



2003

**Annual Report**  
For the Fiscal Year Ended March 31, 2003

# Consolidated Financial Highlights

Nippon Unipac Holding and Consolidated Subsidiaries  
Years ended March 31 (Note 2)

	Millions of yen, except where noted		Thousands of U.S. dollars (Note 1), except where noted
	2003	2002	2003
<b>For the year:</b>			
Net Sales .....	<b>¥1,165,450</b>	¥1,211,422	<b>\$ 9,712,083</b>
Pulp and Paper Division .....	<b>897,349</b>	945,922	<b>7,477,908</b>
Paper-Related Division .....	<b>98,194</b>	97,963	<b>818,283</b>
Housing and Construction Materials Division .....	<b>94,004</b>	92,488	<b>783,367</b>
Other Division .....	<b>75,903</b>	75,046	<b>632,525</b>
Gross profit .....	<b>272,543</b>	291,561	<b>2,271,192</b>
Operating income .....	<b>50,450</b>	42,422	<b>420,417</b>
Pulp and Paper Division .....	<b>39,939</b>	34,870	<b>332,825</b>
Paper-Related Division .....	<b>4,896</b>	2,601	<b>40,800</b>
Housing and Construction Materials Division .....	<b>948</b>	518	<b>7,900</b>
Other Division .....	<b>4,666</b>	4,431	<b>38,883</b>
Ordinary income .....	<b>39,671</b>	28,563	<b>330,592</b>
Income before income taxes and minority interests .....	<b>8,055</b>	3,781	<b>67,125</b>
Net income (loss) .....	<b>4,880</b>	(636)	<b>40,667</b>
<b>At year-end:</b>			
Total assets .....	<b>¥1,630,126</b>	¥1,721,745	<b>\$ 13,584,383</b>
Property, plant and equipment, net .....	<b>924,597</b>	941,428	<b>7,704,975</b>
Total investments and other assets .....	<b>250,083</b>	262,618	<b>2,084,025</b>
Total shareholders' equity .....	<b>408,202</b>	407,369	<b>3,401,683</b>
Interest-bearing debt .....	<b>851,311</b>	903,336	<b>7,094,258</b>
Debt/equity (D/E) ratio (times) .....	<b>2.00</b>	2.13	
Ordinary margin on sales (%) .....	<b>3.40</b>	2.36	
Return on equity (ROE) (%) .....	<b>1.20</b>	(0.16)	
Return on invested capital (ROIC) (%) .....	<b>4.20</b>	3.37	
Number of employees (persons) .....	<b>15,662</b>	17,153	

Notes: 1. U.S. dollar amounts here and elsewhere in this annual report are translated, for convenience only, at the rate of ¥120=US\$1.

2. The fiscal year ended March 31, 2003 (fiscal 2003) indicates the period between April 1, 2002 and March 31, 2003. The fiscal year ended March 31, 2002 (fiscal 2002) indicates the period between March 30, 2001 and March 31, 2002 and is divided into the first term and the second term, which denote the first accounting period and the second accounting period, respectively.

3. Intangible assets and deferred charges were included in total investments and other assets.

## Mathematical Formulas Used to Derive Performance Indicators

Debt/equity ratio = (Interest-bearing debt – Cash and deposits)/Total shareholders' equity

Ordinary margin on sales = Ordinary income/Net sales

Return on equity = Net income/Total shareholders' equity

Return on invested capital = (Ordinary income + Interest expense)/(Interest-bearing debt + Total shareholders' equity)

### Disclaimer Regarding Forward-Looking Statements

Statements contained in this annual report regarding current plans, outlook, strategies, expected results, future performance, and the beliefs and future activities of Nippon Unipac Holding, other than those of historical fact, are forward-looking statements or forecasts based on management's assumptions in light of currently available information. The Company's actual future performance and results may be affected by changes in a number of factors and thus may differ materially from those described herein. Accordingly, one should refrain from making any investment decision based solely on the statements and forecasts contained in this annual report.

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# Nippon Unipac Holding at a Glance

At a Glance

Core Competence

To Our Shareholders

Medium-Term Business Plan

Sustainable Growth

Financial Section

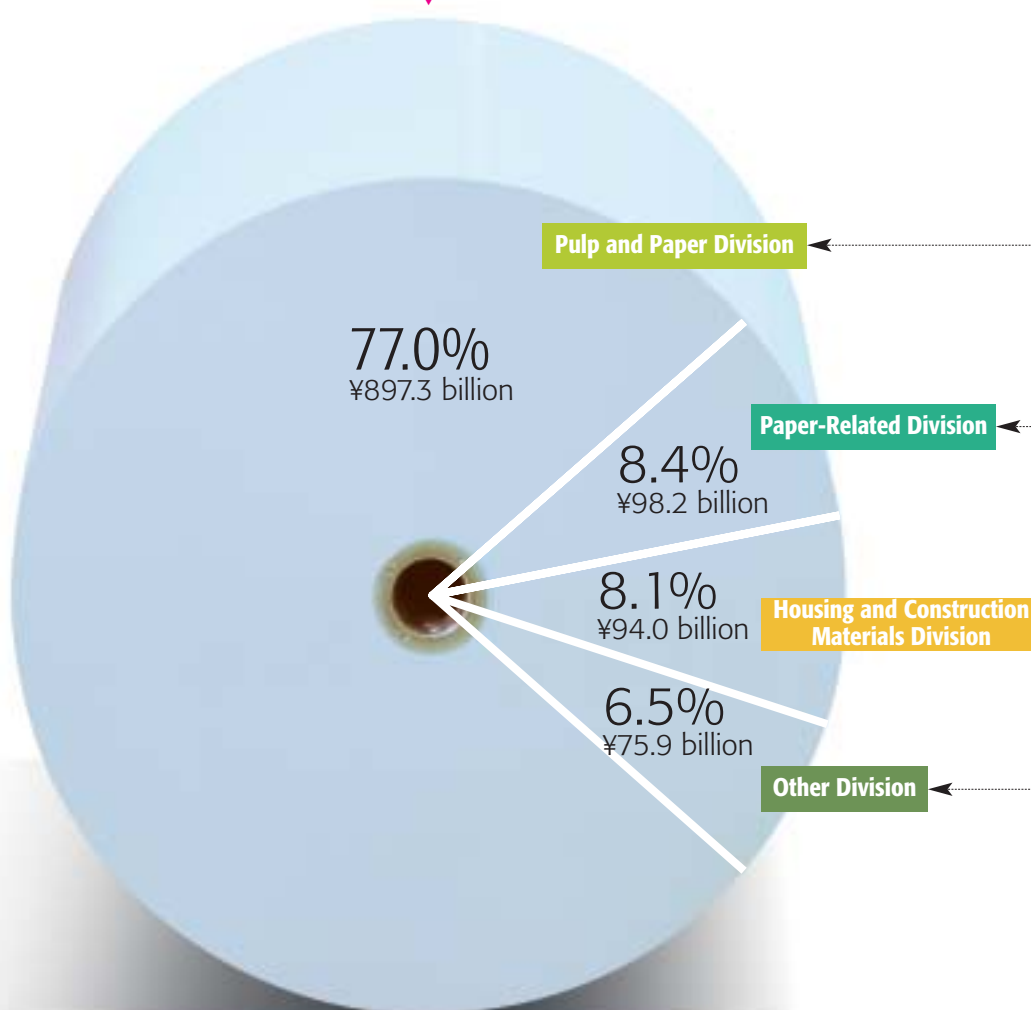
Basic Information

## Profile

Nippon Unipac Holding was formed on March 30, 2001 as a pure holding company of Nippon Paper Industries Co., Ltd. and Daishowa Paper Manufacturing Co., Ltd., to facilitate the companies' integration of their operations.

On April 1, 2003, the Nippon Unipac Holding Group introduced a new organizational structure under which the paper business and the paperboard business—the Group's two core operations—were consolidated and reorganized under Nippon Paper Industries Co., Ltd. and Nippon Daishowa Paperboard Co., Ltd., respectively. The Nippon Unipac Holding Group, with Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., and their 175 subsidiary companies and 53 affiliated companies under its banner, engages mainly in the manufacture and sales of pulp and paper. Group companies also are engaged in paper-related businesses, housing and construction materials, logistics, bottling and sales of soft drinks and other beverages, and other operations.

**Composition of Sales  
of the Four Business Divisions**  
(Fiscal 2003)



Total Sales: ¥1,165.5 billion

**Business Structure**



## An Overview of the Four Divisions

At a Glance

Core Competence

To Our Shareholders

Medium-Term Business Plan

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Financial Section

Basic Information

### PULP AND PAPER DIVISION

The division manufactures and sells paper, paperboard, household tissue, pulp, and related products.

#### Paper

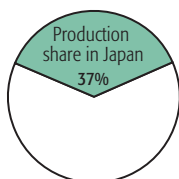
Paper is one of the Nippon Unipac Holding Group's core businesses. Leading our operations in this area is Nippon Paper Industries Co., Ltd., which was reorganized in April 2003 through the merger with Daishowa Paper Manufacturing Co., Ltd. and Nippon Paper Sales Co., Ltd. The division commands the largest share of the domestic market in three mainstay categories: newsprint, printing and publishing paper, and business communication paper.

##### ● Major product categories

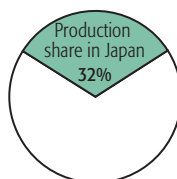
Newsprint, Printing and publication paper, Business communication paper



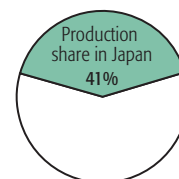
Newsprint



Printing and publication paper



Business communication paper



#### Paperboard

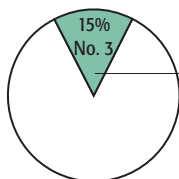
Nippon Unipac Holding designed the optimal production structure for its paperboard operations, and established Nippon Daishowa Paperboard Co., Ltd. in April 2003. The division produces SIKRA PAK®, which is known for its superior waterproofing, and core paper as well as products for general use such as containerboard and folding box board. The excellent performance and high quality of these products have helped the division earn the solid trust of its customers.

##### ● Major product categories

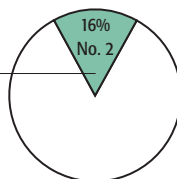
Containerboard, Folding box board, Core paper



Containerboard



Folding box board



SIKRA PAK®



Core paper

#### Household Tissue

The two largest and best-known brand names of household tissue, Kleenex® and Scottie®, are manufactured and sold by CRECIA Corporation. This company develops and manufactures a range of products outside the traditional scope of facial tissue and bathroom tissue, including Adult Care products and Professional products.

##### ● Major products

Facial tissue, Bathroom tissue, Paper towels, Wet tissue, Adult Care products, and Industrial-use wipes[\*1]



Kleenex  
Products

scottie

\* Please refer to the Glossary on pages 60 and 61 for details.

## PAPER-RELATED DIVISION

The division manufactures and sells chemical products and industrial processed paper.

### Chemical Products

Spearheaded by Nippon Paper Chemicals Co., Ltd., this division is working to develop wood-based chemicals so that wood components are fully utilized. Products in this category have earned significant shares in their markets. They find applications in a variety of products used by consumers everyday, including paint, ink, dispersing agents[\*2], flavor enhancers, animal feed, sweeteners, and pharmaceutical products.

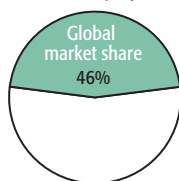


#### ● Major products

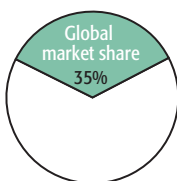
Dissolving pulp, Chlorinated and modified polyolefins (found in paint, ink, and adhesives), Lignin products (industrial dispersing agents, concrete admixture), Carboxymethyl cellulose, Powdered cellulose, Ribonucleic acid and yeast extract (flavor enhancers, animal feed), Stevia extract (sweetener), and Glycyrrhizin (sweeteners, and pharmaceutical products)

Products with high share:

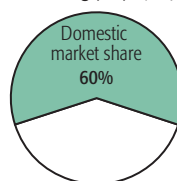
Low chlorinated polyolefins[\*3]



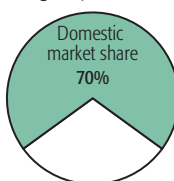
Ribonucleic acid



Dissolving pulp (DP)



Lignin products



### Industrial Processed Paper

NIPPON PAPER-PAK CO., LTD. leads the division's operations in this category. The company manufactures liquid-packaging cartons, such as the familiar one-liter milk cartons found in supermarkets, and other packages made primarily of paper. NIPPON PAPER-PAK CO., LTD. provides these cartons in a comprehensive deal that also includes filling machines and maintenance services. Applying expertise and accumulated technical know-how, the company has carved out a position as Japan's leading maker of liquid-packaging cartons and claims a market share of approximately 33%.

#### ● Major products and services

PURE-PAK®[\*4], NS-FUJI PAK[\*5], NS-SLIM Mini, Filling machines, and the Unifill system[\*6]



PURE-PAK®



NS-FUJI PAK

### Functional Materials

This category uses leading-edge film processing technology to produce hard-coated film[\*7] for liquid crystal displays and other functional films with special characteristics. The burgeoning popularity of cellular phones and laptop computers in recent years is driving up demand for products in this category.

#### ● Major products

Optical films for flat-panel display screens; Engineering products, Materials for the printing and platemaking industries



## HOUSING AND CONSTRUCTION MATERIALS DIVISION

Operations in this division center on the sales of logs and lumber, the purchase, manufacture and sales of construction materials, the civil engineering business, and tree-planting.

Nippon Paper Lumber Co., Ltd.—Japan's largest lumber distributor—operates a worldwide network that allows it to search overseas for lumber that is low in cost yet high in quality and to offer lumber products that meet a customer's specific needs. Daishowa Uniboard Co., Ltd. and PAL CO., LTD. aim at enhancing living and society by providing lumber construction materials that are environment-friendly and good for the human body.

In all its activities, the Group is committed to working in harmony with the natural environment, and toward that end it takes active part in tree-planting projects across the nation.

## OTHER DIVISION

Operations here include logistics, the bottling and selling of soft drinks and other beverages, among other businesses.

With a focus on maximizing profitability for the entire Group, efforts are concentrated in areas expected to yield the greatest synergistic effects. In the logistics business, for example, we are working to develop regional structures designed to minimize the Group's aggregate distribution costs.

\* Please refer to the Glossary on pages 60 and 61 for details.

# Core Competence of Nippon Unipac Holding

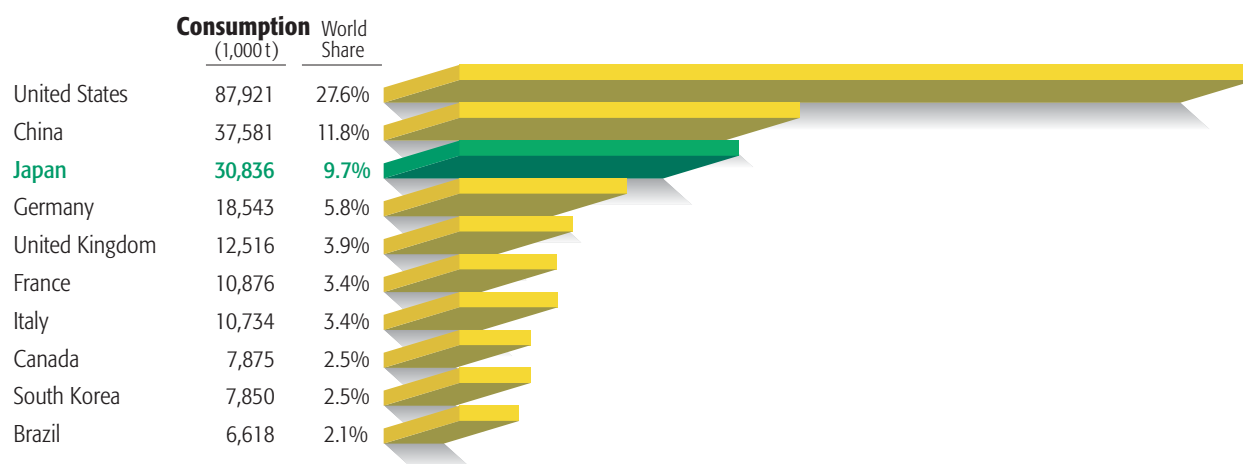
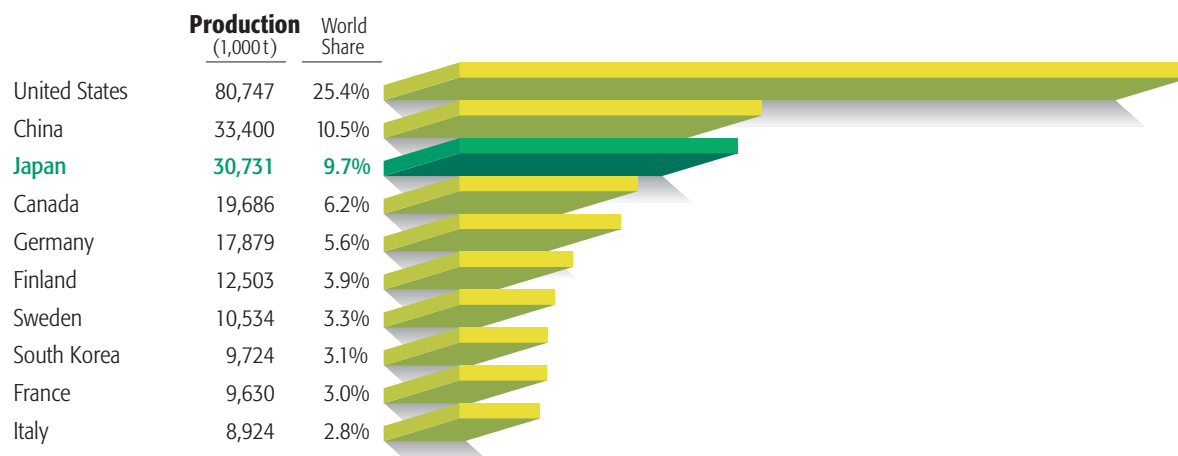
## Enormous Domestic Market

The scale of world paper market amounts to approximately 320 million metric tons. Japan, home to the Nippon Unipac Holding Group, accounts for almost 10% of that total, making it the world's third largest market. Consumption is nearly equal to production here, indicating that the market is driven by domestic demand.

Moreover, domestic paper consumption has grown steadily in line with the expansion in the gross domestic product. This suggests that future demand is not likely to suffer a drastic fall.

### World Top 10 in Production and Consumption

(2001)



Source: Page 8 and 9 in the July 2002 issue of PPI (Pulp & Paper International).

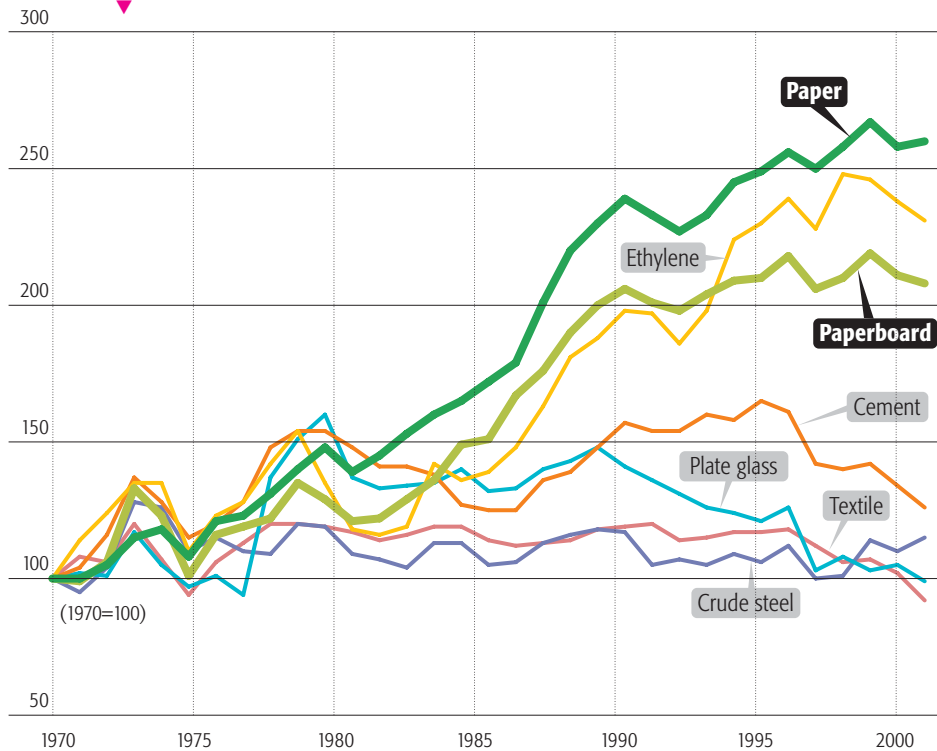


# Advantages of Paper and Paperboard Materials

The domestic paper and paperboard industry—the Nippon Unipac Holding Group’s core business area—has seen stabler growth in production volume, in comparison with ones in other material industries, for example, steel and metal.

Paper has many advantages over other types of media. With paper media, it is easy not only to glean a lot of information in a single glance but also on the eyes. Paper is inexpensive and lends itself to mass distribution. Japan’s paper companies can be highly competitive in the world marketplace, as many of our products are superior to counterparts made overseas, in quality, delivery service, price, cost, and other factors.

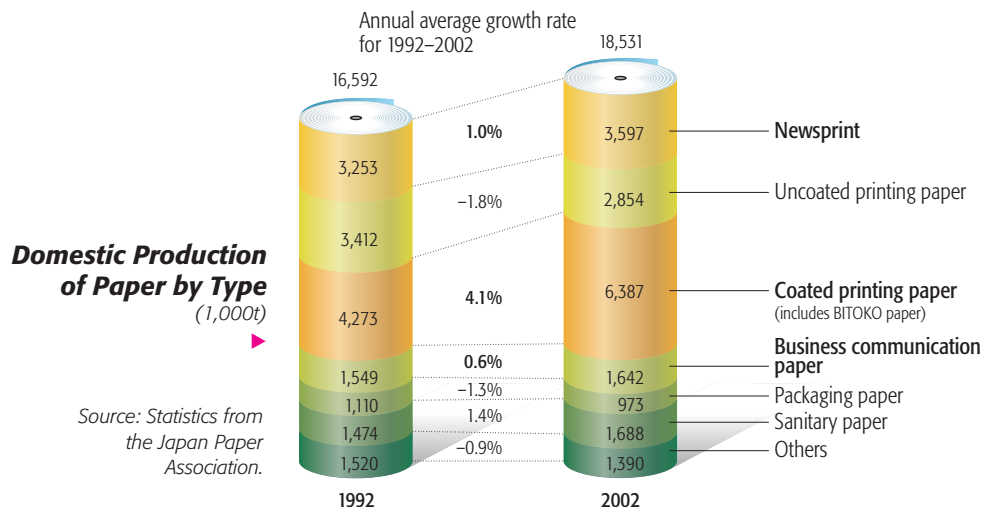
**Change in the Production Volume of Each Material in Japan**  
(Growth rate with production in 1970 as 100)



Sources: Statistics from the Japan Paper Association and the Ministry of Economy, Trade and Industry.

## A Growing Market

Domestic sales of coated printing paper are growing. Because printed materials are becoming more and more visually oriented, demand is growing for coated printing paper more suitable for color printing. In addition, in the business communication paper market, sales of ink-jet paper[\*8] are surging exponentially with the growing popularity of digital cameras and high-end printers.



Source: Statistics from the Japan Paper Association.

\* Please refer to the Glossary on pages 60 and 61 for details.

# The World's Sixth Largest Paper Manufacturer

The Nippon Unipac Holding Group ranks No. 6 in the world in sales of pulp and paper among paper manufacturers (as of 2001). The Company has become a true industry leader not only in Japan, but all across Asia.

## Top 20 in 2001 World Sales (Results from pulp, paper and converting operations)

Consolidated Sales (Millions of U.S. dollars)

Company name  
(Country of headquarters)



Sources: "Top 150" of the 2001 world ranking in the September 2002 issue of PPI. For Japanese enterprise, however, data are based on asset securities reports. Exchange rate: US\$1= ¥121.5.

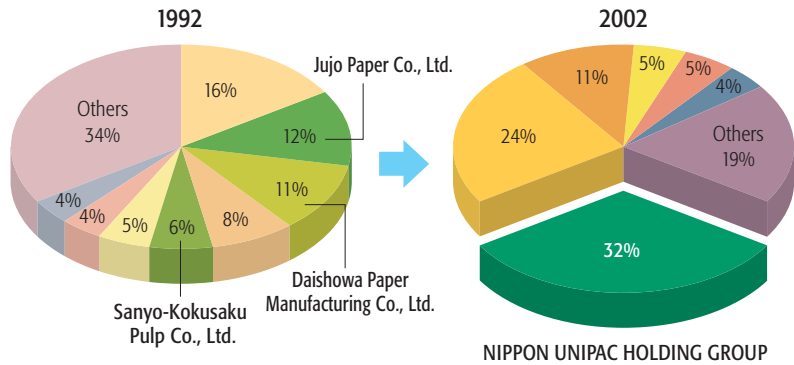
# High Domestic Share

The Nippon Unipac Holding Group is No. 1 in paper business and No. 3 in paperboard business on respective domestic production share.

The paper market in Japan has grown steadily, while relentless competition, driven by building more facilities, has continued. Since the first half of the 1990s, companies have been forced to merge or restructure. With the March 2001 establishment of the Nippon Unipac Holding Group, a new form was realized with two major paper manufacturers and three major paperboard manufacturers.

This new structure makes it possible for companies to see a direct link between reducing costs and higher profits by avoiding drastic price fluctuations.

## Paper Production Share in the Japanese Industry



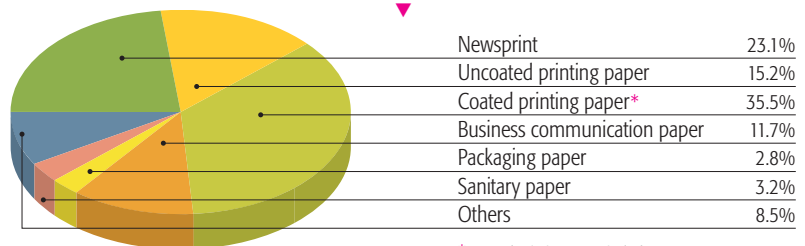
# Promoting Products in Growth Categories

In R&D and sales, the Nippon Unipac Holding Group focuses on products that can grow even in a mature market.

We have continuously developed new products to meet emerging customer needs. For example, we introduced a series of low-density coated printing paper[\*9]—a product line in growth categories—that offer a supple yet voluminous feel. And in the business communication paper area, we launched high gloss ink-jet paper[\*8] that allows photo-like printing quality. These and other new products have won strong acceptance.

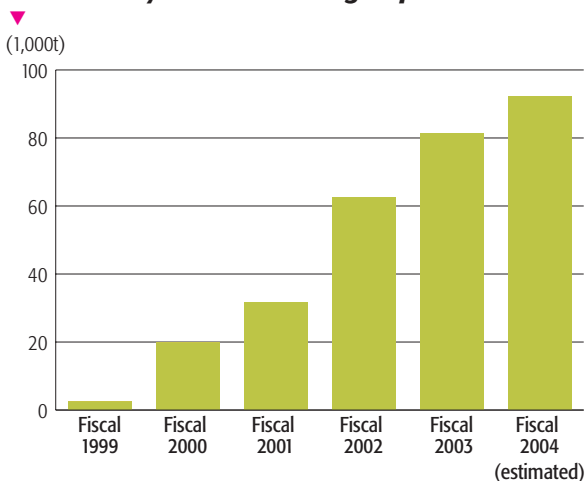
## Percentage of Major Paper Products Manufactured by the Nippon Unipac Holding Group

(2002)



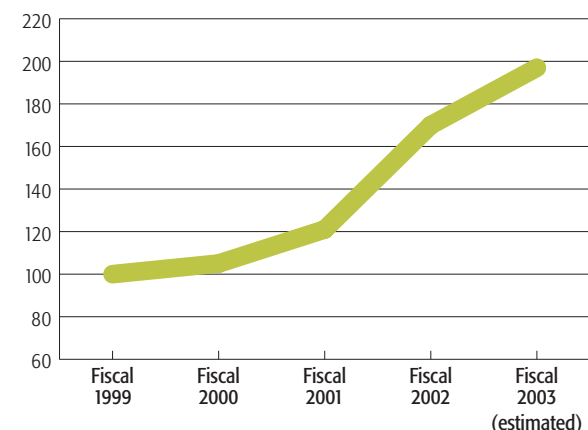
\* Coated printing paper includes BITOKO paper

## Change in the Sales Volume of Low-Density Coated Printing Paper



## Change in the Sales Volume of Ink-Jet Paper

▼ (Growth rate with the sales volume in 1999 = 100)



\* Please refer to the Glossary on pages 60 and 61 for details.

# World-Class Technology Development

The Nippon Unipac Holding Group is seeking to develop technology in a range of areas with the next generation in mind, centered on meeting customer needs, strengthening global competitiveness, and attending to environmental concerns. As the research center for the entire Group, the Research & Development Division at Nippon Paper Industries Co., Ltd. serves to gather and develop technology.

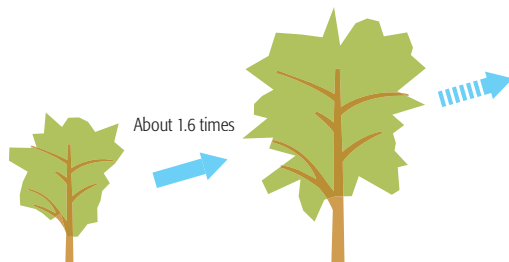
## Production Technology

The Nippon Unipac Holding Group boasts some of the world's most advanced paper production and coating technologies. For example, we lead the industry in low-density technology, whose application has already helped us develop a number of innovative products, including paper for magazines, publication and book paper. In February 2003, "Kingdom Glory," high brightness coated rotogravure paper with the lowest density in the world, was launched in the market, and has been well received as a differentiated product.

These new products are maintaining a high growth rate, helping us keep our advantage over competitors in product variety, quality, and production volume.

## Raw Materials

**Wood:** We are now looking into potential future resources for securing superior materials. Nippon Paper Industries Co., Ltd. succeeded in developing a superior type of eucalyptus, particularly in growth characteristics. Eucalyptus trees are known to grow quickly and are used as a raw material in paper manufacturing, and one we have developed showed 60% faster growth one year and eight months after plantation than conventional types.

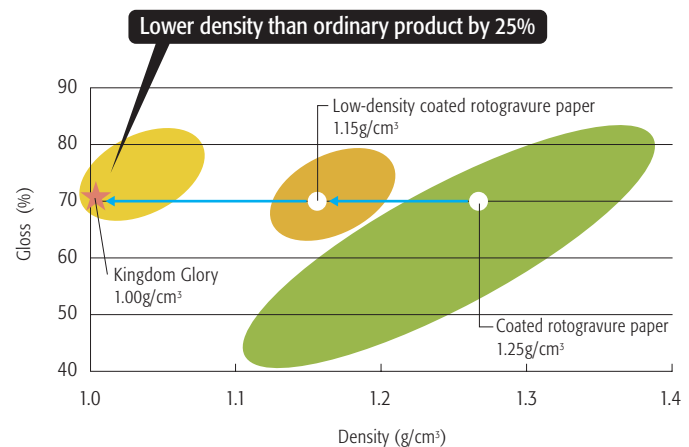


**Wastepaper:** As one of the industry's largest companies based on recyclable resources, we have continuously improved technology for manufacturing wastepaper pulp[\*10]. Aiming at cost reductions and increasing the rate of wastepaper used, we have developed technology that makes it possible to recycle various wastepaper, for example, that from magazines containing adhesives in their spines, which could not have been used as material for paper before, and we have succeeded in putting the technology into practice.

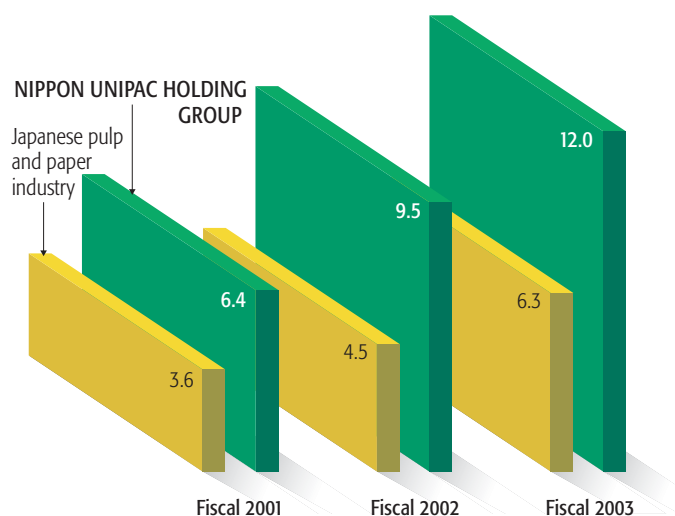
**Other materials:** In the paper-making process, where materials such as fillers[\*11] and pigments[\*12] are also important, we have developed technology for manufacturing those materials. We developed technology for producing in-house filler of better quality with lower cost. We have also made major strides toward our own pigment production, which will further reduce costs. These in-house-produced materials will be used in developing a wide range of products, from printing paper to newsprint.

\* Please refer to the Glossary on pages 60 and 61 for details.

## Density of Kingdom Glory in Comparison with the Other Types of Coated Rotogravure Paper



## The Ratio (%) of Wastepaper from Magazines Used in Raw Materials for Paper



Source: Yearbook of Paper and Pulp Statistics from the Ministry of Economy, Trade and Industry

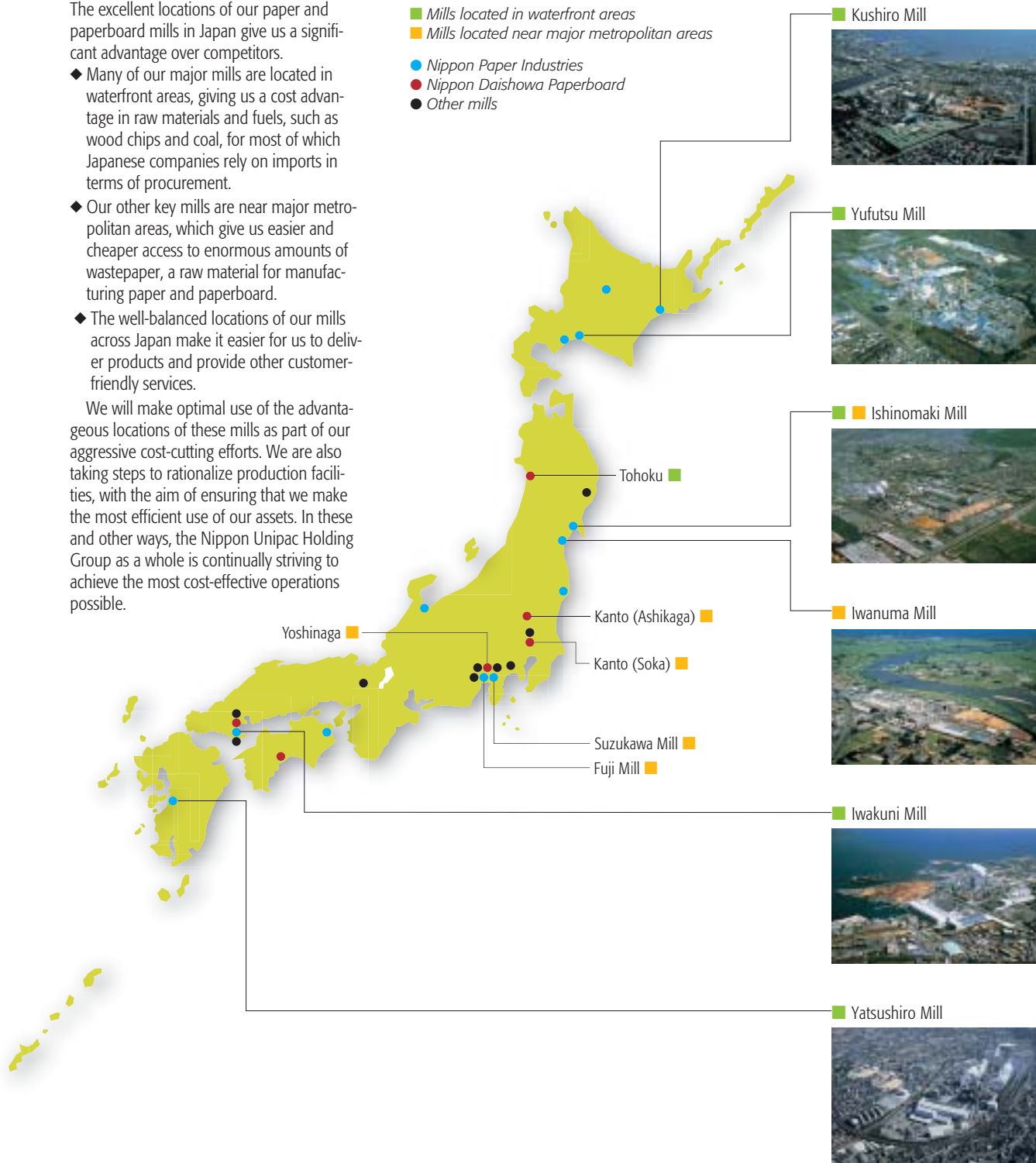
# Advantageous Mill Locations

The excellent locations of our paper and paperboard mills in Japan give us a significant advantage over competitors.

- ◆ Many of our major mills are located in waterfront areas, giving us a cost advantage in raw materials and fuels, such as wood chips and coal, for most of which Japanese companies rely on imports in terms of procurement.
- ◆ Our other key mills are near major metropolitan areas, which give us easier and cheaper access to enormous amounts of wastepaper, a raw material for manufacturing paper and paperboard.
- ◆ The well-balanced locations of our mills across Japan make it easier for us to deliver products and provide other customer-friendly services.

We will make optimal use of the advantageous locations of these mills as part of our aggressive cost-cutting efforts. We are also taking steps to rationalize production facilities, with the aim of ensuring that we make the most efficient use of our assets. In these and other ways, the Nippon Unipac Holding Group as a whole is continually striving to achieve the most cost-effective operations possible.

- Mills located in waterfront areas
- Mills located near major metropolitan areas
- Nippon Paper Industries
- Nippon Daishowa Paperboard
- Other mills



# To Our Shareholders

## The Nippon Unipac Holding Group Enters a New Stage of Growth

On April 1, 2003, Nippon Unipac Holding consolidated and reorganized Group companies along the lines of the paper and paperboard businesses. The restructuring, two years after the business integration of Nippon Paper Industries Co., Ltd. and Daishowa Paper Manufacturing Co., Ltd., marked a fresh start for the Nippon Unipac Holding Group. We now hold Nippon Paper Industries Co., Ltd. and Nippon Daishowa Paperboard Co., Ltd. under our umbrella.

At the start of the 2001 business integration, Nippon Paper Industries Co., Ltd. and Daishowa Paper Manufacturing Co., Ltd. committed to reducing costs by ¥52.0 billion (US\$433 million) in the three years following integration. Exhaustive efforts have been made toward this goal. With the support of our shareholders and business partners, we have secured favorable terms for procuring materials, reduced costs through technical exchange, and improved sales efficiency. As a result, we achieved cost reductions of ¥30.0 billion (US\$250 million) in fiscal 2002 and ¥26.5 billion (US\$220 million) in fiscal 2003—or ¥56.5 billion (US\$470 million) in just two years. We not only reached our goal, we exceeded it—and did so a year ahead of schedule. Fiscal 2003 brought harsh business conditions, with weak demand for paper due to the economy's prolonged slump. This was compounded by a rise in the price of key raw materials, including wastepaper and fuel oil. Despite these conditions, the Group's operating income, ordinary income, and net income all improved, as the synergy effects of our business integration helped boost profitability.

Looking ahead, we will continue to capitalize on these synergy effects while undertaking measures that yield positive results in the medium and long term, including rationalizing our production facilities and centralizing operations of nearby mills.

### Realization of the Synergy Effects of the Integration

Area of Cost Reduction	Billions of yen		
	Full Fiscal 2002 (Actual)	Fiscal 2003 (Actual)	Full Fiscal 2002 and Fiscal 2003 (Accumulated effects by Fiscal 2003)
Materials cost	12.0	9.0	21.0
Other variable cost	6.0	6.5	12.5
Sales, distribution cost	4.0	5.0	9.0
Financing cost	3.0	1.0	4.0
Fixed cost	5.0	4.0	9.0
Rationalization of production facilities	0	1.0	1.0
<b>Total</b>	<b>30.0</b>	<b>26.5</b>	<b>56.5</b>

Note: The amounts of effect for fixed cost are theoretical figures calculated based on the number of employees at each fiscal year-end.

### Our Underlying Principle

The Nippon Unipac Holding Group adheres to the same basic principle that Nippon Paper Industries Co., Ltd. has followed since its inception in

### Group Financial Index

	Fiscal 2006 (planned)
Ordinary income (ordinary margin on sales)	¥100 billion (8%)
ROE	11%
ROIC	9%
ROA	7%
[Reference]	
Net sales	¥1,200 billion
Operating income	¥106 billion



Takahiko Miyoshi  
President, Nippon Unipac Holding

1993: "Becoming a Business Group with Unmatched Quality." This calls for our continued efforts to cultivate the four ideals that distinguish truly outstanding corporations.

- (1) "Achieving stable and excellent financial performance"
- (2) "Maintaining reliability for customers"
- (3) "Meeting employees' expectations and ensuring that employees can capitalize on opportunities"
- (4) "Preserving corporate ethics"

Our foremost goal is to consistently secure excellent returns and to maximize corporate value for our shareholders. In pursuing this goal, we strive to be a company that continually delivers true value to customers, employees, local communities, and society as a whole.

### A Turning Point in Japan's Pulp and Paper Industry

The continuous expansion of Japan's giant paper market—which accounts for about 10% of the world market—fueled steady growth in the domestic pulp and paper industry. There is already evidence, however, that the demand is peaking out due to structural changes in Japan's economy, such as the declining number of working-age people accompanied by the rapid graying of society. The problem is further exacerbated by the emergence of paper companies in Asia, which is intensifying competition in the Japanese market. The business environment is expected to continue evolving at an even faster rate, and I believe that only corporations that can adapt to changes will survive and move forward to the new era.

### Our Strategy for the New Era

#### 1. Promoting the First Medium-Term Business Plan (Move UP to 100)

Along with our new organizational structure, in April 2003 we launched our "First Medium-Term Business Plan (Move UP to 100)." Covering fiscal 2004 to 2006, the plan was designed to produce tangible results in conjunction with the keywords discussed in our Medium-Term Vision: Faster, Higher, and Stronger. The plan aims to strengthen our profit basis, improve our financial position, and create a solid management foundation.

### Objectives to Achieve by 2006

- Faster** Rationalization of production facilities and prompt realization of effects from business reorganization.
- Higher** Consolidated ordinary income: over ¥100 billion (US\$833 million).
- Stronger** Consolidated interest-bearing debt: under ¥700 billion (US\$5,833 million). To raise productivity by 10% or more.

To reach our target of ¥100 billion (US\$833 million) in ordinary income, the following major Group companies (segments) are committed to making progress toward goals specified in the First Medium-Term Business Plan and to undertaking additional measures to improve efficiency and maximize corporate value:

- Nippon Paper Industries Co., Ltd. (paper)
- Nippon Daishowa Paperboard Co., Ltd. (paperboard)
- CRECIA Corporation (household tissue)
- NIPPON PAPER-PAK CO., LTD. (liquid-packaging cartons)
- Nippon Paper Chemicals Co., Ltd. (chemical products)
- Nippon Paper Lumber Co., Ltd. (lumber-related products)

## 2. Reinforced Functions of the Holding Company

Simultaneously with the April 2003 reorganization, Nippon Unipac Holding's functions were reviewed and its Group governance functions were strengthened. These include promoting the First Medium-Term Business Plan, mapping out Group-wide growth strategies, performance management & auditing, centralizing management of funds, and personnel decisions concerning top-ranking executives of each company. As "commander-in-chief" of the Group, Nippon Unipac Holding will separate execution from management, and implement closer monitoring (including auditing and supervising) of Group companies. These efforts will make management more transparent, improve accountability vis-à-vis shareholders, and accelerate growth.

On a more basic level, Nippon Unipac Holding will make use of the staff of Nippon Paper Industries Co., Ltd. in an effort to downsize itself.

## 3. Implementation of Socially Responsible Management (Developing a Group Corporate Social Responsibility [CSR] Structure\*)

In line with its commitment to co-existing with the environment, the Nippon Unipac Holding Group has implemented one of the industry's most advanced environmental management systems. In October 2003, we will take another step in socially responsible environmental management by establishing a Group CSR Committee whose aim is to enhance our contributions to communities and society. Particular attention will be focused on continuing to increase corporate value well balanced in our economic, environmental, and social performance—traits that distinguish us as a Business Group with Unmatched Quality.

## Becoming a Business Group with Unmatched Quality

The Nippon Unipac Holding Group must develop the "unmatched quality" necessary to forge ahead in this era of global competition. Toward this end, we will build on the consistent returns and solid financial position secured by our First Medium-Term Business Plan to push ahead in accordance with a new growth strategy.

Details of the strategy will be examined as we implement the First Medium-Term Business Plan and will be announced in stages as they become finalized. The fundamental concepts behind the new strategy are summarized below.

### 1. Paper and Paperboard: Core Business Areas

In the Japanese market, competition from both domestic and foreign companies is expected to intensify. However, by formulating product strategies that respond quickly to changes in demand and by reducing production costs, we will fight to strengthen our position as No. 1 in the industry and improve profitability and growth.

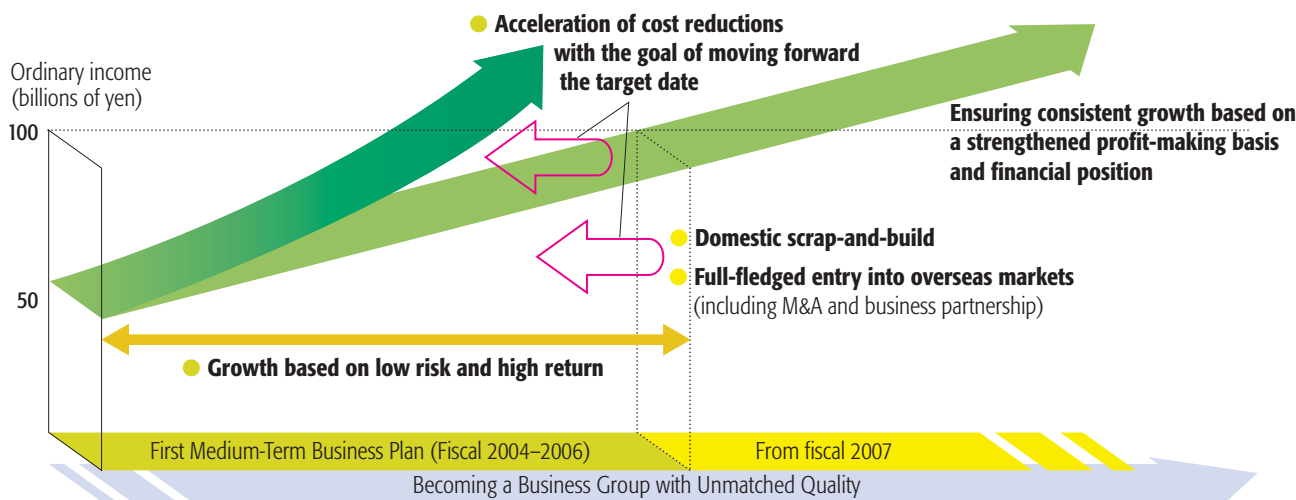
## Strengthening of Managerial System



\* Please refer to page 29.



## "Move UP" to the next stage



Overseas, we will make a full-scale entry into China. Our North American operations, which originally served as a supply base for the Japanese market, will be transformed into a highly profitable operation serving the local market. We are considering creating another production base in Europe for business communication paper and other products that have high potential for growth. The Nippon Unipac Holding Group also will increase its involvement in afforestation projects around the world to secure raw materials for paper to serve the market, and we will work to develop genetically superior trees and mass production techniques based on genetic technology.

The paper and paperboard business is still a growing industry in some regions at various development stages. The Group's expertise in areas such as operation, quality control, production management, and environmental conservation may prove to be a vital business resource, and we will take the fullest advantage of it.

### 2. Diversified Businesses

We expect that strengthening the partnership with KIMBERLY-CLARK Corp. of the United States will promote moves toward higher-value-added products and new product launches, which will significantly expand the profitability of the household tissue business. In the liquid-packaging carton business, we will boost growth by finding new applications for our products. We will also consider entering overseas markets, including China. In the chemical product business, we will strive to maintain the current high profitability by taking advantage of our strong shares in niche market segments and expand by aggressively developing new products.

In this way, we will strengthen our diversified businesses to complement our core businesses and contribute to stabilizing the profitability and growth of the entire Group.

We are committed to putting our new structure on track as quickly as possible in an all-out effort to achieve the goals set out in the First Medium-Term Business Plan, while also undertaking measures that address long-term goals. On behalf of the entire Nippon Unipac Holding Group, I thank you for your cooperation and ask for your continued support.

September 2003

*T. Miyoshi*  
Takahiko Miyoshi  
President, Nippon Unipac Holding

# The Group's First Medium-Term Business Plan

(Announced on April 9, 2003)

In April 2003, the Nippon Unipac Holding Group began operation under a brand-new system based on the reorganization of each business. Concurrent with this new beginning, the Group has drawn up the First Medium-Term Business Plan covering fiscal 2004 to 2006.

## Accelerated rationalization of production facilities (Faster)

### Shutdown machines

	The number of shutdown machines	Reduction in production capacity
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.

### Shutdown schedule

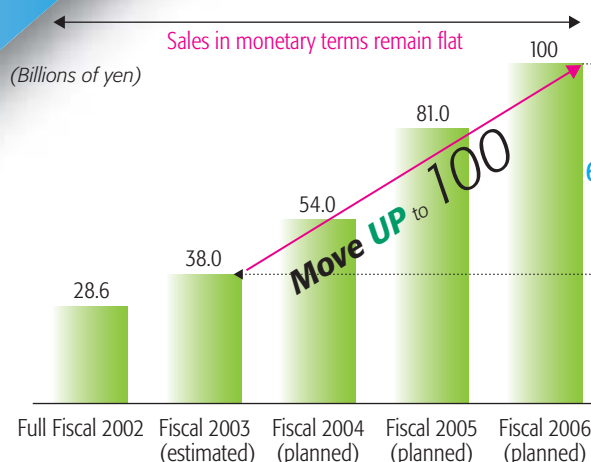
March 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Capacity utilization rate
2 machines	4 machines	5 machines	2 machines	96%(+8%)

## Prompt realization of synergy effects from reorganization of business (Faster)

Higher

Faster

## Consolidated ordinary income: More than ¥100 billion (Higher)



### Factors causing increase/decrease in profit (Fiscal 2003 vs 2006)

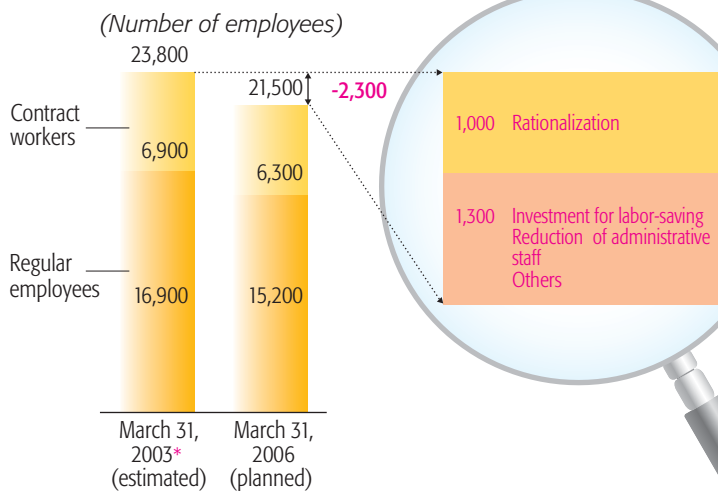
Factor	Amount (Billion Yen)	Category
Rationalization	14	Increase Factors
Labor cost	12	
Manufacturing, distribution cost	21	
Material cost	7	
Interest and others	6	
Product line up	10	Decrease Factors
Depreciation/amortization	6	
Material (market price)	-14	
<b>Total</b>	<b>62</b>	

Net Change: ¥60 billion (Cost reduction) and ¥2 billion (Other factors)

# MOVE UP

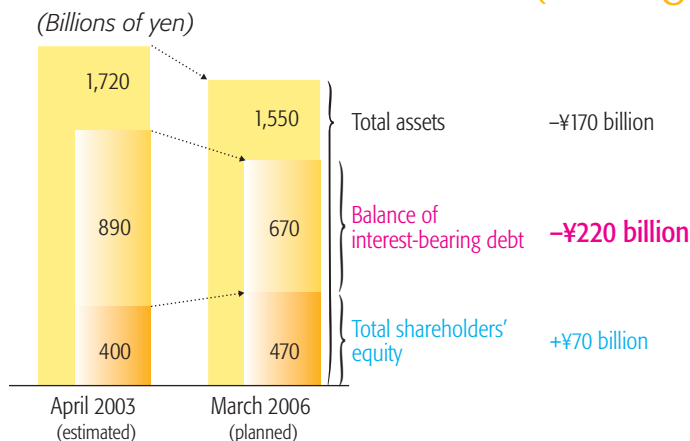
## Stronger

### ▶ To raise productivity by 10% (Stronger)



\* Including subsidiaries newly consolidated in fiscal 2004

### ▶ Consolidated interest-bearing debt: Under ¥700 billion (Stronger)



		Difference
Debt/equity (D/E) ratio (times)	2.1	1.3
Equity ratio (%)	23.3	30.3
		-0.8
		+7.0

### Cash flows for three years

(Fiscal 2004-2006)

#### Inflow

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

#### Outflow

Investment	¥185 billion
Repayment of debt	¥220 billion
Tax payment *1	¥40 billion
Dividends paid, etc. *2	¥30 billion
<b>Total outflow</b>	<b>¥475 billion</b>

\*1 Including tax effects leading to the realization of losses

\*2 Consecutive payments of steady dividends

### Ordinary income plan of each subsidiary

(Strengthening of profit basis of subsidiaries under the banner of Nippon Unipac Holding)

Consolidated subsidiary	(Billions of yen) Fiscal 2006 planned
Nippon Paper Industries Co., Ltd.	70.0
Nippon Daishowa Paperboard Co., Ltd. *	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
<b>Total</b>	<b>100.0</b>

\* Consolidated basis for Nippon Daishowa Paperboard Co., Ltd. and stand-alone basis for the rest of the companies

**MOVE UP**  
Stronger

Higher

Faster



## NIPPON PAPER INDUSTRIES CO.,LTD.

- **Date Established:** August 1, 1949
- **Capital:** ¥104,873 million
- **URL:** <http://www.npaper.co.jp/>
- **President:** Takahiko Miyoshi
- **Sales (fiscal 2004 forecast):** ¥660 billion

### ● Main Product Lines:

#### ▶ Newsprint



#### ▶ Printing and publication paper



#### ▶ Business communication paper



#### ▶ Industrial paper



### ● Company Strengths:

As the Nippon Unipac Holding Group's core company, Nippon Paper Industries Co., Ltd. is responsible for its core business area—the paper business.

Our April 2003 merger with Daishowa Paper Manufacturing Co., Ltd. and Nippon Paper Sales Co., Ltd. gave the Company control of 13 mills nationwide. We boast the largest scale among the nation's paper manufacturers, with the top shares of the newsprint, printing paper, and business communication paper markets.

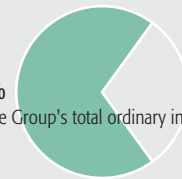
In addition, Nippon Paper Industries takes into consideration the sustainable development of society, which specifically includes striving to work in harmony with the natural environment. This philosophy led us to develop wastepaper-recycling technology, create the Zero Discharge Campaign to minimize waste disposal, and become the first in the industry to take part in overseas afforestation activities, into which biotechnology is introduced.

\* Please refer to the Glossary on pages 60 and 61 for details.

## The First Medium-Term Business Plan of NIPPON PAPER INDUSTRIES CO., LTD.

### ■ Targets for Fiscal 2006

Ordinary income: ¥70 billion or more ..... 70%  
Ordinary margin on sales: 10 % of the Group's total ordinary income



### ■ Basic Policy

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

### ■ Action Plan

#### ● Rationalization of Production Facilities

In September 2003, the Company shut down the Fushiki Mill's No. 3 machine, the Komatsushima Mill's No. 2 machine, and the Shiraoi Mill's No. 5 machine. In March 2004, the Shiraoi Mill's No. 1\* and No. 2 machines will cease operations. We are also planning to reduce production capacity by an additional 120,000 tons per year. These moves—which together reduce annual production by a total capacity of 380,000 tons—will help us achieve a significant improvement in our capacity utilization rate.

These actions will also help us make optimal use of the superior locations and characteristics of our individual mills. As we concentrate production at our most cost-competitive facilities, we will create a stronger and more resilient production structure. Concentration of newsprint production will be promoted at the Iwanuma Mill, our facility located close to metropolitan Tokyo. This will also favorably affect our wastepaper procurement capabilities and our product shipping structure. Coated paper production, which has grown substantially in recent years, will be concentrated at the Ishinomaki Mill and Iwakuni Mill—our key mills in eastern and western Japan, respectively. These moves, too, are aimed at further improving our cost-competitiveness.

#### ● Drastic Strengthening of Sales

We believe that the key to successful sales lies in gaining the customer's trust. This is achieved by continually working to build tighter relationships with customers, improve communication, and anticipate and meet their changing needs.

One of the most vital points in the First Medium-Term Business Plan is to expand the sales of products in growth categories.

In particular, we seek to aggressively promote the sales of such products as the "AURORA COAT" brand, our integrated brand of coated paper whose quality is simply unmatched in the industry; ink-jet paper[\*8] that is compatible with printers for digital cameras and other high-end printers, and low-density printing paper[\*9] that is light in weight yet has a substantial feel.

\* The shutdown date, originally scheduled for September 2004, has been advanced. (Announced on August 4, 2003.)

### • Realizing Synergy Effects from the Merger

To help reap the full benefits of our business merger synergy, in fiscal 2006 we plan to reduce costs by ¥41.5 billion per year. This takes into account the moves discussed above aimed at strengthening our production structure.

- ▶ Reduce the costs of materials through Group-wide centralized procurement and establishment of a select base of suppliers.
- ▶ Reduce the variable cost per production by at least 1% each year and energy cost per production by at least 1.5% each year.
- ▶ Conduct highly efficient capital investments. Examples include expanding the DIP[\*13] facility at Iwanuma Mill, adding a waste power-generating system at Nakoso Mill, and constructing a wholesale electricity supply facility at Kushiro Mill and striving to reap early benefits from them.
- ▶ Cut labor costs by reducing the work force on production sites and streamlining administrative general departments.
- ▶ Reduce interest payments by cutting interest-bearing debt and centralizing Group finances.
- ▶ Improve asset efficiency through such measures as selling off idle assets.
- ▶ Streamline our structure by centralizing head office departments and integrating the operations of nearby mills.



Constructing a wholesale electricity supply facility (Kushiro Mill)

To reach the Nippon Unipac Holding Group's goal of ¥100 billion in ordinary income, it is imperative that Nippon Paper Industries Co., Ltd. achieve ordinary income of ¥70 billion.

For the three years of our First Medium-Term Business Plan, we will have pursued drastic strengthening of sales and reaping maximum synergy benefits, focusing on strengthening cost-competitiveness through rationalization of production facilities. We will also have improved our financial standing to solidify our corporate base.

In addition, for the next step after achieving our First Medium-Term Business Plan, we are creating an action plan centered on "scrap and build" operation of production facilities both in Japan and overseas. We are also studying realistic ways to enter the international market.

Achieving the objectives outlined in the First Medium-Term Business Plan is our foremost priority. In the near future, you will see the Company's strategies for further expansion and growth.

*T. Miyoshi*

Takahiko Miyoshi  
President, Nippon Paper Industries Co., Ltd.

\* Please refer to the Glossary on pages 60 and 61 for details.

**MOVE UP**  
Stronger

Higher

Faster



## NIPPON DAISHOWA PAPERBOARD CO.,LTD.

- **Date Established:** August 28, 1913
- **Capital:** ¥10,864 million
- **URL:** <http://www.nichidaiita.co.jp/>
- **President:** Tetsuji Horikawa
- **Sales (fiscal 2004 forecast):** ¥188 billion
- **Main Product Lines:**

- ▶ Paperboard  
Containerboard,  
folding box board

- ▶ Specialty Paper  
Air filter paper, teabag  
filter paper, plug wrap  
paper[\*14], adhesive  
paper, others



### ● Company Strengths:

Nippon Daishowa Paperboard Co., Ltd. was created in April 2003 through the restructuring and integration of paperboard businesses within the Group. The Company now operates production bases all across the nation, which also adds flexibility to our sales activities. Our two main bases in Soka and Yoshinaga are located near major centers of consumption, which is advantageous in terms of both sales and raw material (wastepaper) procurement. To clearly define managerial accountability, each production base has been set up to operate as an independent manufacturing company. Each is committed to continually striving to reduce costs.

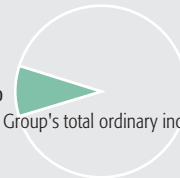
The Company undertook energetic efforts to shift production concentration early on, including closing the Osaka Mill in December 2000 and the Kameari Mill in March 2003. This helped us achieve an outstanding capacity utilization rate—by far the highest in the industry. We now have two containerboard production machines in operation with capacity of 1,000 tons per day, the largest level available in Japan. This equipment helps ensure steady, efficient production.

The Company has continually maintained stable volumes of production and sales thanks to the fact that many customers of our main products—containerboard and folding box board—are major consumers with large demand. In the specialty paper area, our advanced technology has helped us attain stable sales levels. In our downstream corrugated board business, our current objectives are to develop a more effective management style promote business integration, including partnerships with other companies.

## The First Medium-Term Business Plan of NIPPON DAISHOWA PAPERBOARD CO., LTD.

### ■ Targets for Fiscal 2006

Ordinary income: ¥9.5 billion ..... 9.5%  
Ordinary margin on sales: 5 % of the Group's total ordinary income



### ■ Basic Policy

Radically transforming our business structure

- Increase profits
- Improve financial standing
- Earn greater customer trust
- Nurture employees (delegate authority and mobilize human resources)

### ■ Action Plan

#### ● Create the Optimal Production Structure

- ▶ Rebuild the containerboard business
- ▶ Restructure and bolster the corrugated board business (consolidate eight subsidiaries handling corrugated sheet into one; operating tie-up with Tokan Kogyo Co., Ltd.)

#### ● Reduce costs at each manufacturing company

- ▶ Waste power generation at Nippon Daishowa Paperboard Tohoku Co., Ltd.
- ▶ Reduce manufacturing costs (DIP[\*13] facility at Nippon Daishowa Paperboard Yoshinaga Co., Ltd.; reduce chemical consumption)
- ▶ Cut distribution costs by eliminating cross-transportation and other measures

#### ● Aggressively expand into the specialty paper business

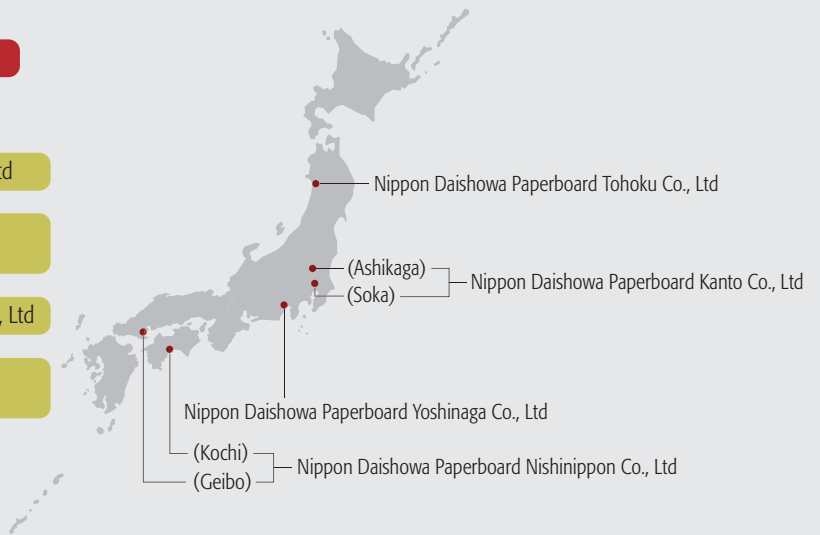
#### ● Develop new products that truly satisfy customer needs



Boiler for waste power generation[\*15] will contribute to cost reduction and reducing environmental impact: Nippon Daishowa Paperboard Tohoku Co., Ltd.

\* Please refer to the Glossary on pages 60 and 61 for details.

• Spinning Off Production Sites to Independent Manufacturing Companies (From April 1, 2003)



Nippon Daishowa Paperboard Co., Ltd. has handled the Group's entire paperboard business since April 2003. In the past, Japan's paperboard companies had to settle for low profits. Competition for market share was so fierce that prices did not reflect costs, and many companies suffered.

I believe that, under fair competition, the paperboard industry can succeed in sustaining its business and earning greater profits. But this can happen only if product prices accurately reflect production costs and the added value created. Further cost-cutting measures are also required. For example, we must use human resources more effectively and reduce interest-bearing liabilities. Lastly, we need a long-term plan to streamline all stages of production, from procuring wastepaper to producing the containerboard and finished products.

I am committed to doing my best to achieve the objectives specified in the First Medium-Term Business Plan, and to making continuous efforts to earn higher profits so that we can boost the return to the shareholders of Nippon Unipac Holding.

*J. Horikawa*

Tetsuji Horikawa  
President, Nippon Daishowa Paperboard Co., Ltd.

MOVE UP

Stronger

Higher

Faster



### CRECIA Corporation

- **Date Established:** April 2, 1963
- **Capital:** ¥4,667 million
- **URL:** <http://www.crecia.co.jp/>
- **President:** Akihiko Hada
- **Sales (fiscal 2004 forecast):** ¥67 billion

#### ● Main Product Lines:

- ▶ Family Care products

Kleenex®  
Scottie®



- ▶ Adult Care products

Poise®  
Freedom® Acty®



- ▶ Professional products

Kimwipes®  
WypAll®

#### ● Company Strengths:

The Company took its present form in 1996 when JUJO KIMBERLY K.K., a pioneer in the household tissue industry, merged with CRECIA Corporation, formerly known as SANYO SCOTT Co., Ltd.

Under the banner of two of the world's leading brands—Kleenex® and Scottie®—and with the support of KIMBERLY-CLARK Corporation, our Company has continued to grow while also adding to the legacy of advanced technologies that has distinguished both corporations since their inception. One advantage we have over competitors is the excellent location of our four manufacturing bases, which are near major centers of consumption in metropolitan Tokyo and western Japan. In addition to conventional tissue products, the Company also offers Professional products, for example, Kimwipes®, industrial-use wipes[\*1], with the largest share for research and examination institutes. We also provide Adult Care products, such as incontinence pads and diapers that come in absorbency levels from light to heavy to accommodate different needs.

In 2002, we set up the CRECIA R&D Center to drive development of products that meet consumer needs while also answering the demands of a society that is both aging rapidly and becoming more environmentally conscious. We plan to continue strengthening our product development capabilities.

## The First Medium-Term Business Plan of CRECIA CORPORATION

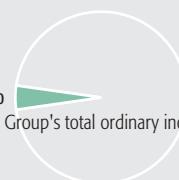
#### ■ Targets for Fiscal 2006

Ordinary income: ¥4.5 billion

Ordinary margin on sales: 7 %

4.5%

of the Group's total ordinary income



#### ■ Basic Policy

To establish a competitive advantage in the household tissue industry by implementing our newly formulated ATARASHII MICHI—New Way management strategy.

#### ■ Action Plan

##### ● Strengthen Marketing

Clearly establish our “two-brand strategy” to launch new products into the market, strengthen product competitiveness, and create effective product launch events, advertising campaigns and promotional activities.

##### ● Create the Optimal Production Structure

- ▶ Aim for a machine capacity utilization rate of 90% or higher by selecting and concentrating production in collaboration with the Sales Department.

- ▶ Focus on mills as the cost center for improving cost-competitiveness.

We are now working to implement ATARASHII MICHI—New Way, a new five-year strategy whose motto calls for us to “rise above the past and transform our Company in the present to create a new future.” The strategy was drawn up primarily by project leaders from each of our departments, working in close cooperation with members of KIMBERLY-CLARK Corporation. We believe that implementing ATARASHII MICHI—New Way will allow us to build a stronger and more resilient business foundation—one that can adapt to changing business conditions and improve our stability and profitability.

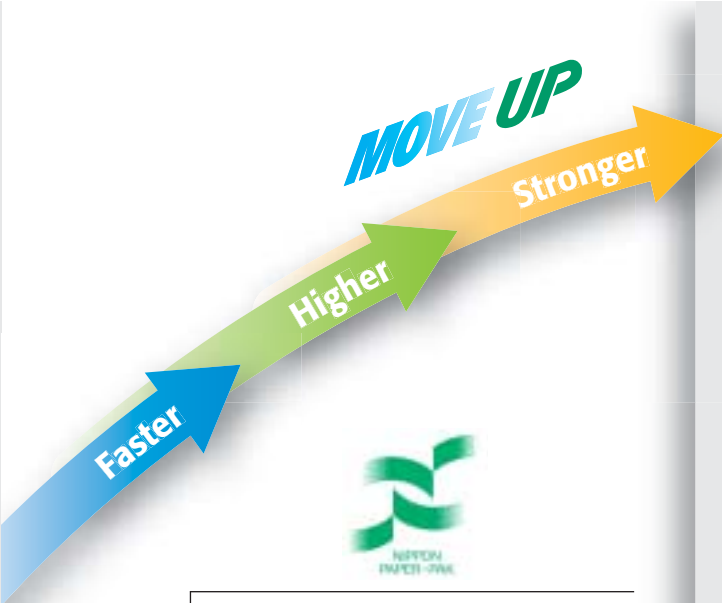
The First Medium-Term Business Plan sets a target of ¥4.5 billion in ordinary income by fiscal 2006. We see this figure as one of the milestones on our ATARASHII MICHI—New Way strategy, which aims at reaching ¥8.0 billion in ordinary income by 2008. By working to implement the Medium-Term Business Plan, we will do our part to help the Nippon Unipac Holding Group achieve its goal: “Becoming a Business Group with Unmatched Quality.”

Akihiko Hada  
President, CRECIA Corporation



\* Please refer to the Glossary on pages 60 and 61 for details.





**NIPPON PAPER-PAK CO.,LTD.**

- **Date Established:** October 1, 2002
- **Capital:** ¥4,000 million
- **URL:** <http://www.nipponpaper-pak.com/>
- **President:** Masayuki Usui
- **Sales (fiscal 2004 forecast):** ¥44 billion
- **Main Product Lines and Services:**
  - ▶ Liquid-packaging cartons  
PURE-PAK®[\*4]  
NS-FUJI PAK[\*5]
  - ▶ Filling machines and related maintenance services
  - ▶ Paper containers



● **Company Strengths:**

NIPPON PAPER-PAK CO., LTD. was formed in October 2002 as a spin-off of diversified businesses of Nippon Paper Industries Co., Ltd.

The Company's core business is liquid packaging cartons and its main products, PURE-PAK® cartons, have gained the trust of Japanese customers through the so-called "trinity" marketing (i.e. machine sales, carton supply, and maintenance service). The PURE-PAK® cartons' share has kept the top position in the domestic gable-top carton market since its business establishment and expanded further in recent years.

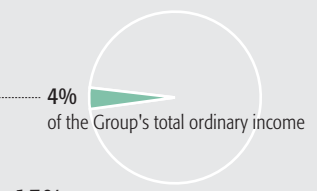
PURE-PAK® cartons have long been serving mainly for dairy use; recently, however, the Company is capturing new customers in the market for the aroma and taste-sensitive beverages (e.g., ready-to-drink teas, vegetable-mixed juices, and functional beverages) by introducing barrier cartons and is enjoying strong sales from that growing market.

The NS-FUJI/NIPPON-SHIKOKU PAK SYSTEM® is an aseptic packaging system that enables long-life under room temperature storage. Specialized in smaller size (125 milliliters to 300 milliliters), NS-FUJI PAK cartons have been marketed to mainly soft drink packers together with specially designed filling machines. Its sales volume is increasing as this type of packaging suits the products distributed via convenience stores and door-to-door deliveries.

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

■ **Targets for Fiscal 2006**

Ordinary income: ¥4 billion ..... 4% of the Group's total ordinary income  
 Ordinary margin on sales: 8 %



■ **Basic Policy and Action Plan**

● **Raise NS-FUJI PAK's market share to 15%**

- ▶ Moving with demand growth in functional beverages categorized in specified health use foods
- ▶ Launching the world's first recyclable package made of non-aluminum materials



● **Enhance turnover from new businesses to ¥1.8 billion by fiscal 2006**

- ▶ Paper cup: For food packaging and industrial uses (planting pots)
- ▶ DBS (Discbox Slider): Light, attractive and environmentally friendly CD/DVD case made 100% of paper



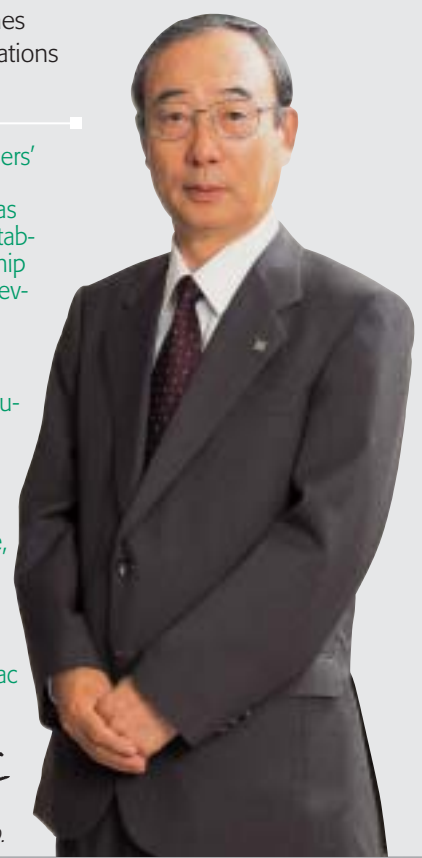
● **Establish 1,000-employee structure (reduce work force by 15%)**

- ▶ Rationalizing production lines
- ▶ Outsourcing logistical operations

Our mission is to support customers' success by providing an efficient packaging system utilizing paper as safe and eco-friendly material, establishing the Company in a leadership position in packaging for foods, beverages, and household products.

In the Medium-Term Business Plan, we have set a challenging goal for profitability and are absolutely committed to improving our competitive position by streamlining operations.

While concentrating on the PURE-PAK® business as our core, we strive to expand new businesses such as NS-FUJI PAK, DBS, and paper cups so as to contribute to the profitability and performance of the Nippon Unipac Holding Group.



*Masayuki Usui*

Masayuki Usui  
 President, NIPPON PAPER-PAK CO., LTD.

\* Please refer to the Glossary on pages 60 and 61 for details.

MOVE UP

Stronger

Higher

Faster



### NIPPON PAPER CHEMICALS CO.,LTD.

- **Date Established:** October 1, 2002
- **Capital:** ¥3 billion
- **URL:** <http://www.npchem.co.jp/>
- **President:** Akira Machihara
- **Sales (fiscal 2004 forecast):** ¥24 billion
- **Main Product Lines:**
  - ▶ Dissolving pulp (DP)
  - ▶ Chlorinated polyolefin (PPC products)\*3]
  - ▶ Lignin products
  - ▶ Carboxymethyl cellulose
  - ▶ Powdered cellulose
  - ▶ Ribonucleic acid, yeast extract
  - ▶ Stevia extract, glycyrrhizin (natural sweetener)

#### ● Company Strengths:

Established on October 1, 2002, as a spin-off from Nippon Paper Industries Co., Ltd., our Company specializes in the comprehensive use of wood resources. Our businesses are founded on three pillars.

The first pillar is the business related to cellulose and lignin, which are the main components of wood. We deal in DP, carboxymethyl cellulose, powdered cellulose and lignin products through our integrated technology of wood resource utilization, which is the Nippon Unipac Holding Group's core competence. Especially for DP and lignin, we maintain an overwhelming sales share in the domestic market as the only manufacturer in Japan.

The second is the food-related business. We develop our own technology to differentiate our ribonucleic acid and Stevia extract products, which makes us a world-class competitor in those products. In addition, our yeast extract is highly regarded for its unique flavor.

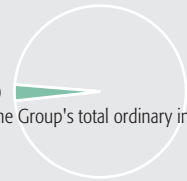
The third and last pillar is high-functional synthetic polymer products. Low chlorinated polyolefins enjoy the No. 1 share in the world market for their excellent quality.

Based on the world-leading technology developed by our business units, synergetic cooperation in production, sales and R&D makes it possible for the Company to strengthen its position to ensure our customers' satisfaction as well as focus carefully on environmental issues.

## The First Medium-Term Business Plan of NIPPON PAPER CHEMICALS CO., LTD.

#### ■ Targets for Fiscal 2006

Ordinary income: ¥3 billion ..... 3% of the Group's total ordinary income  
Ordinary margin on sales: 12 %



#### ■ Basic Policy

- Select business and invest business resources effectively.
- Act decisively and implement our strategies swiftly and completely.
- Develop products that meet customer needs, based on the three pillars of our operations: manufacturing, sales, and research.

#### ■ Action Plan

- Strengthen international competitiveness by clearly differentiating the quality of our dissolving pulp products.
- Expand businesses of dispersing agents\*2] for concrete and dyes.
- Develop and refine new environment-friendly PPC products, and expand the sales.
- Explore new business opportunities in high-growth-potential industries such as the resources, environment and health fields, and focus our energies on new research and development.



The Company could enjoy relatively smooth sailing in our first term, from October 2002 to March 2003 as we achieved the targets set out in our plan. Over the next three years, we will solidify our business foundation and work toward realizing our future vision.

The Medium-Term Business Plan sets a target of more than ¥3 billion in ordinary income for fiscal 2006. While this may seem high, the entire Company is committed to making tremendous progress in the coming three years.

Under the motto of "Invention and Innovation", we are ready to face the challenges ahead and work toward achieving our goals.

Akira Machihara  
President, Nippon Paper Chemicals Co., Ltd.

\* Please refer to the Glossary on pages 60 and 61 for details.

MOVE UP

Stronger

Higher

Faster



### NIPPON PAPER LUMBER CO.,LTD.

- **Date Established:** September 10, 1970
- **Capital:** ¥440 million
- **URL:** <http://www.np-l.co.jp/>
- **President:** Shin-ichiro Matsumura
- **Sales (fiscal 2004 forecast):** ¥77 billion
- **Main Product Lines and Services:**

▶ Lumber Division

Imported logs (softwood and hardwood), Lumber products, Glued lumber[\*16], Plywood



▶ Paper Raw Material Division

Pulpwood, wood chips, wastepaper

▶ Other Divisions

Insulation materials (cellulose fiber)

● **Company Strengths:**

The Company took on an expanded form in October 2002, when the Group's three lumber-related companies became integrated as one. This made us the largest company in our industry. Since that time, supported by the trusted name and reputation of the Nippon Unipac Holding Group, we have worked hard to maintain our position atop the market at a time when the industry is experiencing a slowdown.

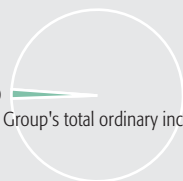
We have the combined purchasing power to buy directly from overseas. Yet at the same time, we have a local presence all over Japan that helps us truly understand the needs of end customers in the areas we cover.

The Company handles a huge variety of lumber-related products. We purchase from more than 2,000 suppliers and serve more than 2,500 corporate customers. With wide product lines that range from softwood and hardwood logs to wood chips and finished lumber products, we can meet virtually any customer need.

## The First Medium-Term Business Plan of NIPPON PAPER LUMBER CO., LTD.

■ **Targets for Fiscal 2006**

Ordinary income: ¥1.5 billion ..... 1.5% of the Group's total ordinary income  
Ordinary margin on sales: 2 %



■ **Basic Policy**

To improve profitability by having the flexibility and adaptability to take advantage, in a timely manner, of the synergy effects of our business integration.

■ **Action Plan**

- Strengthen sales, making optimal use of our expanded customer base through the business integration.
- Expand sales of lumber products and building materials, focusing on major cities with potential for high demand.
- Explore new wood sources overseas and import products from them.
- Expand the resource-recycling business (civilculture, sales of chips from scrapped materials, wastepaper, and insulation material).



Installation of Insulation materials

Factors such as declining demand for wood and changes in the distribution system have brought harsh conditions to the wood products distribution industry. The climate remains bleak. To cope with these circumstances, the Company and its 160 experts continue to develop new business ideas and, making full use of our extensive supplier network and nationwide sales bases, to offer a comprehensive range of products to meet diverse customers' needs.

The company aims to be a "all around" trading company of lumber with high profitability and adaptability to changing business conditions, by making good use of wood product professionals and its expanded business base.

*Shinichiro Matsumura*  
Shin-ichiro Matsumura  
President, Nippon Paper Lumber Co., Ltd.



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\* Please refer to the Glossary on pages 60 and 61 for details.

# Ensuring Sustained Business Development

## Research and Development

### Developing New Technologies for Next Generations

While the Nippon Unipac Holding Group is mainly engaged in the paper and paperboard business, it operates a variety of other businesses including chemical products and paper cartons. Each Group company applies its powers and abilities to develop new products in each business division and new technologies that respond to evolving market needs, both in Japan and abroad.

The Group's R&D policy comprises the following three points, aiming at sustaining steady and continuous business development.

- Developing customer-oriented products.
- Developing next-generation technologies.
- Developing environment-friendly products and technologies.

#### Customer-Oriented Products

- Products with high brightness, high gloss, low density, light weight and other characteristics demanded in the increasingly visual-oriented and diversified printing and publication markets.
- Products for the publication and business communication paper market, where the on-demand printing system is increasingly spreading.

#### Next-Generation Technologies

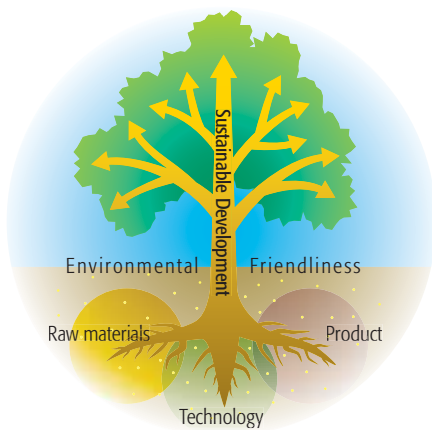
- Utilization of bio-technology for trees of paper material
  - ▶ Afforestation technologies of micropropagated elite trees: Eucalyptus afforestation by clonal

elite trees[\*17], screened from natural forests, that offer twice the yield of pulp, faster growth, and improved environmental stress tolerance as compared with conventional trees.

- ▶ Technologies for the repeated transformation of desirable genes in safety by the Multi-Auto Transformation Vector System (MAT Vector® System)[\*18] which Nippon Paper Industries Co., Ltd. originally developed: providing trees with salt-tolerance and dry-tolerance, acquiring higher pulping yield.
- Application of bio-technology
  - ▶ Application of clonal cell culture for garden trees: micropropagation of precious trees or ornamental trees.
  - ▶ Application of the MAT Vector® System for the crops: developing rice with health-promoting benefits [\*19], which can be an effective dietary aid in treating diabetes.
- Develop new products or cost cutting technologies on improving the functionality of in-house production of materials used in the paper making process, such as fillers[\*11] and pigments[\*12].

#### Environment-Friendly Products and Technologies

- Expand recycling technologies which enables the use of wastepaper not currently reused in paper making, such as office wastepaper and magazines that contain adhesives in their spines.
- High-quality paper for paper containers that can replace plastic containers.

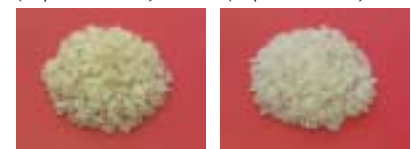


Planting site for clone sapling in Collie, Western Australia (as of March 2003, one year and eight months after planting)



Rice including GLP-1 (unpolished rice)

Ordinary rice (unpolished rice)



Rice including GLP-1 (polished rice)

Ordinary rice (polished rice)

Rice with health-promoting benefits (genetically modified[\*20] rice including a large amount of GLP-1, the peptide drug that promotes insulin secretion)

\* Please refer to the Glossary on pages 60 and 61 for details.

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# Utilizing Recyclable Resources

## Wood Chips

The Nippon Unipac Holding Group seeks to procure materials that meet three key criteria: (1) stable supply, (2) quality and price-competitiveness, and (3) environment friendliness.

The Group has designated Australia, South Africa, and South America as its base regions for procuring hardwood chips.

As part of our efforts to improve supply stability, we are driving "Tree Farm Initiative." By the end of 2002, we had established 77,000 hectares of plantation, placing us well on the way toward our goal of more than 100,000 hectares by 2008.

In 2003, we began exporting wood chips from Volterra SA in Chile, adding to WA Plantation Resources (WAPRES) of Western Australia and Forest Resources (Forestco) of South Africa, from which exports of wood chips are already underway. We plan to export one million BDT[\*21] from a 100,000-hectare plantation by 2008.

In light of our commitment to environmentally sound operations, for the purpose of ensuring sustainable procurement of wood chips, we are working to obtain Forest Certification [\*22] for all of our domestic and overseas forests and afforestation areas by 2008. Also by 2008, we are working to ensure that 100% of the hardwood chips we procure comes from afforestation areas and certified forests.

## Wastepaper

The Group enthusiastically recycles wastepaper, particularly in paper and paperboard. As one of the biggest consumers in Japan, we utilize 3.5 million tons of wastepaper each year.

Nippon Paper Industries Co., Ltd. is particularly aggressive in using recycled wastepaper in paper making, and the content of wastepaper in its newsprint now exceeds 70%.

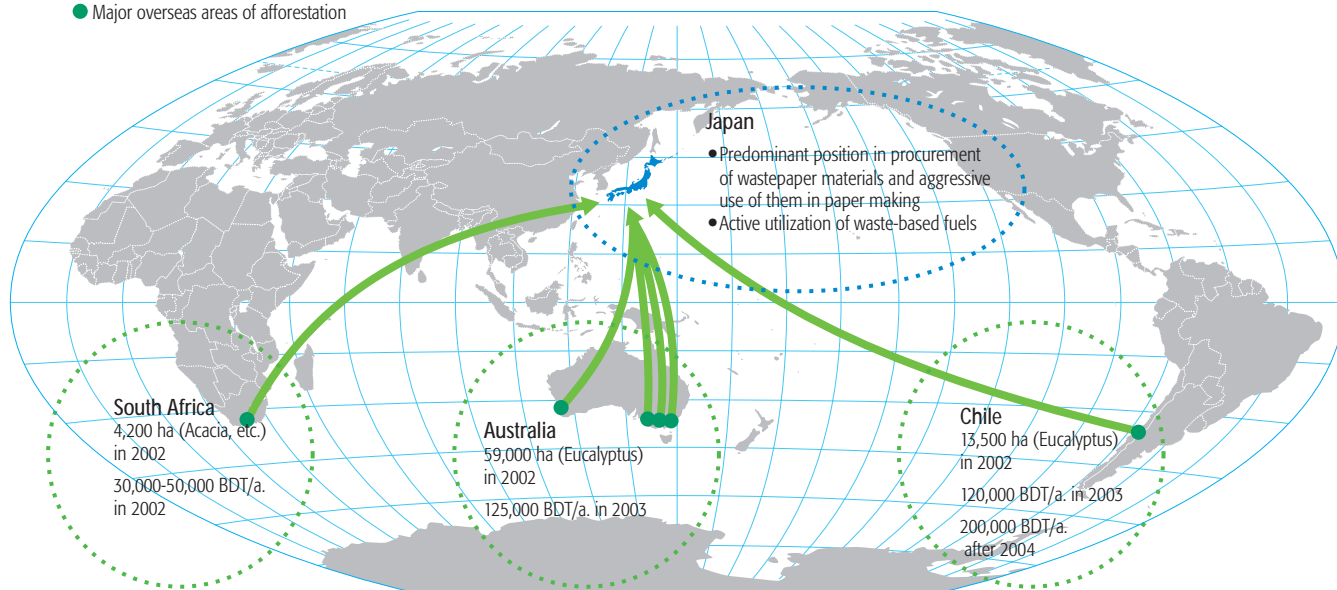
In the past, wastepaper from magazines, telephone directories, and woodfree paper with adhesives could be used only in manufacturing paperboard and household tissue. Technologies developed by our Group, however, now allow much wider use of these materials. In fact, these types of wastepaper now account for more than 10% of the wastepaper material we use in paper making. This greatly reduces costs and also improves supply stability.

## Use of Non-Fossil Fuel

In fiscal 2003, around 35% of the Group's energy needs were met through non-fossil fuels, such as those derived from waste materials. (The percentage figure of 35% represents the equivalent in fuel oil.) We are committed to reducing both carbon dioxide emissions and waste generation. Accordingly, we are working to switch over from oil and coal to waste-derived fuels such as refuse paper and plastic fuel (RPF) [\*23], wastewood chips and tire chips for fuel.

### Stable Procurement of Internationally Competitive Raw Materials

● Major overseas areas of afforestation



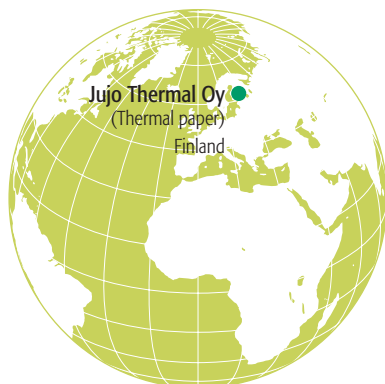
\* Please refer to the Glossary on pages 60 and 61 for details.

## Overseas Strategy

# Steady Progress toward Global Expansion

### Expansion in the International Paper and Paperboard Markets

● Overseas production sites



The Nippon Unipac Holding Group has been engaged overseas in activities such as businesses related to afforestation, raw material imports, product exports, manufacturing, and technical tie-ups.

The Group's primary growth strategy calls for full entry into international markets, centered on our current overseas operations and making optimal use of the human resources and expertise available. By organizing bases in North America, Europe, China, and other Asian countries, we will expand local sales capabilities, promote the Group's products, and cultivate new demand for our products.

In North America, our mill in Longview, Washington (North Pacific Paper Corporation) produces more newsprint than any facility on the continent, and we operate a mill in Port Angeles, Washington (Daishowa America Co., Ltd.) that manufactures telephone-directory paper. Our long experience and high-quality products have earned us the trust of customers. As these two facilities are located near each other and their products are similar, we plan to pursue the synergy effects available in areas such as raw material procurement, technology, and product lineup. Ultimately, this will improve profitability and promote business development. We also actively create new markets, such as by exporting differentiated products from Japan.

In Europe, Jujo Thermal Oy in Finland has already become a successful joint venture company that manufactures thermal paper. We are now investigating further business expansion opportunities in the European market, focusing on using our advanced technologies to make high-value-added products.

In China and other Asian regions that have seen dramatic growth, the Group is energetically formulating and implementing investments that provide secure returns while exposing us to little risk.

In particular, we are establishing a containerboard and corrugated board box business in Shanghai, where paperboard demand is expected to grow substantially. With many of our Japanese customers now rushing into China, this is a most opportune time for us to gain a foothold for expanding the paperboard business by establishing a Chinese base. We currently manufacture liner<sup>\*24</sup>, a product in growth categories, at a facility in Pinghu, Zhejiang, only 100 kilometers southwest from Shanghai, through a partnership with Zhejiang Jingxing Paper Joint Stock Co., Ltd. We have also invested capital in Everwealth Paper Industries (Shanghai) Co., Ltd., a manufacturer of sheets and boxes of corrugated board located about 25 kilometers southwest from Shanghai.

Further, we are establishing Zhejiang Jingxing Nippon Paper Co., Ltd. as a joint venture with Jingxing Paper Group Paper-making Co., Ltd., a core company of the Zhejiang Jingxing Joint Stock group. This new company will commence production of corrugating medium<sup>\*25</sup> by the end of 2004, with an annual production target of 150,000 tons.

In these ways, we will rapidly establish integrated production facilities, from container board (liner and corrugating medium) to corrugated board business.

Moreover, we will continue to improve our business structure by, for instance, expanding the function of our Shanghai office to prepare for future business development in China.

\* Please refer to the Glossary on pages 60 and 61 for details.

## Building a CSR (Corporate Social Responsibility) Promotion System

In all of its operations, the Nippon Unipac Holding Group has always emphasized working in harmony with the environment. Our major subsidiaries have introduced environmental accounting in earnest since fiscal 2000 and taken the initiative in supplying information in their annual environmental reports.

The Company is also aware that its efforts to promote sustained business development hinge on more than just our financial and environmental performances. Our success also rests on how society

views us. Fairness, corporate ethics, and risk management capabilities are also of critical importance to the success.

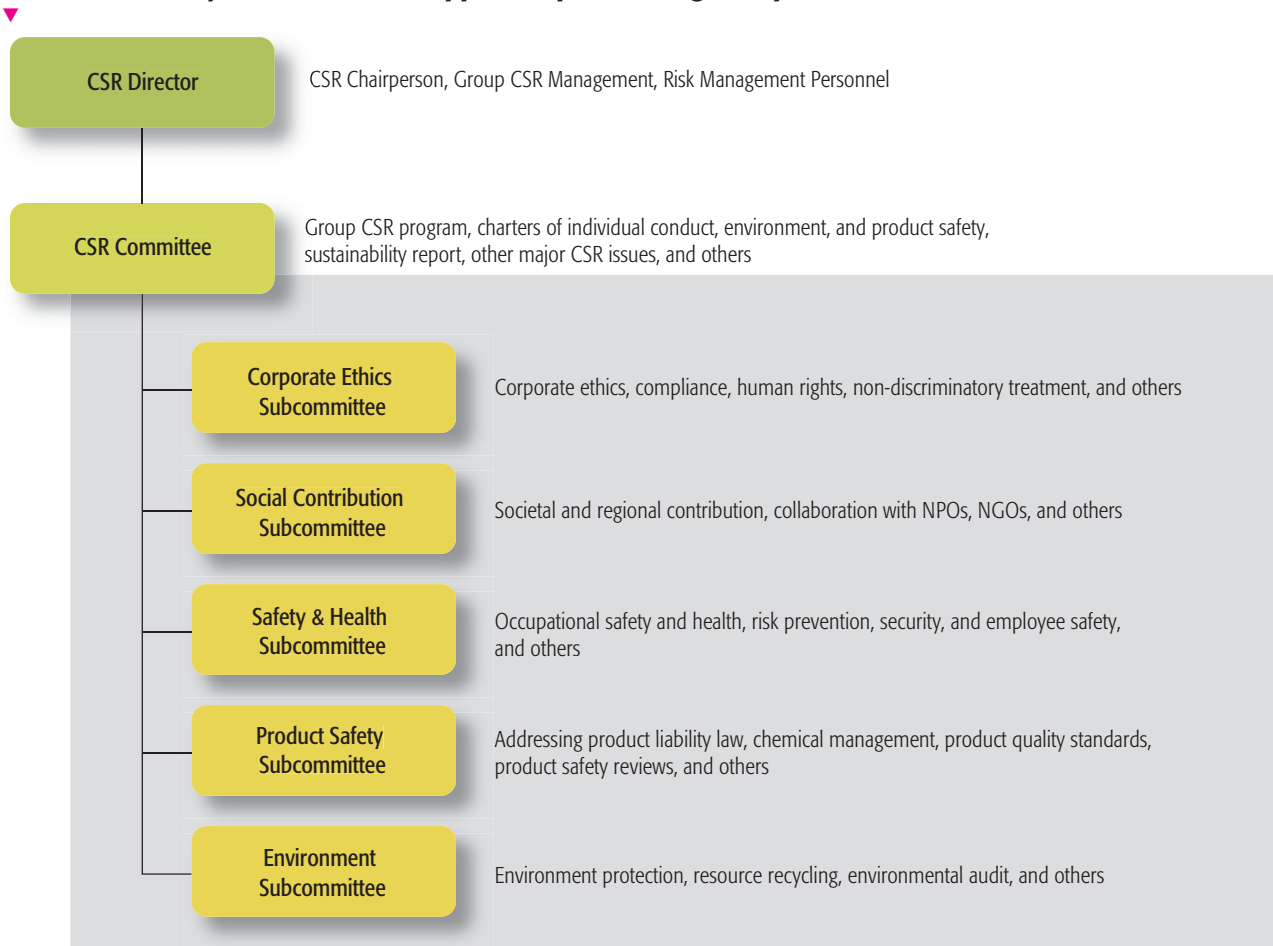
As part of the First Medium-Term Business Plan set for fiscal 2004 to 2006, we will expand and strengthen our environmental management structure. And to focus on the issue of actively performing all our obligations to society, including those related to corporate ethics, we will establish a structure, as outlined below, to promote CSR activities throughout the Nippon Unipac Holding Group.

### Group CSR Policy

Our goal is to realize "Four Ideals of a Business Group with Unmatched Quality" as our statement of principles in Group CSR.

- (1) "Achieving stable and excellent financial performance"
- (2) "Maintaining reliability for customers"
- (3) "Meeting employees' expectations and ensuring that employees can capitalize on opportunities"
- (4) "Preserving corporate ethics"

### CSR Promotion System within the Nippon Unipac Holding Group (From October 2003)



# Financial Section

## Note concerning the Consolidated Financial Statements of Nippon Unipac Holding and Its Consolidated Subsidiaries

Nippon Unipac Holding conducted its third regular settlement of accounts in fiscal 2003, which covered the period from April 1, 2002 through March 31, 2003. The previous two account settlement periods were irregular, covering the periods from March 30, 2001 through September 30, 2001, and October 1, 2001 through March 31, 2002, respectively.

The independent auditor report attached to the present Annual Report covers the second and the third account settlement periods. For the convenience of year-on-year comparison in the consolidated statements of operations and consolidated statements of cash flows of this Annual Report, the sums of the figures reported in the first and second account settlement periods are shown as the values for fiscal 2002. Although these total values for fiscal 2002 are not covered by the present Auditor's Report, the consolidated financial statements for the first settlement period, which were used in calculating these overall totals for fiscal 2002, had previously been audited by an independent auditor who confirmed that the financial status, business results and cash flow status reported were accurate in all essential respects.

For financial indexes such as return on assets (ROA) and return on invested capital (ROIC), the Annual Report employs "full fiscal 2002" for the convenience of year-on-year comparison.

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# Board of Directors

(As of June 27, 2003)



(From left)

Standing: Hirotoishi Ishikawa, Keisuke Ito, Iwao Nakajima, Masatomo Nakamura, Toshiro Sato, Tsuyoshi Yamashita

Sitting: Koshiro Kitaoka, Masao Kobayashi, Takahiko Miyoshi, Souji Ban

## Chairman

Masao Kobayashi

## President

Takahiko Miyoshi

President of Nippon Paper Industries Co., Ltd. as an additional post

## Executive Vice-Presidents

Koshiro Kitaoka

Assistant to the President

Souji Ban

Assistant to the President  
Specializing in Business Planning  
Promotion Dept.

## Directors

Iwao Nakajima

### Specializing in Personnel

Executive Vice President of Nippon Paper Industries Co., Ltd. as an additional post

Masatomo Nakamura

### Specializing in Corporate Planning and Investor Relations

Senior Managing Director and General Manager of the Corporate Planning Div. of Nippon Paper Industries Co., Ltd. as an additional post

Keisuke Ito

### Specializing in Finance

Director and General Manager of the Financial Div. of Nippon Paper Industries Co., Ltd. as an additional post

Toshiro Sato

Hirotoishi Ishikawa

Tsuyoshi Yamashita

### Specializing in General Affairs

Director and General Manager of the Personnel & General Affairs Div. of Nippon Paper Industries Co., Ltd. as an additional post

## Corporate Auditors

Yoshinari Inoue

Corporate Auditor of Nippon Paper Industries Co., Ltd. as an additional post

Noriyuki Torai

Hidetoshi Goto

# Consolidated Financial Review

The accounting period of the third fiscal year of Nippon Unipac Holding is from April 1, 2002 to March 31, 2003. Please note that the previous fiscal year was an irregular year consisting of two accounting periods: the first period (from March 30, 2001 to September 30, 2001) and the second period (from October 1, 2001 to March 31, 2002). The term "full fiscal 2002" refers to this irregular year, and numbers given for full fiscal 2002 were derived by simply aggregating the numbers posted in the two periods in that irregular year. The comparison with the previous fiscal year is based on full fiscal 2002.

## Summary of Operations

During the fiscal year under review, the Japanese economy, unable to map out plans for a full-fledged recovery, remained lethargic, while capital investment and personal consumption continued to sag. At the fiscal year-end, the Nikkei Stock Average slipped further to mark a post-"bubble" record low. This situation seriously impacted the corporate business results.

The Pulp and Paper Division, which is the core business of the Group, continued to be challenged by the difficult business environment. Reflecting the lingering economic slowdown, the volume for paper shipped to the domestic markets was virtually unchanged from the previous year when it had fallen reflecting the markets' significant contraction, while the prices of wastepaper and heavy fuel oil rose.

In this environment, the Group placed top priority on maintaining the market price of paper, and as a result of efforts to preserve the supply-demand balance by adjusting production levels, the prices of printing and business communication paper, for which prices were revised upward in September 2002, have been restored to a certain extent. Additionally, measures to reduce the cost of purchasing raw materials and other supplies and to improve the logistics and other costs were carried out in an attempt to yield business integration benefits.

As a result, the consolidated settlement of accounts for the accounting period of fiscal 2003 showed net sales of ¥1,165.5 billion (US\$9,712 million), a decrease of 3.8% from full fiscal 2002. Ordinary income increased 38.9% to ¥39.7 billion (US\$331 million), and net income was ¥4.9 billion (US\$41 million).

The results in individual business segments are as follows.

## Review of Operations

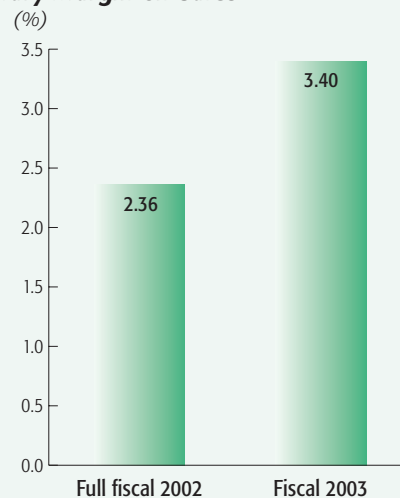
### [ Pulp and Paper Division ]

The domestic sales volume for paper, though there was a temporary increase induced by the FIFA World Cup held in June 2002, generally remained lackluster reflecting the overall weakness of the economy. The market price level recovered in the second half of the fiscal year, but the average price for the entire fiscal year was slightly below the level in full fiscal 2002.

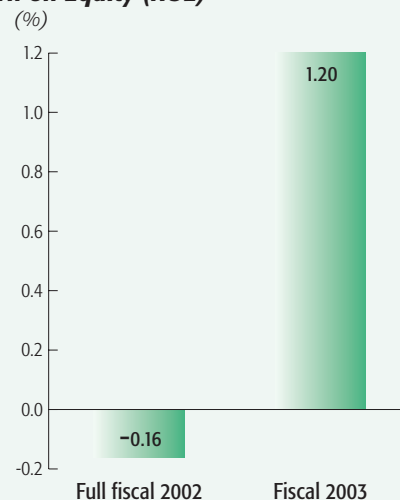
In the paperboard segment, sales volume for containerboard, the mainstay product, dropped somewhat compared with full fiscal 2002 as a result of sagging demand, but sales during the term showed an increase attributable primarily to a rise in the price level beginning from the latter part of the second half of the fiscal year. This, along with cost reductions and better productivity, contributed to increased profit.

Sales revenue of household tissue (sanitary paper) declined due to sluggish consumption, but profits rose as efforts were made to improve

### Ordinary Margin on Sales



### Return on Equity (ROE)



the quality of tissue, the mainstay product, and conduct sales activities focusing more on price than sales volume.

As a result, net sales decreased 5.1% from full fiscal 2002, to ¥897.3 billion (US\$7,478 million), but operating income rose 14.5%, to ¥39.9 billion (US\$333 million).

#### [ Paper-Related Division ]

With regard to liquid-packaging cartons, such as PURE-PAK®[\*4], sales both in terms of volume and monetary amount remained healthy as concentrated efforts were made to expand sales to meet increasing demand for beverages such as tea-based ones and drinks with health benefits.

On the other hand, chemical products suffered a slight decline in sales, as in the Southeast Asian market for highly chlorinated polyolefin[\*3] products, and competition intensified mainly due to an influx of cheaply priced products from China. In the functional materials sector, liquid crystal-related business was brisk as demand grew for liquid crystal display TVs and cellular phones with a built-in camera.

As a result, net sales grew 0.2% from full fiscal 2002, to ¥98.2 billion (US\$818 million), while operating income jumped 88.2% to ¥4.9 billion (US\$41 million).

#### [ Housing and Construction Materials Division ]

Despite the widespread move to hold off the purchase of residential property amid the deteriorating employment and income outlook, as symbolized by negative growth of housing starts compared to the previous year for two consecutive years, the Housing and Construction Materials Division managed to post net sales of ¥94.0 billion (US\$783 million), up 1.6% from full fiscal 2002, while operating income surged 83.0% to ¥948 million (US\$8 million), through rationalization efforts, among other measures.

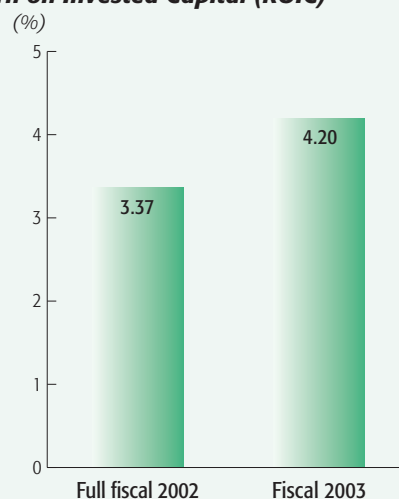
#### [ Other Division ]

In the soft drink and other beverage business, efforts were made to boost sales by better meeting consumers' needs. Leisure and other businesses suffered from lackluster demand caused by the weak economy, resulting in net sales of ¥75.9 billion (US\$633 million), up 1.1% from full fiscal 2002, and a 5.3% increase of operating income to ¥4.7 billion (US\$39 million).

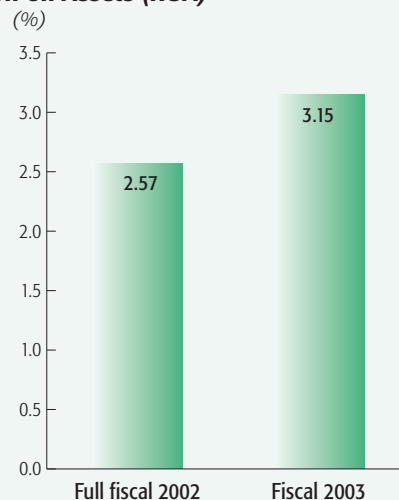
### Costs, Expenses and Earnings

The cost of sales for the fiscal year under review was ¥892.9 billion (US\$7,441 million), down 2.9% from full fiscal 2002. The cost of sales as a percentage of net sales was 76.6%. Selling, general and administrative expenses totaled ¥222.1 billion (US\$1,851 million), a decrease of 10.9%, or 19.1% as a percentage of net sales, because of the effect of cost reductions. Operating income increased 18.9% to ¥50.5 billion (US\$420 million). Operating income as a percentage of net sales was 4.3%. In the category of other income (expenses), including extraordinary items, there was a net expense of ¥42.4 billion (US\$353 million). Principal expenses in this account were ¥13.2 billion (US\$110 million) in interest expense, ¥8.5 billion (US\$71 million) in gains on sales of property, plant and equipment, ¥9.9 billion (US\$83 million) in losses on disposal of property, plant and equipment, ¥7.6 billion (US\$63 million) in loss on devaluation of investments in other securities, and ¥19.0 billion (US\$159 million) in provision for doubtful receivables.

### Return on Invested Capital (ROIC)



### Return on Assets (ROA)



Return on assets = Ordinary income before interest / Interim averaged assets

\* Please refer to the Glossary on pages 60 and 61 for details.

As a result, income before income taxes and minority interests for the fiscal year under review was up 113.0% to ¥8.1 billion (US\$67 million), and net income was ¥4.9 billion (US\$41 million).

Our basic policy on distribution of profits to shareholders and investors is to meet their expectations by strengthening our management base, boosting our profit-earning capacity, and working to increase the corporate value of companies throughout the Nippon Unipac Holding Group. We declared cash dividends of ¥8,000 (US\$67) per common share applicable to the fiscal year under review.

### Financial Position

As of March 31, 2003, total assets amounted to ¥1,630.1 billion (US\$13,584 million), down 5.3% from full fiscal 2002. Major assets included ¥455.4 billion (US\$3,795 million) in current assets, ¥924.6 billion (US\$7,705 million) in property, plant and equipment and ¥250.1 billion (US\$2,084 million) in investments and other assets. The principal sources of liabilities were ¥760.9 billion (US\$6,341 million) in current liabilities and ¥435.0 billion (US\$3,625 million) in long-term liabilities. Minority interests in consolidated subsidiaries stood at ¥26.0 billion (US\$217 million), and total shareholders' equity amounted to ¥408.2 billion (US\$3,402 million).

### Cash Flows

On a consolidated basis, cash and cash equivalents (hereafter called "cash") at the end of the fiscal year under review were up ¥1.6 billion (US\$13 million) from the beginning of the term, to ¥35.2 billion (US\$293 million). This increase resulted from setting off the increase in cash gained from operating activities against the decrease by undertaking capital investments and paying down interest-bearing debt.

The cash flows in individual areas and factors affecting changes in these flows are outlined below.

#### [ Cash Flows from Operating Activities ]

Cash provided by operating activities totaled ¥128.7 billion (US\$1,073 million), up 21.6% from full fiscal 2002. This was mainly due to depreciation expenses of ¥83.2 billion (US\$694 million) (down 4.5%) and an increase in cash amounting to ¥36.5 billion (US\$305 million) (down 21.7%) arising mainly from a decrease in trade receivables.

#### [ Cash Flows from Investing Activities ]

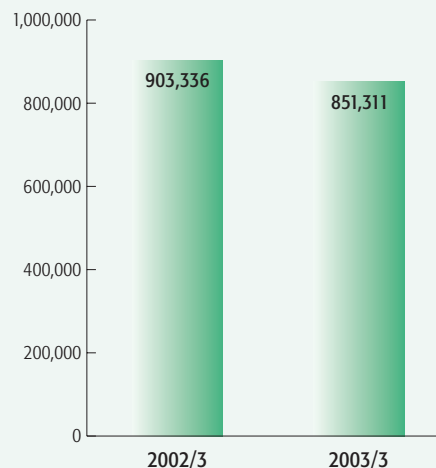
Cash used in investing activities totaled ¥71.9 billion (US\$599 million), down 22.4%. This was primarily the result of expenditure of ¥77.2 billion (US\$644 million) for purchases of property, plant and equipment (up 0.6%), of ¥9.5 billion (US\$79 million) for payments on guarantee obligation (down 28.4%), and of ¥7.7 billion (US\$64 million) for purchases of investments in other securities (down 0.9%).

#### [ Cash Flows from Financing Activities ]

Cash used in financing activities totaled ¥54.9 billion (US\$458 million), down 4.3%. This was mainly due to a decrease of ¥48.2 billion (US\$402 million) by paying back interest-bearing debt and ¥4.8 billion (US\$40 million) in cash dividends paid.

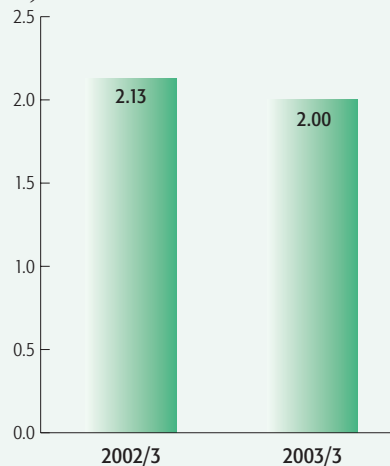
### Interest-Bearing Debt

(millions of yen)



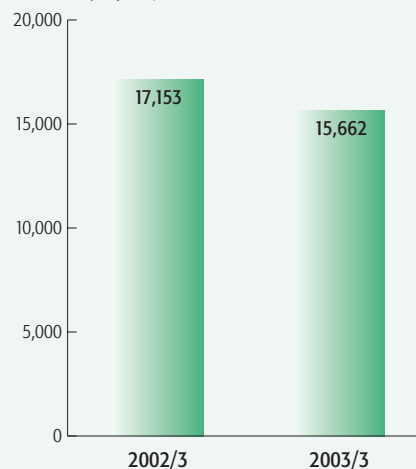
### Debt/Equity (D/E) Ratio

(times)



### Regular Employees

(number of employees)



Note: In the graphs on this page, "2002/3" refers to March 31, 2002 and "2003/3" refers to March 31, 2003.

# Consolidated Summary

Nippon Unipac Holding and Consolidated Subsidiaries

(Millions of yen, except where noted)

	April 1, 2002 to March 31, 2003	March 30, 2001 to March 31, 2002	October 1, 2001 to March 31, 2002	March 30, 2001 to September 30, 2001
<b>Sales by Segment</b>				
Pulp and paper				
Total segment sales .....	¥ 899,808	¥ 947,216	¥ 466,892	¥ 480,324
Intergroup sales and transfers .....	(2,458)	(1,293)	(758)	(535)
Sales to third parties .....	897,349	945,922	466,134	479,788
Paper-related				
Total segment sales .....	108,344	105,711	51,303	54,408
Intergroup sales and transfers .....	(10,149)	(7,746)	(4,083)	(3,663)
Sales to third parties .....	98,194	97,963	47,219	50,744
Housing and construction materials				
Total segment sales .....	133,307	126,623	64,944	61,679
Intergroup sales and transfers .....	(39,303)	(34,135)	(17,068)	(17,067)
Sales to third parties .....	94,004	92,488	47,876	44,612
Other				
Total segment sales .....	102,619	91,200	42,805	48,395
Intergroup sales and transfers .....	(26,716)	(16,154)	(7,798)	(8,356)
Sales to third parties .....	75,903	75,046	35,007	40,039
<b>Total sales</b>				
Total sales .....	1,244,079	1,270,753	625,946	644,807
Intergroup sales and transfers .....	(78,628)	(59,330)	(29,708)	(29,622)
Sales to third parties .....	1,165,450	1,211,422	596,237	615,185
Operating income .....	50,450	42,422	22,165	20,257
Ordinary income .....	39,671	28,563	16,315	12,248
Income (loss) before income taxes and minority interests .....	8,055	3,781	(1,943)	5,724
Net income (loss) .....	4,880	(636)	(3,449)	2,813
Total assets .....	1,630,126	1,721,745	1,721,745	1,778,440
Total current assets .....	455,445	517,698	517,698	563,370
Property, plant and equipment, net .....	924,597	941,428	941,428	956,633
Total investments and other assets (Note 1) .....	250,083	262,618	262,618	258,436
Liabilities and others .....	1,221,923	1,314,376	1,314,376	1,367,673
Total shareholders' equity .....	408,202	407,369	407,369	410,766
Interest-bearing debt .....	851,311	903,336	903,336	931,498
Debt/equity ratio (times) .....	2.00	2.13	2.13	2.16
<b>Amounts per share (yen):</b>				
Net income (loss)				
Basic .....	¥ 4,283.53	¥ (590.30)	¥(3,200.59)	¥ 2,611.51
Diluted (Note 2) .....	4,137.37	—	—	2,516.83
Shareholders' equity .....	374,133.23	377,308.99	377,308.99	381,128.83
<b>Ratios (%):</b>				
Operating income to net sales .....	4.33%	3.50 %	3.72 %	3.29%
Net income (loss) to net sales .....	0.42%	(0.05)%	(0.58)%	0.46%
Net income (loss) to shareholders' equity .....	1.20%	(0.16)%	(0.85)%	0.68%
Return on invested capital .....	4.20%	3.37 %	1.80 %	1.54%
Equity ratio .....	25.04%	23.66 %	23.66 %	23.10%

Notes: 1. Intangible assets and deferred charges were included in total investments and other assets.

2. Net income per share after residual security adjustment in the second period is not stated because of net loss.

At a Glance

Core Competence

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# Consolidated Five-Year Summary

Nippon Paper Industries Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31

Millions of yen, except where noted

	2001	2000	1999	1998	1997
<b>Sales by Segment</b>					
Pulp and paper (Note 1)					
Total segment sales.....	¥ 666,520	¥ 647,853	¥ 654,486	¥ 851,836	¥ 885,498
Intergroup sales and transfers.....	(1,647)	(1,585)	(1,678)	(216)	(254)
Sales to third parties.....	664,872	646,267	652,808	851,620	885,243
Paper-related (Note 1)					
Total segment sales.....	106,935	102,371	100,405	—	—
Intergroup sales and transfers.....	(8,143)	(8,310)	(7,547)	—	—
Sales to third parties.....	98,792	94,060	92,858	—	—
Housing and construction materials					
Total segment sales.....	118,936	114,688	106,519	106,164	138,118
Intergroup sales and transfers.....	(17,352)	(13,521)	(13,660)	(5,893)	(4,537)
Sales to third parties.....	101,583	101,167	92,859	100,270	133,580
Other					
Total segment sales.....	82,051	81,606	83,152	124,371	97,782
Intergroup sales and transfers.....	(17,244)	(17,061)	(15,164)	(38,199)	(23,262)
Sales to third parties.....	64,806	64,544	67,987	86,172	74,519
<b>Total sales</b>					
Total sales.....	974,444	946,519	944,564	1,082,372	1,121,399
Intergroup sales and transfers.....	(44,388)	(40,478)	(38,051)	(44,308)	(28,055)
Sales to third parties.....	930,055	906,041	906,513	1,038,063	1,093,344
<b>Operating income (Note 2)</b>					
Operating income.....	59,907	30,127	12,166	47,517	63,501
Ordinary income.....	47,911	26,721	9,034	37,958	46,448
Income before income taxes.....	4,858	21,626	7,437	38,331	49,074
Net income.....	35	10,106	1,067	18,414	28,628
<b>Total assets</b>					
Total assets.....	1,107,172	1,122,106	1,149,467	1,225,910	1,278,316
Total current assets.....	412,073	444,081	451,645	513,073	568,048
Property, plant and equipment, net.....	534,037	550,185	554,877	564,621	573,534
Total investments and other assets (Notes 3 and 5).....	161,061	127,838	142,944	148,215	136,733
Liabilities and others (Note 4).....	778,408	787,670	820,133	881,569	946,434
Total shareholders' equity (Notes 6 and 7).....	328,764	334,435	329,332	344,340	331,881
Interest-bearing debt.....	490,647	533,961	587,657	605,306	638,462
Debt/equity ratio (times).....	1.43	1.53	1.73	1.69	1.88
<b>Amounts per share (yen):</b>					
Net income					
Basic.....	¥ 0.04	¥ 10.65	¥ 1.13	¥ 19.41	¥ 30.18
Diluted (Note 8).....	—	10.61	—	18.62	28.57
Shareholders' equity (Notes 6 and 7).....	346.53	352.55	347.20	363.02	349.88
<b>Ratios (%):</b>					
Operating income to net sales (Note 2).....	6.44%	3.33%	1.34%	4.58%	5.81%
Net income to net sales.....	0.00%	1.12%	0.12%	1.77%	2.62%
Net income to shareholders' equity (Notes 6 and 7).....	0.01%	3.02%	0.32%	5.45%	8.92%
Return on invested capital (Notes 6 and 7).....	7.14%	4.38%	2.45%	5.62%	6.43%
Equity ratio (Notes 6 and 7).....	29.69%	29.80%	28.65%	28.09%	25.96%

- Notes: 1. Due to the change of segment categorization from fiscal 2000, the categorization in fiscal 1999 has also been modified.  
2. Operating income: until fiscal 1998, selling, general and administrative expenses included enterprise tax.  
3. From fiscal 2000, software was moved from the category of long-term prepaid expenses to intangible assets.  
4. Liabilities and others includes minority interest in consolidated subsidiaries.  
5. Intangible assets and deferred charges were included in total investments and other assets.  
6. From fiscal 2001, foreign currency translation adjustment was moved under deduction of shareholders' equity, following amendment of the Rules for Consolidated Financial Statements.  
7. Foreign currency translation adjustment until fiscal 2000 was also transferred in deduction of shareholders equity accordingly.  
8. In fiscal 2001 and fiscal 1999, diluted net income per share is not stated because it was not changed after residual security adjustment.

# Consolidated Five-Year Summary

Daishowa Paper Manufacturing Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31

Millions of yen, except where noted

	2001	2000	1999	1998	1997
Sales by Segment					
Pulp and paper (Note 1)					
Total segment sales.....	¥320,137	¥307,659	¥300,054	¥ —	¥ —
Intergroup sales and transfers.....	(159)	(1,088)	(146)	—	—
Sales to third parties.....	319,978	306,571	299,907	—	—
Other (Note 1)					
Total segment sales.....	27,603	24,886	24,179	—	—
Intergroup sales and transfers.....	(18,222)	(13,177)	(13,204)	—	—
Sales to third parties.....	9,380	11,709	10,975	—	—
Total sales					
Total sales.....	347,740	332,546	324,233	—	—
Intergroup sales and transfers.....	(18,382)	(14,265)	(13,350)	—	—
Sales to third parties.....	329,358	318,281	310,882	370,687	380,990
Operating income (Note 2).....					
Operating income (Note 2).....	20,676	11,174	2,530	19,883	32,533
Ordinary income (loss).....	12,969	6,174	(7,893)	12,487	20,990
Income (loss) before income taxes (Note 3).....					
Income (loss) before income taxes (Note 3).....	(46,537)	4,267	(17,616)	7,407	11,118
Net income (loss).....	(28,246)	1,871	(12,274)	4,061	7,613
Total assets.....					
Total assets.....	589,991	630,486	561,491	594,038	627,490
Total current assets.....	168,947	138,317	134,516	161,585	169,134
Property, plant and equipment, net (Note 4).....	347,588	385,098	324,438	333,669	346,025
Total investments and other assets (Notes 5 and 7) ...	73,455	107,070	102,536	98,784	112,330
Liabilities and others (Note 6).....	542,896	551,883	526,892	545,872	582,762
Total shareholders' equity (Notes 4, 8 and 9).....	47,095	78,603	34,599	48,166	44,727
Interest-bearing debt.....	391,475	421,429	431,248	430,223	466,068
Debt/equity ratio (times).....	7.21	5.13	11.88	8.47	9.97
Amounts per share (yen):					
Net income (loss)					
Basic.....	¥(130.26)	¥ 8.62	¥ (55.85)	¥ 18.48	¥ 34.64
Diluted (Note 10).....	—	—	—	—	—
Shareholders' equity (Notes 8 and 9).....	214.28	362.93	157.42	219.15	203.51
Ratios (%):					
Operating income to net sales (Note 2).....	6.28 %	3.51%	0.81 %	5.36%	8.54%
Net income (loss) to net sales.....	(8.58)%	0.59%	(3.95)%	1.10%	2.00%
Net income (loss) to shareholders' equity (Notes 8 and 9).....	(44.94)%	3.31%	(29.66)%	8.74%	18.61%
Return on invested capital (Notes 8 and 9).....	5.28 %	3.57%	0.89 %	5.45%	7.13%
Equity ratio (Notes 8 and 9).....	7.98 %	12.47%	6.16 %	8.11%	7.13%

Notes: 1. The segment categorization is modified from fiscal 1999, to reflect the contribution of the Other Division.

2. Operating income: until fiscal 1998, selling, general and administrative expenses included enterprise tax.

3. From fiscal 1999, tax effect accounting is applied.

4. Land for business purpose is revaluated in fiscal 2000.

5. From fiscal 2000, software was moved from long-term prepaid expenses to intangible assets.

6. Liabilities and others includes minority interest in consolidated subsidiaries.

7. Intangible assets and deferred charges were included in total investments and other assets.

8. From fiscal 2001, foreign currency translation adjustment was moved under deduction of shareholders' equity, following amendment of the Rules for Consolidated Financial Statements.

9. Foreign currency translation adjustment until fiscal 2000 was also transferred in deduction of shareholders' equity accordingly.

10. In fiscal 2001 and fiscal 1999, diluted net income per share is not stated because it was not changed after residual security adjustment.

# Consolidated Balance Sheets

Nippon Unipac Holding and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31, 2003	March 31, 2002	March 31, 2003
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 35,187	¥ 33,609	\$ 293,225
Marketable securities (Note 12) .....	173	2,188	1,442
Receivables:			
Notes and accounts receivable:			
Trade (Note 6) .....	232,922	268,958	1,941,017
Unconsolidated subsidiaries and affiliates .....	13,548	13,804	112,900
Other .....	5,764	14,640	48,033
Loans receivable from unconsolidated subsidiaries and affiliates .....	11,787	14,261	98,225
Allowance for doubtful receivables .....	(4,050)	(2,520)	(33,750)
Inventories (Note 4) .....	138,174	143,489	1,151,450
Deferred tax assets (Note 8) .....	7,767	8,250	64,725
Other current assets (Note 7) .....	14,170	21,015	118,083
<b>Total current assets .....</b>	<b>455,445</b>	<b>517,698</b>	<b>3,795,375</b>
<b>Property, plant and equipment (Note 6):</b>			
Land .....	249,859	243,652	2,082,158
Buildings and structures .....	457,288	455,306	3,810,733
Machinery and equipment .....	1,848,067	1,857,520	15,400,558
Construction in progress .....	26,535	25,492	221,125
Other .....	21,285	21,579	177,375
	<b>2,603,036</b>	<b>2,603,551</b>	<b>21,691,967</b>
Less accumulated depreciation .....	<b>(1,678,438)</b>	<b>(1,662,123)</b>	<b>(13,986,983)</b>
<b>Property, plant and equipment, net .....</b>	<b>924,597</b>	<b>941,428</b>	<b>7,704,975</b>
<b>Investments and other assets:</b>			
Investments in and advances to unconsolidated subsidiaries and affiliates .....	72,873	77,138	607,275
Investments in other securities (Notes 6 and 12) .....	65,102	76,506	542,517
Deferred tax assets (Note 8) .....	28,603	20,033	238,358
Other assets .....	135,252	134,948	1,127,100
Allowance for doubtful receivables .....	(51,748)	(46,008)	(431,233)
<b>Total investments and other assets .....</b>	<b>250,083</b>	<b>262,618</b>	<b>2,084,025</b>
<b>Total assets (Note 13) .....</b>	<b>¥1,630,126</b>	<b>¥1,721,745</b>	<b>\$13,584,383</b>

See notes to consolidated financial statements.



	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31, 2003	March 31, 2002	March 31, 2003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 5):			
Loans payable and commercial paper.....	¥ 366,099	¥ 408,584	\$ 3,050,825
Unconsolidated subsidiaries and affiliates.....	140	—	1,167
Current portion of long-term debt (Note 5):			
Bonds and loans payable .....	132,496	96,693	1,104,133
Unconsolidated subsidiaries and affiliates.....	200	—	1,667
Notes and accounts payable:			
Trade .....	138,494	160,969	1,154,117
Unconsolidated subsidiaries and affiliates.....	18,103	31,972	150,858
Other .....	70,587	56,216	588,225
Accrued income taxes (Note 8) .....	8,361	3,416	69,675
Other current liabilities.....	26,451	38,586	220,425
Total current liabilities.....	760,934	796,439	6,341,117
<b>Long-term liabilities:</b>			
Long-term debt (Note 5):			
Bonds and loans payable .....	347,652	389,424	2,897,100
Loans payable to unconsolidated subsidiaries and affiliates.....	—	540	—
Accrued retirement benefits (Note 7).....	74,926	78,324	624,383
Allowance for losses on guarantees.....	522	425	4,350
Deferred tax liabilities (Note 8).....	3,972	7,631	33,100
Other long-term liabilities .....	7,915	11,110	65,958
Total long-term liabilities.....	434,989	487,456	3,624,908
Minority interests .....	26,000	30,480	216,667
<b>Contingent liabilities</b> (Note 11)			
<b>Shareholders' equity</b> (Notes 9 and 16):			
Common stock:			
Authorized—3,000,000 shares;			
Issued —1,105,235.63 shares in 2003 and 1,080,670.23 shares in 2002 .....	55,730	55,730	464,417
Capital surplus .....	252,964	236,532	2,108,033
Retained earnings.....	112,668	114,675	938,900
Unrealized holding (loss) gain on other securities .....	(743)	1,262	(6,192)
Translation adjustments.....	(4,391)	(416)	(36,592)
	416,228	407,784	3,468,567
Less treasury stock, at cost:			
14,751.24 shares in 2003 and 1,000.19 shares in 2002.....	(8,025)	(415)	(66,875)
Total shareholders' equity.....	408,202	407,369	3,401,683
<b>Total liabilities and shareholders' equity</b> .....	<b>¥1,630,126</b>	<b>¥1,721,745</b>	<b>\$13,584,383</b>

See notes to consolidated financial statements.

# Consolidated Statements of Operations

Nippon Unipac Holding and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S. dollars (Note 3)
	Year ended March 31, 2003	Period from October 1, 2001 to March 31, 2002	Supplemental information (unaudited)	Year ended March 31, 2003
			Period from March 30, 2001 to March 31, 2002	
<b>Net sales</b> (Note 13).....	<b>¥1,165,450</b>	¥ 596,237	¥1,211,422	<b>\$9,712,083</b>
<b>Cost of sales</b> (Note 13).....	<b>892,906</b>	449,102	919,859	<b>7,440,883</b>
<b>Gross profit</b> .....	<b>272,543</b>	147,134	291,561	<b>2,271,192</b>
<b>Selling, general and administrative expenses</b> (Note 13).....	<b>222,093</b>	124,969	249,139	<b>1,850,775</b>
<b>Operating income</b> (Note 13).....	<b>50,450</b>	22,165	42,422	<b>420,417</b>
<b>Other income (expense):</b>				
Interest expense.....	<b>(13,215)</b>	(7,218)	(15,642)	<b>(110,125)</b>
Interest and dividend income.....	<b>2,495</b>	1,131	2,869	<b>20,792</b>
Gain on sales of investments in other securities.....	<b>729</b>	754	2,533	<b>6,075</b>
Loss on sales of property, plant and equipment, net of disposal.....	<b>(1,455)</b>	(6,571)	(4,522)	<b>(12,125)</b>
Equity in losses of affiliates.....	<b>(699)</b>	(918)	(1,022)	<b>(5,825)</b>
Loss on devaluation of investments in other securities.....	<b>(7,567)</b>	(4,726)	(9,782)	<b>(63,058)</b>
Amortization of net retirement benefit obligation at transition.....	—	(2,947)	(5,894)	—
Foreign currency exchange gain.....	—	699	914	—
Provision for doubtful receivables.....	<b>(19,044)</b>	(2,484)	(2,600)	<b>(158,700)</b>
Gain on subsidy.....	<b>1,742</b>	—	—	<b>14,517</b>
Other, net.....	<b>(5,379)</b>	(1,826)	(5,294)	<b>(44,825)</b>
	<b>(42,395)</b>	(24,109)	(38,642)	<b>(353,292)</b>
<b>Income (loss) before income taxes and minority interests</b> .....	<b>8,055</b>	(1,943)	3,781	<b>67,125</b>
<b>Income taxes:</b>				
Current.....	<b>9,883</b>	647	5,554	<b>82,358</b>
Deferred.....	<b>(9,684)</b>	2,804	1,897	<b>(80,700)</b>
	<b>199</b>	3,451	7,451	<b>1,658</b>
<b>Minority interests</b> .....	<b>(2,975)</b>	1,945	3,034	<b>(24,792)</b>
<b>Net income (loss)</b> .....	<b>¥ 4,880</b>	¥ (3,449)	¥ (636)	<b>\$ 40,667</b>
		Yen		U.S. dollars (Note 3)
<b>Amounts per share:</b>				
Net income (loss):				
Basic.....	<b>¥4,283.53</b>	¥(3,200.59)	¥ (590.30)	<b>\$35.696</b>
Diluted.....	<b>4,137.37</b>	—	—	<b>34.478</b>
Cash dividends.....	<b>8,000.00</b>	4,000.00	8,000.00	<b>66.667</b>

See notes to consolidated financial statements.

# Consolidated Statements of Shareholders' Equity

Nippon Unipac Holding and Consolidated Subsidiaries

	Number of shares of common stock	Millions of yen					
		Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on securities	Translation adjustments	Treasury stock at cost
Balance at September 30, 2001 .....	1,080,670.23	¥55,730	¥236,532	¥122,436	¥ 138	¥(2,491)	¥(1,578)
Cash dividends paid .....	—	—	—	(4,310)	—	—	—
Net loss .....	—	—	—	(3,449)	—	—	—
Net change during the period .....	—	—	—	—	1,124	2,075	1,162
Balance at March 31, 2002 .....	1,080,670.23	55,730	236,532	114,675	1,262	(416)	(415)
Adjustments for exchange of shares of common stock .....	24,565.40	—	19,444	—	—	—	—
Redemption of treasury stock .....	—	—	(3,012)	—	—	—	—
Cash dividends paid .....	—	—	—	(4,322)	—	—	—
Bonuses to directors and statutory auditors .....	—	—	—	(212)	—	—	—
Net income .....	—	—	—	4,880	—	—	—
Net change during the year .....	—	—	—	—	(2,005)	(3,975)	(7,610)
Effects of adoption of new accounting standards at foreign subsidiaries .....	—	—	—	(2,353)	—	—	—
<b>Balance at March 31, 2003 .....</b>	<b>1,105,235.63</b>	<b>¥55,730</b>	<b>¥252,964</b>	<b>¥112,668</b>	<b>¥ (743)</b>	<b>¥(4,391)</b>	<b>¥(8,025)</b>

	Thousands of U.S. dollars (Note 3)					
	Common stock	Capital surplus	Retained earnings	Unrealized loss on securities	Translation adjustments	Treasury stock at cost
Balance at March 31, 2002 .....	\$464,417	\$1,971,100	\$955,625	\$10,517	\$ (3,467)	\$ (3,458)
Adjustments for exchange of shares of common stock .....	—	162,033	—	—	—	—
Redemption of treasury stock .....	—	(25,100)	—	—	—	—
Cash dividends paid .....	—	—	(36,017)	—	—	—
Bonuses to directors and statutory auditors .....	—	—	(1,767)	—	—	—
Net income .....	—	—	40,667	—	—	—
Net change during the year .....	—	—	—	(16,708)	(33,125)	(63,417)
Effects of adoption of new accounting standards at foreign subsidiaries .....	—	—	(19,608)	—	—	—
<b>Balance at March 31, 2003 .....</b>	<b>\$464,417</b>	<b>\$2,108,033</b>	<b>\$938,900</b>	<b>\$ (6,192)</b>	<b>\$(36,592)</b>	<b>\$(66,875)</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Nippon Unipac Holding and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S. dollars (Note 3)
	Year ended March 31, 2003	Period from October 1, 2001 to March 31, 2002	Supplemental information (unaudited)	
			Period from March 30, 2001 to March 31, 2002	Year ended March 31, 2003
<b>Operating activities</b>				
Income (loss) before income taxes and minority interests	¥ 8,055	¥ (1,943)	¥ 3,781	\$ 67,125
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	83,223	44,172	87,144	693,525
Amortization of difference between cost and underlying net equity in consolidated subsidiaries	2,456	909	1,581	20,467
Increase in allowance for doubtful receivables	17,881	10,550	10,649	149,008
(Decrease) increase in accrued retirement benefits	(2,685)	2,247	3,337	(22,375)
Increase (decrease) in allowance for losses on guarantees	97	(8,902)	(8,902)	808
Interest and dividend income	(2,495)	(1,131)	(2,869)	(20,792)
Interest expense	13,191	7,218	15,642	109,925
Equity in losses of affiliates	699	918	1,022	5,825
Gain on sales of investments in other securities	(729)	(754)	(2,533)	(6,075)
Loss on sales of property, plant and equipment, net of disposal	1,455	6,571	4,522	12,125
Loss on devaluation of investments in other securities	7,567	4,726	9,782	63,058
Bonuses paid to directors and statutory auditors	(238)	—	(292)	(1,983)
Changes in operating assets and liabilities:				
Receivables	36,535	30,579	46,683	304,458
Inventories	4,672	11,268	13,442	38,933
Payables	(36,558)	(13,035)	(36,183)	(304,650)
Other	2,765	(11,826)	(10,266)	23,042
	135,892	81,570	136,545	1,132,433
Interest and dividends received	2,738	1,997	4,076	22,817
Interest paid	(13,181)	(7,352)	(15,703)	(109,842)
Income taxes refunded (paid)	3,246	(2,069)	(19,104)	27,050
Net cash provided by operating activities	128,695	74,145	105,812	1,072,458
<b>Investing activities</b>				
Purchases of time deposits	(995)	¥ (342)	(909)	(8,292)
Withdrawals of time deposits	1,656	749	3,746	13,800
Acquisitions of marketable securities	—	—	(589)	—
Proceeds from sales of marketable securities	2,147	2,338	2,938	17,892
Purchases of property, plant and equipment	(77,223)	(36,711)	(76,734)	(643,525)
Proceeds from sales of property, plant and equipment	14,627	4,031	7,223	121,892
Purchases of investments in other securities	(7,733)	(4,930)	(7,800)	(64,442)
Proceeds from sales of investments in other securities	4,461	1,198	4,601	37,175
Decrease (increase) in short-term loans	2,149	(1,948)	(3,189)	17,908
Extension of long-term loans	(1,142)	(755)	(2,142)	(9,517)
Collection of long-term loans	1,410	1,369	2,459	11,750
Payments on guarantee obligations	(9,520)	(13,305)	(13,305)	(79,333)
Other, net	(1,727)	(8,727)	(8,889)	(14,392)
Net cash used in investing activities	(71,891)	(57,033)	(92,591)	(599,092)
<b>Financing activities</b>				
Decrease in short-term borrowings	(42,318)	(24,699)	(24,810)	(352,650)
Proceeds from issuance of long-term debt	109,637	47,672	101,377	913,642
Payment for transfer of shares of subsidiaries	—	—	(4,254)	—
Repayment of long-term debt	(115,510)	(47,863)	(119,768)	(962,583)
Purchases of treasury stock	(7,546)	—	—	(62,883)
Proceeds from sales of treasury stock	6,826	—	—	56,883
Cash dividends paid	(4,756)	(4,558)	(4,815)	(39,633)
Payments on finance lease obligations	(1,720)	(3,220)	(6,905)	(14,333)
Other, net	450	1,735	1,777	3,750
Net cash used in financing activities	(54,938)	(30,934)	(57,401)	(457,817)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(288)	(77)	244	(2,400)
<b>Increase (decrease) in cash and cash equivalents</b>	1,578	(13,899)	(43,935)	13,150
<b>Cash and cash equivalents at beginning of year</b>	33,609	47,508	26,098	280,075
<b>Increase due to transfer of shares of subsidiaries</b>	—	—	51,232	—
<b>Increase due to merger of unconsolidated subsidiaries</b>	—	—	214	—
<b>Cash and cash equivalents at end of year</b>	¥ 35,187	¥ 33,609	¥ 33,609	\$ 293,225

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Nippon Unipac Holding and Consolidated Subsidiaries  
March 31, 2003

## 1. Description of Business

Nippon Unipac Holding (the "Company") was established on March 30, 2001 as a business combination by a stock transfer from the shareholders of both Nippon Paper Industries Co., Ltd. ("Nippon") and Daishowa Paper Manufacturing Co., Ltd. ("Daishowa") to the Company in accordance with the procedures stipulated in the Commercial Code of Japan. As a result of this stock transfer, Nippon and Daishowa became wholly-owned subsidiaries of the Company. Both subsidiaries are principally engaged in manufacturing and selling pulp and paper.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Preparation

The accompanying consolidated financial statements have been prepared from the accounts prepared by the Company in accordance with the provisions set forth in the Commercial Code and in conformity with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

### (b) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which it exerts substantial control either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

In the consolidation of Nippon and Daishowa, the Company comprehensively applied the pooling-of-interest method to Nippon and its subsidiaries as the acquiring group and the purchase method to Daishowa and its subsidiaries as the acquired group, after considering the ratio of the stock transfer of each company as well as certain other factors.

Certain foreign subsidiaries are consolidated on the basis of fiscal periods ending December 31, a closing date which differs from that of the Company; however, the necessary adjustments have been made if the effect of the difference is deemed material.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or losses. Consolidated net income (loss) includes the Company's equity in the current net income or loss of such companies after the elimination of unrealized intercompany profits.

All assets and liabilities of the subsidiaries are revaluated on acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis if such excess is material, or charged to income when incurred if immaterial.

The goodwill arising from the application of the purchase method is being amortized over a period of twenty years on a straight-line basis. Goodwill is included in other assets in the consolidated balance sheets.

### (c) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash and are so near maturity that they present only an insignificant risk of any changes in value because of fluctuation in interest rates.

### (d) Securities

The Company and consolidated subsidiaries have adopted an accounting standard for financial instruments which requires securities to be classified into three categories: trading, held-to-maturity or other securities, as follows:

- (i) trading securities are carried at fair value although the Company and consolidated subsidiaries had no such securities at either March 31, 2003 or 2002;
- (ii) held-to-maturity securities are carried at amortized cost by the straight-line method; and
- (iii) marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost.

### (e) Inventories

Inventories are stated at cost determined principally by the moving average method or the average method.

### (f) Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is, in general, computed by the declining-balance method over the estimated useful lives of the respective assets, except for new buildings acquired after March 31, 1998 on which depreciation is computed mainly by the straight-line method. Significant renewals and betterments are capitalized at cost. Maintenance and repairs are charged to income as incurred.

### (g) Leases

Noncancelable leases of the domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

### (h) Foreign Currency Translation

All assets and liabilities denominated in foreign currencies other than those hedged by forward foreign exchange contracts are translated into yen at the current rates. All revenues and expenses associated with foreign currencies are translated at the rates of

exchange prevailing when such transactions were made. Translation gain or loss is credited or charged to income currently.

The balance sheet accounts of the foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect at their balance sheet dates, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the period or the year. The Company has presented translation adjustments as a component of shareholders' equity and minority interests in the accompanying consolidated financial statements.

**(i) Retirement Benefits**

Costs with respect to the Nippon Paper Welfare Pension Fund, which covers a certain portion of the benefits under the severance indemnities plan, are funded as accrued at an amount determined actuarially. Prior service cost at the inception of the plan is being funded over a period of 20 years.

Accrued retirement benefits for employees at March 31, 2003 have been provided mainly at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets as of March 31, 2003, as adjusted for the net unrecognized retirement benefit obligation at transition, unrecognized actuarial gain or loss, and unrecognized prior service cost. The retirement benefit obligation is attributed to each period or the year by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (principally 10 years through 15 years) which are shorter than the average remaining years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (principally 10 years through 15 years) which are shorter than the average remaining years of service of the eligible employees.

The consolidated subsidiaries also have similar severance indemnities plans and/or pension plans which cover substantially all their employees.

In addition, directors and statutory auditors of the Company are customarily entitled to lump-sum payments under an unfunded retirement plan. Provisions for retirement allowances for these officers are made at estimated amounts.

**(j) Research and Development Costs**

Research and development costs are charged to income as incurred.

**(k) Derivative Financial Instruments**

Certain consolidated subsidiaries have entered into various derivatives transactions in order to manage certain risks arising from adverse fluctuation in foreign currency exchange rates and interest rates. Unrealized gain or loss is principally deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at their corresponding contract rates.

**(l) Income Taxes**

The Company and consolidated subsidiaries have adopted tax-effect accounting in accordance with an accounting standard which requires recognition of income taxes by the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the amounts for financial reporting purposes and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

**(m) Appropriation of Retained Earnings**

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for such period, therefore, do not reflect such appropriations. See Note 16.

The Commercial Code of Japan provides that an amount equal to 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

**(n) Amounts per Share**

Until the period ended March 31, 2002, basic net income per share was computed based on the net income reported in the consolidated statements of operations and the weighted average number of shares of common stock outstanding during each year, and diluted net income per share was computed based on the net income reported and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

In accordance with a new accounting standard for earnings per share which became effective April 1, 2002, basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds for the year ended March 31, 2003.

Cash dividends per share represent the cash dividends declared as applicable to the respective period or year.

**(o) Treasury Stock and Reduction of Legal Reserves**

Effective April 1, 2002 the Company and consolidated subsidiaries adopted a new accounting standard for treasury stock and reduction of legal reserves. The adoption of this new accounting standard increased income before income taxes for the year ended March 31, 2003 by ¥5,164 million (\$43,033 thousand) over the amount which would have been recorded under the former standard.

### 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥120 = U.S.\$1.00, the approximate rate of exchange on March 31, 2003, has been used. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

### 4. Inventories

Inventories at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Merchandise and finished products.....	¥ 83,218	¥ 86,983	\$ 693,483
Work in process.....	15,943	15,814	132,858
Raw materials and supplies.....	39,012	40,692	325,100
	¥138,174	¥143,489	\$1,151,450

### 5. Short-Term Borrowings and Long-Term Debt

At March 31, 2003 and 2002, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Loans from banks.....	¥295,099	¥371,584	\$2,459,158
Loans from unconsolidated subsidiaries and affiliates.....	140	—	1,167
Commercial paper.....	71,000	37,000	591,667
	¥366,239	¥408,584	\$3,051,992

Loans from banks are unsecured and generally represent 365-day notes. The weighted average interest rates of the short-term bank loans outstanding at March 31, 2003 and 2002 were 0.70% and 0.82%, respectively.

Long-term debt at March 31, 2003 and 2002 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Loans from banks, insurance companies and others at rates ranging from 0.395% to 7.2% due through 2034:			
With collateral.....	¥178,203	¥199,376	\$1,485,025
Without collateral.....	154,645	124,782	1,288,708
2.5% unsecured notes in yen due 2003 (subsidiary).....	30,000	30,000	250,000
2.975% unsecured notes in yen due 2005 (subsidiary).....	25,000	25,000	208,333
2.55% unsecured notes in yen due 2003 (subsidiary).....	25,000	25,000	208,333
1.675% unsecured notes in yen due 2002 (subsidiary).....	—	15,000	—
2.075% unsecured notes in yen due 2004 (subsidiary).....	15,000	15,000	125,000
2.12% unsecured notes in yen due 2004 (subsidiary).....	20,000	20,000	166,667
0.2% unsecured exchangeable bonds in yen due 2006 (subsidiary).....	31,000	31,000	258,333
1.66% unsecured notes in yen due 2005 (subsidiary).....	1,500	1,500	12,500
	480,349	486,658	4,002,908
Less current portion.....	(132,696)	(96,693)	(1,105,800)
	¥347,652	¥389,964	\$2,897,100

Exchangeable bonds issued by a consolidated subsidiary, unless previously redeemed, are exchangeable into shares of common stock of the Company as follows:

	Current exchangeable price per share	Exchangeable period (up to and including)
0.2% exchangeable bonds due 2006.....	¥645,000	March 30, 2006

At March 31, 2003, if all the outstanding exchangeable bonds had been exchanged, approximately 48 thousand new shares of the Company would have been issuable.

Under the provisions of these issues, the exchange prices are subject to adjustment in certain cases which include stock splits.

Long-term debt maturities subsequent to March 31, 2003 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004.....	¥132,696	\$1,105,800
2005.....	105,275	877,292
2006.....	126,153	1,051,275
2007.....	38,014	316,783
2008 and thereafter.....	78,209	651,742
	¥480,349	\$4,002,908

## 6. Pledged Assets

Assets pledged as collateral for notes and accounts payable-trade of ¥73 million (\$608 thousand), short-term borrowings of ¥7,595 million (\$63,292 thousand), the current portion of long-term debt of ¥44,913 million (\$374,275 thousand), and long-term debt of ¥133,290 million (\$1,110,750 thousand) at March 31, 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Notes and accounts receivable-trade.....	¥ 3,919	¥ 5,073	\$ 32,658
Property, plant and equipment, at net book value .....	503,831	472,382	4,198,592
Investments in other securities.....	12,124	17,500	101,033
Other assets.....	4,122	8,596	34,350
	<b>¥523,997</b>	<b>¥503,552</b>	<b>\$4,366,642</b>

## 7. Retirement Benefits

Certain consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2003 and 2002 for the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Retirement benefit obligation .....	¥(268,171)	¥(266,077)	\$(2,234,758)
Plan assets at fair value .....	114,211	137,555	951,758
Unfunded retirement benefit obligation .....	(153,960)	(128,521)	(1,283,000)
Unrecognized actuarial gain or loss.....	84,594	57,875	704,950
Unrecognized prior service cost .....	(907)	(1,753)	(7,558)
Net retirement benefit obligation.....	(70,273)	(72,399)	(585,608)
Prepaid pension cost.....	2,224	3,332	18,533
Accrued retirement benefits.....	¥ (72,498)	¥ (75,732)	\$ (604,150)

The government-sponsored portion of the benefits under the Welfare Pension Fund Plans has been included in the amounts presented in the above table.

The components of retirement benefit expenses for the year ended March 31, 2003 and the period ended March 31, 2002 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Service cost.....	¥ 8,663	¥ 4,715	\$ 72,192
Interest cost .....	7,806	4,428	65,050
Expected return on plan assets.....	(4,245)	(2,474)	(35,375)
Amortization of net retirement benefit obligation at transition .....	—	2,947	—
Amortization of actuarial gain or loss.....	4,238	736	35,317
Amortization of prior service cost .....	(58)	(34)	(483)
Total.....	<b>¥16,403</b>	<b>¥10,319</b>	<b>\$136,692</b>

In addition to the above, the extra retirement benefits of ¥1,107 million (\$9,225 thousand) and ¥350 million (\$2,917 thousand) were paid for the year and the period ended March 31, 2003 and 2002, respectively.

The assumptions used in accounting for the above plans were as follows:

	2003	2002
Discount rate.....	mainly 3.0%	mainly 3.0%
Expected rate of return on plan assets.....	mainly 4.0%	mainly 4.0%

## 8. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on earnings, i.e. corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 42.1% for the year ended March 31, 2003 and the period ended March 31, 2002. The effective tax rate reflected in the accompanying consolidated statements of operations differs from the statutory tax rate primarily due to the effect of timing differences in the recognition of certain income and expenses for tax and financial reporting purposes and the effect of permanent non-deductible expenses.

For the period ended March 31, 2002, a reconciliation between the statutory tax rate and the effective tax rate has not been presented as a loss before income taxes was recorded.

The effective tax rate reflected in the consolidated statement of operations for the year ended March 31, 2003 differs from the statutory tax rate for the following reasons:



	2003
Statutory tax rate.....	42.1%
Effect of:	
Permanent difference—entertainment expenses.....	13.1
Non-taxable dividends received.....	(5.5)
Equity in losses of unconsolidated subsidiaries and affiliates.....	3.7
Amortization of the excess of cost over underlying net equity in consolidated subsidiaries.....	12.8
Inhabitants' per capita taxes.....	3.6
Provision for valuation allowance.....	(71.6)
Difference in tax rates applied to subsidiaries.....	(3.3)
Change in statutory tax rate.....	8.1
Other, net.....	(0.5)
Effective tax rate.....	2.5%

New legislation was enacted in March 2003 which will change the aggregate statutory tax rate from 42.1% to 40.5% effective for fiscal years beginning after March 31, 2004. The effect of this change was to decrease deferred tax assets (net of deferred tax liabilities) by ¥641 million (\$5,342 thousand) at March 31, 2003 and to increase income taxes—deferred by ¥654 million (\$5,450 thousand) for the year ended March 31, 2003.

Significant components of the deferred tax assets and liabilities held by the Company and its consolidated subsidiaries at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Accrued bonuses.....	¥ 3,578	¥ 3,122	\$ 29,817
Accrued enterprise tax.....	730	237	6,083
Accrued allowance for doubtful receivables.....	13,306	7,260	110,883
Accrued retirement benefits.....	33,257	32,175	277,142
Accrued officers' retirement benefits.....	949	1,047	7,908
Accrual for loss on investment securities.....	2,630	3,896	21,917
Tax loss carryforwards.....	22,511	24,914	187,592
Unrealized profit eliminated in consolidation.....	5,994	6,086	49,950
Other.....	4,864	5,284	40,533
	<b>87,822</b>	84,024	<b>731,850</b>
Valuation allowance.....	<b>(15,294)</b>	(23,448)	<b>(127,450)</b>
	<b>72,528</b>	60,576	<b>604,400</b>
Deferred tax liabilities:			
Tax reserves.....	<b>(8,418)</b>	(8,077)	<b>(70,150)</b>
Accumulated depreciation.....	<b>(1,365)</b>	(1,354)	<b>(11,375)</b>
Valuation differences on land, etc.....	<b>(28,068)</b>	(29,603)	<b>(233,900)</b>
Investments in other securities.....	<b>(1,701)</b>	—	<b>(14,175)</b>
Other.....	<b>(586)</b>	(887)	<b>(4,883)</b>
	<b>(40,140)</b>	(39,923)	<b>(334,500)</b>
Net deferred tax assets.....	<b>¥32,388</b>	¥20,652	<b>\$269,900</b>

## 9. Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which is included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus account equals 25% of the common stock account. The legal reserve amounted to ¥432 million (\$3,600 thousand) at both March 31, 2003 and 2002.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares without par value.

## 10. Leases

### Lessee's Accounting

- a) The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property at March 31, 2003 and 2002, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Acquisition costs:			
Machinery and equipment.....	<b>¥10,187</b>	¥10,326	<b>\$84,892</b>
Accumulated depreciation:			
Machinery and equipment.....	<b>¥ 4,975</b>	¥ 4,921	<b>\$41,458</b>
Net book value:			
Machinery and equipment.....	<b>¥ 5,211</b>	¥ 5,404	<b>\$43,425</b>

The pro forma depreciation portion of the lease payments relating to finance leases accounted for as operating leases for the year ended March 31, 2003 and the period ended March 31, 2002 amounted to ¥1,759 million (\$14,658 thousand) and ¥1,046 million and were computed by the straight-line method over the respective lease terms of the assets.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2003 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004 .....	¥1,621	\$13,508
2005 and thereafter.....	3,590	29,917
Total.....	¥5,211	\$43,425

- b) Future minimum lease payments subsequent to March 31, 2003 for noncancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004 .....	¥ 616	\$ 5,133
2005 and thereafter.....	783	6,525
Total.....	¥1,400	\$11,667

### Lessor's Accounting

- a) The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Acquisition costs:			
Machinery and equipment.....	<b>¥144</b>	¥123	<b>\$1,200</b>
Accumulated depreciation:			
Machinery and equipment.....	<b>¥ 93</b>	¥ 88	<b>\$ 775</b>
Net book value:			
Machinery and equipment.....	<b>¥ 51</b>	¥ 34	<b>\$ 425</b>

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥19 million (\$158 thousand) and ¥11 million, for the year ended March 31, 2003 and the period ended March 31, 2002. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥19 million (\$158 thousand) and ¥11 million, for the year and the period ended March 31, 2003 and 2002, respectively.

Future minimum lease income subsequent to March 31, 2003 for noncancelable operating leases is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004 .....	¥20	\$167
2005 and thereafter .....	29	242
Total .....	¥49	\$408

- b) Future minimum lease income subsequent to March 31, 2003 for noncancelable operating leases is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004 .....	¥12	\$100
2005 and thereafter .....	76	633
Total .....	¥88	\$733

## 11. Contingent Liabilities

The consolidated subsidiaries had the following contingent liabilities at March 31, 2003:

	Millions of yen	Thousands of U.S. dollars
As guarantors of indebtedness of unconsolidated subsidiaries, affiliates and others.....	¥39,794	\$331,617

A consolidated subsidiary has entered into an agreement to sell its subsidiary in North America under which the subsidiary will compensate the buyer at a maximum amount of U.S.\$10,000 thousand (¥1,212 million) for losses on environmental claims which are as yet to be incurred over the three-and-one-half-year period after the sale in April 2002.

## 12. Securities

(1) a) Marketable securities classified as held-to-maturity debt securities and other securities at March 31, 2003 are summarized as follows:

### Marketable held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
	March 31, 2003			March 31, 2003		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:						
Corporate bonds .....	¥100	¥100	¥0	\$ 833	\$ 833	\$0
Other .....	26	26	0	217	217	0
Subtotal.....	126	127	0	1,050	1,058	0
Securities whose carrying value exceeds their fair value:						
Government bonds.....	280	280	0	2,333	2,333	0
Other .....	99	99	0	825	825	0
Subtotal.....	380	380	0	3,167	3,167	0
Total.....	¥506	¥507	¥0	\$4,217	\$4,225	\$0

### Marketable other securities

	Millions of yen			Thousands of U.S. dollars		
	March 31, 2003			March 31, 2003		
	Cost	Carrying value	Unrealized gain (loss)	Cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their cost:						
Equity securities.....	¥ 8,718	¥14,579	¥ 5,861	\$ 72,650	\$121,492	\$ 48,842
Debt securities .....	1,858	2,053	195	15,483	17,108	1,625
Other .....	0	0	0	0	0	0
Subtotal.....	10,577	16,633	6,056	88,142	138,608	50,467
Securities whose cost exceeds their carrying value:						
Equity securities.....	28,886	21,393	(7,492)	240,717	178,275	(62,433)
Other .....	19	14	(5)	158	117	(42)
Subtotal.....	28,906	21,408	(7,497)	240,883	178,400	(62,475)
Total.....	¥39,483	¥38,042	¥(1,441)	\$329,025	\$317,017	\$(12,008)

b) Sales of securities classified as other securities amounted to ¥3,048 million (\$25,400 thousand) with an aggregate gain of ¥189 million (\$1,575 thousand) and loss of ¥295 million (\$2,458 thousand) for the year ended March 31, 2003.

c) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at March 31, 2003 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	March 31, 2003			March 31, 2003		
	Due in one year or less	Due after one year through five years	Due after five years	Due in one year or less	Due after one year through five years	Due after five years
Government bonds .....	¥ -	¥280	¥-	\$ -	\$2,333	\$-
Corporate bonds.....	100	-	-	833	-	-
Other debt.....	219	41	-	1,825	342	-
Total.....	¥319	¥322	¥-	\$2,658	\$2,683	\$-

d) Non-marketable securities classified as held-to-maturity debt securities and other securities at March 31, 2003 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	March 31, 2003	March 31, 2003
	Carrying value	Carrying value
Other securities:		
Unlisted equity securities .....	¥27,904	\$232,533
Other.....	1,010	8,417
Total.....	¥28,914	\$240,950

(2) a) Marketable securities classified as held-to-maturity debt securities and other securities at March 31, 2002 are summarized as follows:

**Marketable held-to-maturity debt securities**

	Millions of yen		
	March 31, 2002		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds .....	¥ 106	¥ 106	¥ -
Corporate bonds .....	999	1,011	12
Subtotal .....	1,105	1,118	12
Securities whose carrying value exceeds their fair value:			
Corporate bonds .....	100	90	(9)
Subtotal .....	100	90	(9)
Total .....	¥1,205	¥1,208	¥ 3

**Marketable other securities**

	Millions of yen		
	March 31, 2002		
	Cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their cost:			
Equity securities .....	¥21,036	¥28,586	¥ 7,550
Debt securities .....	1,956	2,086	129
Other .....	1,050	1,063	13
Subtotal .....	24,042	31,736	7,693
Securities whose cost exceeds their carrying value:			
Equity securities .....	26,028	20,134	(5,893)
Other .....	16	12	(4)
Subtotal .....	26,044	20,146	(5,897)
Total .....	¥50,087	¥51,882	¥ 1,795

b) Sales of securities classified as other securities amounted to ¥973 million with an aggregate gain of ¥654 million for the period ended March 31, 2002.

c) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at March 31, 2002 is summarized as follows:

	Millions of yen		
	March 31, 2002		
	Due in one year or less	Due after one year through five years	Due after five years
Corporate bonds .....	¥2,162	¥100	¥ -
Other debt securities .....	72	109	1,000
Total .....	¥2,235	¥209	¥1,000

d) Non-marketable securities classified as held-to-maturity debt securities and other securities at March 31, 2002 are summarized as follows:

	Millions of yen
	March 31, 2002
	Carrying value
Held-to-maturity debt securities:	
Unlisted .....	¥ 1,000
Other .....	56
Total .....	¥ 1,056
Other securities:	
Unlisted equity securities .....	¥25,543
Other .....	1,153
Total .....	¥26,697

# 13. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in three major industry segments: pulp and paper, paper-related and housing and construction materials. The results of their other businesses are reported in the "Other" segment.

Business segment information of the Company and its consolidated subsidiaries for the year ended March 31, 2003 and the period ended March 31, 2002 is as follows:

Millions of yen							
2003							
	Pulp and paper	Paper-related	Housing and construction materials	Other	Total	Eliminations or corporate	Consolidated
<b>I. Sales and operating income</b>							
Sales to third parties.....	¥ 897,349	¥ 98,194	¥ 94,004	¥ 75,903	¥1,165,450	¥ -	¥1,165,450
Intergroup sales and transfers.....	2,458	10,149	39,303	26,716	78,628	(78,628)	-
Total sales.....	899,808	108,344	133,307	102,619	1,244,079	(78,628)	1,165,450
Operating expenses.....	859,868	103,447	132,358	97,953	1,193,628	(78,628)	1,115,000
Operating income.....	¥ 39,939	¥ 4,896	¥ 948	¥ 4,666	¥ 50,450	¥ -	¥ 50,450
<b>II. Assets, depreciation and capital expenditures</b>							
Total assets.....	¥1,229,832	¥ 95,200	¥ 91,519	¥ 92,681	¥1,509,234	¥120,892	¥1,630,126
Depreciation.....	72,108	3,834	1,421	5,859	83,223	-	83,223
Capital expenditures.....	68,599	3,225	1,263	3,816	76,904	-	76,904
Thousands of U.S. dollars							
2003							
	Pulp and paper	Paper-related	Housing and construction materials	Other	Total	Eliminations or corporate	Consolidated
<b>I. Sales and operating income</b>							
Sales to third parties.....	\$ 7,477,908	\$818,283	\$ 783,367	\$632,525	\$ 9,712,083	\$ -	\$ 9,712,083
Intergroup sales and transfers.....	20,483	84,575	327,525	222,633	655,233	(655,233)	-
Total sales.....	7,498,400	902,867	1,110,892	855,158	10,367,325	(655,233)	9,712,083
Operating expenses.....	7,165,567	862,058	1,102,983	816,275	9,946,900	(655,233)	9,291,667
Operating income.....	\$ 332,825	\$ 40,800	\$ 7,900	\$ 38,883	\$ 420,417	\$ -	\$ 420,417
<b>II. Assets, depreciation and capital expenditures</b>							
Total assets.....	\$10,248,600	\$793,333	\$762,658	\$772,342	\$12,576,950	\$1,007,433	\$13,584,383
Depreciation.....	600,900	31,950	11,842	48,825	693,525	-	693,525
Capital expenditures.....	571,658	26,875	10,525	31,800	640,867	-	640,867
Millions of yen							
2002							
	Pulp and paper	Paper-related	Housing and construction materials	Other	Total	Eliminations or corporate	Consolidated
<b>I. Sales and operating income</b>							
Sales to third parties.....	¥ 466,134	¥ 47,219	¥ 47,876	¥35,007	¥ 596,237	¥ -	¥ 596,237
Intergroup sales and transfers.....	758	4,083	17,068	7,798	29,708	(29,708)	-
Total sales.....	466,892	51,303	64,944	42,805	625,946	(29,708)	596,237
Operating expenses.....	447,929	50,026	64,545	41,279	603,781	(29,708)	574,072
Operating income.....	¥ 18,963	¥ 1,276	¥ 399	¥ 1,526	¥ 22,165	¥ -	¥ 22,165
<b>II. Assets, depreciation and capital expenditures</b>							
Total assets.....	¥1,250,405	¥100,871	¥94,410	¥90,842	¥1,536,530	¥185,215	¥1,721,745
Depreciation.....	37,407	2,818	767	3,179	44,172	-	44,172
Capital expenditures.....	29,264	2,677	554	1,469	33,965	-	33,965

## Geographic segments

Since sales in Japan were 90% or more of consolidated sales for the year ended March 31, 2003 and the period ended March 31, 2002, geographical segment information has not been presented.

## Overseas segment

Since overseas sales were less than 10% of consolidated sales for the year ended March 31, 2003 and the period ended March 31, 2002, no disclosure of overseas segment information has been presented.

## 14. Derivatives

Certain subsidiaries have entered into interest-rate swap and interest-rate cap agreements to reduce their interest expense or exposure to adverse fluctuation in interest rates relating to loans and bonds payable.

The notional amounts of the forward foreign exchange contracts and currency swaps presented below exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

Summarized below are the contract amounts and estimated fair value of the subsidiaries' derivatives positions at March 31, 2003 and 2002:

	Millions of yen				Thousands of U.S. dollars	
	2003		2002		2003	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Interest-rate swaps:						
Receive-variable; pay-fixed .....	<b>¥1,325</b>	<b>¥ (8)</b>	¥2,275	¥ (34)	<b>\$11,042</b>	<b>\$ (67)</b>
Receive-fixed; pay-variable .....	<b>5,000</b>	<b>211</b>	5,000	252	<b>41,667</b>	<b>1,758</b>
Receive-variable; pay-variable .....	—	—	1,600	(5)	—	—
Interest-rate caps:						
To buy .....	<b>¥8,000</b>	<b>¥ 0</b>	¥8,000	¥ 3	<b>\$66,667</b>	<b>\$ 0</b>

The following methodologies and assumptions were used by certain subsidiaries in estimating the fair value of its derivatives positions:

Interest-rate swaps and interest-rate caps:

Estimated fair value as provided by the respective financial institutions

## 15. Research and Development Costs

Included in cost of sales and selling, general and administrative expenses were ¥6,726 million (\$56,050 thousand) and ¥3,708 million of research and development costs for the year ended March 31, 2003 and the period ended March 31, 2002.

(supplemental information : ¥7,170 million for full fiscal 2002 (unaudited))

## 16. Subsequent Events

a. The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2003, were approved at a shareholders' meeting held on June 27, 2003:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥8,000.00 = \$66.667 per share) .....	¥8,729	\$72,742
Bonuses to directors .....	35	292
	¥8,764	\$73,033

b. Restructuring of paper business

The Company announced the restructuring of its paper business on April 23, 2002 in order to strengthen the management basis of Nippon Unipac Holding and to become a competitive company worldwide. The restructuring is summarized as follows:

### *Restructuring of paper business*

Effective April 1, 2003, Nippon Paper Industries Co., Ltd. ("Nippon") and Daishowa Paper Manufacturing Co., Ltd. ("Daishowa") and Nippon Paper Sales Co., Ltd. were combined to form a new company, Nippon Paper Industries Co., Ltd.

c. Centralization of financing operations

Effective April 1, 2003, the Company will raise the funds necessary for its group companies by borrowing money from various financial institutions and issuing bonds and commercial paper. The funds raised by the Company will be loaned to Nippon, a consolidated subsidiary, and will also be supplied to group companies through the Cash Management Service of Nippon. As of May 31, 2003, the Company had borrowings from financial institutions which amounted to ¥114,400 million (\$953,333 thousand), had issued commercial paper of ¥36,000 million (\$300,000 thousand) and had issued bonds of ¥40,000 million (\$333,333 thousand).

# Report of Independent Auditors



**Certified Public Accountants**

Hibiya Kokusai Bldg.  
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Chiyoda-ku, Tokyo 100-0011  
C.P.O. Box 1196, Tokyo 100-8641

Phone: 03 3503-1100  
Fax: 03 3503-1197

The Board of Directors  
Nippon Unipac Holding

We have audited the accompanying consolidated balance sheets of Nippon Unipac Holding and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year ended March 31, 2003 and the period from October 1, 2001 (the date of inception) to March 31, 2002, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Unipac Holding and consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the year ended March 31, 2003 and the period from October 1, 2001 (the date of inception) to March 31, 2002 in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 2 to the consolidated financial statements, Nippon Unipac Holding and consolidated subsidiaries have adopted a new accounting standard for treasury stock and reduction of legal reserves effective the year ended March 31, 2003 in the preparation of their consolidated financial statements. In addition, as described in Note 16, Nippon Unipac Holding, effective April 1, 2003, has centralized its financing operations in order to raise the funds necessary for its group companies.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

*Shin Nihon & Co.*

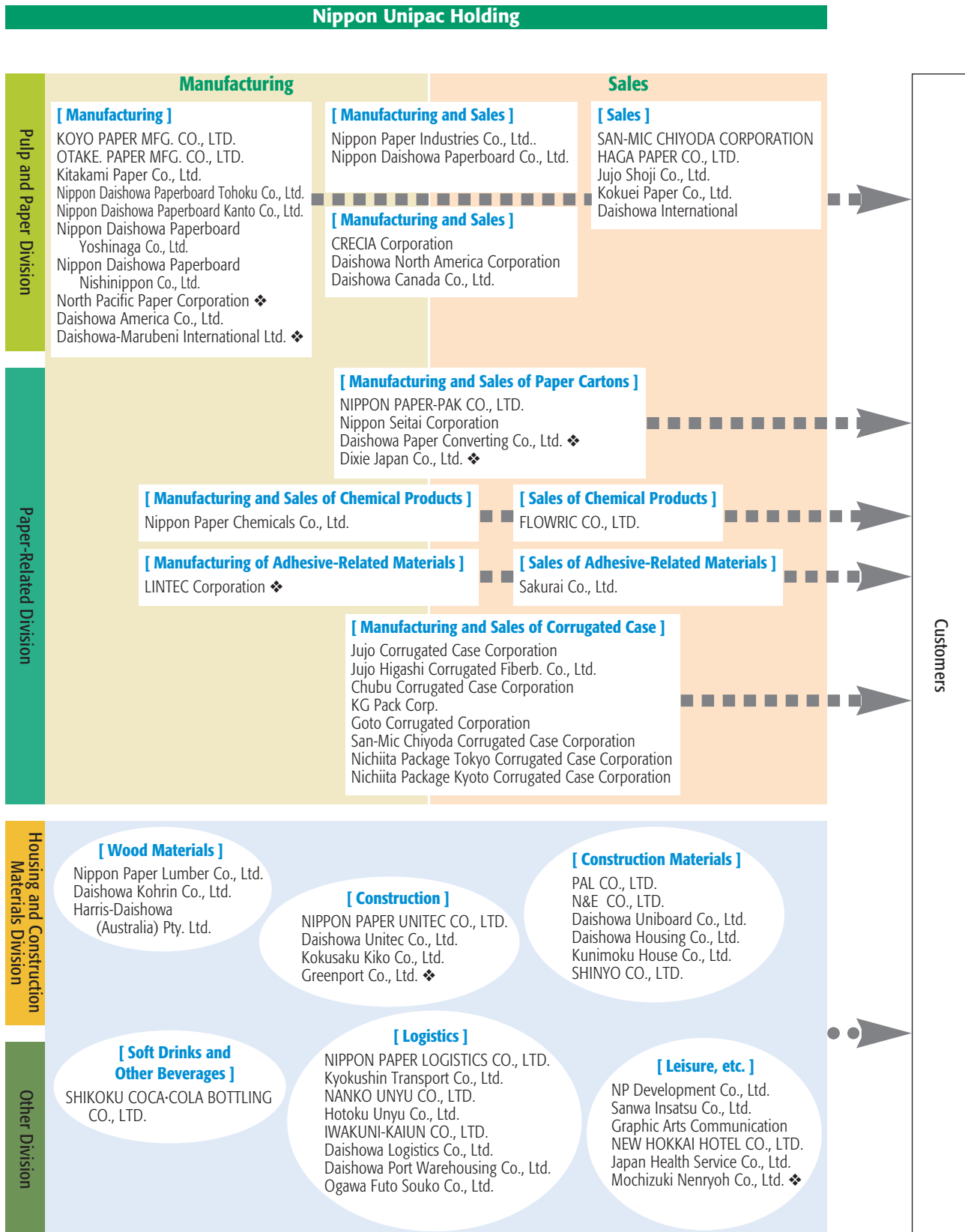
June 27, 2003

*See Note 2 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Nippon Unipac Holding and consolidated subsidiaries under Japanese accounting principles and practices.*

# Organization Chart

(As of April 1, 2003)

At a Glance  
Core Competence  
To Our Shareholders  
Medium-Term Business Plan  
Sustainable Growth  
Financial Section  
Basic Information



❖ Affiliates accounted for by the equity method

Note: Please refer to "Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method" (page 55) for the scope of financial statements in this annual report.



# Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

(As of March 31, 2003)

COMPANY NAME	CAPITAL OR INVESTMENT	EQUITY OWNERSHIP PERCENTAGE
	(Millions of Yen, Except Where Noted)	(%)
<b>■ Consolidated Subsidiaries</b>		
●● Nippon Paper Industries Co., Ltd.	104,873	100.00
● Daishowa Paper Manufacturing Co., Ltd.	31,784	100.00
● Japan Paperboard Industries Co., Ltd.	10,863	100.00
● Nippon Paper Sales Co., Ltd.	310	(100.00)
● Nippon Paperboard Sales Ltd.	310	(100.00)
●●● SAN-MIC CHIYODA CORPORATION	3,948	(58.24)
● CRECIA Corporation	4,667	(97.50)
● Tohoku Paper Co., Ltd.	5,000	(100.00)
● KOYO PAPER MFG. CO., LTD.	400	(99.77)
● Jujo Shoji Co., Ltd.	50	(100.00)
● Kokuei Paper Co., Ltd.	100	(92.50)
● OTAKE. PAPER MFG. CO., LTD.	2,100	(100.00)
● Kitakami Paper Co., Ltd.	300	(49.92)
● Sakurai Co., Ltd.	120	(53.17)
● NIPPON PAPER-PAK CO., LTD.	4,000	(100.00)
● Nippon Paper Chemicals Co., Ltd.	3,000	(100.00)
● Nippon Seitai Corporation	424	(94.81)
● FLOWRIC CO., LTD.	172	(66.00)
●● NP Development Co., Ltd.	710	(100.00)
● Nippon Paper Lumber Co., Ltd.	440	(100.00)
● SHINYO CO., LTD.	123	(100.00)
● NIPPON PAPER UNITEC CO., LTD.	40	(100.00)
● Kokusaku Kiko Co., Ltd.	60	(100.00)
● Kunimoku House Co., Ltd.	20	(100.00)
● PAL CO., LTD.	4,000	(100.00)
● N&E CO., LTD.	3,750	(70.00)
● Daishowa Uniboard Co., Ltd.	490	(100.00)
● NANKO UNYU CO., LTD.	160	(88.75)
● IWAKUNI-KAIUN CO., LTD.	69	(100.00)
● Kyokushin Transport Co., Ltd.	20	(65.50)
● SHIKOKU COCA-COLA BOTTLING CO., LTD.	5,576	(54.94)
● NIPPON PAPER LOGISTICS CO., LTD.	70	(100.00)
● Hotoku Unyu Co., Ltd.	15	(100.00)
● Sanwa Insatsu Co., Ltd.	50	(100.00)
● Graphic Arts Communication	480	(100.00)
● NEW HOKKAI HOTEL CO., LTD.	247	(97.36)
● Fuji Coated Paper Co., Ltd.	490	(100.00)
● Daishowa C.P.F. Co., Ltd.	50	(100.00)
● Daishowa C.P.S. Co., Ltd.	30	(100.00)
● Daishowa C.P.I. Co., Ltd.	20	(100.00)
● Daishowa International	7,150	(54.55)
● Daishowa North America Corporation	165,800 (thousands of Canadian dollars)	(100.00)
● Daishowa Canada Co., Ltd.	144,801 (thousands of Canadian dollars)	(100.00)
● Daishowa America Co., Ltd.	53 (thousands of U.S. dollars)	(100.00)
● Daishowa Kohrin Co., Ltd.	476	(100.00)
● Daishowa Housing Co., Ltd.	490	(100.00)
● Harris-Daishowa (Australia) Pty. Ltd.	7,500 (thousands of Australian dollars)	(62.50)
● Japan Health Service Co., Ltd.	270	(99.17)
● Daishowa Port Warehousing Co., Ltd.	499	(92.70)
● Ogawa Futo Souko Co., Ltd.	50	(100.00)
● Daishowa Unitec Co., Ltd.	30	(100.00)
● Daishowa Logistics Co., Ltd.	490	(100.00)
<b>■ Affiliates Accounted for by the Equity Method</b>		
● North Pacific Paper Corporation	332,268 (thousands of U.S. dollars)	(50.00)
● LINTEC Corporation	19,699	(29.67)
● Daishowa-Marubeni International Ltd.	262,000 (thousands of Canadian dollars)	(50.00)
● Daishowa Paper Converting Co., Ltd.	235	(44.68)
● Dixie Japan Co., Ltd.	1,059	(44.44)
● Greenport Co., Ltd.	50	(25.00)
● Mochizuki Nenryoh Co., Ltd.	44	(20.00)

Notes 1: The color before the name of every company corresponds to the each one of four divisions shown on pages 2, 3 and 54.

2: Numbers in parentheses that appear in the column for equity ownership percentage represent the rate of indirect ownership of voting rights.

● Pulp and Paper Division ● Paper-Related Division ● Housing and Construction Materials Division ● Other Division

# Network

## HEADQUARTERS

### Pulp and Paper Division

#### ● Nippon Paper Industries Co., Ltd.

Shin-Yuraku-cho building  
1-12-1 Yurakucho, Chiyoda-ku  
Tokyo 100-0006  
JAPAN  
Tel. +81-(0)3-3218-8000  
Fax. +81-(0)3-3216-4753

#### ● Nippon Daishowa Paperboard Co., Ltd.

Nihonbashi Asahi Seimeikan  
2-1-3 Nihonbashi, Chuo-ku  
Tokyo 103-0027  
JAPAN  
Tel. +81-(0)3-3242-7311  
Fax. +81-(0)3-3242-7312

#### ● CRECIA Corporation

Shinjuku Square Tower  
6-22-1 Nishishinjuku, Shinjuku-ku  
Tokyo 163-1105  
JAPAN  
Tel. +81-(0)3-5323-0260  
Fax. +81-(0)3-5323-0263

### Paper-Related Division

#### ● NIPPON PAPER-PAK CO., LTD.

Iidabashi Rainbow Building  
11 Ichigaya-Funagawara-Cho  
Shinjuku-ku, Tokyo 162-0826  
JAPAN  
Tel. +81-(0)3-3269-8631  
Fax. +81-(0)3-3267-6587

#### ● Nippon Paper Chemicals Co., Ltd.

JS Ichigaya Building  
5-1 Goban-cho, Chiyoda-ku  
Tokyo 102-0076  
JAPAN  
Tel. +81-(0)3-5216-9111  
Fax. +81-(0)3-5216-8516

### Housing and Construction Materials Division

#### ● Nippon Paper Lumber Co., Ltd.

Kyotoku Building  
1-9-5 Oji, Kita-ku  
Tokyo 114-8552  
JAPAN  
Tel. +81-(0)3-5390-2011  
Fax. +81-(0)3-5390-2020

## PRODUCTION SITES

### Pulp and Paper Division

- Kushiro Mill (Hokkaido)
- Asahikawa Mill (Hokkaido)
- Yufutsu Mill (Hokkaido)
- Shiraoi Mill (Hokkaido)
- Ishinomaki Mill (Miyagi)
- Iwanuma Mill (Miyagi)
- Nakoso Mill (Fukushima)
- Suzukawa Mill (Shizuoka)
- Fuji Mill (Shizuoka)
- Fushiki Mill (Toyama)
- Iwakuni Mill (Yamaguchi)
- Komatsushima Mill (Tokushima)
- Yatsushiro Mill (Kumamoto)
- Functional Materials Division (Saitama)
- Nippon Daishowa Paperboard Tohoku Co., Ltd. (Akita)
- Nippon Daishowa Paperboard Kanto Co., Ltd. (Saitama/Tochigi)
- Nippon Daishowa Paperboard Yoshinaga Co., Ltd. (Shizuoka)
- Nippon Daishowa Paperboard Nishinippon Co., Ltd. (Hiroshima/Yamaguchi/Kochi)
- Tokyo Mill (Saitama)
- Kaisei Mill (Kanagawa)
- Kyoto Mill (Kyoto)
- Iwakuni Mill (Yamaguchi)

### Paper-Related Division

- SOKA PAPER-PAK CO., LTD. (Saitama)
- EGAWA PAPER-PAK CO., LTD. (Ibaraki)
- MIKI PAPER-PAK CO., LTD. (Hyogo)
- ISHIOKA KAKO CO., LTD. (Ibaraki)
- NP Film Industries Co., Ltd. (Tokyo)
- Gotsu Works (Shimane)
- Iwakuni Works (Yamaguchi)
- Yufutsu Works (Hokkaido)
- Komatsushima Works (Tokushima)

## OVERSEAS OFFICES

### Pulp and Paper Division

#### Longview Office

3001, Industrial Way Longview, WA 98632  
(P.O.Box 2069)  
U.S.A.  
Tel. +1-360-636-6452  
Fax. +1-360-423-1514

#### Shanghai Office

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Tel. +86-21-6278-7581  
Fax. +86-21-6278-7582

#### Pietermaritzburg Office

c/o The Central Timber Co-operative Ltd.  
171 Burger Street, Pietermaritzburg 3201  
REPUBLIC OF SOUTH AFRICA  
Tel. +27-33-3924-215  
Fax. +27-33-3426-410

#### Concepción Office

Ejército 399, Concepción  
CHILE  
Tel. +56-41-244-300  
Fax. +56-41-259-541

### Housing and Construction Materials Division

#### Vancouver Office

Suite #820-999, West Broadway  
Vancouver, B.C. V5Z 1K5  
CANADA  
Tel. +1-604-873-5358  
Fax. +1-604-875-8712

## OVERSEAS SUBSIDIARIES AND AFFILIATES

### Pulp and Paper Division

#### Asia and Oceania

##### ■ China

#### Shouguang Liben Paper Making Co., Ltd.

595 Shengcheng Road  
Shouguang, Shandong 262700  
CHINA  
Tel. +86-536-5236112  
Fax. +86-536-5234432

#### Shanghai JP Co., Ltd.

173 Hongcao Road(S), Shanghai  
CHINA  
Tel. +86-21-64089900  
Fax. +86-21-64086677

#### Zhejiang Jingxing Paper Joint Stock Co.,Ltd.

Pinghu Zhejiang  
CHINA  
Tel. +86-573-5960111  
Fax. +86-573-5966983

#### Zhejiang Jingxing Nippon Paper Co.,Ltd.

Pinghu Zhejiang  
CHINA  
Tel. +86-573-5961717  
Fax. +86-573-5960888

#### Everwealth Paper Industries (Shanghai) Co., Ltd.

2 Xinjie Rd. Xin Qiao Industrial Park Song Jiang  
Shanghai, 201612  
CHINA  
Tel. +86-21-57645189  
Fax. +86-21-57645118

##### ■ Australia

#### Harris-Daishowa (Australia) Pty. Ltd.\*

P.O.Box 189, Jews Head  
Edrom Road, Eden, N.S.W. 2551  
AUSTRALIA  
Tel. +61-2-6496-0222  
Fax. +61-2-6496-1204

*\*Company name is to be changed to  
South East Fibre Export Pty. Ltd. from  
October 1, 2003*

#### Nippon Paper Treefarm Australia Pty. Ltd.

Level 35, 360 Collins Street  
Melbourne, VIC 3000  
AUSTRALIA  
Tel. +61-3-9605-8891  
Fax. +61-3-9605-8893

#### WA Plantation Resources Pty. Ltd.

Level 5, BGC Centre  
28 The Esplanade Perth WA 6000  
AUSTRALIA  
(GPO Box R1248, Perth WA 6001)  
Tel. +61-8-9420-8300  
Fax. +61-8-9322-7895

##### ■ New Zealand

#### Pan Pac Forest Products Ltd.

Private Bag 6203, 1161 SH2  
Wairoa Road, Napier  
NEW ZEALAND  
Tel. +64-6-831-0100  
Fax. +64-6-836-6443

#### North and South America

##### ■ U.S.A.

#### North Pacific Paper Corporation

3401, Industrial Way Longview  
WA 98632 (P.O.Box 2069)  
U.S.A.  
Tel. +1-360-636-6400  
Fax. +1-360-423-1514

#### Daishowa America Co., Ltd.\*

1815 Marine Drive (P.O.Box 271)  
Port Angeles WA 98362  
U.S.A.  
Tel. +1-360-457-4474  
Fax. +1-360-452-6576

*\*Company name is to be changed to  
Nippon Paper Industries USA Co., Ltd. from  
October 1, 2003*

##### ■ Canada

#### Daishowa North America Corporation

1140-1040 West Georgia St.  
Vancouver, B.C. V6E 4H1  
CANADA  
Tel. +1-604-801-6628  
Fax. +1-604-689-2853

#### Daishowa Canada Co., Ltd.

1140-1040 West Georgia St.  
Vancouver, B.C. V6E 4H1  
CANADA  
Tel. +1-604-801-6628  
Fax. +1-604-801-6658

#### Daishowa-Marubeni International Ltd.

Suite 700-510 Burrard Street,  
Vancouver, B.C. V6C 3A8  
CANADA  
Tel. +1-604-684-4326  
Fax. +1-604-684-0512

##### ■ Chile

#### Volterra S.A.

Ejército 399, Concepción  
CHILE  
Tel. +56-41-244-300  
Fax. +56-41-259-541

#### Europe

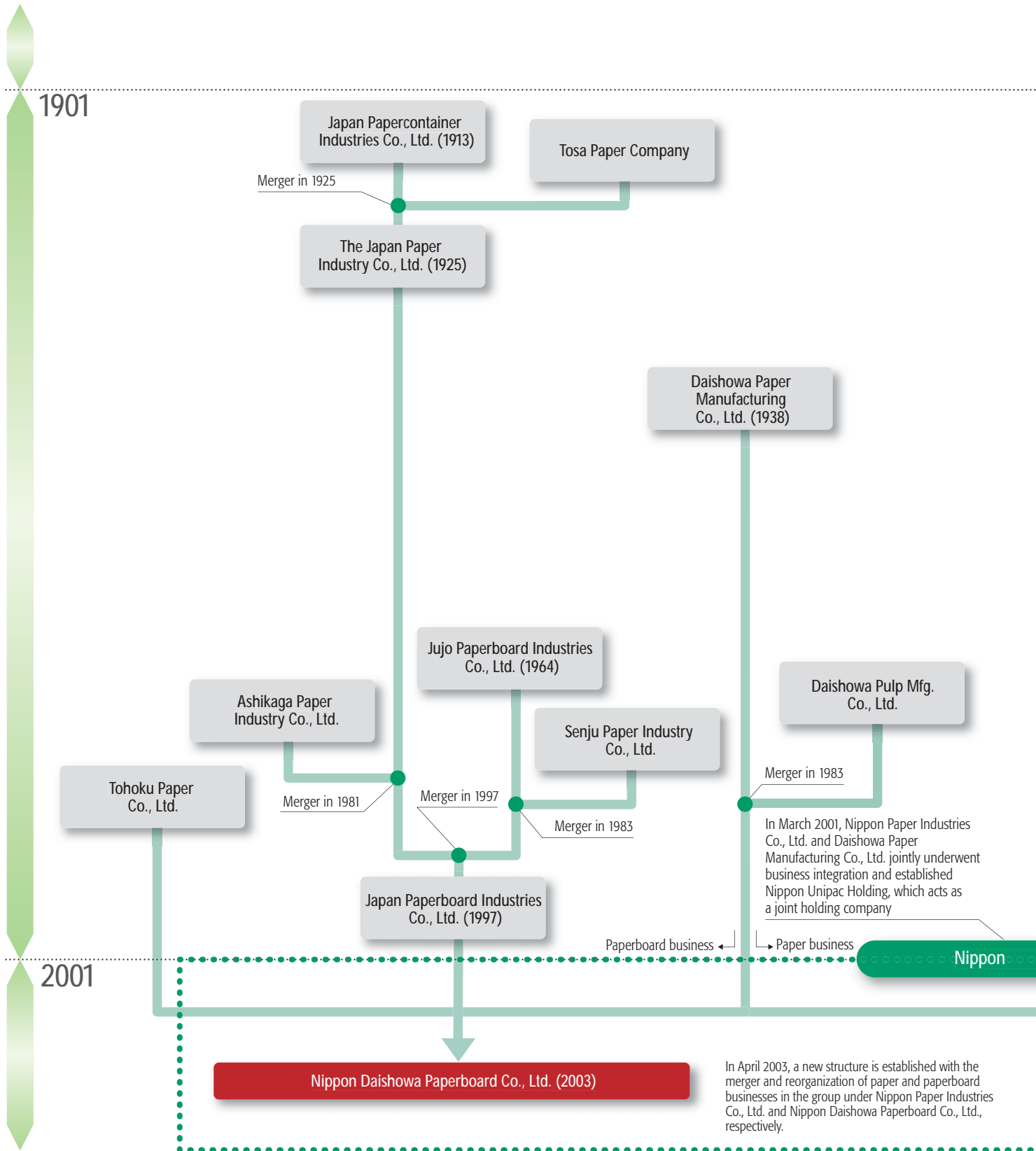
##### ■ Finland

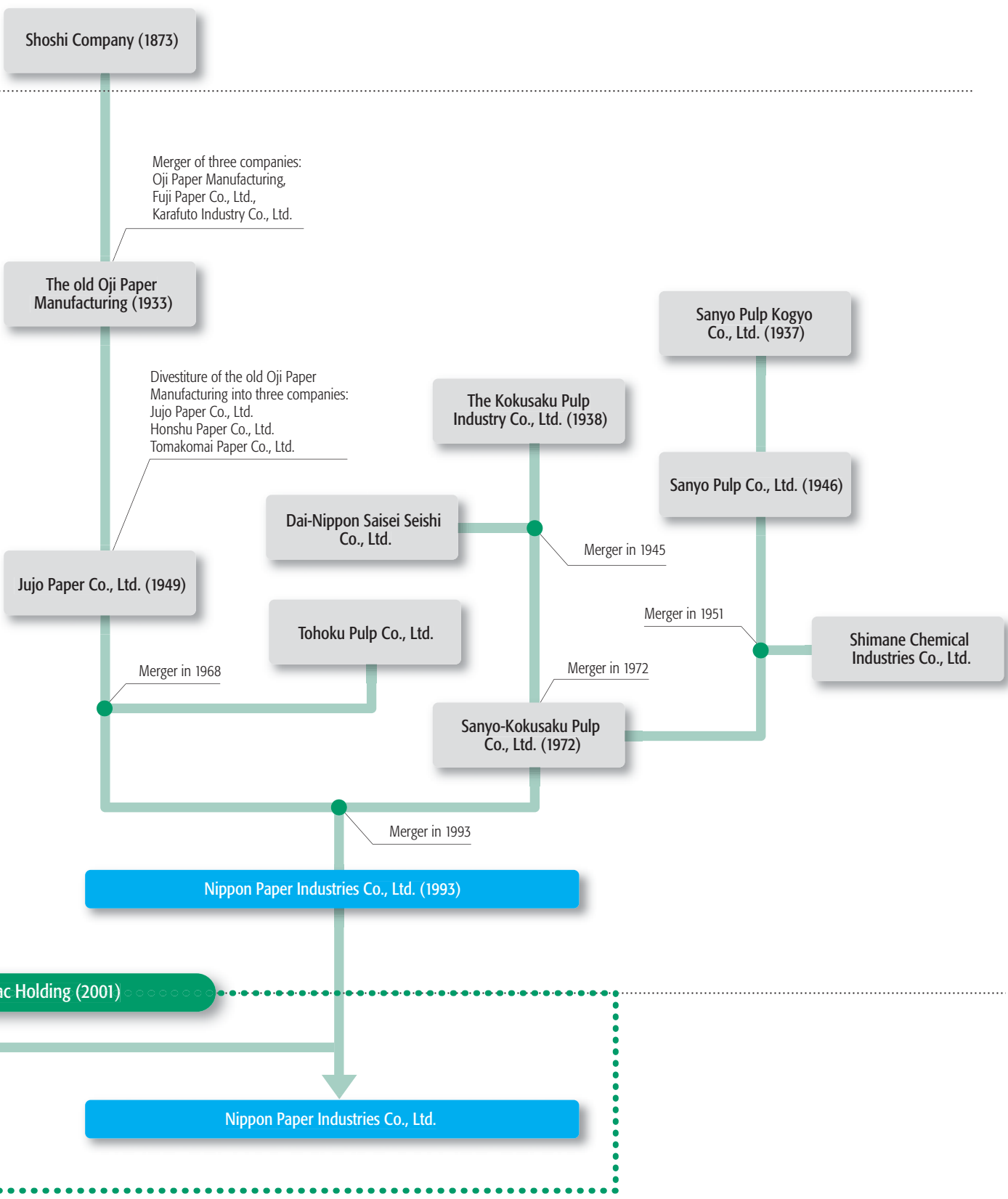
#### Jujo Thermal Oy

P.O.Box 92, FIN-27501 Kauttua  
FINLAND  
Tel. +358-2-8393-2900  
Fax. +358-2-8393-2419

# Corporate History of Nippon Unipac Holding

At a Glance  
Core Competence  
To Our Shareholders  
Medium-Term Business Plan  
Sustainable Growth  
Financial Section  
Basic Information





# Glossary

At a Glance

Core Competence

To Our Shareholders

Medium-Term Business Plan

Sustainable Growth

Financial Section

Basic Information

## [\*1] Industrial-Use Wipes

P.4 P.22

These industrial-use wipes are made of paper or nonwoven fabric and resemble facial tissue or paper towels. They were developed to reliably and effectively wipe up everything from the oily grime produced in large quantities at various types of factories to the invisible micron level dust that is a problem in hospitals, research facilities, and clean rooms.

## [\*2] Dispersing Agent

P.5 P.24

A chemical additive that produces a homogeneous dispersion of the substances in a given medium. The dispersing agent adds an electric charge to the surface of a solid or liquid, creating a three-dimensional layer that prevents the substances from agglomerating or precipitating. Examples are chemical admixtures for concrete, dispersing agents for dyes, and others.

## [\*3] Chlorinated Polyolefin

P.5 P.24 P.33

This is a chlorinated version of polyolefin, a polymer substance. It is widely used as an ingredient in paints, inks and adhesives. There are two types of chlorinated polyolefin, the highly chlorinated type (chlorine content 60% or greater: used in paints and inks) and the low chlorinated type (chlorine content 10-45%: used in adhesives, inks, and paint primers).

## [\*4] PURE-PAK®

P.5 P.23 P.33

The world's top brand of gable-top cartons for liquid foods, owned by Elopak a.s. (Norway). In Japan, PURE-PAK® cartons have been manufactured and marketed since 1964 exclusively by NIPPON PAPER-PAK CO., LTD. (the former Jujo Paper Co., Ltd.).

## [\*5] NS-FUJI PAK

P.5 P.23

The brand name of brick-type beverage cartons produced by the aseptic packaging system NS-FUJI/NIPPON-SHIKOKU PAK SYSTEM®, which NIPPON PAPER-PAK CO., LTD. (the former Jujo Paper Co., Ltd.) and SHIKOKU KAKOKI CO., LTD. jointly developed. This product has facilitated long-life storage of beverages at room temperature.

## [\*6] Unifill System

P.5

A unique form-fill-seal system designed to produce doses of liquids and semi-liquid products such as cheeses, jellies, seasonings, and cosmetics. The system was developed by Unifill S.p.A. (Italy) of the Elopak Group and has been marketed in Japan by NIPPON PAPER-PAK CO., LTD. as its sole agency.

## [\*7] Hard-Coated Film

P.5

This is a film product with an extremely hard coating that helps to protect a surface from damage. It is used as a protective coating on the surfaces of liquid crystal display screens used in personal computer monitors, televisions, and others.

## [\*8] Ink-Jet Paper

P.7 P.9 P.18

This is a type of paper that allows printing on a non-contact basis using ejected ink particles. A variety of ink-jet paper products are available to meet different requirements: glossy type, matte type, regular type, and so on.

## [\*9] Low-Density Printing Paper

P.9 P.18

This is a paper product that has a significantly lower density than traditional paper yet retains its suitability for use in printing applications. When used in publications, the finished product feels relatively thick even if the number of pages is small, so demand from the publishing industry is on the increase. Further, although this paper is the same thickness as ordinary varieties, it is much lighter and can therefore lead to savings in the area of distribution logistics and others.

## [\*10] Wastepaper Pulp

P.10

This is a type of recycled pulp that is manufactured by defibering and removing contaminants from wastepaper such as newspapers, magazines, and container boards.

## [\*11] Filler

P.10 P.26

Filler is finely ground mineral such as clay, talc, calcium carbonate, titanium dioxide, and others. It is contained in paper to improve its optical and physical properties, and to increase the paper's suitability for printing as measured by opacity rating, smoothness, and receptivity to ink.

## [\*12] Pigment

P.10 P.26

This comprises finely ground minerals such as kaolin, calcium carbonate, and titanium dioxide. It is used as coating materials to improve the smoothness and gloss of coated paper.

## [\*13] DIP (De-Inked Pulp)

P.19 P.20

DIP is a type of recycled pulp that is manufactured by removing the ink from wastepaper such as newspapers and magazines.

#### [\*14] Plug Wrap Paper

P.20

This is a type of paper used to wrap cylindrical cigarette filters. In recent years, demand has been increasing for low-nicotine and low-tar cigarettes, and the need for higher porosity is increasing.

#### [\*15] Boiler for Waste Power Generation

P.20

A boiler that uses industrial waste such as paper sludge, refuse paper and plastic fuel (RPF), construction timber waste, old tires, and others as fuel. Heat from the boiler is used to produce steam, which in turn is used to generate electricity.

#### [\*16] Glued Lumber

P.25

This is a construction material made of small chips of wood that are bonded together to make posts, beams, and so on. The chips are bonded together in multiple directions (length, width, and thickness) in such a way that the fibers are roughly parallel in alignment. Compared with solid timber, glued lumber has superior strength and dimensional stability.

#### [\*17] Cloning Technology

P.26

In cloning technology, tissue from a living creature is multiplied by asexual means into a number of copies whose phenotypic expression is genetically identical to that of the original creature.

#### ***Nippon Paper Industries Co., Ltd. tree cloning technology:***

Nippon Paper Industries Co., Ltd. has succeeded in developing and bringing to practical use the following three methods for the mass cloning of elite trees. First is a mass-multiplication technology based on tissue cultures, second is a photo-autotrophic culture system (a method designed to promote rooting and growth of plants in vitro by using carbon dioxide instead of sugar to boost the photosynthetic action of plants), and third is a low-temperature storage technology.

#### [\*18] MAT Vector® System

P.26

MAT stands for multi-auto-transformation. This cutting-edge technology for the transfer of genes was developed by Nippon Paper Industries Co., Ltd. Conventional techniques leave a marker gene in the recipient organism during a gene transfer. In contrast, in the MAT Vector® System once the desired gene has been transferred successfully, another gene is inserted that removes the marker gene, ensuring that no marker gene will be left behind in the recipient. This increases the safety of the technology. The system also enables genetic engineering to be performed repeatedly on the same plant. Moreover, compared with other gene transfer methods, the gene transfer efficiency rate of the MAT Vector® System is extremely high.

#### [\*19] Rice with Health-Promoting Benefits

P.26

This is a type of rice that has been genetically engineered to contain substances that help to relieve or improve the symptoms of people with lifestyle-related diseases such as diabetes and obesity, or who have allergies to Japanese cedar trees and the like. It is expected that daily consumption of this rice will be effective in preventing these diseases, improving the condition of patients and relieving their symptoms.

#### [\*20] Gene Modification

P.26

The blueprint that determines the unique features of a living organism is stored as hereditary information (DNA sequencing). Genetic engineering is performed by inserting a desirable gene into the DNA sequence of an organism, in the hope that the latter will gain a new characteristic as its hereditary information is "overwritten" by the gene transfer.

#### [\*21] Bone Dry Tonne (BDT)

P.27

This is the weight, in absolute dry tons, under the condition in which all moisture has been completely removed. It is used in wood chip transactions worldwide.

#### [\*22] Forest Certification

P.27

This is the certification granted by third-party organizations to sustainable forest management.

#### [\*23] Refuse Paper and Plastic Fuel (RPF)

P.27

RPF is a solid fuel made by blending scrapped plastic and refuse paper that cannot be recycled to make pulp. Grinding, compression and dehydration processes are used to produce RPF. It serves as an alternative to fossil fuels.

#### [\*24] Liner

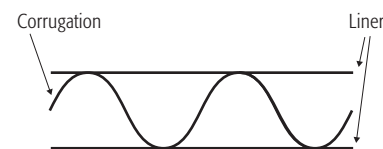
P.28

See "Corrugating Medium" below.

#### [\*25] Corrugating Medium

P.28

If one examines a cross-section of a piece of corrugated board, the fluted layer on the inside is known as the corrugation, and the paper-board used to manufacture it is called corrugating medium. The corrugating medium is sandwiched between two layers of flat paper known as liners or linerboards.



Cross-section of a corrugated board

# Corporate Data

(As of April 1, 2003)

## Name

Nippon Unipac Holding

## Headquarters

Shin-Yuraku-cho building  
1-12-1 Yurakucho  
Chiyoda-ku, Tokyo 100-0006, Japan  
Phone: +81-(0)3-3218-9300  
Fax: +81-(0)3-3216-5330

## Date of Establishment

March 30, 2001

## Paid-in Capital

¥55,730 million

## Number of Employees

6

# Stock Information

(As of March 31, 2003)

## Total Number of Stocks Authorized to Be Issued

3,000,000

## Total Number of Outstanding Stocks Issued

1,105,235.63

## Number of Shareholders

63,860

## Securities Traded

Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange

## Independent Accountant

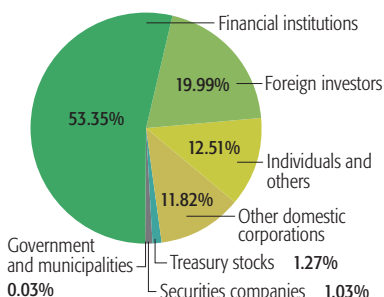
Shin Nihon & Co.

## Major Shareholders

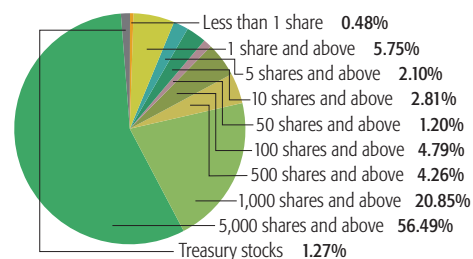
Major Shareholders (10 Largest)	Number of Shares Held (Shares)	Voting Stake (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	61,672.00	5.7
Mizuho Corporate Bank, Ltd.	52,914.64	4.9
Japan Trustee Services Bank, Ltd. (Trust Account)	39,650.00	3.7
Sumitomo Mitsui Banking Corporation	36,850.46	3.4
Nippon Life Insurance Company	34,956.03	3.2
Mitsui Mutual Life Insurance Company	22,589.00	2.1
Mizuho Bank, Ltd.	21,467.31	2.0
The Chuo Mitsui Trust and Banking Company, Limited	20,242.09	1.9
Daio Paper Corporation	20,227.34	1.9
Mizuho Trust & Banking Co., Ltd.	19,210.00	1.8

Note: With the merger on March 12, 2003, Mizuho Asset Trust & Banking Co., Ltd. changed its name to Mizuho Trust & Banking Co., Ltd.

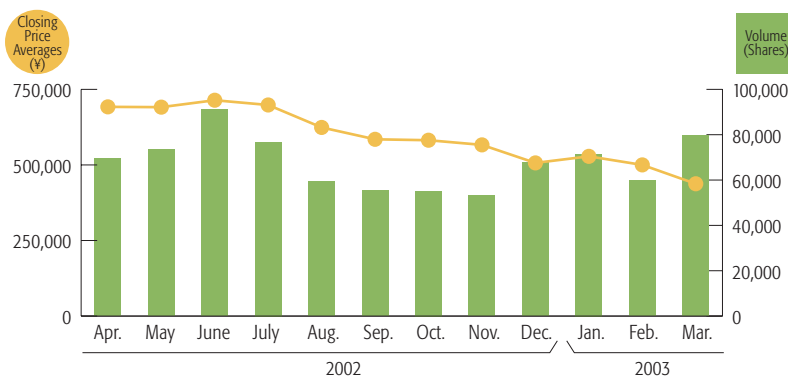
## Percentage of Shares Held by Shareholder Type



## Percentage of Shares Held by Size of Holdings



## Stock Price Movement and Trading Volume





# Investor Information

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**Code No.**

3893

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**Fiscal Year-End**

March 31 (The date shareholders who shall receive dividends are decided)

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**Ordinary General Meeting of Shareholders**

Within three months from the day following the fiscal year-end

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**Reference Dates**

March 31 for matters relating to the Ordinary General Meeting of Shareholders.

Reference dates for other matters, if necessary, shall be determined individually and announced in advance.

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**Newspaper Where Public Notice Shall Be Made**

*Nihon Keizai Shimbun*

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**Transfer Agent**

The Chuo Mitsui Trust and Banking Company, Limited  
3-33-1, Shiba, Minato-ku, Tokyo, Japan

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**Administrative Office of Transfer Agent (Mailing Address and Telephone Number for Inquiries)**

Stock Transfer Agency Department  
The Chuo Mitsui Trust and Banking Company, Limited  
2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan  
Phone: +81-(0)3-3323-7111

\* Please refer to the Transfer Agent at the following telephone number or website for the forms required for change of shareholder's address, purchase of broken lot shares, transfer of shares and designation of bank account to which dividend is to be remitted.

Toll-free : 0120-87-2031

URL : [http://www.chuomitsui.co.jp/person/p\\_06.html](http://www.chuomitsui.co.jp/person/p_06.html)



NIPPON UNIPAC HOLDING

Investor Relations Office

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1-12-1, Yurakucho,  
Chiyoda-ku, Tokyo 100-0006, Japan  
Phone: +81-(0)3-3218-9347  
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URL: www.nipponunipac.com

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Text: NPi Dull Art  
127.9g/m<sup>2</sup>

