

May 15, 2012

Company Name: Nippon Paper Group, Inc.  
Representative: Yoshio Haga, President  
(Stock Code: 3893, First Section TSE, OSE and NSE)

### **Notification of Decrease in Amount of Capital Reserve**

At a meeting of the Board of Directors of Nippon Paper Group, Inc. (“the Company”) held on May 15, 2012, the Board passed a resolution approving the submission of a proposition concerning a decrease in the amount of capital reserve to the ordinary general meeting of shareholders scheduled for June 28, 2012. Details are as follows:

1. Purpose of decrease in the amount of capital reserve

The Company will reduce the amount of capital reserve under the provisions of paragraph 1 of Article 448 of the Companies Act and transfer the amount of decrease in capital reserve to other capital surplus with the aim of realizing a flexible and agile future capital policy.

2. Outline of decrease in the amount of capital reserve

The Company’s capital reserve of 328,962,542,862 yen as of March 31, 2012 will be decreased by 315,462,000,000 yen to 13,500,542,862 yen.

The amount of decrease in capital reserve of 315,462,000,000 yen is planned to be transferred to other capital surplus.

3. Schedule for the reduction of the amount of capital reserve (plan)

(1) Date of resolution by the Board of Directors	May 15, 2012
(2) Date of resolution by the general meeting of shareholders	June 28, 2012 (plan)
(3) Public notice on creditors’ statement of an objection	July 18, 2012 (plan)
(4) Deadline for creditors’ statement of an objection	August 20, 2012 (plan)
(5) Effective date of a decrease in capital reserve	August 21, 2012 (plan)

4. Outlook

This matter is an account transfer in net assets, will not cause a change in the amount of net assets, and will have no effect on the results of the Company.

5. Other

(1) Merger with Nippon Paper Industries Co., Ltd., a consolidated subsidiary of the Company

The Board of Directors of the Company and Nippon Paper Industries Co., Ltd. (wholly owned subsidiary, hereinafter “Nippon Paper Industries”) approved and resolved at their meetings held on April 25, 2012 that the Company and Nippon Paper Industries will merge, designating Nippon Paper Industries as the surviving company (hereinafter “the Merger”). This matter will be submitted to the ordinary general meeting of

shareholders scheduled for June 28, 2012.

\*Refer to the press release dated April 25, 2012 and titled “Notification of Entry into a Merger Agreement with Consolidated Subsidiary Nippon Paper Industries Co., Ltd. and a Merger Agreement among Nippon Paper Industries Co., Ltd., and Consolidated Subsidiaries Nippon Daishowa Paperboard Co., Ltd., Nippon Paper-Pak Co., Ltd. and Nippon Paper Chemicals Co., Ltd.” (hereinafter “April 25 press release”) for the details of this merger.

With respect to “(14) Business Performance and Financial Position in Most Recent Three-Year Period” of “II. 2 Outline of Merging Companies” of the April 25 press release, the financial position (capital stock, net assets and total assets) of the merging companies as of March 31, 2012 is as shown below based on the Fiscal Year Ended March 2012 Brief Note on Settlement of Accounts (Consolidated) of the Company announced today.

	Nippon Paper Group, Inc. (consolidated basis)	Nippon Paper Industries (non-consolidated basis)
(1) Capital	55.7 billion yen	104.8 billion yen
(2) Net assets*	366.6 billion yen	216.5 billion yen
(3) Total assets*	1,527.6 billion yen	1,270.0 billion yen

\*The procedure to audit consolidated financial statements based on the Financial Instruments and Exchange Act was not complete with respect to the above consolidated figures.

(2) Decrease in the amount of capital stock and reserves and disposition of surplus of Nippon Paper Industries Co., Ltd, a consolidated subsidiary of the Company

At the meeting of the Board of Directors of Nippon Paper Industries held on May 15, 2012, the Board passed a resolution approving the submission of a proposition concerning a decrease in the amount of capital stock and reserves and the disposition of surplus to the ordinary general meeting of shareholders of Nippon Paper Industries scheduled for June 22, 2012.

Details are as shown below.

I Purpose of the reduction of the amount of capital stock and reserves and the disposition of surplus  
Nippon Paper Industries had a negative earned surplus carry-forward as of March 31, 2012. This will be eliminated by offsetting it against surplus through the reduction of the amount of capital reserve and earned reserve. Thereafter, the amount of capital stock and capital reserve will be reduced, and the amount of decrease in capital stock and capital reserve will be transferred to other capital surplus with the aim of realizing a flexible and agile future capital policy.

II Outline of the reduction of the amount of capital stock and reserves and the disposition of surplus

- i. We plan to reduce the amount of capital reserve and earned reserve based on the provisions of paragraph 1 of Article 448 of the Companies Act and transfer the amount of decrease in capital reserve and earned reserve respectively to other capital surplus and earned surplus carried forward.

Decreasing reserves and the amount of decrease:

The capital reserve of 115,089,078,652 yen will be reduced by 25,037,139,075 yen.

The earned reserve of 20,696,904,723 yen will be reduced totally.

Increasing surpluses and the amount of increase:

Other capital surplus: 25,037,139,075 yen

Earned surplus carried forward: 20,696,904,723 yen

- ii. The above other capital surplus after the transfer is planned to be transferred to earned surplus carried forward and be appropriated to make up the deficit based on the provisions of Article 452 of the Companies Act.

Decreasing surplus and the amount of decrease:

Other capital surplus: 25,037,139,075 yen

Increasing surplus and the amount of increase:

Earned surplus carried forward: 25,037,139,075 yen

- iii. We plan to reduce the amount of capital stock based on the provisions of paragraph 1 of Article 447 of the Companies Act and the amount of capital reserve based on the provisions of paragraph 1 of Article 448 of the Companies Act, and to transfer the amount of decrease to other capital surplus.

Amount of decrease in capital stock and capital reserve:

Capital stock of 104,873,250,491 yen will be reduced by 55,730,000,000 yen.

Capital reserve of 90,051,939,577 yen will be reduced by 20,000,000,000 yen.

Amount of increase in surplus:

Other capital surplus: 75,730,000,000 yen

### III Schedule for the reduction of the amount of capital stock and reserves (plan)

(1) Date of resolution by the Board of Directors	May 15, 2012
(2) Date of resolution by the general meeting of shareholders	June 22, 2012 (plan)
(3) Effective date of i. and ii.	June 22, 2012 (plan)
(4) Public notice on creditors' statement of an objection	July 18, 2012 (plan)
(5) Deadline for creditors' statement of an objection	August 20, 2012 (plan)
(6) Effective date of iii.	August 21, 2012 (plan)

#### (4) Profile of Nippon Paper Industries Co., Ltd. after merger

Assuming that all of the reduction of the amount of capital reserve of the Company, the Merger, the reduction in capital stock and reserves and the disposition of surplus of Nippon Paper Industries Co., Ltd., a consolidated subsidiary of the Company, as stated in (2) above, and the merger other than the Merger stated in the April 25 press release (the merger among Nippon Paper Industries, Nippon Daishowa Paperboard Co., Ltd., Nippon Paper-Pak Co., Ltd. and Nippon Paper Chemicals Co., Ltd. that will become effective on October 1, 2012) become effective on March 31, 2012, the profile of Nippon Paper Industries after the merger is as shown below.

(1) Trade name	Nippon Paper Industries Co., Ltd.
(2) Head office address	1-4-1, Oji, Kita-ku Tokyo
(3) Representative	Haga Yoshio, President and Director
(4) Business	Manufacturing and sales of paper, paperboard, pulp, paper containers, chemical products, etc.
(5) Capital stock	104.8 billion yen
(6) Net assets	288.0 billion yen (non-consolidated basis) 366.6 billion yen (consolidated basis)
(7) Total assets	1,379.0 billion yen (non-consolidated basis) 1,527.6 billion yen (consolidated basis)
(8) Closing date	March 31

\*Regarding the figures concerning consolidation, which are included in the above figures, we showed the Company's figures for the fiscal year ended March 2012 since all the mergers are within the Company Group.