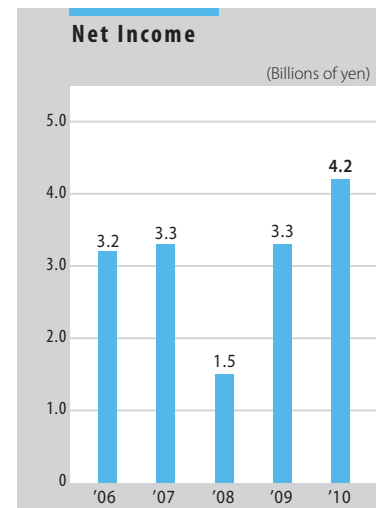
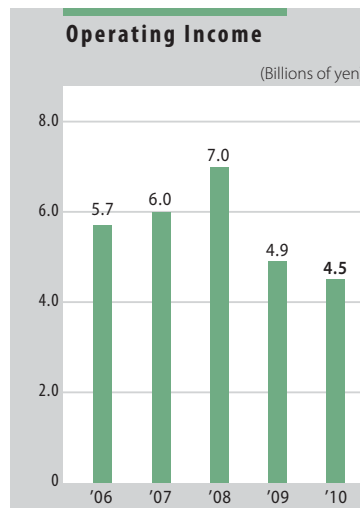
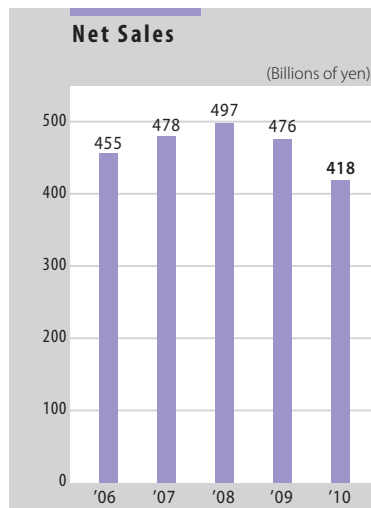


Annual Review 2010

Consolidated Financial Highlights

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2010, 2009, 2008, 2007 and 2006



	Millions of yen					Thousands of U.S. dollars
	2010	2009	2008	2007	2006	2010
Net sales	¥ 417,688	¥ 475,874	¥ 496,549	¥ 478,276	¥ 454,576	\$ 4,489,339
Operating income	4,503	4,885	7,033	5,950	5,713	48,400
Ordinary income	5,246	4,740	7,144	6,262	5,894	56,385
Net income	4,201	3,285	1,500	3,307	3,177	45,154
Net assets	67,159	62,289	65,083	71,036	68,416	721,833
Total assets	243,466	233,512	265,505	275,887	261,582	2,616,790

Per Share Data:

	Yen					U.S. dollars
	2010	2009	2008	2007	2006	2010
Net income	¥ 28.80	¥ 22.58	¥ 10.11	¥ 22.51	¥ 21.61	\$ 0.31
Net assets	449.45	421.26	437.71	467.52	470.78	4.83
Cash dividends	10.00	10.00	10.00	9.00	8.00	0.11

Key Indicators:

	(%)				
	2010	2009	2008	2007	2006
Equity ratio	27.0	26.2	24.0	25.2	26.2
Return on equity	6.6	5.3	2.3	4.8	5.0

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 ¥93.04=US\$1, the approximate exchange rate at March 31, 2010.

Consolidated Financial Statements

Consolidated Balance Sheets

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets:			
Cash and deposits	¥ 3,754	¥ 2,268	\$ 40,350
Notes and accounts receivable—trade	128,405	128,640	1,380,104
Inventories	16,312	16,075	175,318
Deferred tax assets	1,908	1,727	20,512
Other	3,320	3,513	35,682
Allowance for doubtful accounts	(1,559)	(2,030)	(16,755)
Total current assets	152,140	150,194	1,635,212
Property, plant and equipment:			
Buildings and structures, net	24,247	24,109	260,609
Land	22,275	17,946	239,409
Lease assets, net	61	55	651
Other	4,441	1,921	47,730
Total property, plant and equipment	51,023	44,030	548,399
Intangible assets	611	543	6,563
Investments and other assets:			
Investment securities	32,597	30,492	350,350
Long-term loans receivable	—	1,544	0
Deferred tax assets	4,639	5,164	49,857
Other	2,457	1,544	26,405
Total investments and other assets	39,692	38,745	426,614
Total assets	¥ 243,466	¥ 233,512	\$ 2,616,790
LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current liabilities:			
Notes and accounts payable—trade	¥ 98,974	¥ 94,569	\$ 1,063,773
Short-term loans payable	23,846	23,314	256,303
Commercial papers	10,000	9,000	107,480
Current portion of bonds	10,000	2,787	107,480
Lease obligations	28	19	299
Income taxes payable	1,547	299	16,629
Provision for bonuses	1,576	1,486	16,940
Other	3,893	3,881	41,837
Total current liabilities	149,864	135,355	1,610,745
Non-current liabilities:			
Bonds payable	—	10,000	—
Long-term loans payable	15,922	15,776	171,126
Lease obligations	45	51	481
Deferred tax liabilities	3,461	3,535	37,202
Provision for retirement benefits	3,203	2,248	34,427
Other	3,812	4,258	40,973
Total non-current liabilities	26,443	35,868	284,210
Net assets:			
Shareholders' equity			
Capital stock	16,649	16,506	178,943
Capital surplus	15,247	15,099	163,879
Retained earnings	36,186	33,447	388,934
Treasury stock	(1,477)	(1,494)	(15,879)
Total shareholders' equity	66,605	63,557	715,877
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	27	(1,360)	292
Deferred gains or losses on hedges	(27)	(7)	(285)
Foreign currency translation adjustments	(856)	(919)	(9,203)
Total valuation and translation adjustments	(856)	(2,286)	(9,195)
Minority interests	1,410	1,018	15,152
Total net assets	67,159	62,289	721,833
Total liabilities and net assets	¥ 243,466	¥ 233,512	\$ 2,616,790

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net sales	¥ 417,688	¥ 475,874	\$ 4,489,339
Cost of sales	384,339	440,648	4,130,905
Gross profit	33,349	35,227	358,433
Selling, general and administrative expenses	28,845	30,341	310,033
Operating income	4,503	4,885	48,400
Non-operating income:			
Interest and dividend income	710	917	7,626
Equity in earnings of affiliates	222	–	2,387
Other	612	245	6,575
Total	1,544	1,162	16,590
Non-operating expenses:			
Interest expenses	708	886	7,612
Equity in losses of affiliates	–	110	0
Other	92	312	992
Total	801	1,308	8,604
Ordinary income	5,246	4,740	56,385
Extraordinary income:			
Gain on valuation of investment securities	904	159	9,719
Gain on extinguishment of tie-in shares	150	–	1,608
Gain on sales of non-current assets	9	12	101
Reversal of allowance for doubtful accounts	–	594	0
Gain on transfer of business	–	557	0
Other	183	118	1,968
Total	1,247	1,440	13,397
Extraordinary loss:			
Loss on valuation of investment securities	271	1,092	2,916
Impairment loss	255	–	2,736
Loss on disposal of noncurrent assets	142	19	1,522
Provision of allowance for doubtful accounts	119	–	1,283
Other	38	39	406
Total	825	1,196	8,865
Income before income taxes and minority interests	5,668	4,984	60,918
Income taxes—current	1,958	826	21,042
Income taxes—deferred	(522)	830	(5,608)
Minority interests in income	31	42	330
Net income	¥ 4,201	¥ 3,285	\$ 45,154
Per share data:			
	Yen		U.S. dollars
Net income	¥ 28.80	¥ 22.58	\$ 0.31
Cash dividends	10.00	10.00	0.11

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, 2010

	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, 2009 (Millions of yen)	¥16,506	¥15,099	¥33,447	¥(1,494)	¥63,557	¥(1,360)	¥(7)	¥(919)	¥(2,286)	¥1,018	¥62,289
Changes of items during the period											
Issuance of new shares	143	143			285						285
Dividends from surplus			(1,461)		(1,461)						(1,461)
Net income			4,201		4,201						4,201
Purchase of treasury stock				(8)	(8)						(8)
Disposal of treasury stock		6		34	40						40
(Increase) decrease in treasury shares accompanying change in equity in equity-method affiliate				(6)	(6)						(6)
(Increase) decrease in treasury shares accompanying change in equity in consolidated subsidiaries				(4)	(4)						(4)
Net changes of items other than shareholders' equity						1,388	(20)	63	1,430	392	1,822
Total changes of items during the period	143	149	2,740	17	3,048	1,388	(20)	63	1,430	392	4,870
Balance at March 31, 2010	¥16,649	¥15,247	¥36,186	¥(1,477)	¥66,605	¥27	¥(27)	¥(856)	¥(856)	¥1,410	¥67,159

	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, 2009 (Thousands of U.S. dollars)	\$168,038	\$153,707	\$340,493	\$(15,213)	\$647,025	\$(13,847)	\$(68)	\$(9,353)	\$(23,270)	\$10,361	\$634,116
Changes of items during the period											
Issuance of new shares	1,531	1,531			3,063						3,063
Dividends from surplus			(15,707)		(15,707)						(15,707)
Net income			45,154		45,154						45,154
Purchase of treasury stock				(83)	(83)						(83)
Disposal of treasury stock		65		366	432						432
(Increase) decrease in treasury shares accompanying change in equity in equity-method affiliate				(59)	(59)						(59)
(Increase) decrease in treasury shares accompanying change in equity in consolidated subsidiaries				(40)	(40)						(40)
Net changes of items other than shareholders' equity						14,913	(213)	672	15,372	4,213	19,585
Total changes of items during the period	1,531	1,597	29,447	182	32,758	14,913	(213)	672	15,372	4,213	52,344
Balance at March 31, 2010	\$178,943	\$163,879	\$388,934	\$(15,879)	\$715,877	\$292	\$(285)	\$(9,203)	\$(9,195)	\$15,152	\$721,833

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥ 5,668	¥ 4,984	\$ 60,918
Depreciation and amortization	2,304	2,029	24,762
Impairment loss	255	–	2,736
Increase (decrease) in provision for bonuses	39	1,486	417
Loss (gain) on valuation of investment securities	271	1,092	2,916
Gain on extinguishment of tie-in shares	(150)	–	(1,608)
Loss (gain) on transfer of business	–	(557)	–
Decrease (increase) in notes and accounts receivable-trade	3,434	19,452	36,905
Decrease (increase) in inventories	824	4,870	8,853
Increase (decrease) in notes and accounts payable-trade	1,431	(23,518)	15,378
Others, net	(585)	(2,340)	(6,279)
Subtotal	13,491	7,496	145,000
Interest and dividend income received	738	951	7,936
Interest expenses paid	(705)	(889)	(7,581)
Income taxes paid	456	(3,566)	4,901
Net cash provided by (used in) operating activities	13,980	3,993	150,257
Net cash provided by (used in) investing activities:			
Purchase of property, plant and equipment	(2,585)	(809)	(27,786)
Proceeds from sales of property, plant and equipment	85	67	912
Purchase of intangible assets	(190)	(100)	(2,046)
Purchase of investment securities	(543)	(2,510)	(5,839)
Proceeds from sales of investment securities	1,297	1,369	13,942
Proceeds from redemptions of investment securities	–	1,000	–
Purchase of transfer of business	(5,667)	–	(60,904)
Proceeds from transfer of business	–	2,738	–
Proceeds from purchase of shares in subsidiaries associated with a change in the scope of consolidation	350	–	3,764
Others, net	(904)	(389)	(9,713)
Net cash provided by (used in) investing activities	(8,157)	1,366	(87,671)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	114	615	1,230
Increase (decrease) in commercial papers	1,000	(1,000)	10,748
Proceeds from long-term loans payable	539	7,230	5,796
Repayment of long-term loans payable	(1,950)	(4,746)	(20,954)
Redemption of bonds	(2,502)	(5,000)	(26,891)
Repayment of finance lease obligations	(26)	(760)	(282)
Purchase of treasury stock	(8)	(20)	(83)
Cash dividends paid	(1,461)	(1,458)	(15,707)
Others, net	(42)	36	(444)
Net cash provided by (used in) financing activities	(4,335)	(5,102)	(46,588)
Effects of exchange rate change on cash and cash equivalents	(2)	(111)	(23)
Net increase (decrease) in cash and cash equivalents	1,486	146	15,973
Cash and cash equivalents at beginning of period	2,250	2,142	24,183
Increase (decrease) in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(37)	–
Cash and cash equivalents at end of period	¥ 3,736	¥ 2,250	\$ 40,156

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: 26 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., Eco Paper JP Co., Ltd., JP Development Co., Ltd., Nakai Paper Transport Co., Ltd., Koyosha Co., Ltd., Yamato Inc., Showa Packaging Industry Co., Ltd., Chikiriya Co., Ltd., GOKURA Co., Ltd., Atsugi Kami Ryutsu Center Co., Ltd., Cosmo Paper Trading 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.

In the previous fiscal year, consolidated subsidiary JP Leasing Co., Ltd. was dissolved as a result of an absorption-type merger with consolidated subsidiary Nakai Honsha Co., Ltd. on April 1, 2009 and was removed from the scope of consolidation from the fiscal year under review.

GOKURA Co., Ltd. is included in the scope of consolidation from the end of fiscal year under review due to the acquisition of additional shares.

The Company purchased shares in Cosmo Paper Trading Co., Ltd., an equity-method affiliate in the previous fiscal year, thereby increasing its percentage of shares and making that company a consolidated subsidiary. Therefore, Cosmo Paper Trading Co., Ltd. is included in the scope of consolidation from the fiscal year under review.

2. Application of the Equity Method

Number of companies accounted for by the equity method: 9 affiliates

Company names: Seihoku Paper Depot 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.

Cosmo Paper Trading Co., Ltd., an equity method affiliate in the previous fiscal year, became a consolidated subsidiary and has therefore been removed from the scope of equity method accounting from the fiscal year under review.

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)

(3) Derivatives

Stated at fair value based on market prices

Basis for Preparing Consolidated Financial Statements

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries

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.

(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.

(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.

(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.

(Change in accounting method)

Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (Accounting Standards Board of Japan [ASBJ] Statement No. 19, July 31, 2008) was applied from the fiscal year under review. This change had no impact on the Company's consolidated profits or losses.

(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.

Basis for Preparing Consolidated Financial Statements

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries

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 Presentation Method

(Consolidated Balance Sheets)

Items classified and presented in the previous fiscal year as "Long-term loans receivable" and "Long-term prepaid expenses" within "Investments and other assets" are included in "Other" within "Investments and other assets" in the fiscal year under review because of their diminished importance. In the fiscal year under review, "Long-term loans receivable" and "Long-term prepaid expenses" included in "Other" within "Investments and other assets" amounted to ¥1,181 million and ¥149 million, respectively.