



# FY2010 Financial Review

---



NIPPON PAPER  
GROUP

May 24, 2011

Nippon Paper Group, Inc.



1. FY2010 Financial Highlights
2. Impact of the 3.11 Earthquake  
(the Great East Japan Earthquake)
3. Financial Results
4. Earnings Forecast
5. Appendix

# 1. FY2010 Financial Highlights



## Achieved operating income forecast despite the impact of the Great East Japan Earthquake

(¥billion)	FY10	vs. forecasts
<Net Sales>	1,099.8	-20.2
<Operating Income>	<b>35.6</b>	<b>+0.6</b>
<Net Income>	-24.2	-39.2

- Steady cost reduction contributed to operating income
- Recorded a ¥62.8 billion loss on seismic disaster
- Declared year-end dividend of ¥20/share (annual ¥60/share)

## 2. Impact of the 3.11 Earthquake - *Our actions*

---



2011

### Mar.11 Great East Japan Earthquake

-Ishinomaki, Iwanuma, and Nakoso mills completely halted operation

### Mar.12 Established Disaster Response Office

-to collect damage information and confirm employees safety

### Mar.17 Established Disaster Recovery Office

-to device and promote the recovery plan

### Apr.5 Nakoso partially restarted operations

-fully resumed from May 10

### Apr.11 Iwanuma partially restarted operations

-fully resumed from May 11

### May.24 Announced reopening schedule of Ishinomaki mill

## 2. Impact of the 3.11 Earthquake (2)



### ☐ Employees

10 lives lost / 4 Unknown

### ☐ Facilities

Operations halted at 3 key paper mills in Tohoku Region

- 2 mills other than Ishinomaki (hit by tsunami) have already resumed.

Mill	Main products	Situation
Ishinomaki	Printing	Recovery work underway <b>- Major paper machines to be fully recovered by the end of 2011</b>
Iwanuma	Newsprint	Fully resumed from May 11 '2011
Nakoso	Business communication	Fully resumed from May 10 '2011

## 2. Impact of the 3.11 Earthquake (3)



### □ Breakdown of the loss on seismic disaster

(¥billion)

Loss on disposal of inventories	11.6
Repair cost of fixed assets	45.3
Fixed costs during the temporary shutdown period of operations	2.5
Others	3.4
Total	62.8

### 3. Financial results - *Outline*



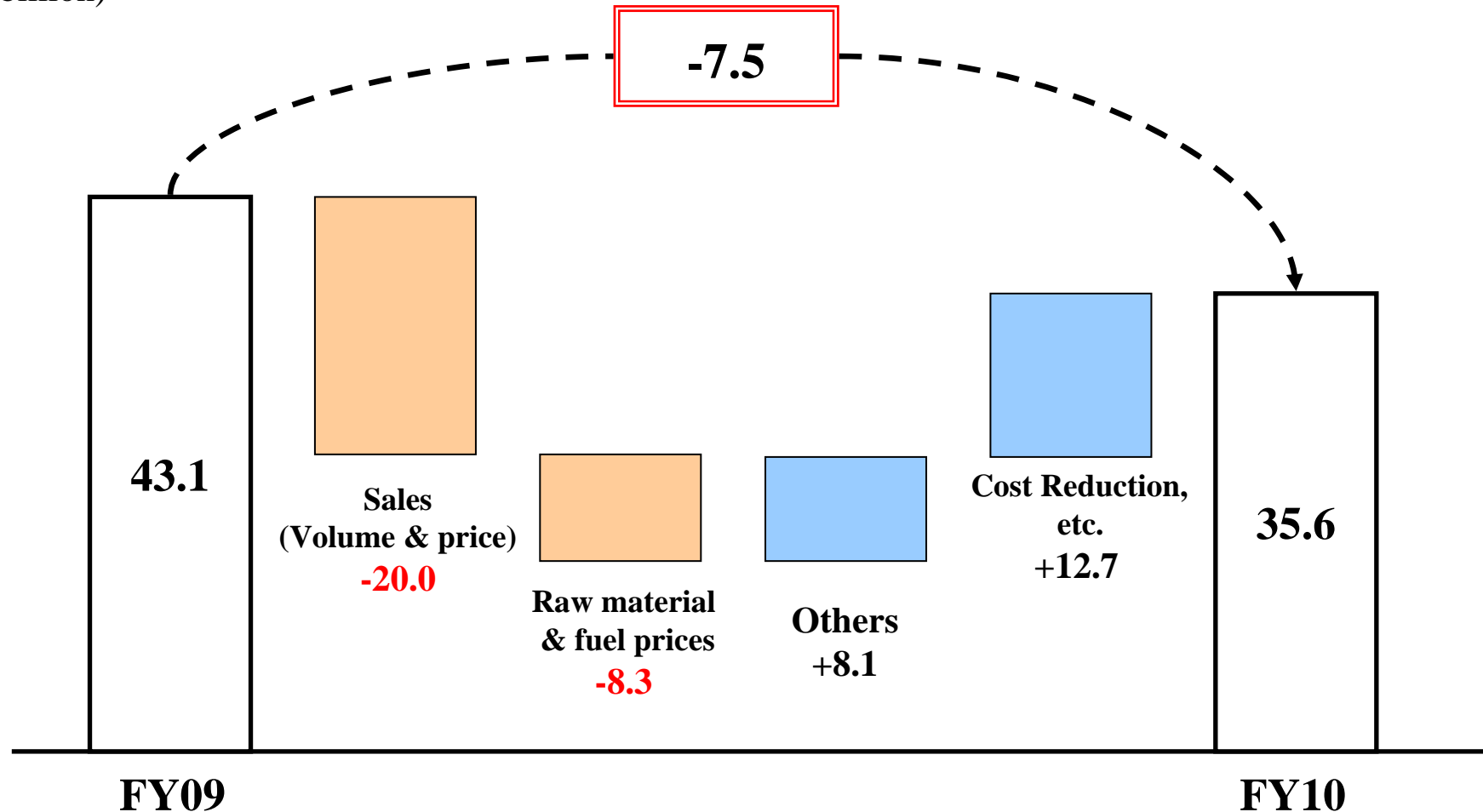
(¥billion)	FY09	FY10	Change
<Net Sales>	1,095.2	1,099.8	4.6
<Operating Income>	43.1	35.6	-7.5
<Ordinary Income>	37.5	31.6	-5.9
<Net Income>	30.1	-24.2	-54.3

### 3. Financial results - Variance analysis for operating income



Achieved the forecast but decreased ¥7.5 billion yoy

(¥billion)





### 3. Financial results - *Segment information*



#### Segments other than pulp and paper enjoyed steady performance

(¥billion)

(Upside:Sales) (Downside:Operating income)					FY10	Change yoy
	1Q	2Q	3Q	4Q		
Pulp and Paper	222.8	223.6	225.0	208.3	879.7	-0.6
	6.5	5.0	5.4	6.3	23.2	-12.6
Paper-related (packaging, chemical products)	22.7	24.0	22.5	25.1	94.3	3.3
	1.9	2.1	2.0	2.0	8.0	3.7
Wood Products and Construction-related	12.8	13.9	14.8	15.1	56.6	4.4
	0.3	0.2	0.8	0.6	1.9	1.3
Other (beverages, logistics)	14.7	17.0	20.7	16.7	69.1	-2.5
	0.1	0.7	1.4	0.2	2.4	0.0
Total	273.0	278.5	283.0	265.3	1,099.8	4.6
	8.8	8.0	9.6	9.2	35.6	-7.5

### 3. Financial results - *Sales volume by product*



## Domestic paper sales decreased 2.3% yoy

(thousand tons)		<b>FY10</b>	<b>change yoy</b>
	<b>Newsprint</b>	1,186	-2.6%
	<b>Printing &amp; Business communication paper</b>	2,704	-2.4%
	<b>Packaging paper and others</b>	375	-0.6%
	<b>Domestic sales (paper)</b>	<b>4,265</b>	<b>-2.3%</b>
	<b>Export (paper)</b>	<b>427</b>	<b>7.7%</b>
	<b>Container board</b>	1,156	2.7%
	<b>Folding box board and others</b>	358	2.7%
	<b>Domestic sales (paperboard)</b>	<b>1,514</b>	<b>2.7%</b>
	<b>Export (paperboard)</b>	<b>58</b>	<b>149.3%</b>
	<b>Grand total (paper and paperboard)</b>	<b>6,263</b>	<b>0.0%</b>

### 3. Financial results - *Balance sheet*



(¥billion)	Mar.31, 2010	Mar.31, 2011	Change
<b>Total Assets</b>	<b>1,500.2</b>	<b>1,560.6</b>	<b>60.3</b>
- Cash and time deposits	24.3	104.8	80.6
- Inventories	153.5	141.4	<b>-12.1</b>
<b>Liabilities</b>	<b>1,040.3</b>	<b>1,151.8</b>	<b>111.6</b>
- Interest bearing liabilities (incl. lease obligations)	762.9	832.3	69.4
<b>Net Assets</b>	<b>460.0</b>	<b>408.8</b>	<b>-51.2</b>
- Shareholders' equity	449.2	415.7	<b>-33.5</b>

### 3. Financial results - *Cash flow statement*



## Reserved short-term liquidity

(¥billion)

	1Q	2Q	3Q	4Q	FY10	FY09
Operating activities	36.1	9.4	5.7	64.2	115.5	117.0
Investing activities	-59.3	-9.3	-6.7	-18.2	-93.5	-70.9
Free cash flows	-23.1	0.1	-1.0	46.0	22.0	46.0
Financing activities	21.0	-6.2	9.0	35.3	59.1	-38.2
Cash and cash equivalents at end of periods	22.1	15.2	23.3	104.7	104.7	24.0

## 4. Earnings forecast

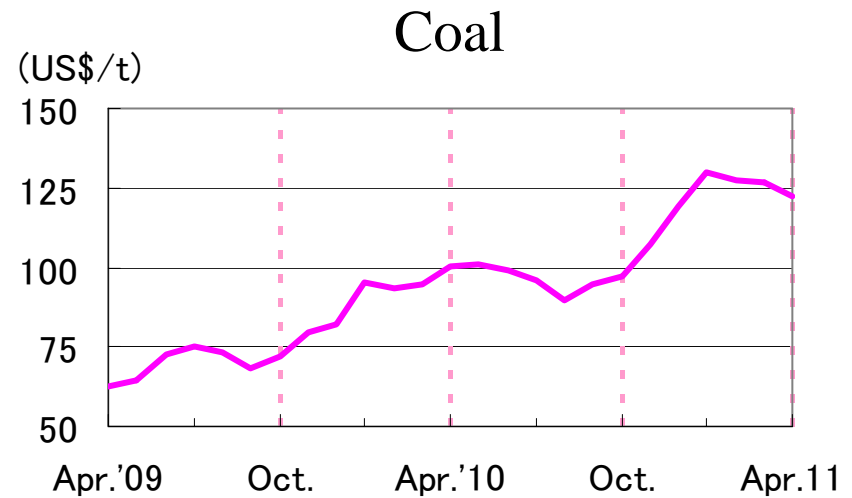
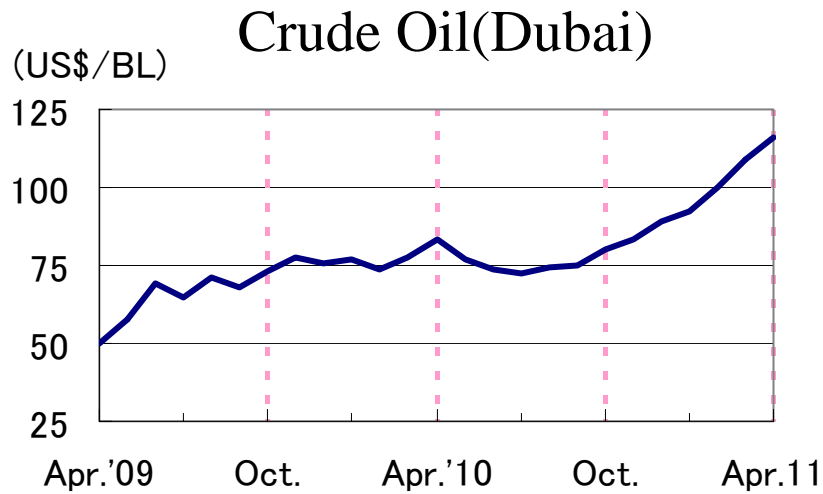
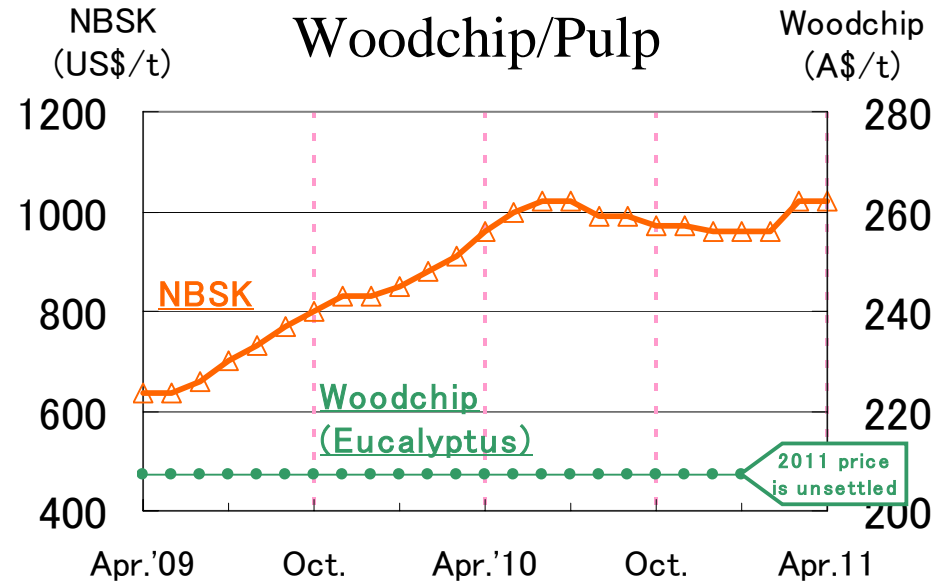
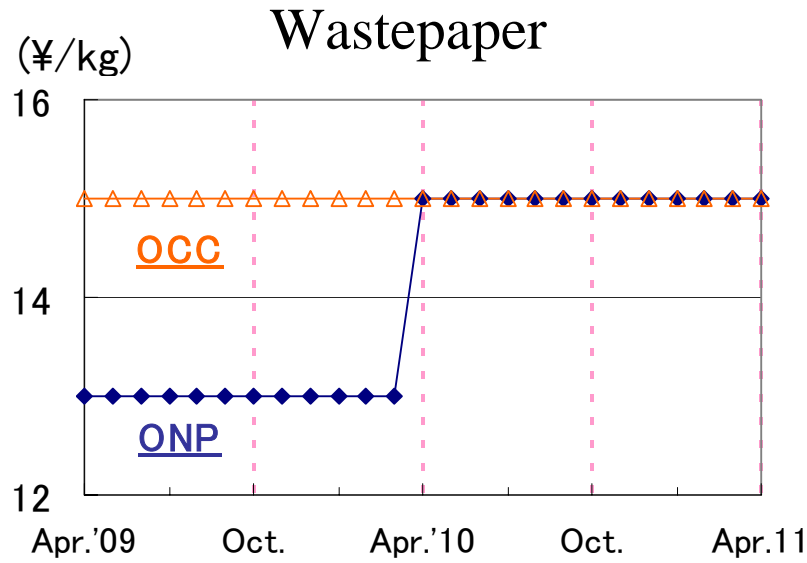
---



- ❑ Due to increased uncertainty brought by the Great East Japan Earthquake in domestic economy and market conditions surrounding Nippon Paper Group, we at this moment reserve earnings forecasts for the fiscal year ending March 31, 2012.
- ❑ We will release the projection as soon as it becomes possible to estimate.

# Appendix

# Appendix - Major input price trends



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

## Appendix - Domestic shipment



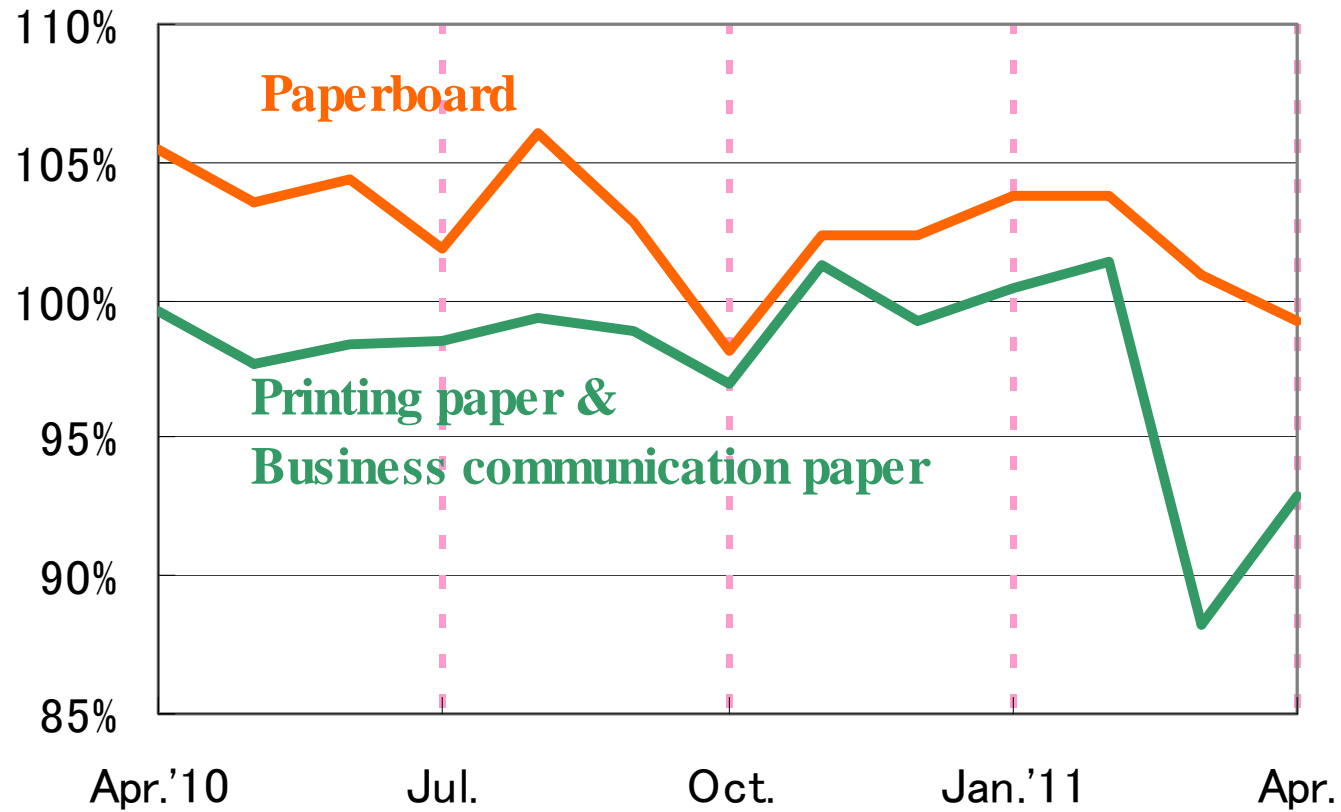
### Paper & paperboard / FY10

	(1,000 tons)	change yoy
Newsprint	326.4	-2.8%
Printing & Business communication paper	853.4	-1.6%
Coated	482.6	-1.3%
Uncoated & Specialty printing	226.1	-3.3%
Business communication	144.7	-0.1%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	341.2	+2.6%
Paper total	1521.0	-1.0%
Paperboard total	1093.9	+2.9%
Paper and paperboard total	2614.9	+0.6%

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

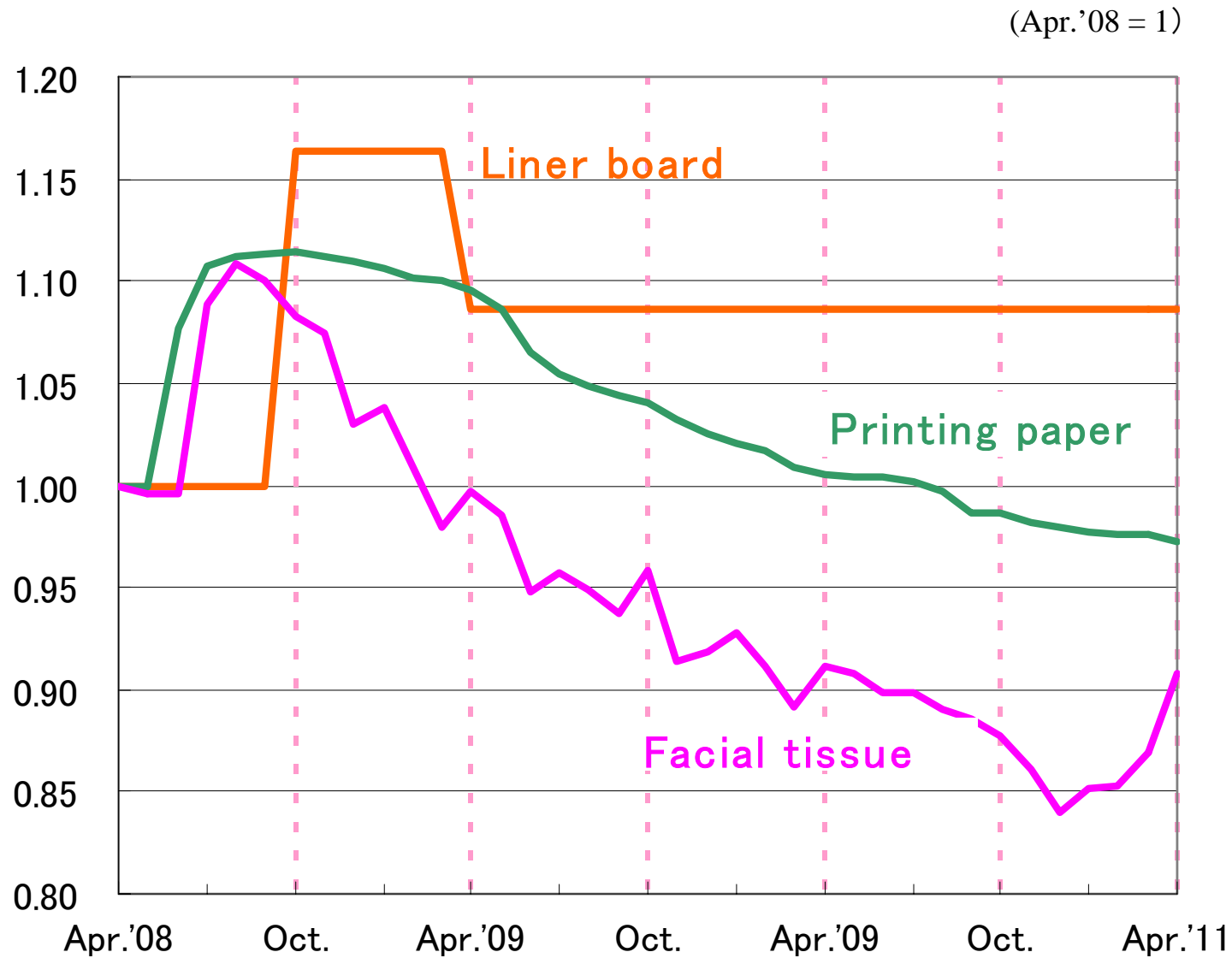


## Appendix – Domestic shipment trends (yoy)



Source: Japan Paper Association

## Appendix - Domestic market price trends



Source: Bank of Japan "Corporate Goods Price Index"

## Appendix - Key figures and indices



	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>
<b>ROE</b>	<b>-5.4%</b>	<b>7.0%</b>	<b>-5.6%</b>
<b>Operating margin on sales</b>	<b>1.7%</b>	<b>3.9%</b>	<b>3.2%</b>
<b>Ordinary margin on sales</b>	<b>1.5%</b>	<b>3.4%</b>	<b>2.9%</b>
<b>D/E (times)</b>	<b>x1.9</b>	<b>x1.6</b>	<b>x1.8</b>
<b>Capital investment (¥ billion)</b>	<b>64.9</b>	<b>35.6</b>	<b>46.6</b>
<b>Depreciation (¥ billion)</b>	<b>83.3</b>	<b>81.9</b>	<b>78.6</b>
<b>Interest-bearing debt (¥ billion)</b>	<b>784.3</b>	<b>762.9</b>	<b>832.3</b>
<b>Number of employees</b>	<b>13,088</b>	<b>14,210</b>	<b>13,834</b>



---

## Disclaimer

---

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.**