

Summary of Consolidated Financial and Business Results
for the First Quarter of the Year Ending March 2006

Oji Paper Co., Ltd.

Code No. 3861

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

Stock Exchange Listings:

Headquarters Location:

Representative:

Contact:

Telephone:

First sections of Tokyo, Osaka and Nagoya Markets, Fukuoka and Sapporo Markets
 Tokyo
 Shoichiro Suzuki, President & Chief Executive Officer
 Takashi Ishida, Corporate Officer, Corporate Administration Division
 03-3563-1111 +81-3-3563-1111 (overseas)

1. Notes concerning the preparation of financial information for the first quarter

(1) Use of simplified accounting methods: Yes

- Corporate income taxes, etc., have been treated using a simplified method based on the statutory effective tax rate.
- Simplified procedures have been used in other areas, where the effect would be negligible.

(2) Changes in accounting policies compared with recent consolidated accounting periods: Yes

Accounting standards on asset-impairment have been applied, starting in the current consolidated accounting year. This has resulted in a ¥10,446 million reduction in quarterly net income before adjustment for taxes, etc

(3) Changes in the scope of consolidation and equity method application: Consolidated subsidiaries excluded: 1

2. Summary of Consolidated Business and Financial Performance in the First Quarter of the Year Ending March 31, 2006 (April 1, 2005–June 30, 2005)**(1) Consolidated Business Results**

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

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Quarter of FY2006	286,328	(1.8)	18,821	(5.5)	18,363	(5.1)	990	(92.1)
First Quarter of FY2005	291,571	(0.8)	19,913	19.2	19,347	32.0	12,494	—
Reference: Year ended March 2005	1,185,141		84,554		80,524		43,349	

	Net income per share	Diluted net income per share
First Quarter of FY2006	Yen 00.99	—
First Quarter of FY2005	12.06	—
Reference: Year ended March 2005	42.06	—

Note:

1. The percentage figures for net sales, operating profit, ordinary profit and quarterly net income represent increases (decreases) relative to the first quarter of the previous year.
2. Year-on-year percentage increase (decrease) for quarterly net income in the first quarter of the previous year is not shown, since disclosure of quarterly net income began in the first quarter of the previous year.

(2) Consolidated Financial Condition

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

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
First Quarter of FY2006	Millions of yen 1,604,113	Millions of yen 468,515	% 29.2	Yen 477.65
First Quarter of FY2005	1,616,702	478,527	29.6	461.84
Reference: Year ended March 2005	1,606,171	489,941	30.5	484.50

3. Consolidated Forecasts for the Year Ending March 2006 (April 1, 2005–March 31, 2006)

Results are expected to be in line with the performance forecasts published on April 28, 2005, and those forecasts remain unchanged.

Reference: Forecasts Published on April 28, 2005

	Net sales	Ordinary profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim	580,000	32,000	6,000
Full Year	1,238,000	85,000	38,500

Reference: The full-year consolidated net income per share forecast is: ¥39.25

The above forecasts are based on forecasts of future economic conditions as of the date of publication. The actual results may differ from these forecasts due to various factors that may arise in the future.

4. Qualitative Information Concerning Business Performance

(1) Overview of First Quarter

Healthy business performance brought growth in capital investment in the first quarter, while consumer spending trends remained firm thanks to an improved employment situation. These factors helped to keep the Japanese economy on a gradual recovery trend, despite negative factors that included slower exports, continuing inventory adjustments in the IT sector, and soaring crude oil prices.

In the pulp and paper industry, demand for paper and paperboard remained generally firm, but rising fuel and raw material costs resulted in challenging business conditions.

The Oji Paper Group implemented powerful cost-cutting measures affecting all aspects of its activities. All expenses were minimized, and efforts were also made to reduce energy and labor inputs. At the same time, the Group worked aggressively to improve its sales potential through initiatives that included the introduction of new products. While these efforts brought major benefits during the first quarter, they were not sufficient to offset the impact of higher fuel and raw material prices, with the result that consolidated ordinary profit was 5.1% below the result for the same quarter in the previous accounting year. There was also an extraordinary loss resulting from the application of accounting standards on asset-impairment. This was reflected in a substantial decline in consolidated quarterly net income compared with the result for first quarter of the previous accounting year.

Results for the first quarter (April 1, 2005-June 30, 2005)

Consolidated net sales:	¥286,328 million	(year on year 1.8% decline)
Consolidated operating profit:	¥18,821 million	(year on year 5.5% decline)
Consolidated ordinary profit:	¥18,363 million	(year on year 5.1% decline)
Consolidated net income:	¥990 million	(year on year 92.1% decline)

(2) Segment Overview

○Pulp and Paper Products

- General papers

Sales trends in the newsprint category were generally firm. Sales of printing papers were also comparatively firm, especially in the domestic market for papers for use in commercial printed products, such as flyers and catalogs. However, sales volumes were down because of a decline in export sales. Price trends in the first quarter reflected the permeation through the market of price correction initiatives implemented since the fall of 2004.

- Packaging paper

There was little change in either volumes or prices.

- Other papers

In the area of sanitary paper products, there was substantial volume growth in sales of tissue paper and toilet rolls. Prices declined in a deteriorating market environment.

- Paperboard

There was a moderate decline in the volume of sales of container board, especially for corrugated containers for fruits and vegetables. Prices were basically unchanged. Both volumes and prices remained basically static in the area of boxboard. There was a volume decline in sales of high-grade paperboard, especially for use in commercial printing. Prices were basically unchanged.

The results for this segment were as follows.

Consolidated net sales:	¥169,588 million	(year on year 2.5% decline)
Consolidated operating profit:	¥12,621 million	(year on year 11.8% decline)

○Converted Paper Products

- Corrugated containers (Corrugated sheets and boxes)

Both volumes and prices remained basically unchanged.

- Other converted paper products (paper containers, thermal papers, adhesive papers, paper diapers, etc.)

Sales of thermal papers declined in both volume and value terms because of reduced demand for papers for use in facsimiles and other equipment. There was volume growth in sales of paper diapers for both infants and adults. Prices for infant diapers were weaker.

The results for this segment were as follows.

Consolidated net sales:	¥83,637 million	(year on year 3.2% decline)
Consolidated operating profit:	¥3,232 million	(year on year 11.3% decline)

○Wood and Tree-planting

Revenues were lower, in part because of reduced orders for timber products. However, consolidated results benefited from cost-cutting measures, as shown below.

Consolidated net sales:	¥10,696 million	(year on year 9.4% decline)
Consolidated operating profit:	¥410 million	(year on year 114.3% increase)

○Other Activities

The results for this segment, as shown below, benefited from increased real estate subdivision sales.

Consolidated net sales:	¥22,405 million	(year on year 15.7% increase)
Consolidated operating profit:	¥2,557 million	(year on year 44.2% increase)

(1) Summary of Consolidated Balance Sheets

Millions of yen

	Previous First Quarter (June 30, 2004)	Current First Quarter (June 30, 2005)	Previous Fiscal Year (March 31, 2005)
ASSETS			
Current Assets:	506,331	507,263	498,966
Cash and bank deposits	26,188	27,723	44,769
Accounts receivables–trade	289,670	285,616	276,345
Inventories	143,105	141,942	136,469
Other	47,366	51,980	41,381
Fixed Assets:	1,110,371	1,096,849	1,107,204
Property, plant and equipment	875,872	859,310	871,415
Intangible fixed assets	11,217	10,514	10,641
Investments and other assets	223,280	227,023	225,148
Total Assets	1,616,702	1,604,113	1,606,171
LIABILITIES			
Current Liabilities:	604,945	598,086	589,336
Accounts payables–trade	178,245	180,888	183,499
Short-term bank loans	279,232	209,837	210,447
Commercial paper	79,000	111,000	95,000
Current portion of debentures	-	20,000	20,000
Other	68,466	76,360	80,389
Non-Current Liabilities:	527,533	531,449	520,849
Debentures	140,000	160,000	160,000
Long-term bank loans	260,690	253,012	241,450
Other	126,842	118,436	119,399
Total Liabilities	1,132,478	1,129,535	1,110,186
MINORITY INTERESTS			
Minority interests in consolidated subsidiaries	5,696	6,062	6,043
SHAREHOLDERS' EQUITY			
Common stock	103,880	103,880	103,880
Capital surplus	110,170	110,179	110,179
Retained earnings	243,211	262,385	267,855
Revaluation of land	6,466	6,728	6,614
Other valuation of securities	35,594	35,649	35,669
Foreign currency translation adjustment	(8,765)	(4,998)	(6,045)
Treasury stock	(12,030)	(45,309)	(28,212)
Total Shareholders' Equity	478,527	468,515	489,941
Total liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	1,616,702	1,604,113	1,606,171

(2) Summary of Consolidated Statements of Income

Millions of yen

	Previous First Quarter (April 1, 2004 to June 30, 2004)	Current First Quarter (April 1, 2005 to June 30, 2005)	Previous Fiscal Year (April 1, 2004 to March 31, 2005)
Net sales	291,571	286,328	1,185,141
Cost of sales	216,084	213,951	880,343
Gross profit	75,486	72,377	304,797
Selling, general and administrative expenses	55,573	53,555	220,243
Operating profit	19,913	18,821	84,554
Non-operating income	2,647	2,783	8,560
Interest and dividends income	972	1,410	2,041
Equity in earnings of affiliates	920	535	2,272
Lease income	241	274	1,032
Other	513	563	3,213
Non-operating expenses	3,213	3,241	12,589
Interest expenses and discount charges	2,661	2,508	9,866
Other	551	732	2,722
Ordinary profit	19,347	18,363	80,524
Extraordinary gains	129	297	686
Gain on sale of fixed assets	129	297	-
Gain on sale of investment in securities	-	-	187
			498
Extraordinary losses	973	12,834	14,035
Loss on impairment of fixed assets	-	10,446	-
Loss on retirement of fixed assets	324	1,235	7,453
Special retirement benefits	649	1,152	4,100
Loss on termination of projects	-	-	824
Loss on natural disaster	-	-	541
Loss on reduction of fixed assets	-	-	437
Allowance for doubtful accounts	-	-	374
Loss on write-down of investment in securities	-	-	303
Income before income taxes.	18,503	5,826	67,175
Corporate tax, resident tax and enterprise tax	5,808	4,668	23,353
Minority interests in net profit (loss) of consolidated subsidiaries	(199)	(167)	(472)
Net income	12,494	990	43,349

(3) Segment Information

1. Segment information by business domain

Previous first quarter period (April 1, 2004–June 30, 2004)

	Millions of yen						
	Pulp and paper products	Converted paper products	Wood and tree-planting	Others	Total	Elimination or corporate	Consolidated total
I. Sales and operating profit (loss)							
(1) Sales to customers	174,007	86,380	11,810	19,372	291,571	—	291,571
(2) In-group sales between segments or transfers	12,883	1,213	6,457	26,579	47,085	(47,085)	—
Total	186,840	87,594	18,268	45,952	338,656	(47,085)	291,571
Operating expenses	172,535	83,951	18,076	44,178	318,743	(47,085)	271,657
Operating profit	14,305	3,643	191	1,773	19,913	—	19,913

Current first quarter period (April 1, 2005–June 30, 2005)

	Millions of yen						
	Pulp and paper products	Converted paper products	Wood and tree-planting	Others	Total	Elimination or corporate	Consolidated total
I. Sales and operating profit (loss)							
(1) Sales to customers	169,588	83,637	10,696	22,405	286,328	—	286,328
(2) In-group sales between segments or transfers	12,874	1,332	7,101	29,516	50,825	(50,825)	—
Total	182,463	84,970	17,798	51,922	337,154	(50,825)	286,328
Operating expenses	169,841	81,737	17,387	49,365	318,332	(50,825)	267,506
Operating profit	12,621	3,232	410	2,557	18,821	—	18,821

Reference: Previous fiscal year (April 1, 2004–March 31, 2005)

	Millions of yen						
	Pulp and paper products	Converted paper products	Wood and tree-planting	Others	Total	Elimination or corporate	Consolidated total
I. Sales and operating profit (loss)							
(1) Sales to customers	697,939	341,762	49,124	96,314	1,185,141	—	1,185,141
(2) In-group sales between segments or transfers	52,000	4,719	26,525	118,163	201,409	(201,409)	—
Total	749,939	346,482	75,649	214,478	1,386,550	(201,409)	1,185,141
Operating expenses	696,107	331,524	74,303	200,060	1,301,996	(201,409)	1,100,587
Operating profit	53,832	14,957	1,345	14,417	84,554	—	84,554

Notes:

1. Segmentation is based on differences in products and production methods.

2. The main products of each business segment are as follows.

Pulp and paper products: Newsprint, printing and writing papers, packaging papers, sanitary papers, miscellaneous papers, containerboard, boxboard, pulp, etc.

Converted paper products: Corrugated containers, paper containers, thermal papers, adhesive papers, paper diapers, paper bag products, etc.

Wood and tree-planting: Timber, afforestation, landscaping

Other: Real estate, cornstarch, machinery, etc.

2. Segment information by location

Location-based information has been omitted, since net sales in Japan account for over 90% of net sales in all business segments.

3. Overseas net sales

Total net sales in countries or regions outside of Japan account for less than 10% of consolidated sales and have therefore been omitted.