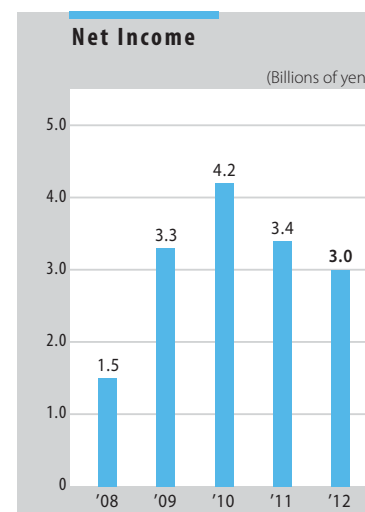
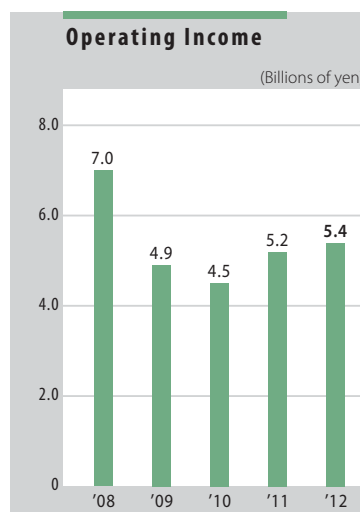
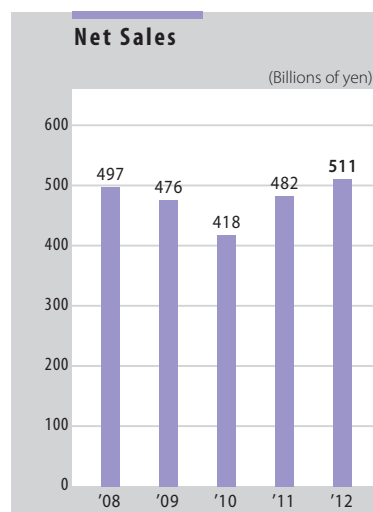


Annual Review 2012

Consolidated Financial Highlights

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2012, 2011, 2010, 2009 and 2008



	Millions of yen					Thousands of U.S. dollars
	2012	2011	2010	2009	2008	2012
Net sales	¥ 510,923	¥ 482,143	¥ 417,688	¥ 475,874	¥ 496,549	\$ 6,216,365
Operating income	5,416	5,186	4,503	4,885	7,033	65,892
Ordinary income	5,465	5,855	5,246	4,740	7,144	66,498
Net income	2,967	3,418	4,201	3,285	1,500	36,096
Net assets	68,573	68,164	67,159	62,289	65,083	834,325
Total assets	282,899	260,205	243,466	233,512	265,505	3,442,018

Per Share Data:

	Yen					U.S. dollars
	2012	2011	2010	2009	2008	2012
Net income	¥ 20.28	¥ 23.36	¥ 28.80	¥ 22.58	¥ 10.11	\$ 0.25
Net assets	453.71	451.52	449.45	421.26	437.71	5.52
Cash dividends	10.00	10.00	10.00	10.00	10.00	0.12

Key Indicators:

	(%)				
	2012	2011	2010	2009	2008
Equity ratio	23.5	25.4	27.0	26.2	24.0
Return on equity	4.5	5.2	6.6	5.3	2.3

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 ¥82.19=US\$1, the approximate exchange rate at March 30, 2012.

Consolidated Financial Statements

Consolidated Balance Sheets

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

ASSETS	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current assets:			
Cash and deposits	¥ 3,671	¥ 3,906	\$ 44,670
Notes and accounts receivable-trade	145,634	141,570	1,771,923
Inventories	24,635	20,282	299,729
Deferred tax assets	1,655	1,787	20,131
Other	3,989	4,009	48,537
Allowance for doubtful accounts	(1,421)	(1,615)	(17,294)
Total current assets	178,163	169,939	2,167,697
Property, plant and equipment:			
Buildings and structures, net	29,343	25,760	357,019
Land	26,373	22,217	320,882
Lease assets, net	111	106	1,344
Other	10,596	6,092	128,923
Total property, plant and equipment	66,424	54,174	808,170
Intangible assets			
Goodwill	1,382	-	16,820
Other	1,377	1,415	16,756
Total intangible assets	2,760	1,415	33,577
Investments and other assets:			
Investment securities	28,710	29,921	349,308
Deferred tax assets	3,592	2,412	43,700
Other	3,201	2,278	38,947
Total investments and other assets	35,502	34,610	431,955
Total assets	¥ 282,899	¥ 260,205	\$ 3,442,018
LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current liabilities:			
Notes and accounts payable-trade	¥ 103,480	¥ 105,156	\$ 1,259,030
Short-term loans payable	39,245	36,088	477,497
Current portion of long-term loans payable	4,190	1,311	50,974
Commercial papers	15,000	5,000	182,503
Current portion of bonds	425	-	5,170
Lease obligations	35	39	430
Income taxes payable	1,629	792	19,825
Provision for bonuses	1,574	1,525	19,152
Other	6,374	4,956	77,554
Total current liabilities	171,953	154,868	2,092,139
Non-current liabilities:			
Bonds payable	15,335	15,000	186,579
Long-term loans payable	16,533	15,883	201,151
Lease obligations	65	72	785
Deferred tax liabilities	624	327	7,591
Provision for retirement benefits	2,695	2,845	32,787
Other	7,122	3,045	86,657
Total non-current liabilities	42,373	37,173	515,553
Net assets:			
Shareholders' equity			
Capital stock	16,649	16,649	202,566
Capital surplus	15,247	15,247	185,512
Retained earnings	39,568	38,073	481,418
Treasury stock	(1,478)	(1,477)	(17,987)
Total shareholders' equity	69,986	68,493	851,510
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	(2,057)	(1,215)	(25,030)
Deferred gains or losses on hedges	(6)	(7)	(75)
Foreign currency translation adjustments	(1,553)	(1,220)	(18,896)
Total accumulated other comprehensive income	(3,617)	(2,441)	(44,002)
Stock acquisition rights	61	-	742
Minority interests	2,143	2,113	26,075
Total net assets	68,573	68,164	834,325
Total liabilities and net assets	¥ 282,899	¥ 260,205	\$ 3,442,018

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net sales	¥ 510,923	¥ 482,143	\$ 6,216,365
Cost of sales	467,888	444,338	5,692,757
Gross profit	43,035	37,805	523,607
Selling, general and administrative expenses	37,620	32,618	457,715
Operating income	5,416	5,186	65,892
Non-operating income:			
Interest and dividend income	791	708	9,626
Equity in earnings of affiliates	244	354	2,963
Other	660	699	8,027
Total	1,695	1,761	20,617
Non-operating expenses:			
Interest expenses	1,417	971	17,239
Other	228	122	2,771
Total	1,645	1,093	20,011
Ordinary income	5,465	5,855	65,730
Extraordinary income:			
Gain on valuation of investment securities	1,557	238	18,942
Gain on sales of non-current assets	862	184	10,489
Other	241	150	2,929
Total	2,660	571	32,361
Extraordinary loss:			
Impairment loss	565	36	6,880
Loss on sales of investment securities	285	32	3,463
Loss on step acquisitions	264	29	3,206
Loss on disposal of noncurrent assets	145	178	1,764
Loss on valuation of investment securities	119	491	1,449
Loss on disaster	-	265	-
Other	147	38	1,793
Total	1,525	1,069	18,559
Income before income taxes and minority interests	6,600	5,357	80,300
Income taxes—current	2,696	1,625	32,798
Income taxes—deferred	682	242	8,297
Income before minority interests	3,222	3,490	39,204
Minority interests in income	255	73	3,107
Net income	¥ 2,967	¥ 3,418	\$ 36,096
Per share data:			
Net income	¥ 20.28	¥ 23.36	\$ 0.25
Cash dividends	10.00	10.00	0.12

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

Consolidated Statements of Comprehensive Income

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries
Year ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Income before minority interests	¥ 3,222	¥ 3,490	\$ 39,204
Other comprehensive income			
Valuation difference on available-for-sale securities	(691)	(1,459)	(8,403)
Deferred gains or losses on hedges	1	20	8
Foreign currency translation adjustment	(375)	(406)	(4,558)
Share of other comprehensive income of affiliates accounted for by the equity method	(161)	243	(1,963)
Total other comprehensive income	(1,226)	(1,603)	(14,916)
Comprehensive income	1,996	1,887	24,287
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	1,745	1,832	21,228
Comprehensive income attributable to minority interests	251	55	3,059

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, 2012

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income				Stock acquisition rights	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 accumulated other comprehensive income			
Balance at April 1, 2011 (Millions of yen)	¥16,649	¥15,247	¥38,073	¥(1,477)	¥68,493	¥(1,215)	¥(7)	¥(1,220)	¥(2,441)	—	¥2,113	¥68,164
Changes of items during the period												
Dividends from surplus			(1,465)		(1,465)							(1,465)
Net income			2,967		2,967							2,967
Purchase of treasury stock				(2)	(2)							(2)
Disposal of treasury stock		(0)		1	0							0
Change in the scope of consolidation			(7)		(7)							(7)
Transfer from retained earnings to capital surplus		0	(0)		—							—
Net changes of items other than shareholders' equity						(843)	1	(334)	(1,176)	61	31	(1,084)
Total changes of items during the period			1,494	(1)	1,493	(843)	1	(334)	(1,176)	61	31	409
Balance at March 31, 2012	¥16,649	¥15,247	¥39,568	¥(1,478)	¥69,986	¥(2,057)	¥(6)	¥(1,553)	¥(3,617)	¥61	¥2,143	¥68,573

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income				Stock acquisition rights	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 accumulated other comprehensive income			
Balance at April 1, 2011 (Thousands of U.S. dollars)	\$200,227	\$183,371	\$457,888	\$(17,761)	\$823,725	\$(14,606)	\$(83)	\$(14,667)	\$(29,356)	—	\$25,406	\$819,775
Changes of items during the period												
Dividends from surplus			(17,825)		(17,825)							(17,825)
Net income			36,096		36,096							36,096
Purchase of treasury stock				(24)	(24)							(24)
Disposal of treasury stock		(1)		6	4							4
Change in the scope of consolidation			(87)		(87)							(87)
Transfer from retained earnings to capital surplus		1	(1)		—							—
Net changes of items other than shareholders' equity						(10,253)	8	(4,057)	(14,303)	742	371	(13,188)
Total changes of items during the period			18,182	(18)	18,163	(10,253)	8	(4,057)	(14,303)	742	371	4,975
Balance at March 31, 2012	\$202,566	\$185,512	\$481,418	\$(17,987)	\$851,510	\$(25,030)	\$(75)	\$(18,896)	\$(44,002)	\$742	\$26,075	\$834,325

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥ 6,600	¥ 5,357	\$ 80,300
Depreciation and amortization	3,812	2,378	46,376
Impairment loss	565	36	6,880
Increase (decrease) in provision for bonuses	(5)	(48)	(56)
Interest expense	1,417	971	17,239
Loss (gain) on valuation of investment securities	119	491	1,449
(Gain) loss on sales of investment securities	(1,272)	(206)	(15,478)
Decrease (increase) in notes and accounts receivable-trade	(5,914)	(673)	(71,957)
Decrease (increase) in inventories	(2,975)	(1,648)	(36,198)
Increase (decrease) in notes and accounts payable-trade	(550)	1,748	(6,690)
Increase (decrease) in other current liabilities	1,542	(73)	18,757
Others, net	(2,119)	(2,181)	(25,773)
Subtotal	1,220	6,154	14,849
Interest and dividend income received	877	731	10,665
Interest expenses paid	(1,484)	(987)	(18,055)
Income taxes paid	(2,222)	(2,439)	(27,034)
Net cash provided by (used in) operating activities	(1,609)	3,460	(19,575)
Net cash provided by (used in) investing activities:			
Purchase of property, plant and equipment	(2,958)	(4,637)	(35,986)
Proceeds from sales of property, plant and equipment	1,734	759	21,100
Purchase of intangible assets	(442)	(60)	(5,382)
Purchase of investment securities	(534)	(593)	(6,498)
Proceeds from sales of investment securities	1,009	330	12,275
Proceeds from transfer of business	45	0	552
Purchase of shares in subsidiaries associated with a change in the scope of consolidation	—	(490)	—
Proceeds from purchase of shares in subsidiaries associated with a change in the scope of consolidation	616	—	7,489
Net proceeds from sales of shares in subsidiaries resulting in change in consolidation scope	673	—	8,192
Others, net	78	869	947
Net cash provided by (used in) investing activities	221	(3,823)	2,690
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	(823)	2,447	(10,013)
Increase (decrease) in commercial papers	10,000	(5,000)	121,669
Proceeds from long-term loans payable	626	841	7,618
Repayment of long-term loans payable	(5,701)	(1,403)	(69,363)
Proceeds from the issuance of bonds	—	14,920	—
Redemption of bonds	(1,310)	(10,000)	(15,938)
Repayment of finance lease obligations	(41)	(35)	(500)
Cash dividends paid	(1,465)	(1,465)	(17,825)
Others, net	(63)	212	(761)
Net cash provided by (used in) financing activities	1,223	515	14,884
Effects of exchange rate change on cash and cash equivalents	(78)	(130)	(950)
Net increase (decrease) in cash and cash equivalents	(243)	23	(2,951)
Cash and cash equivalents at beginning of period	3,888	3,736	47,304
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	129	—
Cash and cash equivalents at end of period	¥ 3,645	¥ 3,888	\$ 44,352

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: 55 subsidiaries

Company names: JP Resources 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., Nakai Paper Transport Co., Ltd., Koyosha Co., Ltd., Yamato Inc., Showa Packaging Industry Co., Ltd., Cosmo Paper Trading Co., Ltd., Chikiriya Co., Ltd., Gokura Co., Ltd., Eco-Port Kyushu Co., Ltd., Kyoku-Ei Paper Mfg. Co., Ltd., San-Paper Co., Ltd., Shin-Ei Mfg. Co., Ltd., San-Ei Reglator Co., Ltd., Doh-Ei Paper Mfg. Co., Ltd., CORELEX CO., LTD., JP Corelex Holdings 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., Japan Pulp & Paper (Shanghai) Co., Ltd., Tai Tak Paper (Shenzhen) Co., Ltd., PT. Oriental Asahi JP Carton Box., JRS Resources, Inc., JP CORELEX (Vietnam) Co., Ltd., Pan Pacific Fiber, Inc., Gould Paper Corporation, Western-BRW Paper Co., Inc., Southern Paper, LLC, Weiss McNair, LLC, Gould International U.K. Ltd., Price & Pierce International Inc., Price & Pierce Oy and 14 other companies.

Corelex Holdings Co., Ltd. (corporate name changed to JP Corelex Holdings Co., Ltd. on July 1, 2011) and its subsidiaries San-Ei Reglator Co., Ltd., Doh-Ei Paper Mfg. Co., Ltd., Shin-Ei Mfg. Co., Ltd., San-Paper Co., Ltd., Kyoku-Ei Paper Mfg. Co., Ltd., CORELEX CO., LTD., PULPPY CORELEX (HONG KONG) LTD. (corporate name changed to JP CORELEX (HONG KONG) Co., Ltd. on July 6, 2011), and PULPPY CORELEX (VIETNAM) CO., LTD. (corporate name changed to CORELEX (Vietnam) Co., Ltd. on September 27, 2011) are included in the scope of consolidation from the consolidated fiscal year under review due to the acquisition of its shares by the Company.

Nakai Honsha Co., Ltd., a consolidated subsidiary in the previous fiscal year, was dissolved as a result of being merged into the Company and has therefore been removed from the scope of consolidation from the fiscal year under review.

Atsugi Kami Ryutsu Center Co., Ltd., a consolidated subsidiary in the previous fiscal year, was liquidated and has therefore been removed from the scope of consolidation from the fiscal year under review.

Komaki Kami Ryutsu Center Co., Ltd., a consolidated subsidiary in the previous fiscal year, has been removed from the scope of consolidation from the fiscal year under review because the Company sold the shares it held in that company.

2. Application of the Equity Method

1) Number of non-consolidated subsidiaries accounted for by the equity method: 1 company

Company name: Japan Pulp & Paper (M) Sdn. Bhd.

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

Company names: Seihoku Paper Depot Co., Ltd., Kawabe Biomass Power Generation 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., 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 Japan Pulp & Paper (U.S.A.) Corp., Japan Pulp & Paper (Shanghai) Co., Ltd., Gould Paper Corporation and 31 other companies end on December 31.

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

2) Depreciation methods for major depreciable assets

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

a) Buildings (excluding building fixtures) and machinery, equipment and vehicles

Principally depreciated by the straight-line method. Some domestic consolidated subsidiaries apply the declining-balance method for buildings (excluding building fixtures) acquired on or before March 31, 1998. The Company and some domestic consolidated subsidiaries apply the declining-balance method for machinery, equipment and vehicles.

Basis for Preparing Consolidated Financial Statements

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries

b) Others

Principally depreciated by the declining-balance method. Some domestic consolidated subsidiaries and all overseas subsidiaries apply 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.

3) Method of treatment of major deferred assets

Bond issuance expenses are amortized by the straight-line method during the period up to amortization.

4) 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, Corporate Auditors and Executive Officers, 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.

(5) Provision for directors' (officers') retirement benefits

To prepare for the payment of retirement benefits for Directors (Officers) of some consolidated subsidiaries, retirement benefits for Directors, Corporate Auditors and Executive Officers of some subsidiaries are recorded based on the estimated amount payable at the end of the fiscal year as stipulated by internal regulations.

(Additional Information)

At the meeting of the Board of Directors on May 31, 2011, the Board resolved to abolish the Directors' (Officers') retirement benefit system and at the ordinary general meeting of shareholders held on June 29, 2011 it was resolved to make close-out payments. Along with this, the balance of the reserve for retirement benefits for directors (officers) totaling ¥464 million was drawn down and included in Other within Non-current liabilities.

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) Goodwill and negative goodwill amortization method and amortization period

Goodwill, as well as negative goodwill recorded on or before March 31, 2011, are 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.

8) Transactions subject to consumption tax

Transactions subject to consumption tax are stated at the amount net of the related consumption tax.

Change in Basis for Preparing Consolidated Financial Statements

Japan Pulp and Paper Company Limited and Consolidated Subsidiaries

Change in Presentation Method

(Consolidated Statements of Income)

Direct deductions were made from amounts of previous subject claims for Allowance for doubtful accounts pertaining to investments and other assets. However, to bring this method into conformity with presentation methods for Allowance for doubtful accounts related to other claims, from the fiscal year under review the Company changed to a presentation method whereby the total amount of claims is presented, and Allowance for doubtful accounts is set forth in a lump sum as a deduction item. In the previous fiscal year prior to the change in the presentation method, Other within Investments and other assets amounted to ¥3,172 million and Allowance for doubtful accounts amounted to (¥894) million.

Current portion of long-term loans payable within Current liabilities was previously included in Short-term loans payable. However, from the fiscal year under review, this is listed in a separate category due to the increased importance of the amount. In the previous fiscal year prior to the change in the presentation method, Short-term loans payable amounted to ¥37,400 million.

Additional Information

(Application of Accounting Standard for Accounting Changes and Error Corrections)

For accounting changes and corrections of prior period errors that are made after the start of the fiscal year that began on April 1, 2011, "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.