

3rd Quarter FY2012 Financial Review



February 7, 2013

Nippon Paper Group, Inc.





3rd Quarter FY2012 Review (April 1 – December 31, 2012)

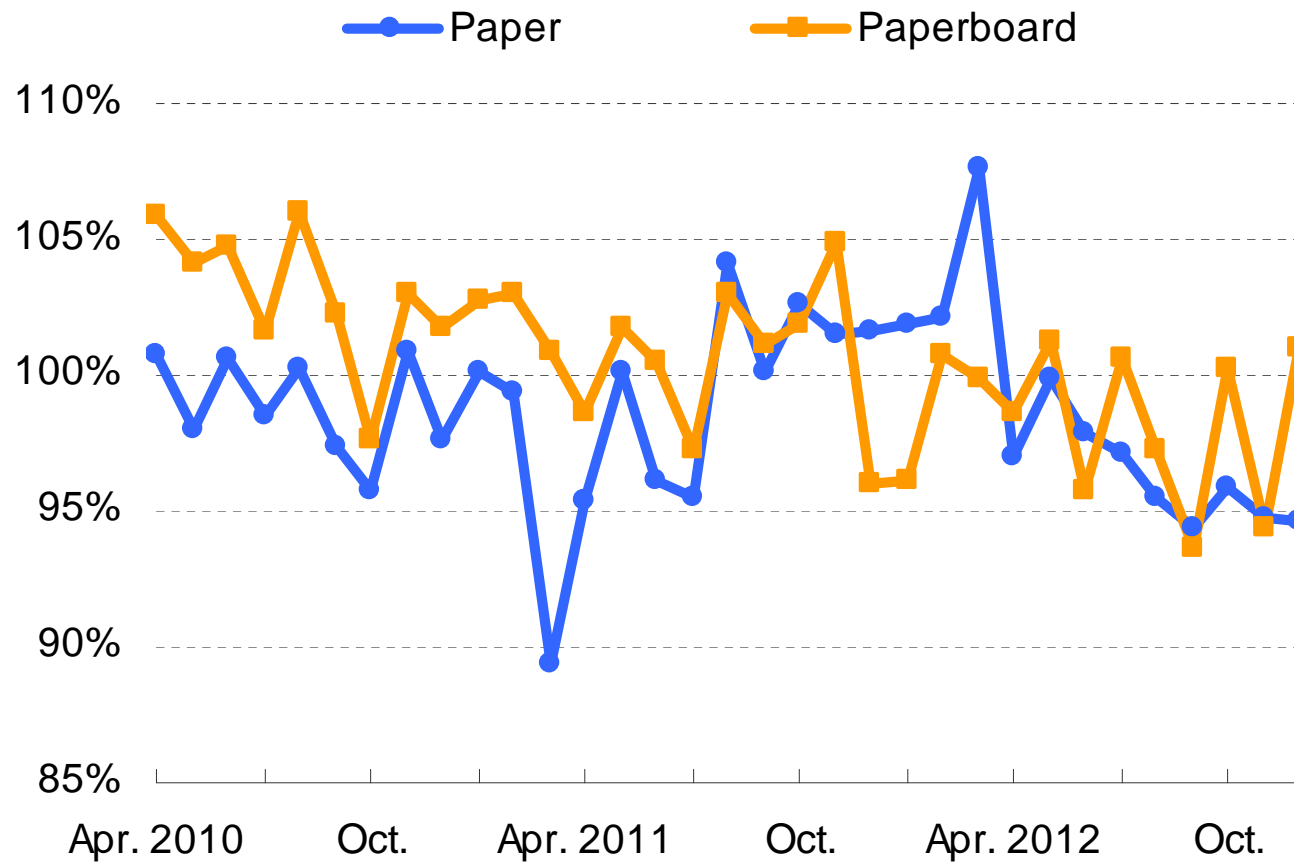
1. Business environment
2. Financial results
3. Topics
4. Earnings forecast

1. Business Environment – Domestic demand



Domestic demand was weak

Domestic shipment and imports YoY



Source: Japan Paper Association

1. Business Environment – Domestic demand breakdown



Imports peaked but, domestics slightly declined

(kt)	Domestic demand (Oct.2012 - Dec.2012)		Breakdown			
	volume	yoy	Domestic shipment		Import	
			volume	yoy	volume	yoy
Newsprint	849	-0.5%	835	-0.1%	14	-16.7%
Printing & Business communication paper	2,395	-7.8%	2,025	-3.7%	370	-25.0%
Coated paper*	1,374	-8.8%	1,180	-0.9%	194	-38.6%
Uncoated & Specialty printing paper	564	-10.3%	521	-7.4%	43	-34.6%
Business communication paper	456	-1.0%	324	-7.4%	132	19.2%
Other Papers (Packaging paper, Sanitary paper, and papers for miscellaneous uses)	849	-0.8%	838	-1.1%	11	28.4%
Paper Total	4,093	-4.9%	3,698	-2.3%	395	-23.9%
Container board	2,295	-1.7%	2,265	-2.0%	31	22.5%
Folding boxboard and others	639	-1.1%	578	-2.3%	61	12.5%
Paperboard Total	2,934	-1.6%	2,843	-2.1%	91	15.7%
Paper and Paperboard Total	7,027	-3.6%	6,541	-2.2%	486	-18.7%

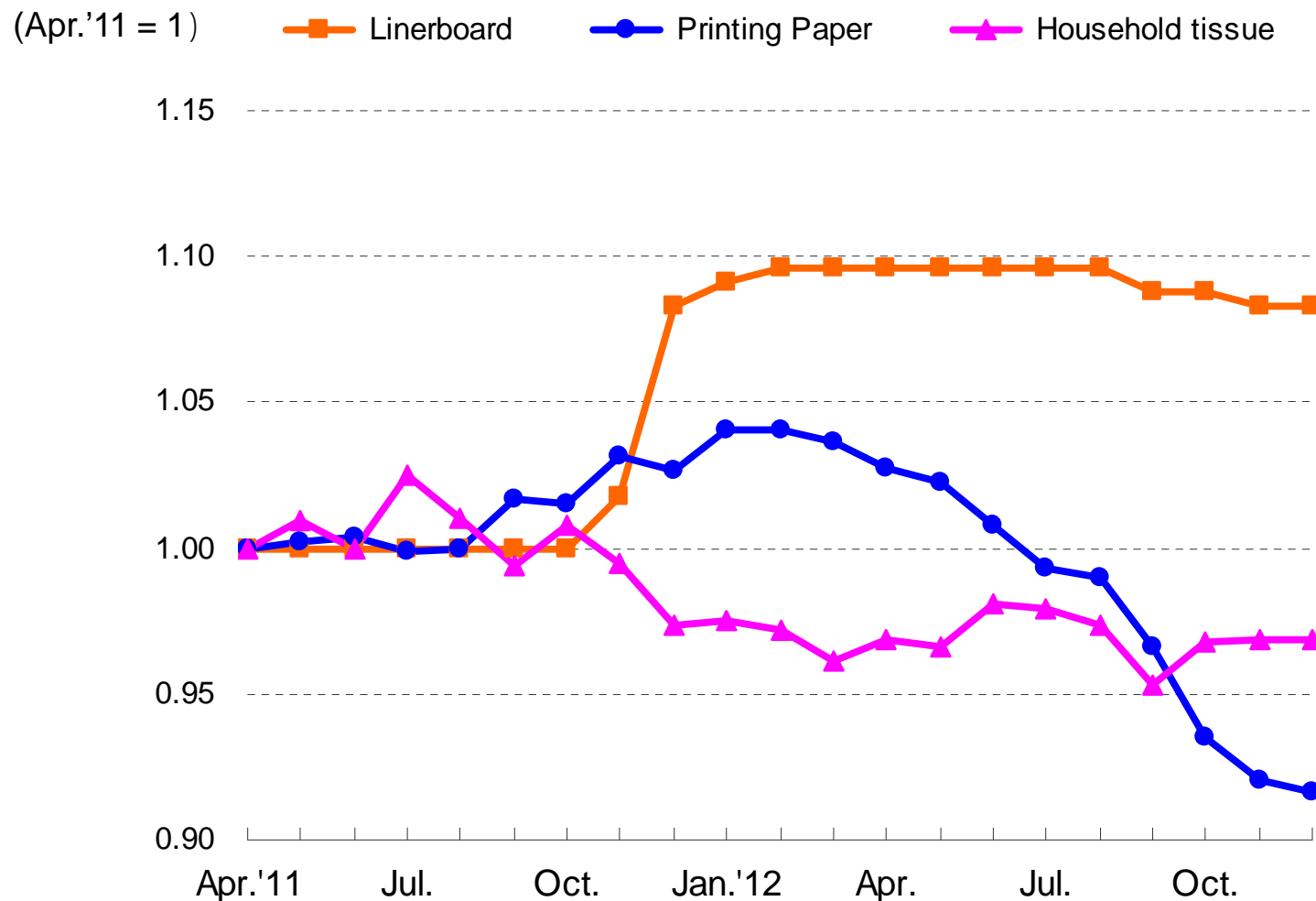
*"Bitoko-shi" paper is included in coated paper.

Source: Japan Paper Association

1. Business Environment – *Domestic price trends*



Printing paper price was down

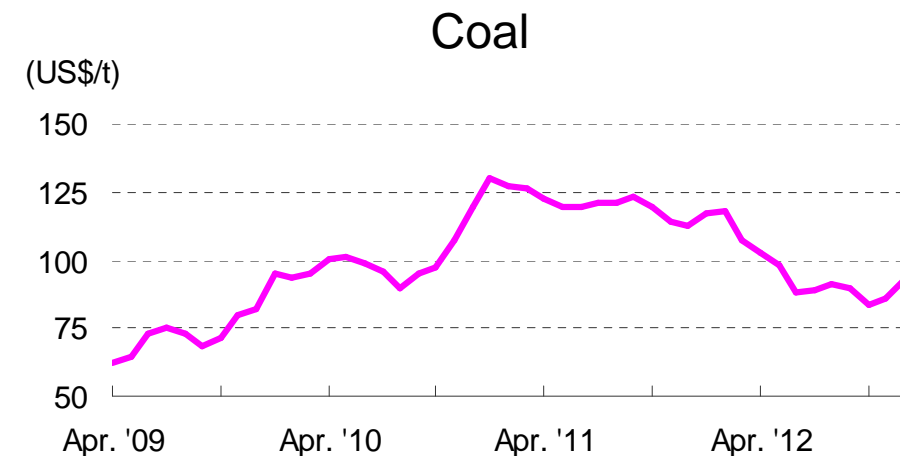
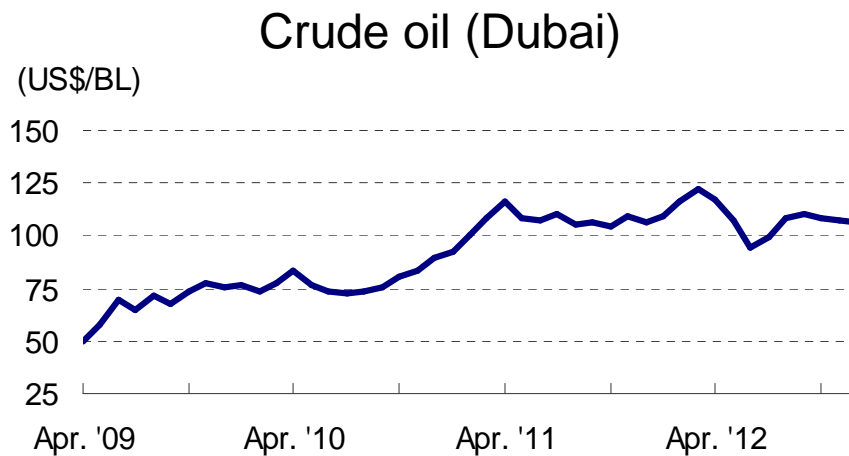
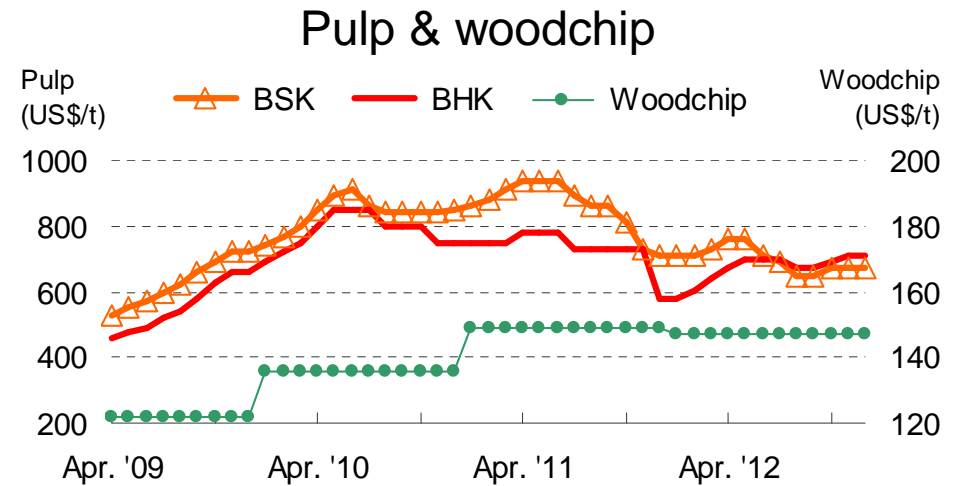
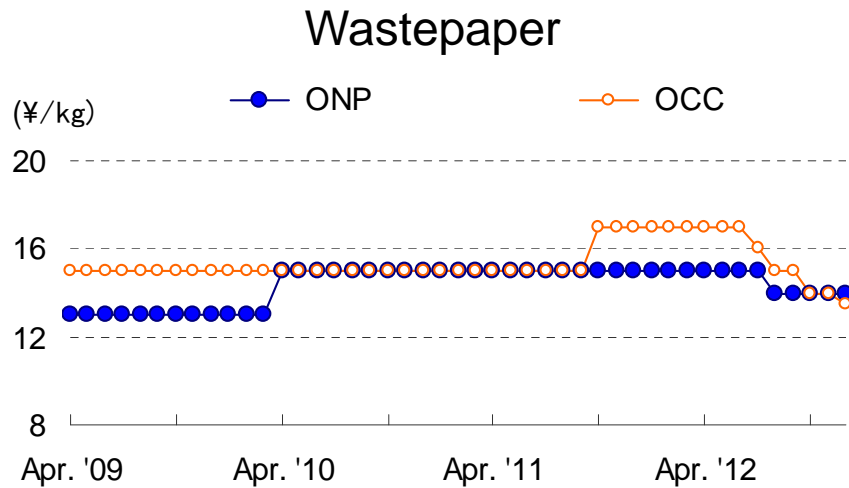


Source: Bank of Japan "Corporate Goods Price Index"

1. Business Environment – Major input price trends



No big change occurred in 3rd Quarter



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

2. Financial Results - Highlights



(¥billion)	FY2012 3 rd QTR	FY2011 3 rd QTR	Change (YoY)
<Net sales>	263.8	267.9	-4.1
<Operating income>	4.8	10.2	-5.4
<Ordinary income>	3.9	9.1	-5.2
<Net income>	5.7	-0.6	6.3

-Operating income and ordinary income were pushed down, mainly because of decline in paper price and production cut for inventory adjustment.

-Net income jumped up year-on-year due to the rebound of loss on seismic disaster which booked in FY2011 and the reversal of loss on valuation of investments in securities which booked in 2nd quarter FY2012.

2. Financial Results – Segment information



Sales and income declined in pulp & paper segment due to paper price decline and inventory adjustment

Upper row: Sales Lower row: Operating income (¥billion)	FY2011				FY2012			Change (YoY)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Pulp & paper	198.3	205.8	209.0	204.6	200.2	199.2	204.0	-5.1
	4.6	4.3	6.4	8.9	4.1	3.5	0.8	-5.6
Paper related (packaging & chemical products)	23.6	24.6	23.0	22.2	23.5	24.6	23.8	0.8
	2.4	1.7	2.0	0.6	1.7	1.7	2.0	0.0
Wood products and construction related	14.9	13.2	15.3	17.3	13.1	14.7	16.4	1.1
	0.3	0.3	0.7	1.2	0.3	0.6	0.9	0.2
Other (beverages, logistics, etc.)	13.4	17.7	20.5	18.9	14.7	17.2	19.6	-0.9
	-0.3	1.0	1.2	1.2	-0.1	0.9	1.2	-0.1
Total	250.2	261.3	267.9	263.0	251.5	255.7	263.8	-4.1
	7.1	7.3	10.2	11.9	6.0	6.7	4.8	-5.4

2. Financial Results – Sales volume by product



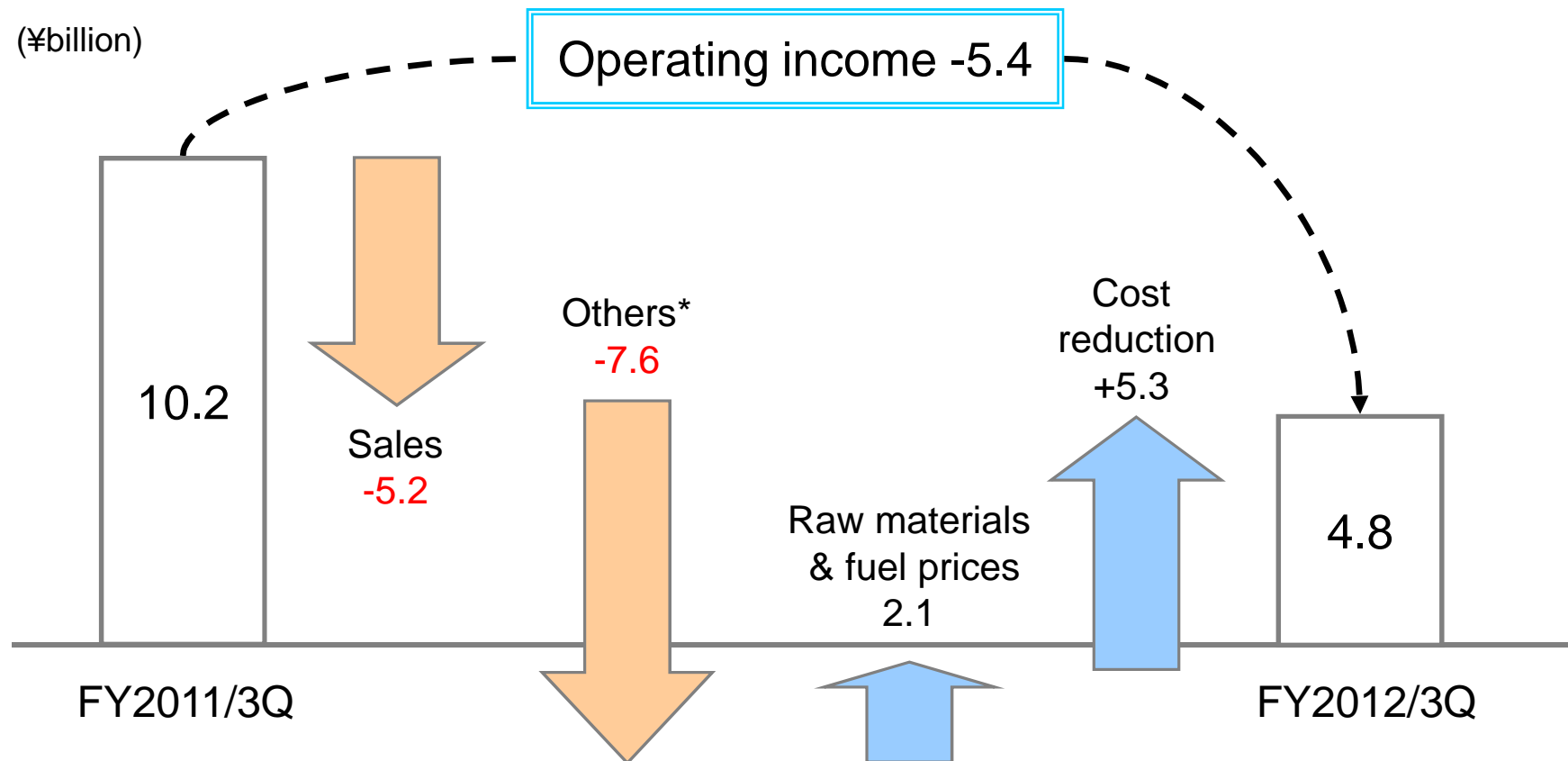
Coated paper sales has recovered

(kt)		FY2011/3Q	FY2012/3Q	change YoY
Paper	Newsprint	311	305	-1.7%
	Printing & Business communication paper	581	628	8.1%
	Coated paper	293	356	21.3%
	Uncoated & Specialty printing paper	140	138	-1.7%
	Business communication paper	148	134	-9.0%
	Packaging paper and others	94	88	-6.5%
	Domestic sales (paper)	986	1,022	3.6%
Export (paper)	12	26	120.3%	
Paper total		998	1,047	5.0%
Paperboard	Container board	308	303	-1.7%
	Folding box board and others	93	89	-4.4%
	Domestic sales (paperboard)	401	392	-2.3%
	Export (paperboard)	14	10	-26.7%
Paperboard total		416	403	-3.2%
Grand total (paper and paperboard)		1,414	1,450	2.6%

2. Financial Results - Variance analysis for operating income



Cost reduction proceeded due to the steady execution of the Revitalization plan



* “ Others ” includes the impact of cutback production, depreciation decrease, and the reversal of fixed costs of disaster-affected mill in FY2011 which was transferred to extraordinary loss account.

[Reference]



Variances of FY2012/3rd QTR (YoY)

(¥billion)

Sales (volume)	1.7	Paper 1.2, Others 0.5
Sales (price)	-6.9	Paper -5.3, Others -1.6
Raw material and fuel prices	2.1	Woodchip 0.3, Wastepaper 1.6, Pulp 0.3, Oil -0.1, Coal 0.3, LNG -0.1, Chemicals & others -0.2 [Price 3.6, FOREX -1.5]
Cost reduction	5.3	Manufacturing 1.4, Labor 1.6, Logistics 0.1, Fixed costs of decommissioned facilities 2.2
Others	-7.6	Depreciation 1.3, Reversal effect of fixed costs transferred to extraordinary loss account in FY11 -4.5, Impact of average product cost and others -4.4
Operating income	-5.4	FY12/3Q 4.8 (FY11/3Q 10.2)
Non-operating income	0.2	Net financial cost 0.1, Equity in earnings of affiliates 0.6, Other -0.5
Ordinary income	-5.2	FY12/3Q 3.9 (FY11/3Q 9.1)

3. Earnings Forecast



(¥billion)	FY2012 (Estimate)	FY2011	Change (YoY)
<Net Sales>	1,030.0	1,042.4	-12.4
<Operating income>	27.0	36.5	-9.5
<Ordinary income>	20.0	6.1	13.9
<Net income>	6.0	-41.7	47.7

No change from the estimation announced on Nov. 7, 2012



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.