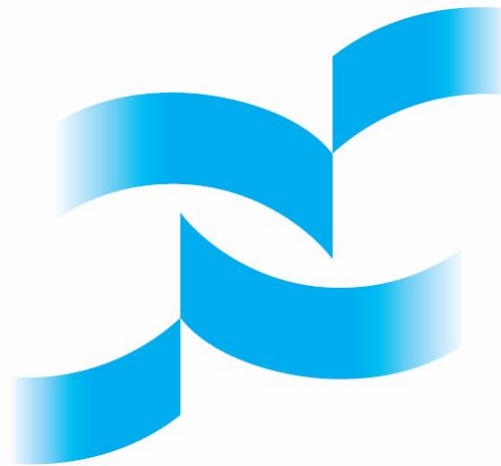


# FY2007 1<sup>st</sup> Quarter Financial Review

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NIPPON PAPER  
GROUP

July 30, 2007

Nippon Paper Group, Inc.



## FY2007 1Q Review

**(April 1, 2007 ~ June 30, 2007)**

- |                        |               |
|------------------------|---------------|
| (1) Overview           | <i>3-5pp</i>  |
| (2) Topics             | <i>6p</i>     |
| (3) Financial results  | <i>7-12pp</i> |
| (4) Full year forecast | <i>13p</i>    |

**(April 1, 2007 ~ March 31, 2008)**

# (1) Industry Overview – Domestic Shipment



Paper industry

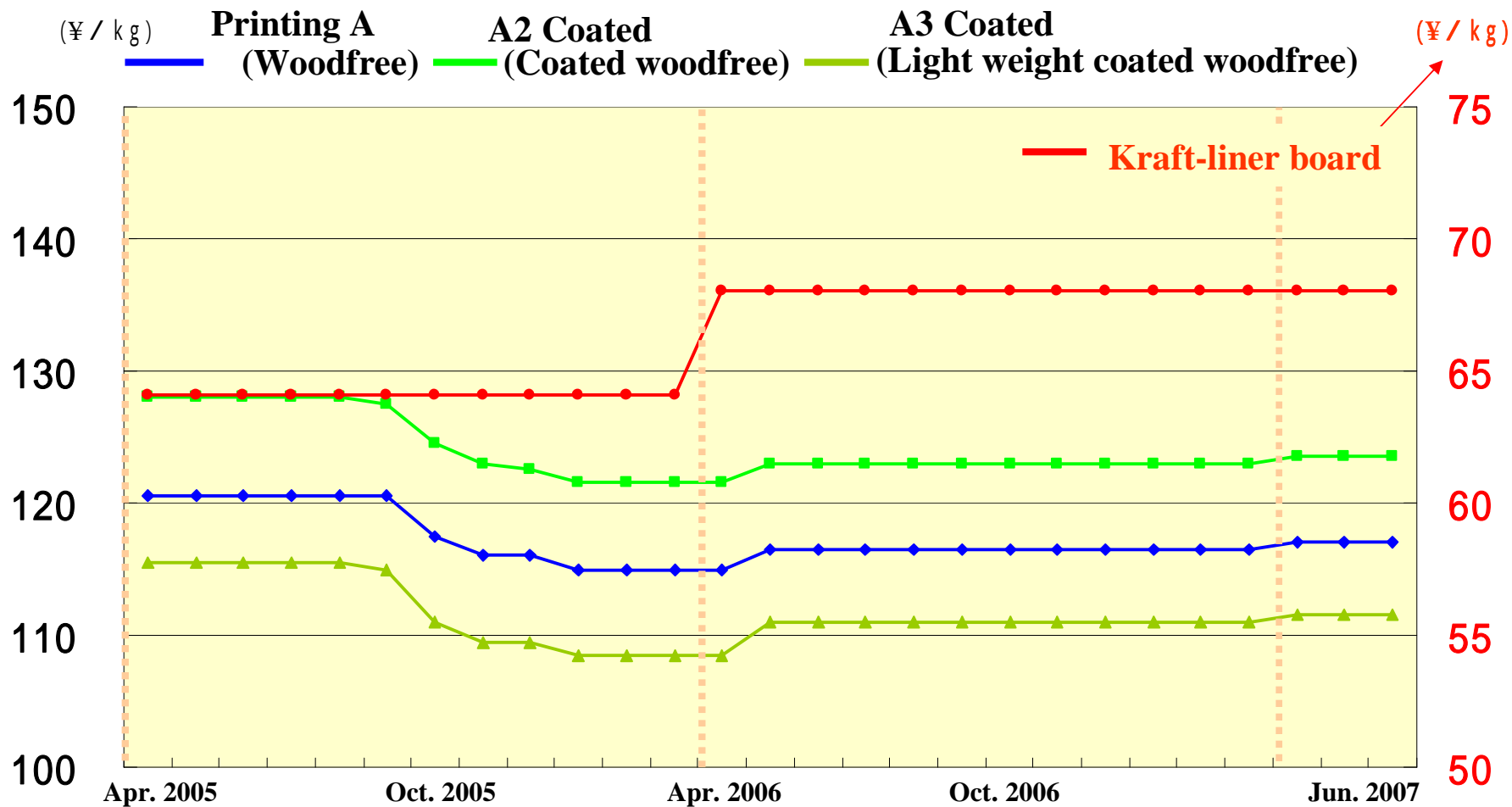
Domestic shipment of paper and paperboard  
FY2007 1Q (April 2007 - June 2007)

	Shipment(1,000 tons)	% change yoy
Newsprint	890	-1.6%
Uncoated printing paper	619	-1.4%
Coated printing paper	1,583	1.6%
Business communication paper	417	4.2%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	1,014	-2.2%
Paper total	4,523	-0.1%
Paperboard total	2,962	0.4%
Paper and paperboard total	7,485	0.1%

# (1) Industry Overview – Market Prices

Paper industry

## Trend in paper and paperboard prices (April 2005 - June 2007)

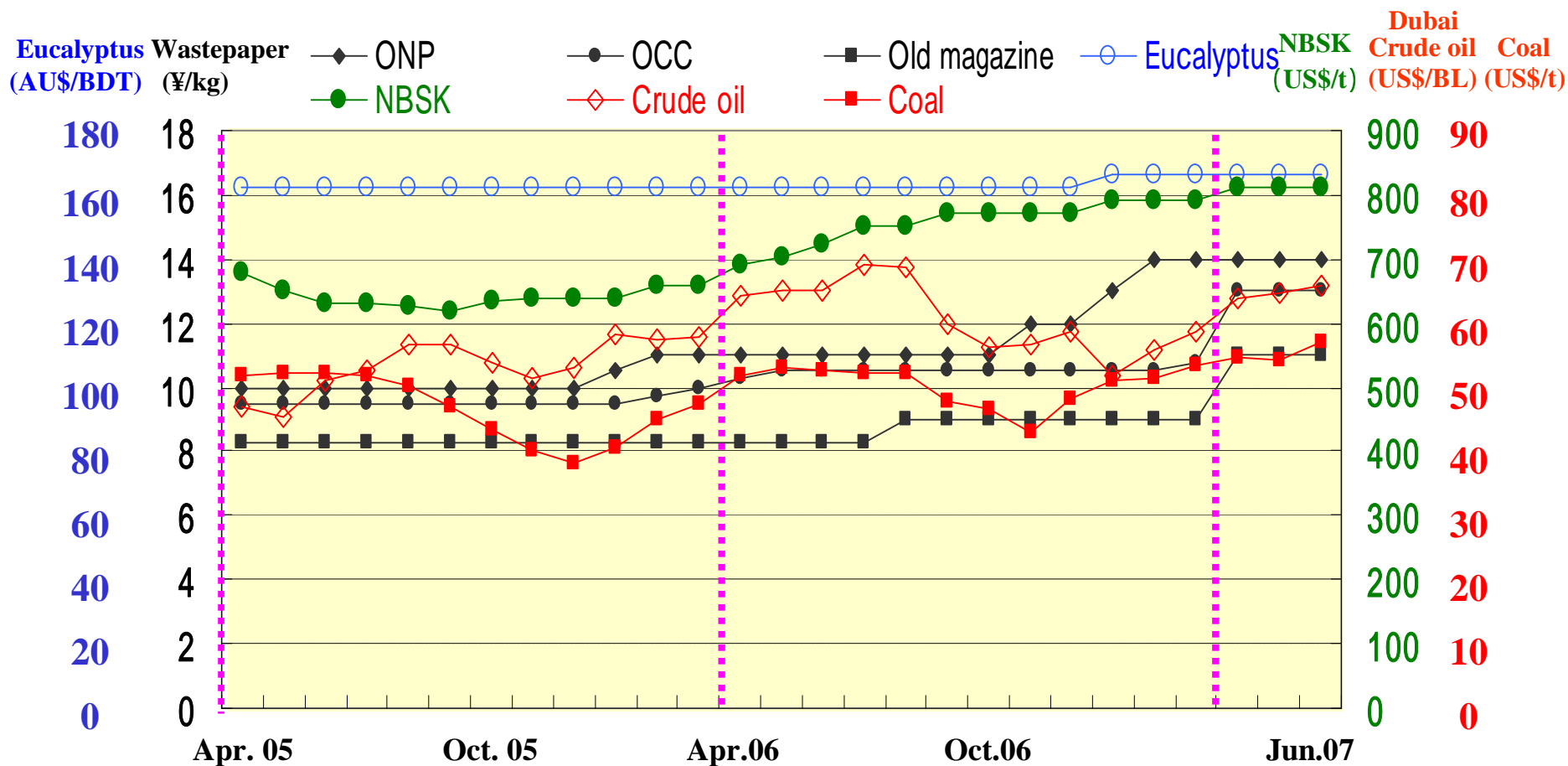


# (1) Industry Overview – Cost Environment



Paper industry

Trend in fuel and raw material prices  
(April 2005 - June 2007)



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

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### Topics of the 1<sup>st</sup> Quarter

- Apr. 2007 -Reorganization of the recycled paper lineup and discontinuation of 100% recycled paper.
- May. -Renewal of copy paper lineup reflecting the Green Proportion™ environmental concept.  
-Establishment of hospitality program for shareholders.  
-10% price increase announcement for all printing paper grades
- Jun. -10% price increase announcement for business communication paper grades (PPC, Business form, CCP, and Thermal paper).  
-Technology for mass proliferation of plantlets from pine cuttings jointly developed with RITE (*Research Institute of Innovative Technology for the Earth*).  
-Adoption of a basic policy on the persons to control the "Company" and introduction of Takeover Defense Measures.

### (3) Financial Results Outline



## Consolidated operating results

(¥ billion)	FY2006 1 <sup>st</sup> Q	FY2007 1 <sup>st</sup> Q	Difference
<Net sales>	288.0	295.2	7.2
<Operating income>	7.8	6.6	-1.2
<Ordinary income>	8.8	7.4	-1.4
<Net income>	4.6	2.4	-2.2

## (3) Financial Results Sales volume by product



(Thousand tons)	FY2006 1Q	FY2007 1Q	% change yoy
Newsprint	333	324	-2.7%
Uncoated paper	184	184	-0.2%
Coated paper	506	510	0.9%
Business communication paper	179	193	7.7%
Packaging paper and others	144	144	0.0%
<b>Total domestic sales</b>	<b>1,347</b>	<b>1,355</b>	<b>0.7%</b>
Export (including newsprint)	89	113	25.9%
<b>Total (paper)</b>	<b>1,436</b>	<b>1,468</b>	<b>2.2%</b>
Contaier board	352	338	-4.0%
Folding box board and others	101	95	-5.8%
<b>Total domestic sales</b>	<b>452</b>	<b>433</b>	<b>-4.4%</b>
Export	8	10	23.7%
<b>Total (paperboard)</b>	<b>460</b>	<b>442</b>	<b>-3.9%</b>
<b>Grand total (paper and paperboard)</b>	<b>1,896</b>	<b>1,910</b>	<b>0.7%</b>



# (3) Financial Results Segment information



( ¥ billion)

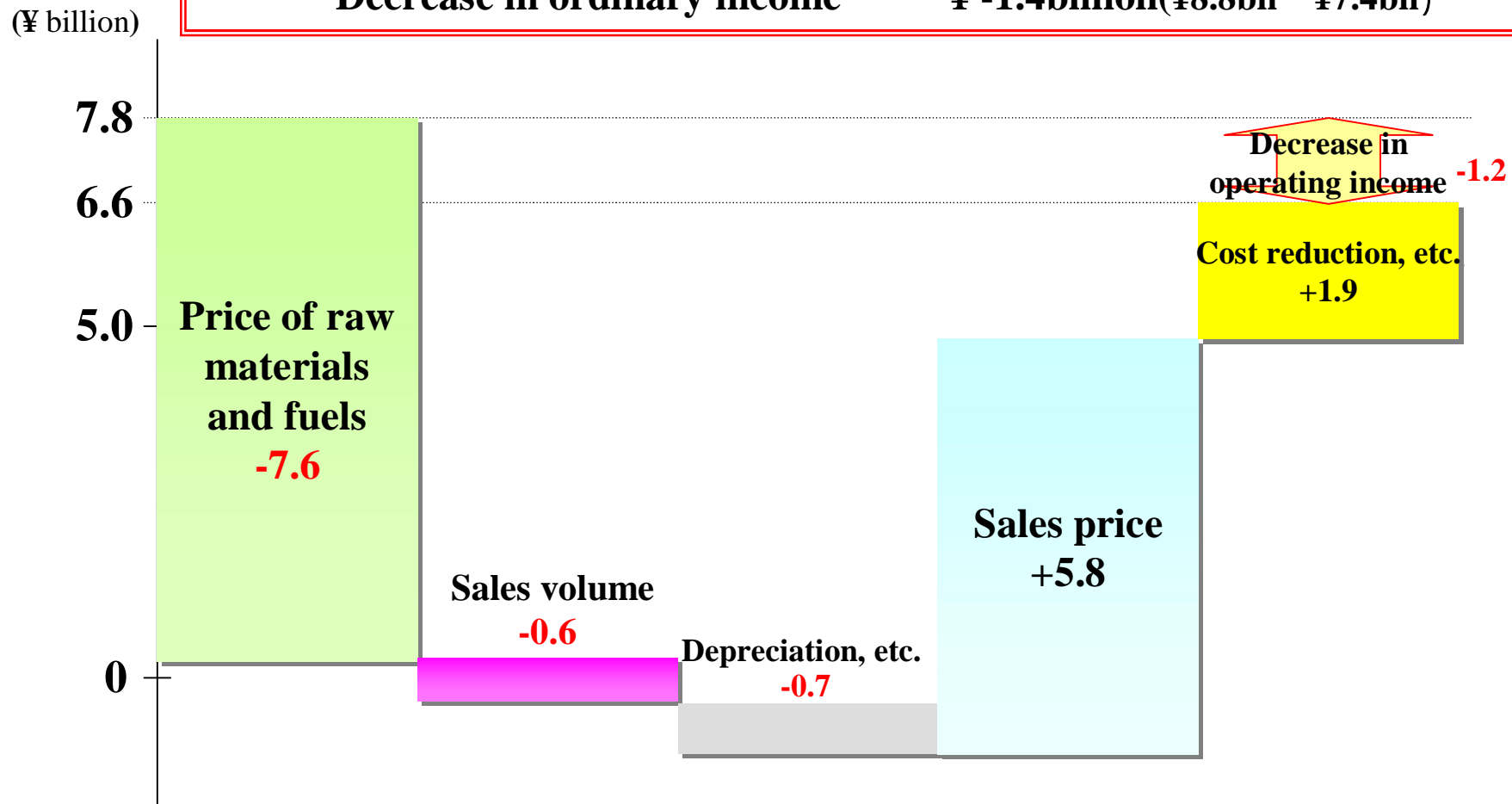
Division	Sales			Operating income			Comments
	FY2006 1Q	FY2007 1Q	Difference	FY2006 1Q	FY2007 1Q	Difference	
<b>Pulp and Paper</b>	<b>220.1</b>	<b>225.7</b>	<b>5.6</b>	<b>5.1</b>	<b>3.5</b>	<b>-1.5</b>	<b>Paper: Negative impact from raw materials and fuel cost hike exceeded price recovery. Paperboard: Profit decreased due to wastepaper price hike. Household tissue: Price recovery contributed to downsizing operating loss.</b>
<b>Paper-related (cartons, chemical products)</b>	<b>25.3</b>	<b>25.2</b>	<b>-0.1</b>	<b>1.1</b>	<b>1.1</b>	<b>0.0</b>	
<b>Housing and Construction Materials</b>	<b>22.3</b>	<b>22.6</b>	<b>0.3</b>	<b>0.5</b>	<b>0.6</b>	<b>0.1</b>	
<b>Other (beverages, transport)</b>	<b>20.3</b>	<b>21.6</b>	<b>1.3</b>	<b>1.1</b>	<b>1.3</b>	<b>0.1</b>	<b>Six subsidiaries of SHIKOKU COCA-COLA BOTTLING were newly included in consolidation scope.</b>
<b>Total</b>	<b>288.0</b>	<b>295.2</b>	<b>7.2</b>	<b>7.8</b>	<b>6.6</b>	<b>-1.2</b>	

# (3) Financial Results Analysis of profit and loss



**FY2006 1<sup>st</sup> Q vs FY2007 1<sup>st</sup> Q**

**Decrease in operating income ¥-1.2billion(¥7.8bn ¥6.6bn)**  
**Decrease in ordinary income ¥ -1.4billion(¥8.8bn ¥7.4bn)**



## (3) Financial Results Balance sheet



( ¥ billion)

Balance sheet	Mar. 31, 2007	Jun. 30, 2007	Difference	Comments
Cash and time deposits	16.0	19.0	3.0	
Notes and accounts receivable	247.1	276.7	29.6	
Inventories	147.1	152.4	5.3	
Other current assets	46.3	65.3	18.9	
Property, plant, equipment, and intangible fixed assets	874.1	885.3	11.2	Capital investment 28.7bn , Depreciation -18.8bn , etc.
Investments and other assets	235.2	239.0	3.7	
<b>Total assets</b>	<b>1,566.0</b>	<b>1,637.8</b>	<b>71.8</b>	
Interest-bearing debt	738.2	796.8	58.6	
Other debt	357.2	366.6	9.4	
Net assets	-	474.3		Cash dividends -4.3bn, Net income 2.4bn, Unrealized gains on other marketable securities 2.2bn, Minority interest in consolidated subsidiaries 1.3bn, etc.

## (3) Financial Results Cash flow statement



( ¥ billion)

Items	FY2006/1Q	FY2007/1Q	Difference	Comments
Operating activities	<b>-28.1</b>	<b>-35.5</b>	<b>-7.4</b>	
Income before income taxes	8.2	6.6	-1.6	
Depreciation	16.4	18.8	2.4	
Change in net working capital	<b>-46.2</b>	<b>-37.6</b>	8.5	Decrease in liquidation of receivables, etc.
Others	<b>-6.5</b>	<b>-23.2</b>	<b>-16.7</b>	Income taxes paid, etc.
Investing activities	<b>-18.3</b>	<b>-17.0</b>	1.3	
Purchases of property, plant and equipment	<b>-19.3</b>	<b>-19.3</b>	0.0	
Proceeds from sales of property, plant and equipment	0.6	0.8	0.3	
Others	0.4	1.4	1.0	
Free cash flows	<b>-46.4</b>	<b>-52.5</b>	<b>-6.1</b>	
Financing activities	46.4	53.8	7.4	
Change in net borrowings	51.1	58.2	7.2	Financing for capital expenditure and decrease in liquidation of receivables, etc.
Cash dividends paid	<b>-4.4</b>	<b>-4.4</b>	0.0	
Others	<b>-0.3</b>	<b>-0.0</b>	0.2	
Effect of exchange rate changes, etc.	0.4	1.6	1.2	
Cash and cash equivalents at beginning of period	14.0	15.9	1.9	
Cash and cash equivalents at end of period	14.4	18.8	4.4	

## (4) Full Year Forecast



Unchanged from the estimation figures  
announced on April 27, 2007.

(¥ billion)	FY2007 Interim estimation	FY2007 estimation	FY2006 Results
<Net sales>	600.0	1,210.0	1,175.3
<Operating income>	12.0	300.0	44.7
<Ordinary income>	12.0	29.0	47.1
<Net income>	2.0	10.0	23.0

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## Disclaimer Regarding Forward-Looking Statements

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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.

**Nippon Paper Group, Inc.**