

June 22, 2010

Company name: Nippon Paper Group, Inc.

Representative: Yoshio Haga, President

(Stock code: 3893, First Section TSE, OSE and NSE)

**ANNOUNCEMENT CONCERNING BUSINESS COLLABORATION WITH AND ACQUISITION OF SHARES
IN LEE & MAN PAPER MANUFACTURING LIMITED**

Nippon Paper Group, Inc. (“the Group”) resolved at a meeting of the Board of Directors on June 22, 2010 to acquire shares of Lee & Man Paper Manufacturing Limited (“L&M”), the second largest linerboard maker in China, and to enter into a business collaboration agreement with L&M. Today, we signed the Sale and Purchase Agreement (“the SPA”) and Business Collaboration Agreement (“the BCA”).

1 . Reason for collaboration and investment

The Group has set its goals in its “Group Vision 2015” to become one of the top 5 players in the global pulp and paper industry through sustainable business growth. To realize this vision, it has defined the period from April, 2009 to March, 2012 as the period for “the third mid-term management plan”, during which it will continuously expedite structural changes in the Group, i.e., a shift of production capacity to reflect domestic demands and acceleration of overseas business development. The Group has been developing its overseas businesses, especially in the Asia and Oceania markets where we expect growth in the future, such is shown by the Group’s strategic business collaboration with Yuen Foong Yu Paper Manufacturing Co., Ltd., Taiwan’s largest integrated paper manufacturer (November, 2007), the Group’s minority investment in YFY Cayman Co., Ltd., a subsidiary of Yuen Foong Yu Paper Manufacturing Co., Ltd. that controls the containerboard business in the Yuen Foong Yu group (March, 2010), a comprehensive business alliance in the paper business with SCG Paper Public Company Limited, Thailand’s largest integrated pulp and paper manufacturer (February, 2008), and the acquisition of all outstanding shares in Paper Australia Pty Ltd, the largest printing paper manufacturer in Australia (June, 2009). As mentioned above, the Group has steadily expanded its business in the Asia and Oceania markets and the Group aspires to gain business opportunities that provide the driving force for further growth in the rapidly growing Chinese market.

L&M is currently the second largest linerboard manufacturer in China. L&M, established in 1994, has grown rapidly to be the world’s pre-eminent linerboard maker with annual production capacity of more than 4 million tons. While L&M has realized such growth largely through the expansion of company scale and vertical integration as its strategy, it also believes there are still significant opportunities for further maximization of production management technology, operational efficiencies, and product diversification towards value-added products to capitalize on increasing demand and opportunities in China.

Given the above, to augment the business value through providing managerial resources and thereby realizing synergy in the containerboard business in the rapidly growing Chinese market, the Group has agreed to implement the Group’s investment in the shares of L&M as shown below and

to enter into the BCA with L&M. As part of Nippon Paper's investment, two persons from Nippon Paper are expected to be appointed as Director on the board of the Company.

This partnership with L&M will help the Group to execute its business strategy and drive its business development in the Chinese market. We will continue to develop our business through the implementation of the BCA.

2 . Contents of the Business Collaboration Agreement

(1) Exchange of best practices

Through the secondment of engineers and provision of production know-how from the Group, we plan to address the reinforcement of production management, the improvement of production efficiency, and the production cost reduction of L&M, together with the development of high-value added products in Chinese market.

(2) Seconded programme

To fulfill the purpose of this business collaboration, we plan to second our staffs to L&M to reinforce the personnel relationship between the two companies.

(3) Cooperation in new products, new business field, and R&D

We plan to jointly discuss the trend of the paper industry and its R&D, especially the prospect of future R&D.

(4) Others

Immediately after the agreement becomes fully effective we will establish a Steering Group that consists of representatives from the Group and L&M to further elaborate the contents of the business collaboration.

3 . Outline of Share Acquisition

(1) Method for share acquisition

The Group, pursuant to the SPA, will purchase the shares in L&M off market from Gold Best Holdings Ltd. which is the controlling shareholder of L&M and an investment holding company wholly controlled by the founding family of L&M.

(2) Number of shares to be acquired, acquisition price, and holding ratios before and after acquisition

Number of shares held before the acquisition	0 (Holding ratios : 0 %)
Number of shares to be acquired	546,153,559 (Total acquisition price : Approximately HK\$3,550 million) (JPY42.6 billion)
Number of shares held after the acquisition	546,153,559 (Holding ratios : 12.00%)

The exchange rate employed is HKD 1 : JPY 12

The holding ratios above is based on the number of outstanding shares of L&M as at June 21, 2010

4 . Details of L&M (As at March 31, 2010)

(1) Name	Lee & Man Paper Manufacturing Limited			
(2) Location	(Registered Office) Cricket Square Hutchins Drive P.O.Box 2681 Grand Cayman KY1-1111 Cayman Island (Principal Office) 5th Floor, Liven House. 61-63 King Yip Street. Kwun Tong. Kowloon. Hong Kong			
(3) Title and name of corporate representative	Lee Man Chun Raymond (CEO)			
(4) Business	Manufacture and sales of linerboards			
(5) Capital	HK\$ 113.77 million			
(6) Date of incorporation	May 21, 2003			
(7) Major shareholders and their holding ratios	Gold Best Holdings Ltd		63.01%	
(8) Relationship with the listed company	Capital relationship	None		
	Personnel relationship	None		
	Trading relationship	None		
	Status regarding related parties	None		
(9) Financial condition and business performance in the past 3 years (HK\$ million, except per share data, HK Cents for Consolidated net income per share)				
	Fiscal year	March, 2008	March, 2009	March, 2010
	Net assets	8,034	8,467	10,151
	Total assets	17,015	18,677	19,710
	Net assets per share	7.06	7.44	2.23
	Consolidated sales	8,996	9,649	11,099
	Consolidated net income	1,431	300	1,833
	Consolidated net income per share (Basic)	127.22	26.56	40.30
	Dividend per share	0.26	0.05	0.135

L&M implemented 4-for-1 stock split in December 2009.

5 . Schedule

(1) Resolution of the board of directors	June 22, 2010
(2) Execution of the BCA	June 22, 2010
(3) Execution of the SPA	June 22, 2010
(4) Date of stock acquisition	June 30, 2010 (expected)

6 . Future Prospects

The business collaboration and the share acquisition minimally affect our consolidated and non-consolidated business performance for the year ending March 31, 2011.

The consolidated earnings forecast announced on April 28, 2010 and the latest consolidated earnings (JPY million)

	Consolidated sales	Consolidated operating income	Consolidated ordinary income	Consolidated net income
Consolidated earnings forecast (March, 2011)	1,140,000	42,000	36,000	20,000
Consolidated latest earnings (March, 2010)	1,095,233	43,149	37,547	30,050