

**Quick Report on the Business Results for the Year Ended March 31, 2000**  
**(Consolidated)**

Oji Paper Co., Ltd.

Code No. 3861

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Date of Board of Directors' Meeting: May 19, 2000

Stock Exchange Listings: First Sections of the Tokyo, Osaka and Nagoya Markets, plus Kyoto, Fukuoka and Sapporo Markets

**1. Results for the Year Ended March 2000 (April 1, 1999 - March 31, 2000)**

(1) Consolidated Business Results All yen figures are rounded down to the nearest one million yen.

Millions of Yen					
Year ended	Net sales		Operating profit		Ordinary profit
(Figures shown in parentheses are increase/decrease ratios compared with previous year, %)					
March 2000	1,205,473	( - 0.1)	28,739	(94.4)	16,260 (2,530.9)
March 1999	1,206,186	( - 10.6)	14,786	( - 74.9)	618 ( - 98.5)

Millions of Yen						
Year ended	Net profit	Net profit per share	Diluted net profit per share	Return on equity	Return on total assets	Ordinary profit margin
(Figures shown in parentheses are increase/decrease ratios compared with previous year, %)						
March 2000	5,630 ( - )	5.45 Yen	- Yen	1.3%	0.9%	1.3%
March 1999	- 12,402 ( - )	- 12.00 Yen	- Yen	- 2.7%	0.0%	0.1%

(Notes)

Equity in earnings (loss) of affiliates: 1,118 million yen (previous term: - 2,223 million yen)

Unrealized gain on securities: 67,472 million yen

Unrealized gain on derivative transactions: 686 million yen

No changes in accounting method.

Net sales, Operating profit, Ordinary profit and Net profit figures shown in parentheses are increase/decrease ratios compared with previous year.

(2) Consolidated Financial Condition

Millions of Yen				
Year ended	Total assets	Shareholders' equity	Shareholders' equity ratio to total assets ratio	Shareholders' equity per share
March 2000	1,723,430	442,051	25.6%	427.78 Yen
March 1999	1,757,182	446,630	25.4%	432.21 Yen

(3) Consolidated Cash Flows

Millions of Yen				
Year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
March 2000	113,537	- 58,259	- 61,784	44,353

(4) Scope of Consolidation and Equity Methods Application

Number of consolidated subsidiaries: 84

Number of non-consolidated subsidiaries to which the equity method applies: None

Number of affiliated companies to which the equity method applies: 22

(5) Changes in scope of consolidation and the equity methods application

Consolidated companies (newly)	: 3	Equity method (newly)	: 1
(excluded)	: 7	(excluded)	: 3

**2. Result Forecast for Year Ending March 2001 (April 1, 2000 - March 31, 2001)**

	Net sales	Millions of Yen Ordinary profit	Net profit
Mid-term	602,000	18,000	3,000
Full Year	1,238,000	55,000	15,000

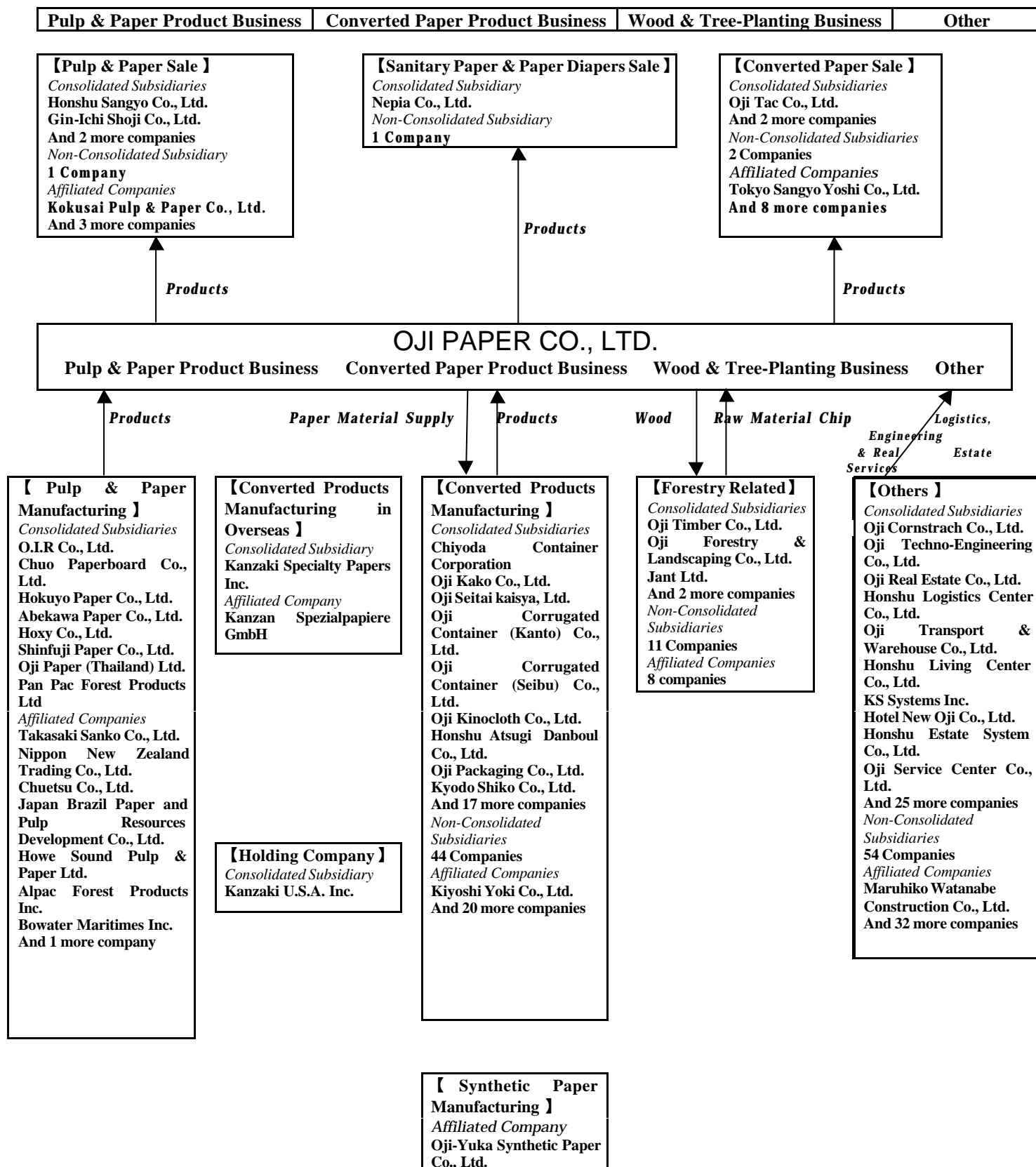
(Ref.) (Consolidated) Net profit per share for the full year is expected to be 14.52 yen.

## Additional Information

### 1. Profile of the Corporate Group

The Oji Paper Group consists of Oji Paper Co., Ltd. along with a total of 197 subsidiaries and 85 affiliates, which are active in a variety of business fields including pulp and paper products, converted paper products, wood and tree-planting, real estate and transportation.

The positions of these companies within the overall structure of the Oji Paper Group and their interaction among business segment categories are shown in the chart below.



## 2. Management Policy

### (1) Management Policy

The Oji Paper Group's basic corporate philosophy consists of several strands, including contribute to protection of the environment and advancement of culture, strive for continuous innovation in a proactive, responsive and determined manner, build and maintain trust throughout the world. While satisfying the needs of customers by operating an overall system that ensures a stable supply of all our products, the Company is endeavoring to pursue the full potentiality of paper in a wide diversity of applications, to become established as a truly global corporate group that can successfully compete in both the Japanese and international marketplaces, and to continue developing as a total pulp and paper manufacturer that leads the world.

Moreover, based on the principles laid out in the Oji Paper Environment Charter, we are maintaining and developing a variety of corporate activities aimed at sustainable development in harmony with the environment from a broad global standpoint and implementing further reinforced environment protection measures on a global scale. These activities are centered on the promotion of forest recycling including the positive development of tree-planting projects, and paper recycling aimed at further increasing the utilization of used-paper resources, as well as the promotion of energy-saving measures designed to ameliorate the trend toward global warming. In order to clarify its efforts to tackle environmental issues, the Company recently published the first Oji Paper Environmental Report, which contains details of our environment-related activities as well as our newly introduced environmental audit programs.

In recent years, as European and American paper producers have promoted globalization through a continuing series of corporate mergers, international competition in the paper and pulp industry has been growing increasingly severe. On the other hand, there has also been remarkable growth in the scale of paper production in Southeast Asia where manufacturers have opened a succession of large-scale facilities. In order for Oji Paper Group to succeed in this highly competitive environment, continuing improvements in productivity are essential and overall increase of profitability and financial constitution in all the business fields of the group are issues of great urgency.

Among our concrete measures, we are making a sustained effort to establish a highly effective production system, which is the starting point for any production business, by completing the restructuring plans drawn up last spring for our current production system, as well as by continuing to pursue further restructuring steps. At the same time, we are attempting to secure an appropriate market share while expanding sales of superior products by means of flexible marketing strategy that takes the supply and demand environment and market situation into full account. On the cost side, resting on the assumption that security of employment will be maintained throughout the Oji Paper Group, we intend to construct a relationship of stronger mutual trust between management and labor, and thereby put forward even more effective and active staffing. On this basis, we will undertake a thorough overhaul of our operations while simultaneously pursuing raw material cost reductions and rationalizing our distribution infrastructure.

Moreover, we will resolutely carry out a number of measures such as business organizational reforms tailored to the characteristics of each field in order to optimize effectiveness, and we will strengthen the constitutions of our affiliated companies by means of business integrations, reorganizations of affiliated companies, etc., as is already the case with the self-adhesive products field. So far, we have established the in-house Specialty Papers Company and Household Products Company, introduced a corporate officer system, overseen mergers between Oji Real Estate Co., Ltd. and Honshu Corporation and between Hokuyo Paper Co., Ltd., Oji-Kenzai Kogyo Co., Ltd. and Shin-Nippon Core Co., Ltd., and begun the integration and reorganization of our boxboard & packaging processing business with the launch of Oji Packaging Co., Ltd. This April, we also carried out the integration and reorganization of our self-adhesive products business under the newly established Oji Tac Co., Ltd. While at the Fuji Mill, we are installing

the state-of-the-art white paperboard making machines as part of our plan to restructure the Oji Paper Group's white paperboard production system.

By this June, with the operational start of the in-house Packaging Company and the switchover from a general division organization to a business division organization in the paper and paperboard fields, we will have completed our organizational revision aimed at establishing a consolidated management system that can cope quickly and effectively with changes in the management environment.

In addition, in compliance with the requirements of the group management era, we are strictly checking the profitability and future competitiveness of our subsidiaries and affiliates and continuing to positively promote restructuring measures such as integration, mergers, elimination of unprofitable business, sell-off, etc.

With respect to the distribution of profits to shareholders, while we remain committed to continuing to pay stable dividends as our basic policy. Looking ahead for the 21st century, we intend to pay dividends taking into consideration our overall business results and the our in-house reserve.

Moving on to the utilization of the in-house reserve, we intend to invest the funds in question in measures to increase, reinforce and renovate the group's production facilities with a particular focus on enhancing quality, reducing energy consumption, labor saving, environment protection measures and productivity improvement measures.

## (2) Management Results

### [Overview of Current Term's Results]

The term under review was an encouraging time for the Japanese economy with housing investment and private facilities investment both exhibiting signs of modest but clear improvement. However, with private consumption remaining sluggish, the outlook for the economy as a whole remained opaque.

In the pulp and paper industry, the demand for both paper and paperboard products has finally begun to show signs of a real recovery. However, while efforts to achieve a restoration in the prices of some products met with limited success, conditions in the market in general remain severe.

The overview of Oji Paper's business for the year under review is as follows.

On the sales front, the Company continued to place a priority on achieving price restoration by carrying out supply and demand adjustments on a continuing basis. This policy is now beginning to bear fruit in the shape of slow increases in the prices of some types of products.

With regard to production, the Company actively promoted the development and commercialization of new products made from 100% used-paper materials that match the demands of the current era. Such products were not limited to printing papers but also included a variety of carbonless papers and specialty papers. Also, in response to changes in the demand structure, and specifically to a diversification of requests in respect of quality, the Company took steps to further raise the level of its production technology and to ensure more effective operation of its facilities.

As a result of the above measures, the Company's aggregate paper and paperboard production amount for the term under review was 5,847,504 tons and the aggregate sales amount was 6,183,281 tons, representing increases of approximately 3% and 5% respectively in comparison with the previous term

On the facilities side, during the term under review, the construction of a quay at the Tomakomai Harumi Wharf was completed at the Tomakomai Mill, and the installation of new de-inked pulp production facilities was completed at the Nichinan Mill. Also, measures aimed at increasing the production and

quality of magnetic paper have been completed at the Iwabuchi Mill, and the installation of a new glass paper production facility has been completed at the Nakatsu Mill.

During the term under review, the Group's consolidated sales was 1,205,473 million yen, or about the same as during previous term. Meanwhile, operating profit was 28,739 million yen, while ordinary profit was 16,260 million yen and net profit was 5,630 million yen, representing a substantial increase in the Group's overall profitability.

The situations in the Group's major business fields during the term under review are as follows.

In the pulp and paper product field there has been a modest recovery in demand, but with the market remaining sluggish overall, sales of the Group's products stayed close to the level of the previous term at 708,510 million yen.

In the converted paper product field, strong demand for thermal paper, mainly from overseas, as well as an increase in the number of subsidiaries producing corrugated box, led to sales worth 330,359 million yen, an increase of 2% compared with the previous term.

In the wood and tree-planting field, sales totaled 50,351 million yen, a decrease of about 4% on the figure for the previous term.

In the "other" division, due mainly to a drop in the price of cornstarch, sales declined by about 1% to 116,251 million yen.

In the case of non-consolidated businesses, although the recovery in demand was restrained, the overall sales volume increased. However, because the average sale price declined during the term and a portion of the corrugated box business was transferred to subsidiaries, the Company's sales decreased by approximately 5% compared with the previous term to 804,325 million yen. Nonetheless, as a result of strenuous efforts by means of cost-cutting measures covering the entire operations including saving expenses, energy consumption and labor, operating profit was 18,357 million yen, ordinary profit was 15,756 million yen, and net profit for the term under review was 4,343 million yen - all of which represent substantial increases over the previous term.

#### [Prospects for the Coming Term]

The Japanese economy is projected to expand slowly driven by a reversal of the previous trend towards reduced private facilities investment. This investment will be fueled by the recovery of corporate business performance which is expected to result from ongoing restructuring as well as by a continuation of the active strategic investment in the information and telecommunication-related fields which is now taking place throughout the economy. Accordingly, the general view is that the positive growth witnessed in the 1999 financial year will continue. However, there is concern that public investment may decrease as a result of financial limitations, so it would be incautious to predict that the economy is approaching a full-scale recovery. On the contrary, the present opaque situation is expected to continue for some time.

Under these circumstances, and taking into account the assumption that the exchange rate between the yen and the US dollar remains at around 105 yen per dollar, the prospects for the Group's business during the term ending March 31, 2001, are as follows.

By continuing our efforts to improve both volume and prices of our paper and pulp products, we project our consolidated sales for the coming term to total 1,238,000 million yen, yielding an ordinary profit of 55,000 million yen and a net profit of 15,000 million yen, while our non-consolidated sales will be 813,000 million yen, an ordinary profit 45,000 million yen and a net profit 13,000 million yen.

### 3. CONSOLIDATED FINANCIAL STATEMENT

#### (1) CONSOLIDATED BALANCE SHEET

	Millions of Yen		
	Current term March 31, 2000	Previous term March 31, 1999	Comparison
<b>ASSETS</b>			
Current Assets:	548,717	558,315	- 9,598
Cash and deposit	42,893	50,457	- 7,564
Trade receivables	312,604	291,068	21,535
Marketable securities	13,783	16,633	- 2,849
Inventories	145,390	171,213	- 25,822
Prepayments	206	522	- 315
Short-term loans	3,661	4,519	- 857
Other accounts receivable	10,229	11,482	- 1,252
Deferred tax assets	19,084	10,734	8,349
Other	3,638	4,176	- 538
Allowance for doubtful accounts	- 2,776	- 2,493	- 282
Fixed Assets:	1,161,127	1,189,804	- 28,676
(Total property and equipment)	(928,901)	(942,653)	( - 13,751)
Buildings and structures	236,857	226,184	10,673
Machinery and automobiles	428,538	466,603	- 38,065
Tools and fixtures	10,602	10,312	290
Land	182,000	155,287	26,713
Forests	16,897	16,928	- 31
Afforestation	38,749	42,355	- 3,605
Construction in progress	15,256	24,981	- 9,725
(Intangible assets)	(8,336)	(3,834)	(4,501)
Leasehold	1,843	1,568	274
Other intangibles	6,493	2,265	4,227
(Investments and other assets )	(223,889)	(243,316)	( - 19,426)
Investments in securities	177,596	178,791	- 1,194
Long-term loans	6,119	9,912	- 3,793
Long-term prepaid expenses	1,914	5,783	- 3,868
Deferred tax assets	24,348	34,426	- 10,077
Other	15,348	16,132	- 784
Allowance for doubtful accounts	- 1,437	- 1,730	292
Foreign Currency Translation Adjustment	13,585	9,062	4,522
Total assets	1,723,430	1,757,182	- 33,751

	Millions of Yen		
	Current term March 31, 2000	Previous term March 31, 1999	Comparison
<b>Current Liabilities:</b>	795,061	756,770	38,290
Trade payables	209,936	198,544	11,391
Short-term bank loans	432,265	452,688	- 20,423
Commercial paper	8,000	28,000	- 20,000
Current portion of debentures (redeemable within one year)	20,000	-	20,000
Convertible debentures (redeemable within one year)	49,211	-	49,211
Accrued accounts	13,128	14,492	- 1,364
Income taxes payable, etc.	3,290	2,153	1,137
Accrued expenses	44,984	45,651	- 666
Deferred tax liabilities	218	-	218
Other	14,025	15,238	- 1,213
<b>Non-Current Liabilities:</b>	475,675	543,417	- 67,741
Debentures and convertible debentures	120,000	189,211	- 69,211
Long-term bank loans	249,439	261,507	- 12,067
Deferred tax liabilities	15,655	2,101	13,554
Accrued retirement benefits	76,136	74,974	1,162
Long-term deposits	12,596	13,189	- 592
Long-term notes payable (plant and equipment)	897	1,795	- 897
Differences between investment costs and equity in net assets	246	-	246
Other	701	638	63
Total liabilities	1,270,736	1,300,187	- 29,450
<b>Minority Interests in net profit of Consolidated Subsidiaries</b>	10,641	10,363	277
Common stock	103,880	103,880	-
Additional paid-in capital	98,715	98,715	-
Revaluation of land	1,714	-	1,714
Retained earnings	237,761	244,048	- 6,287
Treasury stock	- 20	- 14	- 5
Total shareholders' equity	442,051	446,630	- 4,578
Total liabilities and shareholders' equity	1,723,430	1,757,182	- 33,751

(Notes)

	<u>Millions of Yen</u>	
	Current term	Previous term
1. Accumulated depreciation of total property and equipment	1,403,375	1,356,103
2. Trade notes receivable discount amount	6,476	10,810
3. Trade notes receivable transfer endorsement amount	500	378
4. Contingent liabilities and guarantee obligations	19,946	16,352
5. Number of treasury stocks	31,402 shares	22,461 shares
6. Revaluation of land		

Takasaki Sanko Co., Ltd., a company to which the Equity Method applies, carried out revaluation of its commercial-use land based on the Law Concerning Land Revaluation (enacted March 31, 1998; revised March 31, 1999). Accordingly, share of Oji Paper Co., Ltd. in the amount of revaluation (after set off of tax effect) has been recorded under the "Total shareholder's equity".

**(2) CONSOLIDATED STATEMENT OF INCOME****(Millions of Yen)**

	Current term (April 1, 1999 - March 31, 2000)	Previous term (April 1, 1998 - March 31, 1999)	Comparison
Net sales	1,205,473	1,206,186	- 712
Initial cost of sales	944,839	963,329	- 18,489
<b><u>Gross Profit</u></b>	<b><u>260,633</u></b>	<b><u>242,856</u></b>	<b><u>17,777</u></b>
Selling, general and administrative expenses	231,894	228,070	3,824
<b><u>Operating profit</u></b>	<b><u>28,739</u></b>	<b><u>14,786</u></b>	<b><u>13,952</u></b>
<b><u>Non-operating profit</u></b>	<b><u>15,165</u></b>	<b><u>14,628</u></b>	<b><u>537</u></b>
Interest and dividends income	3,067	2,887	180
Equity in earnings of Affiliates	1,118	-	1,118
Miscellaneous income	10,979	11,741	- 761
<b><u>Non-operating expenses</u></b>	<b><u>27,644</u></b>	<b><u>28,796</u></b>	<b><u>- 1,152</u></b>
Interest expense & discount charges	15,295	17,622	- 2,327
Equity in loss of Affiliates	-	2,223	- 2,223
Miscellaneous losses	12,348	8,950	3,397
<b><u>Ordinary profit</u></b>	<b><u>16,260</u></b>	<b><u>618</u></b>	<b><u>15,642</u></b>
<b><u>Extraordinary gain</u></b>	<b><u>5,185</u></b>	<b><u>1,818</u></b>	<b><u>3,367</u></b>
Profit on sale of investments in securities	1,182	-	1,182
Profit on sale of fixed assets	4,003	1,818	2,184
<b><u>Extraordinary losses</u></b>	<b><u>8,606</u></b>	<b><u>33,426</u></b>	<b><u>- 24,819</u></b>
Loss on write-down of investments in securities	3,119	22,919	- 19,799
Provision for retirement benefits	2,891	8,380	- 5,488
Extraordinary retirement benefits	2,539	-	2,539
Loss on shutdown of operation	-	1,149	- 1,149
Exchange loss	-	926	- 926
Loss on reduction of fixed asset's cost	56	51	4
<b><u>Profit before taxes and minority interests</u></b>	<b><u>12,838</u></b>	<b><u>- 30,990</u></b>	<b><u>43,829</u></b>
Income tax, resident tax and enterprise tax	4,628	3,507	1,121
<b><u>Deferred taxes</u></b>	<b><u>3,286</u></b>	<b><u>- 21,879</u></b>	<b><u>25,166</u></b>
Total	7,915	- 18,371	26,287
<b><u>Minority interests in net profit of consolidated subsidiaries</u></b>	<b><u>706</u></b>	<b><u>215</u></b>	<b><u>491</u></b>
<b><u>Net Profit</u></b>	<b><u>5,630</u></b>	<b><u>- 12,402</u></b>	<b><u>18,032</u></b>

**(3) CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

(Millions of Yen)

	Current term (April 1, 1999 - March 31, 2000)	Previous term (April 1, 1998 - March 31, 1999)	Comparison
<u>Balance at beginning of year (Retained earnings)</u>	<u>242,666</u>	<u>267,263</u>	<u>- 24,596</u>
Balance at beginning of year (Other reserves)	244,048	232,147	11,900
Profit reserve at beginning of year	-	21,485	- 21,485
Deferred taxes for prior years	- 1,381	13,630	- 15,012
<u>Increase (Retained earnings)</u>	<u>38</u>	<u>220</u>	<u>- 182</u>
Increase due to merger	38	220	- 182
Increase due to equities ratio increase in affiliates to which Equity method applies	-	0	- 0
<u>Decrease (Retained earnings)</u>	<u>10,574</u>	<u>11,033</u>	<u>- 459</u>
Cash dividends	8,266	10,333	- 2,066
Bonuses to directors and statutory auditors	355	678	- 322
Decrease due to exclusion of consolidation of subsidiaries	1,932	21	1,910
Decrease due to exclusion of affiliates to which equity method applies	19	-	19
<u>Net profit</u>	<u>5,630</u>	<u>- 12,402</u>	<u>18,032</u>
<u>Balance at year end (Retained earnings)</u>	<u>237,761</u>	<u>244,048</u>	<u>- 6,287</u>

**(4) CONSOLIDATED STATEMENT OF CASH FLOWS**

	Millions of Yen Current Term (April 1, 1999-March 31, 2000)
<b><i>I. Cash Flows from Operating Activities:</i></b>	
Profit before taxes and minority interests	12,838
Depreciation and amortization	94,526
Increase of provision for accrued retirement benefits	640
Interest and dividends income	- 3,067
Interest expenses	15,295
Exchange loss	1,596
Equity in earnings of affiliates	- 1,118
Profit on sale of marketable securities	- 5,300
Profit on sale of investments in securities	- 1,182
Loss on write-down of investment in securities	3,119
Profit on disposal of fixed assets	6,110
Loss on sale of fixed assets	- 4,003
Increase in trade receivables	- 15,793
Decrease in inventories	21,860
Increase in trade payables	9,244
Other	<u>- 6,034</u>
Total	128,732
Interest and dividends received	3,581
Interest paid	- 15,415
Income taxes paid	<u>- 3,361</u>
Net cash provided by operating activities	113,537
<b><i>II. Cash Flows from Investing Activities:</i></b>	
Purchase of marketable securities	- 152
Proceeds from sale of marketable securities	8,707
Acquisition of property and equipment/ intangibles	- 70,678
Proceeds from sale of property and equipment/intangibles	6,371
Investments in securities	- 5,302
Proceeds from sale of investments in securities	3,765
Acquisition of new consolidated subsidiaries	- 6,118
Loans to subsidiaries, affiliates, employees, etc.	- 5,440
Collection of loans	10,414
Other	<u>174</u>
Net cash used in investing activities	- 58,259
<b><i>III. Cash Flows from Financing Activities:</i></b>	
Net decrease in short-term bank loans	- 44,115
Net decrease of commercial paper	- 20,000
Borrowing of long-term bank loans	44,173
Repayment of long-term bank loans	- 33,948
Cash dividends	- 8,266
Other	<u>373</u>
Net cash used in financing activities	- 61,784
<b><i>IV. Exchange translation effects on cash and cash equivalents</i></b>	- 938
<b><i>V. Net decrease in cash and cash equivalents</i></b>	<u>- 7,444</u>
<b><i>VI. Cash and cash equivalents at beginning of year</i></b>	52,514
<b><i>VII. Increase in cash and cash equivalents from mergers of subsidiaries</i></b>	122
<b><i>VIII. Decrease in cash and cash equivalents from exclusion of consolidation of subsidiaries</i></b>	<u>- 839</u>
<b><i>IX. Cash and cash equivalents at end of year</i></b>	<u>44,353</u>

(NOTES) Reconciliation of cash and deposit under the consolidated balance sheet to cash and cash equivalents

	<u>Current term</u> (March 31,2000)	<u>Previous term</u> (March 31, 1999)
Cash and deposits	42,893	50,457
Time deposits (more than 3-months)	- 597	- 575
Marketable securities (short-term investments with low-risk and a maturity date of less than 3-months)	<u>2,056</u>	<u>2,631</u>
Cash and cash equivalents	<u>44,353</u>	<u>52,514</u>

## **BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS**

### 1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 84 (88 in previous term)

Main companies: Chiyoda Container, Hokuyo Paper, Oji Kako, Oji Packaging, Abekawa Paper, Oji Cornstarch, Oji Koei and Chuo Paperboard

Newly included companies: 3 (OIR, Chuo Paperboard and Chiyoda Container)

Newly excluded companies: 7 (Sanko Paper Mfg., Hokuyo Paper, Honshu Corporation, Shin-Nippon Core and 3 others)

(2) Number of non-consolidated subsidiaries: 113

(3) Because the non-consolidated subsidiaries are all small-scale companies with their total assets, sales, net profit and loss for the term (after set off of minority interests) and retained earnings (after set off of minority interests) being marginal in comparison with the total assets, net profit and loss for the term (after set off of minority interests) and retained earnings (after set off of minority interests) of all the consolidated companies, inclusion of their results would have no significant effect on the consolidated financial statements. Accordingly, these companies are excepted from the range of consideration.

### 2. Equity Method Application

(1) Number of non-consolidated subsidiaries to which the equity method applies: None

(2) Number of affiliates to which the equity method applies: 22 (24 in previous term)

Main companies: Howe Sound Pulp & Paper, Oji-Yuka Synthetic Paper and Takasaki Sanko

Newly included companies: 1 (Takasaki Sanko)

Newly excluded companies: 3 (Chiyoda Container, Crestbrook Forest Industries Ltd., Nichia)

(3) Number of non-consolidated subsidiaries and affiliates to which the equity method does not apply

Non-consolidated companies: 113

Affiliated companies: 63

(4) Because the above-mentioned non-consolidated subsidiaries and affiliates have net profit and loss for the term and retained earnings (after set off of minority interests) that are marginal in comparison with net profit and loss for the term and retained earnings (after set off of minority interests) of all the consolidated companies, inclusion of their results would have no significant effect on the consolidated financial statements. Accordingly, these companies are excepted from the range of equity method application.

### 3. Variations in Business Year at Certain Consolidated Subsidiaries

Among the consolidated subsidiaries, the date of the settlement of account is December 31 in the case of Kanzaki U.S.A. Inc., Kanzaki Specialty Papers Inc., and Jant Ltd., and February 28/29 in the case of Nihon Seika Hosoo Co., Ltd. In compiling these consolidated financial statements, each company's financial statements as of their respective dates of settlement are employed. Necessary adjustments are made with respect to any major business transactions between the subsidiaries' dates of settlement and the date of the consolidated statement.

### 4. Accounting Principles Employed by the Company

(1) Inventories are evaluated mainly according to the total average method.

(2) Marketable securities are evaluated according to the moving average method based on the cost method.

(3) Regulations stipulated under Japanese Tax Law are employed in calculating the depreciation of fixed assets. In the case of total property and equipment, depreciation is generally calculated according to the declining balance method. (However, in the case of the Kushiro Mill, Shiga Mill, Oita Mill, the Cardboard Production Facilities at Tsukuba and Takino, the machinery at the Fuji Mill, the machinery at the Tomioka Mill's Pulp Production Facilities, and several consolidated subsidiaries the straight-line method is employed.) Further, in conformance with the revised Japanese Tax Law, the Group employs the straight-line method for calculating the depreciation of buildings (except for accessory facilities) that were acquired after April 1, 1998.

(4) Principles of computing significant provisions and allowances.

(1) With respect to the allowance for doubtful accounts, in order to prepare for term-end losses due to bad debts, an additional amount is provided for the possible losses on certain doubtful accounts over and above the loss inclusion limit amount specified under Japanese Tax Law.

(2) Accrued retirement benefits to employees are provided by the Company in an amount equivalent to the present value of the retirement benefits payable upon retirement to all employees at the term-end date.

(5) Finance lease contracts other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases.

(6) Accounting in respect of consumption tax and local consumption tax is performed in accordance with the tax-exclusive system.

5. Amortization of differences between investment costs and equity in net assets

Differences between investment costs and equity in net assets are normally amortized by the straight –line method with five years. However, in cases where the amounts are small, the entire amount is amortized during the initial year.

6. Evaluation of assets and liabilities held by consolidated subsidiaries

Assets and liabilities (including equity of minority interests) held by consolidated subsidiaries are evaluated by market price.

7. Presentation of appropriation of retained earnings

In compiling the consolidated statement of income and consolidated statement of retained earnings, appropriation of retained earnings means those already settled in the term under review.

8. Scope of funds in the Consolidated Statement of Cash Flows

Funds (cash and cash equivalents) in the consolidated statement of cash flows consists of (1) cash, (2) on-call deposits, and (3) short-term investments that can be easily converted into cash, carrying only a small risk of price changes and with a maturity date of three months or less from the date of receipt.

(Notice)

With respect to in-house-utilized software, which until the previous term was considered as long-term prepaid expenses under "Investments and other assets", the conventional accounting method has been continuously employed in line with the Guideline Concerning R&D Expenses and Software (Accounting System Committee Report No. 12, issued by the Japanese Institute of Certified Public Accountants, dated March 31, 1999).

However, as provided for in the same report, the classification of the software in question has been changed from long-term prepaid expenses under "Investments and other assets" to intangible assets.

## (5) SEGMENT INFORMATION

### (1) Segment information by business domain

Current term (April 1, 1999 - March 31, 2000)

(Millions of Yen)

	Pulp and paper product	Converted paper product	Wood and tree-planting	Other	Total	Uncollectable /headquarters	Consolidated total
(I) Sales and Operating Profit/Loss							
Net sales							
(1)Sales to customers	708,510	330,359	50,351	116,251	1,205,473	-	1,205,473
(2)In-group sales between segments or transfers	24,713	6,232	35,521	76,093	142,561	(142,561)	-
<b>Total</b>	<b>733,224</b>	<b>336,592</b>	<b>85,873</b>	<b>192,345</b>	<b>1,348,034</b>	<b>(142,561)</b>	<b>1,205,473</b>
Operating expenses	716,127	331,244	83,575	188,349	1,319,295	(142,561)	1,176,734
Operating profit	17,096	5,347	2,298	3,996	28,739	( - )	28,739
(II) Assets, Depreciation and Capital Expenditure							
Assets	1,108,337	335,289	106,709	238,412	1,788,748	(65,318)	1,723,430
Depreciation	71,328	16,304	1,102	6,228	94,963	-	94,963
Capital expenditure	36,656	18,855	1,202	10,718	67,433	-	67,433

Previous term (April 1, 1998 - March 31, 1999)

(Millions of Yen)

	Pulp and paper product	Converted paper product	Wood and tree-planting	Other	Total	Uncollectable /headquarters	Consolidated total
(I) Sales and Operating Profit/Loss							
Net sales							
(1)Sales to customers	710,311	325,435	52,422	118,015	1,206,186	-	1,206,186
(2)In-group sales between segments or transfers	19,648	8,617	31,875	78,757	138,898	(138,898)	-
<b>Total</b>	<b>729,960</b>	<b>334,053</b>	<b>84,297</b>	<b>196,772</b>	<b>1,345,084</b>	<b>(138,898)</b>	<b>1,206,186</b>
Operating expenses	722,092	332,054	84,917	191,233	1,330,298	(138,898)	1,191,399
Operating profit	7,867	1,998	- 619	5,539	14,786	( - )	14,786
(II) Assets, Depreciation and Capital Expenditure							
Assets	1,128,547	308,883	113,236	243,512	1,794,179	(36,997)	1,757,182
Depreciation	75,776	16,615	1,309	5,954	99,654	-	99,654
Capital expenditure	66,084	15,198	911	25,241	107,435	-	107,435

#### (Notes)

1. In principle, segmentation is determined in consideration of differences in production method.

2. The main products of the four business segments are as follows.

"Pulp and paper product" Division: newspaper, printing paper, packaging paper, miscellaneous paper, carbonless paper, corrugated base board, white board paper, pulp and others

"Converted paper product" Division: corrugated cardboard, paper container, thermal paper, self-adhesive paper, diapers, paper bag products and others

"Wood and tree-planting" Division: wood, afforestation and tree-planting

"Other" Division; real estate, cornstarch, machinery and others

3. Under "Assets", the amount of headquarters' assets included in "Uncollectable or headquarters" for the current term is 13,585 million yen, while the corresponding figure for the previous term is 9,062 million yen. Both of these figures are based on foreign currency translation adjustment.

4. Long-term prepaid expenses and their amortization amounts are included under "Depreciation and capital expenditure".

(2) Segment Information by geographic area

Since the ratio accounted for by Japan within the total sales of all segments and within the total assets of all segments is more than 90% in both cases, segment information by geographic area has been omitted.

(3) Overseas Sales

Since the ratio accounted for by overseas sales is less than 10% of total sales, overseas sales information has been omitted.