

**Notice of the Resolution on the Basic Policy
for Establishment of the Internal Control System**

Nippon Paper Group, Inc. is pleased to announce that, at a meeting of the Board of Directors held on May 26, 2006, the Company adopted the following resolution on the basic policy for establishment of an internal control system.

The Nippon Paper Group has set for itself the goal of becoming one of the top five pulp and paper companies worldwide by 2015 and adopted its Group Vision 2015 as guidelines to assist the group's management in achieving the target. In accordance with this vision, the Nippon Paper Group has set guidelines concerning its everyday business operations, namely, the Nippon Paper Group's Action Charter and the Nippon Paper Group Code of Conduct. The Company has been working to ensure that its officers and all employees in the Group fully understand the charter and the code of conduct.

On the basis of these guidelines, the Nippon Paper Group will institute a basic policy for establishing the internal control system as follows:

Basic Policy for Establishing the Internal Control System

1. A regime under which the executing of duties of directors is consistent with laws, regulations and the articles of incorporation
 - (1) The board of directors will create an effective internal control system as well as a regime which complies with laws and regulations as well as the articles of incorporation, so that the execution of the business of the company is conducted in a sound and appropriate manner.
 - (2) The board of statutory auditors shall audit the effectiveness and functions of the internal control system.
2. A regime that achieves proper conduct of operations of a stock company
 - (1) A regime in connection with keeping and managing information in connection with the execution of duties of directors
Legal documents and other documents in connection with the execution of duties of directors are to be properly kept and managed in the manner prescribed in the internal regulations
 - (2) A regime of regulations concerning the management of risks of loss and other issues
The necessary regulations and guidelines are to be created by the supervising office depending on the content of each risk, in connection with risks involving execution of business on the part of our company as well as companies in the group. In addition, efforts are to be made to prevent risks through means such as education and training pursuant to manuals, and if an incident should occur, the parent and subsidiary shall cooperate as one unit in preventing an increase of loss on the part of the corporate group, and put in place the necessary regimes to minimize the same.
 - (3) Regime to assure that the duties of directors are carried out in an efficient manner
 - (i) A regime shall be put in place so that each institution and organization including the board of directors shall function effectively, and execute its duties in a proper and efficient manner pursuant to the rules on decision making including the regulations of the board of directors, the regulations on decisions, and the regulations on allocation of duties.

- (ii) A three year medium term plan will be determined for each business (each company in the group). Goals and targets will be clarified, and performance management will be thoroughly carried out every business year, based on the same.
- (4) Regime to assure that the duties of employees are carried out in a manner that is consistent with laws and regulations as well as the articles of incorporation:
 - (i) Enacting of Nippon Paper Group Action Charter as well as the Nippon Paper Group Headquarters Codes of Conduct, and thorough education of employees in compliance.
 - (ii) Internal audits of the company and group companies to be conducted by the Internal Auditing Office at our company.
 - (iii) The Nippon Paper Group Help Line as a whistleblowing system to be put in place and thoroughly operated.
- (5) Regime to ensure proper conduct of business activities by stock companies as well as the corporate group consisting of the parents and subsidiaries
 - (i) In order to achieve the proper execution of business activities of the group, group management control will be properly implemented by enacting a basic management policy for the group as well as the relevant corporate business regulations, and through systems such as request for decisions to the company, and prior and subsequent reporting.
 - (ii) The statutory auditors shall in addition to the board of statutory auditors of the company hold a Nippon Paper Group Auditors Forum which will be organized from the statutory auditors of the main companies in our group. The Nippon Paper Group Auditors Forum shall periodically discuss matters such as the audit policies and methods of audit, and promote teamwork including the sharing of information in order to achieve the proper conduct of business on the part of the group.
- (6) A regime concerning employees who are to assist the statutory auditors in their duties, and the matters concerning the independence of these employees from the directors

Employees who are to assist in the duties of the statutory auditors are to be appointed as assistant statutory auditors from among the employees of our company. Prior consent of the board of statutory auditors shall be required in connection with the personnel management thereof.
- (7) Regime for the purpose of reporting by directors and employees to statutory auditors, and other reporting to statutory auditors, as well as a regime to assure effective audits by statutory auditors.
 - (i) Directors and employees who become aware of a material violation of law or regulation or the articles of incorporation or a misconduct in connection with the execution of duties, or of a matter that may cause significant damage to the company must report to the board of statutory auditors without delay. Moreover, statutory auditors may at any time request a report from a director or an employee.
 - (ii) Furthermore, an environment shall be created that enables a close relationship of exchanging information with persons such as accounting auditor and outside legal counsel in addition to reports from directors and employees, so that corporate information will be conveyed in a proper fashion to the statutory auditors.
 - (iii) Representative Directors shall hold meetings with statutory auditors to the extent possible and endeavor to come to a common understanding. Moreover, attendance by a statutory auditor at important meetings will be assured on request by a statutory auditor.