

16 February 2009

Company Nippon Paper Group, Inc.
Representative: Yoshio Haga, President
Stock code: 3893

Acquisition of Paper Australia Pty Ltd

Nippon Paper Group, Inc. (“the Group”) and Nippon Paper Industries Co., Ltd. (“Nippon Paper”), a wholly-owned subsidiary of the Group, would like to announce that it has entered into a sales and purchase agreement with PaperlinX Limited (“PPX”), the largest paper trading company in Australia, in relation to the acquisition by Nippon Paper of all outstanding shares in Paper Australia Pty Ltd (“AP”), a subsidiary of PPX. The details are as follows:

1. Rationale of the acquisition

The Group has set its goals with “Group Vision 2015” to become a top 5 player in the global pulp and paper industry with accelerating overseas business development to achieve sustainable growth. In the past few years, the Group has been able to capture growth in the paper market through enhancing exports and locally-based production, especially in Asia and Oceania market where we expect growth in the future, with light-weight coated paper as a strategic product.

Among them, Australia has a commercial publishing market with sustainable growth. We believe Australia is one of the promising paper markets in the world. In addition, Australia historically has a low domestic production ratio, and has capacity to expand its domestic production in the future. The Group believes the opportunity lies in expanding our business into Australia, especially when the Japanese domestic market is near saturation.

Meanwhile, PPX, the parent company of AP, has been under process of AP’s sales, aiming to concentrate its management resource for paper trading business, and agrees on selling AP to the Group, who seeks to enter into Australian market.

AP is the biggest printing paper manufacturer in Australia with over 50 years of history. It is highly regarded by its customers in Australia and the “Reflex®” product, its major copy paper brand, has approximately 60% market share in Australia. In addition, the Maryvale manufacturing mill, AP’s main factory located in Gippsland, Victoria, has improved its competitiveness to a large extent from a recent investment in pulp manufacturing facilities, completed in December 2008. We believe the benefits from this upgrade will be fully realized in 2009.

It is expected that the Group will dramatically improve its position in the Australian paper market through this acquisition. We believe AP will immediately contribute to the Group and optimize our production systems globally. AP will also be able to improve considerably its production efficiency, and establish the corporate structure suitable to compete with imported paper. We will concentrate on prompt realization of these synergic effects.

At the same time, the Group hopes to deepen its relationship with PPX, which are very active in the world’s key markets, i.e. North America, Europe and Asia. We believe the establishment of a long-term relationship with PPX will greatly contribute to the Group’s overseas expansion in the future.

2. AP’s restructurings before the transaction

As part of the condition precedent for the acquisition, PPX will restructure its paper manufacturing business as follows:

(1) Excluding the 2 Tasmanian mills from the transaction

Out of the 4 existing manufacturing mills owned by AP, 2 mills operating in Tasmania will be excluded from the transaction. These Tasmanian plants will be incorporated into a newly established subsidiary of PPX.

(2) To transfer the PPX’s sales and related units that deal with AP’s products to AP

The PPX’s group units that handle the sales and administration of AP’s products will be transferred to AP before completion of the transaction.

3. Profile of the target company

- (1) Name Paper Australia Pty Ltd
- (2) Representative Jim Henneberry, Executive General Manager
- (3) Head office Victoria, Australia
- (4) Date of establishment 7 Sep 1993
- (5) Business Sales and manufacture of paper, pulp and stationery, such as envelopes and notebooks
- (6) Fiscal Year End June
- (7) Number of employees* approx. 1,300
- (8) Paper mills Victoria and New South Wales, Australia
- (9) Shares outstanding 3,208,084,653
- (10) Shareholder PPX (100%)
- (11) Recent Financial Snapshot (AUD million)

	June 2008	June 2007
Sales	914 (JPY 54.8bn)	950 (JPY 61.0bn)
EBIT	30 (JPY 1.8bn)	26 (JPY 1.6bn)
Total Asset	1,459 (JPY 87.6bn)	—

* The above figures are estimates only based on information provided by PPX. The figures exclude contributions from the 2 Tasmanian mills which are not part of this transaction. In 2009, the benefits from a recent investment in pulp manufacturing facilities in Maryvale mill, completed in December 2008, and the synergy effects will be added.

The amount of the net assets and the capital stock will be disclosed once they are fixed.

(12) Snapshot of the paper and pulp production facilities

i. Maryvale mill

Pulp	Total	500,000 tpa
(Breakdown)	LBKP	215,000 tpa
	NUKP	180,000 tpa
	NSSC*	100,000 tpa
Paper and Paperboard	Total	570,000 tpa
(Breakdown)	Uncoated paper	260,000 tpa
	Linerboard	225,000 tpa
	Kraft paper	85,000 tpa

*NSSC : neutral sulfite semi-chemical

ii. Shoalhaven mill

Pulp	Nil	
Paper	Total	16,000 tpa
Products	Specialty paper (coloured paper, security paper)	

4. Profile of the seller

(1)	Name	PaperlinX Limited
(2)	Representative	Thomas P. Park (CEO)
(3)	Head office	Victoria, Australia
(4)	Business	Sales of paper products
(5)	Status	Listed on Australian Stock Exchange
(6)	Total Asset	AUD 4,378 million (JPY 262.7 bn)
(7)	Sales	AUD 7,485 million (JPY 449.1 bn)

5. Intended number of shares transferred, consideration and ownership percentage

(1)	Ownership before the acquisition	0%
(2)	Number of Shares to be transferred	3,208,084,653
(3)	Intended consideration	AUD 600 million (JPY 36 bn) + Performance link consideration*

* The consideration payable by Nippon Paper will consist of an upfront payment of AUD 600 million plus subsequent payments linked to AP's performance in each of the fiscal year ending June 2010 to 2012. The total consideration for the three years will be between zero to maximum AUD 100 million (JPY 6 bn)

(4)	Ownership after the acquisition	100%
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6. Timeframe

- (1) Board meeting and signing of share sale agreement 16 February 2009
- (2) Transfer of shares

The official date of the shares transfer has not yet been determined given that condition precedents such as PPX's Group restructuring must be satisfied. Both PPX and Nippon Paper are targeting to transfer the shares by June 2009 and they will take the

necessary steps to ensure all conditions precedent be satisfied prior to this date. A subsequent announcement will be made once we are able to determine an exact transfer date.

7. Impact on the Group performance

There is no effect on the Group's performance for the fiscal year ending March 2009, as we estimate the acquisition will be completed by June 2009.