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Nippon Paper Group, Inc.

Nippon Paper Group Announces Plan for Paper Business Revitalization

Nippon Paper Group, Inc. (President: Yoshio Haga) has developed a plan to revitalize the Group paper business. The plan is not only designed to achieve a recovery at mills affected by the March 11 Great East Japan Earthquake, but also to respond to the severe business environment in the Japanese paper market.

The plan calls for a shutdown of the facilities, focusing on facilities with high manufacturing costs, that combined produce 800,000 tons of paper a year, equivalent to approximately 15% of the Group's domestic paper production capacity. It also calls for the Group to withdraw from the production of certain unprofitable paper products.

In step with the shutdown of the facilities, the Group will reduce fixed costs to boost its competitiveness. It also enables various cost reductions, including a zero-oil initiative at major mills, to manage the risk of a further rise in the price of fossil fuels in the future.

The Nippon Paper Group will move forward the plan, aiming to strengthen the Group's paper business as well as to achieve a rapid recovery at the affected Ishinomaki Mill.

1. Plan Overview

1) Shutdown of production facilities

- 8 paper machines and 4 coating machines

[Nippon Paper Industries]	Capacity (1,000 t/ year)	Paper Grades
Ishinomaki Mill/ Paper machine 4	40	Woodfree paper
Ishinomaki Mill/ Paper machine N3	88	Groundwood paper
Ishinomaki Mill/ Coating machine 1*	112	Coated paper
Iwanuma Mill/ Paper machine 2 & Coating machine 30	108	Coated paper
Fuji Mill (Suzukawa)/ Paper machine 7	60	Industrial paper
Fuji Mill (Suzukawa)/ Paper machine 8	86	Business communication paper
Fuji Mill (Suzukawa)/ Paper machine 9	145	Business communication paper
Fuji Mill (Fuji)/ Paper machine 13 & Coating machine 33	137	Coated paper
Iwakuni Mill/ Cast Coating machine 1	7	Coated paper
[Nippon Daishowa Paperboard]		
Yoshinaga Mill/ Paper machine N2	86	Business communication paper
Total	869	
* (Ishinomaki Mill/ Paper machine 7, etc.)	69	Business communication paper, etc.)
Total reduction of paper production capacity	800	

(equivalent to approx. 15% of the Group's domestic paper production capacity)

(Group's paper production capacity after reduction: 4,360,000 t/ year)

* Ishinomaki Mill/ Paper machine 7, which had produced the base paper for Ishinomaki Mill/ Coating machine 1, will produce business communication paper after the resumption plan is implemented.

- Timing of shutdown: The shutdown of machines will take place sequentially and will be completed by the end of September 2012.

With the plan implemented, Fuji Mill (Suzukawa) will shut down all production facilities,

including paper machines and pulp facilities.

2) Reduction in Workforce

- About 1,300 workers
(About 850 regular employees and 450 contract employees, equivalent to approx. 15% of the workforce for the entire paper business)
- Measures including not filling vacant positions, transferring to other Group companies, and outplacement assistance are currently being studied.

2. Impact on profit and loss

1) Improvement in profitability

- Reduction in variable cost	5.0 billion yen
- Reduction in amortization cost and other fixed costs	8.5 billion yen
- Personnel cuts	10.0 billion yen
- <u>Electric power selling business, etc.</u>	<u>1.5 billion yen</u>
<Total profits increase through improvement>	25.0 billion yen

2) Estimated extraordinary loss incurred in the plan 26.0 billion yen

The Nippon Paper Industries' resumption plan for Ishinomaki Mill—the mill most affected by the earthquake—is as follows. Nippon Paper Group will be flexible in deciding the timing for the resumption of production and production volumes, based on market trends.

	<u>Timing of the resumption of production</u>	<u>Capacity (1,000 t/ year)</u>	<u>Paper Grades</u>
Paper machine 8	September 2011	112	Groundwood paper
Paper machine N4 & Coating machine 4	November 2011	125	Coated paper
Paper machine N5	2 nd half of FY2011	150	Coated paper
Paper machine N6	2 nd half of FY2011	272	Coated paper
Paper machine 7	1 st half of FY2012	108	Business communication paper
Paper machine N2 & Coating machine 2	1 st half of FY2012	89	Coated paper