

August 4, 2003

Nippon Unipac Holding

**Rationalization of Production Facilities Defined by the Medium-Term Business Plan to Be Implemented Ahead of Original Schedule**  
**- Operation of Two Paper Machines at Nippon Paper Industries Co., Ltd.'s Shiraoi Mill to Be Suspended Earlier than Planned -**

Nippon Unipac Holding has decided that Nippon Paper Industries, Co., Ltd., one of its subsidiaries, will suspend the operation of two of its paper machines (the No. 1 paper machine for containerboard/linerboard and the No. 2 paper machine for newsprint) located at the latter's Shiraoi Mill (Shiraoi-cho, Shiraoi-gun, Hokkaido) in March 2004.

In addition to the above, the September 2003 suspension of another paper machine (the No. 5 paper machine for woodfree paper) has already been announced for the same mill. The suspension of the two additional paper machines and a parallel measure to restructure its pulp facilities are designed to boost the Group's overall productivity and reduce fixed costs. Looking ahead, the Shiraoi Mill will undergo structural transformation, so that it functions as a highly competitive mill primarily producing woodfree paper and coated woodfree paper. The products that have been manufactured by the paper machines to be suspended will continue to be available through the Group, as they will be manufactured by other mills within the Group to fully ensure supplies and the level of quality to which customers have been accustomed.

Nippon Unipac Holding strives to achieve the goals stipulated in the First Medium-Term Business Plan for fiscal 2004 through fiscal 2006, announced this April, in the most consistent and timely manner possible. The planned suspension of the operation of the paper machines at the Shiraoi Mill ahead of schedule will follow the earlier-than-planned suspension of the No. 2 paper machine for household tissue at the Kaisei Mill (Kaiseimachi, Ashigara-gun, Kanagawa Prefecture) of CRECIA Corporation, a subsidiary of Nippon Paper Industries. The Nippon Unipac Holding Group plans to carry out its Group-wide production revamping efforts ahead of schedule.

**1. Retirement of Facilities at the Shiraoi Mill**

**(1) Suspension of operations of the No. 1 paper machine**

Domestic demand for containerboard (linerboard), a mainstay product category of the Group, is expected to grow very little in light of the "hollowing-out" of Japan's industrial framework. Thus, the problem of excessive production capacity will remain within the Nippon Unipac Holding Group, even after fully accounting for the decrease in production capacity achieved by the closedown of the Kameari Mill of Japan Paperboard Industries Co., Ltd. (the present Nippon Daishowa Paperboard Co. Ltd.) in March 2003. A comprehensive review of production capacity and profitability among others was performed to assess the circumstances, which led to the decision to suspend the operation of the No. 1 paper machine with an annual production capacity of 61,000 tons.

**(2) Suspension of operations of the No. 2 paper machine**

For newsprint, another mainstay category, efforts have been made to quickly narrow the gap between supply and demand and to shift production that the three mills in Hokkaido have handled until now to the most efficient one. In this light, a thorough review was conducted to make a comprehensive assessment of profitability and distribution costs within the Group, which led to the decision to suspend the operation of the No. 2 paper machine with an annual production capacity of 75,000 tons.

**(3) Redesign of pulp facilities**

The operation of the pulp facilities designed to supply materials to be fed into the No. 1 and 2 paper machines will be suspended. The production handled by them will be merged into Line 1 of bleached pulp facilities to improve productivity and lower fixed costs.

**2. The Nippon Unipac Holding Group's Progress in Rationalization of Production Facilities**

	Original schedule			New schedule after recent review			
	Number of suspended paper machines	Affected mill/paper machine	Timing	Number of suspended paper machines	Affected mill/paper machine	Timing	Mainstay product
Fiscal 2003	2	Kameari No. 3 Kameari No. 5	Mar. 2003 Mar. 2003	2	Kameari No. 3 Kameari No. 5	Mar. 2003 Mar. 2003	Chipboard Linerboard
Fiscal 2004	4	Shiraoi No. 5 Fushiki No. 3 Komatsushima No. 2 Shiraoi No. 2	Sep. 2003 Sep. 2003 Sep. 2003 Mar. 2004	7	<b>Kaisei No. 2</b>  Shiraoi No. 5  Fushiki No. 3  Komatsushima No. 2  <b>Shiraoi No. 1</b> Shiraoi No. 2 <b>One other</b>	<b>June 2003</b>  Sep. 2003  Sep. 2003  Sep. 2003  <b>Mar. 2004</b> Mar. 2004 <b>Mar. 2004</b>	<b>Household tissue</b> Woodfree paper Gravure paper Business communication paper <b>Linerboard</b> Newsprint
Fiscal 2005	5	Shiraoi No. 1 Kaisei No. 2 3 others	Sep. 2004 Mar. 2005	3			
Fiscal 2006	2			1			

Notes: In the table, areas in bold lettering are paper machines whose operation has or will be suspended prior to the scheduled shutdowns.

- “Fushiki” and “Komatsushima” denote the Fushiki Mill (Takaoka-shi, Toyama Prefecture) and the Komatsushima Mill (Komatsushima-shi, Tokushima Prefecture) of Nippon Paper Industries Co., Ltd. respectively.
- The No. 5 paper machine at the Kameari Mill will be transferred to a new company making containerboard in China (Zhejiang Jingxing Nippon Paper Co., Ltd.) for reutilization. (For further information, please see the news release dated July 22, 2003.)