

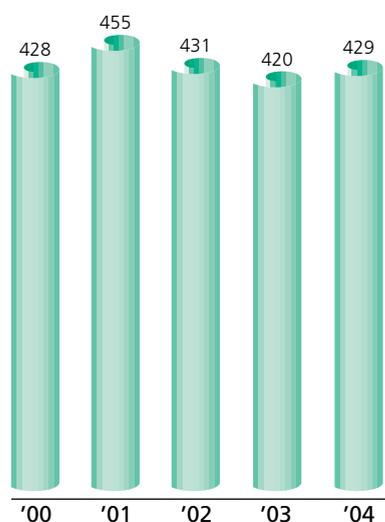
Consolidated Financial Highlights

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

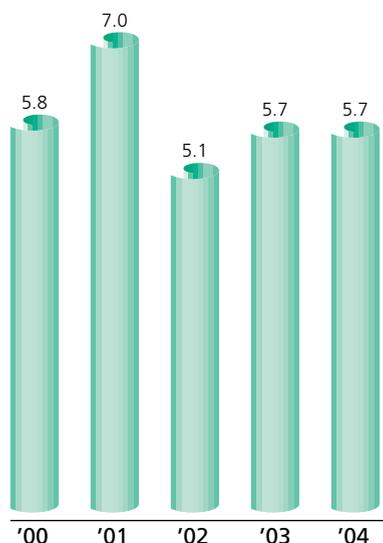
	Millions of Yen (except per share figures)			Thousands of U.S. Dollars (except per share figures)
	2004	2003	2002	2004
Net Sales	¥428,747	¥419,887	¥431,225	\$4,056,645
Operating Income.....	5,683	5,671	5,050	53,767
Net Income.....	2,479	1,012	959	23,459
Shareholders' Equity	66,074	58,076	60,961	625,172
Total Assets	264,480	256,329	271,487	2,502,413
Per Share Data (yen and U.S. dollars):				
Net income.....	¥16.66	¥6.40	¥6.69	\$0.16
Net income (fully diluted).....	14.15	6.20	—	0.13

Note: Unless otherwise specified, all dollar figures in this annual review refer to U.S. currency. All U.S. dollar amounts are presented solely for the readers' convenience and are translated at ¥105.69=US\$1, the approximate exchange rate at March 31, 2004.

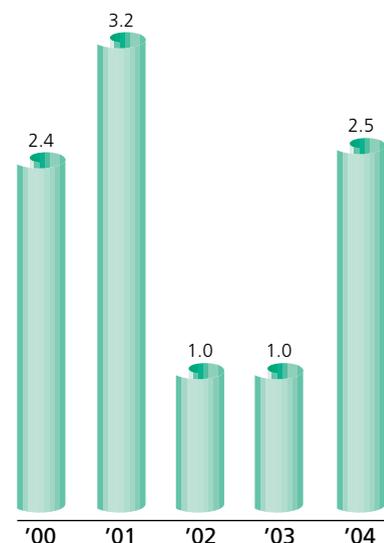
Net Sales
(¥ billion)



Operating Income
(¥ billion)



Net Income
(¥ billion)



Consolidated Balance Sheets

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current Assets:			
Cash on hand and in banks	¥4,947	¥ 6,048	\$ 46,805
Trade notes and accounts receivable	129,792	125,891	1,228,048
Marketable securities	—	602	—
Inventories	17,509	16,674	165,664
Deferred tax assets - current.....	1,801	2,114	17,040
Other current assets	2,737	2,458	25,901
Allowance for doubtful accounts.....	(1,756)	(1,955)	(16,617)
Total current assets	155,030	151,831	1,466,841
Property and Equipment:			
Building and structures.....	30,229	31,511	286,019
Land	22,936	22,723	217,011
Other property and equipment.....	5,297	5,429	50,116
Total property and equipment.....	58,462	59,663	553,146
Intangible Fixed Assets	1,328	1,169	12,566
Investments and Advances:			
Investments in securities.....	43,316	32,842	409,842
Long-term loans.....	2,818	2,610	26,664
Deferred tax assets - noncurrent.....	1,347	6,322	12,748
Other investments and advances	2,070	1,803	19,584
Total investments and advances	49,552	43,578	468,839
Deferred charges:			
Bond issue expense	108	88	1,022
Total Assets	¥264,480	¥256,329	\$2,502,413

Please see accompanying Basis for Preparing Consolidated Financial Statements and Notes to Consolidated Financial Statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current Liabilities:			
Trade notes and accounts payable.....	¥106,607	¥100,309	\$1,008,678
Short-term debt	28,290	48,379	267,665
Commercial paper.....	7,000	10,000	66,231
Income taxes payable	824	1,547	7,799
Other current liabilities	5,897	5,911	55,795
Total current liabilities	148,618	166,146	1,406,168
Long-Term Liabilities:			
Long-term debt.....	21,286	17,932	201,401
Bonds	19,859	5,000	187,899
Reserve for employee's retirement benefits.....	979	839	9,259
Deferred tax liabilities.....	885	766	8,371
Other long-term liabilities	5,073	6,472	48,002
Total long-term liabilities	48,082	31,009	454,931
Minority Interests	1,706	1,098	16,141
Shareholders' Equity:			
Common stock:			
Authorized 295,603,000 shares:			
Issued and outstanding			
143,650,074 shares 2004			
143,257,318 shares 2003	15,470	15,400	146,375
Additional paid-in capital	14,063	13,992	133,057
Retained earnings	32,682	31,304	309,230
Unrealized gain (loss) on holdings of securities	4,467	(2,182)	42,262
Foreign currency translation adjustments.....	(441)	(287)	(4,169)
Treasury stock	(167)	(150)	(1,583)
Total shareholders' equity	66,074	58,076	625,172
Total Liabilities, Minority Interests and Shareholders' Equity	¥264,480	¥256,329	\$2,502,413

Consolidated Surplus Statement

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Additional paid-in capital:			
Balance at beginning of year	¥13,992	¥13,992	\$132,389
Increase in additional paid-in capital			
Share issuance on the exercise of warrants	71	—	667
Difference attributable to retirement of treasury stock	0	—	0
Balance at end of year	¥14,063	¥13,992	\$133,057
Retained earnings:			
Balance at beginning of year	31,304	31,389	296,182
Increase in retained earnings			
Net income	2,479	1,012	23,459
Decrease in retained earnings			
Cash dividends	1,002	1,002	9,484
Bonuses to directors and corporate auditors	98	96	928
Balance at end of year	¥32,682	¥31,304	\$309,230

Please see accompanying Basis for Preparing Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash Flows from Operating Activities:			
Income before income taxes and minority interests.....	¥ 4,979	¥ 2,385	\$ 47,107
Depreciation and amortization	4,067	4,012	38,485
Decrease (increase) in accounts receivable	(4,605)	12,648	(43,569)
Decrease (increase) in inventories	(750)	32	(7,098)
Increase (decrease) in accounts payable	6,510	(13,175)	61,598
Others, net.....	(1,077)	2,714	(10,189)
Subtotal	9,125	8,616	86,335
Interest and dividend income	645	545	6,105
Interest expenses.....	(1,170)	(1,286)	(11,068)
Income taxes paid	(2,459)	(2,256)	(23,265)
Net cash provided by (used in) operating activities	6,141	5,618	58,108
Cash Flows from Investing Activities:			
Acquisition of property and equipment	(3,160)	(4,367)	(29,895)
Proceeds from sales of property and equipment	2,018	411	19,098
Others, net.....	(527)	382	(4,989)
Net cash provided by (used in) investing activities	(1,668)	(3,574)	(15,786)
Cash Flows from Financing Activities:			
Net increase (decrease) in debt.....	(1,475)	4,581	(13,956)
Net increase (decrease) in commercial paper.....	(3,000)	6,000	(28,385)
Revenue from bond issuance.....	15,000	5,000	141,924
Expenditure for bond redemption	(15,342)	(14,612)	(145,160)
Cash dividends paid by the Company	(1,002)	(1,002)	(9,484)
Others, net	(187)	(223)	(1,768)
Net cash provided by (used in) financing activities	(6,006)	(256)	(56,829)
Effects of Changes in Exchange Rates on Cash and Cash Equivalents.....	(115)	59	(1,086)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,648)	1,847	(15,593)
Cash and Cash Equivalents at Beginning of Year.....	6,488	4,641	61,389
Cash and Cash Equivalents at End of Year.....	¥ 4,840	¥ 6,488	\$ 45,795

Please see accompanying Basis for Preparing Consolidated Financial Statements and Notes to Consolidated Financial Statements.

1. Scope of Consolidation

Number of consolidated subsidiaries: 22 subsidiaries

Company names: Nakai Honsha Co., Ltd., J.P. Resources Co., Ltd., Komaki Kami Ryutsu Center Co., Ltd., JP Information Center Co., Ltd., Nanko Paper Center Co., Ltd., JP Household Supply Co., Ltd., JP Leasing Co., Ltd., JPP FAR EAST (S) Pte. Ltd., Japan Pulp & Paper GmbH, Japan Pulp & Paper Co., (H.K.) Ltd., Japan Pulp & Paper (U.S.A.) Corp., Talico S.A. de C.V., Safeshred Co., Inc., Nakai Paper Transport Co., Ltd., Maruni Kamiten Co., Ltd., Tai Tak Paper Co., Ltd., Showa Packaging Industry Co., Ltd., Chikiriya Co., Ltd., Atsugi Kami Ryutsu Center Co., Ltd., Mikuni Shiko Co., Ltd. and Nihon Soko Co., Ltd., PT. Oriental Asahi Lyman Carton Box. PT. Oriental Asahi Lyman Carton Box is a subsidiary included within the scope of consolidation.

2. Application of the Equity Method

Number of companies accounted for by the equity method: 9 affiliates

Company names: Japan Pulp & Paper (M) Sdn. Bhd., Seihoku Paper Depot Corp., Kosoku Paper Ltd., Cosmo Paper Trading Co., Ltd., Nakatsugawa Packaging Industrial Co., Ltd., Kitakami Seishi K.K., Tokyo Sangyo Yoshi Co., Ltd., Tai Tak Takeo Fine Paper Co., Ltd. and Toyo Shigyo Printing Co., Ltd.

3. Fiscal Years of Consolidated Subsidiaries

The fiscal years of Japan Pulp and Paper Company Limited (the "Company")'s domestic consolidated subsidiaries are the same as that of the Company. However, the fiscal years of JPP FAR EAST (S) Pte. Ltd., Japan Pulp & Paper GmbH, Japan Pulp & Paper Co., (H.K.) Ltd., Japan Pulp & Paper (U.S.A.) Corp., Talico S.A. de C.V., Safeshred Co., Inc., Tai Tak Paper Co., Ltd. and PT. Oriental Asahi Lyman Carton Box end on December 31. As the difference between the fiscal year-ends of these subsidiaries and that of the Company is no larger than three months, the Company's consolidated financial statements are prepared based on these subsidiaries' financial statements for their fiscal years. However, adjustments to consolidated figures are made in the case of major transactions occurring during periods falling between the fiscal year-ends of the subsidiaries and that of the Company.

Because Japan Pulp & Paper GmbH changed the ending date of its fiscal year, its most recent full fiscal year was a transitional 11-month period from February 1, 2003 through December 31, 2003.

4. Accounting Policies

1) Valuation Basis and Methods of Accounting for Major Assets

(1) Securities

"Other Securities" (defined in the Statement of position on the establishment of standards for financial products (Business Accounting Council; January 22, 1999))

Current Quotes Available: Valued at their market prices as of the balance sheet date (All differences in valuations are presented as a component of shareholders' equity, and cost of securities sold is computed using the moving average method.)

Current Quotes Unavailable: Valued at cost using the moving average method

(2) Inventories

Principally valued at cost determined by the first-in, first-out method

(3) Derivatives

Valued at their market prices

2) Depreciation Methods for Fixed Assets

(1) Property and equipment

Principally depreciated by the declining-balance method. However, buildings (excluding structures) acquired on or after April 1, 1998, are depreciated using the straight-line method. In addition, nine consolidated subsidiaries use the straight-line method. Moreover, useful life and residual value are determined according to the same standards as those for the methods prescribed by the Corporate Tax Law.

(2) Intangible fixed assets

Amortized using the straight-line method.

(3) Long-term prepaid expenses

Flat-value amortization

3) Method of accounting for deferred charges

In accordance with the rules of the Commercial Code Enforcement Regulations of Japan, bond issue expenses are amortized at an average rate over three years.

4) Reserves

(1) Allowance for doubtful accounts

To prepare for possible losses on uncollectable receivables, the allowance for doubtful accounts is provided in an amount deemed necessary to cover possible losses based on an actual rate of bad debt losses during a certain period for general debt and in consideration of customers' financial conditions on an individual basis for certain non-performing debt.

(2) Reserve for employee's retirement benefits

The reserve for retirement benefits is provided on an accrual basis based on the projected benefit obligation and plan assets calculated using various actuarial assumptions as of the end of each fiscal year.

5) Leases

Finance leases that do not transfer ownership of the leased property to the lessee are accounted for as operating leases. However, certain overseas consolidated subsidiaries account for leased property under such finance lease transactions as purchase or capitalization transactions.

6) Hedging

The Company employs deferred hedge accounting. In addition, regarding forward exchange contracts, the Company employs allotment accounting in cases where the conditions for such treatment are present. Interest rate swaps that meet the criteria for hedge accounting are accounted for by special methods.

7) Transactions Subject to Consumption Tax

Transactions subject to consumption tax are stated at the amount net of the related consumption tax.

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

The parent company's portion only of valuation surplus or deficit on assets and liabilities of subsidiaries is recognized in the consolidated financial statements.

6. Amortization of Consolidation Goodwill

Consolidation goodwill is amortized over five years, except for minor amounts that are amortized as one-time charges.

7. Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following fiscal year upon shareholders' approval.

8. Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand and in banks, bank deposits callable on demand and highly liquid short-term investments with maturities of three months or less when purchased and which represent a minor risk of fluctuations in value.