

# OJI GROUP REPORT 2015



## Management Philosophy

# Creation of Innovative Values

# Contribution to Future and the World

# Harmony with Nature and Society

CENIBRA ©João Rabelo

### Editorial Policy

The Oji Group re-established the management philosophy in 2014, rethinking about the future once again to maximize its corporate value. In addition, management strategies, which should be implemented now, were newly formulated and the Promotion of Environmental Management was positioned as essential to bring about the realization of the management philosophy.

All of these were developed as a result of repeated discussions mainly among the managements regarding issues deemed important for the future of the Oji Group. The Oji Group Report 2015 has been compiled to convey to all stakeholders, including shareholders and investors, about such details, activities and also corporate governance which forms these foundation.

The report summarizes the most material information to provide a better understanding of the Oji Group. Please refer to the corporate website for more detailed information.

- **Investor Relations** <http://www.ojiholdings.co.jp/english/ir/index.html>
- **Sustainability** <http://www.ojiholdings.co.jp/english/sustainability/index.html>

### Coverage of the Report

In principle, this report covers the activities of Oji Holdings and its 173 consolidated subsidiaries and 19 equity method affiliates. The articles with different coverage are so stated.

### Coverage Period

April 1, 2014 – March 31, 2015

Except for numerical data, some sections may contain activities after April 2015.

### Time of Publication

August 2015

### Notes on Future Outlook

Forecasts and other forward-looking statements in this report represent judgments by Oji Holdings based on information and reasonable premises available at the time of publication and thus contain uncertainties. Please be advised that actual results may be affected largely by various unforeseeable factors.



### This report is printed on forest certified paper

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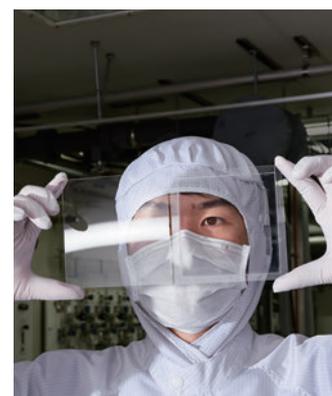
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## To All Our Stakeholders

The business climate and the social structure surrounding the Oji Group have been drastically and rapidly changing, due to the advancement of globalization and progress of information and communications technology, etc. Given this current situation, we are driving forward our business restructuring efforts, keeping in mind that we are “NO LONGER a Paper Manufacturing Company”. We aim to achieve sustainable growth as a brand new corporate group that goes “Beyond the Boundaries”. In order to carry through and actualize this reform, we have established four management strategies, which are: “Deepening of the Core Businesses”, “Development of New Businesses/Products”, “Further Expansion of Overseas Businesses” and “Further Enhancement of the Financial Foundation”. All the four strategies are to be paid careful attentions, as they are organically interlinked.

Every single employee of the Oji Group, including management who is responsible for running the Group, has to adapt him/herself into holding a challenging mindset and deliver innovative values. Through these efforts, we would be able to contribute to global development, while proactively addressing environmental issues and strive towards the realization of a sustainable society.

Since January 2015, we, Kiyotaka Shindo and Susumu Yajima, have taken up our new duties as the Chairman and the President respectively. Under this new management setup, we seek to further accelerate our reform efforts.

We sincerely appreciate continuing patronage and loyal support of all our stakeholders including the shareholders.

August 2015



**Kiyotaka Shindo**

Director, Chairman of the Board  
Oji Holdings Corporation



**Susumu Yajima**

Director of the Board, President  
Oji Holdings Corporation

## Directors and Audit and Supervisory Board Members (As of June 26, 2015)



Front row, from the left:

### **Ryoji Watari**

Director of the Board,  
Executive Vice President

President, Industrial Materials  
COMPANY

President, Household and Consumer  
Products COMPANY

President, Oji Industrial Materials  
Management Co., Ltd.

Chairman, Oji Nepia Co., Ltd.

### **Kiyotaka Shindo**

Director,  
Chairman of the Board  
Group Co-CEO

### **Susumu Yajima**

Director of the Board,  
President  
Group Co-CEO

### **Kazuo Fuchigami**

Director of the Board,  
Executive Vice President

President, Functional Materials  
COMPANY

President, Oji Functional Materials  
Progressing Center Inc.

Back row, from the left:

### **Masatoshi Kaku**

Director of the Board,  
Executive Officer

Vice President, Functional Materials  
COMPANY

Senior Managing Director, Oji  
Functional Materials Progressing  
Center Inc.

President, Oji F-Tex Co., Ltd.

### **Hidehiko Aoyama**

Director of the Board,  
Senior Executive Officer

President, Printing and  
Communications Media COMPANY

President, Oji Paper Co., Ltd.

In charge of:  
Oji Logistics Co., Ltd.

### **Gemmei Shimamura**

Director of the Board,  
Senior Executive Officer

General Manager, Corporate  
Governance Division

President, Oji Management  
Office Inc.

In charge of:  
Oji Human Support Co., Ltd. ,  
Oji Business Center Co., Ltd. ,  
Oji Paper Management (Shanghai)  
Co., Ltd.

### **Yoshiki Koseki**

Director of the Board,  
Executive Officer

In charge of:  
Innovation Promotion Division

President, Oji Engineering Co., Ltd.

### **Ryuichi Kisaka**

Director of the Board,  
Executive Officer

Vice President, Functional  
Materials COMPANY

Senior Managing Director, Oji  
Functional Materials Progressing  
Center Inc.

President, Oji Imaging Media  
Co., Ltd.



Front row, from the left:

**Michihiro Nara**

Outside Director of the Board

**Kazuhiko Kamada**

Director of the Board,  
Executive Officer

President, Forest Resources and  
Environment Marketing  
COMPANY

**Hiroyuki Isono**

Director of the Board,  
Executive Officer

Deputy General Manager,  
Corporate Governance Division  
Senior Managing Director, Oji  
Management Office Inc.

**Nobuaki Terasaka**

Outside Director of the Board

Back row, from the left:

**Mikinao Kitada**

Outside Audit and Supervisory  
Board Member

**Satoshi Fukui**

Audit and Supervisory Board  
Member

**Motokazu Ogata**

Audit and Supervisory Board  
Member

**Makoto Katsura**

Outside Audit and Supervisory  
Board Member

**Yuko Miyazaki**

Outside Audit and Supervisory  
Board Member

## Financial and Non-financial Highlights

Financial Highlights		FY2010	FY2011	FY2012	FY2013	FY2014
Net sales	(¥bill.)	1,180.1	1,212.9	1,241.5	1,332.5	1,347.3
Operating income	(¥bill.)	65.4	53.8	52.4	62.0	46.7
Ordinary income	(¥bill.)	60.2	48.4	54.6	70.4	53.0
Net income	(¥bill.)	24.6	22.2	25.6	33.8	17.3
Net income per share	(¥)	24.92	22.46	25.93	34.22	17.55
Net assets per share	(¥)	444.24	454.20	511.95	581.69	666.40
Dividend per share	(¥)	10.0	10.0	10.0	10.0	10.0
Total assets	(¥bill.)	1,620.9	1,635.0	1,831.3	1,915.7	2,164.1
Net assets	(¥bill.)	456.0	463.3	579.1	670.4	801.4
Interest-bearing liabilities	(¥bill.)	799.1	784.7	831.1	798.5	862.6
Equity ratio	(%)	27.1	27.4	27.6	30.0	30.4
Return on equity	(%)	5.6	5.0	5.4	6.3	2.8
Capital Investment	(¥bill.)	77.1	54.7	70.1	76.7	80.0
Depreciation and amortization	(¥bill.)	79.6	76.0	72.1	73.3	70.8
Research and development expenses	(¥bill.)	9.1	9.1	9.5	10.9	10.5
Cash flows from operating activities	(¥bill.)	115.4	119.5	105.4	109.3	90.9
Cash flows from investing activities	(¥bill.)	(89.7)	(81.2)	(76.2)	(67.2)	(165.5)
Cash flows from financing activities	(¥bill.)	(31.4)	(28.9)	(20.7)	(52.0)	77.4

### Net Sales



### Operating Income / Operating Income Margin



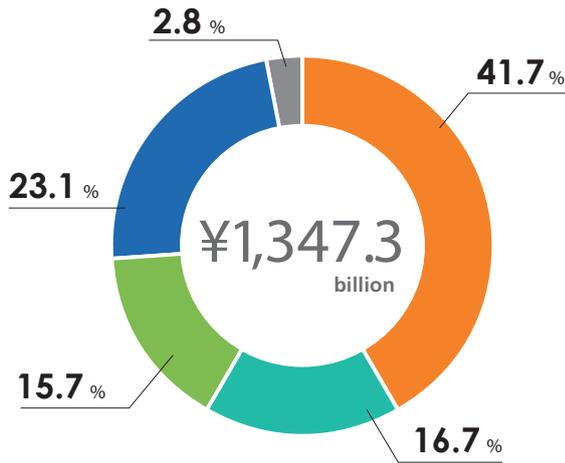
Non-financial Highlights		FY2010	FY2011	FY2012	FY2013	FY2014
Number of employees	(person)	21,987	24,683	27,360	31,072	33,668
Number of overseas employees	(person)	4,250	7,070	9,886	13,727	16,665
Frequency rate of accidents resulting in lost work time *1		0.84	0.91	0.75	0.80	0.66
Greenhouse gas emissions	Domestic (1,000 tons)*2	6,116	6,089	6,053	6,184	6,002
	Overseas (1,000 tons)*3	638	982	1,021	1,027	1,648
Energy consumption (crude oil equivalent)	Domestic (1,000KL)*2	3,472	3,527	3,382	3,443	3,364
	Overseas (1,000KL)*3	442	646	1,225	1,310	2,176
Waste generation	Domestic (1,000 tons)*2	1,612	1,539	1,490	1,519	1,544
	Overseas (1,000 tons)*3	214	268	397	374	462

\*1. Frequency rate of accidents resulting in lost work time = (occupational accident casualties / total work time) \* 1,000,000  
The total work time is assumed to be 2,000 hours/person.

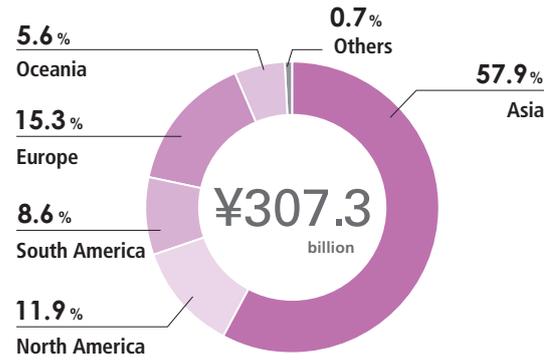
\*2. Coverage of calculation: domestic consolidated subsidiaries

\*3. Coverage of calculation: overseas consolidated subsidiaries (manufacturing companies)

### Sales Composition by Business Segment (FY2014)



### Overseas Net Sales by Sales Area (FY2014)



### Net Sales by Business Segment (FY2014)

Business segment	Net sales
Household & Industrial Materials	¥561.8 billion
Functional Materials	¥225.2 billion
Forest Resources & Environment Marketing	¥211.5 billion
Printing & Communications Media	¥311.0 billion
Others	¥37.8 billion

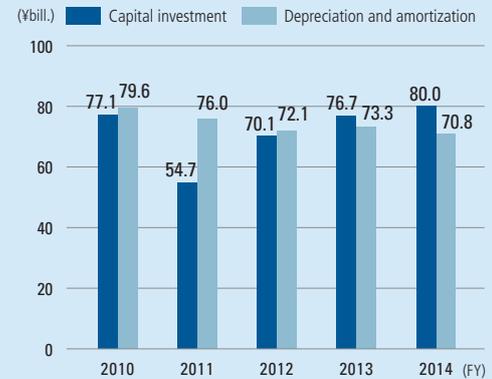
### Overseas Net Sales / Overseas Sales Ratio



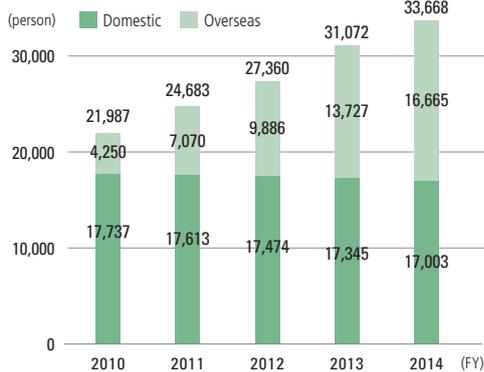
### Net Income / ROE



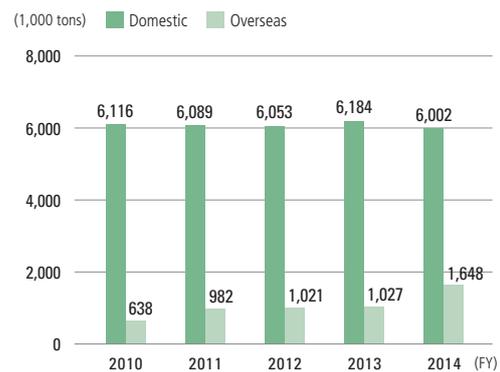
### Capital Investment / Depreciation and Amortization



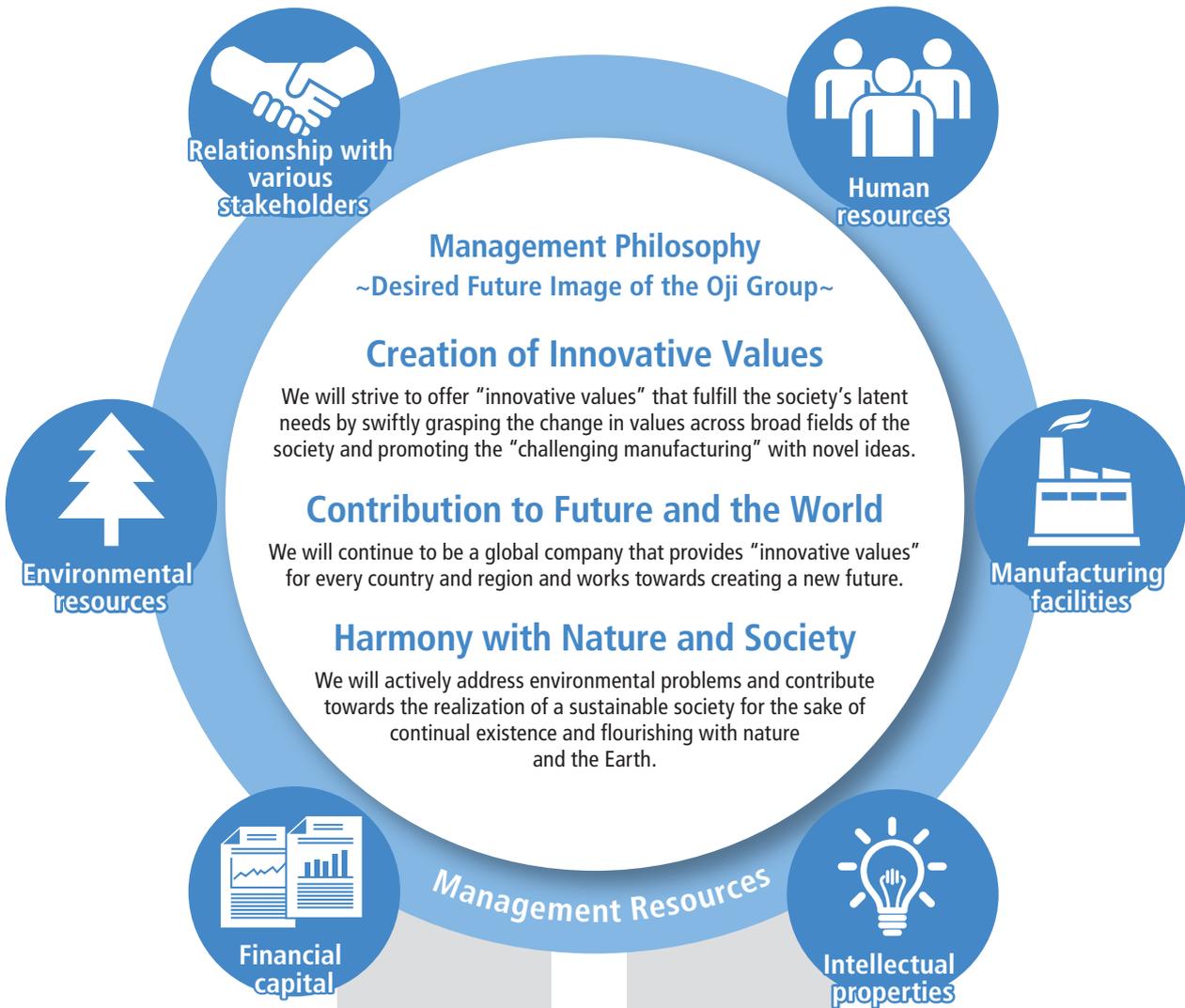
### Number of Employees



### Greenhouse Gas Emissions



# Value Creation Model of the Oji Group



## Management Strategies

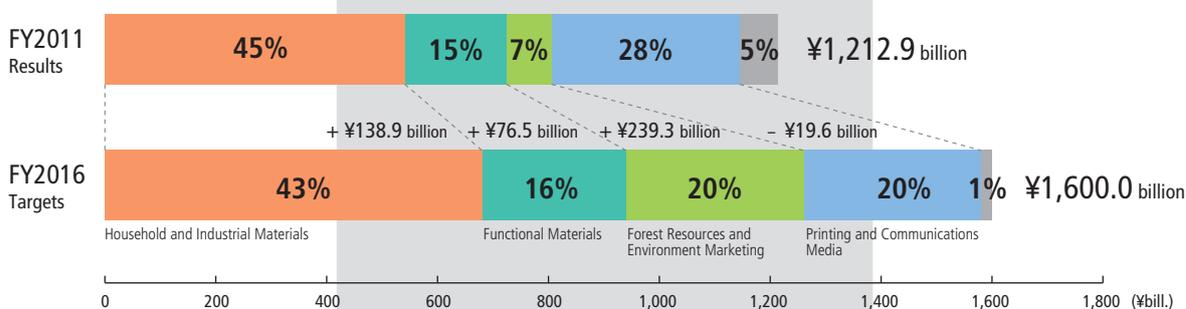
- 1 Deepening of the Core Businesses**  
Offer new added-values through the proposal-type business  
Construct an optimal manufacturing system  
Reduce costs thoroughly
- 2 Development of New Businesses/Products**  
Discover next core businesses that make use of accumulated technologies, know-hows and human resources equipped with them
- 3 Further Expansion of Overseas Businesses**  
Priority regions: Southeast Asia, India, South America, Oceania  
Priority business fields: packaging, functional materials, forest resources and environment marketing, disposable diaper
- 4 Further Enhancement of the Financial Foundation**  
Reduce interest-bearing debt through committed cash flow management

## Promotion of Environmental Management

- "Limitless Challenge to Zero-environmental Burden"
- "Responsible Raw Materials Procurement"
- "Sustainable Forest Management"

	FY2014 Results	FY2015 Forecasts	FY2016 Targets	Targets
Net Sales	¥1,347.3 billion	¥1,530.0 billion	¥1,600.0 billion	
Overseas Sales Ratio	23%	30%	32%	50%
Operating Income	¥46.7 billion	¥70.0 billion	¥90.0 billion	More than ¥100.0 billion
Interest-bearing Debts	¥862.6 billion	¥790.0 billion	¥750.0 billion	
Environmental Management	→			Aiming for: Zero environmental burden

Changes in Sales Composition by Business Segment as a Result of the Business Portfolio Restructuring (FY2011 Results – FY2016 Targets)



### Enrichment of the Society and Living by the Oji Group



Interview with the President

Director of the Board, President  
Group Co-CEO

**Susumu Yajima**

**We will promptly carry through the  
business restructuring including  
expansion of overseas businesses.**

Q

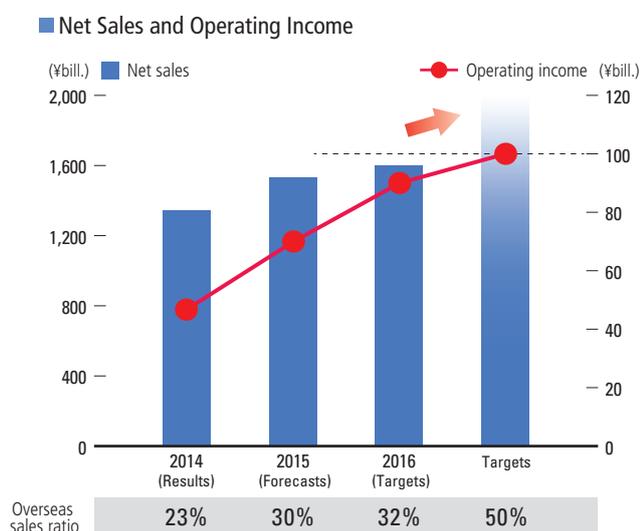
Please give us a summary of the business overview for fiscal 2014 and an outlook for fiscal 2015.

A

Though the profit declined in fiscal 2014, we forecast a major profit growth for fiscal 2015. Our overseas sales ratio will reach approximately 30%.

Despite the slow recovery from the implementation of the consumption tax hike, the consolidated net sales of fiscal 2014 increased by 1.1% from the previous year to reach 1,347.3 billion yen. This is due to reasons such as an increase in overseas sales which include export sales; and the overseas sales ratio rose by 2.5% from the previous year to reach 22.8% partly due to yen depreciation. However, the operating income decreased by 24.7% from the previous year to 46.7 billion yen, as a consequence of the rise in prices of raw materials and fuels, etc. Moreover, the ordinary income was 53.0 billion yen and the net income was 17.3 billion yen, down 24.7% and 48.7% respectively from the previous year.

For fiscal 2015, we are forecasting net sales of 1,530.0 billion yen, operating income of 70.0 billion yen, ordinary income of 65.0 billion yen and net income of 34.0 billion yen, taking into account of contributory factors such as price adjustments of containerboard, corrugated containers and printing/communications paper, continuous cost reductions and the acquisition of Carter Holt Harvey Pulp & Paper ("CHHPP") in December 2014.



Q

Can you share with us the initiatives which you have been working on in accordance with the new management strategies?

A

We have been working on the Further Expansion of Overseas Businesses, focusing mainly in Southeast Asia. At the same time, much effort has been taken to reduce our interest-bearing debts to strengthen the financial foundation.

The Oji Group promotes the following four strategies in its aim to be an "Innovative Value-Creating Company".

1. Deepening of the Core Businesses
2. Development of New Businesses/Products
3. Further Expansion of Overseas Businesses
4. Further Enhancement of the Financial Foundation

As a result of our efforts for the Further Expansion of Overseas Businesses mainly in areas with expected future growths, we expect the overseas sales ratio will reach about 30% this year. In Southeast Asia, in addition to our existing packaging businesses, lumber processing business, which utilizes resources from the Group's forest plantations, has been expanded and disposable diaper business has been started. Moreover, we are currently considering breaking into the downstream market of the label business. By creating collaboration among such downstream label business and our current packaging businesses, we aim to be a provider of total packaging services. Moving forward, we will accelerate overseas expansion also in Oceania, where we welcomed CHHPP into our Group last year; and in South America, where CENIBRA and OPE are located.

## Interview with the President

### ■ Expansion of the Overseas Businesses (FY2014~)

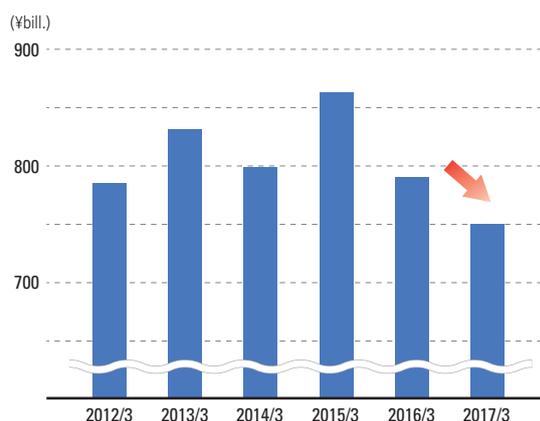
Year	Month	Country	Business	Content
2014	4	Vietnam	Folding cartons / corrugated containers	Acquisition of United Packaging
		Brazil	Thermal paper	Facility enhancement of Oji Papéis Especiais [OPE]
		New Zealand	Forest plantation / pulp / lumber	Start of commercial production of TMT (new lumber product) at PANPAC
	7	India	Corrugated containers	Start of operation of Oji JK Packaging's new plant
	8	China	Disposable diaper	Conclusion of a memorandum of understanding for strategic alliance in sales of sanitary products with Nichii Gakkan Company
	12	New Zealand/Australia	Pulp Paperboard / packaging	Acquisition of Carter Holt Harvey Pulp & Paper [CHHPP]
2015	1	Indonesia	Disposable diaper	Establishment of a joint venture company, PT Oji Indo Makmur Perkasa
		Malaysia	Disposable diaper	Acquisition of People & Grit
	5	China	Pulp Paper	Start of commercial production of KP facility at Jiangsu Oji Paper's Nantong Mill
		Myanmar	Corrugated containers	Start of operation of Oji GS Packaging (Yangon)'s plant
	9	India	Corrugated containers for heavy-duty packaging	Scheduled start of operation of Oji Interpack India's plant
	10	Myanmar	Lumber processing	Scheduled start of commercial production of a joint venture company, MOS Lumber Products's mill
2016	1	Vietnam	Corrugated containers	Scheduled start of operation of Ojitetex(Vietnam) Binh Duong's plant
	4	Myanmar	Corrugated containers	Scheduled start of commercial production of Oji Myanmar Packaging's plant

Development of New Businesses/Products is a key to the Creation of Innovative Values. The Innovation Promotion Division takes the lead in developing businesses/products of various themes by using technologies related to and accumulated from pulp and paper manufacturing.

Deepening of the Core Businesses builds a firm base for the further promotion of the business restructuring, and each business segment company ("COMPANY") has already started execution of its various strategies. Besides, we have decided to carry through a business and capital alliance with Chuetsu Pulp & Paper Co., Ltd. Having established joint venture companies for collaborative procurement of imported wood chip and production of high-grade boxboard respectively, and also a joint holding company for domestic/overseas bag-making business, we will implement better cost rationalization measures and push forward with entry into new business areas, in an aim to further improve our corporate value.

The amount of interest-bearing debts at the end of March 2015 was 862.6 billion yen, partly due to the acquisition of CHHPP. While funding is required to drive forward the business restructuring, it is also important to carefully consider how our investment is spent in order to strike a good balance with the Further Enhancement of the Financial Foundation. In preparation for a rise in interest rates, we will aim to achieve interest-bearing debts of 750.0 billion yen by the end of fiscal 2016.

### ■ Interest-bearing Debts



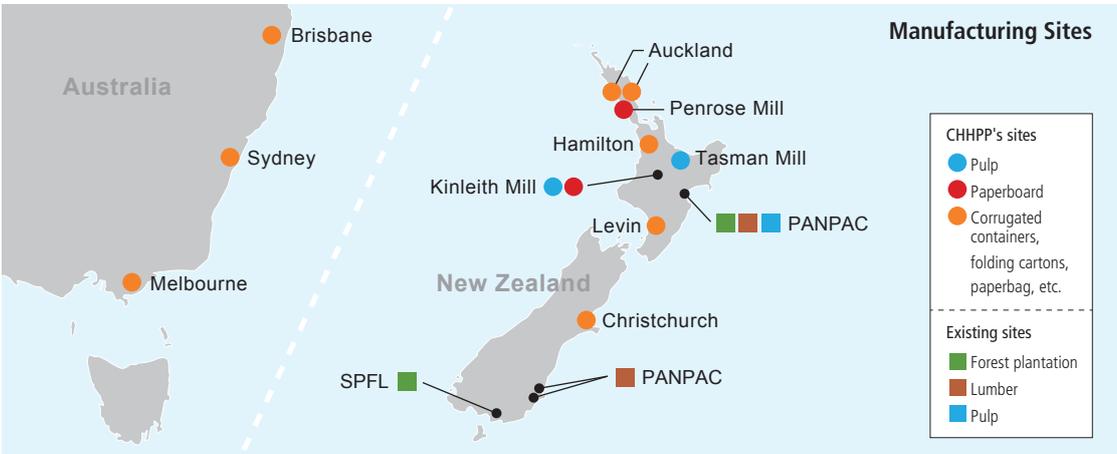
**Q**

Please tell us more about New Zealand’s CHHP that the Oji Group acquired in 2014.

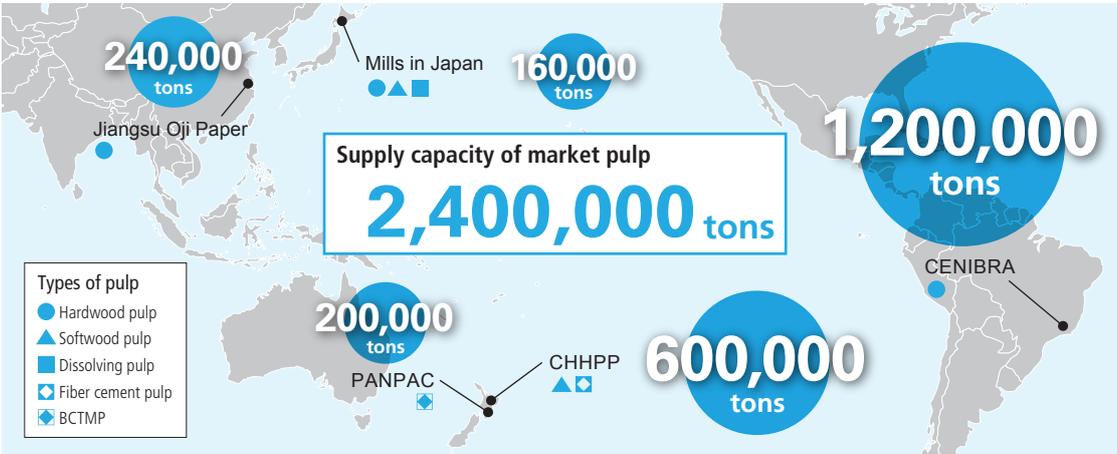
**A**

CHHP operates pulp and packaging businesses in the Oceania region. We highly expect synergetic effects with other overseas businesses of the Group such as those in Southeast Asia.

The Oji Group has jointly acquired shares of Carter Holt Harvey Pulp & Paper (“CHHP”) in New Zealand together with Innovation Network Corporation of Japan, in December 2014. The acquisition cost was approximately 1,037 million NZ dollar (approximately 97.0 billion yen at the exchange rate on the acquisition day), which makes this acquisition the largest among the Oji Group’s M&A deals to date. CHHP has been engaged in pulp, paperboard and packaging businesses in New Zealand and Australia for many years and owns a total of eleven manufacturing sites in the two countries.



CHHP manufactures chemical pulp which is derived from softwood trees (BSKP, USKP). With the recent completion of the upgrading of BCTMP equipment at PANPAC, which is also located in the North Island of New Zealand, synergistic benefits are expected to be reaped in various aspects such as procurement of raw materials, development of manufacturing technologies and sales. Together with bleached hardwood pulp (BHKP) of CENIBRA in Brazil and Jiangsu Oji Paper in China, our expanded pulp lineups are now able to fulfill a wider variety of customer needs.



CHHP also manufactures and sells high-strength containerboard, made from softwood trees, of which approximately 40% are exported to Southeast Asia and other regions. Moreover, it owns a total of eight packaging plants, which include five plants that manufacture corrugated containers and three plants that manufacture paper bag, paper cup, etc. In view of the activation of trades anticipated in the Pacific Rim region, we seek to explore the possibility of future collaborations between CHHP and the Group’s other companies in Southeast Asia.

## Interview with the President

Q

Please share with us about the Oji Group's research and development ("R&D") activities.

A

As the main initiative to realize the "Creation of Innovative Values", the Innovation Promotion Division conducts R&D on a wide range of themes.

In order to achieve the management philosophy "Creation of Innovative Values", the Innovation Promotion Division, which was established in April last year, plays a central role in conducting various R&D activities utilizing our accumulated technologies.

Regarding the manufacturing demonstration of dissolving pulp (DP) and furfural that has been conducted at Yonago Mill, commercial manufacturing of DP has finally started. The Division also carries out development of cellulose nano-fiber and non-woven fabric-based composite material, which are expected to become highly functional materials of the next generation. Moreover, the Water Environment Research Laboratory, which was established in 2014, collaborates with Group companies to do research to expand its water treatment businesses in and outside of Japan.

At the same time, R&D sites for short life-cycle products such as the Advanced Film Research Center and the Laboratories of Innovation in Adhesive Materials have been moved to be close to manufacturing sites, in order to speedily develop products that fulfill customer needs.



New building of the Advanced Film Research Center (located inside Oji F-Tex Shiga Mill)

Q

Please tell us about the Promotion of Environmental Management.

A

Our management policy that is strongly conscious of the environment will remain unchanged regardless of the changes in business structures. We will aim for zero-environmental burden in all our operational procedures.

In 2014, the Oji Group has laid out the "Promotion of Environmental Management" as an important pillar in the realization of our management philosophy. Indeed, as a paper manufacturing company, we have been unceasing in our efforts to plant trees, manage forests, promote the recycling of waste paper, and run environmentally-conscious operations. Even if in the course of our business restructuring efforts to move away from paper manufacturing such that paper manufacturing no longer remains as our Group's core business, we are determined to carry on with our environmental management initiatives.

We will continue to make proactive efforts in order to achieve zero-environmental burden in each and every operational procedure; realize safe and legitimate procurement of raw materials with consideration for the environment and communities, and sustainable forest management at all the domestic/overseas forests of the Oji Group.

Q

Please give us your thoughts on the risk management structure and corporate governance.

A

We will be committed to build a governance system that contributes to enhancement of corporate values by constructing a risk management structure that responds to rapid business expansions mainly in overseas.

I have repeatedly communicated and instilled the idea within the Group that “Safety, the Environment and Compliance” are the major premise of our company’s existence. The sphere of operations of the Oji Group has been rapidly expanding to various regions in the world, as well as to a wide range of business fields. It has become more and more important to build a firm structure for risk management be it domestic or overseas.

Furthermore, as strengthening of information security has become a significant mission for corporations today, the Oji Group has been implementing various measures as a whole Group. Even in the face of ever-changing and increasingly sophisticated attacks, we are working on countermeasures everyday while incorporating expertise knowledge.

After the Group’s transition to a pure holding company system in October 2012, a structure in which Oji Holdings takes responsibility over the entire Group’s management strategies and corporate governance, while each COMPANY conducts its business with speedy decision-making, has been constructed. With regards to safety and the environment, suitable personnel in supervisory and leadership roles are deployed to each COMPANY, according to the latter’s business characteristics, to respond to the expansion of business fields.

There has been mounting calls for strengthening of corporate governance year after year as shown by examples such as the amendment of the Companies Act and the establishment of the Corporate Governance Code. The Oji Group has worked on the strengthening of its governance system by appointing Outside Directors since 2007 to enhance mutual supervisory functions. We will continue to focus on the development and operation of a governance system that contributes to the enhancement of corporate values.





Anti-reflection plastic plate with nanodot array's fine structures (right)  
Conventional plastic plate (left)

# Initiatives for Creation of Innovative Values

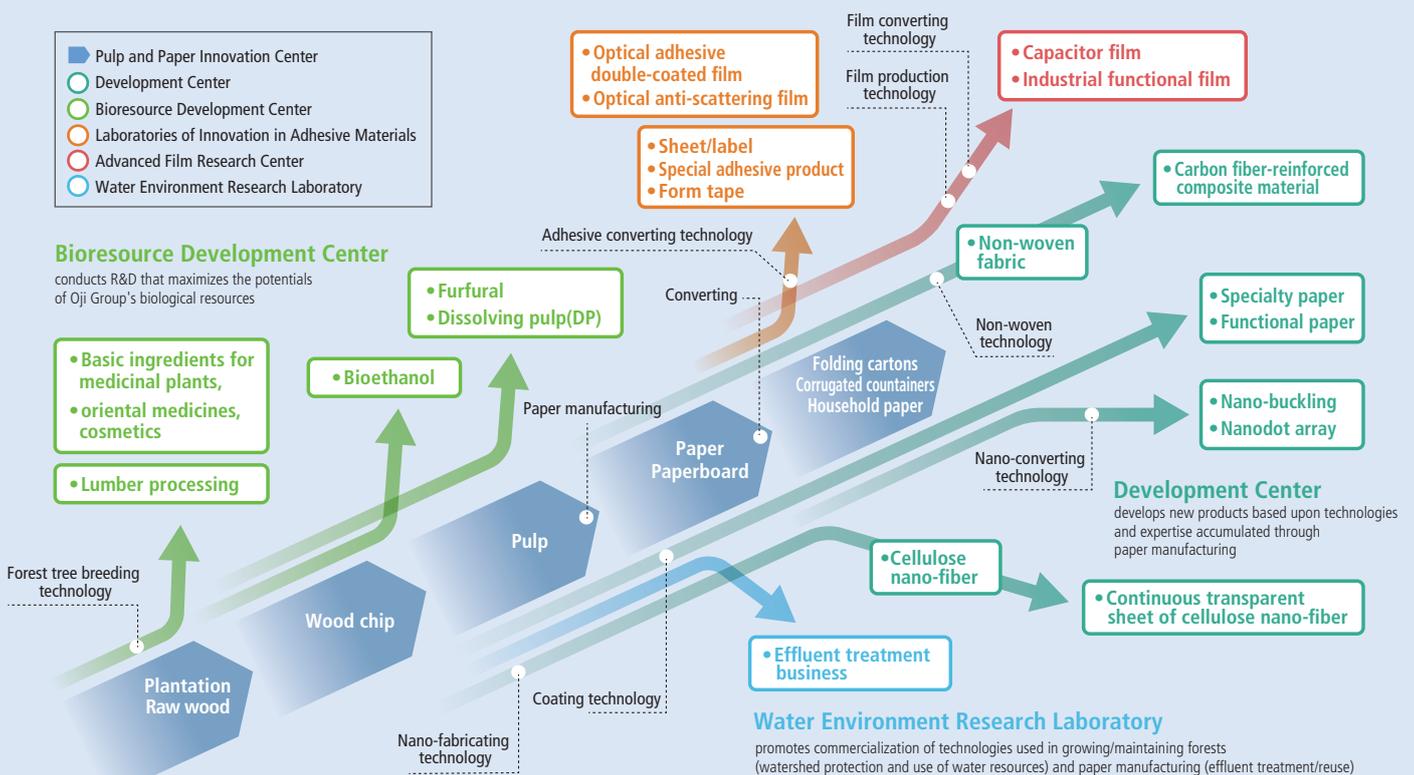
With the creation of new businesses and the strengthening of competitiveness of current businesses in mind, the Innovation Promotion Division accelerates the Oji Group's speed of innovation with its discovery of seeds for technology revolution and also development of new markets and products that are closely attached to business enterprises.

## Priority Strategies of the Innovation Promotion Division

1. Proposition/implementation of new needs (business models) and seeds, and formation of value-chain
2. Contribution to sales/earnings through creation of new businesses
3. Enhancement of technologies and enrichment of human resources to develop new business fields
4. Accumulation of steady results on research themes which require time and large investment
5. Strengthening of cost competitiveness through refinement of pulp and paper technologies

## Value Creation by the Innovation Promotion Division

Each research center of the Innovation Promotion Division strives to develop new products and technologies such as highly functional/high value-added products and wood/water resources usage or environmental conservation technologies. The New Business Innovation Center takes the lead in creation of new businesses, cultivation of new seeds and formation of a value chain.



## Promotion of Water Infrastructure Business in Japan and Overseas

### In an aim to develop safe and secure systems with lower facility and maintenance costs

In 2014, the Water Environment Research Laboratory was established in the Innovation Promotion Division as the main taskforce to develop the water infrastructure business based on the substantial experience and know-how the Oji Group has accumulated. It cooperates with Group companies to promote overseas water treatment businesses in addition to reinforce existing domestic water treatment businesses.

The Laboratory actively works to offer safe and secure water treatment systems with low facility and maintenance costs, through designs and on-site verification tests of water treatment systems that are based on the Group's accumulated know-how and technology, water quality analysis via various analytical technologies, and simulations.

#### • Assumed Business Lineup

Overall water infrastructures (treatment of water and sewage, plant effluent, industrial wastewater, animal husbandry effluent, agricultural water, etc.)

#### • Assumed Regions for Business Expansion

Japan, Southeast Asia (Thailand and Myanmar), Australia, Brazil and North America.



Laboratory testing apparatus for membrane treatment



Laboratory testing apparatus for biological treatment



Water quality analysis with ICP-MS

## Promotion of Commercial Production of Dissolving Pulp and Verification Testing of Furfural Production

### Installation of an efficient continuous biorefinery process to produce next-generation plastics from biomass

As part of the Oji Group's business portfolio restructuring, we introduced the continuous process at Yonago Mill of Oji Paper. This project demonstrates to produce valuable biorefinery products obtained from cellulose and hemicellulose by hydrolysis of wood chips.



Verification testing plant for furfural production

#### • Manufacturing of pure furfural from hemicellulose

While furfural is mainly used as solvent, it is expected to be utilized as raw materials for biomass-derived chemical products and next-generation plastics in the future.

Main Applications  
Organic solvents, various chemical products, etc.



Furfural

#### • Manufacturing of dissolving pulp from cellulose

Market growth of dissolving pulp is expected, as it is used as raw materials for rayon and various chemical products whose demands are on the increase.

Main Applications  
Clothing, hygiene products, food additives, etc.



Dissolving pulp

Value Creation 03  
Application of nano-fibrillation technologies

## Wider Application Expansion of the Cellulose Nano-Fiber

### As a highly functional material of plant origin for the next generation

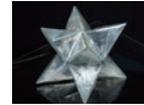
Manufacturing technologies of continuous transparent sheet and slurry of the cellulose nano-fiber, which enable us to have a plant fiber finely fibrillated to nano-order level, have been developed. Intended to users of all over the world, offering of samples of continuous transparent sheet with excellent optical characteristics has been started. In addition, application has been widely expanded to thickener, reinforced plastic, etc.

• Feature of cellulose nano-fiber

- Coefficient of linear thermal expansion equivalent to glass (resistant to variation of temperature)
- Higher coefficient of elasticity than glass fiber (hard and strong)
- Material of plant origin which contributes to a minimum environmental impact

- Continuous transparent sheet of cellulose nano-fiber which has excellent optical characteristics

Continuous transparent sheet (right) and origami made of it (left)



- Slurry of cellulose nano-fiber which is transparent and high in viscosity

Slurry of cellulose nano-fiber has high transparency, high water retention, excellent thickening property and excellent stability of dispersion. Therefore, it is expected to be utilized as thickening agents for chemical products, cosmetics and products of various business fields.



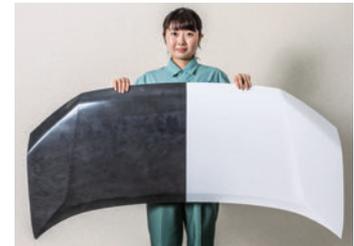
Value Creation 04  
Application of paper manufacturing technologies

## Development of the Non-Woven Fabric-Based Composite Material that Transforms into Plastic

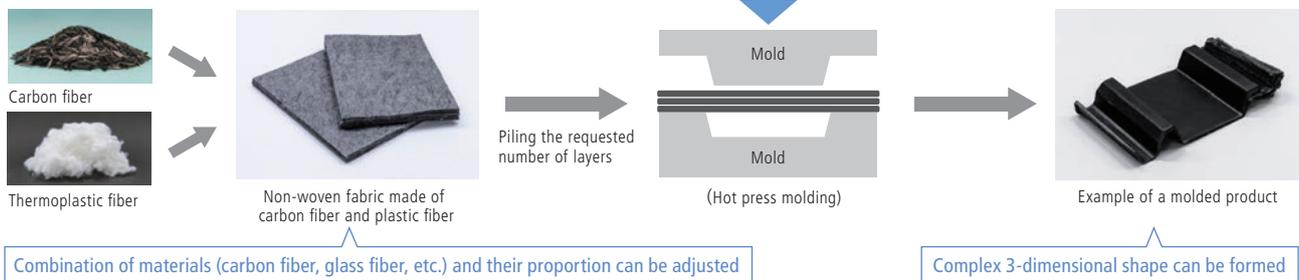
### Production of the composite material capable of hot press molding with reinforcement fiber and thermoplastic fiber

Non-woven fabric-based composite material that is made of "carbon fiber & plastic fiber" has been developed. Carbon fiber has high strength whereas plastic fiber can be thermally dissolved. By taking the advantages of the two materials to produce sheets, light and strong molded products can be easily fabricated just by applying hot press method. By adjusting the combination and proportion of fibers to be mixed, various products that fulfill users' end-use applications have been developed.

Main Applications : Outer panel and inner component of vehicles, chassis of home electronics, inner component of rail vehicle and aircraft, etc.



Trial product of a lightweight bonnet



Value Creation 05  
Application of adhesive converting technologies

## Development of a 3-Dimensional Surface Decoration Material Utilizing Adhesive Converting Technologies

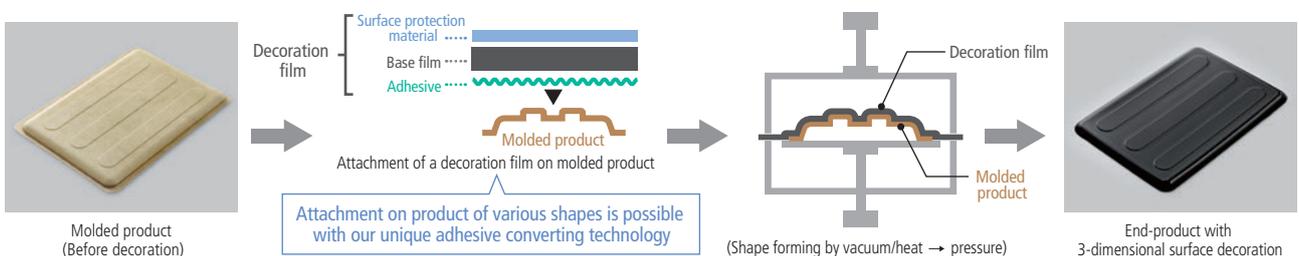
### Contribution to a coating-free society with the technology for 3-dimensional surface decoration

3-dimensional decoration is a technology to attach a decorative film on uneven plastic molded product with heat, vacuum and pressure. As there is a demand for functions to protect surfaces of decorated products from scratch and dirt, R&D has been promoted on adhesives for decoration films and surface protection materials.

Main Applications : Inner/outer component of vehicles, decoration on home electronics, etc.



Decoration films



## Diversity in Human Resources and Working Styles

“Diversity in Human Resources” is essential for the Oji Group in its pursuit of the sustainable growth as a global company and creation of innovative values; and the “Working Style Reform”, embodied by ideas of operational reforms that are generated with abundant unconventional thoughts, has been promoted in an aim to allow the valuable human resources to demonstrate their best abilities.

### Operational Reform and Working Style Reform

Under the major principle of “human resources are the source of company’s strength”, and “better working styles are the basis of personnel management and revitalization” as a view, the Oji Group revises its conventional ways of working to improve the “quality of work”.

#### Initiatives for the “Operational Reform”

The top management has firmly decided that it is crucial to strengthen competitiveness and transform business structures, responding to the integrating domestic and Asian markets and declining domestic demand for paper. To realize this, we are driving forward the “Operational Reform” that integrates the three pillars: “Working Style Reform”, “Communication Style Reform” and “Daily Operational Reform”.

#### Promotion of the “Working Style Reform”

FY2014 Total working hours  
(Headquarters area)

Reduced by **74 hours**

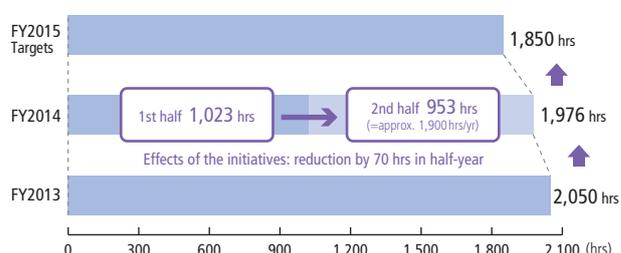
The Oji Group has been making changes in the ways of working by identifying and eliminating/reducing unnecessary and unproductive works, in an aim to reduce the total working hours. Initiatives such as scheduling of working hours to match the actual work situations, setting of the maximum limit of overtime work hours (60hrs/month), prohibition of overtime work after 7 p.m. in principle, have provided employees with the motivation to reexamine their daily working styles. Meanwhile, we have set targets of full compensatory leave for working on holidays or non-working days and utilization rates of annual paid leaves of over 80%, in order to entrench a habit of taking leaves without fail in the employees.

As a result, the total working hours per person at the



headquarters area in fiscal 2014 decreased by 74 hours relative to the previous year, accomplishing the initial target of 1,900 hours, though the initiatives have been taken only from the second half of fiscal 2014. In fiscal 2015, we will continue to make the reduction efforts with the target of the annual total working hours set as 1,850 hours.

Improvements in quality of work enabled by the “Working Style Reform” will contribute to strengthening of the Oji Group’s competitiveness and also to improvement of work-life balance for employees. Additional efforts will be continuously made to create the working environment where employees can work with vigor and enthusiasm.



## Promotion of Diversity

The Oji Group enhances its initiatives to facilitate active recruitment of diverse personnel, regardless of gender, nationality, age, etc., and promotes utilization of global human resources as well as active participation of women.

### Establishment of the Diversity Promotion Office

In April 2015, the Diversity Promotion Office was established in Oji Management Office, a company that supports business operations of the entire Oji Group. It draws up the Oji Group's diversity promotion concept and pushes forward with the initiatives that range from target setting to concrete activities.

The first initiative is to develop a plan for promotion of women to management positions for each Group company so as to raise the ratio of women in management positions, which is an index for promotion of active participation of women. Accordingly, the Office provides assistances to solve issues that each Group company faces.

Besides, the Office conducts interviews with employees who are taking care of young children to enhance supportive measures that are genuinely required to strike a balance between work and child-care without much difficulty. Moreover, intranet site and brochures to introduce various systems as well as opening of consultation desk have been prepared to ease any worries that employees may have due to lack of information.



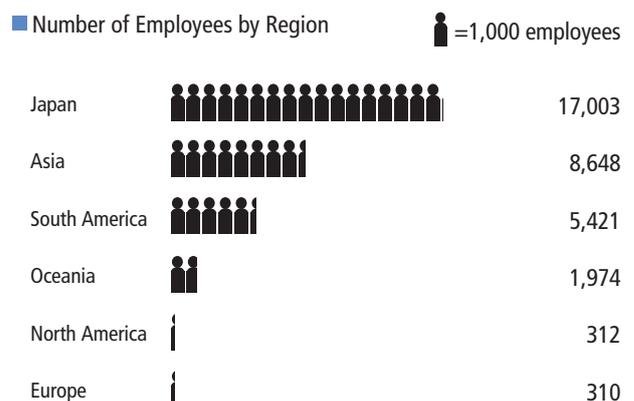
#### Main Initiatives

1. Establishment of the Diversity Promotion Committee
2. Implementation of measures to increase ratio of women in management positions
3. Introduction of female mentor system
4. Consideration/implementation of systems to support work-life balance
5. Follow-up for employees under child-care/family-care leaves
6. Setup of consultation desks to support employees in balancing their work and family
7. Promotion of education in relation to diversity
8. Recruitment of elderly people and persons with disabilities
9. Follow-up for foreign employees

### Recruitment/Utilization of Global Human Resources

In order to strengthen its international competitiveness, the Oji Group promotes reforms to allow diverse human resources including overseas employees, whose numbers have been increasing, to play active roles in their work.

As of the end of March 2015, the Oji Group had 33,668 employees; the number and the ratio of overseas employees are 16,665 (increase of 2,938 employees from the previous year) and 49.5% (increase of 5.3% from the previous year) respectively. The overseas employees ratio is expected to maintain this increasing trend along with the Group's active pursuit of the "Further Expansion of Overseas Businesses". Initiatives for diversity promotion will be increasingly important, in order to encourage employees with different cultures and values to work in cooperation and exhibit their full abilities at the same workplace. The Oji Group works hard to strengthen its international competitiveness as well as to nurture human resources who take up challenges in the creation of new values, via its efforts for system building and culture transformation.



## Promotion of Active Participation of Women

The Oji Group strengthens the initiatives that encourage the active participation of women in the workplace.

A working environment, which allows women to work with enthusiasm, leads to creation of new values and a dynamic organization. We have been consciously creating a working environment that is easier for women to work in by promoting working style reforms that improve operational efficiency and reduce total working hours as well as by introducing a personnel system that evaluates employees by achievements rather than time spent on work.

In addition, the Oji Group as a whole has been making proactive efforts in recruiting women and expanding their occupational scopes, so as to increase the ratio of female employees and also ratio of women in management positions steadily.



## Assistance for Balancing Child-care/Family-care and Work

FY2014 Percentage of women utilizing/returning from child-care leave\*

100%

In the Oji Group, there are many women who decide to return to work at the end of their child-care leave, and they continue to actively participate in work while striking balances between child-care and work. In order to realize diverse ways of working, we have introduced systems that make it easier for employees taking care of their children or families to play active roles in work (subsidies for day-care center, extension of the period for shorter working hours, etc.) at major Group companies. Also, we eased the uses of non-statutory paid leave to foster participation of male employees in child-care/family-care.

Moreover, we support our precious human resources by implementing systems such as leave system in the case of accompanying spouse in his/her overseas relocation, return-to-work system for employees who are obliged to leave their work due to reasons such as childbirth, child-care and family-care, etc.



\*Coverage of calculation: Oji Holdings, Oji Materia, Oji Container, Oji Nepia, Oji F-Text, Oji Imaging Media, Oji Green Resources, Oji Forest and Products, Oji Paper, Oji Management Office, Oji Logistics, Oji Engineering

## Promotion of Employment of Persons with Disabilities

Since fiscal 2004, the Oji Group has been working in cooperation with public agencies and NPOs, to promote employment of persons with disabilities. In 2007, we established "Oji Clean Mate", a special subsidiary for employment promotion of persons with disabilities. We will continue to make efforts to increase work opportunities for persons with disabilities.

### ■ Employment Rate of Persons with Disabilities (%)

	FY2012	FY2013	FY2014
Oji Group	1.92	1.93	2.03
Average of companies*	1.90	1.98	2.05
Legally mandated rate	1.80	2.00	2.00

\*Average of companies with more than 1,000 employees

\*Coverage of calculation: Oji Holdings, Oji Nepia, Oji Imaging Media, Oji Paper, Oji Management Office, Oji Clean Mate which are approved for Group treatment

### VOICE



Oji Management Office  
General Manager,  
Human Resources Division  
Katsumi Kurokawa

### In an aim to nurture human resources who are committed to value creation

In fiscal 2014, we have introduced and enhanced "Role-based Personnel System" and "Working Style Reforms". In addition, we abolished the system of spouse's allowance to increase the amount of child allowance given to the employees, in order to take measures against declining birth rate and to promote employment of women. In doing so, we have built the foundation for further improvement. Going forward, the Diversity Promotion Office, which we established in April 2015, will play a central role in implementing initiatives, so that the diverse human resources including women will be able to perform to the best of their abilities. To begin with, the Office sets a numerical target for the ratio of women in management positions, and makes all-out efforts to facilitate an attainment of the target. By this means, diverse values and inventiveness that are fostered will then lead to strengthening of the Oji Group's competitiveness.

The series of initiatives have been considered and conducted for the purpose of changing the mindsets of each and every employee. We will continue to instill and expand these initiatives to nurture human resources who can accelerate the business restructuring.

# Industrial Materials Business

## Household and Consumer Products Business

We will further increase our earning capacity by consciously operating businesses with our "customer-first motto".

We will also drive forward expansion of our overseas businesses mainly in rapidly growing Southeast Asia.

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

**Ryoji Watari**



### Sales Composition



#### Main Businesses

##### Industrial Materials Business

Containerboard, boxboard, packing paper

Corrugated containers, folding cartons, paper bags

##### Household and Consumer Products Business

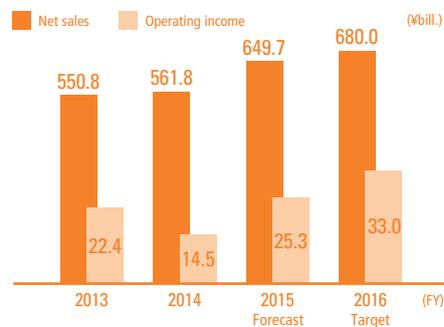
Household paper, disposable diaper

### Net Sales

**¥561.8 billion** Year-Over-Year ↑ 2.0%

### Operating Income

**¥14.5 billion** Year-Over-Year ↓ 35.3%



### FY2014 Overview and FY2015 Outlook

In fiscal 2014, a decline in the profit of industrial materials business was caused mainly by the increased prices of raw materials in Japan, despite business efforts made, such as revamp of the domestic manufacturing system of paperboard/corrugated container and commencement of operation of a new corrugated container plant in India. The profit of household and consumer products business also decreased due to the effect of reactionary decline in consumption followed by the last-minute demand ahead of consumption tax hike as well as increased costs resulted from yen depreciation.

Looking to fiscal 2015, we expect earning capacity of the industrial materials business will improve through efficiency enhancement of domestic businesses and overseas business expansion via construction of new plants. For the household paper and disposable diaper businesses, we will pursue an earnings recovery by relaunching products with further quality improvements and enhancing the brand value.

### Industrial Materials Business

#### Business Environment

As the domestic economy continues to improve, steady growth of food & beverage sector and mail-order & home-delivery sector centering on e-commerce give positive influences on the demand trend of corrugated container, which is one of the COMPANY's major products. For the overseas economy, further market expansion is expected owing to improvement of income levels especially in Southeast Asia region. In addition, we expect the establishment of the ASEAN Economic Community in the end of 2015 will stimulate the regional economy further.

## Business Strategies

- Pursue the “material-and-processing-integrated business model” through thorough practice of market-centered mindset
  - ➔ Achieve the No.1 position as a total packaging manufacturer
- Promote the total packaging business by creating new demands that go beyond the border of existing businesses
- Strengthen collaborations within the Group to establish a support system for offering of a wide range of products to customers
- Expand overseas packaging business through greenfield investments and aggressive M&As
- Reinforce the business foundation with consideration for local/regional situation to promote sustainable growth of existing overseas business sites

### Material-and-processing-integrated business model, “one-stop shopping”

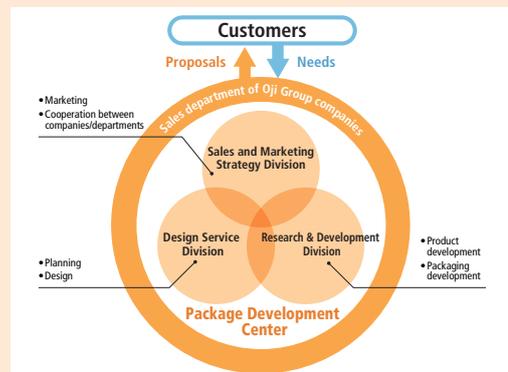
The packaging business of the Oji Group offers a wide variety of products such as folding carton, paper bag, heavy-duty paper sack, corrugated container, material for heavy-duty packaging, etc. Taking advantage of this strength, we are promoting the “one-stop shopping” that responds to any demands that customers may have concerning “packaging” with proposals of material selection, design, converting and shipping.

### Establishment of a new organization for the purpose of enhancing capabilities of product development and marketing

Oji Industrial Material Management has newly established the “Package Development Center” which consists of the following three Divisions: the ‘Research and Development Division’ which promotes enhancement of product development capability, the ‘Design Service Division’ which supports product planning and branding, and the ‘Sales and Marketing Strategy Division’ which creates new demands by uncovering customers’ latent needs and developing growth fields. The three Divisions will work in close coordination and cooperation to promote a proposal-type business model that attains customer satisfactions. Through such collective efforts, the Group will aim to increase its presence and brand value in markets.



One-stop design proposals for JA Minami Shinshu for logo, packing paper, novelty goods, etc.



Package Development Center

## Creation of Social Values

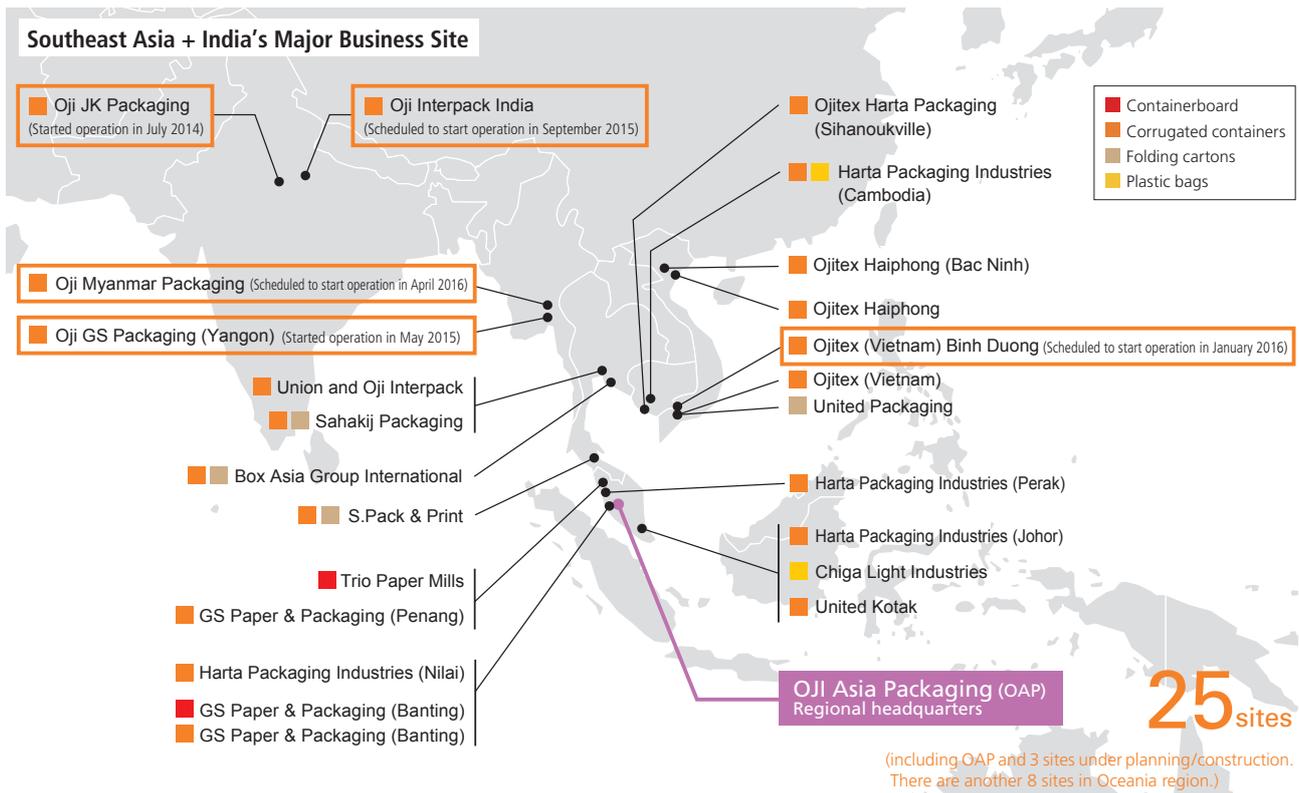
### Dissolution treatment of confidential documents - recycling of confidential documents that are generated at all kinds of offices

Many confidential documents are being shredded or incinerated instead of being recycled, due to fear of information leakage. At Oji Materia Edogawa Mill, confidential documents, which are put into sealed corrugated containers without taking off from binders, are dissolved by pulping equipment protected with sophisticated security. Then, the dissolved documents whose information completely deleted are recycled to be used for boxboard manufacturing. We have been promoting expansion of waste paper usages with the system that enables a simultaneous pursuit of security protection as well as environmental consideration.



Edogawa Mill's pulping equipment for confidential documents

## Further Expansion of Overseas Businesses



Expansion of the total packaging business in markets of Southeast Asia and India, the regions with high expected growth. There will be manufacturing sites in 6 countries (Vietnam, Malaysia, Thailand, Cambodia, India and Myanmar).

The Oji Group started its corrugated container business in Southeast Asia in 2000 with the establishment of Ojitex (Vietnam) in Ho Chi Minh City, Vietnam. Then, a full scale entry into the total packaging business in the region has been made since 2010 with M&A and establishment of new companies; the first plant for corrugated container in India started its operation in 2014.

A new plant for corrugated container in Myanmar, which is the first business site in the country, has started its operation in May 2015. Additionally, in India, a new plant for heavy-duty packaging materials will commence its operation in September 2015, becoming the second site in the country. Furthermore, a new plant for corrugated container located near Ho Chi Minh City, Vietnam, and a new plant for total packaging business in Myanmar are currently under construction with the aim to start their operation in 2016. Going forward, we will continue to further step up our presence in rapidly growing Southeast Asia and India as well as make forays into countries not yet entered.



Oji GS Packaging (Yangon) (started operation in May 2015)



Ojitex (Vietnam) Binh Duong (scheduled to start operation in January 2016)

### VOICE



GS Paper & Packaging  
President  
Sia Boon Soon

### Realizing further expansion of the market share in Malaysia

The Oji Group has retained No.1 position in Malaysia's containerboard and corrugated container markets, and strives to further increase the market share and secure earning power for future growth with its in-depth expansion strategies. Moreover, with the continual support of the Group, we, the Malaysian team, will go on to play an important role in the Group's quest to expand its business to other ASEAN countries such as Cambodia and Myanmar.

## Household and Consumer Products Business

### Business Environment

Even though slight decline in the total volume of household paper products in the domestic market is anticipated due to the population decrease, demand growth of high value-added products such as moisturizing products is expected.

For disposable diaper business, demand structure of domestic market has been changing drastically due to aging population and declining birth rate, and there is a need to respond towards an increasing demand for adult disposable diaper as well as higher value-added baby disposable diaper products. For overseas market, demand has been rapidly rising in developing countries including those in Southeast Asia, along with their population growth and economic development.

### Business Strategies

- Develop value-added products that fulfill various needs of customers
- Improve the brand power through steady launch of redesigned products and new models
- Plan and implement sales strategy for each product group
- Promptly expand to regions with expected high demand growth including Southeast Asia
- Utilize M&A and partnerships with local enterprises that have strong sales and marketing capabilities



Adult disposable diaper "Nepia Tender (tape-type)", with its main feature of wide tapes which can be stuck on top of one another



Baby disposable diaper "Genki!"



High quality tissue paper "Hana-celeb"

### Promotion of "nepiaQuality" in all the business fields

Having "nepiaQuality" (living, environment and social qualities) as its slogan, Oji Nepia is committed to improve the brand values of "Nepia" (household paper), "Genki!" (disposable diaper for baby) and "Nepia Tender" (disposable diaper for adult) with its integrated sales, marketing and manufacturing structures.

Regarding the household paper business, we differentiate ourselves from other companies by expanding market shares of high quality products, namely "hana-celeb" and "premium soft", as well as offering forest certified eco-friendly products. For the disposable diaper business, we implement regular renewals to provide quality products that fully incorporate customer needs.



Oji Nepia aims to be the No.1 company by each "Quality"

### Creation of Social Values

#### Corporate Social Responsibility at Oji Nepia

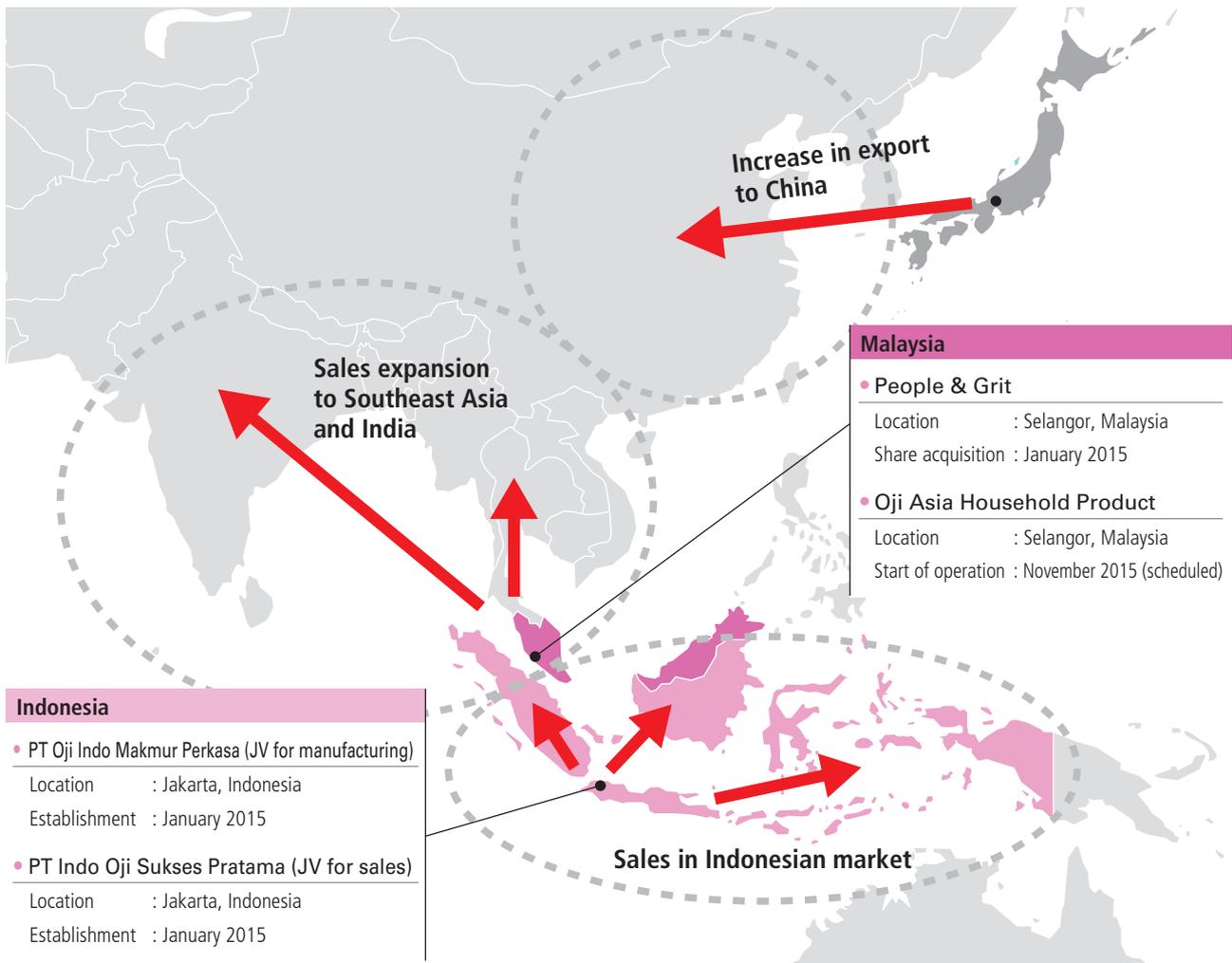
Oji Nepia, which is engaged in manufacturing and sales of tissue paper, toilet roll and disposable diaper, considers social contribution activities as a part of the "social quality" and continues its activities that resolve social problems through cooperation with customers and various other organizations.

"1,000 Toilets Program", which the company started in 2008, has built more than 6,200 toilets so far and contributed significantly to the improvement of mortality rates among children. With more than 72,000 cheerful messages from domestic customers, the Program continues to grow with customers.



A portion of proceeds is used to support UNICEF's toilet construction activity in Timor-Leste via the "1,000 Toilets Program"

## Further Expansion of Overseas Businesses



### Active expansion of the disposable diaper business mainly in Southeast Asia, the region with expected high demand growth.

In Malaysia, the Oji Group has acquired 80% shares of People & Grit, a local disposable diaper company, and has embarked on construction of a new disposable diaper factory, Oji Asia Household Product. In Indonesia, we will manufacture and sell disposable diaper jointly with PT Indofood CBP Sukses Makmur.

Furthermore, we are considering making entries into other Southeast Asian countries through M&A and partnerships with local companies with distribution networks.



Factory of People & Grit

### VOICE



People & Grit  
President  
Eric M. W. Law

### Becoming a member of the Oji Group

People & Grit has become a member of the Oji Group since January 2015. Established in 2002, we are still young, but our products are well-received in Malaysia and our brand profile has been increasingly becoming more visible in the recent days. As the first overseas disposable diaper manufacturer of the Oji Group, we will try our best to increase market shares and sales and to improve earning capacity, so as to make contributions towards development of the Group's overseas disposable diaper business.

# Functional Materials Business

We will lead the Oji Group's transition to an "Innovative Value-Creating Company" by enhancing our proposal-making capability which is the integration of R&D, manufacturing and sales functions, and further developing high value-added products.

President, Functional Materials COMPANY

Kazuo Fuchigami



## Main Businesses

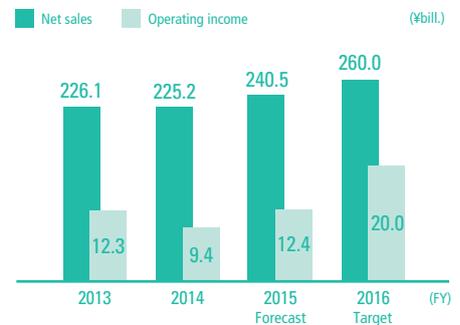
- Specialty paper
- Imaging media
- Adhesive products
- Film

## Net Sales

Year-Over-Year  
**¥225.2 billion** ↓ 0.4%

## Operating Income

Year-Over-Year  
**¥9.4 billion** ↓ 23.6%



## FY2014 Overview and FY2015 Outlook

In fiscal 2014, we had net sales of 225.2 billion yen (down 0.9 billion yen from the previous year) and operating income of 9.4 billion yen (down 2.9 billion yen from the previous year). The net sales decreased along with the effect of reactionary decline in demand following the rush demand ahead of the consumption tax hike and the operating income decreased mainly due to the increases in unit prices of raw materials.

Looking to fiscal 2015, we expect to have net sales of 240.5 billion yen (up 15.3 billion yen from fiscal 2014) and operating income of 12.4 billion yen (up 3.0 billion yen from fiscal 2014). These anticipated huge increases in sales and income are due to further acceleration of development and sales expansion of new products as well as overseas expansion. Besides, some positive effects of the ongoing restructuring of manufacturing system will start to materialize.

## Business Environment

For the domestic businesses, there are increasing impetus to develop high value-added products such as highly functional films, optical components, carbon fiber reinforced composites, decorative films and medical products, while the market of conventional printing media products has been moderately shrinking. For the overseas businesses, markets of thermal paper, adhesive paper and specialty paper, which we have strength in, are growing rapidly in Southeast Asia, India and South America, along with their economic development.

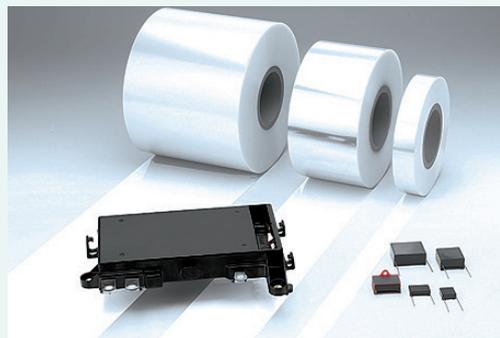
In the recent years, we have established R&D facilities next to manufacturing sites one after another, so as to enable speedy launch of new products to respond to the increasingly sophisticated functional material market inside/outside Japan. For the overseas markets, we will continue to enhance manufacturing facilities at existing sites as well as increase number of manufacturing/converting sites mainly in Southeast Asia region via M&A, etc.

## Business Strategies

- Develop “non-paper” products → Develop light diffusion materials, thermoplastic composites, etc.
- Upgrade existing products based upon creation of new added-values → Increase the product value of capacitor films for EV/HEV and optical films
- Expand business fields in Southeast Asia region → Expand into downstream businesses (printing and converting) and offer the total packaging service, together with the existing packaging businesses
- Expand sales in countries with demand growth (Southeast Asia, South America, etc.) → Fulfill needs of domestic manufacturers which seek overseas expansion  
Make entries into untapped markets

### Development of capacitor films for EV/HEV

Markets of electric vehicles (EV) and hybrid electric vehicles (HEV) have been rapidly growing in the recent years, and Oji F-Tex’s capacitor films are used in those vehicles that are said to be developed with the finest environmental technologies. The films as thin as  $2.3\mu$ , whose production was made possible by technologies that the Oji Group has developed through years of paper manufacturing, respond to needs of domestic customers who seek thinner films. We anticipate the demand growth also in the overseas markets, including Asia and Europe, in the coming years.



Thin film production of the Oji Group contributes to automobiles' eco-friendliness

### Development of new two-color thermal material (gold and red) and colored/scented thermal paper

Oji Imaging Media has developed an innovative two-color thermal material. With its new bright colors (gold, red, etc.) and fluorescence characteristic that were made possible by the unique thermal dye, the company proactively seeks to expand use applications beyond areas which conventional thermal papers have never been able to realize. Moreover, the colored/scented thermal paper, which was newly developed for receipts, encourages any shops to create original receipts that reflect their features and characteristics.

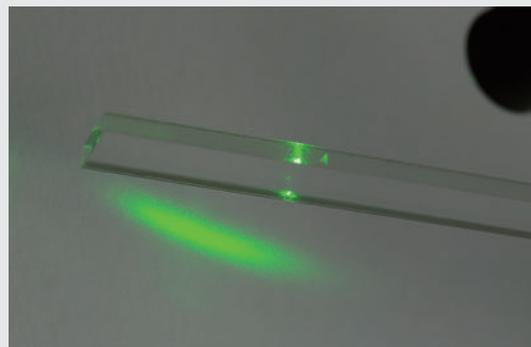


Example of printed colored/scented thermal paper

## Creation of Social Values

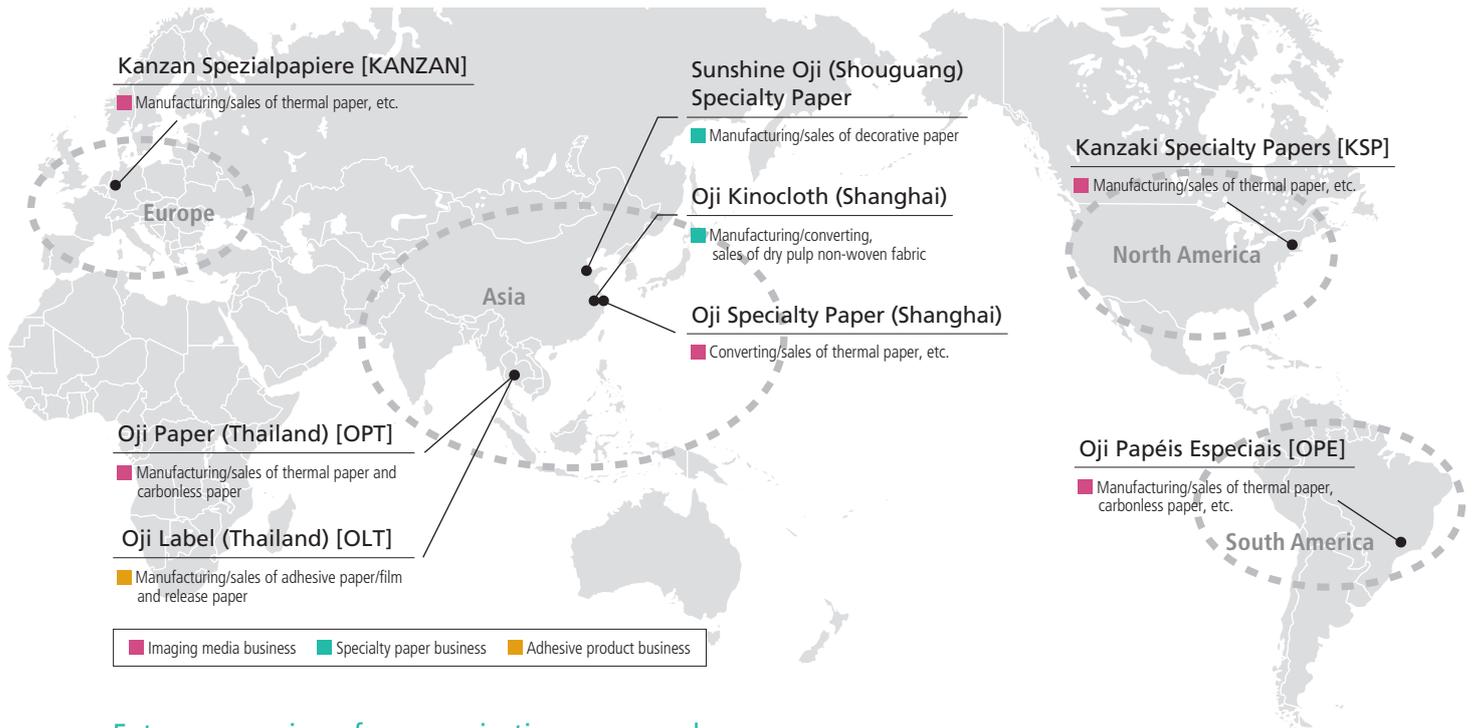
### Energy-conservation through the “nano-buckling (NB)” technology

Oji F-Tex has developed a sheet that controls light diffusions with its wave-forming technology which it named the “nano-buckling” technology. Diffusion and direction of passing lights are now controllable with this original technology to fabricate microscopic structures with varied frequency and height on sheet surfaces. Besides, the sheet’s characteristic of a higher light transmission in comparison with that of ordinary diffusing materials reduces loss of light and display brightness, which results in energy conservation. It can be used in a broad range of application including copy machines and tunnel/street lights.



Energy conservation through controlling light diffusions

## Further Expansion of Overseas Businesses

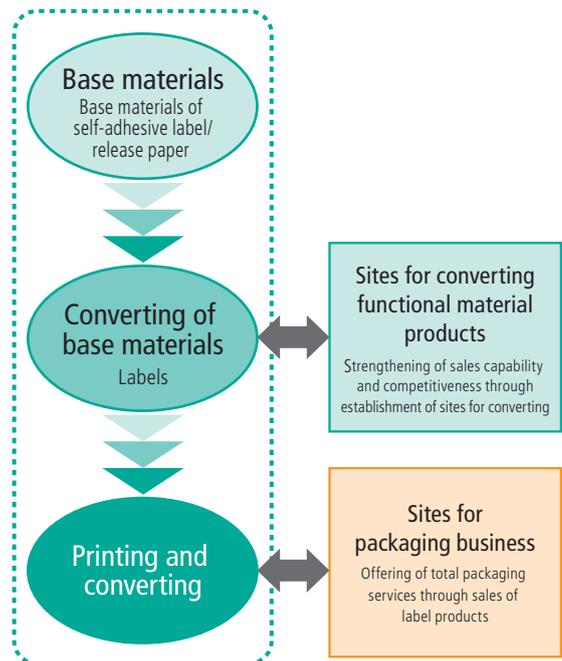


## Future expansion of communication paper and label businesses in Southeast Asia

With regards to the communication paper and label businesses in Southeast Asia, the Oji Group has developed upstream and midstream businesses which include base paper and label businesses. By expanding the business fields to downstream businesses, such as the printing and converting businesses, we will carve out new businesses and products that are close to end-users' needs. Besides, we will aim to offer the "total packaging services", which collectively handle corrugated container, folding carton, label and other products, through collaboration with packaging business which have already been widely developed in Southeast Asia.



OLT LM2 (second coating machine)



## VOICE



Oji Papéis Especiais  
 President & CEO  
 Julio Piatto

## Having the healthy performance, we will pursue further customer satisfactions

OPE joined the Oji Group in September 2011 as a site to manufacture communication paper in Latin America. Since then, we have been sharing technical information with Group companies in Japan, North America, Europe and Asia, steadily developing businesses along with the growth of Brazilian economies. In 2014, we also increased our production capacity. We will continue to respond to the changes in economic situations in Latin American countries, accurately grasp customer needs and improve their satisfactions.

# Forest Resources and Environment Marketing Business

Within the Oji Group which proactively works on the business restructuring as it sets out to be “NO LONGER a Paper Manufacturing Company”, our COMPANY is proud of playing a pivotal role in expanding our business with more profit in and outside of Japan.

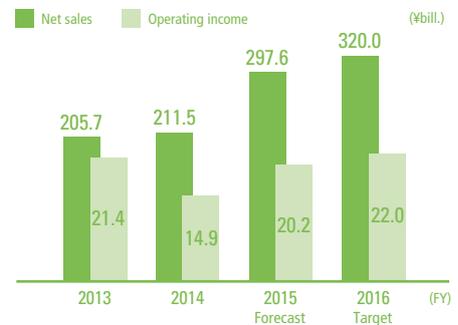
President, Forest Resources and Environment Marketing COMPANY

**Kazuhiko Kamada**



**Main Businesses**

- Lumber / forest plantation
- Pulp
- Energy
- New businesses



## FY2014 Overview and FY2015 Outlook

In fiscal 2014, we had net sales of 211.5 billion yen (up 5.8 billion yen from the previous year) and operating income of 14.9 billion yen (down 6.5 billion yen from the previous year). The overall decrease in operating income in part was the result of a drop in hardwood pulp prices.

Looking to fiscal 2015, we expect to have net sales of 297.6 billion yen (up 86.1 billion yen from fiscal 2014) and operating income of 20.2 billion yen (up 5.3 billion yen from fiscal 2014). In our second year of introducing the feed-in tariff scheme\* for renewable energies, the renovated hydraulic power plant and biomass boilers commencing at full stream will contribute to enhancing the profit. Moreover, production and sales of dissolving pulp (DP) is expected to boost.

\* Feed-in tariff scheme, which obliges utilities to purchase electricity generated from renewable energy sources for up to 20 years at fixed prices, was launched in Japan in July 2012

## Business Environment

For the pulp business, we expect pulp demand will increase in emerging countries that are flexing their economic muscles. There are risks, on the other hand, that markets may soften and labor costs in producing countries may rise.

For the wood processing business, we are expanding the business mainly in Southeast Asia where economic growth is continuing. As for in Japan, the environmental value of forests has been improving and the lumber self-sufficiency rate has been on a moderate upward trend in the recent years.

For the energy business, expansion of the new power market has been expected as there is a necessity to effectively utilize various power sources after the Great East Japan Earthquake.

The COMPANY is developing existing/new businesses as well as overseas businesses further, maximizing the value of its domestic/overseas resources, infrastructure and expertise. We have also reinforced our trading company function and will, going forward.

## Business Strategies

- Strategy for overseas businesses:  
Operate an integrated business of manufacturing to sales with our rich forest resources  
Capitalize on the increasing demand in emerging countries
  - ➔ Be a worldwide top-notch pulp supplier with a wide range of pulp grades and value added pulp products
  - ➔ Utilize plantation resources to expand into lumber processing business, including premium products, for markets mainly in Southeast Asia and reinforce sales structures
  - ➔ Also, form the foundation of cost competitiveness at mills
- Strategy for domestic businesses:  
Promote energy and agricultural businesses

### Energy business

#### • Power generating

Two biomass boilers in Nichinan, Miyazaki and Ebetsu, Hokkaido are starting their commercial operations in fiscal 2015. In addition, we are positively considering further promotion of the power generating business with a main focus on renewable energy such as revamp of the existing hydraulic power plants.

#### • Power retailing

The COMPANY has started the power retailing business, forming a JV "Oji-Itochu Enex power retailing" in April 2015. Utilizing newly constructed generating equipment and excessive power at Group mills, we aim to retail up to 3 billion kWh p.a. (annual electricity needs of approximately 800,000 households).



Biomass power plant  
(Nichinan, Miyazaki, Oji Green Energy Nichinan)

### Dissolving pulp (DP)

Oji Paper Yonago Mill started commercial dissolving pulp production for rayon textile in May 2014. The mill's order book is full, as a result of its stable production and sales mainly for export to China.

We will continue to conduct quality development not only for common applications, but for promising functioning rayon and other special applications such as food addition agent, medical materials etc., as their demand is expected to increase; and we will commercialize such high value-added products as soon as possible.



Dissolving pulp

## Creation of Social Values

### Tanegashima's community development through round log export from the island

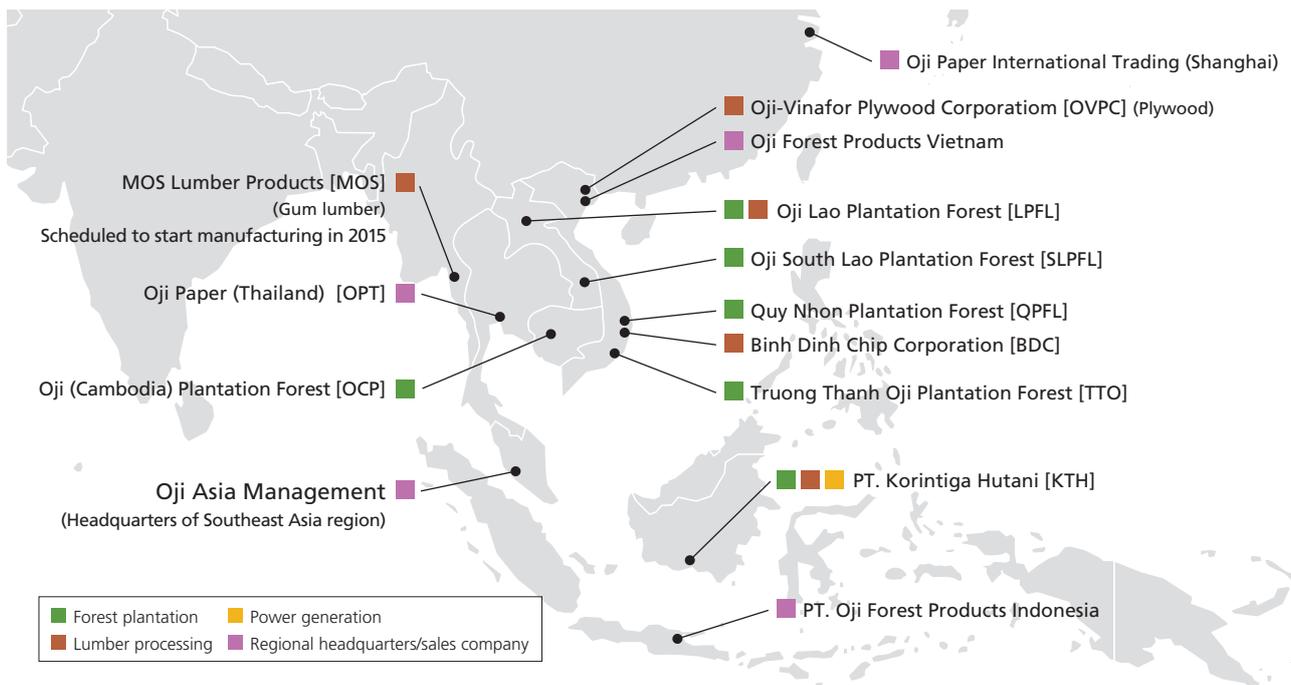
Since December 2013, with the cooperation of Kagoshima Prefecture, Oji Forest & Products (OFP) has started an activity to buy and export the logs that were shipped from Tanegashima Island to Shibushi and Kushikino Ports, together with the logs that were harvested in the main land.

Previously, it hadn't made an economic sense to sell the logs outside of the island due to high handling fees at ports and freight to sawmills and chip mills. By buying the logs at ports in the main land, OFP has accomplished establishing a new viable business model that reduces freight and returns profit to those involved in forestry business on the island.



Loaded round logs

## Further Expansion of Overseas Businesses



### Lumber processing business in Indonesia

KTH in Indonesia aims to develop an integrated forestry business with its abundant resources of more than 60,000 ha of eucalyptus and acacia plantations. Following the chip mill which started operation in 2013, the sawmill was established and biomass power generation started operation in 2014. KTH will start up a wood pellet\* mill in 2015, expanding its business further.

### Market pulp sales to increase

The Oji Group has become one of the world's largest suppliers with its 2.4 million tons capacity by acquiring CHHPP in New Zealand. We have a variety of pulp grades such as Bleached Softwood Kraft Pulp (BSKP) from CHHPP, Bleached Hardwood Kraft Pulp (BHKP) from CENIBRA in Brazil and Jiangsu Oji Paper in China, BCTMP\* from PANPAC in New Zealand and dissolving pulp from Oji Paper in Japan. We will provide those products through Oji Paper International Trading (Shanghai), our trading house.

#### VOICE



Carter Holt  
Harvey Pulp & Paper  
CEO  
Jon Ryder

### Looking forward, we will grow together with the Oji Group

CHHPP is honored to now be part of the wider Oji Group. Oji represents a parent that has a strong leadership, a deep understanding of pulp, paper and packaging businesses and excellent technical capabilities. We are confident that there is a clear vision for the future which is essential for our viability.

As a new member of the Oji Group, we will be focusing on delivering our commitments, and investing for the future growth with the Oji Group. We will aim to strengthen our relationship with other Oji Group members especially with PANPAC, our New Zealand neighbor.

#### VOICE



Pan Pac Forest  
Products  
President  
Doug Ducker

### Expanding the pulp & timber business and contributing to the Japan/Kiwi connection

PANPAC has grown under Oji leadership over the last 42 years to become a major New Zealand integrated forest and forest products company based in Napier. Recent innovations include the modification of the Pulpmill to manufacture BCTMP, the expansion of our sawmilling capability along with the new production of the environmentally friendly TMT\* lumber product. In addition, we have recently commenced operation of a new sawmill located in Milburn, Otago with expansionary capability over time. PANPAC staff are proud of the Japan/Kiwi connection and look to generate synergetic effects with CHHPP with a mind to secure success for Oji Group.

\*Wood pellet is a byproduct of sawmills that is made from recycled sawdust and wood shavings

\*BCTMP stands for bleached chemi-thermo-mechanical pulp

\*TMT (thermally modified timber) is radiata pine lumber, which is dried by normal kiln and further retreated by high temperature kiln, which brings temperature to 220 Celsius. It is antimicrobial and is durable with high dimensional stability without preservative treatments.

# Printing and Communications Media Business

Responding to the rapidly changing domestic demand structure and integrating Asian markets, we will further push forward the business structure reforms as well as the maximization of cash flows.

President, Printing and Communications Media COMPANY

Hidehiko Aoyama



## Sales Composition



## Main Businesses

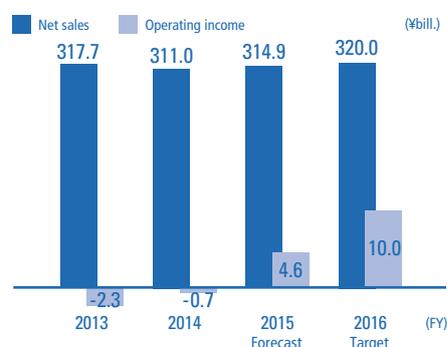
Newsprint  
Printing/communication paper

## Net Sales

¥311.0 billion Year-Over-Year ↓ 2.1%

## Operating Income

¥-0.7 billion —



## FY2014 Overview and FY2015 Outlook

In fiscal 2014, we had net sales of 311.0 billion yen (down 6.7 billion yen from the previous year) and operating income of -0.7 billion yen (up 1.6 billion yen from the previous year).

The decreased sales were caused by an influence of consumption tax increase as well as a gradual slowdown in demand for newsprint and printing/communication paper. Meanwhile, the operating income increased as a result of the thorough implementation of cost reduction measures, despite escalated prices of raw materials due to yen depreciation.

Looking to fiscal 2015, we expect to have net sales of 314.9 billion yen (up 3.9 billion yen from fiscal 2014) and operating income of 4.6 billion yen (up 5.3 billion yen from fiscal 2014). Despite the continual demand decline, we expect the income growth owing to the positive influences from price corrections of printing/communications paper, integration of mills that manufacture cast-coated paper and the integrated manufacturing of pulp and paper at Jiangsu Oji Paper Nantong Mill.

## Business Environment

A continual and gradual shrinking trend of domestic newsprint and printing/communication paper markets is anticipated due to changes in the demand structure resulting from advances in information and communications technology and aging population and declining birthrate. Besides, imported paper has been taking up a certain level of shares in the domestic market as the market has become increasingly integrated with the Asian market in the recent years.

Under such a situation, it has become vital for us to address pressing tasks through various initiatives to strengthen international competitiveness. The initiatives include: construction of an optimum manufacturing system, enhancement of business foundation through cost reduction measures, etc.

Furthermore, it is required to always make efforts to offer better products and improve product quality to meet diverse customer needs in order to respond to the shrinking domestic market.

## Business Strategies

- Enhance the business foundation through cost reduction measures
- Realize the cost reduction effects via Jiangsu Oji Paper's start of kraft pulp (KP) production at an early stage
- Construct an optimum manufacturing system in line with the changes in market conditions

### Construction of an optimum manufacturing system and cost reductions

For the printing/communication paper business, the COMPANY steadily promoted building of an optimum manufacturing system; we brought fourteen machines to a permanent stop and changed one machine's product type during the time period from fiscal 2008 to 2012. In addition, we will integrate mills that manufacture cast-coated paper in fiscal 2015.

Furthermore, we have been striving to further enhance our business foundation through various cost reduction measures, which are born out of unconventional ideas and implemented throughout the whole process from procurement of raw materials to manufacturing, finishing and shipping. For example, manufacturing departments are engaged in maintaining stable operation and various energy-saving operations, while sales departments pursue an efficient transportation system.



A "label-less" packaging for copy paper, and a box with split opening for easy opening (patent pending)

## VOICE



Jiangsu Oji Paper  
General Manager,  
Pulp Manufacturing  
Department  
Xie Dong Liang

The integrated manufacturing mill of pulp and paper with an annual pulp production of 470,000 tons has started its operation. We will make the most of our youth power and the team work to aim for "zero" operational trouble!

One year has passed since the start of trial operation of KP facility in June 2014. We have finally reached to the point that we could take a role as an integrated manufacturing mill of pulp and paper after experiencing many challenges, thanks to instructions and supports of all members of the Oji Group including Japanese operation instructors.

Though we still have room for improvement in terms of operational capability, we will aim for "zero" operational trouble and strive to contribute to earnings improvements of the Oji Group, by taking advantages of our youth power and the team work, with the average age of a total of 130 members of the pulp manufacturing department at 28 years old.

“路漫漫其修远兮，吾将上下而求索”  
(Endless is the road ahead, we shall pursue the truth by all means)“

## Creation of Social Values

### Community contribution activities at Oji Paper

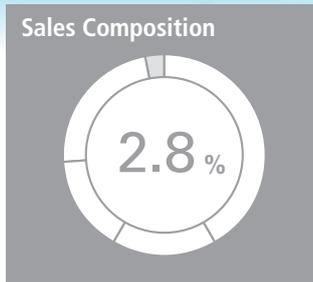
Mills of Oji Paper actively take part in groundwork program that involves members of local communities, companies and government coming together as partners to improve local environment.

Yonago Mill participates in beautification/cleaning of the Kaike Coast which is held every June by "Company Group for Considering Environment Problem" and "Small Kindness Movement (Sanin Office)". Many people use the Coast which opens in July and becomes the site of the "All Japan Triathlon Kaike". Yonago Mill will continue to actively join the activities, together with other companies in Yonago City, to keep the coast beautiful and clean.



Opening ceremony of the beautification/cleaning of the Kaike Coast

# Other Businesses



Each business company enhances the collective strength of the Oji Group by pursuing unique technologies and services and offering a wide variety of services.

### Main Businesses

- Engineering business (Oji Engineering)
- Transportation services (Oji Logistics)
- Sales of paper/pulp/packaging materials (Kyokuyo Pulp & Paper)
- Housing development business, rental business (Oji Real Estate)
- Hotel business, in-flight meal business (Hotel New Oji)

## Strengthening of the trading function through utilization of sales and proposal-making capabilities Kyokuyo Pulp & Paper

Kyokuyo Pulp & Paper takes on the Oji Group's trading company function as a specialized trading company which engages in purchase/sale and import/export of raw materials and products of paper, pulp and synthetic resin as well as packaging materials, chemicals and mechanical instruments.

While the Oji Group is committed to supporting prompt business startups in new fields to accelerate the business restructuring, the Group has also been enhancing its trading company function to share sales information across the Group. Taking advantage of the abundant information obtained from its customers, Kyokuyo Pulp & Paper fully uses its sales and proposal-making capabilities to play the central role in such a process.

The company aims to offer one-stop services of the Group's commercial materials such as converted paper products, chemical products and films to sustainably growing customers. At the same time, it also makes substantial effort to speedily grasp customer needs and develop new products through cooperation with the Innovation Promotion Division, etc., in the aim to create new businesses.



High-expansion foam PP cartons with excellent thermal resistance and thermal insulating properties, manufactured by Ginpopack (a subsidiary)



PET cups with excellent transparency which are used at café chains

## Putting focus on water treatment and renewable energy-related businesses Oji Engineering

Oji Engineering provides overall engineering services, which span from basic facility design to materials procurement, construction and trial operations. Making full use of technical skills and expertise in construction and operation of pulp and paper mills as well as power and environmental facilities, it also offers solutions on upstream to downstream issues as an integrated engineering firm. In the recent years, the company focuses especially on the water treatment and the renewable energy-related businesses.



Integrated engineering services from planning to maintenance

## Full utilization of a wealth of logistic resources, transportation means and warehouses Oji Logistics

With its main focus on transportations of a large quantity of paper products shipped out of the Oji Group's mills and warehouses at consuming areas, Oji Logistics responds to nationwide customers' needs by making the best use of its abundant logistic resources, transportation means and warehouses. Moreover, the company promotes a major modal shift to railroads and ships, taking measures against environment pollution caused by trucks' exhaust gases.



Marine transportation (roll-on roll-off ship)

# Promotion of Environmental Management

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 environment from a global perspective. The Charter calls for the Oji Group to make autonomous efforts to achieve a further environmental improvement, and aggressively drive its "Sustainable Forest Management", "Paper Recycling", and global warming countermeasures forward.

(Basic Policy of the "Oji Group Environmental Charter")

Established: January 1997 Revised: June 2006

<b>Conventional Environment Action Program</b> (Year of achievement: FY2015) <span style="float: right;">Established: 2011</span>	<b>Achievements of FY2014</b>
<b>Promotion of "Sustainable Forest Management"</b> <ul style="list-style-type: none"> <li>• Increase land areas of overseas forest plantations to 300,000 hectares and acquire forest certifications at all the company-owned forests.</li> <li>• Implement maintenance management including tree thinning in domestic company-owned forests.</li> <li>• Effectively utilize forests to promote an integrated forestry businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• Land areas of overseas forest plantations: 280,000 hectares</li> <li>• Company-owned overseas forest plantations with forest certifications (FSC™*, PEFC): 68%  <small>*License code SPFL:FSC™-C008418 PANPAC:FSC™-C017103 APFL:FSC™-C023801 CENIBRA:FSC™-C008495 QPFL:FSC™-C016623</small></li> <li>• Company-owned domestic forests with forest certification (SGEC): 100% (excluding profit-sharing forests)</li> <li>• Ongoing expansion of lumber and its processing businesses in Asia and Oceania regions</li> </ul>
<b>Promotion of "Paper Recycling"</b> <ul style="list-style-type: none"> <li>• Encourage the use of waste paper as a resource (with a target to achieve a waste paper utilization rate of 64%).</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic waste paper utilization rate: 64.3%</li> </ul>
<b>Promotion of Global Warming Countermeasures</b> <ul style="list-style-type: none"> <li>• Reduce greenhouse gas (GHG) emissions by 15% and carbon dioxide (CO<sub>2</sub>) emissions from energy sources by 35% in comparison with fiscal 1990.</li> <li>• Increase the amount of CO<sub>2</sub> absorbed (offset credits and others) through forest management.</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic GHG emissions [CO<sub>2</sub> equivalent]: 6,002,000 tons (22% reduction)</li> <li>• Domestic CO<sub>2</sub> emissions from energy sources: 4,270,000 tons (41% reduction)</li> </ul>
<b>Reinforcement of Environment Improvement Measures and Environment Management Systems</b> <ul style="list-style-type: none"> <li>• Develop a voluntary environmental management structure through acquisitions of certifications for environment management system (EMS) as well as regular upkeep and operations of the system (with a target to acquire EMS certifications at 150 worksites).</li> </ul>	<ul style="list-style-type: none"> <li>• EMS-certified worksites: 136 sites in Japan</li> <li>• Ongoing promotion of Oji Group's proprietary certification(O-EMS) at small-scale worksites</li> </ul>
<b>Development of Manufacturing Technologies and Products that Minimize Environmental Impacts</b> <ul style="list-style-type: none"> <li>• Properly manage compliance with voluntary standards as well as laws and regulations of product safety.</li> <li>• Develop a structure for supplying forest certified products.</li> <li>• Encourage developments of new products that help conserve resources and reduce CO<sub>2</sub> emissions.</li> </ul>	<ul style="list-style-type: none"> <li>• Sales volume of FSC™ certified products in Japan: 231,000 tons (e.g. Oji Paper's license code: FSC™-C014119)</li> </ul>
<b>Reduction and Effective Utilization of Wastes</b> <ul style="list-style-type: none"> <li>• Reduce the total amount of wastes for final disposable to under 50,000 tons (AD)/year. (Oji Paper, Oji Materia, Oji F-Text, Oji Nepia, Oji Imaging Media)</li> </ul>	<ul style="list-style-type: none"> <li>• Final disposal amount of waste materials: 43,000 tons (AD)/year</li> </ul>
<b>Transfer of Environment Protection Technologies to Other Countries</b> <ul style="list-style-type: none"> <li>• Comply with relevant environment standards in each country and share technologies of environmental management that are developed in Japan.</li> </ul>	<ul style="list-style-type: none"> <li>• Thorough compliance with laws/regulations through conduct of environmental audits at overseas worksites</li> <li>• Transfer of environmental management technologies such as creation of environment hazard maps to overseas worksites</li> </ul>
<b>Building Trust Relationship with Stakeholders</b> <ul style="list-style-type: none"> <li>• Encourage greater communication with stakeholders via exhibitions and publications.</li> <li>• Promote social contribution activities rooted in local communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Hosting of booths at various exhibitions including "Eco-Products 2014"</li> <li>• Publication of "Oji Group Report 2014"</li> <li>• Implementation of infrastructure development (roads, wells, toilets, etc.) in overseas</li> </ul>

Coverage of calculation for the data of environmental achievements: April to March for domestic companies, January to December for overseas companies

## Environmental Action Program 2020

With the addition of “Zero-emission” which aims for zero-environmental burden in all the operational procedures to “Sustainable Forest Management/Paper Recycling” and “Responsible Raw Materials Procurement”, the initiatives that the Oji Group has continuously engaged in, the Oji Group will work on the environmental action program whose year of achievement set to be fiscal 2020.

### Limitless Challenge to Zero-environmental Burden

We will aim for zero-environmental burden in each and every operational procedure by further promoting environmental awareness-raising and bringing together capabilities of technology, operation and planning.

#### 1. Zero-emission

**Zero environmental accident** •Eliminate environmental accident

**Zero product liability accident** •Eliminate product liability accident

**Promotion of effective utilization of wastes** •Reduce generation amount of wastes and promote effective utilization of wastes  
 [Domestic] Target of effective utilization ratio: more than 99% } Entire Oji Group: more than **98%**  
 [Overseas] Target of effective utilization ratio: more than 95% } (New target that covers worksites inside/outside Japan)  
 [Reduction of total amount ⇒ Improvement in effective utilization ratio that is unaffected by production volume ]  
 [Domestic target only ⇒ Target whose coverage include both domestic and overseas companies ]

**Management of wastewater and exhaust gases with consideration for ecosystem** •Comply with environment-related laws/regulations, reduce environmental load substances and manage wastewater and exhaust gases with consideration for ecosystem  
 [Wastewater] Manage wastewater with consideration for ecosystem using aquatic life  
 [Exhaust Gases] Manage exhaust gases that include mercury, which can affect life and health, in addition to environmental load substances such as SOx and NOx

**Reduction of greenhouse gases (GHG)** •Reduce greenhouse gas emissions per unit of production by promoting energy-saving and switching to more eco-friendly energy  
 Reduce greenhouse gas emissions per unit of production by 10% relative to fiscal 2013 level  
 [Reduction of total amount ⇒ Reduction of per unit of production that is unaffected by production volume ]  
 [Domestic target only ⇒ Target whose coverage include both domestic and overseas companies ]

#### 2. Sustainable forest management / paper recycling

**Sustainable forest management** •Target of forest certification acquisition: 100%

**Paper recycling** •Promote paper collection and further expand waste paper usage

### Responsible Raw Materials Procurement

We will comply with safety and legal guidance based on the Oji Group Partnership Procurement Policy to manufacture our products.

#### Wood raw materials and pulp

•Comply with laws/regulations and consider for environment and society by means of third-party audits

#### Raw materials and chemicals

•Comply with safety-related laws/regulations as well as voluntary standards of the industry

### Sustainable Forest Management

We will promote sustainable forest management to aim for the protection of forest functions and the lasting utilization of forest resources.

#### Sustainable forest management through the use of forest certifications

•Preserve forests' multi-functions including conservation of biodiversity

#### Active promotion of lumber business

•Contribute to rejuvenation of domestic forest industry and regeneration of forests

#### Expansion of eco-friendly products

•Expand forest certified products

## Limitless Challenge to Zero-environmental Burden

~Zero-emission~

### Zero Environmental Accident

The Oji Group aspires to prevent environmental accident and its recurrence by collectively finding out and reducing environmental risks.

	Number of Environmental Accident*	
	Domestic	Overseas
FY 2014	5	0
FY 2013	13	0

\*Environmental accident: exceeding of environmental regulatory limit

### Environment Management System (EMS)

In a drive to encourage each worksite and company to reduce environment risks on their own, EMS has been gradually introduced. "O-EMS", the Oji Group's original EMS, is also utilized as well as third-party certifications such as ISO14001.

### Reduction of Environment Risk

Each worksite is engaged in reducing environment risks by developing an environment hazard map that uncovers potential environment risks and by conducting internal audits that utilize a common check-list of the Group.

In addition, we strive to prevent environment accidents through the system of "guidance on environment management to Group companies" that provides intensive instructions to worksites, as well as "environment projects" in which worksites carry out measures to reduce environment risks.

### Environmental Audits

We implement environmental audits to assess worksites' environment risks from several views and to confirm the situations of initiatives taken for compliance and reduction of environment risks. In fiscal 2014, we conducted audits at 212 domestic and 39 overseas worksites. Particularly for overseas worksites, external audits by third-party organizations which specialize in local laws/regulations, have been continually conducted to ensure compliance.

#### VOICE

##### Thoughts after an environment project

Hokuriku Morishigyo  
Chief, Quality Control Department  
Tetsunori Nakajima

Morishigyo Group has become the first member of the Oji Group to work on the environment project, with assistances of the Environmental Management Department. Before the start of project, we thought that our worksites' environmental management and education were sufficient. Nevertheless, we came to realize that efforts in grasping of current situations, uncovering of environment risks and education were actually insufficient. Indeed, we had some hard times in investigating environment risks and developing a new operational procedure. However, as a result of the concerted effort from everyone, environmental awareness was raised and cooperative relationships between worksites were enhanced.



### Continual Zero Product Liability Accident

The Oji Group thoroughly complies with laws/regulations and internal rules regarding product safety and offers safe products that allow customers to use with a peace of mind.

	Number of Product Liability Accident	
	Domestic	Overseas
FY 2014	0	0
FY 2013	0	0

### Product Safety Management System

We manage chemicals used for manufacturing and products with the Oji Group's common product safety rules. For some of the worksites that manufacture food, cosmetics, food packaging materials and medical products, we acquire third-party certifications of relevant product safety management systems to gain greater trust from customers.

### Reduction of Product Safety Risks

We comply thoroughly with laws/regulations and internal rules through information sharing via the Product Safety Committee, instructions by external consultants and the system of "guidance on product safety management to Group companies" that provides intensive instructions to Group companies. Moreover, we strive to reduce product safety risks throughout the supply chain by regularly obtaining hazard information of chemicals used and by improving management conditions at contract manufacturers and suppliers through audits.

### Product Safety Audits

We implement product safety audits to ensure that laws/regulations and internal rules are complied with at each worksite. In fiscal 2014, we conducted audits at 209 domestic and 44 overseas worksites. Similarly to environmental audits, external audits by third-party organizations were performed at 7 overseas worksites that manufacture food materials etc., to ensure compliance, hygiene management and chemicals management.

#### VOICE

##### Thoughts after experiencing the external audit by a third-party organization

Qingdao Oji Packaging  
In charge of quality assurance:  
You Ke Xue

Qingdao Oji Packaging, an Oji Group company which manufactures and sells packaging materials for food such as flour, underwent a product safety audit which was conducted by a third-party organization and the Environmental Management Department. The audit confirmed the situations of compliance with relevant laws/regulations, requests from customers, hygiene/chemical management. We were also able to reactnowledge what were needed to carry out thorough compliance and product safety. As a member of the Oji Group, we will continue to implement corporate activities that follow the Group's policies.



## Promotion of Effective Utilization of Wastes

The Oji Group promotes minimization and effective utilization of waste materials to realize a recycling-oriented society that uses resources wisely.

Effective Utilization Rate of Wastes*		
	Domestic	Overseas
FY 2014	97.0%	79.9%
FY 2013	96.4%	87.9%

\*Effective utilization rate(%) = (generation amount(t) – landfill disposal amount(t)) ÷ generation amount (t) × 100

### Minimization of Waste Generation

In the papermaking process, pulp (wood fiber) is dewatered on wire (wire net) to form paper. However, a portion of the pulp passes through the wire. By reusing this pulp as raw material, we reduce the generation of papermaking sludge.

In addition, we reduce paper waste due to production loss and scrap materials produced during converting, at plants of corrugated container and paper converting, by improving the manufacturing process and operations.

### Effective Utilization of Wastes

Waste materials include papermaking sludge that is generated during paper manufacturing, scrap material that is generated during converting process, and incineration ash that is generated during burning of fuels. These wastes are treated appropriately through detoxification and then utilized effectively. In Japan, incineration ash is mainly utilized to produce cement, road-pavement material, etc. In overseas, papermaking sludge is made into fertilizers. Further effective utilization will be driven forward from now onwards.

### Effective Utilization of Wastes Currently Implemented

Waste Materials	Ways of Effective Utilization
Papermaking sludge	Raw material for paper manufacturing, fertilizer, fuel
Plastic scrap	Recycled pellet
Non-recyclable paper waste and plastic	RPF (solid fuel produced from paper waste and plastic)
Incineration ash	Civil engineering uses (cement, road pavement material), snow-melting agent

## ZOOM

### Recycle of Plastic Scrap

Moriya Mill of Ginpopack manufactures food containers by molding plastic sheets. Polystyrene scraps that are generated after molding and punching are recycled to raw material pellets within the mill. The recycled pellets are then used for raw materials for toys, hangers, etc.



## Management of Wastewater/Exhaust Gases with Consideration for Ecosystems

The Oji Group complies with environmental regulations on wastewater/exhaust gases, continues to reduce substances of concern and manages wastewater/exhaust gases with consideration for ecosystems.

### Wastewater Management

Wastewater that is generated from manufacturing process is discharged out of mills after purification via bio-treatments using microorganisms and sedimentation treatment using flocculants. Moving forward, we will adopt wastewater management that not only includes BOD, COD, etc., but also incorporates assessment of impact to aquatic organism including fishes.

### Exhaust Gas Management

Exhaust gases that are released by boilers of electricity and steam at mills are purified through desulfurization and dust extraction equipment. In addition to SOx, NOx, etc., we will implement management of mercury\* whose influence on biology is a matter of concern, in the future.

\*Pollution and health hazards caused by mercury have become international problems, and countermeasures including establishment of laws/regulations have been under consideration.

## Reduction of Greenhouse Gas (GHG) Emission

We promote the reduction of GHG emission through energy-conservation and extended use of renewable fuels.

Reduction of GHG Emission			
		Domestic	Overseas
FY 2014	Emission amount (1,000 t-CO <sub>2</sub> )	6,002	1,648 <sup>*2</sup>
	Basic unit <sup>*1</sup> (t-CO <sub>2</sub> /t)	0.609	0.333 <sup>*2</sup>
FY 2013	Emission amount (1,000 t-CO <sub>2</sub> )	6,180	1,027
	Basic unit <sup>*1</sup> (t-CO <sub>2</sub> /t)	0.606	0.287

\*1 Basic unit (t-CO<sub>2</sub>/t) = amount of emission (t-CO<sub>2</sub>) ÷ amount of production (t)

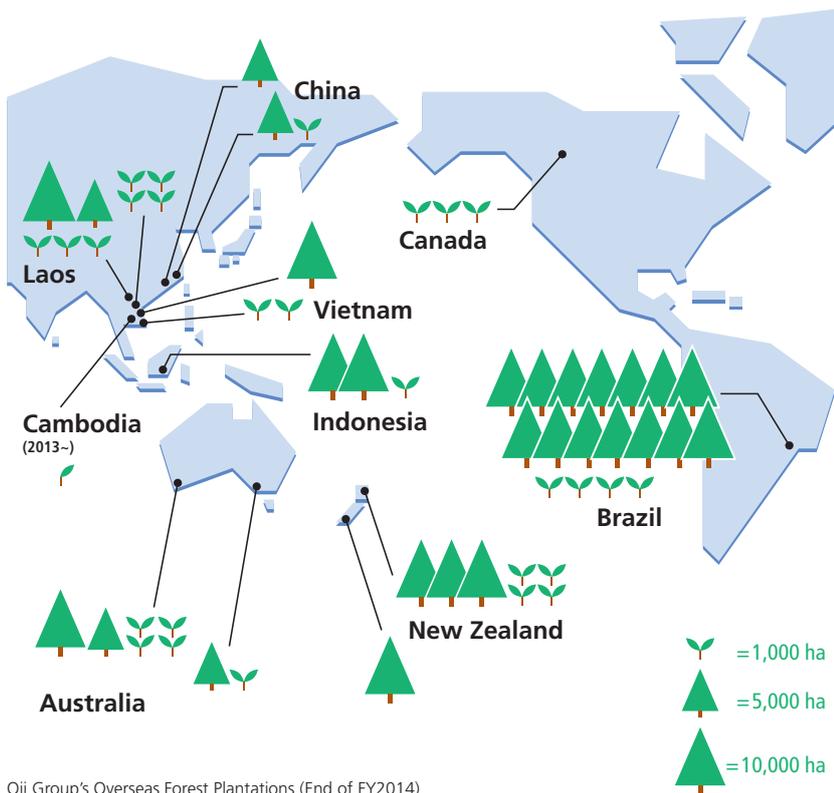
\*2 Overseas amount of emission and basic unit increased due to the acquisition of CHHP and increase in amount of production at Jiangsu Oji Paper

Regarding energy-conservation, apart from upgrade of equipment to that with high energy efficiency and exhaust heat recovery, we implement measures such as steady improvements achieved through mills' energy-conservation patrols; improvement of efficiency and fuel economy of logistics; and managing air conditioning and lighting of offices. We also pursue efficient utilization of energy at overseas worksites by improving production efficiency and making shift to LED lights.

As for expansion of use of renewable fuels, construction of boilers fueled by wood biomass and capacity increase of hydraulic power plants are currently in progress.

## Limitless Challenge to Zero-environmental Burden

## ~Promotion of Sustainable Forest Management / Paper Recycling~



### ■ Oji Group's Forests in Japan

Total area:  
Largest of private sector  
**190,000 ha**

Forest certification acquisition:  
**SGEC** certification  
already acquired at all the forests  
(excluding profit-sharing forests)

### ■ Oji Group's Overseas Forest Plantations

Total area:  
Forest plantations  
**280,000 ha**

Forest certification acquisition:  
**Acquisition rate (FSC™\*, PEFC)**  
**68%**

\*License code: SPFL : FSC™-C008418 PANPAC : FSC™-C017103  
APFL : FSC™-C023801 CENIBRA : FSC™-C008495  
QPFL : FSC™-C016623

## Sustainable Forest Management

The Oji Group believes in a principle, “those who use trees must plant trees” and has long been working hard to realize the “sustainable forest management” by repetitively planting, raising, harvesting trees and making them into raw materials. The Group currently owns and manages 190,000 ha forestlands in Japan and 280,000 ha forest plantations in abroad. In order to ensure their appropriate management, acquisition of third-party organizations’ “forest certifications” is promoted. All 170,000 ha of domestic forests, excluding profit-sharing forests, have already acquired the SGEC\*1 forest certification, and 190,000 ha (68%) of overseas forest plantations have acquired the FSC™\*2 forest certification. While we aim for a 100% certification acquisition at overseas forest plantations, we will continue promoting activities of sustainable forest management.

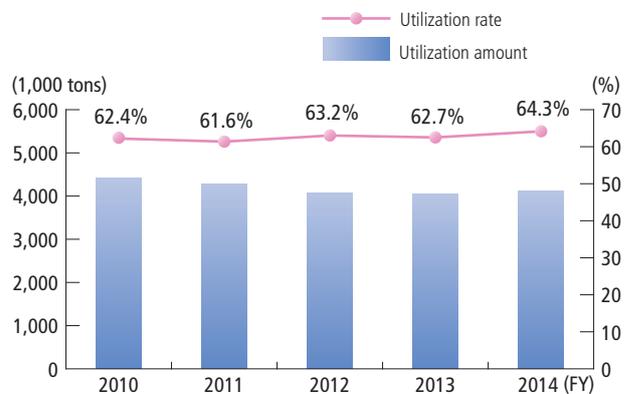
\*1 SGEC: Sustainable Green Ecosystem Council. Organization which administrates a unique Japanese forest certification that fits well to natural environment and society of Japan.

\*2 FSC™: Forest Stewardship Council™. International organization that uses an international forest certification system to promote proper forest management in terms of environment, society, and economy.

### Paper Recycling (Promotion of Paper Collection and Further Expansion of Waste Paper Usage)

The Oji Group has been taking initiatives on “paper recycling”, focusing on the goal of achieving an utilization rate of waste paper of 64% in fiscal 2015, which is also the goal set in the pulp and paper industry. We achieved the goal ahead of schedule with the result of 64.3% in fiscal 2014. In order to further increase the utilization of waste paper, we will implement various measures such as recycle of confidential document, reuse of difficult-to-process waste paper as well as appeals to industries for quality improvement of waste paper.

### ■ Utilization Amount/Rate of Waste Paper



### Initiatives to Develop a Paper Recycling System in Asia Region

The Oji Group offers assistances together with Japan Paper Association to organize a paper recycling seminar for Asian countries that is hosted by the Ministry of Economy, Trade and Industry (METI). We also take part in the China-Japan recycled paper seminar that is hosted by the Paper Recycling Promotion Center. By making efforts to promote the circulation of recycled paper in the Asia region where recycled paper is imported also from Japan, we pursue a stable and sustainable development of paper recycling system in Japan.



Paper recycling seminar for participants from Thailand, Vietnam and Malaysia (hosted by METI)

# Responsible Raw Materials Procurement

The Oji Group is committed to raw materials procurement that considers for the environment and communities by ensuring the safety and legality of raw materials according to 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 the “Oji Group Environmental Charter”.

## Oji Group Partnership Procurement Policy

The Oji Group works together with its business partners in its supply chain to help them take the actions below. Similar considerations are highly expected also from suppliers of business partners.

**Oji Group Partnership Procurement Policy**

- 1 Ensure stable supply**
  1. Offer competitive prices
  2. Ensure quality and delivery
- 2 Comply with laws and social standards, and engage in fair trade**
  1. Comply with relevant laws and international conventions
  2. Maintain sincere healthy relations with business partners
- 3 Consider the environment**
  1. Reinforce environmental management systems
  2. Reduce waste and effectively use resources
  3. Pursue global warming countermeasures
  4. Protect biodiversity
  5. Reduce environmental impact
  6. Manage chemical substances
- 4 Demonstrate social concern**
  1. Protect human rights (prohibit child labor, forced labor, discrimination and harassment)
  2. Protect labor rights (maintain good labor relations, avoid long working hours, and ensure minimum wage standards are met)
  3. Ensure workplace safety and health
  4. Contribute to society and the local community
- 5 Communicate with society**
  1. Build relationships of trust with stakeholders through communication
  2. Respect the cultures and customs of other countries
  3. Appropriately disclose and protect information

### Procurement of Pulp and Wood Raw Materials

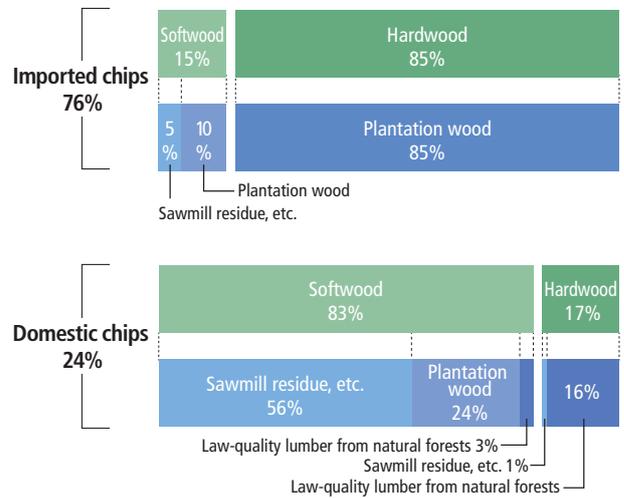
The “Wood Raw Material Procurement Guidelines” was stipulated and is followed when conducting procurement of wood raw material, including pulp, which is required to be appropriately utilized among all the raw materials.

**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)

<http://www.ojiholdings.co.jp/english/sustainability/procurement/index.html>

### Oji Group’s Wood Chip Procurement (FY2014)



### Traceability Verification

We verify that the wood raw materials are from properly managed forests via traceability reports that traces back to places of origin.

In addition, we conduct regular on-site investigations at forests, chip mills, and shipping sites, as well as interviews with government and other related parties on presence of any problems such as illegal logging.



Audit for the FSC™ FM certification at QPFL  
(Please go to pg.43 for the explanation of FM certification)

### Safety Checks of Chemicals

Whether or not a chemical can be used is determined after verifying the safety before its use, by referring to the Safety Data Sheet (SDS), laws/regulations, toxicity information and voluntary standards of major industry organizations. Besides, we continually ensure its safety through periodical information updates even after its use.

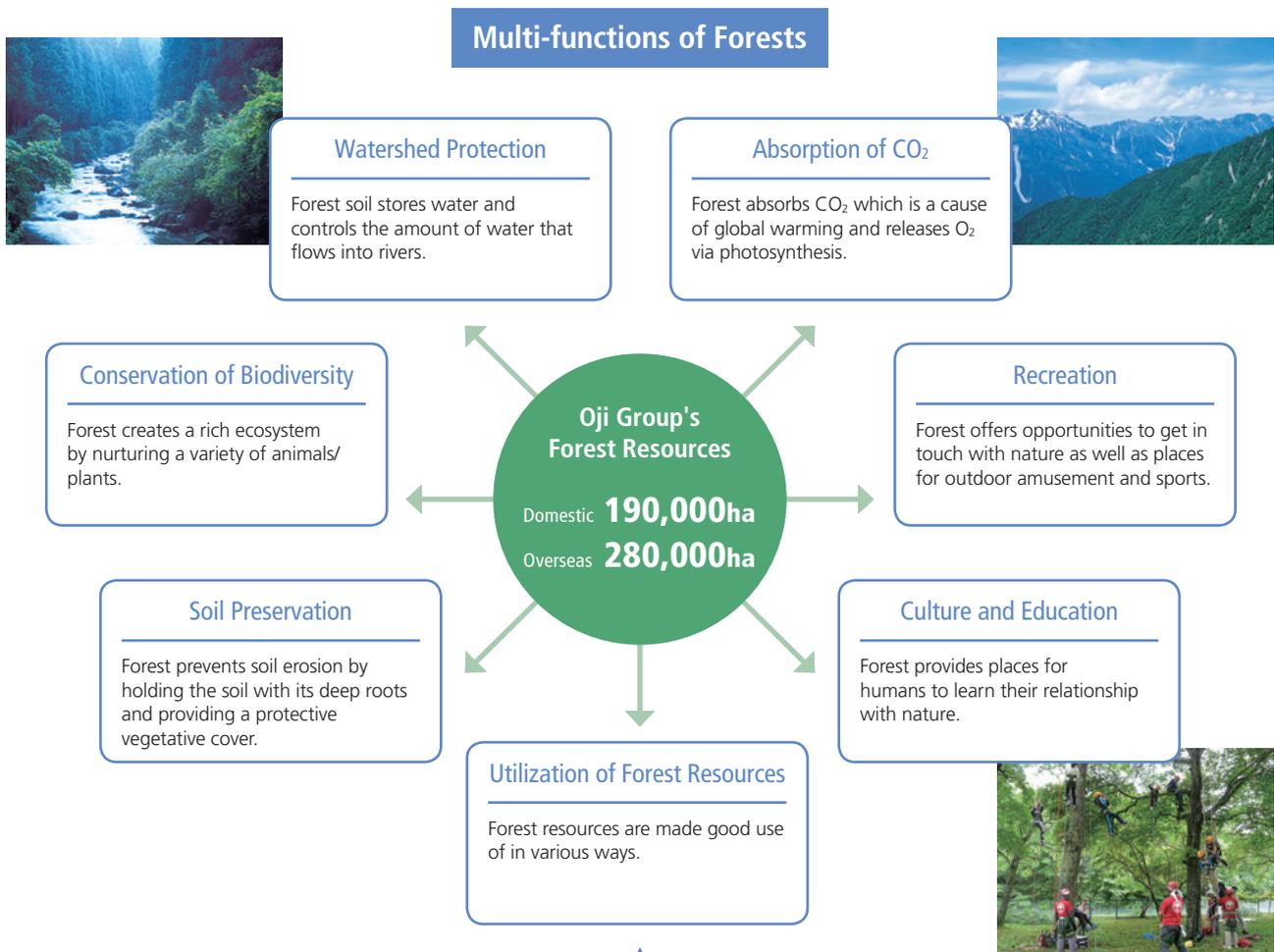
## Sustainable Forest Management ~Sustainable Forest Management Through the Use of Forest Certifications~

The Oji Group promotes an integrated forestry that maximizes values of resources by making the best use of forest resources in a variety of ways (cascading). Moreover, we aspire to achieve “sustainable forest management”, through acquisition and maintenance of third-party organizations’ forest certifications to annually check whether or not the forests are appropriately managed in terms of “society”, “environment” and “economy”.

### Multiple Utilization and Conservation of Forest Resources

Other than being the source of wood resources, forests play multifaceted roles such as conservation of biodiversity, protection of water source and soil, provision of recreation, nurturing of culture and creation of local employment.

The Oji Group conducts various activities inside/outside of Japan to let the forests fully fulfill their multiple functions, including conservation of natural forests, monitoring of wild animals and hosting of “Oji Forest Nature School”. At the same time, we work hard on maximum utilization of forest resources.



#### Wood chip business



CENIBRA Mill (© João Rabelo)

#### Pulp business



Bleaching tower for BCTMP

#### Lumber processing business



TMT that is processed with high temperature in the special kiln

## Biodiversity Conservation

### Activities in Japan

#### Conservation of an Endangered Fish: Sarufutsu Forest, Hokkaido

Itou is the largest freshwater fish in Japan. It is designated as endangered species and inhabits only in a dozen or so rivers in Hokkaido. In 2008, Oji Paper (current Oji Holdings) established the Sarufutsu Itou Conservation Council, together with local conservation groups, universities, local governments and companies, which hosts symposiums and training workshops to protect the species. As for the Sarufutsu Forest, a land area of 2,600 ha including a river zone is set as a protective zone where no logging operation is conducted.



#### Conservation of Alpine Plants: Samani Forest, Hokkaido

Mount Apoi used to have an abundance of alpine plants but precious plants dramatically decreased due to illegal collections. Since 2005, the Oji Group provided a part of the Group's forestland to a local NPO whose mission is to restore alpine plants, cooperating in the effort to achieve its mission.



### Activities in Overseas

#### Activities in Brazil:

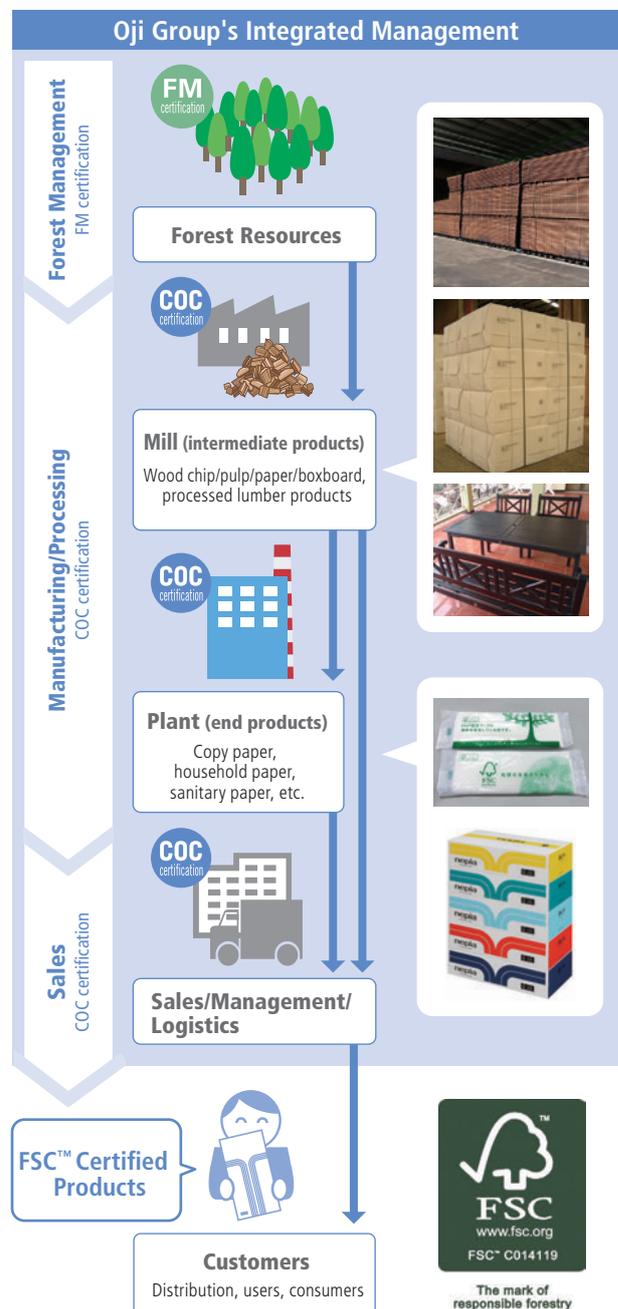
Cenibra, an Oji Group company which engages in pulp business based upon its eucalyptus forest plantation, sets a part of its forestland as natural conservation area where endangered Mutum (an avian closely related to curassow) are bred and raised.



## FSC™ Certified Products: Supply of Eco-friendly Products

FSC™ certifications include "FM certification" which assures appropriate management of forests and "COC certification" which verifies appropriate management of processing and distribution of forest-related products.

The Oji Group has acquired the FM certification for overseas forest plantations and COC certification for the Group's manufacturing/processing operations. It is a strength of the Oji Group that it has acquired certifications consistently from forests to processing plants. The strength enables offering of a wide range of FSC™ certified products from primary-processed products such as round log, wood chip and lumber products, secondary-processed products such as pulp, to end products such as printing paper, copy paper, tissue paper, toilet rolls and paper towels.



# Enhancement of Corporate Governance

The Oji Group places a special emphasis on the relationship with its wide range of stakeholders, including shareholders and investors, when undertaking business operations. We will continue to enhance the corporate governance so as to thoroughly manage risks and fulfill social responsibility as it expands the business fields.

## Relationship with Stakeholders



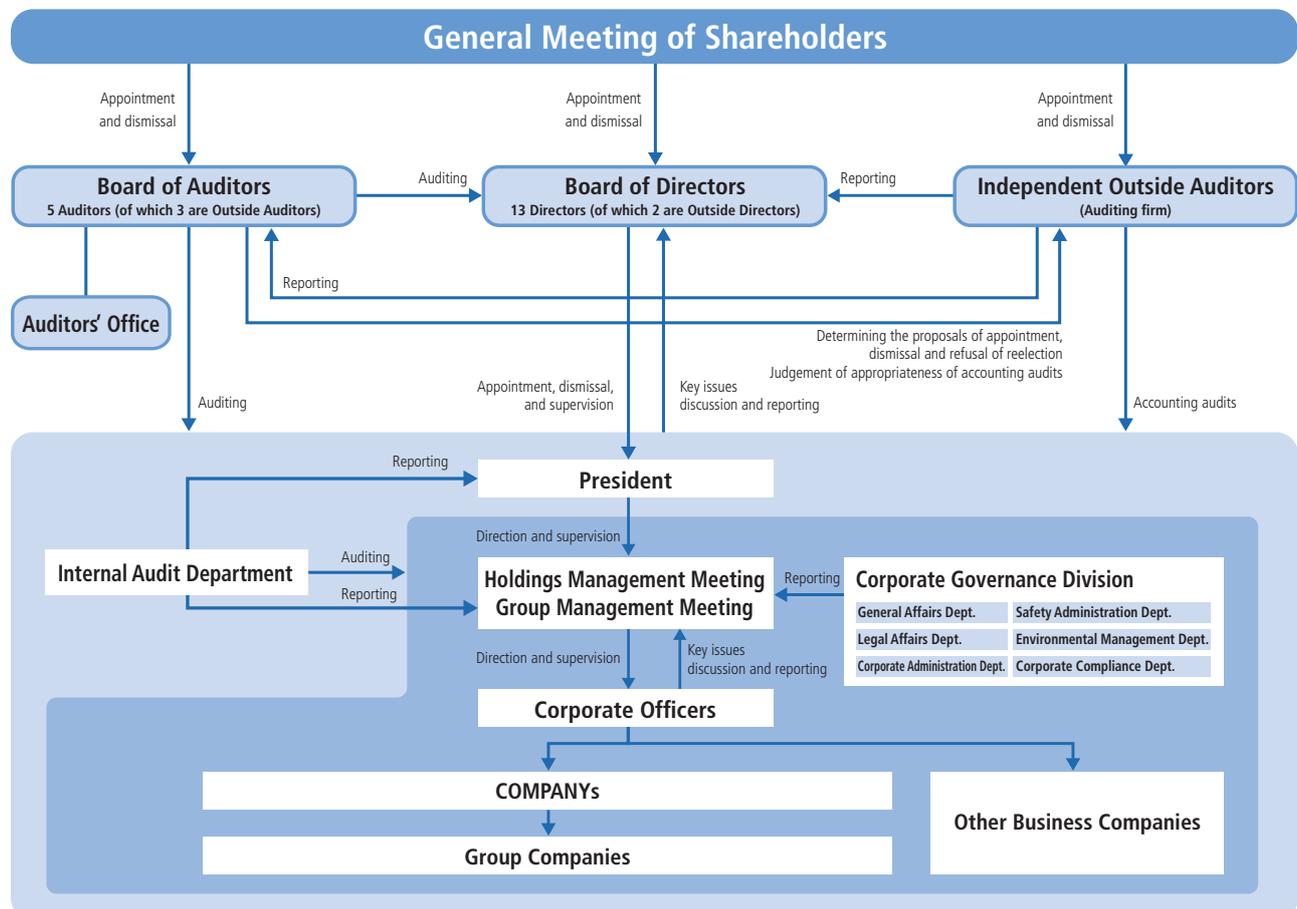
## Structure of Corporate Governance

Since the Oji Group's shift to pure holdings company structure in October 2012, each COMPANY has taken initiatives for its business operation and risk management, whereas Oji Holdings supervises the COMPANY and formulates Group's management strategies. The corporate governance structure, which functions as the platform for creation of innovative values, has been and will be continuously enhanced.

### Initiatives for Strengthening Corporate Governance

Jun.1999	Installation of Executive Officer system	Enhancement of decision-making/supervising functions at the Board of Directors' Meeting
Jun.2002	Shortening of Directors' term of office to 1 year	Clarification of Directors' management responsibility
Jun.2006	Introduction of stock option as compensation	Generation of Directors' higher motivations for developing corporate values
Jun.2007	Appointment of Outside Directors	Improvements in effectiveness of supervisory function of management and transparency of decision-making Expansion of management perspectives
Oct.2012	Transition to pure holdings company structure	Speed up of decision-making (efficiency improvement of management) Clarification of each business segment's management responsibility
	Establishment of the Corporate Governance Division	Strengthening of the Group's risk management structure
Jan.2013	Establishment of the Legal Affairs Department and assignment of personnel with lawyer qualification to the Department	Reduction of legal risks, speedy response to legal cases
Jun.2013	Increase in the number of Outside Auditors	Strengthening of auditing structure

### Structure of Corporate Governance



### ■ Overview of Corporate Governance Structure (As of June 26, 2015)

Type of organization	Pure holdings company, company with Board of Auditors	
Number of Directors (Outside Directors)	Thirteen (Two *both are independent Board Members)	
Number of Auditors (Outside Auditors)	Five (Three *of whom two are independent Board Members)	
Term of office of Directors	1 year	
Functions of the Board of Directors' Meeting	Determination of fundamental managerial policy, supervision of business operations	
Functions of the Board of Auditors' Meeting	Securing of health and transparency of management	
Major meeting systems and their functions	Holdings Management Meeting, Group Management Meeting, COMPANY Management Meeting (formulation of management strategies, deliberation/reporting of important issues regarding investments, personnel and internal control, etc.)	
Installation of the Executive Officer system	Yes	
Policy for Officers' remuneration	The following three, within the limit amount resolved at the general meeting of shareholders, are paid:	
	1. Monthly remuneration determined by positions	
	2. Bonus determined in accordance with business performances (given to in-house Directors)	
	3. Remuneration through stock option (given to in-house Directors)	
Total remuneration paid (FY2014)	Directors (Outside Directors)	¥572 million / 13 persons (¥30 million / 3 persons)
	Auditors (Outside Auditors)	¥93 million / 6 persons (¥31 million / 4 persons)
Accounting Auditor	Ernst & Young ShinNihon LLC	

### ■ Outside Board Members: Reason for Appointment and Attendance

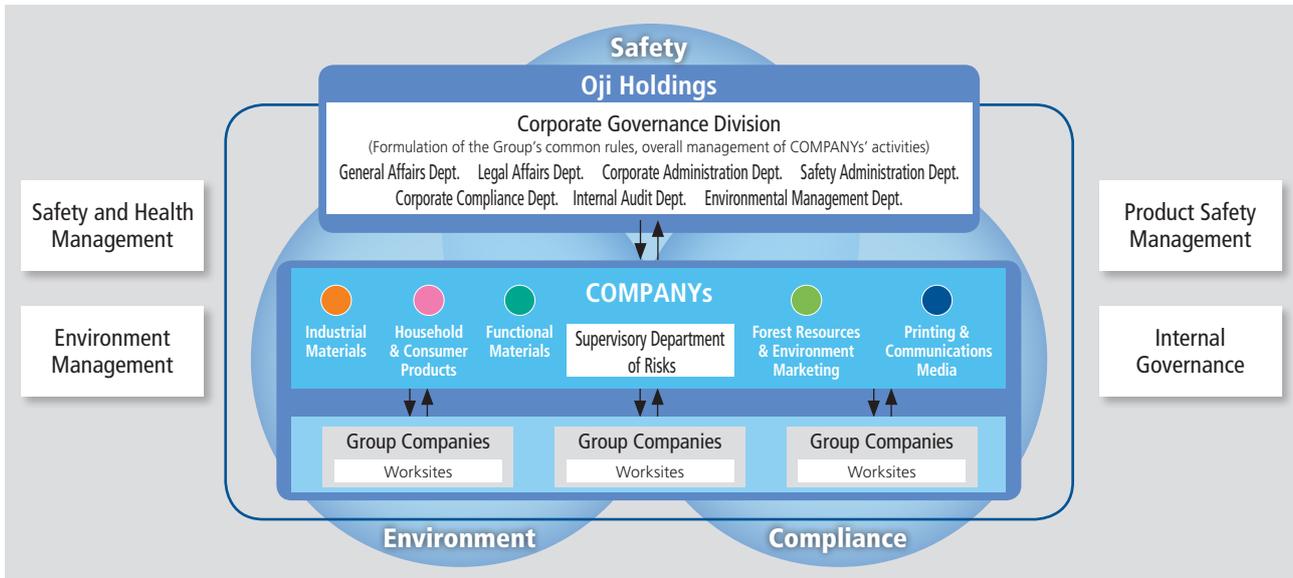
	Name	Attendance (FY2014)		Reason for appointment
		Board of Directors' Meeting	Board of Auditors' Meeting	
Director	Michihiro Nara	11/13	-	Lawyer's professional perspective, rich experiences and deep insights
	Nobuaki Terasaka	Inauguration in June 2015	-	Wealth of knowledge and broad perceptive of public administration as an administrative officer at the Agency of Natural Resources and Energy and the Ministry of Economy, Trade and Industry
Auditor	Makoto Katsura	17/17	16/16	Rich experiences and wide perceptive as a diplomat
	Mikinao Kitada	13/13	12/12	Wealth of experiences gained over the years as a prosecutor
	Yuko Miyazaki	-	Inauguration in June 2015	Lawyer's professional perspective, rich experiences and deep insights

## Structure of Risk Management

The Oji Group joined the United Nations Global Compact in 2003 and has incorporated its principles in the areas of human rights, labor, environment and anti-corruption into the Oji Group Corporate Code of Conduct and Behavior Standard. Fully cognizant that safety, environment and compliance are the top priorities, the Group strengthens its risk management structure in domestic companies. At the same time, a risk management structure that respects laws/regulations, cultures and customs of various countries has also been built in rapidly increasing overseas companies.

Please see the website for the details of the "Corporate Code of Conduct" and "Behavior Standard".  
<http://www.ojiholdings.co.jp/english/sustainability/conduct/index.html>

### ■ Structure of Risk Management



### Internal Audit

The Internal Audit Department conducts audits in order to support sound and continuous development of businesses of the Group companies, in accordance with the Oji Group Corporate Code of Conduct and the Behavior Standard.

Besides, with regards to corruptions and scandals that have been occurring in an increasing number of companies recently, the Department places high importance on the implementation of audits to ensure that there is no sign of corruption and the well establishment of management system to prevent it.

In fiscal 2014, we conducted on-site audits at 32 domestic and 4 overseas companies based upon an annual plan. Of these, audits that are specialized in accounting operations were conducted at 12 relatively small domestic companies with high accounting risks in an attempt to reduce such risks.

For overseas companies, we performed on-site audits in the same way as domestic companies, cooperating with a local internal audit team that is familiar with cultures and customs of Southeast Asia. In addition, we also implemented self-check audits on accounting operations at all of the overseas Group companies so as to grasp the actual situations of accounting operations there.

### Formulation of Business Continuity Management (BCM)

The Oji Group works on a thorough crisis management for emergency occasions such as large-scale disasters (i.e. earthquakes, wind and flood damages, etc.) and spread of infectious

diseases (i.e. pandemic influenza). In order to build a structure that prevents business activities from being suspended or enables earliest possible recovery in case of an inevitable suspension, we have been recognizing risks that may have crucial influence on management and also taken measures against such risks.

Moreover, we have been regularly conducting trainings based upon a formulated business continuity plan\* so as to sort out problems associated with it and also work towards review of matters that require improvements. By this means, instillation of the business continuity plan and strengthening of crisis management structure have been promoted.

With the initiatives taken, the Oji Group secures trust from business partners as well as all other stakeholders.

\*Trainings for large-scale earthquakes, establishment of disaster countermeasure headquarters, transfer of headquarters functions, transfer of major business operations, safety confirmation, etc.



Training for large-scale earthquakes

## Initiatives for Risk Management ~Compliance, Human Rights~

### Compliance

The Oji Group implements the following measures to raise awareness about compliance among all the officers and employees.

- Distribution of pocket-sized Oji Group Corporate Code of Conduct and Behavior Standard
- Appointment of a compliance leader at each worksite
- Holding of a compliance meeting for all the employees at each worksite
- Provision of a variety of compliance trainings
- Conduct of compliance awareness survey and designation of action plans in response to the survey
- Distribution of booklet on compliance news (domestic/overseas)

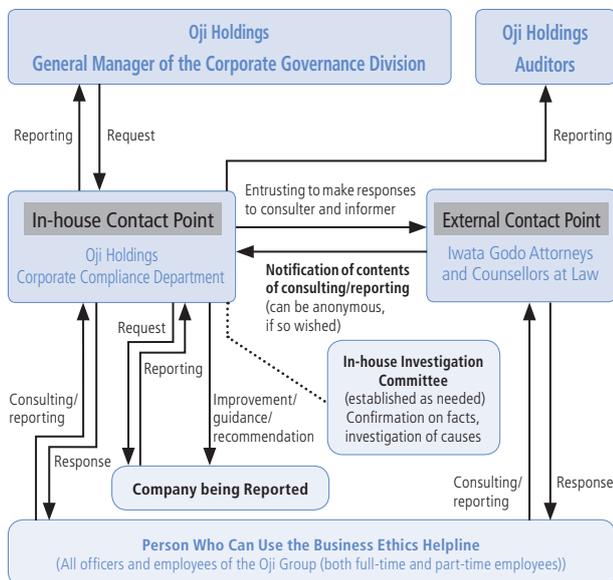
In the meantime, there have been few cases in which Group companies received a cease and desist order and surcharge payment order for violation of the Anti-Monopoly Act from Japan Fair Trade Commission. Taking the situation gravely and sincerely, we have been taking preventive measures such as holding of seminars and trainings led by external/in-house lawyers since 2012, to thoroughly comply with the Anti-Monopoly Act.

Moreover, we conduct annual seminars on the Subcontract Act, promoting the education for complying with laws/regulations.

### Business Ethics Helpline

Business ethics helpline is a system that allows all the officers and employees of the Oji Group to report legal violations or improprieties, in order to prevent such occurrence and also to promptly detect/correct them. Two contact points have been set up: one inside Oji Holdings and the other outside of the company at a law office.

#### Business Ethics Helpline



### Formulation of the "Group Bribery Prevention Regulations"

Responding to globally expanding overseas businesses and heightening social requests, we formulated the "Group Bribery Prevention Regulations" in 2015 to thoroughly prevent bribery. By encouraging awareness-raising through education/trainings within the Group, we have been further enhancing a preventative structure and measures against bribery.

### Respect for Human Rights

The Oji Group sets a guiding principle in the Oji Group Behavior Standard to ensure that it respects human rights of all the stakeholders including employees while carrying out its business activities.

#### [The Oji Group Behavior Standard: Respect of Human Rights]

We will respect the fundamental human rights of all people, and will not unfairly discriminate or harass individuals according to their philosophy and beliefs, nationality, birthplace, religion, sex, social status, status within the company, etc., and will not invade their privacy. Additionally, we will not allow others to do so.

With an increasing number of overseas employees as a result of the advance in globalization, there is an increasing need to comply with international labor standards such as prohibition of child labor or forced labor and to fulfill the Group's social responsibility.

We have been instilling a mindset to respect human rights also in overseas companies by constructing a compliance-promoting structure that is similar to that in Japan and by providing awareness trainings including publication of the "Global Compliance News".

In addition, about harassment, we have continually taken eradication measures via monthly distribution of related case reports ("Compliance News") and regular training workshops.



Compliance training at Oji Asia Packaging, Malaysia

## ~Safety and Health Management~

Having established “Ensuring Safety and Health in the Workplace” as one of its policies in the Oji Group Behavior Standard, the Oji Group keeps in mind safety as its absolute priority and strives to implement safety and health initiatives with the goal of achieving continual improvements in employees’ safety and health.

### [The Oji Group Behavior Standard “Ensuring Safety and Health in the Workplace”]

With “safety as the top priority”, we will ensure safety and health in the workplace and engage in safe behavior, and ensure the safety and health of all parties involved in our business. We will be fully mindful of mental and physical health management.

## Structure of Safety and Health Management

The Safety Administration Department of Oji Holdings retains responsibility over risk management of occupational accidents at all the Group companies. It also takes up the role of sharing relevant information within the Group, provides instruction to and manages each COMPANY in areas of safety and health management measures.

Each COMPANY then provides instructions to and manages its domestic/overseas supervising companies. The instructions provided include on-site instructions.

## Prevention of an Occupational Accident

In January through December 2014, the Oji Group’s rate of workplace accidents resulting in lost work time was 0.54 in Japan and 0.82 in overseas.

36% of the accidents resulted from getting caught in rotating rolls, 11% from falls from height/stairs, 10% from contacts with forklift and 8% from falls while walking.

Every single person in the Group will continue to make a conscious effort to raise the safety and health levels even further, with the goal of eliminating workplace accidents altogether.

## Safety Slogan and Priority Goal

The Oji Group has set the following Safety Slogan for 2015 in order not to repeat the past accidents: “Always follow and ensure others follow the rules; aim for zero work-related accidents together.” All the worksites are engaged in safety and health initiatives to accomplish the goal of eliminating accidents.

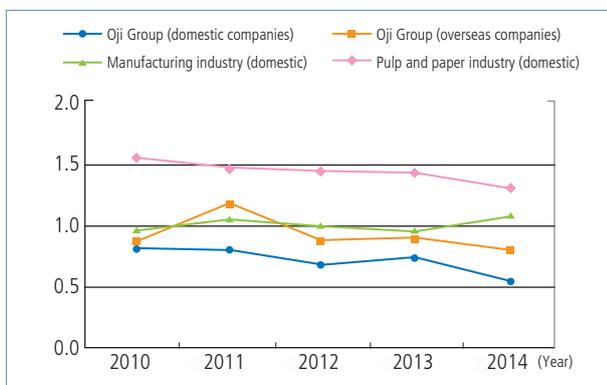
## Priority Measures and Examples

With the lead taken by top managements of worksites, all the Group employees work positively on the following priority measures.

1. Compliance with safety rules  
(Repetitive education on rules and simulated danger trainings)
2. Making equipment safer  
(Correct use of safety device and safe forklift operation)
3. Strengthening of a safety-oriented worksite culture  
(Revitalization of Safety and Health Committee and promotion of 5S\* work practices)
4. Enhancement of safety education to subcontracting companies inside mill
5. Physical/mental health management and improvements of worksite environment

\*5S: Sorting, Setting-in-order, Shining, Standardizing, and Sustaining the discipline

## Frequency Rate of Accidents Resulting in Lost Work Time



GS Paper & Packaging, Malaysia  
Consciousness-raising through safety education and prize-giving at annual safety conventions

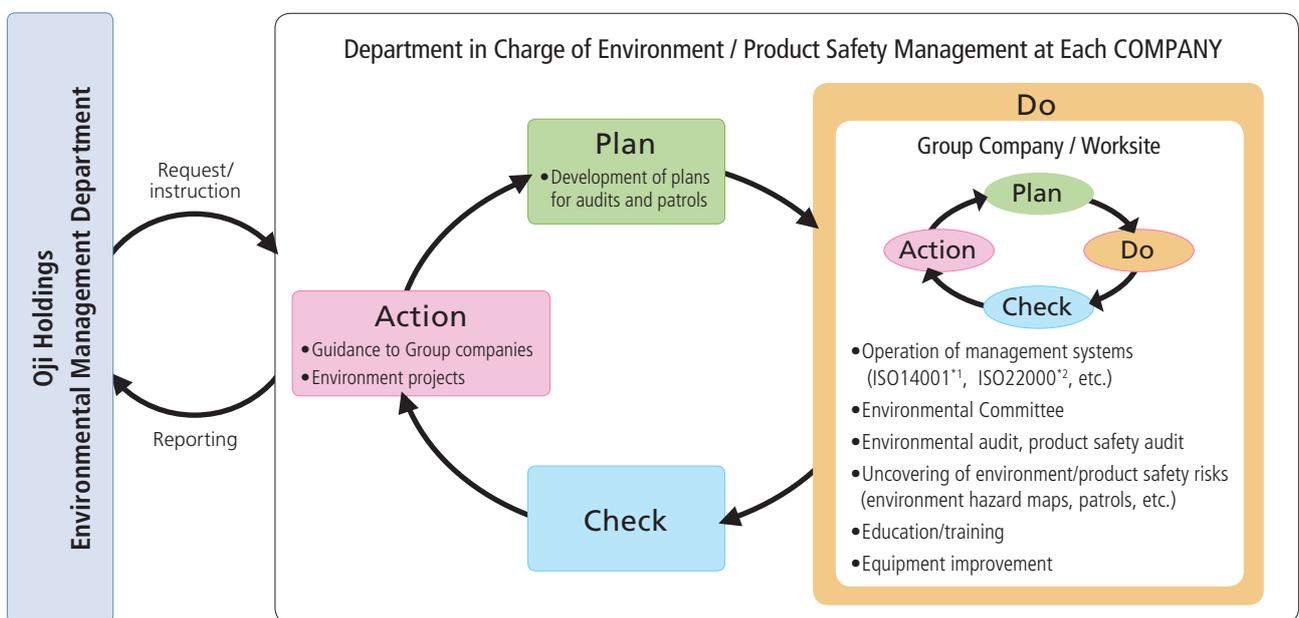
## ~Environment Management, Product Safety Management~

Keeping in mind the “compliance with the law”, “harmony with the environment”, “supply of safe, useful products and services” of the Oji Group Corporate Code of Conduct and appointing the Environmental Management Department of Oji Holdings as an umbrella department, the Oji Group appropriately manages risks concerning environment as well as product safety.

### Risk Management

The Oji Group reduces risks of violation of laws on environment and product safety, environmental accident and product liability accident, by constructing a structure in which the Environmental Management Department, COMPANYS and Group companies/worksites work together to implement environment/product safety managements. The Environmental Management Department provides instructions to and makes known relevant information including laws/regulations among COMPANYS and

Group companies after receiving reports on their situations of environment/product safety management; and develops Group’s common rules. A department in charge of environment and product safety at each COMPANY oversees and provides instructions to its supervising companies, which then make efforts to comply with related laws/regulations as well as Group’s common rules so as to promptly discover and improve the situations of risks that may cause an accident.



\*1 International standard for environmental management systems \*2 International standard for food safety management systems

### TOPICS

#### Integration of the Group’s Environment Management System

##### Acquisition of the group integrated ISO14001 certification

The Oji Group has acquired the group integrated ISO 14001 certification in order to further enhance its environment management system. With the integrated environment management, we promote sharing of information on environmental accidents, potential risks and their countermeasures among worksites, and reduce risks. Moreover, implementation of the collective environment management encourages building of trusting relationships with

external stakeholders, which leads to creation and enhancement of corporate values.

In January 2015, we acquired the integrated certification at 48 worksites and 8 Group companies in Japan as well as a worksite in China. Now, the scope will be extended to overseas worksites to spread the accumulated knowledge and experiences of environment management there.

### VOICE



Comments from the Third-party Auditing Organization

SGS Japan Inc.  
Systems & Services Certification  
Management Systems Certification  
Product Manager

Mr. Toshimichi Nishi

#### Effects of the group integrated certification

The greatest benefit of the group integrated ISO14001 certification is that it encourages an organization to strengthen its governance. In recent years, a strong global supply chain management has become necessary due to reinforced environmental regulations and heightened demands on resolution of environmental problems. ISO14001’s integrated certification would definitely be a major step forward for it.

## Interview with an Outside Officer

An independent Auditing Officer, Mr. Katsura gave us his remarks on the Oji Group's situation of corporate governance and challenges in improving the corporate value.

### “The Oji Group actively reacts to changes in its business environments”

Outside Auditor **Makoto Katsura**

Outside Auditor of the Oji Group since June 2013

Entered the Ministry of Foreign Affairs in 1971.

Resigned in 2011.



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

I have known since the past that the Oji Group has made much contribution to the development of Japanese society over a long period of time as the largest company of the paper manufacturing industry, and it has been striving to expand the overseas businesses in the recent years. After I was appointed as an Outside Officer, I have been impressed by the efforts that the Oji Group has made to deal with declining demand in paper manufacturing industry, such as diversification of businesses to place emphasis on industrial materials including corrugated container, household products including disposable diaper, functional materials including thermal paper and lumber/pulp/power generation businesses; and expansion of overseas business in Asia, Oceania and South America which is represented by its overseas sales ratio that exceeded 20% and is targeted to further increase in the future.

As just described, I believe that the Oji Group is a corporate group that aspires to actively react to changes in its business environment, while at the same time respecting traditions.

#### Q2 How do you evaluate the corporate governance at the Oji Group?

While the strict regulations on large public companies without any Outside Director have come to effect since 2014, Oji Holdings has already appointed two Outside Directors since June 2007 (at the time Oji Paper) and increased the number of Outside Auditors to three persons in June 2013, of which I was the third Outside Auditor then. I think it is very valuable that there is a structure that allows Outside Officers with different backgrounds to voice opinions according to our own knowledge and experiences, and also that Outside Auditors are given opportunities to conduct audits/inspections of workplaces inside/outside Japan.

In addition, the Corporate Governance Division and the Internal Audit Department are established within the company, and the “Oji Group Corporate Code of Conduct” and the “Oji Group Behavior Standard” are formulated.

With the developed system/structure and the norm, it is vital to ensure that these are actually effectively functioning and to raise awareness of every single employee to comply with the norm. There were some cases that revealed lack of a law-abiding spirit at each individual workplace of huge organization. In addition to the already established Manual for Compliance with the Anti-Monopoly Act, it is necessary to strengthen initiatives to enhance sense of compliance and to prevent recurrence.

#### Q3 Please tell us about your thoughts on the Oji Group's challenges to improve its corporate values.

I have been informed about business conditions and results at regular briefing meetings held for Outside Officers, and I must say that the Oji Group is currently under difficult management environment due to the shrinking market trend of existing domestic businesses.

With a view to improve corporate values despite such situation, it becomes essential to develop strategies that take into account of demand expectations of relevant businesses in the world's major markets, to devote capital and human talents in business fields that require business restructuring, and to further increase the overseas sales ratio. Furthermore, though Oji's activities to support amateur baseball/ice hockey and operate the Oji Hall are not directly related to business results, such activities have been highly evaluated and thus would contribute to improving the company's image.

## Culture and Sports

The Oji Group has long been supporting activities that contribute to promotion of culture/sports and to advancement of science and technology. Various activities that lead to “Contribution to Future and the World” and “Harmony with Nature and Society” will be continually conducted in the future.

### For advancement of science and technology Assistance for Fujiwara Foundation of Science

The Fujiwara Foundation of Science was established in 1959 by Ginjiro Fujiwara, who had served as the president of the former Oji Paper in the prewar era and was referred to as Japan’s king of paper manufacturing, with an aim of contributing to the development of science and technology in Japan.

The Foundation presents the “Fujiwara Award” to scientists who have made contributions to advancements of science and technology in Japan. It also supports the holding of the “Fujiwara Seminars”. The “Fujiwara Award” is highly recognized as Japan’s oldest and authoritative award, with its broad scope that covers the following five areas: “mathematics/physics”, “chemistry”, “engineering”, “biology/agriculture”, “medicine”.

Oji Holdings mainly provides financial supports so that the Foundation can continue to follow the founder’s footsteps to additionally contribute to the future progress of science and technology in Japan.



56th Fujiwara Award Ceremony (June 17, 2015, Gakushikaikan)

### 56th Fujiwara Award Winners

#### Dr. Masataka Nakazawa

Professor, Research Institute of Electrical Communication, Tohoku University

“Pioneering research and development of erbium-doped fiber amplifier (EDFA) and significant contribution to advancement of optical communication”

#### Dr. Shigeyuki Yokoyama

Senior Scientist, RIKEN

“Elucidation and application of the structural basis of transcription and translation”

### A musical space at Ginza 4-chome Oji Hall

Located within the main building of Oji Holdings at Ginza 4-chome, Tokyo, “Oji Hall” is a full-scale concert hall which was opened with a purpose to encourage musical appreciation and contribute to musical culture. It hosts 40 performances which feature musicians from around the world, and rents out its hall for 160 performances annually.

Having only 315 seats, the Hall’s cozy and luxurious atmosphere has gained reputation from famous Western musicians as well as musical fans in Japan, since its opening in 1992.

It will continue to provide a quality space befitting the city of Ginza and contribute to development and improvement of artistic culture in the future.



Oji Hall New Year Special Concert <MARO World Vol.24>  
Performance by MARO Company, a string band composed of top and distinguished orchestral players in Japan

## High flying ambition Oji Baseball Team

The Oji Baseball Team, which was established in 1957 and is based in Oji Paper Kasugai Mill, has had numerous successes such as winning the championship and taking the second place at the Intercity Baseball Tournament in 2004 and 2008 respectively. For the 86th tournament in 2015, the team advanced into the finals based on the results of regional qualifier after two years, and reached top 4 after seven years. The players have grown and the team has become increasingly united with every game played. Every person related to the Oji Group including business partners, officers and employees, have come together to watch the exciting games and to give a rousing cheer.

In addition, the team has also been engaged in activities rooted in the local community. It holds the Oji Baseball Tournament for local boys' baseball teams every November to give assistances for boys' games, and also baseball classes after the tournament for all the participants.



▲Hitoshi Kondo, a pitcher who performed brilliantly at the Intercity Baseball Tournament in 2015 with 2 shutout games



▶ Supporters coming together to cheer for the team

## Leader of the Japanese ice hockey world Oji Eagles

The Oji Eagles, which was established in 1926, has won the All-Japan Ice Hockey Championship for 35 times and the Asia League Ice Hockey for 2 times (the former Japan Ice Hockey League for 13 times). With its history and records, the team has become the leader in Japanese ice hockey world. In its home ground of Tomakomai and neighboring cities, apart from holding of ice hockey classes to develop players, the team also seeks communications with local residents through volunteer activities at hospitals, cleanup activities and flower-planting on streets.

Moreover, in February 2015, Oji Holdings concluded a contract regarding the acquisition of the naming rights for the Tomakomai City Hakucho Arena, the Oji Eagles' competition site. Additional activities for regional contributions, which include health improvement through ice hockey, guidance and assistances for playing ice hockey as a lifelong sport, will be continually promoted.



▲ Fierce battle on ice

▶ Mr. Iwakura, the mayor of Tomakomai City (right-center), and the President Yajima (left-center) presenting the new name "Hakucho Oji Ice Arena" and the logo "Tomachop", the official mascot character of Tomakomai City (right) and "Shoot kun", the official mascot character of the Oji Eagles (left)



## List of Major Affiliated Companies

Industrial Materials Business				
Country	Company Name	Business	Voting Rights (%)	Capital (¥ mill.)
Japan	◇ Oji Materia Co., Ltd.	Containerboard, boxboard, packing paper	100.00	600
	◇ Shin Nippon Feather Core Co., Ltd.	Honeycomb core products	100.00	100
	◇ Oji Industrial Materials Management Co., Ltd.	Overall management of Industrial Materials COMPANY, various design services	100.00	10
	◇ Oji Container Co., Ltd.	Corrugated containers	100.00	10,000
	◇ Morishigyo Co., Ltd.	Corrugated containers, folding cartons, packing paper	100.00	310
	◇ Oji Interpack Co., Ltd.	Heavy-duty packaging materials	100.00	214
	◇ Oji Packaging Co., Ltd.	Folding carton converting	100.00	1,500
	◇ Kyushu Package Co., Ltd.	Folding cartons, packaging materials	61.54	65
	◇ Oji Seitai Co., Ltd.	Heavy-duty paper sack	100.00	377
	◇ Oji Adba Co., Ltd.	Packaging materials	100.00	96
	E Okayama Paper Industries Co., Ltd.	Paperboard, corrugated containers	39.69	821
China	◇ Suzhou Oji Packaging Co., Ltd.	Heavy-duty packaging materials, corrugated containers	100.00	420
Vietnam	◇ Ojtex (Vietnam) Co., Ltd.	Corrugated containers	100.00	USD 15 mill.
	◇ Ojtex Haiphong Co., Ltd.	Corrugated containers	100.00	USD 20 mill.
	◇ United Packaging Co., Ltd.	Folding cartons, high graphic corrugated containers	75.00	VND 50,928 mill.
Thailand	◇ S.Pack & Print Public Co., Ltd.	Folding cartons, corrugated containers	75.72	THB 300 mill.
	◇ Box Asia Group International Co., Ltd.	Folding cartons, corrugated containers	100.00	THB 54 mill.
Malaysia	◇ Oji Asia Packaging Sdn. Bhd.	Regional headquarters	100.00	MYR 332 mill.
	◇ GS Paper & Packaging Sdn. Bhd.	Containerboard, corrugated containers	75.00	MYR 255 mill.
	◇ United Kotak Bhd.	Corrugated containers	100.00	MYR 48 mill.
	◇ Harta Packaging Industries Sdn. Bhd.	Corrugated containers	100.00	MYR 18 mill.
	◇ Trio Paper Mills Sdn. Bhd.	Containerboard, boxboard	100.00	MYR 20 mill.
India	◇ Oji JK Packaging Pvt. Ltd.	Corrugated containers	60.00	INR 630 mill.
	◇ Oji Interpack India Pvt. Ltd.	Heavy-duty packaging materials, corrugated containers	100.00	INR 14 mill.
Myanmar	◇ Oji GS Packaging (Yangon) Co., Ltd.	Corrugated containers	73.73	MYR 29 mill.
	◇ Oji Myanmar Packaging Co., Ltd.	Corrugated containers	100.00	USD 4 mill.
USA	◇ Oji Intertech, Inc.	Automotive headliners, air caps, extrusion coating	100.00	USD 0.8 mill.
Household & Consumer Products Business				
Country	Company Name	Business	Voting Rights (%)	Capital (¥ mill.)
Japan	◇ Oji Nepia Co., Ltd.	Household paper, disposable diaper	100.00	350
China	◇ Oji Paper Nepia (Suzhou) Co., Ltd.	Household paper	100.00	USD 45 mill.
Malaysia	◇ Oji Asia Household Product Sdn. Bhd.	Disposable diaper	100.00	MYR 5 mill.
	◇ People & Grit (M) Sdn. Bhd.	Disposable diaper	80.00	MYR 3 mill.
Indonesia	◇ PT Oji Indo Makmur Perkasa	Disposable diaper	51.00	IDR 85,000 mill.
Functional Materials Business				
Country	Company Name	Business	Voting Rights (%)	Capital (¥ mill.)
Japan	◇ Oji F-Tex Co., Ltd.	Specialty paper, functional paper, film	100.00	350
	◇ Oji Imaging Media Co., Ltd.	Thermal paper	100.00	350
	◇ Oji Functional Materials Progressing Center Inc.	Overall management of Functional Materials COMPANY	100.00	10
	◇ Oji Tac Co., Ltd.	Adhesive products	100.00	1,550
	◇ New Tac Kasei Co., Ltd.	Adhesive products	100.00	310
	◇ Oji Kinocloth Co., Ltd.	Non-woven fabric	100.00	353
	◇ Shinomura Chemical Industry Co., Ltd.	Release paper	60.00	40
	◇ Chuetsu Co., Ltd.	Printing	100.00	90
Thailand	◇ Oji Paper (Thailand) Ltd.	Carbonless paper, thermal paper	100.00	THB 1,340 mill.
	◇ Oji Label (Thailand) Ltd.	Adhesive products	85.00	THB 164 mill.
USA	◇ Kanzaki Specialty Papers Inc.	Thermal paper	100.00	USD 35 mill.
Germany	◇ Kanzan Spezialpapiere GmbH	Thermal paper	94.74	EUR 26 mill.
Brazil	◇ Oji Papéis Especiais Ltda.	Carbonless paper, thermal paper	100.00	BRL 410 mill.

## Forest Resources & Environment Marketing Business

Country	Company Name	Business	Voting Rights (%)	Capital (¥ mill.)
Japan	◇ Oji Green Resources Co., Ltd.	Overall Management of Forest Resources and Environment Marketing Business COMPANY, lumber, forest plantation, pulp, energy	100.00	350
	◇ Oji Green Energy Shiranuka Co., Ltd.	Solar power	100.00	10
	◇ Oji Green Energy Ebetsu Co., Ltd.	Biomass power	100.00	65
	◇ Oji Green Energy Nichinan Co., Ltd.	Biomass power	100.00	10
	E Oji-Itochu Enex power retailing Co., Ltd.	Power retailing	40.00	100
	◇ Oji Forest & Products Co., Ltd.	Wood chip	100.00	288
	◇ Oji Cornstarch Co., Ltd.	Starch	60.00	1,000
	◇ Oji Ecomaterial Co., Ltd.	Paper collection/recycling	100.00	10
	◇ Oji Trading Co., Ltd.	Sales/export of raw materials and chemicals for paper manufacturing	100.00	361
	◇ Japan Brazil Pulp and Paper Resources Development Co., Ltd.	CENIBRA pulp sales	55.50	61,788
China	◇ Oji Paper International Trading (Shanghai) Co., Ltd.	Sales of lumber and pulp	100.00	USD 1 mill.
	◇ Guangxi Oji Plantation Forest Co., Ltd.	Forest plantation	90.00	USD 4 mill.
	E Huizhou Nanyou Forest Development Co., Ltd.	Forest plantation	30.00	CNY 170 mill.
Vietnam	◇ Quy Nhon Plantation Forest Company of Vietnam Ltd.	Forest plantation	100.00	USD 4 mill.
	◇ Binh Dinh Chip Corporation	Wood chip	55.00	USD 1 mill.
	E Truong Thanh Oji Plantation Forest Co., Ltd.	Forest plantation	49.00	USD 9 mill.
Cambodia	◇ Oji (Cambodia) Plantation Forest Co., Ltd.	Forest plantation	100.00	KHR 12,000 mill.
Indonesia	E PT. Korintiga Hutani	Forest plantation, wood chip, lumber	34.34	IDR 242,000 mill.
Laos	◇ Oji Lao Plantation Forest Co., Ltd.	Forest plantation, lumber	85.00	USD 54 mill.
	◇ Oji South Lao Plantation Forest Co., Ltd.	Forest plantation	100.00	USD 10 mill.
Australia	◇ Albany Plantation Forest Company of Australia Pty. Ltd.	Forest plantation	76.82	AUD 38 mill.
	◇ Albany Plantation Export Company Pty. Ltd.	Wood chip	51.00	AUD 6 mill.
	◇ Green Triangle Plantation Forest Company of Australia Pty. Ltd.	Forest plantation	61.00	AUD 14 mill.
New Zealand	◇ Southland Plantation Forest Company of New Zealand Ltd.	Forest plantation	51.00	NZD 22 mill.
	◇ Pan Pac Forest Products Ltd.	Forest plantation, pulp, lumber	100.00	NZD 126 mill.
Brazil	◇ Celulose Nipo-Brasileira S.A.	Forest plantation, pulp, lumber	100.00	USD 257 mill.

## Printing & Communications Media Business

Country	Company Name	Business	Voting Rights (%)	Capital (¥ mill.)
Japan	◇ Oji Paper Co., Ltd.	Pulp manufacturing, newsprint, paper	100.00	350
	◇ Apica Co., Ltd.	Workbook, notebook, paper	63.28	200
China	◇ Jiangsu Oji Paper Co., Ltd.	Pulp, coated paper, woodfree paper	90.00	USD 912 mill.
	◇ Oji Paper Trading (China) Co., Ltd.	Sales of paper, paperboard and pulp	90.00	CNY 90 mill.

## Other Businesses / Shared Service Companies

Country	Company Name	Business	Voting Rights (%)	Capital (¥ mill.)
Japan	◇ Oji Management Office Inc.	Group management support	100.00	10
	◇ Oji Real Estate Co., Ltd.	Real estate	100.00	650
	◇ Kyokuyo Pulp & Paper Co., Ltd.	Wholesale	90.00	1,300
	◇ Oji Engineering Co., Ltd.	Engineering	100.00	800
	◇ Oji Logistics Co., Ltd.	Logistics	100.00	1,434
	◇ Oji Business Center Co., Ltd.	Information systems	60.00	50
	E Kokusai Pulp & Paper Co., Ltd.	Wholesale	20.71	3,442
	E Ocean Trans Co., Ltd.	Shipping	33.46	1,200
Malaysia	◇ Oji Asia Management Sdn. Bhd.	Regional headquarters	100.00	MYR 6 mill.
New Zealand/ Australia	◇ Carter Holt Harvey Pulp & Paper Ltd.	Pulp, paperboard, packaging	100.00	NZD 728 mill.

◇ : Consolidated Subsidiary Company  
E : Equity Method Affiliated Company

## Corporate Data / Stock Information (As of March 31, 2015)

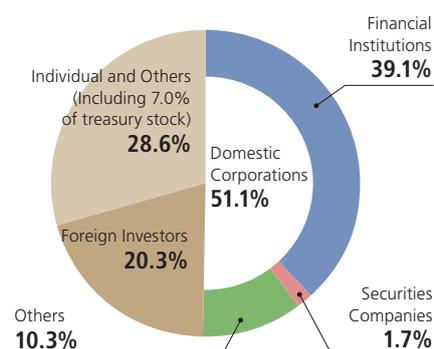
### ■ Company Profile

Company name	Oji Holdings Corporation	Capital	¥ 103,880 million
Director of the Board President	Susumu Yajima	Number of authorized shares	2,400,000,000 shares
Headquarters	7-5 Ginza 4-chome, Chuo-ku, Tokyo 104-0061 Japan	Number of issued shares	1,064,381,817 shares
		(Treasury shares)	(74,629,380 shares)
Start of business	February 12, 1873	Number of shareholders	69,753 persons
Foundation	August 1, 1949	Number of consolidated employees	33,668 persons

### ■ Stock Information

Stock Exchange Listings	First Section of the Tokyo Stock Exchange
Securities Identification Code	3861
Share register manager and account administration authority for special accounts	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo Japan Sumitomo Mitsui Trust Bank, Limited
Address	8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063 Japan Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited
Telephone	0120-782-031

### ■ Distribution of Shareholders



### ■ Principal Shareholders

Name	Number of shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Limited (Trust Account)	58,454	5.9
Japan Trustee Services Bank, Limited (Trust Account)	41,375	4.2
Japan Trustee Services Bank, Limited (Trust Account 4)	32,447	3.3
Sumitomo Mitsui Banking Corporation	31,668	3.2
Mizuho Bank, Limited	31,636	3.2
Nippon Life Insurance Company	25,658	2.6
Oji Group Employee Shareholding Association	24,073	2.4
Japan Pulp and Paper Company Limited	17,464	1.8
The Norinchukin Bank	16,654	1.7
Ms. Chieko Fujisada	14,844	1.5



OJI HOLDINGS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

**For the fiscal year ended March 31, 2015**

OJI HOLDINGS CORPORATION

## CONSOLIDATED BALANCE SHEET

As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>ASSETS</b>			
Current assets			
Cash and bank deposits (Note 9 (2))	¥ 45,567	¥ 45,575	\$ 379,191
Notes and accounts receivable-trade (Note 9 (2))	298,826	278,897	2,486,700
Marketable securities	16,717	12,557	139,118
Merchandise and finished goods (Note 9 (2))	98,996	87,096	823,799
Work in process (Note 9 (2))	19,689	19,330	163,843
Raw materials and supplies (Note 9 (2))	82,051	65,798	682,796
Deferred tax assets	9,771	8,926	81,316
Short-term loans receivable	4,854	4,958	40,396
Accounts receivable—other	19,269	14,238	160,355
Other (Note 9 (2))	14,620	12,090	121,664
Allowance for doubtful accounts	(1,973)	(2,264)	(16,422)
<b>Total current assets</b>	<b>608,392</b>	<b>547,205</b>	<b>5,062,762</b>
Non-current assets			
Property, plant and equipment			
Buildings and structures	662,447	628,748	5,512,583
Accumulated depreciation (Note 9 (8))	(432,149)	(418,354)	(3,596,153)
Buildings and structures (Net) (Note 9 (2), (9))	230,297	210,393	1,916,429
Machinery, equipment and vehicles	2,409,017	2,239,495	20,046,747
Accumulated depreciation (Note 9 (8))	(1,907,997)	(1,856,798)	(15,877,484)
Machinery, equipment and vehicles (Net) (Note 9 (2), (9))	501,020	382,696	4,169,262
Tools, furniture and fixtures	61,809	60,211	514,350
Accumulated depreciation (Note 9 (8))	(55,387)	(54,100)	(460,907)
Tools, furniture and fixtures (Net) (Note 9 (2),(9))	6,422	6,111	53,442
Land (Note 9 (2), (6))	239,698	235,063	1,994,665
Forests (Note 9 (2))	119,108	106,029	991,166
Plantations (Note 9(2),(9))	130,555	117,263	1,086,425
Leased assets	7,529	10,592	62,653
Accumulated depreciation	(4,872)	(5,262)	(40,546)
Leased assets (Net) (Note 9 (2),(9))	2,656	5,329	22,106
Construction in progress (Note 9 (2),(9))	40,709	92,091	338,767
<b>Total property, plant and equipment</b>	<b>1,270,469</b>	<b>1,154,978</b>	<b>1,0572,265</b>
Intangible assets			
Goodwill	16,042	14,430	133,496
Other (Note 9 (2),(9))	16,085	10,947	133,854
<b>Total intangible assets</b>	<b>32,127</b>	<b>25,377</b>	<b>267,350</b>

OJI HOLDINGS CORPORATION

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Investments and other assets			
Investment securities (Note 9 (1), (2))	203,675	154,038	1,694,897
Long-term loans receivable	3,493	1,980	29,074
Long-term prepaid expenses	22,101	17,645	183,918
Net defined benefit asset	8,912	534	74,164
Deferred tax assets	6,055	6,008	50,393
Other (Note 9 (2))	10,095	9,348	84,012
Allowance for doubtful accounts	(1,232)	(1,441)	(10,255)
Total investments and other assets	253,102	188,114	2,106,206
Total non-current assets	1,555,699	1,368,471	12,945,823
Total assets	¥ 2,164,091	¥ 1,915,676	\$ 18,008,585

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>LIABILITIES</b>			
Current liabilities			
Notes and accounts payable-trade	¥ 209,977	¥ 204,052	\$ 1,747,341
Short-term loans payable	319,720	184,362	2,660,572
Commercial paper	10,000	—	83,215
Current portion of bonds	20,055	20,085	166,888
Accounts payable-other	17,501	13,558	145,641
Accrued expenses	49,077	43,950	408,397
Income taxes payable	6,262	7,948	52,110
Provision for loss on transfer of investments in affiliates	12,362	—	102,871
Provision for surcharge	—	2,712	—
Other	37,981	19,258	316,063
Total current liabilities	682,938	495,927	5,683,101
Non-current liabilities			
Bonds	140,020	160,075	1,165,182
Long-term loans payable	372,784	434,007	3,102,141
Deferred tax liabilities	72,096	49,895	599,952
Deferred tax liabilities on revaluation of land (Note 9 (6))	8,333	9,161	69,350
Provision for loss on litigation (Note 9 (4))	5,079	4,965	42,271
Net defined benefit liability	63,949	73,769	532,161
Long-term deposits	8,061	9,294	67,080
Other	9,455	8,222	78,684
Total non-current liabilities	679,780	749,392	5,656,826
Total liabilities	¥ 1,362,719	¥ 1,245,320	\$ 11,339,927
<b>NET ASSETS</b>			
Shareholders' equity			
Common stock	103,880	103,880	864,449
Capital surplus	112,951	112,965	939,929
Retained earnings	354,828	344,846	2,952,723
Treasury stock	(42,748)	(42,681)	(355,730)
Total shareholders' equity	528,912	519,010	4,401,371

OJI HOLDINGS CORPORATION

Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	53,218	20,897	442,814
Deferred gains (losses) on hedging derivatives	(346)	44	(2,880)
Revaluation reserve for land (Note 9 (6))	5,059	4,214	42,101
Foreign currency translation adjustments	76,457	43,403	636,245
Remeasurements of defined benefit plans	(4,638)	(12,536)	(38,603)
Total accumulated other comprehensive income	129,744	56,023	1,079,677
Subscription rights	342	290	2,852
Minority interests in consolidated subsidiaries	142,372	95,031	1,184,756
Total net assets	¥ 801,372	¥ 670,356	\$ 6,668,658
Total liabilities and net assets	¥ 2,164,091	¥ 1,915,676	\$ 18,008,585

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF INCOME

Fiscal years ended March 31, 2015 and 2014

(Consolidated Statement of Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales	¥ 1,347,281	¥ 1,332,510	\$ 11,211,464
Cost of sales (Note 10 (1), (2))	1,062,506	1,037,837	8,841,692
Gross profit	284,775	294,673	2,369,771
Selling, general and administrative expenses			
Freight expenses	126,737	123,643	1,054,649
Warehouse expenses	7,128	6,790	59,316
Salaries and wages	46,828	45,562	389,689
Retirement benefit expenses	1,670	4,320	13,897
Depreciation and amortization	4,523	4,314	37,642
Other	51,192	48,018	426,002
Total selling, general and administrative expenses (Note 10 (1))	238,080	232,649	1,981,197
Operating profit	46,694	62,023	388,574
Non-operating income			
Interest income	1,278	1,139	10,637
Dividends income	3,126	2,872	26,014
Equity in earnings of affiliates	2,057	1,476	17,124
Exchange gain	13,280	16,926	110,514
Other	4,706	4,394	39,168
Total non-operating income	24,449	26,809	203,460
Non-operating expenses			
Interest expenses	11,068	10,877	92,103
Other	7,105	7,596	59,131
Total non-operating expenses	18,173	18,474	151,235
Ordinary profit	52,970	70,358	440,799
Special gains			
Gain on sales of investment securities	1,306	370	10,875
Other	246	10,340	2,048
Total special gains	1,553	10,710	12,924
Special losses			
Provision for loss on transfer of investments in affiliates (Note 9 (3))	12,366	—	102,907
Loss on disposal of non-current assets	1,588	2,759	13,217
Loss on business restructuring	1,152	4,694	9,586
Provision for surcharge payment (Note 9(4))	—	2,712	—
Other	1,713	7,002	14,258
Total special losses	16,820	17,168	139,971
Income before income taxes and minority interests	37,703	63,900	313,751
Income taxes-current	15,199	19,033	126,480
Income taxes-deferred	410	4,385	3,412
Total income taxes	15,609	23,419	129,892
Income before minority interests	22,094	40,480	183,858
Minority interests in net income of consolidated subsidiaries	4,749	6,679	39,523
Net income	¥ 17,344	¥ 33,801	\$ 144,335

See accompanying notes to consolidated financial statements.

OJI HOLDINGS CORPORATION

(Consolidated Statement of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥ 22,094	¥ 40,480	\$ 183,858
Other comprehensive income			
Valuation difference on available-for-sale securities	31,726	4,605	264,017
Deferred gains (losses) on hedging derivatives	(331)	314	(2,760)
Revaluation reserve for land	827	—	6,887
Foreign currency translation adjustments	43,980	65,415	365,987
Remeasurements of defined benefit plans	7,899	—	65,735
Share of other comprehensive income of investments for which the equity method is applied	1,593	1,864	13,256
Total other comprehensive income (Note 11(1))	85,696	72,198	713,125
Comprehensive income	¥ 107,790	¥ 112,679	\$ 896,984
(Breakdown)			
Comprehensive income attributable to shareholders of Oji Holdings Corporation	¥ 91,048	¥ 91,296	\$ 757,664
Comprehensive income attributable to minority interests	16,741	21,382	139,319

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

### Fiscal years ended March 31, 2015 and 2014

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	¥ 103,880	¥ 112,930	¥ 320,086	¥ (43,140)	¥ 493,756
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance at April 1, 2013	103,880	112,930	320,086	(43,140)	493,756
Changes of items during the year					
Cash dividends	—	—	(9,886)	—	(9,886)
Net income	—	—	33,801	—	33,801
Purchase of treasury stock	—	—	—	(129)	(129)
Disposal of treasury stock	—	34	—	600	635
Increase in treasury stock by merger of equity method affiliates	—	—	—	(12)	(12)
Change in treasury stock arising from changes in equity in affiliates	—	—	—	(0)	(0)
Change in scope of consolidation	—	—	183	—	183
Reversal of revaluation reserve for land	—	—	661	—	661
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	34	24,760	459	25,254
Balance at April 1, 2014	¥ 103,880	¥ 112,965	¥ 344,846	¥ (42,681)	¥ 519,010
Cumulative effects of changes in accounting policies	—	—	2,611	—	2,611
Restated balance at April 1, 2014	103,880	112,965	347,458	(42,681)	521,622
Changes of items during the year					
Cash dividends	—	—	(9,897)	—	(9,897)
Net income	—	—	17,344	—	17,344
Purchase of treasury stock	—	—	—	(95)	(95)
Disposal of treasury stock	—	(13)	—	28	14
Increase in treasury stock by merger of equity method affiliates	—	—	—	—	—
Change in treasury stock arising from changes in equity in affiliates	—	—	—	0	0
Change in scope of consolidation	—	—	(59)	—	(59)
Reversal of revaluation reserve for land	—	—	(17)	—	(17)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(13)	7,370	(66)	7,289
Balance at March 31, 2015	¥ 103,880	¥ 112,951	¥ 354,828	¥ (42,748)	¥ 528,912

OJI HOLDINGS CORPORATION

Millions of yes

	Accumulated other comprehensive income						Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2013	¥ 16,100	¥ (252)	¥ 4,875	¥ (8,997)	-	¥ 11,726	¥ 235	¥ 73,410	¥ 579,128
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Restated balance at April 1, 2013	16,100	(252)	4,875	(8,997)	-	11,726	235	73,410	579,128
Changes of items during the year									
Cash dividends	-	-	-	-	-	-	-	-	(9,886)
Net income	-	-	-	-	-	-	-	-	33,801
Purchase of treasury stock	-	-	-	-	-	-	-	-	(129)
Disposal of treasury stock	-	-	-	-	-	-	-	-	635
Increase in treasury stock by merger of equity method affiliates	-	-	-	-	-	-	-	-	(12)
Change in treasury stock arising from changes in equity in affiliates	-	-	-	-	-	-	-	-	(0)
Change in scope of consolidation	-	-	-	-	-	-	-	-	183
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	-	661
Net changes of items other than shareholders' equity	4,797	296	(661)	52,401	(12,536)	44,297	54	21,621	65,973
Total changes of items during the year	4,797	296	(661)	52,401	(12,536)	44,297	54	21,621	91,227
Balance at April 1, 2014	¥ 20,897	¥ 44	¥ 4,214	¥ 43,403	¥ (12,536)	¥ 56,023	¥ 290	¥ 95,031	¥ 670,356
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	(26)	2,585
Restated balance at April 1, 2014	20,897	44	4,214	43,403	(12,536)	56,023	290	95,004	672,941
Changes of items during the year									
Cash dividends	-	-	-	-	-	-	-	-	(9,897)
Net income	-	-	-	-	-	-	-	-	17,344
Purchase of treasury stock	-	-	-	-	-	-	-	-	(95)
Disposal of treasury stock	-	-	-	-	-	-	-	-	14
Increase in treasury stock by merger of equity method affiliates	-	-	-	-	-	-	-	-	-
Change in treasury stock arising from changes in equity in affiliates	-	-	-	-	-	-	-	-	0
Change in scope of consolidation	-	-	-	-	-	-	-	-	(59)
Reversal of revaluation reserve for land	-	-	-	-	-	-	-	-	(17)
Net changes of items other than shareholders' equity	32,315	(390)	845	33,053	7,897	73,721	52	47,367	121,141
Total changes of items during the year	32,315	(390)	845	33,053	7,897	73,721	52	47,367	128,431
Balance at March 31, 2015	¥ 53,213	¥ (346)	¥ 5,059	¥ 76,457	¥ (4,638)	¥ 129,744	¥ 342	¥ 142,372	¥ 801,372

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Thousands of U.S. dollars (Note 1)					
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	\$ 864,449	\$ 940,045	\$ 2,869,653	\$ (355,175)	\$ 4,318,972
Cumulative effects of changes in accounting policies	—	—	21,735	—	21,735
Restated balance at April 1, 2014	864,449	940,045	2,891,388	(355,175)	4,340,707
Changes of items during the year					
Cash dividends	—	—	(82,364)	—	(82,364)
Net income	—	—	144,335	—	144,335
Purchase of treasury stock	—	—	—	(793)	(793)
Disposal of treasury stock	—	(115)	—	236	121
Increase in treasury stock by merger of equity method affiliates	—	—	—	—	—
Change in treasury stock arising from changes in equity in affiliates	—	—	—	0	0
Change in scope of consolidation	—	—	(491)	—	(491)
Reversal of revaluation reserve for land	—	—	(144)	—	(144)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(115)	61,334	(555)	60,664
Balance at March 31, 2015	\$ 864,449	\$ 939,929	\$ 2,952,723	\$ (355,730)	\$ 4,401,371

Thousands of U.S. dollars (Note 1)									
	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights	Minority interests in consolidated subsidiaries	
Balance at April 1, 2014	\$ 173,902	\$ 367	\$ 35,069	\$ 361,188	\$ (104,324)	\$ 466,203	\$ 2,413	\$ 790,809	\$ 5,578,399
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	(223)	21,511
Restated balance at April 1, 2014	173,902	367	35,069	361,188	(104,324)	466,203	2,413	790,586	5,599,911
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(82,364)
Net income	—	—	—	—	—	—	—	—	144,335
Purchase of treasury stock	—	—	—	—	—	—	—	—	(793)
Disposal of treasury stock	—	—	—	—	—	—	—	—	121
Increase in treasury stock by merger of equity method affiliates	—	—	—	—	—	—	—	—	—
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	0
Change in scope of consolidation	—	—	—	—	—	—	—	—	(491)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	(144)
Net changes of items other than shareholders' equity	268,911	(3,248)	7,031	275,057	65,720	613,473	439	394,170	1,008,082
Total changes of items during the year	268,911	(3,248)	7,031	275,057	65,720	613,473	439	394,170	1,068,746
Balance at March 31, 2015	\$ 442,814	\$ (2,880)	\$ 42,101	\$ 636,245	\$ (38,603)	\$ 1,079,677	\$ 2,852	\$ 1,184,756	\$ 6,668,658

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Fiscal years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 37,703	¥ 63,900	\$ 313,751
Depreciation and amortization	70,825	73,260	589,374
Amortization of goodwill	2,987	2,822	24,857
Increase (decrease) in allowance for doubtful accounts	(445)	(1,351)	(3,703)
Decrease (increase) in net defined benefit asset	(5,812)	847	(48,366)
Increase (decrease) in net defined benefit liability	4,461	961	37,129
Interest and dividend income	(4,404)	(4,011)	(36,652)
Interest expenses	11,068	10,877	92,103
Exchange loss (gain)	(9,624)	(14,190)	(80,092)
Equity in (earnings) losses of affiliates	(2,057)	(1,476)	(17,124)
Loss (gain) on sales of investment securities	(1,306)	(370)	(10,875)
Provision for loss on transfer of investments in affiliates	12,366	—	102,907
Loss on disposal of non-current assets	1,588	2,759	13,217
Loss on business restructuring	1,152	4,694	9,586
(Increase) decrease in trade receivables	(3,228)	(2,709)	(26,866)
(Increase) decrease in inventories	(5,213)	(3,783)	(43,380)
Increase (decrease) in trade payables	(568)	(11,042)	(4,733)
Other	928	5,831	7,724
<b>Subtotal</b>	<b>110,419</b>	<b>127,018</b>	<b>918,858</b>
Interest and dividend income received	5,063	5,105	42,133
Interest paid	(10,900)	(11,204)	(90,707)
Income taxes paid	(13,656)	(11,602)	(113,646)
<b>Net cash provided by operating activities</b>	<b>90,925</b>	<b>109,316</b>	<b>756,639</b>
Cash flows from investing activities			
Payment for acquisition of marketable securities	—	(5,235)	—
Proceeds from sales of marketable securities	1,251	—	10,415
Payment for acquisition of property, plant, equipment and intangible assets	(69,890)	(80,539)	(581,596)
Proceeds from sales of property, plant, equipment and intangible assets	1,390	12,844	11,569
Payment for acquisition of investment securities	(937)	(2,945)	(7,800)
Proceeds from sales and redemption of investment securities	2,197	8,370	18,285
Payment for additional acquisition of shares of consolidated subsidiaries	(275)	(1)	(2,293)
Payment for loans receivable	(2,203)	(1,931)	(18,338)
Proceeds from collection of loans receivable	1,334	3,046	11,106
Payment for acquisition of shares of subsidiaries which have caused the change in scope of consolidation (Note 13 (2))	(97,455)	—	(810,982)
Other	(960)	(849)	(7,990)
<b>Net cash used in investing activities</b>	<b>(165,549)</b>	<b>(67,242)</b>	<b>(1,377,625)</b>
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	59,801	(34,467)	497,639
Net increase (decrease) in commercial paper	10,000	—	83,215

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Proceeds from long-term loans payable	62,510	117,970	520,184
Repayment of long-term loans payable	(57,489)	(149,985)	(478,401)
Proceeds from issue of bonds	—	39,790	—
Payment for redemption of bonds	(20,085)	(20,160)	(167,138)
Proceeds from issuance of stock to minority shareholders	33,817	172	281,411
Payment for purchase of treasury stock	(95)	(129)	(793)
Dividend payments	(9,897)	(9,886)	(82,364)
Other	(1,180)	4,675	(9,826)
Net cash provided by (used in) financing activities	77,380	(52,019)	643,926
Effect of exchange rate changes on cash and cash equivalents	2,285	4,535	19,018
Increase (decrease) in cash and cash equivalents	5,042	(5,409)	41,957
Cash and cash equivalents at the beginning of the year	52,173	57,048	434,167
Increase in cash and cash equivalents due to mergers of subsidiaries	73	7	608
Increase in cash and cash equivalents due to inclusion of consolidated subsidiaries in scope of consolidation	—	527	—
Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries from scope of consolidation	(159)	—	(1,330)
Cash and cash equivalents at the end of the year (Note 13 (1))	¥ 57,129	¥ 52,173	\$ 475,403

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

### 1. Basis of Preparation

- (1) The accompanying consolidated financial statements of Oji Holdings Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
- (2) Certain amounts in the financial statements as of and for the fiscal year ended March 31, 2014 have been reclassified to conform to the presentation in the financial statements as of and for the fiscal year ended March 31, 2015.
- (3) The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥ 120.17 to U.S. \$1.00, the approximate rate of exchange prevailing at March 31, 2015. This translation should not be construed as a representation that the yen amounts shown could be converted into U.S. dollars at the above or any other rate.

### 2. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 173 (158 in 2014)

Main consolidated subsidiaries include:

Oji Container Co., Ltd., Oji Packaging Co., Ltd., Oji Materia Co., Ltd., Oji Seitai Kaisha Ltd., Oji Nepia Co.,Ltd., Mori Shigyo Co.,Ltd., Oji Interpack Co., Ltd., Ojiadba Co.,Ltd., Kyushu Packaging Co., Ltd., Oji Packs Partners Co., Ltd., Oji Asia Packaging Sdn. Bhd., GS Paper & Packaging Sdn. Bhd., United Kotak Berhad, S. Pack & Print Public Co., Ltd., Harta Packaging Industries Sdn. Bhd., Oji Tac Co., Ltd., Oji Kinocloth Co., Ltd., Oji F-Tex Co., Ltd., Oji Imaging Media Co., Ltd., New Tac Kasei Co., Ltd., Chuetsu Co., Ltd., Shinomura Chemical Industry Co., Ltd., Oji Functional Materials Progressing Center Inc., Oji Papéis Especiais Ltda, Kanzaki Specialty Papers Inc., KANZAN Spezialpapiere GmbH, Oji Paper (Thailand) Ltd., Japan Brazil Paper and Pulp Development Co., Ltd., Oji Cornstarch Co., Ltd., Oji Green Resources Co., Ltd., Oji Forest & Products Co., Ltd., Oji Eco Materials Co., Ltd., Celulose Nipo-Brasileira S.A., Pan Pac Forest Products Ltd., Oji Paper Co., Ltd., Apica Co., Ltd., Jiangsu Oji Paper Co., Ltd., Oji Paper International Trading (Shanghai) Co., Ltd., Carter Holt Harvey Pulp & Paper Ltd., Oji Oceania Management (NZ) Ltd., Oji Oceania Management Co., Ltd. Kyokuyo Pulp & Paper Co., Ltd., Oji Real Estate Co., Ltd., Oji Management Office Inc., Oji Logistics Co., Ltd., Oji Engineering Co., Ltd., Oji Business Center Co., Ltd., and other 126 companies

Changes in the consolidated subsidiaries during the year ended March 31, 2015 are as follows:

(Increase) 19 companies:

United Packaging Co., Ltd., Carter Holt Harvey Pulp & Paper Ltd. and seven of its subsidiaries, and People & Grit Sdn. Bhd. and 13 of its subsidiaries were included in the scope of consolidation due to the acquisition of shares during the fiscal year ended March 31, 2015.

Oji Oceania Management Co., Ltd., Oji Oceania Management (NZ) Ltd., Oji Oceania Management (AUS) Pty. Ltd., Oji Asia Household Product Sdn. Bhd., PT Oji Indo Makmur Perkasa and Oji Myanmar Packaging Co., Ltd.

The abovementioned six companies were newly established and included in the scope of consolidation effective the fiscal year ended March 31, 2015.

(Decrease) 4 companies:

Kanzaki Oji Shigyo Co., Ltd. and Oi paper Co., Ltd. were excluded from the scope of consolidation because of the decreased materiality of their business in the Group resulting from the transfer of part of their business. Richbox Paper Products (M) Sdn. Bhd. and Superpac Manufacturing Sdn. Bhd. were excluded from the scope of consolidation as a result of their liquidation in the fiscal year ended March 31, 2015.

(2) Main non-consolidated subsidiaries:

Tomakomai Energy Kosha Co., Ltd., DHC Ginza Co., Ltd.

(3) Reasons for excluding non-consolidated subsidiaries from the consolidation scope:

These companies are excluded from the scope of consolidation, as all of these non-consolidated subsidiaries are small-sized companies and their total assets, net sales, net income (amount corresponding to the Company's equity in such subsidiaries), retained earnings (amount corresponding to the Company's equity in such subsidiaries), etc., are insignificant relative to the total assets, net sales, net income (amount corresponding to the Company's equity in such subsidiaries), retained earnings (amount corresponding to the Company's equity in such subsidiaries), etc., of the consolidated companies as a whole, and they do not have significant impact on the consolidated financial statements.

### **3. Application of the Equity Method**

(1) Number of affiliates under the equity method: 19 (17 in 2014)

Main affiliates under the equity method include:

Kokusai Pulp & Paper Co., Ltd., Okayama Paper Industries Co., Ltd., Alpac Forest Products Inc., Nanyou Forest Development Co., Ltd., PT. Korintiga Hutani and other 14 companies.

(Increase) 2 companies:

PT Indo Oji Sukses Pratma and Oji-Itochu Enex power retailing Co., Ltd. were newly established and included in the scope of equity method accounting effective the fiscal year ended March 31, 2015.

(2) Main non-consolidated subsidiaries and affiliates to which the equity method was not applied:

Tomakomai Energy Kosha Co., Ltd., DHC Ginza Co., Ltd.

(3) Reasons for excluding non-consolidated subsidiaries and affiliates from application of the equity method.

Non-consolidated subsidiaries and affiliates have not been included in scope of the equity method application as all are small, and none have total assets, net sales, net income (corresponding to equity share) or retained earnings (corresponding to equity share) that significantly impact the consolidated financial statements.

### **4. Matters Concerning the Fiscal Year of Consolidated Subsidiaries**

The fiscal year end of the following Company's consolidated subsidiaries is December 31:

Oji Papeis Especiais Ltda., Celulose Nipo-Brasileira S.A., Jiangsu Oji Paper Co., Ltd., Oji Oceania Management (NZ) Ltd., Carter Holt Harvey Pulp & Paper and 74 other companies.

For the purpose of preparing the consolidated financial statements, the above companies' financial statements as of the end of their respective fiscal years were used.

Adjustments were made for the purpose of consolidation as necessary for the material transactions that occurred between such fiscal year-end dates and the consolidated account closing date.

## 5. Matters Concerning Accounting Policies

### (1) Method of valuation of significant assets

#### (i) Marketable securities

Held-to-maturity debt securities: Stated at cost using the amortized cost method.

Available-for-sale securities

Securities with market quotations: Stated at market value based on the market price as of the end of the fiscal period (the valuation difference is accounted for as a separate component of net assets and the cost of sales is calculated by using the moving-average method).

Securities without market quotations: Stated at cost using the moving-average method.

#### (ii) Derivatives

Stated at fair value

#### (iii) Inventories

Mainly stated at cost using the periodic average method

(The balance sheet amount is calculated by writing down the value based on any decreased profitability)

### (2) Depreciation method of significant depreciable assets

#### (i) Property, plant and equipment (excluding leased assets)

Declining balance method (however, the straight-line method is applied to buildings acquired on or after April 1, 1998 (excluding improvements), and for certain consolidated subsidiaries)

#### (ii) Leased assets

Depreciation of leased assets is calculated by using the straight-line method over the period of the lease contract term with no residual value.

### (3) Significant provisions

#### (i) Allowance for doubtful accounts

In order to prepare for potential credit losses on receivables outstanding at the end of the fiscal year ended March 31, 2015, an estimated uncollectible amount is recorded at the amount calculated based on the historical rate of credit loss with respect to normal receivables and at the amount determined in consideration of collectability of individual receivables with respect to doubtful accounts and certain other receivables.

#### (ii) Provision for loss on transfer of investments in affiliates

In order to prepare for losses accompanying the transfer of investments in affiliates, an amount equivalent to the relevant forecast loss is recorded.

#### (iii) Provision for loss on litigation

The Company's consolidated subsidiary in Brazil is in the following litigation with the tax authorities in the country: tax-related lawsuits relating to IR (corporate tax), CS (social burden charge), ICMS (product distribution service tax), PIS/CONFIS (burden charges on social integration plan/social insurance loan) and others: lawsuit relating to INSS social insurance premiums and various taxes and dues; and two or more labor service-related lawsuits and civil lawsuits. To prepare for losses on such pending lawsuits, a provision for loss on litigation is recorded.

### (4) Accounting treatment for retirement benefits

With regard to net defined benefit liability, in order to prepare for the provision of retirement benefits for employees, an amount calculated by deducting the plan assets from the retirement benefit obligation based on the amount estimated to have accrued at the end of the fiscal year is recorded. Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded in net assets, adjusted for tax effects, as remeasurements of defined benefit plans in accumulated other comprehensive income.

## (i) Method for attributing the estimated amount of the retirement benefit obligation to periods:

The benefit formula method is used for attributing the estimated amount of the retirement benefit obligation to periods up to the end of the fiscal year under review in the calculation of net defined benefit liability.

## (ii) Amortization of actuarial gains and losses and prior service cost

Prior service cost is amortized as incurred using the straight-line method based on the average remaining service period (12 – 17 years) of the employees in service during the period in which it arises. Actuarial gains and losses are amortized from the following fiscal year after recognition using the straight-line method based on the average remaining service period (12 – 17 years) of the employees in service during the period in which they arise.

## (iii) Adoption of simplified method at small-scale companies, etc.

Certain consolidated subsidiaries use a simplified method, which assumes the net defined benefit liability to be the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end, in the calculation of net defined benefit liability and retirement benefit expenses.

## (5) Standards for translation of significant foreign-currency denominated assets and liabilities into Japanese yen

Foreign-currency denominated monetary claims and obligations are translated into yen using the spot exchange rate on the account closing date, and translation differences are recorded to income or loss. The assets, liabilities, income and expenses of overseas subsidiaries, etc., are translated into yen using the spot exchange rate on the account closing date, and translation differences are recorded in foreign currency translation adjustments and minority interests under net assets.

## (6) Significant method for hedge accounting

## (i) Hedge accounting method

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items (special treatment). Foreign currency transactions hedged by forward exchange contracts which meet certain conditions for hedge accounting are reported at the forward rate and the resulting differences between the spot rate and the forward rate amortized over the life of the contract (appropriate treatment). Transactions hedged by interest and currency swaps which meet certain conditions for integrated treatment (special treatment, appropriate treatment) are accounted for using the integrated treatment.

## (ii) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
Foreign exchange forward contracts	Monetary assets/liabilities denominated in foreign currencies
Interest rate and currency swaps	Foreign-currency denominated loans payable
Interest rate swaps	Loans payable and loans receivable
Commodity swaps	Electricity

## (iii) Hedging policy

The risk management policy of the Group requires hedging against the foreign exchange risk, interest rate risk and raw material price risk arising in the normal course of the business.

## (iv) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedging instruments and hedged items is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets/liabilities of hedging instruments and hedged items.

(7) Method and period for amortizing goodwill

Goodwill has been amortized by the straight-line method over reasonable periods estimated for each acquisition not exceeding 20 years. If the value of goodwill is immaterial, the aggregate amount is written off in the fiscal year in which it arises.

(8) Scope of funds in consolidated cash flow statement

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term liquid investments that mature within three months from the purchase date and can be converted easily into cash with little risk of change in value.

(9) Other significant fundamental matters for preparing the consolidated financial statements

(i) Accounting for consumption tax

Consumption tax and local consumption taxes are accounted for under the tax exclusion method.

(ii) Application of consolidated taxation system

Consolidated taxation system is applied.

## 6. Changes in Accounting Policies

Application of Accounting Standard for Retirement Benefits, etc.

The Company applied the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of May 17, 2012, “Accounting Standard for Retirement Benefits”) and the (revised) Implementation Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of March 26, 2015, “revised Retirement Benefit Implementation Guidance”) with respect to the provisions of Section 35 of the Accounting Standard for Retirement Benefits and Section 67 of the revised Retirement Benefit Implementation Guidance from the fiscal year ended March 31, 2015. As a result, the calculation methods for retirement benefit obligations and service cost have been changed. Under this change, the calculation method to attribute the expected retirement benefits to periods is changed from the straight-line attribution method pro-rated on employees’ years of service to the benefit formula method pro-rated on employees’ benefits. The method for determining the discount rate is also changed from a rate based on the approximate average remaining years of service for employees to a single weighted average discount rate reflecting the amount to be paid in each period under the expected length of benefits payments for all employees under the plan.

In accordance with the transitional treatment prescribed in Section 37 of the Retirement Benefits Accounting Standard, the effect of the accounting change on retirement benefit obligations and service cost was reflected as an adjustment to retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, net defined benefit liability decreased by ¥ 4,053 million (\$33,729 thousands), and retained earnings increased by ¥ 2,611 million (\$21,735 thousands) at the beginning of the fiscal year ended March 31, 2015.

The impact of this change on operating profit, ordinary profit and net income before income taxes and minority interests in the fiscal year ended March 31, 2015 was immaterial. The effect on net assets per share, and basic and diluted net income per share was also immaterial.

## 7. Standards Issued but Not Yet Effective

- (1) Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013), Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2 of

September 13, 2013), Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013) and Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4 of September 13, 2013)

(i) Outline

The accounting standards mainly revised (a) the treatment of changes in a parent company's equity interest in a subsidiary through additional acquisitions, etc., of the subsidiary's shares when control is retained;

(b) treatment of acquisition-related costs; (c) presentation of net income and the change from minority interests to non-controlling interests and (d) provisional accounting treatment.

(ii) Scheduled date of application

The Company plans to apply the revised accounting standards from the beginning of the fiscal year ending March 31, 2016. The Company plans to apply provisional accounting treatment to business combinations implemented on and after the beginning of the fiscal year ending March 31, 2016.

(iii) Impact of application of new accounting standards

The impact of the revisions to the accounting standards is being evaluated at the time of preparing the consolidated financial statements.

## 8. Changes in Presentation Method

### (1) Consolidated Balance Sheet

“Leasehold rights,” which were presented separately in “Intangible assets” as of March 31, 2014, have declined in financial materiality and are included in “Other” as of March 31, 2015. To reflect this change in the method of presentation, the consolidated balance sheet as of March 31, 2014 has been restated.

As a result, ¥ 1,735 million that had been presented as “Leasehold rights” in “Intangible assets” in the consolidated balance sheet as of March 31, 2014 is now reclassified as and included in “Other.”

“Provision for directors' retirement benefits” and “Provision for environmental measures,” which were presented separately in “Non-current liabilities” as of March 31, 2014, have declined in financial materiality and are included in “Other” as of March 31, 2015. To reflect these changes in the method of presentation, the consolidated balance sheet as of March 31, 2014 has been restated.

As a result, ¥ 1,623 million that had been presented as “Provision for directors' retirement benefits” and ¥ 1,754 million that had been presented as “Provision for environmental measures” in “Non-current liabilities” in the consolidated balance sheet as of March 31, 2014 is now reclassified as and included in “Other.”

### (2) Consolidated Statement of Income

“Rent income,” which was presented separately in “Non-operating income” for the fiscal year ended March 31, 2014, has declined in financial materiality and is included in “Other” for the fiscal year ended March 31, 2015. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2014 have been restated.

As a result, ¥ 542 million that had been presented as “Rent income” in “Non-operating income” in the consolidated statement of income for the fiscal year ended March 31, 2014 is now reclassified as and included in “Other.”

“Loss on sublet of facilities,” which was presented separately in “Non-operating expenses” for the fiscal year ended March 31, 2014, has declined in financial materiality and is included in “Other” for the fiscal year ended March 31, 2015. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2014 have been restated.

As a result, ¥ 1,904 million that had been presented as “Loss on sublet of facilities” in “Non-operating expenses” in the consolidated statement of income for the fiscal year ended March 31, 2014 is now reclassified as and included in “Other.”

“Gain on sales of non-current assets,” which was presented separately in “Special gains” for the fiscal year ended March 31, 2014, has declined in financial materiality and is included in “Other” for the fiscal year ended March 31, 2015. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2014 have been restated.

As a result, ¥ 10,340 million that had been presented as “Gain on sales of non-current assets” in “Special gains” in the consolidated statement of income for the fiscal year ended March 31, 2014 is now reclassified as and included in “Other.”

“Impairment losses,” which were presented separately in “Special losses” for the fiscal year ended March 31, 2014, have declined in financial materiality and are included in “Other” for the fiscal year ended March 31, 2015. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2014 have been restated.

As a result, ¥ 4,926 million that had been presented as “Impairment losses” in “Special losses” in the consolidated statement of income for the fiscal year ended March 31, 2014 are now reclassified as and included in “Other.”

### (3) Consolidated statement of cash flows

“Loss (gain) on sales of fixed assets” and “Impairment Losses,” which were presented separately in “Cash flows from operating activities” for the fiscal year ended March 31, 2014, have declined in financial materiality and are included in “Other” for the fiscal year ended March 31, 2015. To reflect this change in the method of presentation, the consolidated statement of cash flows for the fiscal year ended March 31, 2014 have been restated.

As a result, a loss of ¥ 10,340 million that had been presented as “Loss (gain) on sales of fixed assets” and ¥ 4,926 million that had been presented as “Impairment losses” in “Cash flows from operating activities” in the consolidated statement of cash flows for the fiscal year ended March 31, 2014 are now reclassified as and included in “Other.”

“Proceeds from stock issuance to minority shareholders,” which was included in “Other” in “Cash flows from financing activities” for the fiscal year ended March 31, 2014, has increased in financial materiality and are presented separately for the fiscal year ended March 31, 2015. In addition, “Proceeds from long-term deposits” in “Cash flows from financing activities” for the fiscal year ended March 31, 2014, have decreased in financial materiality and are included in “Other” for the fiscal year ended March 31, 2015. To reflect these changes in the method of presentation, the consolidated statement of cash flows for the fiscal year ended March 31, 2014 have been restated.

As a result, ¥ 7,000 million that had been presented as “Proceeds from long-term deposits” and a loss of ¥ 2,151 million that had been presented as “Other” in “Net cash used in financing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2014 are now reclassified, and ¥ 172 million is presented in “Proceeds from stock issuance to minority shareholders” and ¥ 4,675 million is presented in “Other.”

## 9. Notes to Consolidated Balance Sheet

### (1) Matters concerning non-consolidated subsidiaries and affiliates

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Stocks of non-consolidated subsidiaries and affiliates	¥ 65,745	¥ 60,656	\$ 547,105
Investments in capital of non-consolidated subsidiaries and affiliates	78	78	653

### (2) Assets pledged as collateral

- (i) Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term loans payable (¥ 6,515 million (\$54,221 thousand)) (¥ 6,463 million as of March 31, 2014), for long-term loans payable (including the amount scheduled to be repaid within one year) (¥ 5,617 million (\$46,747 thousand)) (¥ 6,104 million as of March 31, 2014), notes and accounts payable-trade (¥ 482 million (\$4,013 thousand)) (¥ 328 million as of March 31, 2014).

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Cash and bank deposits	¥ 1,975	¥ 1,914	\$ 16,441
Notes and accounts receivable-trade	1,956	2,503	16,278
Merchandise and finished goods	3,302	2,299	27,484
Work in process	24	9	200
Raw materials and supplies	500	361	4,168
Other current assets	954	450	7,944
Buildings and structures	14,494	17,386	120,618
Machinery, equipment and vehicles	11,946	12,767	99,409
Tools, furniture and fixtures	63	58	531
Land	13,606	13,528	113,231
Forests	935	705	7,783
Plantations	19,016	18,773	158,244
Construction in progress	255	287	2,124
Other intangible assets	36	52	301
Investment securities	1,083	490	9,016
Investment and other asset - other	20	-	166
Total	¥ 70,172	¥ 71,587	\$ 583,944

- (ii) Industrial mortgages and industrial factory foundation revolving industrial mortgages entered into with respect to the assets indicated below for short-term loans payable (¥ 285 million (\$2,371 thousand), (¥ 285 million as of March 31, 2014))

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Buildings and structures	¥ 459	¥ 802	\$ 3,823
Machinery, equipment and vehicles	619	735	5,152
Tools, furniture and fixtures	22	28	188
Land	1,024	1,076	8,521
Total	¥ 2,125	¥ 2,643	\$ 17,686

- (iii) Assets pledged as collateral for long-term loans payable (including the amount scheduled to be repaid within one year) (¥ 906 million (\$7,545 thousand)) (¥ 1,240 million as of March 31, 2014).

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Investment securities	¥ 640	¥ 640	\$ 5,332
Long-term loans receivable	3,109	3,211	25,873
Total	¥ 3,750	¥ 3,851	\$ 31,206

Note: Investment securities and long-term loans receivable related to consolidated subsidiaries so have been eliminated on the consolidated financial statements.

(3) Contingent liabilities

Guarantee obligations

The Company has committed to provide the following guarantees for loans and others of non-consolidated subsidiaries and affiliates from banks and other financial institutions as of March 31, 2015 and 2014 respectively.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
	PT. Korintiga Hutani	¥ 5,817	¥ 5,229
Alpac Forest Products Inc.	3,766	3,702	31,343
Afforest owner in Forest Development Program	1,145	2,002	9,528
Employees	811	1,036	6,756
Other	3,082	2,920	25,655
Total	¥ 14,624	¥ 14,891	\$ 121,695

For the fiscal year ended March 31, 2015

- (i) The guarantee obligation provided for PT. Korintiga Hutani includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is after deducting ¥ 2,603 million (\$21,667 thousand) for that portion.
- (ii) Regarding the guarantee obligation provided for the afforest owner in Forest Development Program, the Company has concluded an agreement with the afforest owner to offset payments for raw timber purchased from the afforest owner in the event that the guarantee obligation was discharged at the demand of financial institutions.

For the fiscal year ended March 31, 2014

- (i) The guarantee obligation provided for PT. Korintiga Hutani includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is after deducting ¥ 2,703 million for that portion.
- (ii) Regarding the guarantee obligation provided for afforest owners in Forest Development Program, the Company has concluded an agreement with the afforest owners to offset payments for raw timber purchased from the afforest owners in the event that the guarantee obligation was discharged at the demand of financial institutions.

(4) Tax litigation and others

The Company's consolidated subsidiary in Brazil is in the following litigation with the tax authorities in the country tax-related lawsuits relating to IR (corporate tax), CS (social burden charge), ICMS (product distribution service tax), PIS/CONFIS (burden charges on social integration plan/social insurance loan) and others lawsuit relating to INSS social insurance premiums and various taxes and dues: and two or more labor service-related lawsuits and civil lawsuits. To prepare for losses on such pending lawsuits, a provision for loss on litigation is recorded. However, based on the opinion of outside legal experts, the

Company has considered the risk of incurring losses individually for each lawsuit. As a result, the Company has determined that the probability of incurring losses is not high and has not recorded the reserve of \$81,157 thousand (\$84,726 thousand for the fiscal year ended March 31, 2014) pending tax-related lawsuit and \$9,039 (\$5,690 thousand for the fiscal year ended March 31, 2014), R\$486 thousand (R\$298 thousand for the fiscal year ended March 31, 2014) pending labor service-related lawsuits as of March 31, 2015.

- (5) Notes discounted: ¥ 12,204 million (\$101,560 thousand) and ¥ 6,204 million as of March 31, 2015 and 2014, respectively  
 Notes receivable endorsed: ¥ 21 million (\$176 thousand) and ¥ 15 million as of March 31, 2015 and 2014, respectively

(6) Revaluation reserve for land

Pursuant to the “Law on Revaluation of Land” (Law No. 34 of March 31, 1998) and the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 19 of March 31, 2001), the Group performed revaluation of land for business use held by certain consolidated subsidiaries on March 31, 2002.

Pursuant to the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 24 of March 31, 1999), the Group recorded reasonable tax amount relevant to such revaluation of land as “Deferred tax liabilities on revaluation of land” in the liabilities section, and revaluation of land after deduction of such tax amount as “Revaluation reserve for land” in the net assets section.

- (i) Revaluation method: The value is calculated based on the property tax valuation prescribed in Article 2, Item 3 of the “Enforcement Order on Law on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998) and the land value designated as the tax basis for land value tax as prescribed in Article 2, Item 4 thereof.  
 (ii) Revaluation date: March 31, 2002

(7) Loan commitment (borrower)

The Company entered into loan commitment agreement with correspondent financial institutions for the purpose of achieving efficient use of working capital.

Regarding the loan commitment, the balances of the unused portion of the loan at March 31, 2015 and 2014 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Aggregate amount of loan commitment	¥ 50,000	¥ 50,000	\$ 416,077
Balance of loan outstanding	–	–	–
Unused portion	¥ 50,000	¥ 50,000	\$ 416,077

(8) Accumulated depreciation includes accumulated impairment losses.

(9) The amounts of advanced depreciation deducted directly from the acquisition costs of certain non-current assets for the fiscal years ended March 31, 2015 and 2014 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Machinery, equipment and vehicles	¥ 3,273	¥ 1,357	\$ 27,241
Land	–	¥ 783	–
Buildings and structures	¥ 1,524	¥ 350	\$ 12,689
Others	¥ 112	¥ 123	\$ 937
Total	¥ 4,911	¥ 2,614	\$ 40,868

**10. Notes to Consolidated Statement of Income**

- (1) Research and development costs included in selling, general and administrative expenses and manufacturing costs for the fiscal years ended March 31, 2015 and 2014 were ¥ 10,492 million (\$87,313 thousand) and ¥ 10,911 million, respectively.
- (2) The amount of inventories stated on the balance sheet at the end of the year is calculated by writing down the value based on any decreased profitability.  
The loss on valuation of inventories included in the cost of sales for the fiscal years ended March 31, 2015 and 2014 was ¥ 26 million (\$220 thousand) and ¥ 245 million, respectively.
- (3) Provision for loss on transfer of investments in affiliates  
The Company recorded the amount of expected loss accompanying the transfers of investments in Alpac Forest Products Inc., an equity-method affiliate.
- (4) Provision of reserve for surcharge  
Operating companies of the Oji Group in the paperboard business received advance notification of a surcharge payment order (draft) based on the provisions of Japan's Antimonopoly Act, and the full amount specified in the surcharge payment order (draft) is recorded in order to prepare for the payment.

**11. Notes to Consolidated Statement of Comprehensive Income**

- (1) Reclassification adjustments and tax effect associated with other comprehensive income

For the fiscal years ended March 31, 2015 and 2014

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2014	2015
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ 46,324	¥ 6,391	\$ 385,488
Reclassification adjustments for gain and losses included in net income	(1,279)	396	(10,646)
Amount before tax effect	45,044	6,787	374,841
Tax effect	(13,317)	(2,182)	(110,824)
Valuation difference on available-for-sale securities	31,726	4,605	264,017
Deferred gains (losses) on hedging derivatives :			
Amount arising during the year	(613)	81	(5,102)
Reclassification adjustments for gains and losses included in net income	148	357	1,238
Amount before tax effect	(464)	439	(3,863)
Tax effect	132	(124)	1,103
Deferred gains (losses) on hedging derivatives	(331)	314	(2,760)
Revaluation reserve for land :			
Amount arising during the year	—	—	—
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	—	—	—
Tax effect	827	—	6,887
Revaluation reserve for land	827	—	6,887

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Foreign currency translation adjustment :			
Amount arising during the year	43,975	65,414	365,947
Reclassification adjustments for gains and losses included in net income	4	0	40
Amount before tax effect	43,980	65,415	365,987
Tax effect	—	—	—
Foreign currency translation adjustment	43,980	65,415	365,987
Remeasurements of defined benefit plans :			
Amount arising during the year	9,911	—	82,477
Reclassification adjustments for gains and losses included in net income	2,727	—	22,700
Amount before tax effect	12,639	—	105,177
Tax effect	(4,739)	—	(39,442)
Remeasurements of defined benefit plans	7,899	—	65,735
Share of other comprehensive income of investments for which the equity method is applied :			
Amount arising during the year	1,614	1,899	13,433
Reclassification adjustments for gains and losses included in net income	(21)	(34)	(176)
Share of other comprehensive income of investments for which the equity method is applied	1,593	1,864	13,256
Other comprehensive income	¥ 85,696	¥ 72,198	\$ 713,125

## 12. Notes to Consolidated Statement of Changes in Net Assets

(1) Information on the type and number of shares issued, and type and number of treasury stock is as follows:

For the fiscal year ended March 31, 2015

Type of shares	Number of shares at April 1, 2014	Increase	Decrease	Number of shares at March 31, 2015
Shares issued:				
Common stock	1,064,381,817	—	—	1,064,381,817
Total	1,064,381,817	—	—	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	75,831,161	219,148	50,600	75,999,709
Total	75,831,161	219,148	50,600	75,999,709

Notes:

1. Increase in treasury stock	219,148
Details of the increase are as follows:	
Increase in treasury stock arising from changes in the Company's ownership interest in equity method affiliates	66
Increase due to purchase of shares of less than standard unit	219,082
2. Decrease in treasury stock	50,600
Details of the decrease are as follows:	
Decrease due to exercising of stock options	38,000
Decrease due to sale of shares of less than standard unit	12,600

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For the fiscal year ended March 31, 2014

Type of shares	Number of shares at April 1, 2013	Increase	Decrease	Number of shares at March 31, 2014
Shares issued:				
Common stock	1,064,381,817	–	–	1,064,381,817
Total	1,064,381,817	–	–	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	77,022,463	310,574	1,501,876	75,831,161
Total	77,022,463	310,574	1,501,876	75,831,161

Notes:

1. Increase in treasury stock	310,574
Details of the increase are as follows:	
Increase in treasury stock arising from changes in the Company's ownership interest in equity method affiliates	567
Increase in treasury stock by merger of equity method affiliates	21,311
Increase due to purchase of shares of less than standard unit	288,696
2. Decrease in treasury stock	1,501,876
Details of the decrease are as follows:	
Decrease due to exercising of stock options	45,000
Decrease due to sale of shares of less than standard unit	5,268
Decrease arising from an exchange of shares	199,708
Decrease in treasury stock due to sales by consolidated subsidiaries	1,251,900

(2) Subscription rights

For the fiscal year ended March 31, 2015

Company	Description	Type of shares issued	Number of shares issued			Balance at March 31, 2015	
			Number of shares at April 1, 2014	Increase	Decrease	Number of shares at March 31, 2015	(Millions of yen)
Parent company	Subscription rights as stock options	–	–	–	–	¥ 342	\$ 2,852
Total		–	–	–	–	¥ 342	\$ 2,852

For the fiscal year ended March 31, 2014

Company	Description	Type of shares issued	Number of shares issued			Balance at March 31, 2014	
			Number of shares at April 1, 2013	Increase	Decrease	Number of shares at March 31, 2014	(Millions of yen)
Parent company	Subscription rights as stock options	–	–	–	–		¥ 290
Total		–	–	–	–		¥ 290

(3) Dividends

(i) Amount of cash dividends distributed

For the fiscal year ended March 31, 2015

Resolution	Type of shares	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)			
Board of Directors' Meeting held on May 14, 2014	Common stock	¥ 4,949	\$ 41,188	¥ 5.0	March 31, 2014	June 5, 2014
Board of Directors' Meeting held on October 31, 2014	Common stock	4,949	41,184	5.0	September 30, 2014	December 1, 2014

For the fiscal year ended March 31, 2014

Resolution	Type of shares	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)				
Board of Directors' Meeting held on May 15, 2013	Common stock	¥ 5,012		¥ 5.0	March 31, 2013	June 5, 2013
Board of Directors' Meeting held on November 1, 2013	Common stock	5,013		5.0	September 30, 2013	December 2, 2013

(ii) Dividends with the cut-off date falling within the fiscal year ended March 31, 2015 and the effective date in the fiscal year ending March 31, 2016

The following resolution is scheduled:

Resolution	Type of shares	Total dividend amount		Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)				
Board of Directors' Meeting held on May 15, 2015	Common stock	¥ 4,948	\$ 41,181	Retained earnings	¥ 5.0	March 31, 2015	June 4, 2015

Dividends with the cut-off date falling within the fiscal year ended March 31, 2014 and the effective date in the fiscal year ended March 31, 2015

The following resolution is scheduled:

Resolution	Type of shares	Total dividend amount		Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)					
Board of Directors' Meeting held on May 14, 2014	Common stock	¥ 4,949		Retained earnings	¥ 5.0	March 31, 2014	June 5, 2014

**13. Notes to Consolidated Statement of Cash Flows**

- (1) Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2015 and 2014 are reconciled to the accounts reported in the consolidated balance sheets as of March 31, 2015 and 2014 as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Cash and bank deposits	¥ 45,567	¥ 45,575	\$ 379,191
Time deposits with maturities of more than three months	(644)	(723)	(5,361)
Marketable securities	12,206	7,321	101,573
Cash and cash equivalents	¥ 52,129	¥ 52,173	\$ 475,403

- (2) The main components of the assets and liabilities of the companies which the Company newly consolidated by acquiring the shares of such companies in the year ended March 31, 2015. Carter Holt Harvey Pulp & Paper Ltd. and twelve (12) other companies were newly consolidated through share acquisition. The components of the assets and liabilities of these companies at the time of acquisition, and reference to acquisition cost of the shares and payment (net) for and proceeds (net) from acquisition of the shares are as follows:

	March 31, 2015
	(Millions of yen)
Current assets	¥ 34,516
Non-current assets	74,458
Goodwill	6,450
Current liabilities	(36,650)
Non-current liabilities	(4,318)
Minority interests	2,256
Acquisition cost of newly consolidated subsidiaries' shares	76,713
Payment of newly consolidated subsidiaries' accounts payable	23,149
Sub Total	99,862
Cash and cash equivalents of newly consolidated subsidiaries	(1,275)
Balance of accounts payable out of share acquisition cost	(723)
Amount paid in the previous fiscal year	(407)
Net: Payment for acquisition of shares of subsidiaries which have caused the change in scope of consolidation	97,455

**14. Lease Transactions**

- (1) Finance lease transactions

Finance lease transactions that do not transfer ownership

- (i) Leased assets

Property, plant and equipment

Production facilities (machinery, equipment and vehicles, and, tools, furniture and fixtures)

- (ii) Depreciation method of leased assets

Refer to Note 5. Matters Concerning Accounting Policies (2) Depreciation method of significant depreciable assets

Finance lease transactions beginning on or before March 31, 2008 that do not transfer ownership are accounted for based on standards for ordinary operating lease transactions as follows:

- (a) Equivalent acquisition cost, accumulated depreciation, accumulated impairment loss and balance of leased assets as of March 31, 2015 and 2014

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As of March 31, 2015

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	(Millions of yen)			
Acquisition cost	¥ 3,314	¥ 729	—	¥ 4,044
Accumulated depreciation	3,133	720	—	3,853
Accumulated impairment losses	—	—	—	—
Balance at March 31, 2015	¥ 181	¥ 9	—	¥ 190
	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	(Thousands of U.S. dollars)			
Acquisition cost	\$ 27,584	\$ 6,070	—	\$ 33,654
Accumulated depreciation	26,076	5,991	—	32,068
Accumulated impairment losses	—	—	—	—
Balance at March 31, 2015	\$ 1,508	\$78	—	\$ 1,586

As of March 31, 2014

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	(Millions of yen)			
Acquisition cost	¥ 5,798	¥ 1,496	—	¥ 7,295
Accumulated depreciation	5,095	1,392	—	6,488
Accumulated impairment losses	42	—	—	42
Balance at March 31, 2014	¥ 660	¥ 103	—	¥ 764

Acquisition cost included the interest portion since the remaining finance lease obligations at the end of the fiscal year were not material compared with the book values of property, plant and equipment at the end of the fiscal year.

(b) Future minimum lease payments at the end of the fiscal year and impairment loss on leased assets at the end of the fiscal year

The future minimum lease payments at the end of the fiscal year are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Due within one year	¥ 149	¥ 596	\$ 1,241
Due after one year	41	210	344
Total	¥ 190	¥ 806	\$ 1,586

The future minimum lease payments are calculated based on imputed interest method as the future minimum lease payments at the end of the fiscal year are not material compared with the book values of property, plant and equipment at the end of the fiscal year.

- (c) Lease expense, reversal of impairment account for leased assets, equivalent depreciation expense amount, and impairment loss

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Lease expense	¥ 575	¥ 1,083	\$ 4,789
Reversal of impairment account for leased assets	–	11	–
Equivalent depreciation expense amount	575	1,072	4,789

- (d) Calculation method for depreciation expenses

Depreciation expenses of leased assets under finance lease transactions that do not transfer ownership are calculated by using the straight-line over the period of the lease contract term with no residual value.

- (2) Operating lease transactions

Future minimum lease payments under non-cancellable operating leases as of March 31, 2015 and 2014:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Due within one year	¥ 401	¥ 411	\$ 3,342
Due after one year	1,820	1,576	15,147
Total	¥ 2,221	¥ 1,987	\$ 18,484

Future minimum lease income under non-cancellable operating leases as of March 31, 2015 and 2014:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Due within one year	¥ 676	¥ 676	\$ 5,632
Due after one year	12,069	12,746	100,437
Total	¥ 12,746	¥ 13,423	\$ 106,069

## 15. Financial Instruments

- (1) Matters concerning financial instruments

- (i) Management policy

The Company and its main consolidated subsidiaries manage group finance under which mainly the Company finances and controls the cash necessary for Group operations primarily through loans from

financial institutions, issuance of commercial paper and corporate bonds, and other activities.

The Company invests temporary surplus cash in short-term and low-risk financial instruments only and does not make any investment for speculative purposes.

The Company uses derivatives to hedge risks described below and does not use derivatives for speculative purposes.

(ii) Nature and extent of risks arising from financial instruments

Receivables, such as notes and accounts receivables-trade, are exposed to customer credit risk.

Receivables that are denominated in foreign currencies, arising from the global operation of business, are exposed to foreign currency exchange rate fluctuations. However, the Group uses foreign exchange forward contracts to hedge the net position (determined by deducting the amount of payables denominated in the same foreign currencies) as appropriate, taking the trends in the foreign currency exchange market into account.

Investment securities are mainly stocks of companies with which the Group has business relationships and these are exposed to market price fluctuation risks.

Payment terms of payables, such as notes and accounts payables-trade, are all less than one year. Some of the payables that arise from importing raw materials and others are denominated in foreign currencies and are exposed to foreign currency exchange rate fluctuation risks. The Group uses foreign exchange forward contracts to hedge such risk as appropriate.

With respect to borrowings and debt, short-term loans payable are mainly for financing related to operating activities, while long-term loans payable are mainly for financing related to investment in property, plant and equipment. Borrowings and debt with floating interest rates are exposed to interest rate volatility risk. Certain long-term loans payable with variable interest rates are hedged by using derivative transactions (interest rate swaps) by which interest rates are fixed.

Derivative transactions entered into and managed by the Group are as follows:

- Foreign exchange forward contracts and currency swaps to hedge foreign exchange fluctuation risk related to accounts receivable/payable-trade and borrowing and debt etc. denominated in foreign currencies,
- Interest rate swaps to hedge risk related to floating interest rates on borrowings and debt, and
- Commodity swaps to hedge price fluctuation risk related to energy purchases.

Regarding hedging instruments and hedged items, hedging policy, the method for assessing hedging effectiveness and others related to hedge accounting, (see Note 5. (6) Significant method for hedge accounting)

(iii) Risk management

(a) Credit risk management (risk of non-performance by customers or counterparties)

The Company and its main consolidated subsidiaries reduce credit risk through the following methods:

- The Company checks and manages due dates and balances of receivables on a customer by customer basis.
- Each sales department of the Company periodically monitors, and investigates, as necessary, the credit position of key customers.

In utilizing derivative transactions, the Group limits the counterparties to highly rated financial institutions to reduce counterparty risk.

(b) Market risk management (risks related to foreign currency exchange rate fluctuation, floating interest rates and others)

The Company and some of its consolidated subsidiaries utilize foreign exchange forward contracts and currency swaps to hedge foreign currency exchange rate fluctuation risk regarding accounts receivable/liabilities-trade and borrowings and debt etc. denominated in foreign currencies that are expected to arise in the normal course of business activities.

The Company utilizes interest rate swaps to hedge the following risks:

- Fluctuation risk regarding variable interest rates for payments related to borrowings and debt
- Interest rate deviation risk between fixed interest rates for payments and future market interest rates

Some of the consolidated subsidiaries utilize commodity swaps to hedge price fluctuation risk related

to energy purchases.

With respect to corporate stocks of available-for-sale securities, the Company checks periodically their fair values and financial conditions of such issuing entities (the companies with which the Company has business relationships) and reviews the benefits of continuing to hold such stocks, considering its relationships with such companies.

In the Company, execution and management of derivative transactions are conducted based on the derivative transaction standards that provide the method and the organization for risk management and others.

The consolidated subsidiaries also execute and manage derivative transactions based on their own similar standards.

(c) Liquidity risk related to financing activities (risk of non-performance on a due date)

The Company makes and updates financing plans in a timely manner and manages liquidity risk by maintaining sufficient liquidity on hand forecasted based on specific information, including the following information:

- Information reported from each department regarding credit and debit notes, and
- Information reported from the consolidated subsidiaries through which the Company determines group finance policies

The Company is prepared to make emergency payments by entering into commitment lines of credit with related financial institutions.

(iv) Supplementary explanation regarding fair value of financial instruments

Fair values of financial instruments are measured based on the quoted prices in markets. In cases where a quoted price is not available, other reasonably assessed estimated fair values are used.

Such assessment is based on certain assumptions. Under different assumptions, the assessed value might differ.

The contract amounts of derivative transactions and others, as shown in “(2) Fair value of financial instruments,” do not measure the Company’s exposure to market risk related to derivative transactions.

(2) Fair value of financial instruments

The following tables present the Company’s financial instruments on the consolidated balance sheets, their fair value and the differences at March 31, 2015 and 2014 respectively.

However, financial instruments for which it is difficult to measure the fair value are not included. (See Note 2. Financial instruments for which the fair value is deemed to be difficult to measure)

As of March 31, 2015

(Millions of yen)

	Book value	Fair value	Difference
① Cash and bank deposits	¥ 45,567	¥ 45,567	¥ –
② Notes and accounts receivable–trade	298,826		
③ Short-term loans receivable	4,854		
Allowance for doubtful accounts(*1)	(1,973)		
	301,707	301,707	–
④ Long-term loans receivable	3,493		
Allowance for doubtful accounts(*2)	(1,232)		
	2,261	2,261	0
⑤ Marketable securities and investment securities			
(i) Held-to-maturity debt securities	13,377	13,426	48
(ii) Stocks of affiliates	3,608	1,052	(2,555)
(iii) Available-for-sale securities	135,258	135,258	–
Total of assets	501,780	499,273	(2,507)
① Notes and accounts payable–trade	209,977	209,977	–
② Short-term loans payable	190,869	190,869	–
③ Commercial paper	10,000	10,000	–
④ Bonds	160,075	161,895	1,820
⑤ Long-term loans payable	501,635	506,488	4,852
Total of liabilities	1,072,558	1,079,231	6,673
Derivative transactions(*3)	(186)	(186)	–

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(Thousands of U.S. dollars)

	Book value	Fair value	Difference
① Cash and bank deposits	\$ 379,191	\$ 379,191	\$ –
② Notes and accounts receivable–trade	2,486,700		
③ Short-term loans receivable	40,396		
Allowance for doubtful accounts(*1)	(16,422)		
	2,510,675	2,510,675	–
④ Long-term loans receivable	29,074		
Allowance for doubtful accounts(*2)	(10,255)		
	18,819	18,822	2
⑤ Marketable securities and investment securities			
(i) Held-to-maturity debt securities	111,323	111,725	401
(ii) Stocks of affiliates	30,024	8,756	(21,267)
(iii) Available-for-sale securities	1,125,555	1,125,555	–
Total of assets	4,175,590	4,154,727	(20,863)
① Notes and accounts payable–trade	1,747,341	1,747,341	–
② Short-term loans payable	1,588,327	1,588,327	–
③ Commercial paper	83,215	83,215	–
④ Bonds	1,332,071	1,347,218	15,146
⑤ Long-term loans payable	4,174,385	4,214,769	40,383
Total of liabilities	8,925,341	8,980,871	55,530
Derivative transactions(*3)	(1,548)	(1,548)	–

(\*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable-trade and short-term loans receivable, is deducted.

(\*2) Allowance for doubtful accounts, which is separately accounted for on long-term loans receivable, is deducted.

(\*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

As of March 31, 2014

(Millions of yen)

	Book value	Fair value	Difference
① Cash and bank deposits	¥ 45,575	¥ 45,575	¥ –
② Notes and accounts receivable–trade	278,897		
③ Short-term loans receivable	4,958		
Allowance for doubtful accounts(*1)	(2,264)		
	281,591	281,591	–
④ Long-term loans receivable	1,980		
Allowance for doubtful accounts(*2)	(1,441)		
	538	539	0
⑤ Marketable securities and investment securities			
(i) Held-to-maturity debt securities	8,493	8,510	16
(ii) Stocks of affiliates	3,215	870	(2,344)
(iii) Available-for-sale securities	90,558	90,558	–
Total of assets	429,972	427,644	(2,327)
① Notes and accounts payable–trade	204,052	204,052	–
② Short-term loans payable	127,764	127,764	–
③ Bonds	180,160	181,996	1,836
④ Long-term loans payable	490,605	494,083	3,478
Total of liabilities	1,002,582	1,007,896	5,314
Derivative transactions(*3)	72	72	–

(\*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable-trade and short-term loans receivable, is deducted.

(\*2) Allowance for doubtful accounts, which is separately accounted for on long-term loans receivable, is deducted.

(\*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

## Notes:

1. The method for measuring fair values of financial instruments and matters relating to securities and derivative transactions

Assets

- ①Cash and bank deposits, ②Notes and accounts receivable-trade, and ③Short-term loans receivable

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments.

- ④Long-term loans receivable

The fair value of long-term loans receivable is calculated by applying a discount rate to the total of principal and interest. The discount interest rate is based on the assumed interest rate if similar new borrowings were entered into.

- ⑤Marketable securities and investment securities

The fair value of equity securities equals quoted market price. The fair value of debt securities equals the quoted market price or has been provided by financial institutions.

Liabilities

- ①Notes and accounts payable-trade, ②Short-term loans payable, and ③Commercial paper

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments. The current portion of long-term loans payable (the carrying amounts of such portion on the consolidated balance sheets at March 31, 2015 and 2014 were ¥ 128,851 million (\$1,072,244 thousand) and ¥ 56,597 million, respectively) is included in “⑤Long-term loans payable.”

- ④Bonds

The fair value of corporate bonds is calculated based on the quoted market price (Reference: Statistical Prices for OTC Bond Transactions), or, in cases where quoted market prices are not available, by using the discounted cash flow, based on the total amount of the principal and interest of the remaining period and credit risk. The corporate bonds include the current portion (the carrying amounts on the consolidated balance sheets at March 31, 2015 and 2014 were ¥ 20,055 million (\$166,888 thousand) and ¥ 20,085 million, respectively).

- ⑤Long-term loans payable

The fair value of the long-term loans payable is calculated by applying a discount rate to the total of the principal and interest. The discount interest rate is based on the assumed interest rate if similar new debt were entered into. A portion of the floating rate long-term loans payable is assumed to qualify for special accounting treatment for interest rate swaps or integrated accounting treatment (special treatment and appropriated treatment) for interest and currency swaps. This portion is calculated by discounting the total amount of the principal and interest, with the relevant interest rate swaps and interest rate and currency swaps to which integrated accounting treatment has been applied, based on the reasonably estimated interest rate if similar new debt were entered into. The long-term loans payable includes the current portion (the carrying amounts on the consolidated balance sheets at March 31, 2015 and 2014 were ¥ 128,851 million (\$1,072,244), and ¥ 56,597 million respectively).

Derivative transactions

Refer to Note 17. Derivative Transactions.

2. Financial instruments for which the fair value is deemed to be difficult to measure

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2015	2014	2015
Non-listed stocks	¥ 68,149	¥ 64,328	\$ 567,111

Regarding the above item, quoted prices are not available and also the future cash flows cannot be estimated reliably, therefore the fair value of the above item is deemed to be difficult to measure and is not included in 1. Assets ⑤.

3. The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2015

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Bank deposits	¥ 44,086	¥ 1	¥ –	¥ –
Notes and accounts receivable-trade	298,826	–	–	–
Short-term loans receivable	4,854	–	–	–
Long-term loans receivable	–	3,056	358	78
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	12,356	576	428	16
Total	¥ 360,124	¥ 3,634	¥ 786	¥ 95

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Bank deposits	\$ 366,867	\$ 8	\$ –	\$ –
Notes and accounts receivable-trade	2,486,700	–	–	–
Short-term loans receivable	40,396	–	–	–
Long-term loans receivable	–	25,438	2,980	655
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	102,823	4,796	3,566	136
Total	\$ 2,996,789	\$ 30,243	\$ 6,547	\$ 792

The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2014

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Bank deposits	¥ 43,909	¥ 19	¥ –	¥ –
Notes and accounts receivable-trade	278,897	–	–	–
Short-term loans receivable	4,958	–	–	–
Long-term loans receivable	–	1,035	872	72
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	7,321	583	571	16
Total	¥ 335,087	¥ 1,638	¥ 1,444	¥ 88

## 4. The repayment schedule for bonds, long-term loans payable, lease obligations and other interest-bearing liabilities subsequent to March 31, 2015

As of March 31, 2015

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Millions of yen)						
Short-term loans payable	¥ 190,869	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial paper	10,000	–	–	–	–	–
Bonds	20,055	20,020	40,000	40,000	20,000	20,000
Long-term loans payable	128,851	45,487	58,702	12,597	76,861	179,135
Lease obligations	870	903	420	278	164	475
Total	¥ 350,646	¥ 66,411	¥ 99,123	¥ 52,876	¥ 97,025	¥ 199,611

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Thousands of U.S. dollars)						
Short-term loans payable	\$ 1,588,327	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial paper	83,215	–	–	–	–	–
Bonds	166,888	166,597	332,861	332,861	166,430	166,430
Long-term loans payable	1,072,244	378,523	488,496	104,827	639,606	1,490,687
Lease obligations	7,244	7,522	3,498	2,320	1,367	3,957
Total	\$ 2,917,920	\$ 552,643	\$ 824,856	\$ 440,010	\$ 807,405	\$ 1,661,075

As of March 31, 2014

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Millions of yen)						
Short-term loans payable	¥ 127,764	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds	20,085	20,055	20,020	40,000	40,000	40,000
Long-term loans payable	56,597	118,113	34,884	52,756	11,640	216,612
Lease obligations	925	788	504	271	150	583
Total	¥ 205,372	¥ 138,957	¥ 55,409	¥ 93,027	¥ 51,790	¥ 257,196

## 16. Securities

## (1) Held-to-maturity debt securities

As of March 31, 2015

		Book value	Market value	Difference
		(Millions of yen)		
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	¥ 150	¥ 150	¥ 0
	② Corporate bonds	1,005	1,019	14
	③ Others	16	50	33
	Total	1,171	1,219	48
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	12,206	12,206	—
	Total	12,206	12,206	—
Total		¥ 13,377	¥ 13,426	¥ 48

		Book value	Market value	Difference
		(Thousands of U.S. dollars)		
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	\$ 1,250	\$ 1,250	\$ 0
	② Corporate bonds	8,363	8,482	119
	③ Others	136	417	281
	Total	9,749	10,151	401
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	101,573	101,573	—
	Total	101,573	101,573	—
Total		\$ 111,323	\$ 111,725	\$ 401

As of March 31, 2014

		Book value	Market value	Difference
		(Millions of yen)		
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	¥ 150	¥ 150	¥ 0
	② Corporate bonds	5	5	0
	③ Others	16	33	17
	Total	171	189	17
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	1,000	999	(0)
	③ Others	7,321	7,321	—
	Total	8,321	8,321	(0)
Total		¥ 8,493	¥ 8,510	¥ 16

(2) Available-for-sale securities  
As of March 31, 2015

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 121,893	¥ 42,939	¥ 78,954
	② Others	—	—	—
	Total	121,893	42,939	78,954
Securities with a book value not exceeding acquisition cost	① Corporate stocks	7,423	8,386	(963)
	② Others	5,940	6,097	(156)
	Total	13,364	14,484	(1,119)
Total		¥ 135,258	¥ 57,423	¥ 77,834

		Book value	Acquisition cost	Difference
		(Thousands of U.S. dollars)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	\$ 1,014,342	\$ 357,322	\$ 657,020
	② Others	—	—	—
	Total	1,014,342	357,322	657,020
Securities with a book value not exceeding acquisition cost	① Corporate stocks	61,774	69,789	(8,014)
	② Others	49,438	50,741	(1,303)
	Total	111,213	120,530	(9,317)
Total		\$ 1,125,555	\$ 477,853	\$ 647,702

Notes: The followings are not included in above table because no available quoted market price is available and it is not possible to estimate their future cash flows, therefore measuring their fair value is deemed to be extremely difficult:

- Non-listed corporate stocks,
- Investments in capital, and
- Others

(Their book value on the balance sheet: ¥ 68,149 million (\$567,111 thousand))

## As of March 31, 2014

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	Corporate stocks	¥ 74,251	¥ 39,209	¥ 35,041
	② Others	—	—	—
	Total	74,251	39,209	35,041
Securities with a book value not exceeding acquisition cost	① Corporate stocks	9,589	11,588	(1,999)
	② Others	6,717	6,971	(254)
	Total	16,306	18,560	(2,253)
Total		¥ 90,558	¥ 57,770	¥ 32,787

Notes: The followings are not included in above table because of no quoted market price is available and it is not possible to estimate their future cash flows, therefore it is measuring their fair value is deemed extremely difficult:

- Non-listed corporate stocks,
  - Investments in capital, and
  - Others
- (Their book value on the balance sheet: ¥ 64,328 million)

(3) Available-for-sale securities sold  
For the fiscal year ended March 31, 2015

	Proceeds from sales	Gains	Losses
	(Millions of yen)		
Corporate stocks	¥ 2,053	¥ 1,294	¥ 0

	Proceeds from sales	Gains	Losses
	(Thousands of U.S. dollars)		
Corporate stocks	\$ 17,084	\$ 10,771	\$ 0

For the fiscal year ended March 31, 2014

	Proceeds from sales	Gains	Losses
	(Millions of yen)		
Corporate stocks	¥ 1,178	¥ 383	¥ 0

(4) Impairment of available-for-sale securities

With respect to corporate stocks included in available-for-sale securities, impairment losses of ¥ 15 million (\$127 thousand) (available-for-sale securities, corporate stocks ¥ 15 million (\$127 thousand) were recorded for the fiscal year ended March 31, 2015.

In determining impairment losses, where fair value as of the year end is lower than acquisition cost by 50% or more, the whole amount of such difference is recorded as an impairment loss, while in cases where fair value as of the year end is lower than acquisition cost by between 30-50%, an amount deemed to be necessary is recorded as an impairment loss in consideration of recoverability among other factors.

## 17. Derivative Transactions

- (1) Derivatives contracts outstanding for which hedge accounting was not applied  
The information as of March 31, 2015 and 2014 was omitted as it is immaterial.
- (2) Derivatives contracts outstanding for which hedge accounting was applied  
(i) Currency-related derivatives

As of March 31, 2015

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferred hedge accounting	Foreign exchange forward contracts Sell Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	¥ 10,051	¥ -	¥ (212)

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	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	943	—	15
	Sell: Euro, Buy: New Zealand dollars	Accounts receivable-trade	62	—	2
	Buy Buy: Canada dollars, Sell: New Zealand dollars	Accounts payable-trade	152	—	(11)
	Others	Accounts payable-trade	45	—	(3)
Total			¥ 11,256	¥ —	¥ (208)
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	708	—	0
	Buy				
U.S. dollars	Accounts payable-trade	508	—	3	
Others	Accounts payable-trade	21	—	(0)	
Total			¥ 1,239	¥ —	¥ 2

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S dollars)		
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	\$ 83,641	\$ —	\$ (1,768)
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	7,854	—	129
	Sell: Euro, Buy: New Zealand dollars	Accounts receivable-trade	524	—	22
	Buy Buy: Canada dollars, Sell: New Zealand dollars	Accounts payable-trade	1,270	—	(92)
Others	Accounts payable-trade	381	—	(27)	
Total			\$ 93,671	\$ —	\$ (1,735)
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	5,899	—	1
	Buy				
U.S. dollars	Accounts payable-trade	4,234	—	25	
Others	Accounts payable-trade	180	—	(2)	
Total			\$ 10,314	\$ —	\$ 24

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

2. The fair value of foreign exchange forward contracts, which are accounted for as part of the foreign currency assets or liabilities, is included in that of hedged foreign currency assets or liabilities (except for when scheduled transactions are assumed to be hedged).

As of March 31, 2014

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	¥ 5,546	¥ -	¥ 400
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	605	-	64
	Others	Accounts receivable-trade	95	-	6
	Buy				
Buy: Euro, Sell: New Zealand dollars	Accounts payable-trade	25	-	(2)	
Buy: U.S. dollars, Sell: New Zealand dollars	Accounts payable-trade	2	-	(0)	
Total			¥ 6,276	¥ -	¥ 468
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	Brazil reals	Accounts receivable-trade	224	-	(7)
	U.S. dollars	Accounts receivable-trade	161	-	(0)
	Japanese yen	Accounts receivable-trade	156	-	25
	Buy				
U.S. dollars	Accounts payable-trade	1,540	-	10	
Euro	Accounts payable-trade	12	-	0	
Total			¥ 2,095	¥ -	¥ 28

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. The fair value of foreign exchange forward contracts, which are accounted for as part of the foreign currency assets or liabilities, is included in that of hedged foreign currency assets or liabilities (except for when scheduled transactions are assumed to be hedged).

(ii) Interest-rate-related derivatives

As of March 31, 2015

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Special treatment of interest rate swap	Interest rate swaps				
	Floating rate received for fixed rate	Long-term loans payable	¥ 235,080	¥ 180,305	(Note 2)
	Floating rate received for floating rate	Long-term loans payable	11,500	2,500	(Note 2)

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	Fixed rate received for floating rate	Long-term loans payable	16,000	—	(Note 2)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	36,027	36,027	(Note 2)
Total			¥ 298,607	¥ 218,832	¥ —

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S. dollars)		
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	\$ 1,956,228	\$ 1,500,419	(Note 2)
	Floating rate received for floating rate	Long-term loans payable	95,697	20,803	(Note 2)
	Fixed rate received for floating rate	Long-term loans payable	133,144	—	(Note 2)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	299,800	299,800	(Note 2)
Total			\$ 2,484,871	\$ 1,821,023	\$ —

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. When an interest rate swap contract meets the criteria for the special treatment of interest rate swaps, and the integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment), the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. The fair value of the interest rate swaps and interest rate and currency swaps accounted for by special treatment and the integrated treatment, is included in that of the hedged long-term loans payable.

As of March 31, 2014

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	¥ 213,685	¥ 210,595	(Note 2)
	Floating rate received for floating rate	Long-term loans payable	15,500	11,500	(Note 2)
	Fixed rate received for floating rate	Long-term loans payable	16,000	16,000	(Note 2)
Total			¥ 245,185	¥ 238,095	¥ —

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. When an interest rate swap contract meets the criteria for the special treatment of interest rate swap, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. The fair value of the interest rate swaps accounted for by the special treatment is included in that of the hedged long-term loans payable.

## (iii) Commodity-related derivatives

As of March 31, 2015

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 4,015	¥ 2,035	¥ (211)
Total			¥ 4,015	¥ 2,035	¥ (211)

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	\$ 33,412	\$ 16,940	\$ (1,763)
Total			\$ 33,412	\$ 16,940	\$ (1,763)

Notes:

Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

As of March 31, 2014

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 5,850	¥ 3,942	¥ (431)
Total			¥ 5,850	¥ 3,942	¥ (431)

Notes:

Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

**18. Retirement Benefits**

## (1) Outline of Retirement Benefit Plan Adopted

The domestic consolidated subsidiaries have established corporate pension fund plans, employees' pension fund plans and retirement lump-sum payment plans as defined benefit-type plans. In addition, certain consolidated subsidiaries have joined multi-employer corporate pension plans. Certain domestic consolidated subsidiaries also provide defined contribution plans. Furthermore, in certain instances of an employee's retirement or other termination, special retirement benefits may be provided, which are not included in the retirement benefit obligation based on the actuarial calculation under retirement benefit accounting. Certain overseas consolidated subsidiaries also provide defined benefit plans. Certain domestic consolidated subsidiaries also have funded employees' retirement benefit trusts.

## (2) Defined benefit plans (includes multi-employer plans)

## (i) Reconciliation of beginning and ending balances of retirement benefit obligation (excluding plans for which a simplified method is applied)

For the fiscal year ended March 31, 2015

	Millions of yen	Thousands of U.S. dollars
Beginning balance of retirement benefit obligation	189,211	1,574,528
Effect of change in accounting policies	(4,053)	(33,729)
Service cost	6,211	51,691
Interest cost	1,861	15,488

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Actuarial loss	4,677	38,926
Payment of retirement benefits	(12,564)	(104,552)
Other	(792)	(6,592)
Ending balance of retirement benefit obligation	184,552	1,535,761

For the fiscal year ended March 31, 2014

	<u>Millions of yen</u>
Beginning balance of retirement benefit obligation	195,079
Effect of change in accounting policies	-
Service cost	6,106
Interest cost	1,621
Actuarial gain	(1,998)
Payment of retirement benefits	(12,753)
Other	1,156
Ending balance of retirement benefit obligation	189,211

(ii) Reconciliation of beginning and ending balances of plan assets  
(excluding plans for which a simplified method is applied)

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of plan assets	122,840	1,022,220
Expected return on plan assets	1,513	12,591
Actuarial gain	14,102	117,351
Employer contributions	6,924	57,619
Payment of retirement benefits	(9,192)	(76,492)
Other	(840)	(6,995)
Ending balance of plan assets	135,346	1,126,295

For the fiscal year ended March 31, 2014

	<u>Millions of yen</u>
Beginning balance of plan assets	111,138
Expected return on plan assets	1,184
Actuarial gain	11,705
Employer contributions	7,011
Payment of retirement benefits	(9,240)
Other	1,041
Ending balance of plan assets	122,840

(iii) Reconciliation of beginning and ending balance of net defined benefit liability for plans for which the simplified method is applied

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of net defined benefit liability	6,864	57,120
Retirement benefit cost	602	5,015
Payment of retirement benefits	(816)	(6,797)
Plan contributions	(659)	(5,491)
Other	(158)	(1,317)
Ending balance of net defined benefit liability	5,831	48,529

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For the fiscal year ended March 31, 2014

	<u>Millions of yen</u>
Beginning balance of net defined benefit liability	7,688
Retirement benefit cost	814
Payment of retirement benefits	(777)
Plan contributions	(760)
Other	(100)
Ending balance of net defined benefit liability	6,864

(iv) Reconciliation of ending balance of retirement benefit obligation and plan assets, net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Funded retirement benefit obligation	136,848	1,138,790
Plan assets	(143,009)	(1,190,063)
	(6,161)	(51,272)
Unfunded retirement benefit obligation	61,198	509,269
Net liabilities and assets recorded on the consolidated balance sheets	55,037	457,996
Net defined benefit liability	63,949	532,161
Net defined benefit asset	(8,912)	(74,164)
Net liabilities and assets recorded on the consolidated balance sheets	55,037	457,996

Note: Including plans for which the simplified method is applied.

For the fiscal year ended March 31, 2014

	<u>Millions of yen</u>
Funded retirement benefit obligation	143,267
Plan assets	(129,864)
	13,402
Unfunded retirement benefit obligation	59,832
Net liabilities and assets recorded on the consolidated balance sheets	73,235
Net defined benefit liability	73,769
Net defined benefit asset	(534)
Net liabilities and assets recorded on the consolidated balance sheets	73,235

Note: Including plans for which the simplified method is applied.

(v) Components of retirement benefit expenses

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Service costs	6,211	51,691
Interest cost	1,861	15,488
Expected return on plan assets	(1,513)	(12,591)
Amortization of actuarial loss	4,170	34,704
Amortization of prior service cost	(955)	(7,951)
Retirement benefit cost calculated by simplified method	602	5,015
Special retirement benefits	747	6,216
Other	—	—
Retirement benefit cost related to defined benefit plans	11,124	92,573

Note: Special retirement benefits as stated above are mainly redundancy pay, etc., and are accounted for as "Other" in "Special losses."

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For the fiscal year ended March 31, 2014

	<u>Millions of yen</u>
Service costs	6,106
Interest cost	1,621
Expected return on plan assets	(1,184)
Amortization of actuarial loss	7,473
Amortization of prior service cost	(784)
Retirement benefit cost calculated by simplified method	814
Special retirement benefits	866
Other	37
<b>Retirement benefit cost related to defined benefit plans</b>	<b>14,950</b>

Note: Special retirement benefits as stated above are mainly redundancy pay, etc., and are accounted for as “Other” in “Special losses.”

(vi) Remeasurements of defined benefit plans in consolidated statement of income

The breakdown of items recorded in remeasurements of defined benefit plans is as follows (before deduction of tax effects):

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Prior service cost	(955)	(7,951)
Actuarial gain	13,594	113,129
<b>Total</b>	<b>12,639</b>	<b>105,177</b>

For the fiscal year ended March 31, 2014

	<u>Millions of yen</u>
Prior service cost	-
Actuarial loss/gain	-
<b>Total</b>	<b>-</b>

(vii) Remeasurements of defined benefit plans

The breakdown of items recorded in remeasurements of defined benefit plans is as follows (before deduction of tax effects):

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Unrecognized prior service cost	(513)	(4,270)
Unrecognized actuarial gain	7,358	61,236
<b>Total</b>	<b>6,845</b>	<b>56,965</b>

For the fiscal year ended March 31, 2014

	<u>Millions of yen</u>
Unrecognized prior service cost	(1,468)
Unrecognized actuarial gain	20,953
<b>Total</b>	<b>19,484</b>

(viii) Matters relating to plan assets

(a) Breakdown of principal plan assets

The principal asset classes as percentages of total plan assets are as follows:

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For the fiscal year ended March 31, 2015

Domestic corporate stocks	29%
Overseas corporate stocks	12
Domestic bonds	17
Overseas bonds	9
Life insurance general accounts	20
Alternative investment	11
Other	2
<hr/> Total	<hr/> 100

For the fiscal year ended March 31, 2014

Domestic corporate stocks	26%
Overseas corporate stocks	14
Domestic bonds	16
Overseas bonds	10
Life insurance general accounts	20
Alternative investment	11
Other	3
<hr/> Total	<hr/> 100

Note: Retirement benefit trusts established for corporate pension plans constituted 15% of total plan assets in the fiscal year ended March 31, 2015 and 13% in the fiscal year ended March 31, 2014 .

(b) Method to determine long-term expected rate of return on plan assets

In order to determine the long-term expected rate of return on plan assets, the Company takes into account the current and the forecast allocation of plan assets and the current and anticipated long-term expected rate of return on a wide range of assets that constitute plan assets.

(ix) Assumptions used in actuarial calculations

For the fiscal year ended March 31, 2015

(a) Discount rates

Domestic 0.3 – 1.2%

Overseas 2.2 – 6.1%

(b) Long-term expected rates of return on plan assets

Domestic 0.7 – 5.0%

Overseas 2.0 – 7.0%

(c) Expected rates of salary increases

Domestic 1.5 -8.3%

Overseas 2.0 – 6.4%

For the fiscal year ended March 31, 2014

(a) Discount rates

Domestic 0.7 – 1.6%

Overseas 3.5 – 5.2%

(b) Long-term expected rates of return on plan assets

Domestic 0.8 – 3.5%

Overseas 2.0 – 7.0%

## (c) Expected rates of salary increases

Domestic 1.9 -13.7%

Overseas 2.0 – 5.8%

## (3) Defined contribution plan

The contributions to the defined contribution plans of the consolidated subsidiaries, including the multi-employer plans that are accounted for in the same way as defined contribution plans, were ¥ 709 million (\$5,904 thousand) in the fiscal year ended March 31, 2015 and ¥ 513 million in the fiscal year ended March 31, 2014.

**19. Stock Options**

## (1) The account title and the amount of expenses related to stock options

Account title: Selling, general and administrative expenses

Amount: ¥ 62 million (\$516 thousand) for the year ended March 31, 2015

¥ 68 million for the year ended March 31, 2014

## (2) Content, size and changes of stock options

## (i) Stock option plans

	Stock option 2006
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 140,000 shares
Grant date	August 15, 2006
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2007 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2006 (June 29, 2006) to the date of the ordinary general meeting of shareholders in 2007
Exercise period	From August 16, 2006 to June 30, 2026

	Stock option 2007
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 145,000 shares
Grant date	July 13, 2007
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2008 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2007 (June 28, 2007) to the date of the ordinary general meeting of shareholders in 2008
Exercise period	From July 14, 2007 to June 30, 2027

	Stock option 2008
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 215,000 shares
Grant date	July 14, 2008
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2009 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2008 (June 27, 2008) to the date of the ordinary general meeting of shareholders in 2009
Exercise period	From July 15, 2008 to June 30, 2028

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Stock option 2009	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 174,000 shares
Grant date	July 13, 2009
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2010 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2009 (June 26, 2009) to the date of the ordinary general meeting of shareholders in 2010
Exercise period	From July 14, 2009 to June 30, 2029

Stock option 2010	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 220,000 shares
Grant date	July 16, 2010
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2011 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2010 (June 29, 2010) to the date of the ordinary general meeting of shareholders in 2011
Exercise period	From July 17, 2010 to June 30, 2030

Stock option 2011	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 219,000 shares
Grant date	July 15, 2011
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2012 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2011 (June 29, 2011) to the date of the ordinary general meeting of shareholders in 2012
Exercise period	From July 16, 2011 to June 30, 2031

Stock option 2012	
Individuals covered by the Plan	Directors of the Company: 12
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 219,000 shares
Grant date	July 17, 2012
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2013 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2012 (June 28, 2012) to the date of the ordinary general meeting of shareholders in 2013
Exercise period	From July 18, 2012 to June 30, 2032

Stock option 2013	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 220,000 shares
Grant date	July 16, 2013
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until

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	the ordinary general meeting of shareholders in 2014 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2013 (June 27, 2013) to the date of the ordinary general meeting of shareholders in 2014
Exercise period	From July 17, 2013 to June 30, 2033

Stock option 2014	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 176,000 shares
Grant date	July 15, 2014
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2015 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2014 (June 27, 2014) to the date of the ordinary general meeting of shareholders in 2015
Exercise period	From July 16, 2014 to June 30, 2034

(ii) Changes in the number of stock options

For the year ended March 31, 2015

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock option 2013	Stock option 2014
	(Shares)								
<b>Share subscription rights which are not yet vested</b>									
Outstanding as of March 31, 2014	—	—	—	—	—	—	—	220,000	—
Granted	—	—	—	—	—	—	—	—	176,000
Forfeited	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	220,000	—
Outstanding as of March 31, 2015	—	—	—	—	—	—	—	—	176,000
<b>Share subscription rights which have already been vested</b>									
Outstanding as of March 31, 2014	44,000	48,000	71,000	102,000	127,000	164,000	199,000	—	—
Vested	—	—	—	—	—	—	—	220,000	—
Exercised	—	—	—	—	—	18,000	20,000	—	—
Forfeited	—	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2015	44,000	48,000	71,000	102,000	127,000	146,000	179,000	220,000	—

(iii) Price information of stock options

As at March 31, 2015

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock Option 2013	Stock Option 2014
	(Yen)								
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	—	—	—	—	—	496	430	—	—
Weighted average fair value per shares at the granted date	579	464	351	285	334	307	189	351	324

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	Stock option 2006 (U.S. dollars)	Stock option 2007 (U.S. dollars)	Stock option 2008 (U.S. dollars)	Stock option 2009 (U.S. dollars)	Stock option 2010 (U.S. dollars)	Stock option 2011 (U.S. dollars)	Stock option 2012 (U.S. dollars)	Stock option 2013 (U.S. dollars)	Stock option 2014 (U.S. dollars)
Exercise price	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Average market price of the stock at the time of exercise	—	—	—	—	—	4.13	3.58	—	—
Weighted average fair value per shares at the granted date	4.82	3.86	2.92	2.37	2.78	2.55	1.57	2.92	2.70

(3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options granted in the fiscal year ended March 31, 2015 is as follows:

(i) Model of valuation: Black-Scholes Model

(ii) Main basic assumptions and estimation method:

	Stock option 2014
Expected volatility (Note 1)	30.764%
Expected holding period (Note 2)	10 years and 6 months
Expected dividend (Note 3)	10 yen (\$0.08)/share
Risk-free rate (Note 4)	0.576%

Notes:

1. The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months (from January 15, 2004 to July 15, 2014)
2. As there is not enough data to make a reasonable estimate, expected life of the option is based on the assumption that the options are exercised at mid-term of during the exercise period.
3. This is based on the actual dividend for the fiscal year ended March 31, 2014.
4. Risk-free interest rate is the yield on government bonds for the period that corresponds to the remaining life of the option.

(4) Method for estimating the number of vested options

Basically, as it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited compared to the number vested.

**20. Income Taxes**

(1) Significant components of deferred tax assets and deferred tax liabilities

	March 31, 2015 (Millions of yen)	March 31, 2014 (Millions of yen)	March 31, 2015 (Thousands of U.S. dollars)
Deferred tax assets			
Net defined benefit liability	¥ 17,283	¥ 25,974	¥ 143,828
Property, plant and equipment	14,115	11,068	117,464
Investment securities and others	7,211	8,550	60,011
Tax losses carried forward	5,302	5,498	44,125
Accrued bonuses	5,111	5,543	42,533
Allowance for doubtful accounts	2,025	1,687	16,853
Inventory	1,330	1,101	11,070
Other	6,520	5,118	54,260
Subtotal	58,901	64,541	490,148
Valuation allowance	(18,817)	(21,371)	(156,587)
Total deferred tax assets	40,083	43,169	333,560
Deferred tax liabilities			
Adjustment to book value of assets stated at fair value	(58,093)	(44,160)	(483,424)
Valuation difference on available-for-sale securities	(24,751)	(11,431)	(205,969)
Property, plant and equipment	(16,478)	(17,599)	(137,128)
Reserve for advanced depreciation of non-current assets	(12,268)	(13,875)	(102,092)
Reserve for special depreciation	(1,241)	(616)	(10,329)

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Other	(897)	(917)	(7,466)
Total deferred tax liabilities	(113,730)	(88,601)	(946,410)
Net deferred tax liabilities	¥ (73,646)	¥ (45,431)	\$ (612,849)

(2) Difference between the statutory tax rate and the effective tax rate of corporate income taxes

	For the fiscal year ended March 31,	
	2015	2014
Statutory tax rate	35.6%	The note is omitted as the difference between the statutory effective tax rate and the effective income tax rate after the application of tax effect accounting was 5% or less.
(Adjustment)		
Non-deductible entertainment and social expenses, etc.	3.5	
Non-taxable income of dividends received, etc.	(2.9)	
Per capita levy of local inhabitant tax	1.3	
Tax credit	(3.6)	
Equity in earnings of affiliates	(1.0)	
Different tax rates applied to foreign subsidiaries	(1.8)	
Retained earnings of foreign subsidiaries, etc.	6.5	
Decrease of deferred tax assets at fiscal year-end due to change in tax rate	5.0	
Amortization of goodwill	2.7	
Change in valuation allowance	(5.1)	
Other	1.2	
Effective tax rate	41.4%	

(3) Revision to the amounts of deferred tax assets and deferred tax liabilities due to the change in the corporation tax rate, etc.

The Act on Partial Revision of the Income Tax Act, etc. (Law No. 9 of 2015) and the Act on the Partial Revision of the Local Tax Act, etc. (Law No. 2 of 2015) were promulgated on March 31, 2015, and corporate tax rates were reduced from fiscal years beginning on and after April 1, 2015. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been revised to 33.1% from the previous 35.6% for temporary differences expected to be realized or settled in the fiscal year beginning on April 1, 2015 and to 32.3% from the fiscal year beginning on April 1, 2016. As a result of these changes in the tax rate, the amount of deferred tax liabilities (the amount after deducting deferred tax assets) decreased by ¥ 297 million (\$2,473 thousand) while income taxes – deferred increased by ¥ 1,884 million (\$15,682 thousand), valuation difference on available-for-sale securities increased by ¥ 2,516 million (\$20,938 thousand), deferred gains on hedging derivatives increased by ¥ 0 million (\$0 thousand), minority interests increased by ¥ 0 million (\$0 thousand), and remeasurements of defined benefit plans decreased by ¥ 334 million (\$2,783 thousand).

Furthermore, deferred tax liabilities on land revaluation declined by ¥ 827 million (\$6,887 thousand) and the revaluation reserve for land increased by the same amount.

## 21. Business Combination

For the fiscal year ended March 31, 2015

Business combination by acquisition

(1) Outline of business combination

(i) Name and business lines of acquired company

Name of acquired company	Carter Holt Harvey Pulp & Paper Limited (“CHHPP”) and 7 other companies (collectively “CHHPP Group”)
Business lines of acquired company	Pulp, paperboard and packaging products business

(ii) Primary reason for business combination

In recent years, the Company has been aggressively expanding its overseas businesses, particularly in Southeast

Asia and other emerging markets where strong growth for the pulp and paper market is expected. The Company positions paperboards and packaging products as its core products and has either acquired or built a total of 21 plants/facilities (including on-going green-field projects) in Southeast Asia and India over the past few years.

Further, the Company has been focusing on the forest resources business. It operates Pan Pac (plantation forests, lumber-processing and pulp business in New Zealand), CENIBRA (plantation forests and pulp business in Brazil) and a number of other plantation assets in Southeast Asia and Oceania, with an aim to further expand the business in Japan and globally in the near future.

CHHPP Group's three main businesses:

- (a) Pulp Business: Benefitting from its regional advantage with access to abundant softwood supplies CHHPP manufactures bleached/unbleached softwood kraft pulp products, such as NBKP and NUKP. The acquisition of CHHPP will allow the Company to offer a broader range of products and solutions to customers adding to Pan Pac's BCTMP and CENIBRA's LBKP.
- (b) Paperboard Business: Using its softwood kraft pulp as the key raw material, CHHPP manufactures paperboard products that have a reputation as being more durable and stronger than recycled paperboard products provided by CHHPP's competitors in Asia. As the market in Asia continues to expand, the Company will seek to market CHHPP's outstanding products to various customers to meet their needs for durability, while using CHHPP's paperboards as raw material for the Company's own packaging products going forward.
- (c) Packaging Business: CHHPP Group manufactures packaging products in five facilities in New Zealand and Australia, in addition to its paper bag and paper cup businesses. As the Company expects that the trade volume among Asia Pacific Rim countries will continue to increase, it believes that the business will grow in parallel with robust demand in the region.

Another important point is that the acquisition of CHHPP Group would also provide the Company with access to softwood resources, thereby expanding Oji Group's wood product business in the region and allowing it to develop and market its advanced materials as well as new materials made from wood.

(iii) Acquisition date

December 1, 2014

(iv) Legal form of business combination

Share acquisition with cash as consideration

(v) Name of company following combination

There is no change in the trade name following the combination.

(vi) Percentage of voting rights acquired

100 % (Note)

(vii) Main reason for decision to acquire the company

The cash acquisition of shares by Oji Oceania Management (NZ) Limited (OOM (NZ)) and Oji Oceania Management (AUS) Pty. Ltd. (OOM (AUS)), which are consolidated subsidiaries of the Company (Note).

Note: OOM (NZ) is a wholly owned subsidiary of the Company and Oji Oceania Management Co., Ltd. in which Innovation Network Corporation of Japan has an equity investment (the Company's percentage of voting rights is 60%). OOM (AUS) is a wholly owned subsidiary of OOM (NZ). The Company has a 60% equity stake in CHHPP Group.

(2) Period of results of acquired company included in consolidated financial statements

From December 1, 2014 to December 31, 2014.

(3) Calculation and breakdown of the acquisition cost

Acquisition value	NZ\$ 1,044 million
Cost directly incurred for acquisition (Advisory fees etc.)	NZ\$ 14 million

In addition to the value for the acquisition of shares paid to the counterparty in the share acquisition, the value for the acquisition includes repayment of debt that CHHPP owed to the counterparty in the share acquisition.

(4) Allocation of the acquisition cost

(i) Amount and breakdown of assets and liabilities acquired on the date of business combination

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	33,661	280,113
Non-current assets	73,823	614,323
<u>Total assets</u>	<u>107,484</u>	<u>894,436</u>
Current liabilities	35,975	299,372
Non-current liabilities	4,210	35,040
<u>Total liabilities</u>	<u>40,186</u>	<u>334,412</u>

As the allocation of the acquisition cost is not complete, provisional accounting treatment has been applied based on information that is available and reasonable.

(ii) Reason for recognition of goodwill, and method and period of amortization

(a) Amount of goodwill recognized

NZ\$51 million

(b) Reason for recognition of goodwill

The acquisition cost exceeded the net allocated amount of the assets acquired deducted by the liabilities assumed, with the excess amount being recognized as goodwill.

(c) Method and period of amortization of goodwill

Straight-line amortization over 15 years

(5) Estimated impact of business combination on the consolidated statement of income for the fiscal year ended March 31, 2015 assuming business combination was completed on April 1, 2014

As the calculation of the estimated impact of business combination on the consolidated statements of income for the fiscal year ended March 31, 2015 assuming the business combination was completed on April 1, 2014 and estimated amounts for the calculation were difficult to determine, the Company did not perform a trial calculation.

For the fiscal year ended March 31, 2014

None

## 22. Segment Information

(1) Overview of reporting segments

The reporting segments of the Company are the business units of the Group, of which financial information is available separately in order for the Board of Directors to conduct periodic review to determine allocation of management resources and evaluate business performance by unit.

The Group is mainly engaged in production and sale of pulp and paper products and converted paper products. Each of the companies of the Group independently plans its comprehensive strategy for its products and services and implements its business activities.

Therefore, each of the business segments comprises certain companies of the Group that are similar in terms of economic characteristics, production method or production process, types of market or customers to which products are sold and other characteristics. The Company consists of five reporting segments: "Household and industrial materials," "Functional materials," "Forest resources and environmental marketing" "Printing and communications media," and "Other."

OJI HOLDINGS CORPORATION

The principal business lines in each reporting segment are as follows:

Household and industrial materials:	Containerboard, corrugated container, boxboard and, packaging papers, folding cartons and paper bags, household products
Functional materials:	Specialty paper, thermal paper, adhesive paper, film
Forest resources and environmental marketing:	Lumber, pulp, energy
Printing and communications media:	Newsprint, printing, publishing and communications paper
Other:	Real estate, machinery, trading and other

In the fiscal year ended March 31, 2015, the Company revised the reporting segment classification for certain consolidated subsidiaries in line with a review of intra-Group management categories. Segment information for the fiscal year ended March 31, 2014 reflects this change in segment classification.

(2) Methods to calculate amounts of sales, income or loss, assets, liabilities and other items by reporting segment

The accounting method applied for reporting segments is almost the same that described in Notes 1 to 5 of the Consolidated Financial Statements.

Segment profit is based on operating profit. Inter-segment sales and transfers are mainly based on market price.

(3) Information on amounts of sales, income or loss, assets, liabilities and other items by reporting segment

For the fiscal year ended March 31, 2015

	Reporting segments				Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media					
(Millions of yen)									
<b>Sales</b>									
Sales to third parties	¥ 518,239	¥ 206,013	¥ 161,731	¥ 282,812	¥ 1,168,797	¥ 178,483	¥ 1,347,281	¥ —	¥ 1,347,281
Inter-segment sales and transfers	43,512	19,206	49,789	28,170	140,679	97,590	238,270	(238,270)	—
Total sales	561,752	225,220	211,521	310,983	1,309,477	276,074	1,585,552	(238,270)	1,347,281
Segment profit (loss)	¥ 14,528	¥ 9,367	¥ 14,925	¥ (671)	¥ 38,150	¥ 7,997	¥ 46,147	¥ 547	¥ 46,694
Segment assets	¥ 624,751	¥ 222,846	¥ 567,675	¥ 505,851	¥ 1,921,124	¥ 356,668	¥ 2,277,793	¥ (113,701)	¥ 2,164,091
<b>Other items</b>									
Depreciation and amortization (Note 4)	¥ 23,476	¥ 10,224	¥ 10,862	¥ 21,533	¥ 66,097	¥ 4,727	¥ 70,825	¥ —	¥ 70,825
Increase in property, plant, equipment and intangible assets (Note 4)	¥ 23,521	¥ 6,769	¥ 25,179	¥ 20,355	¥ 75,826	¥ 4,252	¥ 80,079	¥ —	¥ 80,079

For the fiscal year ended March 31, 2015

	Reporting segments				Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media					
(Thousands of U.S. dollars)									
<b>Sales</b>									
Sales to third parties	\$ 4,312,551	\$ 1,714,354	\$ 1,345,858	\$ 2,353,439	\$ 9,726,203	\$ 1,485,260	\$ 11,211,464	\$ —	\$ 11,211,464
Inter-segment sales and transfers	362,093	159,825	414,329	234,422	1,170,672	812,106	1,982,779	(1,982,779)	—
Total sales	4,674,645	1,874,180	1,760,187	2,587,862	10,896,875	2,297,367	13,194,243	(1,982,779)	1,1088,546
Segment profit (loss)	\$ 120,898	\$ 77,950	\$ 124,202	\$ (5,584)	\$ 317,467	\$ 66,549	\$ 384,016	\$ 4,557	\$ 388,574
Segment assets	\$ 5,198,896	\$ 1,854,425	\$ 4,723,934	\$ 4,209,469	\$ 15,986,725	\$ 2,968,033	\$ 18,954,758	\$ (946,173)	\$ 18,008,585
<b>Other items</b>									
Depreciation and amortization (Note 4)	\$ 195,362	\$ 85,086	\$ 90,388	\$ 179,193	\$ 550,030	\$ 39,343	\$ 589,374	\$ —	\$ 589,374
Increase in property, plant, equipment and intangible assets (Note 4)	\$ 195,733	\$ 56,333	\$ 209,534	\$ 169,390	\$ 630,991	\$ 35,389	\$ 666,381	\$ —	\$ 666,381

## Notes

- “Other” is a business segment which is not included in the reporting segments, and included in this segment are trading, real estate and other businesses.
- “Adjustments” are as follows.
  - Adjustment for segment profit (loss), ¥ 547 million (\$4,557 thousand), primarily consists of adjustment related to internal transactions.
  - Adjustment for segment assets, ¥ (113,701) million (\$946,173 thousand)), includes the following items.
    - Elimination of inter-segment debts and credits, and other, ¥ (144,201) million (\$1,199,976) thousand)
    - Group-wide assets\* not allocated to each reporting segment, ¥ 30,499 million (\$253,803 thousand)
- \*Group-wide assets: investment securities not allocated to each reporting segment
- Adjustment is made between segment profit (loss) and operating profit of the consolidated statements of income.
- Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

For the fiscal year ended March 31, 2014

	Reporting segments				Total	Other (Note 1)	Total	Adjust- ments (Note 2)	Consolidated (Note 3)
	House- hold and industrial materials	Function- al materials	Forest resources and environ- mental marketing	Printing and communi- cations media					
(Millions of yen)									
<b>Sales</b>									
Sales to third parties	¥ 511,586	¥ 206,212	¥ 155,795	¥ 289,404	¥ 1,162,998	¥ 169,512	¥ 1,332,510	¥ —	¥ 1,332,510
Inter-segment sales and transfers	39,169	19,921	49,882	28,266	137,240	97,812	235,052	(235,052)	—
Total sales	550,755	226,133	205,677	317,671	1,300,238	267,325	1,567,563	(235,052)	1,332,510
Segment profit (loss)	¥ 22,482	¥ 12,278	¥ 21,381	¥ (2,264)	¥ 53,878	¥ 7,977	¥ 61,855	¥ 167	¥ 62,023
Segment assets	¥ 550,226	¥ 228,550	¥ 452,732	¥ 464,631	¥ 1,696,141	¥ 334,608	¥ 2,030,750	¥ (115,073)	¥ 1,915,676
<b>Other items</b>									
Depreciation and amortization (Note 4)	¥ 24,736	¥ 11,585	¥ 8,861	¥ 23,372	¥ 68,556	¥ 4,703	¥ 73,260	¥ —	¥ 73,260
Increase in property, plant, equipment and intangible assets (Note 4)	¥ 22,419	¥ 5,074	¥ 29,905	¥ 7,636	¥ 65,036	¥ 11,684	¥ 76,721	¥ —	¥ 76,721

## Notes

- “Other” is a business segment which is not included in the reporting segments, and included in this segment are trading, real estate and other businesses.
- “Adjustments” are as follows.
  - Adjustment for segment profit (loss), ¥ 167 million, primarily consists of adjustment related to internal transactions.
  - Adjustment for segment assets, ¥ (115,073) million, includes the following items.
    - Elimination of inter-segment debts and credits, and other, ¥ (143,663) million
    - Group-wide assets\* not allocated to each reporting segment, ¥ 28,589 million
    - \*Group-wide assets: investment securities not allocated to each reporting segment
- Adjustment is made between segment profit (loss) and operating profit of the consolidated statements of income.
- Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

## (4) Related information

For the fiscal year ended March 31, 2015

## (i) Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

(ii) Information by region

(a) Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 1,039,941	¥ 180,826	¥ 36,612	¥ 26,441	¥ 47,151	¥ 13,367	¥ 2,941	¥ 1,347,281

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Thousands of U.S. dollars)							
\$ 8,653,920	\$ 1,504,754	\$ 304,673	\$ 220,030	\$ 392,371	\$ 111,239	\$ 24,475	\$ 11,211,464

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	Oceania	Total
(Millions of yen)							
¥ 652,966	¥ 188,517	¥ 51,091	¥ 3,389	¥ 253,227	¥ 6,654	¥ 114,622	¥ 1,270,469

Japan	China	Asia	North America	Brazil	Europe	Oceania	Total
(Thousands of U.S. dollars)							
\$ 5,433,688	\$ 1,568,752	\$ 425,158	\$ 28,205	\$ 2,107,241	\$ 55,379	\$ 953,839	\$ 10,572,265

(iii) Information by major customer

Name of company	Sales		Related segment
	(Millions of yen)	(Thousands of U.S. dollars)	
Kokusai Pulp & Paper Co., Ltd.	¥ 127,850	\$ 1,063,909	Household and industrial materials, Functional materials, Forest resources and marketing, Printing and communications media
Japan Pulp and Paper Company Limited	126,819	1,055,336	Household and industrial materials, Functional materials, Forest resources and marketing, Printing and communications media

For the fiscal year ended March 31, 2014

(i) Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

(ii) Information by region

(a) Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 1,061,429	¥ 155,072	¥ 34,722	¥ 23,715	¥ 46,739	¥ 8,155	¥ 2,675	¥ 1,332,510

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	Oceania	Total
(Millions of yen)							
¥ 667,013	¥ 158,353	¥ 48,398	¥ 2,983	¥ 224,680	¥ 7,210	¥ 46,339	¥ 1,154,978

## (iii) Information by major customer

Name of company	Sales	Related segment
	(Millions of yen)	
Japan Pulp and Paper Company Limited	¥ 130,399	Household and industrial materials, Functional materials, Forest resources and marketing, Printing and communications media
Kokusai Pulp & Paper Co., Ltd.	129,773	Household and industrial materials, Functional materials, Forest resources and marketing, Printing and communications media

## (5) Information on impairment loss of property, plant and equipment by reporting segment

For the fiscal year ended March 31, 2015

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
	(Millions of yen)					
Impairment loss	¥ 20	¥ 444	¥ 11	¥ 181	¥ 0	¥ 657

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
	(Thousands of U.S. dollars)					
Impairment loss	\$ 166	\$ 3,697	\$ 99	\$ 1,510	\$ 1	\$ 5,475

Notes:

1. The amount of "Other" is the amount related to business segments not included in reporting segments and other.
2. Of the impairment loss of ¥ 657 million (\$ 5,475 thousand) for the fiscal year ended March 31, 2015, ¥ 466 million (\$3,880 thousand) is included in loss on business restructuring of special losses, and ¥ 191 million (\$1,595 thousand) is included in other loss of special losses.

For the fiscal year ended March 31, 2014

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
	(Millions of yen)					
Impairment loss	¥ 3,556	¥ 1,254	¥ 1,466	¥ 367	¥ 1,700	¥ 8,345

Notes:

1. The amount of "Other" is the amount related to business segments not included in reporting segments and other.
2. Of the impairment loss of ¥ 8,345 million for the fiscal year ended March 31, 2014, ¥ 3,418 million is included in loss on business restructuring of special losses, and ¥ 4,926 million is included in other loss of special losses.

## (6) Information on amortization and ending balance of goodwill by reporting segment

As of and for the fiscal year ended March 31, 2015

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total
(Millions of yen)						
Amortized amount of goodwill	¥ 2,480	¥ 492	¥ (7)	¥ 18	¥ 3	¥ 2,987
Balance of goodwill	12,441	4,800	(1,788)	—	589	16,042

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total
(Thousands of U.S. dollars)						
Amortized amount of goodwill	\$ 20,638	\$ 4,096	\$ (63)	\$ 158	\$ 27	\$ 24,857
Balance of goodwill	103,536	39,943	(14,885)	—	4,902	133,496

Notes:

1. Amount for “Other” is the amount relating to business segments not included in reporting segments.

As of and for the fiscal year ended March 31, 2014

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total
(Millions of yen)						
Amortized amount of goodwill	¥ 2,293	¥ 487	¥ 2	¥ 38	¥ —	¥ 2,822
Balance of goodwill	9,166	5,245	—	18	—	14,430

Notes:

1. Amount for “Other” is the amount relating to business segments not included in reporting segments.

## (7) Information on gain on negative goodwill by reporting segment

For the fiscal year ended March 31, 2015

Information on gain on negative goodwill is omitted, since the amount is immaterial.

For the fiscal year ended March 31, 2014

None

**23. Information on Transactions with Related Parties**

For the fiscal year ended March 31, 2015

(1) Transactions with related parties

Significant transactions with related parties

None

(2) Notes on significant affiliates

Summary of financial information on significant affiliates

None

For the fiscal year ended March 31, 2014

(1) Transactions with related parties

Significant transactions with related parties

None

## (2) Notes on significant affiliates

## Summary of financial information on significant affiliates

None

**24. Per Share Information**

As of and for the fiscal years ended March 31, 2015 and 2014

	(Yen)		( U.S. dollars)
	2015	2014	2015
Net assets per share	¥ 666.40	¥ 581.69	\$ 5.54
Net income per share	¥ 17.55	¥ 34.22	\$ 0.14
Diluted net income per share (Note 1)	¥ 17.53	¥ 34.19	\$ 0.14

Notes:

1. Bases for computations of net income per share and diluted net income per share are as follows:

For the fiscal years ended March 31, 2015 and 2014

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2014	2015
Net income per share			
Net income	¥ 17,344	¥ 33,801	\$144,335
Amount not attributable to common Shareholders	—	—	—
Net income allocated to common Stock	17,344	33,801	144,335
Average number of shares outstanding during the period	thousand shares 988,462	thousand shares 987,713	thousand shares 988,462
Diluted net income per share			
Adjusted amount of net income	—	—	—
Increase in shares of common stock	thousand shares 1,090	thousand shares 909	thousand shares 1,090
(Share subscription rights among the above increase)	(thousand shares) (1,090)	(thousand shares) (909)	(thousand shares) (1,090)

**25. Significant Subsequent Events**

With regards to the formation of a business alliance as well as capital alliance through a third-party stock allocation (hereinafter the “business and capital alliance”) with Chuetsu Pulp & Paper Co., Ltd. (hereinafter “Chuetsu Pulp & Paper”) which was decided at the Board of Directors’ Meeting held on December 2, 2014, the Company had been subject to a business combination review by the Japan Fair Trade Commission on the formation of capital alliance. On May 26, 2015, a notice was received to the effect that the Commission will not issue a cease and desist order on the condition of that certain remedies are implemented. Following this notice, Oji Holdings passed a resolution at the Board of Directors’ Meeting held on May 29, 2015, to execute a subscription for the third-party stock allocation. Along with this, another resolution was also made on the conclusion of agreements in principle concerning the establishment of a joint venture for collaborative procurement of imported chips, the establishment of a joint venture for the manufacturing of high-grade boxboard, and the formation of a business alliance in the bag-making business. The agreements were executed the same day.

## (1) Background of the Business and Capital Alliance

The business environment for the pulp and paper industry in Japan has been rapidly changing in recent years, which can be illustrated by examples such as the structural changes in demand caused by advances in information and communication technology. Under such conditions, the Company, having implemented measures to improve corporate values of both the companies in the past as the largest shareholder of Chuetsu

Pulp & Paper, has decided on this formation of the business and capital alliance in an aim to further increase investment and capital efficiencies through mutual leverage of management resources.

Through the business and capital alliance, the Company will drive forward its cost rationalization measures as well as enter into new business fields more than ever before to enhance its corporate value.

(2) Contents of the Business and Capital Alliance

(i) Capital Alliance

Chuetsu Pulp & Paper issued 16,892,000 new shares (common stock) and sold off 108,000 shares of treasury stocks through the third-party stock allocation, and the Company subscribed for all of these shares. As a result, Chuetsu Pulp & Paper has become an equity-method affiliate of Oji Holdings, with Oji Holdings' stock ownership ratio of Chuetsu Pulp & Paper reaching 20.8% (Oji Holdings: 20.6%, Oji Holdings' subsidiary: 0.2%) and the proportion of voting rights reaching 20.9%.

(ii) Business Alliance

(a) Establishment of a Joint Venture for Collaborative Procurement of Imported Chips

i) Contents of the Business Alliance

With the aim of reducing the cost of raw materials procurement, the Company and Chuetsu Pulp & Paper agreed upon and concluded a shareholders' agreement with regards to the establishment of a joint venture to collaboratively procure imported chips which are a main raw material of paper manufacturing business. The strengthening of the competitiveness of both the companies will be pursued, by making effective use of surplus charter contracts, reducing costs through direct trading, reducing cost through optimization of supply sources, and reducing fixed costs through personnel rationalization.

ii) Overview of the New Joint Venture

- Name: O&C Fiber Trading Co., Ltd.
- Location: Chuo-ku, Tokyo
- Business lineup: Business regarding procurement of imported chips used by the Oji Group as well as Chuetsu Pulp Group
- Paid-in capital: ¥100 million
- Investment ratio:
 

Oji Forest & Products Co., Ltd. (100% subsidiary of Oji Holdings)	80%
Chuetsu Pulp & Paper	20%
- Establishment date: June 2015

(b) Establishment of a Joint Venture for Manufacturing of High-grade Boxboard

i) Contents of the Business Alliance

A shareholders' agreement has been concluded with both companies agreeing on operations of a collaborative business of manufacturing high-grade boxboard by establishing a joint venture inside Tomioka Mill of Oji Paper, a 100% subsidiary of Oji Holdings, and utilizing the mill's idle machinery. As a result, the Company is aiming to achieve improvements in production efficiency and production capacity to strengthen the high-grade boxboard business for which stable demand is expected in the future.

ii) Overview of the New Joint Venture

- Name: O&C Ivory Board Co., Ltd.
- Location: Chuo-ku, Tokyo
- Business lineup: Business regarding manufacturing of high-grade boxboard
- Paid-in capital: ¥10 million

- Investment ratio: Oji Paper Co., Ltd. (100% subsidiary of the Company) 50%
- Chuetsu Pulp & Paper 50%
- Establishment date: July 2015 (planned)

## (c) Conclusion of Agreement on Principle concerning Business Alliance in Bag-Making Business

## i) Contents of the Business Alliance

In view of enhancing the domestic as well as the overseas bag-making business, the two companies have reached an agreement in principle to establish a joint holding company through share transfers after obtaining approvals from the relevant regulatory authorities. In addition, six companies (four domestic and two overseas companies) of Chuetsu Pulp & Paper and seven companies (three domestic and four overseas companies) of the Company, which are engaged in bag-making business, will become affiliated companies of the joint holding company. With this, the rationalization of manufacturing will be promoted in Japan, while business expansion to surrounding areas of two companies' existing sites for which demand growth is expected will be proactively pursued.

## ii) Overview of the Joint Holdings Company

- Name: O&C Paper Bag Holdings Co., Ltd.
- Investment ratio: Oji Industrial Materials Management (100% subsidiary of the Company) 55%
- Chuetsu Pulp & Paper 45%
- Establishment date: Not yet determined

- The following subsidiaries of the Company and Chuetsu Pulp & Paper which will become Affiliated Companies of the Joint Holdings Company

## Oji Holdings' Subsidiaries

- Oji Seitai Co., Ltd.
- Aomori Otai Co., Ltd.
- Kusumi Seitaisyo Co., Ltd.
- Shanghai Eastern Oji Packaging Co., Ltd.
- Wuhan Southern Oji Packaging Co., Ltd.
- Oji Packaging (Shanghai) Co., Ltd.
- Qingdao Oji Packaging Co., Ltd.

## Chuetsu Pulp &amp; Paper's Subsidiaries

- Chuetsu Package Co., Ltd.
- Chuo Shiko Co., Ltd.
- Chubushiko Co., Ltd.
- Touhoku Chubu Shiko Co., Ltd.
- Japan Paper Technology (VN) Co., Ltd.
- Japan Paper Technology Dong Nai (VN) Co., Ltd.

## (d) Other Business Alliances

Further discussions will be conducted for other business alliances such as mutual technical assistance, collaborative procurement of materials, and collaborative logistics for products, etc.

The impact of the business and capital alliance on the Company's consolidated financial results for the fiscal year ending March 31, 2016 is currently being calculated.

## 26. Consolidated Supplementary Schedules

## (1) Bonds

Company	Name	Date of issue	Balance as of April 1, 2014 (Millions of yen)	Balance as of March 31, 2015 (Millions of yen)	Balance as of March 31, 2015 (Thousands of U.S. dollars)	Interest rate (%)	Collateral	Maturity
Oji Holdings Corporation	Bond No.24	July 23, 2004	¥ 20,000 (20,000)	¥ —	\$ —	2.01	None	July 23, 2014
Oji Holdings Corporation	Bond No.25	July 28, 2010	20,000	20,000 (20,000)	166,430 (166,430)	0.56	None	July 28, 2015
Oji Holdings Corporation	Bond No.26	July 28, 2010	20,000	20,000	166,430	0.86	None	July 28, 2017
Oji Holdings Corporation	Bond No.27	July 27, 2011	20,000	20,000	166,430	0.57	None	July 27, 2016
Oji Holdings Corporation	Bond No.28	July 27, 2011	20,000	20,000	166,430	0.86	None	July 27, 2018
Oji Holdings Corporation	Bond No.29	July 26, 2012	20,000	20,000	166,430	0.39	None	July 26, 2017
Oji Holdings Corporation	Bond No.30	July 26, 2012	20,000	20,000	166,430	0.61	None	July 26, 2019
Oji Holdings Corporation	Bond No.31	July 26, 2013	20,000	20,000	166,430	0.48	None	July 26, 2018
Oji Holdings Corporation	Bond No.32	July 26, 2013	20,000	20,000	166,430	0.79	None	July 24, 2020
Ginpo Pack Co., Ltd.	Bond No.6	September 10, 2009	15 (15)	—	—	0.90	None	September 10, 2014
Ginpo Pack Co., Ltd.	Bond No.7	September 30, 2010	45 (30)	15 (15)	124 (124)	0.61	None	September 30, 2015
Ginpo Pack Co., Ltd.	Bond No. 8	June 22, 2011	100 (40)	60 (40)	499 (332)	0.68	None	June 22, 2016
Total	—	—	¥ 180,160 (¥ 20,085)	¥ 160,075 (¥ 20,055)	\$ 1,332,071 (\$ 166,888)	—	—	—

## Note:

- The amounts indicated in parentheses above represent redemption amounts due in one year or less.
- Aggregate annual redemption amount of bonds within five years subsequent to March 31, 2015 is as follows:

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Millions of yen)				
¥ 20,055	¥ 20,020	¥ 40,000	¥ 40,000	¥ 20,000

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Thousands of U.S. dollars)				
\$ 166,888	\$ 166,597	\$ 332,861	\$ 332,861	\$ 166,430

## (2) Short term loans payable and long-term loans payable

	April 1, 2014 (Millions of yen)	March 31, 2015 (Millions of yen)	March 31, 2015 (Thousands of U.S. dollars)	Average interest rate (%)	Maturity
Short-term loans payable	¥ 127,764	¥ 190,869	\$ 1,588,327	1.16	–
Current portion of long-term loans payable	56,597	128,851	1,072,244	1.70	–
Current portion of lease obligations	925	870	7,244	–	–
Long-term loans payable (excluding current portion)	434,007	372,784	3,102,141	1.13	Due 2016 through 2051
Lease obligations (excluding current portion)	2,299	2,243	18,666	–	Due 2016 through 2024
Other interest bearing liability Commercial Paper (current portion)	–	10,000	83,215	0.09	–
Total	¥ 621,594	¥ 705,619	\$ 5,871,840	–	–

## Notes:

1. The above average interest rate is the weighted-average interest rate applicable to the above loans at the end of each fiscal year.
2. The average interest rates of lease obligations are not indicated above as lease obligations before deduction of interest are included in the consolidated balance sheets.
3. Aggregate annual repayment amounts of long-term loans payable and lease obligations (excluding current portion) within five years subsequent to March 31, 2015 are as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Millions of yen)			
Long-term loans payable	¥ 45,487	¥ 58,702	¥ 12,597	¥ 76,861
Lease obligation	903	420	278	164

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Thousands of U.S. dollars)			
Long-term loans payable	\$ 378,523	\$ 488,496	\$ 104,827	\$ 639,606
Lease obligation	7,522	3,498	2,320	1,367

## (3) Asset Retirement Obligations

As the asset retirement obligations as of April 1, 2014 and March 31, 2015 account for less than 1% of the total liabilities and net assets as of the same dates, this information is omitted pursuant to the provision of Article 92-2 of the Regulation for Consolidated Financial Statements.



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho, Chiyoda-ku  
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
www.shinnihon.or.jp

## Independent Auditor's Report

The Board of Directors  
OJI HOLDINGS CORPORATION

We have audited the accompanying consolidated financial statements of OJI HOLDINGS CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OJI HOLDINGS CORPORATION and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young Shinnihon LLC*

June 26, 2015  
Tokyo, Japan