

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>

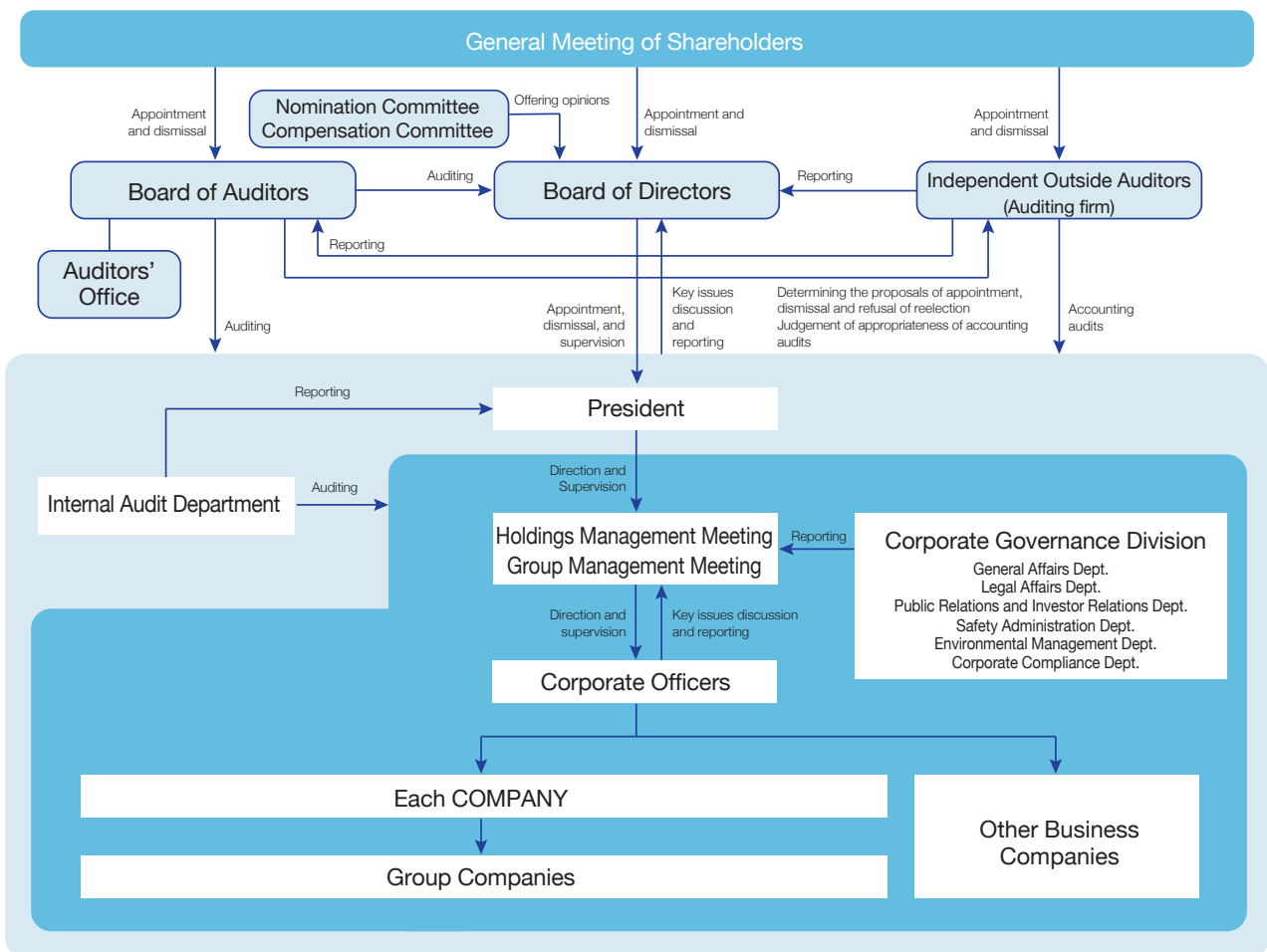
▶ Corporate Governance Structures

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.

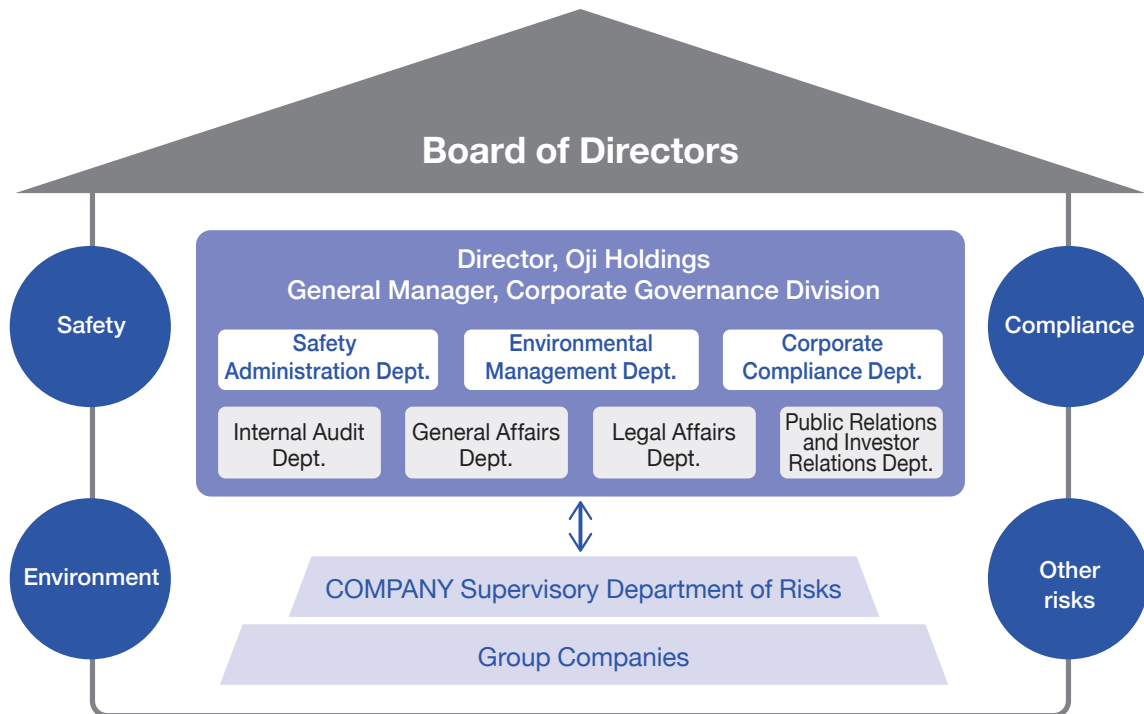
Q3 What are your thoughts regarding the challenges that the Oji Group faces in order to increase its corporate value?

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.