

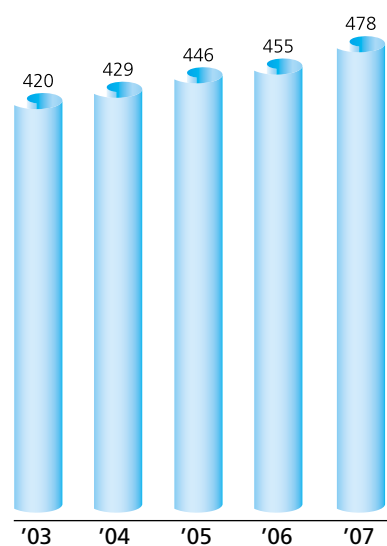
Consolidated Financial Highlights

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2007, 2006 and 2005

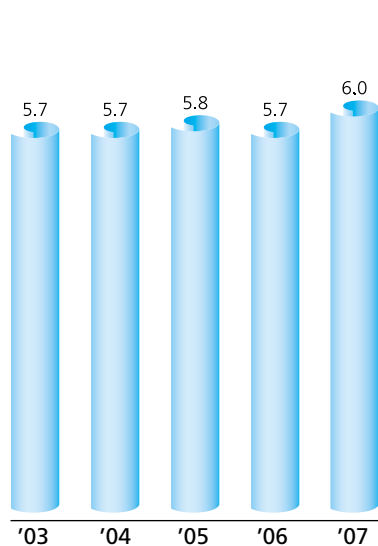
	Millions of Yen (except per share figures)			Thousands of U.S. Dollars (except per share figures)
	2007	2006	2005	2007
Net Sales	¥478,276	¥454,576	¥445,552	\$4,053,183
Operating Income.....	5,950	5,713	5,767	50,421
Net Income (Net Loss).....	3,307	3,177	(3,993)	28,023
Net Assets	71,036	68,416	59,884	601,998
Total Assets	275,887	261,582	256,749	2,338,027
Per Share Data (yen and U.S. dollars):				
Net Income (Net Loss).....	¥22.51	¥21.61	¥(28.00)	\$0.19
Net Income (fully diluted).....	21.14	19.78	—	0.18

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 ¥118=US\$1, the approximate exchange rate at March 30, 2007.

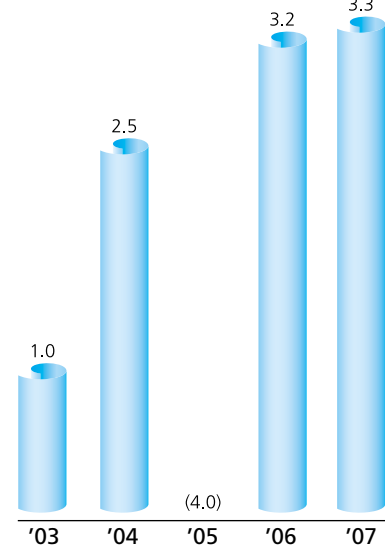
Net Sales
(¥ billion)



Operating Income
(¥ billion)



Net Income (Net Loss)
(¥ billion)



Consolidated Balance Sheets

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current Assets:			
Cash on hand and in banks	¥ 2,634	¥ 2,405	\$ 22,322
Trade notes and accounts receivable	152,412	135,669	1,291,628
Inventories	22,006	18,586	186,492
Deferred tax assets - current	2,447	2,441	20,739
Other	2,753	2,524	23,327
Allowance for doubtful accounts	(2,466)	(2,117)	(20,899)
Total current assets	179,786	159,508	1,523,609
Property and Equipment:			
Building and structures	26,305	27,263	222,922
Land	12,378	12,397	104,895
Other	4,582	4,877	38,830
Total property and equipment	43,264	44,537	366,648
Intangible Fixed Assets	1,664	2,105	14,103
Investments and Advances:			
Investments in securities	47,376	50,940	401,491
Long-term loans	1,872	2,564	15,860
Deferred tax assets - noncurrent	678	566	5,748
Other	1,247	1,363	10,567
Total investments and advances	51,173	55,433	433,667
Total Assets	¥275,887	¥261,582	\$2,338,027

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

LIABILITIES AND NET ASSETS (LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY)	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current Liabilities:			
Trade notes and accounts payable.....	¥120,630	¥111,609	\$1,022,287
Short-term debt	19,145	18,240	162,243
Commercial paper.....	15,000	7,000	127,119
Income taxes payable	1,858	1,307	15,744
Other	7,442	7,305	63,069
Total current liabilities	164,074	145,462	1,390,461
Long-Term Liabilities:			
Bonds	17,840	19,061	151,186
Long-term debt.....	15,243	17,446	129,182
Deferred tax liabilities.....	1,281	3,680	10,858
Reserve for employee's retirement benefits.....	1,525	1,363	12,921
Other	4,888	4,548	41,420
Total long-term liabilities	40,777	46,099	345,567
Minority Interests	—	1,605	—
Shareholders' Equity:			
Common stock	—	15,869	—
Additional paid-in capital	—	14,462	—
Retained earnings	—	29,481	—
Unrealized gain on holdings of securities.....	—	8,999	—
Foreign currency translation adjustments.....	—	(181)	—
Treasury stock	—	(215)	—
Total shareholders' equity	—	68,416	—
Total Liabilities, Minority Interests and Shareholders' Equity	¥ —	¥261,582	\$ —
Net Assets:			
Shareholders' equity			
Common stock	¥16,480	—	\$139,660
Additional paid-in capital	15,073	—	127,736
Retained earnings	31,609	—	267,877
Treasury stock	(237)	—	(2,009)
Total shareholders' equity	62,925	—	533,265
Revaluation and translation adjustments			
Unrealized gain on holdings of securities.....	6,553	—	55,538
Gain on deferred hedges.....	5	—	38
Foreign currency translation adjustment.....	(54)	—	(461)
Total revaluation and translation adjustments.....	6,504	—	55,116
Minority Interests	1,607	—	13,618
Total net assets	71,036	—	601,998
Total Liabilities and Net Assets	¥275,887	—	\$2,338,027

Consolidated Statements of Changes in Equity

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2007

Millions of Yen

	Shareholders' Equity					Revaluation and Translation Adjustments					Minority interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on holdings of securities	Gain on deferred hedges	Foreign currency translation adjustments	Total revaluation and translation adjustments			
Balance at March 31, 2006 (Millions of yen)	¥15,869	¥14,462	¥29,481	¥(215)	¥59,598	¥8,999	—	¥(181)	¥8,819	¥1,605	¥70,022	
Changes during the period	—	—	—	—	—	—	—	—	—	—	—	
New issue of stock	611	611	—	—	1,221	—	—	—	—	—	1,221	
Surplus dividend	—	—	(1,175)	—	(1,175)	—	—	—	—	—	(1,175)	
Directors' bonus of profit appropriation	—	—	(82)	—	(82)	—	—	—	—	—	(82)	
Net income	—	—	3,307	—	3,307	—	—	—	—	—	3,307	
Purchase of treasury stock	—	—	—	(24)	(24)	—	—	—	—	—	(24)	
Disposal treasury stock	—	0	—	2	3	—	—	—	—	—	3	
Changes in the scope of consolidation	—	—	78	—	78	—	—	—	—	—	78	
Changes, net, in items other than shareholders' equity	—	—	—	—	—	(2,446)	5	126	(2,315)	1	(2,313)	
Total changes during the period (Millions of yen)	611	611	2,128	(22)	3,328	(2,446)	5	126	(2,315)	1	1,014	
Balance at March 31, 2007	¥16,480	¥15,073	¥31,609	¥(237)	¥62,925	¥6,553	¥5	¥(54)	¥6,504	¥1,607	¥71,036	

Thousands of U.S. Dollars

	Shareholders' Equity					Revaluation and Translation Adjustments					Minority interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on holdings of securities	Gain on deferred hedges	Foreign currency translation adjustments	Total revaluation and translation adjustments			
Balance at March 31, 2006 (Millions of yen)	\$134,487	\$122,558	\$249,842	\$(1,823)	\$505,064	\$76,265	—	\$(1,531)	\$74,734	\$13,606	\$593,403	
Changes during the period	—	—	—	—	—	—	—	—	—	—	—	
New issue of stock	5,174	5,174	—	—	10,347	—	—	—	—	—	10,347	
Surplus dividend	—	—	(9,955)	—	(9,955)	—	—	—	—	—	(9,955)	
Directors' bonus of profit appropriation	—	—	(693)	—	(693)	—	—	—	—	—	(693)	
Net income	—	—	28,023	—	28,023	—	—	—	—	—	28,023	
Purchase of treasury stock	—	—	—	(206)	(206)	—	—	—	—	—	(206)	
Disposal treasury stock	—	4	—	20	25	—	—	—	—	—	25	
Changes in the scope of consolidation	—	—	660	—	660	—	—	—	—	—	660	
Changes, net, in items other than shareholders' equity	—	—	—	—	—	(20,727)	38	1,071	(19,618)	12	(19,605)	
Total changes during the period (Millions of yen)	5,174	5,178	18,035	(185)	28,201	(20,727)	38	1,071	(19,618)	12	8,595	
Balance at March 31, 2007	\$139,660	\$127,736	\$267,877	\$(2,009)	\$533,265	\$55,538	\$38	\$(461)	\$55,116	\$13,618	\$601,998	

Consolidated Statements of Cash Flows

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Cash Flows from Operating Activities:			
Income before income taxes and minority interests.....	¥ 6,207	¥ 6,052	\$ 52,603
Depreciation and amortization	3,016	3,202	25,560
Decrease (Increase) in accounts receivable	(15,540)	1,827	(131,692)
Decrease (Increase) in inventories	(2,877)	565	(24,379)
Increase (Decrease) in accounts payable	7,974	(868)	67,575
Others, net.....	1,446	518	12,256
Subtotal	227	11,296	1,923
Interest and dividend income	915	806	7,752
Interest expenses.....	(880)	(871)	(7,462)
Income taxes paid	(2,313)	(90)	(19,599)
Net cash provided by (used in) operating activities.....	(2,051)	11,141	(17,386)
Cash Flows from Investing Activities:			
Acquisition of property and equipment	(3,150)	(3,584)	(26,691)
Proceeds from sales of property and equipment	580	1,003	4,914
Others, net.....	479	(433)	4,062
Net cash used in investing activities	(2,090)	(3,014)	(17,715)
Cash Flows from Financing Activities:			
Net decrease in debt	(2,556)	(4,925)	(21,658)
Net increase (decrease) in commercial paper.....	8,000	(4,000)	67,797
Cash dividends paid by the Company.....	(1,175)	(1,075)	(9,955)
Others, net	(51)	11	(431)
Net cash provided by (used in) financing activities	4,219	(9,989)	35,753
Effects of Changes in Exchange Rates on Cash and Cash Equivalents.....	20	92	170
Net Increase (Decrease) in Cash and Cash Equivalents	97	(1,769)	823
Cash and Cash Equivalents at Beginning of Year.....	2,385	4,075	20,213
Increase in cash and cash equivalents due to newly consolidated subsidiaries	132	20	1,116
Rise in cash and cash equivalents due to the merger of a consolidated subsidiary with nonconsolidated subsidiaries	—	59	—
Cash and Cash Equivalents at End of Year.....	¥ 2,614	¥ 2,385	\$ 22,152

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

1. Scope of Consolidation

Number of consolidated subsidiaries: 24 subsidiaries

Company names: Nakai Honsha Co., Ltd., JP Resources Co., Ltd., Komaki Kami Ryutsu Center Co., Ltd., Japan Pulp and Paper Information Center Co., Ltd., Nanko Paper Center Co., Ltd., JP Household Supply Co., Ltd., JP Leasing Co., Ltd., Nakai Paper Transport Co., Ltd., Maruni Kamiten Co., Ltd., Yamato Inc., Koyosha Co., Ltd., Showa Packaging Industry Co., Ltd., Chikiriya Co., Ltd., Atsugi Kami Ryutsu Center Co., Ltd., Mikunishiko Co., Ltd., Nihon Soko 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., and PT. Oriental Asahi JP Carton Box.

Due to its growing importance, as of the term under review, Yamato Inc. has been added to the scope of consolidation.

PT. Oriental Asahi JP Carton Box is the new trading name of the former PT. Oriental Asahi Lyman Carton Box as of December 1, 2006.

2. Application of the Equity Method

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

Company names: Seihoku Paper Depot Co., Ltd., Cosmo Paper Trading Co., Ltd., Taiho Paper Co., Ltd., Nakatsugawa Packaging Industrial Co., Ltd., Kitakami Paper Co., Ltd., Tokyo Sangyo Yoshi Co., Ltd., Toyo Shigyo Printing Co., Ltd., Japan Pulp & Paper (M) Sdn. Bhd., Kosoku Paper Ltd., and Tai Tak Takeo Fine Paper 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., 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., and PT. Oriental Asahi JP Carton Box end on December 31. 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"

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 Major Depreciable 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) 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 Bonuses of Directors and Corporate Auditors

To provide for the payment of bonus payments to Directors and Corporate Auditors, the Company makes provisions based on bonus payment estimates for the fiscal year.

(3) 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.

4) 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.

5) 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.

6) 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. 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.

[Changes to Accounting Methods]

(Accounting Standards concerning the Bonuses of Directors and Corporate Auditors)

From the fiscal year under review, the Company has applied "Accounting Standards concerning Corporate Officers' Bonuses" (ASBJ Statement No. 4, November 29, 2005). As a result of this change, selling, general and administrative expense was increased by ¥93 million, and operating income, ordinary income, income before income taxes, and net income were each reduced by that same amount.

(Accounting Standards concerning the Presentation of the Net Assets Portion of the Balance Sheets)

From the fiscal year under review, the Company has applied "Accounting Standards concerning the Presentation of the Net Assets Portion of the Balance Sheets," (ASBJ Statement No. 5, issued on December 9, 2005) and "Application of Accounting Standards Concerning the Presentation of the Net Assets Portion of the Balance Sheets, Etc.," (ASBJ Guidance No. 8, issued on December 9, 2005).

This change did not have any effect on profitability.

The amount corresponding to the total value of shareholders' equity based on the previous presentation method is ¥69,424 million.