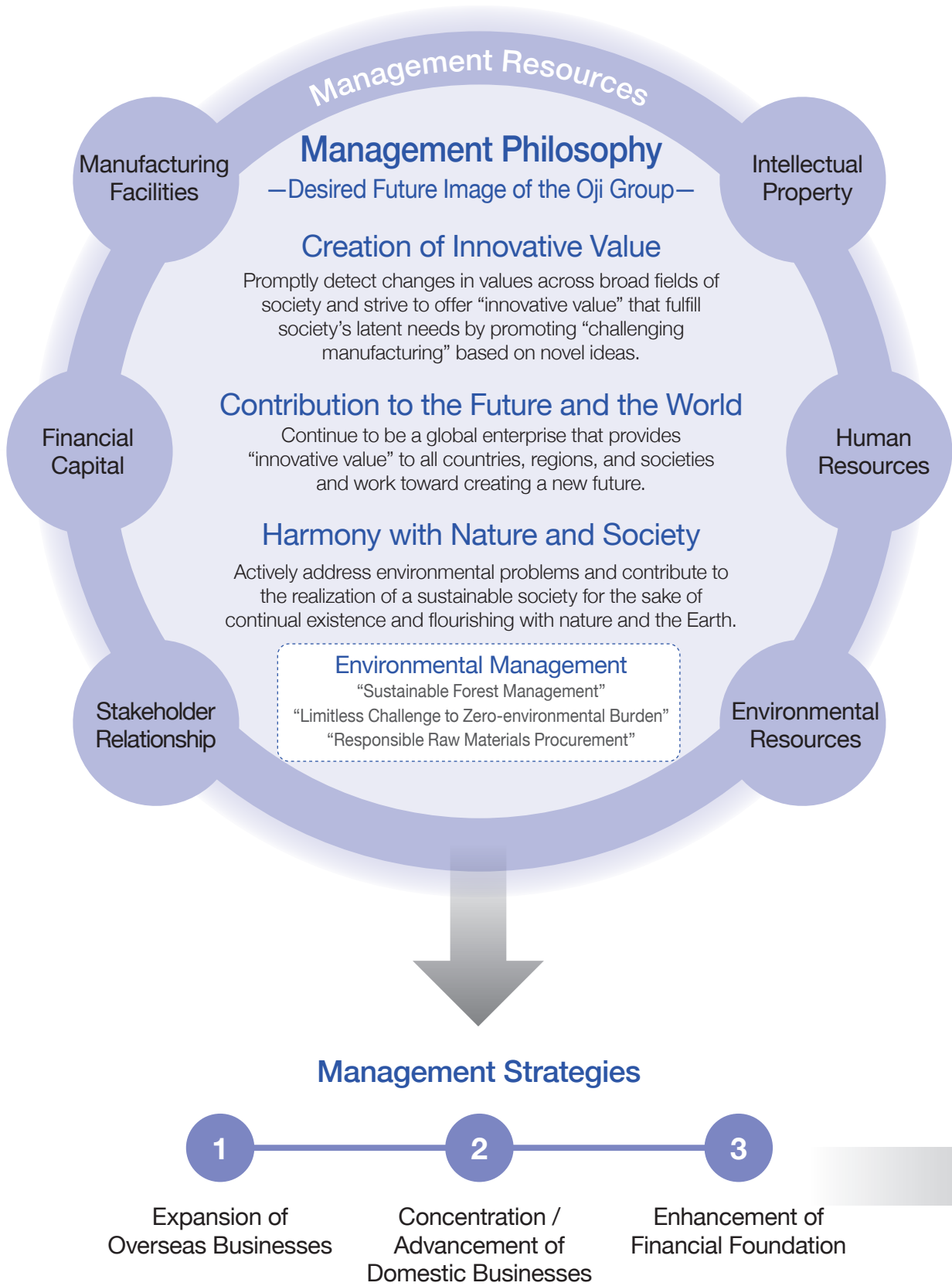


# Oji Group's Value Creation Model



## ▶ 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.

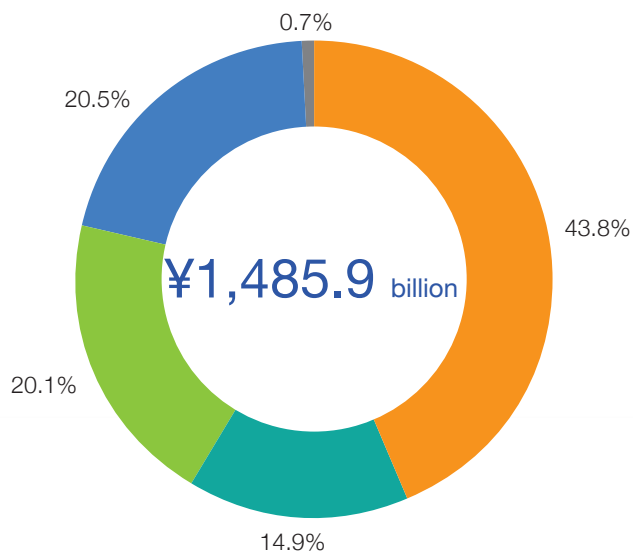
# SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



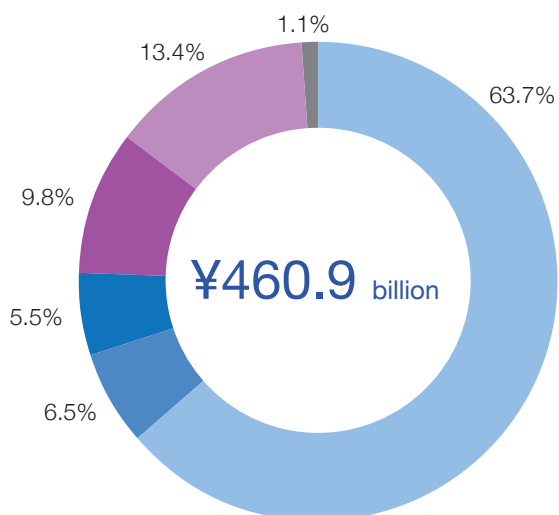
Measures relating to the Environment, Society, and Governance are discussed starting on page 29.

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

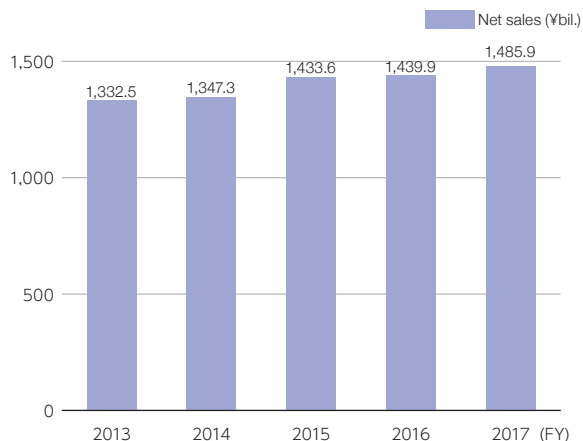
\*2 Greenhouse gas emissions intensity = greenhouse gas emissions in Japan and overseas / overseas production volume in Japan and overseas

Emissions from power generation business are not included

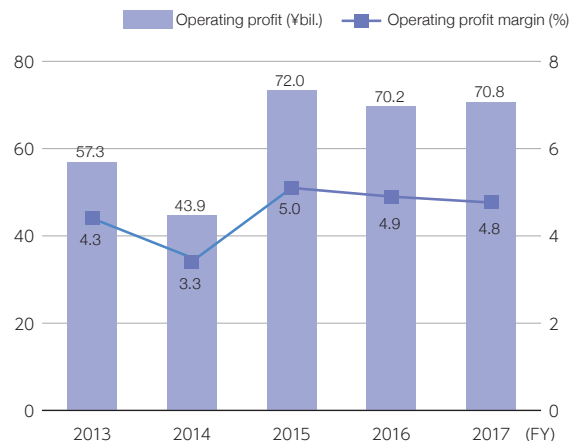
\*3 In addition to CO<sub>2</sub>, it is inclusive of its equivalents of CH<sub>4</sub> and N<sub>2</sub>O

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

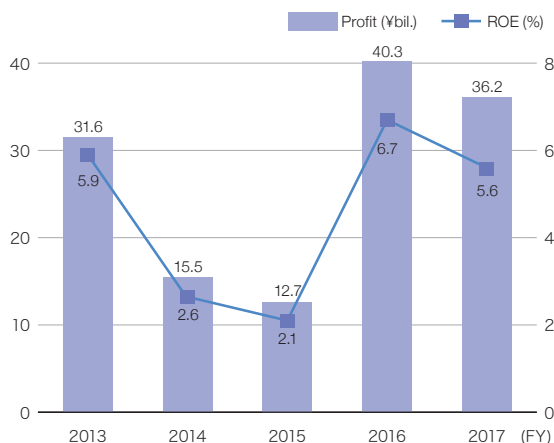
Net Sales



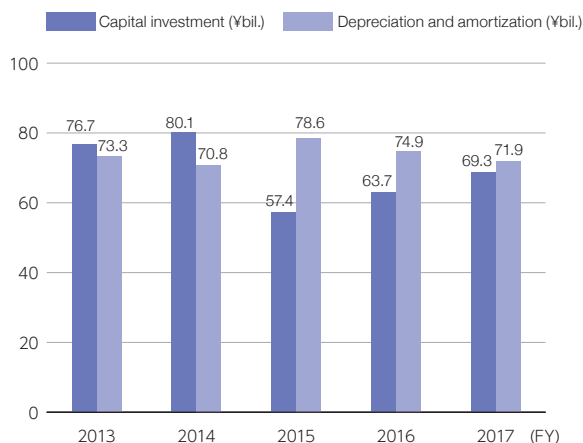
Operating Profit / Operating Profit Margin



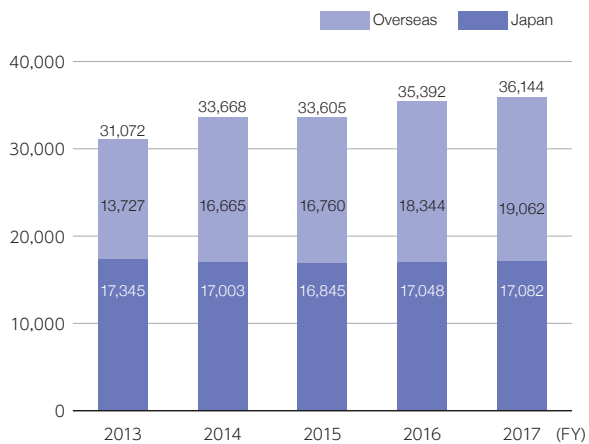
Profit Attributable to Owners of Parent / ROE



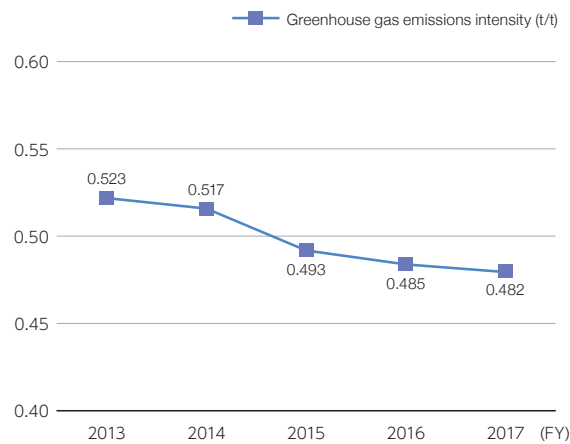
Capital Investment / Depreciation and Amortization



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?

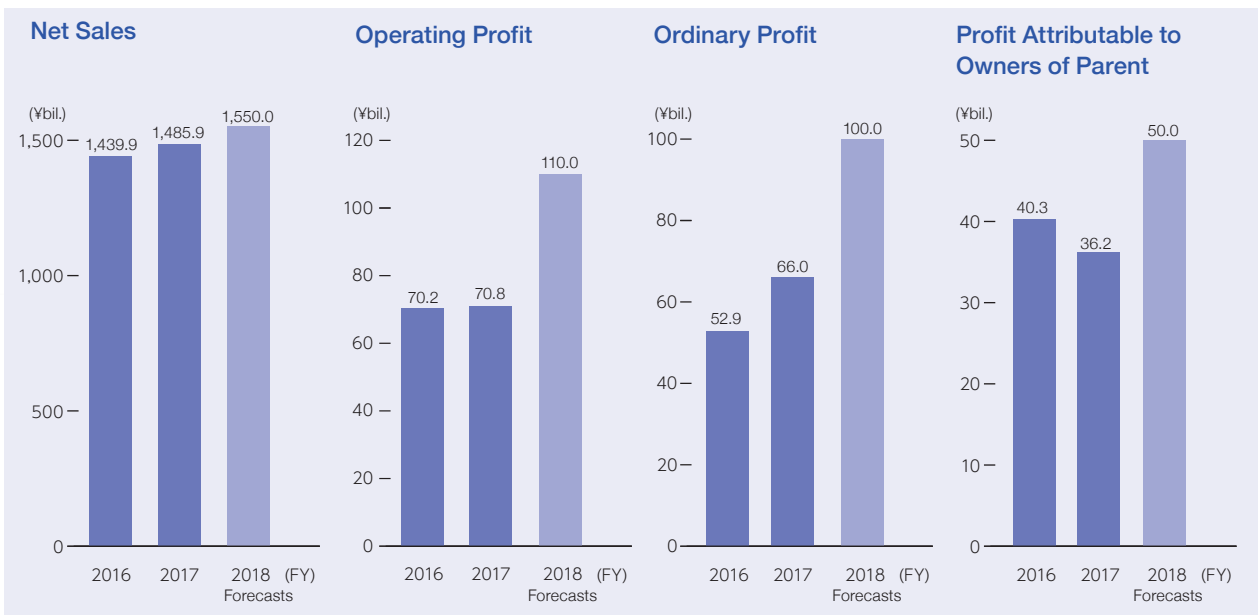
In FY2017, consolidated net sales were up 3.2% year-on-year to ¥1,485.9 billion. Operating profit, however, increased only 0.8% to ¥70.8 billion. Though the steep rise in prices for raw materials and fuels in Japan was a cause of downward pressure, particularly in the corrugated container and paper businesses, 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.