



Governance

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Oji Group Information

Oji Group sees enhancing corporate governance as one of the management's top priorities, and strives to continually take measures towards it.

## Basic Concept

Oji Group has established the "Oji Group Corporate Code of Conduct", based upon its fundamental values and philosophy inherited since its founding, and promoted business activities whilst keeping in mind and instilling its role as a corporate member of the society and also a strong sense of morality throughout the entire Group.

Moving forward, we will continue to prioritize enhancing our corporate governance to improve our corporate value and become a reliable company that is trusted by the society, through ensuring efficiency, soundness and transparency of management.

### ●Main Initiatives

Jun. 1999	Adoption of Executive Officer System	Enhancement of 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 decision-making; clarification of management responsibility of each business segment Strengthening Group's management structure
Jun. 2013	Increase in the number of Outside Auditors	Strengthening the auditing structure
Nov. 2015	Establishment of Fundamental Policies on Corporate Governance Establishment of Nomination Committee and Compensation Committee	Clear setting out of Group's policies Improvements in the objectivity and transparency of nomination and compensation determination
Jun. 2016	Introduction of performance-linked and stock-based compensation	Alignment of Directors' motivations towards improving performances and raising corporate value

### ●Overview of Voluntary Advisory Committees

	Nomination Committee	Compensation Committee (it also conducts effectiveness evaluation of the Board of Directors)
Composition	Chairman, President (Committee Chair), all Outside Directors (total of 4 persons, as of March 2017)	Chairman, President (Committee Chair), all Outside Directors (total of 4 persons, as of March 2017)
Topics for Deliberation	Nomination policies for Directors and Auditors; appointment policies for Corporate Officers Nomination of Directors and Auditors; appointment of Corporate Officers Succession planning for Representative Director of the Board, President	Compensation structure and standards for Directors and Corporate Officers Evaluation of Directors and Corporate Officers 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.

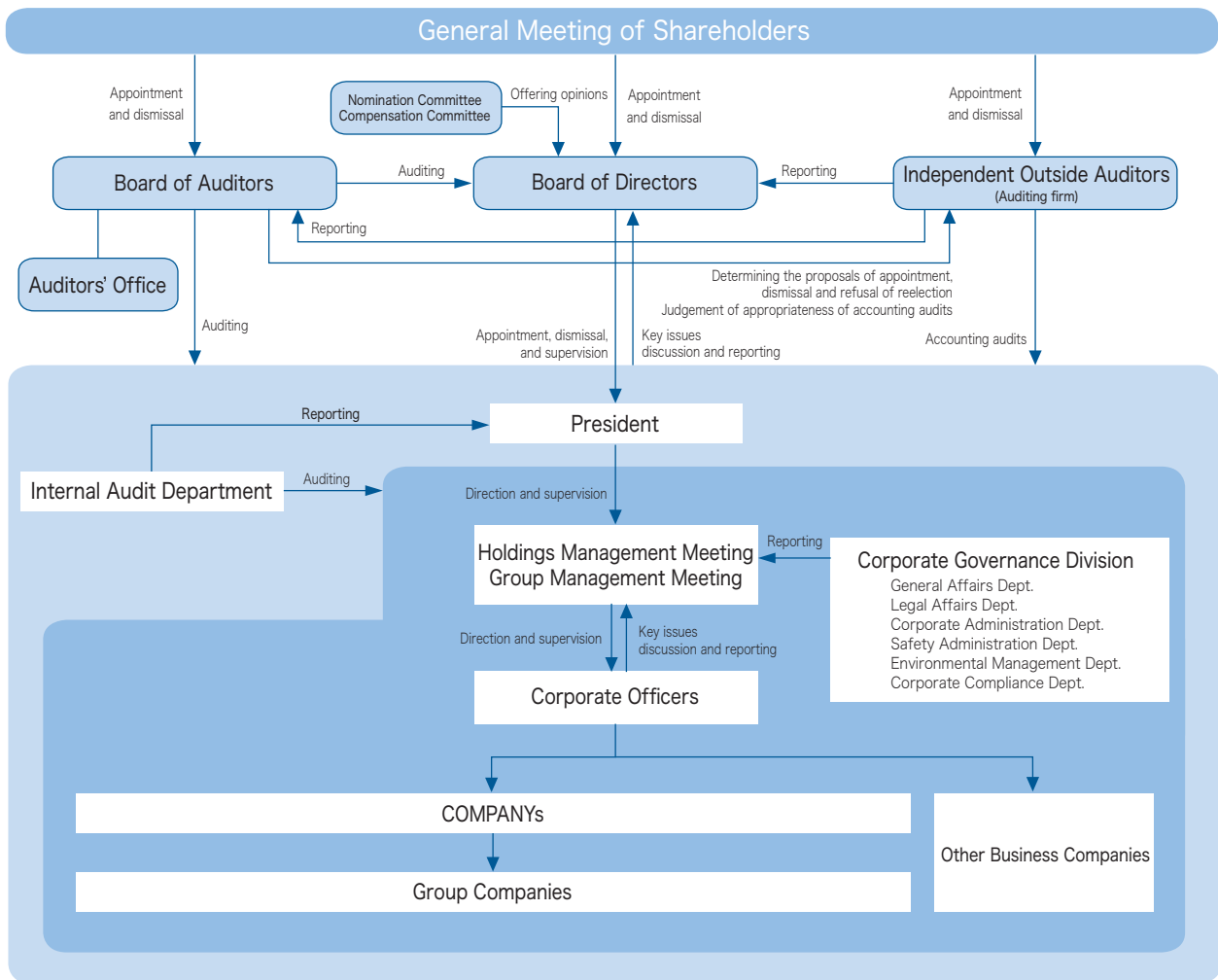
Fundamental Policies of Corporate Governance: <https://www.ojeholdings.co.jp/english/group/policy/governance.html>

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

## Structure of Corporate Governance

In October 2012, Oji Group made a shift to become a pure holding company. Since then, Oji Holdings has assumed responsibilities in formulating overall management strategies and Group governance. Also, we have adopted the COMPANY system where each “COMPANY” plays a dominant role in the business operations of its respective closely-related subsidiaries. In doing so, it speeds up the decision-making of each business unit and clarifies management responsibilities. In addition, as a company with the

Board of Auditors, the execution of duties by Directors is audited by Auditors and the Board of Auditors to strengthen governance of the entire Group. In 2015, the Nomination Committee and the Compensation Committee were established as advisory committees of the Board of Directors. They seek to improve objectivity and transparency of every decision-making process; and the Compensation Committee evaluates the effectiveness and appraises the performance of the Board of Directors.



## Determination Policy and Total Amount of Director Compensation

Director compensation comprises of (1) base compensation, (2) compensation according to short-term business performance, and (3) stock-based compensation that reflect medium-to-long-term business performance. Since June 2016, a new performance-linked and stock-based compensation system has been introduced, in which the proportion of (2) has been increased, in a

bid to improve Directors' performance and to motivate Directors to further enhance the corporate value. The amount is decided by the Board of Directors after receiving a proposal from the Compensation Committee. For Outside Directors, compensation comprises of only base compensation. As for Auditors, compensation is decided via a deliberation amongst Auditors.

### ●Total Amount of Officer Compensation (FY2016 Results)

Directors	¥ 619 million / 13 persons	Auditors	¥ 91 million / 5 persons
(Outside Directors)	(¥ 30 million / 2 persons)	(Outside Auditors)	(¥ 31 million / 3 persons)

## Outside Officers: Activities and Reasons for Appointment

There are 2 Outside Directors and 3 Outside Auditors in Oji Holdings. All Outside Officers participate in the Board of Directors as well as briefing sessions regarding Management Meeting topics which are organized twice per month by the Director in charge of Corporate Governance Division. Furthermore, Outside Directors also assume roles in the Nomination Committee and the Compensation Committee.

We appoint an independent individual with highly specialized and a wide scope of knowledge who is able to state opinions from perspectives of various stakeholders as our Independent Outside Director candidate; and an individual with excellent values and principles of conduct, combined with knowledge as well as a wealth of experience as our Outside Auditor candidate.

## Outside Officers (as of July 2017)

Position	Name	Career Summary	Attendance (FY2016)	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 (14/14)	Wealth of experience 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 Auditor of Oji Group	Board of Directors (14/14) Board of Auditors (14/14)	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 (14/14)	Wealth of experience as a prosecutor, extensive knowledge
	Yuko Miyazaki	Apr. 1979 Registered Lawyer Jun. 2015 Auditor of Oji Group	Board of Directors (13/14) Board of Auditors (14/14)	Wealth of experience and high degree of specialization as a lawyer, extensive knowledge



An Independent Outside Director, Mr. Terasaka, on the state of the Oji Group's corporate governance and challenges faced in improving its corporate value.

Outside Director Nobuaki Terasaka  
Outside Director of Oji Group since June 2015

## Q1 What is your impression of Oji Group?

Upon hearing "Oji Group", the first impression which struck me is that it is the representative pulp and paper manufacturer in Japan forming a part of Japan's core industries, and it is also one of the major contributors to the leap in the Japanese economy. Yet at the same time, Oji Group is not bounded by its own tradition and carries out reforms on necessary areas. Oji Group is a corporate group that pursues growth while leveraging on its good

tradition which values tolerance and warmth aside from competitiveness. In the rapidly changing economic and social environments, Oji Group, with its all officers and employees, adopts a strategic approach to expand its businesses into new fields or overseas, enhances existing businesses whilst conducting selection and concentration, and utilizes its accumulated management foundation to further advance beyond the boundaries.

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

Compliance, a combination of work safety, working-style, product quality and information security, as well as complying with laws and regulations such as environmental standards, antimonopoly law, subcontractor payment act, unfair competition prevention act etc., is very important as any misconduct can completely ruin the company's painstakingly built up social credibility. Furthermore, as a company where expanding overseas businesses is of its strategic interest, governance on international activities is also

required. Oji Group actively works on establishing corporate governance that takes into account stakeholders' interests and incorporates its own characteristics into the governance requirements, and the motivation behind is never about merely meeting its own self-satisfaction or self-evaluation. What I believe is important is the mindset of "Aggressive Governance", which creates a company with high aspirations and strong presence, as opposed to being satisfied with "Passive and Conservative Governance".

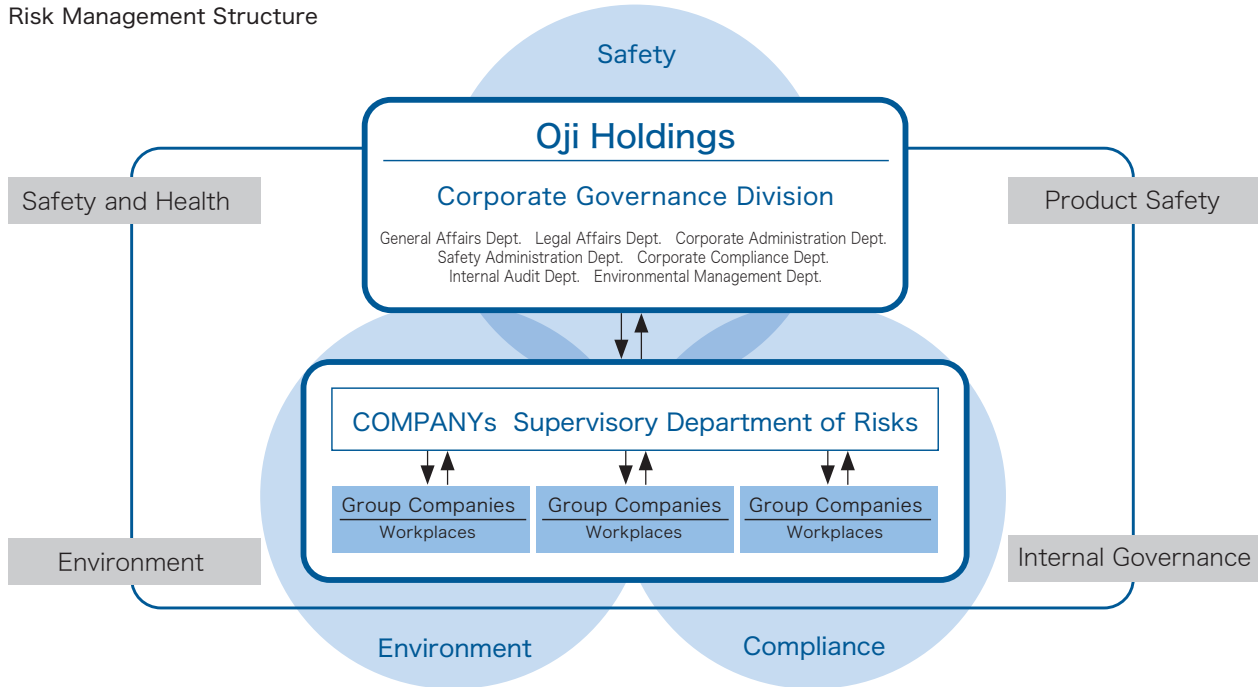
## Q3 Please share with us your thoughts regarding the challenges the Oji Group faces in improving its corporate value.

The trend of globalization is expected to continue even though we see some backsliding in certain areas. Also, progress in technological innovation as represented by advancements in ICT, does not seem to stop or slow down as seen from examples such as IoT, AI or nano-technology. Under such conditions, it is important to view them as an opportunity to enhance our corporate value, and continue to be a company with a strong presence and awareness about stakeholders' interests, while progressing along with the society & community. To that end, Oji Group needs to make a steady and ceaseless effort to utilize its accumulated

management resources/management foundation such as manpower, goods, capital, technology, and information as well as enhancing and strengthening abilities to organize, plan, manufacture, sell, negotiate, etc. The direction Oji Group is heading to is clearly presented by its management philosophy, "Creation of Innovative Values", "Contribution to Future and the World" and "Harmony with Nature and Society"; and also its corresponding management strategies. I am looking forward to seeing Oji Group become a versatile and strong company that shows awareness through its CSR activities and displays its full potential as a conglomerate.

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

Risk Management Structure



**Environment Management and Product Safety Management**

The Environmental Management Department of Oji Holdings reduces risks of environmental accidents, product liability accidents, as well as other legal violations by implementing management and auditing with the Group companies and workplaces.

**Compliance**

In the Group with an increased number of overseas companies/employees, “Compliance News” and “Global Compliance News” are circulated to raise awareness among all officers and employees, in order to comply with international standards.

**Safety and Health Management**

We promote the climate of “safety as our absolute top priority” mainly through the Safety Administration Department and conduct measures to realize zero-industrial accident from 2 aspects, namely compliance with safety-related rules and elimination of unsafe parts of machines/facilities.

**Business Continuity Management**

We periodically conduct a variety of trainings based on business continuity management plans to react towards risks of business suspension such as natural disasters, infectious diseases, and accidents. Through trainings for large-scale earthquake, establishment of a disaster countermeasure headquarters, transferring of headquarter functions, transferring of major operations, etc., we continually seek improvements in our structure to handle any form of crisis.