

FY2008 Financial Review



NIPPON PAPER
GROUP

May 18, 2009

Nippon Paper Group, Inc.



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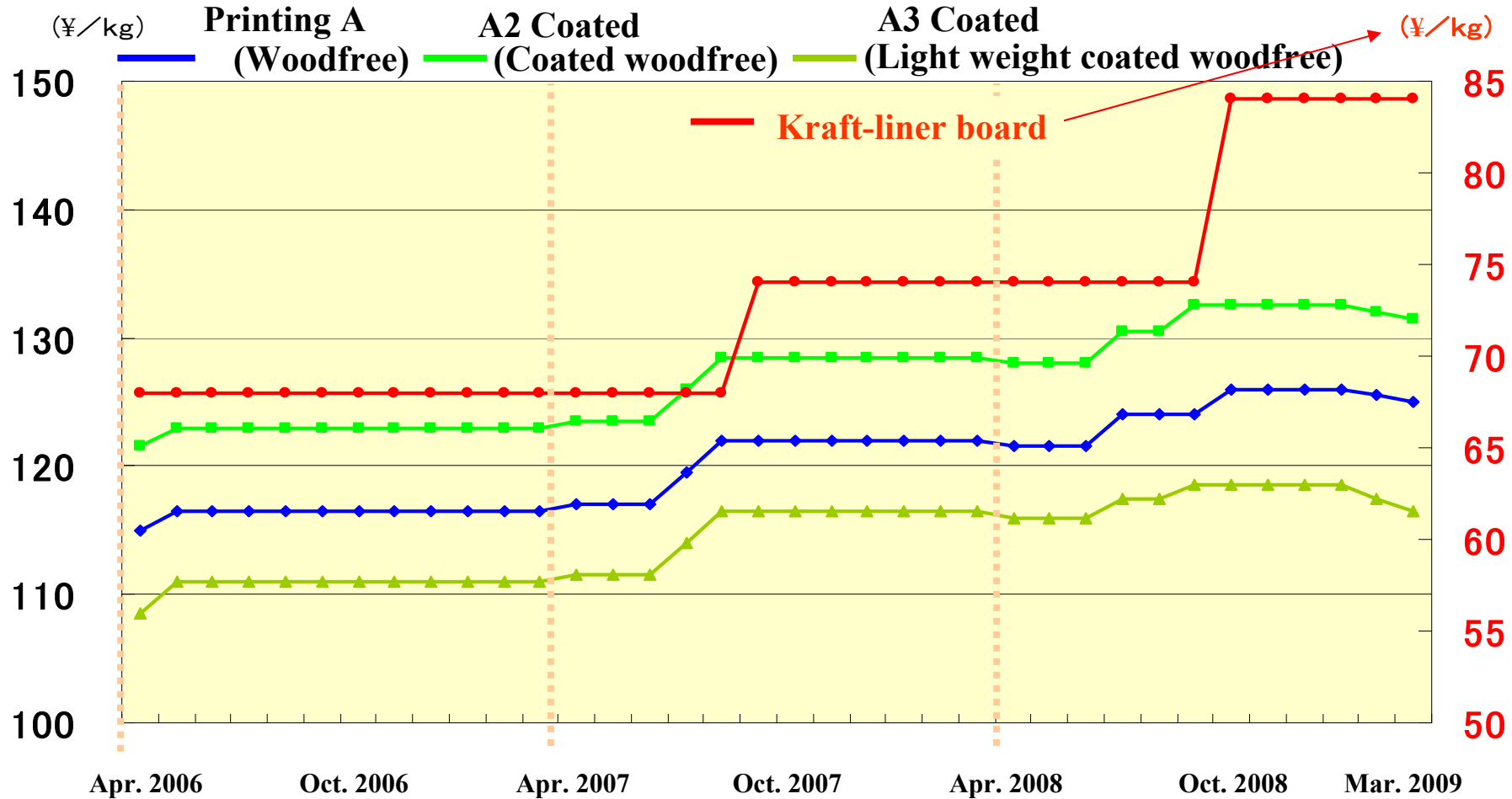
Paper industry

Domestic shipment of paper and paperboard
FY2008 (April 2008 — March 2009)

	Shipment(1,000 tons)	% change yoy
Newsprint	3,504	-3.1%
Uncoated printing paper	2,255	-10.1%
Coated printing paper ※	5,741	-12.6%
Business communication paper	1,572	-6.5%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	3,684	-8.0%
Paper total	16,756	-8.8%
Paperboard total	11,150	-6.0%
Paper and paperboard total	27,907	-7.7%

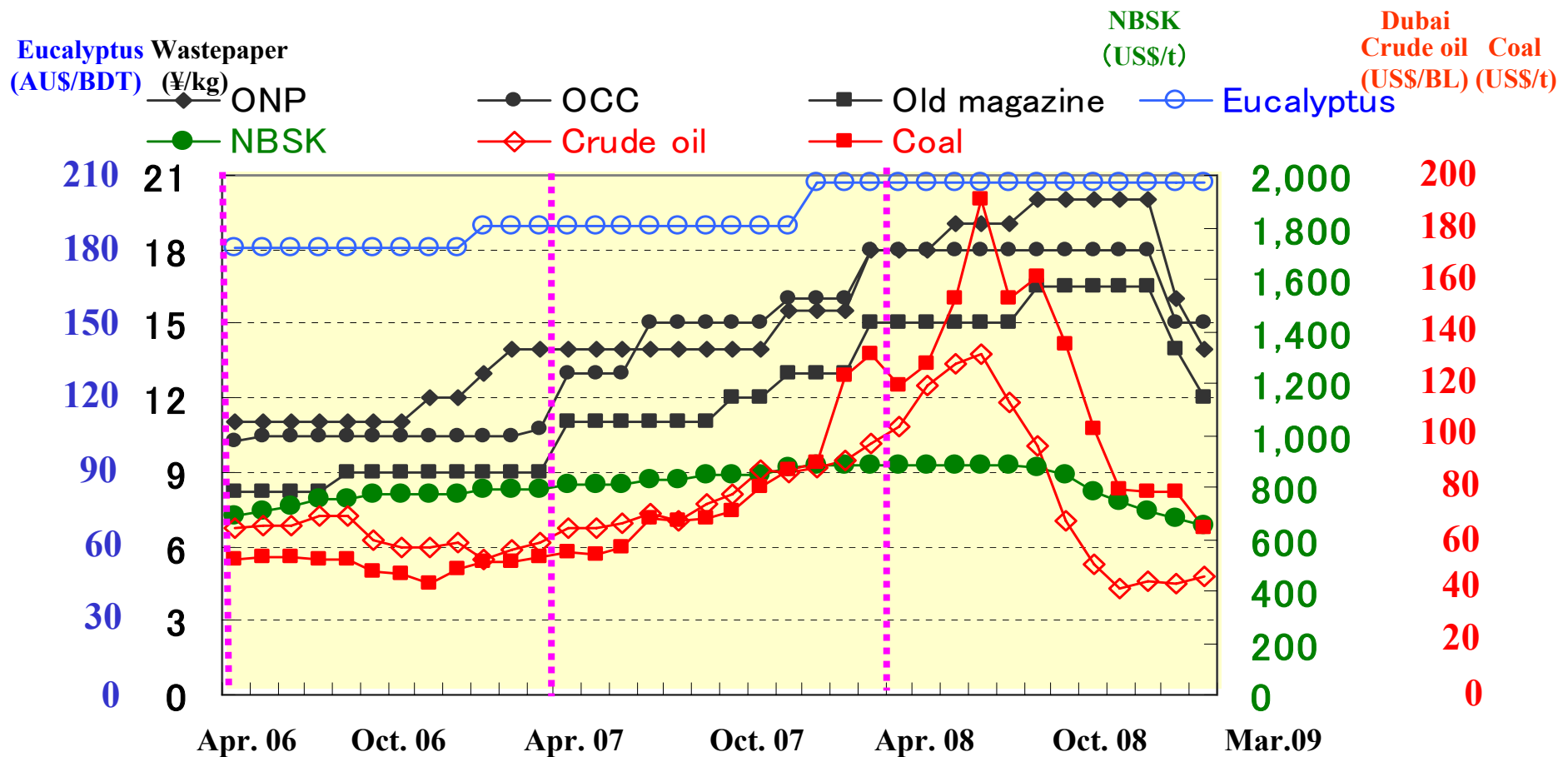
Paper industry

Trend in paper and paperboard prices
(Nikkei index April 2006 – March 2009)



Paper industry

Trend in fuels and raw materials prices
(April 2006 – March 2009)



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

Topics of FY2008

- Apr. 2008 -Completed Group business realignment
- Jun. -Yoshio Haga assumed the president of Nippon Paper Group, Inc.
- Sep. -Decided to cease operations of #N1 paper machine at Yoshinaga Mill,
Nippon Daishowa Paperboard
-Decided to relocate Headquarters
-Completed closures of Fusiki, Komatsuhima and Waki mills
- Oct. -Strategic Alliance with Yueng Foon Yu Paper(YFY), Taiwan:
Nippon Paper Industries to invest in YFY's paperboard business
- Jan. 2009 -Split stock(1→100) and adopted unit share system
- Feb. -Announced acquisition of Paper Australia Pty Ltd
- Mar. -Termination of the Business Cooperation Agreement among
Rengo, Sumitomo Corporation and Nippon Paper Group, Inc.

Consolidated operating results

(¥ billion)	FY2007	FY2008	Change
<Net sales>	1,211.7	1,188.1	-23.6
<Operating income>	32.8	20.0	-12.8
<Ordinary income>	32.8	17.9	-14.9
<Net income>	5.7	-23.3	-29.0

(Thousand tons)	FY2007 (A)	FY2008 (B)	% change yoy
(Average domestic paper price: ¥/kg) ※	(109.6)	(123.9)	(13.0%)
Newsprint	1,317	1,270	-3.6%
Uncoated paper	734	624	-15.0%
Coated paper	2,101	1,765	-16.0%
Business communication paper	757	688	-9.1%
Packaging paper and others	542	488	-9.9%
Total domestic sales	5,451	4,835	-11.3%
Export (including newsprint)	492	405	-17.7%
Total (paper)	5,943	5,240	-11.8%
(Average domestic paperboard price: ¥/kg)	(60.2)	(67.7)	(12.6%)
Container board	1,337	1,218	-8.9%
Folding box board and others	389	372	-4.5%
Total domestic sales	1,726	1,590	-7.9%
Export	44	26	-41.6%
Total (paperboard)	1,770	1,616	-8.7%
Grand total (paper and paperboard)	7,713	6,856	-11.1%

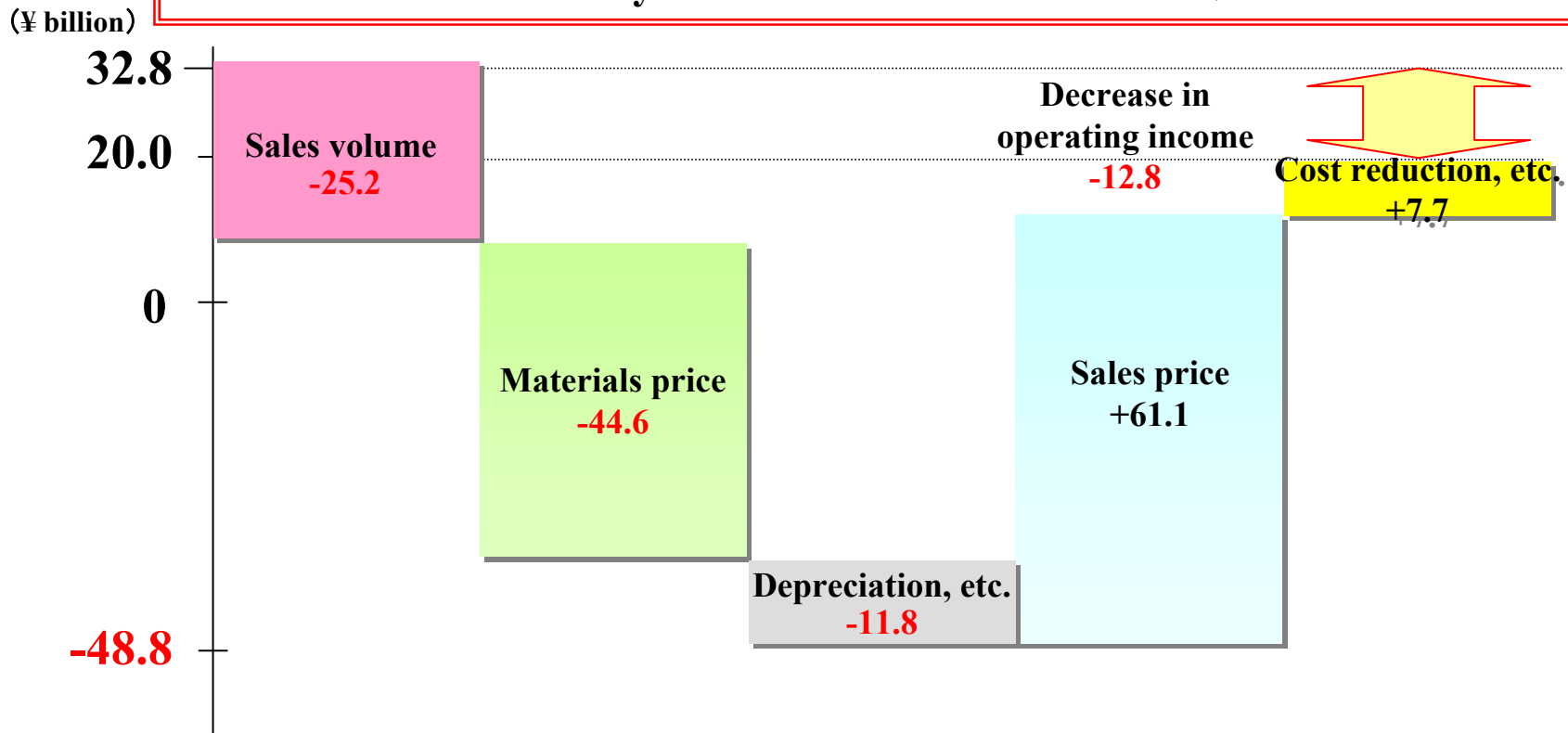
※calculated excluding newsprint.

(¥billion)

	Sales			Operating income			Comments
	FY2007	FY2008	Difference	FY2007	FY2008	Difference	
Pulp and Paper Div.	950.2	940.3	▲ 9.9	20.4	12.7	▲ 7.7	
Paper etc.	768.5	749.6	▲ 19.0	20.4	7.0	▲ 13.5	Profit decreased due to decline of demand and raw materials and fuel cost hike.
Paperboard	121.1	128.3	7.2	▲ 1.1	2.9	4.0	Margins improved due to price hikes
Household tissue	60.5	62.4	1.9	1.1	2.8	1.8	Margins improved due to price hikes
Paper-related Div. (cartons, chemical products)	102.1	92.6	▲ 9.5	4.3	2.2	▲ 2.2	
Housing and Construction Materials Div.	82.1	70.1	▲ 12.0	2.3	1.1	▲ 1.3	
Other Div. (beverages, transport)	77.3	85.1	7.8	5.8	4.0	▲ 1.7	
Total	1,211.7	1,188.1	▲ 23.6	32.8	20.0	▲ 12.9	

FY2007 vs FY2008

Decrease in operating income ¥-12.8billion (¥32.8 bn → ¥20.0 bn)
Decrease in ordinary income ¥ -14.9 billion (¥32.8 bn → ¥17.9 bn)



	FY2007	FY2008	(¥billion)
Ordinary income	32.8	17.9	
Extraordinary gains	4.6	1.6	
Gain on sale of property, plant and equipment	2.5	0.2	
Gain on sale of securities, etc.	1.4	0.5	
Others	0.7	0.9	
Extraordinary losses	21.2	41.4	
Loss on disposal of property, plant and equipment	3.1	3.4	
Impairment accounting	0.8	6.0	
Devaluation of investment in securities	—	8.6	
Loss on restructuring	9.8	5.0	
Losses from the reconfiguration of the production structure	—	10.8	
Loss on valuation of inventories	—	1.8	
Others	7.5	5.7	
Income tax adjustment	-10.0	-1.5	
Minority interests(-)/loss	-0.5	0.1	
Net income	5.7	-23.3	

Balance sheet

(¥billion)

	Mar. 31, 2008	Mar. 31, 2009	Difference	Comments
Cash and time deposits	17.8	15.1	-2.6	
Notes and accounts receivable	262.7	211.4	-51.3	
Inventories	165.4	165.5	0.1	
Other current assets	39.9	44.0	4.1	
Property, plant, equipment, and intangible fixed assets	919.2	878.7	-40.5	Capex 64.9, Depreciation -83.3, etc.
Investments and other assets	220.6	177.3	-43.3	
Total assets	1,625.6	1,492.0	-133.5	
Interest-bearing debt	785.3	784.3	-1.0	
Other debt	360.5	283.1	-77.3	
Net assets	479.8	424.6	-55.2	Cash dividends -9.0, Net income -23.3, Decrease in unrealized holding gain on other marketable securities -5.5, translation adjustments -17.3 etc.

(¥billion)

Items	FY2007	FY2008	Difference	Comments
Operating activities	74.0	84.2	10.2	
Income before income taxes	16.2	-21.9	-38.1	
Depreciation	74.8	83.3	8.5	
Change in net working capital	-28.0	23.0	51.0	
Others	11.0	-0.3	-11.2	
Investing activities	-118.5	-65.2	53.3	
Purchases of property, plant and equipment	-120.4	-83.2	37.2	
Proceeds from sales of property, plant and equipment	5.7	2.6	-3.1	
Others	-3.8	15.4	19.2	
Free cash flows	-44.5	19.0	63.5	
Financing activities	43.5	-18.8	-62.3	
Change in net borrowings	36.7	-9.0	-45.8	
Cash dividends paid	-9.1	-9.3	-0.2	
Others	15.8	-0.5	-16.4	
Effect of exchange rate changes, etc.	2.8	-3.0	-5.8	
Cash and cash equivalents at beginning of period	15.9	17.7	1.9	
Cash and cash equivalents at end of period	17.7	14.9	-2.8	

Topics of FY2009

Apr. 2009 -Nippon Paper Chemicals develops clear hardcoat film for

Next-Generation LCD Panels

May. -Nippon Paper Group, Inc. and major group companies relocate
the headquarters

-An alternative boiler comes on line at Otake Mill, Nippon Daishowa
Paperboard

▪

(scheduled:)

-Nippon Paper Industries acquires all outstanding shares of Paper
Australia Pty Ltd

▪

~Sep. (scheduled:)

-Nippon Paper Group shuts 15 paper machines (incl. coaters and
board machine)

Consolidated earnings forecast FY2009

(¥ billion)	FY2008 result	FY2009 forecast	Change
<Net sales>	1,188.1	1,080.0	-108.1
<Operating income>	20.0	32.0	12.0
<Ordinary income>	17.9	24.0	6.1
<Net income>	-23.3	12.0	35.3

Assumptions for FY2009 Forecast

- 1st 6-month figures estimated from latest economic trend
- 2nd 6-month figures assumed to follow the 1st 6-month trend but adjusted by significant factors available for the moment (e.g. impact of average product cost)

Detail of the assumptions for 1st 6-month

● Domestic Sales Volume (yoy)

Paper: -15.4% **Paperboard:** -13.7%

● Input Prices and Forex

Crude Oil (Dubai): US\$50.0/BL (FY08: US\$115.2/BL)

Woodchip/Coal: FOB price to decline

Wastepaper: To stay at current levels

Forex: ¥100/US\$1 (FY08: ¥106.1) ¥70/AU\$1 (FY08: ¥97.2)

Consolidated earnings forecast (FY2009 1st 6-month)

(¥ billion)	FY2008 1 st 6-month result	FY2009 1 st 6-month forecast	Change
<Net sales>	629.0	540.0	-89.0
<Operating income>	15.6	13.0	-2.6
<Ordinary income>	18.7	10.0	-8.7
<Net income>	5.3	5.0	-0.3

II. FY2009 Forecast (2) Operating results

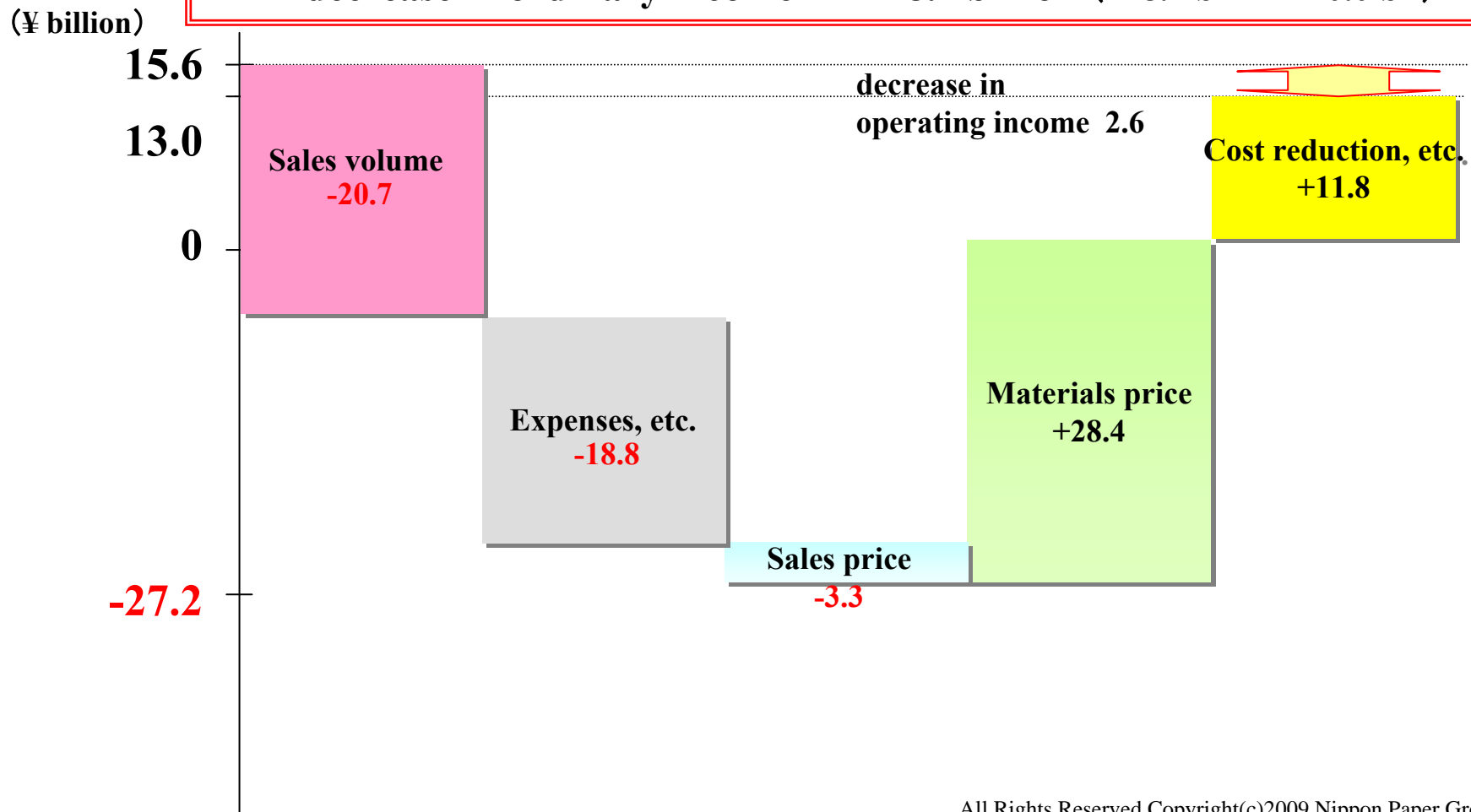
(3) Sales volume by product



(Thous and tons)	FY2008 1st 6mos	FY2009 est. 1st 6mos	% change yoy
Newsprint	639	614	-4.0%
Uncoated paper	347	295	-15.2%
Coated paper	1,039	767	-26.2%
Business communication paper	366	343	-6.2%
Packaging paper and others	266	229	-14.1%
Total domestic sales	2,657	2,247	-15.4%
Export (including newsprint)	243	152	-37.4%
Total (paper)	2,900	2,399	-17.3%
Container board	668	563	-15.7%
Folding box board and others	192	180	-6.7%
Total domestic sales	860	742	-13.7%
Export	19	5	-74.8%
Total (paperboard)	879	747	-15.0%
Grand total (paper and paperboard)	3,780	3,146	-16.8%

1st 6-month: FY2009 est. vs FY2008

decrease in operating income ¥2.6 billion (¥ 15.6bn → ¥13.0 bn)
decrease in ordinary income ¥ 8.7 billion (¥18.7 bn → ¥10.0 bn)



● II. FY2009 Forecast ● (4)Key figures and indices



	FY2006	FY2007	FY2008
ROE	5.2%	1.3%	-5.4%
Operating margin on sales	3.8%	2.7%	1.7%
Ordinary margin on sales	4.0%	2.7%	1.5%
D/E (times)	x1.6	x1.7	x1.9
Interest-bearing debt (¥ billion)	738.2	785.3	784.3
Capital investment (¥ billion)	103.0	121.2	64.9
Depreciation (¥ billion)	67.1	74.8	83.3
Number of employees	12,584	13,666	13,088

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. These statements 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.