



The founder of the Oji Group, 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 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

Since it was founded 140 years ago in 1873 the Oji Group has maintained a fundamental commitment to make contributions to both lifestyles and culture. At the same time, we have also endeavored 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. To that end, the Oji Group will safeguard its traditions, tackle new challenges and seek out new, exciting growth opportunities.

## ■ Global Reputation for Dependability

The Oji Group’s business activities can now be found in almost every corner of the globe. Yet, we continue to be a company that is trusted equally by all of its stakeholders, including shareholders, customers, consumers, business partners, local communities and employees.



**Beyond the Boundaries**

### Corporate Logo

The Oji Group shifted to a holding company system on October 1, 2012. Here, we would like to introduce our corporate logo that was designed to usher in a new era for the Oji Group.

The new Oji Group corporate logo features a stylized rendering of the word “OJI” with the branding slogan “Beyond the Boundaries.” The color gradation found at the top half of the word “OJI” stands for daybreak, which symbolizes the rebirth of the Company. Below this is our new branding slogan “Beyond the Boundaries.” The word “boundaries” has several meanings that include business boundaries, national boundaries and the scope of each and every Oji Group employees’ competencies. This expression demonstrates the Oji Group’s strong conviction to think outside the box as it makes progress toward the future without being hindered by conventional boundaries.

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→ Message / Business Overview

**Message**

To Our Stakeholders  
Management Strategies

**Business Overview**

Household and Industrial  
Materials Company  
Printing and Communications  
Media Company  
Functional Materials Company  
Forest Resources and  
Environmental Marketing Company  
R&D Framework  
Enhance Trading Business







## To Our Stakeholders

I would like to express my sincere appreciation for your generous support of the Oji Group.

My name is Kiyotaka Shindo and I was appointed President and Chief Executive Officer of the Oji Group in April 2012. Here, I would like to present a message to our stakeholders as part of the Oji Group's 2012 annual report.

Today we find ourselves in the midst of a volatile global economy. Europe has still yet to emerge from its sovereign debt crisis, while the United States is starting to see a gradual recovery, but the future outlook still remains one of uncertainty. The pace of China's economic growth is said to be slowing, which is being caused by Europe and the United States. At the same time, Japan's economy faces many challenges, including the ongoing appreciation of the yen, the hollowing out of industry, electricity supply issues domestically, and an aging society combined with dwindling birthrate. Generally speaking, economies are rapidly globalizing, which in turn has created an extremely challenging business environment.

Given this, the Oji Group has established the following six basic strategies to restructure its business portfolio and maximize corporate value in order to achieve sustainable growth, while also adapt to the rapidly changing business environment.

- (1) Enhance global competitiveness through aggressive cost reduction
- (2) Expand overseas business
- (3) Growth through incubating R&D oriented business
- (4) Promote resources and environmental business
- (5) Establish material and process integrated business model
- (6) Enhance trading business

During the fiscal year ended March 2012, the Oji Group made two acquisitions internationally. The first of these was a tender offer for Harta Packaging Group completed in August 2011. This group of companies is one of Malaysia's largest manufacturers and sellers of corrugated containers. As such, this acquisition will enable us to capture an even greater share of the growing demand seen in Asia. The second was the acquisition of the thermal and carbonless paper business of Fibria Celulose S.A in Brazil completed in September 2011. In Japan, we focused our efforts on reducing costs further through the establishment of an optimized production system. Yet, we were forced to revise the prices for some of our products because the rising cost of raw materials outpaced both the benefits realized from the strong yen when importing these materials and our cost reduction efforts.

As a result of the above, net sales rose 3% year on year, while net income fell 10% compared to the previous year.

The Oji Group shifted to a holding company system as of October 1, 2012. This change will enable us to maximize Group-wide management efficiencies further and serve to make the management accountability of each of our business lines clearer. We will also aim to accelerate our business portfolio restructuring efforts and work together as a unified group in unlocking new and exciting growth opportunities.

I look forward to the continued support and patronage of our customers, shareholders and business partners, as we continue to strive to fulfill the expectations and needs of our many stakeholders.

December 2012



Kiyotaka Shindo  
President and Chief Executive Officer  
Oji Group



# Management Strategies

## → Management Strategies

### Business Environment

World paper and paperboard demand has increased rapidly in recent years. In particular, the growth of the paper and paperboard market in emerging countries has been robust, as these countries will likely become the core market drivers of the future. 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 since the markets have matured and the structure of demand has changed following the popularization of information and communication technologies. As for Japan, amid a continuing contraction in economic activities due to its aging society and dwindling birthrate, the future of the country's economy remains one of much uncertainty due to the prolonged appreciation of the yen and the hollowing out of industry.

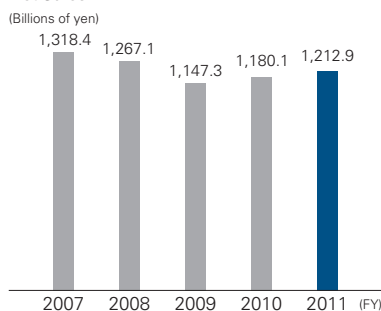
### Pursuing Business Portfolio Restructuring to Achieve Sustainable Growth

Throughout its long history spanning close to 140 years, the Oji 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 "business portfolio restructuring through innovation" as our basic management strategy.

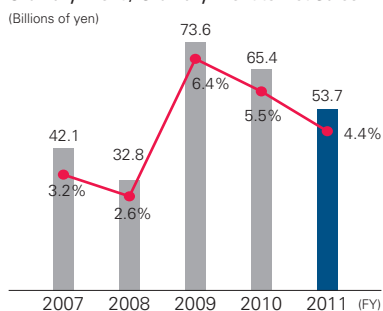
Specifically, we have established the following six measures that will enable us to limit investment in traditional domestic business categories to those investments targeting the refurbishment of older equipment, to make cost reductions, and to pursue environmental protection and safety measures.

- (1) Enhance global competitiveness through aggressive cost reduction
- (2) Expand overseas business
- (3) Growth through incubating R&D oriented business

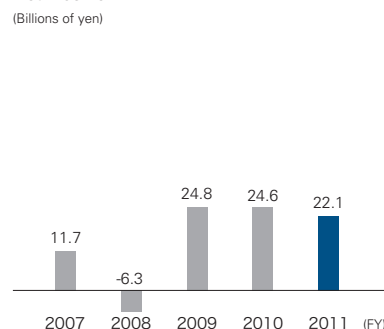
#### Net Sales



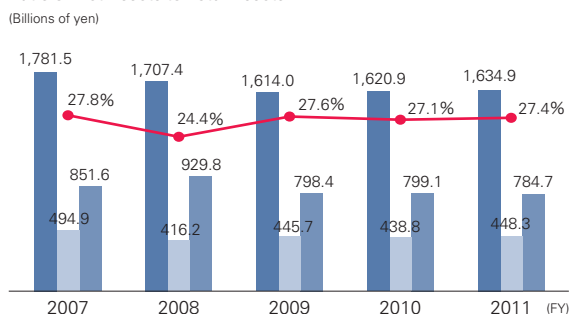
#### Ordinary Profit / Ordinary Profit to Net Sales



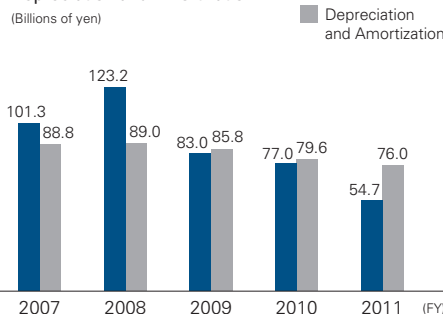
#### Net Income



#### Total Assets / Net Assets / Interest-Bearing Debt Ratio of Net Assets to Total Assets



#### Capital Investment / Depreciation and Amortization





“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.”

- (4) Promote resources and environmental business
- (5) Establish material and process integrated business model
- (6) Enhance trading business

At the same time, we will allocate sufficient management resources, including capital and manpower, to areas that are vital in restructuring our business portfolio, such as overseas businesses, R&D, new functional material businesses, resource and environmental businesses, and downstream businesses.

In Japan, this will also enable us to continually rebuild our production system for the printing and communications paper business to cope with changes in the demand structure, to strengthen the earnings base of our existing businesses and to expand into new business arenas in order to expand and augment the household and industrial materials business, functional materials business and forest resources and environmental marketing business. All of these efforts will help us push forward with “pursuing efficiencies in our domestic business strategy.”

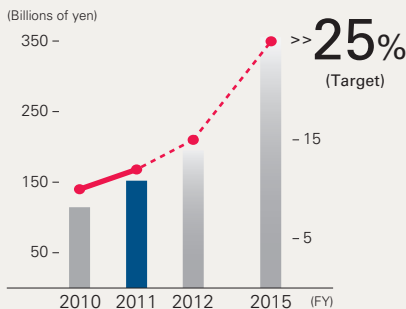
As for our overseas business, we will accelerate our expansion into growth countries and resource countries

and aggressively pursue M&A and other ventures to push forward with our strategy of “expanding overseas businesses.” Our future target will be for our overseas businesses to account for more than 25% of our total net sales.

We transitioned to a holding company system on October 1, 2012 to more dynamically promote the above business portfolio restructuring measures. Specifically, we transformed certain operating divisions and indirect divisions into wholly owned subsidiaries. We then changed our name to Oji Holdings Corporation and placed these subsidiaries under its control. This change in structure will not affect our listing of our stock.

Through the above initiatives, Oji Holdings will now be able to focus on management strategy for the entire Group, making the best use of R&D results and intellectual properties within the Group, creating new businesses and products, and unlocking synergies between businesses. In turn, this will help us maximize the corporate value of the entire Group and attain our management targets of more than 100 billion yen in operating profit and more than 50 billion yen in net income.

Overseas Net Sales / Ratio of Total Net Sales



Breakdown of Oji Group Net Sales



# Household and Industrial Materials Company



We will strengthen our earnings power further by focusing on creating value sought after by our customers and standing by our customer-first motto.

**Takashi Ishida**  
Company President

## → Business Overview

### ● Boxboard, Packaging Materials and Containerboard



The Oji Group retains a leading share of the Japan market for three paper types. These markets include boxboard, which is used for food and confectionary packaging and coversheets of publications, packaging paper, which is used in shopping bags, envelopes, wheat and barley bags and cement bags, and containerboard. This demonstrates that over the years we have earned the trust of the market.

◀ Kraft paper machine (Kure Mill, Oji Material)

### ● Folding Cartons, Paper Bags and Corrugated Containers



Product packaging has evolved with the times and now demands such value added features as design, functionality and environmental performance. As a total packaging company that engages in every step of the value chain, from materials manufacturing to design and assembly, we take a customer-centric approach to continually provide better products to customers across Japan through our extensive network.

◀ Lineup of packaging products

### ● Household Products



We deliver household paper products to consumers, such as tissue, toilet paper and paper diapers, under the well-known Nepia brand. Under the slogan of "Kind Heart Nepia," we provide products that are beloved by all ages alike so that we can help consumers lead a comfortable lifestyle.

◀ Oji Nepia's lineup of household paper products





## → Business Strategy of the Household and Industrial Materials Company

### Domestic Business Strategy

In Japan, we are attempting to make further strides forward as a total packaging company offering comprehensive solutions that satisfy the needs of our customers. This is being accomplished through our one-stop shop services made possible through the integration of materials manufacturing departments and our efforts to expand and reorganize our paper processing departments in the industrial packaging materials business.

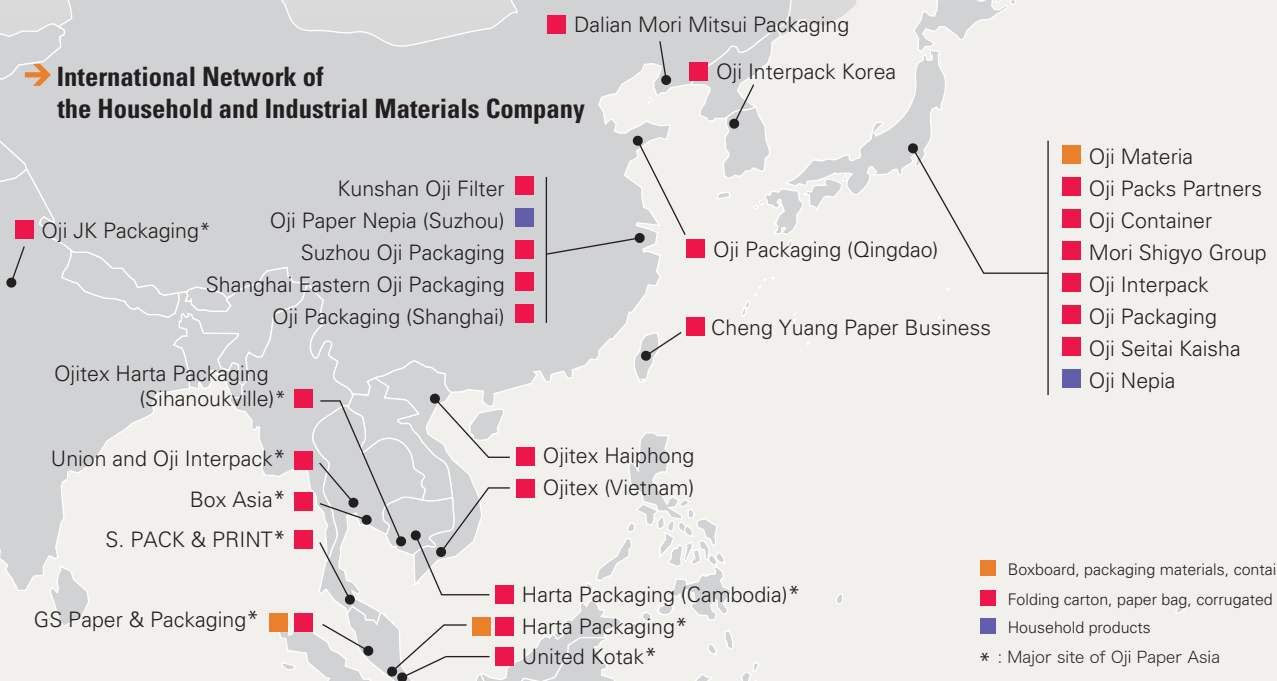
In our household materials business, the number one focus of our activities continues to be on the customer as a business that is closely intertwined with finished consumables. We are also working to rebuild our brand and strengthen our paper diaper business by constructing a new plant in Fukushima and expanding existing facilities in Nagoya to aptly meet market needs.

### International Business Strategy

Outside Japan, we are aggressively expanding our business presence. This includes executing four M&A deals in the packaging business since 2010, and currently we are examining the construction of new mills in Vietnam and Cambodia, in addition to studying the corrugated container business and setting up a locally incorporated subsidiary in India as well as expanding the packaging business in China through the establishment of Oji Packaging (Qingdao) and Oji Packaging (Wuhan). Moving forward, we will find the right balance between M&A and organic growth as well as aim to accelerate our expansion in East Asian markets, including India.

- 1 GS Paper & Packaging (Malaysia)
- 2 Harta Packaging (Malaysia)
- 3 Sendai Mill restarting operations nearly one year after the Great East Japan Earthquake (Oji Container)
- 4 Disinfecting wet wipe Wetonton (Oji Nepia)

## → International Network of the Household and Industrial Materials Company



# Printing and Communications Media Company



We will modify our business portfolio to respond to the maturation of the Japan market and the integration of East Asia markets.

**Tadashi Watanabe**  
Company President

## → Business Overview

### ● Newsprint



Newsprint has the strength to undergo the rigors of high speed rotary printing and provides beautiful finishes to color printing. The Oji Group retains a 30% share of the Japan market and it continually strives to improve quality in order to meet the demands of newspaper companies from throughout Japan.

### ● Printing and Writing Paper



Publication paper used for books and magazines and printing paper for catalogues and manuals require varying types of quality depending on the publication, contents, and specifications of the printer. The Oji Group strives to develop products that meet the needs of today and is expanding its lineup to fulfill the expectations of its customers.

### ● Communications Paper



We have developed numerous new products, including conventional form paper, carbonless paper, plain paper copier (PPC) paper as well as high performance printing paper for printing on demand (POD). Our paper is widely used by countless industries and sectors as printing media for information processing systems.





### → Business Strategy of the Printing and Communications Media Company

The Japan market will likely continue to shrink amid changes in the demand structure, including the advancement of information and communications technologies and falling demand for advertisements. Changes are also progressing on the supply side, with paper imports becoming the norm and competition intensifying. Given this challenging environment, our most important tasks are moving forward with fundamental cost reductions and taking steps to boost its competitiveness.

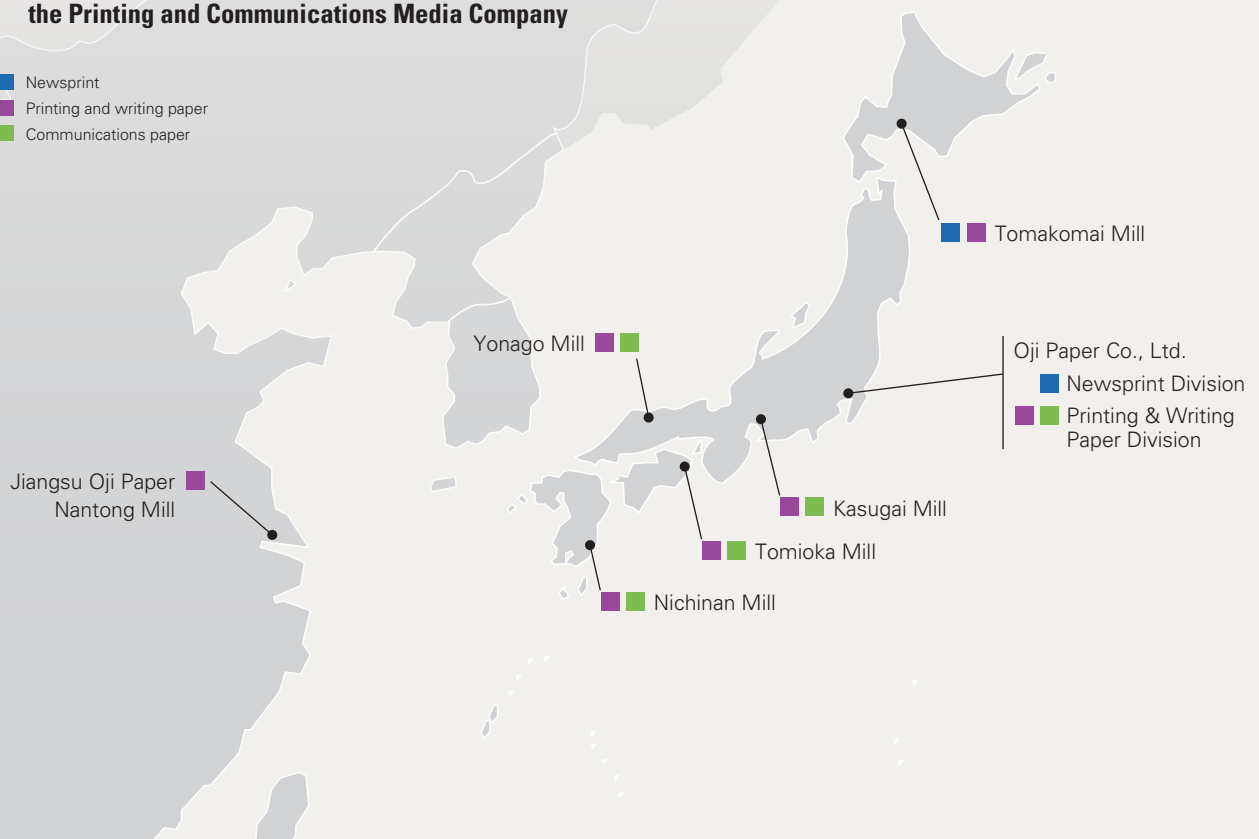
We have already mothballed 12 paper machines between fiscal 2008 and fiscal 2011. We plan to mothball a further two paper machines in fiscal 2012 as well as replace another with a different model. This forms part of our efforts to restructure our domestic production system and strengthen our international competitiveness through comprehensive cost reductions. Going forward, we will keep a close eye on demand trends and take all necessary measures aimed at optimizing our entire production system.

- 1 Aerial view of Oji Paper's Tomakomai Mill
- 2 N6 machine (Tomakomai Mill, Oji Paper)
- 3 Continuous digester (Kasugai Mill, Oji Paper)
- 4 Recovery boiler (Yonago Mill, Oji Paper)



### → International Network of the Printing and Communications Media Company

- Newsprint
- Printing and writing paper
- Communications paper



# Functional Materials Company



We will focus our management resources on business portfolio restructuring, create a development-focused business model where we develop new customer-centric products and technologies, and cultivate new businesses leveraging our core technologies.

**Takeshi Azuma**  
Company President

## → Business Overview

### ● Specialty Paper



The Functional Materials Company carries a wide range of advanced specialty papers. These include printing tissue paper for dictionaries, highly expressive fancy paper, electronic material papers such as insulation for high capacity inverters, carrier tape used for the shipment and storage of semiconductors and microchips, dried pulp non-woven fabric that is bulky and highly water retentive, and glass paper used in construction materials and fiber-reinforced plastic (FRP) that is combined with resin to provide highly stable dimensions and heat resistance.

◀ Glass paper (Oji F-Text)

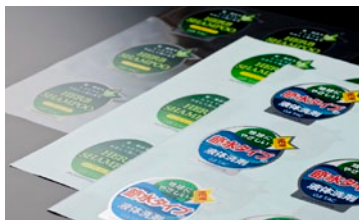
### ● Imaging Media



The Oji Group's thermal paper retains a leading market share internationally. Using our diverse coating technologies for thermal and ink jet applications, we are developing a wide range of communications paper and films that fulfill the varying needs of households, industry, logistics and medicine.

◀ Various thermal paper products (Oji Imaging Media)

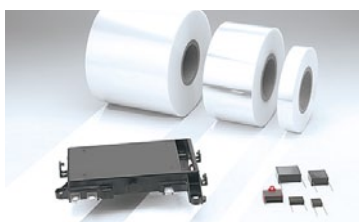
### ● Adhesive Products



Using our long-standing proprietary adhesive technologies, we have developed an extensive lineup of products that spans from food and beverage labels, home delivery service labels, adhesive tape for packaging and adhesive plaster to aluminum tape for construction applications and tamper-resistant tape. These products can be applied to uneven surfaces or removed cleanly after application, fulfilling important needs of our customers.

◀ Printable OPP self-adhesive (Oji Tac)

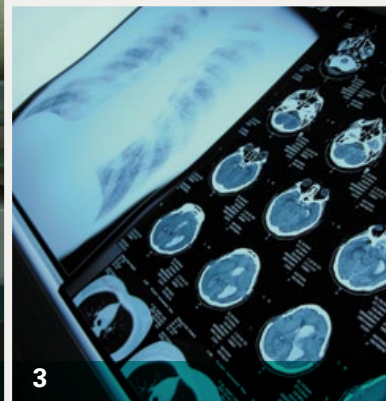
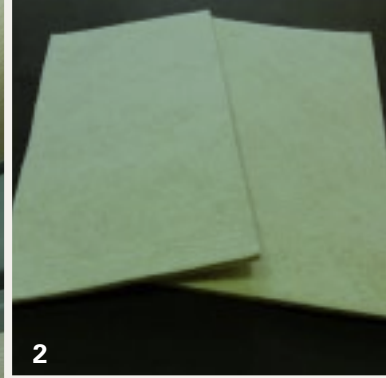
### ● Functional Film



Our capacitor film is an important material used on the power-supply unit of eco-friendly vehicles, and our lineup starts from the world's thinnest at 2.5  $\mu\text{m}$ . Our non-carrier film and hard coat film used in smartphones have seen rapid growth as of late.

◀ Capacitor films (Oji F-Text)





## → Business Strategy of the Functional Materials Company

### Domestic Business Strategy

In Japan, we will create a fast-paced development framework for new products and technologies using a three-pronged approach involving the Functional Materials Company, Research and Development Division and New Business and Product Development Center. The management resources of Oji Holdings will be invested with priority in the functional materials business, enabling the establishment of an R&D-focused business that forms a pillar of the Oji Group's business portfolio restructuring initiative. As part of this effort, we will install a production machine for ultra-thin film at Shiga Mill, Oji F-Tex in order to accommodate increasing demand for more compact capacitors.

In addition, New Tac Kasei will also proactively expand its presence in films that prevent glass from scattering when broken and adhesives used in the manufacturing process of touch panels for smartphones and tablet devices.

We will expand our production system in conjunction with increases in demand from these growth areas as well as strengthen our R&D system to be able to quickly respond to the needs of our customers.

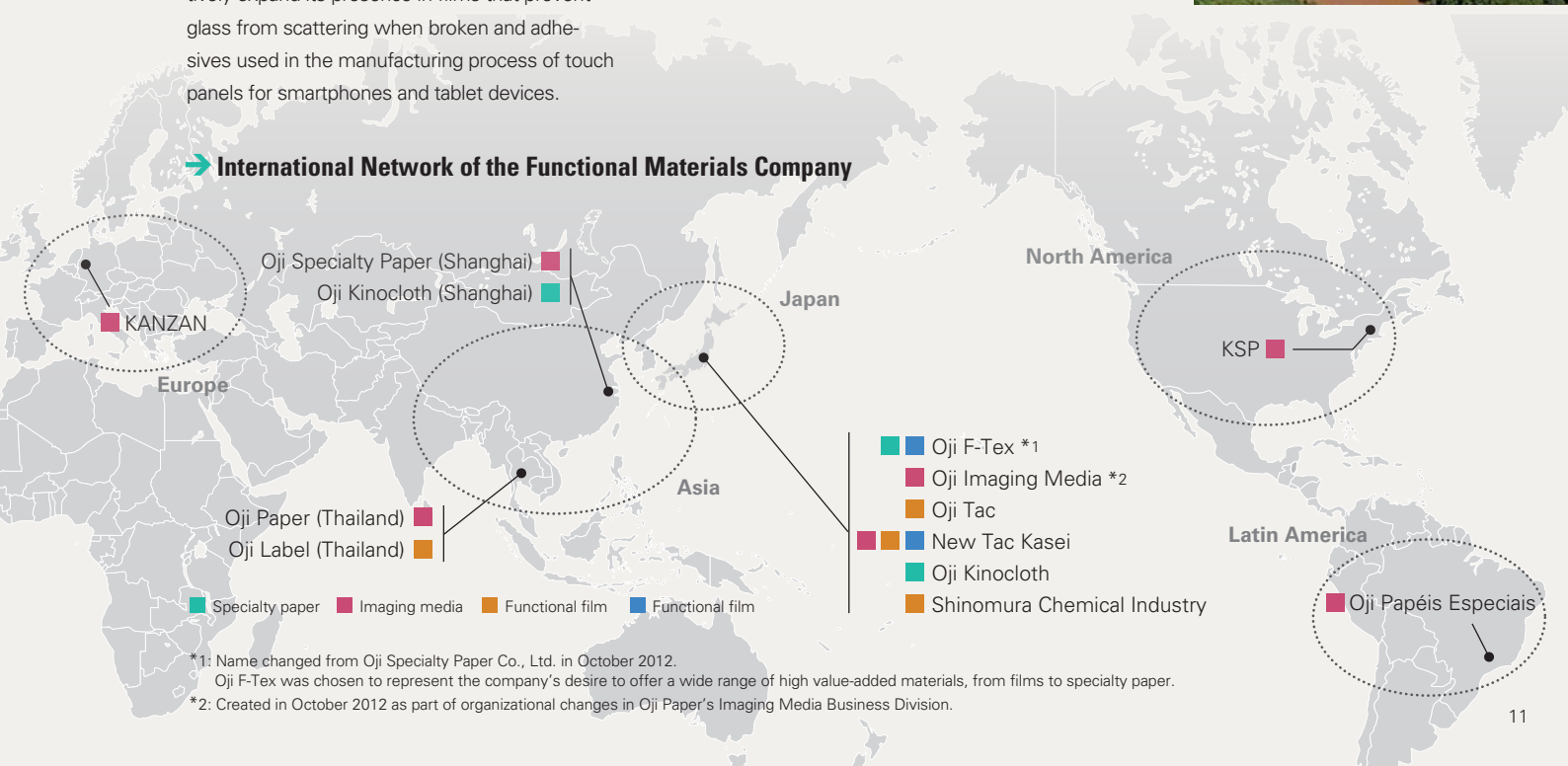
### International Business Strategy

Internationally, we have become one of the world leaders in the imaging media field, which includes thermosensitive materials, thanks to the acquisition of thermal paper and carbonless paper manufacturing sites through an M&A deal in Brazil executed in September 2011. Going forward, we plan to step up our expansion primarily in key growth.

- 1 Film production machine (Shiga Mill, Oji F-Tex)
- 2 Non-woven fabric with zeolite for absorbing radioactive cesium (Oji Kinocloth)
- 3 Diagnostic medical film (Oji Imaging Media)
- 4 Aerial view of Oji Papeis Especiais (Brazil)



## → International Network of the Functional Materials Company



\*1: Name changed from Oji Specialty Paper Co., Ltd. in October 2012.

Oji F-Tex was chosen to represent the company's desire to offer a wide range of high value-added materials, from films to specialty paper.

\*2: Created in October 2012 as part of organizational changes in Oji Paper's Imaging Media Business Division.

# Forest Resources and Environmental Marketing Company



The Oji Group will make full use of the forest resources it owns both in Japan and overseas as well as its long-standing proprietary paper manufacturing related technologies to aggressively expand existing businesses and enter into new segments.

**Gemmei Shimamura**  
Company President

## → Business Overview

### ● Lumber and Tree Planting



In the lumber business, we will proactively expand our timber processing and commodities business through Oji Forest & Products, PAN PAC and KTH. In the tree planting business (company-owned domestic forests and overseas plantations), we will enhance the value of our plantation trees by increasing sales for high value-added applications outside of pulp, such as lumber.

◀ Sawn timber (PAN PAC)

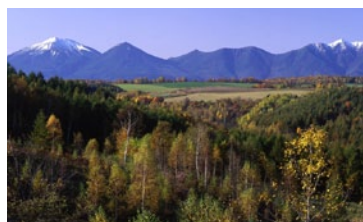
### ● Pulp



We maintain global pulp operations through PAN PAC and CENIBRA, which we made a consolidated subsidiary in fiscal 2012, and we are looking to expand our operations going forward. In addition to conventional pulp production, we are also looking to commercialize new pulp applications, such as dissolving pulp.

◀ Bleached pulp

### ● New Businesses (Renewable Energy and Agribusiness)



Japan's energy sector is undergoing great change, as evidenced by heightened awareness toward the environment and the advent of a renewable energy feed-in tariff system. We aim to enter new energy ventures, such as photovoltaic and biomass boiler power generation and make these businesses profitable quickly.

◀ Survey site for geothermal power (Company-owned Forest in Biei, Hokkaido)

### ● Purchasing Raw Materials and Fuel



Prices of various materials have gone up with the economic growth seen in emerging countries. With this in mind, we will centralize Group-wide purchases to pursue a more cost efficient procurement program.

◀ Chip yard (PAN PAC)





## → Business Strategy of the Forest Resources and Environmental Marketing Company

### Domestic Business Strategy

In Japan, we will move forward with the renewable energy business, which includes hydroelectric, biomass, geothermal, photovoltaic and wind power, while also focusing on developing new business segments such as agribusinesses and the biorefinery business (dissolving pulp and bioethanol production) that seeks to maximize the use of our pulp production technologies.

### International Business Strategy

Internationally, we will continue to build on our total forestry business that spans from tree plantations to log production and sales, lumber processing and wood product sales. We will also develop our forest resource and environmental marketing related businesses derived from the various processes found in tree sourcing and paper manufacturing to enhance our earnings power. This will include expanding our external sales of pulp by augmenting BCTMP production equipment at PAN PAC.

- 1 Aerial view of CENIBRA (Brazil)
- 2 Hydroelectric power plant (Tomakomai Mill, Oji Paper)
- 3 Pilot plant for bioethanol production (Kure Mill, Oji Materia)
- 4 Building materials made from SGEK-certified wood (Oji Forest & Products)



## → International Network of the Forest Resources and Environmental Marketing Company

(Data for both domestic and overseas forest plantations as of March 31, 2012)

- Tree planting
- Lumber
- Pulp

- CPFL 5,782ha
- KPFL 20,997ha
- VINAFOR
- LPFL 27,625ha
- SLPFL 1,576ha
- QPFL 11,808ha
- TTO
- KTH 38,982ha

- APFL 21,249ha
- GPFL 6,306ha
- EPFL 411ha
- SPFL 9,794ha
- PANPAC 33,801ha

**Area of domestic forests**  
190,000 hectares

- Hokkaido 126,593ha
- Tohoku 7,313ha
- Kanto/Chubu 17,712ha
- Chugoku 13,922ha
- Kinki 12,907ha
- Shikoku 2,679ha
- Kyushu 7,669ha

■ AFPI 2,771ha

**Area of overseas forest plantations**

250,000 hectares

**Target area** ▶ 300,000 hectares

■ CENIBRA 71,829ha

# R&D Framework



## Joining Market Needs with R&D Seeds for Commercialization

The Oji Group's research and development framework consists of various research centers and laboratories that are working to develop new products and technologies as well as improve productivity while working closely together. The Research and Development Division is responsible for making inroads into new businesses and strengthening the earnings base of existing businesses. It consists of four laboratories, including the Advanced Technology Laboratories, Functional Materials Laboratories, Core Technology Laboratories and Forest Technology Laboratories, as well as the Material Analysis Center, which analyzes all Oji Group products, and the Intellectual Property Department, which is in charge of strengthening the Oji Group's future business foundation through intellectual properties. Also part of the Research and Development Division is the New Business and Product Development Center, which promotes and supports the development of new businesses and products. Though its support for market research and development projects, the Research and Development Division joins market needs with R&D seeds for commercialization.

## → Four research laboratories covering advanced themes in manufacturing and products

### ● Advanced Technology Laboratories



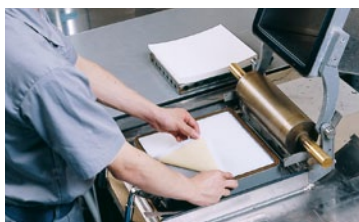
The Advanced Technology Laboratories (ATL) focuses on the use of nano structures and new added value created through physical and chemical modification of wood materials in its development of future technologies that will play a role in the business development opportunities of tomorrow. Specifically, ATL is working on the development of microscopic optical elements and nanofiber cellulose as well as verification testing on bioethanol production methods. To accomplish its mission, each researcher continually advances their specialist knowledge, interacts with external companies and research institutions, and shares information with our teams on the production floor.

### ● Functional Materials Laboratories



The Functional Materials Laboratories (FML) engages in R&D that helps to develop new products for and strengthen the competitiveness of the Functional Materials Company. Leveraging the core sheeting and coating technologies of the Oji Group, it also develops functional sheets that offer a wide range of features, such as adhesiveness, detachability, heat-resistance, flame resistance, as well as optical and electrical characteristics, for various fields including specialty paper, adhesives and communication paper, which it then sells to growth markets. FML is also working to reduce the costs of existing products and ensure stable quality and operations.

### ● Core Technology Laboratories



The Core Technology Laboratories leverages Oji Group's long-standing pulp, paper manufacturing and coating technologies to enhance the competitiveness of existing products. It also creates fundamental technologies for resources conservation, new materials and environmental countermeasures.

### ● Forest Technology Laboratories



The Forest Technology Laboratories develops and evaluates new superior clones that can be used in lumber, timber and pulp for promoting the total forestry business in Southeast Asia. It also develops biomarker technologies and frontline applications to quickly secure superior clones and promptly perform assessments on the right tree species for each plantation.



# Enhance Trading Business

## We will strengthen our trading functions and maximize the profitability of the entire Oji Group.

We are working to enhance the trading business as part of our efforts to advance business portfolio restructuring and maximize the profitability of the entire Oji Group. In October 2011, we merged Oji Trading's paper, paperboard and chemicals businesses into Kyokuyo Pulp & Paper to consolidate operations. This will not only result in an expanded product lineup, but also will enable Kyokuyo Pulp & Paper to leverage the synergistic effects of the merger to roll out more customer-centric sales and marketing in all aspects of its business. This means not only in the sales of paper, but also paperboard and chemicals, and to provide product proposals and wide-reaching support in line with the expanding needs of its customers. Taking full advantage of Oji Paper International Trading (Shanghai), which was established in October 2010, we are working diligently to expand sales of pulp and wood products in China and other Asian markets.

### → Enhancing the trading business of the entire Oji Group

#### ● Kyokuyo Pulp & Paper Co., Ltd.



Kyokuyo Pulp & Paper forms a core part of our initiatives to strengthen the functional materials business because it stands to capitalize on synergies from the expanded product line-up and sales network gained through its merger and consolidation with Oji Trading. The company will combine chemicals with its existing paper products to create materials and it will strive to provide comprehensive packaging solutions by working closely with the Oji Package Innovation Center Inc.

◀ Polypropylene foam packages

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



The company sells pulp manufactured by Oji Group companies in China, where demand is expected to grow going forward. It also sells imported and exported wood products, procures chemicals and raw materials for paper manufacturing, and sells functional films to markets in China. The company gathers relevant market information as part of its role as a hub for the Oji Group's forest resource business in China.

◀ Offloading pulp cargo in Shanghai

#### ● Oji Forest & Products Co., Ltd.



The company's main international markets can be found in Asia's high-growth emerging countries such as China. It will work together with Oji Paper International Trading (Shanghai) as well as Oji Forest & Products' offices in Vietnam and Indonesia to develop new products and find new international trading partners. Moving forward, the company will aspire to become a total forestry business, from tree plantations to processing and sales, using the Oji Group's plantation resources in Asia.

◀ Sawn timber

#### ● Oji Trading Co., Ltd.



Under its parent company Oji Green Resources, which oversees the Oji Group's procurement, Oji Trading supplies Group companies both in Japan and overseas with raw materials, searches for new low-cost supplies, as well as imports, exports and sells pulp and recycled paper. It will implement a sound procurement system that benefits the entire Oji Group.

◀ Imported raw materials used in paper manufacturing



→ Corporate Overview

- Culture and Sports Activities / Communication with Society
- Main Group Companies
- Group Management Structure
- Directors, Auditors and Officers



# Culture and Sports Activities / Communication with Society

As a corporate citizen, the Oji Group is implementing social contribution activities that build on its core business as it maintains harmonious relationships with local communities.

## Sports Activities

### Ice Hockey

The Oji Group's professional ice hockey team has continually been one of the strongest in all of Japan. During the 2011 and 2012 season, the team won the Asia League title.



### Amateur Baseball

The Kasugai Mill's amateur baseball team has established a strong history of success, which included winning Japan's national Intercity Baseball Tournament in 2004.

## Cultural Activities

**Oji Hall** Oji Hall is located in Oji Holdings' head office building in Tokyo's Ginza district. Oji Holdings 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 Holdings continues to support the Foundation's activities primarily from a financial perspective. In 2012, the 53rd Fujihara Award was presented to Mr. Kenji Fukaya (professor at Kyoto University) and Mr. Hisashi Yamamoto (professor at Chubu University)



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

The Sarufutsu River, flowing in the company-owned forests in Sarufutsu, Hokkaido, is habitat to the largest fresh water fish in Japan, "Itou" or the Sakhalin taimen, a critically endangered species listed in red data books of the International Union for Conservation of Nature (IUCN) and Japan's Ministry of Environment. Oji Holdings has established the Sarufutsu Itou Conservation Council in cooperation with Sarufutsu Itou Society, Sarufutsu Village and researchers. This council encourages conservation by holding symposiums related to conservation and nature classes, and conducting surveys with the help of the owners of forests in the surrounding area.



Photo courtesy of: Satoshi Adachi

## Oji Forest Nature School Environmental Education Program

The Oji Forest Nature School is jointly organized by Oji Holdings and the Japan Environmental Education Forum. This annual program utilizes the company-owned 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.



## Helping Senior Citizens in Fukushima

We have been implementing "Nepia Tohoku Disaster Assistance – Helping Those that Help Others" to help assist the activities of grass-roots NPOs since Japan's devastating earthquake and tsunami struck in March 2011.

In fiscal 2012, we donated part of the proceeds from sales of Nepia Tender, an adult diaper, to aid activities that help support senior citizens living in Fukushima. We have set up the Uraraka Plaza as a place for senior citizens, families and other community members living in temporary housing to meet and interact with one another and are supporting activities to help find permanent homes for these people.



# Main Group Companies

(As of October 2012)

## Household and Industrial Materials Company

### Companies in Japan

Oji Nepia Co., Ltd.  
Oji Package Innovation Center Inc.  
Oji Materia Co., Ltd.  
Hokuyo Shiko Co., Ltd.  
Saga Paperboard Co., Ltd.  
Kure Oji Shigyo Co., Ltd.  
Shin Nippon Feather Core Co., Ltd.  
Oji Packs Partners Co., Ltd.  
Oji Container Co., Ltd.  
Musashi Oji Container Co., Ltd.  
Nihon Seikahoso Co., Ltd.  
Kyodo Shiko Co., Ltd.  
Wakayama Oji Container Co., Ltd.  
Kansai Pack Co., Ltd.  
Honshu Rheem Co., Ltd.  
Mori Shigyo Co., Ltd.  
Mori Kamihanbai Co., Ltd.  
Hokkaido Mori Shigyo Co., Ltd.  
Tohoku Mori Shigyo Co., Ltd.  
Sendai Mori Shigyo Co., Ltd.  
Niigata Mori Shigyo Co., Ltd.  
Hitachi Mori Shigyo Co., Ltd.  
Gunma Mori Shigyo Co., Ltd.  
Hokuriku Mori Shigyo Co., Ltd.  
Oi Paper Co., Ltd.  
Nagano Mori Shigyo Co., Ltd.  
Tokai Mori Shigyo Co., Ltd.  
Shizuoka Mori Shigyo Co., Ltd.  
Tottori Mori Shigyo Co., Ltd.  
Shikoku Mori Shigyo Co., Ltd.  
Kyushu Mori Shigyo Co., Ltd.  
Aipax Co., Ltd.  
Fuji Co., Ltd.  
Oji Interpack Co., Ltd.  
Oji Packaging Co., Ltd.  
Oji Packaging Seibu Co., Ltd.  
Kyushu Packaging Co., Ltd.  
Oji Seitai Kaisha, Ltd.  
Oji Adba Co., Ltd.

### Companies Outside Japan

Oji Paper Nepia (Suzhou) Co., Ltd.  
Ojitex (Vietnam) Co., Ltd.  
Ojitex Haiphong Co., Ltd.  
Oji Interpack Korea Ltd.  
Suzhou Oji Packaging Co., Ltd.  
Oji Intertech Inc.  
Oji Packaging (Shanghai) Co., Ltd.  
Oji Packaging (Qingdao) Co., Ltd.  
Shanghai Eastern Oji Packaging Co., Ltd.  
Kunshan Oji Filter Co., Ltd.

## Printing and Communications Media Company

### Companies in Japan

Oji Paper Co., Ltd.  
Tomakomai Oji Shigyo Co., Ltd.  
Tomakomai Kyowa Service Co., Ltd.  
Tomioka Oji F&L Co., Ltd.  
Nichinan Oji Shigyo Co., Ltd.  
Oji Futo Co., Ltd.  
Oji Shigyo Co., Ltd.  
Yonago Oji Shigyo Co., Ltd.  
Tomakomai Oxygen Co., Ltd.  
Kikkou Tsuun Co., Ltd.

### Companies Outside Japan

Jiangsu Oji Paper Co., Ltd.  
Oji Paper Trading (China) Co., Ltd.

## Functional Materials Company

### Companies in Japan

Oji F-Tex Co., Ltd.  
Ebetsu Oji Shigyo Co., Ltd.  
Oji Imaging Media Co., Ltd.  
Kanzaki Oji Shigyo Co., Ltd.  
Oji Functional Materials Progressing Center Inc.  
Oji Tac Co., Ltd.  
New Tac Kasei Co., Ltd.  
Oji Kinocloth Co., Ltd.  
Shinomura Chemical Industry Co., Ltd.

### Companies Outside Japan

Oji Specialty Paper (Shanghai) Co., Ltd.  
Kanzaki Specialty Papers Inc.  
Kanzan Spezialpapiere GmbH  
Oji Paper (Thailand) Ltd.  
Oji Papéis Especiais Ltda

## Forest Resources and Environmental Marketing Company

### Companies in Japan

Oji Green Resources Co., Ltd.  
Oji Forest & Products Group  
Oji Ecomaterial Co., Ltd.  
Oji Trading Co., Ltd.  
Japan Brazil Paper and Pulp Resources Development Co., Ltd.  
Kyokushin Shigyo Co., Ltd.  
Oji Saito Shigyo Paper Corp.

### Companies Outside Japan

Oji Paper International Trading (Shanghai) Co., Ltd.  
Southland Plantation Forest Company of New Zealand Ltd.  
Albany Plantation Forest Company of Australia Pty. Ltd.

Green Triangle Plantation Forest Company of Australia Pty. Ltd.  
Albany Plantation Export Company Pty. Ltd.  
Guangxi Oji Plantation Forest Co., Ltd.  
Huizhou Nanyou Forest Development Co., Ltd.  
PAN PAC FOREST PRODUCTS Group  
Truong Thanh Oji Plantation Forest Company Limited  
Celulose Nipo-Brasileira Group  
Quy Nhon Plantation Forest Company of Vietnam Ltd.  
Oji Lao Plantation Forest Co., Ltd.  
Oji South Lao Plantation Forest Co., Ltd.  
PT. Korintiga Hutani  
OJI-VINAFOR PLYWOOD CORPORATION  
Alpac Forest Products Inc.

## Corporate Management Group

### Companies in Japan

Oji Management Office Inc.  
Chuetsu Co., Ltd.  
Oji Cornstarch Co., Ltd.  
Apica Co., Ltd.  
Oji Real Estate Co., Ltd.  
Oji Salmon Co., Ltd.  
Kyokuyo Pulp & Paper Co., Ltd.  
Oji Hall Co., Ltd.  
Oji Paper Insurance Service Co., Ltd.  
Hotel New Oji Corp.  
Ginpo Pack Co., Ltd.  
Fujikako Co., Ltd.  
Yupo Corporation  
Maruhiko Watanabe Construction Co., Ltd.  
Japan Brazil Paper and Pulp Resources Development Co., Ltd.

### Companies Outside Japan

Oji Paper Asia Sdn. Bhd.  
GS Paper & Packaging (GSPP) Group  
United Kotak Berhad Group  
Harta Packaging Industries Group  
Harta Packaging Industries (Cambodia) Limited  
S. PACK & PRINT Group  
Box Asia Group International Co., Ltd.  
Oji JK Packaging Private Limited

## Shared Service Companies

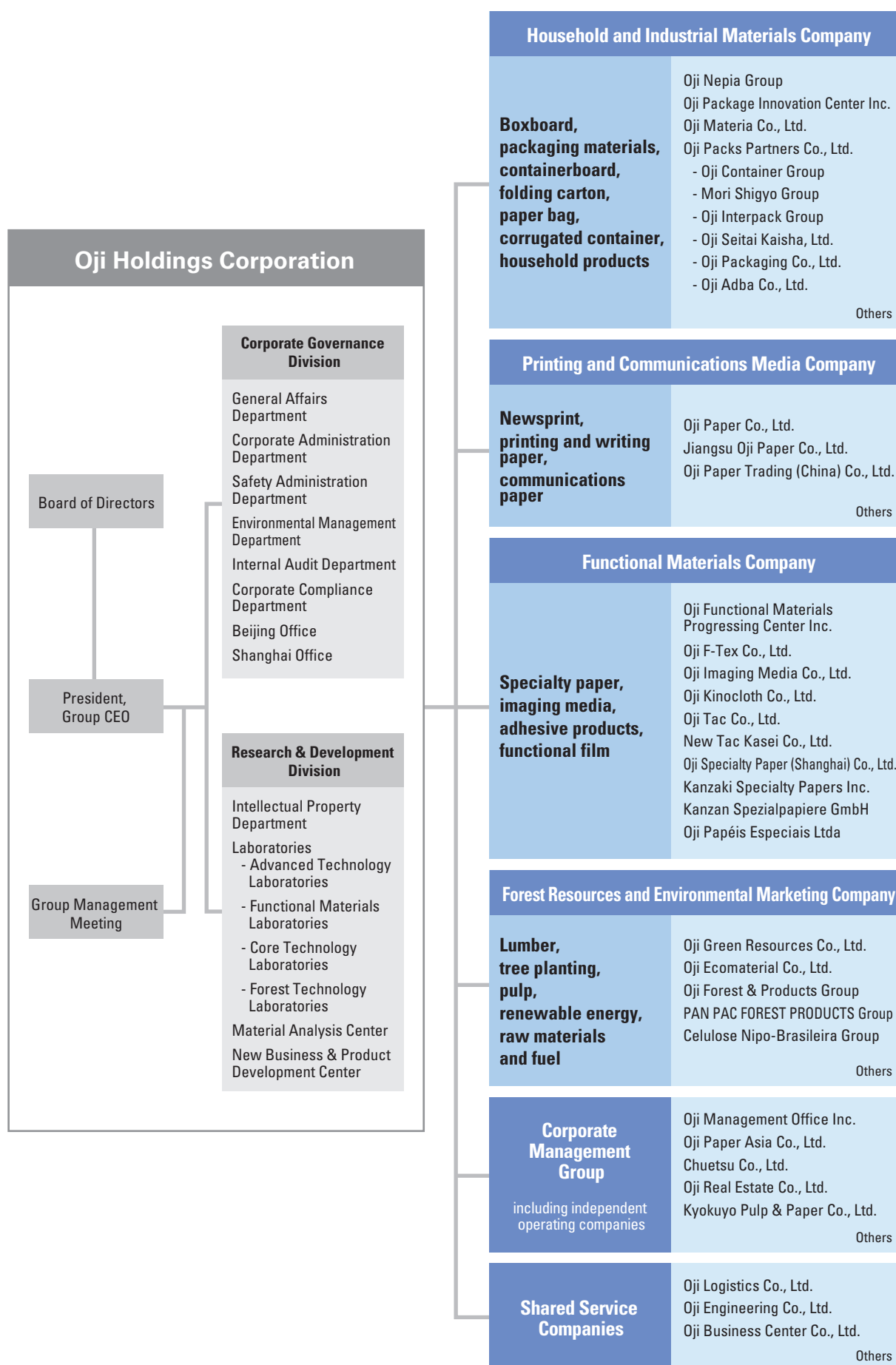
### Companies in Japan

Oji Engineering Co., Ltd.  
Oji Koei Chubu Co., Ltd.  
Oji Koei Hokkaido Co., Ltd.  
Oji Logistics Co., Ltd.  
Oji Business Center Co., Ltd.



# Group Management Structure

(As of October 1, 2012)



# Directors, Auditors and Officers

(As of October 2012)



**Kazuhisa Shinoda**

Director,  
Chairman of the Board



**Kiyotaka Shindo**

Director of the Board,  
President &  
Chief Executive Officer



**Shinichiro Kondo**

Director of the Board,  
Executive Vice President



**Takashi Ishida**

Director of the Board,  
Executive Vice President



**Susumu Yajima**

Director of the Board,  
Executive Vice President  
(& Chief Financial Officer)

## Board of Directors

Director of the Board,  
Senior Executive Officer

**Tazunu Ando**

**Tadashi Watanabe**

**Takeshi Azuma**

Director of the Board,  
Executive Officer

**Ryoji Watari**

**Kazuo Fuchigami**

**Gemmei Shimamura**

**Yoshiki Koseki**

Director of the Board

**Yo Takeuchi**

**Osamu Akiyama**

## Corporate Auditors

Audit & Supervisory Board Member

**Kenji Kanda**

**Hiroshi Tai**

**Hiroyasu Sugihara**

**Kenjiro Ueno**

## Corporate Officers

Executive Officer

**Tomoo Edagawa**

**Shigeto Sano**

**Yoji Matsuo**

**Hidehiko Aoyama**

**Koichi Tano**

**Masatoshi Kaku**

Corporate Officer

**Satoshi Fukui**

**Yoshiaki Takeda**

**Masayuki Yada**





→ Financial Section

- Consolidated Balance Sheets
- Consolidated Statements of Income
- Consolidated Statements of Changes In Net Assets
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Report of Independent Auditors

# CONSOLIDATED BALANCE SHEETS

OJI PAPER CO., LTD.  
As of March 31, 2012 and 2011

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
<b>ASSETS</b>			
Current assets			
Cash and bank deposits (Note 7)	¥ 43,881	¥ 32,393	\$ 533,906
Notes and accounts receivable-trade (Note 7)	261,384	255,237	3,180,241
Marketable securities	554	636	6,748
Merchandise and finished goods (Note 7)	81,394	76,645	990,318
Work in process (Note 7)	15,479	15,862	188,334
Raw materials and supplies (Note 7)	57,462	51,724	699,140
Deferred tax assets	14,417	13,021	175,413
Short-term loans receivable (Note 7)	8,925	8,215	108,590
Accounts receivable-other	14,937	19,788	181,738
Other (Note 7)	7,075	6,099	86,092
Allowance for doubtful accounts	(4,304)	(3,042)	(52,372)
<b>Total current assets</b>	<b>501,207</b>	<b>476,584</b>	<b>6,098,152</b>
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	200,398	192,035	2,438,237
Machinery, equipment and vehicles	341,352	305,743	4,153,209
Tools, furniture and fixtures	4,952	5,263	60,257
Land	233,530	231,037	2,841,351
Forests	16,573	16,552	201,645
Plantations (Note7)	39,090	38,348	475,616
Leased assets	5,259	5,356	63,994
Construction in progress	41,407	96,922	503,801
<b>Total property, plant and equipment</b>	<b>882,565</b>	<b>891,258</b>	<b>10,738,113</b>
Intangible assets			
Leasehold rights	1,110	1,111	13,505
Goodwill	15,427	9,369	187,701
Other	9,874	9,122	120,144
<b>Total intangible assets</b>	<b>26,411</b>	<b>19,604</b>	<b>321,351</b>
Investments and other assets			
Investment securities	175,648	172,421	2,137,101
Long-term loans receivable	4,510	8,701	54,884
Long-term prepaid expenses	13,138	12,999	159,860
Deferred tax assets	16,161	23,471	196,641
Other	17,893	23,297	217,703
Allowance for doubtful accounts	(2,545)	(7,412)	(30,969)
<b>Total investments and other assets</b>	<b>224,807</b>	<b>233,479</b>	<b>2,735,222</b>
<b>Total noncurrent assets</b>	<b>1,133,785</b>	<b>1,144,342</b>	<b>13,794,688</b>
<b>Total assets</b>	<b>1,634,992</b>	<b>1,620,927</b>	<b>19,892,840</b>



	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
<b>LIABILITIES</b>			
Current liabilities			
Notes and accounts payable-trade	¥ 215,599	¥ 196,050	\$ 2,623,185
Short-term borrowings (Note7)	336,532	219,331	4,094,570
Current portion of bonds	160	20,120	1,946
Accounts payable-other	15,430	12,838	187,746
Accrued expenses	46,432	44,437	564,936
Income taxes payable	9,232	10,489	112,337
Notes payable for plant and equipment	1,182	1,368	14,385
Other	9,625	10,172	117,108
Total current liabilities	634,195	514,808	7,716,216
Noncurrent liabilities			
Bonds	120,320	80,300	1,463,925
Long-term debt (Note 7)	327,707	479,388	3,987,193
Deferred tax liabilities	18,900	20,617	229,966
Deferred tax liabilities on revaluation of land (Note 7)	9,713	11,059	118,187
Provision for retirement benefits	50,398	47,792	613,199
Provision for directors' retirement benefits	1,724	1,820	20,981
Provision for environmental measures	1,705	1,833	20,755
Provision for special repairs	130	126	1,589
Long-term deposits	2,761	2,877	33,597
Other	4,133	4,304	50,292
Total noncurrent liabilities	537,497	650,119	6,539,689
Total liabilities	1,171,692	1,164,928	14,255,905
<b>NET ASSETS</b>			
Shareholders' equity			
Common stock	103,880	103,880	1,263,911
Capital surplus	113,012	113,018	1,375,009
Retained earnings	304,432	292,090	3,704,011
Treasury stock	(43,363)	(43,040)	(527,604)
Total shareholders' equity	477,961	465,948	5,815,328
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities	6,675	5,839	81,220
Deferred gains on hedging derivatives	186	355	2,273
Revaluation reserve for land (Note 7)	5,063	3,557	61,612
Foreign currency translation adjustments	(41,579)	(36,837)	(505,895)
Total accumulated other comprehensive income	(29,653)	(27,084)	(360,788)
Subscription rights	346	284	4,211
Minority interests in consolidated subsidiaries	14,644	16,850	178,181
Total net assets	463,299	455,998	5,636,934
Total liabilities and net assets	1,634,992	1,620,927	19,892,840

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

OJI PAPER CO., LTD.  
Fiscal years ended March 31, 2012 and 2011

(Consolidated Statements of Income)

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
Net sales	¥ 1,212,912	¥ 1,180,131	\$ 14,757,420
Cost of sales	945,999	905,967	11,509,910
Gross profit	266,912	274,163	3,247,509
Selling, general and administrative expenses			
Freight expenses	113,980	112,663	1,386,789
Warehouse expenses	6,151	6,787	74,848
Salaries and wages	43,901	42,585	534,143
Retirement benefit expenses	6,494	6,112	79,013
Depreciation and amortization	5,038	4,918	61,301
Other	37,566	35,655	457,071
Total selling, general and administrative expenses	213,132	208,722	2,593,168
Operating profit	53,780	65,441	654,341
Non-operating income			
Interest income	392	496	4,781
Dividends income	2,910	3,452	35,406
Equity in earnings of affiliates	3,974	5,354	48,355
Rent income	285	437	3,472
Exchange gain	1,233	–	15,006
Other	3,414	2,957	41,548
Total non-operating income	12,211	12,698	148,571
Non-operating expenses			
Interest expenses	10,318	10,713	125,543
Exchange loss	–	1,438	–
Other	7,297	5,743	88,788
Total non-operating expenses	17,615	17,894	214,332
Ordinary profit	48,375	60,245	588,580
Special gains			
Gain on sales of investment securities	1,009	69	12,279
Gain on accrual of negative goodwill	806	497	9,813
Gain on sales of fixed assets	768	139	9,354
Gain on revision of retirement benefit plans	55	28	677
Gain on cancellation of shares due to absorption of a subsidiary	15	–	184
Compensation for transfer of property in case of expropriation	–	210	–
Reversal of allowance for doubtful accounts	–	35	–
Gain on liquidation of subsidiaries	–	14	–
Total special gains	2,655	994	32,310



	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
Special loss			
Loss on business restructuring (Note 8)	¥ 2,971	¥ 8,726	\$ 36,155
Loss on disposal of fixed assets	2,368	3,372	28,811
Special retirement benefits expenses (Note 8)	2,024	1,489	24,630
Loss on valuation of investment securities	1,787	1,773	21,752
Loss on disaster	1,494	4,945	18,188
Impairment losses	427	566	5,203
Loss on sales of fixed assets	39	311	475
Environmental protection costs	32	61	390
Lump sum payment for withdrawing from the pension fund	–	470	–
Provision of allowance for doubtful accounts	–	362	–
Effect of application of Accounting Standard for Asset Retirement Obligations	–	81	–
Total special loss	11,145	22,162	135,607
Income before income taxes and minority interests	39,885	39,077	485,283
Income taxes-current	14,194	16,728	172,707
Income taxes-deferred	3,453	(2,539)	42,015
Income before minority interests	22,237	24,888	270,560
Minority interests in net income of consolidated subsidiaries	59	268	722
Net income	22,177	24,619	269,837

See accompanying notes to consolidated financial statements.

(Consolidated Statement of Comprehensive Income)

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
Income before minority interests	¥ 22,237	¥ 24,888	\$ 270,560
Other comprehensive income			
Net unrealized gains (losses) on available-for-sale securities	887	(5,288)	10,797
Deferred gains (losses) on hedging derivatives	(158)	(125)	(1,933)
Revaluation reserve for land	1,331	–	16,195
Foreign currency translation adjustments	(3,478)	(14,407)	(42,317)
Share of other comprehensive income of investments for which the equity method is applied	(1,678)	(3,092)	(20,416)
Total other comprehensive income (Note 9)	(3,096)	(22,855)	(37,674)
Comprehensive income (Note 9)	19,140	2,033	232,885
(Breakdown)			
Comprehensive income attributable to shareholders of Oji Paper Co., Ltd.	19,434	3,085	236,454
Comprehensive income attributable to minority interests	(293)	(1,051)	(3,568)

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

OJI PAPER CO., LTD.  
Fiscal years ended March 31, 2012 and 2011

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
Shareholders' equity			
Common stock			
Balance at April 1, 2011 and 2010	¥ 103,880	¥ 103,880	\$ 1,263,911
Balance at March 31, 2012 and 2011	103,880	103,880	1,263,911
Capital surplus			
Balance at April 1, 2011 and 2010	113,018	113,021	1,375,087
Changes during the year			
Disposal of treasury stock	(6)	(2)	(78)
Total changes during the year	(6)	(2)	(78)
Balance at March 31, 2012 and 2011	113,012	113,018	1,375,009
Retained earnings			
Balance at April 1, 2011 and 2010	292,090	277,347	3,553,843
Changes during the year			
Cash dividends	(9,883)	(9,891)	(120,254)
Net income	22,177	24,619	269,837
Change in scope of consolidation	223	-	2,720
Reversal of revaluation reserve for land	(175)	13	(2,135)
Total changes during the year	12,342	14,742	150,168
Balance at March 31, 2012 and 2011	304,432	292,090	3,704,011
Treasury stock			
Balance at April 1, 2011 and 2010	(43,040)	(42,968)	(523,676)
Changes during the year			
Purchase of treasury stock	(49)	(102)	(602)
Disposal of treasury stock	18	9	225
Purchase of treasury stock by affiliates accounted for by equity method	(60)	-	(734)
Change in equity in affiliates-treasury stock	(231)	20	(2,816)
Total changes during the year	(322)	(72)	(3,927)
Balance at March 31, 2012 and 2011	(43,363)	(43,040)	(527,604)
Total shareholders' equity			
Balance at April 1, 2011 and 2010	465,948	451,281	5,669,166
Changes during the year			
Cash dividends	(9,883)	(9,891)	(120,254)
Net income	22,177	24,619	269,837
Purchase of treasury stock	(49)	(102)	(602)
Disposal of treasury stock	12	7	147
Purchase of treasury stock by affiliates accounted for by equity method	(60)	-	(734)
Change in equity in affiliates -treasury stock	(231)	20	(2,816)
Change in scope of consolidation	223	-	2,720
Reversal of revaluation reserve for land	(175)	13	(2,135)
Total changes during the year	12,013	14,667	146,162
Balance at March 31, 2012 and 2011	477,961	465,948	5,815,328



	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
Accumulated other comprehensive income			
Net unrealized gains (losses) on available-for-sale securities			
Balance at April 1, 2011 and 2010	¥ 5,839	¥ 11,160	\$ 71,048
Changes of during the year	836	(5,320)	10,172
Balance at March 31, 2012 and 2011	6,675	5,839	81,220
Deferred gains (losses) on hedging derivatives			
Balance at April 1, 2011 and 2010	355	471	4,329
Changes of during the year	(168)	(116)	(2,056)
Balance at March 31, 2012 and 2011	186	355	2,273
Revaluation reserve for land			
Balance at April 1, 2011 and 2010	3,557	3,571	43,289
Changes during the year	1,506	(13)	18,323
Balance at March 31, 2012 and 2011	5,063	3,557	61,612
Foreign currency translation adjustment			
Balance at April 1, 2011 and 2010	(36,837)	(20,740)	(448,200)
Changes during the year	(4,741)	(16,097)	(57,694)
Balance at March 31, 2012 and 2011	(41,579)	(36,837)	(505,895)
Accumulated other comprehensive income			
Balance at April 1, 2011 and 2010	(27,084)	(5,535)	(329,533)
Changes during the year	(2,568)	(21,548)	(31,254)
Balance at March 31, 2012 and 2011	(29,653)	(27,084)	(360,788)
Subscription rights			
Balance at April 1, 2011 and 2010	284	216	3,456
Changes during the year	62	67	755
Balance at March 31, 2012 and 2011	346	284	4,211
Minority interests in consolidated subsidiaries			
Balance at April 1, 2011 and 2010	16,850	14,442	205,017
Changes during the year	(2,205)	2,407	(26,835)
Balance at March 31, 2012 and 2011	14,644	16,850	178,181
Total net assets			
Balance at April 1, 2011 and 2010	455,998	460,404	5,548,105
Changes during the year			
Cash dividends	(9,883)	(9,891)	(120,254)
Net income	22,177	24,619	269,837
Purchase of treasury stock	(49)	(102)	(602)
Disposal of treasury stock	12	7	147
Purchase of treasury stock by affiliates accounted for by equity method	(60)	-	(734)
Change in equity in affiliates -treasury stock	(231)	20	(2,816)
Change in scope of consolidation	223	-	2,720
Reversal of revaluation reserve for land	(175)	13	(2,135)
Net changes in items other than shareholders' equity	(4,712)	(19,073)	(57,334)
Total changes during the year	7,300	(4,405)	88,828
Balance at March 31, 2012 and 2011	463,299	455,998	5,636,934

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

OJI PAPER CO., LTD.  
Fiscal years ended March 31, 2012 and 2011

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 39,885	¥ 39,077	\$ 485,283
Depreciation and amortization	76,024	79,633	924,981
Impairment losses	427	566	5,203
Amortization of goodwill	1,268	1,176	15,428
Increase (decrease) in allowance for doubtful accounts	60	405	733
Increase (decrease) in provision for retirement benefits	2,766	2,482	33,662
Interest and dividend income	(3,303)	(3,949)	(40,188)
Interest expenses	10,318	10,713	125,543
Exchange loss (gain)	163	2,016	1,990
Equity in (earnings) losses of affiliates	(3,974)	(5,354)	(48,355)
(Gain) on sales of investment securities	(1,009)	(69)	(12,279)
Loss on valuation of investment securities	1,787	1,773	21,752
Loss on disposal of fixed assets	2,368	3,372	28,811
Loss (gain) on sales of fixed assets	(729)	172	(8,878)
Loss on business restructuring	2,971	8,726	36,155
(Increase) decrease in trade receivables	(1,813)	8,975	(22,064)
(Increase) decrease in inventories	(5,183)	(3,900)	(63,069)
Increase (decrease) in trade payables	17,482	3,051	212,710
Other	1,907	(8,326)	23,206
<b>Subtotal</b>	<b>141,418</b>	<b>140,542</b>	<b>1,720,627</b>
Interest and dividend income received	4,368	4,150	53,149
Interest paid	(10,368)	(10,889)	(126,147)
Income taxes paid	(15,902)	(18,434)	(193,486)
<b>Net cash provided by operating activities</b>	<b>119,516</b>	<b>115,369</b>	<b>1,454,143</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of property, plant, equipment and intangible assets	(50,899)	(75,800)	(619,284)
Proceeds from sales of property, plant, equipment and intangible assets	1,985	1,879	24,156
Payment for acquisition of investment securities	(2,364)	(1,949)	(28,774)
Proceeds from sales of investment securities	2,821	1,269	34,323
Payment for loans receivable	(3,027)	(8,021)	(36,837)
Proceeds from collection of loans receivable	1,792	6,016	21,810
Payment for acquisition of shares of subsidiaries (Note 11)	(30,588)	(14,290)	(372,164)
Proceeds from acquisition of shares of subsidiaries (Note 11)	-	1,873	-
Other	(918)	(655)	(11,170)
<b>Net cash used in investing activities</b>	<b>(81,198)</b>	<b>(89,679)</b>	<b>(987,940)</b>
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	(13,047)	7,582	(158,742)
Net (decrease) in commercial paper	-	(11,000)	-
Proceeds from long-term debt	11,180	1,750	136,026
Repayment of long-term debt	(35,775)	(18,554)	(435,283)
Proceeds from issue of bonds	39,990	39,791	486,555
Payment for redemption of bonds	(20,140)	(40,100)	(245,041)
Payment for purchase of treasury stock	(49)	(102)	(602)
Dividend payments	(9,883)	(9,891)	(120,254)
Other	(1,149)	(834)	(13,989)
<b>Net cash used in by financing activities</b>	<b>(28,875)</b>	<b>(31,358)</b>	<b>(351,332)</b>
Effect of exchange rate changes on cash and cash equivalents	2,152	(4,333)	26,191
<b>Increase (decrease) in cash and cash equivalents</b>	<b>11,593</b>	<b>(10,002)</b>	<b>141,061</b>
Cash and cash equivalents at the beginning of the year (Note11)	31,933	41,936	388,536
Increase in cash and cash equivalents due to mergers of subsidiaries	124	-	1,518
Increase in cash and cash equivalents due to inclusion of consolidated subsidiaries in scope of consolidation	179	-	2,186
Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries from scope of consolidation	0	-	(11)
<b>Cash and cash equivalents at the end of the year (Note11)</b>	<b>43,831</b>	<b>31,933</b>	<b>533,291</b>

See accompanying notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

OJI PAPER CO., LTD.

## 1. Basis of Preparation

- (1) The accompanying consolidated financial statements of Oji Paper Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
- (2) Certain amounts in the prior years' financial statements have been reclassified to conform with the current year's presentation.
- (3) The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥82.19 to U.S. \$1.00, the approximate rate of exchange prevailing at March 31, 2012. 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: 128 (113 in 2011)

Main consolidated subsidiaries include:

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 Papéis Especiais Ltda.  
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.  
HPI Resources Bhd.  
Ojitex Haiphong Co., Ltd.  
United Kotak Berhad  
Ojitex (Vietnam) Co., Ltd.  
Trio Paper Mills Sdn. Bhd.  
Harta Packaging Industries Sdn. Bhd.  
Oji Label (Thailand) Ltd.  
Suzhou Oji Packaging Co., Ltd.  
Oji InterTech Inc.  
Oji Logistics Co., Ltd.  
Kyokuyo Pulp & Paper Co., Ltd.  
Oji Cornstarch Co., Ltd.  
Oji Engineering Co., Ltd.  
Oji Real Estate Co., Ltd.  
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 Asia Sdn. Bhd.  
Oji Paper International Trading (Shanghai) Co., Ltd.  
77 other companies

Changes in the consolidated subsidiaries during the year ended March 31, 2012 are as follows:

(Increase) 21 companies:

HPI Resources Bhd,  
Harta Packaging Industries (Malacca) Sdn Bhd,  
Harta Distribution Network Sdn Bhd,  
Harta Fleksipak Sdn Bhd,  
Cabaran Minda Sdn Bhd,  
Chiga Light Industries Sdn Bhd,  
K.H.Chan Trading Sdn Bhd,  
Cabaran Perspektif Sdn Bhd,  
Kempas Teknik Sdn Bhd,  
Sierra Selection Sdn Bhd,  
Parit Raja United Transport Sdn Bhd,  
Trio Paper Mills Sdn Bhd,  
Harta Packaging Industries Sdn Bhd,  
HPI Resources (Overseas) Sdn Bhd,  
Harta Packaging Industries (Perak) Sdn Bhd,  
Harta Packaging Industries (Selangor) Sdn Bhd,  
Harta Packaging Industries (Cambodia) Limited,  
Yuen Foong Yu Paper Manufacturing Sdn Bhd,

Oji Papéis Especiais Ltda.,  
 Fuji Co., Ltd.,  
 Ojtex Haiphong Co., Ltd.  
 (Decrease) 6 companies:  
 UK BIOPRODUCTS SDN. BHD., UKB International  
 Pte. Limited, UK WELLNESS SDN. BHD., UK  
 WELLNESS MARKETING SDN. BHD., OJI Ilford  
 USA, Inc., KS Systems Inc.

(2) Main non-consolidated subsidiaries:  
 Tomakomai Energy Kosha Co., Ltd., Quy Nhon Plantation  
 Forest Company of Vietnam Ltd. (QPFL)

(3) Reasons for excluding non-consolidated subsidiaries from  
 the consolidation scope:  
 These companies are excluded from the scope of consoli-  
 dation, as all of these non-consolidated subsidiaries are  
 small-sized companies and their total assets, net sales,  
 net income (amount corresponding to the Company's  
 equity in such subsidiaries), retained earnings (amount cor-  
 responding to the Company's equity in such subsidiaries),  
 etc., are insignificant relative to the total assets, net sales,  
 net income (amount corresponding to the Company's  
 equity in such subsidiaries), retained earnings (amount  
 corresponding to the Company's equity in such subsidiar-  
 ies), etc., of the consolidated companies as a whole, and  
 they do not have significant impact on the consolidated  
 financial statements.

### 3. Application of the Equity Method

(1) Number of affiliates under the equity method: 14 (13 in  
 2011)

Affiliates under the equity method:  
 Japan Brazil Paper and Pulp Development Co., Ltd.,  
 Kokusai Pulp & Paper Co., Ltd., Ocean Trans Co.,  
 Ltd., Okayama Paper Industries Co., Ltd., Alpac  
 Forest Product Inc. and other 9 companies.

Changes in the affiliates under the equity method during  
 the year ended March 31, 2012 are as follows:

(Increase) 1 company: Harta Land Limited

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

Tomakomai Energy Kosha Co., Ltd., Quy Nhon Plantation  
 Forest Company of Vietnam Ltd. (QPFL)

(3) The reason not to apply the equity method to non-con-  
 solidated 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 (correspond-  
 ing 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

The fiscal year end of the following Company's consoli-  
 dated subsidiaries is December 31:

Apica Co., Ltd., Oji Paper USA Inc., Kanzaki Specialty Papers  
 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., Ojtex (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., HPI Resources Bhd, Harta  
 Packaging Industries (Malacca) Sdn Bhd, Harta Distribution  
 Network Sdn Bhd, Harta Fleksipak Sdn Bhd, Cabaran  
 Minda Sdn Bhd, Chiga Light Industries Sdn Bhd, K.H.Chan  
 Trading Sdn Bhd, Cabaran Perspektif Sdn Bhd, Kempas  
 Teknik Sdn Bhd, Sierra Selection Sdn Bhd, Parit Raja  
 UnitedTransport Sdn Bhd, Trio Paper Mills Sdn Bhd, Harta  
 Packaging Industries Sdn Bhd, HPI Resources (Overseas)  
 Sdn Bhd, Harta Packaging Industries (Perak) Sdn Bhd,  
 Harta Packaging Industries (Selangor) Sdn Bhd, Harta  
 Packaging Industries (Cambodia) Limited, Yuen Foong Yu  
 Paper Manufacturing Sdn Bhd, Oji Papéis Especiais Ltda.  
 and Ojtex Haiphong Co., Ltd.

The fiscal year end of the following Company's consoli-  
 dated 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., and Tohoku Mori Shigyo Co., Ltd.

UNITED KOTAK BERHAD, UK PACKAGING INDUSTRIES  
 SDN. BHD., RICHBOX PAPER PRODUCTS (M) SDN.  
 BHD., and SUPERPAC MANUFACTURING SDN. BHD.  
 changed their accounting closing dates from March 31 to  
 December 31. For the purpose of preparing the consoli-  
 dated 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 Policies

### (1) Method of valuation of significant assets

#### (i) Marketable securities

Held-to-maturity debt securities:

Stated at cost using the amortized cost method.

Available-for-sale securities

Securities with market quotations:

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

Securities without market quotations:

Stated at cost using the moving-average method.

#### (ii) Derivatives

Stated at fair value

#### (iii) Inventories

Mainly stated at cost using the periodic average method

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

### (2) Depreciation method of significant depreciable assets

- 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)

- 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) Significant provisions

#### (i) Allowance for doubtful accounts

In order to prepare for potential credit losses on receivables outstanding at the end of the current 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.

#### (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

<u>Hedging instruments</u>	<u>Hedged items</u>
Foreign exchange forward contracts	Monetary assets/liabilities denominated in foreign currencies
Interest rate swaps	Borrowings and loans
Commodity swaps	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 hedge 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 taxes are accounted for under the tax exclusion method.

(6) Method and period for amortizing goodwill  
Goodwill has been amortized by the straight-line method over reasonable periods estimated for each acquisition not exceeding 20 years. If the value of goodwill is immaterial, the amount is written off in full in the fiscal year in which it arises.

(7) Scope of funds in consolidated cash flow statement  
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. Additional Information

(1) Adoption of the accounting standard for accounting changes and error corrections  
Effective April 1, 2011, the Company adopted the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan

(ASBJ) Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

(2) Consolidated taxation

The Company and part of its consolidated subsidiaries received approval from the Commissioner of the National Tax Agency for application of the consolidated taxation system effective the fiscal year ending March 31, 2013. Effective the year ended March 31, 2012, the Company has implemented accounting treatment that assume application of this consolidated taxation system, in accordance with the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (ASBJ Practical Issues Task Force (PITF) No. 5) and the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7).

## 7. Notes to Consolidated Balance Sheet

(1) Matters concerning non-consolidated subsidiaries and affiliates

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Stocks of non-consolidated subsidiaries and affiliates	¥91,346	¥88,038	\$1,111,410
Investments in capital of non-consolidated subsidiaries and affiliates	16	16	206

(2) Assets pledged as collateral

(i) Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term borrowings (¥7,423 million) (\$90,322 thousand), long-term debt (including the amount scheduled to be repaid within one year) (¥7,338 million) (\$89,285 thousand), notes and accounts payable-trade (¥335 million) (\$4,083 thousand), and notes discounted (¥613 million) (\$7,464 thousand) as of March 31, 2012.

Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term borrowings (¥6,289 million), long-term debt (including the amount scheduled to be repaid within one year) (¥6,966 million), notes and accounts payable-trade (¥144 million), and notes discounted (¥335 million) as of March 31, 2011.

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Cash and bank deposits	¥ 708	¥ 716	\$ 8,622
Notes and accounts receivable—trade	2,114	1,830	25,725
Merchandise and finished goods	2,069	1,237	25,183
Work in process	33	35	405
Raw materials and supplies	313	373	3,817
Short-term loans receivable	174	265	2,119
Other current assets	292	310	3,556
Buildings and structures	17,435	16,406	212,139
Machinery, equipment and vehicles	7,894	5,322	96,055
Tools, furniture and fixtures	101	78	1,233
Land	14,356	12,580	174,669
Forests	571	547	6,952
Plantations	14,188	13,308	172,628
Construction in progress	2,930	976	35,652
Intangible assets and others	37	44	451
Investment securities	2,784	675	33,879
Long-term loans receivable	3,149	197	38,316
<b>Total</b>	<b>69,155</b>	<b>54,906</b>	<b>841,407</b>

- (ii) Industrial mortgages and industrial factory foundation revolving industrial mortgages entered into with respect to the assets indicated below for short-term borrowings (¥305 million (\$3,710 thousand), ¥215 million) and long-term debt (including the amount scheduled to be repaid within one year) (¥10 million (\$126 thousand), ¥15 million) as of March 31, 2012 and 2011 respectively.

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Buildings and structures	¥ 701	¥ 704	\$ 8,537
Machinery, equipment and vehicles	862	1,003	10,494
Tools, furniture and fixtures	29	26	358
Land	1,076	1,079	13,099
<b>Total</b>	<b>2,670</b>	<b>2,813</b>	<b>32,490</b>

- (iii) Assets pledged as collateral for long-term debt (including the amount scheduled to be repaid within one year) (¥1,818 million) (\$22,121 thousand), ¥2,245 million) as of March 31, 2012 and 2011 respectively as follows:

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Investment securities	¥ 2,234	¥ 2,234	\$ 27,185
Long-term loans receivable	3,149	3,347	38,316
<b>Total</b>	<b>5,383</b>	<b>5,582</b>	<b>65,502</b>

### (3) Contingent liabilities

#### Guarantee obligations

The Company is committed to provide the following guarantees for loans and others of non-consolidated subsidiaries and affiliates from banks and other financial institutions as of March 31, 2012 and 2011 respectively.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Japan Brazil Paper and Pulp Development Co., Ltd.	¥ 3,804	¥ 7,484	\$ 46,289
Alpac Forest Products Inc.	3,279	3,410	39,899
PT. Korintiga Hutani	3,047	3,083	37,080
Employees	1,698	1,930	20,661
Other	6,871	7,192	83,609
<b>Total</b>	<b>18,701</b>	<b>23,101</b>	<b>227,539</b>

- (i) 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, 2012 and 2011 are ¥6,199 million (\$75,422 thousand) and ¥12,229 million, respectively.

- (ii) The guarantee obligation provided for "Other" as stated above includes the portion, ¥269 million (\$3,280 thousand) and ¥269 million as of March 31, 2012 and 2011, 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 (\$4,100 thousand) and ¥337 million as of March 31, 2012 and 2011, respectively.

- (iii) 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, ¥148 million (\$1,800 thousand) and ¥57 million as of March 31, 2012 and 2011, respectively.

- (4) Notes discounted: ¥6,827 million (\$83,074 thousand) and ¥5,831 million as of March 31, 2012 and 2011, respectively

Notes receivable endorsed: ¥28 million (\$341 thousand) and ¥2 million as of March 31, 2012 and 2011, 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 of 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 as of March 31, 2012 and 2011 are (¥474) million (\$5,772) thousand, and ¥392 million, respectively

(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, 2012 and 2011 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Aggregate amount of loan commitment	¥ 50,000	¥ 50,000	\$ 608,346
Balance of loan outstanding	-	-	-
Unused portion	50,000	50,000	608,346

(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, 2012 and 2011 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Buildings and structures	¥ -	¥ 0	\$ -
Machinery, equipment and vehicles	3	140	37
Tools, furniture and fixtures	-	6	-
Total	3	147	37

(9) Accounting treatment of promissory notes whose redemption date is the end of the fiscal year

Promissory notes whose redemption date is the end of the fiscal year are accounted for on the date that the note is exchanged. The following notes whose redemption date is the end of the fiscal year (March 31, 2012, which is a Saturday and banks are closed) shall be included in the balance sheet at March 31, 2012 and 2011.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Notes receivable	¥ 5,747	¥ -	\$ 69,928
Notes payable	4,391	-	53,430
Notes payable for plant and equipment	73	-	895

## 8. Notes to 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, 2012 and 2011 are ¥9,137 million (\$111,174 thousand) and ¥9,078 million, respectively

(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 loss (gain) on valuation of inventories included in the cost of sales for the year ended March 31, 2012 and 2011 are ¥2,452 million (\$29,840 thousand) and ¥(268) million, respectively

(3) A breakdown of gain on sales of fixed assets for the year ended March 31, 2012 and 2011 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Land	¥ 756	¥ 137	\$ 9,199
Forests	12	1	148
Other	0	0	6
Total	768	139	9,354



Gain on sales of fixed assets includes gain, in the amount of ¥508 million (\$6,188 thousand) and ¥1 million for the year ended March 31, 2012 and 2011, 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, 2012 and 2011 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Land	¥ 39	¥ 311	\$ 475

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

For the year ended March 31, 2012

Location	Use	Type	Impairment loss	
			(Millions of yen)	(Thousands of U.S. dollars)
Kushiro, Hokkaido	Assets for business	Machinery, equipment and others	¥ 1,738	\$ 21,151

For the year ended March 31, 2011

Location	Use	Type	Impairment loss
			(Millions of yen)
Fuji, Shizuoka	Assets for business	Machinery, equipment and others	¥ 4,590
Fuji, Shizuoka	Assets for business	Machinery, equipment and others	1,004

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, ¥2,577 million (\$31,355 thousand) and ¥7,284 million, were recorded in special losses for the year ended March 31, 2012 and 2011, respectively.

A breakdown of the amount is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Machinery, equipment and vehicles	¥ 1,625	¥ 6,194	\$ 19,772
Buildings and structures	732	671	8,917
Land	198	210	2,415
Other	20	208	250

Among the above amounts, ¥2,149 million (\$26,152 thousand) and ¥6,718 million are included in loss on business restructuring of special losses for the year ended March 31, 2012 and 2011, 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 rate of 4% for the years ended March 31, 2012 and 2011, respectively.

- (6) A breakdown of special retirement benefits expenses 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, 2012: impairment loss due to the decision to stop the operation of paper manufacturing equipments at the Company's Kushiro Mill.
- 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.

- (8) Losses associated with natural disasters are as follows:

For the year ended March 31, 2012: mainly losses caused by the Great East Japan Earthquake.

For the year ended March 31, 2011: losses caused by the Great East Japan Earthquake.

## 9. Consolidated statement of comprehensive income

For the year ended March 31, 2012

(1) Reclassification adjustments and tax effect associated with other comprehensive income

Net unrealized gain (loss) on available-for-sale securities

	(Millions of yen)	(Thousands of U.S. dollars)
Amount arising during the year	¥ 1,040	\$ 12,655
Reclassification adjustments for gain and losses included in net income	371	4,517
Amount before tax effect	1,411	17,173
Tax effect	(523)	(6,375)
Net unrealized gain (loss) on available-for-sale securities	887	10,797
Deferred losses on hedging derivatives		
Amount arising during the year	449	5,464
Reclassification adjustments for gains and losses included in net income	(723)	(8,806)
Amount before tax effect	(274)	(3,342)
Tax effect	115	1,408
Deferred losses on hedging derivatives	(158)	(1,933)
Revaluation reserve for land		
Amount arising during the year	-	-
Reclassification adjustments for gains and losses included in net income	-	-
Amount before tax effect	-	-
Tax effect	1,331	16,195
Revaluation reserve for land	1,331	16,195
Foreign currency translation adjustment		
Amount arising during the year	(3,478)	(42,317)
Reclassification adjustments for gains and losses included in net income	-	-
Amount before tax effect	(3,478)	(42,317)
Tax effect	-	-
Foreign currency translation adjustment	(3,478)	(42,317)
Share of other comprehensive income of investments for which the equity method is applied		
Amount arising during the year	(1,886)	(22,948)
Reclassification adjustments for gains and losses included in net income	208	2,531
Share of other comprehensive income of investments for which the equity method is applied	(1,678)	(20,416)
Other comprehensive income	(3,096)	(37,674)

## 10. Notes to Consolidated Statement of Changes in Net Assets

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

For the year ended March 31, 2012

Type of shares	Number of shares at April 1, 2011	Increase	Decrease	Number of shares at March 31, 2012
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)	76,484,868	902,079	33,437	77,353,510
Total	76,484,868	902,079	33,437	77,353,510

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

Increase in treasury stock arising from a change in the Company's ownership interest in consolidated subsidiaries	625,950
Increase due to purchase by affiliates accounted for by the equity method	148,330
Increase due to purchase of shares of less than standard unit	127,242
Effect of change in the Company's ownership interest ratio of affiliates accounted for by the equity method	557

2. Details of the decrease are as follows:

Decrease due to exercising of stock options	19,000
Decrease due to sale of shares of less than standard unit	9,619
Decrease arising from an exchange of shares with shareholders in consolidated subsidiaries	4,816
Decrease in treasury stock arising from changes in the Company's ownership interest in affiliates accounted for by equity method	2

For the year ended March 31, 2011

Type of shares	Number of shares at April 1, 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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(2) Subscription rights

For the year ended March 31, 2012

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2012	
			Number of shares at April 1, 2011	Increase	Decrease	Number of shares at March 31, 2012	(Millions of yen)	(Thousands of U.S. dollars)
Parent company	Subscription rights as stock options	–	–	–	–	–	¥ 346	\$ 4,212
	Total	–	–	–	–	–	346	4,212

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 April 1, 2010	Increase	Decrease	Number of shares at March 31, 2011	(Millions of yen)	
Parent company	Subscription rights as stock options	–	–	–	–	–	¥ 284	
	Total	–	–	–	–	–	284	



(3) Dividends

(i) Amount of cash dividends distributed

For the year ended March 31, 2012

Resolution	Type of shares	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 12, 2011	Common stock	¥ 5,011	\$ 60,975	¥ 5.0	March 31, 2011	June 7, 2011
Board of Directors' Meeting held on November 4, 2011	Common stock	5,011	60,973	5.0	September 30, 2011	December 1, 2011

For the year ended March 31, 2011

Resolution	Type of shares	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	\$ 60,975	¥ 5.0	March 31, 2010	June 8, 2010
Board of Directors' Meeting held on November 1, 2010	Common stock	5,012	60,973	5.0	September 30, 2010	December 1, 2010

(ii) Dividends with the cut-off date falling within the year ended March 31, 2012 and the effective date in the year ending March 31, 2013

The following resolution is scheduled:

Resolution	Type of shares	Total dividend amount		Source of dividends	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, 2012	Common stock	¥ 5,011	\$ 60,970	Retained earnings	¥ 5.0	March 31, 2012	June 6, 2012

Dividends 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	Type of shares	Total dividend amount		Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)				
Board of Directors' Meeting held on May 12, 2011	Common stock	¥ 5,011	\$ 60,975	Retained earnings	¥ 5.0	March 31, 2011	June 7, 2011

(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.

## 11. Notes to Consolidated Statements of Cash Flows

(1) Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2012 and 2011 are reconciled to the accounts reported in the consolidated balance sheets as of March 31, 2012 and 2011 as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Cash and bank deposits	¥ 43,881	¥ 32,393	\$ 533,906
Time deposits with maturities of more than three months	(604)	(945)	(7,354)
Marketable securities	553	485	6,739
Cash and cash equivalents	43,831	31,933	533,291

(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)
	March 31,
	2011
Current assets	¥ 41,668
Fixed assets	36,666
Goodwill	3,684
Current liabilities	(52,311)
Long-term liabilities	(5,862)
Minority interests	(4,222)
Acquired companies' outstanding shares held by the Company before the acquisitions	(3,831)
Acquisition cost	15,792
Cash and cash equivalents of newly consolidated subsidiaries	(3,376)
Net: Payment for acquisition of shares of subsidiaries which have caused the change in scope of consolidation	14,290
Net: Proceeds from acquisition of shares of subsidiaries which have caused the change in scope of consolidation	(1,873)

## 12. Lease Transactions

(1) Finance lease transactions

Finance lease transactions that do not transfer ownership

(i) Leased assets

Property, plant and equipment

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

(ii) 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:

Equivalent acquisition cost, accumulated depreciation, accumulated impairment loss and balance of leased assets as of March 31, 2012 and 2011

As of March 31, 2012

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	(Millions of yen)			
Acquisition cost	¥ 14,255	¥ 4,936	¥ 582	¥ 19,774
Accumulated depreciation	11,151	4,181	532	15,865
Accumulated impairment losses	110	39	–	150
Balance at March 31, 2012	2,993	715	49	3,758

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	(Thousands of U.S. dollars)			
Acquisition cost	\$ 173,446	\$ 60,061	\$ 7,084	\$ 240,592
Accumulated depreciation	135,679	50,873	6,481	193,034
Accumulated impairment losses	1,347	483	–	1,830
Balance at March 31, 2012	36,420	8,704	602	45,727

As of March 31, 2011

	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 March 31, 2011	5,484	1,703	174	7,362

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,
	2012	2011	2012
Due within one year	¥ 1,929	¥ 3,359	\$ 23,475
Due after one year	1,932	4,186	23,513
Total	3,862	7,546	46,988
Impairment loss	67	114	815

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,
	2012	2011	2012
Paid lease fees	¥ 3,128	¥ 4,579	\$ 38,063
Reversal of impairment account for leased assets	56	45	683
Equivalent depreciation expense amount	3,072	4,534	37,380
Impairment loss	–	109	–



(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.

(5) Operating lease transactions

Remaining lease obligations under noncancellable operating leases as of March 31, 2012 and 2011:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Due within one year	¥ 281	¥ 298	\$ 3,429
Due after one year	360	405	4,384
Total	642	704	7,814

## 13. Financial Instruments

(1) Matters concerning financial instruments

(i) 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.

(ii) 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 borrowings and debt, short-term borrowings are mainly for financing related to operating activities, while long-term debt are mainly for financing related to investment in property, plant and equipment. Borrowings and debt with floating interest rates are exposed to interest rate volatility risk. Long-term debt 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 borrowings and debt, 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).

(iii) Risk management

a. 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.

b. 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 borrowings and debt
- 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.

c. 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.

(iv) 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 "(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, 2012 and 2011 respectively.

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

As of March 31, 2012

	Book value <sup>(*)</sup>	Fair value <sup>(*)</sup>	Difference
	(Millions of yen)		
① Cash and bank deposits	¥ 43,881	¥ 43,881	¥ -
② Notes and accounts receivable-trade	261,384		
③ Short-term loans receivable	8,925		
Allowance for doubtful accounts (*1)	(4,304)		
	266,004	266,004	-
④ Long-term loans receivable	4,510		
Allowance for doubtful accounts (*2)	(2,545)		
	1,965	2,030	64
⑤ Marketable securities and investment securities			
Held-to-maturity debt securities	726	728	2
Stocks of affiliates	3,229	1,513	(1,715)
Available-for-sale securities	65,005	65,005	-
Total of assets	380,813	379,164	(1,648)
⑥ Notes and accounts payable-trade	216,781	216,781	-
⑦ Short-term borrowings	173,349	173,349	-
⑧ Bonds	120,480	122,144	1,664
⑨ Long-term debt	490,890	497,881	6,991
Total of liabilities	1,001,502	1,010,158	8,656
⑩ Derivative transactions (*3)	314	314	-

	Book value <sup>(*)</sup>	Fair value <sup>(*)</sup>	Difference
	(Thousands of U.S. dollars)		
① Cash and bank deposits	\$ 533,906	\$ 533,906	\$ -
② Notes and accounts receivable-trade	3,180,241		
③ Short-term loans receivable	108,590		
Allowance for doubtful accounts (*1)	(52,372)		
	3,236,459	3,236,459	-
④ Long-term loans receivable	54,884		
Allowance for doubtful accounts (*2)	(30,969)		
	23,915	24,702	787
⑤ Marketable securities and investment securities			
Held-to-maturity debt securities	8,840	8,869	29
Stocks of affiliates	39,287	18,413	(20,874)
Available-for-sale securities	790,916	790,916	-
Total of assets	4,633,325	4,613,268	(20,057)
⑥ Notes and accounts payable-trade	2,637,571	2,637,571	-
⑦ Short-term borrowings	2,109,136	2,109,136	-
⑧ Bonds	1,465,871	1,486,125	20,253
⑨ Long-term debt	5,972,626	6,057,693	85,066
Total of liabilities	12,185,206	12,290,526	105,319
⑩ Derivative transactions (*3)	3,830	3,830	-

(\*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.

As of March 31, 2011

	Book value <sup>(*)</sup>	Fair value <sup>(*)</sup>	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 Marketable securities and investment securities			
Held-to-maturity debt securities	653	653	-
Stocks of affiliates	2,685	1,577	(1,108)
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 borrowings	[185,460]	[185,460]	-
⑧ Bonds	[100,420]	[101,574]	1,154
⑨ Long-term debt	[513,260]	[519,533]	6,272
Total of liabilities	996,559	1,003,986	7,426
⑩ Derivative transactions (*3)	590	590	-

(\*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 Marketable 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 borrowings

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 debt (the carrying amount of such portion on the consolidated balance sheets at March 31, 2012 and 2011 are ¥163,182 million (\$1,985,433 thousand) and ¥33,871 million) is included in "⑨ Long-term debt," respectively.

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 at March 31, 2012 and 2011 are ¥160 million (\$1,946 thousand) and ¥20,120 million, respectively).

⑨ Long-term debt

The fair value of the long-term debt 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 if similar new debt were entered into. A portion of the floating rate long-term debt hedged by interest rate swaps (described in ⑩) is calculated by discounting the total amount of the principal and interest with the interest rate swaps, based on the reasonably estimated interest rate if similar new debt were entered into. The long-term debt includes the current portion (the carrying amount on the consolidated balance sheets at March 31, 2012 and 2011 are ¥163,182 million (\$1,985,433 thousand) and ¥33,871 million, respectively).

⑩ Derivative transactions

The estimated special treatment of interest rate swaps is included in the fair value of the underlying long-term debt, as the interest rate swaps are accounted for as part of the long-term debt. (See ⑨)



2. Financial instruments for which the fair value is deemed to be difficult to measure  
As of March 31, 2012

Item	Book value
	(Millions of yen)
Non-listed stocks	¥ 107,241

Item	Book value
	(Thousands of U.S. dollars)
Non-listed stocks	\$ 1,304,805

As of March 31, 2011

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

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, 2012

	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	¥ 43,231	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	261,384	–	–	–
Short-term loans receivable	8,925	–	–	–
Long-term loans receivable	–	2,360	2,129	21
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	554	155	–	16
Total	314,095	2,515	2,129	37

	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	\$ 525,995	\$ –	\$ –	\$ –
Notes and accounts receivable-trade	3,180,241	–	–	–
Short-term loans receivable	108,590	–	–	–
Long-term loans receivable	–	28,715	25,910	257
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	6,748	1,891	–	200
Total	3,821,576	30,606	25,910	457

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
Marketable 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

4. The schedules of redemption for bonds and repayment of long-term debt are disclosed in Note 24.

## 14. Securities

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

As of March 31, 2012

		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	5	5	0
	③ Others	16	18	2
	Total	21	23	2
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	151	151	0
	② Corporate bonds	–	–	–
	③ Others	553	553	–
	Total	705	705	0
Total		726	728	2

		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	60	61	0
	③ Others	199	228	28
	Total	260	289	29
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	1,839	1,839	0
	② Corporate bonds	–	–	–
	③ Others	6,740	6,740	–
	Total	8,579	8,579	0
Total		8,840	8,869	29

As of 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	–

## (2) Available-for-sale securities

As of March 31, 2012

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 44,345	¥ 27,562	¥ 16,782
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	-	-	-
	Total	44,345	27,562	16,782
Securities with a book value not exceeding acquisition cost	① Corporate stocks	19,148	24,593	(5,444)
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	1,511	1,736	(224)
	Total	20,660	26,329	(5,669)
	Total	65,005	53,891	11,113

		Book value	Acquisition cost	Difference
		(Thousands of U.S. dollars)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	\$ 539,543	\$ 335,347	\$ 204,195
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	-	-	-
	Total	539,543	335,347	204,195
Securities with a book value not exceeding acquisition cost	① Corporate stocks	232,983	299,226	(66,242)
	② Bonds			
	1. Government bonds, local government bonds and others	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	③ Others	18,389	21,121	(2,732)
	Total	251,373	320,347	(68,974)
	Total	790,916	655,695	135,220

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 capital, and
- Others

(Their book value on balance sheet: ¥107,241 million (\$1,304,805 thousand))

As of 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

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 capital, and
  - Others
- (Their book value on balance sheet: ¥102,845 million)

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

For the year ended March 31, 2012

		Proceeds from sales	Gains	Losses
		(Millions of yen)		
① Corporate stocks		¥ 2,498	¥ 1,019	¥ (19)
② Bonds				
1. Government bonds, local government bonds and others		-	-	-
2. Corporate bonds		-	-	-
3. Others		-	-	-
③ Others		-	-	-
	Total	2,498	1,019	(19)

		Proceeds from sales	Gains	Losses
		(Thousands of U.S. dollars)		
① Corporate stocks		\$ 30,394	\$ 12,407	\$ (235)
② Bonds				
1. Government bonds, local government bonds and others		-	-	-
2. Corporate bonds		-	-	-
3. Others		-	-	-
③ Others		-	-	-
	Total	30,394	12,407	(235)



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)

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

With respect to corporate stocks included in available-for-sale securities, impairment losses of ¥1,371 million (\$16,690 thousand) and ¥1,709 million were recorded in the year ended March 31, 2012 and 2011, 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.

## 15. Derivative Transactions

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

The information as of March 31, 2012 and 2011 was omitted as immaterial.

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

#### (i) Currency-related derivatives

As of March 31, 2012

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-trade	¥ 3,249	¥ -	¥ 93
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	1,337	-	133
	Others	Accounts receivable-trade	264	-	7
Basic accounting method	Buy				
	Buy: U.S. dollars, Sell: Japanese yen	Accounts payable-trade	712	-	14
	Buy: Euro, Sell: Japanese yen	Accounts payable-trade	147	-	1
	Buy: Euro, Sell: U.S. dollars	Accounts payable-trade	80	-	1
	Others	Accounts payable-trade	37	-	4
	Total		5,828	-	256
	Foreign exchange forward contracts				
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Sell				
	U.S. dollars	Accounts receivable-trade	106	-	(Note 2)
	Buy				
	U.S. dollars	Accounts payable-trade	675	-	(Note 2)
	Total		782	-	-

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					
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	\$ 39,531	\$ -	\$ 1,132	
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	16,274	-	1,618	
Basic accounting method	Others	Accounts receivable-trade	3,217	-	95	
	Buy					
	Buy: U.S. dollars, Sell: Japanese yen	Accounts payable-trade	8,671	-	179	
	Buy: Euro, Sell: Japanese yen	Accounts payable-trade	1,794	-	15	
	Buy: Euro, Sell: U.S. dollars	Accounts payable-trade	975	-	17	
	Others	Accounts payable-trade	455	-	56	
	Total			70,919	-	3,115
		Foreign exchange forward contracts				
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Sell					
	U.S. dollars	Accounts receivable-trade	1,300	-	(Note 2)	
	Buy					
U.S. dollars	Accounts payable-trade	8,222	-	(Note 2)		
Total			9,523	-	-	

## 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-trade	¥ 4,171	¥ -	¥ 145	
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	3,184	-	106	
Basic accounting method	Others	Accounts receivable-trade	613	-	(32)	
	Buy					
	Buy: U.S. dollars, Sell: Japanese yen	Accounts payable-trade	2,043	-	63	
	Buy: Australian dollars, Sell: Japanese yen	Accounts payable-trade	1,543	-	157	
	Buy: Euro, Sell: U.S. dollars	Accounts payable-trade	1,444	-	115	
	Others	Accounts payable-trade	41	-	2	
	Total			13,041	-	557
		Foreign exchange forward contracts				
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Sell					
	U.S. dollars	Accounts receivable-trade	403	-	(Note 2)	
	Buy					
U.S. dollars	Accounts payable-trade	905	-	(Note 2)		
Total			1,309	-	-	

## 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.

## (ii) Interest-rate-related derivatives

As of March 31, 2012

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 debt	¥ 287,665	¥ 153,575	(Note 3)
	Floating rate received for floating rate	Long-term debt	20,500	17,500	(Note 3)
	Fixed rate received for fixed rate	Long-term debt	1,000	1,000	(Note 3)
	Fixed rate received for floating rate	Long-term debt	21,000	21,000	(Note 3)
	Total		330,165	193,075	–

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 debt	\$ 3,500,000	\$ 1,868,536	(Note 3)
	Floating rate received for floating rate	Long-term debt	249,422	212,921	(Note 3)
	Fixed rate received for fixed rate	Long-term debt	12,166	12,166	(Note 3)
	Fixed rate received for floating rate	Long-term debt	255,505	255,505	(Note 3)
	Total		4,017,094	2,349,130	–

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 debt	¥ 299,800	¥ 287,300	(Note 3)
	Floating rate received for floating rate	Long-term debt	20,500	20,500	(Note 3)
	Fixed rate received for fixed rate	Long-term debt	1,000	1,000	(Note 3)
	Fixed rate received for floating rate	Long-term debt	21,000	21,000	(Note 3)
	Total		342,300	329,800	–

## 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 fair value of the interest rate swaps accounted for by special treatment is included in that of hedged long-term debt.

(iii) Commodity-related derivatives

As of March 31, 2012

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Basic accounting method	Commodity swaps				
	Floating rate received for fixed rate	Electricity	¥ 7,444	¥ 6,001	¥ 58
Total			7,444	6,001	58

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	Commodity swaps				
	Floating rate received for fixed rate	Electricity	\$ 90,571	\$ 73,020	\$ 714
Total			90,571	73,020	714

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	Commodity swaps				
	Floating rate received for fixed rate	Electricity	¥ 8,358	¥ 7,015	¥ 31
Total			8,358	7,015	31

Notes:

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

## 16. 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,
	2012	2011	2012
① Retirement benefit obligation	¥ (201,117)	¥ (202,105)	\$ (2,446,987)
② Plan assets at fair value	109,209	109,126	1,328,749
③ Unfunded retirement benefit obligation (①+②)	(91,907)	(92,978)	(1,118,238)
④ Unrecognized actuarial gain and loss	54,764	60,965	666,313
⑤ Unrecognized prior service cost	(4,470)	(5,786)	(54,387)
⑥ Net retirement benefit obligation (③+④+⑤)	(41,613)	(37,799)	(506,312)
⑦ Prepaid pension cost	8,785	9,992	106,886
⑧ Provision for retirement benefits (⑥-⑦)	(50,398)	(47,792)	(613,199)

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, ¥413 million (\$5,026 thousand) and ¥515 million, of the estimated installment payments for subsequent fiscal years, is included in provision for retirement benefits as of March 31, 2012 and 2011, 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,
	2012	2011	2012
Retirement benefit expenses	¥ 14,114	¥ 13,876	\$ 171,732
① Service cost	5,452	5,296	66,334
② Interest cost	2,954	3,000	35,941
③ Expected return on plan assets	(1,650)	(1,587)	(20,084)
④ Amortization of actuarial loss	8,675	8,392	105,558
⑤ Amortization of prior service cost	(1,316)	(1,226)	(16,017)

#### Notes:

- Special retirement benefits of ¥2,024 million (\$24,630 thousand) and ¥1,489 million which were accounted for as a special loss for the year ended March 31, 2012 and 2011, respectively, are not included in the above retirement benefit expenses.
- 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	
	2012	2011
Periodic allocation method of estimated amount of retirement benefit	Straight-line method	
Discount rate	Domestic / Overseas 1.1-2.0% / 4.4-5.5%	
Expected return rate on plan assets	Domestic / Overseas 1.7-2.5% / 7.0%	
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.	

## 17. 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: ¥68 million (\$837 thousand) for the year ended March 31, 2012

¥67 million for the year ended March 31, 2011

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

#### (i) Stock option plans

At March 31, 2012

	Stock option 2006
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 140,000 shares
Grant date	August 15, 2006
Condition for the exercise of share subscription 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.
Vesting period	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
Exercise period	From August 16, 2006 to June 30, 2026

	Stock option 2007
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 145,000 shares
Grant date	July 13, 2007
Condition for the exercise of share subscription 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.
Vesting period	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
Exercise period	From July 14, 2007 to June 30, 2027

	Stock option 2008
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 215,000 shares
Grant date	July 14, 2008
Condition for the exercise of share subscription 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.
Vesting period	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
Exercise period	From July 15, 2008 to June 30, 2028

	Stock option 2009
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 174,000 shares
Grant date	July 13, 2009
Condition for the exercise of share subscription 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.
Vesting period	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
Exercise period	From July 14, 2009 to June 30, 2029

	Stock option 2010
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 220,000 shares
Grant date	July 16, 2010
Condition for the exercise of share subscription 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.
Vesting period	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
Exercise period	From July 17, 2010 to June 30, 2030

	Stock option 2011
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 219,000 shares
Grant date	July 15, 2011
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2012 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2011 (June 29, 2011) to the date of the ordinary general meeting of shareholders in 2012
Exercise period	From July 16, 2011 to June 30, 2031

### (ii) Changes in the number of stock options

For the year ended March 31, 2012

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011
	(Shares)					
Share subscription rights which are not yet vested						
Outstanding as of March 31, 2011	-	-	-	-	220,000	-
Granted	-	-	-	-	-	219,000
Forfeited	-	-	-	-	-	-
Vested	-	-	-	-	220,000	-
Outstanding as of March 31, 2012	-	-	-	-	-	219,000
Share subscription rights which have already been vested						
Outstanding as of March 31, 2011	90,000	129,000	192,000	174,000	-	-
Vested	-	-	-	-	220,000	-
Exercised	-	-	19,000	-	-	-
Forfeited	-	-	-	-	-	-
Outstanding as of March 31, 2012	90,000	129,000	173,000	174,000	220,000	-

### (iii) Price information of stock options

At March 31, 2012

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011
	(Yen)					
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	-	-	382	-	-	-
Weighted average fair value per shares at the granted date	579	464	351	285	334	307

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011
	(U.S. dollars)					
Exercise price	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Average market price of the stock at the time of exercise	-	-	4.64	-	-	-
Weighted average fair value per shares at the granted date	7.04	5.64	4.27	3.46	4.06	3.73

### (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, 2012 is as follows:

(i) Model of valuation : Black-Scholes Model

(ii) Main basic assumptions and estimation method:

	Stock option 2011
Expected volatility (Note 1)	31.434%
Expected holding period (Note 2)	10 years and 6 months
Expected dividend (Note 3)	10 yen (\$0.12)/share
Risk-free rate (Note 4)	1.150%

#### Notes:

1. The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months (from January 15, 2001 to July 15, 2011)
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, 2011.
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.

## 18. Income Taxes

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

	March 31, 2012	March 31, 2011	March 31, 2012
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
<b>Deferred tax assets</b>			
Provision for retirement benefits in excess of tax limit	¥ 17,502	¥ 18,461	\$ 212,953
Property, plant and equipment	15,462	15,683	188,135
Tax losses carried forward	13,223	26,951	160,892
Investment securities and others	7,537	8,162	91,708
Accrued bonuses in excess of tax limit	5,793	6,599	70,491
Allowance for doubtful accounts	4,354	6,520	52,978
Other	6,511	9,328	79,230
Subtotal	70,386	91,707	856,390
Valuation allowance	(21,968)	(30,982)	(267,287)
<b>Total deferred tax assets</b>	<b>48,418</b>	<b>60,725</b>	<b>589,102</b>
<b>Deferred tax liabilities</b>			
Adjustment to book value of assets stated at fair value	(12,452)	(13,849)	(151,504)
Reserve for advanced depreciation of fixed assets	(11,033)	(18,210)	(134,240)
Property, plant and equipment	(7,107)	(4,007)	(86,479)
Unrealized gains on available-for-sale securities	(3,991)	(4,712)	(48,559)
Reserve for special depreciation	(471)	(1,030)	(5,736)
Other	(1,692)	(3,055)	(20,590)
<b>Total deferred tax liabilities</b>	<b>(36,747)</b>	<b>(44,866)</b>	<b>(447,109)</b>
<b>Net deferred tax assets</b>	<b>11,670</b>	<b>15,858</b>	<b>141,992</b>



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

	For the year ended March 31,	
	2012	2011
Statutory tax rate	40.7 %	40.7 %
(Adjustment)		
Non-deductible entertainment and social expenses	1.7	1.6
Per capita levy of local inhabitant tax	1.0	1.3
Tax credit	(0.6)	(0.2)
Equity in earnings of affiliates	(4.1)	(5.6)
Different tax rates applied to foreign subsidiaries	4.0	4.4
Amortization of goodwill	1.3	1.2
Change in valuation allowance	(3.4)	(4.8)
Decrease in deferred tax assets due to tax rate changes at the end of term	2.1	–
Other	1.5	(2.4)
Effective tax rate	44.2	36.2

(3) Adjustment of deferred tax assets and liabilities as a result of changes in the rate of corporate tax, etc.

The “Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated on December 2, 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to corporate taxes effective for fiscal years beginning on or after April 1, 2012. As a result, the effective statutory tax rate used to measure the calculation of deferred tax assets and liabilities was changed from 40.7% to 38.0% for the temporary differences expected to be realized or settled in the period from April 1, 2012 to March 31, 2015 and from 38.0% to 35.6% for temporary differences expected to be realized or settled from fiscal year beginning April 1, 2015.

The value of deferred tax assets (minus deferred tax liabilities) fell by ¥308 million (\$3,753 thousand) as a result of the tax rate change, with increases of ¥846 million (\$10,298 thousand) in income taxes-deferred, ¥534 million (\$6,505 thousand) in net unrealized gain on available-for-sale securities, ¥3 million (\$39 thousand) in deferred loss on hedging derivatives, and ¥0 million (\$0 thousand) in minority interests in net income of consolidated subsidiaries.

Deferred tax liabilities associated with revaluation fell ¥1,331 million (\$16,195 thousand), with a corresponding increase in revaluation reserve for land.

## 19. Notes on Business Combination by Acquisition

(1) Outline of business combination

(i) Name and business lines of acquired company

Name of acquired company PIRACICABA INDÚSTRIA DE PAPEIS ESPECIAIS E PARTICIPAÇÕES LTDA.  
Business lines of acquired company Manufacturing and marketing of thermal papers, carbonless papers, etc.

(ii) Primary reason for business combination

The Company and Fibria Celulose S.A. (“Fibria”), from which the company was acquired, have enjoyed a long-standing relationship in the thermal and carbonless paper business since 1989, when the Company began to provide technical assistance to Fibria. PIRACICABA INDÚSTRIA DE PAPEIS ESPECIAIS E PARTICIPAÇÕES LTDA is Fibria’s base for the manufacturing and marketing of thermal and carbonless paper. This acquisition will further enhance the globalization of the Company’s imaging media paper business, serving as a base in South America in association with the Company’s recent initiatives in Japan, Asia, North America and Europe.

(iii) Acquisition date

September 29, 2011

(iv) Legal form of business combination

Share acquisition with cash as consideration

(v) Name of company following acquisition

Oji Papéis Especiais Ltda.

(vi) Percentage of voting rights acquired

100%

(vii) Main reason for decision to acquire the company

The Company's cash acquisition of shares.

(2) Period of results of acquired company included in consolidated financial statements

From October 1, 2011 to December 31, 2011.

(3) Acquisition cost of acquired company and breakdown of amount

Acquisition value R\$594,845,000

Expenses for acquisition 323 million yen (\$3,934 thousand)

(4) Items regarding distribution of contents of acquisition cost

(i) Amount and breakdown of assets acquired and liabilities assumed on date of business combination

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥ 7,180	\$ 87,368
Noncurrent assets	15,447	187,951
<b>Total assets</b>	<b>22,628</b>	<b>275,319</b>
Current liabilities	2,051	24,959
Noncurrent liabilities	888	10,807
<b>Total liabilities</b>	<b>2,939</b>	<b>35,766</b>

(ii) Amount of goodwill, reason for recognition, and method and period of amortization

- Amount of goodwill R\$141,001,000

- Reason for recognition of goodwill

Since the acquisition cost exceeds the net amount of assets acquired and liabilities assumed, the excess amount has been recognized as goodwill.

- Method and period of amortization of goodwill

Amortized by the straight-line method over 13 year

(5) Estimated impact of business combination on the consolidated statements of income for the year ended March 31, 2012 and how it is calculated assuming business combination was completed on April 1, 2011

We do not calculate estimates because of practical difficulties.

## 20. Segment Information

For the year ended March 31, 2012

### (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 Note 1 to 5.

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, 2012

	Reporting segments			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Pulp and paper products	Converted paper products	Total				
(Millions of yen)							
<b>Sales</b>							
Sales to third parties	¥ 537,146	¥ 462,063	¥ 999,210	¥ 213,701	¥ 1,212,912	¥ -	¥ 1,212,912
Inter-segment sales and transfers	161,104	11,685	172,789	164,406	337,196	(337,196)	-
Total sales	698,251	473,749	1,172,000	378,108	1,550,108	(337,196)	1,212,912
Segment profit	34,568	14,248	48,816	7,833	56,649	(2,869)	53,780
Segment assets	996,680	378,265	1,374,946	273,502	1,648,449	(13,457)	1,634,992
<b>Other items</b>							
Depreciation and amortization (Note 4)	57,997	14,113	72,110	3,913	76,024	-	76,024
Increase in property, plant, equipment and intangible assets (Note 4)	40,232	11,317	51,550	3,190	54,740	-	54,740

For the year ended March 31, 2012

	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)							
<b>Sales</b>							
Sales to third parties	\$ 6,535,427	\$ 5,621,897	\$ 12,157,324	\$ 2,600,095	\$ 14,757,420	\$ –	\$ 14,757,420
Inter-segment sales and transfers	1,960,145	142,177	2,102,323	2,000,320	4,102,643	(4,102,643)	–
<b>Total sales</b>	<b>8,495,573</b>	<b>5,764,074</b>	<b>14,259,648</b>	<b>4,600,415</b>	<b>18,860,063</b>	<b>(4,102,643)</b>	<b>14,757,420</b>
Segment profit	420,588	173,361	593,950	95,303	689,253	(34,912)	654,341
Segment assets	12,126,546	4,602,333	16,728,879	3,327,690	20,056,570	(163,730)	19,892,840
<b>Other items</b>							
Depreciation and amortization (Note 4)	705,651	171,717	877,369	47,612	924,981	–	924,981
Increase in property, plant, equipment and intangible assets (Note 4)	489,507	137,703	627,210	38,814	666,025	–	666,025

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:

(1) Adjustment for segment profit, ¥(2,869) million (\$34,912) thousand, includes the following items.

- Adjustment related to internal transactions	¥ 3,000 million (\$ 36,511 thousand)
- Amortization of goodwill	¥ (2,074) million (\$ (25,242) thousand)
- Group-wide expenses* not allocated to each reporting segment	¥ (3,821) million (\$ (46,494) thousand)

\*Group-wide expenses: mainly general and administrative expenses not allocated to each reporting segment

(2) Adjustment for segment assets, ¥(13,457) million (\$163,730) thousand, includes the following items.

- Elimination of inter-segment debts and credits, and other	¥ (58,117) million (\$ (707,108) thousand)
- Group-wide assets* not allocated to each reporting segment	¥ 29,233 million (\$ 355,676 thousand)

\*Group-wide assets: investment securities not allocated to each reporting segment

- Unamortized balance of goodwill	¥ 15,427 million (\$ 187,701 thousand)
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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, 2011

	Reporting segments			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Pulp and paper products	Converted paper products	Total				
(Millions of yen)							
<b>Sales</b>							
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)	–
<b>Total sales</b>	<b>716,036</b>	<b>459,687</b>	<b>1,175,724</b>	<b>330,933</b>	<b>1,506,657</b>	<b>(326,526)</b>	<b>1,180,131</b>
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
<b>Other items</b>							
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



## 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:
  - (1) Adjustment for segment profit, ¥(3,639) million, includes the following items.
 

- Adjustment related to internal transactions	¥ 1,694 million
- Amortization of goodwill	¥ (1,674) million
- Group-wide expenses* not allocated to a reporting segment	¥ (3,791) million

\*Group-wide expenses: mainly general and administrative expenses not allocated to each reporting segment
  - (2) Adjustment for segment assets, ¥(17,879) million, includes the following items.
 

- Elimination of inter-segment debts and credits, and other	¥ (56,649) million
- Group-wide assets* not allocated to each reporting segment	¥ 29,400 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.

## (4) Related information

For the year ended March 31, 2012

## (i) 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.

## (ii) Information by region

## Sales

Japan	Asia	North America	Europe	Oceania	Other	Total
(Millions of yen)						
¥ 1,084,821	¥ 87,722	¥ 17,462	¥ 10,374	¥ 5,683	¥ 6,847	¥ 1,212,912

## Property, plant and equipment

Japan	China	Asia	North America	South America	Europe	Oceania	Total
(Millions of yen)							
¥ 699,383	¥ 106,412	¥ 27,932	¥ 2,614	¥ 13,850	¥ 5,915	¥ 26,456	¥ 882,565

## Sales

Japan	Asia	North America	Europe	Oceania	Other	Total
(Thousands of U.S. dollars)						
\$ 13,198,941	\$ 1,067,309	\$ 212,466	\$ 126,231	\$ 69,152	\$ 83,318	\$ 14,757,420

## Property, plant and equipment

Japan	China	Asia	North America	South America	Europe	Oceania	Total
(Thousands of U.S. dollars)							
\$ 8,509,353	\$ 1,294,714	\$ 339,848	\$ 31,807	\$ 168,522	\$ 71,971	\$ 321,896	\$ 10,738,113

## Information by major customer

Name of company	Sales		Related segment
	(Millions of yen)	(Thousands of U.S. dollars)	
Japan Pulp and Paper Company Limited	¥ 142,540	\$ 1,734,278	Pulp and paper products, Converted paper products
Kokusai Pulp & Paper Co., Ltd.	136,025	1,655,016	Pulp and paper products, Converted paper products

For the year ended March 31, 2011

(i) 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.

(ii) Information by region

Sales

As the "Japan" segment accounts for more than 90% of the total amount of sales in all the segments for the year ended March 31, 2011, this information (i) is omitted.

Property, plant and equipment

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

Information by major customer

Name of company	Sales	Related segment
	(Millions of yen)	
Japan Pulp and Paper Company Limited	¥ 151,778	Pulp and paper products, Converted paper products
Kokusai Pulp & Paper Co., Ltd.	138,283	Pulp and paper products, Converted paper products

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

For the year ended March 31, 2012

	Pulp and paper products	Converted paper products	Other (Note 1)	Total
(Millions of yen)				
Impairment loss	¥ 2,262	¥ 40	¥ 273	¥ 2,577

	Pulp and paper products	Converted paper products	Other (Note 1)	Total
(Thousands of U.S. dollars)				
Impairment loss	\$ 27,533	\$ 498	\$ 3,324	\$ 31,355

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, 2012, ¥2,149 million (\$26,152 thousand) is included in loss on business restructuring of special losses.

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

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 is included in loss on business restructuring of special losses.

(6) Information on amortization and ending balance of goodwill by reporting segment  
For the year ended March 31, 2012  
(See "Segment information (3)")

For the year ended March 31, 2011  
(See "Segment information (3)")

(7) Information on gain on negative goodwill by reporting segment  
For the year ended March 31, 2012  
As there is no significance in terms of amount, this information is omitted.

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, 2012

(1) Transactions with related parties  
Significant transactions with related parties

None

(2) Notes on significant affiliates  
Summary of financial information on significant affiliates

None

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)
Total current assets	¥ 28,657
Total non-current assets	129,652
Total current liabilities	26,304
Total non-current liabilities	49,954
Total net assets	82,051
Net sales	65,367
Income before income taxes	11,979
Net income	8,448

## 22. Per Share Information

As of and for the fiscal year ended March 31, 2012 and 2011

	(Yen)		(U.S. dollars)
	2012	2011	2012
Net assets per share	¥ 454.20	¥ 444.24	\$ 5.52
Net income per share	22.46	24.92	0.27
Diluted net income per share (Note 1)	22.44	24.90	0.27

Notes:

1. Basis for computations of net income per share and diluted net income per share is as follows:

For the fiscal year ended March 31, 2012 and 2011

	(Millions of yen)		(Thousands of U.S. dollars)
	2012	2011	2012
Net income per share			
Net income	¥ 22,177	¥ 24,619	\$ 269,837
Amount not attributable to common shareholders	—	—	—
Net income allocated to common stock	22,177	24,619	269,837
Average number of shares outstanding during the period	thousand shares 987,504	thousand shares 988,103	thousand shares 987,504
Diluted net income per share			
Adjusted amount of net income	—	—	—
Increase in shares of common stock	thousand shares 958	thousand shares 739	thousand shares 958
(Share subscription rights among the above increase)	(thousand shares) (958)	(thousand shares) (739)	(thousand shares) (958)

## 23. Significant Subsequent Events

Business combination as a result of acquiring a company

On June 7, 2012, the Company acquired additional shares in equity-method affiliate Japan Brazil Paper and Pulp Resources Development Co., Ltd. (JBP). As a result, JBP changed from an equity-method company to a consolidated subsidiary of the company. JBP's wholly owned subsidiary Celulose Nipo-Brasileira S.A. (CNB) also became a consolidated subsidiary of the company. Details of the share acquisition are as follows.

(1) Main reason for business combination

The Company is increasing its engagement in the resource and environmental businesses (including the pulp business) as part of its management strategy. CNB is one of the world's leading commercial suppliers of pulp, based in Brazil (a country with world-class competitiveness) with annual pulp production capacity of around 1.2m tons. Acquiring shares in JBP not only gives the company the advantage of CNB's strong earnings capability, but also offers potential synergies between the new group company CNB and our established pulp businesses.

(2) Acquisition date: June 7, 2012

(3) Legal form of business combination

Acquisition of shares for cash

(4) Name of companies following acquisition

Japan Brazil Paper and Pulp Resources Development Co., Ltd. and Celulose Nipo-Brasileira S.A.

(5) Percentage of voting rights acquired

Percentage of voting rights before business combination: 39.84% (of which 0.34% was held indirectly)

Additional share of voting rights acquired on date of business combination: 9.48% (0% held indirectly)

Percentage of voting rights after business combination: 49.32% (of which 0.34% is held indirectly)

(6) Main reason for decision to acquire the company

It was an opportunity to acquire the shares for cash.

(7) Acquisition cost of acquired company and breakdown of amount

Acquisition cost: ¥8,788 million (\$106,934 thousand)

## 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, 2011	March 31, 2012	March 31, 2012			
			(Millions of yen)		(Thousands of U.S. dollars)			
Oji Paper Co., Ltd.	Bond No.22	August 19, 2003	¥ 20,000	¥ 20,000	\$ 243,338	1.25	None	August 19, 2013
Oji Paper Co., Ltd.	Bond No.23	July 23, 2004	20,000 (20,000)	–	–	1.47	None	July 22, 2011
Oji Paper Co., Ltd.	Bond No.24	July 23, 2004	20,000	20,000	243,338	2.01	None	July 23, 2014
Oji Paper Co., Ltd.	Bond No.25	July 28, 2010	20,000	20,000	243,338	0.56	None	July 28, 2015
Oji Paper Co., Ltd.	Bond No.26	July 28, 2010	20,000	20,000	243,338	0.86	None	July 28, 2017
Oji Paper Co., Ltd.	Bond No.27	July 27, 2011	–	20,000	243,338	0.57	None	July 27, 2016
Oji Paper Co., Ltd.	Bond No.28	July 27, 2011	–	20,000	243,338	0.86	None	July 27, 2018
Ginpo Pack Co., Ltd.	Bond No.5	December 30, 2008	180 (60)	120 (60)	1,460 (730)	1.00	None	December 30, 2013
Ginpo Pack Co., Ltd.	Bond No.6	September 10, 2009	105 (30)	75 (30)	912 (365)	0.90	None	September 10, 2014
Ginpo Pack Co., Ltd.	Bond No.7	September 30, 2010	135 (30)	105 (30)	1,277 (365)	0.61	None	September 30, 2015
Ginpo Pack Co., Ltd.	Bond No.8	June 22, 2011	–	180 (40)	2,190 (486)	0.68	None	June 22, 2016
Total	–	–	100,420 (20,120)	120,480 (160)	1,465,871 (1,946)	–	–	–

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, 2012 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)				
¥ 160	¥ 20,160	¥ 20,085	¥ 20,055	¥ 20,020
(Thousands of U.S. dollars)				
\$ 1,946	\$ 245,285	\$ 244,372	\$ 244,007	\$ 243,581



## (2) Short-term borrowings and long-term debt

	March 31, 2011	March 31, 2012	March 31, 2012	Average interest rate (%)	Maturity
	(Millions of yen)		(Thousands of U.S. dollars)		
Short-term borrowings	¥ 185,460	¥ 173,349	\$ 2,109,136	1.01	–
Current portion of long-term debt	33,871	163,182	1,985,433	1.26	–
Current portion of lease obligations	844	967	11,767	–	–
Long-term debt (excluding current portion)	479,388	327,707	3,987,193	1.59	Due 2013 through 2051
Lease obligations (excluding current portion)	2,628	2,602	31,667	–	Due 2013 through 2024
<b>Total</b>	<b>702,193</b>	<b>667,810</b>	<b>8,125,197</b>	<b>–</b>	<b>–</b>

### Notes:

1. The above average interest rate is the weighted-average interest rate applicable to the above borrowings and debt 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 debt and lease obligations (excluding current portion) within five years subsequent to March 31, 2012 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 debt	¥ 132,737	¥ 34,075	¥ 103,542	¥ 23,714
Lease obligation	908	563	327	143

	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 debt	\$ 1,615,005	\$ 414,599	\$ 1,259,795	\$ 288,537
Lease obligation	11,058	6,856	3,984	1,741

## (3) Asset Retirement Obligations

As the amount of asset retirement obligations as of March 31, 2012 and 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.

## Independent Auditor's Report

The Board of Directors  
OJI PAPER CO., LTD.

We have audited the accompanying consolidated financial statements of OJI PAPER CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OJI PAPER CO., LTD. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Emphasis of Matter*

We draw attention to Note 23 to the consolidated financial statements, which describes On June 7, 2012, the Company acquired additional shares in equity-method affiliate Japan Brazil Paper and Pulp Resources Development Co., Ltd. (JBP). As a result, JBP changed from an equity-method company to a consolidated subsidiary of the company. JBP's wholly owned subsidiary Celulose Nipo-Brasileira S.A. (CNB) also became a consolidated subsidiary of the company. Our opinion is not qualified in respect of this matter.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst Young Shinikon LLC*

June 28, 2012

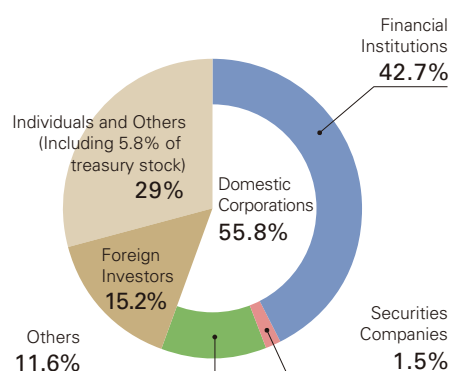
## ■ Shares of Common Stock (As of March 31, 2012)

Authorized :	2,400,000,000 shares
Issued :	1,064,381,817 shares
Number of Shareholders :	79,242 (Decrease of 7,060 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
National Mutual Insurance Federation of Agricultural Cooperatives
Japan Pulp and Paper Company Limited

## ■ Distribution of Shareholders (%)



Company Name:	Oji Holdings Corporation	Founded:	February 12, 1873
Headquarters:	4-7-5 Ginza, 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

Main Business Lines:	Integrated pulp and paper manufacturing, processing and sales, including newsprint, printing and writing paper, packaging paper, functional paper, carbonless paper, sanitary paper, containerboard and boxboard
	Manufacture and sales of processed goods, including corrugated container, folding cartons, plastic films, thermal paper, adhesive paper and disposable diapers
	Manufacture and sales of papermaking chemicals as well as packaging and processing machines
	Land and building leasing on company-owned forests
	Tree plantation operations both in and outside Japan as well as management and upkeep of company-owned forests

Number of Employees:	24,683 (March 31, 2012, consolidated)
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(As of March 31, 2012)



OJI HOLDINGS

**Oji Holdings Corporation**

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