

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.

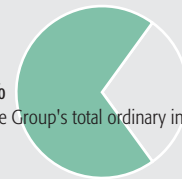
In addition, Nippon Paper Industries takes into consideration the sustainable development of society, which specifically includes striving to work in harmony with the natural environment. This philosophy led us to develop wastepaper-recycling technology, create the Zero Discharge Campaign to minimize 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.