

July 31, 2006

**Summary of Consolidated Financial and Business Results**  
**for the First Quarter of the Year Ending March 2007**

**Oji Paper Co., Ltd.**

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**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: No

(3) Changes in the scope of consolidation equity method application: No

**2. Summary of Consolidated Business and Financial Performance in the First Quarter of the Year Ending March 31, 2007 (April 1, 2006–June 30, 2006)**

**(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 FY2007	310,230	8.3	13,633	(27.6)	13,186	(28.2)	(1,447)	(—)
First Quarter of FY2006	286,328	(1.8)	18,821	(5.5)	18,363	(5.1)	990	(92.1)
Reference: Year ended March 2006	1,213,881		73,941		70,722		21,024	

	Net income per share	Diluted net income per share
First Quarter of FY2007	Yen (1.46)	—
First Quarter of FY2006	0.99	—
Reference: Year ended March 2006	21.15	—

Note:

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) Consolidated Financial Condition**

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

	Total assets	Net assets	Net worth/total assets	Net assets per share
First Quarter of FY2007	Millions of yen 1,763,702	Millions of yen 519,370	%	yen 525.09
First Quarter of FY2006	1,604,113	468,515	29.2	477.65
Reference: Year ended March 2006	1,748,547	527,875	30.2	533.38

Note:

Minority interests are not included in total net assets for the first quarter of FY2006 and for the year ended March 2006.

### (3) Consolidated Cash Flows

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

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
First Quarter of FY2007	Millions of yen (15,488)	Millions of yen (21,417)	Millions of yen 33,380	Millions of yen 36,038
First Quarter of FY2006	—	—	—	—
Reference: Year ended March 2006	112,307	(106,637)	(12,874)	39,601

Note:

Disclosure of consolidated cash flows in qualitative summary has been taken into effect from the first quarter of FY2007. Performance for the first quarter of FY2006 is not stated.

### 3. Consolidated Forecasts for the Year Ending March 2007 (April 1, 2006–March 31, 2007)

Results are expected to be in line with the performance forecasts published on April 28, 2006, and those forecasts remain unchanged.

#### Reference: Forecasts Published on April 28, 2006

	Net sales	Ordinary profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim	630,000	26,500	6,000
Full Year	1,280,000	71,500	31,500

Reference: The consolidated net income per share forecast for the full year is ¥31.85.

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 the First Quarter of the Year Ending March 31, 2007

Japan's economic situation during the first quarter, capital investment and gradual improvement in workers income contributed to strong consumer spending which continued to lead to a recovery path for Japan's economy.

In the pulp and paper industry, demand for paper and paperboard remained generally firm, but the business environment remained harsh because of massive high costs for fuel and raw materials.

The Oji Group worked dynamically to raise its earnings and made significant progress with strategies that included powerful cost-cutting measures affecting all aspects of its activities, as well as the expansion of marketing resources through closer collaboration among group companies. Unfortunately these efforts were outweighed by the impact of high fuel and raw material cost, with the result that consolidated ordinary profit was 28.2% lower than the same period in the previous accounting period. Consolidated quarterly net income was ¥1,447 million lower than the same period in the previous accounting period because of special retirement benefits that was accounted to extraordinary losses which occurred from revision of the employee transfer system.

Results for the first Quarter (April 1, 2006-June 30, 2006)

Consolidated net sales:	¥310,230 million (8.3% increase)
Consolidated operating profit:	¥13,633 million (27.6% decline)
Consolidated ordinary profit:	¥13,186 million (28.2% decline)
Consolidated net income:	(¥1,447) million ( — )

## (2) Segment Overview

### Pulp and Paper Products Division

- General Papers

Domestic sales of newsprint remained firm due to world cup soccer, but there was a decline in export sales. In the printing paper category, Oji recorded healthy domestic sales for commercial printing, such as flyers and catalogs. Price reconstruction was carried out mainly on market led products.

- Packaging Papers

Sales of packaging papers slightly declined. Price reconstruction of M.G. poster that was taken place this spring, penetrated in the market.

- Miscellaneous Papers

Sales of sanitary paper products, tissue papers slightly declined, toilet rolls sharply increased. Prices declined due to the deteriorating market conditions.

- Paperboards

Sales of containerboards declined. Price reconstructions that were taken place this spring, penetrated in the market.

Sales of domestic paperboards and high-grade paperboards were in good condition, but export paperboards and high-grade paperboards tended to be weak. Price reconstruction that was carried out this spring, penetrated almost completely.

The results for this segment were as follows.

Consolidated net sales:	¥169,342 million (0.1% decline)
Consolidated operating profit:	¥8,408 million (33.4% decline)

### Converted Paper Products

- Corrugated Containers (Corrugated Sheets and Boxes)

Sales and prices remained static.

- Other Converted Paper Products (Paperware, Thermal Papers, Adhesive Papers, Paper Diapers, etc.)

Sales and net sales of thermal papers increased due to demands for export papers.

Sales of disposable diapers for infants declined, but for adults it increased.

In addition, acquisition of Mori Shigyo Group benefited to the results below.

The results for this segment were as follows.

Consolidated net sales:	¥107,443 million (28.5% increase)
Consolidated operating profit:	¥2,159 million (33.2% decline)

### Wood and Tree-Planting

Increased order of wood sales and cost cutting measures contributed to the results for this segment, as shown below.

Consolidated net sales:	¥11,247 million (5.1% increase)
Consolidated operating profit:	¥475 million (15.8% increase)

### Other Activities

The results for this segment were as follows.

Consolidated net sales:	¥22,197 million (0.9% decline)
Consolidated operating profit:	¥2,589 million (1.3% increase)

(1) Summary of Consolidated Balance Sheet

	Millions of yen		
	Previous First Quarter (June 30, 2005)	Current First Quarter (June 30, 2006)	Previous Fiscal Year (March 31, 2006)
<b>ASSETS</b>			
Current Assets:	507,263	545,449	517,826
Cash and bank deposits	27,723	36,260	39,825
Accounts receivables—trade	285,616	311,636	295,637
Inventories	141,942	151,201	142,572
Other	51,980	46,351	39,791
Fixed Assets:	1,096,849	1,218,252	1,230,720
Property, plant and equipment	859,310	892,525	890,835
Intangible fixed assets	10,514	25,988	26,694
Investments and other assets	227,023	299,738	313,190
Total assets	1,604,113	1,763,702	1,748,547
<b>LIABILITIES</b>			
Current Liabilities:	598,086	763,389	715,003
Accounts payables—trade	180,888	209,669	206,268
Short-term bank loans	209,837	243,933	248,733
Commercial paper	111,000	178,000	134,000
Current portion of debentures	20,000	40,000	40,000
Other	76,360	91,787	86,001
Non-Current Liabilities:	531,449	480,941	497,886
Debentures	160,000	120,000	120,000
Long-term bank loans	253,012	232,649	232,436
Other	118,436	128,291	144,305
Total liabilities	1,129,535	1,244,331	1,212,889
<b>MINORITY INTERESTS</b>			
Minority interests in consolidated subsidiaries	6,062	—	7,782
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	103,880	—	103,880
Capital surplus	110,179	—	112,957
Retained earnings	262,385	—	275,411
Revaluation of land	6,728	—	3,823
Other valuation of securities	35,649	—	73,735
Foreign currency translation adjustment	(4,998)	—	(9)
Treasury stock	(45,309)	—	(41,923)
Total shareholders' equity	468,515	—	527,875
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	1,604,113	—	1,748,547
<b>NET ASSETS</b>			
Shareholders' Equity	—	484,588	—
Common stock	—	103,880	—
Capital surplus	—	112,958	—
Retained earnings	—	267,749	—
Adjustments for valuation, foreign currency translation and others	—	69,051	—
Revaluation of land	—	3,823	—
Other valuation of securities	—	65,582	—
Foreign currency translation adjustment	—	(354)	—
Treasury stock	—	(41,971)	—
Minority interests in consolidated subsidiaries	—	7,703	—
Total net assets	—	519,370	—
Total liabilities and net assets	—	1,763,702	—

(2) Summary of Consolidated Statements of Income

	Millions of yen		
	Previous First Quarter (April 1, 2005 to June 30, 2005)	Current First Quarter (April 1, 2006 to June 30, 2006)	Previous Fiscal Year (April 1, 2005 to March 31, 2006)
Net sales	286,328	310,230	1,213,881
Cost of sales	213,951	238,692	918,281
Gross profit	72,377	71,538	295,600
Selling, general and administrative expenses	53,555	57,904	221,658
Operating profit	18,821	13,633	73,941
Non-operating profit	2,783	2,914	8,883
Interest and dividends income	1,410	1,292	3,175
Equity in earning of affiliates	535	—	1,194
Lease income	274	351	1,464
Others	563	1,270	3,049
Non-operating expenses	3,241	3,361	12,102
Interest expense and discount charges	2,508	2,352	8,916
Equity in loss of affiliates	—	314	—
Miscellaneous losses	732	694	3,186
Ordinary profit	18,363	13,186	70,722
Extraordinary gains	297	21	2,925
Gain on sale of fixed assets	297	21	2,785
Gain on sale of investments in securities	—	—	140
Extraordinary losses	12,834	14,726	34,511
Special retirement benefits	1,152	13,644	5,823
Loss on retirement of fixed assets	1,235	1,081	6,362
Impairment losses	10,446	—	16,380
Others	—	—	5,944
Income before income taxes	5,826	(1,519)	39,137
Corporate tax, resident tax and enterprise tax	4,668	(180)	17,810
Minority interests in net income of consolidated subsidiaries	167	109	301
Net income	990	(1,447)	21,024

### (3) Summary of Consolidated Statements of Cash Flows

	Current First Quarter (April 1, 2006 to June 30, 2006)	Previous Fiscal Year (April 1, 2005 to March 31, 2006)
Cash Flows from Operating Activities:		
Income before income taxes and minority interests	(1,519)	39,137
Depreciation and amortization	19,414	79,404
Impairment losses	-	16,380
Decrease in accrued retirement benefits	(11,414)	(4,220)
Interest and dividend income	(1,292)	(3,175)
Interest expenses	2,352	8,916
Equity in losses (gains) of affiliates	314	(1,194)
Gain on sale of investments in securities	-	(140)
Loss on write-down of investments in securities	-	707
Loss on disposal of fixed assets	1,081	6,362
Gain on sale of fixed assets	(21)	(2,785)
Decrease (increase) in trade receivables	(15,934)	4,555
Increase in inventories	(8,520)	(2,319)
Increase in trade payables	5,125	4,590
Other	4,204	(9,121)
Total	(6,207)	137,098
Interest and dividends received	1,492	3,423
Interest paid	(2,358)	(9,003)
Income taxes paid	(8,415)	(19,210)
Net cash provided by operating activities	(15,488)	112,307
Cash Flows from Investing Activities:		
Proceeds from sale of marketable securities	-	48
Acquisition of property, plant and equipment/intangible assets	(21,909)	(89,920)
Proceeds from sale of property, plant and equipment/intangible assets	1,297	10,718
Purchase of investments securities	(935)	(12,656)
Proceeds from sale of investments securities	17	1,459
Acquisition of stocks of consolidated subsidiaries due to change in the scope of consolidation	-	(10,965)
Net decrease (increase) in collection of loans	47	(3,142)
Other	64	(2,180)
Net cash used in investing activities	(21,417)	(106,637)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term bank loans	(2,318)	5,921
Net increase in commercial paper	44,000	39,000
Net increase (decrease) in long-term bank loans	(2,299)	9,251
Redemption of debentures	-	(20,000)
Cash dividends paid by the Company	(5,943)	(11,828)
Acquisition of treasury stock	(56)	(35,229)
Other	(1)	8
Net cash used in financing activities	33,380	(12,874)
Effect of foreign currency translation on cash and cash equivalents	(36)	1,480
Net increase (decrease) in cash and cash equivalents	(3,562)	(5,723)
Cash and cash equivalents at beginning of period	39,601	44,521
Increase in cash and cash equivalents due to inclusions of subsidiaries in consolidation	-	975
Decrease of cash and cash equivalents due to exclusions of subsidiaries from consolidation	-	(172)
Cash and cash equivalents at end of period	36,038	39,601

#### (4) Segment Information

##### 1. Segment Information by Business Domain

Previous 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							
(1) Sales to customers	169,588	83,637	10,696	22,405	286,328	—	286,328
(2) Intra-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	318,322	(50,825)	267,506
Operating profit	12,621	3,232	410	2,557	18,821	—	18,821

Current first quarter period (April 1, 2006–June 30, 2006)

Millions of yen

	Pulp and paper products	Converted paper products	Wood and tree-planting	Others	Total	Elimination or corporate	Consolidated total
I. Sales							
(1) Sales to customers	169,342	107,443	11,247	22,197	310,230	—	310,230
(2) Intra-group sales between segments or transfers	17,446	1,540	7,716	29,630	56,334	(56,334)	—
Total	186,789	108,983	18,963	51,828	366,564	(56,334)	310,230
Operating expenses	178,381	106,823	18,487	49,238	352,931	(56,334)	296,597
Operating profit	8,408	2,159	475	2,589	13,633	—	13,633

Reference: Previous fiscal year (April 1, 2005–March 31, 2006)

Millions of yen

	Pulp and paper products	Converted paper products	Wood and tree-planting	Others	Total	Elimination or corporate	Consolidated total
I. Sales							
(1) Sales to customers	685,076	383,115	43,909	101,780	1,213,881	—	1,213,881
(2) Intra-group sales between segments or transfers	56,368	6,976	28,443	120,327	212,025	(212,025)	—
Total	741,445	390,092	72,352	222,018	1,425,907	(212,025)	1,213,881
Operating expenses	703,004	374,353	70,586	204,021	1,351,966	(212,025)	1,139,940
Operating profit	38,440	15,739	1,765	17,996	73,941	—	73,941

Notes:

1. Segmentation is based on differences in 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, and landscaping

Others: 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.