

By Caroline Martin  
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SÉRGIO BRITO

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## *Oji Specialty Papers: new management and guidelines*

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In the beginning of October, Japanese Oji Paper Group took over control of the specialty papers mill located in the Monte Alegre neighborhood, in Piracicaba (SP), until recently headed by Fibria.

The US\$ 313 million acquisition completes a business agreement that started out between the two players back in 2007. The assets comprise a complex with an installed paper production capacity of 125 thousand tons/year. Of the total produced, 45 thousand tons/year correspond to thermal paper, 40 thousand tons/year of coated paper, 30 thousand tons/year of self copy paper and 10 thousand tons/year of uncoated paper.

With this change in command, the Piracicaba production unit will place more emphasis on the thermal paper segment. "It is one of the areas that the group stands out in almost all countries where it is present," said Oji Paper's President and CEO, Kazuhisa Shinoda, during a symbolic ceremony held on October 3<sup>rd</sup> in the city.

More than standing out, these products will be the cash cow of the Brazilian unit, which was named Oji Papéis Especiais. "We plan to invest in processes that boost production of thermal paper in 2012", said the company's president in Brazil, Júlio Piatto.

In an interview to *O Papel*, Piatto emphasized the tradition that consolidates the Oji Paper Group as the fourth biggest producer of paper in the world and provides details of the plan being outlined since taking over the helm of the company's newest acquisition.

**O Papel** – As president of Oji in Brazil, what is your perception on this new venture? What are the main challenges in this leadership transition phase?

**Júlio Piatto** – The main initial challenge is to ensure a seamless transition, in order to preserve our customers and uphold our credibility conquered over the years. We also aim to allow for the continued development

of employees, therefore we maintained the unit's work force. The next step is to seek synergies with the other group units. This, in fact, is already taking place. The transition is being considerably facilitated by the support of professionals who came from Oji Paper and are already engaged with the operations in Brazil.

**O Papel** – What is the Oji Paper Group's policy? In practice, were changes made to the day-to-day operations of the Piracicaba unit?

**Piatto** – The Oji Group's vision is to contribute to protection of the environment and advancement of culture in countries where it does business. Offering innovation and service speed to clients is another company premise, as is maintaining a good global reputation. Even though the Piracicaba mill already followed the same philosophy in relation to these aspects, we are seeking alignment with Oji's policy, exercising synergy in day-to-day operations, adopting mutual practices among the group's business units. In general, I would say that the Piracicaba industrial unit suffered minor internal adjustments. The structure is now adjusted for this new company phase.

**O Papel** – Are there plans to increase production or expand the production unit's installed capacity?

**Piatto** – Yes. We plan to implement projects to increase thermal paper production in 2012. That is, investments will be made to boost productivity. Details of the project in question are still confidential, but I can tell you in advance that there is no similar project in Brazil. Since we have only been in the command of the company for a little more than 30 days, we are still maturing our strategic plan. Many factors still need to be discussed and analyzed.

**O Papel** – Will the thermal paper segment become the mill's cash cow? What do you prospect for this area next year?

**Piatto** – In fact, thermal paper production is our main business in Brazil today. Historically, the thermal paper segment has been growing double digits, always above 10%. In part, this is due to the increased substitution of self copy paper, and, on the other hand, by the increase in demand that follows the country's GDP. What we expect for 2012 is to maintain growth above 10%.

**O Papel** – In looking a little bit more at the company's future plans, what commercial strategies will be adopted from now on?

**Piatto** – The main commercial strategy we will

adopt will be to bet on the growth of the thermal paper segment. In this process, the development of new products and improving the quality of customer service are what will make the difference. We also aim to strengthen our competitiveness, developing new technologies aimed at reducing costs, while we also intend to increase our share in the external market.

**O Papel** – What are the potential markets for increasing export volume and what are the paths for achieving this goal?

**Piatto** – At present, the unit exports self copy papers to the Mercosur region. In terms of thermal paper, the territory for focusing exports on will always be Latin America, since other Oji group units present in the United States and countries throughout Europe are responsible for exports to other localities. To increase our share in the external market, we first need to create excess production conditions. As we expand our business and obtain this excess production, we will seek to service the external market, especially the Southern Cone region.

**O Papel** – Will the other segments that Oji does business undergo a reduction in production due to the focus placed on thermal paper?

**Piatto** – No. Increasing the production of thermal paper does not mean that we intend to reduce the production of other types of paper produced at the mill. The idea is to expand the product mix so that the unit produces more paper in less time. With regards to the other segments we do business, it is important to point out that we continue facing strong competition from imported papers, such as coated paper, a segment in which prices are influenced by exchange rates. Our goal is to seek competitiveness by reducing costs, which is achieved by increasing productivity and nationalizing raw materials. These strategies are already under way in the company, even though it is still too early to measure results.

**O Papel** – How can the competition from imports be minimized by representatives in the Brazilian paper industry as a whole?

**Piatto** – We need to find solutions for reaching a fiscal balance, create an economic policy that also supports export operations, having a compatible US dollar for good performance. I believe this is fundamental for strengthening the competitiveness of domestic players. ■

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