

Annual Report 2009

Year ended March 31, 2009

The Oji Paper Group began operations as Japan's first industrial-scale paper manufacturer. The founder of Oji Paper, Eiichi Shibusawa, condensed his philosophy into the words "analects" and "abacus," which expressed the need to combine ethical values, as represented in the Analects of Confucius, with good business practice, as symbolized by the abacus. Today, all Oji Paper Group employees strive to live by these ideals. Accordingly, our corporate philosophy calls for "Contribution to the Environment and Culture," "Innovation and Speed," and "Global Reputation for Dependability."

■ Contribution to the Environment and Culture

Paper is used in a vast span of activities, from reading and writing to wrapping and cleaning. Since the Company's foundation in 1873, more than 130 years ago, we have worked to contribute to culture through the provision of a stable supply of paper. At the same time, we endeavor to be a company that actively contributes to environmental conservation and a recycling-oriented society through progress in forest recycling and paper recycling.

■ Innovation and Speed

To continue to develop as a company and to maintain our position of leadership in a rapidly evolving management environment, we must implement rapid management decision-making. Even as we sustain good traditions, we will boldly take on new challenges. Oji Paper will maintain this approach as we strive to continue to record strong growth in the 21st century.

■ Global Reputation for Dependability

Oji Paper's business activities cover a wide range of areas, such as tree plantations, resource procurement, production, and sales, and these activities extend around the globe. Through diverse operations centered on paper manufacturing, we will continue doing our utmost to earn the regard of shareholders, customers, consumers, business partners, local communities, and employees, and to strive to always be a company that is trusted.



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To Our Stakeholders



President and CEO

Kazuhisa Shinoda

Aiming for continuing growth as a global pulp and paper company by strengthening domestic business foundation and expanding overseas business, we will eagerly challenge and overcome the current difficult situation.

We would like to thank our stakeholders for their support and understanding.

For the fiscal year 2008, we faced unprecedented severe management environment caused by the global economic crisis that happened later half of the fiscal year. Even though we could raise the product prices to transfer the increased cost due to the sharp escalation of raw material and fuel prices, we were forced to curtail production because of the remarkable drop in paper and paperboard demand.

In this setting, Oji Paper Group implemented various measures to strengthen our business foundation by rebuilding production system and cutting of fixed costs. However, the net result for the FY2008 was recorded negative, due to sharp decrease in production and sales volumes and impairment charge related to permanent closure of several production lines.

Oji Paper Group's basic management policy is "Pursuing Efficiency in Domestic Business" to bolster our platform for stable profit and "Expanding Overseas Business" to grow to be a global leader and to strengthen our ability to secure resources, through the transformation of corporate culture, and the key words in achieving that transformation are "passion", "sincerity" and "teamwork".

In Japan, a new paper machine started market production at Tomioka Mill in February 2009. We are trying to strengthen our cost competitiveness by taking full advantage of the new machine and to build an appropriate production system to flexibly meet the decline in demand.

At overseas, the construction of Nantong project has been in progress. The first fine paper production line that has 400,000 ton per year capacity will be on stream at the end of 2010. We will make our best efforts in construction of the plant and establishing sales network.

Aiming for continuing growth as a global pulp and paper company by strengthening domestic business foundation and expanding overseas business mainly in Asia, we all our management and employees will eagerly challenge and overcome the current difficult situation.

I would like to ask all our stakeholders for the continued support as try our best to meet their expectations.

August 2009

A handwritten signature in black ink that reads "K. Shinoda". The signature is written in a cursive, flowing style.

Kazuhisa Shinoda, President and CEO

Directors, Auditors and Officers

(As of June 26, 2009)

● Board of Directors

Chairman	Shoichiro Suzuki
President and CEO	Kazuhisa Shinoda
Executive Vice President	Yutaka Sekiguchi
Executive Vice President	Shinichiro Kondo
Executive Vice President	Takashi Ishida
Director, Executive Officer	Tsuneo Hashimoto
Director, Executive Officer	Hiroki Hashimoto
Director, Executive Officer	Tazunu Ando
Director, Executive Officer	Susumu Yajima
Director, Executive Officer	Kiyotaka Shindou
Director	Yoh Takeuchi
Director	Osamu Akiyama

● Corporate Auditors

Senior Corporate Auditor	Kenji Kanda	Corporate Auditor	Hiroyasu Sugihara
Corporate Auditor	Hiroshi Tai	Corporate Auditor	Kenjiro Ueno

● Corporate Officers

Senior Executive Officer	Kuniaki Shoya	Corporate Officer	Atsushi Yamakita
Executive Officer	Hideaki Hayashi		Shigeto Sano
	Motoji Saito		Takeshi Azuma
	Koji Hayashi		Masaki Yoshino
	Tadashi Watanabe		Hirokazu Ishii
	Hiroshi Kawakami		Ryoji Watari
Corporate Officer	Hajime Yamanaka		Kazuo Fuchigami
	Hiroshi Kizuka		Takashi Nozawa
	Tomoo Edagawa		Yoji Matsuo
	Yukio Ochiai		Gemmei Shimamura
	Hiroyasu Hayano		Hidehiko Aoyama
	Shuichi Sata		

Financial Section

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CONSOLIDATED BALANCE SHEETS

OJI PAPER CO., LTD.
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
ASSETS			
Current assets			
Cash and bank deposits (Note 10, 13)	¥ 91,781	¥ 81,201	\$ 934,349
Notes and accounts receivable–trade (Note 10)	271,404	296,225	2,762,947
Marketable securities	1	0	10
Inventories	–	159,085	–
Merchandise and finished goods (Note 10)	85,944	–	874,933
Work in process (Note 10)	16,983	–	172,893
Raw materials and supplies (Note 10)	51,778	–	527,114
Deferred tax assets	10,998	12,294	111,966
Short-term loans receivable (Note 10)	7,236	11,166	73,672
Accounts receivable–other	10,972	11,582	111,701
Other (Note 10)	3,575	4,734	36,394
Allowance for doubtful accounts	(1,665)	(1,354)	(16,958)
Total current assets	549,010	574,936	5,589,025
Non-current assets			
Property, plant and equipment			
Buildings and structures	567,970	558,501	5,782,049
Accumulated depreciation (Note 10)	(364,822)	(354,251)	(3,713,960)
Buildings and structures, net (Note 10)	203,148	204,249	2,068,088
Machinery, equipment and vehicles	1,954,401	1,895,331	19,896,179
Accumulated depreciation (Note 10)	(1,562,937)	(1,522,469)	(15,911,002)
Machinery, equipment and vehicles, net (Note 10)	391,464	372,862	3,985,177
Tools, furniture and fixtures	52,473	53,695	534,194
Accumulated depreciation (Note 10)	(46,590)	(46,683)	(474,303)
Tools, furniture and fixtures, net (Note 10)	5,883	7,012	59,890
Land (Note 10)	230,462	226,617	2,346,152
Forests (Note 10)	16,502	16,649	168,002
Plantations (Note 10)	36,589	41,761	372,488
Leased assets	1,546	–	15,747
Accumulated depreciation (Note 10)	(510)	–	(5,194)
Leased assets, net (Note 10)	1,036	–	10,552
Construction in progress (Note 10)	26,860	46,187	273,440
Total property, plant and equipment	911,946	915,341	9,283,792
Intangible assets			
Leasehold rights	1,960	2,410	19,955
Goodwill	9,275	11,391	94,421
Other (Note 10)	9,436	20,983	96,068
Total intangible assets	20,672	34,785	210,445
Investments and other assets			
Investment securities (Note 10)	170,211	212,061	1,732,785
Long-term loans receivable (Note 10)	11,085	13,782	112,856
Long-term prepaid expenses	13,104	4,725	133,404
Deferred tax assets	16,817	11,143	171,203
Other	19,040	18,176	193,839
Allowance for doubtful accounts	(4,396)	(3,441)	(44,757)
Total investments and other assets	225,863	256,448	2,299,332
Total fixed assets	1,158,482	1,206,575	11,793,569
Total assets	¥ 1,707,492	¥ 1,781,512	\$ 17,382,595

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
LIABILITIES			
Current liabilities			
Notes and accounts payable–trade (Note 10)	¥ 177,955	¥ 221,650	\$ 1,811,625
Short-term loans (Note 10)	335,614	262,025	3,416,617
Commercial paper	54,000	165,000	549,730
Accounts payable–other	22,740	23,370	231,501
Accrued expenses	40,962	45,100	417,007
Income taxes payables	7,858	9,646	80,002
Notes payable for plant and equipment	752	1,983	7,658
Other	10,545	10,719	107,357
Total current liabilities	650,429	739,496	6,621,499
Non-current liabilities			
Bonds	100,000	100,000	1,018,018
Long-term loans (Note 10)	440,228	324,635	4,481,604
Deferred tax liabilities	18,848	36,747	191,882
Deferred tax liabilities on revaluation of land (Note 10)	11,222	11,441	114,250
Provision for retirement benefits	47,824	50,726	486,860
Provision for directors' retirement benefits	1,830	1,769	18,637
Provision for environmental measures	1,749	1,800	17,815
Provision for special repairs	104	111	1,065
Long-term deposits	3,010	3,142	30,652
Long-term notes payable for plant and equipment	–	87	–
Other	2,535	1,062	25,808
Total non-current liabilities	627,355	531,525	6,386,595
Total liabilities	1,277,785	1,271,021	13,008,094
Contingent liabilities (Note 10)			
NET ASSETS			
Shareholders' equity			
Common stock	103,880	103,880	1,057,527
Capital surplus	113,031	113,051	1,150,686
Retained earnings	261,092	281,470	2,657,970
Treasury stock	(42,914)	(42,646)	(436,882)
Total shareholders' equity	435,090	455,756	4,429,301
Valuation, translation adjustments and other			
Net unrealized gains on available-for-sale securities	6,597	27,259	67,160
Deferred gains (losses) on hedging derivatives	(557)	446	(5,673)
Revaluation reserve for land (Note 10)	3,787	3,882	38,555
Foreign currency translation adjustments	(28,669)	7,628	(291,856)
Total valuation, translation adjustments and other	(18,841)	39,217	(191,813)
Subscription rights	188	115	1,921
Minority interests in consolidated subsidiaries	13,270	15,401	135,091
Total net assets	429,707	510,490	4,374,501
Total liabilities and net assets	¥ 1,707,492	¥ 1,781,512	\$ 17,382,595

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

OJI PAPER CO., LTD.
Fiscal years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales	¥ 1,267,129	¥ 1,318,380	\$ 12,899,614
Cost of sales (Note 11)	1,013,846	1,043,826	10,321,149
Gross profit	253,282	274,554	2,578,464
Selling, general and administrative expenses			
Freight expenses	119,351	126,769	1,215,019
Warehouse expenses	7,653	8,717	77,909
Salaries and wages	41,566	43,833	423,159
Retirement benefit expenses	4,434	3,777	45,143
Depreciation and amortization	5,132	5,316	52,253
Other	42,298	44,017	430,609
Total selling, general and administrative expenses (Note 11)	220,437	232,431	2,244,094
Operating profit	32,845	42,122	334,370
Non-operating incomes			
Interest income	2,314	1,480	23,566
Dividend income	3,702	2,980	37,694
Equity in earnings of affiliates	5,807	3,949	59,125
Rent income	1,081	1,104	11,006
Subsidy income	1,807	–	18,402
Other	3,067	3,795	31,227
Total non-operating income	17,781	13,309	181,021
Non-operating expenses			
Interest expenses	11,183	10,531	113,850
Exchange loss	5,991	3,195	60,998
Other	4,700	3,640	47,849
Total non-operating expenses	21,875	17,368	222,697
Ordinary profit	28,751	38,064	292,694
Extraordinary gains			
Gain on sales of fixed assets (Note 11)	1,183	599	12,048
Gain on sales of investment securities	705	365	7,179
Reversal of provision for loss on business liquidation	414	–	4,214
Gain on change in ownership interest	133	–	1,359
Reversal of allowance for doubtful accounts	22	96	231
Gain on cancellation of shares due to merger of subsidiaries	14	–	146
Total extraordinary gains	2,473	1,061	25,180
Extraordinary loss			
Loss on business restructuring (Note 11)	13,945	2,252	141,970
Loss on disposal of fixed assets	5,774	5,087	58,788
Impairment losses (Note 11)	5,261	775	53,564
Special retirement benefits expenses (Note 11)	2,978	4,154	30,324
Provision of allowance for doubtful accounts	2,599	1,026	26,460
Loss on valuation of investment securities	1,475	602	15,018
Loss on valuation of inventories	1,147	–	11,678
Loss due to litigation	618	130	6,293
Environmental protection costs	128	671	1,304
Advanced depreciation deduction on fixed assets	1	2	18
Loss due to disasters	–	535	–
Loss on sales of fixed assets	–	444	–
Loss due to large-scale repairs of rental estate	–	176	–
Loss on sales of investment securities	–	5	–
Total extraordinary loss	33,930	15,864	345,421
Income (loss) before income taxes and minority interests	(2,705)	23,260	(27,545)
Income taxes – current	10,738	13,273	109,319
Income taxes – deferred	(6,954)	(1,968)	(70,801)
Minority interest in net income (loss) of consolidated subsidiaries	(164)	187	(1,675)
Net income (loss)	¥ (6,324)	¥ 11,768	\$ (64,388)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

OJI PAPER CO., LTD.
Fiscal years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Shareholders' equity			
Common stock			
Balance at the end of previous period	¥ 103,880	¥ 103,880	\$ 1,057,527
Balance at the end of current period	103,880	103,880	1,057,527
Capital surplus			
Balance at the end of previous period	113,051	112,964	1,150,888
Changes of items during the period			
Disposal of treasury stock	(19)	87	(202)
Total changes of items during the period	(19)	87	(202)
Balance at the end of current period	113,031	113,051	1,150,686
Retained earnings			
Balance at the end of previous period	281,470	280,919	2,865,421
Effect of changes in accounting policies applied to foreign subsidiaries	(2,061)	-	(20,987)
Changes of items during the period			
Cash dividends	(11,886)	(11,882)	(121,002)
Net income (loss)	(6,324)	11,768	(64,388)
Change in scope of consolidation	(650)	728	(6,624)
Change in scope of equity method	450	-	4,581
Reversal of revaluation reserve for land	95	(64)	969
Total changes of items during the period	(18,316)	550	(186,464)
Balance at the end of current period	261,092	281,470	2,657,970
Treasury stock			
Balance at the end of previous period	(42,646)	(43,233)	(434,150)
Changes of items during the period			
Purchase of treasury stock	(357)	(322)	(3,640)
Disposal of treasury stock	108	927	1,103
Purchase of treasury stock by subsidiaries and affiliates	-	(18)	-
Change in equity in affiliates accounted for by equity method—treasury stock	(19)	-	(195)
Total changes of items during the period	(268)	586	(2,732)
Balance at the end of current period	(42,914)	(42,646)	(436,882)
Total shareholders' equity			
Balance at the end of previous period	455,756	454,532	4,639,687
Effect of changes in accounting policies applied to foreign subsidiaries	(2,061)	-	(20,987)
Changes of items during the period			
Cash dividends	(11,886)	(11,882)	(121,002)
Net income (loss)	(6,324)	11,768	(64,388)
Purchase of treasury stock	(357)	(322)	(3,640)
Disposal of treasury stock	88	1,014	900
Purchase of treasury stock by subsidiaries and affiliates	-	(18)	-
Change in equity in affiliates accounted for by equity method—treasury stock	(19)	-	(195)
Change in scope of consolidation	(650)	728	(6,624)
Change in scope of equity method	450	-	4,581
Reversal of revaluation reserve for land	95	(64)	969
Total changes of items during the period	(18,604)	1,224	(189,398)
Balance at the end of current period	435,090	455,756	4,429,301

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Valuation, translation adjustments and other			
Net unrealized gains on available-for-sale securities			
Balance at the end of previous period	27,259	55,703	277,510
Changes of items during the period	(20,662)	(28,443)	(210,349)
Balance at the end of current period	6,597	27,259	67,160
Deferred gains (losses) on hedging derivatives			
Balance at the end of previous period	446	73	4,549
Changes of items during the period	(1,004)	373	(10,223)
Balance at the end of current period	(557)	446	(5,673)
Revaluation reserve for land			
Balance at the end of previous period	3,882	3,818	39,525
Changes of items during the period	(95)	64	(969)
Balance at the end of current period	3,787	3,882	38,555
Foreign currency translation adjustments			
Balance at the end of previous period	7,628	5,984	77,656
Changes of items during the period	(36,297)	1,643	(369,512)
Balance at the end of current period	(28,669)	7,628	(291,856)
Total valuation, translation adjustments and other			
Balance at the end of previous period	39,217	65,579	399,241
Changes of items during the period	(58,059)	(26,362)	(591,055)
Balance at the end of current period	(18,841)	39,217	(191,813)
Subscription rights			
Balance at the end of previous period	115	60	1,173
Changes of items during the period	73	54	747
Balance at the end of current period	188	115	1,921
Minority interests in consolidated subsidiaries			
Balance at the end of previous period	15,401	3,459	156,787
Changes of items during the period	(2,131)	11,942	(21,696)
Balance at the end of current period	13,270	15,401	135,091
Total net assets			
Balance at the end of previous period	510,490	523,631	5,196,890
Effect of changes in accounting policies applied to foreign subsidiaries	(2,061)	-	(20,987)
Changes of items during the period			
Cash dividends	(11,886)	(11,882)	(121,002)
Net income (loss)	(6,324)	11,768	(64,388)
Purchase of treasury stock	(357)	(322)	(3,640)
Disposal of treasury stock	88	1,014	900
Purchase of treasury stock by subsidiaries and affiliates	-	(18)	-
Change in equity in affiliates accounted for by equity method—treasury stock	(19)	-	(195)
Change in scope of consolidation	(650)	728	(6,624)
Change in scope of equity method	450	-	4,581
Reversal of revaluation reserve for land	95	(64)	969
Net changes of items other than shareholders' equity	(60,117)	(14,365)	(612,003)
Total changes of items during the period	(78,721)	(13,140)	(801,402)
Balance at the end of current period	¥ 429,707	¥ 510,490	\$ 4,374,501

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

OJI PAPER CO., LTD.
Fiscal years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥ (2,705)	¥ 23,260	\$ (27,545)
Depreciation and amortization	89,037	88,800	906,420
Impairment losses	5,261	775	53,564
Amortization of goodwill	1,703	1,706	17,342
Increase in allowance for doubtful accounts	1,314	762	13,378
(Decrease) in provision for retirement benefits	(5,551)	(2,501)	(56,517)
Interest and dividend income	(6,017)	(4,460)	(61,260)
Interest expenses	11,183	10,531	113,850
Exchange loss	6,291	350	64,045
Equity in earnings of affiliates	(5,807)	(3,949)	(59,125)
(Gain) on sales of investment securities	(705)	(360)	(7,179)
Loss on valuation of investment securities	1,475	602	15,018
Loss on disposal of fixed assets	5,774	5,087	58,788
(Gain) on sales of fixed assets	(1,183)	(599)	(12,048)
Loss on business restructuring	13,945	2,252	141,970
Decrease in trade receivables	21,070	51,557	214,497
(Increase) decrease in inventories	1,270	(4,576)	12,938
(Decrease) in trade payables	(40,335)	(11,520)	(410,620)
Other	(4,571)	1,367	(46,534)
Subtotal	91,450	159,088	930,983
Interest and dividend income received	6,448	4,822	65,651
Interest paid	(11,618)	(10,031)	(118,274)
Income taxes paid	(12,411)	(14,992)	(126,347)
Net cash provided by operating activities	73,870	138,886	752,012
Cash flows from investing activities			
Payment for acquisition of property, plant, equipment and intangible assets	(121,526)	(105,534)	(1,237,164)
Proceeds from sales of property, plant, equipment and intangible assets	3,095	3,597	31,513
Payment for acquisition of investment securities	(11,239)	(8,161)	(114,417)
Proceeds from sales of investment securities	12,370	785	125,936
Payment for loans receivable	(5,004)	(13,179)	(50,945)
Proceeds from collection of loans receivable	6,279	7,173	63,927
Other	7,033	(9,388)	71,602
Net cash used in investing activities	(108,990)	(124,708)	(1,109,547)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	94,383	(2,803)	960,837
Net increase (decrease) in commercial paper	(111,000)	1,000	(1,130,001)
Proceeds from long-term loans	168,721	71,190	1,717,612
Repayment of long-term loans	(73,776)	(20,993)	(751,059)
Payment for redemption of bonds	-	(20,000)	-
Payment for purchase of treasury stock	(357)	(322)	(3,640)
Dividend payments	(11,886)	(11,882)	(121,002)
Other	(7)	945	(74)
Net cash provided by financing activities	66,076	17,134	672,672
Effect of exchange rate changes on cash and cash equivalents	(11,214)	(51)	(114,170)
Increase in cash and cash equivalents	19,741	31,261	200,968
Cash and cash equivalents at the beginning of the year (Note 13)	71,348	38,550	726,336
Increase in cash and cash equivalents due to mergers of subsidiaries	0	370	1
Increase in cash and cash equivalents due to newly consolidated subsidiaries	487	1,166	4,959
(Decrease) in cash and cash equivalents due to exclusion of consolidated subsidiaries from scope of consolidation	(633)	(1)	(6,444)
Cash and cash equivalents at the end of the year (Note 13)	¥ 90,943	¥ 71,348	\$ 925,821

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

OJI PAPER CO., LTD.

1. Basis of Presenting the Consolidated Financial Statements

- (1) The accompanying consolidated financial statements have been prepared from the accounts maintained by OJI PAPER CO., LTD. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and have been compiled and translated into English from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.
- (2) Certain amounts in the prior years’ financial statements have been reclassified to conform with the current year’s presentation.
- (3) The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥98.23 to U.S. \$1.00, the approximate rate of exchange prevailing at March 31, 2009. This translation should not be construed as a representation that the yen amounts shown could be converted into U.S. dollars at the above or any other rate.

2. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 90 in 2009 (87 in 2008)

Consolidated subsidiaries:

Oji Paperboard Co., Ltd.
 Oji Specialty Paper Co., Ltd.
 Oji Nepia Co., Ltd.
 Oji Chiyoda Container Co., Ltd.
 Mori Shigyo Co., Ltd.
 Oji Trading Co., Ltd.
 Oji Recovered Paper and Market Pulp Co., Ltd.
 Oji Tac Co., Ltd.
 Oji Packaging Co., Ltd.
 KS Systems Inc.
 Oji Seitai Kaisha Ltd.
 Oji Kinocloth Co., Ltd.
 Apica Co., Ltd.
 Ojiadba Co., Ltd.
 Chuetsu Co., Ltd.
 Shinomura Chemical Industry Co., Ltd.
 Oji Forest & Products Co., Ltd.
 Oji Real Estate Co., Ltd.
 Oji Logistics Co., Ltd.

Oji Cornstarch Co., Ltd.
 Oji Engineering Co., Ltd.
 Oji Business Center Co., Ltd.
 Oji Salmon Co., Ltd.
 Suzhou Oji Packaging Co., Ltd.
 Oji Paper Canada Ltd.
 ILFORD Imaging Switzerland GmbH
 Oji Paper Trading (China) Co., Ltd.
 KANZAN Spezialpapiere GmbH
 Pan Pac Forest Products Ltd.
 Oji Paper (Thailand) Ltd.
 Oji Label (Thailand) Ltd.
 Jiangsu Oji Paper Co., Ltd.
 Oji Paper Nepia (Suzhou) Co., Ltd.
 Oji Paper USA Inc.
 Kanzaki Specialty Papers Inc.
 B&C International Co., Ltd.
 Ojitek (Vietnam) Co., Ltd.
 Oji InterTech Inc.
 Oji ILFORD USA Inc.
 51 other companies

Oji Koei Hokkaido Co., Ltd., Kansai Pack Co., Ltd. and Ojitek (Vietnam) Co., Ltd., which were non-consolidated subsidiaries for the previous consolidated fiscal year, are included in the consolidation scope for the year ended March 31, 2009 as such companies have increasing significance in business within the Group and also have increasing significance on net assets, net sales, net income and retained earnings.

Oji Paper Trading (China) Co., Ltd., which was newly established, is included in the consolidation scope for the year ended March 31, 2009.

Oji Kaiun Corp., which was a consolidated subsidiary until the year ended March 31, 2008, has been excluded from the consolidation scope since the company was merged with Ocean Tokyu Ferry Co., Ltd. on October 1, 2008, and as a result of the merger, the equity holding ratio by the Company was reduced. Also, on the date of the merger, the company’s name was changed to Ocean Trans Co., Ltd.

- (2) Main non-consolidated subsidiaries:

Nishio Corrugated Board Mfg. Co., Ltd.,
 Tomakomai Energy Kosha Co., Ltd.
 and DHC Ginza Co., Ltd.

- (3) Reasons for excluding non-consolidated subsidiaries from the consolidation scope:

Non-consolidated subsidiaries have not been included in consolidation as all are small, and none have total assets, net sales, net income (corresponding to equity share) or retained earnings (corresponding to equity share) that significantly impact the consolidated financial statements.

3. Application of the Equity Method

(1) Number of affiliates under the equity method: 15 in 2009 (14 in 2008)

Affiliates under the equity method:

Japan Brazil Paper and Pulp Development Co., Ltd.,
Yupo Corporation, and Kokusai Pulp & Paper Co., Ltd.
and other 12 companies

Oji Kaiun Corp., which was a consolidated subsidiary for the previous consolidated fiscal year, has been excluded from the consolidation scope but has been included in the scope of the equity method since the company was merged with Ocean Tokyuu Ferry Co., Ltd. on October 1 2008, and as a result of the merger, the equity holding ratio by the Company was lowered. And on the date of the merger, the company's name was changed to Ocean Trans Co., Ltd.

(2) Main non-consolidated subsidiaries and affiliates to which the equity method was not applied

Nishio Corrugated Board Mfg. Co., Ltd.,
Tomakomai Energy Kosha Co., Ltd.
and DHC Ginza Co., Ltd.

(3) The reason not to apply the equity method to non-consolidated subsidiaries and affiliates to which the equity method was not applied

Non-consolidated subsidiaries and affiliates have not been included in scope of the equity method as all are small, and none have total assets, net sales, net income (corresponding to equity share) or retained earnings (corresponding to equity share) that significantly impact the consolidated financial statements.

4. Matters Concerning the Fiscal Year of Consolidated Subsidiaries

Of the Company's consolidated subsidiaries, the following have December 31 as a fiscal year end:

Apica Co., Ltd.
Oji Paper USA Inc.
Kanzaki Specialty Papers Inc.
Oji ILFORD USA, Inc.
Oji Paper (Thailand) Ltd.
KANZAN Spezialpapiere GmbH
Jiangsu Oji Paper Co., Ltd.
ILFORD Imaging Switzerland GmbH
Aipax Co., Ltd.
Oji Paper Nepia (Suzhou) Co., Ltd.
Suzhou Oji Packaging Co., Ltd.
Oji Intertech Inc.
Oji Label (Thailand) Ltd., B&C International Co., Ltd.

Ojitex (Vietnam) Co., Ltd.

Oji Paper Trading (China) Co., Ltd.

The fiscal year end of the following subsidiaries is March 20:

Mori Shigyo Co., Ltd.
Mori Kamihanbai Co., Ltd.
Kyoto Mori Shigyo Co., Ltd.
Sendai Mori Shigyo Co., Ltd.
Torika Hoso Shizai Co., Ltd.
Hokkaido Mori Shigyo Co., Ltd.
Hitachi Mori Shigyo Co., Ltd.
Gunma Mori Shigyo Co., Ltd.
Niigata Mori Shigyo Co., Ltd.
Hokuriku Mori Shigyo Co., Ltd.
Nagano Mori Shigyo Co., Ltd.
Shizuoka Mori Shigyo Co., Ltd.
Tokai Mori Shigyo Co., Ltd.
Shikoku Mori Shigyo Co., Ltd.
Kyushu Mori Shigyo Co., Ltd.
Oi Paper Co., Ltd.

The fiscal year end of the Company and all other consolidated subsidiaries is March 31.

For the purpose of preparing the consolidated financial statements, the above companies' financial statements as of the end of their respective fiscal years were used.

Adjustments were made for the purpose of consolidation as necessary for the material transactions that occurred between such fiscal year-end dates and the consolidated account closing date.

5. Matters Concerning Accounting Standards

(1) Standards and methods for valuation of significant assets

(i) Marketable Securities

Held-to-maturity debt securities:

Stated at cost using the amortized cost method.

Available-for-sale securities

Securities with market quotations:

Stated at market value based on the market price as of the end of the fiscal period (the valuation difference is accounted for as a separate component of net assets and the cost of sales is calculated by using the moving-average method).

Securities without market quotations:

Stated at cost using the moving-average method.

(ii) Derivatives

Stated at market value

(iii) Inventories

For the year ended March 31, 2009

Mainly stated at cost using the periodic average method (The balance sheet amount is calculated by writing down the value based on any decreased profitability)

(Changes in Accounting Policies)

The Company has accounted for inventories under “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) effective from the fiscal year ended March 31, 2009.

As a result of this change in accounting policy, operating profit and ordinary profit decreased by ¥736 million (\$7,498 thousand) and ¥749 million (\$7,631 thousand), respectively, and loss before income taxes and minority interests increased by ¥1,896 million (\$19,310 thousand). The effect of this change on business segments is described in the Segment Information section.

For the year ended March 31, 2008

Inventories of the Company and some consolidated subsidiaries were stated at the lower of cost or market and those of the other consolidated subsidiaries were stated at cost.

The cost of finished products and merchandise, work-in-process and raw materials is determined mainly by the periodic average method. The cost of real estate for sale is determined by the specific identification method.

(2) Depreciation method of significant depreciable assets

For the year ended March 31, 2009

- a. Property, plant and equipment (excluding leased assets)
 - Declining balance method (however, the straight-line method is applied to buildings acquired on or after April 1, 1998 (excluding improvements), machinery and equipment of the Tomioka Mill of the Company, and for certain consolidated subsidiaries)

(Changes in Accounting Policies)

The machinery and equipment of the Tomioka Mill of the Company was depreciated under the declining balance method in the past. However, the depreciation method was changed to the straight-line method starting from the year ended March 31, 2009.

This change was implemented for the purpose of achieving appropriate allocation of expenses over accounting periods based on the expectation that the operation of all the machinery and equipment of the Tomioka Mill will be stable throughout their useful lives as a result of the installation of a new paper machine (N-1 M/C) and a new boiler, which became operational during the current fiscal year and due to these being little functional obsolescence and no maintenance and renewal costs for the time being with respect to this leading-edge machinery and equipment, which constitutes the greater part of depreciation expense arising from the Tomioka Mill.

The Company has made investments for the past two years

for modernization of the machinery and equipment of the Tomioka Mill for the purpose of further improving the competitiveness of coated paper, which is the main product of the Company, in the domestic market as well as rationalization / consolidation of the productive assets. As the leading-edge, large-scale on-machine coater, which integrates the paper-making process and coating process, started operation and replacement of old equipments with new ones has been completed during the current fiscal year, which marks the re-start of the Tomioka Mill as a new large-scale, coated paper production mill. Taking this as an appropriate opportunity, the Company decided to change the depreciation method for the machinery and equipment of the Tomioka Mill to the straight-line method.

As a result of this change, as compared with the figures that would have been stated under the old method, depreciation expense decreased by ¥3,834 million (\$39,032 thousand), operating profit and ordinary profit both increased by ¥2,958 million (\$30,117 thousand), and loss before income taxes and minority interests decreased by ¥2,958 million (\$30,117 thousand) for the year ended March 31, 2009. The effect of this change on business segments is described in the Segment Information section.

(Additional information)

The Company reviewed the estimated useful lives of its machinery, equipment and structures and of its domestic consolidated subsidiaries in response to the Corporation Tax Act as amended in 2008 and changed certain estimated useful lives starting from the year ended March 31, 2009. As a result of this change, as compared with the figures that would have been stated under the old method, depreciation expense increased by ¥3,431 million (\$34,931 thousand), operating profit and ordinary profit decreased by ¥3,041 million (\$30,967 thousand) and ¥3,040 million (\$30,953 thousand), respectively, and loss before income taxes and minority interests increased by ¥3,040 million (\$30,953 thousand) for the year ended March 31, 2009. The effect of this change on segment is described in the Segment Information section.

b. Leased assets

Depreciation of leased assets are calculated by using the straight-line method over the period of the lease contract term with no residual value.

For the year ended March 31, 2008

Property, plant and equipment

Declining balance method (however, the straight-line method is applied to buildings acquired on or after April 1, 1998 (excluding improvements), and for certain consolidated subsidiaries)

(Changes in Accounting Policies)

In line with the revision to the Corporation Tax law of Japan, effective the fiscal year ended March 31, 2008, the Company and domestic consolidated subsidiaries have changed their method of accounting for depreciation of tangible fixed assets acquired on or after April 1, 2007 based on the revised Corporation Tax Law.

As a result, depreciation expense increased by ¥1,422 million, operating profit decreased by ¥1,353 million, each of ordinary profit and income before income taxes and minority interests decreased by ¥1,379 million.

The effect of this change on segment is described in the Segment Information section.

(Additional information)

In line with the revision to the Corporation Tax law of Japan, the Company and domestic consolidated subsidiaries, excluding some consolidated subsidiaries, had depreciated their tangible fixed assets up to their residual value, 5% of acquisition cost, as permitted under the former Corporation Tax Law. Upon the revision to the Corporation Tax Law, the Company and those domestic subsidiaries depreciate such 5% portion of such tangible fixed assets acquired on or before March 31, 2007 on a straight-line basis over 5 years starting in the following year in which the carrying value of tangible fixed assets has reached 5% of the acquisition cost.

As a result, depreciation expense increased by ¥7,382 million, operating profit decreased by ¥6,509 million, each of ordinary profit and income before income taxes and minority interests decreased by ¥6,585 million.

The effect of this change on segment is described in the Segment Information section.

(3) Standards for significant provisions

(i) Allowance for doubtful accounts

In order to prepare for potential credit losses on receivables outstanding at the end of the fiscal year, an estimated uncollectible amount is recorded at the amount calculated based on the historical rate of credit loss with respect to normal receivables and at the amount determined in consideration of collectibility of individual receivables with respect to doubtful accounts and certain other receivables.

(ii) Provision for retirement benefits

In order to prepare for the provision of retirement benefits for employees, an amount that is determined to have accrued at the end of the fiscal year is recorded based on the estimated amounts of the retirement benefit obligation and plan assets as of the end of the fiscal year. Prior service cost is accounted for as an expense calculated by using the straight-line method based on the

average remaining service period of the employees in service during the period in which it arises.

Actuarial losses are accounted for as expenses for the subsequent fiscal years calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which they arise.

(iii) Provision for directors' retirement benefits

In order to prepare for the provision of retirement benefits for corporate auditors, the Company records the amount required by the internal rules. With respect to the consolidated subsidiaries, in order to prepare for the provision of retirement benefits for directors, the amount required by the internal rules is recorded.

(iv) Provision for environmental measures

For the purpose of provisioning for the PCB waste treatment costs expected to arise going forward under the "Law on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," the estimated required amount is recorded.

In addition, for the purpose of provisioning for the maintenance cost after the completion of reclamation of waste-disposal facilities, the estimated required amount is recorded over the period until the reclamation is completed.

(v) Provision for special repairs

For the purpose of provisioning for periodic repair costs of oil storage tanks, the estimated required amount is recorded over the period until the next scheduled periodic repair.

(4) Significant method for hedge accounting

(i) Hedge accounting method

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. Foreign currency transactions hedged by forward exchange contracts which meet certain conditions for hedge accounting are reported at the forward rate and the resulting differences between the spot rate and the forward rate amortized over the life of the contract.

(ii) Hedging instruments and hedged items

- Hedging instruments: Foreign exchange forward contracts, interest rate swaps
- Hedged items: Foreign currency monetary assets and liabilities, borrowings and loans

(iii) Hedging policy

The risk management policy of the Group requires hedging against the foreign exchange risk and interest rate risk arising in the normal course of the business.

(iv) Method for assessing the hedging effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedging instruments and hedged items is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets / liabilities of hedging instruments and hedged items.

(5) Accounting for consumption tax and local consumption tax

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

6. Matters Concerning the Valuation of Assets and Liabilities of Consolidated Subsidiaries

The full fair value method is applied to the valuation of assets and liabilities of consolidated subsidiaries.

7. Matters Concerning Amortization of Goodwill

Goodwill is amortized over periods of five or ten years by the straight-line method. However, immaterial amounts are fully amortized in the fiscal year in which they arise.

8. Scope of Cash and Cash Equivalents in Consolidated Statements of Cash Flows

For the purpose of consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term liquid investments that mature within three months from the purchase date and can be converted easily into cash with little risk of change in value.

9. Changes in Important Matters Forming the Basis of Preparation of Consolidated Financial Statements

(1) Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

The Company has adopted Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No. 18, May 17, 2006) starting from the year ended March 31, 2009 and made the necessary consolidation adjustments.

As a result of this change in accounting policy, operating profit and ordinary profit decreased by ¥47 million (\$478

thousand) and ¥1,185 million (\$12,068 thousand), respectively, and net loss before income taxes increased by ¥1,185 million (\$12,070 thousand) for the year ended March 31, 2009. The effect of this change on business segments is described in Segment Information.

(2) Application of the Accounting Standard for Lease Transactions

In the past, finance lease transactions that do not transfer ownership have been accounted for under the method similar to ordinary operating lease transactions. However, starting from the year ended March 31, 2009, they are accounted for under the method similar to ordinary sale and purchase transactions in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, June 17, 1993 [Business Accounting Council Committee No.1] as revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, January 18, 1994 [Accounting Standard Committee of JICPA] as revised on March 30, 2007).

Finance lease transactions that do not transfer ownership whose inception date is prior to the beginning of the fiscal year of the initial application of the standards and guidance continue to be accounted for under the method similar to ordinary operating lease transactions.

This change in accounting policy had no impact on operating profit, ordinary profit, and loss before income taxes and minority interests for the year ended March 31, 2009.

10. Notes to Consolidated Balance Sheets

(1) Matters concerning non-consolidated subsidiaries and affiliates

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
Stocks of non-consolidated subsidiaries and affiliates	¥85,044	¥84,811	\$865,764
Investments in capital of non-consolidated subsidiaries and affiliates	16	16	172

(2) Assets pledged as collateral

① Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term loans (¥9,086 million (\$92,497 thousand)), long-term loans (including the amount scheduled to be collected within one year) (¥7,918 million (\$80,607 thousand)), and, notes and accounts payable-trade (¥199 million (\$2,029 thousand)) as of March 31, 2009.

Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term loans

(¥8,505 million), long-term loans (including the amount scheduled to be collected within one year) (¥9,861 million), notes and accounts payable-trade (¥1,522 million), accounts payable-other (¥35 million) and accrued expenses (¥9 million) as of March 31, 2008.

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		
	2009	2008	2009
Cash and bank deposits	¥ 65	¥734	\$ 667
Notes and accounts receivable-trade	2,505	2,484	25,508
Inventories	-	1,705	-
Merchandise and finished goods	1,000	-	10,189
Work in process	7	-	74
Raw materials and supplies	214	-	2,183
Short-term loans receivable	197	278	2,013
Other current assets	116	712	1,185
Buildings and structures	14,352	16,798	146,109
Machinery, equipment and vehicles	7,317	12,001	74,494
Tools, furniture and fixtures	56	49	570
Land	13,307	14,223	135,472
Forests	498	645	5,073
Plantations	11,270	16,607	114,739
Construction in progress	506	105	5,160
Intangible assets and others	47	91	488
Investment securities	768	1,067	7,820
Long-term loans receivable	172	246	1,751
Total	¥ 52,405	¥ 67,752	\$ 533,502

②Industrial mortgages and industrial factory foundation revolving industrial mortgages entered into with respect to the assets indicated below for short-term loans (¥280 million (\$2,850 thousand), ¥237 million) and long-term loans (including the amount scheduled to be collected within one year) (¥30 million (\$307 thousand), ¥30 million) as of March 31, 2009 and 2008 respectively.

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		
	2009	2008	2009
Buildings and structures	¥ 718	¥ 765	\$ 7,309
Machinery, equipment and vehicles	1,221	1,008	12,435
Tools, furniture and fixtures	27	32	280
Land	1,079	1,079	10,990
Total	¥ 3,046	¥ 2,886	\$ 31,016

③Assets pledged as collateral for long-term loans (including the amount scheduled to be collected within one year) (¥3,591 million (\$36,560 thousand), ¥4,822 million) as of March 31, 2009 and 2008 respectively as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		
	2009	2008	2009
Investment securities	¥ 2,853	¥ 10,529	\$ 29,053
Long-term loans receivable	4,231	4,730	43,081
Total	¥ 7,085	¥ 15,260	\$ 72,135

(3)Contingent liabilities

Guarantee obligations

The Company is committed to provide the following guarantees for loans and others of non-consolidated subsidiaries and affiliates from banks and other institutions as of March 31, 2009 and 2008 respectively.

	Millions of yen		Thousands of U.S. dollars
	March 31,		
	2009	2008	2009
	Japan Brazil Paper and Pulp Development Co., Ltd.	¥ 14,857	¥ 20,542
Alpac Forest Products Inc.	3,105	3,920	31,610
Employees	2,697	3,088	27,461
Other	6,038	3,197	61,470
Total	¥ 26,698	¥ 30,748	\$ 271,795

①The guarantee obligation provided for Japan Brazil Paper and Pulp Development Co., Ltd. as stated above is the portion assumed by the Company and its consolidated subsidiaries.

The aggregate amount of the joint and several obligation including the portion assumed by other parties as of March 31, 2009 and 2008 are ¥23,704 million (\$241,311 thousand) and ¥29,466 million, respectively.

②The guarantee obligation provided for "Other" as stated above includes the portion, ¥269 million (\$2,744 thousand) and ¥269 million as of March 31, 2009 and 2008, respectively, of the joint and several obligation, assumed by the Company and its consolidated subsidiaries.

The aggregate amount of the joint and several obligation including the portion assumed by other parties are ¥337 million (\$3,430 thousand) and ¥337 million as of March 31, 2009 and 2008, respectively.

③The guarantee obligation provided for "Other" as stated above includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is after deduction of such portion, ¥113 million (\$1,155 thousand) and ¥105 million as of March 31, 2009 and 2008, respectively.

(4) Notes discounted: ¥40 million (\$407 thousand) and ¥40 million as of March 31, 2009 and 2008, respectively

Notes receivable endorsed: ¥11 million (\$113 thousand) and ¥15 million as of March 31, 2009 and 2008, respectively

(5) Revaluation reserve for land

Pursuant to the “Law on Revaluation of Land” (Law No. 34 of March 31, 1998) and the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 19 of March 31, 2001), the Group performed revaluation of land for business use held by certain consolidated subsidiaries on March 31, 2002.

Pursuant to the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 24 of March 31, 1999), the Group recorded reasonable tax amount relevant to such revaluation of land as “Deferred tax liabilities on revaluation reserve for land” in the liabilities section, and revaluation of land after deduction of such tax amount as “Revaluation reserve for land” in the net assets section

- Revaluation method: The value is calculated based on the property tax valuation prescribed in Article 2, Item 3 of the “Enforcement Order on Law on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998) and the land value designated as the tax basis for land value tax as prescribed in Article 2, Item 4 thereof.

- Revaluation date: March 31, 2002

- Difference between the carrying amount of the land after revaluation and the market value of land at the end of the year ended March 31, 2009 and 2008, respectively
¥885 million (\$9,017 thousand) and
¥ (1,935) million

(6) Loan commitment (borrower)

The Company entered into loan commitment agreement with correspondent financial institutions for the purpose of achieving efficient use of working capital.

Regarding the loan commitment, the balance of the unused portion of the loan at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
Aggregate amount of loan commitment	¥ 50,000	¥ 50,000	\$ 509,009
Balance of loan outstanding	-	-	-
Unused portion	¥ 50,000	¥ 50,000	\$ 509,009

(7) Accumulated depreciation includes accumulated impairment losses.

(8) The amounts of advanced depreciation deducted directly from the acquisition costs of certain fixed assets for the year ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
Buildings and structures	¥ 104	¥ 667	\$ 1,061
Machinery, equipment and vehicles	-	1,029	-
Land	1	2	18
Plantations	-	34	-
Construction in progress	-	50	-
Total	¥ 106	¥ 1,784	\$ 1,800

11. Notes to Consolidated Statements of Income

(1) Research and development costs included in selling, general and administrative expenses and manufacturing costs for the year ended March 31, 2009 and 2008, respectively:

¥10,345 million (\$105,320 thousand) and
¥11,559 million

(2) The amount of inventories stated on the balance sheet at the end of the year ended March 31, 2009 is calculated by writing down the value based on any decreased profitability.

The following loss on valuation of inventories is included in the cost of sales for the year:

¥5,531 million (\$56,315 thousand)

Based on the lower of cost or market method, the following loss on valuation for a part of inventories is accounted for as of the year ended March 31, 2008:

	Millions of yen
Finished products	¥ 823
Raw materials	388
Merchandise	31
Work in process	12
Supplies	1
Total	¥ 1,257

(3) A breakdown of gain on sales of fixed assets as of the year ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
Land	¥ 837	¥ 541	\$ 8,524
Buildings and structures		6	
Forests	340	1	3,465
Other	5	49	58
Total	¥ 1,183	¥ 599	\$ 12,048

Gain on sales of fixed assets includes gain, in the amount of ¥522 million (\$5,320 thousand) and ¥ 130 million for the year ended March 31, 2009 and 2008, respectively, on transfer of land, forests and plantations that were transferred under application of “Land Expropriation Law” and other regulations.

(4) Impairment losses were recorded mainly for the following assets and asset group:

For the year ended March 31, 2009

Location	Use	Type	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Kushiro, Hokkaido	Assets for business	Machinery, equipment and others	¥ 8,735	\$ 88,930
Fribourg, Switzerland	Assets for business	Machinery, equipment and others	3,509	35,728
Fuji, Shizuoka	Assets for business	Machinery, equipment and others	1,305	13,287

For the year ended March 31, 2008

Location	Use	Type	Impairment loss
			Millions of yen
Fuji, Shizuoka	Assets for rent	Structures and others	¥ 434
Iwaki, Fukushima	Assets for rent	Machinery, equipment and others	141
Minato-ku, Tokyo	Assets for rent	Buildings and others	123

The Company determines asset groups based on the minimum unit on which cash flows are made.

Regarding certain business facilities, at which operating income from business activities continue to be negative, and idle assets, of which the fair market value of land significantly declined, the book values, if they go below the recoverable values, were written down to the recoverable values and such reduced amount, ¥15,696 million (\$159,797 thousand) and ¥ 1,262 million, were recorded in extraordinary

losses as of the year ended March 31, 2009 and 2008, respectively.

A breakdown of the amount is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
Machinery, equipment and vehicles	¥ 9,485	¥ 168	\$ 96,567
Buildings and structures	2,748	645	27,977
Land	951	314	9,684
Other	2,511	133	25,567

Among the above amounts, ¥10,435 million (\$106,233 thousand) and ¥ 486 million are included in loss on business restructuring of extraordinary losses as of the year ended March 31, 2009 and 2008, respectively.

If the recoverable values are measured by the net selling price, such values are measured based on real-estate appraisals.

If the recoverable values are measured at value in use, such values are calculated by discounting the future cash flows mainly at a 5% discount rate.

(5) A breakdown of special retirement benefits are as follows:

- special retirement benefits paid to employees upon early voluntary termination or upon retirement by transfer,
- the present value of the estimated installment payments, for the subsequent fiscal years, of special retirement benefits that the Company makes to certain employees who are transferred to subsidiaries or affiliates, and
- the adjusted amount of the estimated charge for withdrawal from the welfare pension fund by certain consolidated subsidiaries.

(6) A breakdown of loss on sales of fixed assets as of the year ended March 31, 2008 is as follows:

	Millions of yen
Land	¥ 342
Machinery, equipment and vehicles	84
Buildings and structures	16
Tools, furniture and fixtures	1
Total	¥ 444

(7) Loss on business restructuring is as follows:

- For the year ended March 31, 2009: the amount of impairment loss and other recorded due to the decision to stop the operation of paper manufacturing equipments of the Company's Fuji Mill and Kushiro Mill made during the year, and
- For the year ended March 31, 2008: the amount of various expenses due to closing of the mills during the year.

12. Notes to Consolidated Statements of Changes in Net Assets

(1) Information on the class and number of shares issued, and class and number of treasury stock is as follows:

For the year ended March 31, 2009

Type of shares	Number of shares at March 31, 2008	Increase	Decrease	Number of shares at March 31, 2009
Shares issued:				
Common stock	1,064,381,817	–	–	1,064,381,817
Total	1,064,381,817	–	–	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	75,195,696	755,839	194,463	75,757,072
Total	75,195,696	755,839	194,463	75,757,072

Notes: 1. Details of the increase are as follows:

Increase due to purchase of shares of less than standard unit	725,139
Increase in shares held by affiliates accounted for by the equity method	30,700

2. Details of the decrease are as follows:

Decrease due to sale of shares of less than standard unit	194,463
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For the year ended March 31, 2008

Type of shares	Number of shares at March 31, 2007	Increase	Decrease	Number of shares at March 31, 2008
Shares issued:				
Common stock	1,064,381,817	–	–	1,064,381,817
Total	1,064,381,817	–	–	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	76,246,000	611,353	1,661,657	75,195,696
Total	76,246,000	611,353	1,661,657	75,195,696

Notes: 1. Details of the increase are as follows:

Increase due to purchase of shares of less than standard unit	572,253
Increase in shares held by affiliates accounted for by the equity method	39,100

2. Details of the decrease are as follows:

Decrease due to sale of shares of less than standard unit	133,657
Decrease due to allocation for share subscription rights exercised under the stock options for stock-based compensation	28,000
Decrease due to disposal of treasury stock as share exchange for capital combination with Tokushu Tokai Holdings Co., Ltd. and Tokushu Paper Mfg. Co., Ltd.	1,500,000

(2) Subscription rights

For the year ended March 31, 2009

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2009	
			Number of shares at March 31, 2008	Increase	Decrease	Number of shares at March 31, 2009	Millions of yen	Thousands of U.S. dollars
Parent company	Subscription rights as stock options	–	–	–	–	–	¥ 188	\$ 1,921
	Total	–	–	–	–	–	¥ 188	\$ 1,921

For the year ended March 31, 2008

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2008
			Number of shares at March 31, 2007	Increase	Decrease	Number of shares at March 31, 2008	Millions of yen
Parent company	Subscription rights as stock options	–	–	–	–	–	¥ 115
	Total	–	–	–	–	–	¥ 115

(3)Dividends

①Amount of cash dividends distributed

For the year ended March 31, 2009

Resolution	Class of stock	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars			
Board of Directors' Meeting held on May 16, 2008	Common stock	¥ 6,019	\$ 61,279	6.0	March 31, 2008	June 5, 2008
Board of Directors' Meeting held on October 31, 2008	Common stock	6,017	61,260	6.0	September 30, 2008	December 1, 2008

For the year ended March 31, 2008

Resolution	Class of stock	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars			
Board of Directors' Meeting held on May 14, 2007	Common stock	¥ 6,012		6.0	March 31, 2007	June 6, 2007
Board of Directors' Meeting held on October 30, 2007	Common stock		6,020	6.0	September 30, 2007	December 3, 2007

②Dividends with the cut-off date falling within the year ended March 31, 2009 and with the effective date falling within the following fiscal year

The following resolution is scheduled:

Resolution	Class of stock	Total dividend amount		Source of dividends	Dividends per share (yen)	Record date	Effective date
		Millions of yen	Thousands of U.S. dollars				
Board of Directors' Meeting held on May 14, 2009	Common stock	¥ 4,010	\$ 40,831	Retained earnings	¥ 4.0	March 31, 2009	June 4, 2009

Dividends with the cut-off date falling within the year ended March 31, 2008 and with the effective date falling within the following fiscal year

The following resolution is scheduled:

Resolution	Class of stock	Total dividend amount		Source of dividends	Dividends per share (yen)	Record date	Effective date
		Millions of yen	Thousands of U.S. dollars				
Board of Directors' Meeting held on May 16, 2008	Common stock	¥ 6,019		Retained earnings	¥ 6.0	March 31, 2008	June 5, 2008

(4)Retained earnings

The Corporation Law of Japan (the "Law"), which suspended most of the provisions of the Commercial Code of Japan, was effective on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, however neither the capital reserve nor the legal reserve is available for distributions.

13. Notes to Consolidated Statements of Cash Flows

Cash and cash equivalents as of the year ended March 31, 2009 and 2008 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
Cash and bank deposits	¥91,781	¥ 81,201	\$ 934,349
Time deposits with maturities of more than three months	(837)	(9,853)	(8,527)
Cash and cash equivalents	¥ 90,943	¥ 71,348	\$ 925,821

14. Lease Transactions

(1) Finance lease transactions

Finance lease transactions that do not transfer ownership

① Leased assets

Property, plant and equipment

Production facilities (machinery, equipment and vehicles, and, tools, furniture and fixtures)
in the pulp and paper business

② Depreciation method of leased assets

As per Note 5. Matters Concerning Accounting Standards (2) Depreciation method of significant depreciable assets

Finance lease transactions beginning on or before March 31, 2008 that do not transfer ownership are accounted for based on standards for ordinary operating lease transactions as follows:

① Equivalent acquisition cost, accumulated depreciation, accumulated impairment loss and balance at the end of the current fiscal year of leased assets

For the year ended March 31, 2009

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	Millions of yen			
Acquisition cost	¥ 29,760	¥ 13,760	¥ 1,694	¥ 45,215
Accumulated depreciation	17,621	8,337	1,118	27,077
Accumulated impairment losses	24	2	–	26
Balance at the end of the current fiscal year	¥ 12,114	¥ 5,420	¥ 576	¥ 18,111

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	Thousands of U.S. dollars			
Acquisition cost	\$ 302,968	\$ 140,085	\$ 17,249	\$ 460,303
Accumulated depreciation	179,392	84,877	11,382	275,651
Accumulated impairment losses	245	26	–	272
Balance at the end of the current fiscal year	\$ 123,331	\$ 55,180	\$ 5,866	\$ 184,379

For the year ended March 31, 2008

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	Millions of yen			
Acquisition cost	¥ 33,891	¥ 15,520	¥ 2,576	¥ 51,987
Accumulated depreciation	17,583	8,048	1,618	27,250
Accumulated impairment losses	1	1	–	3
Balance at the end of the current fiscal year	¥ 16,306	¥ 7,469	¥ 958	¥ 24,734

Acquisition cost included the interest portion since the remaining finance lease obligations at the end of the fiscal year were not material compared with the book values of property, plant and equipment as at the end of the fiscal year.

② Remaining finance lease obligations at the end of the fiscal year and impairment loss on leased assets at the end of the fiscal year

The remaining finance lease obligations at the end of the fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
Due within one year	¥6,024	¥ 7,419	\$ 61,325
Due after one year	12,114	17,318	123,325
Total	¥ 18,138	¥ 24,737	\$ 184,651

Impairment loss on leased assets at the end of the fiscal year: ¥20 million (\$207 thousand)

The remaining finance lease obligations are calculated based on imputed interest method as the remaining finance lease obligations at the end of the fiscal year are not material compared with the book values of property, plant and equipment at the end of the fiscal year.

③ Paid lease fees, reversal of impairment account for leased assets, equivalent depreciation expense amount, and impairment loss

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
Paid lease fees	¥ 7,337	¥ 8,140	\$ 74,692
Reversal of impairment account for leased assets	4	3	48
Equivalent depreciation expense amount	7,332	8,136	74,643
Impairment loss	21	–	221

④ Calculation method for depreciation expenses

Depreciation expenses of leased assets under finance lease transactions that do not transfer ownership are calculated by using the straight-line over the period of the lease contract term with no residual value.

(2) Operating lease transactions

Remaining lease obligations under noncancellable operating leases as of March 31, 2009 and remaining lease obligations as of March 31, 2008:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
Due within one year	¥656	¥ 77	\$ 6,685
Due after one year	200	211	2,046
Total	¥ 455	¥ 288	\$ 4,638

15. Securities

(1) Held-to-maturity debt securities with available market quotations

For the year ended March 31, 2009

		Book value	Market value	Difference
		Millions of yen		
Securities with a book value not exceeding market value	Government bonds, local government bonds and others	¥ 9	¥ 10	¥ 0
Securities with a book value exceeding market value	Government bonds, local government bonds and others	–	–	–
	Total	¥ 9	¥ 10	¥ 0

		Book value	Market value	Difference
		Thousands of U.S. dollars		
Securities with a book value not exceeding market value	Government bonds, local government bonds and others	\$ 101	\$ 102	\$ 1
Securities with a book value exceeding market value	Government bonds, local government bonds and others	–	–	–
	Total	\$ 101	\$ 102	\$ 1

For the year ended March 31, 2008

		Book value	Market value	Difference
		Millions of yen		
Securities with a book value not exceeding market value	Government bonds, local government bonds and others	¥ 9	¥ 10	¥ 0
Securities with a book value exceeding market value	Government bonds, local government bonds and others	–	–	–
	Total	¥ 9	¥ 10	¥ 0

(2) Available-for-sale securities with available market quotations

For the year ended March 31, 2009

		Acquisition cost	Book value	Difference
		Millions of yen		
Securities with a book value exceeding acquisition cost	Corporate stocks	¥ 24,570	¥ 43,744	¥ 19,174
	Bonds (government bonds, local government bonds and others)	5	5	0
	Others	–	–	–
	Total	24,575	43,749	19,174
Securities with a book value not exceeding acquisition cost	Corporate stocks	29,507	23,745	(5,761)
	Bonds (government bonds, local government bonds and others)	–	–	–
	Others	1,736	1,135	(600)
	Total	31,243	24,881	(6,362)
Total		¥ 55,819	¥ 68,630	¥ 12,811

		Acquisition cost	Book value	Difference
		Thousands of U.S. dollars		
Securities with a book value exceeding acquisition cost	Corporate stocks	\$ 250,129	\$ 445,325	\$ 195,195
	Bonds (government bonds, local government bonds and others)	50	52	1
	Others	–	–	–
	Total	250,180	445,377	195,196
Securities with a book value not exceeding acquisition cost	Corporate stocks	300,396	241,738	(58,657)
	Bonds (government bonds, local government bonds and others)	–	–	–
	Others	17,672	11,556	(6,116)
	Total	318,068	253,294	(64,774)
Total		\$ 568,249	\$ 698,671	\$ 130,422

For the year ended March 31, 2008

		Acquisition cost	Book value	Difference
		Millions of yen		
Securities with a book value exceeding acquisition cost	Corporate stocks	¥ 40,374	¥ 90,589	¥ 50,214
	Bonds (government bonds, local government bonds and others)	8	8	0
	Others	–	–	–
	Total	40,382	90,597	50,215
Securities with a book value not exceeding acquisition cost	Corporate stocks	13,287	10,119	(3,167)
	Bonds (government bonds, local government bonds and others)	–	–	–
	Others	1,736	1,359	(376)
	Total	15,023	11,479	(3,544)
Total		¥ 55,406	¥ 102,077	¥ 46,670

(3) Available-for-sale securities sold

In the year ended March 31, 2009

		Millions of yen	
Proceeds from sales	Gains	Losses	
¥ 4,303	¥ 683	¥ (37)	

		Thousands of U.S. dollars	
Proceeds from sales	Gains	Losses	
\$ 43,814	\$ 6,959	\$ (382)	

In the year ended March 31, 2008

		Millions of yen	
Proceeds from sales	Gains	Losses	
¥ 593	¥ 351	¥ (3)	

(4) Main securities with no fair value available

For the year ended March 31, 2009

Securities	Book value
	Millions of yen
(1) Held-to-maturity debt securities	
Bonds (government bonds, local government bonds and others)	¥ 4
(2) Available-for-sale securities	
Non-listed equity securities	6,031
Senior investment securities	8,499

Securities	Book value
	Thousands of U.S. dollars
(1) Held-to-maturity debt securities	
Bonds (government bonds, local government bonds and others)	\$ 48
(2) Available-for-sale securities	
Non-listed equity securities	61,401
Senior investment securities	86,528

For the year ended March 31, 2008

Securities	Book value
	Millions of yen
(1) Held-to-maturity debt securities	
Bonds (government bonds, local government bonds and others)	¥ 5
(2) Available-for-sale securities	
Non-listed equity securities	16,769
Senior investment securities	999

(5) The redemption schedule for securities with maturity dates classified as available-for-sale securities and held-to-maturity debt securities is summarized as follows:

At March 31, 2009

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Millions of yen			
Government bonds	¥ 1	¥ 18	-	-
Corporate bonds	-	-	-	-
Others	0	-	-	-
Total	¥ 1	¥ 18	-	-

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Thousands of U.S. dollars			
Government bonds	\$ 12	\$ 186	-	-
Corporate bonds	-	-	-	-
Others	0	-	-	-
Total	\$ 13	\$ 186	-	-

At March 31, 2008

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Millions of yen			
Government bonds	¥ 4	¥ 19	0	-
Corporate bonds	-	-	-	-
Others	0	-	-	-
Total	¥ 4	¥ 19	0	-

16. Derivative Transactions

(1) Matters concerning derivative transactions

① Types and purpose of derivative transactions

The Group utilizes derivative transactions in its normal operations for the purpose of efficiently managing such risks as fluctuation in foreign exchange rates and interest rates.

Forward foreign exchange contracts are utilized in order to hedge against the adverse impact of fluctuations in foreign currency exchange rates on foreign currency denominated receivables and payables arising from importing oil and raw materials, and exporting products.

Interest rate swaps are utilized to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt and to reduce financing costs.

The Group does not utilize derivative transactions for the purpose of speculation. The above transactions are limited within the scope of receivables and payables.

(Hedge accounting method)

(See Note 5(4)(i).)

(Hedging instruments and hedged items)

Hedging instruments	Hedged items
Foreign exchange forward contracts	Foreign currency monetary assets and liabilities
Interest rate swaps	Borrowings and loans

(Hedging policy)

The risk management policy of the Group requires hedging against the foreign exchange risk and interest rate risk arising in the normal course of the business.

(Method for assessing the hedging effectiveness)

At the end of each fiscal year, hedge effectiveness with respect to the hedging instruments and hedged items is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets/liabilities of hedging instruments and hedged items.

② Risks associated with derivative transactions

The Group is exposed to the following risks that are associated with its derivative transactions:

- Risk of market fluctuation
- Credit risk of counterparties' default and others

However, as risks associated with the derivative transactions are effectively offset by movements in the value of the hedged assets and liabilities, market fluctuation is not a material risk. Furthermore, as the Group limits its counterparties only to such financial institutions as hold long-term creditworthy positions to fulfill their obligations, the Group does not anticipate any material credit risk.

③ Risk Management

In the Company, execution and management of derivative transactions are conducted by the Finance Department, and in each consolidated subsidiary by its raw material procurement section or administration section.

Execution of derivative transactions is a matter to be approved by General Manager or Corporate Officer in charge of such departments or sections. In each department or section, the status of derivative transactions is reported regularly to General Manager in charge.

(2) Matters concerning fair value and others of derivative transactions

As hedge accounting is applied to derivative transactions for the current fiscal year, matters concerning fair value and others of derivative transactions are excluded.

17. Retirement Benefits

(1) Retirement benefit plans

The Company and its domestic consolidated subsidiaries provide defined benefit plans, i.e., a lump-sum benefit at retirement and a non-contributory funded defined-benefit pension plan. Certain domestic consolidated subsidiaries provide defined contribution plans. Furthermore, on some occasions of an employee's retirement or other termination, special retirement benefits may be provided, which is not included in the retirement benefit obligation based on the actuarial calculation under retirement benefit accounting.

Certain overseas consolidated subsidiaries provide defined benefit plans. The Company also has funded employees' retirement benefit trust.

(2) Retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
① Retirement benefit obligation	¥ (205,557)	¥ (195,393)	\$ (2,092,612)
② Plan assets at fair value	111,981	121,025	1,139,997
③ Unfunded retirement benefit obligation (①+②)	(93,575)	(74,368)	(952,615)
④ Unrecognized actuarial gain and loss	65,686	44,131	668,703
⑤ Unrecognized prior service cost	(8,111)	(10,344)	(82,579)
⑥ Net retirement benefit obligation (③+④+⑤)	(36,000)	(40,581)	(366,491)
⑦ Prepaid pension cost	11,823	10,144	120,369
⑧ Provision for retirement benefits (⑥-⑦)	(47,824)	(50,726)	(486,860)

Notes: 1. To certain employees who are transferred to subsidiaries and affiliates, the Company provides special retirement pay which is not based on actuarial calculations under retirement benefit accounting.

The present value, ¥1,070 million (\$10,896 thousand) and ¥5,073 million, of the estimated installment payments for subsequent fiscal years, is included in provision for retirement benefits as of March 31, 2009 and 2008, respectively.

2. Certain subsidiaries adopted a simplified method for the calculation of their retirement benefit obligations.

(3) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2009	2008	2009
① Service cost	¥ 5,737	¥ 5,889	\$ 58,405
② Interest cost	4,681	4,096	47,659
③ Expected return on plan assets	(3,237)	¥ 2,844	(32,960)
④ Amortization of actuarial loss	5,420	4,073	55,179
⑤ Amortization of prior service cost	(1,822)	(1,301)	(18,548)
⑥ Retirement benefit expenses (①+②+③+④+⑤)	10,779	9,912	109,735

Notes: 1. Special retirement benefits of ¥2,978 million (\$30,324 thousand) and ¥4,154 million which were accounted for as an extraordinary loss as of March 31, 2009 and 2008, respectively, are not included in the above retirement benefit expenses.

2. Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service cost."

(4) Basis for calculation of retirement benefit obligation

Periodic allocation method of estimated amount of retirement benefit	Straight-line method
Expected return rate on plan assets	1.0%-2.5%
Discount rate	2.0%-2.5%
Accounting period of prior service cost	Prior service cost is accounted for as an expense calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which it arises.
Accounting period of actuarial gain and loss	Actuarial losses are accounted for as expenses for in subsequent fiscal years beginning the following year in which they arise calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which they arise.

18. Stock Options and Others

(1)The account title and the amount of expenses related to stock options

Account title: Selling, general and administrative expenses

Amount: ¥73 million (\$747 thousand) as of March 31, 2009
¥70 million as of March 31, 2008

(2)Content, size and changes of stock options

①Stock option plans

At each March 31, 2009 and 2008

	Stock option 2006
Position and number of grantee	Directors of the Company: 10
Class and number of shares	Common stock: 140,000 shares
Date of issue	August 15, 2006
Condition of settlement of rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2007 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Period in which grantee must provide services in return for stock options	From the date of the ordinary general meeting of shareholders in 2006 (June 29, 2006) to the date of the ordinary general meeting of shareholders in 2007
Period subscription rights may be exercised	From August 26, 2006 to June 30, 2026

At each March 31, 2009 and 2008

	Stock option 2007
Position and number of grantee	Directors of the Company: 10
Class and number of shares	Common stock: 145,000 shares
Date of issue	July 13, 2007
Condition of settlement of rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2008 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Period in which grantee must provide services in return for stock options	From the date of the ordinary general meeting of shareholders in 2007 (June 28, 2007) to the date of the ordinary general meeting of shareholders in 2008
Period subscription rights may be exercised	From July 14, 2007 to June 30, 2027

At March 31, 2009

	Stock option 2008
Position and number of grantee	Directors of the Company: 10
Class and number of shares	Common stock: 215,000 shares
Date of issue	July 14, 2008
Condition of settlement of rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2009 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Period in which grantee must provide services in return for stock options	From the date of the ordinary general meeting of shareholders in 2008 (June 27, 2008) to the date of the ordinary general meeting of shareholders in 2009
Period subscription rights may be exercised	From July 15, 2008 to June 30, 2028

②Changes in the number of stock options

At March 31, 2009

	Stock option 2006	Stock option 2007	Stock option 2008
	Shares	Shares	Shares
Share subscription rights which are not yet vested			
Outstanding as of March 31, 2008	-	145,000	-
Granted	-	-	215,000
Forfeited	-	-	-
Vested	-	145,000	-
Outstanding as of March 31, 2009	-	-	215,000
Share subscription rights which have already been vested			
Outstanding as of March 31, 2008	112,000	-	-
Vested	-	145,000	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding as of March 31, 2009	112,000	145,000	-

At March 31, 2008

	Stock option 2006	Stock option 2007
	Shares	Shares
Share subscription rights which are not yet vested		
Outstanding as of March 31, 2007	140,000	-
Granted	-	145,000
Forfeited	-	-
Vested	140,000	-
Outstanding as of March 31, 2008	-	145,000
Share subscription rights which have already been vested		
Outstanding as of March 31, 2007	-	-
Vested	140,000	-
Exercised	28,000	-
Forfeited	-	-
Outstanding as of March 31, 2008	112,000	-

③Price information of stock options

At March 31, 2009

	Stock option 2006	Stock option 2007	Stock option 2008
	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	580	-	-
Weighted average fair value per shares at the granted date	-	-	351

	Stock option 2006	Stock option 2007	Stock option 2008
	U.S. dollars	U.S. dollars	U.S. dollars
Exercise price	\$ 0.01	\$ 0.01	\$ 0.01
Average market price of the stock at the time of exercise	5.90	-	-
Weighted average fair value per shares at the granted date	-	-	3.57

At March 31, 2008

	Stock option 2006	Stock option 2007
	Yen	Yen
Exercise price	¥ 1	¥ 1
Average market price of the stock at the time of exercise	580	-
Weighted average fair value per shares at the granted date	-	464

(3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options granted in the year ended March 31, 2009 is as follows:

① Model of valuation Black-Scholes Model

② Main basic figures and estimation method:

	Stock option 2008
Expected volatility (Note 1)	35.464%
Expected holding period (Note 2)	10 years and 6 months
Expected dividend (Note 3)	12 yen (\$0.12) / share
Risk-free rate (Note 4)	1.645%

Notes: 1. The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months (from January 14, 1998 to July 14, 2008)
 2. As there is not enough data to make a reasonable estimate, expected life of the option is based on the assumption that the options are exercised at mid-term of during the exercise period.
 3. This is based on the actual dividend for the year ended March 31, 2008.
 4. Risk-free interest rate is yield on government bonds for the period that corresponds to the remaining life of the option.

The method for estimating the fair value of stock options granted in the year ended March 31, 2008 is as follows:

① Model of valuation Black-Scholes Model

② Main basic figures and estimation method:

	Stock option 2007
Expected volatility (Note 1)	36.494%
Expected holding period (Note 2)	10 years and 6 months
Expected dividend (Note 3)	12 yen / share
Risk-free rate (Note 4)	1.960%

Notes: 1. The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months (from January 13, 1997 to July 13, 2007)
 2. As there is not enough data to make a reasonable estimate, expected life of the option is based on the assumption that the options are exercised at mid-term of during the exercise period.
 3. This is based on the actual dividend for the year ended March 31, 2007.
 4. Risk-free interest rate is yield on government bonds for the period that corresponds to the remaining life of the option.

(4) Method for estimating the number of vested options

Basically, as it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited compared to the number vested.

19. Tax Effect Accounting

(1) Significant deferred tax assets and deferred tax liabilities

	March 31, 2009	March 31, 2008	March 31, 2009
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Deferred tax assets			
Provision for retirement benefits in excess of tax limit	¥ 17,617	¥ 19,503	\$ 179,352
Tax losses carried forward	28,560	17,782	290,747
Property, plant and equipment	13,369	9,561	136,108
Investment securities and others	10,911	7,316	111,081
Accrued bonuses in excess of tax limit	5,881	6,247	59,875
Allowance for doubtful accounts	6,155	4,772	62,662
Other	8,201	7,595	83,491
Subtotal	90,697	72,778	923,319
Valuation allowance	(38,153)	(27,585)	(388,408)
Total deferred tax assets	52,544	45,193	534,910
Deferred tax liabilities			
Unrealized gains on available-for-sale securities	(5,612)	(19,025)	(57,139)
Reserve for advanced depreciation of fixed assets	(18,286)	(17,805)	(186,155)
Adjustment to book value of assets stated at fair value	(14,254)	(14,265)	(145,118)
Property, plant and equipment	(2,623)	(3,851)	(26,711)
Reserve for special depreciation	(1,727)	(1,975)	(17,584)
Other	(1,072)	(1,578)	(10,914)
Total deferred tax liabilities	(43,577)	(58,503)	(443,622)
Net deferred tax assets (liabilities)	¥ 8,967	¥ (13,309)	\$ 91,287

(2) Difference between the statutory tax rate and the effective tax rate of corporate income taxes after

For the year ended March 31, 2009

As the Company recorded a net loss before income taxes for the year, this information is omitted.

For the year ended March 31, 2008

Statutory tax rate	40.7%
(Adjustment)	
Permanent exclusion from expenses of entertainment and social expenses	3.5
Per capita levy of residents tax	1.9
Tax deduction	0.1
Return on investment under the equity method	(6.9)
Valuation allowance	7.1
Other	2.2
Effective tax rate of corporate income taxes after adjustment	48.6

20. Segment Information

(1)The business segment information for the Company and its consolidated subsidiaries is as follows:

For the year ended March 31, 2009

	Pulp and paper products	Converted paper products	Wood and tree-planting	Other	Total	Eliminations	Consolidated
Millions of yen							
1. Sales and operating income							
Sales to third parties	¥ 698,364	¥ 448,460	¥ 37,462	¥ 82,841	¥ 1,267,129	¥ (-)	¥ 1,267,129
Inter-segment sales and transfers	80,678	6,397	33,845	115,493	236,415	(236,415)	-
Total sales	779,043	454,857	71,308	198,335	1,503,544	(236,415)	1,267,129
Operating expenses	765,366	445,405	70,258	191,318	1,472,348	(238,064)	1,234,283
Operating income	13,676	9,451	1,050	7,017	31,195	1,649	32,845
2. Assets, depreciation, impairment loss and capital expenditures							
Total assets	1,133,281	407,986	97,599	129,799	1,768,667	(61,174)	1,707,492
Depreciation and amortization	68,599	15,899	752	3,786	89,037	(-)	89,037
Impairment loss on fixed assets	10,663	4,146	263	622	15,696	(-)	15,696
Capital expenditures	100,953	16,728	1,323	4,258	123,264	(-)	123,264

	Pulp and paper products	Converted paper products	Wood and tree-planting	Other	Total	Eliminations	Consolidated
Thousands of U.S. dollars							
1. Sales and operating income							
Sales to third parties	\$ 7,109,482	\$ 4,565,407	\$ 381,378	\$ 843,346	\$ 12,899,614	\$ (-)	\$ 12,899,614
Inter-segment sales and transfers	821,323	65,123	344,556	1,175,746	2,406,750	(2,406,750)	-
Total sales	7,930,805	4,630,531	725,934	2,019,093	15,306,365	(2,406,750)	12,899,614
Operating expenses	7,791,574	4,534,313	715,242	1,947,658	14,988,788	(2,423,544)	12,565,244
Operating income	139,231	96,218	10,691	71,434	317,576	16,794	334,370
2. Assets, depreciation, impairment loss and capital expenditures							
Total assets	11,537,024	4,153,382	993,577	1,321,383	18,005,367	(622,771)	17,382,595
Depreciation and amortization	698,357	161,855	7,660	38,545	906,420	(-)	906,420
Impairment loss on fixed assets	108,558	42,216	2,681	6,341	159,797	(-)	159,797
Capital expenditures	1,027,724	170,300	13,476	43,357	1,254,858	(-)	1,254,858

For the year ended March 31, 2008

	Pulp and paper products	Converted paper products	Wood and tree-planting	Other	Total	Eliminations	Consolidated
Millions of yen							
1. Sales and operating income							
Sales to third parties	¥ 721,911	¥ 464,099	¥ 44,144	¥ 88,224	¥ 1,318,380	¥ (-)	¥ 1,318,380
Inter-segment sales and transfers	77,811	3,002	31,823	122,876	235,513	(235,513)	-
Total sales	799,722	467,102	75,968	211,101	1,553,894	(235,513)	1,318,380
Operating expenses	782,390	453,892	72,650	203,174	1,512,107	(235,850)	1,276,257
Operating income	17,331	13,210	3,317	7,927	41,786	336	42,122
2. Assets, depreciation, impairment loss and capital expenditures							
Total assets	1,146,700	460,353	104,541	122,223	1,833,819	(52,307)	1,781,512
Depreciation and amortization	67,202	17,511	477	3,609	88,800	(-)	88,800
Impairment loss on fixed assets	200	196	132	731	1,262	(-)	1,262
Capital expenditures	84,157	14,231	945	1,977	101,312	(-)	101,312

Notes: 1. Based on type and nature of products, differences in production methods and other factors, the company has four business segments.

2. Main products of each business segment are as follows:

Pulp and paper products business newsprint, printing and communication paper, packaging paper, sanitary paper, miscellaneous paper, container board, white board, pulp and other

Converted paper products business..... corrugated containers, boxboard products, thermal paper, self-adhesive paper, paper diapers, paper bag products and other
Wood and tree-planting business..... wood, afforestation and tree-planting

Other real estate, cornstarch production, machinery and other

3. Depreciation and amortization, and capital expenditure include long-term prepaid expenses and the related depreciation and amortization

4. Of impairment loss for the year ended March 31, 2009, ¥10,435 million (\$106,233 thousand) was included in loss on business restructuring in extraordinary losses.

5. Changes in accounting method

(For the year ended March 31, 2009)

(Change in standard and method of valuation of significant assets)

The Company accounted for inventories mainly under the lower of cost-or-market method based on the periodic average method in previous fiscal years. However, in response to the introduction of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006), inventories are mainly stated at cost using the periodic average method starting from the current fiscal year (balance sheet amounts are calculated by writing down the value based on any decreased profitability).

As a result of this change, as compared with the figures that would have been stated under the old method, operating expenses for the current fiscal year increased in the pulp and paper products business by ¥92 million (\$941 thousand), decrease in converted paper products business by ¥31 million (\$321 thousand), increased in the wood and tree-planting business by ¥168 million (\$1,716 thousand) and increased in other business by ¥507 million (\$5,162 thousand), resulting in identical decreases/increases in operating income in each business segment, respectively.

(Change in the depreciation method of significant depreciable assets)

The machinery and equipment of the Tomioka Mill of the Company had depreciated under the declining balance method in the past. However, the depreciation method was changed to the straight-line method starting from the year ended March 31, 2009.

As a result of this change, as compared with the figures that would have been stated under the old method, operating expenses in the pulp and paper products business decreased by ¥2,958 million (\$30,117 thousand), and operating profit increased by the same amount for the year ended March 31, 2009.

(Additional information)

The Company reviewed the estimated useful lives of its machinery, equipment and structures and of its domestic consolidated subsidiaries in response to the Corporation Tax Act, as amended in 2008, and changed them starting from the current consolidated fiscal year.

As a result of this change, as compared with the figures that would have been stated under the old method, operating expenses for the year ended March 31, 2009 increased in the pulp and paper products business by ¥3,235 million (\$32,941 thousand), decreased in the converted paper products business by ¥237 million (\$2,422 thousand), increased in the wood and tree-planting business by ¥9 million (\$98 thousand) and increased in other business by ¥34 million (\$350 thousand), resulting in identical decreases/increases of operating income in each business segment, respectively.

(Change in accounting method concerning on foreign subsidiaries for consolidated financial statements)

The Company has adopted Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No. 18, May 17, 2006) starting from the year ended March 31, 2009 and made necessary consolidation adjustments.

As a result of this change, operating profit for the year ended March 31, 2009 decreased in pulp and paper products business by ¥673 million (\$6,852 thousand) and increased in converted paper products business by ¥626 million (\$6,373 thousand).

(For the year ended March 31, 2008)

(Change in the depreciation method of tangible fixed assets)

In line with the revision to the Corporation Tax law of Japan, effective the fiscal year ended March 31, 2008, the Company and domestic consolidated subsidiaries have changed their method of accounting for depreciation of tangible fixed assets acquired on or after April 1, 2007 based on the revised Corporation Tax Law.

As a result, operating expenses for the year ended March 31, 2008 increased in the pulp and paper products business by ¥1,020 million, increased in the converted paper products business by ¥276 million, increased in the wood and tree-planting business by ¥12 million and increased in other business by ¥44 million, resulting in identical decreases of operating income in each business segment, respectively.

As described in Note "Additional information", in line with the revision to the Corporation Tax law of Japan, the Company and domestic consolidated subsidiaries, excluding some consolidated subsidiaries, had depreciated their tangible fixed assets up to their residual value, 5% of acquisition cost, as permitted under the former Corporation Tax Law. Upon the revision to the Corporation Tax Law, the Company and those domestic subsidiaries depreciate such 5% portion of such tangible fixed assets acquired on or before March 31, 2007 on a straight-line basis over 5 years starting in the following year in which the carrying value of has reached 5% of the acquisition cost.

As a result, operating expenses for the year ended March 31, 2008 increased in the pulp and paper products business by ¥5,640 million, increased in the converted paper products business by ¥751 million, increased in the wood and tree-planting business by ¥37 million and increased in other business by ¥80 million, resulting in identical decreases of operating income in each business segment, respectively.

(2)Geographic segment information

As the "Japan" segment accounts for more than 90% of both the total amount of sales in all the segments and the total amount of assets of all the segments for each year ended March 31, 2009 and 2008, this information is omitted.

(3)Overseas sales

As the total amount of sales in countries or regions other than Japan accounts for less than 10% of the consolidated sales amount for each year ended March 31, 2009 and 2008, this information is omitted.

21. Information on Transactions with Related Parties

For the year ended March 31, 2009

(1) Additional information

Starting from the year ended March 31, 2009, this information is described based on the application of the “Accounting Standard for Disclosure of Related Parties” (ASBJ Statement No. 11, October 17, 2006) and “Guidance on Accounting Standard for Disclosure of Related Parties” (ASBJ Guidance No. 13, October 17, 2006).

As a result of this application, in addition to information on related party transactions required in the past, significant affiliates are newly included.

① Transactions with related parties

Non-consolidated subsidiaries and affiliates

Type	Company name	Ownership ratio of voting rights (%)	Business relationship	Details of the transaction	Transaction amount	Account	Balance at the end of the fiscal year
Affiliate	Kokusai Pulp & Paper Co., Ltd.	Direct: 19.0 Indirect: 1.6	Major agency for the products of the Company	Sales of paper products	¥128,088 million (\$1,303,965 thousand)	Notes and accounts receivable – trade	¥8,413 million (\$85,652 thousand)

Notes: 1. Location of headquarters of the above affiliate: Chuo ward, Tokyo.

2. Amount of capital or investment in capital of the above affiliate: ¥3,442 million (\$35,048 thousand)

3. Businesses of the above affiliate:

Sale, purchase, import and export of paper, paperboard, converted paper, pulp, chemical, paper-related devices, packaging materials and other related products, rental service of real estate and warehouse service

② Notes on significant related parties

Summary of financial information on significant related parties

Japan Brazil Paper and Pulp Development Co., Ltd.

As of and for the fiscal year ended March 31, 2009

	Millions of yen	Thousands of U.S. dollars
Total current assets	¥ 37,056	\$ 377,242
Total non-current assets	144,596	1,472,024
Total current liabilities	30,572	311,237
Total non-current liabilities	66,454	676,521
Total net assets	84,625	861,508
Net sales	64,524	656,875
Income before income taxes	14,689	149,544
Net income	12,602	128,299

For the year ended March 31, 2008

Subsidiaries and affiliates

Type	Company name	Ownership ratio of voting rights (%)	Relationship		Details of the transaction	Transaction amount	Account	Balance at the end of the fiscal year
			Directors	Business				
Affiliate	Kokusai Pulp & Paper Co., Ltd.	Direct: 19.0 Indirect: 1.6	None	Major agency for the products of the Company	Sales of paper products	¥130,493 million	Notes and accounts receivable – trade	¥9,919 million

Notes: 1. Location of headquarters of the above affiliate: Chuo ward, Tokyo.

2. Amount of capital or investment in capital of the above affiliate: ¥3,442 million

3. Businesses of the above affiliate:

Sale, purchase, import and export of paper, paperboard, converted paper, pulp, chemical, paper-related devices, packaging materials and other related products, rental service of real estate and warehouse service

4. Consumption tax and local consumption tax are excluded from the transaction amount and included in the balance at the end of the fiscal year.

5. Transaction terms and conditions, policy to decide such terms and conditions and other

Transaction terms and conditions regarding sales of paper products are decided, market prices considered, in the same way as general transaction.

Type	Company name	Ownership ratio of voting rights (%)	Relationship		Details of the transaction	Transaction amount	Account	Balance at the end of the fiscal year
			Directors	Business				
Affiliate	Japan Brazil Paper and Pulp Development Co., Ltd.	Direct: 39.5 Indirect: 0.3	Concurrently held by 2 Directors of the Company	Sale of imported pulp to the Company	Guarantee obligations	-	Guarantee obligations	¥18,561 million

- Notes: 1. Location of headquarters of the above affiliate: Chuo ward, Tokyo.
2. Amount of capital or investment in capital of the above affiliate: ¥61,788 million
3. Businesses of the above affiliate:
Management of a pulp manufacturing company in Brazil, and, import and sale of pulp
4. Consumption tax and local consumption tax are included in the balance at the end of the fiscal year.
5. Transaction terms and conditions, policy to decide such terms and conditions and other
The Company provides guarantee for loans and others of Japan Brazil Paper and Pulp Development Co., Ltd. from banks and other institutions.

22. Per Share Information

As of and for the fiscal year ended March 31, 2009 and 2008

	Yen		U.S. dollars
	2009	2008	2009
Net assets per share	¥421.04	¥500.39	\$4.28
Net income (loss) per share	¥(6.40)	¥11.90	\$(0.06)
Diluted net income per share (Note 2)	(Note 1)	¥11.90	(Note 1)

- Notes: 1. Diluted net income per share is not stated as a net loss per share for the year.
2. Basis for computations of net income/loss per share and diluted net income per share is as follows:
For the fiscal year ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net income (loss) per share			
Net income (loss)	¥ (6,324)	¥ 11,768	\$(64,388)
Amount not attributable to common shareholders	-	-	-
Net income (loss) allocated to common stock	(6,324)	11,768	(64,388)
Average number of shares outstanding during the period	thousand shares 988,910	thousand shares 988,909	thousand shares 988,910
Diluted net income per share			
Adjusted amount of net income	-	-	-
Increase in shares of common stock	thousand shares -	thousand shares 223	thousand shares -
(Share subscription rights among the above increase)	(thousand shares) (-)	(thousand shares) (223)	(thousand shares) (-)

23. Significant Subsequent Events

None

24. Consolidated Supplementary Statement

(1) Bonds

Company	Name	Date of issue	Balance as of March 31, 2008	Balance as of March 31, 2009	Balance as of March 31, 2009	Interest rate (%)	Security	Maturity
			Millions of yen		Thousands of U.S. dollars			
Oji Paper Co., Ltd.	Bond No.20	November 14, 2000	¥ 20,000	¥ 20,000	\$ 203,603	2.43	None	November 12, 2010
Oji Paper Co., Ltd.	Bond No.21	August 19, 2003	20,000	20,000	203,603	0.83	None	August 19, 2010
Oji Paper Co., Ltd.	Bond No.22	August 19, 2003	20,000	20,000	203,603	1.25	None	August 19, 2013
Oji Paper Co., Ltd.	Bond No.23	July 23, 2004	20,000	20,000	203,603	1.47	None	July 22, 2011
Oji Paper Co., Ltd.	Bond No.24	July 23, 2004	20,000	20,000	203,603	2.01	None	July 23, 2014
Total			¥ 100,000	¥ 100,000	\$ 1,018,018			

Note: Aggregate annual redemption amount of bonds within five years subsequent to March 31, 2009 is as follows:

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Millions of yen				
-	¥ 40,000	¥ 20,000	-	¥ 20,000
Thousands of U.S. dollars				
-	\$ 407,207	\$ 203,603	-	\$ 203,603

(2) Short-term loans and long-term loans

	March 31, 2008	March 31, 2009	March 31, 2009	Average interest rate (%)	Maturity
	Millions of yen		Thousands of U.S. dollars		
Short-term loans	¥ 189,951	¥ 284,998	\$ 2,901,342	1.40	-
Current portion of long-term loans	72,073	50,615	515,275	1.53	-
Current portion of lease obligations	-	264	2,695	-	-
Long-term loans (excluding current portion)	324,635	440,228	4,481,604	1.58	Due April 2010 through February 2051
Lease obligations (excluding current portion)	-	984	10,022	-	-
Others:					
Commercial paper	165,000	54,000	549,730	0.44	-
Total	¥ 751,660	¥ 831,131	\$ 8,461,078	-	-

Notes: 1. The above average interest rate is the weighted-average interest rate applicable to the above loans at the end of each fiscal year.

2. The average interest rates of lease obligations are not indicated above as lease obligations before deduction of interest are included in the consolidated balance sheets.

3. Aggregate annual repayment amount of long-term loans and lease obligations within five years subsequent to March 31, 2009 is as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	Millions of yen			
Long-term loans	¥ 17,975	¥ 32,422	¥ 75,649	¥ 128,240
Lease obligation	299	281	186	61
Thousands of U.S. dollars				
Long-term loans	\$ 182,993	\$ 330,072	\$ 770,124	\$ 1,305,512
Lease obligation	3,045	2,868	1,900	623

25. Quarterly Information for the Current Consolidated Fiscal Year

	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
	From April 1, 2008 to June 30, 2008	From July 1, 2008 to September 30, 2008	From October 1, 2008 to December 31, 2008	From January 1, 2009 to March 31, 2009
Millions of yen				
Net sales	¥ 336,106	¥ 340,166	¥ 327,703	¥ 263,153
Income (loss) before income taxes and minority interests	6,772	2,983	3,952	(16,414)
Net income (loss)	3,598	779	2,988	(13,691)
Net income (loss) per share	Yen ¥ 3.64	Yen ¥ 0.79	Yen ¥ 3.02	Yen ¥ (13.85)

	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
	From April 1, 2008 to June 30, 2008	From July 1, 2008 to September 30, 2008	From October 1, 2008 to December 31, 2008	From January 1, 2009 to March 31, 2009
Thousands of U.S. dollars				
Net sales	\$ 3,421,624	\$ 3,462,960	\$ 3,336,078	\$ 2,678,950
Income (loss) before income taxes and minority interests	68,946	30,370	40,239	(167,101)
Net income (loss)	36,631	7,938	30,421	(139,379)
Net income (loss) per share	U.S. dollars \$ 0.03	U.S. dollars \$ 0.00	U.S. dollars \$ 0.03	U.S. dollars \$ (0.14)

Report of Independent Auditors

The Board of Directors
OJI PAPER CO., LTD.

We have audited the accompanying consolidated balance sheets of OJI PAPER CO., LTD. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OJI PAPER CO., LTD. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 5(2), effective the fiscal year ended March 31, 2009, OJI PAPER CO., LTD. has changed its method of accounting for depreciation of the machinery and equipment of the Tomioka Mill.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon LLC

June 26, 2009

Corporate Overview

Oji Paper Group at a Glance

Consolidated Subsidiaries

Research and Development Activities

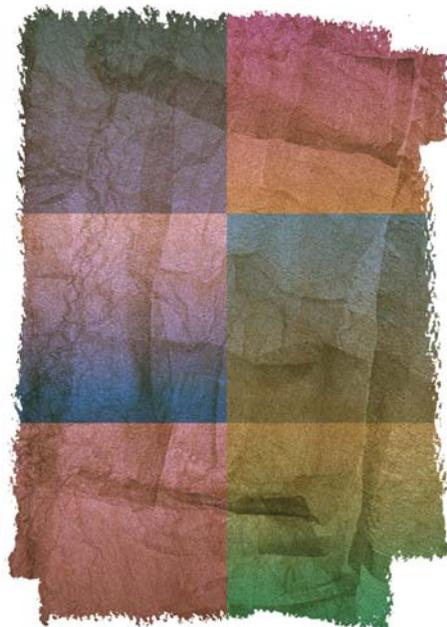
Culture and Sports Activities / Communicating with Society

Major Mills in Japan

Global Network

Group Management Structure

Corporate Data / Investor Information

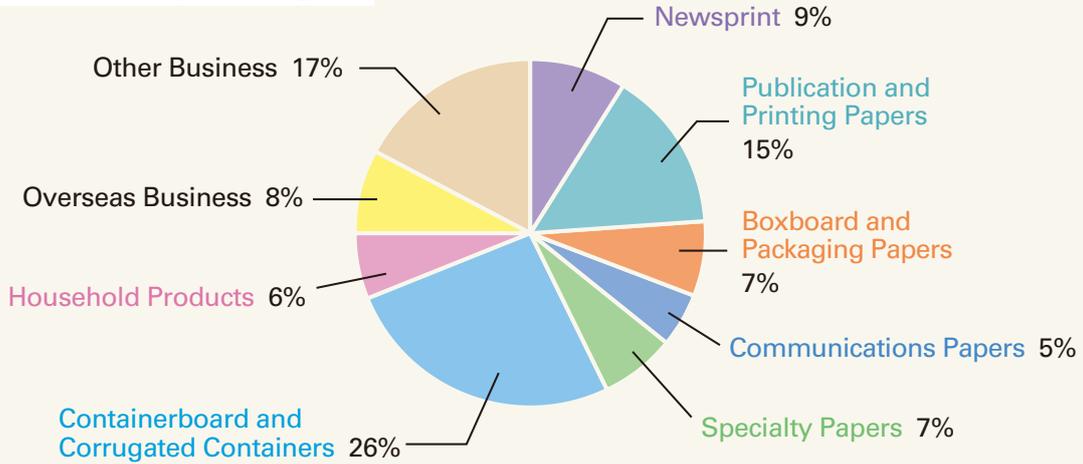


Oji Paper Group at a Glance

We will Continue to Grow by Exploring the Infinite Potential of Paper

As an integrated paper manufacturer producing wide variety of paper and paper products, our mission has been to contribute to a more comfortable and prosperous future through our business operations.

2008 Component Ratio of Sales by Business Segments



Newsprint



Lighter, stronger, more beautiful ... Oji Paper has earned the confidence of newspaper publishers by improving paper quality and building stable supply systems.



Publication and Printing Papers



Oji Paper meets customer needs by offering an extensive range of papers to enhance the characteristics of printed products, including books, magazines, and catalogs.



Boxboard and Packaging Papers



Oji Paper supplies a wide array of richly varied and environmentally friendly products for uses ranging from packaging materials to fashion magazine covers.



Communications Papers



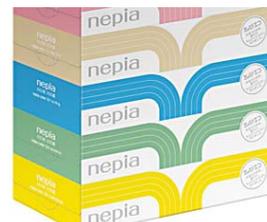
Oji Paper products, including PPC papers, printer papers, and thermal papers, connect people and information equipment.



Containerboard and Corrugated Containers



The Oji Paper Group uses its extensive nationwide network to supply products flexibly and stably.



Household Products



The nepia brand has a reputation for reliable, gentle products, including tissues, toilet rolls, and baby diapers.

Consolidated Subsidiaries

(As of March 31, 2009)

Wide Range of Activities

The Oji Paper Group consists of over 300 subsidiaries and affiliates. Listed below are 91 Oji Group companies selected for their noteworthy contributions to group activities and business performance.

■ Pulp and Paper Business

Oji Paperboard Co., Ltd.
Oji Specialty Paper Co., Ltd.
Oji Trading Co., Ltd.
Oi Paper Co., Ltd.
Pan Pac Forest Products Ltd.
Jiangsu Oji Paper Co., Ltd.
Oji Paper Trading (China) Co., Ltd.
Oji Paper (Thailand) Ltd.
Oji Paper Canada Ltd.

■ Sanitary Paper Products Business

Oji Nepia Co., Ltd.
Nepia Trading Co., Ltd.
Nepia Tender Co., Ltd.
Oji Paper Nepia (Suzhou) Co., Ltd.

■ Raw Material Procurement Related Business

Oji Saito Shigyo Paper Corp.
Kyokushin Shigyo Co., Ltd.
Oji Eco Materials Co., Ltd. *1

■ Converted Paper Products Business

Oji Tac Co., Ltd.
KS Systems Inc.
Oji Seitai Kaisha Ltd.
Oji Kinocloth Co., Ltd.
Oji Interpack Co., Ltd.
Apica Co., Ltd.
Honshu Rheem Co., Ltd.
Shin Nippon Feather Core Co., Ltd.
Ojiadba Co., Ltd.
Chuetsu Co., Ltd.
Hokuyo Shiko Co., Ltd.
Shinomura Chemical Industry Co., Ltd.
Saga Paperboard Co., Ltd.

Kanzaki Specialty Papers Inc.
Kanzan Spezialpapiere GmbH
ILFORD Imaging Switzerland GmbH
Oji ILFORD USA Inc.
Oji Intertech Inc.
Ojitex (Vietnam) Co., Ltd.
Oji Label (Thailand) Ltd.

■ Containerboard and Converted Products Business

Oji Chiyoda Container Co., Ltd.
Oji Packaging Co., Ltd.
Shizuoka Oji Container Co., Ltd.
Kyodo Shiko Co., Ltd.
Musashi Oji Container Co., Ltd.
Mori Shigyo Co., Ltd.
Mori Kamihanbai Co., Ltd.
Oji Packaging Seibu Co., Ltd.
Nihon Seikahoso Co., Ltd.
Kyushu Packaging Co., Ltd.
Wakayama Oji Container Co., Ltd. *2
Kansai Pack Co., Ltd.
Sendai Mori Shigyo Co., Ltd.
Tottori Mori Shigyo Co., Ltd.
Shizuoka Mori Shigyo Co., Ltd.
Hokkaido Mori Shigyo Co., Ltd.
Tokai Mori Shigyo Co., Ltd.
Hokuriku Mori Shigyo Co., Ltd.
Niigata Mori Shigyo Co., Ltd.
Nagano Mori Shigyo Co., Ltd.
Shikoku Mori Shigyo Co., Ltd.
Hitachi Mori Shigyo Co., Ltd.
Kyushu Mori Shigyo Co., Ltd.
Gunma Mori Shigyo Co., Ltd.
Tohoku Mori Shigyo Co., Ltd.
Aipax Co., Ltd.
SUZHOU OJI PACKAGING CO., LTD.

■ Wood and Tree Planting Business

Oji Forest & Products Co., Ltd.

■ Other Business

Oji Logistics Co., Ltd.
Oji Cornstarch Co., Ltd.
Oji Engineering Co., Ltd.
Oji Real Estate Co., Ltd.
Hotel New Oji Corp.
Oji Futo Co., Ltd.
Kyoto Mori Shigyo Co., Ltd.
Kure Oji Shigyo Co., Ltd.
Oji Koei Hokkaido Co., Ltd.
Oji Koei Chubu Co., Ltd.
Oji Business Center Co., Ltd.
Oji Shigyo Co., Ltd.
Yonago Oji Shigyo Co., Ltd.
Tomioka Oji F&L Co., Ltd.
Tomakomai Kyowa Service Co., Ltd.
Oji Scientific Instruments Co., Ltd.
Ebetsu Oji Shigyo Co., Ltd.
Nichinan Oji Shigyo Co., Ltd.
Oji Salmon Co., Ltd.
Kyodo Hinode Sangyo Co., Ltd.
Tomakomai Oji Shigyo Co., Ltd.
Oji Hall Co., Ltd.
Kanzaki Oji Shigyo Co., Ltd.
Nichinan Oji Service Co., Ltd.
Oji Paper Insurance Service Co., Ltd.
Oji Paper USA Inc.
B&C International Co., Ltd.

*1 Change Of The Company's Trade Name
(Effective Date: June 26, 2009)

*2 Change Of The Company's Trade Name
(Effective Date: April 1, 2009)

Research and Development Activities

Contributing to Society by Taking on the Challenge of Enhancing the Possibilities of Paper as a Material

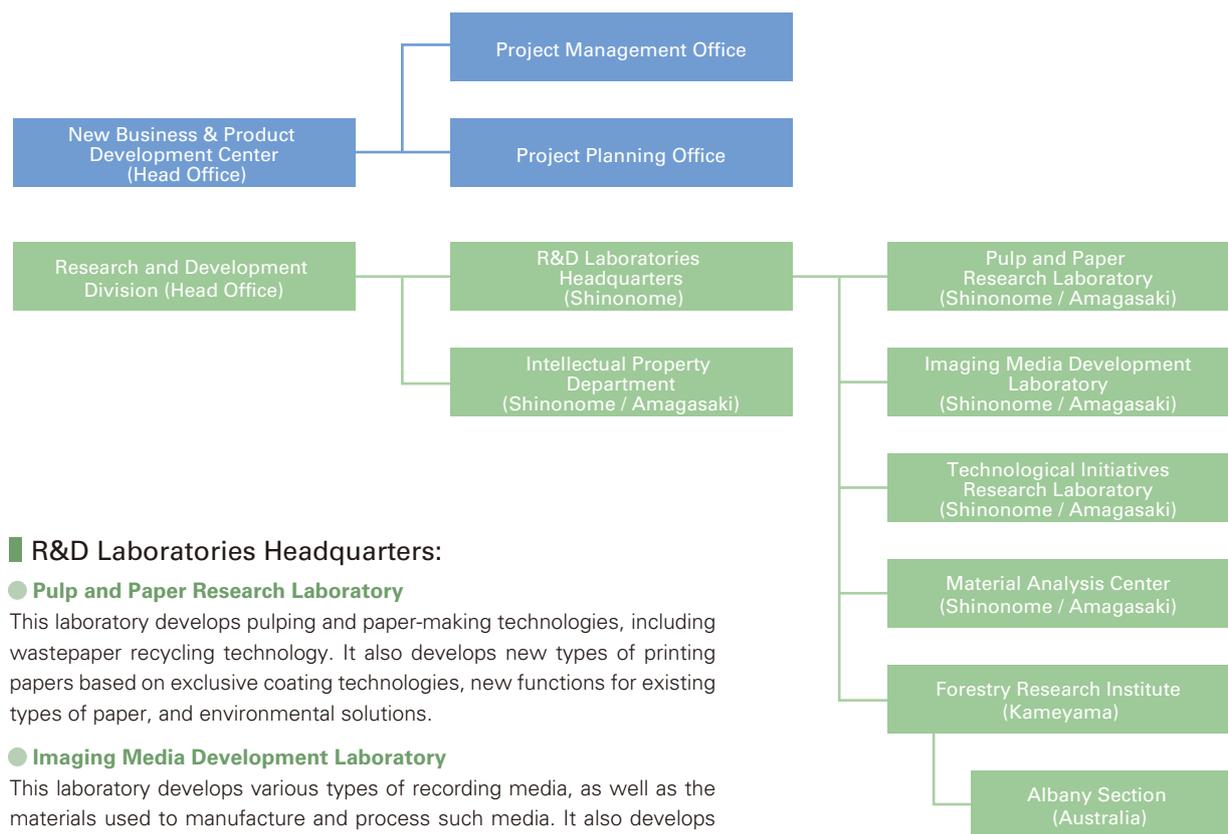
The Oji Paper Group contributes to society through its innovative R&D activities, in which it explores new possibilities for paper and forest resources. In addition to making the most of the possibilities of paper as a material, our R&D activities advance our ability to secure forest resources and contribute to environmental conservation.

Research and Development Organization

Paper has infinite potential as a material and is used throughout people’s lives. Accordingly, paper-related R&D covers a wide range of areas. The Oji Paper Group is extending the potential of paper by leveraging the material characteristics and functions, with a focus on various technical fields.

Overall coordination of the Group’s R&D system is provided by the Research and Development Division. Specialist research units and factory-based R&D departments collaborate flexibly on developing new products and technologies and improving production efficiency. The core R&D unit is the R&D Laboratories Headquarters, which handles advanced research relating to products and manufacturing. It consists of four specialist laboratories, in addition to the Material Analysis Center, which analyzes products and other materials for the entire Oji Paper Group. Activities in the increasingly important area of intellectual property rights are coordinated by the Intellectual Property Department. This unit is responsible for the acquisition, protection, and utilization of patents and other rights on behalf of the entire Oji Paper Group.

The New Business & Product Development Center advances and supports the development of new businesses and new products. Through such activities as market research and support for development projects, the center links market needs and R&D “seeds” and promotes commercialization.



R&D Laboratories Headquarters:

● Pulp and Paper Research Laboratory

This laboratory develops pulping and paper-making technologies, including wastepaper recycling technology. It also develops new types of printing papers based on exclusive coating technologies, new functions for existing types of paper, and environmental solutions.

● Imaging Media Development Laboratory

This laboratory develops various types of recording media, as well as the materials used to manufacture and process such media. It also develops processing technologies for use with film and other materials.

● Technological Initiatives Research Laboratory

The mission of this research unit is to strengthen infrastructure for existing business segments and create basic technologies for future activities. It is involved primarily in the development of materials, processes, and measurement technology, as well as in biotechnology research.

● Forestry Research Institute

This institute specializes in research relating to the forest resources used to manufacture paper. Specific research areas include forest development, effective utilization of forest resources, and the improvement of tree species. To support the global expansion of the Oji Paper Group’s forest-related activities, the Institute has established a research center in Australia. It also sends research personnel to study overseas forests and develop planting technologies suitable for local conditions.

Culture and Sports Activities / Communicating with Society

Supporting Sports, Culture, and Science and Technology as a Good Corporate Citizen

As a corporate citizen, the Oji Paper Group is implementing social contribution activities that build on its core business as it maintains harmonious relationships with local communities. As one facet of those activities, the Oji Paper Group is supporting a variety of initiatives in such areas as sports, culture, and science and technology in order to contribute to the enrichment of regional communities and the wider society.

Sports Activities



● Amateur Baseball

Oji Paper's baseball team has a glorious record in amateur league such as a championship at Inter-City Tournament in 2004 and a semi-championship in 2008.

● Ice Hockey

Oji paper's Ice Hockey team, which has a long history dated back its establishment in 1925, has won numerous victories in the All-Japan Championships and the Japan League Championships.

Cultural Activities



● Oji Hall

Oji Hall is located in Oji Paper's head office building in Tokyo's Ginza district. Oji Paper opened this full-scale concert facility in 1992 as mecenat activities to contribute to musical culture. Since it was opened, top musicians from Japan and overseas have performed, and the hall continued to promote musical culture.

Contributing to Science and Technology



● Fujihara Foundation of Science

Ginjiro Fujihara, who was called "the king of the paper manufacturing industry in Japan", established the Fujihara Foundation of Science in 1959. Each year, the Foundation presents the Fujihara Award to scientists who have made important contributions to the advancement of science and technologies in Japan. The Oji Paper Group continues to support its activities primarily from financial perspective. In 2009, the 50th Fujihara Award was presented to Mr. Hideo Hosono and Mr. Masamitsu Nii.

Making Social Contributions Through Domestic Company Forests and Overseas Forest Planting

With forest resources throughout Japan totaling 190,000 hectares, the Oji Paper Group has the largest holdings of any private company in Japan. Moreover, through overseas forest planting operations, we are contributing to local communities.

Oji Forests



The Oji Paper Group continues to conserve its vast forest resources in Japan, based primarily on the environmental importance of forests, including their role in the development of water resources and preventing erosion. In order to support the use of our forests for research and education, we established Oji Forest program, and provided public access to our forest located in Kuriyama-cho and Sarufutsu-mura in Hokkaido. Visitors are enjoying opportunities to experience and learn about nature.

Oji Forest Nature School - Environmental Education Program



The Oji Forest Nature School is jointly organized by Oji paper and the Japan Environmental Education Forum. This annual program, using the Oji Paper Group's forests and facilities, teaches children about the relationships between people, forests and paper through first-hand experience. This program, the sixth in the series, was held in five locations in 2009 with support from various government agencies in the area of environment, education and forestry.

Forestry Activities in Laos



The Oji Paper Group, through a joint investment with Laos government, established Oji Lao Plantation Forest Co., Ltd. (LPFL) in 2005. This company, in the Mekong River basin in central Laos, is conducting tree plantations. The project, based on the concept of "forestry conducted together with local residents", is working aggressively to not only create local employment but also bolster the lifestyle foundation of the local communities and raise the standard of living of the local residents.

Major Mills in Japan

(As of April 1, 2009)

Paper and converted paper products are essential to the functioning of society. To ensure that these products can be supplied reliably and promptly, the Oji Paper Group operates 86 production sites in Japan.

Pulp and Paper Mills 29 Sites

Oji Paper / Oji Specialty Paper / Oji Paperboard / Oji Nepia / Mori Shigyo Group

- 1 Oji Paperboard, Nayoro Mill
- 2 Oji Specialty Paper, Ebetsu Mill
- 3 Oji Paper, Kushiro Mill
- 4 Oji Paperboard, Kushiro Mill
- 5 Oji Paper, Tomakomai Mill
- 6 Oji Nepia, Tomakomai Mill
- 7 Oji Paperboard, Nikko Mill
- 8 Oji Paperboard, Matsumoto Mill
- 9 Oji Paperboard, Edogawa Mill
- 10 Oji Paperboard, Nakatsugawa Mill
- 11 Oji Paperboard, Ena Mill
- 12 Oji Paper, Ena Mill
- 13 Oji Specialty Paper, Nakatsu Mill
- 14 Oji Paper, Fuji Mill
- 15 Oji Paperboard, Fuji Mill
- 16 Oji Specialty Paper, Tokai Mill
- 17 Oji Paper, Kasugai Mill
- 18 Oji Nepia, Nagoya Mill
- 19 Oji Paperboard, Sobue Mill
- 20 Oji Specialty Paper, Shiga Mill
- 21 Oji Paperboard, Osaka Mill
- 22 Oji Paper, Kanzaki Mill
- 23 Oji Paper, Tomioka Mill
- 24 Oji Nepia, Tokushima Mill
- 25 Oji Paper, Yonago Mill
- 26 Oji Paper, Kure Mill
- 27 Oji Paperboard, Oita Mill
- 28 Oji Paperboard, Saga Mill
- 29 Oji Paper, Nichinan Mill

Converted Paper Products Mills 57 Sites

Oji Chiyoda Container Group

- 1 Oji Chiyoda Container, Kushiro Mill
- 2 Oji Chiyoda Container, Sapporo Mill
- 3 Oji Chiyoda Container, Aomori Mill
- 4 Oji Chiyoda Container, Sendai Mill
- 5 Oji Chiyoda Container, Fukushima Mill
- 6 Oji Chiyoda Container, Kasumigaura Mill
- 7 Oji Chiyoda Container, Tsukuba Mill
- 8 Oji Chiyoda Container, Ibaraki Mill
- 9 Oji Chiyoda Container, Utsunomiya Mill
- 10 Oji Chiyoda Container, Gunma Mill
- 11 Oji Chiyoda Container, Takasaki Mill
- 12 Oji Chiyoda Container, Saitama Mill
- 13 Musashi Oji Container, Musashi Mill
- 14 Oji Chiyoda Container, Tokyo Mill
- 15 Oji Chiyoda Container, Kanagawa Mill
- 16 Oji Chiyoda Container, Nagano Mill
- 17 Shizuoka Oji Container, Tobu Mill
- 18 Shizuoka Oji Container, Main Mill
- 19 Oji Chiyoda Container, Koda Mill
- 20 Oji Chiyoda Container, Nagoya Mill
- 21 Oji Chiyoda Container, Shiga Mill
- 22 Wakayama Oji Container, Main Mill
- 23 Oji Interpack, Kansai Mill
- 24 Oji Chiyoda Container, Osaka Mill
- 25 Oji Chiyoda Container, Hyogo Mill
- 26 Oji Chiyoda Container, Mihara Mill
- 27 Oji Chiyoda Container, Hiroshima Mill
- 28 Oji Chiyoda Container, Hofu Mill
- 29 Oji Chiyoda Container, Tokushima Mill

- 30 Nihon Seikahoso
- 31 Oji Chiyoda Container, Ehime Mill
- 32 Oji Chiyoda Container, Kyushu Kita Mill
- 33 Oji Chiyoda Container, Kumamoto Mill
- 34 Kyodo Shiko, Main Mill
- 35 Kansai Pack, Kyoto Mill
- 36 Kansai Pack, Kakogawa Mill

Mori Shigyo Group

- 37 Hokkaido Mori Shigyo, Sapporo Mill
- 38 Hokkaido Mori Shigyo, Obihiro Mill
- 39 Tohoku Mori Shigyo, Hachinohe Mill
- 40 Sendai Mori Shigyo, Shibata Mill
- 41 Niigata Mori Shigyo, Niigata Mill
- 42 Hitachi Mori Shigyo, Ibaraki Mill
- 43 Gunma Mori Shigyo, Ojima Mill
- 44 Mori Kamihanbai, Tokyo Branch
- 45 Mori Shigyo, Yokohama Mill
- 46 Nagano Mori Shigyo, Shiojiri Mill
- 47 Nagano Mori Shigyo, Kawanakajima Mill
- 48 Hokuriku Mori Shigyo, Oyabe Mill
- 49 Shizuoka Mori Shigyo, Hamamatsu Mill
- 50 Tokai Mori Shigyo, Gifu Mill
- 51 Mori Kamihanbai, Nagoya Branch
- 52 Mori Shigyo, Wrapping Paper Mill
- 53 Mori Kamihanbai, Kyoto Branch
- 54 Mori Shigyo, Hirakata Mill
- 55 Tottori Mori Shigyo, Tottori Mill
- 56 Shikoku Mori Shigyo, Iyo Mill
- 57 Kyushu Mori Shigyo, Kumamoto Mill

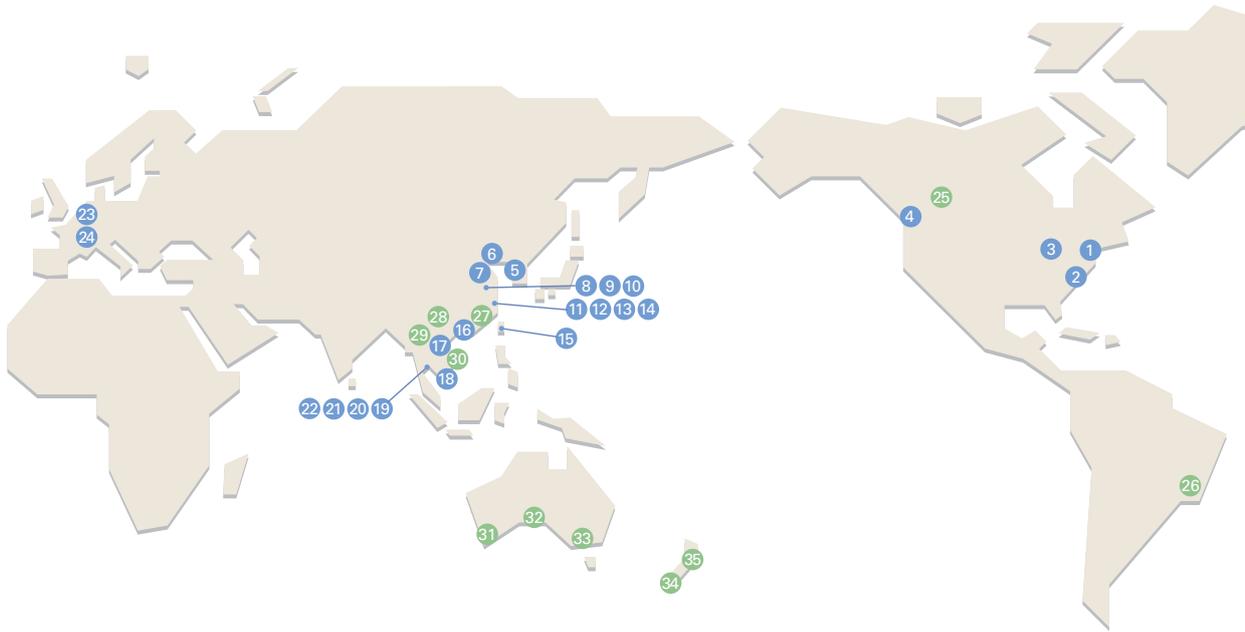
Global Network

(As of March 31, 2009)

Global Operations in Forestry, Pulp and Paper Manufacturing, and Converted Paper Products

Expanding the Scope and Scale of Our International Activities

The overseas activities of the Oji Paper Group began in the 1970s with the establishment of a pulp production operation in Brazil. Since the 1980s, we have continually expanded our overseas operations, including the establishment of a newsprint and pulp manufacturing business in Canada, and a thermal paper business in Germany in the 1990s. Today, the Oji Paper Group has business and forestry operations in East Asia, including China, as well as Australia, New Zealand, North and South America, and Europe.



Manufacturing of Paper, Converted Paper, and Other Products

North America

- 1 Kanzaki Specialty Papers
- 2 Yupo Corporation, America
- 3 Oji Intertech Inc.
- 4 HSLP

East Asia

- 5 Oji Interpack Korea
- 6 Dalian Mori Mitsui Packaging
- 7 Qingdao Oji Packaging
- 8 Kunshan Oji Filter
- 9 Oji Paper Nepia (Suzhou)
- 10 Suzhou Oji Packaging
- 11 Oji Specialty Paper (Shanghai)
- 12 Shanghai Eastern Oji Packaging

- 13 Oji Packaging (Shanghai)

- 14 Oji Kinocloth (Shanghai)
- 15 Cheng Yuang Paper Business
- 16 KS-Systems (HK)
- 17 Ojitex Haiphong
- 18 Ojitex (Vietnam)
- 19 Oji Paper (Thailand)
- 20 Oji Label (Thailand)
- 21 Piraab Starch
- 22 Union and Oji Interpack

Europe

- 23 KANZAN Spezialpapiere
- 24 Ilford Imaging Switzerland

Tree Plantation and Pulp Manufacturing

North America

- 25 AFPI

South America

- 26 CENIBRA

East Asia

- 27 KPFL
- 28 CPFL
- 29 LPFL
- 30 QPFL

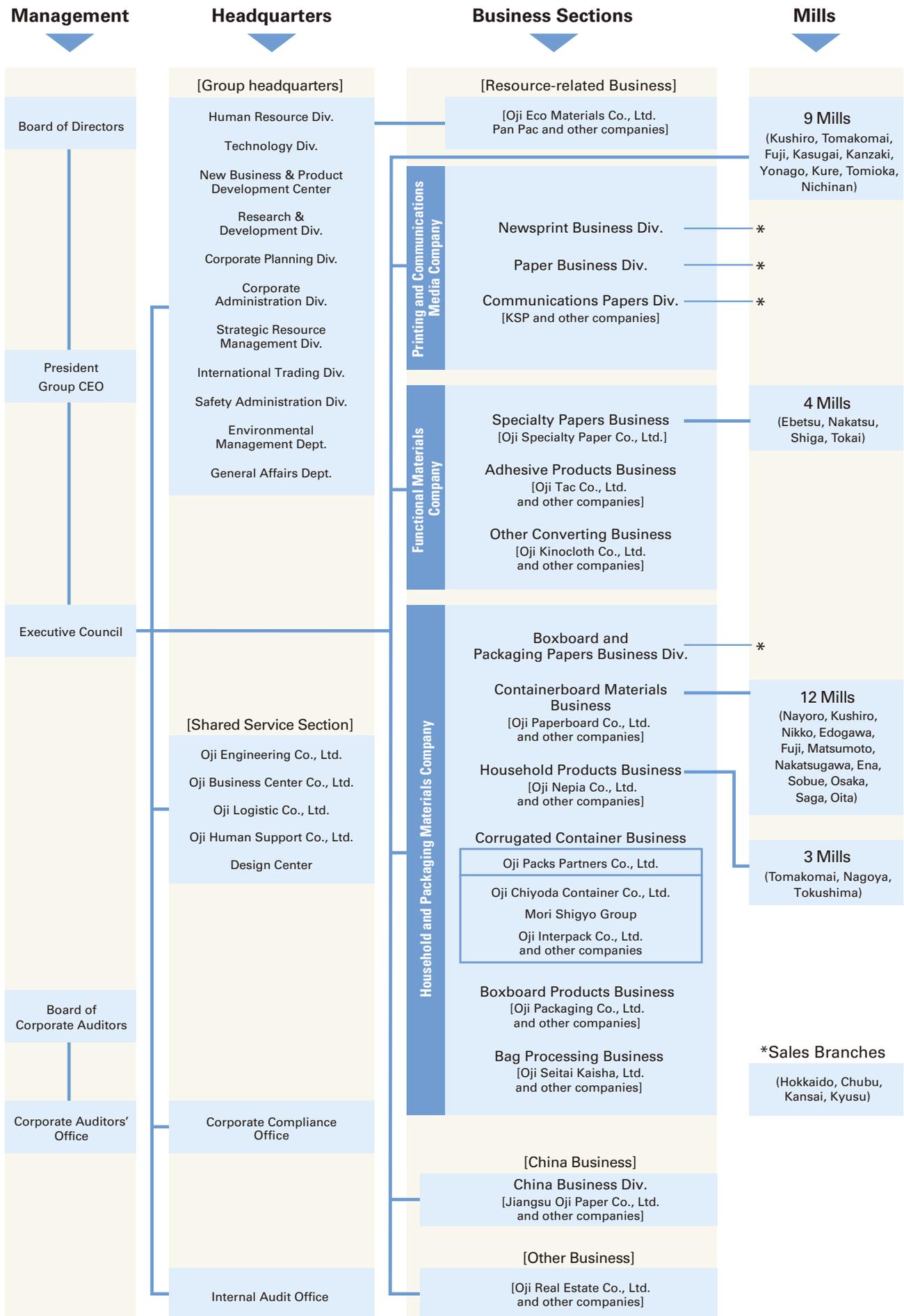
Australia

- 31 APFL
- 32 GPFL
- 33 EPFL

New Zealand

- 34 SPFL
- 35 Pan Pac

Group Management Structure



Corporate Data / Investor Information

(As of March 31, 2009)

■ Corporate Data (As of March 31, 2009)

Company Name :	Oji Paper Co., Ltd.	Founded :	February 12, 1873
Headquarters :	7-5, Ginza 4-chome, Chuo-ku, Tokyo 104-0061, Japan Phone : +81-3-3563-1111 Fax : +81-3-3563-1135	Established :	August 1, 1949
		Paid-in Capital :	¥103,880 million

Number of Employees : 20,415 (March 31, 2009, consolidated)

- Major Business Lines :**
- Production and sale of pulp, paper, and paperboard such as newsprint, printing and writing papers, specialty papers, containerboard, and boxboard.
 - Production and sale of converted products such as corrugated containers, thermal papers, and household products.
 - Production and sale of chemicals for paper manufacturing and packaging machinery.
 - Afforestation in Japan and overseas and management of company-owned forests.
 - Leasing of company land and property and other businesses.

■ Shares of Common Stock

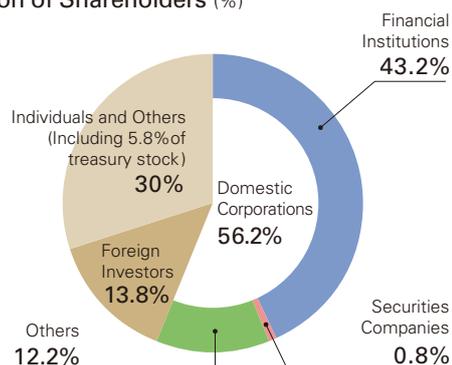
Authorized :	2,400,000,000 shares
Issued :	1,064,381,817 shares
Number of Shareholders :	91,590 (Decrease of 3,406 shareholders from the previous year-end)

■ Major Shareholders (Top 10)

	Shares held (Thousands)	Voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust account)	57,145	5.9
The Master Trust Bank of Japan, Ltd. (Trust account)	54,071	5.6
Japan Trustee Services Bank, Ltd. (Trust account 4G)	39,714	4.1
Japan Trustee Services Bank, Ltd. (Trust account 4)	34,833	3.6
Sumitomo Mitsui Banking Corporation	31,668	3.3
Mizuho Corporate Bank, Ltd.	28,498	2.9
Nippon Life Insurance Company	28,008	2.9
Oji Paper Employee Stock-holding Association	20,813	2.1
Japan Pulp and Paper Company Limited	17,216	1.8
The Norinchukin Bank	16,654	1.7

Notes: Oji Paper holds treasury stock of 61,665 thousand shares, which is excluded from the list. Numbers less than one thousand are rounded down.

■ Distribution of Shareholders (%)





Oji Paper Co., Ltd.

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