

1st 6-month FY2010 Financial Review



November 8, 2010

Nippon Paper Group, Inc.



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● (1) Business environment – Domestic shipment



Paper industry

Domestic shipment of paper and paperboard
1st 6-month / FY2010 (Apr. – Sep.2010)

	(1,000 tons)	change yoy
Newsprint	1,636	-2.1%
Printing & Business communication paper	4,254	-1.3%
Coated ※	2,385	-1.7%
Uncoated & Specialty printing	1,143	-2.0%
Business communication	725	+1.3%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	1,696	+5.1%
Paper total	7,585	-0.1%
Paperboard total	5,475	+4.0%
Paper and paperboard total	13,060	+1.6%

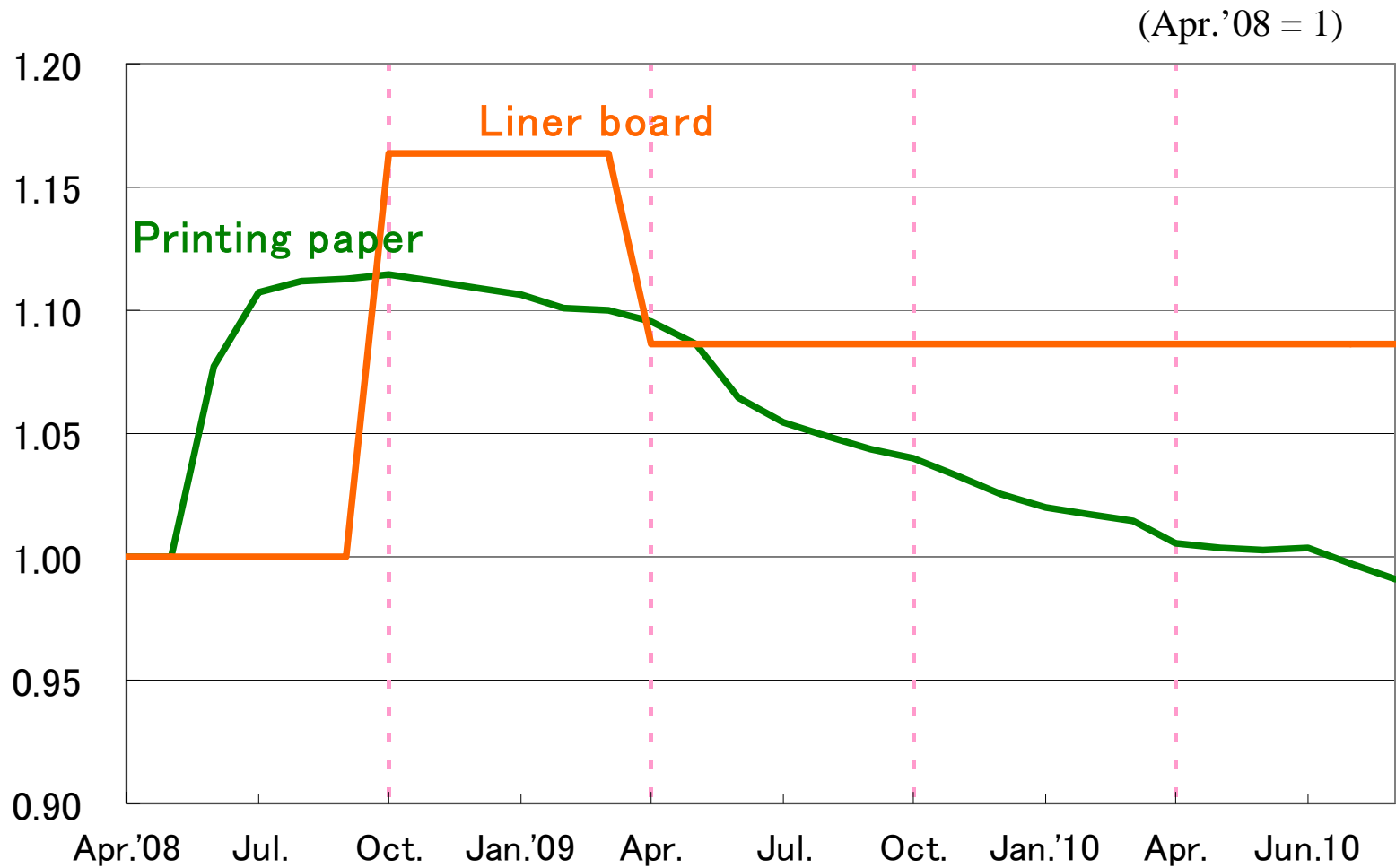
※ “Bitoko-shi” paper is included in coated printing paper. Source: Japan Paper Association

(1) Business environment – Domestic market price trends



Paper industry

Trend in paper and paperboard prices
(Apr. 2008 – Sep. 2010)

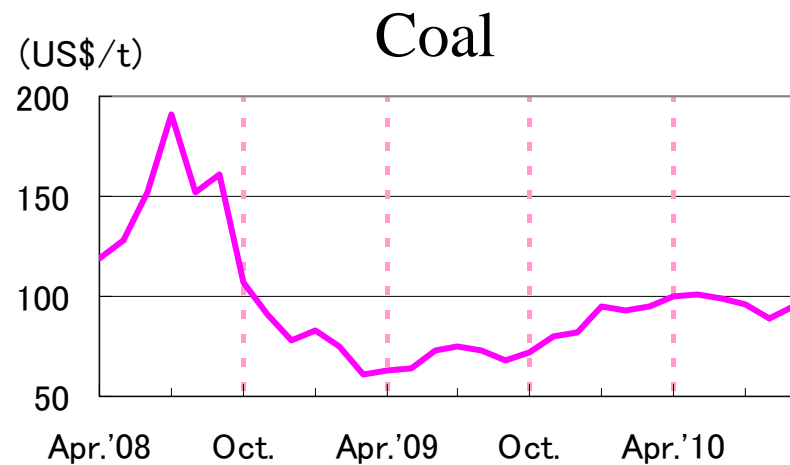
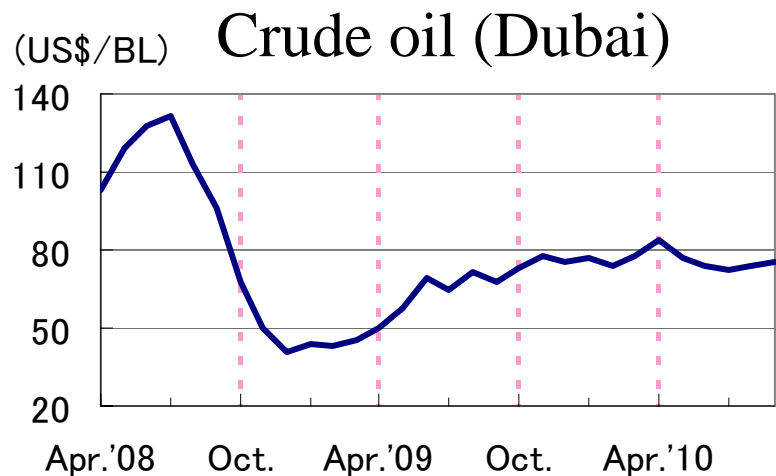
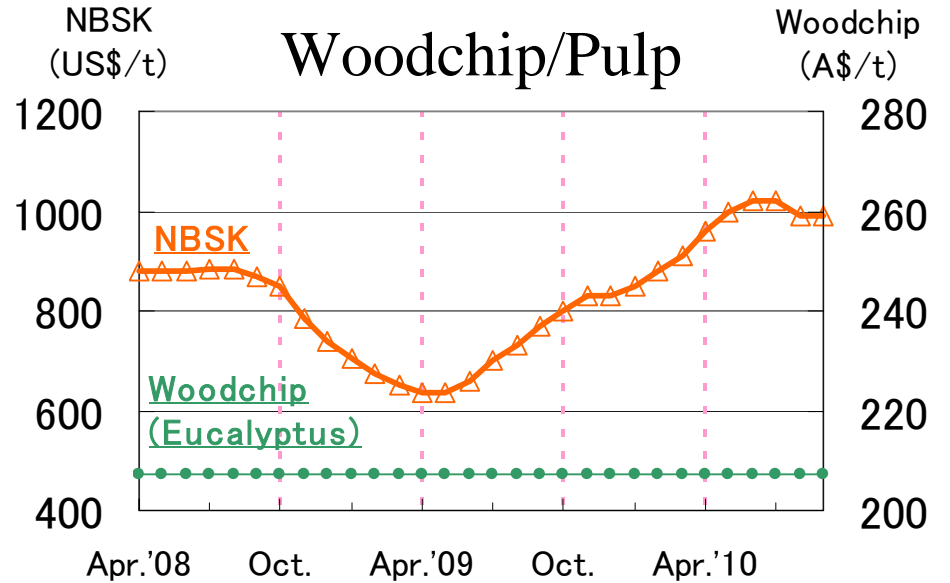
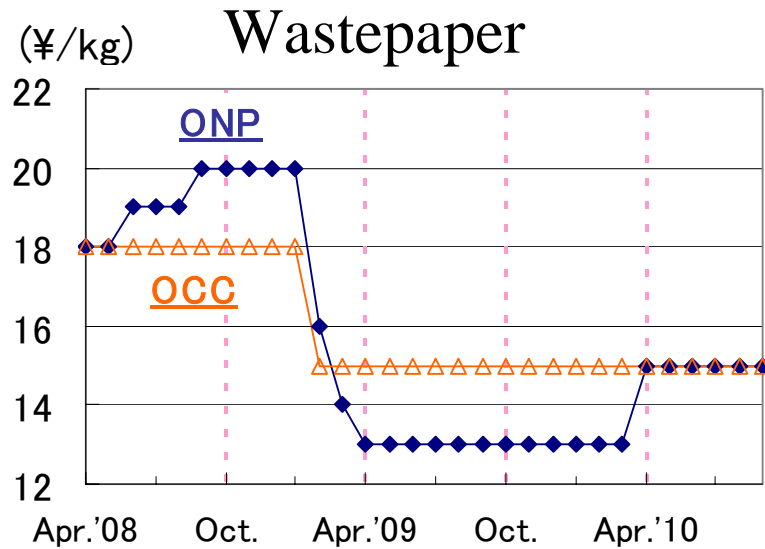


Source: Bank of Japan "Corporate Goods Price Index"

● (1) Business environment – Major input price trends



Trend in raw material and fuel prices (Apr. 2008 –)



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

(2) Financial results - Outline



Consolidated operating results

(¥ billion)	1 st 6-month FY09	1 st 6-month FY10	Change
<Net sales>	526.8	551.5	24.6
<Operating income>	18.6	16.8	-1.8
<Ordinary income>	17.8	14.2	-3.6
<Net income>	7.8	6.3	-1.5

● (2) Financial results - Sales volume by product



(Thousand tons)	1 st 6-month FY09	1 st 6-month FY10	change yoy
Newsprint	606	595	-1.8%
Printing & Business communication paper	1,400	1,361	-2.8%
Coated paper	754	730	-3.3%
Uncoated paper & Specialty printing paper	329	314	-4.5%
Business communication paper	317	317	0.1%
Packaging paper and others	184	188	2.3%
Total domestic sales	2,189	2,143	-2.1%
Export (including newsprint)	168	238	42.0%
Total (paper)	2,357	2,381	1.0%
Container board	565	590	4.4%
Folding box board and others	168	176	4.5%
Total domestic sales	734	766	4.4%
Export	11	26	143.1%
Total (paperboard)	744	792	6.4%
Grand total (paper and paperboard)	3,101	3,173	2.3%

● (2) Financial results - Segment information



(¥billion)	Sales			Operating income		
	1 st 6-month FY09	1 st 6-month FY10	Change	1 st 6-month FY09	1 st 6-month FY10	Change
Pulp and Paper	423.8	446.4	22.6	16.3	11.5	-4.7
Paper-related (packaging, chemical products)	44.5	46.7	2.3	1.9	4.0	2.1
Wood Products and Construction-related	24.7	26.7	2.0	-0.2	0.5	0.7
Other (beverages, logistics)	33.9	31.7	-2.3	0.6	0.8	0.1
Total	526.8	551.5	24.6	18.6	16.8	-1.8

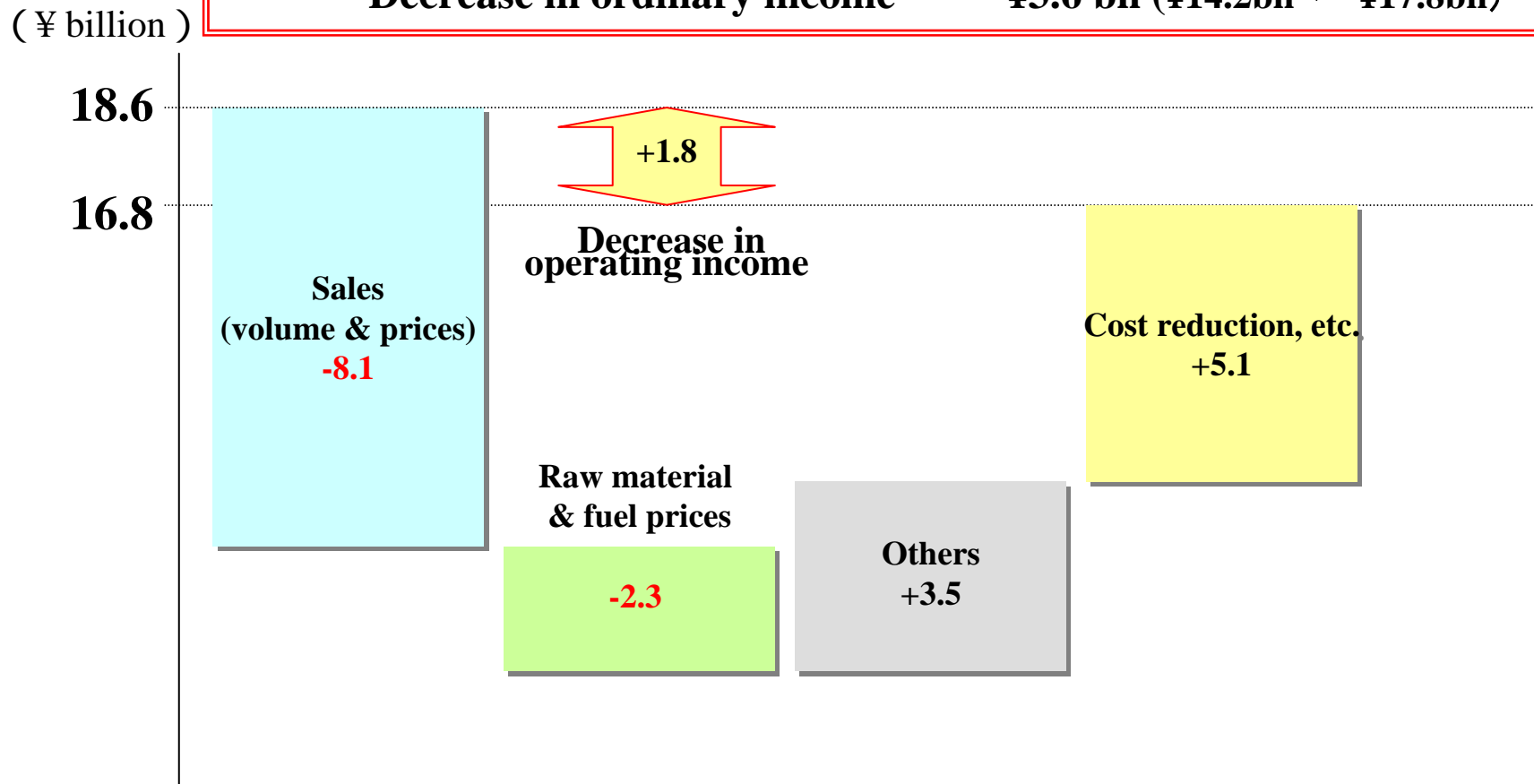
※We changed the segment composition in accordance with the new standard regarding segment reporting.

● (2) Financial results – Variance analysis for operating income



1st 6-month/FY09 vs. 1st 6-month/FY10

Decrease in operating income ¥1.8 bn (¥16.8bn ← ¥18.6bn)
Decrease in ordinary income ¥3.6 bn (¥14.2bn ← ¥17.8bn)



● (2) *Financial results – Extraordinary items*



(¥ billion)	1 st 6-month FY09	1 st 6-month FY10
Ordinary income	17.8	14.2
Extraordinary gains	0.4	0.7
Gain on sale of property, plant and equipment	0.3	0.5
Gain on sale of securities, etc.	0.0	0.1
Others	0.1	0.1
Extraordinary losses	2.8	5.3
Loss on disposal of property, plant and equipment	0.8	0.8
Impairment accounting	0.7	—
Devaluation of investment in securities	—	2.0
Others	1.3	2.5
Income tax adjustment	-7.5	-3.2
Minority interests(-)/loss	-0.1	-0.1
Net income	7.8	6.3

● (2) Financial results - Balance sheet



(¥ billion)	June . 30, 2010	Sep. 30, 2010	Change
Cash and time deposits	24.3	15.3	-8.9
Notes and accounts receivable	223.7	217.8	-5.9
Inventories	153.5	152.8	-0.7
Other current assets	49.1	48.3	-0.8
Property, plant, equipment, and intangible fixed assets	865.5	845.3	-20.2
Investments and other assets	184.2	227.9	43.7
Total assets	1,500.2	1,507.4	7.2
Interest-bearing liabilities (incl. lease obligations)	762.9	782.0	19.1
Other liabilities	277.4	276.9	-0.5
Net assets	460.0	448.5	-11.5

(2) Financial results - Cash flow statement



(¥ billion)

Items	1 st 6-month FY09	1 st 6-month FY10	Change
Operating activities	59.5	45.5	-13.9
Income before income taxes	15.4	9.6	-5.8
Depreciation	40.6	39.0	-1.6
Change in net working capital	10.3	2.3	-7.9
Others	-6.9	-5.4	1.4
Investing activities	-52.8	-68.6	-15.7
Purchases of property, plant and equipment	-22.5	-18.2	4.3
Proceeds from sales of property, plant and equipment	0.8	0.7	-0.1
Others	-31.1	-51.1	-19.9
Free cash flows	6.6	-23.0	-29.6
Financing activities	-5.3	14.8	20.1
Change in net borrowings	0.4	20.5	20.1
Cash dividends paid	-4.5	-4.6	-0.2
Others	-1.2	-1.1	0.1
Effect of exchange rate changes, etc.	1.0	-0.7	-1.7
Cash and cash equivalents at beginning of period	14.9	24.0	9.1
Cash and cash equivalents at end of period	17.3	15.2	-2.1

(3) Earnings forecast - Outline



FY10 Earnings forecast revised :

(¥ billion)	Previous: as of 28 Apr.	Revised: as of 2 Nov.	(Reference) FY09 Results
<Net sales>	1,140.0	1,120.0	1,095.2
<Operating income>	42.1	35.0	43.1
<Ordinary income>	36.0	30.0	37.5
<Net income>	20.0	15.0	30.1

● (3) Earnings forecast - Assumptions



● Domestic sales (2nd 6-mos)

-Sales volume [full year]

Paper : +1.2% [-0.4%]

Paperboard : +2.5% [+3.5%]

-Sales price

Paper : Stay at current levels

Paperboard : Same as 1st 6-mos

● Raw material and fuel prices (2nd 6-mos)

Crude oil : US\$80/BL(Dubai)

Woodchips & Coal : Stay at current levels (FOB price)

● Forex rate (2nd 6 mos) : ¥85/US\$1 ¥80/AU\$1

● (3) Earnings forecast - Sales volume by product



(Thousand tons)	FY09	FY10e	change yoy
Newsprint	1,217	1,193	-2.0%
Printing & Business communication paper	2,771	2,773	0.1%
Coated paper	1,481	1,499	1.2%
Uncoated paper & Specialty printing paper	650	633	-2.6%
Business communication paper	641	642	0.2%
Packaging paper and others	377	381	0.8%
Total domestic sales	4,366	4,347	-0.4%
Export (including newsprint)	396	444	12.1%
Total (paper)	4,763	4,791	0.6%
Container board	1,126	1,165	3.5%
Folding box board and others	348	360	3.4%
Total domestic sales	1,474	1,525	3.5%
Export	23	46	97.4%
Total (paperboard)	1,497	1,571	4.9%
Grand total (paper and paperboard)	6,260	6,362	1.6%

● (3) Earnings forecast - Segment information



(¥billion)	Sales			Operating income		
	FY09	FY10 est.	Change	FY09	FY10 est.	Change
Pulp and Paper	882.8	903.7	20.9	35.9	24.3	-11.6
Paper-related (packaging, chemical products)	88.6	91.9	3.4	4.2	6.4	2.2
Wood Products and Construction-related	52.2	54.4	2.2	0.6	1.3	0.7
Other (beverages, logistics)	71.7	70.0	-1.7	2.4	3.0	0.6
Total	1,095.2	1,120.0	24.8	43.1	35.0	-8.1

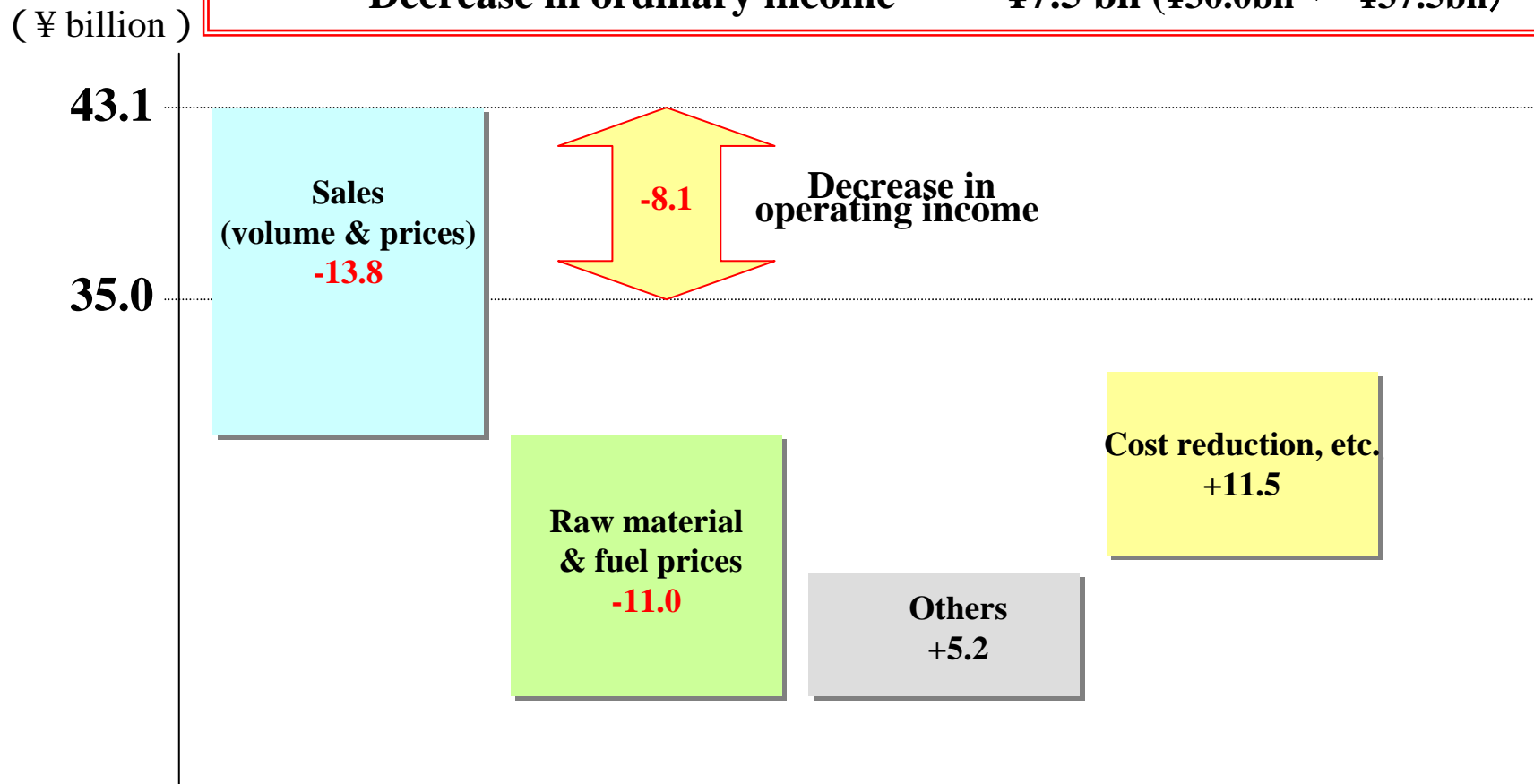
※We changed the segment composition in accordance with the new standard regarding segment reporting.

● (3) Earnings forecast – Variance analysis for operating income



FY09 vs. FY10 estimate

Decrease in operating income ¥8.1 bn (¥35.0bn ← ¥43.1bn)
Decrease in ordinary income ¥7.5 bn (¥30.0bn ← ¥37.5bn)



 (3) Earnings forecast – Key figures and indices



	FY08	FY09	1 st 6-mos FY10	FY10e
ROE	-5.4%	7.0%	2.8%	3.3%
Operating margin on sales	1.7%	3.9%	3.1%	3.1%
Ordinary margin on sales	1.5%	3.4%	2.6%	2.7%
D/E (times)	x1.9	x1.6	x1.7	x1.7
Capital investment (¥ billion)	649.0	355.9	247.9	496.1
Depreciation (¥ billion)	833.0	819.4	390.0	782.6
Interest-bearing debt (¥ billion)	7,843.0	7,629.0	7,820.3	7,700.0
Number of employees	13,088	14,210	14,022	13,928

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.