

Creating the No. 5 Paper and Pulp Manufacturer in the World



O J I P A P E R

Business Integration with Hokuetsu Paper Mills

July 23, 2006

Oji Paper Co., Ltd.

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I. Business Integration with Hokuetsu

1. Objectives of the Business Integration

Creating the No. 5 paper and pulp manufacturer in the world

- Establishing a strong platform in the paper and pulp industry
- Cost reduction through economies of scale
- Increased financial strength for capital investments and investments to secure natural resources based on abundant cash-flow

The strategic best fit

- Complementary regional strategies: optimized production/sales structures
- Efficiency in supplying products to the greater Tokyo metropolitan area
- Improved product line-up

Optimization of production sites through the “Scrap & Build” policy

- Concentrating production capabilities at Hokuetsu’s Niigata Mill
- Improving productivity through focused investments
- Maximizing the capability of the large-scale facilities (Hokuetsu’s N9)

An attractive offer for Hokuetsu’s shareholders

- Significant premium of approximately 35% to Hokuetsu’s closing share price on July 21, 2006 (the business day prior to announcement)
- Cash offer for all shares of Hokuetsu. Opportunity for all Hokuetsu shareholders to sell their shares
- Can be executed promptly after withdrawal of Hokuetsu’s business and financing proposal

Business integration that can benefit all stakeholders

- Benefits to Oji’s shareholders
- Opportunities for Hokuetsu employees to play a more active role
- Contribution to the regional economy

State of the Paper and Pulp Industry

- Concerns about stagnant domestic demand
- East Asian market integration; large-scale, high-efficiency capital investments in China
- Optimization of facilities as a key factor to augment competitiveness

- Domestic demand for paper has been stagnant from 2000 and the situation is expected to continue
- Aging, small-scale facilities in Japan have prompted domestic manufacturers Daio Paper Co. (in 2005), Nippon Paper Group (in 2006) and Hokuetsu (in 2006) to strengthen their facilities
- Rapid increase in imports of printing and communications paper in the past 2-3 years
- New facilities plans expected to be developed in order to meet anticipated increase in demand for paper and paper-board products in East Asian markets

The Need for Business Integration

- The business integration is an optimal solution, with merits for both Oji and Hokuetsu

Cross-Company “Scrap & Build” Policy

- The combination of (i) disposing Oji’s small-scale and aging facilities and (ii) expanding manufacturing capabilities with Hokuetsu’s new machine (N9) will lead to high operating levels for N9 and improve profitability

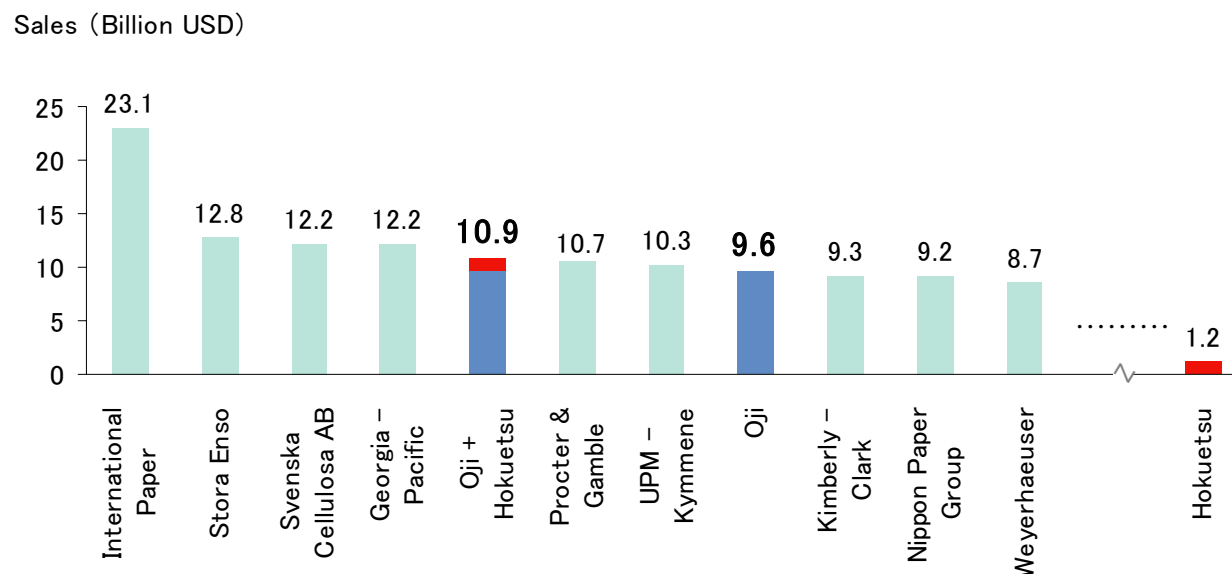
Increased Scale and Financial Ability

- Business expansion and increased cash-flow enable larger investments, which are vital amid expected intensive competition for resources

Creating the No.5 Paper and Pulp Manufacturer in the World

- The combined corporate group will become the No. 5 paper and pulp manufacturer in the world.
- The integration represents a strategic best fit and will lead to:
 - Optimization of production and sales structures based on complementary regional strengths.
 - Integration of manufacturing facilities through the “Scrap & Build” policy (concentration into large, state-of-the-art facilities) to improve productivity.

Global Sales Ranking of Paper and Pulp Manufacturers



Source: “2004 Global Ranking of 100 Paper Pulp Companies” (PPI September 2005 issue) and each company’s official web site.

Note 1) The sales data of each company in the table represents the aggregated sales of its paper and pulp related businesses.

Note 2) All references to “Nippon Paper Group” refer to Nippon Paper Group Inc. (formerly Nippon Unipac Holding Group) and all references to “Nippon Paper” refer to Nippon Paper Industries Co., Ltd..

(FY2005)

	Oji	Hokuetsu
Sales	1,213.9 billion yen	153.7 billion yen
EBITDA	153.3 billion yen	20.6 billion yen
Net income	21.0 billion yen	3.2 billion yen
Market Cap. (July 21, 2006)	634.1 billion yen	103.2 billion yen
Capital Expenditure	95.8 billion yen	16.5 billion yen
Number of Employees	20,223	2,822
Business Operations	<ul style="list-style-type: none"> ■ Printing and Communications Paper ■ Miscellaneous Paper ■ Ware Paper-Board ■ Newsprint ■ Packing Paper ■ Hygienic Paper ■ Container Board ■ Corrugated Containers 	<ul style="list-style-type: none"> ■ Printing and Communications Paper ■ Miscellaneous Paper ■ Ware Paper-Board

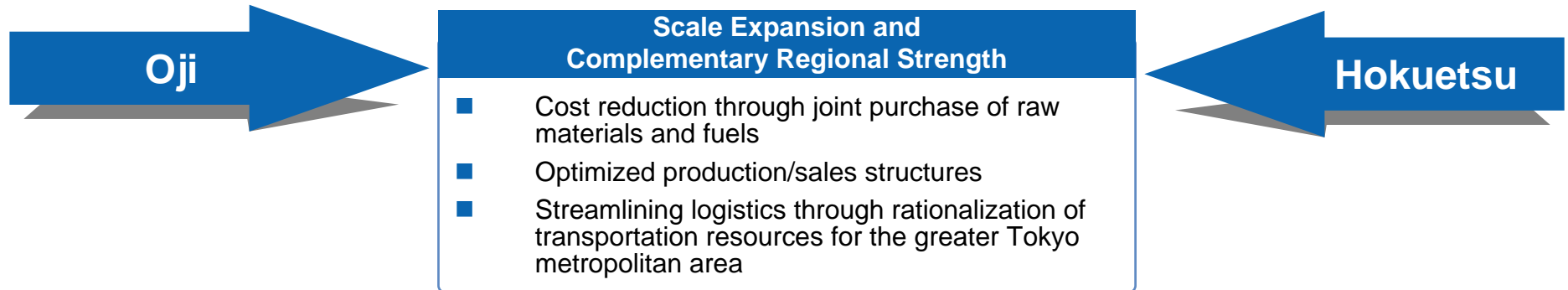
Source: Annual securities report (*yukashoken hokokusho*), Consolidated financial data (*kessan tanshin*), official web site.

Note 1) EBITDA = Operating income + Depreciation + Amortization of Consolidated Account Adjustment.

Note 2) Capital Expenditure is based on the amount of capital expenditure detailed in the segmental information of the most recent Annual Report.

2. Cross-Company Integration: “Scrap & Build”

- Increasing cost competitiveness through the “Scrap & Build” policy with the best business integration partner.



Best Strategic Partner

Cross-Company “Scrap & Build” Policy

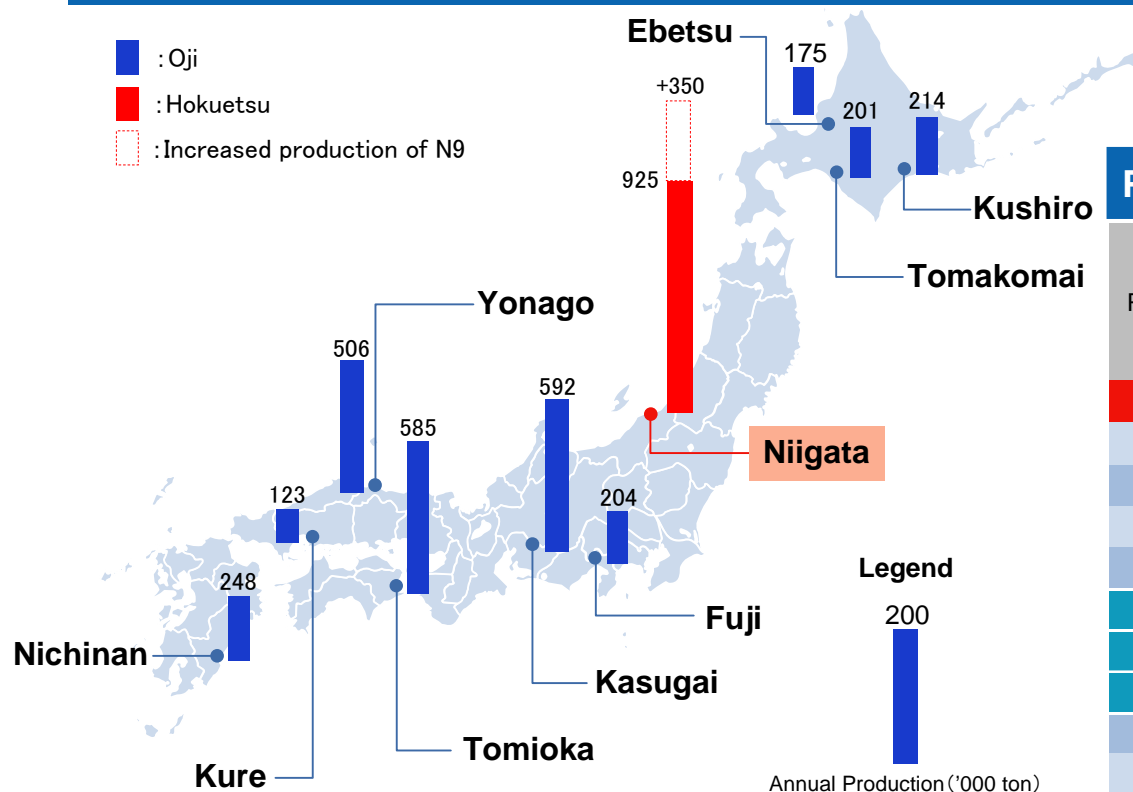
- Increasing cost competitiveness through simultaneous execution of the disposition of Oji’s aging, small-scale manufacturing facilities and the concentration of manufacturing capabilities at Hokuetsu’s Niigata Mill
- Maximizing the operating rate of the large scale facilities (N9) (introduction was announced on May 18, 2006 by Hokuetsu)

Response to East Asian Market Integration

Optimized Production and Sales Structures under the “Scrap & Build” Policy

- Complementary geographical strengths between the Niigata Mill and each of Oji’s sites will lead to rationalization of transportation resources and cost reduction of distribution expenses.
- Hokuetsu’s Niigata Mill is the most suitable for consolidation of manufacturing capabilities because it is one of the largest facilities for printing and communications paper.
- The operating rates of Hokuetsu’s new large-scale facilities (N9) will be maximized following the disposition of Oji’s aging and small-scale manufacturing facilities.

Location of main manufacturing facilities of Oji & Hokuetsu (Printing and Communications Paper)



Plants Ranking in Japan (Printing and Communications Paper)

RANK	Company	Plant	2005 Production of Printing and Communications Paper ('000 tons)
1	Hokuetsu	Niigata	925
2	Daio Paper	Mishima	855
3	Nippon Paper	Ishinomaki	837
4	Mitsubishi Paper Mills	Hachinohe	790
5	Nippon Paper	Iwakuni	706
6	Oji	Kasugai	592
7	Oji	Tomioka	585
8	Oji	Yonago	506
9	Nippon Paper	Fuji	484
10	Nippon Paper	Shiraoi	357

Source: Oji, based on “2005 Annual Statistics of Paper/Paper-Board” Japan Paper Association

Aggregated production quantity of printing and communications paper in calendar year 2005

- It is expected that by the 3rd year following the business integration, the effect of synergies will be 7.5 billion yen (before taxes) a year.

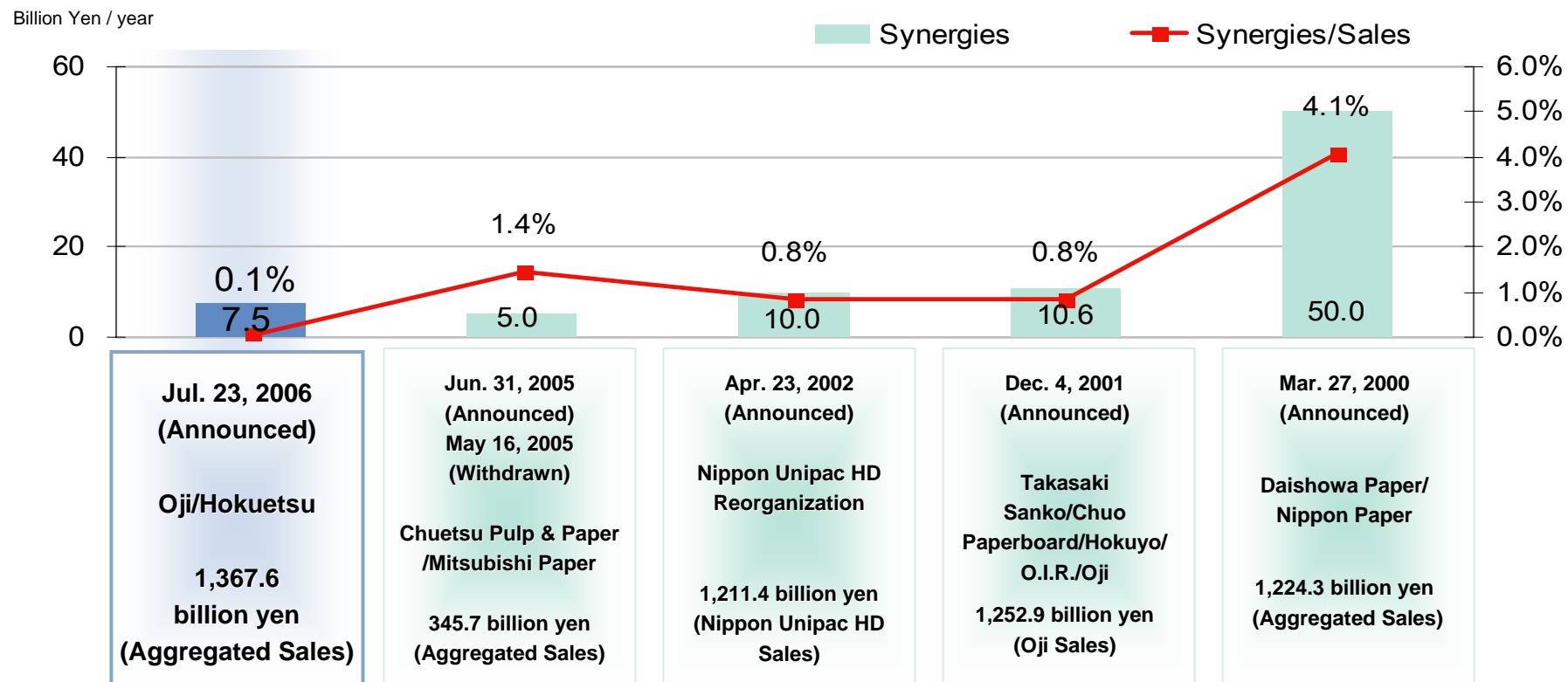
Expected Synergies

- | | | |
|---|--|---|
| 1 | Improving productivity through integration of manufacturing facilities | ■ Improving productivity through the disposition of Oji's aging and small-scale manufacturing facilities and the concentration of manufacturing capabilities into the new and advanced large-scale facilities at the Niigata Mill |
| 2 | Optimizing sales and production to achieve transportation rationalization | ■ Utilizing the Niigata Mill to establish optimized distribution networks for the greater Tokyo metropolitan area |
| 3 | Cost reduction in purchasing raw materials and fuels | ■ Increasing purchasing power for materials used by both companies |
| 4 | Sharing management resources | ■ Concentrating the efforts in quality improvement and cost reduction by utilizing Oji's R&D capabilities and developing technical exchange between the two companies |
| 5 | Optimization of business portfolio | ■ Establish a business portfolio less vulnerable to market fluctuations as well as securing a stable revenue base by expanding the range of products |

Comparing the Size of Synergies with Precedent Transactions

- Expected synergies with Hokuetsu will be in line with precedent reorganization transactions in the industry.

Synergies and Synergies/Sales Ratios in Previous Cases of Paper and Pulp Industry Reorganization



Note1) Press release by Mitsubishi Paper Mills and Chuetsu Pulp Industry dated January 31, 2005

Note2) Press release by Nippon Unipac Holding Group dated April 23, 2002

Note3) Press release by Oji and the other four companies dated December 4, 2001

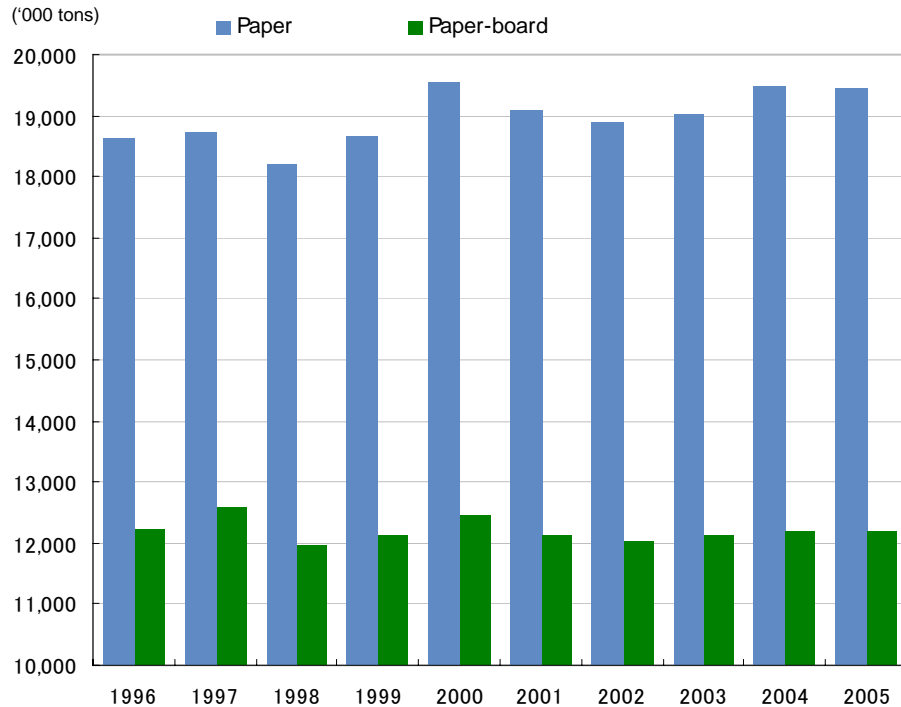
Note4) Press release by Nippon Paper Industries and Daishowa Paper Mfg. dated March 27, 2000

Note5) Sales data represents a simple aggregation of consolidated sales of the target company and acquiror for the most recent financial year before the announcement. However, the sales data of the reorganization of Oji and the other four companies and the reorganization of Nippon Unipac HD are based on the sales data of Oji and Nippon Unipac HD for the most recent financial year before the announcement.

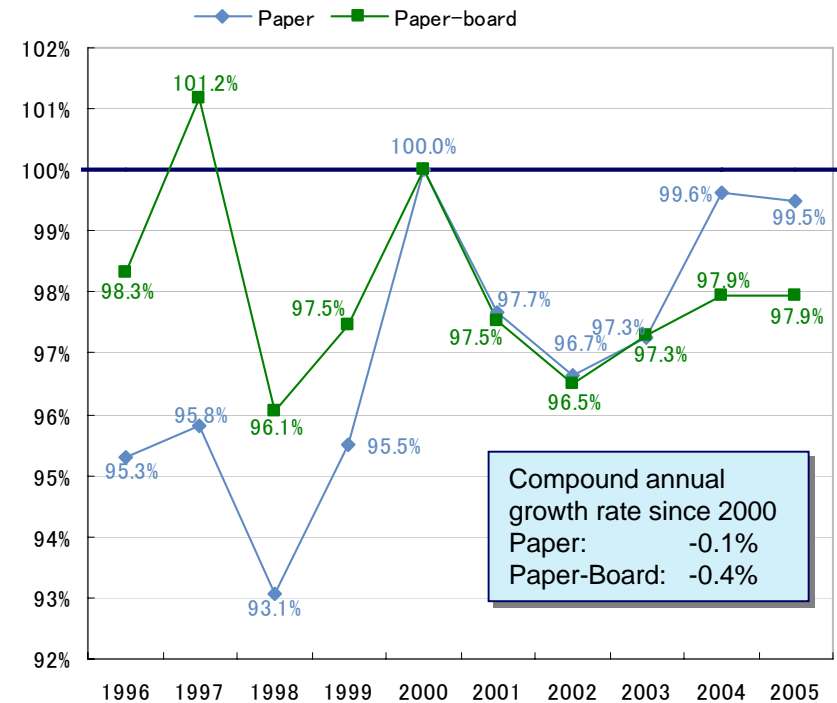
3. Need for Business Integration

■ Domestic demand for paper and paper-board has been stagnant since 2000, as the market has now peaked.

Trends in Domestic Demand for Paper and Paper-Board



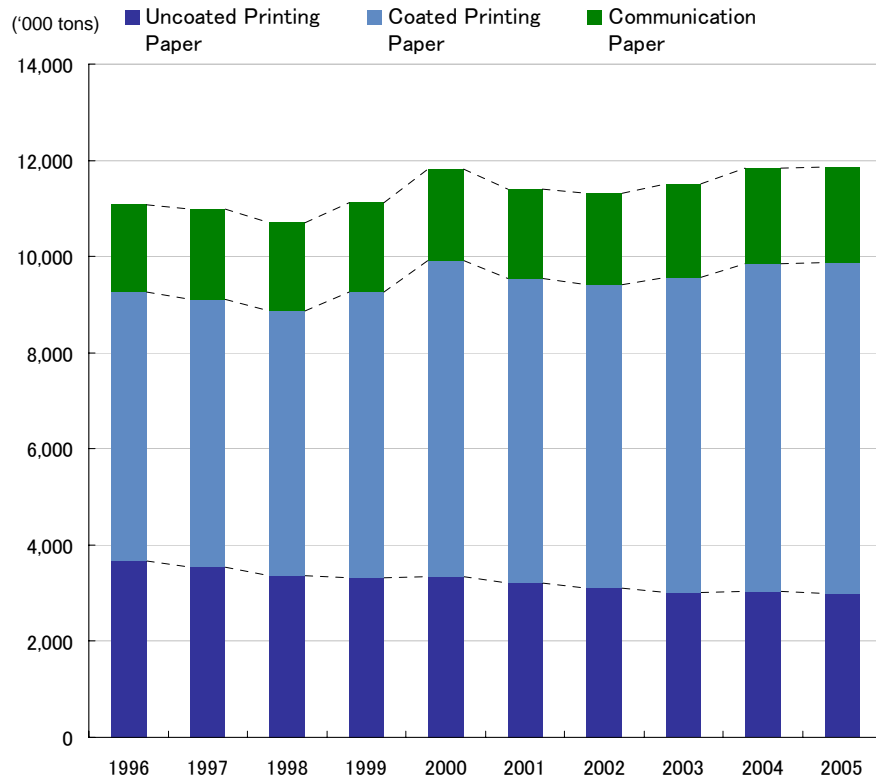
Domestic Demand for Paper and Paper-Board (Year 2000 = 100%)



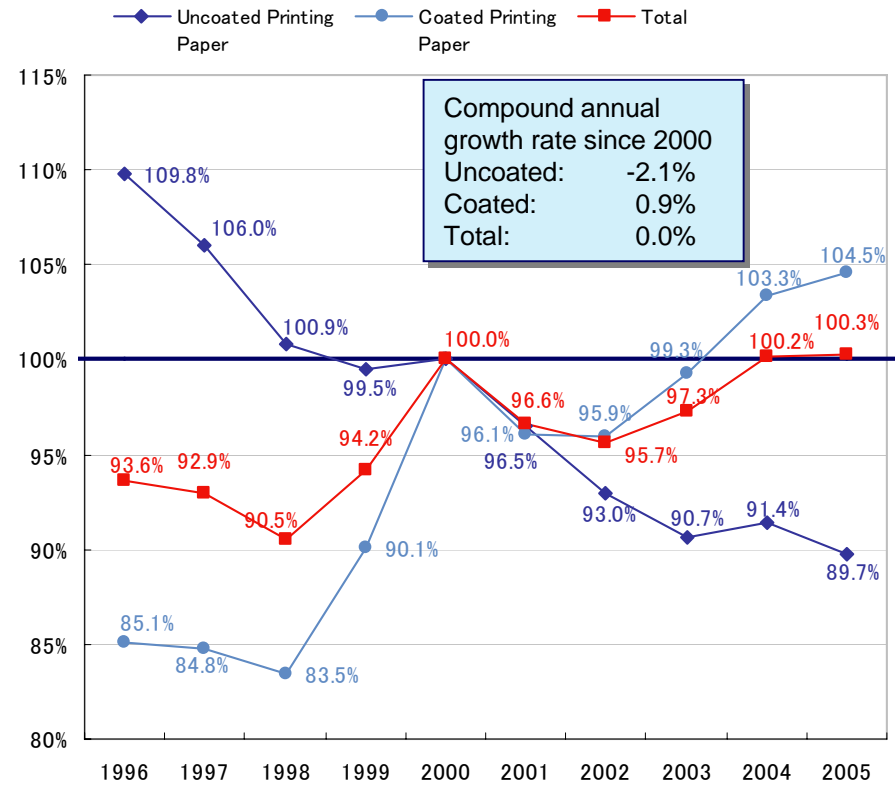
Source: JPA "Annual Statistics of Paper/Paper-Board", custom statistics
 Note) Domestic demand is calculated as the sum of domestic shipments and imports.

■ Recently, demand has shifted from uncoated to coated paper.

Trends in Demand by Product Type for Printing and Communications Paper



Demand by Product Type for Printing and Communications Paper (Year 2000 = 100%)

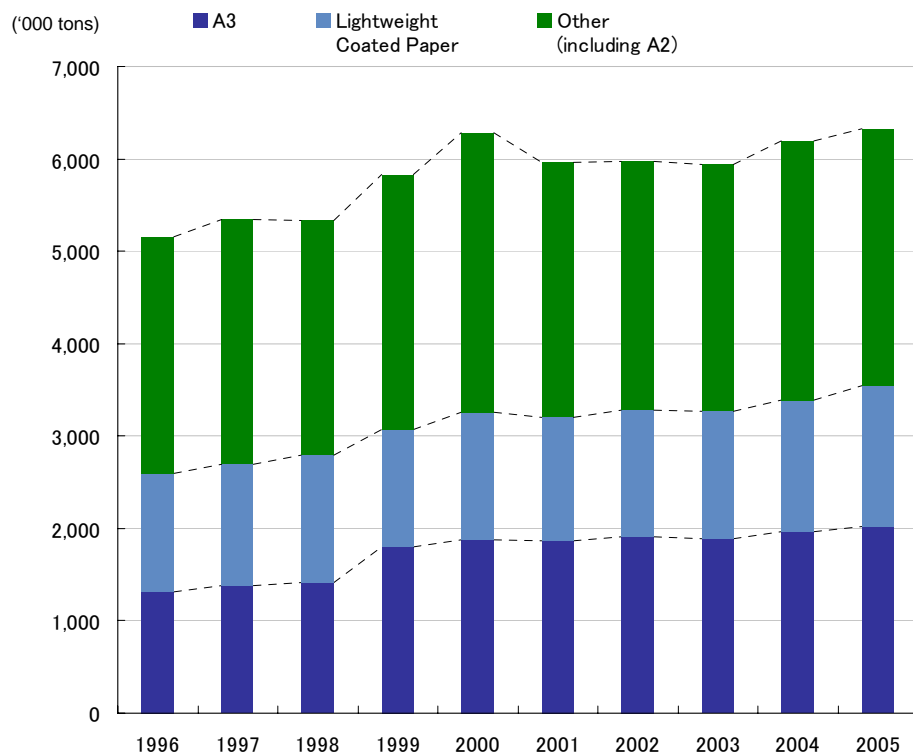


Source: JPA "Annual Statistics of Paper/Paper-Board", custom statistics
 Note) Domestic demand is calculated as the sum of domestic shipments and imports.

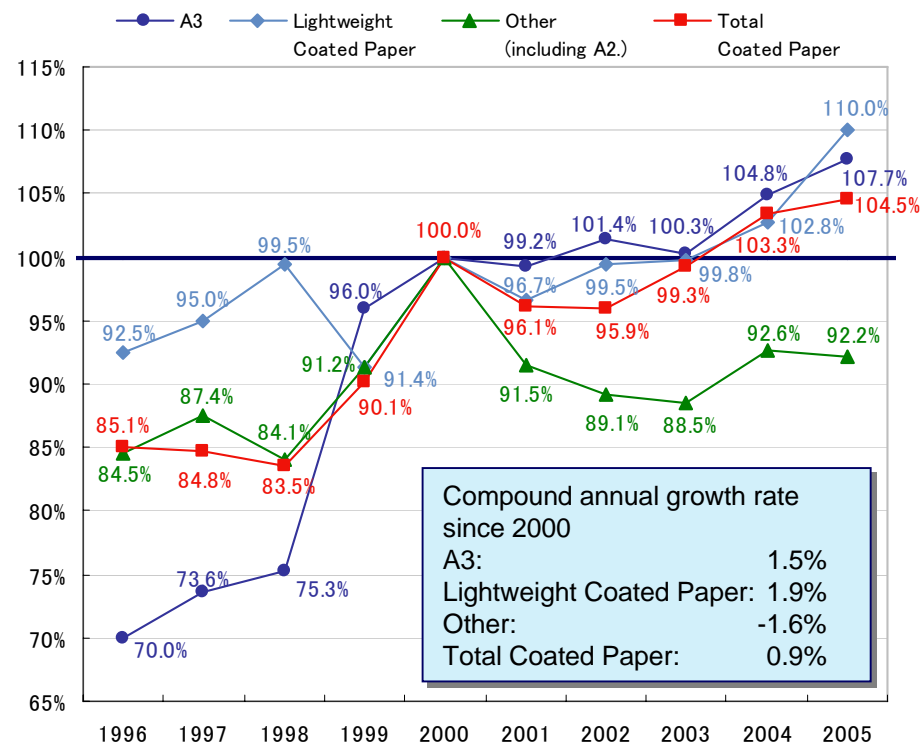
Note) "Total" refers to the sum of uncoated, coated printing paper and communications paper.

- Within the coated paper segment, demand is growing for A3, lightweight coated paper and other lightweight materials. It should also be noted that production can be readily converted from A2, etc., and therefore we expect a further shift into A3 and lightweight coated paper.

Trends in Domestic Orders for Coated Paper



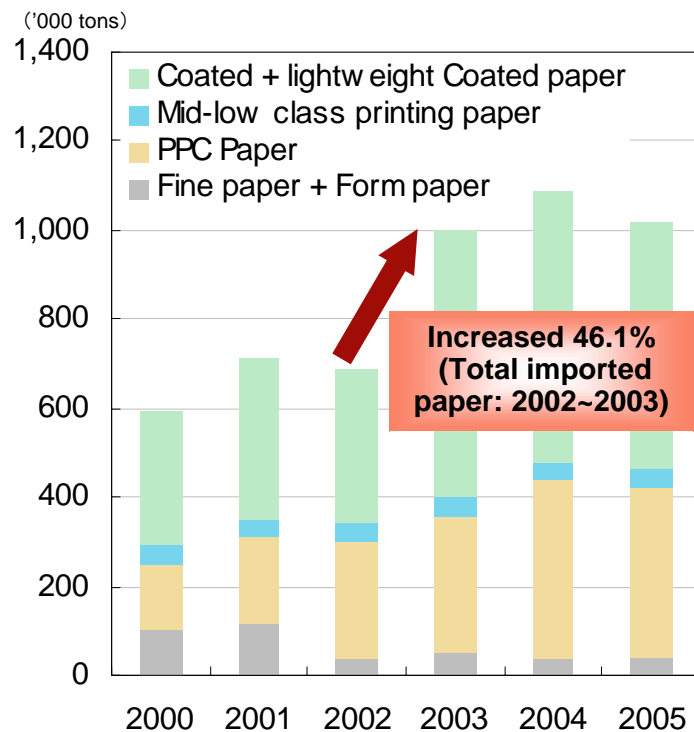
Domestic Coated Paper Orders (Year 2000 = 100%)



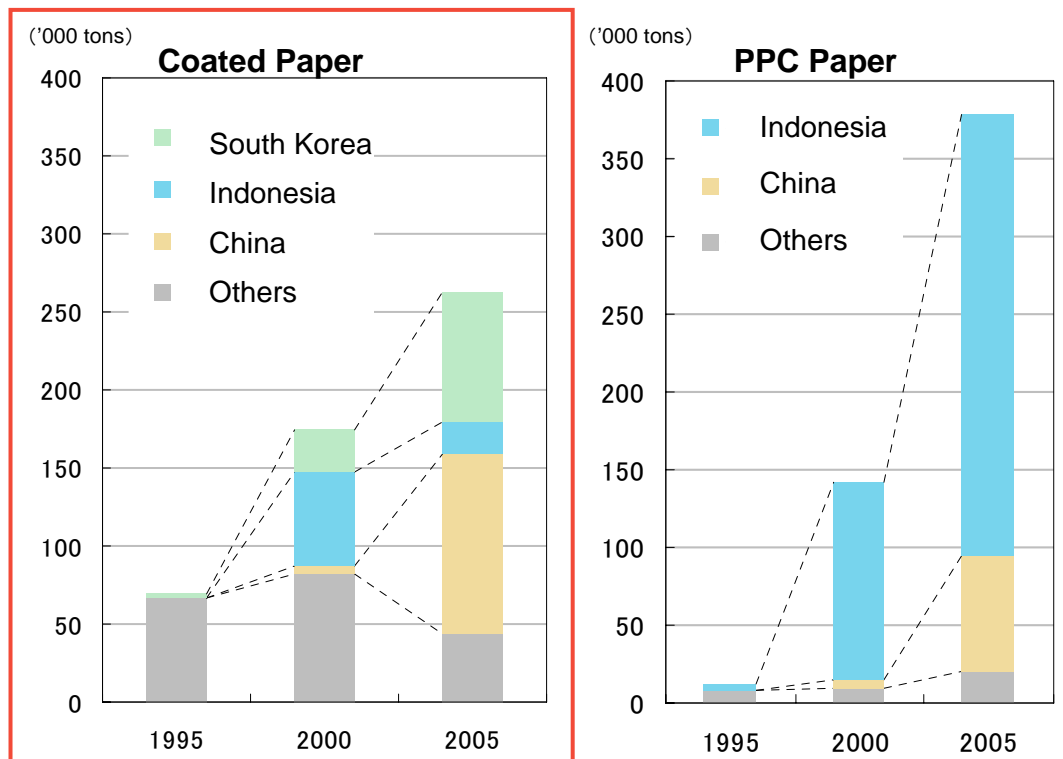
Source: JPA "Annual Statistics of Paper/Paper-Board", custom statistics
 Note) Domestic orders refers to domestic shipments.

- Import of printing and communications paper has been rapidly increasing in the last 2 to 3 years.
- Recent data shows that the import volume in particular from East Asia (Indonesia, South Korea, China) is increasing.

Trends in Import Volume



Trends in Import Volume by Country



Source: JPA "2005 Annual Statistics of Paper/Paper-Board", JPA official web site, Customs statistics

Source: Customs statistics

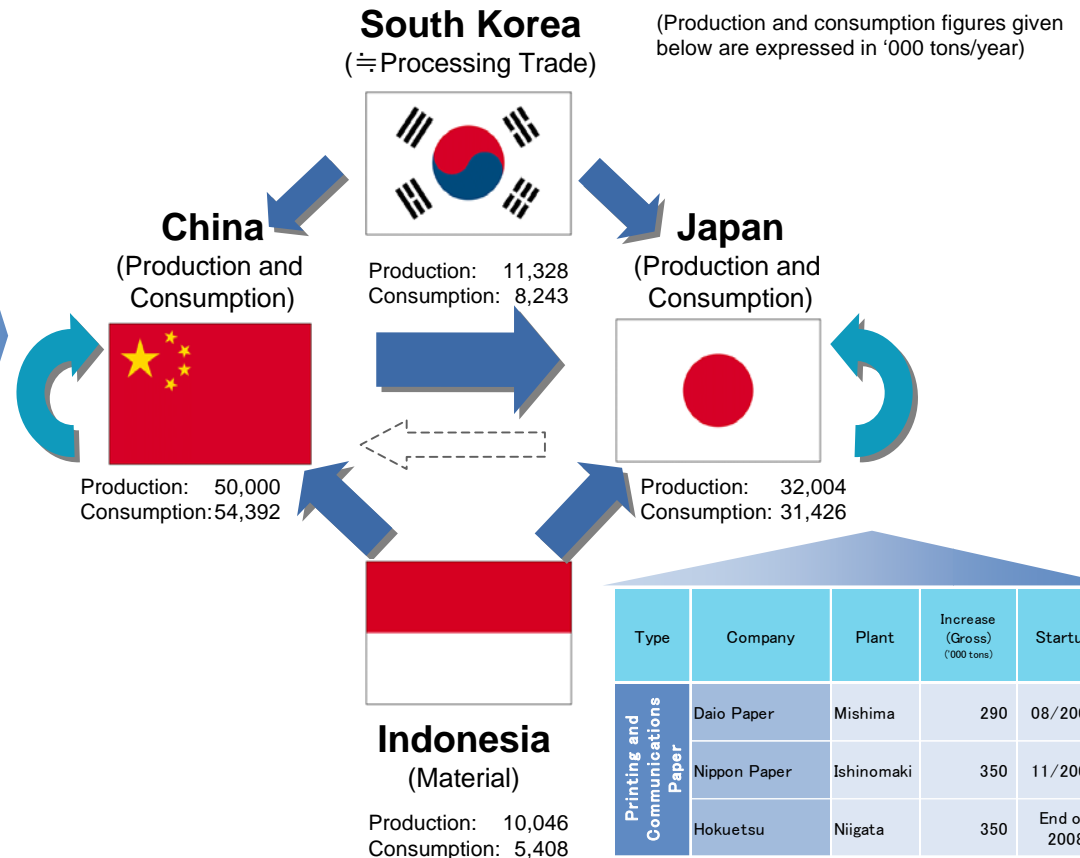
- International paper manufacturing companies continue to implement large-scale capital investment plans in China. It is anticipated that exports to markets with a high level of consumption (including Japan) will become an important business strategy for these companies.
- The growth in exports and imports is creating a single integrated market in East Asia.

Major Production Investments in China (except Oji)

Type	Company	Plant Location	Increase (Gross) ('000 tons)	Startup
Printing and Communications Paper	Stora Enso Suzhou Paper	★ Suzhou	160	2003
	Yueyang Paper	Yueyang	120	07/2003
	Shangdong Huatai Paper	★ Dongying	280	08/2003
	Shangdong Taishan Paper	★ Laiwu	135	09/2003
	Jiangxi Chenming Paper	Nanchang	400	06/2004
	Sun Paper	★ Yanzhou	160	09/2004
	Shangdong Yinhe Paper	★ Linqing	100	12/2004
	UPM-Kymmene, Changshu Paper	★ Changshu	450	05/2005
	Jiangxi Chenming Paper	Nanchang	400	05/2005
	APP Gold East	★ Changshu	700	06/2005
	Shangdong Huatai Paper	★ Dongying	350	2006

★ Located in coastal regions

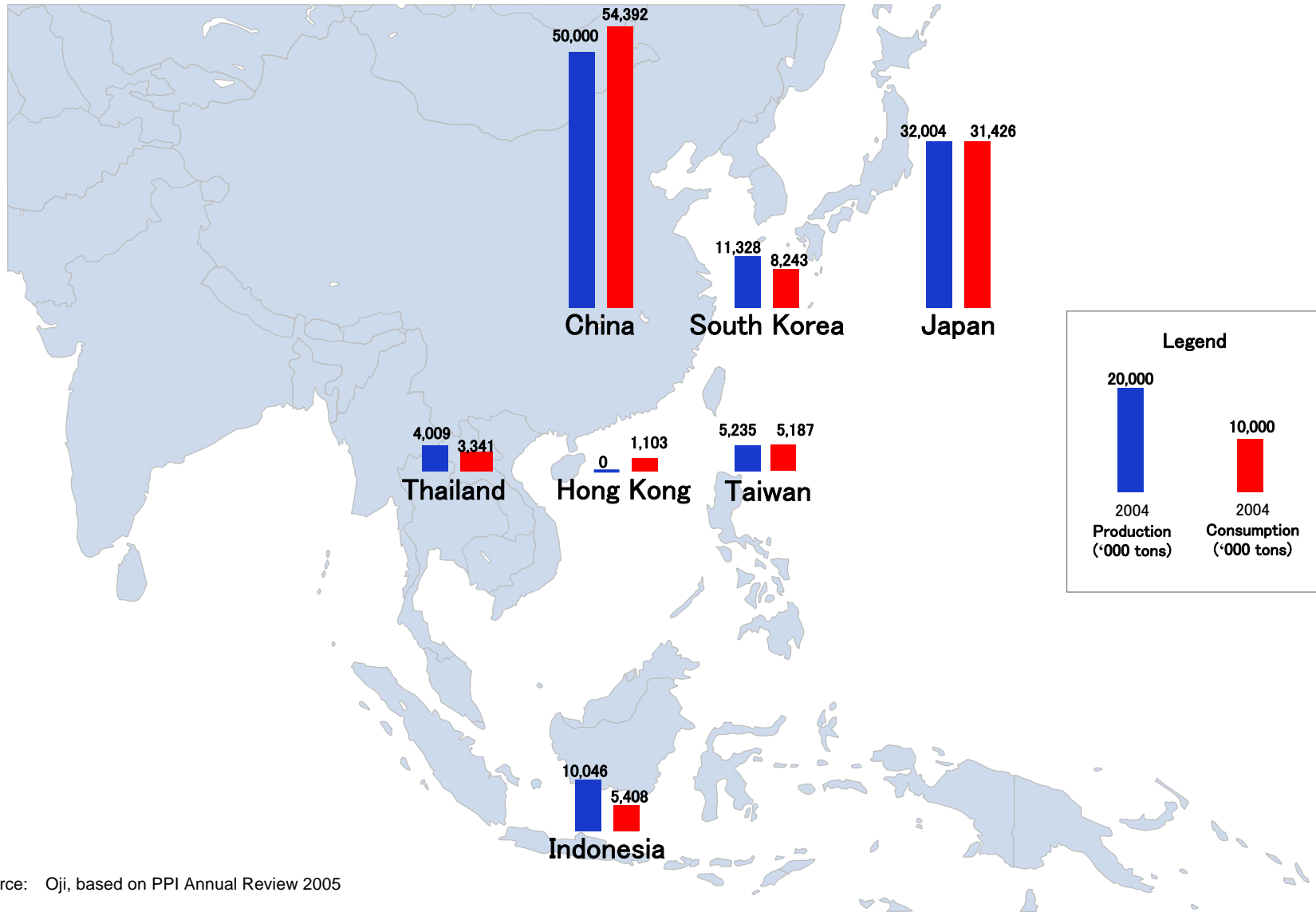
Production and Consumption of Paper and Paper-board in East Asia



Source: Oji, based on PPI Asia, etc.

Source: PPI Annual Review 2005
 Note) Production capacity and consumption is based on 2004 data.

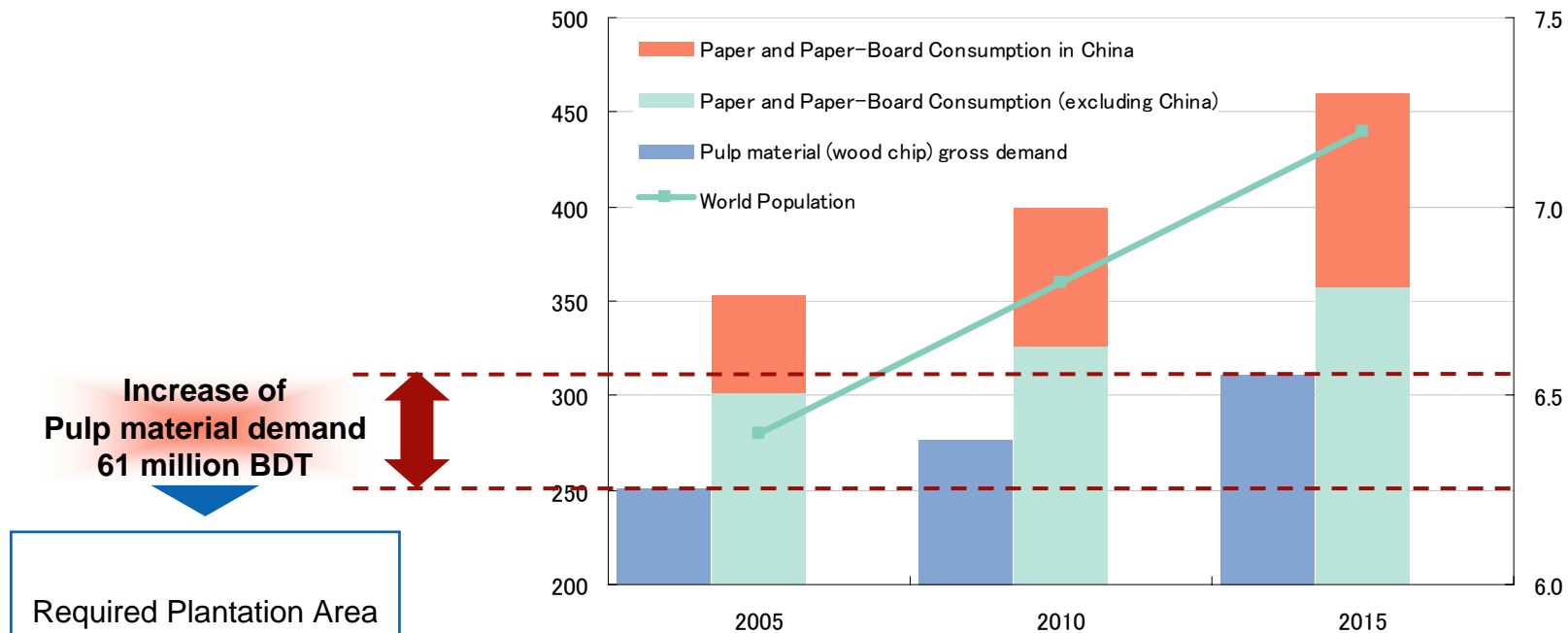
(Reference) Production and Market Sizes in East Asia



Source: Oji, based on PPI Annual Review 2005

- Competition for forestry resources will become more intense due to increase in consumption driven by population growth.
- Securing overseas forestry resources is essential to provide a stable supply of paper and pulp products and to expand global market share.
- Improved capital-raising capabilities and increased cash flows will be required for large-scale overseas investments.

Pulp material (million BDT/year)
Paper and Paper-Board Consumption (million tons/year) (billion people)



Note1) Paper and paper-board consumption average growth rate is 2.6 % annually.
Chinese consumption is expected to grow by 7%.
Note2) Pulp demand is based on Oji estimates.
Note3) World Population: FAO Population Statistics.

II. Benefits to the Shareholders of Both Companies

1. Summary of the Terms of the Tender Offer

- Oji will make a tender offer at a price with a significant premium to the share price of Hokuetsu. We believe this price is attractive to Hokuetsu shareholders.

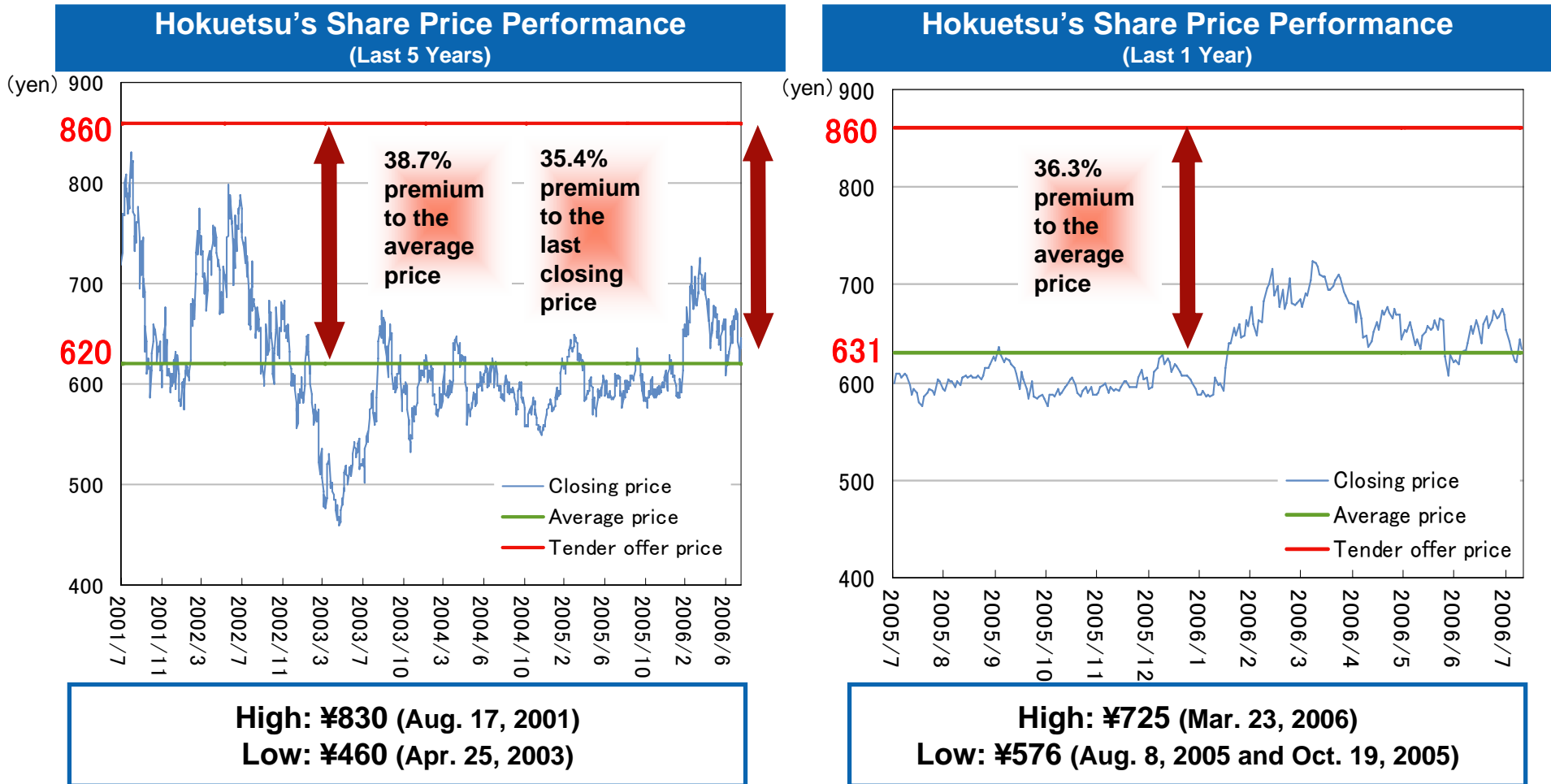
	Tender Offer Price ¥860	
	Hokuetsu share price	Premium
July 21, 2006 (1 business day prior to date of announcement)	¥635	35.4%
1-month average prior to announcement date (June 22, 2006~July 21, 2006)	¥653	31.7%
3-month average prior to announcement date (April 24, 2006~July 21 2006)	¥651	32.2%
June 30, 2006 (1 business day prior to date of proposal)	¥668	28.7%
1-month average prior to proposal date (June 1, 2006~June 30, 2006)	¥644	33.5%
3-month average prior to proposal date (April 3, 2006~ June 30, 2006)	¥658	30.7%

Other Conditions

- Conditioned upon the withdrawal of Hokuetsu's planned placement of shares and business alliance with Mitsubishi Corporation
- All cash tender offer (low level of uncertainty, with possibility of objective valuation and comparison for Hokuetsu shareholders)
- If Hokuetsu's shares representing 50.1% of voting rights are tendered, Oji will purchase all such tendered shares.
- Oji plans to cause Hokuetsu to become a wholly owned subsidiary by a subsequent transaction such as statutory share exchange. The valuation of Hokuetsu's shares (¥860) in a statutory share exchange will be based on the price of the tender offer.
- Bridge loan lender has acknowledged to advance the funds in an amount equal to the total amount of the funds necessary for the acquisition.

Note) The 1-month and 3-month average share prices of Hokuetsu are based on the 1-month or 3-month period prior either to the announcement (July 23, 2006) or to the proposal (July 3, 2006) and are averages of closing prices on the Tokyo Stock Exchange ("TSE").

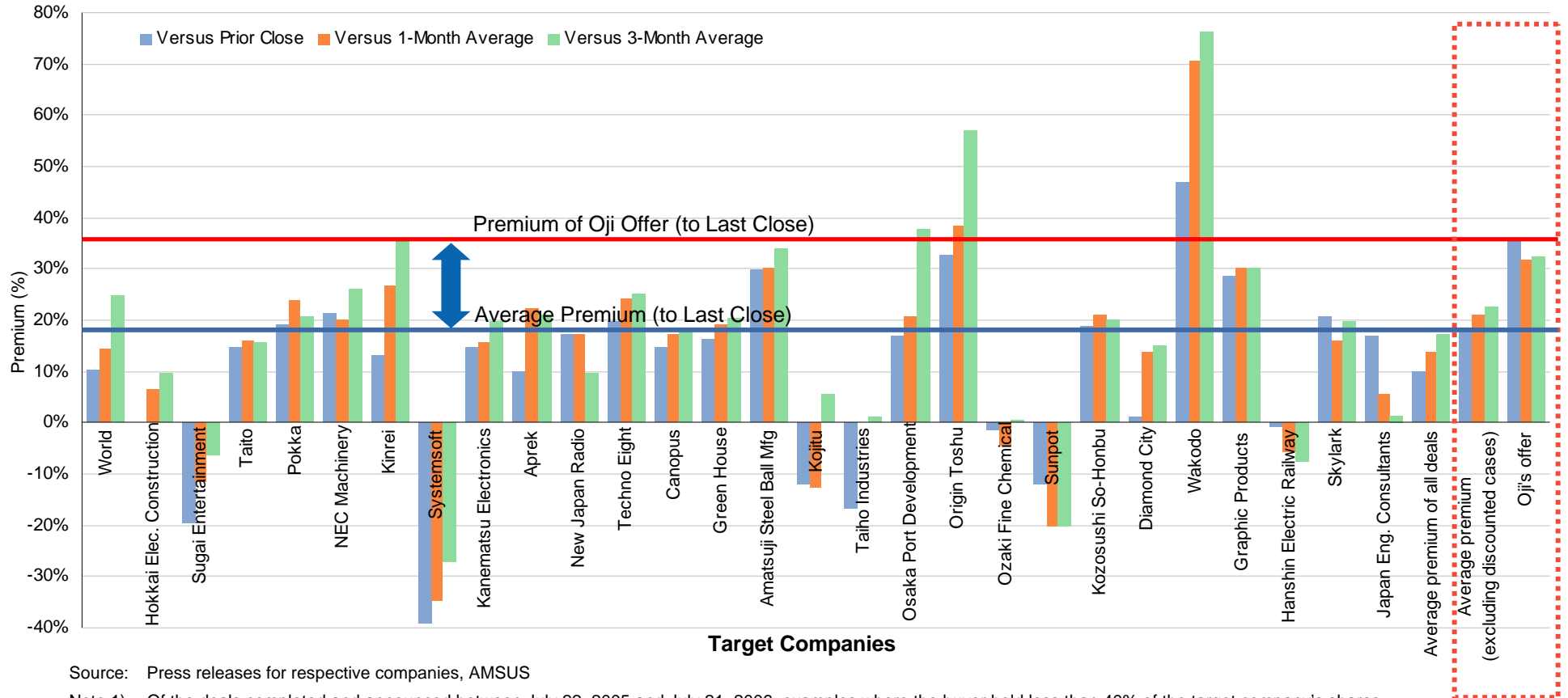
- The tender offer price offered by Oji represents a 38.7% premium to the average closing price over the last 5 years (¥620). The offer price also exceeds the 5-year high of Hokuetsu's share price (¥830).



Note 1) The high and low share prices for the last 5 years are based on the 5 year period prior to the announcement (July 23, 2006) and represent the high or low closing prices on the TSE

Note 2) The high and low share prices for the last year are based on the 1 year period prior to the announcement (July 23, 2006) and represent the high or low closing prices on the TSE

- The premium offered (to the last closing price on the business day before the announcement) is higher than the average premium in precedent tender offer transactions in the last 1 year.



Source: Press releases for respective companies, AMSUS

Note 1) Of the deals completed and announced between July 22, 2005 and July 21, 2006, examples where the buyer held less than 40% of the target company's shares (excluding indirect shareholdings) before the tender offer and held more than 50% (excluding indirect shareholdings) of the target company's shares after the tender offer transaction was completed are used.

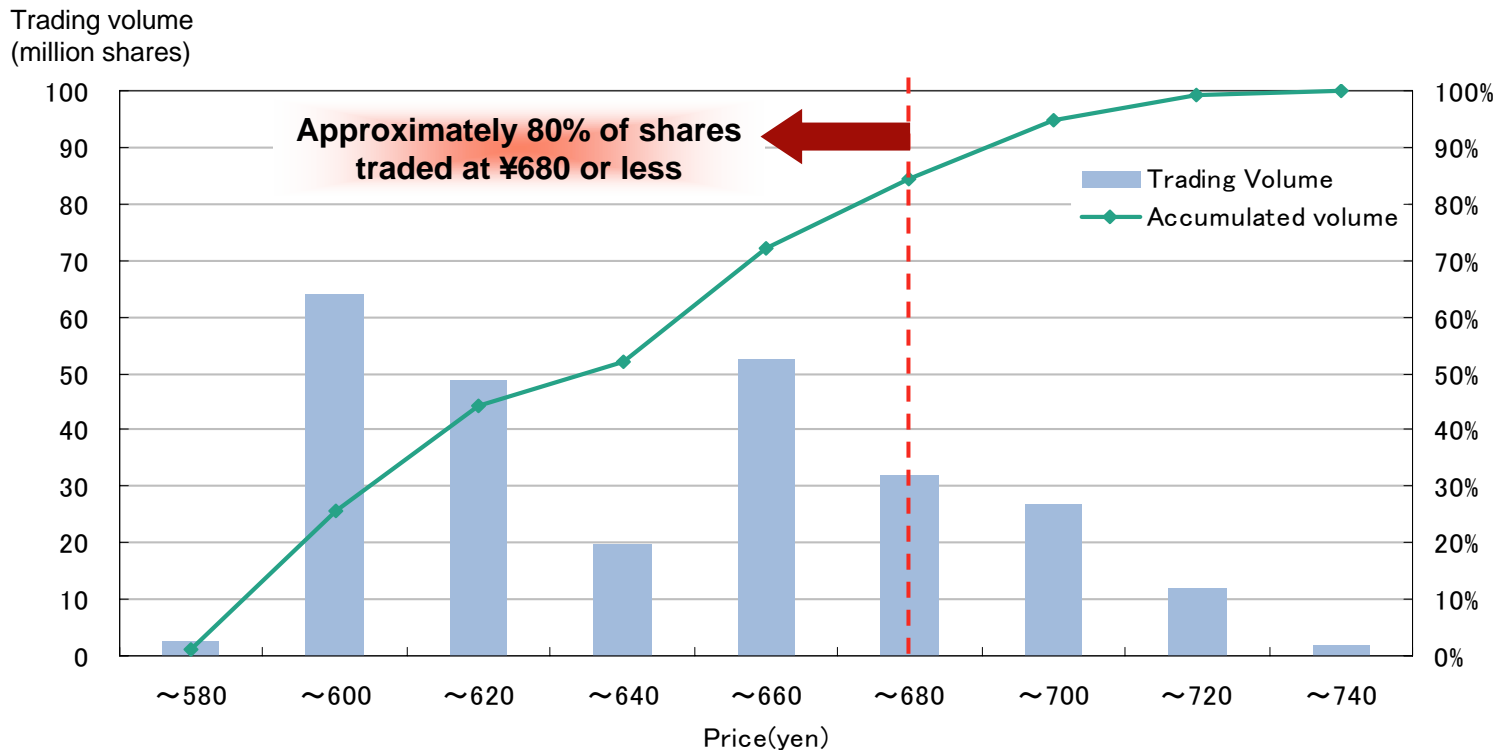
Note 2) Premiums are calculated by acquisition prices ÷ share prices of target companies - 1.

Note 3) Share prices for the target companies are based on share price for the business day prior to announcement, the average share price for the 1-month period prior to announcement, and the average share price for the 3-month period prior to announcement, respectively.

Note 4) Calculations of premium with respect to shares of Hokuetsu are based on the share price for the business day prior to announcement (July 21, 2006), the average share price for the 1-month period prior to announcement, and the average share price for the 3-month period prior to announcement, respectively.

- During the year prior to July 21, 2006, approximately 80% of the trading in Hokuetsu shares occurred at ¥680 or less.
- Oji's proposal of ¥860 per share represents a substantial premium to a large number of the shareholders of Hokuetsu.

Hokuetsu Shares Accumulated Trading Volume Ratio by Price Range

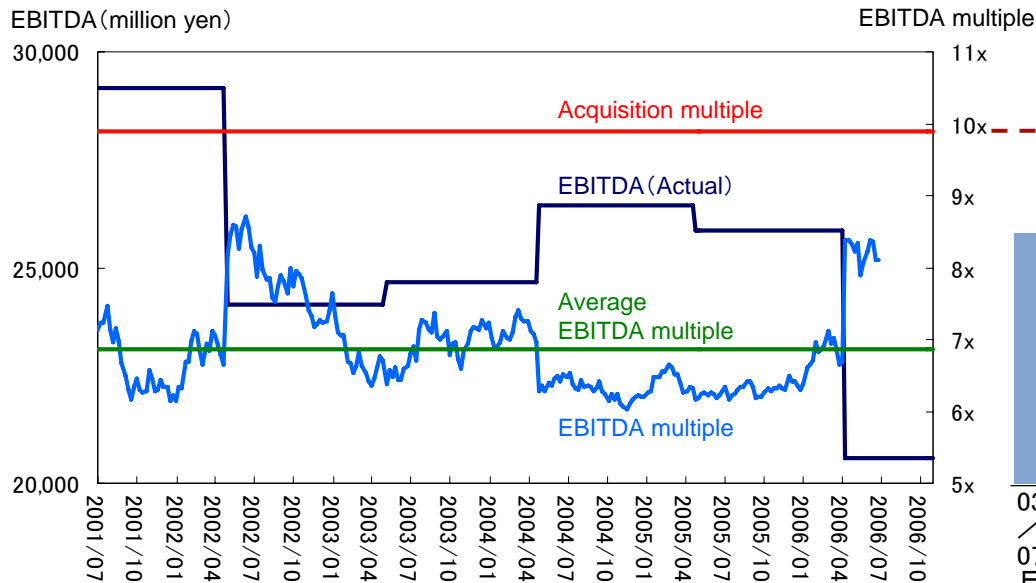


Source: Quick

Note) Based on trading volume by share price range (VWAP basis) from July 22, 2005 to July 21, 2006.

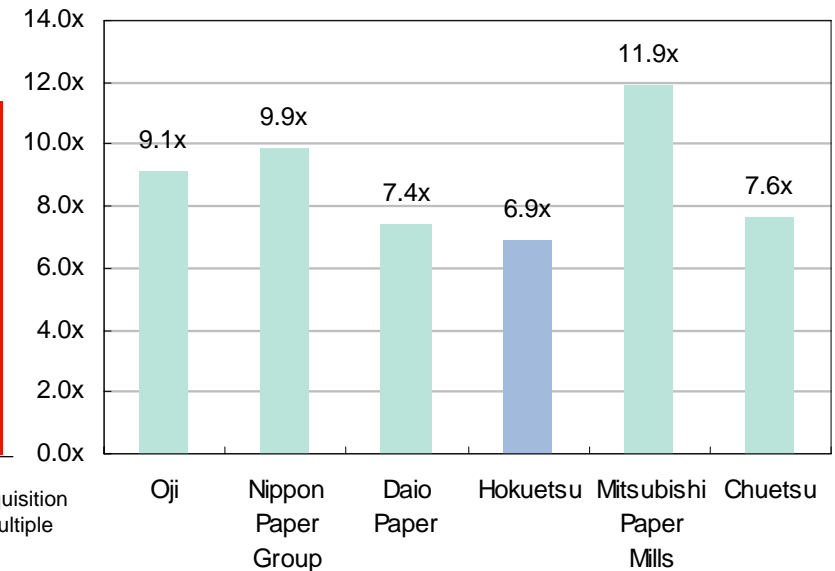
- The EBITDA multiple represented by the tender offer price proposed by Oji is higher than the actual multiple at any time during the last 5 years.

Trends in Hokuetsu's EBITDA Multiple (actual)



- Note 1) EBITDA = Operating income + Depreciation + Amortization of Consolidated Account Adjustment.
 Note 2) EBITDA Multiple = Enterprise Value ÷ EBITDA.
 Note 3) Average EBITDA multiple represents the average EBITDA multiple (weekly) for the 5-year period prior to the announcement (July 23, 2006).
 Note 4) Enterprise value is defined as the sum of Market Value and Net Debt.
 Note 5) Market Value is calculated by multiplying Weekly Closing Price by Number of Shares Issued (excluding treasury stock and parent shares held by subsidiaries).
 Note 6) Net Debt = Debt + Minority Interest – (Cash/Cash Deposit + Marketable Securities).
 Note 7) In the financial data, the items on the Income Statement represent the actual data on the latest full-year report available on the date the share price was taken, while Balance Sheet items represent the data either on the latest full-year or interim financial reports (whichever is more recent) available on the day the share price was taken.
 Note 8) Share price obtained from AMSUS. The other numerical data are based on each company's public information.
 Note 9) 03/07E and 03/08E EBITDA multiples are calculated based on average analyst estimates in the I/B/E/S from May 19, 2006 (the day after Hokuetsu's announcement of the introduction of N9) to July 21, 2006 and the closing price of July 21, 2006 (03/07E indicates FY2006 projections and 03/08E indicates FY2007 fiscal projections).
 Note 10) The acquisition multiple is based on the enterprise value (calculated using the offer price) and EBITDA in FY2005.

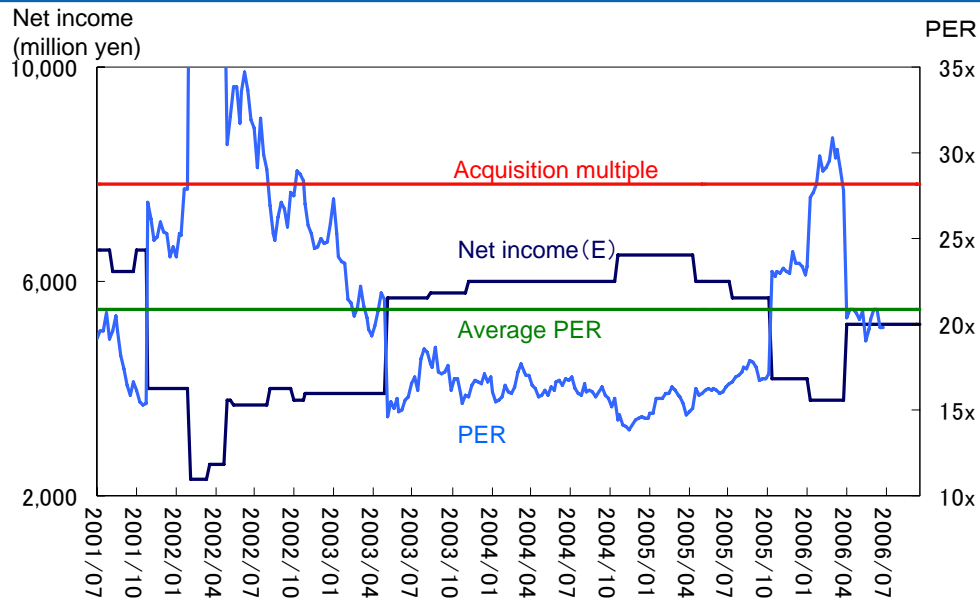
EBITDA Multiple (average for the last 5 years)



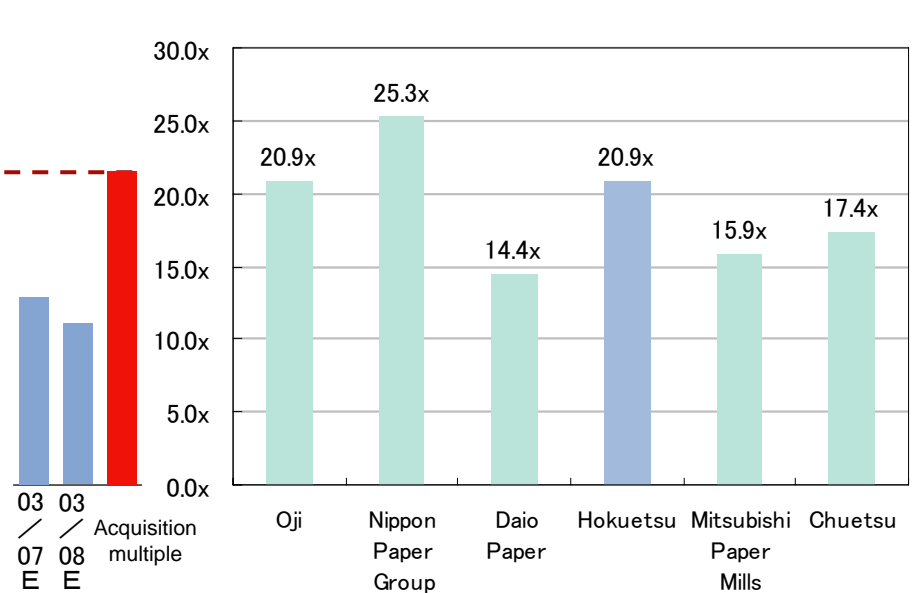
- Note 1) The above data are based on the average EBITDA multiple (weekly) for the 5-year period prior to the announcement date (July 23, 2006).
 Note 2) EBITDA Multiple = Enterprise Value ÷ EBITDA.
 Note 3) In calculating the average, multiples of 20 times or more are excluded as outliers.
 Note 4) Nippon Paper Group was established in March 2001 through stock transfer. Therefore, its average EBITDA Multiple is calculated based on EBITDA multiples after May 2002, when consolidated full-year financial data for the Group first became available.

- The PER represented by the tender offer price proposed by Oji is higher than the average PER over the last 5 years.

Trends in Hokuetsu's PER (estimate)



PER (average for last 5 years)



Note 1) $PER = \text{Market Value} \div \text{Net Income}$.

Note 2) Average PER represents the average PER (weekly) for the 5-year period prior to the announcement date (July 23, 2006).

Note 3) Market Value is calculated by multiplying Weekly Closing Price by Number of Shares Issued (excluding treasury stock and parent shares held by subsidiaries).

Note 4) Net income was obtained from Toyo Keizai estimates for the relevant fiscal term (as of the date the share price was taken).

Note 5) Share price and Toyo Keizai estimates were obtained from AMSUS.

Note 6) 03/07E and 03/08E PER are calculated based on average analyst estimates in I/B/E/S from May 19, 2006 (the day after Hokuetsu's announcement of the introduction of N9) to July 21, 2006 and the closing price of July 21, 2006 (03/07E indicates FY2006 projections and 03/08E indicates FY2007 projections).

Note 7) The acquisition multiple is based on the tender offer price proposed and average analyst estimates for FY2006 in I/B/E/S from May 19, 2006 (the day after Hokuetsu's announcement of the introduction of N9) to July 21, 2006.

Note 1) The above data are based on the average (weekly) PER for the 5-year period prior to the announcement date (July 23, 2006).

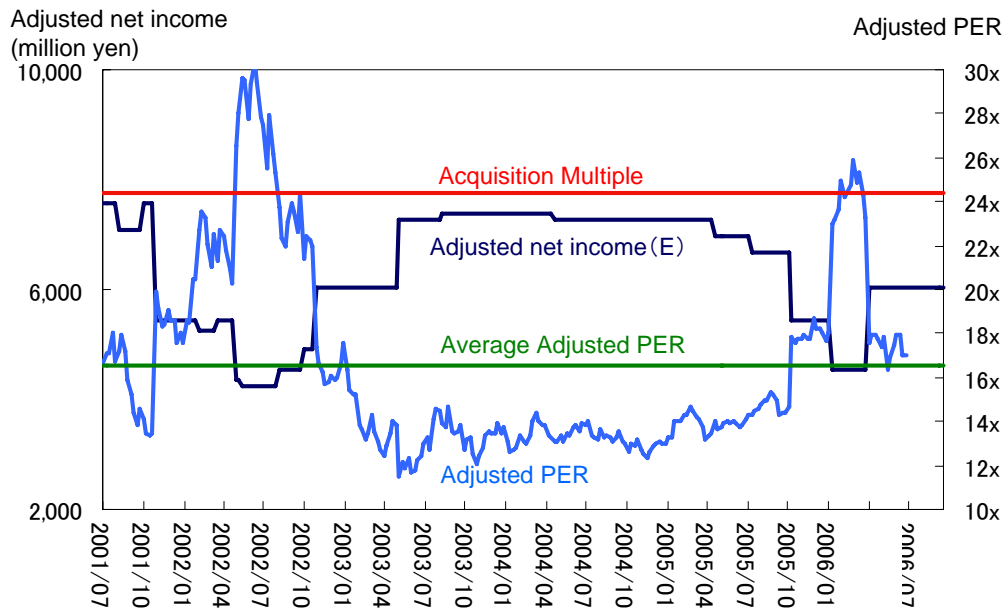
Note 2) PER is calculated in the same manner as indicated on the left.

Note 3) In calculating the average, negative multiples and multiples of 50 times or more are excluded as outliers.

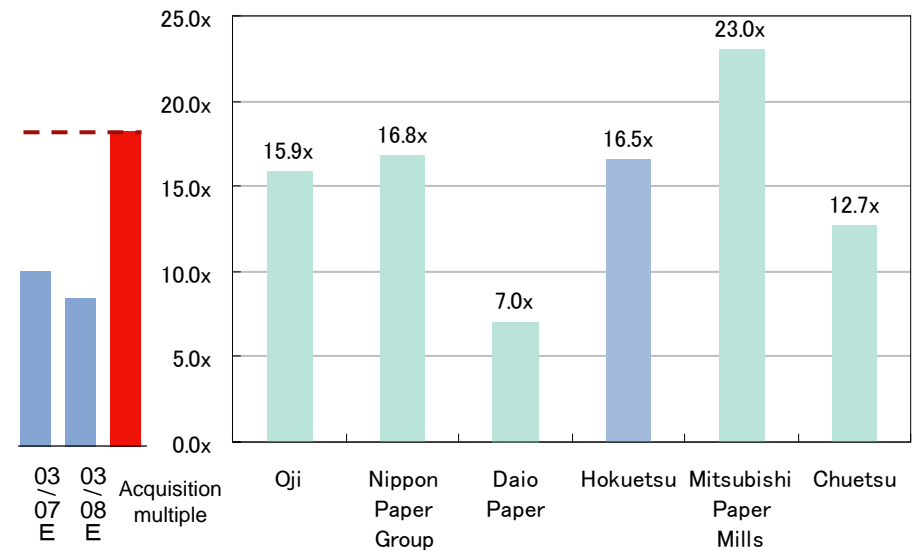
Note 4) Nippon Paper Group was established in March 2001 through stock transfer. Therefore, its average PER is calculated based on PER after May 2002, when consolidated full-year financial data for the Group first became available.

- The adjusted PER represented by the tender offer price proposed by Oji gives a multiple which is higher than the average adjusted PER over the last 5 years.

Hokuetsu's Adjusted PER (estimate)



Adjusted PER (average for last 5 years)



- Note 1) Adjusted Net Income = Ordinary Income x (1 – Effective Tax Rate).
- Note 2) Average Adjusted PER represents the average adjusted PER (weekly) for the 5-year period prior to the announcement date (July 23, 2006).
- Note 3) Adjusted PER is calculated by dividing Market Value by Adjusted Net Income.
- Note 4) Market Value is calculated by multiplying Weekly Closing Price by Number of Shares Issued at the year-end (excluding treasury stock and parent shares held by subsidiaries).
- Note 5) Ordinary income was obtained from Toyo Keizai estimates for the fiscal term (as of the date the share price was taken).
- Note 6) Share price and Toyo Keizai estimates were obtained from AMSUS.
- Note 7) 03/07E and 03/08E adjusted PER are calculated based on average analyst estimates in I/B/E/S from May 19, 2006 (the day after Hokuetsu's announcement of the introduction of N9) to July 21, 2006 and the closing price of July 21, 2006 (03/07E indicates FY2006 projections and 03/08E indicates FY2007 projections).
- Note 8) The acquisition multiple is based on the tender offer price proposed and average analyst estimates for FY2006 in I/B/E/S from May 19, 2006 (the day after Hokuetsu's announcement of the introduction of N9) to July 21, 2006.

- Note 1) The above data are based on the average (weekly) adjusted PER for the 5-year period prior to the announcement date (July 23, 2006).
- Note 2) Adjusted PER is calculated the same manner as indicated on the left.
- Note 3) In calculating the average, negative multiples and multiples of 30 times or more are excluded as outliers.
- Note 4) Nippon Paper Group was established in March 2001 through stock transfer. Therefore, its average adjusted PER is calculated based on PER after May 2002, when consolidated full-year financial data for the Group first became available.

Comments by Analysts

- Hokuetsu Paper's structural dilemma is that it does not have the top market share within the industry in its core business, which the company is highly dependent on for earnings.
- The formula whereby increased market share leads to relative share price increases depends on higher production volume leading to earning growth. With domestic demand clearly maturing, conditions are such that higher volume may not tie directly into profit growth.

June 2, 2006 Morgan Stanley-Equity Research Japan, report on Hokuetsu
- This represents a discount of around 30% on the warranted P/B of 1.3-1.4 for Oji Paper and Nippon Paper Group because we believe Hokuetsu has little further room to cut costs and there is a high risk it will not achieve its projections due to surging raw materials prices.

June 19, 2006 CREDIT SUISSE Equity Research Asia Pacific, report on Hokuetsu

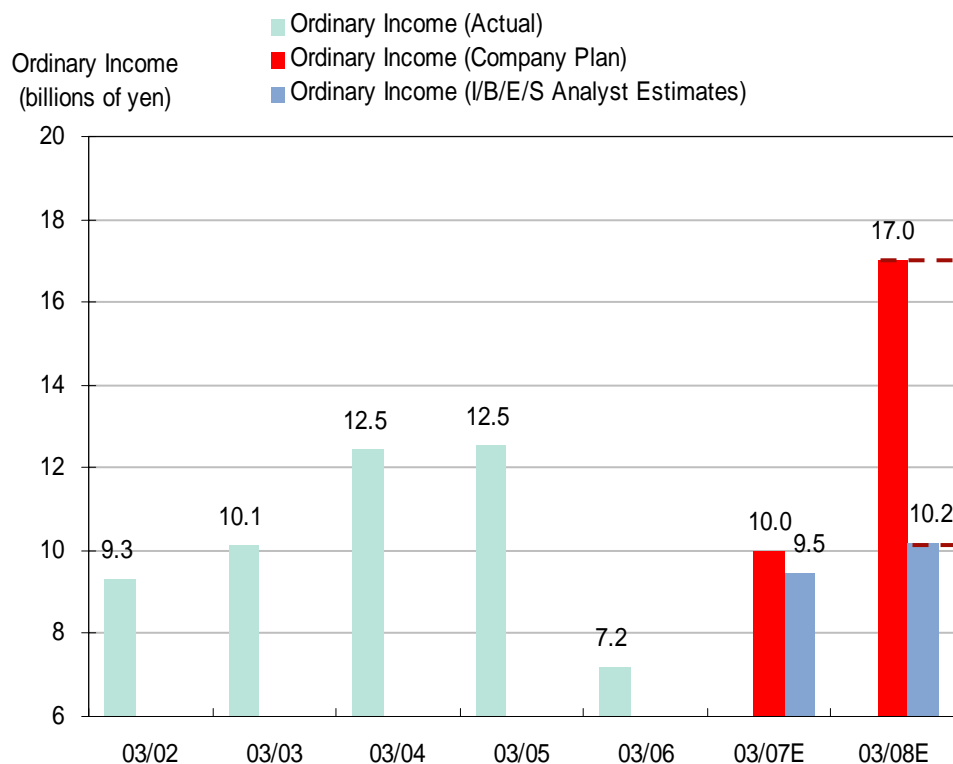
Comment by Hokuetsu President Miwa regarding N9

- The expected depreciation is approximately 4 billion yen per year. At the commencement of the operation, the production will be 200,000 tons a year. Therefore, it is true that there will be a loss for the first two or three years for accounting purposes.

June 13, 2006, an excerpt from "Interview with President Miwa",
Nikkei Sangyo Shinbun (Translation from Japanese to English
by Oji)

- The performance of Hokuetsu's J-100 plan diverges widely from analyst expectations.

Trends in Hokuetsu's Ordinary Income



- J-100 Plan diverges widely from analyst expectations
- The disparity in projected ordinary income for FY2007 is ¥6.8 billion

J-100 Plan in FY2007

	Consolidated	Non-Consolidated
Ordinary Income	¥17 billion	¥15 billion
Ordinary Income/Sales	10% or more	10% or more
Capital to Asset Ratio	50% or more	50% or more
ROA(Ordinary Income/Total Assets)	7% or more	7% or more
D/E Ratio	0.6 or less	0.6 or less
EBITDA/Sales	18% or more	18% or more

- The ¥10 billion in ordinary income for 03/07E under the Company Plan includes a ¥2.4 billion positive impact from a change in depreciation method.
- Hokuetsu expects a 70% increase in target ordinary income from ¥10 billion for the current period (03/07E) to ¥17 billion in the following period (03/08E). The amount of the increase can be broken down as follows: ¥1.2 billion due to sales price and product mix, ¥0.6 billion due to materials costs, ¥0.8 billion due to pulpwood prices, ¥2.6 billion from efficiency improvements, and ¥1.8 billion from enhanced productivity and sales.

Source: Hokuetsu official web site, Bloomberg

Note 1) 03/07E (Company Plan) refers to Hokuetsu's announced estimates, 03/08E (Company Plan) relies on figures from the J-100 Plan as announced by Hokuetsu (03/07E indicates FY2006 projections and 03/08E indicates FY2007 projections).

Note 2) 03/07E (I/B/E/S Analyst Estimates) and 03/08E (I/B/E/S Analyst Estimates) are based on average analyst estimates in I/B/E/S from May 19, 2006 (the day after Hokuetsu's announcement of expanded facilities for coated paper production) to July 21, 2006.

Note 3) D/E Ratio for the J-100 Plan is calculated as interest-bearing debt ÷ capital.

Note 4) EBITDA for the J-100 Plan is calculated as ordinary income + interest paid + depreciation expense.

2. Enhanced Value of the New Corporate Group

Pro Forma Income Statement for the New Group (billions of yen)

	FY2005 Actual			FY2006 Estimate			FY2007 Forecast			FY2008 Forecast		
	Oji	Hokuetsu	Aggregate	Oji	Hokuetsu	New Group	Oji	Hokuetsu	New Group	Oji	Hokuetsu	New Group
Sales	1,214	154	1,368	1,280	154	1,434	1,326	154	1,480	1,341	163	1,504
Ordinary Income	71	7	78	72	10	82	90	10	100	90	10	100
Net Income	21	3	24	32	6	37	48	6	54	49	6	55

FY2010: Pro Forma Sales for the New Group of 1,530 billion yen

Pro Forma Balance Sheet for the New Group (billions of yen)

	FY2005 Actual			FY2008 Forecast
	Oji	Hokuetsu	Aggregate	New Group
Interest-Bearing Debt	776	71	847	1,086
Net assets	528	113	641	638

Financial Ratio Analysis for the New Group

	FY2005 Actual			FY2008 Forecast
	Oji	Hokuetsu	Aggregate	New Group
ROE	4.1%	2.9%	3.8%	8.6%
Ordinary Income/Sales	5.8%	4.7%	5.7%	6.7%
D/E Ratio	1.5x	0.6x	1.3x	1.7x

Note 1) The forecasts for the New Group have been prepared only for the purpose of helping investors form an overall understanding of the New Group, and is not intended to represent earnings estimates of Oji.

Note 2) Forecasts for FY2008 are based on business forecasts for FY2006, taking into account the effect of Hokuetsu's N9 facility investment, synergies, the China (Nantong) business, etc.

Note 3) It is assumed that all of the estimated ¥140 billion to be used for the acquisition of the Hokuetsu shares will be financed through borrowings. Furthermore, Oji has already secured agreement for a bridge loan up to the total amount necessary for the acquisition.

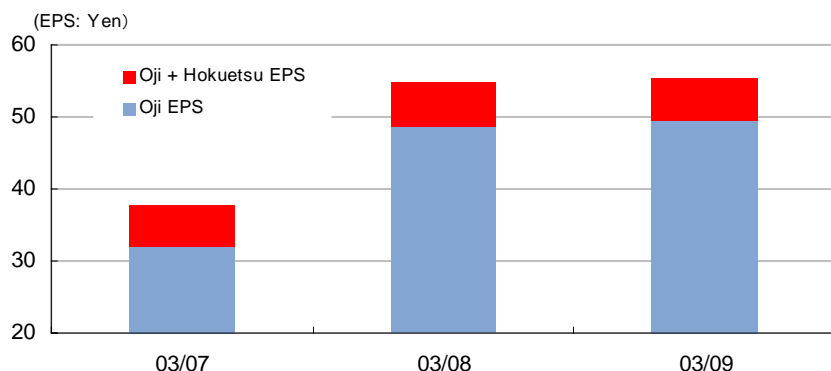
Note 4) ROE = net income ÷ net assets.

Note 5) D/E Ratio = interest-bearing debt ÷ net assets.

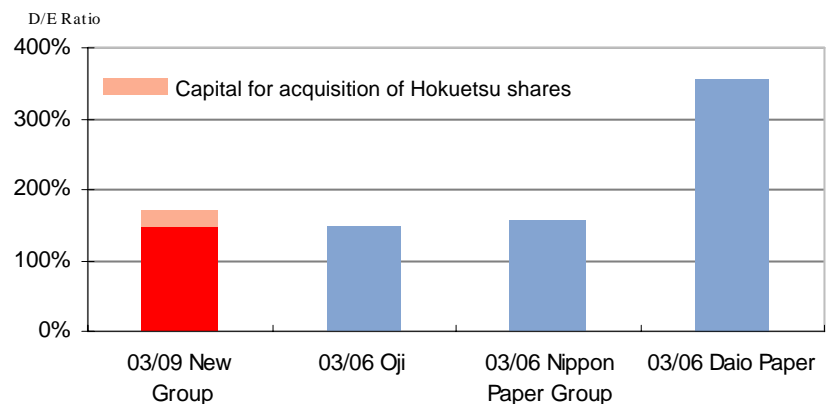
Contribution to Oji Shareholders (100% Debt-Financed Scenario)

- Oji's EPS is expected to increase after the business integration.
- Interest-bearing debt is expected to increase with the business integration, but this will have limited impact on Oji's financials.

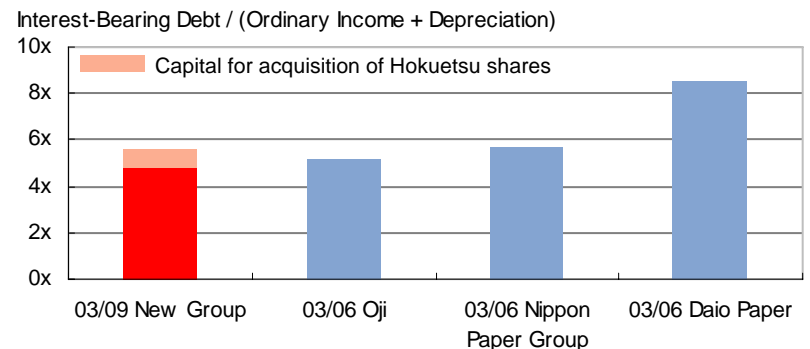
Trends in EPS



D/E Ratio



Interest-Bearing Debt / (Ordinary Income + Depreciation)

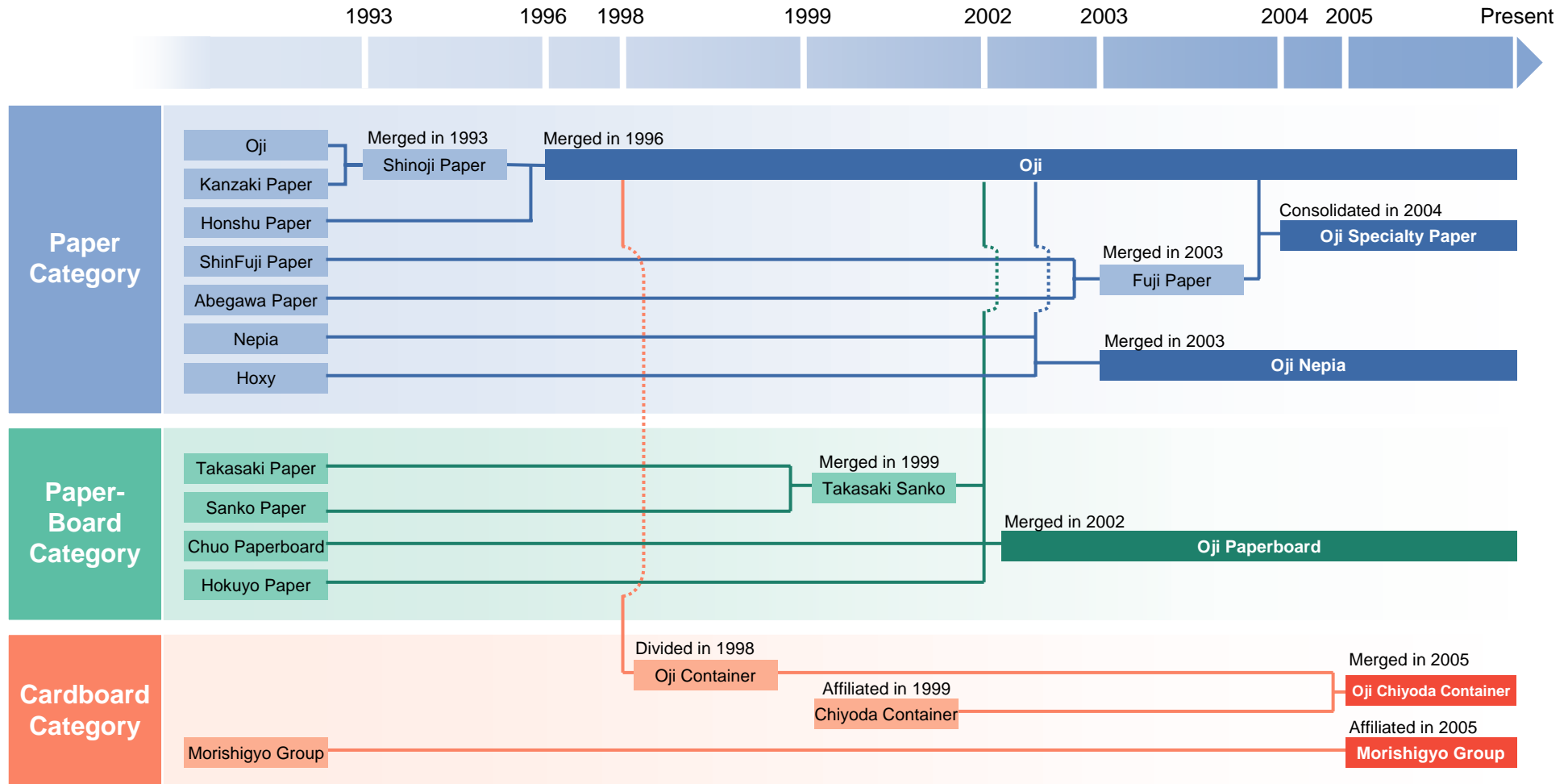


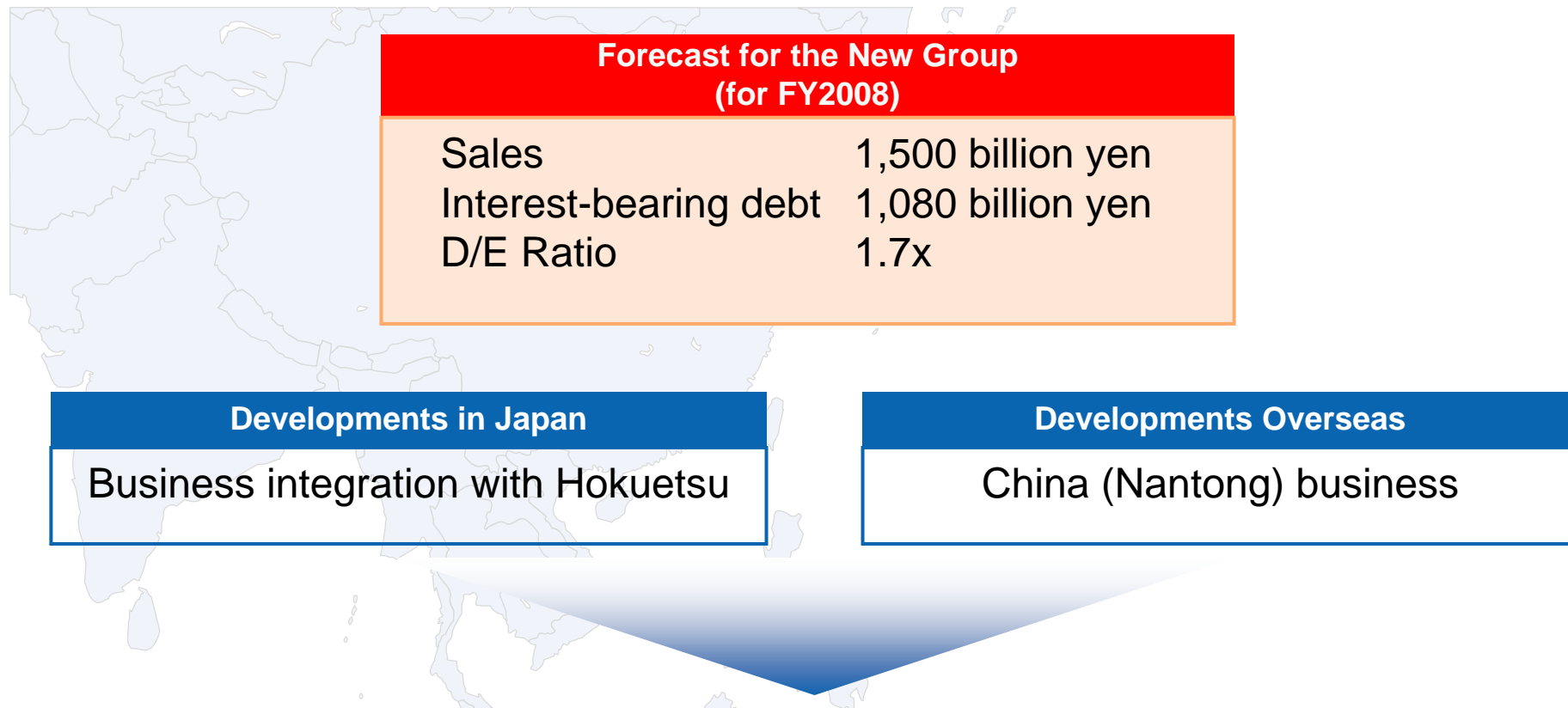
- Note 1) Forecasts for FY2007 and FY2008 are based on business estimates for FY2006, taking into account the effect of Hokuetsu's N9 facility investment, synergies, the China (Nantong) business, etc.
- Note 2) It is assumed that all of the estimated ¥140 billion to be used for the acquisition of the Hokuetsu shares will be financed through borrowings. Furthermore, Oji has already secured agreement for a bridge loan up to the total amount necessary for the acquisition.
- Note 3) D/E Ratio = interest-bearing debt ÷ net assets.
- Note 4) Depreciation is calculated by including Amortization of Consolidated Account Adjustment.
- Note 5) D/E ratios and the interest-bearing debt/(operating income + depreciation) ratios of Oji, Nippon Paper Group and Daio Paper are based on the companies' respective actual balance sheets and income statements of FY2005.

Note) The amount equivalent to the capital for acquisition of Hokuetsu shares highlights the impact of the estimated ¥140 billion acquisition cost on the D/E ratio and the interest-bearing debt/ (operating income + depreciation) ratio.

Oji's Integration Track Record

- Oji has a history of successful mergers & acquisitions. With this rich experience, Oji is determined to lead this business integration to success and to generate synergies as early as possible.





Production capacity in paper and paper-board: 10 million tons/year

The strongest Asian paper and pulp manufacturer that can succeed in the global market

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- Note 2) Forecasts for FY2008 are based on business forecasts for FY2006, taking into account the effect of Hokuetsu's N9 facility investment, synergies, the China (Nantong) business, etc.
- Note 3) D/E Ratio = interest-bearing debt ÷ net assets.