

Presentation Material for Investors Meeting



May 27, 2014

Nippon Paper Industries Co., Ltd.

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Business Plan (MTBP)

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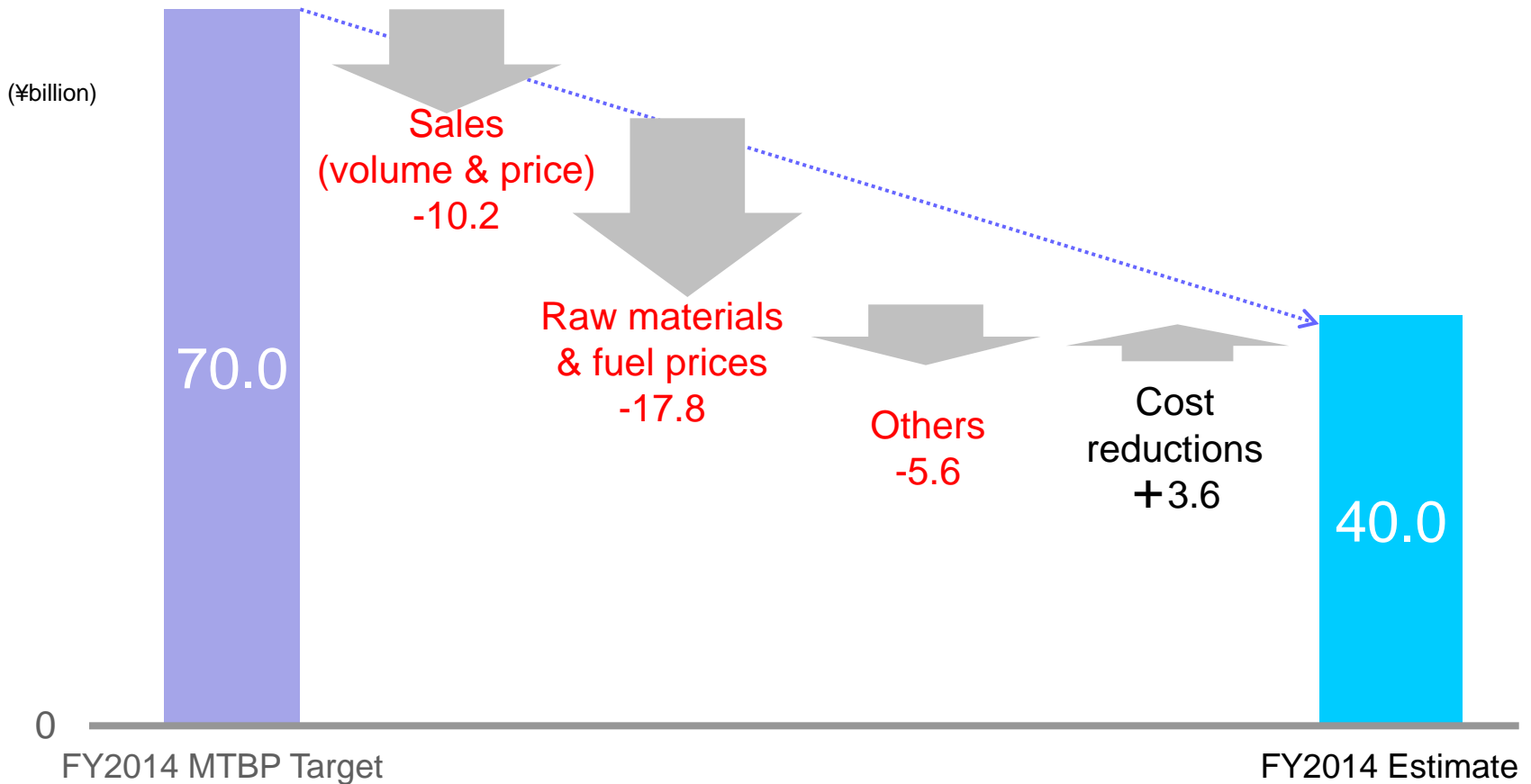
Future Orientation

3.

Formulation of the Next MTBP

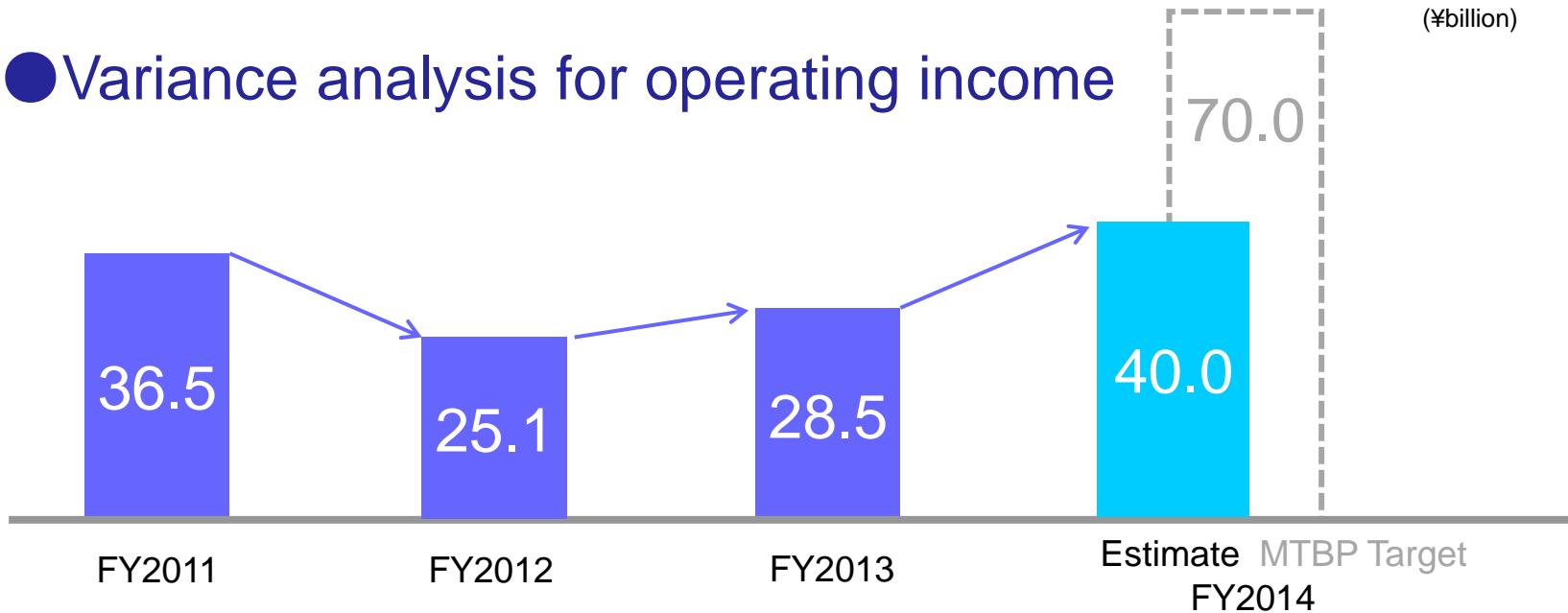
1 Progress of the 4th MTBP – Variance Analysis for Operating Income

Operating income expected to fall below initial plan though cost reductions surpasses target



● Variance analysis for operating income

(¥billion)



Variance Analysis	FY2011 -2012	FY2012 -2013	FY2013 -2014	3 Year Total	MTBP Target	Difference
Sales	-14.7	+ 4.5	+23.0	+12.8	+23.0	-10.2
Cost reduction	+17.9	+19.1	+ 4.6	+41.6	+38.0	+ 3.6
Raw material & fuel prices	+ 1.4	-15.3	-14.9	-28.8	-11.0	-17.8
Others	-16.0*	- 4.9	- 1.2	-22.1	-16.5	- 5.6
Total	-11.4	+ 3.4	+11.5	+ 3.5	+33.5	-30.0

*The reversal of FY2011 fixed costs of disaster-affected mill transferred to extraordinary loss account and others

1 Progress of the 4th MTBP – Enhance Earning Power of Paper Business

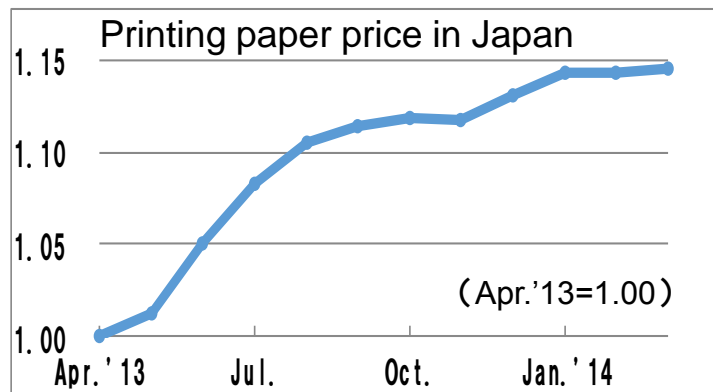
Completed Revitalization Plan, recovered paper sales in FY2013

- **Revitalization Plan** Achieved ¥25 billion financial improvement, mainly by shutting down 12 machines and 1,300 personnel cutbacks

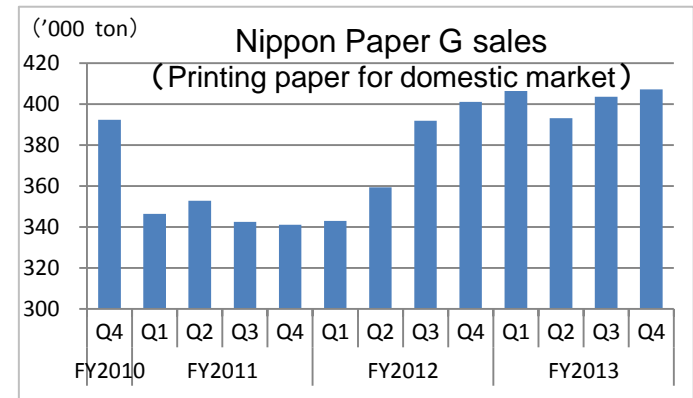
(¥ billion)	Target	Result	
Reduction in workforce	10.0	10.0	1,300 job cuts
Variable cost reduction	5.0	5.0	Optimization of pulp production Zero oil consumption Product grade consolidation Logistics cost reduction
Fixed cost reduction	8.5	8.8	Shutdown 12 machines
Electric power sales and others	1.5	1.2	Increase in power sales as IPP etc.
Total	25.0	25.0	

Operating rate: 97%
(Domestic facilities for paper making, FY2013)

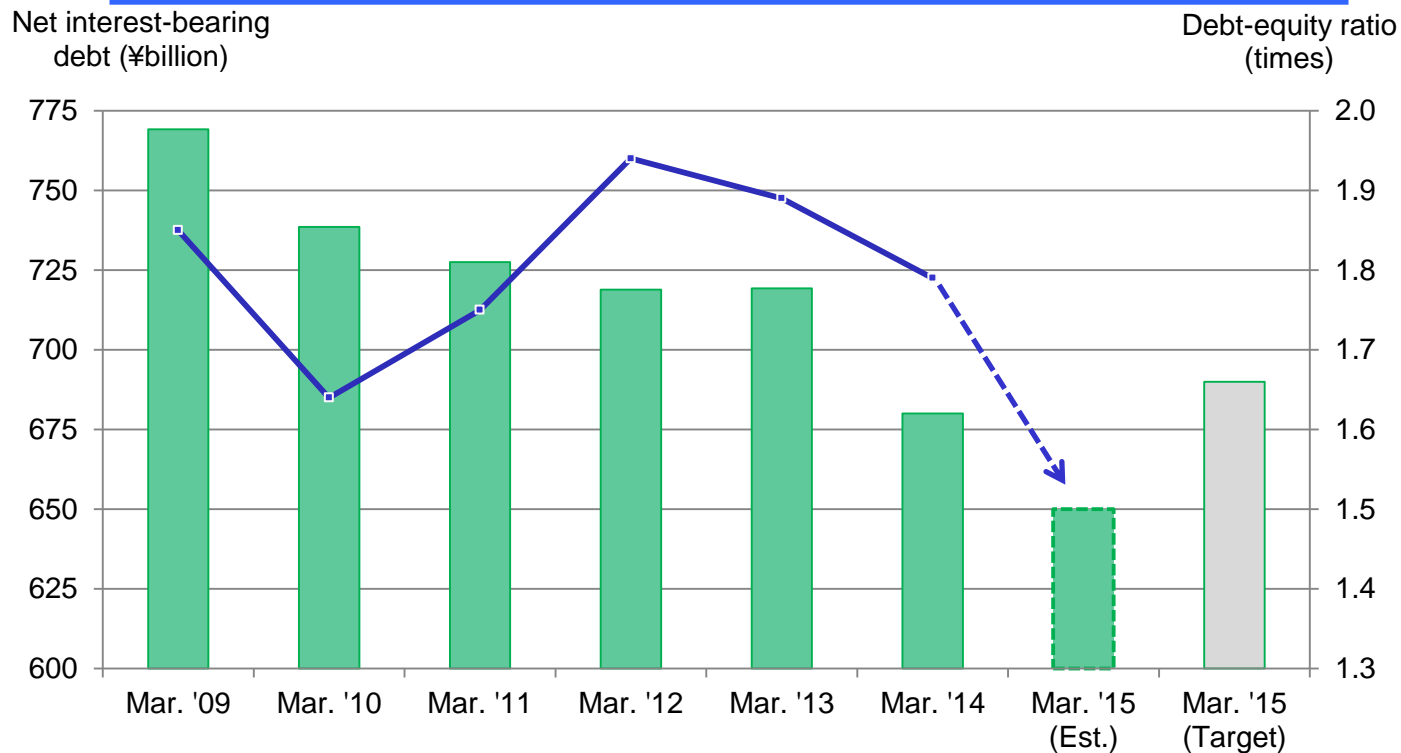
- **Domestic paper sales** Implemented price hikes twice in FY2013



Source: BOJ, Corporate goods price index



Net interest-bearing debt reduction was achieved above the target



Outlook for March '15

Net interest-bearing debt
¥650 billion

Debt-equity ratio
1.55 times

Strongly promote transformation of the business structure

1. Expand and create growth areas

- Energy, Bio-chemicals, Healthcare, and Packaging & Industrial materials
- R&D for new materials and creation of future businesses

2. Enhance the competitiveness of paper and paperboard business

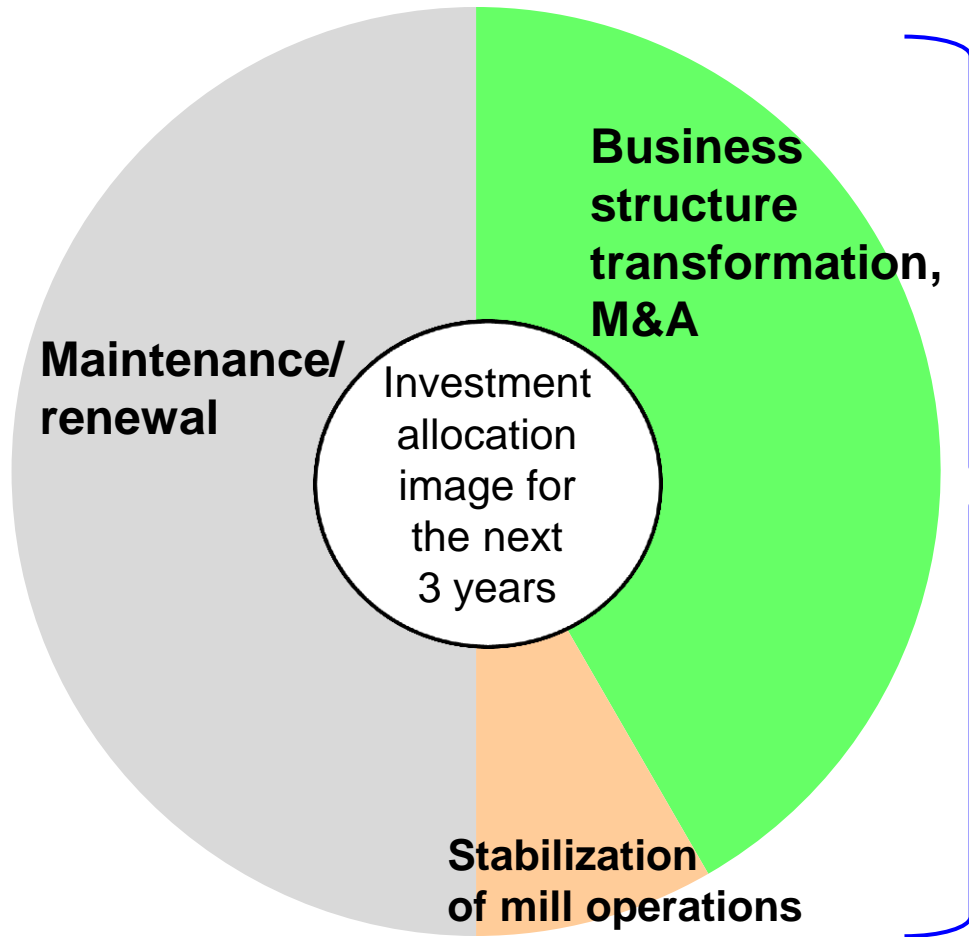
- Stabilize operations and increase the cost competitiveness
- Convert the line of products

3. Capture global market

- Expand business to capture demand in growth markets
- Strengthen exports: establish global production and sales system

Grow and develop as a Comprehensive Biomass Company in the global market

Actively invest in the business structure transformation



Expand and create growth areas
Domestic and overseas business development

- Energy
- Bio-chemicals
- Healthcare
- Packaging & Industrial materials

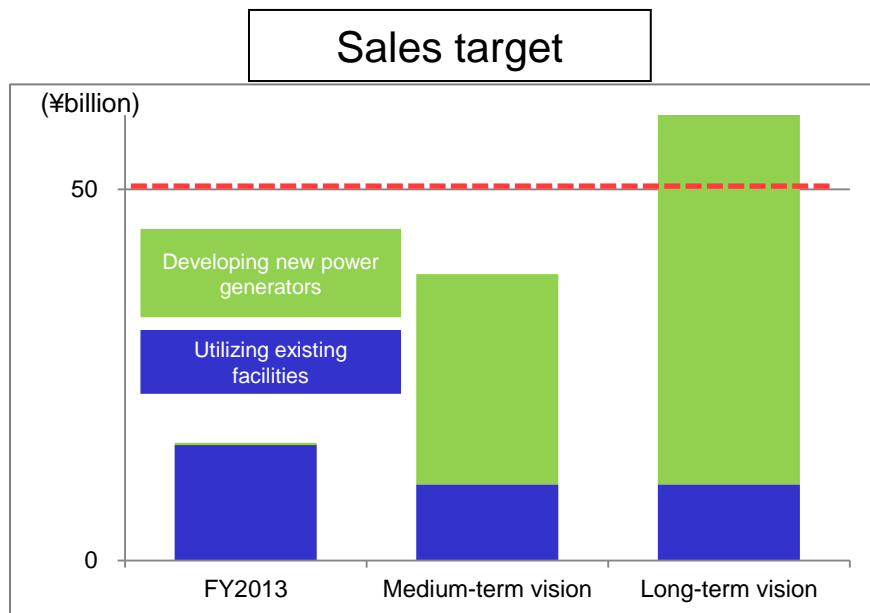
Expand and create growth areas

- Energy business
- Chemical business
- Healthcare business
- Packaging and Industrial materials business

Promote electric power installation with sales target of ¥50 billion

The 4th Medium-Term Business Plan (FY2012 - FY2014)	Medium to long-term business vision (FY2015 onward)
<ul style="list-style-type: none"> • Sales of surplus electricity • Power supply • Commence operation of solar power facility (Otake FY2013, Komatsushima FY2014) • Register as a Power Producer and Supplier (PPS) 	<ul style="list-style-type: none"> • Commence biomass power generation (Yatsushiro FY2015) • Construct new coal boilers <ul style="list-style-type: none"> -Decided: *Suzukawa FY2016, -Under study: *Ishinomaki and other mills FY2017 or later • Commence with usage of biomass fuel in existing coal boilers • Addition of FIT projects such as for solar power and wind power

*Plan to mix biomass fuel



Strengths of the Company

- Location
- Human resources
- Existing facilities
- Infrastructure
- Operation & management technology
- Biomass procurement & utilization



Note: Amount correspond to shareholding ratio was added for joint projects

Initiative for business creation in medium- to long-term perspective

Cellulose nanofiber (CNF)

- New material made from wood fiber miniaturized to the nano level
- Knowhow of existing business for handling wood resources is expanded and utilized
- Feature: light-weight, high-strength, less dimension change, and high gas barrier property
- Potential application:



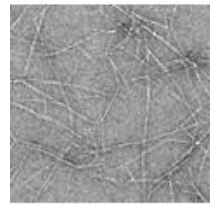
Resin reinforcement materials



Barrier packaging materials



Functional additive



Microscopic photo
20nm



CNF dispersed liquid (clear)



Commenced operation of a pre-commercial test plant in Nov. '13

Market creation target of cellulose nanofiber related materials for 2030
 ¥1 trillion per year
 (Automotive parts, Electronics materials for IT, Packaging materials, Construction materials, Thickener for foods, High-efficiency filter and etc.)

Source: AIST Consortium Nanocellulose Forum

Development of new biomass fuel

Development of new biomass fuel to co-fire in existing coal boilers



● Future Orientation

- Pre-commercial experiment: establish practical application technology
- Facility installation and commercial operation



Torrefied cedar cortex pellet

Agricultural business

- Utilize cultivation and proliferation technology from afforestation
 - Production and distribution of tea seedlings (Estimated to be 10% of domestic share)
 - Production and distribution of high functional tea Sunrouge
- Future Orientation
 - Capture 50% share of domestic tea seedlings
 - Strengthen Sunrouge business



Sunrouge

Strengthen competitiveness of paper and paperboard business

- Continuously enhance cost competitiveness, establish optimized production system

Investment of ¥10 billion into stabilizing mill operation; exterminate trouble and improve productivity

Projects to increase earning capacities in Ishinomaki, Akita, and Iwakuni Mills

- Improve profitability by expanding energy business

Expand power business at Fuji Mill, Yatsushiro Mill, NPI USA, and other locations

Ishinomaki biomass complex concept

Utilization of ash

- Convert to high value-added, differentiated, and growth varieties

Ishinomaki Mill PM7: Coat base paper to copy paper (completed)

Kushiro Mill PM6: Newsprint to kraft paper (completed)

Australian Paper: Development of de-inked pulp blended copy paper

Otake Mill: Promoting of production of beverage packaging base for reducing external purchases

Paper cup base: expanding exports for Asia

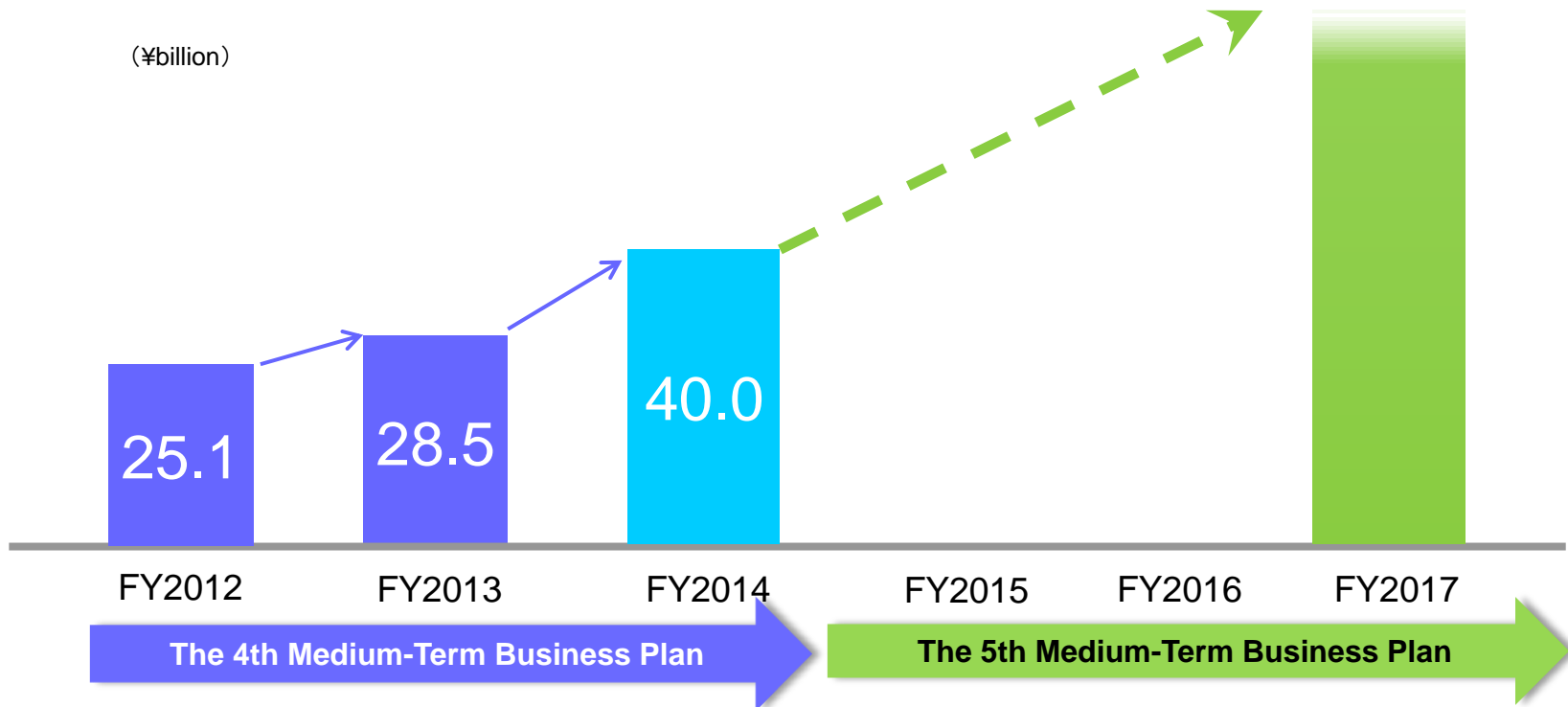
- Strengthen global sales system

Reorganization of paper and paperboard sales, reinforcing sales engineers, setup of the International Sales Management and Planning Department

Formulate the next Medium-Term Business Plan for continuous revenue growth

- The 5th Medium-Term Business Plan (FY2015 - 2017) will be formulated by the end of current fiscal year

Aim for continuous growth as a Comprehensive Biomass Company utilizing our strength



Precautions about forward-looking statements, etc.

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