

Reinforcing the First Medium-Term Business Plan



**Construction of the corrugating-medium PM building
at Zhejiang Jingxing Nippon Paper, China, photographed on May 24, 2004.**

May 26, 2004

NIPPON UNIPAC HOLDING

President: Takahiko Miyoshi

I .Progress of the Business Plan

II .Reinforcing the Business Plan

(1) Reducing the variable cost

(2) Reducing the total labor cost

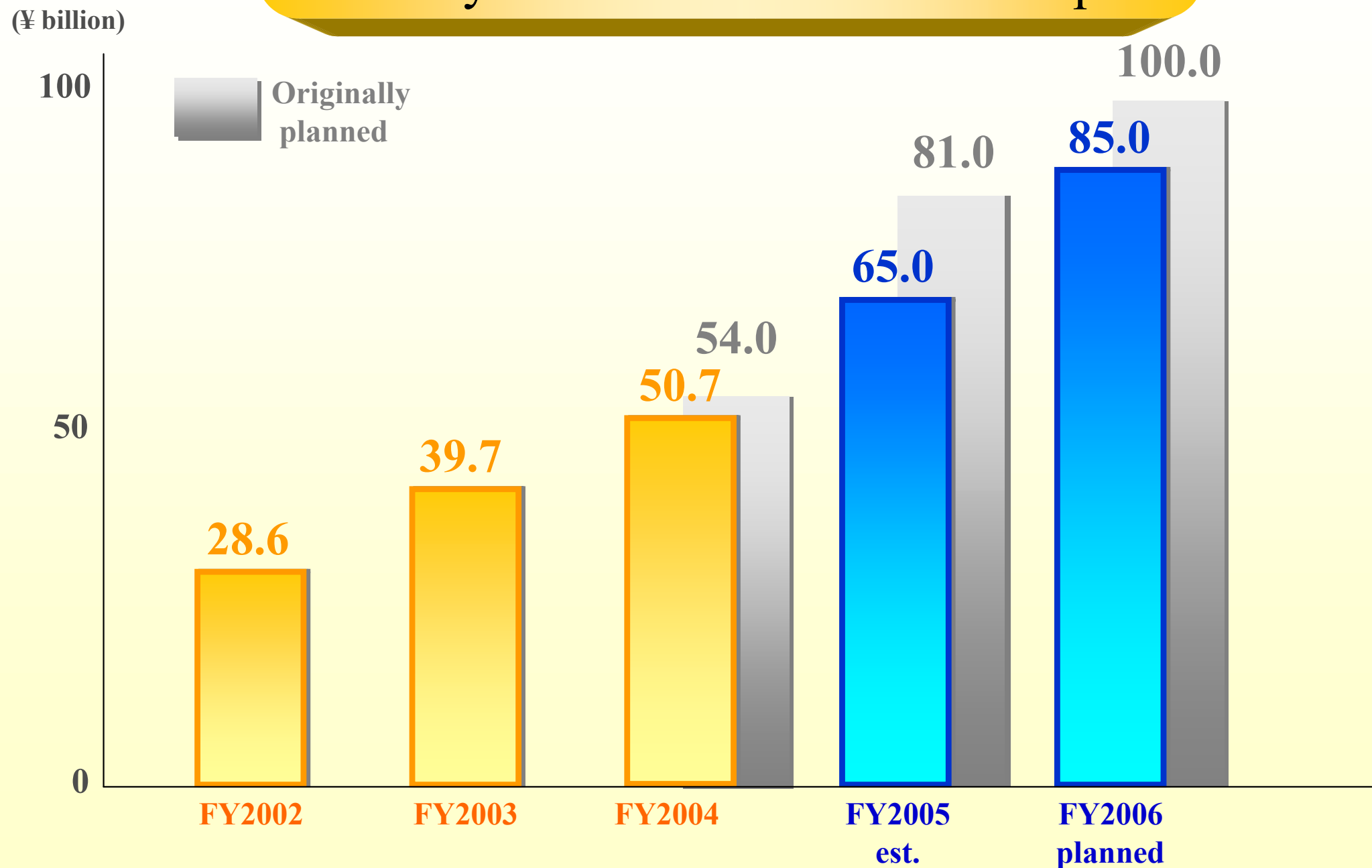
(3) Reinforcing paper sales

III .Basic indices

IV .Strategic move for growth

I. Progress of the Business Plan

Ordinary income trend and revised plan



Challenges

● Jump in input cost

- Wood chip price hike (FY2005)
- Coal, oil price soar (FY2005)

● Stagnant paper sales

- Imports surged
(FY2003 2H — FY2004)
- Softened price levels
(FY2004 2H)

**We need
additional measures
to offset the challenges**

Implementing additional measures (FY2005 — FY2006)

- (1) Variable cost reduction
- (2) Total labor cost reduction
- (3) Paper sales reinforcement



II . Reinforcing the Business Plan

(1) Variable cost reduction

● Reduce variable cost per production

**Additional 1% reduction in FY2005, 2006
(Original target 1.0% → 2.0%)**

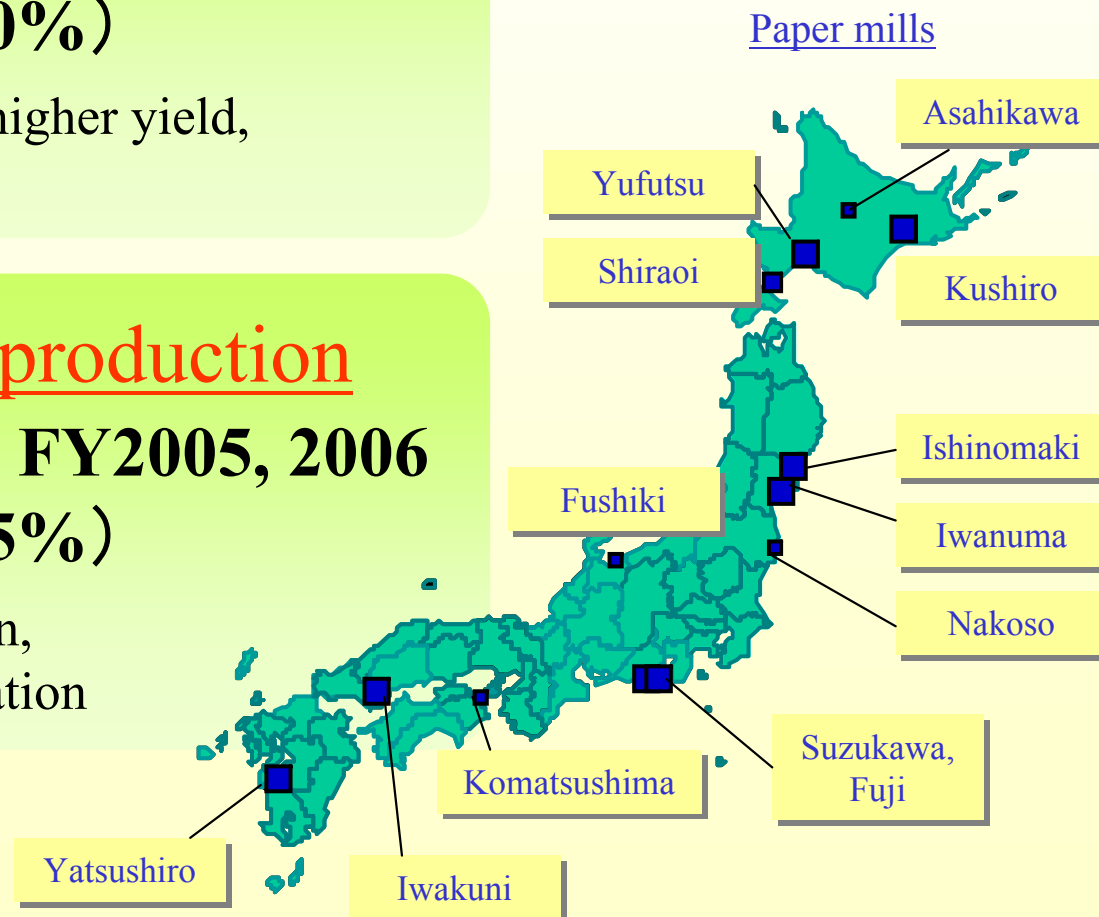
-Plans : Higher DIP composition, higher yield,
reduction of chemicals

● Reduce energy cost per production

**Additional 1% reduction in FY2005, 2006
(Original target 1.5% → 2.5%)**

-Plans : More RPF mix incineration,
more private power generation

Cost reduction
¥5.0 bn



II . Reinforcing the Business Plan

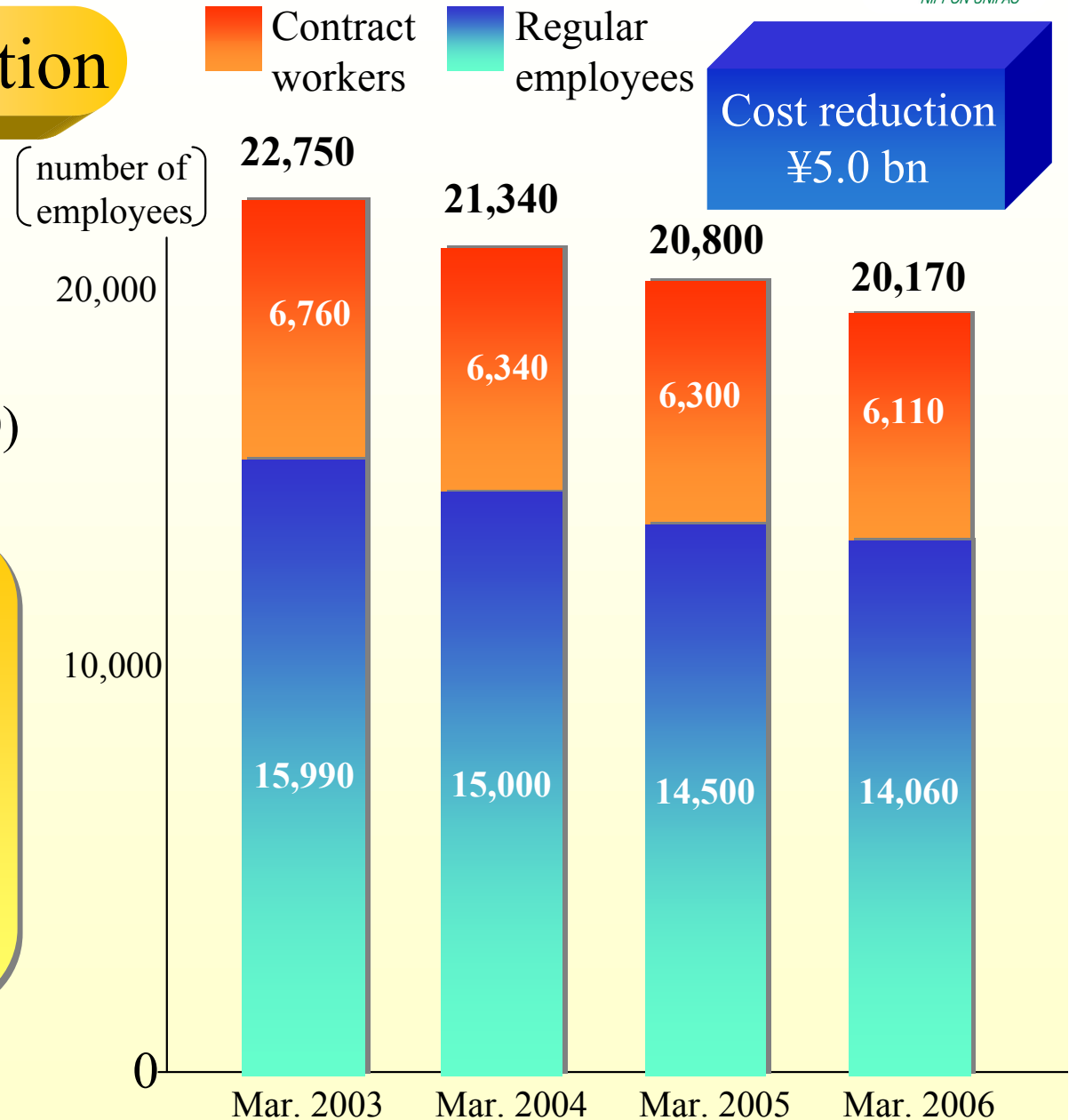


(2) Total labor cost reduction

Raise productivity by 11% or more


(Estimated labor reduction: -2,580)

- Additional plans
 - Early retirement incentives
 - Lowering of average wage by accelerating employment transfer of loan employees



Note: Numbers are adjusted to reflect all the changes in consolidation base.


(3) Paper sales reinforcement



Cost reduction
¥3.0 bn

Goals

- Maintain price levels
- Reduce total distribution cost
- Increase sales of highly-value-added products



**Structural changes in
the domestic market**
(Increased imports,
slowed growth)

Measures

- Restructure and enhance the sales organization
- Reorganize sales channels
- Reduce logistics costs

Summary — effects of additional measures

〈Measures〉	<u>FY2005</u>	<u>FY2006</u>	<u>Total</u>
● VC reduction	¥2.5 bn	¥2.5 bn	¥5.0 bn
● Labor cost reduction	¥2.0 bn	¥3.0 bn	¥5.0 bn
● Sales reinforcement (Distribution and logistics cost reduction)		¥3.0 bn	¥3.0 bn
● Total	¥4.5 bn	¥8.5 bn	¥13.0 bn

II . Reinforcing the Business Plan

Income growth after reinforcement (FY2004 — FY2006)

FY2003 vs FY2004

Ordinary income

¥39.7 bn → ¥50.7 bn

FY2004 vs FY2005

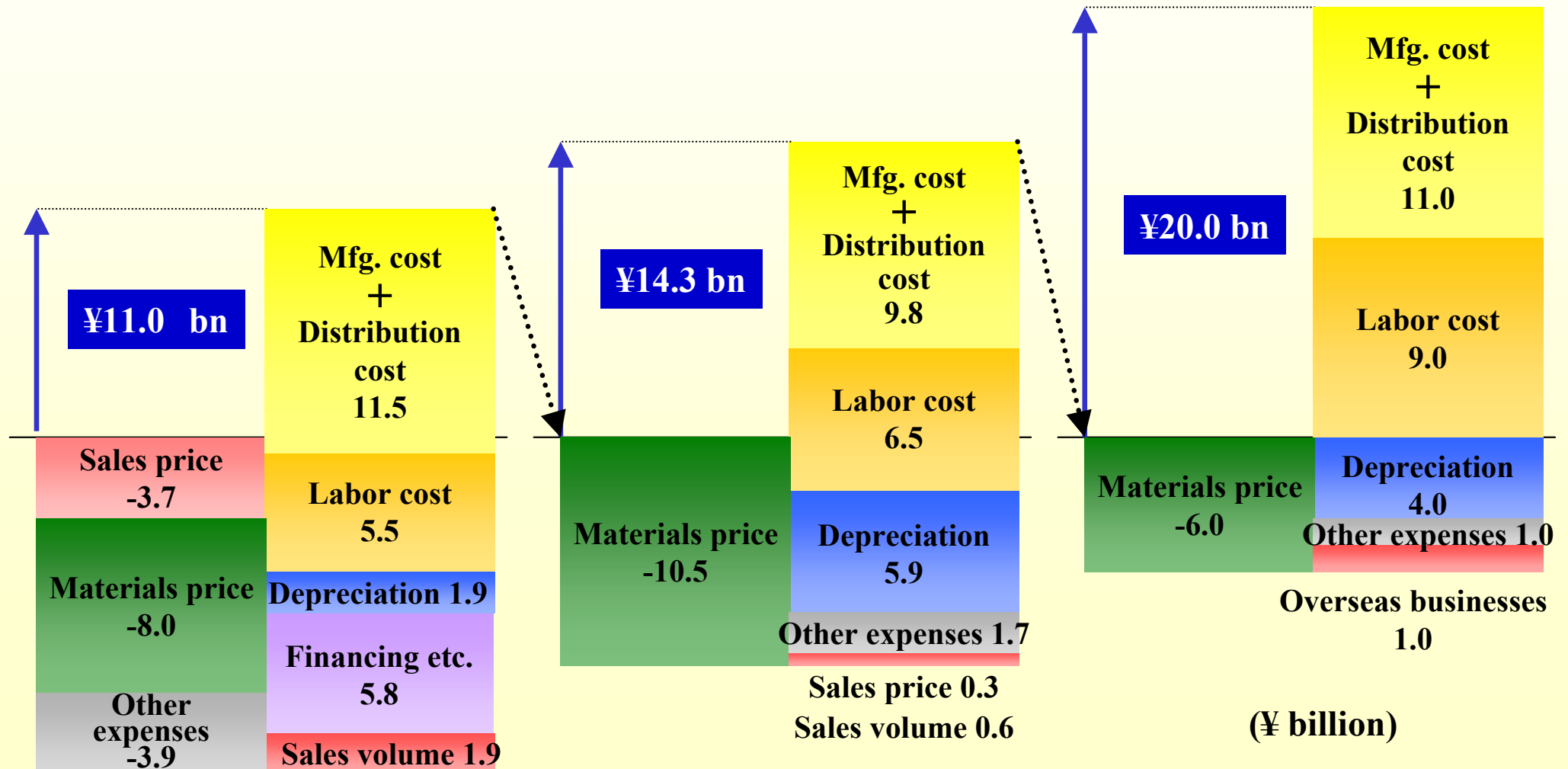
Ordinary income

¥50.7 bn → ¥65.0 bn

FY2005 vs FY2006

Ordinary income







¥65.0 bn → ¥85.0 bn)



III. Basic indices

-Group's key figures (FY2003 — FY2006)



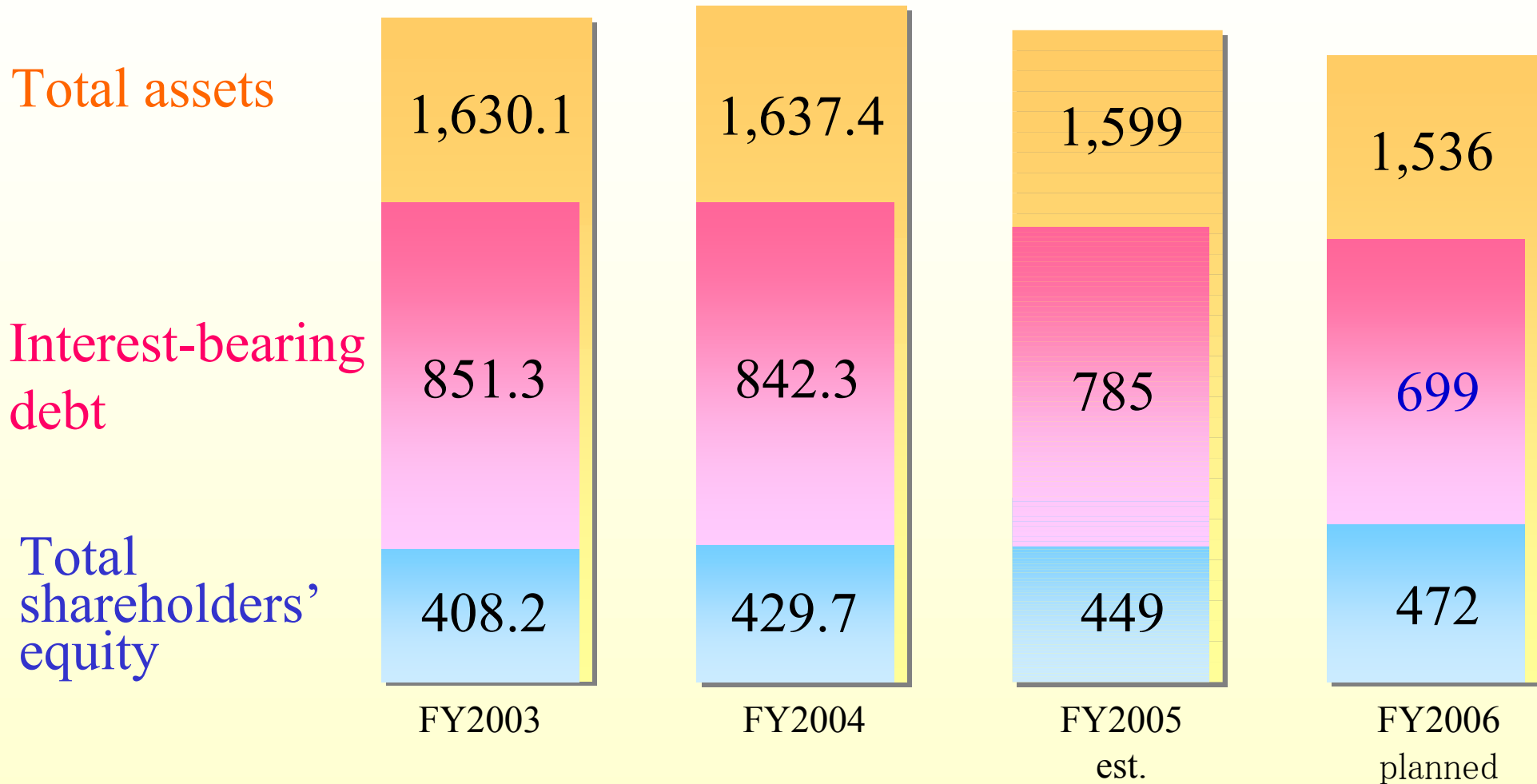
	FY2003	FY2004	FY2005 est.	FY2006 planned	Goal
 Ordinary income (¥ billion)	39.7	50.7	65	85	100
(Ordinary margin on sales)	(3.4%)	(4.3%)	(5.4%)	(7.0%)	(8.0%)
 ROE	1.2%	5.8%	6.4%	7.3%	11%
 ROIC	4.2%	4.9%	6.1%	8.1%	9%
 ROA	3.2%	3.8%	4.7%	6.1%	7%
< Reference >					
 Net sales (¥ billion)	1,165.5	1,192.6	1,195	1,210	1,200
 Operating income (¥ billion)	50.5	55.7	70	90	106

III. Basic indices

-Reduction of interest-bearing debt (FY2003 — FY2006)



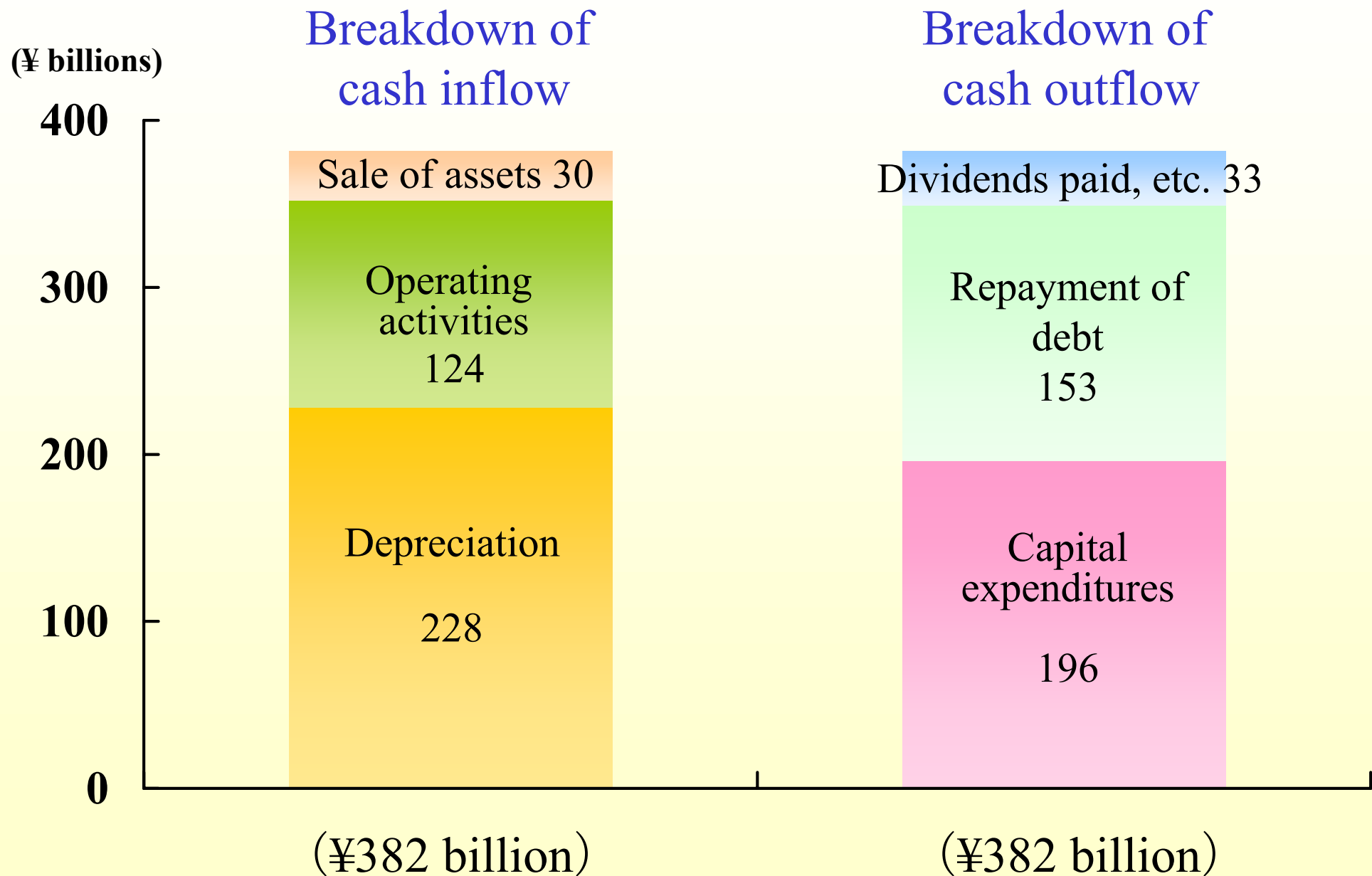
(¥ billion)



Debt / equity ratio	2.0	1.9	1.7	1.4
Equity ratio	25.0%	26.2%	28.0%	30.8%

III. Basic indices

- Cash flows of three years (FY2004 — FY2006)



IV. Strategic move for growth

Strategies for corporate growth

Domestic: Strengthen international competitiveness

- Efficiency investment in main mills
- Strengthen R&D capabilities

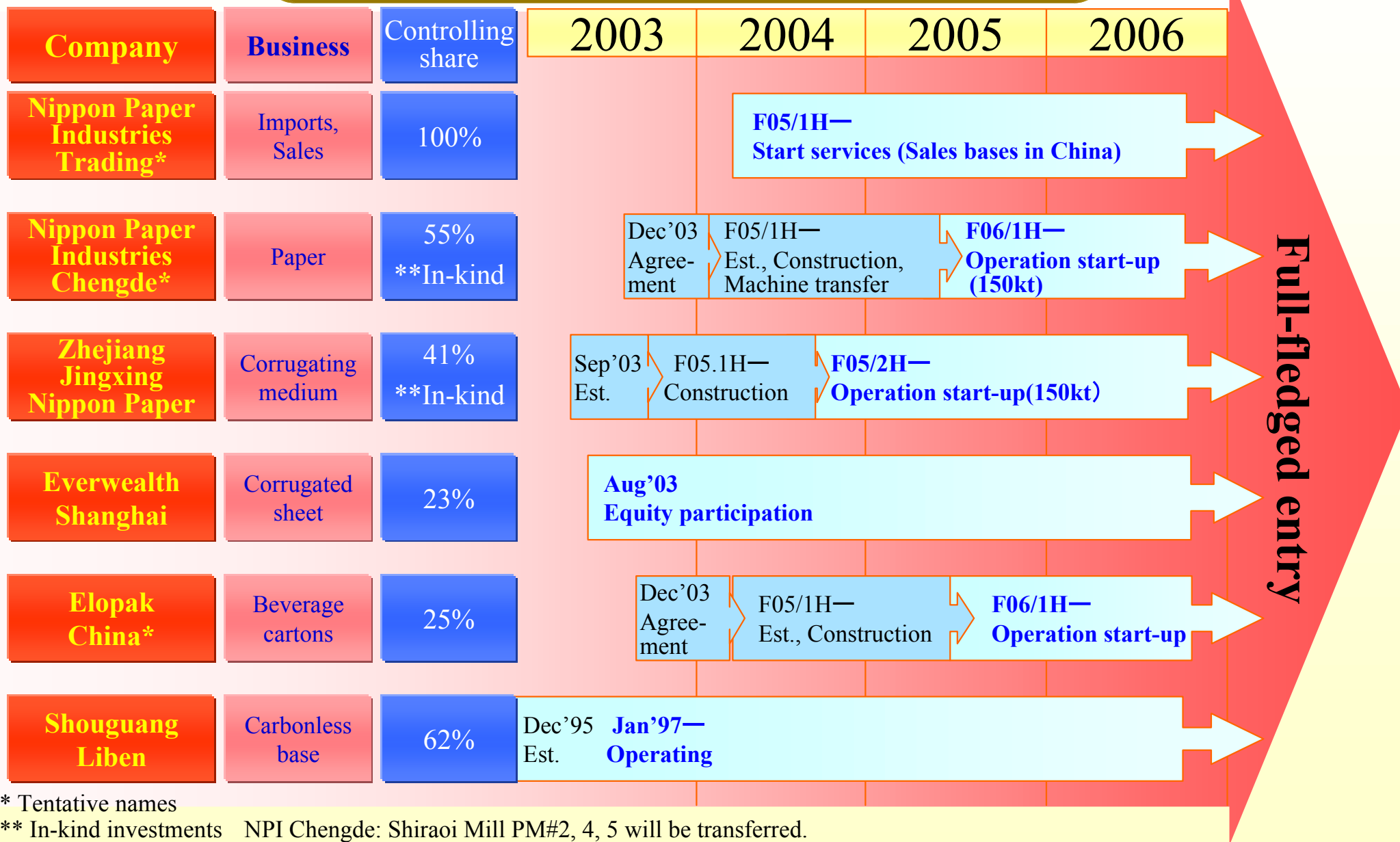
Overseas: Foray into growing markets

- Enter into and cultivate Chinese market
 - Utilize idle facilities, and local sales network
 - Diversify risks through joint venture program

IV. Strategic move for growth



Enter into and cultivate Chinese market



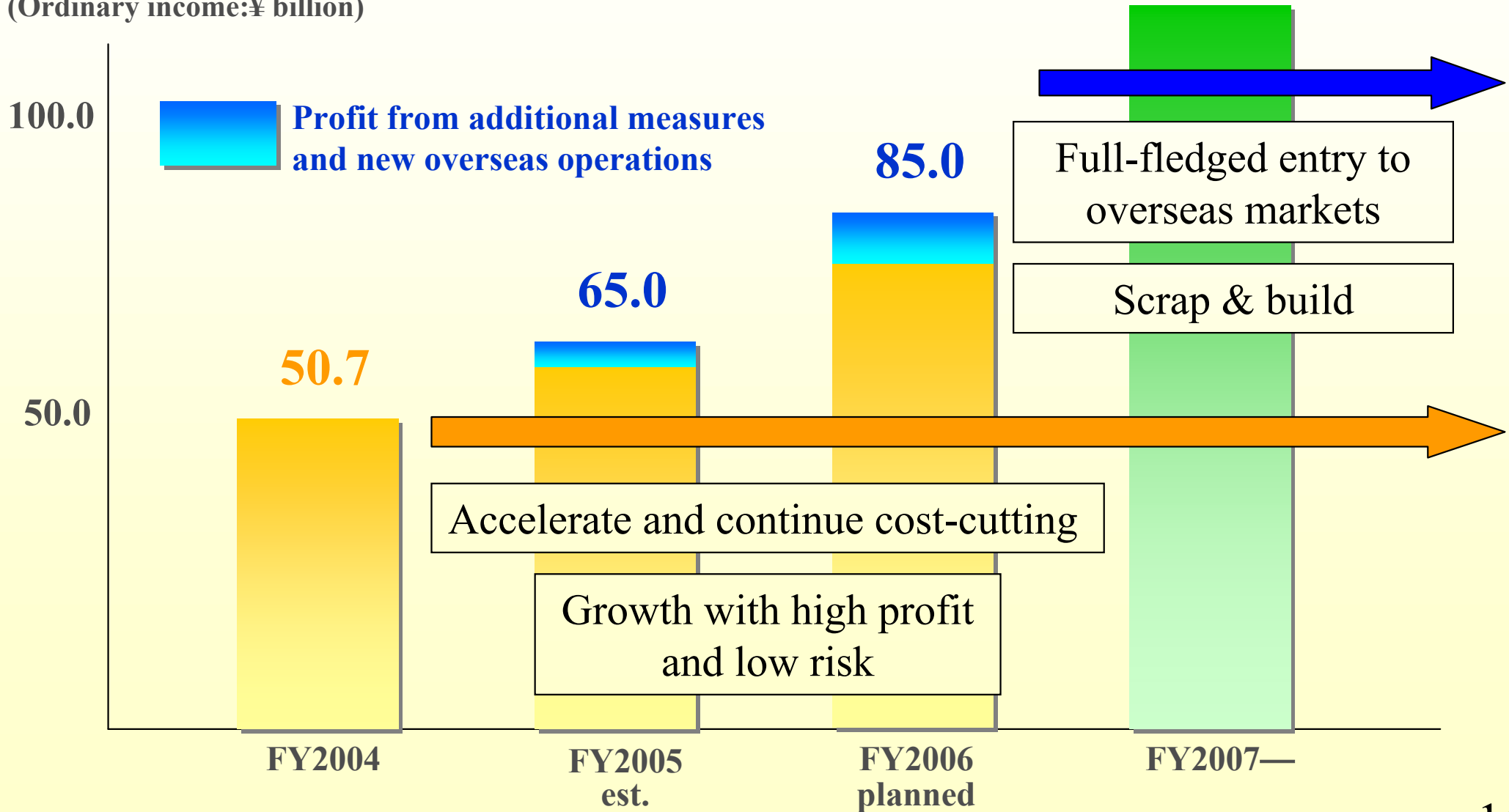
* Tentative names

** In-kind investments NPI Chengde: Shiraoi Mill PM#2, 4, 5 will be transferred.
Jingxing NP: Former Kameari mill's PM#5 has been transferred.

IV. Strategic move for growth

Achieve >¥100 bn target ASAP, aiming for a further leap

(Ordinary income:¥ billion)



Disclaimer Regarding Forward-Looking Statements

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