

OJI GROUP REPORT **2018**



Beyond the Boundaries



View of Daisetsuzan Volcanic Group seen from the Biei company-owned forest in Hokkaido



## Greeting from the Chairman and President

In the 145 years since the foundation of the company with papermaking as its core business, the Oji Group has expanded its business in various fields and globally as its business environment, and societal needs, have undergone major changes. The Oji Group Report 2018 presents the Group's latest results in an accessible manner. It is our hope that stakeholders will explore our undertakings as we proceed "beyond the boundaries."

Director, Chairman of the Board,  
Oji Holdings Corporation

*K. Shindo*

Director of the Board, President,  
Oji Holdings Corporation

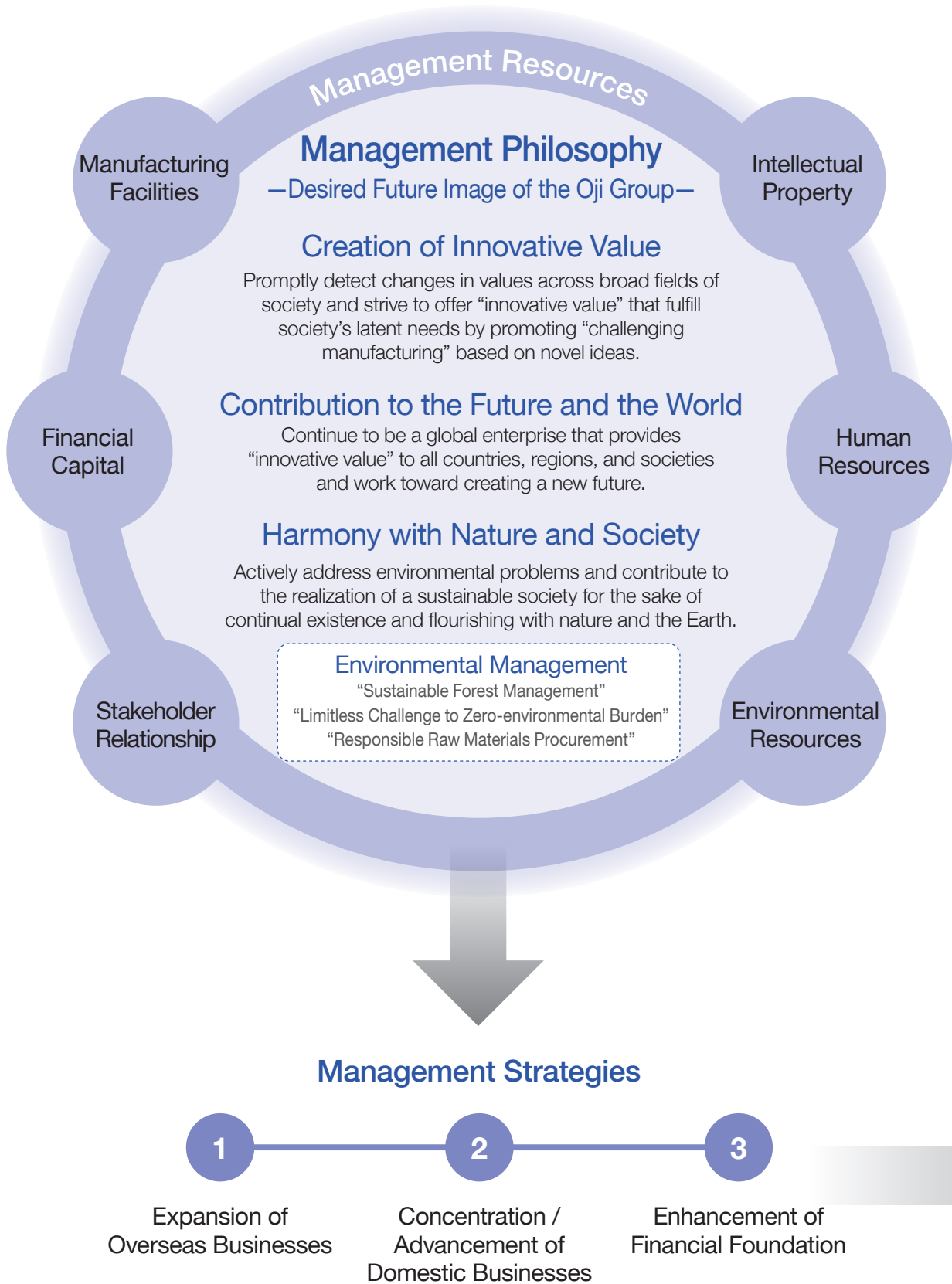
*A. Yano*



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## Oji Group's Value Creation Model





## ▶ Output

	FY2016 Results	FY2017 Results	FY2018 Forecasts	FY2018 Targets (Medium-term Management Plan)	Future Targets
Net Sales	¥1,439.9 billion	¥1,485.9 billion	¥1,550.0 billion	¥1,700.0 billion	
Overseas Sales Ratio	28.2%	31.0%	32.4%	35%	50%
Operating Profit	¥70.2 billion	¥70.8 billion	¥110.0 billion	¥100.0 billion	
Interest-bearing Debts	¥677.3 billion	¥647.4 billion	¥650.0 billion	¥700.0 billion	
Environmental Management					Zero-environmental burden

## ▶ Contribution to the Sustainable Development Goals

The “2030 Agenda for Sustainable Development,” adopted by the United Nations in 2015, sets 17 Sustainable Development Goals (SDGs) to be achieved by 2030. Formulating “Harmony with Nature and Society” as part

of its management philosophy, Oji Group is committed to contributing to achieve the SDGs by taking measures addressing closely-related items in business activities.

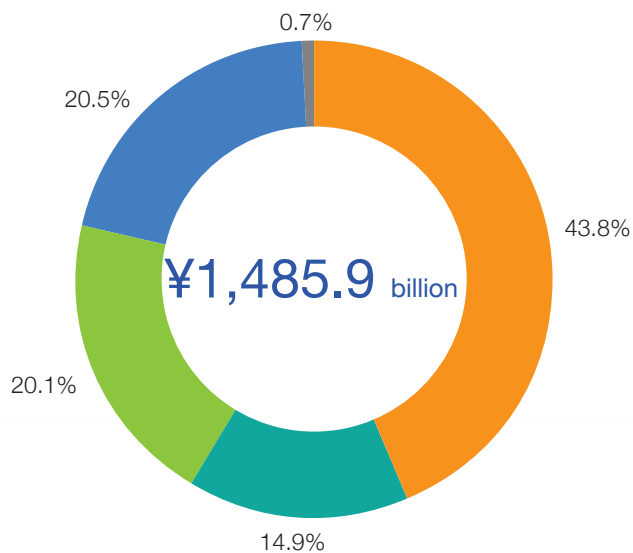
# SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



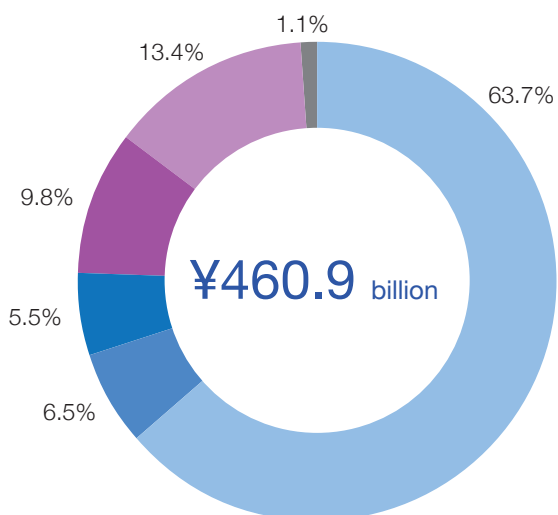
Measures relating to the Environment, Society, and Governance are discussed starting on page 29.

Net Sales by Business Segment (FY2017)



Segment	Net sales	Composition ratio
Household and Industrial Materials	¥651.3 billion	43.8%
Functional Materials	¥220.8 billion	14.9%
Forest Resources and Environment Marketing	¥298.5 billion	20.1%
Printing and Communications Media	¥305.4 billion	20.5%
Other	¥9.9 billion	0.7%
<b>Total</b>	<b>¥1,485.9 billion</b>	<b>100.0%</b>

Overseas Net Sales by Sales Area (FY2017)



Region	Net sales	Composition ratio
Asia	¥293.7 billion	63.7%
North America	¥30.1 billion	6.5%
South America	¥25.2 billion	5.5%
Europe	¥44.9 billion	9.8%
Oceania	¥61.9 billion	13.4%
Other	¥5.1 billion	1.1%
<b>Total</b>	<b>¥460.9 billion</b>	<b>100.0%</b>



Oji Group conducts business in four business segments. Our overall business is managed separately by five COMPANYS, as well as the Corporate Management Group companies and the Shared Service companies which support the entire Group.

### ▶ Household and Industrial Materials Businesses

(Industrial Materials COMPANY/Household and Consumer Products COMPANY)

Products include daily necessities such as tissue paper and disposable diapers, as well as packaging products such as corrugated containers and paper bags

**Main Businesses**

- Various packaging materials and products (base paper and converting)
- Household paper
- Disposable diapers



### ▶ Functional Materials Business

Products include thermal paper for receipts etc., adhesive products including labels, a variety of film products, and specialty paper

**Main Businesses**

- Specialty paper
- Adhesive products
- Thermal paper
- Film



### ▶ Forest Resources and Environment Marketing Business

Various businesses which utilize forest resources such as pulp for paper manufacturing, power generation, lumber processing etc.

**Main Businesses**

- Pulp
- Power generation
- Lumber processing



### ▶ Printing and Communications Media Business

Products include paper for printing purposes such as newsprint, magazines and books, and paper for photocopying purposes

**Main Businesses**

- Newsprint
- Printing / publication paper
- Communication paper (i.e. copying paper)



### ▶ Corporate Management Group and Shared Service Companies

Various services that support Oji Group's collective strengths such as engineering, logistics, and wholesale etc.

- Main Businesses** - Real estate - Engineering services - Wholesale business - Logistic services

## Financial and Non-financial Highlights

Financial Highlights		FY2013	FY2014	FY2015	FY2016	FY2017
Net Sales	(¥bil.)	1,332.5	1,347.3	1,433.6	1,439.9	1,485.9
Operating Profit	(¥bil.)	57.3	43.9	72.0	70.2	70.8
Ordinary Profit	(¥bil.)	65.2	49.4	60.5	52.9	66.0
Profit Attributable to Owners of Parent	(¥bil.)	31.6	15.5	12.7	40.3	36.2
Profit per Share	(¥)	32.01	15.71	12.86	40.74	36.64
Net Assets per Share	(¥)	574.08	656.03	587.62	635.95	681.52
Dividend per Share	(¥)	10	10	10	10	10
Total Assets	(¥bil.)	1,898.2	2,140.6	1,909.5	1,901.0	1,968.0
Net Assets	(¥bil.)	657.6	784.4	711.2	759.2	810.0
Interest-bearing Debts	(¥bil.)	798.5	862.6	777.7	677.3	647.4
Equity Ratio	(%)	29.9	30.3	30.4	33.1	34.2
Return on Equity	(%)	5.9	2.6	2.1	6.7	5.6
Capital Investment	(¥bil.)	76.7	80.1	57.4	63.7	69.3
Depreciation and Amortization	(¥bil.)	73.3	70.8	78.6	74.9	71.9
Research and Development Expense	(¥bil.)	10.9	10.5	9.7	9.3	9.0
Cash Flows from Operating Activities	(¥bil.)	109.3	90.9	128.1	157.4	123.2
Cash Flows from Investing Activities	(¥bil.)	(67.2)	(165.5)	(43.3)	(40.2)	(74.0)
Cash Flows from Financing Activities	(¥bil.)	(52.0)	77.4	(89.8)	(114.5)	(41.8)

Non-financial Highlights		FY1990*4	... FY2005*4	... FY2014	FY2015	FY2016	FY2017
Number of Employees	Japan			17,003	16,845	17,048	17,082
	Overseas			16,665	16,760	18,344	19,062
	Total			33,668	33,605	35,392	36,144
Frequency of Accidents Resulting in Lost Work Hours*1				0.66	0.77	0.65	0.62
Greenhouse Gas Emissions Intensity*2	(t*3/t)	0.730	0.654	0.517	0.493	0.485	0.482
Energy Intensity (Crude Oil Equivalent)	(kL/t)	0.396	0.371	0.374	0.366	0.366	0.365
Waste Generation Intensity	(t/t)	—	0.175	0.184	0.178	0.176	0.175

\*1 Frequency of accidents resulting in lost work hours = (occupational accident casualties / total work hours) × 1,000,000

The total work time is assumed to be 2,000 hours / person

\*2 Greenhouse gas emissions intensity = greenhouse gas emissions in Japan and overseas / overseas production volume in Japan and overseas

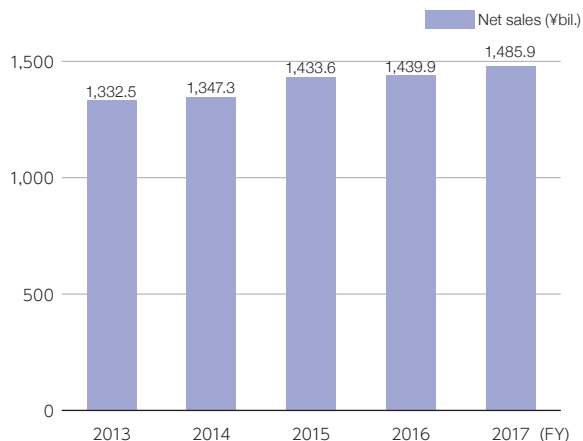
Emissions from power generation business are not included

\*3 In addition to CO<sub>2</sub>, it is inclusive of its equivalents of CH<sub>4</sub> and N<sub>2</sub>O

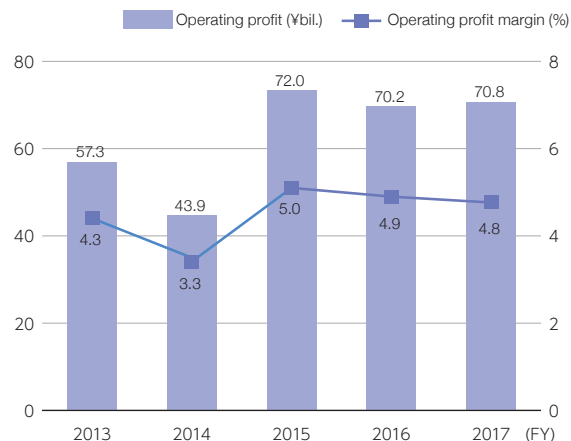
\*4 Figures for FY1990 and FY2005 are estimated for some companies.



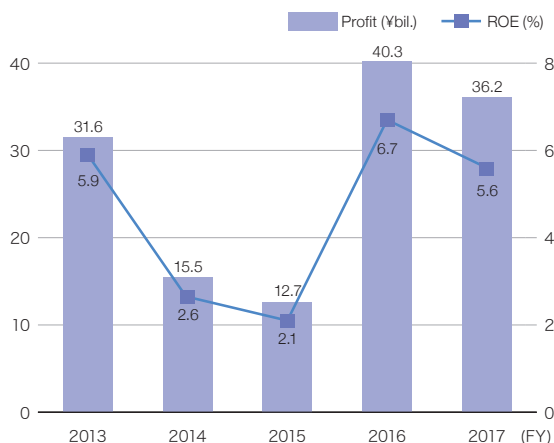
### Net Sales



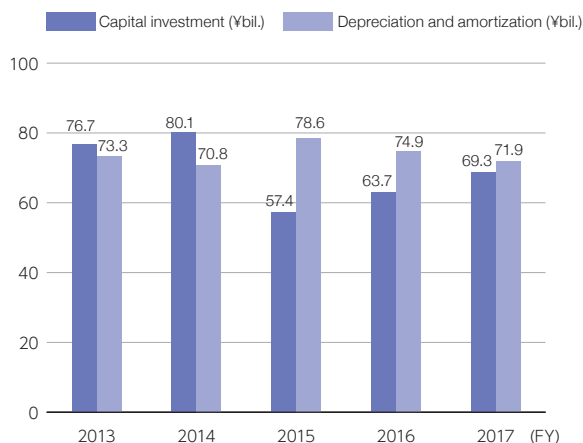
### Operating Profit / Operating Profit Margin



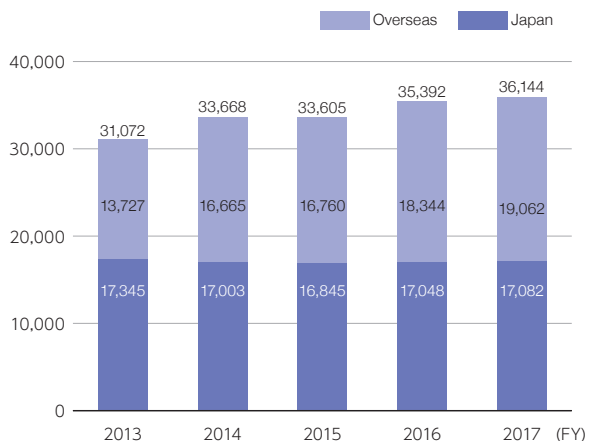
### Profit Attributable to Owners of Parent / ROE



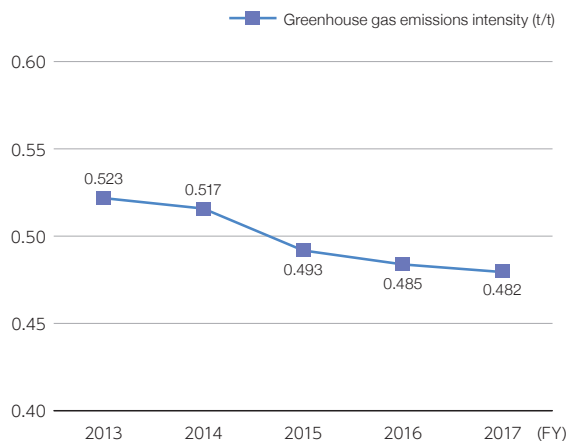
### Capital Investment / Depreciation and Amortization



### Number of Employees



### Greenhouse Gas Emissions Intensity



## Message from the President



**Susumu Yajima**

Director of the Board, President  
Group CEO



## About Oji Group

In February 2018, Oji Group marked 145 years since its founding. Finding our origin as a company that supported the modernization of Japan in the Meiji era through the development of a domestic papermaking industry, we are currently engaged in the Household and Industrial Materials business, centering on corrugated containers and household paper, as well as the Forest Resources and Environment Marketing business including pulp and electric power, and the Functional Materials business including thermal paper used for receipts, etc., in addition to the paper making business which accounts for about 20% of our sales.

Looking ahead to 150 years and even further into the future, we will strive to be a business enterprise that achieves our management philosophy which is: "Creation of Innovative Value," "Contribution to the Future and the World," and "Harmony with Nature and Society."

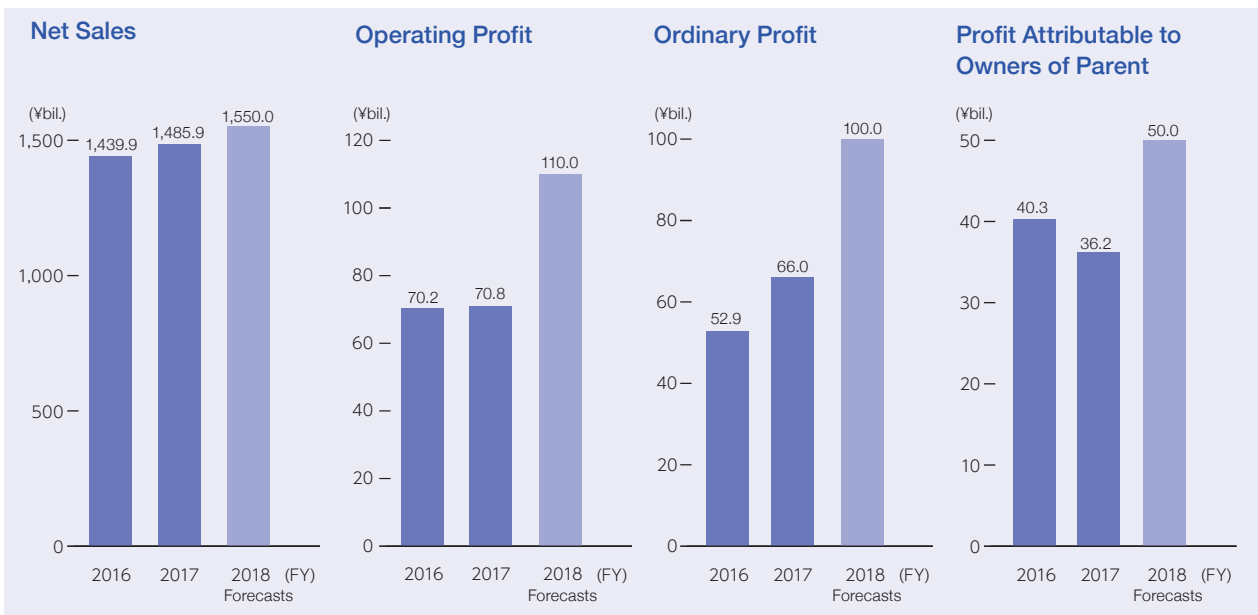
## Can you discuss the Oji Group's business results in FY2017 and the outlook for FY2018?

In FY2017, consolidated net sales were up 3.2% year-on-year to ¥1,485.9 billion. Operating profit, however, increased only 0.8% to ¥70.8 billion. Though the steep rise in prices for raw materials and fuels in Japan was a cause of downward pressure, particularly in the corrugated container and paper businesses, we were able to achieve a higher profit mainly as a result of higher pulp sales prices, cost reduction measures in each business, and other factors. Ordinary profit was ¥66.0 billion, an increase of 24.6% year-on-year, mainly due to a decline in foreign exchange losses, but profit attributable to owners of parent fell to ¥36.2 billion mainly due to a decrease in gains from the change in retirement scheme recorded in the prior fiscal year.

In FY2018, a substantial increase in operating profit is expected. In addition to contributions from the pulp business, which is an area of focus for us, and steady progress in price adjustment of corrugated containers and other products, there will also be effects from cost reduction measures such as operational improvements at overseas businesses. As a result, we expect to achieve our medium-term management plan target of ¥100.0 billion in operating profit. Our projections for other indicators are ¥1,550.0 billion in net sales, ¥100.0 billion in ordinary profit, and ¥50.0 billion in net profit.

**FY2018 is the final year of the medium-term management plan. What is your assessment of progress so far?**

It is the final year of the medium-term management plan that we formulated in FY2015. Setting operating profit of ¥100.0 billion as a primary management target, we have taken various measures to carry out our fundamental strategies: “Expansion of Overseas Businesses,” “Concentration and Advancement of Domestic Businesses,” and “Enhancement of Financial Foundation.”



**Expansion of Overseas Businesses**

Oji Group has accelerated overseas business development since about 2010. In the past three years in particular, we have focused on increasing the number of manufacturing sites, mainly of the packaging business, entering new business fields in Southeast Asia, and increasing both production capacity and efficiency at various sites. For example, the number of manufacturing sites of packaging products such as corrugated containers and folding cartons has increased from 24 at the end of FY2015, to 31, including sites under construction. In Malaysia, where we have accumulated successful results in the packaging field, we are working to reinforce the disposal diaper and label businesses. Meanwhile, in Indonesia where we have previously launched the disposable diaper business, we would now like to start a corrugated container business at an early stage. In Brazil, we are making investments to raise productivity and production capacity of our highly profitable pulp and thermal paper businesses so that the businesses can generate even greater profits to contribute to the Group.



The target for the overseas sales ratio in FY2018 is 35%, but this figure is merely a waypoint as we look ahead to 50%. As I mentioned, we have focused on expanding overseas business, but the overseas sales ratio in FY2017 was 31.0% and the outlook for FY2018 is 32.4%. In order to achieve 35%, a large-scale M&A has to be implemented. Though any major change in the situation this fiscal year may be difficult, we will continuously look for projects in pursuit of the 50% target in the future. As the balance of interest-bearing debt steadily declines, we are now able to secure sufficient capital, and therefore, we intend to actively invest in large-scale projects if we were able to find appealing projects.

### **Concentration/Advancement of Domestic Businesses**

While expanding business has been a major objective for our overseas business, our domestic business has promoted efforts focusing on securing profits rather than increasing sales. Optimizing the supply-demand balance of the paper business remains an issue, and we ceased operation of a printing paper machine with annual production capacity of 44,000 tons in FY2017 to reduce the scale of business.

One business that has increased in size is the electric power business, which we began focusing on shortly before the start of the fiscal 2016–2018 medium-term management plan. The business has become a reliable source of earnings over the three years since the operation commencement of new biomass boilers and revamp of hydroelectric power facilities in various regions. In 2019, a joint venture biomass boiler project with Mitsubishi Paper Mills will start operating. We have engaged in an electric power and household paper joint venture with Mitsubishi Paper Mills, and in February 2018 we signed a capital alliance agreement to advance our capital and business alliance relationship even further. We will continue to secure profits through optimizing production structures and by searching for means of reducing costs, both independently and in collaboration with business partners.

### **Enhancement of Fundamental Foundation**

Setting the balance of interest-bearing debt as one indicator of the Enhancement of Fundamental Foundation, we achieved the target early at the end of FY2016. Compared to our medium-term target of interest-bearing debt of ¥700.0 billion, we achieved ¥647.4 billion at the end of FY2017. These achievements were enabled by sales of shares held for strategic purposes and fixed assets such as company housing and idle land. Going forward, we are considering the new medium-term management plan. We will examine an optimal capital plan for the future taking into account the balance between strategic investment for expanding business and shareholder returns including dividend increases.



**What do you value as a corporate manager?**

I believe that it is the firm corporate fundamentals that are important when I wish for further growth and achievements of the Oji Group. Having manufacturing as our main businesses, a safe working environment for employees is a key requirement. It is necessary for the company to take responsibility for eliminating hazardous aspects of facilities and operations, and it is the responsibility of the top management to raise employee awareness if employees make light of safety. This also applies to environmental measures including compliance with environment regulations and preventing environmental accidents as well as how we address compliance. My position that “safety, the environment, and compliance” are the highest priority management issues remains unchanged.

Human resource related matters are discussed starting on page 39.

I believe that it is crucial to develop working environments where each individual can demonstrate their maximum capabilities, while also placing the absolute highest priority on human life and preventing occupational accidents. In the Oji Group, with diversified human resources both in Japan and overseas, the foundation of enhancing the corporate competitiveness can only be developed by each employee playing an active role in his/her work.



Based on this idea, we have implemented a variety of initiatives to promote active participation of women and working style reforms. As a result, we were selected for the highest level of “Eruboshi” certification, which is granted to companies that prioritize measures to promote women’s active participation, and we were also selected as a “Nadeshiko Brand” in 2017. While the scope of the assessment was the head office regions including Oji Holdings, we plan to use these models to expand the initiatives throughout the Group and actively disclose the results to all stakeholders. Oji Group has numerous overseas sites in New Zealand, Malaysia, and other countries where active participation of women and ethnically diverse talent is even more prominent than in Japan. Therefore, we plan not only to expand initiatives from Japan to overseas sites, but also to actively incorporate points to be respected in each country we operate in.



Biei company-owned forest in Hokkaido

Forest management related matters are discussed starting on page 30.

One of the key attributes of the Oji Group is its ownership of expansive forests. In Japan, the area of company-owned forests is 190,000 ha, which is equivalent to the area of Osaka Prefecture; and we own an additional 260,000 ha of overseas forest plantations. We use trees as a raw material in our papermaking business, and have long been responsibly nurturing forests so that they can be used. These forests cannot simply be held as they are. Appropriate management enables forests to steadily perform various functions such as trees absorbing carbon dioxide and soil regulating water volumes. Currently, overseas forest plantations are the main source for the supply of papermaking raw resources and majority of the trees used are from overseas. However, we conduct business also in Japan based on the idea of appropriately using trees that reached suitable harvesting age and nurturing new forests for future generations. Trees grown in Japan are used for construction materials and processed lumber products, and thinned woods are used for biomass fuels. By increasing higher value-added uses, we seek to maintain a good balance of business profit and loss. It is the responsibility of the Oji Group as an owner of forests to continue the cycle of harvesting and using properly managed and nurtured trees and planting new trees.

**Last, what is your message to stakeholders?**

We will continue to conduct corporate activities that contribute to the future and the world based on the belief that Oji Group’s sustainable growth will contribute to the development of the world. We are planning a two-yeen dividend increase in the fiscal year ending March 2019 and aim to be a company that our shareholders find appealing. Our stakeholders have much to look forward to from Oji Group.



# Household and Industrial Materials Businesses

We aim to be a “lifestyle and social support enterprise” that continuously enriches people’s lives into the future and contributes to the prosperity of society as a whole by sustainably providing materials and technologies that are closely tied to people’s day-to-day lives.

◆ Ryoji Watari

President, Industrial Materials COMPANY  
President, Household and Consumer Products COMPANY

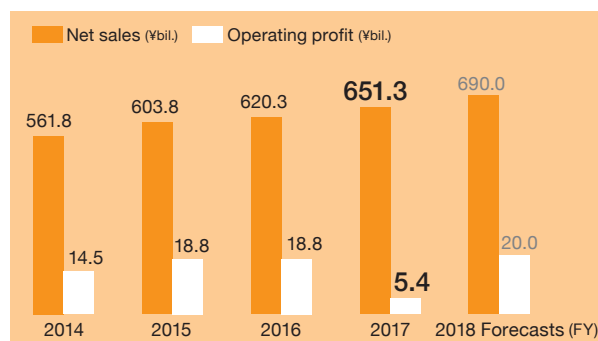


## Business Overview

In FY2017, the Household and Industrial Materials Businesses had net sales of ¥651.3 billion (up ¥31.0 billion from FY2016) and operating profit of ¥5.4 billion (down ¥13.4 billion from FY2016). The Industrial Materials Business was heavily impacted by higher raw materials and fuel costs, and despite product price adjustments and cost reduction measures, profits were down. The Household and Consumer Products Business reported higher net sales as a result of an increase in the toilet rolls sales volume.

Looking toward FY2018, we plan to achieve net sales of ¥690.0 billion (up ¥38.7 billion from FY2017), and operating profit of ¥20.0 billion (up ¥14.6 billion from FY2017). The Industrial Materials Business will reinforce its domestic business foundations by raising efficiency and will expand

overseas business to increase revenues and profit. The Household and Consumer Products Business will further enhance profitability by improving the brand value of both the household paper and disposable diaper businesses.



## Industrial Materials Business

### Business Environment

In Japan, we are conducting and expanding a broad range of business by leveraging our nationwide sales channels coupled with the ability to make proposals based on the integration of materials and converting, and we are the current domestic leader for containerboard, boxboard, and packing paper. Overseas, we have achieved high market shares both in Malaysia and in Cambodia, and are focusing on business expansion in India and Oceania.

Anticipated risks in the business environment described

above include sharp increases in raw material and fuel prices and sudden changes in foreign government policies or legal systems. Risks include dynamic changes in customer needs as a result of the declining birthrate and aging population in Japan as well as rising populations in emerging countries. Responding both to these risks and to customer needs, we will continue to raise our presence in the domestic and overseas packaging business to the future.

## ► Business Strategies

In the domestic market, we will seek to comprehensively reinforce cost competitiveness while maintaining our high market shares in the materials business. In the converting business, we will undertake active M&A to develop the business even further through the integration of the

materials and converting business. Overseas, we will continue business expansion, carefully examining risks and returns in each region and market, and making effective use both of new business sites establishment and of M&A.

### Expansion of Overseas Businesses

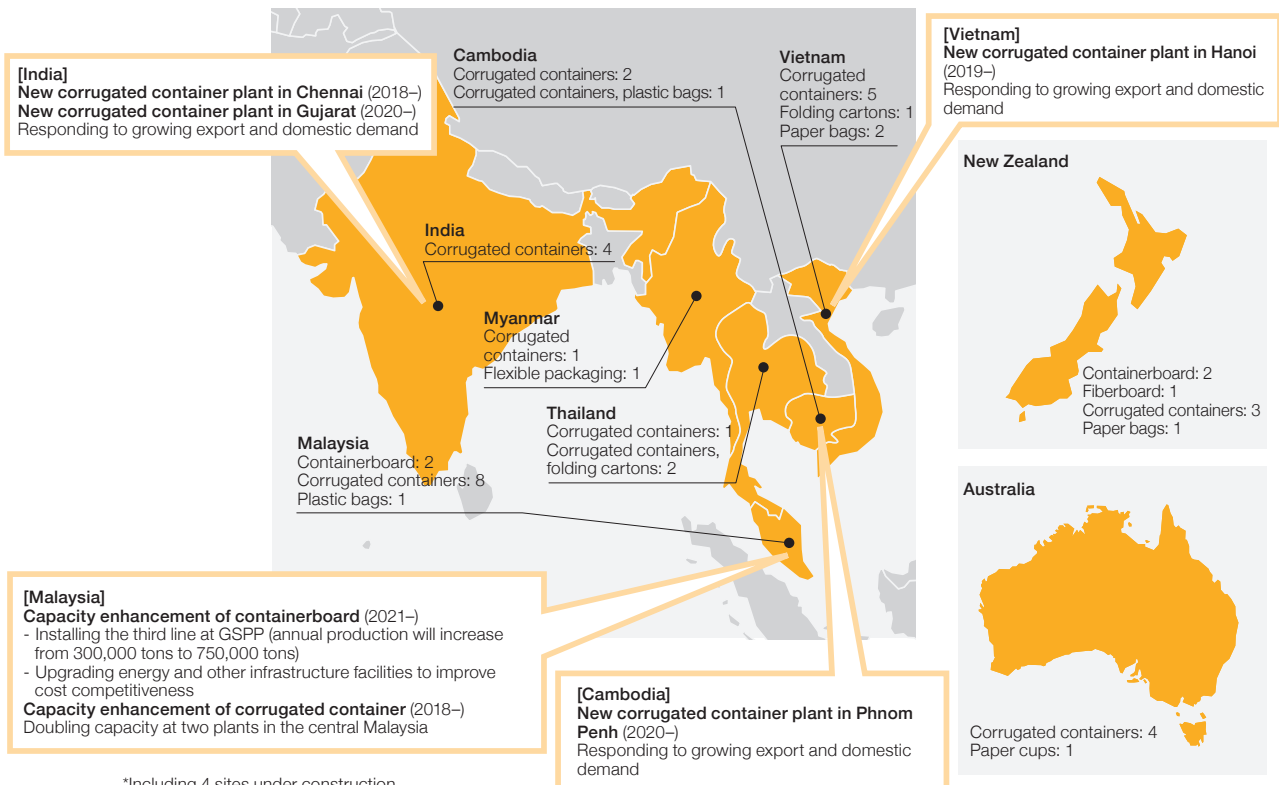
Operating in 43 sites in 8 countries in Southeast Asia, India, and Oceania regions, we are establishing new converting sites and increasing capacity of existing sites to respond to growing packaging demand, and decided to enhance containerboard production facilities in Malaysia. By installing a base paper machine and upgrading energy supply and water supply/drainage facilities, we will strive to meet user demands for high-quality and thin base paper while increasing our base paper self-supply rate and cost competitiveness, thereby reinforcing business foundations.

### Concentration / Advancement of Domestic Businesses

In Japan, a decision has made to establish a new corrugated container plant in Funabashi City, Chiba Prefecture. This will enable us to respond to growing demand in the Kanto region, and additionally, to build a business site with low energy consumption including those required for transportation, by locating a high-productivity plant near a high-demand area.

Going forward, we will make capital investment that responds to both growing demand and eliminating environmental impact to establish more solid business foundations in the packaging market.

## ● Major Business Sites in Southeast Asia, India and Oceania Regions



## ► Topics on Business Strategies

We have been continuously investing in Southeast Asia and Oceania regions to meet the growing demand under stable economic growth in the regions. In addition to capacity enhancement at existing plants, operation commencement at new corrugated container plants in Chennai (India)

in 2018, Hanoi (Vietnam) in 2019, and Phnom Penh (Cambodia) and Gujarat (India) in 2020 are planned. Furthermore, we are also currently considering investing in countries where there is no local site yet.



New plant in northern Vietnam (rendering of the completed plant)



New plant in southern India (rendering of the completed plant)

## ► Toward a Better Society



### Promoting Recycling

—Dissolution treatment of confidential documents  
 Oji Materia Edogawa Mill is equipped with a high-security dissolution treatment facility, where confidential documents packed in sealed corrugated carton boxes are recycled into boxboard, entirely remaining unopened. This system, which takes the environment into consideration while maintaining information security, contributes to the creation of a sustainable society.

### Aid Distribution Agreement under Disaster Cases

(Oji Container & Morishigyo Group)  
 “Aid Distribution Agreement under Disaster Cases” refers to collaboration between our corrugated container plants located throughout Japan with neighboring local governments, so that we are able to contribute to making people feel safe and at ease at evacuation sites when disaster strikes. In times of disasters we promptly deliver corrugated container products such as portable beds, sheets, partitions, and portable toilets to the public.

## Employee Comments: Chang Kee Soon (Group Managing Director, HPI Resources)

### Engaging in the corrugated container market needs of Cambodia

In 2004, Harta established its first corrugated container plant in Phnom Penh, the capital city, mainly to serve the needs of the growing garment industries. After joining Oji Group, with our second plant set up in port city of Sihanoukville in 2013 to cater growing demand of the food & beverage segment, we have gained largest market share in Cambodia. We have recently decided to start operation of a third new plant in Phnom Penh from 2020, and we will dedicate all our strength in order to keep the leading position in Cambodia’s corrugated container market.





## Household and Consumer Products Business

### ► Business Environment

In the domestic household paper market, despite generally flat shipment volumes the entire industry demand is expected to grow for high value-added products such as moisturizing paper products, via the support of the increasing number of foreign tourists traveling to Japan.

In the domestic disposable diaper market, measures that address the effects of the ever so declining birth rate and aging population will be crucial.

Last year, we launched our high-quality baby disposable diaper lineup, Whito, and are developing the premium-

price market. With regard to adult disposable diapers, we are reinforcing product development to keep in line with changes and needs in the nursing care market, arising from the increase in the number of elderly people and the labor crunch in nursing care.

In overseas markets, following the increase in economical standards, the demand for high quality disposable diapers has been increasing in China and Southeast Asia, both of which are the Group's focus markets.

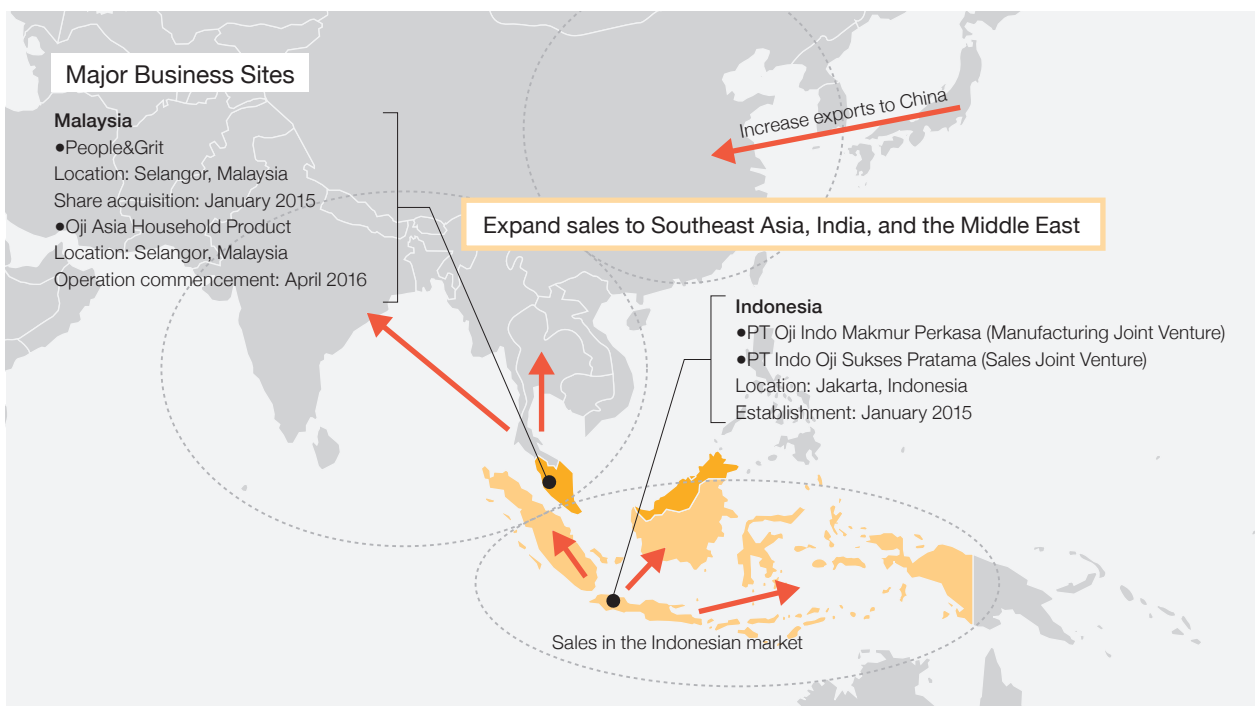
### ► Business Strategies

In Japan, we will continue to improve the brand value of “nepia” (household paper products), “nepia Genki!” and “nepia Whito” (baby disposable diapers), and “nepiaTender” (adult disposable diapers).

In addition, we are working to enhance our market position by integrating sales, marketing, and manufacturing. We are also engaging in a joint venture with Mitsubishi Paper Mills in the household paper business.

### Expansion of Overseas Businesses

We are developing the Southeast Asian market, where consumption of baby disposable diapers is expected to grow. In addition to two business sites in Malaysia, construction of a production factory in Indonesia, which has the largest population in the region, is scheduled. Active business expansion through investment including M&A has also been in consideration. Moreover, we are expanding exports from Japan to China and other regions/customer segments which show a strong preference for Made in Japan products.



Concentration / Advancement of Domestic Businesses

For the household paper business, we are committed to enhancing the brand value of “nepia” as a whole, and gaining competitive advantage through consumer-oriented product development. In particular, we will work on raising brand awareness and increasing market share of high value-added products, environment-friendly products which raise environmental awareness with FSC™ certification, and products which can contribute to society via initiatives such as the 1,000 Toilet Program.

For the disposable diaper business, in addition to “nepia Genki!” baby disposable diapers, we just launched our highest quality brand ever, “nepia Whito,” throughout Japan in October 2017. The Whito brand has received praise for shifting the axis of competition by drastically improving the quality with unique technologies and by focusing on practical diaper usage conditions by customers to distinguish products for 3-hour use and 12-hour use. Whito won the Nikkei MJ Prize of the 2017 Nikkei Superior

Products and Services Award, and goods category prize of the 10th Parenting Award. We will continue to develop Whito as a high-quality, premium-price diaper product in the future. With regard to adult disposable diapers sold under the “nepiaTender” brand, we will continue to develop products that cater to solving issues related to toilet usage difficulties faced by residents at nursing facilities.



“nepia Whito” baby disposable diapers

Toward a Better Society

Pursuing “nepia Quality,” which comprises high living, environment, and social quality, Oji Nepia engages in various activities to be the No. 1 in each of these three aspects. This is especially evident in “environmental quality,” where we have adopted the FSC™ certified paper for our major products since 2011, way ahead of our industry peers. Furthermore, we established a tie-up with WWF Japan in 2017, created a logo which emphasizes forest preservation, with encouraging the use of FSC™ certified paper as our focus.

ネピアの紙は FSC™ 認証紙です。



FSC™C018118

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Employee Comments: Lim Hooi Yin

(Regional Marketing Director, Oji Asia Household Product)

Providing Genki! to babies in Malaysia

When we began selling Genki! two years ago, we had to launch the product from the ground up, and we got off to a difficult start, but we engaged a famous local actor as our brand ambassador and conducted various activities including airing travel TV programs with a focus on Genki! As a result, many mothers in Malaysia tried Genki!, and as of the end of 2017, Genki! is sold in more than 2,000 stores and has become one of the top five brands in Malaysia's supermarket channel. We will continue our efforts to spread the brand and increase sales.



## Functional Materials Business

We will lead the Oji Group's transition to an "Innovative Value-Creating Company" by enhancing our proposal making capability through the integration of R&D, manufacturing, and sales functions, reacting promptly and appropriately to customer needs and further developing high value-added products, targeted at global markets.

◆ Kazuo Fuchigami

President, Functional Materials COMPANY

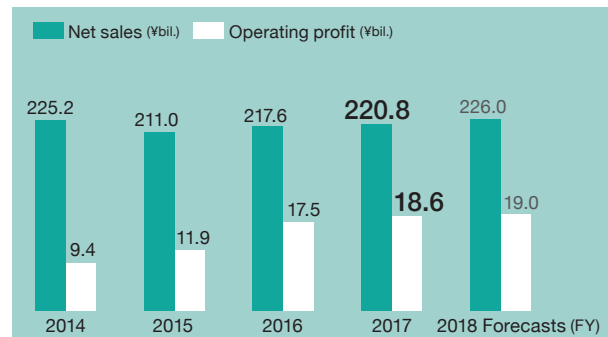


### Business Overview

In FY2017, the Functional Materials Business had net sales of ¥220.8 billion (up ¥3.2 billion from FY2016) and operating profit of ¥18.6 billion (up ¥1.1 billion from FY2016). There were effects from sharp increases in raw material and fuel prices, however, increased revenues of thermal paper mainly in emerging countries in South America and Asia due to sales expansion as well as cost reduction measures resulted in an increase in profits.

Looking toward FY2018, we plan to achieve net sales of ¥226.0 billion (up ¥5.2 billion from FY2017), and operating profit of ¥19.0 billion (up ¥0.4 billion from FY2017). There are still concerns about increasing unit prices for raw materials such as pulp and chemicals, however, sales and profits are expected

to rise due to the positive effects of ongoing manufacturing restructuring such as development and sales expansion of high value-added products, increasing sales of thermal paper as a result of enhanced production capacity in emerging regions in response to their robust demand, expansion of business fields in Southeast Asia.



### Business Environment

In domestic market, demand for high value-added products are expected to be expanded and customer needs diversify, while demand for conventional printing media products are expected to be shrunk. Overseas, demand for existing products such as thermal paper and adhesive paper have been steadily increasing in accordance with the economic growth in developing countries and regions such as Southeast Asia, India, and South America. Based on our core technologies developed over many

years such as papermaking, converting (functional and



\*1 Glass paper (GLASPER)  
"Base material for pleated filter"  
Used as the supporting base material for pleated filters of air purifiers in combination with filter media that lacks strength.

adhesive coatings), film forming, and air laid nonwoven fabrics, we will promptly develop and offer products with high value-added and specialized functions and performance (highly functional films, carbon fiber reinforced composites, glass paper\*1, functional labels\*2, and medical products).

We will flexibly and actively make necessary investments in a timely manner, with grasping diversifying customer needs steadily, in order to respond to market requirements in each business area.



\*2 Functional labels  
"Adhesive labels for returnable containers"  
Environment-friendly labels suitable for effective container recycling, with adhesive quality that is as strong as general labels but gets lost when submerged in hot water, making the labels to be easily removed.



## ► Business Strategies

By further refining its advantageous core technologies and combining them with overseas technologies, the Functional Materials COMPANY has expanded its business areas and business scale in response to growing demand in conjunction with economic development in each region.

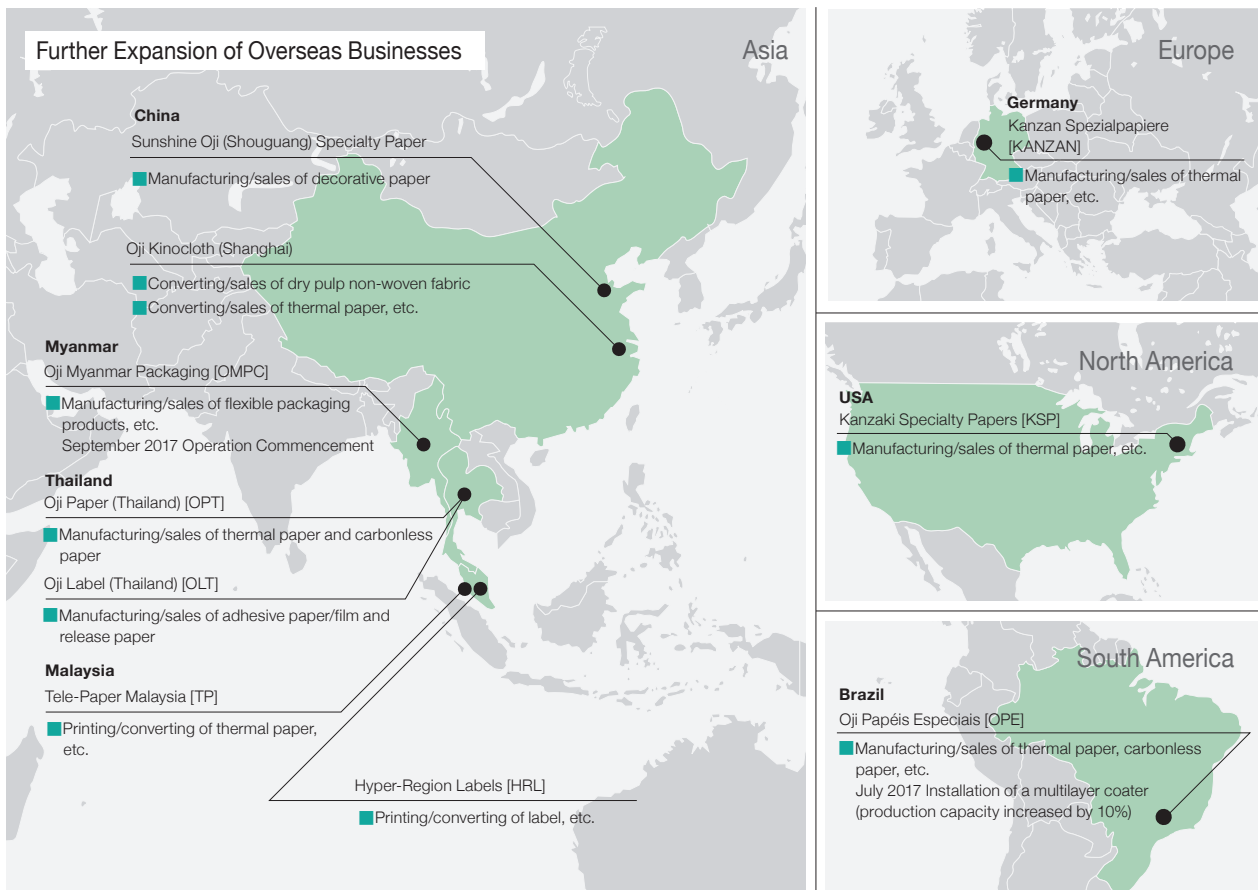
Targeting the global market, we will maintain and further develop our proprietary technologies, develop new products, cultivate new business areas, and expand the scale of business, in the pursuit of further growth.

### Expansion of Overseas Businesses

In 2017, we acquired stock of Malaysia-based Hyper-Region Labels, printing and converting business of adhesive products, and Tele-Paper Malaysia, printing and converting business of thermal paper and others, in order to establish an integrated production structure in Southeast Asia, making it possible to provide comprehensive technical and marketing support and make proposals. In Myanmar, Oji Myanmar Packaging launched production and sales of flexible packaging products for consumer packaging goods in 2017, and we are working to develop new markets. We also plan to increase the production capacity of Oji Papéis Especiais and increase sales in response to robust demand for thermal paper in Brazil.

### Concentration / Advancement of Domestic Businesses

As there is higher probability that demand for high value-added products will rise, we will combine the core technologies developed in the past with new technologies such as “Composites” and “Nanoimprinting” to develop non-paper products including thermoplastic composites and light diffusion materials, etc. We will also efficiently develop highly functional film products including capacitor films for EV/HEV and optical films at the Advanced Film Research Center, which is located adjacent to Oji F-Tex Shiga Mill, to make entries into new business fields. We will continue to review the effective production structures to raise our competitiveness.



## ► Topics on Business Strategies

### Release Films for Processing Tailored to the Application

Oji F-Tex employs film forming technologies and coating technologies to create a wide range of grades of release films used in the assembly processes of smartphones and other high-precision devices.

The benefit of the silicone light force release film series is easy release, and these films can be designed according to requirements including the base film, thickness, and whether it has antistatic properties.

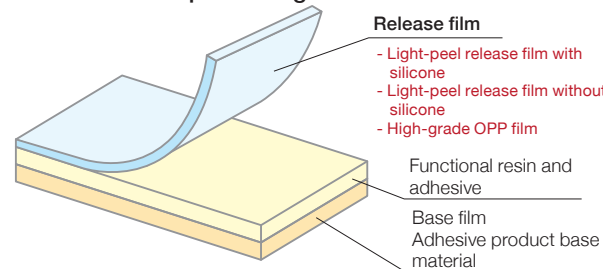
The non-silicone light force release film series is recommended for release films and processing protective films in fields where transfer of silicone and so on must be avoided, such as precision machining process.

The high-grade OPP (HGPP) series consists of OPP

films with extremely small amounts of transfer components, developed for specialized industries. The surface condition can be controlled from high smoothness and high transparency to a matte finish.

Release films optimized for various customer applications are offered.

### Release films for processing



## ► Toward a Better Society

### New Tac Kasei: Medical Business

New Tac Kasei began developing products in the medical and cosmetics fields by considering how it can provide kindness to people through the use of adhesive material technologies.

These technologies and thought led to the development of numerous products such as large medical adhesive plasters, fixing adhesive sheets, adhesive bandages, and cooling gel sheets as well as medical devices, quasi-drugs, and cosmetic pack sheet gel products.

We will continue to provide “abundant kindness” through our various products.



## Employee Comments: Liz Woo

(General Manager of Export Division, Tele-Paper Malaysia)

### To expand our products and brand globally

Our target is to have an established position and brand presence for our products in every country. In order to offer competitive products, we always provide effective proposals to our customers. We believe that effective proposals must focus on enhancing our customers' business value, revenue, and profit. 2018 is a very challenging year. The cost of our core product, thermal paper, has spiraled to an unprecedented level, resulting in steep price hikes and supply shortages. We will utilize Oji Group's collective strengths to overcome this severe situation.



## Forest Resources and Environment Marketing Business

We are actively expanding the forest resources and environment marketing business through the integrated utilization of the domestic and overseas facilities, real estate, forest resources, and related technologies of the Oji Group.

◆ Kazuhiko Kamada

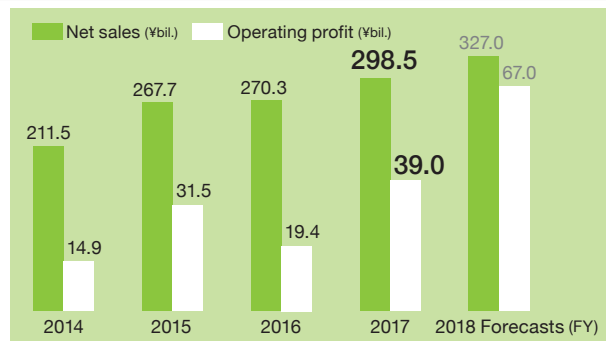
President, Forest Resources and Environment Marketing COMPANY



### ► Business Overview

In FY2017, the Forest Resources and Environment Marketing Business had net sales of ¥298.5 billion (up ¥28.2 billion from FY2016), and operating profit of ¥39.0 billion (up ¥19.6 billion from FY2016). The breakdown of operating profit is as follows: an increase of ¥29.2 billion due to rising pulp prices in overseas business, a decrease of ¥3.8 billion due to higher costs resulting from the rising value of the Brazilian real, and a decrease of ¥4.3 billion due to differences in raw material and fuel costs.

Looking toward FY2018, we plan to achieve net sales of ¥327.0 billion (up ¥28.5 billion from FY2017), and operating profit of ¥67.0 billion (up ¥28.0 billion from FY2017).



### ► Business Environment

**Pulp Business** / Our production capacity of market pulp (external sales) amounts to 2,400,000 t/year, and we have a diverse lineup of pulp grades such as hardwood pulp, softwood pulp, dissolving pulp, etc. By leveraging our diverse product lineup and sales channels, we will strengthen sales in regions with growing demand, including Asia. Moving forward, we will continue to carry out strategic financial measures to secure our competitiveness.

**Procurement of Biomass Fuel** / Our strong points lie in the network we have built through procuring raw materials for paper, and our ability to procure Palm Kernel Shell (PKS) obtained through overseas business expansion. With the development of biomass power generation business which is highly anticipated in Japan, we will also promote sales outside of the Group.

**Lumber Processing Business** / Oji Forest & Products, Pan Pac, and KTH are actively developing the lumber processing and materials business. In addition, lumber mill operation began on the South Island of New Zealand (Pan Pac Otago) and in Myanmar (MOS Lumber Products) in 2015. We will continue to expand the business, centering on the growing market in Southeast Asia.





## ► Business Strategies

We will spearhead new businesses that maximally utilize our existing resources in Japan and overseas as well as infrastructure. While speeding up overseas business expansion plans, we will also focus on enhancing our

trading company capabilities in light of our domestic/ overseas business operations. In addition, we will conduct selection and concentration of our existing businesses.

### Expansion of Overseas Businesses

We have been reinforcing production capacity, primarily in Asia and Oceania, by starting operation of new lumber processing plants and renovating existing lumber mills.

We have also established sales companies in China, Indonesia, and Vietnam and are working to expand sales of pulp, biomass fuel, and lumber products outside the Group and to reinforce trading company capabilities in a wide range of fields.



Biomass power plant under construction  
MPM Oji Eco-Energy (Hachinohe City, Aomori Prefecture)

### Concentration / Advancement of Domestic Businesses

In the energy business, three biomass power plants have commenced operation smoothly and the revamp of existing hydroelectric power facilities is proceeding well, resulting in a steady increase in electric power sales. A JV biomass power generation business with Mitsubishi Paper Mills is scheduled to start in 2019. In the power retailing business, a JV power retailing company with ITOCHU ENEX contributes to improving the performance. In conjunction with the expansion of the energy business, we promote expansion of the biomass fuel business by increasing procurement through augmentation of fuel woodchip production facilities by utilizing unused domestic wood resources.

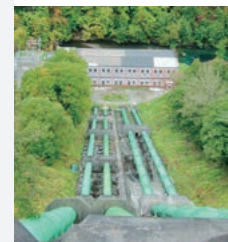
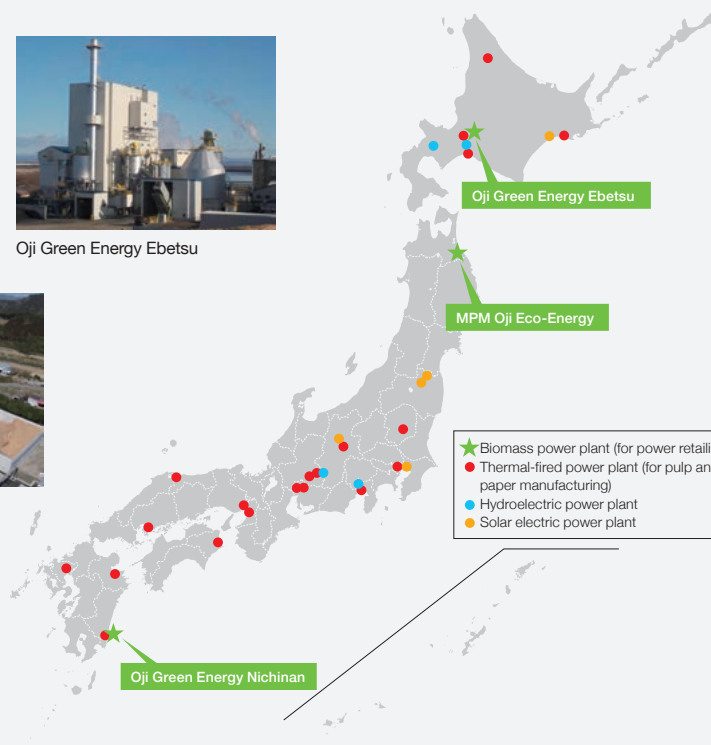
### Oji Group's Power Generation Sites



Oji Green Energy Ebetsu



Oji Green Energy Nichinan



Oji Paper Tomakomai Mill  
Chitose No. 1 Hydroelectric Power Plant



Oji Green Energy Shiranuka  
(Solar power)

## ► Topics on Business Strategies

In the pulp business, we are implementing strategic profit measures at key business sites. Oji Fibre Solutions (NZ) in New Zealand introduces and employs Oji Group know-how and operation management approaches to stabilize operations and raise efficiency. Celulose Nipo-Brasileira S.A. in Brazil implements ongoing revenue measures by updating production facilities to reinforce business foundations and enhance resiliency against changes in the pulp market. Jiangsu Oji Paper, in China, commenced commercial operation of its second dry pulp production facility in October 2017. Also, in Japan, we started production of high value-added dissolving pulp products such as those for medical product materials and filter materials, to supplement existing products for rayon applications, at our manufacturing facility.

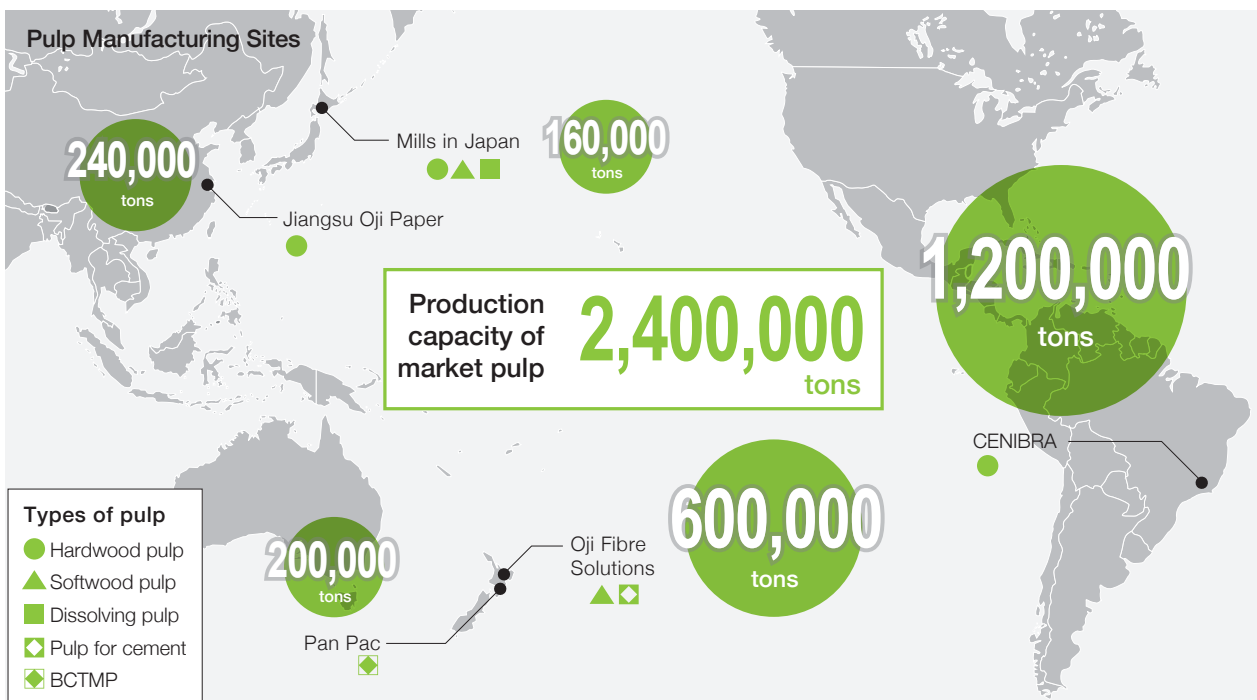


Overall view of the CENIBRA Mill (Belo Oriente, Minas Gerais, Brazil)



Forest plantation at CENIBRA

Photo by João Rabelo





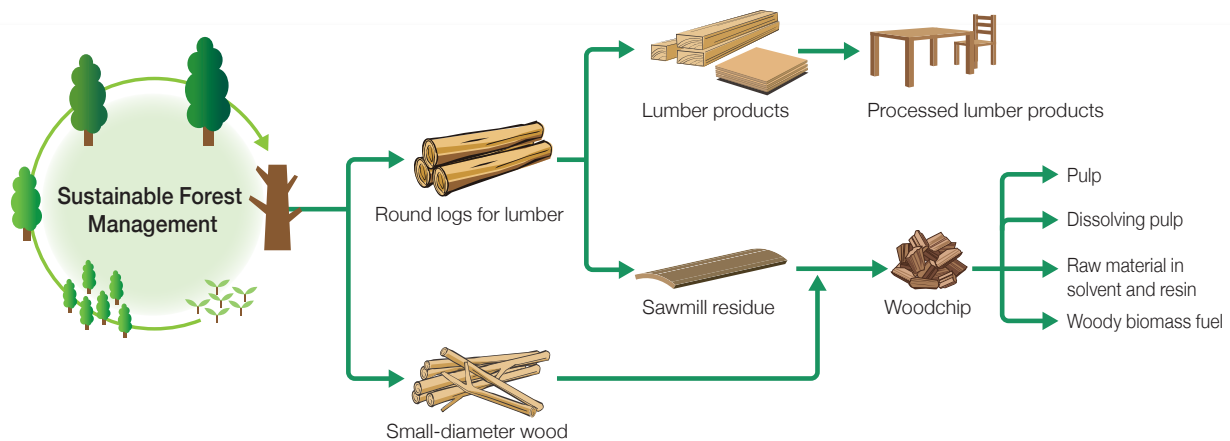
## Toward a Better Society

### Cascading Use of Domestic Lumber

Oji Group actively engages in cascading use of its forest resources which are grown under a sustainable forest management system. Cascading use refers to the efficient and complete utilization of forest resources; with higher value-added products as priority while not wasting the by-products. For example, high-quality wood is processed into lumber and other products while lower-quality wood is used as raw material in paper manufacturing and as fuel for biomass boilers. Employing these materials as biomass

boiler fuel promotes the effective use of underutilized mountain forest resources such as thinned wood and serves multiple functions including national land conservation, watershed protection, and CO<sub>2</sub> absorption and also contributes to the revitalization of local forestry business. To augment fuel production, we started operation of woodchip mills in Abira, Hokkaido and Mutsu City, Aomori Prefecture for a total of five woodchip mills that process thinned trees and demolition wood to effectively use resources.

### Cascading Use of Forest Resources



## Employee Comments: Satoru Kaneko

(General Manager, Oji Green Energy Ebetsu)

### Reducing fossil fuel consumption and actively using unused trees

Oji Green Energy Ebetsu is a new Group company that began commercial operations in January 2016. We have many young employees who work enthusiastically alongside the veteran personnel. In addition to striving to maintain a stable supply of electric power, we have successfully achieved carbon-free operations by using palm kernel shells (PKS) to reduce consumption of fossil fuels, one of the roles of a biomass power plant. This year, we will work to increase use of forest cut offs from Hokkaido, use of which had not advanced in the past.





## Printing and Communications Media Business

In response to the changing demand structure in Japan and integration of Asian markets, we will further advance with our business structure reforms whilst maximizing our cash flow.

◆ Hidehiko Aoyama

President, Printing and Communications Media COMPANY



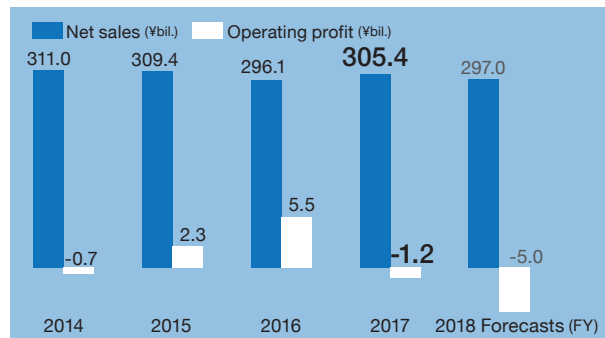
### ▶ Business Overview

In FY2017, the Printing and Communications Media Business had net sales of ¥305.4 billion (up ¥9.3 billion from FY2016) and an operating loss of ¥1.2 billion (down ¥6.7 billion from FY2016). Net sales decreased owing to a slight decline in demand and a slump in both newsprint and printing/communication paper markets. Operating loss increased because of increases in prices for raw materials and fuels that exceeded the effects of cost reduction measures.

Looking toward FY2018, we plan for net sales of ¥297.0 billion (down ¥8.4 billion from FY2017), and operating loss of ¥5.0 billion (down ¥3.8 billion from FY2017).

A profit decrease is expected despite further efforts for

cost reduction measures, due to influences from a decrease in demand, a slump in markets, and rising prices of raw materials and fuels.



### ▶ Business Environment

The domestic market for newsprint and printing/communication paper is expected to continue declining as represented by a shift away from paper media as means of conveying information, as a result of increased use of information and communications technology, by the fall in number of copies of newspapers, books, and magazines, and by the slump in demand for flyers and other advertising media.

In addition, integration of domestic and Asian markets

has advanced, and imported paper has established a certain market share in the domestic market. Under these circumstances, the Printing and Communications Media COMPANY will pursue “further cost reductions and enhancement of international competitiveness,” and “provision of high-quality and tailored services.” In China, we will seek to steadily achieve positive operating profit in both the paper and pulp businesses.



## ▶ Business Strategies

With regard to domestic business, we will continually work on cost reduction measures such as restructuring of optimal manufacturing system. In overseas business, we will work

to reduce costs and undertake various initiatives to generate a steady positive profit at Jiangsu Oji Paper.

### Expansion of Overseas Businesses

Jiangsu Oji Paper achieved full operation in the second half of 2016 and substantial profit increases in 2017, supported by improvement in the paper and pulp market environment in China. To ensure stable earning capacity, we will continue to bolster our sales capabilities and reduce costs. We will consider new investment as a future development plan.

### Concentration / Advancement of Domestic Businesses

The Printing and Communications Media COMPANY is taking various measures such as concentration of production facilities through suspension and transfer of operations in order to reinforce international competitiveness, thereby eliminating an urgent issue.

- Shutdown of Machine No. 4 at Kasugai Mill (June 2017)
- Effective utilization of existing facilities at the Tomioka Mill through establishment of O&C Ivory Board (October 2017 operation commencement)



Jiangsu Oji Paper



O&C Ivory Board

## ▶ Toward a Better Society



As the information media diversify in conjunction with advances in ICT, the unique characteristics of paper media including ease of reading, sophisticated information, and familiarity are being rediscovered.

Newspapers are noted for their ability to enhance cognitive abilities through reading articles, the ability to skim through an entire newspaper quickly, reliability of articles, and the ability to develop culture, as well as their important role in conveying accurate information during sudden disasters. In recent years, the reliability and accuracy of the

articles provided by newspapers is becoming even more important.

Due to the tactile sensation and texture of paper, books and magazines provide effects such as ease of viewing and readability. Photos can be reproduced sharply and attractively, giving books and magazines the additional role of inspiring people.

Paper media will continue to contribute to the development of culture and communication as one element of diversifying media.

## Other Businesses

### ► Kyokuyo

Kyokuyo is a specialized trading company that buys and sells products of Oji Group as well as other companies; these products include pulp and paper, synthetic resin materials and products, packaging materials, chemicals, and equipment. It has a subsidiary called Ginpo Pack, which manufactures a variety of plastic food containers.

While its core business is the sale of paper, paperboard, and chemicals, the company changed its name from Kyokuyo Pulp & Paper to Kyokuyo in January 2018 to expand its business into various fields.



Plastic cups made from collected PET bottles (CO<sub>2</sub> reduction)

### ► Oji Logistics

Oji Logistics offers a variety of services, mainly to Oji Group companies to transport paper products to be shipped out of mills and consumption area warehouses. These services include warehousing, land transportation, marine transportation, port logistics, international logistics, etc. It offers total logistics service solutions, along with incorporating eco-friendliness into its operations such as implementing a modal shift toward railroads and ships rather than trucks.



Roll-on roll-off ship that can deliver vehicles carrying goods

### ► Oji Engineering

Oji Engineering, a company which supports Oji Group's technology, leverages its technologies and experiences accumulated through paper manufacturing and the environment/energy sectors to offer one-stop engineering services ranging from facility design to operations. The company actively spearheads entries into greenfields, and offers proposals such as water treatment/desalination system in its water environment business and fuel handling facility in its biomass power generation business, etc.



Water treatment system



### ► Hotel New Oji

Hotel New Oji engages in the hotel operation and inflight meal businesses. In addition to operating the Grand Hotel New Oji, a 16-story city hotel located in Tomakomai City, Hokkaido, the company also provides cooking and loading services for inflight meals at its inflight meal plant located in the catering building at the New Chitose Airport.

Website of the Grand Hotel New Oji:  
<http://www.newoji.co.jp/> (in Japanese)



Grand Hotel New Oji





View of Mt. Fuji from the Kamiinako Company-owned Forest



▶ Seeking Harmony with Nature and Society

“The Oji Group Environmental Charter requires the Oji Group to help create a truly enriched and sustainable society by developing business activities that harmonize with the environment from a global perspective. The Charter calls for the Oji Group to make autonomous efforts to achieve further environmental improvement and aggressively drive its sustainable forest management, paper recycling, and global warming countermeasures forward.” Based on the above Basic Policy of the Oji Group Environmental Charter, Oji Group has set the “Environmental Action Targets” for 2020 and is working as one to achieve the targets through its corporate activities.

Sustainable Forest Management

●Oji Group's Forests in Japan

Total Area: **190,000 ha**

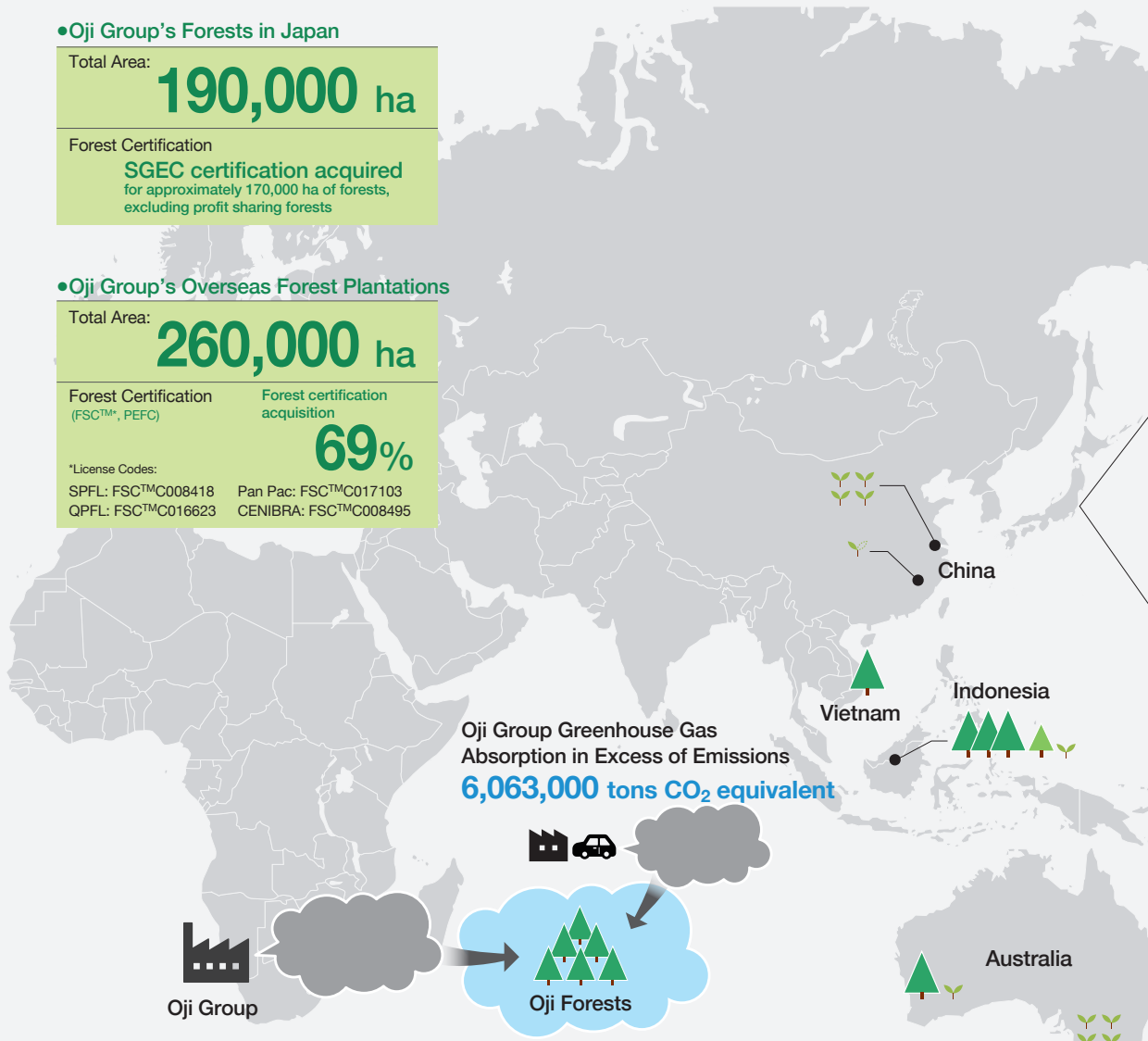
Forest Certification  
**SGEC certification acquired**  
 for approximately 170,000 ha of forests,  
 excluding profit sharing forests

●Oji Group's Overseas Forest Plantations

Total Area: **260,000 ha**

Forest Certification (FSC™, PEFC)      Forest certification acquisition  
**69%**

\*License Codes:  
 SPFL: FSC™C008418      Pan Pac: FSC™C017103  
 QPFL: FSC™C016623      CENIBRA: FSC™C008495



Oji Group Greenhouse Gas Absorption in Excess of Emissions  
**6,063,000 tons CO<sub>2</sub> equivalent**

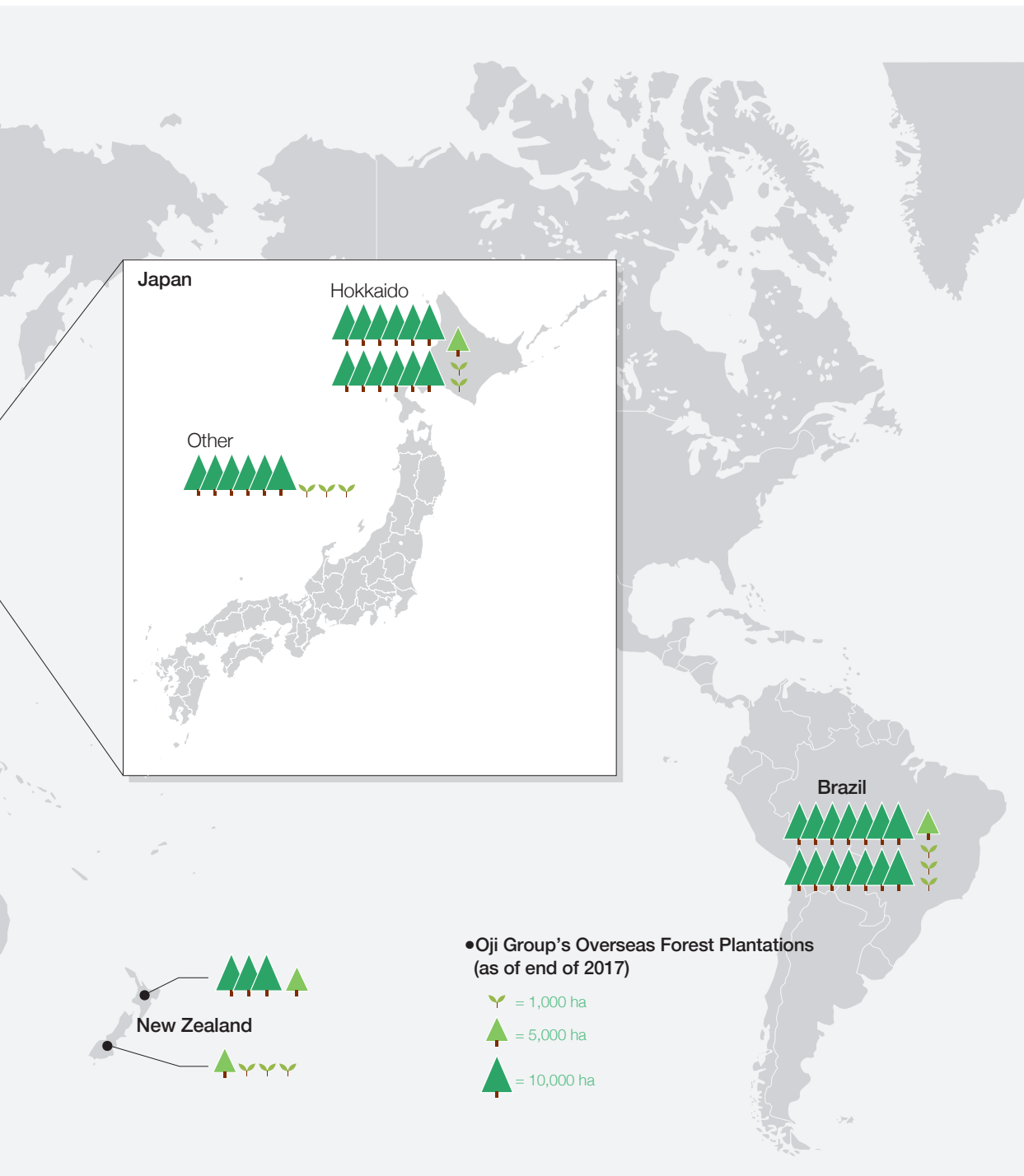
Oji Group Greenhouse Gas Emissions (FY2017 Results)  
**7,844,000 tons CO<sub>2</sub> equivalent**

Oji Domestic and Overseas Forests' CO<sub>2</sub> Absorption (FY2017 Results)  
**13,907,000 tons CO<sub>2</sub> equivalent**

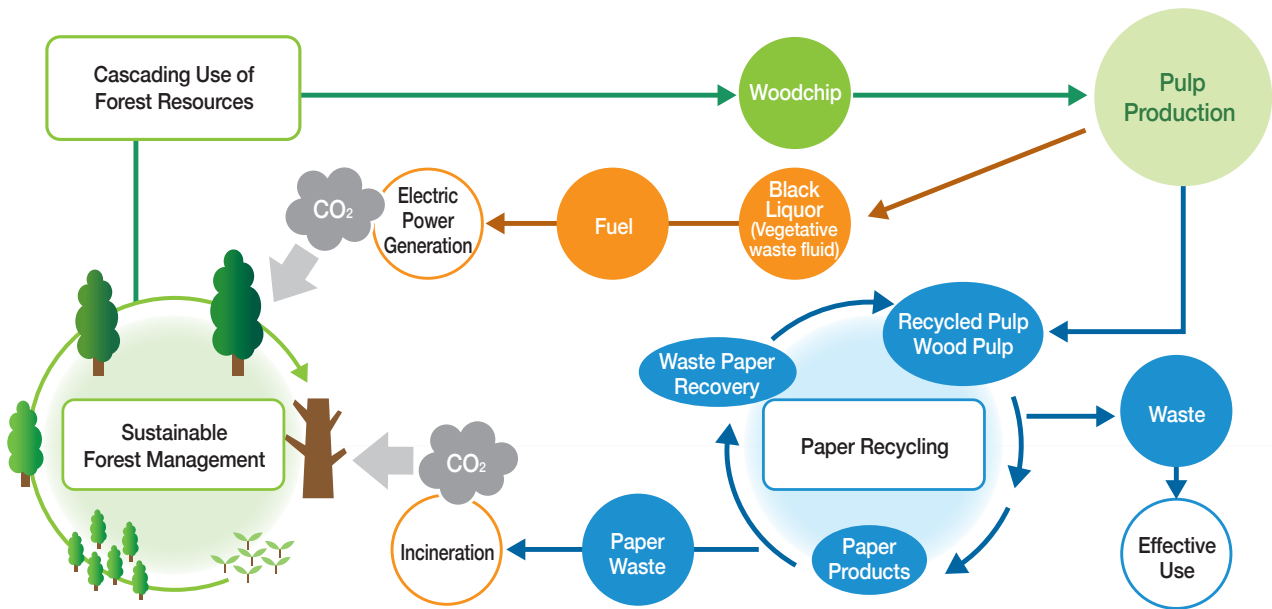


### Functions of Forests

- Absorption of CO<sub>2</sub>
- Watershed Protection
- Biodiversity Conservation
- Soil Preservation
- Utilization of Forest Resources



▶ **Limitless Challenge to Zero-environmental Burden**  
**Sustainable Forest Management and Paper Recycling**



**Sustainable Forest Management**

Oji Group believes in the principle “those who use trees have the responsibility to plant trees” and has long been working hard to realize “sustainable forest management” in each stage of the cycle, namely planting, growing, harvesting trees, and processing them into raw materials. Also, we are currently focusing on acquiring “forest certifications” from third-party organizations. Approximately 170,000 ha of our domestic forests, excluding profit-sharing forests, have acquired the SGEN forest certification, and 180,000 ha (69%) of our overseas forest plantations have acquired the FSC™ forest certification. We will continue to promote sustainable forest management and forest certification acquisition with the aim of improving our acquisition rate.

**Paper Recycling**

Oji Group has been taking initiatives in “paper recycling” and has achieved a waste paper utilization ratio of 64.0% in FY2017, while the goal set by pulp and paper industry is 65% by FY2020.

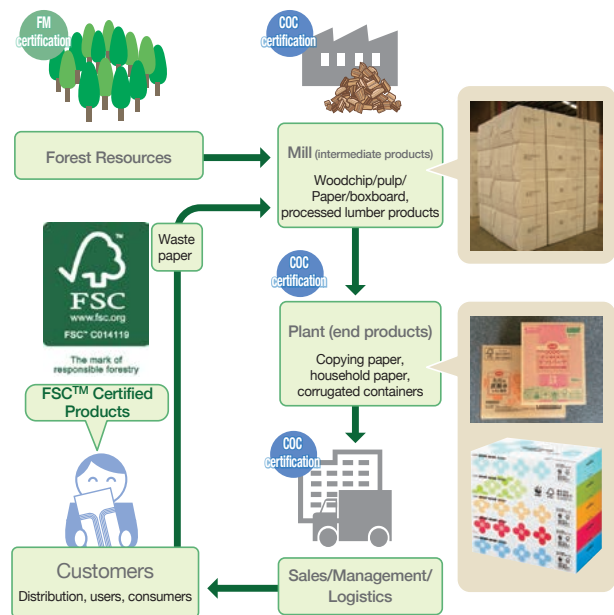
Moving forward, we aim for further improvement in waste paper utilization through expanding the use of confidential documents and difficult-to-process waste paper as well as strengthening collaboration within the industry to enhance quality.

## FSC™ Certified Products: Providing Eco-friendly Products

Oji Group has acquired the FSC™ FM certification\*1 for its overseas forest plantations and the COC certification\*2 for its manufacturing and processing operations. The advantage in acquiring these certifications for the forests and converting plants is that they enable us to offer a wide range of FSC™ certified products, from primary-processed products such as log, woodchip and lumber products, to secondary products such as pulp, as well as end products such as copying paper, household paper and corrugated containers. Finally, end-products are recycled as recovered paper. We are also actively manufacturing FSC™ certified corrugated container products as all recovered paper has become eligible to receive FSC™ credits since 2015.

\*1 FM certification: confirmation of forest management

\*2 COC certification: confirmation of management on processing/distribution procedures of produced wood



## SGEC Forest Certification

The SGEC (Sustainable Green Ecosystem Council) is a unique Japanese forest certification system. We have already acquired the SGEC-FM certification for all Oji Group's forests in Japan excluding profit-sharing forests whose land owners are external organizations. In addition, Oji Forest & Products, the company in charge of the Group's forests in Japan and related activities, has acquired the SGEC-COC certification. In FY2016, the SGEC signed a mutual recognition agreement with the PEFC, an international organization which promotes mutual recognition of different forest certification standards in each country and region. As such, wood products certified by SGEC can enter into overseas markets as internationally certified products.

## Activities for Biodiversity Conservation

### Domestic Activities

- Conservation of endangered fish species, Itou (Sarufutsu Company-owned Forest, Hokkaido)  
Sarufutsu Itou Conservation Council: <http://www.sarufutsu-icc.gr.jp/english/>
- Conservation of Alpine Plants at Mt. Apoi (Samani Company-owned Forest, Hokkaido)
- Conservation of Fairy Pitta (Koyagauchi Company-owned Forest, Kochi)

### Overseas Activities

- Breeding and raising Mutum (Cracidae), an endangered species (Brazil)
- Collaborative efforts for Kiwi conservation (New Zealand)



Mutum



Kiwi

## ▶ Limitless Challenge to Zero-environmental Burden

### Zero-emission



#### Zero Environmental Accidents, Zero Product Liability Accidents

Oji Group takes preventive and corrective actions against accidents and evaluates their effectiveness, with the aim of achieving zero environmental accidents and keeping zero product liability accidents.

Number of Environmental Accidents*1		
	FY2020 Target	FY2017 Result
Japan and overseas	0	6

\*1 Environmental accident: exceeding a regulated value set by environment-related laws and regulations

Number of Product Liability Accidents		
	FY2020 Target	FY2017 Result
Japan and overseas	0	0

#### Reduction of Greenhouse Gas (GHG) Emissions Intensity

Oji Group is reducing GHG emissions intensity by expanding the use of biomass fuel and other renewable energy, conserving energy, and changing fuels.

GHG Emissions Intensity*2		
	FY2020 Target (compared with FY2013)	FY2017 Result (compared with FY2013)
Japan and overseas	Reduction of 10% and above	Reduction of 8%

\*2 GHG emissions intensity [ton CO<sub>2</sub> equivalent/ton] = Emissions [ton CO<sub>2</sub> equivalent] ÷ Production volume [ton]

#### Promotion of the Effective Utilization of Waste

Oji Group is reducing landfill waste by curtailing the amount of waste generated and effectively using waste generated.

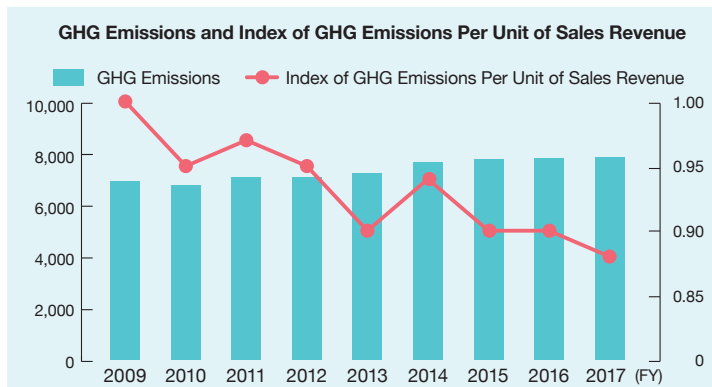
Effective Utilization Rate*3		
	FY2020 Target	FY2017 Result
Japan	99% and above	98.3%
Overseas	95% and above	89.1%

\*3 Effective utilization rate of wastes (%) = [generation volume (ton) - landfill disposal volume (ton)] / generation volume (ton) × 100

#### Management of Wastewater and Exhaust Gases in Consideration of Local Ecosystems

Oji Group strives to comply with environmental laws and regulations, reduce substances of environmental concern, and investigate wastewater and exhaust gas management in consideration of ecosystems.

**Topic**  
 GHG emissions of the Oji Group activities have increased as a result of our accelerated expansion of overseas packaging and pulp businesses. However, we have been shifting to a low-carbon business structure that is shown by a declining trend of the index of GHG emissions per unit of sales revenue.





## ▶ Responsible Raw Materials Procurement

Oji Group is committed to engaging in responsible raw materials procurement which takes into account environmental and community considerations as well as ensuring the safety and legitimacy of its raw materials; in line with the “Oji Group Partnership Procurement Policy” and the “Wood Raw Material Procurement Guidelines” that follow the principles outlined in the United Nations Global Compact, the “Oji Group Corporate Code of Conduct” and “Oji Group Environmental Charter.”

Relevant Group companies are registered as wood-related business entities as provided in the Act on Promotion of Use and Distribution of Legally-harvested Wood and Wood Products (the Clean Wood Act), which came into effect on May 20, 2017.

### Oji Group Partnership Procurement Policy

1. Ensure stable supply
2. Comply with laws and social standards, and engage in fair trade
3. Consider the environment
4. Demonstrate social concern
5. Communicate with society

#### ● Fiber-sourcing (Pulp and Woodchips)

In pursuit of proper use of wood raw materials from among raw materials, the “Wood Raw Material Procurement Guidelines” was established and is to be adhered to when conducting the procurement of wood raw materials, including pulp.

#### ● Wood Raw Material Procurement Guidelines

1. Expand procurement of wood from certified forests
2. Increase use of plantation trees
3. Utilize unused wood effectively
4. Verify that procurement is in compliance with laws and is environmentally friendly and socially responsible
5. Disclose information (available online)

[https://www.ojiholdings.co.jp/sustainability/forest\\_recycling/view.html](https://www.ojiholdings.co.jp/sustainability/forest_recycling/view.html) (in Japanese)

#### ● Traceability Verification

Oji Group verifies that its wood raw materials come from properly managed forests via traceability reports that trace them back to their places of origin. In addition, we conduct regular on-site inspections in forests, woodchip mills and shipping sites, as well as discussing with the government and other related parties to assess problems such as illegal logging.



Audit for the FSC™ FM certification at QPFL  
License code: FSC™ C016623

Oji Group's global subsidiaries regularly carry out various social support activities that contribute to development, sports and culture, as well as health promotion and education of local residents.

## ► Culture

### Fujihara Foundation of Science

The Fujihara Foundation of Science was established by Ginjiro Fujihara, referred to as Japan's king of paper manufacturing, and famous for contributing his private fortune to establish Fujihara Institute of Technology (current name: Keio University's Faculty of Science and Technology). With its mission to contribute to the domestic development of science and technology, the Foundation presents the "Fujihara Award" annually and provides assistance to hold the "Fujihara Seminar" twice per year. The Fujihara Award is a historic and highly prestigious award which is only awarded to scientists who have made major contributions to the advancement of science and technology in Japan. The 59th Award was presented this year; and several Fujihara Award winners have also moved on to become Nobel Prize winners.

Oji Holdings has been assisting the Foundation mainly through financial support.

Website: [http://www.fujizai.or.jp/e\\_gaiyo.htm](http://www.fujizai.or.jp/e_gaiyo.htm)



The 59th Fujihara Award presentation ceremony



Naoto Nagaosa, D.Sci.  
(Deputy Director, Center for Emergent Matter Science,  
RIKEN Advanced Science Institute)



Takashi Kadowaki, MD  
(Specially-appointed professor, Graduate School of Medicine  
and Faculty of Medicine, The University of Tokyo; full-time visiting  
professor, School of Medicine, Teikyo University)

## Oji Hall

Oji Hall, which marked its 25th anniversary in October 2017, is a full-fledged, 315-seat music hall in the main building of Oji Holdings. It makes use of its location in Ginza, Tokyo to host various sponsored events such as the Ginza Buratto Concerts and also functions as rental space for chamber music and recitals. Despite its small size, the hall has been praised for its homey atmosphere by Japanese performers and fans as well as renowned artists from the West.

Major renovations were implemented on the hall to update various facilities in 2018, and the hall re-opened on October 25.

Website: <https://www.ojihall.jp/>(in Japanese)



Oji Hall 25th anniversary commemorative concert  
MARO World Vol. 32 by Fuminori "Maro" Shinozaki and the MARO Company



## ► Community Healthcare

### Oji General Hospital

Starting out as a health facility supporting Oji Paper's Tomakomai Mill, with its 22 departments and 440 beds currently, the Oji General Hospital has come a long way to become the region's core hospital which efficiently offers highly functional and high-quality medical services to residents. It has been designated as a disaster base hospital, regional cancer treatment collaboration site, and local perinatal center and performs important public functions. It strives to provide secure and safe medical services through collaborations with facilities commissioned by Tomakomai City, Hokkaido such as the central regional comprehensive support center, an affiliated nursing school, a long-term care health facility, etc.

Website: <http://www.ojihosp.or.jp/> (in Japanese)



## ► Sports

Oji Group has the Oji Baseball Team, which is based at the Oji Paper Kasugai Mill, and the Oji Eagles, an ice hockey team based in Tomakomai City, Hokkaido. Each team focuses on promoting the sports while enhancing their skills.



Ice hockey game





## ▶ Environmental Education

### Oji Forest Nature School

Together with Japan Environmental Education Forum, we make use of our mills and company-owned forests to run “Oji Forest Nature School,” an environmental education program that provides nature exposure and experiences for children. Reaching its 14th year in 2018, the project encourages children to learn “connections between forests, human, and industry” by hosting paper mills visits, and organizing programs in relation with forests such as nature observation and tree thinning.

Oji Forest Nature School

Website: [https://www.ojiholdings.co.jp/sustainability/forest\\_recycling/view.html](https://www.ojiholdings.co.jp/sustainability/forest_recycling/view.html) (in Japanese)



## ▶ Overseas Activities



### nepia 1,000 Toilets Program

There are children who lose their lives due to diarrhea and dehydration in environments which lack potable water and proper sanitary systems in the world. Recognizing this fact, Oji Nepia has launched the “nepia 1,000 Toilets Program” using a fraction of its proceeds since 2008, to fund the UNICEF’s campaign in providing toilet facilities and fostering safe hygiene practices in East Timor. Ongoing support will be provided to protect the lives and health of East Timorese children and their families.

Website: <https://1000toilets.com/> (in Japanese)



nepia 1,000 Toilets Program

### Other Activities

- To improve the local educational environment, Oji Group established the “Oji Charitable Education Fund” together with Nantongshi Charity Federation and Nantongshi Development Zone Charity Federation, in Nantong City, China, where Jiangsu Oji Paper is located.
- Oji Group supports the dispatch of doctors to areas with a shortage of medical professionals and repair of nursery schools and other activities in Binh Dinh Province, Vietnam, where we conduct our forest plantation business.
- In Brazil, Oji Group makes social contributions by donating money to funds and other organizations that support sports associations for persons with disabilities and impoverished children.

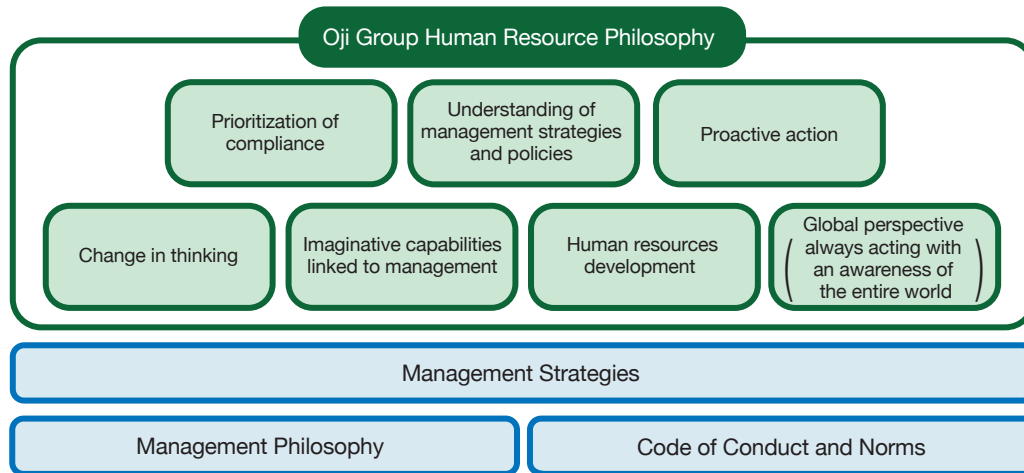


A fence installed at a nursery school in Vietnam





Diversity of values and flexibility are extremely important for reinforcing corporate competitiveness and achieving continuous development. For the Oji Group to grow as a global enterprise “beyond boundaries,” we have been committed to promoting “human resources development,” “working styles reforms,” and “diversity promotion” in order to encourage every employee to embrace diversity of values and flexibility in thinking and to enhance his/her skills; with “a company’s strength originates from human resources” as our fundamental principle.



## ► Human Resources Development

### 1. Next-generation development

We will foster human resources who will be the core of management of our Group companies, which will be the key to achieving our management strategies.

#### Main Initiatives

- Mid-level management training (Oji Juku)

### 2. Global human resource development

In addition to identifying and developing human resources, Oji Group actively recruits outstanding human resources from outside the Group

#### Main Initiatives

- Language training
- Training at overseas business sites (primarily in China and Southeast Asia)

### 3. Management training and training by job type

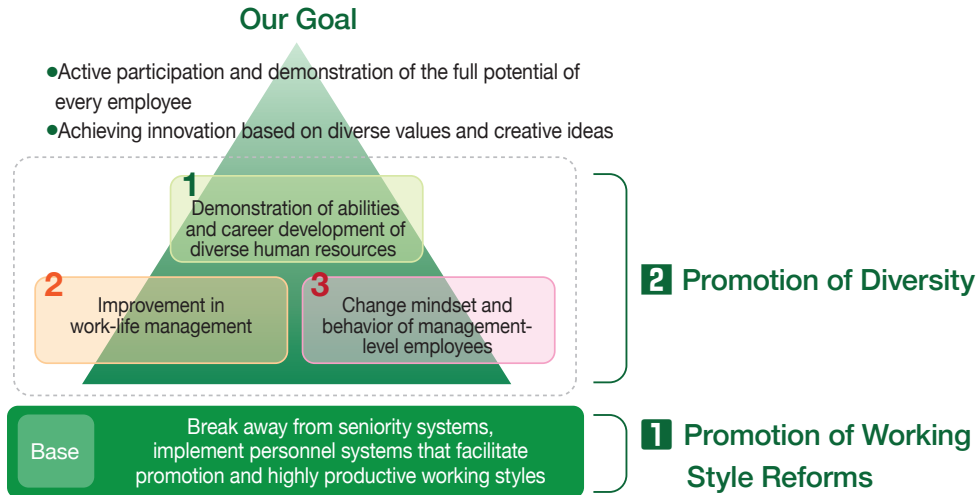
To successfully carry out management strategies centered on business structural reforms, we have clarified the ideal in human resources for each COMPANY and are holding awareness-changing training and division-specific training.

#### Main Initiatives

- General manager training in conjunction with the introduction of new personnel systems
- New manager training
- Sales personnel training

## Promotion of Working Style Reforms and Diversity

Oji Group takes measures so that diverse human resources can actively participate in their work.

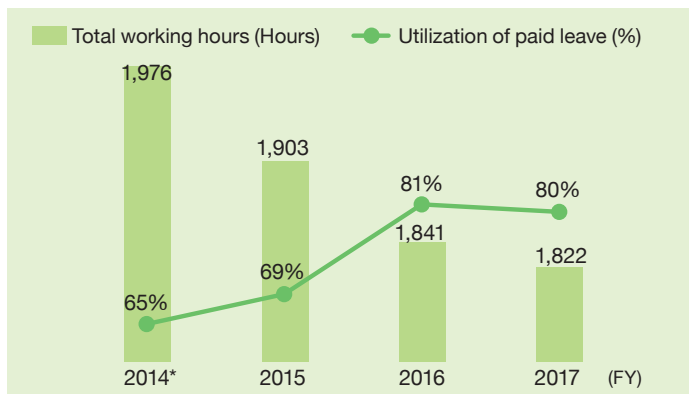


### 1 Promotion of Working Style Reforms

#### 1. Reduction of total working hours and promotion of operational efficiency

We have been working to implement business reforms and reduce total working hours.

Reduction of total working hours and utilization ratio of paid leave (Oji Group Main Office region)



\* Working style reforms initiated in the second half of FY2014

#### 2. Initiatives to change personnel system for promotion of working style reforms

##### Main Initiatives

##### (1) Role-based personnel grading system

In order to break away from seniority systems and realize early identification of personnel suitable for advancement, each employee is evaluated based on whether or not he/she has fulfilled his/her clarified roles.

##### (2) Certified researcher system

In order to promote creation of innovative value, working environments that allow researchers with particularly high levels of specialized knowledge to focus on research, are developed.

##### (3) Retirement at age 65

Introduced in FY2017 to enable employees to demonstrate their knowledge, skills, and abilities to the fullest and work with enthusiasm.



## 2 Promotion of Diversity

### 1. Demonstration of abilities by diverse human resources and career development

#### Promoting the active participation of women

- Training to develop female managers
- (Scope: Management-level employees with female subordinates, pre-management-level female employees, and young female employees on the generalist track)
- Female manager candidates for general manager positions sent for outside training
- Creation of models for advancement of women in the workplace (expansion of applicable job categories for women)



Training for female candidates for managerial positions

#### Outside evaluations

“Nadeshiko Brand,” Ministry of Economy, Trade and Industry and Tokyo Stock Exchange

(Scope: Oji Holdings, Oji Management Office)



“Eruboshi,” Ministry of Health, Labour and Welfare

(Scope: Oji Holdings)



MSCI Japan Empowering Women Index (As of June 2018)

(Scope: Oji Holdings)



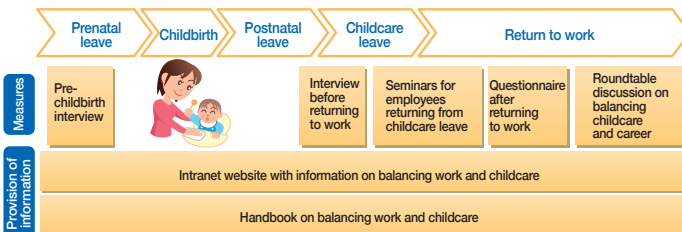
#### Supporting the active participation of disabled persons

Oji Group established a Three-Year Disabled Persons Employment Plan to promote the recruitment of disabled persons throughout the Group

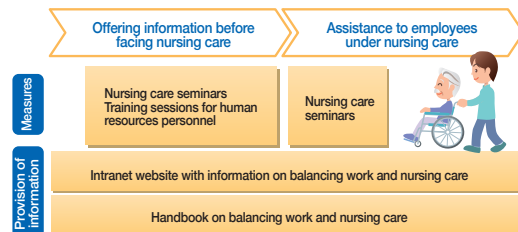
### 2. Improvement in work-life management

We are introducing various systems that encourage employees with childcare or nursing care responsibilities to continue to actively participate in their work.

#### Support for balancing work and childcare



#### Support for balancing work and nursing care



#### Main Initiatives

- Daycare center subsidies for employees who return to work early from their childcare leave
- Paternity leave system for male employees (paid leave of five consecutive days)
- Hourly use of accumulated annual leave (for childcare / nursing care)
- Leave system for employees obligated to leave work to accompany their spouses' overseas transfers



Seminars for employees returning from childcare leave



**Opening of Nepia SODATERASU\* company-led childcare facility**

The Nepia SODATERASU nursery opened within a Group company facility in Edogawa-ku, Tokyo on April 2, 2018. The objectives of the nursery are to help employees maintain a balance between childcare and work, promote the active participation of women in their work, and contribute to the elimination of unattended children as a part of our corporate social responsibility.

\* “SODATERASU” name is derived from “*sodate*” (meaning to wish for healthy growth), “*terasu*” (meaning to brighten the future), and “*terrace*” (a place where children can play with peace of mind).



**3. Change of mindset and behavior of management-level employees**

**Main Initiatives**

- Study sessions held by the Diversity Promotion Committee
- Diversity management training for officers and general managers
- Roundtable discussion by managers

## Research & Development



For the latest information



### Creation of Innovative Value

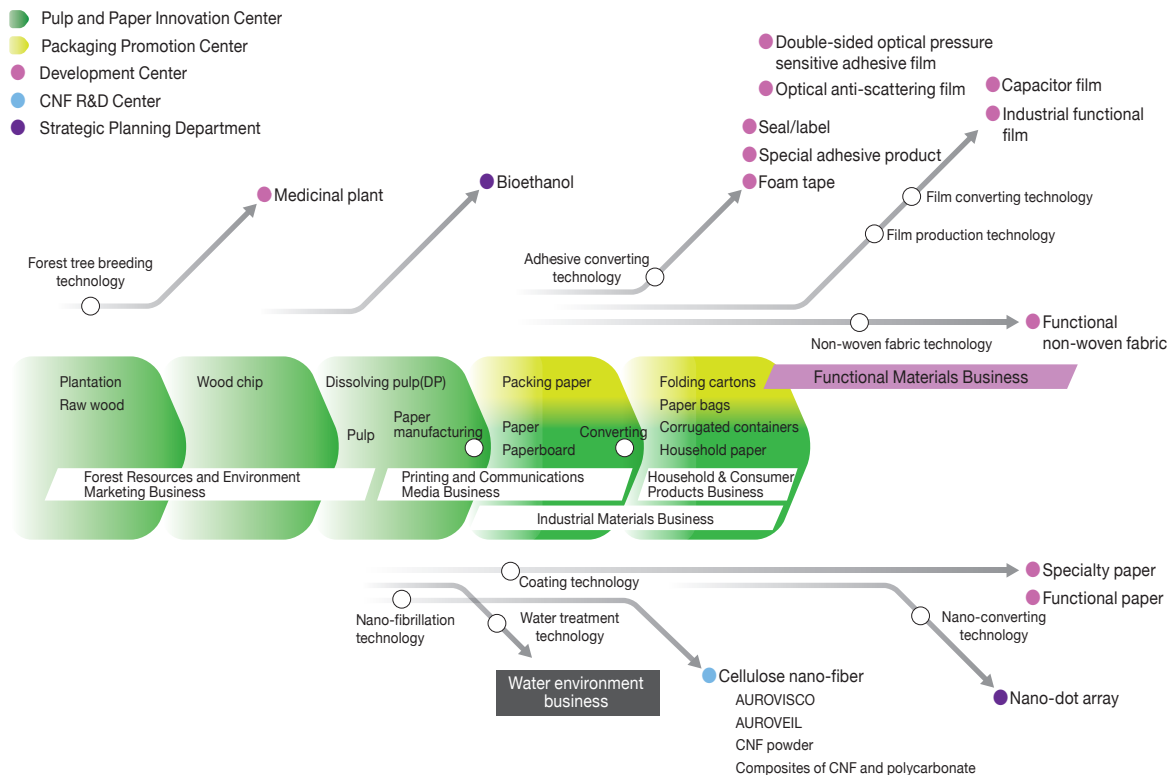
With the aim of creating new business and strengthening the competitiveness of current businesses in mind, the Innovation Promotion Division propels Oji Group's business restructuring through developing the seeds of technological innovation, as well as cultivating new markets and developing new products by questing new needs.

#### Priority Strategies of the Innovation Promotion Division

- Acquire new needs, establish business models, propose and implement new seeds, and create a value chain
- Contribute to sales/profits through creation of new businesses
- Strengthen cost competitiveness through refinement of pulp and paper technologies

### Value Creation by the Innovation Promotion Division

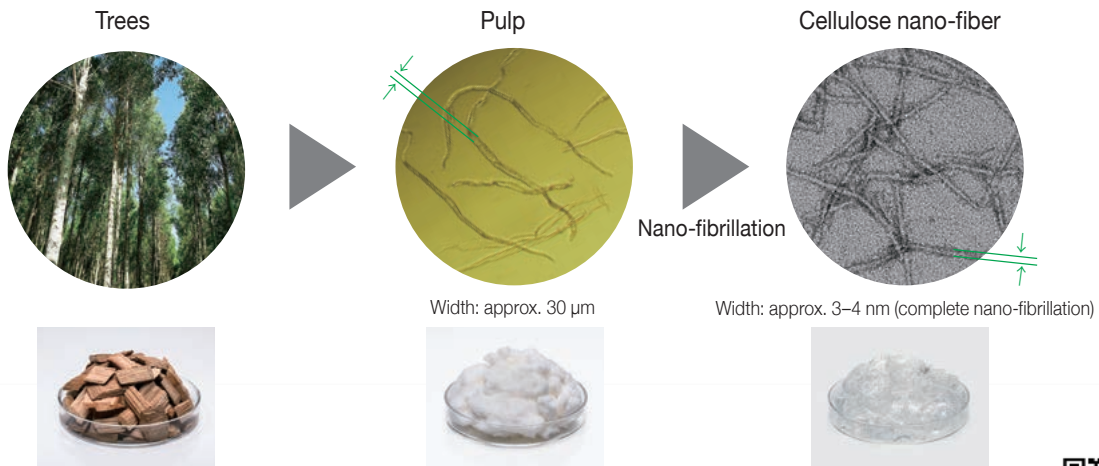
Each research center promotes development of highly functional and high value-added products by evolving underlying core technologies cultivated from paper manufacturing and film converting. We also undertake development of new business utilizing our technologies such as tree breeding and water treatment. In FY2018, Packaging Promotion Center was established to reinforce the total packaging business from paperboard and packing paper to corrugated containers, folding cartons, and paper bags. The Strategic Planning Department takes the lead in formulation of medium-term strategies for the Innovation Promotion Division, creation of new businesses, cultivation of new seeds, and formation of value chains.



## ▶ Cellulose Nano-fiber

Cellulose nano-fiber (“CNF”) is a plant fiber (pulp) that is finely fibrillated to nano-order level, 1/1,000,000 of 1 mm, where its width is equivalent to 1/20,000 of a hair.

Oji Group has developed a groundbreaking process for its CNF production by utilizing a chemical treatment “Phosphate Esterification,” which is potentially the most feasible for commercialization, requiring a relatively small amount of energy for fibrillation.



## ▶ Initiatives for Commercialization of CNF

For details on the CNF business

In addition to operating manufacturing demonstration facility of “CNF slurry\*” at Oji Paper Tomioka Mill using a proprietary phosphate esterification method, we installed the world’s first manufacturing demonstration facility of our unique “continuous transparent CNF sheet” in January 2018. “AUROVISCO,” CNF slurry, has been officially adopted as a thickener for car chemicals. In addition, adoption of “AUROVEIL,” developed for cosmetics applications, is also under consideration.

We have also developed “AUROVEIL,” continuous transparent CNF sheet, “CNF Wet Powder” with CNF slurry concentration of 20% or more, “CNF hydrophobic power” that can be dispersed in organic solvents, and composites of CNF and polycarbonate resin, and other materials; and accelerated the development of applications in a wider range of fields.

\*Viscous CNF that can be dispersed in water

### AWARDS

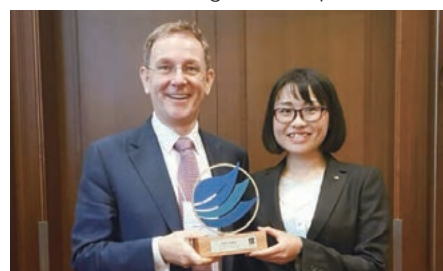
#### in-cosmetics Global 2018

“AUROVISCO CS,” which we developed jointly with Nikko Chemicals Co., Ltd., won the silver prize in the Functional Ingredients category of the Innovation Zone Best Ingredient Awards 2018 at in-cosmetics Global, the world’s largest exhibition of cosmetics-related ingredients.



#### ICFPA\* Young Researchers Award

An Oji Group researcher was selected for an excellence award as a young researcher responsible for research and development of next-generation forestry technologies and innovative technologies in the forest and paper industry. The researcher gave a presentation on her research at a conference with CEOs from forest and paper industry firms in various countries attending and was presented the award.



\*International Council of Forest & Paper Associations



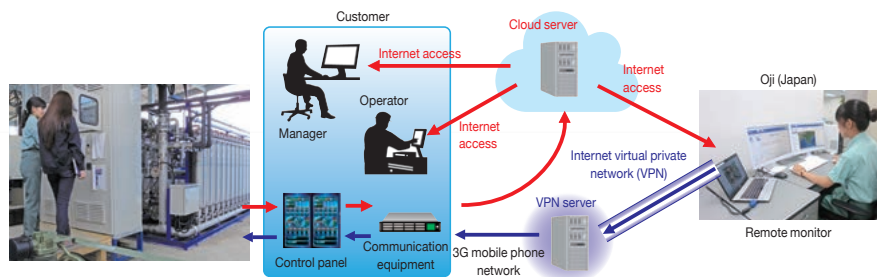
## ▶ Establishment of Water Treatment Technologies

In the area of water treatment technologies, we are leveraging the water production and water treatment expertise that we have accumulated over many years through our papermaking technologies and combining them with various needs to offer water treatment systems suitable for all water environments. Based on appropriate on-site investigations, water quality analyses, and laboratory experiment technologies and structures, we have introduced proprietary water treatment systems such as a system for removing cadmium from industrial waste water and industrial water production facilities at an industrial estate in Thailand. Going forward, we will seek to expand the adoption of these systems as we promote innovation in water treatment system technologies, contributing to the development of water environments not only in Japan, but also in Southeast Asia and other overseas regions.

Business conductor: Oji Engineering

Technology developer: Water Environment Business Promotion Section, Innovation Promotion Division

### IoT-based remote support service introduced at industrial water production facility in Thailand



Oji Group installed an industrial water production facility at an industrial estate in Thailand using proprietary chemical treatment with OJI-MEMBRANE ultrafiltration membrane. We also provide a service that supports optimal operation of the facility through the use of IoT-based remote monitoring. This service prevents problems before they occur to ensure stable production of high-quality industrial water.

### Proposals for water treatment chemicals



OJI-FLOCK  
(flocculants)



OJI-ION  
(ion exchange resin)



OJI-CARBON  
(activated carbon)

We use our accumulated expertise to propose appropriate water treatment chemicals that can ensure stable operation of equipment even when water quality varies depending on the external environment or operations.

#### Products offered

- Flocculants for waste water treatment
- Ion exchange resin for production of pure water
- Activated carbon for deodorization and organic matter treatment
- Chemicals for boiler feed water



## ▶ Medicinal Plants Cultivation Technologies

Oji Group develops cultivation technologies of highly anticipated medicinal plants. Licorice is the most commonly used medicinal plant, found in some 70% of Kampo medicines. At present, most raw materials are dependent on imports of wild licorice from overseas, but there are calls for domestic production in order to respond to fear of resource depletion accompanying demand increase and export restrictions. We have established Japan's first cultivation technology that shortens the time required from seed sowing to harvesting of licorice from five to six years to just two years, while conforming to Japanese Pharmacopoeia's active ingredient standards of containing at least 2.0% glycyrrhizin in cultivated licorice. We have started a large-scale cultivation trial in the Nayoro area of Hokkaido in 2017.



A large-scale licorice cultivation trial

\* Licorice root harvested 18 months (1.5 years) after seeding. The roots are used in oriental medicines.





## ▶ Development of Environmentally-conscious Products

The European Union (EU) recently proposed a law prohibiting the use of disposable plastic products in order to protect marine organisms, and many major restaurant chains in the United States plan to review their use of plastic containers and straws. As a result, demand for plastic replacements is rising globally. While we have manufactured various types of base paper for food containers such as those for beverages and yogurt, etc. as well as containers and packaging paper used in fast food restaurants, the Packaging Promotion Center will play a central role in developing biodegradable plastics which can take the place of conventional plastics and also paper products with new functions, in the future.

### 1. Development of composites of biodegradable plastic and pulp

Oji F-Text is developing plastic pellets made from a combination of pulp with polylactic acid\*, a biodegradable plastic. By combining plastic with pulp, the rigidity of molded products increases, heat resistance (temperature of thermal deformation) improves, and time required for injection molding can be reduced, leading to expectations for expanded application in molded products.

\* Polylactic acid is a plant-derived synthetic resin that can be recycled by composting.



Plastic pellets  
(Left: Polylactic acid only; right: polylactic acid combined with pulp)



Examples of molded items  
(Top: Polylactic acid only; bottom: polylactic acid combined with pulp)

### 2. Development of packaging material with barrier properties

We developed a recyclable packaging material in order to replace packaging materials that have barrier properties and are made primarily from plastic with paper. The developed product is a multi-barrier paper that acts as a barrier against water vapor and oxygen. Compared to paper alone, the product provides barrier properties equivalent to those of general barrier film.



Packaging materials with barrier properties

### 3. Development of paper cup products (traveler lids) and sample distribution of paper straw base paper

Plastic lids for paper cups are the norm, so we developed a biodegradable paper lid made from recyclable pulp. This product has excellent water and thermal resistance and can be used to cover paper cups for both hot and cold products.

Oji F-Text has started providing samples of paper straw base paper suitable for manufacturing paper straws with functional water resistance produced by spiral processing.



Paper cup lid (traveler lid)

## Corporate Governance

Oji Group positions the enhancement of corporate governance as one of its highest-priority management issues and continuously takes measures to reinforce governance.

### ► Fundamental Approach

Oji Group established the Oji Group Corporate Code of Conduct based on the fundamental values and philosophy that have been handed down since the Group's foundation and has undertaken business activities with an awareness of its role as a corporate member of society and a strong sense of ethics throughout the Group.

Going forward, we will continue to position the enhancement of corporate governance as a priority management issue in order to ensure management efficiency, soundness, and transparency, increase corporate value, and be a company that is trusted by society while building trusting relationships with diverse stakeholders.

#### ● Main Prior Initiatives

Jun. 1999	Adopted executive officer system	Reinforced decision making and supervisory functions of the Board of Directors
Jun. 2002	Shortened directors' term of office to one year	Clarified the managerial responsibilities of directors
Jun. 2006	Introduced stock options as stock-based compensation	Raised directors' motivation to increase corporate value
Jun. 2007	Appointed outside directors	Increased effectiveness of managerial supervision and transparency of decision making
Oct. 2012	Transitioned to a pure holding company system Established the Corporate Governance Division	Accelerated decision making and clarified managerial responsibilities in each business Reinforced Group risk management structure
Jun. 2013	Increased the number of outside auditors	Reinforced auditing structures
Nov. 2015	Established the Fundamental Policies on Corporate Governance Established the Nomination Committee and Compensation Committee	Clarified Group policies Increased the objectivity and transparency of nominations and compensation
Jun. 2016	Introduced performance-linked and stock-based compensation	Raised directors' motivation to enhance performance and increase corporate value

#### ● Overview of Voluntary Advisory Committees

	Nomination Committee	Compensation Committee (including effectiveness evaluations of the Board of Directors)
Structure	Chairman, President (committee chair), outside directors (total of four persons as of July 2018)	Chairman, President (committee chair), outside directors (total of four persons as of July 2018)
Deliberation matters	Nomination policies for directors and auditors and appointment policies for corporate officers Nomination of directors and auditors and appointment of corporate officers Succession planning for the Director of the Board, President	Compensation structures and levels for directors and corporate officers Evaluation of directors and corporate officers Analysis and evaluation of the effectiveness of the Board of Directors

The Fundamental Policies on Corporate Governance and the Corporate Governance Report submitted to the Tokyo Stock Exchange are available on the Oji website.

Fundamental Policies on Corporate Governance: <https://www.ojiholdings.co.jp/english/group/policy/governance.html>

Corporate Governance Report: <https://www.ojiholdings.co.jp/english/ir/library/governance.html>

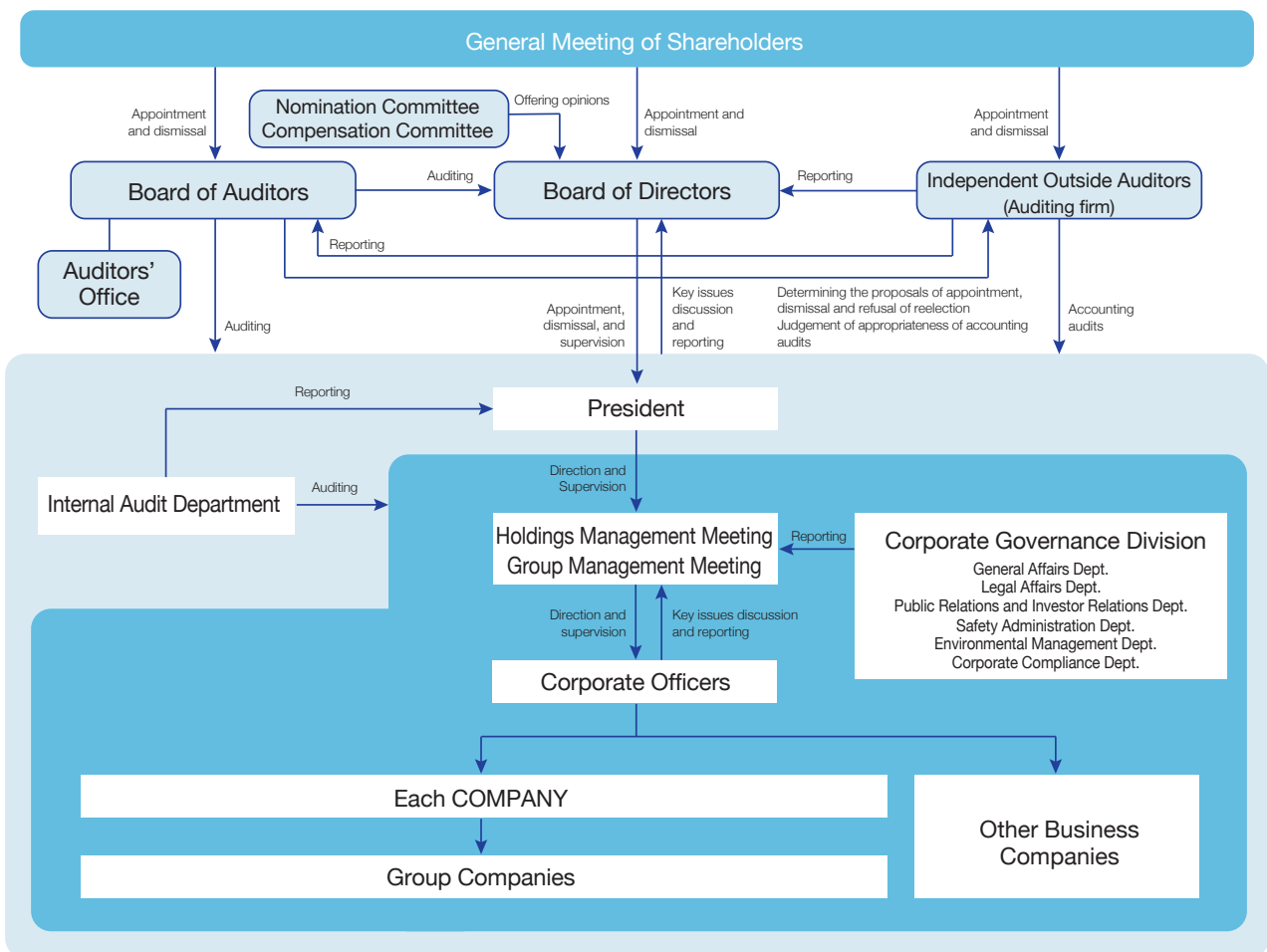
## ▶ Corporate Governance Structures

Oji Holdings oversees the formulation of Group management strategies and Group governance. Oji Group has adopted a COMPANY system under which each “COMPANY,” made up of closely-related businesses, plays a central role in businesses operations. This structure accelerates decision making by each business unit and clarifies management responsibilities.

In addition, as a company with a Board of Auditors, Oji Holdings reinforces Group-wide governance through audits of the execution of duties by directors carried out by the auditors and the Board of Auditors.

The Nomination Committee and Compensation Committee were established as advisory bodies to the Board of Directors in 2015. These two committees enhance objectivity and transparency in their decision making, and the Compensation Committee analyzes the effectiveness of and deliberates the evaluations of the Board of Directors.

### ● Corporate Governance Structural Diagram





## ► Policy on Determination of Director Compensation and Total Compensation Amount

Director compensation comprises (1) base compensation, (2) compensation based on short-term business performance, and (3) stock-based compensation that reflects increases in corporate value over the medium to long term. A new performance-linked and stock-based director compensation program was introduced and the proportion of performance-linked compensation was

increased in June 2016 to improve the performance of directors and provide further incentives to increase corporate value. Compensation amounts are determined by the Board of Directors based on proposals from the Compensation Committee. Outside directors are paid only base compensation, and auditor compensation is determined through deliberations by the auditors.

### ● Total Officer Compensation (FY2017 result)

Directors	¥676 million/15 persons	Auditors	¥90 million/6 persons
(Outside Directors)	(¥30 million/2 persons)	(Outside Auditors)	(¥34 million/3 persons)

## ► Status of Activities by and Reason for Appointment of Outside Officers

Oji Holdings has two outside directors and three outside auditors. All outside officers attend the Board of Directors meetings and the twice-monthly briefings conducted by the director responsible for the Corporate Governance Division regarding Management Meeting agendas and planned Board of Directors deliberation matters. The two outside directors are also members of the Nomination Committee and Compensation Committee.

Persons with highly specialized and wide-ranging knowledge who are able to express opinions that are independent from management and from the perspectives of various stakeholders are selected as independent outside director candidates, and persons with excellent values and principles, a high level of specialization, and extensive experience are selected as outside auditor candidates.

### ● Outside Officers (As of July 2018)

Position	Name	Career Summary	Attendance (FY2017)	Reason for Appointment
Director	Michihiro Nara	Apr. 1974 Jun. 2014 Registered attorney Director of Oji Group	13 of 14 Board of Directors meetings	Has extensive experience, a high level of specialization, and wide-ranging knowledge as an attorney
	Nobuaki Terasaka	Apr. 1976 Jul. 2009 Aug. 2011 Jun. 2015 Began working for the Ministry of International Trade and Industry Director of the Nuclear and Industrial Safety Agency Resignation from public office Director of Oji Group	14 of 14 Board of Directors meetings	Has extensive experience and wide-ranging knowledge as a public official
Auditor	Makoto Katsura	Apr. 1971 Jul. 2004 Aug. 2007 May 2011 Jun. 2013 Began working for the Ministry of Foreign Affairs Ambassador to Laos Ambassador to the Philippines Resignation from public office Auditor of Oji Group	14 of 14 Board of Directors meetings 15 of 15 Board of Auditors meetings	Has extensive experience and wide-ranging knowledge as a diplomat
	Mikinao Kitada	Apr. 1976 Jan. 2012 Jan. 2014 Mar. 2014 Jun. 2014 Appointed Public Prosecutor Superintending prosecutor at the Osaka High Public Prosecutor's Office Resignation from public office Registered attorney Auditor of Oji Group	14 of 14 Board of Directors meetings 15 of 15 Board of Auditors meetings	Has extensive experience and wide-ranging knowledge as a prosecutor and attorney
	Norio Henmi	Apr. 1989 Jun. 2018 Registered attorney Auditor of Oji Group	(Took office June 2018)	Has extensive experience, a high level of specialization, and wide-ranging knowledge as an attorney

## Message from an Outside Officer

Independent Officer Mikinao Kitada discussed the status of Oji Group's corporate governance and issues relating to increasing corporate value.

**Mikinao Kitada** ◆ Outside Auditor  
Outside Auditor of Oji Group since June 2014



### Q1 What is your impression of Oji Group?

Before becoming an outside auditor of Oji Group, my impression of the Group was that it is a leader of the historic and traditional pulp and paper making industry and that it has the largest private holdings of forestry assets. I had gone to many concerts at the Oji Hall, and I also had an image of Oji Group as a company with a passion for musical and cultural programs that has a nice building with a concert hall in a prime location in Ginza. I also had a vague notion of a negative side such as a conservative corporate culture based on history and tradition, poor communications, and a slow, time-consuming, and

duplicative decision-making process because of the large corporate scale. Following my appointment, however, this image was completely eliminated. My current impression is that it is of one of the companies at the cutting edge of the industry with abundant entrepreneurial spirit that boldly conducts business in Japan and overseas while embracing its social responsibilities as a corporation and truly placing the highest priority on stakeholders including employees. I also value the outstanding CSR measures undertaken with an unceasing commitment to cultural programs, as seen in the large-scale renovations made to the Oji Hall.

### Q2 What is your assessment of corporate governance by Oji Group?

I hardly need to explain this, but the Corporate Governance Code (CG Code) states in its opening that corporate governance means structures established to perform transparent, fair, timely, and forward-looking decision making by the company, taking into consideration the perspectives of stockholders and other stakeholders. Based on my four years as an outside auditor of Oji Holdings, if I were to assess the Company's corporate governance, I would say that it is very solid. Considering that the company has taken proactive measures to design governance structures including the early introduction of an outside officer system and that clear explanations are given and open questions are posed with regard to agenda items and issues within the

Board of Directors, Board of Auditors, management briefings, and other meetings, I believe that the management team is making earnest and effective efforts to build governance structures. Oji Group has many affiliated companies in Japan and other countries and actively carries out its management strategies overseas, and consequently, how it will carry out governance at places with some difficulties in monitoring, such as small-scale business sites and overseas affiliates, and how it will respond to the diversification of constituent members, which is a prerequisite for ensuring the effectiveness of the Board of Directors and Board of Auditors, as required by the CG Code, are issues that need to be addressed in the future.

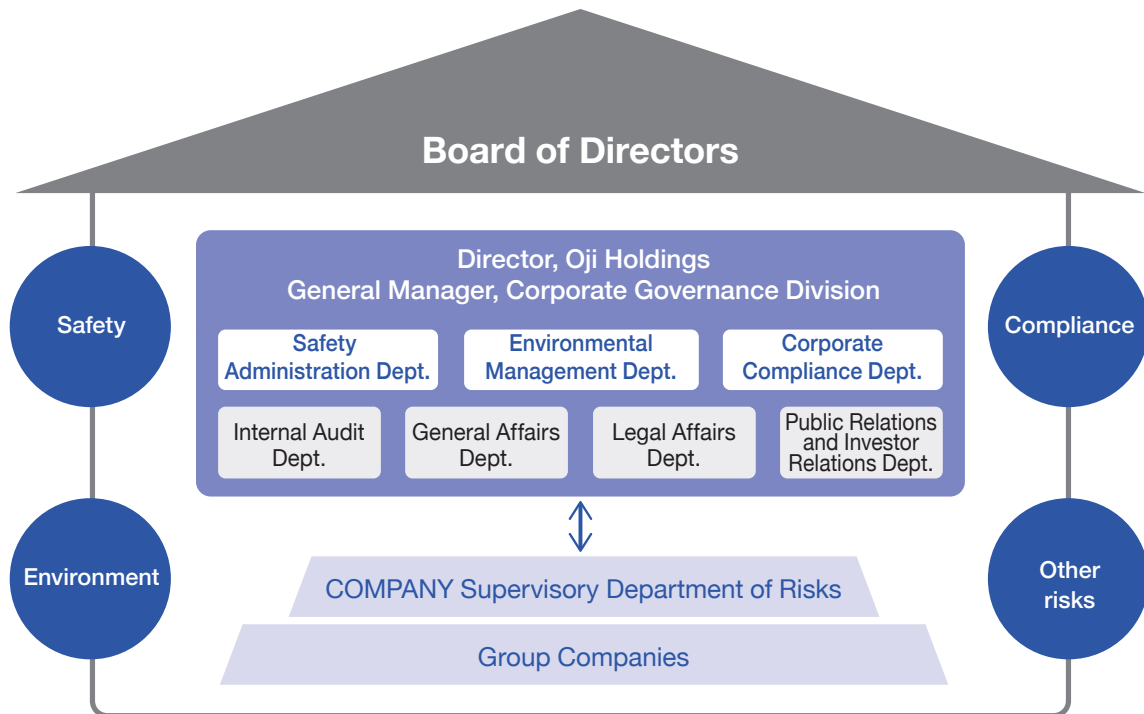
### Q3 What are your thoughts regarding the challenges that the Oji Group faces in order to increase its corporate value?

I believe that the challenges that the Group faces to increase corporate value are clearly expressed in the management philosophy and fundamental management strategies. Particularly, "creation of innovative value" and "harmony with nature and society" of the management philosophy, as well as "expansion of overseas businesses" of the management strategies are important. We need to come up with methods

of effectively and efficiently carrying out and achieving the philosophy and strategies while sensitively perceiving the changes in circumstances affecting the Group in order to produce results. In order to do this, it will be essential to undertake human resource development and appropriately and accurately introduce management resources in a timely manner.

## Risk Management Structure

The Corporate Governance Division plays a central role in the integrated management of shared risks within the Oji Group under a risk management structure established and supervised by the Board of Directors. This makes it possible for the responsible officers and divisions with authority to be clarified according to different types of risk and to reliably convey information to management. As the Group's business regions rapidly expand, the Group is reinforcing its global risk management structure to ensure continuity and stable development of business.



### ▶ Environmental Management and Product Safety Management

The Oji Holdings Environmental Management Department conducts management and audits in collaboration with Group companies and business sites and takes measures to reduce the risks of environmental accidents, product liability incidents, and other compliance violations.

### ▶ Health and Safety Management

The Safety Administration Department plays a central role in establishing a climate with safety as our highest priority and takes measures to achieve zero industrial accidents from the perspectives of compliance with safety rules by employees and elimination of hazards in equipment and facilities.

### ▶ Compliance

As Oji Group expands its business globally, we distribute the "Compliance News" and "Global Compliance News" releases to raise the awareness of all officers and employees and ensure reliable compliance with international standards.

### ▶ Business Continuity Management

Oji Group establishes business continuity plans and conducts periodic training based on those plans in order to respond to business interruption risks such as natural disasters, epidemics, and accidents. By conducting drills regarding a major earthquake, establishment of a disaster countermeasure headquarters, transfer of headquarters functions, transfer of major operations, and other contingencies, we continuously improve our crisis response structures.



# Directors / Audit and Supervisory Board Members



## ▶ Directors

### ① Kiyotaka Shindo

Director, Chairman of the Board

### ② Susumu Yajima

Director of the Board,  
President  
Group CEO

### ③ Ryoji Watari

Director of the Board, Vice President  
President, Industrial Materials COMPANY  
President, Household and  
Consumer Products COMPANY

### ④ Kazuo Fuchigami

Director of the Board, Vice President  
President, Functional Materials  
COMPANY

### ⑤ Hidehiko Aoyama

Director of the Board,  
Senior Executive Officer  
President, Printing and  
Communications Media COMPANY  
President, Oji Paper Co., Ltd.

### ⑥ Yoshiaki Takeda

Director of the Board,  
Senior Executive Officer  
General Manager, Corporate  
Governance Division  
President, Oji Management  
Office Inc.

### ⑦ Shoji Fujiwara

Director of the Board,  
Senior Executive Officer  
Vice President, Functional  
Materials COMPANY  
President, Oji F-Tex Co., Ltd

### ⑧ Yoshiki Koseki

Director of the Board,  
Executive Officer  
Vice President, Industrial  
Materials COMPANY  
President, Oji Materia Co., Ltd.

### ⑨ Masatoshi Kaku

Director of the Board,  
Executive Officer  
Deputy General Manager,  
Corporate Governance Division  
In charge of: Innovation  
Promotion Division  
President, Oji Engineering Co., Ltd.

### ⑩ Ryuichi Kisaka

Director of the Board,  
Executive Officer  
Deputy General Manager,  
Corporate Governance Division

### ⑪ Kazuhiko Kamada

Director of the Board,  
Executive Officer  
President, Forest Resources  
and Environment Marketing  
COMPANY

### ⑫ Hiroyuki Isono

Director of the Board,  
Executive Officer  
Chairman of the Board, Oji  
Oceania Management Co., Ltd.  
Chairman of the Board, Oji  
Fibre Solutions (NZ) Ltd.

### ⑬ Koichi Ishida

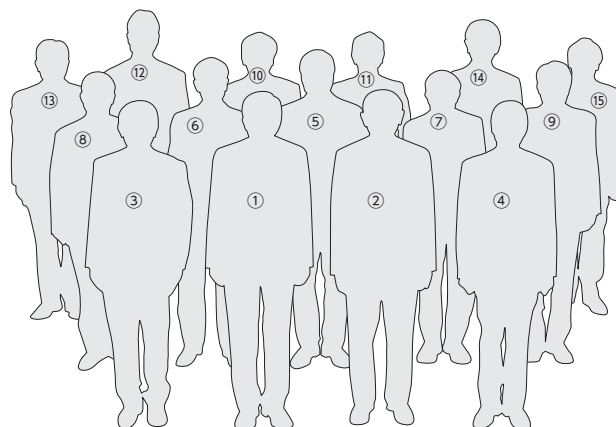
Director of the Board,  
Executive Officer  
Vice President, Printing and  
Communications Media COMPANY  
Vice President, Oji Paper Co., Ltd.

### ⑭ Michihiro Nara

Outside Director of the Board

### ⑮ Nobuaki Terasaka

Outside Director of the Board



## ▶ Audit and Supervisory Board Members



### ① Motokazu Ogata

Audit and Supervisory  
Board Member

### ② Tomihiro Yamashita

Audit and Supervisory  
Board Member

### ③ Makoto Katsura

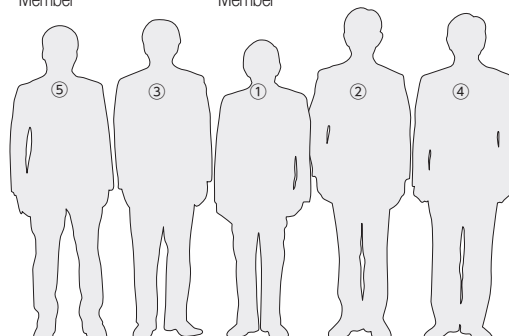
Outside Audit and  
Supervisory Board  
Member

### ④ Mikinao Kitada

Outside Audit and  
Supervisory Board  
Member

### ⑤ Norio Henmi

Outside Audit and  
Supervisory Board  
Member





## List of Major Affiliated Companies

## Industrial Materials Business

Country	Name	Business	Voting Rights Held	Capital (¥mil.)
Japan	◇ Oji Industrial Materials Management Co., Ltd.	Overall management of Industrial Materials COMPANY & various design services	100.00%	10
	◇ Oji Materia Co., Ltd.	Containerboard, boxboard, packing paper	100.00%	600
	◇ Oji Container Co., Ltd.	Corrugated containers	100.00%	10,000
	◇ Morishigyo Co., Ltd.	Corrugated containers, folding cartons	100.00%	310
	◇ Oji Interpack Co., Ltd.	Packaging materials	100.00%	213
	◇ Oji Packaging Co., Ltd.	Folding cartons	100.00%	350
	◇ Oji Seitai Co., Ltd.	Heavy-duty paper sacks	55.00%	1,299
	◇ Chuetsu Package Co., Ltd.	Paper bags	55.00%	194
	◇ Oji Adba Co., Ltd.	Packaging materials	100.00%	96
	E Okayama Paper Industries Co., Ltd.	Paperboard, corrugated containers	46.50%	821
Malaysia	◇ Oji Asia Packaging Sdn. Bhd.	Regional headquarters	100.00%	348 million MYR
Malaysia	◇ GSPP Holdings Sdn Bhd.	Containerboard, corrugated containers	75.00%	255 million MYR
Malaysia	◇ Harta Packaging Industries Sdn. Bhd.	Corrugated containers	100.00%	18 million MYR
Vietnam	◇ Ojitex (Vietnam) Co., Ltd.	Corrugated containers	100.00%	15 million USD
Thailand	◇ S. Pack & Print Public Co., Ltd.	Folding cartons, corrugated containers,	75.72%	300 million THB
China	◇ Suzhou Oji Packaging Co., Ltd.	Heavy-duty packaging materials, corrugated containers	100.00%	54 million CNY
China	◇ Oji Packaging (Shanghai) Co., Ltd.	Heavy-duty paper sacks, paper bags	55.00%	32 million CNY

## Household &amp; Consumer Products Business

Country	Name	Business	Voting Rights Held	Capital (¥mil.)
Japan	◇ Oji Nepia Co., Ltd.	Household paper, disposable diapers	100.00%	350
Malaysia	◇ People & Grit (M) Sdn. Bhd.	Disposable diapers	100.00%	2 million MYR
Malaysia	◇ Oji Asia Household Product Sdn. Bhd.	Disposable diapers	100.00%	49 million MYR

## Functional Materials Business

Country	Name	Business	Voting Rights Held	Capital (¥mil.)
Japan	◇ Oji Functional Materials Progressing Center Inc.	Overall management of Functional Materials COMPANY	100.00%	10
	◇ Oji F-Tex Co., Ltd.	Specialty paper, functional paper, films	100.00%	350
	◇ Oji Imaging Media Co., Ltd.	Thermal paper	100.00%	350
	◇ Oji Kinocloth Co., Ltd.	Non-woven fabric	100.00%	353
	◇ Oji Tac Co., Ltd.	Adhesive products	100.00%	1,550
	◇ New Tac Kasei Co., Ltd.	Adhesive products	100.00%	310
	◇ Shinomura Chemical Industry Co., Ltd.	Release paper	60.00%	40
	◇ Chuetsu Co., Ltd.	Printing business	100.00%	90
Brazil	◇ Oji Papéis Especiais Ltda.	Thermal paper	100.00%	409 million BRL
USA	◇ Kanzaki Specialty Papers, Inc.	Thermal paper	100.00%	34 million USD
Germany	◇ Kanzan Spezialpapiere GmbH	Thermal paper	94.74%	25 million EUR
Thailand	◇ Oji Paper (Thailand) Ltd.	Carbonless paper, thermal paper	100.00%	1,340 million THB
Thailand	◇ Oji Label (Thailand) Ltd.	Adhesive products	85.00%	164 million THB
Malaysia	◇ Hyper-Region Labels Sdn. Bhd.	Label printing & converting	60.00%	1 million MYR
Malaysia	◇ Tele-Paper (M) Sdn. Bhd.	Thermal paper & carbonless paper printing & converting	76.00%	12 million MYR
China	◇ Oji Kinocloth (Shanghai) Co., Ltd.	Non-woven fabric, thermal paper	100.00%	140 million CNY

### Forest Resources & Environment Marketing Business

Country	Name	Business	Voting Rights Held	Capital (¥mil.)
Japan	◇ Oji Green Resources Co., Ltd.	Overall management of Forest Resources and Environment Marketing COMPANY, lumber, forest plantations, pulp, energy	100.00%	350
	◇ Oji Forest & Products Co., Ltd.	Lumber business	100.00%	288
	◇ Japan Brazil Pulp and Paper Resources Development Co., Ltd.	Pulp import/export & trading	55.51%	61,788
	◇ Oji Cornstarch Co., Ltd.	Starch	60.00%	1,000
	◇ Oji Green Energy Nichinan Co., Ltd.	Biomass power generation	100.00%	10
	◇ Oji Green Energy Ebetsu Co., Ltd.	Biomass power generation	100.00%	65
Brazil	◇ Celulose Nipo-Brasileira S.A.	Forest plantation, pulp	55.51%	257 million USD
New Zealand	◇ Pan Pac Forest Products Ltd.	Forest plantation, pulp, lumber	100.00%	126 million NZD

### Printing & Communications Media Business

Country	Name	Business	Voting Rights Held	Capital (¥mil.)
Japan	◇ Oji Paper Co., Ltd.	Pulp, newsprint, printing/communication paper	100.00%	350
China	◇ Jiangsu Oji Paper Co., Ltd.	Pulp, coated paper, wood-free paper	90.00%	911 million USD

### Other Businesses, Shared Services Companies, etc.

Country	Name	Business	Voting Rights Held	Capital (¥mil.)
Japan	◇ Oji Management Office Inc.	Group management support	100.00%	10
	◇ Oji Oceania Management Co., Ltd.	Holding company	60.00%	37,090
	◇ Kyokuyo Co., Ltd.	Wholesale business	90.00%	1,300
	◇ Ginpo Pack Co., Ltd.	Plastic containers	90.00%	360
	◇ Oji Real Estate Co., Ltd.	Real estate	100.00%	650
	◇ Hotel New Oji Co., Ltd.	Hotels, in-flight meals	100.00%	100
	◇ Oji Logistics Co., Ltd.	Logistics	100.00%	1,434
	◇ Oji Industrial Materials Management Co., Ltd.	Engineering	100.00%	800
	E Chuetsu Pulp & Paper Co., Ltd.	Pulp & paper business, etc.	20.81%	18,864
	Malaysia	◇ Oji Asia Management Sdn. Bhd.	Regional headquarters	100.00%
New Zealand	◇ Oji Fibre Solutions (NZ) Ltd.	Pulp, paperboard, packaging	60.00%	728 million NZD

◇: Consolidated subsidiaries E: Equity method affiliated companies



## ▶ Company Profile

Company name	Oji Holdings Corporation
Director of the Board, President	Susumu Yajima
Headquarters address	7-5, Ginza 4-chome, Chuo-ku, Tokyo 104-0061 Japan
Start of business	February 12, 1873
Corporate establishment	August 1, 1949
Capital	¥103,880 million
Total number of authorized shares	2,400,000,000 shares
Total number of issued shares (treasury shares included in the total)	1,014,381,817 shares (23,373,302 shares)
Number of shareholders	57,119
Number of employees of the consolidated Group	36,144

## ▶ Stock Information

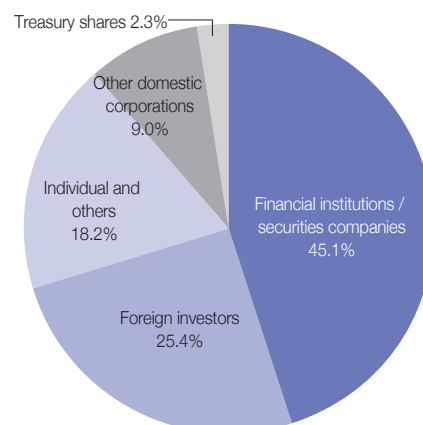
Listing stock exchange	Tokyo Stock Exchange
Securities Identification Code	3861
Share register manager and account administration authority for special accounts	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo Japan
Mailing address	Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063 Japan
Toll-free telephone number	+81-120-782-031

## ▶ Principal Shareholders

Name	Number of Shares Held (Thousands)	Shareholding Ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	73,035	7.4%
Japan Trustee Services Bank, Ltd. (Trust Account)	52,873	5.3%
Japan Trustee Services Bank, Ltd. (Trust Account 4)	36,206	3.7%
Sumitomo Mitsui Banking Corporation	31,668	3.2%
Nippon Life Insurance Company	25,658	2.6%
Mizuho Bank, Ltd.	21,636	2.2%
Oji Group Employee Shareholding Association	20,380	2.1%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	19,781	2.0%
STATE STREET BANK WEST CLIENT – TREATY 505234	18,255	1.8%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	16,849	1.7%

\*Shareholding ratios are calculated after deducting treasury shares.

## ▶ Distribution of Shareholders



## ▶ Editorial Policies

The Oji Group Report is prepared for the purpose of providing a summary of financial and non-financial information to investors and other stakeholders. Please refer to the corporate website for more detailed information.

When preparing this report, reference was made to the International Integrated Reporting Framework recommended by the International Integrated Reporting Council (IIRC).

### ▶ Oji Holdings Website

Homepage:

<https://www.ojiholdings.co.jp/english/>

Investor Relations:

<https://www.ojiholdings.co.jp/english/ir/>

Sustainability:

<https://www.ojiholdings.co.jp/english/sustainability/>



### ▶ Scope of Coverage of This Report

In general, this report covers Oji Holdings, 189 consolidated subsidiaries, and 23 equity method affiliates. In cases where coverage differs, this is indicated.

### ▶ Reporting Period

The reporting period is from April 1, 2017 to March 31, 2018. With the exception of numerical data, however, activities carried out after April 2018 are also referenced.

### ▶ Disclaimer Regarding Forecasts and Other Forward-looking Statements

Forecasts and other forward-looking statements in this report represent projections by Oji Holdings based on information available at the time of publication and reasonable judgments and therefore contain uncertainties. Please be advised that actual results may differ substantially due to various factors.

### ▶ This Report is Printed on Forest Certified Paper

This report uses OK Top Coat Matte N Eco Forest paper (cover: 157.0 g/m<sup>2</sup>; body: 104.7 g/m<sup>2</sup>) manufactured by Oji Paper, an Oji Group company. Paper products from the Eco Forest series are FSC™ forest certified paper made from resources harvested from responsibly-managed forests (Oji Paper's license code is FSC™ C014119). Refer to page 33 for more details on FSC™ forest certification.

