

October 24, 2007

For Immediate Release

Mishima Paper Co., Ltd.

Code: 3872 (Second Section of Tokyo Stock Exchange)

Representative: Masahiro Murakami, President and Representative Director

Contact: Jyungo Kubota, General Manager, Planning Department

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Nippon Paper Group, Inc.

Code: 3893 (First sections of Tokyo Stock Exchange, Osaka Securities Exchange, and Nagoya Stock Exchange)

Representative: Masatomo Nakamura, President and Representative Director

Notice of Stock Swap Agreement and Business Realignment

Mishima Paper Co., Ltd., (“Mishima Paper”) and Nippon Paper Group, Inc., (“Nippon Paper Group”) each passed resolutions at respective meetings of their boards of directors held on October 24, 2007, to enter into a basic agreement for a stock swap that will make Mishima Paper a wholly owned subsidiary of Nippon Paper Group. Predicated on the exchange of shares going into effect, the boards of directors of the both companies passed resolutions to implement a business realignment encompassing Mishima Paper and Nippon Paper Group subsidiaries.

Section I. Notice of Stock Swap

1. Purpose

Since its establishment in 1918, Mishima Paper has developed its operations as a specialty paper maker with strong manufacturing technologies in thin paper such as cigarette wrapping paper (known as rice paper), dictionary paper, and lightweight printing paper. However, domestic demand for thin paper, Mishima Paper’s core strength, has contracted due to Japan’s declining population and the advance of information technology, while rising prices for raw materials and fuels have caused the

Company's operating environment to worsen. Faced with these conditions, Mishima Paper has determined that formulating a strategic growth strategy as a standalone enterprise would be difficult and has decided to draw up a new growth strategy as a wholly owned subsidiary of Nippon Paper Group.

Nippon Paper Group seeks to improve its corporate value by further building up Mishima Paper as a dedicated specialty papermaker.

As a result of the stock swap, for which the planned effective date is February 1, 2008, Mishima Paper will become a 100% owned subsidiary of Nippon Paper Group. In preparation for this, Mishima Paper plans to delist its shares on January 28, 2008 (the last trading date: January 25, 2008).

2. Summary of Stock Swap

(1) Schedule

| | |
|------------------------------|---|
| October 24, 2007 (Wednesday) | Board of Directors passes resolution for exchange of shares |
| November 9, 2007 (Friday) | Date of record in shareholders' registry for general shareholders' meeting* |
| November 26, 2007 (Monday) | Stock swap contract signed (intended) |
| Mid-December 2007 | Approval of stock swap at general shareholders' meeting* (intended) |
| January 25, 2008 (Friday) | Date of last trading of Mishima Paper shares (intended) |
| January 28, 2008 (Monday) | Date of delisting of Mishima Paper shares (intended) |
| February 1, 2008 (Friday) | Effective date of stock swap (intended) |

*In the case of Nippon Paper Group, the stock swap can be conducted without obtaining approval at a shareholders' meeting, according to the provision of Paragraph

3 of Article 796 of Japan's Companies Act.

(2) Stock swap ratio

Mishima Paper shall be granted shares in Nippon Paper Group. Stock swap ratio is currently under discussion, and an announcement will be made as soon as a decision is reached.

3. Overview of Mishima Paper and Nippon Paper Group (as of March 31, 2007)

| | | | |
|------|--|--|--|
| (1) | Corporate name | Nippon Paper Group, Inc. | Mishima Paper Co., Ltd. |
| (2) | Main businesses | Oversees and manages mainly paper and paperboard companies through ownership of shares in these companies | Manufactures and sells paper and processed paper products |
| (3) | Date of founding | March 30, 2001 | July 25, 1918 |
| (4) | Head office | Chiyoda Ward, Tokyo | Fuji City, Shizuoka Prefecture |
| (5) | Name and title of company representative | President and Representative Director Masatomo Nakamura | President and Representative Director Masahiro Murakami |
| (6) | Paid-in capital | ¥55,730 million | ¥3,949 million |
| (7) | Shares issued | 1,105,235.63 shares | 29,015,598 shares |
| (8) | Net assets | ¥470,521 million (consolidated) | ¥10,133 million (consolidated) |
| (9) | Total assets | ¥1,565,978 million (consolidated) | ¥38,981 million (consolidated) |
| (10) | Fiscal year-end | March 31 | March 31 |
| (11) | No. of employees | 12,584 (consolidated) | 590 (consolidated) |
| (12) | Major business partners | Nippon Paper Industries Co., Ltd.; Nippon Daishowa Paperboard Co., Ltd. | Nippon Paper Industries Co., Ltd.; NP Trading Co., Ltd.; Japan Tobacco Inc. |
| (13) | Major shareholders and ownership ratio | Japan Trustee Services Bank, Ltd. (Trust Account) 7.73%; Master Trust Bank of Japan, Ltd. (Trust Account) 4.85%; Nippon Life Insurance Company 3.38% | Jowa Holdings Company 14.05%; Nippon Paper Industries Co., Ltd. 9.79%; Mizuho Trust & Banking Co., Ltd. 4.96% |
| (14) | Main banks | Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd. | Mizuho Corporate Bank, Ltd.; The Shizuoka Bank, Ltd. |

| | | |
|---|-----------------------|--|
| (15) Relationships among relevant companies | Capital | Nippon Paper Group owns 2,842,000 shares (9.79% of shares outstanding) in Mishima Paper indirectly through its wholly owned subsidiary Nippon Paper Industries Co., Ltd. Mishima Paper owns 8.98 shares (0.00% of shares outstanding) in Nippon Paper Group |
| | Personal | No one is a director at both companies |
| | Business | N/A |
| | Status of said people | N/A |

(16) Earnings performance in past three years (Millions of yen)

| Fiscal year | Nippon Paper Group, Inc. (Parent company with full ownership) (Consolidated) | | | Mishima Paper Co., Ltd. (Wholly owned subsidiary) (Consolidated) | | |
|--------------------------|--|------------|------------|--|-----------|-----------|
| | FY 3/2005 | FY 3/2006 | FY 3/2007 | FY 3/2005 | FY 3/2006 | FY 3/2007 |
| Sales | 1,179,696 | 1,152,166 | 1,175,264 | 36,084 | 35,721 | 36,380 |
| Operating income | 65,231 | 48,391 | 44,655 | 2,465 | 805 | 230 |
| Ordinary income | 62,801 | 49,403 | 47,088 | 2,381 | 760 | 307 |
| Net income | 24,350 | 17,192 | 22,952 | 881 | 458 | -376 |
| Earnings per share (¥) | 21,996.96 | 15,760.27 | 21,570.23 | 29.52 | 15.29 | -13.00 |
| Dividends per share (¥) | 8,000 | 8,000 | 8,000 | 6.00 | 6.00 | 6.00 |
| Net assets per share (¥) | 404,369.11 | 413,525.41 | 421,626.81 | 352.51 | 379.91 | 349.47 |

4. Status Following the Stock Swap

| | |
|--------------------------------------|---|
| (1) Corporate name | Nippon Paper Group, Inc. |
| (2) Main businesses | Oversees and manages mainly paper and paperboard companies through ownership of shares in these companies |
| (3) Location of head office | Tokyo, Chiyoda Ward, Yurakucho 1-chome |
| (4) Name and title of representative | President and Representative Director Masatomo Nakamura |
| (5) Paid-in capital | Undetermined |
| (6) Total assets (consolidated) | Undetermined |
| (7) Net assets (consolidated) | Undetermined |
| (8) Fiscal year-end | March 31 |

(9) Applied Accounting Method

Goodwill arising from this transaction will be recorded according to the purchase

method, however, its value has not been determined at this stage.

(10) Impact on Business Results

We expect this stock swap transaction to have only a minor impact on Nippon Paper Group's consolidated and non-consolidated earnings in the fiscal year ending March 31, 2008.

Section II. Notice Concerning Corporate Splits and Transfer (Corporate splits involving Mishima Paper and Nippon Daishowa Paperboard Co., Ltd., as well as the transfer of Nippon Paper Industries' synthetic paper business to Mishima Paper)

1. Preconditions

The business realignment, including corporate splits, outlined below is to be conducted after Mishima Paper becomes a wholly owned subsidiary of Nippon Paper Group on February 1, 2008, through the stock swap described in Section I.

2. Purpose of Corporate Splits

Mishima Paper as well as Nippon Daishowa Paperboard Co., Ltd. and Nippon Paper Industries Co., Ltd., (respectively "Nippon Daishowa Paperboard" and "Nippon Paper Industries", both wholly owned subsidiaries of Nippon Paper Group) will conduct business realignment for the purpose of bolstering the competitiveness of Mishima Paper's Otake Mill and its core specialty paper business.

3. Summary of Corporate Splits

(1) Schedule

| | |
|------------------------------|--|
| October 24, 2007 (Wednesday) | Board of Directors passed corporate split resolution |
| End of January 2008 | Corporate split contract to be signed (intended) |
| Mid-February 2008 | Shareholders' meeting to be held to obtain approval for corporate split (intended) |
| April 1, 2008 (Wednesday) | Effective date of corporate split (intended) |

(2) Method of Corporate Splits

1) Absorption-Type Corporate Split of Mishima Paper's Otake Mill

In a corporate split, the Otake Mill, which is Mishima Paper's main paper production mill, is to be divided from Mishima Paper; Nippon Daishowa Paperboard will receive the Otake Mill as the succeeding company.

2) Absorption-Type Corporate Split of Nippon Daishowa Paperboard's Kochi Mill [Nippon Daishowa Paperboard Nishinippon Co., Ltd.'s Kochi Mill (Kochi Prefecture)]

Nippon Daishowa Paperboard plans an absorption-type merger with its wholly owned subsidiary Nippon Daishowa Paperboard Nishinippon Co., Ltd., on April 1, 2008. Following the effective date of this absorption-type merger, Nippon Daishowa Paperboard Nishinippon's specialty paper business, including the Kochi Mill, which is the core specialty paper production mill of this business, will be divided from Nippon Daishowa Paperboard; Mishima Paper will receive the Kochi Mill as the succeeding company.

3) Number of Shares to be allocated

All of the aforementioned corporate splits are to be implemented when Mishima Paper becomes, similarly to Daishowa Paperboard and Nippon Paper Industries, a wholly owned subsidiary of Nippon Paper Group. These transactions are thus qualified as corporate splits among wholly owned subsidiaries of Nippon Paper Group, which are to be conducted as non-compensated transactions.

4. Summary of Business Transfers

Nippon Paper Industries' operations pertaining to OPER[®], a synthetic paper line that combines paper and resins (hereafter, the synthetic paper business), is to be transferred to Mishima Paper on April 1, 2008.

5. Summary of Respective Companies that are to be Parties to the Aforementioned Corporate Splits and Business Transfers (As of April 31, 2007)

| | | | |
|--------------------|--|--|--|
| (1) Corporate name | Mishima Paper Co., Ltd. (To cede Otake Mill in corporate split; to receive Kochi Mill as succeeding company in corporate split; to | Nippon Daishowa Paperboard Co., Ltd. (To receive Otake Mill as succeeding company; to cede Kochi Mill in corporate split) | Nippon Paper Industries Co., Ltd. (To transfer synthetic paper business to Mishima Paper) |
|--------------------|--|--|--|

| | | | |
|--|---|---|--|
| | receive synthetic paper business in transfer) | | |
| (2) Main businesses | Manufacturing and marketing paper and processed paper products | Paper and paperboard as well as pulp production and sales | Paper and pulp production and sales |
| (3) Date of founding | July 25, 1918 | August 28, 1913 | August 1, 1949 |
| (4) Head office | Fuji City, Shizuoka Prefecture | Chiyoda Ward, Tokyo | Kita Ward, Tokyo |
| (5) Name and title of company representative | President and Representative Director Masahiro Murakami | President and Representative Director Nobuyuki Otsuki | President and Representative Director Masatomo Nakamura |
| (6) Paid-in capital | ¥3,949 million | ¥10,863 million | ¥104,873 million |
| (7) Shares issued | 29,015,598 shares | 179,483,599 shares | 1,080,671,242 shares |
| (8) Net assets | ¥12,168 million (non-consolidated) | ¥41,564 million (non-consolidated) | ¥350,711 million (non-consolidated) |
| (9) Total assets | ¥38,053 million (non-consolidated) | ¥132,812 million (non-consolidated) | ¥1,348,408 million (non-consolidated) |
| (10) Fiscal year-end | March 31 | March 31 | March 31 |
| (11) No. of employees | 590 (non-consolidated) | 195 (non-consolidated) | 5,182 (non-consolidated) |
| (12) Major business partners | Nippon Paper Industries Co.; NP Trading Co., Ltd.; Japan Tobacco Inc. | Nippon Paper Industries Co., Ltd.; Japan Pulp and Paper Co., Ltd.; Shinsei Paper & Pulp Co., Ltd. | NP Trading Co., Ltd.; Shinsei Paper & Pulp Co., Ltd.; Yomiuri Shimbun Tokyo Head Co. |
| (13) Major shareholders and ownership ratio | Jowa Holdings Company 14.05%; Nippon Paper Industries Co., Ltd. 9.79%; Mizuho Trust & Banking Co., Ltd. 4.96% (As of the effective date of the corporate split, Mishima Paper is to become a wholly owned subsidiary of Nippon Paper Group) | 100% owned by Nippon Paper Group Inc. | 100% owned by Nippon Paper Group Inc. |
| (14) Main banks | Mizuho Corporate | Sumitomo Mitsui | Sumitomo Mitsui |

| | | | |
|--|---|--|--|
| | Bank, Ltd.; The Shizuoka Bank, Ltd. | Banking Corporation; Mizuho Corporate Bank, Ltd. | Banking Corporation; Mizuho Corporate Bank, Ltd. |
|--|---|--|--|

| | | |
|---|-----------------------|--|
| (15) Relationships among relevant companies | Capital | As of the effective date of the corporate split (April 1, 2007), Mishima Paper will be a wholly owned subsidiary of Nippon Paper Group; at this time, Mishima Paper will belong to the same corporate group as Nippon Daishowa Paperboard Co., Ltd., and Nippon Paper Industries Co., Ltd. |
| | Personal | No one serves concurrently as a director at two or more of these companies. |
| | Business | Mishima Paper sells paper to Nippon Daishowa Paperboard Co., Ltd., and Nippon Paper Industries Co., Ltd.; Nippon Daishowa Paperboard Co., Ltd., sells papermaking pulp and Nippon Paper Industries Co., Ltd., sells papermaking materials to Mishima Paper. |
| | Status of said people | N/A |

(16) Earnings performance in past three years

(Millions of yen)

| | Mishima Paper Co., Ltd. (To cede Otake Mill in corporate split; to receive Kochi Mill as succeeding company in corporate split; to receive synthetic paper business in transfer) | | | Nippon Daishowa Paperboard Co., Ltd. (To receive Otake Mill as succeeding company; to cede Kochi Mill in corporate split) | | | Nippon Paper Industries Co., Ltd. (To transfer synthetic paper business to Mishima Paper) | | |
|--------------------------|---|---------|---------|--|---------|---------|--|---------|---------|
| Fiscal year | FY 3/05 | FY 3/06 | FY 3/07 | FY 3/05 | FY 3/06 | FY 3/07 | FY 3/05 | FY 3/06 | FY 3/07 |
| Sales | 33,829 | 33,074 | 33,523 | 153,452 | 152,811 | 158,022 | 634,484 | 625,262 | 633,976 |
| Operating income | 1,140 | 473 | 131 | 1,739 | 1,799 | 1,811 | 40,349 | 32,138 | 27,123 |
| Recurring income | 1,305 | 658 | 151 | 2,886 | 3,899 | 2,922 | 39,713 | 34,136 | 30,493 |
| Net income | 232 | 447 | -503 | 2,146 | 3,268 | 2,579 | 17,180 | 13,040 | 9,720 |
| Earnings per share (¥) | 7.17 | 14.90 | -17.35 | 11.96 | 18.21 | 14.37 | 15.76 | 11.97 | 8.99 |
| Dividends per share (¥) | 6.00 | 6.00 | 6.00 | 3.00 | 3.00 | 6.54 | 8.50 | 8.00 | 8.00 |
| Net assets per share (¥) | 323.54 | 454.32 | 419.68 | 201.67 | 218.83 | 231.58 | 331.02 | 329.62 | 324.53 |

6. Objects of the Corporate Splits and Business Transfers

(1) Mishima Paper (Otake Mill and other assets)

Paper for printing and publications, paper for packaging, paper for industrial purposes, and production and sale of functional paper

(2) Nippon Daishowa Paperboard (Kochi Mill and other assets)

Specialty paper production and sales

(3) Nippon Paper Industries (synthetic paper business)

Production and sales of OPER[®], a line of synthetic paper

7. Change in Corporate Name of Mishima Paper

As of April 1, 2008, Mishima Paper will be changed to a new corporate name, which has not yet been decided.

8. Other

Regarding undetermined and undecided matters, it is our intention to announce these soon after they have been determined or decided.

Attachments

Business realignment following the share exchange can be broadly divided into three steps:

Step 1: Nippon Paper Group makes Mishima Paper a wholly owned subsidiary

Step 2: Nippon Daishowa Paperboard conducts an absorption-type merger of four production subsidiaries

Step 3: Mishima Paper, Nippon Daishowa Paperboard, and Nippon Paper Industries take part in a three-company initiative to reorganize their businesses

Step 1: Nippon Paper Group Makes Mishima Paper a Wholly Owned Subsidiary

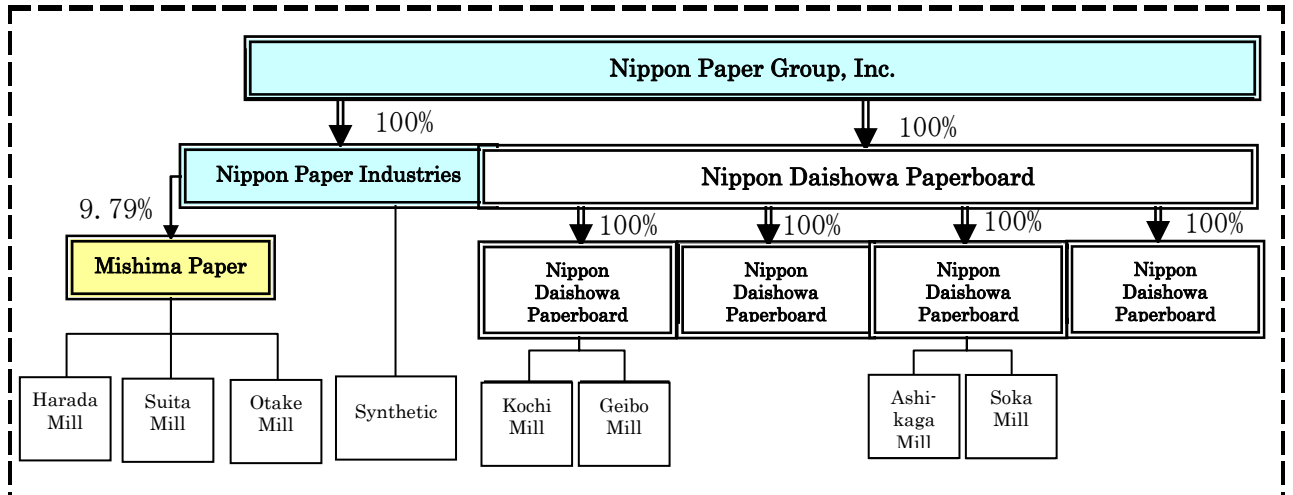
(Planned effective date is February 1, 2008)

As of the planned effective date of February 1, 2008, Nippon Paper Group will make Mishima Paper a wholly owned subsidiary through a share exchange. For details, please refer to Section I of this press release.

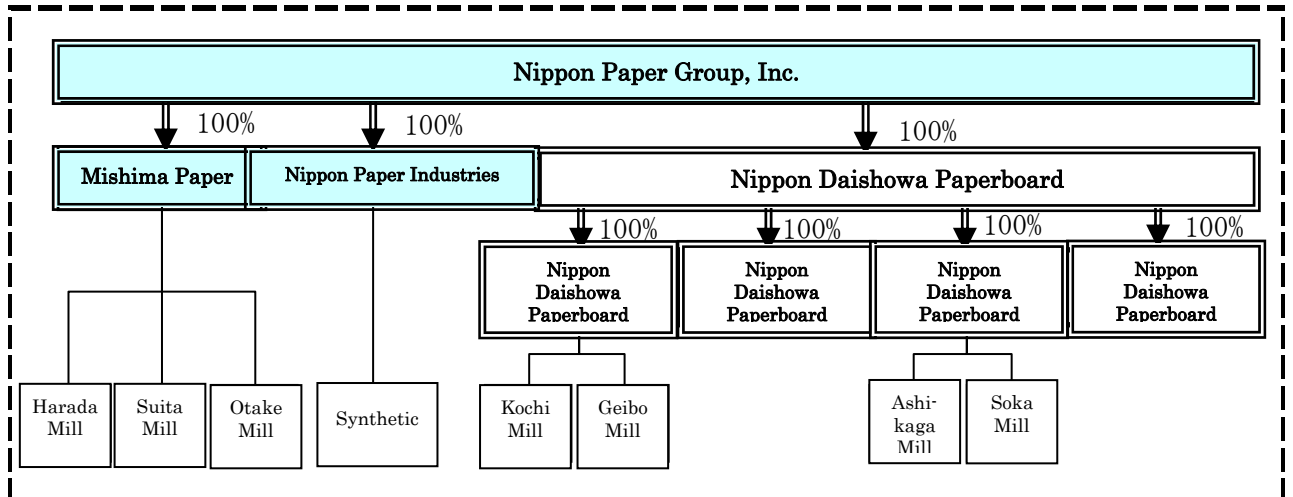
Overview of Share Exchange

The scope of the diagrams below is limited to the companies and mills involved in this business realignment.

Prior to Share Exchange



Subsequent to Share Exchange



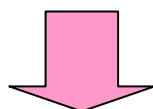
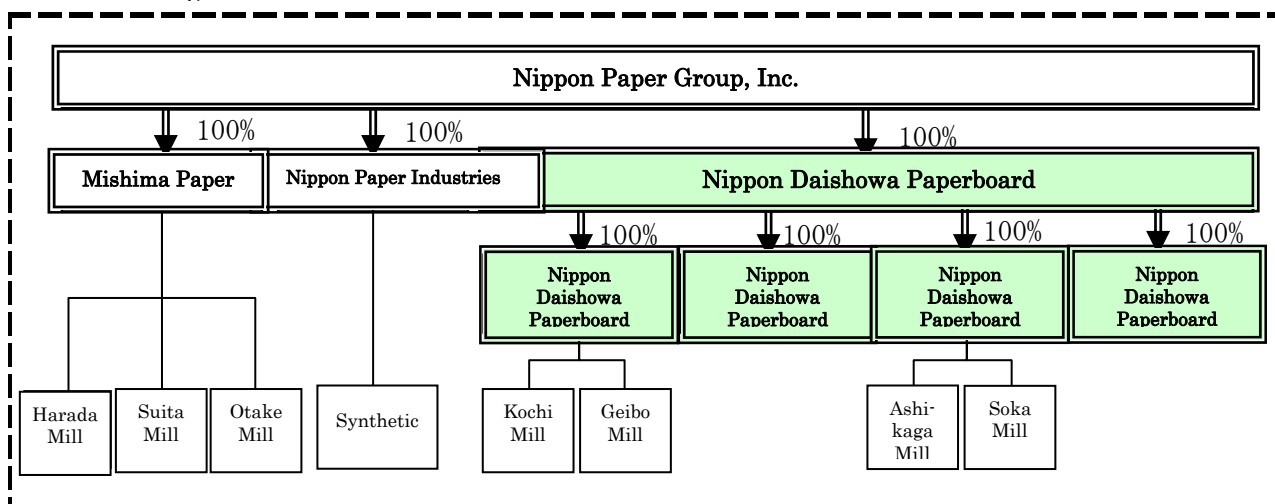
Step 2: Nippon Daishowa Paperboard Conducts Absorption-Type Merger of Four Production Subsidiaries (Planned effective date is April 1, 2008)

As the second step, Nippon Daishowa Paperboard is to conduct an absorption-type merger of four wholly owned production subsidiaries: Nippon Daishowa Paperboard Tohoku Co., Ltd.; Nippon Daishowa Paperboard Kanto Co., Ltd.; Nippon Daishowa Paperboard Yoshinaga Co., Ltd.; and Nippon Daishowa Paperboard Nishinippon Co., Ltd. Nippon Daishowa Paperboard is to be the surviving company.

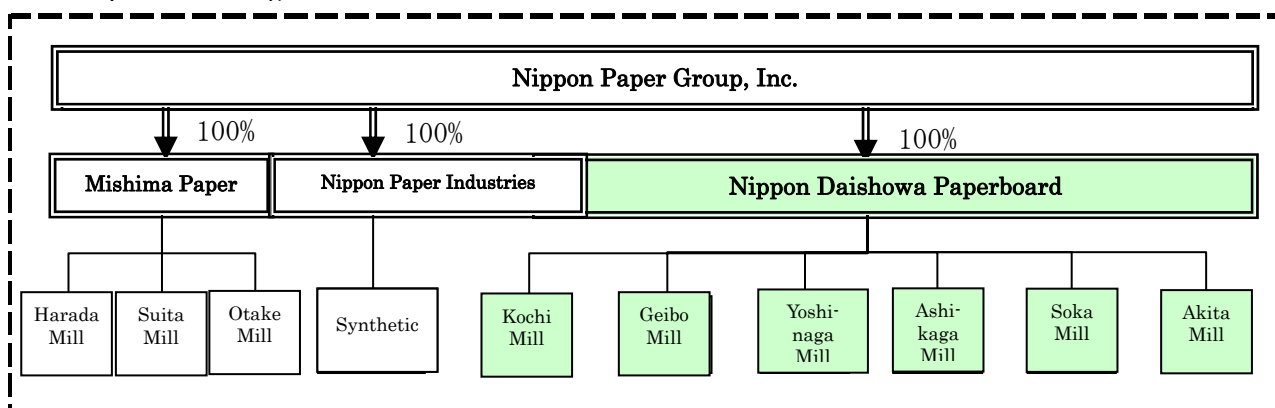
Overview of Merger

The scope of the diagrams below is limited to the companies and mills involved in this business realignment.

Prior to Merger



Subsequent to Merger



Step 3: Mishima Paper, Nippon Daishowa Paperboard, and Nippon Paper Industries Take Part in a Three-Company Initiative to Reorganize Their Businesses (Planned effective date of corporate splits and business transfer is April 1, 2008)

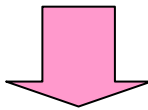
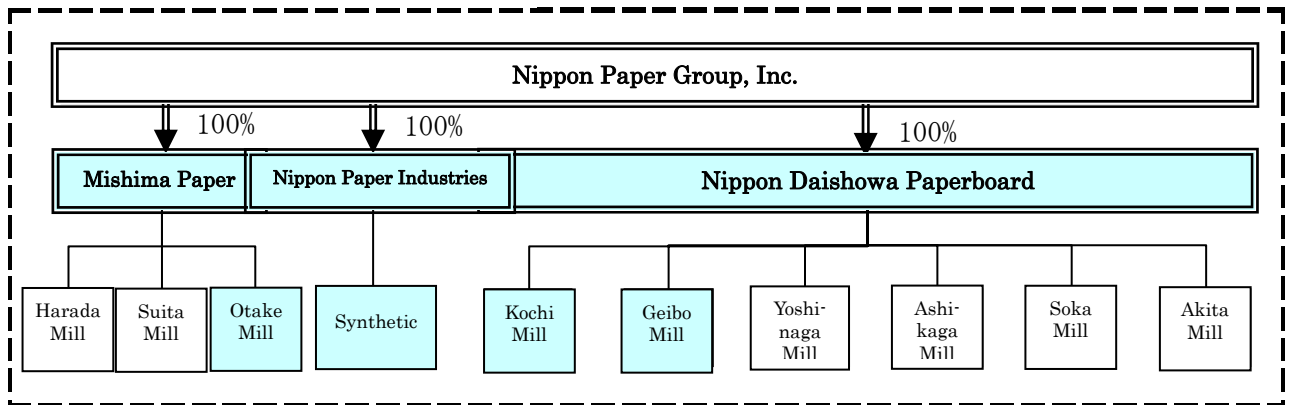
Following the absorption-type merger in Step 2, in Step 3 the following absorption-type corporate splits will be implemented:

- (1) Nippon Daishowa Paperboard will receive Mishima Paper's Otake Mill in an absorption-type corporate split.
- (2) Mishima Paper will receive Nippon Paper Industries' Kochi Mill in an absorption-type corporate split.
- (3) Nippon Paper Industries will transfer its synthetic paper business to Mishima Paper.

Overview of Business Realignment

The scope of the diagrams below is limited to the companies and mills involved in this business realignment.

Prior to Business Realignment



Subsequent to Business Realignment

