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O J I P A P E R

## **Business Integration with Hokuetsu Paper**

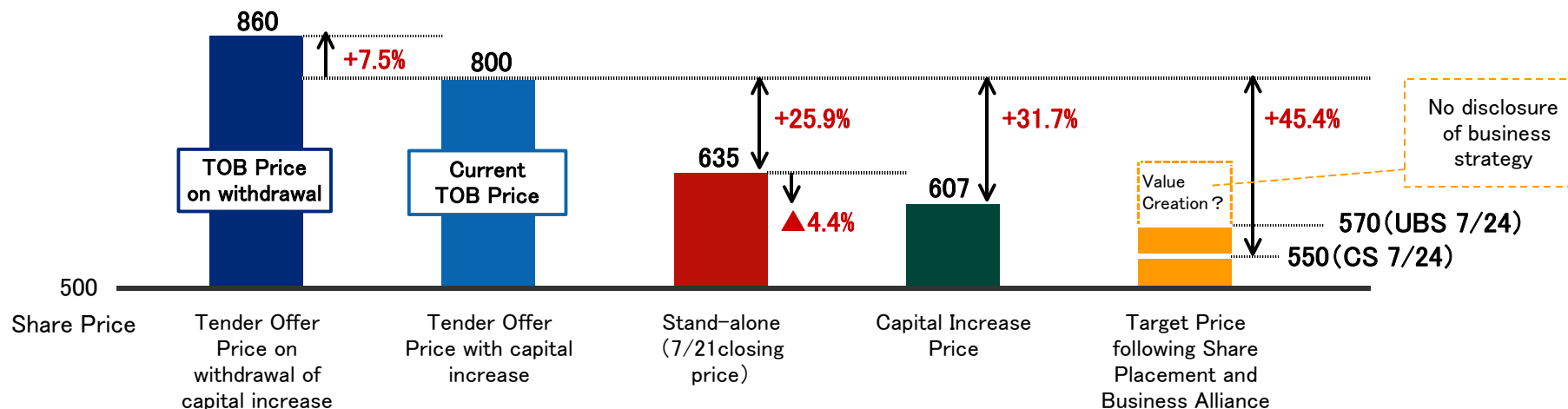
August 1, 2006

Oji Paper Co., Ltd.

- Even in the case that the placement of shares and business alliance comes into effect, we will make the tender offer for all shares at the price of JPY800 per share (including the additional shares from the capital increase).
- However, we are urging that the placement of shares and business alliance be reconsidered and want to preserve the right for current Hokuetsu shareholders to accept the tender offer at JPY860 and achieve full value. Therefore, if the placement and business alliance is cancelled, we are willing to raise the tender offer price to JPY860.

<sup>1</sup> For detail on conditions for withdrawal of alliance etc., please refer to the Tender Offer Registration Statement

	Tender Offer Price	Acquisition Value (100%)
Withdrawal of Share Placement and Business Alliance	JPY860	JPY140bn
With Share Placement and Business Alliance	JPY800	JPY170bn (cash increase of JPY30bn)

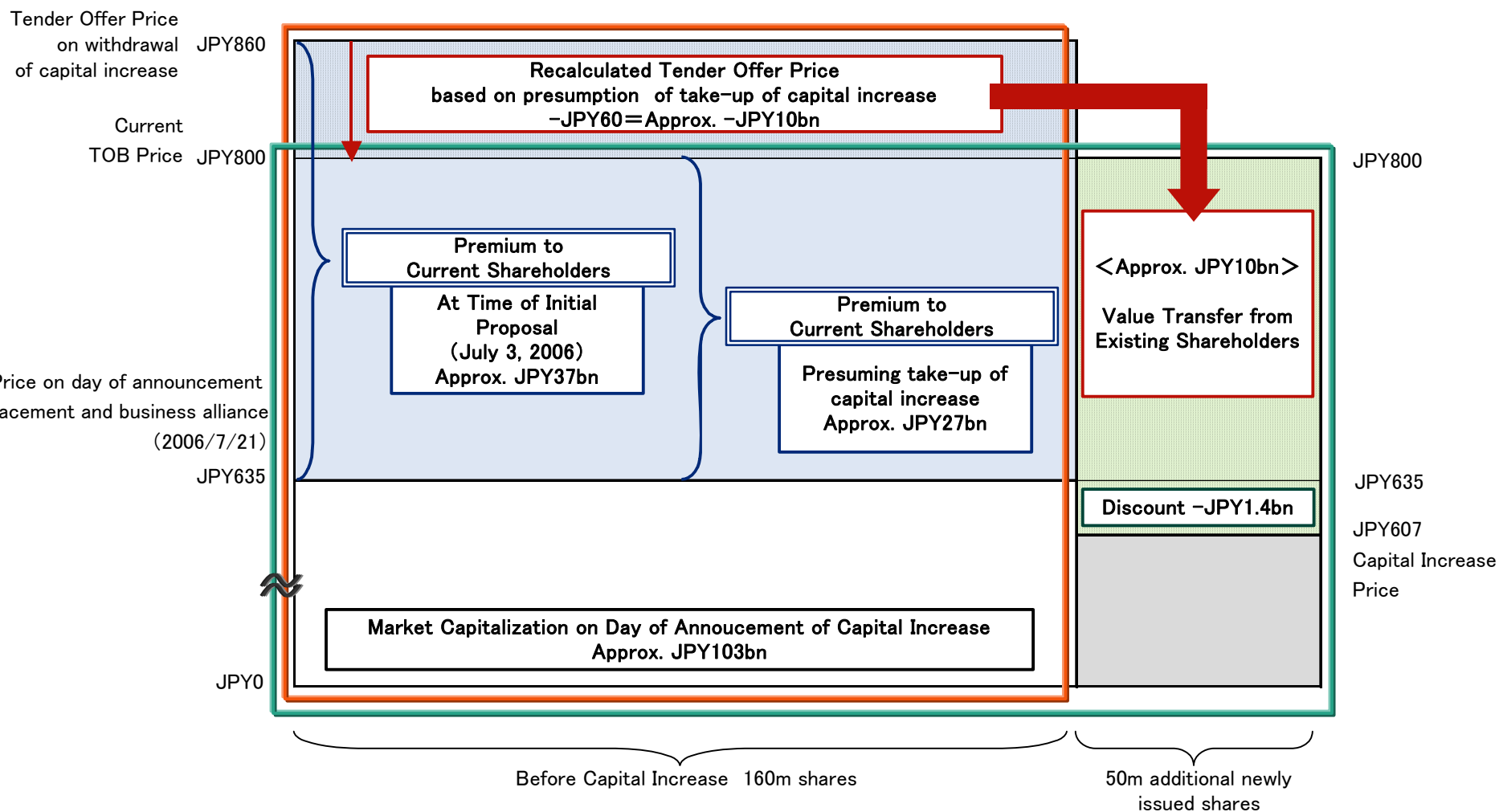


Source: Press releases, analyst reports

Note : Target prices after the share placement and business alliance are taken from UBS' report dated July 25, 2006 and Credit Suisse (CS) 24 July, 2006.

# Basis of Tender Offer Price: Revision due to Share Placement and Business Alliance

- The original offer of JPY860 which was conditional on the withdrawal of the placement and alliance has been adjusted to take account of the extra shares that will be issued.



Source: Press releases, Quick

Note: The diagram above does not take into account the shares of Hokuetsu held by Oji in pension trust accounts.

- Valuing Hokuetsu Paper based on a PBR of 1x at March 2007 gives a target price of JPY680 and a neutral rating. Applying the same valuation method after giving consideration to the third party allotment to Mitsubishi Corporation, the target price becomes JPY550  
Extract from CREDIT SUISSE “Equity Research Japan Hokuetsu Paper” July 24, 2006
- Hokuetsu will be expected to produce a more rational explanation for why it chose to make a third party allotment at a 7% discount (JPY 607/share) when it had received a proposal for business integration at a premium to its share price of more than 30% ... The target price of JPY570 is based on FY2006 estimated PBR of 0.8x (ROE 4.3%, COE 5.4%)  
Extract from “UBS Investment Research Hokuetsu Paper (3865)” Jul 24, 2006
- If the TOB is not successful, there is a risk that Hokuetsu’s share price will fall 30% below the closing price before the TOB and capital increase were announced....Considering the 60% difference in current shareholders return between the case where the TOB is successful and where it is not, it seems likely that the majority of Hokuetsu’s current shareholders will, from the point of view of economic rationality, be hoping that the TOB is successful  
Extract from Daiwa Institute of Research, “Oji Paper (3861) July 25, 2006
- As a listed company, (Hokuetsu Paper) should place the interests of its shareholders above everything else. If it continues to oppose Oji Paper’s business integration plan it will be necessary to show to the existing shareholders an alternative scenario which has both a greater positive effect and which has a high probability of being achieved (a plan which would, based on the presumption of 24% dilution, produce an EPS of more than JPY55 over the next two years)  
Extract from Daiwa Institute of Research, “Oji Paper (3861) July 25, 2006
- It is to be hoped that shareholders will be given an adequate explanation of the decision to go ahead with a third party allotment at a 7% discount to the share price when an opportunity to sell to Oji Paper at a premium of more than 30% to the share price is available  
Extract from Nikko-Citigroup “Equity Investment Strategy” July 27, 2006