



NIPPON PAPER INDUSTRIES CO.,LTD.



TOKUSHU TOKAI PAPER CO.,LTD.

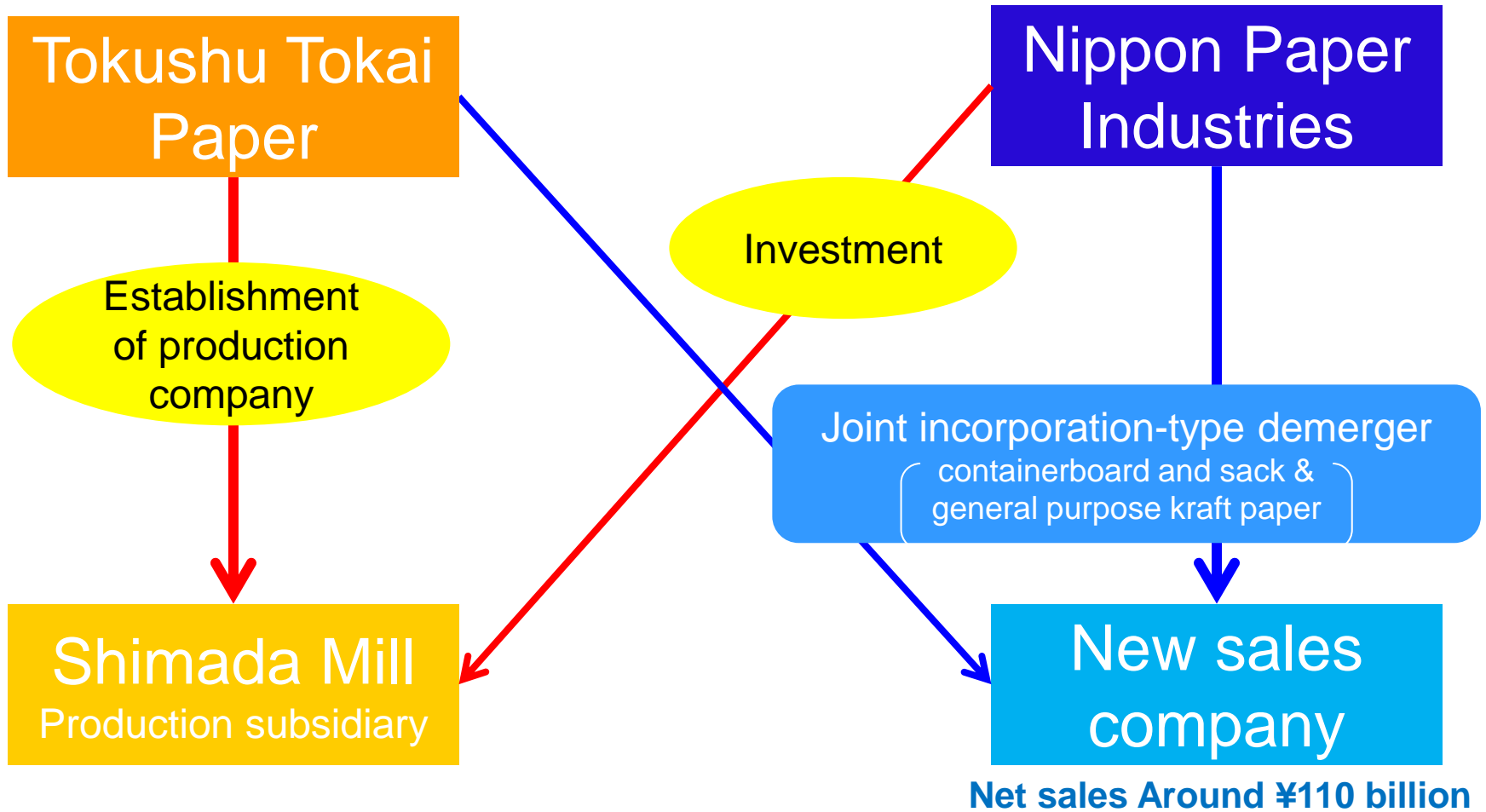
# Conclusion of Basic Agreement Concerning Containerboard and Sack & General Purpose Kraft Paper Businesses

October 7, 2015

Nippon Paper Industries Co., Ltd.

Tokushu Tokai Paper Co., Ltd.

# Overview of Business Alliance



Tokushu Tokai Paper : More than 50% (consolidated subsidiary)  
Nippon Paper : At least 33.4% and less than 50% (equity-method affiliate)

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# Tokushu Tokai Paper Shimada Mill

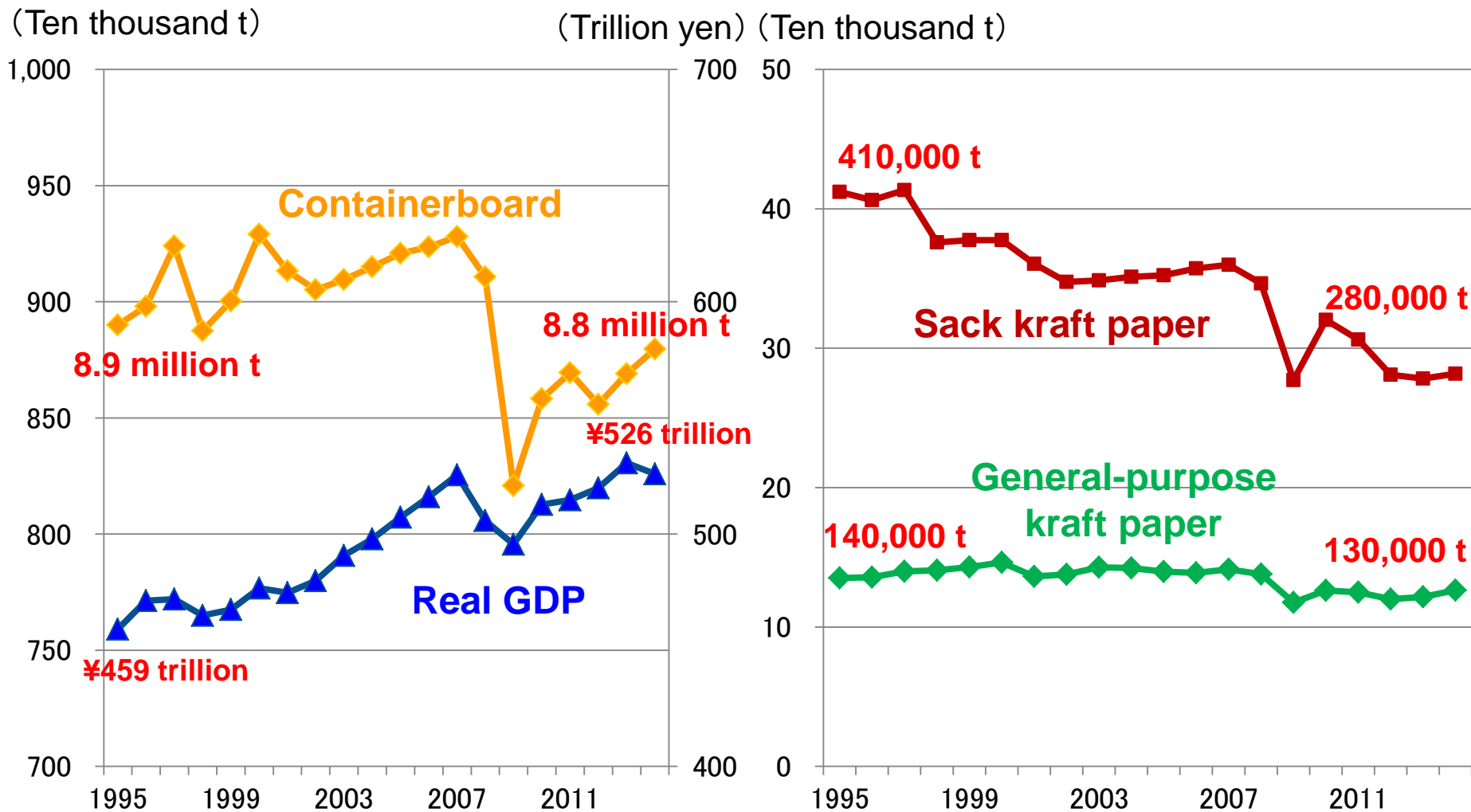
- Located Shimada City, Shizuoka, Japan
- Established 1910
- Area 460,000 m<sup>2</sup>
- Paper machines 6, including 3 containerboard machines and 2 kraft machines
- Annual production Containerboard 550,000 t, Kraft paper 73,000 t, etc.

## ▪ Features

- **High quality containerboard and kraft paper made with own kraft pulp**
- **Located in the center of Japan**
  - Cheaper product logistics costs, raw material procurement capability (wastepaper, woodchips)
- **Excellent energy cost competitiveness due to little dependence on fossil fuel.**
  - Early adoption of waste boilers that burn internally generated paper sludge and biomass boilers using woody biomass fuel.
  - Plan to construct new biomass boiler to drastically reduce purchase cost of external power.

# Business Environment

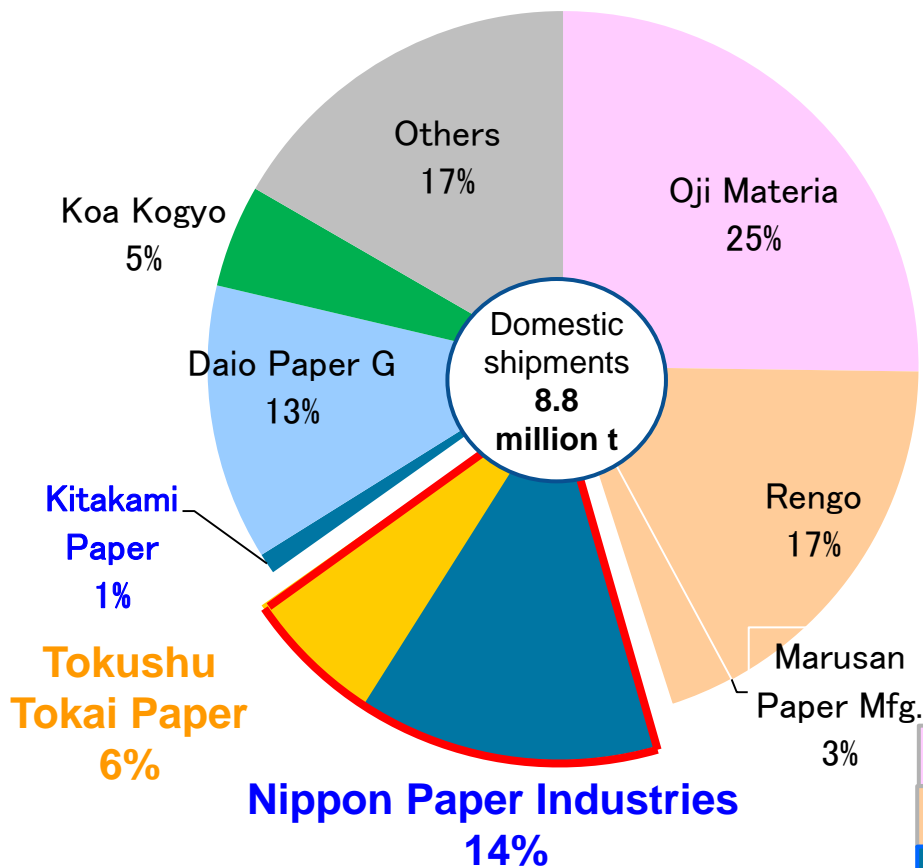
## Domestic Demand Trend (1995-2014)



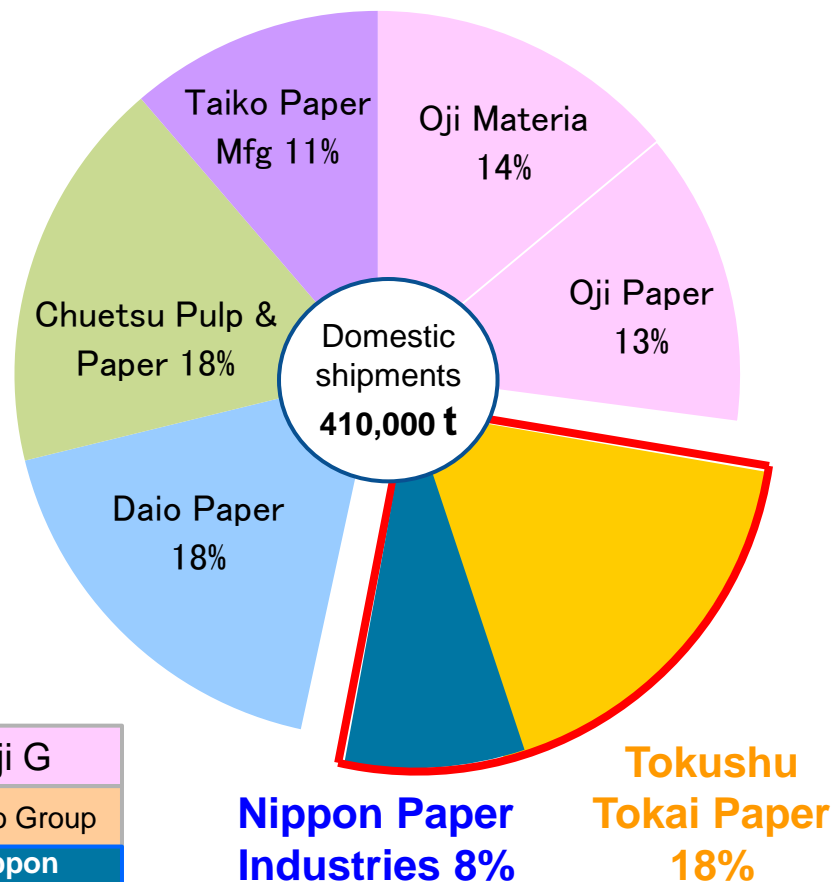
Cabinet Office "Annual Reports on National Accounts (GDP)"  
 Japan Paper Association "Paper & containerboard annual reports:  
 domestic shipments"

# Industry Shares (2014)

Containerboard  
(Market size around ¥500 billion)



Sack & general-purpose kraft paper  
(Market size around ¥40 billion)



\*Share of domestic shipments

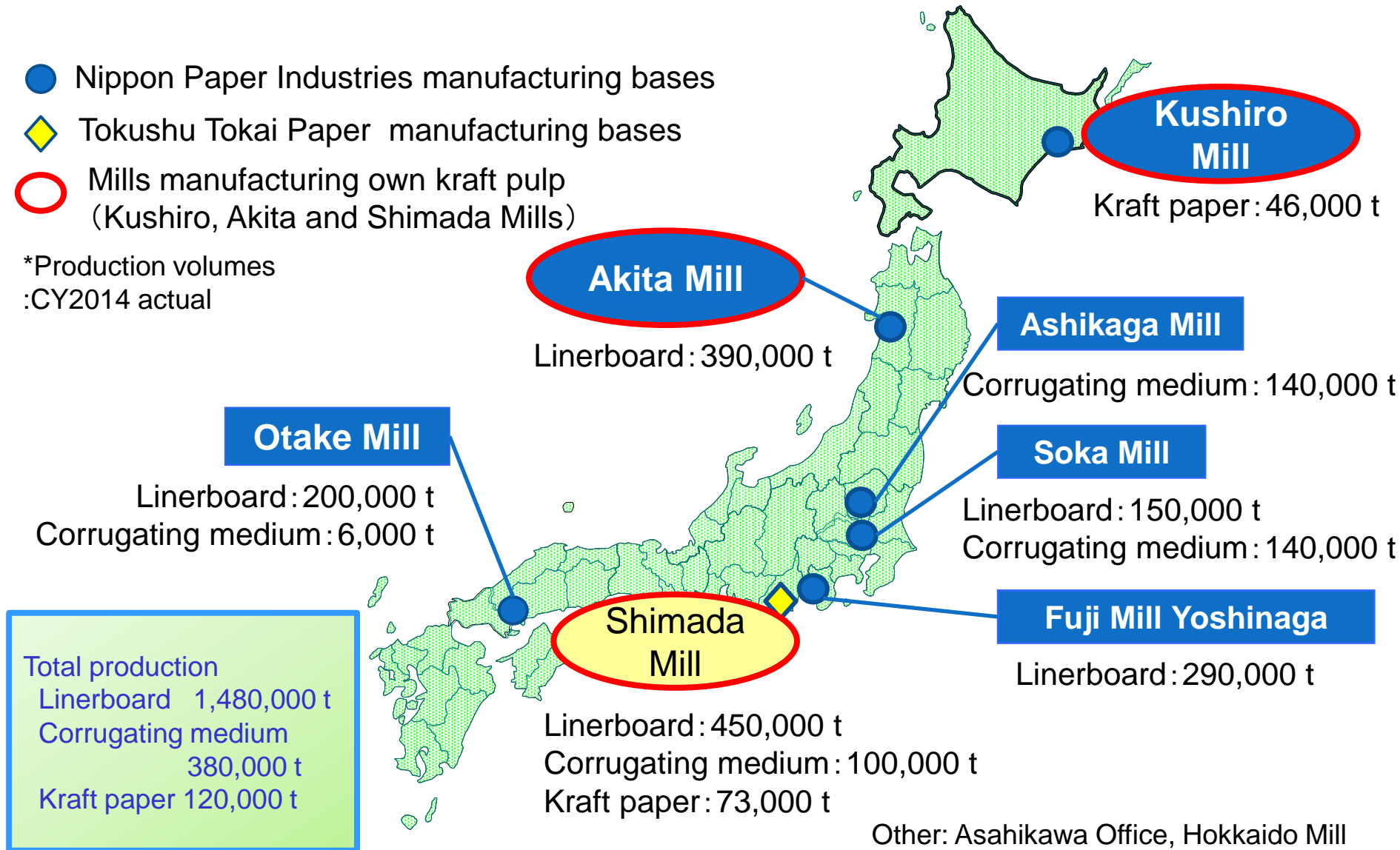
\*Figures for market size are estimates.

Japan Paper Association "Paper & containerboard annual reports: domestic shipments"

# Major Production Bases

- Nippon Paper Industries manufacturing bases
- ◆ Tokushu Tokai Paper manufacturing bases
- Mills manufacturing own kraft pulp (Kushiro, Akita and Shimada Mills)

\*Production volumes  
:CY2014 actual



# Aims of Business Alliance

## Expected synergies

- Further development of Shimada Mill

Combine production knowhow of both companies to strengthen quality and cost competitiveness

- Joint procurement of raw materials, fuel and other materials

- Establishment of efficient sales structure

Promotion of more efficient sales activities with 1.8 million tonnes containerboard production volume

- Exploration of possibilities for alliance in household paper products and specialty paper sectors

Pursuit of synergies utilizing strengths of both companies

# Significance of the Business Alliance for Stakeholders

## Customers

- Further improvement of quality and services
- Strengthening stable supply structure

## Employees

- Stable development of the business
- Enhancement of motivation



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## Shareholders

- Enhancement of corporate value
- Effective utilization of funds through avoidance of redundant investment



# Schedule

- Oct. 7, 2015 (Today) Conclusion of basic agreement
- Apr. 2016 (Tentative) Conclusion of final agreement
- Jun. 2016 (Tentative) General Meeting of Shareholders of Tokushu Tokai Paper  
(Resolution to approve demerger of Shimada Mill)
- Oct. 2016 (Tentative) Completion of the transaction  
(Establishment of new manufacturing company and new sales company)