

August 1, 2006

Company Name: Oji Paper Co., Ltd.
Name of Representative: Kazuhisa Shinoda
Representative Director and President
(Code: 3861, the Tokyo Stock Exchange and Osaka Securities
Exchange (each at the First Section))
Direct your queries to: Tomoo Edagawa
Corporate Officer, General Manager of Corporate Planning
Division
(Tel: 81-3-3563-4383)

Notice Regarding Commencement of Tender Offer

Oji Paper Co., Ltd. (“Oji”) will commence a tender offer (the “Tender Offer”) for shares of the common stock (the “Common Shares”) of Hokuetsu Paper Mills, Ltd. (Code: 3865; “Hokuetsu”), as set forth below. The board of directors of Oji (the “Board”) approved the transaction at a meeting held today.

1. Background and Purpose of the Tender Offer

As described in Oji’s earlier press release, “Proposal of Business Integration with Hokuetsu Paper,” dated July 23, 2006 (the “Business Integration Press Release”), by combining Hokuetsu’s proven highly efficient business operations and Oji’s extensive management resources, the business integration between Oji and Hokuetsu (the “Business Integration”) represents a strategic best fit: the Business Integration will simultaneously achieve both an expansion of corporate scale and an improvement in efficiency. The combined corporate group will be able to utilize an ample cash-flow to make large-scale investments which are essential to compete on a global level. In addition, a more efficient production system will be established through a combination of Hokuetsu’s currently planned expansion of its coated paper production facilities and the scrapping of Oji’s aging, small-scale facilities. The Business Integration will bring about synergies across various areas, such as optimizing production and sales operations, streamlining logistics through a rationalization of transportation resources and technical exchange.

After the Business Integration, the new Oji/Hokuetsu Group will be the fifth largest pulp and paper manufacturer in the world in terms of revenues. The Business Integration will increase the potential for growth by enhancing both companies' existing competitive advantages as well as supplementing each other's areas for improvement. Oji is convinced that the prompt implementation of the Business Integration will bring positive results not only to the shareholders of Hokuetsu, but also to its other stakeholders, such as employees, trading partners, consumers and local communities.

In the belief that the Company can achieve the benefits as described above, on July 3, 2006, the representative directors of Oji submitted to Hokuetsu for its consideration a proposal of the Business Integration (the "Proposal") detailing the specific terms therefor (including a tender offer for all the Common Shares of Hokuetsu at the price of 860 yen per share), and requested Hokuetsu to respond in writing to Oji by 9:00A.M. on July 24 on whether it would agree to the Proposal. In response, on July 21, Hokuetsu announced that its board of directors had resolved to place 50,000,000 new Common Shares (representing 30.5% of the issued Common Shares as of July 21) (the "Placement") at 607 yen per share, and enter into a business alliance, with Mitsubishi Corporation ("Mitsubishi") (such business alliance, the "Business Alliance").

In light of the above development, on July 23, 2006, the Board approved the Proposal, including a tender offer for all the Common Shares of Hokuetsu at the price of 860 yen per share, and resolved to proceed with the Business Integration on the condition that Hokuetsu withdraw the Placement and the Business Alliance. In addition, Oji urged Hokuetsu and Mitsubishi to withdraw the Placement and the Business Alliance. Regrettably, Hokuetsu issued press releases announcing that it would not withdraw the Placement and the Business Alliance (Hokuetsu's July 24 press release in Japanese entitled "Regarding the Press Release by Oji Paper Co., Ltd." and July 29 press release in Japanese entitled "Certain Media Reports Regarding Tender Offer") and neither Hokuetsu nor Mitsubishi has agreed to withdraw the planned Placement and Business Alliance.

Under the Proposal, the Tender Offer was scheduled to commence in mid-August. However, the board of directors of Hokuetsu resolved to proceed with the Placement and the Business Alliance, an option which would not be compatible with the Business Integration. As the Hokuetsu board chose such option and has already expressed twice its intention not to withdraw the Placement and the Business Alliance, Oji felt obligated to bring this matter directly to the shareholders of Hokuetsu for their consideration.

In light of the foregoing and despite the fact that the Placement and Business Alliance have not yet been withdrawn, the Board resolved at a meeting held today to commence the Tender Offer.

The details of the purpose of the Tender Offer will be described in the “Purpose of the Tender Offer” section of the Japanese Tender Offer Statement to be filed on August 2, 2006. (The Tender Offer Explanatory Statement, which will contain an identical discussion of such details, will be available in English on August 3, 2006 (EST).)

2. Tender Offer Price Adjustment Caused by the Placement

As described in the Business Integration Press Release, the Placement will affect the terms of the Tender Offer. The price for Tender Offer Oji proposed in the Business Integration Press Release was determined without taking into account the dilution that would result from the Placement: the price per share as adjusted to take into account of such dilution will be 800 yen (the “Tender Offer Price”). Oji will carry out the Tender Offer even if the Placement is not withdrawn, and, therefore, set 800 yen as the Tender Offer Price. However, if the Placement and the Business Alliance are withdrawn during the Tender Offer period, absent special circumstances that may adversely affect the terms of the Tender Offer, Oji will raise the Tender Offer Price to 860 yen. Similarly, Oji has determined the number of Common Shares to be purchased (the “Tender Offer Minimum”) by taking into account the increase in the number of Common Shares caused by the Placement. However, in the case that the Placement and the Business Alliance are withdrawn, absent any special circumstances that may adversely affect the terms of the Tender Offer, Oji will lower the Tender Offer Minimum.

3. Tender Offer: Summary of Terms

A. Subject Company

(1) Trade name	Hokuetsu Paper Mills, Ltd.
(2) Principal business	Manufacturing, processing and sale/purchase of paper/pulp products and their by-products
(3) Date of incorporation	April 27, 1907
(4) Principal office	5-1, Nishizao 3-chome, Nagaoka, Niigata Prefecture
(5) Representative	Masaaki Miwa Representative Director and President
(6) End of fiscal year	March 31
(7) Number of employees	2,822 (including those at consolidated subsidiaries; as of March 31, 2006)
(8) Capital	26,820 million yen (as of March 31, 2006)

(9) Total number of issued Common Shares

164,052,054 shares (as of June 28, 2006)

(10) Major shareholders and ownership percentages (as of March 31, 2006)

(thousands of shares)

The Master Trust Bank of Japan, Ltd. (Trust Account)	13,867	8.45%
Japan Trustee Services Bank, Ltd. (Trust Account)	13,715	8.36%
NIPPONKOA Insurance Co., Ltd.	5,992	3.65%
Japan Trustee Services Bank, Ltd. (Common Shares re-trusted with The Sumitomo Trust and Banking Company for Oji Pension Trust Accounts)	5,614	3.42%
Mizuho Corporate Bank, Ltd.	4,697	2.86%
The Daishi Bank, Ltd.	4,217	2.57%
The Hokuetsu Bank, Ltd.	4,215	2.57%
Japan Trustee Services Bank, Ltd. (Trust Account 4)	3,660	2.23%
The Chase Manhattan Bank N.A., London, SL Omnibus Account (Standing Agent: Mizuho Corporate Bank, Ltd.'s Kabutocho Custody & Proxy Department within the Settlement & Clearing Division)	3,437	2.10%
The Norinchukin Bank	2,950	1.80%

(Note) The Common Shares held by Japan Trustee Services Bank, Ltd. (the portion re-trusted with The Sumitomo Trust and Banking Company for Oji Pension Trust Accounts) are the Common Shares owned by Oji in a pension trust. These Common Shares have been placed in trust as trust assets and the voting rights represented by those shares will be exercised pursuant to Oji's instructions.

(11) Trend of the consolidated business results in the recent fiscal years

(millions of yen)

Year ended	March 2005	March 2006
Sales	151,204	153,692
Operating income	12,908	6,932
Ordinary income	12,548	7,205
Net income	6,959	3,238
Total Assets	221,437	232,486
Net Assets	107,211	112,800

(12) Relationship with Oji

Equity Relationship: Oji holds 3.42% of the total issued Common Shares of Hokuetsu.

(Note) The above percentage includes the 5,614,000 shares held by Japan Trustee Services Bank, Ltd. (re-trusted with The Sumitomo Trust and Banking Company for the Oji Pension Trust Accounts) in addition to the 1,045 shares held by Oji.

Personal relationship: None.

Trade relationship: Manufacturing consignment of thermal paper (sales volume of 13,000,000 yen for the fiscal year ending March 2006)

B. Class of Shares to be Purchased

Common stock

C. Tender Offer Period

From August 2, 2006 (Wednesday)

To September 4, 2006 (Monday)

(34 calendar days)

D. Tender Offer Price

800 yen per share. If the Placement and Business Alliance is withdrawn during the Tender Offer period, absent special circumstances that may adversely affect the terms of the Tender Offer, the Tender Offer Price is scheduled to be raised to 860 yen per share.

E. Basis of Tender Offer Price

The Tender Offer Price of 800 yen per share is determined by taking into account the impact of the Placement and the Business Alliance on a price (860 yen per share) representing an approximately 34% premium over the one-month average closing price of the Common Shares on the Tokyo Stock Exchange (the "TSE") from June 1, 2006 to June 30, 2006, which predates Oji's submission of its Proposal for Business Integration to Hokuetsu on July 3, 2006. The details of the foregoing calculation are as follows:

(1) The Tender Offer Price Prior to the Announcement of the Placement
The Tender Offer Price proposed prior to the announcement of the Placement (the “Unadjusted Tender Offer Price”) was 860 yen per share, representing an approximately 34% premium over the average closing price of the Common Shares on the TSE for a one-month period (June 1, 2006 to June 30, 2006) prior to the date of the Proposal, and has been determined based on a comprehensive analysis of various factors, such as historic stock price movements, financial performance and forecast of future earnings of Hokuetsu. The Unadjusted Tender Offer Price also represents an approximately 32% premium over the average closing price of the Common Shares on the TSE for a one-month period (June 22, 2006 to July 21, 2006) prior to the date of Oji’s press release entitled “Proposal of Business Integration with Hokuetsu Paper,” dated July 23, 2006. In addition, the enterprise value of Hokuetsu calculated on the basis of the Unadjusted Tender Offer Price amounts to 9.9 times Hokuetsu’s EBITDA of 20,594 million yen (for the fiscal year ending March 2006). The equity value of Hokuetsu calculated on the basis of the Unadjusted Tender Offer Price amounts to 28.1 times the estimated net income (for the fiscal year ending March 2007), and 24.4 times the estimated adjusted net income (for the fiscal year ending March 2007) (both on a consolidated basis).

(Note 1) EBITDA = operating profit + depreciation expense + amortization of consolidated account adjustment. The financial data is based on the Securities Report for the 168th Term filed by Hokuetsu on June 28, 2006.

(Note 2) Adjusted net income = ordinary income x (1 - effective tax rate)

(Note 3) The estimated net income (for the fiscal year ending March 2007) and the estimated adjusted net income (for the fiscal year ending March 2007) are based on average analyst estimates in the Institutional Brokers Estimate System (I/B/E/S) from May 19, 2006 (the day after Hokuetsu’s press release in Japanese entitled “Expansion of Coated Paper Production Facilities,” dated May 18, 2006) to June 30, 2006.

(2) Tender Offer Price after the Placement

According to Hokuetsu’s press release in Japanese entitled “Notice Relating to Third-Party Allotment, Change in Major Shareholders, and Business Alliance with Major Shareholder,” dated July 21, 2006, the

Placement will involve a purchase of 50,000,000 Common Shares by Mitsubishi at a purchase price of 607 yen per share, for a total purchase price of 30.35 billion yen (the “Mitsubishi Purchase Price”). The equity value of Hokuetsu based on the Unadjusted Tender Offer Price is approximately 140 billion yen (the “Equity Value”). The Tender Offer Price of 800 yen per share is based on the sum of the Mitsubishi Purchase Price and the Equity Value, or approximately 170 billion yen, divided by the total number of issued Common Shares following the Placement.

(3) Premium of Tender Offer Price

The Tender Offer Price of 800 yen per share represents an approximately 24% premium over the average closing price of the Common Shares on the TSE for June 1, 2006 to June 30, 2006 and an approximately 23% premium over the average closing price of the Common Shares on the TSE for the most recent one-month period (June 22, 2006 to July 21, 2006) prior to the date of Oji’s press release entitled “Proposal of Business Integration with Hokuetsu Paper,” dated July 23, 2006. The Tender Offer Price of 800 yen per share represents an approximately 26% premium over the closing price of 635 yen of the Common Shares on the TSE as of July 21, 2006, one business day immediately preceding the date of the press release relating to the Proposal.

F. Number of Common Shares to be Acquired

100,818,239 shares

(Note 1) The number of Common Shares to be acquired (the “Tender Offer Minimum”) is calculated by subtracting 5,614,000 Common Shares held by Japan Trustee Services Bank, Ltd. (the portion re-trusted with The Sumitomo Trust and Banking Company for the Oji Pension Trust Accounts) from 50% of 212,864,478 Common Shares, which is derived by adding 50,000,000 Common Shares to the total issued Common Shares (164,052,054 Common Shares) as of June 28, 2006 as stated in the Securities Report for the 168th Term filed by Hokuetsu on June 28, 2006 to reflect the increase in issued Common Shares as a result of the Placement (as described in Hokuetsu’s press release in Japanese entitled “Notice Relating to Third-Party Allotment, Change in Major Shareholders, and the Business Alliance with Major Shareholder,” dated July 21, 2006) and subtracting the 1,187,576 Common Shares that Hokuetsu itself

owns (as of June 28, 2006).

(Note 2) Oji will not acquire any Common Shares if the number of Common Shares tendered is less than the Tender Offer Minimum. Oji will acquire all of the Common Shares tendered if the number of Common Shares tendered is not less than the Tender Offer Minimum.

(Note 3) If Hokuetsu withdraws the Placement and the Business Alliance, absent special circumstance that would adversely impact the terms of the Tender Offer, Oji plans to recalculate and lower the Tender Offer Minimum with the assumption that the Placement will not be made. In such case, the Tender Offer Minimum will be determined by subtracting 5,614,000 Common Shares held by Japan Trustee Services Bank, Ltd. (the portion re-trusted with The Sumitomo Trust and Banking Company for the Oji Pension Trust Accounts) from 50% of Hokuetsu's total issued Common Shares minus the number of Common Shares that Hokuetsu itself owns.

G. Change in the Number of Common Shares held by Oji as a Result of Tender Offer

Before the Tender Offer: 5,615,045 shares (ownership percentage of 3.45%)

After the Tender Offer: 106,433,284 shares (ownership percentage of 50.0004%)

(Note 1) The number of the Common Shares held by Oji after the Tender Offer is based on the Tender Offer Minimum being equal to 100,818,239 Common Shares. Since Oji will purchase all the tendered Common Shares when the number of such tendered Common Shares exceeds the Tender Offer Minimum, the ownership percentage of voting rights represented by the Common Shares held by Oji after the Tender Offer will be greater than 50.0004% and may be as high as 100%.

(Note 2) The ownership percentage is calculated based on the number of the voting rights held by all the shareholders of Hokuetsu as stated in the Securities Report for the 168th Term filed by Hokuetsu on June 28, 2006 (including the number of voting rights represented by Common Shares constituting less than one unit and those held under a cross-shareholding arrangement: 162,864). However, the ownership percentage after the Tender Offer is calculated by adding the number of voting rights represented by the 50,000,000 Common Shares proposed to be issued pursuant to the Placement to the total number of voting rights held by all the shareholders.

H. Public Notice of Commencement of Tender Offer

August 2, 2006 (Wednesday)

(Note) Public announcement will be made electronically at <http://info.edinet.go.jp/EdiHtml/main.htm> and this will be separately announced in Nihon Keizai Shimbun. The public announcement in English will be made available at <http://www.ojipaper.co.jp/english/> on August 3, 2006 (EST).

I. Tender Offer Agent

Nomura Securities Co., Ltd.

J. Funds Required for Tender Offer

80,654,591,200 yen

(Note) The above amount is calculated by multiplying the Tender Offer Minimum (100,818,239 Common Shares) and the Tender Offer Price. Because all of the tendered Common Shares will be purchased if the total number of tendered Common Shares exceeds the Tender Offer Minimum, the estimated amount of funds required for the Tender Offer will be as much as approximately 165,800 million yen.

K. Proposed Date of Commencement of Settlement of Tender Offer

September 8, 2006 (Friday)

4. Agreement with Hokuetsu Regarding Tender Offer

Hokuetsu announced in its press releases in Japanese entitled “Regarding Press Release by Oji Paper Co., Ltd” dated July 24, 2006 and “Certain Media Reports Regarding Tender Offer” dated July 29, 2006 that it has no intention to withdraw the Placement and the Business Alliance, and as of August 1, 2006, Oji does not have Hokuetsu’s endorsement for the Tender Offer and the Business Integration.

Oji will continue its efforts to obtain the understanding and support of Hokuetsu to consummate the Business Integration.

5. After the Tender Offer

Oji intends to achieve a complete business integration with Hokuetsu. If Oji is not able to acquire all the Common Shares (excluding the Common Shares, etc. held by Hokuetsu) through the Tender Offer, Oji will acquire any remaining Common Shares following the Tender Offer through a second step transaction, such as a statutory share exchange. The Common

Shares are listed on the First Section of each of the TSE and Osaka Securities Exchange (the “OSE”), and pursuant to the listing rules of the TSE and the OSE, they will be delisted if Oji acquires all the Common Shares. Because the Tender Offer does not set a maximum number of Common Shares to be acquired, if Mitsubishi becomes a large shareholder by holding 24.44% (based on voting rights) upon the consummation of the Placement, the Common Shares may also be delisted, depending on the outcome of the Tender Offer.

Provided that there will be no new issuance of Common Shares other than that by the Placement or any other analogous event, Oji plans to calculate the share exchange ratio assuming that each Common Share has a value equal to the price per share offered in the Tender Offer. The same pricing approach will also be used if another acquisition method is used.

Oji will consider the final structure of the new group by considering Hokuetsu’s corporate culture and its value as an integrated organization, taking into account the opinions of the management of Hokuetsu.

Oji will report the effect that the Tender Offer may have on its consolidated business results for the fiscal year ending March 2007 after the completion of the Tender Offer.

6. Other

On July 19, 2006, Hokuetsu adopted a takeover defense plan (the “Defense Plan”). However, Oji made the Proposal to Hokuetsu on July 3, 2006, which predates the announcement of the Defense Plan. Further, Oji has been providing relevant information and sufficient time for Hokuetsu’s management to consider the Proposal, including promptly responding to verbal and written questions from Hokuetsu regarding the Proposal. These questions have not been presented to Oji pursuant to the process provided for in the Defense Plan. As such, the Business Integration described in the Proposal does not fall within the scope of the process required by the Defense Plan, and Oji believes that there is no legal basis for Oji to be required to comply with the Defense Plan, which was unilaterally adopted by Hokuetsu’s board of directors.

Except as otherwise indicated, all references as to time and date are to those in Japan.