

April 24, 2015

Company name: Nippon Paper Industries Co., Ltd.

Representative: Fumio Manoshiro, President

(Stock code: 3863, First Section TSE)

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

Nippon Paper Industries Co., Ltd. (“the Company” ; President: Fumio Manoshiro) announces that it resolved at a meeting of the Board of Directors on April 24, 2015 to terminate the Business Collaboration Agreement (“the BCA”) with Lee & Man Paper Manufacturing Limited (“L&M”) and transfer the shares that the Company holds in L&M.

1. Reason for the termination of the BCA and transfer of shares

As announced in the press release “ANNOUNCEMENT CONCERNING BUSINESS COLLABORATION WITH AND ACQUISITION OF SHARES IN LEE & MAN PAPER MANUFACTURING LIMITED” on June 22, 2010, the Company has provided technical support and has implemented a secondee programme, aiming to augment the business value of the two companies. Development from our business collaboration has been steadily realized with L&M recording the highest ever consolidated sales for the fiscal year ending December 31, 2014.

Against this background, competition within the Chinese market is becoming increasingly intense, and the founding family of L&M has indicated to us, the importance of concentrating governance to the founding family for the further development of L&M. At the same time, we have set a medium to long term business policy to strengthen our efforts as a global comprehensive biomass company, and initiate efforts to transform the business structure by reviewing our management resources. Furthermore, as we have concluded that we need to further utilize our limited management resources including our personnel in a more effective manner, we have discussed with L&M upon the renewal of the BCA, and have agreed to terminate the BCA given the reasonable development achieved to date. We have also received a request from the Chairman and CEO of L&M, who are the founding family of L&M, of their wish to increase their stake in L&M, and have accepted this offer, transferring a portion of our L&M shares. We have concurrently granted a right of first refusal to the founding family, which may be exercised under certain conditions for our remaining L&M shares.

Despite the termination of the BCA, L&M will remain to be our “Best partner” regarding the paper and pulp businesses in China, and we have agreed to continue our mutual relationship as a close partner.

2. Termination of existing agreements and resignation of directors

The Company has terminated existing agreements, including the BCA with L&M as of today. As a result, directors seconded from the Company have resigned from L&M as of today, and the

secondee programme has also been terminated.

3. Outline of the share transfer

As the Chairman and CEO of L&M, the founding family of L&M, have expressed its intention to acquire the Company's L&M shares, we have entered into a Stock Purchase Agreement to transfer 317,500,000 shares (6.83%) for HK\$1,270 million, which represent a portion of the Company's L&M shares held as of today.

4. Details of L&M

(As at April 24, 2015)

(1)	N a m e	Lee & Man Paper Manufacturing Limited			
(2)	L o c a t i o n	(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 Bun (CEO)			
(4)	B u s i n e s s	Manufacture and sales of linerboards			
(5)	C a p i t a l	HK\$117.402 million			
(6)	D a t e o f incorporation	May 21, 2003			
(7)	Major shareholders and their holding ratios	Gold Best Holdings Ltd.	54.55%	Nippon Paper Industries Co., Ltd.	15.45%
(8)	Relationship with the listed company	C a p i t a l relationship	The Company holds 718,515,679 shares of L&M, which is 15.45% of the number of shares outstanding. 317,500,000 shares (6.83%), which represent a portion of the Company's L&M shares held, is transferred as of April 24, 2015.		
		P e r s o n n e l relationship	2 persons including the president of Nippon Paper Industries are directors of L&M, and resign from L&M as of April 24, 2015.		
		T r a d i n g relationship	None		
		S t a t u s regarding related parties	L&M is the Company's equity method affiliate company, and is a related party.		
(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	December, 2012	December, 2013	December, 2014	
	N e t a s s e t s	14,598	16,346	17,477	
	T o t a l a s s e t s	27,609	31,195	34,737	

Net assets per share	3.11	3.48	3.73
Consolidated sales	11,424	16,970	17,099
Consolidated net income	1,321	1,948	1,904
Consolidated net income per share (Basic)	28.17	41.51	40.69
Dividend per share	0.100	0.146	0.143

5. Schedule

The termination of the BCA and the transfer of shares have been completed as of today.

6. Future Prospects

Due to the resignation of L&M directors seconded from the Company upon the termination of the BCA and other existing agreements, L&M is no longer an affiliate company accounted for by the equity method, and will be excluded from the equity method consolidation from the first quarter of the fiscal year ending March 31, 2016.

Furthermore, upon the transfer of shares, approximately ¥6.5 billion of non-operating profit will be recorded for the first quarter of the fiscal year ending March 31, 2016.