

PRESS RELEASE

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PAN PAC FOREST PRODUCTS LTD

Pulp Mill Development Strategy – BCTMP conversion

During a visit to Napier New Zealand on the 28th September 2011 Mr Kazuhisa Shinoda, President and Chief Executive Officer, Oji Paper Company Limited (Oji), announced the major development plan for the Pulpmill located at Whirinaki, Napier New Zealand.

Pan Pac Forest Products Limited (Pan Pac), a wholly owned subsidiary of Oji, operates in the Hawke's Bay region of the North Island of New Zealand as an active forest grower and wood processor. The forest estate of around 33,000 Ha is primarily softwood *Pinus Radiata* and is responsibly managed in accordance with Forest Stewardship Council certification (FSC).

Pan Pac's processing includes production of solid lumber (+400,000 m³/annum), wood chips (+70,000 BDU/annum) and wood pulp (+200,000 admt/annum) at their industrial site located at Whirinaki, some 15 km north of the city of Napier, New Zealand.

Wood-pulp produced at Pan Pac has provided a valued base product for newsprint manufacture in Japan since 1973. Pulp is currently produced using the high yield pulping process known as Thermo Mechanical Pulping (TMP).

Pan Pac has been active in studying alternative markets and processes to enable expanded use of its resources and to provide further value addition to forests in the region. These studies concluded with Board approval in December 2010 to convert some of the Pulpmill capacity to enable the manufacture of high grade Bleached Chemi Thermo Mechanical Pulp (BCTMP) .

Approval by the directors of this conversion followed the securing of the necessary variation to the Consent to Discharge Effluent by the Hawke's Bay Regional Council in November 2010.

The project will see a staged conversion of the pulp plant to the BCTMP process and incorporates significant investment in a 2 stage Alkaline Peroxide Bleaching facility. In addition the new effluent plant will incorporate two stages of biological treatment to remove dissolved material present in the effluent and additional settling treatment to remove fine suspended solids.

The Environmental Impact Assessments involved extensive effluent treatment characterisation and indicated that this development would further reduce the already very low impact of Pan Pac's operations on the waters of Hawke Bay.

The construction of the new facilities commenced in January 2011 and the plant will be operational in April 2012 – the total capital cost is in excess of NZD 70 million.

The conversion will enable production of up to 200,000 adt of BCTMP grade with the new grade particularly being very beneficial in supporting the manufacture of high quality Carton Board. The target markets are China and the greater Asian region.

For comment/clarity please contact Doug DUCKER
Managing Director
Ph +64 6 8310100
Mob +64 (0) 21 474708