

September 12, 2006

To whom it may concern:

Name of Company Listed: Hokuetsu Paper Mills, Ltd.
Representative: Masaaki Miwa, Representative Director and President
Code Number: 3865

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

Press Release: Signing of the Memorandum of Understanding as to the Opening of the Joint Discussions Regarding the Strategic Alliance between Hokuetsu Paper Mills, Ltd. and Nippon Paper Industries Co., Ltd.

Hokuetsu Paper Mills, Ltd. (“Hokuetsu Paper”) and Nippon Paper Industries Co., Ltd., a wholly-owned subsidiary of Nippon Paper Group, Inc. (“Nippon Paper”) have agreed to enter into the joint discussions regarding the strategic alliance to cope with the recent difficult business environment and to amid the escalating competition in the Asian paper market. For improving international competitiveness by expanding and reinforcing the domestic manufacturing bases, while respecting the independent management of the two companies and independently continuing to improve corporate value through healthy market competition, Hokuetsu Paper and Nippon Paper have reached an agreement as summarized below.

1. Scope of the Main Subjects

- (i) For the smooth launch of the two new large-sized on-machine-coaters, Nippon Paper Ishinomaki Plant N-6 paper machine (operation to start in fiscal year 2007) and Hokuetsu Paper Niigata Plant N-9 paper machine (operation to start in fiscal year 2008), and for achievement of early improvement of earnings, forming of a specific cooperative relationship within the OEM production consignment including existing facilities, operation, distribution of goods and procurement of raw materials.
- (ii) Overcoming of the common challenges within the paper industry, such as the environment, forestation, used paper recycling, energy and the paper technology and development, as well as forming of the specific cooperative relationship in the business fields such as white paper boards, specialty papers and the beverage packaging cartons.

2. The Target Date for Signing the Definitive Alliance Agreement

The two companies are opening discussions, aiming to signing the definitive alliance agreement on November 30, 2006.