



Donating drawing pads to schools (Nichinan Mill)



UNITED KOTAK (Malaysia)



Paper Workshop (Edogawa Mill)

Passion

Sincerity

Teamwork

Pursuing Efficiency in Domestic Business Expanding Overseas Business

# Summary on Financial Results and Management Strategies

June 9, 2011



Jiangsu Oji Paper Nantong Mill PM1



Donating notebooks to schools (Laos)



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# 1. Financial Highlights of FY2010





## 1. Demand in Paper Industry in FY2010

	Domestic Shipments		Customs Cleared Imports <sup>*1</sup>		Total	
	Year on Year (%)		Year on Year (%)		Year on Year (%)	
Containerboard	8,643	103.1%	120	78.6%	8,763	102.7%
Boxboard	1,639	101.0%	213	99.0%	1,852	100.8%
Other paperboard	657	106.2%	42	146.7%	699	108.0%
<b>Total (paperboard)</b>	<b>10,939</b>	<b>102.9%</b>	<b>375</b>	<b>94.6%</b>	<b>11,314</b>	<b>102.7%</b>
Sanitary paper	1,813	102.1%	65	101.1% ※2	1,878	102.2%
Packaging paper	834	104.1%	14	109.8%	848	104.2%
Newsprint	3,264	97.2%	127	83.6%	3,391	96.6%
Printing/Communication paper	8,534	98.4%	1,188	88.9%	9,722	97.1%
Miscellaneous paper	765	102.3%	18	75.7%	783	101.6%
<b>Total (paper)</b>	<b>15,210</b>	<b>99.0%</b>	<b>1,412</b>	<b>88.9%</b>	<b>16,622</b>	<b>98.1%</b>
<b>Total (paper and paperboard)</b>	<b>26,149</b>	<b>100.6%</b>	<b>1,787</b>	<b>90.0%</b>	<b>27,936</b>	<b>99.9%</b>
						(m2 mil.)
<b>Corrugated containers <sup>*3</sup></b>	<b>13,100</b>	<b>102.2%</b>				

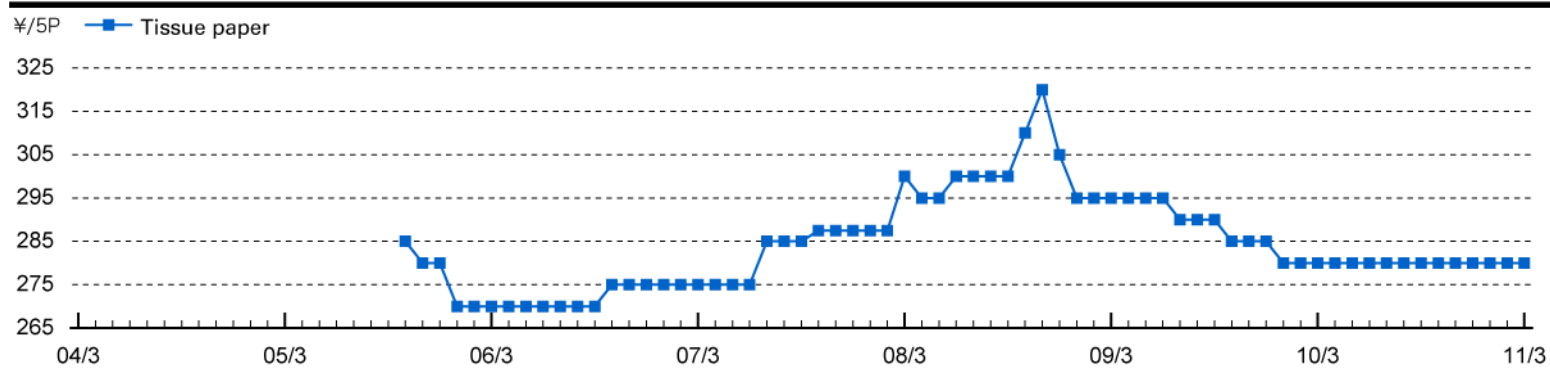
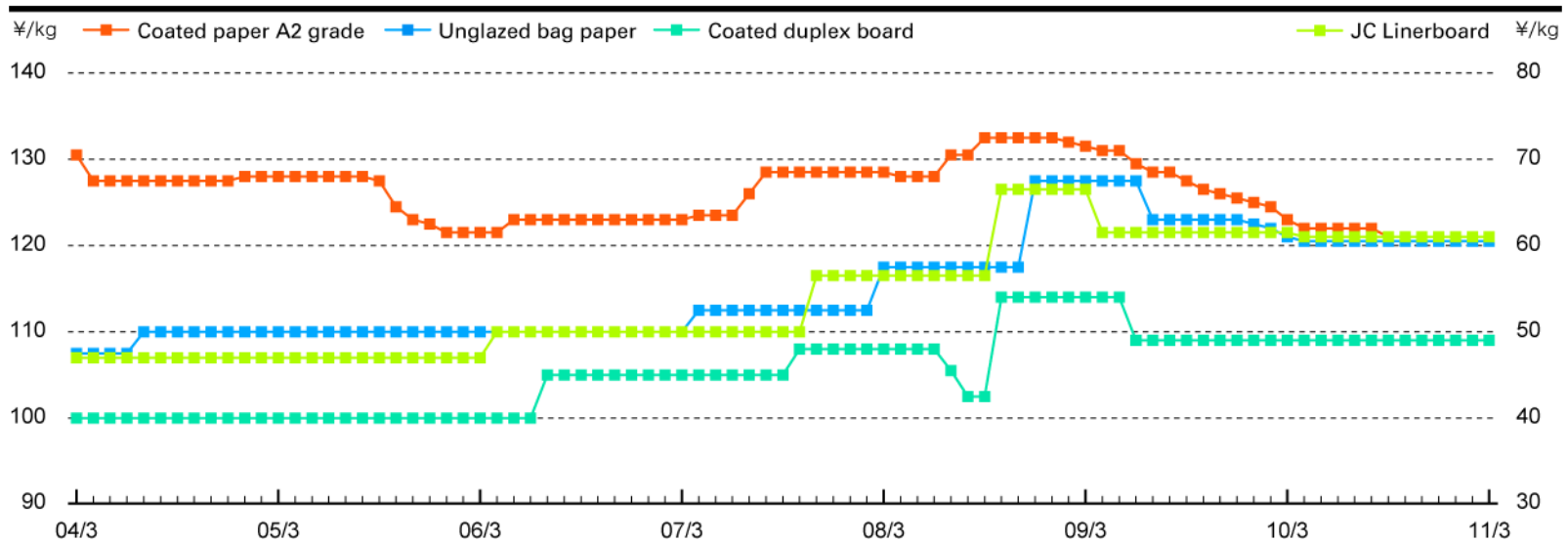
Source : Japan Paper Association-Statistics on Paper and Paperboard, Trade Statistics of Ministry of Finance Japan,

\*1: Statistics for customs cleared imports of paper refer to April 2010 - March 2011.

\*2: The figure shown in customs cleared imports of sanitary paper includes secondary products (processed goods).

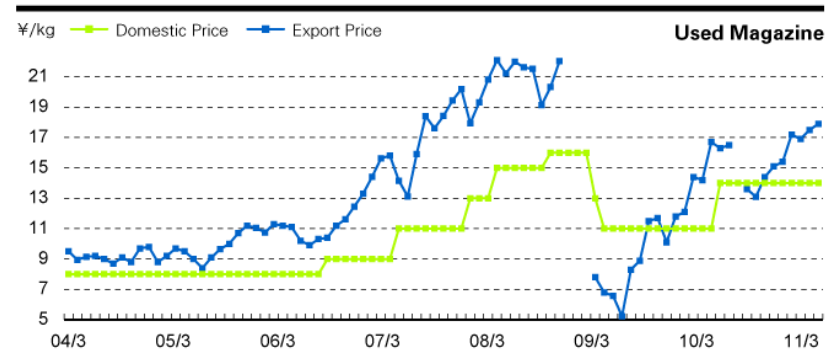
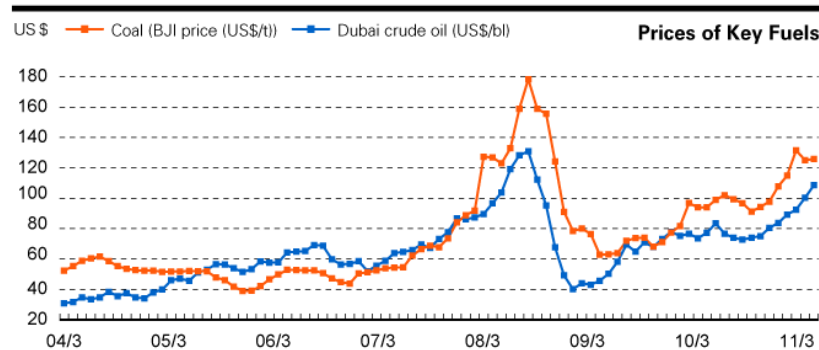
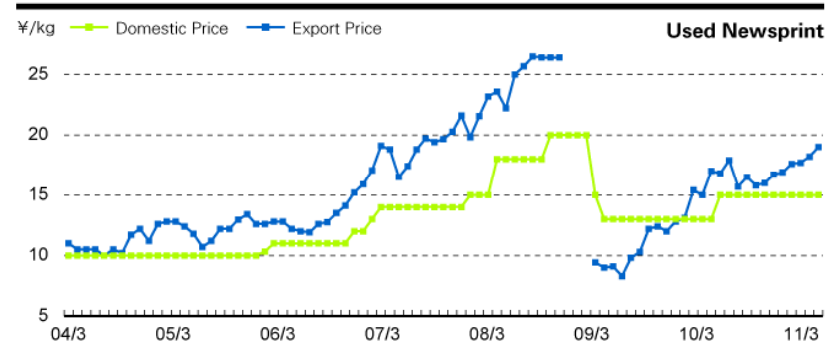
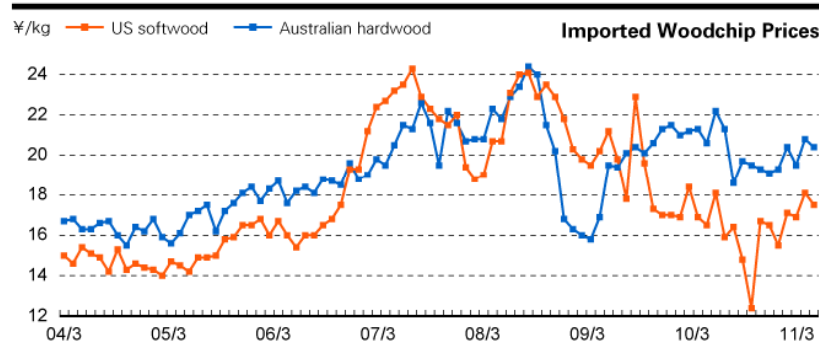
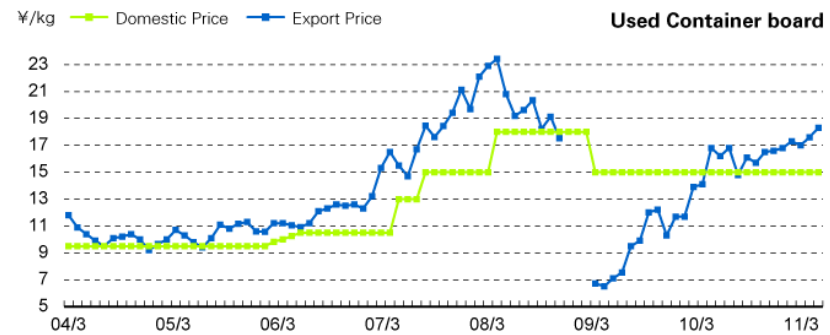
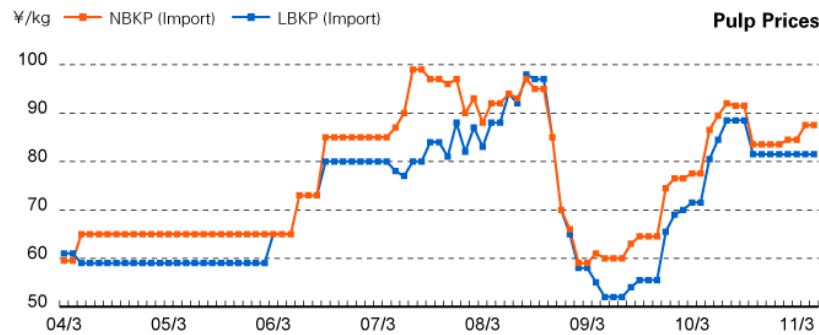
\*3: The figure shown in Corrugated containers is volume of sheet production.

2. Trends in Sales Prices





### 3. Trends in Main Raw Materials and Fuel Prices





## 4. Financial Highlights of FY2010

(¥ bil.)

	FY2009	FY2010	Increase(Decrease)
Net Sales	1,147.3	1,180.1	32.8
Operating Income	73.7	65.4	(8.3)
Ordinary Income	64.7	60.2	(4.5)
Net Income	24.9	24.6	(0.3)
Depreciation	85.8	79.6	(6.2)
Exchange rate (¥/US\$)	92.9	85.7	(7.2)
Scope of consolidation			
(Number of consolidated companies)	92 companies	113 companies	+21 companies
(Number of affiliated companies which the equity method applies)	14 companies	13 companies	(1 company)

## Consolidated companies +21 companies

Establishment of Southeast Asian business base in Malaysia (Oji Paper Asia),  
 Acquisition of containerboard and converting companies (GS Paper & Packaging group (8 companies), United Kotak Berhad. (8 companies)),  
 establishment of export and import sales and resources business base in China (Oji Paper International Trading (Shanghai) Co., Ltd.),  
 enhancement of trading concern function in Oji group (Kyokuyo Pulp & Paper Co., Ltd.),  
 and expansion of chemical products and converting business (FUJIKAKO CO.,LTD., Shikoku Pack, Ginpo Pack) etc.

## Company which the equity method applies (1 company)

Added Kyokuyo pulp & paper Co., Ltd. to Oji group through additional acquisition of stock.



## 5. Net Sales and Operating Income by Segment

( ¥ bil.)

	FY2009		FY2010		Increase (Decrease)	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Pulp and paper products	562.0	52.6	560.3	49.8	(1.7)	(2.8)
Converted paper products	443.8	17.3	450.0	15.1	6.2	(2.2)
Other	141.5	5.1	169.8	4.1	28.3	(1.0)
Adjustment	—	(1.3)	—	(3.6)	—	(2.3)
<b>Total (Consolidated)</b>	<b>1,147.3</b>	<b>73.7</b>	<b>1,180.1</b>	<b>65.4</b>	<b>32.8</b>	<b>(8.3)</b>

Note : Net Sales stated above are sales to outside customers (excluding inter-segment sales)





## 6. Sales by Major Types of Products (Consolidated)

	FY2009			FY2010			Increase (Decrease)			
	Sales volume	Unit price	Sales	Sales volume	Unit price	Sales	Sales volume	Y on Y	Unit price	Sales
	Thousand of tons	¥/kg	(¥ bil.)	Thousand of tons	¥/kg	(¥ bil.)	Thousand of tons	%	¥/kg	(¥ bil.)
<b>Total (paperboard)</b>	3,036	67.66	205.4	<b>3,059</b>	<b>66.27</b>	<b>202.8</b>	23	100.8%	(1.39)	(2.7)
Sanitary paper	224	216.27	48.4	216	203.62	43.9	(8)	96.3%	(12.65)	(4.5)
Packaging paper	265	103.46	27.5	288	101.69	29.3	23	108.6%	(1.77)	1.9
General paper	3,181	111.63	355.1	3,017	109.80	331.3	(164)	94.8%	(1.83)	(23.8)
Specialty paper etc.	224	233.87	52.5	238	229.97	54.8	14	106.3%	(3.90)	2.4
<b>Total (paper)</b>	3,895	124.13	483.5	<b>3,760</b>	<b>122.18</b>	<b>459.4</b>	(135)	96.5%	(1.95)	(24.1)
<b>Total (paper and Paperboard)</b>	6,931	99.39	688.9	<b>6,819</b>	<b>97.10</b>	<b>662.1</b>	(112)	98.4%	(2.29)	(26.8)

Note : Figures above are aggregations of production subsidiaries under consolidation which include inter-segment consumption.

<b>Corrugated containers</b>		213.0	<b>214.4</b>		1.4
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Note : Sales to outside customers



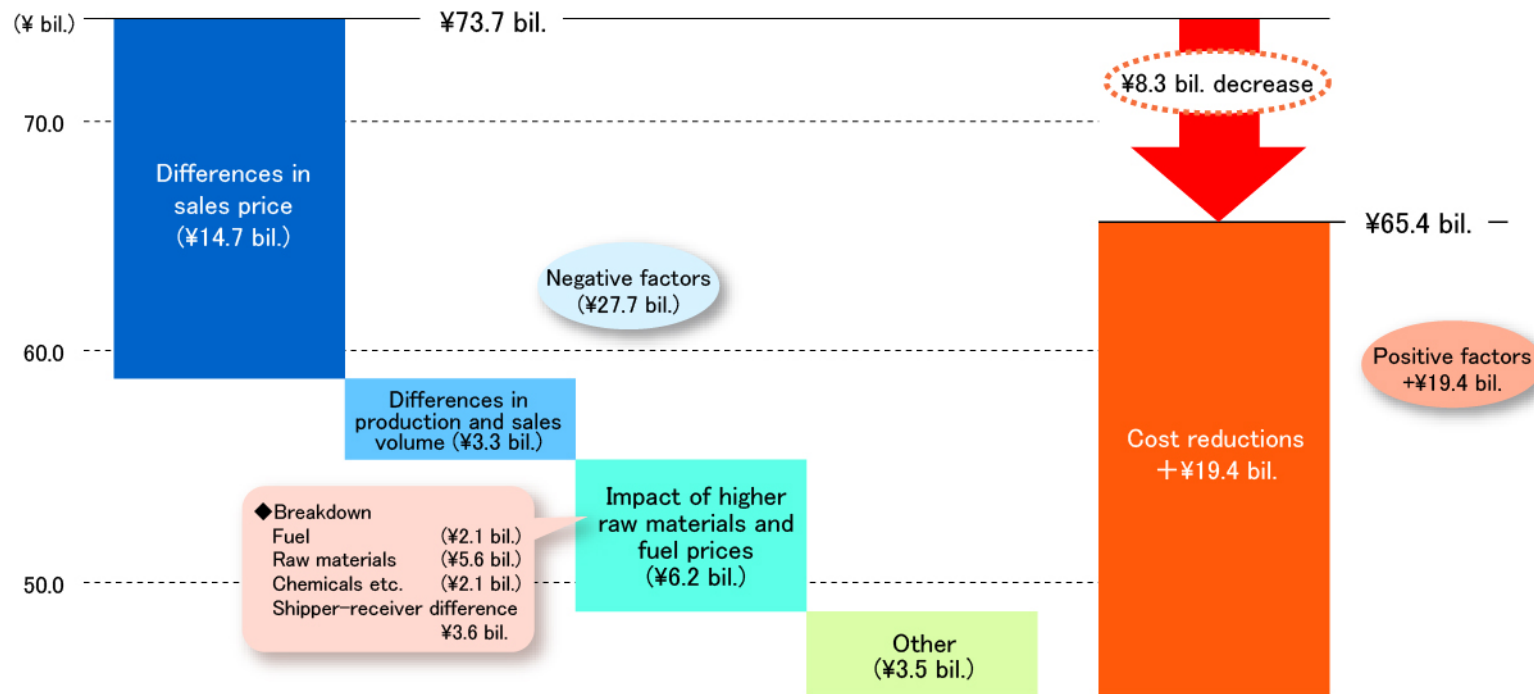
## 7. Breakdown of Increase/Decrease of Consolidated Operating Income

(FY2009 to FY2010)

FY2009 ¥ 73.7 bil.



FY2010 ¥ 65.4 bil. ( ¥ 8.3 bil. decrease)





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## 2. Management Target



# Management Target



## Management target

Operating income: ¥ 100 billion +

Net income: ¥ 50 billion +

↓ To achieve the target

## Basic strategy

### Accomplish business portfolio transition through innovation

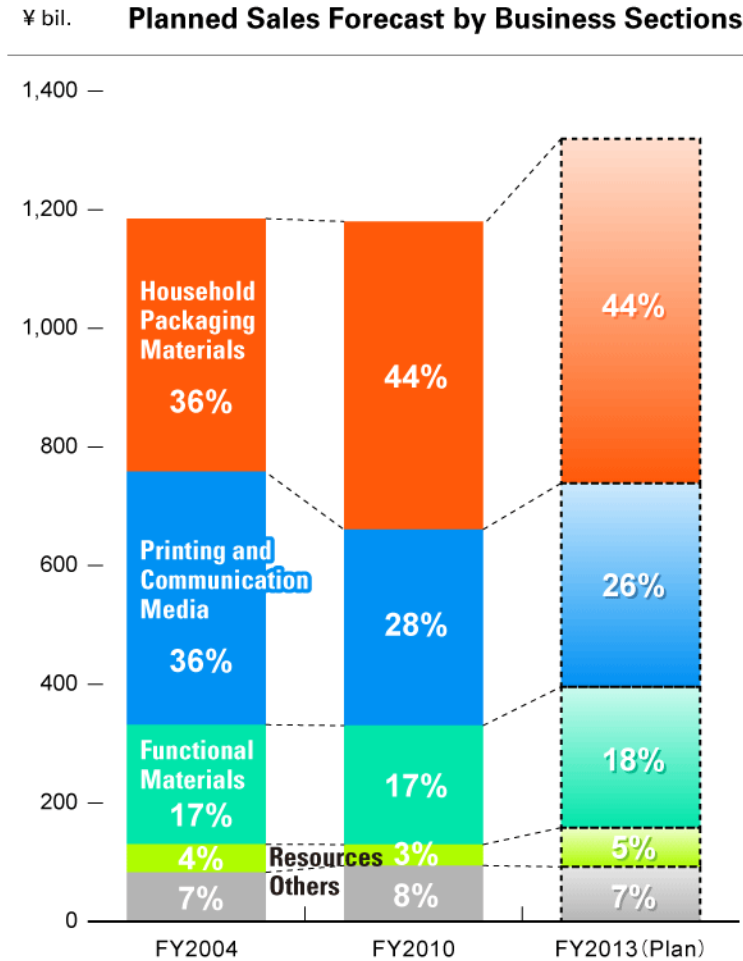
- Enhance global competitiveness through aggressive cost reduction
- Establish integrated business model (Material & Converted Products)
  - Growth through incubating R&D oriented business
  - Promote resource and green environmental business
- Expand overseas business especially in East Asia (Overseas sales ratio target : 20%)



### Continuous growth & company value improvement

In order to accelerate business portfolio transition, group organization restructuring such as transition to pure holding company will be studied.

Planned Sales Forecast by Business Sections





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### 3. Progress Report of Business Portfolio Transition



## 1. Household and Packaging Materials Company ①

Household products: Strengthen marketing power and brand recognition

40th ♥ nepia

Tissue



New products responding to customer's demand "New softer, better feeling type"



[Toilet Rolls ]

- Upgrade to the high density soft emboss.  
(New products have emboss more than 2.5 times as many as conventional products.)
- Adopt environmentally-friendly biomass film from sugarcane as packaging.  
(This biomass film does not compete with food because it is made from squeezed sugarcane.)

Disposable Diapers



Expand production facilities to meet growing demand.



- Easy-to-use adult diapers with wide-type tapes which can be repositioned easily.  
"Wide tape type" adult diapers.

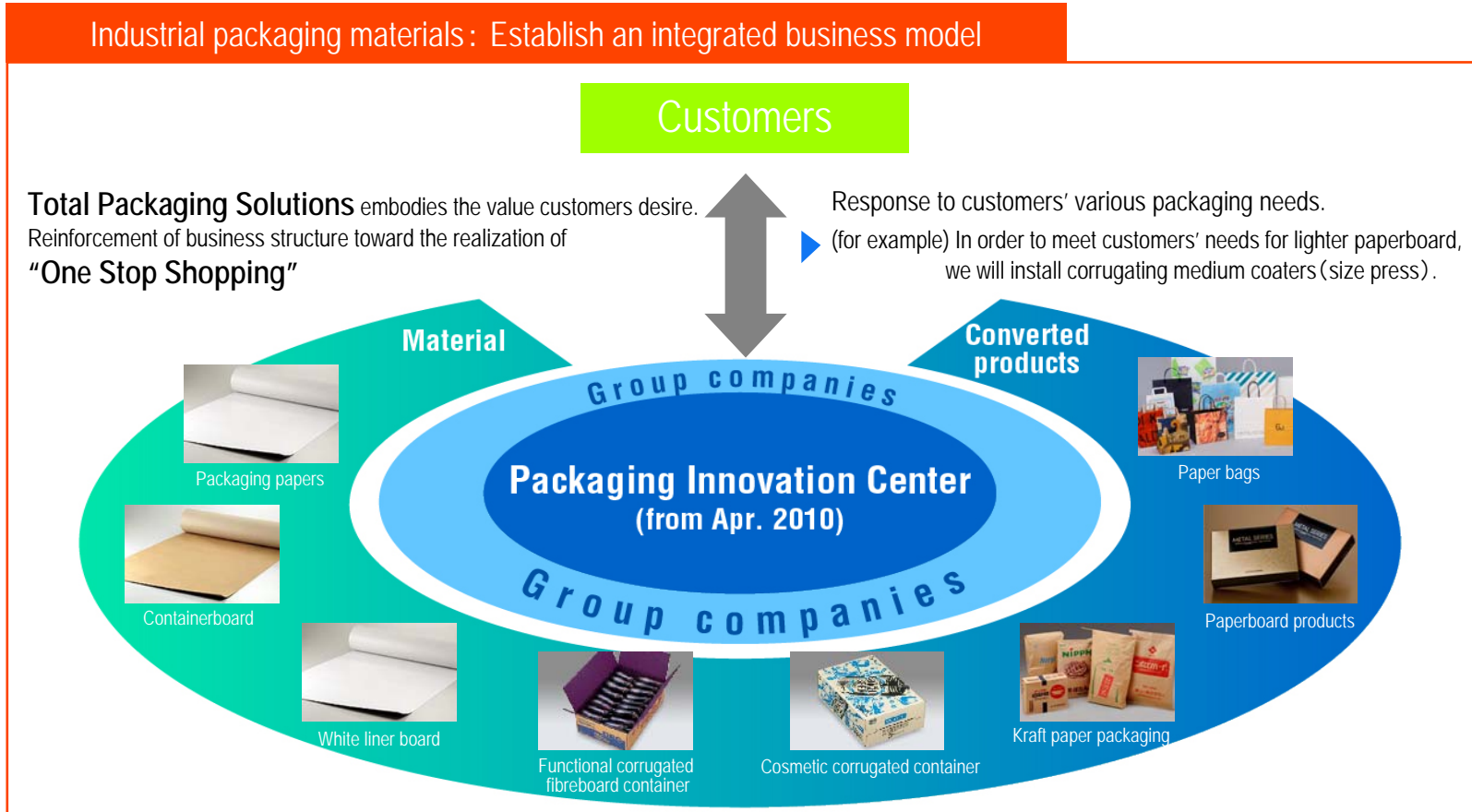
Add a new converting machine of "wide tape type" adult diapers  
(Operation will start and new products will be released Sept. 2012.)

Add a new converting machine of "pants type" baby diapers  
(Operation will start and new products will be released July. 2012.)





# 1. Household and Packaging Materials Company ②

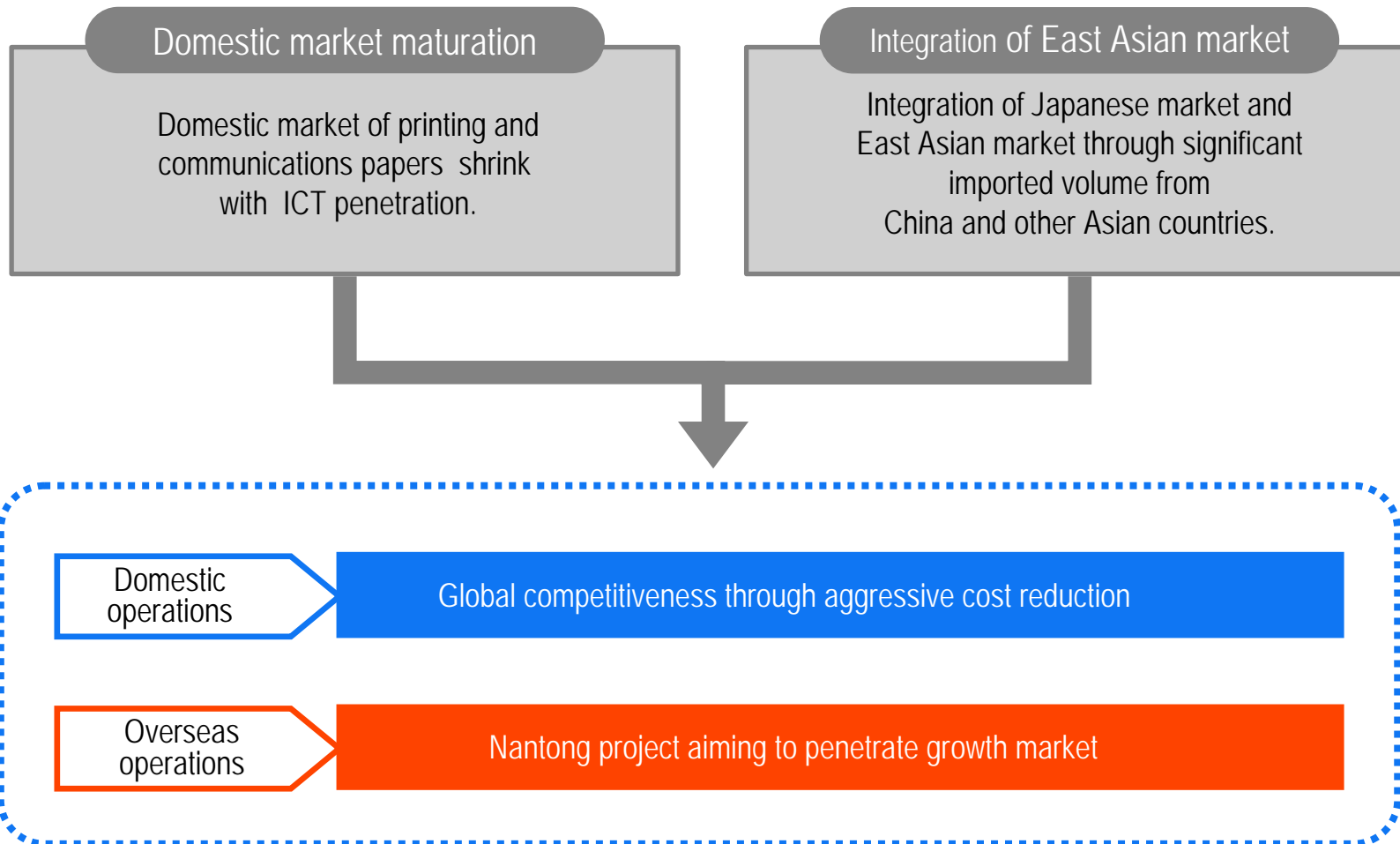


Enhance global competitiveness through aggressive cost reduction

2011 (released)      Closure: 1 paperboard machine (Net reduction of 140,000t/y)



## 2. Printing and Communications Media Company ①



## 2. Printing and Communications Media Company ②



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## Global competitiveness through aggressive cost reduction

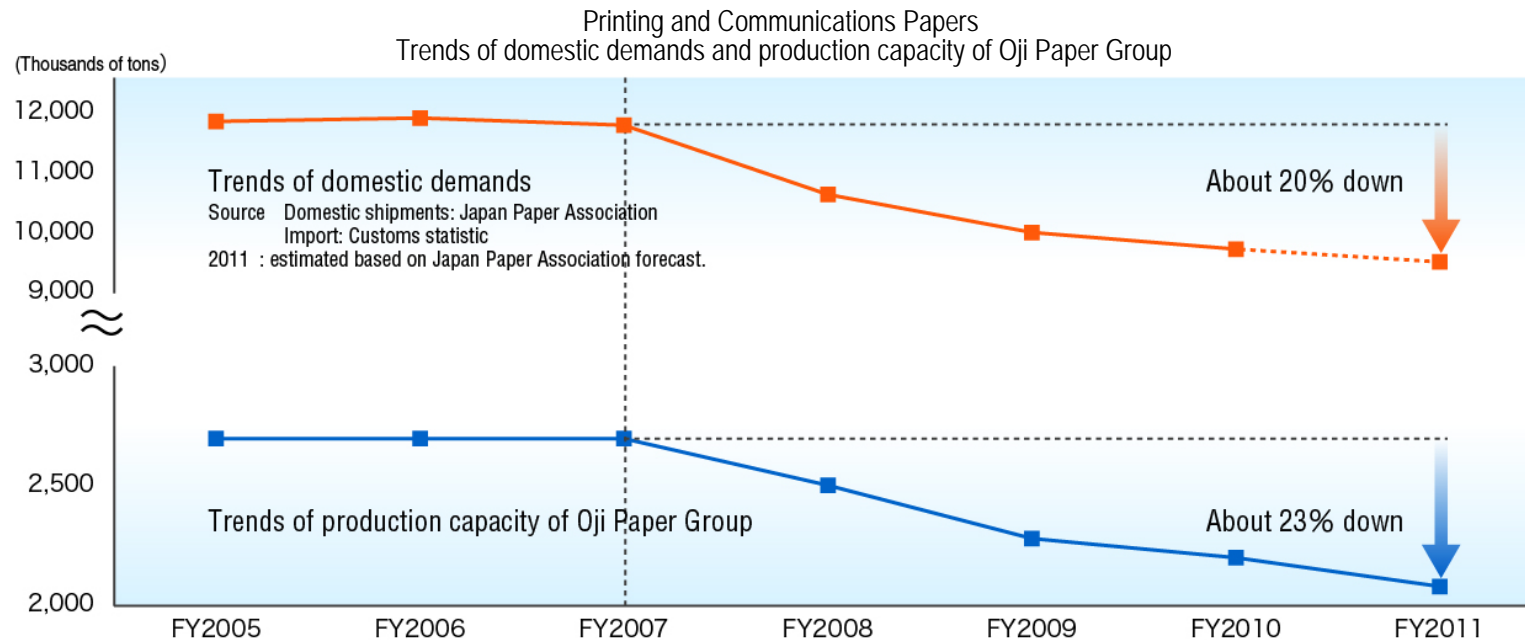
## Continue production restructuring

2008-2010

Closure: 11 paper machines, 3 coaters, new addition: 1 paper machine  
(reduction of 500,000t/y, annual cost saving: approx. 15 billion yen)

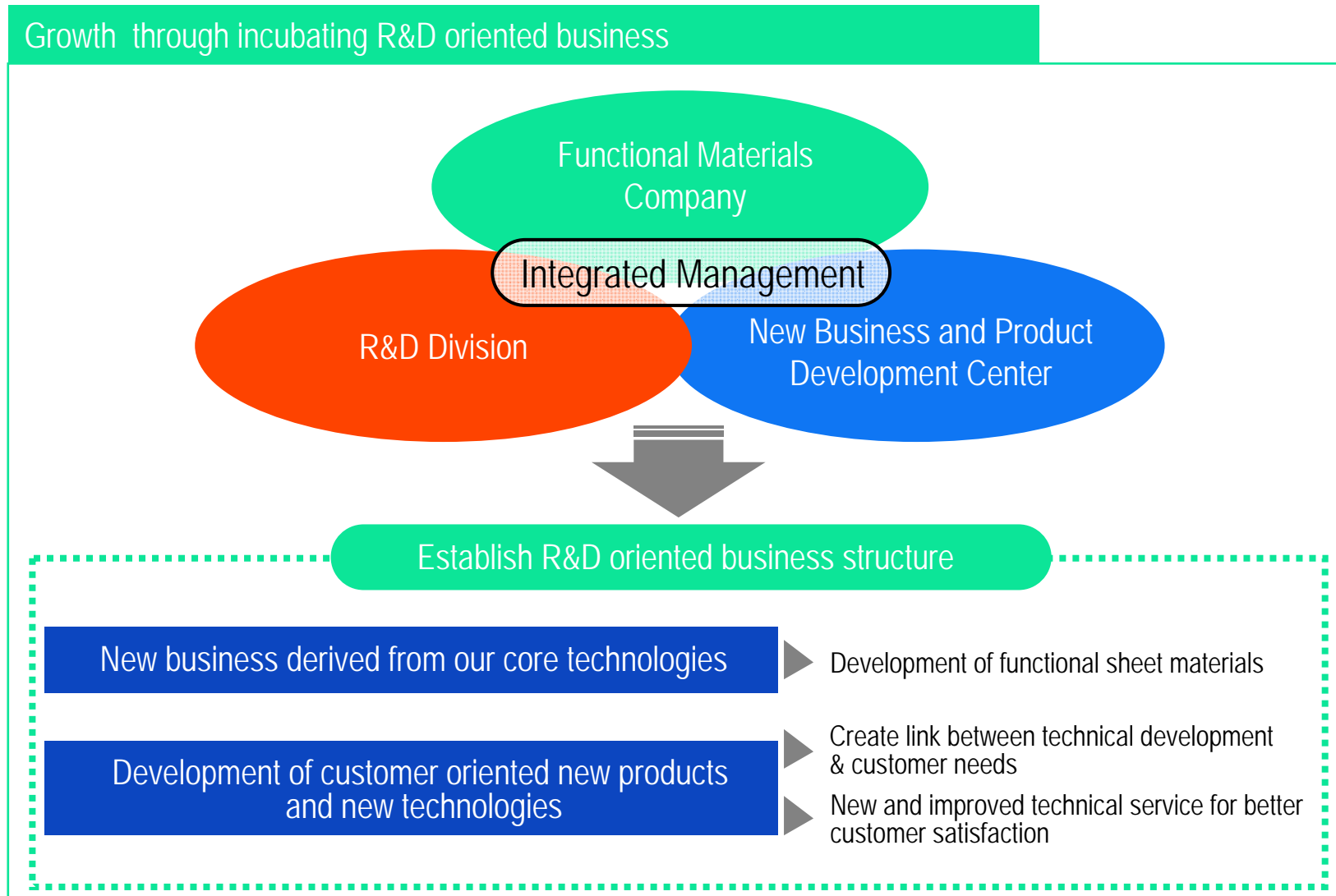
2011 (released)

Closure: 1 paper machine  
(reduction of 120,000t/y, annual cost saving including closure of paperboard manufacturing facility on page.10: approx. 5 billion yen)





### 3. Functional Materials Company ①





### 3. Functional Materials Company ②

(Development products)

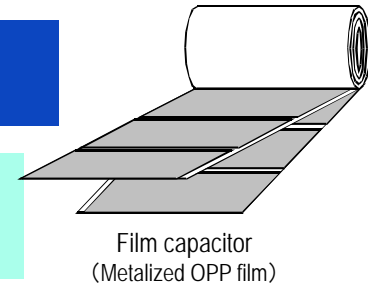
#### Ultra-thin OPP films for film capacitors (Oji Specialty Paper)

Dielectric thin film capacitor for hybrid vehicles (HEV)

Required properties for HEV capacitors  
light weight, small size and high capacity

Ultra-thin capacitor films with  
high voltage durability and long life

Our original polymer design of polypropylene and innovative film-forming technology enable the world's first ultra-thin capacitor films of 2.8micrometer thickness on the market.



#### Optical sheets produced by Nano-buckling technology (Oji Paper)

##### Nano-buckling Technology

Surface topographic patterns (pitch : 50nanometer– 20micrometer) are formed by contracting heat shrinkable film. Low-cost production process of large-area nano-buckling sheets were established. These optical sheets are now on the market.

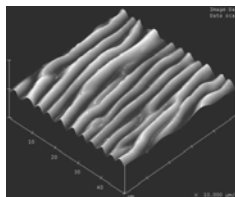
##### Characteristics of Nano-buckling sheet

- Anisotropic light-diffusing property
- Minimal loss of illuminance of lighting or luminance of display

##### Used as LED light diffuser

- Effects of glare reduction and good uniformity of lighting
- Minimal loss of illuminance
- **10~25%** saving of power consumption (compared to conventional diffuser)

##### Nano-buckling structure



pitch and height of micro-structure : 50nm-50mm

##### Application : Using Nano-buckling sheet as diffuser of LED tube

	Appearance	Illuminance (relative)	Glare (relative)
Transparent cover (Polycarbonate(PC))		100	100
Nano-buckling (single sheet)		100	30
Nano-buckling (two sheets, crossed)		96	8
PC cover with diffusion particles		87	6

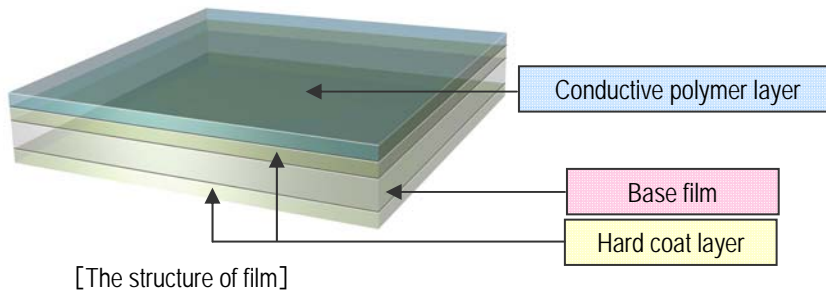


### 3. Functional Materials Company ③

(Development products)

#### Transparent conductive film of polymer type (New Tac Kasei)

The transparent conductive film of polymer type has newly been developed as alternative of ITO (Indium Tin Oxide) film. This rare-metal free film enjoys both high transparency and high conductivity suitable for touch-panel applications, etc.

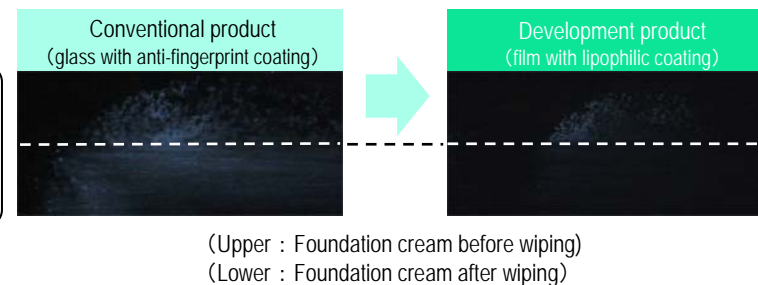


#### Anti-fingerprint hard coat adhesive film (New Tac Kasei)

Newly developed anti-fingerprint hard coat adhesive films are now on the market. Dirts on the screens of smart phone and tablet PC are easy to wipe away and no glass splash occurs when damaged.

##### Characteristics

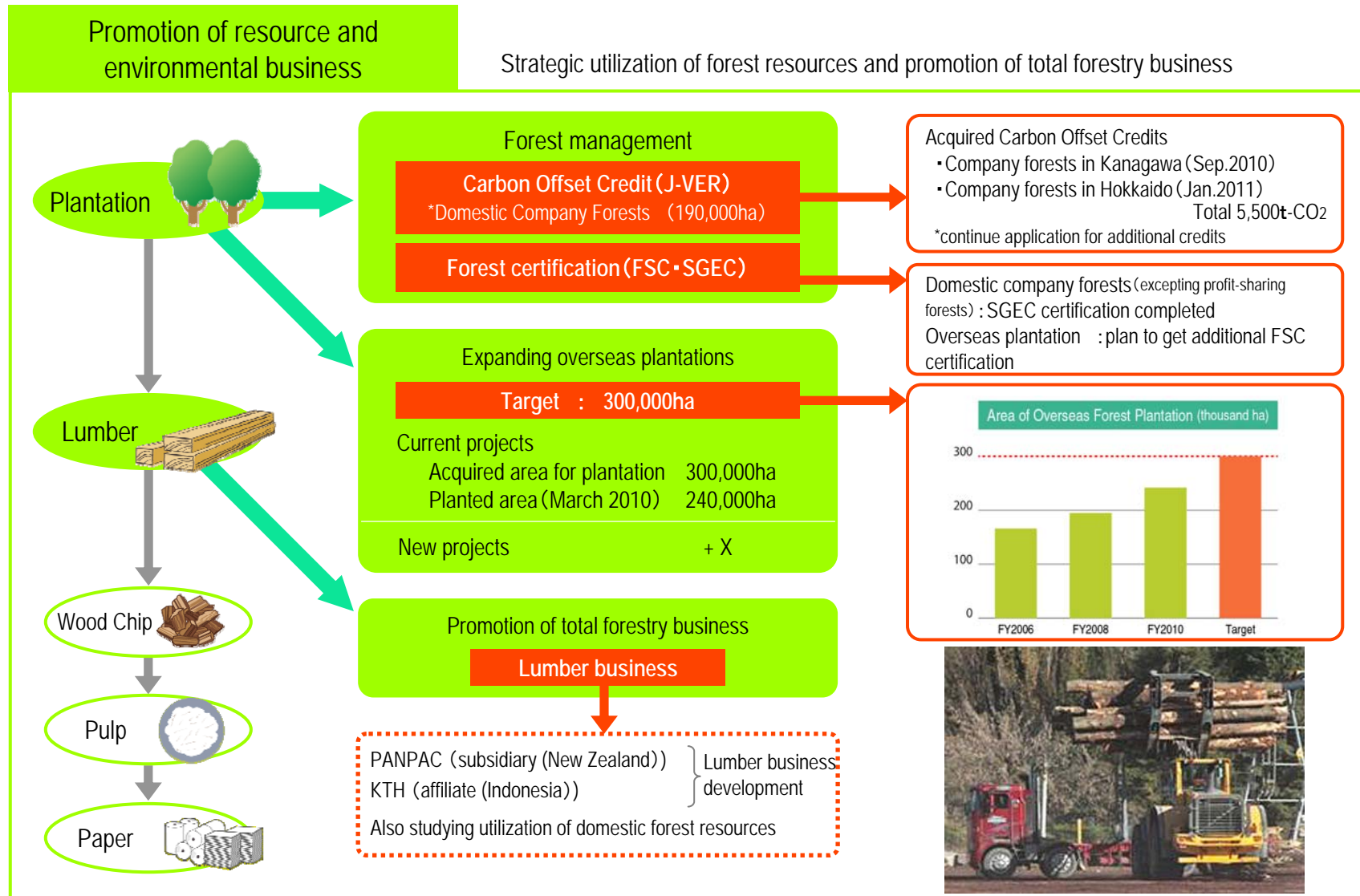
- Fingerprint and foundation cream on the screen are less visible.
- Fingerprints and dirt are easy to wipe away.
- Excellent suitability for punching.



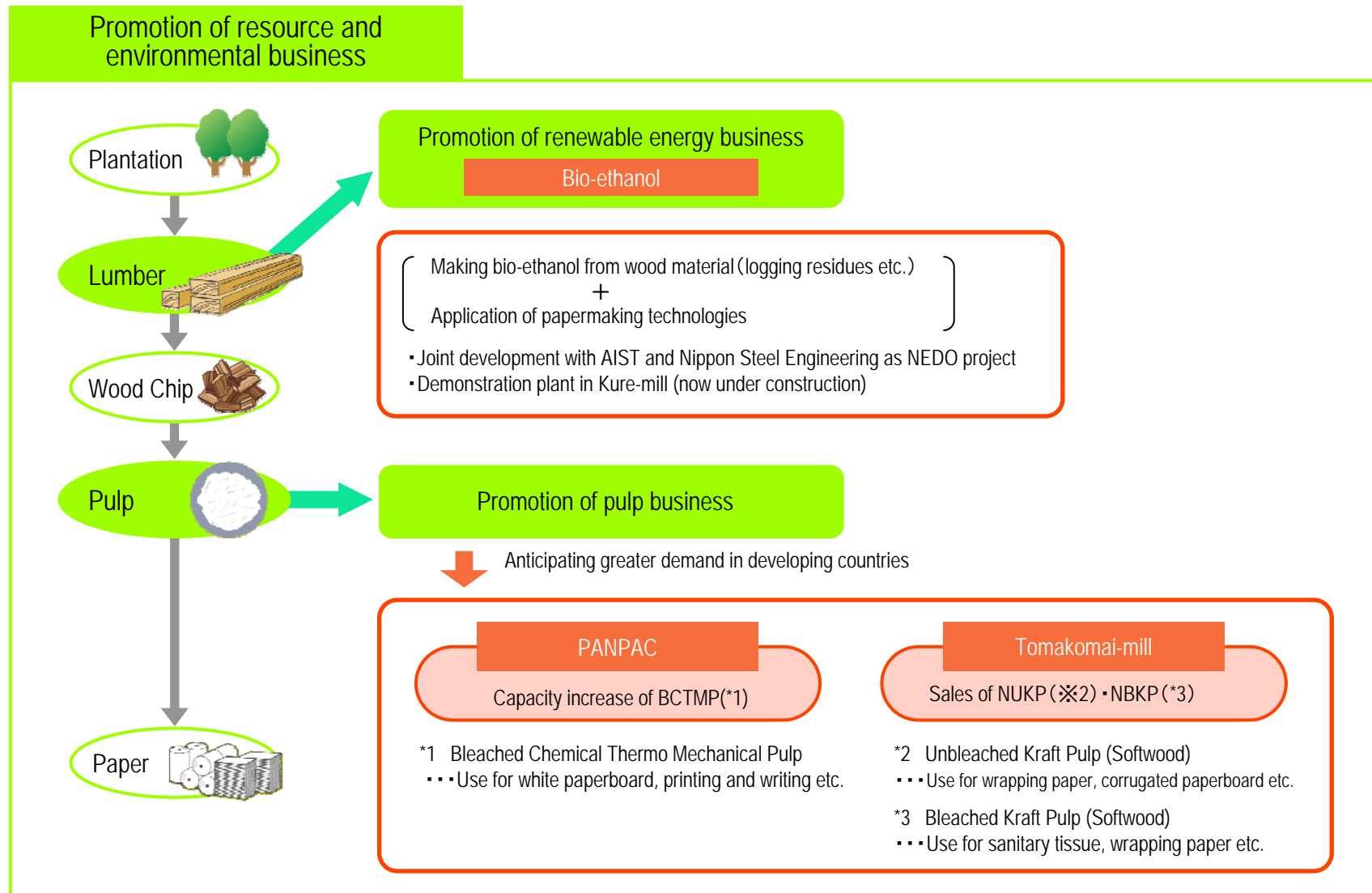




4. Resource and Environmental Business①



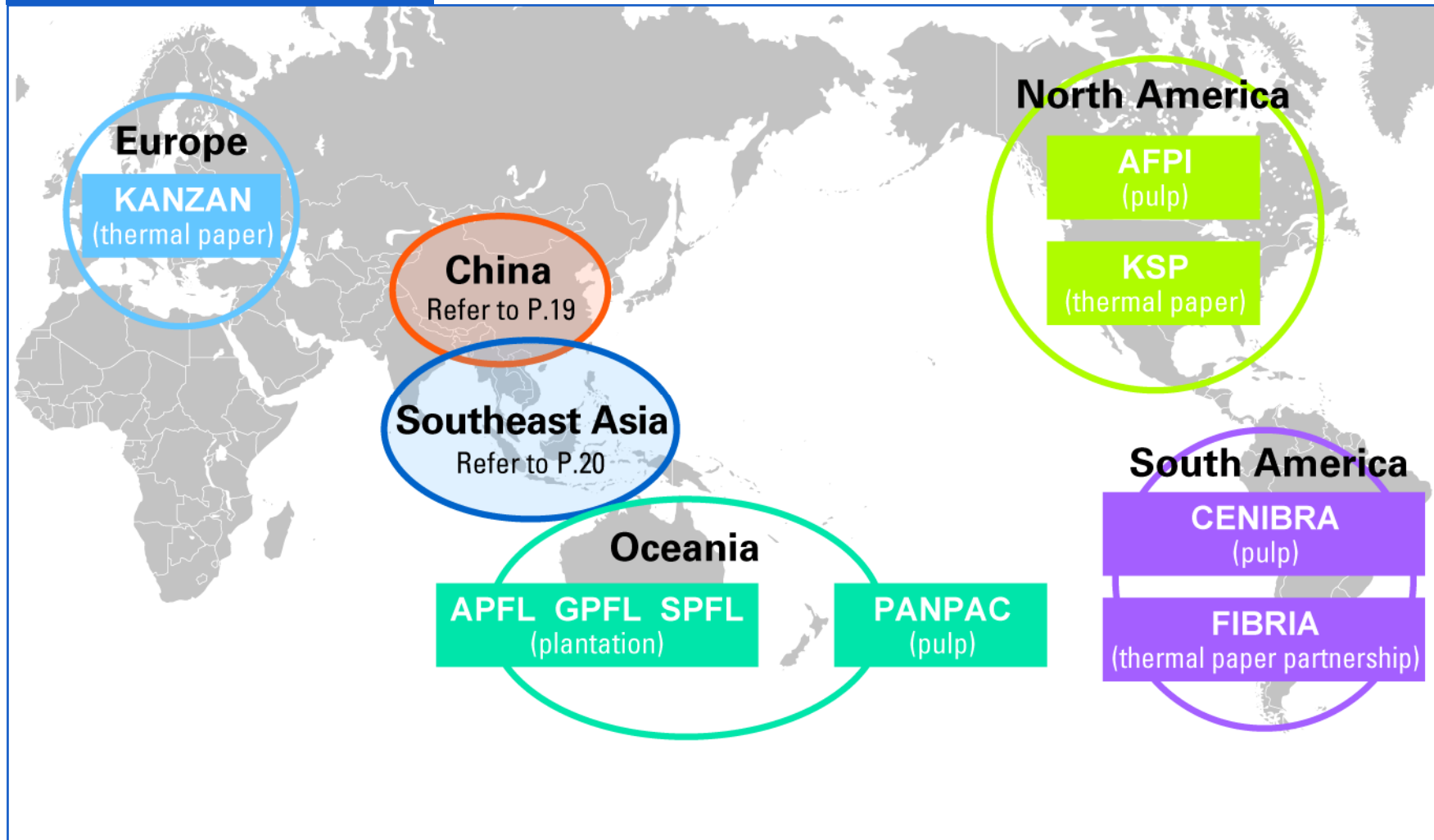
4. Resource and Environmental Business②



## 5. Overseas Development



### Major overseas production bases





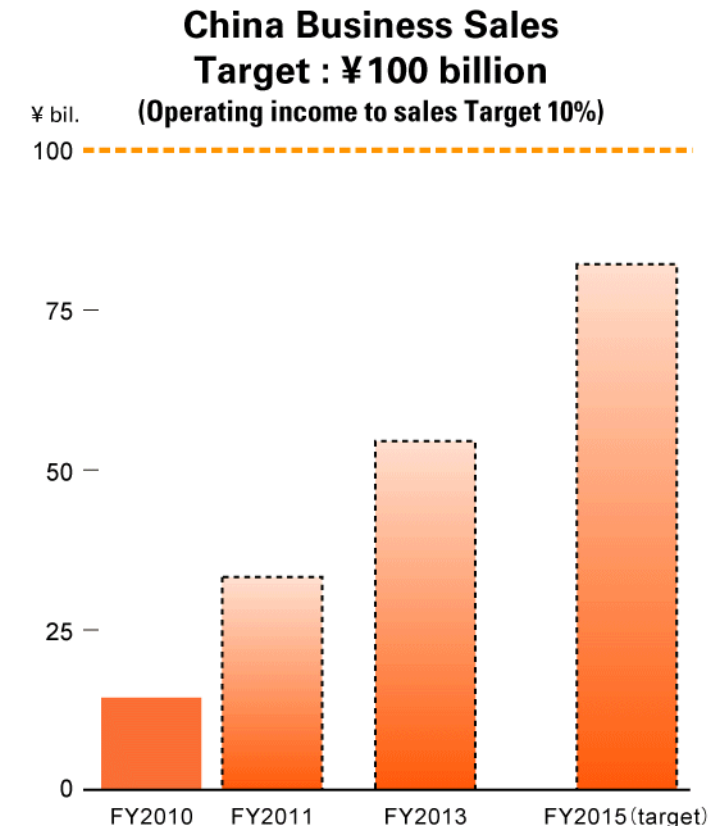
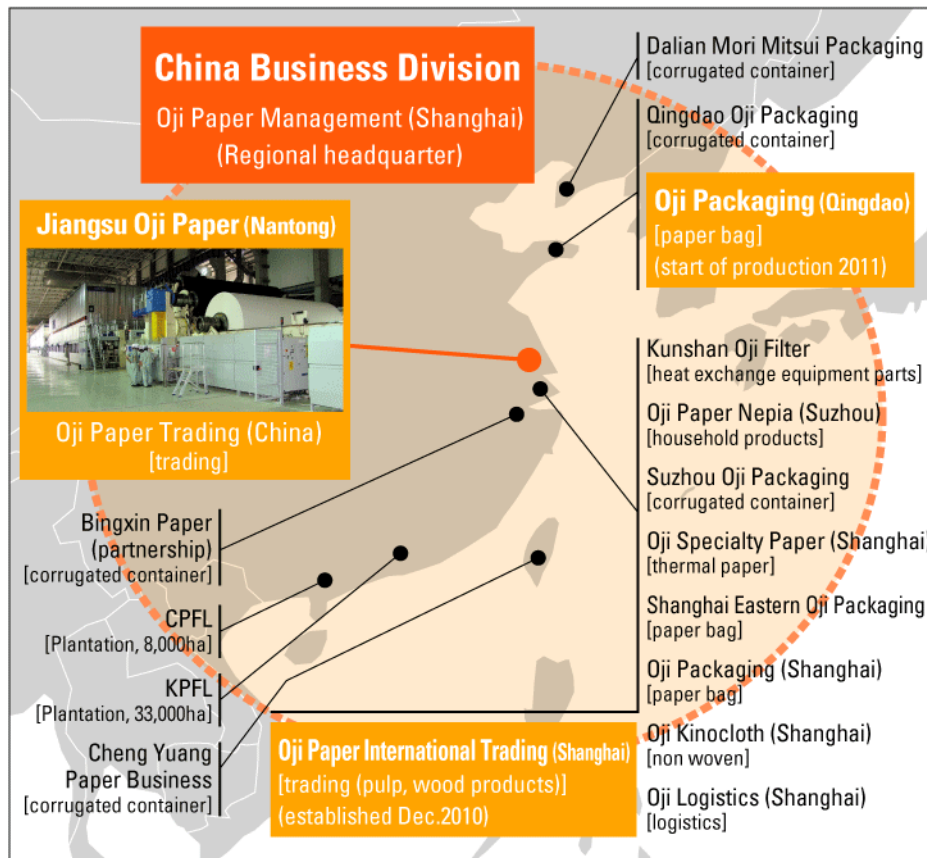
## 6. China Business

We will aggressively expand our business in Chinese market.  
Household and Industrial Materials, Printing and Communications Media, Functional Materials,  
Trading Company, etc.

Jiangsu Oji Paper  
(Nantong mill)



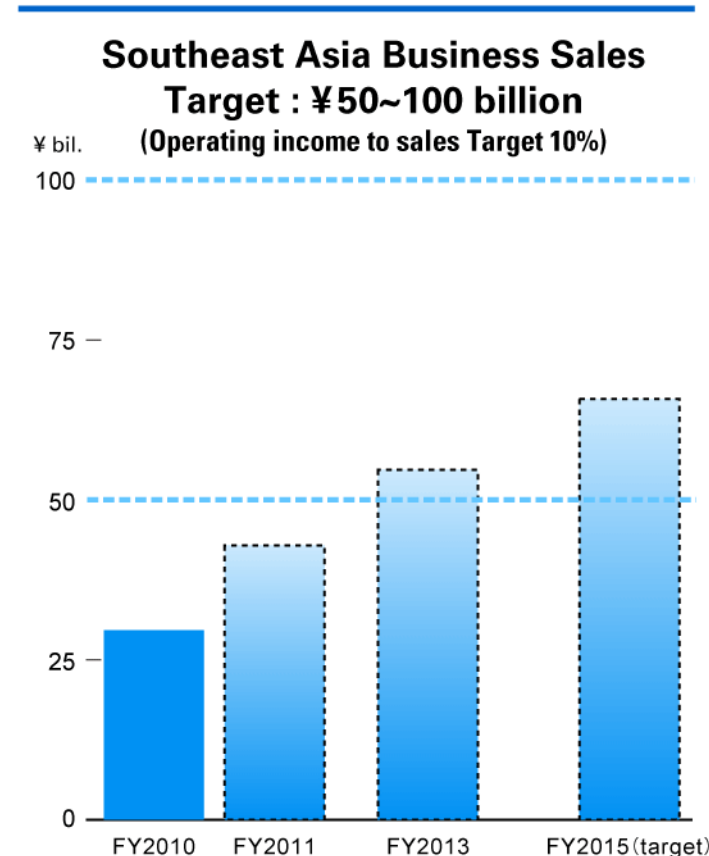
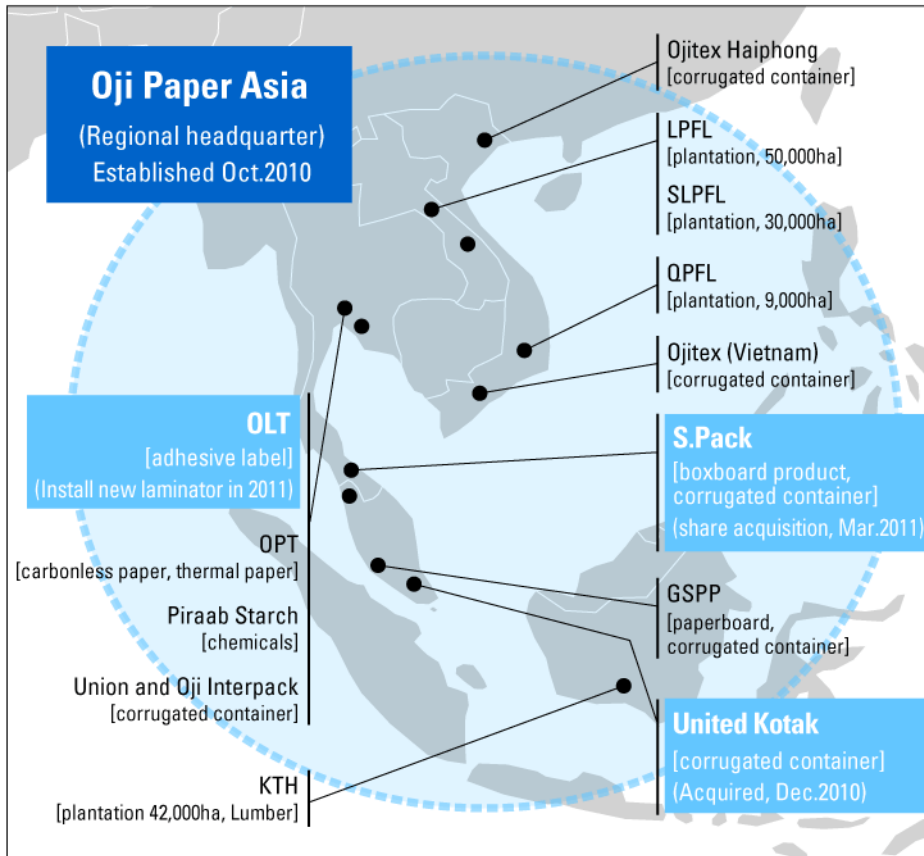
End of 2010 PM1 started production  
2013 Kraft pulp plant will be in operation





## 7. Southeast Asia Business

By utilizing regional headquarter, newly established in the growth Southeast Asian market, we will aggressively expand business in this area mainly by merger and acquisitions.



8. Overseas Sales



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Oji Paper Nepia (Suzhou)



Shanghai Eastern Oji Packaging



S.PACK (Thailand)



Oji Kinocloth (Shanghai)



GSPP (Malaysia)

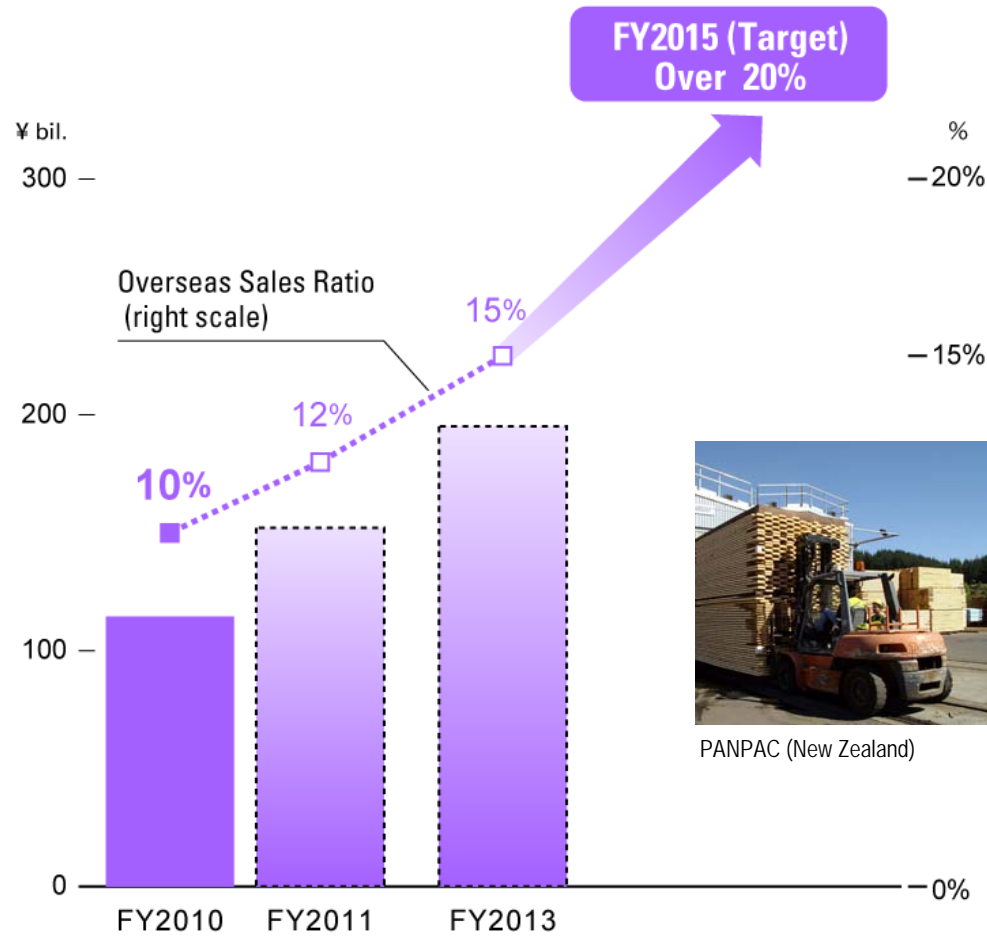


PANPAC (New Zealand)



KANZAN (Germany)

Overseas Sales ratio  
Target : 20%







## 9. Trading Function

Implemented in 2010

Acquisition of a majority stake  
in Kyokuyo Pulp and Paper

- Trading company, having an advantage for packaging, functional materials and paperboard
  - Utilize sales force committed to end users
- Subsidiaries turn over chemical products and specialty paper
  - Synergy effect between existing chemical products department

Establishment of  
Oji Paper International Trading (Shanghai)

- Import/export and sales of pulp, wood products, chemicals and raw materials for paper
  - Improving trading functions in China market
- Information collection and field survey
  - Furthering resource business in China

With reinforcing trading functions, we promote our business portfolio transition and maximize our profit.

Example of Kyokuyo Pulp and Paper's chemical products



[corrugated plastic container]



[foamed polypropylene packaging]



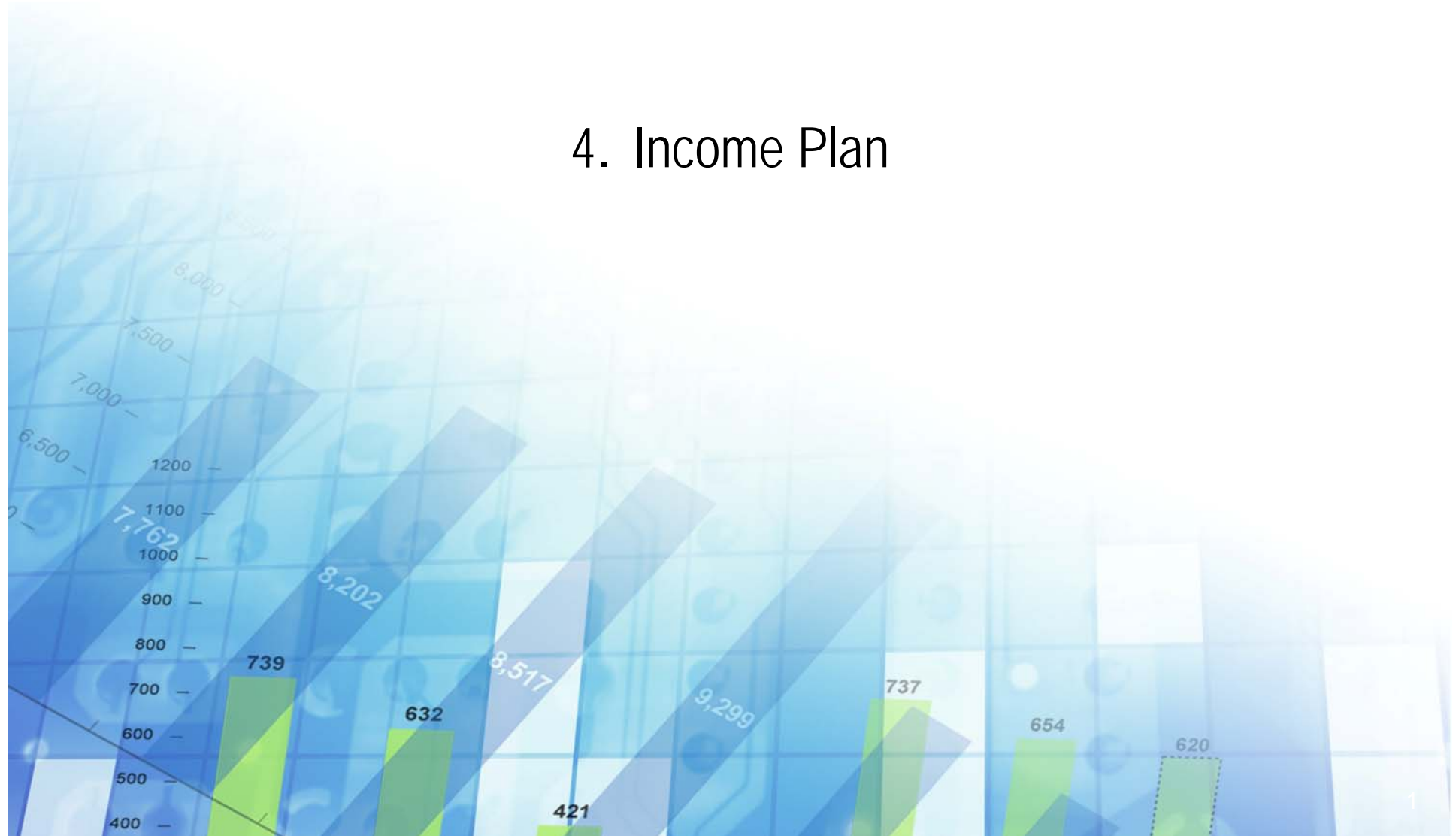
[original packaging]



[freezer tray]



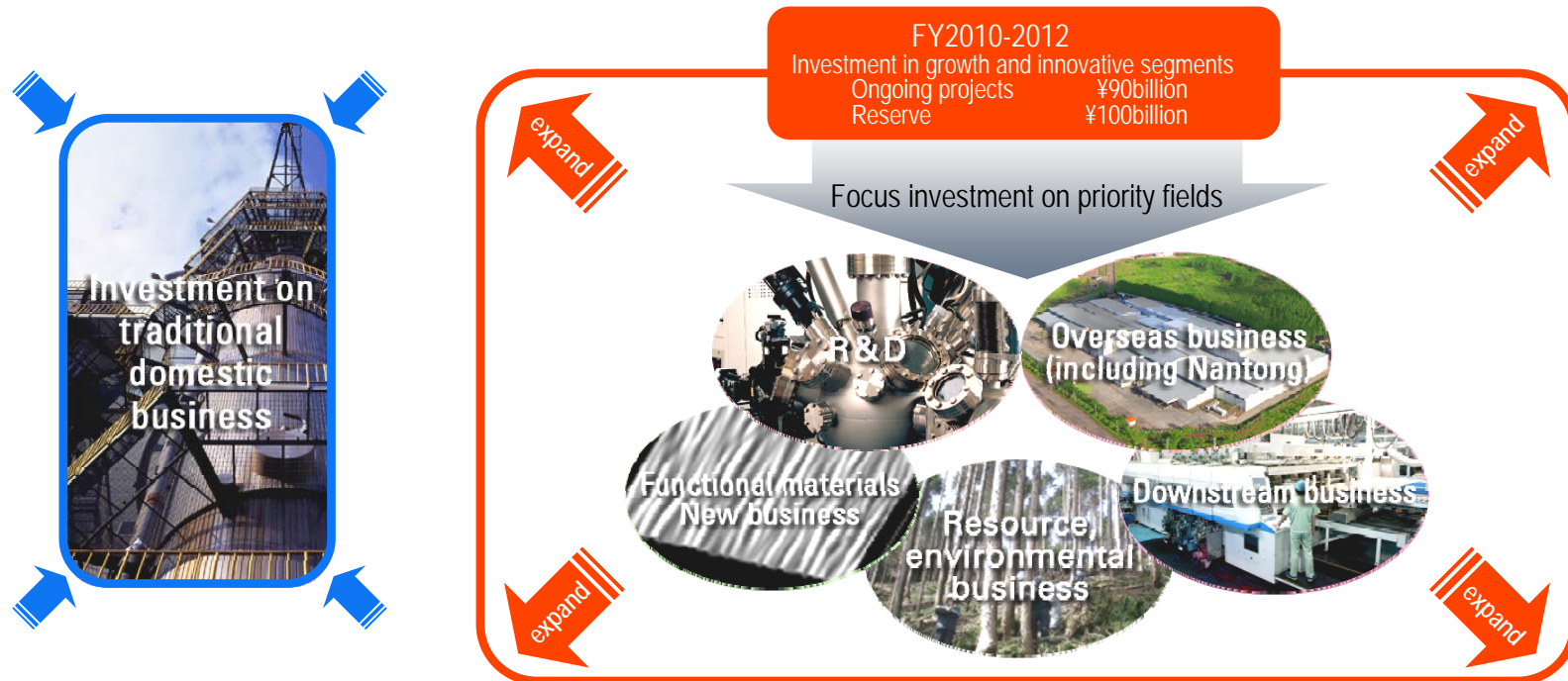
## 4. Income Plan





# 1. Capital Investment Strategy

We aim to transform our business portfolio by shifting our capital investment focus from traditional domestic business to growth and innovative business segments.		
Assumption	Interest-bearing debt	¥800billion
	EBITDA	¥150billion/y (FY2010)
For FY2010-2012	To our traditional domestic business (Refurbishment of older equipments, cost reductions, environmental responsibility and safety)	¥100 billion
	To ongoing growth and Innovative projects (Nantong pulp, Paperboard business in SE Asia etc.)	¥ 90 billion
	Reserve for new growth and innovative projects	
	Domestic Functional materials and Household, Industrial packaging materials business	¥ 10 billion
	Overseas Industrial packaging business and Resource Business, M&A	¥ 90 billion



## 2. Financial Forecasts for the Year Ending March 2011



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(¥ bil.)

	FY2010	FY2011E	Increase (Decrease)
Net sales	1,180.1	1,250.0	69.9
Operating income	65.4	62.0	(3.4)
Ordinary income	60.2	57.0	(3.2)
Net income	24.6	28.0	3.4
Depreciation	79.6	76.7	(2.9)
Exchange rate (¥/US\$)	85.7	83.0	(2.7)

## Preconditions for forecast of FY2011

- Raw materials and fuel prices
  - Wood chip : Based on current contract
  - Recovered paper : Prices to remain static at current level
  - Coal : Based on current contract
- Fluctuation effect (per annum)
  - Exchange rate : Fluctuation of ¥1/US\$ ⇒ approximately plus or minus ¥ 0.5 bil.
  - Recovered paper : Fluctuation of ¥ 1/kg ⇒ approximately plus or minus ¥ 4.3 bil.

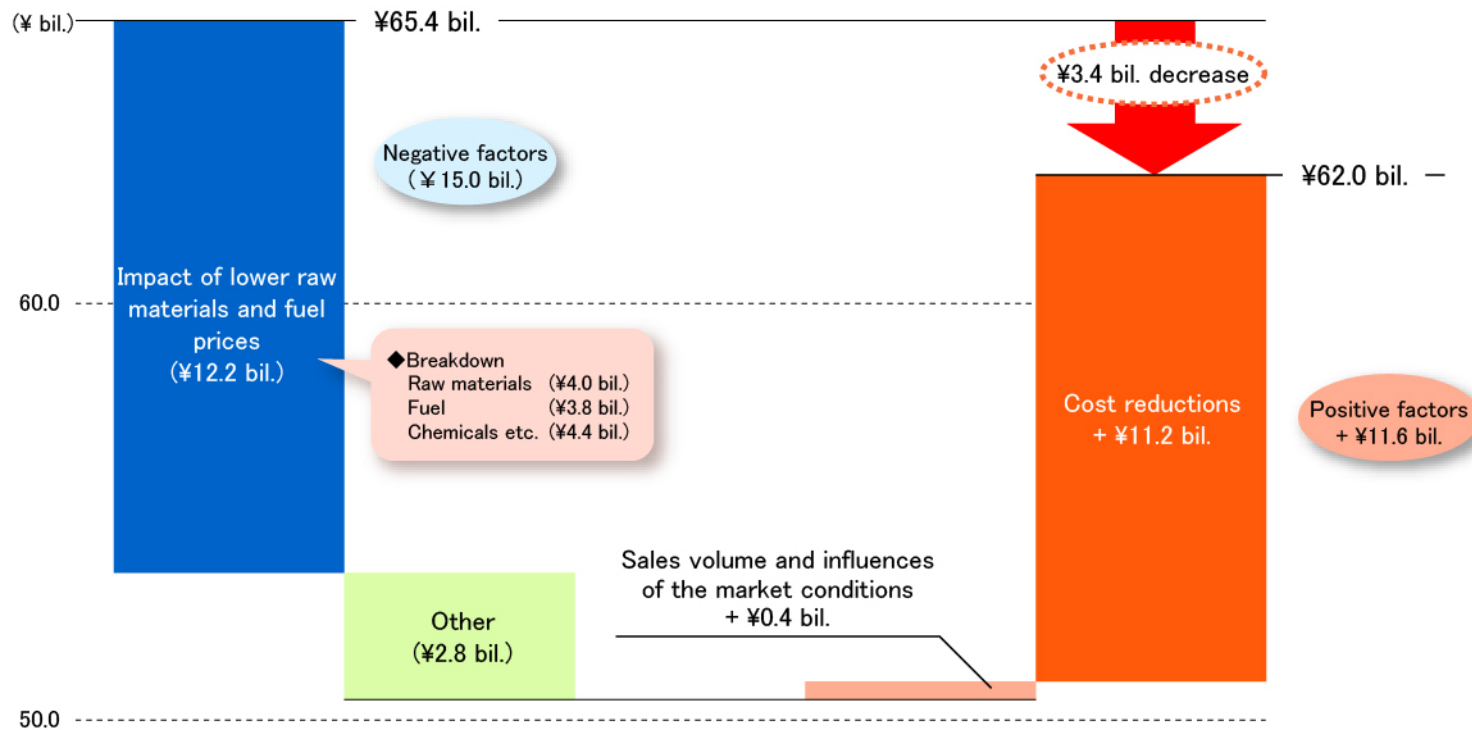
Note : The above forecasts are based on forecasts made at the time of publication concerning future economic conditions and other factors. It is possible that actual results will differ from these forecasts for various reasons.



### 3. Breakdown of Increase/Decrease of Consolidated Ordinary Income

(FY2010 to FY2011E)

FY2010 ¥ 65.4 bil. → FY2011 ¥62.0 bil. (¥ 3.4 bil. decrease)





## 4. Financial Plan

## Management targets

By accomplishing business portfolio transition through innovation, we are targeting an operating income of ¥100 billion or more and a net income of ¥50 billion or more.

	FY2009	FY2010	FY2011 Plan	FY2013 Target
Net sales	¥ 1,147.3billion	¥ 1,180.1billion	¥ 1,250billion	¥ 1,250billion
Operating income	¥ 73.7billion	¥ 65.4billion	¥ 62billion	¥ 100billion +
Ordinary income	¥ 64.7billion	¥ 60.2billion	¥ 57billion	¥ 100billion +
Net income	¥ 24.9billion	¥ 24.6billion	¥ 28billion	¥ 50billion +
Interest-bearing debt (at the end of FY)	¥798.5billion	¥799.1billion	¥800billion	¥800billion
D/E ratio	1.7	1.8	1.7	1.5 or less
ROE	5.8%	5.6%	6.3%	7% or more

## Breakdown of operating income improvement (FY2011-2013 +¥38billion)

Employee reduction (by attrition)	+ ¥ 6 billion
Depreciation decline	+ ¥ 10 billion
Cost reduction	+ ¥ 8 billion
Contribution by business transformation (new business, new products, growth in overseas)	+ ¥ 20-25 billion
Uncertain negative factors	(¥ 10-15 billion)





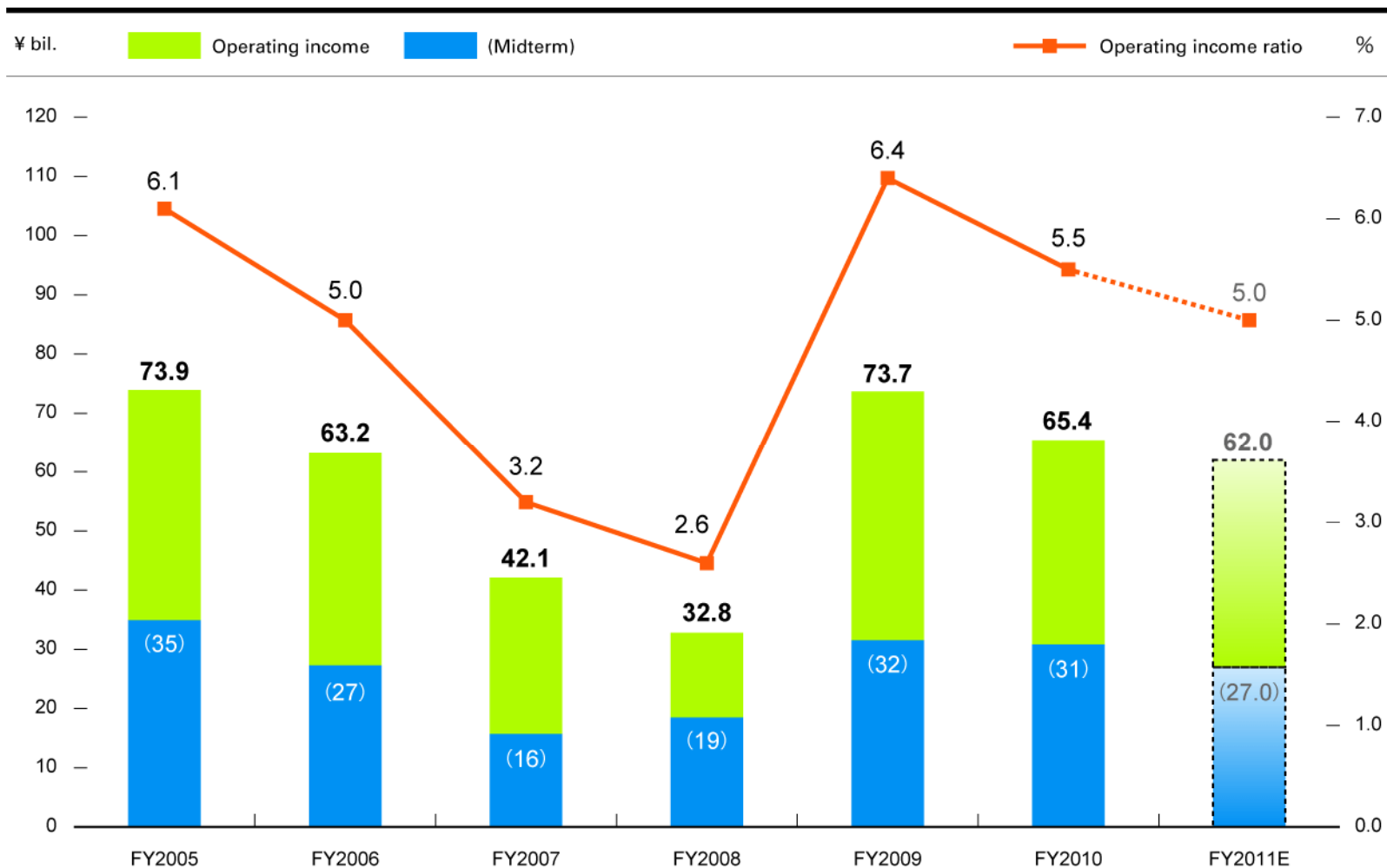
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## 〈Reference Materials〉



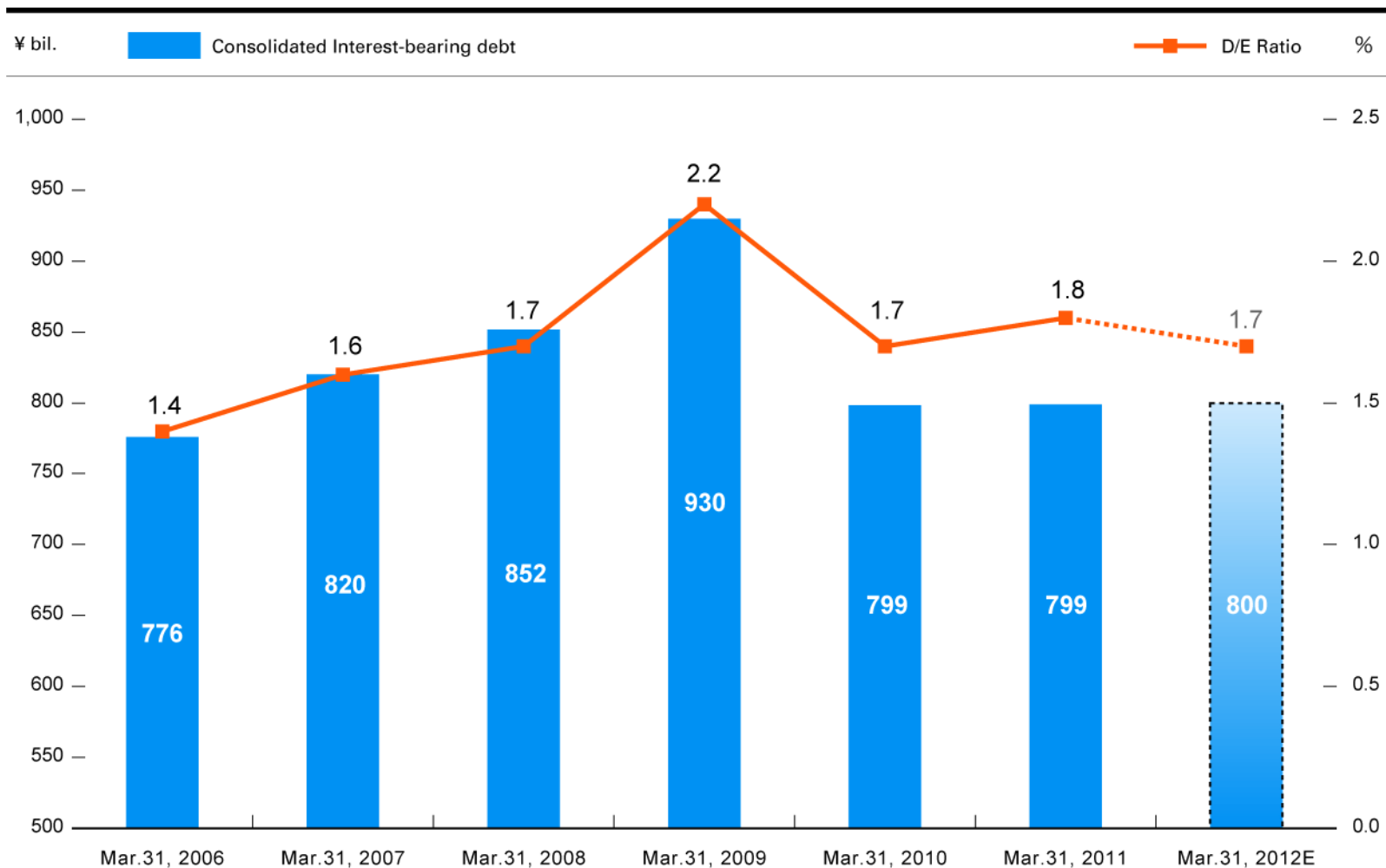


# Trends in Operating Income (Consolidated)

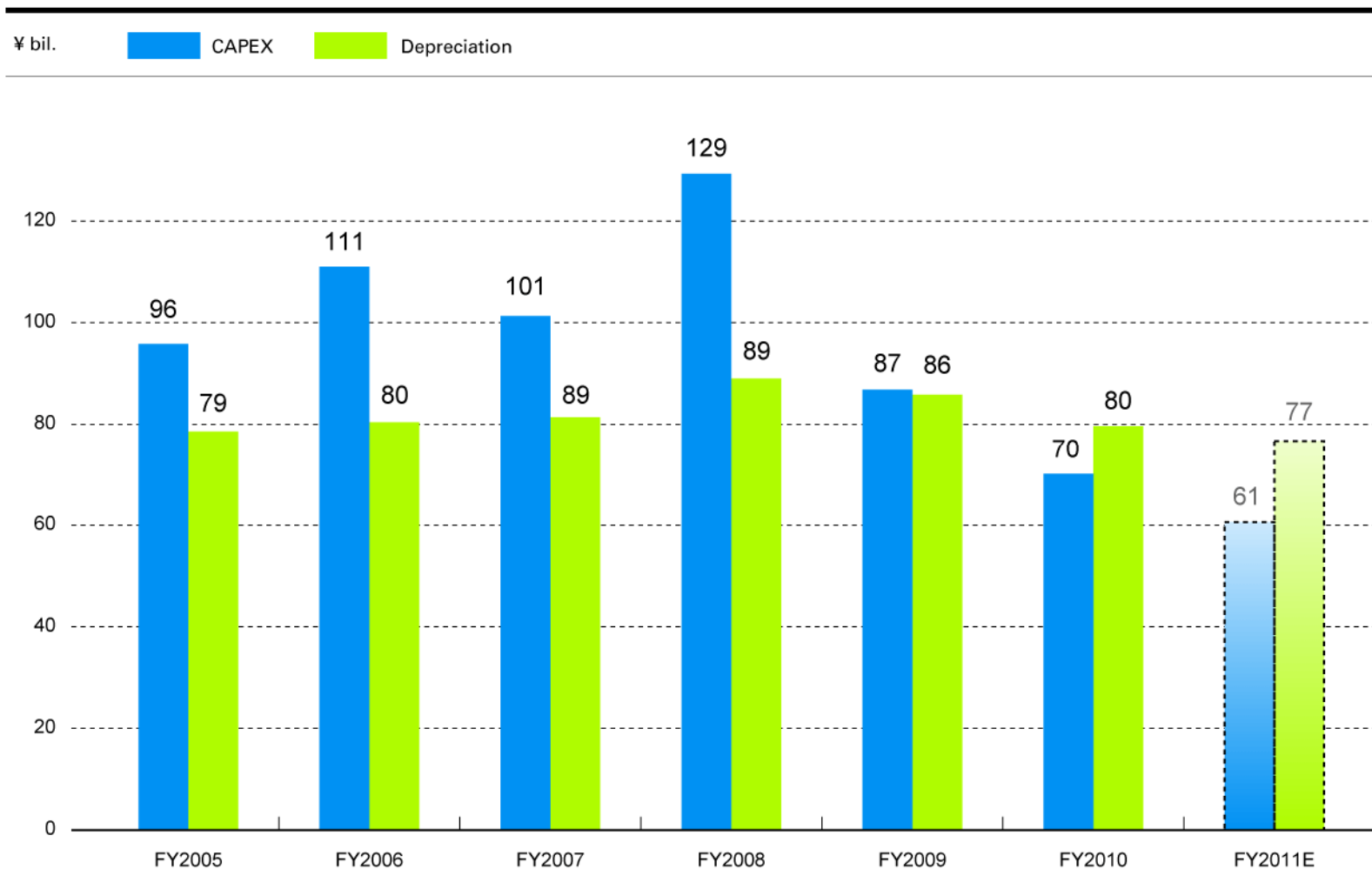




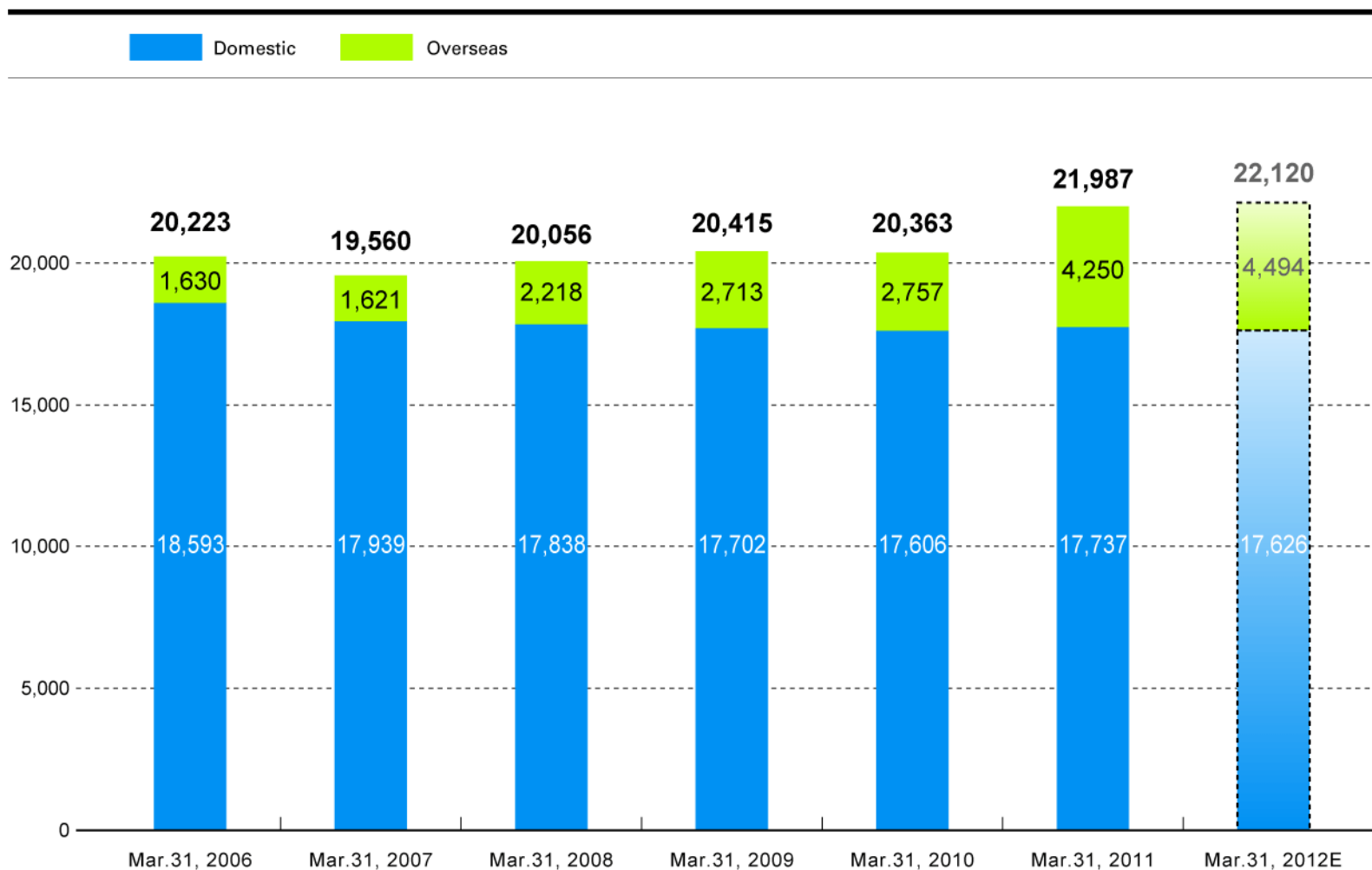
# Trends in Consolidated Interest-bearing Debt



# CAPEX and Depreciation (Consolidated)



# Employee Trends (Consolidated)



## Social Action Programs



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### Oji Forest Nature School

2004-  
Conducting natural experience style environmental education project every summer for elementary and middle school students in our company-owned forest in conjunction with Japan Environment Education Forum (administered by the Ministry of Environment).



### Nepia 1,000 Toilets Project

2008-  
Supporting UNICEF's water and sanitation aid activities in East Timor through "Nepia 1000 Toilets Project" run by part of Nepia's sales.



### Supporting CliniClown Association

2010-  
Red nosed CliniClown is delivering smiles to children in hospitals. Supporting "Japan CliniClown Association" by contributing part of Nepia's sales.



### Nepia Support Activities for Tohoku Disaster

Contributing part of Nepia's sales to the organizations that are supporting the sufferers in the affected areas, such as NPO.





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