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May 24, 2007

To whom it may concern:

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Basic Policy on the Persons to Control Nippon Paper Group, Inc. (the “Company”)
and Introduction of a Plan toward Large-Scale Acquisitions of the Company
(Takeover Defense Measures)

The Company hereby announces that at a meeting of its Board of Directors held today, the Company resolved to adopt a basic policy, as defined in the Article 127 of the Enforcement Regulations of the Corporation Law, on the persons who control decision-making over the financial and business policies of the Company (the “Basic Policy”), as well as a plan concerning Large-Scale Purchases (defined in Item III (III) A. below) of shares and other securities of the Company (the “Plan”), as specified in Item II. Ro of the said article of the Enforcement Regulations, in order to prevent persons inappropriate in light of the Basic Policy from controlling the financial and business policies of the Company.

The Plan will be introduced subject to shareholders’ approval at the ordinary general shareholders’ meeting for the seventh fiscal year of the Company (the “General Shareholders’ Meeting”) to be held June 28, 2007.

All of the four statutory auditors of the Company, two of whom are outside statutory auditors, gave their consents to the Plan on condition that the Plan is properly implemented.

I. Basic Policy

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The Company believes that persons who control decision-making over the financial and business policies of the Company must be able to protect and enhance the corporate value of the Company and the common interests of the shareholders.

Meanwhile, as the shares of the Company are listed and traded freely on markets by numerous investors, the Company believes that the persons to control decision-making over the financial and business policies of the Company should be decided based upon the will of its shareholders as a whole, and that the decision as to whether to accept a purchase offer for shares in a volume that will enable the purchaser to control decision-making over the financial and business policies of the Company should be made based upon the will of its shareholders as a whole. Nonetheless, there may be some forms of corporate acquisition that do harm to the common interests of its shareholders; those with a purpose or management policy after the acquisition that would obviously harm the corporate value of the target company and the common interests of its shareholders; those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for shareholders to consider the condition of the acquisition, or for the Board of Directors of the Company to make an alternative proposal; and those that require the target company to negotiate with the purchaser in order to procure more favorable terms for shareholders than those presented by the purchaser.

The Company judges that persons who conduct such a Large-scale Purchase or proposal to purchase are not suitable to have control over the financial and business policies of the Company.

II. Efforts to Enhance the Basic Policy

(I) Medium-Term Business Plan

The Nippon Paper Group aims at sustainable development of the corporate value, intending to balance development with stability. The Company will create competitive and attractive products based on “on-site doctrine”, a principle that goes back to a starting point of manufacturing, and “total optimization”, a way of educating optimal human resources and maximizing the synergy of the group as a whole. Also, as described in Group Vision 2015 announced in 2005, the Company will aggressively conduct business and carry out our strategy of active development in order to become “a top-five player in all aspects in the global pulp and paper sector in 2015”. The Company aims not only at being a top-five player in sales but also at being recognized as a major player in the global pulp and paper sector in the field of corporate social responsibility and corporate governance that are inseparable from business, profit-earning power and financial strength, technology development and total corporate

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power for overseas development.

The reason for formulating Group Vision 2015 is that the Company believes that it is required to set up a guideline for sharing the long-term vision of “what the Company should be in the future” and acting in the same way in order to avoid taking measures from a short-term point of view when pursuing prospective growth and development. The managerial environment is always changing and measures to be taken by the Company to tackle the challenges of business cannot stay constant. However, the Company believes that it is possible to make measures from time to time more consistent if the Company clarifies its ultimate goal and acts without losing sight of this goal.

In Group Vision 2015, the Company considers profit-earning power as the most important task for its domestic operation and tries to establish an optimal production framework and strengthen its competitiveness while focusing on the pulp and paper sector, the Company’s core business. In addition, the Company considers expansion into areas other than the pulp and paper sector as an opportunity for growth, and will expand sales in such businesses to almost thirty percent of the total amount of sales of Nippon Paper Group by developing start-up businesses and mergers and acquisitions. As for foreign operations, the Company considers them an area for scale expansion in the future, and wants to raise the amount of overseas sales to almost thirty percent of the total amount of sales of Nippon Paper Group.

As the first step to realize this vision, the Company set forth its Second Medium-Term Business Plan in April 2006. In this plan, the Company focuses on reinforcement of business infrastructure through scrap-and-build and business reorganization, and solidification of the foundation for developing actual overseas business, as a basic strategy of the Company. The Company also works to transform the Company’s managerial structure so that the Company can secure profits even in an era when external environment changes drastically.

In addition, the Company is also making its best efforts to realize alliance synergy in relation to two strategic alliances: one with Hokuetsu Paper Mills, Ltd. and one with Rengo Co., Ltd. and Sumitomo Corporation, both of which were announced last year.

With these efforts, the Company tries to secure and maximize the corporate value of the Company and the common interests of its shareholders.

(II) Efforts to Strengthen the Company’s Corporate Governance

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The Company believes that a foundation of the strategy for the development of our group companies is to maximize its shareholders' value by separating its management from performance of its business, to monitor our group companies as a "control tower" for the management of our group, and to increase accountability to the Company's stakeholders including its shareholders.

Based upon this standpoint, the Company separates our group governance through the Company, a holding company, from the performance of business by our group companies, intending to clarify organization and its function. Also, the Company has appointed two outside statutory auditors since June 2004, and continues to further reinforce the auditing system.

With these efforts, the Company continues to strengthen the corporate governance of the Company.

III. Plan Details

(I) Objective of the Implementation of the Plan

The Plan is implemented as a measure to prevent the Company's financial affairs and business directions from being controlled by an inappropriate party, in light of the Basic Policy stated in Item I. above.

The Company conducts a business mainly concerning pulp and paper and the related businesses. Paper has supported people's lives since the days before Christ and contributed to the development of human culture. Also, the Company has been energetically dedicated to addressing environmental problems through tree planting, totally chlorine-free bleaching and other activities. The Company has been engaged actively in contribution to society or cultural activities in addition to pulp and paper business and environmental activities, and the Company believes that these activities are organically linked to one another and this link creates the synergy and generates corporate value for the Company.

In addition, as stated in Item II (I), the Company considers reinforcement of business infrastructure through scrap-and-build and business reorganization and solidification of the foundation for developing actual overseas business as core strategies of the Company under the Second Medium-Term Business Plan, and aims at being supported as a "valuable company" by various stakeholders such as shareholders, customers, business partners, employees and local communities, trying with their best efforts to maximize the corporate value of the Company.

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Unless a large-scale purchaser of the shares of the Company ensures or enhances the corporate value of the Company in the medium or long term by correctly recognizing the managerial environment surrounding the Company and understanding the source of the corporate value of the Company, it is unlikely that the Company can achieve the Second Medium-Term Business Plan, and it is possible that the corporate value of the Company would be impaired.

Furthermore, in the event that the Company is offered a plan to purchase its shares by an outside purchaser, it is necessary that the shareholders recognize the effect of synergy resulting from the organic combination of the Company's tangible or intangible managerial resources, possible effects of the future measures, business field and personal network, relations of trust with culture and society. And it is also necessary that the shareholders recognize other items that comprise the corporate value of the Company, and that the shareholders evaluate the effect of the large-scale purchase by the said purchaser on the corporate value of the Company.

In view of these issues, the board of directors has decided that a framework is needed when an offer is made to acquire a large number of company shares to be able to deter such offers when they might harm corporate value and the shared interests of shareholders by making it possible (i) for shareholders to decide whether to accept this offer, (ii) to secure the information and time needed so the board of directors can propose a counter offer to shareholders, and (iii) to negotiate in the interest of shareholders.

Please note that at the present time there are no large-scale purchase of the Company's shares and no threats thereof, and so the implementation of the Plan is a so-called framework of takeover defense measures in ordinary times. Shares and principal shareholders of the Company as of March 31, 2007, are disclosed in Attachment 4.

(II) Plan Outline

A. Establishment of Rule of Large-Scale Purchase of the Company's Shares

In order to ensure and enhance the corporate value and shared interests of shareholders of the Company, in the event of any Large-Scale Purchase of the Company's shares, the Plan sets out procedures (i) to require that parties intending to conduct a Large-Scale Purchase ("Purchaser") provide necessary and sufficient information concerning Large-Scale Purchase in advance, (ii) to secure sufficient time to collect information with respect to the Large-Scale Purchase and give it full consideration, and (iii) to let the management of the Company propose a counter offer to shareholders and negotiate with the Purchaser. These procedures have the same

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meaning as the Rule on Large-Scale Purchase defined in Item (III) B. below. The content of the Rule is described in detail in Item (III) ‘The Details of the Rule on Large-Scale Purchase’.

B. Use of a Gratis Allotment of Stock Acquisition Rights

If a Purchaser effects a Large-Scale Purchase without following the procedures set out in the Plan or otherwise acts in a way that is deemed to be harmful to the Company’s corporate value or the shared interests of its shareholders (for details of these requirements, see below at Item (IV), Requirements for the Gratis Allotment of Stock Acquisition Rights”), the Company will allot stock acquisition rights having an exercise condition that does not allow the Purchasers to exercise and an acquisition provision to the effect that the Company may acquire the stock acquisition rights from persons other than the Purchasers in exchange for shares in the Company (the main details of such stock acquisition rights are set out below at (V) ‘Outline of the Gratis Allotment of Stock Acquisition Rights’; “Stock Acquisition Rights”) by means of a gratis allotment of stock acquisition rights (prescribed by Article 277 onwards of the Corporation Law) to all shareholders at that time.

C. Use of an Independent Committee to Eliminate Arbitrary Decisions by Directors

In order to eliminate directors’ arbitrary decisions relating to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the acquisition of the Stock Acquisition Rights, the Plan is monitored by an independent committee (see Attachment 1 for a summary), made up of members independent from the Company’s management. We also disclose information about the Plan to shareholders to ensure transparency.

The initial Independent Committee is composed of two outside statutory auditor of the Company and an outside expert with considerable experience and standing in the community who are highly independent from the management of the Company, and the members are mentioned in Attachment 2 (see Attachment 1 for the standards for appointing members, requirements for resolution and resolution matters, of the Independent Committee after the introduction of the Plan).

D. Exercise of the Stock Acquisition Rights and the Company’s Acquisition of Stock Acquisition Rights

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and either the shareholders other than the Purchaser exercise the Stock Acquisition Rights or the shareholders other than the Purchaser receive shares in the Company in exchange for the Company acquiring the Stock Acquisition Rights,

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then it would be possible for the ratio of Company shareholder voting rights held by the Purchaser to be diluted by up to maximum 50% compared to that before such exercise or acquisition.

(III) The Details of the Rules of the Large-Scale Purchase

A. Definition of Large-Scale Purchase Targeted by the Plan

The Plan will apply in cases where there are any purchases or acquisitions (excluding ones that the board of directors of the Company approves in advance) that fall under (i) or (ii) below, any actions that possibly fall under these requirements, or any proposals of these purchases or acquisitions (collectively, the “Large-Scale Purchase”).

- (i) a purchase or any other acquisition¹ that would result in a holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*²) of a Purchaser amounting to 20% or more of the share certificates, etc. (*kabuken tou*³), issued by the Company; or
- (ii) a purchase or any other acquisition⁴ that would result in an owning ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*⁵) of share certificates, etc. (*kabuken tou*⁶) of a Purchaser and an owning ratio of share certificates, etc. of a person having a special relationship to the Purchaser (*tokubetsu kankeisha*⁷; “Special Affiliates”), totaling between them at least 20% of the share certificates, issued by the Company.

Note 1: This includes cases where a Purchaser has a right to delivery of share certificates, etc. based upon share purchase contracts or any other agreements, and when a Purchaser conducts transactions prescribed by Article 14-6 of the Enforcement Order of the Securities Exchange Law.

Note 2: Defined in paragraph 4 of Article 27-23 of the Securities Exchange Law. The same is applied throughout this document. In calculating this ‘*kabuken tou hoyuu wariiai*’ ratio, (i) Special Affiliates as defined in paragraph 7 of Article 27-2 of the Securities Exchange Law, (ii) an investment bank, securities company or any other financial institutions concluding a financial advisory agreement with a Purchaser, a Purchaser’s tender offer agent, and a Purchaser’s lead managing underwriter (collectively, “Contracting Financial Institutions”), are each deemed under the Plan to be the Purchaser’s Joint Holder (defined in paragraph 5 of Article 27-23; the same is applied throughout this document). In calculating this ratio, the Company may refer to the latest information disclosed by the Company about the total number of shares issued by the Company.

Note 3: Defined in paragraph 1 of Article 27-23 of the Securities Exchange Law. Unless otherwise provided in this document, this definition is applied throughout this document.

Note 4: This includes purchase of shares, any other types of acquisitions with consideration, and any other transactions similar to acquisitions with consideration, defined in paragraph 2 of Article 6

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of the Enforcement Order of the Securities Exchange Law.

Note 5: Defined in paragraph 8 of Article 27-2 of the Securities Exchange Law. Unless otherwise provided for in this document, this definition is applied throughout this document. In calculating this '*kabuken tou shoyuu wariiai*' ratio, the Company may refer to the latest information disclosed by the Company about the total number of voting rights of the Company.

Note6: Defined in paragraph 1 of Article 27-2 of the Securities Exchange Law. The same is applied in Item (ii).

Note7: Defined in paragraph 7 of Article 27-2 of the Securities Exchange Law; provided, however, that persons provided for in paragraph 2 of Article 3 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by a Purchaser other than the Issuing Company are excluded from the persons described in paragraph 7(i) of Article 27-2 of the Securities Exchange Law. In addition, any (i) Joint Holder or (ii) Contracting Financial Institution will be deemed to be a Purchaser's Special Affiliate. Unless otherwise provided in this document, the same is applied throughout this document.

B. Request to the Purchaser for the Provision of Information

Excluding the Large-Scale Purchase that the Company's board of directors deems it unnecessary to require the following procedure, the Company will require any Purchaser to submit to the Company in a form prescribed by the Company, before effecting the Large-Scale Purchase, information as described in each of the lists below (the "Required Information") and a written undertaking that the Purchaser will upon the Large-Scale Purchase comply with the procedures established by the Plan (the "Purchase Prospectus").

The Company will, at the time that Independent Committee deems appropriate, disclose the emergence of the Purchaser, submission of the Purchase Prospectus by the Purchaser, and the information out of the Required Information and other information that the Independent Committee deems it necessary or appropriate to disclose so that shareholders can make a good judgment.

The Independent Committee, if it determines that the information provided by the Purchaser fails to meet the criteria for the Required Information, may directly or indirectly ask the Purchaser to provide additional information by a deadline date reasonably designated by the Committee. In such a case, the Purchaser shall be required to provide such additional information requested by the said deadline date.

The Independent Committee, if it determined that the Purchaser has fully provided the Required Information, shall disclose it to the shareholders of the Company.

Required Information

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- (i) Details (including specific names, the shareholding structure, capital contribution, financial status, names of directors or auditors and their backgrounds summary, and the experience of the similar kinds of business to the Company's or our group's business) of the Purchaser and its group (including Joint Holders, Special Affiliates and, in the case where the Purchaser is an investment fund, its partners and other members);
- (ii) The purpose, method and other details of the Large-Scale Purchase (including type of consideration, proposed value thereof, time of the Large-Scale Purchase, structure of related transactions, the legality of the Large-Scale Purchase, the feasibility of the Large-Scale Purchase, and, if share certificates of the Company are likely to be removed from the list of stock exchange after completion of the Large-Scale Purchase, such likeliness and its reason; the Independent Committee may require a Purchaser to submit a legal opinion written by qualified lawyers with respect to the legality of the Large-Scale Purchase);
- (iii) Existence or nonexistence of any communication with any third parties with respect to the Large-Scale Purchase (including communication related to an Important Proposal (defined in paragraph 1 of Article 27-26 of the Securities Exchange Law); the same is applied throughout this document), and if existing, the specific way of communication and its details;
- (iv) The basis and process for the calculation of the proposed price of the Large-Scale Purchase (including assumptions for the valuation, the valuation method, numerical information used in the valuation and the amount of the synergy effects expected to be created as a result of transactions related to the Large-Scale Purchase (including the details of synergy effects to be distributed to shareholders other than the Purchaser) and the basis for the calculation of such synergy effects);
- (v) Details of the source of the funds for the Large-Scale Purchase (including the names of providers of the funds, inclusive of substantive providers (direct or indirect), the fund-raising method, the content of the collateral, the existence or nonexistence of any condition precedent for provision of funds, details of covenants after provision of funds, and details of related transactions);
- (vi) The management policy, business plan, finance plan, capital policy, and dividend policy to be adopted, after completing the Large-Scale Purchase (including plans of sales of the Company's assets, pledging of collateral, and any other disposition of the Company's assets, after completing the Large-Scale Purchase);

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- (vii) Policy of treatment of officers, employees, business partners, customers and other stakeholders of the Company and the Company's group;
- (viii) Specific measures to avoid any conflict of interest with the other shareholders of the Company;
- (ix) Any other information that the Independent Committee reasonably judges necessary.

If the Independent Committee recognizes that a Purchaser has initiated a Large-Scale Purchase without complying with the procedures set by the Plan, as a general rule, it will recommend the Company's board of directors to implement a gratis allotment of Stock Acquisition Rights in accordance with Item D. (a) (i) below, except in particular circumstances where it should continue with its requests for the submission of a Purchase Prospectus and the Required Information, and its discussion and negotiation with the Purchaser.

- C. Consideration of Purchase Terms, Negotiation with the Purchaser, and Consideration of an Alternative Proposal
 - (a) Request to the Company's Board of Directors for the Provision of Opinion, Alternative Proposal and Information, etc.

The Independent Committee may set a reply period (as a general rule, up to sixty days from the day when the Company discloses that the Independent Committee judged that the Purchaser finished providing the Required Information) and request that the Company's board of directors present an opinion as to the Large-Scale Purchase, supporting materials, an alternative proposal and any other information that the Independent Committee considers suitably necessary, in order to compare the details of the Purchase Prospectus and the Required Information to the business plan of the Company's board of directors and the company valuation conducted by the Company's board of directors for the purpose of ensuring and enhancing the Company's corporate value and the shared interests of the shareholders.

- (b) Independent Committee Consideration

Upon taking receipt of the information from the Purchaser and the Company's board of directors (if the Independent Committee requested the Company's board of directors to provide information as set out above), the Independent Committee should conduct its consideration of the Purchaser's Purchase terms, collect information on the business plans and other information of the Purchaser and the Company's board of

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directors and comparison thereof, and consider of any alternative proposal presented by the Company's board of directors until the expiration of a period of sixty days as a general rule from such receipt (provided, however, that in the case described below at D. (a) (iii), the Independent Committee may extend this period ("Independent Committee Consideration Period")). In addition, the Independent Committee shall, directly or indirectly, consult with or negotiate with the Purchaser, or present to the shareholders an alternative proposal by the Company's board of directors and the like, if such actions are needed to cause the Purchaser make improvements to the proposed Large-Scale Purchase in view of ensuring and enhancing the corporate value of the Company and the shared interests of the shareholders.

In order to ensure that the Independent Committee's decision ensures the Company's corporate value and the shared interests of its shareholders, the Independent Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

When the Independent Committee makes a demand, directly or indirectly to provide materials or information, or for consultation or negotiations to ensue, the Purchaser must comply with the request promptly.

D. Independent Committee Procedures for Recommendation, etc. and the Resolution of the Company's Board of Directors

(a) Independent Committee Procedures for Recommendation, etc.

If a Purchaser emerges, the Independent Committee will make recommendation to the Company's board of directors in accordance with the following procedures (i) through (iii). If the Independent Committee makes a recommendation provided for in (i) through (iii) below and any other resolution, or where the Independent Committee considers appropriate, the Independent Committee shall disclose promptly after the recommendation the outline of the recommendation and any other items the Independent Committee considers appropriate (including the period and the reason, if the Independent Committee extends the Independent Committee Consideration Period).

(i) If the Independent Committee Recommends the Exercise of Gratis Allotment of the Stock Acquisition Rights

If the Purchaser fails to comply with the procedures set forth in the Plan, or if otherwise as a result of the consideration of the terms of the Purchaser's Large-Scale Purchase, the Independent Committee determines that the Large-Scale Purchase by the Purchaser meets any of the requirements set out below at (iv), 'Requirements for the

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Gratis Allotment of Stock Acquisition Rights' and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration Period has commenced or ended.

However, even after the Independent Committee has already made one recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events below applies, it may make a new recommendation by the day prior to the Exercise Period Commencement Date (defined below at F. of (V) 'Outline of the Gratis Allotment of Stock Acquisition Rights') that (until the gratis allotment has taken effect) the Company should suspend the gratis allotment of Stock Acquisition Rights or that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

- The Purchaser withdraws the Large-Scale Purchase or otherwise it ceases to exist after the recommendation.
- There is a change in the facts or information upon which the recommendation decision relied, and the Large-Scale Purchase by the Purchaser does not meet any of the requirements set out below in (IV) 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' or it is not reasonable to implement the gratis allotment or allow for shareholders to exercise the Stock Acquisition Rights even if the Large-Scale Purchase by the Purchaser does meet one of the requirements under (IV) below.

(ii) If the Independent Committee Recommends the Non-Triggering of Gratis Allotment of the Stock Acquisition Rights

If as a result of its consideration of the terms of the Purchaser's Large-Scale Purchase and discussion, negotiation or the like with the Purchaser, the Independent Committee determines that the Large-Scale Purchase by the Purchaser does not meet any of the requirements set out below at (IV) 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' or that the implementation of the gratis allotment of Stock Acquisition Rights is not reasonable even if the Large-Scale Purchase by the Purchaser does meet one of the requirements set out in (IV) below, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration Period has ended.

However, even after the Independent Committee has already made one recommendation for the non-implementation of the gratis allotment of Stock

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Acquisition Rights, if there is a change in the facts, information or otherwise upon which a recommendation decision relied and the situation has come to satisfy the requirements set out in the first paragraph of (i) above, the Independent Committee may make a new decision including a recommendation on the implementation of the gratis allotment of Stock Acquisition Rights, and recommend that decision to the Company's board of directors.

- (iii) If the Independent Committee extends the Independent Committee Consideration Period

If the Independent Committee does not reach a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights by the expiry of the initial Independent Committee Consideration Period, the Independent Committee will, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Purchaser's Large-Scale Purchase, negotiation with the Purchaser and the consideration of an alternative proposal, pass a resolution to extend the Independent Committee Consideration Period (and any extension of the new period after a period has been extended will follow the same procedure).

If the Independent Committee Consideration Period is extended as a result of the resolution described above, the Independent Committee will continue with its information collection, consideration process and like activities, and use best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

- (iv) Other Recommendation, etc. by the Independent Committee

In addition to (i) through (iii) above, the Independent Committee may make a recommendation and the like to the Company's board of directors with respect to the items that the Company's board of directors from time to time consults.

- (b) Resolutions of the Board of Directors

The Company's board of directors, in exercising their role of under the Corporation Law, will promptly pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights by taking into consideration to the maximum extent any recommendation of the Independent Committee described above. Even after the Independent Committee has already made one recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Large-Scale Purchase is withdrawn or if there is a change in the facts, information or otherwise upon which a recommendation decision relied, the Company's

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board of directors may make a decision to suspend of the gratis allotment of Stock Acquisition Rights and the like.

The Purchaser must not carry out a purchase of the Company's shares certificates, etc. until the Company's board of directors passes a resolution for the non-implementation of the gratis allotment of Stock Acquisition Rights.

E. Changes of the Required Information

If, after the Company discloses that the Company considers the Purchaser completes the provision of the Required Information, the Independent Committee considers that the Purchaser made a significant change in the Required Information, the procedure based upon the Plan for the Large-Scale Purchase that assumes the previous Required Information ("Previous Large-Scale Purchase" in this Item E.) will be suspended, and the Rule of Large-Scale Purchase will apply once again to the Large-Scale Purchase that assumes changed Required Information as separate Large-Scale Purchase from the Previous Large-Scale Purchase.

(IV) Requirements for the Gratis Allotment of Stock Acquisition Rights

The Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's board of directors as described at D. (b) of Item (III) 'The Details of the Rules of the Large-Scale Purchase,' if it is considered that an Large-Scale Purchase of a Purchaser falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights.

The Company's board of directors will without failure make its determination as to whether an action of a Purchaser falls under a requirement below and furthermore if it is reasonable or not to implement the gratis allotment of Stock Acquisition Rights through the recommendation of the Independent Committee in accordance with D. (a)(b) of Item (III) 'The Details of the Rules of the Large-Scale Purchase,' by taking into consideration such recommendation to the maximum extent.

- (i) A Purchaser does not comply with procedures set forth Rule of the Large-Scale Purchase in conducting the Large-Scale Purchase;
- (ii) A Purchaser is considered to intend to conduct the Large-Scale Purchase with no intention to participate in the Company's management, but to buy up a considerable ratio/number of the Company's shares for the sole purpose of raising the stock price and compelling any parties concerned with the Company to purchase the shares at considerably higher prices;
- (iii) A Purchaser is considered to intend to conduct the Large-Scale Purchase to carry out a so-called scorched-earth policy (i.e. forced transfer of

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- intellectual properties, know-how, franchisees, major business partners, customers and others, which are essential for the Company's business operations to the Purchaser and its group companies) through gaining temporary control of the Company's management;
- (iv) A Purchaser is considered to intend to conduct the Large-Scale Purchase to divert the Company's assets as collaterals and/or repayment funds for liabilities of the Purchaser and its group company after gaining control of the Company's management;
 - (v) A Purchaser is considered to intend to conduct the Large-Scale Purchase to have the Company dispose of its highly valued assets, like real properties, securities, etc., which have no immediate effect to the Company's ongoing business through temporary control of the Company's management, and have it distribute temporarily higher dividends with the profit from the disposal, then sell out when the Company's shares soar due to such temporarily increased dividends;
 - (vi) A Purchaser is considered to have made threats to compulsorily restrict the shareholders' chance or liberty to make decision and to substantially compel the shareholders to sell the shares of the Company, through a so-called two-tiered purchase procedure (i.e. making the purchase in a form of tender offer, etc., by unilaterally setting unfavorable second-tier purchase conditions without inviting shareholder to purchase all shares of the Company at the first-tier or intentionally not clarifying it); provided, however, that just being partial tender offer does not deservingly fall under this item);
 - (vii) The terms of a Large-Scale Purchase (including type and amount of consideration for the Large-Scale Purchase, time of the Large-Scale Purchase, the legality of the Large-Scale Purchase, the feasibility of the Large-Scale Purchase, the management policy or business plan after completing the Large-Scale Purchase, policy of treatment of minor shareholders, employees, business partners, customers and other stakeholders of the Company) can be considered to be inadequate or inappropriate in light of the Company's intrinsic value, with reasonable grounds;
 - (viii) It is deemed improper to allow the Purchaser to take control of the Company from the viewpoint of good public order and morality (e.g., a case where the Purchaser includes a person in its management or major shareholders, who has relations with any antisocial force); and
 - (ix) It is deemed that the Large-Scale Purchase may significantly impair the corporate value of the Company or the shared interests of the shareholders in any manner comparable to the cases (ii) through (viii).

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(V) Outline of the Gratis Allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights under the Plan is described below (for particulars regarding the gratis allotment of Stock Acquisition Rights, see Attachment 3 ‘Terms and Conditions of Stock Acquisition Rights’).

A. Number of Stock Acquisition Rights

The number of the Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the “Allotment Date”) that is separately determined by the Company’s board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights (“Gratis Allotment Resolution”).

B. Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights to those shareholders, other than the Company, who are entered or recorded in the Company’s final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share of the Company held.

C. Effective Date of Gratis Allotment of Stock Acquisition Rights

The Company’s board of directors will separately determine the effective date of the gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

D. Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The number of shares⁸ to be acquired upon exercise of each Stock Acquisition Right (the “Applicable Number of Shares”) shall be one share unless a special adjustment made.

Note 8: Even if the Company becomes an issuer of multiple classes of shares (Item 13 of Article 2 of the Corporation Law) in the future, the class of (i) the shares of the Company to be issued upon the exercise of Stock Acquisition Rights and (ii) the shares to be delivered in exchange for the acquisition of Stock Acquisition Rights shall be the same as the shares being issued by the Company at the time of the Ordinary General Meeting of Shareholders (i.e., common shares).

E. The Amount of Properties to be Contributed upon Exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share of properties to be contributed upon exercise of the Stock

[TRANSLATION]

Acquisition Rights will be an amount separately determined by the Company's board of directors in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share of the Company.

F. Exercise Period of the Stock Acquisition Rights

The commencement date will be a date determined by the Company's board of directors in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the "Exercise Period Commencement Date"), and the period will be a period from one month to three months long as determined by the Company's board of directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provisions of I. below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

G. Conditions for the Exercise of the Stock Acquisition Rights

As a general rule, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below shall collectively be referred to as "Non-Qualified Parties"):

- (I) Specified Large Holders;
- (II) Joint Holders of Specified Large Holders;
- (III) Specified Large Purchasers;
- (IV) Special Affiliates with Specified Large Purchasers;
- (V) Any transferee of or successor to the Stock Acquisition Rights of any person falling (I) through (IV) without the approval of the Company's board of directors; or
- (VI) Any Affiliated Party of any person falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that certain nonresidents such as those who may use any exemption provision under applicable laws and ordinances in such foreign country will be able to exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares of the Company as set out in I. below).

[TRANSLATION]

For definitions of Specified Large Holders, Joint Holders, Specified Large Purchasers, Special Affiliates and Affiliated Party used above, see Item 2. (IV) of the Attachment 3 'Terms and Conditions of Stock Acquisition Rights.'

H. Restriction on Assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.

I. Acquisition of the Stock Acquisition Rights by the Company

- (i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration.
- (ii) On a day separately determined by the Company's board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company's board of directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any person holding Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a day separately determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that person that have not been exercised by or on the business day immediately prior to such date determined by the Company's board of directors and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

IV. Impact on Shareholders and Investors

(I) Impact of the Rule of Large-Scale Purchase on Shareholders and Investors

[TRANSLATION]

The Rule of Large-Scale Purchase aims at providing the shareholders with necessary information to judge whether to accept an offer of the Large-Scale Purchase and the opinion of the Company's board of directors that currently manages the Company, and guaranteeing a chance for the shareholders to be given an alternative proposal. This enables the shareholders to make a decision with respect to whether to accept an offer of the Large-Scale Purchase with sufficient information and leads to ensuring and enhancing the corporate value of the Company and the shared interests of its shareholders. Therefore, the Company believes that the establishment of the Rule of the Large-Scale Purchase will promote an appropriate decision-making by the shareholders and investors and that it will benefit shareholders and investors.

Please note that, as stated in Item III. (III) D. and Item III (IV) above, the Company's response to the Large-Scale Purchase depends on the compliance or non-compliance of the Large-Scale Purchase with the procedure set out in the Rule and that the shareholders and investors should pay attention to the activities of the Purchaser.

(II) Impact on Shareholders and Investors at the Time of the Gratis Allotment of Stock Acquisition Rights

When the Company's board of directors resolves to grant the gratis allotment of Stock Acquisition Rights, shareholders of the record on the date specified by a resolution of that meeting, shall be given one Stock Acquisition Right for one share at free of cost. If a shareholder does not act to exercise the Stock Acquisition Rights including payment in full, as described minutely in the following Item B. of (III) 'Necessary Procedures for Shareholders upon the Gratis Allotment of Stock Acquisition Rights' during the exercise period, its own shares shall be diluted by execution of Stock Acquisition Rights held by other shareholders.

However, it is possible that the Company will acquire the Stock Acquisition Rights of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company in accordance with the procedures set out in Item C. of (III) 'Necessary Procedures for Shareholders upon the Gratis Allotment of Stock Acquisition Rights.' If the Company carries out such acquisition procedures, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price, and no dilution of the aggregate shares in the Company they hold will result (rather only dilution of the value per share in the Company they hold will result).

Furthermore, the Company, even if after the Allotment Date has come or the gratis allotment of Stock Acquisition Rights has taken effect, may cancel the gratis

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allotment or acquire those Stock Acquisition Rights without consideration nor delivery of the shares in the Company to the entitled shareholders up until the day immediately prior to Exercise Period Commencement Date due to circumstances such as, for example, if the Purchaser withdraws its Large-Scale Purchase of the shares in the Company. In these cases any dilution of stock value will not occur, and investors who made selling transactions on the assumption of dilution may suffer losses on stock price fluctuation.

(III) Necessary Procedures for Shareholders upon the Gratis Allotment of Stock Acquisition Rights

A. Procedures for Entry of Name Transfer

If the Company's board of directors resolves to implement a gratis allotment of Stock Acquisition Rights, the Company will first give public notice of the Allotment Date for the gratis allotment of Stock Acquisition Rights. In this case, as the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders who are entered or recorded in the Company's last register of shareholders and register of beneficial shareholders as of the Allotment Date, it will be necessary for shareholders to arrange for the procedures for entry of name transfer as soon as possible. (Please note that no procedures for entry of name transfer are required for those share certificates deposited with the Japan Securities Depository Center, Inc.)

Furthermore, all of the shareholders who are entered or recorded in the Company's last register of shareholders or register of beneficial shareholders as of the Allotment Date will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of Stock Acquisition Rights.

B. Procedures for Exercising Stock Acquisition Rights

The Company will deliver, as a general rule, an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date for the Stock Acquisition Rights, as well as representations and warranties regarding matters such as whether the shareholders themselves are not Non-Qualified Parties, indemnity clauses and other covenants) and other documents necessary for the exercise of the Stock Acquisition Rights to all shareholders being entered or recorded on the Company's last register of shareholders or register of beneficial shareholders as of the Allotment Date. After the gratis allotment of Stock Acquisition Rights, the shareholders will be issued one share in the Company per one Stock Acquisition Right upon submitting these necessary documents and paying to the place handling such payments the price determined by the Company's board of

[TRANSLATION]

directors in the Gratis Allotment Resolution, which will be an amount within the range between a minimum of one yen and a maximum of any amount equivalent to one-half the fair market value of one share of the Company, both during the exercise period of the Rights and before the acquisition of the Stock Acquisition Rights by the Company takes effect.

C. Procedures for the Acquisition of Stock Acquisition Rights by the Company

If the Company's board of directors determines to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures on the date separately determined by the Company's board of directors. When the Company is to deliver shares in the Company to shareholders in exchange for the acquisition of Stock Acquisition Rights, it shall do so promptly. In this case, the shareholders concerned will be separately requested to submit, in a form prescribed by the Company, representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants.

In addition to the above, the Company will disclose information or notify all of its shareholders with respect to the particulars of the allotment method of Stock Acquisition Rights, method of procedures for entry of name change, exercise method and method for acquisition by the Company after any resolution of the Company's board of directors in relation to a gratis allotment of Stock Acquisition Rights, so the Company requests that shareholders check these details at that time.

V. Rationale of the Plan

(I) Fully Satisfying the Requirements of the Guidelines for Takeover Defense Measures

The Plan fully satisfies the three principles (three principles: a principle to ensure and enhance corporate value and the shared interest of shareholders, a principle of disclosure in advance and the emphasis on shareholders' will, and a principle of necessity and appropriateness) set out in the Guideline Regarding Takeover Defense Measures for the Purchase of Ensuring and Enhancing Corporate Value and Shareholders' Shared Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

(II) Introduction to Ensure and Enhance Corporate Value and the Common Interest of Shareholders

As stated in Item III. (I) 'Objective of the Implementation of the Plan' above,

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the objective of the Plan's introduction is to ensure and enhance corporate value and to secure the shared interest of shareholders. For this, the Plan makes it possible for the Company to secure the necessary information and the time for its shareholders to examine any acquisition proposals, and will enable the Company's board of directors to present a counterproposal, or for the Company to negotiate with the Purchaser for shareholders of the Company.

(III) To Respect Shareholders' Will (Resolution of the Meeting of Shareholders, Sunset Clause)

The Company plans to introduce the Plan subject to the approval of this general shareholders meeting. As stated in VI. 'Effective Period, Abolition and Amendment of the Plan' above, the effective period of the Plan is until the close of the general shareholders meeting in 2009. In addition, even before the expiration of the effective period, the shareholders meeting or the Company's board of directors can abolish the Plan by resolution.

(IV) Disclosure of Information and Emphasis on the Decisions of Independent Parties

In introducing the Plan, the Company will establish the Independent Committee as an organization that will eliminate arbitrary decisions by the board of directors and its directors, and objectively carry out the substantive decisions on behalf of the shareholders in the operation of the Plan.

The initial Independent Committee is composed of two outside statutory auditors of the Company and an outside expert with considerable experience and standing in the community who are highly independent from the management of the Company, and the members are specified in Attachment 2.

If a Large-Scale Purchase of shares in the Company were to actually occur, this Independent Committee would, as set out above in Item III. (III) 'The Details of the Rules of the Large-Scale Purchase,' and in accordance with the Rules of the Independent Committee, make recommendations as to the implementation or the non-implementation of the gratis allotment of the Stock Acquisition Rights in view of whether or not the Large-Scale Purchase would have a detrimental effect on the corporate value of the Company and the shared interests of shareholders. Then, the Company's board of directors would, by taking into consideration those recommendations to the maximum extent, pass a resolution as to the implementation or the non-implementation of such allotment pursuant to the Corporation Law.

In this way, the Independent Committee will strictly monitor any arbitrary actions by non-outside directors and disclose outlines of its decisions to the

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shareholders, and will ensure a structure under which the Plan is only operated in a transparent way to the extent contributing to the corporate value of the Company and the shared interests of its shareholders.

(V) Establishment of Reasonably Objective Requirements

As stated above in Item III. (III) D. (a) 'Independent Committee Procedures for Recommendation, etc.' and III. (IV) 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' it can be said that the Plan is established so that it will not be triggered unless reasonable and detailed objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company's board of directors.

(VI) Obtaining the Advice of Third-Party Experts

If a Purchaser emerges, the Independent Committee may seek to obtain the advice of independent third parties (financial advisors, certified public accountants, attorneys, consultants and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Independent Committee.

(VII) No Dead-Hand Takeover Defense Measures

As stated in Item VI. 'Effective Period, Abolition and Amendment of the Plan' below, the Plan is designed in a way so that it may be abolished by a person who intends to acquire a large number of share certificates of the shares in the Company through nomination and election, at a general meeting of shareholders of the Company, of directors so-nominated by that person.

Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped).

VI. Effective Period, Abolition and Amendment of the Plan

The effective period of the Plan at present is until the close of the general shareholders' meeting (to be held in June, 2009) that concerns the last one of the Company's business years that ends within two years from the close of this general shareholders' meeting. However, if, even before the expiration of the effective period, the Company's general shareholders' meeting or the board of directors passes a resolution to abolish the Plan, the Plan shall be abolished at that time. Further, as the term of directors of the Company is one year, the Company can confirm the

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shareholders' will as to continuation or abolition of the Plan through the exercise of voting rights concerning appointment of directors at general shareholders' meetings every year.

Further, subject to the approval of the Independent Committee, the Company's board of directors may revise or amend the Plan even during the effective period of the Plan.

If the Plan is abolished, amended or the like, the Company will promptly disclose facts including the fact that such abolition, amendment or the like has taken place, and (in the event of an amendment or the like) the details of the amendment or the like and any other matters.

In addition, the provisions of the laws and regulations cited above are those that are effective as of May 24, 2007. If any need arises thereafter for modification of the provisions and/or terms specified in each of the above items due to the enactment of new laws and regulations or amendment to or abolition of existing laws and regulations, the Company's board of directors may revise or modify the said provisions and terms as necessary within the reasonable limits with due consideration for the purpose of the said enactment of, amendment to and/or abolition of relevant laws and regulations.

[End]

[TRANSLATION]

Attachment 1

Outline of the Rules of the Independent Committee

- The Independent Committee shall be established by resolution of the Company's board of directors.
- There shall be no less than three (3) members of the Independent Committee (the "Committee Member"), and the Company's board of directors shall elect the Committee Members from (i) outside statutory auditors of the Company, or (ii) outside experts, who are independent from the management that conducts the execution of the business of the Company. Such experts must be experienced corporate managers, parties with knowledge of the investment banking industry, attorneys, certified public accountants, researchers whose research focuses on Corporation Law or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Company's board of directors that contains a provision obliging them to exercise the duty of care of a good manager or a similar provision.
- The term of Committee Members of the Independent Committee shall be until the close of the Company's board of directors first held after the close of the general shareholders' meeting regarding the last business year that ends within two years of time of appointment. The term of Committee Members appointed as reserve member or added member, shall be until time of expiration of term of present Committee Members. However, the term of any Committee Member who is an outside statutory auditor shall end simultaneously in the event that they cease to be a statutory auditor (except in the case of their re-appointment).
- The Independent Committee shall make decisions on the matters listed below and submit recommendations to the Company's board of directors containing the details and reasons for the recommendations. Respecting such recommendations of the Independent Committee to the maximum extent, the Company's board of directors shall pass resolutions concerning the implementation, non-implementation or other action pertaining to a gratis allotment of Stock Acquisition Rights as a function under the Corporation Law. Each Committee Member and each director of the Company must make such decisions with a view to whether or not the corporate value of the Company and the shared interests of its shareholders will be enhanced, and they must not serve solely for the purpose of their own interests or those of third parties.
 - (a) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights;
 - (b) The cancellation of the gratis allotment of Stock Acquisition Rights or the gratis acquisition of Stock Acquisition Rights; and
 - (c) Any other matters that are for determination by the Company's board of

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- directors in respect to which it has consulted the Independent Committee.
- In addition to the matters prescribed above, the Independent Committee may conduct the matters listed below.
 - (a) Determining whether the Large-Scale Purchase should be made subject to the Plan;
 - (b) Determining the information that the Purchaser and the Company's board of directors should provide to the Independent Committee, and the deadline for the provision of that information;
 - (c) Examination and consideration of the terms of the Purchaser's Large-Scale Purchase;
 - (d) Negotiation and discussion with the Purchaser;
 - (e) Request for an alternative proposal to the Company's board of directors and consideration of the alternative proposal;
 - (f) Determining the extension of the Independent Committee Consideration Period;
 - (g) Approval of modification or amendment of the Plan;
 - (h) Any other matters that the Plan prescribes that the Independent Committee may conduct;
 - (i) Any matters that the Company's board of directors separately determines that the Independent Committee may conduct.
 - If the Independent Committee decides that the information provided by the Purchaser are inadequate as Required Information (see Item III. (III) B. of the Plan), it shall request that the Purchaser submit Required Information additionally. Further, if the Independent Committee receives from the Purchaser Purchase Prospectus and the Required Information, it may request that the Company's board of directors provide within a certain period an opinion regarding the terms of the Large-Scale Purchase by the Purchaser and materials supporting that opinion, an alternative proposal (if any), and any other information and the like that the Independent Committee may consider necessary from time to time.
 - If it is necessary in order to have the terms of the Purchaser's Large-Scale Purchase revised from the standpoint of ensuring and enhancing the corporate value of the Company and the shared interests of its shareholders, the Independent Committee shall either directly or indirectly discuss and negotiate with the Purchaser, or present to shareholders or others the alternative plan presented by the Company's board of directors, or conduct any similar action.
 - In order to collect the necessary information, the Independent Committee may request the attendance of a director, statutory auditor or employee of the Company, or any other person that the Independent Committee considers necessary, and may require explanation of any matter it requests.
 - The Independent Committee may, at the Company's expense, obtain the advice of an independent third party (including financial advisors, certified public

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accountants, attorneys, consultants and other experts) and similar actions.

- Any Committee Member and the Company's board of directors may convene a meeting of the Independent Committee when a Large-Scale Purchase arises, or at any other time.
- Resolutions of a meeting of the Independent Committee shall, as a general rule, pass with the majority of the votes cast when all Committee Members are in attendance.

[End]

[TRANSLATION]

Attachment 2

Career Summary of Members of the Independent Committee

The initial members of the Independent Committee are expected to be three people listed below:

Tatsuo Uemura

Main Positions:

Dean of the Faculty of Law and the School of Law, Waseda University

Professor, Faculty of Law and the Graduate School of Law, Waseda University

Leader Professor, 21st Century Center of Excellence, Waseda Institute for Corporation Law and Society

Background Summary:

Apr. 1948

Born

Apr. 1986

Professor, Faculty of Law, Senshu University

Apr. 1990

Professor, Faculty of Law, Rikkyo University

Apr. 1997

Professor, Faculty of Law, Waseda University

Oct. 2003

Leader Professor, 21st Century Center of Excellence, Waseda Institute for Corporation Law and Society

Professor, Faculty of the Graduate School of Law, Waseda University

Sep. 2006

Dean of the Faculty of Law and the School of Law, Waseda University

Main Official Appointment, etc.:

Provisional Member of Industrial Structure Council of Ministry of Economy, Trade and Industry

Director of Japan Investor-Protection Fund

Member of Self-Regulation Committee of Tokyo Stock Exchange, Inc.

Director of Japan Association of Corporate Directors

Member of Advisory Board of NTT DoCoMo, Inc.

Chairman of the Award Committee of Nikkei Advertising Awards, IR Division

Outside Director of Jasdaq Securities Exchange, Inc.

Member of Council of Japan Securities Research Institute

Outside Director of Shiseido Company, Limited

He does not have any special interest or any transactions in the Company.

Yoshihiro Morikawa

[TRANSLATION]

Main Positions:

Statutory Auditor of the Company and Nippon Paper Industries Co., Ltd.
Certified Public Accountant

Background Summary:

Jun. 1939 Born
Apr. 1971 Tetsuzo Ota & Co. (currently, Ernst & Young ShinNihon)
Sep. 1974 Registration as Certified Public Accountant
May 1994 Representative Partner, Showa Ota & Co. (currently, Ernst & Young ShinNihon)
Jun. 2005 Retirement from Ernst & Young ShinNihon (to present)
Jun. 2006 Statutory Auditor of the Company and Nippon Paper Industries Co., Ltd. (current)

Naoki Yanagida

Main Positions:

Statutory Auditor of the Company and Nippon Paper Industries Co., Ltd.
Attorney

Background Summary:

Feb. 1960 Born
Apr. 1987 Registration as Attorney of Tokyo Bar Association, Law Offices of Yanagida & Nomura
May 1998 Daiwa Securities Co., Ltd. (currently, Daiwa Securities Group Inc.)
Apr. 2000 Law Offices of Yanagida & Nomura (to Present)
Jun. 2004 Statutory Auditor of the Company and Nippon Paper Industries Co., Ltd. (current)

Mr. Yoshihiro Morikawa and Mr. Naoki Yanagida are outside directors, as set out in Item 16 of Article 2 of the Corporation Law. Both persons do not have any special interest or any transactions in the Company.

[End]

[TRANSLATION]

Attachment 3

Terms and Conditions of the Stock Acquisition Rights

1. Determination on Gratis Allotment of Stock Acquisition Rights

(1) Terms and number of the Stock Acquisition Rights

The terms of stock acquisition rights to be allotted to the shareholders (individually or collectively, the “Stock Acquisition Rights”) include terms set forth in section 2 below. The number of the Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the “Allotment Date”) to be separately determined by the Company’s board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights (the “Gratis Allotment Resolution”).

(2) Shareholders eligible for allotment

The Company will allot the Stock Acquisition Rights to those shareholders, other than the Company itself, who are entered or recorded in the Company’s final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share in the Company held.

(3) Effective date of gratis allotment of Stock Acquisition Rights

The Company’s board of directors will separately determine the effective date of gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

2. Terms of the Stock Acquisition Rights

(1) Number of shares to be acquired upon exercise of the Stock Acquisition Rights

- 1) The number of shares in the Company to be acquired upon exercise of one Stock Acquisition Right (the “Applicable Number of Shares”) shall be one share. However, when the Company splits or consolidates its common stock, the Applicable Number of Shares shall be adjusted according to the following formula. Any fractions less than one share arising as a result of such adjustment shall be discarded and no adjustment in cash shall be made.

Adjusted Applicable Number of Shares

=Applicable Number of Shares x Ratio of stock split or consolidation

- 2) Adjusted Applicable Number of Shares is applicable from the day next to the record date of stock split or from the day next to effectiveness of

[TRANSLATION]

consolidation.

- 3) In addition to the above 1), when total number of shares issued by the Company, not including shares held by itself, is changed or possibly being changed due to gratis allotment of stock, merger, corporate demerger, stock exchanges or other events, the number of base shares shall be adjusted, if necessary, rationally based on the conditions of the events.
- (2) The amount of properties to be contributed upon exercise of the Stock Acquisition Rights
- 1) Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount equal to the Exercise Price (as defined in 2) below) multiplied by the Applicable Number of Shares.
 - 2) The amount per share of the Company of properties to be contributed upon exercise of the Stock Acquisition Rights (the “Exercise Price”) will be an amount separately determined by the Company’s board of directors in the Gratis Allotment Resolution, but within the range between a minimum of one yen and a maximum of the amount equivalent to one-half (1/2) of the fair market value per share of the Company. The fair market value means an amount equivalent to the average closing price (including quotations) for regular transactions of the Company’s shares on the Tokyo Stock Exchange on each day during the retroactive ninety (90) day period prior to the date of the Gratis Allotment Resolution (excluding the day on which trades are not made), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.
- (3) Exercise period of the Stock Acquisition Rights

The commencement date of the exercise period will be a date separately determined by the Company’s board of directors in the Gratis Allotment Resolution (the commencement date of the exercise period shall be hereinafter referred to as the “Exercise Period Commencement Date”), and the period will be a period from one month to three months long as separately determined by the Company’s board of directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights in accordance with the provisions of section (7) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will become the preceding business day.

[TRANSLATION]

(4) Conditions for the exercise of the Stock Acquisition Rights

- 1) The following parties may not exercise the Stock Acquisition Rights:
 - (I) Specified Large Holders;
 - (II) Joint Holders of Specified Large Holders;
 - (III) Specified Large Purchasers;
 - (IV) Special Affiliates with Specified Large Purchasers;
 - (V) Any transferee of or successor to the Stock Acquisition Rights of any person falling (I) through (IV) without the approval of the Company's board of directors; or
 - (VI) Any Affiliated Party of any person falling under (I) through (V) (any party set out in (I) through (VI) shall be hereinafter referred to as the "Non-Qualified Party").

The terms used above shall have the following meanings:

- (i) "Specified Large Holder" means a person who is a holder (including any person who is described as a holder under paragraph 3 of Article 27-23 of the Securities Exchange Law) of share certificates, etc. (as defined in paragraph 1 of Article 27-23 of the Securities Exchange Law; the same applies hereinafter unless otherwise provided for) issued by the Company and whose holding ratio of share certificates, etc. (as defined in paragraph 4 of Article 27-23 of the Securities Exchange Law) in respect of such share certificates, etc. is at least 20% or more (including any person who is deemed to fall under the above by the Company's board of directors).
- (ii) "Joint Holder" means a person who is defined in paragraph 5 of Article 27-23 of the Securities Exchange Law, and includes any person who is deemed as a joint holder under paragraph 6 of Article 27-23 of the Securities Exchange Law (including any person who is deemed to fall under the above by the Company's board of directors).
- (iii) "Specified Large Purchaser" means a person who makes a public announcement of purchase, etc. (as defined in paragraph 1 of Article 27-2 of the Securities Exchange Law; the same applies hereinafter) of share certificates, etc. (as defined in paragraph 1 of Article 27-2 of the Securities Exchange Law; the same applies hereinafter in this subparagraph (iii)) issued by the Company through tender offer (as defined in paragraph 6 of Article 27-2 of the Securities Exchange Law) and whose ratio of ownership of share certificates, etc. (as defined in paragraph 8 of Article 27-2 of the Securities Exchange Law; the same applies hereinafter) in respect of such share certificates, etc. owned by such person after such purchase, etc. (including

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similar ownership as prescribed in paragraph 1 of Article 7 of the Enforcement Order of the Securities Exchange Law) is 20% or more when combined with the ratio of ownership of share certificates, etc. of a person having a Special Relationship (including any person who is deemed to fall under the above by the Company's board of directors).

- (iv) "Special Affiliates" is defined in paragraph 7 of Article 27-2 of the Securities Exchange Law (including persons who are deemed to fall under the above by the Company's board of directors); provided, however, that those persons provided for in paragraph 2 of Article 3 of the Cabinet Ordinance concerning Disclosure of a Tender Offer by a Purchaser other than the Issuing Company are excluded from the persons described in paragraph 7(i) of Article 27-2 of the Securities Exchange Law.
 - (v) An "Affiliated Party" of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any person who is deemed by the Company's board of directors to fall under the above), or a person deemed by the Company's board of directors to act in concert with such given party. 'Control' is defined as a condition that a company controls decisions on financial and business policies of other companies (defined in paragraph 3 of Article 3 of the Enforcement Regulations of the Corporation Law).
- 2) Notwithstanding 1) above, the parties set out in (a) through (d) below are not Specified Large Holders or Specified Large Purchasers:
- (a) the Company, its subsidiaries (as defined in paragraph 3 of Article 8 of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in paragraph 5 of Article 8 of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.);
 - (b) a person that the Company's board of directors recognizes as a person that fell under the requirements as set forth in 1)(I) above with no intention to control the Company and that ceased to fall under the requirements as set forth in 1)(I) above due to a disposal of the share certificates, etc. of the Company held within ten (10) days after falling under the requirements as set forth in 1)(I) above (provided, however, that the ten (10) day period may be extended by the Company's board of directors);
 - (c) a person that the Company's board of directors recognizes as a person that involuntarily fell under the requirements as set forth in 1)(I) above

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by the Company acquiring treasury stock or for any other reason (excluding cases where the person thereafter newly acquires the Company's share certificates, etc. at its own discretion); or

- (d) a person that the Company's board of directors recognizes as a person whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the shared interests of shareholders (including a person previously determined as a Non-Qualified Party by the Company's board of directors, but whose acquisition or holding of share certificates, etc. of the Company is later determined by the Company's board of directors not to be contrary to the Company's corporate value or the shared interests of shareholders, and if the Company's board of directors determines certain conditions as to whether an acquisition or holding is not contrary to the Company's corporate value or shared interests of shareholders, the above is applicable to the extent that the Company's board of directors recognizes that these conditions are satisfied.)
- 3) Under the applicable foreign laws and ordinances, if a person located under a jurisdiction of such laws and ordinances is required for the purposes of exercising the Stock Acquisition Rights to (i) perform certain procedures, (ii) satisfy certain conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the "Governing Law Exercise Procedures and Conditions"), such person may exercise the Stock Acquisition Rights only if the Company's board of directors recognizes that it fully performs or satisfies the Governing Law Exercise Procedures and Conditions, and such person may not exercise the Stock Acquisition Rights if the Company's board of directors does not recognize that it satisfies the Governing Law Exercise Procedures and Conditions. The Company shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and Conditions which are required in order for the person under such jurisdiction to exercise the Stock Acquisition Rights. In addition, if a person located under such jurisdiction is not permitted to exercise the Stock Acquisition Rights under such laws and ordinances, such person who locates in such jurisdiction shall not exercise the Stock Acquisition Rights.
- 4) Notwithstanding 3) above, a person located in the United States may exercise the Stock Acquisition Rights, only if (i) such person represents and warrants that it is an accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, and (ii) such person covenants to resell the shares of the

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Company to be acquired upon exercise of the Stock Acquisition Rights held by such person only through a regular transaction at the Tokyo Stock Exchange, the Osaka Stock Exchange or the Nagoya Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). In such case only, the Company shall perform or satisfy the Governing Law Exercise Procedures and Conditions under Regulation D of the U.S. Securities Act of 1933 and U.S. state laws that are required to be performed or satisfied by the Company for exercise of the Stock Acquisition Rights by a person located in the United States. A person located in the United States shall not exercise the Stock Acquisition Rights if the Company's board of directors determines that such person is not permitted to legally exercise the Stock Acquisition Rights under the U.S. Securities Act due to a change in the law of the United States or some other reason, even though such person satisfies the conditions as described in (i) and (ii) above.

- 5) A holder of the Stock Acquisition Rights may exercise the Stock Acquisition Rights only if the holder submits to the Company a written statement in which the holder undertakes representations and warranties, including, but not limited to, the fact that the holder is not a Non-Qualified Party, nor a person that has any intention to exercise the Stock Acquisition Rights on behalf of a Non-Qualified Party and that the holder satisfies the conditions for the exercise of the Stock Acquisition Rights, provisions for indemnification and other matters prescribed by the Company and any written statement required under the laws and ordinances.
 - 6) Even if a holder of the Stock Acquisition Rights is unable to exercise the Stock Acquisition Rights in accordance with the provisions of this section (4), the Company shall not be liable to such holder of the Stock Acquisition Rights for damages or any other obligations.
- (5) Capital and capital reserve to be increased upon issuance of shares by exercise of the Stock Acquisition Right

While amounts of increases in capital and capital reserve at exercise of the Stock Acquisition Rights are maximum amount to be increased in accordance with Article 40 of the Accounting Regulation of the Corporation Law, capital reserve does not increase.

- (6) Restrictions on assignments of the Stock Acquisition Rights
- 1) Any acquisition of the Stock Acquisition Rights by assignment requires approval of the Company's board of directors.

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- 2) If a person who intends to assign the Stock Acquisition Rights is located outside Japan and is unable to exercise the Stock Acquisition Rights in accordance with the provisions of section (4)3) and 4) (excluding a Non-Qualified Party), then the Company's board of directors shall determine if it gives such approval as described in the above sections considering the following matters:
 - (a) whether or not a written undertaking prepared and signed or sealed with printed name by the transferor and transferee (including provisions for representations and warranties with respect to the matters described in (b), (c) and (d) below and provisions for indemnification) is submitted with respect to the acquisition by assignment of all or part of the Stock Acquisition Rights by a person who locates in such jurisdiction;
 - (b) whether or not it is clear that the transferee is not a Non-Qualified Party;
 - (c) whether or not it is clear that the transferee is not located in such jurisdiction and does not intend to accept the Stock Acquisition Rights for a person located in such jurisdiction;
 - (d) whether or not it is clear that the transferee does not intend to accept the Stock Acquisition Rights for a Non-Qualified Party.

(7) Acquisition of the Stock Acquisition Rights by the Company

- 1) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date separately determined by the Company's board of directors, acquire all of Stock Acquisition Rights without consideration.
- 2) On a day separately determined by the Company's board of directors, the Company may acquire all (though partial acquisition is not permitted) of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company's board of directors, that are held by persons other than Non-Qualified Parties and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Rights.

Further, if on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any person holding the Stock Acquisition Rights other than Non-Qualified Parties, the Company

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may, on a day determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that person that have not been exercised by or on the business day immediately prior to a date separately determined by the Company's board of directors and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

- (8) Delivery of the Stock Acquisition Rights in the case of merger (limited to a merger where the Company ceases to exist due to such merger), absorption-type demerger (*kyushu bunkatsu*), incorporation-type demerger (*shinsetsu bunkatsu*), share exchange (*kabushiki koukan*), and share transfer (*kabushiki iten*)

The Company's board of directors will separately determine these matters in the Gratis Allotment Resolution.

- (9) Issuance of certificates representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights will not be issued.

- (10) Revision due to amendment to laws and ordinances

The provisions of the laws and ordinances referred to above are subject to the prevailing provisions as of May 24, 2007. If it becomes necessary after such date to amend the terms and conditions or definitions of terms set out in the paragraphs above due to the incorporation, amendment or abolishment and the like of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above shall be read or modified accordingly as required to a reasonable extent, taking into consideration the purposes of such formulation, amendment or abolishment.

[End]

[TRANSLATION]

Attachment 4

Shares and Principal Shareholders of the Company (as of March 31, 2007)

1. Shares

| | |
|--|---------------------|
| (1) Total Number of Issuable Shares: | 3,000,000.00 shares |
| (2) Total Number of Issued and Outstanding Shares: | 1,105,235.63 shares |
| (3) Number of Shareholders | 59,516 people |

2. Principal Shareholders (top 10) of the Company (number of shares and ratio of voting rights)

| Name | Equity participation in our company | |
|--|--|-------------------------------------|
| | Number of shares held | Percentage of voting rights held |
| 1. Japan Trustee Services Bank, Ltd. (Trust Account) | 85,526.00 | 8.1 |
| 2. The Master Trust Bank of Japan, Ltd. (Trust Account) | 53,640.00 | 5.1 |
| 3. Nippon Life Insurance Company | 37,456.03 | 3.5 |
| 4. Mizuho Corporate Bank, Ltd. | 31,314.24 | 3.0 |
| 5. Mitsui Life Insurance Co., Ltd. | 22,589.00 | 2.1 |
| 6. Mizuho Bank, Ltd. | 21,467.31 | 2.0 |
| 7. Daio Paper Corporation | 20,689.11 | 2.0 |
| 8. Sumitomo Mitsui Banking Corporation | 19,938.46 | 1.9 |
| 9. Japan Trustee Services Bank, Ltd. (Trust Account 4) | 17,170.00 | 1.6 |
| 10. The Norinchukin Bank | 17,000.65 | 1.6 |

(Note)

In addition to the above, the Company holds 40,967.47 shares of its own shares, but the Company is excluded from the above.