

## **Preliminary Report on the Business Results for the Year Ended March 31, 2003 (Consolidated)**

Oji Paper Co., Ltd.  
Code No. 3861  
Stock Exchange Listings:  
(http://www.ojipaper.co.jp/)  
Representative:  
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Date of Board of Directors' Meeting:

First Sections of the Tokyo, Osaka and Nagoya Markets, plus Fukuoka and Sapporo Markets  
Shoichiro Suzuki, President and Chief Executive Officer  
Tokyo  
Katsutoshi Miyata, Corporate Officer, Corporate Administration Division  
03-3563-1111  
May 21, 2003

The consolidated financial statements are not intended to present the consolidated financial position, results of operation and cash flows in accordance with the American(US. GAAP?) Accounting Standards.

### 1. Results for the Year Ended March 2003 (April 1, 2002 - March 31, 2003)

#### (1) Consolidated Business Results

All yen figures are rounded down to the nearest one million yen.

Year ended	Net sales		Operating profit		Ordinary profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
March 2003	1,213,173	0.8	56,490	55.5	47,941	138.6
March 2002	1,203,797	(3.9)	36,336	(49.9)	20,091	(65.5)

Year ended	Net income		Net income per share	Diluted net income per share	Return on equity	Return on total assets	Ordinary profit margin
	Millions of Yen	%	Yen	Yen	%	%	%
March 2003	12,170	-	11.23	-	2.9	2.9	4.0
March 2002	(17,698)	-	(17.13)	-	(4.1)	1.2	1.7

(Notes)

- Equity in earnings (loss) of affiliates: Year ended March 2003: 3,139 million yen  
Year ended March 2002: (585 million yen)
- Average number of outstanding shares during term: Year ended March 2003: 1,054,421,702 shares  
Year ended March 2002: 1,033,307,609 shares
- The Accounting method has been revised.
- Figures shown in parentheses under Net sales, Operating profit, Ordinary profit and Net income are increase/decrease ratios compared with previous year.

#### (2) Consolidated Financial Position

Year ended	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of Yen	Millions of Yen	%	Yen
March 2003	1,621,095	425,861	26.3	407.30
March 2002	1,632,084	424,256	26.0	410.65

(Note)

Number of outstanding shares issued at fiscal year end: Year ended March 2003: 1,044,763,975 shares  
Year ended March 2002: 1,033,137,661 shares

#### (3) Consolidated Cash Flows

Year ended	Millions of Yen			
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
March 2003	115,318	(77,237)	(39,988)	34,701
March 2002	134,930	(100,152)	(44,331)	35,073

#### (4) Scope of Consolidation and Equity Method Application

Number of consolidated subsidiaries: 69  
Number of non-consolidated subsidiaries to which the equity method applies: None  
Number of affiliated companies to which the equity method applies: 16

#### (5) Changes in scope of consolidation and equity method application

New: 4 companies Excluded: 9  
Equity method  
New: - Excluded: 3

## 2. Result Forecast for the Year Ending March 2004 (April 1, 2003 - March 31, 2004)

Year ended	Millions of Yen		
	Net sales	Ordinary profit	Net income
Interim	610,000	30,000	13,000
Full Year	1,230,000	73,000	35,000

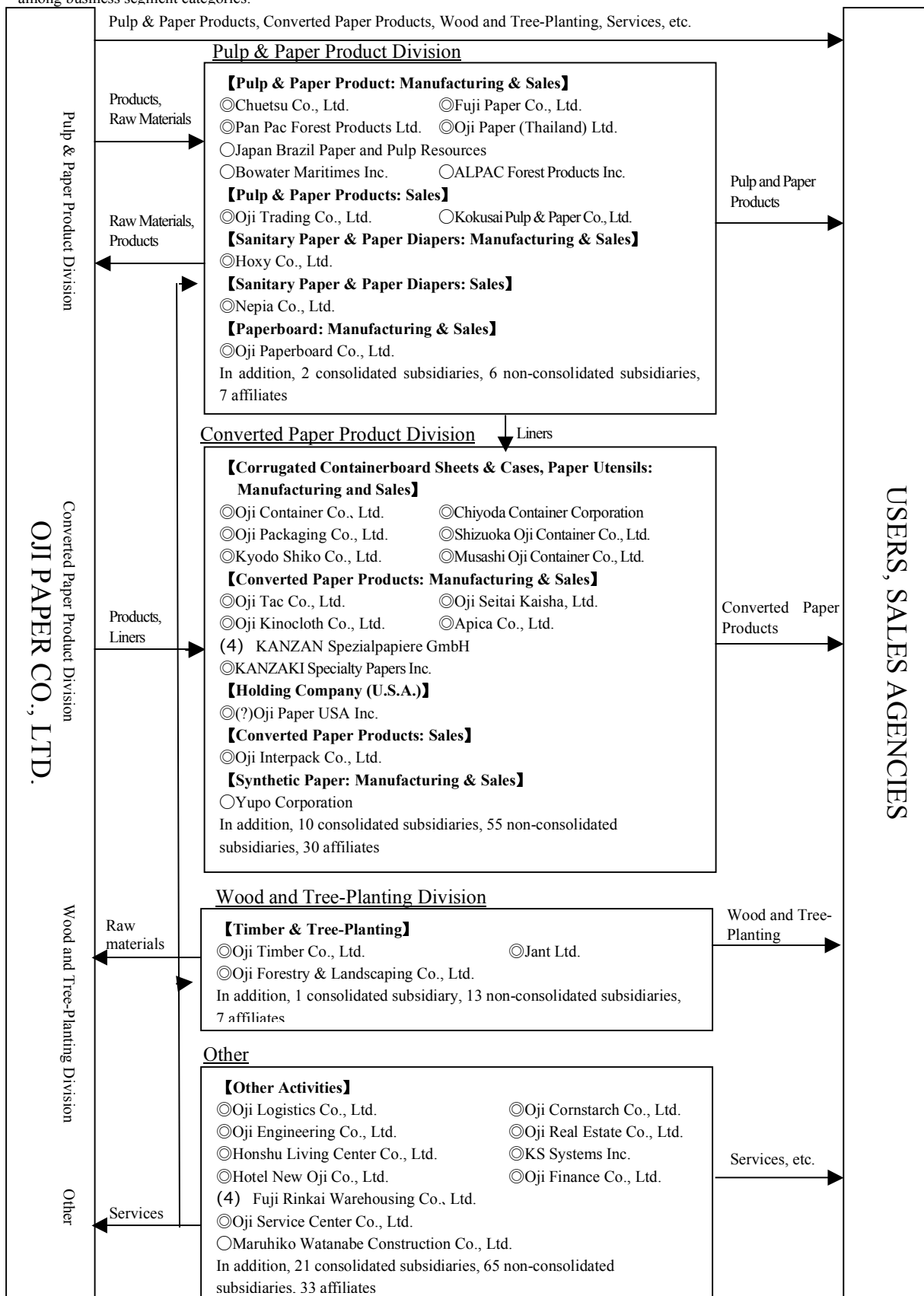
(Reference) Projected net income per share (full year): ¥33.50

The above forecasts were prepared on the basis of forecasts about future economic conditions at the time when this document was released. Actual results may differ from these forecasts because of various factors.

# 1. Profile of the Corporate Group

The Oji Paper Group consists of Oji Paper Co., Ltd. along with 208 subsidiaries and 83 affiliates. These companies are active in a wide range of business fields, including pulp and paper products, converted paper products, wood and tree-planting and other activities such as real estate and transportation.

The following chart shows the positions of these companies within the overall structure of the Oji Paper Group, together with interaction among business segment categories.



◎Consolidated subsidiaries

○Equity method subsidiaries

Companies involved in multiple areas of business are listed under their main activities

## 2. Management Policy

### (1) Basic Management Policy

The corporate philosophy of the Oji Paper Group calls for “contribution to the protection of the environment and the advancement of culture,” “a commitment to continuous innovation through proactive, responsive and determined efforts” and “the establishment and maintenance of trust throughout the world.” Under this philosophy, the Group is striving to realize the full potential of paper, and to respond to the trust of all of its customers by maintaining a comprehensive product supply system that encompasses paper, paperboard and converted paper products. The Group is also laying the foundations for future growth by building a corporate structure capable of competing successfully in domestic and overseas markets.

The Oji Paper Group recognizes the challenges of the mature domestic market, as well as the potential of the Asian market. It is determined to expand its business activities into China and Southeast Asia, and to overcome international competition from highly globalized manufacturers in Europe, North America and Southeast Asia and to move ahead in the 21st century under the goal to become “an Asian corporation domiciled in Japan.”

Under the Oji Paper Environment Charter, the Oji Paper Group has promoted “forest recycling” and “paper recycling.” It will continue to contribute to the formation of a recycling society through initiatives in these areas. The Oji Paper Group will also work to maintain and develop its corporate activities from a broader global perspective, including the reduction of fossil fuel use through energy conservation measures as part of an ongoing contribution to efforts to prevent global warming.

### (2) Basic Policy with Respect to Profit Distribution

The Group’s basic policy on profit distribution is to provide shareholders with dividend stability to the greatest possible extent. Dividend decisions take account of a wide range of factors, including the need to strengthen the Group’s financial fundamentals by building up internal reserves.

### (3) Policy on the Reduction of the Minimum Share Lot

The Oji Paper Group recognizes the effectiveness of reductions in minimum share lots as a way of energizing share trading and diversifying the investor base. However, such changes involve considerable expense and will require careful consideration, taking into account share business performance and share market trends.

### (4) Targets for Financial Indicators (Consolidated)

The greatest priority under the Oji Paper Group’s medium/long-term management plan is to achieve ordinary profit of at least ¥100 billion in fiscal 2004. Targets for other financial indicators are as follows.

- Ordinary profit to net sales: 5% or higher (in all business segments)
- Interest-bearing debt to net sales: 50% or lower
- ROE: 10% or higher
- EBITDA/ROI: 15% or higher
- Shareholders’ equity ratio: 40% or higher

### (5) Medium/Long-Term Management Strategies and Priorities

The growth rate of the Japanese economy in the current fiscal year is expected to be even lower than the previous year’s figure. The economic outlook remains clouded in uncertainty.

In the pulp and paper industry, continuing demand stagnation appears inevitable in the foreseeable future. In addition, rising prices for raw materials and fuels are certain to push up costs. Oji Paper expects to face an increasingly challenging business environment.

Despite these difficult conditions, Oji Paper is determined to achieve its medium/long-term plan’s goal of ¥100 billion ordinary profit in fiscal 2004, by optimizing production efficiency and building a highly flexible and maneuverable manufacturing structure, and by maintaining and restoring prices and expanding sales through its marketing operations. The Oji Paper Group recognizes the challenges of the mature domestic market. Its vision is to move ahead in the 21st century as a strong and growing Asian corporation domiciled in Japan, by expanding its business operations in Asia, especially the rapidly growing Chinese market. The following priorities have been identified in this context. The Oji Paper Group will continue to build a corporate structure capable of generating high sales and profit by steadily turning these targets into reality.

#### 1. Strengthening Group Management

- Improving the profitability of the corrugated container business  
Improving cost competitiveness, including the continuing integration and restructuring of the plants of corrugated container companies
- Improving the profitability of the containerboard business  
Containerboard production and sales will be integrated under a newly established company, Oji Paperboard Co., Ltd. Production and efficiency will be improved by focusing on a narrower range of products. Costs will be minimized through the reduction of physical distribution costs and improved human resource efficiency.
- Improving the profitability of the boxboard business  
New machines at the Oji Paper’s Fuji Mill will be the most important strategic asset for efforts to expand sales and reduce costs.

2. Strengthening Marketing and Sales
  - Maintaining appropriate prices  
Oji Paper will work to maintain restored price levels in the paper and household product categories, and to restore prices in areas in which they have fallen below appropriate levels.
  - Increased emphasis on sales expansion through non-price methods  
Oji Paper will expand its sales through differentiation achieved through the continual introduction of products that match customer needs.
3. Strengthening Competitiveness through Product and Technology Development  
Oji Paper will further enhance its ability to introduce new products while reducing costs for products already on the market. It will also work to strengthen its cost competitiveness through the development of new technology.
4. Improving Cost Competitiveness
  - Reduction of total human resource costs  
Oji Paper aims to achieve further reductions in total human resource costs by reducing its consolidated work force in Japan to 18,000 people as rapidly as possible.
  - Maximizing production efficiency and reducing costs  
Oji Paper aims to maximize the efficiency of its production facilities by reducing manufacturing costs in its factories and strengthening competitiveness.
  - Advantageous procurement of purchased goods and materials  
Oji Paper will target advantageous procurement and cost reductions in all areas to avoid pressure on earnings from rising prices for used paper and heavy fuel oil.
  - Reduction of physical distribution costs  
Inventory costs and physical distribution costs will be reduced through inventory optimization and the reinforcement of cooperative systems.
5. Improving Quality Competitiveness  
Oji Paper will further lift customer confidence in its products by ensuring its quality advantage and responding promptly to customer needs.
6. Reinforcing the Financial Structure  
Oji Paper will work to expand its cash flows through various measures, including continuing inventory reductions, the liquidation of inactive assets and businesses, and appropriate investment in plant and facilities. It will also move toward the integration of financing for itself and consolidated subsidiaries, in order to improve financial efficiency and financial structures.
7. Implementing Environmental Countermeasures  
Oji Paper will continue to work under its Environment Charter to reduce emissions to zero and promote afforestation projects. It will also work to reduce fossil fuel use through further energy conservation efforts, and to apply broader global perspectives, including the prevention of global warming, in the maintenance and development of its corporate activities.
8. Ensuring Compliance  
The behavior Oji Paper Group will be based on the highest business ethics, including full compliance with laws and regulations.

## (6) Strengthening Group Management through Business Restructuring and other Specific Measures

Oji Paper continues to restructure its group companies in Japan. In the paperboard segment, Oji Paper's containerboard manufacturing plant was restructured as a separate company and merged with a subsidiary, Oji Paperboard Co., Ltd., on October 1, 2002. On the same date, five Oji Paper subsidiaries were merged, resulting in the integration of the Oji Paper Group's containerboard manufacturing and sales operations under Oji Paperboard Co., Ltd.

In the specialty paper segment, share swaps resulted in the conversion of two subsidiaries, Abekawa Paper Co., Ltd. and Shinfuji Paper Co., Ltd., into wholly owned subsidiaries on October 1, 2002. On January 1, 2003, these two companies were merged and their specialty paper operations were integrated. The merged company has commenced trading as Fuji Paper Co., Ltd.

In the area of household products, Hoxy Co., Ltd. became a wholly owned subsidiary as a result of share swap implemented on February 1, 2003. On April 1, 2003, Oji Paper's household products manufacturing operations were restructured as a separate company and merged with a subsidiary, Nepia Co., Ltd. On the same date, Nepia Co., Ltd. and Hoxy Co., Ltd. merged to form a new company, which has commenced trading as (?)Oji Nepia Co., Ltd.

On April 1, 2003, two subsidiaries in the area of wood and tree-planting, Oji Timber Co., Ltd. and Oji Forestry & Landscaping Co., Ltd., merged to form a new company that has commenced trading as (?)Oji Timber and Landscaping Co., Ltd.

Honshu Estate System Co., Ltd. was renamed Oji Finance Co., Ltd. Its mission is to promote group financing aggressively in order to improve financial efficiency at group level and strengthen the financial management of individual companies.

Oji Paper continued to develop its overseas activities, especially in China. Existing companies include the paper bag manufacturer Shanghai Eastern Oji Packaging Co., Ltd., Qingdao Oji Packaging Co., Ltd., which manufactures and sells containerboard, Oji Specialty Paper (Shanghai) Co., Ltd., which prints and processes communications papers, and the forestry company (?)Guangxi Oji Hosan Forestry Co., Ltd. In addition, several new companies commenced business. They were (?)Suzhou Oji Packaging Co., Ltd., which manufactures and sells containerboard, and (?)Oji Paper Nepia (Suzhou) Co., Ltd., which manufactures sanitation papers.

## (7) Basic Thinking and Measures Relating to Corporate Governance

The reinforcement of corporate governance is a top management priority. This is because Oji Paper sees strong corporate governance as the key to the creation of a management structure equipped for success in the consolidated management era. It is working toward this through dynamic group integration and restructuring, and through measures designed to improve the cost competitiveness, marketing capabilities and financial strength of individual group companies.

In 1999, Oji Paper moved to speed up management decision-making by introducing a corporate office system and an internal company structure. These measures have made a great contribution to the business restructuring in Japan and overseas and the restructuring of production systems. In a move designed to establish clearer chains of accountability, the Board of Directors decided in June 2002 to reduce the term of office for directors from two years to one year.

Oji Paper has strengthened the functions of its (?)Audit Board, including the appointment of two external auditors. In addition, auditors attend not only Board meetings, but also other important meetings to monitor the performance of corporate operations.

As part of the transition to a consolidated management structure, Oji Paper established a (?)Group Management Council in June 2002. Its function is to ensure the full implementation of management policies by group companies.

### 3. Business Results and Financial Position

#### (1) Business Results

##### 1. Overview of the Year Ended March 2003

Concern about the situation in Iraq impacted on the world economy in the Year ended March 2003, and there were increasing signs of stagnation. In Japan, business earnings recovered, but the uncertain economic outlook was reflected in a lack of improvement in private sector capital investment. Other factors adding to the uncertainty included sluggish consumer spending and instability in the financial system.

Oji Paper's first priority in this business environment was to restore and maintain prices. It also worked to reduce costs, especially in the area of human resources and physical distribution, and to reduce its consumption of energy and labor per unit of production. As in the previous year, these efforts yielded major benefits in the year ended March 2003.

Consolidated net sales:	¥1,213,173 million (0.8% increase year-on-year)
Consolidated operating profit:	¥56,490 million (55.5% increase year-on-year)
Consolidated ordinary profit:	¥47,941 million (138.6% increase year-on-year)
Consolidated net income:	¥12,170 million (-)

##### Segment Results

##### Pulp and Paper Product Division

- Printing and Writing Papers

Demand for newsprint increased during the Soccer World Cup tournament in June 2002. However, overall demand remained at the previous year's level because of poor advertising sales. In the area of high-grade papers, Oji achieved good sales of wood-free paper and copier paper. However, sales of business form papers declined. There was an increase in sales of coated papers, including light coated papers, especially for use in commercial printing of catalogs, pamphlets and other items. Sales of ground wood printing paper and low-grade paper for use in magazines, books and similar products were lower than in the previous year. Prices for printing and writing papers, especially market-priced types, were restored in the second half of the year.

- Packaging Papers

Sales of unbleached kraft paper were higher, in part because of increased exports, but sales of bleached kraft paper were marginally lower. Prices tended to weaken.

- Other Papers

Sales of other types of papers increased and prices remained generally static. There was a decline in sales of carbonless paper, and prices were also softer. Tissue paper sales rose, and prices were restored in the second half of the year.

- Paperboard

Sales of containerboard marked time, and prices remained steady. The installation of new machines at the Fuji Mill helped to drive a substantial increase in sales of boxboard and high-grade boxboard. However, reduced exports were reflected in lower sales of high-grade boxboard. Prices tended to weaken.

In addition to these sales trends, performance was also influenced by the cost-cutting efforts of group companies. The results for the year were as follows.

Consolidated net sales:	¥734,312 million (5.0% increase year-on-year)
Consolidated operating profit:	¥42,720 million (61.2% increase year-on-year)

##### Converted Paper Product Division

- Corrugated Containers (Corrugated Sheets and Boxes)

There were increased sales of corrugated container for use in processed food packaging. Oji Paper worked to restore prices to cover increased costs.

## Other Converted Paper Products

Domestic sales of thermal paper remained firm, but exports to the Chinese and Southeast Asian markets declined. Prices tended to weaken because of competition from European and South Korean manufacturers. Sales of disposable diapers were lower, but Oji Paper was able to restore prices. Performance also benefited from cost-cutting measures. The results for the year were as follows.

Consolidated net sales:	¥332,105 million (3.4% decline year-on-year)
Consolidated operating profit:	¥5,240 million (68.9% increase year-on-year)

## Wood and Tree-Planting Division

Sales were lower because of a downturn in the tree-planting and forestry business. The results were as follows.

Consolidated net sales:	¥47,977 million (1.1% decline year-on-year)
Consolidated operating profit:	¥1,327 million (50.7% increase year-on-year)

## Other Divisions

There was a decline in sales of real estate. Sales were also reduced following the disposal of shares in Ei Sho Gen Co., Ltd., which was a consolidated subsidiary. However, results for the year showed the benefits of rationalization measures by group companies.

Consolidated net sales:	¥98,778 million (11.8% decline year-on-year)
Consolidated operating profit:	¥7,202 million (22.9% increase year-on-year)

The non-consolidated results for Oji Paper Co., Ltd. in the year ended March 2003 were as follows.

Net sales:	¥695,786 million (6.5% decline year-on-year)
Operating profit:	¥42,409 million (70.2% increase year-on-year)
Ordinary profit:	¥37,082 million (124.6% increase year-on-year)
Net income:	¥12,975 million (-)

As in the previous year, the dividend for the current year has been set at ¥4 per share. This brings the total for the year, including the interim dividend, to ¥8 per share, which is also the same as in the previous year.

## 2. Outlook for the Year Ending March 2004

The growth rate of the Japanese economy is expected to fall even lower than in the previous fiscal year. The economic outlook is still uncertain, and the pulp and paper industry is likely to face slow demand in the near-term future. Sharp increases in the prices of raw materials and fuels also appear inevitable, and the severity of business conditions is likely to worsen.

The companies in the Oji Paper Group will work closely together to maximize production efficiency and maintain a highly flexible production structure while minimizing costs. On the marketing front, their first priority will be to maintain and restore prices by launching new products and strengthening their marketing systems.

Performance targets for the year to March 2004 include consolidated net sales of ¥1,230,000 million, consolidated ordinary profit of ¥73,000 million, and consolidated net income of ¥35,000 million. At the non-consolidated level, Oji Paper is aiming for net sales of ¥630,000 million, ordinary profit of ¥40,000 million and net income of ¥13,000 million.



## (2) Financial Position

- Net cash provided by operating activities

Income before income taxes and minority interests increased by ¥50,943 million year-on-year. Despite this, net cash declined by 14.5% to ¥115,318 million. Reasons for this included an increase in operating funds resulting from holidays.

- Net cash used in investing activities

Net cash used in investing activities declined by 22.9% to ¥77,237 million. This reflects lower expenditure resulting from factors that included lower investment in plant and facilities and reduced acquisition of investment securities.

- Net cash used in financing activities

Net cash used in financing activities was ¥39,988 million. Reasons for this result included efforts to reduce interest-bearing debt through bond redemption and other means, and the acquisition of treasury stock.

The balance of interest-bearing liabilities at the end of the current accounting period was ¥25,972 million higher than at the end of the previous accounting period. This resulted in part from an increase in the number of new consolidated subsidiaries.

Cash and cash equivalents at end of the year amounted to ¥34,701 million, a reduction of ¥371 million from the balance at end of the previous year.

### Cash Flow Indicators

	Year Ended			
	March 2000	March 2001	March 2002	March 2003
Shareholders' equity ratio (%)	25.6	25.6	26.0	26.3
Shareholders' equity at market price (%)	43.2	32.4	38.9	30.8
Years to debt retirement (Years)	7.8	5.2	5.7	6.9
Interest coverage ratio	7.4	11.2	10.8	9.5

Shareholders' equity ratio (%)

Shareholders' equity at market price (%)

Years to debt retirement (years)

Interest coverage ratio

Shareholders' equity/total assets

Aggregate value/total assets

Interest-bearing debt/operating cash flows

Operating cash flows/interest payments

- All of the above financial indicators were calculated on a consolidated basis.
- Aggregate value is calculated by multiplying the closing price at the end of the year by the number of shares issued and outstanding at the end of the year (excluding treasury stock).
- Operating cash flows are based on cash flows from operating activities as stated in the Consolidated Statements of Cash Flows.
- Interest-bearing debt consists of all liabilities stated in the Consolidated Balance Sheets on which interest is paid.
- Interest payments are based on the interest payment amounts stated in the Consolidated Statements of Cash Flows.

## 4. Consolidated Financial Statement

Consolidated Balance Sheets (Years ended March 31)

Millions of Yen

	2003	2002	Comparison
<b>ASSETS</b>			
Current Assets:	497,422	510,391	(12,969)
Cash and bank deposits	35,036	35,459	(422)
Accounts receivable–trade	271,132	289,003	(17,870)
Marketable securities	67	135	(68)
Inventories	142,142	144,952	(2,809)
Advances	959	648	310
Deferred income taxes	25,518	25,556	(38)
Short-term loans	13,510	3,625	9,884
Accounts receivable–other	7,135	9,468	(2,333)
Other	2,874	2,785	89
Allowance for doubtful accounts	(955)	(1,244)	288
Fixed Assets:	1,123,673	1,121,692	1,980
Property, plant and equipment	926,101	895,014	31,086
Buildings and structures	234,895	231,870	3,024
Machinery and automobiles	395,733	393,644	2,088
Tools and fixtures	8,828	9,693	(865)
Land	221,144	190,287	30,856
Forests	16,729	17,139	(410)
Afforestation	41,136	39,724	1,412
Construction in progress	7,633	12,653	(5,019)
Intangible assets	11,409	8,770	2,638
Leasehold	2,389	1,864	525
Consolidation adjustment account	1,311	347	963
Other intangibles	7,708	6,559	1,149
Investments and other assets	186,161	217,907	(31,745)
Investments in securities	144,648	173,046	(28,398)
Long-term loans	6,887	6,981	(94)
Long-term prepaid expenses	2,165	2,166	(1)
Deferred income taxes	23,153	25,736	(2,583)
Other	11,885	11,784	101
Allowance for doubtful accounts	(2,578)	(1,808)	(769)
<b>Total assets</b>	<b>1,621,095</b>	<b>1,632,084</b>	<b>(10,988)</b>

Millions of Yen

	2003	2002	Comparison
<b>LIABILITIES</b>			
Current Liabilities:	741,917	708,604	33,313
Accounts payable–trade	189,738	206,584	(16,845)
Short-term bank loans	368,793	356,555	12,238
Commercial paper	69,000	43,000	26,000
Current portion of debentures	40,000	20,000	20,000
Accounts payable–other	12,589	17,162	(4,573)
Accrued expenses	48,885	49,891	(1,005)
Income taxes payable, etc.	4,603	2,494	2,108
Deferred income taxes	112	137	(24)
Other	8,194	12,778	(4,583)
Non-Current Liabilities:	447,521	489,584	(42,062)
Debentures	100,000	140,000	(40,000)
Long-term bank loans	221,648	212,448	9,199
Deferred income taxes	19,088	17,384	1,703
Deferred tax liabilities on unrealized gain on land	6,469	3,077	3,392
Accrued retirement benefits	81,256	100,127	(18,871)
Accrued retirement bonuses to directors	3,076	3,349	(273)
Reserve for special repairs	211	146	65
Long-term deposits	14,240	12,525	1,715
Long-term notes payable for property, plant and equipment	916	-	916
Other	614	525	88
<b>Total liabilities</b>	<b>1,189,438</b>	<b>1,198,188</b>	<b>(8,749)</b>

Millions of Yen

	2003	2002	Comparison
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES</b>			
Minority interests in consolidated subsidiaries	5,795	9,639	(3,843)
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	-	103,880	(103,880)
Additional paid-in capital	-	98,715	(98,715)
Unrecognized gains or losses from revaluation	-	5,956	(5,956)
Retained earnings	-	214,990	(214,990)
Unrecognized gains or losses on securities	-	6,821	(6,821)
Foreign currency translation adjustment	-	(5,966)	5,966
Treasury stock	-	(141)	141
Total shareholders' equity	-	424,256	(424,256)
Common stock	103,880	-	103,880
Capital surplus	110,159	-	110,159
Retained earnings	216,669	-	216,669
Revaluation of land	4,428	-	4,428
Other valuation of securities	4,821	-	4,821
Foreign currency translation adjustment	(6,130)	-	(6,130)
Treasury stock	(7,968)	-	(7,968)
Total shareholders' equity	425,861	-	452,861
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	1,621,095	1,632,084	(10,988)

Notes

	Millions of Yen	
	Current accounting period	Previous accounting period
1. Accumulated depreciation of total property and equipment	1,635,829	1,502,189
2. Trade notes receivable discounted	1,950	3,415
3. Trade notes receivable transfer endorsements	483	1,056
4. Contingent liabilities and guarantee obligations	52,717	56,548

## (2) Consolidated Statements of Income

Millions of Yen

	Current accounting period (April 1, 2002–March 31, 2003)	Previous accounting period (April 1, 2001–March 31, 2002)	Comparison
Net sales	1,213,173	1,203,797	9,375
Cost of sales	927,918	923,748	4,170
Gross Profit	285,255	280,049	5,205
Selling, general and administrative expenses	228,764	243,713	(14,949)
Operating profit	56,490	36,336	20,154
Non-operating income	10,004	7,896	2,107
Interest and dividends income	2,129	2,242	(113)
Equity in earnings of affiliates	3,139	-	3,139
Miscellaneous income	4,734	5,654	(919)
Non-operating expenses	18,553	24,141	(5,587)
Interest expense and discount charges	12,116	12,308	(191)
Equity in losses of affiliates	-	585	(585)
Miscellaneous losses	6,436	11,247	(4,810)
Ordinary profit	47,941	20,091	27,849
Extraordinary gain	23,880	2,650	21,230
Refund of subrogated portions of welfare pensions	16,660	-	16,660
Gain on sale of fixed assets	3,927	1,338	2,589
Gain on sale of investments in securities	3,292	1,311	1,980
Extraordinary losses	48,643	50,507	(1,863)
Loss on write-down of investments in securities	29,368	30,280	(911)
Loss on retirement of fixed assets	10,598	-	10,598
Special retirement benefits	5,731	-	5,731
Loss on reduction of fixed assets' cost	2,302	344	1,957
Loss on liquidation of subsidiaries	642	-	642
Amortization of transition amount derived from accrued retirement benefits	-	16,697	(16,697)
Loss on retirement of fixed assets due to reorganization of production operations	-	3,184	(3,184)
Income (loss) before income taxes and minority interests	23,178	(27,765)	50,943
Corporate tax, resident taxes and enterprise tax	6,177	4,355	1,822
Deferred taxes	4,511	(14,293)	18,804
Total	10,688	(9,938)	20,627
Minority interests in net profit (loss) of consolidated subsidiaries	(319)	127	(446)
Net income (loss)	12,170	(17,698)	29,869

## (3) Consolidated Statements of Surplus

Millions of Yen

	Current accounting period (April 1, 2002–March 31, 2003)	Previous accounting period (April 1, 2001–March 31, 2002)	Comparison
Balance of retained earnings at beginning of period	-	241,723	(241,723)
Balance of retained earnings at beginning of period	-	241,723	(241,723)
Increase in retained earnings	-	1	(1)
Increase due to mergers	-	1	(1)
Decrease in retained earnings	-	9,034	(9,034)
Dividends	-	8,266	(8,266)
Bonuses to directors	-	533	(533)
Decrease due to merger of subsidiaries	-	234	(234)
Net income (loss) for the period	-	(17,698)	17,698
Balance of retained earnings at end of period	-	214,990	(214,990)
<b>CAPITAL SURPLUS</b>			
Balance of capital surplus at beginning of period	98,715	-	98,715
Balance of capital surplus at beginning of period	98,715	-	98,715
Increase in capital surplus	11,444	-	11,444
New share issues resulting from share exchanges	11,444	-	11,444
Balance of capital surplus at end of period	110,159	-	110,159
<b>RETAINED EARNINGS</b>			
Balance of retained earnings at beginning of period	214,990	-	214,990
Balance of retained earnings at beginning of period	214,990	-	214,990
Increased in retained earnings	12,187	-	12,187
Net income	12,170	-	12,170
Increase in retained earnings due to merger	7	-	7
Increase in retained earnings due to reduction of equity method subsidiaries	10	-	10
Increase in retained earnings due to mergers	10,509	-	10,509
Dividends	8,382	-	8,382
Bonuses to directors	273	-	273
Loss on disposal of treasury stock	148	-	148
Reversal of land revaluation reserve	6	-	6
Decrease due to merger of consolidated subsidiaries	1,560	-	1,560
Decrease due to changes in scope of equity method application	137	-	137
Balance of retained earnings at end of period	216,669	-	216,669

## (4) Consolidated Statements of Cash Flows

Millions of Yen

	Current accounting period (April 1, 2002–March 31, 2003)	Previous accounting period (April 1, 2001–March 31, 2002)
Cash Flows from Operating Activities:		
Income (loss) before income taxes and minority interests	23,178	(27,765)
Depreciation and amortization in consolidation adjustment account	92,757	91,971
Increase/decrease in accrued retirement benefits	(23,003)	14,065
Interest and dividend income	(2,129)	(2,242)
Interest expenses	12,116	12,308
Exchange loss (gain)	(40)	(652)
Equity in gains (losses) of affiliates	(3,139)	585
Gain (Loss) on sale of marketable securities	(0)	(1)
Gain (Loss) on sale of investments in securities	(3,292)	(1,311)
Loss on write-down of investments in securities	29,368	30,280
Loss on disposal of fixed assets	10,598	7,622
Gain on sale of fixed assets	(3,927)	(1,388)
Increase/decrease in trade receivables	24,826	35,163
Increase/decrease in inventories	5,873	20,051
Decrease/increase in trade payables	(31,371)	(27,029)
Other	(3,752)	(57)
T o t a l	128,061	151,650
Interest and dividends received	3,492	2,913
Interest paid	(12,140)	(12,437)
Income taxes paid	(4,095)	(7,195)
Net cash provided by operating activities	115,318	134,930
Cash Flows from Investing Activities:		
Purchase of marketable securities	(97)	(161)
Proceeds from sale of marketable securities	170	169
Acquisition of property and equipment/intangible assets	(66,469)	(79,616)
Proceeds from sale of property, plant and equipment/intangible assets	5,264	2,666
Investments in securities	(12,584)	(25,133)
Proceeds from sale of investments in securities	1,929	5,523
Proceeds from sale of consolidated subsidiaries	5,203	-
Provision of loans	(11,452)	(5,767)
Collection of loans	868	2,093
Other	(68)	74
Net cash used in investing activities	(77,237)	(100,152)
Cash Flows from Financing Activities:		
Net increase/decrease in short-term bank loans	(29,438)	5,157
Net increase/decrease of commercial paper	26,000	(25,000)
Borrowing of long-term bank loans	50,167	18,276
Repayments of long-term bank loans	(50,644)	(34,496)
Redemption of debentures	(20,000)	-
Cash dividends paid by the Company	(8,382)	(8,266)
Acquisition of treasury stock	(7,612)	(334)
Other	(77)	332
Net cash used in financing activities	(39,988)	(44,331)
Effect of foreign currency translation on cash and cash equivalents	(304)	647
Net increase/decrease in cash and cash equivalents	(2,212)	(8,906)
Cash and cash equivalents at beginning of period	35,073	44,998
Increase in cash and cash equivalents due to mergers of consolidated subsidiaries	134	12
Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation	1,760	-
Decrease of cash and cash equivalents due to exclusions of subsidiaries from consolidation	(55)	(1,030)
Cash and cash equivalents at end of period	34,701	35,073

Reconciliation of the balance of cash and bank deposits at the end of the stated period as shown in the Consolidated Balance Sheets, with cash and cash equivalents:

	Current accounting period (March 31, 2003)	Previous accounting period (March 31, 2002)
Cash and bank deposits	35,036	35,459
Time deposits (more than 3 months)	(334)	(391)
Marketable securities (short-term investments with low-risk and a maturity date of less than 3 months)	-	5
Cash and cash equivalents	34,701	35,073



# Basis for Presentation for Consolidated Financial Statements

## (1) Scope of Consolidation

1. Number of consolidated subsidiaries: 69 (74 in previous accounting period)
  - Main companies: Oji Container Co., Ltd., Chiyoda Container Corporation, Oji Tac Co., Ltd., Oji Packaging Co., Ltd., Oji Logistics Co., Ltd., Chuetsu Co., Ltd., Oji Cornstarch Co., Ltd., Oji Paperboard Co., Ltd., Nepia Co., Ltd. Hoxy Co., Ltd.
  - Added (4): Takasaki Sanko Co., Ltd., Chuetsu Co., Ltd., Shin Nippon Core Co., Ltd., (?)Tomakomai Kako K.K.
  - Excluded (9): Ei Sho Gen. Co., Ltd., Shinfuji Trading Co., Ltd., Yonago Oji Service Co., Ltd., Hokuyo Paper Co., Ltd., Chuo Paperboard Co., Ltd., O.I.R. Co., Ltd., Takasaki Sanko Co., Ltd., Abekawa Paper Co., Ltd., Suzunaka Co., Ltd.
2. Non-consolidated subsidiaries: 139
3. All non-consolidated subsidiaries are small in scale, and their total assets, sales, net income (equity equivalent) and retained earnings (equity equivalent) have a minimal impact on total consolidated assets, sales, net income (equity equivalent) and retained earnings (equity equivalent). They also have a minimal impact on the Consolidated Balance Sheets. For these reasons, they have been excluded from the consolidation.

## (2) Items Relating to Equity Method Application

1. Number of equity method non-consolidated subsidiaries: None
2. Number of equity method associated companies: 16 (19 in the previous accounting period)
  - Main companies: Japan Brazil Paper and Pulp Resources Development Co., Ltd., Kokusai Pulp & Paper Co., Ltd., Yupo Corporation
  - Excluded (3): Takasaki Sanko Co., Ltd., Chuetsu Co., Ltd., Yamato Unyu Co., Ltd.  
From the current accounting period, the results for Japan Brazil Paper and Pulp Resources Development Co., Ltd. include the profit and loss of its wholly owned Brazil-based subsidiary, Cellulose Nipo-Brasileira S.A.
3. Equity method non-consolidated subsidiaries and associated companies
  - Non-consolidated subsidiaries: 139
  - Associated companies: 67
4. These non-consolidated subsidiaries and associated companies are small in scale, and their total net income (offset for minority interests) and retained earnings (offset for minority interests) have a minimal impact on total consolidated net income (offset for minority interests) and retained earnings (offset for minority interests). They also have a minimal impact on the Consolidated Balance Sheets. For these reasons, they have been excluded from the scope of equity method application.

## (3) Matters Relating to the Business Years, etc., of Consolidated Subsidiaries

December 31 is the balance date for (?)Oji Paper U.S.A. Inc., KANZAKI Specialty Papers Inc., Jant Ltd., Oji Paper (Thailand) Ltd., and KANZAN Spezialpapiere GmbH., while Nihon Seika Hosokawa Co., Ltd. closes its accounts at the end of February. Each company's financial statements as of their respective balance dates were used in compiling these consolidated financial statements. Adjustments are made for any major business transactions occurring between subsidiaries' balance dates the consolidated balance date.

## (4) Accounting Principles

1. Standard and method for valuation of significant assets
  - Securities
    - Securities held to maturity: Amortized cost
    - Other securities with market values: At market, based on market prices, etc., on the last day of the accounting period. (Valuation gains and losses are added directly to shareholders' equity. The cost of sales is calculated according to the moving average method.)
    - Securities without market values: Mostly using the total average method
  - Inventories
    - Inventories are valued mainly according to the total average method.
2. Depreciation method for major assets
  - The declining balance method is used, except for buildings (apart from annexed facilities) acquired after April 1, 1998, and assets owned by some consolidated subsidiaries, for which the straight-line method is used.

### 3. Accounting standards for major reserves

Allowance for doubtful accounts: To provide for possible losses on accounts receivable at the end of the accounting period, an amount calculated using a ratio based on historical losses on general receivables is provided. Where there is concern about specific accounts, provision is made for the amount deemed to be unrecoverable based on reviews of the recoverability of individual accounts.

Severance benefits: An amount equivalent to the estimated amount required for employees' severance benefits at the end of each consolidated accounting period is provided on the basis of severance benefit liabilities and pension assets.

Past service liabilities are treated as costs according to straight-line calculations based on the average remaining years of service of employees when liabilities are incurred.

Actuarial differences are treated as costs in the following consolidated accounting period, based on straight-line amortization over the average remaining service period of employees at time of occurrence.

#### (Additional Information)

Following the enforcement of the Law Concerning Defined-Benefit Corporate Pension Plans, on December 16, 2002 Oji Paper Co., Ltd. was granted an exemption by the Minister of Health, Labor and Welfare with regard to future payment obligations in respect of subrogated portions of welfare pensions. As a result, transitional measures have been applied under the provisions of Article 47-2 of the Accounting Guidelines for Retirement Benefits (Interim Report) (Report 13 of the Accounting System Committee of the Japanese Institute of Certified Public Accountants). Pension assets were reduced by an amount equivalent to severance benefit liabilities and refunds of the subrogated portion as of the date of the exemption, and a ¥16,660 million refund from the subrogated portion was shown in the accounts as an extraordinary profit item.

The refund in the current accounting period is ¥43,133 million.

Provision for retirement bonuses to directors: The amount payable at the end of the accounting period according to corporate regulations is shown in the accounts to provide for retirement bonuses to directors.

### 4. Treatment of lease contracts

Financial lease contracts other than those that are deemed to transfer ownership of the leased assets to lessees are treated according to the accounting method that is used for ordinary operating leases.

### 5 Other significant policies concerning the preparation of the consolidated financial statements

Accounting for consumption tax: Amounts are shown exclusive of tax.

## (5) Amortization of Consolidation Adjustment Account

The account is amortized in equal amounts over five years. If the amount is small, it will be amortized in the accounting period in which it is incurred.

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

All assets and liabilities are stated at market values.

## (7) Matters Concerning the Appropriation of Income, etc.

The appropriation methods for income and losses in the consolidated income statement and the consolidated statement of retained earnings are based on the standards used by consolidated subsidiaries whose accounts have been finalized before the end of the current consolidated accounting period.

## (8) Scope of Funds Included in Consolidated Cash Flow Statement

Cash and cash equivalents in the consolidated cash flow statement consist of on-hand cash, deposits that can be withdrawn at any time, and short-term investments that can readily be converted into cash, involve minimal exposure to price fluctuation risk, and will mature within three months.

## (9) Other Basic Policies Concerning the Presentation of the Consolidated Financial Statements

(Accounting for treasury stock and reversal, etc., of legal reserves)

The "Accounting Standard on Treasury Stock and Reversal of Legal Reserves" (Accounting Standards Board of Japan Statement 1) has been applied. The impact on profit and loss in the current accounting period will be minimal.

As a result of changes to the presentation rules for consolidated financial statements, the shareholders' equity section of the Consolidated Balance Sheets and the consolidated statement of retained earnings for the current consolidated accounting period have been prepared in accordance with the amended rules for the presentation of consolidated financial statements.

(Per Share Data)

The “Accounting Standard on Net Income Per Share” (Accounting Standards Board of Japan Statement 2) and the “Guidelines for the Application of the Accounting Standard on Net Income Per Share” (Accounting Standards Board of Japan Statement 4) have been applied from the current consolidated accounting period. The impact of these changes is described in the notes concerning per share data.

(Significant Changes Concerning the Presentation of Consolidated Financial Statements)

In the past, depreciation losses on fixed assets resulting from the restructuring of manufacturing operations were treated as extraordinary losses, while depreciation losses resulting from other factors were included in non-operating expenses. From the current accounting period, the entire amount is treated as an extraordinary loss. As a result of this change, ordinary profit has increased by ¥1,819 million, but there is no effect on net income before income taxes.

## (2) Segment Information

### 1. Segment Information by Business Category

Current accounting period  
(April 1, 2002–March 31, 2003)

Millions of Yen

	Pulp and paper product	Converted paper product	Wood and tree-planting	Other	Total	Elimination or corporate	Consolidated total
<b>I. Sales and Operating Profit/Loss</b>							
Net sales							
(1) Sales to customers	734,312	332,105	47,977	98,778	1,213,173	-	1,213,173
(2) Intra-group sales between segments or transfers	37,535	2,234	33,056	114,033	186,860	(186,860)	-
<b>Total</b>	<b>771,848</b>	<b>334,340</b>	<b>81,033</b>	<b>212,811</b>	<b>1,400,034</b>	<b>(186,860)</b>	<b>1,213,173</b>
Operating expenses	729,127	329,100	79,705	205,609	1,343,543	(186,860)	1,156,682
Operating profit	42,720	5,240	1,327	7,202	56,490	(-)	56,490
<b>II. Assets, Depreciation and Capital Expenditure</b>							
Assets							
Assets	1,035,241	340,812	103,435	308,128	1,787,617	(166,521)	1,621,095
Depreciation	68,971	16,931	1,085	5,536	92,524	-	92,524
Capital expenditure	43,609	16,355	1,274	3,965	65,204	-	65,204

Previous accounting period  
(April 1, 2001–March 31, 2002)

Millions of Yen

	Pulp and paper product	Converted paper product	Wood and tree-planting	Other	Total	Elimination or corporate	Consolidated total
<b>I. Sales and Operating Profit/Loss</b>							
Net sales							
(1) Sales to customers	699,431	343,923	48,503	111,939	1,203,797	-	1,203,797
(2) Intra-group sales between segments or transfers	34,345	2,278	33,591	98,614	168,829	(168,829)	-
<b>Total</b>	<b>733,776</b>	<b>346,202</b>	<b>82,094</b>	<b>210,554</b>	<b>1,372,627</b>	<b>(168,829)</b>	<b>1,203,797</b>
Operating expenses	707,282	343,099	81,213	204,696	1,336,291	(168,829)	1,167,461
Operating profit	26,494	3,103	881	5,858	36,336	(-)	36,336
<b>II. Assets, Depreciation and Capital Expenditure</b>							
Assets							
Assets	1,035,387	332,265	105,823	216,861	1,690,338	(58,254)	1,632,084
Depreciation	68,045	16,826	1,057	6,055	91,984	-	91,984
Capital expenditure	56,553	15,710	1,807	2,852	76,924	-	76,924

#### Notes:

- Segmentation is based on differences in product types, characteristics and production methods.
- The main products in each business segment are as follows.
  - Pulp and paper product: Newsprint, printing papers, packaging papers, miscellaneous papers, carbonless papers, containerboard, boxboard, pulp
  - Converted paper product: Containerboard, paper containers, thermal papers, self-adhesive papers, diapers, paper bag products
  - Wood and tree-planting: Timber, afforestation, tree-planting
  - Other activities: Real estate, cornstarch, machinery
- Depreciation and capital expenditures include long-term prepaid expenses and depreciation thereof.

#### 2. Location-based Segment Information

Activities in Japan account for over 90% of total sales and assets in all segments. Other location-based segments have therefore been omitted.

#### 3. Overseas Sales

Total sales in countries or regions other than Japan make up less than 10% of total consolidated sales and have therefore been omitted.

## 5. Production, Orders and Sales

### (1) Production

Business Segment	Item	Current accounting period (April 1, 2002-March 31, 2003)	Previous accounting period (April 1, 2001-March 31, 2002)
Pulp and paper product	Paper	4,620,970 tonnes	4,234,859 tonnes
	Paperboard	3,548,802	2,459,750
	Total paper and paperboard	8,169,772	6,694,609
	Pulp	4,316,001	4,081,154
Converted paper product	Corrugated containers	¥101,365 million	¥13,678 million
	Other converted products	198,415	193,263
	Total	299,781	306,942

Notes:

1. Production volumes include production for in-house use.
2. Amounts are based on sales prices and do not include consumption tax and local consumption taxes.
3. Production figures for wood and tree-planting and other have been omitted because of the small amounts involved.

### (2) Orders

The Oji Paper Group undertakes production to order in some areas, such as real estate. The amounts are small and have been omitted.

### (3) Sales

Millions of Yen

Business Segment	Current accounting period (April 1, 2002-March 31, 2003)	Previous accounting period (April 1, 2001-March 31, 2002)
Pulp and paper product division	734,312	699,431
Converted paper product division	332,105	343,923
Wood and tree-planting division	47,977	48,503
Other	98,778	111,939
Total	1,213,173	1,203,797

Note: The above amounts do not include consumption tax and local consumption taxes.