

Annual Report 2011

Year ended March 31, 2011

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

First of all, I wish to thank all of our stakeholders for your support and understanding.

I would also like to offer my deepest condolences for those of you that were affected by the Great East Japan Earthquake. We hope that you will be able to return to your normal lives as soon as possible.

In fiscal year 2010, amidst the unclear economic conditions, the Oji Paper Group continued to pursue the transformation of its business portfolio. As part of these efforts, we worked to address demand in growing Asian markets by acquiring Southeast Asian paperboard and cardboard manufacturers as well as by expanding our material-converted products integrated businesses and R&D-oriented businesses. At the same time, we endeavored to maximize production efficiency in existing businesses and shift to production systems that better matched demand to significantly reduce fixed and other costs and absorb the effects of rising material prices. Also, at the Nantong Project, the first high-quality paper production facilities (paper machines and coaters) began operation in the late 2010.

As a result, net sales were up 3% year on year. Net income, however, declined 1% due to the recording of loss on disaster [associated with the Great East Japan Earthquake] under extraordinary loss.

The Great East Japan Earthquake, which occurred on March 11, 2011, coupled with the effects of the ensuing tsunamis and the subsequent leakage of radioactive material from the Tokyo Electric Power Company, Incorporated's Fukushima Daiichi Nuclear Power Station, was a disaster of unprecedented scale. The impacts this disaster will have on the Japanese economy as whole are immeasurable.

In the midst of this nationwide crisis, the Group will exercise its responsibility as a Japanese company and work to meet the requests of the Japanese government to the greatest extent possible. We will also continue to support the restoration effort with the aim of contributing to a quick recovery for the affected regions and for the nation of Japan itself.

Further, we will continue to advance business portfolio transformation initiatives, which have formed a key pillar of our growth strategies and we see as a top management priority. Accordingly, we will accelerate and bolster our efforts geared toward strengthening our global competitiveness through thorough cost reduction, establishing a material-converted products integrated business model, growing through the establishment of an R&D-oriented business structure, promoting resource and environmental businesses, and expanding overseas businesses in East Asia.

Going forward, we will strive to meet and exceed the expectations of our stakeholders. I hope that you continue to offer the Oji Paper Group your support and understanding.

September, 2011



Kazuhisa Shinoda, President and CEO

Management Strategies

Business Environment

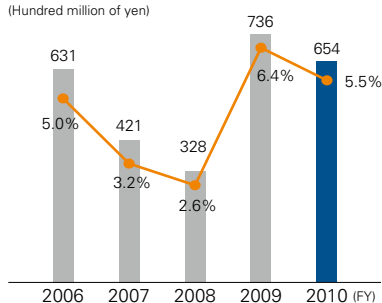
World paper and paperboard demand has increased rapidly in recent years. In particular, China and other Asian markets have shown significant growth accompanying their strong economic development. It is forecasted that these Asian markets will continue to be a driving force behind the global markets for paper and paperboard. On the other hand, in developed countries, such as the United States and Japan, which feature some of the largest markets in the world, we can no longer expect growth as the markets have matured and the structure of demand has changed following the popularization of ICT technologies. In Japan, amidst the slowing of economic activities as a result of the progressive aging of the population and decline of the birthrate, the Great East Japan Earthquake, which occurred March 31, 2011, struck another blow to the economy, making future economic conditions even more difficult to predict.

Pursuing Business Portfolio Transformation to Achieve Sustainable Growth

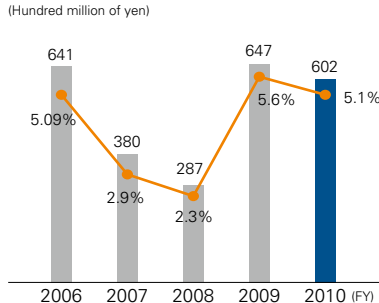
Throughout its long history spanning over more than 130 years, the Oji Paper Group has maintained its position as the leading company in Japan, which boasts the third largest market in the world, by flexibly adapting to the various changes in the business environment. Recently, the business environment for the paper industry has reached a major turning point. In order to overcome the challenges this presents and achieve sustainable growth, we have set **“transformation of our business portfolio through innovation”** as our basic management strategy.

Specifically, we will limit investment in traditional domestic business categories to those investments targeting the refurbishment of older equipment, cost reduction, and environmental protection and safety measures. At the same time, we will allocate sufficient management resources, including capital and manpower,

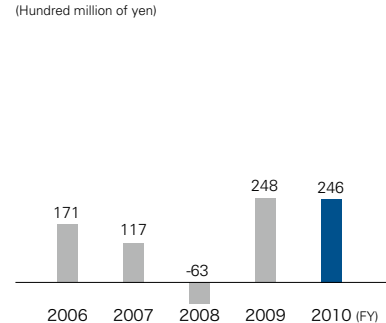
Operating Profit / Operating Profit to Net Sales
(Hundred million of yen)



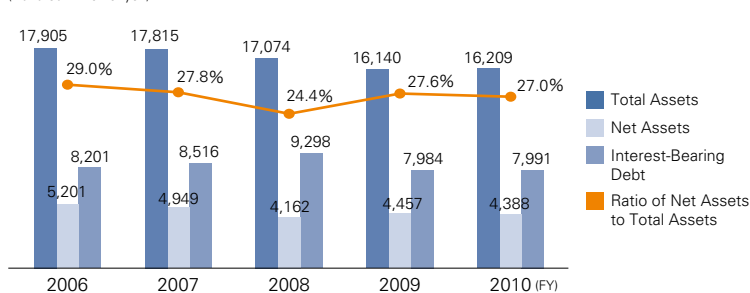
Ordinary Profit / Ordinary Profit to Net Sales
(Hundred million of yen)



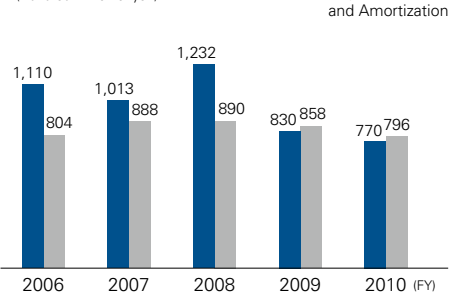
Net Income
(Hundred million of yen)



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



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



“Pursuing efficiencies in domestic businesses” and “expanding overseas businesses,” these are our basic management policies, which are based on three key words: “passion,” “sincerity,” and “teamwork.”

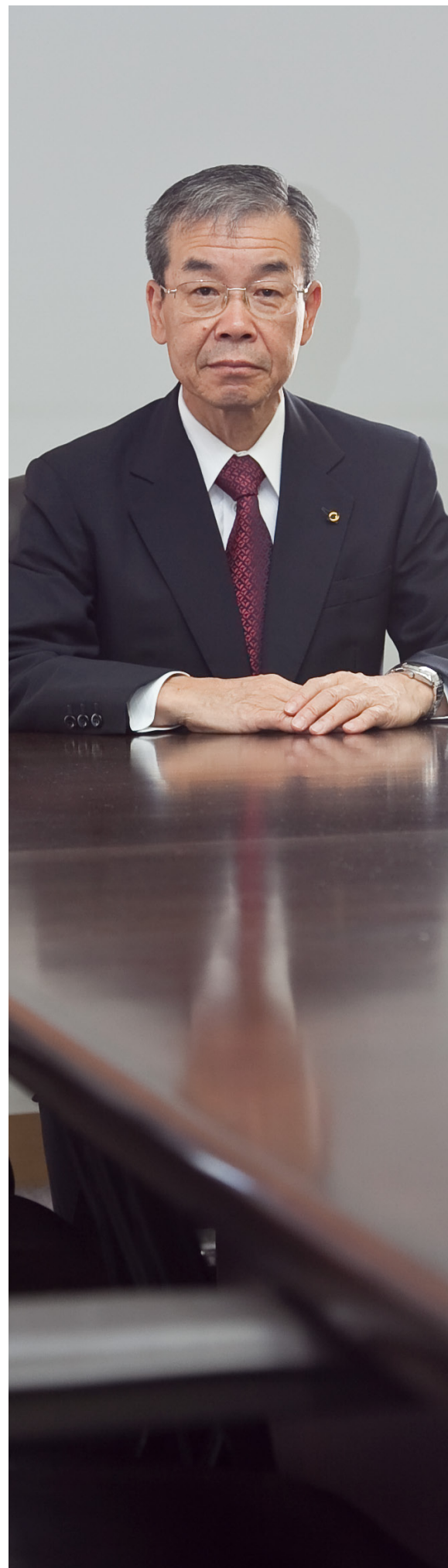
to areas that are vital in transforming our business portfolio, such as overseas businesses, R&D, new functional material businesses, resource and environmental businesses, and downstream businesses.

Through this prioritization, we will boost the profitability of existing businesses and create new lines of business in Japan by **enhancing global competitiveness through aggressive cost reduction, establishing a material-converted products integrated business model, and developing R&D-oriented businesses.**

In our overseas development efforts, we aim to increase overseas sales until they account for 20% of net sales by aggressively **expanding overseas businesses in East Asia.** In China, we aim to increase annual sales to 100 billion yen by expanding business operations centered on the Nantong Project, which began production in 2010. Meanwhile in Southeast Asia, we will actively expand operations by utilizing the regional management headquarters we established during the latter half of 2010. Through these efforts, we hope to achieve net sales of between 50 and 100 billion yen in our Southeast Asia business.

Utilizing our forest resources and related technologies, we will **promote resource and environmental businesses** both domestically and overseas. In addition, we aim to strengthen the Group’s trading functions. In these manners, we will pursue the expansion of new business opportunities that exceed the boundaries of our traditional paper- and paperboard-related businesses, and target the maximization of Group income.

Following the establishment of our basic growth strategies, we have steadily advanced the five specific strategies explained above. Recent initiatives in Japan included the construction of optimized production systems, strengthening of customer-oriented sales and development capabilities, and other measures to boost profitability throughout our various business activities. Meanwhile, we have been aggressively conducting M&A transactions geared to enhancing our ability to compete in overseas growth markets. Going forward, with the aim of “pursuing efficiencies in domestic businesses” and “expanding overseas businesses,” we will accelerate the transformation of our business portfolio. To this end, we will continue to consider the optimal management systems for the Group as we target operating profit of more than 100 billion yen and net income of more than 50 billion yen in fiscal year 2013.



Household and Industrial Materials Company



Business Overview

The Household and Industrial Materials Company handles various daily life paper products whose primary functions are packaging and wiping.

Industrial Packaging Materials Business

[Boxboard and Packaging Papers, Containerboard Business]

We possess strong market shares of over 40% for boxboard, which is used to package of food and confectionary; over 30% for packaging paper, which is used for shopping bags, envelopes, and heavy duty bags for grains and cement; and over 25% for containerboard, which is used for corrugated containers. All of these shares are No.1 in the domestic market, and we have established an unshakable reputation for reliability in this market.

[Boxboard Products, Bag Processing, Corrugated Container Business]

As time progresses, commercial packaging has continued to be refined and improved. However, this type of packaging is always in need of new innovations in terms of design, function, environmental friendliness, or some other feature. We operate in this field as a total packaging company that covers all areas of packaging production, from material production, to the design and processing of packaging. We always consider the needs of customers, and work to quickly supply these customers with superior products by utilizing our network of production sites strategically located throughout Japan.

Household Materials Business

[Household Products Business]

We provide household products such as facial tissue, toilet paper, and paper diapers under the well-known “Nepia” brand. We aim to support comfortable lifestyles through our lineup of household products, which are faithfully used by a wide range of customer demographics. This commitment is embodied in the Nepia brand slogan of “Gentle Heart, Nepia.”



Household products



Boxboard products

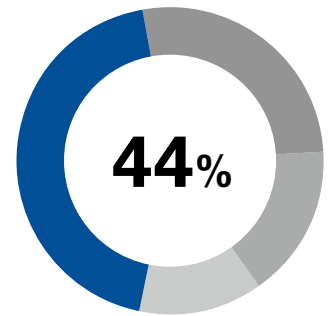
Focusing on “the value that customers desire” and a “customer-oriented attitude,” we aim to enhance our profitability.

Business Strategies

The Industrial Packaging Materials Business will continue to address customers’ packaging needs with its new business model that, centered on the “Packaging Innovation Center” established in April 2010, integrates its material production and processing divisions. Further, aiming to realize “one-stop shopping” by offering customers a complete lineup of the products they desire, we are working to consolidate sales information management functions, develop more capable human resources, and strengthen our sales systems. Moreover, as a total packaging company, we strive to provide customers with comprehensive solutions based on “the value that customers desire.”

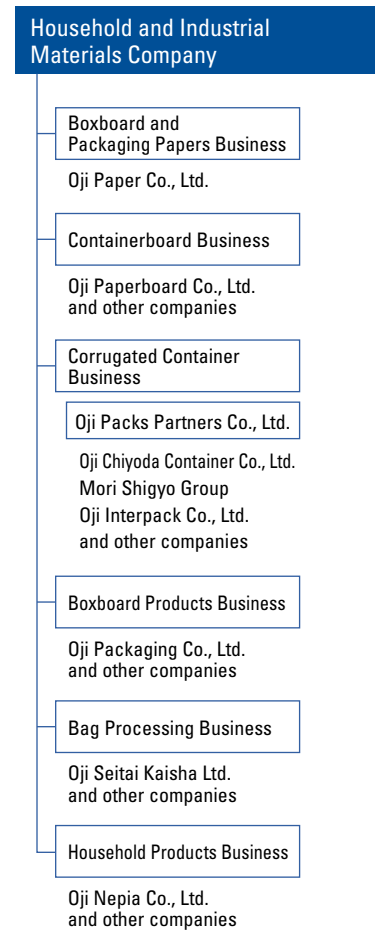
Future overseas business efforts will primarily focus on expanding businesses in India and other East Asian markets through aggressive M&A activities.

The Household Materials Business sells products for consumers and therefore is closely connected to the everyday lives of these consumers. All employees in this business are well aware of this fact and are always sure to place customers first in all of their business activities. In this business, we conduct marketing based on scientific analyses of market trends. This allows us to maintain an accurate understanding of the needs of the market and quickly develop our services and products, which in turn will serve to strengthen our brand image. Currently, we are undertaking initiatives to restructure our household product and paper diaper brands, including the enhancement of products and the facilities used to manufacture them.



Percentage of Net Sales (2011/Plan)

Company Organizational Chart



Household and Industrial Materials Company

President
Takashi Ishida



Functional Carton Box

Printing & Communications Media Company

Business Overview

The Printing and Communications Media Company handles a complete lineup of paper products to be used as information transmission mediums, including newsprint, printing and publication paper, and communications paper.

[Newsprint Business]

Newsprint needs to be strong enough to survive hi-speed rotary press printing, and at same time be able to provide a beautiful finish when put through color printing. We unceasingly work to improve the quality of our newsprint products to meet the various needs of newspaper publishers across Japan. In this field, the Oji Paper Group holds a 30% share of the Japanese market.

[Printing and Publication Paper Business]

The standards for the quality of the publishing paper used for books and magazines and the printing paper used for catalogues and manuals can vary notably based on the design, contents, and printing methods to be employed. According, we are always developing new products in response to the changing times, and expanding our lineup to meet the various demands of customers.

[Communications Paper Business]

In this business, we have traditionally handled a wide range of products including form paper, carbonless paper, optical character requisition (OCR) paper, and plain paper copier (PPC) paper. At the same time, we are developing a number of higher grade paper products for such purposes as print-on-demand (POD) printing. Our products are widely used by various industries and professions as an essential media for information systems.



Nantong Mill's paper products



Production Technical Dept. (Nantong Mill)

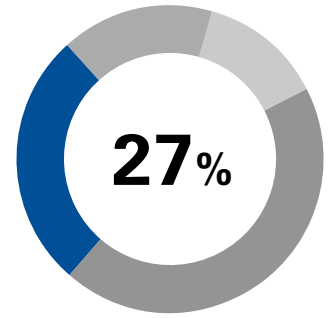
We are promoting business reform in response to the progressing maturity of the Japanese market and the consolidation of East Asian markets.

Business Strategies

Looking ahead, we anticipate that the domestic market for products in this segment will continue to contract. Major factors behind this contraction include changes in the structure of demand stemming from such trends as the popularization of ICT technologies and decreased demand for advertising; the effects of the Lehman Shock, which occurred in the latter half of 2008; and the impacts of the Great East Japan Earthquake, which occurred on March 31, 2011. In addition to these changes in the demand structure, paper supply systems are also changing, as indicated by the increased use of imported paper, thus fueling the intensification of demand. In this harsh environment, drastically reforming cost structures and boosting our ability to compete on the international stage are among the most important issues we must address in the printing and communication business.

To address these issues, we are progressively reforming our domestic production systems, one facet of which involved ceasing operations of 12 paper machines over the period from fiscal year 2008 to 2011. At the same time, we aim to enhance our ability to compete in the international market through thorough cost cutting measures. Going forward, we will continue to target the development of optimal production systems by carefully monitoring demand trends and advancing necessary measures in response to these trends.

Conversely, in the East Asia, markets continue to expand rapidly following the strong economic growth seen in emerging nations in this area. In the Chinese market, which is currently characterized by phenomenal economic growth, the Oji Paper Group is advancing the Nantong Project, and we began full-fledged production using state-of-the-art paper machines for printing and communications papers in late 2010.



Percentage of Net Sales (2011/Plan)

Company Organizational Chart



Newsprint products

Printing & Communications Media Company

President

Tadashi Watanabe



Functional Materials Company

Business Overview

The functional materials handled by the Functional Materials Company include various high-value-added specialty papers and functional papers. We also produce a wide range of film products utilizing the core sheeting and coating technologies that have been cultivated throughout our long history of paper manufacturing.

[Imaging Media Business]

We boast one of the world largest market shares for thermal sensitive paper. Leveraging the thermal sensitive technologies, ink-jet paper technologies, and other technologies we have cultivated over years of operation, we have developed communications papers and films that address various needs, such as household, industrial, logistics, and medical needs.

[Specialty Papers Business]

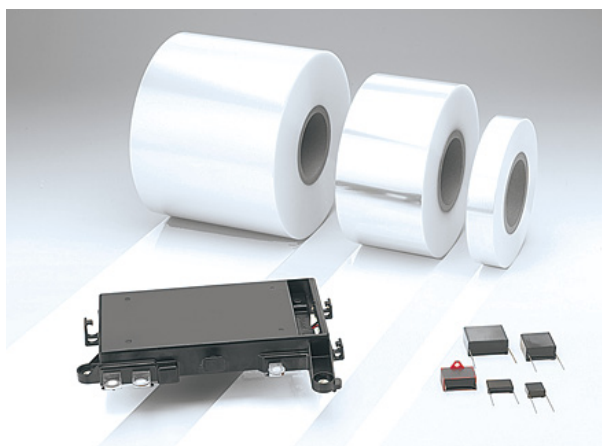
Our lineup of paper products with specialized functions includes ultra-light weight paper for use in dictionaries, highly expressive fancy papers, electronic material papers such as insulating materials for use in high capacity transformers, carrier tapes for use in transporting and storing semiconductors and microchips, superior dry pulp non-woven sheets that possess strong ink retention capabilities, and highly breathable and absorbent yarn paper that can be used in clothing or for other purposes.

[Adhesive Products Business]

In this business, we handle a diverse lineup of adhesive products, ranging from everyday products such as price tags, bottle labels, adhesive tapes, and bandages, to more specialized industrial products like masking tape. We aim to expand the usage of these products by communicating how easily they can be applied by simply removing the sheets covering their adhesive surface.

[Film Business]

We produce various films such as condenser films, non-carrier films, ink transfer films, and hard-coat films. In particular, we are capable of producing the world's thinnest condenser film with width of only 2.8 micro meters. This film is used in the batteries of hybrid vehicles.



Products of Condenser Films

As one facet of our business portfolio transformation efforts, we are strategically allocating management resources. In addition, we will establish an R&D-oriented business structure and develop new products, new technologies, and new businesses utilizing core technologies, all from a customer-based standpoint.

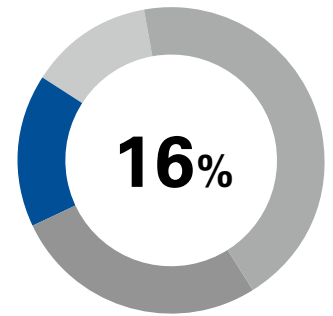
Business Strategies

We are working to integrate the Functional Materials Company with the Research and Development Division and the New Business and Product Development Center. Through this integration, we hope to reinforce the coordination between the research, production, and sales staff of these divisions and develop a speedy system for developing new products and technologies. Further, in the functional materials business, we will strategically allocate management resources with the aim of establishing an R&D-oriented business model, a key element of our business portfolio transformation efforts.

In existing businesses, we will continue to place customers first in our business efforts. Integrating operating and R&D divisions, we will address customers various needs and quickly provide them with technical services. Through these efforts, we will expand sales of new products and work to secure a strong customer base.

In new businesses, we will focus the allocation of management resources on functional sheets, one of our R&D projects that show particular potential for utilizing the Group’s core technologies and being transformed into a growth business. In this manner, we will target the quick development of revolutionary new materials. We are currently developing a number of functional sheet products, including those with adhesive, detachment, optical measuring, and electrical properties. Production and sales of sheets to be used in the substrates of optical products have already begun. Going forward, we will continue to pursue the development of new materials and create new businesses to form the pillars that will support the Oji Paper Group in the future.

In our overseas business efforts, we will further reinforce our position as a leading Group in the field imaging media products, such as thermal sensitive materials. At the same time, we will strengthen businesses in all the functional material fields of growth markets, such as those in East Asia.



Percentage of Net Sales (2011/Plan)

Company Organizational Chart



Functional Materials Company
 President
Shinichiro Kondo



Above : cool neckband
 Below : Adhesive products (bandage)

Overseas Businesses



The Oji Paper Group is aggressively expanding its overseas business to address the demand in emerging markets such as those in China, which is characterized by rapid economic growth, and Southeast Asia.

Operations in China

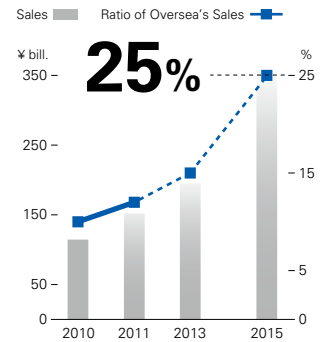
New developments in China included the commencement of operations at Jiangsu Oji Paper (Nantong) Co., Ltd., at the end of 2010; the October 2010 establishment of Oji Specialty Paper (Shanghai) Co., Ltd., which conducts sales of pulp, lumber, and paper-making chemicals; and the start of production at Oji Bags (Tsingtau) Co., Ltd., in 2011. Further, we intend to reinforce these systems by beginning production of kraft pulp at our Nantong Mill in 2013. Going forward, we will continue to advance our wide range of businesses in China, including our household and industrial materials, printing and communications media, functional material, and trading businesses.

- 1 Dalian Mori Mitsui Packaging (Corrugated container)
- 2 Qingdao Oji Packaging (Corrugated container)
- 3 Jiangsu Oji Paper (Nantong) (Coated paper, woodfree paper)
- 4 Kunshan Oji Filter (Heat exchanger equipment parts)
- 5 Oji Paper Nepia (Suzhou) (Household products)
- 6 Suzhou Oji Packaging (Corrugated container)
- 7 Oji Specialty Paper (Shanghai) (Thermal paper)
- 8 Shanghai Eastern Oji Packaging (Paper bag)
- 9 Oji Packaging (Shanghai) (Paper bag)
- 10 Oji Kinocloth (Shanghai) (Non woven)
- 11 Cheng Yuang Paper Business (Corrugated container)
- 12 KPFL (Tree plantation)
- 13 CPFL (Tree plantation)



Shipping Berth (Nantong Mill)

By aggressively expanding businesses in East Asia and other growth markets, we aim to achieve overseas sales that account for 25% of net sales.



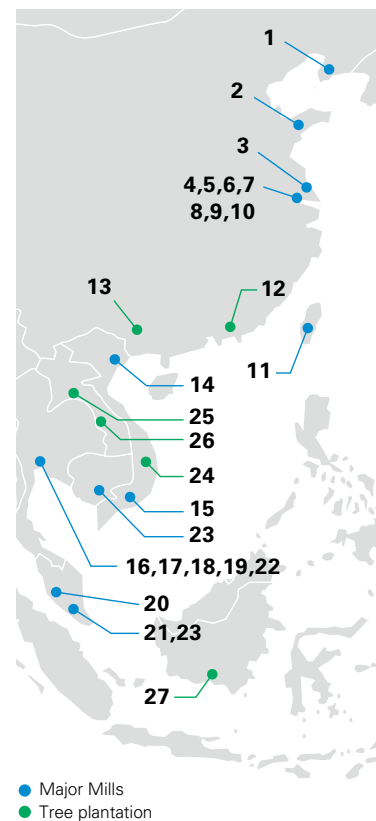
Ratio of Overseas Sales (Plan)

Operations in Southeast Asia

New developments in Southeast Asia included the October 2010 establishment of Oji Asia Co., Ltd., in Malaysia, which will serve as a regional management headquarters; the December 2010 acquisition of UNITED KOTAK BERHAD, a cardboard manufacturer located in southern Malaysia; and the acquisition of stock in S.PACK & PRINT PUBLIC COMPANY LIMITED, a manufacturer of boxboard and cardboard located in southern Thailand, in March 2011. Further, in August 2011 we acquired stock in Malaysian company HPI Resources Berhad through a tender offer bid as part of our efforts to strengthen cardboard operations. Also, this year we plan to install additional laminators at OLT, a subsidiary in Thailand. Southeast Asia is a market with strong future growth potential. In this market, we will center operations on our regional management headquarters while promoting coordination between our existing businesses, including our plantation and chipping, paperboard and converted paper products, and functional materials businesses. At the same time, we will continue to expand business operations, primarily through M&A activities. Through these efforts, we hope to achieve net sales in the Southeast Asian market of 50 to 100 billion yen[in fiscal year 2015.

Major Mills / Tree plantation

China and Southeast Asia



- 14 Ojitex Haiphong (Corrugated container)
- 15 Ojitex (Vietnam) (Corrugated container)
- 16 Oji Paper (Thailand) (Carbonless paper, Thermal paper)
- 17 Piraab Starch (Chemicals)
- 18 Union and Oji Interpack (Corrugated container)
- 19 Oji Label (Thailand) (Adhesive label)
- 20 GS Paper & Packaging (Paperboard, Corrugated container)
- 21 United Kotak (Corrugated container)
- 22 S.Pack (Paper container, Corrugated container)
- 23 Harta Packaging (Corrugated container)
- 24 QPFL (Tree plantation)
- 25 LPFL (Tree plantation)
- 26 SLPFL (Tree plantation)
- 27 KTH (Tree plantation, Lumber)



Harta Packaging (Cambodia)



R&D Dept. Staff of GS Paper & Packaging (Malaysia)

Resource and Environment Businesses



Utilizing our domestic and overseas forest resources and related technologies, we will aggressively expand our resource and environmental businesses.

The Oji Paper Group practices long-term forest management, and currently possesses 190,000ha of forestland in Japan and 240,000ha overseas. We plan to increase the amount of forestland held overseas to 300,000ha, and are focusing particularly on acquiring forestland in Southeast Asia. The acquisition of forestland is being conducted as one part of efforts to address the global race to secure resource supplies. Also, these activities are reflective of our corporate philosophy of actively utilizing the various different types of value inherently present in forests, such as their value as renewable resources and the value of their ability to absorb CO₂.

Based on these facts, we are working to develop new business opportunities. We will search out these opportunities from the new perspective of effectively utilizing our forest resources as well as the technologies we have cultivated over our long history of managing these resources, such as forest management technologies and forest tree breeding technologies.

In Japan, we are presently pursuing the acquisition of certification under the Ministry of the Environment's carbon offset credit system (J-VER system) to help prevent global warming. We are also promoting a renewable energy business using bio-ethanol and other forms of fuel that make effective use of timber offcuts. Overseas, we are rapidly advancing our total forestry business through the expansion of lumber operations and other means. Also, we are aggressively expanding sales of pulp both in Japan and overseas. Going forward, we will continue to develop resource and environment businesses that utilize the byproducts produced during the various processes used to convert trees into paper. Through these efforts, we hope to further boost the Group's profitability.



Bio-ethanol Plant (Kure Mill)

Enhancing Trading Functions

By strengthening our ability to function in the trading field, we aim to maximize Group income.

Over the years, the Oji Paper Group has maintained its leading position in the paper industry by focusing on manufacturing, the most fundamental element of its business. However in recent years, the structure of demand for paper and paperboard, the field on which the Group has traditionally based its business, has changed drastically. While we must continue to maintain our devotion to manufacturing, if the Oji Paper Group is to respond flexibly to such changes and remain the industry leader, it is also important that we take a new perspective, shifting our focus from the field of paper and paperboard. In accordance with this belief, we will step up efforts to advance our basic management strategy of “transformation of business portfolio by innovation,” while also strengthening the Group’s trading functions with the aim of maximizing the profitability of our various businesses. As one facet of these efforts, we made KYOKUYO PULP & PAPER, a paper pulp trading company, into a subsidiary last year. Going forward, we will utilize this company’s unique sales capabilities, which are oriented toward end users, and promote synergies between our diversified products division and this company’s diversified products and specialty paper business. In these ways, we will target the maximization of Group income. Overseas, we will leverage the capacities of Oji Paper International Trading (Shanghai) Co., Ltd., which was established in October 2010, to expand our resource business in China.



Film Products



High-grade Shock Absorbers



R&D Structure



The Oji Paper Group's R&D Structure

The Oji Paper Group's R&D structure is centered on the Research and Development Division, which manages all R&D activities. Under the supervision of this division, the research and technologies departments of each laboratory and plant and the R&D divisions of each company develop new products, technologies, and methods of improving efficiency through flexible and dynamic coordination.

The Oji Paper Group's 4 Laboratories that Conduct Advanced R&D Projects Based on Themes such as Production and Products

Advanced Technology Laboratories

The Advanced Technologies Laboratories is an organization that conducts R&D projects to advance product development. In this manner, it aims to contribute to the Group's future business efforts. To further this pursuit, the organization works to enhance the specialized capabilities of its researchers, maintains active relationships with external companies and research institutions, and exchanges information with production sites.

Functional Materials Laboratories

The Functional Materials Laboratories conducts R&D projects to develop new products for the Functional Materials Company and to enhance this company's competitiveness. The organization develops a wide range of products that are in high demand in their respective markets including various specialty papers with specialized functions, highly functionally adhesive labels with both film and paper bases, and information media papers such as thermal papers and a variety of image printing papers. It also conducts R&D projects based on themes such as product cost reduction, quality and operational stability, and the issues faced in overseas operations.

Core Technology Laboratories

The Core Technology Laboratories centers its research on areas such as pulp and paper making as well coating. It aims to create and improve core technologies to raise quality, lower costs, reduce resource usage, enable the usage of new resources, and promote environmental friendliness in operations. The organization also utilizes the technologies it has cultivated to enhance the quality of existing products.

Forest Research Institute

Since its founding in 1965, the Forest Research Institute has continued to conduct research in a wide range of areas pertaining to the creation of forest resources. Aiming to secure a sufficient supply of resources and promote environmental preservation, the institute is focusing its efforts on overseas plantations. Through initiatives such as dispatching researchers to overseas plantations, it continues to advance selective breeding projects for trees as well as a number of other highly specialized research projects.

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, which celebrated its 50th anniversary since its establishment in 2007, has a strong record in the amateur league, such as becoming champion of the Inter-City Tournament in 2004 and runner-up in 2008.
- **Ice Hockey** Oji Paper's ice hockey team, which has a long history dating back to its establishment in 1925, has won numerous victories in the All-Japan Championship and the Japan League.



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 a means of expressing its patronage toward the arts and contributing to society with the goal of inspiring people to become fans of music and advancing music culture. Since it was opened, several top musicians from Japan and overseas have performed at this hall, which continues to be a focal point of music culture in Japan.



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 the Foundation's activities primarily from a financial perspective. In 2011, the 52nd Fujihara Award was presented to Mr. Yoshinori Tokura and Mr. Takuzo Aida, both professors at the University of Tokyo.



Establishment of the Sarufutsu Itou (taimen) Conservation Council

The Sarufutsu River, flowing in Oji Paper owned-forests in Sarufutsu, Hokkaido, is habitat to the largest fresh water fish in Japan, "Itou" or the sea run taimen (*Hucho perryi*), a critically endangered species listed in red data books of the International Union for Conservation of Nature (IUCN) and Japan's Ministry of Environment. To promote the conservation of this species, Oji Paper has established the Sarufutsu Itou Conservation Council in cooperation with Sarufutsu Itou no Kai, Sarufutsu Village, and scientists in related fields. This committee encourages conservation by educating the owners of forests in the surrounding area, holding symposiums related to conservation and nature classes, and conducting investigations.



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 utilizes the Oji Paper Group's forests and facilities and incorporates hands-on experience to teach children, who will guide the future of society, about the relationships between people, forests, and paper.



Forestry Activities in Laos

In 2005, the Oji Paper Group, through a joint investment with the Government of Laos, established Oji Lao Plantation Forest Co., Ltd. (LPFL). This company plants trees in the Mekong River basin in central Laos while communicating the importance of these initiatives to members of the community. The project, based on the concept of "forestry conducted together with local residents," is working aggressively to not only provide employment opportunities, but also enhance social infrastructure and raise the standard of living of the local residents.



Consolidated Subsidiaries

(As of March 31, 2011)

The Oji Paper Group consists of over 300 subsidiaries and affiliates.

Listed below are 113 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.
Kyokuyo Pulp & Paper Co., Ltd.
Oji Trading Co., Ltd.
Oi Paper Co., Ltd.
Pan Pac Forest Products Ltd.
Jiangsu Oji Paper Co., Ltd.
Oji Paper Trading (China) Co., Ltd.
Oji Paper International Trading (Shanghai)
Oji Paper Canada Ltd.

Sanitary Paper Products Business

Oji Nepia 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.
Ginpo Pack Co., Ltd.
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.
Fujikako Co., Ltd.
Ojiadba Co., Ltd.
Chuetsu Co., Ltd.
Shikoku Pack Co., Ltd.
Hokuyo Shiko Co., Ltd.
Shinomura Chemical Industry Co., Ltd.
Saga Paperboard Co., Ltd.
Oji Paper (Thailand) Ltd.
Kanzaki Specialty Papers Inc.
Kanzan Spezialpapiere GmbH

Oji Ilford USA Inc.
Oji Label (Thailand) Ltd.
Suzhou Oji Packaging Co., Ltd.
Oji Intertech Inc.

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.
Ojitex (Vietnam) Co., Ltd.
GS Paper & Packaging Sdn. Bhd. (GSPP)
United Kotak Berhad
GS Utilities & Services Sdn. Bhd. (GSUS)
Superpac Manufacturing Sdn. Bhd.
Richbox Paper Products (M) Sdn. Bhd.
GS Paperboard Sdn. Bhd. (GSPB)
UK Bioproducts Sdn. Bhd.
GS Packaging Industries (M) Sdn. Bhd. (GSPI)
UK Packaging Industries Sdn. Bhd.

Persis Hijau Sdn. Bhd. (PHSB)
UKB International Pte.Limited
Ideal Meridian Sdn. Bhd. (IMSB)
GS Sales & Marketing Sdn.Bhd. (GSSM)
UK Wellness Sdn. Bhd.
UK Wellness Marketing Sdn. Bhd.

Wood and Tree Planting Business

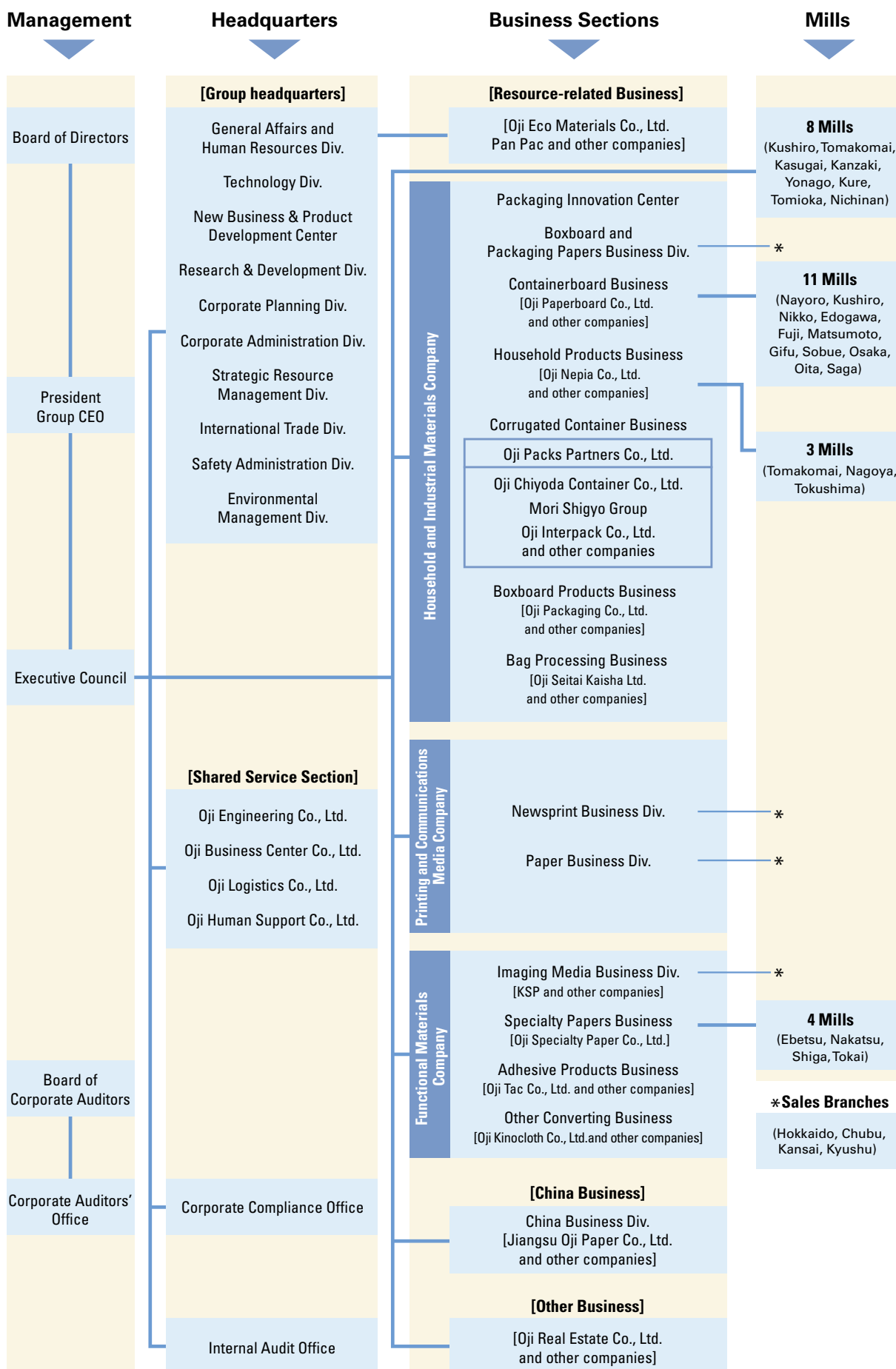
Oji Forest & Products Co., Ltd.

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.
Paperbox Holdings Limited (PBHL)
Oji Paper USA Inc.
B&C International Co., Ltd.
Oji Paper Asia Sdn. Bhd.

Group Management Structure

(As of October, 2011)



Major Mills in Japan

(As of October, 2011)

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, Gifu-Nakatsugawa Mill
- 11 Oji Paperboard, Gifu-Ena Mill
- 12 Oji Paper, Ena Mill
- 13 Oji Specialty Paper, Nakatsu Mill
- 14 Oji Paperboard, Fuji Dai-ichi Mill
- 15 Oji Paperboard, Fuji Dai-ni 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 55 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, Koda Mill
- 16 Oji Chiyoda Container, Nagoya Mill
- 17 Oji Chiyoda Container, Shiga Mill
- 18 Oji Chiyoda Container, Osaka Mill
- 19 Oji Chiyoda Container, Hyogo Mill
- 20 Oji Chiyoda Container, Mihara Mill
- 21 Oji Chiyoda Container, Hofu Mill
- 22 Oji Chiyoda Container, Tokushima Mill
- 23 Oji Chiyoda Container, Ehime Mill
- 24 Oji Chiyoda Container, Kyushu Kita Mill
- 25 Oji Chiyoda Container, Kumamoto Mill
- 26 Chiyoda Containerboard, Main Mill
- 27 Musashi Oji Container, Musashi Mill
- 28 Nihon Seikahoso, Main Mill
- 29 Kyodo Shiko, Main Mill
- 30 Shizuoka Oji Container, Main Mill
- 31 Shizuoka Oji Container, Tobu Mill
- 32 Wakayama Oji Container, Main Mill
- 33 Kansai Pack, Kyoto Mill
- 34 Kansai Pack, Kakogawa Mill
- 35 Kanto Pack, Main Mill

Mori Shigyo Group

- 36 Hokkaido Mori Shigyo, Sapporo Mill
- 37 Hokkaido Mori Shigyo, Obihiro Mill
- 38 Tohoku Mori Shigyo, Hachinohe Mill
- 39 Sendai Mori Shigyo, Shibata Mill
- 40 Niigata Mori Shigyo, Niigata Mill
- 41 Hitachi Mori Shigyo, Ibaraki Mill
- 42 Gunma Mori Shigyo, Ojima Mill
- 43 Mori Kamihanbai, Tokyo Branch
- 44 Mori Shigyo, Kanto Mill
- 45 Nagano Mori Shigyo, Shiojiri 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

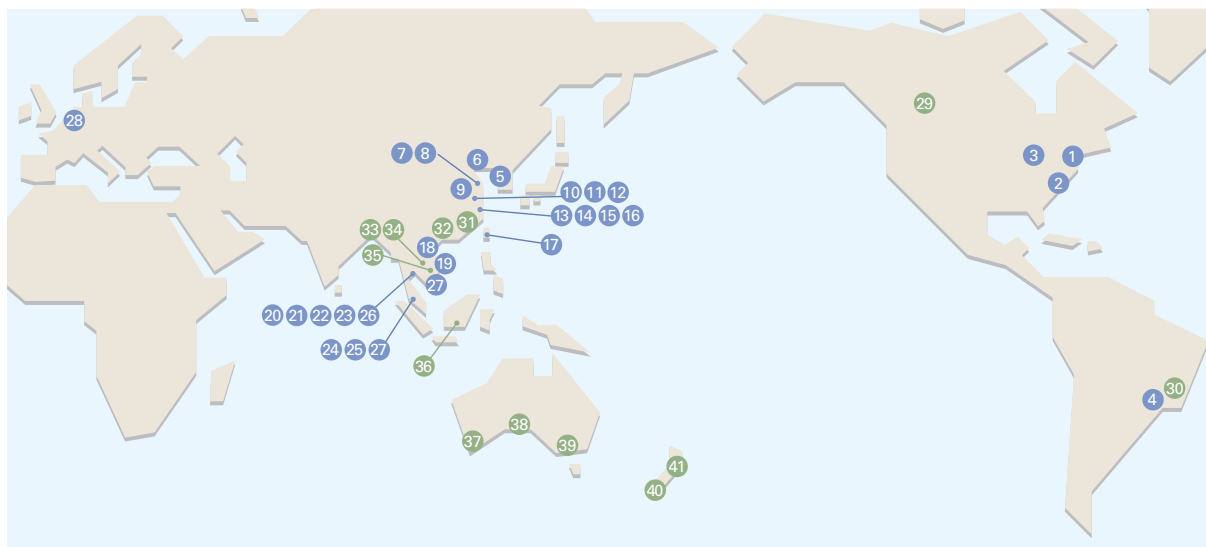
Global Network

(As of October, 2011)

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.

South America

- 4 Oji Papéis Especiais

East Asia

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

- 14 Shanghai Eastern Oji Packaging
- 15 Oji Packaging (Shanghai)
- 16 Oji Kinocloth (Shanghai)
- 17 Cheng Yuang Paper Business
- 18 Ojitex Haiphong
- 19 Ojitex (Vietnam)
- 20 Oji Paper (Thailand)
- 21 Oji Label (Thailand)
- 22 Piraab Starch
- 23 Union and Oji Interpack
- 24 GS Paper & Packaging
- 25 United Kotak
- 26 S.Pack
- 27 HPI Resources

Europe

- 28 KANZAN Spezialpapiere

Tree Plantation and Pulp Manufacturing

North America

- 29 AFPI

South America

- 30 CENIBRA

East Asia

- 31 KPFL
- 32 CPFL
- 33 LPFL
- 34 SLPFL
- 35 QPFL
- 36 KTH

Australia

- 37 APFL
- 38 GPFL
- 39 EPFL

New Zealand

- 40 SPFL
- 41 PAN PAC

Directors, Auditors and Officers

(As of June 29, 2011)



Chairman
Shoichiro Suzuki

President and CEO
Kazuhisa Shinoda

Executive Vice President
Shinichiro Kondo

Executive Vice President
Takashi Ishida

Board of Directors

Director, Senior Executive Officer	Hiroki Hashimoto
	Tazunu Ando
	Tadashi Watanabe
Director, Executive Officer	Susumu Yajima
	Kiyotaka Shindo
	Takeshi Azuma
Director	Yoh Takeuchi
	Osamu Akiyama

Corporate Auditors

Senior Corporate Auditor	Kenji Kanda
Corporate Auditor	Hiroshi Tai
	Hiroyasu Sugihara
	Kenjiro Ueno

Corporate Officers

Senior Executive Officer	Kuniaki Shoya	Officer	Takashi Nozawa
Executive Officer	Hajime Yamanaka		Hidehiko Aoyama
	Tomoo Edagawa		Takefumi Hirabayashi
	Shuichi Sata		Takao Kawamura
	Shigeto Sano		Koichi Tano
	Ryoji Watari		Satoshi Fukui
	Kazuo Fuchigami		Shoji Fujiwara
	Yoji Matsuo		Yoshiki Koseki
	Gemmei Shimamura		Kaku Masatoshi
Officer	Hiroyasu Hayano		Kuwano Yumio
	Atsushi Yamakita		Takeda Yoshiaki
	Masaki Yoshino		Yada Masayuki
	Hirokazu Ishii		

Financial Section

Consolidated Balance Sheets

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Report of Independent Auditors

CONSOLIDATED BALANCE SHEETS

OJI PAPER CO., LTD.
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
ASSETS			
Current assets			
Cash and bank deposits (Note 9)	¥ 32,393	¥ 42,758	\$ 389,583
Notes and accounts receivable—trade (Note 9)	255,237	251,349	3,069,603
Marketable securities	636	265	7,651
Merchandise and finished goods (Note 9)	76,645	75,680	921,777
Work in process (Note 9)	15,862	15,881	190,774
Raw materials and supplies (Note 9)	51,724	42,259	622,062
Deferred tax assets	13,021	12,213	156,604
Short-term loans receivable (Note 9)	8,215	7,102	98,805
Accounts receivable—other	19,788	16,135	237,991
Other (Note 9)	6,099	3,976	73,354
Allowance for doubtful accounts	(3,042)	(1,472)	(36,590)
Total current assets	476,584	466,148	5,731,617
Non-current assets			
Property, plant and equipment			
Buildings and structures	576,159	565,602	6,929,162
Accumulated depreciation (Note 9)	(384,124)	(369,100)	(4,619,658)
Buildings and structures, net (Note 9)	192,035	196,501	2,309,504
Machinery, equipment and vehicles	1,981,000	1,948,942	23,824,421
Accumulated depreciation (Note 9)	(1,675,257)	(1,609,205)	(20,147,414)
Machinery, equipment and vehicles, net (Note 9)	305,743	339,737	3,677,006
Tools, furniture and fixtures	54,929	52,367	660,606
Accumulated depreciation (Note 9)	(49,665)	(47,228)	(597,301)
Tools, furniture and fixtures, net (Note 9)	5,263	5,139	63,305
Land (Note 9)	231,037	227,249	2,778,561
Forests (Note 9)	16,552	16,568	199,065
Plantations (Note 9)	38,348	38,734	461,191
Leased assets	7,400	2,459	88,995
Accumulated depreciation (Note 9)	(2,043)	(548)	(24,579)
Leased assets, net (Note 9)	5,356	1,911	64,416
Construction in progress (Note 9)	96,922	65,953	1,165,635
Total property, plant and equipment	891,258	891,796	10,718,687
Intangible assets			
Leasehold rights	1,111	1,113	13,372
Goodwill	9,369	7,473	112,685
Other (Note 9)	9,122	9,196	109,712
Total intangible assets	19,604	17,784	235,769
Investments and other assets			
Investment securities (Note 9)	172,421	181,558	2,073,625
Long-term loans receivable (Note 9)	8,701	12,156	104,647
Long-term prepaid expenses	12,999	12,840	156,337
Deferred tax assets	23,471	16,480	282,284
Other	23,297	22,918	280,188
Allowance for doubtful accounts	(7,412)	(7,634)	(89,148)
Total investments and other assets	233,479	238,318	2,807,935
Total non-current assets	1,144,342	1,147,898	13,762,393
Total assets	¥ 1,620,927	¥ 1,614,047	\$ 19,494,011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
LIABILITIES			
Current liabilities			
Notes and accounts payable–trade (Note 9)	¥ 196,050	¥ 177,125	\$ 2,357,789
Short-term loans (Note 9)	219,331	179,294	2,637,786
Commercial paper	–	11,000	–
Current portion of bonds	20,120	40,000	241,972
Accounts payable–other	12,838	17,466	154,402
Accrued expenses	44,437	45,193	534,420
Income taxes payables	10,489	12,110	126,157
Notes payable for plant and equipment	1,368	1,069	16,462
Other	10,172	13,994	122,334
Total current liabilities	514,808	497,255	6,191,326
Non-current liabilities			
Bonds	80,300	60,000	965,724
Long-term loans (Note 9)	479,388	508,141	5,765,344
Deferred tax liabilities	20,617	20,237	247,950
Deferred tax liabilities on revaluation of land (Note 9)	11,059	11,070	133,004
Provision for retirement benefits	47,792	46,469	574,769
Provision for directors' retirement benefits	1,820	1,683	21,888
Provision for environmental measures	1,833	1,919	22,050
Provision for special repairs	126	122	1,525
Long-term deposits	2,877	2,778	34,609
Other	4,304	3,964	51,766
Total non-current liabilities	650,119	656,387	7,818,634
Total liabilities	1,164,928	1,153,643	14,009,960
Contingent liabilities (Note 9)			
NET ASSETS			
Shareholders' equity			
Common stock	103,880	103,880	1,249,319
Capital surplus	113,018	113,021	1,359,212
Retained earnings	292,090	277,347	3,512,812
Treasury stock	(43,040)	(42,968)	(517,630)
Total shareholders' equity	465,948	451,281	5,603,713
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities	5,839	11,160	70,227
Deferred gains on hedging derivatives	355	471	4,279
Revaluation reserve for land (Note 9)	3,557	3,571	42,789
Foreign currency translation adjustments	(36,837)	(20,740)	(443,026)
Total accumulated other comprehensive income	(27,084)	(5,535)	(325,729)
Subscription rights	284	216	3,416
Minority interests in consolidated subsidiaries	16,850	14,442	202,650
Total net assets	455,998	460,404	5,484,050
Total liabilities and net assets	¥ 1,620,927	¥ 1,614,047	\$ 19,494,011

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

OJI PAPER CO., LTD.
Fiscal years ended March 31, 2011 and 2010

(Consolidated Statements of Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Net sales	¥ 1,180,131	¥ 1,147,322	\$ 14,192,800
Cost of sales (Note 10)	905,967	870,786	10,895,582
Gross profit	274,163	276,536	3,297,217
Selling, general and administrative expenses			
Freight expenses	112,663	109,835	1,354,946
Warehouse expenses	6,787	7,636	81,627
Salaries and wages	42,585	41,099	512,151
Retirement benefit expenses	6,112	4,774	73,511
Depreciation and amortization	4,918	5,300	59,152
Other	35,655	34,208	428,803
Total selling, general and administrative expenses (Note 10)	208,722	202,855	2,510,193
Operating profit	65,441	73,681	787,024
Non-operating incomes			
Interest income	496	716	5,972
Dividend income	3,452	2,769	41,521
Equity in earnings of affiliates	5,354	–	64,396
Rent income	437	420	5,258
Exchange gain	–	2,344	–
Subsidy income	–	608	–
Other	2,957	3,296	35,572
Total non-operating income	12,698	10,155	152,721
Non-operating expenses			
Interest expenses	10,713	12,238	128,842
Exchange loss	1,438	–	17,294
Equity in losses of affiliates	–	1,852	–
Other	5,743	5,032	69,072
Total non-operating expenses	17,894	19,122	215,209
Ordinary profit	60,245	64,714	724,535
Special gains			
Gain on accrual of negative goodwill	497	–	5,987
Compensation for transfer of property in case of expropriation	210	–	2,528
Gain on sales of fixed assets (Note 10)	139	2,958	1,675
Gain on sales of investment securities	69	810	833
Reversal of allowance for doubtful accounts	35	21	421
Gain on revision of retirement benefit plans	28	–	340
Gain on liquidation of subsidiaries	14	31	171
Reversal of provision for loss on business liquidation	–	188	–
Total special gains	¥ 994	¥ 4,010	\$ 11,958

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Special loss			
Loss on business restructuring (Note 10)	¥ 8,726	¥ 16,280	\$ 104,943
Loss related to the Great East Japan Earthquake (Note 10)	4,945	–	59,479
Loss on disposal of fixed assets	3,372	4,876	40,560
Loss on valuation of investment securities	1,773	1,391	21,333
Special retirement benefits expenses (Note 10)	1,489	3,717	17,919
Impairment losses (Note 10)	566	1,118	6,807
Lump sum payment for withdrawing from the pension fund	470	–	5,661
Provision of allowance for doubtful accounts	362	2,396	4,363
Loss on sales of fixed assets (Note 10)	311	1,226	3,744
Effect of application of Accounting Standard for Asset Retirement Obligations	81	–	981
Environmental protection costs	61	592	737
Total special loss	22,162	31,599	266,532
Income before income taxes and minority interests	39,077	37,124	469,962
Income taxes – current	16,728	15,570	201,180
Income taxes – deferred	(2,539)	(3,707)	(30,543)
Income before minority interests	24,888	25,262	299,325
Minority interest in net income of consolidated subsidiaries	268	375	3,234
Net income	¥ 24,619	¥ 24,886	\$ 296,090

(Consolidated Statement of Comprehensive Income)

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
Income before minority interests	¥ 24,888	\$ 299,325
Other comprehensive income		
Net unrealized (loss) on available-for-sale securities	(5,228)	(62,886)
Deferred (losses) on hedging derivatives	(125)	(1,514)
Foreign currency translation adjustments	(14,407)	(173,276)
Share of other comprehensive income of investments for which the equity method is applied	(3,092)	(37,192)
Total other comprehensive income (Note 10)	(22,855)	(274,869)
Comprehensive income (Note 10)	¥ 2,033	\$ 24,455
(Breakdown)		
Comprehensive income attributable to shareholders of Oji Paper Co., Ltd.	¥ 3,085	\$ 37,105
Comprehensive income attributable to minority interests	(1,051)	(12,649)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

OJI PAPER CO., LTD.
Fiscal years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Shareholders' equity			
Common stock			
Balance at March 31, 2010 and 2009	¥ 103,880	¥ 103,880	\$ 1,249,319
Balance at March 31, 2011 and 2010	103,880	103,880	1,249,319
Capital surplus			
Balance at March 31, 2010 and 2009	113,021	113,031	1,359,243
Changes during the year			
Disposal of treasury stock	(2)	(10)	(31)
Total changes during the year	(2)	(10)	(31)
Balance at March 31, 2011 and 2010	113,018	113,021	1,359,212
Retained earnings			
Balance at March 31, 2010 and 2009	277,347	261,092	3,335,513
Changes during the year			
Cash dividends	(9,891)	(8,909)	(118,958)
Net income	24,619	24,886	296,090
Change in scope of consolidation	–	62	–
Reversal of revaluation reserve for land	13	215	167
Total changes during the year	14,742	16,255	177,299
Balance at March 31, 2011 and 2010	292,090	277,347	3,512,812
Treasury stock			
Balance at March 31, 2010 and 2009	(42,968)	(42,914)	(516,761)
Changes during the year			
Purchase of treasury stock	(102)	(103)	(1,232)
Disposal of treasury stock	9	53	119
Change in equity in affiliates accounted for by equity method–treasury stock	20	(3)	243
Total changes during the year	(72)	(53)	(869)
Balance at March 31, 2011 and 2010	(43,040)	(42,968)	(517,630)
Total shareholders' equity			
Balance at March 31, 2010 and 2009	451,281	435,090	5,427,314
Changes during the year			
Cash dividends	(9,891)	(8,909)	(118,958)
Net income	24,619	24,886	296,090
Purchase of treasury stock	(102)	(103)	(1,232)
Disposal of treasury stock	7	42	87
Change in equity in affiliates accounted for by equity method–treasury stock	20	(3)	243
Change in scope of consolidation	–	62	–
Reversal of revaluation reserve for land	13	215	167
Total changes during the year	14,667	16,190	176,398
Balance at March 31, 2011 and 2010	¥ 465,948	¥ 451,281	\$ 5,603,713

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities			
Balance at March 31, 2010 and 2009	¥ 11,160	¥ 6,597	\$ 134,219
Changes during the year	(5,320)	4,563	(63,991)
Balance at March 31, 2011 and 2010	5,839	11,160	70,227
Deferred gains (losses) on hedging derivatives			
Balance at March 31, 2010 and 2009	471	(557)	5,675
Changes during the year	(116)	1,029	(1,396)
Balance at March 31, 2011 and 2010	355	471	4,279
Revaluation reserve for land			
Balance at March 31, 2010 and 2009	3,571	3,787	42,956
Changes during the year	(13)	(215)	(167)
Balance at March 31, 2011 and 2010	3,557	3,571	42,789
Foreign currency translation adjustments			
Balance at March 31, 2010 and 2009	(20,740)	(28,669)	(249,429)
Changes during the year	(16,097)	7,929	(193,597)
Balance at March 31, 2011 and 2010	(36,837)	(20,740)	(443,026)
Accumulated other comprehensive income			
Balance at March 31, 2010 and 2009	(5,535)	(18,841)	(66,576)
Changes during the year	(21,548)	13,306	(259,152)
Balance at March 31, 2011 and 2010	(27,084)	(5,535)	(325,729)
Subscription rights			
Balance at March 31, 2010 and 2009	216	188	2,604
Changes during the year	67	27	811
Balance at March 31, 2011 and 2010	284	216	3,416
Minority interests in consolidated subsidiaries			
Balance at March 31, 2010 and 2009	14,442	13,270	173,690
Changes during the year	2,407	1,172	28,959
Balance at March 31, 2011 and 2010	16,850	14,442	202,650
Total net assets			
Balance at March 31, 2010 and 2009	460,404	429,707	5,537,032
Changes during the year			
Cash dividends	(9,891)	(8,909)	(118,958)
Net income	24,619	24,886	296,091
Purchase of treasury stock	(102)	(103)	(1,232)
Disposal of treasury stock	7	42	87
Change in equity in affiliates accounted for by equity method-treasury stock	20	(3)	243
Change in scope of consolidation	-	62	-
Reversal of revaluation reserve for land	13	215	167
Net changes in items other than shareholders' equity	(19,073)	14,506	(229,381)
Total changes during the year	(4,405)	30,697	(52,982)
Balance at March 31, 2011 and 2010	¥ 455,998	¥ 460,404	\$ 5,484,050

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

OJI PAPER CO., LTD.
Fiscal years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 39,077	¥ 37,124	\$ 469,962
Depreciation and amortization	79,633	85,842	957,709
Impairment losses	566	1,118	6,807
Amortization of goodwill	1,176	1,354	14,148
Increase in allowance for doubtful accounts	405	2,905	4,878
Increase (decrease) in provision for retirement benefits	2,482	(789)	29,854
Interest and dividend income	(3,949)	(3,486)	(47,494)
Interest expenses	10,713	12,238	128,842
Exchange loss(gain)	2,016	(1,206)	24,245
Equity in earnings (losses) of affiliates	(5,354)	1,852	(64,396)
(Gain) on sales of investment securities	(69)	(810)	(833)
Loss on valuation of investment securities	1,773	1,391	21,333
Loss on disposal of fixed assets	3,372	4,876	40,560
Loss(gain) on sales of fixed assets	172	(1,731)	2,068
Loss on business restructuring	8,726	16,280	104,943
Decrease in trade receivables	8,975	21,733	107,945
(Increase) decrease in inventories	(3,900)	19,475	(46,911)
Increase (decrease) in trade payables	3,051	(3,785)	36,702
Other	(8,326)	5,181	(100,138)
Subtotal	140,542	199,564	1,690,229
Interest and dividend income received	4,150	3,776	49,919
Interest paid	(10,889)	(12,073)	(130,964)
Income taxes paid	(18,434)	(11,919)	(221,702)
Net cash provided by operating activities	115,369	179,347	1,387,481
Cash flows from investing activities			
Payment for acquisition of property, plant, equipment and intangible assets	(75,800)	(89,895)	(911,614)
Proceeds from sales of property, plant, equipment and intangible assets	1,879	8,423	22,597
Payment for acquisition of investment securities	(1,949)	(8,108)	(23,447)
Proceeds from sales of investment securities	1,269	2,119	15,262
Payment for loans receivable	(8,021)	(5,146)	(96,464)
Proceeds from collection of loans receivable	6,016	4,991	72,354
Payment for acquisition of shares of subsidiaries (Note 12)	(14,290)	-	(171,859)
Proceeds from acquisition of shares of subsidiaries (Note 12)	1,873	1,075	22,534
Other	(655)	(3,393)	(7,888)
Net cash used in investing activities	(89,679)	(89,934)	(1,078,525)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	7,582	(121,498)	91,193
Net (decrease) in commercial paper	(11,000)	(43,000)	(132,291)
Proceeds from long-term loans	1,750	87,603	21,046
Repayment of long-term loans	(18,554)	(52,628)	(223,142)
Proceeds from issue of bonds	39,791	-	478,552
Payment for redemption of bonds	(40,100)	-	(482,260)
Payment for purchase of treasury stock	(102)	(103)	(1,232)
Dividend payments	(9,891)	(8,909)	(118,958)
Other	(834)	(405)	(10,035)
Net cash (used in) by financing activities	(31,358)	(138,942)	(377,129)
Effect of exchange rate changes on cash and cash equivalents	(4,333)	558	(52,119)
(Decrease) in cash and cash equivalents	(10,002)	(48,970)	(120,291)
Cash and cash equivalents at the beginning of the year (Note12)	41,936	90,943	504,343
Increase in cash and cash equivalents due to mergers of subsidiaries	-	3	-
(Decrease) in cash and cash equivalents due to exclusion of consolidated subsidiaries from scope of consolidation	-	(135)	-
Increase in cash and cash equivalents due to change in scope of consolidation	-	94	-
Cash and cash equivalents at the end of the year (Note12)	¥ 31,933	¥ 41,936	\$ 384,051

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 ¥83.15 to U.S. \$1.00, the approximate rate of exchange prevailing at March 31, 2011. 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: 113 in 2011 (92 in 2010)

Consolidated subsidiaries:

Oji Paperboard Co., Ltd.
 Oji Specialty Paper Co., Ltd.
 Jiangsu Oji Paper Co., Ltd.
 Pan Pac Forest Products Ltd.
 GS Paper & Packaging Sdn. Bhd.
 Oji Paper Trading (China) Co., Ltd.
 Paperbox Holdings Limited
 Oji Chiyoda Container Co., Ltd.
 Oji Tac Co., Ltd.
 Oji Packaging Co., Ltd.
 Oji Nepia Co., Ltd.
 Oji Seitai Kaisha Ltd.
 Oji Kinocloth Co., Ltd.
 New Tac Kasei Co., Ltd.
 Mori Shigyo Co., Ltd.
 Oji Interpack Co., Ltd.
 Apica Co., Ltd.
 Shin Nippon Feather Core Co., Ltd.
 Ojiadba Co., Ltd.
 Chuetsu Co., Ltd.
 Kyushu Packaging Co., Ltd.

Shinomura Chemical Industry Co., Ltd.

Oji Packs Partners Co., Ltd.

Oji Paper Nepia (Suzhou) Co., Ltd.

Oji Paper (Thailand) Ltd.

KANZAN Spezialpapiere GmbH

Oji Paper USA Inc.

Kanzaki Specialty Papers Inc.

B&C International Co., Ltd.

United Kotak Berhad

Ojitex (Vietnam) Co., Ltd.

Oji Label (Thailand) Ltd.

Suzhou Oji Packaging Co., Ltd.

Oji InterTech Inc.

Oji Logistics Co., Ltd.

Oji Cornstarch Co., Ltd.

Oji Engineering Co., Ltd.

Oji Real Estate Co., Ltd.

Kyokuyo Pulp & Paper Co., Ltd.

KS Systems Inc.

Oji Trading Co., Ltd.

Oji Forest & Products Co., Ltd.

Oji Business Center Co., Ltd.

Oji Salmon Co., Ltd.

Oji Eco Materials Co., Ltd.

Oji Paper International Trading (Shanghai) Co., Ltd.

Oji Paper Asia Sdn. Bhd.

66 other companies

Oji Paper Asia Sdn. Bhd. and Oji Paper International Trading (Shanghai) Co., Ltd., which were newly established, are included in the consolidation scope for the year ended March 31, 2011.

Paperbox Holdings Limited, GS Paper & Packaging Sdn. Bhd., Ideal Meridian Sdn. Bhd., GS Paperboard Sdn. Bhd., GS Packaging Industries (M) Sdn. Bhd., GS Utilities & Services Sdn. Bhd., Persis Hijau Sdn. Bhd., GS Sales & Marketing Sdn. Bhd., United Kotak Berhad, UK Packaging Industries Sdn. Bhd., UK Bioproducts Sdn. Bhd., Richbox Paper Products (M) Sdn. Bhd., Superpac Manufacturing Sdn. Bhd., UKB International Pte. Limited., UK Wellness Sdn. Bhd., UK Wellness Marketing Sdn. Bhd., Ginpo Pack Co., Ltd. Shikoku Pack Co., Ltd. and Fuji Kako Co., Ltd. are included in the consolidation scope for the year ended March 31, 2011, since the Company acquired stock of these companies.

Kyokuyo Pulp & Paper 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, 2011, since the Company acquired additional stock of this company.

Nepia Trading Co., Ltd., which was a consolidated subsidiary for the previous fiscal year, has been excluded from the consolidation scope since the company merged with a consolidated subsidiary, Oji Neipa Co., Ltd. on April 1, 2010.

(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: 13 in 2011 (14 in 2010)

Affiliates under the equity method:

Japan Brazil Paper and Pulp Development Co., Ltd., Yupo Corporation, and Kokusai Pulp & Paper Co., Ltd. and other 10 companies

Kyokuyo Pulp & Paper 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, 2011, as stated in 2. (1).

(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.

Paperbox Holdings Limited

GS Paper & Packaging Sdn. Bhd.

Ideal Meridian Sdn. Bhd.

GS Paperboard Sdn. Bhd.

GS Packaging Industries (M) Sdn. Bhd.

GS Utilities & Services Sdn. Bhd.

Persis Hijau Sdn. Bhd.

GS Sales & Marketing Sdn. Bhd.

Oji Paper International Trading (Shanghai) 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.
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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)

(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)

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.

(For the year ended March 31, 2010)

(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 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

(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.

(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) Method and period for amortizing 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.

(7) 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.

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

(For the year ended March 31, 2011)

((1) Application of the "Accounting Standard for Equity Method of Accounting for Investments" and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method")

The Company has adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, March 10, 2008) from the year ended March 31, 2011 and made the necessary consolidation adjustments. This change has no impact on ordinary profit and income before income taxes and minority interests.

((2) Application of the Accounting Standard for Asset Retirement Obligations)

The Company has adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) from the year ended March 31, 2011.

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

((3) Application of the Accounting Standard for Business Combinations and others)

The Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) from the year ended March 31, 2011.

(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.

8. Changes in Presentation Method

(For the year ended March 31, 2011)

(Matters concerning consolidated statements of income)
Pursuant to the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the Company has adopted the "Cabinet Office Ordinance Partially Revised Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, March 24, 2009) and presented "Income before minority interests" from the year ended March 31, 2011.

As the amount of "Subsidy income" (¥699 million (\$8,409 thousand)) in the year ended March 31, 2011, separately presented as an independent account in non-operating income in the previous fiscal year, came to less than or equal to 10% of total non-operating income, it is included in "Other" in non-operating income.

(Additional information)

The Company has adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010) from the year ended March 31, 2011. However, the amounts of "Valuation, translation adjustments and other" and Total valuation, translation and other" of the previous fiscal year are newly shown as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income, respectively."

9. 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,
	2011	2010	2011
Stocks of non-consolidated subsidiaries and affiliates	¥ 88,038	¥ 90,376	\$ 1,058,787
Investments in capital of non-consolidated subsidiaries and affiliates	16	16	203

(2) Assets pledged as collateral

① Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term loans (¥6,289 million (\$75,634 thousand)), long-term loans (including the amount scheduled to be repaid within one year) (¥6,966 million (\$83,780 thousand)), notes and accounts payable-trade (¥144 million (\$1,732 thousand)), and notes discounted (¥335 million (\$4,038 thousand)) as of March 31, 2011.

Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term loans (¥8,290 million), long-term loans (including the amount scheduled to be repaid within one year) (¥6,468 million), and notes and accounts payable-trade (¥197 million) as of March 31, 2010.

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Cash and bank deposits	¥ 716	¥ 240	\$ 8,613
Notes and accounts receivable-trade	1,830	1,916	22,019
Merchandise and finished goods	1,237	1,322	14,878
Work in process	35	34	423
Raw materials and supplies	373	222	4,488
Short-term loans receivable	265	264	3,191
Other current assets	310	121	3,731
Buildings and structures	16,406	16,418	197,313
Machinery, equipment and vehicles	5,322	5,644	64,016
Tools, furniture and fixtures	78	58	949
Land	12,580	13,094	151,294
Forests	547	564	6,587
Plantations	13,308	13,704	160,050
Construction in progress	976	164	11,744
Intangible assets and others	44	44	529
Investment securities	675	745	8,122
Long-term loans receivable	197	205	2,370
Total	¥ 54,906	¥ 54,767	\$ 660,325

- ② Industrial mortgages and industrial factory foundation revolving industrial mortgages entered into with respect to the assets indicated below for short-term loans (¥215 million (\$2,585 thousand), ¥245 million) and long-term loans (including the amount scheduled to be repaid within one year) (¥15 million (\$190 thousand), ¥93 million) as of March 31, 2011 and 2010 respectively.

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Buildings and structures	¥ 704	¥ 724	\$ 8,467
Machinery, equipment and vehicles	1,003	1,262	12,068
Tools, furniture and fixtures	26	24	321
Land	1,079	1,079	12,983
Total	¥ 2,813	¥ 3,091	\$ 33,841

- ③ Assets pledged as collateral for long-term loans (including the amount scheduled to be repaid within one year) (¥2,245 million (\$27,001 thousand), ¥2,951 million) as of March 31, 2011 and 2010 respectively as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Investment securities	¥ 2,234	¥ 2,234	\$ 26,871
Long-term loans receivable	3,347	4,136	40,259
Total	¥ 5,582	¥ 6,370	\$ 67,131

(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, 2011 and 2010 respectively.

	Millions of yen			Thousands of U.S. dollars
	March 31,		March 31,	
	2011	2010	2011	
	Japan Brazil Paper and Pulp Development Co., Ltd.	¥ 7,484	¥ 11,339	\$ 90,013
Alpac Forest Products Inc.	3,410	3,637	41,016	
PT. Korintiga Hutani	3,083	–	37,080	
Employees	1,930	2,326	23,217	
Other	7,192	5,482	86,506	
Total	¥ 23,101	¥ 22,785	\$ 277,833	

- 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, 2011 and 2010 are ¥12,229 million (\$147,071 thousand) and ¥18,241 million, respectively.

- ② The guarantee obligation provided for "Other" as stated above includes the portion, ¥269 million (\$3,242 thousand) and ¥269 million as of March 31, 2011 and 2010, 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 (\$4,052 thousand) and ¥337 million as of March 31, 2011 and 2010, 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, ¥57 million (\$690 thousand) and ¥90 million as of March 31, 2011 and 2010, respectively.

- (4) Notes discounted: ¥5,831 million (\$70,137 thousand) and ¥41 million as of March 31, 2011 and 2010, respectively

Notes receivable endorsed: ¥2 million (\$33 thousand) and ¥6 million as of March 31, 2011 and 2010, 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, 2011 and 2010, respectively
¥392 million (\$4,715 thousand) and
¥119 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, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Aggregate amount of loan commitment	¥ 50,000	¥ 50,000	\$ 601,322
Balance of loan outstanding	-	-	-
Unused portion	¥ 50,000	¥ 50,000	\$ 601,322

(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, 2011 and 2010 are as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Buildings and structures	¥ 0	¥ 1	\$ 5
Machinery, equipment and vehicles	140	103	1,692
Tools, furniture and fixtures	6	0	75
Total	¥ 147	¥ 105	\$ 1,773

10. Notes to Consolidated Statements of Income

(Consolidated Statement of Income)

- (1) Research and development costs included in selling, general and administrative expenses and manufacturing costs for the year ended March 31, 2011 and 2010, respectively:
¥9,078 million (\$109,178 thousand) and ¥8,908 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, 2011 and 2010, respectively:
¥268 million (\$3,231 thousand) and ¥1,811 million
- (3) A breakdown of gain on sales of fixed assets for the year ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Land	¥ 137	¥ 2,845	\$ 1,649
Forests	1	112	17
Other	0	-	9
Total	¥ 139	¥ 2,958	\$ 1,675

Gain on sales of fixed assets includes gain, in the amount of ¥1 million (\$17 thousand) and ¥435 million for the year ended March 31, 2011 and 2010, 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Land	¥ 311	¥ 1,226	\$ 3,744

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

For the year ended March 31, 2011

Location	Use	Type	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Fuji, Shizuoka	Assets for business	Machinery, equipment and others	¥ 4,590	\$ 55,207
Fuji, Shizuoka	Assets for business	Machinery, equipment and others	1,004	12,081

For the year ended March 31, 2010

Location	Use	Type	Impairment loss
			Millions of yen
Anan, Tokushima	Assets for business	Machinery, equipment and others	¥ 6,797
Utsunomiya, Tochigi	Assets for business	Machinery, equipment and others	1,184
Kushiro, Hokkaido	Assets for business	Machinery, equipment and others	1,059
Kure, Hiroshima	Assets for business	Machinery, equipment and others	949

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, ¥7,284 million (\$87,607 thousand) and ¥11,918 million, were recorded in special losses as of the year ended March 31, 2011 and 2010, respectively.

A breakdown of the amount is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Machinery, equipment and vehicles	¥ 6,194	¥ 9,890	\$ 74,499
Buildings and structures	671	1,518	8,072
Land	210	315	2,532
Other	208	193	2,502

Among the above amounts, ¥6,718 million (\$80,800 thousand) and ¥10,800 million are included in loss on business restructuring of special losses for the year ended March 31, 2011 and 2010, 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 discount rates of 4% and 5% for the years ended March 31, 2011 and 2010, respectively.

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

- 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.

(7) Loss on business restructuring is as follows:

For the year ended March 31, 2011: 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 Oji Paperboard's Fuji Mill. 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.

(Consolidated Statement of Comprehensive Income)

(For the year ended March 31, 2010)

(1) Consolidated comprehensive income

	Millions of yen
	March 31, 2010
Comprehensive income attributable to shareholders of the parent company	¥ 38,408
Comprehensive income attributable to minority interests	976
Total	¥ 39,385

(2) Consolidated other comprehensive income

	Millions of yen
	March 31, 2010
Net unrealized gains on available-for-sale securities	¥ 4,379
Deferred gains on hedging derivatives	1,029
Revaluation reserve for land	0
Foreign currency translation adjustments	6,477
Share of other comprehensive income of investments for which the equity method is applied	2,236
Total	¥ 14,122

11. 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, 2011

Type of shares	Number of shares at March 31, 2010	Increase	Decrease	Number of shares at March 31, 2011
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)	75,969,613	533,150	17,895	76,484,868
Total	75,969,613	533,150	17,895	76,484,868

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

Increase due to purchase of shares of less than standard unit	254,950
Effect of change in the Company's ownership interest ratio of affiliates accounted for by the equity method	278,200

2. Details of the decrease are as follows:

Decrease due to sale of shares of less than standard unit	17,895
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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

(2) Subscription rights

For the year ended March 31, 2011

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2011	
			Number of shares at March 31, 2010	Increase	Decrease	Number of shares at March 31, 2011	Millions of yen	Thousands of U.S. dollars
Parent company	Subscription rights as stock options	–	–	–	–	–	¥ 284	\$ 3,416
	Total	–	–	–	–	–	¥ 284	\$ 3,416

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
Parent company	Subscription rights as stock options	–	–	–	–	–	¥ 216
	Total	–	–	–	–	–	¥ 216

(3)Dividends

①Amount of cash dividends distributed

For the year ended March 31, 2011

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 13, 2010	Common stock	¥ 5,012	\$ 60,286	¥ 5.0	March 31, 2010	June 8, 2010
Board of Directors' Meeting held on November 1, 2010	Common stock	5,012	60,281	5.0	September 30, 2010	December 1, 2010

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	¥ 4.0	March 31, 2009	June 4, 2009
Board of Directors' Meeting held on November 4, 2009	Common stock		5,013	5.0	September 30, 2009	December 1, 2009

②Dividends with the cut-off date falling within the year ended March 31, 2011 and the effective date in the year ending March 31, 2012

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 12, 2011	Common stock	¥ 5,011	\$ 60,271	Retained earnings	¥ 5.0	March 31, 2011	June 7, 2011

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	Retained earnings	¥ 5.0	March 31, 2010	June 8, 2010

(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.

12. Notes to Consolidated Statements of Cash Flows

(1) Cash and cash equivalents in the statements of cash flows for the years ended March 31, 2011 and 2010 are reconciled to the accounts reported in the consolidated balance sheets as of March 31, 2011 and 2010 as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Cash and bank deposits	¥ 32,393	¥ 42,758	\$ 389,583
Time deposits with maturities of more than three months	(945)	(1,086)	(11,371)
Marketable securities	485	264	5,839
Cash and cash equivalents	¥ 31,933	¥ 41,936	\$ 384,051

(2) The main components of the assets and liabilities of the companies which the Company newly consolidated by acquiring the shares of such companies in the year ended March 31, 2011

The components of the assets and liabilities of the companies at the time of acquisition, and reference to acquisition cost of the shares and payment (net) for and proceeds (net) from acquisition of the shares are as follows:

GS Paper & Packaging Sdn. Bhd., Kyokuyo Pulp & Paper Co., Ltd. and other 18 companies

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2011	2011
Current assets	¥ 41,668		\$ 501,124
Fixed assets	36,666		440,971
Goodwill	3,684		44,313
Current liabilities	(52,311)		(629,120)
Long-term liabilities	(5,862)		(70,502)
Minority interests	(4,222)		(50,781)
Acquired companies' outstanding shares held by the Company before the acquisitions	(3,831)		(46,076)
Acquisition cost	15,792		189,929
Cash and cash equivalents of newly consolidated subsidiaries	(3,376)		(40,604)
Net: Payment for acquisition of shares of subsidiaries which have caused the change in scope of consolidation	14,290		171,859
Net: Proceeds from acquisition of shares of subsidiaries which have caused the change in scope of consolidation	(1,873)		(22,534)

13. 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

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	Millions of yen			
Acquisition cost	¥ 19,848	¥ 7,598	¥ 815	¥ 28,262
Accumulated depreciation	14,177	5,875	641	20,694
Accumulated impairment losses	185	19	–	205
Balance at the end of the current fiscal year	¥ 5,484	¥ 1,703	¥ 174	¥ 7,362

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	Thousands of U.S. dollars			
Acquisition cost	\$ 238,704	\$ 91,377	\$ 9,811	\$ 339,893
Accumulated depreciation	170,508	70,660	7,718	248,886
Accumulated impairment losses	2,233	232	–	2,465
Balance at the end of the current fiscal year	\$ 65,963	\$ 20,483	\$ 2,093	\$ 88,540

For the year ended March 31, 2010

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	Millions of yen			
Acquisition cost	¥ 23,534	¥ 10,293	¥ 1,070	¥ 34,898
Accumulated depreciation	15,127	7,257	764	23,149
Accumulated impairment losses	94	25	–	119
Balance at the end of the current fiscal year	¥ 8,312	¥ 3,010	¥ 305	¥ 11,628

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,
	2011	2010	2011
Due within one year	¥ 3,359	¥ 4,554	\$ 40,405
Due after one year	4,186	7,194	50,353
Total	¥ 7,546	¥ 11,748	\$ 90,758

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

For the year ended March 31, 2011 ¥114 million (\$1,377 thousand)

For the year ended March 31, 2010 ¥50 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,
	2011	2010	2011
Paid lease fees	¥ 4,579	¥ 5,817	\$ 55,079
Reversal of impairment account for leased assets	45	8	544
Equivalent depreciation expense amount	4,534	5,808	54,535
Impairment loss	109	38	1,317

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, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2011	2010	2011
Due within one year	¥ 298	¥ 122	\$ 3,593
Due after one year	405	240	4,879
Total	¥ 704	¥ 362	\$ 8,473

14. Financial Instruments

(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 "14(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, 2011 and 2010 respectively.

However, financial instruments for which it is difficult to measure the fair value are not included. (See 14(2) Note 2.)

March 31, 2011

	Book value	Fair value	Difference
	Millions of yen		
① Cash and bank deposits	¥ 32,393	¥ 32,393	¥ –
② Notes and accounts receivable-trade	255,237		
③ Short-term loans receivable	8,215		
Allowance for doubtful accounts (*1)	(3,042)		
	260,410	260,410	–
④ Long-term loans receivable	8,701		
Allowance for doubtful accounts (*2)	(7,412)		
	1,288	1,319	31
⑤ Available-for-sale securities and investment securities			
i Held-to-maturity debt securities	653	653	–
ii Stocks of affiliates	2,685	1,577	(1,108)
iii Available-for-sale securities	66,873	66,873	–
Total of assets	364,305	363,228	(1,077)
⑥ Notes and accounts payable-trade	197,419	197,419	–
⑦ Short-term loans	185,460	185,460	–
⑧ Bonds	100,420	101,574	1,154
⑨ Long-term loans	513,260	519,533	6,272
Total of liabilities	996,559	1,003,986	7,426
⑩ Derivative transactions (*3)	590	590	–

March 31, 2011

	Book value	Fair value	Difference
	Thousands of U.S. dollars		
① Cash and bank deposits	\$ 389,583	\$ 389,583	\$ –
② Notes and accounts receivable-trade	3,069,603		
③ Short-term loans receivable	98,805		
Allowance for doubtful accounts (*1)	(36,590)		
	3,131,818	3,131,818	–
④ Long-term loans receivable	104,647		
Allowance for doubtful accounts (*2)	(89,148)		
	15,499	15,872	373
⑤ Available-for-sale securities and investment securities			
i Held-to-maturity debt securities	7,862	7,862	–
ii Stocks of affiliates	32,292	18,965	(13,326)
iii Available-for-sale securities	804,254	804,254	–
Total of assets	4,381,310	4,368,357	(12,952)
⑥ Notes and accounts payable-trade	2,374,252	2,374,252	–
⑦ Short-term loans	2,230,428	2,230,428	–
⑧ Bonds	1,207,696	1,221,575	13,879
⑨ Long-term loans	6,172,703	6,248,144	75,441
Total of liabilities	11,985,080	12,074,400	89,320
⑩ Derivative transactions (*3)	7,102	7,102	–

(*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, and ⑦ Short-term loans

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 sheets: ¥33,871 million (\$407,358 thousand)) is included in "⑨ Long-term loans."

⑧ Bonds

The fair value of corporate bonds is calculated based on the quoted market price (Reference: Statistical Prices for OTC Bond Transactions), or, in cases where quoted market prices are not available, by using the discounted cash flow, based on the total amount of the principal and interest of the remaining period and credit risk. The corporate bonds include the current portion (the carrying amount on the consolidated balance sheets: ¥20,120 million (\$241,972 thousand)).

⑨ 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 16) 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 sheets: ¥33,871 million (\$407,358 thousand)).

⑩ 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 16)

2. Financial instruments for which the fair value is deemed to be difficult to measure
March 31, 2011

Item	Book value
	Millions of yen
Non-listed stocks	¥ 102,845

Item	Book value
	Thousands of U.S. dollars
Non-listed stocks	\$ 1,236,868

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, 2011

	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	¥ 30,065	¥ -	¥ -	¥ -
Notes and accounts receivable-trade	255,237	-	-	-
Short-term loans receivable	8,215	-	-	-
Long-term loans receivable	-	6,595	2,090	15
Available-for-sale securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	636	1	-	16
Total	294,155	6,596	2,090	31

	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	\$ 361,585	\$ –	\$ –	\$ –
Notes and accounts receivable-trade	3,069,603	–	–	–
Short-term loans receivable	98,805	–	–	–
Long-term loans receivable	–	79,325	25,137	185
Available-for-sale securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	7,651	12	–	197
Total	3,537,645	79,338	25,137	382

4. The redemption schedule for corporate bonds and long-term loans subsequent to March 31, 2011 (See Note 24(1) and (2).)

March 31, 2010

	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	–

(*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 sheets: ¥18,189 million) 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).

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 16) 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 sheets: ¥18,189 million).

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 16)

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

March 31, 2010

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

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				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	265	1	–	0
Total	301,275	9,637	2,447	73

4. The redemption schedule for corporate bonds and long-term loans subsequent to March 31, 2010

(See Note 24(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.

15. Securities

(1) Held-to-maturity debt securities

For the year ended March 31, 2011

		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	¥ 151	¥ 151	-
	② Corporate bonds	-	-	-
	③ Others	502	502	-
	Total	653	653	-
Total		¥ 653	¥ 653	-

		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	\$ 1,825	\$ 1,825	-
	② Corporate bonds	-	-	-
	③ Others	6,037	6,037	-
	Total	7,862	7,862	-
Total		\$ 7,862	\$ 7,862	-

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	-

(2) Available-for-sale securities

For the year ended March 31, 2011

		Book value	Acquisition cost	Difference
		Millions of yen		
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 47,937	¥ 29,910	¥ 18,026
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	-	-	-
	Total	47,937	29,910	18,026
Securities with a book value not exceeding acquisition cost	① Corporate stocks	¥ 17,356	¥ 24,023	¥ (6,667)
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	1,579	1,736	(156)
	Total	18,935	25,759	(6,823)
	Total	¥ 66,873	¥ 55,670	¥ 11,202

		Book value	Acquisition cost	Difference
		Thousands of U.S. dollars		
Securities with a book value exceeding acquisition cost	① Corporate stocks	\$ 576,522	\$ 359,723	\$ 216,799
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	-	-	-
	Total	576,522	359,723	216,799
Securities with a book value not exceeding acquisition cost	① Corporate stocks	208,737	288,921	(80,183)
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	18,994	20,877	(1,883)
	Total	227,731	309,798	(82,066)
	Total	\$ 804,254	\$ 669,521	\$ 134,732

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: ¥102,845 million (\$1,236,868 thousand))

Available-for-sale securities

For the year ended March 31, 2010

	Book value	Acquisition cost	Difference
	Millions of yen		
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
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

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)

(3) Available-for-sale securities sold

For the year ended March 31, 2011

	Proceeds from sales	Gains	Losses
	Millions of yen		
① Corporate stocks	¥ 37	¥ 10	¥ (15)
② Bonds			
1. Government bonds, local government bonds and others	-	-	-
2. Corporate bonds	-	-	-
3. Others	-	-	-
③ Others	-	-	-
Total	¥ 37	¥ 10	¥ (15)

	Proceeds from sales	Gains	Losses
	Thousands of U.S. dollars		
① Corporate stocks	\$ 447	\$ 123	\$ (185)
② Bonds			
1. Government bonds, local government bonds and others	-	-	-
2. Corporate bonds	-	-	-
3. Others	-	-	-
③ Others	-	-	-
Total	\$ 447	\$ 123	\$ (185)

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)

(4) Impairment of available-for-sale securities

With respect to corporate stocks included in available-for-sale securities, impairment losses of ¥1,709 million (\$20,558 thousand) and ¥352 million were recorded in the year ended March 31, 2011 and 2010, respectively.

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.

16. Derivative Transactions

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

As of March 31, 2011: None

As of March 31, 2010: None

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

① Currency-related derivatives

As of March 31, 2011

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Millions of yen					
	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable	¥ 4,171	¥ —	¥ 145
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable	3,184	—	106
Basic accounting method (Note 2)	Others	Accounts receivable	613	—	(32)
	Buy				
	Buy: U.S. dollars, Sell: Japanese yen	Accounts payable	2,043	—	63
	Buy: Australian dollars, Sell: Japanese yen	Accounts payable	1,543	—	157
	Buy: Euro, Sell: U.S. dollars	Accounts payable	1,444	—	115
	Others	Accounts payable	41	—	2
	Total		¥ 13,041	¥ —	¥ 557
	Foreign exchange forward contracts				
	Sell				
Deferral hedge accounting method (Note 3)	U.S. dollars	Accounts receivable	¥ 403	¥ —	(Note 4)
	Buy				
	U.S. dollars	Accounts payable	905	—	(Note 4)
	Total		¥ 1,309	¥ —	¥ —

As of March 31, 2011

Hedge accounting method	Hedging instruments	Main hedged items	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	\$ 50,163	\$ –	\$ 1,748
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable	38,298	–	1,280
	Others	Accounts receivable	7,374	–	(390)
	Buy				
	Buy: U.S. dollars, Sell: Japanese yen	Accounts payable	24,574	–	764
	Buy: Australian dollars, Sell: Japanese yen	Accounts payable	18,557	–	1,896
	Buy: Euro, Sell: U.S. dollars	Accounts payable	17,373	–	1,383
	Others	Accounts payable	500	–	25
	Total		\$ 156,842	\$ –	\$ 6,709
	Foreign exchange forward contracts				
	Sell				
Deferral hedge accounting method (Note 3)	U.S. dollars	Accounts receivable	\$ 4,854	\$ –	(Note 4)
	Buy				
	U.S. dollars	Accounts payable	10,889	–	(Note 4)
	Total		\$ 15,744	\$ –	\$ –

As of March 31, 2010

Hedge accounting method	Hedging instruments	Main hedged items	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)
	Total		¥ 13,407	¥ –	¥ 569
	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		¥ 264	¥ –	¥ –

Notes: 1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
 2. The fair value of foreign exchange forward contracts is included in that of hedged foreign currency assets or liabilities.

② Interest-rate-related derivatives

As of March 31, 2011

Hedge accounting method	Hedging instruments	Main hedged items	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	¥ 287,300	(Note 3)
	Floating rate received for floating rate	Long-term loans	20,500	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	21,000	21,000	(Note 3)
Total			¥ 342,300	¥ 329,800	¥ -

As of March 31, 2011

Hedge accounting method	Hedging instruments	Main hedged items	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	\$ 3,605,532	\$ 3,455,201	(Note 3)
	Floating rate received for floating rate	Long-term loans	246,542	246,542	(Note 3)
	Fixed rate received for fixed rate	Long-term loans	12,026	12,026	(Note 3)
	Fixed rate received for floating rate	Long-term loans	252,555	252,555	(Note 3)
Total			\$ 4,116,656	\$ 3,966,325	\$ -

As of March 31, 2010

Hedge accounting method	Hedging instruments	Main hedged items	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	¥ -

- 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

As of March 31, 2011

Hedge accounting method	Hedging instruments	Main hedged items	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	¥ 8,358	¥ 7,015	¥ 31
Total			¥ 8,358	¥ 7,015	¥ 31

As of March 31, 2011

Hedge accounting method	Hedging instruments	Main hedged items	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	\$ 100,525	\$ 84,377	\$ 381
Total			\$ 100,525	\$ 84,377	\$ 381

As of March 31, 2010

Hedge accounting method	Hedging instruments	Main hedged items	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

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

17. 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,
	2011	2010	2011
① Retirement benefit obligation	¥ (202,105)	¥ (205,623)	\$ (2,430,614)
② Plan assets at fair value	109,126	111,128	1,312,411
③ Unfunded retirement benefit obligation (① + ②)	(92,978)	(94,494)	(1,118,203)
④ Unrecognized actuarial gain and loss	60,965	66,280	733,198
⑤ Unrecognized prior service cost	(5,786)	(7,028)	(69,591)
⑥ Net retirement benefit obligation (③ + ④ + ⑤)	(37,799)	(35,242)	(454,596)
⑦ Prepaid pension cost	9,992	11,227	120,172
⑧ Provision for retirement benefits (⑥ - ⑦)	(47,792)	(46,469)	(574,769)

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, ¥515 million (\$6,198 thousand) and ¥808 million, of the estimated installment payments for subsequent fiscal years, is included in provision for retirement benefits as of March 31, 2011 and 2010, 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,
	2011	2010	2011
① Service cost	¥ 5,296	¥ 3,983	\$ 63,702
② Interest cost	3,000	4,411	36,085
③ Expected return on plan assets	(1,587)	(2,497)	(19,090)
④ Amortization of actuarial loss	8,392	7,316	100,932
⑤ Amortization of prior service cost	(1,226)	(1,180)	(14,747)
⑥ Retirement benefit expenses (① + ② + ③ + ④ + ⑤)	13,876	12,032	166,881

Notes: 1. Special retirement benefits of ¥1,489 million (\$17,919 thousand) and ¥3,717 million which were accounted for as a special loss for the year ended March 31, 2011 and 2010, 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	
	2011	2010
Periodic allocation method of estimated amount of retirement benefit	Straight-line method	
Discount rate	1.5%-2.0%	1.6%-2.0%
Expected return rate on plan assets	1.6%-2.5%	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.	

18. 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: ¥67 million (\$811 thousand) as of March 31, 2011

¥56 million as of March 31, 2010

(2) Content, size and changes of stock options

① Stock option plans

At each March 31, 2011 and 2010

	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, 2011 and 2010

	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, 2011 and 2010

	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, 2011 and 2010

	Stock option 2009
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

At March 31, 2011

	Stock option 2010
Position and number of grantee	Directors of the Company: 10
Class and number of shares	Common stock: 220,000 shares
Date of issue	July 16, 2010
Condition of settlement of rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2011 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 2010 (June 29, 2010) to the date of the ordinary general meeting of shareholders in 2011
Period subscription rights may be exercised	From July 17, 2010 to June 30, 2030

② Changes in the number of stock options

At March 31, 2011

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010
	Shares	Shares	Shares	Shares	Shares
Share subscription rights which are not yet vested					
Outstanding as of March 31, 2010	-	-	-	174,000	-
Granted	-	-	-	-	220,000
Forfeited	-	-	-	-	-
Vested	-	-	-	174,000	-
Outstanding as of March 31, 2011	-	-	-	-	220,000
Share subscription rights which have already been vested					
Outstanding as of March 31, 2010	90,000	129,000	192,000	-	-
Vested	-	-	-	174,000	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding as of March 31, 2010	90,000	129,000	192,000	174,000	-

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	-

③ Price information of stock options

At March 31, 2011

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010
	Yen	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	-	-	-	-	-
Weighted average fair value per shares at the granted date	-	-	-	-	334

At March 31, 2011

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010
	U.S. dollars	U.S. dollars	U.S. dollars	U.S. dollars	U.S. dollars
Exercise price	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Average market price of the stock at the time of exercise	-	-	-	-	-
Weighted average fair value per shares at the granted date	-	-	-	-	4.01

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

(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, 2011 is as follows:

①Model of valuation Black-Scholes Model

②Main basic figures and estimation method:

	Stock option 2010
Expected volatility (Note 1)	33.342%
Expected holding period (Note 2)	10 years and 6 months
Expected dividend (Note 3)	10 yen (\$ 0.12) / share
Risk-free rate (Note 4)	1.132%

Notes: 1. The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months (from January 16, 2000 to July 16, 2010)
 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, 2010.
 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, 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 / 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.

(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.

19. Income Taxes

(1) Significant deferred tax assets and deferred tax liabilities

	March 31, 2011	March 31, 2010	March 31, 2011
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Deferred tax assets			
Provision for retirement benefits in excess of tax limit	¥ 18,461	¥ 17,379	\$ 222,032
Tax losses carried forward	26,951	21,225	324,130
Property, plant and equipment	15,683	15,491	188,615
Investment securities and others	8,162	12,618	98,166
Accrued bonuses in excess of tax limit	6,599	6,586	79,366
Allowance for doubtful accounts	6,520	5,793	78,422
Other	9,328	9,984	112,187
Subtotal	91,707	89,080	1,102,921
Valuation allowance	(30,982)	(32,849)	(372,612)
Total deferred tax assets	60,725	56,230	730,308
Deferred tax liabilities			
Unrealized gains on available-for-sale securities	(4,712)	(8,406)	(56,676)
Reserve for advanced depreciation of fixed assets	(18,210)	(18,583)	(219,013)
Adjustment to book value of assets stated at fair value	(13,849)	(14,304)	(166,559)
Property, plant and equipment	(4,007)	(3,363)	(48,190)
Reserve for special depreciation	(1,030)	(1,385)	(12,394)
Other	(3,055)	(1,734)	(36,750)
Total deferred tax liabilities	(44,866)	(47,778)	(539,585)
Net deferred tax assets	¥ 15,858	¥ 8,452	\$ 190,723

(2) Difference between the statutory tax rate and the effective tax rate of corporate income taxes

	For the year ended March 31,	
	2011	2010
Statutory tax rate	40.7 %	40.7 %
(Adjustment)		
Permanent exclusion from expenses of entertainment and social expenses	1.6	1.5
Per capita levy of local inhabitant tax	1.3	1.2
Tax credit	(0.2)	0.2
Equity in earnings of affiliates	(5.6)	2.0
Change in valuation allowance	(4.8)	(14.5)
Other	3.2	1.4
Effective tax rate	36.2 %	32.5 %

20. Segment Information

For the year ended March 31, 2011

1. Overview of reporting segments

The reporting segments of the Company are the business units of the Group, of which financial information is available separately in order for the Board of Directors to conduct periodic review to determine allocation of management resources and evaluate business performance by unit.

The Group is mainly engaged in production and sale of pulp and paper products and converted paper products. Each of the companies of the Group independently plans its comprehensive strategy for its products and services and implements its business activities.

Therefore, each of the business segments comprises certain companies of the Group that are similar in terms of economic

characteristics, production method or production process, types of markets or customers to which products are sold and other. The Company consists of two reporting segments: "Pulp and paper products business" and "Converted paper products business."

The "Pulp and paper products business" segment is engaged in production and sale of container board, white board, packaging paper, newsprint, printing and communication paper, miscellaneous paper, pulp and other, and the "Converted paper products business" segment is engaged in production and sale of corrugated containers, boxboard products, self-adhesive paper, household products, paper bag products and other.

2. Methods to calculate amounts of sales, income or loss, assets, liabilities and other items by reporting segment

The accounting method applied for reporting segments is almost the same that described in "Changes in Important Matters Forming the Basis of Preparation of Consolidated Financial Statements."

Segment profit is based on operating profit. Inter-segment sales and transfers are based on market price and other.

3. Information on amounts of sales, income or loss, assets, liabilities and other items by reporting segment

For the year ended March 31, 2011

	Reporting segments			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Pulp and paper products	Converted paper products	Total				
Millions of yen							
Sales							
Sales to third parties	¥ 560,318	¥ 449,976	¥ 1,010,294	¥ 169,836	¥ 1,180,131	¥ -	¥ 1,180,131
Inter-segment sales and transfers	155,718	9,711	165,429	161,096	326,526	(326,526)	-
Total sales	716,036	459,687	1,175,724	330,933	1,506,657	(326,526)	1,180,131
Segment profit	¥ 49,764	¥ 15,146	¥ 64,911	¥ 4,169	¥ 69,080	¥ (3,639)	¥ 65,441
Segment assets	¥ 1,022,081	¥ 343,914	¥ 1,365,996	¥ 272,810	¥ 1,638,806	¥ (17,879)	¥ 1,620,927
Other items							
Depreciation and amortization (Note 4)	¥ 61,856	¥ 13,997	¥ 75,854	¥ 3,779	¥ 79,633	-	¥ 79,633
Increase in property, plant, equipment and intangible assets (Note 4)	¥ 64,508	¥ 9,605	¥ 74,114	¥ 2,950	¥ 77,065	-	¥ 77,065

For the year ended March 31, 2011

	Reporting segments			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Pulp and paper products	Converted paper products	Total				
Thousands of U.S. dollars							
Sales							
Sales to third parties	\$ 6,738,645	\$ 5,411,619	\$ 12,150,264	\$ 2,042,535	\$ 14,192,800	\$ -	\$ 14,192,800
Inter-segment sales and transfers	1,872,738	116,796	1,989,534	1,937,424	3,926,958	(3,926,958)	-
Total sales	8,611,383	5,528,415	14,139,798	3,979,959	18,119,758	(3,926,958)	14,192,800
Segment profit	\$ 598,492	\$ 182,160	\$ 780,652	\$ 50,146	\$ 830,799	\$ (43,775)	\$ 787,024
Segment assets	\$ 12,292,020	\$ 4,136,074	\$ 16,428,095	\$ 3,280,940	\$ 19,709,035	\$ (215,024)	\$ 19,494,011
Other items							
Depreciation and amortization (Note 4)	\$ 743,914	\$ 168,344	\$ 912,258	\$ 45,450	\$ 957,709	-	\$ 957,709
Increase in property, plant, equipment and intangible assets (Note 4)	\$ 775,807	\$ 115,523	\$ 891,331	\$ 35,487	\$ 926,819	-	\$ 926,819

- Notes: 1. "Other" is a business segment which is not included in the reporting segments, and included in this segment are wood, afforestation and tree-planting, real estate, cornstarch production, machinery and other businesses.
2. "Adjustments" are as follows:
- (i) Adjustment for segment profit, ¥(3,639) million (\$ (43,775) thousand), includes the following items.
- Adjustment related to internal transactions ¥1,694 million (\$20,374 thousand)
 - Amortization of goodwill ¥(1,674) million (\$ (20,136) thousand)
 - Group-wide expenses* not allocated to each reporting segment ¥(3,791) million (\$ (45,593) thousand)
- *Group-wide expenses: mainly general and administrative expenses not allocated to each reporting segment
- (ii) Adjustment for segment assets, ¥(17,879) million (\$ (215,024) thousand), includes the following items.
- Elimination of inter-segment debts and credits, and other ¥(56,649) million (\$ (681,290) thousand)
 - Unamortized balance of goodwill ¥9,369 million (\$112,685 thousand)
 - Group-wide assets* not allocated to each reporting segment ¥29,400 million (\$353,580 thousand)
- *Group-wide assets: investment securities not allocated to each reporting segment
3. Adjustment is made between segment profit and operating profit of the consolidated statements of income.
4. Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

For the year ended March 31, 2010

	Reporting segments			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Pulp and paper products	Converted paper products	Total				
Millions of yen							
Sales							
Sales to third parties	¥ 561,999	¥ 443,798	¥ 1,005,797	¥ 141,524	¥ 1,147,322	¥ -	¥ 1,147,322
Inter-segment sales and transfers	153,761	8,386	162,148	156,404	318,553	(318,553)	-
Total sales	715,761	452,185	1,167,946	297,929	1,465,875	(318,553)	1,147,322
Segment profit	¥ 52,638	¥ 17,274	¥ 69,912	¥ 5,119	¥ 75,031	¥ (1,350)	¥ 73,681
Segment assets	¥ 1,034,765	¥ 337,108	¥ 1,371,873	¥ 248,309	¥ 1,620,183	¥ (6,135)	¥ 1,614,047
Other items							
Depreciation and amortization (Note 4)	¥ 67,291	¥ 14,918	¥ 82,210	¥ 3,632	¥ 85,842	-	¥ 85,842
Increase in property, plant, equipment and intangible assets (Note 4)	¥ 66,406	¥ 13,803	¥ 80,210	¥ 2,805	¥ 83,015	-	¥ 83,015

- Notes: 1. "Other" is a business segment which is not included in reporting segments, and included in this segment are wood, afforestation and tree-planting, real estate, cornstarch production, machinery and other businesses.
2. "Adjustments" are as follows:
- (i) Adjustment for segment profit, ¥(1,350) million, includes the following items.
- Adjustment related to internal transactions ¥1,759 million
 - Amortization of goodwill ¥(1,354) million
 - Group-wide expenses* not allocated to a reporting segment ¥(1,674) million
- *Group-wide expenses: mainly general and administrative expenses not allocated to each reporting segment
- (ii) Adjustment for segment assets, ¥(6,135) million, includes the following items.
- Elimination of inter-segment debts and credits, and other ¥(47,307) million
 - Unamortized balance of goodwill ¥7,473 million
 - Group-wide assets* not allocated to each reporting segment ¥33,698 million
- *Group-wide assets: investment securities not allocated to each reporting segment
3. Adjustment is made between segment profit and operating profit of the consolidated statements of income.
4. Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

(Additional information)

The Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) from the fiscal year ended March 31, 2011.

(1)Business segment information

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 profit	¥ 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

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 was included in loss on business restructuring in special losses.

(2)Geographic segment information

For the year ended March 31, 2010

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 the year ended March 31, 2010, this information is omitted.

(3)Overseas sales

For the year ended March 31, 2010

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

(4)Related information

For the year ended March 31, 2011

1. Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

2. Information by region

①Sales

As the amount of sales to the domestic third parties accounts for more than 90% of the amount of sales of the consolidated statements of income for the year ended March 31, 2011, this information is omitted.

②Property, plant and equipment

Japan	Asia	North America	Europe	Other	Total
Millions of yen					
¥ 740,267	¥ 118,821	¥ 3,078	¥ 7,082	¥ 22,008	¥ 891,258

Japan	Asia	North America	Europe	Other	Total
Thousands of U.S. dollars					
\$ 8,902,791	\$ 1,429,004	\$ 37,027	\$ 85,181	\$ 264,682	\$ 10,718,687

3. Information by major customer

Name of company	Sales		Related segment
	Millions of yen	Thousands of U.S. dollars	
Japan Pulp and Paper Company Limited	¥ 151,778	\$ 1,825,351	Pulp and paper products, Converted paper products
Kokusai Pulp & Paper Co., Ltd.	138,283	1,663,063	Pulp and paper products, Converted paper products

(6) Information on impairment loss of property, plant and equipment by reporting segment

For the year ended March 31, 2011

	Pulp and paper products	Converted paper products	Other (Note 1)	Total
	Millions of yen			
Impairment loss	¥ 6,655	¥ 273	¥ 355	¥ 7,284

	Pulp and paper products	Converted paper products	Other (Note 1)	Total
	Thousands of U.S. dollars			
Impairment loss	\$ 80,046	\$ 3,285	\$ 4,274	\$ 87,607

Notes: 1. The amount of "Other" is the amount related to business segments not included in reporting segments and other.

2. Of the impairment loss for the year ended March 31, 2011, ¥6,718 million (\$80,800 thousand) is included in loss on business restructuring of special losses.

(7) Information on amortization and ending balance of goodwill by reporting segment

For the year ended March 31, 2011

(See (4) "Segment information.")

(8) Information on gain on negative goodwill by reporting segment

For the year ended March 31, 2011

As there is no significance in terms of amount, this information is omitted.

21.Information on Transactions with Related Parties

For the year ended March 31, 2011

① Transactions with related parties

Significant transactions with related parties

None

② Notes on significant affiliates

Summary of financial information on significant affiliates

Japan Brazil Paper and Pulp Development Co., Ltd.

As of and for the fiscal year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
Total current assets	¥ 28,657	\$ 344,648
Total non-current assets	129,652	1,559,258
Total current liabilities	26,304	316,348
Total non-current liabilities	49,954	600,772
Total net assets	82,051	986,786
Net sales	65,367	786,135
Income before income taxes	11,979	144,071
Net income	8,448	101,611

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	Notes and accounts receivable – trade	¥5,193 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 affiliates

Summary of financial information on significant affiliates

None

22.Per Share Information

As of and for the fiscal year ended March 31, 2011 and 2010

	Yen		U.S. dollars
	2011	2010	2011
Net assets per share	¥ 444.24	¥ 450.97	\$ 5.34
Net income per share	¥ 24.92	¥ 25.18	\$ 0.29
Diluted net income per share (Note 1)	¥ 24.90	¥ 25.16	\$ 0.29

Notes: 1. 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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net income per share			
Net income	¥ 24,619	¥ 24,886	\$ 296,090
Amount not attributable to common shareholders	–	–	–
Net income allocated to common stock	24,619	24,886	296,090
Average number of shares outstanding during the period	thousand shares 988,103	thousand shares 988,469	thousand shares 988,103
Diluted net income per share			
Adjusted amount of net income			
Increase in shares of common stock	thousand shares 739	thousand shares 581	thousand shares 739
(Share subscription rights among the above increase)	(thousand shares) (739)	(thousand shares) (581)	(thousand shares) (739)

23.Significant Subsequent Events

None

24.Consolidated Supplementary Schedules

(1)Bonds

Company	Name	Date of issue	Balance as of	Balance as of	Balance as of	Interest rate (%)	Security	Maturity
			March 31, 2010	March 31, 2011	March 31, 2011			
			Millions of yen		Thousands of U.S. dollars			
Oji Paper Co., Ltd.	Bond No.20	November 14, 2000	¥ 20,000	–	–	2.43	None	November 12, 2010
Oji Paper Co., Ltd.	Bond No.21	August 19, 2003	20,000	–	–	0.83	None	August 19, 2010
Oji Paper Co., Ltd.	Bond No.22	August 19, 2003	20,000	¥ 20,000	\$ 240,529	1.25	None	August 19, 2013
Oji Paper Co., Ltd.	Bond No.23	July 23, 2004	20,000	20,000 (20,000)	240,529 (240,529)	1.47	None	July 22, 2011
Oji Paper Co., Ltd.	Bond No.24	July 23, 2004	20,000	20,000	240,529	2.01	None	July 23, 2014
Oji Paper Co., Ltd.	Bond No.25	July 28, 2010	–	20,000	240,529	0.56	None	July 28, 2015
Oji Paper Co., Ltd.	Bond No.26	July 28, 2010	–	20,000	240,529	0.86	None	July 28, 2017
Ginpo Pack Co., Ltd.	Bond No.5	December 30, 2008	–	180 (60)	2,164 (721)	1.00	None	December 30, 2013
Ginpo Pack Co., Ltd.	Bond No.6	September 10, 2009	–	105 (30)	1,262 (360)	0.90	None	September 10, 2014
Ginpo Pack Co., Ltd.	Bond No.7	September 30, 2010	–	135 (30)	1,623 (360)	0.61	None	September 30, 2015
Total	–	–	¥ 100,000	¥ 100,420 (¥20,120)	\$ 1,207,696 (\$ 241,972)	–	–	–

Note: 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, 2011 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				
¥ 20,120	¥ 120	¥ 20,120	¥ 20,045	¥ 20,015
Thousands of U.S. dollars				
\$ 241,972	\$ 1,443	\$ 241,972	\$ 241,070	\$ 240,709

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

	March 31, 2010	March 31, 2011	March 31, 2011	Average interest rate (%)	Maturity
	Millions of yen		Thousands of U.S. dollars		
Short-term loans	¥ 161,104	¥ 185,460	\$ 2,230,428	0.90	–
Current portion of long-term loans	18,189	33,871	407,358	1.54	–
Current portion of lease obligations	600	844	10,158	–	–
Long-term loans (excluding current portion)	508,141	479,388	5,765,344	1.46	Due 2012 through 2051
Lease obligations (excluding current portion)	2,811	2,628	31,613	–	Due 2012 through 2018
Others:					
Commercial paper (due in one year or less)	11,000	–	–	–	–
Total	¥ 701,847	¥ 702,193	\$ 8,444,903	–	–

- 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, 2011 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	¥ 162,086	¥ 129,680	¥ 31,164	¥ 101,134
Lease obligation	780	529	245	82

	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
	Thousands of U.S. dollars			
Long-term loans	\$1,949,323	\$ 1,559,599	\$ 374,802	\$ 1,216,293
Lease obligation	9,385	6,368	2,947	995

25. Asset Retirement Obligations

As the amount of asset retirement obligations as of March 31, 2011 accounts for less than 1% of the total amount of liabilities and net assets as of the same date, pursuant to the provision of Article 92-2 of the Regulation for Consolidated Financial Statements, this information is omitted.

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, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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, 2011 and 2010, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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, 2011

Corporate Data (As of March 31, 2011)

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 : 21,987 (March 31, 2011, consolidated)

Major Business Lines : (including businesses of subsidiaries)	<ul style="list-style-type: none"> • 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
	<ul style="list-style-type: none"> • Converted paper products business Production and sale of corrugated containers, boxboard products, self-adhesive paper, paper diapers, paper bag products and other
	<ul style="list-style-type: none"> • Other Wood and tree-planting, real estate, cornstarch production, machinery and other businesses

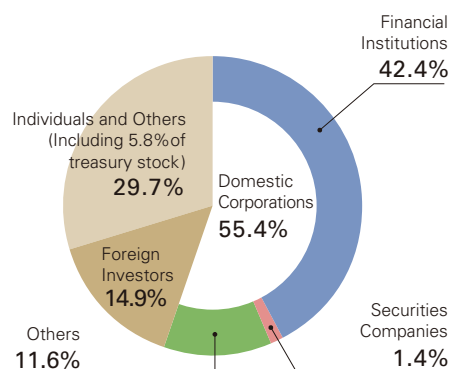
Shares of Common Stock

Authorized :	2,400,000,000 shares
Issued :	1,064,381,817 shares
Number of Shareholders :	86,302 (Decrease of 4,025 shareholders from the previous year-end)

Major Shareholders (Top 10)

The Master Trust Bank of Japan, Ltd. (Trust account)
 Japan Trustee Services Bank, Ltd. (Trust account)
 Japan Trustee Services Bank, Ltd. (Trust account 4)
 Sumitomo Mitsui Banking Corporation
 Nippon Life Insurance Company
 Mizuho Corporate Bank, Ltd.
 OD05 Omnibus Account China Treaty 808150
 Oji Paper Group Employee Stock-holding Association
 Japan Pulp and Paper Company Limited
 The Norinchukin Bank

Distribution of Shareholders (%)





Oji Paper Co., Ltd.

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