

**Preliminary Report on Midterm Business Results for the Year Ending March 31, 2006 (Consolidated)**

Oji Paper Co., Ltd.

Code No. 3861

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

Stock Exchange Listings:

Headquarters Location:

Representative:

Contact:

Telephone

Date of Board of Directors' Meeting

Application of U.S. accounting standard: N/A

First sections of Tokyo, Osaka and Nagoya Markets, plus Fukuoka and Sapporo Markets

Tokyo

Shoichiro Suzuki, President &amp; Chief Executive Officer

Takashi Ishida, Corporate Officer, Corporate Administration Division

03-3563-1111 +81-3-3563-1111 (overseas)

October 28, 2005

**1. Midterm Results for the Year Ending March 31, 2006 (April 1, 2005 – September 30, 2005)**

## (1) Consolidated Business Results

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

	Net sales		Operating profit		Ordinary profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
September 2005 Midterm	573,304	(2.6)	34,861	(6.8)	32,601	(10.8)
September 2004 Midterm	588,500	1.2	37,386	14.5	36,534	23.6
Year Ended March 2005	1,185,141		84,554		80,524	

	Net income		Net income per share		Diluted net income per share	
	Millions of Yen	%	Yen	Yen	Yen	Yen
September 2005 Midterm	5,581	(71.1)	5.67	-	-	-
September 2004 Midterm	19,295	28.1	18.66	-	-	-
Year Ended March 2005	43,349		42.06	-	-	-

Notes:

1. Equity in earnings (losses) of affiliates:

Midterm ended September 2005: (¥243) million

Midterm ended September 2004: ¥1,683 million

Year ended March 2005: ¥2,272 million

2. Average number of outstanding shares for the period (consolidated):

Midterm ended September 2005: 985,065,687 shares

Midterm ended September 2004: 1,034,193,995 shares

Year ended March 2005: 1,023,953,677 shares

3. The accounting method has been changed.

4. Figures shown in percentage under Net sales, Operating profit, Ordinary profit and Net income are increases/decreases ratios compared with the previous midterm period.

## (2) Consolidated Financial Condition

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	Millions of Yen	Millions of Yen	%	Yen
September 2005 Midterm	1,644,197	474,828	28.9	495.25
September 2004 Midterm	1,634,214	473,530	29.0	461.81
Year Ended March 2005	1,606,171	489,941	30.5	484.50

Note: Number of outstanding shares at term end (consolidated):

Midterm ended September 2005: 958,756,032 shares

Midterm ended September 2004: 1,025,381,079 shares

Year ended March 2005: 1,010,644,204 shares

## (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
September 2005 Midterm	33,778	(45,752)	2,229	36,319
September 2004 Midterm	24,578	(32,579)	10,951	36,006
Year Ended March 2005	135,769	(67,949)	(55,438)	44,521

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

Number of consolidated subsidiaries: 67

Number of non-consolidated subsidiaries to which the equity method applies: None

Number of affiliated companies to which the equity method applies: 15

## (5) Changes in Scope of Consolidation and Equity Method Application

Consolidated companies:

New: 4

Excluded: 2

Equity method:

New: None

Excluded: None

**2. Forecasts for Year Ending March 2006 (April 1, 2005 – March 31, 2006)**

Full Year	Net sales	Ordinary profit	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
	1,235,000	78,000	30,000

Reference: The consolidated net income per share forecast for the full year is ¥31.29.

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

Reference: Midterm Business Results for the Year Ending March 31, 2006  
Consolidated Business Results

(¥100 million)

		September 2005 Midterm		Year ending March 31, 2006 (forecasts)	
			Year on year net increase/decrease		Year on year net increase/decrease
Net Sales	Pulp & paper products	3,373	(126)	6,850	(129)
	Converted paper products	1,699	(25)	4,060	642
	Wood and tree-planting	223	(23)	460	(31)
	Other activities	438	22	980	17
	Total	5,733	(152)	12,350	499
Operating profit		349	(25)	810	(36)
Ordinary profit		326	(39)	780	(25)
Extraordinary gain (loss)		(213)	(153)	(280)	(147)
Income taxes, etc		(57)	55	(200)	39
Net income		56	(137)	300	(133)
Exchange rate (¥/US\$)		109	-	112	5
Depreciation (¥100 million)		374	(12)	785	4
Capital expenditure (¥100 million)		456	149	1,170	425

	Year on year decrease*		Year on year decrease*	
Employees at end of period	18,747	113	20,583	1,949
(Employees in Japan)	17,138	(305)	18,949	1,506

\*Note: The above figures of year on year decrease are net decreases compared with the results for the year ended March 31 2005.

Consolidated Financial Position (¥100 million)

	September 30, 2005	
		Year on year increase*
Total assets	16,442	380
Shareholders' equity	4,748	(151)
Interest-bearing debt (including notes discounted)	7,712	433

\*Note: The above figures of year on year increase are net increases compared with the results for the year ended March 31 2005.

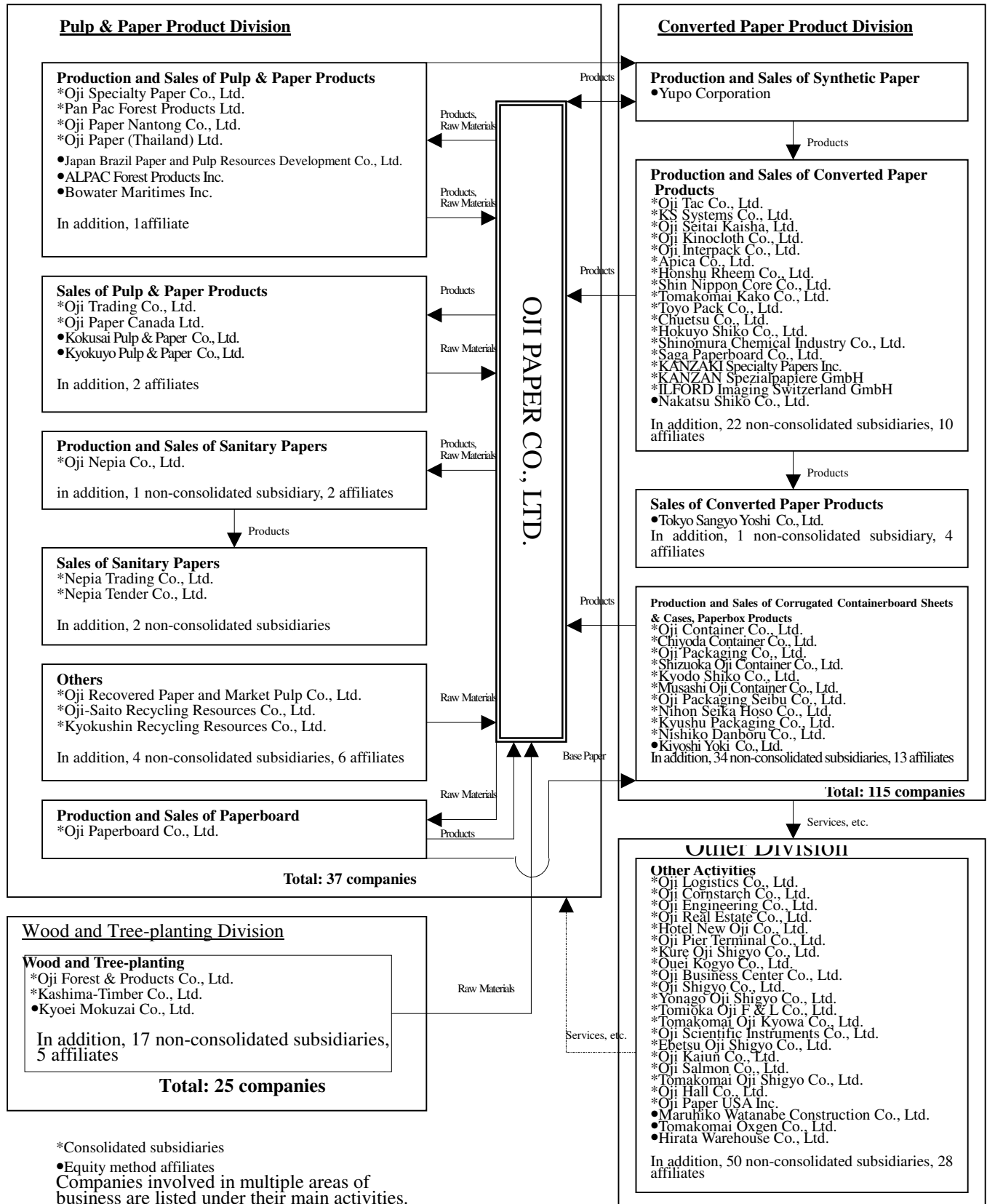
Consolidated Cash Flows (¥100 million)

	September 30, 2005	
		Year on year increase (decrease)
Cash flows from operating activities	338	92
Cash flows from investing activities	(458)	(132)
Cash flows from financing activities	22	(88)

### 1. Profile of the Corporate Group

The Oji Paper Group consists of Oji Paper Co., Ltd. along with 193 subsidiaries and 84 affiliates.

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.



## 2. Management Policy

### (1) Basic Management Policy

The corporate philosophy of the Oji Paper Group emphasizes to contribute to protection of the environment and advancement of culture, strive for continuous innovation in a proactive, responsive and determined manner, and build and maintain trust throughout the world. The Group is working under this philosophy to realize the full potential of paper and to justify the trust placed in it by customers, by maintaining comprehensive product supply systems for its products, including paper, paperboard and converted paper products. At the same time, the Group is also laying the foundations for future growth by building a corporate structure capable of survival and success in fiercely competitive domestic and overseas markets.

The Oji Paper Group has responded to the maturation of the Japanese market by focusing on the future potential of Asian markets. Its aim is to overcome international competition from highly global manufacturers in Europe, North America and Southeast Asia and achieve dynamic growth in the 21st century by expanding into Asian markets, especially the growing Chinese market, as an Asian corporate citizen domiciled in Japan.

As an enterprise group dedicated to protection of the global environment through recycling, the Oji Paper Group continues to work under the Oji Paper Environment Charter to promote forest recycling and paper recycling. Through these activities, the Group is making a sustained contribution to the formation of a recycling society. The Oji Paper Group is also determined to maintain and base its corporate activities on broader global perspectives, including a contribution to the prevention of global warming through increased energy conservation efforts, leading to further reductions in fossil fuel consumption.

### (2) Basic Policy on Profit Distribution

The Oji Paper Group's basic policy on profit distribution is to provide shareholders with the greatest possible dividend stability while strengthening its financial fundamentals through the accumulation of internal reserves. Dividend decisions need to be based on a comprehensive range of factors, including business performance.

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

The Oji Paper Group regards the enhancement of corporate value and the attraction of more individual investors as important priorities. It is also determined to stimulate increased trading in its shares. Management will continue to study the reduction of the minimum share lot in the context of a wide range of factors, including the balance between the costs and benefits, and stock market trends.

### (4) Target Management Indicators (Consolidated)

The targets for management indicators under the Oji Paper Group's medium/long-term management plan are as follows.

- Ordinary profit: ¥100 billion or higher (achievement and maintenance)
- Return on equity (ROE): 7% or higher
- Ratio of debt to equity (D/E ratio): 1.5 or lower
- Ordinary profit to net sales: 5% or higher (in all business segments)

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

The Oji Paper Group is working to achieve further growth and success as one of the world's leading integrated pulp & paper manufacturers by targeting flexibility and optimal efficiency in its production operations, and price maintenance and restoration and sales expansion in its marketing activities. The Group is also working to maintain steady income flows in the mature domestic market by developing new technologies, new products and new services, while building a future role for itself as an Asian corporate citizen domiciled in Japan.

As part of this strategy, Oji Paper is preparing for the establishment of full-scale business operations in China. Last year, it negotiated a basic agreement with the Nantong Economic and Technological Development Zone Administration Committee concerning the acquisition of a site in Nantong City, Jiangsu Province, China. By the end of 2008, Oji Paper plans to invest about ¥65 billion in the construction of a new coated paper plant with annual production capacity of 400,000 tonnes per year and to start commercial production. There are also plans for the construction of an integrated pulp and paper plant to produce 1.2 million tonnes per year of high-grade paper and coated papers annually. It is estimated that the total investment will amount to ¥220 billion.

Continuing growth in world paper demand, especially in China and Southeast Asia, could cause a tightening of supply and demand in the market for the timber used to manufacture paper. In preparation for the expansion of its business operations in China, Oji Paper has increased the target for the planting of overseas forests from 200,000 hectares to 300,000 hectares. It is working steadily to secure reliable long-term access to raw materials. For example, in February of this year it commenced a new planting scheme in Lao People's Democratic Republic with a target area of 50,000 hectares, and in August it established a local subsidiary in Guangdong Province in the People's Republic of China with the target of planting 60,000 hectares of forest.

Within Japan, Oji Paper Group will continue to target cost reductions in our corrugated containerboard segment by pursuing cost savings made possible by synergies between Oji Chiyoda Container Co., Ltd., which was established on October 1, 2005 through the merger of Chiyoda Container Co., Ltd. and Oji Container Co., Ltd. as the core of the Oji Paper Group's corrugated containerboard business, and the Mori Shigyo Group, the third-ranked company in the industry, with which it reached basic agreement on a share transfer in April 2005. The Group will also strengthen its competitiveness in this segment by further expanding its nationwide network of offices to provide highly focused user services.

### (6) Priorities

The Japanese economy has emerged from a prolonged period of flat performance and is expected to remain on a recovery trend driven by strong trends in consumer spending and other areas of private sector demand. Contributing factors include buoyant business earnings and a gradual increase in workers' incomes.

In the pulp and paper industry, domestic demand is expected to show positive year-on-year growth. However, the Oji Paper Group will continue to face extremely harsh business conditions, including the prospect of massive increases in the prices of raw materials and fuel, and rapid growth in paper imports. The entire Group will work to build a high-income structure through efforts focusing on the following priority goals.

## **1. Strengthening Group Management**

- **Improving the profitability of the general papers business**  
Oji Paper will secure its earning capacity through aggressive efforts to expand sales, especially of new products. It will also continue to give priority to price maintenance while monitoring trends in paper imports.
- **Improving the profitability of the boxboard and packaging papers business**  
In its white boxboard business, Oji Paper will work aggressively to expand sales of specialty and high-grade white boxboard. It will also target price maintenance and cost reductions for coated white-lined board. The goal for the packaging paper business is to strengthen the earning structure by consolidating last year's price restoration measures, and by focusing marketing efforts on product categories in which Oji Paper has a competitive advantage.
- **Improving the profitability of the communications paper business**  
Oji Paper will actively develop new products in close cooperation with other industries, especially information equipment manufacturers. It will also work to ensure reliable quality, expand sales and reduce costs.
- **Improving the profitability of the containerboard business**  
Under a sales strategy that gives first priority to price maintenance, Oji Paper will work to strengthen its income base by focusing on the improvement of production systems and facilities and technology resources.
- **Improving the profitability of the corrugated containers business**  
In line with Oji Paper's profit-focused sales strategy, it will work to maximize its earning potential by targeting further cost reductions through the early realization of synergies with the Mori Shigyo Group. It will also strengthen its competitiveness by providing a fine-tuned response to customer needs and establishing an unrivalled quality assurance system.
- **Improving the profitability of the household products business**  
In the sanitary papers category, Oji Paper will strive to keep operating rates and sales performance at 100%, while minimizing costs and expanding sales of premium items. The key to growth in sales of disposable diapers will be a product strategy linked to market changes.
- **Improving the profitability of the specialty paper business**  
In fiscal 2004 the specialty paper operations of the Oji Paper Group were integrated under a newly established company. Earning capacity in this area will be enhanced by applying the total capabilities of the new company to the expansion of sales of existing products and the aggressive development of new products, and by establishing optimized production systems.

## **2. Strengthening Cost Competitiveness**

Management will target further cost reductions by fostering renewed awareness of the crucial importance of cost competitiveness to earning power and corporate competitiveness.

- **Maximizing production efficiency**  
Oji Paper aims to improve its production systems and maximize production efficiency through measures to minimize factory manufacturing costs and strengthen competitiveness.
- **Reducing of total human resource costs**  
Oji Paper has already reduced its consolidated work force in Japan to below 18,000. It will work to improve added value and productivity by seeking further reductions in its total human resource costs.
- **Advantageous procurement of purchased goods and materials**  
Oji Paper will devise and formulate all possible measures to counter the effects of steep increases in the prices of raw materials and fuel, and it will put these measures into effect without delay, with the aim of procuring raw materials and supplementary materials on the best possible terms and at the lowest possible costs.
- **Reduction of physical distribution costs**  
Inventory costs and physical distribution costs will be reduced through intensive efforts to optimize overall inventory levels and strengthen cooperation with agencies. In addition, new services based on collaboration with physical distribution operations will be developed.

## **3. Enhancing competitiveness through new products, technologies and services**

Oji Paper aims to identify customer needs in all segments, and to develop and commercialize new technologies, products and services based on new concepts.

## **4. Improving Quality Competitiveness**

Oji Paper will target further improvements in customer confidence in its products by ensuring that it has a quality advantage, and by responding promptly to customer needs. It will use its quality advantage to counter pressure from domestic and overseas competitors.

## **5. Reinforcing the Financial Structure**

Oji Paper will work to expand its cash flows by reducing inventories of raw materials, fuel and finished products, by liquidating assets, and by ensuring that the level of investment in plant and facilities is appropriate. It will also target further improvements in financial efficiency and the financial balance through integrated management of group funds.

## **6. Business Development in China**

Oji Paper will work to enhance the earning performance of the business operations that is currently developing in China in such areas as communications papers, sanitary papers and corrugated containers. It will also make careful and thorough preparations for approval processes required for its plan to build production facilities for wood-free and coated papers. To ensure the successful implementation of this plan, Oji Paper will carefully monitor related factors, including market trends in China.

## **7. Emphasis on Environmental Countermeasures**

In accordance with the basic principles of its Environmental Charter, Oji Paper will work to ensure that its corporate activities are environmentally harmonious from a global perspective through strategies that include the achievement of zero emission status for waste products, and the implementation of forest planting projects.

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

### **Basic Thinking on Corporate Governance**

Oji Paper regards the reinforcement of corporate governance as its most important management priority and is improving related systems with the aim of ensuring management efficiency, soundness and transparency, achieving sustained improvement in corporate value, and maintaining public confidence.

### **Measures Relating to Corporate Governance**

#### **1. Corporate governance organizations, including management organizations relating to the making, execution and supervision of management decisions**

##### **Corporate Organizations**

Important decisions concerning business operations are made by the Board of Directors, which meets once or twice each month. The Board consists of 10 directors.

Oji Paper has accelerated decision-making processes, strengthened operational and executive functions, and clarified executive responsibilities under its corporate officer system, which was introduced in 1999. At present there are 38 corporate officers, of whom nine are also directors. The corporate officers meet every month to consider and discuss operational and executive matters.

Audit systems have been expanded and enhanced under the audit system introduced by Oji Paper, which includes the appointment of external auditors. There are currently four auditors, including two external auditors.

##### **Development of Internal Governance Systems**

Important decisions relating to group management are made by the Board of Directors following deliberations at meetings of the Management Committee, which consists of directors who are also corporate officers. These meetings are normally held once a week. Several committees have been established to carry out preliminary discussions prior to deliberations by senior groups, such as the Management Committee. These include the Medium/Long-term Management Planning Committee, the Annual Planning Coordination Committee and the Product Competitiveness Reinforcement Committee.

Corporate officers and divisional managers ensure the prompt implementation of operations in accordance with decisions of the Board of Directors. Internal checking functions are based on chains of organizational authority and responsibility, which are clearly defined in organizational rules and regulations and rules covering the division of operations. There are also rules concerning consultation, including the rules governing presidential decision-making and the approval by chief officers. Business operations are conducted appropriately and in accordance with procedures based on these rules.

Financial management is based on orderly and thorough supervision by divisional managers in accordance with internal accounting regulations and other requirements. Divisional transactions are regularly monitored by corporate accounting managers to ensure the effectiveness of control functions and the reliability of financial reports.

At the group level, there are monthly meetings of the Group Management Council. Its purpose is to ensure that all group members share management policies and corporate principles.

Oji Paper strengthens its internal governance system by establishing the Internal Controls Committee to work in parallel with the executive organization. The role of this committee, which will report directly to the Board of Directors, is to check and assess the functioning of the systems, and to check and assess Oji Paper's response to major internal governance-related risk factors.

##### **Development of Risk Management Systems**

Appropriate risk management is vital to the achievement of sustained improvement in corporate value in a rapidly changing business environment. Oji Paper is working to strengthen its risk management systems.

In the context of medium-range and long-range business planning, significant risk factors with the potential to hinder strategic management decision-making are carefully studied by various corporate organizations, including the Medium/Long-term Management Planning Committee and the Annual Planning Coordination Committee, and countermeasures are developed.

To improve its preparedness for disasters, accidents and other unforeseen contingencies, Oji Paper is developing systems to support a rapid response based on close collaboration. It has established a Disaster Prevention Committee to discuss basic policies and priority items concerning disaster prevention and management at group level.

Some risk factors, such as those affecting product quality or the environment, require deliberations and the development of countermeasures by groups can function as horizontal links across organizational units. Organizations established for this purpose include the Product Competitiveness Reinforcement Committee and the Environment Committee.

Oji Paper is committed to timely and appropriate disclosure. Its efforts to improve management transparency include bringing forward publication dates for business results.

Another priority for Oji Paper is compliance with laws, regulations and corporate ethics. The Corporate Compliance Office was established in June 15, 2003 as a focus for increased efforts in these areas.

The Oji Paper Group Corporate Code of Conduct, which was adopted in January 2004, encompasses the basic values and behavior standards that have guide continuing commitment to the pursuit of corporate activities based on high ethical standards and awareness of the Group's role as a corporate citizen.

### **Internal Auditing, Audit Board Auditing, and Account Auditing**

#### **(1) Internal Auditing**

As noted above, business operations are subject to stringent control by the relevant organizational units. However, Oji Paper is continually working to strengthen and enhance its internal auditing systems.

#### **(2) Audit Board Auditing**

Oji Paper's Audit Board supervises and audits management activities. The Audit Board consists of four auditors and includes two external auditors to ensure transparency. The Auditors audit the executive activities of directors by attending meetings of the Board of Directors and other important meetings in accordance with audit plans established by the Audit Board.

#### **(3) Account Auditing**

Oji Paper has retained Chuo Aoyama Audit Corporation to audit its accounts. Audits are not limited to midterm or final accounts and are carried out as required. The accounts of Oji Paper are audited by three certified public accountants, Akio Okuyama, Takashi Nagasaka and Takashi Sadatome. Mr. Okuyama has audited our accounts for one year, Mr. Nagasaka for five years, and Mr. Sadatome for two years. These totals

include periods before the enactment of the amended Certified Public Accountant Law in June 2003. A total of 10 certified public accountants, 6 assistant accountants and two other staff assisted in the accounts audit for this midterm period (consolidated).

**2. Summary of Personal, Capital and Business Relationships and Other Interests Existing between the Company and its External Directors and External Auditors**

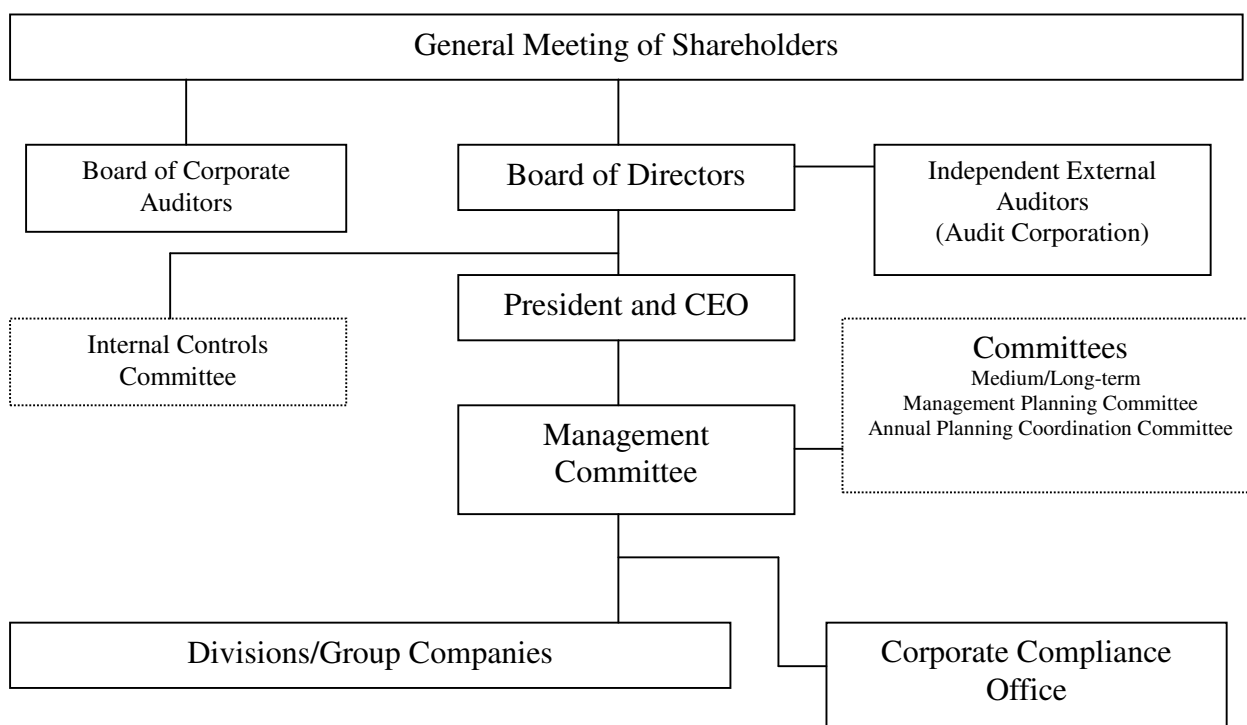
There are no personal, capital or business relationships or other interests between the Company and its two external auditors. There are no external directors.

**3. Measures to Enhance Corporate Governance in the Past Year**

In addition to its regular monthly meetings, the Board of Directors holds special meetings as required. In the past year (October 2004-September 2005), the Board of Directors met 14 times. The attendance rate for the external auditors was 100%.

In the current term, it also established the Internal Controls Committee. It is currently making preparations for the formulation of a Basic Policy on the Development of Internal Governance Systems.

**Corporate Organs, Internal Government Systems, etc.**



**(8) Items Pertaining to Parent Company, etc.**

None

### 3. Business Results and Financial Position

#### (1) Business Results

##### 1. Overview of the Midterm Period Ended September 2005

Japan's domestic economic performance remained on a gradual recovery trend during the period under review. However, the pulp and paper industry faced difficult business conditions because of sharply higher raw material and fuel prices. Oji Paper adapted to this environment by working intensively to minimize costs in all areas of its activities, including energy and labor inputs. At the same time, it took aggressive action to strengthen its marketing potential, including the introduction of new products. While these measures yielded important benefits, they were not sufficient to offset dramatic increases in the prices of fuel and raw materials, and its consolidated ordinary income declined by 10.8% compared with the result for the first half of the previous business year. There was also an extraordinary loss resulting from the introduction of fixed asset impairment accounting. This was reflected in substantially lower midterm consolidated net income.

The results for the first half (April 1-September 30, 2005) of the current business year were as follows. Comparisons are with the same period in the previous business year.

Consolidated net sales:	¥573,304 million (2.6% decline)
Consolidated operating profit:	¥34,861 million (6.8% decline)
Consolidated ordinary profit:	¥32,601 million (10.8% decline)
Consolidated net income:	¥5,581 million (71.1% decline)

Segment results were as follows:

##### Pulp and Paper Product Division

###### • General Papers

Domestic sales of newsprint were higher, reflecting increased demand generated by the Lower House elections. However, exports declined. In the printing paper category, sales stagnated in the area of uncoated papers for use magazines, books and other items. This contrasted with strong sales of ultra lightweight coated paper, especially for use in flyers, catalogs and other types of commercial printing. Reduced demand for high-quality printed products was reflected in sluggish demand for coated papers. Oji Paper worked to maintain prices, especially market-driven prices, at the levels to which they had been restored in the fall of 2004. However, the overall trend was characteristics by a softening of prices.

###### • Packaging Papers

Sales of packaging paper remained static and prices weakened.

###### • Other Papers

Sales of miscellaneous papers were slow, and prices remained basically static. In the sanitary paper category, there were substantial increases in sales of tissue paper and toilet paper. Prices moved downwards in a deteriorating market environment.

###### • Paperboard

Sales of containerboard were marginally lower, and prices tended to weaken. Domestic sales of white paperboard and high-grade white paperboard were strong, in contrast with slow exports. Oji Paper worked to maintain prices at the levels to which they had been restored in 2003.

These sales trends, combined with cost-cutting efforts by group companies, were reflected in the following results.

Consolidated net sales:	¥337,280 million (3.6% decline)
Consolidated operating profit:	¥22,995 million (9.6% decline)

(Comparisons are with the same period in the previous business year.)

##### Converted Paper Product Division

###### • Corrugated Containers (Corrugated Sheets and Boxes)

There was a small increase in sales of corrugated containers. Prices remained static.

###### • Other Converted Paper Products (Paperware, Thermal Papers, Adhesive Papers, Disposable Diapers, etc.)

Thermal paper sales were affected by lower exports. Prices remained static. Sales of disposable diapers for adults and infants increased, but the prices of infants' diapers weakened.

These factors, together with the effects of cost-cutting measures, were reflected in the following results for this segment.

Consolidated net sales:	¥169,871 million (1.5% decline)
Consolidated operating profit:	¥6,260 million (17.9% decline)

(Comparisons are with the same period in the previous business year.)

##### Wood and Tree-planting Division

Wood sales declined, partly because of reduced orders. Cost-cutting measures contributed to the results for this segment, as shown below.

Consolidated net sales:	¥22,336 million (9.2% decline)
Consolidated operating profit:	¥878 million (90.9% increase)

(Comparisons are with the same period in the previous business year.)

##### Other Divisions

The results for other divisions are as shown below.

Consolidated net sales:	¥43,815 million	(5.3% increase)
Consolidated operating profit:	¥4,727 million	(22.7% increase)

(Comparisons are with the same period in the previous business year.)



The non-consolidated results for the midterm period ended September 2005 were as follows.

Non-consolidated net sales:	¥274,088 million	(11.4% decline)
Non-consolidated operating profit:	¥13,662 million	(27.4% decline)
Non-consolidated ordinary profit:	¥17,509 million	(6.3% decline)
Non-consolidated net income:	¥8,046 million	(6.7% decline)

(Comparisons are with the same period in the previous business year.)

## 2. Performance outlook for the Year Ending March 31, 2006

All Oji Paper Group Companies will continue their efforts to optimize production efficiency, maintain flexible production systems, and minimize costs. The Oji Paper Group will also work to maximize its earnings through increased marketing efforts, including the introduction of new products. However, we expect business conditions to remain extremely difficult because of factors that include sharply higher prices for fuel and raw materials.

This situation is reflected in the performance forecasts for the whole of the year to March 2006. We anticipate consolidated net sales of ¥1,235,000 million, consolidated ordinary profit of ¥78,000 million, and consolidated net profit of ¥30,000 million. Forecasts for the second half are based on an exchange rate of 115 yen to the U.S. dollar, which is the main foreign currency used.

The non-consolidated forecasts are net sales of ¥560,000 million, ordinary profit of ¥29,000 million, and net profit of ¥13,000 million.

## 3. Dividend

The midterm dividend for the year ending March 31, 2006 has been set at ¥6 per share. Oji Paper also plans to pay a final dividend of ¥6, bringing the total dividend for the year to ¥12 per share.

## (2) Financial Position

### Cash flows from operating activities

Net profit before income taxes was ¥19,217 million lower than in the first half of the previous year. Despite this, net cash provided by operating activities increased by 37.4% to ¥33,778 million, in part because the increase in trade receivables was substantially lower than in the previous year.

### Cash flows from investing activities

Net cash used in investing activities increased by 40.4% to ¥45,752 million. Reasons for this increase include higher investment in plant and facilities.

### Cash flows from financing activities

At ¥2,229 million, income was 79.6% lower than in the first half of the previous year. Contributing factors include expenditure on a share buyback program.

As a result of these changes, cash and equivalents at the end of the current period were reduced by ¥8,201 million compared with the position at the end of the previous period to ¥36,319 million.

### Cash Flow Indicators

Period Ended	March 2003	March 2004	March 2005	September 2004 (Midterm)	September 2005 (Midterm)
Shareholders' equity ratio (%)	26.3	29.4	30.5	29.0	28.9
Shareholders' equity at market price (%)	30.8	46.7	37.9	39.1	36.2
Years to debt retirement (Years)	6.9	7.4	5.4	-	-
Interest coverage ratio	9.5	9.3	13.8	5.2	7.3

Shareholders' equity ratio:

Shareholders' equity at market price:

Years to debt retirement:

Interest coverage ratio:

Shareholders' equity/total assets

Aggregate value/total assets

Interest-bearing debt/operating cash flows

(Years to debt retirement are not shown in the midterm results.)

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 share price at the end of the period by the number of shares issued and outstanding at the end of the period (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.

## (3) Business Risks, etc.

Factors affecting the Oji Paper Group's business activities that could significantly influence investors' decisions are described below.

References to future events in this document reflect the Group's judgment as of the end of March 2005. The following list of significant risks is not intended to be exhaustive.

### 1. Declines in Demand and Market Prices in Japan

Pulp and paper products and converted paper products account for approximately 90% of the net sales of the Oji Paper Group. Both segments are basically dependent on domestic demand and are therefore significantly influenced by trends in the performance of Japan's domestic economy. The financial position and business performance of the Oji Paper Group could be adversely affected if a serious decline in Japan's economic performance caused reductions in domestic demand and lower market prices.

### 2. Rising Raw Material and Fuel Prices

The financial position and business performance of the Oji Paper Group could be adversely affected by rises in the purchase prices of important fuels and raw materials, such as chips and fuel oil, which are substantially influenced by international market trends, and used paper, purchase prices for which vary significantly in response supply-demand trends in Japan.

### **3. Exchange Rate Fluctuations**

The financial position and business performance of the Oji Paper Group could be adversely affected by a major weakening of the yen relative to currencies that have a major influence on the purchase prices of fuels and raw materials, such as the U.S. dollar or Australian dollar. The Oji Paper Group uses risk hedging, including currency contracts, but it is not possible to avoid all risks.

### **4. Rising Interest Rates**

The Oji Paper Group is working to strengthen its financial structure in various ways, including the use of group financing to improve the efficiency with which the Group's financial resources are used. However, a substantial increase in interest rates could have a negative effect on the Group's business performance.

### **5. Changes in Overseas Political and Economic Conditions**

The Oji Paper Group procures chips, fuel oil and other resources from many foreign countries. The financial position and business performance of the Oji Paper Group could be adversely affected if it became difficult to obtain fuels and raw materials or if prices increased because of deteriorating political and economic conditions in these countries. Changes in overseas political and economic conditions could also affect existing overseas projects or future plans.

### **6. Disasters**

The Oji Paper Group takes all possible steps to minimize the effects of disasters. However, there is no guarantee that all effects of disasters can be prevented or mitigated. The financial position and business performance of the Oji Paper Group could be adversely affected if it were not possible to prevent or alleviate the effects of disaster, and if the Group were affected by reduced production capacity or higher manufacturing costs as a result.

### **7. Risks Relating to Laws and Litigation**

The business activities of the Oji Paper Group are covered by a variety of laws and regulations, including environmental regulations and laws concerning intellectual property. It is possible that the Group will be exposed to the risk of litigation or other actions under these laws and regulations. The results of such actions could adversely affect the financial position and business performance of the Oji Paper Group.

### **8. Product Liability**

The Oji Paper Group is subject to claims for damages based on product liability pertaining to the Group's products. No major claims for damages are pending at present, but it is possible that such claims may be received in the future. While the Oji Paper Group has obtained product liability indemnity insurance, it is possible that this insurance cover may be insufficient to cover liability for damage.

## 4. Midterm Consolidated Financial Statements

### (1) Midterm Consolidated Balance Sheets

Millions of Yen

	Previous midterm (September 30, 2004)	Current midterm (September 30, 2005)	Previous fiscal year (March 31, 2005)
<b>ASSETS</b>			
Current Assets:	530,000	511,203	498,966
Cash and bank deposits	36,311	36,578	44,769
Accounts receivable—trade	311,560	285,355	276,345
Marketable securities	50	0	49
Inventories	139,225	146,081	136,469
Deferred tax assets	18,109	15,550	16,210
Short-term loans	12,192	11,812	11,366
Accounts receivable—other	5,557	8,998	8,395
Other	8,485	8,763	6,455
Allowance for doubtful accounts	(1,491)	(1,937)	(1,094)
Fixed Assets:	1,104,214	1,132,994	1,107,204
Property, plant and equipment	876,597	863,010	871,415
Buildings and structures	219,512	207,260	215,014
Machinery and automobiles	358,921	355,831	351,797
Tools, fixtures	8,163	8,138	8,265
Land	218,507	212,018	218,479
Forests	16,751	16,749	16,759
Afforestation	42,357	43,164	42,721
Construction in progress	12,384	19,847	18,376
Intangible assets	10,988	13,399	10,641
Leasehold	2,538	2,332	2,425
Consolidation adjustment accounts	749	1,604	480
Other	7,700	9,462	7,735
Investments and other assets	216,628	256,584	225,148
Investments in securities	186,774	227,533	197,573
Long-term loans	6,616	7,390	6,907
Long-term prepaid expense	3,119	3,115	3,110
Deferred tax assets	12,259	11,062	9,834
Other	9,570	9,251	9,349
Allowance for doubtful accounts	(1,711)	(1,768)	(1,628)
<b>Total assets</b>	<b>1,634,214</b>	<b>1,644,197</b>	<b>1,606,171</b>

Millions of Yen

	Previous midterm (September 30, 2004)	Current midterm (September 30, 2005)	Previous fiscal year (March 31, 2005)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities:	629,984	613,351	589,336
Accounts payable—trade	181,930	181,413	183,499
Short-term bank loans	277,121	211,317	210,447
Commercial paper	76,000	140,000	95,000
Current portion of debentures	20,000	-	20,000
Accounts payable—other	12,516	20,493	14,633
Accrued expenses	47,288	43,487	45,556
Income taxes payable, etc.	3,881	6,848	12,201
Other	11,245	9,790	7,997
Non-Current Liabilities:	524,606	549,922	520,849
Debentures	160,000	160,000	160,000
Long-term bank loans	244,530	259,367	241,450
Deferred tax liabilities	34,674	45,029	35,141
Deferred tax liabilities on unrealized gain	6,086	11,459	8,176
Accrued retirement benefits	65,886	60,651	63,374
Accrued retirement bonuses to directors	2,194	2,189	2,531
Accrued provision for environmental safety measures	-	1,217	-
Reserves for special repairs	174	124	144
Other	11,059	9,882	10,031
Total liabilities	1,154,590	1,163,274	1,110,186
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES</b>			
Minority Interests in consolidated subsidiaries	6,092	6,095	6,043
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	103,880	103,880	103,880
Capital surplus	110,176	110,178	110,179
Retained earnings	250,112	266,641	267,855
Revaluation of land	6,466	3,825	6,614
Other valuation of securities	28,705	51,784	35,669
Foreign currency translation adjustment	(6,703)	(3,523)	(6,045)
Treasury stock	(19,107)	(57,959)	(28,212)
Total shareholders' equity	473,530	474,828	489,941
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	1,634,214	1,644,197	1,606,171

**(2) Midterm Consolidated Statements of Income**

Millions of Yen

	Previous midterm (April 1, 2004– September 30, 2004)	Current midterm (April 1, 2005– September 30, 2005)	Previous fiscal year (April 1, 2004–March 31, 2005)
Net sales	588,500	573,304	1,185,141
Cost of sales	436,697	432,437	880,343
Gross Profit	151,803	140,866	304,797
Selling, general and administrative expenses	114,416	106,004	220,243
Operating profit	37,386	34,861	84,554
Non-operating income	5,846	3,844	8,560
Interest and dividends income	1,321	1,665	2,041
Equity in earnings of affiliates	1,683	-	2,272
Lease income	500	584	1,032
Others	2,340	1,593	3,213
Non-operating expenses	6,698	6,104	12,589
Interest expense and discount charges	4,929	4,626	9,866
Equity in losses of affiliates	-	243	-
Others	1,769	1,235	2,722
Ordinary profit	36,534	32,601	80,524
Extraordinary gain	228	945	686
Gain on sale of fixed assets	228	917	187
Gain on sale of investments in securities	0	28	498
Extraordinary losses	6,225	22,256	14,035
Impairment losses*	-	12,850	-
Loss on retirement of fixed assets	2,928	2,739	7,453
Special retirement benefits	1,832	2,244	4,100
Loss on closure of factory	-	1,695	-
Provision for environmental safety measures	-	1,217	-
Others	1,494	1,509	2,481
Income before income taxes and minority interests	30,507	11,289	67,175
Corporate tax, resident taxes and enterprise tax	3,279	6,651	13,388
Deferred taxes	7,558	(1,174)	9,964
Minority interests in net profit (loss) of consolidated subsidiaries	373	231	472
Net income	19,295	5,581	43,349

\*See Changes in Significant Policies Concerning the Preparation of the Consolidated Financial Statements

**(3) Consolidated Statements of Surplus**

Millions of Yen

	Previous midterm (April 1, 2004– September 30, 2004)	Current midterm (April 1, 2005– September 30, 2005)	Previous fiscal year (April 1, 2004– March 31, 2005)
<b>CAPITAL SURPLUS</b>			
Balance of capital surplus at beginning of period	110,168	110,179	110,168
Increase in capital surplus	8	-	10
Gain on disposal of treasury stock	8	-	10
Decrease in capital surplus	-	0	-
Loss on disposal of treasury stock	-	0	-
Balance of capital surplus at end of period	110,176	110,178	110,179
<b>RETAINED EARNINGS</b>			
Balance of retained earnings at beginning of period	237,208	267,855	237,208
Increase in retained earnings	19,474	5,581	43,535
Net income	19,295	5,581	43,349
Increase in retained earnings due to mergers	-	-	7
Increase in retained earnings due to increase in number of consolidated subsidiaries	178	-	178
Decrease in retained earnings	6,570	6,795	12,888
Dividends	6,220	6,069	12,378
Bonuses to directors	265	276	265
Reversal of land revaluation reserve	-	113	147
Decrease due to increase in number of consolidated subsidiaries	-	256	-
Decrease due to reduction in number of consolidated subsidiaries	84	78	97
Balance of retained earnings at end of period	250,112	266,641	267,855

#### (4) Consolidated Statements of Cash Flows

Millions of Yen

	Previous midterm (April 1, 2004– September 30, 2004)	Current midterm (April 1, 2005– September 30, 2005)	Previous fiscal year (April 1, 2004– March 31, 2005)
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests	30,507	11,289	67,175
Depreciation and amortization	38,615	37,201	77,871
Impairment losses*	-	12,850	-
Decrease in accrued retirement benefits	(2,381)	(3,228)	(4,626)
Interest and dividend income	(1,321)	(1,665)	(2,041)
Interest expenses	4,929	4,626	9,866
Exchange loss	(275)	(551)	(327)
Equity in gains (losses) of affiliates	(1,683)	243	(2,272)
Gain (Loss) on sale of investments in securities	(0)	(28)	(498)
Loss on write-down of investments in securities	93	533	303
Loss on disposal of fixed assets	2,928	2,739	7,453
Gain (Loss) on sale of fixed assets	(228)	(917)	(187)
Increase/decrease in trade receivables	(43,776)	(5,530)	(8,055)
Increase/decrease in inventories	(595)	(7,324)	6,101
Increase/decrease in trade payables	5,442	(3,020)	3,699
Other	(184)	1,233	(4,222)
<b>Total</b>	<b>32,069</b>	<b>48,449</b>	<b>150,240</b>
Interest and dividends received	1,522	1,872	2,307
Interest paid	(4,736)	(4,614)	(9,803)
Income taxes paid	(4,276)	(11,929)	(6,975)
<b>Net cash provided by operating activities</b>	<b>24,578</b>	<b>33,778</b>	<b>135,769</b>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from sale of marketable securities	-	48	-
Acquisition of property, plant and equipment/intangible assets	(30,329)	(44,604)	(68,097)
Proceeds from sale of property, plant and equipment/intangible assets	3,413	4,297	4,795
Purchase of investments securities	(5,131)	(2,551)	(4,006)
Proceeds from sale of investments securities	38	172	541
Acquisition of stocks of consolidated subsidiaries due to change in the scope of consolidation	-	(1,961)	-
Provision of loans	(968)	(897)	(2,849)
Collection of loans	625	218	2,175
Other	(225)	(474)	(508)
<b>Net cash used in investing activities</b>	<b>(32,579)</b>	<b>(45,752)</b>	<b>(67,949)</b>
<b>Cash Flows from Financing Activities:</b>			
Net increase in short-term bank loans	(9,633)	7,983	(73,114)
Net increase of commercial paper	-	45,000	19,000
Borrowing of long-term bank loans	17,961	35,315	30,224
Repayments of long-term bank loans	(24,340)	(30,235)	(43,211)
Proceeds from issue of debentures	40,000	-	40,000
Redemption of debentures	-	(20,000)	-
Cash dividends paid by the Company	(6,220)	(6,069)	(12,378)
Acquisition of treasury stock	(6,835)	(29,757)	(16,011)
Other	19	(7)	54
<b>Net cash used in financing activities</b>	<b>10,951</b>	<b>2,229</b>	<b>(55,438)</b>
Effect of foreign currency translation on cash and cash equivalents	209	738	(313)
<b>Net decrease in cash and cash equivalents</b>	<b>3,160</b>	<b>(9,005)</b>	<b>12,068</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>32,609</b>	<b>44,521</b>	<b>32,609</b>
<b>Increase in cash and cash equivalents due to mergers of consolidate subsidiaries</b>	<b>-</b>	<b>-</b>	<b>36</b>
<b>Increase in cash and cash equivalents due to inclusions of subsidiaries in consolidation</b>	<b>275</b>	<b>975</b>	<b>275</b>
<b>Decrease of cash and cash equivalents due to exclusions of subsidiaries from consolidation</b>	<b>(38)</b>	<b>(172)</b>	<b>(468)</b>
<b>Cash and cash equivalents at end of period</b>	<b>36,006</b>	<b>36,319</b>	<b>44,521</b>

\*See Changes in Significant Policies Concerning the Preparation of the Consolidated Financial Statements

# Basis of Presentation of the Midterm Consolidated Financial Statements

## 1. Scope of Consolidation

Number of consolidated subsidiaries: 67

Main subsidiaries: Oji Paperboard Co., Ltd., Oji Specialty Paper Co., Ltd., Oji Nepia Co., Ltd., Oji Container Co., Ltd., Oji Logistics Co., Ltd., Oji Engineering Co., Ltd., Chiyoda Container Co., Ltd., Oji Real Estate Co., Ltd., Oji Tac, Co., Ltd., Oji Forest & Products Co., Ltd.

Newly included subsidiaries: 4, Oji Packaging Seibu Co., Ltd., ILFORD Imaging Switzerland GmbH, Nepia Trading Co., Ltd. and Nepia Tender Co., Ltd.

Newly excluded subsidiaries: 2, Fuji Rinkai Warehousing Co., Ltd., and so forth

Number of non-consolidated subsidiaries: 126

Non-consolidated subsidiaries are all small companies with negligible total assets, midterm net sales, net income (loss) (equity equivalent) and retained earnings (equity equivalent) compared with the aggregate total assets, midterm net sales and net income (loss) (equity equivalent) and retained earnings (equity equivalent) of consolidated subsidiaries. They also have no significant impact on the midterm consolidated financial statements and are therefore excluded from the consolidation.

## 2. Equity Method Application

Number of affiliates to which the equity method applies: 15

Main affiliates: JBP (Japan Brazil Paper and Pulp Resources Co., Ltd.), Yupo Corporation, Kokusai Pulp & Paper Co., Ltd.

Number of non-consolidated subsidiaries and affiliates to which the equity method does not apply:

Non-consolidated subsidiaries: 126

Affiliates: 69

The combined midterm net sales, net income (loss) and retained earnings (equity equivalent in all cases) of these non-consolidated subsidiaries and affiliates are negligible compared with the aggregate midterm net income (loss) and retained earnings (equity equivalent in all cases) of consolidated subsidiaries and have no significant impact on the midterm financial statements. They are therefore excluded from the scope of the equity method application.

## 3. Matters Relating to the Midterm Balance Dates, etc., of Consolidated Subsidiaries

There are differences in the midterm balance dates for certain consolidated subsidiaries. June 30 is the midterm balance date for Oji Paper U.S.A. Inc., KANZAKI Specialty Papers Inc., Oji Paper (Thailand) Ltd., KANZAN Spezialpapiere GmbH, Oji Paper Nantong Co., Ltd. and ILFORD Imaging Switzerland GmbH. Each company's financial statements as of their respective balance dates were used in compiling these consolidated midterm financial statements. Adjustments are made for any significant transactions occurring between subsidiaries' balance dates the consolidated balance date.

## 4. Accounting Principles

(1) Standards and methods for valuation of assets

Securities:

Securities held to maturity: Amortized cost

Other securities

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.)

Other securities without market values: At cost using the moving average method

Inventories:

Valuation of inventories is based mainly on the total average method.

(2) Depreciation method for major assets

The declining balance method is used, except for buildings (other than annexed facilities) acquired after April 1, 1998, and assets owned by certain consolidated subsidiaries, for which the straight-line method is used.

(3) Accounting standards for major reserves

1. Allowance for doubtful accounts:

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

2. Severance benefits:

The amount provided is equivalent to the estimated amount required for employees' severance benefits at the end of each consolidated accounting period, based on severance benefit liabilities and pension assets. Past service liabilities are treated as costs on the basis of straight-line calculations according to 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.

3. Provision for retirement bonuses to directors:

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

4. Provision for environmental safety measures



In line with the Law of Special Measures for the Proper Handling of Polychlorinated Biphenyl Waste, provision is estimated for proper handling of all PCB waste.

#### 5. Reserve for special repairs

Estimating future expenditures and charging for future repairs to oil tank is provided to income in equal annual amounts.

#### (4) Treatment of lease contracts

Financial leases other than those that are deemed to transfer ownership of the leased assets to lessees are shown in the accounts using the same method as for ordinary operating leases.

#### (5) Accounting for significant hedge transactions

##### 1. Method of hedge accounting

Deferral hedge accounting is adopted mainly.

Regarding foreign currency denominated assets or liabilities with specific forward or futures transactions on foreign exchange for specific hedging purposes for them, an accrued portion of the spreads are allocated for the income (loss) calculation.

“Special procedure for interest swaps” is applied for interest rate swaps if they fulfill the conditions of “special procedure.”

##### 2. Hedging instruments and items

Hedging instruments	Hedging items
Currency forward transaction	Foreign currency denominated monetary assets or liabilities
Interest rate swap transaction	Loans or loans receivable

##### 3. Policy on hedging

The Group companies engage in hedging of currency forward transactions with the aim of managing the risk of fluctuation in future exchange rates under its risk management policies.

##### 4. Method of evaluating the efficacy of hedging

Regarding hedging instruments and items, the companies evaluate hedge effectiveness at each consolidated accounting period in every contract on a case-by-case basis.

The companies omit the evaluation of hedged instruments and items for assets or liabilities, if the important conditions of the means including the principal and the interest rate period are the same.

#### (6) Other Significant Matters Concerning the Preparation of Midterm Financial Statements

Amounts are shown exclusive of consumption taxes.

### **5. Valuation of Assets and Liabilities of Consolidated Subsidiaries**

All assets and liabilities are stated at market values.

### **6. Scope of cash and cash equivalents in the Midterm Consolidated Statement of Cash Flows**

Cash and cash equivalents shown in the midterm consolidated statements of cash flows consist of cash, on-call deposits and short-term investments that have a maturity period of three months or less and can readily be withdrawn or converted into cash with a minimal risk of value fluctuations.

## **Changes in Significant Policies Concerning the Preparation of the Consolidated Financial Statements**

### **Accounting Standards for Fixed Asset Impairment Accounting**

Oji Paper introduced the accounting standards for fixed asset impairment in the current midterm consolidated accounting period. The standards are based on the "Opinion Concerning the Establishment of Accounting Standards for Fixed Asset Impairment" (Business Accounting Council, August 9, 2002), and the "Guidelines for the Application of Accounting Standards for Fixed Asset Impairment" (Business Accounting Standards Application Guidelines No. 6, October 31, 2003). The application of these standards reduced midterm net profit before income taxes by ¥12,868 million.

## Notes:

### Consolidated Balance Sheet

	Previous midterm (Ended September 30, 2004)	Current midterm (Ended September 30, 2005)	(Millions of Yen) Previous fiscal year (Ended March 31, 2005)
1. Accumulated depreciation of tangible fixed assets	1,696,831	1,760,974	1,715,342
2. Contingent liabilities and guarantee obligations	41,495	38,766	42,774
3. Trade notes receivable discounted	594	564	988
4. Trade notes receivable transfer endorsements	-	159	211

### Consolidated Statements of Income

#### 1. Main selling, general and administrative expenses

	Previous midterm (April 1, 2004– September 30, 2004)	Current midterm (April 1, 2005– September 30, 2005)	(Millions of Yen) Previous fiscal year (April 1, 2004– March 31, 2005)
Selling expenses and cost of inventories of finished products	71,871	61,838	136,058
Salaries of employees	20,947	21,114	40,440
Retirement benefits	2,283	1,938	4,818
Depreciation and amortization	2,277	2,374	4,379

#### 2. Fixed Asset Impairment Losses

The main impairment losses affecting the assets and asset groups of the Oji Paper Group in the current midterm period were as follows.

(Millions of Yen)			
Location	Purpose	Type	Impairment Loss
Tomakomai City, Hokkaido	Hotel	Buildings, etc.	3,663
Fuji City, Shizuoka Prefecture	Rental shops	Land and buildings, etc.	2,754
Edogawa Ward, Tokyo	Paper container manufacturing facilities	Land and machinery	2,324
Kawachi-machi, Kawachi-gun, Tochigi Prefecture and elsewhere	Idle assets	Land, etc.	1,399

Oji Paper groups assets in the smallest units capable of generating cash flows. The assets affected include business premises used for operating activities that continually generate negative cash flows, and idle assets affected by significant declines in land values. If the recoverable value of these assets is lower than the book value, the book value is reduced to the recoverable value, and the difference is shown in the accounts as an impairment loss. This process resulted in the posting of ¥18 million as losses on equity method investments, and ¥12,850 million as extraordinary losses.

These totals break down into ¥6,318 million for buildings and structures, ¥4,613 million for land, ¥1,726 million for machinery and equipment, and ¥209 million for other items.

If the recoverable value is the net sale price, this is assessed using the real estate valuation standards. If the recoverable value is the utility value, this is calculated by discounting future cash flows by 5%.

### Consolidated Statements of Cash Flows

Relationship between midterm (year-end) balance of cash and cash equivalents and amounts stated in the Consolidated Balance Sheet

	Previous midterm (September 30, 2004)	Current midterm (September 30, 2005)	(Millions of Yen) Previous fiscal year (March 31, 2005)
Cash and deposits	36,311	36,578	44,769
Advance receivable within 3 months	-	-	4
Time deposits over 3 months	(304)	(259)	(252)
Cash and cash equivalents	36,006	36,319	44,521

## Segment Information

### 1. Segment information by business domain

Previous midterm period (April 1, 2004–September 30, 2004)

Millions of Yen

	Pulp and paper product	Converted paper product	Wood and tree-planting	Other	Total	Elimination or corporate	Consolidated total
Sales and Operating Profit/Loss							
Net sales							
(1) Sales to customers	349,859	172,438	24,596	41,606	588,500	-	588,500
(2) In-group sales between segments or transfers	27,515	2,202	13,312	57,614	100,644	(100,644)	-
Total	377,375	174,640	37,908	99,221	689,145	(100,644)	588,500
Operating expenses	351,930	167,013	37,448	95,367	651,759	(100,644)	551,114
Operating profit	25,444	7,627	460	3,853	37,386	(-)	37,386

Current midterm period (April 1, 2005–September 30, 2005)

	Pulp and paper product	Converted paper product	Wood and tree-planting	Other	Total	Elimination or corporate	Consolidated total
Sales and Operating Profit/Loss							
Net sales							
(1) Sales to customers	337,280	169,871	22,336	43,815	573,304	-	573,304
(2) In-group sales between segments or transfers	25,981	3,382	14,180	60,691	104,236	(104,236)	-
Total	363,262	173,254	36,517	104,506	677,540	(104,236)	573,304
Operating expenses	340,266	166,994	35,638	99,779	642,679	(104,236)	538,442
Operating profit	22,995	6,260	878	4,727	34,861	(-)	34,861

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

	Pulp and paper product	Converted paper product	Wood and tree-planting	Other	Total	Elimination or corporate	Consolidated total
Sales and Operating Profit/Loss							
Net sales							
(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:

- Segmentation is based on differences in production methods.
- The main products of each business segment are as follows.
  - Pulp and paper product: Newsprint, Printing and writing papers, packaging papers, sanitary papers miscellaneous papers, containerboard, boxboard, pulp, etc.
  - Converted paper product: 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.

## 5. Production, Orders and Sales

### (1) Production Results

Business Segment	Item	Previous midterm (April 1, 2004– September 30, 2004)	Current midterm (April 1, 2005– September 30, 2005)	Year on year increase/decrease
Pulp and paper product	Paper	2,252,636 tonnes	2,291,932 tonnes	39,296 tonnes
	Paperboard	1,758,223	1,738,278	(19,945)
	Total paper and paperboard	4,010,859	4,030,210	19,351
Converted paper product	Corrugated containers	¥54,790 million	¥54,068 million	(¥721 million)
	Other converted product	95,355	93,843	(1,511)
	Total	150,146	147,912	(2,233)

Notes:

1. Production volumes include production for internal use.
2. The amounts stated above are based on selling prices and do not include consumption tax and local consumption taxes.
3. The production amounts for wood and tree-planting and others are negligible and have therefore been omitted.

### (2) Orders Received

The Oji Paper Group undertakes contract production in certain business segments, such as real estate. However, these orders are negligible in percentage terms and have therefore been omitted.

### (3) Sales

Business Segment	Millions of Yen		
	Previous midterm (April 1, 2004-September 30, 2004)	Current midterm (April 1, 2005-September 30, 2005)	Year on year increase/decrease
Pulp and paper product	349,859	337,280	(12,579)
Converted paper product	172,438	169,871	(2,566)
Wood and tree-planting	24,596	22,336	(2,259)
Other	41,606	43,815	2,208
Total	588,500	573,304	(15,196)

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