

FY2005 1st Quarter Financial Review



NIPPON PAPER
GROUP

July 28, 2005

Nippon Paper Group, Inc.



FY2005 1Q Review

(April. 1, 2005 ~ June. 30, 2005)

- (1) Overview
- (2) Topics
- (3) Operating results
- (4) Full year forecast

(April. 1, 2005 ~ March. 31, 2006)

- (5) Other

*FY2004: April. 1, 2004 ~ March. 31, 2005
FY2005: April. 1, 2005 ~ March. 31, 2006

Paper Industry

Domestic shipment of paper and paperboard FY2005 1Q(April 2005 – June 2005)

	Shipment(1,000 tons)	%change yoy
Newsprint	860	2.1%
Uncoated printing paper	640	-1.6%
Coated printing paper ※	1,516	2.3%
Business communication paper	403	0.9%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	995	0.6%
Paper total	4,414	1.2%
Paperboard total	2,968	0.1%
Paper and paperboard total	7,383	0.7%

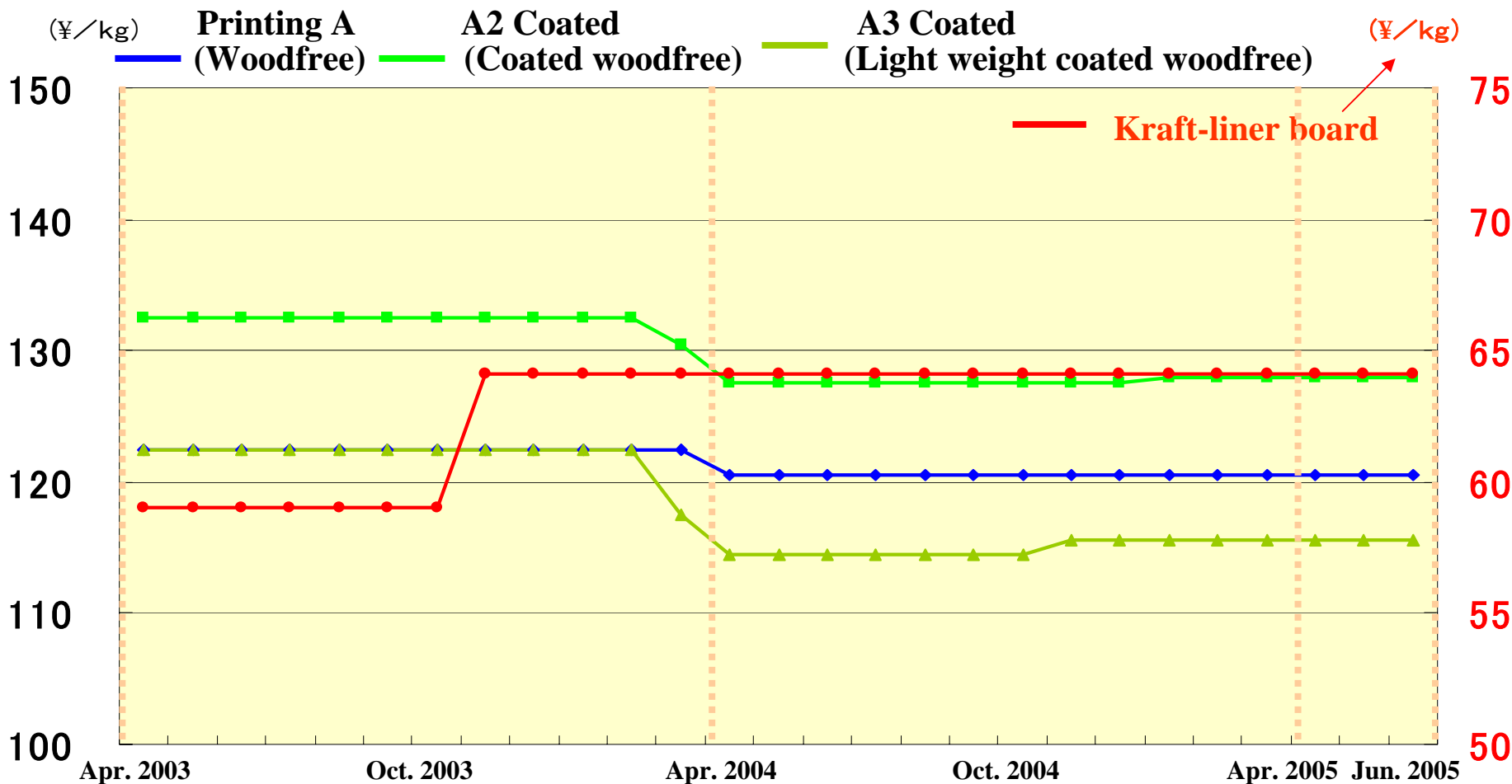
※ "Bitoko-shi" paper is included in coated printing paper.

Source: Japan Paper Association (Temporary figures for June results)

(1) Overview - Business environment

Paper industry

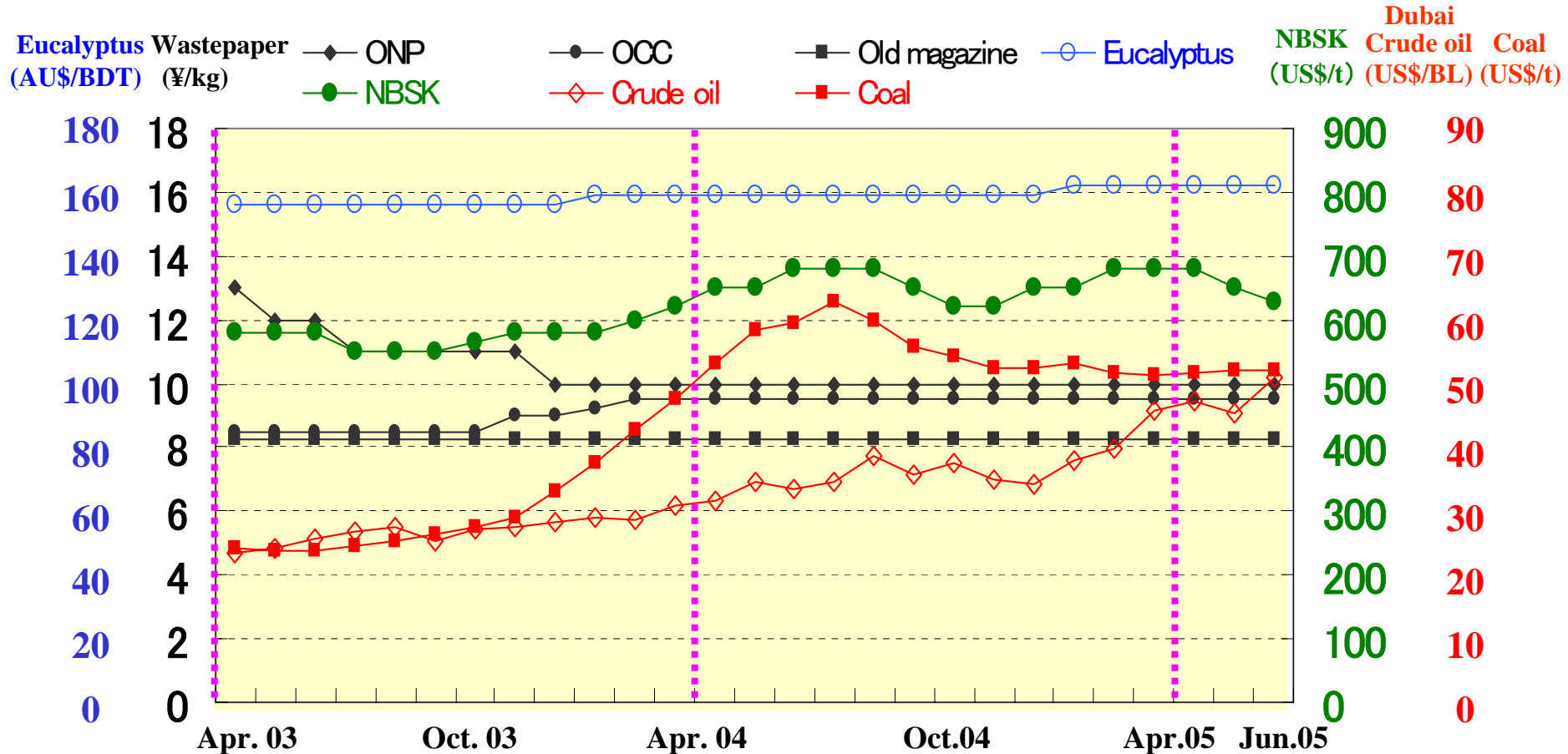
Trend in paper and paperboard prices (April 2003 — June 2005)



(1) Overview - Business environment

Paper industry

Trend in fuel and raw material prices (April 2003 — June 2005)



Source: Paper Recycling Promotion Center, *Pulp&Paper Week*,
Crude oil= Platts, Coal=Barlow Jonker Index

Topics of the 1st Quarter

Apr. 2005 : Suzukawa Mill and Fuji Mill to integrate.

(The new integrated mill is called Nippon Paper Industries Co., Ltd. Fuji Mill)

: Nippon Paper Industries Co., Ltd. decided to withdraw from paper joint venture in northern China.

May. 2005 : Announced 'Group vision 2015'.

June. 2005 : Announced Nippon Paper Industries' European office to open.

: Conclusion of merger agreement between Nichiita Package Industries Co., Ltd. and Tokan Packaging System Co., Ltd. (subsidiary of Tokan Kogyo Co., Ltd.)

(New company name : Nippon Tokan Package Co., Ltd.)

: New Board of Directors started.

Company	Location	Project	Invested amount (¥ billion)	Completion
Nippon Paper Industries	Iwanuma	Installation of H-DIP line	1.8	Apr. 2005

Consolidated operating results

(¥ billion)	FY2004 1 st Q	FY2005 1 st Q	Difference
<Net sales>	295.5	286.2	-9.3
<Operating income>	15.9	15.3	-0.6
<Ordinary income>	15.3	15.8	0.5
<Net income>	10.3	-1.5	-11.8

③ Operating results ② Sales volume by product

(Thousand tons)	FY2004 1Q	FY2005 1Q	% change yoy
Newsprint	334	333	-0.3%
Uncoated paper	187	185	-1.2%
Coated paper	463	483	4.3%
Business communication paper	168	182	7.9%
Packaging paper and others	170	150	-11.3%
Total domestic sales	1,322	1,333	0.8%
Export (including newsprint)	118	106	-9.9%
Total (paper)	1,439	1,438	-0.1%
Container board	351	350	-0.3%
Folding box board and others	102	101	-1.0%
Total domestic sales	453	451	-0.4%
Export	9	8	-11.4%
Total (paperboard)	462	459	-0.6%
Grand total (paper and paperboard)	1,901	1,897	-0.2%

(2) Operating results (3) Segment information

(¥ billion)

	Sales		Operating income		Comments
	FY2004 1Q	FY2005 1Q	FY2004 1Q	FY2005 1Q	
Pulp and Paper Div. ※	218.4	212.1	11.6	11.6	Paper: Coated paper sold well. Paperboard: Maintained sales volume. Household tissue: Intensified competition continued.
Paper-related Div. (cartons, chemical products)	32.0	30.8	2.0	2.0	
Housing and Construction Materials Div.	24.0	22.3	0.6	0.5	
Other Div. ※ (beverages, transport)	21.2	21.0	1.8	1.2	
Total	295.5	286.2	15.9	15.3	

※FY2004 1Q : Electricity wholesale business transferred from Pulp and Paper Div. to Other Div..

(¥ billion)

Balance sheet

	Mar. 31, 2005	Jun. 30, 2005	Difference	Comments
Cash and time deposits	18.3	12.2	-6.2	
Notes and accounts receivable	247.9	273.9	26.0	
Inventories	131.8	136.7	4.8	
Other current assets	45.1	64.6	19.5	
Property, plant, equipment, and intangible fixed assets	885.6	874.8	-10.7	Capital investment 16.3bn , Depreciation -17.5bn , Impairment accounting -8.8bn, etc.
Investments and other assets	201.2	201.9	0.7	
Total assets	1,530.0	1,564.2	34.3	
Interest-bearing debt	766.1	802.1	35.9	Decrease in liquidation of receivables, Cash dividends paid,
Other debt	297.3	300.5	3.2	
Minority interests in consolidated subsidiaries	23.6	23.5	-0.1	
Total shareholders' equity	442.9	438.1	-4.8	Cash dividends -4.4bn , Net loss for the quarter -1.5bn, etc.

(3) Operating results (5) Cash flow statement

(¥ billion)

Items	FY2005 1Q	Comments
Operating activities	-25.9	
Income before income taxes	2.9	
Depreciation, and amortization of difference between cost and underlying net equity in consolidated subsidiaries	17.5	
Change in net working capital	① -30.1	① Decrease in liquidation of receivables.
Others	-16.2	
Investing activities	-11.4	
Purchases of property, plant and equipment	② -12.3	② Hold down expenditure by selected investment.
Proceeds from sales of property, plant and equipment	0.6	
Others	0.3	
Free cash flows	-37.3	
Financing activities	31.0	
Change in net borrowings	35.9	
Cash dividends paid	-4.5	
Others	-0.4	
Effect of exchange rate changes	0.1	
Cash and cash equivalents at beginning of year	18.2	
Cash and cash equivalents at end of FY2005 1st quarter	12.0	

● (4) Full year forecast ① Outline

Reviewing oil price and exchange rate, revised FY2005 2nd half's estimation.

(¥ billion)	FY2005 Original estimation	FY2005 Current estimation	FY2005 Interim estimation
<Net sales>	1,180.0	1,180.0	590.0
<Operating income>	71.0	65.0	32.0
<Ordinary income>	70.0	64.0	32.0
<Net income>	21.0	17.0	3.0

Revised former assumption

- **1st half**

**Estimations are unchanged from the figures
announced on May 11.**

- **2nd half**

Crude oil price US\$51/BL

(Original estimation US\$40/BL)

Exchange rate: US\$1=¥110

(Original estimation US\$1=¥107)

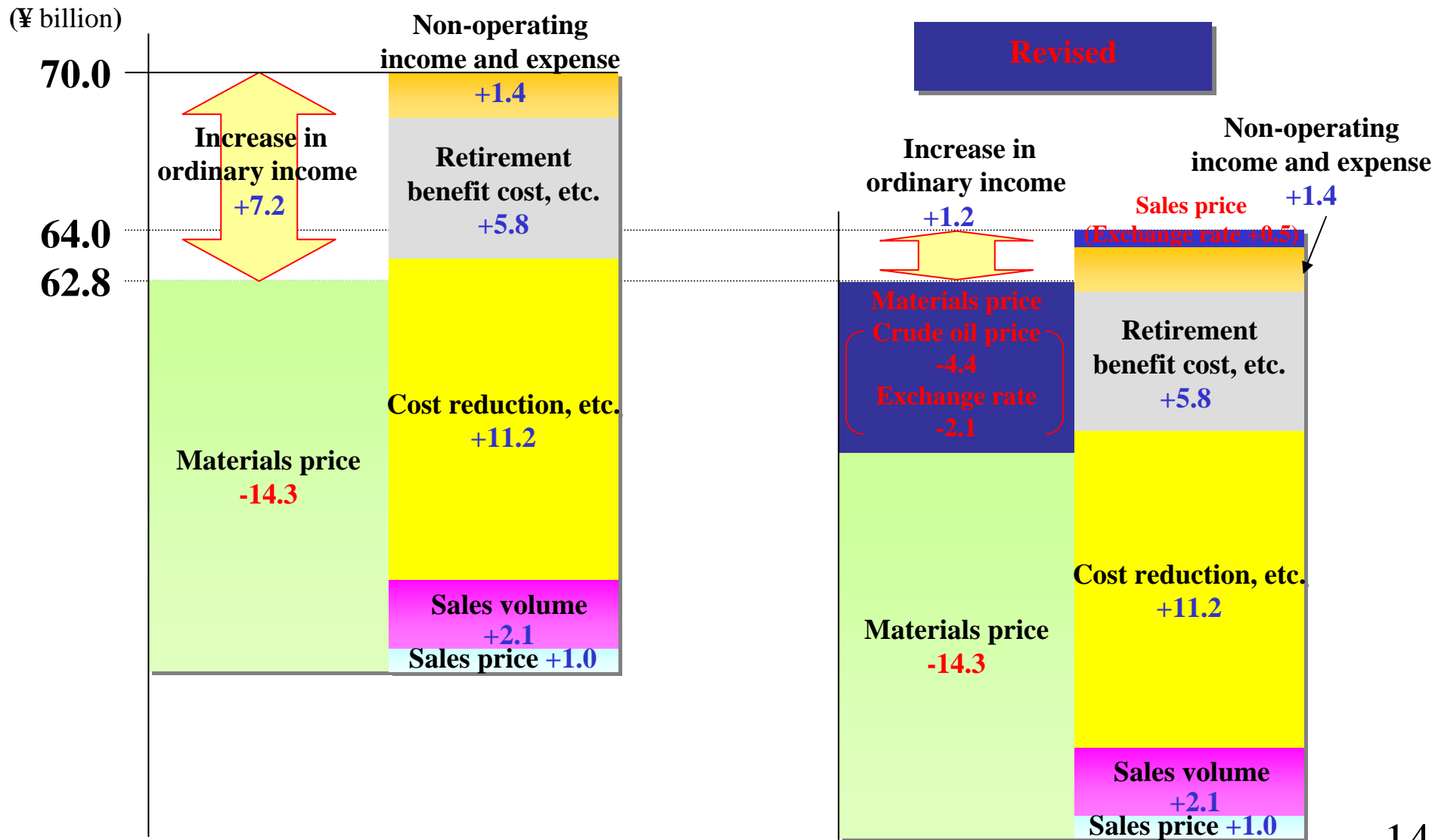
AU\$1=¥ 84

(Original estimation AU\$1=¥ 82)

(4) Full year forecast (3) Analysis

<Original>

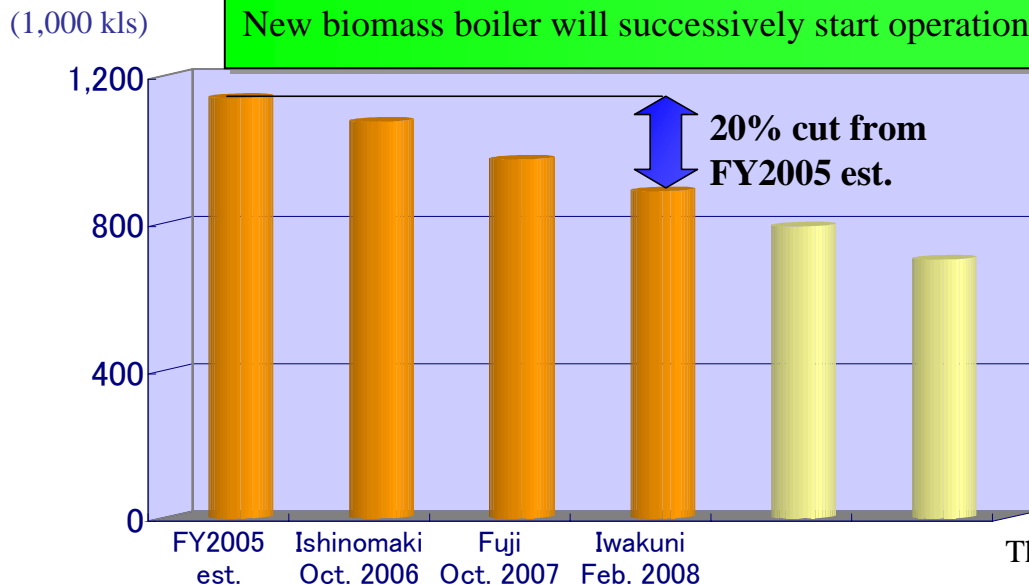
<Revised>



Cutting consumption of heavy oil : Installment of biomass boilers

Company	Location	Invested amount (¥ billion)	Operation start
Nippon Daisyowa Paperboard	Tohoku	4.3	Oct. 2003
Nippon Paper Industries	Nakoso	3.8	Oct. 2004
	Ishinomaki	5.3	Oct. 2006(planned)
	Fuji	6.4	Oct. 2007(planned)
	Iwakuni	9.0	Feb. 2008(planned)

New biomass boiler will successively start operation.



Thermal Recycle Power Generator (scrap wood fuel) at Nakoso mill

Disclaimer Regarding Forward-Looking Statements

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, which 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.

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