NIPPON PAPER GROUP

Tackling Immediate Challenges

November 10th 2008
Analyst meeting

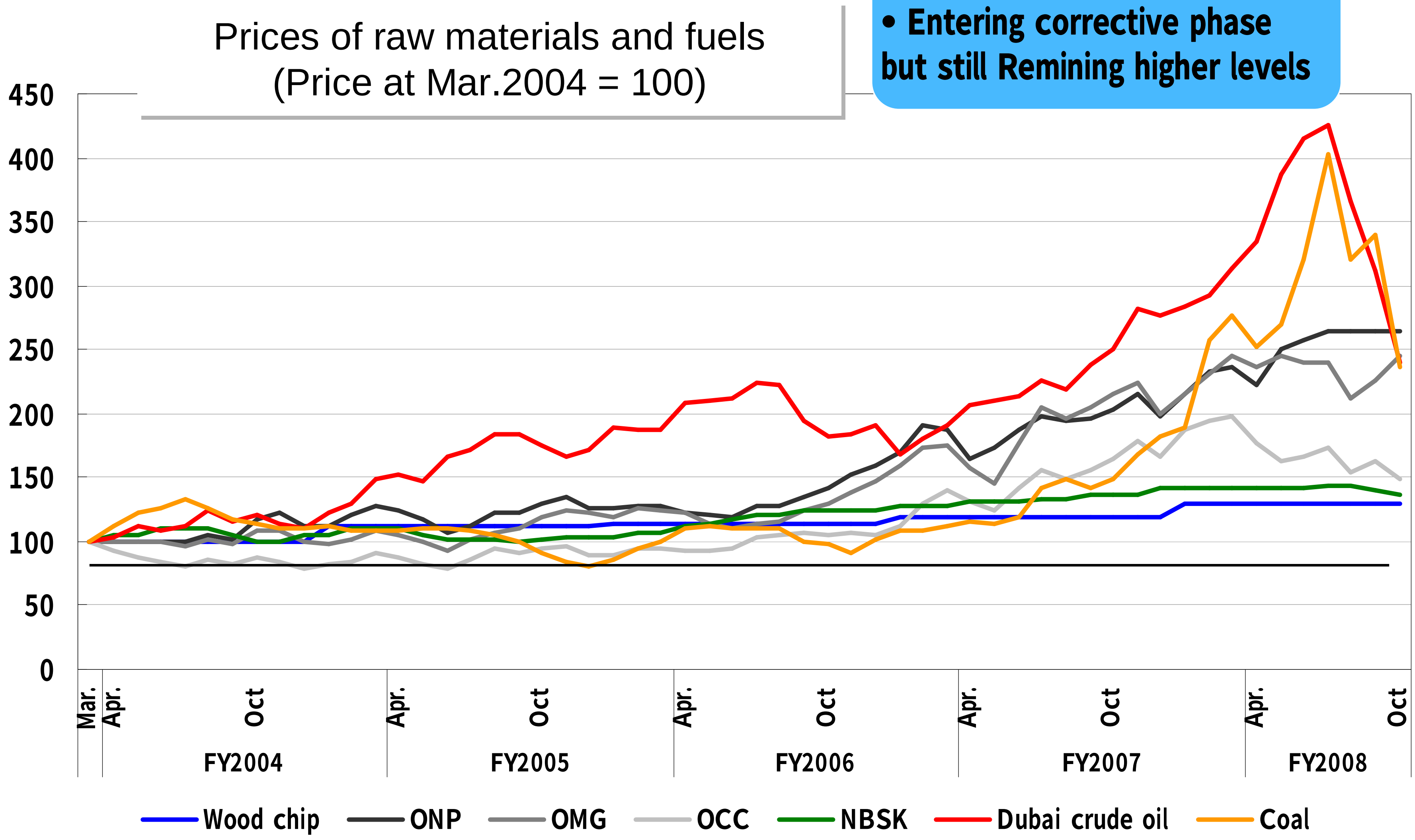
NIPPON PAPER GROUP, INC.

Major issues

- Business environment and Price keeping
- Outlook
  - Benefit from newly installed boilers
  - Optimization of paper production
- Overseas allinace projects
  - Yuen Foong Yu Paper Mfg. (YFY)
  - SCG Paper
- Securing wood fiber resource
- Summary

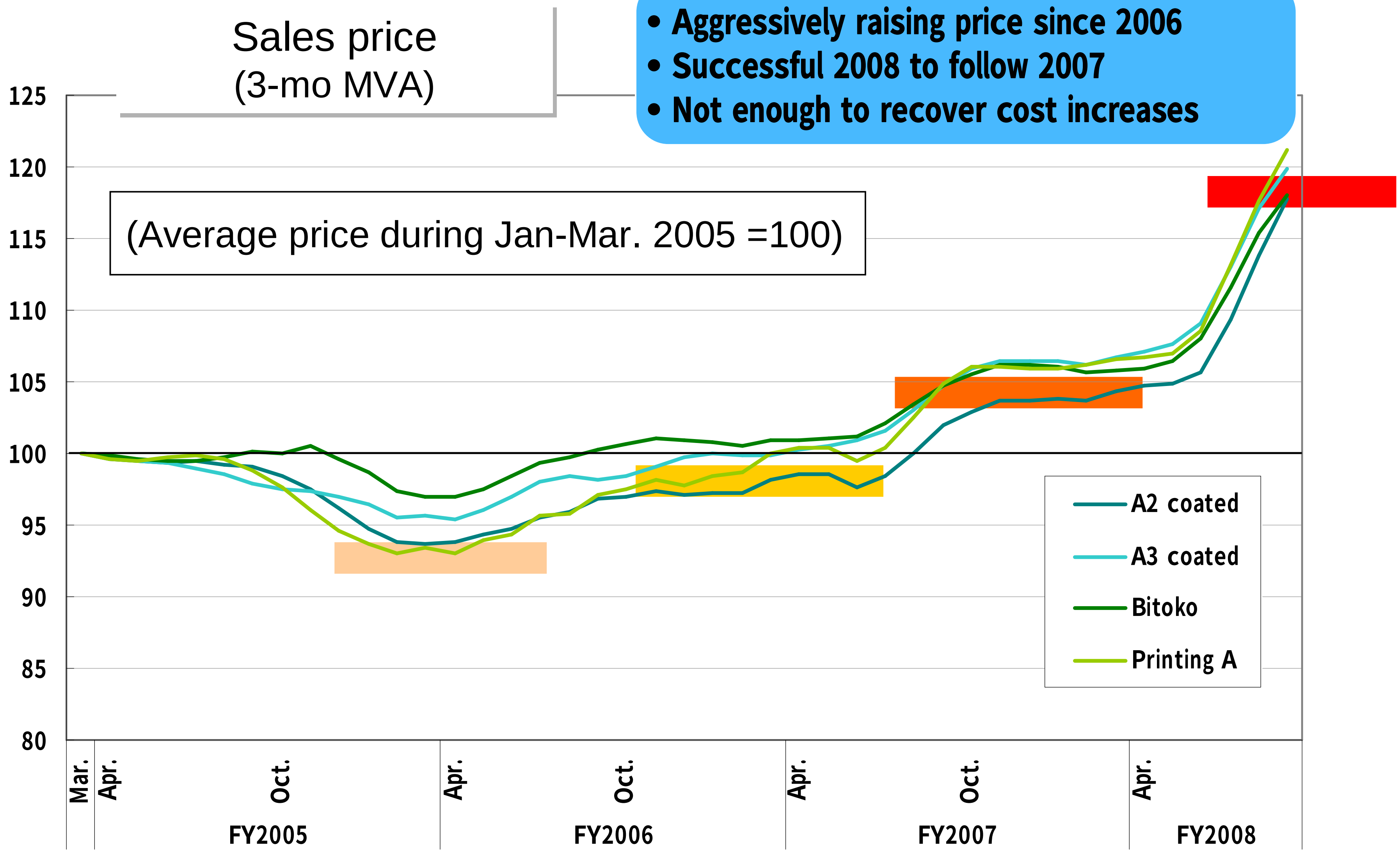
Business environment and Price keeping

• **Entering corrective phase but still Remining higher levels**



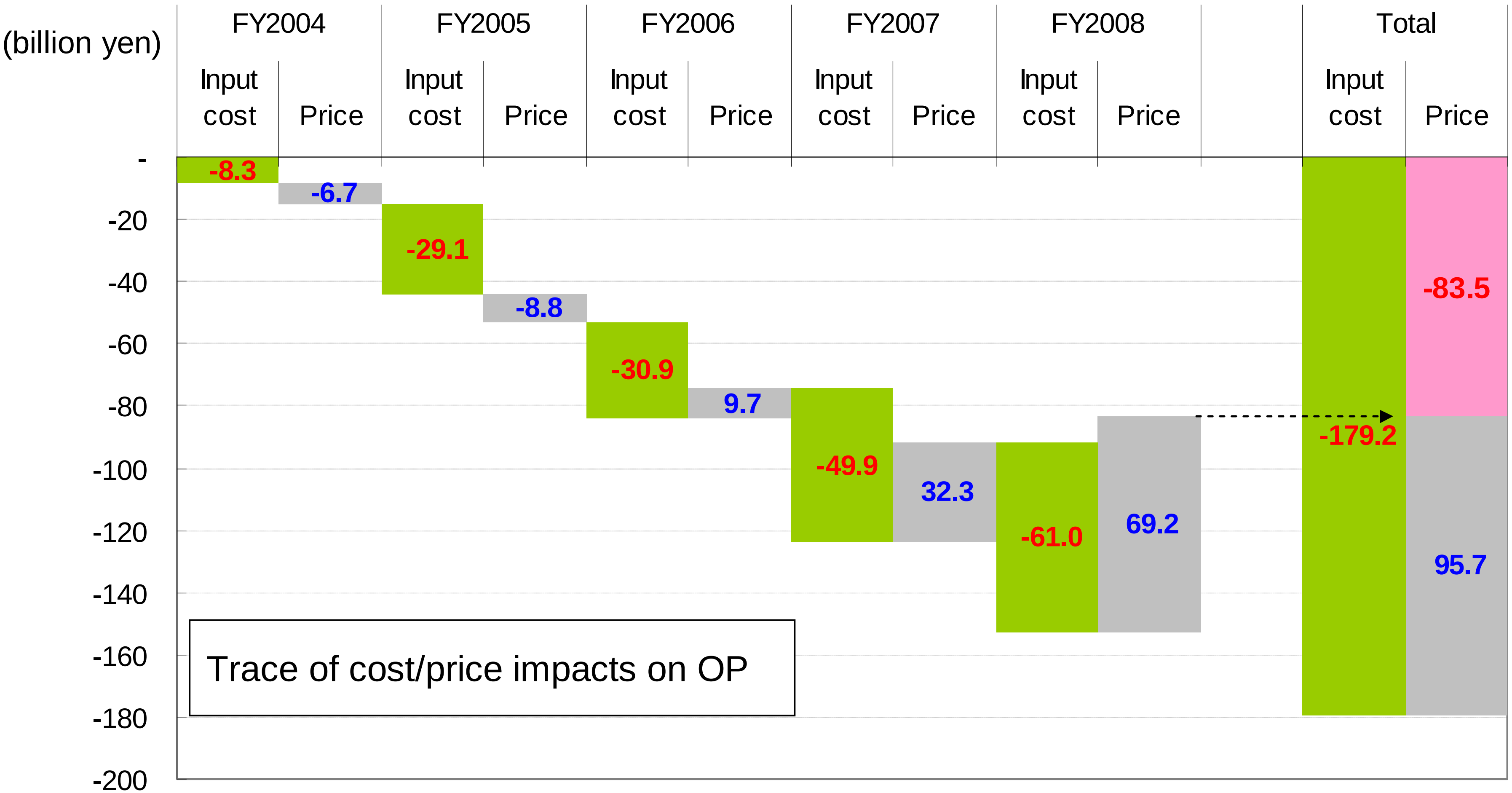
Business environment and Price keeping

- Aggressively raising price since 2006
- Successful 2008 to follow 2007
- Not enough to recover cost increases

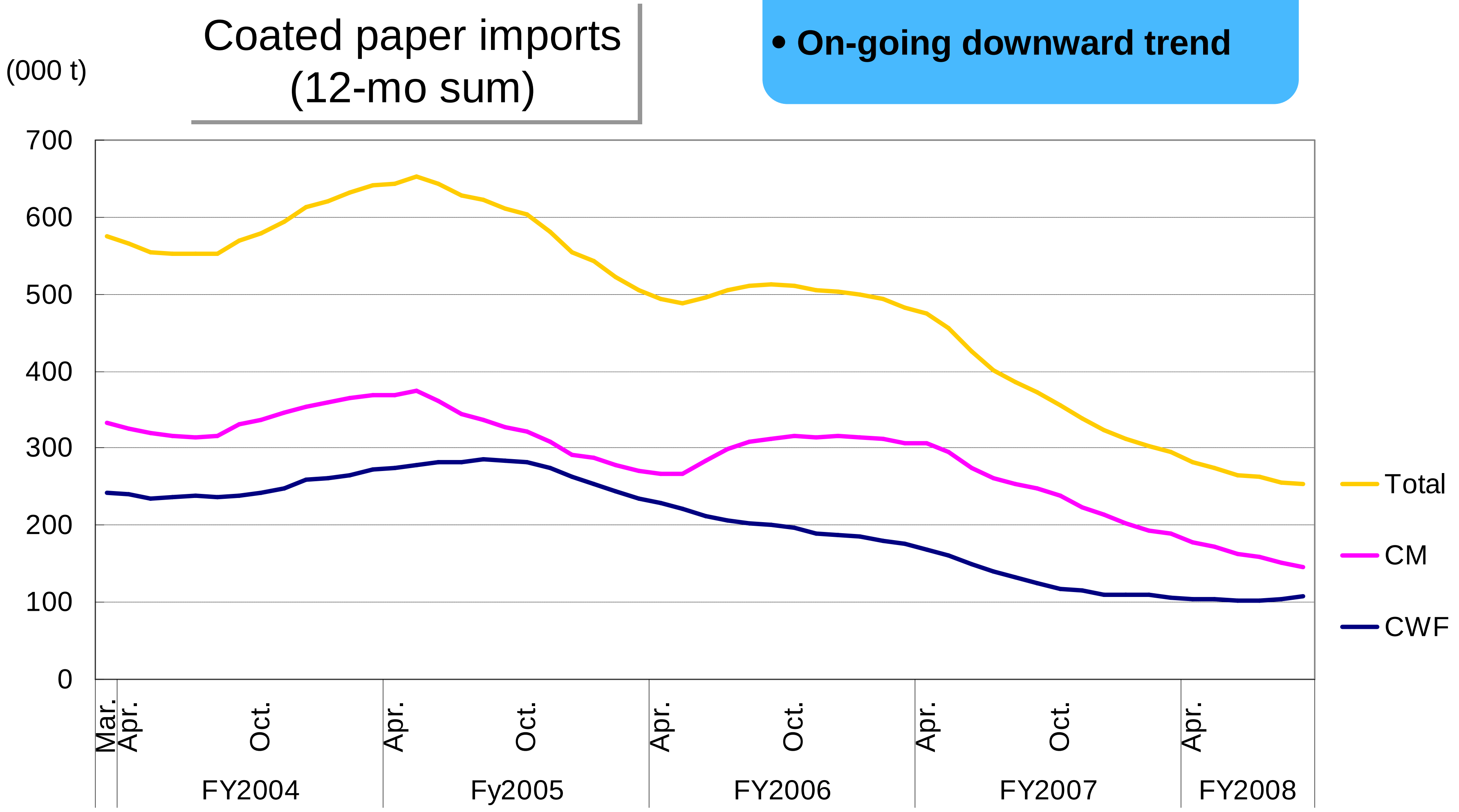


Business environment and Price keeping

Progress of passing on cost rises

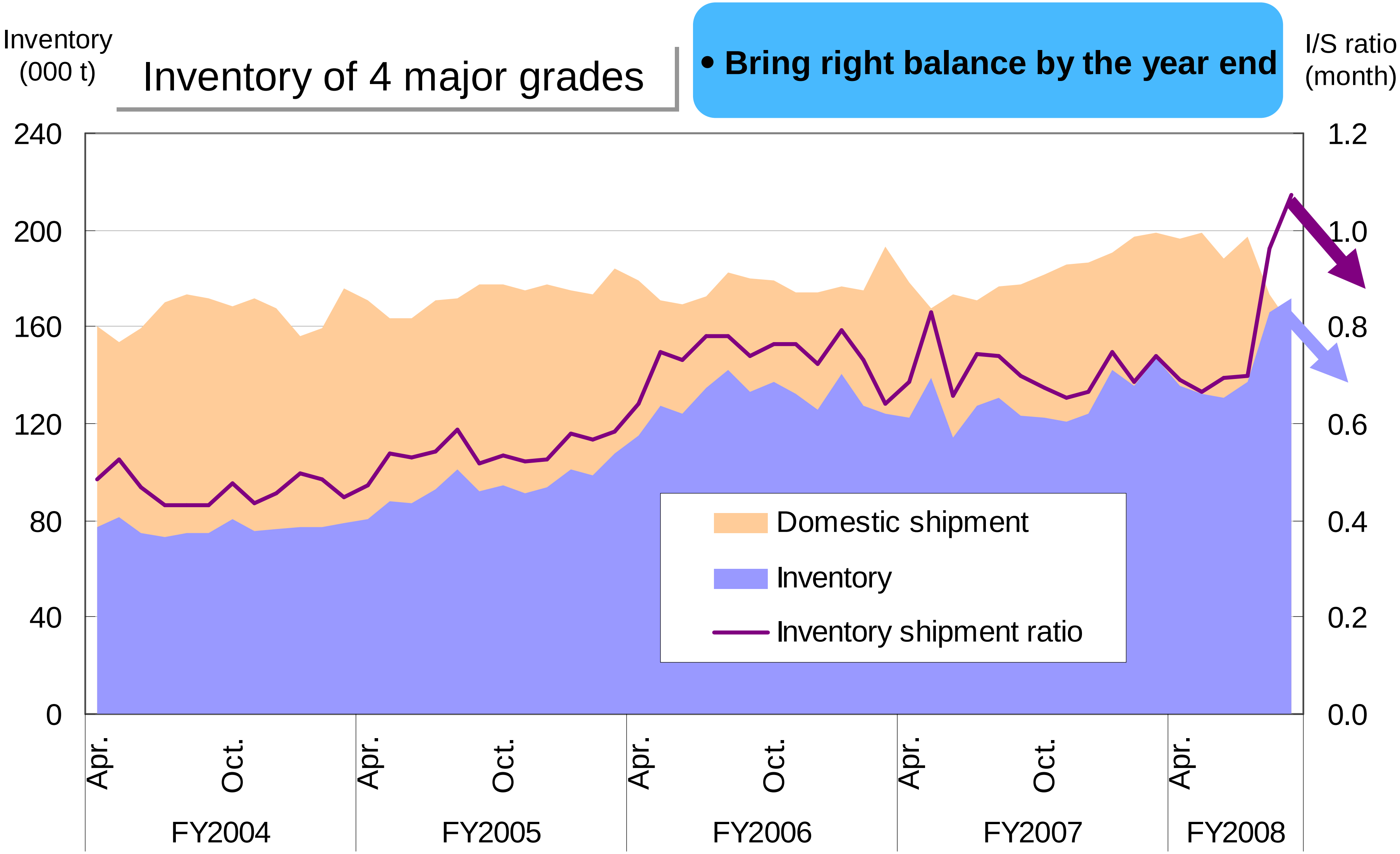


Business environment and Price keeping



- **On-going downward trend**

Business environment and Price keeping



Major 4 grades = A2 coated, A3 coated, Bitoko, Printing A

Business environment and Price keeping

- Most urgent: Reduce distributor inventory!
  - Significant curtailment for major grades during Oct.-Dec.

Grade	YoY
• A2 coated	-50 kt
• A3 coated	-70 kt
• Bitoko	-20 kt
• Printing A	-some kt
Total	-140 kt

- **Price keeping as Top priority**

  - Proactive adjustment continues in Jan.-Mar. accordingly to demand

Outlook

- Demand: Unclear — Need to look closely at economic situation
- Input cost: Unclear — Chemicals price still rising
- Cost cuts: Do our best to achieve targets despite the large curtailment
  - **Ensuring contribution from new boilers**
  - **Optimizing paper production**

Outlook — New boiler contribution

New boiler schedule

Operation start	Co.	Mill	Fuel	Steam flow t/h	Heavy oil reduction 000kl	Investment ¥ billion
Sep 2004	NPI	Nakoso	Biomass	105	19	3.9
Oct 2006	NPI	Ishinomaki	Biomass	180	55	5.3
Oct 2007	NPI	Fuji	Biomass	230	103	6.4
Jan 2008	NPI	Iwanuma	New energy	230	87	11.5
Feb 2008	NPI	Iwakuni	Biomass	180	86	10.1
Apr 2008	NDB	Yoshinaga	New energy	180	93	6.7
Apr 2008	NDB	Akita	Coal	180	75	5.9
Aug 2008	NPI	Shiraoi	New energy	280	56	9.0
Sep 2008	NPC	Gotsu	Pulverized coal	105	43	5.3
Sep 2008	NPI	Asahikawa	Biomass	170	5	6.9
May 2009	NDB	Otake	Coal	260	114	11.2
2004-2009Total					736	82.1

running

Studying	NPI	Iwakuni II	New energy	260		

FY2008 Estimated benefit (yen billion)

1H 5.1

2H 4.2

Total 9.3

Outlook — Optimization of paper production

- Sep. 30 Ceased paper production at 3 sites
  - **NPI: Closed Fushiki mill**
  - **NPI: Ceased paper production at Komatsushima mill**
  - **NDB:Closed Waki works**

- Employees at the 3 sites

Relocated in the Group	Quited	Total
228	121	349 employees

ref. in the presentation at the analyst meeting on Oct. 29 2007:
Regular employees 220 + On-lone 130 = 350 => treated as "Regular"

Outlook — Optimization of paper production

- Expecting benefit of planned level
- Realizing gradually from this 2H

•Variable costs	-Y0.1bn
Production efficiency	+ Y3.8 bn
Output reduction	- Y3.9 bn
•Fixed costs	+Y3.8 bn
Depreciation	+ Y1.6 bn
Capex impact	- Y0.4 bn
Maintenance,GA etc.	+ Y2.6 bn

+Y3.7bn

\+

•Labor costs +Y1.9 bn

Original Plan

Cost benefit
+Y5.6 bn

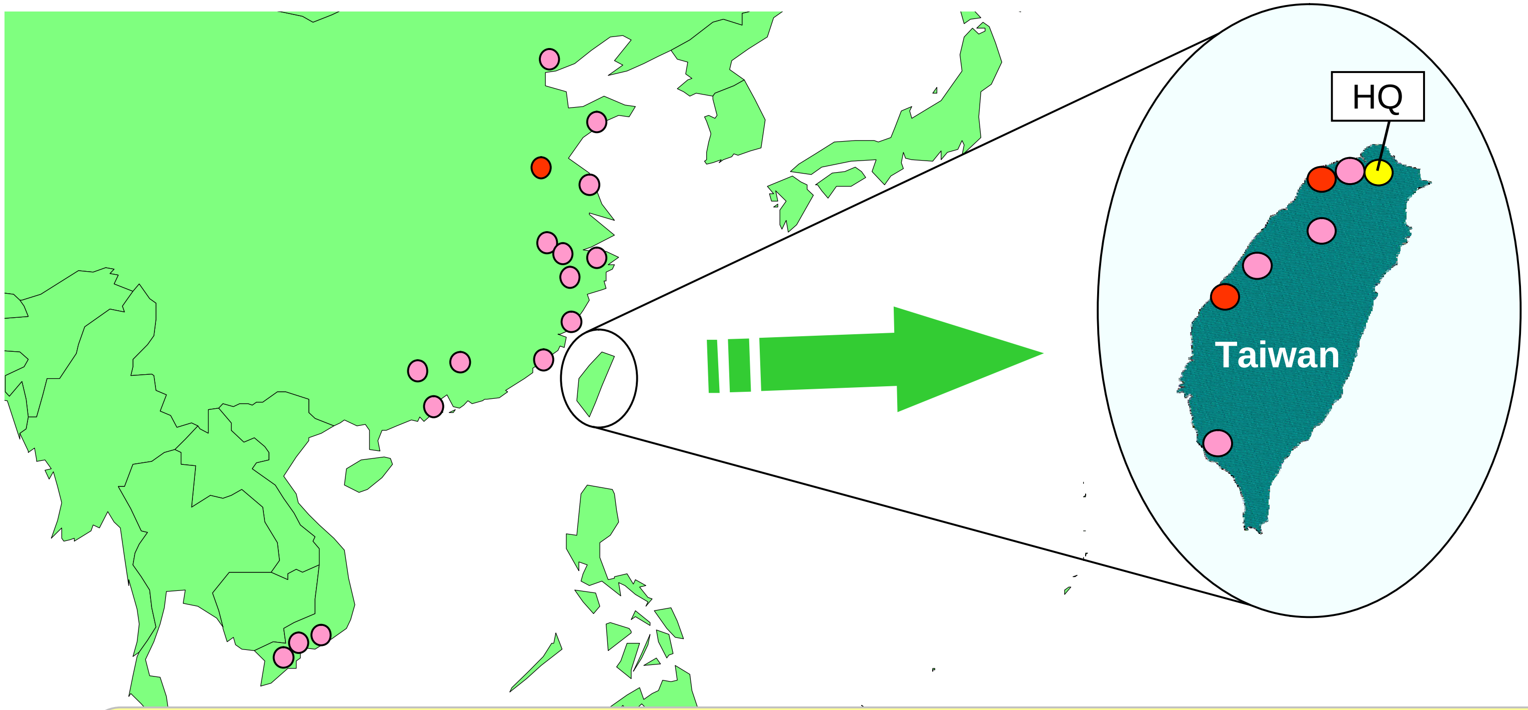
Extraordinary loss
FY07 -Y9.8 bn
FY08 -Y3.1bn

Overseas alliance projects — YFY

- Yuen Foong Yu Paper Mfg. (Taiwan)
  - **Biggest in Taiwan**
  - **P&PB production: 1.9 million ton/year**
  - **Strong foothold in Greater China region**
  - **MOU signed: Nov. 21, 2007**
  - **Agreement on PB business: Oct. 23, 2008**

- **Invest in YFY's PB business**
- **Strengthen foundation and expand**

Overseas alliance projects — YFY



Production sites

Paper Mfg.

PRC	Taiwan	
Yangzhou	Hsinwu	Chengkung

Box plant

PRC											
Tianjin	Qingdao	Kunshan	Nanjin	Suzhou	Jaixin	Shanghai	Fuzhou	Xiamen	Dong guan	Guangzhou	Zhongshan

Vietnam			Taiwan			
Don Nai	Binh Tan	Long An	Taoyuan	Chunan	Changhua	Kaohsiung

Packaging business

- Paper mfg. 3 sites
- Box plant 19 sites

Overseas alliance projects — SCG Paper

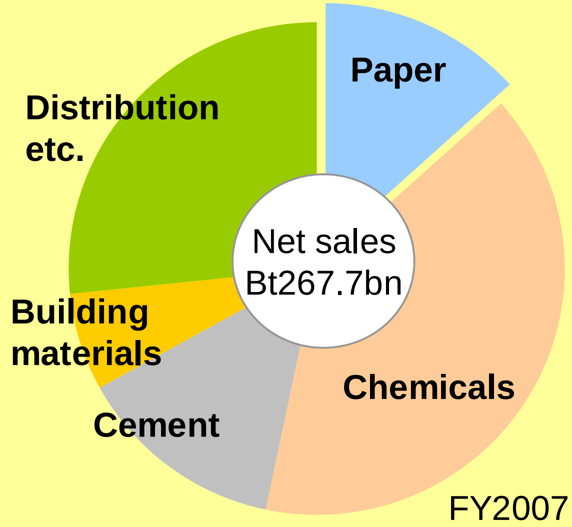
SCG Paper (Thailand)

- **Paper business arm under Siam Cement Group**
- **Biggest in Thailand**
- **P&PB production: 2.7 million ton/year**
- **Leading company in the ASEAN region**
- **MOU signed: Feb. 2008**

•Committees designing plans to materialize the alliance

- **New businesses**
- **Technical cooperation**
- **Sales cooperation**

Businesses of SCG



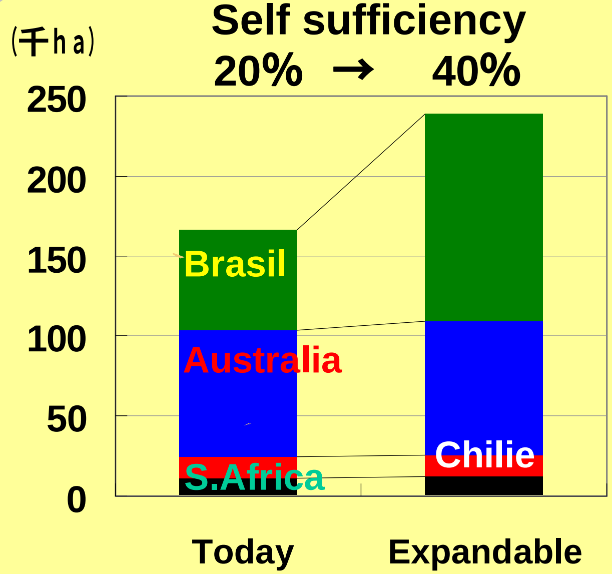
Securing wood fiber resource

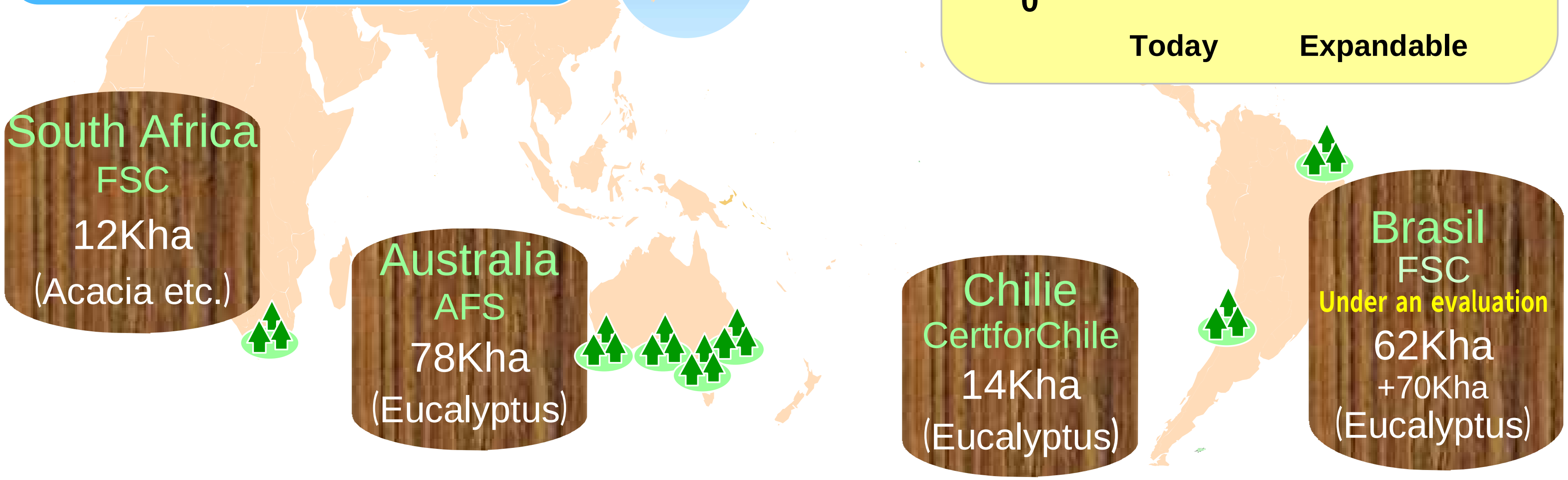
- **TreeFarm**
  - Expanding overseas afforestation
    - 166 kha at the end of FY2007
    - Targeting >200 kha by 2015
    - Expand >300 kha in the long run

- **Securing fiber resource from the long-term perspective**

Expanding plantation area
166kha➜239kha

Self sufficiency
20% → 40%





Summary

Long term management policy

- Visions unchanged
- Take steady steps to expand overseas businesses

Urgent issues

- **Price keeping**
  - Squeeze W/H stock
- **Tighter cash control**
  - Squeeze inventory asset
  - Carefully screen investment plans

Disclaimer

Forward looking statement

Any statements in this presentation document, other than those of historical fact, are forward-looking statements which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

Financial information

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