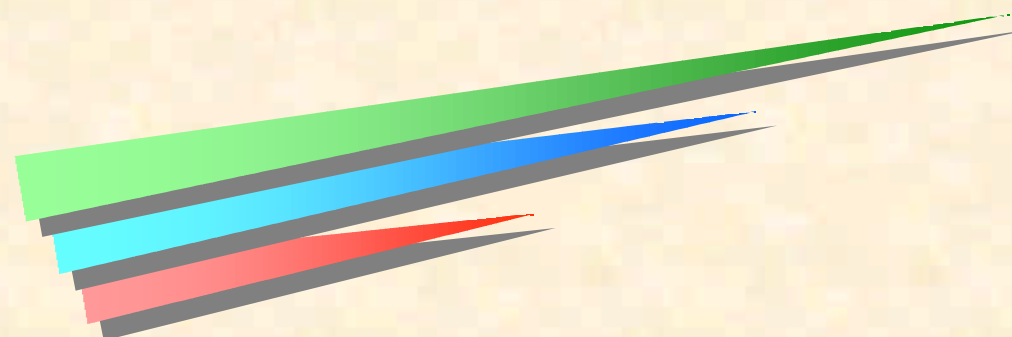




Move UP



The First Medium-Term Business Plan

April 9, 2003

Nippon Unipac Holding

President Takahiko Miyoshi

Contents of presentation



(1) Outline of Medium-Term Business Plan

(2) Medium-Term Business Plan of Key Consolidated Subsidiaries

(3) In Pursuit of Sustainable Profit Growth

Medium-Term Vision

(Managerial targets for FY2004 through 2006*)



*April 1, 2003-March 31, 2006

(Released on November 28, 2002)

 **Faster**

- Accelerated rationalization of production facilities
- Prompt realization of synergy effects from reorganization of business

 **Higher**

- Consolidated ordinary income:
More than ¥100 billion

 **Stronger**

- To raise productivity by 10% or more
- Consolidated interest-bearing debt:
Under ¥700 billion

Accelerated rationalization of production facilities

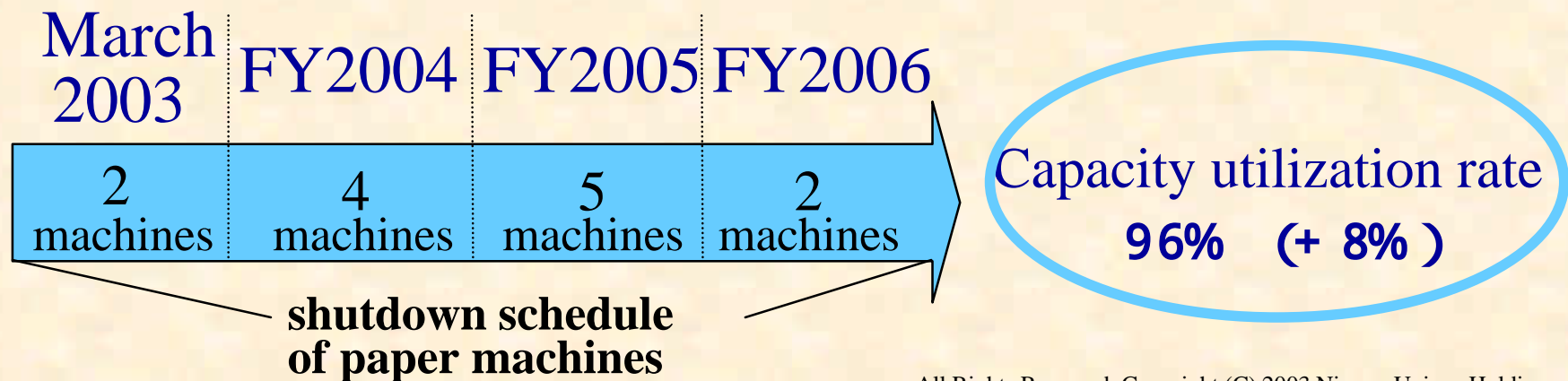
- Faster



The number of shutdown paper machines

Paper	8	(-370,000 t/a.)
Paperboard	3	(-260,000 t/a.)
Household tissue	2	(-40,000 t/a.)

Total 13 paper machines (-670,000 t/a.)



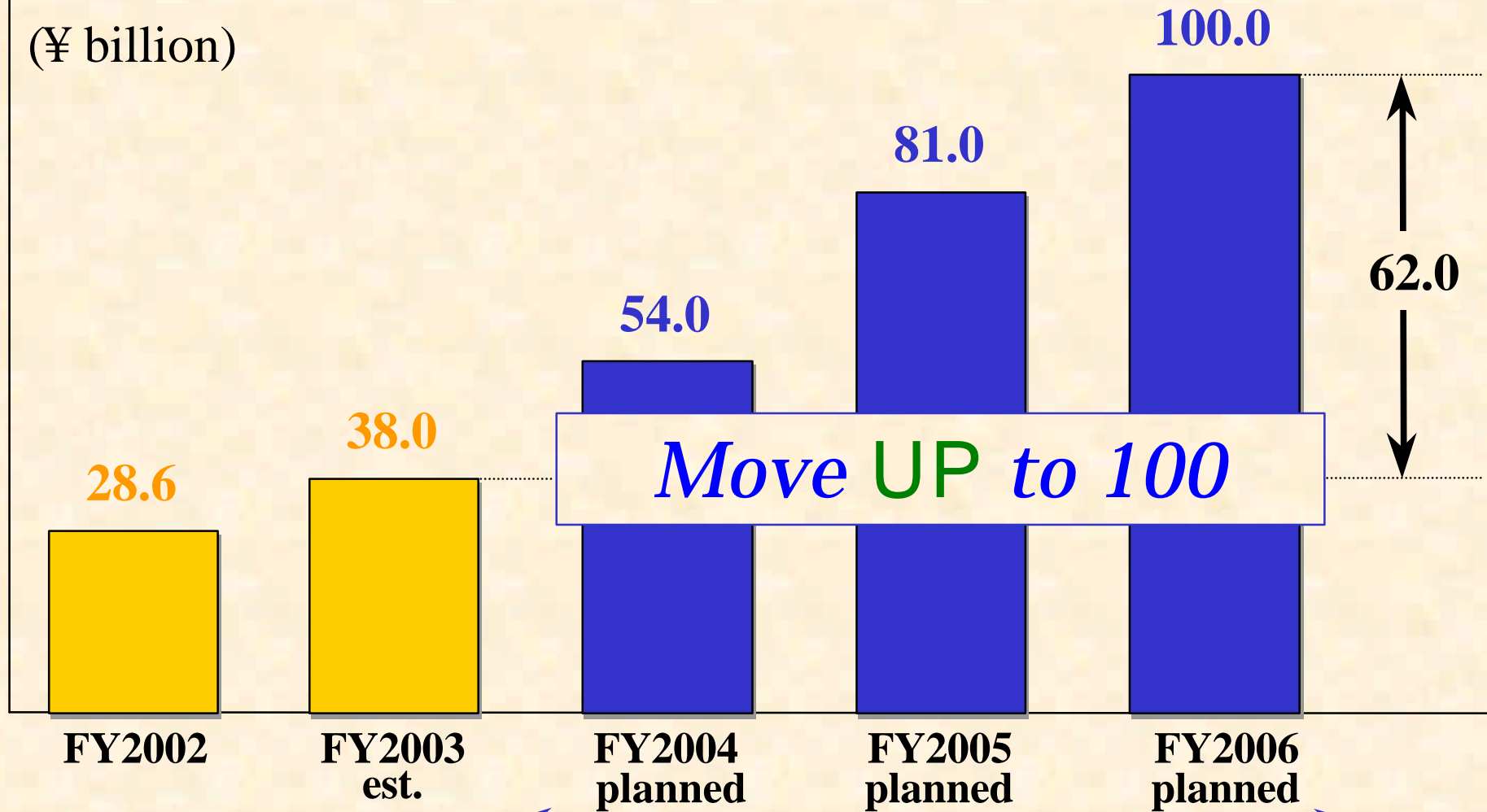
Consolidated ordinary income:
¥100 billion

- Higher



Sales remain flat

(¥ billion)



Factors causing increase/decrease in profit (FY2003 vs 2006)



(1) Cost reduction

(¥ billion)

Rationalization	Labor	Manufacturing, distribution cost	Material	Interest and others	Total
14	12	21	7	6	60

(2) Other factors

Product line-up	Material, market price	Depreciation/ amortization	Total
10	- 14	6	2

Ordinary income change

(FY2003 est.: ¥38 billion FY2006 planned: ¥100 billion)

62

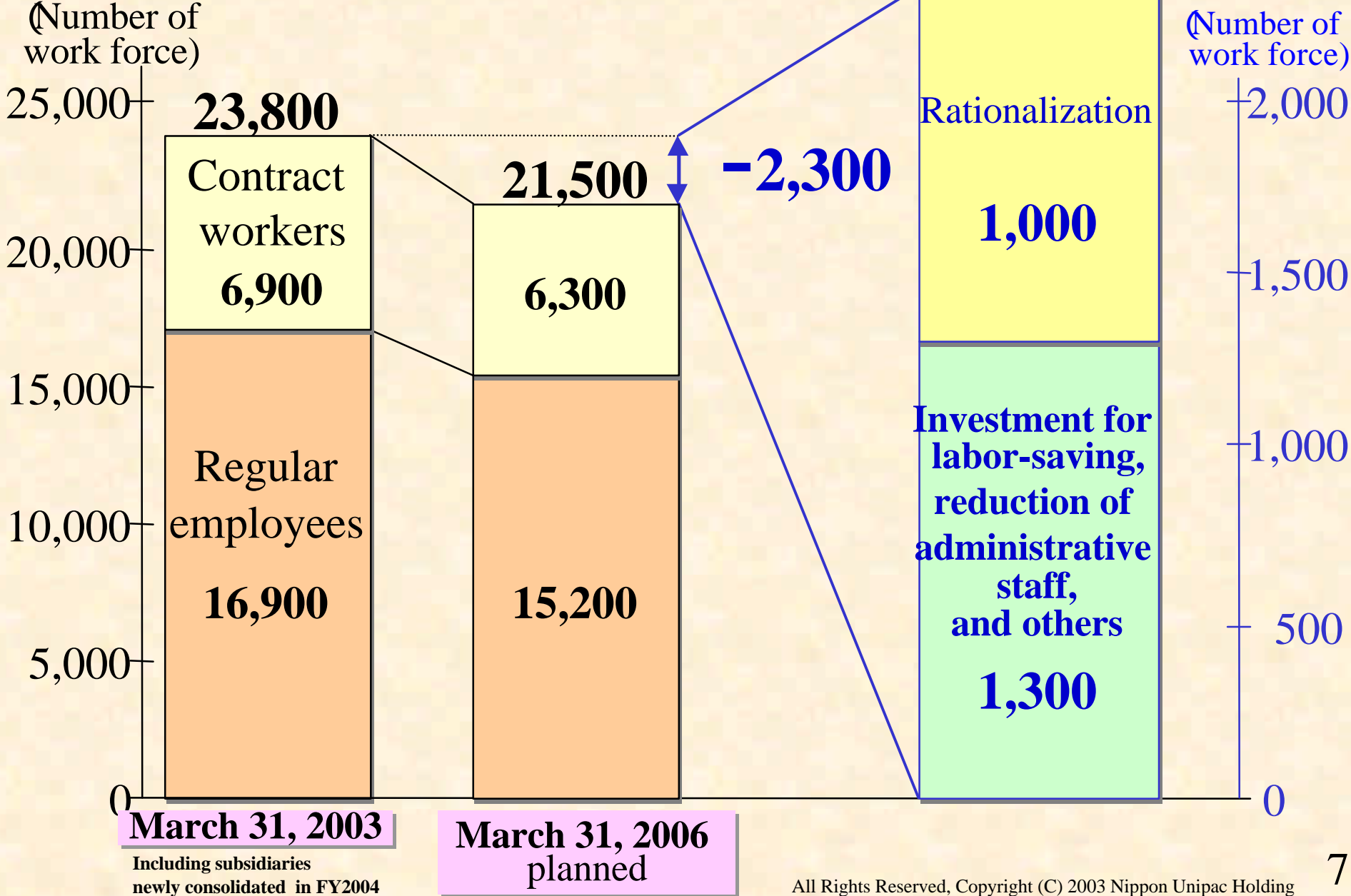
- Discounting of extraordinary losses (Reference)

Losses from consolidation
of facilities and businesses

approx. ¥30billion/ three years

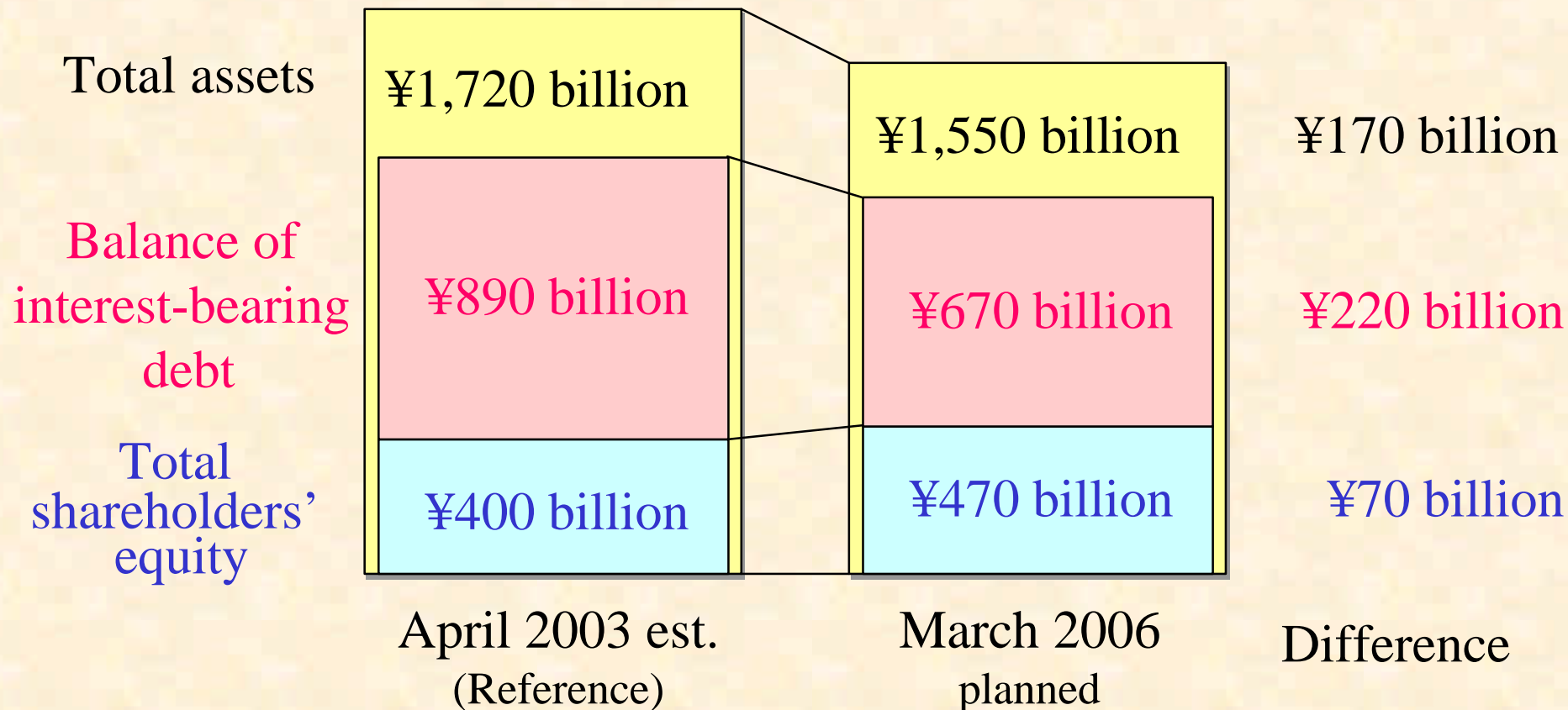
Raise productivity by 10%

- Stronger



Consolidated interest-bearing debt: Under ¥700 billion

- Stronger



D / E ratio	2.1	1.3	0.8
Equity ratio	23.3%	30.3%	+7.0%

Cash flows for three years (FY2004-2006)



Inflow

● Ordinary income	¥ 235 billion
● Depreciation and amortization	¥ 240 billion
<hr/>	
Total inflow	¥ 475 billion

Outflow

● Investment	¥ 185 billion
● Repayment of debt	¥ 220 billion
● Tax payment	¥ 40 billion
● Dividends paid, etc. (Consecutive payments of steady dividends)	¥ 30 billion
<hr/>	
Total outflow	¥ 475 billion





Including tax effects leading to the realization of losses

Group financial target





FY2003 est.

FY2006
planned

	Ordinary income ¥38 billion (Ordinary margin on sales) (3.3%)	¥100 billion (8%)
	ROE	0.9%
	ROI	3.9%
	ROA	7%

(Reference)

	Net sales	¥1,160 billion	¥1,200 billion
	Operating income	¥48 billion	¥106 billion

Ordinary income plan of each subsidiary



- Strengthening of profit basis of subsidiaries under the banner of Nippon Unipac Holding

Consolidated subsidiary	FY2006 planned (¥ billion)
Nippon Paper Industries Co., Ltd.	70.0
Nippon Daishowa Paperboard Co., Ltd. ¹	9.5
CRECIA Corporation	4.5
NIPPON PAPER-PAK CO., LTD.	4.0
Nippon Paper Chemicals Co., Ltd.	3.0
Nippon Paper Lumber Co., Ltd.	1.5
Other consolidated subsidiaries	7.5
Total	100.0

¹ :Consolidated basis for Nippon Daishowa Paperboard and stand-alone basis for the rest of the companies

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Strengthening of managerial system



- **Medium-Term Business Plan to be promoted heavily**

- Strengthening of group governance functions and separation of executive functions

Nippon Unipac Holding

Functions to be strengthened

Group governance functions

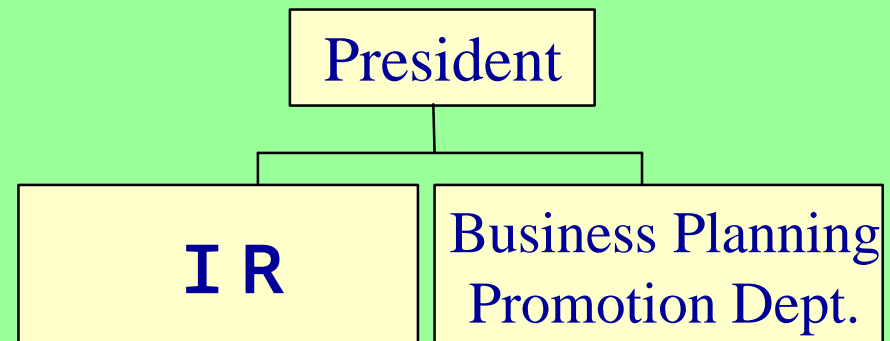
Promotion of Medium-Term Business Plan

Drafting of growth strategies

**Management of performance and audit
Centralized management of funds**

Personnel decisions regarding top-ranking executives of each company and treatment of them

New, downsized organization



(Utilization of staff at Nippon Paper Industries)

Nippon Paper Industries

Nippon Daishowa Paperboard

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Medium-Term Business Plan of the New “Nippon Paper Industries”



FY2006 planned

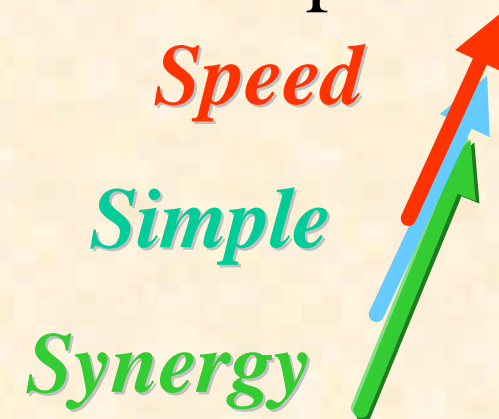
● Ordinary income
(Ordinary margin on sales)

¥70 billion
(10%)

● Basic policy:

“Realization of synergy effects from the merger
and building of foundation for the next step”

- ① Accelerated rationalization
of production facilities
- ② Realization of synergy effects
from the merger
- ③ Strengthening of sales



Accelerated rationalization of production facilities (1)



- Thorough measures to shift production to cost-competitive mills
 - Maximum utilization of superior mill locations

Newsprint

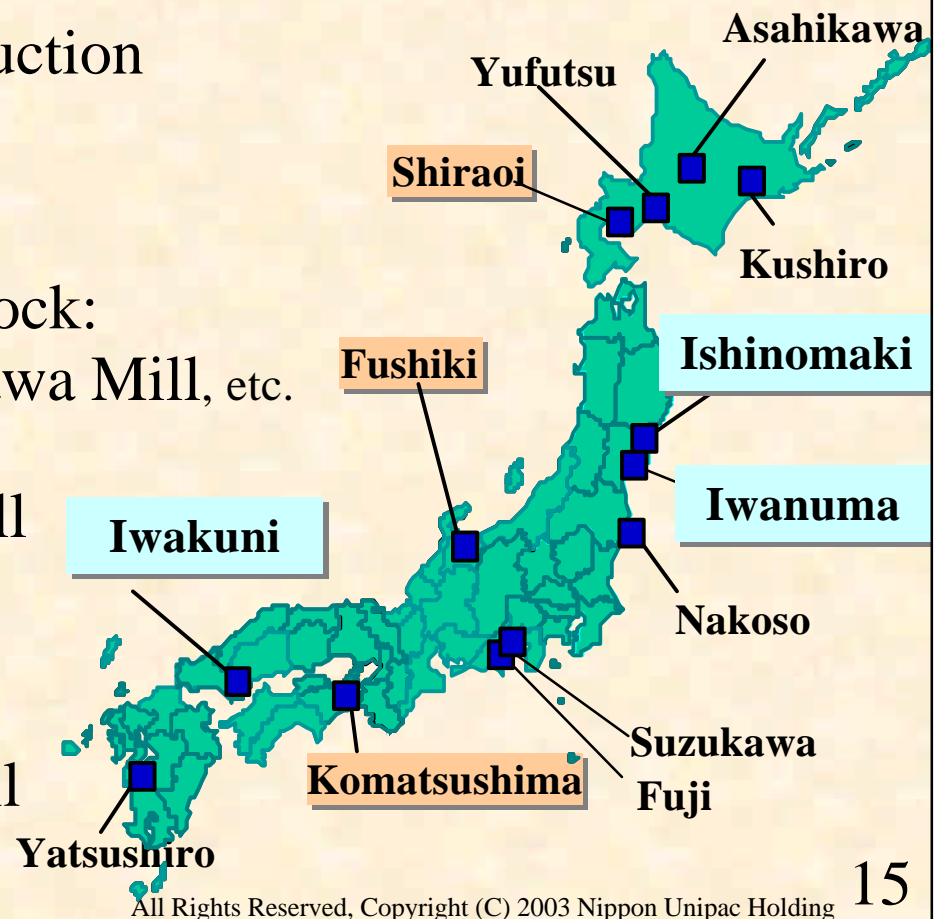
- Promoting concentrated production at low-cost Iwanuma Mill

Fine paper

- PPC, including wastepaper stock:
Komatsushima Mill Suzukawa Mill, etc.
- Form paper :
Suzukawa Mill Iwakuni Mill

Coated paper

- Fuji Mill, Iwanuma Mill
Iwakuni Mill, Ishinomaki Mill



Accelerated rationalization of production facilities (2)



Planned shutdown: September 2003

- #2 paper machine, Komatsushima Mill
(fine paper 60,000 t/a.)
- #5 paper machine, Shiraoui Mill
(fine paper 47,000 t/a.)
- #3 paper machine, Fushiki Mill
(gravure paper 17,000 t/a.)

Cost merit in FY2006

¥8 billion

March and September 2004

- Reduction of production capacity
by total 130,000 t/a.

FY2006

- Additional reduction of production capacity
by 120,000 t/a.

-380,000 t/a.

Realization of synergy effects from the merger (1)

Cost merit in FY2006



● Reduction of material cost

¥6 billion

- Promotion of Group-wide centralized procurement and selection of suppliers

● Manufacturing cost

¥14 billion

- Iwanuma Mill: DIP capacity increase
- Nakoso Mill: Waste power generator
- Kushiro Mill: Independent Power Production business
- Variable cost per production:
To be reduced by more than 1% a year
- Energy cost per production:
To be reduced by more than 1.5% a year

● Reduction of distribution cost

¥3 billion

- Reorganization of logistical structure based on regional blocs (Hokkaido, Tohoku, Chubu, and Nishi-Nippon districts)
- Utilization of new sales system,
Elimination of cross transportation

Realization of synergy effects from the merger (2)



Cost merit in FY2006

¥6 billion

● Reduction of labor cost

- Reduction of the number of work force:
1,000 (630 regular employees, 370 contract workers)
March 31, 2003 est. vs March 31, 2006 planned
- Reduction of work force on production side
- Promotion of substantial rationalization of administrative general departments

(Additional plans under consideration)

Centralized handling of administrative and managerial duties and operations of all nearby mills

(“Yufutsu - Asahikawa - Shiraoi,” “Ishinomaki - Iwanuma,” “Suzukawa - Fuji”)

Rationalization of head office departments

(Centralizing of administrative departments:

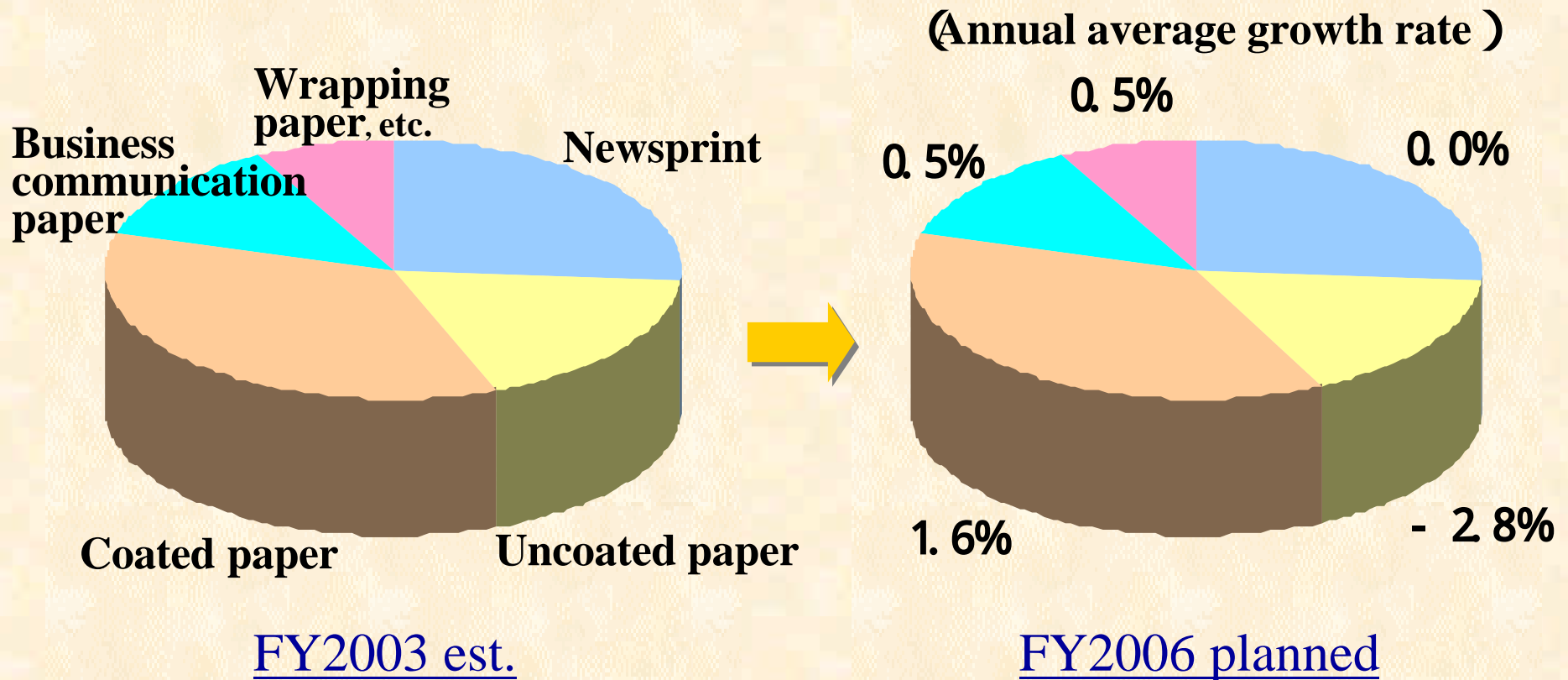
“Accounting & Budgeting, Treasurer’s,” ‘Personnel,’ and “Information Systems”)

● Interest and others

- Reduction of interest-bearing debt
(Interest ¥2.6 billion)
- Reduction of general administrative costs

¥3.5billion

Outlook for paper sales



Domestic paper sales volume
to remain at the same level (± 0%)

Strengthening of sales



● Active sales expansion for products with growth potential

•AURORA COAT (coated printing paper), ink-jet printing paper, and thermal paper

● Promotion of differentiation of products

•“Pegasus” series, series of low-density paper, and Oper® (waterproof synthetic paper)

● Development of new products

•New low-density paper, and WAVYWAVY™ (paper with extension properties)

● Strengthening of customer-oriented sales

•More effective anticipation of customer needs and strengthening of sales activities based on proposal approach

Medium-Term Business Plan of Nippon Daishowa Paperboard



FY2006 planned

● Ordinary income
(Ordinary margin on sales)

¥9.5 billion
(5%)

● Basic policy:
“Radical innovations in business structure”

① *Restructuring
of overall businesses*
Containerboard business
Corrugated sheet business

**Demands for next three years
to remain at the same level**

② *Thorough pursuit of cost reduction*

Restructuring of businesses of Nippon Daishowa Paperboard



Cost merit in FY2006

¥5.5billion

Restructuring of containerboard business

- Shutdown of Kameari Mill (200,000 t/a.)
Reduction in fixed costs and boosting of capacity utilization rate
- Additional reduction of 50,000 t/a. during the period of Medium-Term Business Plan
Total 250,000 t/a.

Restructuring of corrugated sheet business

Eight subsidiaries of corrugated sheet business

To be merged into one company, Nichiita Package Corrugated Case Corporation

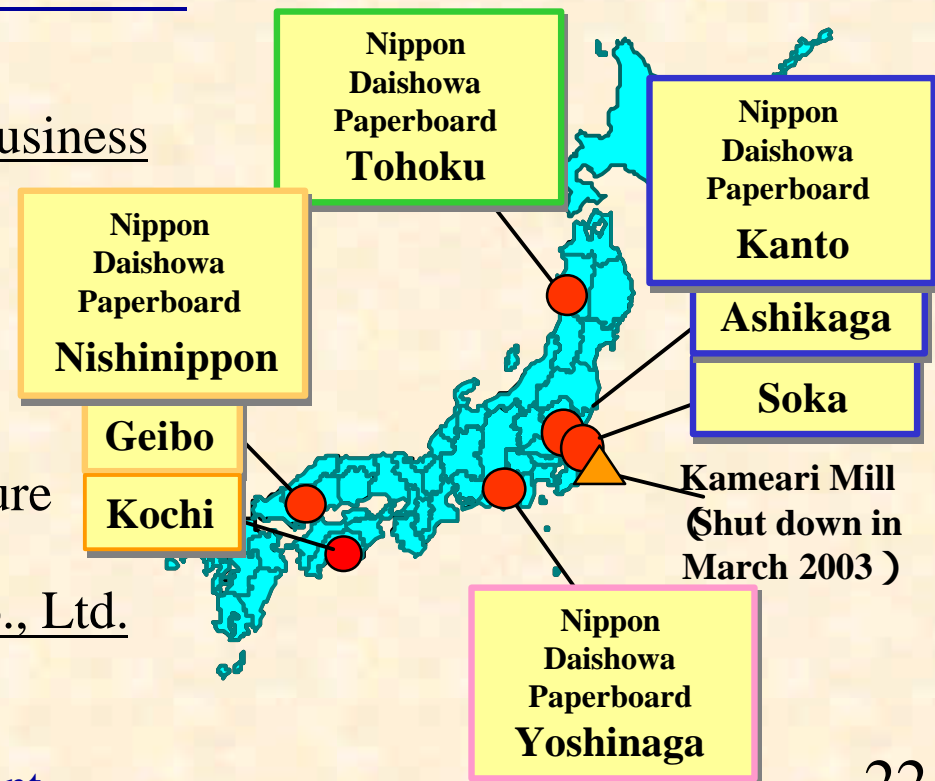
Implementation of consolidation of production bases

“780-employee” work force structure (reduction of 240 work force)

Operating tie-up with Tokan Kogyo Co., Ltd.

- OEM production for each region
- Cost reduction of distribution and material procurement

Operating subsidiaries of Nippon Daishowa Paperboard



Thorough pursuit of cost reduction



Cost merit in fiscal 2006

● Manufacturing cost • Material cost

¥ 4.0billion

- Installation of waste power generator at Nippon Daishowa Paperboard Tohoku (began operation in July 2003)
- Improvement of pulp mixture at Yoshinaga (to DIP and others)
- Reduction of material costs (Centralization of procurement for the entire Group)
- Reduction of consumption of chemicals
- Reduction of distribution cost (Elimination of cross transportation)

● Labor cost

¥ 2.5billion

- Reduction of work force (Sharp reduction of employees at Tohoku and Geibo Mill)

● Interest and others

¥ 2.0billion

- Reduction of interest-bearing debt
- Reduction of general administrative costs

Medium-Term Business Plan of CRECIA (1)



FY2006 planned

● Ordinary income
(Ordinary margin on sales)

¥4.5 billion
(7%)

● Basic policy :

“Augmentation of brand value/
Strengthening of business foundation”

① *Differentiation of products
by taking advantage of brand value*

② *Design of optimal production structure*

Medium-Term Business Plan of CRECIA (2)



● Differentiation of products by taking advantage of brand value

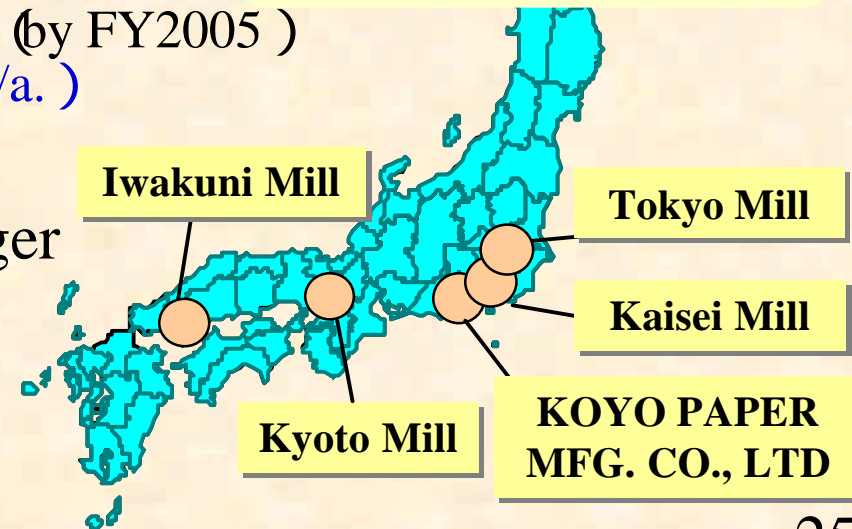
- Maximum utilization of brand value of “Kleenex®”
- Stepped-up development of premium products and wastepaper products



● Design of optimal production structure

- Shutdown of two paper machines (by FY2005)
(Reduction of capacity: approx. 40,000 t/a.)
- Introduction of a division-based organizational structure and stronger control over business results
- Reduction of labor cost
(reduction of 100 work force)

Production bases of CRECIA Corporation





Medium-Term Business Plan of NIPPON PAPER-PAK CO., LTD.

Sales promotion of Fuji system (aseptic filling)



Fuji system products of NIPPON PAPER-PAK

Ordinary Income
(Ordinary margin on sales)

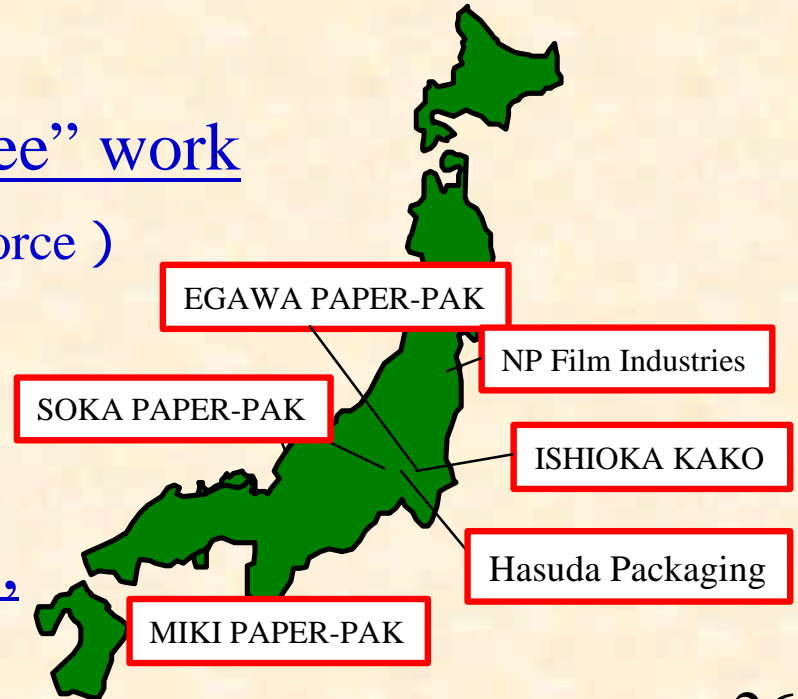
FY2006 planed

¥4.0 billion
(8%)

Establishment of a “1,000-employee” work force structure (Reduction of 200 work force)

•Shutdown of Hasuda Packaging Co., Ltd.
(in the first half of FY2004)

Making inroad into new business, new product development



Medium-Term Business Plans of Nippon Paper Chemicals and Nippon Paper Lumber



Ordinary Income
(Ordinary margin on sales)

FY2006 planned

● Nippon Paper Chemicals Co., Ltd.

● Plan

- Sales expansion for ecological and growth products
- New businesses (resources, environment, health)
- Cost reduction in DP and lignin businesses

¥3.0 billion
(12%)

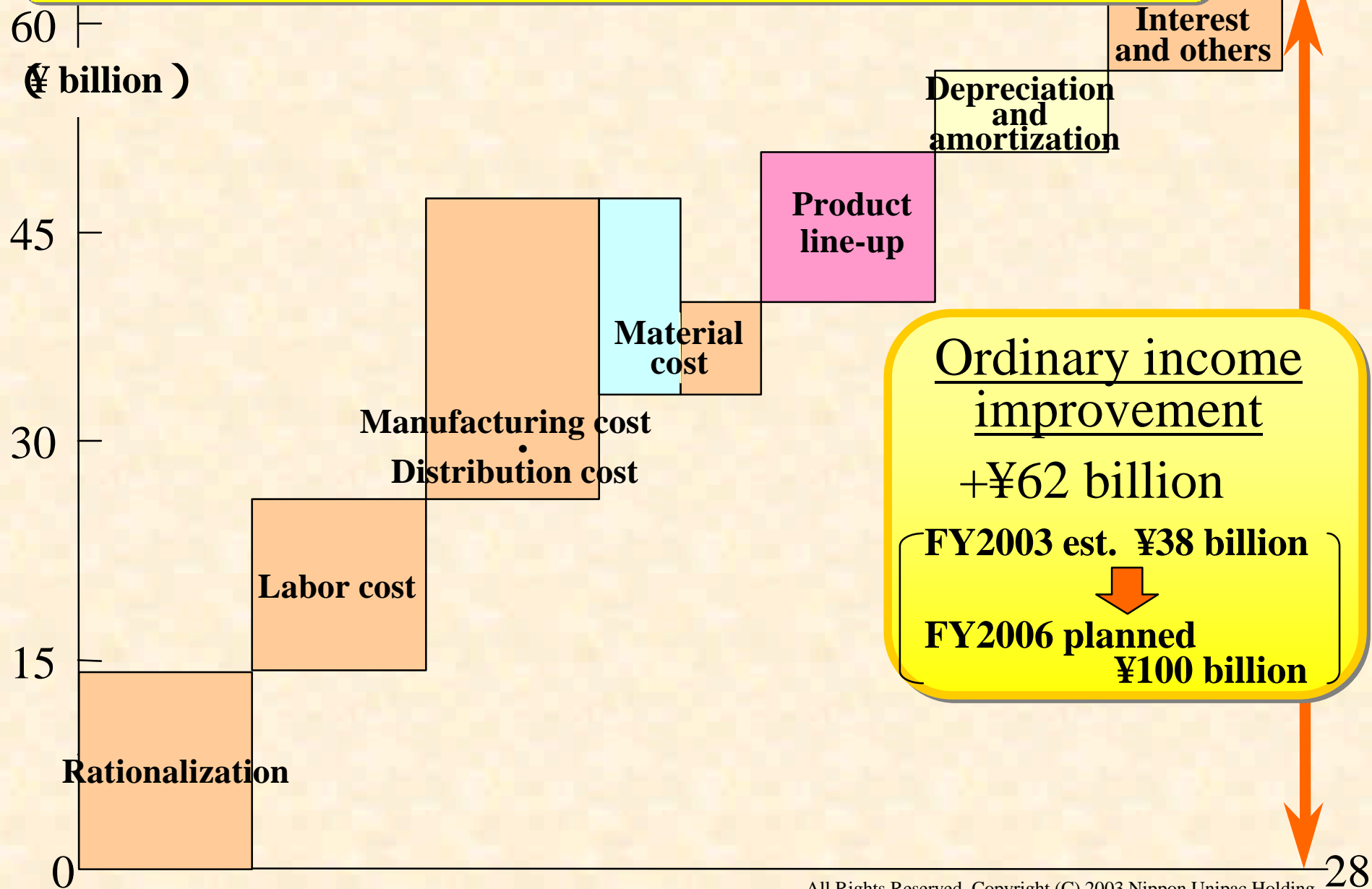
● Nippon Paper Lumber Co., Ltd.

● Plan

- Better arrangement of logistical bases
- Sales promotion of lumber products
(for DIY use)
- Making inroads into resource-recycling business

¥1.5 billion
(2%)

Factors causing increase/decrease in ordinary income of Nippon Unipac Holding Group (FY2003 vs 2006)



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Strengthening of R&D capabilities

- Source of competitiveness in a low-growth, global environment

● Strengthening of product development capabilities and development of products for diversified businesses

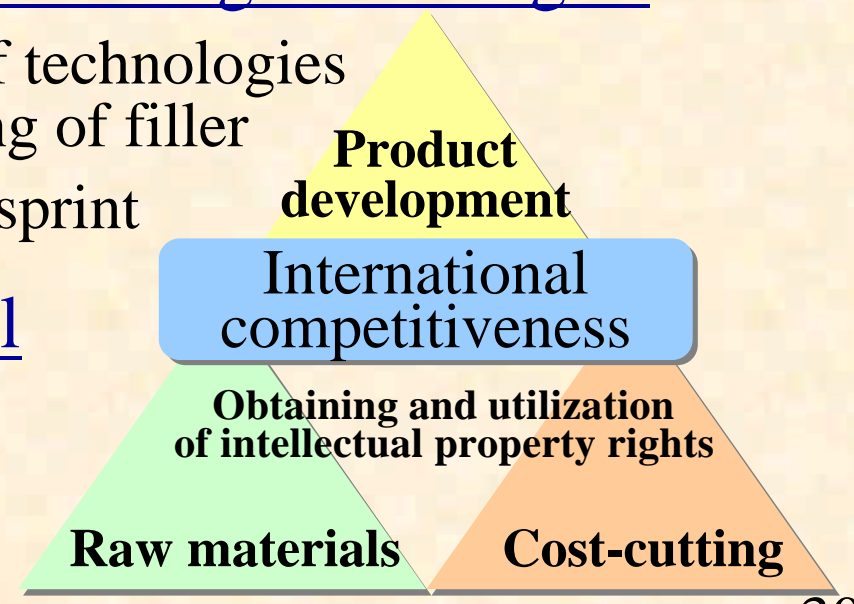
- Application of low-density printing paper technology and development of new products in the ink-jet paper field
- New-product development at NIPPON PAPER-PAK and CRECIA

● Improvement of practical cost-cutting technologies

- Improvement and development of technologies supporting in-house manufacturing of filler
- Development of neutralized newsprint

● Establishment of raw material technologies

- Cloning and afforestation of Eucalyptus elite trees



Stable supply to be ensured for raw materials



- Global cost advantage

Japan

- Superior procurement of wastepaper materials
- Active utilization of waste-based fuels

- Major overseas areas of afforestation
- Major overseas pulp production bases

Indonesia

(PT TEL)
LBKP: 430,000 ADT/a.

Canada (DMI)

- Peace River Pulp Mill
NBKP: 100,000 ADT/a.
LBKP: 350,000 ADT/a.
- Cariboo Pulp & Paper
NBKP: 170,000 ADT/a.

South Africa

4,200 ha
(Acacia, etc.)
30,000-50,000 BDT/a.

In the process of exporting lumber on a full-fledged basis

Australia

59,000 ha
(Eucalyptus)
Commencement of export in 2006

Chile

13,500ha
(Eucalyptus)
170,000 BDT/a.
in 2003



Overseas paper and paperboard production

- Strategies for each area ● Overseas production bases

Europe

Strengthening new product development and making inroads into new markets

- Promotion of thermal paper business in Europe (JTOY)
- Expansion of business of technology-leading products (business communication paper, etc.)

North America

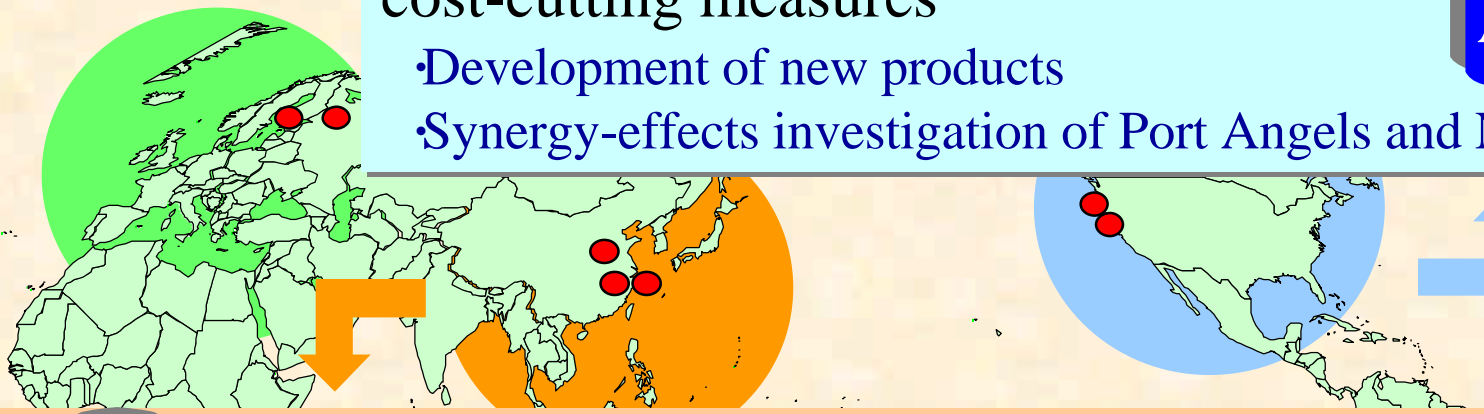
Strengthening of sales and promotion of cost-cutting measures

- Development of new products
- Synergy-effects investigation of Port Angels and NORPAC

Asia

Foundation-building in preparation for market expansion and future business development

- Expansion of local sales capabilities and strengthening of information-gathering structure
- Expanding paperboard business around Shanghai

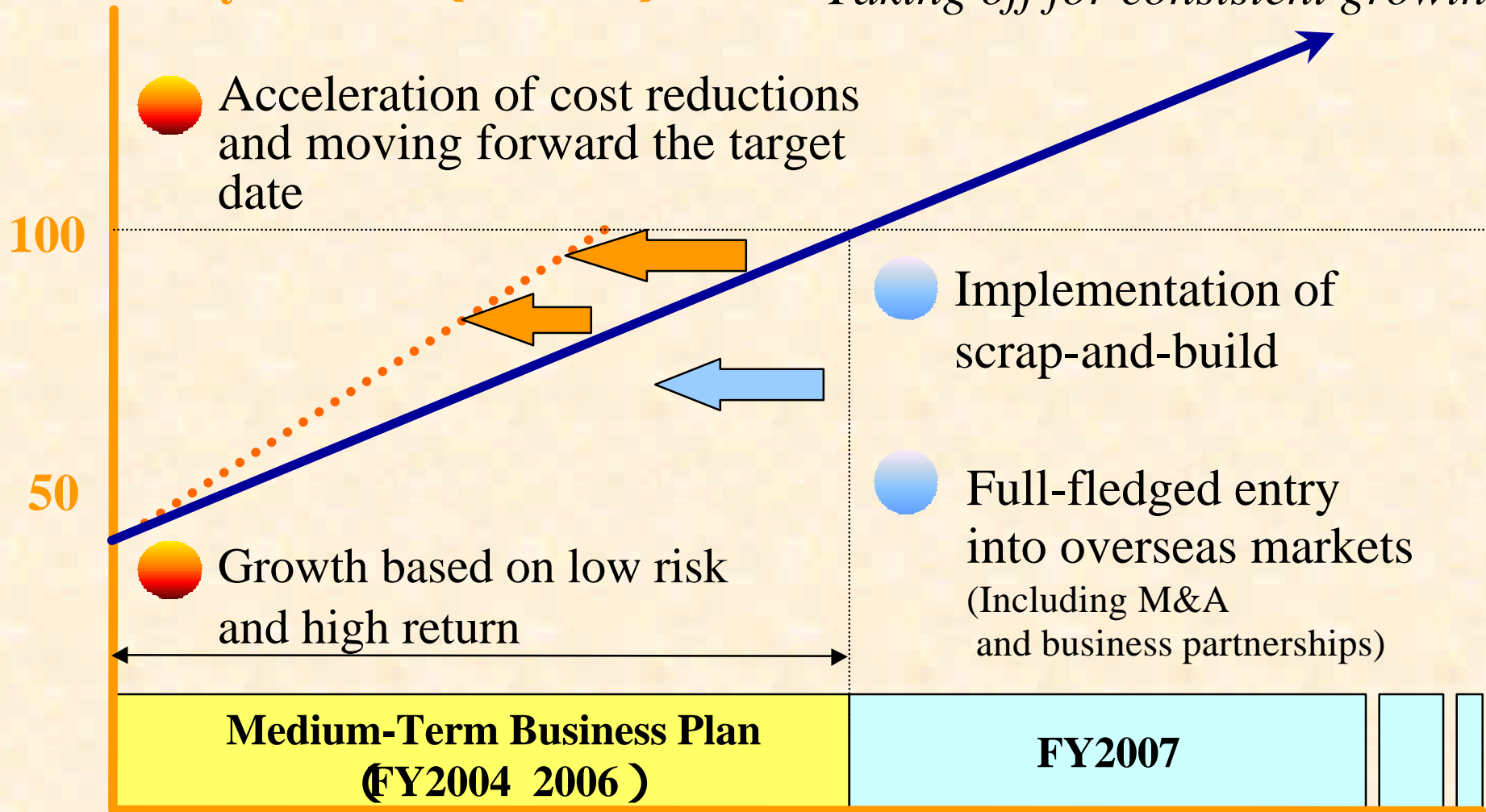


“Move UP” to the next stage



Ordinary Income (¥ billion)

Taking off for consistent growth



Toward a Business Group with Ultimate Quality

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