

To Our Stakeholders

Oji Paper in Perspective, 2008

Year ended March 31, 2008





OJI PAPER

C o n t e n t s

Message	To Our Stakeholders	2
	Message from the President	4
	The Oji Paper Group Corporate Code of Conduct	18
	Environmental Management	19
	Corporate Governance	20
	Directors, Auditors and Officers	22
Key Financial Indicators	Consolidated Financial Highlights	24
	Financial Review	25
	Operating Overview by Business Segment	28
	Consolidated Balance Sheets	31
	Consolidated Statements of Income	32
	Consolidated Statements of Changes in Net Assets	33
	Consolidated Statements of Cash Flows	34
Corporate Overview	History of Oji Paper and Market Environment in the Paper Manufacturing Industry	36
	Oji Paper Group at a Glance	38
	Business Outline	40
	Consolidated Subsidiaries	49
	Research and Development Activities	50
	Culture and Sports Activities	52
	Communicating with Society	53
	Major Mills in Japan	54
	Global Network	56
	Group Management Structure	57
	Investor Information	58
	Corporate Data	59

Note: Unless otherwise indicated, in this annual report, "fiscal 2007" refers to Oji Paper's fiscal year ended March 31, 2008. Other fiscal years are referred to in a corresponding manner.

The Oji Paper Group began operations as Japan’s first industrial-scale paper manufacturer. The founder of Oji Paper, Eiichi Shibusawa, condensed his philosophy into the words “analects” and “abacus,” which expressed the need to combine 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. Accordingly, our corporate philosophy calls for “Contribution to the Environment and Culture,” “Innovation and Speed,” and “Global Reputation for Dependability.”

Contribution to the Environment and Culture

Paper is used in a vast span of activities, from reading and writing to wrapping and cleaning. Since the Company’s foundation in 1873, more than 130 years ago, we have worked to contribute to culture through the provision of a stable supply of paper. At the same time, we endeavor to be a company that actively contributes to environmental conservation and a recycling-oriented society through progress in forest recycling and paper recycling.

Innovation and Speed

To continue to develop as a company and to maintain our position of leadership in a rapidly evolving management environment, we must implement rapid management decision-making. Even as we sustain good traditions, we will boldly take on new challenges. Oji Paper will maintain this approach as we strive to continue to record strong growth in the 21st century.

Global Reputation for Dependability

Oji Paper’s business activities cover a wide range of areas, such as tree plantations, resource procurement, production, and sales, and these activities extend around the globe. Through diverse operations centered on paper manufacturing, we will continue doing our utmost to earn the regard of shareholders, customers, consumers, business partners, local communities, and employees, and to strive to always be a company that is trusted.



To Our Stakeholders

We take an active approach to compliance and the environment through the maintenance of awareness of corporate citizenship as well as high ethical standards that earn the trust of society.

We would like to thank our stakeholders for their support and understanding.

In the year under review, due to issues regarding excessive smoke emissions and the mislabeling of recycled paper, we caused trouble for all of our stakeholders, including local communities, consumers, customers, and for society. On behalf of everyone at the Oji Paper Group, we offer our deepest apologies. The Oji Paper Group is taking this issue very seriously, and we have rigorously investigated the causes and committed ourselves to the appropriate measures. In the future, to prevent this type of incident from ever occurring again, we will do our utmost to regain the trust of society.

Since the Company's foundation in 1873, more than 130 years ago, we have worked to provide a stable supply of the paper that is indispensable for society and daily life, and we have implemented management reforms and undertaken technical development to meet the needs of each age. In these ways, we have prepared the foundation for ongoing development. In addition, with the mission of contributing to a more comfortable future through our business operations, we have worked to establish a recycling-oriented business model that is based on consideration for the environment and society. In the future, together with all of the Group's employees, we will reconfirm our purpose and do our utmost to contribute to the further development of society and the progress of the paper industry.

Currently, the paper manufacturing industry's operating environment is marked by major, ongoing structural changes due to such factors as rising crude oil prices, uncertainty about the future course of global economic conditions, and the intensification of competition among companies on a global scale. In this setting, aiming for sustained growth as a global pulp and paper company, we will work to pursue efficiency in domestic business by bolstering our platform for stable revenue and profit, centered on increased efficiency in production systems and strengthened product competitiveness. Meanwhile, in expanding overseas business, we will focus on establishing a full-fledged production and sales system in East Asia and on bolstering our ability to secure resources through our resource strategy. These are our basic management policies. The foundation of these policies is our attitude in conducting business, where we take an active approach to compliance and the environment through the maintenance of awareness of corporate citizenship as well as high ethical standards that earn the trust of society. We would like to ask our stakeholders for continued support.

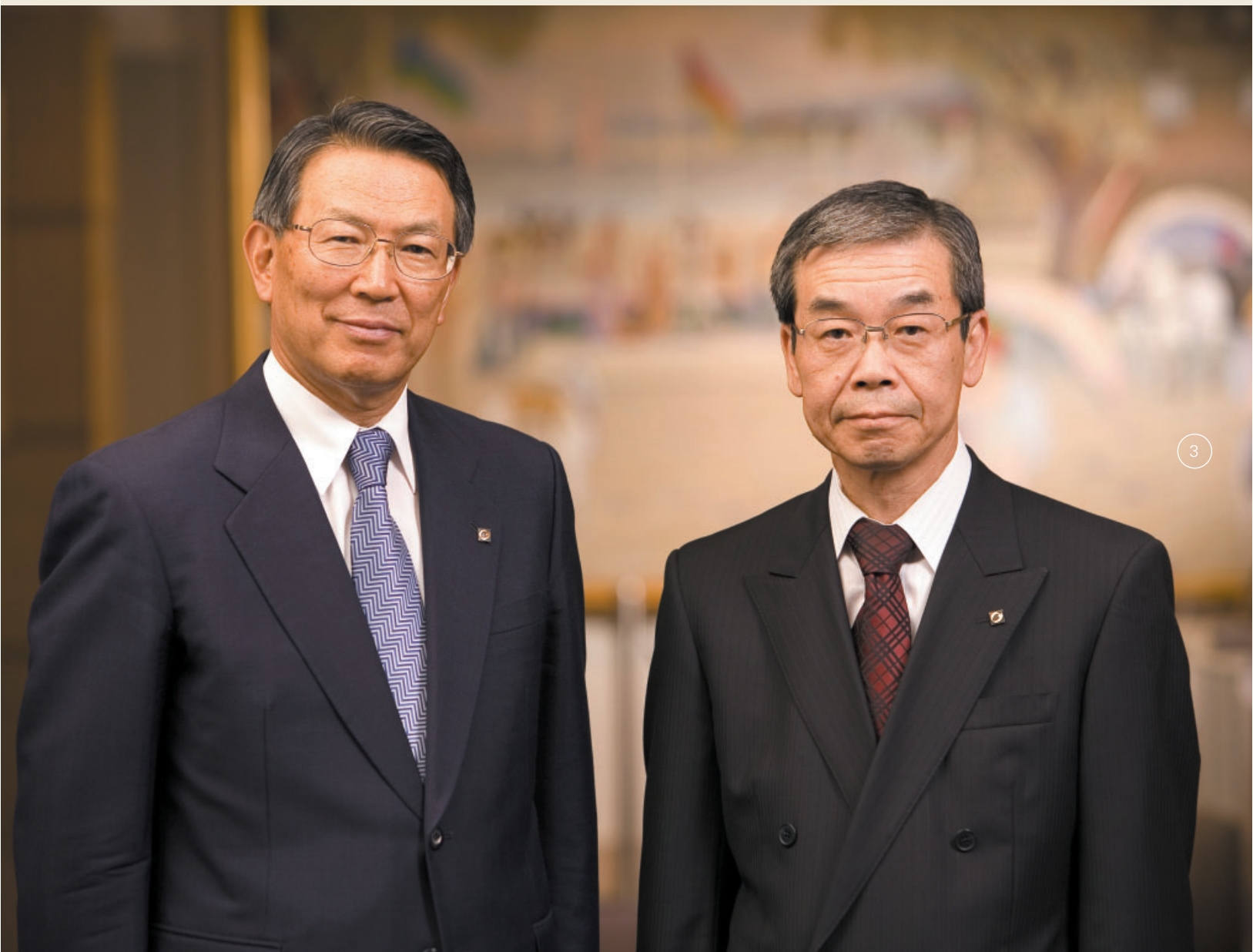
July 2008



Shoichiro Suzuki, Chairman



Kazuhisa Shinoda, President and CEO



Shoichiro Suzuki
Chairman

Kazuhisa Shinoda
President and CEO

Message from the President

By resolutely taking on management challenges, we will further improve our results and maximize enterprise value, thereby meeting the expectations of our stakeholders.



→ 1	Introduction We will continue working to enhance the explanations provided to stakeholders.	P.6
	Management Policies and Vision We will strive to grow from number one in Japan to number one in Asia.	P.6
	Overview of Fiscal 2007 Results With greater than expected changes in the profit environment, initial targets were not achieved.	P.7
→ 2	Market Trends and Awareness of Management Environment Although the domestic market is mature, substantial growth can be expected in overseas markets, especially in Asia.	P.8
	Challenges that Need to be Addressed We will accurately address major changes in the operating environment—specifically, the maturing domestic market and rising raw material and fuel prices.	P.9
→ 3	Management Plan With a focus on both “pursuing efficiency in domestic business” and “expanding overseas business,” we will work to achieve ordinary profit of ¥100 billion as rapidly as possible.	P.10
→ 4	Growth Strategies We will steadily advance the Nantong project in China and establish a position as number one in Asia.	P.12
	Strategic Resource Management By bolstering the domestic collection of recovered paper and advancing overseas tree planting, we will stabilize raw material procurement.	P.13
→ 5	Corporate Governance and Compliance We will treasure our original traditions and culture and our ways of thinking.	P.14
	Shareholder Return Policy We will strive to meet the expectations of our shareholders, and, as far as possible, we will continue the payment of stable dividends.	P.15
→ 6	Outlook for Fiscal 2008 Through rigorous cost reductions, we will strive for the first increase in both revenues and profits in four years.	P.16
	To Our Stakeholders We will steadily implement our management plan and strive to create visible results.	P.17

Introduction / Management Policies and Vision / Overview of Fiscal 2007 Results

Introduction

We will continue working to enhance the explanations provided to stakeholders.

It has been two years since I became president. Externally, the operating environment has changed dramatically over that period. These changes have affected not just paper companies but all of Japan's industries and companies, increasing the need for strong leadership. We have also faced internal challenges. Regrettably, we have been involved in incidents where we failed to meet the expectations of society, such as excessive smoke emissions, discovered in July 2007, and mislabeling of recycled paper, discovered in January 2008. As the Company's leader, I would again like to offer our deepest apologies. On behalf of everyone at Oji Paper, I pledge that we will do our utmost to reflect on these incidents and to ensure that all directors

and employees have a reinforced commitment to ethical behavior, a strong awareness of the overriding importance of meeting our social obligations, and a commitment to the rigorous implementation of compliance.

Moving forward, we will endeavor to further enhance our results, maximize our enterprise value, and meet the expectations of our stakeholders by resolutely taking on these internal and external management issues. In this section of the report, I will discuss issues in more detail than in the report that was issued last year in order to facilitate a better understanding of our current state, future direction, and management approach.

Management Policies and Vision

We will strive to grow from number one in Japan to number one in Asia.

Over a history spanning more than 130 years, the Oji Paper Group has grown into Japan's leading paper manufacturing group and has contributed to the development of the domestic paper industry. We have developed new products in line with the needs of the age, aggressively taken on the challenges of recovered paper technologies targeting the effective utilization of resources, and worked to raise forest resource usage technologies to a higher level. Over this period, we have continually occupied a leading position in the domestic industry.

However, with the markets and the competitive environment affected by globalization, we have to consider what our position as a leading domestic company will actually mean in the years ahead. Looking at the global pulp and paper industry, there are still companies that outmatch Oji both qualitatively and quantitatively. In that sense, a true leader must be a global company that is number one in terms of both qualitative and quantitative parameters. Over the

long term, Oji Paper will strive to be a global company, a true leader. To do that, we must shift our position from number one in Japan to number one in Asia. Accordingly, we have focused all of our resources on building a business platform that can support broad, active operations in the Asian region.



Overview of Fiscal 2007 Results

With greater than expected changes in the profit environment, initial targets were not achieved.

Here, I will provide an overview of our results in fiscal 2007 (the fiscal year ended March 2008). We recorded higher sales but lower profits. Net sales were up 4.2% year on year, to ¥1,318.4 billion, but operating profit declined 33.3%, to ¥42.1 billion, ordinary profit was down 40.6%, to ¥38.1 billion, and net income decreased 31.4%, to ¥11.8 billion. In comparison with our initial plans, we regrettably failed to meet our targets for profits.

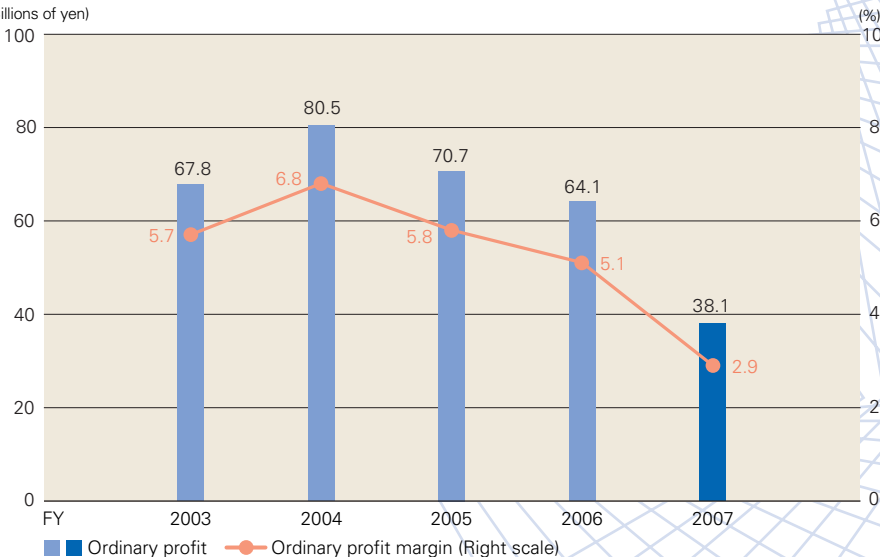
Looking back over the past year, the pulp and paper industry faced increases in fuel and raw material costs that exceeded forecasts. In addition to rising fuel prices, the price of recovered paper increased against a background of expanding demand in China, and wood chip prices rose in the midst of a tight demand-supply situation globally. As a result, the assumptions on which our plan was based changed. In this situation, we worked to transfer the rise in fuel and raw material prices onto product prices while reducing the use of heavy fuel oil with the introduction of new-energy boilers and increasing production efficiency. In these ways, we aggressively implemented wide ranging cost reduction initiatives. Nonetheless, we were unable to sufficiently

offset the changes in the operating environment, and we were not satisfied with the results.

Looking at the factors that influenced consolidated ordinary profit, negative factors totaled ¥80.9 billion, including higher costs accompanying the rise in fuel and raw material prices, which amounted to ¥58.3 billion. On the other hand, plus factors totaled ¥54.9 billion, of which product price increases amounted to ¥41.0 billion and cost reductions were ¥12.3 billion. As a result, ordinary profit declined ¥26.0 billion. Rising fuel and raw material prices put pressure on profits, and accordingly we implemented countermeasures. In addition to internal measures, such as rigorous cost reductions, we had to ask users to accept product price increases. However, some time is required between the rise in raw material and fuel prices and the revision of product prices, and we were not able to completely transfer the increased costs. In the future, with a focus on trends in fuel and raw material prices and markets, we will work to obtain the understanding of users with appropriate explanations and to implement certain yet flexible price transfers of challenging cost increases.

■ Ordinary Profit and Ordinary Profit Margin

(Billions of yen)



Market Trends and Awareness of Management Environment / Challenges that Need to be Addressed

Market Trends and Awareness of Management Environment

Although the domestic market is mature, substantial growth can be expected in overseas markets, especially in Asia.

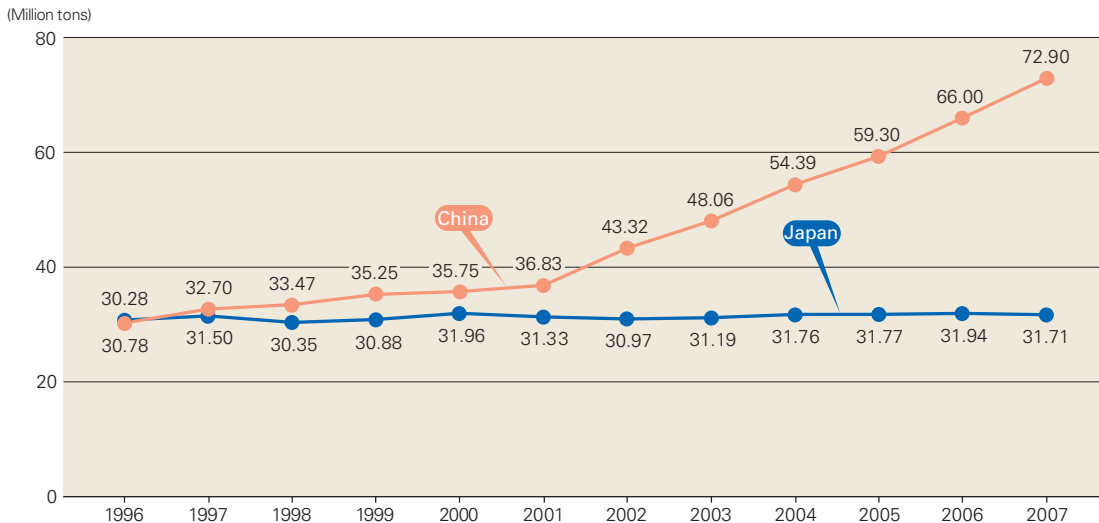
Demand for paper and paperboard in Japan, the third largest market in the world after the U.S. and China, has been sluggish since it peaked in 2000 at about 32 million tons. There is no expectation of a substantial recovery in the years ahead. Even looking over the medium-to-long term, domestic demand is expected to gradually decline. The population is declining accompanying the trends toward fewer children per family and an aging population. In addition, other background factors include companies making greater use of IT, environmental countermeasures, and a trend toward lighter products.

On the other hand, economies in Asia continue to grow, and demand for paper and paperboard in China and Southeast Asia is expected to record sustained expansion. In particular, consumption of paper and paperboard in China has been growing in recent years, and within a few years total consumption could surpass 90 million tons/yr, pushing China past the U.S. market and into the number one position worldwide. And then, by around 2015, demand is expected to

expand further, to about 130 million tons/yr. In the same way, in Southeast Asia, demand is expected to increase from the current level of nearly 20 million tons/yr to about 30 million to 40 million tons/yr by 2015.

In regard to the management environment in the paper manufacturing industry, as mentioned above, raw material and fuel prices have continued to rise at a pace that was unforeseeable based on previous experience. These soaring prices have become a factor placing substantial pressure on the profits of paper-making companies. Furthermore, this rise in raw material and fuel prices is not a temporary phenomenon. It is difficult to envision a scenario in which prices return to previous levels. In particular, the price of crude oil is showing signs of being heavily influenced by speculative behavior and it is difficult to see a future in which the market stabilizes. Accordingly, based on the recognition that there has been a change in the preconditions of corporate activities and behaviors, it is necessary to consider the future direction of management.

■ Paper and Paperboard Consumption in China



Challenges that Need to be Addressed

We will accurately address major changes in the operating environment—specifically, the maturing domestic market and rising raw material and fuel prices.

As explained in “market trends and awareness of management environment,” we face an operating environment marked by two major changes, specifically, a maturing domestic market and rising raw material and fuel prices.

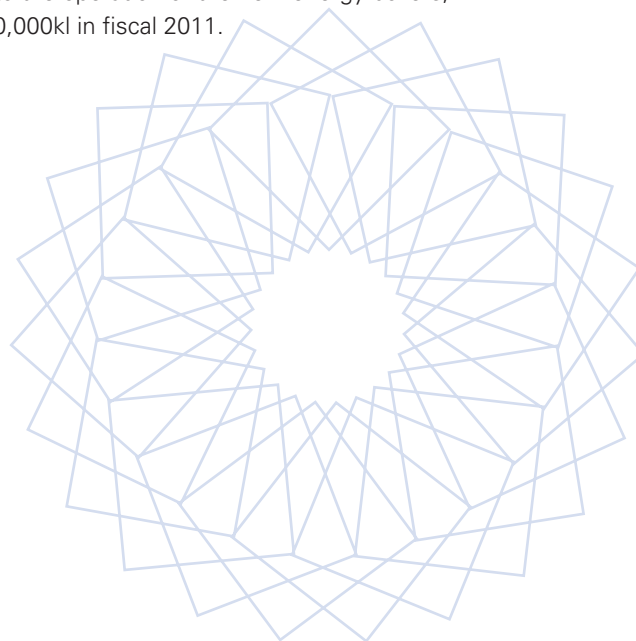
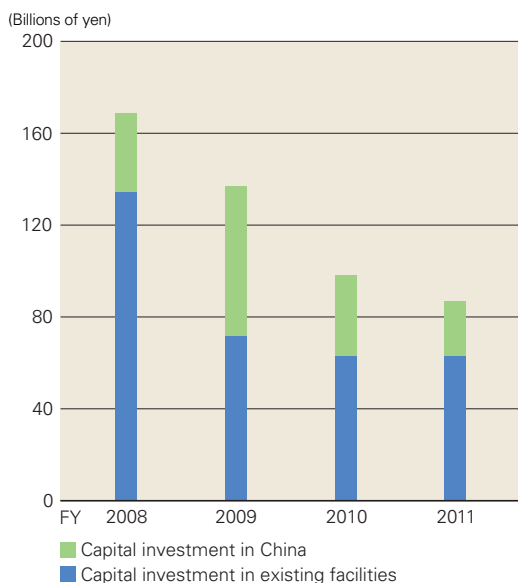
Dealing with these changes is an important management challenge. Accordingly, in response to the maturing domestic market, we will implement two initiatives—strengthening the domestic foundation through enhanced cost competitiveness and expanding overseas operations. Also, in regard to rising raw material and fuel prices, our major initiatives are to adjust product prices through price increases, and to advance our resource strategy to secure lower priced resources.

Our approach to expanding overseas operations and advancing our resource strategy will be explained in more detail in a later section. Here I would like to introduce our specific initiatives in regard to the strengthening of our domestic profit foundation. Major projects currently under way include the scrap-and-build project for the paper machine at the Tomioka Mill (Tokushima Prefecture), for which the total investment is

¥50 billion. We plan to start operation of a leading-edge, large-scale paper machine, with an annual production capacity of about 350,000 tons, at the end of 2008, accompanied by the shut down of six existing paper machines (total annual production capacity of 300,000 tons). As a result, the Tomioka Mill will benefit from structural cost reductions and become one of Japan’s most cost competitive mills for the production of coated paper.

Furthermore, through the installation of new-energy boilers and a shift in energy sources, such as to gas, we are aiming to reduce the use of heavy oil and steadily reduce the degree to which our operations are influenced by changes in crude oil prices. The installation of new-energy boilers has been underway in stages since 2004, and we plan to put them into operation in November 2008 at the Tomioka Mill and in April 2011 at the Tomakomai Mill (Hokkaido Prefecture). As a result, a substantial decline is expected in the Group’s use of heavy oil, which will decline from 1.1 million kl in fiscal 2003, prior to the operation of the new-energy boilers, to 400,000kl in fiscal 2011.

■ Capital Investment (Plan)



Management Plan

Management Plan

With a focus on both “pursuing efficiency in domestic business” and “expanding overseas business,” we will work to achieve ordinary profit of ¥100 billion as rapidly as possible.

In April 2007, we started a new medium-term management plan covering the next four years, and at the same time we formulated the following management objectives.

In addition, based on these objectives, the

targets for fiscal 2010 were established as outlined below. Subsequently, in accordance with the changes in the operating environment, we reevaluated them and extended them for a year, reestablishing numerical objectives for fiscal 2011.

Management Objectives

Ordinary profit	More than ¥100.0 billion
ROE (%)	More than 7.0%
D/E ratio (times)	Less than 1.5
Net sales–ordinary profit ratio (%)	More than 5.0% (all business segments)

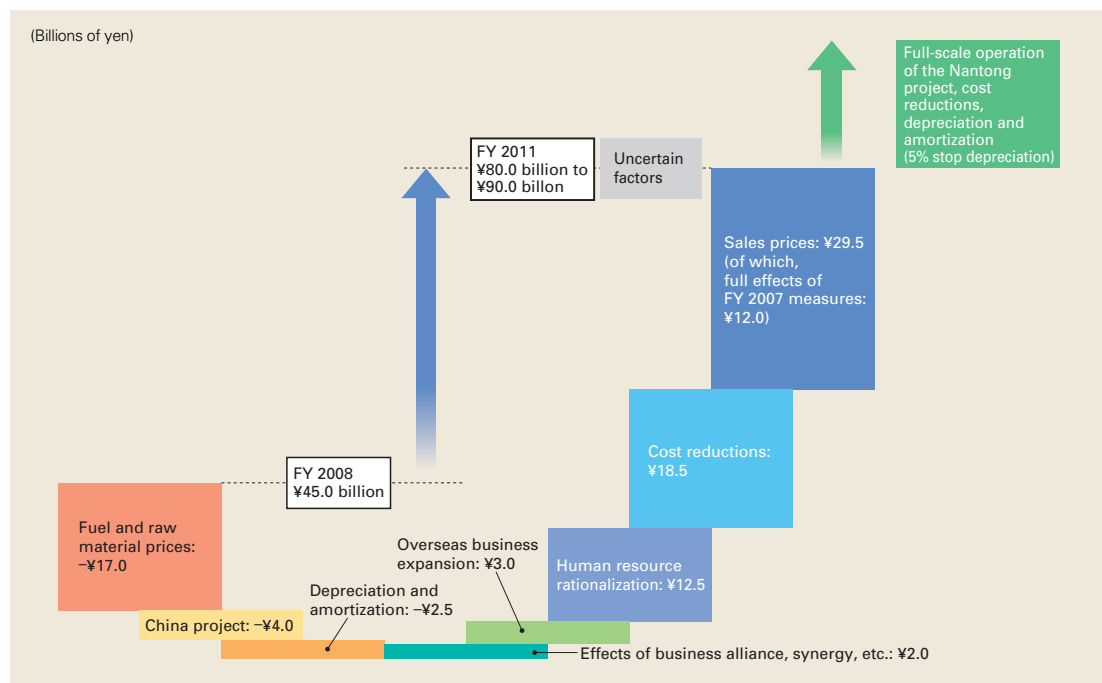
Assumptions

	FY 2008	after FY 2009
Exchange rate (¥ / \$)	102	100
Dubai crude (\$ / bl)	100	110
Wastepaper (¥ / kg)	Current level	+¥1

Current Forecasts

	FY 2008	FY 2011
Ordinary profit	¥45.0 billion	¥80.0 billion to ¥90.0 billion
ROE (%)	4.8%	7.4 – 8.1%
D/E ratio (times)	1.8	1.4
Net sales–ordinary profit ratio (%)	3.2%	5.5 – 6.2%

Ordinary Profit Plan



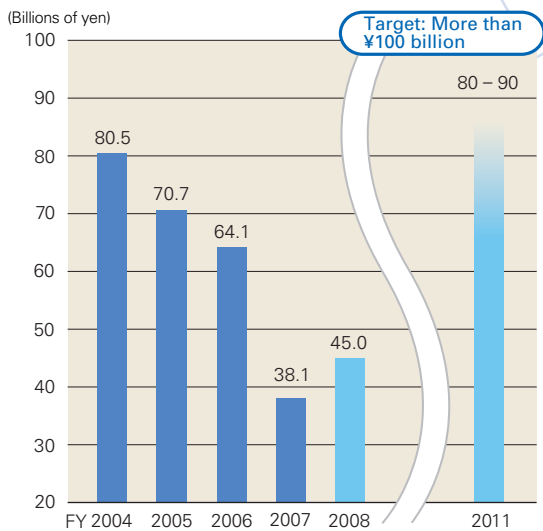
The basic policies of our medium-term management plan are summarized in two phrases—“Pursuing Efficiency in Domestic Business” and “Expanding Overseas Business” through the transformation of corporate culture. As mentioned above, the centerpiece of “Pursuing Efficiency in Domestic Business” will be the scrap-and-build project at Tomioka Mill that will dramatically raise domestic cost competitiveness. However, this is only the first step in rebuilding the production system. In the future, it will be necessary to push forward with structural reforms at each mill in the Oji Paper Group, without limiting ourselves to mill scrap-and-build projects. Furthermore, targeting increased human resources efficiency, we will reduce our domestic workforce. In particular, aiming for efficient business administration, we are considering workforce reductions of about 20% at the head office and other indirect work sites.

On the other hand, “Expanding Overseas Business” entails the growth of overseas operations. The centerpiece of these activities will be the Nantong project in China. The start up of phase 1 of the Nantong project is planned for 2010. Over the long term, this project will be the growth driver of our Asian operations. With the full-scale start up of the Nantong project slated for fiscal 2012 and subsequent years, we will work to record ordinary profit of more than ¥100 billion as soon as possible.

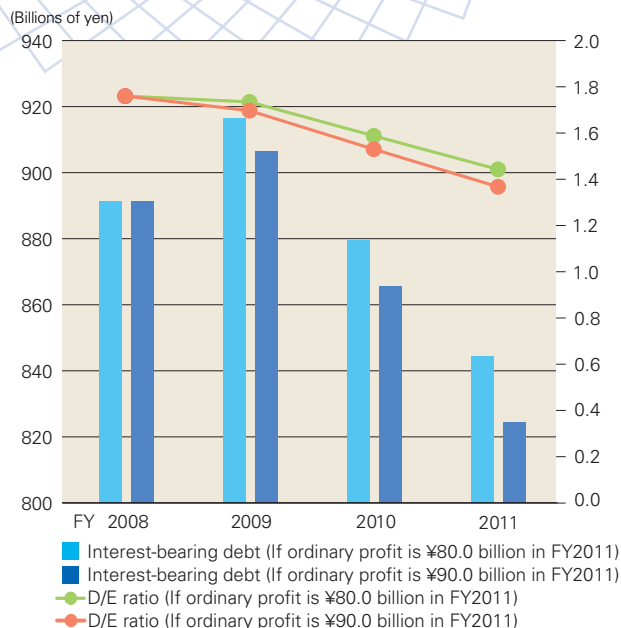
Over the past two years, due to the reform of domestic operations and the introduction of new-energy boilers, we have maintained a high level of capital investment, which surpassed ¥100 billion. In fiscal 2008, we plan capital investment of ¥164.8 billion as we introduce new machines at the Tomioka Mill and start up projects in China. Subsequently, however, investment in China projects will continue, but domestic investment will drop by about half. Overall, investment is expected to peak and then gradually decline. In a difficult management environment, a high level of capital investment will place a substantial burden on profits in the short term, but it was a decision made with a view to growth over the long term, and we are confident it will prove to be a success.



■ Ordinary Profit



■ Interest-Bearing Debt, D/E Ratio (Plan)



Growth Strategies / Strategic Resource Management

Growth Strategies

We will steadily advance the Nantong project in China and establish a position as number one in Asia.

Currently, the Company is moving forward with a leap from the domestic market, where paper demand has peaked, to overseas markets with strong growth potential, specifically China and East Asia. In this way, Oji Paper is building a foundation for future growth.

The Nantong project, which the Company is implementing in Nantong City, Jiangsu Province, China, will be the first full-fledged production base in China for a Japanese paper manufacturing company. We filed an application for this project with the Chinese government in September 2004, and we subsequently established a joint venture company. In 2008, we began construction of the mill. We plan to expand production capacity in stages, and by 2015 we are estimating that total investment will have reached U.S.\$2.0 billion.

The Nantong site offers proximity to Shanghai, one of China's most important cities, and meets requirements for water and drainage, which are essential for paper manufacturing. It is an ideal location for the production of high-grade paper. The Nantong project production facility will be integrated from pulp to paper. The No.1 machine will come on stream in 2010 with an annual production capacity 400,000 tons of high-grade paper, and Kraft pulp equipment will come on stream in 2011 with an annual production capacity of 700,000 tons, enabling us to establish a

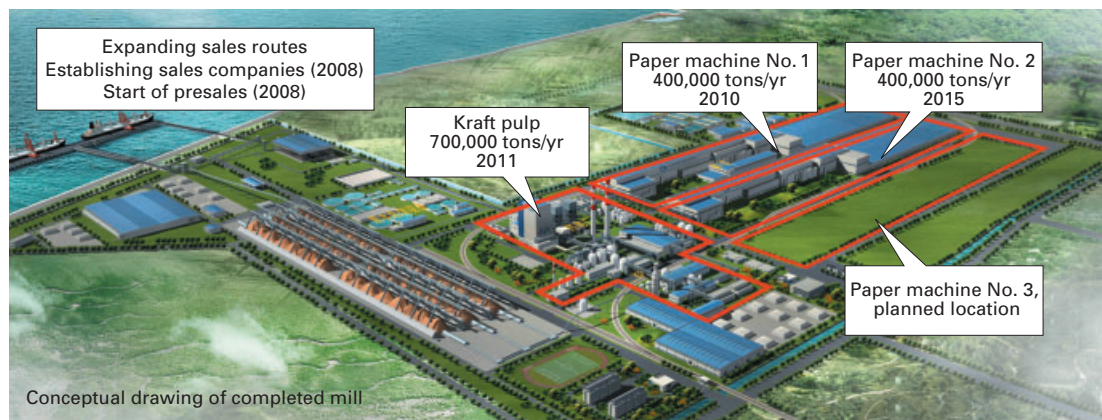
cost competitive high-grade printing-paper supply system. We also plan to raise capacity further. The No.2 machine, which is slated to come on stream in 2015 with an annual production capacity of 400,000 tons, will increase the project's annual production capacity to a total of 800,000 tons, and the No.3 machine will subsequently raise capacity to 1.2 million tons a year.

Some concerns have been raised about the Nantong project, against a background of progress that has been slower than originally expected and the risk of deceleration in the Chinese economy. Nonetheless, I am confident about the success of the project. We have experienced a minor delay in the progress of the project, but in terms of building a presence in China, we are still ahead of our domestic competitors. On the contrary there are substantial merits to proceeding steadily and resolutely with this project.

There is a risk of deceleration in the Chinese economy in the short term, but from a long-term viewpoint, it would be a mistake to decide not to establish a presence in China for that reason. To hedge the risks that we face, I think we should establish another base of overseas operations in addition to China. Specifically, we are considering a variety of options, such as building new mills, acquiring facilities, or entering capital alliances, centered on Southeast Asia, where demand is growing rapidly.

12

Overview of the Nantong Project



Strategic Resource Management

By bolstering the domestic collection of recovered paper and advancing overseas tree planting, we will stabilize raw material procurement.

The construction of production facilities in East Asia, centered on China, results in a need to secure raw materials. Moreover, raw material and fuel costs are rising and competition is intensifying. As a result, the importance of a resource strategy targeting the stabilization of raw material procurement grows each year. Raw materials for paper include recovered paper and wood chips. We are working to increase the recovered paper utilization rate by effectively using recovered paper and by bolstering our procurement system, and at the same time, focusing on the development of tree plantations overseas.

In raw material procurement, the aggressive use of recovered paper is fundamental from the viewpoint of resource recycling, and we have accumulated a variety of technologies for the utilization of recovered paper. We plan to increase the recovered paper utilization rate from 60.4% in fiscal 2007 to 62.0% in fiscal 2010.

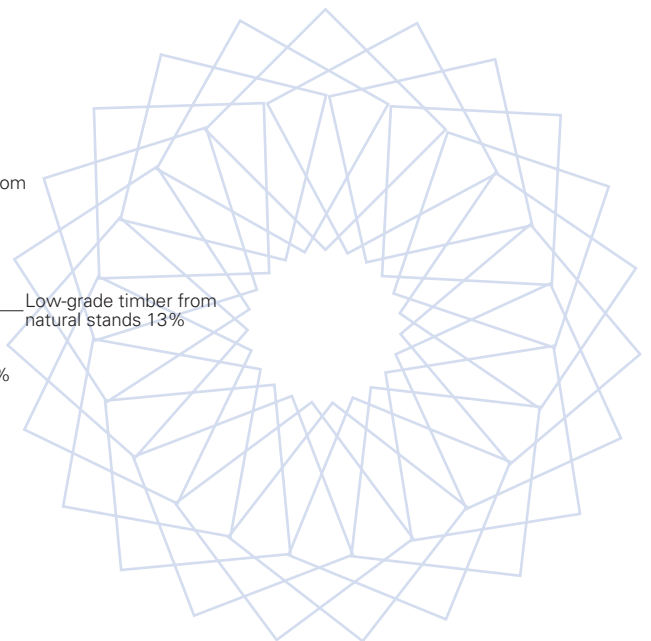
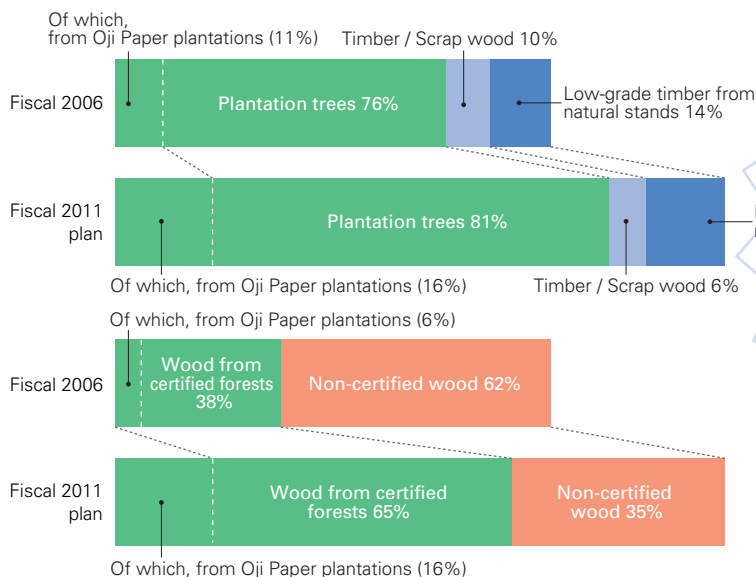
Wood chips are expected to be in short supply worldwide in the years ahead, and we continue to implement initiatives under which we plant trees and then secure wood chips from them. To that end, we are aggressively developing overseas tree plantations, centered on

Southeast Asia and Oceania.

As of the end of fiscal 2007, we had 181,000 hectares of overseas planted forests, and we plan to increase this area to 300,000 hectares by fiscal 2010. However, tree planting operations also present difficulties. Competition for resources—wood chips—in the pulp and paper industry has escalated to the level of competition in tree plantations. In addition, due to the global shortage of grains, there is competition for the use of the land for agricultural products. So we are also simultaneously expanding the usage of forest resources that are appropriately managed (wood from certified forests).

In the future, we will work to raise the percentage of imported wood chips that we secure from plantation trees and certified wood and to make effective use of domestic resources, such as thinned wood. And using our accumulated silvicultural technology, we also plan to establish pulp operations in resource-producing areas and build a strong presence in general forestry operations. In this way, by advancing an integrated resources strategy, we will take the initiative in stable resource procurement.

Plan for Increased Procurement of Wood Chips from Plantation Trees / Certified Wood



Corporate Governance and Compliance / Shareholder Return Policy

Corporate Governance and Compliance

**We will treasure our original traditions and culture
and our ways of thinking.**

Oji Paper believes that the most important management challenge is to raise management transparency, soundness, and efficiency by strengthening corporate governance and compliance. Detailed information about our governance and compliance systems is provided on page 20 of this report. In this section, I would like to introduce our corporate philosophy and action guidelines.

The founder of Oji Paper, Eiichi Shibusawa, frequently used two words—"rongo" (the Analects of Confucius) and "soroban" (an abacus). These words emphasize the importance of consistently combining good ethics with profitable business practices, and that spirit has continuously guided the Company for 130 years. Our

current corporate philosophy—Contribution to the Environment and Culture, Innovation and Speed, and Global Reputation for Dependability—was formulated as the foundation of this approach. This approach is also included in the Oji Paper Group Corporate Code of Conduct, which is the guideline for action to realize our corporate philosophy. Moreover, it serves as a declaration of how all directors and employees will work to achieve our philosophy.

We treasure our original traditions and culture, as well as our ways of thinking. I am determined that, by putting them into practice, we will reinforce the trust of society that was earned by our predecessors.



Shareholder Return Policy

We will strive to meet the expectations of our shareholders, and, as far as possible, we will continue the payment of stable dividends.

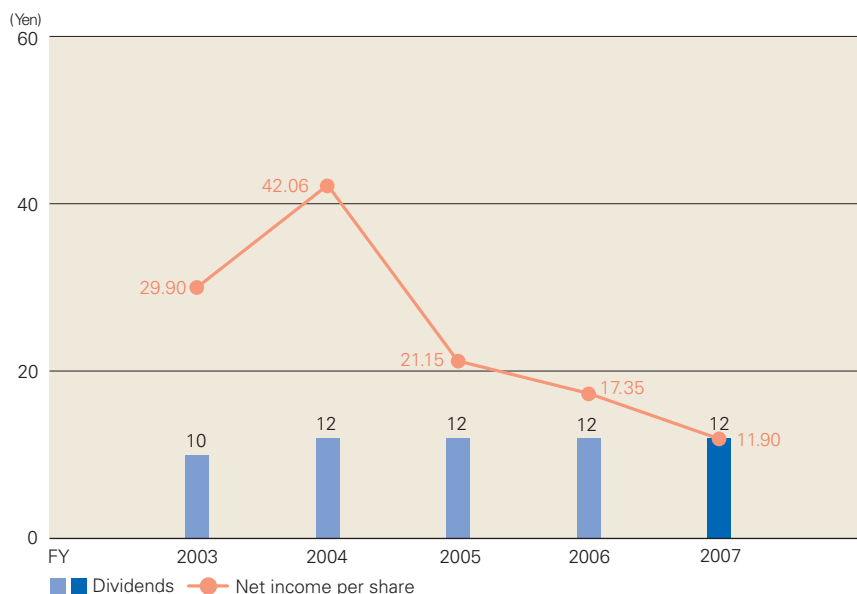
In regard to shareholder returns, our fundamental policy is to, as far as possible, continue stable dividend payments and to meet the expectations of our shareholders. Of course, the dividends for each period will be decided after comprehensive consideration of the results for the period and the level of internal reserves needed for the purpose of preparing for future business development. I believe that we must do our utmost to improve our performance and avoid a reduction in dividends.

For the year under review, the annual dividend has been set at ¥12 per share, consisting of an interim dividend and a final dividend of ¥6 per share each. In a challenging operating environment, we have recorded three consecutive years of profit decline, but we have maintained dividends at the level set in fiscal 2004, when we posted record high profits and decided to raise

the dividend. As a result, the consolidated dividend payout ratio in the year under review is temporarily above 100%. This decision was based on the policy, explained above of, as far as possible, continuing stable dividend payments and meeting the expectations of our shareholders. We are confident that the ¥12 dividend does not compare unfavorably with those of other companies in the domestic paper manufacturing industry.

Also, internal reserves will be allocated to various initiatives targeting higher enterprise value, such as projects in China, and we will use them effectively to further bolster our management foundation. Accompanying capital investment, we expect the demand for funds to peak in the fiscal year ending March 2010 and to gradually decline thereafter.

Dividends and Net Income Per Share



Outlook for Fiscal 2008 / To Our Stakeholders

Outlook for Fiscal 2008

Through rigorous cost reductions, we will strive for the first increase in both revenues and profits in four years.

In fiscal 2008 (the fiscal year ending March 2009), raw material and fuel prices are expected to remain at a high level, and the Group's operating environment is expected to be challenging throughout the year. In particular, raw materials, principally recovered paper and wood chips, are in a tight supply situation worldwide, and higher prices are unavoidable. Moreover, we anticipate substantial gains in the prices of heavy oil and coal. The influence of these higher raw material and fuel prices could be partially offset by exchange rate movements, but in any event there will be a major adverse influence on profits.

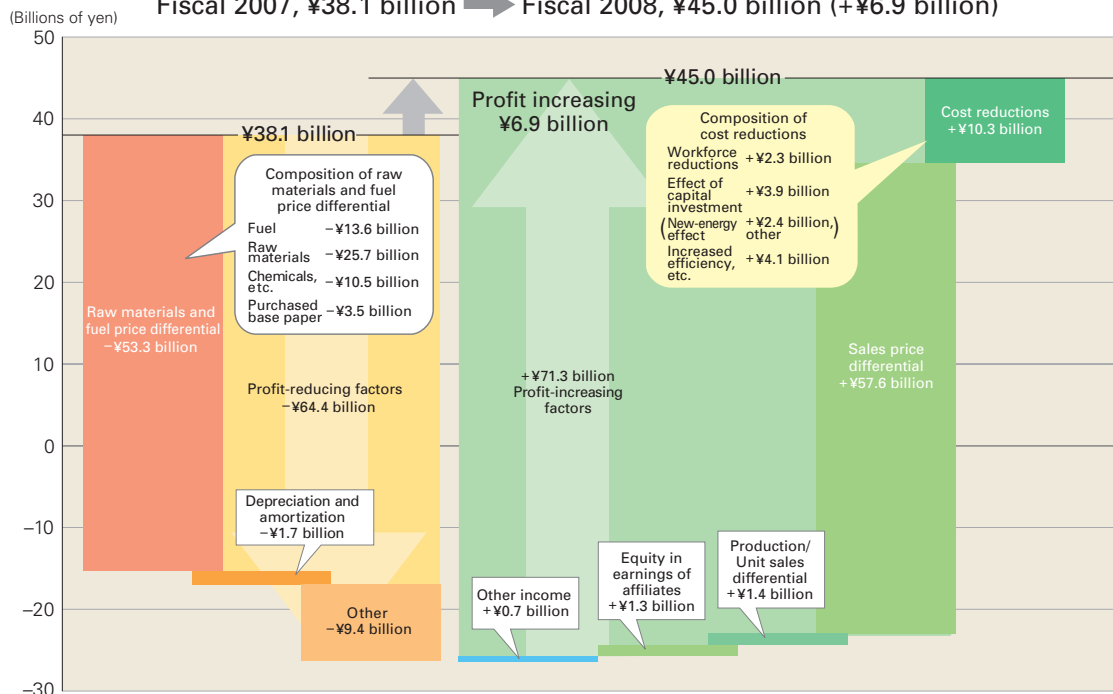
Based on this analysis, we will not only move forward with thorough cost reduction initiatives but also take steps to improve revenue and profits, such as enhancing our marketing power and building efficient production systems in existing operations. At the same time, we will work to raise product prices to an appropriate level.

As a result, our forecasts for consolidated business results for the year ending March 31,

2009 are net sales of ¥1,390 billion, operating profit of ¥47.0 billion, ordinary profit of ¥45.0 billion, and net income of ¥24.5 billion. Looking at the factors contributing to the ordinary profit of ¥45.0 billion, profit-reducing factors total ¥64.4 billion, principally higher raw materials and fuel prices of ¥53.3 billion, and while profit-increasing factors total ¥71.3 billion, including sales price differentials from price increases of ¥57.6 billion and cost reductions of ¥10.3 billion. Based on trends in raw material and fuel prices and in exchange rates, the assumptions on which our earnings forecast is based could change significantly, and the level of our sales and profits could also fluctuate. Nonetheless, we will do everything possible to record a gain in both sales and profits for the first time in four years.

* The increase in depreciation and amortization burden stemming from a revision of statutory service life given the expected implementation of revisions to taxation systems in fiscal 2008 is included as a periodic expense of about ¥3.7 billion. The forecasts are based on an exchange rate of ¥102 to the U.S. dollar, which is the principal foreign currency that we use. In regard to the price of heavy oil, the forecasts are based on the following assumptions: Dubai crude at \$100/bl, recovered paper price unchanged, and new sales prices for each product.

Factors Affecting Consolidated Ordinary Profit (fiscal 2007 results vs. fiscal 2008 forecasts)
Fiscal 2007, ¥38.1 billion → Fiscal 2008, ¥45.0 billion (+¥6.9 billion)



To Our Stakeholders

We will steadily implement our management plan and strive to create visible results.

Our basic management policy is “Pursuing efficiency in domestic business” and “Expanding in overseas business” through the “Transformation of corporate culture,” and the key words in achieving that transformation are “passion,” “sincerity,” and “teamwork.” Looking at the road ahead, it is clear that we will not be able to appropriately respond to the dramatically changing market environment unless we change our previous ways of doing things. I believe that the future of the company rests on how quickly we can change and how effectively we can adapt. With a constant focus on “passion,” “sincerity,” and “teamwork,” the entire company will work to implement reforms so that we can meet the expectations of our various stakeholders.

We will steadily implement our medium-to-long-term management plans and strive to

create visible results. Within the company, we have established a range of committees and are currently implementing a number of projects. It is important that we drive the committees efficiently and effectively. To those ends, directors must visit the front lines and work together with employees.

Management and employees should strive to continuously revise their viewpoint toward their work and to generate project results on a daily basis. At the same time, we will thoroughly implement compliance, appropriately fulfill our social responsibilities, and do our utmost to change our corporate culture and bolster our growth foundation. I would like to ask all our stakeholders and investors for their continued support as we tackle the challenges that lie ahead.

Message

Key
Financial
Indicators

Corporate
Overview



The Oji Paper Group Corporate Code of Conduct

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

We have formulated the Oji Paper Group Corporate Code of Conduct to advance our business activities with self-awareness as a good corporate citizen and strong ethical values that earn the trust of society. All of our employees are working to implement this code.

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.

Environmental Management

Fulfilling Corporate Social Responsibilities and Reinforcing Environmental 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 the 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

Corporate Governance

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

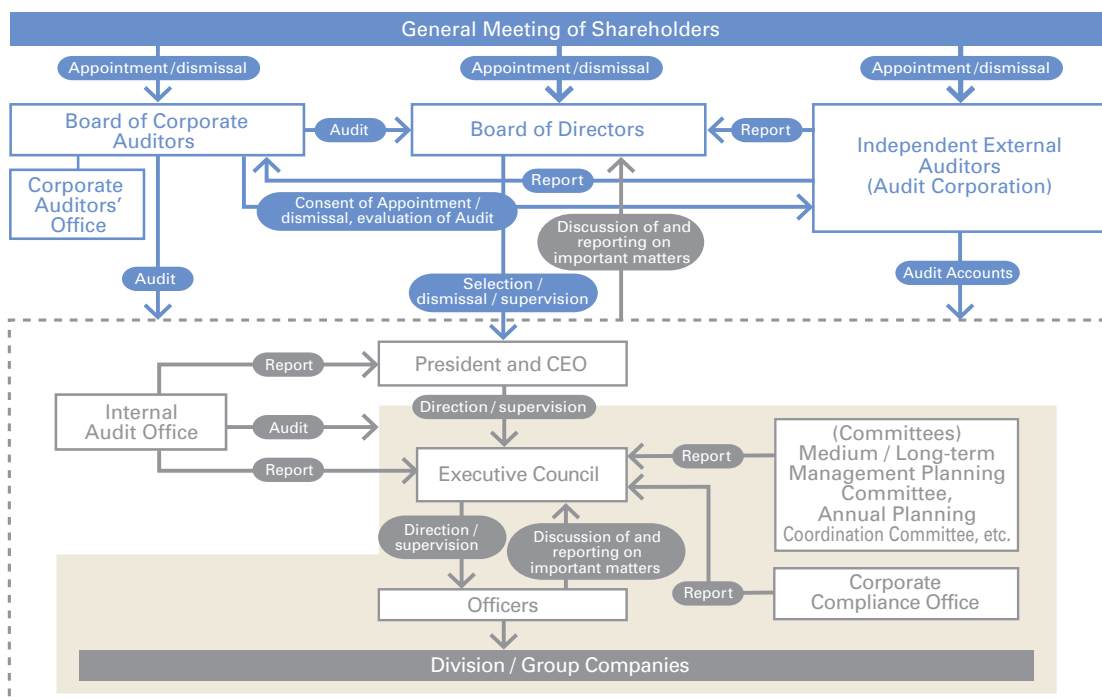
The Executive Council, which is made up of directors who are also executive officers, discusses important management-related issues. Decisions on executive actions are made by the 12-member Board of Directors, which includes two outside directors. Responsibility for the implementation of these decisions 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 enterprise value.

The Oji Paper Group 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. Moreover, we have prepared Basic Policy on the Establishment of Internal Governance Systems, which ensure that our corporate activities are guided by high ethical standards, that we are in compliance with laws and regulations, and that appropriate risk management systems are in place.

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 president and the Executive Council, which develops responses to significant risks related to internal control.

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



■ 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

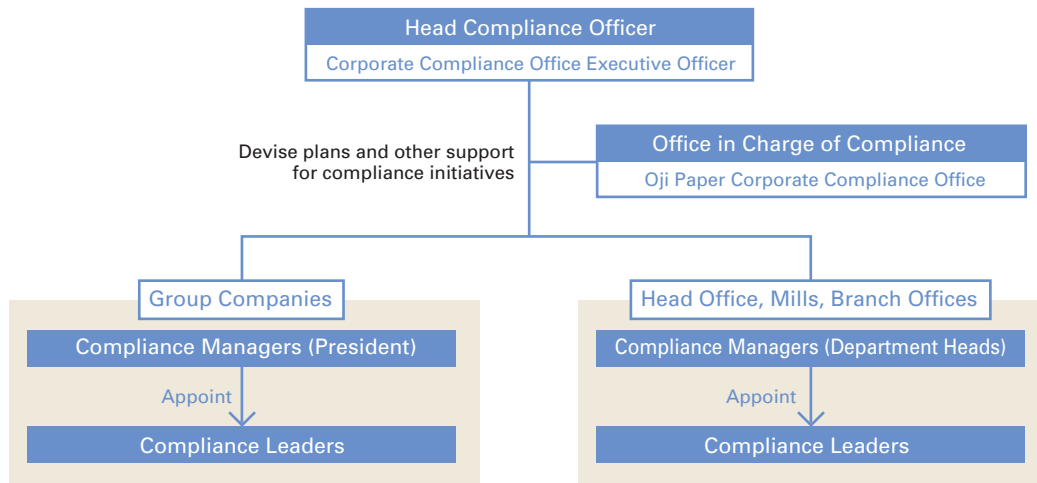
In fiscal 2007, we worked to further heighten awareness of compliance, offering case study training over the Internet for all directors, corporate auditors, and managers (about 3,500 people); workplace compliance meetings for everyone in the Group (once each six months, based on mandatory participation for all officers and employees); and training by position.

In addition, we worked to raise awareness of legal and regulatory compliance among employees, providing a compliance pamphlet and training materials, such as quizzes and case studies.

● Corporate Ethics Helpline

The Corporate Ethics Helpline system allows any employee to seek advice or make reports. Its purpose is to 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. We established two contact points for this system, one internal (the Corporate Compliance Office) and one external (a law firm). In fiscal 2007, there were 35 reports and requests for advice, with appropriate actions taken in all cases.

Compliance Organization



Directors, Auditors and Officers

(As of June 27, 2008)



Kazuhisa Shinoda
President and CEO

Shoichiro Suzuki
Chairman

Nobuyoshi Yamamoto
Executive Vice President

Board of Directors

Chairman	Shoichiro Suzuki
President and CEO	Kazuhisa Shinoda
Executive Vice President	Nobuyoshi Yamamoto
Director, Senior Executive Officer	Yoshihiro Kanamaru
Director, Senior Executive Officer	Yutaka Sekiguchi
Director, Executive Officer	Shinichiro Kondo
Director, Executive Officer	Takashi Ishida
Director, Executive Officer	Tsuneo Hashimoto
Director, Executive Officer	Kenji Kanda
Director, Executive Officer	Hiroki Hashimoto
Director	Yoh Takeuchi
Director	Osamu Akiyama

Corporate Auditors

Senior Corporate Auditor	Munehiro Hanada	Corporate Auditor	Hiroyasu Sugihara
Corporate Auditor	Hajime Yamanaka	Corporate Auditor	Kenjiro Ueno

Corporate Officers

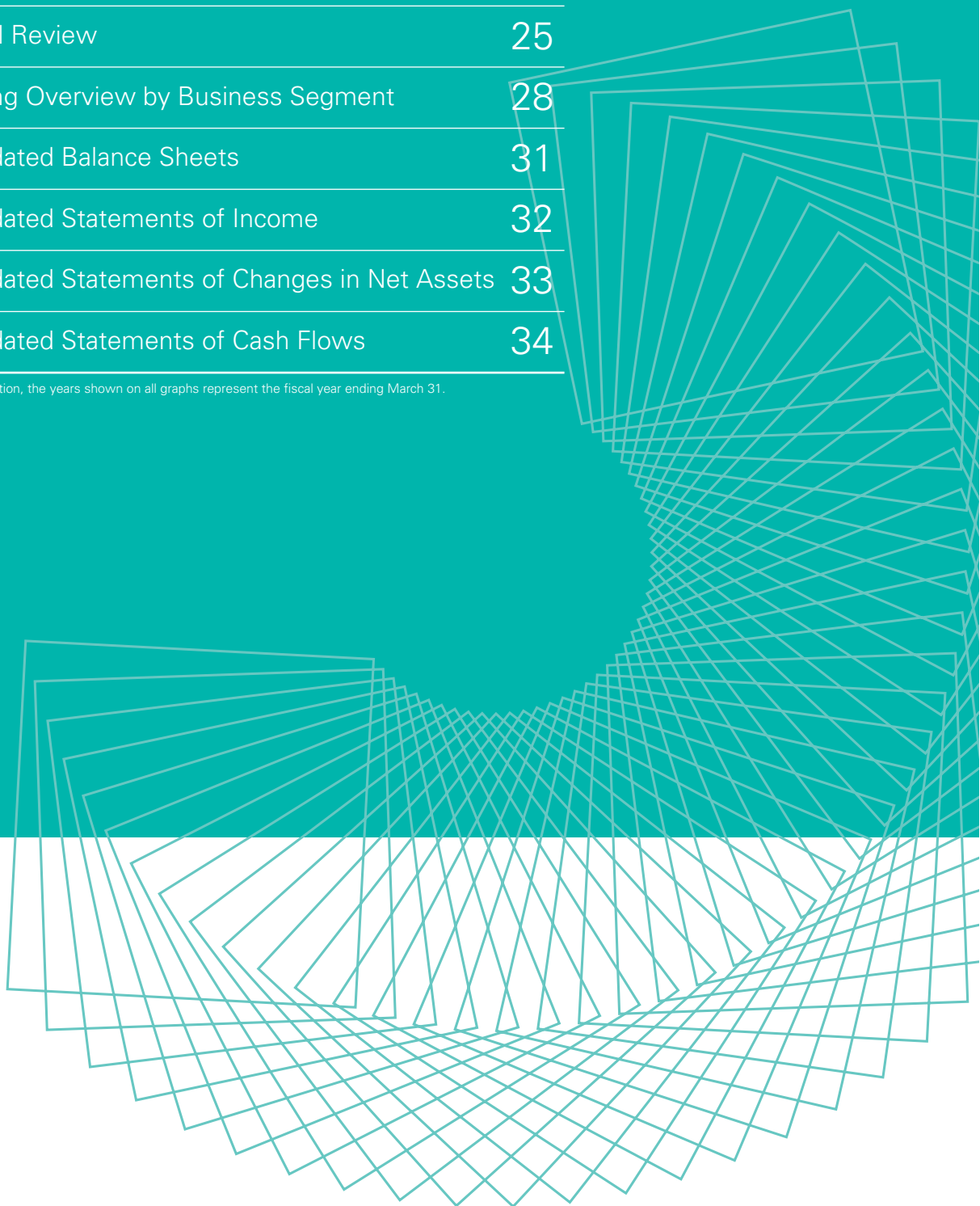
Executive Officer	Hideaki Hayashi	Corporate Officer	Atsushi Yamakita
	Motoji Saito		Shigeto Sano
	Koji Hayashi		Youichi Ase
	Tadashi Watanabe		Takeshi Azuma
Corporate Officer	Michihiro Ishibashi		Masaki Yoshino
	Hiroshi Kawakami		Hirokazu Ishii
	Hiroshi Kizuka		Kiyotaka Shindo
	Tomoo Edagawa		Ryoji Watari
	Tazunu Ando		Kazuo Fuchigami
	Yukio Ochiai		Takashi Nozawa
	Hiroyasu Hayano		Yoji Matsuo
	Shuichi Sata		Gemmei Shimamura
	Toshikatsu Shinomiya		Hidehiko Aoyama
	Susumu Yajima		

Fiscal year ended March 31, 2008

Key Financial Indicators

Consolidated Financial Highlights	24
Financial Review	25
Operating Overview by Business Segment	28
Consolidated Balance Sheets	31
Consolidated Statements of Income	32
Consolidated Statements of Changes in Net Assets	33
Consolidated Statements of Cash Flows	34

Note: In this section, the years shown on all graphs represent the fiscal year ending March 31.



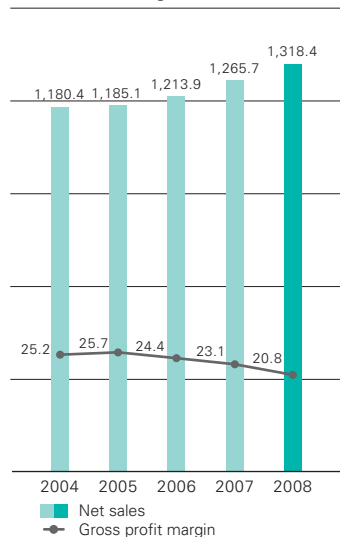
Consolidated Financial Highlights

(Billions of yen, except where noted)

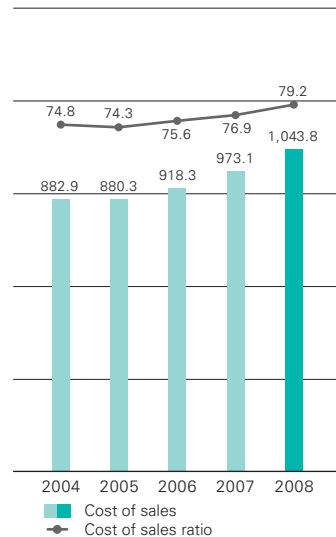
Years ended March 31,	2003	2004	2005	2006	2007	2008	2008 / 2007(%)
Net sales	¥1,213.2	¥1,180.4	¥1,185.1	¥1,213.9	¥1,265.7	¥1,318.4	4.2
Operating profit	56.5	73.9	84.6	73.9	63.2	42.1	- 33.3
Ordinary profit	47.9	67.8	80.5	70.7	64.1	38.1	- 40.6
Net income	12.2	31.3	43.3	21.0	17.2	11.8	- 31.4
Per share data (yen):							
Net income	¥11.23	¥29.90	¥42.06	¥21.15	¥17.35	¥11.90	- 31.4
Net assets	407.30	455.61	484.50	533.38	526.36	500.39	- 4.9
Dividends	8.00	10.00	12.00	12.00	12.00	12.00	0.0
Fiscal year-end:							
Total assets	¥1,621.1	¥1,606.0	¥1,606.2	¥1,748.5	¥1,790.5	¥1,781.5	- 0.5
Net assets	425.9	472.4	489.9	527.9	523.6	510.5	- 2.5
Common stock	103.9	103.9	103.9	103.9	103.9	103.9	0.0
Number of shareholders (People)	101,000	98,290	104,191	96,103	92,987	94,996	2.2

Forward-looking statements: Statements contained in this report pertaining to Oji Paper's plans, strategies, beliefs, and expectations that are not historical fact 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.

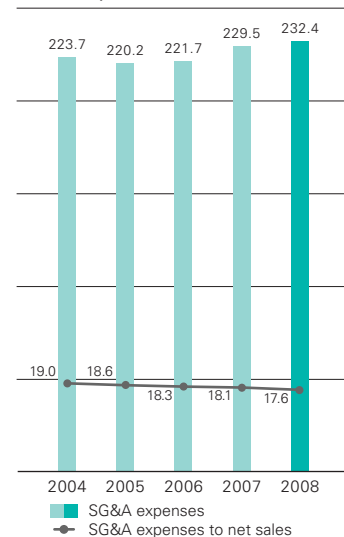
Net Sales (Billions of yen)
Gross Profit Margin (%)



Cost of Sales (Billions of yen)
Cost of Sales Ratio (%)



SG&A Expenses (Billions of yen)
SG&A Expenses to Net Sales (%)



Profile of the Corporate Group

As of March 31, 2008, the Oji Paper Group had 223 subsidiaries and 80 affiliates. The Group's business areas include the pulp and paper products business, converted paper business, wood products and tree planting business, and others including real estate and transportation businesses.

Restructuring within the Mori Shigyo Group resulted in the addition of one consolidated subsidiary as well as seven other newly consolidated subsidiaries, including Aipax Co., Ltd. Also, the number of subsidiaries decreased by one due to the merger of Kashima Mokuzai Sangyo Co., Ltd., and Oji Forest & Products Co., Ltd. As a result, there were 87 consolidated subsidiaries as of March 31, 2008, up from 82 at the end of the previous fiscal year.

The number of equity-method subsidiaries remained the same at 14, as of March 31, 2008.

Sales and Profit

In the fiscal year ended March 31, 2008, the Japanese economy expanded gradually in the first half, but in the second half of the year, the future course of business conditions became unclear, due to such factors as apprehension about a stalling U.S. economy as well as surging raw material and crude oil prices, which increased the burden placed on both companies and consumers.

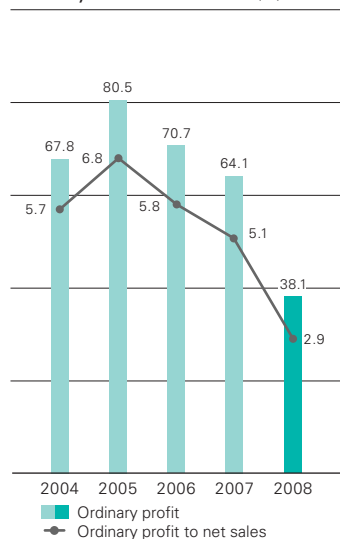
The operating environment for the Group's pulp and paper business remained extremely challenging. In addition to surging crude oil prices, wastepaper prices rose against a background of expanding demand in China, and wood chip prices increased amid tight global market conditions.

In this setting, in order to minimize the year-on-year decline in profit, the Oji Paper Group endeavored to raise earnings through price increases to make up for the rising costs of both fuel and raw materials and implemented strong cost reduction measures across all operations. These efforts included increasing efficiency in manufacturing processes and conserving energy, such as through the installation of new-energy boilers. Although price revisions were implemented in nearly all product categories, including printing papers and paperboard products, these measures were not sufficient to offset the impact of rising material and fuel costs.

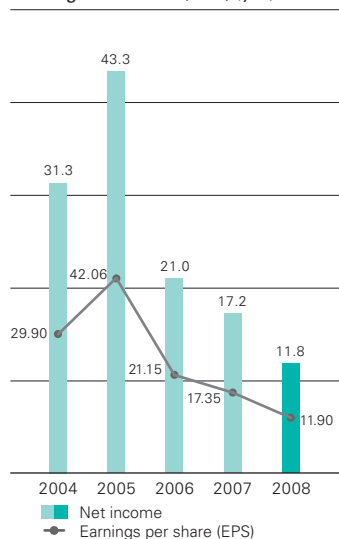
Net Sales: Consolidated net sales increased 4.2% year on year, or ¥52.6 billion, to ¥1,318.4 billion, due in part to increases in revenue in both the core pulp and paper products business and converted paper products business segments.

Operating Profit: On the earnings front, the impact of high raw material and fuel prices was significant, and the cost of sales increased 7.3%, or ¥70.8 billion, raising the cost of sales ratio by 2.3 percentage points, to 79.2%. As a result, gross profit declined ¥18.1 billion year on year, selling, general and administrative expenses rose ¥2.9 billion, and operating profit dropped 33.3%, or ¥21.1 billion, to ¥42.1 billion.

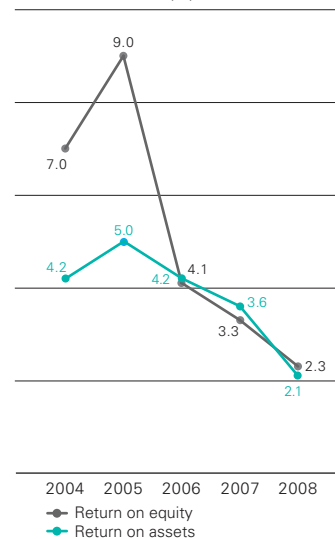
Ordinary Profit (Billions of yen)
Ordinary Profit to Net Sales (%)



Net Income (Billions of yen)
Earnings Per Share (EPS) (yen)



Return on Equity (%)
Return on Assets (%)



● **Ordinary Profit:** Despite a ¥0.8 billion year-on-year increase in equity in earnings of affiliates, which totaled ¥3.9 billion, non-operating income declined ¥0.2 billion, to ¥13.3 billion, due to the absence of foreign exchange gains in the year under review compared with a foreign exchange gain of ¥1.8 billion in the previous fiscal year. Non-operating expenses increased ¥4.8 billion, to ¥17.4 billion, as a result of a ¥1.0 billion rise in interest expenses and discount charges, to ¥10.5 billion, and the write down of ¥3.2 billion in foreign exchange losses. Consequently, ordinary profit fell 40.6%, or ¥26.0 billion, year on year, to ¥38.1 billion.

● **Extraordinary Gains / Losses:** Extraordinary gains was down substantially, to ¥1.1 billion, a decline of ¥10.9 billion from the previous year, in which the Company recorded a ¥2.9 billion gain on sale of fixed assets and an ¥8.7 billion gain on sale of investment securities. Extraordinary losses also decreased significantly, falling to ¥15.9 billion, a decline of ¥23.7 billion from the previous fiscal year, when the Company recorded ¥18.2 billion in special retirement benefits resulting from changes to human resource policies and ¥6.2 billion in production system reconstruction expenses.

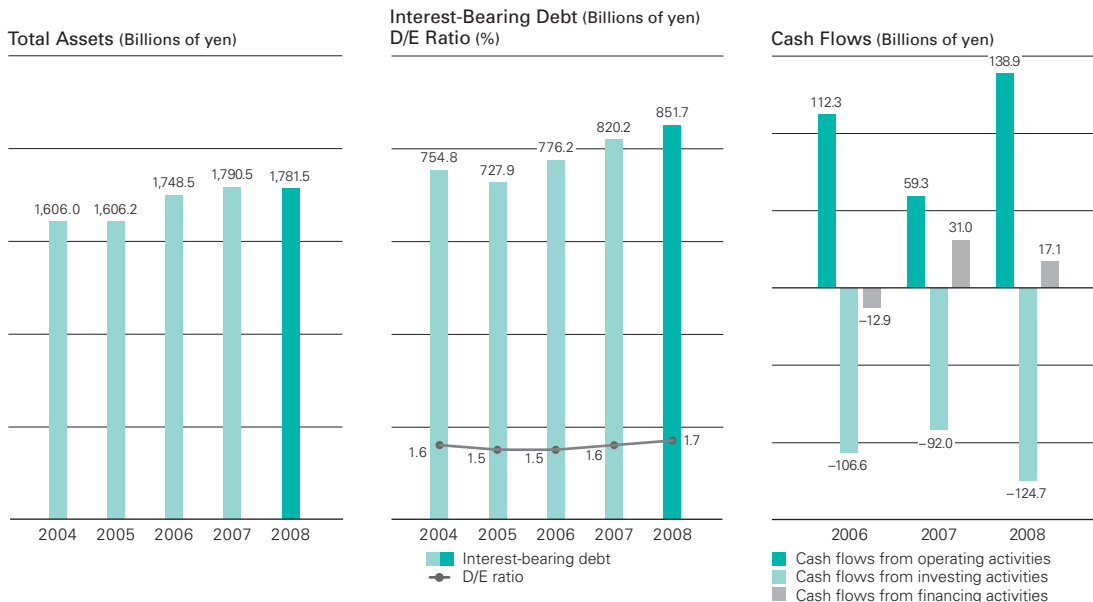
● **Net Income:** As a result of the foregoing factors, income before income taxes and minority interests totaled ¥23.3 billion, a year-on-year decrease of 36.3%, or ¥13.2 billion. Taxes amounted to ¥11.5 billion, leaving net income of ¥11.8 billion, which represents a decrease of 31.4%, or ¥5.4 billion. Net income per share amounted to ¥11.90, falling ¥5.45 compared to a year earlier. In regard to key indicators, return on equity declined to 2.3%, the ratio of ordinary profit to total assets decreased to 2.1%, and operating profit margin declined to 3.2%.

Financial Position

Assets

As of March 31, 2008, consolidated total assets amounted to ¥1,781.5 billion, a decrease of ¥9.0 billion year on year. Current assets declined by ¥1.5 billion, to ¥574.9 billion. Cash and bank deposits increased ¥42.5 billion, to ¥81.2 billion, while accounts receivable, trade was down ¥49.2 billion year on year due to an increase in the liquidation of accounts receivable and to the final day of the accounting period landing on a holiday.

Fixed assets decreased by ¥7.5 billion year on year, to ¥1,206.6 billion. Accompanying large-scale capital investment, construction in progress increased ¥14.9 billion, and intangible assets were up ¥10.7 billion. In investments and other assets, investment securities rose ¥39.5 billion.



● Liabilities

Total liabilities as of March 31, 2008, stood at ¥1,271.0 billion, an increase of ¥4.1 billion. Current liabilities grew by ¥19.3 billion, to ¥739.5 billion. This gain was primarily attributable to an increase in the current portion of long-term loans, which rose ¥53.6 billion, to ¥72.1 billion. Non-current liabilities decreased by ¥15.2 billion, to ¥531.5 billion, due primarily to a decline in deferred tax liabilities of ¥20.0 billion, to ¥36.7 billion. The balance of interest-bearing liabilities, including discounted bills, was ¥851.7 billion, an increase of ¥31.5 billion from the end of the previous fiscal year. Net assets, including minority interests, amounted to ¥510.5 billion, a year-on-year decline of ¥13.1 billion, mainly as a result of a decline of ¥28.4 billion in other valuation of securities, to ¥27.3 billion.

As a result, the shareholders' equity ratio as of March 31, 2008, stood at 27.8%, a 1.2 percentage point decrease. Net assets per share declined ¥25.97, to ¥500.39.

■ Cash Flow Position

The balance of cash and cash equivalents as of March 31, 2008 was ¥71.3 billion, an increase of ¥32.8 billion compared with the previous year-end. Cash flows and the factors influencing them in the fiscal year under review were as follows.

● Operating Activities

Net cash provided by operating activities rose 134.3% above the previous year's level, to ¥138.9 billion. This increase was mainly due to an increase in the liquidation of accounts receivable and a significant decline in special retirement payments made in the year under review in line with changes to the employee transfer system.

● Investing Activities

Net cash used in investing activities amounted to ¥124.7 billion, an increase of 35.5%. This reflects a decline in proceeds from sales of investment securities of ¥12.8 billion and a ¥9.5 billion increase in provision of loans.

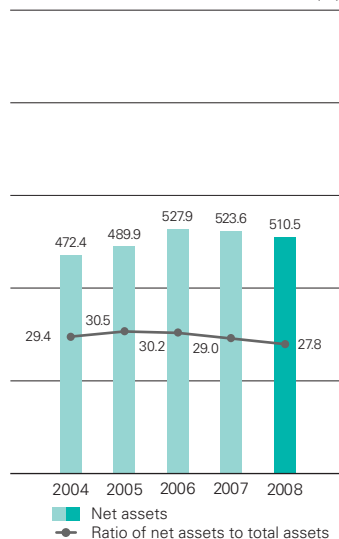
● Financing Activities

Net cash provided by financing activities dropped 44.8%, to ¥17.1 billion, owing to a decrease in borrowing of long-term bank loans of ¥43.5 billion.

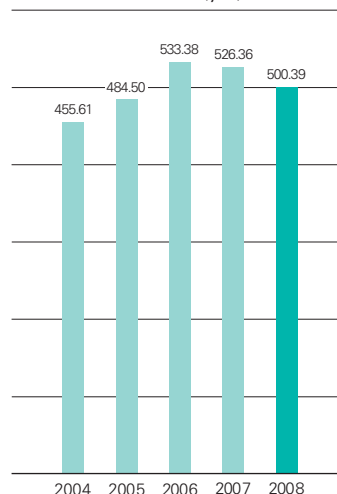
■ Outlook for Fiscal Year Ending March 31, 2009

The Oji Paper Group's business environment is likely to remain challenging due to sustained high raw material and fuel prices. In particular, owing to a tight global demand for wastepaper and wood chips, high prices for these materials cannot be avoided. At the same time, the prices of heavy oil and coal are expected to rise significantly. While it is possible that exchange rate fluctuations will partially offset the impact of the higher raw material and fuel prices, the increased prices will be a major element adversely affecting future earnings.

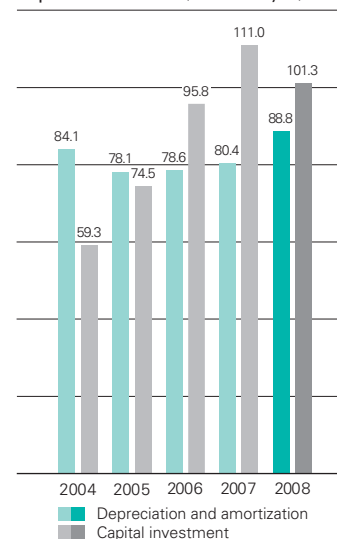
Net Assets (Billions of yen)
Ratio of Net Assets to Total Assets (%)



Book-Value Per Share (yen)



Depreciation and Amortization (Billions of yen)
Capital Investment (Billions of yen)



In response to this challenging environment, the Group will implement a variety of measures to boost profitability. In addition to thorough cost reduction initiatives, we will take steps to bolster sales capabilities and establish an efficient production system in existing businesses. At the same time, Oji Paper will work to raise product prices to an appropriate level.

Through these efforts, the Group forecasts the following consolidated business results for the fiscal year ending March 2009: net sales of ¥1,390.0 billion, operating profit of ¥47.0 billion, ordinary profit of ¥45.0 billion, and net income of ¥24.5 billion. These forecasts take into account changes to the taxation system that were put into effect in the fiscal year under review. As a result of these changes, the forecasts include increased depreciation due to revised statutory useful life expectations of approximately ¥3.7 billion that will be treated as an ordinary periodic cost. Forecasts are based on an exchange rate of ¥102 to the U.S. dollar, which is the main foreign currency that we use.

■ Dividends

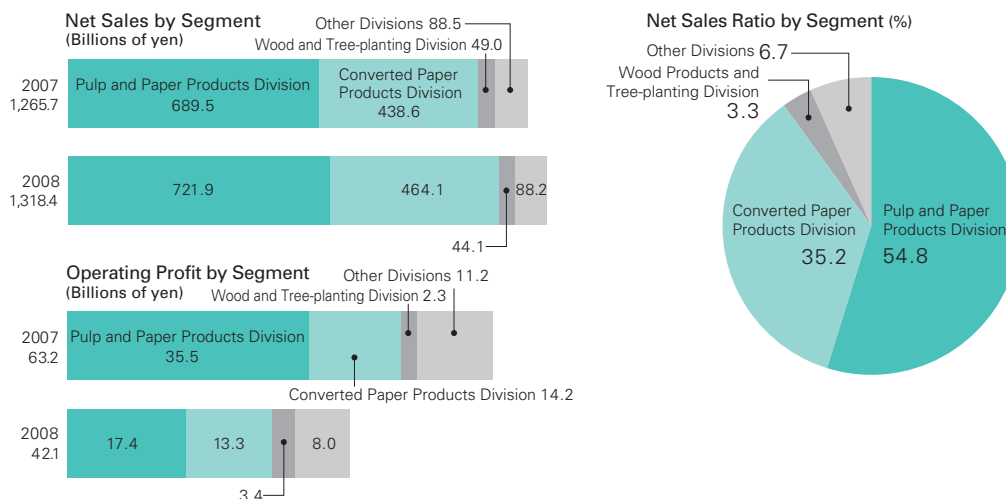
Our basic policy for the payment of dividends calls for maintaining stable dividends, while taking into account overall business circumstances, including results and the need to retain earnings to provide for future management measures. Based on this policy, the annual dividend was set on a par with the previous fiscal year at ¥12 per share, consisting of interim and year-end dividends of ¥6 per share each.

Regarding retained earnings, the Group has appropriated funds for the enhancement of future corporate value through business development in China, allowing Oji Paper to further fortify its business base and improve business performance.

■ Pulp and Paper Products

In the fiscal year under review, overall demand for paper and paperboard in Japan declined 0.3% from the previous fiscal year. However, decreased imports bolstered domestic shipments to show a healthy performance. Looking at a breakdown of paper products, although sales of packaging papers and sanitary papers exceeded last year's performance, other products fell below, causing an overall 0.9% decline in sales in this category. In paperboard, demand for other paperboard products declined, while increasing for containerboard and remaining on par with the previous fiscal year for folding boxboard. The result was an overall 0.7% increase from last year in this category.

Against this backdrop, price increases in nearly all pulp and paper product categories, such as printing paper and paperboard, were implemented, while the effects of these increases are beginning to take hold. However, with ongoing rises in raw material and fuel prices, cost reduction measures fervently promoted in all operating areas were not enough to compensate for these increases.



As a result, consolidated net sales in this segment amounted to ¥721.9 billion, rising 4.7%, or ¥32.4 billion year on year. Consolidated operating profit dropped 50.8% year on year, or ¥18.1 billion, to ¥17.4 billion.

● **Newsprint / Publication and Printing Paper**

Newsprint sales in Japan remained on par with the previous fiscal year, while exports increased. Price increase efforts undertaken in the fiscal year ended March 31, 2008 were still not enough to offset harsh external factors. These efforts were carried over to the fiscal year ending March 31, 2009 and were accepted by the market.

Sales of publication and printing paper, such as coated papers and lightweight coated papers mainly for commercial print catalogs and flyers, edged up, while sales of uncoated paper for magazines declined as a result of decreases in magazine page counts and circulations. The market accepted price increases implemented in the spring of the fiscal year under review across all products in this category.

● **Packaging Papers**

Sales of packaging papers were favorable, including both domestic sales and exports. Furthermore, the market accepted price increases implemented in the fall of 2007.

● **Sanitary Papers and Miscellaneous Papers**

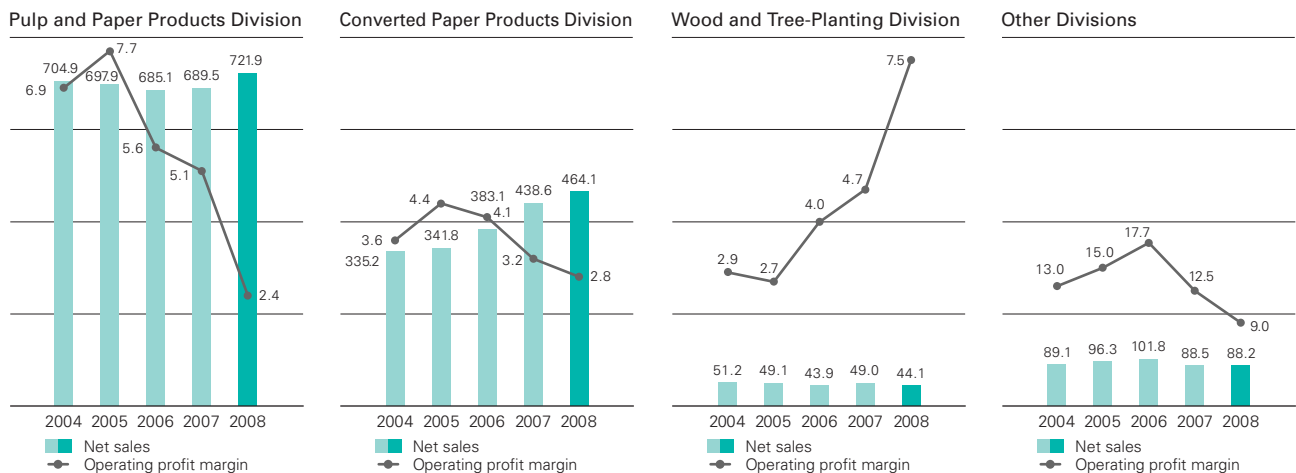
Miscellaneous paper sales mainly remained the same as the previous fiscal year, while price increase implemented in Japan permeated the market. Although sales of sanitary paper products, such as tissue paper and toilet rolls, dropped, product prices increased.

● **Paperboard**

Containerboard sales rose slightly due to increased demand for fruits and vegetables, as well as certain processed foods and beverages. The market absorbed price increases implemented in September 2007.

Although domestic sales of boxboard and high-grade cardboard were weak, switchover demand stemming from the withdrawal of other companies from the category led to an increase in sales. The price increases introduced in July 2007 were successful in penetrating the Japanese market.

Net Sales by Segment (Billions of yen) / Operating Profit Margin (%)



■ Converted Paper Products

Consolidated net sales in this segment amounted to ¥464.1 billion, a year-on-year increase of ¥25.5 billion, or 5.8%. This was mainly due to the inclusion of Aipax as a consolidated subsidiary and its contribution to sales. Despite a certain level of success with product price increases, consolidated operating profit fell 6.6%, or ¥0.9 billion, year on year, to ¥13.3 billion.

● Corrugated Containers (Corrugated Sheets and Boxes)

Sales of corrugated cases increased due to beverage-related demand, but sales of corrugated sheets declined because of the price increases. Although, Oji Paper was not able to achieve the original goal of the price increases implemented in July 2007, these increases did have a certain level of success and contributed to the boosting of earning power.

● Other Converted Paper Products (Paperware, Thermal Papers, Adhesive Papers, Paper Diapers, etc.)

Sales of thermal papers were favorable mainly due to export sales. Thermal papers prices increased, both for domestic and export. Sales of disposable diapers for infants declined, but those for adults increased. Prices of disposable diapers for infants increased.

■ Wood Products and Forestry / Tree Planting

Domestic sales of timber declined drastically due to the revisions to Japan's Building Standards Law. However, sales prices of timber at overseas subsidiaries rose and contributed to results. Accounting for these factors, consolidated net sales in this segment dropped 10.0%, or ¥4.9 billion, to ¥44.1 billion. Consolidated operating profit surged 45.6%, or ¥1.1 billion, to ¥3.4 billion.

■ Other Activities

Consolidated net sales in other businesses totaled ¥88.2 billion, a year-on-year decrease of ¥0.3 billion, or 0.4%. Consolidated operating profit also decreased, falling 27.9%, or ¥3.2 billion. This performance was mainly due to a decrease in sales of large buildings within the Group's real estate business.

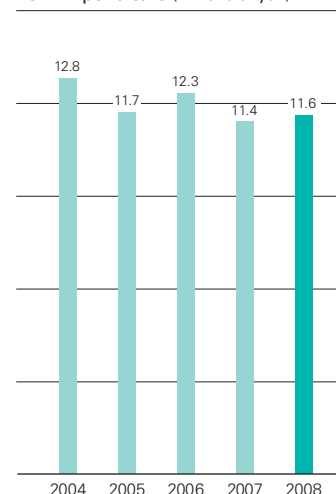
■ Research and Development

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 Intellectual Property Department. R&D Laboratories Headquarters consists of four laboratories and the Material Analysis Center, which together undertake R&D activities aimed at generating new businesses and strengthening competitiveness. Furthermore, the Forestry Research Institute, which conducts research related to forest resource development, has recently made overseas afforestation a priority issue to ensure the procurement of wood resources and preservation of the overall environment. The Pulp & Paper Research Laboratory, responding to Japan's changing recovered paper market, is focusing on the development of treatment technologies and cost reduction technologies in order to utilize low-grade recovered paper that has not been widely used.

Moreover, the Group's New Business & Product Development Center, which supports and promotes the development of new businesses and products on a Groupwide basis, is accelerating the creation of businesses through market research and other activities to support development projects in order to bring market needs and R&D "seeds" together.

As of March 31, 2008, the Oji Paper Group held 1,239 industrial property rights in Japan and 550 overseas. The Group's R&D expenditure in the year under review rose 1.3%, or ¥0.2 billion year on year, to ¥11.6 billion.

R&D Expenditure (Billions of yen)



(Billions of yen)

As of March 31,	2004	2005	2006	2007	2008
Assets					
Current assets	¥486.3	¥499.0	¥517.8	¥576.4	¥574.9
Cash and bank deposits	32.9	44.8	39.8	38.7	81.2
Accounts receivable—trade	267.0	276.3	295.6	345.4	296.2
Marketable securities	0.1	0.0	0.0	0.0	0.0
Inventories	138.9	136.5	142.6	152.7	159.1
Short-term loans	12.7	11.4	13.3	11.8	11.2
Accounts receivable—other	6.2	8.4	9.4	10.0	11.6
Deferred income taxes	24.4	16.2	13.2	12.4	12.3
Other	5.4	6.5	7.5	7.7	4.7
Allowance for doubtful accounts	(1.4)	(1.1)	(3.7)	(2.2)	(1.4)
Fixed assets	1,119.8	1,107.2	1,230.7	1,214.1	1,206.6
Property, plant and equipment	887.7	871.4	890.8	910.1	915.3
Intangible assets	11.3	10.6	26.7	24.1	34.8
Investments and other assets	220.8	225.1	313.2	279.9	256.4
Total assets	¥1,606.0	¥1,606.2	¥1,748.5	¥1,790.5	¥1,781.5
Liabilities					
Current liabilities	¥604.9	¥589.3	¥715.0	¥720.2	¥739.5
Accounts payable—trade	176.7	183.5	206.3	234.9	223.6
Short-term bank loans	279.4	210.4	248.7	208.6	262.0
Commercial paper	76.0	95.0	134.0	164.0	165.0
Current portion of debentures	—	20.0	40.0	20.0	—
Accounts payable—other	12.8	14.6	23.0	28.5	23.4
Accrued expenses	46.9	45.6	46.4	46.2	45.1
Income taxes payable, etc.	4.2	12.2	8.9	11.7	9.6
Deferred income taxes	0.1	—	—	—	—
Other total current liabilities	8.8	8.0	7.7	6.2	10.7
Non-current liabilities	523.1	520.8	497.9	546.7	531.5
Debentures	140.0	160.0	120.0	100.0	100.0
Long-term bank loans	258.0	241.5	232.4	327.5	324.6
Deferred taxes liabilities	35.1	35.1	66.0	56.8	36.7
Deferred tax liabilities on unrealized gains	7.9	8.2	11.5	11.5	11.4
Accrued retirement benefits	70.4	65.9	62.8	44.7	52.5
Accrued provision for environmental safety measures	—	—	1.1	1.8	1.8
Reserve for special repairs	0.2	0.1	0.1	0.1	0.1
Long-term deposits	10.5	9.6	3.4	3.4	3.1
Long-term notes payable for property, plant and equipment	0.6	0.2	0.1	0.1	0.1
Other total non-current liabilities	0.4	0.2	0.4	0.9	1.1
Total liabilities	¥1,128.1	¥1,110.2	¥1,212.9	¥1,266.9	¥1,271.0
Minority interests in consolidated subsidiaries	5.6	6.0	7.8	—	—
Shareholders' equity					
Common stock	¥103.9	¥103.9	¥103.9	—	—
Capital surplus	110.2	110.2	113.0	—	—
Revaluation of land	6.5	6.6	3.8	—	—
Earned surplus reserve	237.2	267.9	275.4	—	—
Unrealized gain on available-for-sale securities	34.4	35.7	73.7	—	—
Foreign currency translation adjustment	(7.8)	(6.0)	(0.0)	—	—
Treasury stock	(11.9)	(28.2)	(41.9)	—	—
Total shareholders' equity	¥472.4	¥489.9	¥527.9	—	—
Total liabilities, minority interests in consolidated subsidiaries, and shareholders' equity	¥1,606.0	¥1,606.2	¥1,748.5	—	—
Net assets					
Shareholders' equity					
Common stock	—	—	—	¥103.9	¥103.9
Capital surplus	—	—	—	113.0	113.1
Earned surplus reserve	—	—	—	280.9	281.5
Treasury stock	—	—	—	(43.2)	(42.6)
Total shareholders' equity	—	—	—	454.5	455.8
Adjustments for valuation, foreign currency translation, and others					
Other valuation of securities	—	—	—	55.7	27.3
Unrealized gains (losses) on hedging derivatives	—	—	—	0.1	0.4
Revaluation of land	—	—	—	3.8	3.9
Foreign currency translation adjustment	—	—	—	6.0	7.6
Total adjustments for valuation, foreign currency translation, and others	—	—	—	65.6	39.2
Subscription rights	—	—	—	0.1	0.1
Minority interests in consolidated subsidiaries	—	—	—	3.5	15.4
Total net assets	—	—	—	523.6	510.5
Total liabilities and net assets	—	—	—	¥1,790.5	¥1,781.5

Message

Key
Financial
IndicatorsCorporate
Overview

Consolidated Statements of Income

(Billions of yen)

Years ended March 31,	2004	2005	2006	2007	2008
Net sales	¥1,180.4	¥1,185.1	¥1,213.9	¥1,265.7	¥1,318.4
Cost of sales	882.9	880.3	918.3	973.1	1,043.8
Gross profit	297.5	304.8	295.6	292.7	274.6
Selling, general and administrative expenses	223.7	220.2	221.7	229.5	232.4
Operating profit	73.9	84.6	73.9	63.2	42.1
Non-operating income	8.5	8.6	8.9	13.5	13.3
Interest and dividend income	1.8	2.0	3.2	3.6	4.5
Equity in earnings of affiliates	3.4	2.3	1.2	3.1	3.9
Miscellaneous income	3.3	4.2	4.5	6.9	4.9
Non-operating expenses	14.6	12.6	12.1	12.6	17.4
Interest expenses and discount charges	10.8	9.9	8.9	9.5	10.5
Miscellaneous losses	3.8	2.7	3.2	3.1	6.8
Ordinary profit	67.8	80.5	70.7	64.1	38.1
Extraordinary gain	8.3	0.7	2.9	12.0	1.1
Gain on sale of investments in securities	7.7	0.5	0.1	8.7	0.4
Gain on sale of fixed assets	0.6	0.2	2.8	2.9	0.6
Gain on reversal of allowance for doubtful accounts	—	—	—	0.4	0.1
Extraordinary losses	28.7	14.0	34.5	39.6	15.9
Impairment losses	—	—	16.4	1.8	0.8
Reconstruction expenses	—	—	—	6.2	0.4
Loss on disposal of fixed assets	5.1	7.5	6.4	7.1	5.1
Loss on evaluation of investments in securities	0.4	0.3	0.7	3.0	0.6
Special retirement benefits	18.9	4.1	5.8	18.2	4.2
Provision for environmental safety measures	—	—	1.4	0.9	0.7
Other total extraordinary losses	4.2	2.2	3.9	2.3	4.2
Income (Loss) before income taxes and minority interests	47.4	67.2	39.1	36.5	23.3
Corporation tax, resident tax and enterprise tax	6.2	13.4	13.1	15.1	13.3
Deferred taxes	9.5	10.0	4.7	4.1	(2.0)
Minority interest in net profit of consolidated subsidiaries	0.4	0.5	0.3	0.2	0.2
Net income	¥31.3	¥43.3	¥21.0	¥17.2	¥11.8

Consolidated Statements of Changes in Net Assets

Years ended March 31,

(Billions of yen)

	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance at March 31, 2006	¥103.9	¥113.0	¥275.4	¥(41.9)		¥450.3
Changes of items during the period						
Cash dividends from retained earnings as appropriation of earnings			(11.9)			(11.9)
Directors' and corporate auditors' bonuses as appropriation of earnings			(0.3)			(0.3)
Net income			17.2			17.2
Repurchase of common stock				(0.5)		(0.5)
Retirement of treasury stock		0.0		0.0		0.1
Purchase of treasury stock by affiliates				(0.9)		(0.9)
Increase in retained earnings due to merger of equity-method affiliates			0.5			0.5
Reversal of revaluation reserve for land			0.0			0.0
Net changes of items other than owners' equity						
Total changes of items during the period	—	0.0	5.5	(1.3)		4.2
Balance at March 31, 2007	¥103.9	¥113.0	¥280.9	¥(43.2)		¥454.5
Changes of items during the period						
Cash dividends			(11.9)			(11.9)
Net income			11.8			11.8
Purchase of common stock				(0.3)		(0.3)
Retirement of treasury stock		0.1		0.9		1.0
Purchase of treasury stock by affiliates				(0.0)		(0.0)
Increase in surplus due to addition of consolidated subsidiary			0.8			0.8
Decline in surplus due to merger of consolidated subsidiaries			(0.0)			(0.0)
Reversal of revaluation reserve for land			(0.1)			(0.1)
Net changes of items other than owners' equity						
Total changes of items during the period	—	0.1	0.6	0.6		1.2
Balance at March 31, 2008	¥103.9	¥113.1	¥281.5	¥(42.6)		¥455.8

(Billions of yen)

	Valuation and translation adjustments							Total net assets
	Net unrealized losses on other securities	Net unrealized losses on derivative instruments	Revaluation of land	Translation adjustments	Total valuation and translation adjustments	Stock acquisition rights	Minority interests	
Balance at March 31, 2006	¥73.7	¥—	¥3.8	¥(0.0)	¥77.5	¥—	¥7.8	¥535.7
Changes of items during the period								
Cash dividends from retained earnings as appropriation of earnings								(11.9)
Directors' and corporate auditors' bonuses as appropriation of earnings								(0.3)
Net income								17.2
Repurchase of common stock								(0.5)
Retirement of treasury stock								0.1
Purchase of treasury stock by affiliates								(0.9)
Increase in retained earnings due to merger of equity-method affiliates								0.5
Reversal of revaluation reserve for land								0.0
Net changes of items other than owners' equity	(18.0)	0.1	(0.0)	6.0	(12.0)	0.1	(4.3)	(16.2)
Total changes of items during the period	(18.0)	0.1	(0.0)	6.0	(12.0)	0.1	(4.3)	(12.0)
Balance at March 31, 2007	¥55.7	¥0.1	¥3.8	¥6.0	¥65.6	¥0.1	¥3.5	¥523.6
Changes of items during the period								
Cash dividends								(11.9)
Net income								11.8
Purchase of common stock								(0.3)
Retirement of treasury stock								1.0
Purchase of treasury stock by affiliates								(0.0)
Increase in surplus due to addition of consolidated subsidiary								0.8
Decline in surplus due to merger of consolidated subsidiaries								(0.0)
Reversal of revaluation reserve for land								(0.1)
Net changes of items other than owners' equity	(28.4)	0.4	0.1	1.6	(26.4)	0.1	11.9	(14.4)
Total changes of items during the period	(28.4)	0.4	0.1	1.6	(26.4)	0.1	11.9	(13.1)
Balance at March 31, 2008	¥27.3	¥0.4	¥3.9	¥7.6	¥39.2	¥0.1	¥15.4	¥510.5

Message

Key
Financial
Indicators

Corporate
Overview

Consolidated Statements of Cash Flows

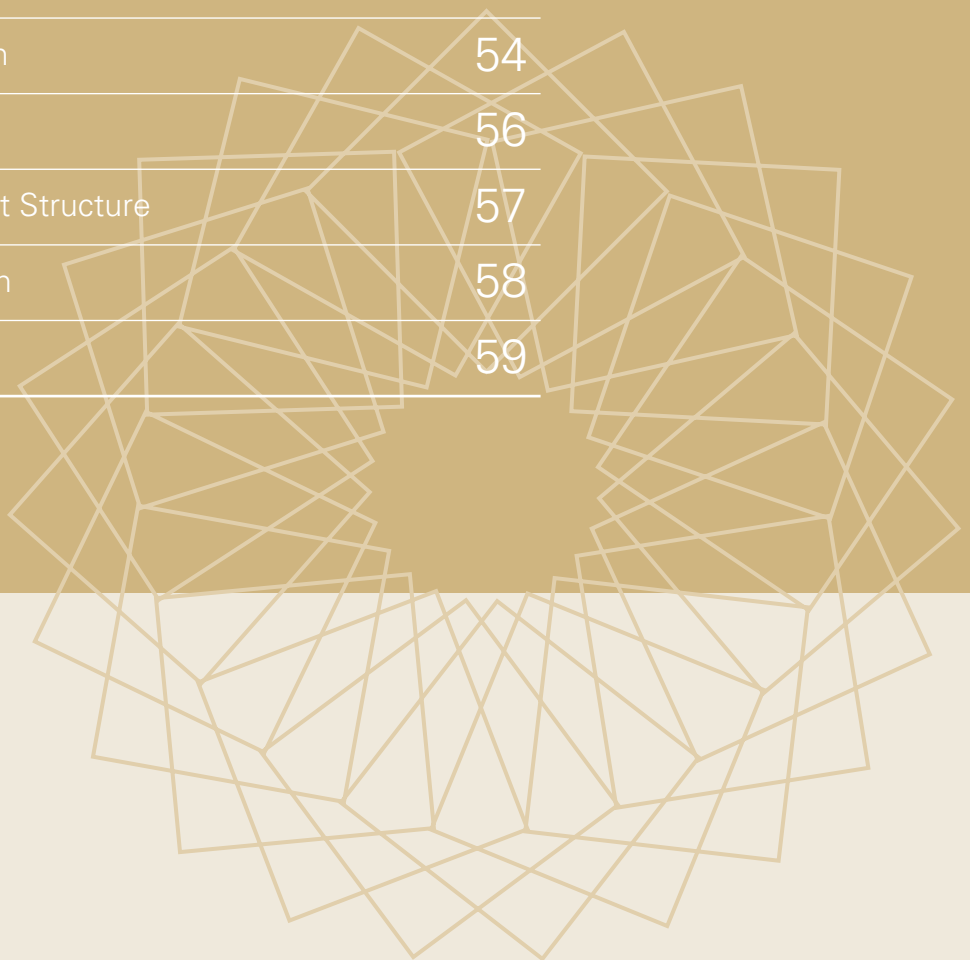
Years ended March 31,

(Billions of yen)

	2004	2005	2006	2007	2008
Cash Flows from Operating Activities					
Income (loss) before income taxes and minority interests	¥47.4	¥67.2	¥39.1	¥36.5	¥23.3
Depreciation and amortization	84.5	77.9	79.4	82.0	90.5
Impairment losses	—	—	16.4	1.8	0.8
Increase / decrease in accrued retirement benefits	(13.9)	(4.6)	(4.2)	(18.2)	(2.5)
Interest and dividends income	8.9	7.8	5.7	6.0	6.1
Gain (loss) on write-down or sale of marketable securities	(7.3)	(0.2)	0.6	(5.7)	0.2
Gain (loss) on retirement or sale of fixed assets	4.6	7.3	3.6	4.2	4.5
Increase / decrease in accounts receivables and payables—trade	(6.0)	(4.4)	9.1	(21.0)	40.0
Increase / decrease in inventories	5.2	6.1	(2.3)	(8.7)	(4.6)
Other	(5.0)	(6.8)	(10.3)	0.4	0.8
Total	118.3	150.2	137.1	77.2	159.1
Interest and dividends received	2.1	2.3	3.4	3.8	4.8
Interest paid	(11.0)	(9.8)	(9.0)	(9.5)	(10.0)
Income taxes paid	(6.7)	(7.0)	(19.2)	(12.2)	(15.0)
Net cash provided by operating activities	¥102.6	¥135.8	¥112.3	¥59.3	¥138.9
Cash Flows from Investing Activities					
Marketable securities	¥—	¥—	¥0.0	¥0.0	¥—
Property, plant and equipment / intangible assets	(55.5)	(63.3)	(79.2)	(100.5)	(101.9)
Investments in securities	10.0	(3.5)	(11.2)	11.0	(7.4)
Acquisition of stocks of consolidated subsidiaries due to change in the scope of consolidation	0.3	—	(11.0)	(2.4)	(0.0)
Loans and collections	(0.9)	(0.7)	(3.1)	0.2	(6.0)
Other	(0.3)	(0.5)	(2.2)	(0.3)	(9.4)
Net cash used in investing activities	¥(46.3)	¥(67.9)	¥(106.6)	¥(92.0)	¥(124.7)
Cash Flows from Financing Activities					
Net increase / decrease in short-term bank loans	¥(71.5)	¥(73.1)	¥5.9	¥(0.4)	¥(2.8)
Net increase / decrease of commercial paper	7.0	19.0	39.0	30.0	1.0
Borrowing of long-term bank loans	70.5	30.2	45.4	114.7	71.2
Repayments of long-term bank loans	(51.0)	(43.2)	(36.2)	(61.0)	(21.0)
Proceeds from issue of debentures	40.0	40.0	—	—	—
Redemption of debentures	(40.0)	—	(20.0)	(40.0)	(20.0)
Cash dividends paid by the Company	(8.3)	(12.4)	(11.8)	(11.9)	(11.9)
Acquisition of treasury stock	(4.0)	(16.0)	(35.2)	(0.5)	(0.3)
Other	(0.0)	0.1	0.0	0.0	0.9
Net cash provided by (used in) financing activities	(57.3)	(55.4)	(12.9)	31.0	17.1
Effect of foreign currency translation on cash and cash equivalents	(0.3)	(0.3)	1.5	0.6	(0.1)
Net increase / decrease in cash and cash equivalents	(1.3)	12.1	(5.7)	(1.1)	31.3
Cash and cash equivalents at beginning of year	34.7	32.6	44.5	39.6	38.6
Increase in cash and cash equivalents due to merging or including consolidated subsidiaries	0.0	0.3	1.0	0.0	1.5
Decrease in cash and cash equivalents due to excluding consolidated subsidiaries	(0.8)	(0.5)	(0.2)	—	(0.0)
Cash and cash equivalents at end of year	¥32.6	¥44.5	¥39.6	¥38.6	¥71.3

Corporate Overview

History of Oji Paper and Market Environment in the Paper Manufacturing Industry	36
Oji Paper Group at a Glance	38
Business Outline	40
Consolidated Subsidiaries	49
Research and Development Activities	50
Culture and Sports Activities	52
Communicating with Society	53
Major Mills in Japan	54
Global Network	56
Group Management Structure	57
Investor Information	58
Corporate Data	59



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

Paper is an indispensable material for our daily life. Paper has played an important role in daily lives as a medium of culture and communication and as a means of transporting goods. For centuries, paper has developed in tandem with civilization.

Oji Paper began operations as Japan's first industrial-scale paper manufacturer. Since that time, as an integrated paper manufacturer producing a wide variety of paper and paper products, our mission has been to contribute to a more comfortable future through our business operations. Moving forward, the Group will strive for further growth.

Overview of Oji Paper and its contribution to Japan's modern industrial development

Oji Paper's roots stretch back to 1873, when the "Shoshi Kaisha" was founded by Eiichi Shibusawa. Shoshi Kaisha was Japan's first industrial-scale paper manufacturer, and as Seishi Kaisha and subsequently Oji Paper, we made a major contribution to laying the foundation for modern Japanese industry. After World War II, due to economic decentralization initiatives, we were reestablished as Tomakomai Paper in 1949. Since that time, through a series of company mergers, our name became Oji Paper Industries, Oji Paper, and New Oji Paper, and finally our current company name—Oji Paper.

In this way, over our history of more than 130 years, Oji Paper has been a corporate group that represents the paper manufacturing industry. This achievement is the result of many pioneers who have taken on challenges and driven innovation. In the future, as a leader of Japan's paper manufacturing industry, Oji Paper will continue to take on the challenges of enhancing culture and lifestyles through paper manufacturing. At the same time, to respond rapidly and accurately to the changing needs of the age, we will introduce leading-edge technologies and continually investigate ways to increase productivity.

East Asia region, centered on China, which is experiencing rapid growth

The U.S., with consumption of about 90 million tons a year, is the world's largest market for paper and paperboard. With annual consumption of about 30 million tons, Japan is third globally, after China, but domestic consumption has been declining since it peaked in 2000. As in the U.S. and Europe, the domestic market is mature.

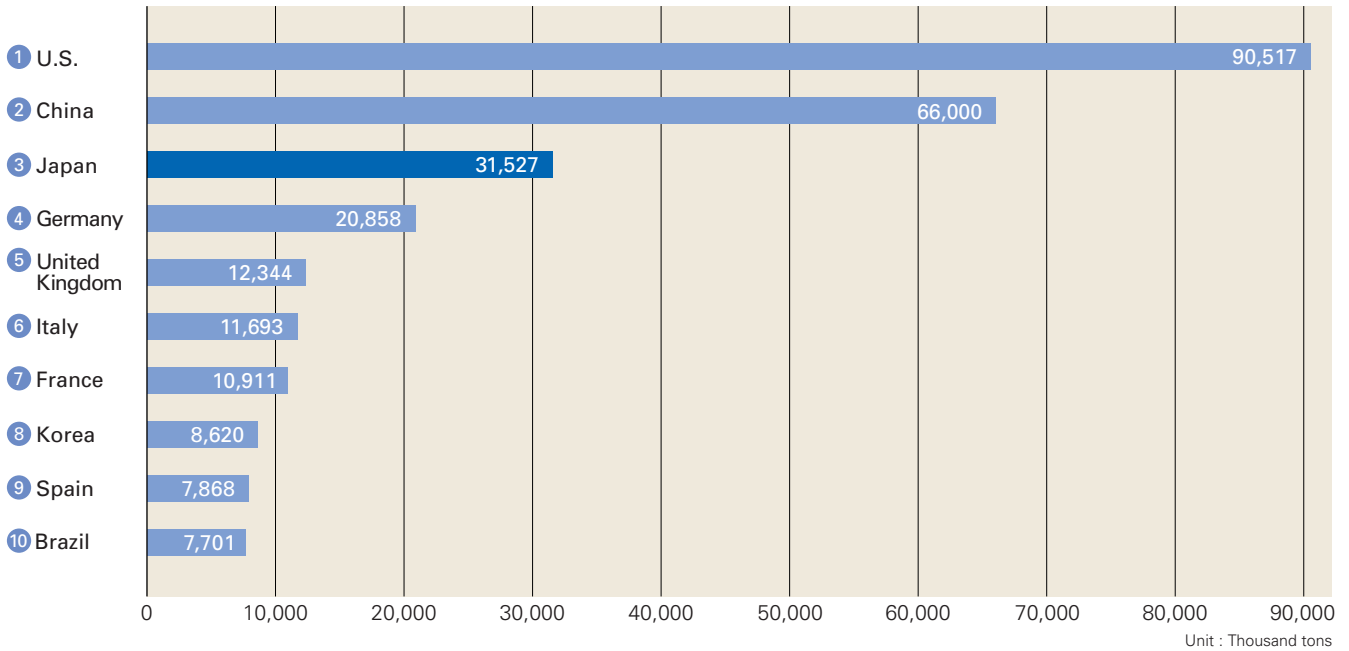
On the other hand, consumption in East Asia is growing. In particular, consumption in China, the world's number two market, is expanding rapidly, with growth in double digits, and China may surpass the U.S. as the largest consumer in the world within a few years. In addition to consumption, production in China is also growing rapidly, and

major paper manufacturing companies from around the world are developing operations in China.

The Oji Paper Group ranks sixth in sales among the world's paper manufacturing companies, and is the leading paper manufacturer in Japan. In the future, we will further reinforce our position as a leader in the domestic market. At the same time, in East Asia, which is posting notable growth, we will undertake aggressive development, including resource acquisition. In this way, we will work to achieve sustained growth. In particular, in China, through the full-scale operation of the Nantong project, we will steadily build a foothold.

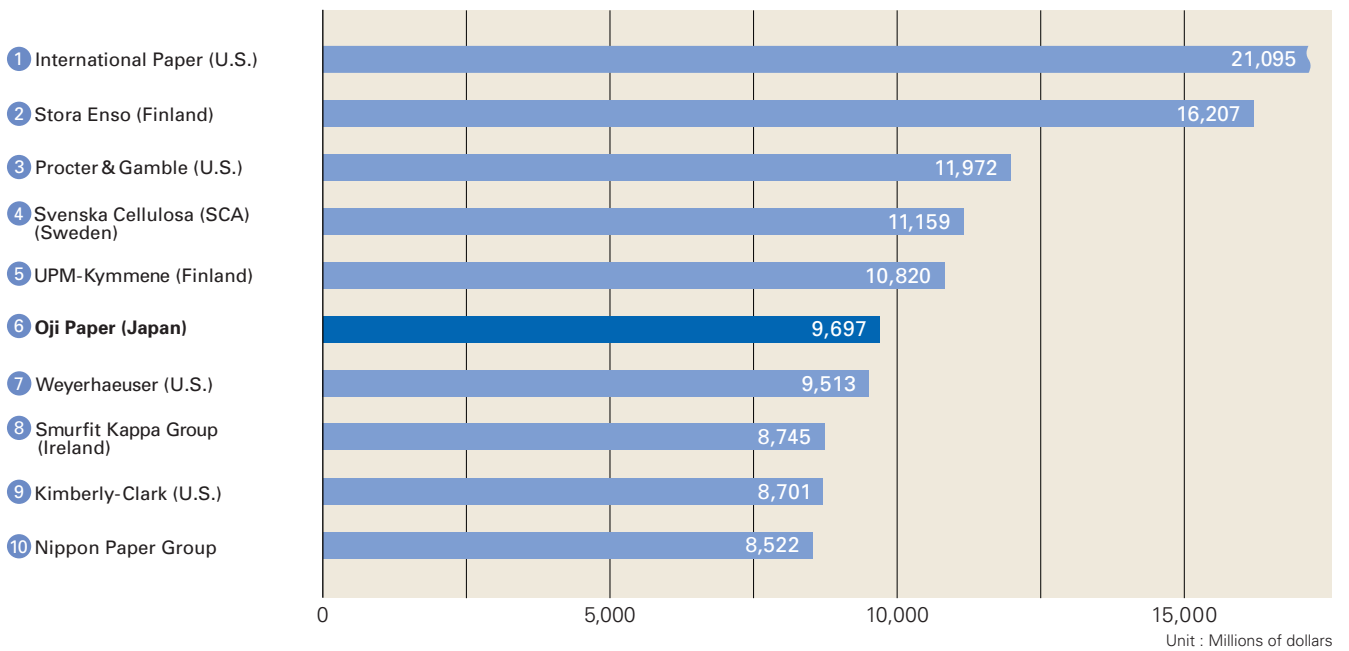
Paper and Paperboard Consumption: Top 10 Countries (2006)

Source: Annual Review of Global Pulp and Paper Statistics (RISI)



Top 10 Paper Manufacturers by Sales (Pulp and Paper Related Sales in 2006)

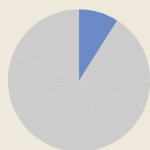
Source: PULP & PAPER INTERNATIONAL (RISI)



Business Segment

Product Topics

Newsprint



Percentage of Net Sales

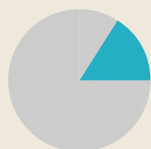
9%



■ New-generation Newsprint : The *Plus News Series*

Developed to meet the needs of newspaper companies, the *Plus News* series is the lightest weight newsprint in the world. Currently, Japanese newspaper publishers are increasing the speed of rotary presses and increasing color pages. With growing need for higher-quality advertising papers, newsprint is diversifying. In response, Oji Paper developed the *Plus News* series to meet the need for paper with enhanced color reproduction characteristics. New technology has improved the printed surface quality and prevented show through, without any weight increase. This has resulted in reduced resource consumption and a lower environmental load.

Publication and Printing Papers



Percentage of Net Sales

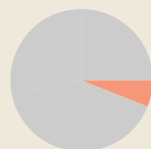
17%



■ The Oji Paper Library

Established primarily by Oji Paper and Oji Specialty Paper, the Oji Paper Library, which is located in the entrance hall of Oji Paper's head office, was opened in November 2006. It was created to regularly 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 product 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 with visitor feedback.

Boxboard and Packaging Papers



Percentage of Net Sales

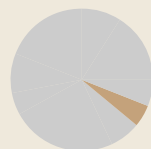
5%



■ New Technologies Reflected in Printing Finish and Processing Characteristics

Wrapping papers and carry bags are important advertising vehicles for department stores and other retailers. *OK Blanc Neige*, which first went on sale in 2005, was developed by Oji Paper as a material that combines the strength of Kraft paper with printing quality of coated paper. *WHITE-A-IVORY BRIGHT*, *WHITE-A-IVORY+*, *WHITE-A-CARD+*, *WHITE-A L-CARD+* and *WHITE-A POST+* 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.

Communications Papers



Percentage of Net Sales

5%



■ New Technologies Driving an Endless Stream of Innovative Products

In response to new information equipment and services accompanying the advance of IT, the use of communications papers as information recording media is advancing on a daily basis. The Company has developed new products as next-generation media for the replacement of film photos. High-grade gloss inkjet paper offers improvement both in running and in wrinkling, and Dye-Sublimation Paper Medium is the world's first filmless dye-sublimation thermal transfer paper. Transparent thermal film is for maintenance free medical imaging output. Also, steady sales growth is being recorded by a new product line of business form papers compatible with Data Print Service information processing services.

Business Segment

Product Topics

Specialty Papers



■ Launch of New Fancy Paper Product

In July 2008, we launched two new thin coated fancy papers that have the texture of fancy paper while supporting attractive gloss printing and ink drying characteristics—*OK Plaster 7C* and *OK Super Plaster 7C*, which is extra white. Also, *OK Kaizeru* offers low density and light weight while maintaining thickness. With improved pulp fiber appearance, it features a more natural appearance. We renewed the *Kaizeru* series as a fancy paper with a softer texture. The lineup has been expanded from 12 colors to 24.

Containerboard and Corrugated Containers



■ Using Tea Leaves to Produce Corrugated Containers with Antibacterial and Deodorizing Properties

In 2006, Oji Chiyoda Container introduced *Chaba Board*, 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. As a containerboard that contributes to increasing the food waste recycling percentage under the Food Recycling Law, *Chaba Board* has attracted intense interest as a brand new way to recycle used tea leaves.

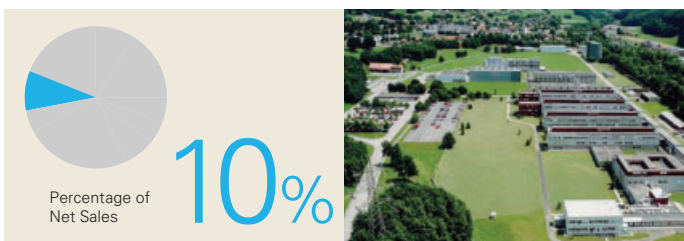
Household Products



■ New Launch of *nepia JAPAN premium*

In March 2008, we launched the *nepia JAPAN premium* series, a new brand in the premium category of home-use paper products. In response to growing consumer needs for Japanese-style beauty, luxury, and softness, this series is an entirely new brand that embodies “beautiful finish and enhanced softness” as well as “delicate, high-quality Japan.” We first launched tissues and toilet rolls, and moving forward we will work to activate sales areas and expand sales of value-added products.

Overseas Business



For many years, Oji Paper has been expanding its activities globally, including tree planting, pulp and paper manufacturing, and converting paper products. Currently, the basic policy in overseas business is to target Southeast Asia, where demand is growing rapidly. We will select the method that best fits the circumstances, such as establishing greenfield mills, establishing joint ventures with partner companies, implementing M&As, and teaming up with other internal business units. In this way, we will make full use of the Group’s comprehensive resources, and conduct integrated operational development extending from resource procurement to production, thereby securing a high level of competitiveness.

Other Business



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, manufacturing and sale of pulp and paper, and a wide range of related activities. Synergies among these businesses help to strengthen the Group’s ability to achieve self-sustaining growth.

Newsprint

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

Market Share in Japan

30%

Activities and Strategies

Newsprint has a solid position as an information medium that is indispensable in daily lives. Because newspapers are published every day in a huge variety and quantity, there is a need for newsprint that is not just available in a stable supply but also strong enough to accommodate high-speed rotary presses and suitable for printing, as well as having a beautiful finish for color printing. In 1910, when newspaper publishing began in earnest in Japan, we completed the Tomakomai Mill, which was established to fulfill domestic newsprint demand. Since that time, to meet the needs of newspaper publishers around the country, we have worked to improve quality and to ensure a stable supply with reliable production and delivery, and these efforts have been highly regarded.

We believe that Oji Paper has a social responsibility to support the publication of daily newspapers through a stable supply of newsprint. Currently, with people's values diversifying, newspapers must meet an expanding array of needs. At Oji Paper, we will continue to maintain the confidence of our customers by offering new technologies, products, and services that match these diverse needs. Newsprint will continue to be the core of the Oji Paper Group's business activities. We have also decided to install new-energy boilers that use RPF* as principal fuel at the Tomakomai Mill, thereby supporting the prevention of global warming through a reduction in fossil fuel consumption and responding to the recent rise in heavy oil prices.

*RPF (Refuse Paper and Plastic Fuel) is a solid fuel that is made from waste paper that is difficult to recycle into paper and from plastic.



Newspapers in a high-speed rotary press

Production Facilities

The Tomakomai Mill—The World's Biggest Newsprint Mill

The Tomakomai Mill supplies about one-fourth of domestic demand for newsprint, and it is the largest single newsprint production facility in the world. With an integrated production system from pulp to paper, the production of newsprint in various qualities and specifications is done in an efficient, stable manner. Moreover, we have achieved stable supply and high quality nationwide through the use of advanced production control system and leading-edge distribution systems, which have earned the trust of our customers.



Tomakomai Mill

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.



Message

Key
Financial
Indicators

Corporate
Overview

Activities and Strategies

We offer publication papers, such as those used in books and magazines, and commercial printing papers, such as those used for catalogs and manuals. In each of these categories, our lineups include coated papers and thin coated papers, which have a coated surface to enhance the printing effect such as for photos, as well as uncoated papers, which offer superior writeability and readability. Our printing papers are produced with the use of the paper manufacturing technologies that we have cultivated over many years. These papers are made with careful consideration for how they will be used, from suitability for printing and related operations to their end-use as printed materials or paper products. We have developed a lineup of diverse products that meet a range of needs for printing papers.

In the future, substantial growth in domestic demand cannot be expected. To enhance our cost competitiveness, we have undertaken a scrap-and-build project at the Tomioka Mill. We will install leading-edge large-scale paper machines for the production of thin coated paper, and at the same time we will install new-energy boilers for the purpose of energy conversion. When all these facilities are in operation, we will have realized substantial structural cost savings, and the Tomioka Mill will be one of Japan's most cost-competitive paper manufacturing mills. In addition to facilities, we are also working to enhance our distribution systems. We are taking steps to establish leading-edge systems and to bolster our competitiveness.



Tomioka Mill

41

Production Facilities

Integrated Production on Fully Automated Lines at the Kasugai Mill

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. In all production processes, we have aggressively modernized facilities with the introduction of the latest technologies. As a result, we have realized the flexibility needed to handle both mass production and small production runs, while also maintaining high product quality and productivity. We are working to be environmentally friendly and to reduce use of fossil fuels. To those ends, in October 2007 we installed new-energy boilers.



Kasugai Mill's No.10 machine

Boxboard and Packaging Papers

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



Activities and Strategies

Boxboard, commonly known as pasteboard, is a packaging material that is used for products that are indispensable in daily life, such as confectionary, medicine, and tissues. Packaging papers, meanwhile, are used in such applications as shopping bags, simple wrapping, and envelopes as well as in bags for such products as agricultural products and cement. Moreover, in regard to boxboard, the percentage of recovered paper is high. In regard to packaging paper, the principal raw materials are residual wood and scrap wood that are not suitable for use at sawmills. Both of them are drawing attention as environmentally friendly materials that are linked to reduction of waste.

Through the use of the latest facilities and leading-edge technologies, the Oji Paper Group has ensured the quality and reliability and secured a position as one of the industry's top manufacturers. In packaging papers, we have responded rapidly to the polarization of demand into low-resource packaging and diversified packaging materials, and we have secured a top share of the market. Through the provision of a diverse range of boxboard and packaging papers with the functionality and printing smoothness needed for a variety of uses, we are meeting a wide range of user needs.

We aim to continue to enhance our lineup and to consolidate our position as the leading manufacturer of boxboard and packaging paper.



Fuji Mill's N-2 machine

Production Facilities

Fuji Mill—A Core Facility Combining Tradition with Advanced Technology

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. With a leading-edge N-2 machine, we are producing high-quality boxboard. 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.



Fuji Mill

Communications Papers

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

Market Share in Japan

22%



Activities and Strategies

With companies making increasing use of IT and with growth in information processing, such as POS systems and distribution management systems, demand for communications papers is increasing. Moreover, there are growing needs for papers with new functions and characteristics and for environmentally friendly papers. The Oji Paper Group is supplying its customers with all types of communications papers that meet these needs, including thermal papers, inkjet printer papers, PPC papers, and carbonless papers. Furthermore, we are developing a range of new products—such as paper for high-speed printers for on-demand printing—that are used for the input and output media for information processing systems and are highly regarded in various industries.

Our communications papers operations extend around the world, and in addition to thermal papers, in which we have one of the top global shares, we also produce and sell carbonless papers and inkjet papers overseas. International expansion of our thermal paper business began in 1980s with the establishment of Kanzaki Specialty Papers (KSP) in the United States. In the 1990s, we added Kanzan Spezialpapiere in Germany, followed by Oji Paper (Thailand) (OPT) in 1996. Overseas operations were further expanded in 2001 with the establishment of Oji Specialty Paper (Shanghai) to process thermal papers in China.

Moreover, we have concluded a strategic operating agreement in the field of thermal paper with Votorantim Celulose e Papel S.A., the largest communications paper company in Brazil. As a result, Votorantim will have enhanced access to technical cooperation from the Oji Paper Group in Brazil and Latin America, while Oji Paper can consider expansion into South America for thermal paper operations.

Also, due to the wide spread use of digital cameras, there is an ongoing shift away from photo film in the photography market. To build a solid position in this market, Ilford Imaging Switzerland, a global production and sales company of resin coat (RC) inkjet paper with quality on a par with photo film, was added to the Group in 2005.

Production Facilities

Oji Paper (Thailand)—Building Business in the Rapidly Growing Southeast Asian Market.

Oji Paper Thailand (OPT) uses the technology of the Oji Paper Group, which has earned a worldwide reputation for advanced 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 the end of 2008. Through this new facility, Oji Paper's share of the thermal paper market in Asia, excluding Japan and China, is expected to increase substantially.



Oji Paper (Thailand)

Message

Key
Financial
Indicators

Corporate
Overview

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.



Activities and Strategies

Oji Paper Group's specialty paper operations, through Oji Specialty Paper, meet diverse needs for functional papers in a variety of fields.

Our products include ultra-lightweight, non-transparent yet thin printing papers for use in dictionaries and other publications; specialty papers such as highly expressive fancy papers; labeling papers used in such fields as food, medicine, and distribution; construction papers, such as printed decorative sheets; electric material papers, such as lamination papers for electric switchboards and insulating materials for high-capacity transformers; specialty papers for liquid containers and food packaging, with consideration for quality maintenance and safety of food from many directions, such as odorlessness and cleanliness; polypropylene (OPP) products, and vapor deposition film for advanced capacitors. Moving forward, we will contribute to society through the development and production of papers with advanced special functions.

In June 2007, we reached an agreement with Tokushu Tokai Holdings, Co., Ltd., and its subsidiary Tokushu Paper Mfg. Co., Ltd., regarding a strategic alliance. This alliance is intended to increase cost competitiveness in the field of specialty papers and to help us respond rapidly to diversifying demand. In the future, we plan to consider specific initiatives, centered on mutual OEM production, joint development of new products, and joint R&D in the field of specialty papers.



Ebetsu Mill's No.10 machine

Production Facilities

Shiga Mill—Specialized Manufacturing Facility for Advanced Films

In 2005, in response to increasing demand, production capacity was increased at the Shiga Mill. The mill is a base for the production of polypropylene (OPP) film, which is used in capacitors for hybrid vehicles. Oji Specialty Paper is actively developing new technologies and products to meet new needs, including films for electronics and films used for production lines in IT industries as well as films for packaging use.



Shiga Mill

Containerboard and Corrugated Containers

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

Market Share in Japan

27% Containerboard

23% Corrugated Containers



Activities and Strategies

Corrugated containers, which are indispensable in modern distribution, are an extremely convenient material for the transportation of goods and are used in many areas of daily life, accounting for around one-quarter of packaging materials. The Oji Group has integrated operations, from the production of containerboard, which is produced principally from recovered paper, to the assembly of corrugated containers, as well as material development, structural design, and art design, and supplies products promptly through an extensive nationwide operational network. As there is a need for diverse functionality in corrugated containers, we offer a variety of products that meet the needs of customers, not only for strength but also for water resistance, water repellency, suitability for beautiful printing, and suitability for high-speed gluing.

In corrugated container operations, we have substantially restructured our operations to boost competitiveness. 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. In September 2007, we consolidated Oji Chiyoda Container's Takino Mill and Hyogo Mill, and we plan to restructure the production system in the Kansai region in fiscal 2009. Through this base consolidation, we will work to increase production efficiency and enhance cost competitiveness and move forward with new business development.

Production Facilities

Oji Paperboard, Kushiro Mill—Largest Production Capacity in Japan

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.



Oji Paperboard, Kushiro Mill's L-1 machine

Gunma Mori Shigyo, Ojima Mill—Highest Productivity in the Industry

This mill is outstandingly cost-competitive. Its production capacity for containerboard sheets per worker is significantly higher than the industry average.



Gunma Mori Shigyo, Ojima Mill

Message

Key Financial Indicators

Corporate Overview

Household Products

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



Activities and Strategies

Oji Nepia, which handles household product operations for the Oji Paper Group, supplies a wide range of household products under its nepia and nepia GENKI! brands, including tissues, toilet rolls, and diapers. Leveraging knowledge, technologies, and know-how cultivated over many years in the production of household paper products, we place customer satisfaction first as we work to produce and supply high-quality, environmentally friendly products. At the same time, we are developing products that make comfortable lives more enjoyable, such as *HANA Celeb*, which offers moisturizing functions, *JAPAN premium*, which has printed patterns, and *Japan no Kaori*, which is a scented product.



HANA Celeb tissue

In April 2007, Oji Nepia updated its branding for baby diapers, introducing the nepia GENKI! brand in place of the *Doremi* 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. We launched nepia GENKI! *Hi-Catch*, which established a new category, and at the same time developed and strengthened the nepia GENKI! brand. *Hi-Catch*, with its new urine-feces separation functionality, has been highly evaluated for its functionality. For example, the product won the 2007 Good Design award.



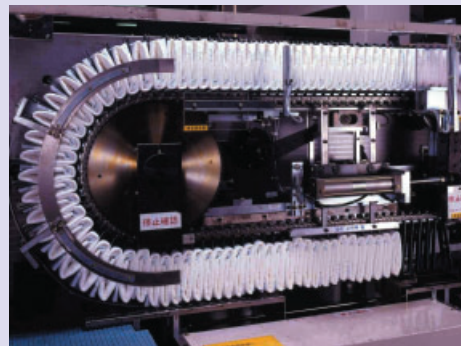
Deluxe premium toilet rolls

Oji Paper, Oji Nepia, and the Japan Committee for UNICEF established the *nepia Thousand Toilets Project* in 2008, which is the International Year of Sanitation. To support UNICEF’s water and sanitation support activities, a portion of sales of nepia products will be donated to UNICEF from July 1, 2008. In East Timor, Asia’s youngest country, toilets will be built in 1,000 homes, toilets will be built or repaired in 15 schools, and support will be provided for sanitation improvement.

Production Facilities

Oji Nepia, Nagoya Mill—The Group’s Biggest Manufacturing Facility for Household Products

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.



Nagoya Mill

Overseas Business

The Oji Paper Group continues to expand its forestry, manufacturing, and sales activities globally. Our target is to increase our overseas sales ratio from 10% to 20%.



Message

Key
Financial
Indicators

Corporate
Overview

Strategies

Aggressively Implementing Overseas Forest Planting

With competition to secure resources becoming increasingly fierce, in the launch of the full-scale operation of the Nantong project, we are aggressively promoting overseas forest planting from the viewpoint of securing resources over the long term. Previous initiatives have included the planting of forests in Canada, New Zealand, and Brazil, and in recent years we have accelerated our efforts, principally in Asia. As a result, at the end of fiscal 2007 we had 180,000 hectares of overseas tree plantations. In the future, we will move forward aggressively, targeting 300,000 hectares of tree plantations by fiscal 2010.



Overseas forest planting (New Zealand)

The Nantong Project—Establishing a Foothold in the Rapidly Growing East Asia Market

Currently, Japan ranks third in the world in consumption of paper and paper products, after the U.S. and China, but the domestic market is mature. To build a foundation for future growth, the Oji Paper Group is focusing on overseas operations, centered on the rapidly growing East Asia market. The Nantong project is a major step forward in the expansion of our operations in East Asia. This project, which is currently under construction, will be an integrated paper and pulp production facility in Nantong City, Jiangsu Province, China. The master plan calls for annual production of 1.2 million tons of high-grade printing paper for supply to the Chinese market. In July 2006, the Chinese government approved the Nantong project, and a joint venture was formed following the receipt of approval for its establishment in October 2007. Currently, construction work on the mill has begun, and plans call for the first machine to come on stream in the second half of 2010, with an annual production capacity of 400,000 tons of high-grade paper. This project entails large-scale capital investment, and with leading-edge facilities and the introduction of world-class production control technology and environmental technology cultivated in Japan, the project will contribute to the development of China's paper and pulp industry and the improvement of environmental problems. Furthermore, by providing a stable supply of high-quality printing paper to the Chinese market, the project will contribute to the advance of China's culture and economy. To gain a foothold in the rapidly growing East Asia market, we will concentrate the comprehensive strengths of the Group on making the Nantong project a success.

Other Business

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



Oji Forest & Products Co., Ltd.

Serving as the hub of the Oji Paper Group's forestry activities

Oji Forest & Products, the core company in the Group's forestry operations, handles a wide range of businesses, including forestry, wood products, and paper-making raw materials, and tree planting as well as gardening supplies and health-related products. It has also undertaken concrete measures to protect the environment. It has gained corporate certification as a company that complies with the law in the handling of wood products, certification by the Sustainable Green Ecosystem Council (SGEC) for its sustainable management of all forests owned by Oji Paper in Japan, and certification related to the distribution of wood products (SGEC, FSC).



Forest thinning (Miho Forest)

Oji Recovered Paper and Market Pulp Co., Ltd.

Working to procure stable supplies of recovered paper and pulp

In accordance with an integrated strategy, this company was founded in April 2003 with the objective of undertaking the stable procurement of the recovered paper and pulp used by the Group. With demand for recovered paper increasing around the world, competition to secure recovered paper is intensifying in Japan and overseas, and prices are increasing. In this setting, the company is taking steps to ensure stable procurement of recovered paper and pulp. These steps include the preparation of intake systems, such as stockpile yards, the aggressive use of low-grade recovered paper, and the establishment of a collection system for the paper used in confidential documents.



Recovered paper collection and stockpiling yard at the Sobue Mill

Apica Co., Ltd.

Contributing to culture and education through paper products

Apica produces and markets a complete lineup of paper products for school, such as notebooks. Recent business developments include the launch of the popular Official series of notebooks in 2006. Moreover, new ventures include the launch of *Danmode corrugated board craft kits*. These kits are highly popular. In the future, Apica will strive to approach the familiar world of stationery from a fresh viewpoint and to provide improved products.



Notebooks produced by Apica

Wide Range of Activities

The Oji Paper Group consists of over 300 subsidiaries and affiliates. Listed below are 87 Oji Group companies selected for their noteworthy contributions to group activities and business performance.

Pulp and Paper Business

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

Sanitary Paper Products Business

Oji Nepia Co., Ltd.
Nepia Trading Co., Ltd.
Nepia Tender Co., Ltd.
Oji Paper Nepia (Suzhou) Co., Ltd.

Raw Material Procurement Related 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 Feather Core Co., Ltd.
Ojiadba 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.
Oji Intertech Inc.
Oji Label (Thailand) 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.
Aipax Co., Ltd.
SUZHOU OJI PACKAGING CO., LTD.

Wood and Tree Planting Business

Oji Forest & Products 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.
B&C International Co., Ltd.

Contributing to Society by Taking on the Challenge of Enhancing the Possibilities of Paper as a Material

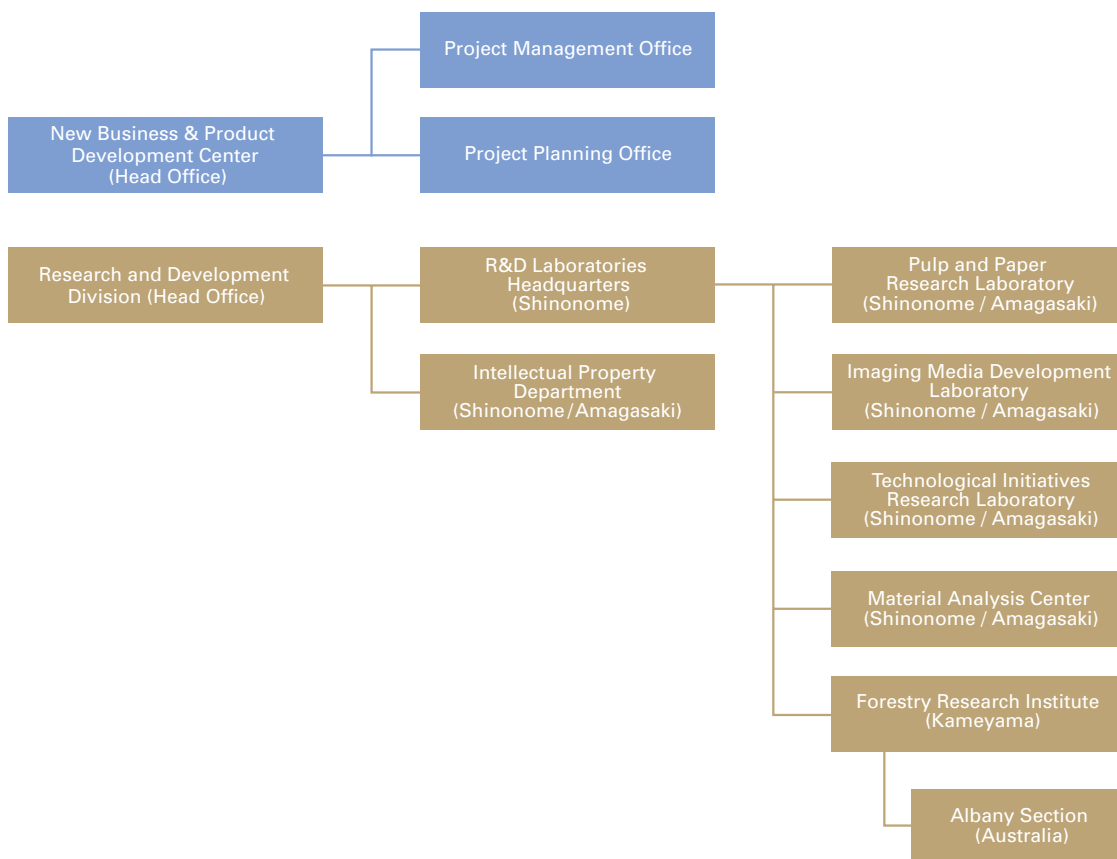
The Oji Paper Group contributes to society through its innovative R&D activities, in which it explores new possibilities for paper and forest resources. In addition to making the most of the possibilities of paper as a material, our R&D activities advance our ability to secure forest resources and contribute to environmental conservation.

Research and Development Organization

Paper has infinite potential as a material and is used throughout people's lives. Accordingly, paper-related R&D covers a wide range of areas. The Oji Paper Group is extending the potential of paper by leveraging the material characteristics and functions, with a focus on various technical fields.

Overall coordination of the Group's R&D system 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. 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.

The New Business & Product Development Center advances and supports the development of new businesses and new products. Through such activities as market research and support for development projects, the center links market needs and R&D "seeds" and promotes commercialization.



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

● Pulp and Paper Research Laboratory

This laboratory develops pulping and paper-making technologies, including wastepaper 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.

Topics

The ash produced by new-energy boilers, which are designed to reduce the use of heavy oil, is effectively used in cement or as a soil improver. However, the type and quantity of the small amounts of metal in the ash are different depending on the fuel. To facilitate environmentally friendly processing and expand applications, we are working to develop processing technologies compatible with each type of incinerator ash. We are researching how to increase productivity and reduce costs for various types of fuel, such as pulp and recycled paper. In addition, we are also conducting research into processing methods for incinerator ash, which is the final waste product, for various types of fuels.

● 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.

Topics

Targeting product R&D that meets market needs, we developed a gloss coated paper with improved sealing properties for the expanding field of digital printing. Further, in thermal paper, we launched a label paper that can be stored for long periods in various usage environments and offers superior printability with high-speed printers.

● 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.

Topics

We are advancing research using resources obtained from sustainable forests, such as overseas forest planting, with a focus on the comprehensive, effective use of forest plantations and extracts from trees. We are also aiming to create new fields of business. One area of research is bio-ethanol from forest brushwood used as a liquid fuel for automobiles, which is expected to be a next-generation fuel. Another is the use of extract from physiologically active substances, such as new oligo saccharides from trees.

● 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.

Topics

We are implementing support activities targeting the increase of the Group's overseas forest plantations to 300,000 hectares by fiscal 2010. Also, we are working to improve the productivity of existing plantations, which total about 180,000 hectares. With eucalyptus and acacia, we are moving ahead with research into the cloning of individual trees with superior growth characteristics. And to improve growth characteristics and resistance to dryness and acidic soil, we are taking on the challenge of genetic engineering.

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

As a corporate citizen, the Oji Paper Group is implementing social contribution activities that build on its core business as it maintains harmonious relationships with local communities. As one facet of those activities, the Oji Paper Group is supporting a variety of initiatives in such areas as sports, culture, and science and technology in order to contribute to the enrichment of regional communities and the wider society.

Sports Activities

● 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. At the Asia League 2007-2008 tournament, the team advanced to the playoff finals, and won its first league title.



● Amateur Baseball

Oji Paper's baseball team, which celebrated its 50th anniversary in 2007, is based in Kasugai City, Aichi Prefecture. Oji Paper's baseball team has been extremely successful in terms of both sporting achievements, with a strong record in the amateur league, including a championship in the Inter-City Tournament in 2004, as well in community-building through baseball.

Cultural Activities

● 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 original programming and planning, as well as its excellent acoustical design and comfortable seating. Since it was opened, top musicians from Japan and overseas have performed, and the hall continues to serve as a location for musical culture.



Contributing to Science and Technology

● Fujihara Foundation of Science

Ginjiro Fujihara, who was called "the King of the paper manufacturing industry" in Japan, established the Fujihara Foundation of Science with a personal endowment of ¥100 million in 1959. His lifelong desire was to make Japan the world leader in science and technology. After retiring from the presidency of Oji Paper in 1938, he used private funds to establish the Fujihara Institute of Technology, which later became the Faculty of Engineering of Keio University. 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



The 49th Fujihara Awards winners

Award to scientists who have made important contributions to the advancement of science and technology in Japan. Many prominent scientists have received the award, including Nobel laureate Professor Masatoshi Koshihara. In 2008, the 49th Fujihara Award was presented to Masaki Kashiwara, Director of the Research Institute for Mathematical Sciences, Kyoto University, and to Kuniaki Tatsuta, of the Faculty of Science and Engineering, Waseda University, and Director of the Waseda Institute for Advanced Studies.

Making Social Contributions Through Domestic Company Forests and Overseas Forest Planting

With forest resources throughout Japan totaling 190,000 hectares, the Oji Paper Group has the largest holdings of any private company in Japan. We have drawn on these resources to develop 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. Moreover, through overseas forest planting operations, we are contributing to local communities.

Oji Forests

Oji Forests covers a total area of 190,000 hectares in various parts in Japan. This is the largest scale for a private sector company. 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

The Oji Forest Nature School is jointly organized by Oji Paper and the Japan Environmental Education Forum. This annual program was created to use the Oji Paper Group’s precious domestic forest resources to teach children about the relationships between people, forests, and paper through first-hand experience. This program, the fifth in the series, was held in five locations in 2008—Hokkaido, Nikko, Fuji, Hiroshima, and Miyazaki—with support from various government agencies, including the Ministry of the Environment, the Ministry of Education, Sports, Science and Technology, and the Forestry Agency

Forestry Activities in Laos

The Oji Paper Group, in February 2005, through a joint investment with the Laos government, established OJI Lao Plantation Forest Co., Ltd. (LPFL). This company, in the Mekong River basin in central Laos, is conducting tree planting operations and engaging in dialogue with local residents. By 2013, plans call for about 50,000 hectares of tree plantations. This project, based on the concept of “forestry conducted together with local residents,” is working aggressively to not only create local employment but also bolster the lifestyle foundation of the local communities and raise the standard of living of local residents. In this way, Oji Paper, by contributing to local communities through overseas tree planting operations, is meeting its social responsibilities.



Major Mills in Japan

(As of March 31, 2008)

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 86 production sites in Japan.

Pulp and Paper Mills 29 Sites

Oji Paper / Oji Specialty Paper /
Oji Paperboard / Oji Nepia /
Mori Shigyo Group

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

Converted Paper Products Mills 57 Sites

Oji Chiyoda Container Group

- 21 Oji Chiyoda Container, Kushiro Mill
- 22 Oji Chiyoda Container, Sapporo Mill
- 23 Oji Chiyoda Container, Aomori Mill
- 24 Oji Chiyoda Container, Sendai Mill
- 25 Oji Chiyoda Container, Fukushima Mill
- 26 Oji Chiyoda Container, Kasumigaura Mill
- 27 Oji Chiyoda Container, Tsukuba Mill
- 28 Oji Chiyoda Container, Ibaraki Mill
- 29 Oji Chiyoda Container, Utsunomiya Mill
- 30 Oji Chiyoda Container, Gunma Mill
- 31 Oji Chiyoda Container, Takasaki Mill
- 32 Oji Chiyoda Container, Saitama Mill
- 33 Musashi Oji Container, Musashi Mill
- 34 Oji Chiyoda Container, Tokyo Mill
- 35 Oji Chiyoda Container, Kanagawa Mill
- 36 Oji Chiyoda Container, Nagano Mill
- 37 Shizuoka Oji Container, Tobu Mill
- 38 Shizuoka Oji Container, Main Mill
- 39 Oji Chiyoda Container, Koda Mill
Oji Chiyoda Container, Nagoya Mill
- 40 Oji Chiyoda Container, Shiga Mill
- 41 Nishikoh Danboul, Main Mill
- 42 Oji Chiyoda Container, Takatsuki Mill
Oji Interpack, Kansai Mill
Oji Chiyoda Container, Osaka Mill
- 43 Oji Chiyoda Container, Hyogo Mill
- 44 Oji Chiyoda Container, Mihara Mill
- 45 Oji Chiyoda Container, Hiroshima Mill

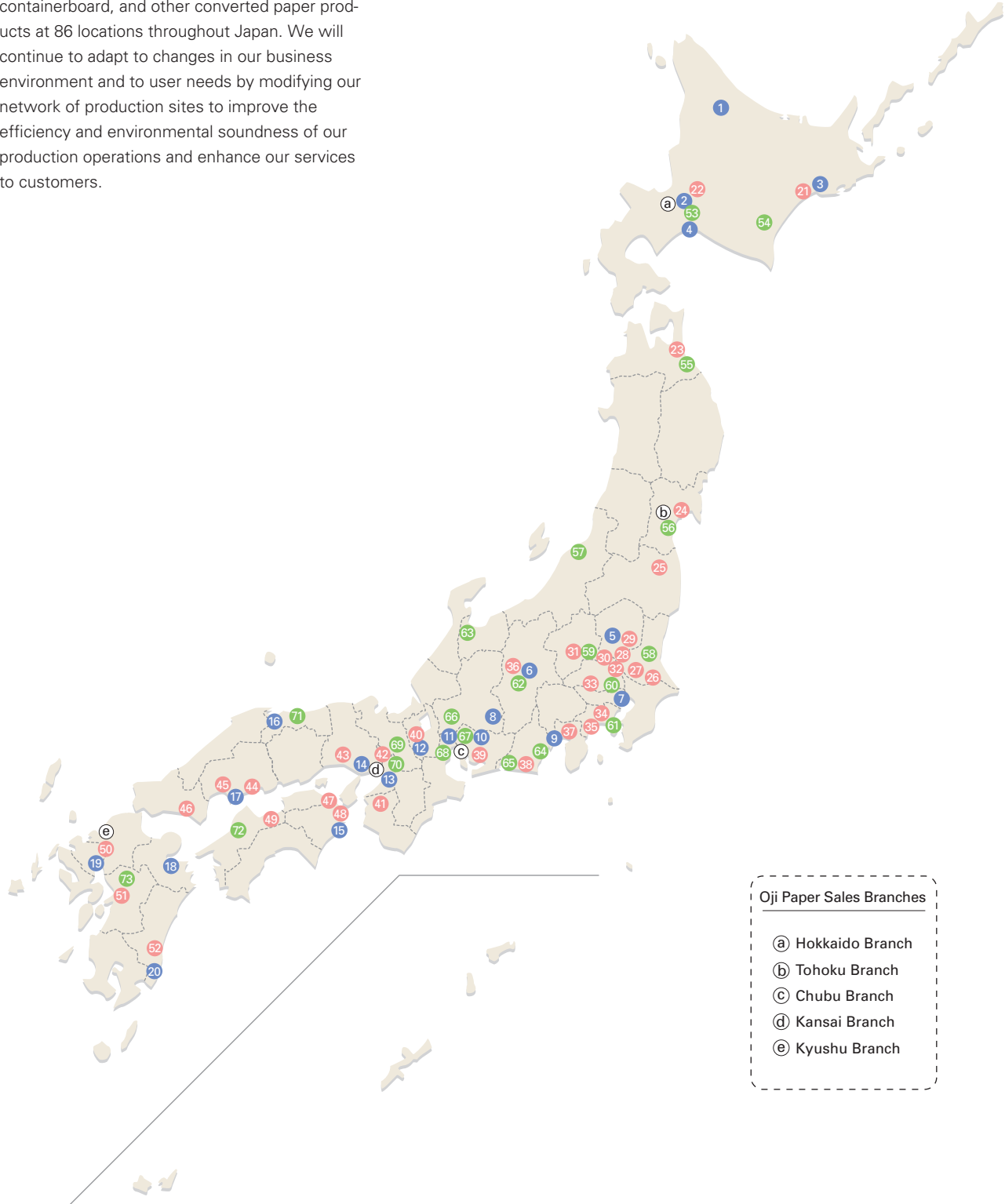
- 46 Oji Chiyoda Container, Hofu Mill
- 47 Oji Chiyoda Container, Tokushima Mill
- 48 Nihon Seikahoso, Main Mill
- 49 Oji Chiyoda Container, Ehime Mill
- 50 Oji Chiyoda Container, Kyushu Kita Mill
- 51 Oji Chiyoda Container, Kumamoto Mill
- 52 Kyodo Shiko, Main Mill

Mori Shigyo Group

- 53 Hokkaido Mori Shigyo, Sapporo Mill
- 54 Hokkaido Mori Shigyo, Obihiro Mill
- 55 Tohoku Mori Shigyo, Hachinohe Mill
- 56 Sendai Mori Shigyo, Shibata Mill
- 57 Niigata Mori Shigyo, Niigata Mill
- 58 Hitachi Mori Shigyo, Ibaraki Mill
- 59 Gunma Mori Shigyo, Ojima Mill
- 60 Mori Kamihanbai Tokyo Shiki Mill
- 61 Mori Shigyo, Yokohama Mill
- 62 Nagano Mori Shigyo, Shiojiri Mill
- 63 Hokuriku Mori Shigyo, Oyabe Mill
- 64 Shizuoka Mori Shigyo, Yaitsu Mill
- 65 Shizuoka Mori Shigyo, Hamamatsu Mill
- 66 Tokai Mori Shigyo, Gifu Mill
- 67 Mori Kamihanbai, Nagoya Branch
- 68 Mori Shigyo, Yokkaichi Mill
- 69 Mori Shigyo, Wrapping Paper Mill
Mori Kamihanbai, Kyoto Branch
- 70 Mori Shigyo, Hirakata Mill
- 71 Torika Hoso Shizai
- 72 Shikoku Mori Shigyo, Iyo Mill
- 73 Kyushu Mori Shigyo, Kumamoto Mill

86 Mills in Japan

The Oji Paper Group manufactures paper, containerboard, and other converted paper products at 86 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.

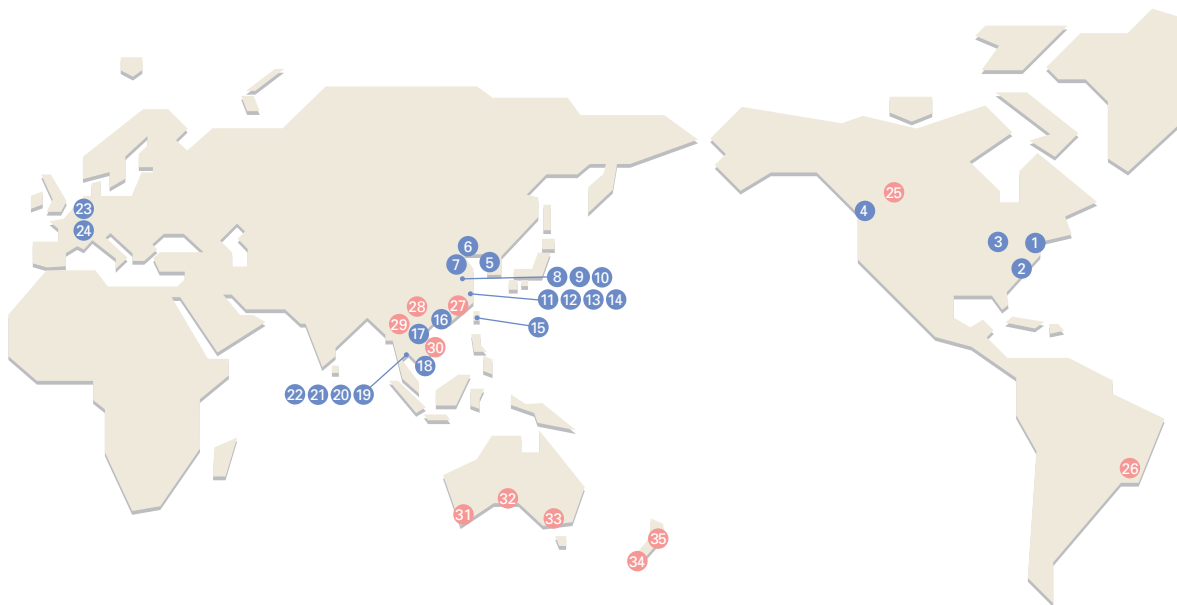


Global Operations in Forestry, Pulp and Paper Manufacturing, and Converted Paper Products

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

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.



Manufacturing of Paper, Converted Paper, and Other Products

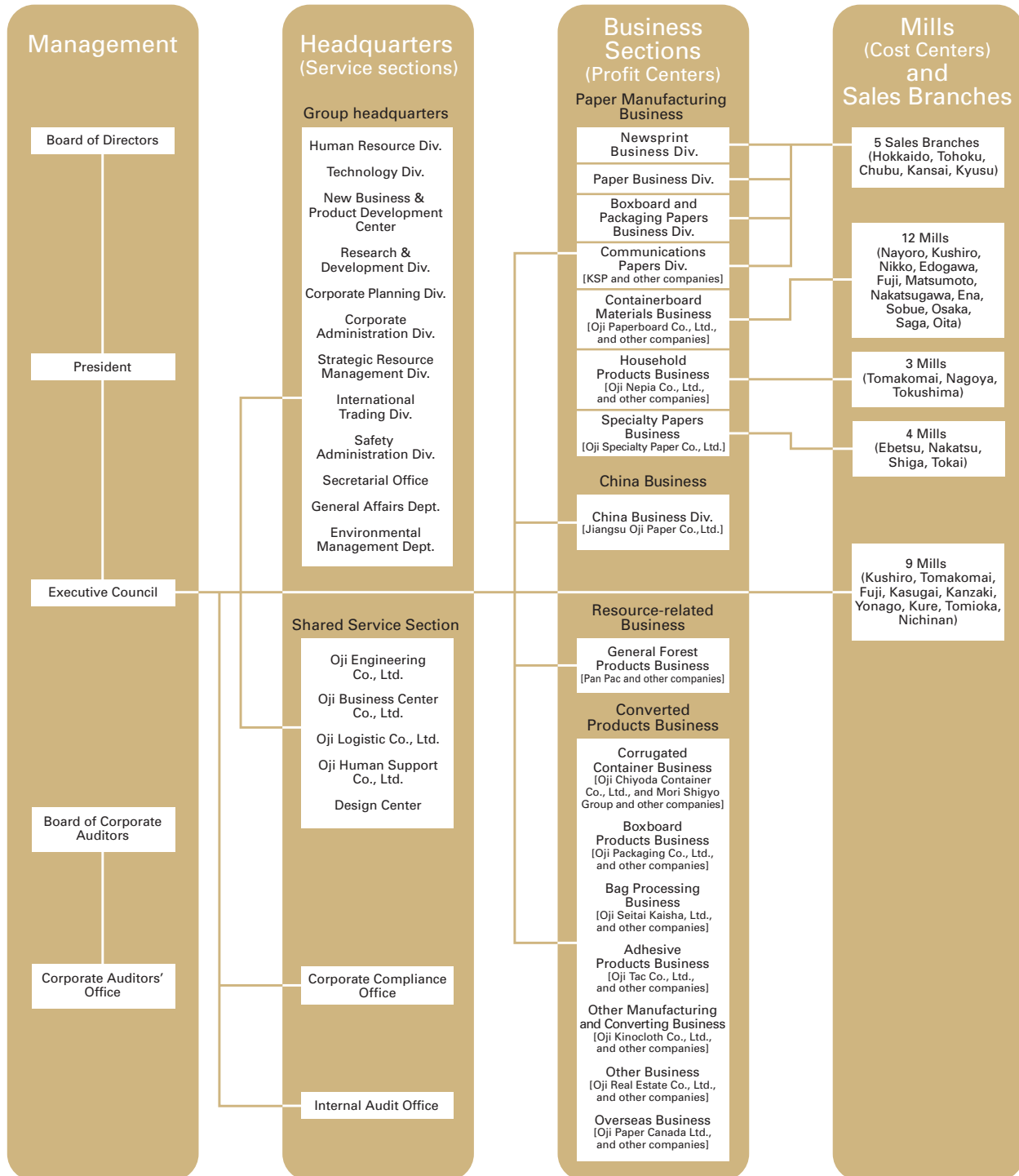
- | | |
|-----------------------------------|-------------------------------|
| 1 Kanzaki Specialty Papers | 14 Oji Kinocloth (Shanghai) |
| 2 Yupo Corporation, America | 15 Cheng Yuang Paper Business |
| 3 Oji Intertech Inc. | 16 KS-Systems (HK) |
| 4 HSLP | 17 Ojitex Haiphong |
| 5 Oji Interpack Korea | 18 Ojitex (Vietnam) |
| 6 Dalian Mori Mitsui Packaging | 19 Oji Paper (Thailand) |
| 7 Qingdao Oji Packaging | 20 Oji Label (Thailand) |
| 8 Kunshan Chiyoda Filter | 21 Piraab Starch |
| 9 Oji Paper Nepia (Suzhou) | 22 Union and Oji Interpack |
| 10 Suzhou Oji Packaging | 23 KANZAN Spezialpapiere |
| 11 Oji Specialty Paper (Shanghai) | 24 Ilford Imaging Switzerland |
| 12 Shanghai Eastern Oji Packaging | |
| 13 Oji Packaging (Shanghai) | |

Tree Plantation and Pulp Manufacturing

- | | |
|------------|------------|
| 25 AFPI | 32 GPFL |
| 26 CENIBRA | 33 EPFL |
| 27 KPFL | 34 SPFL |
| 28 CPFL | 35 Pan Pac |
| 29 LPFL | |
| 30 QPFL | |
| 31 APFL | |

Group Management Structure

(As of June 27, 2008)



Message

Key Financial Indicators

Corporate Overview

Investor Information

(As of March 31, 2008)

Shares of Common Stock

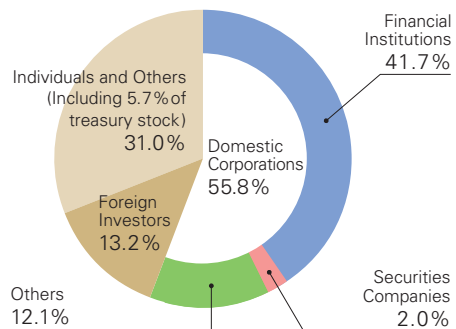
Authorized :	2,400,000,000 shares
Issued :	1,064,381,817 shares
Number of Shareholders :	94,996 (Increase of 2,009 shareholders from the previous year-end)

Major Shareholders (Top 10)

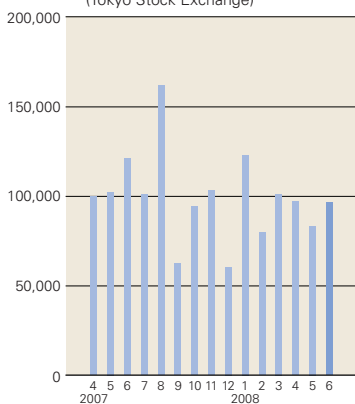
	Shares held (Thousands)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	57,464	5.9
Japan Trustee Services Bank, Ltd. (Trust account)	41,698	4.3
Japan Trustee Services Bank, Ltd. (Trust account 4)	34,772	3.6
Sumitomo Mitsui Banking Corporation	31,668	3.3
Mizuho Corporate Bank, Ltd.	28,498	2.9
Nippon Life Insurance Company	27,328	2.8
The Norinchukin Bank	26,654	2.7
Oji Paper Employee Stock-holding Association	19,160	2.0
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 61,134 thousand shares, which is excluded from the list. Numbers less than one thousand are rounded down.

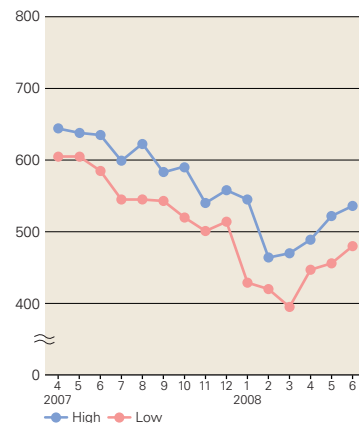
Distribution of Shareholders (%)



Volume of Shares Traded (Thousands of shares) (Tokyo Stock Exchange)



Common Stock Price Range (Yen) (Tokyo Stock Exchange)



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
--------------------------	------------------

Number of Employees :	20,056 (March 31, 2008, consolidated)
------------------------------	---------------------------------------

Major Business Lines :	<ul style="list-style-type: none">• Production and sale of pulp, paper, and paperboard such as newsprint, printing and writing papers, specialty papers, containerboard, and boxboard.• Production and sale of converted products such as corrugated containers, thermal papers, and household products.• Production and sale 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.
-------------------------------	---

Message

Key
Financial
IndicatorsCorporate
Overview



O J I P A P E R

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