

July 30, 2007

Nippon Paper Group, Inc.

Notice of Sale of Treasury Shares through Private Placement

Nippon Paper Group, Inc. announces a resolution to sell treasury shares, made a meeting of its Board of Directors held July 30, 2007. Details are as follows:

1. Purpose of Sale of Treasury Shares

With the operating environment in the paperboard and packaging industry becoming more challenging, the Company has agreed with Rengo Co., Ltd. (President and Chief Executive Officer: Kiyoshi Otsubo) and Sumitomo Corporation (President and Chief Executive Officer: Susumu Kato) to enter into a strategic business and equity alliance to stabilize the base for domestic operations and improve international competitiveness in the Asian market.

Based on this agreement, the Company has decided to sell treasury shares to Rengo Co., Ltd. and Sumitomo Corporation.

2. Details of Stocks to Be Sold

(1) Total number and amount of treasury shares to be sold

Total number of shares: 40,557 shares (common shares of the Company)

Total selling price: 15,655,002,000 yen

Selling price: 386,000 yen per share

(2) Specific use of funds acquired through the sale of treasury shares

The funds acquired through the sale of treasury shares are to be appropriated for the acquisition of the common shares of Rengo Co., Ltd. (hereinafter referred to as "the Rengo Shares") and capital investment, etc., to increase future competitiveness.

(3) Planned time of outlay of funds to be raised

Time of acquisition of the Rengo Shares: August 2007

Time of expenditure of funds for capital investment: within FY2007

(4) Rationality of the use of funds to be raised

We believe that the acquisition of the Rengo Shares will serve to further strengthen the alliance with Rengo Co., Ltd. The effects of the alliance are as follows:

(i) Joint scrap and build of paperboard facilities

- Examination of establishment of the most appropriate production system of paperboards, centering on the raw materials of corrugated cardboard

(ii) Action to strengthen the overall packaging business

- Joint examination of alliance and formation of alliance in the corrugated cardboard industry
- Comprehensive cooperation in the folding cartons and flexible packaging business

(iii) Joint procurement of raw materials

- General cooperation and establishment of cooperative systems for the procurement of recovered paper
- Cooperation for the advantageous procurement of materials

(iv) Development of joint business at the overseas market

- Expansion of overseas business and exports through shared use of facilities of Rengo and Nippon Paper Group
- Joint acquisition of foreign companies and investigation of new projects

(v) Others

- Strengthening of mutual OEM
- Exchange in the areas of production technologies
- Joint research in R&D
- Promotion of exchange of information on labor measures and countermeasures for the succession of skills, etc.
- Joint development of information systems, and examination and implementation of EDI cooperation, etc.

We believe that achievement these outcomes from the alliance combined with initiatives to improve earnings will serve to increase corporate value and the value of the equity shares of shareholders.

3. Results and equity finance over the past three years

(1) Results over the past three years (consolidated basis)

(Unit: million yen)

Accounting term	Term ended March 2005	Term ended March 2006	Term ended March 2007
Sales	1,179,696	1,152,166	1,175,264
Operating profit	65,231	48,391	44,655
Ordinary profit	62,801	49,403	47,088
Net profit	24,350	17,192	22,952
Net profit per share (yen)	21,996.96	15,760.27	21,570.23
Dividend per share (yen)	8,000	8,000	8,000
Net worth per share (yen)	404,369.11	413,525.41	421,626.81

(2) Current number of outstanding shares and potential shares

Type	Number of shares	Ratio to number of outstanding shares
Number of outstanding shares	1,105,235.63 shares	1 0 0 %
Number of potential shares given the current conversion price (exercise price)	0 share	0%
Number of potential shares given the lowest limit of conversion price (exercise price)	0 share	0%
Number of potential shares given the highest limit of conversion price (exercise price)	0 share	0%

(3) Treasury shares to be sold

Date of sale	August 15, 2007
Purchaser	Rengo Co., Ltd. : 33,100 shares Sumitomo Corporation: 7,457 shares Total: 40,557 shares
Number of outstanding shares at the time of sale	1,105,235.63 shares
Number of treasury shares after this sale	410 shares (Not including the number of treasury shares acquired or sold based on a request for the sale or purchase of shares the number of which is less than one stock trade unit on and after April 1, 2007)

(4) Equity finance over the past three years

None

(5) Recent stock price

End of the term ended March 2007 (Closing price on March 30, 2007)	419,000 yen
End of term ended March 2006 (Closing price on March 31, 2006)	509,000 yen
End of term ended March 2005 (Closing price on March 31, 2005)	495,000 yen
Average of closing prices for the past three months (April 28, 2007 to July 27, 2007)	410,000 yen

4. Large Shareholders and Their Holding after the Sale of The Treasury Shares

Before sale (as of March 31, 2007)		After sale	
Japan Trustee Services Bank, Ltd. (trust account)	7.74%	Japan Trustee Services Bank, Ltd. (trust account)	7.74%
The Master Trust Bank of Japan, Ltd. (trust account)	4.85%	The Master Trust Bank of Japan, Ltd. (trust account)	4.85%
Nippon Life Insurance Co.	3.39%	Nippon Life Insurance Co.	3.39%
Mizuho Corporate Bank, Ltd.	2.83%	Rengo Co., Ltd.	3.00%
Mitsui Mutual Life Insurance Co.	2.05%	Mizuho Corporate Bank, Ltd.	2.83%
Mizuho Bank, Ltd.	1.94%	Mitsui Mutual Life Insurance Co.	2.05%
Daio Paper Corporation	1.87%	Mizuho Bank, Ltd.	1.94%
Sumitomo Mitsui Banking Corporation	1.81%	Daio Paper Corporation	1.87%
Japan Trustee Services Bank, Ltd. (trust account 4)	1.55%	Sumitomo Mitsui Banking Corporation	1.81%
Norinchukin Bank	1.54%	Japan Trustee Services Bank, Ltd. (trust account 4)	1.55%

The equity share after the sale of Sumitomo Corporation will become 0.7%.

5. Outlook of Effects on Results

The effect of this matter on the consolidated and non-consolidated results of the Company will be insignificant.

6. Rationality of Sales Terms, etc.

(1) Basis for calculation of selling price

The selling price is set at the average (figures less than 1,000 yen were discarded) of the closing prices of the common shares of the Company on the Tokyo Stock Exchange for five business days (from July 23, 2007 to July 27, 2007) preceding the date of the resolution of the Board of Directors.

(2) Basis for judgment that the number of shares to be sold and the size of dilution of shares are rational

The number of treasury shares to be sold is as shown in 3 (3) above. The ratio of the number of treasury shares to be sold to the number of outstanding shares is low. Therefore, we consider that the impacts on the dilution of shares and on the secondary market are insignificant.

7. Reasons for selection of purchasers

(1) Profile of purchasers

(i)	Trade name	Rengo Co., Ltd.		
(ii)	Details of business	Manufacturing and sale of paperboard, corrugated cardboard, corrugated box, paper ware and other paper-processed products		
(iii)	Date of incorporation	May 2, 1920		
(iv)	Address of head office	4-1-186, Ohiraki, Fukushima-ku, Osaka City, Osaka Prefecture		
(v)	Position and name of representative	Kiyoshi Otsubo, Chief Executive Officer		
(vi)	Capital	31,066,756,366 yen		
(vii)	Number of Outstanding shares	263,774,450 shares		
(viii)	Net worth	150,961 million yen (consolidated basis)		
(ix)	Total assets	471,855 million yen (consolidated basis)		
(x)	Closing date	March 31		
(xi)	Number of employees	9,747 (consolidated basis)		
(xii)	Major customers	Rengo Co., Ltd. conducts business in the areas of paperboard, corrugated cardboard, folding cartons and flexible packaging, and has many customers.		
(xiii)	Largest shareholders and their holdings	The Master Trust Bank of Japan, Ltd.	7.46%	
		Japan Trustee Services Bank, Ltd.	5.07%	
		National Mutual Insurance Federation of Agricultural Cooperatives	3.58%	
		Sony Life Insurance Co., Ltd.	3.22%	
		Trust & Custody Services Bank, Ltd.	3.12%	
(xiv)	Major banks	Sumitomo Mitsui Banking Corporation, Norinchukin Bank, Mizuho Corporate Bank, Ltd.		
(xv)	Relationship between the listed company and purchasers, etc.	Capital relation	<ul style="list-style-type: none"> • Number of shares of the purchaser held by the Nippon Paper Group: 4,769,759 shares <li style="padding-left: 20px;">Number of shares held by the Company: 3,762,800 shares <li style="padding-left: 20px;">Number of the shares held by consolidated subsidiaries: 1,006,959 shares <li style="padding-left: 20px;">(The Company plans to buy part of the Rengo Shares held by consolidated subsidiaries through off-market transactions in the near future.) • Number of the Company's shares held by Rengo Co., Ltd.: 103.53 shares 	
		Trading relation	Mutual sale of raw materials for products such as paperboard and paper ware	
		Human relation	Nil	
		Whether to fall under related party	No	
(xvi)	Results for the past 3 years	(Consolidated basis) (Unit: million yen)		
	Accounting term	Term ended March 2005	Term ended March 2006	Term ended March 2007
	Sales	391,174	402,168	412,986
	Operating profit	21,258	21,701	19,056
	Ordinary profit	20,833	21,897	18,463
	Net profit	10,913	13,032	9,441
	Net profit per share (yen)	44.98	54.63	38.81
	Dividend per share (yen)	8.00	9.00	10.00
	Net worth per share (yen)	474.66	562.29	574.10

(i)	Trade name	Sumitomo Corporation		
(ii)	Details of business	Domestic and foreign commercial trading via a global network, provision of financing, project coordination, and overall business investment, etc.		
(iii)	Date of incorporation	December 24, 1919		
(iv)	Address of head office	1-8-11, Harumi, Chuo-ku Tokyo		
(v)	Position and name of representative	Susumu Kato, Chief Executive Officer		
(vi)	Capital	219,278,931,183 yen		
(vii)	Number of Outstanding shares	1,250,602,867 shares		
(viii)	Net worth	1,473,128 million yen (consolidated basis)		
(ix)	Total assets	8,430,477 million yen (consolidated basis)		
(x)	Closing date	March 31		
(xi)	Number of employees	61,490 (consolidated basis)		
(xii)	Major customers	Sumitomo Corporation operates in many areas, and has many customers.		
(xiii)	Largest shareholders and their holdings	The Master Trust Bank of Japan, Ltd. (trust account): 8.68% Japan Trustee Services Bank, Ltd. (trust account): 7.45% Japan Trustee Services Bank, Ltd. (trust account 4): 3.22% Mitsui Sumitomo Insurance Co., Ltd.: 2.66% Sumitomo Life Insurance Co.: 2.47%		
(xiv)	Major banks	Sumitomo Mitsui Banking Corporation		
(xv)	Relationship between the listed company and purchasers, etc.	Capital relation	<ul style="list-style-type: none"> • Number of the shares of the purchaser held by the Nippon Paper Group: nil • Number of the Company's shares held by Sumitomo Corporation: 210 shares 	
		Trading relation	Purchase of raw materials, etc. from the purchaser, and sale of paper products, etc. to the purchaser	
		Human relation	Nil	
		Whether to fall under related party	No	
(xvi)	Results for past three years	(Consolidated basis) (Unit: million yen)		
	Accounting term	Term ended March 2005	Term ended March 2006	Term ended March 2007
	Sales	9,898,598	10,336,265	10,528,277
	Gross profits on sales	563,130	706,647	857,689
	Net profit	85,073	160,237	211,004
	Net profit per share (yen)	72.83	130.18	169.93
	Dividend per share (yen)	11.00	25.00	33.00
	Shareholders' equity per share (yen)	776.61	1,047.88	1,192.35

(2) Reasons for selection of purchasers

The Company will sell treasury shares under a basic agreement on a business and equity alliance, entered into with both purchasers on March 2, 2007.

Based on this agreement, the Company will acquire the shares of Rengo Co., Ltd. through the sale of treasury shares through a private placement to Rengo Co., Ltd. on July 30, 2007.

The number of shares to be acquired is as follows:

(i) Seller: Rengo Co., Ltd.

(ii) Number of shares held before acquisition: 4,769,759 shares

(ratio to the number of outstanding shares: 1.81%)

(iii) Number of shares to be acquired: 8,430,000 shares

(iv) Number of shares held after acquisition: 13,199,759 shares

(ratio to the number of outstanding shares: 5.00%)

*The number of shares shown in (ii) and (iv) above includes shares held by companies belonging to the Nippon Paper Group.

(3) Purchasers' shareholding policy

The Company has requested the above purchasers to pledge to give the Company advance notice should they choose to transfer all or part of the acquired shares within two years of the date of acquisition.

(Attachment) Summary of Sale of Treasury Shares

(1) Number of treasury shares to be sold: 40,557 shares

(2) Selling price: 386,000 yen per share

(3) Total amount of selling price: 15,655,002,000 yen

(4) Number of treasury shares held after sale: 410 shares

(5) Public notice of resolution of the Board of Directors about the sale of treasury shares (electronic public notice):
July 31, 2007 (Tuesday)

(6) Date of payment: August 15, 2007 (Wednesday)