We have audited the accompanying non-consolidated balance sheets of HOKUETSU PAPER MILLS, LTD. (a Japanese corporation) as of March 31, 2003 and 2002, and the related non-consolidated statements of income and shareholders’ equity for each of the three years in the period ended March 31, 2003, expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of HOKUETSU PAPER MILLS, LTD. as of March 31, 2003 and 2002, and the non-consolidated results of their operations for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in Japan as described in Note 1(a) to the non-consolidated financial statements.

Without qualifying our opinion, we draw attention to the following.

(1) As discussed in Notes 1(b), 1(c) and 1(h) to the non-consolidated financial statements, HOKUETSU PAPER MILLS, LTD. prospectively adopted the new Japanese accounting standards for (a) market valuation of available-for-sale securities effective April 1, 2001 and (b) financial instruments and employees’ retirement benefits and the revised Japanese accounting standard for foreign currency translation effective April 1, 2000.

(2) As discussed in Note 1(e) to the non-consolidated financial statements, HOKUETSU PAPER MILLS, LTD. changed the depreciation method of machinery and equipment effective April 1, 2001.

The non-consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the non-consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1(a) to the non-consolidated financial statements.

Tokyo, Japan
June 27, 2003

Asahi & Co.
Corporate Name: Hokuetsu Paper Mills, Ltd.

Head Office: 3-2-2 Hongocho, Nihonbashi, Chuo-ku, Tokyo 103-0021, Japan
Tel: (03) 3245-4500 Fax: (03) 3245-4511
Established: April 27, 1907
Paid-in capital: ¥26,821 million

Listed on: Tokyo Stock Exchange, First Section
Osaka Securities Exchange, First Section

Authorized: 260,000,000
Issued: 164,052,054

Settlement Date: March 31
Number of Employees: 1,118 (Non-consolidated)
Number of Shareholders: 4,707

URL: http://www.hokuetsu-paper.co.jp/

Annual Meeting: The annual meeting of shareholders of the company is normally held in June of each year in Nagaoa, Niigata, Japan.

Offices and mills:
Central Research Laboratory: 3-5-1, Nishi-Zao, Nagaoa, Niigata Pref. 940-0027
Nagaoa Mill: 5-2-1, Naka, Nagaoa, Niigata Pref. 940-0028
Kanto Mill Ichikawa: 3-2-1, Ohsu, Ichikawa, Chiba Pref. 272-0032
Kanto Mill Katsuta: 1760, Takaba, Hitachinaka, Ibaraki Pref. 312-0062
Osaka Branch: 4-5-17, Minamikuhoji-cho, Chuo-ku, Osaka, Osaka Pref. 541-0058
Nagoya Office: 1-2-11, Nishiki, Naka-ku, Nagoya, Aichi Pref. 460-0003
Niigata Office: 57, Enoki-cho, Niigata, Niigata Pref. 950-0881

Directors:
Akira Arai
Yukio Kobayashi
Norihiko Shimokoshi
Kiyoshi Tamura
Minoru Hotta
Osamu Suzuki
Kouichi Akagawa
Hiroshi Sugawara

Standing Statutory Auditors:
Yoshikazu Asaoka
Masao Tsuchikawa
Kenji Yano

Statutory Auditors:
Jinsei Miyazawa
Masaaki Miwa

Management:
Chairman:
Akira Arai
President:
Masaaki Miwa

Senior Managing Director:
Yukio Rimbara
Managing Director:
Hiroshi Ohno
Sekio Kishimoto

Managing Director:
Takahiro Fujita

Address:
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Managing Director:
Hiroshi Ohno
Sekio Kishimoto

Managing Director:
Takahiro Fujita