



Continuing to Provide Paper

Promotion of Paper Recycling

While we continually utilize our edge in paper and paperboard manufacturing to promote the use of recovered paper, we also strive to set the ratio of recovered paper that is friendliest to the environment while still economical and appropriate for its intended use. We make concerted efforts to expand recovered paper use and develop technologies that turn previously unusable recovered paper into resources.

Japan recovers a stellar 75.1% of its paper, and boasts one of the world's best recovery systems.

Recovery of paper began long ago, during the Edo Period (1603-1868) in Japan. It firmly took root in the Japanese lifestyle and spirit, and a world-class recovery system developed through the valiant efforts of many people. Today, the paper recovery rate has reached 75.1% (see Figure 1). When one considers that discarded paper includes uncollected varieties such as books and sanitary papers, it becomes clear that virtually all collectible paper is collected.

Figure 1 Paper Recovery Rate in Japan

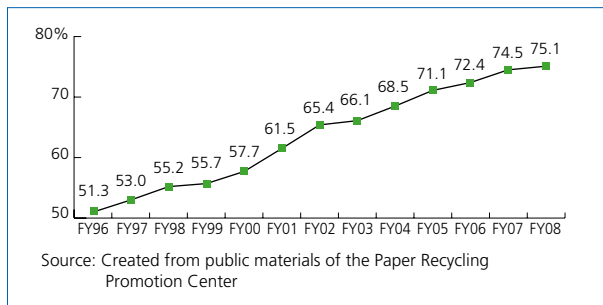


Figure 2 Uses of Recovered Paper in Japan (Fiscal 2008)

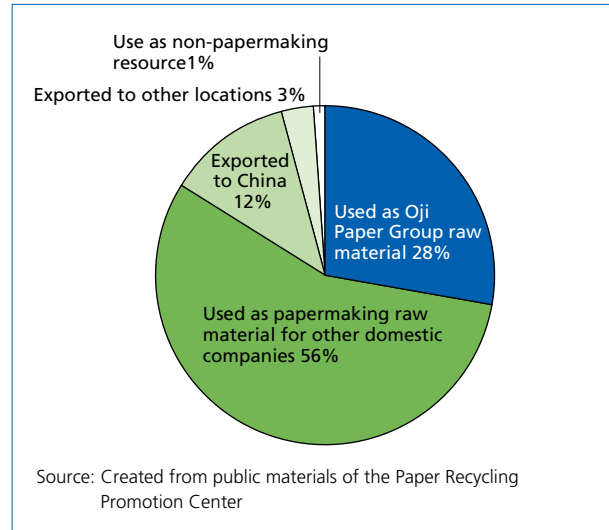


Figure 2 Focus Points: Strong connection between recovered paper and the papermaking industry

- 99% of recovered paper is used as raw material for papermaking.
- The Oji Paper Group uses the most recovered paper in Japan.

In order to use more volume and at higher efficiency, we sort recovered paper for optimal use.

Paper is discarded and collected from homes, offices, printing companies, paper processors and a myriad of other entities. We have a responsibility to use that paper with

minimal waste. We are able to maximize efficiency and minimize environmental impact through skillfully separating recovered paper according to its best use.

Figure 3 Uses of Sorted Recovered Paper

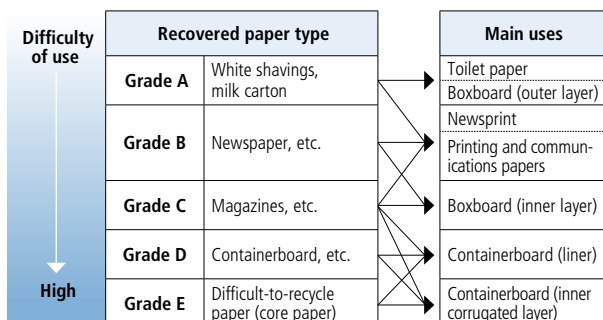


Figure 3 Focus Points: Sorting allows optimal use

- Recovered paper—collected, sorted and bundled by many hard-working individuals—arrives at the paper mill.
- The harder a paper is to process, the cheaper it can be obtained; however, uses are also more limited.
- Generally, grades A and B have ink removed, for Grade C ink is removed depending on use, grades D and E do not have ink removed.
- Special equipment is needed to remove extraneous materials from Grade E paper.

With its goal of a 62% recovered paper utilization rate, the Oji Paper Group takes seriously its responsibility as Japan's leading user of recovered paper.

The Oji Paper Group uses more recovered paper than any other user in Japan. Utilizing its strengths as a manufacturer of diverse varieties of paper, it makes an effort to match sorted, recovered paper with its optimal use, responsibly improving the recovered paper utilization rate while minimizing environmental impact.

Figure 4 Oji Paper Group Recovered Paper Utilization Rate

	Fiscal 2007			Fiscal 2008		
	Quantity of paper production (t)	Quantity of recovered paper used (t)	Recovered paper use rate (%)	Quantity of paper production (t)	Quantity of recovered paper used (t)	Recovered paper use rate (%)
Printing and communications papers	3,007,304	757,086	27.7	2,515,990	640,682	28.2
Containerboard	2,535,604	2,638,137	97.9	2,317,258	2,405,612	98.2
Newsprint	1,135,172	875,970	60.3	1,085,797	804,907	60.1
Boxboard	701,149	642,929	84.9	736,405	669,652	83.7
Packaging papers	315,809	21,073	6.1	272,060	19,890	6.7
Sanitary papers	199,681	21,781	9.8	194,362	21,244	10.1
Miscellaneous boxboard	165,377	168,470	91.5	104,414	101,047	85.8
Miscellaneous papers	107,722	2,124	1.9	97,425	1,890	1.9
Total	8,167,819	5,127,570	60.4	7,323,711	4,664,924	61.5

Figure 4 Focus Points: Why the recovered paper utilization rate increased from fiscal 2007 to fiscal 2008

- Our paper production declined from fiscal 2007 to fiscal 2008
- In particular, production of printing and communications papers, which has low recovered paper utilization rates, declined sharply, resulting in a higher overall recovered paper utilization rate.



Recovered paper storage area at the Oji Paper Fuji Mill, showing recovered paper being mixed for uniform quality.

Figure 5 Oji Paper Group Recovered Paper Utilization Rates by Paper Type (Fiscal 2008)

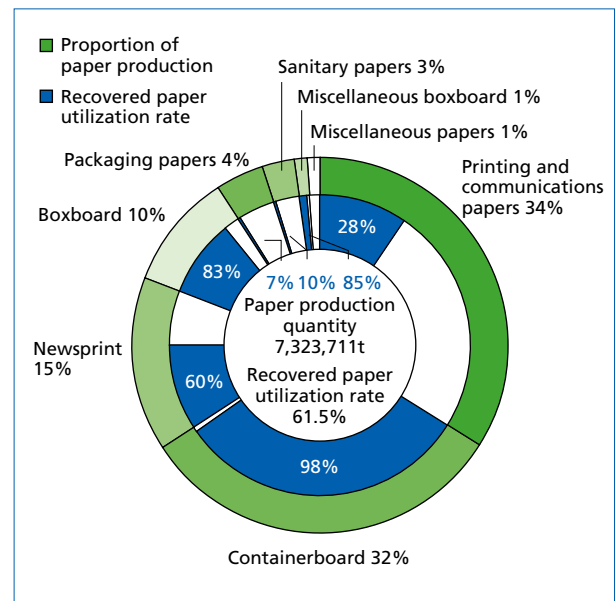


Figure 5 Focus Points: Why the recovered paper utilization rate varies by paper type

- Containerboard and boxboard recovered paper utilization rates are usually extremely high. This is because they are structured with multiple layers of thick paper, and low-grade recovered paper can be used for the inner layers.
- Newsprint is not required to be very white, so half or more of its content is recovered paper.
- In contrast to the above two types, the standard for recovered paper utilization rate in printing and communications papers is low. Reasons for this include that dirt gets mixed in and whiteness decreases, making it impossible to maintain desired quality.



Containerboard and boxboard are structured with multiple layers of thick paper. Each layer uses a different grade of recovered paper.

The Oji Paper Group continues to make Group-wide efforts to prevent recurrence of incidents of falsification of recovered paper ratios, which caused great inconvenience to customers and society at large.

In January 2008, it was discovered that the ratio of recovered paper in certain recycled paper produced and marketed by Oji Paper Co., Ltd. and Oji Specialty Paper Co., Ltd. was being falsified. This incident caused great inconvenience to our customers. One contributing factor was that transactions were taking place based solely on paper manufacturers' self-proclaimed recovered paper ratios, and we did not have the

awareness that recovered paper ratio is as important as quality standards (such as for whiteness and dirt) or delivery deadlines. We encountered a period of great turbulence following the incident. We are again keenly aware of the importance of this matter, and are taking numerous measures to prevent such a situation from ever occurring again.

1. System for Verifying the Content Ratio of Recovered Paper Pulp Established by the Japan Paper Association

In April 2008, the Japan Paper Association established the System for Verifying the Content Ratio of Recovered Paper Pulp in order to prevent falsification incidents from recurring in the industry. The main content of that system is as follows:

Carefully manage recovered paper content ratio

Perform regularly scheduled internal audits

Enable business partners to confirm the status of recovered paper pulp use

2. Oji Paper Group Recovered Paper Pulp Content Ratio Management Procedure Manual

According to the above system, the Oji Paper Group rapidly created the Recovered Paper Pulp Content Ratio Management Procedure Manual and implemented its use beginning in July 2008.

Manage recovered paper pulp content ratio

- Do not accept orders if we cannot provide the requested quality or quantity.
- Confirm content ratios when receiving orders.
- At mills, confirm whether recovered paper pulp supplies are sufficient before beginning production.
- Manage, create and maintain records of recovered paper content ratios on each production line, keeping them for three years.
- In the sales division, confirm sales quantities of recovered paper products monthly.

Perform regularly scheduled internal audits

- The Oji Paper Group Internal Audit Office performed audits of all seven Oji Paper mills and related divisions in which falsification occurred. (November 2008)
- In response to the results of those audits, the Recovered Paper Use Content Ratio Audit Committee was established at Oji Paper. (February 2009)
- The scope of the audits was expanded to include each of the 21 mills in the Oji Paper Group.
- Each mill now receives a yearly content ratio audit, in addition to examinations already administered in accordance with ISO procedures.

Results

From February to the end of August 2009, 11 of 21 mills were audited. Audits confirmed that management was being performed accurately and according to the procedure manual.

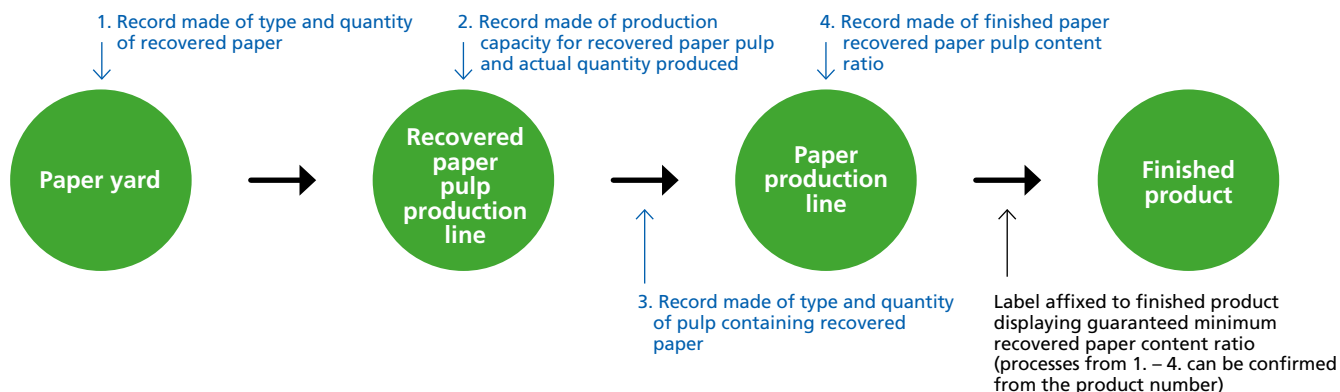
Business partners confirm the status of recovered paper pulp use

- In response to customer requests, we now issue Recovered Paper Content Ratio Certificates which contain the name of the manager responsible for that product.
- For customers who wish to confirm content ratios more directly, we allow customers to visit mills, perform inspections and confirm for themselves.
- During mill inspections, we allow customers to see all aspects of the process, from the production line to the records which constitute evidence of content ratio. (see Figure 6 on the next page)

Results

From July 2008 to the end of June 2009, we received 24 visit inspections from customers, each of whom confirmed our proper operations.

Figure 6 Oji Paper Group Recovered Paper Pulp Content Ratio Verification Flowchart



Going forward, we will continue to abide by the Recovered Paper Pulp Content Ratio Management Procedure Manual, rebuilding the relationship of trust with our customers and, with a strong commitment to never falsify information again, making our best efforts to prevent any recurrence.

Oji Philosophy

As a manufacturer, we continue to convey positive messages and information to society.

The type of paper that uses recovered paper at the highest rate is containerboard, followed by boxboard and then newsprint. In particular, containerboard has already reached its maximum potential for recovered paper content, and the type where recovered paper use must be expanded is printing and communications papers.

Recovered paper exports have increased, making good recovered paper more difficult to obtain in large quantities. The Oji Paper Group has determined that an important measure to handle this scarcity will be doing as much as possible with recovered magazine paper, which has a somewhat lower quality. The Oji Paper Tomioka Mill has newly installed equipment which can produce from

recovered magazine paper a raw material of equivalent quality to newsprint, which is then being made into printing paper. When using recovered paper to make printing paper, the biggest stumbling block is dirt. Dirt content can be reduced by augmenting equipment and using more chemicals, but these actions require great care as they result in greater environmental impact, not to mention higher costs. Our challenge is to use recovered magazine paper as best we can while communicating with customers to gain their understanding about quality levels. Conveying positive messages and information by honestly spelling out what we can and cannot do is one of the most important roles we play at the Oji Paper Group.