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 excercised 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 aquire 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)

(8)Relationship with the listed companyrelationship relationshiprepresent a portion of the Company's L&M shares held, is transferred as of April 24, 2015.(8)Relationdhip with the listed companyPersonnel relationship2 persons including the president of Nippon Paper Industries are directors of L&M, and resign from L&M as of April 24, 2015.(8)T r a d i n g relationshipNone7T a d i n g relationshipNoneS t a t u s regarding related partiesL&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)(9)Fiscal yearDecember, 2012December, 2013N e ta s s e t s14,59816,34617,477							
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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	28.17	41.51	40.69
per share (Basic)			
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.