Nippon Paper Group, Inc.

Stock code:	3893
Stock Exchange Listings:	Tokyo, Osaka, and Nagoya （First Section）
Representative:	Yoshio Haga, President

Shikoku Coca-Cola Bottling Co., Ltd.

Stock code:	2578
Stock Exchange Listing:	Tokyo （First Section）
Representative:	Takeo Hashimoto, President

Announcement of Nippon Paper Group, Inc.'s Conversion of Shikoku Coca-Cola Bottling Co., Ltd., into a Wholly Owned Subsidiary through Share Acquisition and Exchange

Tokyo, June 15, 2009 — The Boards of directors of Nippon Paper Group, Inc. ("NPG") and Shikoku Coca-Cola Bottling Co., Ltd. ("Shikoku Coca-Cola") today reached decisions for an exchange of shares ("Share Exchange") aimed at making Shikoku Coca-Cola a wholly owned subsidiary of NPG effective from October 1, 2009. NPG and Shikoku Coca-Cola today signed a Share Exchange Agreement, as detailed below.

The NPG Board today also resolved to acquire a stake of 54.93% in Shikoku Coca-Cola from wholly owned subsidiary Nippon Paper Industries Co., Ltd. ("NPI"), on June 18, 2009, prior to the effective date of the Share Exchange. NPG and Nippon Paper today signed a Stock Purchase Agreement for the transfer of this stock.

NPG will undertake a simple Share Exchange. As stipulated in Article 796-3 of Japan's Companies Act, that transaction will not require approval at a meeting of shareholders.

Additionally, Shikoku Coca-Cola plans to delist from the Tokyo Stock Exchange, Inc. ("TSE") prior to the effective date of the Share Exchange (The final trading date for shares of Shikoku Coca-Cola is scheduled for September 24, 2009).

1. Purpose of Conversion into Wholly Owned Subsidiary through Share Exchange

(1) Purpose of Share Exchange

Shikoku Coca-Cola Ltd. was established in 1963 as a wholly owned subsidiary of Jujo Paper Co., Ltd. (now within NPI), as part of that Company's business diversification efforts. Subsequently, Shikoku Coca-Cola listed on the Second Section of the Osaka Securities Exchange Co., Ltd. ("OSE") in 1993 and on the First Section of the TSE in 2000. Starting with Coca-Cola, the company has developed a business that produces and markets a range of soft drinks throughout Shikoku's four prefectures, creating value for shareholders and making a broader contribution to a wide range of stakeholders and to the local economy.

However, the soft drinks industry currently faces great challenges amid the rapid deterioration of the economic environment and intense price competition. Moreover, the total population of the four Shikoku prefectures is declining much faster than Japan's national average creating an extremely difficult operating environment for Shikoku Coca-Cola.

Nippon Paper Group has developed extremely close business relationships with the beverage industry reflected in a range of business lines at various NPG subsidiaries. (Please see the table below for details).

Nippon Paper Industries Co., Ltd.	Makes and sells paper for liquid-packaging containers
Nippon Daishowa Paperboard Co., Ltd.	Makes and sells paper for liquid-packaging containers and cardboard
Nippon Paper-Pak Co., Ltd.	Makes and sells paper for liquid-packaging containers
Nippon Tokan Package Co., Ltd.	Makes and sells cardboard cases
Dixie Japan Ltd.	Makes and sells paper cups

NPG and Shikoku Coca-Cola believe that making the latter company a wholly owned Group subsidiary will reinforce its core strengths without compromising its strategic autonomy. To that end, NPG will swiftly draw on its factory management experience to provide Shikoku Coca-Cola with expertise and technologies to improve plant operations. NPG will also harness its resources to share administrative services. Consequently, full ownership will allow NPG to make a greater contribution to the long-term growth of Coca-Cola's business.

For NPG, the acquisition and Share Exchange will make Shikoku Coca-Cola a direct, wholly owned subsidiary within the Group. The new ownership structure will enable NPG to directly participate in the management of Shikoku Coca-Cola, facilitating a more efficient decision-making process and strengthening the Group's overall drinks-related business. This investment will positively contribute to NPG's efforts to reinforce its operations in Japan at a time when the outlook for Japan's domestic paper industry remains tough. Ultimately, NPG believes that the planned transaction will bolster the Group's business platforms helping to secure stable profit and assisting Group-wide efforts to enhance overall corporate value.

(2) Prospects and Reasons for Delisting

Through the planned Share Exchange, Shikoku Coca-Cola will become a wholly owned subsidiary of NPG as of October 1, 2009. In line with the requirements of the TSE, Shikoku Coca-Cola plans to delist on September 25, 2009 (the final trading date is scheduled for September 24, 2009). After delisting, trading of Shikoku Coca-Cola shares will cease on the Exchange.

(3) Reasons for Delisting and Assessment of Alternatives

As mentioned in 1. (1) above, for NPG the immediate goal of the Share Exchange is not the delisting of Shikoku Coca-Cola. However, since NPG will become Shikoku Coca-Cola's sole shareholder, that company will delist in accordance with 2. (2). NPG shares allotted through the Share Exchange are listed on the TSE, OSE, and the Nagoya Stock Exchange, Inc. ("NSE"). After the Share Exchange, shareholders owning more than 257 Shikoku Coca-Cola shares and allocated at least 100 NPG shares, the minimum trading unit, will be able to trade on the TSE, OSE, and NSE. Depending on their stakes, some Shikoku Coca-Cola shareholders may receive odd-lot shares. NPG believes that such an arrangement will maintain share liquidity.

Shikoku Coca-Cola shareholders with fewer than 257 shares and allocated fewer than 100 NPG shares will not be able to trade their odd-lot shares on a stock exchange. Such shareholders will be able to use NPG's programs for selling or purchasing odd-lot shares. See Note 3 of 2. (2) for details on odd-lot transactions resulting from the Share Exchange.

Shikoku Coca-Cola shareholders can continue to trade their shares in Shikoku Coca-Cola on the TSE and exercise their rights under the Companies Act and related legislation and ordinances until the final scheduled trading date of September 24, 2009.

(4) Ensuring Fairness

Since Shikoku Coca-Cola is currently an indirect NPG subsidiary (and will become a direct one after NPI transfers its Shikoku Coca-Cola shares to NPG, as stated at the beginning of this announcement) NPG has taken the following measures to ensure fair valuation. NPG and Shikoku Coca-Cola separately commissioned appraisals from independent third-party advisors to calculate the Share Exchange ratio, as described in 2. (3). These independent appraisals formed the basis for the discussions between NPG and Shikoku Coca-Cola during the negotiation process to agree on a share exchange ratio and execute the Share Exchange.

However, please note that the third-party appraisals of the share exchange ratio do not constitute fairness opinions of the ratio adopted for the Share Exchange.

(5) Measures to Avoid Conflicts of Interest

To avoid a conflict of interest, Mr. Tetsuru Nozawa an NPG employee and an auditor of Shikoku Coca-Cola, did not participate in that company's Board deliberations about the Share Exchange.

2. Share Exchange Overview

(1) Tentative Schedule

Board of directors meetings approve Share Exchange	Monday, June 15, 2009
Share Exchange agreement finalized	Monday, June 15, 2009
Shikoku Coca-Cola to notify shareholders of annual general meeting	Tuesday, June 16, 2009 (planned)
Shikoku Coca-Cola to hold annual general meeting	Tuesday, June 30, 2009 (planned)
Shikoku Coca-Cola to convene general meeting for shareholders to approve Share Exchange	Friday, August 26, 2009 (planned)
Shikoku Coca-Cola to delist	Friday, September 25, 2009 (planned)
Effective Date for Share Exchange	Thursday, October 1, 2009 (planned)

Note 1: NPG will undertake a simple Share Exchange. Under Article 796-3 of the Japan Companies Act, that transaction will not require approval at a meeting of shareholders.

(2) Share Exchange Allotments

Company	NPG (Parent company)	Shikoku Coca-Cola (Wholly owned subsidiary)
Share Exchange allotments	1	0.39
Number of shares newly issued through Share Exchange	4,005,368 shares of common stock	

Note 1: NPG will allot 0.39of its shares per Shikoku Coca-Cola share. There will be no allotment through the Share Exchange for the 13,134,000 shares of Shikoku Coca-Cola that NPG plans to acquire on June 18, 2009.

Note 2: After the Share Exchange effective date, all Shikoku Coca-Cola shareholders with odd lots of NPG shares will have the right to receive NPG dividends according to the number of NPG shares they own. They will not be able to sell their odd lot shares through stock exchanges, but they will be able to use the following programs to sell or buy more NPG shares.

Odd-lot share sale program

In accordance with Article 192-1 of the Companies Act, shareholders with shares constituting less than one trading unit can apply to NPG to purchase those shares.

Program for raising ownership to minimum trading unit

In accordance with Article 194-1 of the Companies Act, shareholders with less than one trading unit can apply to NPG to sell them enough shares to secure a sufficient stake to make one trading unit.

Note 3: Handling fractions of shares:

In accordance with Article 234-1 of the Companies Act, for shareholders receiving fractions of NPG shares under the Share Exchange NPG will sell shares equivalent to the total sum of the fractions (rounding down if that total still results in fractions) and transfer proceeds to those shareholders in according to the fractions they owned.

Note 4: Number of shares issued through Share Exchange:

The number of shares issued through the above Share Exchange will be calculated based on the number of issued and outstanding Shikoku Coca-Cola shares (23,907,862) as of May 31, 2009, the number of shares of Shikoku Coca-Cola treasury stock (503,686), and the number of shares in that company that NPG intends to purchase (13,134,000). NPG may revise these numbers, particularly if Shikoku Coca-Cola retires its treasury shares, and will issue notice upon finalization.

Following a resolution of its Board of directors before the Share Exchange date, Shikoku Coca-Cola plans to retire all treasury shares (including those acquired from shareholders, at their behest, who oppose the Share Exchange) held right before NPG purchases all outstanding Shikoku Coca-Cola shares (excluding shares in that company that NPG plans to purchase).

Note 5: Cash Dividends

Subject to shareholder approval of the Share Exchange agreement at an extraordinary general meeting scheduled for August 26, 2009, Shikoku Coca-Cola plans to propose paying cash dividends of ¥5.5 per share (half of the year-end cash dividend of ¥11.0 projected in the preliminary financial statements for the year through December 2008) to shareholders of record as of the day before the Share Exchange (on September 30, 2009) and to pledgees of registered shares. For the fiscal year ending in December 2009, management plans to pay the interim cash dividend of ¥11.0 per share to shareholders of record as of June 30, 2009, as projected in the above preliminary financial statements.

(3) Bases for Calculating Allotments for Share Exchange

(i) Calculation Bases

To ensure that the Share Exchange ratio was fair and appropriate, NPG and Shikoku Coca-Cola appointed Daiwa Securities SMBC Co., Ltd. ("Daiwa Securities SMBC"), acting for NPG, and Deloitte Tohmatsu FAS, acting for Shikoku Coca-Cola, as third-party appraisal agents.

Daiwa Securities SMBC used two methods to calculate the Share Exchange ratio for both NPG and Shikoku Coca-Cola. The first was the market price method, as both companies are listed and have stock market valuations. The second was discounted cash flow ("DCF "), which factors in the prospective cash flows of future business activities. The base date for the Daiwa Securities SMBC calculation of the market price was June 11, 2009. Daiwa Securities SMBC employed the volume weighted average price formula (VWAP) to calculate both companies' share valuations for one, three, and six months before the base date.

If each Shikoku Coca-Cola share were valued at 1 unit, the valuation ranges under the two calculation methods would be as follows:

Calculation method	Share Exchange ratio valuation range
Market price	0.301 ～ 0.304
DCF	0.366 ～ 0.435

In calculating the Share Exchange ratio, Daiwa Securities SMBC referenced information from both companies, such as interviews, and from publicly disclosed information. Daiwa Securities SMBC assumed that all such materials and information were accurate and complete, and did not conduct its own assessment of accuracy or completeness. Daiwa Securities SMBC did not independently appraise the assets and liabilities of the companies or their subsidiaries and affiliates (including any off-balance-sheet or other contingent liabilities), and did not commission third-party appraisals. Daiwa Securities SMBC also assumed that the managements of both companies prepared their financial forecasts rationally based on the best projections and judgments available to them at the time.

The calculations of Daiwa Securities SMBC are not intended to represent any opinion on the fairness of the Share Exchange ratio.

Deloitte Tohmatsu FAS employed three methods to calculate the Share Exchange ratio for NPG and Shikoku Coca-Cola. The first was the market price method, as both companies are listed and have stock market valuations. The second was the peer company comparison method, which augmented the market share price method. The third was DCF, which factors in the prospective cash flows of future business activities. For the market price method, the company calculated share values based on simple average closing prices for one, three, and six months period each before the base date of June 11, 2009.

If each Shikoku Coca-Cola share were valued at 1 unit, the valuation ranges for these three calculation methods would be as follows:

Calculation method	Share Exchange ratio valuation range
Market price	0. 296 ～ 0. 301
Peer company comparison	0. 351 ～ 0. 364
DCF	0. 334 ～ 0. 452

In calculating the share exchange ratio, Deloitte Tohmatsu FAS referenced information from both companies, such as interviews, and from publicly disclosed information. Deloitte Tohmatsu FAS assumed that all such materials and information were accurate and complete, and did not conduct its own assessment of accuracy or completeness. Deloitte Tohmatsu FAS did not independently appraise the assets and liabilities of the companies or their subsidiaries and affiliates (including any off-balance-sheet or other contingent liabilities), and did not commission third-party appraisals. Deloitte Tohmatsu FAS also assumed that the managements of both companies prepared their financial forecasts rationally based on the best projections and judgments available to them at the time.

The calculations of Deloitte Tohmatsu FAS are not intended to represent any opinion on the fairness of the Share Exchange ratio.

The DCF assumptions of both Daiwa Securities SMBC and Deloitte Tohmatsu FAS for NPG drew on management's profit projections. Earnings for the fiscal year ended in March 2009 declined partly because lower demand stemming from the global economic recession caused production to drop. The other key factor was that the costs of raw materials and fuels soared. NPG expects the operating climate to remain adverse. From the fiscal year ending in March 2010, however, management expects earnings to recover to pre-recession levels. This turnaround would be on the strength of internal initiatives to review the production structure and efforts to reinforce and stabilize business units, including by cultivating overseas operations.

The DCF assumptions of both Daiwa Securities SMBC and Deloitte Tohmatsu FAS for Shikoku Coca-Cola drew on management's profit projections. The company's earnings deteriorated in the fiscal year ended in December 2008 because the tough economic environment dampened consumer sentiment and spending. Shikoku Coca-Cola believes that the operating climate will remain adverse during and beyond the fiscal year ending in December 2009. By the fiscal year ending in December 2011, however, management looks for earnings to recover to the levels achieved in fiscal year ended in March 2007, the key drivers being sales and production initiatives to enhance profitability.

(ii) Calculation Process

NPG and Shikoku Coca-Cola referred to calculations from the previously mentioned third parties in comprehensively assessing such factors as the financial positions and business forecasts of both companies, their operating climates, and stock market trends. They engaged in a series of thorough discussions and negotiations. The Boards of directors of NPG and Shikoku Coca-Cola concluded that the Share Exchange ratio in 2. (2) is reasonable and will benefit their respective shareholders, and today signed the Share Exchange agreement.

Both companies can discuss revisions to the Share Exchange ratio if there are material changes to the basis for the calculation.

(iii) Relationships with Appraisal Agents

The assigned appraisal agents are Daiwa Securities SMBC, acting for NPG, and Deloitte Tohmatsu FAS, acting for Shikoku Coca-Cola. These parties are completely independent from both companies.

(4) Treatment of Share Warrants and Warrant Bonds of Wholly Owned Subsidiary Involved in Share Exchange

Shikoku Coca-Cola has not issued share warrants or warrant bonds.

3. Profiles of Companies Participating in Share Exchange

1.	Company	Nippon Paper Group, Inc.	Shikoku Coca-Cola Bottling Co., Ltd.
2.	Business	Principally the management and supervision of the paper and pulp operating companies that it owns through equity holdings	Production and sale of soft drinks
3.	Date of establishment	March 30, 2001	January 7, 1963
4.	Headquarters	1-2-2, Hitotsubashi, Chiyoda-Ku, Tokyo	1378, Kasuga-cho, Takamatsu-shi, Kagawa-ken
5.	Name and title of representative	Yoshio Haga, President and Representative Director	Takeo Hashimoto, President and Representative Director
6.	Paid-in capital	¥55,730 million	¥5,576 million
7.	Number of outstanding shares	112,253,463 shares	23,907,862 shares
8.	Net assets (consolidated, as of March 31, 2009)	¥424,551 million	¥42,886 million
9.	Total assets (consolidated, as of March 31, 2009)	¥1,492,027 million	¥48,271 million
10.	Fiscal year-end	March 31	December 31
11.	Number of employees (consolidated, as of March 31, 2009)	13,088	939
12.	Main trading partners	NPI, Nippon Daishowa Paperboard Co. Ltd and others	Marunaka Co., Ltd., and Lawson, Inc.
13.	Principal shareholders and ownership (as of March 31, 2009)	Japan Trustee Services Bank, Ltd. (Trust Account): 10.07% The Master Trust Bank of Japan, Ltd. (Trust Account): 7.26% Japan Trustee Services Bank, Ltd. (Trust Account 4G): 6.41% Nippon Life Insurance Company: 3.35% Rengo Co., Ltd.: 2.96%	Nippon Paper Industries Co, Ltd.: 54.93% Morgan Stanley & Co. Inc.: 2.84% Shikoku Coca-Cola Employee Stock Ownership: 1.94% CBNYDFA International Cap Value Portfolio: 1.86% Japan Trustee Services Bank, Ltd. (Trust Account 4G): 1.74%
14.	Main banks	Mizuho Corporate Bank, Ltd., and Sumitomo Mitsui Banking Corporation	―

15.	Relationships between the parties	Capital	As of June 15, 2009, NPG indirectly owned 54.93% of Shikoku Coca-Cola's outstanding shares through wholly owned subsidiary NPI. On June 18, NPG will purchase NPI's stake to become direct owner.
		Personnel	An NPG employee also serves as auditor of Shikoku Coca-Cola. Another NPG employee is a substitute auditor of Shikoku Coca-Cola. NPI seconded three employees to subsidiaries of Shikoku Coca-Cola. One is at Shikoku Canteen Co., Ltd. The other two are assigned to Shikoku Customer Service Co., Ltd.
		Business	NPI obtains finance from Shikoku Coca-Cola under NPG cash management system.
		Status	Shikoku Coca-Cola is a consolidated NPG subsidiary.

16. Consolidated performances for the past three fiscal years

	NPG (Wholly owning parent company)			Shikoku Coca-Cola (Wholly owned subsidiary)		
Fiscal year end	March 2007	March 2008	March 2009	March 2007	December 2007	December 2008
Net sales (¥ million)	1,175,264	1,211,682	1,188,136	54,953	43,578	54,363
Operating income (million yen)	44,655	32,834	19,951	1,391	1602	297
Ordinary income (million yen)	47,088	32,800	17,944	1,596	1,820	588
Net income/net loss (million yen)	22,952	5,661	-23,330	680	833	145
Net income per share/net loss per share (yen)	215.70	52.00	-208.60	28.46	34.89	6.12
Cash dividends per share (yen)	80.00	80.00	80.00	22.00	16.50	22.00
Net assets per share (yen)	4,216.27	4,074.93	3,601.71	1838.48	1847.45	1856.13

Note 1: NPG made a 100-for-1 share split of common shares on January 4, 2009. Accordingly, NPG retroactively revised per share data for the years ended March 31, 2007 and 2008.

Note 2: To change its fiscal year-end, Shikoku Coca-Cola implemented a nine-month accounting period for the term ended on December 31, 2007.

4. Situation after Share Exchange

(1)	Company	Nippon Paper Group, Inc.
(2)	Business	Mainly manages paper and pulp companies that it owns
(3)	Headquarters	1-2-2 Hitotsubashi, Chiyoda-ku, Tokyo
(4)	Name and title of representative	Yoshio Haga, President and Representative Director
(5)	Paid-in capital	¥55,730 million
(6)	Total assets (consolidated)	To be determined
(7)	Net assets (consolidated)	To be determined
(8)	Fiscal year end	March 31

9) Outline of accounting treatment of planned transaction

The share exchange is expected to fall under the category of transaction with minority shareholder among the accounting procedures for transactions conducted under shared control, etc. NPG does expect to incur negative goodwill, however that amount has yet to be determined

10) Impact on Earnings Forecasts

NPG is currently evaluating the potential impact of the planned Share Exchange on its parent and consolidated earnings projections and aims to provide detailed guidance once this process is complete.