Forging a Strategic Alliance

November 20, 2006

Rengo Co., Ltd.
Nippon Paper Group, Inc.
Sumitomo Corporation
Memorandum of understanding for a strategic operational and capital alliance signed today.

Feasibility committee and divisional subcommittees to work toward formal agreement by end of February 2007.

Commence implementing alliance initiatives from fiscal 2007.

Complete capital alliance process during fiscal 2007.
Strategic Alliance Goals

Strategic Alliance

Strengthen domestic foundations
Create leading group in Asian market

Swiftly realize synergies
Strengthen supply chain network
Penetrate overseas markets

Leader in paperboard, corrugated products, and other packaging products
Top domestic papermaker
Strong raw materials sourcing capabilities and global network
Capital Ties

* Complete by March 31, 2008

- **RENGO**
  - Leader in paperboard, corrugated products, and other packaging products
  - 3%

- **Sumitomo Corporation**
  - Strong raw materials sourcing capabilities and global network
  - 0.1%

- **NIPPON PAPER GROUP**
  - Top domestic papermaker
  - 0.6%

*Complete by March 31, 2008*
Strategic Alliance Overview

1. Background and Overview

2. Goals

3. Specific Areas for Joint Consideration
1. Background and Overview
Challenges Facing Japan’s Paper Industry

<table>
<thead>
<tr>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>World’s third biggest paper producer</td>
<td>Demand surging in Asia, particularly in China</td>
</tr>
<tr>
<td>(2005 production was 30.95 million metric tons)</td>
<td>Market globalization intensifying price competition</td>
</tr>
<tr>
<td>Market is beginning to plateau</td>
<td></td>
</tr>
<tr>
<td>Declining exports and rising imports</td>
<td></td>
</tr>
</tbody>
</table>

Japanese paper industry must further stabilize domestic supplies while scaling up to compete internationally.
Strengthen Position in Paperboard Products

- Paperboard leader  
  (No. 2 in 2005 in domestic production volume)
- Upstream through downstream capabilities
  - Top Japan producer of corrugated products
  - Second in containerboard
    (Fourth in linerboard and corrugating medium)

- Nippon Daishowa Paperboard Co., Ltd.
- Raw materials sourcing a key strength
  - Third in containerboard
    (Second in in linerboard and corrugating medium)

Build strong alliance in domestic paperboard sector
Strategic Alliance Overview

- Paperboard
- Packaging
- Joint Sourcing of Raw Materials
2. Goals of Strategic Alliance
Strategic Alliance Goals

- Strengthen domestic foundations
- Create leading group in Asian market
- Swiftly realize synergies
- Strengthen supply chain network
- Penetrate overseas markets

Strategic Alliance

Leader in paperboard, corrugated products, and other packaging products

Top domestic papermaker

Strong raw materials sourcing capabilities and global network
Cement Alliance through Share Ownership

- **Share profitability**
- **Expression of strength of commitment to alliance**
- **Stable shareholder ownership**

**Leadership and Ownership:**
- **RENGO**
  - 3%
  - Leader in paperboard, corrugated products, and other packaging products

- **NIPPON PAPER GROUP**
  - 5%
  - Top domestic papermaker

- **Sumitomo Corporation**
  - 0.1%
  - Strong raw materials sourcing capabilities and global network
  - 3%
  - 0.6%

(Complete by March 31, 2008)
Rengo’s Top Shareholders Under Capital Alliance

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage of Outstanding Common Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd.</td>
<td>9.49</td>
</tr>
<tr>
<td>Master Trust Bank of Japan, Ltd.</td>
<td>8.07</td>
</tr>
<tr>
<td>Sumitomo Trust &amp; Banking Co., Ltd.</td>
<td>3.87</td>
</tr>
<tr>
<td>Mitsui Sumitomo Insurance Co., Ltd.</td>
<td>3.23</td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd.</td>
<td>3.12</td>
</tr>
<tr>
<td>National Mutual Insurance Federation of Agricultural Co-operatives</td>
<td>3.11</td>
</tr>
<tr>
<td>Sumitomo Life Insurance Company</td>
<td>3.07</td>
</tr>
<tr>
<td>Sumitomo Corporation</td>
<td>3.00</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>2.91</td>
</tr>
<tr>
<td>The Norinchukin Bank</td>
<td>2.32</td>
</tr>
</tbody>
</table>

(As of March 31, 2006)
# Nippon Paper Group’s Top Shareholders Under Capital Alliance

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage of Outstanding Common Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>8.77</td>
</tr>
<tr>
<td>Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>6.79</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>3.16</td>
</tr>
<tr>
<td>Mizuho Corporate Bank, Ltd.</td>
<td>2.83</td>
</tr>
<tr>
<td>Mitsui Life Insurance Company Limited</td>
<td>2.23</td>
</tr>
<tr>
<td>Mizuho Bank, Ltd.</td>
<td>1.94</td>
</tr>
<tr>
<td>Daio paper Corporation</td>
<td>1.86</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>1.80</td>
</tr>
<tr>
<td>The Norinchukin Bank</td>
<td>1.54</td>
</tr>
<tr>
<td>Marubeni Corporation</td>
<td>1.42</td>
</tr>
</tbody>
</table>

3.0% holding (As of March 31, 2006)
Strategic Alliance Objectives

- Increase corporate value by strengthening foundations in paperboard and packaging businesses
- Maintain large presence in Japan while leading in Asian market
- Promote flow of information, continuity in culture and more convenient lifestyles
Global Paper Company Rankings in 2005

<table>
<thead>
<tr>
<th>Domestic Ranking</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>International Paper</td>
</tr>
<tr>
<td>2</td>
<td>Stora Enso</td>
</tr>
<tr>
<td>3</td>
<td>SCA</td>
</tr>
<tr>
<td>4</td>
<td>P&amp;G</td>
</tr>
<tr>
<td>5</td>
<td>Georgia Pacific</td>
</tr>
<tr>
<td>6</td>
<td>Oji Paper</td>
</tr>
<tr>
<td>7</td>
<td>Kimberly-Clark</td>
</tr>
<tr>
<td>8</td>
<td>UPM</td>
</tr>
<tr>
<td>9</td>
<td>Weyerhaeuser</td>
</tr>
<tr>
<td>10</td>
<td>Nippon Paper</td>
</tr>
<tr>
<td>24</td>
<td>Rengo</td>
</tr>
</tbody>
</table>

Source: PPI
Business Segment Sales in 2005

Source: Company Financial and Annual Reports
Paper and Paperboard Production Volume in 2005
(Companies with annual production exceeding 1 million metric tons)

Source: Japan Paper Association
Benefits for Rengo

- Reinforce sales force through alliance network
- Boost shares in domestic paperboard and corrugated products market and leap forward in other Asian markets
- Ensure stable business results through long-term relationships
Key Benefits for Nippon Paper Group

- Strengthen capabilities in paperboard and packaging businesses
- Enhance competitiveness overseas
- Raise efficiencies through joint raw materials sourcing
Key Benefits for Sumitomo Corporation

- Secure stable buyers of raw materials
- Leverage greater purchasing power to reduce raw material procurement costs
- Strengthen product marketing by harnessing global network and comprehensive capabilities
3. Specific Areas for Joint Consideration
Specific areas for joint consideration under Strategic Alliance

1. Formulate comprehensive strategy to restructure and strengthen Nippon Paper Group’s packaging business

2. Expand the scope of the Firms’ joint supply network and work together to cut logistics costs

3. Leverage Sumitomo’s domestic and overseas networks

4. Jointly scrap and build containerboard facilities

5. Share technological and human resources in paperboard and packaging businesses

6. Identify and cultivate new growth areas in packaging

7. Other mutually agreed initiatives
① Formulate comprehensive strategy to restructure and strengthen Nippon Paper Group’s packaging business

- Jointly evaluate potential of Nippon Paper Group’s corrugated products business
② Expand the scope of the firms’ joint supply network and work together to cut logistics costs

- Expand joint supply agreements of between Rengo (medium) and Nippon Daishowa Paperboard (linerboard) to achieve more balanced supply chains

- Boost joint supply agreements of paperboard between partners to make optimal use of production facilities

- Explore possible collaboration between Rengo’s Yashio Paper Mill and Nippon Daishowa Paperboard Kanto’s nearby Soka Mill
③ Leverage Sumitomo’s domestic and overseas networks

- Harness Sumitomo’s strong procurement network to source scrap paper and other papermaking materials
- Leverage Sumitomo’s global sales network & marketing expertise to strengthen product marketing
- Draw on Sumitomo’s overall organizational capabilities to assist with joint projects between Rengo and Nippon Paper Group in Japan and overseas
④ Jointly scrap and build containerboard facilities

- Expand joint supply agreements between Rengo and Nippon Daishowa Paperboard to maximize synergies and explore the possibility of creating a production network that allows both companies to scrap outmoded facilities
⑤ Share technological and human resources in paperboard and packaging businesses

- Launch joint research initiatives between the R&D operations of Rengo and Nippon Paper Group
- Share personnel at overseas operations
⑥ Identify and cultivate new growth areas in packaging

- Consider joint operations in non-corrugated cardboard businesses

Example: Explore development partnership between Howa Sangyo (Rengo subsidiary), RRP (Rengo affiliate), and Nippon Paper-Pak (part of Nippon Paper Group)

- Evaluate shared utilization of bases in China to support business growth in the PRC
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.

These materials do not represent an offer or solicitation of an offer to purchase securities, and the contents do not constitute an agreement or promises of any kind.
Supplementary Materials
Rengo Profile

- Net sales: ¥402.2 billion
- Total assets: ¥447.4 billion
- Net assets: ¥134.6 billion
- No. of outstanding common shares: 241,927 thousand
- Paid-in capital: ¥25.3 billion
- Representative: Kiyoshi Otsubo, President and CEO
- Headquarters: 2-7 Nakanoshima 2-chome, Kita-ku, Osaka
- Number of employees: 9,545

(As of March 31, 2006, consolidated basis)
### Rengo
#### Key Consolidated Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>FY2003</th>
<th>FY2004</th>
<th>FY2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(billions of yen)</td>
<td>375.1</td>
<td>391.2</td>
<td>402.2</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(billions of yen)</td>
<td>14.2</td>
<td>21.3</td>
<td>21.7</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>3.8%</td>
<td>5.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>Return on equity</strong></td>
<td>3.9%</td>
<td>10.0%</td>
<td>10.5%</td>
</tr>
<tr>
<td><strong>Equity ratio</strong></td>
<td>24.6%</td>
<td>26.6%</td>
<td>30.1%</td>
</tr>
</tbody>
</table>
Rengo
Management Vision and Medium-Term Plan

- Rengo’s vision
  Become a Packaging Solutions Company by generating new value for society, markets, and customers and providing optimal solutions

- Vision 009 (Consolidated FY2009 targets)
  Net sales  ¥500 billion
  Operating income  ¥38 billion
Nippon Paper Group Profile

- Net sales: ¥1,152.2 billion
- Total assets: ¥1,492.4 billion
- Net assets: ¥440.3 billion
- No. of outstanding common shares: 1,105 thousand
- Paid-in capital: ¥55.7 billion
- Representative: Masatomo Nakamura, President
- Headquarters: 12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo
- Number of employees: 12,798

(As of March 31, 2006, consolidated basis)
### Nippon Paper Group
#### Key Consolidated Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>FY2003</th>
<th>FY2004</th>
<th>FY2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong> (billions of yen)</td>
<td>1,192.6</td>
<td>1,179.7</td>
<td>1,152.2</td>
</tr>
<tr>
<td><strong>Operating income</strong> (billions of yen)</td>
<td>55.7</td>
<td>65.2</td>
<td>48.4</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>4.7%</td>
<td>5.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td><strong>Return on equity</strong></td>
<td>5.8%</td>
<td>5.6%</td>
<td>3.9%</td>
</tr>
<tr>
<td><strong>Equity ratio</strong></td>
<td>26.2%</td>
<td>28.9%</td>
<td>29.5%</td>
</tr>
</tbody>
</table>
Nippon Paper Group
Management Vision and Medium-Term Plan

- Group Vision 2015 (launched in April 2005)
  Become top five player in global paper and pulp sector
  Consolidated net sales of ¥1.5 to ¥2 trillion
  Consolidated operating margin of 8%-10%

- Second Medium-Term Plan (FY2006 through FY2008)
  First step toward realizing Group vision
  Consolidated operating income of ¥80 billion
## Sumitomo Profile

- **Net sales**: ¥10,336.3 billion
- **Total assets**: ¥6,711.9 billion
- **Net assets**: ¥1,304.0 billion
- **No. of outstanding common shares**: 1,250,603 thousand
- **Paid-in capital**: ¥219.3 billion
- **Representative**: Motoyuki Ota, President and CEO
- **Headquarters**: 8-11, Harumi 1-chome, Chuo-ku, Tokyo
- **Number of employees**: 51,700

(As of March 31, 2006, consolidated basis)
Rengo and Nippon Paper Group
Domestic Paperboard Production Bases

*Source: Japan Paper Association 2005 annual report
"Others" includes Yellow Paperboard Chip Ball, Color Paperboard, Waterproofing core base paper, Plaster board core base paper, Wanpu and others.
Rengo and Nippon Paper Group
Domestic Corrugated Cardboard Production Bases

- Rengo
- Rengo Group
- Nippon Tokan
Rengo and Nippon Paper Group
Overseas Paperboard and Corrugated Cardboard
Production Bases

[Map showing production bases in various locations around the world, including
Rengo and Nippon Paper Group bases in different countries.]
Domestic Paperboard and Corrugated Cardboard Production Volumes 2001 to 2005

From Paper and Pulp Statistics 2005 of Japan Paper Association
Market Share
Corrugated Cardboard (2005)

Estimates from Rengo and Nippon Paper Group
Market Share
Corrugated Cardboard (2005)

Source: Japan Paper Association
Recent Developments in Japan’s Paperboard and Corrugated Cardboard Industry

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1999</td>
<td>Rengo absorbs Settsu</td>
</tr>
<tr>
<td></td>
<td>Chuo Paperboard joins Oji Paper Group</td>
</tr>
<tr>
<td>October 1999</td>
<td>Takasaki Paper and Sanko Paper merge</td>
</tr>
<tr>
<td>July 2001</td>
<td>Oji Paperboard established</td>
</tr>
<tr>
<td>October 2002</td>
<td>Oji group integrates corrugated board operations</td>
</tr>
<tr>
<td>April 2003</td>
<td>Nippon Daishowa Paperboard launched</td>
</tr>
<tr>
<td>October 2005</td>
<td>Nippon Tokan Package launched</td>
</tr>
<tr>
<td>December 2005</td>
<td>Oji Paper acquires Mori Shigyo</td>
</tr>
</tbody>
</table>