	2.9	-827	39,038	3.4
Corporate tax and others	10,945	1.2	14,561	1.6	-3,615	21,056	1.8
Minority interests in earnings of consolidated subsidiaries	644	0.1	825	0.1	-180	790	0.1
Net income (loss)	13,144	1.5	10,175	1.2	2,969	17,192	1.5

### 3. Consolidated Statements of Changes in Net Assets

Nine months ended December 2006 (April 1, 2006 to December 31, 2006)

(Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total Shareholders' equity	
I	Balance at the end of previous period	55,730	252,441	125,679	-18,199	415,651
II	Changes of items during the period	-	0	4,150	-124	4,026
	Dividends from surplus			-8,516		-8,516
	Bonuses to directors and statutory auditors			-195		-195
	Net income			13,144		13,144
	Purchases of treasury stock				-138	-138
	Disposal of treasury stock		0		13	13
	Merger of subsidiaries			-282		-282
	Net changes of items other than Shareholders' equity					-
III	Balance at the end of the current period	55,730	252,441	129,830	-18,324	419,677

	Valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets	
	Unrealized gains on other marketable securities	Deferred gains or loss on hedges	Translation adjustments	Total Valuation and translation adjustments			
I	Balance at the end of previous period	24,352	-	312	24,664	22,323	462,639
II	Changes of items during the period	-6,736	1,996	908	-3,831	-490	-295
	Dividends from surplus						-8516
	Bonuses to directors and statutory auditors						-195
	Net income						13,144
	Purchases of treasury stock						-138
	Disposal of treasury stock						13
	Merger of subsidiaries						-282
	Net changes of items other than Shareholders' equity	-6,736	1,996	908	-3,831	-490	-4,321
III	Balance at the end of the current period	17,615	1,996	1,221	20,833	21,833	462,344

#### 4. Consolidated Statements of Retained Earnings

(Millions of yen)

	Nine months ended December 2005 (April 1, 2005 to December 31, 2005)	Accounting period of fiscal year ended March 2006 (April 1, 2005 to March 31, 2006)
	Amount	Amount
(Capital surplus)		
I Capital surplus at beginning of period	252,443	252,443
II Decrease in capital surplus during period	2	2
Loss on disposal of treasury stock	2	2
III Capital surplus at end of period	252,441	252,441
(Earned surplus)		
I Earned surplus at beginning of period	133,653	133,653
II Increase in earned surplus during period	10,175	17,192
Net income	10,175	17,192
III Decrease in earned surplus during period	8,899	25,165
Cash dividends paid	8,649	8,649
Bonuses to directors and statutory auditors	250	250
Adjustment for tax effect accounting applied to a consolidated subsidiary's land revaluation	-	16,266
IV Earned surplus at end of period	134,929	125,679

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

(Millions of yen)

	Nine months ended December 2006 (April 1, 2006 to December 31, 2006)	Nine months ended December 2005 (April 1, 2005 to December 31, 2005)	Change	Accounting period of fiscal year ended March 2006 (April 1, 2005 to March 31, 2006)
	Amount	Amount	Amount	Amount
<b>I</b> Cash flows from operating activities	118	64,386	-64,267	132,054
Income before income taxes and minority interests	24,735	25,562	-827	39,038
Depreciation	49,718	52,415	-2,696	70,106
Decrease in allowance for accrued retirement benefits	-4,845	-3,404	-1,440	-4,333
Interest and dividend income	-2,753	-2,142	-611	-2,507
Interest expense	5,799	5,284	514	6,797
Equity in earnings of affiliates	-1,910	-1,257	-652	-1,696
Loss on impaired assets	3,259	8,820	-5,561	10,269
Receivables	-61,092	-31,129	-29,962	20,696
Inventories	-5,489	-7,050	1,561	-7,903
Payables	12,690	28,963	-16,272	13,067
Others	-12,724	6,442	-19,167	10,430
Sub-total	7,388	82,503	-75,115	153,967
Interest and dividends received	3,193	2,598	595	3,202
Interest paid	-5,113	-5,868	754	-7,406
Income taxes paid	-3,581	-7,935	4,353	-9,407
Other, net	-1,767	-6,912	5,145	-8,302
<b>II</b> Cash flows from investing activities	-80,099	-29,090	-51,008	-40,398
Acquisitions of property, plant and equipment	-65,494	-36,889	-28,604	-62,555
Proceeds from sale of property, plant and equipment	2,094	4,916	-2,821	22,437
Acquisitions of investments in other securities	-19,872	-1,101	-18,771	-4,806
Proceeds from sale of investments in other securities	690	2,223	-1,532	3,150
Other, net	2,482	1,761	721	1,375
<b>III</b> Cash flows from financing activities	82,871	-37,533	120,405	-96,550
Decrease in short-term borrowings	13,790	-27,680	41,471	-47,167
Increase in commercial paper	22,000	33,000	-11,000	17,000
Proceeds from long-term debt	79,500	36,000	43,500	62,059
Reduction of long-term debt	-33,275	-51,493	18,217	-69,835
Proceeds from bond issuance	20,000	20,000	-	20,000
Payments on bond redemptions	-10,000	-25,000	15,000	-56,000
Dividend payments	-8,778	-8,940	162	-8,983
Other, net	-364	-13,418	13,054	-13,623
<b>IV</b> Effect of exchange rate changes on cash and cash equivalents	215	503	-288	705
<b>V</b> Increase (Decrease) in cash and cash equivalents	3,106	-1,734	4,840	-4,189
<b>VI</b> Cash and cash equivalents at beginning of period	13,963	18,181	-4,217	18,181
<b>VII</b> Decrease in cash and cash equivalents due to elimination from the scope of consolidation	-	-28	28	-28
<b>VIII</b> Increase due to merger of unconsolidated subsidiaries	415	-	415	-
<b>IX</b> Cash and cash equivalents at end of period	17,485	16,418	1,066	13,963

## 6. Segment Information

(Business segment information)

Nine months ended December 2006 (April 1, 2006 to December 31, 2006)

(Millions of yen)

	Pulp and Paper Division	Paper-Related Division	Housing and Construction Materials Division	Other Division	Total	Eliminations or corporate	Consolidated
<b>Sales</b>							
(1) Sales to third parties	666,443	77,494	74,442	64,561	882,942	–	882,942
(2) Intragroup sales and transfers	2,477	6,939	39,949	33,188	82,555	(82,555)	–
Total sales	668,921	84,434	114,392	97,749	965,497	(82,555)	882,942
Operating expenses	647,765	80,348	112,104	92,996	933,214	(82,555)	850,659
Operating income	21,156	4,085	2,287	4,752	32,282	–	32,282

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
<b>Sales</b>							
(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

Accounting period of fiscal year ended March, 2006 (April 1, 2005 to March 31, 2006)

(Millions of yen)

	Pulp and Paper Division	Paper-Related Division	Housing and Construction Materials Division	Other Division	Total	Eliminations or corporate	Consolidated
<b>Sales</b>							
(1) Sales to third parties	860,993	110,350	94,041	86,781	1,152,166	–	1,152,166
(2) Intragroup sales and transfers	8,813	8,183	39,769	39,585	96,352	(96,352)	–
Total sales	869,806	118,534	133,811	126,367	1,248,519	(96,352)	1,152,166
Operating expenses	836,609	112,352	131,203	119,962	1,200,128	(96,352)	1,103,775
Operating income	33,197	6,181	2,607	6,404	48,391	–	48,391

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, chemical products

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

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