

**The Fourth Medium-Term Business Plan
(FY2012–FY2014)**

**“Completing the Revitalization Plan
and Transforming the Business Structure”**

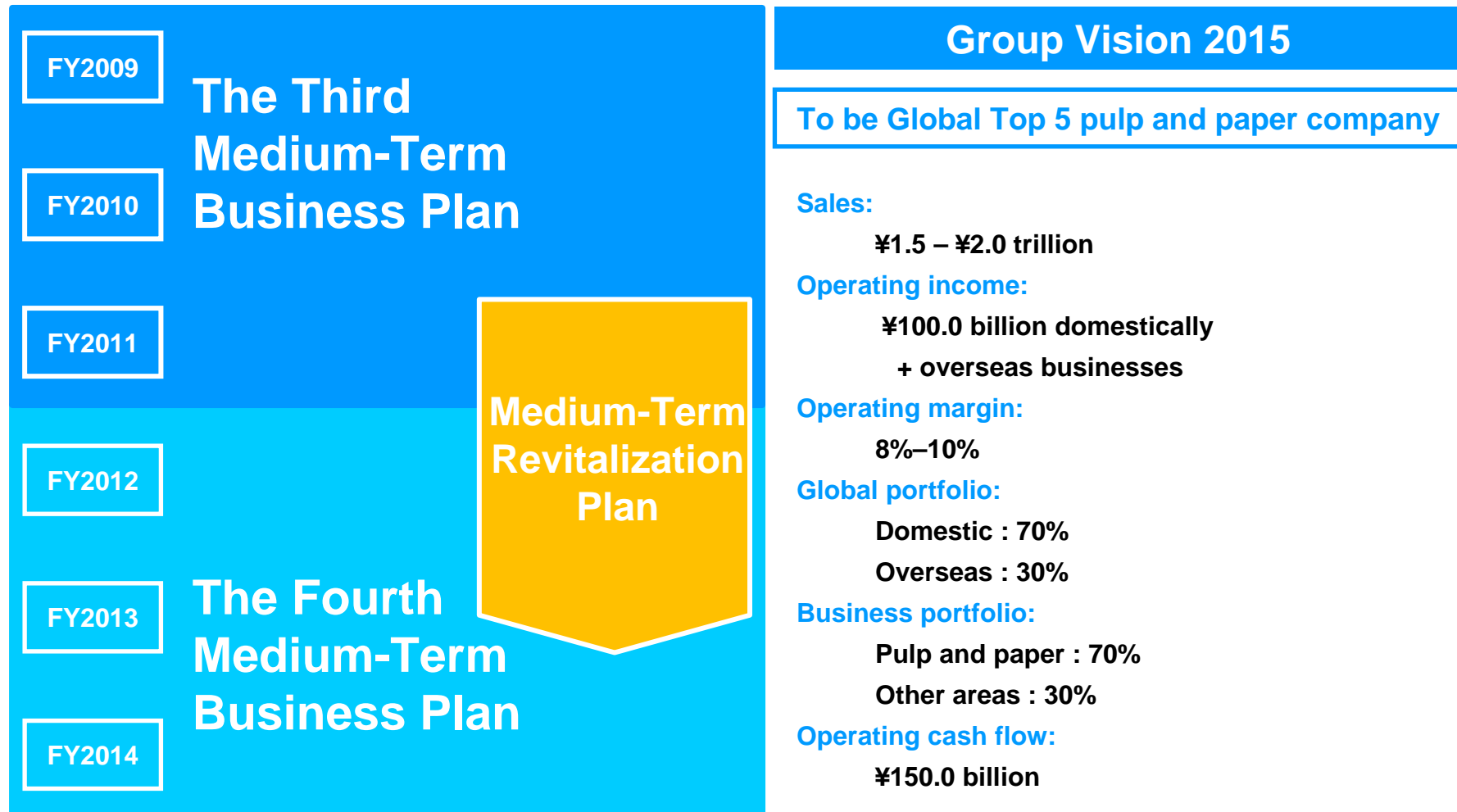


Investor Meeting on May 23, 2012

Nippon Paper Group, Inc.

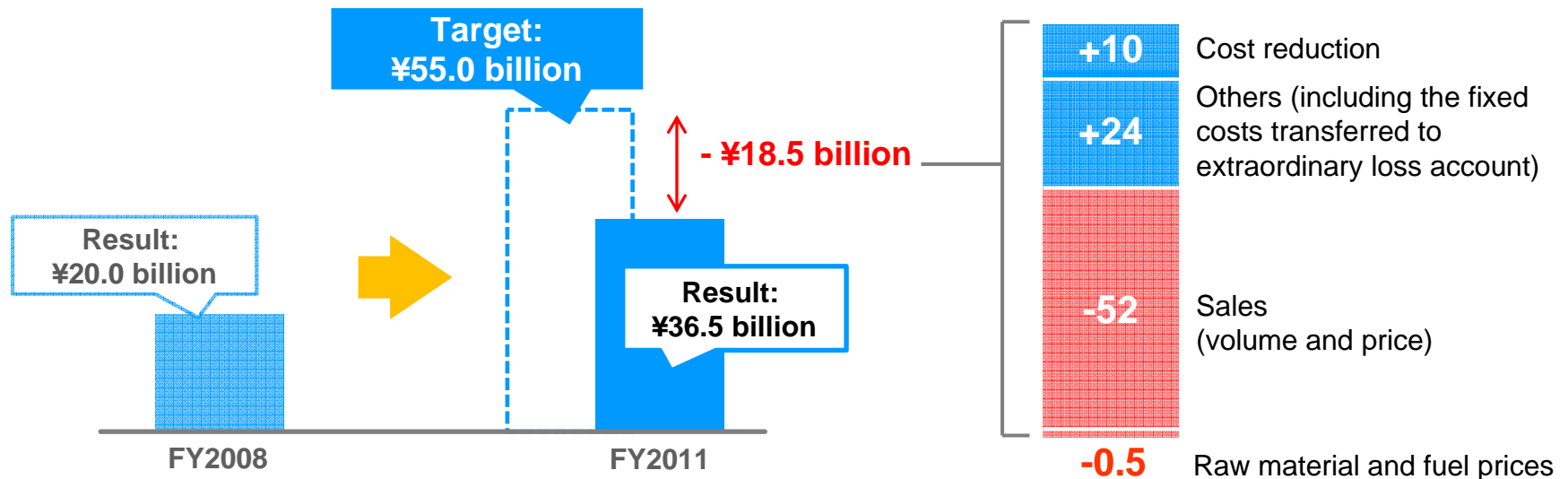
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1 Achievements to Date: Review of the Third Medium-Term Business Plan

Despite the restructuring, the target operating income cannot be achieved primarily due to the Earthquake



Achievements under the Third Medium-Term Business Plan

1. Downsize domestic paper business

- Carried out the restructuring plan (Reduced 570 thousand tons of capacity)

2. Grow business in overseas market

- Acquired 100% stake in Australian Paper
- Acquired shares in YFY Cayman and Lee & Man Paper Manufacturing

3. Implement a resource procurement strategy

- Reorganized procurement sources and promoted the use of domestic wood

4. Enhance group flexibility and management efficiency

- Concentrated the head offices of major group companies at Takebashi headquarters building

5. Develop new businesses

- Established the New Business Development Dept.

Achieve ¥25.0 billion improvement by the end of Mar. 2014 (¥12.4 billion is planned for FY2012)

Reduction in workforce (¥10.0 billion): 1,300 job cuts (full-time and contract)

Already achieved:	550 /1,300
By the end of Mar. 2014:	1,300 job cuts as planned

Variable cost reduction (¥5.0 billion): Productivity improvement; Product grades consolidation Optimizing pulp production; Zero oil consumption

Already achieved:	Optimizing pulp production (Ishinomaki), Zero oil consumption (Ishinomaki and Yoshinaga) Product grades consolidation (20% reduction)
Started in Mar. 2012:	Phased productivity improvement by facility shutdowns
By the end of Jun. 2012:	Optimizing pulp production (Iwakuni / Otake), Zero oil consumption (Iwakuni)

Fixed cost reduction (¥8.5 billion): Shutdown of 12 paper machines; 800 thousand tons of capacity reduction

Already achieved:	Shutdown of 9 paper machines
By the end of Sep. 2012:	Shutdown of other 3 paper machines

Electric power selling and others (¥1.5 billion)

Already achieved:	Selling renewable energy to Tokyo Electric Power Co., Inc. (From January 2012, utilizing biomass power generating equipment at Fuji)
Start in Sep. 2012:	Dissolving pulp production at Kushiro, utilizing existing pulp facilities

Complete the recovery by the end of September 2012

Schedule	Manufacturing Equipment	Production Capacity after the Recovery of Machines (thousand tons)
Before the earthquake		1,000*
September 16, 2011	Paper Machine 8	110
November 16, 2011	Paper Machine N4 Coating Machine 4	240
February 22, 2012	Paper Machine N5	390
March 9, 2012	Paper Machine N6	660
May 9, 2012	Paper Machine 7	770
First Half of FY2012	Paper Machine N2 Coating Machine 2	860 (Recovery completed)

*According to the medium-term revitalization plan, two paper machines and one coating machine will decommissioned.

Improving the earning power of the paper businesses

Complete the revitalization plan (to achieve a ¥25 billion improvement)

Enhance competitiveness in marketing and manufacturing

Reinforcing efforts to transform the business structure (Reorganizing operating companies)

Reinforce the businesses concerning packaging, processed paper products, lumber and chemical products

Reinforce the involvement in energy and new businesses

Strengthening the earning power of overseas businesses

Increase the competitiveness of Australian Paper

Enhance the synergies with Lee & Man Paper Manufacturing

Improving the financial position

Achieve a debt-equity ratio of 1.5 times or less as soon as possible

Target Figures Upper: FY2014 Target (Lower: FY2011 Actual)

Net sales: **¥1,120 billion**
(¥1,042.4 billion)

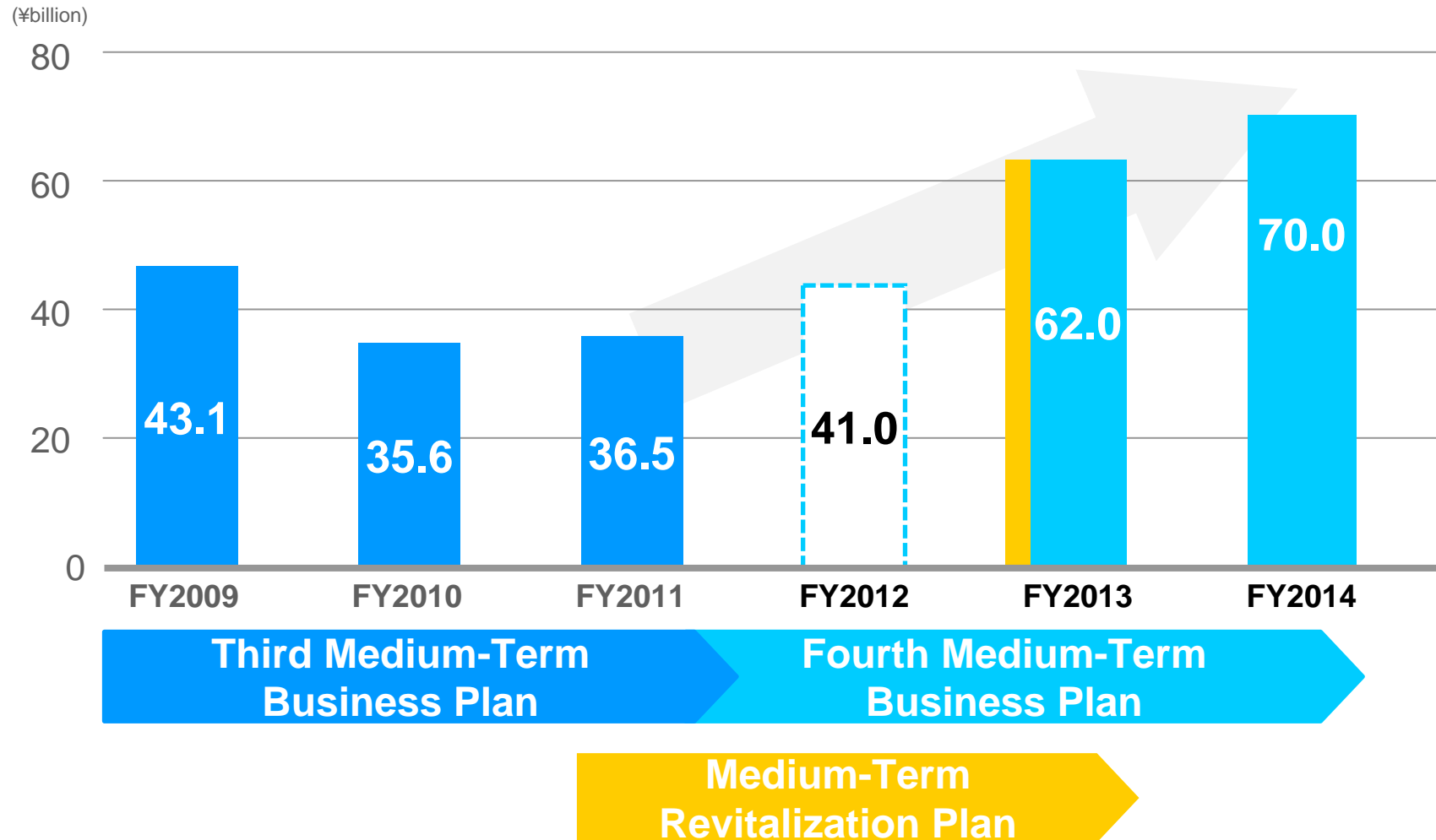
Operating income: **¥70.0 billion**
(¥36.5 billion)

Debt-equity ratio: **1.5 times**
or less
(1.9 times)

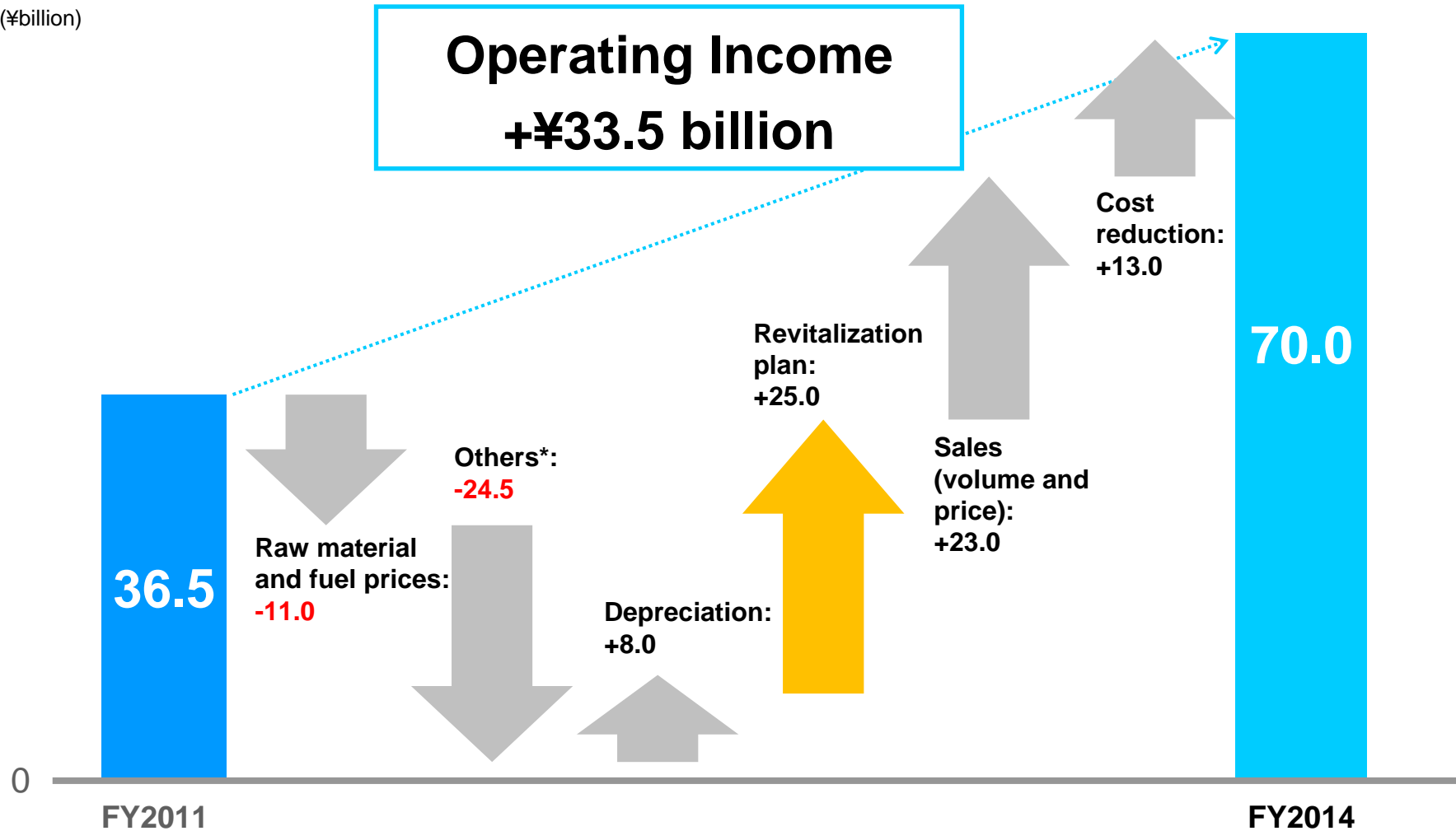
ROE: **8% or more**

Assumptions	
US\$	¥80
A\$	¥85
Raw material and fuel prices	Moderate increase

Steadily promote the revitalization plan and boost earning power



(¥billion)



* including the reversal of "fixed costs transferred to extraordinary loss account"

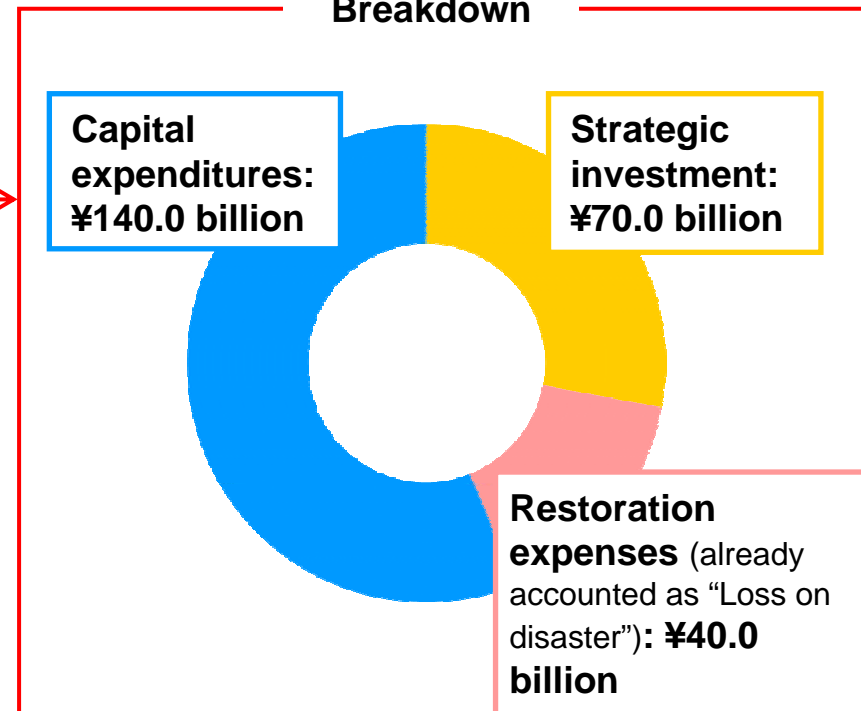
FY2012 - 2014

Investment: ¥250.0 billion

Depreciation: ¥200.0 billion

Net income: ¥100.0 billion

Breakdown



Interest-bearing debt:

¥710.0 billion (at the end of Mar. 2015)

↑
¥838.3 billion (at the end of Mar. 2012)

Debt-equity ratio:

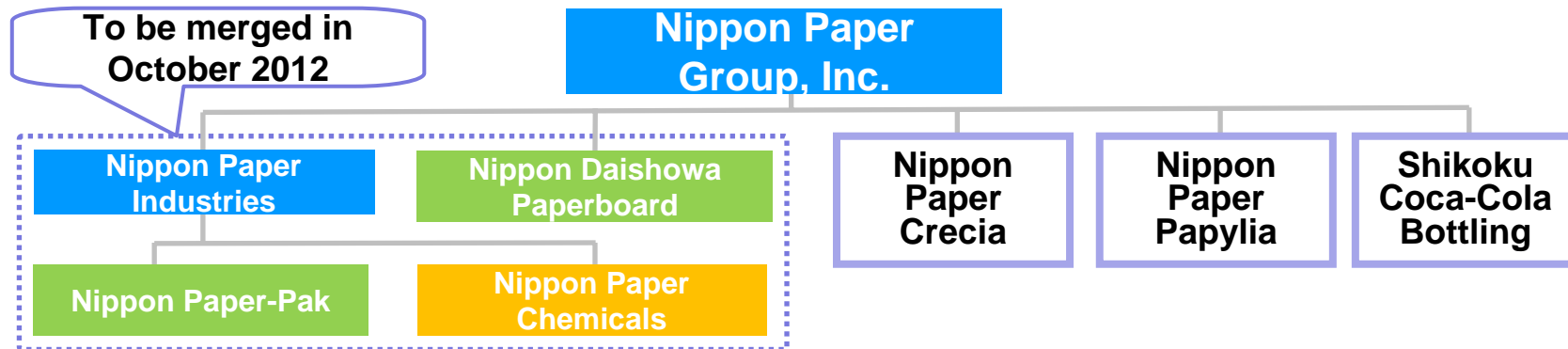
1.5 times or less (at the end of Mar. 2015)

↑
1.9 times (at the end of Mar. 2012)

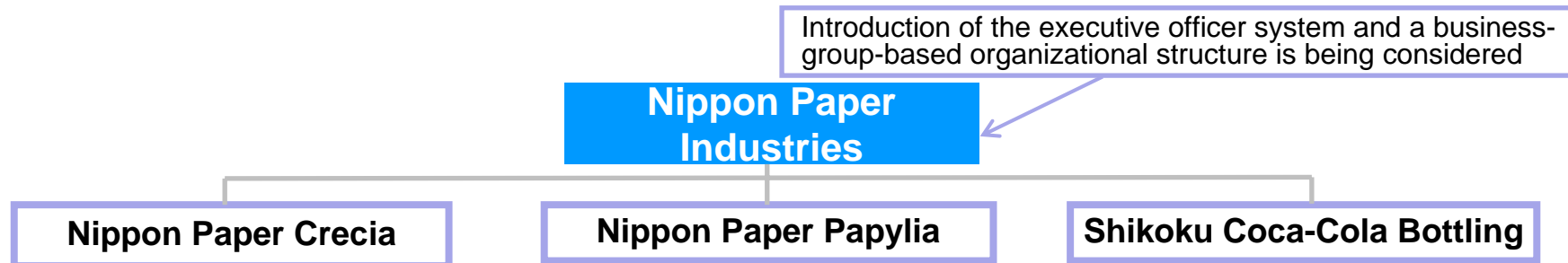
Memo

**Consolidate the separated growing businesses
and facilitate optimal allocation of management resources**

Existing group structure



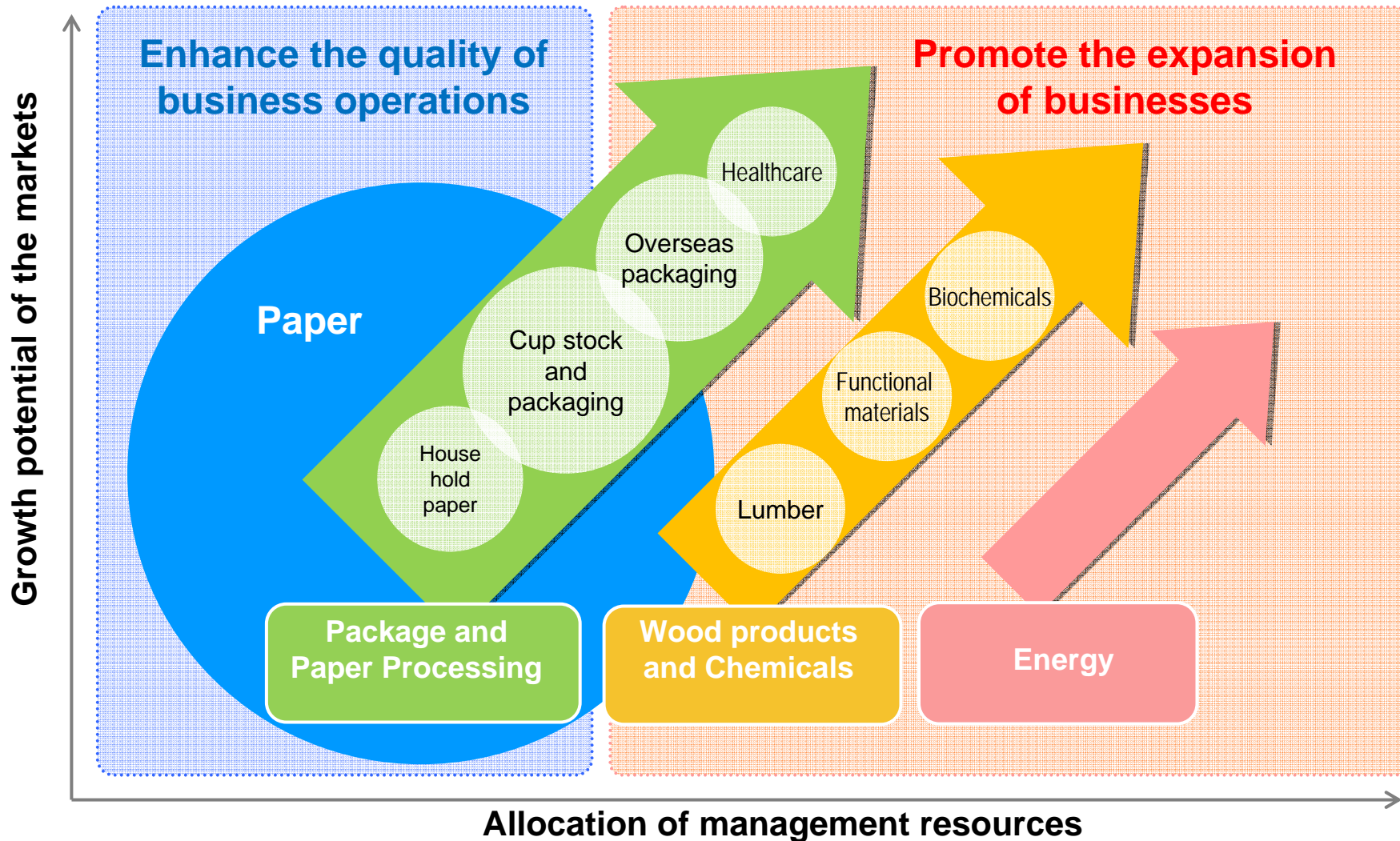
Effective from April 1, 2013



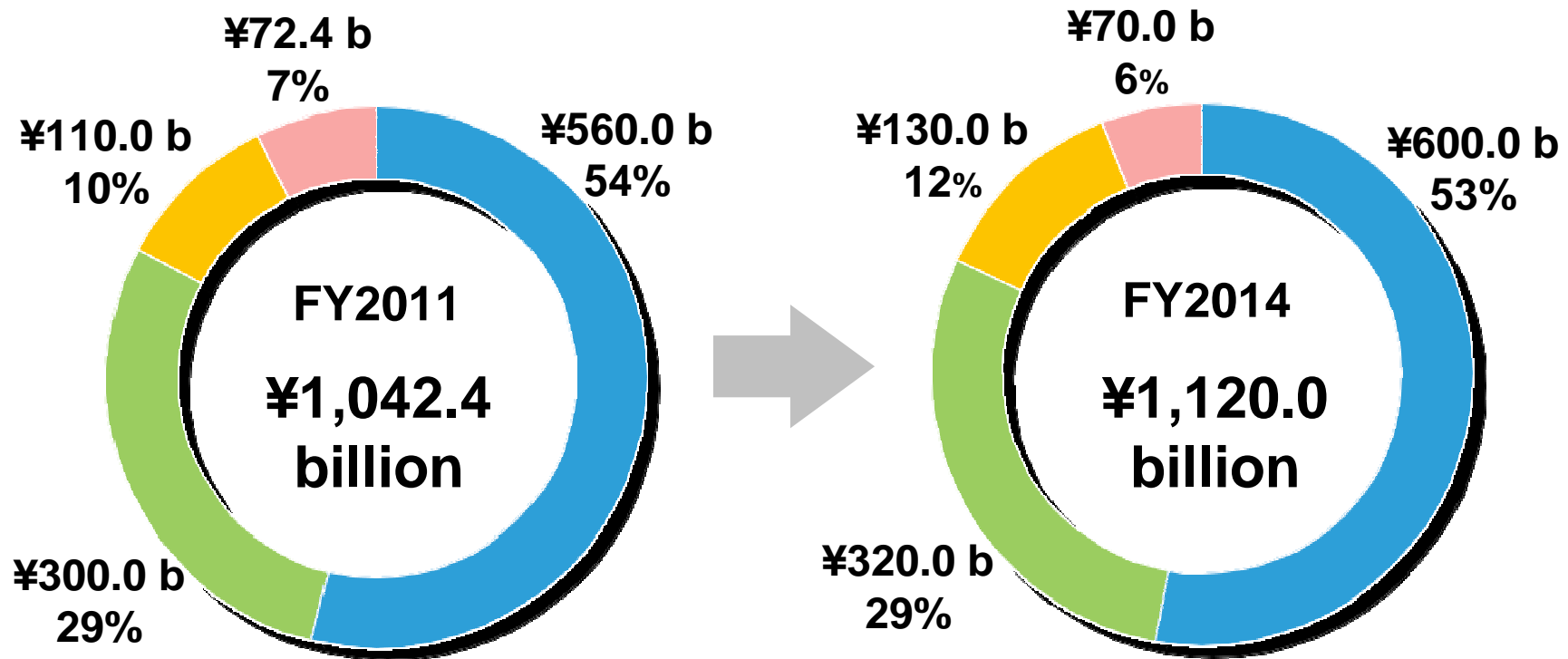
- **Consolidate and reinforce the growth field businesses**
- **Ensure the swift allocation of management resources**

- **Strengthen the marketing and manufacturing teams**
- **Streamline the back-office functions**

Concentrate management resources on the growth fields



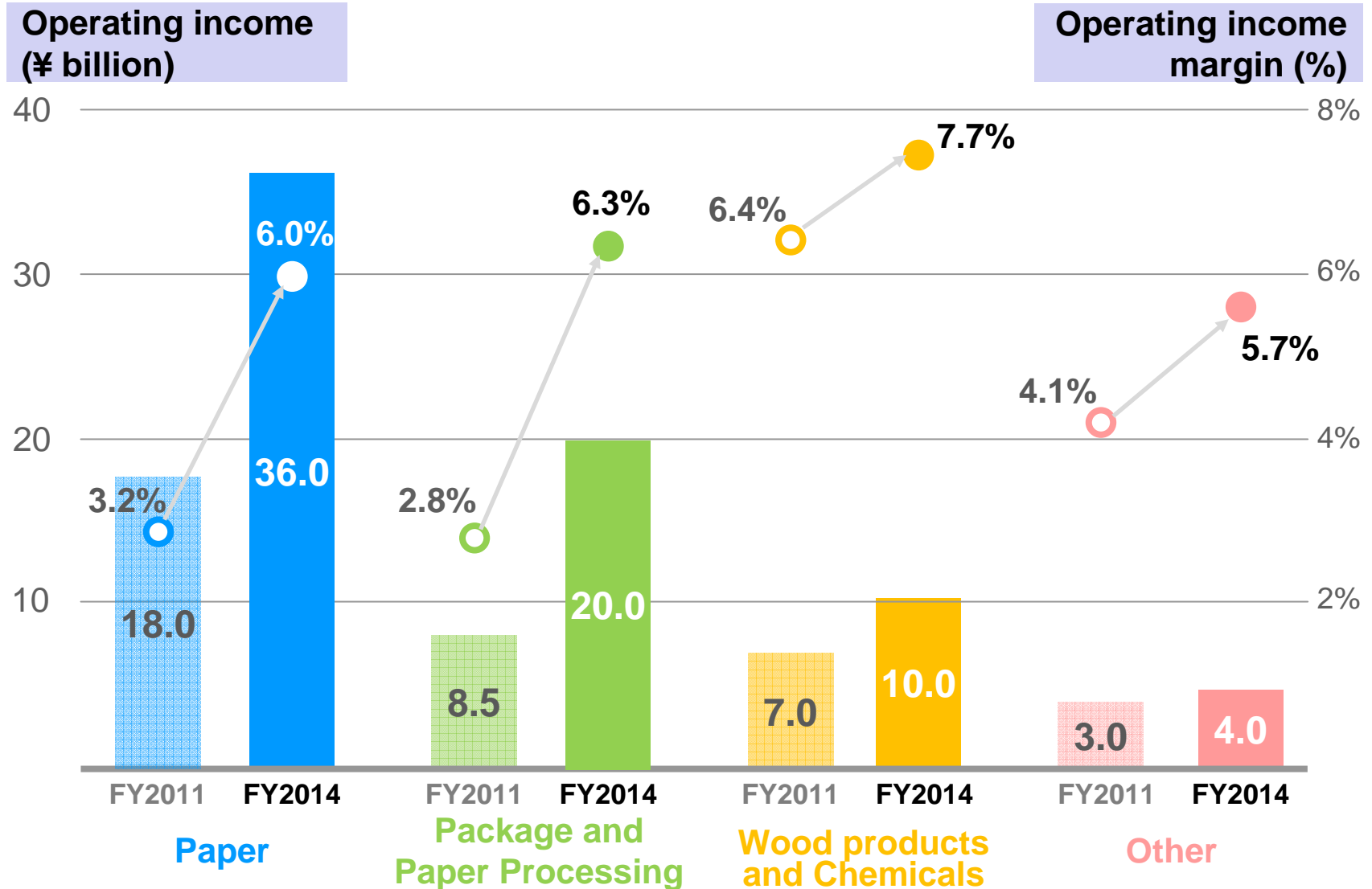
Recover paper sales from the disaster and expand growth business



■ Paper ■ Package & Paper Processing ■ Wood products & Chemicals ■ Other*

*"Other" includes beverages, transportation, sports and leisure.

3 Reinforcing the Group's Collective Strengths: Operating Income by Business Field



4 Measures by Business Field: Paper (1)



Recover sales volume by promoting differentiation of products and enhancing customer services

	Business Environments	Sales Outlook
Newsprint	<p>Number of Pages: Stays flat</p> <p>Circulation : Declines gradually</p>	<p>Continues declining (-1% annually)</p> <p>FY2014 Outlook: -1.1% annually from FY2011</p>
Printing and business communication paper	<p>Market size: Stays flat or shrinks</p> <p>Imported paper: Stays flat</p>	<p>Decreases gradually after the post-earthquake recovery</p> <p>FY2013 Outlook: +5.6% annually from FY2011</p> <p>FY2014 Outlook: -1.5% from FY2013</p>

Maintain market price, and seek to recover 4.1 million tons of domestic paper sales, compared with 3.89 million tons in FY2011




Managerial Tasks	Primary Measures
Recover sales volume	<p>Countermeasure against imported paper</p> <ul style="list-style-type: none"> - Developing lightweight products, well-balanced in terms of both cost and quality <p>Develop differentiated products</p> <ul style="list-style-type: none"> - By utilizing the characteristics of paper machines and materials - Explore new materials and new applications - in such as food packaging field or by cooperating with the downstream players - Reinforce development of specialty paper products

Complete the revitalization plan, and ensure stable income as the core business of the Group

Managerial Tasks	Primary Measures
<p>Reinforce cost competitiveness</p> <p>(Complete the revitalization plan and promote further cost reduction)</p>	<ol style="list-style-type: none"> 1. Complete the revitalization plan 2. Promote further cost reduction <ul style="list-style-type: none"> Reduce chemicals costs <ul style="list-style-type: none"> - Shifting to low cost alternatives - In-house production to be considered Promote use of wastepaper Reduce logistics costs <ul style="list-style-type: none"> - Optimizing direct delivery - Shrinking inventories Reduce boiler-ash disposal costs <div style="display: flex; justify-content: space-between; align-items: center;">   </div>

	FY2011 Actual	FY2014 Plan
Net sales:	¥560.0 billion	¥600.0 billion
Operating income:	¥18.0 billion	¥36.0 billion

Develop new products and seek more synergies between the upstream and downstream businesses within the Group



Managerial Tasks	Primary Measures
<p>Strengthen the sales</p>	<p>1. Paperboard Promote sales of products that meet market needs ex: Thinner products Develop and promote sales of higher-quality or more environment-friendly products</p> 
	<p>2. Paper cartons Develop and promote sales of new line-up of liquid-packaging cartons ex: New type of cartons for functional beverages</p> 
	<p>3. Household paper products Increase healthcare products sales by 50% (Target: ¥10.0 billion) - Install new processing machines to reinforce adult incontinence area Increase the proportion of premium product lines of tissue and toilet paper Reinforce sales of professional-use products for medical and food industries Reinforce the partnership with Kimberly-Clark Corporation in new product development and other areas</p> 

Reinforce quality and cost competitiveness and expand the healthcare business

Managerial Tasks	Primary Measures
<p>Reinforce cost competitiveness</p>	<p>1. Paperboard Reduce energy costs (reduce heavy oil consumption) Highly utilize wastepaper (for coated duplex board)</p> <p>2. Paper cartons Optimize procurement of base paper - Increasing the procurement sources - Promoting in-house production</p> <p>3. Household paper products Shutdown and streamline production facilities at Iwakuni - September 2012 (cost merit: ¥1.0 billion yen / y)</p>



	FY2011 Actual	FY2014 Plan
Net sales:	¥300.0 billion	¥320.0 billion
Operating income:	¥8.5 billion	¥20.0 billion

Acquire growth opportunities and strengthen earning power

Managerial Tasks	Primary Measures	
<p>Expand business operation in growth fields</p>	<p>1. Chemical products Increase the production of dissolving pulp - utilizing the existing equipment at Kushiro Mill Increase the production of cellulose powder Expand sales of chlorinated polyolefins in overseas markets - developing low-cost products</p> <p>2. Functional materials Increase the production of LCD optical films (Commercial operation to start in the first half of FY2012)</p>	 
<p>Strengthen earning power</p>	<p>1. Chemical products Produce high-value-added lines of dissolving pulp (Commercial operation to start in the first half of FY2012)</p> <p>2. Functional materials Develop high-value-added lines of LCD optical films</p>	

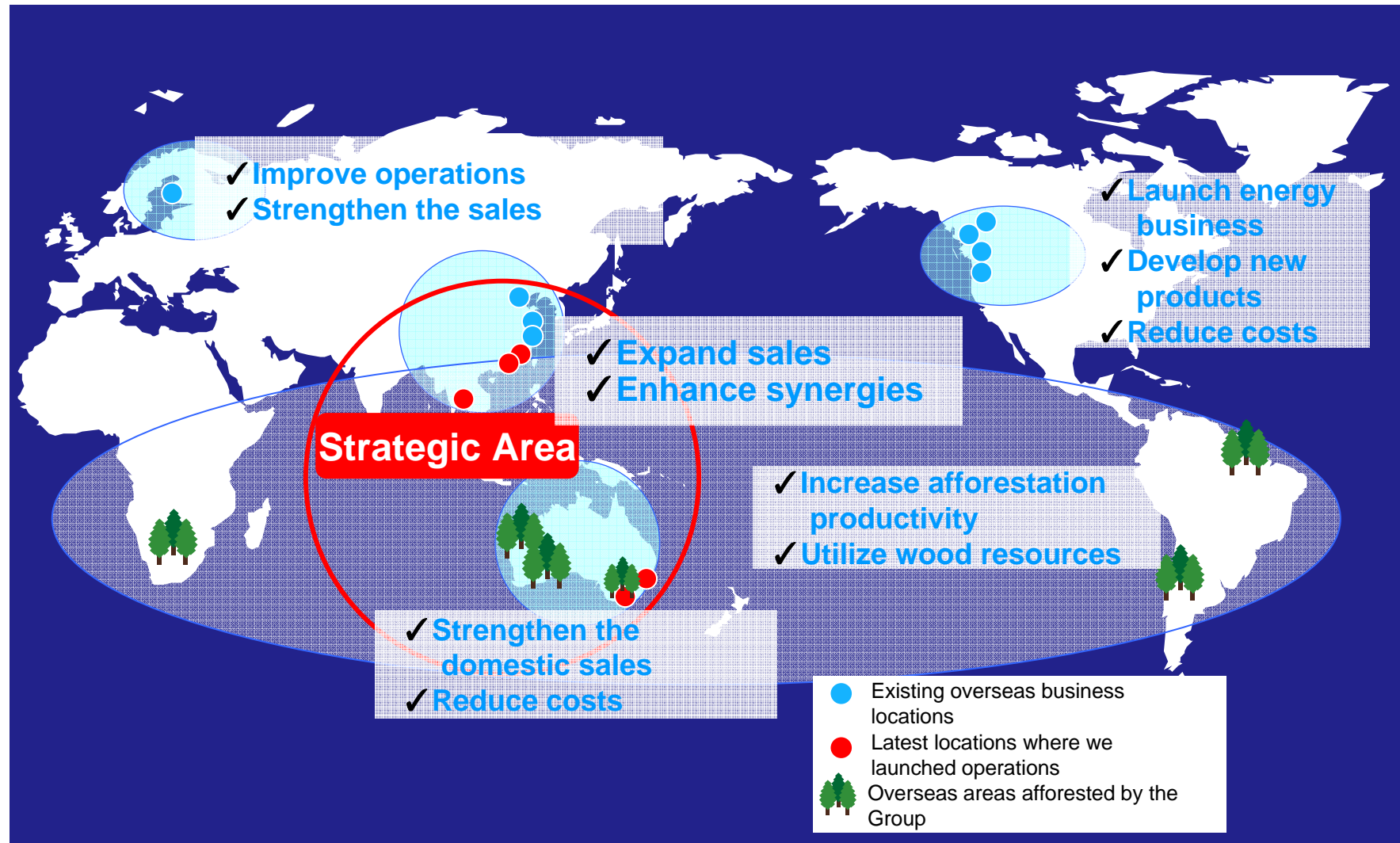
4 Measures by Business Field: Lumber and Chemicals (2)

Optimize our largest network of collecting domestic lumber in Japan

Managerial Tasks	Primary Measures
<p>Strengthen the capacity to collect wood resources Leverage the public policy for forestry vitalization</p> 	<p>Expand domestic lumber transactions to seek the position of No. 1 dealer in Japan (0.5 – 1 million m³) Further reinforce the Japan's No.1 ability to collect wood biomass fuel Promote the utilization of company-owned forests - expanding sales of lumber from the company-owned forests and usage for environmental businesses</p>
<p>Increase the production and sales of construction materials</p>	<p>Increase the production and sales of thinner and waterproof medium-density fiberboard (MDF) (+50%) Increase the production and sales of domestic lumber and products with the certification of sustainable forest management</p> 

	FY2011 Actual	FY2014 Plan
Net sales:	¥110.0 billion	¥130.0 billion
Operating income:	¥7.0 billion	¥10.0 billion

Strengthening the earning power of the existing businesses



Reinforce the domestic sales & cost competitiveness

Australian Paper

Business
Performance
for 2011
(Jan.–Dec.)

Net sales: A\$788million (approx. ¥65 billion)
Paper and paperboard output: 600,000 tons
Main products: copy paper, linerboard and kraft paper

Business environments:

Steady domestic demand

Higher appreciation of the Australian dollar causes declining export prices and intensifying domestic competition against imported paper

Growing environmental awareness



Maryvale Mill

Managerial Task	Primary Measures
Strengthen the domestic sales	Promote the environment-friendly brands (Expand the sales of products with high wastepaper content, products with sustainable forest management certification and carbon-neutral products)
Reinforce cost competitiveness	Enhance production efficiency (Target: 1% increase per year) Reduce costs by raising the self production rate of pulp, chemicals, etc. Curtail fixed and repair expenses

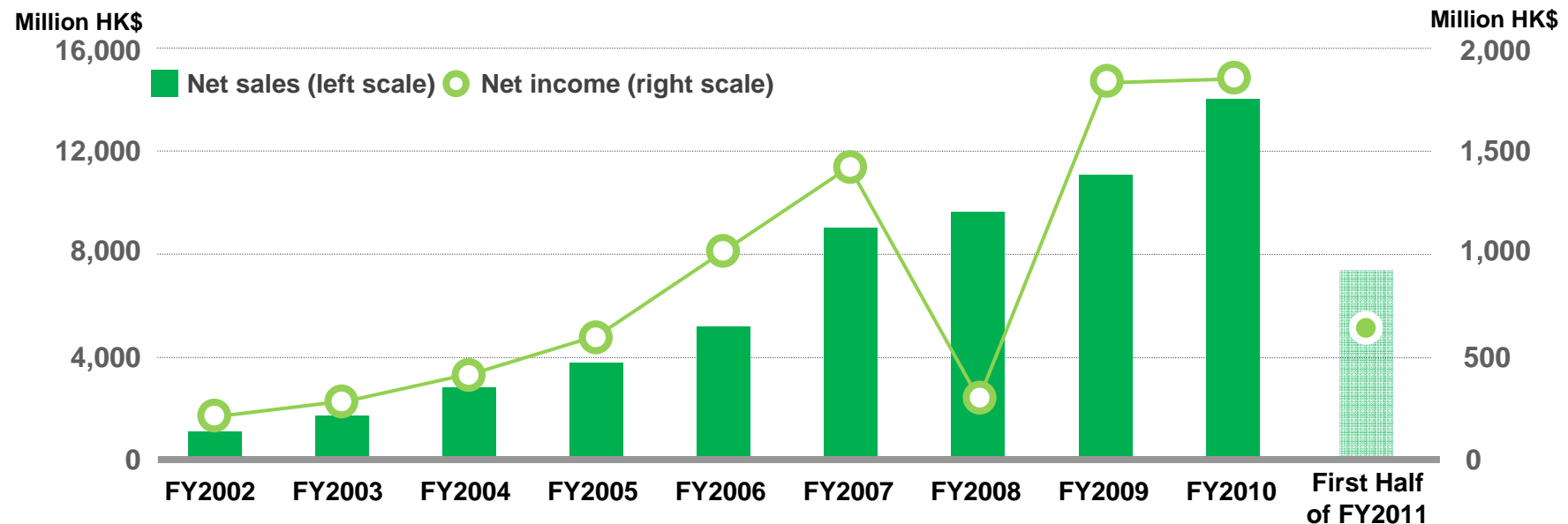
Increasing demand causes continued growth in sales and income

Boost production capacity in response to the demand increase

- Up to June 2008: Annual production capacity of 4,550,000 tons (linerboard and corrugating medium)
- July 2011: 500,000 tons p.a. of linerboard machine at Hongmei Mill started
- September 2011: 400,000 tons p.a. of corrugating medium machine at Chongqing Mill started
- June 2012: 600,000 tons p.a. of coated duplex board machine at Hongmei Mill is planned**
- June 2013: 500,000 tons p.a. of linerboard machine at Jiangxi Mill is planned



Lee & Man Financial Results (2003 to First Half of 2011)



5 Strengthening the Earning Power of Overseas Businesses: Lee & Man (2)

Lee & Man introduce its 1st coated duplex board machine

Nippon Paper's full-scale support ranges from development and operations to selling

Support for development

- June 2010: Acquired shares of and entered into a business alliance with Lee & Man
- October 2010: Nippon Paper Industries started the development of coated duplex board products for Lee & Man
- April 2011: Started manufacturing pre-production (at Nippon Daishowa Paperboard and Nippon Paper Industries)
- October 2011: Samples favorably evaluated by Chinese printers
- June 2012: The coated duplex board machine is scheduled to start operation**

Support for operations

Support for operations will be continued after the machine is launched.

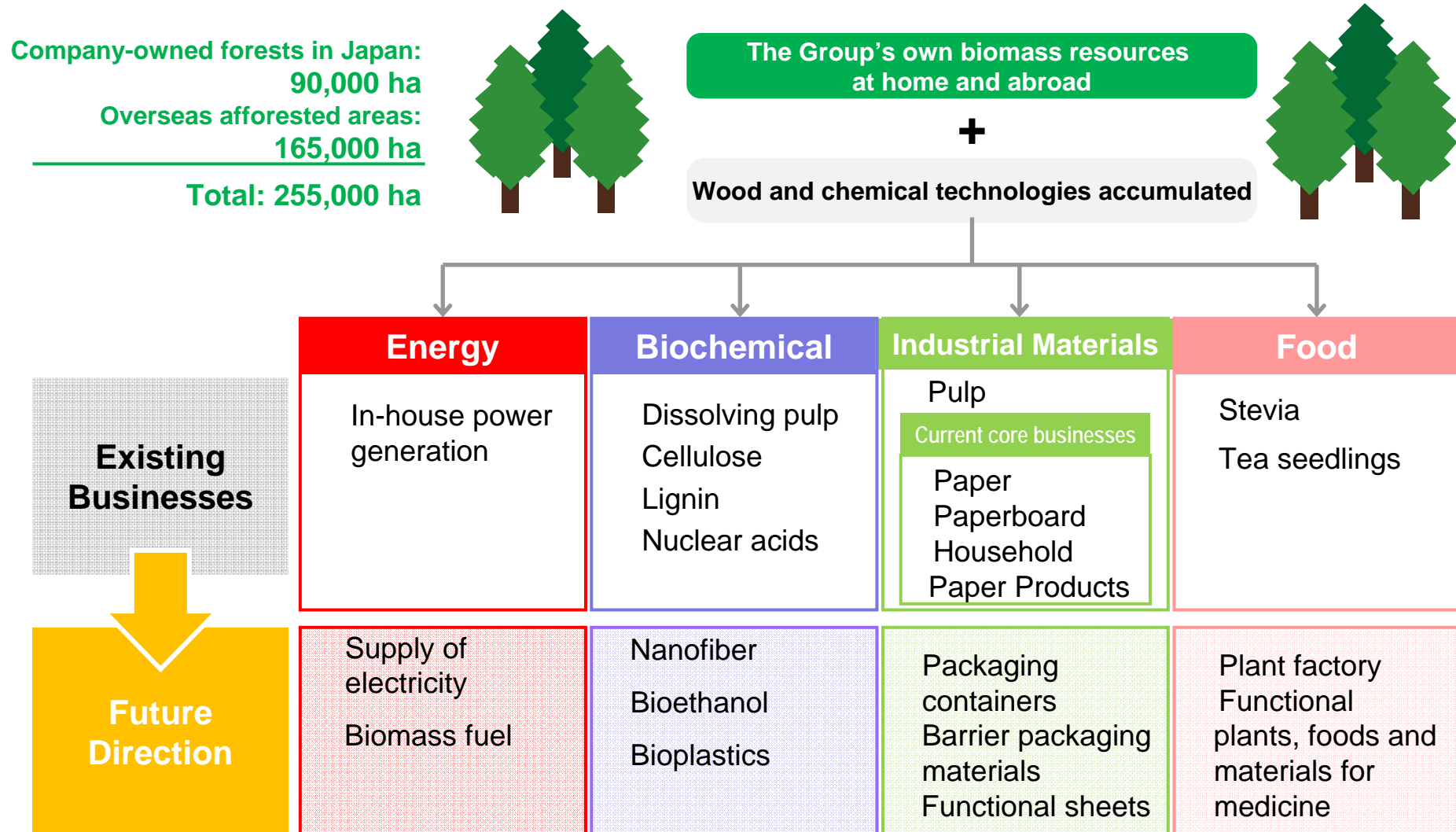
Support for selling

The overseas sales network of the Group will be used



Coated duplex board machine being constructed at Hongmei Mill

Transform the business structure toward the comprehensive green biomass company

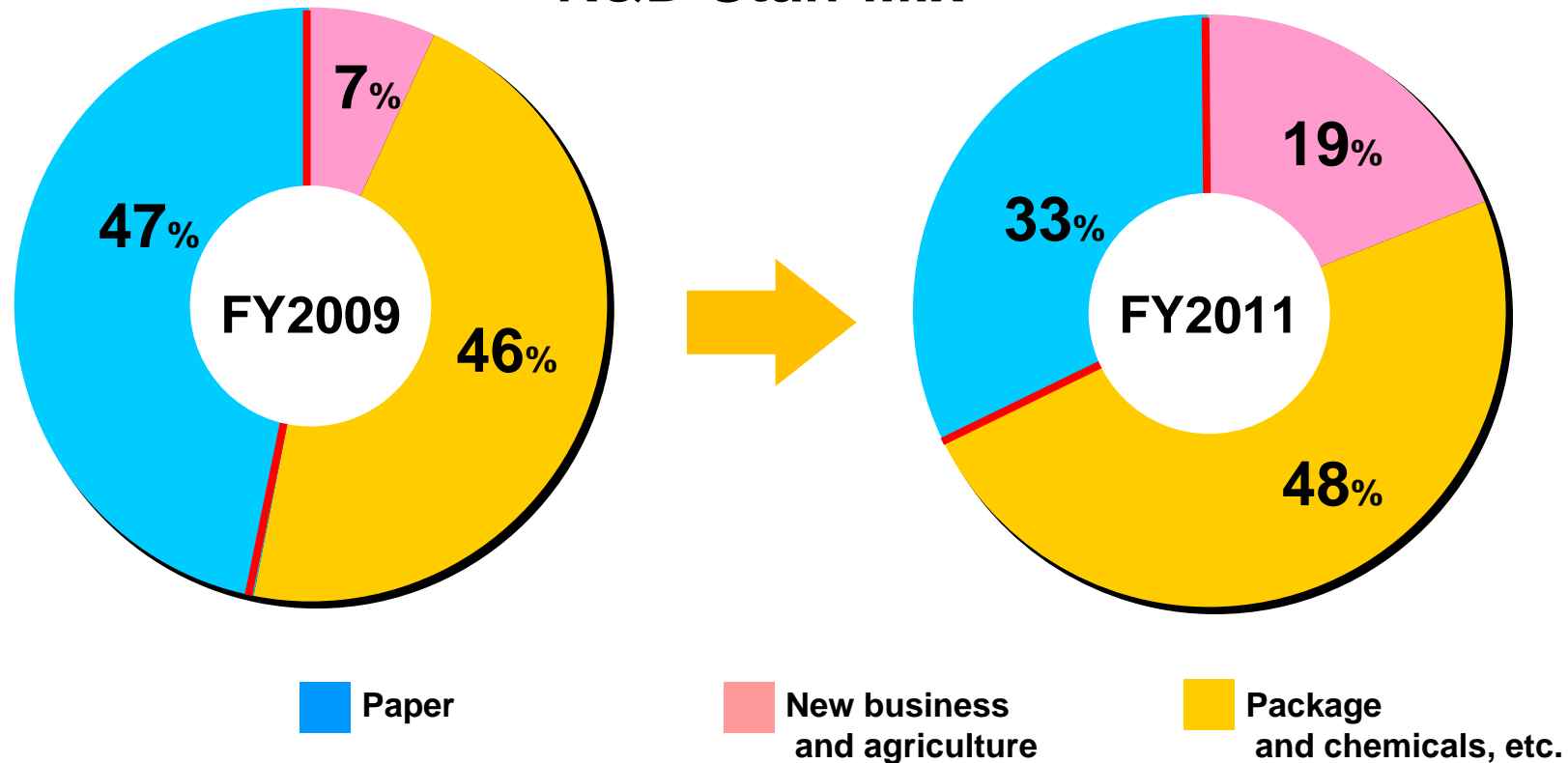


Already launched the reform of the R&D forces

Restructured the R&D staff mix

Set up the New Business Development Dept. in April 2012

R&D Staff Mix



Growing demand for renewable energies and biomass fuels

Business Environments

The fixed-price purchase of renewable energies will go into effect in July 2012.

The Japanese government's policy of forestry revitalization increases the domestic lumber output for fuels

Possibly introducing a policy of facilitating the decentralization of power sources

Declining paper output increases the capacity of transmitting electricity to the outside of the Group

Nippon Paper Group's strengths

The existing facilities have supplied electricity

Sales of electricity in FY2011: ¥18.0 billion

Except for power companies, the Group has Japan's leading power generation capacity (about 1.7 million kW)

Access to wood biomass

Holds forest resources (255,000 ha)

Japan's leading ability to procure wood biomass

Tangible and intangible assets

Unused land at factory sites, and vast forest land

Expertise in equipment operation, various licenses and certifications

Accumulated wood and chemical technologies

Promote the energy business by leveraging the Group's strengths

December 2011: The Energy Business Promotion Office was established to promote energy businesses

Expand the supply of electricity by the existing facilities

- ▶ Use the excess power generated at the Group's mills

Start the power supply using wood biomass fuel

Plan to start the annual supply of 500,000 MWh at three of our domestic and overseas mills by the spring of 2013
Additionally considering the construction of a new biomass-fired thermal power generation plant

Consider introducing photovoltaic and wind power generation

Unused land at the Group's sites and forest land will be used

Promote R&D for new energies

Promote R&D for biofuel technologies

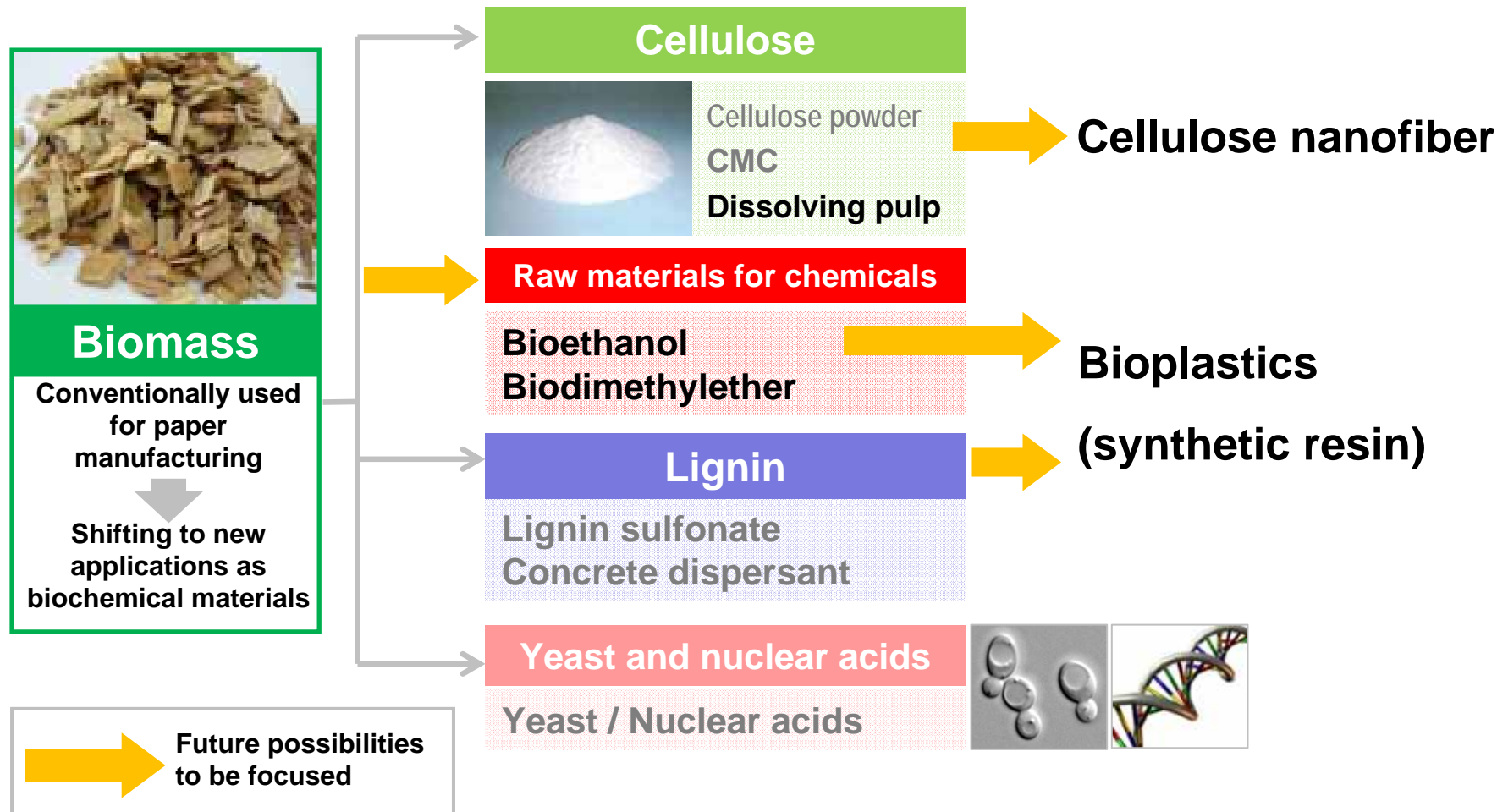


No. 3 biomass boiler at Nippon Paper Fuji Mill



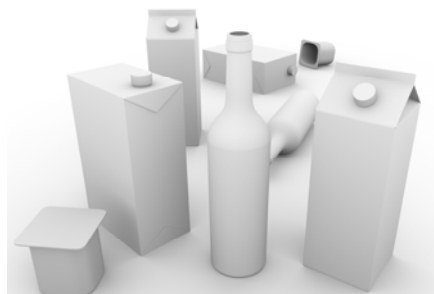
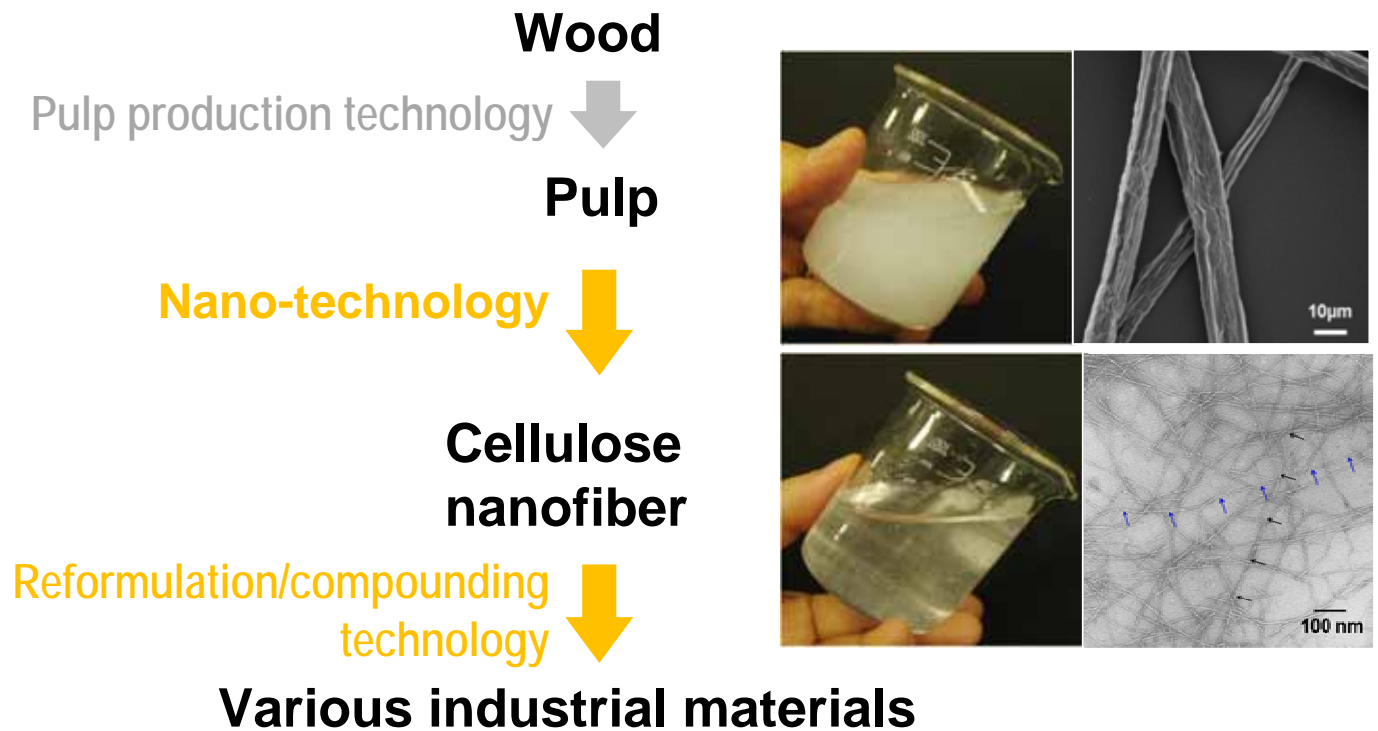
Semi-charred cedar bark pellets

**Reinforce the biochemical business by leveraging the expertise accumulated
(Integrate the R&D efforts of Nippon Paper Chemicals and Nippon Paper Industries)**



6 (References) New Businesses: Cellulose Nanofiber

Promoting earlier commercialization in cooperation of universities and other companies



Barrier packaging materials

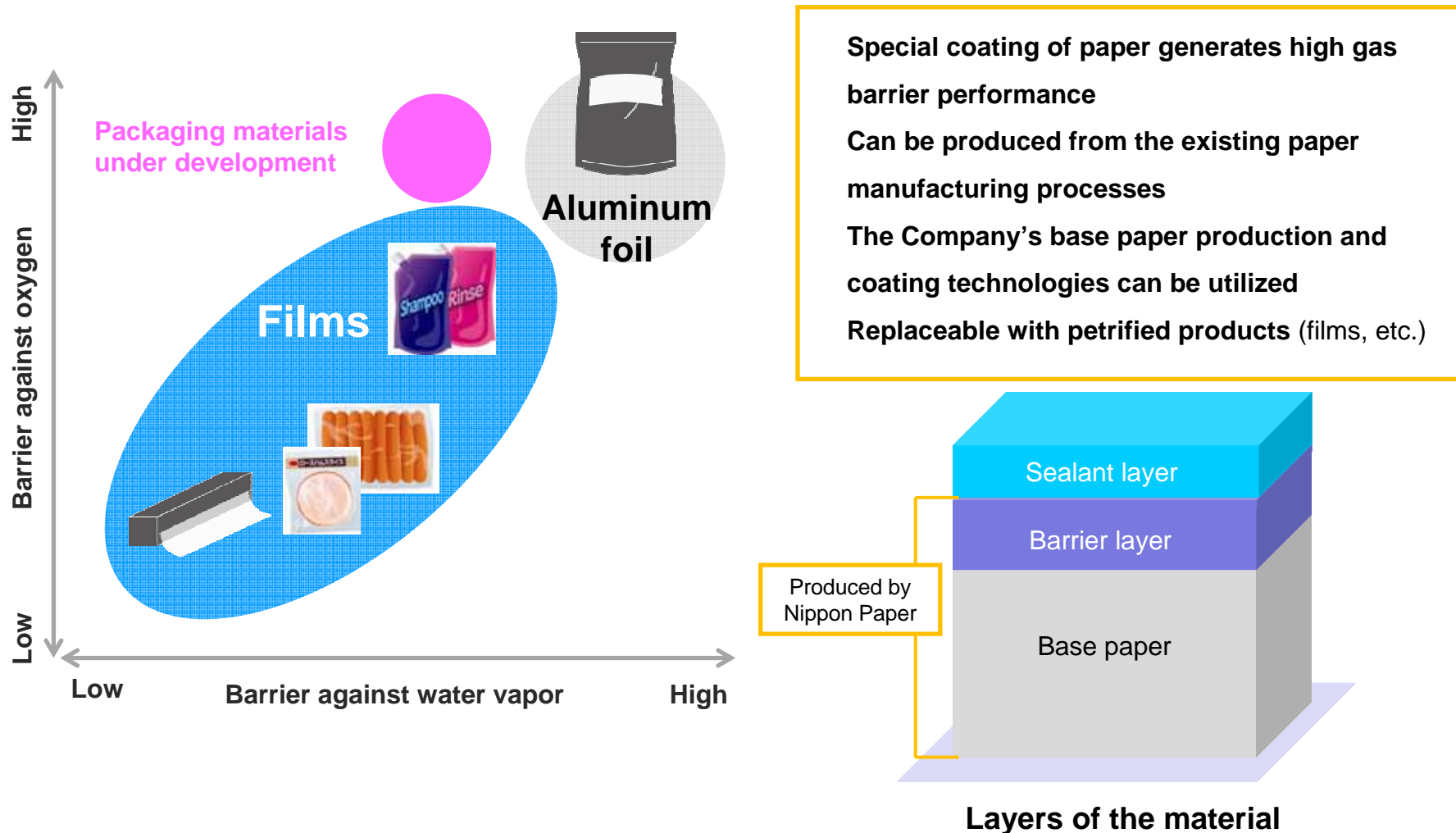


Resin reinforcement materials



Viscosity improvers

Develop barrier packaging materials with lower environmental load (products for food and industrial applications)



Develop and promote new businesses based on the Group's agri-bio technologies

Expansion of existing businesses

Expand the business of Sunrouge*, a high-function tea

*A tea brand that features high anthocyanin content

Reinforce the tea seedling business (increases production of high-value-added seedlings)



Sunrouge tea farm (Tokunoshima)

Reinforcement of efforts to develop functional plants

Market for functional food materials

Global market of ¥2.0 trillion; Japanese market of more than ¥100.0 billion

Applications: Medicine, health foods, cosmetics, etc.

Opportunities: Aging population, growing health consciousness

Develop cultivation models using the Group's technologies; Seek lower-cost production by using company-owned land or the affordable energies from the mills at home and overseas



The Sunrouge seedlings being produced by the Nippon Paper's original photoautotrophic culture technology

Precautions about forward-looking statements, etc.

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