

February 2, 2011

Rengo to Increase Capital in Zhongshan Rengo Hung Hing Paper Manufacturing and Zhongshan Ren Hing Paper Manufacturing

Rengo Co., Ltd. (Head Office: Kita-ku, Osaka; President & CEO: Kiyoshi Otsubo) announces that it will increase capital in its two affiliated companies Zhongshan Rengo Hung Hing Paper Manufacturing Co., Ltd. (Zhongshan Rengo) and Zhongshan Ren Hing Paper Manufacturing Co., Ltd. (Zhongshan Ren Hing). As a result of the capital increase, which was approved by the Rengo Board of Directors meeting on February 2, 2011, Rengo will hold a majority of equity in both companies and as such they will become Rengo subsidiaries.

1. Reasons for the Capital Increases

Rengo is globally developing its paper manufacturing business, a segment that is expected to continue undergoing significant market growth in the future, with a focus on Asia as a part of its strategy to expand overseas business. To implement this strategy, Rengo has determined that it is essential to invest in environmental and energy-saving facilities at the Zhongshan joint ventures to reinforce the management foundations of the paper manufacturing business in China. Funds for capital investment will be procured through the equity increase, and the two companies will become Rengo subsidiaries, enabling Rengo to take control of the management of the two companies.

2. Capital Increase Process

In response to a request from the Zhongshan joint ventures, their capital will be increased by a total of US\$37.5 million, of which Rengo will contribute US\$35.625 million. As a result, Rengo's equity participation in each company will increase from 35% to 62.8%, and the two companies will become Rengo subsidiaries.

3. Company Overviews

(1) Name	Zhongshan Rengo	Zhongshan Ren Hing
(2) Headquarters	105 National Highway, west side of Zhongshan Sanqiao, Zhongshan, Guangdong, China	
(3) Representative	Yoshitaka Ozawa, Chairman	
(4) Main business activities	Manufacture and sale of containerboard (linerboard and corrugating medium)	
(5) Capital	US\$28.8 million	US\$14.7 million
(6) Date of establishment	May 22, 1995	August 16, 2000
(7) Shareholders and holdings (as of today)	Shareholder	
	Rengo Co., Ltd.	
	Hung Hing Printing Group Limited	
	Zhongshan Hung Hing Printing & Packaging Co., Ltd.	
	LeMonde Inc.	
	HomeGrace Consultants Ltd.	
	Total	100.00%

(8) Changes in Equity Holdings

Zhongshan Rengo (In US\$1,000)

	Equity Interests and Holdings Before the Capital Increase		Amount of Capital Increase	Equity Interests and Holdings After the Capital Increase	
Rengo	10,090.5	35.0%	23,589.0	33,679.5	62.8%
Four other companies	18,739.5	65.0%	1,241.0	19,980.5	37.2%
Total	28,830.0 (¥2,350 million)	100.0%	24,830.0 (¥2,024 million)	53,660.0 (¥4,374 million)	100.0%

Zhongshan Ren Hing (In US\$1,000)

	Equity Interests and Holdings Before the Capital Increase		Amount of Capital Increase	Equity Interests and Holdings After the Capital Increase	
Rengo	5,148.5	35.0%	12,036.0	17,184.5	62.8%
Four other companies	9,561.5	65.0%	634.0	10,195.5	37.2%
Total	14,710.0 (¥1,199 million)	100.0%	12,670.0 (¥1,032 million)	27,380.0 (¥2,232 million)	100.0%

Figures indicated in yen in the above table were calculated at the exchange rate at the end of December 2010 (¥81.52/US\$1).

(9) Relationship with Rengo

A director from Rengo has been appointed chairman of both companies and two Rengo directors have been serving as board members of both companies. Rengo has been providing technology and management support, and conducting internal audits of the two Zhongshan joint ventures pursuant to agreements with the companies. Rengo also sells recovered paper to the two companies.

(10) Finances and Business Performance for the Past Three Years

Zhongshan Rengo

		FY Ended December 2007	FY Ended December 2008	FY Ended December 2009
Sales	1,000 RMB (¥ million)	465,012 (5,687)	451,889 (5,526)	222,237 (2,717)
Net income	1,000 RMB (¥ million)	843 (10)	△ 51,813 (△ 633)	△ 34,682 (△ 424)
Net assets	1,000 RMB (¥ million)	277,673 (3,395)	228,058 (2,789)	193,376 (2,364)
Total Assets	1,000 RMB (¥ million)	527,993 (6,457)	419,616 (5,131)	291,558 (3,565)

Zhongshan Ren Hing

		FY Ended December 2007	FY Ended December 2008	FY Ended December 2009
Sales	1,000 RMB (¥ million)	495,079 (6,054)	384,968 (4,708)	203,714 (2,491)
Net income	1,000 RMB (¥ million)	32,894 (402)	△ 37,985 (△ 464)	△ 22,148 (△ 270)
Net assets	1,000 RMB (¥ million)	194,144 (2,374)	157,267 (1,923)	135,119 (1,652)
Total Assets	1,000 RMB (¥ million)	467,242 (5,714)	319,733 (3,910)	249,275 (3,048)

Figures indicated in yen in the above table were calculated at the exchange rate at the end of December 2010 (¥12.23/1 renminbi).

* Items (2), (3), (4), and (7) in 3. Company Overviews above are the same for both of the Zhongshan joint ventures.

4. Schedule

Rengo plans to remit the funds for the capital increase and perform the procedures to amend the Zhongshan joint ventures' business licenses within a month.

5. Future Outlook

The two Zhongshan joint ventures are currently subject to the equity method and will become consolidated subsidiaries at the end of this term. Accordingly, there will be no impact on Rengo's consolidated financial results for this term.