

Governance

Main building of Oji Holdings

Corporate Governance

The Oji Group regards the enhancing of corporate governance as one of the top priorities of the management, and strives to continually take the appropriate measures towards it.

■ Initiatives for Enhancement of Corporate Governance

The Oji Group is constantly considering and carrying out measures to construct the optimum governance structure and, to this end, has appointed two Outside Directors since 2007 as well as made the shift to a pure holding company system since October 2012. In June 2015, further investigative studies after the adoption of the Corporate Governance Code resulted in the creation

of voluntary advisory committees mandated with the responsibilities of improving the objectivity and transparency in the nomination and determination of compensation for Directors. Furthermore, the “Fundamental Policies on Corporate Governance” was created to clearly set out the Group’s policies and other information such as the roles of the Board of Directors.

Main Initiatives

Jun. 1999	Adoption of the Executive Officer System	Enhancement of the decision-making and supervisory functions of the Board of Directors
Jun. 2002	Shortening of Directors’ term of office to 1 year	Clarification of Directors’ management responsibility
Jun. 2006	Introduction of stock option as stock-based compensation	Alignment of Directors’ motivations towards raising corporate value
Jun. 2007	Appointment of Outside Directors	Improvements in effectiveness of management supervision and transparency in decision-making Expansion of management perspectives
Oct. 2012	Transition to a pure holding company system Establishment of Corporate Governance Division	Speeding up of decision-making Clarification of management responsibility of each business segment Strengthening of the Group’s risk management structure
Jun. 2013	Increase in the number of Outside Auditors	Strengthening of the auditing structure
Nov. 2015	Establishment of Fundamental Policies on Corporate Governance Establishment of Nomination Committee and Compensation Committee	Clear setting out of the Group’s policies Improvements in the objectivity and transparency of nomination and compensation determination

Overview of Voluntary Advisory Committees

	Nomination Committee	Compensation Committee
Composition	Chairman, President (Committee Chair), all Outside Directors (total of 4 persons, as of March 2016)	Chairman, President (Committee Chair), all Outside Directors (total of 4 persons, as of March 2016)
Topics for Deliberation	Nomination policies for Directors and Auditors, appointment policies for Corporate Officers	Compensation structure and standards for Directors and Corporate Officers
	Nomination of Directors and Auditors, appointment of Corporate Officers	Evaluation of Directors and Corporate Officers
	Succession planning for Representative Director of the Board, President	Analysis and evaluation of effectiveness of the Board of Directors

“Fundamental Policies on Corporate Governance” and the “Corporate Governance Report” submitted to the Tokyo Stock Exchange are both available on our website.

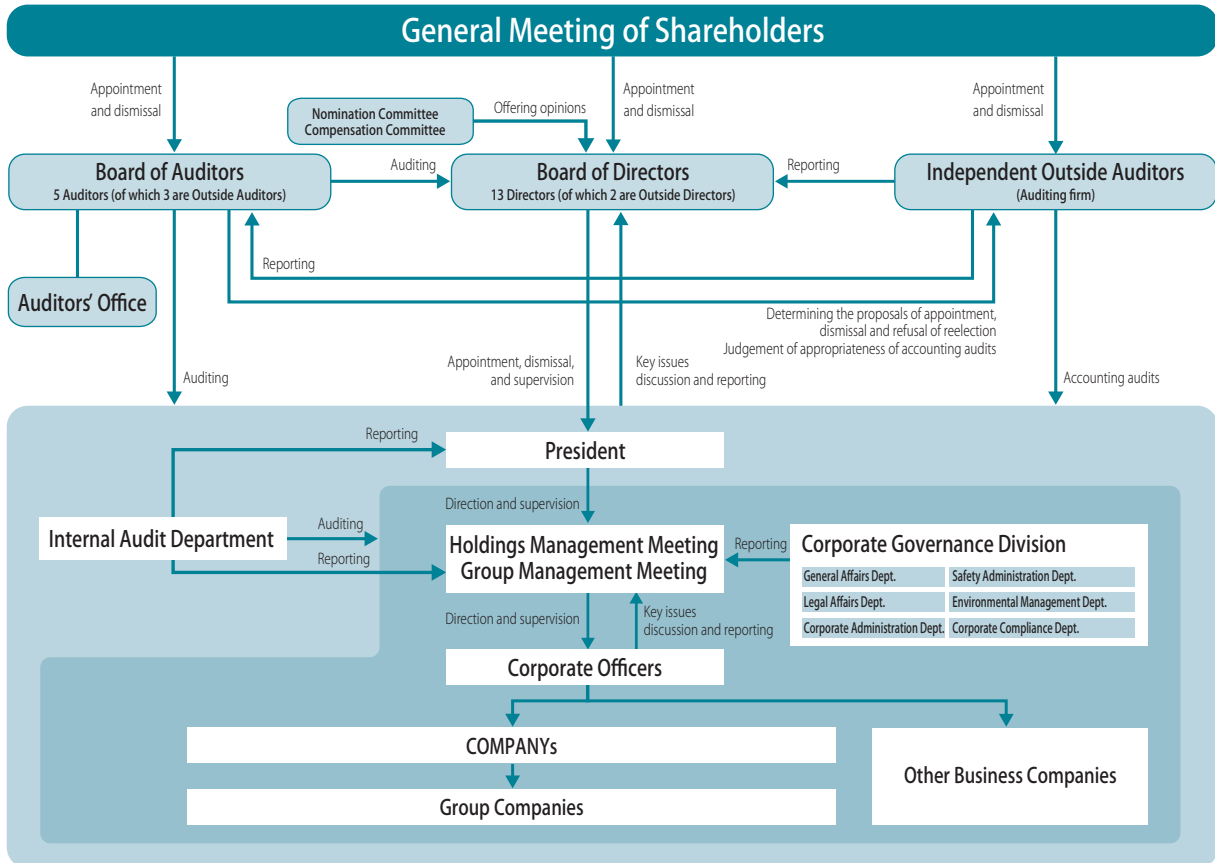
Fundamental Policies on Corporate Governance

<http://www.ojiholdings.co.jp/english/group/governance/index.html>

Corporate Governance Report

<http://www.ojiholdings.co.jp/english/ir/governance/index.html>

Structure of Corporate Governance



Role of the Board of Directors, Nomination Policy for Directors

Roles of the Board of Directors (Article 3 of the Fundamental Policies)

In order to promote the sustainable growth and the increase of medium-to-long-term corporate value of the Group, and to pursue the improvement of profitability and capital efficiency, the Board of Directors, based upon its fiduciary responsibility and accountability for shareholders, shall perform the following roles.

1. The Board of Directors shall make decisions on important items of business execution within the bounds stipulated in the Board of Directors Regulations. The important items of business execution include formulation of management philosophy and management strategies which lay out the direction for the Group as a whole, and execution of investments based on these philosophy and strategies.
2. The Board of Directors shall support prompt and decisive decisions for the issues/matters not pertaining to the Board of Directors' resolutions, by determining in the Group Regulations the issues/matters that pertain to deliberation by Management Meeting and authority for execution of Executive Directors.

3. The Board of Directors shall perform the effective supervision of Executive Directors and Corporate Officers from an independent and objective standpoint.

4. The Board of Directors shall engage in construction of internal control systems, development of risk management systems, and supervision of their operational status.

Policies for Director Nomination (Article 5 of the Fundamental Policies)

1. The Board of Directors shall nominate candidates for Directors who possesses excellent character and insight and who may contribute to the sustainable growth as well as the increase of medium-to-long-term corporate value of the Group. However, any nomination shall be conducted following consultation with the Nomination Committee.
2. Individuals with high level of expertise and broad insight, who are capable of expressing opinions from a standpoint independent of the management and from viewpoints of various stakeholders shall be selected as candidates for independent Outside Directors.

■ Determination Policy and Total Amount of Director Compensation

We have decided to discontinue the “stock options as stock-based compensation” system and introduce a new performance-linked and stock-based compensation system which utilizes a trust. At the same time, the rate of basic compensation was decreased to 50% while the performance-linked variable component was enlarged, in order to further motivate Directors to improve business performances as well as enhance corporate values.

Total Amount of Officer Compensation (FY2015 Results)

Directors	¥ 410 million / 16 persons
(Outside Directors)	(¥ 30 million / 3 persons)

Structure of Director Compensation (Article 13-1 of the Fundamental Policies)

Compensation for Directors shall comprise base compensation, compensation reflecting short-term performance, and stock-based compensation reflecting medium-to long-term improvement in corporate value, and the total amount shall be within the limit amount resolved at general meetings of shareholders. Compensation for Outside Directors shall comprise base compensation only.

Auditors	¥ 83 million / 6 persons
(Outside Auditors)	(¥ 31 million / 4 persons)

■ Outside Officers: Activities and Reasons for Appointment

We are implementing various initiatives for the sake of utilizing the highly specialized and wide scope of knowledge and experiences of Outside Officers in business management, and also to strengthen our supervisory function. We organize briefing sessions twice a month, in which the Director of the Corporate Governance Division conducts explanations to Outside Officers regarding the agenda of the Management Meetings and scheduled agenda of the Board of Directors, in addition to the Board of Directors and the Board of Auditors. These help the company to share relevant information as well as encourage Outside Officers to voice their honest opinions.

Standards of Independence for Outside Officers (Article 12 of the Fundamental Policies)

The Board of Directors shall comprehensively consider interests between Outside Officers and the Company and its major subsidiaries such as capital, personal, and business relationships, and assess the independence of Outside Directors, based on the standards set by the financial instruments exchanges.

When conducting assessment of the independence, we pay much cares to considering details of conflict of interest between each and every Outside Officer instead of setting quantitative standards; following our belief that it is important to see the actual situations as well as number facts for transaction relationships.

■ Outside Officers (as of July 2016)

Position	Name	Career Summary	Attendance	Reason for Appointment
Directors	Michihiro Nara	Apr. 1974 Registered Lawyer Jun. 2014 Director of Oji Group	Board of Directors (13/14)	Wealth of experience and high degree of specialization as a lawyer, extensive knowledge
	Nobuaki Terasaka	Apr. 1976 Ministry of International Trade and Industry Jul. 2009 Director of Nuclear and Industrial Safety Agency Aug. 2011 Resignation from public office Jun. 2015 Director of Oji Group	Board of Directors (10/10)	Wealth of experience and high degree of specialization mainly in the fields of commodities, energy and in trade as a public official, extensive knowledge
Auditors	Makoto Katsura	Apr. 1971 Ministry of Foreign Affairs Jul. 2004 Ambassador to Laos Aug. 2007 Ambassador to Philippines May. 2011 Resignation from public office Jun. 2013 Director of Oji Group	Board of Directors (14/14) Board of Auditors (17/17)	Wealth of experience as a diplomat, extensive knowledge
	Mikinao Kitada	Apr. 1976 Appointed as Public Prosecutor Jan. 2012 Superintending Prosecutor at the Osaka High Public Prosecutors' Office Jan. 2014 Resignation from public office Mar. 2014 Registered Lawyer Jun. 2014 Auditor of Oji Group	Board of Directors (13/14) Board of Auditors (17/17)	Wealth of experience as a long-serving prosecutor
	Yuko Miyazaki	Apr. 1979 Registered Lawyer Jun. 2015 Auditor of Oji Group	Board of Directors (9/10) Board of Auditors (13/13)	Lawyer's professional perspective, abundant experience, deep insight

Message from an Outside Officer

An Independent Director, Mr. Nara, gave us his remarks on the state of the Oji Group's corporate governance and challenges faced in improving its corporate value.



Outside Director Michihiro Nara
Lawyer

Outside Director of the Oji Group since June 2014

Q1 What is your impression of the Oji Group?

Oji Group is a mega-company full of history and tradition which has always been at the core of the key industries of Japan. Because of that, I had the impression before my appointment here that this company group was too big to be flexible and open-minded. However, serving two years as an Outside Officer of this company dispelled those incorrect preconceptions. Now, I strongly feel that the Oji Group has a

warm family-like atmosphere despite its huge size, and is always committed to management style that has its eyes on the future without being held back by its long history and tradition. There might be some debate accompanying this, but personally I like the company's bold catch phrase, "NO LONGER a Paper Manufacturing Company", which is symbolic of the Oji Group's future management policies.

Q2 How do you rate the level of corporate governance at the Oji Group?

I believe that there is a firm governance system in place at the Oji Group. It would have been difficult to manage such a huge organization without having properly built one. However, the company will only continue to get larger, and its overseas businesses will expand further. As public opinion of companies has been and will become increasingly strict, companies are now required to give more

careful and detailed consideration to stakeholders as well as to meet the increasing need for corporate governance systems. The Oji Group has been facing the challenges of having to become more flexible and enact more reforms to respond to everyday changes. Particularly, it needs to further strengthen compliance at overseas Group companies as its overseas businesses develop.

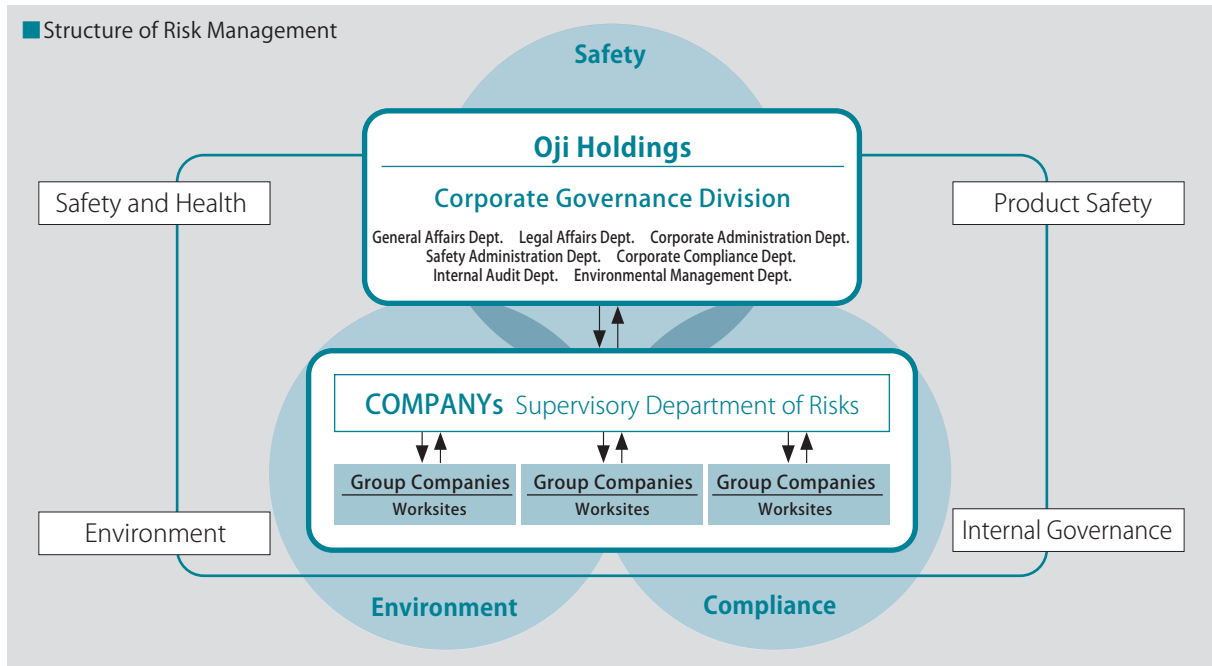
Q3 Please share with us your thoughts on the challenges the Oji Group faces in improving its corporate value.

While there may be several definitions to the term "corporate value", in a broad sense I believe a company needs to co-exist and co-prosper with society, contribute to society through its business operations, and thus gain trust from the society, in order to improve its corporate value. Then, what do we need to do to achieve that? Both the development and stabilization of businesses, and CSR play important parts. To be more specific, we need to deepen and expand our existing businesses and make forays into new business fields. Before we can do these, we need to strengthen our financial

foundation and human resources development framework. Of course, it is also essential to foster good relationships with stakeholders whom are the shareholders, employees, business partners as well as society, and to enhance corporate governance that enables all of these. I am very willing to give my further assistance to actualize the Oji Group's proactive business management that leverages on its huge organizational size, management policies that place values on both history and tradition while remaining innovative and flexible, and an ever-evolving governance structure.

Structure of Risk Management

Oji Group develops a structure in which the Corporate Governance Division of Oji Holdings comprehensively manages and reacts to common risks to the entire Group. Along with the rapid expansion of our overseas businesses, we will reinforce our global risk management structure and secure the continued stable development of the businesses.



Environment Management and Product Safety Management

We implement initiatives that promote the understanding and awareness of all employees via a monthly "Environment News" e-magazine, as well as various activities that reduce the chances of environment and product liability accidents occurring.

Safety and Health Management

Focusing mainly in manufacturing sites, we promote "safety as our absolute top priority" and ensure safety and health and encourage safe behaviors. Under the strong commitment of the top management, we will establish "zero-accident" workplaces for all employees.

Compliance

"Compliance takes priority over profits." We are making effort to instill this mindset to all officers and employees to prevent noncompliance and also to enhance the system for prevention. A monthly "Compliance News" e-newsletter is distributed.

Business Continuity Management

We strive to prepare a thorough risk management system for situations that include large-scale disasters and infectious disease epidemics such as a new-type pandemic influenza. We periodically conduct a variety of trainings, which include trainings for large-scale earthquake, establishment of a disaster countermeasure headquarter and transferring of headquarter functions, based upon the business continuity management plan which was formulated in 2012. We will further revise the system as and when necessary to adapt it to handle new risks.



Training session for a large-scale earthquake scenario