

# Annual Report 2010

Year ended March 31, 2010



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.



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## To Our Stakeholders

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

For the fiscal year 2009, while world economy has shown signs of recovery from severe economic stagnation that began in 2008, on the contrary, Japanese economy has not been on the track of recovery because of low consumer spending and deflationary situation.

In this setting, the Oji Paper Group has implemented various measures to improve profitability by reducing production costs and cutting fixed cost and expenses. For our financial result of fiscal 2009, while both production volume and sales amount declined due to weak demand of paper and paperboard as same as a year before, our ordinary profit increased due to various cost reduction measures and favorable market price of crude oil and waste paper.

Aiming to build our continuous growth foundation and to step forward to a stronger corporate group, I defined 2010 as the "First Year of Business Portfolio Transformation". We promote various growth strategies in all business areas.

In the household and industrial materials business section, we will establish "material-converted products integrated business model".

In the printing and communications media business section, we will strengthen our global competitiveness through fundamental shift of our cost structure and build up business foundation being harmonized with the integration of East Asia market.

In the functional materials business section, we will establish R&D oriented business structure and develop customer oriented new products and new business derived from our core technologies.

In East Asia, we are constructing a state of art paper mill at Nantong, China as scheduled, and will begin commercial production by later 2010. We will make our best to achieve early production stability and establish effective sales network in China. Also, in Malaysia, we acquired a paperboard and corrugated container manufacturer in 2009. We aggressively pursue business expansion in growing East Asia market

In the resource and environmental business section, we will transform its business scope from resource procurement to total forestry business by utilizing our forest resources and related technologies. In March 2010, we invested into an Indonesian plantation project for woodchip, lumber and plywood.

It is urgent and unavoidable issue to respond to the market globalization. In order to timely respond to various market requirements, we will establish an optimal borderless business structure by investing sufficient capital and human resources to growth and innovative business segments both in Japan and overseas.

I would like to ask all our stakeholders for the continued support as we try our best to meet your expectations.

September, 2010



Kazuhisa Shinoda, President and CEO

# Management Strategies

"Pursuing efficiencies in domestic business" and "Expanding overseas business", those are our basic management policy that we address with three key words: "passion", "sincerity" and "teamwork".

## Business environment

World paper and paperboard demand has increased rapidly in recent years. Especially, Asian market including China has shown significant growth according with its economic development. It is forecasted that Asian market will continue to lead world paper and paperboard demand. On the other hand, we can no more expect growth in the paper markets in developed countries including the U.S. and Japan, where the markets have matured as well as the demand structure is changing by accelerated ICT trend.



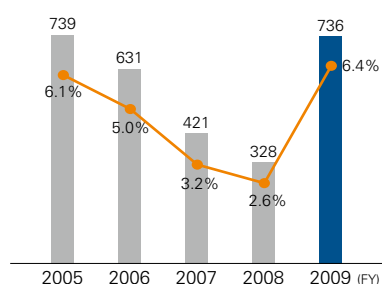
Left to right: Mr. Ding Dawei, Mayor of Nantong Municipal People's Government, Kazuhisa Shinoda, President and CEO, and Mr. Song Fei, Deputy director of Nantong Municipal People's Congress Standing Committee

## Strongly pursue, "Business Portfolio Transformation" to secure continuous growth

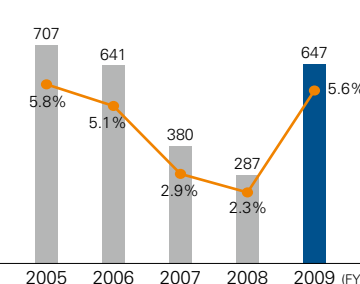
Over our long history of more than 130 years, the Oji Paper Group always has kept its position as leading company in Japan by adapting to the various changes in the business environment. The recent business environment surrounding us is at a major historical turning point. In order to get through this critical turning point and continue to grow, we set "transformation of business portfolio by innovation" as our basic management strategy.

Specifically, while restraining investment in traditional domestic business categories only to refurbishment of older equipment, cost reduction, environmental protection and safety measures, we commit to allocate sufficient management resources including capital and manpower into segment that is necessary for transformation of business portfolio, such as overseas business, R&D, new functional material business, resource and environmental business and downstream business.

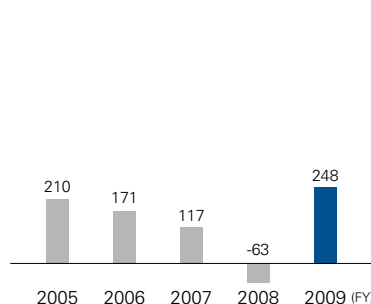
**Operating Profit / Operating Profit to Net Sales**  
(Hundred million of yen)



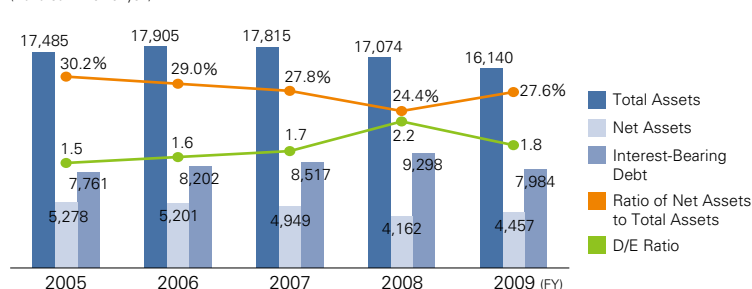
**Ordinary Profit / Ordinary Profit to Net Sales**  
(Hundred million of yen)



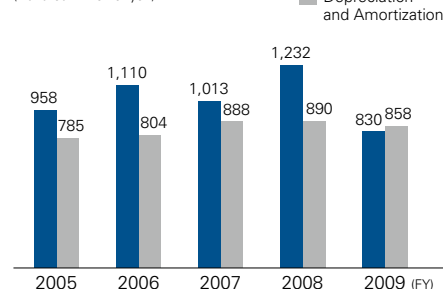
**Net Income**  
(Hundred million of yen)



**Total Assets / Net Assets / Interest-Bearing Debt Ratio of Net Assets to Total Assets / D/E Ratio**  
(Hundred million of yen)



**Capital Investment / Depreciation and Amortization**  
(Hundred million of yen)



By this prioritization, we will strengthen our financial base and create new lines of business in Japan by **"Enhancing global competitiveness through aggressive cost reduction", "Establishing material-converted products integrated business model" and "Growth strategy through incubating R&D oriented business"**.

In overseas, we raise overseas sales rate to 20% by aggressively **"Expanding overseas business especially in East Asia"**. In China, we aim to increase annual sales to 100 billion yen by expanding business as well as Nantong Project that will begin commercial production by later 2010 in addition to various existing business. In Southeast Asia, we invested in Indonesian plantation and forest products company Korintiga Hutani (KTH) in March 2010 and acquired Malaysian paperboard and corrugated container manufacturer GS Paper & Packaging (GSPP) in April 2010. We will increase annual sales to 50 to 100 billion yen by speeding up our business expansion by establishment of our business base for the Southeast Asia region.

We **"Promote resource and environmental business"** both in domestic and overseas utilizing our forest resources and related technologies to aggressively explore business chance.

By accomplishing above five strategies to promote **"Pursuing efficiencies in domestic business" and "Expanding overseas business"**, we do everything we can do to reach the target of over 100 billion yen for operating profit, over 50 billion yen for net income for the fiscal year 2012.



## Household and Industrial Materials Company

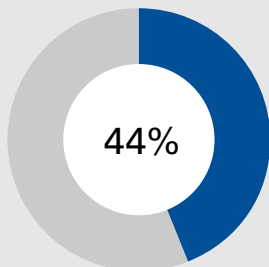


Focusing on "the value that customers desire" and "customer oriented attitude", we try to enhance our profitability.

Household and Industrial Materials Company / President

**Takashi Ishida**

Percentage of Net Sales (2009)



Corrugated fiberboard palette "CORDECK"



Tissue paper "Chobi-eco"

### Business Overview

Household and Industrial Materials Company covers various daily life paper products with packaging function and wiping function.

### Industrial Packaging Materials Business

[Boxboard and Packaging Papers, Containerboard Business]

Our market shares are over 40% for boxboard that is used for package of food and confectionary, over 30% for packaging paper that is used for shopping bag, envelopes, heavy duty bag for grains, and over 25% for containerboard that is used for corrugated container.

We boast the top share in the market and won customers' loyalties.

### [Boxboard Products, Bag Processing, Corrugated Container Business]

Commercial package, that is upgraded and innovated with times, is always required something different in design, function, etc. We are the total packaging company that covers from material production, packaging design to packaging converting. We care for customers' viewpoint and deliver better products promptly from our strategically located production site.



**Household Materials Business**

[Household Products Business]

We carry household products such as facial tissue, toilet roll, paper diapers under well known "Nepia" brand. We support your comfortable life through our product line-ups that are chosen by all demographics customers. We charge the copy "Gentle Heart, Nepia" with significance.

**Business Strategies**

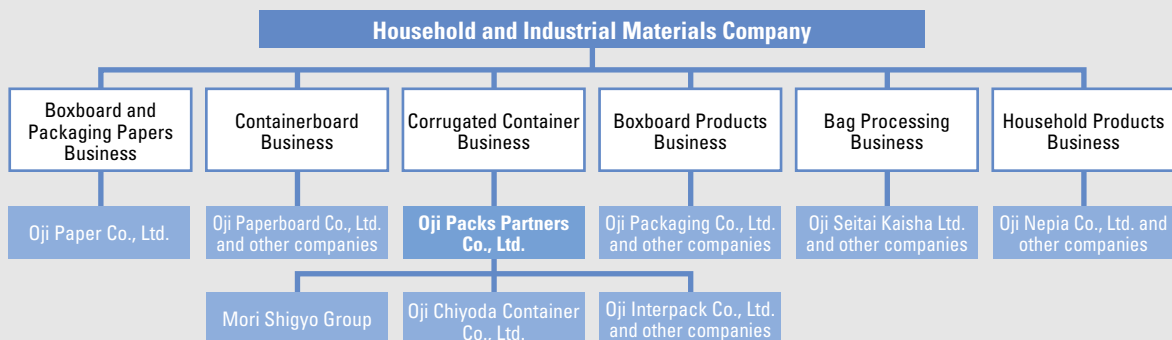
We are reinforcing our integrated business operations structure from materials to final packaging products by establishing "Packaging Innovation Center" in April 2010. It aims to manage all information about market, competitors, customers and our capacity and technologies, and to propose total solutions based on "the value

that customers desire"

In overseas, we plan to expand our business in East Asia market including India primarily by M&As. We bought Malaysia's largest paperboard and corrugated container manufacturer, GS Paper & Packaging (GSPP) in April 2010.

At household material business, we promise to keep customer oriented attitude as we are supplying consumer products. We will strengthen our brand recognition by capturing market needs accurately and quickly respond and provide our service through scientific effective marketing. We also extend product lineups including OEM products as a total life support company.

Company Organizational Chart





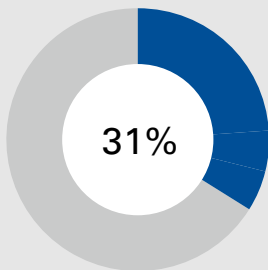
## Printing & Communications Media Company



We promote structure reform in response to the integration of East Asia market.

Printing & Communications Media Company / President  
**Yutaka Sekiguchi**

Percentage of Net Sales (2009)



Newsprint  
“SL+,” “XL+”



Publication Paper  
“Adonis rough”

### Business Overview

#### [Newsprint Business]

Newsprint is required enough strength to tolerate hi-speed rotary press printing and suitability for beautiful color printing finish. We continuously make efforts to improve its quality to meet various needs of newspaper publishers. The Oji Paper Group holds 30% market share in Japan.

#### [Printing and Publication Paper Business]

Quality requirement for publishing paper for books and magazines and printing paper for catalogues and manuals varies according to the article contents, concept designs and printing methods. We are always developing new products and provide wide range of lineup of differentiated products.

#### [Communications Paper Business]

In addition to form paper, carbonless paper, OCR, PPC paper, we have developed wide range of new products such as higher grade paper for POD. Our products are well accepted by all industries as an essential media for information systems.



**Business Strategies**

Domestic demand of printing and communications paper is forecasted to decline due to the shrinking domestic market triggered by penetration of ICT and decrease of advertisement. Therefore, it is the most important issue for printing and communications paper business that we will strengthen our global competitiveness through aggressive change of cost structure.

We have been pursuing production restructuring through closure of 11 paper machines in 2008 and 2009. We achieved some satisfactory results through the action to balance our production capacity and demand. We will further take necessary actions in accordance to the demand. We also address to the total cost reductions through a streamlined system from production to delivery.

In East Asia, the market has shown significant growth led by its economic development, especially in China whose GDP growth rate exceeds 8% per year.

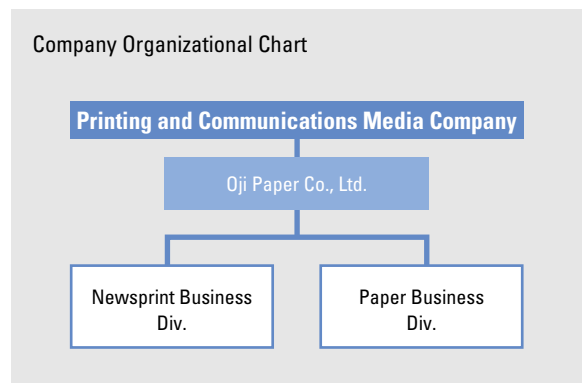
We are constructing a state of art paper mill at Nantong, China, which is scheduled to commence commercial production by later part of 2010.

Focusing on Nantong Investment to penetrate the growth market, we maintain our leadership as one of the top printing and communications paper manufacturers in East Asia.



Nantong Mill

**Company Organizational Chart**



## Functional Materials Company

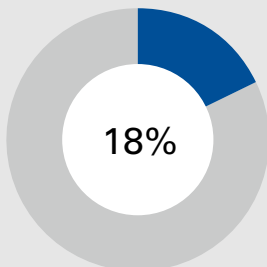


As a key section for the business portfolio transformation of the Oji Paper Group, we strategically budget management resources to establish R&D oriented business structure. We promote new products and new business development derived from our core technologies.

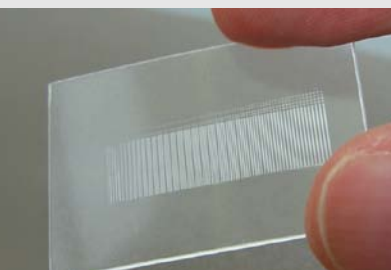
Functional Materials Company / President

**Shinichiro Kondo**

Percentage of Net Sales (2009)



Anti-scratch film



Nanocellular plastic film with micro patterns

### Business Overview

Our functional materials include various specialty papers and functional papers. We also produce wide range of film products by utilizing our core technologies, sheeting and coating that have been cultivated in the long history of paper manufacturing.

#### [Imaging Media Business]

We boast one of the world largest market shares of thermal sensitive paper. By taking advantage of our accumulated thermal sensitive technologies, ink-jet paper technologies and other technologies, we have developed communications paper and film in various areas such as household, industrial, logistics, and medical.

#### [Specialty Papers Business]

We have line-ups of products with specialized functions. Those include ultra light weight paper for dictionaries, highly expressive fancy papers, electronic material paper such as insulating material for high capacity transformer, carrier tapes for semiconductors and micro chips, dry pulp non-woven sheet with rich characteristics and yarn paper with rich breathability and absorbency.

#### [Adhesive Products Business]

Appealing their easy handling features, we are expanding the usage of adhesive products from ordinary products



such as price tags, bottle labels, adhesive tapes, and medical bandages, to industrial products like masking material.

**[Film Business]**

We produce various films such as condenser films, non-carrier films, ink transfer films, hard-coat films. Especially, we have a technology to produce even world thinnest film of 2.8 micro meters that is used for batteries of hybrid vehicles.

**Business Strategies**

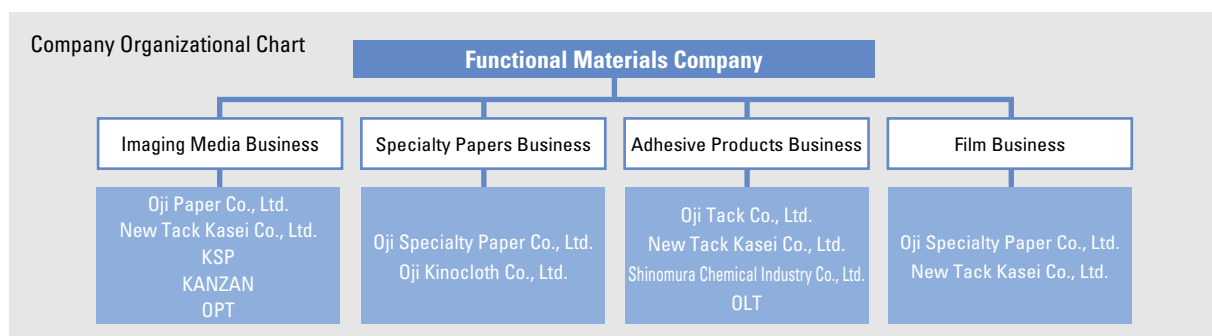
We build up agile structure for products and technology development through focusing on R&D function and connecting it to sales section. We also, allocate sufficient management resources to create new businesses that contribute to our business portfolio transformation.

In the existing business area, by meeting all customers'

requirements and providing prompt technical service, we try to expand sales of new products and acquire customers' loyalties. At the same time, we try to drastically reduce production costs by promptly innovating production technologies especially in thermal sensitive and adhesive area.

In new business area, we especially focus on highly potential "functional sheet" that enable us to utilize our core technologies. Those products under development include various sheet products with adhesive, optical and electronic functions, which are expected to be used in growth area like electronics, energy and medical fields.

For overseas business development, we promote imaging media products such as thermal sensitive materials to enhance our global leading position. We also strengthen business development in the fast growing East Asia market in all functional material fields.





## Development of Overseas Business

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

The Company is implementing construction of a pulp and paper production plant in Nantong City, Jiangsu Province, China. This construction project will be the core of the Group's business development in the country. In 2010, the plant's No. 1 machine was almost completely installed with an annual production capacity 400,000 tons of high-grade paper. Commercial production will be started late in the same year.

The Company is doing its utmost to facilitate smooth startup of the new machine and to proceed with stable operation at the plant.

Regarding sales activities, the Company has been building up its sales network by implementing pre-sales activities in the market.

In addition, the Group companies are developing various business in China. Through working in closer cooperation with each other, the companies will further strengthen

profitability base and aggressively pursue business development. The Group will establish its presence in China.

### The Oji Paper Group companies in China

- Dalian Mori Mitsui Packaging ..... (Corrugated container)
- Qingdao Oji Packaging ..... (Corrugated container)
- Jiangsu Oji Paper (Nantong)..... (Coated paper, woodfree paper)
- Kunshan Oji Filter ..... (Heat exchanger equipment parts)
- Oji Paper Nepia (Suzhou) ..... (Household products)
- Suzhou Oji Packaging ..... (Corrugated container)
- Oji Specialty Paper (Shanghai)..... (Thermal paper)
- Shanghai Eastern Oji Packaging..... (Paper bag)
- Oji Packaging (Shanghai)..... (Paper bag)
- Oji Kinocloth (Shanghai) ..... (Non woven)
- KS-Systems (HK)..... (Printing)
- Cheng Yuang Paper Business ..... (Corrugated container)
- KPFL ..... (Tree plantation)
- CPFL ..... (Tree plantation)

1	2	4	1, 2 Nantong Mill
	3		3 GSPP Mill 4 KTH Tree plantation



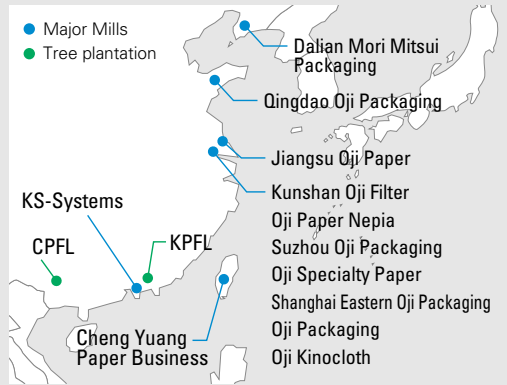
In the growth Southeast Asia market, the Group is aggressively expanding business mainly by merger and acquisitions. In 2010, the Company invested in a plantation business in Indonesia and acquired a paperboard/corrugated container company in Malaysia.

Furthermore, the Company plans to establish a regional base to promote business in the region. Through enhancing dynamic cooperation among the existing businesses such as plantation and chipping, paperboard and converted paper products, functional materials and etc., and also pursuing new business chances, the Group will aggressively develop business in Southeast Asia.

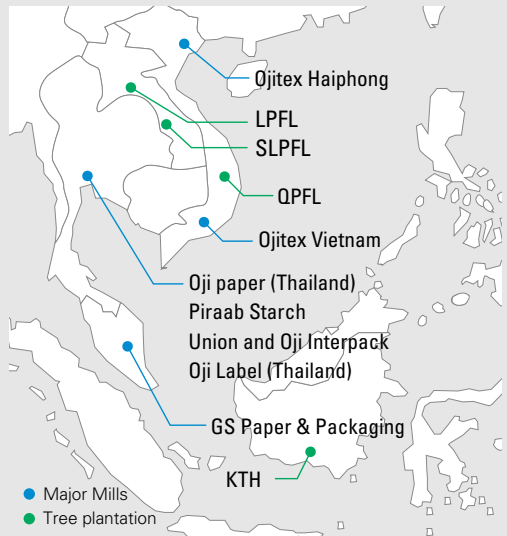
**The Oji Paper Group companies in Southeast Asia**

- Ojitex Haiphong ..... (Corrugated container)
- Ojitex (Vietnam) ..... (Corrugated container)
- Oji Paper (Thailand) ..... (Carbonless paper, thermal paper)
- Piraab Starch ..... (Chemicals)
- Union and Oji Interpack ..... (Corrugated container)
- Oji Label (Thailand) ..... (Adhesive label)
- GS Paper & Packaging ..... (Paperboard, corrugated container)
- QPFL ..... (Tree plantation)
- LPFL ..... (Tree plantation)
- SLPFL ..... (Tree plantation)
- KTH ..... (Tree plantation, lumber)

**China Business**



**Southeast Asia Business**





## Reform of R&D Structure

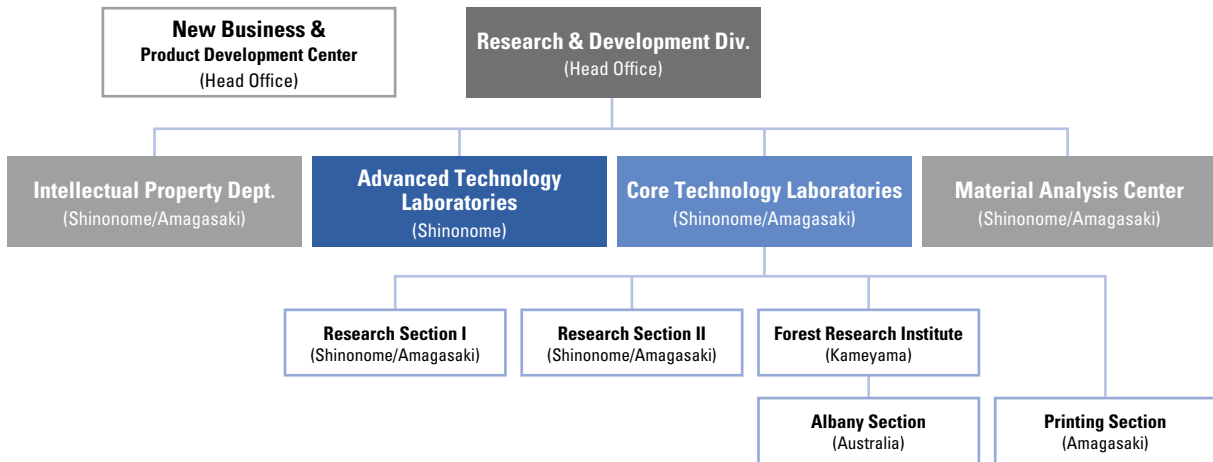
In R&D Division, we reform its organization, reallocate its management resources and change our researchers' mindset to make R&D division as the engine of growth for the Oji Paper Group.

We set "transformation of business portfolio by innovation" as our basic management strategy, which consist of "aggressive expansion to global market" and "strengthening financial base of current business and development of new business". Once these two wheels run together, we can proceed "Pursuing efficiencies in domestic business" and "Expanding overseas business", and we can keep going to grow in the future. R&D Division is taking a key role for this "strengthening financial base of current business and development of new business".

The Oji Paper Group conducted the review of R&D structure and established "Core Technology Laboratories" and

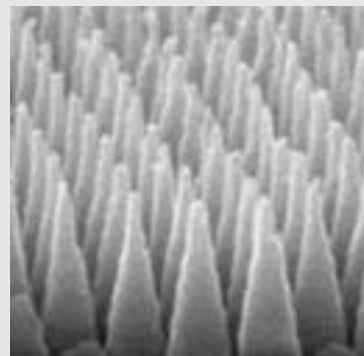
"Advanced Technology Laboratories" under R&D Division in April 2010, to efficiently pursue research and development activities.

Core Technology Laboratories will contribute to strengthen financial base of current business by applying and advancing existing core technologies to reduce production costs, stabilize factories' operation, improve product quality, develop promising new products and environmental technologies. Advanced Technology Laboratories conduct study and research for long-term theme in existing business and new promising theme in order to develop new major products or new business.

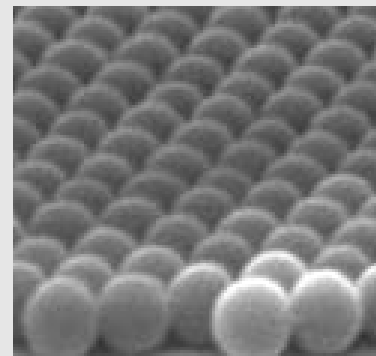


### Advanced Technology Laboratories

Targeting on the creation of the new values, Advanced Technology Laboratories (ATL) is developing original and competitive technologies. ATL is primarily responsible for R&D of functional sheet materials (e.g., functional films with nano-structured surface, adhesive films, anti-scratch films, capacitor films and heat-resistant films), bio-based products (e.g., bioethanol and cellulose nanofibers), and ecological technologies. We are also conducting technology search and marketing, which provides underlying foundations of our development projects.



Periodical nano structure fabricated by the nanodot array technology



Periodical nano structure fabricated by the nanodot array technology



Laboratories (Shinonome)

Along with the structural reform, we will change the researchers' mindset. We will increase the opportunities for researchers to meet existing and potential customers and users at the business front. That sharpens the sense to match R&D seeds and customers needs, speed up R&D activities, enhance technical service that customers desire, and explore new promising theme.

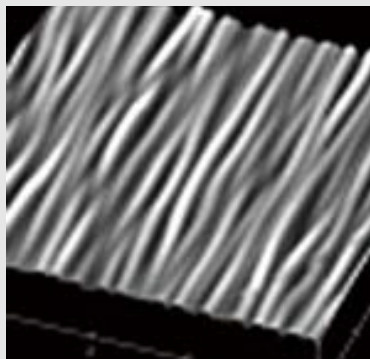
One of the most important function to secure continuous growth of the Oji Paper Group is R&D. We strengthen R&D function by preferentially allocating necessary management resources, both human and capital, to make R&D Division as a growth engine of the Oji Paper Group.



Glossy inkjet paper for wide-width full color plotter (Research Section II)



Young eucalypt plants growing in flasks (Forestry Research Institute)



Nano-structured surface formed by the nanobuckling technology



Cellulose nanofibers resin composite

### Cellulose nanofibers resin composite

Utilized its characteristics such as transparency, flexibility in forming, low elasticity and stability in size in change in temperature, and moreover strength, cellulose nanofibers resin composite is expected to be used in a variety of applications including flexible printed circuits for organic electroluminescence display and encapsulation materials for light emitting diodes (LED).



## Resource and Environment Business

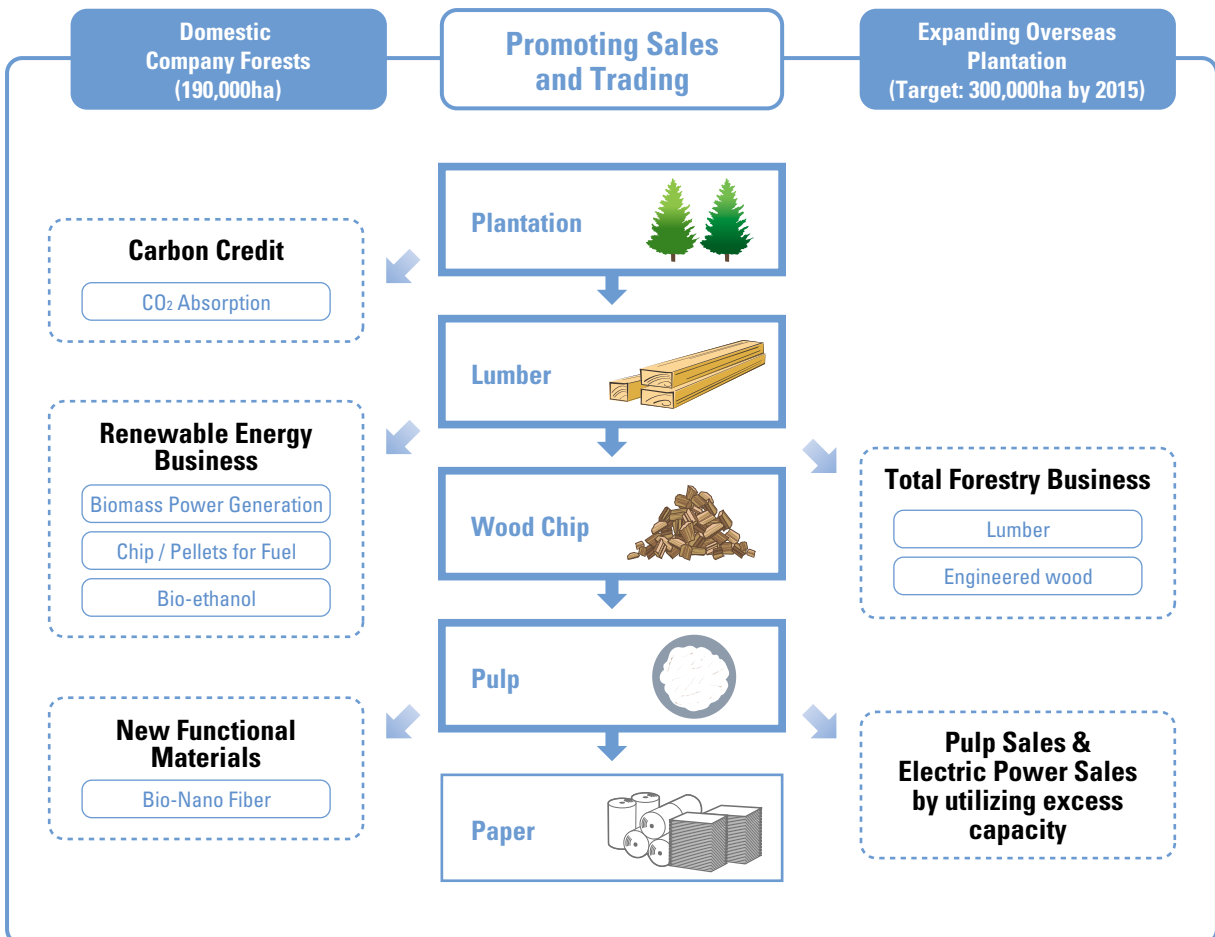
Utilizing our forest resources both in domestic and overseas and related technologies, we aggressively promote resource and environmental business.

The Oji Paper Group owns 190,000ha forestland in Japan and 240,000ha overseas. We plan to increase overseas forestlands to 300,000ha by fiscal year 2015. We have expanded overseas plantation to secure essential raw materials for paper manufacturing. Through these long activities, we have accumulated technologies in the following area of plantation, forest management and forest tree breeding.

The value of forest resources has been reevaluated recently as the competition for various resources becomes severer than ever. In addition, the value of forest as renewable resources and as CO<sub>2</sub> absorption started to gather attention according to the increase of environmental awareness.

Therefore, the Oji Paper Group, in addition to our historical strategy to secure resources, will strengthen our sales and trading functions to enhance business chance.

We will strongly develop resource and environmental business derived from each step of production from forest to paper products by utilizing forest resource and related technologies. Those businesses include total forestry business, renewable energy business, carbon credit business, etc.



## Culture and Sports Activities / Communicating with Society

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.

### Sports Activities

- **Amateur Baseball** Oji Paper's baseball team, marking the 50th anniversary of its establishment in 2007, has a glorious record in amateur league such as a championship at Inter-City Tournament in 2004 and a semi-championship in 2008.
- **Ice Hockey** Oji Paper's ice hockey team, which has a long history dated back its establishment in 1925, has won numerous victories in the All-Japan Championship and the Asia League Championship (including its predecessor, the Japan League Championship).



### 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 as mecenat activities to contribute to musical culture. Since it was opened, top musicians from Japan and overseas have performed, and the hall continues to promote 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 in 1959. Each year, the Foundation presents the Fujihara Award to scientists who have made important contributions to the advancement of science and technologies in Japan. The Oji Paper Group continues to support its activities primarily from financial perspective. In 2010, the 51st Fujihara Award was presented to Mr. Kohei Miyazono and Mr. Masahiro Hirama.



### Establishment of the Sarufutsu Itou (taimen) Conservation Council

The Sarufutsu River, flowing in Oji Paper owned-forests in Sarufutsu, Hokkaido, is habitat for the largest fresh water fish in Japan, "Itou" or the sea run taimen, a critically endangered species listed in red data books of the International Union for Conservation of Nature (IUCN) and Japan's Ministry of Environment.

Oji Paper has been taking steps to promote the conservation of the taimen by establishing the Sarufutsu Environmental Conservation Forest, the protected area, within the company's private timber lands and also by establishing the Sarufutsu Itou Conservation Council in cooperation with Sarufutsu Itou no Kai, Sarufutsu Town and scientists.



Photo credit: Satoshi Adachi

### 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, using the Oji Paper Group's forests and facilities, teaches children about the relationships between people, forests and paper through first-hand experience. This program, the seventh in the series, was held in four locations in 2010 with support from various government agencies in the area of environment, education and forestry.



### Forestry Activities in Laos

The Oji Paper Group, through a joint investment with Laos government, established Oji Lao Plantation Forest Co., Ltd. (LPFL) in 2005. This company, in the Mekong River basin in central Laos, is conducting tree plantations. The 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 the local residents.



## Consolidated Subsidiaries

(As of April 1, 2010)

The Oji Paper Group consists of over 300 subsidiaries and affiliates. Listed below are 92 Oji Paper Group companies selected for their noteworthy contributions to group activities and business performance.

### Pulp and Paper Products Business

Oji Paperboard Co., Ltd.  
Oji Specialty Paper Co., Ltd.  
Oji Trading Co., Ltd.  
Oji Paper Co., Ltd.  
Pan Pac Forest Products Ltd.  
Jiangsu Oji Paper Co., Ltd.  
Oji Paper Trading (China) 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 Eco Materials Co., Ltd.

### Converted Paper Products Business

Oji Tac Co., Ltd.  
KS Systems Inc.  
Oji Seitai Kaisha Ltd.  
Oji Kinocloth Co., Ltd.  
New Tac Kasei 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  
Oji ILFORD USA Inc.  
Oji InterTech Inc.  
Ojitex (Vietnam) Co., Ltd.  
Oji Label (Thailand) Ltd.

### Containerboard and Converted Products Business

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.  
Kansai Pack Co., Ltd.  
Tohoku Mori Shigyo Co., Ltd.  
Oji Packaging Seibu Co., Ltd.  
Nihon Seikahoso Co., Ltd.  
Kyushu Packaging Co., Ltd.  
Kiyoshi Yoki Co., Ltd.  
Wakayama Oji Container Co., Ltd.  
Aipax Co., Ltd.  
Sendai Mori Shigyo Co., Ltd.  
Tottori Mori Shigyo 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.  
Suzhou Oji Packaging Co., Ltd.

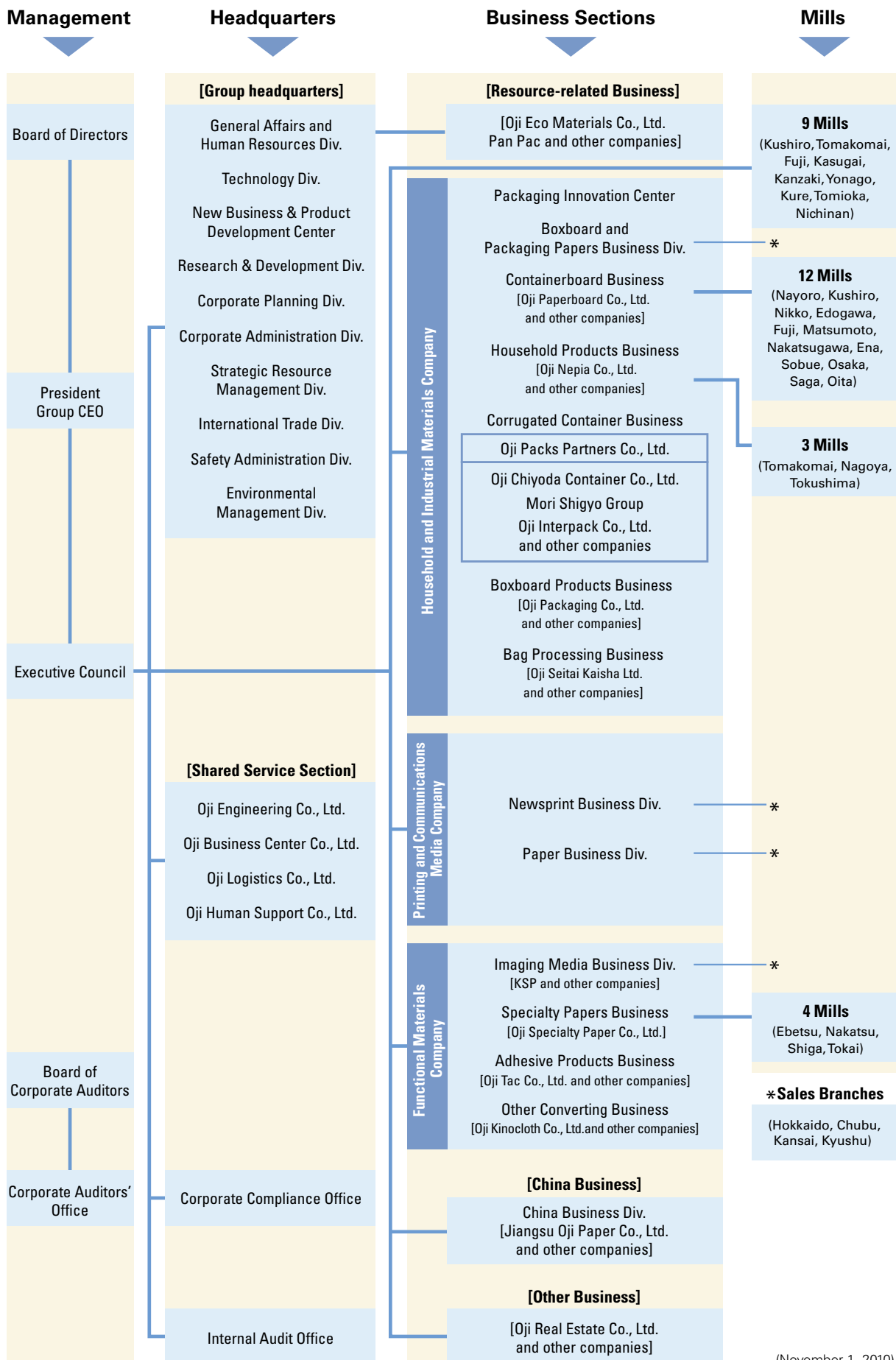
### Wood and Tree Planting Business

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 Salmon Co., Ltd.  
Oji Koei Hokkaido Co., Ltd.  
Kyodo Hinode Sangyo Co., Ltd.  
Tomakomai Oji Shigyo Co., Ltd.  
Oji Hall Co., Ltd.  
Kanzaki Oji Shigyo Co., Ltd.  
Oji Paper Insurance Service Co., Ltd.  
Oji Packs Partners Co., Ltd.  
Oji Paper USA Inc.  
B&C International Co., Ltd.

# Group Management Structure



(November 1, 2010)



## Major Mills in Japan

(As of October 1, 2010)

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 84 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
- 4 Oji Paperboard, Kushiro Mill
- 5 Oji Paper, Tomakomai Mill
- 6 Oji Nepia, Tomakomai Mill
- 7 Oji Paperboard, Nikko Mill
- 8 Oji Paperboard, Matsumoto Mill
- 9 Oji Paperboard, Edogawa Mill
- 10 Oji Paperboard, Nakatsugawa Mill
- 11 Oji Paperboard, Ena Mill
- 12 Oji Paper, Ena Mill
- 13 Oji Specialty Paper, Nakatsu Mill
- 14 Oji Paper, Fuji Mill
- 15 Oji Paperboard, Fuji Mill
- 16 Oji Specialty Paper, Tokai Mill
- 17 Oji Paper, Kasugai Mill
- 18 Oji Nepia, Nagoya Mill
- 19 Oji Paperboard, Sobue Mill
- 20 Oji Specialty Paper, Shiga Mill
- 21 Oji Paperboard, Osaka Mill
- 22 Oji Paper, Kanzaki Mill
- 23 Oji Paper, Tomioka Mill
- 24 Oji Nepia, Tokushima Mill
- 25 Oji Paper, Yonago Mill
- 26 Oji Paper, Kure Mill
- 27 Oji Paperboard, Oita Mill
- 28 Oji Paperboard, Saga Mill
- 29 Oji Paper, Nichinan Mill

### Converted Paper Products Mills 56 Sites

#### Oji Chiyoda Container Group

- 1 Oji Chiyoda Container, Kushiro Mill
- 2 Oji Chiyoda Container, Sapporo Mill
- 3 Oji Chiyoda Container, Aomori Mill
- 4 Oji Chiyoda Container, Sendai Mill
- 5 Oji Chiyoda Container, Fukushima Mill
- 6 Oji Chiyoda Container, Kasumigaura Mill
- 7 Oji Chiyoda Container, Tsukuba Mill
- 8 Oji Chiyoda Container, Ibaraki Mill
- 9 Oji Chiyoda Container, Utsunomiya Mill
- 10 Oji Chiyoda Container, Takasaki Mill
- 11 Oji Chiyoda Container, Saitama Mill
- 12 Oji Chiyoda Container, Tokyo Mill
- 13 Oji Chiyoda Container, Kanagawa Mill
- 14 Oji Chiyoda Container, Nagano Mill
- 15 Oji Chiyoda Container, Nagoya Koda Mill
- 16 Oji Chiyoda Container, Shiga Mill
- 17 Oji Chiyoda Container, Osaka Mill
- 18 Oji Chiyoda Container, Hyogo Mill
- 19 Oji Chiyoda Container, Mihara Mill
- 20 Oji Chiyoda Container, Hofu Mill
- 21 Oji Chiyoda Container, Tokushima Mill
- 22 Oji Chiyoda Container, Ehime Mill
- 23 Oji Chiyoda Container, Kyushu Kita Mill
- 24 Oji Chiyoda Container, Kumamoto Mill
- 25 Chiyoda Containerboard, Main Mill
- 26 Musashi Oji Container, Musashi Mill
- 27 Nihon Seikahoso, Main Mill
- 28 Kyodo Shiko, Main Mill
- 29 Shizuoka Oji Container, Main Mill
- 30 Shizuoka Oji Container, Tobu Mill
- 31 Wakayama Oji Container, Main Mill
- 32 Kansai Pack, Kyoto Mill
- 33 Kansai Pack, Kakogawa Mill
- 34 Kanto Pack, Main Mill

#### Mori Shigyo Group

- 35 Hokkaido Mori Shigyo, Sapporo Mill
- 36 Hokkaido Mori Shigyo, Obihiro Mill
- 37 Tohoku Mori Shigyo, Hachinohe Mill
- 38 Sendai Mori Shigyo, Shibata Mill
- 39 Niigata Mori Shigyo, Niigata Mill
- 40 Hitachi Mori Shigyo, Ibaraki Mill
- 41 Gunma Mori Shigyo, Ojima Mill
- 42 Mori Kamihanbai, Tokyo Branch
- 43 Mori Shigyo, Kanto Mill
- 44 Nagano Mori Shigyo, Shiojiri Mill
- 45 Nagano Mori Shigyo, Kawanakajima Mill
- 46 Hokuriku Mori Shigyo, Oyabe Mill
- 47 Shizuoka Mori Shigyo, Hamamatsu Mill
- 48 Tokai Mori Shigyo, Gifu Mill
- 49 Mori Kamihanbai, Nagoya Branch
- 50 Mori Shigyo, Wrapping Paper Mill
- 51 Mori Kamihanbai, Kyoto Branch
- 52 Mori Shigyo, Kansai Mill
- 53 Tottori Mori Shigyo, Tottori Mill
- 54 Shikoku Mori Shigyo, Iyo Mill
- 55 Kyushu Mori Shigyo, Kumamoto Mill
- 56 Aipax

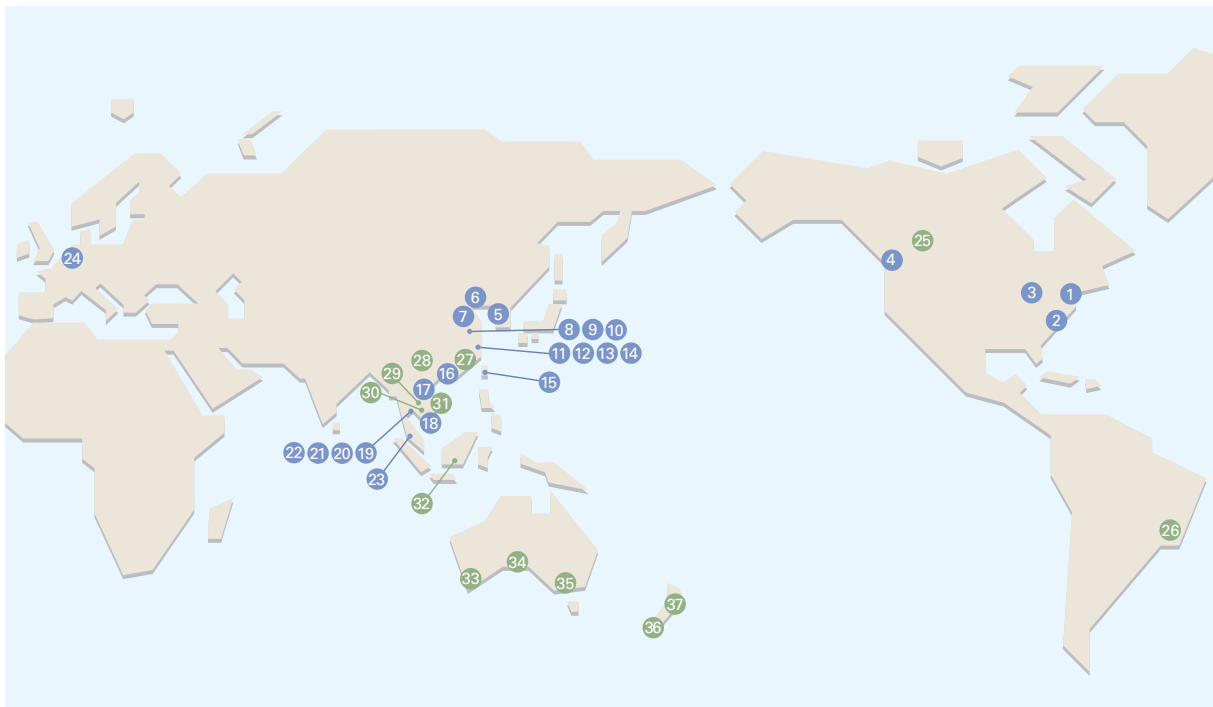
## Global Network

(As of April 1, 2010)

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

### 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 then, we have continually expanded our overseas operations. 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

##### North America

- 1 Kanzaki Specialty Papers
- 2 Yupo Corporation, America
- 3 Oji Intertech Inc.
- 4 HSLP

##### East Asia

- 5 Oji Interpack Korea
- 6 Dalian Mori Mitsui Packaging
- 7 Qingdao Oji Packaging
- 8 Kunshan Oji Filter
- 9 Oji Paper Nepia (Suzhou)
- 10 Suzhou Oji Packaging
- 11 Oji Specialty Paper (Shanghai)
- 12 Shanghai Eastern Oji Packaging

- 13 Oji Packaging (Shanghai)
- 14 Oji Kinocloth (Shanghai)
- 15 Cheng Yuang Paper Business
- 16 KS-Systems (HK)
- 17 Ojitex Haiphong
- 18 Ojitex (Vietnam)
- 19 Oji Paper (Thailand)
- 20 Oji Label (Thailand)
- 21 Piraab Starch
- 22 Union and Oji Interpack
- 23 GS Paper & Packaging Sdn Bhd

##### Europe

- 24 KANZAN Spezialpapiere

#### Tree Plantation and Pulp Manufacturing

##### North America

- 25 AFPI

##### South America

- 26 CENIBRA

##### East Asia

- 27 KPFL
- 28 CPFL
- 29 LPFL
- 30 SLPFL
- 31 QPFL
- 32 KTH

##### Australia

- 33 APFL
- 34 GPFL
- 35 EPFL

##### New Zealand

- 36 SPFL
- 37 Pan Pac

## Directors, Auditors and Officers

(As of June 29, 2010)



FRONT	Chairman <b>Shoichiro Suzuki</b>	President and CEO <b>Kazuhisa Shinoda</b>	
BACK	Executive Vice President <b>Shinichiro Kondo</b>	Executive Vice President <b>Yutaka Sekiguchi</b>	Executive Vice President <b>Takashi Ishida</b>

### Board of Directors

Director, Senior Executive Officer	<b>Tsuneo Hashimoto</b>
	<b>Hiroki Hashimoto</b>
Director, Executive Officer	<b>Tazunu Ando</b>
	<b>Susumu Yajima</b>
	<b>Kiyotaka Shindo</b>
Director	<b>Yoh Takeuchi</b>
	<b>Osamu Akiyama</b>

### Corporate Auditors

Senior Corporate Auditor	<b>Kenji Kanda</b>
Corporate Auditor	<b>Hiroshi Tai</b>
	<b>Hiroyasu Sugihara</b>
	<b>Kenjiro Ueno</b>

### Corporate Officers

Senior Executive Officer	<b>Kuniaki Shoya</b>	Officer	<b>Ryoji Watari</b>
	<b>Tadashi Watanabe</b>		<b>Kazuo Fuchigami</b>
Executive Officer	<b>Hajime Yamanaka</b>		<b>Takashi Nozawa</b>
	<b>Hiroshi Kizuka</b>		<b>Yoji Matsuo</b>
	<b>Tomoo Edagawa</b>		<b>Gemmei Shimamura</b>
	<b>Shuichi Sata</b>		<b>Hidehiko Aoyama</b>
	<b>Shigeto Sano</b>		<b>Takefumi Hirabayashi</b>
	<b>Takeshi Azuma</b>		<b>Takao Kawamura</b>
Officer	<b>Hiroyasu Hayano</b>		<b>Koichi Tano</b>
	<b>Atsushi Yamakita</b>		<b>Satoshi Fukui</b>
	<b>Masaki Yoshino</b>		<b>Shoji Fujiwara</b>
	<b>Hirokazu Ishii</b>		<b>Yoshiki Koseki</b>

## Financial Section

Consolidated Financial Highlights  
Consolidated Balance Sheets  
Consolidated Statements of Operations  
Consolidated Statements of  
Changes in Net Assets  
Consolidated Statements of Cash Flows  
Notes to Consolidated  
Financial Statements  
Report of Independent Auditors



## Consolidated Financial Highlights

OJI PAPER CO., LTD.  
Fiscal years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2010
Net sales (Note 1)	¥ 1,213,881	¥ 1,265,735	¥ 1,318,380	¥ 1,267,129	¥ 1,147,322	\$ 12,331,495
Ordinary profit	70,722	64,110	38,064	28,751	64,714	695,555
Net income (loss)	21,024	17,150	11,768	(6,324)	24,886	267,485
Net assets (Note 2)	527,875	523,631	510,490	429,707	460,404	4,948,455
Total assets	1,748,547	1,790,515	1,781,512	1,707,492	1,614,047	17,347,888
Cash flows from operating activities	112,307	59,285	138,886	73,870	179,347	1,927,637
Cash flows from investing activities	(106,637)	(92,035)	(124,708)	(108,990)	(89,934)	(966,624)
Cash flows from financing activities	(12,874)	31,042	17,134	66,076	(138,942)	(1,493,361)
Cash and cash equivalents at the end of the year	39,601	38,550	71,348	90,943	41,936	450,732

	yen					U.S. dollars
	2006	2007	2008	2009	2010	2010
Net assets per share	¥ 533.38	¥ 526.36	¥ 500.39	¥ 421.04	¥ 450.97	\$ 4.84
Net income (loss) per share	21.15	17.35	11.90	(6.40)	25.18	0.27
Diluted net income per share (Note 3, 4)	—	17.34	11.90	—	25.16	0.27

Ratio of net assets to total assets	30.2%	29.0%	27.8%	24.4%	27.6%
Return on equity	4.1%	3.3%	2.3%	(1.4)%	5.8%
Price earnings ratio	34.2	36.0	37.7	—	16.28
Number of employees	20,223	19,560	20,056	20,415	20,363

Notes: 1. Consumption tax and local consumption tax are not included in Net sales.

2. The Company has accounted for net assets under "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8) effective from the fiscal year ended March 31, 2007.

3. Diluted net income per share is not stated as there are no residual securities such as bonds with share subscription rights for the year ended March 31, 2006.

4. Diluted net income per share is not stated as a net loss per share for the year ended March 31, 2009.

## Consolidated Balance Sheets

OJI PAPER CO., LTD.  
As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>ASSETS</b>			
Current assets			
Cash and bank deposits (Note 10, 13)	¥ 42,758	¥ 91,781	\$ 459,567
Notes and accounts receivable—trade (Note 10)	251,349	271,404	2,701,524
Marketable securities	265	1	2,855
Merchandise and finished goods (Note 10)	75,680	85,944	813,417
Work in process (Note 10)	15,881	16,983	170,691
Raw materials and supplies (Note 10)	42,259	51,778	454,202
Deferred tax assets	12,213	10,998	131,269
Short-term loans receivable (Note 10)	7,102	7,236	76,338
Accounts receivable—other	16,135	10,972	173,421
Other (Note 10)	3,976	3,575	42,734
Allowance for doubtful accounts	(1,472)	(1,665)	(15,826)
Total current assets	466,148	549,010	5,010,197
Non-current assets			
Property, plant and equipment			
Buildings and structures	565,602	567,970	6,079,131
Accumulated depreciation (Note 10)	(369,100)	(364,822)	(3,967,117)
Buildings and structures, net (Note 10)	196,501	203,148	2,112,013
Machinery, equipment and vehicles	1,948,942	1,954,401	20,947,365
Accumulated depreciation (Note 10)	(1,609,205)	(1,562,937)	(17,295,846)
Machinery, equipment and vehicles, net (Note 10)	339,737	391,464	3,651,518
Tools, furniture and fixtures	52,367	52,473	562,852
Accumulated depreciation (Note 10)	(47,228)	(46,590)	(507,613)
Tools, furniture and fixtures, net (Note 10)	5,139	5,883	55,238
Land (Note 10)	227,249	230,462	2,442,494
Forests (Note 10)	16,568	16,502	178,083
Plantations (Note 10)	38,734	36,589	416,320
Leased assets	2,459	1,546	26,437
Accumulated depreciation (Note 10)	(548)	(510)	(5,895)
Leased assets, net (Note 10)	1,911	1,036	20,541
Construction in progress (Note 10)	65,953	26,860	708,873
Total property, plant and equipment	891,796	911,946	9,585,083
Intangible assets			
Leasehold rights	1,113	1,960	11,970
Goodwill	7,473	9,275	80,325
Other (Note 10)	9,196	9,436	98,848
Total intangible assets	17,784	20,672	191,145
Investments and other assets			
Investment securities (Note 10)	181,558	170,211	1,951,401
Long-term loans receivable (Note 10)	12,156	11,085	130,655
Long-term prepaid expenses	12,840	13,104	138,005
Deferred tax assets	16,480	16,817	177,129
Other	22,918	19,040	246,331
Allowance for doubtful accounts	(7,634)	(4,396)	(82,060)
Total investments and other assets	238,318	225,863	2,561,461
Total non-current assets	1,147,898	1,158,482	12,337,690
Total assets	¥ 1,614,047	¥ 1,707,492	\$ 17,347,888

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>LIABILITIES</b>			
Current liabilities			
Notes and accounts payable–trade (Note 10)	¥ 177,125	¥ 177,955	\$ 1,903,761
Short-term loans (Note 10)	179,294	335,614	1,927,065
Commercial paper	11,000	54,000	118,228
Current portion of bonds	40,000	–	429,922
Accounts payable–other	17,466	22,740	187,736
Accrued expenses	45,193	40,962	485,744
Income taxes payables	12,110	7,858	130,168
Notes payable for plant and equipment	1,069	752	11,491
Other	13,994	10,545	150,415
Total current liabilities	497,255	650,429	5,344,534
Non-current liabilities			
Bonds	60,000	100,000	644,883
Long-term loans (Note 10)	508,141	440,228	5,461,537
Deferred tax liabilities	20,237	18,848	217,512
Deferred tax liabilities on revaluation of land (Note 10)	11,070	11,222	118,982
Provision for retirement benefits	46,469	47,824	499,462
Provision for directors' retirement benefits	1,683	1,830	18,095
Provision for environmental measures	1,919	1,749	20,633
Provision for special repairs	122	104	1,314
Long-term deposits	2,778	3,010	29,860
Other	3,964	2,535	42,615
Total non-current liabilities	656,387	627,355	7,054,898
Total liabilities	1,153,643	1,277,785	12,399,432
Contingent liabilities (Note 10)			
<b>NET ASSETS</b>			
Shareholders' equity			
Common stock	103,880	103,880	1,116,518
Capital surplus	113,021	113,031	1,214,758
Retained earnings	277,347	261,092	2,980,953
Treasury stock	(42,968)	(42,914)	(461,830)
Total shareholders' equity	451,281	435,090	4,850,399
Valuation, translation adjustments and other			
Net unrealized gains on available-for-sale securities	11,160	6,597	119,952
Deferred gains (losses) on hedging derivatives	471	(557)	5,072
Revaluation reserve for land (Note 10)	3,571	3,787	38,390
Foreign currency translation adjustments	(20,740)	(28,669)	(222,915)
Total valuation, translation adjustments and other	(5,535)	(18,841)	(59,499)
Subscription rights	216	188	2,327
Minority interests in consolidated subsidiaries	14,442	13,270	155,227
Total net assets	460,404	429,707	4,948,455
Total liabilities and net assets	¥ 1,614,047	¥ 1,707,492	\$ 17,347,888

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Operations

OJI PAPER CO., LTD.  
Fiscal years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales	¥ 1,147,322	¥ 1,267,129	\$ 12,331,495
Cost of sales (Note 11)	870,786	1,013,846	9,359,266
Gross profit	276,536	253,282	2,972,228
Selling, general and administrative expenses			
Freight expenses	109,835	119,351	1,180,523
Warehouse expenses	7,636	7,653	82,076
Salaries and wages	41,099	41,566	441,744
Retirement benefit expenses	4,774	4,434	51,320
Depreciation and amortization	5,300	5,132	56,965
Other	34,208	42,298	367,670
Total selling, general and administrative expenses (Note 11)	202,855	220,437	2,180,300
Operating profit	73,681	32,845	791,928
Non-operating incomes			
Interest income	716	2,314	7,703
Dividend income	2,769	3,702	29,768
Equity in earnings of affiliates	–	5,807	–
Rent income	420	1,081	4,522
Exchange gain	2,344	–	25,194
Subsidy income	608	1,807	6,535
Other	3,296	3,067	35,432
Total non-operating income	10,155	17,781	109,155
Non-operating expenses			
Interest expenses	12,238	11,183	131,536
Exchange loss	–	5,991	–
Equity in losses of affiliates	1,852	–	19,907
Other	5,032	4,700	54,085
Total non-operating expenses	19,122	21,875	205,528
Ordinary profit	64,714	28,751	695,555
Special gains			
Gain on sales of fixed assets (Note 11)	2,958	1,183	31,799
Gain on sales of investment securities	810	705	8,716
Reversal of provision for loss on business liquidation	188	414	2,020
Gain on liquidation of subsidiaries	31	–	336
Reversal of allowance for doubtful accounts	21	22	229
Gain on change in ownership interest	–	133	–
Gain on cancellation of shares due to merger of subsidiaries	–	14	–
Total special gains	4,010	2,473	43,103
Special loss			
Loss on business restructuring (Note 11)	16,280	13,945	174,989
Loss on disposal of fixed assets	4,876	5,774	52,414
Special retirement benefits expenses (Note 11)	3,717	2,978	39,954
Provision of allowance for doubtful accounts	2,396	2,599	25,754
Loss on valuation of investment securities	1,391	1,475	14,955
Loss on sales of fixed assets (Note 11)	1,226	–	13,185
Impairment losses (Note 11)	1,118	5,261	12,018
Environmental protection costs	592	128	6,365
Loss on valuation of inventories	–	1,147	–
Loss due to litigation	–	618	–
Advanced depreciation deduction on fixed assets	–	1	–
Total special loss	31,599	33,930	339,637
Income (loss) before income taxes and minority interests	37,124	(2,705)	399,021
Income taxes – current	15,570	10,738	167,348
Income taxes – deferred	(3,707)	(6,954)	(39,853)
Minority interest in net income (loss) of consolidated subsidiaries	375	(164)	4,040
Net income (loss)	¥ 24,886	¥ (6,324)	\$ 267,485

See accompanying notes to consolidated financial statements.



## Consolidated Statements of Changes in Net Assets

OJI PAPER CO., LTD.  
Fiscal years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Shareholders' equity			
Common stock			
Balance at March 31, 2009	¥ 103,880	¥ 103,880	\$ 1,116,518
Balance at March 31, 2010	103,880	103,880	1,116,518
Capital surplus			
Balance at March 31, 2009	113,031	113,051	1,214,874
Changes during the year			
Disposal of treasury stock	(10)	(19)	(116)
Total changes during the year	(10)	(19)	(116)
Balance at March 31, 2010	113,021	113,031	1,214,758
Retained earnings			
Balance at March 31, 2009	261,092	281,470	2,806,238
Effect of changes in accounting policies applied to foreign subsidiaries	–	(2,061)	–
Changes during the year			
Cash dividends	(8,909)	(11,886)	(95,762)
Net income (loss)	24,886	(6,324)	267,485
Change in scope of consolidation	62	(650)	670
Change in scope of equity method	–	450	–
Reversal of revaluation reserve for land	215	95	2,320
Total changes during the year	16,255	(18,316)	174,714
Balance at March 31, 2010	277,347	261,092	2,980,953
Treasury stock			
Balance at March 31, 2009	(42,914)	(42,646)	(461,252)
Changes during the year			
Purchase of treasury stock	(103)	(357)	(1,108)
Disposal of treasury stock	53	108	570
Change in equity in affiliates accounted for by equity method–treasury stock	(3)	(19)	(39)
Total changes during the year	(53)	(268)	(578)
Balance at March 31, 2010	(42,968)	(42,914)	(461,830)
Total shareholders' equity			
Balance at March 31, 2009	435,090	455,756	4,676,379
Effect of changes in accounting policies applied to foreign subsidiaries	–	(2,061)	–
Changes during the year			
Cash dividends	(8,909)	(11,886)	(95,762)
Net income (loss)	24,886	(6,324)	267,485
Purchase of treasury stock	(103)	(357)	(1,108)
Disposal of treasury stock	42	88	454
Change in equity in affiliates accounted for by equity method–treasury stock	(3)	(19)	(39)
Change in scope of consolidation	62	(650)	670
Change in scope of equity method	–	450	–
Reversal of revaluation reserve for land	215	95	2,320
Total changes during the year	16,190	(18,604)	174,020
Balance at March 31, 2010	¥ 451,281	¥ 435,090	\$ 4,850,399

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Valuation, translation adjustments and other			
Net unrealized gains on available-for-sale securities			
Balance at March 31, 2009	¥ 6,597	¥ 27,259	\$ 70,907
Changes during the year	4,563	(20,662)	49,045
Balance at March 31, 2010	11,160	6,597	119,952
Deferred gains (losses) on hedging derivatives			
Balance at March 31, 2009	(557)	446	(5,990)
Changes during the year	1,029	(1,004)	11,062
Balance at March 31, 2010	471	(557)	5,072
Revaluation reserve for land			
Balance at March 31, 2009	3,787	3,882	40,706
Changes during the year	(215)	(95)	(2,315)
Balance at March 31, 2010	3,571	3,787	38,390
Foreign currency translation adjustments			
Balance at March 31, 2009	(28,669)	7,628	(308,136)
Changes during the year	7,929	(36,297)	85,221
Balance at March 31, 2010	(20,740)	(28,669)	(222,915)
Total valuation, translation adjustments and other			
Balance at March 31, 2009	(18,841)	39,217	(202,513)
Changes during the year	13,306	(58,059)	143,014
Balance at March 31, 2010	(5,535)	(18,841)	(59,499)
Subscription rights			
Balance at March 31, 2009	188	115	2,028
Changes during the year	27	73	299
Balance at March 31, 2010	216	188	2,327
Minority interests in consolidated subsidiaries			
Balance at March 31, 2009	13,270	15,401	142,627
Changes during the year	1,172	(2,131)	12,600
Balance at March 31, 2010	14,442	13,270	155,227
Total net assets			
Balance at March 31, 2009	429,707	510,490	4,618,521
Effect of changes in accounting policies applied to foreign subsidiaries	–	(2,061)	–
Changes during the year			
Cash dividends	(8,909)	(11,886)	(95,762)
Net income (loss)	24,886	(6,324)	267,485
Purchase of treasury stock	(103)	(357)	(1,108)
Disposal of treasury stock	42	88	454
Change in equity in affiliates accounted for by equity method–treasury stock	(3)	(19)	(39)
Change in scope of consolidation	62	(650)	670
Change in scope of equity method	–	450	–
Reversal of revaluation reserve for land	215	95	2,320
Net changes in items other than shareholders' equity	14,506	(60,117)	155,913
Total changes during the year	30,697	(78,721)	329,933
Balance at March 31, 2010	¥ 460,404	¥ 429,707	\$ 4,948,455

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

QJI PAPER CO., LTD.  
Fiscal years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>Cash flows from operating activities</b>			
Income (loss) before income taxes and minority interests	¥ 37,124	¥ (2,705)	\$ 399,021
Depreciation and amortization	85,842	89,037	922,644
Impairment losses	1,118	5,261	12,018
Amortization of goodwill	1,354	1,703	14,553
Increase in allowance for doubtful accounts	2,905	1,314	31,225
(Decrease) in provision for retirement benefits	(789)	(5,551)	(8,486)
Interest and dividend income	(3,486)	(6,017)	(37,471)
Interest expenses	12,238	11,183	131,536
Exchange (gain) loss	(1,206)	6,291	(12,967)
Equity in earnings (losses) of affiliates	1,852	(5,807)	19,907
(Gain) on sales of investment securities	(810)	(705)	(8,716)
Loss on valuation of investment securities	1,391	1,475	14,955
Loss on disposal of fixed assets	4,876	5,774	52,414
(Gain) on sales of fixed assets	(1,731)	(1,183)	(18,614)
Loss on business restructuring	16,280	13,945	174,989
Decrease in trade receivables	21,733	21,070	233,596
Decrease in inventories	19,475	1,270	209,320
(Decrease) in trade payables	(3,785)	(40,335)	(40,688)
Other	5,181	(4,571)	55,689
<b>Subtotal</b>	<b>199,564</b>	<b>91,450</b>	<b>2,144,927</b>
Interest and dividend income received	3,776	6,448	40,594
Interest paid	(12,073)	(11,618)	(129,768)
Income taxes paid	(11,919)	(12,411)	(128,116)
<b>Net cash provided by operating activities</b>	<b>179,347</b>	<b>73,870</b>	<b>1,927,637</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of property, plant, equipment and intangible assets	(89,895)	(121,526)	(966,205)
Proceeds from sales of property, plant, equipment and intangible assets	8,423	3,095	90,534
Payment for acquisition of investment securities	(8,108)	(11,239)	(87,155)
Proceeds from sales of investment securities	2,119	12,370	22,785
Payment for loans receivable	(5,146)	(5,004)	(55,316)
Proceeds from collection of loans receivable	4,991	6,279	53,646
Proceeds from acquisition of shares of subsidiaries which have caused the change in scope of consolidation	1,075	–	11,560
Other	(3,393)	7,033	(36,475)
<b>Net cash used in investing activities</b>	<b>(89,934)</b>	<b>(108,990)</b>	<b>(966,624)</b>
<b>Cash flows from financing activities</b>			
Net (decrease) increase in short-term loans payable	(121,498)	94,383	(1,305,874)
Net (decrease) in commercial paper	(43,000)	(111,000)	(462,166)
Proceeds from long-term loans	87,603	168,721	941,565
Repayment of long-term loans	(52,628)	(73,776)	(565,655)
Payment for purchase of treasury stock	(103)	(357)	(1,108)
Dividend payments	(8,909)	(11,886)	(95,762)
Other	(405)	(7)	(4,359)
<b>Net cash (used in) and provided by financing activities</b>	<b>(138,942)</b>	<b>66,076</b>	<b>(1,493,361)</b>
Effect of exchange rate changes on cash and cash equivalents	558	(11,214)	6,007
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(48,970)</b>	<b>19,741</b>	<b>(526,342)</b>
Cash and cash equivalents at the beginning of the year (Note 13)	90,943	71,348	977,466
Increase in cash and cash equivalents due to mergers of subsidiaries	3	0	42
Increase in cash and cash equivalents due to newly consolidated subsidiaries	–	487	–
(Decrease) in cash and cash equivalents due to exclusion of consolidated subsidiaries from scope of consolidation	(135)	(633)	(1,454)
Increase in cash and cash equivalents due to change in scope of consolidation	94	–	1,019
<b>Cash and cash equivalents at the end of the year (Note 13)</b>	<b>¥ 41,936</b>	<b>¥ 90,943</b>	<b>\$ 450,732</b>

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

OJI PAPER CO., LTD.

## 1. Basis of Preparation

- (1)The accompanying consolidated financial statements of Oji Paper Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
- (2)Certain amounts in the prior years’ financial statements have been reclassified to conform with the current year’s presentation.
- (3)The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥93.04 to U.S. \$1.00, the approximate rate of exchange prevailing at March 31, 2010. This translation should not be construed as a representation that the yen amounts shown could be converted into U.S. dollars at the above or any other rate.

## 2. Scope of Consolidation

- (1)Number of consolidated subsidiaries: 92 in 2010 (90 in 2009)
- Consolidated subsidiaries:
- Oji Paperboard Co., Ltd.
  - Oji Specialty Paper Co., Ltd.
  - Oji Nepia Co., Ltd.
  - Oji Packs Partners Co., Ltd.
  - Oji Chiyoda Container Co., Ltd.
  - Mori Shigyo Co., Ltd.
  - Oji Interpack Co., Ltd.
  - Oji Trading Co., Ltd.
  - Oji Eco Materials Co., Ltd.
  - Oji Tac Co., Ltd.
  - Oji Packaging Co., Ltd.
  - KS Systems Inc.
  - Oji Seitai Kaisha Ltd.
  - Oji Kinocloth Co., Ltd.
  - New Tac Kasei Co., Ltd.
  - Apica Co., Ltd.
  - Ojiadba Co., Ltd.
  - Chuetsu Co., Ltd.
  - Shinomura Chemical Industry Co., Ltd.
  - Oji Forest & Products Co., Ltd.
  - Oji Real Estate Co., Ltd.

- Oji Logistics Co., Ltd.
- Oji Cornstarch Co., Ltd.
- Oji Engineering Co., Ltd.
- Oji Business Center Co., Ltd.
- Oji Salmon Co., Ltd.
- Suzhou Oji Packaging Co., Ltd.
- Oji Paper Canada Ltd.
- Oji Paper Trading (China) Co., Ltd.
- KANZAN Spezialpapiere GmbH
- Pan Pac Forest Products Ltd.
- Oji Paper (Thailand) Ltd.
- Oji Label (Thailand) Ltd.
- Jiangsu Oji Paper Co., Ltd.
- Oji Paper Nepia (Suzhou) Co., Ltd.
- Oji Paper USA Inc.
- Kanzaki Specialty Papers Inc.
- B&C International Co., Ltd.
- Ojitex (Vietnam) Co., Ltd.
- Oji InterTech Inc.
- Oji ILFORD USA Inc.
- 51 other companies

Oji Packs Partners Co., Ltd. and New Tac Kasei Co., Ltd., which were newly established, are included in the consolidation scope for the year ended March 31, 2010.

Kiyoshi Yoki Co., Ltd., which was included in the scope of the equity method for the previous fiscal year, is included in the consolidation scope for the year ended March 31, 2010, since the Company acquired its treasury stock.

Tohoku Mori Shigyo Co., Ltd., which was included in the scope of the equity method for the previous fiscal year, is included in the consolidation scope for the year ended March 31, 2010, since the Company acquired additional stock of this company.

Nichinan Oji Service Co., Ltd., which was a consolidated subsidiary for the previous fiscal year, has been excluded from the consolidation scope since the company passed a resolution for its liquidation.

ILFORD Imaging Switzerland GmbH, which was a consolidated subsidiary for the previous fiscal year, has been excluded from the consolidation scope since the Company decided that it was to be sold.

- (2)Main non-consolidated subsidiaries:

- Nishio Corrugated Board Mfg. Co., Ltd.,
- Tomakomai Energy Kosha Co., Ltd.
- and DHC Ginza Co., Ltd.

- (3)Reasons for excluding non-consolidated subsidiaries from the consolidation scope:
- Non-consolidated subsidiaries have not been included in consolidation as all are small, and none have total assets, net sales, net income (corresponding to equity share) or

retained earnings (corresponding to equity share) that significantly impact the consolidated financial statements.

### 3. Application of the Equity Method

(1) Number of affiliates under the equity method: 14 in 2010 (15 in 2009)

Affiliates under the equity method:

Japan Brazil Paper and Pulp Development Co., Ltd.,  
Yupo Corporation, and Kokusai Pulp & Paper Co., Ltd.  
and other 11 companies

Kiyoshi Yoki Co., Ltd., which was included in the scope of the equity method for the previous fiscal year, has been excluded for the year ended March 31, 2010, as stated in 2. (1).

Tohoku Mori Shigyo Co., Ltd., which was included in the scope of the equity method for the previous fiscal year, has been excluded for the year ended March 31, 2010, as stated in 2. (1).

Okayama Seishi Co., Ltd. is included in the scope of the equity method for the year ended March 31, 2010, since the Company newly acquired shares in the company.

(2) Main non-consolidated subsidiaries and affiliates to which the equity method was not applied

Nishio Corrugated Board Mfg. Co., Ltd.,  
Tomakomai Energy Kosha Co., Ltd.  
and DHC Ginza Co., Ltd.

(3) The reason not to apply the equity method to non-consolidated subsidiaries and affiliates to which the equity method was not applied

Non-consolidated subsidiaries and affiliates have not been included in scope of the equity method as all are small, and none have total assets, net sales, net income (corresponding to equity share) or retained earnings (corresponding to equity share) that significantly impact the consolidated financial statements.

### 4. Matters Concerning the Fiscal Year of Consolidated Subsidiaries

Of the Company's consolidated subsidiaries, the following have December 31 as a fiscal year end:

Apica Co., Ltd.  
Oji Paper USA Inc.  
Kanzaki Specialty Papers Inc.  
Oji ILFORD USA, Inc.  
Oji Paper (Thailand) Ltd.  
KANZAN Spezialpapiere GmbH  
Jiangsu Oji Paper Co., Ltd.  
Aipax Co., Ltd.

Oji Paper Nepia (Suzhou) Co., Ltd.  
Suzhou Oji Packaging Co., Ltd.  
Oji Intertech Inc.  
Oji Label (Thailand) Ltd.  
B&C International Co., Ltd.  
Ojitex (Vietnam) Co., Ltd.  
Oji Paper Trading (China) Co., Ltd.

The fiscal year end of the following subsidiaries is March 20:

Mori Shigyo Co., Ltd.  
Mori Kamihanbai Co., Ltd.  
Kyoto Mori Shigyo Co., Ltd.  
Sendai Mori Shigyo Co., Ltd.  
Tottori Mori Shigyo Co., Ltd.  
Hokkaido Mori Shigyo Co., Ltd.  
Hitachi Mori Shigyo Co., Ltd.  
Gunma Mori Shigyo Co., Ltd.  
Niigata Mori Shigyo Co., Ltd.  
Hokuriku Mori Shigyo Co., Ltd.  
Nagano Mori Shigyo Co., Ltd.  
Shizuoka Mori Shigyo Co., Ltd.  
Tokai Mori Shigyo Co., Ltd.  
Shikoku Mori Shigyo Co., Ltd.  
Kyushu Mori Shigyo Co., Ltd.  
Oi Paper Co., Ltd.  
Tohoku Mori Shigyo Co., Ltd.

The fiscal year end of the Company and all other consolidated subsidiaries is March 31.

For the purpose of preparing the consolidated financial statements, the above companies' financial statements as of the end of their respective fiscal years were used. Adjustments were made for the purpose of consolidation as necessary for the material transactions that occurred between such fiscal year-end dates and the consolidated account closing date.

### 5. Matters Concerning Accounting Standards

(1) Standards and methods for valuation of significant assets

(i) Marketable Securities

Held-to-maturity debt securities:

Stated at cost using the amortized cost method.

Available-for-sale securities

Securities with market quotations:

Stated at market value based on the market price as of the end of the fiscal period (the valuation difference is accounted for as a separate component of net assets and the cost of sales is calculated by using the moving-average method).

Securities without market quotations:

Stated at cost using the moving-average method.



## (ii) Derivatives

Stated at fair value

## (iii) Inventories

Mainly stated at cost using the periodic average method

(The balance sheet amount is calculated by writing down the value based on any decreased profitability)

(For the year ended March 31, 2009)

(Changes in Accounting Policies)

The Company has accounted for inventories under "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) effective from the fiscal year ended March 31, 2009.

As a result of this change in accounting policy, operating profit and ordinary profit decreased by ¥736 million and ¥749 million, respectively, and loss before income taxes and minority interests increased by ¥1,896 million. The effect of this change on business segments is described in the Segment Information section.

## (2) Depreciation method of significant depreciable assets

## a. Property, plant and equipment (excluding leased assets)

Declining balance method (however, the straight-line method is applied to buildings acquired on or after April 1, 1998 (excluding improvements), machinery and equipment of the Tomioka Mill of the Company, and for certain consolidated subsidiaries)

(For the year ended March 31, 2009)

(Changes in Accounting Policies)

The machinery and equipment of the Tomioka Mill of the Company was depreciated under the declining balance method in the past. However, the depreciation method was changed to the straight-line method starting from the year ended March 31, 2009.

This change was implemented for the purpose of achieving appropriate allocation of expenses over accounting periods based on the expectation that the operation of all the machinery and equipment of the Tomioka Mill will be stable throughout their useful lives as a result of the installation of a new paper machine (N-1 M/C) and a new boiler, which became operational during the current fiscal year and due to these being little functional obsolescence and no maintenance and renewal costs for the time being with respect to this leading-edge machinery and equipment, which constitutes the greater part of depreciation expense arising from the Tomioka Mill.

The Company has made investments for the past two years for modernization of the machinery and equipment of the Tomioka Mill for the purpose of further improving the competitiveness of coated paper, which is the main product of

the Company, in the domestic market as well as rationalization/consolidation of the productive assets. As the leading-edge, large-scale on-machine coater, which integrates the paper-making process and coating process, started operation and replacement of old equipments with new ones has been completed during the current fiscal year, which marks the re-start of the Tomioka Mill as a new large-scale, coated paper production mill. Taking this as an appropriate opportunity, the Company decided to change the depreciation method for the machinery and equipment of the Tomioka Mill to the straight-line method.

As a result of this change, as compared with the figures that would have been stated under the old method, depreciation expense decreased by ¥3,834 million, operating profit and ordinary profit both increased by ¥2,958 million, and loss before income taxes and minority interests decreased by ¥2,958 million for the year ended March 31, 2009. The effect of this change on business segments is described in the Segment Information section.

(For the year ended March 31, 2009)

(Additional information)

The Company reviewed the estimated useful lives of its machinery, equipment and structures and of its domestic consolidated subsidiaries in response to the Corporation Tax Act as amended in 2008 and changed certain estimated useful lives starting from the year ended March 31, 2009. As a result of this change, as compared with the figures that would have been stated under the old method, depreciation expense increased by ¥3,431 million, operating profit and ordinary profit decreased by ¥3,041 million and ¥3,040 million, respectively, and loss before income taxes and minority interests increased by ¥3,040 million for the year ended March 31, 2009. The effect of this change on segment is described in the Segment Information section.

## b. Leased assets

Depreciation of leased assets are calculated by using the straight-line method over the period of the lease contract term with no residual value.

## (3) Standards for significant provisions

## (i) Allowance for doubtful accounts

In order to prepare for potential credit losses on receivables outstanding at the end of the fiscal year, an estimated uncollectible amount is recorded at the amount calculated based on the historical rate of credit loss with respect to normal receivables and at the amount determined in consideration of collectibility of individual receivables with respect to doubtful accounts and certain other receivables.

## (ii) Provision for retirement benefits

In order to prepare for the provision of retirement benefits for employees, an amount that is determined to have accrued at the end of the fiscal year is recorded based on the estimated amounts of the retirement benefit obligation and plan assets as of the end of the fiscal year. Prior service cost is accounted for as an expense calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which it arises.

Actuarial losses are accounted for as expenses for the subsequent fiscal years calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which they arise.

## (Changes in Accounting Policies)

The "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008) is applied from the fiscal year ended March 31, 2010.

As actuarial losses are amortized in subsequent fiscal years, this change has no impact on operating profit, ordinary profit and income before income taxes and minority interests for the year ended March 31, 2010.

The difference in the unrecognized portion of the retirement benefit obligation arising from this change is ¥16,234 million (\$174,489 thousand) as of March 31, 2010.

## (iii) Provision for directors' retirement benefits

In order to prepare for the provision of retirement benefits for corporate auditors, the Company records the amount required by the internal rules. With respect to the consolidated subsidiaries, in order to prepare for the provision of retirement benefits for directors, the amount required by the internal rules is recorded.

## (iv) Provision for environmental measures

For the purpose of provisioning for the PCB waste treatment costs expected to arise going forward under the "Law on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," the estimated required amount is recorded.

In addition, for the purpose of provisioning for the maintenance cost after the completion of reclamation of waste-disposal facilities, the estimated required amount is recorded over the period until the reclamation is completed.

## (v) Provision for special repairs

For the purpose of provisioning for periodic repair costs of oil storage tanks, the estimated required amount is recorded over the period until the next scheduled periodic repair.

## (4) Significant method for hedge accounting

## (i) Hedge accounting method

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. Foreign currency transactions hedged by forward exchange contracts which meet certain conditions for hedge accounting are reported at the forward rate and the resulting differences between the spot rate and the forward rate amortized over the life of the contract.

## (ii) Hedging instruments and hedged items

- Hedging instruments: Foreign exchange forward contracts, interest rate swaps, commodity swaps
- Hedged items: Foreign currency monetary assets and liabilities, borrowings and loans, and electricity

(For the year ended March 31, 2009)

- Hedging instruments: Foreign exchange forward contracts, interest rate swaps
- Hedged items: Foreign currency monetary assets and liabilities, borrowings and loans

## (iii) Hedging policy

The risk management policy of the Group requires hedging against the foreign exchange risk, interest rate risk and raw material price risk arising in the normal course of the business.

(For the year ended March 31, 2009)

The risk management policy of the Group requires hedging against the foreign exchange risk and interest rate risk arising in the normal course of the business.

## (iv) Method for assessing the hedging effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedging instruments and hedged items is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets/liabilities of hedging instruments and hedged items.

## (5) Accounting for consumption tax and local consumption tax

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

## 6. Matters Concerning the Valuation of Assets and Liabilities of Consolidated Subsidiaries

The full fair value method is applied to the valuation of assets and liabilities of consolidated subsidiaries.

## 7. Matters Concerning Amortization of Goodwill

Goodwill is amortized over periods of five or ten years by the straight-line method. However, immaterial amounts are fully amortized in the fiscal year in which they arise.

## 8. Scope of Cash and Cash Equivalents in Consolidated Statements of Cash Flows

For the purpose of consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term liquid investments that mature within three months from the purchase date and can be converted easily into cash with little risk of change in value.

## 9. Changes in Important Matters Forming the Basis of Preparation of Consolidated Financial Statements

(For the year ended March 31, 2010)

(Changes in recognition criteria for completed construction revenues and costs)

With respect to the recognition criteria for construction contract revenues and costs, the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007) are applied from the fiscal year ended March 31, 2010.

For construction contracts commencing in and after the fiscal year ended March 31, 2010, the percentage-of-completion method is applied to the portion of construction performed through the end of the fiscal year, if the outcome of the construction activity is deemed certain (estimation on the degree of completion of construction is based on the percentage of the cost incurred to the estimated total cost). If the outcome of the construction activity is not deemed certain, the completed-contract method is applied.

The impact of this change on sales, operating profit, ordinary profit and income before income taxes and minority interests is immaterial.

(For the year ended March 31, 2009)

(1)Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for

Consolidated Financial Statements)

The Company has adopted Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No. 18, May 17, 2006) starting from the year ended March 31, 2009 and made the necessary consolidation adjustments.

As a result of this change in accounting policy, operating profit and ordinary profit decreased by ¥47 million and ¥1,185 million, respectively, and net loss before income taxes increased by ¥1,185 million for the year ended March 31, 2009. The effect of this change on business segments is described in Segment Information.

((2)Application of the Accounting Standard for Lease Transactions)

In the past, finance lease transactions that do not transfer ownership have been accounted for under the method similar to ordinary operating lease transactions. However, starting from the year ended March 31, 2009, they are accounted for under the method similar to ordinary sale and purchase transactions in accordance with the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, June 17, 1993 [Business Accounting Council Committee No.1] as revised on March 30, 2007) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, January 18, 1994 [Accounting Standard Committee of JICPA] as revised on March 30, 2007).

Finance lease transactions that do not transfer ownership whose inception date is prior to the beginning of the fiscal year of the initial application of the standards and guidance continue to be accounted for under the method similar to ordinary operating lease transactions.

This change in accounting policy had no impact on operating profit, ordinary profit, and loss before income taxes and minority interests for the year ended March 31, 2009.

## 10. Notes to Consolidated Balance Sheets

(1)Matters concerning non-consolidated subsidiaries and affiliates

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Stocks of non-consolidated subsidiaries and affiliates	¥ 90,376	¥ 85,044	\$ 971,376
Investments in capital of non-consolidated subsidiaries and affiliates	16	16	182

(2)Assets pledged as collateral

①Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term loans

(¥8,290 million (\$89,110 thousand)), long-term loans (including the amount scheduled to be collected within one year) (¥6,468 million (\$69,525 thousand)), and notes and accounts payable-trade (¥197 million (\$2,123 thousand)) as of March 31, 2010.

Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term loans (¥9,086 million), long-term loans (including the amount scheduled to be collected within one year) (¥7,918 million), and notes and accounts payable-trade (¥199 million) as of March 31, 2009.

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Cash and bank deposits	¥ 240	¥ 65	\$ 2,590
Notes and accounts receivable-trade	1,916	2,505	20,595
Merchandise and finished goods	1,322	1,000	14,217
Work in process	34	7	365
Raw materials and supplies	222	214	2,396
Short-term loans receivable	264	197	2,842
Other current assets	121	116	1,303
Buildings and structures	16,418	14,352	176,469
Machinery, equipment and vehicles	5,644	7,317	60,665
Tools, furniture and fixtures	58	56	625
Land	13,094	13,307	140,742
Forests	564	498	6,064
Plantations	13,704	11,270	147,300
Construction in progress	164	506	1,764
Intangible assets and others	44	47	479
Investment securities	745	768	8,008
Long-term loans receivable	205	172	2,209
<b>Total</b>	<b>¥ 54,767</b>	<b>¥ 52,405</b>	<b>\$ 588,642</b>

② Industrial mortgages and industrial factory foundation revolving industrial mortgages entered into with respect to the assets indicated below for short-term loans (¥245 million (\$2,633 thousand), ¥280 million) and long-term loans (including the amount scheduled to be collected within one year) (¥93 million (\$999 thousand), ¥30 million) as of March 31, 2010 and 2009 respectively.

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Buildings and structures	¥ 724	¥ 718	\$ 7,783
Machinery, equipment and vehicles	1,262	1,221	13,570
Tools, furniture and fixtures	24	27	265
Land	1,079	1,079	11,603
<b>Total</b>	<b>¥ 3,091</b>	<b>¥ 3,046</b>	<b>\$ 33,223</b>

③ Assets pledged as collateral for long-term loans (including the amount scheduled to be collected within one year) (¥2,951 million (\$31,723 thousand), ¥3,591 million) as of March 31, 2010 and 2009 respectively as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Investment securities	¥ 2,234	¥ 2,853	\$ 24,015
Long-term loans receivable	4,136	4,231	44,458
<b>Total</b>	<b>¥ 6,370</b>	<b>¥ 7,085</b>	<b>\$ 68,474</b>

(3) Contingent liabilities

#### Guarantee obligations

The Company is committed to provide the following guarantees for loans and others of non-consolidated subsidiaries and affiliates from banks and other financial institutions as of March 31, 2010 and 2009 respectively.

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Japan Brazil Paper and Pulp Development Co., Ltd.	¥ 11,339	¥ 14,857	\$ 121,876
Alpac Forest Products Inc.	3,637	3,105	39,095
Employees	2,326	2,697	25,002
Other	5,482	6,038	58,928
<b>Total</b>	<b>¥ 22,785</b>	<b>¥ 26,698</b>	<b>\$ 244,902</b>

① The guarantee obligation provided for Japan Brazil Paper and Pulp Development Co., Ltd. as stated above is the portion assumed by the Company and its consolidated subsidiaries.

The aggregate amount of the joint and several obligation including the portion assumed by other parties as of March 31, 2010 and 2009 are ¥18,241 million (\$196,060 thousand) and ¥23,704 million, respectively.

② The guarantee obligation provided for "Other" as stated above includes the portion, ¥269 million (\$2,897 thousand) and ¥269 million as of March 31, 2010 and 2009, respectively, of the joint and several obligation, assumed by the Company and its consolidated subsidiaries.

The aggregate amount of the joint and several obligation including the portion assumed by other parties are ¥337 million (\$3,622 thousand) and ¥337 million as of March 31, 2010 and 2009, respectively.

③ The guarantee obligation provided for "Other" as stated above includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is after deduction of such portion, ¥90 million (\$967 thousand) and ¥113 million as of March 31, 2010 and 2009, respectively.

(4)Notes discounted: ¥41 million (\$447 thousand) and ¥40 million as of March 31, 2010 and 2009, respectively

Notes receivable endorsed: ¥6 million (\$74 thousand) and ¥11 million as of March 31, 2010 and 2009, respectively

(5)Revaluation reserve for land

Pursuant to the “Law on Revaluation of Land” (Law No. 34 of March 31, 1998) and the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 19 of March 31, 2001), the Group performed revaluation of land for business use held by certain consolidated subsidiaries on March 31, 2002.

Pursuant to the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 24 of March 31, 1999), the Group recorded reasonable tax amount relevant to such revaluation of land as “Deferred tax liabilities on revaluation reserve for land” in the liabilities section, and revaluation of land after deduction of such tax amount as “Revaluation reserve for land” in the net assets section.

- Revaluation method: The value is calculated based on the property tax valuation prescribed in Article 2, Item 3 of the “Enforcement Order on Law on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998) and the land value designated as the tax basis for land value tax as prescribed in Article 2, Item 4 thereof.

- Revaluation date: March 31, 2002

- Difference between the carrying amount of the land after revaluation and the market value of land at the end of the year ended March 31, 2010 and 2009, respectively  
¥119 million (\$1,287 thousand) and  
¥885 million

(6)Loan commitment (borrower)

The Company entered into loan commitment agreement with correspondent financial institutions for the purpose of achieving efficient use of working capital.

Regarding the loan commitment, the balance of the unused portion of the loan at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Aggregate amount of loan commitment	¥ 50,000	¥ 50,000	\$ 537,403
Balance of loan outstanding	-	-	-
Unused portion	¥ 50,000	¥ 50,000	\$ 537,403

(7)Accumulated depreciation includes accumulated impairment losses.

(8)The amounts of advanced depreciation deducted directly from the acquisition costs of certain fixed assets for the year ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Buildings and structures	¥ 1	¥ 104	\$ 14
Machinery, equipment and vehicles	103	-	1,115
Tools, furniture and fixtures	0	-	2
Land	-	1	-
Total	¥ 105	¥ 106	\$ 1,133

## 11. Notes to Consolidated Statements of Operations

(1)Research and development costs included in selling, general and administrative expenses and manufacturing costs for the year ended March 31, 2010 and 2009, respectively:

¥8,908 million (\$95,744 thousand) and  
¥10,345 million

(2)The amount of inventories stated on the balance sheet at the end of the year is calculated by writing down the value based on any decreased profitability.

The following loss on valuation of inventories is included in the cost of sales for the year ended March 31, 2010 and 2009, respectively:

¥1,811 million (\$19,464 thousand) and ¥5,531 million

(3)A breakdown of gain on sales of fixed assets for the year ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Land	¥ 2,845	¥ 837	\$ 30,586
Forests	112	340	1,213
Other	-	5	-
Total	¥ 2,958	¥ 1,183	\$ 31,799

Gain on sales of fixed assets includes gain, in the amount of ¥435 million (\$4,678 thousand) and ¥522 million for the year ended March 31, 2010 and 2009, respectively, on transfer of land, forests and plantations that were transferred under application of “Land Expropriation Law” and other regulations.



(4)A breakdown of loss on sales of fixed assets for the year ended March 31, 2010 was as follows:

	Millions of yen	Thousands of U.S. dollars
	March 31, 2010	March 31, 2010
Land	¥ 1,226	\$ 13,185

(5)Impairment losses were recorded mainly for the following assets and asset group:

For the year ended March 31, 2010

Location	Use	Type	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Anan, Tokushima	Assets for business	Machinery, equipment and others	¥ 6,797	\$ 73,064
Utsunomiya, Tochigi	Assets for business	Machinery, equipment and others	1,184	12,726
Kushiro, Hokkaido	Assets for business	Machinery, equipment and others	1,059	11,388
Kure, Hiroshima	Assets for business	Machinery, equipment and others	949	10,202

For the year ended March 31, 2009

Location	Use	Type	Impairment loss
			Millions of yen
Kushiro, Hokkaido	Assets for business	Machinery, equipment and others	¥ 8,735
Fribourg, Switzerland	Assets for business	Machinery, equipment and others	3,509
Fuji, Shizuoka	Assets for business	Machinery, equipment and others	1,305

The Company determines asset groups based on the minimum unit on which cash flows are made.

Regarding certain business facilities, at which operating income from business activities continue to be negative, and idle assets, of which the fair market value of land significantly declined, the book values, if they go below the recoverable values, were written down to the recoverable values and such reduced amount, ¥11,918 million (\$128,101 thousand) and ¥15,696 million, were recorded in special losses as of the year ended March 31, 2010 and 2009, respectively.

A breakdown of the amount is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Machinery, equipment and vehicles	¥ 9,890	¥ 9,485	\$106,304
Buildings and structures	1,518	2,748	16,325
Land	315	951	3,389
Other	193	2,511	2,082

Among the above amounts, ¥10,800 million (\$116,083 thousand) and ¥10,435 million are included in loss on business restructuring of special losses for the year ended March 31, 2010 and 2009, respectively.

If the recoverable values are measured by the net selling price, such values are measured based on real-estate appraisals.

If the recoverable values are measured at value in use, such values are calculated by discounting the future cash flows mainly at a 5% discount rate.

(6)A breakdown of special retirement benefits are as follows:

(For the year ended March 31, 2010)

- special retirement benefits paid to employees upon early voluntary termination or upon retirement by transfer, and
- the present value of the estimated installment payments, for the subsequent fiscal years, of special retirement benefits that the Company makes to certain employees who are transferred to subsidiaries or affiliates.

(For the year ended March 31, 2009)

- special retirement benefits paid to employees upon early voluntary termination or upon retirement by transfer,
- the present value of the estimated installment payments, for the subsequent fiscal years, of special retirement benefits that the Company makes to certain employees who are transferred to subsidiaries or affiliates, and
- the adjusted amount of the estimated charge for withdrawal from the welfare pension fund by certain consolidated subsidiaries.

(7)Loss on business restructuring is as follows:

- For the year ended March 31, 2010: impairment loss due to the decision to stop the operation of paper manufacturing equipments at the Company's Tomioka Mill and Kure Mill and loss and other expenses related to restructuring of overseas businesses.
- For the year ended March 31, 2009: impairment loss and other expenses recorded due to the decision to stop the operation of paper manufacturing equipments at the Company's Fuji Mill and Kushiro Mill.

## 12. Notes to Consolidated Statements of Changes in Net Assets

(1) Information on the class and number of shares issued, and class and number of treasury stock is as follows:

For the year ended March 31, 2010

Type of shares	Number of shares at March 31, 2009	Increase	Decrease	Number of shares at March 31, 2010
Shares issued:				
Common stock	1,064,381,817	–	–	1,064,381,817
Total	1,064,381,817	–	–	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	75,757,072	307,969	95,428	75,969,613
Total	75,757,072	307,969	95,428	75,969,613

Notes: 1. Details of the increase are as follows:

Increase due to purchase of shares of less than standard unit	252,747
Effect of change in the Company's ownership interest ratio of affiliates accounted for by the equity method	55,000
Increase in shares held by affiliates accounted for by the equity method	222

2. Details of the decrease are as follows:

Decrease due to sale of shares of less than standard unit	34,428
Decrease due to exercising share subscription rights under the stock options for stock-based compensation	61,000

For the year ended March 31, 2009

Type of shares	Number of shares at March 31, 2008	Increase	Decrease	Number of shares at March 31, 2009
Shares issued:				
Common stock	1,064,381,817	–	–	1,064,381,817
Total	1,064,381,817	–	–	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	75,195,696	755,839	194,463	75,757,072
Total	75,195,696	755,839	194,463	75,757,072

Notes: 1. Details of the increase are as follows:

Increase due to purchase of shares of less than standard unit	725,139
Increase in shares held by affiliates accounted for by the equity method	30,700

2. Details of the decrease are as follows:

Decrease due to sale of shares of less than standard unit	194,463
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(2) Subscription rights

For the year ended March 31, 2010

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2010	
			Number of shares at March 31, 2009	Increase	Decrease	Number of shares at March 31, 2010	Millions of yen	Thousands of U.S. dollars
Parent company	Subscription rights as stock options	–	–	–	–	–	¥ 216	\$2,327
	Total	–	–	–	–	–	¥ 216	\$2,327

For the year ended March 31, 2009

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2009	
			Number of shares at March 31, 2008	Increase	Decrease	Number of shares at March 31, 2009	Millions of yen	
Parent company	Subscription rights as stock options	–	–	–	–	–	¥ 188	
	Total	–	–	–	–	–	¥ 188	

## (3) Dividends

## ① Amount of cash dividends distributed

For the year ended March 31, 2010

Resolution	Class of stock	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars			
Board of Directors' Meeting held on May 14, 2009	Common stock	¥ 4,010	\$ 43,109	¥ 4.0	March 31, 2009	June 4, 2009
Board of Directors' Meeting held on November 4, 2009	Common stock	5,013	53,880	5.0	September 30, 2009	December 1, 2009

For the year ended March 31, 2009

Resolution	Class of stock	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars			
Board of Directors' Meeting held on May 16, 2008	Common stock		¥ 6,019	¥ 6.0	March 31, 2008	June 5, 2008
Board of Directors' Meeting held on October 31, 2008	Common stock		6,017	6.0	September 30, 2008	December 1, 2008

## ② Dividends with the cut-off date falling within the year ended March 31, 2010 and the effective date in the year ending March 31, 2011

The following resolution is scheduled:

Resolution	Class of stock	Total dividend amount		Source of dividends	Dividends per share (yen)	Record date	Effective date
		Millions of yen	Thousands of U.S. dollars				
Board of Directors' Meeting held on May 13, 2010	Common stock	¥ 5,012	\$ 53,877	Retained earnings	¥ 5.0	March 31, 2010	June 8, 2010

Dividends with the cut-off date falling within the year ended March 31, 2009 and the effective date in the year ending March 31, 2010

The following resolution is scheduled:

Resolution	Class of stock	Total dividend amount		Source of dividends	Dividends per share (yen)	Record date	Effective date
		Millions of yen	Thousands of U.S. dollars				
Board of Directors' Meeting held on May 14, 2009	Common stock	¥ 4,010		Retained earnings	¥ 4.0	March 31, 2009	June 4, 2009

## (4) Retained earnings

The Corporation Law of Japan (the "Law"), which suspended most of the provisions of the Commercial Code of Japan, was effective on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, however neither the capital reserve nor the legal reserve is available for distributions.

### 13. Notes to Consolidated Statements of Cash Flows

Cash and cash equivalents as of the year ended March 31, 2010 and 2009 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Cash and bank deposits	¥ 42,758	¥ 91,781	\$ 459,567
Time deposits with maturities of more than three months	(1,086)	(837)	(11,674)
Marketable securities	264	–	2,838
Cash and cash equivalents	¥ 41,936	¥ 90,943	450,732

### 14. Lease Transactions

#### (1) Finance lease transactions

Finance lease transactions that do not transfer ownership

##### ① Leased assets

Property, plant and equipment

Production facilities (machinery, equipment and vehicles, and, tools, furniture and fixtures)  
in the pulp and paper business

##### ② Depreciation method of leased assets

As per Note 5. Matters Concerning Accounting Standards (2) Depreciation method of significant depreciable assets

Finance lease transactions beginning on or before March 31, 2008 that do not transfer ownership are accounted for based on standards for ordinary operating lease transactions as follows:

##### ① Equivalent acquisition cost, accumulated depreciation, accumulated impairment loss and balance at the end of the current fiscal year of leased assets

For the year ended March 31, 2010

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	Millions of yen			
Acquisition cost	¥ 27,767	¥ 6,059	¥ 1,070	¥ 34,898
Accumulated depreciation	18,063	4,321	764	23,149
Accumulated impairment losses	94	25	–	119
Balance at the end of the current fiscal year	¥ 9,610	¥ 1,712	¥ 305	¥ 11,628

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	Thousands of U.S. dollars			
Acquisition cost	\$ 298,451	\$ 65,131	\$ 11,504	\$ 375,088
Accumulated depreciation	194,150	46,443	8,220	248,813
Accumulated impairment losses	1,012	277	–	1,289
Balance at the end of the current fiscal year	\$ 103,288	\$ 18,411	\$ 3,284	\$ 124,984

For the year ended March 31, 2009

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	Millions of yen			
Acquisition cost	¥ 29,760	¥ 13,760	¥ 1,694	¥ 45,215
Accumulated depreciation	17,621	8,337	1,118	27,077
Accumulated impairment losses	24	2	–	26
Balance at the end of the current fiscal year	¥ 12,114	¥ 5,420	¥ 576	¥ 18,111

Acquisition cost included the interest portion since the remaining finance lease obligations at the end of the fiscal year were not material compared with the book values of property, plant and equipment at the end of the fiscal year.



② Remaining finance lease obligations at the end of the fiscal year and impairment loss on leased assets at the end of the fiscal year

The remaining finance lease obligations at the end of the fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Due within one year	¥ 4,554	¥ 6,024	\$ 48,948
Due after one year	7,194	12,114	77,325
Total	¥ 11,748	¥ 18,138	\$126,274

Impairment loss on leased assets at the end of the fiscal year:

For the year ended March 31, 2010 ¥50 million (\$540 thousand)

For the year ended March 31, 2009 ¥20 million

The remaining finance lease obligations are calculated based on imputed interest method as the remaining finance lease obligations at the end of the fiscal year are not material compared with the book values of property, plant and equipment at the end of the fiscal year.

③ Paid lease fees, reversal of impairment account for leased assets, equivalent depreciation expense amount, and impairment loss

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Paid lease fees	¥ 5,817	¥ 7,337	\$ 62,522
Reversal of impairment account for leased assets	8	4	91
Equivalent depreciation expense amount	5,808	7,332	62,430
Impairment loss	38	21	412

④ Calculation method for depreciation expenses

Depreciation expenses of leased assets under finance lease transactions that do not transfer ownership are calculated by using the straight-line over the period of the lease contract term with no residual value.

(2) Operating lease transactions

Remaining lease obligations under noncancellable operating leases as of March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
Due within one year	¥ 122	¥ 200	\$ 1,317
Due after one year	240	455	2,583
Total	¥ 362	¥ 656	\$ 3,901

## 15. Financial Instruments

For the year ended March 31, 2010

### (1) Matters concerning financial instruments

#### ① Management policy

The Company and its main consolidated subsidiaries manage group finance under which mainly the Company finances and controls the cash necessary for Group operations primarily through loans from financial institutions, issuance of commercial paper and corporate bonds, and other activities.

The Company invests temporary surplus cash in short-term and low-risk financial instruments only and does not make any investment for speculative purposes.

The Company uses derivatives to hedge risks described below and does not use derivatives for speculative purposes.

#### ② Nature and extent of risks arising from financial instruments

Receivables, such as notes and accounts receivables-trade, are exposed to customer credit risk.

Receivables that are denominated in foreign currencies, arising from exporting products, are exposed to foreign currency exchange rate fluctuation risks. However, the amounts of such receivables are always less than the amounts of payables that are denominated in the same foreign currencies.

Available-for-sale securities are mainly stocks of companies with which the Group has business relationships and these are exposed to market price fluctuation risks.

Payment terms of payables, such as notes and accounts payables-trade, are all less than one year. Some of the payables that arise from importing raw materials and others are denominated in foreign currencies and are exposed to foreign currency exchange rate fluctuation risks. Regarding the net payables (determined by deducting the amount of receivables denominated in same foreign currencies), the Group uses foreign exchange forward contracts to hedge such risks, considering the foreign exchange market situation.

With respect to loans, short-term loans are mainly for financing related to operating activities, while long-term loans are mainly for financing related to investment in property, plant and equipment. Loans with floating interest rates are exposed to interest rate volatility risk. Long-term loans are partly hedged by using derivative transactions (interest rate swaps) by which interest rates are fixed.

Derivative transactions entered into and managed by the Group are as follows:

- Foreign exchange forward contracts to hedge foreign exchange fluctuation risk related to assets/liabilities denominated in foreign currencies,
- Interest rate swaps to hedge risk related to floating interest rates on loans, and
- Commodity swaps to hedge price fluctuation risk related to energy purchases.

Regarding hedging instruments and hedged items, hedging policy, the method for assessing hedging effectiveness and others related to hedge accounting, see Note 5 (4).

#### ③ Risk management

##### i. Credit risk management (risk of non-performance by customers or counterparties)

The Company reduces credit risk through the following methods:

- The Company checks and manages due dates and balances of receivables on a customer by customer basis.
- Each sales department of the Company periodically monitors, and investigates, as necessary, the credit position of key customers.

The Company's consolidated subsidiaries also reduce risk through the same methods described above.

In utilizing derivative transactions, the Group limits the counterparties to highly rated financial institutions to reduce counterparty risk.

##### ii. Market risk management (risks related to foreign currency exchange rate fluctuation, floating interest rates and others)

The Company and some of its consolidated subsidiaries utilize foreign exchange forward contracts to hedge foreign currency exchange rate fluctuation risk regarding foreign currency monetary assets/liabilities that are expected to arise in the normal course of business activities.

The Company utilizes interest rate swaps to hedge the following risks:

- Fluctuation risk regarding variable interest rates for payments related to loans
- Interest rate deviation risk between fixed interest rates for payments and future market interest rates

Some of the consolidated subsidiaries utilize commodity swaps to hedge price fluctuation risk related to energy purchases.

With respect to corporate stocks of available-for-sale securities, the Company checks periodically their fair values and financial conditions of such issuing entities (the companies with which the Company has business relationships) and reviews the benefits of continuing to hold such stocks, considering its relationships with such companies.

In the Company, execution and management of derivative transactions are conducted by the Finance Department, based on the derivative transaction standards that provide the method and the organization for risk management and others. The consolidated subsidiaries also execute and manage derivative transactions based on their own similar standards.

iii. Liquidity risk related to financing activities (risk of non-performance on a due date)

In the Company, the Finance Department makes and updates financing plans in a timely manner and manages liquidity risk by maintaining sufficient liquidity on hand forecasted based on specific information, including the following information:

- Information reported from each department regarding credit and debit notes, and
- Information reported from the consolidated subsidiaries through which the Company determines group finance policies

The Company is prepared to make emergency payments by entering into commitment lines of credit with related financial institutions.

④ Supplementary explanation regarding fair value of financial instruments

Fair values of financial instruments are measured based on the quoted prices in markets. In cases where a quoted price is not available, other reasonably assessed estimated fair values are used.

Such assessment is based on certain assumptions. Under different assumptions, the assessed value might differ.

The contract amounts of derivative transactions and others, as shown in “15(2) Fair value of financial instruments,” do not measure the Company’s exposure to market risk related to derivative transactions.

(2) Fair value of financial instruments

The following tables present the Company’s financial instruments on the consolidated balance sheets, their fair value and the differences at March 31, 2010.

However, financial instruments for which it is difficult to measure the fair value are not included. (See 15(2) Note 2.)

	Book value	Fair value	Difference
	Millions of yen		
① Cash and bank deposits	¥ 42,758	¥ 42,758	¥ –
② Notes and accounts receivable-trade	251,349		
③ Short-term loans receivable	7,102		
Allowance for doubtful accounts (*1)	(1,472)		
	256,979	256,979	–
④ Long-term loans receivable	12,156		
Allowance for doubtful accounts (*2)	(7,634)		
	4,521	4,144	(376)
⑤ Available-for-sale securities and investment securities			
i Held-to-maturity debt securities	267	267	–
ii Available-for-sale securities	76,102	76,102	–
Total of assets	380,629	380,253	(376)
⑥ Notes and accounts payable-trade	178,195	178,195	–
⑦ Short-term loans	161,104	161,104	–
⑧ Commercial paper	11,000	11,000	–
⑨ Bonds	100,000	101,630	1,630
⑩ Long-term loans	526,331	530,991	4,659
Total of liabilities	976,630	982,920	6,289
⑪ Derivative transactions (*3)	748	748	–

	Book value	Fair value	Difference
	Thousands of U.S. dollars		
① Cash and bank deposits	\$ 459,567	\$ 459,567	\$ -
② Notes and accounts receivable-trade	2,701,524		
③ Short-term loans receivable	76,338		
Allowance for doubtful accounts (*1)	(15,826)		
	2,762,036	2,762,036	-
④ Long-term loans receivable	130,655		
Allowance for doubtful accounts (*2)	(82,060)		
	48,594	44,549	(4,044)
⑤ Available-for-sale securities and investment securities			
i Held-to-maturity debt securities	2,875	2,875	-
ii Available-for-sale securities	817,956	817,956	-
Total of assets	4,091,030	4,086,985	(4,044)
⑥ Notes and accounts payable-trade	1,915,252	1,915,252	-
⑦ Short-term loans	1,731,560	1,731,560	-
⑧ Commercial paper	118,228	118,228	-
⑨ Bonds	1,074,806	1,092,325	17,519
⑩ Long-term loans	5,657,043	5,707,127	50,084
Total of liabilities	10,496,890	10,564,494	67,603
⑪ Derivative transactions (*3)	8,040	8,040	-

(\*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable-trade and short-term loans receivable, is deducted.

(\*2) Allowance for doubtful accounts, which is separately accounted for on long-term loans receivable, is deducted.

(\*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

Notes:1. The method for measuring fair values of financial instruments and matters relating to securities and derivative transactions

① Cash and bank deposits, ② Notes and accounts receivable-trade, and ③ Short-term loans receivable

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments.

④ Long-term loans receivable

The fair value of long-term loans receivable is calculated by applying a discount rate to the total of principal and interest. The discount interest rate is based on the assumed interest rate if similar new borrowings were entered into.

⑤ Available-for-sale securities and investment securities

The fair value of equity securities equals quoted market price. The fair value of debt securities equals quoted market price or has been provided by financial institutions.

⑥ Notes and accounts payable-trade, ⑦ Short-term loans, and ⑧ Commercial paper

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments. The current portion of long-term loans payable (the carrying amount of such portion on the consolidated balance sheet: ¥18,189 million (\$195,505 thousand)) is included in "⑩ Long-term loans."

⑨ Bonds

The fair value of corporate bonds is calculated based on the quoted market price (Reference: Statistical Prices for OTC Bond Transactions). The corporate bonds include the current portion (the carrying amount on the consolidated balance sheets: ¥40,000 million (\$429,922 thousand)).

⑩ Long-term loans

The fair value of the long-term loans is calculated by applying a discount rate to the total of the principal and interest. The discount interest rate is based on the assumed interest rate for similar borrowings. A portion of the floating rate long-term loans hedged by interest rate swaps (described in Note 17) is calculated by discounting the total amount of the principal and interest with the interest rate swaps, based on the reasonably estimated interest rate for similar borrowings. The long-term loans includes the current portion (the carrying amount on the consolidated balance sheet: ¥18,189 million (\$195,505 thousand)).

⑪ Derivative transactions

The estimated special treatment of interest rate swaps is included in the fair value of the underlying long-term loans, as the interest rate swaps are accounted for as part of the long-term loans. (See Note 17.)

## 2. Financial instruments for which the fair value is deemed to be difficult to measure

Item	Book value
	Millions of yen
Non-listed stocks	¥105,453

Item	Book value
	Thousands of U.S. dollars
Non-listed stocks	\$1,133,424



Regarding the above item, quoted prices are not available and also the future cash flows cannot be estimated reliably, therefore the fair value of the above item is deemed to be difficult to measure and is not included in (2) ⑤.

3. The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2010

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Millions of yen			
Bank deposits	¥ 42,557	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	251,349	–	–	–
Short-term loans receivable	7,102	–	–	–
Long-term loans receivable	–	9,635	2,447	72
Available-for-sale securities and investment securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	265	1	–	0
<b>Total</b>	<b>301,275</b>	<b>9,637</b>	<b>2,447</b>	<b>73</b>

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Thousands of U.S. dollars			
Bank deposits	\$ 457,410	\$ –	\$ –	\$ –
Notes and accounts receivable-trade	2,701,524	–	–	–
Short-term loans receivable	76,338	–	–	–
Long-term loans receivable	–	103,562	26,307	784
Available-for-sale securities and investment securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	2,855	19	–	0
<b>Total</b>	<b>3,238,128</b>	<b>103,581</b>	<b>26,307</b>	<b>785</b>

4. The redemption schedule for corporate bonds and long-term loans subsequent to March 31, 2010  
(See Note 25(1) and (2).)

(Additional information)

The Group applied “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 10, 2008) from the fiscal year ended March 31, 2010.

## 16. Securities

### (1) Held-to-maturity debt securities

For the year ended March 31, 2010

		Book value	Market value	Difference
		Millions of yen		
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	-	-	-
	② Corporate bonds	-	-	-
	③ Others	-	-	-
	Total	-	-	-
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	¥ 3	¥ 3	-
	② Corporate bonds	-	-	-
	③ Others	264	264	-
	Total	267	267	-
Total		¥ 267	¥ 267	-

		Book value	Market value	Difference
		Thousands of U.S. dollars		
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	-	-	-
	② Corporate bonds	-	-	-
	③ Others	-	-	-
	Total	-	-	-
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	\$ 35	\$ 35	-
	② Corporate bonds	-	-	-
	③ Others	2,839	2,839	-
	Total	2,875	2,875	-
Total		\$ 2,875	\$ 2,875	-

### Held-to-maturity debt securities with available market quotations

For the year ended March 31, 2009

		Book value	Market value	Difference
		Millions of yen		
Securities with a book value not exceeding market value	Government bonds, local government bonds and others	¥ 9	¥ 10	¥ 0
Securities with a book value exceeding market value	Government bonds, local government bonds and others	-	-	-
Total		¥ 9	¥ 10	¥ 0

## (2) Available-for-sale securities

For the year ended March 31, 2010

	Book value	Acquisition cost	Difference	
	Millions of yen			
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 54,253	¥ 28,899	¥ 25,353
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	-	-	-
Total	54,253	28,899	25,353	
Securities with a book value not exceeding acquisition cost	① Corporate stocks	¥ 20,511	¥ 25,080	¥ (4,569)
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	1,337	1,736	(398)
Total	21,849	26,816	(4,967)	
Total	¥ 76,102	¥ 55,716	¥ 20,386	

	Book value	Acquisition cost	Difference	
	Thousands of U.S. dollars			
Securities with a book value exceeding acquisition cost	① Corporate stocks	\$ 583,119	\$ 310,613	\$ 272,505
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	-	-	-
Total	583,119	310,613	272,505	
Securities with a book value not exceeding acquisition cost	① Corporate stocks	\$ 220,461	\$ 269,569	\$ (49,108)
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	14,375	18,658	(4,282)
Total	234,837	288,228	(53,391)	
Total	\$ 817,956	\$ 598,842	\$ 219,114	

Notes: The followings are not included in the table of (2) above because of no available quoted market price and not being able to estimate their future cash flows, therefore it is deemed to be difficult to measure their fair value:

- Non-listed corporate stocks,
- Investments in securities, and
- Others

(Their book value on balance sheet: ¥105,453 million (\$1,133,424 thousand))

## Available-for-sale securities with available market quotations

For the year ended March 31, 2009

		Acquisition cost	Book value	Difference
		Millions of yen		
Securities with a book value exceeding acquisition cost	Corporate stocks	¥ 24,570	¥ 43,744	¥ 19,174
	Bonds (government bonds, local government bonds and others)	5	5	0
	Others	—	—	—
	Total	24,575	43,749	19,174
Securities with a book value not exceeding acquisition cost	Corporate stocks	29,507	23,745	(5,761)
	Bonds (government bonds, local government bonds and others)	—	—	—
	Others	1,736	1,135	(600)
	Total	31,243	24,881	(6,362)
Total		¥ 55,819	¥ 68,630	¥ 12,811

## (3) Available-for-sale securities sold

For the year ended March 31, 2010

		Proceeds from sales	Gains	Losses
		Millions of yen		
①	Corporate stocks	¥ 104	¥ 18	¥ (49)
②	Bonds			
	1. Government bonds, local government bonds and others	—	—	—
	2. Corporate bonds	—	—	—
	3. Others	—	—	—
③	Others	—	—	—
Total		¥ 104	¥ 18	¥ (49)

		Proceeds from sales	Gains	Losses
		Thousands of U.S. dollars		
①	Corporate stocks	\$1,120	\$200	(\$529)
②	Bonds			
	1. Government bonds, local government bonds and others	—	—	—
	2. Corporate bonds	—	—	—
	3. Others	—	—	—
③	Others	—	—	—
Total		\$1,120	\$200	(\$529)

For the year ended March 31, 2009

				Millions of yen
Proceeds from sales	Gains <sup>17</sup>	Derivative Transactions	Losses	
¥ 4,303		¥ 683	¥ (37)	

## (4) Impairment of available-for-sale securities

With respect to corporate stocks included in available-for-sale securities, impairment losses of ¥352 million (\$3,794 thousand) were recorded in the year ended March 31, 2010.

In determining impairment losses, where fair value as of the year end is lower than acquisition cost by 50% or more, the whole amount of such difference is recorded as an impairment loss, while in cases where fair value as of the year end is lower than acquisition cost by between 30-50%, an amount deemed to be necessary is recorded as an impairment loss in consideration of recoverability among other factors.

## (5) Main securities with no fair value available

As of March 31, 2009

Securities	Book value
	Millions of yen
(1) Held-to-maturity debt securities	
Bonds (government bonds, local government bonds and others)	¥ 4
(2) Available-for-sale securities	
Non-listed equity securities	6,031
Senior investment securities	8,499

(6) The redemption schedule for securities with maturity dates classified as available-for-sale securities and held-to-maturity debt securities is summarized as follows:

At March 31, 2009

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Millions of yen			
Government bonds	¥ 1	¥ 18	–	–
Corporate bonds	–	–	–	–
Others	0	–	–	–
Total	¥ 1	¥ 18	–	–

## 17. Derivative Transactions

As of March 31, 2010

(1) Derivatives contracts outstanding for which hedge accounting was not applied

None

(2) Derivatives contracts outstanding for which hedge accounting was applied

① Currency-related derivatives

Hedge accounting method	Hedging instruments	Main hedged items	As of March 31, 2010		
			Contract amount	Contract amount due after one year	Fair value
			Millions of yen		
	Foreign exchange forward contracts				
	Sell				
Basic accounting method (Note 2)	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable	¥ 3,362	¥ –	¥ 135
	Others	Accounts receivable	1,037	–	9
	Buy				
	Buy: U.S. dollars, Sell: Japanese yen	Stocks	8,960	–	425
	Others	Accounts payable	46	–	(1)
	Foreign exchange forward contracts				
	Sell				
Deferral hedge accounting method (Note 3)	U.S. dollars	Accounts receivable	7	–	(Note 4)
	Buy				
	U.S. dollars	Accounts payable	257	–	(Note 4)
	Total		¥ 13,671	¥ –	¥ –



Hedge accounting method	Hedging instruments	Main hedged items	As of March 31, 2010		
			Contract amount	Contract amount due after one year	Fair value
			Thousands of U.S. dollars		
	Foreign exchange forward contracts				
	Sell				
Basic accounting method (Note 2)	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable	\$ 36,137	\$ –	\$ 1,460
	Others	Accounts receivable	11,152	–	101
	Buy				
	Buy: U.S. dollars, Sell: Japanese yen	Stocks	96,307	–	4,573
	Others	Accounts payable	502	–	(12)
	Foreign exchange forward contracts				
	Sell				
Deferral hedge accounting method (Note 3)	U.S. dollars	Accounts receivable	81	–	(Note 4)
	Buy				
	U.S. dollars	Accounts payable	2,764	–	(Note 4)
	Total		\$146,947	\$ –	\$ –

Notes:1.Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

2.The Company and its consolidated subsidiaries adopt the accounting method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items.

3.Foreign currency transactions hedged by forward exchange contracts which meet certain conditions for hedge accounting are reported at the forward rate and the resulting differences between the spot rate and the forward rate amortized over the life of the contract.

4.The fair value of foreign exchange forward contracts is included in that of hedged foreign currency assets or liabilities.

## ②Interest-rate-related derivatives

Hedge accounting method	Hedging instruments	Main hedged items	As of March 31, 2010		
			Contract amount	Contract amount due after one year	Fair value
			Millions of yen		
	Interest rate swaps				
Special treatment of interest rate swap (Note 2)	Floating rate received for fixed rate	Long-term loans	¥ 299,800	¥ 299,800	(Note 3)
	Floating rate received for floating rate	Long-term loans	25,500	20,500	(Note 3)
	Fixed rate received for fixed rate	Long-term loans	1,000	1,000	(Note 3)
	Fixed rate received for floating rate	Long-term loans	23,000	21,000	(Note 3)
	Total		¥ 349,300	¥ 342,300	¥ –

Hedge accounting method	Hedging instruments	Main hedged items	As of March 31, 2010		
			Contract amount	Contract amount due after one year	Fair value
			Thousands of U.S. dollars		
	Interest rate swaps				
Special treatment of interest rate swap (Note 2)	Floating rate received for fixed rate	Long-term loans	\$ 3,222,269	\$ 3,222,269	(Note 3)
	Floating rate received for floating rate	Long-term loans	274,075	220,335	(Note 3)
	Fixed rate received for fixed rate	Long-term loans	10,748	10,748	(Note 3)
	Fixed rate received for floating rate	Long-term loans	247,205	225,709	(Note 3)
	Total		\$ 3,754,299	\$ 3,679,062	\$ –

Notes:1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

2. When an interest rate swap contract meets special treatment of interest rate swap, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.

3. The special treatment of interest rate swaps is included in that of hedged long-term loans.

## ③Commodity-related derivatives

Hedge accounting method	Hedging instruments	Main hedged items	The fiscal year ended March 31, 2010		
			Contract amount	Contract amount due after one year	Fair value
			Millions of yen		
Basic accounting method (Note 2)	Commodity swaps				
	Floating rate received for fixed rate	Electricity	¥ 9,626	¥ 8,333	¥ 178
	Total		¥ 9,626	¥ 8,333	¥ 178

Hedge accounting method	Hedging instruments	Main hedged items	The fiscal year ended March 31, 2010		
			Contract amount	Contract amount due after one year	Fair value
			Thousands of U.S. dollars		
Basic accounting method (Note 2)	Commodity swaps				
	Floating rate received for fixed rate	Electricity	\$ 103,461	\$ 89,569	\$ 1,918
	Total		\$ 103,461	\$ 89,569	\$ 1,918

Notes:1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

2. The Company and its consolidated subsidiaries adopt the accounting method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items.

For the year ended March 31, 2009

## (1)Matters concerning derivative transactions

## ①Types and purpose of derivative transactions

The Group utilizes derivative transactions in its normal operations for the purpose of efficiently managing such risks as fluctuation in foreign exchange rates and interest rates.

Forward foreign exchange contracts are utilized in order to hedge against the adverse impact of fluctuations in foreign currency exchange rates on foreign currency denominated receivables and payables arising from importing oil and raw materials, and exporting products.

Interest rate swaps are utilized to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt and to reduce financing costs.

The Group does not utilize derivative transactions for the purpose of speculation. The above transactions are limited within the scope of receivables and payables.

(Hedge accounting method)

(See Note 5(4)(i).)

(Hedging instruments and hedged items)

Hedging instruments	Hedged items
Foreign exchange forward contracts	Foreign currency monetary assets and liabilities
Interest rate swaps	Borrowings and loans

(Hedging policy)

The risk management policy of the Group requires hedging against the foreign exchange risk and interest rate risk arising in the normal course of the business.

(Method for assessing the hedging effectiveness)

At the end of each fiscal year, hedge effectiveness with respect to the hedging instruments and hedged items is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets/liabilities of hedging instruments and hedged items.

## ② Risk associated with derivative transactions

The Group is exposed to the following risks that are associated with its derivative transactions:

- Risk of market fluctuation
- Credit risk of counterparties' default and others

However, as risks associated with the derivative transactions are effectively offset by movements in the value of the hedged assets and liabilities, market fluctuation is not a material risk. Furthermore, as the Group limits its counterparties only to such financial institutions as hold long-term creditworthy positions to fulfill their obligations, the Group does not anticipate any material credit risk.

## ③ Risk Management

In the Company, execution and management of derivative transactions are conducted by the Finance Department, and in each consolidated subsidiary by its raw material procurement section or administration section.

Execution of derivative transactions is a matter to be approved by General Manager or Corporate Officer in charge of such departments or sections. In each department or section, the status of derivative transactions is reported regularly to General Manager in charge.

## (2) Matters concerning fair value and others of derivative transactions

As hedge accounting is applied to derivative transactions for the current fiscal year, matters concerning fair value and others of derivative transactions are excluded.

## 18. Retirement Benefits

### (1) Retirement benefit plans

The Company and its domestic consolidated subsidiaries provide defined benefit plans, i.e., a lump-sum benefit at retirement and a non-contributory funded defined-benefit pension plan. Certain domestic consolidated subsidiaries provide defined contribution plans. Furthermore, on some occasions of an employee's retirement or other termination, special retirement benefits may be provided, which is not included in the retirement benefit obligation based on the actuarial calculation under retirement benefit accounting.

Certain overseas consolidated subsidiaries provide defined benefit plans. The Company also has funded employees' retirement benefit trust.

### (2) Retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
① Retirement benefit obligation	¥ (205,623)	¥ (205,557)	\$ (2,210,049)
② Plan assets at fair value	111,128	111,981	1,194,420
③ Unfunded retirement benefit obligation (① + ②)	(94,494)	(93,575)	(1,015,629)
④ Unrecognized actuarial gain and loss	66,280	65,686	712,386
⑤ Unrecognized prior service cost	(7,028)	(8,111)	(75,541)
⑥ Net retirement benefit obligation (③ + ④ + ⑤)	(35,242)	(36,000)	(378,784)
⑦ Prepaid pension cost	11,227	11,823	120,677
⑧ Provision for retirement benefits (⑥ - ⑦)	(46,469)	(47,824)	(499,462)

Notes: 1. To certain employees who are transferred to subsidiaries and affiliates, the Company provides special retirement pay which is not based on actuarial calculations under retirement benefit accounting.

The present value, ¥808 million (\$8,685 thousand) and ¥1,070 million, of the estimated installment payments for subsequent fiscal years, is included in provision for retirement benefits as of March 31, 2010 and 2009, respectively.

2. Certain subsidiaries adopted a simplified method for the calculation of their retirement benefit obligations.

## (3) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2010	2009	2010
① Service cost	¥ 3,983	¥ 5,737	\$ 42,811
② Interest cost	4,411	4,681	47,412
③ Expected return on plan assets	(2,497)	(3,237)	(26,847)
④ Amortization of actuarial loss	7,316	5,420	78,638
⑤ Amortization of prior service cost	(1,180)	(1,822)	(12,690)
⑥ Retirement benefit expenses (① + ② + ③ + ④ + ⑤)	12,032	10,779	129,324

Notes: 1. Special retirement benefits of ¥3,717 million (\$39,954 thousand) and ¥2,978 million which were accounted for as a special loss for the year ended March 31, 2010 and 2009, respectively, are not included in the above retirement benefit expenses.

2. Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service cost."

## (4) Basis for calculation of retirement benefit obligation

	For the year ended March 31	
	2010	2009
Periodic allocation method of estimated amount of retirement benefit	Straight-line method	
Discount rate	1.6%-2.0%	2.0%-2.5%
Expected return rate on plan assets	1.0%-2.5%	
Accounting period of prior service cost	Prior service cost is accounted for as an expense calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which it arises.	
Accounting period of actuarial gain and loss	Actuarial losses are accounted for as expenses for in subsequent fiscal years beginning the following year in which they arise calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which they arise.	

## 19. Stock Options and Others

## (1) The account title and the amount of expenses related to stock options

Account title: Selling, general and administrative expenses

Amount: ¥56 million (\$602 thousand) as of March 31, 2010

¥73 million as of March 31, 2009

## (2) Content, size and changes of stock options

## ① Stock option plans

At each March 31, 2010 and 2009

	Stock option 2006
Position and number of grantee	Directors of the Company: 10
Class and number of shares	Common stock: 140,000 shares
Date of issue	August 15, 2006
Condition of settlement of rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2007 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Period in which grantee must provide services in return for stock options	From the date of the ordinary general meeting of shareholders in 2006 (June 29, 2006) to the date of the ordinary general meeting of shareholders in 2007
Period subscription rights may be exercised	From August 16, 2006 to June 30, 2026

## At each March 31, 2010 and 2009

	Stock option 2007
Position and number of grantee	Directors of the Company: 10
Class and number of shares	Common stock: 145,000 shares
Date of issue	July 13, 2007
Condition of settlement of rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2008 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Period in which grantee must provide services in return for stock options	From the date of the ordinary general meeting of shareholders in 2007 (June 28, 2007) to the date of the ordinary general meeting of shareholders in 2008
Period subscription rights may be exercised	From July 14, 2007 to June 30, 2027

## At March 31, 2010 and 2009

	Stock option 2008
Position and number of grantee	Directors of the Company: 10
Class and number of shares	Common stock: 215,000 shares
Date of issue	July 14, 2008
Condition of settlement of rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2009 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Period in which grantee must provide services in return for stock options	From the date of the ordinary general meeting of shareholders in 2008 (June 27, 2008) to the date of the ordinary general meeting of shareholders in 2009
Period subscription rights may be exercised	From July 15, 2008 to June 30, 2028

## At March 31, 2010

	Stock option 2008
Position and number of grantee	Directors of the Company: 10
Class and number of shares	Common stock: 174,000 shares
Date of issue	July 13, 2009
Condition of settlement of rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2010 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Period in which grantee must provide services in return for stock options	From the date of the ordinary general meeting of shareholders in 2009 (June 26, 2009) to the date of the ordinary general meeting of shareholders in 2010
Period subscription rights may be exercised	From July 14, 2009 to June 30, 2029



## ② Changes in the number of stock options

At March 31, 2010

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009
	Shares	Shares	Shares	Shares
Share subscription rights which are not yet vested				
Outstanding as of March 31, 2009	–	–	215,000	–
Granted	–	–	–	174,000
Forfeited	–	–	–	–
Vested	–	–	215,000	–
Outstanding as of March 31, 2010	–	–	–	174,000
Share subscription rights which have already been vested				
Outstanding as of March 31, 2009	112,000	145,000	–	–
Vested	–	–	215,000	–
Exercised	22,000	16,000	23,000	–
Forfeited	–	–	–	–
Outstanding as of March 31, 2010	90,000	129,000	192,000	–

At March 31, 2009

	Stock option 2006	Stock option 2007	Stock option 2008
	Shares	Shares	Shares
Share subscription rights which are not yet vested			
Outstanding as of March 31, 2008	–	145,000	–
Granted	–	–	215,000
Forfeited	–	–	–
Vested	–	145,000	–
Outstanding as of March 31, 2009	–	–	215,000
Share subscription rights which have already been vested			
Outstanding as of March 31, 2008	112,000	–	–
Vested	–	145,000	–
Exercised	–	–	–
Forfeited	–	–	–
Outstanding as of March 31, 2009	112,000	145,000	–

## ③ Price information of stock options

At March 31, 2010

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009
	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	405	382	382	–
Weighted average fair value per shares at the granted date	–	–	–	285

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009
	U.S. dollars	U.S. dollars	U.S. dollars	U.S. dollars
Exercise price	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Average market price of the stock at the time of exercise	4.35	4.1	4.1	–
Weighted average fair value per shares at the granted date	–	–	–	3.06

At March 31, 2009

	Stock option 2006	Stock option 2007	Stock option 2008
	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	580	-	-
Weighted average fair value per shares at the granted date	-	-	351

(3)Method for estimating the fair value of stock options

The method for estimating the fair value of stock options granted in the year ended March 31, 2010 is as follows:

①Model of valuation Black-Scholes Model

②Main basic figures and estimation method:

	Stock option 2009
Expected volatility (Note 1)	35.977%
Expected holding period (Note 2)	10 years and 6 months
Expected dividend (Note 3)	10 yen (\$ 0.10) / share
Risk-free rate (Note 4)	1.374%

Notes:1.The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months (from January 13, 1999 to July 13, 2009)

2.As there is not enough data to make a reasonable estimate, expected life of the option is based on the assumption that the options are exercised at mid-term of during the exercise period.

3.This is based on the actual dividend for the year ended March 31, 2009.

4.Risk-free interest rate is yield on government bonds for the period that corresponds to the remaining life of the option.

The method for estimating the fair value of stock options granted in the year ended March 31, 2009 is as follows:

①Model of valuation Black-Scholes Model

②Main basic figures and estimation method:

	Stock option 2008
Expected volatility (Note 1)	35.464%
Expected holding period (Note 2)	10 years and 6 months
Expected dividend (Note 3)	12 yen / share
Risk-free rate (Note 4)	1.645%

Notes:1.The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months (from January 14, 1998 to July 14, 2008)

2.As there is not enough data to make a reasonable estimate, expected life of the option is based on the assumption that the options are exercised at mid-term of during the exercise period.

3.This is based on the actual dividend for the year ended March 31, 2008.

4.Risk-free interest rate is yield on government bonds for the period that corresponds to the remaining life of the option.

(4)Method for estimating the number of vested options

Basically, as it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited compared to the number vested.

## 20. Income Taxes

### (1) Significant deferred tax assets and deferred tax liabilities

	March 31, 2010	March 31, 2009	March 31, 2010
	Millions of yen	Millions of yen	Thousands of U.S. dollars
<b>Deferred tax assets</b>			
Provision for retirement benefits in excess of tax limit	¥ 17,379	¥ 17,617	\$ 186,795
Tax losses carried forward	21,225	28,560	228,136
Property, plant and equipment	15,491	13,369	166,508
Investment securities and others	12,618	10,911	135,622
Accrued bonuses in excess of tax limit	6,586	5,881	70,791
Allowance for doubtful accounts	5,793	6,155	62,268
Other	9,984	8,201	107,315
Subtotal	89,080	90,697	957,438
Valuation allowance	(32,849)	(38,153)	(353,068)
<b>Total deferred tax assets</b>	<b>56,230</b>	<b>52,544</b>	<b>604,369</b>
<b>Deferred tax liabilities</b>			
Unrealized gains on available-for-sale securities	(8,406)	(5,612)	(90,358)
Reserve for advanced depreciation of fixed assets	(18,583)	(18,286)	(199,734)
Adjustment to book value of assets stated at fair value	(14,304)	(14,254)	(153,747)
Property, plant and equipment	(3,363)	(2,623)	(36,150)
Reserve for special depreciation	(1,385)	(1,727)	(14,891)
Other	(1,734)	(1,072)	(18,640)
<b>Total deferred tax liabilities</b>	<b>(47,778)</b>	<b>(43,577)</b>	<b>(513,522)</b>
<b>Net deferred tax assets</b>	<b>¥ 8,452</b>	<b>¥ 8,967</b>	<b>\$ 90,847</b>

### (2) Difference between the statutory tax rate and the effective tax rate of corporate income taxes after For the year ended March 31, 2010

Statutory tax rate	40.70%
<b>(Adjustment)</b>	
Permanent exclusion from expenses of entertainment and social expenses	1.5
Per capita levy of local inhabitant tax	1.2
Tax credit	0.2
Equity in earnings of affiliates	2
Change in valuation allowance	(14.5)
Other	1.4
<b>Effective tax rate of corporate income taxes after adjustment</b>	<b>32.50%</b>

### For the year ended March 31, 2009

As the Company recorded a net loss before income taxes for the year, this information is omitted.

## 21. Segment Information

(1)The business segment information for the Company and its consolidated subsidiaries is as follows:

For the year ended March 31, 2010

	Pulp and paper products	Converted paper products	Wood and tree-planting	Other	Total	Eliminations	Consolidated
Millions of yen							
1. Sales and operating income							
Sales to third parties	¥ 612,722	¥ 431,951	¥ 32,364	¥ 70,283	¥ 1,147,322	¥ (-)	¥ 1,147,322
Inter-segment sales and transfers	84,140	5,982	27,629	91,372	209,126	(209,126)	-
Total sales	696,863	437,933	59,994	161,656	1,356,448	(209,126)	1,147,322
Operating expenses	649,774	418,952	59,275	154,331	1,282,333	(208,692)	1,073,641
Operating income	47,088	18,981	719	7,325	74,114	(433)	73,681
2. Assets, depreciation, impairment loss and capital expenditures							
Total assets	1,052,139	396,498	103,308	123,269	1,675,216	(61,168)	1,614,047
Depreciation and amortization	65,877	15,484	842	3,638	85,842	(-)	85,842
Impairment loss on fixed assets	10,201	1,357	129	229	11,918	(-)	11,918
Capital expenditures	65,083	13,683	1,620	2,628	83,015	(-)	83,015

	Pulp and paper products	Converted paper products	Wood and tree-planting	Other	Total	Eliminations	Consolidated
Thousands of U.S. dollars							
1. Sales and operating income							
Sales to third parties	\$ 6,585,580	\$ 4,642,643	\$ 347,859	\$ 755,411	\$ 12,331,495	\$ (-)	\$ 12,331,495
Inter-segment sales and transfers	904,352	64,297	296,967	982,082	2,247,700	(2,247,700)	-
Total sales	7,489,932	4,706,941	644,827	1,737,494	14,579,195	(2,247,700)	12,331,495
Operating expenses	6,983,819	4,502,930	637,095	1,658,760	13,782,606	(2,243,040)	11,539,566
Operating income	506,112	204,010	7,732	78,733	796,589	(4,660)	791,928
2. Assets, depreciation, impairment loss and capital expenditures							
Total assets	11,308,469	4,261,592	1,110,364	1,324,905	18,005,331	(657,443)	17,347,888
Depreciation and amortization	708,056	166,432	9,052	39,103	922,644	(-)	922,644
Impairment loss on fixed assets	109,650	14,589	1,390	2,470	128,101	(-)	128,101
Capital expenditures	699,517	147,068	17,417	28,248	892,251	(-)	892,251

For the year ended March 31, 2009

	Pulp and paper products	Converted paper products	Wood and tree-planting	Other	Total	Eliminations	Consolidated
Millions of yen							
1. Sales and operating income							
Sales to third parties	¥ 698,364	¥ 448,460	¥ 37,462	¥ 82,841	¥ 1,267,129	¥ (-)	¥ 1,267,129
Inter-segment sales and transfers	80,678	6,397	33,845	115,493	236,415	(236,415)	-
Total sales	779,043	454,857	71,308	198,335	1,503,544	(236,415)	1,267,129
Operating expenses	765,366	445,405	70,258	191,318	1,472,348	(238,064)	1,234,283
Operating income	13,676	9,451	1,050	7,017	31,195	1,649	32,845
2. Assets, depreciation, impairment loss and capital expenditures							
Total assets	1,133,281	407,986	97,599	129,799	1,768,667	(61,174)	1,707,492
Depreciation and amortization	68,599	15,899	752	3,786	89,037	(-)	89,037
Impairment loss on fixed assets	10,663	4,146	263	622	15,696	(-)	15,696
Capital expenditures	100,953	16,728	1,323	4,258	123,264	(-)	123,264

Notes:1.Based on type and nature of products, differences in production methods and other factors, the company has four business segments.

2.Main products of each business segment are as follows:

Pulp and paper products business .....newsprint, printing and communication paper, packaging paper, sanitary paper, miscellaneous paper, container board, white board, pulp and other

Converted paper products business.....corrugated containers, boxboard products, thermal paper, self-adhesive paper, paper diapers, paper bag products and other

Wood and tree-planting business .....wood, afforestation and tree-planting

Other .....real estate, cornstarch production, machinery and other

3.Depreciation and amortization, and capital expenditure include long-term prepaid expenses and the related depreciation and amortization

4.Of impairment loss for the year ended March 31, 2010, ¥10,800 million (\$116,083 thousand) was included in loss on business restructuring in special losses.

5.Changes in accounting method

(For the year ended March 31, 2009)

(Changes in standard and method of valuation of significant assets)

The Company accounted for inventories mainly under the lower of cost-or-market method based on the periodic average method in previous fiscal years. However, in response to the introduction of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006), inventories are mainly stated at cost using the periodic average method starting from the current fiscal year (balance sheet amounts are calculated by writing down the value based on any decreased profitability).

As a result of this change, as compared with the figures that would have been stated under the old method, operating expenses for the current fiscal year increased in the pulp and paper products business by ¥92 million, decrease in converted paper products business by ¥31 million, increased in the wood and tree-planting business by ¥168 million and increased in other business by ¥507 million, resulting in identical decreases/increases in operating income in each business segment, respectively.

(Change in the depreciation method of significant depreciable assets)

The machinery and equipment of the Tomioka Mill of the Company had depreciated under the declining balance method in the past. However, the depreciation method was changed to the straight-line method starting from the year ended March 31, 2009.

As a result of this change, as compared with the figures that would have been stated under the old method, operating expenses in the pulp and paper products business decreased by ¥2,958 million, and operating profit increased by the same amount for the year ended March 31, 2009.

(Additional information)

The Company reviewed the estimated useful lives of its machinery, equipment and structures and of its domestic consolidated subsidiaries in response to the Corporation Tax Act, as amended in 2008, and changed them starting from the current consolidated fiscal year.

As a result of this change, as compared with the figures that would have been stated under the old method, operating expenses for the year ended March 31, 2009 increased in the pulp and paper products business by ¥3,235 million, decreased in the converted paper products business by ¥237 million, increased in the wood and tree-planting business by ¥9 million and increased in other business by ¥34 million, resulting in identical decreases/increases of operating income in each business segment, respectively.

(Change in accounting method concerning on foreign subsidiaries for consolidated financial statements)

The Company has adopted Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No. 18, May 17, 2006) starting from the year ended March 31, 2009 and made necessary consolidation adjustments.

As a result of this change, operating profit for the year ended March 31, 2009 decreased in pulp and paper products business by ¥673 million and increased in converted paper products business by ¥626 million.

## (2)Geographic segment information

As the "Japan" segment accounts for more than 90% of both the total amount of sales in all the segments and the total amount of assets of all the segments for each year ended March 31, 2010 and 2009, this information is omitted.

## (3)Overseas sales

As the total amount of sales in countries or regions other than Japan accounts for less than 10% of the consolidated sales amount for each year ended March 31, 2010 and 2009, this information is omitted.



## 22. Information on Transactions with Related Parties

For the year ended March 31, 2010

### ① Transactions with related parties

Non-consolidated subsidiaries and affiliates

Type	Company name	Ownership ratio of voting rights (%)	Business relationship	Details of the transaction	Transaction amount	Account	Balance at the end of the fiscal year
Affiliate	Kokusai Pulp & Paper Co., Ltd.	Direct: 19.0 Indirect: 1.6	Major agency for the products of the Company	Sales of paper products	¥117,011 million (\$1,257,650 thousand)	Notes and accounts receivable – trade	¥5,193 million (\$55,825 thousand)

Notes:1.Location of headquarters of the above affiliate: Chuo ward, Tokyo.

2.Amount of capital or investment in capital of the above affiliate: ¥3,442 million (\$37,003 thousand)

3.Businesses of the above affiliate:

Sale, purchase, import and export of paper, paperboard, converted paper, pulp, chemical, paper-related devices, packaging materials and other related products, rental service of real estate and warehouse service

### ② Notes on significant related parties

Summary of financial information on significant related parties

None

For the year ended March 31, 2009

### (1) Additional information

Starting from the year ended March 31, 2009, this information is described based on the application of the “Accounting Standard for Disclosure of Related Parties” (ASBJ Statement No. 11, October 17, 2006) and “Guidance on Accounting Standard for Disclosure of Related Parties” (ASBJ Guidance No. 13, October 17, 2006).

As a result of this application, in addition to information on related party transactions required in the past, significant affiliates are newly included.

### ① Transactions with related parties

Non-consolidated subsidiaries and affiliates

Type	Company name	Ownership ratio of voting rights (%)	Business relationship	Details of the transaction	Transaction amount	Account	Balance at the end of the fiscal year
Affiliate	Kokusai Pulp & Paper Co., Ltd.	Direct: 19.0 Indirect: 1.6	Major agency for the products of the Company	Sales of paper products	¥128,088 million	Notes and accounts receivable – trade	¥8,413 million

Notes:1.Location of headquarters of the above affiliate: Chuo ward, Tokyo.

2.Amount of capital or investment in capital of the above affiliate: ¥3,442 million

3.Businesses of the above affiliate:

Sale, purchase, import and export of paper, paperboard, converted paper, pulp, chemical, paper-related devices, packaging materials and other related products, rental service of real estate and warehouse service

## ② Notes on significant related parties

Summary of financial information on significant related parties

Japan Brazil Paper and Pulp Development Co., Ltd.

As of and for the fiscal year ended March 31, 2009

	Millions of yen
Total current assets	¥ 37,056
Total non-current assets	144,596
Total current liabilities	30,572
Total non-current liabilities	66,454
Total net assets	84,625
Net sales	64,524
Income before income taxes	14,689
Net income	12,602

**23. Per Share Information**

As of and for the fiscal year ended March 31, 2010 and 2009

	Yen		U.S. dollars
	2010	2009	2010
Net assets per share	¥ 450.97	¥ 421.04	\$ 4.84
Net income (loss) per share	¥ 25.18	¥ (6.40)	\$ 0.27
Diluted net income per share (Note 2)	¥ 25.16	(Note 1)	\$ 0.27

Notes: 1. Diluted net income per share is not stated as a net loss per share for the year.

2. Basis for computations of net income/loss per share and diluted net income per share is as follows:

For the fiscal year ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net income (loss) per share			
Net income (loss)	¥ 24,886	¥ (6,324)	\$ 267,485
Amount not attributable to common shareholders	—	—	—
Net income (loss) allocated to common stock	24,886	(6,324)	267,485
Average number of shares outstanding during the period	thousand shares 988,469	thousand shares 988,910	thousand shares 988,469
Diluted net income per share			
Adjusted amount of net income	—	—	—
Increase in shares of common stock	thousand shares 581	thousand shares —	thousand shares 581
(Share subscription rights among the above increase)	(thousand shares) (581)	(thousand shares) (—)	(thousand shares) (581)

**24. Significant Subsequent Events**

None

## 25. Consolidated Supplementary Statement

### (1) Bonds

Company	Name	Date of issue	Balance as of March 31, 2009	Balance as of March 31, 2010	Balance as of March 31, 2010	Interest rate (%)	Security	Maturity
			Millions of yen		Thousands of U.S. dollars			
Oji Paper Co., Ltd.	Bond No.20	November 14, 2000	¥ 20,000	¥ 20,000 (¥ 20,000)	\$ 214,961 (\$ 214,961)	2.43	None	November 12, 2010
Oji Paper Co., Ltd.	Bond No.21	August 19, 2003	20,000	20,000 (20,000)	214,961 (214,961)	0.83	None	August 19, 2010
Oji Paper Co., Ltd.	Bond No.22	August 19, 2003	20,000	20,000	214,961	1.25	None	August 19, 2013
Oji Paper Co., Ltd.	Bond No.23	July 23, 2004	20,000	20,000	214,961	1.47	None	July 22, 2011
Oji Paper Co., Ltd.	Bond No.24	July 23, 2004	20,000	20,000	214,961	2.01	None	July 23, 2014
Total			¥ 100,000	¥ 100,000 (¥ 40,000)	\$ 1,074,806 (\$ 429,922)			

Notes:1.The amounts indicated in parentheses above represent redemption amounts due in one year or less.

2.Aggregate annual redemption amount of bonds within five years subsequent to March 31, 2010 is as follows:

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Millions of yen				
¥ 40,000	¥ 20,000	–	¥ 20,000	¥ 20,000
Thousands of U.S. dollars				
\$ 429,922	\$ 214,961	–	\$ 214,961	\$ 214,961

### (2) Short-term loans and long-term loans

	March 31, 2009	March 31, 2010	March 31, 2010	Average interest rate (%)	Maturity
	Millions of yen		Thousands of U.S. dollars		
Short-term loans	¥ 284,998	¥ 161,104	\$ 1,731,560	0.9	–
Current portion of long-term loans	50,615	18,189	195,505	0.89	–
Current portion of lease obligations	264	600	6,452	–	–
Long-term loans (excluding current portion)	440,228	508,141	5,461,537	1.47	Due 2011 through 2051
Lease obligations (excluding current portion)	984	2,811	30,218	–	Due 2011 through 2017
Others:					
Commercial paper	54,000	11,000	118,228	0.11	–
Total	¥ 831,091	¥ 701,847	\$ 7,543,503	–	–

Notes:1.The above average interest rate is the weighted-average interest rate applicable to the above loans at the end of each fiscal year.

2.The average interest rates of lease obligations are not indicated above as lease obligations before deduction of interest are included in the consolidated balance sheets.

3.Aggregate annual repayment amount of long-term loans and lease obligations (excluding current portion) within five years subsequent to March 31, 2010 is as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	Millions of yen			
Long-term loans	¥ 32,351	¥ 160,268	¥ 128,868	¥ 30,915
Lease obligation	643	522	280	64
Thousands of U.S. dollars				
Long-term loans	\$ 347,712	\$ 1,722,579	\$ 1,385,091	\$ 332,280
Lease obligation	6,912	5,614	3,017	696

## 26. Quarterly Information for the Current Consolidated Fiscal Year

	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter
	From April 1, 2009 to June 30, 2009	From July 1, 2009 to September 30, 2009	From October 1, 2009 to December 31, 2009	From January 1, 2010 to March 31, 2010
Millions of yen				
Net sales	¥ 280,498	¥ 290,442	¥ 302,786	¥ 273,594
Income (loss) before income taxes and minority interests	9,540	8,024	14,447	5,112
Net income (loss)	5,800	3,153	7,780	8,152
Net income (loss) per share	Yen ¥ 5.87	Yen ¥ 3.19	Yen ¥ 7.87	Yen ¥ 8.25

	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter
	From April 1, 2009 to June 30, 2009	From July 1, 2009 to September 30, 2009	From October 1, 2009 to December 31, 2009	From January 1, 2010 to March 31, 2010
Thousands of U.S. dollars				
Net sales	\$ 3,014,818	\$ 3,121,689	\$ 3,254,373	\$ 2,940,613
Income (loss) before income taxes and minority interests	102,542	86,246	155,282	54,950
Net income (loss)	62,342	33,896	83,622	87,624
Net income (loss) per share	U.S. dollars \$ 0.06	U.S. dollars \$ 0.03	U.S. dollars \$ 0.08	U.S. dollars \$ 0.08

## Report of Independent Auditors

The Board of Directors  
OJI PAPER CO., LTD.

We have audited the accompanying consolidated balance sheets of OJI PAPER CO., LTD. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OJI PAPER CO., LTD. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

### Supplemental Information

As described in Note 5(2), effective the fiscal year ended March 31, 2009, OJI PAPER CO., LTD. has changed its method of accounting for depreciation of the machinery and equipment of the Tomioka Mill.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Ernst & Young Shin Nihon LLC*

June 29, 2010

**Corporate Data** (As of March 31, 2010)

Company Name :	Oji Paper Co., Ltd.	Founded :	February 12, 1873
Headquarters :	7-5, Ginza 4-chome, Chuo-ku, Tokyo 104-0061, Japan Phone : +81-3-3563-1111 Fax : +81-3-3563-1135	Established :	August 1, 1949
		Paid-in Capital :	¥103,880 million
Number of Employees :	20,363 (March 31, 2010, consolidated)		

Major Business Lines : (including businesses of subsidiaries)	<ul style="list-style-type: none"> <li>• Pulp and paper products business Production and sale of container board, white board, packaging paper, newsprint, printing and communication paper, miscellaneous paper, pulp and other</li> <li>• Converted paper products business Production and sale of corrugated containers, boxboard products, self-adhesive paper, paper diapers, paper bag products and other</li> <li>• Other Wood and tree-planting, real estate, cornstarch production, machinery and other businesses</li> </ul>
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**Shares of Common Stock**

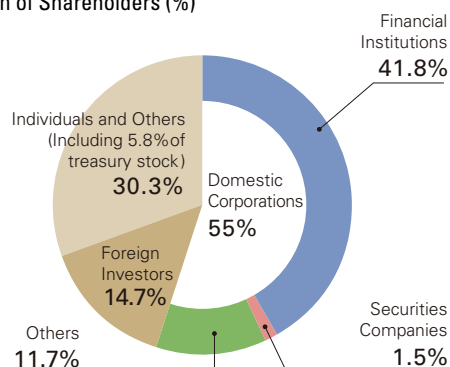
Authorized :	2,400,000,000 shares
Issued :	1,064,381,817 shares
Number of Shareholders :	90,327 (Decrease of 1,263 shareholders from the previous yearend)

**Major Shareholders (Top 10)**

	Shares held (Thousands)	Percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	53,092	5.3
The Master Trust Bank of Japan, Ltd. (Trust account)	52,311	5.2
Sumitomo Mitsui Banking Corporation	31,668	3.2
Japan Trustee Services Bank, Ltd. (Trust account 4)	31,337	3.1
Mizuho Corporate Bank, Ltd.	28,498	2.8
Nippon Life Insurance Company	28,008	2.8
Oji Paper Group Employee Stock-holding Association	22,517	2.2
OD05 Omnibus Account China Treaty 808150	17,998	1.8
Japan Pulp and Paper Company Limited	17,216	1.7
The Norinchukin Bank	16,654	1.7

Notes: Oji Paper holds treasury stock of 61,882 thousand shares, which is excluded from the list. The investment ratio has been calculated after excluding the Company's treasury stock (61,882 thousand shares). Numbers less than one thousand are rounded down.

**Distribution of Shareholders (%)**







**Oji Paper Co., Ltd.**

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