

October 4, 2011

Company name: Nippon Paper Group, Inc.
Representative: Yoshio Haga, President
(Stock code: 3893, First Section TSE, OSE and NSE)

Nippon Paper Group, Inc. Announces Equity-Method Investment Loss as Non-Operating Expenses

Nippon Paper Group, Inc. (“the Group”) announces that it expects to record an equity-method investment loss as non-operating expense for the second quarter of the fiscal year ending March 31, 2012. Details are as follows.

1. Equity-Method Investment Loss as Non-Operating Expenses

As announced on August 3, 2011 in the “Announcement Concerning Acquisition of Shares in Lee & Man Paper Manufacturing Limited,” the Group acquired shares of Lee & Man Paper Manufacturing Limited (“L&M”), and included L&M in the Group’s equity method affiliates from the second quarter of the fiscal year under review.

Consequently, the Group incurred a loss on valuation of shares in subsidiaries, as a result of a fall in the share price of L&M as at the end of the second quarter of the fiscal year under review. Although this valuation loss will be reversed in the consolidated results, in accordance with equity-method accounting standards, the Group expects to amortize in full goodwill of approximately ¥25 billion incurred as a result of the stock acquisition of L&M by including the said amount in investment losses.

Goodwill was calculated based on a temporary basis. In addition, the valuation method at lower of cost or market is used for the quarterly valuation of securities. As a result, the amount described above may change or may not be recorded for the third quarter of the fiscal year under review and onward.

(Reference) Effects on consolidated financial statements from
accounting as described above

	Amount affected
	¥ billion
Ordinary income	- 25
Net income	- 25
Changes in valuation difference on available-for-sale securities	11
Changes in net assets	- 14

* There are no effects on operating income.

2. Outlook

The projected consolidated financial results for the fiscal year ending March 2012, announced on August 3, 2011, did not include the equity-method investment loss described above.

The consolidated financial projection is currently being examined. The Group will announce the projection as soon as it is finalized.