

October 7, 2015

Company name: Nippon Paper Industries Co., Ltd.
Representative: Fumio Manoshiro, President
(Stock code: 3863, First section, TSE)

Nippon Paper Industries Co., Ltd. Announces Conclusion of Basic Agreement with Tokushu Tokai Paper Co., Ltd. Concerning Containerboard and Sack & General Purpose Kraft Paper Businesses

Nippon Paper Industries Co., Ltd. (hereinafter, “the Company”) announces that, at a meeting of its Board of Directors held today, the Company resolved to conclude a basic agreement with Tokushu Tokai Paper Co., Ltd. (hereinafter, “Tokushu Tokai Paper”) concerning their containerboard and sack & general purpose kraft paper sales business (hereinafter, “the Business”). This agreement covers the integration of their sales functions (hereinafter, “the Sales Function Integration”) and the demerger of the manufacturing business at the Shimada Mill of Tokushu Tokai Paper (hereinafter the subsidiary of Tokushu Tokai Paper to be established through the demerger is referred to as “the New Manufacturing Company”) and the Company’s investment in the New Manufacturing Company (hereinafter, “the Investment in the New Manufacturing Company”; “the Sales Function Integration” and “the Investment in the New Manufacturing Company” are referred to collectively as “the Business Alliance”). Details are as follows.

The Business Alliance, which will be discussed and examined by both parties, will come into effect in or about October 2016, subject to conclusion of the final agreement and approval by the Japan Fair Trade Commission and the General Meeting of Shareholders of Tokushu Tokai Paper, etc.

1. Background and objectives of the Business Alliance

The Japanese paper industry business environment remains challenging amid rising wastepaper prices and higher raw material and fuel costs caused by weaker yen. Based on the recognition that cost and quality competition is set to increase further in the future, the Company and Tokushu Tokai Paper concluded a basic agreement on the Business Alliance. Under the agreement, while having mutually equal spirit, both parties will integrate their sales functions of the Business and will strengthen the cost and quality competitiveness of Tokushu Tokai Paper’s Shimada Mill as well as establishing an efficient sales structure and improving service levels in the Business.

Through the Business Alliance, the Company and Tokushu Tokai Paper aim to achieve objectives (1) ~ (3) below in the Business, and will also examine possibilities with respect to

objective (4) below.

- (1) By combining their production know-how regarding the Business and fully utilizing the production function of the Shimada Mill, the Company and Tokushu Tokai Paper will work together to increase production efficiency, improve quality competitiveness, and reduce costs at the Shimada Mill.
- (2) The Company and Tokushu Tokai Paper will integrate their sales function of the Business to increase business efficiency, thereby reducing costs and establishing a competitive sales structure that is helpful for customers.
- (3) The Company and Tokushu Tokai Paper will increase their competitiveness in the Business through the joint procurement of raw materials, fuel and other materials.
- (4) Leveraging the Business Alliance as a first step, the Company and Tokushu Tokai Paper will build the kind of strategic partnership which enhances their competitiveness by generating synergies in the household paper and specialty paper areas to be beneficial to both of their product users.

2. Details of the Business Alliance

The followings are the items of the Business Alliance which the Company and Tokushu Tokai Paper discuss and examine going forward. Details will be immediately announced once determined.

(1) The Sales Function Integration

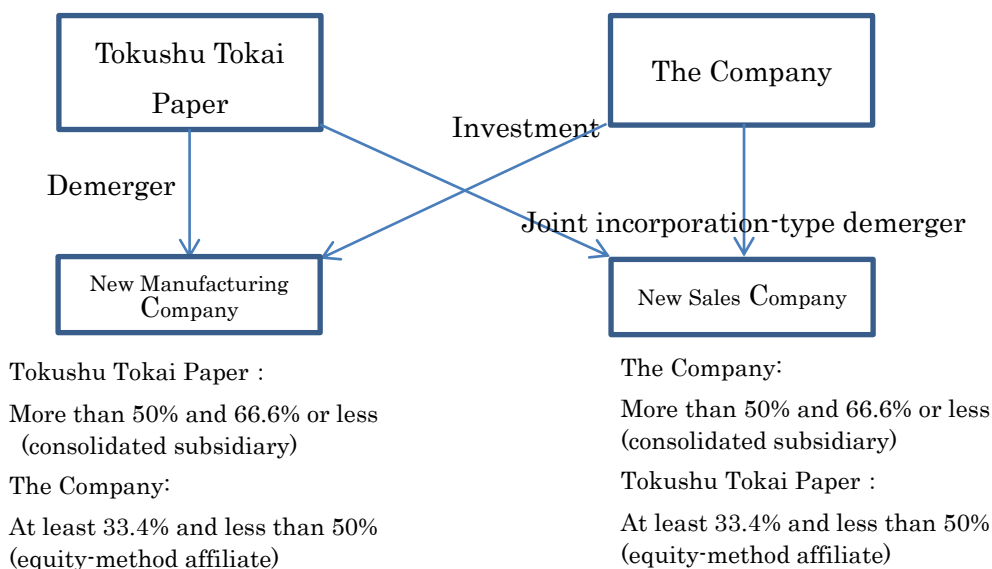
The Company and Tokushu Tokai Paper will integrate their sales function of the Business by means of joint incorporation-type demerger, and the Company will hold more than 50% of the shares of the new company established by means of said joint incorporation-type demerger (hereinafter referred to as “the New Sales Company”), and Tokushu Tokai Paper will hold between 33.4% and 50%. The New Sales Company is expected to be a consolidated subsidiary of the Company and an equity-method affiliate of Tokushu Tokai Paper, but details such as the company name, specific ownership ratios, and assets involved in the incorporation-type demerger will be determined through future consultation between the Company and Tokushu Tokai Paper.

(2) Investment in the New Manufacturing Company

By subscribing for shares to be issued for capital increase by way of third-party allotment in a new manufacturing company to be established by Tokushu Tokai Paper through incorporation-type demerger of the Shimada Mill or other means, the Company plans to acquire a stake of between 33.4% and 50% in the New Manufacturing Company. Details such as the company name, details of the investment method, investment amount of the Company, ownership ratios, and assets involved in the incorporation-type demerger will

be determined through future consultation between the Company and Tokushu Tokai Paper.

[Schematic Drawing of the Business Alliance]



3. Schedule of the Business Alliance

Conclusion of the basic agreement concerning the Business Alliance	7 October 2015
Conclusion of final agreement concerning the Business Alliance	April 2016 (tentative)
Tokushu Tokai Paper General Meeting of Shareholders (Resolution to approve demerger of Shimada Mill)	June 2016 (tentative)
Completion of transactions concerning the Business Alliance (establishment of New Sales Company, establishment of New Manufacturing Company, and investment in the said company by the Company)	October 2016 (tentative)

Note: In the course of implementation of procedures in the future, the above schedule may change through consultation between the two parties where necessary. The Company and Tokushu Tokai Paper plan to conduct the joint incorporation-type demerger for the establishment of the New Sales Company without obtaining the approval at a general meeting of their shareholders pursuant to the provisions of Article 805 of the Companies Act.

4. Overview of the Parties to the Business Alliance

(1)	Company name	Nippon Paper Industries Co., Ltd.	Tokushu Tokai Paper Co., Ltd.																												
(2)	Location	1-4-1 Oji, Kita-ku, Tokyo, Japan	4379 Mukaijima-cho, Shimada City, Shizuoka, Japan																												
(3)	Title and name of representative	Fumio Manoshiro, President & Representative Director	Kiyotoshi Misawa, President & Representative Director																												
(4)	Business description	Manufacture and sale of paper and pulp, paper-related business, wood material, timber, construction materials and civil engineering & construction-related businesses, and distribution, leisure and other businesses	Manufacture, processing and sale of paper pulp, and management of subsidiaries, etc.																												
(5)	Capital	104,873 million yen (as of March 31, 2015)	11,485 million yen (as of March 31, 2015)																												
(6)	Date established	August 1, 1949	April 2, 2007																												
(7)	Total number of shares issued	116,254,892 shares (as of March 31, 2015)	163,297,510 shares (as of March 31, 2015)																												
(8)	Fiscal year end	March 31	March 31																												
(9)	Number of employees	4,956 (non-consolidated), 12,771 (consolidated) (as of March 31, 2015)	816 (non-consolidated), 1,506 (consolidated) (as of March 31, 2015)																												
(10)	Major banks	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation	The Shizuoka Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.																												
(11)	Major shareholders and shareholding ratios	<table border="0"> <tr> <td>Japan Trustee Services Bank, Ltd. (trust account):</td> <td>7.24%</td> </tr> <tr> <td>Master Trust of Japan, Ltd. (trust account)</td> <td>4.36%</td> </tr> <tr> <td>Mizuho Bank, Ltd.</td> <td>3.73%</td> </tr> <tr> <td>Rengo Co., Ltd.</td> <td>2.88%</td> </tr> <tr> <td>Nippon Paper Industries Co., Ltd. Employee Stock Ownership</td> <td>2.85%</td> </tr> <tr> <td>Nippon Life Insurance Company</td> <td>2.66%</td> </tr> <tr> <td>MITSUI LIFE INSURANCE COMPANY LIMITED</td> <td>1.94%</td> </tr> </table>	Japan Trustee Services Bank, Ltd. (trust account):	7.24%	Master Trust of Japan, Ltd. (trust account)	4.36%	Mizuho Bank, Ltd.	3.73%	Rengo Co., Ltd.	2.88%	Nippon Paper Industries Co., Ltd. Employee Stock Ownership	2.85%	Nippon Life Insurance Company	2.66%	MITSUI LIFE INSURANCE COMPANY LIMITED	1.94%	<table border="0"> <tr> <td>Mitsubishi Corporation</td> <td>8.45%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (trust account):</td> <td>4.12%</td> </tr> <tr> <td>The Shizuoka Bank, Ltd.</td> <td>3.53%</td> </tr> <tr> <td>Chuo Tatemono co., Ltd.</td> <td>3.37%</td> </tr> <tr> <td>SHINSEI PULP & PAPER COMPANY LIMITED</td> <td>3.08%</td> </tr> <tr> <td>Daio Paper Corporation</td> <td>3.00%</td> </tr> <tr> <td>Tokushu Tokai Paper Customers' Shareholding Association</td> <td>2.76%</td> </tr> </table>	Mitsubishi Corporation	8.45%	Japan Trustee Services Bank, Ltd. (trust account):	4.12%	The Shizuoka Bank, Ltd.	3.53%	Chuo Tatemono co., Ltd.	3.37%	SHINSEI PULP & PAPER COMPANY LIMITED	3.08%	Daio Paper Corporation	3.00%	Tokushu Tokai Paper Customers' Shareholding Association	2.76%
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	Sumitomo Mitsui Banking Corporation	1.72%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.27%
	THE BANK OF NEW YORK - JASDECTREATY ACCOUNT	1.68%	Oji Holdings Corporation	1.84%
	THE BANK OF NEW YORK 133522	1.68%	Takeo Co., Ltd.	1.60%
	(as of March 31, 2015)		(as of March 31, 2015)	

(12) Relationship between the parties, etc.

C a p i t a l relationship	There are no particularly notable capital relationships between the parties.
P e r s o n n e l relationship	There are no particularly notable personnel relationships between the parties.
B u s i n e s s relationship	There are no particularly notable business relationships between the parties.
Applicability to related parties	Not applicable

(13) Business results and financial position in the last 3 years (consolidated)

Fiscal year	The Company			Tokushu Tokai Paper		
	Fiscal year ended March 2013 (*1)	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015
Consolidated net assets	396,460	426,584	489,740	59,091	63,760	63,897
Consolidated total assets	1,497,729	1,480,894	1,495,622	120,138	125,302	126,861
Consolidated net assets per share (yen)	3,391.59	3,652.76	4,198.10	412.68	428.61	429.11
Consolidated net sales	1,025,078	1,081,277	1,052,491	75,564	78,159	78,843
Consolidated operating income	25,145	28,536	23,656	4,169	3,180	2,477
Consolidated ordinary income	23,081	28,188	23,204	4,208	3,522	2,761
Consolidated net income	10,652	22,770	23,183	2,468	2,180	204
Consolidated net income per share (yen)	92.00	196.67	200.27	17.27	14.95	1.39
Dividends per share (yen)	40.0(*2)	40.0	50.0	5.00	5.00	5.00

(Unit: Millions of yen, unless otherwise stated)

*1 The Company acquired wholly-owning parent company Nippon Paper Group, Inc. by

absorption-type merger on April 1, 2013. In the above table, the business results and financial position for the fiscal year ended March 2013 are the consolidated results of Nippon Paper Group, Inc.

*2 The Company paid the year-end dividend of Nippon Paper Group, Inc. for the fiscal year ended March 2013 (30 yen per share) based on the register of shareholders of the Company as of April 1, 2013. The annual dividend in real terms, including the interim dividend of Nippon Paper Group, Inc. for said fiscal year (10 yen per share), was 40 yen per share, and this is the figure stated in the above table.

5. Outlook

The impact of the Business Alliance on the Company's business performance is not yet determined but will be immediately announced if required.

6. Other

(1) Current status of both parties' sales

※The future sales structure will be determined through consultation between both parties and is undecided at the present time.

	The Company	Tokushu Tokai Paper
Sales volume	Linerboard: 1,012,000t Corrugating medium: 294,000t Sack & general purpose kraft paper: 48,000t	Linerboard: 438,000t Corrugating medium: 101,000t Sack & general purpose kraft paper: 72,000t
Sales value (total)	Around 74.4 billion yen	Around 35.5 billion yen
Sales bases	Sapporo, Sendai, Tokyo, Nagoya, Osaka, Fukuoka	Tokyo, Shizuoka, Nagoya, Osaka

(2) Overview of Shimada Mill, Tokushu Tokai Paper

*Asset, debt, and forecast of financial performance in terms of Shimada Mill after the demerger are not yet determined.

Address	4379 Mukaijima-cho, Shimada-shi, Shizuoka, Japan
Products and production volume	Linerboard: 446,000t Corrugating medium: 101,000t Sack & general purpose kraft paper: 73,000t Others: 33,000t
Number of employees (as of 31 March 2015)	261
Date established	July, 1910