

3rd Quarter FY2011 Financial Review



NIPPON PAPER
GROUP

February 9, 2012

Nippon Paper Group, Inc.



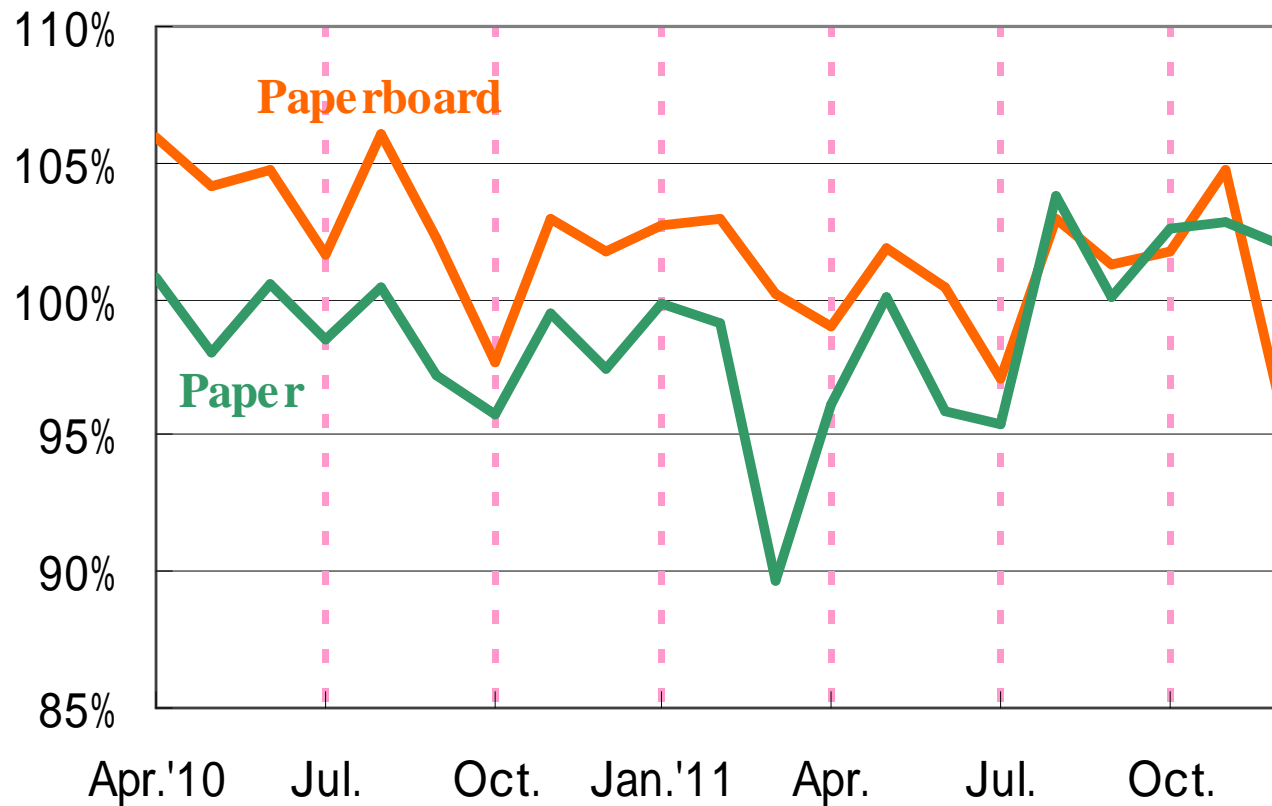
3rd Quarter FY2011 Review (October 1 - December 31, 2011)

1. Business environment
2. Financial results
3. Earnings forecast
4. Progress of the revitalization plan
5. Topics

1. Business environment – *Domestic demand*

Demand recovered from the temporary drop

Total of domestic shipment and imports (yoy)
(Apr.2010 - Dec.2011)



Source: Japan Paper Association

1. Business environment – Domestic shipment



Domestic shipment decreased yoy mainly due to import increase

Domestic shipment of Japanese paper industry
(Oct. - Dec.2011)

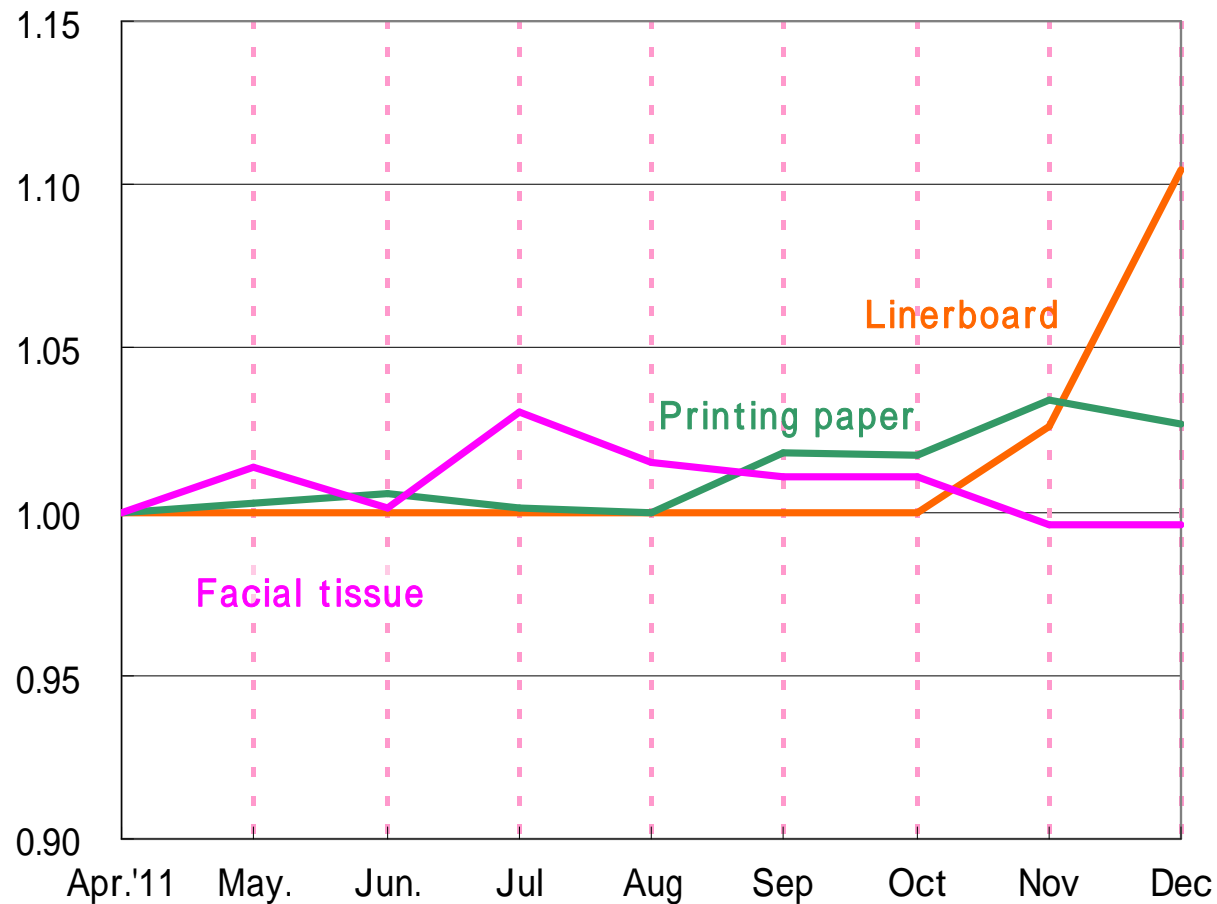
	(1,000 tons)	Change yoy
Newsprint	836	-0.8%
Printing & Business communication paper	2,104	-3.7%
Coated paper	1,191	-5.3%
Uncoated & Specialty printing paper	562	-0.5%
Business communication paper	351	-3.1%
Other papers (Packaging paper, sanitary paper, and paper for miscellaneous uses)	844	-4.2%
Paper Total	3,784	-3.2%
Container board	2,307	1.8%
Folding box board and others	594	-0.3%
Paperboard Total	2,901	1.3%
Paper and Paperboard Total	6,685	-1.3%

1. Business environment – Domestic Price trends



Prices of printing paper and linerboard have increased

(Apr.'11 = 1)



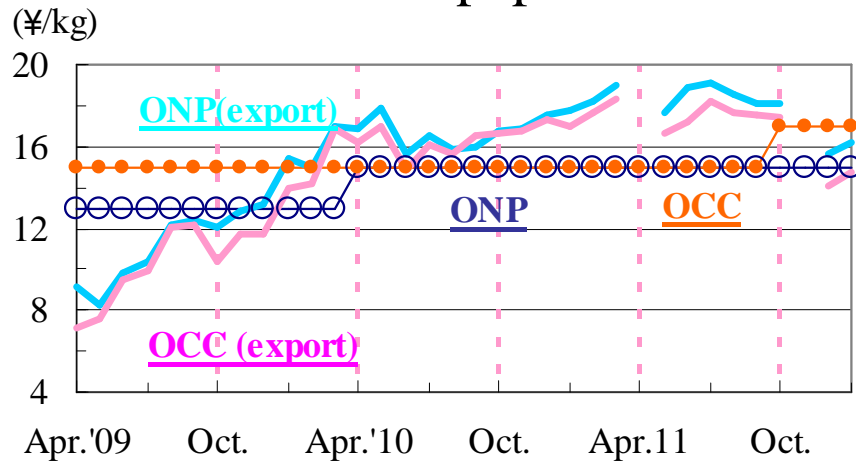
Source: Bank of Japan "Corporate Goods Price Index"

1. Business environment – Major input price trends

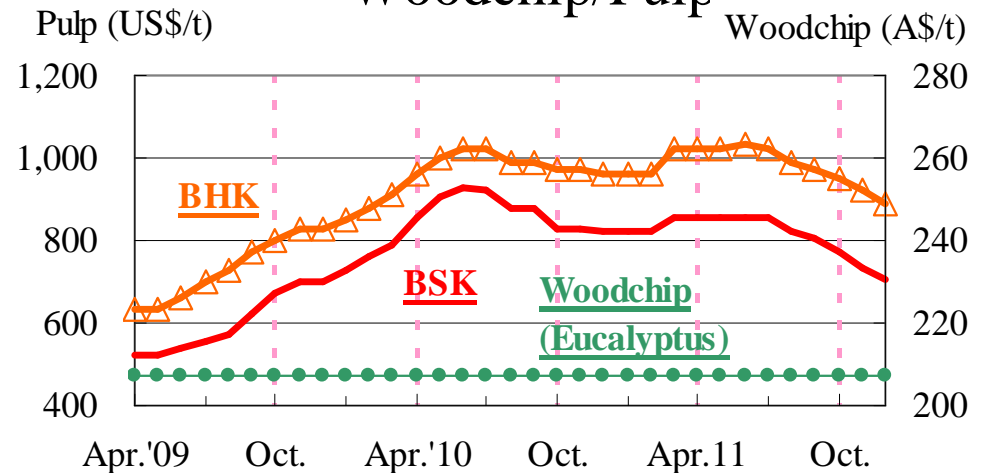


Stay on high level

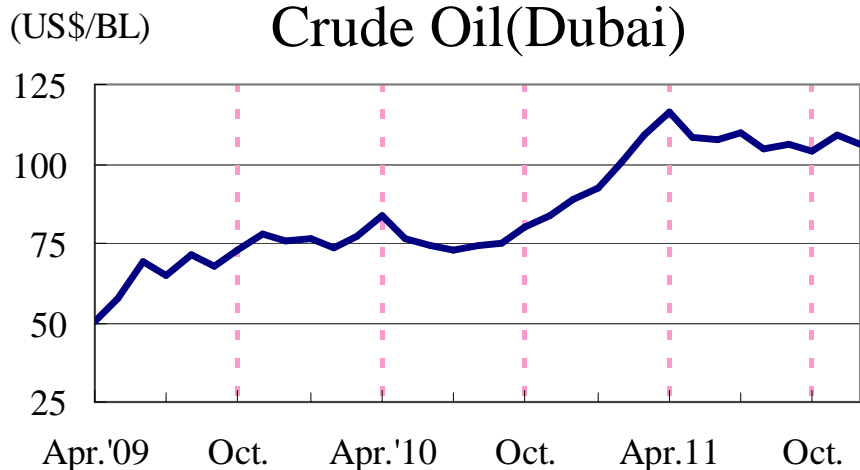
Wastepaper



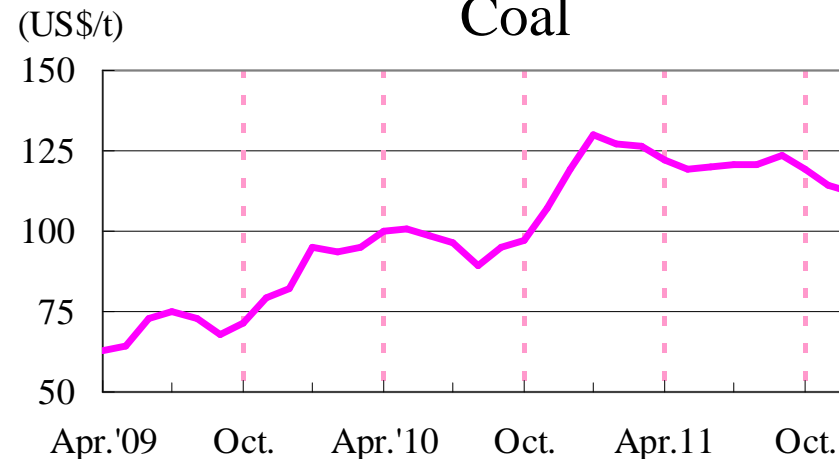
Woodchip/Pulp



Crude Oil(Dubai)



Coal



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

2. Financial results - *Highlights*



(¥billion)	FY2011 3 rd Quarter	Change	FY2010 3 rd Quarter
<Net Sales>	267.9	-15.2	283.0
<Operating Income>	10.2	0.7	9.5
<Ordinary Income>	9.1	0.1	9.0
<Net Income>	-0.6	-5.9	5.3

- ❑ Operating income and ordinary income exceeded 3Q/FY2010, 1Q and 2Q/FY2011.
- ❑ Booked ¥10.1b extraordinary loss including ¥3.4b fixed costs of disaster-affected mill and ¥4.9b restructuring costs

2. Financial results - *Segment information*

Despite the decrease of sales, operating income improved mainly in Pulp and Paper business

(¥billion)

	FY2010				FY2011			Change yoy
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
(Upper row: Sales)								
(Lower row: Operating income)								
Pulp and Paper	222.8	223.6	225.0	208.3	198.3	205.8	209.0	-16.0
	6.5	5.0	5.4	6.3	4.6	4.3	6.4	1.0
Paper-related (packaging, chemical products)	22.7	24.0	22.5	25.1	23.6	24.6	23.0	0.5
	1.9	2.1	2.0	2.0	2.4	1.7	2.0	-0.1
Wood Products and Construction-related	12.8	13.9	14.8	15.1	14.9	13.2	15.3	0.5
	0.3	0.2	0.8	0.6	0.3	0.3	0.7	-0.1
Other (beverages, logistics)	14.7	16.9	20.7	16.7	13.4	17.7	20.5	-0.2
	0.1	0.7	1.4	0.2	-0.3	1.0	1.2	-0.2
Total	273.0	278.4	283.0	265.3	250.2	261.3	267.9	-15.1
	8.8	8.0	9.6	9.2	7.1	7.3	10.2	0.6

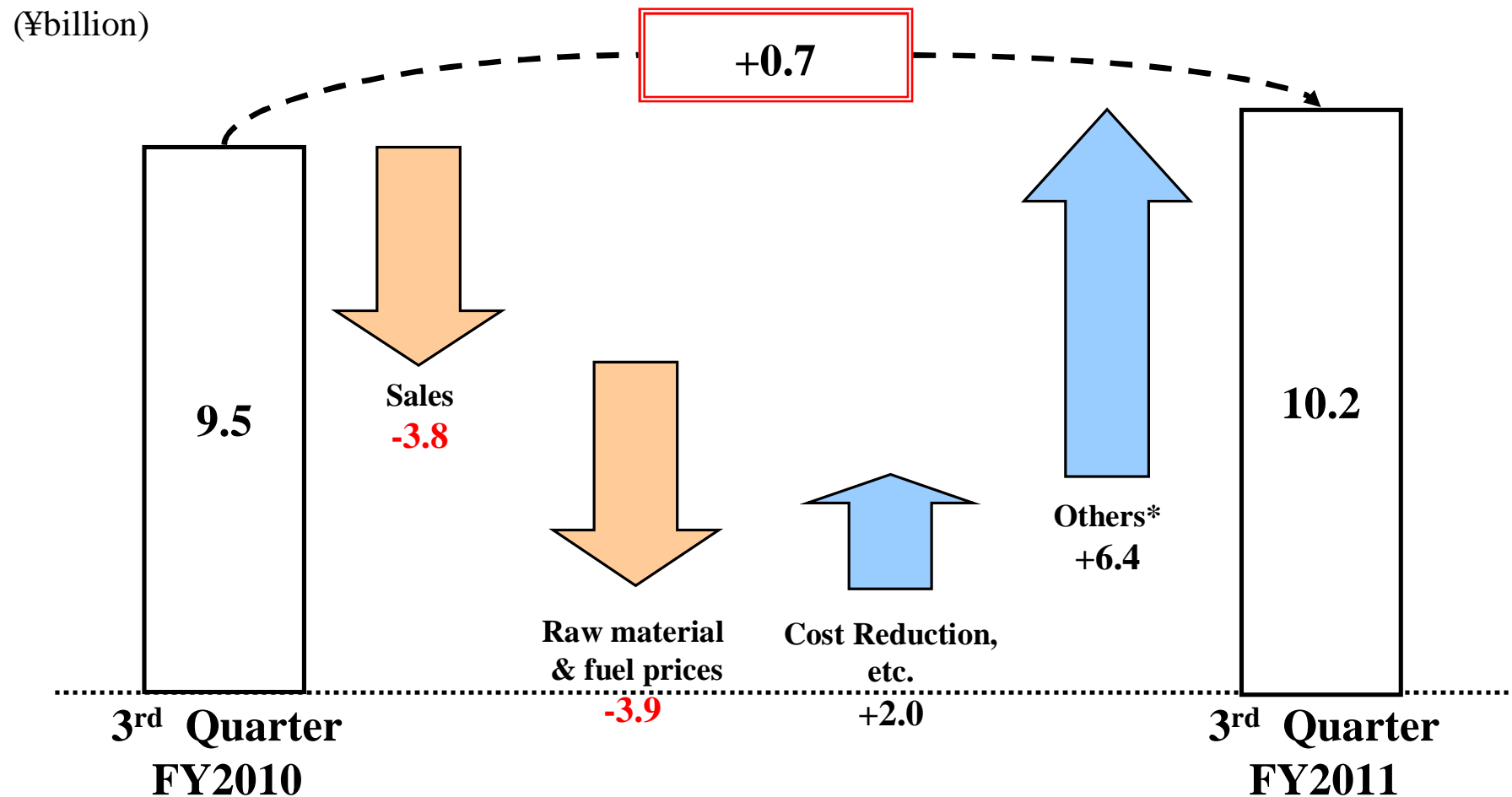
2. Financial results - Sales volume by product

Paper decreased yoy due to the capacity restraints of Ishinomaki mill

(thousand tons)	FY2010 3rd Quarter	FY2011 3rd Quarter	change yoy
Newsprint	308	311	1.0%
Printing & Business communication paper	699	581	-16.9%
Coated paper	388	293	-24.4%
Uncoated & Specialty printing paper	153	140	-8.5%
Business communication paper	158	148	-6.8%
Packaging paper and others	95	94	-0.6%
Domestic sales (paper)	1,102	986	-10.5%
Export (paper)	103	12	-88.7%
Paper Total	1,205	998	-17.2%
Container board	300	308	2.8%
Folding box board and others	93	93	-0.1%
Domestic sales (paperboard)	393	401	2.1%
Export (paperboard)	15	14	-6.9%
Paperboard Total	408	416	1.8%
Grand total (paper and paperboard)	1,613	1,414	-12.4%

2. Financial results - Variance analysis for operating income

Operating income slightly improved despite input price rises



*Fixed costs transferred to extraordinary loss, depreciation decrease and others

3. Earnings forecast – *Highlights*



Unchanged from the estimates released November 2, 2011.

(¥billion)	FY2010	FY2011	Change
<Net Sales>	1,099.8	1,055.0	-44.8
<Operating Income>	35.6	35.0	-0.6
<Ordinary Income>	31.6	5.0	-26.6
<Net Income>	-24.2	-44.0	-19.8

4. Progress of the revitalization plan – Ishinomaki mill

Revitalization plan is on schedule

Sep. 16
Resumed operation of PM8



Nov. 7
Resumed operation of pulverized coal boiler



Nov. 16
Resumed operation of PMN4, CM4



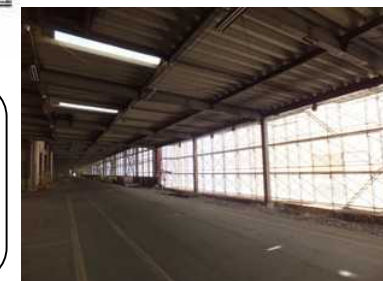
Nov. 30
Wood chip carrier entered Ishinomaki Port






4. Progress of the revitalization plan – Ishinomaki mill



80% of the capacity is to be resumed by the end of March 2012



Restoration of the facilities

	Already restored		To be restored by the end of Sep.2012
	To be restored by the end of Mar.2012		

4. Progress of the revitalization plan - schedule



Balance supply & demand conditions

	Recovery (Ishinomaki mill)			Shutdown (Revitalization plan)			
	PM	CM	Capacity (,000t/yr)	Mill	PM	CM	Capacity (,000t/yr)
Already finished	2	1	+240	Ishinomaki	2	1	-240
2nd 6-month FY2011							
Late Feb.2012	1		+150	Iwanuma	1	1	-100
				Fuji	1	1	-140
Early Mar.2012	1		+270	Yoshinaga	1		-90
Late Mar.2012				Iwakuni		1	-10
1st 6-month FY2012	2	1	+200	Fuji	3		-290
Planned capacity increase and decrease			+620				-630

Shutdowns at Iwanuma & Fuji mill are planned earlier than originally scheduled.

5. Topics

2011

- Nov. 16** Nippon Paper Industries restarted operation of PM N4 and CM 4 at Ishinomaki mill
- Nov. 30** First woodchip carrier after the earthquake entered Ishinomaki port
- Dec. 1** Nippon Paper Group established Energy Business Promotion Office
Nippon Paper Chemicals launched new pulp machine for high-value added cellulose at Gotsu works
- Dec. 7** Nippon Paper Chemicals launched new coating machine for liquid crystal display film at Higashi-matsuyama works
- Dec. 9** Nippon Paper Group decided to manufacture dissolving pulp at Kushiro mill

2012

- Jan. 17** Nippon Paper Crecia decided to shut down production facilities at its Iwakuni mill
- Jan. 24** NIPPON PAPER-PAK released “NP-PAK+R”, a newly shaped gable-top paper carton



Disclaimer

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Nippon Paper Group, Inc.