

Tomakomai Company-owned Forest



# Summary of Financial Business Results

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November 5, 2020

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**Beyond the Boundaries**



# **I . 1st-half of FY2020 Result Overview**

# 1. Financial Highlights of 1st-half of FY2020 (consolidated)

(¥ billion)

	1st-half of FY2019	1st-half of FY2020	Increase (Decrease)	
<b>Net Sales</b>	760.2	<b>652.4</b>	(107.8)	
<b>Operating Profit</b>	55.6	<b>29.3</b>	(26.3)	
[Domestic Companies]	[30.9]	[19.0]	[(11.9)]	
[Overseas Companies]	[24.7]	[10.3]	[(14.4)]	
<b>Ordinary Profit</b>	51.3	<b>22.1</b>	(29.2)	
<b>Profit Attributable to Owners of Parent</b>	28.8	<b>10.3</b>	(18.5)	
<b>Depreciation</b>	31.1	<b>30.2</b>	(0.9)	
<b>Overseas Sales Ratio</b>	30.4%	<b>28.6%</b>	(1.8%)	
<b>Average Exchange Rate (¥/US\$)</b>	108.6	<b>106.9</b>	(1.7)	
<b>Number of Consolidated Companies</b>	Domestic Overseas Total	91 98 189	93 96 189	+2 (2) -

Domestic : +1 [Medicinal Products], +1 [Logistics]

Overseas : (1) [Forest Plantation in Indonesia], (1)[Folding Cartons in Malaysia]

Equity Method Affiliates : ±0 [Domestic +1/(1)]

## 2. Sales and Operating Profit by Segment

[1st-half of FY2020 Result]



(¥ billion)

	1st-half of FY2019		1st-half of FY2020		Increase (Decrease)	
	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit
Household & Industrial Materials	342.2	18.7	<b>309.6</b>	<b>13.0</b>	(32.6)	(5.7)
Functional Materials	108.2	6.9	<b>90.9</b>	<b>5.1</b>	(17.3)	(1.8)
Forest Resources & Environment Marketing	152.1	21.9	<b>119.2</b>	<b>6.7</b>	(32.9)	(15.2)
Printing & Communications Media	146.9	2.9	<b>114.2</b>	<b>0.7</b>	(32.7)	(2.2)
Others	10.8	5.2	<b>18.5</b>	<b>3.8</b>	7.7	(1.4)
<b>Total</b>	<b>760.2</b>	<b>55.6</b>	<b>652.4</b>	<b>29.3</b>	<b>(107.8)</b>	<b>(26.3)</b>

\*1: Sales include intra-segment sales \*2: Others include adjustment amount

# 3. Analysis of Operating Profit by Segment

## (1) Household and Industrial Materials



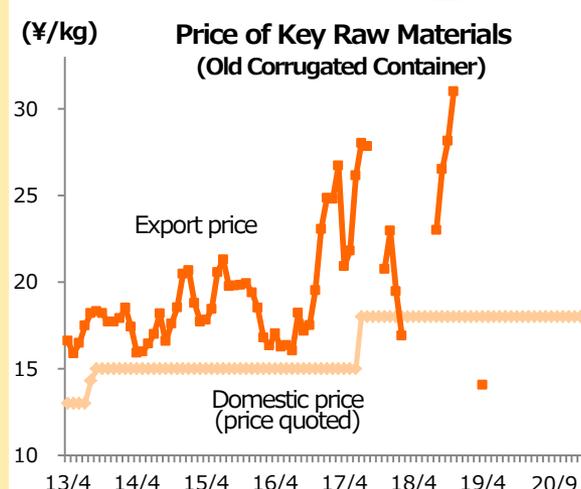
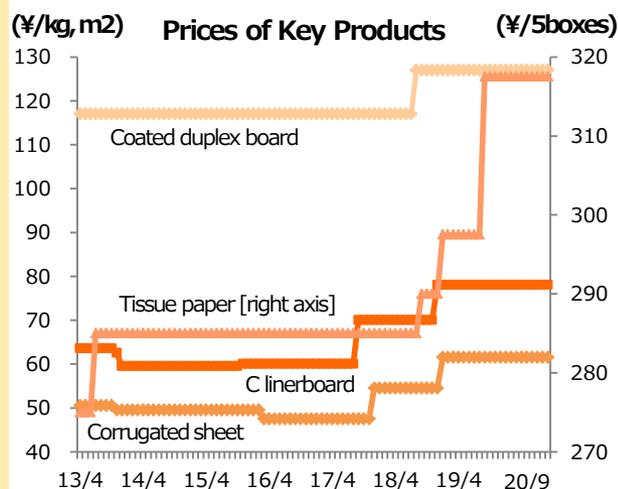
1st-half of FY2019			1st-half of FY2020			Increase (Decrease)	
Net Sales	Operating Profit		Net Sales	Operating Profit		Operating Profit	
¥342.2 billion	¥18.7 billion	Domestic ¥14.2 billion Overseas ¥4.5 billion	¥309.6 billion	¥13.0 billion	Domestic ¥8.2 billion Overseas ¥4.8 billion	¥5.7 billion	Domestic (¥6.0) billion Overseas +¥0.3 billion

### Domestic (¥6.0) billion

Sales & market factor (¥8.2) bil.  
Price difference in raw materials & fuels etc. +¥3.5 bil.

### Overseas +¥0.3 billion

Price difference in raw materials & fuels +¥2.7 bil.  
Sales & market factor (¥2.7 bil.) etc.



Sales of Key Products (*)		1st-half of FY2019			1st-half of FY2020			Increase (Decrease)			
		Sales Volume 1000t(or) million m <sup>2</sup> (or) million pcs	Unit Price ¥/kg(or)m <sup>2</sup>	Sales Amount ¥ billion	Sales Volume 1000t(or) million m <sup>2</sup> (or) million pcs	Unit Price ¥/kg(or)m <sup>2</sup>	Sales Amount ¥ billion	Sales Volume 1000t(or) million m <sup>2</sup> (or) million pcs	Year-on Year %	Unit Price ¥/kg(or)m <sup>2</sup>	Sales Amount ¥ billion
Paperboard	Domestic	1,470	70.41	103.5	1,351	68.81	93.0	(119)	91.9%	(1.59)	(10.5)
Corrugated containers (million m <sup>2</sup> )	Domestic	1,496	67.19	100.5	1,444	66.09	95.5	(52)	96.5%	(1.10)	(5.1)
Disposable diapers for babies (million pcs)	Domestic & Overseas	482	-	-	582	-	-	100	120.7%	-	-

\*Total of Group's consolidated manufacturing companies, with intra-Group consumption included

# 3. Analysis of Operating Profit by Segment

## (2) Functional Materials

1st-half of FY2019		
Net Sales	Operating Profit	
<b>¥108.2billion</b>	<b>¥6.9billion</b>	Domestic <b>¥4.7 billion</b> Overseas <b>¥2.2billion</b>



1st-half of FY2020		
Net Sales	Operating Profit	
<b>¥90.9billion</b>	<b>¥5.1billion</b>	Domestic <b>¥2.8billion</b> Overseas <b>¥2.3billion</b>

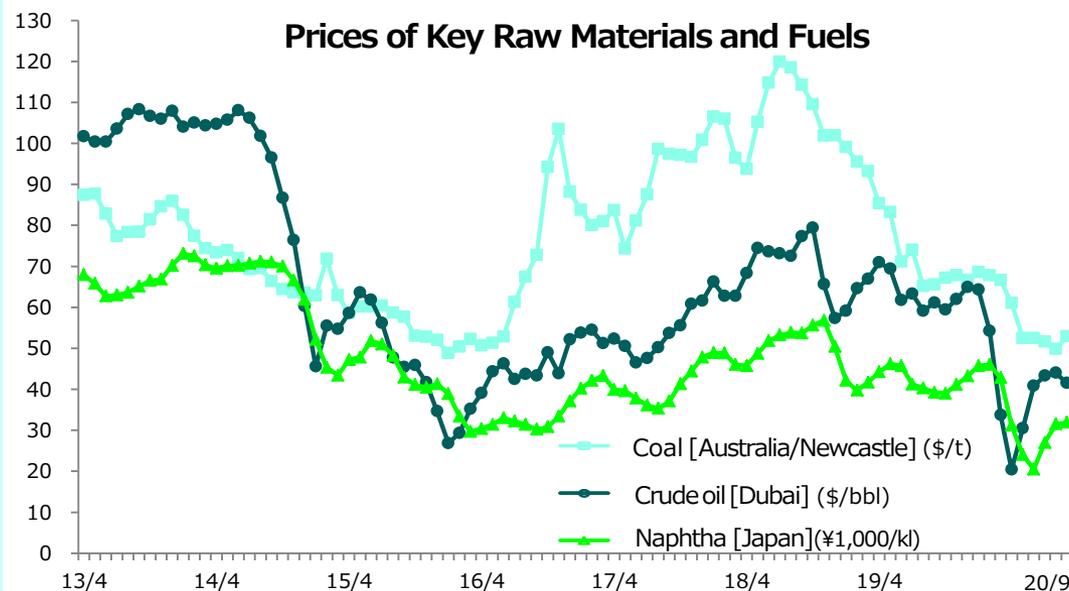
Increase (Decrease)
Operating Profit
Domestic <b>(¥1.9 billion)</b> Overseas <b>+¥0.1 billion</b>

### Domestic (¥1.9 billion)

Sales & market factor (¥4.0 bil.)  
Price difference in raw materials & fuels +¥1.1 bil.  
etc.

### Overseas +¥0.1 billion

Price difference in raw materials & fuels +¥1.9 bil.  
Sales & market factor (¥2.1 bil.)  
etc.



Sales of Key Products (*)	1st-half of FY2019			1st-half of FY2020			Increase (Decrease)				
	Sales Volume	Unit Price	Sales Amount	Sales Volume	Unit Price	Sales Amount	Sales Volume	Year-on Year	Unit Price	Sales Amount	
	million m <sup>3</sup>	¥/m <sup>3</sup>	¥ billion	million m <sup>3</sup>	¥/m <sup>3</sup>	¥ billion	million m <sup>3</sup>	%	¥/m <sup>3</sup>	¥ billion	
Thermal paper (million m <sup>3</sup> )	Domestic & Overseas	1,727	20.18	34.9	<b>1,525</b>	<b>18.03</b>	<b>27.5</b>	(202)	88.3%	(2.16)	(7.4)

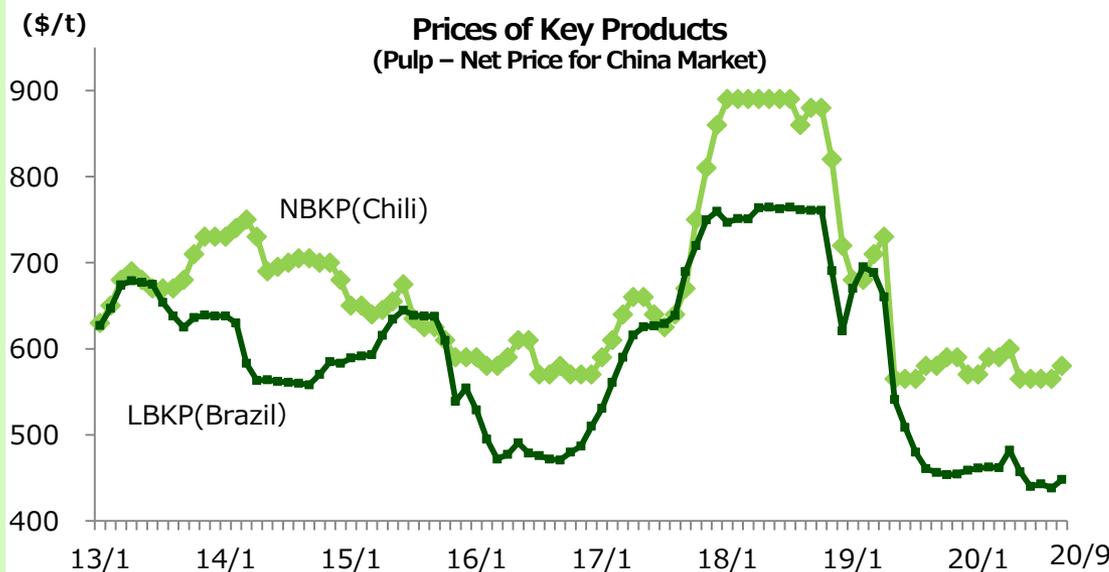
\*Total of Group's consolidated manufacturing companies, with intra-Group consumption included

# 3. Analysis of Operating Profit by Segment

## (3) Forest Resources and Environment Marketing

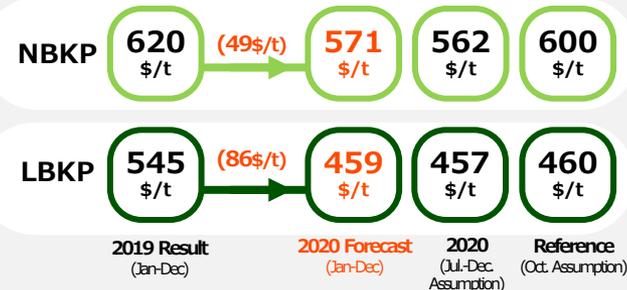


1st-half of FY2019			1st-half of FY2020			Increase (Decrease)	
Net Sales	Operating Profit		Net Sales	Operating Profit		Operating Profit	
¥152.1billion	¥21.9billion	Domestic ¥3.3 billion Overseas ¥18.6billion	¥119.2billion	¥6.7billion	Domestic ¥4.7billion Overseas ¥2.0billion	(¥15.2 billion)	Domestic +¥1.4 billion Overseas (¥16.6 billion)



### Overseas (¥16.6 billion)

Decline in pulp sales prices (¥18.6 bil.)  
Exchange rate effect (weaker Real) +¥4.4 bil. etc.



Sales of Key Products (*)		1st-half of FY2019			1st-half of FY2020			Increase (Decrease)			
		Sales Volume 1,000t (or) GWh	Unit Price ¥/kg	Sales Amount ¥ billion	Sales Volume 1,000t (or) GWh	Unit Price ¥/kg	Sales Amount ¥ billion	Sales Volume 1,000t (or) GWh	Year-on Year %	Unit Price ¥/kg	Sales Amount ¥ billion
Market pulp	Domestic& Overseas	1,172	69.05	81.0	1,116	51.86	57.9	(56)	95.2%	(17.20)	(23.1)
Electric power (GWh)	Domestic	522	-	-	780	-	-	258	149.4%	-	-

\*Total of Group's consolidated manufacturing companies, with intra-Group consumption included

# 3. Analysis of Operating Profit by Segment

## (4) Printing and Communications Media

1st-half of FY2019			1st-half of FY2020			Increase (Decrease)	
Net Sales	Operating Profit		Net Sales	Operating Profit		Operating Profit	
¥146.9 billion	¥2.9 billion	Domestic ¥3.6billion Overseas ¥(0.7billion)	¥114.2 billion	¥0.7billion	Domestic ¥(0.4billion) Overseas ¥1.1billion	(¥2.2billion)	Domestic ¥(4.0billion) Overseas +¥1.8billion

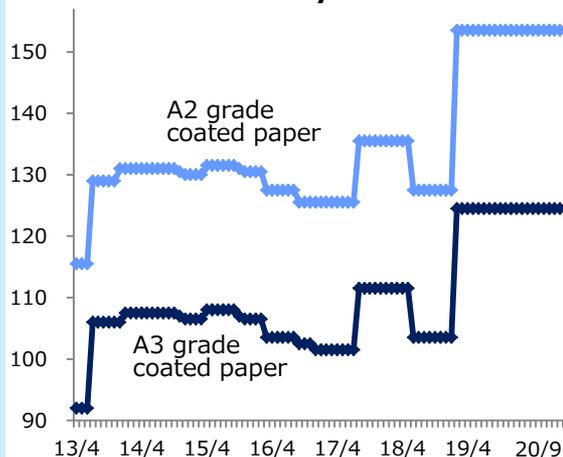
### Domestic (¥4.0 billion)

Sales & market factor (¥8.7 bil.) Price difference in raw materials & fuels +¥5.3 bil. etc.

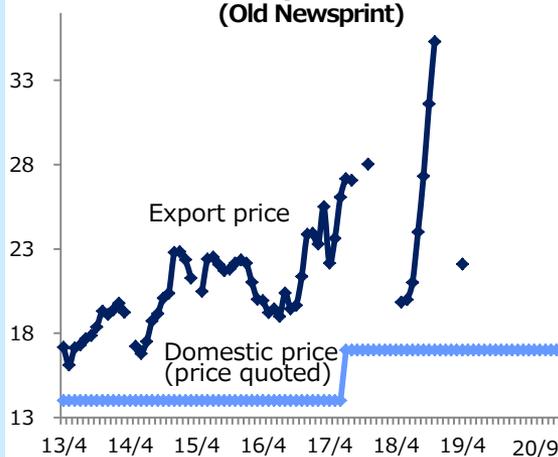
### Overseas +¥1.8 billion

Price difference in raw materials & fuels +¥1.4 bil. Sales & market factor +¥0.2 bil. etc.

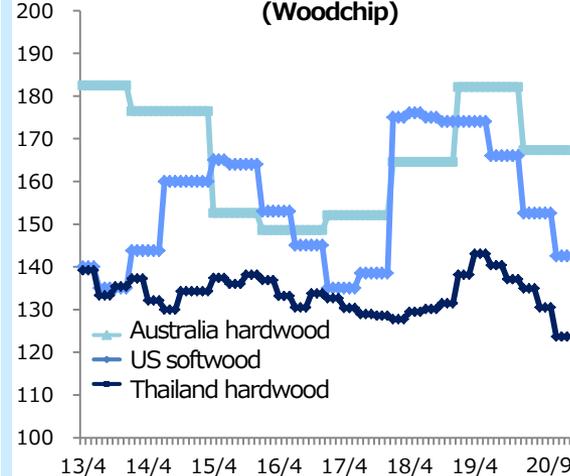
(¥/kg) Prices of Key Products



(¥/kg) Prices of Key Raw Materials (Old Newsprint)



(\$/t) Prices of Key Raw Materials (Woodchip)



Sales of Key Products (*)	1st-half of FY2019			1st-half of FY2020			Increase (Decrease)			
	Sales Volume 1,000 t	Unit Price ¥/kg	Sales Amount ¥ billion	Sales Volume 1,000 t	Unit Price ¥/kg	Sales Amount ¥ billion	Sales Volume 1,000 t	Year-on Year %	Unit Price ¥/kg	Sales Amount ¥ billion
Newsprint, printing & communication paper Domestic	1,091	111.53	121.7	831	113.54	94.4	(260)	76.2%	2.02	(27.3)

\*Total of Group's consolidated manufacturing companies, with intra-Group consumption included



## **II. FY2020 Financial Forecast**

## 1. Financial Forecast for FY2020 (consolidated)

(¥ billion)

	FY2019	FY2020F	Increase (Decrease)
<b>Net Sales</b>	1,507.6	<b>1,350.0</b>	(157.6)
<b>Operating Profit</b>	106.1	<b>70.0</b>	(36.1)
[Domestic Companies]	[70.0]	[52.5]	[(17.5)]
[Overseas Companies]	[36.1]	[17.5]	[(18.6)]
<b>Ordinary Profit</b>	101.3	<b>60.0</b>	(41.3)
<b>Profit Attributable to Owners of Parent</b>	58.2	<b>35.0</b>	(23.2)
<b>Depreciation</b>	63.4	<b>61.7</b>	(1.7)
<b>Overseas Sales Ratio</b>	29.9%	<b>28.0%</b>	(1.9%)
<b>Average Exchange Rate(¥/US\$)</b>	108.7	<b>105.8</b>	(2.9)

\*The above forecasts are based on the forecasts of economic conditions made at the time of publication. As such, actual results may differ from these forecasts due to various unforeseen circumstances.

## Assumption for FY2020 Financial Forecast

## ◆ Assumption

Exchange rates : to remain static at current level  
 Woodchip : based on current contract  
 Recovered paper : static at current level  
 Coal : based on current contract  
 Heavy Oil : static at current level

## ◆ Effects of fluctuation on operation profit (per annum)

Exchange [JPY] : approx. ¥0.29 billion with a fluctuation of US\$ by 1% (strong US\$ -)  
 rates [BRL] : approx. ¥0.12 billion with a fluctuation of US\$ by 1% (strong US\$ +)  
 [NZD] : approx. ¥0.53 billion with a fluctuation of US\$ by 1% (strong US\$ +)  
 Price of pulp : approx. ¥2.28 billion with a fluctuation of US\$10/t (high price +)  
 Price of woodchip : approx. ±¥2.36 billion with a fluctuation of US\$10/BDt  
 Price of recovered paper : approx. ±¥3.54 billion with a fluctuation of ¥1/kg  
 Price of Dubai crude oil : approx. ±¥0.23 billion with a fluctuation of US\$1/bbl  
 (heavy oil, bunker, naphtha and others)

## 2. Sales and Operating Profit by Segment

[FY2020 Forecast]



	(¥ billion)					
	FY2019		FY2020F		Increase (Decrease)	
	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit
<b>Household &amp; Industrial Materials</b>	686.1	40.9	<b>661.0</b>	<b>31.0</b>	(25.1)	(9.9)
<b>Functional Materials</b>	214.7	15.4	<b>179.0</b>	<b>10.0</b>	(35.7)	(5.4)
<b>Forest Resources &amp; Environment Marketing</b>	285.6	28.8	<b>240.0</b>	<b>15.0</b>	(45.6)	(13.8)
<b>Printing &amp; Communications Media</b>	292.7	11.3	<b>246.0</b>	<b>7.0</b>	(46.7)	(4.3)
<b>Others</b>	28.7	9.7	<b>24.0</b>	<b>7.0</b>	(4.7)	(2.7)
<b>Total</b>	<b>1,507.6</b>	<b>106.1</b>	<b>1,350.0</b>	<b>70.0</b>	<b>(157.6)</b>	<b>(36.1)</b>

\*1: Sales include intra-segment sales \*2: Others include adjustment amount

### 3. Operating Profit by Segment

[FY2020 Forecast]



Household & Industrial Materials	FY2019		FY2020F	
Net Sales	686.1		661.0	
Operating Profit	40.9		31.0	
[Domestic]	[32.5]		[23.5]	
[Overseas]	[8.4]		[7.5]	
Operating Profit	6.0%		4.7%	

Operating Profit  
**(¥9.9 billion)**

- ◆ Domestic (¥9.0 billion)
- ◆ Overseas (¥0.9 billion)

Functional Materials	FY2019		FY2020F	
Net Sales	214.7		179.0	
Operating Profit	15.4		10.0	
[Domestic]	[10.8]		[7.5]	
[Overseas]	[4.6]		[2.5]	
Operating Profit	7.2%		5.6%	

Operating Profit  
**(¥5.4 billion)**

- ◆ Domestic (¥3.3 billion)
- ◆ Overseas (¥2.1 billion)

Forest Resources & Environment Marketing	FY2019		FY2020F	
Net Sales	285.6		240.0	
Operating Profit	28.8		15.0	
[Domestic]	[7.6]		[9.4]	
[Overseas]	[21.2]		[5.6]	
Operating Profit	10.1%		6.3%	

Operating Profit  
**(¥13.8 billion)**

- ◆ Domestic +¥1.8 billion
- ◆ Overseas (¥15.6 billion)

Printing & Communications Media	FY2019		FY2020F	
Net Sales	292.7		246.0	
Operating Profit	11.3		7.0	
[Domestic]	[9.6]		[5.1]	
[Overseas]	[1.7]		[1.9]	
Operating Profit	3.9%		2.8%	

Operating Profit  
**(¥4.3 billion)**

- ◆ Domestic (¥4.5 billion)
- ◆ Overseas +¥0.2 billion

# 4. Impact on Operating Profit from External Environment

(¥billion/year)

## Impact on operating profit from:

### ◆ Changes in exchange rates

Assumed exchange rates for FY2020

		Household & Industrial Materials	Functional Materials	Forest Resources & Environment Marketing	Printing & Communications Media	Total
<b>USD-based transactions</b> (USD stronger by 10%)	Japanese Yen (JPY) <b>105.00</b> JPY/USD	↓	↓		↓	↓ (2.9)
	Brazilian Real (BRL) <b>5.50</b> BRL/USD		↓	↑		↑ 1.2
	New Zealand Dollar (NZD) <b>1.50</b> NZD/USD	↑		↑		↑ 5.3

### ◆ Changes in pulp prices

		Household & Industrial Materials	Functional Materials	Forest Resources & Environment Marketing	Printing & Communications Media	Total
<b>Pulp sales &amp; purchase (USD 10/t stronger)</b>		↓	↓	↑	↓	↑ 2.3

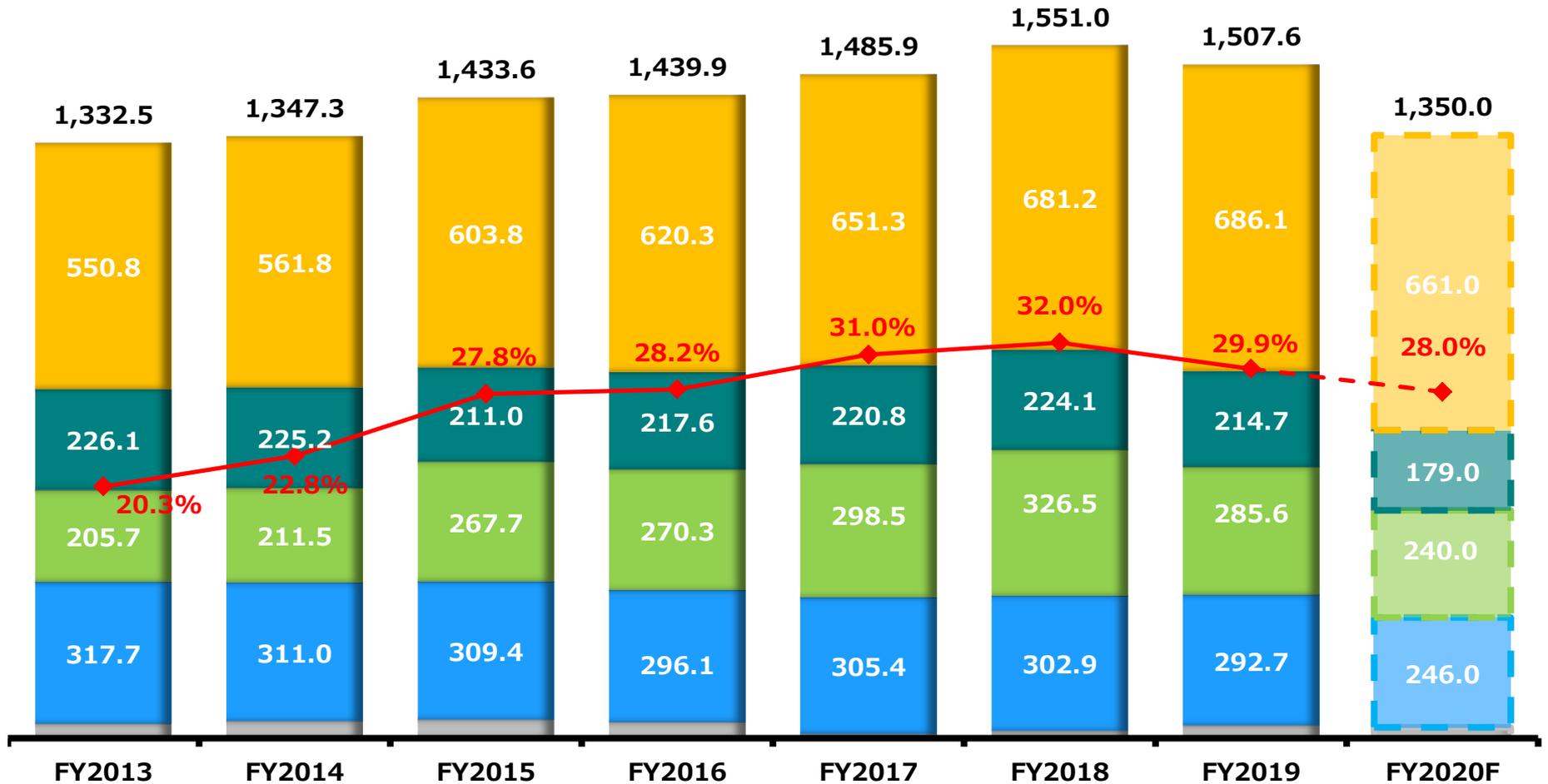
+ : Improve  
 ( ) : Worsen



# 《 Reference Materials 》

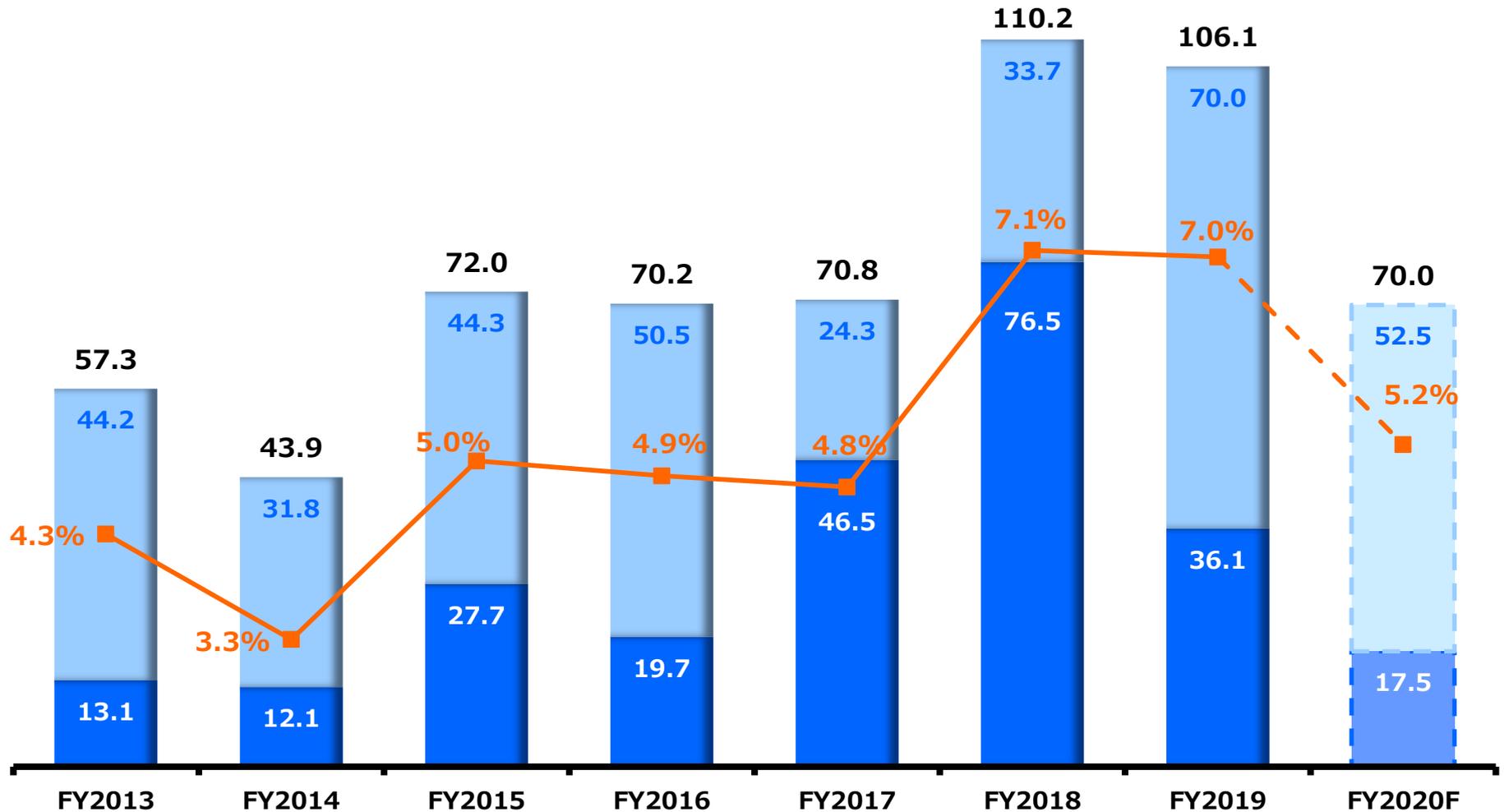
# Trends of Net Sales by Segment (consolidated)

■ Household & Industrial Materials     ■ Functional Materials     ■ Others     ◆ Overseas Sales (¥ billion)  
■ Forest Resources & Environment Marketing     ■ Printing & Communications Media

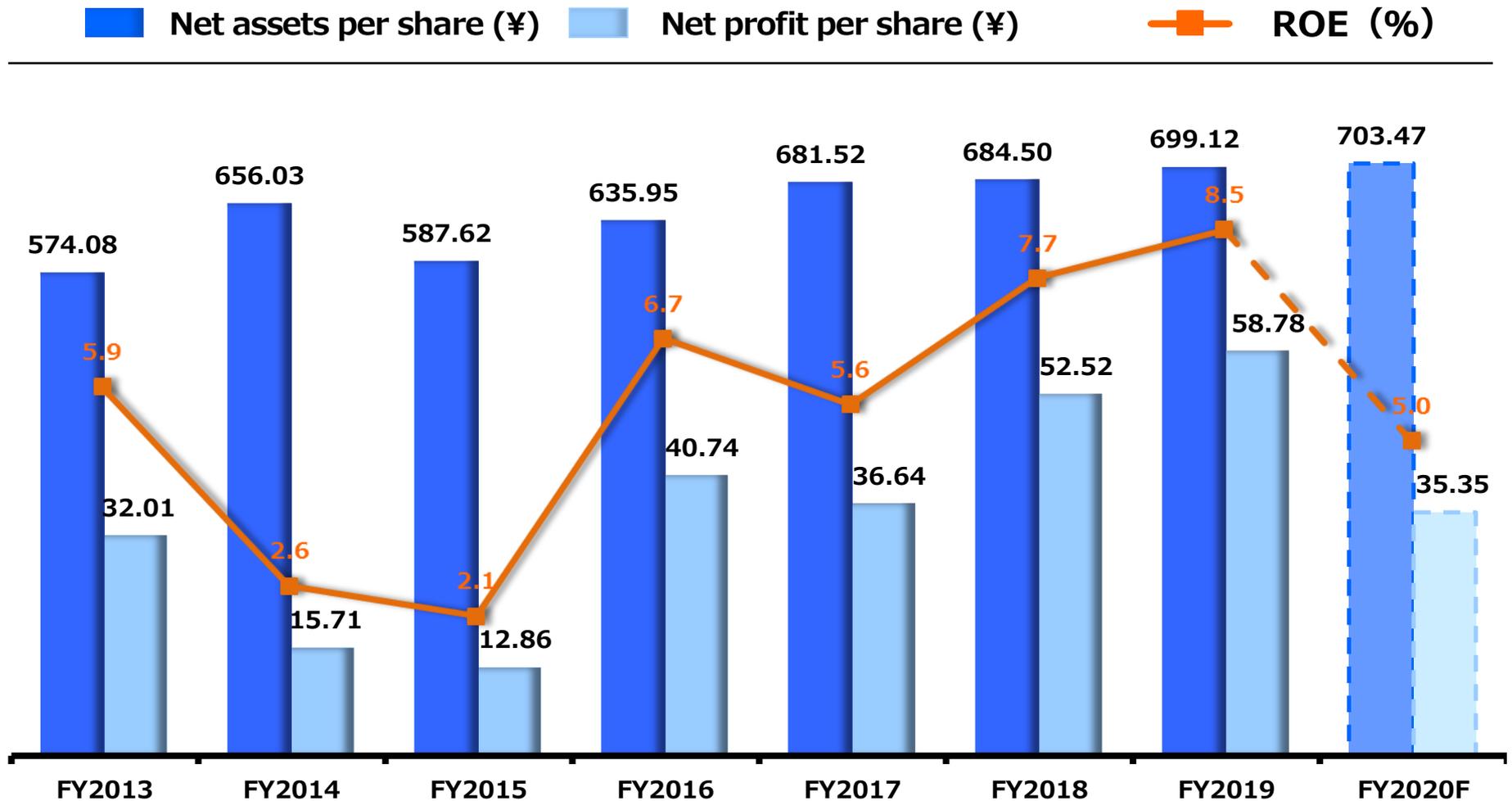


# Trends of Operating Profit (consolidated)

■ Operating profit of domestic companies    
 ■ Operating profit of overseas companies    
 —■— Operating profit margin    
 (¥ billion)



## Trends of Return on Equity (ROE)

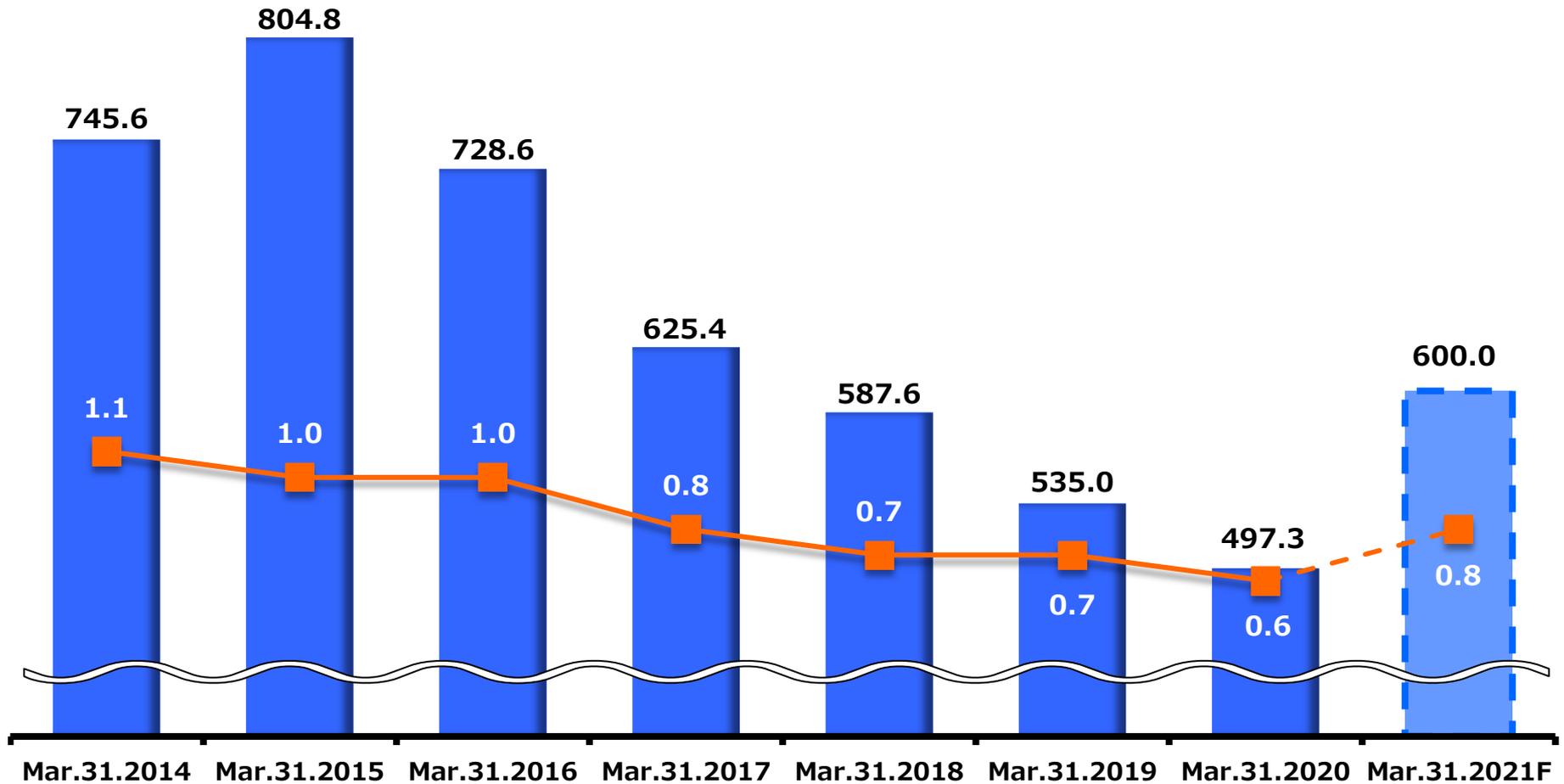


# Trends of Net Interest-bearing Debt (consolidated)

Consolidated net interest-bearing debt (¥ billion)

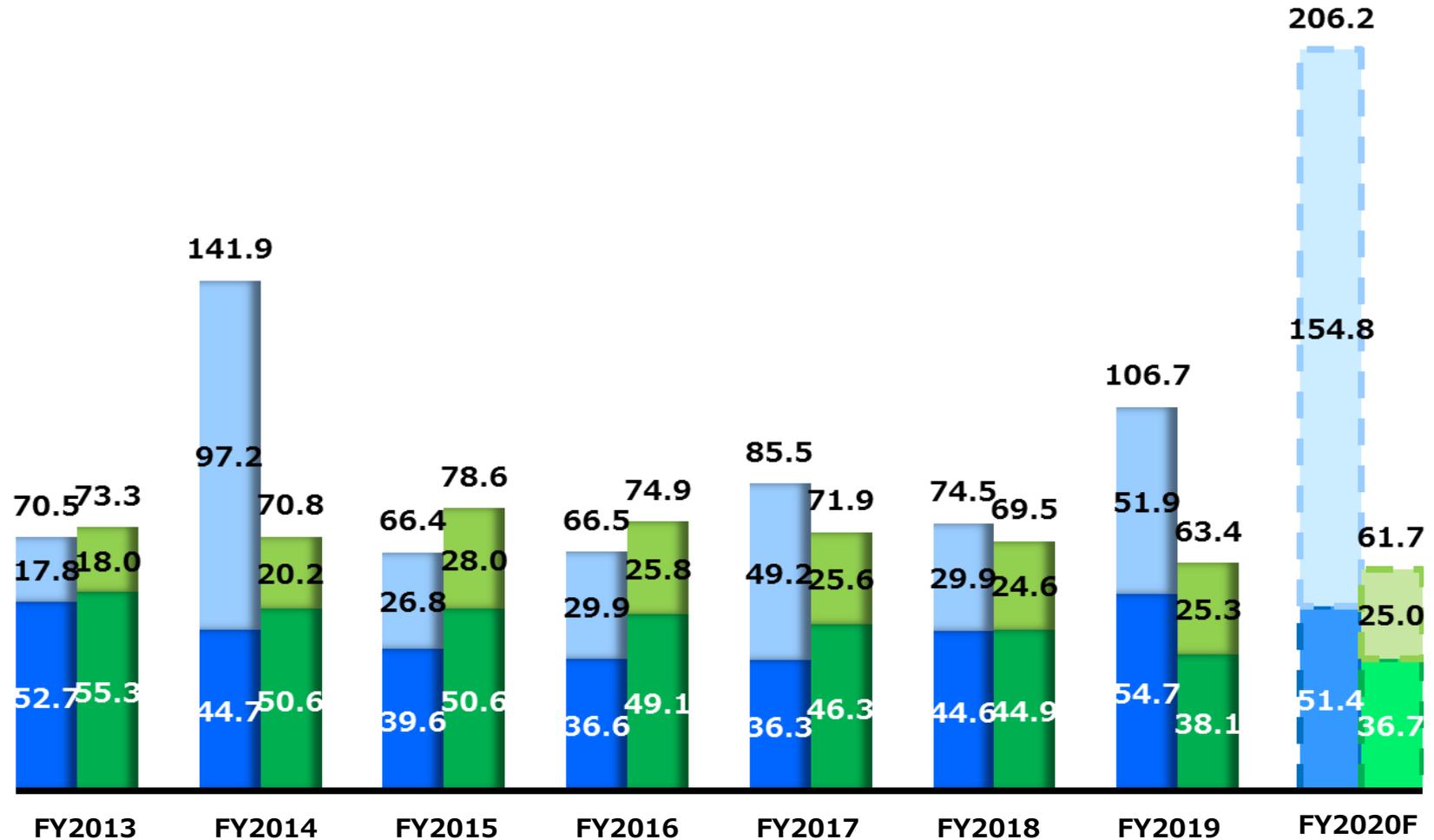
D/E(x)

\*D/E(x) = consolidated net interest-bearing debt / net assets at the year-end



## Trends of CAPEX / Depreciation (consolidated)

■ CAPEX, investment & loan [Domestic]   
 ■ CAPEX, investment & loan [Overseas]   
 ■ Depreciation [Domestic]   
 ■ Depreciation [Overseas]   
 (¥ billion)

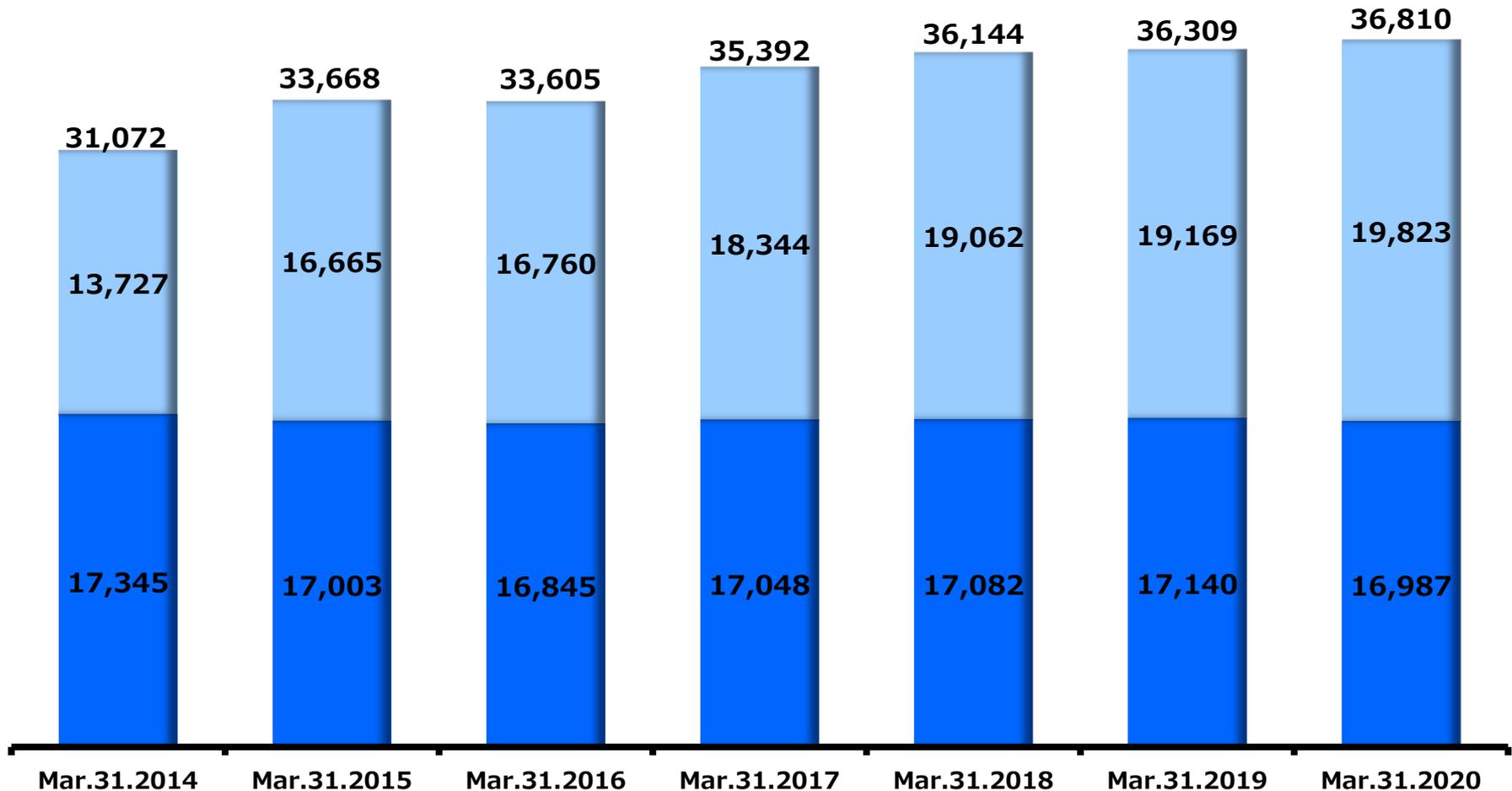


## History of the Number of Employees (consolidated)



**Employees [Domestic] (consolidated)**      **Employees [Overseas] (consolidated)**      **(person)**

\*The figures do not include number of temporary employees



(1,000t)

	Domestic Shipments		Custom Cleared Imports *1		Total	
	Year-on-Year		Year-on-Year		Year-on-Year	
Containerboard	4,322	95.0%	23	105.4%	4,346	95.1%
Boxboard	639	84.3%	109	84.3%	748	84.3%
Other Paperboard	276	85.6%	13	96.6%	289	86.1%
<b>Paperboard Total</b>	<b>5,238</b>	<b>93.1%</b>	<b>145</b>	<b>88.2%</b>	<b>5,383</b>	<b>92.9%</b>
Sanitary Paper	872	95.9%	114	89.3%*2	987	95.1%
Packaging Paper	283	81.9%	4	107.1%	286	82.1%
Newsprint	1,002	84.5%	1	190.6%	1,004	84.5%
Printing/Communications Paper	2,531	74.8%	335	56.6%	2,866	72.1%
Miscellaneous Paper	272	80.5%	8	110.5%	280	81.1%
<b>Paper Total</b>	<b>4,960</b>	<b>80.5%</b>	<b>462</b>	<b>63.2%</b>	<b>5,422</b>	<b>78.6%</b>
<b>Paperboard and Paper Total</b>	<b>10,198</b>	<b>86.5%</b>	<b>608</b>	<b>67.8%</b>	<b>10,805</b>	<b>85.2%</b>
<b>Corrugated Containers *3</b>	<b>7,016</b>	<b>97.4%</b>			<b>7,016</b>	<b>97.4%</b>

(million m<sup>3</sup>)

Source: Japan Paper Association - Statistics on Paper and Paperboard; Trade Statistics of Ministry of Finance, Japan; Japan Corrugated Case Association - Production Volume of Corrugated Case

\*1: Statistics for customs cleared imports of paper: April 2019 - September 2020 (preliminary)

\*2: The figure includes secondary products (processed goods)

\*3: The figure represents the production volume of corrugated board