

Summary of Consolidated Midterm Financial and Business Results
for the Year Ending March 2008

Oji Paper Co., LTD.

(Code No. 3861 Tokyo and Osaka Stock Exchange)

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Start of dividend payout:

December 3, 2007

Semi-annual report to be presented:

December 25, 2007

*Excepted dates

1. Summary (April 1, 2007 - September 30, 2007)

(1) Consolidated Business Results

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

(Figures shown in percentage are ratios compared to the previous same period)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Midterm of FY2007	642,051	3.2	15,742	(42.4)	14,219	(47.6)	992	(82.8)
Midterm of FY2006	622,255	8.5	27,340	(21.6)	27,113	(16.8)	5,771	3.4
Reference: Year ended March 2007	1,265,735		63,186		64,110		17,150	

	Net income per share	Diluted net income per share
	Yen	Yen
Midterm of FY2007	1.00	1.00
Midterm of FY2006	5.84	5.84
Reference: Year ended March 2007	17.35	17.34

Notes: Equity in earnings (losses) of affiliates

Midterm ended September 2007

1,091 million

Midterm ended September 2006

336 million

Year ended March 2007

3,107 million

(2) Consolidated Financial Condition

	Total assets	Net assets	Net worth/total assets	Net assets per share
	Millions of yen	Millions of yen	%	yen
Midterm of FY2007	1,752,297	517,487	29.3	519.07
Midterm of FY2006	1,786,131	522,350	28.8	520.24
Reference: Year ended March 2007	1,790,515	523,631	29.0	526.36

Notes: Shareholders' equity

Midterm ended September 2007

513,545 million

Midterm ended September 2006

514,475 million

Year ended March 2007

520,111 million

(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
Midterm of FY2007	92,629	(58,290)	(43,417)	31,404
Midterm of FY2006	23,792	(35,934)	25,065	52,442
Reference: Year ended March 2007	59,285	(92,035)	31,042	38,550

2. Dividend Conditions

(Basic date)	Dividend per stock		
	End of midterm	End of FY	Full year
	yen	yen	yen
FY2006	6.00	6.00	12.00
FY2007	6.00	-	12.00
FY2007 (Forecast)	-	6.00	

3. Consolidated Forecasts for the Year Ending March 2008 (April 1, 2007-March 31, 2008)

(Figures shown in percentage are ratios compared to the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,330,000	5.1	50,000	(20.9)	47,000	(26.7)	19,000	10.8	19.20

4. In Addition

(1) Changes in scope of consolidation (Specified subsidiary company)

Newly included: None Excluded: None

(2) Changes in accounting methods compared with recent consolidated accounting periods

① Changes due to accounting standard reforms: Yes

② Changes besides ①: None

(3) Outstanding balance of issued stocks (Common stock)

① Outstanding balance of issued stocks at the end of midterm and fiscal year (Including treasury stocks)

Midterm FY2007 1,064,381,817 Midterm FY2006 1,064,381,817 FY2006 1,064,381,817

② Outstanding balance of treasury stocks at end of midterm and fiscal year

Midterm FY2007 75,018,163 Midterm FY2006 75,459,735 FY2006 76,246,000

(Reference)

1. Summary (April 1, 2007 - September 30, 2007)

(1) Non-consolidated Business Results

(Figures shown in percentage are ratios compared to the previous same period)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Midterm of FY2007	287,357	2.8	666	(91.6)	4,070	(66.7)	(1,975)	-
Midterm of FY2006	279,656	2.0	7,936	(41.9)	12,226	(30.2)	938	(88.3)
Year ended March 2007	568,389		17,674		22,859		(10,026)	

	Net income per share
	Yen
Midterm of FY2007	(1.97)
Midterm of FY2006	0.94
Year ended March 2007	(10.00)

(2) Non-consolidated Financial Condition

	Total assets	Net assets	Net worth/total assets	Net assets per share
	Millions of yen	Millions of yen	%	yen
Midterm of FY2007	1,367,830	403,492	29.5	402.04
Midterm of FY2006	1,435,059	441,577	30.8	440.44
Year ended March 2007	1,417,026	420,271	29.7	419.31

Notes: Shareholders' equity

Midterm ended September 2007 403,411 million

Midterm ended September 2006 441,557 million

Year ended March 2007 420,210 million

2. Non-Consolidated Forecasts for the Year Ending March 2008 (April 1, 2007-March 31, 2008)

(Figures shown in percentage are ratios compared to the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	590,000	3.8	5,000	(71.7)	20,000	(12.5)	11,000	-	10.96

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, 2008

During the first half of FY2007, the world economy faced an opaque situation due to massive high costs for fuel and the sub prime loan lending, but generally, the economy remained stable because of the growing Asian economy. The Japanese economy continued gradual expansion, supported by increasing equipment investments and steady consumer spending.

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

While working on price reconstructions and constructions of new-energy boilers to counterbalance the increasing price of 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 in all of its management activities, such as energy conservation and laborsaving. We have also been working on price reconstructions in various grades of paper and have been successful in raising the prices in some of them. Unfortunately, these efforts were outweighed by massive high costs for fuel and raw materials which led to the results below.

Results for the midterm (April 1, 2007-September 30, 2007) of the current fiscal year were as follows.

Consolidated net sales:	¥ 642,051 million (3.2% increase)
Consolidated operating income:	¥ 15,742 million (42.4% decline)
Consolidated ordinary income:	¥ 14,219 million (47.6% decline)
Consolidated net income:	¥ 992 million (82.8% decline)

(2) Segment Overview

Pulp and Paper Products Division

•General Papers

Domestic sales of newsprint remained static, on the other hand, export sales increased in the other. In the printing paper category, coated paper and light coated paper recorded healthy on sales for commercial printing, such as flyers and catalogs, but sales of uncoated paper slowed down due to the declining subscriptions and pages of magazines. Price reconstructions that were taken into place this spring, penetrated fully in the market.

•Packaging Papers

Sales of packaging papers slightly increased. We were able to maintain prices that penetrated in the market through the reconstruction.

•Sanitary Papers and Miscellaneous Papers

Sales of miscellaneous papers remained almost static. Price reconstructions penetrated in several grades. Among sales of sanitary paper products, both tissue paper and toilet roll declined, but prices increased.

•Paperboards

Sales of containerboards increased due to the record breaking fierce heat during the summer which led to high demands for beverage use.

Price reconstructions were taken into place from September and penetrated fully in the market.

Sales of paperboards and high-grade paperboards were sluggish in the domestic market, on the other hand, export of high-grade paperboards were in good condition especially for Hong Kong in the other. Price reconstructions that were taken place in the domestic market penetrated in the market.

The results for this segment were as follows.

Consolidated net sales:	¥ 347,989 million (2.4% increase)
Consolidated operating income:	¥ 5,353 million (67.0% decline)

Converted Paper Products

•Corrugated Containers (Corrugated Sheets and Boxes)

Sales for corrugated boxes rose slightly than last year, due to demands for beverage related use, on the other hand, sales for corrugated sheets declined. The Oji Group is energetically trying to accomplish the price reconstruction that was announced in July this year in both sheets and boxes, which the target is more than 20% higher than the former price.

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

Domestic sales of thermal papers declined, on the other hand, export sales were in good condition.

Sales of disposable diapers for infants declined, on the other hand, disposable diapers for adults increased. Prices of those for infants increased.

The results for this segment were as follows.

Consolidated net sales:	¥ 229,996 million (5.7% increase)
Consolidated operating income:	¥ 5,276 million (0.5% decline)

Wood and Tree Planting

Increased sales of timber and lumber, sales of wood chip by foreign subsidiary company contributed to the results for this segment as shown below.

Consolidated net sales:	¥ 23,758 million (3.7% increase)
Consolidated operating income:	¥ 1,506 million (63.6% increase)

Other Activities

The results for this segment were as follows.

Consolidated net sales:	¥ 40,307 million (4.4% decline)
Consolidated operating income:	¥ 3,605 million (26.1% decline)

4. Summary of Consolidated Balance Sheet

Millions of yen

	Previous Midterm (September 30, 2006)	Current Midterm (September 30, 2007)	Previous Fiscal year (March 31, 2007)
ASSETS			
Current Assets:	569,268	531,651	576,436
Cash and bank deposits	53,090	31,901	38,729
Accounts receivables-trade	320,818	293,692	345,385
Inventories	151,449	165,889	152,682
Other	46,339	43,172	41,883
Doubtful accounts	(2,429)	(3,005)	(2,244)
Fixed Assets:	1,216,862	1,220,645	1,214,079
Tangible fixed assets	901,156	922,608	910,095
Intangible fixed assets	25,434	23,913	24,117
Investments and other assets	290,271	274,123	279,866
Total assets	1,786,131	1,752,297	1,790,515
LIABILITIES			
Current Liabilities:	769,537	704,378	720,172
Accounts payables-trade	237,237	246,600	234,906
Short-term bank loans	233,800	215,288	208,594
Commercial paper	168,000	137,000	164,000
Current portion of debentures	40,000	20,000	20,000
Other	90,499	85,490	92,671
Non-Current Liabilities:	494,243	530,431	546,711
Debentures	120,000	100,000	100,000
Long-term bank loans	245,214	313,779	327,505
Other	129,026	116,648	119,205
Total liabilities	1,263,780	1,234,810	1,266,883
NET ASSETS			
Shareholders' equity:	449,475	451,124	454,532
Common stock	103,880	103,880	103,880
Capital surplus	112,962	113,057	112,964
Retained earnings	274,970	276,743	280,919
Treasury stock	(42,338)	(42,556)	(43,233)
Adjustments for valuation, foreign currency translation and others:	65,000	62,420	65,579
Other valuation of securities	59,840	44,784	55,703
Deferred gains or losses on hedges	0	289	73
Revaluation of land	3,823	3,810	3,818
Foreign currency translation adjustment	1,336	13,536	5,984
Subscription right	20	81	60
Minority interests in consolidated subsidiaries	7,854	3,859	3,459
Total net assets	522,350	517,487	523,631
Total liabilities and net assets	1,786,131	1,752,297	1,790,515

5. Summary of Consolidated Statements of Income

Millions of yen

	Previous Midterm (April 1, 2006 to September 30, 2006)	Current Midterm (April 1, 2007 to September 30, 2007)	Previous Fiscal Year (April 1, 2006 to March 31, 2007)
Net sales	622,255	642,051	1,265,735
Cost of Sales	480,972	510,733	973,060
Gross Profit	141,283	131,317	292,675
Selling, general and administrative expenses	113,942	115,575	229,488
Operating income	27,340	15,742	63,186
Non-operating income	5,750	5,829	13,537
Interest and dividends income	1,984	2,729	3,576
Equity in earning of affiliates	336	1,091	3,107
Lease income	623	600	1,355
Miscellaneous gains	2,805	1,408	5,496
Non-operating expenses	5,977	7,352	12,613
Interest expense	4,526	5,090	9,527
Miscellaneous losses	1,450	2,261	3,085
Ordinary income	27,113	14,219	64,110
Extraordinary gains	8,592	211	11,953
Gain on sale of fixed assets	1,139	150	2,915
Gain on sale of investments in securities	7,453	47	8,677
Other	—	13	360
Extraordinary losses	22,856	10,009	39,572
Special retirement benefits	15,137	2,312	18,244
Loss on disposal of fixed assets	4,273	3,318	7,086
Restructuring expenses	647	251	6,205
Loss on evaluation of investments in securities	703	353	2,954
Impairment losses	845	400	1,849
Provision for environmental safety measures	132	168	931
Other	1,116	3,202	2,301
Income before income taxes	12,849	4,421	36,491
Corporate tax, resident tax and enterprise tax	6,255	5,062	15,071
Deferred taxes	772	(1,770)	4,071
Minority interests in net income of consolidated subsidiaries	49	136	198
Net income	5,771	992	17,150

6. Summary of Consolidated Statements of Cash Flows

Millions of yen

	Previous Midterm (April 1, 2006 to September 30, 2006)	Current Midterm (April 1, 2007 to September 30, 2007)	Previous Fiscal Year (April 1, 2006 to March 31, 2007)
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	12,849	4,421	36,491
Depreciation and amortization	38,648	42,976	80,430
Impairment losses	845	400	1,849
Decrease (increase) in doubtful accounts	(391)	715	(502)
Amortization of goodwill	957	852	1,595
Decrease in accrued retirement benefits	(14,168)	(2,454)	(18,163)
Interest and dividend income	(1,984)	(2,729)	(3,576)
Interest expenses	4,526	5,090	9,527
Foreign exchange gain	(761)	(132)	(833)
Equity in gains (losses) of affiliates	(336)	(1,091)	(3,107)
Gain on sales of investments in securities	(7,453)	(47)	(8,677)
Loss on write-down of investments in securities	703	353	2,954
Loss on disposal of fixed assets	4,273	3,544	7,086
Gain on sales of fixed assets	(1,139)	(150)	(2,915)
Restructuring expenses	—	—	5,142
Enterprise readjustment expenses	—	1,499	—
Decrease (increase) in trade receivables	(24,798)	53,176	(48,799)
Increase in inventories	(8,690)	(10,443)	(8,704)
Increase in trade payables	31,051	9,989	27,764
Other	214	(1,812)	(337)
Total	34,346	104,157	77,223
Interest and dividends received	2,188	3,037	3,814
Interest paid	(4,289)	(3,658)	(9,503)
Income taxes paid	(8,453)	(10,907)	(12,249)
Net cash provided by operating activities	23,792	92,629	59,285
Cash Flows from Investing Activities:			
Proceeds from sale of marketable securities	—	—	0
Acquisition of tangible/intangible fixed assets	(47,179)	(56,793)	(106,810)
Proceeds from tangible/intangible fixed assets	2,656	1,197	6,335
Purchase of investment securities	(2,119)	(2,950)	(2,580)
Proceeds from sales of investment securities	10,623	146	13,579
Additional acquisition of stocks of consolidated subsidiaries	—	(0)	(2,444)
Provision of loans	(1,673)	(2,138)	(3,676)
Collection of loans	2,178	1,901	3,876
Other	(419)	348	(314)
Net cash used in investing activities	(35,934)	(58,290)	(92,035)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term bank loans	(4,057)	(3,303)	(387)
Net increase (decrease) in commercial paper	34,000	(27,000)	30,000
Borrowing of long-term bank loans	20,006	1,181	114,720
Repayments of long-term bank loans	(18,750)	(9,082)	(60,970)
Redemption of debentures	—	—	(40,000)
Cash dividends paid by the parent company	(5,940)	(5,937)	(11,880)
Acquisition of treasury stock	(206)	(200)	(473)
Other	14	925	34
Net cash used in financing activities	25,065	(43,417)	31,042
Effect of foreign currency translation on cash and cash equivalents	(115)	767	623
Net decrease in cash and cash equivalents	12,808	(8,310)	(1,083)
Cash and cash equivalents at beginning of period	39,601	38,550	39,601
Increase in cash and cash equivalents due to merger of unconsolidated subsidiaries	33	—	33
Increase in cash and cash equivalents due to inclusions of subsidiaries in consolidation	—	1,166	—
Decrease of cash and cash equivalents due to exclusions of subsidiaries from consolidation	—	(1)	—
Cash and cash equivalents at end of period	52,442	31,404	38,550