

Summary of Consolidated Midterm Financial and Business Results for the Year Ending March 2007**Oji Paper Co., Ltd.**(URL: <http://www.ojipaper.co.jp/>)

Representative:

Contact:

Telephone:

Date of Board of Directors' Meeting

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

(Code No. 3861 Tokyo and Osaka Stock Exchange)

Kazuhiya Shinoda, President & Chief Executive Officer

Toshikatsu Shinomiya, Corporate Officer, Corporate Administration Division

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

October 27, 2006

1. Summary of Consolidated Midterm Financial and Business Performance for the Year Ending March 31, 2007 (April 1, 2006–September 30, 2006)**(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	%
Midterm of FY2007	622,255	8.5	27,340	(21.6)	27,113	(16.8)
Midterm of FY2006	573,304	(2.6)	34,861	(6.8)	32,601	(10.8)
Reference: Year ended March 2006	1,213,881		73,941		70,722	

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Midterm of FY2007	5,771	3.4	5.84	5.84
Midterm of FY2006	5,581	(71.1)	5.67	—
Reference: Year ended March 2006	21,024		21.15	—

Notes:

① Equity in earnings (losses) of affiliates:

Midterm ended September 2006:	¥336 million
Midterm ended September 2005:	(¥243) million
Year ended March 2006:	¥1,194 million

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

Midterm ended September 2006:	989,074,166 shares
Midterm ended September 2005:	985,065,687 shares
Year ended March 2006:	981,587,917 shares

③ The accounting method has not been changed.

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

(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
	Millions of yen	Millions of yen	%	yen
Midterm of FY2007	1,786,131	522,350	28.8	520.24
Midterm of FY2006	1,644,197	474,828	28.9	495.25
Reference: Year ended March 2006	1,748,547	527,875	30.2	533.38

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

Midterm ended September 2006:	988,922,082 shares
Midterm ended September 2005:	958,756,032 shares
Year ended March 2006:	989,183,388 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
Midterm of FY2007	Millions of yen 23,792	Millions of yen (35,934)	Millions of yen 25,065	Millions of yen 52,442
Midterm of FY2006	33,778	(45,752)	2,229	36,319
Reference: Year ended March 2006	112,307	(106,637)	(12,874)	39,601

(4) Scope of Consolidation and Equity Method Application

Number of consolidated subsidiaries: 80
Number of non-consolidated subsidiaries to which the equity method applies: None
Number of affiliated companies to which the equity method applies: 16

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

Consolidated companies: New: None Excluded: None
Equity method: New: None Excluded: None

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

	Net sales	Ordinary profit	Net income
Full Year	Millions of yen 1,290,000	Millions of yen 71,500	Millions of yen 30,000

Reference: The consolidated net income per share forecast for the full year is ¥30.34

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.

3. Qualitative Information Concerning Business Performance

(1) Overview of the Midterm Period Ending March 31, 2007

Japan's economic situation during the midterm period, 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, despite the improvement in Japan's economy, 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 16.8% lower than the same period in the previous accounting period. Special retirement benefits were accounted to extraordinary losses which occurred from revision of the employee transfer system on the one hand and gain on sale of investments in securities were accounted to extraordinary gains on the other. This led to a slight increase in net income compared with the previous period.

Results for the first half (April 1, 2006-September 30, 2006) of the current business year were as follows.

Consolidated net sales:	¥622,255 million (8.5% increase)
Consolidated operating profit:	¥27,340 million (21.6% decline)
Consolidated ordinary profit:	¥27,113 million (16.8% decline)
Consolidated net income:	¥5,771 million (3.4% increase)

(2) Segment Overview

Pulp and Paper Products Division

- General Papers

Domestic sales of newsprint remained static, but export sales declined. In the printing paper category, Oji recorded healthy domestic sales for commercial printing, such as flyers and catalogs, but sales of uncoated paper declined due to reduced pages of magazines and falling of circulations. Price reconstruction that were taken place this spring, penetrated partly on market led products.

- Packaging Papers

Sales of packaging papers slightly increased. Prices remained static.

- Miscellaneous Papers

Sales of miscellaneous paper slightly declined.

Sales of sanitary paper products, tissue papers and toilet rolls slightly declined. Prices of tissue paper dropped, but prices of toilet rolls somewhat increased.

- Paperboards

Sales of containerboards for crops, declined due to inclement weather. Price reconstructions that were taken place this spring, penetrated entirely.

Sales of domestic paperboards and high-grade paperboards remained firm, but export paperboards and export high-grade paperboards declined. Price reconstruction that were taken place this spring, penetrated entirely.

The results for this segment were as follows.

Consolidated net sales:	¥339,699 million (0.7% increase)
Consolidated operating profit:	¥16,248 million (29.3% decline)

Converted Paper Products

- Corrugated Containers (Corrugated Sheets and Boxes)

Due to the consolidation of the Mori Shigyo Group that was carried out last December, sales increased drastically.

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

Sales and prices of thermal papers remained static.

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

The results for this segment were as follows.

Consolidated net sales:	¥217,497 million (28.0% increase)
Consolidated operating profit:	¥5,293 million (15.4% 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:	¥22,904 million (2.5% increase)
Consolidated operating profit:	¥920 million (4.8% increase)

Other Activities

The results for this segment were as follows.

Consolidated net sales:	¥42,155 million (3.8% decline)
Consolidated operating profit:	¥4,877 million (3.2% increase)

Results for the first half (April 1, 2006-September 30, 2006) of the current business year were as follows.

Non consolidated net sales:	¥279,656 million (2.0% increase)
Non Consolidated operating profit:	¥7,936 million (41.9% decline)
Non Consolidated ordinary profit:	¥12,226 million (30.2% decline)
Non Consolidated net income:	¥938 million (88.3% decline)

Summary of Consolidated Balance Sheet

Millions of yen

	Previous Midterm (September 30, 2005)	Current Midterm (September 30, 2006)	Previous Fiscal Year (March 31, 2006)
ASSETS			
Current Assets:	511,203	569,268	517,826
Cash and bank deposits	36,578	53,090	39,825
Accounts receivables—trade	285,355	320,818	295,637
Inventories	146,081	151,449	142,572
Other	45,124	46,338	43,505
Allowance for doubtful accounts	(1,937)	(2,429)	(3,714)
Fixed Assets:	1,132,994	1,216,862	1,230,720
Property, plant and equipment	863,010	901,156	890,835
Buildings and structures	207,260	209,561	211,479
Machinery and automobiles	355,831	379,761	365,361
Land and forests	228,767	244,829	245,687
Other	71,150	67,003	68,307
Intangible assets	13,399	25,434	26,694
Investments and other assets	256,584	290,271	313,190
Investments in securities	227,533	260,236	283,897
Other	30,819	31,686	31,458
Allowance for doubtful accounts	(1,768)	(1,651)	(2,165)
Total assets	1,644,197	1,786,131	1,748,547
LIABILITIES			
Current Liabilities:	613,351	769,537	715,003
Accounts payables—trade	181,413	237,237	206,268
Short-term bank loans	211,317	233,800	248,733
Commercial paper	140,000	168,000	134,000
Current portion of debentures	—	40,000	40,000
Other	80,620	90,499	86,001
Non-Current Liabilities:	549,922	494,243	497,886
Debentures	160,000	120,000	120,000
Long-term bank loans	259,367	245,214	232,436
Accrued retirement benefits	60,651	46,779	59,980
Accrued retirement bonuses to directors	2,189	1,895	2,850
Accrued provision for environmental safety measures	1,217	1,144	1,143
Reserves for special repairs	124	86	102
Other	66,371	79,122	81,372
Total liabilities	1,163,274	1,263,780	1,212,889
MINORITY INTERESTS			
Minority interests in consolidated subsidiaries	6,095	—	7,782
SHAREHOLDERS' EQUITY			
Common stock	103,880	—	103,880
Capital surplus	110,178	—	112,957
Retained earnings	266,641	—	275,411
Revaluation of land	3,825	—	3,823
Other valuation of securities	51,784	—	73,735
Foreign currency translation adjustment	(3,523)	—	(9)
Treasury stock	(57,959)	—	(41,923)
Total shareholders' equity	474,828	—	527,875
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	1,644,197	—	1,748,547

NET ASSETS			
Shareholders' Equity	—	449,475	—
Common stock	—	103,880	—
Capital surplus	—	112,962	—
Retained earnings	—	274,970	—
Treasury stock	—	(42,338)	—
Adjustments for valuation, foreign currency translation and others	—	65,000	—
Revaluation of land	—	3,823	—
Other valuation of securities	—	59,840	—
Foreign currency translation adjustment	—	1,336	—
Subscription right	—	20	—
Minority interests in consolidated subsidiaries	—	7,854	—
Total net assets	—	522,350	—
Total liabilities and net assets	—	1,786,131	—

Summary of Consolidated Statements of Income

	Millions of yen		
	Previous midterm (April 1, 2005 to September 30, 2005)	Current midterm (April 1, 2006 to September 30, 2006)	Previous Fiscal Year (April 1, 2005 to March 31, 2006)
Net sales	573,304	622,255	1,213,881
Cost of sales	432,437	480,972	918,281
Gross profit	140,866	141,283	295,600
Selling, general and administrative expenses	106,004	113,942	221,658
Operating profit	34,861	27,340	73,941
Non-operating profit	3,844	5,750	8,883
Interest and dividends income	1,665	1,984	3,175
Lease income	584	623	1,464
Foreign exchange profit	—	1,045	385
Equity in earning of affiliates	—	336	1,194
Other	1,593	1,760	2,664
Non-operating expenses	6,104	5,977	12,102
Interest expense and discount charges	4,626	4,526	8,916
Equity in loss of affiliates	243	—	—
Miscellaneous losses	1,235	1,450	3,186
Ordinary profit	32,601	27,113	70,722
Extraordinary gains	945	8,592	2,925
Gain on sale of fixed assets	917	1,139	2,785
Gain on sale of investments in securities	28	7,453	140
Extraordinary losses	22,256	22,856	34,511
Special retirement benefits	2,244	15,137	5,823
Loss on retirement of fixed assets	2,739	4,273	6,362
Takeover bid related expenses	—	976	—
Impairment losses	12,850	845	16,380
Other	4,422	1,623	5,944

Income before income taxes	11,289	12,849	39,137
Corporate tax, resident tax and enterprise tax	6,651	6,255	13,138
Deferred taxes	(1,174)	772	4,672
Minority interests in net income of consolidated subsidiaries	231	49	301
Net income	5,581	5,771	21,024