

Nippon Paper Industries and Coca-Cola West Reach Basic Agreement on the Transfer of Shikoku Coca-Cola Bottling Shares

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Nippon Paper Industries Co.,Ltd.

Nippon Paper Industries Co., Ltd.(head office: Chiyoda-ku, Tokyo; hereinafter, “Nippon Paper Industries”) and Coca-Cola West Co., Ltd. (head office: Fukuoka, Fukuoka Prefecture; hereinafter, “CCW”) today reached a basic agreement for Nippon Paper Industries to transfer all shares of common stock issued by Shikoku Coca-Cola Bottling Co., Ltd. (head office: Takamatsu, Kagawa Prefecture; hereinafter “Shikoku Coca-Cola”), a consolidated subsidiary of Nippon Paper Industries, to CCW (hereinafter, the “Stock Transfer”). Nippon Paper Industries and CCW will continue discussing the specific details of the Stock Transfer to promptly conclude a final agreement.

1. Background and objectives of the Stock Transfer

CCW and Shikoku Coca-Cola, Coca-Cola bottling companies, have established solid market positions and proven performance as leading companies in their respective business areas.

The growing diversity in consumer needs and economized consumption, however, has resulted in changes in sales channels and intensified competition, increasing the harshness of the business environment for CCW and Shikoku Coca-Cola.

Under these conditions, CCW has decided it is important to increase the efficiency of its business by acquiring the shares of Shikoku Coca-Cola and operating the Coca-Cola bottling business in western Japan under its uniform management. More specifically, CCW has realized that maximizing the synergy of CCW and Shikoku Coca-Cola and increasing the corporate value of both companies by establishing a competitive advantage using unified marketing activities for both of them, streamlining their cost structure, making effective use of the human resources of both companies, and increasing productivity by integrating their supply chains will contribute to further growth and development, increase the corporate value of both companies and, ultimately, benefit all stakeholders, including customers, key clients, and CCW and Shikoku Coca-Cola shareholders.

Nippon Paper Industries founded then-Shikoku Inryo (current Shikoku Coca-Cola) in 1963 as part of its business diversification and subsequently had its shares listed on the Second Section of the Osaka Stock Exchange in 1993 and the First Section of the Tokyo Stock Exchange in 2000, and made the company a wholly-owned subsidiary of Nippon Paper Industries in 2009. Throughout the years Nippon Paper Industries has worked to strengthen the business foundation of Shikoku Coca-Cola. It has come to the conclusion that increasing the business efficiency of Shikoku Coca-Cola and taking into account the regional characteristics of its business area are the keys to sustainable growth and development with local communities in the midst of the intensifying competition of the beverage market.

Nippon Paper Industries also believes that this Stock Transfer will help the company accelerate the conversion of its business structure, thereby enabling it to grow into a comprehensive biomass company at the global level by concentrating its management resources in the biochemical, healthcare, and energy sectors and, ultimately, increasing the value of Nippon Paper Group companies.

With the background and objectives described above, Nippon Paper Industries and CCW have been discussing CCW’s

acquisition of all shares of Shikoku Coca-Cola stock held by Nippon Paper Industries, and today, the two reached the basic agreement for such an acquisition.

After the Stock Transfer, CCW will continue to lead reforms in Japan's Coca-Cola system by further strengthening its Coca-Cola bottling business in the west Japan region.

2. Overview of Shikoku Coca-Cola

(1)	Company name	Shikoku Coca-Cola Bottling Co., Ltd.		
(2)	Location	1378 Kasugacho, Takamatsu, Kagawa Prefecture		
(3)	Title and name of representative	Takahiro Maeda, Representative Director and President		
(4)	Business description	Production and sale of soft drinks		
(5)	Capital	5,576 million yen (as of December 31, 2014)		
(6)	Date established	January 7, 1963		
(7)	Major shareholder and shareholding ratio	Nippon Paper Industries Co., Ltd.: 100%		
(8)	Business results and financial position in the last 3 years (consolidated)			
	Fiscal year ending December	2012 (in yen)	2013 (in yen)	2014 (in yen)
	Consolidated net assets	36,433 million	35,974 million	35,675 million
	Consolidated total assets	41,368 million yen	41,619 million	40,076 million
	Consolidated net assets per share	1,557.4	1,537.8	1,525.0
	Consolidated net sales	48,984 million	48,838 million	46,999 million
	Consolidated operating income	289 million	326 million	(115 million)
	Consolidated ordinary income	538 million	604 million	151 million
	Consolidated net income	150 million	(197 million)	40 million
	Consolidated net income per share	6.4	(8.4)	1.8
	Dividends per share	15.8	15.8	15.8

Note: An audit certificate has not been issued for the consolidated financial results in (8).

3. Overview of Nippon Paper Industries

(1)	Company name	Nippon Paper Industries Co., Ltd.		
(2)	Location	1-4-1 Oji, Kita-ku, Tokyo		
(3)	Title and name of representative	Fumio Manoshiro, President & Representative Director		
(4)	Business description	Production and distribution of paper, pulp, paper containers for liquid, chemical products, etc.		
(5)	Capital	104,873 million yen (as of December 31, 2014)		
(6)	Date established	August 1, 1949		
(7)	Consolidated net assets	469,249 million yen (as of December 31, 2014)		
(8)	Consolidated total assets	1,512,342 million yen (as of December 31, 2014)		
(9)	Major shareholders and	Japan Trustee Services Bank, Ltd. (trust account): 7.12%		

shareholding ratios (as of September 30, 2014)	Master Trust Bank of Japan, Ltd. (trust account): 4.63% Mizuho Bank, Ltd.: 3.73% Rengo Co., Ltd.: 2.88% Nippon Paper Employee Stock Ownership: 2.83%	
(10) Relationship with Shikoku Coca-Cola	Capital relationship	As of today, Nippon Paper Industries owns 100% of the shares of common stock issued by Shikoku Coca-Cola.
	Personnel relationship	Two Nippon Paper Industries employees hold the posts of auditors in Shikoku Coca-Cola and four other Nippon Paper Industries employees are on loan to Shikoku Coca-Cola group companies.
	Business relationship	Nippon Paper Industries has a loan from Shikoku Coca-Cola as part of cash management system (CMS).
	Applicability to related parties	Shikoku Coca-Cola is a consolidated subsidiary of Nippon Paper Industries and, therefore, a related party of Nippon Paper Industries.

4. Overview of CCW

(1) Company name	Coca-Cola West Co., Ltd.	
(2) Location	7-9-66 Hakozaki, Higashi-ku, Fukuoka	
(3) Title and name of representative	Tamio Yoshimatsu, Representative Director and President	
(4) Business description	Production and sale of soft drinks and food products	
(5) Capital	15,231 million yen (as of December 31, 2014)	
(6) Date established	December 20, 1960	
(7) Consolidated net assets	254,150 million yen (as of December 31, 2014)	
(8) Consolidated total assets	337,260 million yen (as of December 31, 2014)	
(9) Major shareholders and shareholding ratios (as of December 31, 2014)	Ricoh Company, Ltd.: 15.37% New Technology Development Foundation: 4.76% Satsuma Shuzo Co., Ltd.: 4.23% MCA Holdings Co. Ltd.: 3.97% Japan Trustee Services Bank, Ltd. (trust account): 3.79%	
(10) Relationship with Shikoku Coca-Cola	Capital relationship	As of today, Shikoku Coca-Cola holds 8,461 CCW shares (0.01% (rounded to two decimal places) of total shares issued (111,125,714)).
	Personnel relationship	Not applicable
	Business relationship	CCW and Shikoku Coca-Cola mutually sell and purchase products between each other.
	Applicability to related parties	Not applicable

5. Outlook

Nippon Paper Industries and CCW will continue discussions, aiming to conclude the final contract by the end of April 2015 (TBD). The share price and date of the Stock Transfer will be announced as soon as they are determined.