



Oji Paper in Perspective, 2007

YEAR ENDED MARCH 31, 2007

... I N N O V A T I O N



EVOLVING WITH THE MARKET'S



...INNOVATION >>> THIS REPORT CONSISTS OF 64 PRESSED SHEETS OF CELLULOSE FIBERS BONDED BY HYDROGEN. IN OTHER WORDS, IT IS MADE OF PAPER—ONE OF MANKIND'S OLDEST AND MOST VERSATILE INVENTIONS. EVEN IN THIS AGE OF ADVANCED TECHNOLOGY, PAPER REMAINS INDISPENSABLE AS A COMMUNICATION TOOL AND MATERIAL FOR DAILY LIFE. YET, CONTRARY TO COMMON BELIEF, IT TOO HAS EVOLVED. A CONSTANT DRIVE FOR NEW AND BETTER PRODUCTS HAS BROUGHT GREAT ADVANCES IN DURABILITY, BRIGHTNESS, COLOR AND SHAPE RETENTION, GLOSS, SOFTNESS, TEXTURE AND MORE. EVER SINCE OUR FOUNDATION IN 1871, OJI PAPER HAS BEEN AT THE FOREFRONT OF THIS INNOVATION—AND, LIKE OUR PRODUCTS, WE CONTINUE TO EVOLVE.

... E N V I R O N M E N T

...ENVIRONMENT >>> WHILE CONTINUING TO PUSH THE BOUNDARIES OF OUR FIELD, WE ALSO CHALLENGE OURSELVES TO ACT IN A MANNER BEFITTING A PAPER MANUFACTURER OF THE 21ST CENTURY. OVER 60% OF THE RAW MATERIAL WE USE IS FROM RECYCLED PAPER; THIS IS A RATIO THAT WE ARE COMMITTED TO UPHOLD. MOREOVER, WE PROMOTE USAGE OF TIMBER FROM OUR SUSTAINABLY MANAGED FORESTS AND FROM WASTE LUMBER, AND ACT DETERMINEDLY TO REDUCE ENERGY CONSUMPTION AND SHIFT TO NON-FOSSIL FUELS. OUR AIM IS TO EVOLVE INTO THE INDUSTRY'S MOST EFFICIENT PAPER MANUFACTURER.

...TRUST >>> IN TODAY'S RAPIDLY CHANGING PAPER MARKET, RESPONDING QUICKLY TO NEW OPPORTUNITIES IS CRUCIAL TO BUSINESS SUCCESS. WHILE MAINTAINING OUR DOMINANT PRESENCE IN THE MATURING JAPANESE MARKET, WHERE WE HAVE HONED OUR PRODUCT DEVELOPMENT CAPABILITIES FOR MORE THAN A CENTURY, THE OJI PAPER GROUP WILL MOVE ON TO MEET THE GROWING DEMAND IN THE NEIGHBORING ASIAN MARKETS, ESPECIALLY CHINA. AT THE SAME TIME, WE WILL EXPAND OUR GLOBAL NETWORK FOR THE SOURCING OF RAW MATERIALS. BY EVOLVING WITH OUR MARKETS TO SATISFY CUSTOMER NEEDS, WE WILL STRENGTHEN OUR GLOBAL REPUTATION FOR TRUST AND RELIABILITY.

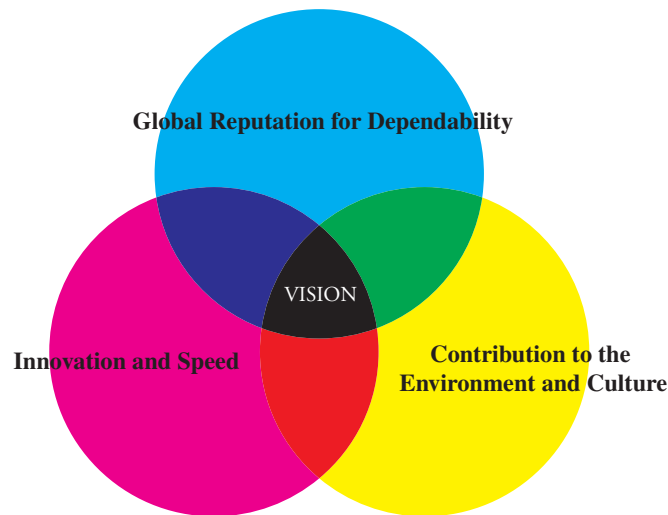
... T R U S T



Oji Paper Co.,Ltd.

We will Continue to Grow by Exploring the Infinite Potential of Paper

For centuries, paper has enhanced lives and contributed to the development of industry and preservation of culture. Today, it is used for countless purposes at home and at work, not least as a medium of communication and for carrying goods. When Oji Paper was founded in 1873, Japan's paper manufacturing industry was still in its infancy. Over the more than 130 years since, Oji Paper has established itself as a paper industry leader both in Japan and internationally. Today, we are an integrated paper manufacturer producing a wide variety of paper and paper products.



Oji Paper, a large organization with many Group companies, has a long and proud record of corporate achievement. Yet we cannot afford to feel complacent—we must constantly create paths to future growth by innovating the present. We are determined to achieve sustainable growth by combining innovation with speed.

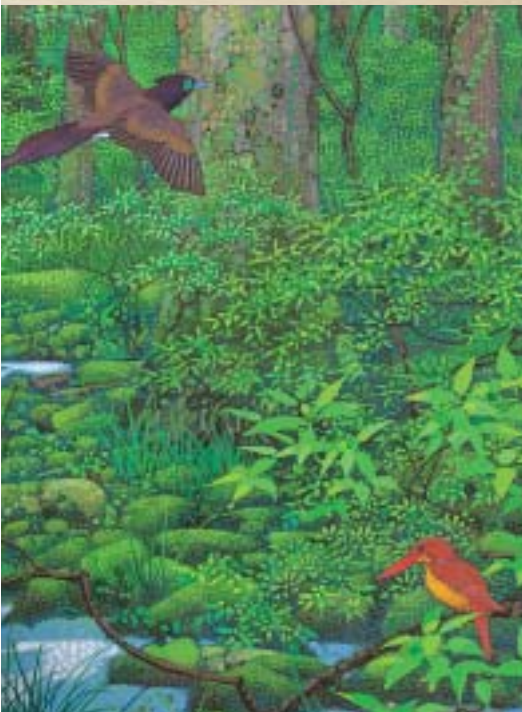
Business development, procurement of raw materials, exchanges of technical information and other links with regions worldwide are crucial to the Group's business activities. Our global reputation reflects our commitment to management transparency, high ethical standards and high product quality.

Many aspects of pulp and paper manufacturing are intrinsically environment-friendly. For example, the wood used to make paper is a renewable resource, and paper products are highly recyclable. While we continue to be environmentally friendly by further increasing these advantages, we will enhance the favorable characteristics of paper as a tool for preserving culture for future generations.



- Business Overview 02
- Business Environment 04
- New Mid-term Management Plan 06
- Consolidated Financial Highlights 08
- To Our Shareholders 10
- An Interview with President Shinoda 12
- Special Feature 1: Overseas Business Activities 18
- Special Feature 2: Domestic Business Activities 20
- Sustainable Management 22
- Corporate Governance 23
- Environmental Management 25
- Directors, Auditors and Officers 26

Strategy and Outlook →



- Five-year Financial Summary 28
- Financial Review 29
- Consolidated Balance Sheets 34
- Consolidated Statements of Income 35
- Consolidated Statements of Cash Flows 36
- Non-consolidated Balance Sheets 37
- Non-consolidated Statements of Income 37
- Investor Information 38

Financial Information →

- Oji Paper Group at a Glance 40
- Business Outline 42
- Topics 51
- Research and Development 52
- Culture and Sports Activities 54
- Communicating with Society 55
- Major Mills in Japan 56
- Global Network 58
- Consolidated Subsidiaries 59
- Group Management Structure 60
- Corporate Data 61

Corporate Overview →



MARKET LEADERSHIP

An Industry Leader Dedicated to Striving Toward New Technology, Manufacturing and Business Development

A highly competitive business infrastructure in Japan is crucial to the Oji Paper Group's future, and we are actively restructuring our operations and facilities and developing new products. Overseas, we are focusing in particular on the fast-growing markets of East Asia. To keep pace with buoyant demand growth in this region, we are accelerating the development of our business operations in China.

A Leading Company in Japan

Japan first acquired modern pulp and paper manufacturing technology from Western nations 130 years ago. Through its postwar reconstruction and high-growth phases, Japan emerged in the second half of the 20th century as one of the world's biggest users of paper. At one time, Japan was the world's second largest paper market after the United States, but today ranks third behind the rapidly expanding Chinese market.

Throughout this time, the Oji Paper Group has remained the leading company in the Japanese pulp and paper industry by successfully adapting to the characteristics of the domestic business environment, including its heavy reliance on imported resources, and by meeting the extremely high quality standards demanded by Japanese customers. We have earned this status by continuously developing new technology, and by maintaining an extraordinary commitment to manufacturing and a positive attitude to opening up new business avenues.

Our Reform Program

—Foundations for Further Growth

The Oji Paper Group is constantly developing new technologies to meet demands for lighter, more attractive papers for uses ranging from newsprint and general printing to containerboard and household products. Another priority is the effective utilization of resources. Here, we aim to develop better technologies for used

paper recycling and optimize the use of forest resources.

Our environmental efforts are reflected in the best environmental performance indicators in Japan. For example, we use approximately 5 million tons of waste paper—a utilization ratio of 60.2%—and have approximately 360,000 hectares of forests planted in Japan and overseas.

We aim to reach even higher targets. In our manufacturing activities, we are expanding our production capacity to ensure reliability of supply, and are restructuring facilities and operations for higher efficiency. In business development, we are using our sophisticated technology to generate new demand, and are also working to discover new uses that go beyond the traditional concept of paper, including the use of paper in production processes for high-tech equipment.

As one of the first Japanese companies to establish overseas business operations,

Market position
in Japan (sales)

NO. 1

we today supply pulp and paper products from production sites across the world. In recent years, we have focused in particular on East Asia, where demand continues to expand. Currently, we are establishing a major integrated pulp and paper production operation in China.

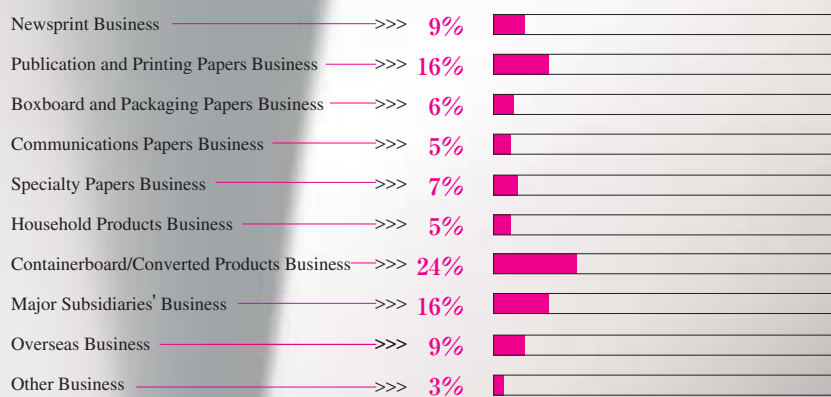
Global competition in the pulp and paper industry continues to escalate. To lay the foundation for sustainable growth, the Oji Paper Group will expand aggressively into growing markets, especially China and East Asia, while maintaining a solid position as Japan's leading paper manufacturer.

World's Top 10 Pulp and Paper Manufacturers

Ranking	Company	Headquarters	Consolidated Sales	
			Pulp and Paper Sales (Millions of US\$)	Total Sales (Millions of US\$)
1	International Paper	U.S.	21,988	24,097
2	Stora Enso	Finland	14,579	16,392
3	Svenska Cellulosa AB	Sweden	12,901	12,901
4	Procter & Gamble	U.S.	11,890	56,741
5	Georgia-Pacific	U.S.	11,800	18,900
6	Oji Paper	Japan	9,700	11,023
7	Kimberly-Clark	U.S.	9,603	15,903
8	UPM-Kymmene	Finland	9,484	11,619
9	Weyerhaeuser	U.S.	9,043	22,269
10	Nippon Paper Group	Japan	8,820	10,463

Source: PPI Pulp & Paper, September 2006

Breakdown of Consolidated Net Sales



CHANGE BRINGS OPPORTUNITIES

Focusing on the Growing, Giant East Asian Market, Ensuring Access to Raw Materials

The Oji Paper Group has expanded its business activities to many parts of the world, from South and North America to Europe and Oceania. In recent years, we have focused in particular on East Asia, including China where markets are growing dramatically. We are expanding our business infrastructure in East Asia to harness the growth dynamism of this region.

The Chinese Market

—Annual Growth in Excess of 10%

Demand growth has slowed in the maturing markets of developed economies, such as Japan, Europe and the United States. Yet world paper consumption continues to grow rapidly, mainly due to high economic growth in East Asia and Southeast Asia. Paper consumption in China, now the world's second biggest paper market after the United States, has consistently grown by over 10% annually over the past few years. This dynamism seems unlikely to wane in the foreseeable future.

In the past, demand in the Chinese market centered on low-grade and medium-grade paper. However, demand for high-grade papers is now expanding in step with China's economic development. Oji Paper is the first Japanese company to establish a full-scale production base in China. This decision was based on China's growing global presence and changes in the market environment. We plan to establish integrated manufacturing facilities for high-grade printing papers, starting with pulp production. Our first paper machine will be in operation in 2010, followed by a second paper machine and KP facilities in 2012.

Resource Access Critical to Expansion of Production Capacity

Demand for paper is also expanding in Southeast Asia, India, Brazil and Russia. As world demand grows, devising effective

resource strategies is a top priority for future growth.

A long-term approach to the procurement of wood, the main ingredient of paper, is essential from an environmental perspective. Oji Paper's philosophy is to grow trees as we use them, and we are planting forests in many parts of the world. We select species suited to each local environment and that grow quickly, reaching maturity in about 10 years. We are thus creating a resource procurement structure that allows us to meet future demand growth while conserving the world's forests.

For several years, we have been diversifying our energy sources to reduce the impact of a global rise in crude oil prices. This strategy includes the installation of new energy boilers designed to run on refuse paper and plastic fuel (RPF) and scrap tires, and the conversion of

50%

Increase in paper consumption in China from 2001 to 2005

facilities to operate on city gas instead of fuel oil. In January 2007, we established the Strategic Resource Management Division to coordinate our efforts to enhance our fuel and raw material procurement systems. Oji Paper will continue to work toward sustainable long-term growth through strategies that include the development of energy-related business activities.

Paper Consumption in Japan and China ■ China ■ Japan

Unit: 1,000 tons





Responding to a Challenging Business Environment

THE NEXT GROWTH STAGE

The Path to 2010 —Improving Infrastructure in Japan and Accelerating Overseas Expansion

In 2007, Oji Paper launched a new medium-term management plan covering the period to fiscal 2010. This plan calls for a shift in our corporate culture to reflect business environment changes, including the maturation of the Japanese market, market integration in Asia, and rising fuel and raw material prices. Under this plan, we aim to achieve new growth by pursuing efficiency in the domestic business and expanding overseas operations.

New Medium-Term Management Plan

Our medium-term management plan sets several quantitative targets for the Oji Paper Group for fiscal 2007 to fiscal 2010. These include ordinary profit of at least ¥100 billion, ROE of at least 7%, a D/E ratio of 1.5 times or lower, and an ordinary profit margin of at least 5%. Our basic management policy for achieving these goals is “pursuing efficiency in domestic business” and “expanding overseas” by transforming our corporate culture with Passion, Sincerity and Teamwork. Based on this policy, we will evolve as a globally competitive pulp and paper manufacturing enterprise capable of achieving sustainable growth.

Pursuing Efficiency

—Strengthening Our Infrastructure in Japan

Rapid globalization has brought great changes to the pulp and paper industry over the past few years. As Japan’s top manufacturer, the Oji Paper Group has faced increasing competition from foreign products, even in the domestic markets that form the basis of our business. By pursuing efficiency, we aim to establish a business structure capable of withstanding these changes by making products manufactured in Japan internationally competitive.

However, the Japanese market is already highly matured, and unlikely to grow

dramatically in the future. In contrast, world demand for paper continues to expand year after year, led by China and other East Asian markets.

By tapping into this growth potential, the Oji Paper Group can achieve sustainable growth. This is why overseas expansion is the second pillar of our medium-term management plan.

Overseas Expansion

—Our Growth Engine

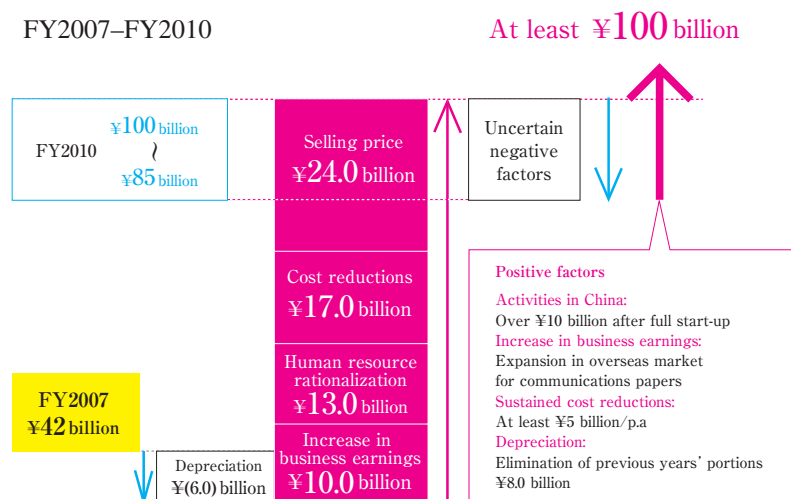
China, where paper consumption is growing by 10% annually, is central to our overseas expansion strategy. In 2003, Oji Paper announced and began preparations for a plan, dubbed the “Nantong Project,” to commence full-scale production of pulp and paper in this growth market. The project was approved by the Chinese

government in 2006, and we are now seeing tangible progress. Our plan calls for the Nantong Project to become operational in stages, starting from 2010.

As operations in China start to take shape, we are already looking toward our next strategy for the Oji Paper Group. It is essential to secure woodchips and other raw materials to keep pace with demand growth in East Asia. However, to avoid imposing a heavy burden on the environment, we plan to accelerate our tree-planting activities.

Profit Targets (Ordinary Profit)

FY2007–FY2010



Ordinary profit margin

Target

Ordinary profit

5%+ (All business segments)

¥ 100 billion+

FY2007
(Year ending Mar.31,2008)

3.2%

¥42 billion

**OUR
TARGETS**

3.6%

1.67 times

7.0%+

1.5 times or lower

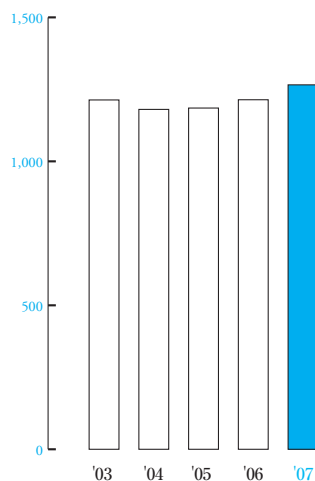
ROE

D/E ratio

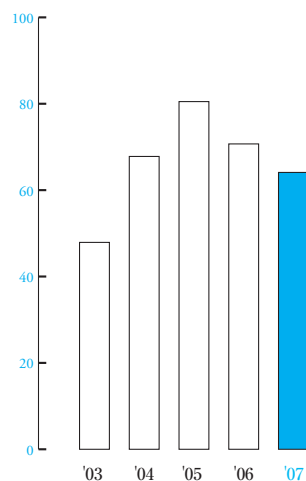
Year ended March 31,	(Billions of yen)				
	2003	2004	2005	2006	2007
Net sales	1,213.2	1,180.4	1,185.1	1,213.9	1,265.7
Ordinary profit	47.9	67.8	80.5	70.7	64.1
Net income	12.2	31.3	43.3	21.0	17.2
Per share data (Yen)					
Net income	11.23	29.90	42.06	21.15	17.35
Net assets	407.30	455.61	484.50	533.38	526.36
Dividends	8.00	10.00	12.00	12.00	12.00
Fiscal year-end:					
Total assets	1,621.1	1,606.0	1,606.2	1,748.5	1,790.5
Net assets	425.9	472.4	489.9	527.9	523.6
Common stock	103.9	103.9	103.9	103.9	103.9
Number of shareholders (Persons)	101,000	98,290	104,191	96,103	92,987

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.

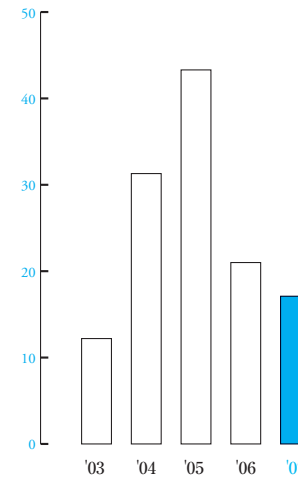
Net sales (Billions of yen)



Ordinary profit (Billions of yen)



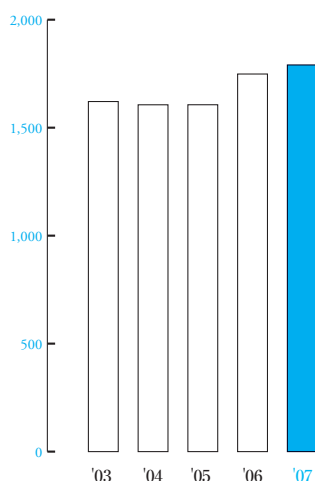
Net income (Billions of yen)



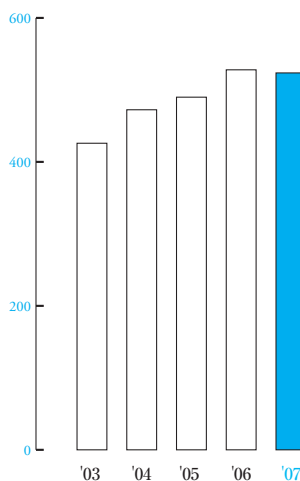
Oji Paper Group Key Points in Fiscal 2006

- Our earnings again came under pressure from rising fuel and raw material prices.
- In July 2006, the Chinese government approved the Nantong Project, allowing the construction of production facilities for coated and wood-free papers in Nantong City, Jiangsu Province, as the base for our East Asian production and sales operations.
- We launched a scrap-and-build project at the Tomioka Mill as part of our efforts to build a stable income structure for our domestic operations.
- Aggressive spending to improve competitiveness, including installation of new-energy boilers, was reflected by a ¥111 billion investment, a ¥15.2 billion increase year on year.

Total assets (Billions of yen)

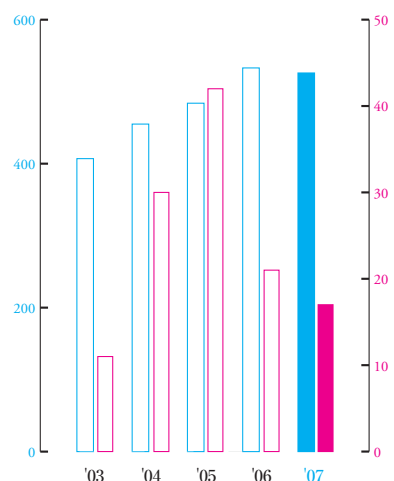


Net assets (Billions of yen)



Net assets per share (Yen)

Net income per share (Yen)



A STRONGER, EXPANDING PRESENCE

**Accelerating Moves to Strengthen Domestic Infrastructure and
Expand Overseas Business Activities**



Shoichiro Suzuki, CHAIRMAN

Kazuhisa Shinoda, PRESIDENT AND CEO

Overcoming a Challenging Business Environment

World economic trends were generally firm in the year, fueled by steady growth in the U.S. economy and continuing high growth in Asian economies. The Japanese economy continued to recover, as reflected in improved business earnings and accelerating capital investment. These factors brought an improved employment environment, and there were also encouraging signs in consumer spending. However, our industry continued to face an adverse operating environment due to rising costs of fuel, raw material and other items.

To improve its earnings in this environment, the Oji Paper Group implemented a range of policies. We continued to build an efficient and flexible production structure, and took steps to cut costs through reduced fuel oil consumption, including the installation of new-energy boilers, and a streamlining of our work force. We also raised product prices to recover higher fuel and raw material costs, and strengthened our position in the market by introducing new and competitive products.

However, the challenging business environment resulted in a pattern of higher sales but reduced income. Net sales were 4.3% higher year on year at ¥1,265.7 billion, but operating profit declined by 14.5% to ¥63.2 billion, ordinary profit by 9.3% to ¥64.1 billion, and net income by 18.4% to ¥17.2 billion.

Transforming Our Corporate Culture

—Passion, Sincerity and Teamwork

We expect conditions in the year to March 2008 to be even more difficult. Crude oil prices remain persistently high, and we anticipate further rises in the prices of raw materials, including waste paper and wood chips.

The Group will meet these challenges by transforming its corporate culture, pursuing efficiency in the domestic business and expanding overseas. Although we have a long history of success and achievement, we will transform our corporate culture with Passion, Sincerity and Teamwork to respond effectively to the current business environment. At the same time, we will maintain our corporate philosophy of “Innovation and Speed”, “Global Reputation for Dependability” and “Contribution to the Environment and Culture.”

Pursuing Efficiency in the Domestic Business

—Strengthening Our Business Base

With the watchwords Passion, Sincerity and Teamwork at heart, we will pursue efficiency in our domestic operations to enhance competitiveness, and thereby reinforce our business base. We have developed specific strategies for each business segment. In the newsprint segment, we will target non-price competitiveness, including the area of quality. In publication and printing papers, we will expand our range of environment-friendly products and restructure our production operations. These plans, which center on a scrap-and-build project at Tomioka Mill, are already finalized. Completion is scheduled at the end of 2008.

In boxboard and packaging papers, we will strengthen downstream activities, such as paper bag manufacturing, and work to improve non-price competitiveness, including the reduction of delivery lead times. In communications papers, we plan to accelerate worldwide business development. In specialty papers, we will restructure production facilities, and pursue selection and concentration of business.

In containerboard and corrugated containers, we will strengthen group management and expand the processing business. In household products, we will intensify our brand strategy. We have already launched new initiatives, including rebranding our *Doremi* diapers as *nepia GENKI!*

Overseas Expansion

—Business Expansion + Access to Resources

We will further strengthen the Group's overseas activities, as well as develop new business operations and reinforce our resource strategy.

In July 2006, the Chinese government formally approved the Nantong Project, allowing the establishment of integrated manufacturing facilities in China for printing and communications papers, starting with pulp production. While working to ensure a smooth start-up at Nantong, we will also expand our tree-planting activities to secure the raw materials needed to support the expansion of our business activities.

Through this balanced approach to business expansion and resource access, the Oji Paper Group will continue to strengthen its global presence and target sustainable growth.

NEW AMBITIONS, NEW TARGETS

Launching a Medium-term Plan for Sustainable Growth amid Rapid Globalization



Kazuhisa Shinoda, PRESIDENT AND CEO

QUESTION 1

What are your impressions after your first year as president of Oji Paper?

ANSWER 1

It was an extremely busy year. Shortly after I took office in June 2006, we started to implement several major projects, including a scrap-and-build project that will enhance the cost-competitiveness of Tomioka Mill. We also restructured production operations for printing papers, and focused on counteracting the effects of persistently high fuel prices and surging raw material prices.

Over the past decade, the business environment for Japanese industries and companies has changed dramatically. Emerging economies such as China are seeing rapid economic growth, while the U.S. economy has remained buoyant. Globalization is now having significant impact. Some Japanese industries and companies have adapted successfully to these changes, while others have lagged behind. No company can expect to survive in the global arena unless they respond to the new conditions. That is why we are actively implementing reforms.

Globalization has also increased the inward and outward flows of goods. The scrap-and-build project at Tomioka Mill aims to enhance our price-competitiveness in response to inward flows of imported paper. The start-up of operations in China is a policy relating to outward flows. We have made great efforts and I believe that we have made tangible progress.

QUESTION 2

Please tell us about the aims of the new medium-term management plan.

ANSWER 2

This plan, which covers the four years from fiscal 2007 to fiscal 2010, is a response to a number of aspects of our business environment, including the maturation of the Japanese market and the expansion of East Asian markets, especially China. It also reflects our awareness of the impact of globalization in this context.

These perceptions are reflected in the plan's basic strategies, which aim to accelerate the growth of the Oji Paper Group over the next four years. First, we will strengthen our business base through pursuing efficiency in the domestic business. Second, through overseas expansion, we will work toward fulfilling our vision of Oji Paper as a global company capable of sustainable manufacturing of pulp and paper. Third, we will transform our corporate culture with the values of Passion, Sincerity and Teamwork.

QUESTION 3

What do you mean by “pursuing efficiency in the domestic business”?

ANSWER 3

Pursuing efficiency in the domestic business and overseas expansion are the plan's two pillars. Overseas investment inevitably entails greater risk than investment in Japan. Our business base in Japan is essential for a dynamic expansion of our overseas business operations.

Today, Oji Paper is Japan's biggest paper manufacturer. However, to stabilize our business base in the face of escalating competition, including foreign manufacturers, we need to make further improvements in our operations at home.

The core segments we have invested the most capital in are newsprint and publication and printing papers. Our top priority is to strengthen competitiveness in these areas. We have also decided to restructure production facilities and implement a scrap-and-build project at Tomioka Mill. These measures focus in particular on publication and printing papers, another core segment.

To further enhance competitiveness, we have integrated our sales and production operations by appointing the Mill Managers of our three main production facilities for coated printing papers as Deputy Division Managers.

We will also implement reforms targeting our distribution of publication and printing papers. The recent years' rapid changes in the industry's business environment have caused far-reaching restructuring within the distribution sector. Some agencies have been forced out, merged with wholesalers or absorbed by paper manufacturing groups.

We intend to be part of this process by improving our efficiency and competitiveness within the product supply chain. We have already made plans for warehouse standardization and the joint establishment of warehouses with major sales agencies, such as Japan Pulp and Paper and Kokusai Pulp and Paper. Measures such as these will cut distribution costs and



help us to improve customer satisfaction, for instance through faster deliveries.

In the area of household products, we are developing a new marketing strategy that will be introduced in fiscal 2007. In the area of baby diapers, we have introduced new technology and rebranded our product range as *nepia GENKI!*

QUESTION 4

What measures will you use to accelerate growth under your “overseas expansion” strategy?

ANSWER 4

A major priority is the Nantong Project. We plan to establish integrated manufacturing facilities, starting with pulp production, in the rapidly growing Chinese market. After receiving approval in July 2006, we began to implement this project to produce 700,000 tons of pulp and 800,000 tons of coated paper in China.

The need to negotiate contracts with our local joint venture partner has brought some delays, but we need to avoid hasty decision-making. We will be investing over US\$2 billion in this project, and need to assess risks carefully so that appropriate safeguards are in place before work begins in earnest.

In addition to having high expectations for our overseas operations in the area of communications papers, we also aim to further expand our already large share of the world market for thermal papers. In this area, our share of the U.S. market is already approaching 30%, and we have a 12% share in the European market. Our next priority is to expand our share in the growing markets of Asia. One target is to reach a 20% share of Asian markets other than Japan and China by replacing exports from Japan with increased production at our Thai subsidiary, OPT.

As we strive to meet growth in world demand, access to forest resources will also be a priority. In the past, our target for overseas forest plantations was 200,000 hectares. We have

increased this target to 300,000 hectares. In January 2007, we took an important step toward reaching this target by establishing the Strategic Resource Management Division. Its mission is to ensure the successful expansion of our overseas forest plantations in cooperation with other parts of our organization, especially our Forestry Research Institute, which already has a solid track record.

QUESTION 5

A key aim of the plan is to transform the corporate culture. Please tell us more about this.

ANSWER 5

This is one of my top priorities. Oji Paper grew to its present size through a series of mergers. Those who used to work for smaller size company now form the nucleus of our management and business operations. However, Oji Paper itself and our business environment have changed drastically, and I am convinced that we need to develop human resources who can adapt to these changes.

In static environments, people tend to become locked in routines. As president, I will encourage all employees to review their approach to work, and consider what they can do to enhance corporate value. That is why transforming our corporate culture is a key strategy in the medium-term management plan.



QUESTION 6

What quantitative targets are included in the new medium-term management plan?

ANSWER 6

The main targets are ordinary profit of at least ¥100 billion, ROE of at least 7.0%, a D/E ratio of 1.5 times or lower, and an ordinary profit margin of at least 5%.

These targets show our strong determination. Obviously, future movements in fuel and raw material prices may affect our ability to achieve them. However, as long as China, India and other large nations continue to grow, long-term trends in resource supply and demand are likely to remain tight. We must devise policies that allow us to achieve ordinary income of at least ¥100 billion despite inevitable rises in fuel and raw material prices.

Our investment will remain high over the next few years, due to restructuring of domestic operations to improve our international competitiveness, and the installation of new-energy boilers to reduce reliance on fuel oil. Work on projects in China will also begin in earnest. While investment in these and other areas will lay foundations for future growth, in the short term it will put significant pressure on earnings, and we will need to firmly focus on our goals for the next four years.

QUESTION 7

Based on trends so far, what is your performance outlook for the year to March 2008?

ANSWER 7

While we are continuing to reduce costs, increases in raw material and fuel prices are difficult to absorb. We expect net sales to increase by ¥34 billion to ¥1,300 billion, but ordinary profit is forecasted to be around ¥22 billion lower year on year at ¥42 billion. The decline includes a ¥8 billion increase in depreciation costs resulting from a change in Japanese taxation.

Fuel and raw material prices are already beyond the level that can be absorbed through our efforts alone. The forecasted figure does not include the effect of our efforts to gain



customer acceptance for our passing on of part of the cost increases resulting from these significant raw material price rises. This measure, if successful to a significant degree, will improve our earnings in the year to March 31, 2008 to a level similar to those of the years ended March 31, 2006 and 2007. We are working hard toward this goal.

QUESTION 8

To conclude, do you have a message for the shareholders and investors?

ANSWER 8

Our basic stance is to increase shareholder returns while maintaining dividend stability. I believe that our present annual dividend of ¥12 is not low compared with other Japanese paper companies. We increased the dividend in the year ended March 31, 2005 to reflect record income, and have maintained the dividend at this level despite challenging business conditions.

We will continue efforts to increase earnings in the short term, while also implementing measures targeted toward the future. We look forward to the continuing support and understanding of shareholders and investors.

PRESIDENT AND CEO

K. Shimoda

THE NEXT GROWTH STAGE

Harnessing East Asia's Growth Momentum to Drive Growth

Oji Paper's Nantong Project aims to establish an integrated pulp and paper manufacturing operation in China. The project took a major step forward in July 2006, when the Chinese government formally approved the construction of a mill. From a long-term perspective, we are also accelerating expansion of our tree planting activities to ensure future access to raw materials.

Activities in East Asia

Paper Demand in the East Asian Market Expanding Faster than Supply Capacity

East Asian paper demand has been expanding continuously in recent years, particularly in China, which is growing rapidly both as a consumer market and in terms of industrial output. With the coming Beijing Olympics in 2008 and Expo 2010 in Shanghai, paper demand continues to increase by over 10% annually.

In anticipation of future growth in Asian markets, Oji Paper has steadily expanded operations in China to include containerboard, specialty papers, thermal papers and household products. In 2003, we announced a plan to establish a production site for high-grade printing paper.

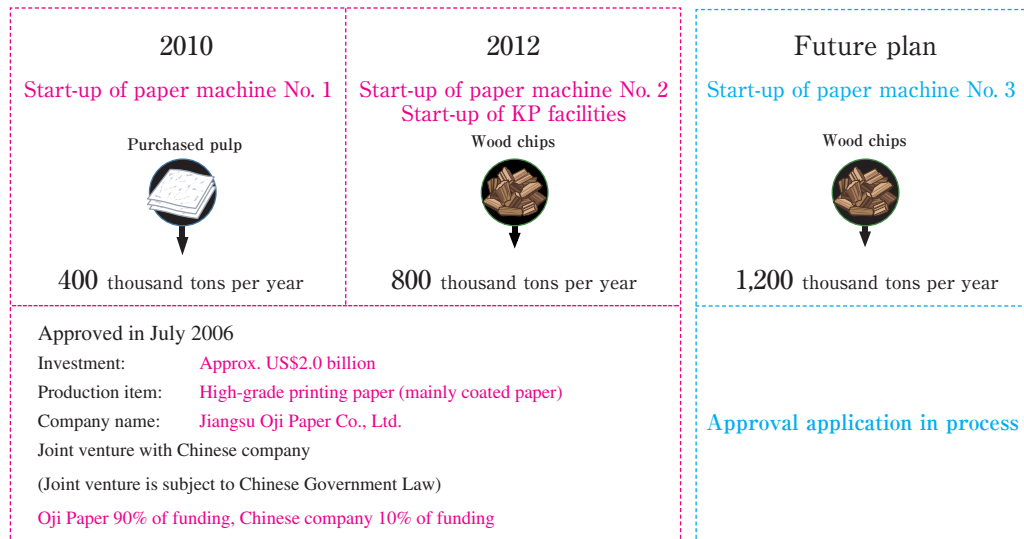
The Nantong Mill

The First Major Production Site Established by a Japanese Paper Manufacturer in China

Work on the Nantong Project began in earnest in September 2004, when we applied to the Chinese government for approval. We chose an industrial estate in Nantong City as the main site due to its relative proximity to Shanghai, one of China's most important cities, and as it met all essential requirements, including water supplies and drainage.

Oji Paper received project approval in July 2006, and construction will begin in 2007. The first paper machine will go into production in 2010, followed by a second paper machine and KP facilities in 2012. For optimal cost-competitiveness, production will be fully integrated, and annual production is expected to reach 800,000 tons. Future plans call for further capacity expansion to 1.2 million tons annually.

Outline of the Nantong Project



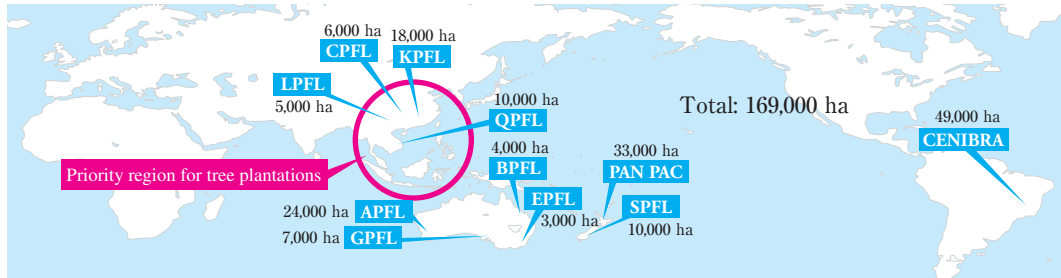
Strategic Resource Management

Creating an Effective Resource Strategy as the Basis of Sustainable Growth

As raw material and fuel costs rise, and competition for resources grows, our top priority is to secure access to raw materials for our new production facilities in East Asia, especially China.

Anticipating a global shortage of wood chips in the future, we are actively planting trees in a number of overseas locations. In 2006, we had 169,000 hectares of overseas forests. We plan to increase this to 300,000 hectares by 2010. We also plan to establish pulp operations in resource-producing areas and build a solid presence in forest product-related industries by using our accumulated forest and timber development technology. At the same time, we need to conserve energy and reinforce waste paper procurement systems.

Overseas Tree Plantations



Demand Forecast for 2015 (Oji Paper estimates, millions of tons)

World production of paper and paperboard (Growth rate of 2.3% p.a. since 2005)	460
Required volume of wood chips	399
Anticipated output of wood chips	363
Shortfall	-36

Equivalent to 5 million ha of forest

Overseas Tree Planting Plan

Area planted by FY2006	Target for FY2010
169,000 ha	300,000 ha

After harvesting, the percentage of foreign-sourced wood chips from our own forests will increase to 40%.

Future Vision

Evolving Integrated Pulp and Paper Production near Raw Material Sources

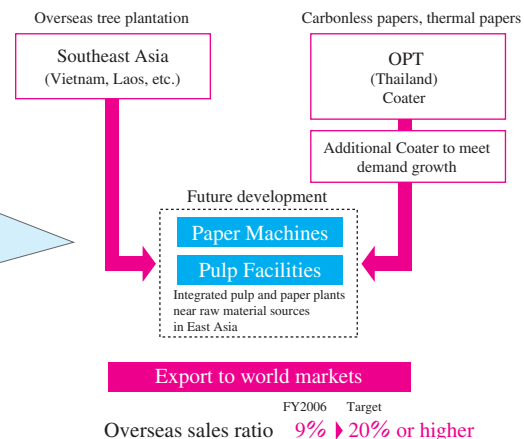
Oji Paper is building the systems needed to take full advantage of its total group capabilities in China's expanding market. Work has begun in earnest on the Nantong Project, which will result in an annual production capacity for 1.2 million tons of paper. We have also started to formulate our next plan for further enhancing the Group's future potential.

Stable procurement of raw materials has become a key priority for the pulp and paper industry in recent years. The Group, which already runs successful forestry projects in several countries, plans to strengthen this activity by establishing pulp and paper production facilities near raw material sources. This is reflected in the acceleration of our forestry operations in Southeast Asia, where we are also expanding production facilities. Through this plan, we aim to increase the Group's overseas sales ratio to at least 20%.

Principal Business Sites in East Asia



Idea of Integrated Pulp and Paper Production near Raw Material Sources



SUSTAINABLE STABILITY

Implementing Wide-ranging Measures to Strengthen Domestic Operations

We have begun a series of aggressive initiatives targeting our business operations in Japan. Although growth is gradual, the Japanese paper market is still the world's third largest, and it is still the Group's main operational base. We are pursuing aggressive strategies designed to challenge escalating competition, including competition from imported paper, and change market needs into new growth opportunities.

Improving Our Competitiveness in Relation to Market Needs

＝Scrap-and-Build Project at the Tomioka Mill

Overview

We will spend ¥50 billion on installing new coated paper production facilities with an annual production capacity of 350,000 tons at the Tomioka Mill in Tokushima Prefecture. The new facilities are scheduled for completion at the end of 2008. The six existing paper machines with a combined capacity of 300,000 tons will be shut down, allowing the mill's management resources to be concentrated into the new facilities. We will also expand waste paper recycling facilities and install new-energy boilers at the Tomioka Mill, making it one of the most cost-competitive paper mills in Japan.

Installation of Latest Large-capacity Core Machine

Overview of new machines

Form:	On-machine coater
Wire width:	Approx. 10 m
Production capacity:	350,000 tons/year
Product type:	Thin coated paper(A3) Lightweight coated paper
Investment:	¥50 billion
Completion:	End of 2008

Restructuring Production of Printing Papers

Oji Paper is reorganizing and consolidating the types of printing papers manufactured in Japan, with the aim of improving competitiveness and quality. In the area of printing paper, production of thin coated paper (A3 grade) and lightweight coated paper (LWC) will be centralized using the Tomioka Mill's new facilities, while production of uncoated paper and thick coated paper (A2 grade) will be transferred to other mills. The scrap-and-build project at the Tomioka Mill is part of a strategy that will optimize production of printing papers and improve efficiency.

Concentration of Production by Paper Grade

Mothballed machines at Tomioka Mill

(6 machines)

Uncoated paper
Thick coated paper (A2)

Large-capacity machines

Core machines at each mill

New machines at Tomioka Mill

Lightweight coated paper (LWC)
Thin coated paper (A3)

Background

Demand for printing papers in Japan has remained static since 2000. However, increased emphasis on the visual qualities of printed materials has driven a shift in demand toward coated papers, which are ideal for printing and have a beautiful finish.

Demand for thin papers is expanding because of growth in the quantities of flyers, free newspapers and magazines produced. Thin coated paper and LWC are the areas of highest demand growth, and the advanced facilities at the Tomioka Mill will allow Oji Paper to provide an extremely cost-competitive response.

Optimization of Production Reflecting Changes in Demand

Grade	FY2001—FY2006	(Forecast) FY2006—FY2015
	Average annual increase	Average annual increase
Thick coated papers (A1, A2)	+1.8%	+0.6%
Thin coated papers (A3) and LWC	+3.1%	+1.8%
Uncoated papers (High-, middle- and low-grade papers)	-1.5%	-1.4%
Total	+1.3%	+0.6%

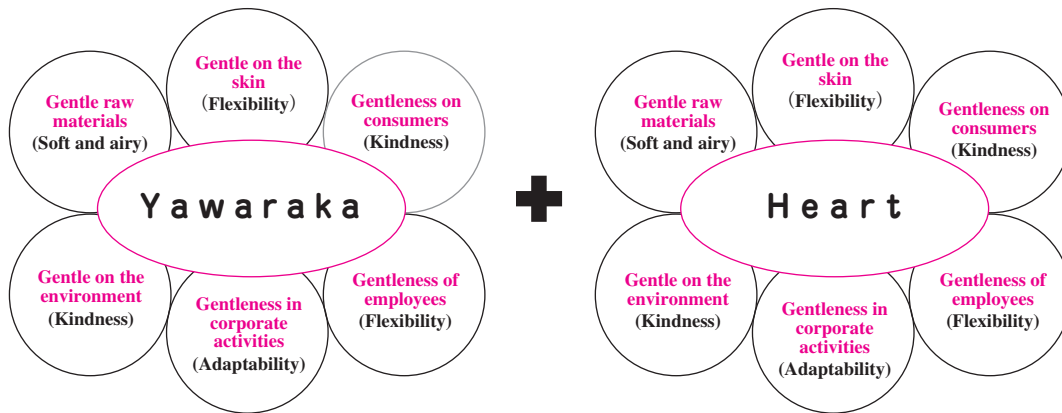
Creating New Added Value= Oji Nepia’s Brand Strategy

New Corporate Branding: The Gentle Heart of Nepia

Corporate and brand imaging has become increasingly important with the maturation of markets for items supplied directly to consumers, such as household products.

Until recently, Oji Nepia used its *Nepia* brand to raise consumer awareness of its products, including tissues and toilet rolls. Now, it is building an integrated corporate image by introducing a new brand concept, *Yawaraka Heart* (“Gentle Heart”). This concept will feature on all *Nepia* products to create an image of the company as the household paper product manufacturer actively preferred by consumers.

Y a w a r a k a ♥ H e a r t



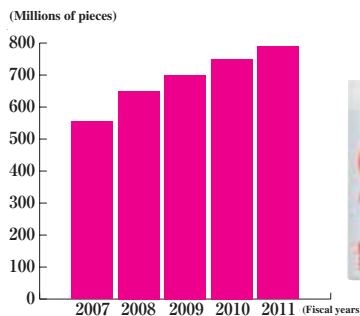
Creation of a new diaper brand

nepia GENKI!

Oji Nepia began to sell baby diapers under the *Doremi* brand 20 years ago, and these products have become popular with consumers. Following the development of a new product category, urine-feces separation diapers, the *Doremi* range was rebranded. The new brand name, *nepia GENKI!*, consists of the corporate name Nepia and “genki,” a Japanese word meaning “lively” or “healthy.” This expresses the endless energy of babies, and the endless love of parents. Anpanman, a popular cartoon character, was used to promote the products in retail outlets following the launch in April 2007.

The launch began with *nepia GENKI! Hi Catch*, which belong to the new product category of urine-feces separation diapers. By capturing urine and feces in separate pockets, these diapers reduce the production of ammonia, a key cause of diaper rash. The pockets are designed to trap material securely and prevent leaks, making the new diapers ideal for lively infants.

Sales Plan for Baby Diapers



Our Commitment to Harmonious Coexistence with the Environment and Society —The Oji Paper Group Corporate Code of Conduct

For Ei-ichi Shibusawa, the founder of Oji Paper, strong ethical values were as important as profit. He condensed this philosophy into the words “analects and abacus”—words that expressed the need to combine the ethical values, as represented in the Analects of Confucius, with good business practice, as symbolized by the abacus. Today, all Oji Paper Group employees strive to live by these ideals, which are embodied in the Oji Paper Group Corporate Code of Conduct.

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.

Improving Efficiency, Soundness and Transparency

There is intense public interest in corporate social responsibility. This is reflected in the growing importance of management efficiency, soundness and transparency. Compliance with all laws and regulations and the Oji Paper Group Corporate Code of Conduct, and the reinforcement of corporate governance are vital management priorities for Oji Paper.

Corporate Governance

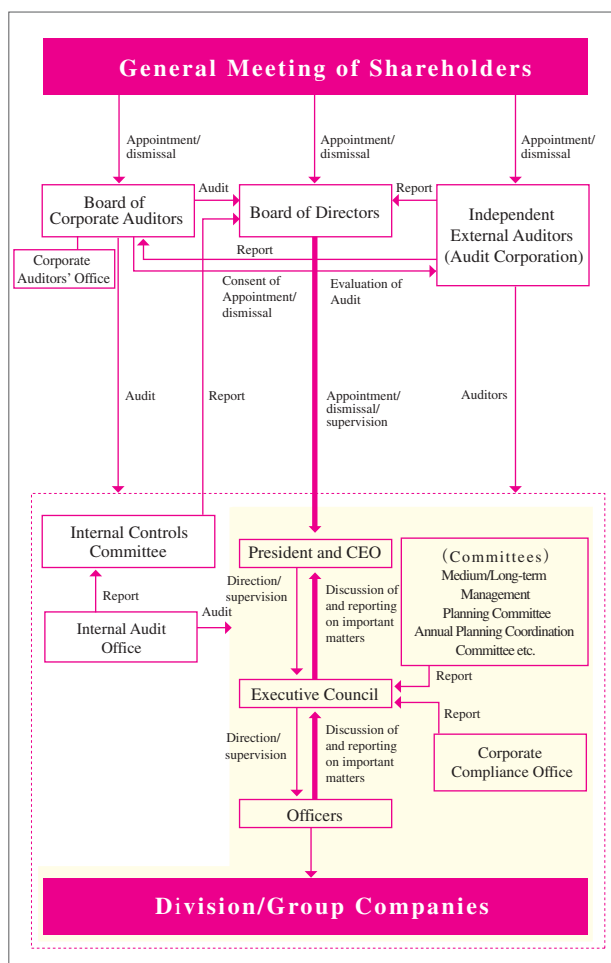
The Executive Council, which is made up of directors who are also executive officers, discusses important management-related issues. Decisions on executive actions are made by the 12-member Board of Directors, which includes two outside directors. Responsibility for the implementation of these decisions rests with the executive officers, who have detailed knowledge of business operations. These activities are audited by four corporate auditors, including two outside auditors. Oji Paper has increased the linkage between directors' remuneration and business performance by introducing a system based on stock options. This system is designed to ensure that its management is strongly focused on improving corporate value.

Our Corporate Code of Conduct is a pledge that all management and employees of the Oji Paper Group will strive to unite morality with economic performance, and reconcile ethics with profit. The Internal Controls Committee, meanwhile, ensures that our corporate activities are guided by high ethical standards and compliance with laws and regulations, and that appropriate risk management systems are in place.

The Basic Policy on the Development of Internal Governance Systems was adopted following deliberations by this committee. Under this policy, we have created a system that allows us to verify and assess the functioning of internal control systems. The Internal Audit Office, which is independent from the operational organization, audits the compliance and risk management status of the operational organization. The results are reported to the Internal Controls Committee, which develops responses to significant risks.

Through these initiatives to enhance management efficiency, soundness and transparency, we aim to create a corporate organization capable of achieving sustainable development while earning the trust of society.

Corporate Governance System



Compliance Promotion Systems

In January 2004, the Oji Paper Group established the compliance promotion organization shown in the diagram below. Specific activities include education and awareness-building relating to the Oji Paper Group Corporate Code of Conduct and the Oji Paper Group Behavior Standards.

Compliance Education

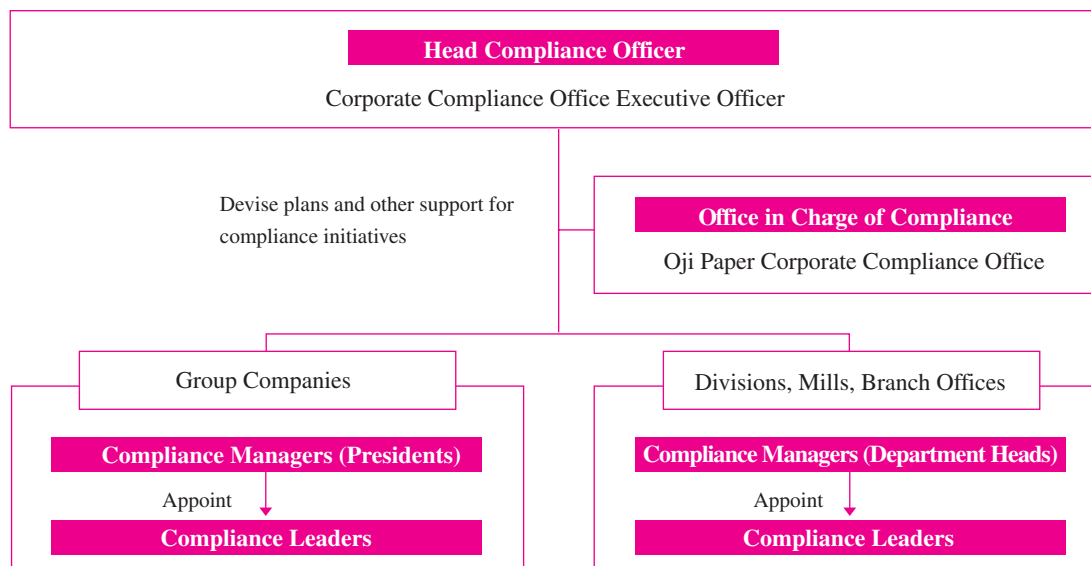
In addition to conventional training programs for employees at various levels and Internet-based seminars on regulatory systems to raise awareness of compliance issues, we introduced workplace compliance meetings for all employees in fiscal 2006. A total of 19,149 employees took part, and the participation ratio was 87%, compared with the targeted 80%. These events were effective in raising awareness through discussion, and we will continue the initiative annually.

Other measures used to raise employee awareness of regulatory compliance include Intranet-based guidance on laws and regulations, the distribution of compliance-related news, including case studies, in booklet form. We also provide employees with a variety of educational materials, such as quizzes and case studies.

Corporate Ethics Helpline

This system allows any employee to seek advice or make reports. Its purpose is prevent regulatory violations and unethical activities, including matters relating to labor relations or sexual harassment, and to facilitate early detection and remedial action should problems occur. In September 2003, we established one internal and one external contact point for this system. The internal contact point is the Compliance Office of Oji Paper Co., Ltd., while the external contact point is a law firm. In fiscal 2006, there were 28 reports and requests for advice, with appropriate actions taken in all cases.

Compliance Organization



Fulfilling Corporate Social Responsibilities and Reinforcing Environment Management

The pulp and paper industry has many environmental advantages. For instance, the raw material for paper is wood, a renewable resource, and paper can also be recycled. The Oji Paper Group aims to harmoniously coexist with the environment on all levels by further enhancing these advantages.

We are continually expanding and enhancing our environmental protection efforts under the Oji Paper Group Corporate Code of Conduct and the Oji Paper Group Environmental Charter. In April 2005, we announced a Wood Raw Material Procurement Policy stipulating that resources must be procured from sustainably managed forests. In April 2007, we further expanded the scope of this policy with the adoption of the Oji Paper Group Partnership Procurement Policy, which requires confirmation of regulatory compliance and social and environmental impacts of all raw material procurement activities.

Competition for raw materials is expected to intensify as global paper demand expands, and procurement routes are likely to become increasingly complex. The Group will continue to maintain appropriate procurement methods.

Under its Partnership Procurement Policy, the Oji Paper Group will work with its business partners in the supply chain to take the following actions:

(1) Ensure stable supply

1. Offer competitive prices
2. Ensure quality and delivery

(2) Comply with laws and social standards, and engage in fair trade

1. Comply with relevant laws and international conventions
2. Maintain sincere and healthy relations with business partners

(3) Consider the environment

1. Reinforce environmental management systems
2. Reduce waste and effectively use resources
3. Pursue global warming countermeasures
4. Protect biodiversity
5. Reduce environmental impact
6. Manage chemical substances

(4) Demonstrate social concern

1. Protect human rights (prohibit child labor, forced labor, discrimination, and harassment)
2. Protect labor rights
(maintain good labor relations, avoid long working hours, and ensure minimum wage standards are met)
3. Ensure workplace safety and health
4. Contribute to society and the local community

(5) Communicate with society

1. Build relationships of trust with stakeholders through communication
2. Respect the cultures and customs of other countries
3. Appropriately disclose and protect information



Kazuhisa Shinoda
President and CEO

Shoichiro Suzuki
Chairman

Nobuyoshi Yamamoto
Executive Vice President

Board of Directors

Chairman
President and CEO
Executive Vice President
Director, Senior Executive Officer
Director, Senior Executive Officer
Director, Executive Officer
Director, Executive Officer
Director, Executive Officer
Director, Executive Officer
Director, Executive Officer
Director
Director

Shoichiro Suzuki
Kazuhisa Shinoda
Nobuyoshi Yamamoto
Yoshihiro Kanamaru
Yutaka Sekiguchi
Shinichiro Kondo
Takashi Ishida
Tsuneo Hashimoto
Kenji Kanda
Hiroki Hashimoto
Yoh Takeuchi
Osamu Akiyama

Corporate Auditors

Senior Corporate Auditor
Corporate Auditor
Corporate Auditor
Corporate Auditor

Corporate Officers

Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer

Munehiro Hanada
Hajime Yamanaka
Hiroyasu Sugihara
Kenjiro Ueno

Jun Kajita
Hideaki Hayashi
Motoji Saito
Junta Watanabe
Koji Hayashi
Tadashi Watanabe
Tsunehisa Shigetani
Michihiro Ishibashi
Junji Ohsawa
Hiroshi Kawakami
Hiroshi Kizuka

Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer
Corporate Officer

Kikuo Kamura
Tomoo Edagawa
Tazunu Ando
Yukio Ochiai
Hiroyasu Hayano
Shuichi Sata
Toshikatsu Shinomiya
Susumu Yajima
Atsushi Yamakita
Shigeto Sano
Youichi Ase
Takeshi Azuma
Masaki Yoshino
Hirokazu Ishii
Kiyotaka Shindo
Ryoji Watari



FINANCIAL INFORMATION

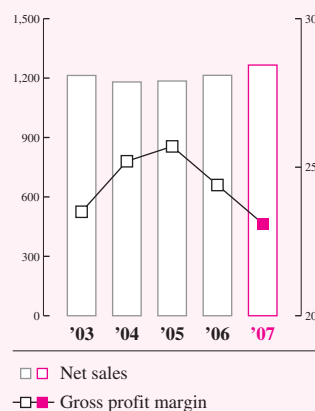
Contents

Five-year Financial Summary	28
Financial Review	29
Consolidated Balance Sheets	34
Consolidated Statements of Income	35
Consolidated Statements of Cash Flows	36
Non-consolidated Balance Sheets	37
Non-consolidated Statements of Income	37
Investor Information	38

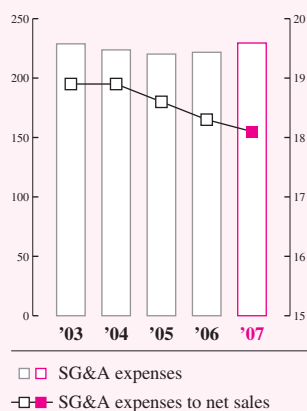
(Billions of yen except where noted)

Year ended March 31,	2003	2004	2005	2006	2007
Net sales	1,213.2	1,180.4	1,185.1	1,213.9	1,265.7
Gross profit	285.3	297.5	304.8	295.6	292.7
Operating profit	56.5	73.9	84.6	73.9	63.2
Ordinary profit	47.9	67.8	80.5	70.7	64.1
Net income	12.2	31.3	43.3	21.0	17.2
SG&A expenses	228.8	223.7	220.2	221.7	229.5
Cash flows					
Cash flows from operating activities	115.3	102.6	135.8	112.3	59.3
Cash flows from investing activities	(77.2)	(46.3)	(67.9)	(106.6)	(92.0)
Cash flows from financing activities	(40.0)	(57.3)	(55.4)	(12.9)	31.0
Per share data (yen):					
Net income	11.23	29.90	42.06	21.15	17.35
Net assets	407.30	455.61	484.50	533.38	526.36
As of March 31,					
Total assets	1,621.1	1,606.0	1,606.2	1,748.5	1,790.5
Net assets	425.9	472.4	489.9	527.9	523.6
Capital investment	65.2	59.3	74.5	95.8	111.0
Depreciation and amortization	92.5	84.1	78.1	78.6	80.4
Interest-bearing debt	801.3	754.8	727.9	776.2	820.2
Number of consolidated subsidiaries	69	64	65	80	82
Employees (consolidated)	20,719	19,417	18,634	20,223	19,560
Number of key ratios					
Return on equity (%)	2.9	7.0	9.0	4.1	3.3
Ratio of net assets to total assets (%)	26.3	29.4	30.5	30.2	29.0
Gross profit margin (%)	23.5	25.2	25.7	24.4	23.1
SG&A expenses to net sales (%)	18.8	19.0	18.6	18.3	18.1
Ordinary profit margin (%)	4.0	5.7	6.8	5.8	5.1
Other data					
Issued shares (share)	1,064,381,817	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	36.0
Price book-value ratio (times)	1.17	1.59	1.24	1.36	1.19

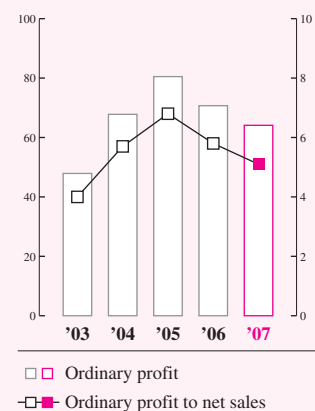
Net sales (Billions of yen)
Gross profit margin (%)



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, 2007, the Oji Paper Group consisted of 221 subsidiaries and 83 affiliates. The Group engages in a number of business areas, including pulp and paper products, converted paper products, wood and tree planting, real estate and transportation, and other activities.

Restructuring within the Mori Shigyo Group resulted in the addition of one consolidated subsidiary, and Oji Paper Insurance Service Co., Ltd. was also added to the consolidation. As a result, there were 82 consolidated subsidiaries as of March 31, 2007, up from 80 in the previous year.

The number of equity-method subsidiaries was reduced by two. The total as of March 31, 2007 was 14.

SALES AND PROFIT

In the year ended March 31, 2007, world economic trends remained generally firm, reflecting gradual economic expansion in the United States and rapid growth in China and other Asian economies. The Japanese economy continued its gradual recovery. Consumer spending recovered on the back of an improving employment and income environment, which resulted in turn from improved business earnings and increased capital investment.

Business conditions for the pulp and paper sector, the

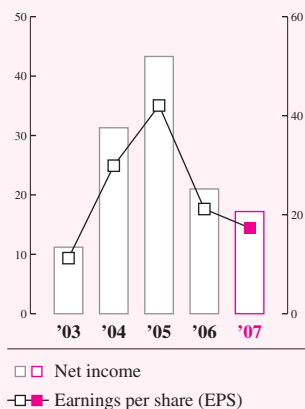
Oji Paper Group's main area of activity, remained challenging because of rising fuel and raw material prices.

The Group's priorities in this business environment included maintaining production structures providing optimal efficiency and flexibility. We also implemented cost-cutting measures, including the reduction of fuel oil consumption through the installation of new-energy boilers and fuel conversions, as well as work force downsizing. Efforts to improve earnings included increases in product prices to recover higher raw material and fuel costs, the introduction of new products and other steps to enhance our market position. Unfortunately, these efforts were not sufficient to offset the full impact of sharply higher raw material and fuel costs.

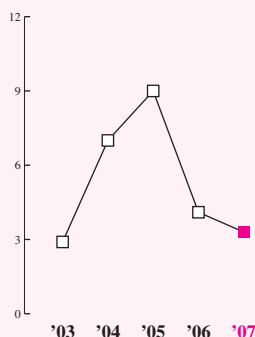
Consolidated net sales in the core pulp and paper segment increased moderately over the previous year. Sales were also higher in the areas of converted paper products and wood and tree planting. Total net sales increased by ¥51.9 billion, or 4.3%, year on year to ¥1,265.7 billion.

In the core pulp and paper segment, higher fuel and raw material prices affected profit. The cost of sales increased by ¥54.8 billion, and gross profit declined by ¥2.9 billion. Selling, general and administrative expenses were ¥7.8 billion higher year on year at ¥229.5 billion. As a result, operating profit declined by ¥10.8 billion, or 14.5%, to ¥63.2 billion.

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



Return on equity (%)



There was an ¥4.1 billion improvement in non-operating income and expenses. Contributing factors included gains on equity-method investments.

There was a net extraordinary loss of ¥27.6 billion, an improvement of ¥4.0 billion over the previous year. Extraordinary gains increased by ¥9.0 billion year on year to ¥12.0 billion, including ¥8.7 billion in proceeds from sales of investment securities. Extraordinary losses were ¥5.1 billion higher at ¥39.6 billion, including ¥6.2 billion in production system restructuring expenses, and ¥18.2 billion in special retirement payments resulting from changes to human resource policies.

Net income before income taxes amounted to ¥36.5 billion, a year-on-year decline of ¥2.6 billion, or 6.8%. Taxes amounted to ¥19.3 billion, leaving net income of ¥17.2 billion. This represents a year-on-year decline of ¥3.9 billion, or 18.4%. Net income per share amounted to ¥17.35, ¥3.8 below the previous year's level.

Several key indicators declined year on year. Return on equity declined 3.3%, the ratio of ordinary profit to total assets 3.6%, and the ratio of ordinary profit to net sales 5.0%.

SEGMENT RESULTS

Pulp and Paper Products

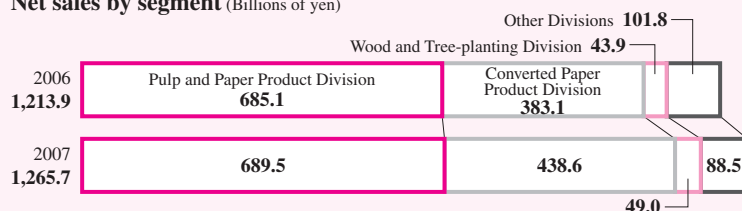
Demand was generally buoyant in the year ended March 31, 2007, especially in the area of printing, writing and related papers, though demand for paperboard was lower. Product price adjustments were generally accepted by markets, but raw material and fuel prices continued to rise beyond our efforts to absorb them through cost reductions in every facet of our operations.

Consolidated net sales in this segment amounted to ¥689.5 billion, a year-on-year increase of ¥4.5 billion, or 0.7%. At ¥35.5 billion, consolidated operating profit was ¥2.9 billion, or 7.5%, lower year on year, mainly due to raw material and fuel prices outpacing revenue growth.

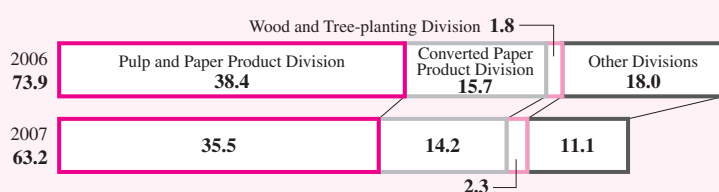
Converted Paper Products

Consolidated net sales in this segment amounted to ¥438.6 billion, a year-on-year increase of ¥55.5 billion, or 14.5%. Reasons include the addition of the Mori Shigyo Group and ILFORD Imaging Switzerland GmbH to the consolidation. The markets generally accepted adjustments to the prices of containerboard sheets, but we did not reach our target price for case products. As a result, consolidated operating profit declined by ¥1.5 billion, or 9.7%, to ¥14.2 billion.

Net sales by segment (Billions of yen)



Operating profit by segment (Billions of yen)



Wood and Tree-planting

Both sales and profit were higher in this segment. Consolidated net sales increased by ¥5.1 billion, or 11.7%, year on year to ¥49.0 billion. Consolidated operating profit reached ¥2.3 billion, an increase of ¥0.5 billion, or 30.8%. This growth resulted from increased sales from our timber and forestry operations, and from cost-cutting measures.

Other Activities

Consolidated net sales in this segment amounted to ¥88.5 billion, a year-on-year decline of ¥13.2 billion, or 13.0%. Operating profit was ¥6.9 billion, or 38.2% lower at ¥11.1 billion. Reasons for these reduced results include a decline in major real estate sales.

RESEARCH AND DEVELOPMENT

Oji Paper Group's R&D activities are coordinated by the Research and Development Division, which consists of the R&D Laboratories Headquarters and the R&D Management Department and the Intellectual Property Department. All of these units are further subdivided along functional lines.

Designed to allow a flexible approach to individual projects, the organizational structure of the R&D Laboratories Headquarters consists of four laboratories and

the Material Analysis Center. The Forestry Research Institute conducts research relating to forest resource development. Oji Paper has made overseas tree-planting a priority, both to ensure secure resource access, and from an environmental perspective. Recently, we established the Forest Research Institute, Albany Section in Australia to carry out in-depth research in areas including the development of improved tree varieties.

As of March 31, 2007, the Oji Paper Group held 1,293 industrial property rights in Japan and 559 in other countries. The Group's R&D expenditure in the year ended March 31, 2007 was ¥11.4 billion.

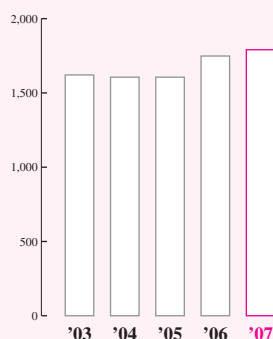
FINANCIAL POSITION

Assets

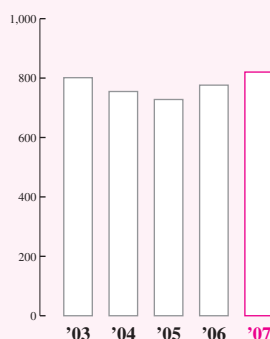
As of March 31, 2007, consolidated total assets amounted to ¥1,790.5 billion, an increase of ¥42.0 billion year on year. Current assets increased by ¥58.6 billion to ¥576.4 billion. The main changes were a reduction in the liquidation of accounts receivable, and an increase in trade notes and accounts receivable because of sales growth and the fact that the final day of the accounting period was a holiday.

Despite a ¥19.3 billion increase in tangible fixed assets year on year, fixed assets declined by ¥16.6 billion to

Total assets (Billions of yen)



Interest-bearing debt (Billions of yen)



¥1,214.1 billion because of a ¥32.3 billion decline in investments and other assets resulting from a reduction in investment securities.

Liabilities

Total liabilities as of March 31, 2007 amounted to ¥1,266.9 billion, an increase of ¥54.0 billion year on year. Current liabilities increased by ¥5.2 billion to ¥720.2 billion, mainly because of an increase in notes and trade accounts payable resulting from the fact that the final day of the accounting period was a holiday. Fixed liabilities were ¥48.8 billion higher at ¥546.7 billion. Reasons for this rise included an increase in long-term loans. The balance of interest-bearing liabilities, including bills discounted, as of March 31, 2007 was ¥820.2 billion, a year-on-year increase of ¥44.0 billion.

Net assets, including minority interests, amounted to ¥523.6 billion, a year-on-year decline of ¥12.0 billion. The main reason for this decline was an ¥18.0 billion reduction in unrealized gains on other securities.

As a result of these changes, the shareholders equity ratio as of March 31, 2007 was 29.0%, a decline of 1.2 points. Net assets per share were ¥7.02 lower at ¥526.36.

CASH FLOW POSITION

The balance of cash and cash equivalents as of March 31, 2007 was ¥38.6 billion. This is ¥1.1 billion below the previous year's level. Cash flows and the factors influencing them in the current consolidated accounting period were as follows:

Operating Activities

Net cash provided by operating activities was 47.2% below the previous year's level at ¥59.3 billion. The decline resulted mainly from special retirement payments necessitated by changes to the employee transfer system, and a reduction in the liquidation of trade accounts receivable.

Investing Activities

Despite a ¥16.9 billion year-on-year increase in capital investment expenditure, net cash used for investing activities declined by 13.7% to ¥92.0 billion. This reflects a ¥12.1 billion increase in proceeds from sales of investment securities, and an ¥11.0 billion reduction in expenditure on the acquisition of new subsidiaries.

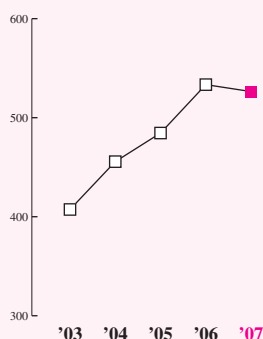
Financing Activities

Net cash used in financing activities amounted to ¥31.0 billion, a year-on-year increase of ¥43.9 billion. The

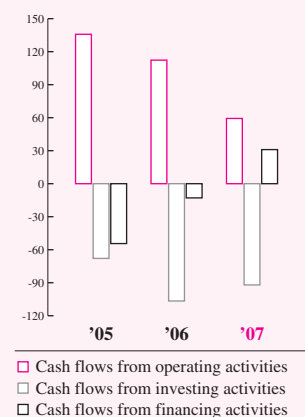
Net assets (Billions of yen)
Ratio of net assets to total assets (%)



Book-value per share (yen)



Cash flows (Billions of yen)



increase resulted from a ¥34.8 billion reduction in share repurchasing expenditure.

OUTLOOK FOR FY2007

The Oji Paper Group's business environment is likely to become even more challenging. Raw material and fuel prices remain high. Particularly, the high cost of raw materials, including waste paper and wood chips, is expected to impact even more significantly on earnings. Our strategies in response to these challenges include cost minimization and flexible and highly efficient production structures, as well as measures to improve earnings, including the consolidation of income structures in existing business areas, and reinforcement of our marketing systems.

Our forecasts for consolidated business results for the year ending March 31, 2008 include net sales of ¥1,300 billion, operating profit of ¥45.0 billion and net income of ¥19.0 billion. These forecasts take into account a change to the taxation systems in fiscal 2007, as a result of which increased depreciation on assets that have reached the limit of depreciation across multiple years will be treated as an ordinary period cost item of approximately ¥8.0 billion. The forecasts are based on an exchange rate of ¥117 to the U.S. dollar, which is the main foreign currency that we use.

NON-CONSOLIDATED RESULTS

The non-consolidated net sales of Oji Paper Co., Ltd. increased by ¥13.4 billion, or 2.4%, year on year to ¥568.4 billion. Reasons for the increase include higher sales volumes and market acceptance of price adjustments.

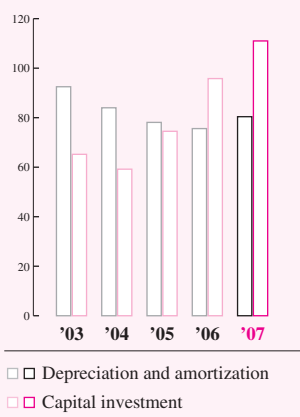
Continuing rises in raw material and fuel costs outweighed higher sales and cost-cutting measures. This situation was reflected in operating profit, which declined by ¥4.3 billion, or 19.7%, to ¥17.7 billion. Ordinary income was ¥2.6 billion, or 10.3%, lower at ¥22.9 billion.

There was a net loss before income taxes of ¥8.7 billion. Reasons for this result included a ¥17.6 billion extraordinary loss resulting from special retirement payments, and an ¥11.2 billion unrealized loss on shares in affiliated companies. As a result, there was a net loss of ¥10.0 billion.

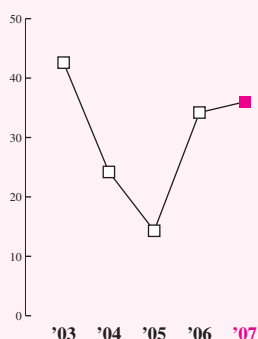
DIVIDENDS

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 maintain dividend stability, taking into account its overall situation, including business results and the need to retain earnings to provide for future management measures.

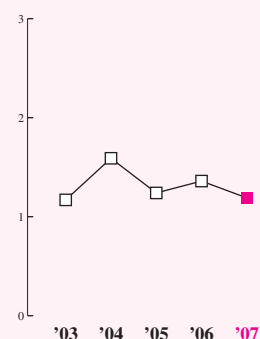
**Depreciation and amortization/
Capital investment** (Billions of yen)



Price earnings ratio (Times)



Price book-value ratio (Times)



(Billions of yen)

As of March 31,	2003	2004	2005	2006	2007
ASSETS					
Current Assets	497.4	486.3	499.0	517.8	576.4
Cash and bank deposits	35.0	32.9	44.8	39.8	38.7
Accounts receivable—trade	271.1	267.0	276.3	295.6	345.4
Marketable securities	0.1	0.1	0.0	0.0	0.0
Inventories	142.1	138.9	136.5	142.6	152.7
Short-term loans	13.5	12.7	11.4	13.3	11.8
Accounts receivable—other	7.1	6.2	8.4	9.4	10.0
Deferred income taxes	25.5	24.4	16.2	13.2	12.4
Other	3.8	5.4	6.5	7.5	7.7
Allowance for doubtful accounts	(1.0)	(1.4)	(1.1)	(3.7)	(2.2)
Fixed Assets	1,123.7	1,119.8	1,107.2	1,230.7	1,214.1
Property, plant and equipment	926.1	887.7	871.4	890.8	910.1
Intangible assets	11.4	11.3	10.6	26.7	24.1
Investments and other assets total fixed assets	186.2	220.8	225.1	313.2	279.9
Total Assets	1,621.1	1,606.0	1,606.2	1,748.5	1,790.5
LIABILITIES					
Current Liabilities	741.9	604.9	589.3	715.0	720.2
Accounts payable—trade	189.7	176.7	183.5	206.3	234.9
Short-term bank loans	368.8	279.4	210.4	248.7	208.6
Commercial paper	69.0	76.0	95.0	134.0	164.0
Current portion of debentures	40.0	—	20.0	40.0	20.0
Accounts payable—other	12.6	12.8	14.6	23.0	28.5
Accrued expenses	48.9	46.9	45.6	46.4	46.2
Income taxes payable, etc.	4.6	4.2	12.2	8.9	11.7
Deferred income taxes	0.1	0.1	—	—	—
Other total current liabilities	8.2	8.8	8.0	7.7	6.2
Non-current Liabilities	447.5	523.1	520.8	497.9	546.7
Debentures	100.0	140.0	160.0	120.0	100.0
Long-term bank loans	221.6	258.0	241.5	232.4	327.5
Deferred taxes liabilities	19.1	35.1	35.1	66.0	56.8
Deferred tax liabilities on unrealized gain	6.5	7.9	8.2	11.5	11.5
Accrued retirement benefits	84.3	70.4	65.9	62.8	44.7
Accrued provision for environmental safety measures	—	—	—	1.1	1.8
Reserve for special repairs	0.2	0.2	0.1	0.1	0.1
Long-term deposits	14.2	10.5	9.6	3.4	3.4
Long-term notes payable for property, plant and equipment	0.9	0.6	0.2	0.1	0.1
Other total non-current liabilities	0.6	0.4	0.2	0.4	0.9
Total Liabilities	1,189.4	1,128.1	1,110.2	1,212.9	1,266.9
Minority Interest in Consolidated Subsidiaries	5.8	5.6	6.0	7.8	—
SHAREHOLDERS' EQUITY					
Common stock	103.9	103.9	103.9	103.9	—
Capital surplus	110.2	110.2	110.2	113.0	—
Revaluation of land	4.4	6.5	6.6	3.8	—
Earned surplus reserve	216.7	237.2	267.9	275.4	—
Unrealized gain on available-for-sale securities	4.8	34.4	35.7	73.7	—
Foreign currency translation adjustment	(6.1)	(7.8)	(6.0)	(0.0)	—
Treasury stock	(8.0)	(11.9)	(28.2)	(41.9)	—
Total Shareholders' Equity	425.9	472.4	489.9	527.9	—
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	1,621.1	1,606.0	1,606.2	1,748.5	—
NET ASSETS					
Shareholders' Equity	—	—	—	—	103.9
Common stock	—	—	—	—	103.9
Capital surplus	—	—	—	—	113.0
Earned surplus reserve	—	—	—	—	280.9
Treasury stock	—	—	—	—	(43.2)
Total Shareholders' Equity	—	—	—	—	454.5
Adjustments for valuation, foreign currency translation and others	—	—	—	—	55.7
Other valuation of securities	—	—	—	—	0.1
Unrealized gains (losses) on hedging derivatives	—	—	—	—	3.8
Revaluation of land	—	—	—	—	6.0
Foreign currency translation adjustment	—	—	—	—	65.6
Total adjustments for valuation, foreign currency translation and others	—	—	—	—	0.1
Subscription right	—	—	—	—	3.5
Minority Interest in Consolidated Subsidiaries	—	—	—	—	523.6
Total Net Assets	—	—	—	—	1,790.5
Total Liabilities and Net Assets	—	—	—	—	—

(Billions of yen)

Year ended March 31,	2003	2004	2005	2006	2007
Net Sales	1,213.2	1,180.4	1,185.1	1,213.9	1,265.7
Cost of sales	927.9	882.9	880.3	918.3	973.1
Gross profit	285.3	297.5	304.8	295.6	292.7
Selling, general and administrative expenses	228.8	223.7	220.2	221.7	229.5
Operating Profit	56.5	73.9	84.6	73.9	63.2
Non-operating Income	10.0	8.5	8.6	8.9	13.5
Interest and dividend income	2.1	1.8	2.0	3.2	3.6
Equity in earnings of affiliates	3.1	3.4	2.3	1.2	3.1
Miscellaneous income	4.7	3.3	4.2	4.5	6.9
Non-operating Expenses	18.6	14.6	12.6	12.1	12.6
Interest expenses and discount charges	12.1	10.8	9.9	8.9	9.5
Miscellaneous losses	6.4	3.8	2.7	3.2	3.1
Ordinary Profit	47.9	67.8	80.5	70.7	64.1
Extraordinary Gain	23.9	8.3	0.7	2.9	12.0
Gain on sale of investments in securities	3.3	7.7	0.5	0.1	8.7
Refund of subrogated portions of welfare pensions	16.7	—	—	—	—
Gain on sale of fixed assets	3.9	0.6	0.2	2.8	2.9
Gain on reversal of allowance for doubtful accounts	—	—	—	—	0.4
Extraordinary Losses	48.6	28.7	14.0	34.5	39.6
Impairment losses	—	—	—	16.4	1.8
Reconstruction expenses	—	—	—	—	6.2
Loss on disposal of fix assets	10.6	5.1	7.5	6.4	7.1
Loss on evaluation of investments in securities	29.4	0.4	0.3	0.7	3.0
Special retirement benefits	5.7	18.9	4.1	5.8	18.2
Provision for environmental safety measures	—	—	—	1.4	0.9
Other total extraordinary losses	2.9	4.2	2.2	3.9	2.3
Income (loss) before Income Taxes and Minority Interests	23.2	47.4	67.2	39.1	36.5
Corporation tax, resident tax and enterprise tax	6.2	6.2	13.4	13.1	15.1
Deferred taxes	4.5	9.5	10.0	4.7	4.1
Minority interest in net profit of consolidated subsidiaries	0.3	0.4	0.5	0.3	0.2
Net Income	12.2	31.3	43.3	21.0	17.2

(Billions of yen)

Year ended March 31,	2003	2004	2005	2006	2007
Cash Flows from Operating Activities					
Income (loss) before income taxes and minority interests	23.2	47.4	67.2	39.1	36.5
Depreciation and amortization	92.8	84.5	77.9	79.4	82.0
Impairment losses	—	—	—	16.4	1.8
Increase/decrease in accrued retirement benefits	(23.0)	(13.9)	(4.6)	(4.2)	(18.2)
Interest and dividends income	10.0	8.9	7.8	5.7	6.0
Gain (loss) on write-down or sale of marketable securities	26.1	(7.3)	(0.2)	0.6	(5.7)
Gain (loss) on retirement or sale of fixed assets	6.7	4.6	7.3	3.6	4.2
Increase/decrease in accounts receivables and payables—trade	(6.5)	(6.0)	(4.4)	9.1	(21.0)
Increase/decrease in inventories	5.9	5.2	6.1	(2.3)	(8.7)
Other	(6.9)	(5.0)	(6.8)	(10.3)	0.4
Total	128.1	118.3	150.2	137.1	77.2
Interest and dividends received	3.5	2.1	2.3	3.4	3.8
Interest paid	(12.1)	(11.0)	(9.8)	(9.0)	(9.5)
Income taxes paid	(4.1)	(6.7)	(7.0)	(19.2)	(12.2)
Net Cash Provided by Operating Activities	115.3	102.6	135.8	112.3	59.3
Cash Flows from Investing Activities					
Changes in balance of:					
Marketable securities	0.1	—	—	0.0	0.0
Property, plant and equipment/intangible assets	(61.2)	(55.5)	(63.3)	(79.2)	(100.5)
Investments in securities	(10.7)	10.0	(3.5)	(11.2)	11.0
Acquisition of stocks of consolidated subsidiaries due to change in the scope of consolidation	5.2	0.3	—	(11.0)	(2.4)
Loans and collections	(10.6)	(0.9)	(0.7)	(3.1)	0.2
Other	(0.1)	(0.3)	(0.5)	(2.2)	(0.3)
Net Cash Used in Investing Activities	(77.2)	(46.3)	(67.9)	(106.6)	(92.0)
Cash Flows from Financing Activities					
Net increase/decrease in short-term bank loans	(29.4)	(71.5)	(73.1)	5.9	(0.4)
Net increase/decrease of commercial paper	26.0	7.0	19.0	39.0	30.0
Borrowing of long-term bank loans	50.2	70.5	30.2	45.4	114.7
Repayments of long-term bank loans	(50.6)	(51.0)	(43.2)	(36.2)	(61.0)
Proceeds from issue of debentures	—	40.0	40.0	—	—
Redemption of debentures	(20.0)	(40.0)	—	(20.0)	(40.0)
Cash dividends paid by the Company	(8.4)	(8.3)	(12.4)	(11.8)	(11.9)
Acquisition of treasury stock	(7.6)	(4.0)	(16.0)	(35.2)	(0.5)
Other	(0.1)	(0.0)	0.1	0.0	0.0
Net Cash Used in Financing Activities	(40.0)	(57.3)	(55.4)	(12.9)	31.0
Effect of Foreign Currency Translation on Cash and Cash Equivalents	(0.3)	(0.3)	(0.3)	1.5	0.6
Net Increase/Decrease in Cash and Cash Equivalents	(2.2)	(1.3)	12.1	(5.7)	(1.1)
Cash and Cash Equivalents at Beginning of Year	35.1	34.7	32.6	44.5	39.6
Increase in Cash and Cash Equivalents Due to Merging or including Consolidated Subsidiaries	1.9	0.0	0.3	1.0	0.0
Decrease in Cash and Cash Equivalents Due to Excluding Consolidated Subsidiaries	(0.1)	(0.8)	(0.5)	(0.2)	—
Cash and Cash Equivalents at End of Year	34.7	32.6	44.5	39.6	38.6

As of March 31,	(Billions of yen)				
	2003	2004	2005	2006	2007
ASSETS					
Current Assets	345.7	425.9	464.5	445.3	485.7
Fixed Assets	843.1	844.4	834.4	958.0	931.3
Property, plant and equipment	539.1	502.8	451.7	457.7	470.2
Intangible assets	2.8	2.7	2.6	3.0	2.9
Investments and other assets	301.2	338.9	380.0	497.3	458.2
Total Assets	1,188.8	1,270.3	1,298.9	1,403.3	1,417.0
LIABILITIES					
Current Liabilities	463.4	417.2	429.4	527.5	527.3
Non-current Liabilities	315.8	410.5	432.1	415.7	469.4
Total Liabilities	779.2	827.7	861.6	943.2	996.8
SHAREHOLDERS' EQUITY					
Total Shareholders' Equity	409.6	442.6	437.4	460.1	—
Total Liabilities and Shareholders' Equity	1,188.8	1,270.3	1,298.9	1,403.3	—
NET ASSETS					
Total Net Assets	—	—	—	—	420.3
Total Liabilities and Net Assets	—	—	—	—	1,417.0

Non-consolidated Statements of Income

Year ended March 31,	(Billions of yen)				
	2003	2004	2005	2006	2007
Net Sales	695.8	615.9	592.3	555.0	568.4
Cost of Sales	521.6	451.2	435.0	423.7	443.2
Gross Profit	174.2	164.7	157.3	131.3	125.2
Selling, General and Administrative Expenses	131.8	127.0	120.6	109.3	107.5
Operating Profit	42.4	37.6	36.8	22.0	17.7
Non-operating Income	9.0	7.3	8.3	13.0	15.7
Non-operating Expenses	14.4	11.3	9.6	9.5	10.5
Ordinary Profit	37.1	33.6	35.5	25.5	22.9
Extraordinary Gain	25.2	23.4	8.2	4.8	10.0
Extraordinary Losses	39.5	25.9	7.4	22.2	41.6
Income (loss) before Income Taxes	22.8	31.2	36.3	8.1	(8.7)
Corporation Tax, Resident Tax and Enterprise Tax	0.2	0.2	6.0	4.2	0.4
Deferred Taxes	9.6	13.2	8.2	1.3	1.0
Net Income (loss)	13.0	17.8	22.1	2.5	(10.0)

SHARES OF COMMON STOCK

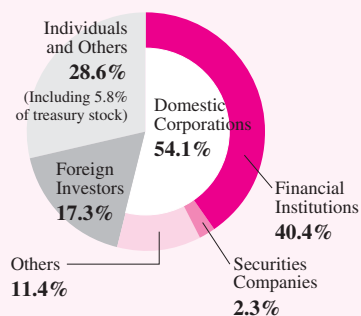
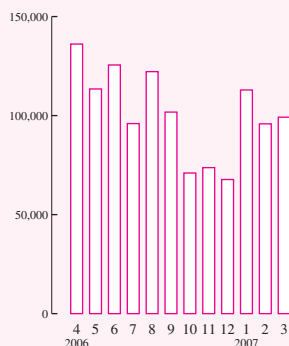
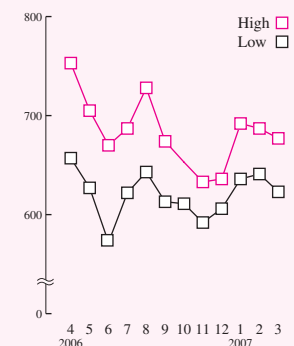
Authorized	2,400,000,000 shares
Issued	1,064,381,817 shares
Number of Shareholders	92,987 (Decrease of 3,116 shareholders from the previous year-end)

MAJOR SHAREHOLDERS (TOP 10)

	Shares held (Thousands)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	56,972	5.9
Japan Trustee Services Bank, Ltd. (Trust account four)	37,733	3.9
Japan Trustee Services Bank, Ltd. (Trust account)	37,167	3.8
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	26,472	2.7
Oji Paper Employee Stock-holding Association	17,228	1.8
Japan Pulp and Paper Company Limited	17,216	1.8
Chuo Mitsui Trust Bank Limited	16,478	1.7

Notes: Oji Paper holds treasury stock of 62,224 thousand shares, which is excluded from the list.
Numbers less than one thousand are rounded down.

Distribution of shareholders (%)

Volume of shares traded (Thousands of shares)
(Tokyo Stock Exchange)Common stock price range (Yen)
(Tokyo Stock Exchange)





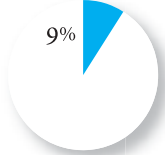
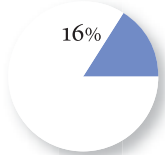
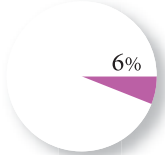
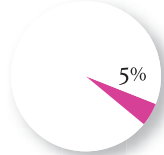







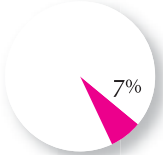
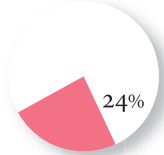
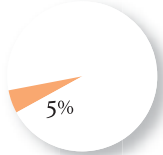
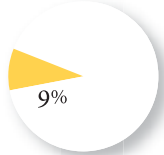
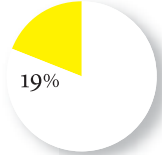
CORPORATE OVERVIEW

Contents

Oji Paper Group at a Glance.....	40
Business Outline.....	42
Topics	51
Research and Development.....	52
Culture and Sports Activities.....	54
Communicating with Society.....	55
Major Mills in Japan	56
Global Network	58
Consolidated Subsidiaries	59
Group Management Structure	60
Corporate Data.....	61

OJI PAPER GROUP AT A GLANCE

	NEWSPRINT	PUBLICATION AND PRINTING PAPERS	BOXBOARD AND PACKAGING PAPERS	COMMUNICATIONS PAPERS
Business Segment				
Percentage of Net Sales				
Description	<p>■ Published every day in a huge variety and quantity, newspapers are our most familiar information medium. Ever since the publication of modern newspapers began in Japan in the 19th century, Oji Paper has supported this medium through a stable supply of newsprint and by improving the quality of paper. We continue to support the evolution of newspapers by responding to the publishers' needs for paper that is thinner, lighter, stronger and more beautiful.</p>	<p>■ Publishers need a wide variety of publication and printing papers to support and enhance the characteristics of books, magazines, catalogs, flyers and other publications. The Oji Paper Group offers an extensive range of products to meet the varying needs of its customers. We are also working to discover and develop latent needs by developing new technologies and using them to create products of the very highest quality.</p>	<p>■ In recent years, due to increasing environmental awareness, there has been growing interest in the use of paper as a packaging material because of its advantages in relation to resource recycling and waste reduction.</p> <p>Boxboard is also used for products that require strength, such as fashion magazine covers. The Oji Paper Group offers a diverse range of boxboard and packaging papers with the functionality and printing smoothness needed for a variety of uses.</p>	<p>■ Advances in information technology have created a need for papers with new functions and characteristics. There is also growing demand for environment-friendly products. The Oji Paper Group is connecting information equipment and people by supplying its customers with all types of communications papers, including thermal papers, inkjet printer papers, PPC papers and carbonless papers.</p>

SPECIALTY PAPERS	CONTAINERBOARD AND CORRUGATED CONTAINERS	HOUSEHOLD PRODUCTS	OVERSEAS BUSINESS	OTHER BUSINESS
				
				
<p>■ Products in this category combine general paper characteristics with additional features and advantages. Examples include ultra-lightweight papers for use in dictionaries and other publications, highly expressive fashion papers, labeling papers and aluminized food-packaging papers. Oji Paper has also further extended the potential of paper by developing printed circuit boards and key components for hybrid vehicles.</p>	<p>■ Containerboard is an extremely convenient material for goods transportation and is used in many areas of daily life, accounting for around one-quarter of packaging materials. The Oji Paper Group manufactures containerboard sheets from recycled waste paper, and also processes this material into cartons for a variety of purposes.</p> <p>Products from this integrated manufacturing system are supplied promptly through an extensive nationwide operational network.</p>	<p>■ Oji Nepia supplies a wide range of household products under its <i>nepia</i> and <i>nepia GENKI!</i> brands, including toilet rolls and diapers.</p> <p>As these items are used in direct contact with skin, Oji Nepia consistently works to develop highly dependable, high-quality products. As a member of the Oji Paper Group, the company actively utilizes the Group's advanced technologies to create new, comfortable and convenient household products.</p>	<p>■ For many years, Oji Paper has been expanding its activities globally, including tree planting, pulp and paper manufacturing and converting paper products. Recently, we have stepped up the expansion of our tree-planting activities, especially in Asia. Moreover, we have the top share in communications papers in the world market, and are expanding our containerboard manufacturing operations in Asia to meet expanding demand.</p>	<p>■ Throughout its long history, the Oji Paper Group has achieved growth through a series of mergers. Today, it is a diverse corporate group with members involved in forestry, manufacture and sale of pulp and paper as well as a wide range of related activities. Synergies among these businesses help to strengthen the Group's ability to achieve self-sustaining growth.</p>




NEWSPRINT

Lighter, stronger, more beautiful...
Oji Paper has earned the confidence of newspaper publishers
by improving paper quality and building stable supply systems.



30%

Market share in Japan

■ Products	■ Strategies	■ Production Facilities
<p>New-generation Newsprint <i>Plus News Series</i></p> <p>This new-generation newsprint has been perfected by Oji Paper after years of development. In recent years, Japanese newspaper publishers have increasingly been introducing high-quality printing for advertising papers. Oji Paper developed the <i>Plus News</i> series to meet the need for paper with enhanced color reproduction characteristics. New technology has improved the printed surface quality and prevented showthrough, without any weight increase. This has resulted in reduced resource consumption and a lower environmental load.</p>	<p>Integration of Production, Marketing and R&D Capabilities</p> <p>We believe that Oji Paper has a social responsibility to support the publication of daily newspapers through a stable supply of newsprint. Amid escalating competition, we will continue to maintain the confidence of customers by offering new technologies, products and services, including the development of newsprint products that enhance the value of newspapers as advertising mediums. Newsprint will continue to be the core of the Oji Paper Group's business activities.</p>	<p>The Tomakomai Mill—The World's Biggest Newsprint Factory</p> <p>The Tomakomai Mill is the world's biggest newsprint manufacturing facility in terms of production quantity in a single mill. With integrated manufacturing systems spanning all stages from pulp to finished newsprint, it uses advanced large-capacity facilities and enhanced traditional operating methods to produce a wide range of newsprint products efficiently and stably. Advanced logistical systems reflect the Oji Paper Group's emphasis on efficient transportation as an essential aspect of product quality.</p>
 <p>The <i>Plus News</i> newsprint</p>	 <p>Newspapers in a high-speed rotary press</p>	 <p>Tomakomai Mill</p>

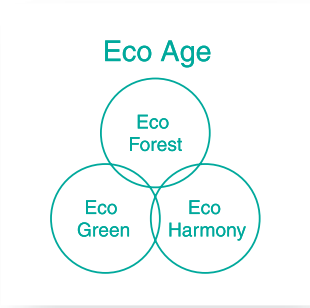

PUBLICATION AND PRINTING PAPERS

Oji Paper meets customer needs by offering an extensive range of papers to enhance the characteristics of printed products, including books, magazines and catalogs.



26%

Market share in Japan

<p>■ Products</p>	<p>■ Strategies</p>	<p>■ Production Facilities</p>
<p>The Eco Age Brand</p> <p>Oji Paper takes a comprehensive approach to the development of products that help protect the environment, and we are continually enhancing and expanding our product range. With the <i>Eco Forest</i> series, consideration for the environment begins with the use of fresh pulp sourced from FSC-certified forests. The <i>Eco Green</i> series of papers are made from waste paper pulp, while the <i>Eco Harmony</i> series combines ecologically sound fresh pulp with waste paper pulp. Together, these three series form the <i>Eco Age</i> brand.</p>	<p>Building Highly Profitable Domestic Operations</p> <p>Over the past few years, domestic demand for printing papers has shifted markedly, from uncoated to coated papers, and from heavy to lightweight coated papers. Oji Paper has started to restructure its production operations, especially at the Tomioka Mill, to reflect this change in the business environment.</p> <p>Low-capacity machines at Tomioka will be shut down, and production of lightweight coated papers will be centralized in newly installed large-capacity facilities. We will also expand waste paper recycling facilities and install new-energy boilers. As a result, the Tomioka Mill will be Japan's most cost-competitive paper manufacturing mill.</p> <p>We also aim to enhance customer satisfaction and strengthen our ability to propose solutions through upgrades to our distribution systems. Changes in this area will include information sharing with Japan Pulp and Paper and Kokusai Pulp and Paper.</p>	<p>Integrated Production on Fully Automated Lines at the Kasugai Mill</p> <p>The Kasugai Mill is equipped with highly advanced production facilities, including fully automated production lines that integrate all stages from pulp production to paper-making and coating. At the upstream end of the system, pulp is produced using a highly efficient twin-tower continuous digestion system. Electronic technology is used extensively to provide the flexibility needed to handle both mass-production and small production runs, while also maintaining high product quality and productivity.</p>
 <p>The Eco Age brand</p>		 <p>Kasugai Mill's No. 10 machine</p>

BOXBOARD AND PACKAGING PAPERS

Oji Paper supplies a wide array of richly varied and environment-friendly products for uses ranging from packaging materials to fashion magazine covers.



Boxboard

41%

Packaging Papers

30%

Market share in Japan

■ Products	■ Strategies	■ Production Facilities
<p>New Technologies Reflected in Printing Finish and Processing Characteristics</p> <p>Wrapping papers and carry bags are important advertising vehicles for department stores and other retailers. <i>OK Clear White</i> and <i>OK Blanc Neige</i>, which first went on sale in 2005, were developed by Oji Paper as materials that combine the strength of kraft paper with the beauty and printing quality of coated paper. <i>WHITE-A-IVORY BRIGHT</i>, <i>WHITE-A-IVORY+</i>, <i>WHITE-A-CARD+</i>, <i>WHITE A L-CARD+</i> and <i>WHITE A POST+</i> were developed as boxboard products for use as high-grade cover paper for publications that require superior quality and strength, such as fashion magazines. Both support rapid ink drying and attractive gloss printing, two characteristics that are normally difficult to combine, and enjoy great popularity among publishers.</p>	<p>Using Group Strengths to Consolidate Our Position as the Leading Manufacturer</p> <p>In July 2001, Oji Paper combined its boxboard and packaging paper operations into a single business division. Subsequently, we established a production organization that can respond flexibly to customer needs, such as faster deliveries. We aim to consolidate our position as the leading manufacturer of boxboard and packaging paper through stronger collaboration among group companies and closer communication with customers.</p>	<p>Fuji Mill—A Core Facility Combining Tradition with Advanced Technology</p> <p>Fuji Mill is Japan's biggest producer of recycled paper. Blending a long tradition with advanced technology, its main products are boxboard and printing papers. Facilities include the N-2 machine, one of the world's biggest and most advanced boxboard production systems. It has a length of some 230 meters, and a production capacity of 650 tons of high-quality boxboard per day, or 800 meters per minute. At the end of 2006, an additional sheet paper cutter was installed to enhance the Fuji Mill's ability to provide timely and quick deliveries to customers.</p>
	 <p style="text-align: center;">Kure Mill's No. 1 machine</p>	 <p style="text-align: center;">Fuji Mill</p>


COMMUNICATIONS PAPERS

Oji Paper products, including PPC papers, printer papers and thermal papers, connect people and information equipment.



22%

Market share in Japan

■ Products	■ Strategies	■ Production Facilities																								
<p>New Technologies Driving an Endless Stream of Innovative Products</p> <p>In September 2006, Oji Paper introduced <i>KS Copy Eco Harmony</i>, a carbonless self-copying form paper made from a blend of ecologically sound fresh pulp and waste paper pulp. This is the first carbonless paper produced by the Japanese paper industry to receive certification from the Forest Stewardship Council (FSC). Other popular products included the <i>POD</i> series, which allow printed materials to be produced on office laser printers with quality as excellent as that of offset printing.</p>	<p>Global Business Structure Linking Europe, North America, Asia and Japan</p> <p>The global market for communications papers has expanded dramatically. The Oji Paper Group has responded by developing a global business structure with sites in Germany and Switzerland in Europe, the United States, Thailand and Japan. Our priorities are to enhance our product development capabilities and expand production capacity.</p>	<p>Oji Paper Thailand (OPT) —New Coater to be Installed to Meet Rapidly Expanding Demand</p> <p>Oji Paper Thailand (OPT) was established in 1996 in response to sustained growth in the Southeast Asian market. Oji Paper has earned a worldwide reputation for advanced technology, and OPT uses that technology to manufacture a wide range of products, especially carbonless papers. Other products include thermal papers and adhesive papers. To meet rapidly expanding demand for thermal papers, a new coater will start operating from 2008.</p>																								
 <p><i>POD</i> series laser printer paper</p>	<p>Overview of the New Coater at OPT</p> <p>1. Investment: ¥4.7 billion 2. Annual production capacity: 30,000 tons 3. Start-up date: End of 2008</p> <table border="1" data-bbox="943 1647 1354 1966"> <thead> <tr> <th colspan="3" style="background-color: #C00040; color: white;">Share of Thermal Paper Market</th> </tr> <tr> <th></th> <th>Current</th> <th>With new OPT coater</th> </tr> </thead> <tbody> <tr> <td>North America</td> <td>29%</td> <td></td> </tr> <tr> <td>Europe</td> <td>12%</td> <td></td> </tr> <tr> <td>Asia</td> <td>16%</td> <td></td> </tr> <tr> <td>Japan</td> <td>27%</td> <td></td> </tr> <tr> <td>China</td> <td>8%</td> <td></td> </tr> <tr> <td>Other Asia</td> <td>6%</td> <td>>>>> 20%</td> </tr> </tbody> </table>		Share of Thermal Paper Market				Current	With new OPT coater	North America	29%		Europe	12%		Asia	16%		Japan	27%		China	8%		Other Asia	6%	>>>> 20%
Share of Thermal Paper Market																										
	Current	With new OPT coater																								
North America	29%																									
Europe	12%																									
Asia	16%																									
Japan	27%																									
China	8%																									
Other Asia	6%	>>>> 20%																								

SPECIALTY PAPERS

Expanding the potential of paper, Oji Paper has developed paper products with new functions for purposes ranging from industrial applications to household use.



■ Products	■ Strategies	■ Production Facilities
<p>Expanding Our Range of FSC-certified Papers</p> <p>In specialty papers, as in other segments, the Oji Paper Group is expanding its range of environment-friendly products. In April 2007, we added a product certified by the Forest Stewardship Council (FSC) to the <i>View Corona</i> series of thin papers, used mainly for dictionaries and insurance policy forms. This series already included products containing high percentages of waste paper pulp. The new product will further enhance our ability to meet the needs of environment-conscious users. Other FSC-certified products include the <i>Marshmallow CoC</i> printer papers and the <i>OK Muse Gulliver HG</i> light coated fancy papers.</p>	<p>Product Development Focused on Meeting Customer Needs</p> <p>Oji Specialty Paper, created in 2004 through a restructuring of the Oji Paper Group, develops and manufactures a variety of specialty papers and paperboard. In 2007, Oji Specialty Paper began to restructure production facilities at the Tokai Mill, which consists of six production sites in Shizuoka Prefecture. These changes are expected to result in dramatically improved competitiveness.</p>	<p>Shiga Mill—Specialized Manufacturing Facility for Advanced Films</p> <p>In 2005, production capacity was increased at the Shiga Mill in response to expanding demand for polypropylene (OPP) film, which is used in capacitors for hybrid vehicles. In addition to OPP Film, Oji Specialty Paper is actively developing new technologies and products to meet new needs, including films for electronics and process films for use in IT industries.</p>
	 <p style="text-align: center;">Ebetsu Mill's No. 10 machine</p>	 <p style="text-align: center;">Shiga Mill</p>

CONTAINERBOARD AND CORRUGATED CONTAINERS

The Oji Paper Group uses its extensive nationwide network to supply products flexibly and stably.





Containerboard

27%

Corrugated Containers

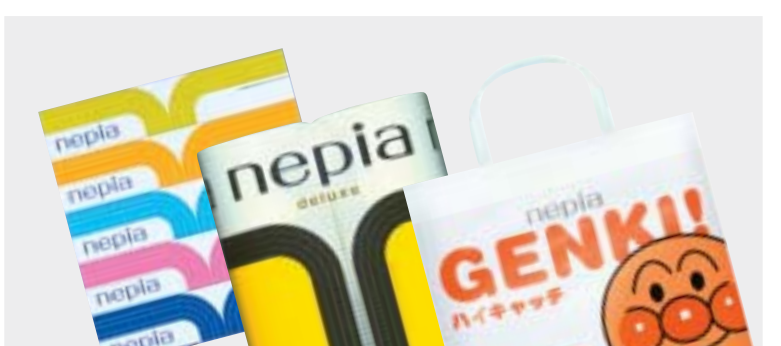
24%

Market share in Japan

■ Products	■ Strategies	■ Production Facilities
<p>Using Tea Leaves to Produce Corrugated Containers with Antibacterial and Deodorizing Properties</p> <p>In 2006, Oji Chiyoda Container introduced <i>Chaba Board</i>, a unique new product combining used tea leaves with containerboard liner materials to add an antibacterial and deodorizing effect. The volume of industrial tea leaf waste has increased in recent years because of the growing popularity of green tea drinks. <i>Chaba Board</i> has attracted intense interest as a brand new way to recycle used tea leaves.</p>	<p>Enhanced Earning Power through Integration from Containerboard to Corrugated Container Production</p> <p>Competition has intensified in the corrugated containers market. Oji Paper has responded by radically restructuring business operations in this area. In 2002, the Oji Paper Group centralized its containerboard operations under Oji Paperboard, while corrugated container processing became the responsibility of Oji Chiyoda Container Group and the Mori Shigyo Group. Now, by integrating all containerboard-related operations within the Oji Paper Group, we aim to stabilize our earning capacity in this area. This restructuring has strengthened collaboration among group companies as well as marketing systems, and brought significant synergy benefits that will expand the Group's business development potential.</p>	<p>Oji Paperboard, Kushiro Mill—Largest Production Capacity in Japan</p> <p>Established in 1959 as Japan's first specialist kraft liner mill, Kushiro Mill today houses the L-1 machine, which boasts the biggest production capacity in Japan. Kushiro Mill continues to enjoy an excellent reputation for product quality.</p> <p>Gunma Mori Shigyo, Ojima Mill—Highest Productivity in the Industry</p> <p>This mill is outstandingly cost-competitive. Its production capacity for containerboard sheets per worker is significantly higher than the industry average.</p>
<div style="text-align: center;">  <p><i>Chaba Board</i></p> </div>		<div style="text-align: center;">  <p>Gunma Mori Shigyo, Ojima Mill's corrugating machine</p> </div>

HOUSEHOLD PRODUCTS

The Nepia brand has a reputation for reliable, gentle products, including tissues, toilet rolls and baby diapers.



Tissues

21%

Diapers

11%

Market share in Japan

■ Products	■ Strategies	■ Production Facilities
<p>Expanding Range Includes <i>Deluxe</i> and <i>Nepi Nepi</i> Lines</p> <p>Embossed for enhanced softness, <i>Deluxe</i> premium toilet rolls were developed in response to demand for quality household products. Oji Nepia’s expanding product range also includes the <i>Nepi Nepi</i> series, with features that include an appealing package design. One area in which Oji Nepia excels is product development. In 2007, it introduced <i>nepia GENKI! Hi-Catch</i> urine-feces separation baby diapers. Another innovation is a flushable perspiration wipe that is gentle on the skin.</p>	<p>Enhancing the <i>Nepia</i> Brand with <i>Yawaraka Heart</i></p> <p>In April 2007, Oji Nepia updated its branding for baby diapers, introducing the <i>nepia GENKI!</i> brand in place of the <i>Doremi</i> brand, which has been a familiar name for two decades. Genki is a Japanese word meaning “lively” or “healthy.” Anpanman, a popular cartoon figure, was chosen as the brand character, and the first product launched under the new brand was <i>nepia GENKI! Hi-Catch</i>.</p> <p>Oji Nepia will continue to develop and strengthen the <i>nepia GENKI!</i> brand with the aim of building a brand image associated with softness. In 2006, the company launched a TV commercial campaign featuring figure skater Mao Asada.</p>	<p>Oji Nepia, Nagoya Mill —Our Biggest Manufacturing Facility for Household Products</p> <p>The Nagoya Mill is an extremely efficient manufacturing complex located on the same site as the Kasugai Mill, and the two facilities jointly procure and use pulp and energy. The Nagoya Mill’s range and quantities of items produced have expanded continually since production commenced in 1971. A fully automated production line based on technology developed by Oji Nepia ensures total hygiene at all stages from product processing to packaging. Products include tissues, toilet rolls and baby diapers.</p> <div data-bbox="1117 1655 1404 1940" data-label="Image"> </div> <p data-bbox="1214 1962 1312 1985" style="text-align: center;">Nagoya Mill</p>

OVERSEAS BUSINESS

The Oji Paper Group's forestry, manufacturing and sales activities continue to expand globally. Our target is to increase our overseas sales ratio from 9% to 20%.



Strategies

Global Communications Papers Business Based on Operations in Japan, Europe, Asia and North America

One segment in which the Oji Paper Group is building a global reputation is communications papers. With business operations in Japan, Europe, Asia and North America, Oji Paper now boasts the biggest share of the world market for thermal paper. Other key products include carbonless papers and inkjet papers. International expansion of our thermal paper business began in 1980 with the establishment of Kanzaki Specialty Papers (KSP) in the United States. In the



ILFORD Imaging Switzerland GmbH

1990s, we added Kanzan Spezialpapiere in Germany, followed by Oji Paper (Thailand) (OPT) in 1996. The network was further expanded in 2002 with the establishment of Oji Specialty Paper (Shanghai) to process thermal papers in China.

OPT is currently installing a new coater to meet expanding demand in Asia. When the new facility becomes operational at the end of 2008, Oji Paper's share of the thermal paper market in Asia, excluding Japan and China, is expected to increase from 6% to 20%.

The growing popularity of digital cameras is expected to bring further growth in the market for inkjet papers for home photographic printing. In 2005, Oji Paper acquired shares in ILFORD Imaging Switzerland GmbH, a leading photo-quality media manufacturer. The company is now a member of the Oji Paper Group.




Wide Spectrum of Overseas Activities

Oji Paper has been internationally active in the pulp manufacturing area since the 1970s, through Celulose Nipo-Brasiliere S.A. (CENIBRA) in Brazil and Pan Pac Forest Products (Pan Pac) in New Zealand. We are accelerating development of our resource strategies. In 2007, we invested in new facilities that will increase the production capacity of CENIBRA by 200,000 tons. We have also reached basic agreement on the acquisition of Pan Pac as a wholly owned subsidiary. In Vietnam, Ojitex (Vietnam) and Ojitex Haiphong are involved in container-board manufacturing and sales. In China, in addition to thermal paper manufacturing, Qingdao Oji Packaging and Dalian Mori Mitsui Packaging manufacture and sell corrugated containers and are preparing for full-scale expansion into the paper bag manufacturing and household products fields.

OTHER BUSINESS

The Oji Paper Group encompasses a diverse range of companies, each flexibly combining specialist expertise with group resources.



■ Oji Forest & Products	■ Oji Real Estate	■ Oji Kinocloth
<p>The Hub of the Oji Paper Group's Forestry Activities</p> <p>Oji Forest & Products' businesses include forestry and tree planting as well as import and sales of timber, construction materials and gardening materials. It has also undertaken concrete measures to protect the environment. In 2006, it gained corporate certification as a company that complies with the law in the handling of wood products. In 2007, the company plans to complete procedures for certification by the Sustainable Green Ecosystem Council (SGEC) for its sustainable management of all forests owned by Oji Paper in Japan.</p>	<p>Contributing to the Group through Real Estate Activities</p> <p>Oji Real Estate has accumulated extensive knowledge through its involvement in the construction of pulp and paper mills. It uses this expertise as the foundation for activities in three areas: housing development, real estate management and construction.</p> <p>A buoyant real estate market is reflected in rising land prices, expanding demand for office space and rising rents, especially in Japan's six biggest cities. These trends have brought steady growth in the earnings of Oji Real Estate.</p>	<p>Supplier of Kitchen Papers, Paper Washcloths and Other Items</p> <p>Oji Kinocloth manufactures kitchen papers, including <i>Reed Cooking Paper</i>, as well as paper washcloths, cosmetic puffs and other items. In March 2005, it completed a new factory in Shanghai and commenced full-scale operations in China. Oji Kinocloth's strategy is to build an income structure that can resist fluctuations in the external environment by using the popularity of its flagship products, introducing highly competitive new products, improving production efficiency and responding promptly to consumer needs.</p>
 <p>Kami Takara Forest (Gifu Prefecture)</p>	 <p>Residential land sale of <i>Akasia no Mori</i> (Ebetsu City, Hokkaido)</p>	 <p>Oji Kinocloth (Shanghai)</p>

Oji Group Solutions

In October 2004, we launched the Oji Group Solutions website, which showcases the Group's products by bringing together company and product information previously posted on individual group company websites. 36 group companies are participating in this website, which was created to inform customers and consumers about the capabilities of the Oji Paper Group.

The website has three sections: introducing new products, existing products and Oji Paper Group companies. It covers all of the Group's wide-ranging products, including paper, paperboard, household products, packaging materials, information and measurement equipment, engineering services, food services and real estate. In fiscal 2006, the website received approximately 220,000 hits.



The Oji Paper Solutions website
<http://www.ojigroup.net/>

T O P I C S

The Oji Paper Group has launched new initiatives to enhance its ability to meet the needs and wishes of its customers.

Through these approaches to our manufacturing operations, we aim to expand business opportunities for the Oji Paper Group companies and strengthen our marketing capabilities.



The Oji Paper Library

Established primarily by Oji Paper and Oji Specialty Paper, the Oji Paper Library is located in the entrance hall of Oji Paper's head office. It was created to permanently display the Group's products in response to numerous requests from production companies and designers, who see the quality, texture and other characteristics of paper as vital aspects of production differentiation.

Visitors to the display area can see, touch and take home actual product samples.

The library is an important forum for mutual communication between Oji Paper and visitors. In addition to enhancing our ability to provide information to customers, it also helps us to improve product development by canvassing user feedback. In the six months since its opening, the Oji Paper Library has received over 6,000 visitors.

Information about the library is available in the Designer's Paper Forum section of the Oji Group Solutions website. In addition to details about the library itself, there is also a designer interview section, where designers describe their ideas, and a section providing basic information.

RESEARCH AND DEVELOPMENT

Taking Innovation to the Next Level through Close Teamwork with Production Facilities

The Oji Paper Group contributes to society through its innovative R&D activities, in which it explores new possibilities for paper and forest resources.

■ Research and Development Organization

Overall coordination of R&D activities is provided by the Research and Development Division. Specialist research units and factory-based R&D departments collaborate flexibly on developing new products and technologies and improving production efficiency. The core R&D unit is the R&D Laboratories Headquarters, which handles advanced research relating to products and manufacturing. It consists of four specialist laboratories, in addition to the Material Analysis Center, which analyzes products and other materials for the entire Oji Paper Group.

In addition to research relating to their specific fields, the individual laboratories also collaborate occasionally on projects aimed at accelerating the evolution of research results into marketable resources by creating 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 Technology Division also coordinates group-level efforts to find solutions to technical challenges facing individual group companies.

Activities in the increasingly important area of intellectual property rights are coordinated by the Intellectual Property Department. This unit is responsible for the acquisition, protection and utilization of patents and other rights on behalf of the entire Oji Paper Group.

■ R&D Laboratories Headquarters—Four Laboratories Specializing in Areas Ranging from Manufacturing and Products to Advanced Research

- 1. Pulp and Paper Research Laboratory**—This laboratory develops pulping and paper-making technologies, including waste paper recycling technology. It also develops new types of printing papers based on exclusive coating technologies, new functions for existing types of paper and environmental solutions.
- 2. Imaging Media Development Laboratory**—This laboratory develops various types of recording media, as well as the materials used to manufacture and process such media. It also develops processing technologies for use with film and other materials.
- 3. Technological Initiatives Research Laboratory**—The mission of this research unit is to strengthen infrastructure for existing business segments and create basic technologies for future activities. It is involved primarily in the development of materials, processes and measurement technology, as well as in biotechnology research.
- 4. Forestry Research Institute**—This institute specializes in research relating to the forest resources used to manufacture paper. Specific research areas include forest development, effective utilization of forest resources, and the improvement of tree species. To support the global expansion of the Oji Paper Group's forest-related activities, the Institute has established a research center in Australia. It also sends research personnel to study overseas forests and develop planting technologies suitable for local conditions.

Processing Technology for Waste Paper Pul—Pulp and Paper Research Laboratory

Pulp produced using a new de-inking technology introduced at the Nichinan Mill is whiter and contains less dust than pulp produced using earlier methods. Facilities based on this technology allow waste paper pulp to be used more efficiently to produce more products that are kinder to the environment. Other environment-focused research initiatives include the improvement of floatater efficiency to reduce energy consumption. Oji Paper is helping to build a better future for the paper manufacturing industry by contributing to the continuing advancement of paper manufacturing technology, including the development of better ways to recycle waste paper and conserve energy.

Development of Super-sensitive Thermal Paper for High-Speed Printers—Imaging Media Development Laboratory

Thermal paper labels are used to display information on many types of consumer products. Efforts to improve the efficiency of distribution operations in this area are reflected in demand for high-sensitivity thermal papers that can be used in printers faster than those currently on the market. Oji Paper has solved one of the basic technical challenges for thermal paper by using new technology to develop super-sensitive thermal paper suitable for high-speed printing. Technological advances like this further strengthen the credibility of Oji-branded thermal papers and help us provide timelier and more effective customer services.

Production of Bio-alcohol from Cellulose Raw Materials—The Technological Initiatives Research Laboratory

Oji Paper is investigating ways to use cellulose raw materials to produce bio-alcohol, which is expected to become an important future energy resource. We have developed technology for producing alcohol through the fermentation of sugar extracted from cellulose in waste paper unsuitable for paper manufacturing. Paper manufacturers use large quantities of cellulose resources, and this technology offers a way to turn unused or unusable resources into energy.

Technical Support for Tree Planting—Forestry Research Institute

The Oji Paper Group plans to increase its forest plantations to 300,000 hectares by fiscal 2010. The Forestry Research Institute actively provides technical support for the development of new plantations, especially in Laos. The plantation in Laos is one of Oji Paper's biggest at 50,000 hectares, of which 4,000 hectares had been completed by the end of fiscal 2006.

A key achievement for the Forestry Research Institute was the development of a method for mass propagation of eucalyptus globulus cuttings, which was previously impractical. This method is now improving productivity at a plantation in Albany, Australia, where clones have been planted over an area of 100 hectares. Tree planting not only contributes to the environment, but also lays the foundations for future paper manufacturing.

CULTURE AND SPORTS ACTIVITIES

Supporting Sports, Culture, Science and Technology as a Good Corporate Citizen

Through its business activities and products, and support for initiatives in sports, culture, science and technology, the Oji Paper Group contributes to the enrichment of regional communities and the wider society.



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 Championships and the Japan League Championships.

Amateur Baseball

Based in Kasugai City, Aichi Prefecture, Oji Paper's baseball team has been extremely successful in terms of both sporting achievements and community-building. In 2007, the team will celebrate its 50th anniversary.



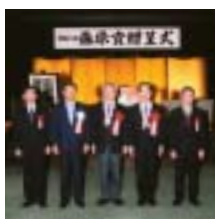
Photo: Fumiaki Fujimoto

Oji Hall

Oji Hall is located in Oji Paper's head office building in Tokyo's Ginza district. Oji Paper opened this full-scale concert facility in 1992 to contribute to musical culture. It has become extremely popular with music fans because of its excellent acoustical design and comfortable seating, as well as its exciting spring and fall programs. In August 2003, the stage in Oji Hall was refurbished to provide even better acoustics.

Fujihara Foundation of Science

After retiring from the presidency of Oji Paper in 1938, the late Ginjiro Fujihara dedicated himself to education. His achievements include establishing the Fujihara Institute of Technology, which later became the Faculty of Engineering of Keio University, and the creation of the Fujihara Foundation of Science with a personal endowment of ¥100 million in 1959. The Oji Paper Group continues to support the activities of the Fujihara Foundation of Science, primarily from a financial perspective. Each year, the Foundation presents the Fujihara Award to scientists who have made important contributions to the advancement of science and technology in Japan. Past recipients include Nobel laureate Professor Masatoshi Koshihara. In 2007, the 48th Fujihara Award was presented to Sumio Iijima of the National Institute of Advanced Industrial Science and Technology and to Yasuhiko Arakawa of The University of Tokyo.



The 48th Fujihara Awards winners (2007)

Dr. Sumio Iijima
Director of Research Center for Advanced Carbon Materials, Advanced Industrial Science and Technology

Dr. Yasuhiko Arakawa
Director of Institute for Nano Quantum Information Electronics, The University of Tokyo

Using Forests to Promote Public Understanding of the Oji Paper Group

With forest holdings covering an area of 190,000 hectares throughout Japan, the Oji Paper Group is Japan's biggest private owner of forests. In recent years, we have developed the Oji Forest Nature School program to provide experience and learning opportunities for children who would otherwise have little first-hand contact with the natural world.



Oji Forests

The Oji Forests cover a total area of 190,000 hectares in various parts in Japan. Although we now obtain most raw materials through overseas forestry projects and imports, we continue to protect our vast forest resources in Japan. This stance is based primarily on the environmental importance of forests, including their role in the development of water resources and preventing erosion.

We established the "Oji Forests" program to support the use of our forests for research and education. The program began by providing public access to a forest owned by Oji Paper at Kuriyama-cho, Hokkaido. Subsequently a part of our forest at Sarufutsu-mura, Hokkaido, was also opened to the public, providing visitors with opportunities to experience and learn about nature.

Oji Forest Nature School Environmental Education Program

This annual program was created to use the Oji Paper Group's precious forest resources to teach children about the relationships between people, forests and paper through first-hand experiences. It is jointly organized every summer by Oji Paper and the Japan Environmental Education Forum, with support from various government agencies, including the Ministry of the Environment, the Ministry of Education, Sports, Science and Technology and the Forestry Agency. The 2006 program, the third in the series, was held at Nishitanzawa in Kanagawa Prefecture, and at Hiroshima, between August 1 and 3.

Mori no Uta (Song of the Forest)

In October 2004, the Oji Paper Group established the non-profit organization *Mori no Uta* (Song of the Forest) in partnership with people who have an interest in and knowledge of the natural environment and interpersonal communication. The organization runs forest therapy* programs in the Miho Forest, an Oji Paper forest covering an area of 735.41 hectares in Yamakitamachi, Kanagawa Prefecture. In October 2006, it conducted a forest relaxation study. *Mori no Uta* will continue to promote public participation in its programs. In addition to forest management activities, such as thinning, that help to conserve the forest, it also plans to produce wooden products using timber obtained through these activities.

* An occupational therapy method used to relieve psychological problems caused by the pressures of society.

MAJOR MILLS IN JAPAN

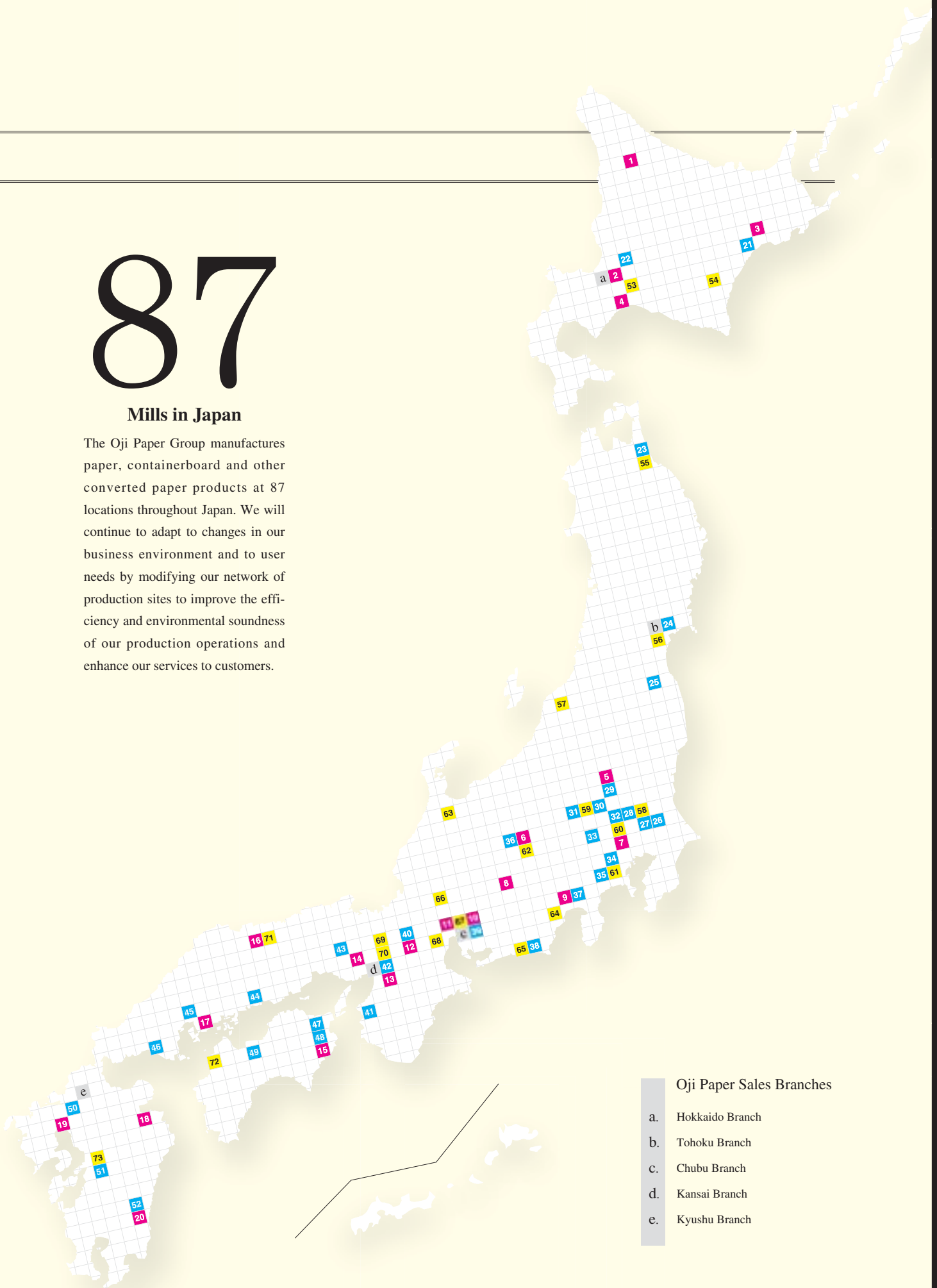
Paper and converted paper products are essential to the functioning of society. To ensure that these products can be supplied reliably and promptly, the Oji Paper Group operates 87 production sites in Japan.

Pulp and Paper Mills 29 Sites	Oji Chiyoda Container Group	Converted Paper Products Mills 58 Sites
1. Oji Paper/Oji Specialty Paper/ Oji Paperboard/Oji Nepia/ Mori Shigyo Group	46. Oji Chiyoda Container, Hofu Mill	47. Oji Chiyoda Container, Tokushima Mill
2. Oji Paperboard, Nayoro Mill	21. Oji Chiyoda Container, Kushiro Mill	48. Nihon Seikahoso, Main Mill
3. Oji Specialty Paper, Ebetsu Mill	22. Oji Chiyoda Container, Sapporo Mill	49. Oji Chiyoda Container, Ehime Mill
3. Oji Paper, Kushiro Mill	23. Oji Chiyoda Container, Aomori Mill	50. Oji Chiyoda Container, Kyushu Kita Mill
Oji Paperboard, Kushiro Mill	24. Oji Chiyoda Container, Sendai Mill	51. Oji Chiyoda Container, Kumamoto Mill
4. Oji Paper, Tomakomai Mill	25. Oji Chiyoda Container, Fukushima Mill	52. Kyodo Shiko, Main Mill
Oji Nepia, Tomakomai Mill	26. Oji Chiyoda Container, Kasumigaura Mill	Mori Shigyo Group
5. Oji Paperboard, Nikko Mill	27. Oji Chiyoda Container, Tsukuba Mill	53. Hokkaido Mori Shigyo, Sapporo Mill
6. Oji Paperboard, Matsumoto Mill	28. Oji Chiyoda Container, Ibaraki Mill	54. Hokkaido Mori Shigyo, Obihiro Mill
7. Oji Paperboard, Edogawa Mill	29. Oji Chiyoda Container, Utsunomiya Mill	55. Tohoku Mori Shigyo, Hachinohe Mill
8. Oji Paperboard, Nakatsugawa Mill	30. Oji Chiyoda Container, Gunma Mill	56. Sendai Mori Shigyo, Shibata Mill
Oji Paperboard, Ena Mill	31. Oji Chiyoda Container, Takasaki Mill	57. Niigata Mori Shigyo, Niigata Mill
Oi Paper, Ena Mill	32. Oji Chiyoda Container, Saitama Mill	58. Hitachi Mori Shigyo, Ibaraki Mill
Oji Specialty Paper, Nakatsu Mill	33. Musashi Oji Container, Musashi Mill	59. Gunma Mori Shigyo, Ojima Mill
9. Oji Paper, Fuji Mill	34. Oji Chiyoda Container, Tokyo Mill	60. Mori Kamihanbai Tokyo Shiki Mill
Oji Paperboard, Fuji Mill	35. Oji Chiyoda Container, Kanagawa Mill	61. Mori Shigyo, Yokohama Mill
Oji Specialty Paper, Tokai Mill	36. Oji Chiyoda Container, Nagano Mill	62. Nagano Mori Shigyo, Shiojiri Mill
10. Oji Paper, Kasugai Mill	37. Shizuoka Oji Container, Tobu Mill	63. Hokuriku Mori Shigyo, Oyabe Mill
Oji Nepia, Nagoya Mill	38. Shizuoka Oji Container, Main Mill	64. Shizuoka Mori Shigyo, Yaitsu Mill
11. Oji Paperboard, Sobue Mill	39. Oji Chiyoda Container, Koda Mill	65. Shizuoka Mori Shigyo, Hamamatsu Mill
12. Oji Specialty Paper, Shiga Mill	Oji Chiyoda Container, Nagoya Mill	66. Tokai Mori Shigyo, Gifu Mill
13. Oji Paperboard, Osaka Mill	40. Oji Chiyoda Container, Shiga Mill	67. Mori Kamihanbai, Nagoya Branch
14. Oji Paper, Kanzaki Mill	41. Nishikoh Danboul, Main Mill	68. Mori Shigyo, Yokkaichi Mill
15. Oji Paper, Tomioka Mill	42. Oji Chiyoda Container, Takatsuki Mill	69. Mori Shigyo, Wrapping Paper Mill
Oji Nepia, Tokushima Mill	Oji Interpack, Kansai Mill	Mori Kamihanbai, Kyoto Branch
16. Oji Paper, Yonago Mill	Oji Chiyoda Container, Osaka Mill	70. Mori Shigyo, Hirakata Mill
17. Oji Paper, Kure Mill	43. Oji Chiyoda Container, Takino Mill	71. Torika Hoso Shizai
18. Oji Paperboard, Oita Mill	Oji Chiyoda Container, Hyogo Mill	72. Shikoku Mori Shigyo, Iyo Mill
19. Oji Paperboard, Saga Mill	44. Oji Chiyoda Container, Mihara Mill	73. Kyushu Mori Shigyo, Kumamoto Mill
20. Oji Paper, Nichinan Mill	45. Oji Chiyoda Container, Hiroshima Mill	

87

Mills in Japan

The Oji Paper Group manufactures paper, containerboard and other converted paper products at 87 locations throughout Japan. We will continue to adapt to changes in our business environment and to user needs by modifying our network of production sites to improve the efficiency and environmental soundness of our production operations and enhance our services to customers.

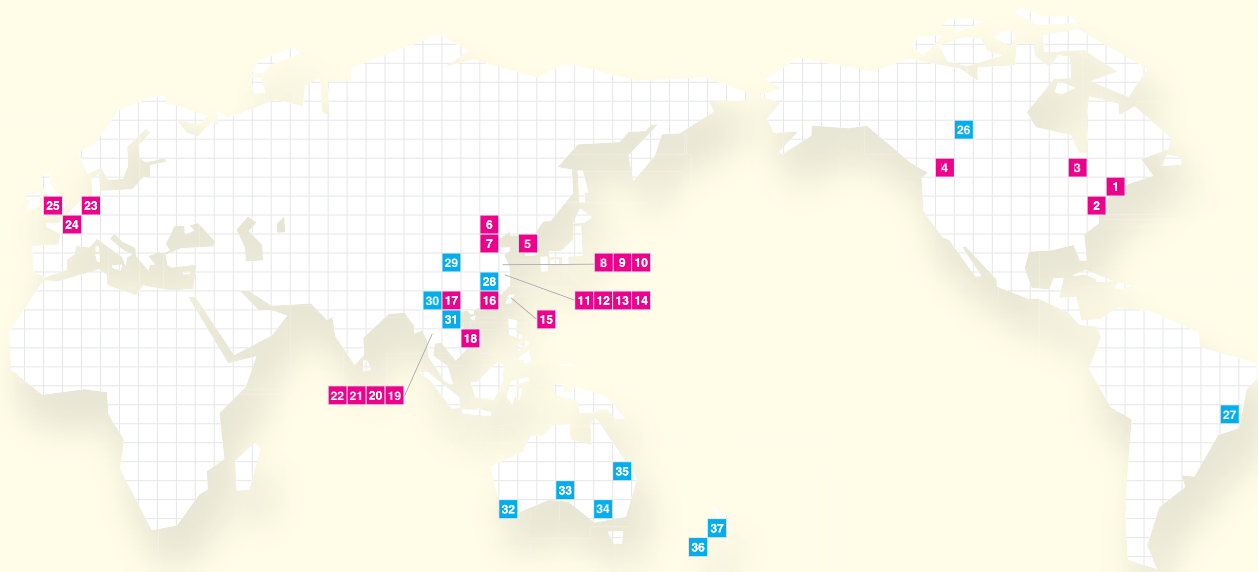


- Oji Paper Sales Branches
- a. Hokkaido Branch
 - b. Tohoku Branch
 - c. Chubu Branch
 - d. Kansai Branch
 - e. Kyushu Branch

GLOBAL NETWORK

Global Operations in Forestry, Pulp and Paper Manufacturing, and Converted Paper Products

For decades, the Oji Paper Group has maintained strong relations with many overseas regions through its operations in forestry and the manufacture and sales of pulp and paper.



Manufacturing of Paper, Converted Paper and Other Products

- 1. KSP
- 2. Yupo Corporation, America
- 3. Oji Intertech Inc.
- 4. HSLP
- 5. Oji Interpack Korea
- 6. Dalian Mori Mitsui Packaging
- 7. Qingdao Oji Packaging
- 8. Kunshan Chiyoda Filter
- 9. Oji Paper Nepia (Suzhou)
- 10. Suzhou Oji Packaging
- 11. Oji Specialty Paper (Shanghai)
- 12. Shanghai Eastern Oji Packaging
- 13. Oji Packaging (Shanghai)
- 14. Oji Kinocloth (Shanghai)
- 15. Cheng Yuang Paper Business
- 16. KS-Systems (HK)
- 17. Ojitex Haiphong
- 18. Ojitex (Vietnam)
- 19. OPT

- 20. OLT
- 21. Piraab Starch
- 22. Union and Oji Interpack
- 23. Kanzan
- 24. IIS
- 25. Oji Intertech Ltd.

Tree Plantation and Pulp Manufacturing

- 26. AFPI
- 27. CENIBRA
- 28. KPFL
- 29. CPFL
- 30. LPFL
- 31. QPFL
- 32. APFL
- 33. GPFL
- 34. EPFL
- 35. BPFL
- 36. SPFL
- 37. Pan Pac

Expanding the Scope and Scale of Our International Activities

The overseas activities of the Oji Paper Group began in the 1970s with the establishment of a pulp production operation in Brazil. Since the 1980s, we have continually expanded our overseas operations, including the establishment of a newsprint and pulp manufacturing business in Canada, and a thermal paper business in Germany in the 1990s. Today, the Oji Paper Group has business and forestry operations in East Asia, including China, as well as Australia, New Zealand, North and South America and Europe.

CONSOLIDATED SUBSIDIARIES

Wide Range of Activities

The Oji Paper Group consists of over 300 subsidiaries and affiliates. Listed below are 82 Oji Group companies selected for their noteworthy contributions to group activities and business performance.

(As of March 31, 2007)

■ Pulp and Paper Business

Oji Specialty Paper Co., Ltd.
Oji Trading Co., Ltd.
Pan Pac Forest Products Ltd.
Oji Paper (Nantong) Co., Ltd.
Oji Paper (Thailand) Ltd.
Oji Paper Canada Ltd.

■ Pulp and Paper Products and Other Business

Oji Saito Shigyo Paper Corp.
Kyokushin Shigyo Co., Ltd.
Oji Recovered Paper and Market Pulp Co., Ltd.

■ Converted Paper Products Business

Oji Tac Co., Ltd.
KS Systems Inc.
Oji Seitai Kaisha Ltd.
Oji Kinocloth Co., Ltd.
Oji Interpack Co., Ltd.
Apica Co., Ltd.
Honshu Rheem Co., Ltd.
Shin Nippon Core Co., Ltd.
Toyo Pack Co., Ltd.
Chuetsu Co., Ltd.
Hokuyo Shiko Co., Ltd.
Shinomura Chemical Industry Co., Ltd.
Saga Paperboard Co., Ltd.
Kanzaki Specialty Papers Inc.
Kanzan Spezialpapiere GmbH
ILFORD Imaging Switzerland GmbH
Oji ILFORD USA Inc.

■ Sanitary Paper Products Business

Oji Nepia Co., Ltd.
Nepia Trading Co., Ltd.
Nepia Tender Co., Ltd.

■ Containerboard and Converted Products Business

Oji Paperboard Co., Ltd.
Oji Chiyoda Container Co., Ltd.
Oji Packaging Co., Ltd.
Shizuoka Oji Container Co., Ltd.
Kyodo Shiko Co., Ltd.
Musashi Oji Container Co., Ltd.
Mori Shigyo Co., Ltd.
Mori Kamihanbai Co., Ltd.
Oji Packaging Seibu Co., Ltd.
Nihon Seikahoso Co., Ltd.
Kyushu Packaging Co., Ltd.
Nishikoh Danboul Co., Ltd.
Sendai Mori Shigyo Co., Ltd.
Torika Hoso Shizai Co., Ltd.
Shizuoka Mori Shigyo Co., Ltd.
Hokkaido Mori Shigyo Co., Ltd.
Tokai Mori Shigyo Co., Ltd.
Hokuriku Mori Shigyo Co., Ltd.
Niigata Mori Shigyo Co., Ltd.
Nagano Mori Shigyo Co., Ltd.
Shikoku Mori Shigyo Co., Ltd.
Hitachi Mori Shigyo Co., Ltd.
Kyushu Mori Shigyo Co., Ltd.
Gunma Mori Shigyo Co., Ltd.
Oi Paper Co., Ltd.

■ Wood and Tree Planting Business

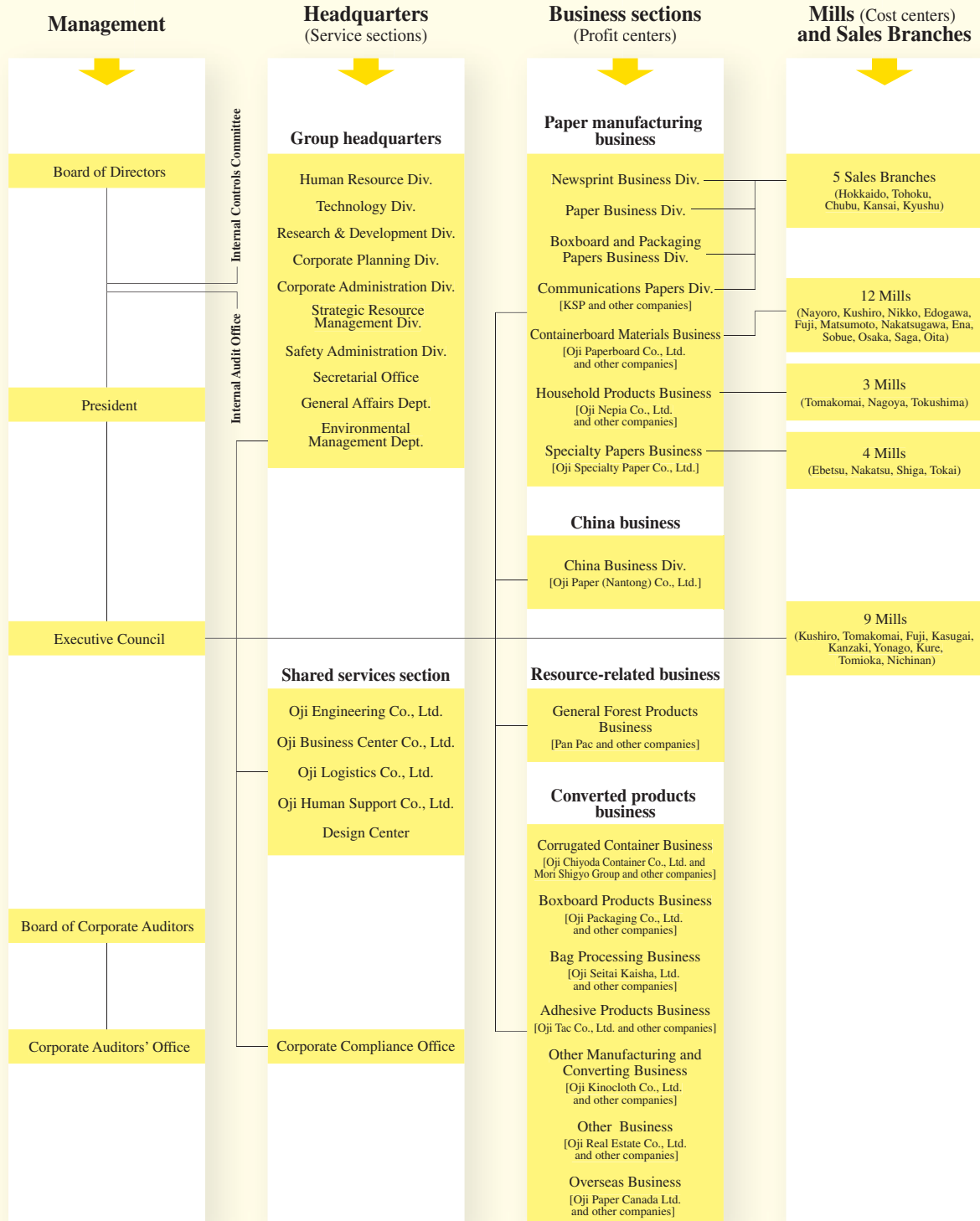
Oji Forest & Products Co., Ltd.
Kashima Mokuzai Sangyo Co., Ltd.

■ Other Business

Oji Logistics Co., Ltd.
Oji Cornstarch Co., Ltd.
Oji Engineering Co., Ltd.
Oji Real Estate Co., Ltd.
Hotel New Oji Corp.
Oji Futo Co., Ltd.
Kyoto Mori Shigyo Co., Ltd.
Kure Oji Shigyo Co., Ltd.
Oji Koei Chubu Co., Ltd.
Oji Business Center Co., Ltd.
Oji Shigyo Co., Ltd.
Yonago Oji Shigyo Co., Ltd.
Tomioka Oji F&L Co., Ltd.
Tomakomai Kyowa Service Co., Ltd.
Oji Scientific Instruments Co., Ltd.
Ebetsu Oji Shigyo Co., Ltd.
Nichinan Oji Shigyo Co., Ltd.
Oji Kaiun Corp.
Oji Salmon Co., Ltd.
Kyodo Hinode Sangyo Co., Ltd.
Tomakomai Oji Shigyo Co., Ltd.
Oji Hall Co., Ltd.
Kanzaki Oji Shigyo Co., Ltd.
Nichinan Oji Service Co., Ltd.
Oji Paper Insurance Service Co., Ltd.
Oji Paper USA Inc.

GROUP MANAGEMENT STRUCTURE

(As of June 28, 2007)



CORPORATE DATA

Company Name

Oji Paper Co., Ltd.

Headquarters

7-5, Ginza 4-chome, Chuo-ku, Tokyo 104-0061, Japan

Phone: +81-3-3563-1111

Fax: +81-3-3563-1135

Founded

February 12, 1873

Established

August 1, 1949

Paid-in Capital

¥103,880 million (March 31, 2007)

Number of Employees

19,560 (March 31, 2007, consolidated)

Major Business Lines

- Production and sales of pulp, paper and paperboard such as newsprint, printing and writing papers, specialty papers, containerboard and boxboard.
- Production and sales of converted products such as corrugated containers, thermal papers and household products.
- Production and sales of chemicals for paper manufacturing and packaging machinery.
- Afforestation in Japan and overseas and management of company-owned forests.
- Leasing of company land and property and other businesses.



Oji Paper Co.,Ltd.

7-5, Ginza 4-chome, Chuo-ku, Tokyo 104-0061, Japan

Phone: +81-3-3563-1111

Fax: +81-3-3563-1135

URL: <http://www.ojipaper.co.jp/>

e-mail: info@ojipaper.co.jp

