

Consolidated Financial Highlights

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

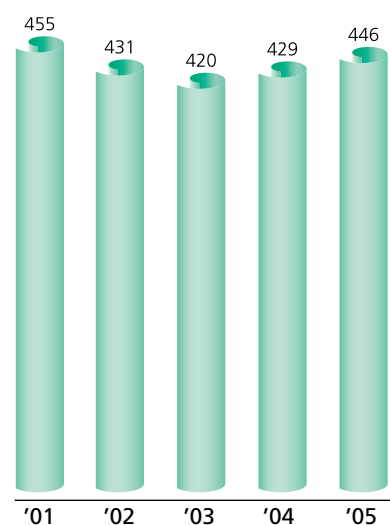
	Millions of Yen (except per share figures)			Thousands of U.S. Dollars (except per share figures)
	2005	2004	2003	2005
Net Sales	¥445,552	¥428,747	¥419,887	\$4,148,913
Operating Income.....	5,767	5,683	5,671	53,698
Net Income (Net Loss).....	(3,993)	2,479	1,012	(37,186)
Shareholders' Equity	59,884	66,074	58,076	557,632
Total Assets	256,749	264,480	256,329	2,390,811
Per Share Data (yen and U.S. dollars):				
Net Income (Net Loss).....	¥(28.00)	¥16.66	¥6.40	\$(0.26)
Net Income (fully diluted).....	—	14.15	6.20	—

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 ¥107.39=US\$1, the approximate exchange rate at March 31, 2005.

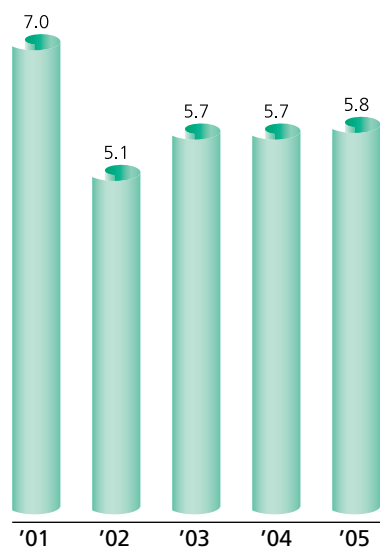
Overview

In the fiscal year ended March 31, 2005, consolidated net sales grew 3.9%, to ¥445,552 million (US\$4,149 million), and consolidated operating income rose 1.5%, to ¥5,767 million (US\$54 million). Reflecting extraordinary losses associated with such factors as the early adoption of the new accounting standards for impairment of fixed assets, the Company recorded a consolidated net loss of ¥3,993 million (US\$37 million).

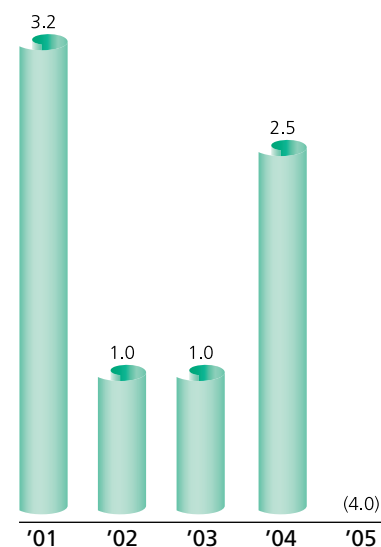
Net Sales
(¥ billion)



Operating Income
(¥ billion)



Net Income (Net Loss)
(¥ billion)



Consolidated Statements of Income

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Net Sales	¥445,552	¥428,747	\$4,148,913
Cost of Sales	410,809	394,623	3,825,393
Gross profit	34,743	34,123	323,521
Selling, General and Administrative Expenses	28,976	28,441	269,822
Operating income	5,767	5,683	53,698
Non-Operating Income:			
Interest and dividend income	708	608	6,593
Equity in earnings of affiliates	104	130	970
Other	286	312	2,664
Total	1,098	1,050	10,227
Non-Operating Expenses:			
Interest expenses	932	1,156	8,683
Other	230	256	2,145
Total	1,163	1,412	10,828
Ordinary income	5,702	5,321	53,097
Extraordinary Income:			
Gain on sales of fixed assets	23	4	212
Other	5	920	44
Total	28	924	256
Extraordinary Loss:			
Loss on impairment of fixed assets	7,668	—	71,406
Equity in loss of affiliates	1,037	—	9,655
Loss on support of affiliates	—	550	—
Other	1,343	717	12,504
Total	10,048	1,267	93,564
Income (Loss) before Income Taxes and Minority Interests	(4,318)	4,979	(40,210)
Income Taxes	696	1,740	6,482
Deferred income taxes	(1,161)	650	(10,814)
Minority Interests	140	109	1,307
Net income (Net loss)	¥ (3,993)	¥ 2,479	\$ (37,186)
		Yen	U.S. dollars
Per Share:			
Net income (Net loss)	¥(28.00)	¥16.66	\$(0.26)
Cash dividends	7.00	7.00	0.07

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

Consolidated Balance Sheets

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
March 31, 2005 and 2004

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current Assets:			
Cash on hand and in banks	¥ 4,117	¥ 4,947	\$ 38,338
Trade notes and accounts receivable	135,749	129,792	1,264,073
Inventories	18,710	17,509	174,228
Deferred tax assets - current	3,395	1,801	31,609
Other	2,821	2,737	26,269
Allowance for doubtful accounts	(1,972)	(1,756)	(18,359)
Total current assets	162,820	155,030	1,516,158
Property and Equipment:			
Building and structures	28,382	30,229	264,284
Land	12,609	22,936	117,411
Other	5,124	5,297	47,711
Total property and equipment	46,114	58,462	429,407
Intangible Fixed Assets	1,473	1,328	13,720
Investments and Advances:			
Investments in securities	41,125	43,316	382,947
Long-term loans	2,219	2,818	20,660
Deferred tax assets - noncurrent	1,588	1,347	14,787
Other	1,378	2,070	12,832
Total investments and advances	46,309	49,552	431,226
Deferred charges:			
Bond issue expense	32	108	301
Total Assets	¥256,749	¥264,480	\$2,390,811

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
	2005	2004	2005
Current Liabilities:			
Trade notes and accounts payable.....	¥110,492	¥106,607	\$1,028,888
Short-term debt	20,711	28,290	192,856
Commercial paper.....	11,000	7,000	102,430
Income taxes payable	268	824	2,492
Other	6,299	5,897	58,658
Total current liabilities	148,770	148,618	1,385,324
Long-Term Liabilities:			
Bonds	19,859	19,859	184,924
Long-term debt.....	19,504	21,286	181,621
Reserve for employee's retirement benefits.....	1,228	979	11,436
Deferred tax liabilities.....	854	885	7,953
Other	4,887	5,073	45,504
Total long-term liabilities	46,332	48,082	431,438
Minority Interests	1,763	1,706	16,417
Shareholders' Equity:			
Common stock:			
Authorized 295,603,000 shares:			
Issued and outstanding 143,650,074 shares in 2004 and 2005	15,470	15,470	144,058
Additional paid-in capital	14,063	14,063	130,950
Retained earnings	27,429	32,682	255,414
Unrealized gain on holdings of securities.....	3,571	4,467	33,253
Foreign currency translation adjustments.....	(460)	(441)	(4,285)
Treasury stock	(189)	(167)	(1,758)
Total shareholders' equity	59,884	66,074	557,632
Total Liabilities, Minority Interests and Shareholders' Equity	¥256,749	¥264,480	\$2,390,811

Consolidated Surplus Statement

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Additional paid-in capital:			
Balance at beginning of year	¥14,063	¥13,992	\$130,950
Increase in additional paid-in capital			
Share issuance on the exercise of warrants	—	71	—
Increase due to retirement of treasury stock	—	0	—
Decrease in additional paid-in capital			
Decrease due to retirement of treasury stock	0	—	0
Balance at end of year	¥14,063	¥14,063	\$130,950
Retained earnings:			
Balance at beginning of year	32,682	31,304	304,335
Increase in retained earnings			
Net income	—	2,479	—
Decrease in retained earnings			
Net loss	3,993	—	37,816
Decrease accompanying the merger of a consolidated subsidiary with nonconsolidated subsidiaries	157	—	1,465
Cash dividends	1,003	1,002	9,344
Bonuses to directors and corporate auditors	99	98	926
Balance at end of year	¥27,429	¥32,682	\$255,414

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, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests.....	¥ (4,318)	¥ 4,979	\$ (40,210)
Depreciation and amortization	3,365	4,067	31,333
Loss on impairment of fixed assets	7,668	—	71,406
Increase in accounts receivable	(6,009)	(4,605)	(55,951)
Increase in inventories	(1,200)	(750)	(11,177)
Increase in accounts payable	3,954	6,510	36,819
Others, net.....	3,217	(1,077)	29,960
Subtotal	6,677	9,125	62,179
Interest and dividend income	755	645	7,030
Interest expenses.....	(938)	(1,170)	(8,735)
Income taxes paid	(1,805)	(2,459)	(16,806)
Net cash provided by operating activities	4,690	6,141	43,668
Cash Flows from Investing Activities:			
Acquisition of property and equipment	(3,569)	(3,160)	(33,237)
Proceeds from sales of property and equipment	4,455	2,018	41,482
Others, net.....	44	(527)	410
Net cash provided by (used in) investing activities	929	(1,668)	8,655
Cash Flows from Financing Activities:			
Net decrease in debt	(9,506)	(1,475)	(88,515)
Net increase (decrease) in commercial paper.....	4,000	(3,000)	37,247
Revenue from bond issuance.....	—	15,000	—
Expenditure for bond redemption	—	(15,342)	—
Cash dividends paid by the Company.....	(1,003)	(1,002)	(9,344)
Others, net	48	(187)	447
Net cash used in financing activities	(6,461)	(6,006)	(60,165)
Effects of Changes in Exchange Rates on Cash and Cash Equivalents.....	10	(115)	97
Net Decrease in Cash and Cash Equivalents	(832)	(1,648)	(7,745)
Cash and Cash Equivalents at Beginning of Year.....	4,840	6,488	45,070
Rise in cash and cash equivalents accompanying the merger of a consolidated subsidiary with nonconsolidated subsidiaries	67	—	621
Cash and Cash Equivalents at End of Year.....	¥ 4,075	¥ 4,840	\$ 37,946

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., JP 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., Tai Tak Paper Co., 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., Showa Packaging Industry Co., Ltd., Chikiriya Co., Ltd., Atsugi Kami Ryutsu Center Co., Ltd., Mikuni Shiko Co., Ltd., Nihon Soko Co., Ltd. and PT. Oriental Asahi Lyman Carton Box.

Moreover on April 1, 2004, the Company's consolidated subsidiary, J.P. Resources Co., Ltd. merged with three non-consolidated subsidiaries, Kyushu J.P. Resources Company Limited, Chubu J.P. Resources Company Limited, and Kansai J.P. Resources Company Limited, and the new entity was named JP Resources Company Limited.

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 Paper Co., Ltd., 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.

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.

Accounting Change 1

From the fiscal year under review, the Company and its domestic consolidated subsidiaries implemented the early adoption of "Accounting Standards for Impairment of Fixed Assets." This had the effect of reducing income before income taxes by ¥7,668 million.