

.....quality
.....innovative
.....expanding.....ethical
A few words on paper
.....responsible
.....special

2006



Oji Paper in Perspective, 2006
YEAR ENDED MARCH 31, 2006



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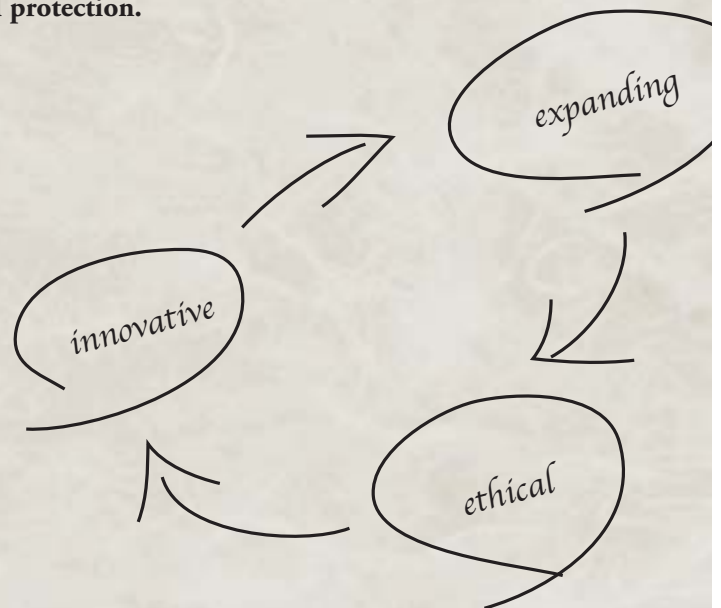


Oji Paper Co., Ltd.

brand statement

Products made from paper are everywhere—newspapers, magazines, documents, food containers, wrapping paper, tissues. Even the computer on your desk probably contains parts made from paper. Paper is such an obvious part of our lives, that often it goes unnoticed.

The Oji Paper Group has reliably supplied this indispensable material for over 130 years. During that time, we have worked endlessly to enhance the convenience and beauty of paper and find new uses for this versatile material. We have also maintained a strong commitment to environmental protection.



Innovation

Japan's evolution as a modern state began with the Meiji Restoration of 1868. In the decades that followed, Japan launched a wide array of modern industries, and it was in this period that Oji Paper came into being as Japan's first paper manufacturer, and as a company dedicated to progress and innovation.

MISSION 01

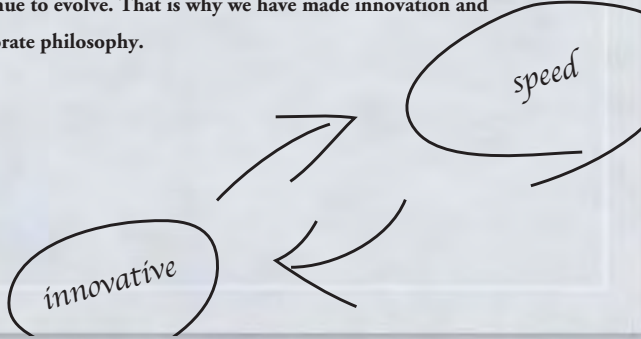


...innovative

[INNOVATION AND SPEED]

Paper has been part of our lives since ancient times. Today, its production involves the use of vast facilities at all stages from raw materials through to finished products. These characteristics may create the impression that paper manufacturing is a stable, unchanging industry. Yet, it is precisely because paper plays such an integral role in our lives, and because its manufacture requires large-scale facilities, that we must recognize environmental changes quickly and remain sensitive to changing needs. It enables us to develop new products and introduce new manufacturing systems for maximum benefit.

Society continues to change at an ever-accelerating pace, and the Oji Paper Group must also continue to evolve. That is why we have made innovation and speed part of our corporate philosophy.





Global

The Oji Paper Group manufactures and supplies newsprint, specialty papers and numerous other products in North and South America, Europe and Asia. As part of our environmental commitment, and to ensure reliable access to raw materials, we are also involved in forestry projects in many parts of the world, especially Asia, the South Pacific and South America.

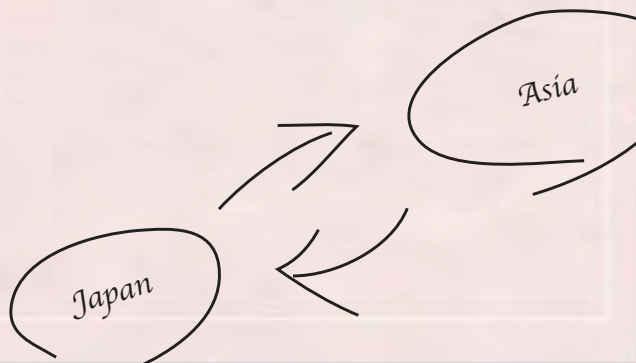
MISSION 02



...expanding

[GLOBAL REPUTATION FOR DEPENDABILITY]

Japan is one of the world's biggest paper markets. The Oji Paper Group has achieved continued growth by honing its product development capabilities in this market, which is characterized by vast demand and extremely sophisticated customer needs. Today, we increasingly need to build global networks, both to source raw materials and also supply products to meet rapidly expanding demand in neighboring Asian markets, especially China. The Oji Paper Group is determined to build and maintain a global reputation for dependability. We see that as the key to the future growth of our business activities.





Environmentally Responsible

In Oji Paper, over 60% of raw material used in producing paper is recovered paper. Over 70% of our forest materials come from forest plantations, not from wild timber. The Oji Paper Group currently owns 190,000 hectares of forest in Japan and 150,000 hectares in other countries, all of which we manage sustainably.

MISSION 03

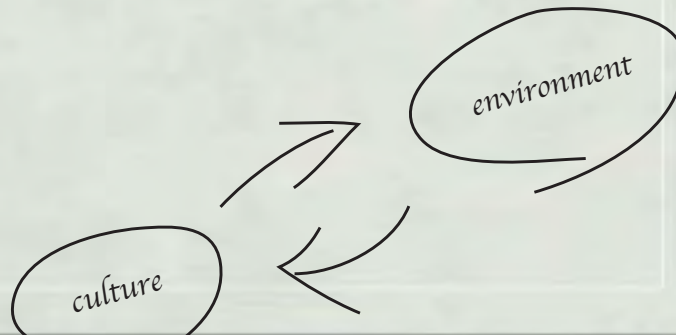


...ethical

[CONTRIBUTION TO THE ENVIRONMENT AND CULTURE]

The Oji Paper Group is determined to fulfill its social responsibilities in ways that reflect its mission as an integrated paper manufacturing group.

Contribution to the environment and culture is part of our corporate philosophy. Our goal is to develop paper manufacturing as a zero waste industry by promoting paper recycling and forest recycling. By supplying our products reliably and continually improving their functional performance, we also aim to contribute to the preservation of cultural heritage for future generations. The Oji Paper Group will continue to make a tangible contribution to society through its progressive approach to its business activities.



(Billions of yen)

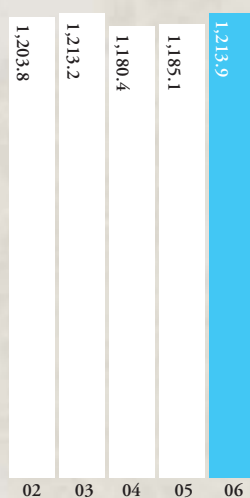
	2002	2003	2004	2005	2006
Net sales	1,203.8	1,213.2	1,180.4	1,185.1	1,213.9
Ordinary profit	20.1	47.9	67.8	80.5	70.7
Net income (loss)	(17.7)	12.2	31.3	43.3	21.0
Per share data (yen):					
Net income (loss)	(17.13)	11.23	29.90	42.06	21.15
Cash dividends	8.00	8.00	10.00	12.00	12.00

Fiscal year-end:

Total assets	1,632.1	1,621.1	1,606.0	1,606.2	1,748.5
Total shareholders' equity	424.3	425.9	472.4	489.9	527.9
Common stock	103.9	103.9	103.9	103.9	103.9
Number of shareholders	82,859	101,000	98,290	104,191	96,103

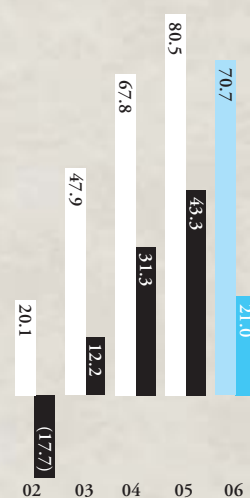
Forward-looking statements: Statements contained in this report pertaining to Oji Paper's plans, strategies, beliefs and expectations that are not historical facts are forward-looking statements. These forward-looking statements involve uncertainties that should be considered and which could cause actual performance results to differ from those discussed in the forward-looking statements. This report aims to supply information, not to solicit investment.

Net sales (Billions of yen)

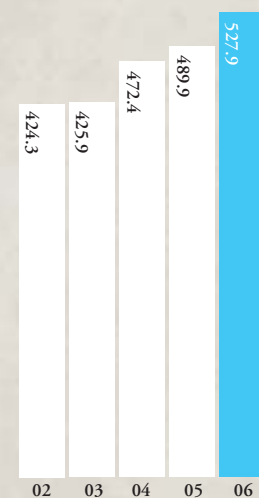


**Ordinary profit/
Net income (loss)** (Billions of yen)

■ Ordinary profit ■ Net income (loss)



Total shareholders' equity (Billions of yen)



**Shoichiro Suzuki**

CHAIRMAN

Kazuhisa Shinoda

PRESIDENT AND CEO

Rejuvenated under a new management structure, Oji Paper aims to achieve ordinary profit of ¥100 billion.

Rising Fuel and Raw Material Costs Reflected in Higher Revenues and Lower Profits

In the fiscal year under review (April 2005–March 2006), the Japanese economy followed a gradual recovery trend. An improving employment environment helped to boost consumer spending, while higher business earnings contributed to an increase in capital investment.

Rising fuel and raw material prices became a major problem in the business environment for many industries and companies. This factor had a significant impact on the paper and pulp industry, of which the Oji Paper Group is part.

The Oji Paper Group worked to counter the impact of this challenging environment by continuing and intensifying its efforts to reduce costs in all facets of its operations, to bring highly competitive products to market, and to strengthen marketing systems in collaboration with group companies. However, it was not possible to offset the entire effect of dramatically higher fuel and raw material costs, with the result that while revenues increased, income was lower. Net sales were 2.4% higher year on year at ¥1,213.9 billion, but operating profit declined by 12.6% to ¥73.9 billion, ordinary profit by 12.2% to ¥70.7 billion, and net income by 51.5% to ¥21.0 billion. Extraordinary losses associated with the introduction of impairment accounting were responsible for much of the substantial reduction in net income.

Strengthening Group Potential

A key measure implemented in the year ended March 2006 was a major organizational restructuring targeted toward the reinforcement of our corrugated paperboard business. In October 2005 we merged two group companies, Oji Container Co., Ltd. and Chiyoda Container Co., Ltd. to form Oji Chiyoda Container Co., Ltd. Between October and December 2005 we acquired shares in companies in Mori Shigyo Group, the third-ranked company in the industry, which became part of the Oji Paper Group. These changes will strengthen our business structure in this area, while synergies among the merged companies will contribute to further efficiency improvements. We will also be able to offer enhanced user services through our expanded business network.

The Oji Paper Group was further strengthened through organizational changes in the area of logistical operations. These changes included the merger of Oji Logistics Co., Ltd. and Fuji Rinkai Warehouse Co., Ltd., and the merger of Oji Rikuun Co., Ltd., Bando Transportation Co., Ltd. and Sanko Transportation Co., Ltd., in April 2005. Oji Paper further strengthened its inkjet paper business by acquiring Ilford Imaging Switzerland GmbH, one of the world's leading manufacturers of digital photographic printing papers, in July 2005.

Oji Paper is one of the first manufacturing groups in the world to install refuse paper and plastic fuel (RPF) boilers, which do not rely on fossil fuels, such as oil. Boilers based on this advanced energy technology are already in operation at the Tomakomai Mill and Oita Mill. We continued to expand the conversion program in the year ended March 2006, and in June 2005 we installed our third RPF boiler at the Yonago Plant. Another installation project was completed at the Nichinan Plant in May 2006, and we have also decided to introduce the technology at the Tomioka Mill. Completion of that project is scheduled for the fall of 2008.

The Leading Integrated Paper Manufacturer in the Asian Market

We are working to build Oji Paper into a corporate group capable of consistently generating consolidated ordinary profit of ¥100 billion. Our strategies include the development of an efficient and flexible production structure, the improvement of our non-price competitiveness through the introduction of new technologies, products and services, and the reinforcement of our cost competitiveness across all facets of our business operations.

One of our growth strategies has been to expand our business operations in Asia, with the aim of establishing a position for the Oji Paper Group as the leading integrated paper manufacturer in the Asian market. Particularly significant is a plan to build an integrated production facility for coated paper and wood-free paper in China. In July 2006 China's State Council gave its approval for this facility, which will integrate production from the pulp stage onwards.

Paper demand has tended to increase in recent years, especially in China and Southeast Asia, and there is a real possibility of raw material shortages in the future. Oji Paper has long given high priority to forest planting under its "forest recycling" concept, and we have increased the target area for our overseas forest plantations from 200,000 hectares to 300,000 hectares to provide for future demand growth. As part of our efforts to reach this target, we commenced a new forestry project in Laos in fiscal 2005. We also established a subsidiary in China's Guangdong Province to develop a forest with a target area of 60,000 hectares.

June 2006—Transition to New Management Team

Rising fuel and raw material costs have become a major challenge, and this situation is expected to persist in the year to March 2007. While we will continue to target further improvements in production efficiency and flexibility, the size of the increases are so great that we will also need to make continued efforts to restore product prices. We also aim to expand sales by providing new value to customers through the development of new products with enhanced quality and functions.

The regular general meeting of shareholders in June 2006 approved the creation of a new management structure. President Shoichiro Suzuki was appointed to the position of Chairman, and Executive Director Kazuhisa Shinoda became President. Under this new management structure, we will continue to follow our basic policies, while adapting appropriately to changes in our business environment and working to increase consolidated ordinary profit to ¥100 billion.

CHAIRMAN



PRESIDENT AND CEO





interview with the president

Kazuhisa Shinoda

President and CEO

CURRICULUM VITAE

MARCH 1969

Graduation from Hitotsubashi University

APRIL 1969

Employment with Oji Paper Co., Ltd.

JUNE 2001

Appointed Corporate Officer

JUNE 2003

Appointed Executive Officer

JUNE 2005

Appointed Executive Director

JUNE 2006

Appointed President and CEO

QUESTION 1

You were appointed President and CEO of Oji Paper in June 2006. What are your ambitions as leader of the Oji Paper Group?

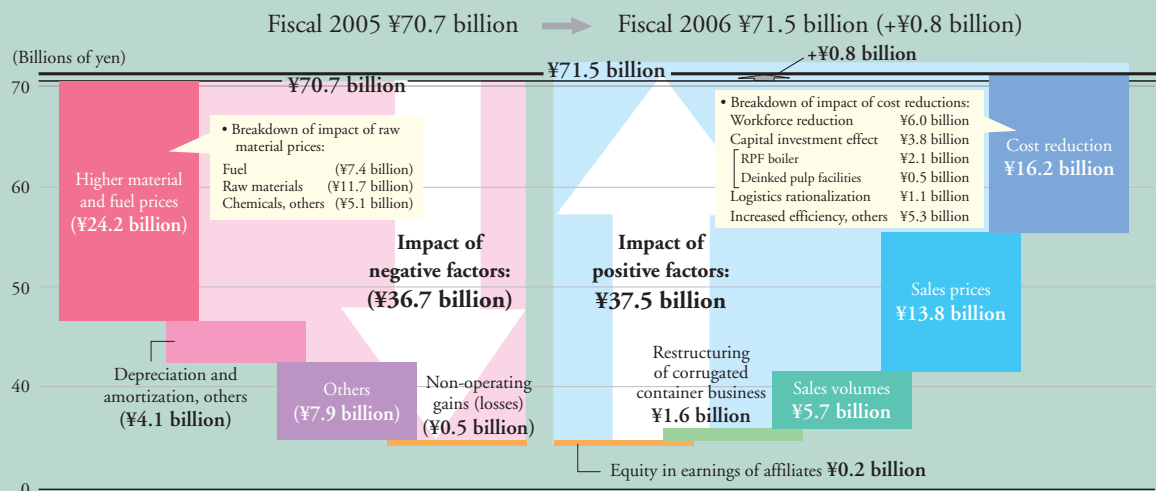
Obviously the most important requirement for any company is the ability to generate earnings and achieve growth. At present it is difficult to predict trends in our business environment. The rising cost of fuels and raw materials, including crude oil, is having a significant impact on our business activities. The additional costs in the years ended March 2005 and March 2006 were equivalent to ¥50 billion.

However, the mission of management is to build a robust corporate structure capable of maintaining high earnings and growth in any environment, and our first priority is to meet and overcome the challenges in our present situation. Our most important priority is to strengthen our cost competitiveness. We have already implemented various measures to improve cost competitiveness, and we will continue these efforts in the future. I believe that our most important resource



as we work toward this goal is our people. Each Oji Paper Group employee must work not only within his or her own area of activity, but also as a member of a group-wide team aspiring toward a shared goal. The Oji Paper Group has traditionally had this kind of culture. As manager, I believe that my task is to set a specific goal and provide strong leadership.

Breakdown of Increase/Decrease in Consolidated Ordinary Profit (Fiscal 2005 to Fiscal 2006)



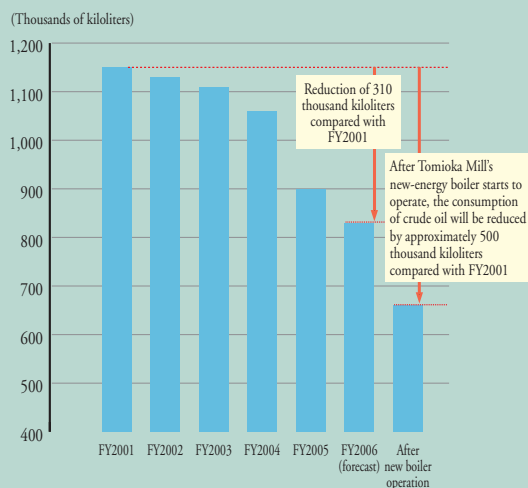
How are you coping with higher fuel and raw material prices?

Our first priority is to reduce costs through our own efforts, and we will continue to focus on the reduction of total labor costs. We will also step up our investment in cost-saving measures. The Oji Paper Group has achieved continuing cost reductions through the implementation of ideas and initiatives at individual work sites, rather than through new investment.

However, the recent surge in fuel and raw material prices has gone beyond our capacity to absorb the cost increases through this kind of grass-roots initiative. That is why we plan to expand our program of investment in conversion to a new type of boiler. We began to install refuse paper and plastic fuel (RPF) boilers to reduce the risks associated with total reliance on oil, and also as a way of conserving resources. We have led the industry in the introduction of this technology. RPF boilers have been in operation at the Tomakomai Mill and the Oita Mill since 2004, and the Yonago Mill since 2005. A new RPF boiler fueled by used tires became operational at the Nichinan Mill in May 2006. We also plan to install new-energy boilers based on biomass technology at the Kasugai Mill and the Tomioka Mill. When all of these facilities are in operation, we will have achieved a 40% reduction in fuel oil use compared with 2001. However, we will not be able to offset all of the increases in fuel and raw material costs through our own efforts, and we therefore began to adjust our selling prices in 2006.



Trends in Consumption of Fuel Oil by Oji Paper Group



Installation of new-energy boilers

Time of operation	Mill	Main fuel	Evaporation volume
April 2004	Oji Paper's Tomakomai Mill	RPF, etc.	260t/h
May 2004	Oji Paperboard's Oita Mill	RPF, etc.	200t/h
June 2005	Oji Paper's Yonago Mill	RPF, refuse tires, etc.	250t/h
May 2006	Oji Paper's Nichinan Mill	Refuse tires, wood, etc.	130t/h
September 2006 (plan)	Oji Specialty Paper's Shibakawa Mill	Wood, etc.	7t/h
December 2007 (plan)	Oji Paper's Kasugai Mill	RPF, wood, etc.	140t/h
Autumn 2008 (plan)	Oji Paper's Tomioka Mill	RPF, refuse plastic, etc.	300t/h

Energy conversion

Time of execution	Mill	Main fuel
August 2006	Oji Paper's Edogawa Mill	Fuel oil → City gas
November 2006 (plan)	Oji Specialty Paper's Iwabuchi Mill	Fuel oil → City gas
August 2006 (plan)	Oji Specialty Paper's Shiga Mill	Fuel oil → City gas

QUESTION 3

How do you view the outlook for the Japanese market, and what plans do you have for capacity expansion?

Opinions vary on the prospects for the Japanese market. Japan’s population has already started to decline, and when we also take into account anticipated growth in the use of IT, it seems unlikely that paper demand within Japan will increase substantially. We therefore take a conservative view of the future. However, we anticipate major growth in the Asian market as a whole. The Oji Paper Group is steadily implementing plans to keep pace with demand growth in Asia, including a project to build a new plant in China with integrated production processes covering all stages from pulp onwards.

We also aim to strengthen the competitiveness of our production facilities in Japan, primarily through a scrap-and-build strategy. To compete successfully with foreign pulp manufacturers, we will need to replace aging and inefficient machines with the latest systems. As in the past, Japan will remain the core focus of the Oji Paper Group’s activities. A

solid business base in Japan is essential to the expansion of our activities in Asia. That is why we need to improve the efficiency of our domestic production facilities.



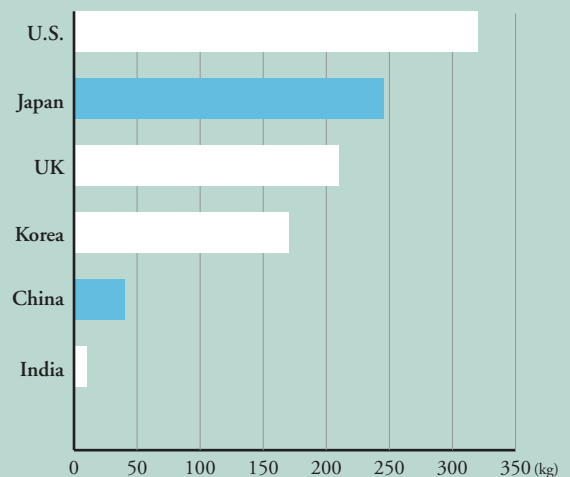
World’s Top 10 Producers of Pulp and Paper, 2004

Ranking	Country	Output (1,000 tons)
1	U.S.	83,401
2	China	49,500
3	Japan	30,889
4	Canada	20,461
5	Germany	20,392
6	Finland	14,036
7	Sweden	11,589
8	Korea	10,511
9	France	10,249
10	Italy	9,665

World’s Top 10 Consumers of Pulp and Paper, 2004

Ranking	Country	Consumption (1,000 tons)
1	U.S.	92,257
2	China	54,392
3	Japan	31,426
4	Germany	19,442
5	UK	12,678
6	Italy	11,334
7	France	11,079
8	Korea	8,243
9	Brazil	7,303
10	Canada	7,299

Pulp and Paper Consumption per Capita, 2004



Source: PPI Annual Review 2005

QUESTION 4

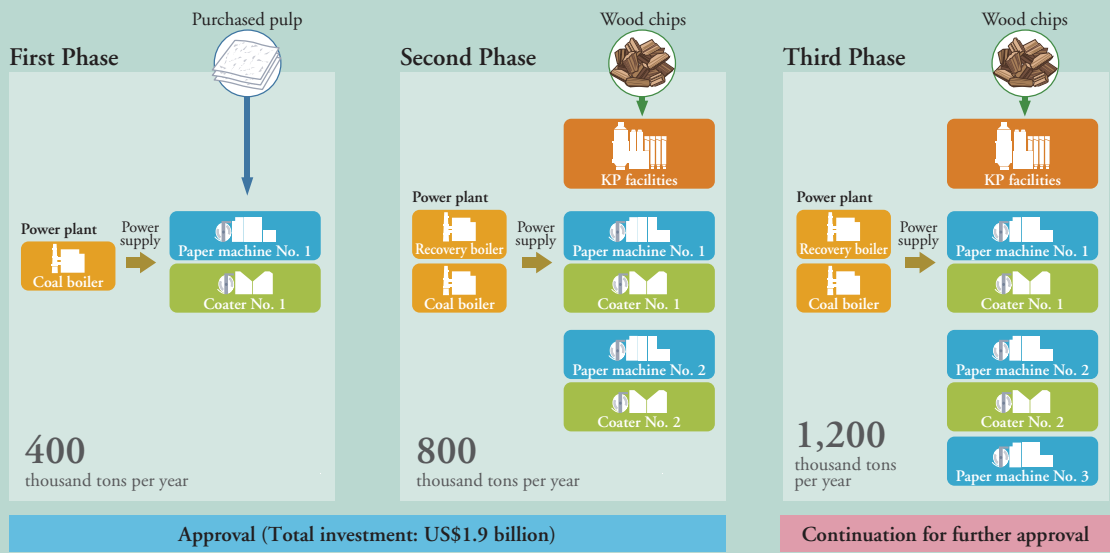
Expansion in China is a key facet of your medium-term management plan. What progress have you made with your business operations there?

In July 2006, we received approval from State Council of China for our planned integrated paper mill in Nantong City, Jiangsu Province. We will build two 800,000-ton production lines for high-grade paper, and one 700,000-ton production line for kraft pulp, together with in-house generators and other associated facilities. The business will be a joint venture between Oji and a Chinese company. We will own 90%, and our Chinese partner will have a 10% stake. Our plan for this project calls for the development of annual production capacity of 1.2 million tons, and we are now filing applications with the Chinese government for further approvals covering the remaining 400,000 tons. We expect initial production to start at the end of 2009. Detailed plans are still under consideration, and we will make a formal announcement as soon as possible.



The huge size of this project in China has attracted widespread interest. We have already been active in Asia for around 10 years, and our business operations in the region include the manufacture of non-carbon papers in Thailand and corrugated paperboard in Vietnam. In China, we are also involved in the processing of thermal papers and the manufacture and sale of corrugated containerboard cartons, household products and other items. I expect that our accumulated experience in Asia and China will be extremely valuable when our plant in Nantong becomes fully operational.

Outline of Chinese Plant and Equipment, and Production Schedule



QUESTION 5

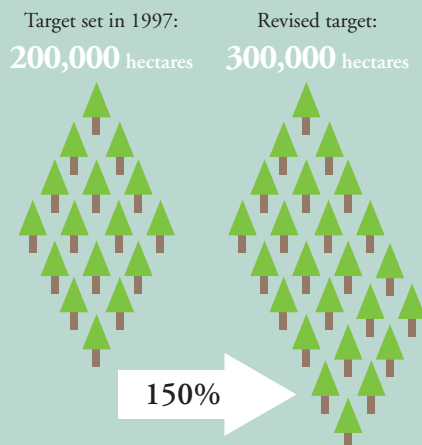
World paper demand is expected to expand in response to a range of factors, including economic development in Asia. Access to resources and environmental protection will be important priorities.

Because of the importance of forests to the paper industry, environmental protection is an issue of vital concern to us. Our fundamental policy is to avoid destruction of tropical rainforests and to keep the use of natural forest resources to a level that will not impose a burden on forests. We will obtain the wood chips needed to keep pace with growth in the demand for paper by systematically expanding our forest planting activities. This is reflected in the priority that we give to forestry projects under our “forest recycling” concept. We aim to increase the area of overseas forests from approximately 150,000 hectares at present to 300,000 hectares by 2010. Most of the resources that we procure from outside suppliers come from planted forests, which currently account for over 70% of the wood chips that we use. We also use waste wood from timber

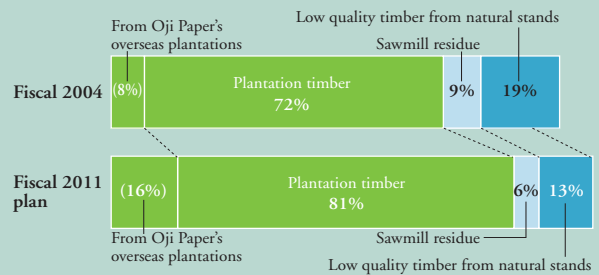


mills, and low-grade wood that is unsuitable for other purposes. Forest recycling is a vital mission for the paper manufacturing industry, and for the Oji Paper Group. We must continue to invest in forest recycling, and we need to build a robust business structure capable of sustaining that investment.

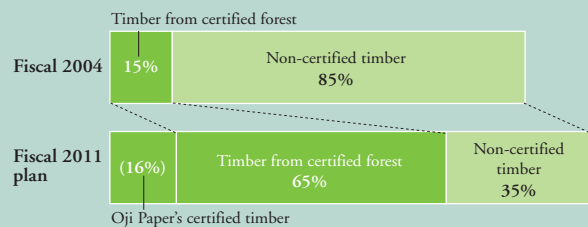
Overseas Afforestation Area Target Fiscal 2010



Planned increase in reforestation for imported wood chips



Reference information: Planned increase in wood from certified forests



QUESTION 6

Do you have a special message for shareholders and investors?

The Oji Paper Group has a history stretching back over 130 years, and some may see us an old company in an old industry. However, we have been able to stay in business so long by continuing to supply products that are useful and of value to society and culture. I want to maintain our sense of pride in this achievement. Of course, we cannot achieve growth if we simply rest on our history and traditions. We must not be confined by our history, because sometimes we need to adopt totally new ideas and approach our business activities from an entirely different perspective. We have made innovation and speed part of our corporate philosophy. I love these words, and I want to reflect them always in my approach to management. As I said at the start of this interview, the ability to generate earnings and achieve growth is vital for any company, and this also is what shareholders expect. However, we must never forget that respect for business ethics is the most fundamental requirement. I believe that we ultimately raise shareholder value by maintaining high ethical standards, by contributing to society and by generating earnings and growth within this framework. I look forward to the continuing support of our shareholders and investors.



PRESIDENT AND CEO

K. Shimoda

Ranking of the World's Pulp and Paper Manufacturing Companies, 2004

Ranking	Company	Headquarters	Output (1,000 tons)
1	Stora Enso	Finland	14,520
2	International Paper	U.S.	14,256
3	UPM	Finland	10,886
4	Georgia-Pacific	U.S.	10,119
5	Weyerhaeuser	U.S.	8,893
6	Oji Paper	Japan	8,063
7	Smurfit-Stone Container	U.S.	7,741
8	Nippon Paper Group	Japan	7,710
9	Abitibi-Consolidated	Canada	6,405
10	MeadWestvaco	U.S.	5,900



All 220 subsidiaries and 86 affiliates of Oji Paper are working both independently and collaboratively to strengthen their competitiveness. The Oji Paper Group is one of Japan's leading integrated paper manufacturing groups. Its business operations are divided into four segments: paper and pulp products, converted paper products, wood and tree-planting, and other activities. From its home in Japan's maturing domestic market, the Group is expanding its activities into the rapidly growing markets of Asia in search of new growth opportunities.

01 value



However perfect paper may appear to be, there is always scope for further evolution. Oji Paper is striving to create stronger, thinner papers, papers that are lighter, and papers that enhance the appearance of printed products. Another research goal is the increased use of recycled resources. As part of its efforts to contribute to society through paper, the Oji Paper Group undertakes extensive research and development. Fields of research range from studies concerning wood and forests, from which the raw materials for paper are derived, to research relating to product development and the improvement of production technology.



02
value



Good corporate governance is the first management priority for the Oji Paper Group, and we are continually developing and strengthening our governance systems. Ei-ichi Shibusawa, the founder of Oji Paper, believed that the maintenance of high ethical standards was as important as the pursuit of profit. He condensed this philosophy into the words “analects and abacus,” through which he expressed the need to combine the ethical values represented in the Analects of Confucius, with good business practice, as symbolized by the abacus. These words continue to guide the business activities of the managers and employees of Oji Paper.

03
value



The paper industry has achieved a high level of recycling. The forest resources used in paper manufacturing can be renewed by planting trees, and used paper can also be recovered and recycled as a raw material.

The Oji Paper Group aims to achieve harmony between its business activities and the natural environment through forest recycling and paper recycling. And through the energy conservation and conversion to non-fossil fuels in its production facilities, the Group is contributing to efforts to prevent global warming.



04 value



Kazuhisa Shinoda
PRESIDENT AND CEO

Shoichiro Suzuki
CHAIRMAN

Shozo Watanabe
EXECUTIVE VICE PRESIDENT

[Board of Directors]

Chairman	Shoichiro Suzuki
*President and Chief Executive Officer	Kazuhisa Shinoda
*Executive Vice President	Shozo Watanabe
*Senior Managing Director	Yoshihiro Kanamaru
*Senior Managing Director	Nobuyoshi Yamamoto
*Senior Managing Director	Shunsuke Okushima
*Executive Director	Yutaka Sekiguchi
*Executive Director	Tohru Inoue
*Executive Director	Shinichiro Kondo
*Executive Director	Takashi Ishida

*Concurrently Serving as Officer

[Corporate Auditors]

Senior Corporate Auditor	Shogo Sakurai
Corporate Auditor	Munehiro Hanada
Corporate Auditor	Yoh Takeuchi
Corporate Auditor	Hiroyasu Sugihara

[Corporate Officers]

Executive Officers	Jun Kajita
	Sadao Mizushima
	Jiro Harada
	Hideaki Hayashi
	Motoji Saito
	Junta Watanabe
	Tsuneo Hashimoto
	Koji Hayashi
	Kenji Kanda
	Tadashi Watanabe

Officers

Fumihiko Hirai
Tsunehisa Shigetani
Michihiro Ishibashi
Hajime Yamanaka
Junji Ohsawa
Hiroshi Kawakami
Hiroshi Kizuka
Hiroki Hashimoto
Kikuo Kamura
Tomoo Edagawa
Tazunu Ando
Yukio Ochiai
Hiroyasu Hayano
Shuichi Sata
Toshikatsu Shinomiya
Susumu Yajima
Atsushi Yamakita

financial information
FINANCIAL INFORMATION >>>

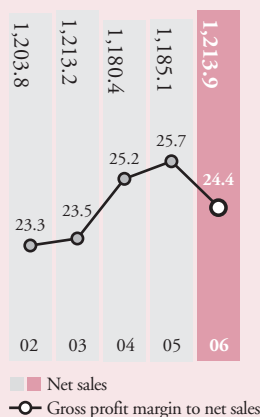
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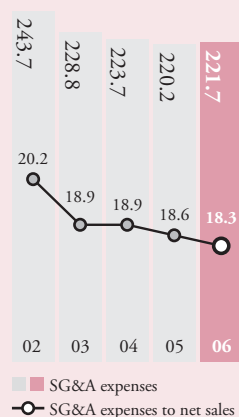
(Billions of yen except where noted)

Year ended March 31,	2002	2003	2004	2005	2006
Net sales	1,203.8	1,213.2	1,180.4	1,185.1	1,213.9
Gross profit	280.0	285.3	297.5	304.8	295.6
Operating profit	36.3	56.5	73.9	84.6	73.9
Ordinary profit	20.1	47.9	67.8	80.5	70.7
Net income (loss)	(17.7)	12.2	31.3	43.3	21.0
SG&A expenses	243.7	228.8	223.7	220.2	221.7
Cash flows					
Cash flows from operating activities	134.9	115.3	102.6	135.8	112.3
Cash flows from investing activities	(100.2)	(77.2)	(46.3)	(67.9)	(106.6)
Cash flows from financing activities	(44.3)	(40.0)	(57.3)	(55.4)	(12.9)
Per share data (yen):					
Net income (loss)	(17.13)	11.23	29.90	42.06	21.15
Shareholders' equity	410.65	407.30	455.61	484.50	533.38
As of March 31,					
Total assets	1,632.1	1,621.1	1,606.0	1,606.2	1,748.5
Shareholders' equity	424.3	425.9	472.4	489.9	527.9
Capital investment	76.9	65.2	59.2	74.5	95.8
Depreciation and amortization	91.9	92.5	84.0	78.1	78.6
Interest-bearing debt	775.4	801.3	754.8	727.9	776.2
Number of consolidated subsidiaries	74	69	64	65	80
Employees (consolidated)	21,683	20,719	19,417	18,634	20,223
Number of key ratios					
Return on equity (%)	(4.1)	2.9	7.0	9.0	4.1
Shareholders' equity ratio (%)	26.0	26.3	29.4	30.5	30.2
Gross profit margin (%)	23.3	23.5	25.2	25.7	24.4
SG&A expenses to net sales (%)	20.2	18.9	18.9	18.6	18.3
Ordinary profit margin (%)	1.7	4.0	5.7	6.8	5.8
Other data					
Issued shares (share)	1,033,137,661	1,064,381,817	1,064,381,817	1,064,381,817	1,064,381,817
Price earnings ratio (times)	—	42.6	24.2	14.3	34.2
Price book-value ratio (times)	1.50	1.17	1.59	1.24	1.36

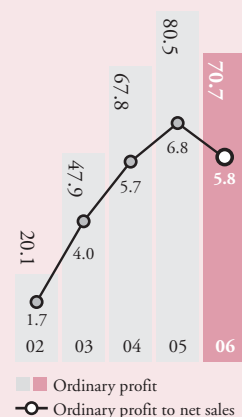
Net sales (Billions of yen)
Gross profit margin (%)



SG&A expenses (Billions of yen)
SG&A expenses to net sales (%)



Ordinary profit (Billions of yen)
Ordinary profit to net sales (%)



Profile of the Corporate Group

As of March 31, 2006, the Oji Paper Group consisted of 220 subsidiaries and 86 affiliates. The Group is involved in a wide range of business areas, including paper and pulp products, converted paper products, wood and tree planting, real estate and transportation.

Twenty subsidiaries were newly added to the consolidation in the year ended March 2006, while five were excluded, leaving a net increase of 15. This brought the total to 80, compared with 65 at the end of the previous fiscal year. The full acquisition of the Mori Shigyo Group brought an additional 15 companies into the consolidation. Other new additions included Oji Packaging Seibu, Nepia Trading and Nepia Tender, as well as Ilford Imaging Switzerland and Oji Ilford U.S.A., which were added to the consolidation following the acquisition of shares in Ilford Imaging Switzerland. Sogo Shiki and Honshu Living Center were excluded from the consolidation. Chiyoda Container, Fuji Rinkai Warehouse and Tomakomai Kako were also excluded as a result of mergers with other Oji Paper subsidiaries.

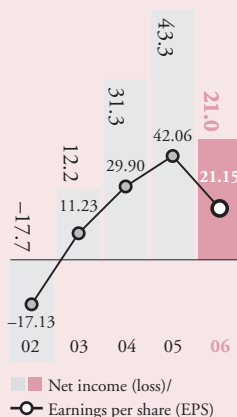
The number of equity method subsidiaries increased by one. The total as of March 31, 2006 was 16.

Sales and Profit

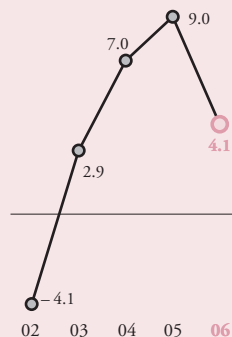
In the year ended March 2006, the Japanese economy followed a gradual recovery path. Contributing factors included increased consumer spending resulting from an improved employment situation, and an upward trend in capital investment driven by growth in business earnings. Rising fuel and raw material prices created challenging conditions for the pulp and paper industry, which is the Oji Paper Group's main area of activity.

The Oji Paper Group responded to this environment by working to minimize costs through efforts to reduce energy consumption and labor inputs across all facets of its activities. It also launched new products and worked with group companies to strengthen its marketing operations. Despite these efforts to improve earnings, it was not possible to absorb the full impact of higher fuel and raw material costs. Consolidated net sales in the core pulp and paper segment remained basically static in the year ended March 2006. However, the addition of the Mori Shigyo Group to the Oji Paper Group resulted in an increase in sales, which rose by ¥28.7 billion, or 2.4%, year on year to ¥1,213.9 billion. Profit was adversely affected by the impact of higher fuel and raw material prices on the core pulp and paper segment, and gross profit declined by ¥9.2 billion. Selling,

Net income (loss) (Billions of yen)
Earnings per share (EPS) (yen)



Return on equity (%)



general and administrative expenses showed a marginal ¥1.4 billion increase to ¥221.7 billion. As a result, consolidated operating profit was ¥10.6 billion, or 12.6% lower year on year at ¥73.9 billion.

There was an ¥800 million improvement in the non-operating income and expenditure position. Reasons included a reduction in interest payments. Consolidated ordinary profit was ¥9.8 billion below the previous year's level at ¥70.7 billion.

Despite extraordinary gains totaling ¥2.2 billion, there was a net extraordinary loss of ¥31.6 billion, which is ¥18.2 billion higher than in the previous year. This reflects a ¥20.5 billion year-on-year increase in extraordinary losses, which amounted to ¥34.5 billion. One of the reasons for the increase was a ¥16.4 billion impairment loss resulting from the introduction of impairment accounting for fixed assets.

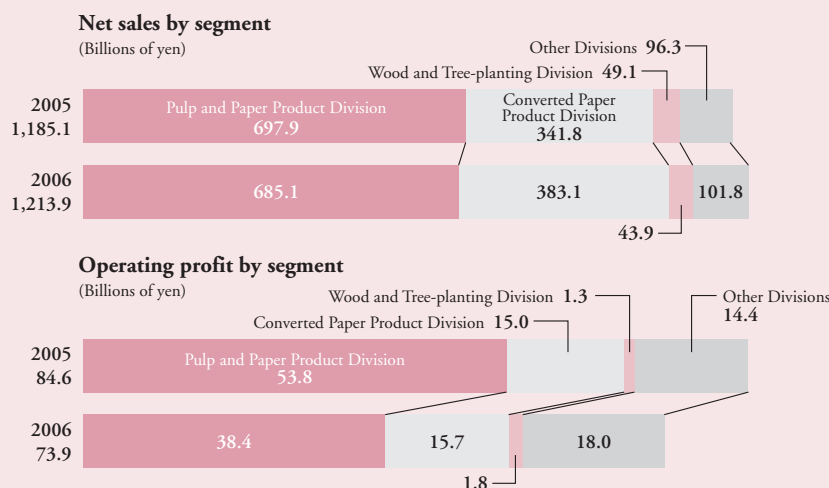
Net income before income taxes amounted to ¥39.1 billion, a year-on-year decline of ¥28 billion, or 41.7%. The deduction of taxes totaling ¥18.1 billion left net income of ¥21.0 billion. This is ¥22.3 billion, or 51.5%, below the previous year's result. Net income per share was ¥21.15, compared with ¥42.06 in the previous year. Several key indicators showed year-on-year

declines. Return on equity (ROE) declined by 4.9 points to 4.1%, the ratio of ordinary profit to total assets by 0.8 points to 4.2%, and the ratio of ordinary profit to net sales by 1.0 point to 5.8%.

Segment Results

Pulp and Paper Products

Demand for paper and paperboard remained basically static in the year ended March 2006, and prices tended to weaken. It was not possible to pass on higher fuel and raw material costs through product prices. Nor was it possible to offset the full impact through cost savings, despite cost-cutting measures affecting all aspects of the Oji Paper Group's activities. Consolidated net sales in this segment amounted to ¥685.1 billion, a year-on-year decline of ¥12.8 billion, or 1.8%. Despite a marginal increase in sales of paperboard, total net sales were lower because of the impact of a ¥16.5 billion reduction in sales of printing, writing and related papers. Consolidated operating profit from this segment declined by ¥15.4 billion, or 28.6% year on year, to ¥38.4 billion. The lower figure resulted mainly from higher fuel and raw material costs and lower selling prices.



Converted Paper Products

Consolidated net sales in this segment increased by ¥41.3 billion, or 12.1%, year on year to ¥383.1 billion. In the area of corrugated container products, reasons for the growth in sales included the addition of the Mori Shigyo Group to the consolidation in the second half of the year. Consolidated operating profit was ¥15.7 billion, an increase of ¥800 million, or 5.2%.

Wood and Tree-planting

Consolidated net sales in this segment amounted to ¥43.9 billion, a year-on-year decline of ¥5.2 billion, or 10.6%. The lower result reflects reduced imports in the timber category, and a decline in public works in the tree-planting category. Consolidated operating profit increased by ¥400 million, or 31.2%, to ¥1.8 billion. Reasons for this improvement include high-margin orders and the contribution from cost-cutting measures.

Other Activities

Consolidated net sales increased by ¥5.5 billion, or 5.7%, to ¥101.8 billion. The increase resulted from higher sales of major properties in the real estate business. Consolidated operating profit was ¥3.6 billion, or 24.8% higher at ¥18.0 billion.

Research and Development

The organizational unit within the Oji Paper Group with primary responsibility for research and development activities is the Research and Development Division, which consists of the R&D Laboratories Headquarters, the Forestry Research Institute, the R&D Management Department and the Intellectual Property Department. The R&D Laboratories Headquarters is functionally divided into three laboratories and the Material Analysis Center. This organizational structure allows a flexible approach to each project.

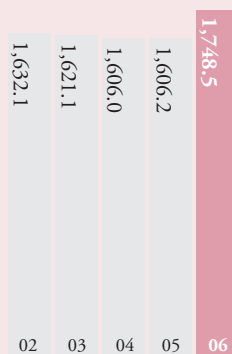
As of March 31, 2006, the Oji Paper Group held 1,243 intellectual property rights in Japan and 659 in other countries. The total research and development expenditure of the Oji Paper Group in the year ended March 2006 was ¥12.3 billion.

Financial Position

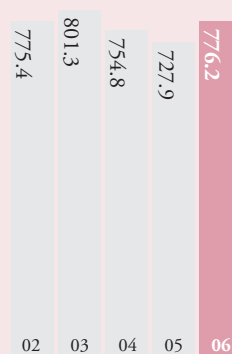
As of March 31, 2006, consolidated total assets amounted to ¥1,748.5 billion, an increase of ¥142.3 billion compared with the total as of March 31, 2005.

The main changes in current assets were a ¥19.3 billion increase in trade notes and accounts receivable resulting from sales growth, a ¥6.1 billion increase in inventory assets, and a ¥3.0 billion reduction in deferred

Total assets (Billions of yen)



Interest-bearing debt (Billions of yen)



tax assets. The result was an ¥18.9 billion year-on-year increase in current assets, which reached ¥517.8 billion.

Major changes in fixed assets included a ¥19.4 billion increase in tangible fixed assets resulting from aggressive capital investment, especially in equipment and facilities designed to improve energy efficiency. Intangible fixed assets were also higher because of a ¥14.6 billion increase in consolidated adjustments resulting from the expansion of the consolidation, and a ¥88 billion increase in investments and other assets, mainly because of an increase in investment securities. Fixed assets increased by ¥123.5 billion year on year to ¥1,230.7 billion.

Total consolidated liabilities as of March 31, 2006 amounted to ¥1,212.9 billion, an increase of ¥102.7 billion over the position at the end of the previous accounting year. The main changes in current liabilities were increases of ¥22.8 billion in trade accounts payable, ¥38.3 billion in short-term loans, ¥39.0 billion in commercial paper, and ¥20.0 billion in bonds (due for redemption within one year). Changes in fixed liabilities included reductions of ¥40.0 billion and ¥9.0 billion respectively in bonds and long-term loans, and a ¥30.9 billion increase in deferred tax liabilities. The balance of interest-bearing liabilities, including bills dis-

counted, increased by ¥48.3 billion from the position at March 31, 2005 to ¥776.2 billion.

Shareholders' equity increased by ¥37.9 billion to ¥527.9 billion. Reasons for this increase include a ¥38.1 billion rise in unrealized gains on other securities. The shareholders' equity ratio as of March 31, 2006 was 30.2%, a year-on-year decline of 0.3 points. Shareholders' equity per share increased by ¥48.88 to ¥533.38.

Cash Flow Position

Operating Activities

Net cash provided by operating activities declined by 17.3% from the previous year's level to ¥112.3 billion. This was attributable in part to a ¥28.0 billion reduction in net income before income taxes.

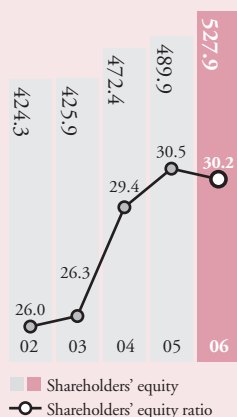
Investing Activities

Net cash used for investing activities increased by 56.9% to ¥106.6 billion. Reasons for the increase include capital investment expenditure of ¥21.8 billion, and expenditure of ¥11.0 billion on the acquisition of new subsidiaries.

Financing Activities

Net cash used for financing activities was 76.8% below the previous year's level at ¥12.9 billion. The reduction

Shareholders' equity (Billions of yen)
Shareholders' equity ratio (%)



Book-value per share (yen)



Cash flows (Billions of yen)



was due in part to increased income resulting from an increase in the balance of interest-bearing debt.

The balance of cash and cash equivalents as of March 31, 2006 was ¥39.6 billion. This is ¥4.9 billion below the balance at the end of the previous accounting year.

Policies for the Future

Business conditions for the Oji Paper Group are expected to remain challenging because of continuing pressure on earnings as a result of further rises in fuel and raw material prices. We will meet these challenges by continuing our efforts to minimize costs, by passing on some of the cost increases through product prices, and by strengthening our marketing potential, especially through the introduction of new products.

In the year ending March 2007, we are forecasting consolidated net sales of ¥1,280 billion, consolidated ordinary profit of ¥71.5 billion, and consolidated net income of ¥31.5 billion. These forecasts are based on an exchange rate of ¥115 to the U.S. dollar, which is the main foreign currency used.

Non-consolidated Results

The non-consolidated net sales of Oji Paper Co., Ltd. declined by ¥37.3 billion, or 6.3%, year on year, to

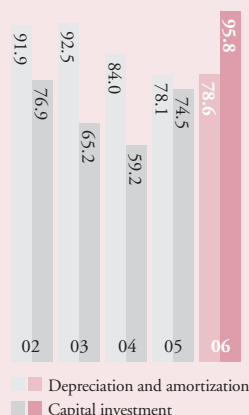
¥555.0 billion. Reasons for the reduced figure include volume and value declines in sales of printing, writing and related papers. Operating profit was lower by ¥14.8 billion, or 40.2%, at ¥22.0 billion. Intense cost-cutting measures were not sufficient to offset the impact of reduced revenues, and ordinary profit declined by ¥10.0 billion, or 28.2%, to ¥25.5 billion.

Net income before income taxes was substantially lower at ¥28.2 billion, a year-on-year decline of ¥8.1 billion, or 77.8%. This resulted mainly from a ¥2.9 billion reduction in extraordinary income from sales of fixed assets, and extraordinary losses that included a ¥4.5 billion transfer to the allowance for doubtful accounts, and a ¥7.1 billion loss on the liquidation of subsidiaries. As a result, net income amounted to ¥2.5 billion, a decline of ¥19.5 billion, or 88.5%.

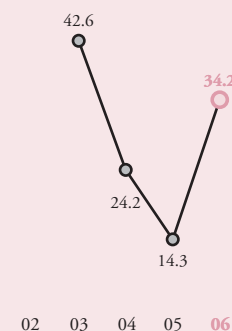
Dividends

As in the previous year, the annual dividend has been set at ¥12 per share, consisting of an interim dividend and final dividend of ¥6 per share each. The Oji Paper Group will continue its efforts to strengthen its business performance and provide dividend stability.

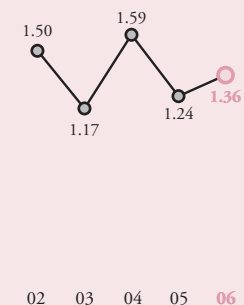
**Depreciation and amortization/
Capital investment** (Billions of yen)



Price/Earnings ratio
(Billions of yen)



Price/Book-value ratio
(Billions of yen)



(Billions of Yen)

As of March 31,	2002	2003	2004	2005	2006
Assets					
Current Assets	510.4	497.4	486.3	499.0	517.8
Cash and bank deposits	35.5	35.0	32.9	44.8	39.8
Accounts receivable—trade	289.0	271.1	267.0	276.3	295.6
Marketable securities	0.1	0.1	0.1	0	0
Inventories	145.0	142.1	138.9	136.5	142.6
Advances	0.6	1.0	2.4	2.6	4.2
Short-term loans	3.6	13.5	12.7	11.4	13.3
Accounts receivable—other	9.5	7.1	6.2	8.4	9.4
Deferred income taxes	25.6	25.5	24.4	16.2	13.2
Other	2.8	2.9	3.0	3.8	3.3
Allowance for doubtful accounts					
Total current assets	(1.2)	(1.0)	(1.4)	(1.1)	(3.7)
Fixed Assets	1,121.7	1,123.7	1,119.8	1,107.2	1,230.7
Property, plant and equipment	895.0	926.1	887.7	871.4	890.8
Intangible assets	8.8	11.4	11.3	10.6	26.7
Investments and other assets total fixed assets	217.9	186.2	220.8	225.1	313.2
Total Assets	1,632.1	1,621.1	1,606.0	1,606.2	1,748.5
Liabilities					
Current Liabilities	708.6	741.9	604.9	589.3	715.0
Accounts payable—trade	206.6	189.7	176.7	183.5	206.3
Short-term bank loans	356.6	368.8	279.4	210.4	248.7
Commercial paper	43.0	69.0	76.0	95.0	134.0
Current portion of debentures	20.0	40.0	—	20.0	40.0
Accounts payable—other	17.2	12.6	12.8	14.6	23.0
Accrued expenses	49.9	48.9	46.9	45.6	46.4
Income taxes payable, etc.	2.5	4.6	4.2	12.2	8.9
Deferred income taxes	0.1	0.1	0.1	—	—
Other total current liabilities	12.8	8.2	8.8	8.0	7.7
Non-current Liabilities	489.6	447.5	523.1	520.8	497.9
Debentures	140.0	100.0	140.0	160.0	120.0
Long-term bank loans	212.4	221.6	258.0	241.5	232.4
Deferred taxes liabilities	17.4	19.1	35.1	35.1	66.0
Deferred tax liabilities on unrealized gain	3.1	6.5	7.9	8.2	11.5
Accrued retirement benefits	103.5	84.3	70.4	65.9	62.8
Accrued provision for environmental safety measures	—	—	—	—	1.1
Reserve for special repairs	0.1	0.2	0.2	0.1	0.1
Long-term deposits	12.5	14.2	10.5	9.6	3.4
Long-term notes payable for property, plant and equipment	—	0.9	0.6	0.2	0.1
Other total non-current liabilities	0.5	0.6	0.4	0.2	0.4
Total Liabilities	1,198.2	1,189.4	1,128.1	1,110.2	1,212.9
Minority Interest in Consolidated Subsidiaries	9.6	5.8	5.6	6.0	7.8
Shareholders' Equity					
Common stock	103.9	103.9	103.9	103.9	103.9
Additional paid-in capital	98.7	—	—	—	—
Capital surplus	—	110.2	110.2	110.2	113.0
Revaluation of land	6.0	4.4	6.5	6.6	3.8
Retained earnings	215.0	—	—	—	—
Earned surplus reserve	—	216.7	237.2	267.9	275.4
Unrealized gain on available-for-sale securities	6.8	4.8	34.4	35.7	73.7
Foreign currency translation adjustment	(6.0)	(6.1)	(7.8)	(6.0)	(0)
Treasury stock	(0.1)	(8.0)	(11.9)	(28.2)	(41.9)
Total Shareholders' Equity	424.3	425.9	472.4	489.9	527.9
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	1,632.1	1,621.1	1,606.0	1,606.2	1,748.5

(Billions of Yen)

Year ended March 31,	2002	2003	2004	2005	2006
Net Sales	1,203.8	1,213.2	1,180.4	1,185.1	1,213.9
Cost of sales	923.7	927.9	882.9	880.3	918.2
Gross profit	280.0	285.3	297.5	304.8	295.6
Selling, general and administrative expenses	243.7	228.8	223.7	220.2	221.7
Operating Profit	36.3	56.5	73.9	84.6	73.9
Non-operating Income	7.9	10.0	8.5	8.6	8.9
Interest and dividend income	2.2	2.1	1.8	2.0	3.2
Equity in earnings of affiliates	—	3.1	3.4	2.3	1.2
Miscellaneous income	5.7	4.7	3.3	4.2	4.5
Non-operating Expenses	24.1	18.6	14.6	12.6	12.1
Interest expenses and discount charges	12.3	12.1	10.8	9.9	8.9
Equity in loss of affiliates	0.6	—	—	—	—
Miscellaneous losses	11.2	6.4	3.8	2.7	3.2
Ordinary Profit	20.1	47.9	67.8	80.5	70.7
Extraordinary Gain	2.7	23.9	8.3	0.7	2.9
Gain on sale of investments in securities	1.3	3.3	7.7	0.5	0.1
Gain on securities contribution to employee retirement benefit trust	—	—	—	—	—
Refund of subrogated portions of welfare pensions	—	16.7	—	—	—
Gain on sale of fixed assets	1.3	3.9	0.6	0.2	2.8
Extraordinary Losses	50.5	48.6	28.7	14.0	34.5
Impairment losses	—	—	—	—	16.4
Loss on retirement of fixed assets due to reorganization of production operations	3.2	—	—	—	—
Loss on retirement of fixed assets	—	10.6	5.1	7.5	6.4
Loss on sale of investments in securities	—	—	—	—	—
Loss on write-down of investments in securities	30.3	29.4	0.4	0.3	0.7
Loss on liquidation of subsidiaries	—	0.6	—	—	—
Amortization of transition amount derived from accrued retirement benefits	16.7	—	—	—	—
Loss on natural disaster	—	—	0.5	0.5	—
Special retirement benefits	—	5.7	18.9	4.1	5.8
Provision for environmental safety measures	—	—	—	—	1.4
Loss on closure of factory	—	—	—	—	1.0
Loss on termination and restructuring of project	—	—	2.5	0.8	0.2
Allowance for doubtful accounts	—	—	0.7	0.4	2.2
Loss on reduction of fixed asset's cost	0.3	2.3	0.4	0.4	0.4
Income (loss) before Income Taxes and Minority Interests	(27.8)	23.2	47.4	67.2	39.1
Corporation tax, resident tax and enterprise tax	4.4	6.2	6.2	13.4	13.1
Deferred taxes	(14.3)	4.5	9.5	10.0	4.7
Minority interest in net profit of consolidated subsidiaries	(0.1)	0.3	0.4	0.5	0.3
Net Income (loss)	(17.7)	12.2	31.3	43.3	21.0

(Billions of Yen)

Year ended March 31,	2002	2003	2004	2005	2006
Cash Flows from Operating Activities					
Income (loss) before income taxes and minority interests	(27.8)	23.2	47.4	67.2	39.1
Depreciation and amortization	92.0	92.8	84.5	77.9	79.4
Impairment losses	—	—	—	—	16.4
Increase/decrease in accrued retirement benefits	14.1	(23.0)	(13.9)	(4.6)	(4.2)
Interest and dividends income	10.1	10.0	8.9	7.8	5.7
Gain (loss) on write-down or sale of marketable securities	29.0	26.1	(7.3)	(0.2)	0.6
Gain (loss) on retirement or sale of fixed assets	6.3	6.7	4.6	7.3	3.6
Increase/decrease in accounts receivables and payables—trade	8.1	(6.5)	(6.0)	(4.4)	9.1
Increase/decrease in inventories	20.1	5.9	5.2	6.1	(2.3)
Other	(0.1)	(6.9)	(5.0)	(6.8)	(10.3)
Total	151.6	128.1	118.3	150.2	137.1
Interest and dividends received	2.9	3.5	2.1	2.3	3.4
Interest paid	(12.4)	(12.1)	(11.0)	(9.8)	(9.0)
Income taxes paid	(7.2)	(4.1)	(6.7)	(7.0)	(19.2)
Net Cash Provided by Operating Activities	134.9	115.3	102.6	135.8	112.3
Cash Flows from Investing Activities					
Changes in Balance of:					
Marketable securities	0	0.1	—	—	0
Property, plant and equipment/intangible assets	(77.0)	(61.2)	(55.5)	(63.3)	(79.2)
Investments in securities	(19.6)	(10.7)	10.0	(3.5)	(11.2)
Acquisition of stocks of consolidated subsidiaries due to change in the scope of consolidation	—	5.2	0.3	—	(11.0)
Loans and collections	(3.7)	(10.6)	(0.9)	(0.7)	(3.1)
Other	0.1	(0.1)	(0.3)	(0.5)	(2.2)
Net Cash Used in Investing Activities	(100.2)	(77.2)	(46.3)	(67.9)	(106.6)
Cash Flows from Financing Activities					
Net increase/decrease in short-term bank loans	5.2	(29.4)	(71.5)	(73.1)	5.9
Net increase/decrease of commercial paper	(25.0)	26.0	7.0	19.0	39.0
Borrowing of long-term bank loans	18.3	50.2	70.5	30.2	45.4
Repayments of long-term bank loans	(34.5)	(50.6)	(51.0)	(43.2)	(36.2)
Proceeds from issue of debentures	—	—	40.0	40.0	—
Redemption of debentures	—	(20.0)	(40.0)	—	(20.0)
Cash dividends paid by the Company	(8.3)	(8.4)	(8.3)	(12.4)	(11.8)
Acquisition of treasury stock	—	(7.6)	(4.0)	(16.0)	(35.2)
Other	0	(0.1)	0	0.1	0
Net Cash Used in Financing Activities	(44.3)	(40.0)	(57.3)	(55.4)	(12.9)
Effect of Foreign Currency Translation on Cash and Cash Equivalents	0.6	(0.3)	(0.3)	(0.3)	1.5
Net Increase/Decrease in Cash and Cash Equivalents	(8.9)	(2.2)	(1.3)	12.1	(5.7)
Cash and Cash Equivalents at Beginning of Year	45.0	35.1	34.7	32.6	44.5
Increase in Cash and Cash Equivalents Due to Merging or including Consolidated Subsidiaries	0	1.9	0	0.3	1.0
Decrease in Cash and Cash Equivalents Due to Excluding Consolidated Subsidiaries	(1.0)	(0.1)	(0.8)	(0.5)	(0.2)
Cash and Cash Equivalents at End of Year	35.1	34.7	32.6	44.5	39.6

Non-consolidated Balance Sheets

(Billions of Yen)

As of March 31,	2002	2003	2004	2005	2006
Assets					
Current Assets	293.5	345.7	425.9	464.5	445.3
Fixed Assets	915.3	843.1	844.4	834.4	958.0
Property, plant and equipment	614.4	539.1	502.8	451.7	457.7
Intangible assets	5.2	2.8	2.7	2.6	3.0
Investments and other assets	295.7	301.2	338.9	380.0	497.3
Total Assets	1,208.8	1,188.8	1,270.3	1,298.9	1,403.3
Liabilities					
Current Liabilities	433.6	463.4	417.2	429.4	527.5
Non-current Liabilities	368.7	315.8	410.5	432.1	415.7
Total Liabilities	802.3	779.2	827.7	861.6	943.2
Shareholders' Equity					
Total Shareholders' Equity	406.5	409.6	442.6	437.4	460.1
Total Liabilities and Shareholders' Equity	1,208.8	1,188.8	1,270.3	1,298.9	1,403.3

Non-consolidated Statements of Income

(Billions of Yen)

Year ended March 31,	2002	2003	2004	2005	2006
Net Sales	744.0	695.8	615.9	592.3	555.0
Cost of Sales	568.0	521.6	451.2	435.0	423.7
Gross Profit	176.0	174.2	164.7	157.3	131.3
Selling, General and Administrative Expenses	151.1	131.8	127.0	120.6	109.3
Operating Profit	24.9	42.4	37.6	36.8	22.0
Non-operating Income	9.3	9.0	7.3	8.3	13.0
Non-operating Expenses	17.7	14.4	11.3	9.6	9.5
Ordinary Profit	16.5	37.1	33.6	35.5	25.5
Extraordinary Gain	5.8	25.2	23.4	8.2	4.8
Extraordinary Losses	51.3	39.5	25.9	7.4	22.2
Income (loss) before Income Taxes	(29.0)	22.8	31.2	36.3	8.1
Corporation Tax, Resident Tax and Enterprise Tax	0.3	0.2	0.2	6.0	4.2
Deferred Taxes	(12.9)	9.6	13.2	8.2	1.3
Net Income (loss)	(16.5)	13.0	17.8	22.1	2.5

Shares of Common Stock

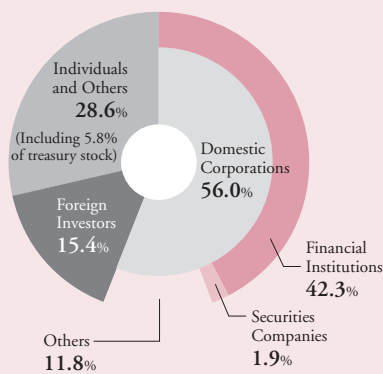
Authorized	2,400,000,000 shares
Issued	1,064,381,817 shares
Number of Shareholders	96,103 (Decrease of 8,088 shareholders from the previous year-end)

Major Shareholders (Top 10)

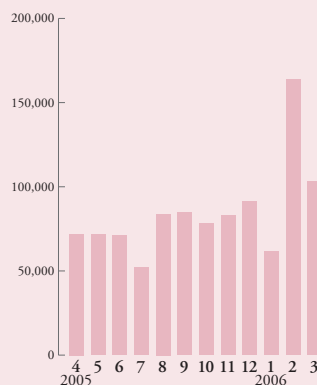
	Shares held (Thousands)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	64,951	6.7
Japan Trustee Services Bank, Ltd. (Trust account)	48,669	5.0
Japan Trustee Services Bank, Ltd. (Trust account four)	32,985	3.4
Sumitomo Mitsui Banking Corporation	31,668	3.3
Mizuho Corporate Bank, Ltd.	28,498	2.9
The Norinchukin Bank	26,654	2.7
Nippon Life Insurance Company	25,828	2.7
Japan Pulp and Paper Company Limited	17,216	1.8
Oji Paper Employee Stock-holding Association	17,118	1.8
Chuo Mitsui Trust Bank Limited	16,478	1.7

Notes: Oji Paper holds treasury stock of 61,578 thousand shares, which is excluded from the list.
Numbers less than one thousand are rounded down.

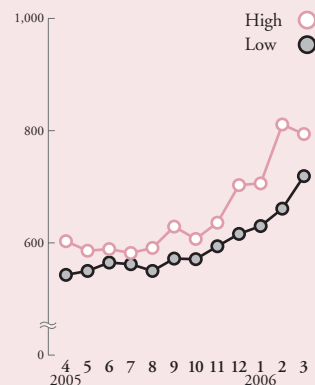
Distribution of shareholders (%)



Volume of shares traded (Thousand of shares) (Tokyo Stock Exchange)



Common stock price range (yen) (Tokyo Stock Exchange)



CORPORATE OVERVIEW >>>

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As an integrated manufacturer of pulp and paper, the Oji Paper Group supplies a wide range of paper-related products to meet the needs of both consumers and businesses.

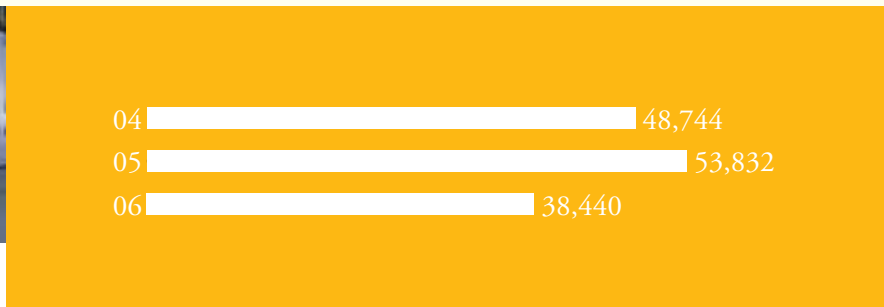
Consolidated Net Sales Share by Segment

Trends in Consolidated Operating Profit (Millions of Yen)



56.4%

Pulp and Paper Product Division



31.6%

Converted Paper Product Division



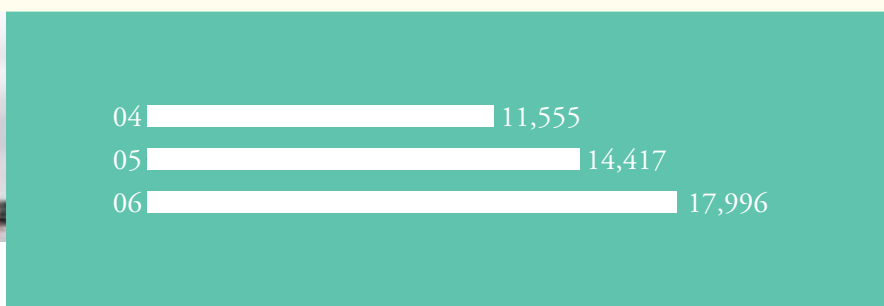
3.6%

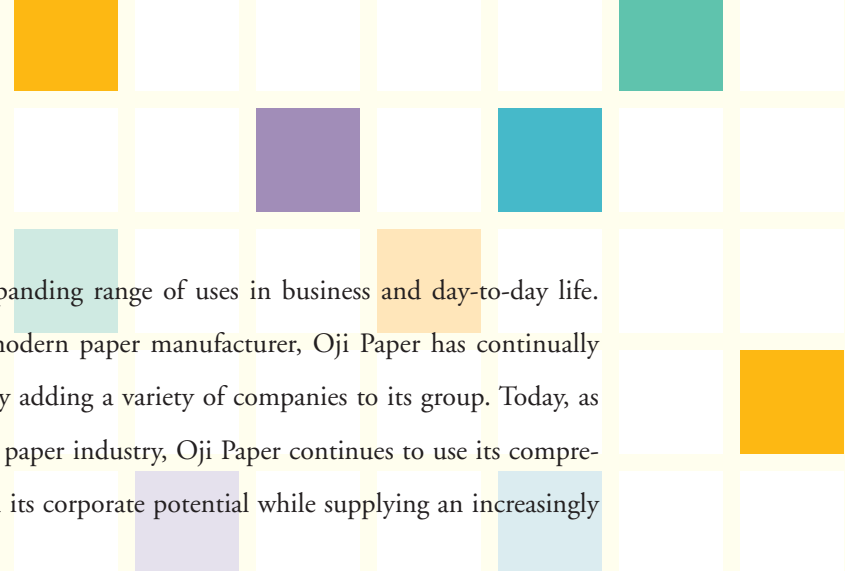
Wood and Tree-planting Division



8.4%

Other Divisions





Paper is an essential material with an ever expanding range of uses in business and day-to-day life. Founded over 130 years ago as Japan's first modern paper manufacturer, Oji Paper has continually expanded the scale and scope of its activities by adding a variety of companies to its group. Today, as the leading company in the Japanese pulp and paper industry, Oji Paper continues to use its comprehensive technology and resources to strengthen its corporate potential while supplying an increasingly diverse range of paper-related products.

This is the Oji Paper Group's core segment. The Group manufactures and sells products that include newsprint, publication and printing papers, boxboard and packaging papers, communications papers, specialty papers, containerboard, and household products. In the year ended March 2006, newsprint sales expanded because of major events, including a general election in Japan, and the Winter Olympics in Torino, Italy. However, sales of publication and printing paper were lower, reflecting a continuing decline in magazine production, in terms of both numbers of issues and numbers of pages. Boxboard sales remained firm, but there was a marginal decline in sales of packaging papers. Containerboard sales to manufacturers of beverages and other processed foodstuffs were higher, but overall sales remained static. Sales of household products, such as tissue paper and toilet paper, were significantly higher, but earnings came under pressure because of price declines.

In this segment, the Oji Paper Group manufactures and sells products that include corrugated containerboard sheets and cases, paper containers and thermal papers, as well as household products, such as adhesive papers and paper diapers. In the second half of the year ended March 2006, Oji Paper acquired the Mori Shigyo Group giving it one of the largest shares of the Japanese corrugated containerboard market. Corrugated containerboard sales increased year-on-year, reflecting the additional contribution from the Mori Shigyo Group. Prices remained static throughout the fiscal year. Sales of thermal papers were lower, but sales of disposable diapers increased in both the adult-use and infant-use categories. However, prices tended to weaken in the infant-use category.

Ever since its establishment in 1873, the Oji Paper Group has made tree-planting activities a priority because of the need to secure reliable access to wood, as a raw material for paper manufacturing. For over 130 years, the "forest recycling" concept has formed the basis of the Group's environmental philosophy. Today this commitment is manifested in the activities of the Wood and Tree-planting Division. Activities in this segment include importing, processing and sales of housing materials and other timber products, and tree-planting projects, such as landscaping and gardening. The Oji Paper Group's key strategic assets for these activities are a global network developed to facilitate the procurement of raw materials for paper manufacturing, and forest management experience spanning many decades. In fiscal 2005, sales were adversely affected by declines in timber imports and public works projects. However, operating profit increased.

The Oji Paper Group is involved in a wide range of activities, including logistics, real estate, and the manufacture and sale of derivative and peripheral products relating to the pulp and paper and wood and tree-planting segments, as well as the operation of hotels and the Oji Hall. Over the past few years the Oji Paper Group has restructured its business operations to improve competitiveness. In the year ended March 2006 it began to restructure its logistics activities. Oji Logistics was merged with Fuji Rinkai Warehousing, and Oji Rikuun with Bando Transportation and Sanko Transportation. The year ended March 2006 brought increases in both sales and operating profit. Higher sales of major properties in the real estate business made a major contribution to this growth.

30% Market Share in Japan

NEWSPRINT

Newspapers play an important role in our lives as a medium used to inform millions of people about developments in their communities and the world. Ever since the start of modern newspaper publication in Japan, Oji Paper has helped to facilitate flows of information and culture through this medium by supplying newsprint reliably, and by continually improving the quality of paper.

Products : Plus News Series

This new-generation newsprint was recently perfected after years of development. It was developed to meet the need for high-quality advertising and enhanced color reproduction in Japanese newspapers. New technology has been used to improve the printing surface, including the prevention of show-through, without increasing weight. Other advantages include reduced resource consumption and a lower environmental load.



Strategies : Integration of Production, Marketing and R&D Capabilities

Oji Paper focuses its production, marketing and R&D capabilities on the goal of fulfilling its social responsibility to supply newsprint reliably. At a time when competition continues to intensify, Oji Paper has maintained the confidence of customers in this core business area by providing new technologies, new products and new services.



Newspapers in a high-speed rotary press

Production Facilities : Tomakomai Mill—The World's Biggest Newsprint Manufacturing Facility

The Tomakomai Mill is the world's biggest manufacturing facility in terms of newsprint production in a single plant. With integrated manufacturing facilities spanning all stages from pulp through to finished newsprint, the Tomakomai mill produces a wide range of newsprint products, using the most advanced high-capacity systems. Its extremely efficient and reliable manufacturing systems reflect the continual refinement of traditional manufacturing technologies. Oji Paper regards reliable and efficient transportation as an essential aspect of product quality. This goal is achieved through the use of the most advanced logistical systems.



Tomakomai Mill's chip yard

26% Market Share in Japan

PUBLICATION AND PRINTING PAPERS

Publications, such as books and magazines, and printed materials, such as catalogs and manuals, require papers with a wide range of characteristics and quality specifications. The Oji Paper Group uses its advanced product development and production capabilities to supply products that meet specific needs in these areas.

Products : Advanced Technologies to Meet Environmental and Printing Quality Needs

In addition to its increased utilization of waste paper, the Oji Paper Group also emphasizes resource conservation in its fresh pulp manufacturing operations by working to increase the percentage of wood obtained from certified forests. This commitment to the environment is embodied in the new “Eco Forest” series, which currently consists of 10 publication and printing papers. Oji Paper is also working to develop products that provide enhanced visual quality in printed materials. One of the newest additions to its range is “New Age Blanc,” which provides a clarity of whiteness that is in tune with contemporary tastes.



Strategies : Offsetting Higher Fuel and Raw Material Prices

One of the strategies adopted by the Oji Paper Group in response to rising fuel and raw material prices is to accelerate the realization of cost benefits resulting from its investment in new boilers and other new facilities. Another focus is price restoration. Additionally, Oji Paper is aggressively restructuring its distribution systems to strengthen its marketing capabilities.



Yonago Mill's new-energy boiler

Production Facilities : Targeting Efficiency Improvements with New Facilities at the Tomioka Mill

Located on a coastal site in Anan City, Tokushima Prefecture, the Tomioka Mill is used mainly to produce high-quality printing papers, such as “OK Top Coat Plus” and “OK Trinity.” New facilities that are currently being installed will allow the Tomioka Mill to recycle 200 tons of waste paper per day from 2007. A new-energy boiler fueled mainly by biomass will become operational in 2008.



Fuji Mill's coater

41% Market Share in Japan
Boxboard

30% Market Share in Japan
Packaging Papers

BOXBOARD AND PACKAGING PAPERS

Packaging materials have attracted close attention in the context of today's increased emphasis on resource recycling and the reduction of waste. Boxboard and kraft paper, which contain high percentages of waste paper, symbolize the Oji Paper Group's commitment to the supply of products that are environment friendly, as well as highly functional and attractive.

Products : New Technologies Bring Enhancements in Visual and Processing Characteristics

In 2005, Oji Paper launched "OK Blanc Neige," a new product combining the strength of kraft paper with the superb printing performance of coated paper. It is ideal for uses that require superior visual quality, such as carry bags and packaging papers. New products added in 2006 include "OK Special Art Post Plus" and "OK Elcard Plus," which support rapid ink drying and gloss printing. These high-grade boxboard products were developed for use in printed materials that require both quality and strength, such as the covers of fashion magazines.



Strategies : Targeting Synergy Benefits through Integration of Boxboard and Packaging Paper Operations

The Oji Paper Group aims to consolidate its position as the leading manufacturer in this area by creating a business structure that will allow it to make full use of its integrated capabilities and achieve synergy benefits, by integrating its boxboard and packaging paper operations into the same business division. Oji Paper is working to consolidate its status as the leading manufacturer of boxboard and packaging papers by strengthening collaboration among its group companies, improving communications with customers, and enhancing product quality.



Kure Mill

Production Facilities : Fuji Mill—A Core Production Facility Combining Tradition and Advanced Technology

Established in 1908, the Fuji Mill is the oldest recycled paper plant in Japan. Today it is Japan's biggest producer of recycled paper. Its main products are boxboard and printing papers. It combines a long tradition with the advanced production facilities, including one of the world's biggest boxboard production systems, an N-2 machine with a total length of approximately 230 meters. This machine can produce 650 tons of high-quality boxboard per day, or 800 meters per minute.



Fuji Mill's N-2 machine

23% Market Share in Japan

COMMUNICATIONS PAPERS

Advances in information technology and the growing use of IT systems have created demand for data output papers with new functions and characteristics. The Oji Paper Group supplies a wide range of products to meet these needs, including high-quality thermal papers, inkjet printer papers and PPC papers.

Products : Continuing Stream of New Products Based on New Technologies

In terms of market share, the Oji Paper Group is one of the world's leading manufacturers of thermal papers. In 2006, it introduced "HS90," a newly developed super-sensitive thermal paper that supports faster printing at lower temperatures. Benefits include reduced power consumption. Other popular new products in this segment include "POD Series" laser printer papers, which allow printed materials to be produced on office laser printers with quality similar to that of offset printing.



Strategies : Responding to Increased Demand for Digital Photo Printing

The growing use of digital cameras has been paralleled by growth in the demand for home photo printing. Oji Paper is helping to meet this demand by supplying a wide range of products, including inkjet and thermal printing papers. In 2005, Oji Paper further strengthened its organization in this segment by adding Ilford Imaging Switzerland, an international manufacturer of digital photo printing paper, to the Oji Paper Group. Oji Paper is continually working to reduce costs and improve environmental performance in this area.



Ilford Imaging Switzerland

Production Facilities : Nichinan Mill—Paper Recycling Systems and Advanced Boiler in Operation

The Nichinan Mill produces PPC papers, thermal papers, inkjet papers and other products, using integrated systems that encompass all stages from pulp production to paper making and processing. Products include "OK Prince Wood-Free Eco G100," which is made entirely from waste paper. This environment-friendly plant is also equipped with a de-inked pulp (DIP) manufacturing system. In May 2006, a new-energy boiler fueled mainly by used tires became operational at the Nichinan Mill.



Nichinan Mill

SPECIALTY PAPERS

Products developed and supplied by the Oji Paper Group in this category go beyond conventional concepts of paper. In addition to ultra-lightweight papers and fancy papers with enhanced aesthetic characteristics, the range also includes labeling papers, aluminized food-packaging papers, and even key components for printed circuit boards and hybrid vehicles.

Products : Expanding Range of FSC-certified Papers

The first Oji Paper Group product to be certified by the Forest Stewardship Council (FSC) was “Marshmallow CoC.” Recently “Marshmallow CoC Natural,” a new version with warm natural tones, was added to the range. These popular products are ideal for various types of printer output and print-on-demand (POD) applications, for which there is growing demand. Another new product is “OK Muse Gulliver HG,” a light coated fancy paper with FSC certification.



Strategies : Developing New Products to Meet Specific Needs

Activities in this area are handled primarily by Oji Specialty Paper, which was established through a restructuring of the Oji Paper Group organization in October 2004. In addition to fancy papers and other specialty printing papers, Oji Specialty Paper also handles a wide range of industrial materials, such as laminate base paper and aramid paper for use in circuit boards, and OPP film. It is continually developing new products to meet the needs of its customers.



Polypropylene film for capacitors

Production Facilities : Oji Specialty Paper, Shiga Mill—Specialist Manufacturing Facility for Advanced Films

The Shiga Mill is the Oji Paper Group’s production center for OPP film, which is used in capacitors for hybrid vehicles. In 2005, production capacity was expanded to meet increased demand for this product. Oji Specialty Paper is actively developing new technologies and products, including electrical film and process film for use in IT industries.



Oji Specialty Paper Shiga Mill

28% Market Share in Japan

CONTAINERBOARD

Containerboard makes up about one-quarter of the packaging materials used in Japan. The Oji Paper Group is the leading Japanese manufacturer of this material, which it supplies promptly from production facilities throughout Japan. The hub of group operations in this area is Oji Paperboard.

Products : “High-Bright Liner” for Enhanced Printability

Containerboard consists of liners, which form the outer surfaces, and fluting material, which is sandwiched between the liners to form a shock-absorbent layer. Both materials are made primarily from waste paper. However, the outer layer of containerboard used as product packaging frequently must be attractively printed. Products developed by Oji Paper to meet this need include “High-Bright Liner,” which is a blend of waste paper and unbleached pulp.



Strategies : Optimizing Organizational Efficiency

The Oji Paper Group will continue its efforts to supply this familiar and useful product economically and reliably. Since its establishment in 2002 through the reorganization of group operations, Oji Paperboard has worked to rationalize group activities in this area. In October 2006, it will further rationalize operations by taking over the operation of Oji Paper’s Edogawa Mill. Recent rises in fuel and raw material costs have had a significant impact, and Oji Paperboard is now focusing on price restoration.



Corrugating media

Production Facilities : Oji Paperboard, Kushiro Mill—Largest Production Capacity in Japan

This specialist containerboard production facility was established in 1959 as Japan’s first kraft liner mill. Today the Kushiro Mill boasts the biggest L-1 machine in Japan and continues to maintain an excellent reputation for product quality.



Kushiro Mill’s L-1 machine

24% Market Share in Japan

CORRUGATED CONTAINERS

With approximately one-quarter of the domestic market, the Oji Paper Group is a leading manufacturer of corrugated containers. Activities in this area are based on effective collaboration between the Oji Chiyoda Container Group and the Mori Shigyo Group, which joined the Oji Paper Group in 2005.

Products : Tea Leaves Used to Produce Corrugated Containers with Antibacterial and Deodorizing Properties

In 2006, Oji Chiyoda Container launched a unique new product. Marketed as “Chaba board,” it was developed by adding used tea leaves to the liner materials to provide an antibacterial and deodorizing effect. Industrial tea leaf waste has tended to increase in recent years because of the growing popularity of green tea drinks. “Chaba board” has attracted widespread interest as a new way to recycle such waste.



Strategies : Maximizing Synergies between Oji Chiyoda Container and Mori Shigyo

The priorities for the corrugated container business are business expansion, and the development of a branch network to provide an in-depth response to customer needs close to customer facilities. In 2005, Oji Paper acquired shares in the Mori Shigyo Group, which achieved growth through a strategy of opening branches nationwide, giving priority to production operations and splitting its business operations into independent companies. Within the Oji Paper Group, Oji Container was merged with Chiyoda Container to form Oji Chiyoda Container. These moves have further strengthened the Oji Paper Group's structure in the area of corrugated containers. Oji Chiyoda Container and Mori Shigyo are now working relentlessly to maximize synergies and expand their business activities.



International Packaging Exhibition 2004

Production Facilities : Hitachi Mori Shigyo, Ojima Mill—Extremely High Standard of Productivity

Extensive labor-saving measures have made the Ojima Mill one of the most productive and cost-competitive in the industry. With capacity for 10 million m² of corrugated containerboard sheets and 5 million m² of cartons, its capacity per employee is substantially higher than the industry average. In addition, the competitiveness of the Ojima Mill is also being further strengthened through a quality optimization program.



Hitachi Mori Shigyo Ojima Mill's corrugating machine

17% Market Share in Japan

HOUSEHOLD PRODUCTS

The core Oji Paper Group company in this product category is Oji Nepia. Oji Nepia's two main brands are "Nepia" and "Hoxy," which have long been familiar names in Japan. It supplies a range of dependable, high-quality products that help to enhance the comfort of life, including tissue paper, toilet paper and disposable diapers.

Products : "Deluxe" and "Nepi Nepi" Ranges Launched

Oji Nepia is continually expanding its product line-up to meet a wide range of consumer needs. In 2006, it introduced the new "Deluxe Toilet Roll" range of premium soft embossed toilet tissue in response to demand for quality household paper products. Another addition to the product line-up is the "Nepi Nepi" tissue and toilet paper series, which were designed specifically to appeal to female consumers.



Strategies : Brand Reinforcement, Including TV Ad Campaign Featuring Mao Asada

Price competition in the area of household paper products is intensifying. Oji Nepia is working intensively to enhance the attractiveness of its products by emphasizing non-price features, such as quality and brand appeal. In April 2006, it expanded its product line-up with the introduction of the "Deluxe" and "Nepi Nepi" ranges. It also updated the design for the existing five-pack tissue range. To emphasize the softness and quality of "Nepia" products, Oji Nepia also launched a TV commercial campaign featuring the figure skater Mao Asada.



Production Facilities : Oji Nepia, Nagoya Mill—The Oji Paper Group's Biggest Manufacturing Facility for Household Products

The Nagoya Mill is located on the same site as the Kasugai Mill. For optimal efficiency, the two production facilities jointly procure and use pulp and energy. The Nagoya Mill's range and volume of items produced have expanded continually since its opening in 1971. A specially developed, fully automated production line ensures total hygiene at all stages from product processing through to packaging. Products include tissue papers, toilet rolls and disposable diapers.



Oji Nepia, Nagoya Mill

A Dynamic Business Group with a Unique Range of Activities

The Oji Paper Group consists of over 300 subsidiaries and affiliates. Described below are some of the noteworthy activities and achievements of a few of these companies.

● Oji Forest & Products Co., Ltd.

Tree-Planting, Health Food Manufacturing and Other Activities Based on Forest Resources

Oji Forest & Products is one of the companies that drives the Oji Paper Group's "forest recycling" activities. Its activities include forestry and tree-planting, and the importation and sale of wood, building materials, gardening materials and other products. Additionally, it manufactures and sells health foods based on research by group companies, including "Hatakeshimeji" and "Mori no Uruoi."



● Oji Kinocloth Co., Ltd.

Launch of Full-scale Business Operations in China Following Completion of Local Plant

In 1964, Oji Kinocloth became the first company in the world to succeed in manufacturing dry non-woven material from wood pulp. Today it manufactures a number of familiar products, including "Reed cooking paper," cooking oil absorption pads "Suwaseru Tenpuru," paper napkins and cosmetic puffs. In March 2005, it completed a new factory in Shanghai and has now commenced full-scale operations in China.



● Oji Salmon Co., Ltd.

Pioneering Japanese Manufacturing of Smoked Salmon

This company pioneered smoked salmon production in Japan with the establishment of a pilot manufacturing operation in 1964. Today it supplies high-quality products made from carefully selected salmon caught in the world's oceans. In addition to sales through department stores and specialty stores throughout Japan, the company also sells directly through its own stores in Tokyo's Ginza district, and in Osaka, Sapporo and Tomakomai.



● **Oji Real Estate Co., Ltd.**

Entry into REIT Market through Participation in Investment Corporation

Oji Real Estate has used advanced technical knowledge gained through its involvement in the construction of pulp and paper plants as the basis for an expanding business in the area of real estate, including condominium development and construction and civil engineering projects. It has taken an important step toward further business expansion by becoming a sponsor company for Top Reit, Inc., an investment corporation specializing in real estate investment. In March 2006, Top Reit listed its thirtieth real estate investment trust (REIT) on the Tokyo Stock Exchange.



● **KS-Systems Inc.**

KS-Systems develops, manufactures and sells systems, printed materials and software relating to information processing. Recently it commenced sales of high-performance rewrite printers and rewrite sheets with special IC tags. The “KSRP-1010” rewrite printer prints faster and with greater print density than earlier models. “KS Rewrite Sheets,” which were developed specially for use with this printer, provide excellent print clarity thanks to thermal coloring technology. The special flexible materials it uses provide significantly improved durability, allowing the sheets to be rewritten up to 1,000 times.



● **Oji Confidential Document Recycling System**
Revolutionary Recycling System for Confidential Documents

The Oji Paper Group has developed a new system that will allow confidential documents, which until now have been disposed of primarily through incineration, to be collected securely and recycled as paper manufacturing materials. This new service will commence in October 2006. Document boxes will be sold and collected by Ojisaitou Shigyo Paper Recycle Corporation. The boxes will remain sealed throughout the collection process until they are dissolved in a specially designed secure indoor facility. In the past, waste document recycling inevitably involved additional processing to remove binders, clips and other foreign materials. The new facility at the Edogawa Mill can recycle the document boxes with the foreign materials still inside.



Advanced Research Based on Collaboration among Research and Manufacturing Units

The Oji Paper Group sees research and development as part of its contribution to society. Through its wide-ranging research activities, it is continually exploring new possibilities for paper and the forest resources from which it is manufactured.

● Research and Development Organization

Specialist research units and factory-based research and technology departments collaborate flexibly on the development of new products and technologies and the improvement of production efficiency. Overall coordination of the Oji Paper Group's research and development activities is provided by the Research and Development Division.

The two units with primary responsibility for actual research and development activities are the R&D Laboratories Headquarters, which handles advanced research relating to products and manufacturing, and the Forestry Research Institute, which specializes in research relating to the forest resources used to make paper. The R&D Laboratories Headquarters consists of three specialist laboratories, together with the Material Analysis Center, which analyzes products and other materials for the whole Oji Paper Group.

In addition to research on specific themes by individual laboratories, multiple laboratories collaborate from time to time on initiatives designed to turn research results into marketable resources through the creation of new products and technologies. The laboratories also work with the technical departments of production facilities to find solutions to common problems affecting production operations.

The task of the Technology Division is to coordinate group-level efforts to find solutions to technical challenges confronting group companies. Activities in the increasingly important area of intellectual property rights are primarily the responsibility of the Intellectual Property Department, which acquires, protects and utilizes patents and other rights on behalf of the entire Oji Paper Group.

● R&D Laboratories Headquarters—Three Laboratories Specializing in Fields Ranging from Manufacturing and Products to Advanced Technologies

1. The Pulp and Paper Research Laboratory

This laboratory specializes in the development of pulping and papermaking technologies, including waste paper recycling. Other activities include the development of new types of printing papers based on original coating technologies, the creation of new functions for existing types of paper, and the development of solutions to environmental problems.

2. The Imaging Media Development Laboratory

This laboratory develops recording media optimized for various information recording methods. It also develops the materials used to manufacture and process various types of media, as well as processing technologies for use with film and other materials.

3. The Technological Initiatives Research Laboratory

The work of this laboratory centers on the development of materials, processes and measurement technology, and biotechnology research. Its goal is to strengthen existing business segments and create foundation technologies for future activities.

● The Forestry Research Institute—Technical Support for Forest Recycling

Research by the Forestry Research Institute focuses on the forest resources used to manufacture paper. Specific research themes include forest development, the effective utilization of forest resources, and the improvement of tree species. To support the accelerating global expansion of the Oji Paper Group, the Forestry Research Institute has established a research center in Australia and also sends research personnel to carry out field studies and develop planting technologies suitable for overseas forests.



Manufacturing Technology for ECF Bleached Pulp (Pulp and Paper Research Laboratory)

It is known that the chlorine used in the bleaching process reacts with residual lignin in the pulp to form organic chlorine compounds. To reduce the environmental load, Oji Paper has developed a method based on the use of non-chlorine ECF bleach to prevent the formation of organic chlorine compounds. The aim was to create a method that would minimize the total environmental load, including that of the digestion and oxygen delignification processes that precede the bleaching process, and to control the amount of residual hexene uronic acid, which is linked to fading, in the pulp. This work led to the adoption of processes that were useful for the plants, such as acid washing or acid treatment, the strengthening of the oxygen delignification process, and treatment with ozone or chlorine dioxide. Conversion to the ECF method was completed at all kraft pulp manufacturing facilities by June 2006.

Filmless Dye-sublimation Thermal Transfer Paper (Imaging Media Development Laboratory)

Dye-sublimation thermal transfer paper normally consists of a base paper sandwiched between layers of PET film or PP film. Though the printing surface has a texture that is superior to competing technologies in the digital photography market, such as silver salt or inkjet paper, cost is a problem. The Imaging Media Development Laboratory has overcome this problem by developing the world's first sublimation thermal transfer paper (dye-sublimation paper medium) capable of supporting high-quality, high-speed printing. This was achieved by applying a special coating to both surfaces of the base paper.

Microcellular Plastic (Technological Initiatives Research Laboratory)

The Laboratory is developing a totally new technology that will allow the production of bubbles at any size from the nano to micro levels. By controlling light and heat, it is possible to control the number and size of bubbles and the location at which bubbles form. We envisage that this concept will eventually be applied to liquid crystal technology as a way of controlling light dispersion. With the growing importance of optical communications, the range of potential applications is likely to be extremely large.

Start of Planting of Eucalyptus Globulus Clones, Technical Support for Tree-planting (Forestry Research Institute)

The Forestry Research Institute has succeeded in the mass propagation of eucalyptus globulus cuttings, which was previously impractical. Planting of clones has begun on a 100-hectare site at the Albany Plantation forest in Australia. The aim of this research is to improve productivity. The Forestry Research Institute is actively providing technical support for new forest plantations as part of Oji Paper's efforts to increase the area of its overseas forests to 300,000 hectares by fiscal 2010. One of Oji Paper's biggest overseas forests is a 50,000-hectare plantation in Laos. The Forestry Research Institute has introduced improved species and is providing technical support for seedling production and other aspects. The aim is to plant 4,000 hectares in fiscal 2006.

Values and Standards of Behavior Shared by the Entire Oji Paper Group

In January 2004, the Oji Paper Group reviewed the basic values and standards of behavior that evolved through its long history. This process resulted in the adoption of the Oji Paper Group Corporate Code of Conduct as a pledge to society by all members of the Group.

The Oji Paper Group Corporate Code of Conduct

1. Compliance with the Law

We will comply with the letter and spirit of the law in Japan and other countries, respect corporate ethics and all social standards, including common sense, and ensure that our business activities are fair and honorable.

2. Harmony with the Environment

We will promote forest recycling and paper recycling and maintain and develop business activities that are in harmony with the environment from a global perspective.

3. Supply of Safe, Useful Products and Services

We will contribute to society and culture by developing and supplying products that will allow us to gain the satisfaction and trust of customers, with proper consideration for usefulness and safety.

4. Communication with Society

We will establish relationships of trust with all stakeholders, including customers, shareholders and local residents, through an active commitment to good communication with society.

5. Participation in Social Contribution Activities

We will contribute to the development and improvement of society through active participation in social contribution activities.

6. Coexistence with the International Community

We will respect the culture and customs of other countries and contribute to local communities.

7. Contribution through Manufacturing

We will express our pride in our role as a manufacturer by contributing to local communities through production activities guided by a commitment to safety and protecting the environment, and by contributing to the advancement of industry through technology development and innovation.

8. Achievement of Employee Satisfaction

We will take all possible steps to ensure employee health and safety, and we will strive to give employees opportunities to achieve happiness and prosperity and realize their potential as individuals.

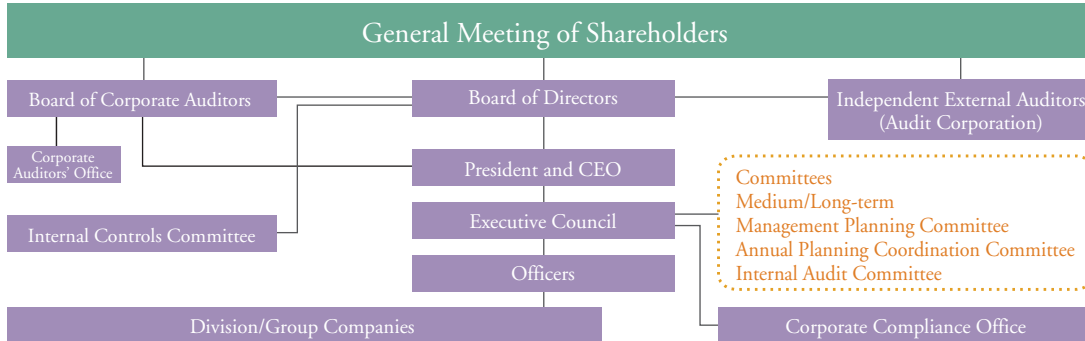
Strengthening Corporate Governance as a Framework for Sound and Efficient Management

Oji Paper has made the reinforcement of corporate governance one of its priorities. Good corporate governance is essential to the maintenance of sound, efficient and transparent management, and to the fulfillment of public confidence in and expectations toward Oji Paper, as required under the Oji Paper Group Corporate Code of Conduct.

● Governance Systems to Ensure Sound, Efficient Management

Oji Paper operates as a corporation with corporate auditors. Management is steered by the Board of Directors, which makes decisions on important aspects of business operations, and the Board of Corporate Auditors, which supervises the activities of the Board of Directors. There are 10 directors. To ensure prompt decision-making and efficient business operations, people who have extensive knowledge of corporate operations are appointed to the Board of Directors. Two of the four corporate auditors are external auditors.

There is also an Executive Council made up of directors who are also executive officers. Important issues are first considered by the Executive Council, which normally meets weekly, and then are referred to the monthly meetings of the Board of Directors for final decision-making. The officers, who are the top managers in their respective business areas, are then responsible for the implementation of these decisions.



● Changes to Directors' Remuneration

At the general meeting of shareholders in June 2006, Oji Paper abolished retirement bonuses for directors and replaced it with a remuneration system based on stock options. The aim of this change was to ensure that the management of Oji Paper is strongly motivated to improve group performance and lift the share price, by strengthening the linkage between executive remuneration and consolidated performance and the share value, so that directors share the same share-price risk as shareholders.

● Internal Governance Systems Designed to Strengthen Risk Management and Foster High Ethical Standards

At its meeting in May 2006, the Board of Directors of Oji Paper adopted the Basic Policy on the Development of Internal Governance Systems and established the Internal Controls Committee to administer the policy. Under this policy, Oji Paper will establish and strengthen systems to ensure that the President and all employees will maintain high ethical standards, conduct corporate activities in accordance with the Oji Paper Group Corporate Code of Conduct, comply with laws and regulations, and manage risk appropriately.

Environment Protection— Philosophy and Action

Adopted in 1997, the Oji Paper Environmental Charter defines the Oji Paper Group's basic philosophy on environmental protection and establishes Action Guidelines for specific initiatives. Numerical targets are stipulated in Environmental Action Plan 21.

[Oji Paper Group Environmental Charter—Basic Policy]

The Oji Paper Group Environmental Charter requires the Oji Paper Group to help create a truly enriched and sustainable society by developing business activities that harmonize with the environment from a global perspective. The Charter calls for the Oji Paper Group to make autonomous efforts to achieve further environmental improvement, and aggressively drive its forest recycling, paper recycling, and global warming countermeasures forward.

[Action Guidelines]

(1) Promotion of Forest Recycling

We will promote green procurement of resources grown in sustainably managed forests. We will use the results of the broad research activities of our forest research, and achievements made to date in the silviculture and management of our company-owned forests in Japan, for the planned development of overseas Tree Plantation Projects. We will work to secure wood raw materials, which will result in global environmental conservation.

(2) Promotion of Paper Recycling

We will seek to advance the utilization of recovered paper, making the most of the benefits of our comprehensive manufacturing of paper and paperboard. We will blend recovered paper in ratios that are economical and suitable for intended uses, giving due consideration to the environment. In particular, as well as working on increasing the recovered paper usage in the paper area, we will work on the development of technologies for recycling types of used paper that are hard to recycle.

(3) Promotion of Global Warming Countermeasures

In the area of global warming countermeasures, we will strive to reduce carbon dioxide emissions. As high-priority issues toward that end, we will promote energy conservation and conversion to non-fossil fuels. We will also contribute to the sequestration of carbon dioxide by proactively pursuing the development and maintenance of forests.

(4) Reinforcement of Environmental Improvement Measures and Environmental Management Systems

We will comply with environmental laws and regulations in our business activities and work to further reduce the environmental impact of our businesses. We will also continue to improve the quality of our group-wide environmental management system.

(5) Development of Production Technologies and Products that Minimize Environmental Impact

By using the accumulated results of the paper-related basic research area, we are working on the research and development of environment-friendly production technologies and new products with the aim of helping to create a recycling-oriented society.

Also, we work to use environment-friendly materials, as well as ensure production safety based on our company's "Product Safety Charter" when we purchase materials.

(6) Reduction and Effective Utilization of Waste

We will reduce the amount of waste for final disposal by enhancing measures such as the reduction of waste generation from the production process and effective utilization of waste.

(7) Transfer of Environmental Protection Technology to Other Countries

In our international operations we are actively promoting international transfers of environmental technology, as well as observing environmental standard of the relevant countries.

(8) Building Relationships of Trust with Stakeholders

We will carry out active PR and educational activities inside and outside the company and engage in dialogue with stakeholders concerning our environmental management initiatives. All of our offices, both in and outside Japan, will work to protect the environment of local communities and contribute to their development.

【Forest Recycling】

The establishment of reliable access to raw materials through forest development is not a short-term task. Forest planting is part of the history of the Oji Paper Group. Through sustained effort, the area of forests owned by the Group in Japan grew to approximately 190,000 hectares, the Oji Paper Group is the largest private owner of forests in Japan.

In recent years, the Oji Paper Group has procured its raw materials primarily through importing, and the focus of its forest planting activities has also shifted offshore. The Group is firmly committed to sustainable forest management¹ and aims to achieve a forest certification².

A key feature of the Oji Paper Group's forest planting activities is its effort to expand its forests with the participation of various companies, including paper users. In recent years all companies have become intensely aware of the need to contribute to environmental conservation. The Oji Paper Group has been able to expand its forest planting activities efficiently and rapidly by inviting other companies to participate in these activities.

Previously, the Oji Paper Group's target for overseas forest plantations was to develop 200,000 hectares of forest by 2010. This target was recently increased to 300,000 hectares. Continuing demand growth is predicted for China and other Asian markets. The Oji Paper Group is determined to meet this buoyant demand without compromising its environmental commitment, by increasing the scale and speed of its sustainable forest management activities.

Notes: 1 Sustainable forest management

This is defined as the environmentally, socially and economically sound management of forests. The specific aims are as follows.

- Environmental sustainability: Maintenance of biodiversity, conservation of ecological processes and systems
- Social sustainability: Maintenance of human societies that depend on forests
- Economic sustainability: Maintenance of companies and communities that depend on forests

2 Forest certification

Under these systems, independent third-party organizations assess forests and certify that they are being managed according to sustainable forestry standards. Internationally recognized systems include the program run by the Forest Stewardship Council (FSC), and the Programme for the Endorsement of Forest Certification Schemes (PEFC).

【Paper Recycling】

The Oji Paper Group has achieved a waste paper utilization ratio in excess of 60%. Under Environmental Action Plan 21, it has set the goal of raising this ratio still further to 62% through the development of new technology.

Globally Expanding Forestry, Pulp and Paper and Converted Paper Business

The Oji Paper Group has formed extensive links with markets throughout the world through its involvement in forestry and pulp and paper manufacturing and sales. In recent years, the Group's overseas activities in the area of converted paper products have also started to expand.

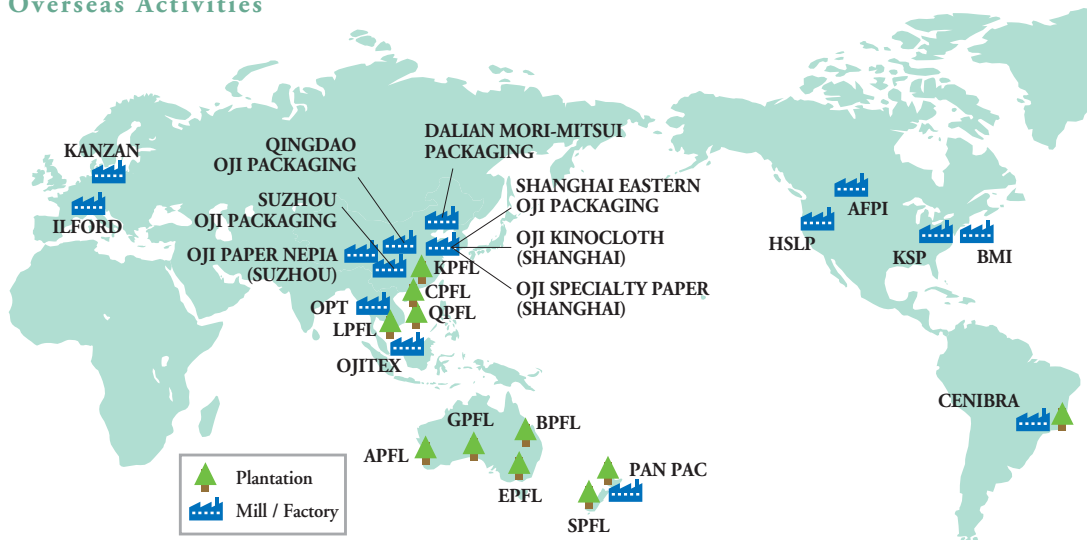
● Widening Scope of Overseas Activities

The overseas activities of the Oji Paper Group began with the pulp manufacturing in Brazil in the 1970s. Since the 1980s, the Group has manufactured and sold newsprint and pulp in Canada, and in the 1990s it established a thermal paper business in Germany. The geographical scope and range of the Oji Paper Group's overseas activities continues to expand. For example, in 2005 it acquired Ilford Imaging Switzerland GmbH, one of the world's leading manufacturers of digital photo printing papers. The addition of this company to the Oji Paper Group has significantly strengthened Oji Paper's competitiveness in the rapidly growing home print market.

Group companies are also developing a variety of business operations in China, which has achieved conspicuous economic growth in recent years. For example, in 2005 Oji Kinocloth began production of paper napkins, kitchen papers and other products at its new factory in Shanghai and began to sell these products on the Chinese domestic market.

Overseas forestry operations also continue to expand steadily. The Oji Paper Group commenced development of new plantations in Laos in February 2005, and in Guangdong Province, China in August 2005.

Overseas Activities



Raw Material Procurement for Sustainable Growth

A cyclical approach to the procurement of raw materials, including systematic tree-planting, is essential to true sustainability in the pulp and paper industry. The Oji Paper Group has expanded its own tree-planting activities and established clear guidelines for the procurement of forest resources, including resources sourced outside of the Group.

● 300,000-hectare Target for Overseas Forest Plantation Projects

The Oji Paper Group currently has 11 forestry projects in Australia, New Zealand, Vietnam, China, Brazil and Laos, and its forests in these six countries cover a total of approximately 150,000 hectares. By 2010, the Oji Paper Group aims to expand the area in forests to 300,000 hectares. It is making excellent progress toward this goal, with the participation of other companies that share its strong commitment to environmental contribution and also have a close involvement with paper products, including publishers, mail order companies and photocopier manufacturers.



Through four pulp and paper companies in Canada, Brazil and New Zealand, the Oji Paper Group has built a procurement structure that allows it to source wood chips and pulp from many parts of the world. One of these companies is Celulose Nipo-Brasileira S.A. (CENIBRA), a wholly owned subsidiary of Japan Brazil Paper and Pulp Resources Development Co., Ltd., in which the Oji Paper Group has a 40% shareholding. CENIBRA manufactures and sells pulp produced from lumber obtained from its own forestry operations. It has made an important contribution to the improvement of competitiveness at the raw material procurement level.

● Forest Certification the Cornerstone of Forest Product Procurement Policy

This commitment to sustainable procurement in the context of “forest recycling” has been a fundamental policy for the Oji Paper Group for many years. In April 2005, it formulated and announced a new Wood Raw Material Procurement policy as stated below.

[Wood Raw Material Procurement Policy]

Wood used in making paper is a resource of excellent reproducibility. In procuring wood raw material, Oji Paper pursues green procurement to acquire resources grown through sustainable forest management.

1. Expand procurement of wood from certified forests
Oji Paper will seek certification for all forests in our overseas tree plantations. When procuring material from third parties, Oji Paper will give priority to wood from certified forests* and encourage suppliers of non-certified wood to seek forest certification.
2. Increase use of plantation trees
Oji Paper will increase the proportion of plantation trees used as raw material by increasing the volume of self-supplied plantation trees through an expansion of our overseas plantations and by increasing the amount of plantation trees purchased from third-party sources.
3. Make full and complete use of resources
Oji Paper will pursue the effective use of sawmill residue, thinned wood and other unused wood resources.
4. Ensure raw material traceability
Oji Paper will trace the origin of wood raw material and confirm that it is from well-managed forests. Oji Paper will be particularly vigilant about not purchasing wood from illegal logging. To this end, Oji Paper will ensure raw material traceability through surveys of the production and forest management methods of its suppliers. Oji Paper will encourage suppliers to obtain information on the origin of raw materials and to increase their level of accuracy. Oji Paper will also audit traceability survey processes.
5. Disclose information
Oji Paper will release an annual progress summary on the implementation of these procurement guidelines.

*Forest Certification:

Forest certification entails a defined process of evaluation and certification by independent third-party organizations that a forest is well managed according to sustainable forest management criteria. Internationally recognized forest certification schemes include the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification Schemes (PEFC), and the Sustainable Forestry Initiative (SFI).

Enriching Lives and Encouraging Participation through Social Activities

The Oji Paper Group helps to enrich society and improve lives through its active support for a wide array of activities, including culture, sports, science and technology.

[Culture]

* Oji Hall

This facility is located in Oji Paper's head office building. It was opened in 1992 under the Oji Paper Group's policy of promoting musical appreciation and contributing to musical culture. It has become increasingly popular with music fans because of its excellent acoustical design, comfortable seating and elegant interior. Also popular as well is its exciting program of spring and fall seasons. In August 2003, the stage in Oji Hall was refurbished to provide even better acoustics.



Photo: Fumiaki Fujimoto

* Fujihara Foundation of Science

After retiring from the presidency of Oji Paper in 1938, the late Ginjiro Fujihara worked to promote education. The achievements of his later years include the establishment of the Fujihara Institute of Technology, which later became the Faculty of Engineering of Keio University. In 1959, he founded the Fujihara Foundation of Science with a personal endowment of ¥100 million. The Foundation gives the Fujihara Award to scientists who have made important contributions to the advancement of science and technology in Japan. Many past recipients, including Nobel laureate Professor Masatoshi Koshiba, have made notable contributions to science. The Foundation's activities also include support for international seminars hosted by Japanese researchers. The Oji Paper Group continues to support the activities of the Foundation, primarily from a financial perspective.



The 47th Fujihara Award winners (2006)

Shinji Murai

Director, Innovation Plaza Osaka, Japan Science and Technology Agency
Innovation in Methods for Synthetic Organic Chemistry

Norihiro Okada

Prof., Dept. of Biological Sciences, Graduate School of Bioscience and Biotechnology, Tokyo Institute of Technology
Elucidation of the Evolutionary Processes and Mechanisms

[Sports]

* Ice Hockey

Oji Paper's ice hockey team has a long and proud history dating back to its establishment in 1925. It has won numerous victories in the All-Japan Championship and the Japan League Championship.



* Amateur Baseball

Oji Paper's baseball team has its home ground in Kasugai City, Aichi Prefecture. Its many successes include victory at the national level in the 75th Intercity Tournament in 2004.

Using Forests to Develop Community Interaction

The Oji Paper Group works in various ways to build good communications with the public. As part of these efforts, the Group actively supports initiatives based on utilization of its forests.

* Oji Forests

With forests covering an area of 190,000 hectares in various locations in Japan, the Oji Paper Group is Japan's biggest private forest owner. Though it now sources most of its raw materials through overseas forestry projects and imports, the Group continues to protect its extensive forests in Japan. This stance is based primarily on environmental perspectives, including the development of water resources and the prevention of erosion.

The "Oji Forests" program was established to support the use of these forests for research and education. It began with the provision of public access to a forest owned by Oji Paper at Kuriyama-cho, Hokkaido. Part of a forest in Sarufutsu-mura, Hokkaido was also opened to the public after suitable preparations had been made. These locations now provide visitors with opportunities to experience and learn about nature.

* Oji Forest Nature School

There is growing awareness of the importance of environmental education. In 2004, the Oji Paper Group established a program to make effective use of its forests in various parts of Japan as venues for environmental education based on a first-hand experience of nature. Participants also visit Oji Paper Group plants to learn more about the ways in which human life and industry interact with nature. Elementary school and junior high school students are invited to attend in their summer holidays. The program has been operating for three years. In previous years, two sessions were held in Hokkaido and one in Kanagawa. The venues in the current year were Kanagawa and Hiroshima. The program has been very popular with participants, in part because of the opportunities that it provides to meet new people.

* Mori no Uta (Song of the Forest)

In October 2004, the Oji Paper Group established Mori no Uta (Song of the Forest), a non-profit organization, in partnership with a wide range of people who have an interest in and knowledge of the natural environment and inter-personal communication. The program is based on forest therapy* activities in the Miho Forest, an Oji-owned forest covering an area of 735.41 hectares in Yamakita-machi, Kanagawa Prefecture. In August 2005, a work hut was completed.

Mori no Uta will continue to promote wide public participation. Its aim is to conserve the forest through effective management activities, such as thinning, and to produce timber and wooden products made from timber obtained through those activities.



* Forest therapy: This is an occupational therapy method used to relieve psychological problems caused by the pressures of life in society.

Major Mills

The Oji Paper Group has established around 70 production facilities throughout Japan. These ensure the speedy and reliable supply of paper and converted paper products as essential materials for society.

Pulp and Paper Product Division

Oji Paper/Oji Paperboard/Oji Specialty Paper/Oji Nepia

1. Oji Paperboard's Nayoro Mill ■
2. Oji Specialty Paper's Ebetsu Mill ■ ■
3. Oji Paper's Kushiro Mill ■
| Oji Paperboard's Kushiro Mill ■
4. Oji Paper's Tomakomai Mill ■
| Oji Nepia's Tomakomai Mill ■
5. Oji Paperboard's Nikko Mill ■
6. Oji Paperboard's Matsumoto Mill ■
7. Oji Paper's Edogawa Mill* ■
8. Oji Paperboard's Nakatsugawa Mill ■
| Oji Paperboard's Ena Mill ■
| Oji Specialty Paper's Nakatsu Mill ■
9. Oji Paper's Fuji Mill ■ ■
| Oji Paperboard's Fuji Mill ■
| Oji Specialty Paper's Tokai Mill ■ ■
10. Oji Paper's Kasugai Mill ■ ■
| Oji Nepia's Nagoya Mill ■
11. Oji Paperboard's Sobue Mill ■
12. Oji Specialty Paper's Shiga Mill ■
13. Oji Paperboard's Osaka Mill ■
14. Oji Paper's Kanzaki Mill ■
15. Oji Paper's Tomioka Mill ■ ■
| Oji Nepia's Tokushima Mill ■
16. Oji Paper's Yonago Mill ■ ■
17. Oji Paper's Kure Mill ■ ■
18. Oji Paperboard's Oita Mill ■
19. Oji Paperboard's Saga Mill ■
20. Oji Paper's Nichinan Mill ■ ■

Major Products:

- Paper
- Specialty paper and others
- Paperboard
- Household products

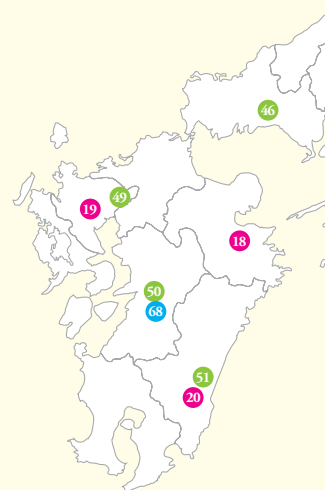
Corrugated Container Division

Oji Chiyoda Container

21. Kushiro Mill
22. Sapporo Mill
23. Aomori Mill
24. Sendai Mill
25. Fukushima Mill
26. Kasumigaura Mill
27. Tsukuba Mill
28. Ibaraki Mill
29. Utsunomiya Mill
30. Gunma Mill
31. Takasaki Mill
32. Saitama Mill
33. Tokyo Mill
34. Kanagawa Mill
35. Nagano Mill
36. Koda Mill
37. Nagoya Mill
38. Shiga Mill
39. Takatsuki Mill
40. Kadoma Mill
41. Osaka Mill
42. Takino Mill
43. Hyogo Mill
44. Mihara Mill
45. Hiroshima Mill
46. Hofu Mill
47. Tokushima Mill
48. Ehime Mill
49. Kyushu Kita Mill
50. Kumamoto Mill
51. Minami Kyushu Mill

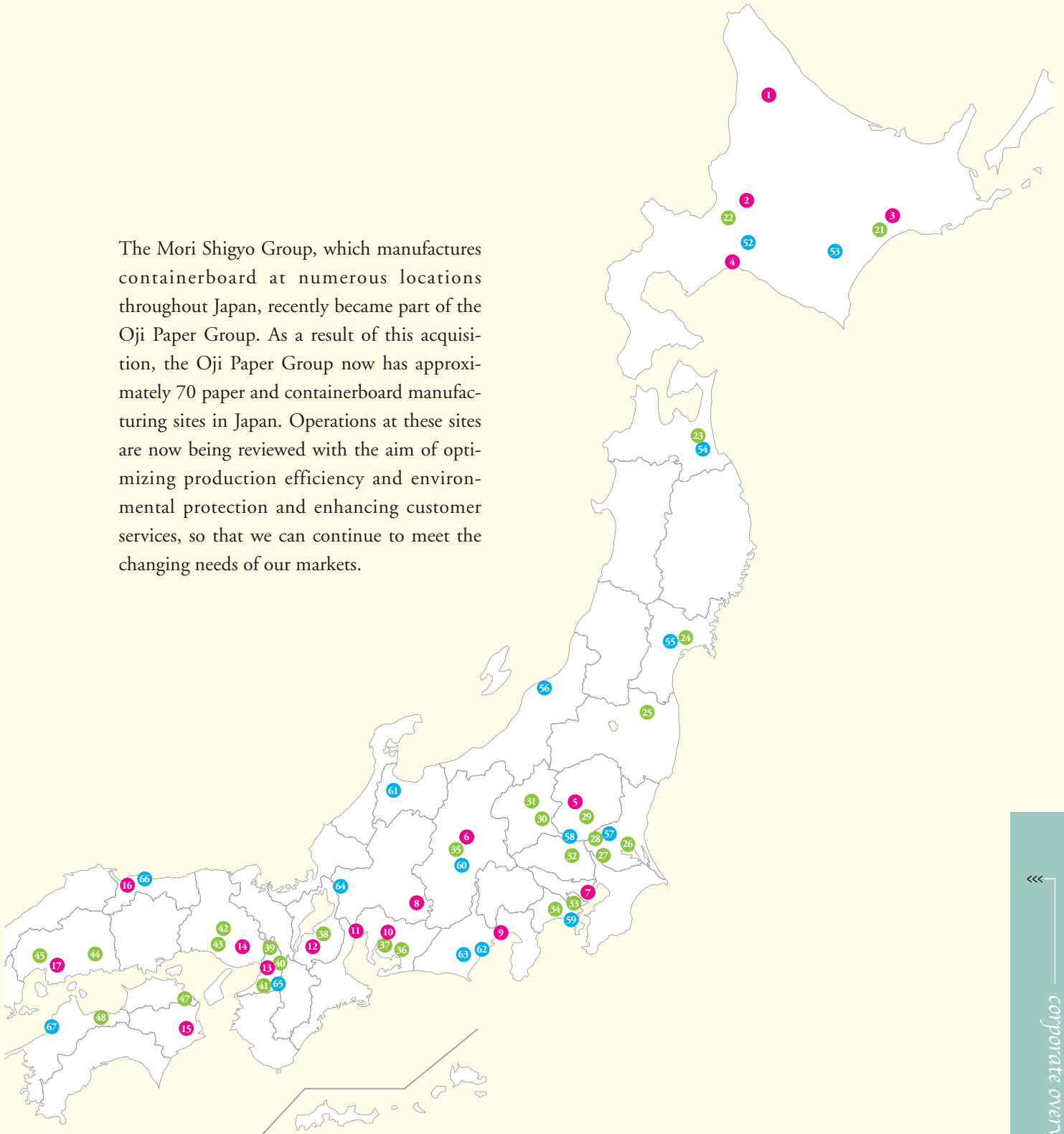
Mori Shigyo Group

52. Hokkaido Mori Shigyo's Chitose Mill
53. Hokkaido Mori Shigyo's Obihiro Mill
54. Tohoku Mori Shigyo's Hachinohe Mill
55. Sendai Mori Shigyo's Shibata Mill
56. Sanwa Danboru
57. Hitachi Mori Shigyo's Ibaraki Mill
58. Hitachi Mori Shigyo's Ojima Mill
59. Mori Shigyo's Yokohama Mill
60. Nagano Mori Shigyo's Shiojiri Mill
61. Hokuriku Mori Shigyo's Oyabe Mill
62. Shizuoka Mori Shigyo's Yaizu Mill
63. Shizuoka Mori Shigyo's Hamamatsu Mill
64. Tokai Mori Shigyo's Gifu Mill
65. Mori Shigyo's Main Mill (Hirakata)
66. Torika Hoso Shizai
67. Shikoku Mori Shigyo's Iyo Mill
68. Kyushu Mori Shigyo's Kumamoto Mill

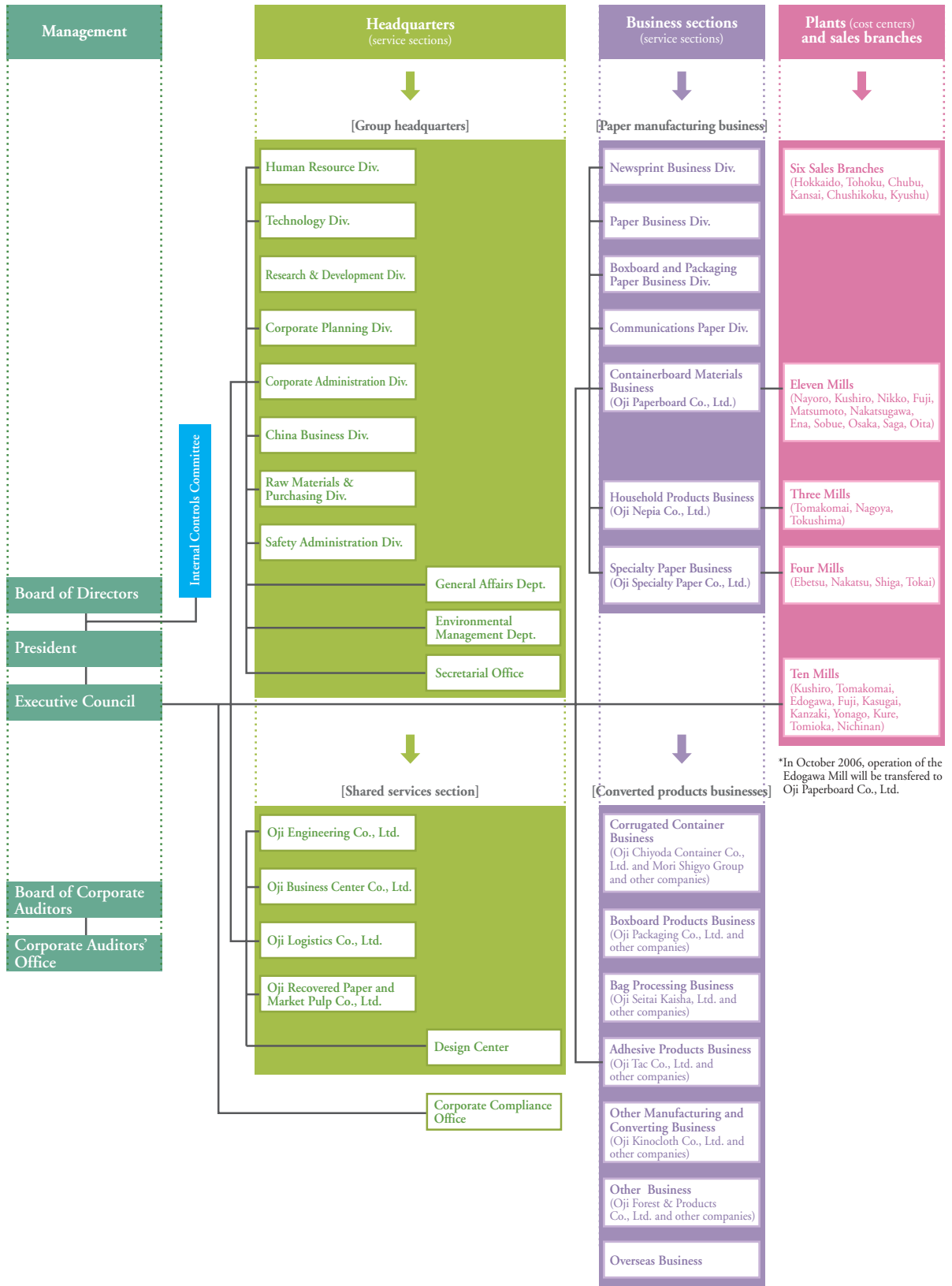


* In October 2006, operation of the Edogawa Mill will be transferred to Oji Paperboard Co., Ltd.

The Mori Shigyo Group, which manufactures containerboard at numerous locations throughout Japan, recently became part of the Oji Paper Group. As a result of this acquisition, the Oji Paper Group now has approximately 70 paper and containerboard manufacturing sites in Japan. Operations at these sites are now being reviewed with the aim of optimizing production efficiency and environmental protection and enhancing customer services, so that we can continue to meet the changing needs of our markets.



Group Management Structure



Company Name

Oji Paper Co., Ltd.

Headquarters

Ginza 4-7-5, Chuo-ku, Tokyo, JAPAN 104-0061

Phone: 03-3563-1111

Fax: 03-3563-1135

Founded

February 12, 1873

Established

August 1, 1949

Paid-in Capital

¥103,880 million (March 2006)

Number of Employees

20,223 (March 2006, consolidated)

Major Business Lines

Production, conversion/processing and sales of printing, writing and related papers; packaging and wrapping papers; carbonless papers; household products; containerboard and boxboard. Production and sales of end-use products such as corrugated board and boxboard containers; paperboard containers; plastic films; thermal paper; self-adhesive paper and paper diapers. Production and sales of chemicals for paper manufacturing and packaging equipment. Leasing of Company-owned land and property. Afforestation in Japan and overseas; maintenance of Company-owned forests.



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