

Company: Hokuetsu Paper Mills, Ltd.
Representative: Masaaki Miwa, President and CEO
Stock code: 3865

Company: Nippon Paper Group, Inc.
Representative: Masatomo Nakamura, President and CEO
Stock code: 3893

Hokuetsu and Nippon Paper Sign Strategic Alliance

Tokyo, December 1, 2006 – Hokuetsu Paper Mills, Ltd. (“Hokuetsu”), and Nippon Paper Industries Co., Ltd. (“Nippon Paper”), a wholly owned subsidiary of the Nippon Paper Group, Inc, today agreed a major strategic alliance. The accord is the result of joint discussions under a Memorandum of Understanding that the two Companies signed on September 12, 2006.

1. Alliance Goals

Hokuetsu and Nippon Paper have agreed to ally amid intensifying competition in Asian paper markets. The alliance is underscored by a mutual respect for the management autonomy of each partner and a strong desire to promote healthy competition. The agreement signed today encompasses production and logistics, the procurement of raw materials, and technology. Ultimately, Hokuetsu and Nippon Paper aim to raise their global competitiveness and enhance corporate value while expanding the domestic and international presences of their pulp and paper businesses.

2. Alliance Scope

(1) Production and logistics

- (i) Facilitate the smooth launch of operations at two new state-of-the-art production facilities, which are expected to swiftly contribute to earnings gains at both Companies. These facilities are the N6 on-machine coater, scheduled to go on line at Nippon Paper’s Ishinomaki Mill in fiscal year 2007, and the N9 at Hokuetsu’s Niigata Mill, which is slated to begin operations in fiscal 2008.
- (ii) Consign production between the two partners on an original equipment manufacturer basis.
- (iii) Work together to cultivate international markets.
- (iv) Share shipping and distribution networks.

(2) *Raw materials procurement*

- (i) Secure profitable and stable supplies of raw materials through co-development and joint procurement initiatives.
- (ii) Cut procurement costs by working together to strengthen logistics networks and boost operational efficiency while sharing technological expertise to switch to lower-cost raw materials.

(3) *Technology*

- (i) Improve efficiency by sharing manufacturing and operations technology.
- (ii) Consider launching joint initiatives to address common technological issues in areas such as quality control, maintenance and the environment.

(4) *Other Areas*

Hokuetsu and Nippon Paper will actively consider ways to expand their alliance and see the potential for extending the scope of their collaboration beyond the three areas outlined above.

3. Schedule

December 1, 2006	Sign strategic alliance agreement and launch joint working committee
April 1, 2007	Begin implementation of alliance agreement

Mitsubishi Corp. will work alongside Hokuetsu and Nippon Paper to support global marketing activities and raw materials procurement.