

*Contributing to the protection of the environment and advancement of culture  
Striving for continuous innovation in a proactive, responsive and determined manner  
Building and maintaining trust throughout the world*



# Management Objectives and Strategies

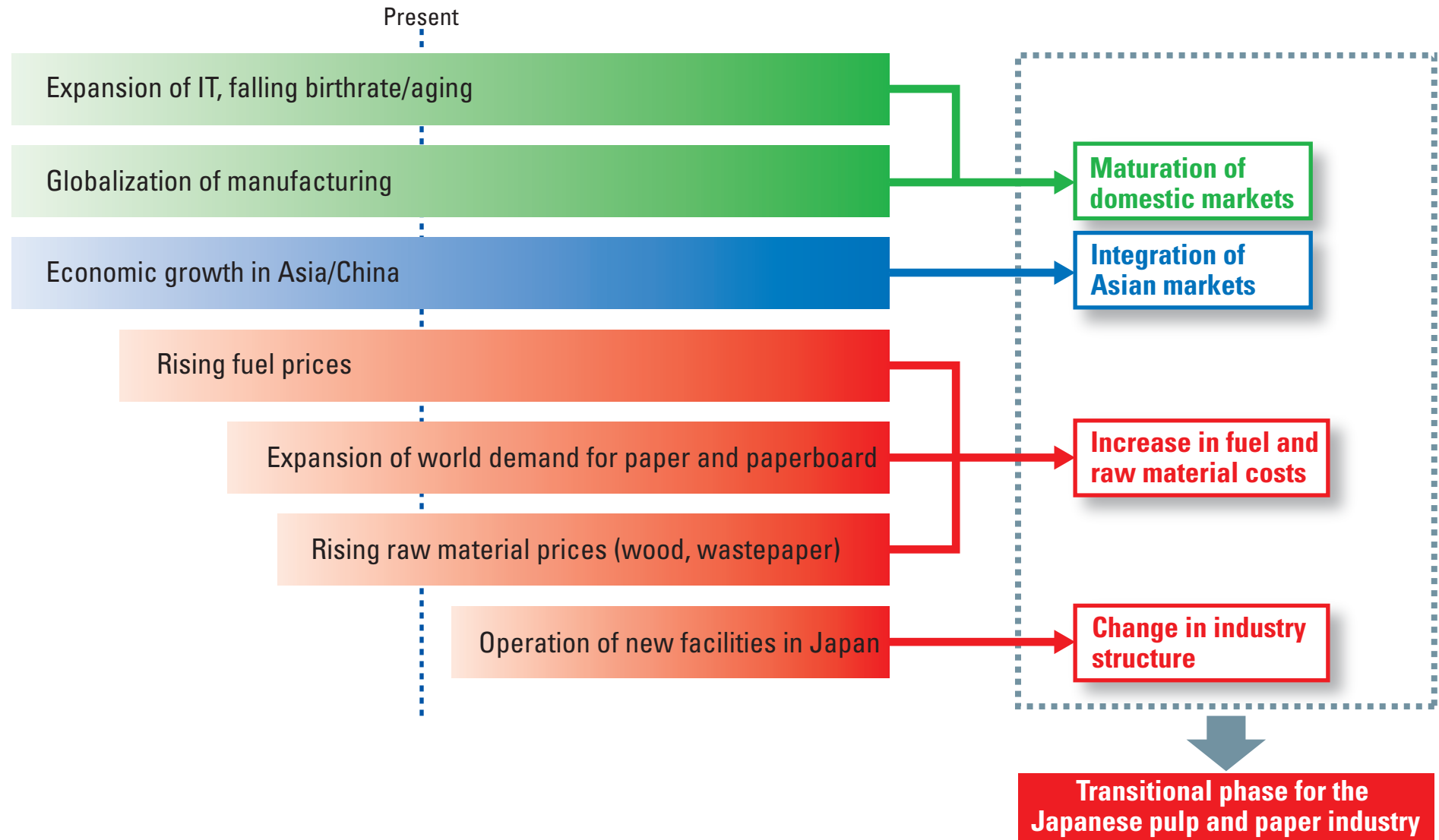


Friday, May 25, 2007

**Oji Paper Co., Ltd.**

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## 1. Our View of the Business Environment



## 2. Basic Management Policies

### Pursuing Efficiency in Domestic Business and Expansion to Overseas through Transformation of Corporate Culture

#### Pursuing Efficiency in Domestic Business

— Reinforcement of business structure —

Building competitiveness of domestic products in  
global markets

#### Expansion to Overseas

— To Become a global pulp and paper  
enterprise capable of sustainable growth —

Reinforcement of existing operations and establishment  
of new operations in overseas markets, reinforcement of  
overseas resource management strategies

#### Transformation of Corporate Culture

— Passion, Sincerity, Teamwork —

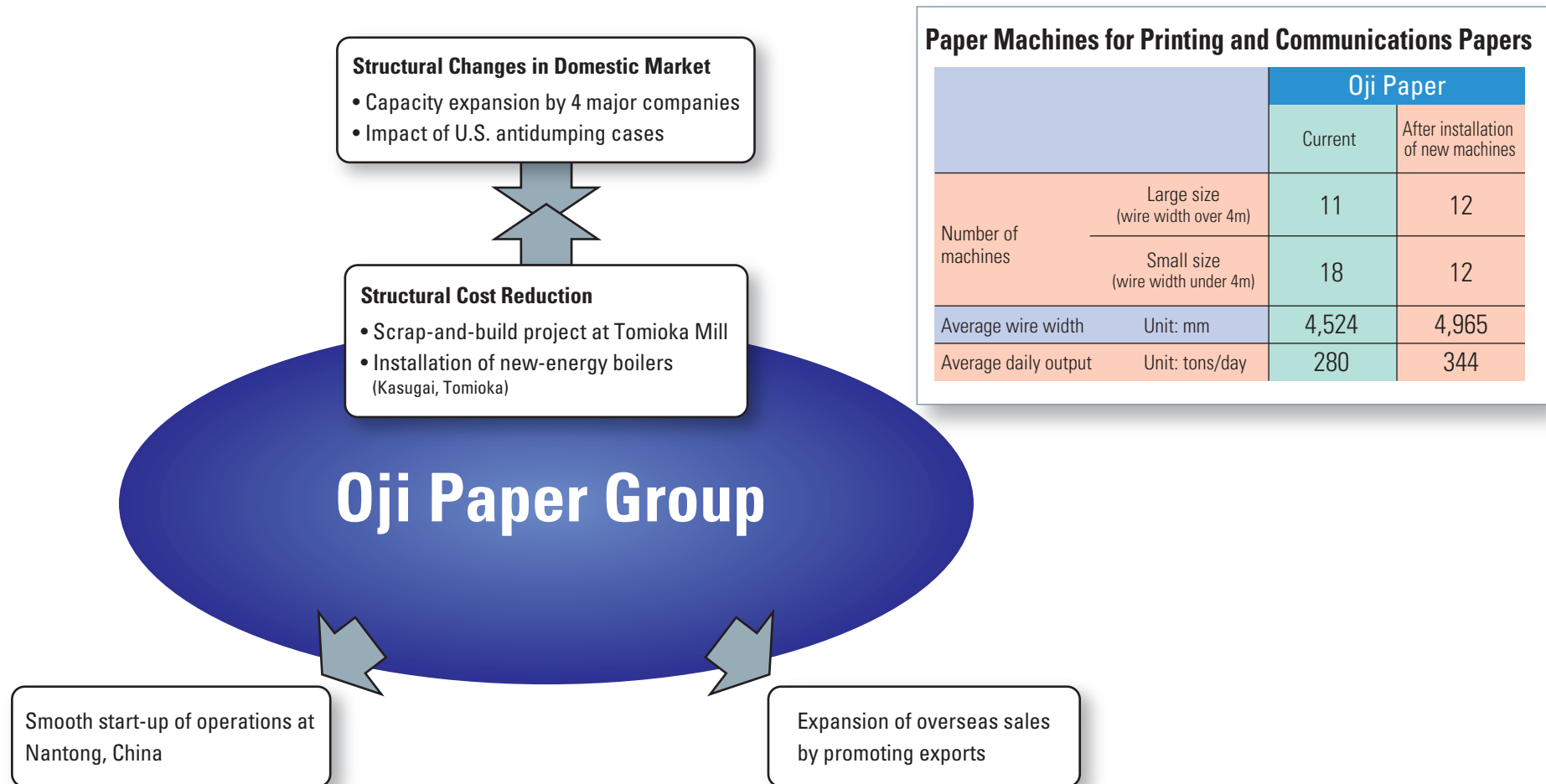
## 1. Overview of Business Strategies



## 2. Publication and Printing Papers Business 1

### Structural Cost Reduction

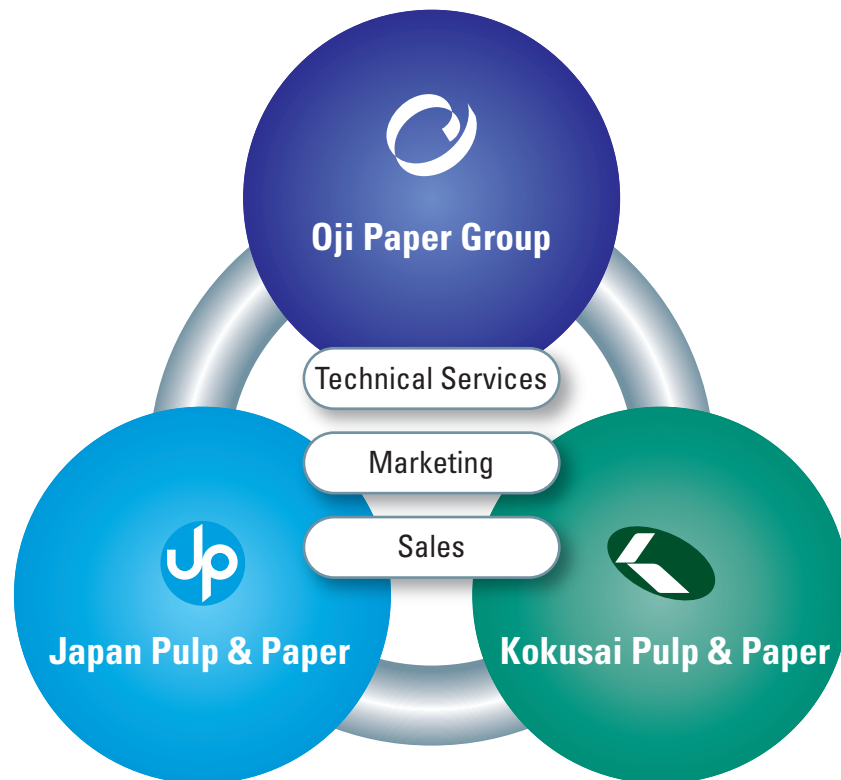
Reinforcement of cost-competitiveness for success in the structurally changing paper business.  
 Early returns of investment in the Nantong project in China and the scrap-and-build project at Tomioka Mill.



### 3. Publication and Printing Papers Business 2

#### Distribution Reforms

Distribution reform through three-way collaboration between the Oji Paper Group, Japan Pulp & Paper (JP) and Kokusai Pulp & Paper (KPP). Reinforcement of technical services, marketing and sales for higher customer satisfaction.



#### ○ Three-company Collaboration Measures

- Precise delivery information and inventory management
- Quick delivery through organic warehouse utilization
- Reinforcement of direct delivery system to users
- Shift from 2-stop to 1-stop delivery in consumption areas
- Joint investment in distribution area by three companies

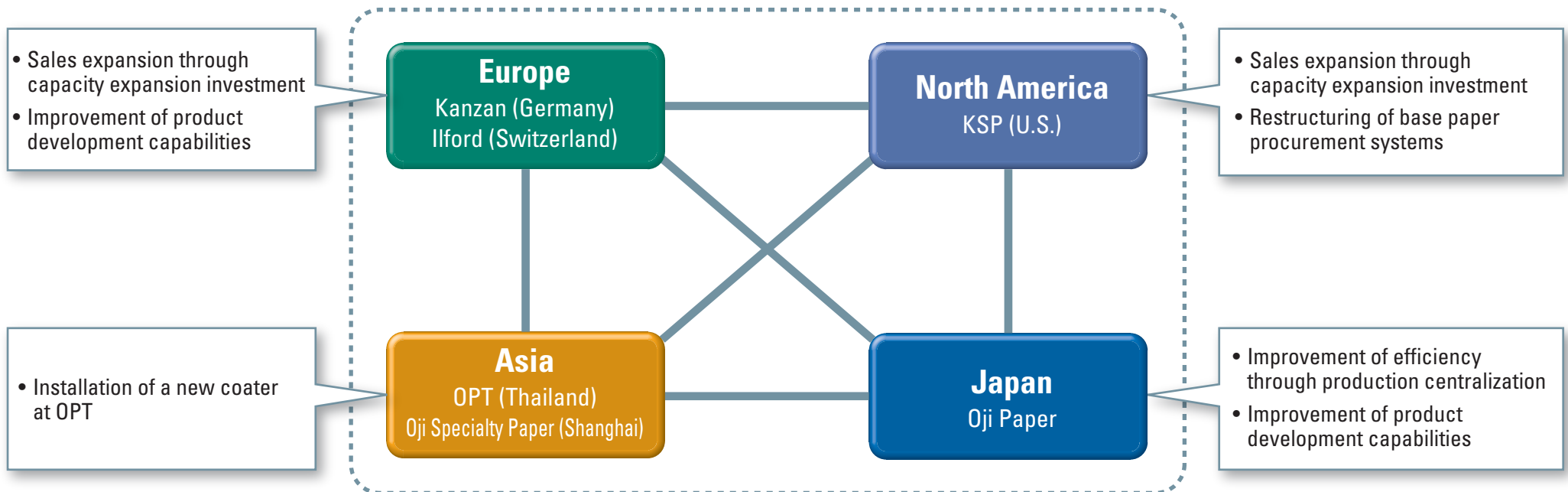


- Factory IT system restructuring
  - FY2007 Kasugai Mill
  - FY2008 Yonago Mill, Tomioka Mill
  - FY2009 Tomakomai Mill, Kure Mill
- Construction of joint warehouse (to be completed at end of 2008)  
Utilization of unused land from integration of paper bag manufacturing operations

### 4. Communications Papers Business 1

#### Global Strategy

Building core income streams through the global-scale selection and concentration of our business activities.



### 5. Communications Papers Business 2 (Thermal Paper Business)

Installation of a New Coater at OPT



#### ○ Overview

- Investment: ¥4.7 billion
- Annual production capacity: 30,000 tons
- Start-up date: End of 2008

#### Share of Thermal Paper Market

	Current
North America	29%
Europe	12%
Asia	16%
Japan	27%
China	8%
Other Asia	6%

With new  
OPT  
Coater

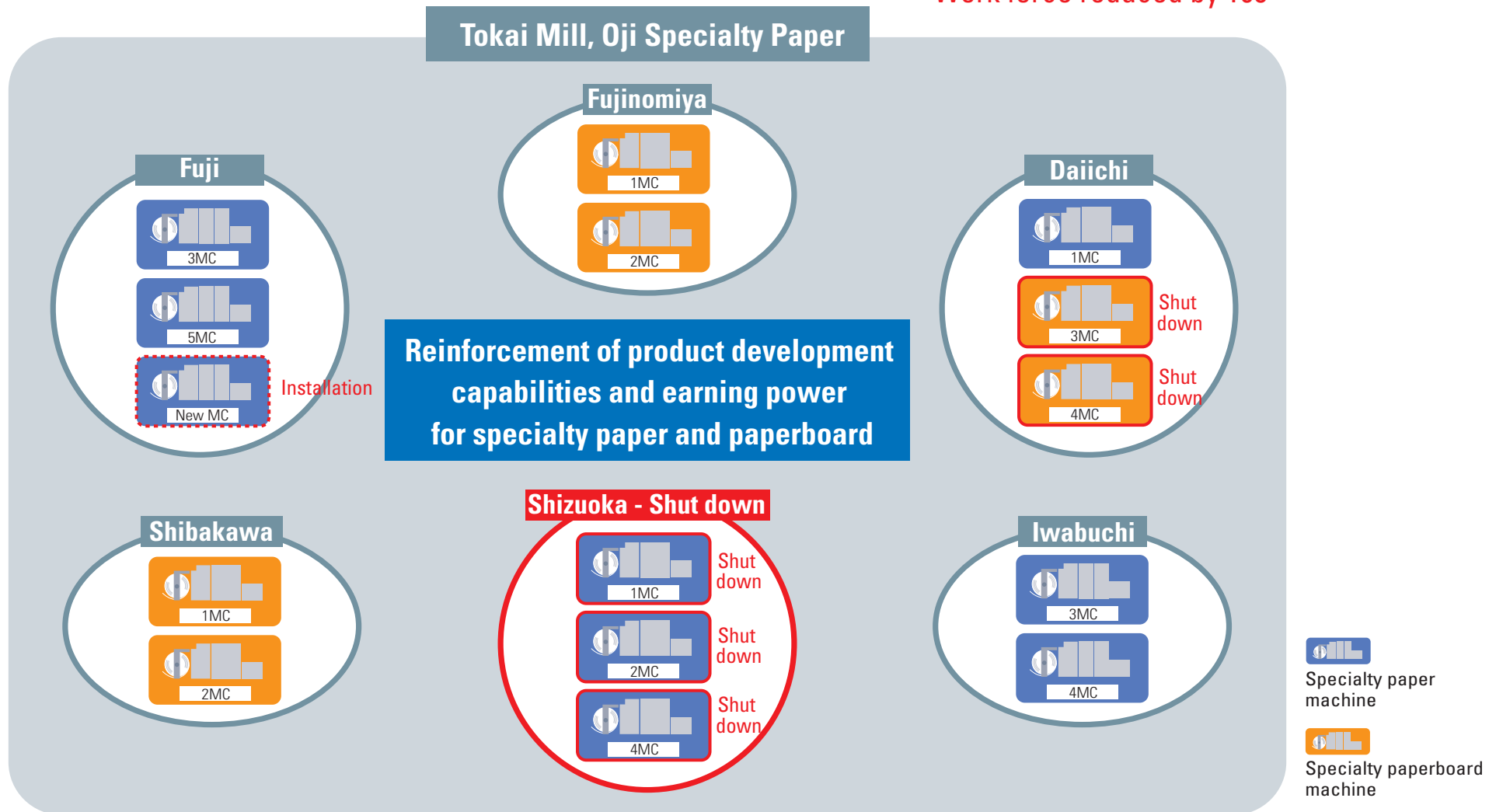
20%

## 6. Specialty Papers Business

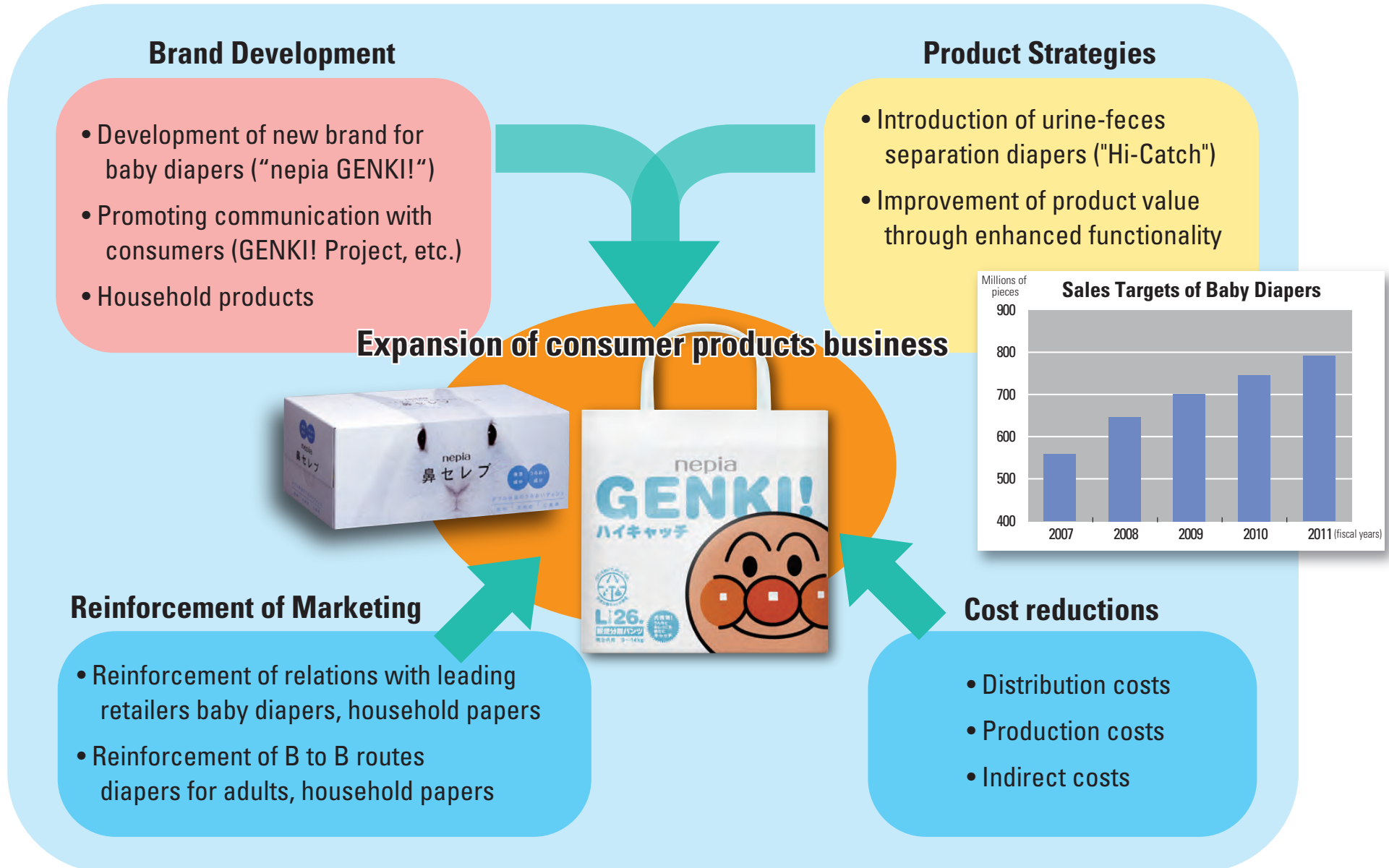
### Production Restructuring

Tokai Mill—14 machines in 6 plants → 10 machines in 5 plants

Improvement of profitability  
Work force reduced by 168



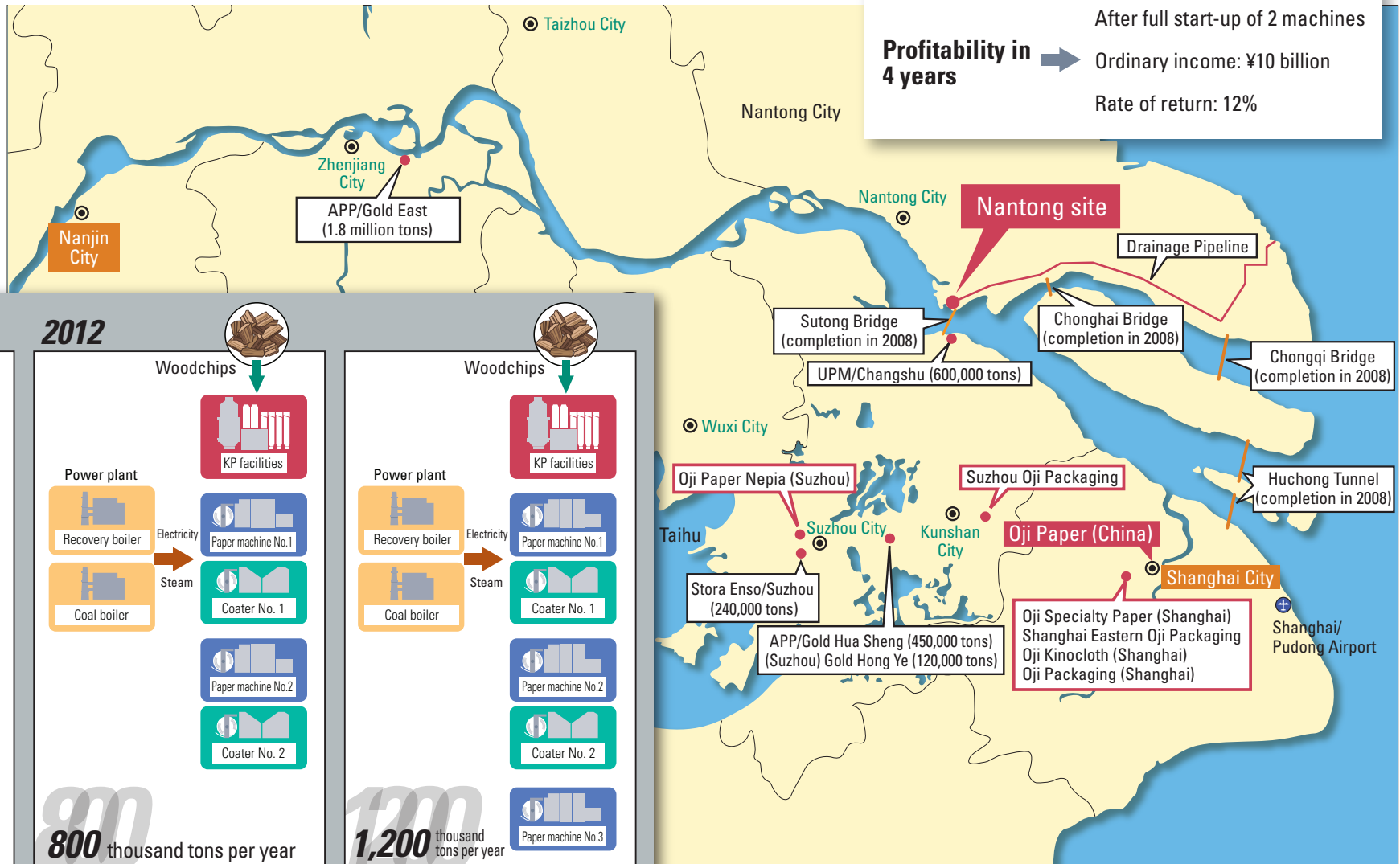
## 7. Household Products Business



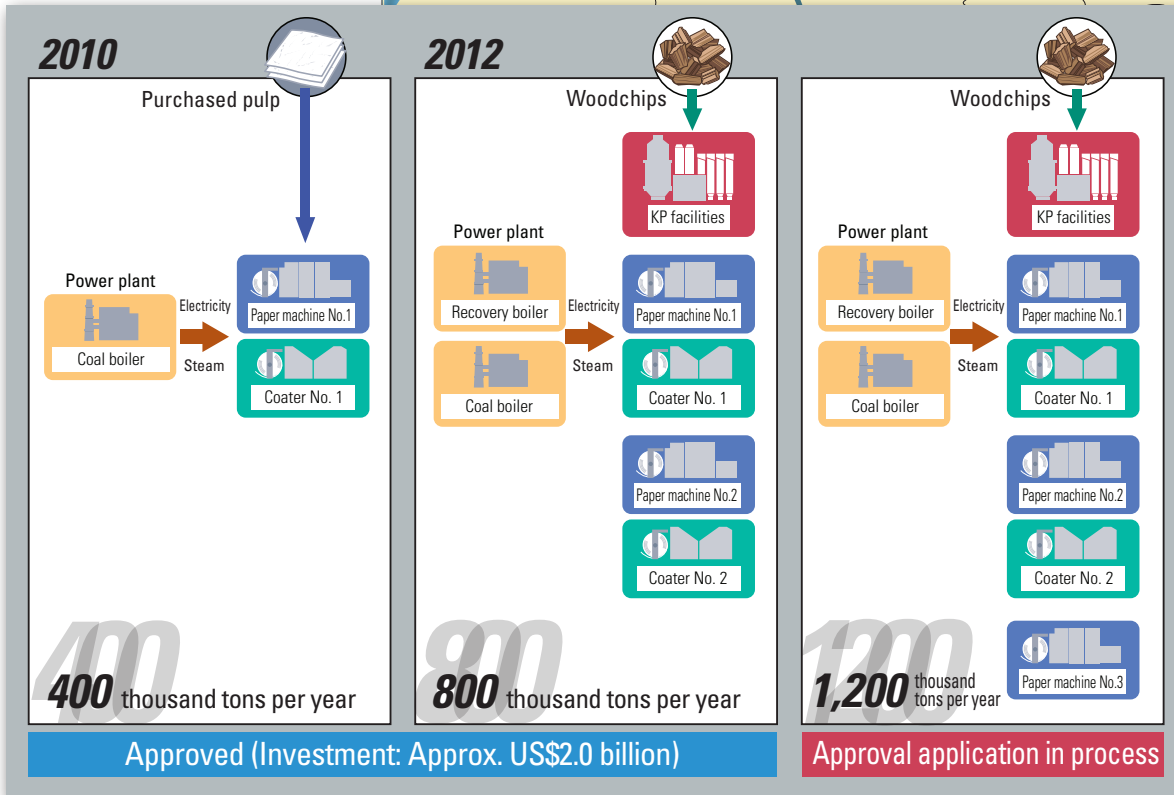
# III. Business Activities in China

## 1. Nantong Project

Location

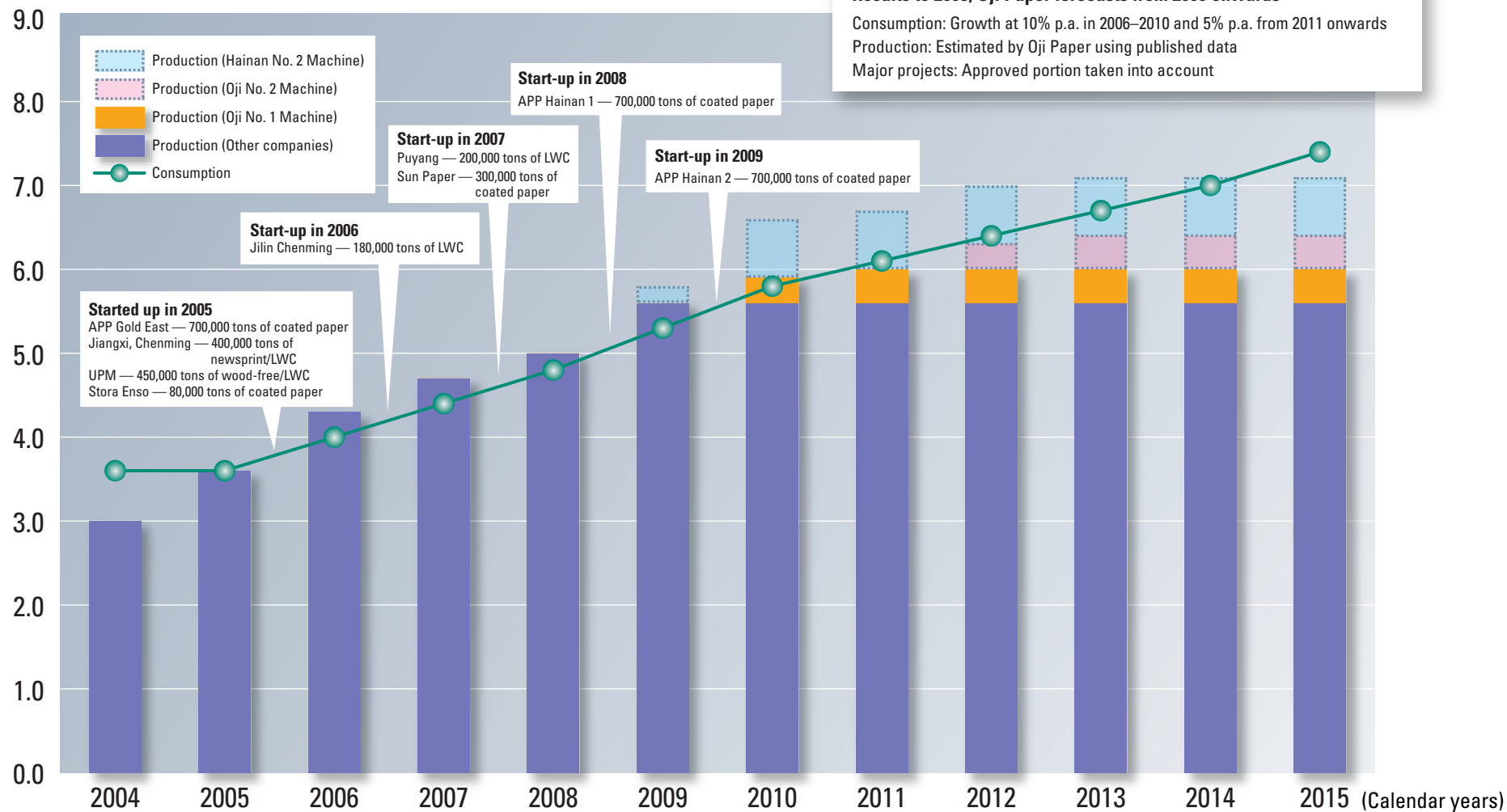


Master Plan



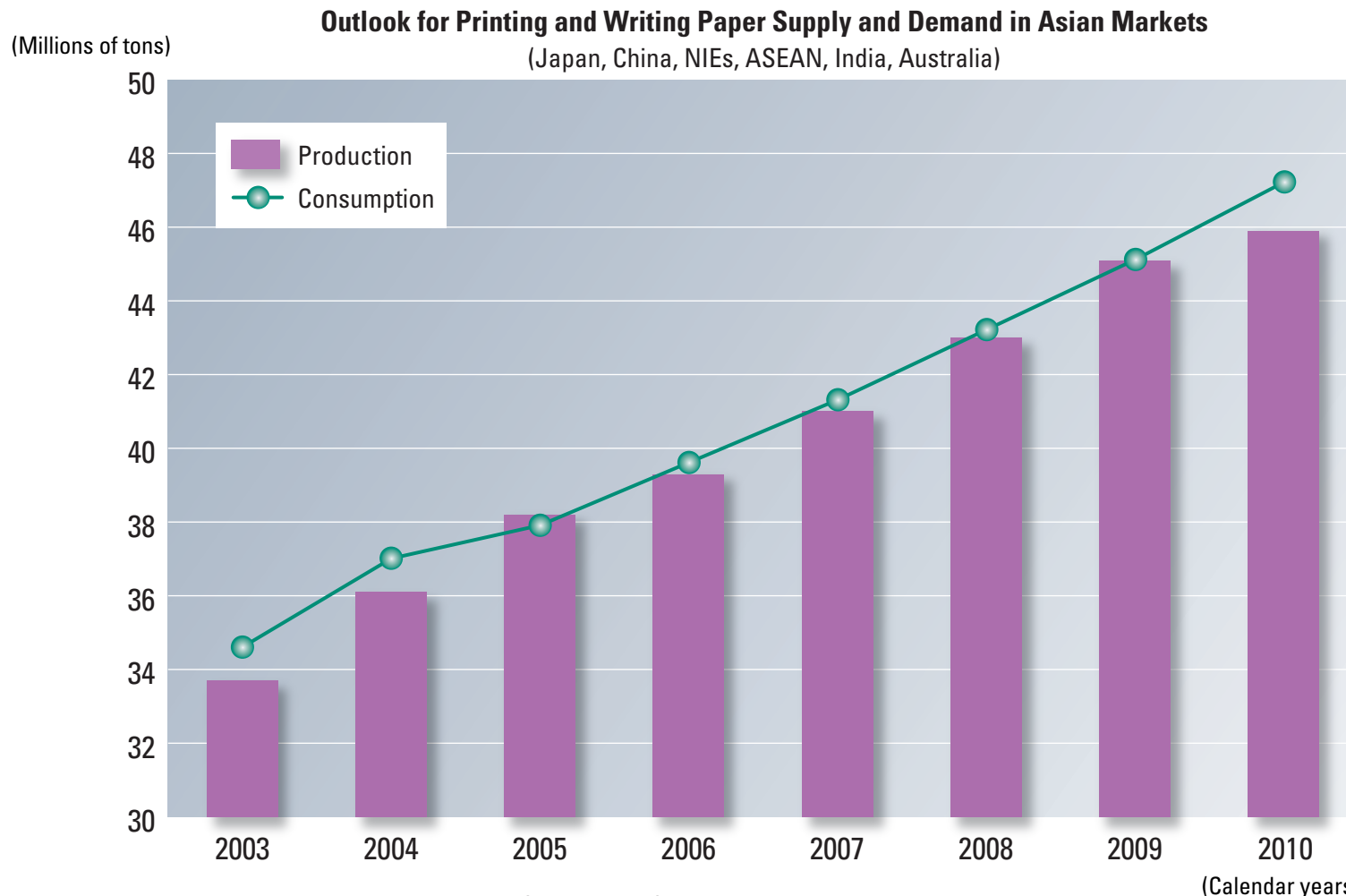
## 2. Outlook for Coated Paper Supply and Demand in China

(Millions of tons)



## 3. Outlook for Printing and Writing Paper Supply and Demand in Asian Markets

Demand growth (including surrounding markets) sufficient to absorb increases in production capacity for printing and writing paper  
 ⇒ As production increases, access to raw material will become a major priority.



**Actual figures for 2003 – 2005 (Source: PPI)**

Consumption Estimates by Oji Paper for 2006 and thereafter (growth rate: 4.5% p.a.)

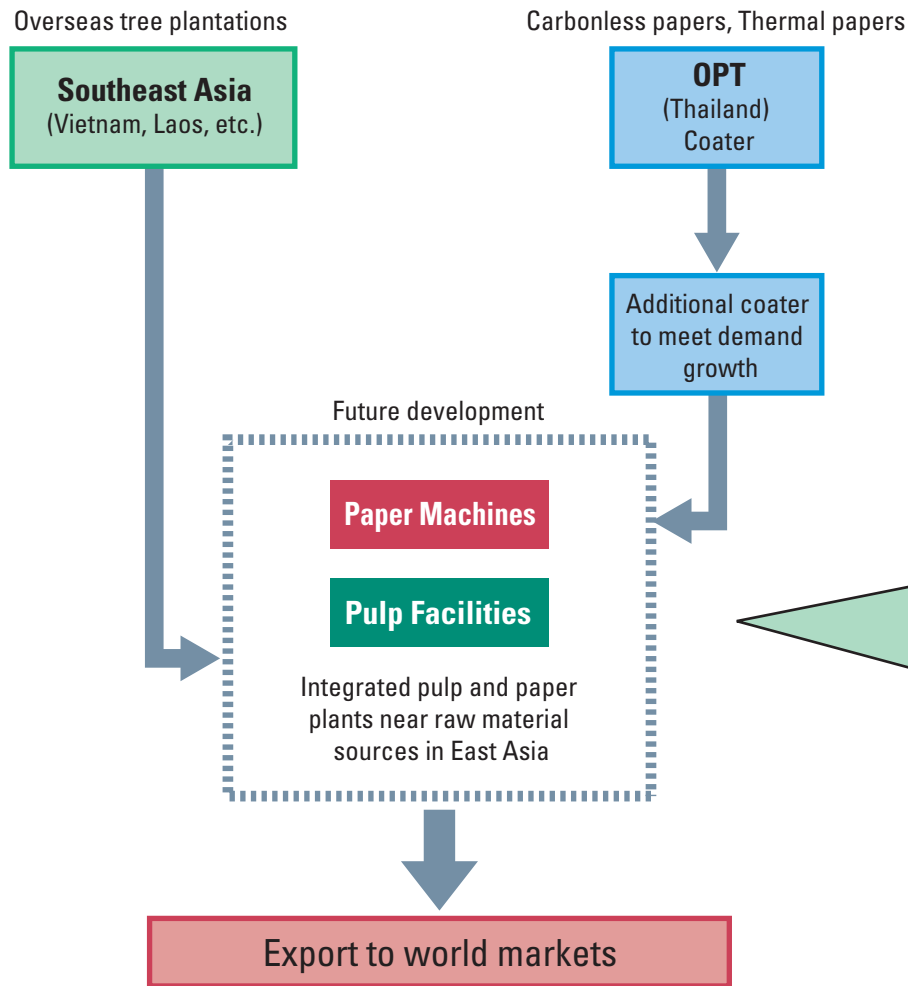
Production Estimates by Oji Paper for 2006 and thereafter (taking into account new capacity installation plans reported in PPI Asia News, etc.)

	2003	2005	Growth Rate
Japan	11.5	11.8	1.3%
China	12.7	14.4	6.3%
NIEs	3.1	3.3	3.0%
ASEAN	3.4	3.9	6.5%
India	2.4	2.8	8.1%
Australia	1.4	1.6	9.3%
Total	34.5	37.8	4.7%

	Machines	Capacity (Millions of tons)
Japan	4 machines	0.8
China	10 machines	3.8
NIEs	1 machine	0.2
ASEAN	7 machines	2.1
India	3 machines	0.5
Australia	1 machine	0.4
Total	26 machines	7.8

## 4. Growth Strategy for East Asia (Post-Nantong)

Idea of integrated pulp and paper manufacturing near raw material sources



FY 2006 Overseas sales ratio: 9% ⇒ Target 20% or higher

### Principal Business Sites in East Asia

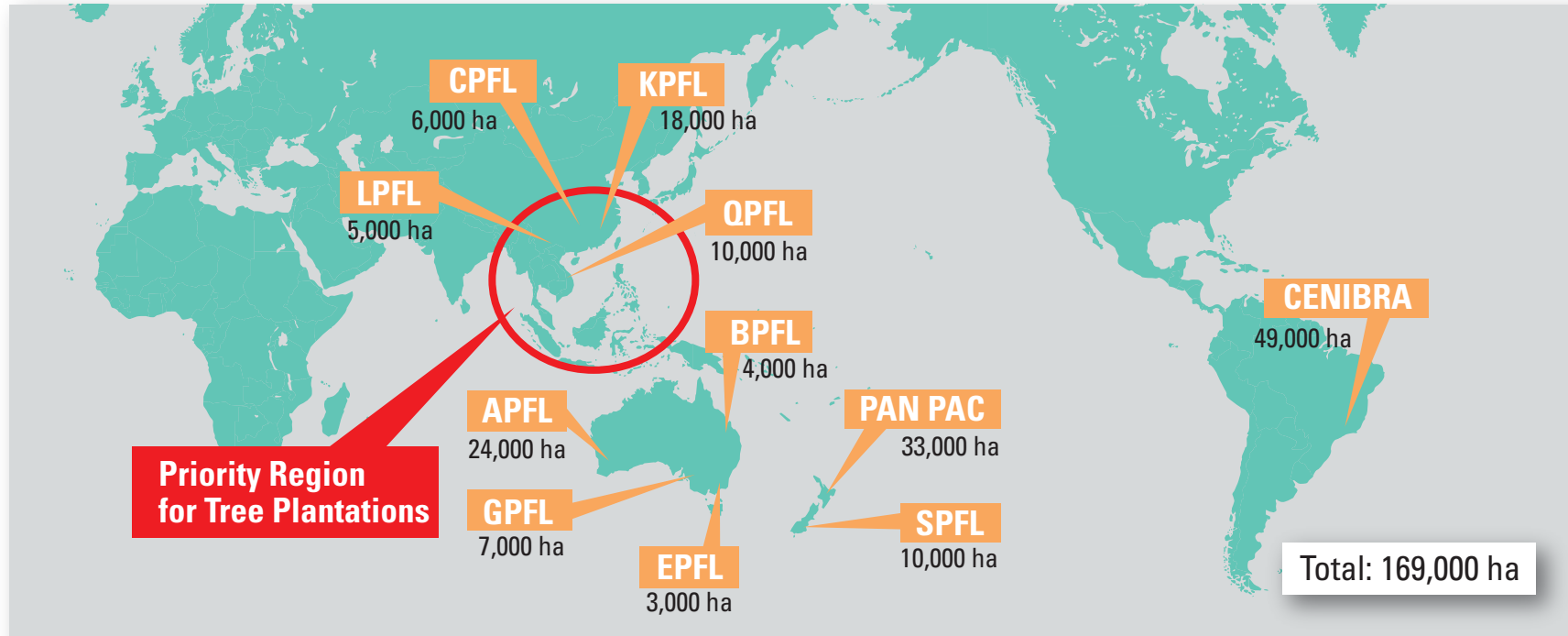


## 1. Overview



- **Expansion of overseas tree planting activities**
  - Dynamic global expansion in Southeast Asia and other areas
- **Development of resource businesses**
  - Increasing added value of forest resources
    - ➡ Pulp operations near resources
    - ➡ Entry into general forestry business
- **Reinforcement of wastepaper procurement systems**
  - Expansion of group procurement capacity
  - Expansion of collection and storage facilities
- **Energy conversion**
  - Reduction of fuel oil use through development of new fuel and enforcing procurement ability

## 2. Overseas Tree Plantations

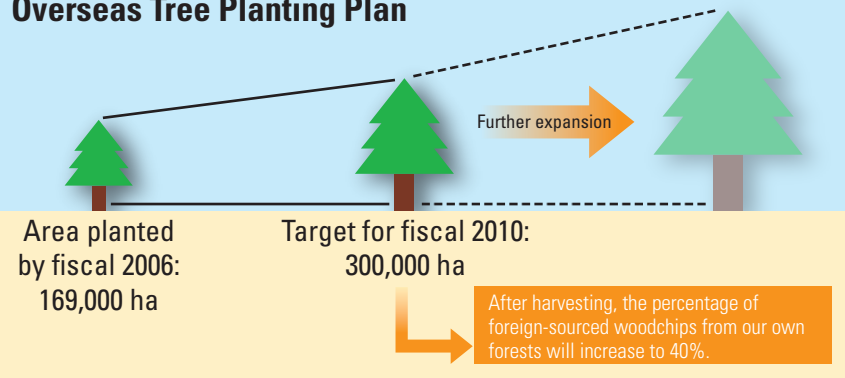


### Demand Forecast for 2015 (Based on Oji Paper estimates)

	(Millions of tons)
World production of paper and paperboard (Growth rate of 2.3% p.a. since 2005)	460
Required volume of woodchips	399
Anticipated output of woodchips	363
<b>Shortfall</b>	<b>-36</b>

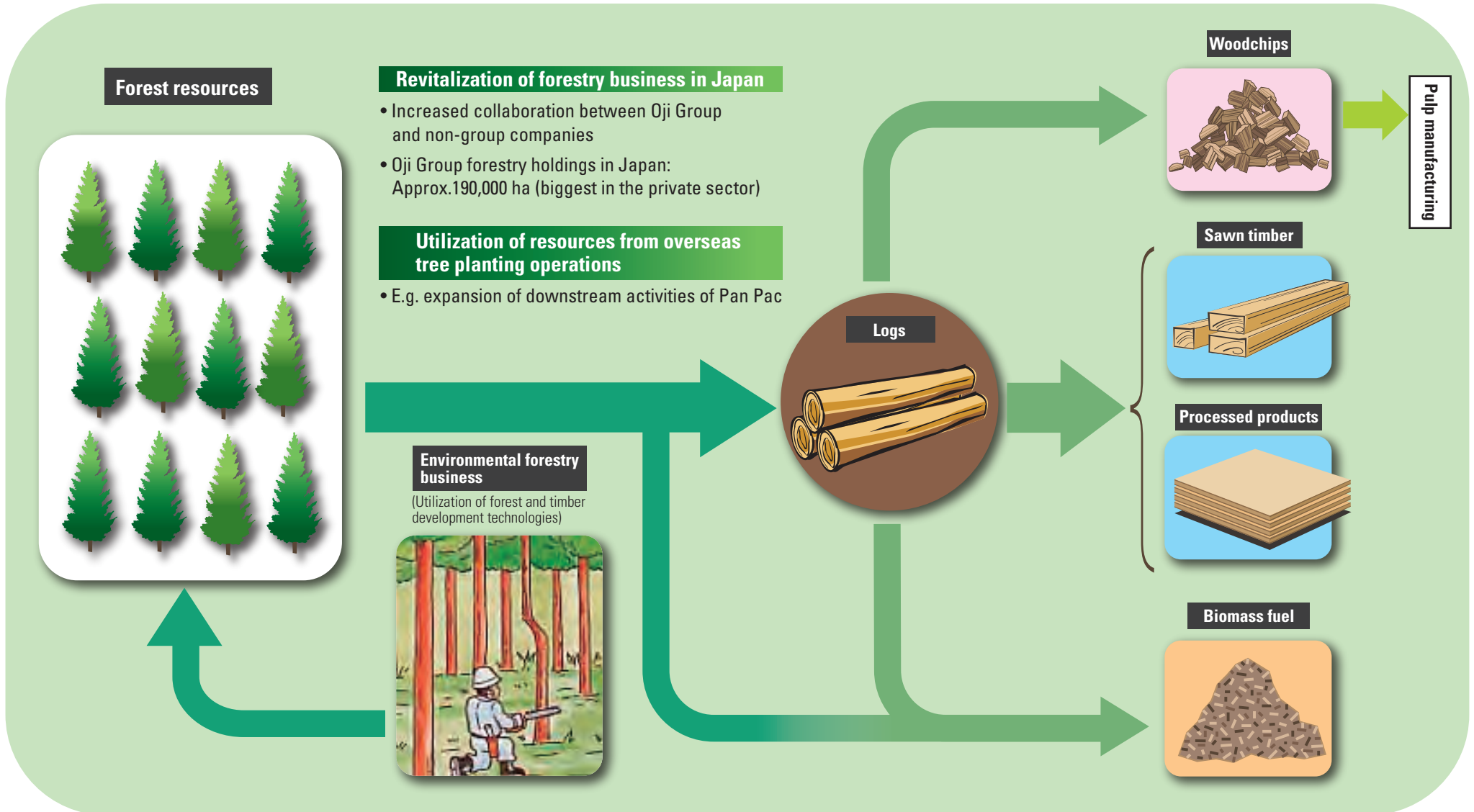
**Equivalent to 5 million ha of forest**

### Overseas Tree Planting Plan



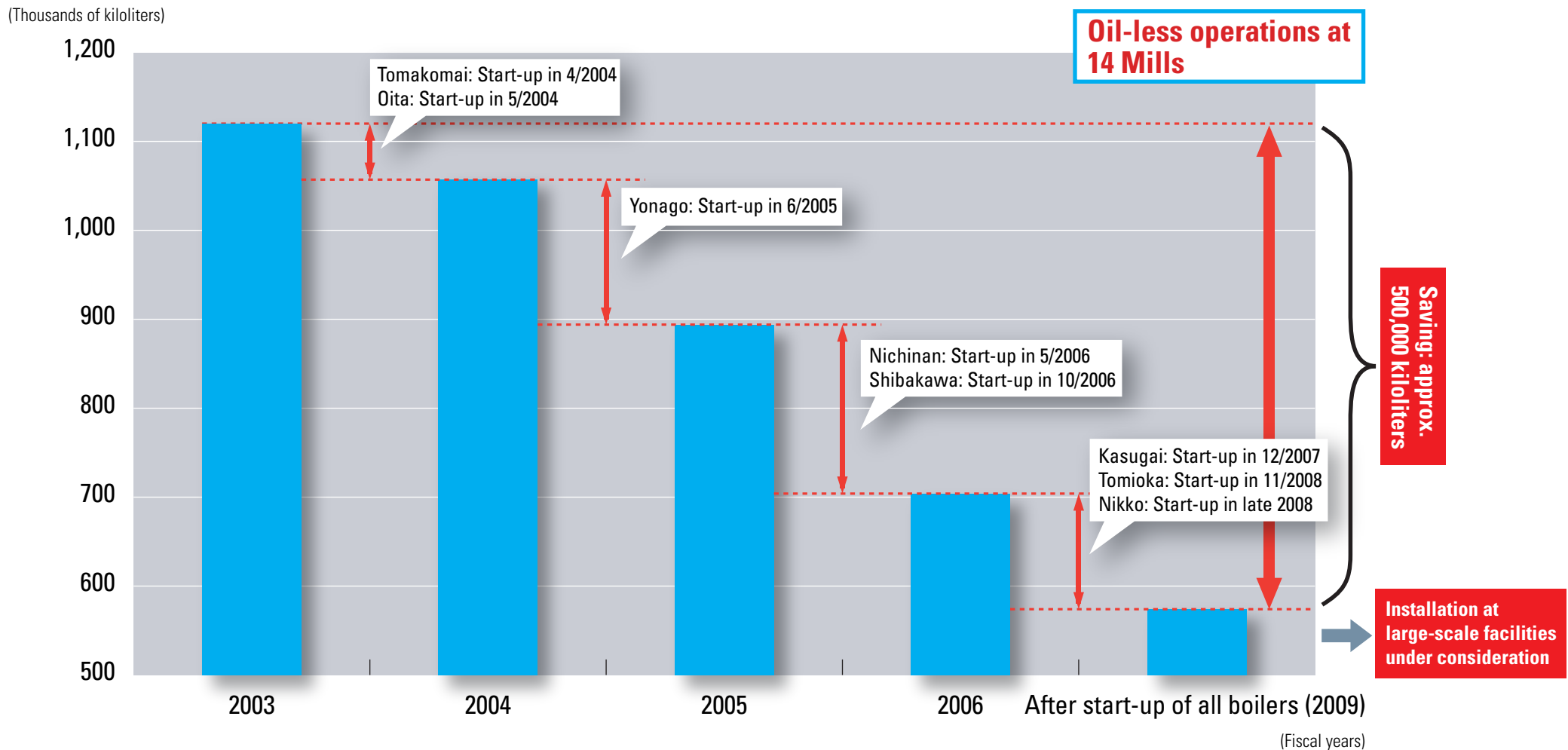
## 3. Entry into General Forestry Business

Development of integrated forestry business from upstream to downstream levels → Increased added value



## 4. Energy Conversion

Major reduction in fuel oil use through installation of new-energy boilers

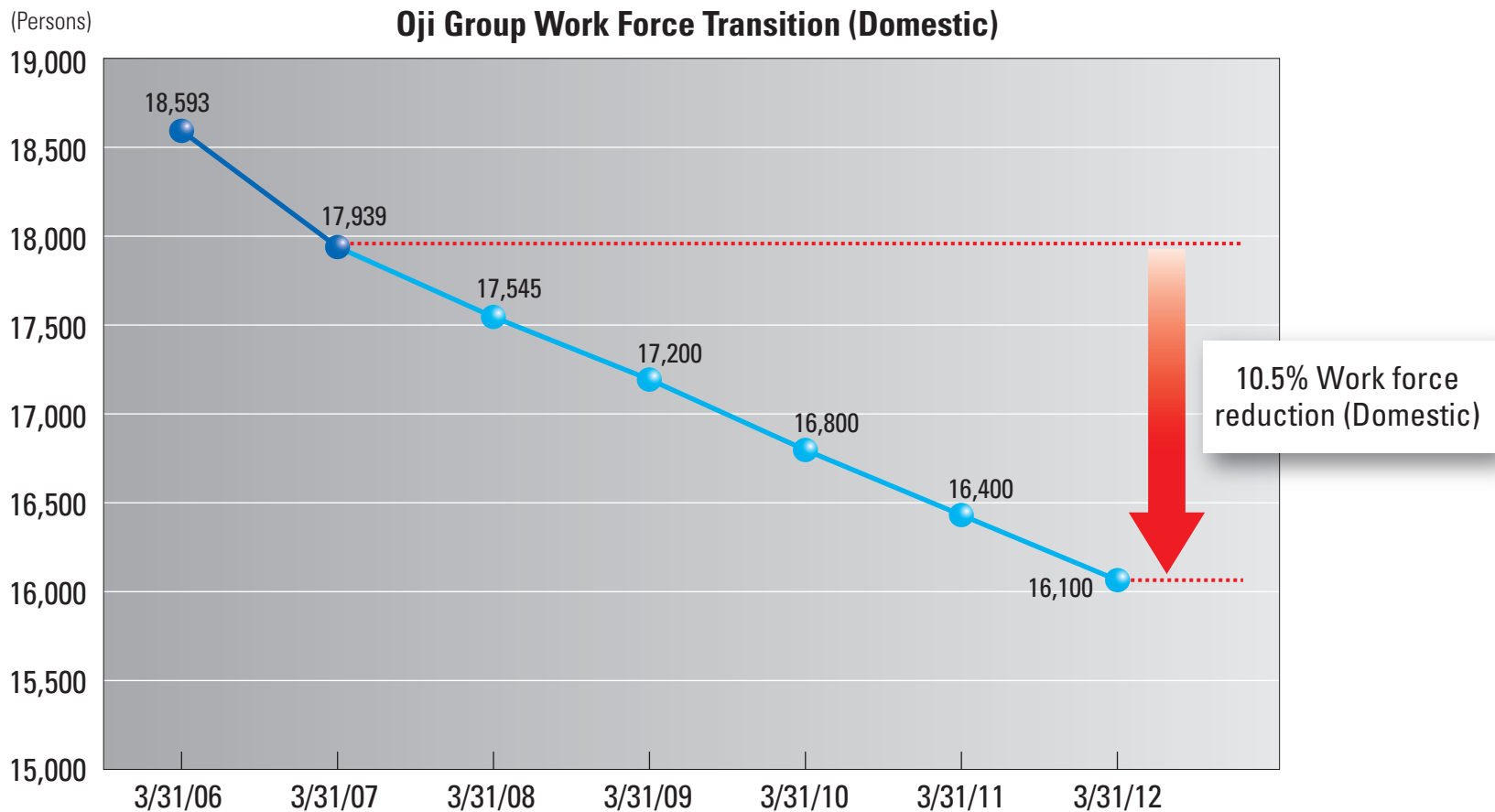


## 1. Transition of Domestic Work Force and Reduction of Labor Costs

- Group-level efforts to use human resources more efficiently
- Development of highly efficient and functional headquarters and streamlining of factory administration organization



**¥20 billion reduction in the total labor costs of the Oji Paper Group over the next 5 years (March 31, 2007–March 31, 2012)**



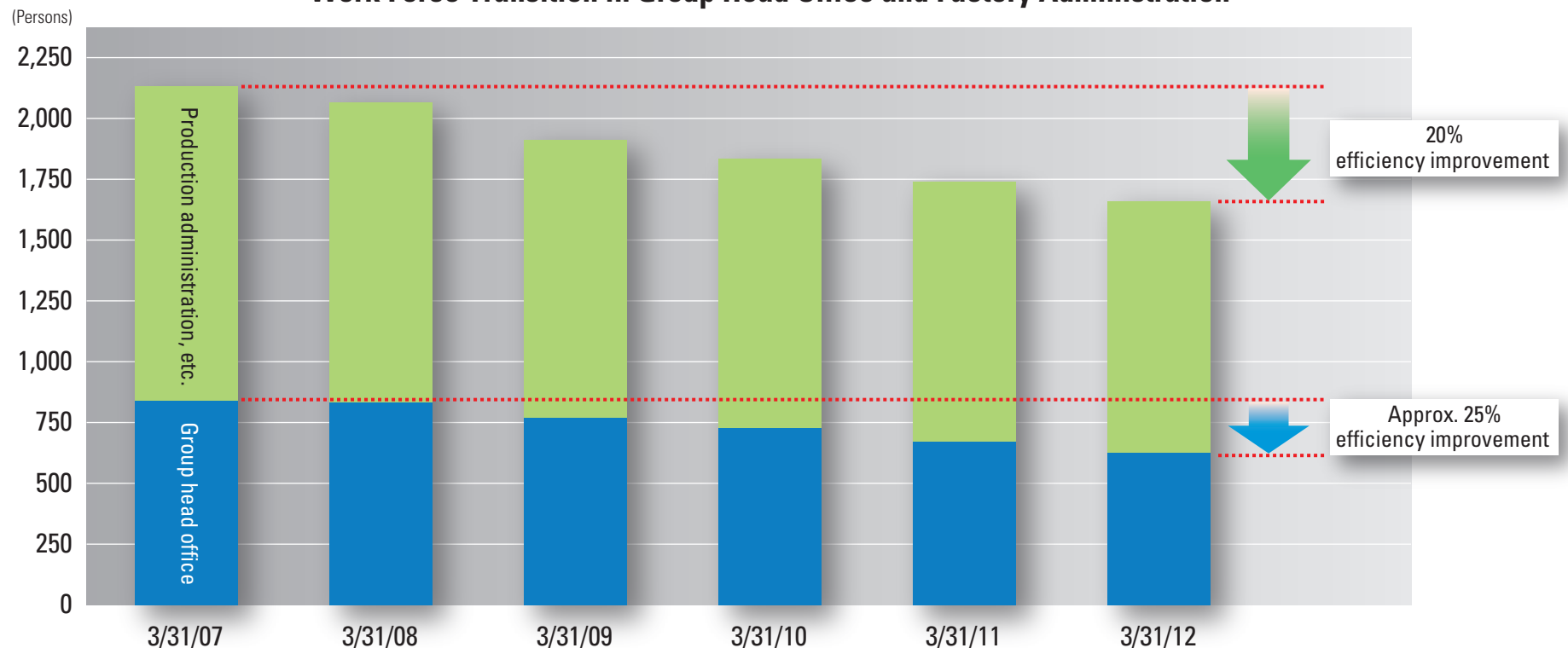
## 2. Development of Highly Efficient and Functional Headquarters and Streamlining of Factory Administration Organization

Group head office	25% reduction in work force through fundamental reform of operations and development of flexible organizational deployment
Factory administration	Centralization to headquarters, etc.



**Approx. 20% overall improvement in the efficiency of administrative operations**

**Work Force Transition in Group Head Office and Factory Administration**



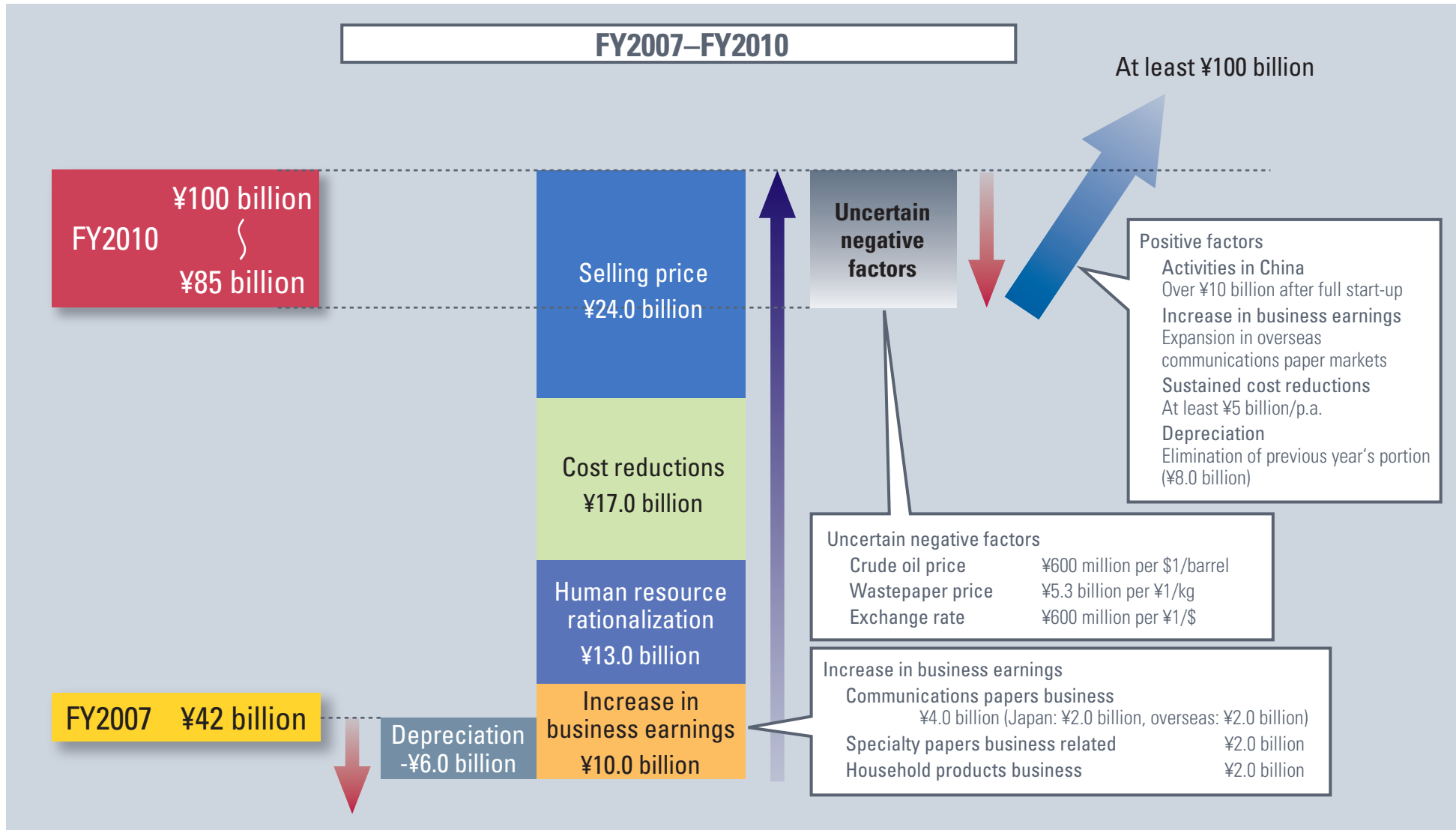
## 1. Key Management Targets

	Target	Figure in Plan	
		FY2007	FY2010
Ordinary profit	¥100 billion +	¥42 billion	¥100–85 billion
ROE (%)	7.0% +	3.6%	8.8–7.7%
D/E ratio (times)	1.5 or lower (min 1.2)	1.67	1.33–1.44
Net sales-ordinary profit ratio (%)	5% + (All business segments)	3.2%	7.3–6.2%

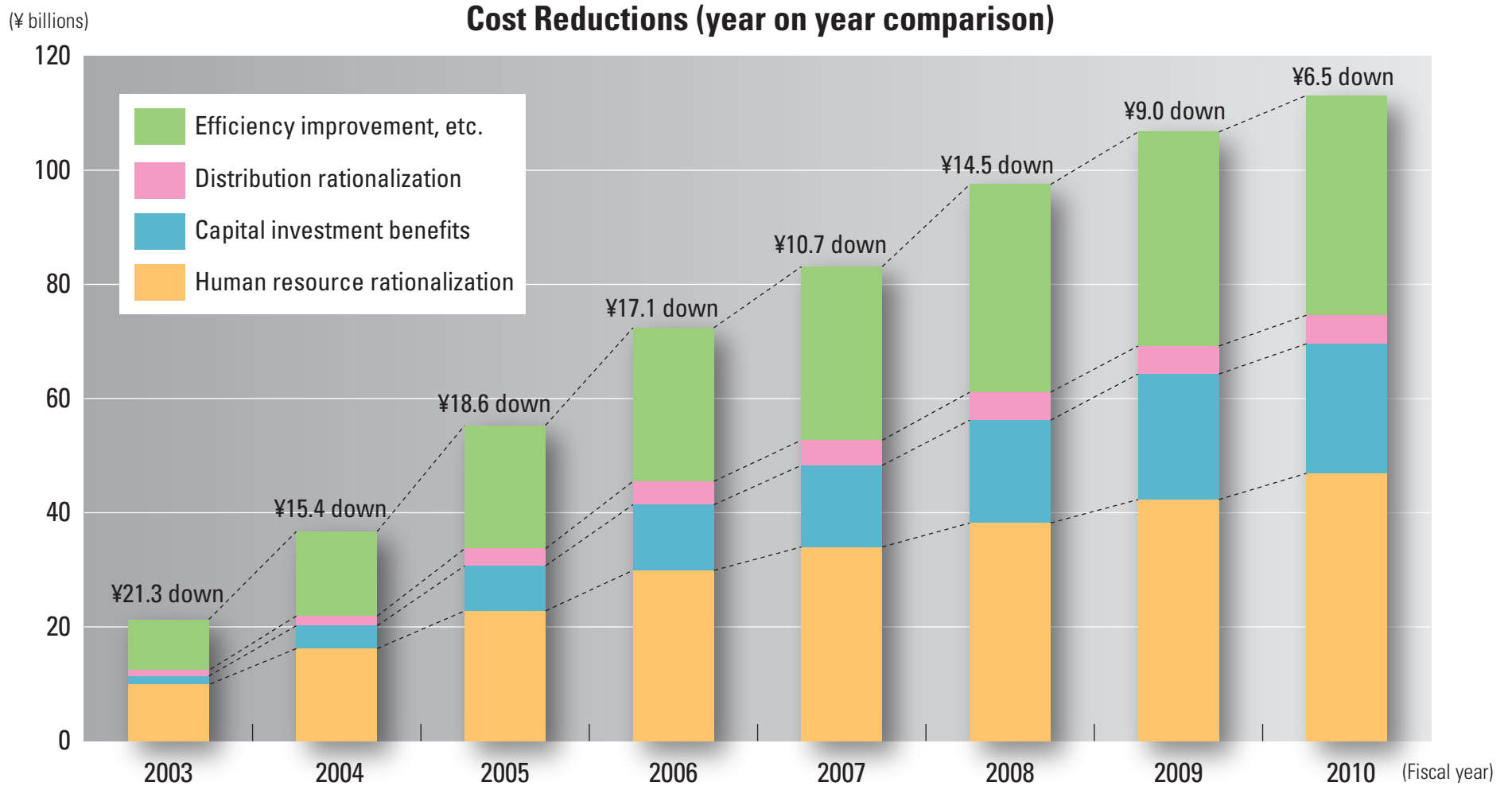
### Assumptions

• Exchange rate	¥117/\$
• Dubai crude oil	\$60/bl

## 2. Profit Targets



## 3. Cost Reduction Trends



## 4. Structural Cost Reduction

Continuous improvements of productivity through progressive restructuring of production systems.

### ○ Post-merger (1996) Production System Restructuring

Shut down paper machines	
Publication and Printing Papers	11
Paperboard	12
Specialty Papers	8
	} Total of 31
Corrugated Containers	Mill integration/closure
	Oji Chiyoda Container: 37 mills → 29

### ○ Plans (Phase 1)

Machines to be shut down	
Publication and Printing Papers	Tomioka Mill scrap-and-build 6
Specialty Papers	Tokai Mill scrap-and-build 5
	} Total of 11
Paper bag manufacturing	Mill integration/closure: 2 Mills → 1



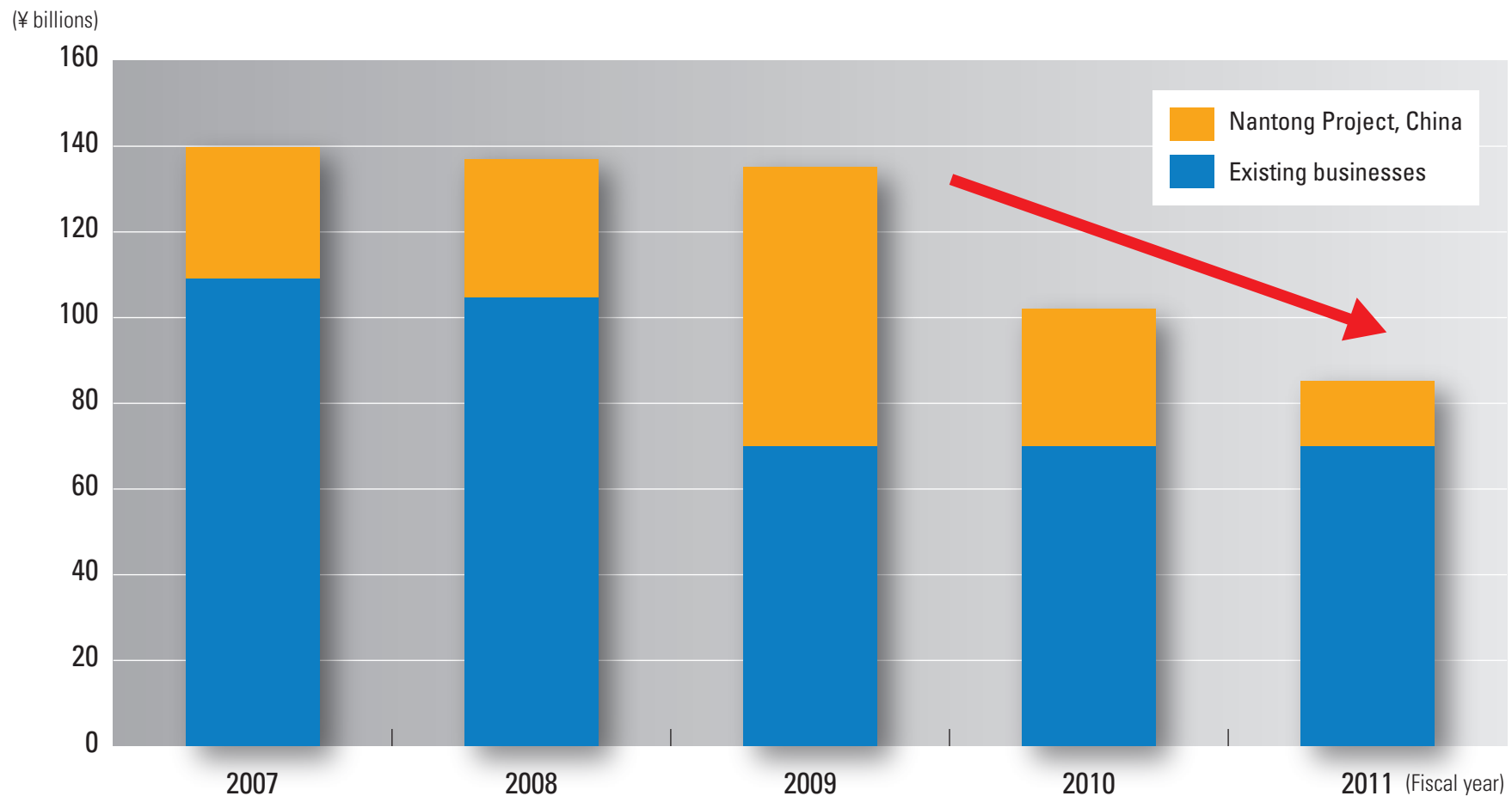
### Phase 2

Intensive studies concerning further production rationalization, including integration/closure of production sites

## 5. Capital Investment (Procurement Basis)

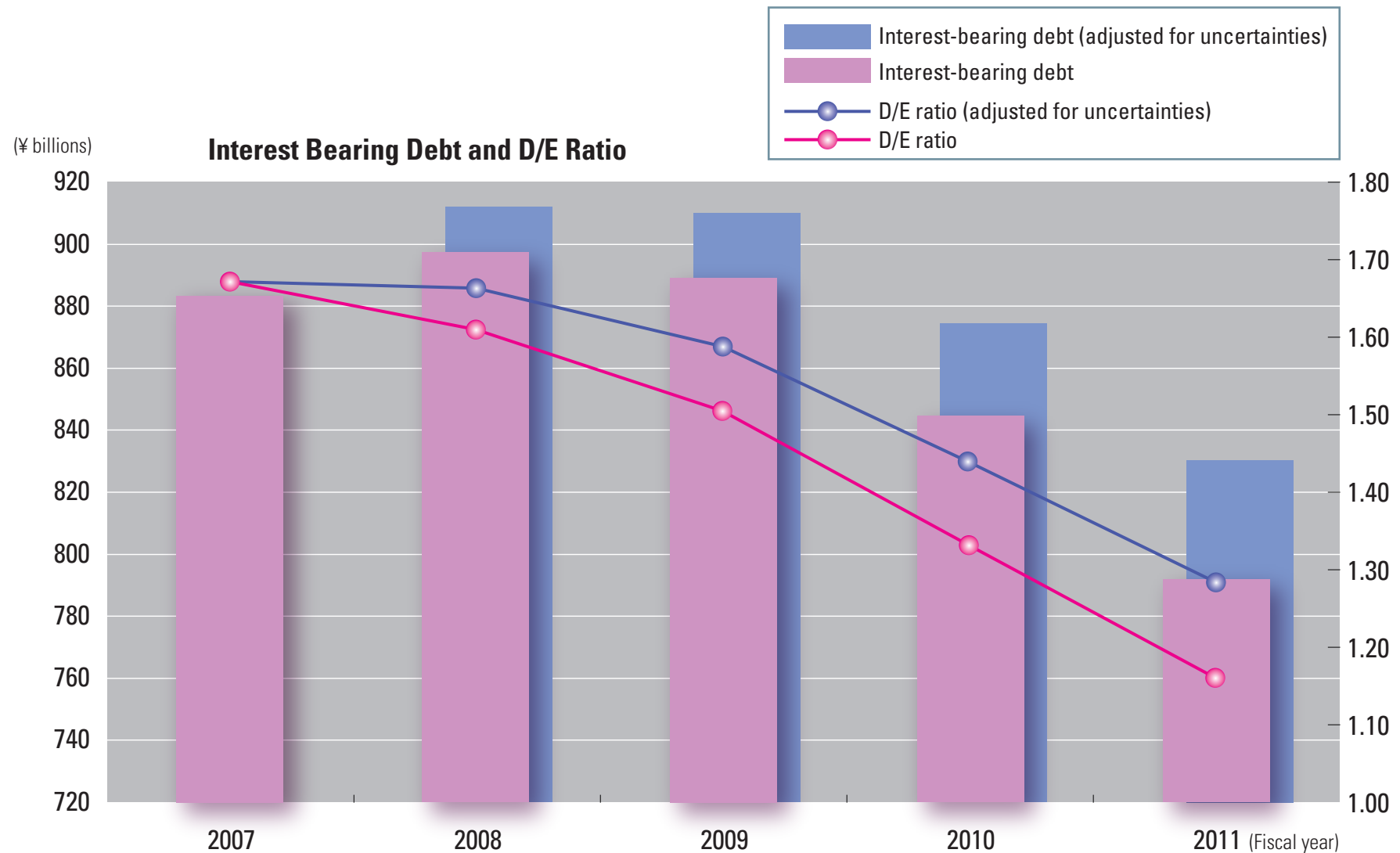
From FY2008 onwards, capital investment for existing businesses will consist of ¥70.0 billion for normal/strategic investment + the Tomioka Mill scrap-and-build scheme (¥34.8 billion in FY2008).

Total capital investment, including business operations in China, will remain high until FY2009 and then will decline gradually.



## 6. Interest-bearing Debt and D/E Ratio

Interest-bearing debt will reach a peak in FY2008 and decline thereafter as capital investment decreases.



## 1. Sustainability Measures 1

### Environmental Charter

- Having the paper and paperboard global demand to grow, the Oji Paper Group is working on Forest Recycling, Paper Recycling, and Global Warming Countermeasures to ensure long-term accessibility to resources and to contribute to the environment.
- Our basic philosophy is defined in the Oji Paper Group Environmental Charter. We have also set targets for FY2010 in Environmental Action Plan 21.

Action Guidelines from the Environmental Charter (Extract)	Targets for FY2010	Specific Measures
1. Forest recycling	<ul style="list-style-type: none"> <li>• Overseas tree plantations — 300,000 ha</li> </ul>	11 forest planting projects in 6 countries Plans for expansion of forest areas in East Asia, especially China and Laos Overseas forest area at end of FY2006—169,000 ha
2. Paper recycling	<ul style="list-style-type: none"> <li>• Wastepaper utilization rate — 62%</li> </ul>	Effective utilization of plant sites in Japan to provide increased wastepaper storage Wastepaper utilization rate at FY2006: 60.2%
3. Global warming countermeasures	<ul style="list-style-type: none"> <li>• Fossil energy consumption per unit — 20% reduction</li> <li>• Fossil fuel CO<sub>2</sub> emissions per unit — 20% reduction (Relative to FY1990 levels)</li> </ul>	Substantial reduction in fossil energy use through installation of new-energy boilers, energy-saving measures, etc. FY2006—fossil energy consumption per unit reduced by 22.5% Fossil fuel CO <sub>2</sub> emissions per unit reduced by 23.1%

## 2. Sustainability Measures 2

### Corporate Social Responsibility (CSR) Procurement

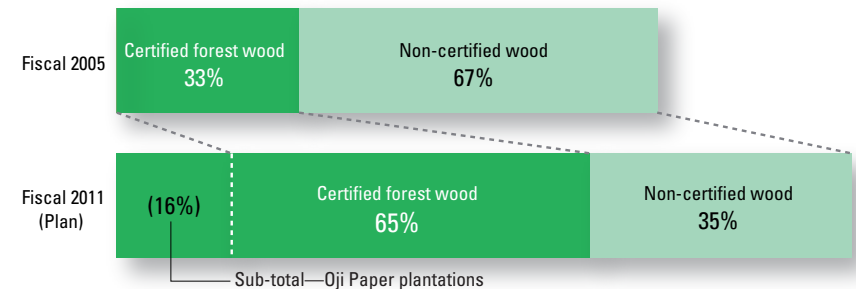
- Under the Oji Paper Group Partnership Procurement Policy (April 2007), we have pledged to implement CSR procurement of raw materials with the cooperation of our supply chain, to comply with procurement-related laws and regulations, and to ascertain the environmental and social impact of our procurement activities.
- This policy includes wood raw material procurement guidelines, under which we will strengthen our traceability systems. We will contribute to the prevention of global warming and the conservation of biodiversity through appropriate management and use of forest resources.

**By fulfilling our corporate social responsibilities in our core business, we aim to earn the trust of all stakeholders and improve our corporate value.**

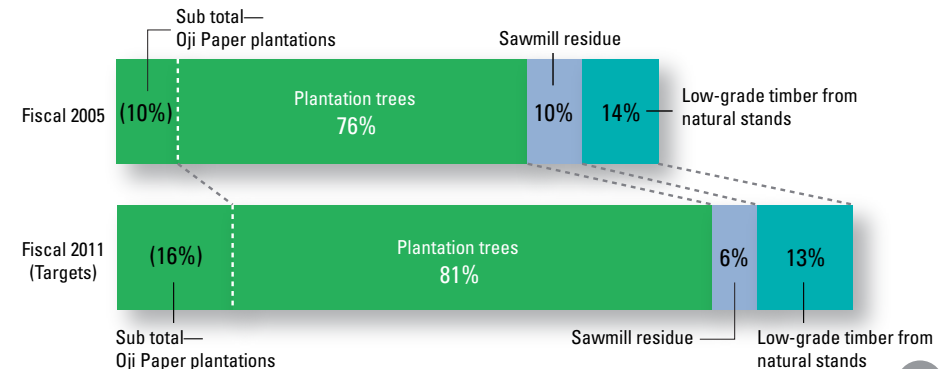
### Wood Raw Material Procurement Guidelines (Summary)

- (1) Expand procurement of wood from certified forests
  - 100% certification of our overseas tree plantations
  - Preferential purchasing of materials from certified forests
  - Measures to encourage suppliers to obtain certification
- (2) Increase use of plantation trees
- (3) Effective utilization of unused wood resources, including sawmill residue, thinned wood and low-grade wood
- (4) Verify that procurement is in compliance with laws and is environmentally friendly and socially responsible
  - Continuous document-based or on-site monitoring of suppliers to ensure traceability
  - Third-party auditing of trace results
- (5) Disclosure information
  - Disclosure through Oji Paper website and CSR reports

### ○ Increase Plan for Certified Wood



### ○ Increase Plan for Plantation Trees



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