

The Strategy of Nippon Unipac Holding



June 12, 2002

NIPPON UNIPAC HOLDING

President

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- 1. Achievement of Synergy effects
after the Business Integration**
- 2. Background and Objectives
of the Reorganization**
- 3. The Strategy of Nippon Unipac Holding**

1. Achievement of Synergy effects

Major steps of the business integration



Major steps of the business integration

Mar. 27, 2000: The business integration of Nippon Paper Industries and Daishowa Paper Manufacturing announced

Mar. 30, 2001: Nippon Unipac Holding began operation

July 1, 2001: Integration of paper sales
(Nippon Paper Sales Co., Ltd. began operation)
Integration of paperboard sales
(Nippon Paperboard Sales Ltd. began operation)

Nov. 1, 2001: 1st phase of the rationalization of production facilities announced
Transfer of diversified businesses to the newly created subsidiaries announced

Apr. 23, 2002: Merger of Nippon Paper Industries' and Daishowa Paper Manufacturing's paper businesses and reorganizing of paperboard business announced

1. Achievement of Synergy Effects

Trend in domestic shipments



Paper industry

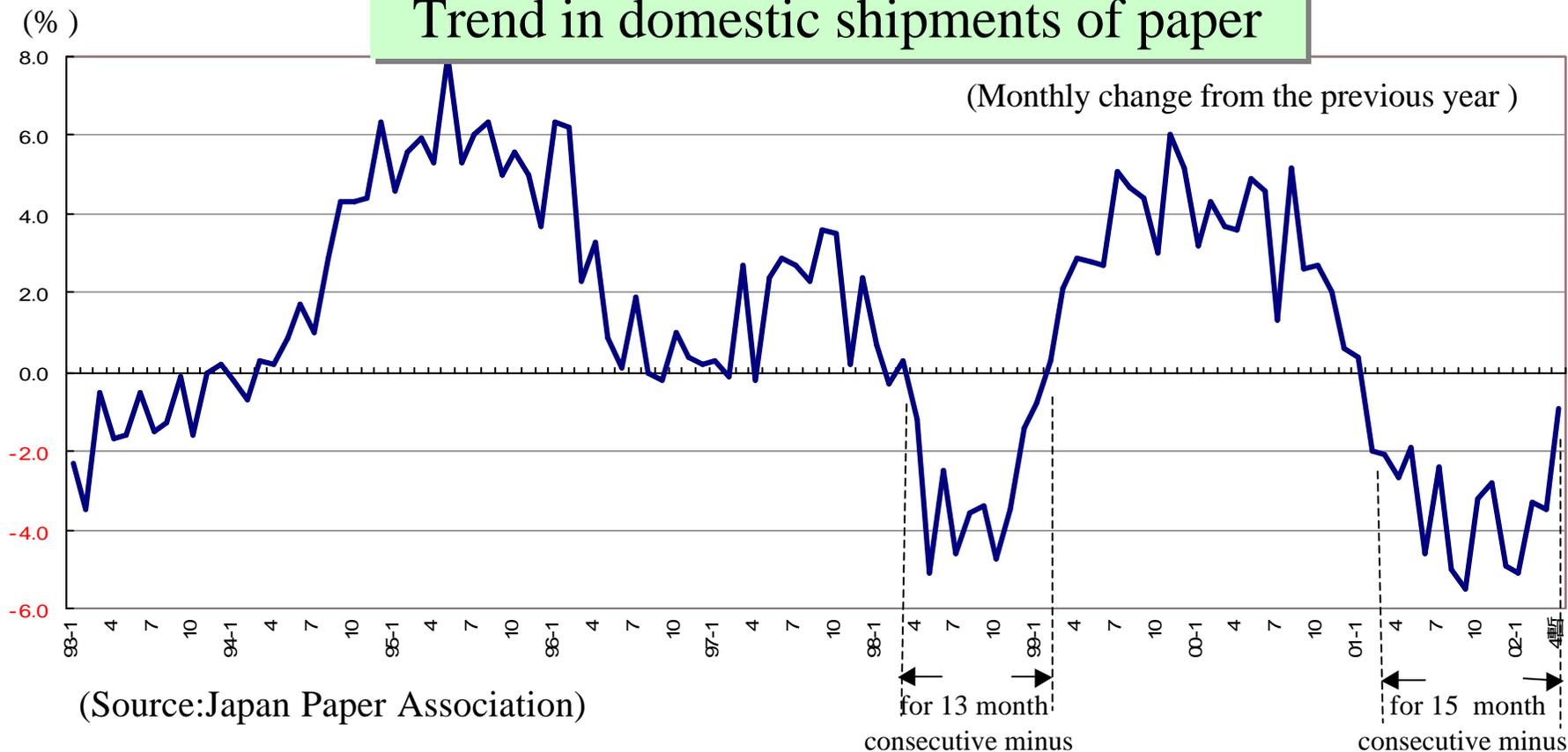
FY2002 domestic shipments

(Change from the previous fiscal year)

Bitoko paper included

Newsprint	Uncoated printing	Coated printing	Business and communication	Other paper	Paper total	Paperboard total
+ 0.6%	3.2%	6.2%	6.3%	2.8%	3.7%	3.3%

Trend in domestic shipments of paper

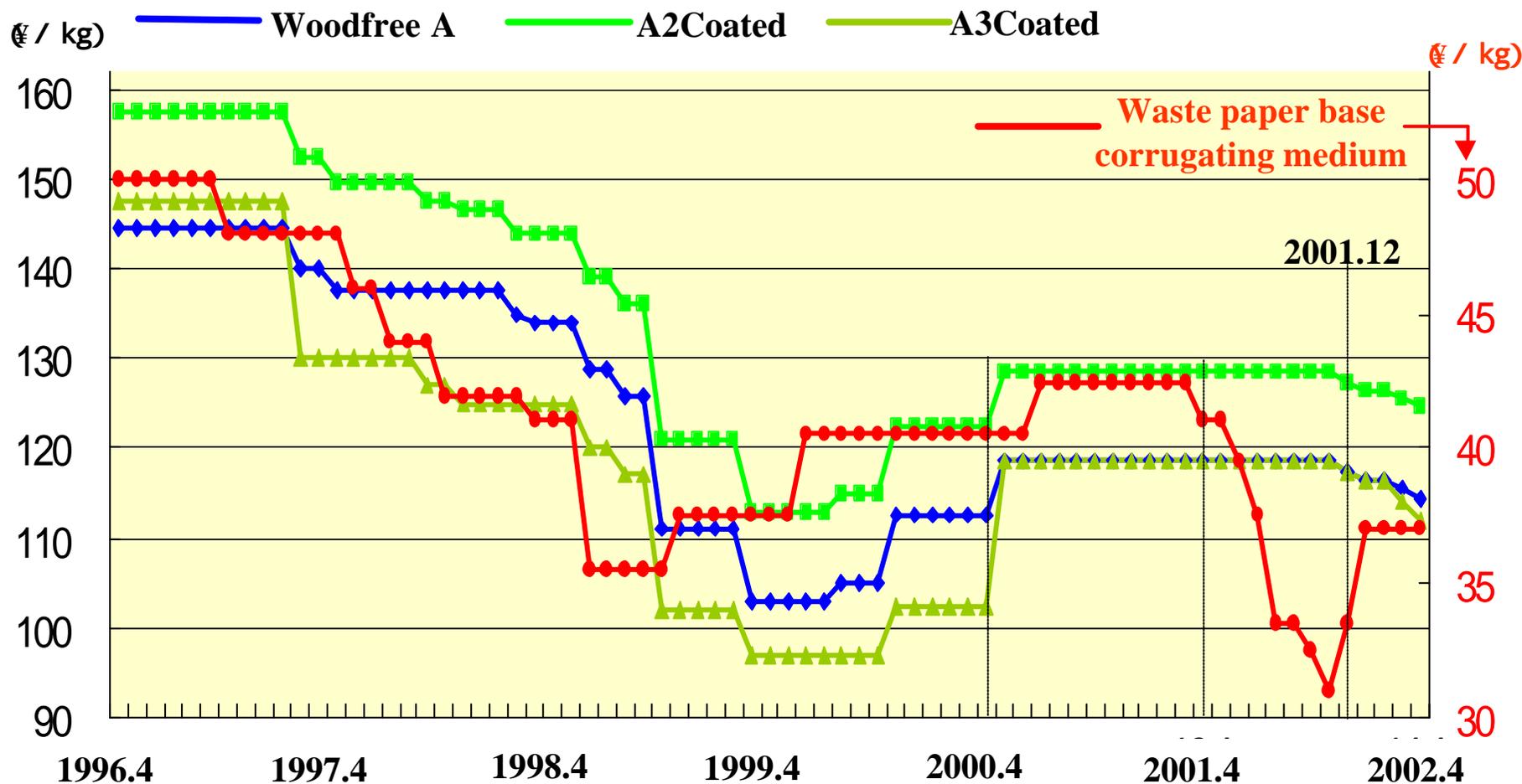


1. Achievement of Synergy Effects

Trend in market price of paper and paperboard



Market price of paper and paperboard (April 1996~April 2002)



(Source:Nihon Keizai Shimbun Inc., paper & paperboard price)

1. Achievement of Synergy effects

Synergy effects (Summary)



Achievement of synergy effects

From the Synergy Effects Promoting Committee of Nippon Paper Industries and Daishowa Paper Manufacturing

(¥Billion)

Committee	FY2004 target announced on Nov. 28, 2001	FY2002 result	FY2003 estimate	2002+2003 estimate
Material cost	15.0	12.0	7.0	19.0
Other variable cost	11.0	6.0	6.0	12.0
Sales,distribution cost	8.0	4.0	5.0	9.0
Financing cost	3.0	3.0	1.0	4.0
Laborcost	10.0	5.0	4.0	9.0
Rationalization of production facilities	5.0	0.0	0.0	0.0
Total cost reduction	52.0	30.0	23.0	53.0

Labor cost effect is calculated by the number of employees at year-end

1. Achievement of Synergy effects

Synergy effects Q Material cost



Adjustment of material prices and obtaining volume discount

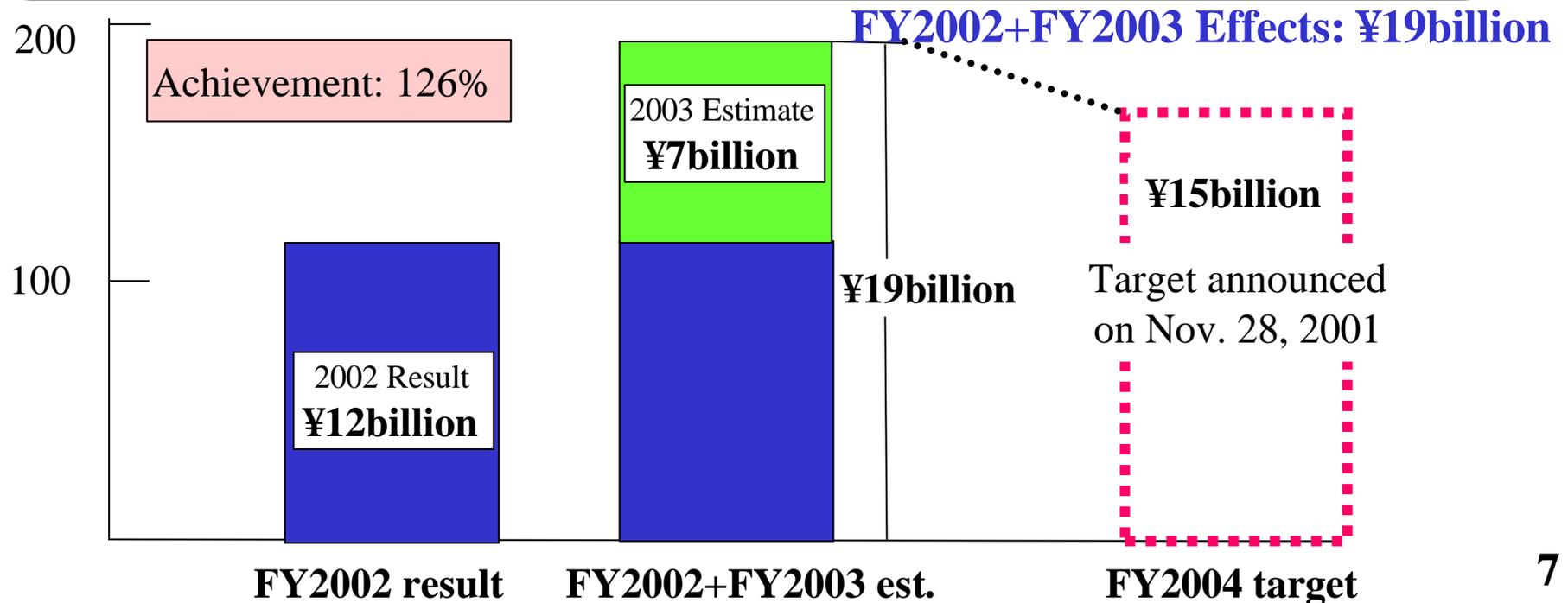
- Adjustment of domestic chip, chemicals and other materials prices
- Joint procurement of domestic and imported chip, chemicals and other materials

Shift to cost saving materials

- Promoting of more usage of old magazine paper and high yield chip
- Procuring domestic chip and pulp through inter-group transactions

Reduction of transportation cost

- Joint transportation of chemicals and fuels



1. Achievement of Synergy effects

Synergy effects ③ Other variable cost



FY2002 + FY2003 Effects: ¥12billion

Achievement: 109%

Major capital investments : Synergy effects with investment ¥5billion

Category	Company	Location	Project	Investment (¥billion)	Month completed
De-inked pulp	Daishowa	Fuji	DIP No.3 line process improvement (+50t/day)	0.6	Oct.'01
	Daishowa	Shiraoi	DIP capacity increase (+50t/day)	0.7	Jan.'02
	Daishowa	Iwanuma	DIP capacity increase and quality improvement for No.1 and 2 line (+140t/day)	2.5	May'02
	Daishowa	Yoshinaga	Installation of a new S-DIP line (high brightness) (+200t/day)	4.2	Oct.'02
Kraft pulp	Nippon	Iwakuni	Rebuilding a digester for softwood pulping	2.4	Feb.'02
Chemical	Nippon	Yatsushiro	Building of a PCC on-site plant (Precipitated calcium carbonate)	1.3	Aug.'01
	Daishowa	Iwanuma	Building of a new filler on-site plant	0.8	Apr.'02

To be completed

Synergy effects without investment: ¥7billion

Change of chemical addition/composition

change of furnish blend

Longer life of machine clothing

1. Achievement of Synergy effects Synergy effects

④ Sales and distribution, financing, and labor cost



Sales and distribution cost

FY2002 + FY2003 effects:
¥9billion

Achievement: 109%

- Reduction of transportation cost
- Reduction of warehousing cost
- Reorganization of product mix

- Joint transportation, volume discount
- Avoiding cross transportation
(e.g. Shipment for Kyushu: Iwanuma Mill Yatsushiro Mill)
- Sharing warehouses, volume discount
- Brand integration and concentrated production at low-cost mills

Financing cost

FY2002 + FY2003 effects: ¥4billion

Achievement: 130%

- Lowering of interest rate on borrowings
- Reduction of interest bearing debt

- Lowering of interest rate on borrowings of Daishowa Paper Manufacturing
- Interest-bearing debt (Daishowa Paper Manufacturing)
¥391.5billion (Mar. 31'01) 305.4 (Mar. 31'03)

Labor cost

FY2002 + FY2003 effects: ¥9billion

Achievement: 90%

- Minimized hiring
- Reduction of labor force at production side

Number of employees + contractors
-1,234 employees (Apr. 1'01 Mar. 31'03)

2. Background and Objectives of the Reorganization



Background and objectives of the reorganization

1. Major targets of the integration are successfully implemented

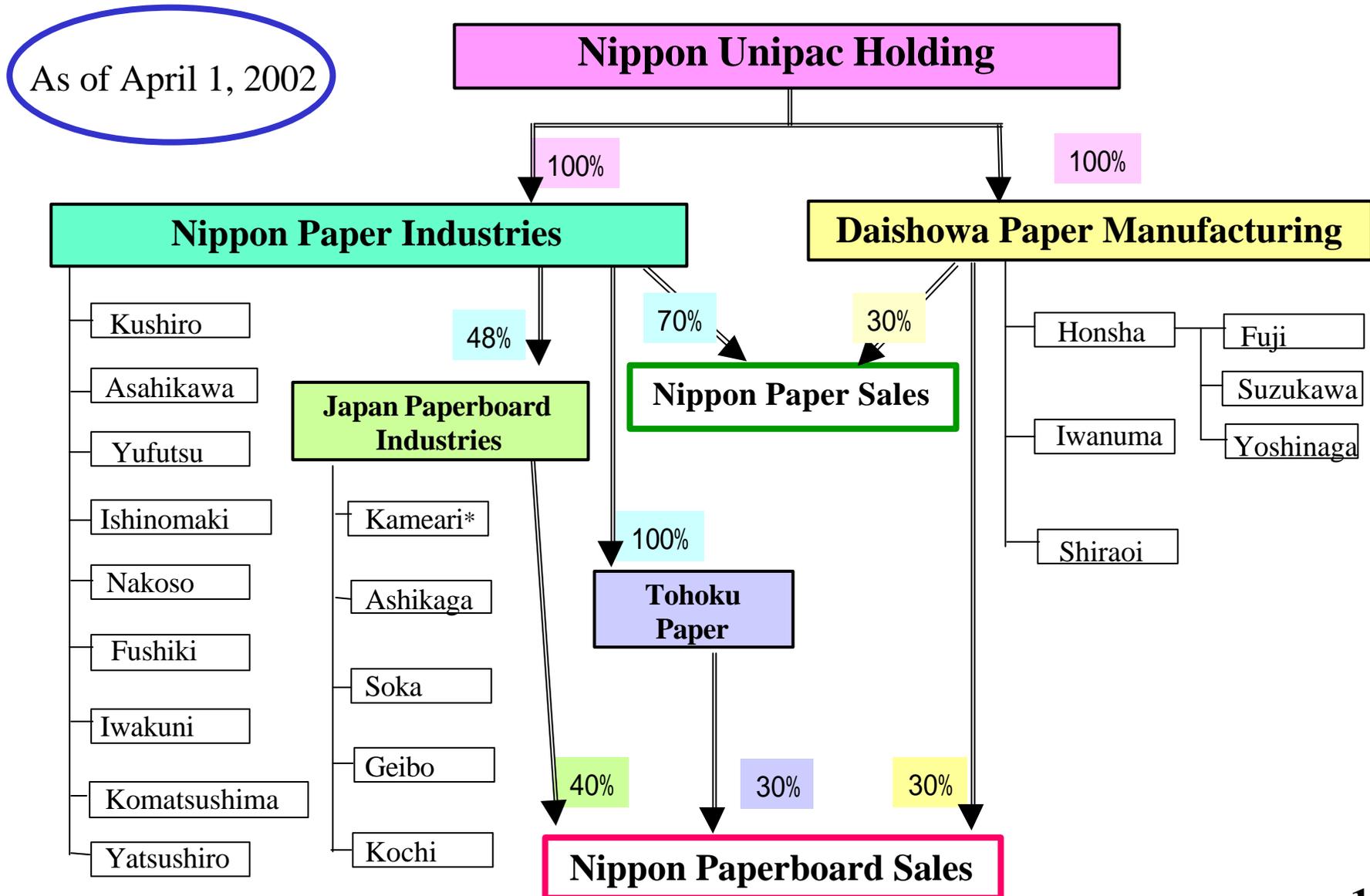
- Realizing the synergy effects one year ahead of the original schedule
- Consolidation of corporate systems and mutual understandings of employees of Nippon Paper Industries and Daishowa Paper Manufacturing in a rapid manner

2. Challenging the difficult economic environment

- Slow economic recovery in Japan
 - Slow recovery of demand in paper products
- Nippon Paper Industries & Daishowa Paper Manufacturing;
 - Toward the scaled-up synergy effects through the merger
- Uniting paperboard business of the group
 - under Nippon Unipac Holding's direct management

2. Background and Objectives of the Reorganization

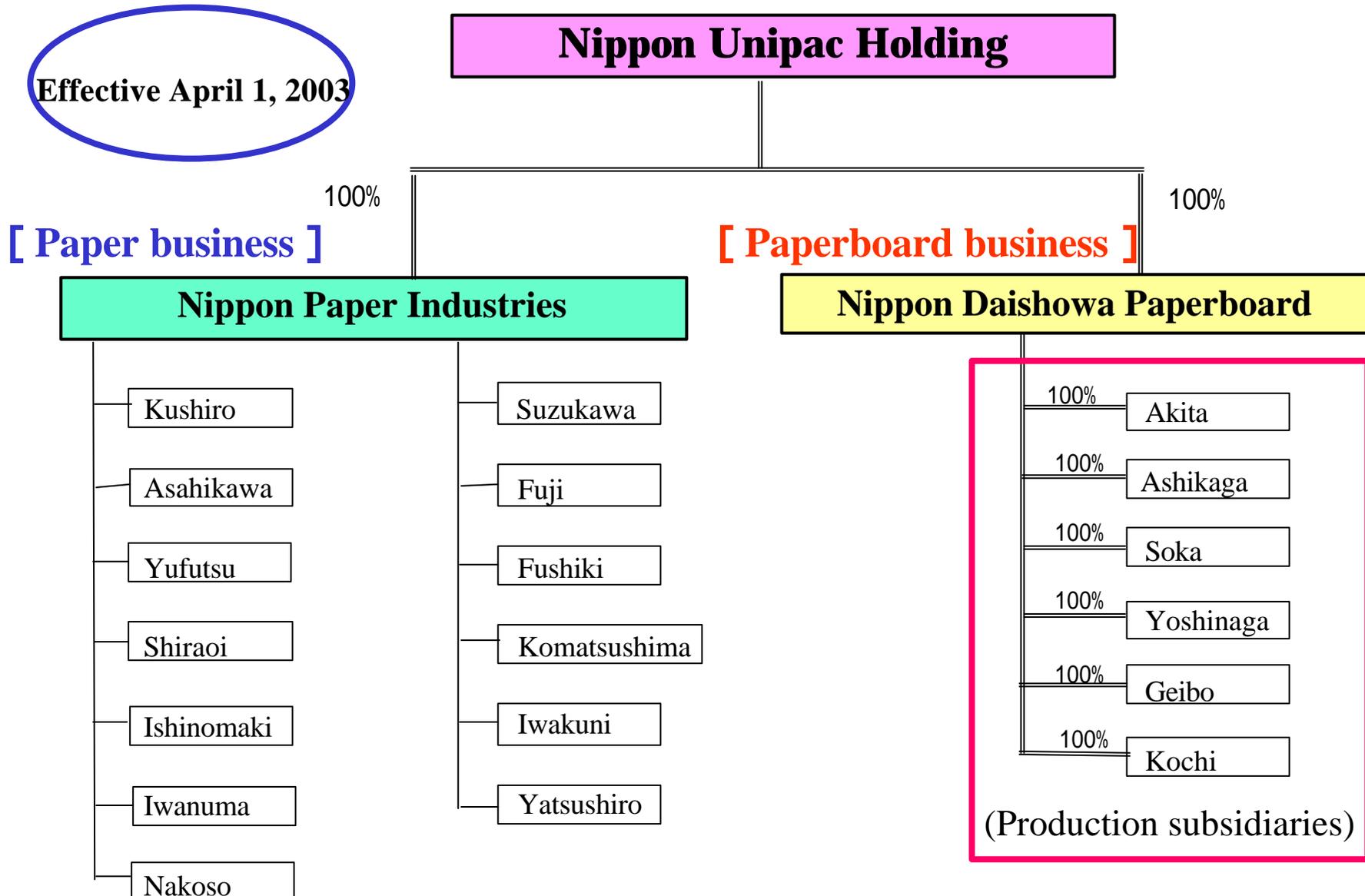
Current structure



*Kameari Mill will be closed down on Mar. 31, 2003

2. Background and Objectives of the Reorganization

Structure after reorganization



2. Background and Objectives of the Reorganization

Schedule for the reorganization



<p>Oct. 1, 2002</p>	<ul style="list-style-type: none"> • Japan Paperboard Industries will become a wholly owned subsidiary of Nippon Unipac Holding (stock exchange) • Transfer of diversified business to newly created subsidiaries <ul style="list-style-type: none"> - Lumber trading business: Nippon Paper Lumber Co., Ltd. - Liquid packaging business: NIPPON PAPER-PAK CO., LTD. - DP & chemical business: Nippon Paper Chemical Co., Ltd. • New group accounting system to be introduced (SAP[®] R/3[®]) (1st step)
<p>Jan. 6, 2003</p>	<ul style="list-style-type: none"> • New group sales and distribution system “PRIME” to be introduced (Paper business and later paperboard business)
<p>Mar.31, 2003</p>	<ul style="list-style-type: none"> • Kameari Mill of Japan Paperboard Industries will be closed down
<p>Apr. 1, 2003</p>	<ul style="list-style-type: none"> • Merger of paper business: Nippon Paper Industries • Reorganization of paperboard business: Nippon Daishowa Paperboard

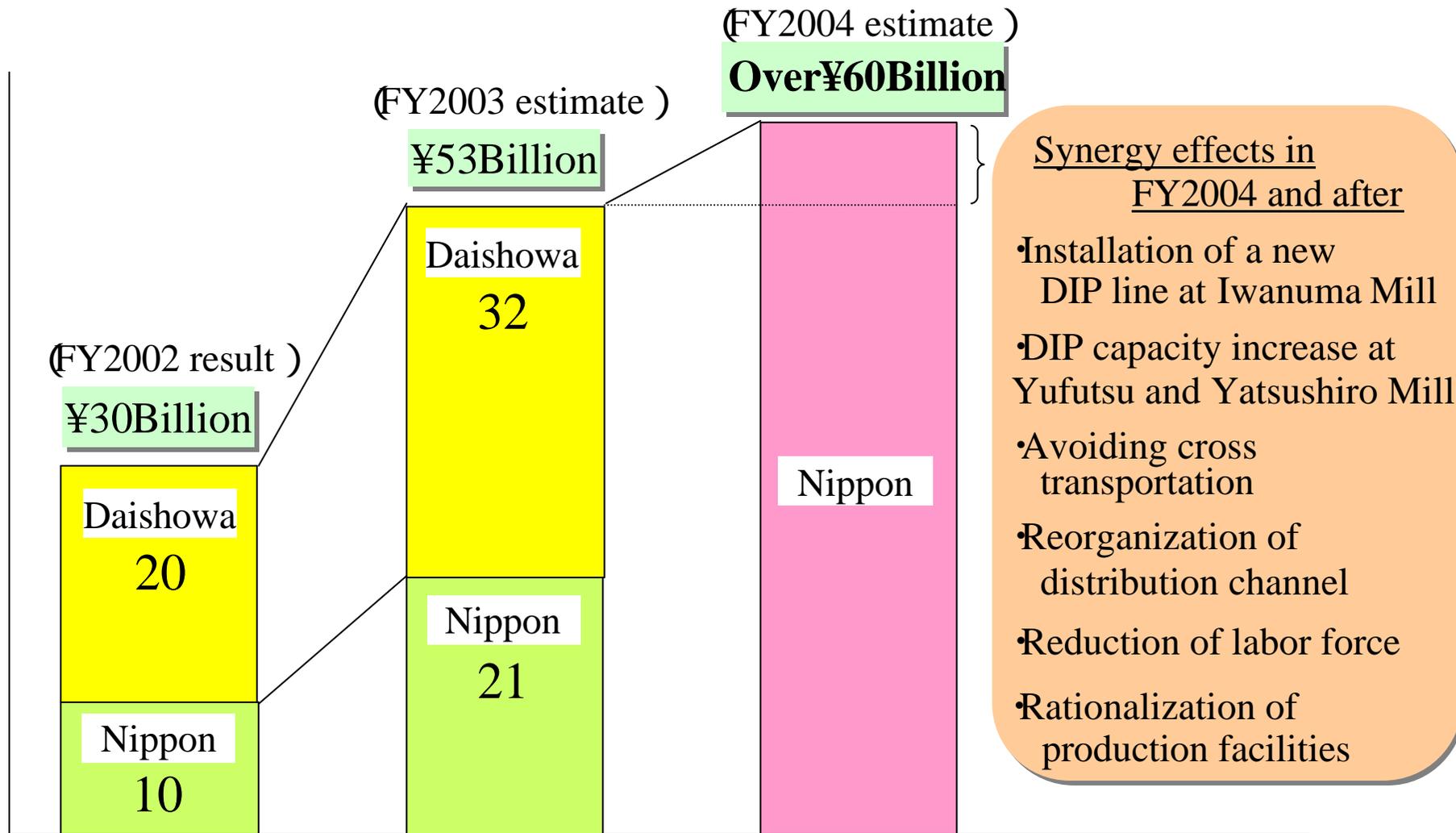
The particle board business of Daishowa Paper Manufacturing was transferred to Daishowa Uniboard, a wholly owned subsidiary, on Apr. 1, 2002.

2. Background and Objectives of the Reorganization

Scaled-Up synergy effects through the merger



Synergy effects through the merger



2. Background and Objectives of the Reorganization

Reorganization of paperboard business :

① Our view of paperboard business



① Our view of paperboard business

General

Growth is limited due to the prolonged stagnant economy and the shift of our customers' operations abroad.

Our industry

Restructuring of paperboard business at the top three groups is to be continued.

Elimination of extra capacity and improvement of profitability are the most urgent concerns.

Our strategy

Maintaining competitiveness by applying thorough cost-cutting measures.

2. Background and Objectives of the Reorganization

Reorganization of paperboard business : ② Major tasks



② Major tasks

Eliminating the extra capacity

Enhancing the competitiveness of key mills in the Kanto region

Cutting labor cost

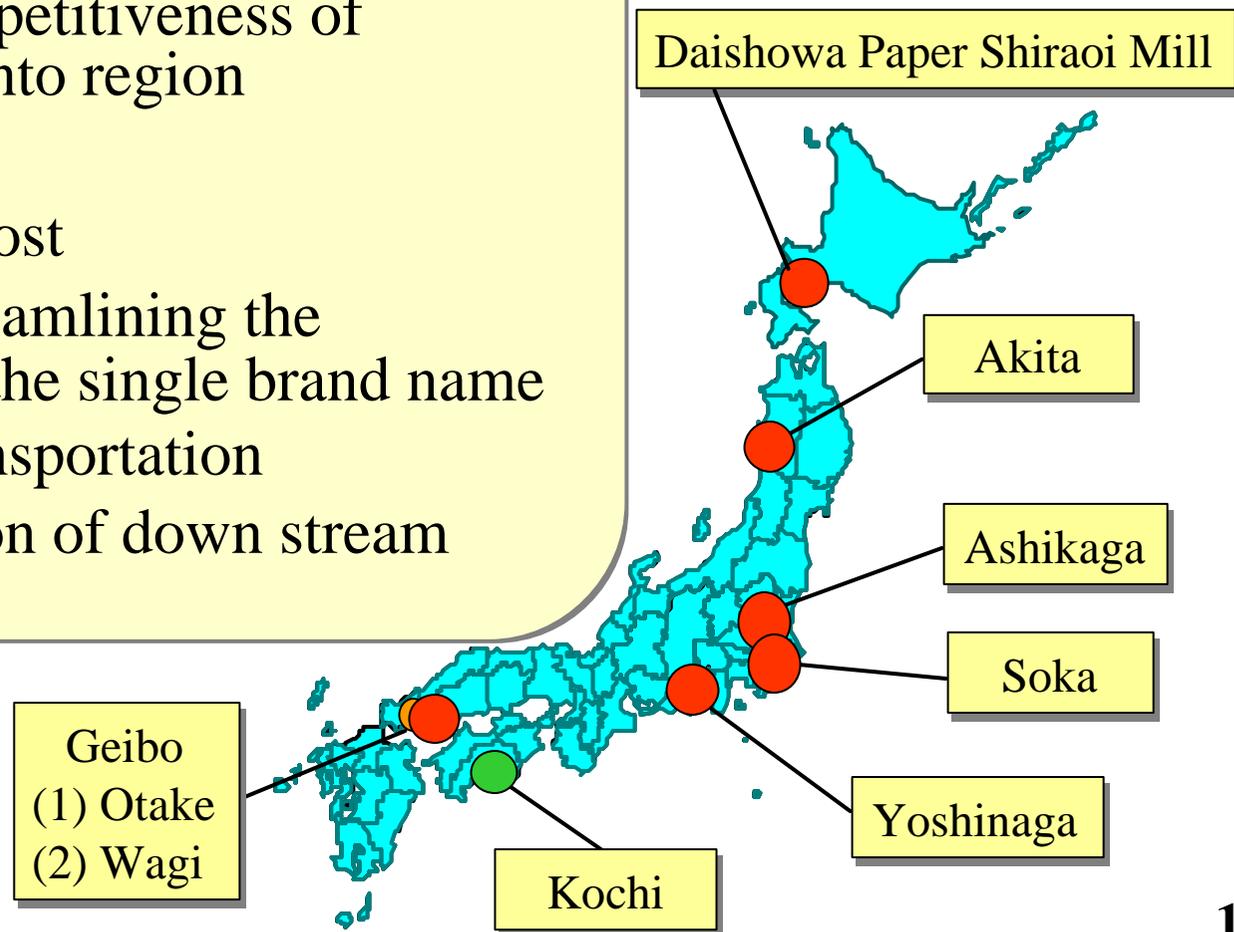
Cutting overhead cost

Integrating and streamlining the product line under the single brand name

Avoiding cross transportation

Planing the direction of down stream operation

Manufacturing subsidiaries of Nippon Daishowa Paperboard



2. Background and Objectives of the Reorganization

Reorganization of paperboard business :

③ Pursuing the synergy effects



③ Pursuing the synergy effects

Cost-cutting in paperboard business FY2002 + FY2003: ¥3 billion

Synergy effects from the reorganization of paperboard business

¥10 billion

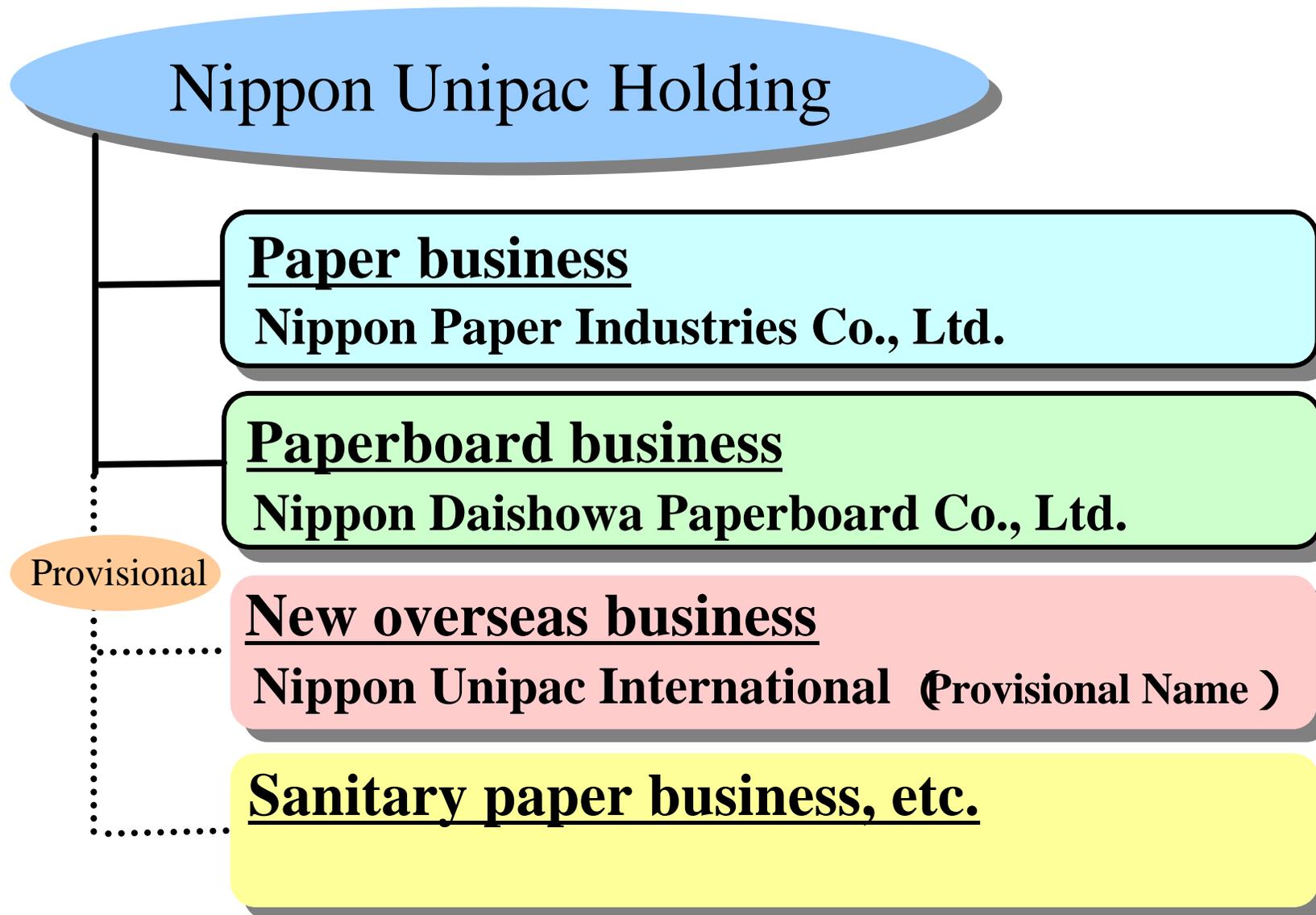
FY2004 + FY2005: ¥6 billion

FY2006 and After: ¥4 billion

Variable cost	¥1.5 billion	(More usage of recycled fiber)
Distribution cost	¥0.5 billion	(Avoiding cross transportation)
Labor cost	¥6.0 billion	(Shutting down of Kameari Mill) (Reduction of labor force)
Rationalization of production facilities	¥2.0 billion	(Closing down of paper machines)

3. The Strategy of Nippon Unipac Holding

Image of Organizational structure in the future



3. The Strategy of Nippon Unipac Holding

Corporate strategies



Corporate strategies

1. Japanese market ... Based on low-level demand growth assumptions

Optimizing the profitability of key mills

(Concentrated production at low-cost mills, cost-cutting, improvement of productivity, etc.)

Reviewing the management of small to medium-sized and low profit-making mills

Accelerating the advanced development of new products and developing the market for products (Ex., low-density paper)

2. Overseas ...

Maintaining growing power of the group through the entry into the growing markets

Chinese market... Strengthening export competitiveness and establishing foothold for manufacturing/sales operations

Central/East European market...

Establishing foothold for the communication paper business

Existing overseas operations...

Reviewing and analyzing the contributing efficiency

Disclaimer Regarding Forward-Looking Statements

Any statements in this presentation document, other than those of historical fact, are forward-looking statements about the future performance of Nippon Unipac Holding and its group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

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