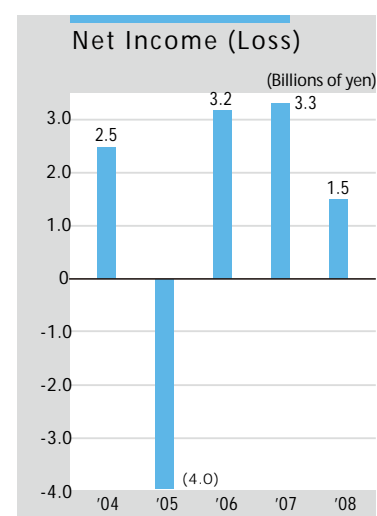
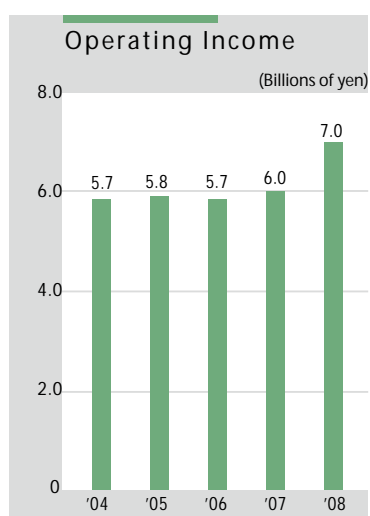
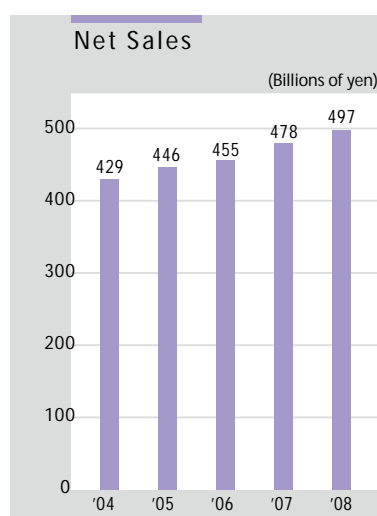


Consolidated Financial Highlights

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2008, 2007, 2006, 2005 and 2004



	Millions of yen					Thousands of U.S. dollars
	2008	2007	2006	2005	2004	2008
Net sales	¥ 496,549	¥ 478,276	¥ 454,576	¥ 445,552	¥ 428,747	\$ 4,956,074
Operating income	7,033	5,950	5,713	5,767	5,683	70,201
Ordinary income	7,144	6,262	5,894	5,702	5,321	71,308
Net income (loss)	1,500	3,307	3,177	(3,993)	2,479	14,968
Net assets	65,083	71,036	68,416	59,884	66,074	649,599
Total assets	265,505	275,887	261,582	256,749	264,480	2,650,014

Per Share Data:

	Yen					U.S. dollars
	2008	2007	2006	2005	2004	2008
Net income (loss)	¥ 10.11	¥ 22.51	¥ 21.61	¥ (28.00)	¥ 16.66	\$ 0.10
Net assets	437.71	467.52	470.78	418.72	461.20	4.37
Cash dividends	10.00	9.00	8.00	7.00	7.00	0.10

Key Indicators:

	(%)				
	2008	2007	2006	2005	2004
Equity ratio	24.0	25.2	26.2	23.3	25.0
Return on equity	2.3	4.8	5.0	(6.3)	4.0

Notes:

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 ¥100.19=US\$1, the approximate exchange rate at March 31, 2008.

Consolidated Financial Statements

Consolidated Balance Sheets

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current assets:			
Cash and deposits	¥ 2,162	¥ 2,634	\$ 21,574
Notes and accounts receivable—trade	149,468	152,412	1,491,846
Inventories	21,711	22,006	216,698
Deferred tax assets—current	2,584	2,447	25,787
Other	3,052	2,753	30,462
Allowance for doubtful accounts	(2,637)	(2,466)	(26,324)
Total current assets	176,339	179,786	1,760,044
Property, plant and equipment:			
Building and structures	25,187	26,305	251,390
Land	14,963	12,378	149,350
Other	4,213	4,582	42,052
Total property, plant and equipment	44,363	43,264	442,792
Intangible assets	915	1,664	9,133
Investments and other assets:			
Investment securities	38,295	47,376	382,221
Long-term loans receivable	1,194	1,872	11,921
Deferred tax assets—noncurrent	2,933	678	29,273
Other	1,465	1,247	14,627
Total investments and other assets	43,888	51,173	438,043
Total assets	¥ 265,505	¥ 275,887	\$2,650,014
LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current liabilities:			
Notes and accounts payable—trade	¥ 118,720	¥ 120,630	\$1,184,953
Short-term loans payable	26,330	19,145	262,803
Commercial papers	10,000	15,000	99,810
Current portion of bonds	5,000	—	49,905
Income taxes payable	1,904	1,858	19,005
Other	6,700	7,442	66,863
Total current liabilities	168,654	164,074	1,683,342
Non-current liabilities:			
Bonds payable	12,788	17,840	127,637
Long-term loans payable	10,530	15,243	105,104
Deferred tax liabilities	1,996	1,281	19,926
Provision for retirement benefits	1,573	1,525	15,700
Other	4,880	4,888	48,703
Total non-current liabilities	31,767	40,777	317,072
Net assets:			
Shareholders' equity			
Capital stock	16,506	16,480	164,746
Capital surplus	15,099	15,073	150,704
Retained earnings	31,621	31,609	315,605
Treasury stock	(1,484)	(237)	(14,811)
Total shareholders' equity	61,742	62,925	616,244
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	2,063	6,553	20,595
Deferred gains or losses on hedges	(21)	5	(208)
Foreign currency translation adjustments	(105)	(54)	(1,050)
Total valuation and translation adjustments	1,937	6,504	19,335
Minority interests	1,405	1,607	14,019
Total net assets	65,083	71,036	649,599
Total liabilities and net assets	¥ 265,505	¥ 275,887	\$2,650,014

See accompanying Basis for Preparing Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Statements of Income

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net sales	¥ 496,549	¥ 478,276	\$ 4,956,074
Cost of sales	459,028	441,625	4,581,572
Gross profit	37,521	36,650	374,501
Selling, general and administrative expenses	30,488	30,701	304,300
Operating income	7,033	5,950	70,201
Non-operating income:			
Interest and dividend income	897	888	8,953
Equity in earnings of affiliates	45	57	444
Other	400	370	3,995
Total	1,342	1,315	13,394
Non-operating expenses:			
Interest expenses	959	882	9,571
Other	272	121	2,715
Total	1,231	1,002	12,286
Ordinary income	7,144	6,262	71,308
Extraordinary income:			
Gain on sales of non-current assets	554	125	5,524
Other	174	71	1,740
Total	728	196	7,264
Extraordinary loss:			
Loss on valuation of investment securities	2,835	104	28,293
Other	58	146	574
Total	2,892	251	28,867
Income before income taxes	4,980	6,207	49,705
Income taxes—current	3,306	2,916	32,997
Income taxes—deferred	1	(114)	5
Minority interests in income	174	99	1,734
Net income	¥ 1,500	¥ 3,307	\$ 14,968
Per share data:			
	Yen		U.S. dollars
Net income	¥ 10.11	¥ 22.51	\$ 0.10
Cash dividends	10.00	9.00	0.10

See accompanying Basis for Preparing Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Year ended March 31, 2008

	Millions of yen										
	Shareholders' equity					Valuation and translation adjustments				Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2007 (Millions of yen)	¥16,480	¥15,073	¥31,609	¥ (237)	¥62,925	¥ 6,553	¥ 5	¥ (54)	¥ 6,504	¥1,607	¥71,036
Changes of items during the period											
Issuance of new shares	26	26			52						52
Dividends from surplus			(1,489)		(1,489)						(1,489)
Net income			1,500		1,500						1,500
Purchase of treasury stock				(1,251)	(1,251)						(1,251)
Disposal of treasury stock		0		4	4						4
Net changes of items other than shareholders' equity						(4,490)	(25)	(51)	(4,566)	(202)	(4,769)
Total changes of items during the period	26	26	11	(1,247)	(1,184)	(4,490)	(25)	(51)	(4,566)	(202)	(5,952)
Balance at March 31, 2008	¥16,506	¥15,099	¥31,621	¥(1,484)	¥61,742	¥ 2,063	¥(21)	¥(105)	¥ 1,937	¥1,405	¥65,083

	Thousands of U.S. dollars										
	Shareholders' equity					Valuation and translation adjustments				Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2007 (Thousands of U.S. dollars)	\$164,487	\$150,443	\$315,495	\$ (2,366)	\$628,059	\$ 65,411	\$ 45	\$ (543)	\$ 64,913	\$16,039	\$709,011
Changes of items during the period											
Issuance of new shares	260	260			519						519
Dividends from surplus			(14,858)		(14,858)						(14,858)
Net income			14,968		14,968						14,968
Purchase of treasury stock				(12,484)	(12,484)						(12,484)
Disposal of treasury stock		2		38	40						40
Net changes of items other than shareholders' equity						(44,816)	(254)	(508)	(45,578)	(2,019)	(47,597)
Total changes of items during the period	260	261	111	(12,446)	(11,815)	(44,816)	(254)	(508)	(45,578)	(2,019)	(59,411)
Balance at March 31, 2008	\$164,746	\$150,704	\$315,605	\$(14,812)	\$616,244	\$ 20,595	\$(209)	\$(1,050)	\$ 19,336	\$14,020	\$649,600

See accompanying Basis for Preparing Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Statements of Cash Flows

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net cash provided by (used in) operating activities:			
Income before income taxes	¥ 4,980	¥ 6,207	\$ 49,705
Depreciation and amortization	2,953	3,016	29,474
Loss on valuation of investment securities	2,835	104	28,293
Decrease (increase) in notes and accounts receivable–trade	2,760	(15,540)	27,543
Decrease (increase) in inventories	247	(2,877)	2,462
Increase (decrease) in notes and accounts payable–trade	(1,756)	7,974	(17,531)
Others, net	(487)	1,341	(4,861)
Subtotal	11,530	227	115,085
Interest and dividend income received	913	915	9,108
Interest expenses paid	(960)	(880)	(9,582)
Income taxes paid	(3,288)	(2,313)	(32,821)
Net cash provided by (used in) operating activities	8,195	(2,051)	81,789
Net cash provided by (used in) investing activities:			
Purchase of property, plant and equipment	(1,379)	(1,819)	(13,764)
Proceeds from sales of property, plant and equipment	801	451	7,995
Purchase of intangible assets	(202)	(190)	(2,011)
Purchase of investment securities	(2,925)	(1,141)	(29,199)
Proceeds from sales of investment securities	96	129	959
Others, net	305	479	3,044
Net cash provided by investing activities	3,304	2,090	32,976
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	3,951	411	39,437
Increase (decrease) in commercial papers	(5,000)	8,000	(49,905)
Repayment of long-term loans payable	(1,505)	(2,967)	(15,022)
Purchase of treasury stock	(1,251)	(24)	(12,484)
Cash dividends paid	(1,489)	(1,175)	(14,857)
Others, net	(114)	(27)	(1,136)
Net cash provided by (used in) financing activities	(5,407)	4,219	(53,967)
Effects of exchange rate change on cash and cash equivalents	(43)	20	(433)
Net increase (decrease) in cash and cash equivalents	(560)	97	(5,587)
Cash and cash equivalents at beginning of year	2,614	2,385	26,090
Increase in cash and cash equivalents from newly consolidated subsidiaries	–	132	–
Increase in cash and cash equivalents due to the merger of a consolidated subsidiary with non-consolidated subsidiaries	87	–	872
Cash and cash equivalents at end of year	¥ 2,142	¥ 2,614	\$ 21,375

See accompanying Basis for Preparing Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Basis for Preparing Consolidated Financial Statements

1. Scope of Consolidation

Number of consolidated subsidiaries: 25 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., Maruni Kamiten Co., Ltd., Nanko Paper Center Co., Ltd., JP Household Supply Co., Ltd., JP Leasing Co., Ltd., Nakai Paper Transport Co., Ltd., Yamato Inc., Koyosha Co., Ltd., Showa Packaging Industry Co., Ltd., Nihon Soko Co., Ltd., Chikiriya Co., Ltd., Atsugi Kami Ryutsu Center Co., Ltd., Mikunishiko 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., Tai Tak Paper (Shenzhen) Co., Ltd. and PT. Oriental Asahi JP Carton Box

As of the term under review Tai Tak Paper (Shenzhen) Co., Ltd., a newly established company, has been added to the scope of consolidation

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 the domestic consolidated subsidiaries of Japan Pulp and Paper Company Limited (the "Company") 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., Tai Tak Paper (Shenzhen) Co., Ltd. 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

Held-to-maturity securities: Method of depreciation (straight-line method)

"Other Securities"

Current quotes available: Valued at their market price as of the balance sheet date (All difference 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

Stated at fair value based on market prices

2) Depreciation methods for major depreciable assets

(1) Property, plant and equipment

Principally depreciated by the declining-balance method. However, buildings (excluding building fixtures) acquired on or after April 1, 1998 are depreciated using the straight-line method. In addition, 10 consolidated subsidiaries use the

Basis for Preparing Consolidated Financial Statements

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

(Change in accounting method)

Commencing with the fiscal year under review, in accordance with a revision to the Corporate Tax Law, the Company and its domestic subsidiaries have depreciated property, plant and equipment assets acquired on and after April 1, 2007 in accordance with the method stipulated in the revised Corporate Tax Law. The impact of this change in accounting method on profits and losses for the fiscal year ended March 31, 2008 was minimal

(Supplemental information)

In accordance with a revision to the Corporate Tax Law, after having fully depreciated property, plant and equipment assets acquired on or before March 31, 2007 up to 5% of the acquisition cost, based on the prior Corporate Tax Law, the Company and its domestic subsidiaries have depreciated the difference between 5% of the acquisition cost and the memorandum price, using a straight-line method over five years and recorded this amount under "Depreciation and amortization." The straight-line depreciation commences from the fiscal year after the book value of tangible assets acquired on or before March 31, 2007 reaches 5% of the acquisition cost. The impact of this change in accounting method on profits and losses for the fiscal year ended March 31, 2008 was minimal

(2) Intangible assets

Amortized using the straight-line method

(3) Long-term prepaid expenses

Flat-value amortization

3) Provisions

(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) Provision for Directors' bonuses

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) Provision for retirement benefits

Pension and severance costs are recognized on an accrual basis based on the projected benefit obligation and plan assets as of the end of the fiscal year

Unrecognized prior service costs incurred in the year under review are amortized currently

Actuarial differences are amortized over a certain number of years (12 years) within the estimated average remaining service period of employees using the straight-line method following the year incurred

(4) Provision for Directors' retirement benefits

Retirement benefits for Directors and Corporate Auditors are recorded based on the estimated amount payable at the end of the fiscal year as stipulated by internal regulations

4) Leases

Financial 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