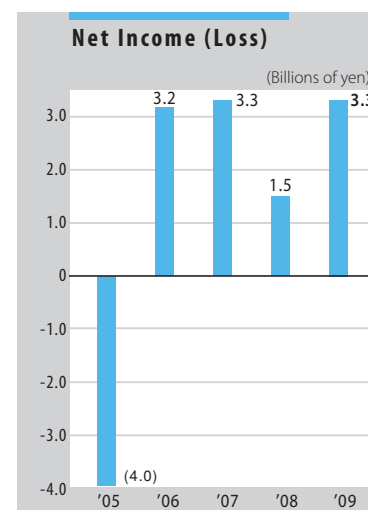
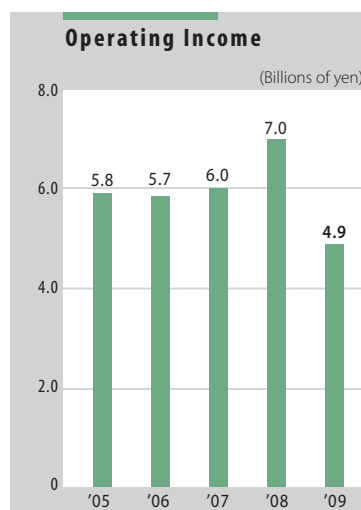
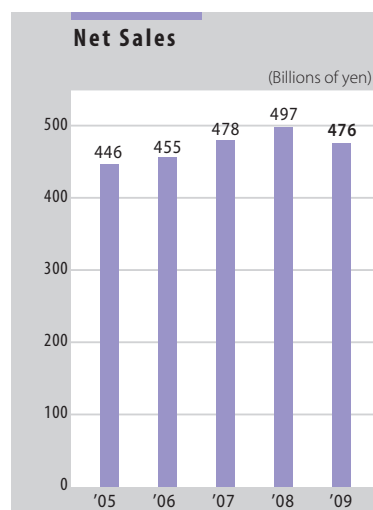


Annual Review 2009

Consolidated Financial Highlights

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2009, 2008, 2007, 2006, and 2005



	Millions of yen					Thousands of U.S. dollars
	2009	2008	2007	2006	2005	2009
Net sales	¥ 475,874	¥ 496,549	¥ 478,276	¥ 454,576	¥ 445,552	\$ 4,844,490
Operating income	4,885	7,033	5,950	5,713	5,767	49,734
Ordinary income	4,740	7,144	6,262	5,894	5,702	48,250
Net income (loss)	3,285	1,500	3,307	3,177	(3,993)	33,439
Net assets	62,289	65,083	71,036	68,416	59,884	634,116
Total assets	233,512	265,505	275,887	261,582	256,749	2,377,197

Per Share Data:

	Yen					U.S. dollars
	2009	2008	2007	2006	2005	2009
Net income (loss)	¥ 22.58	¥ 10.11	¥ 22.51	¥ 21.61	¥ (28.00)	\$ 0.23
Net assets	421.26	437.71	467.52	470.78	418.72	4.26
Cash dividends	10.00	10.00	9.00	8.00	7.00	0.10

Key Indicators:

	(%)				
	2009	2008	2007	2006	2005
Equity ratio	26.2	24.0	25.2	26.2	23.3
Return on equity	5.3	2.3	4.8	5.0	(6.3)

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 ¥98.23=US\$1, the approximate exchange rate at March 31, 2009.

Consolidated Financial Statements

Consolidated Balance Sheets

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current assets:			
Cash and deposits	¥ 2,268	¥ 2,162	\$ 23,089
Notes and accounts receivable—trade	128,640	149,468	1,309,581
Inventories	16,075	21,711	163,645
Deferred tax assets	1,727	2,584	17,585
Other	3,513	3,052	35,766
Allowance for doubtful accounts	(2,030)	(2,637)	(20,666)
Total current assets	150,194	176,339	1,529,002
Property, plant and equipment:			
Buildings and structures, net	24,109	25,187	245,429
Land	17,946	14,963	182,690
Lease assets, net	55	1,412	559
Other	1,921	2,801	19,558
Total property, plant and equipment	44,030	44,363	448,238
Intangible assets	543	915	5,526
Investments and other assets:			
Investment securities	30,492	38,295	310,416
Long-term loans receivable	1,544	1,194	15,719
Deferred tax assets	5,164	2,933	52,575
Other	1,544	1,466	15,718
Total investments and other assets	38,745	43,888	394,430
Total assets	¥ 233,512	¥ 265,505	\$ 2,377,197
LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current liabilities:			
Notes and accounts payable—trade	¥ 94,569	¥ 118,720	\$ 962,732
Short-term loans payable	23,314	26,330	237,338
Commercial papers	9,000	10,000	91,621
Current portion of bonds	2,787	5,000	28,372
Lease obligations	19	—	193
Income taxes payable	299	1,904	3,039
Provision for bonuses	1,486	—	15,128
Other	3,881	6,699	39,510
Total current liabilities	135,355	168,654	1,377,936
Non-current liabilities:			
Bonds payable	10,000	12,788	101,801
Long-term loans payable	15,776	10,530	160,605
Lease obligations	51	—	518
Deferred tax liabilities	3,535	1,996	35,990
Provision for retirement benefits	2,248	1,573	22,881
Other	4,258	4,880	43,346
Total non-current liabilities	35,868	31,767	365,144
Net assets:			
Shareholders' equity			
Capital stock	16,506	16,506	168,038
Capital surplus	15,099	15,099	153,707
Retained earnings	33,447	31,621	340,493
Treasury stock	(1,494)	(1,484)	(15,213)
Total shareholders' equity	63,557	61,742	647,025
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	(1,360)	2,063	(13,847)
Deferred gains or losses on hedges	(7)	(21)	(68)
Foreign currency translation adjustments	(919)	(105)	(9,353)
Total valuation and translation adjustments	(2,286)	1,937	(23,270)
Minority interests	1,018	1,405	10,361
Total net assets	62,289	65,083	634,116
Total liabilities and net assets	¥ 233,512	¥ 265,505	\$ 2,377,197

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, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net sales	¥ 475,874	¥ 496,549	\$ 4,844,490
Cost of sales	440,648	459,028	4,485,877
Gross profit	35,227	37,521	358,613
Selling, general and administrative expenses	30,341	30,488	308,879
Operating income	4,885	7,033	49,734
Non-operating income:			
Interest and dividend income	917	897	9,338
Equity in earnings of affiliates	–	45	–
Other	245	400	2,490
Total	1,162	1,342	11,828
Non-operating expenses:			
Interest expenses	886	959	9,019
Equity in losses of affiliates	110	–	1,117
Other	312	272	3,174
Total	1,308	1,231	13,311
Ordinary income	4,740	7,144	48,250
Extraordinary income:			
Reversal of allowance for doubtful accounts	594	–	6,042
Gain on transfer of business	557	–	5,673
Gain on sales of non-current assets	12	554	118
Other	278	174	2,829
Total	1,440	728	14,663
Extraordinary loss:			
Loss on valuation of investment securities	1,092	2,835	11,116
Other	104	58	1,062
Total	1,196	2,892	12,178
Income before income taxes and minority interests	4,984	4,980	50,736
Income taxes—current	826	3,306	8,412
Income taxes—deferred	830	1	8,452
Minority interests in income	42	174	432
Net income	¥ 3,285	¥ 1,500	\$ 33,439
Per share data:			
Net income	¥ 22.58	¥ 10.11	\$ 0.23
Cash dividends	10.00	10.00	0.10

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

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Year ended March 31, 2009

	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, 2008 (Millions of yen)	¥16,506	¥15,099	¥31,621	¥(1,484)	¥61,742	¥2,063	¥(21)	¥(105)	¥1,937	¥1,405	¥65,083
Changes of items during the period											
Issurance of new shares	1	1			1						1
Dividends from surplus			(1,458)		(1,458)						(1,458)
Net income			3,285		3,285						3,285
Purchase of treasury stock				(20)	(20)						(20)
Disposal of treasury stock		(2)		10	8						8
Transfer to capital surplus from retained earnings		1	(1)		-						-
Net changes of items other than shareholders' equity						(3,424)	14	(814)	(4,223)	(387)	(4,610)
Total changes of items during the period	1	(0)	1,826	(10)	1,816	(3,424)	14	(814)	(4,223)	(387)	(2,794)
Balance at March 31, 2009	¥16,506	¥15,099	¥33,447	¥(1,494)	¥63,557	¥(1,360)	¥(7)	¥(919)	¥(2,286)	¥1,018	¥62,289

	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, 2008 (Thousands of U.S. dollars)	\$168,033	\$153,711	\$321,902	\$(15,107)	\$628,540	\$21,006	\$(212)	\$(1,071)	\$19,721	\$14,299	\$662,561
Changes of items during the period											
Issurance of new shares	5	5			10						10
Dividends from surplus			(14,839)		(14,839)						(14,839)
Net income			33,439		33,439						33,439
Purchase of treasury stock				(207)	(207)						(207)
Disposal of treasury stock		(18)		101	83						83
Transfer to capital surplus from retained earnings		9	(9)		-						-
Net changes of items other than shareholders' equity						(34,853)	144	(8,282)	(42,991)	(3,938)	(46,929)
Total changes of items during the period	5	3	18,590	106	18,485	(34,853)	144	(8,282)	(42,991)	(3,938)	(28,444)
Balance at March 31, 2009	\$168,038	\$153,707	\$340,493	\$(15,213)	\$647,025	\$(13,847)	\$(68)	\$(9,353)	\$(23,270)	\$10,361	\$634,116

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, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥ 4,984	¥ 4,980	\$ 50,736
Depreciation and amortization	2,029	2,953	20,652
Increase (decrease) in provision for bonuses	1,486	–	15,128
Loss (gain) on valuation of investment securities	1,092	2,835	11,116
Loss (gain) on transfer of business	(557)	–	(5,673)
Decrease (increase) in notes and accounts receivable–trade	19,452	2,760	198,020
Decrease (increase) in inventories	4,870	247	49,573
Increase (decrease) in notes and accounts payable–trade	(23,518)	(1,756)	(239,419)
Others, net	(2,340)	(487)	(23,820)
Subtotal	7,496	11,530	76,314
Interest and dividend income received	951	913	9,684
Interest expenses paid	(889)	(960)	(9,052)
Income taxes paid	(3,566)	(3,288)	(36,297)
Net cash provided by (used in) operating activities	3,993	8,195	40,648
Net cash provided by (used in) investing activities:			
Purchase of property, plant and equipment	(809)	(1,379)	(8,237)
Proceeds from sales of property, plant and equipment	67	801	684
Purchase of intangible assets	(100)	(202)	(1,013)
Purchase of investment securities	(2,510)	(2,925)	(25,550)
Proceeds from sales of investment securities	1,369	96	13,932
Proceeds from redemptions of investment securities	1,000	–	10,180
Proceeds from transfer of business	2,738	–	27,871
Others, net	389	305	3,960
Net cash provided by investing activities	1,366	3,304	13,907
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	615	3,951	6,261
Increase (decrease) in commercial papers	(1,000)	(5,000)	(10,180)
Proceeds from long-term loans payable	7,230	–	73,602
Repayment of long-term loans payable	(4,746)	(1,505)	(48,310)
Redemption of bonds	(5,000)	–	(50,900)
Repayment of finance lease obligations	(760)	–	(7,733)
Purchase of treasury stock	(20)	(1,251)	(207)
Cash dividends paid	(1,458)	(1,489)	(14,839)
Others, net	36	(114)	367
Net cash provided by (used in) financing activities	(5,102)	(5,407)	(51,940)
Effects of exchange rate change on cash and cash equivalents	(111)	(43)	(1,133)
Net increase (decrease) in cash and cash equivalents	146	(560)	1,482
Cash and cash equivalents at beginning of period	2,142	2,614	21,801
Increase (decrease) in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(37)	–	(377)
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	–	87	–
Cash and cash equivalents at end of period	¥ 2,250	¥ 2,142	\$ 22,905

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

Basis for Preparing Consolidated Financial Statements

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries

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., Nanko Paper Center Co., Ltd., JP Household Supply Co., Ltd., JP Leasing Co., Ltd., Eco Paper JP Co., Ltd., JP Development Co., Ltd., Nakai Paper Transport Co., Ltd., Yamato Inc., Koyosha Co., Ltd., Showa Packaging Industry 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 Eco Paper JP Co., Ltd., a newly established company, has been added to the scope of consolidation.

Maruni Kamiten Co., Ltd., which was accounted for as a consolidated subsidiary in the previous fiscal year, was removed from the scope of consolidation on March 31, 2009 along with the sale of shares held in that company.

On July 1, 2008, the corporate name of Nihon Soko Co., Ltd. was changed to JP Development Co., Ltd.

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 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 (method of reducing the book value of inventories in accordance with a decrease in profitability)

(Change in accounting method)

The Company and its consolidated subsidiaries in Japan adopted Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 5, 2006) beginning in the fiscal year under review. Accordingly, the Company has changed its inventory accounting and valuation method from "Valued at cost determined by the first-in, first-out method" to "Principally valued at cost determined by the first-in, first-out method (method of reducing the book value of inventories in accordance with a decrease in profitability)". The impact of this change in accounting method on profits and losses for the fiscal year ended March 31, 2009 was minimal.

Basis for Preparing Consolidated Financial Statements

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries

(3) Derivatives

Stated at fair value based on market prices

2) Depreciation methods for major depreciable assets

(1) Property, plant and equipment (excluding lease assets)

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, 11 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.

(Supplemental information)

The Company and its consolidated subsidiaries in Japan have changed the useful life of machinery and equipment along with a change in the statutory useful life of machinery and equipment due to a revision to the Corporate Tax Law in the fiscal year ended March 31, 2008. The impact of this change in accounting method on profits and losses for the fiscal year ended March 31, 2009 was minimal.

(2) Intangible assets (excluding lease assets)

Amortized using the straight-line method.

(3) Lease assets

In depreciating leased assets involving finance lease transactions that do not transfer ownership, the lease period is considered to be the useful life of the asset. Depreciation of lease assets is computed by the straight-line method with no residual value.

(4) 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 bonuses

To provide for the payment of bonuses to employees, the Company calculates accrued bonuses for employees based on the expected amount of payments.

(Supplemental information)

The Company previously recorded accrued bonuses for employees as accrued expenses and presented these under Other within current liabilities. Due to a review of the calculation method for amounts of bonus payments, the amount of bonus payments was not determined at the end of the fiscal year under review. Therefore, beginning in the fiscal year under review, the Company began presenting this item as Accrued Bonuses for Employees in accordance with Concerning Financial Statement Titles to Be Used for Accrued Bonuses for Employees (Japanese Institute of Certified Public Accountants, February 14, 2001, Research Center Review Information No. 15). In the previous fiscal year, accrued bonuses for employees recorded in Other within current liabilities was ¥1,631 million.

(3) 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.

Basis for Preparing Consolidated Financial Statements

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries

(4) 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.

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.

(5) 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) 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.

5) 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.

Change in Basis for Preparing Consolidated Financial Statements

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries

Change in Accounting Method

(Accounting Standard for Lease Transactions)

Beginning in the fiscal year under review, the Company and its consolidated subsidiaries in Japan have adopted Accounting Standard for Lease Transactions (ASBJ Statement No. 13 (June 17, 1993 (First Committee of the Business Accounting Council), revised on March 30, 2007)) and Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16 (January 18, 1994 (Japanese Institute of Certified Public Accountants, Accounting System Committee), revised on March 30, 2007)). Accordingly, lease transactions are accounted for as normal sales transactions.

Regarding finance lease transactions that do not transfer ownership rights, the Company applies an accounting standard based on methods for regular lease transactions for any transaction initiated on a date prior to the beginning of the first fiscal year in which ASBJ Statement No. 13 Accounting Standard for Lease Transactions is applied.

The impact of this change in accounting method on profits and losses for the fiscal year ended March 31, 2009 was minimal.