



NIPPON PAPER GROUP

Third Medium-Term Business Plan

FISCAL 2009 – 2011

“Accelerating restructuring for GV2015”

Analyst Meeting

November 9, 2009

NIPPON PAPER GROUP, INC.

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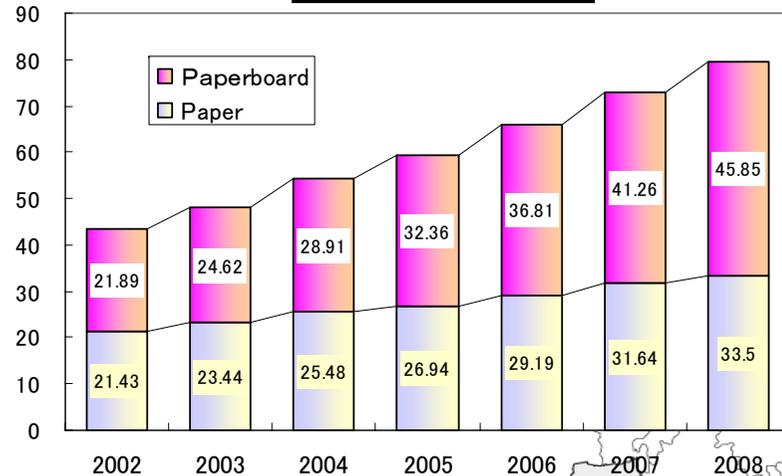
1. Business environment and objectives of the 3rd MTBP

Business Environment ①



(million tons)

China's Domestic Demand

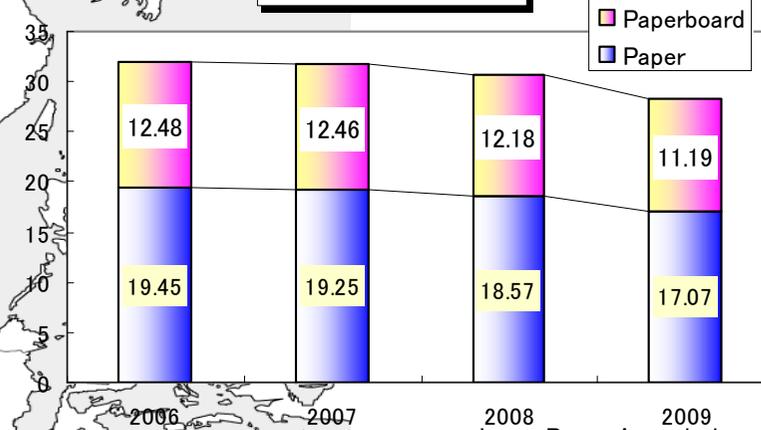


— China Paper Association

- Fast-growing Asian market
- Increased threat of imports

(million tons)

Japan's Domestic Demand



— Japan Paper Association

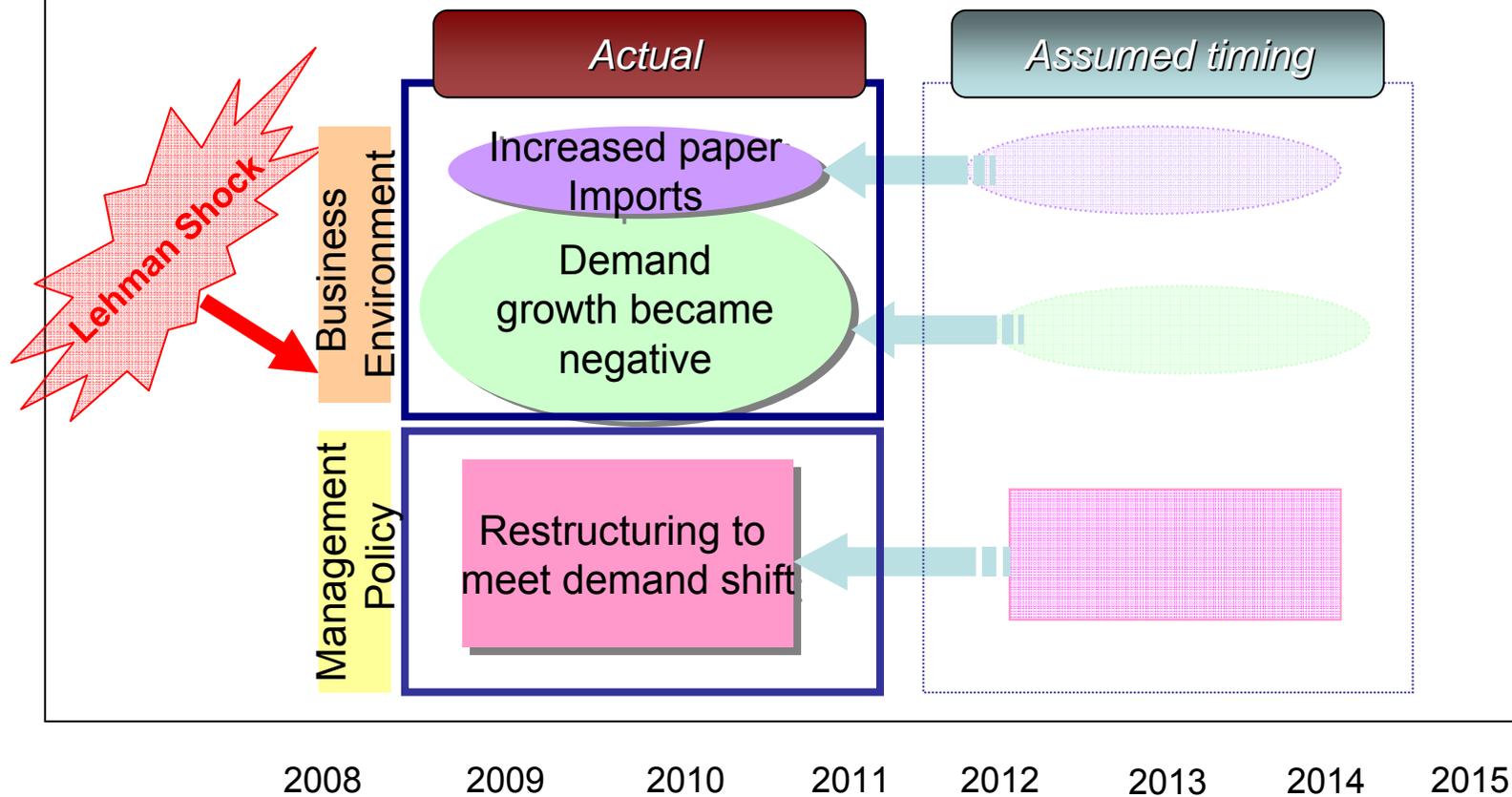
- Shrinking domestic paper market
- Drastic changes in demand structure after Lehman Shock

1. Business environment and the objectives of the 3rd MTBP



Business Environment ②

1. GV2015 anticipated increased paper imports and negative demand growth, but
2. Lehman Shock brought such changes much earlier than anticipated.
3. Expedited restructuring is critical.

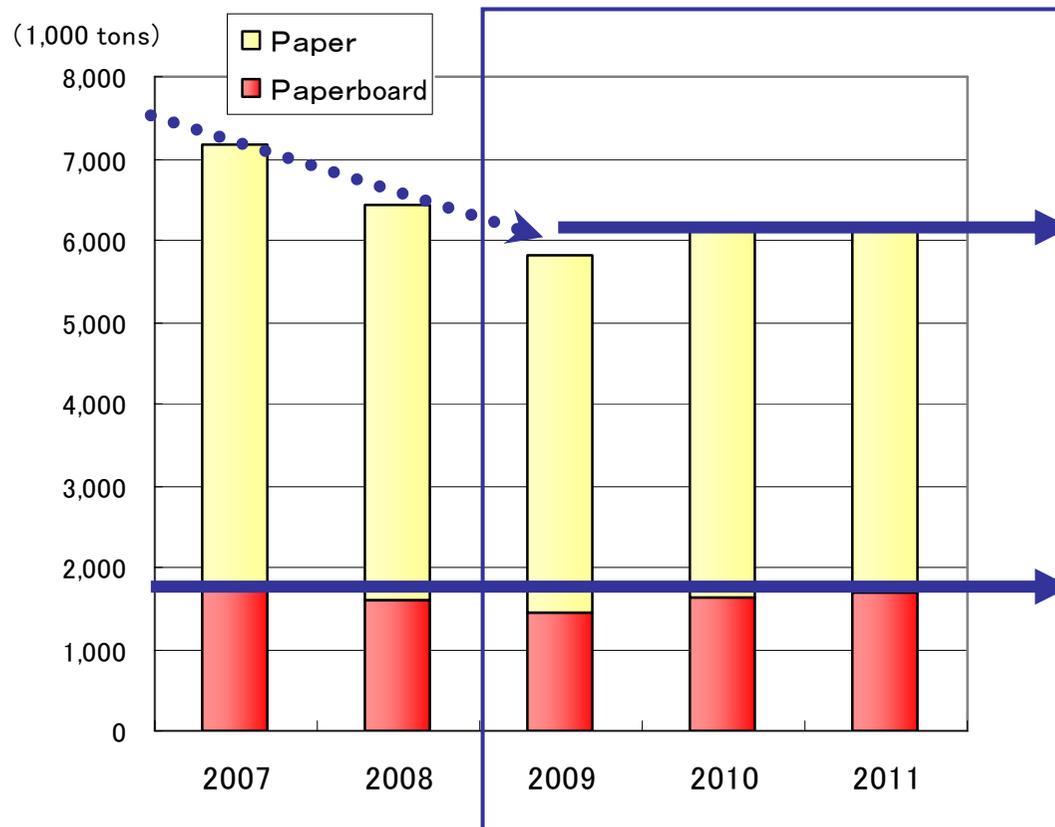


1. Business environment and the objectives of the 3rd MTBP



Domestic demand outlook

NPG Domestic Sales Outlook



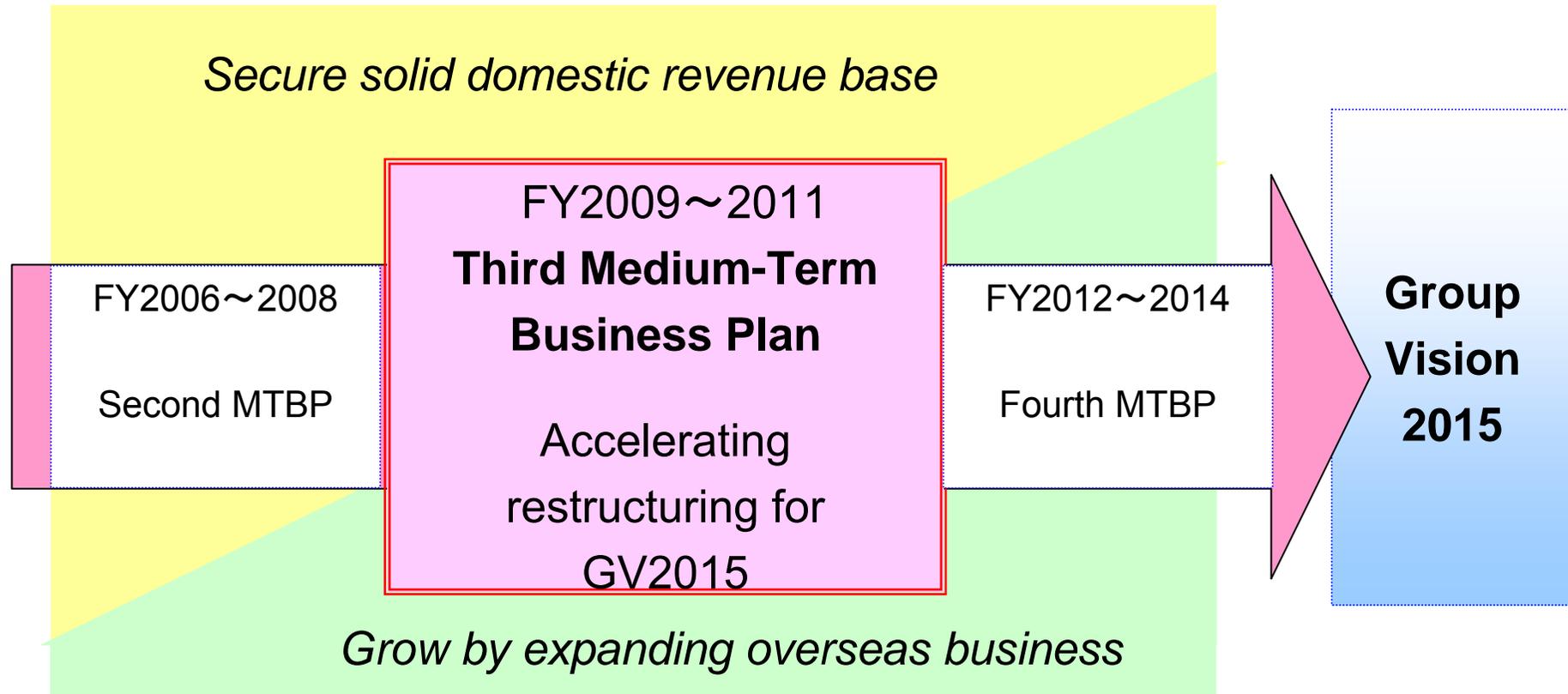
FY2011 Domestic Sales
Volume Forecast
(compared with FY2007)

Paper= 80%

Paperboard= 100%

1. Business environment and the objectives of the 3rd MTBP

The 3rd MTBP Objectives



■ Domestic paper market to shrink to the 80% level of FY2007

➤ Revise management resource allocation

■ Non-"pulp & paper" segments to support the bottom line

2. Outline of the 3rd MTBP

Main Policy of the 3rd MTBP



- I . Downsize domestic paper business to 80%
(Restructuring for surviving import competition)
- II . Promote overseas business
(Utilizing overseas subsidiaries and alliances for expansion)
- III . Propel resource procurement strategy
(Securing resources to support long-term business growth)
- IV . Improve group mobility and management efficiency
(Maximizing group synergy and rationalizing overhead)
- V . Develop new business
(Nurturing new business outside paper domain)

2. Outline of the 3rd MTBP

I . Downsize domestic paper business to 80% ①



Pulp and Paper Business (1)

| Company | Main Policy | Measures |
|-------------------------|--|---|
| Nippon Paper Industries | Downsize domestic paper business to 80% | <p data-bbox="1301 683 1928 772">Enhance competitive advantages against imports by:</p> <ul data-bbox="1227 858 2024 1299" style="list-style-type: none"><li data-bbox="1227 858 2024 932">Optimizing production capability<li data-bbox="1227 979 2024 1053">Streamlining back office operation<li data-bbox="1227 1091 2024 1165">Reducing further costs of logistics and sales<li data-bbox="1227 1203 2024 1299">Emphasizing more on resource-saving and eco-friendly products |

2. Outline of the 3rd MTBP

I . Downsize domestic paper business to 80% ②



Continued restructuring

➤ 15 machines shut-down to secure sustainable operation rate <saving an ¥8 billion fixed cost>

(depr.1.9, energy 1.5, maintenance 1.1, labor 3.5)

➤ Improve operation efficiency of existing machines

NPG capacity and FY2011 domestic sales outlook

(,000 tons)

| | Capacity | | | Sale Outlook |
|------------|----------|------------|-------|--------------|
| | Before | Shut-down※ | After | |
| Paper | 5,766 | ▲ 742 | 5,024 | 4,500 |
| Paperboard | 1,963 | ▲ 133 | 1,830 | 1,600 |
| TOTAL | 7,729 | ▲ 875 | 6,854 | 6,100 |

※Including temporary shut-downs during maintenance period.

2. Outline of the 3rd MTBP

I . Downsize domestic paper business to 80% ③



Strengthening competitive advantages

- Further reduction in fixed costs
- Additional cost cutting in logistics and sales
- More emphasis on R&D for resource saving products and eco-friendly engineering

2. Outline of the 3rd MTBP

Major group companies' strategies ①



Pulp & Paper Business (2)

| Company | Main Policy | Measures |
|-----------------------------------|--|--|
| <p>Nippon Daishowa Paperboard</p> | <p>Establish cost-competitiveness as the container board supplier</p> | <p>Optimize production capability (reorganization)</p> <p>Focus on thinner grades</p> |
| <p>Nippon Paper Crecia</p> | <p>Reduce dependency on mass-production grades</p> <p>Restructure business model to meet societal change</p> | <p>Promote health(elder)care products</p> <p>Expand to medical-related supply (Flu-prevent products)</p> |
| <p>Nippon Paper Papylia</p> | <p>Promote cigarette related paper globally</p> <p>Encourage R&D for new products</p> | <p>Strengthen sales force utilizing group network</p> |

2. Outline of the 3rd MTBP

Major group companies' strategies ②



Paper Related Business

| Company | Main Policy | Measures |
|--|--|--|
| <p data-bbox="226 643 607 979">Nippon Paper-Pak</p> | <ul style="list-style-type: none"> <li data-bbox="683 643 1207 735">Improve margin by cost-cuts <li data-bbox="683 767 1207 866">Exploit new/replacing demand by developing new products <li data-bbox="683 898 1207 991">Enter into Asian market | <ul style="list-style-type: none"> <li data-bbox="1285 687 1964 783">Promote in-house supply of milk-carton board <li data-bbox="1285 823 1964 919">Shift from export to local production |
| <p data-bbox="226 1098 607 1437">Nippon Paper Chemical</p> | <ul style="list-style-type: none"> <li data-bbox="683 1145 1207 1238">Add higher value to main products <li data-bbox="683 1278 1207 1374">Focus on products with high potential | <ul style="list-style-type: none"> <li data-bbox="1285 1145 1964 1241">Encourage investment on added value DP business <li data-bbox="1285 1281 1964 1377">Strengthen functional film business |

2. Outline of the 3rd MTBP

Major group companies' strategies ③



Other business

| Company | Main Policy | Measures |
|----------------------------------|---|--|
| Shikoku Coca-Cola Bottling | Improve profit margin under NPG's 100% ownership | Capital investment to increase competitiveness (in-house production / streamlining) Close collaboration with group companies |

2. Outline of the 3rd MTBP

Ⅱ . Promote overseas business



| Company / Partner | Main Policy | Measures |
|-------------------------------------|---|---|
| <p>Australian Paper</p> | <p>Maximize NPG brand presence in Oceania and its neighboring areas</p> | <p>Bringing in NPG's management resources and know-how</p> <p>↓</p> <p>Improve operation control</p> <p>Increase market share by utilizing mutual sales network</p> |
| <p>Yuen Foon Yu (Taiwan)</p> | <p>Expand paperboard business in fast-growing China market</p> | <p>Investing in YFY's paperboard business</p> |
| <p>SCG Paper (Thailand)</p> | <p>Exploit business opportunity in Southeastern Asia</p> | <p>Mutual OEM sales in each market</p> |

2. Outline of the 3rd MTBP

Ⅲ. Promote resource procurement strategy



Main Policy

**Downsize
procurement system**

**Secure forestry resources
to support
mid- to long-term growth**

Measures

Restructuring woodchip sources

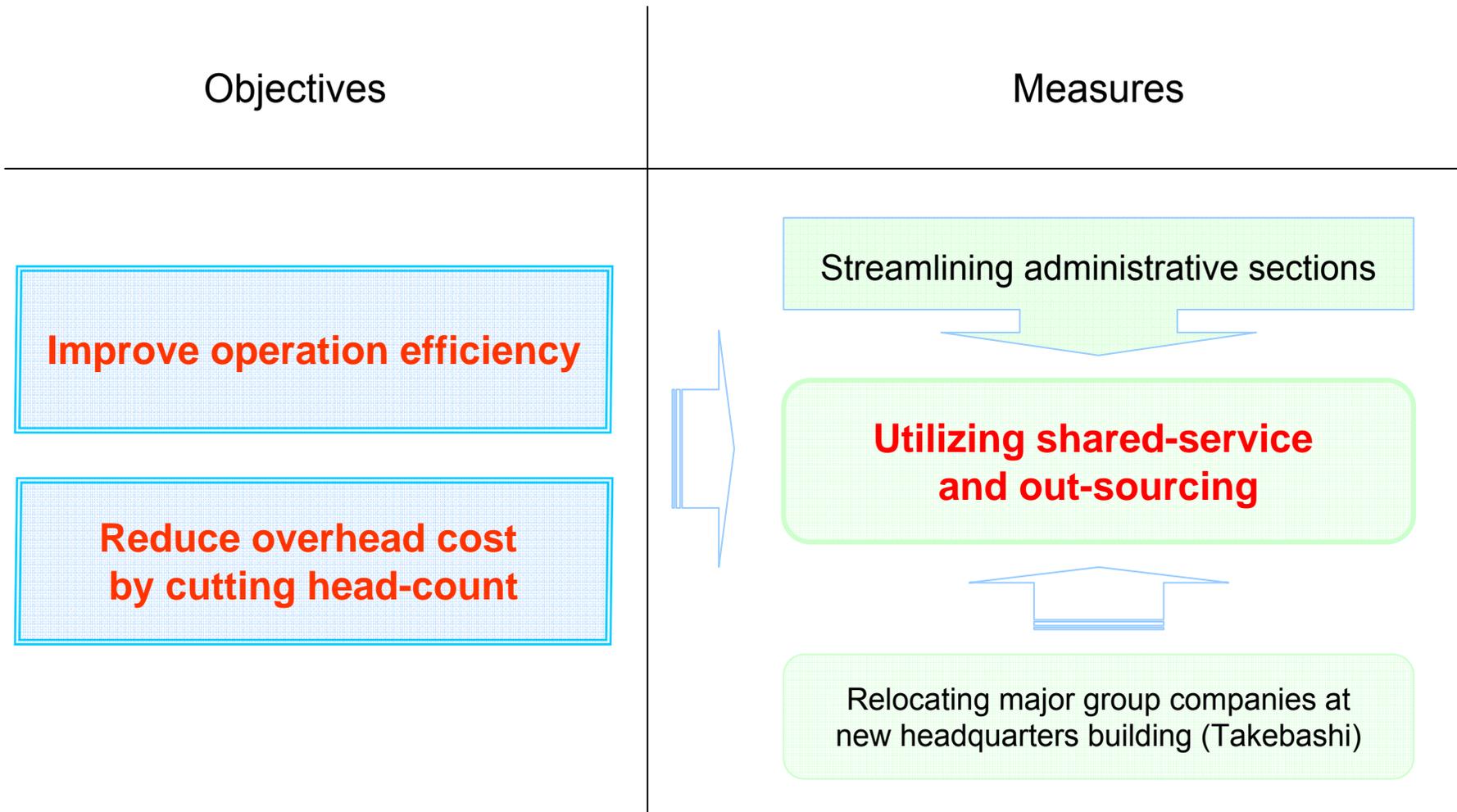
Streamlining woodchip carriers

Expanding own forestry resources
(Tree Farm Initiative – 200,000 ha overseas)

Utilize domestic forestry resources
(sawmill waste and logs from thinning, etc.)

2. Outline of the 3rd MTBP

IV. Improve group mobility & management efficiency

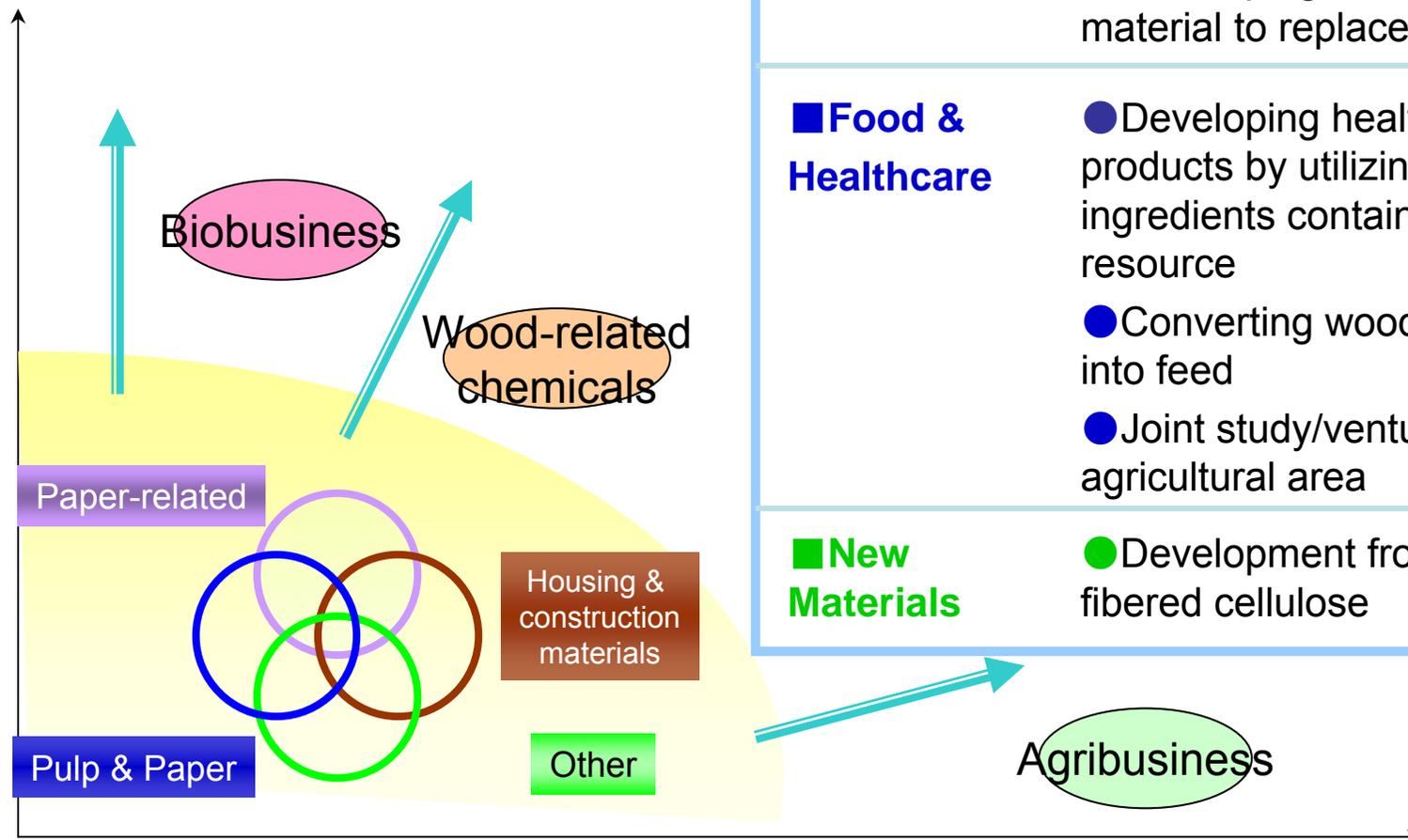


2. Outline of the 3rd MTBP

V. Develop new business



Allocating management resource to promising area



■ Reducing CO₂ emission

- Selective plant breeding to expand biomass resource
- Developing cellulose-based material to replace plastics

■ Food & Healthcare

- Developing health related products by utilizing active ingredients contained in wood resource
- Converting wood resource into feed
- Joint study/venture in agricultural area

■ New Materials

- Development from nano-fibered cellulose

3. Financial Targets Premises



FY2010-2011 Outlook (vs. FY2009)

| | | |
|-----------------|-------|------------|
| Sales Price | Paper | Paperboard |
| | | |
| Domestic Demand | Paper | Paperboard |
| | | |

| | | |
|---------------|----------------|-----------|
| Raw Materials | Recoverd Paper | Woodchips |
| | | |
| Fuel | Oil (Dubai) | Coal |
| | | |

| | | |
|---------------|--------|--------|
| Exchange Rate | US \$ | A \$ |
| | ¥95.00 | ¥75.00 |

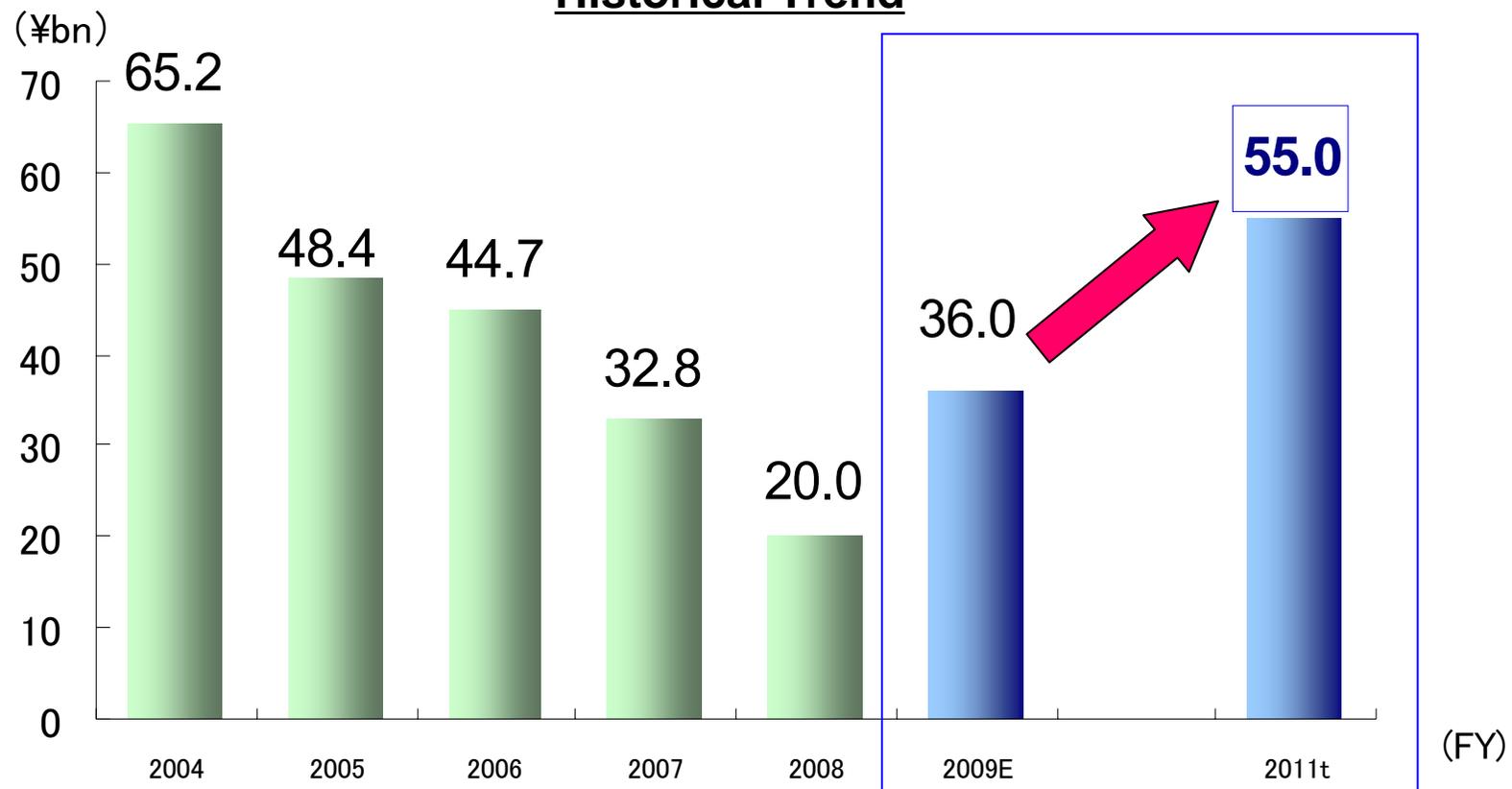
3. Financial Targets

Consolidated operating income target



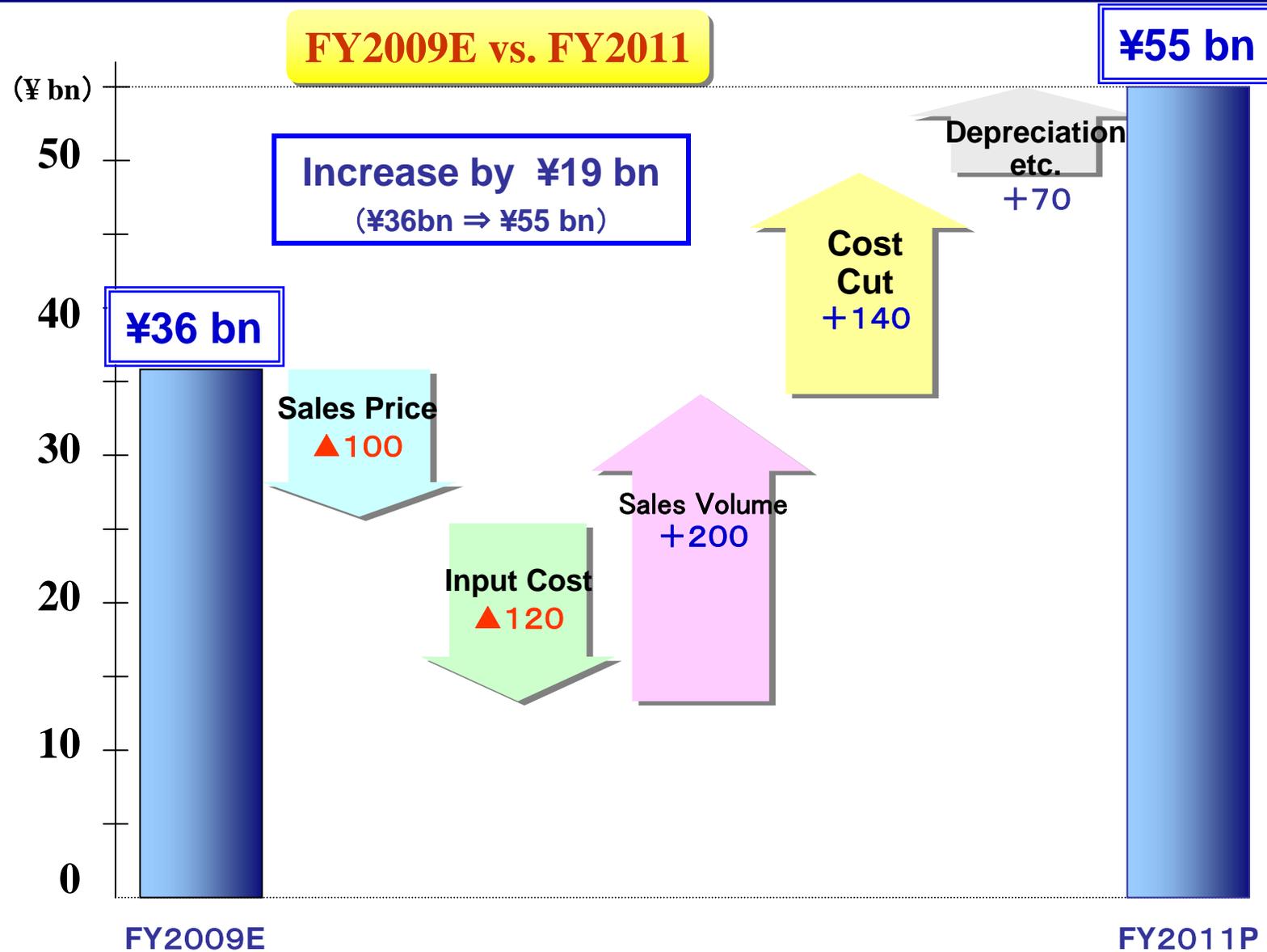
FY2011 Operating Income Target: ¥55 billion

Historical Trend



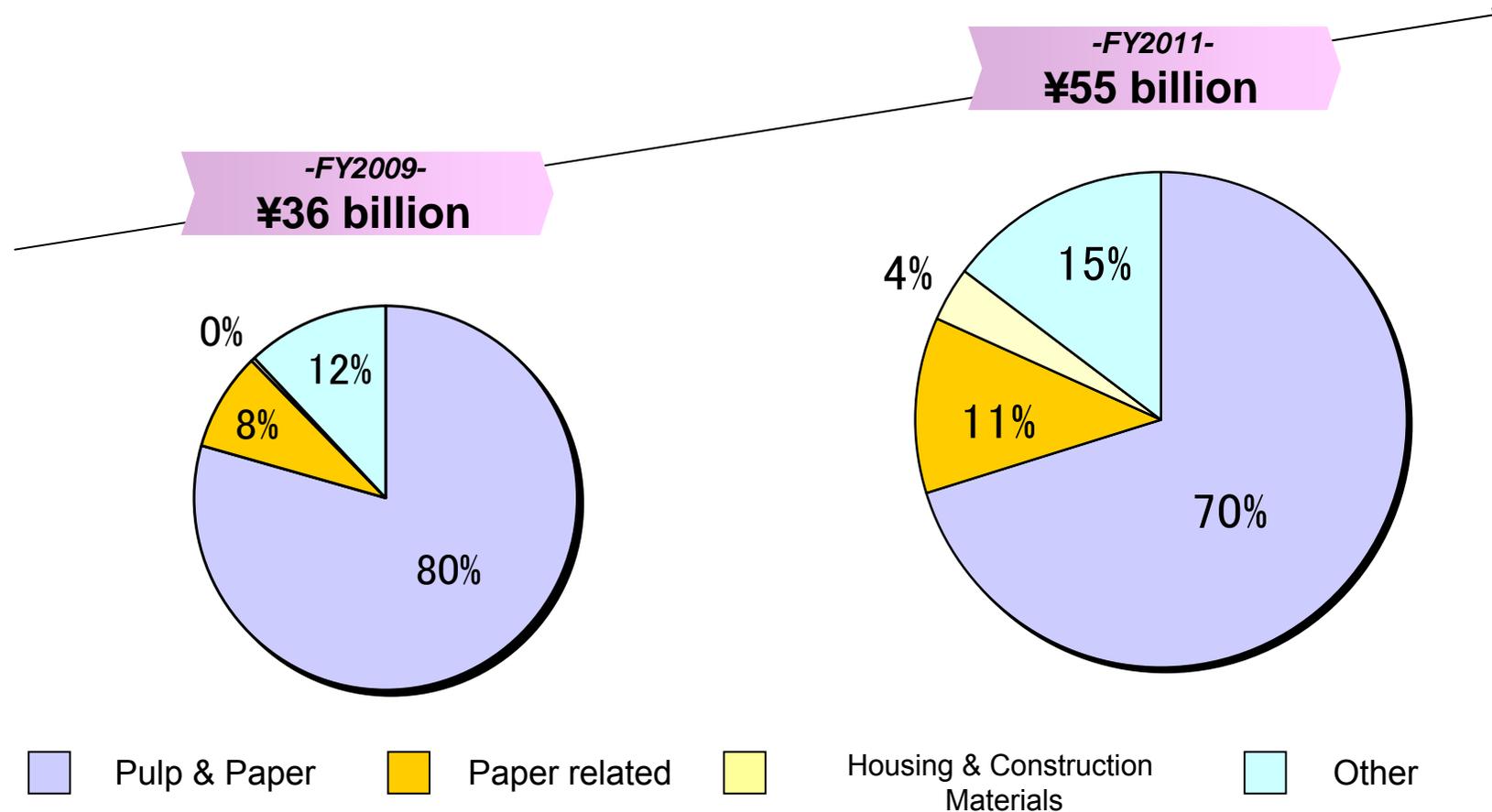
3. Financial Targets

Factor analysis – Impact on operating income



3. Financial targets

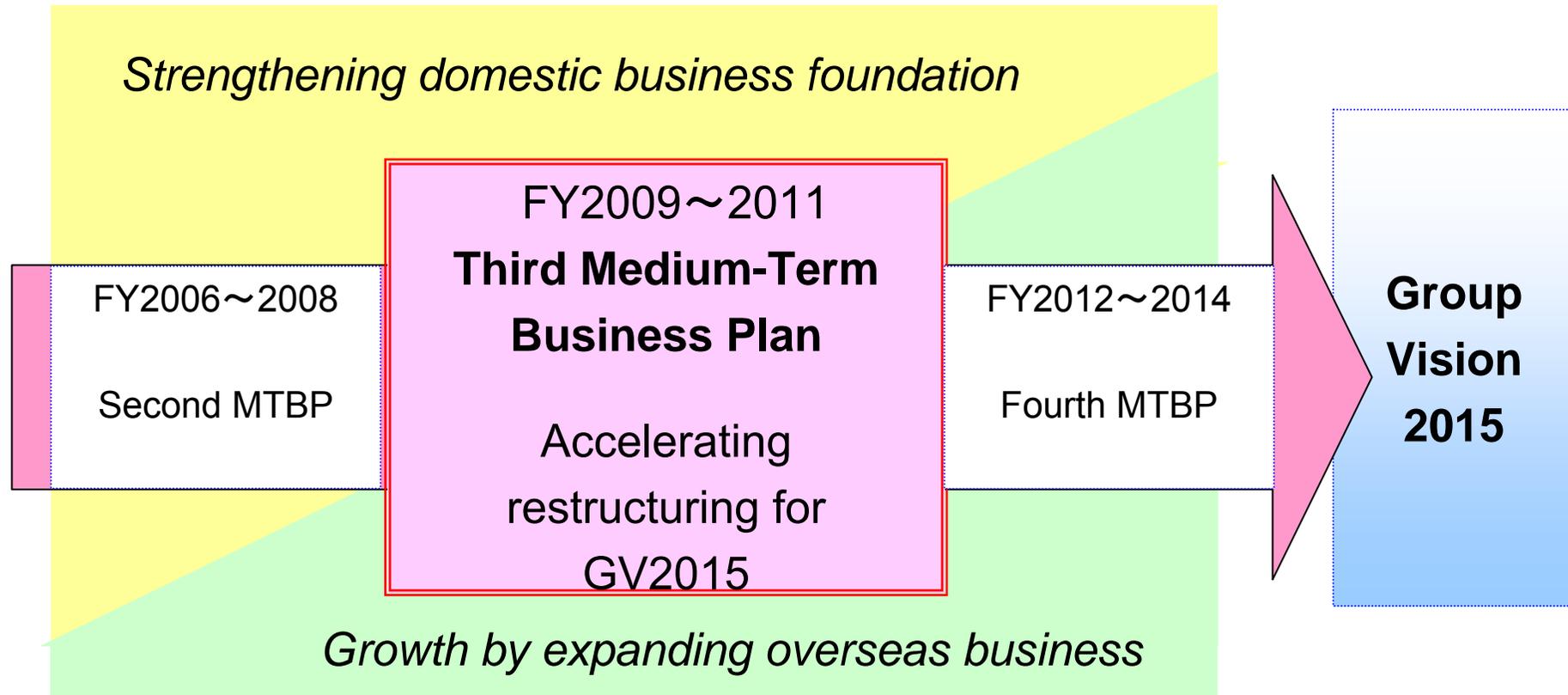
Segment information: Operating income contribution



More contribution from non-“pulp and paper” segments expected and required

1. Business environment and the objectives of the 3rd MTBP

The 3rd MTBP Objectives



■ Domestic paper market to shrink to the 70% level of FY2007

➢ Revise management resource allocation

■ Non-“pulp and paper” segments to support the bottom line

3. Financial targets

Depreciation, Capex and Debt



■ Depreciation (FY2010–FY2011 total)

¥150 billion

■ Capex (FY2010–FY2011 total)

¥65 billion

■ Interest-bearing Debt (←cut by ¥80billion)

31 Mar.2012(E)

¥690 Billion

31 Mar.2010(E)

¥770 billion

■ D/E Ratio

31 Mar. 2012(E)

× 1.5

31 Mar.2010(E)

× 1.8

Disclaimer



- These materials include company-related forecasts, plans, and management targets. Forward-looking statements are based on assumptions about the future and trends at the time of producing these materials and contain uncertainties. Actual results could differ significantly from what is presented here.
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