

August 3, 2006

To whom it may concern:

Name of Company Listed: Nippon Paper Group, Inc.
Code Number: 3893
Representative: Masatomo Nakamura, Representative Director and President

Press Release: Acquisition of Shares in Hokuetsu Paper Mills, Ltd. by our Subsidiary

Nippon Paper Industries Co., Ltd. (“Nippon Paper”), a wholly-owned subsidiary of Nippon Paper Group, Inc. (“Nippon Paper Group”), hereby informs you of having received the approval for the acquisition of shares in Hokuetsu Paper Mills, Ltd. (“Hokuetsu Paper”, Code Number 3865) at today’s Board of Directors’ meeting of Nippon Paper. The details of the current shareholding of Hokuetsu Paper shares by Nippon Paper group, the background and the objectives of the acquisition are explained below.

1. Current Shareholding

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| i) Number of shares currently held | 13,664,122 Shares |
| ii) Corresponding percentage of voting rights* | 8.49 % |

*(Percentage of total voting rights prior to the third-party new shares allotment to Mitsubishi Corporation scheduled for August 7, 2006)

Nippon Paper aims to acquire shares of Hokuetsu Paper, within limit of less than 10% of the total voting rights, after the third-party new share allotment to Mitsubishi Corporation (“Mitsubishi”), scheduled on August 7, 2006. The shareholding percentage has been targeted not to be subject to the restrictions under relevant antitrust regulations, and has been decided upon based on a number of factors including regulations under securities and corporate laws.

2. Background of the share acquisition

Oji Paper Co., Ltd. (“Oji Paper”) has informed Hokuetsu Paper on July 23, 2006 through the “Proposal of Business Integration with Hokuetsu Paper” of its intention to launch a tender offer for all outstanding shares in Hokuetsu Paper aiming at full business integration with the

transformation of Hokuetsu Paper into a 100%-owned subsidiary of Oji Paper. According to various news reports, even with the objections by Hokuetsu Paper, Oji Paper has, as announced in its press release “Notice Regarding Commencement of Tender Offer” on August 1, 2006, launched a tender offer (the “Tender Offer”) starting from August 2, 2006. Hokuetsu Paper, in response, made it clear in “The Notice Recommending Rejection of Tender Offer by Oji” on August 2, 2006 that “Hokuetsu believes that the Tender Offer presents a substantial risk of undermining the corporate value of Hokuetsu as well as the common interests of shareholders, and consequently Hokuetsu announces its opinion on rejection of the Tender Offer”, citing precise reasons. Further, according to our understanding, on July 30, 2006, Hokuetsu Paper’s labor union (with a membership of 1,060 employees) has officially announced its objections against the proposed business integration with Oji Paper, claiming “it may have a material negative impact on the life and economic well-being of its union members”. Nippon Paper has been observing the developments of these events carefully and has independently decided on the share acquisition, because Nippon Paper came to conclude that Oji Paper’s Tender Offer will not only disrupt Hokuetsu Paper’s corporate management, the well-being of its employees and the local community, but also damage the orderly functioning of the paper industry as a whole.

Over the years, the Japanese paper and paperboard industry has settled on an industry structure, where Nippon Paper group and Oji Paper have taken the lead in the paper and paperboard segment, respectively. If Oji Paper succeeds in the Tender Offer, Nippon Paper group would be almost caught up with in the paper segment and face a significant gap to Oji Paper in terms of consolidated sales. Under the stagnant outlook of the Japanese paper industry, the difference in overall sales gives us a concern that it would likely result in a discrepancy of revenue opportunities and lead to increased difficulty to catch up in size with Oji Paper. As such, Nippon Paper group believes that we cannot ignore the current situation, because the Tender Offer may significantly hurt Nippon Paper group.

3. Objective of the share acquisition

Nippon Paper’s acquisition of shares in Hokuetsu Paper is not intended for an acquisition of a controlling stake of Hokuetsu Paper aiming at potential business integration, etc. To this day, Nippon Paper has not held any discussion or negotiation about establishment of future relationship with Hokuetsu Paper and Mitsubishi. Therefore, Nippon Paper cannot estimate the precise benefit of the share acquisition. However, once the third-party new share allotment to Mitsubishi is concluded, Nippon Paper would like to approach Hokuetsu Paper and Mitsubishi, at an appropriate time, in order to propose a discussion about the possibilities of some form of

moderate corporative relationship with our group. Needless to say, Nippon Paper firmly believes mutual trust, understanding and consent under the spirit of respect and mutual concession to be the keys to a successful partnership. Nippon Paper wishes to base possible cooperation with the Hokuetsu Paper and Mitsubishi group on these principles and make it toward the success and improvement in corporate value of all parties involved. Although Nippon Paper has held no previous discussions with Hokuetsu Paper and Mitsubishi with regards to the Tender Offer by Oji Paper, we wish to propose a discussion with Hokuetsu Paper and Mitsubishi about how Nippon Paper will act with this matter.

Nippon Paper has decided to acquire shares of Hokuetsu Paper for the objective and the background stated above, but the share acquisition is not intended to deny paper industry reorganization. To the contrary, Nippon Paper has been strongly aware of the importance of the strengthening of business foundations and operational rationalization by way of consolidation and business integration, and has, itself, taken a lead in the industry with this respect. However, such a management strategy must respect the importance of the autonomy of each corporation as well as its employees. According to the press, Hokuetsu Paper's top management has indicated that the Tender Offer proposal by Oji Paper does not have the understanding and support of Hokuetsu Paper, and would lead to a significant loss of employee motivation. Past examples have shown that such a damage of employee motivation might lead to the long-term deterioration of operational capacities and then potentially pose an issue about the environment and the safety of people. The potential negative impact in this case would be grave, involving Hokuetsu Paper with over 2,800 employees, on the well-being of its employees, the local community, as well as on the industry as a whole. Nippon Paper decided the share acquisition for avoidance of such circumstances as well.

Nippon Paper is confident that it will gain the support of Hokuetsu Paper's shareholders, management and employees, as well as that of Mitsubishi with regard to the share purchase, as well as any future undertaking in this process. Further, we wish to propose entering into discussions with Hokuetsu Paper and Mitsubishi once we see more clarity in the current situation, to be able to inform Nippon Paper Group's shareholders on the benefits of such a cooperation. Finally, with regard to the share acquisition or any other updates, we will file a large shareholder report or other documents in a timely manner and in accordance with the relevant regulations.