

October 24, 2007

For Immediate Release

Company name: Nippon Paper Group, Inc.

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

Representative: Masatomo Nakamura, President and Representative Director

Nippon Paper Group Announces Business Realignment

The Board of Directors of Nippon Paper Group, Inc. (the Group), meeting in a special session, made the following decisions regarding the realignment of the Group.

1. Objectives of the Business Realignment

The Group has prepared its “Group Vision 2015,” which calls for becoming one of the top five pulp and paper companies in the world by 2015. The basic guidelines of this vision for the Group are to secure high and stable profitability in domestic operations and to develop overseas operations aggressively over the 10-year period beginning in 2006. The first step toward attaining these objectives is to make investments, from 2006 through 2008, in key domestic mills with the aim of strengthening core businesses in the domestic market. These investments will have the goal of creating an operating platform with the strongest possible manufacturing equipment and production systems, which will enable the Group to win in the Asian market. To attain these objectives, the Group has begun to implement the following initiatives to realign its business activities with the goal of restructuring its resources.

■ Drastic Consolidation and Strengthening of Domestic Business Locations Engaged in the Paper Business

- ① Strengthen key, internationally competitive mills

Install the No. 6 paper-making line in the Ishinomaki Mill of Nippon Paper Industries Co., Ltd. (Scheduled to go into production in November 2007.)

② Strengthen and consolidate mills for dealing with small-lot production requirements and specialty papers

Start a new specialty paper company (Please refer to the next page.)

③ Consolidate production in the most competitive mills

Close three mills (Please refer to the next page.)

■ Clarification of the Group's Core Businesses

① Newly position household paper products and specialty paper companies as direct subsidiaries of the Group (Please refer to the next page and to page 4 of this document.)

2. Outline of the Business Realignment

To take full advantage of the greater efficiencies and other merits of the holding company form of group organization, the group companies with the leading position in terms of profitability in each of the principal areas of the paper business (paper, paperboard/corrugated board, household paper products, and specialty paper) will be positioned under the holding company with the aim of making further progress toward becoming a strong corporate group.

The specific outline of this business realignment is as follows:

(1) Paper Business (Nippon Paper Industries Co., Ltd. (NPI))

On September 30, 2008, the Fushiki Mill of NPI (located in Takaoka, Toyama Prefecture) will be closed. On the same date, the Komatsushima Mill (located in Komatsushima, Tokushima Prefecture) of NPI will withdraw from the paper-making business. (The OPER[®]* business of the latter mill will be transferred to the new specialty paper company on April 1, 2008.)

(2) Paperboard Business (Nippon Daishowa Paperboard Co., Ltd. (NDB))

As of April 1, 2008, NDB will absorb and reposition its four subsidiaries (Nippon Daishowa Paperboard Tohoku Co., Ltd.; Nippon Daishowa Paperboard Kanto Co., Ltd.; Nippon Daishowa Paperboard Yoshinaga Co., Ltd.; and Nippon Daishowa Paperboard Nishi-Nippon Co., Ltd.) to its mills. On the same date, the Kochi Mill will be split off and transferred to Mishima Paper Co., Ltd., (Mishima Paper). In addition, as of the same date, the Otake Mill, which will be split off from Mishima Paper, will be integrated with the Geibo Mill of Nippon Daishowa Paperboard Nishi-Nippon, and the newly integrated entity will commence operations as the Otake Mill of NDB.

Also, on September 30, 2008, the Waki Works (located in Waki-cho, Yamaguchi Prefecture) will be closed.

(3) Household Paper Products Business (Nippon Paper Creca Co., Ltd.)

On April 1, 2008, Nippon Paper Creca will be shifted from its current position as a subsidiary of NPI to become a subsidiary reporting directly to the Group.

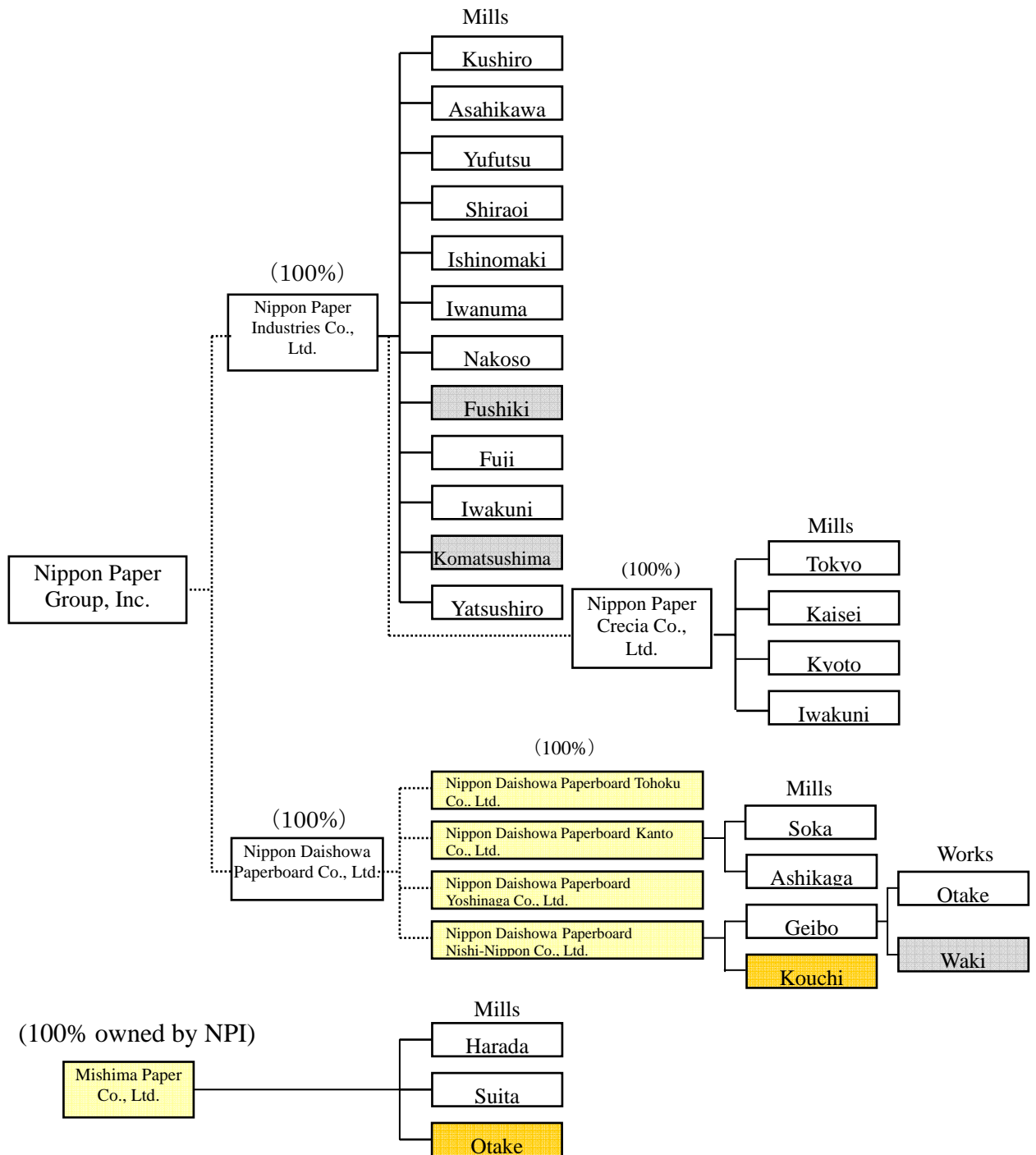
(4) Specialty Paper Business (Name of the new specialty paper company has not been determined.)

As of February 1, 2008, Mishima Paper will become a wholly owned subsidiary of the Group through an exchange of shares. On April 1, 2008, the Kouchi Mill of NDB will be absorbed, and the Otake Mill will be transferred to NDB. On the same date, its trade name will be renewed (exact name not yet determined). Also on the same date the OPER[®]* business of NPI will be transferred to New Specialty Paper.

*OPER[®]: A synthetic paper made from a combination of paper and plastic. OPER[®] has outstanding water-resistance and print performance and is used for cards, commercial printing, manuals/leaflets, labels, and other applications.

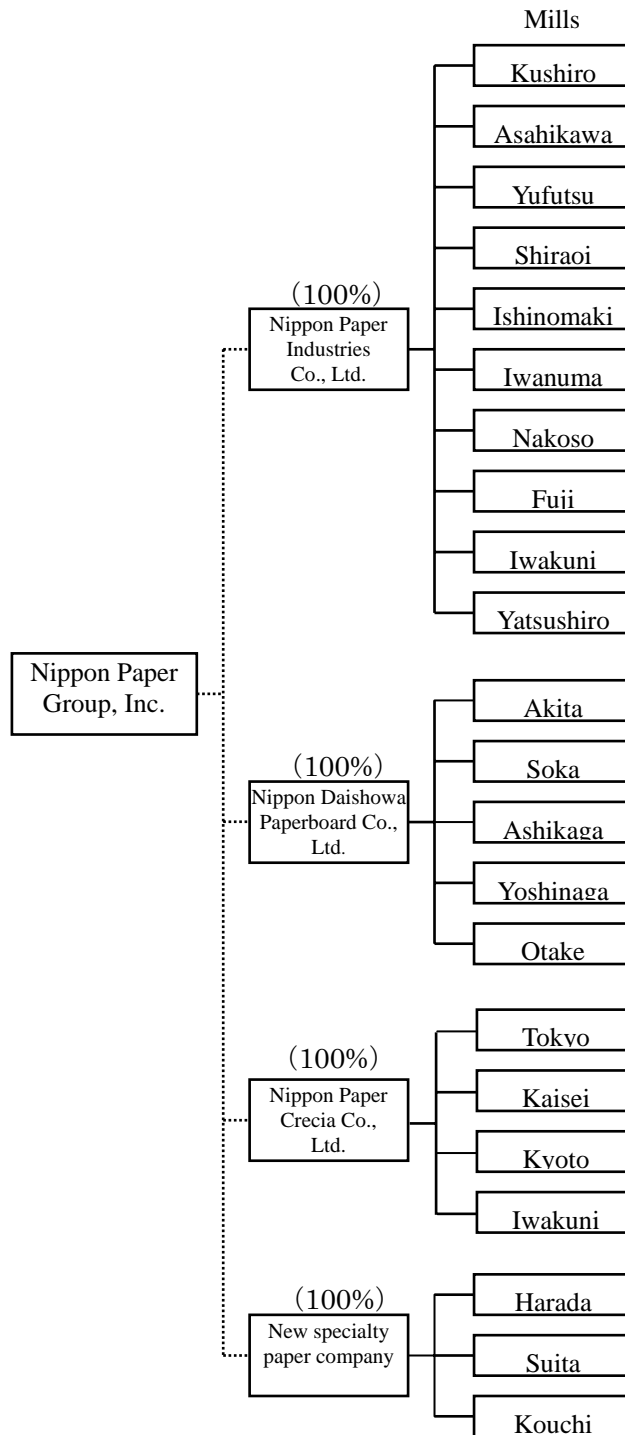
Current Organization Chart

Figures in parentheses indicate the percentage ownership by direct superior companies. (This chart includes only those Group companies that will be affected by the upcoming realignment.)



Organization Chart Following the Realignment

Figures in parentheses indicate the percentage ownership by Nippon Paper Group. (This chart includes only the mills of 100% owned subsidiaries.)



3. Equipment to be Decommissioned

(1) Decommissioned equipment

	Capacity (1,000 tons/year)	Products
Nippon Paper Industries		
Fushiki Mill 4, 5, and 6 M/C	116	Printing paper, newsprint
Komatsushima Mill 1 M/C	64	Business communication paper
Nippon Daishowa Paperboard		
Waki Works 3 and 4 M/C	51	Machine glazed poster paper, printing paper

4. Impact on Business Realignment and Related Extraordinary Losses

(1) Effect of business realignment (ordinary profit basis)

	(¥ billion)
Reduction in output	-3.9
Increase in production efficiency	3.8
<u>Reduction in fixed costs</u>	<u>5.7</u>
Total effect	5.6 per year

(2) Extraordinary losses

The Group will record an extraordinary loss due to the impairment of business assets and other factors. For further details, please refer to the document entitled “Notice Concerning Earnings Forecast Revision As well As Extraordinary Losses Attendant with Business Restructuring,” which was also released today.

5. Employees

We will transfer to different departments or mills approximately 350 (as of September 30th, 2008) employees in three mills closed down.

6. New Specialty Paper

For additional information on the new specialty paper company, please refer to the document entitled “Entered into Basic Agreement Concerning Exchange of Shares and Business Realignment,” which was also released today.

Supplementary Information

Outline of Principal Group Companies

(For information on Mishima Paper, please refer to the information released by that company.)

Nippon Paper Industries Co., Ltd.

- ① Principal products: Newsprint, printing/publishing paper, business communication paper, packaging paper, industrial paper, etc.
- ② Headquarters address: Shin Yurakucho Building, 1-12-1 Yuraku-cho, Chiyoda-ku, Tokyo
- ③ Date of establishment: August 1, 1949
- ④ Representative and title: Masatomo Nakamura, President and Representative Director
- ⑤ Paid-in capital: ¥104.9 billion
- ⑥ Net sales: ¥634.0 billion (Year ended March 31, 2007)
- ⑦ Number of employees: 5,135 (As of March 31, 2007)

Nippon Daishowa Paperboard Co., Ltd.

- ① Principal products: Containerboard, white board, building paperboard, tube and core paperboard, specialty paper, etc.
- ② Headquarters address: Nihonbashi Asahi Seimei Building, 2-1-3 Nihonbashi, Chuo-ku, Tokyo
- ③ Date of establishment: August 28, 1913
- ④ Representative and title: Nobuyuki Otsuki, President and Representative Director
- ⑤ Paid-in capital: ¥10.9 billion
- ⑥ Net sales: ¥158.4 billion (Year ended March 31, 2007)
- ⑦ Number of employees: 1,194 (As of March 31, 2007)

Nippon Paper Crecia Co., Ltd.

- ① Principal products: Facial tissue, toilet paper, kitchen paper towels, diapers for adults, pre-moistened tissues, industrial wipes, etc.
- ② Headquarters address: Shinjuku Square Tower, 6-22-1 Nishi Shinjuku, Shinjuku-ku, Tokyo
- ③ Date of establishment: April 2, 1963
- ④ Representative and title: Kazuhiro Sakai, President and Representative Director

- ⑤ Paid-in capital: ¥4.7 billion
- ⑥ Net sales: ¥55.4 billion (Year ended March 31, 2007)
- ⑦ Number of employees: 709 (As of March 31, 2007)

New specialty paper company

- ① Company name: To be decided
- ② Principal products: Cigarette paper, specialty paper, printing paper, copying paper, etc.
- ③ Headquarters address: Marutaka Building, 6-16-20 Ginza, Chuo-ku, Tokyo
- ④ Net sales: ¥23.2 billion (Simple aggregation for the year ended March 31, 2007)
- ⑤ Number of employees: 486 (Simple aggregation as of March 31, 2007)

Location of Nippon Paper Group Mills Following Realignment

(From October 1, 2008)

(This map includes only the mills of 100% owned subsidiaries.)

Number of mills

