



Forging a Strategic Alliance

November 20, 2006

Rengo Co., Ltd.
Nippon Paper Group, Inc.
Sumitomo Corporation

Today's Announcement

Strategic Operational & Capital Alliance

- 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



Leader in paperboard,
corrugated products,
and other
packaging products



Top domestic
papermaker



Strong raw materials
sourcing capabilities
and global network

Strategic Alliance

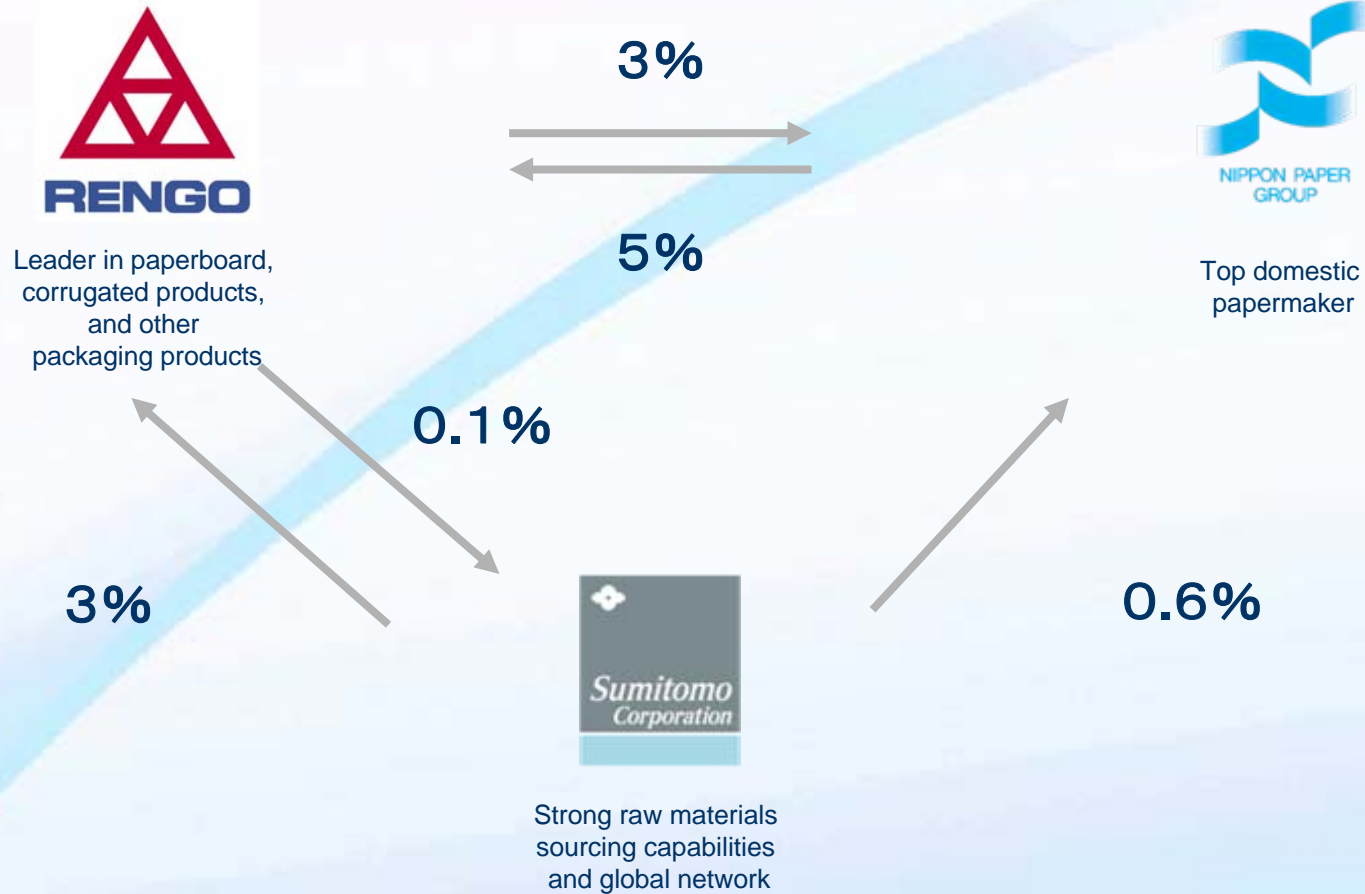
**Strengthen domestic foundations
Create leading group in Asian market**

**Swiftly realize
synergies**

**Strengthen supply
chain network**

**Penetrate overseas
markets**

Capital Ties



* 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

Japan

- World's third biggest paper producer (2005 production was 30.95 million metric tons)
- Market is beginning to plateau
- Declining exports and rising imports

Overseas

- Demand surging in Asia, particularly in China
- Market globalization intensifying price competition

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



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packaging products



Top domestic
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Strong raw materials
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Strategic Alliance

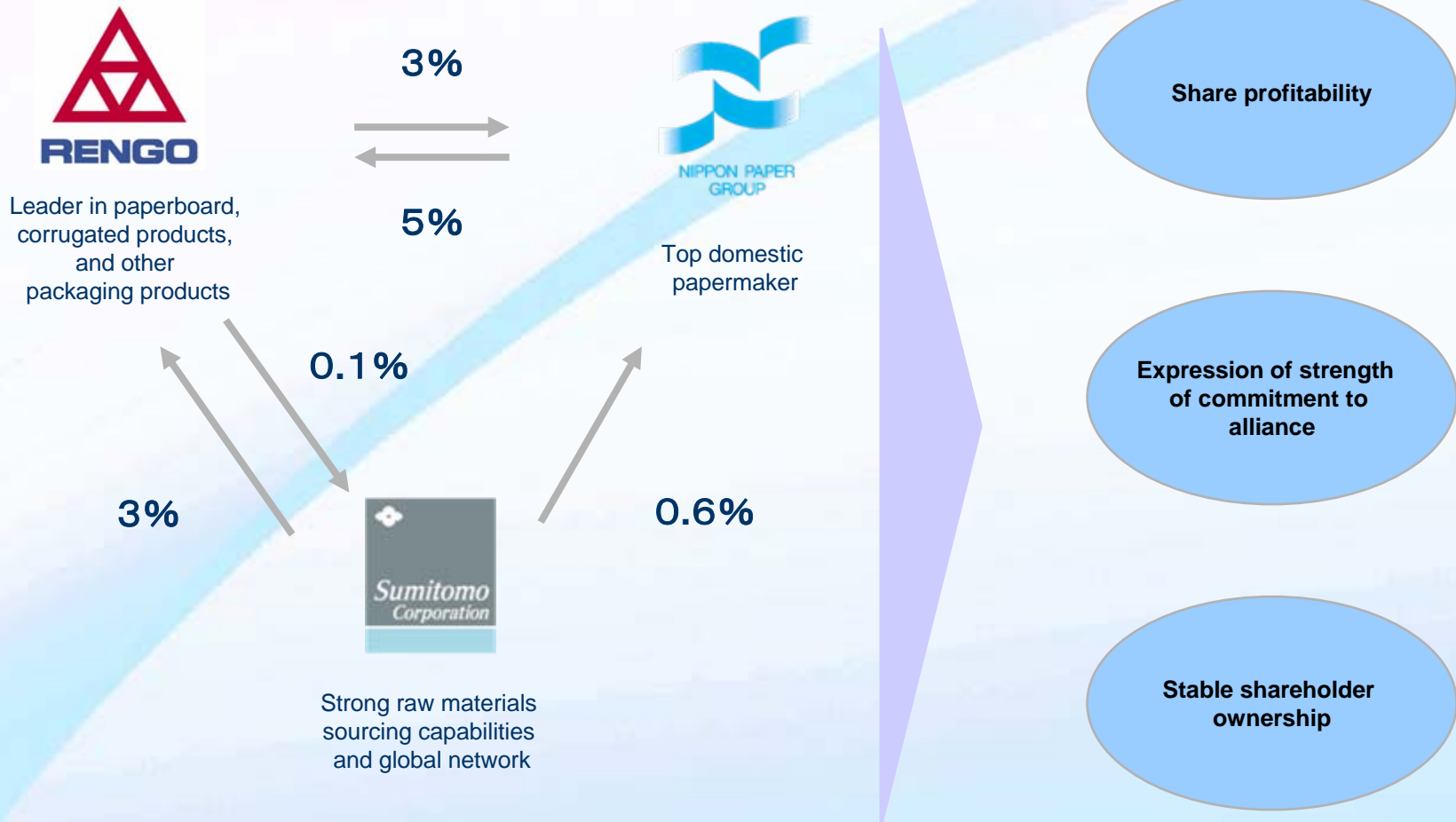
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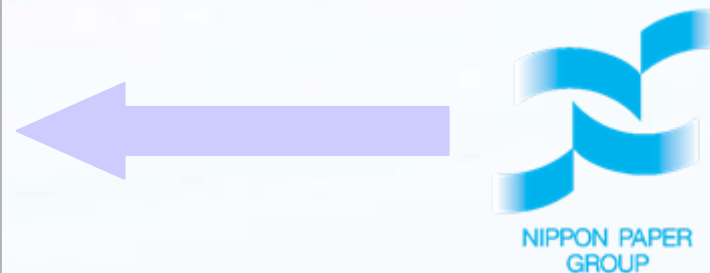
Cement Alliance through Share Ownership



(Complete by March 31, 2008)

Rengo's Top Shareholders Under Capital Alliance

Shareholder	Percentage of Outstanding Common Stock
Japan Trustee Services Bank, Ltd.	9.49
Master Trust Bank of Japan, Ltd.	8.07
Sumitomo Trust & Banking Co., Ltd.	3.87
Mitsui Sumitomo Insurance Co., Ltd.	3.23
Trust & Custody Services Bank, Ltd.	3.12
National Mutual Insurance Federation of Agricultural Co-operatives	3.11
Sumitomo Life Insurance Company	3.07
Sumitomo Corporation	3.00
Sumitomo Mitsui Banking Corporation	2.91
The Norinchukin Bank	2.32



5.0% holding

(As of March 31, 2006)

Nippon Paper Group's Top Shareholders Under Capital Alliance

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



(As of March 31, 2006)

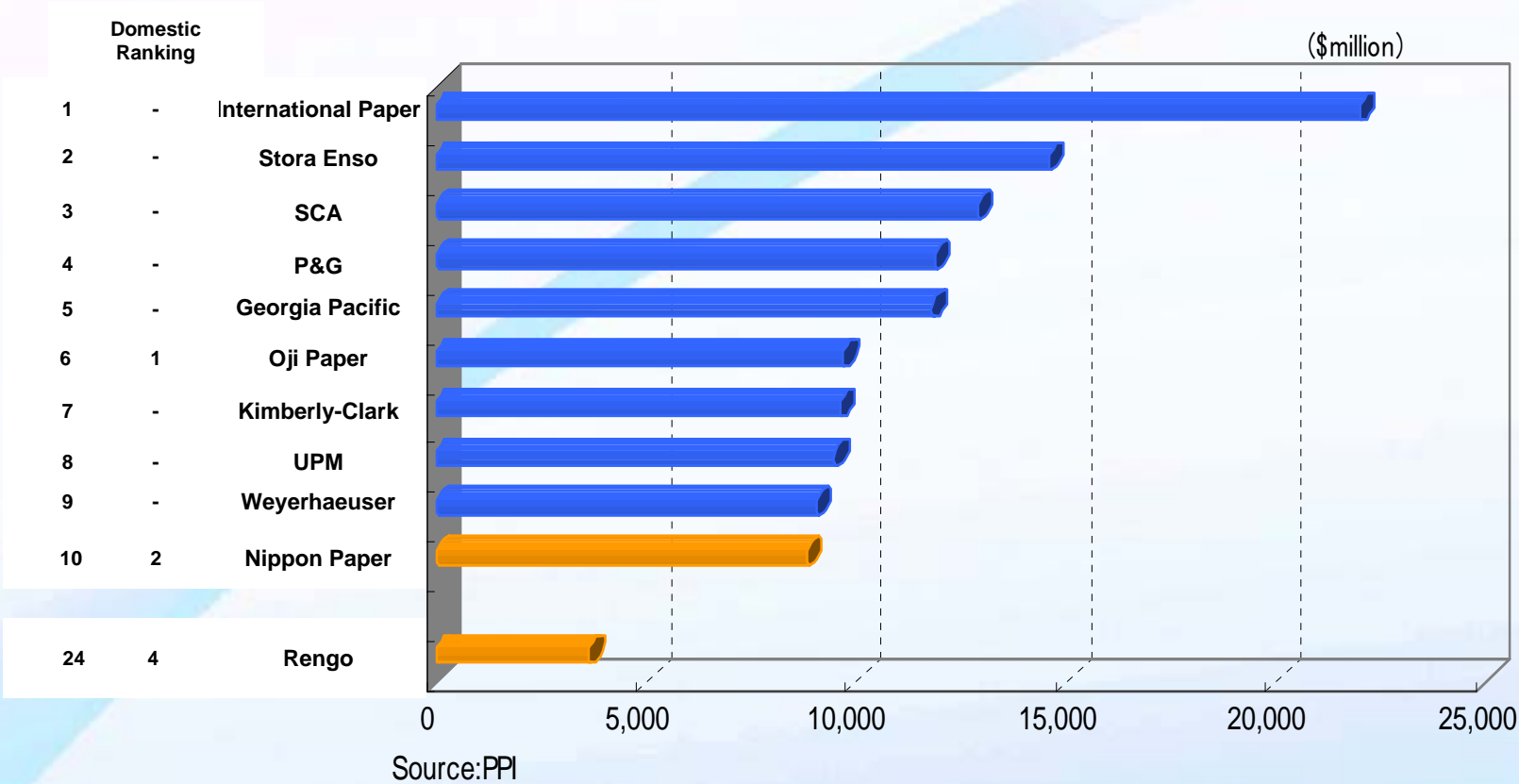
Strategic Alliance Objectives

Increase corporate value by strengthening foundations in paperboard and packaging businesses

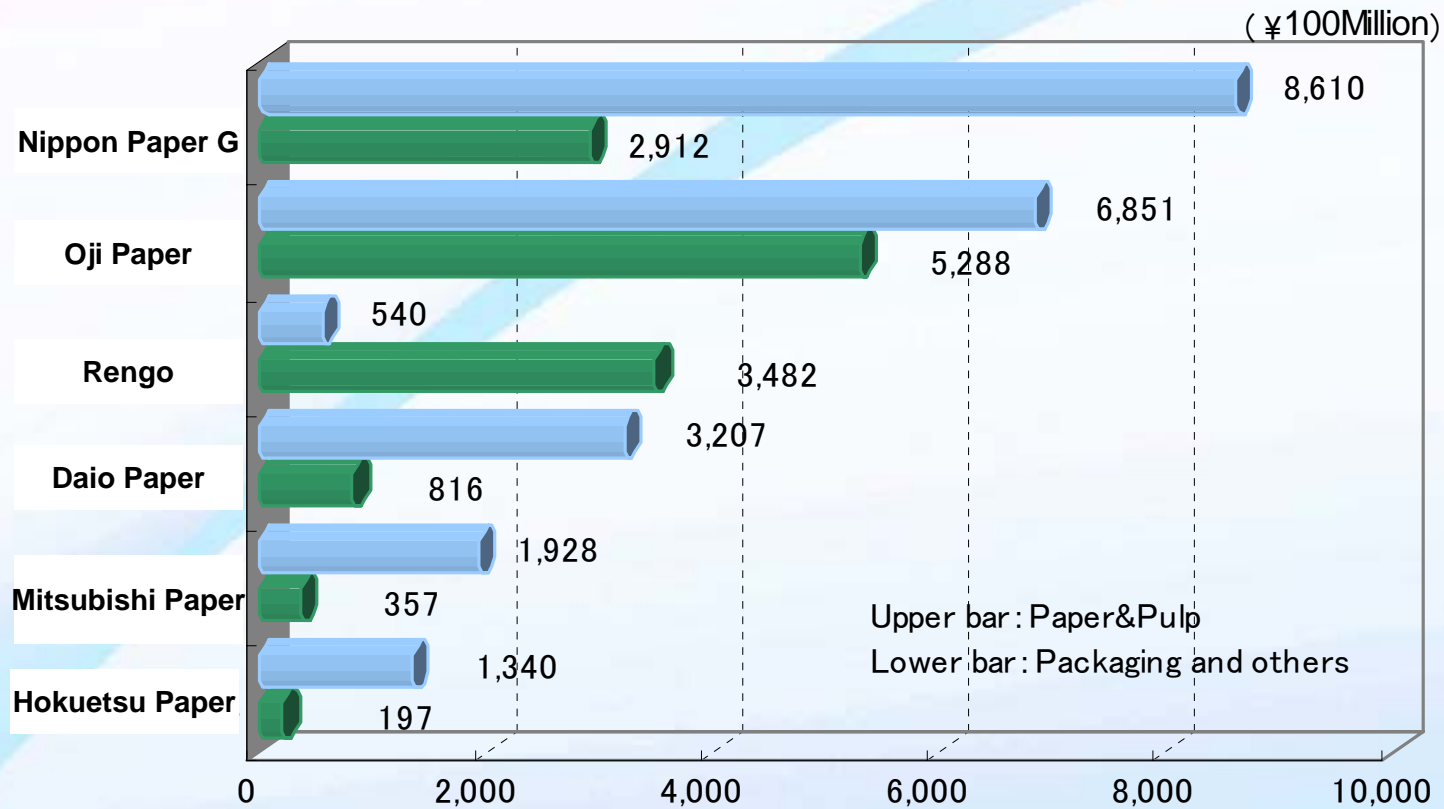
Maintain large presence in Japan while leading in Asian market

Promote flow of information, continuity in culture and more convenient lifestyles

Global Paper Company Rankings in 2005



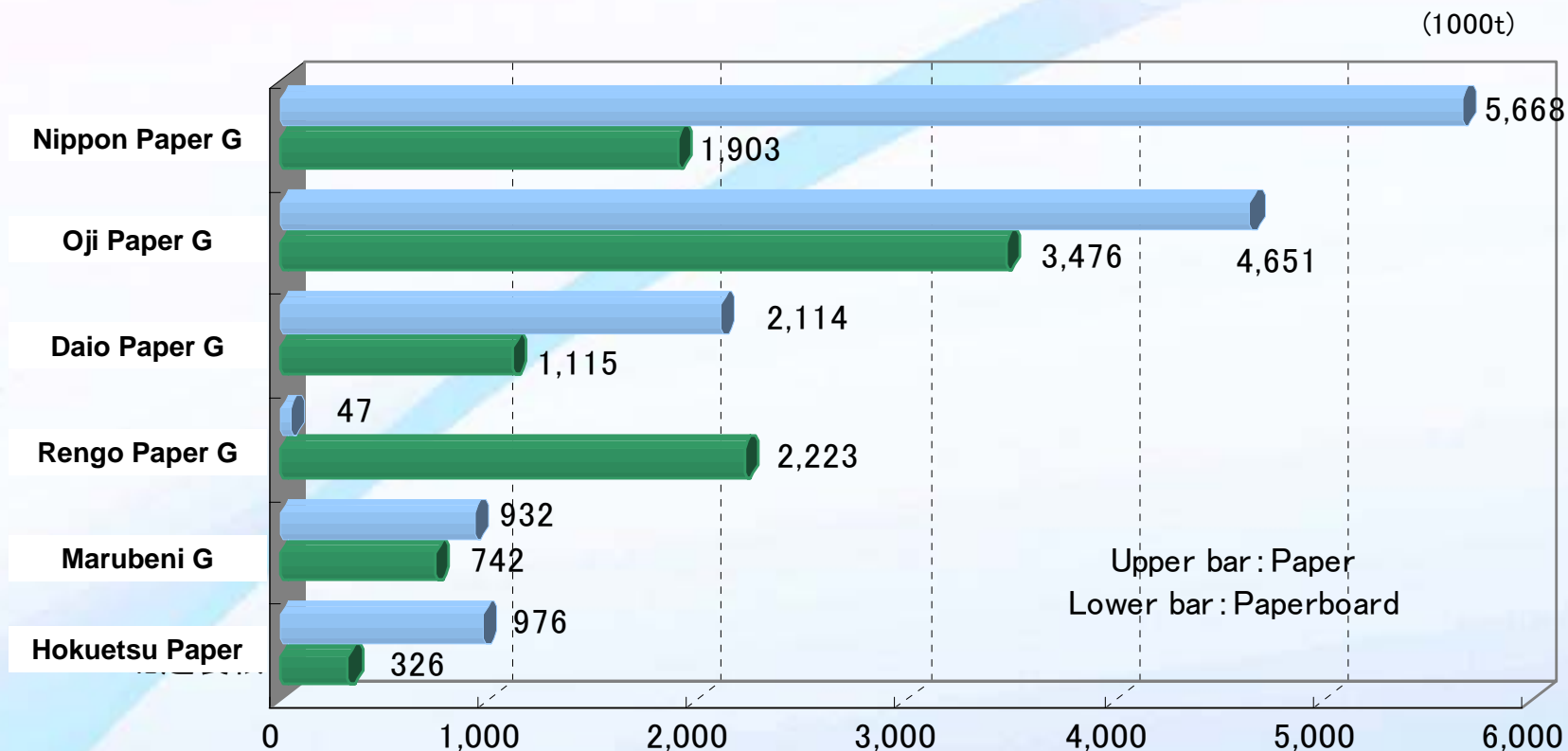
Business Segment Sales in 2005



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

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- 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

	FY2003	FY2004	FY2005
Net sales (billions of yen)	375.1	391.2	402.2
Operating income (billions of yen)	14.2	21.3	21.7
Operating margin	3.8%	5.4%	5.4%
Return on equity	3.9%	10.0%	10.5%
Equity ratio	24.6%	26.6%	30.1%

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

	FY2003	FY2004	FY2005
Net sales (billions of yen)	1,192.6	1,179.7	1,152.2
Operating income (billions of yen)	55.7	65.2	48.4
Operating margin	4.7%	5.5%	4.2%
Return on equity	5.8%	5.6%	3.9%
Equity ratio	26.2%	28.9%	29.5%

Nippon Paper Group

Management Vision and Medium-Term Plan

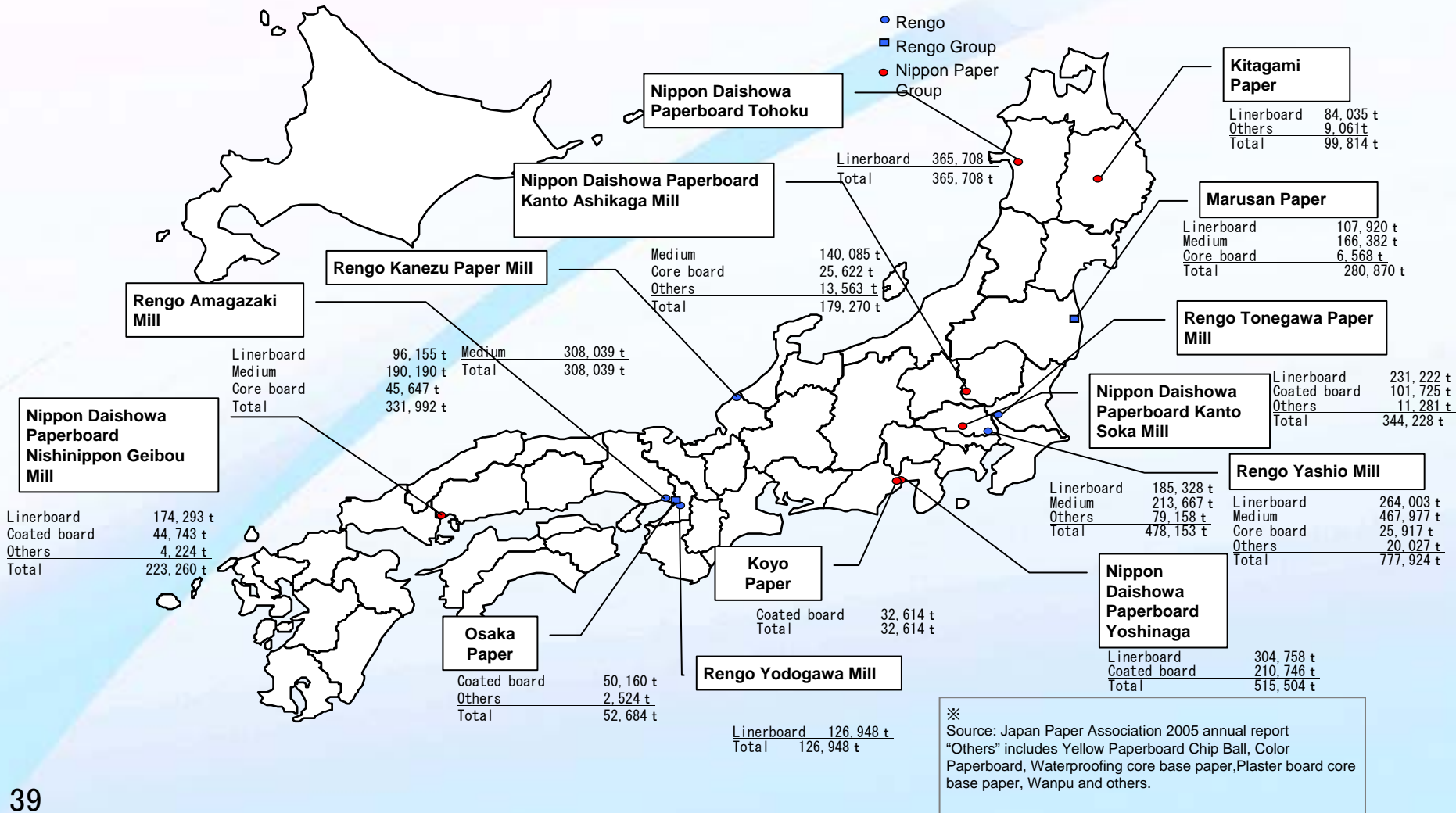
- Group Vision 2015 (launched in April 2005)
 - Become top five player in global paper and pulp sector
 - Consolidated net sales of ¥1.5 to ¥2 trillion
 - Consolidated operating margin of 8%-10%
- Second Medium-Term Plan (FY2006 through FY2008)
 - First step toward realizing Group vision
 - Consolidated 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



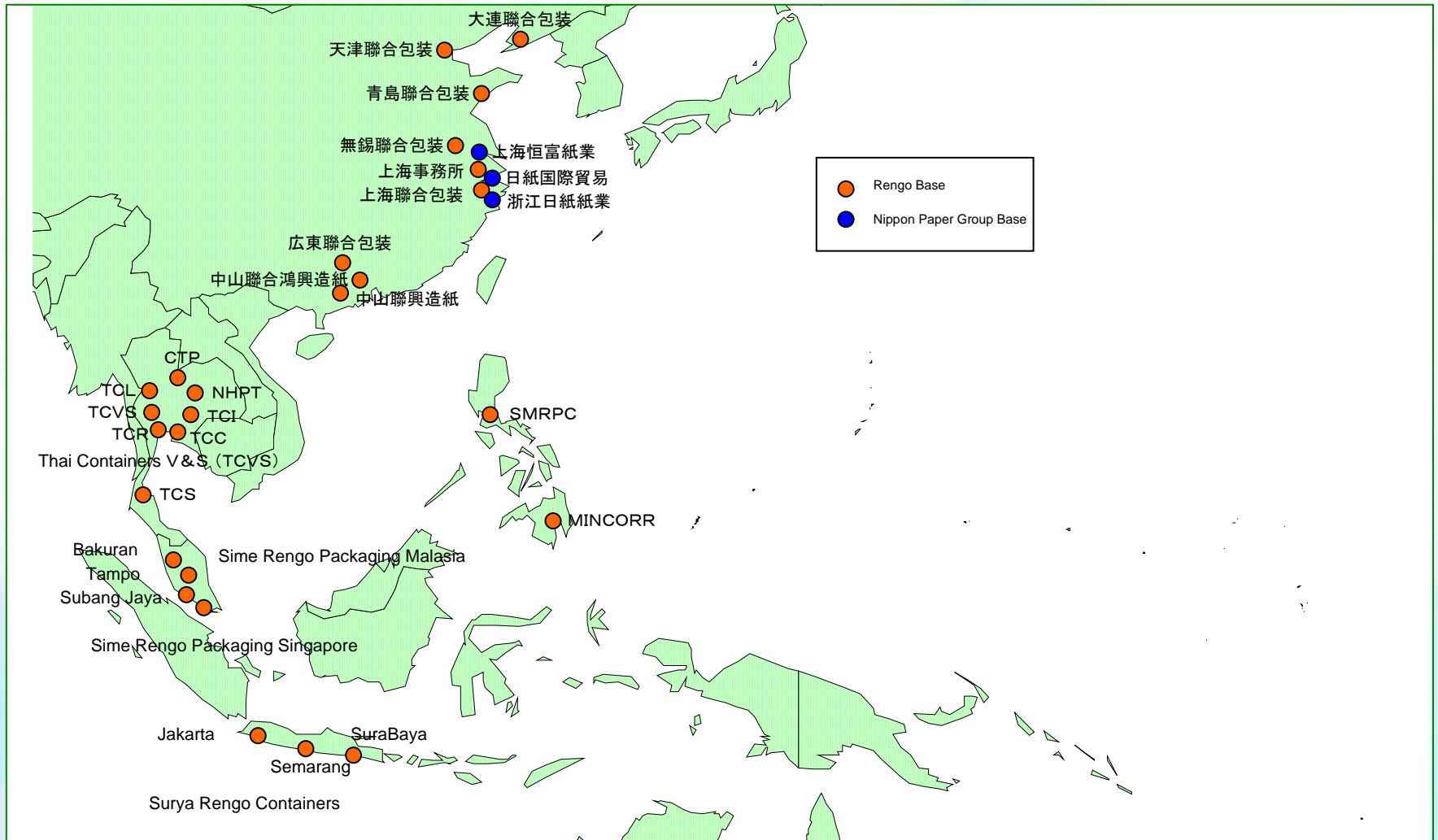
Rengo and Nippon Paper Group Domestic Corrugated Cardboard Production Bases



- Rengo
- Rengo Group
- Nippon Tokan

Rengo		Nippon Tokan Package	
1	Ena Plant	67	Sendai Plant
2	Asahikawa Plant	68	Fukushima Plant
3	Aomori Plant	69	Furukawa Plant
4	Sendai Plant	70	Ibaraki Plant
5	Koriyama Plant	71	Saitama Plant
6	Oyama Plant	72	Chiba Plant
7	Maebashi Plant	73	Yokohama Plant
8	Chiba Plant	74	Atsugi Plant
9	Tokyo Plant	75	Fuji Plant
10	Katsushika Plant	76	Aichi Plant
11	Kawasaki Plant	77	Gifu Plant
12	Shonan Plant	78	Shiga Plant
13	Nagano Plant	79	Kyoto Plant
14	Matsumoto Plant	80	Osaka Plant
15	Shimizu Plant	81	Fukuoka Plant
16	Niigata Plant		
17	Toyoashi Plant		
18	Nagoya Plant		
19	Fukui Plant		
20	Shiga Plant		
21	Kyoto Plant		
22	Mita Plant		
23	Wakayama Plant		
24	Katsura Plant		
25	Okayama Plant		
26	Hiroshima Plant		
27	Hofu Plant		
28	Matsuyama Plant		
29	Tosu Plant		
30	Yamato Shiki Kawaguchi Plant	49	Hinode Shiki Fukuoka Plant
31	Yamato Shiki Saitama Plant	50	Hinode Shiki Head Plant
32	Yamato Shiki Kanagawa Plant	51	Hinode Shiki Ogura Plant
33	Yamato Shiki Shizuoka Plant	52	Etojiwa corrugated board NozPlant
34	Yamato Shiki Osaka Plant	53	Ihara Shiki Head Plant
35	Yamato Shiki Himeji Plant	54	Saito Shiki
36	Yamato Shiki Okayama Plant	55	Koufu Daiichi Jitsugyo
37	Settsu Carton Tsukuba Plant	56	Tokai Shiki Hamamatsu Plant
38	Settsu Carton Utsunomiya Plant	57	Tokai Shiki Okazaki Plant
39	Settsu Carton Tokyo Plant	58	Tokai Shiki Yokkaichi Plant
40	Settsu Carton Kumagaya Plant	59	Tokai Shiki Isshi Plant
41	Settsu Carton Niigata Plant	60	Hokuriku Shiki
42	Settsu Carton Komaki Plant	61	Nitto Shiki Kogyo
43	Settsu Carton Shinshiro Plant	62	Awaji Shiko
44	Settsu Carton Higashi Osaka Plant	63	Yamatoya
45	Settsu Carton Itami Plant	64	Daiichi Package Head Plant
46	Settsu Carton Ono Plant	65	Sakaiminato corrugated board
47	Settsu Carton Echizen Plant	66	Asahi corrugated board
48	Settsu Carton Yamaguchi Plant		

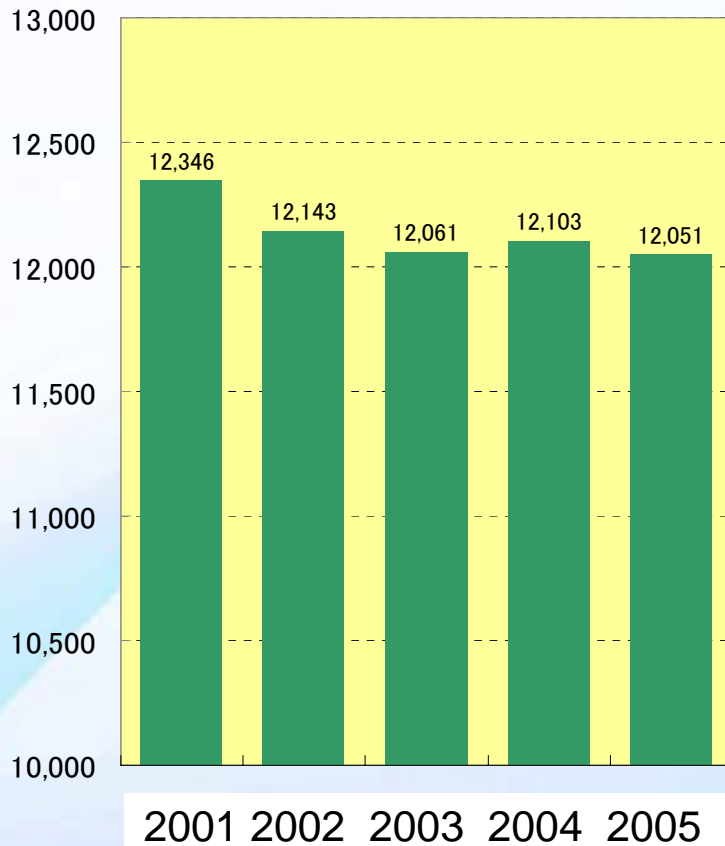
Rengo and Nippon Paper Group Overseas Paperboard and Corrugated Cardboard Production Bases



Domestic Paperboard and Corrugated Cardboard Production Volumes 2001 to 2005

Paperboard

(Thousand metric tons)

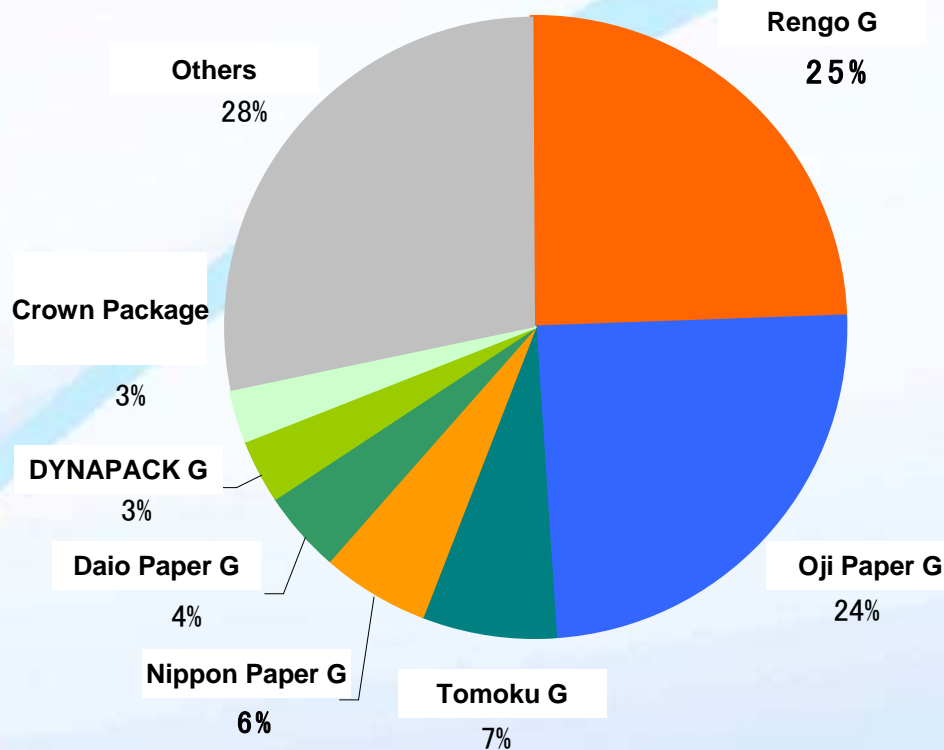


Corrugated Products

(Million m²)

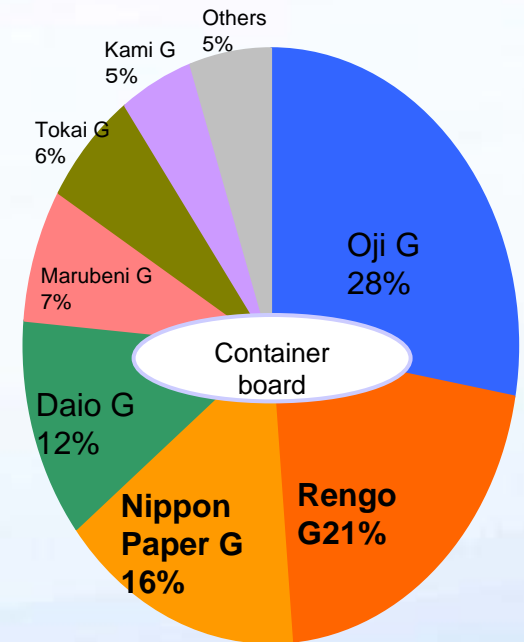
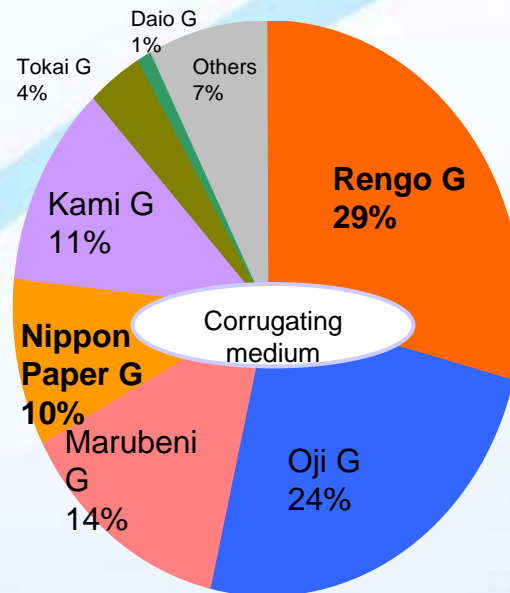
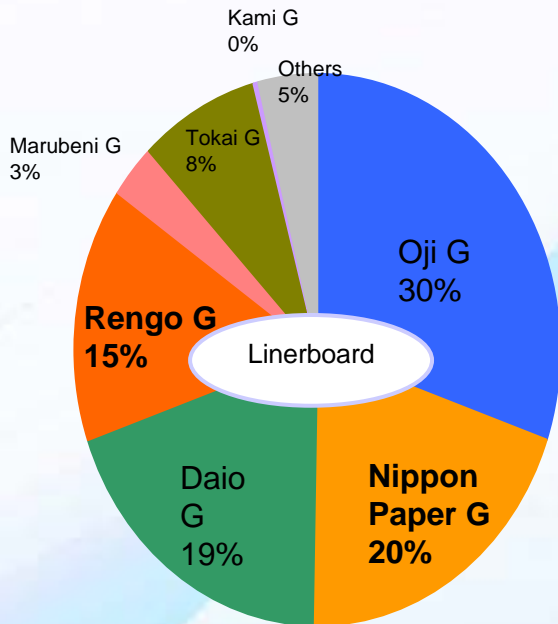


Market Share Corrugated Cardboard (2005)



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

April 1999	Rengo absorbs Settsu Chuo Paperboard joins Oji Paper Group
October 1999	Takasaki Paper and Sanko Paper merge
July 2001	Oji Paperboard established
October 2002	Oji group integrates corrugated board operations
April 2003	Nippon Daishowa Paperboard launched
October 2005	Nippon Tokan Package launched
December 2005	Oji Paper acquires Mori Shigyo