

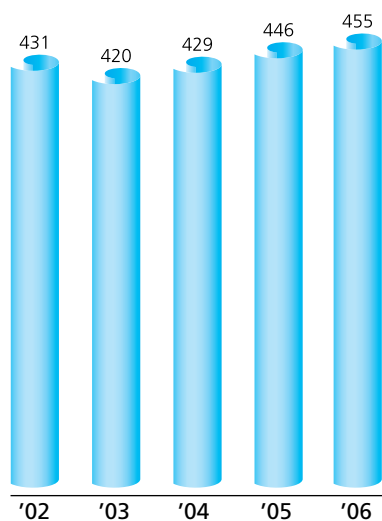
Consolidated Financial Highlights

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2006, 2005 and 2004

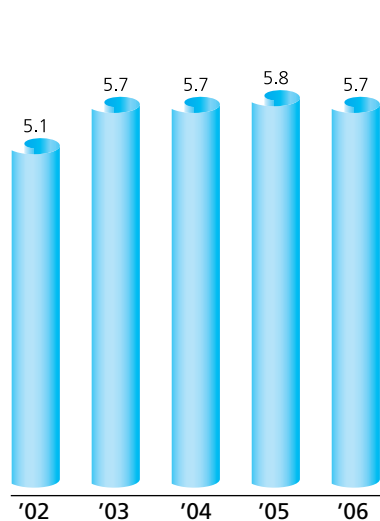
	Millions of Yen (except per share figures)			Thousands of U.S. Dollars (except per share figures)
	2006	2005	2004	2006
Net Sales	¥454,576	¥445,552	¥428,747	\$3,869,718
Operating Income.....	5,713	5,767	5,683	48,630
Net Income (Net Loss).....	3,177	(3,993)	2,479	27,049
Shareholders' Equity	68,416	59,884	66,074	582,413
Total Assets	261,582	256,749	264,480	2,226,796
Per Share Data (yen and U.S. dollars):				
Net Income (Net Loss).....	¥21.61	¥(28.00)	¥16.66	\$0.18
Net Income (fully diluted).....	19.78	—	14.15	0.17

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 ¥117.47=US\$1, the approximate exchange rate at March 31, 2006.

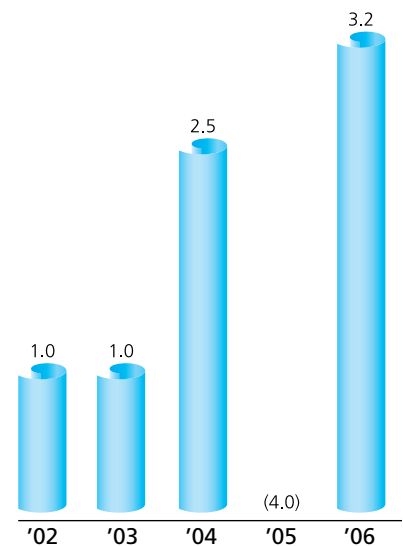
Net Sales
(¥ billion)



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, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Net Sales	¥454,576	¥445,552	\$3,869,718
Cost of Sales	419,414	410,809	3,570,393
Gross profit	35,162	34,743	299,325
Selling, General and Administrative Expenses	29,449	28,976	250,696
Operating income	5,713	5,767	48,630
Non-Operating Income:			
Interest and dividend income	745	708	6,343
Equity in earnings of affiliates	35	104	296
Other	387	286	3,292
Total	1,167	1,098	9,931
Non-Operating Expenses:			
Interest expenses	860	932	7,318
Other	125	230	1,064
Total	985	1,163	8,382
Ordinary income	5,894	5,702	50,179
Extraordinary Income:			
Gain on sales of fixed assets	234	23	1,996
Gain on sales of investment securities	151	1	1,284
Other	1	4	9
Total	386	28	3,289
Extraordinary Loss:			
Loss on disposal of fixed assets	154	147	1,313
Loss on impairment of fixed assets	—	7,668	—
Equity in loss of affiliates	—	1,037	—
Other	75	1,196	637
Total	229	10,048	1,950
Income (Loss) before Income Taxes and Minority Interests	6,052	(4,318)	51,517
Income Taxes	1,605	696	13,663
Deferred income taxes	1,091	(1,161)	9,284
Minority Interests	179	140	1,522
Net income (Net loss)	¥ 3,177	¥ (3,993)	\$ 27,049
		Yen	U.S. dollars
Per Share:			
Net income (Net loss)	¥21.61	¥(28.00)	\$0.18
Cash dividends	8.00	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, 2006 and 2005

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current Assets:			
Cash on hand and in banks	¥ 2,405	¥ 4,117	\$ 20,475
Trade notes and accounts receivable	135,669	135,749	1,154,925
Inventories	18,586	18,710	158,217
Deferred tax assets - current.....	2,441	3,395	20,778
Other	2,524	2,821	21,489
Allowance for doubtful accounts.....	(2,117)	(1,972)	(18,025)
Total current assets	159,508	162,820	1,357,859
Property and Equipment:			
Building and structures.....	27,263	28,382	232,088
Land	12,397	12,609	105,530
Other	4,877	5,124	41,516
Total property and equipment.....	44,537	46,114	379,134
Intangible Fixed Assets	2,105	1,473	17,916
Investments and Advances:			
Investments in securities.....	50,940	41,125	433,639
Long-term loans.....	2,564	2,219	21,829
Deferred tax assets - noncurrent.....	566	1,588	4,819
Other	1,363	1,378	11,600
Total investments and advances	55,433	46,309	471,887
Deferred charges:			
Bond issue expense	—	32	—
Total Assets	¥261,582	¥256,749	\$2,226,796

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
	2006	2005	2006
Current Liabilities:			
Trade notes and accounts payable.....	¥111,609	¥110,492	\$ 950,109
Short-term debt	18,240	20,711	155,271
Commercial paper.....	7,000	11,000	59,590
Income taxes payable	1,307	268	11,130
Other	7,305	6,299	62,187
Total current liabilities	145,462	148,770	1,238,288
Long-Term Liabilities:			
Bonds	19,061	19,859	162,263
Long-term debt.....	17,446	19,504	148,516
Deferred tax liabilities.....	3,680	854	31,328
Reserve for employee's retirement benefits.....	1,363	1,228	11,605
Other	4,548	4,887	38,716
Total long-term liabilities	46,099	46,332	392,428
Minority Interests	1,605	1,763	13,667
Shareholders' Equity:			
Common stock:			
Authorized 295,603,000 shares:			
Issued and outstanding 145,872,906 shares in 2006			
143,650,074 shares in 2005	15,869	15,470	135,093
Additional paid-in capital	14,462	14,063	123,111
Retained earnings	29,481	27,429	250,969
Unrealized gain on holdings of securities.....	8,999	3,571	76,609
Foreign currency translation adjustments.....	(181)	(460)	(1,538)
Treasury stock	(215)	(189)	(1,832)
Total shareholders' equity	68,416	59,884	582,413
Total Liabilities, Minority Interests and Shareholders' Equity	¥261,582	¥256,749	\$2,226,796

Consolidated Surplus Statement

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Additional paid-in capital:			
Balance at beginning of year	¥14,063	¥14,063	\$119,713
Increase in additional paid-in capital			
Share issuance on the exercise of warrants	399	—	3,397
Increase due to retirement of treasury stock	0	—	2
Decrease in additional paid-in capital			
Decrease due to retirement of treasury stock	—	0	—
Balance at end of year	¥14,462	¥14,063	\$123,111
Retained earnings:			
Balance at beginning of year	27,429	32,682	233,497
Increase in retained earnings			
Net income	3,177	—	27,049
Increase due to the merger of a consolidated subsidiary with a nonconsolidated subsidiary	100	—	855
Increase due to increase in number of companies accounted for by the equity method	72	—	611
Decrease in retained earnings			
Net loss	—	3,993	—
Decrease due to increase in number of consolidated subsidiaries	212	—	1,804
Decrease due to the merger of a consolidated subsidiary with nonconsolidated subsidiaries	—	157	—
Cash dividends	1,075	1,003	9,147
Bonuses to directors and corporate auditors	11	99	92
Balance at end of year	¥29,481	¥27,429	\$250,969

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, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	¥ 6,052	¥ (4,318)	\$ 51,517
Depreciation and amortization	3,202	3,365	27,261
Loss on impairment of fixed assets	—	7,668	—
Decrease (Increase) in accounts receivable	1,827	(6,009)	15,549
Decrease (Increase) in inventories	565	(1,200)	4,809
Increase (Decrease) in accounts payable	(868)	3,954	(7,386)
Others, net.....	518	3,217	4,411
Subtotal	11,296	6,677	96,162
Interest and dividend income	806	755	6,865
Interest expenses.....	(871)	(938)	(7,414)
Income taxes paid	(90)	(1,805)	(770)
Net cash provided by operating activities	11,141	4,690	94,842
Cash Flows from Investing Activities:			
Acquisition of property and equipment	(3,584)	(3,569)	(30,509)
Proceeds from sales of property and equipment	1,003	4,455	8,537
Others, net.....	(433)	44	(3,685)
Net cash provided by (used in) investing activities	(3,014)	929	(25,658)
Cash Flows from Financing Activities:			
Net decrease in debt	(4,925)	(9,506)	(41,926)
Net increase (decrease) in commercial paper.....	(4,000)	4,000	(34,051)
Cash dividends paid by the Company.....	(1,075)	(1,003)	(9,147)
Others, net	11	48	92
Net cash used in financing activities	(9,989)	(6,461)	(85,032)
Effects of Changes in Exchange Rates on Cash and Cash Equivalents.....	92	10	787
Net Decrease in Cash and Cash Equivalents	(1,769)	(832)	(15,060)
Cash and Cash Equivalents at Beginning of Year.....	4,075	4,840	34,690
Increase in cash and cash equivalents due to newly consolidated subsidiaries	20	—	174
Rise in cash and cash equivalents due to the merger of a consolidated subsidiary with nonconsolidated subsidiaries	59	67	501
Cash and Cash Equivalents at End of Year.....	¥ 2,385	¥ 4,075	\$ 20,305

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

1. Scope of Consolidation

Number of consolidated subsidiaries: 23 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., Koyosha 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.

Beginning from the period under review, Koyosha Co., Ltd., is included among affiliates accounted for by the equity method beginning from the fiscal year under review.

2. Application of the Equity Method

Number of companies accounted for by the equity method: 10 affiliates

Company names: Japan Pulp & Paper (M) Sdn. Bhd., Seihoku Paper Depot Corp., Kosoku Paper Ltd., Cosmo Paper Trading Co., Ltd., Taiho Paper 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. Taiho Paper Co., Ltd., is included among affiliates accounted for by the equity method beginning from the fiscal year under review.

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.