



# Summary of Financial and Business Results

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May 29, 2015



Oji GS Packaging Yangon (new mill in Myanmar)



Forest plantation of Pan Pac (New Zealand)

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OJI HOLDINGS

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## I. FY2014 Result Overview

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## 1. Financial Highlights of FY2014



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			(¥ billion)
	<b>FY2013</b>	<b>FY2014</b>	<b>Increase (Decrease)</b>
Net Sales	1,332.5	<b>1,347.3</b>	14.8
Operating Income	62.0	<b>46.7</b>	(15.3)
Ordinary Income	70.4	<b>53.0</b>	(17.4)
Net Income	33.8	<b>17.3</b>	(16.5)
Depreciation	73.3	<b>70.8</b>	(2.5)
Average Exchange Rate (¥/US\$)	100.2	110.0	9.8
Overseas Sales Ratio	<b>20.3%</b>	<b>22.8%</b>	<b>2.5%</b>
Operating Income of Overseas Companies	<b>17.8</b>	<b>14.9</b>	<b>(2.9)</b>
Number of Consolidated Companies	Domestic	87	-1
	Overseas	71	+16
	Total	158	+15

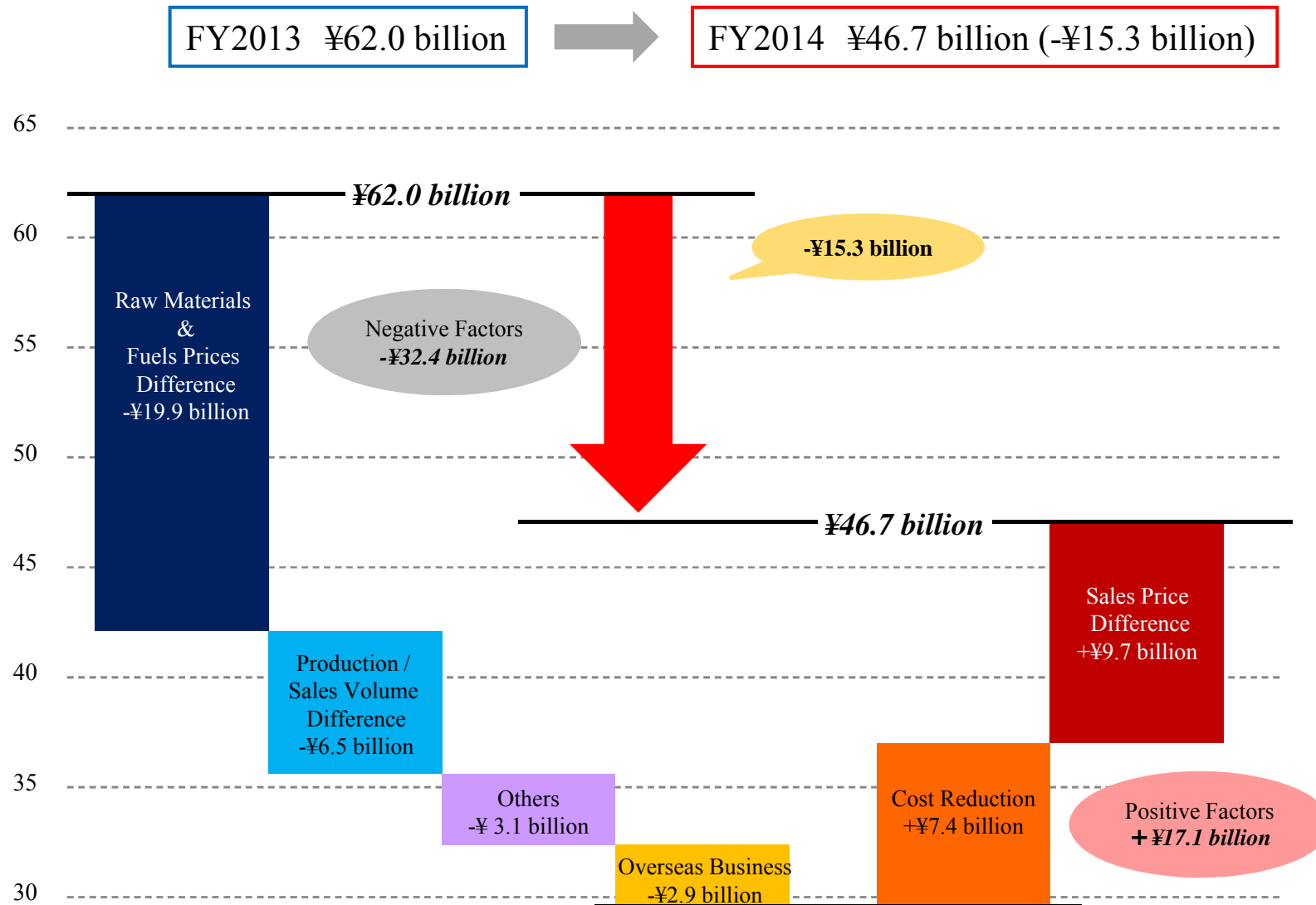
CHHPP-related +10 [business acquisition, establishment of a holding company]

Southeast Asia +8 [disposable diaper, corrugated container, and others], -2 [liquidation]

Domestic +1 [establishment of a holding company], -2 [transfer of a part of business]

Equity Method Affiliates: 19 companies (Domestic:12, Overseas:7)

## 2. Breakdown of Increase/Decrease of Operating Income [FY2013 to FY2014]



\*Only results of main domestic operations are included in sales price difference, production/sales volume difference, raw materials & fuels prices difference and cost reduction.

## 3. Sales and Operating Income by Segment [FY2014]

(¥ billion)

	FY2013		FY2014		Increase (Decrease)	
	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income
Household & Industrial Materials	550.8	22.4	561.8	14.5	11.0	(7.9)
Functional Materials	226.1	12.3	225.2	9.4	(0.9)	(2.9)
Forest Resources & Environment Marketing	205.7	21.4	211.5	14.9	5.8	(6.5)
Printing & Communications Media	317.7	(2.3)	311.0	(0.7)	(6.7)	1.6
Others	267.3	8.0	276.1	8.0	8.8	-
Adjustments	(235.1)	0.2	(238.3)	0.6	(3.2)	0.4
Total (consolidated)	1,332.5	62.0	1,347.3	46.7	14.8	(15.3)

\*Sales include inter-segment sales.



## 4. Analysis of Increase/Decrease of Income by Segment

## (1) Household and Industrial Materials

**Segment's Results**  
**(Sales/Operating Income)**

FY2013

¥550.8 billion

¥22.4 billion

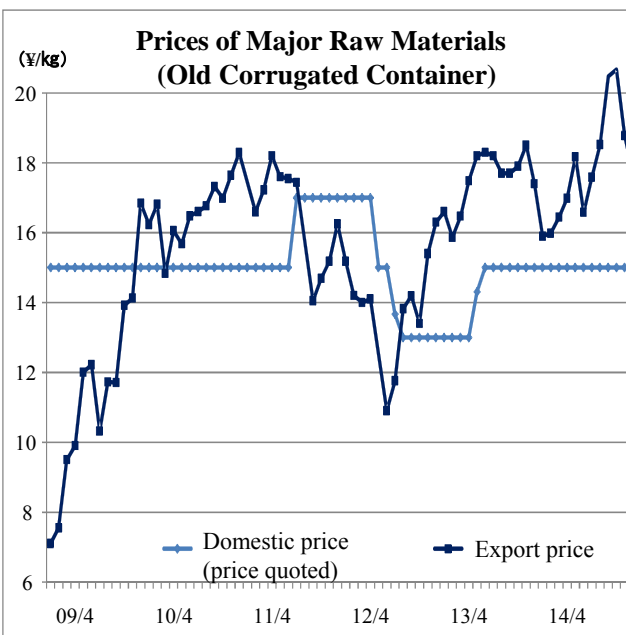
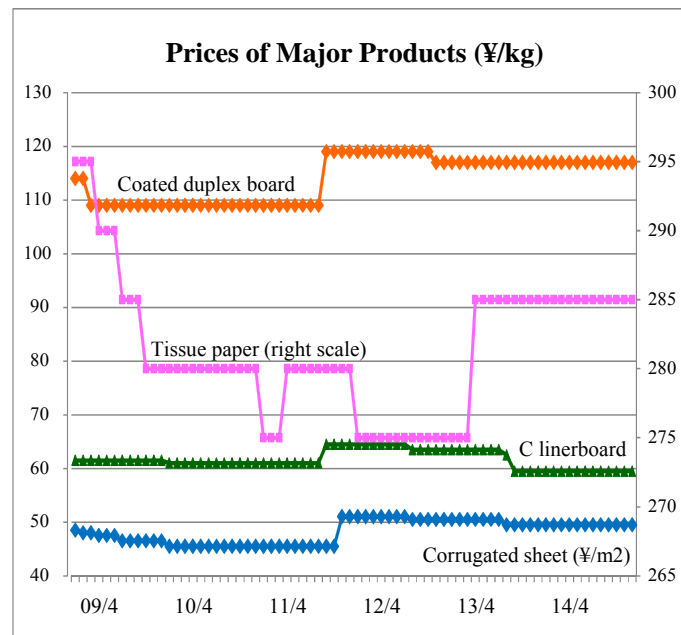


FY2014

¥561.8 billion

¥14.5 billion

Sales of Major Products (intra-Group consumption is included)		FY2013			FY2014			Increase (Decrease)			
		Sales Volume	Unit Price	Sales Amount	Sales Volume	Unit Price	Sales Amount	Sales Volume	Year-on-year	Unit Price	Sales Amount
		1,000 t (or) million m2	¥/kg (or) m2	¥ billion	1,000 t (or) million m2	¥/kg (or) m2	¥ billion	1,000 t (or) million m2	%	¥/kg (or) m2	¥ billion
Paper	Household paper Domestic	185	227.51	42.2	179	230.18	41.2	(6)	96.8%	2.67	(1.0)
	Packaging paper Domestic	208	109.93	22.8	203	109.11	22.1	(5)	97.6%	(0.82)	(0.7)
Paperboard Domestic		2,972	63.67	189.2	2,957	65.10	192.5	(15)	99.5%	1.43	3.3
Corrugated sheet and container (million m2)		3,447	63.30	218.2	3,461	63.07	218.3	14	100.4%	(0.23)	0.1


**FY2014 Factors behind the  
Income Increase/Decrease (¥7.9 bill.)**

- Sales/market factors **+¥2.4 bill.**
- Raw materials & fuels prices difference **-¥11.4 bill.**
- Cost reduction **+¥1.1 bill.**
- Overseas business **+¥0.5 bill.**
- Others **-¥0.5 bill.**

- Domestic** Slight decrease in the sales volume due to demand drop after the consumption tax increase
- Overseas** Steady performance of corrugated container business

## 4. Analysis of Increase/Decrease of Income by Segment

## (2) Functional Materials



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Segment's Results (Sales/Operating Income)	FY2013			FY2014	
	¥226.1 billion	¥12.3 billion		¥225.2 billion	¥9.4 billion

Sales of Major Products (intra-Group consumption is included)		FY2013			FY2014			Increase (Decrease)			
		Sales Volume	Unit Price	Sales Amount	Sales Volume	Unit Price	Sales Amount	Sales Volume	Year-on-year	Unit Price	Sales Amount
		1,000 t (or) million m2	¥/kg (or) m2	¥ billion	1,000 t (or) million m2	¥/kg (or) m2	¥ billion	1,000 t (or) million m2	%	¥/kg (or) m2	¥ billion
Thermal paper (million m2)	Domestic & Overseas	3,430	19.96	68.5	3,396	20.63	70.1	(34)	99.0%	0.67	1.6
Specialty paper	Domestic	171	251.95	43.1	173	250.77	43.5	2	101.2%	(1.18)	0.4

## FY2014 Factors behind the Income Increase/Decrease ( -¥2.9 bill.)

➤ Sales/market factors	-¥1.0 bill.	➤ Raw materials & fuels prices difference	-¥1.8 bill.		
➤ Cost reduction	+¥2.2 bill.	➤ Overseas business	-¥0.8 bill.	➤ Others	-¥1.5 bill.

**Domestic** (Restructuring of manufacturing system:  
completed in September 2014)  
-Closure of Oji F-Tex Fujinomiya Mill  
-Permanent stoppage of thermal coaters at Oji Paper  
Nichinan Mill → Concentration of manufacturing

**Overseas** Sales of thermal paper:  
- Increased in Asia and South America  
- Decreased in North America and Europe



## 4. Analysis of Increase/Decrease of Income by Segment

## (3) Forest Resources and Environment Marketing



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**Segment's Results**  
**(Sales/Operating Income)**
**FY2013**

¥205.7 billion

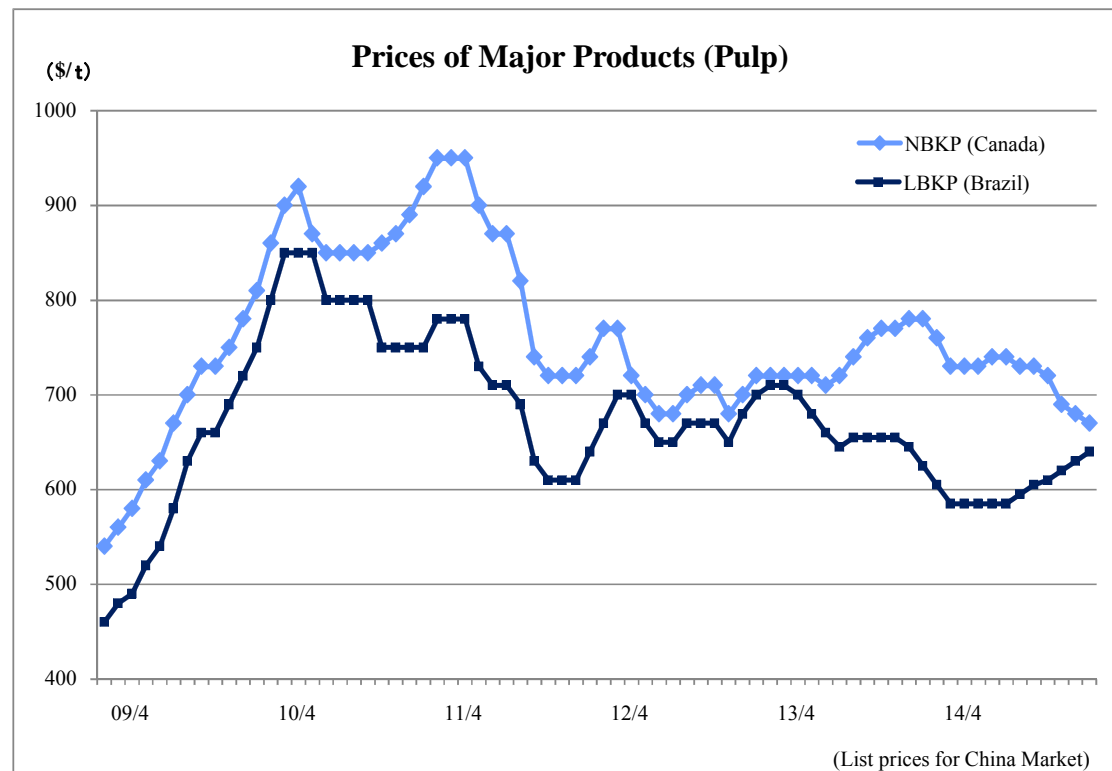
¥21.4 billion

**FY2014**

¥211.5 billion

¥14.9 billion

Sales of Major Products (intra-Group consumption is included)		FY2013			FY2014			Increase (Decrease)			
		Sales Volume	Unit Price	Sales Amount	Sales Volume	Unit Price	Sales Amount	Sales Volume	Year-on-year	Unit Price	Sales Amount
		1,000 t	¥/kg	¥ billion	1,000 t	¥/kg	¥ billion	1,000 t	%	¥/kg	¥ billion
Market pulp	Domestic & Overseas	1,522	60.61	92.2	1,548	63.79	98.8	26	101.7%	3.18	6.6


**FY2014 Factors behind the**  
**Income Increase/Decrease ( -¥6.5 bill.)**

- Sales/market factors (overseas) **-¥6.0 bill.**
- Raw materials & fuels prices difference (overseas) **-¥0.8 bill.**
- Others (overseas) **+¥2.3 bill.**
- Domestic Business **-¥2.0 bill.**

**Domestic** -Increase in the sales of pulp mainly for export due to start of sales of pulp for rayon manufacturing

**Overseas** -Increase in yen equivalent sales amount of pulp due to yen depreciation despite a price drop of pulp  
-Decrease in sales of lumber due to weak demand

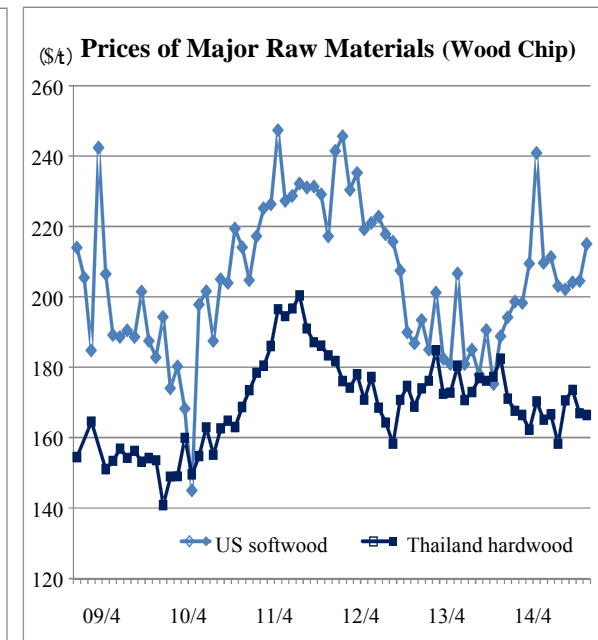
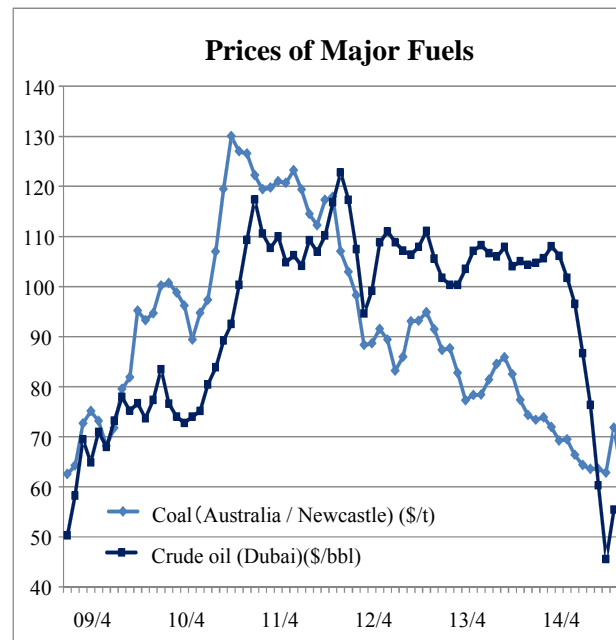
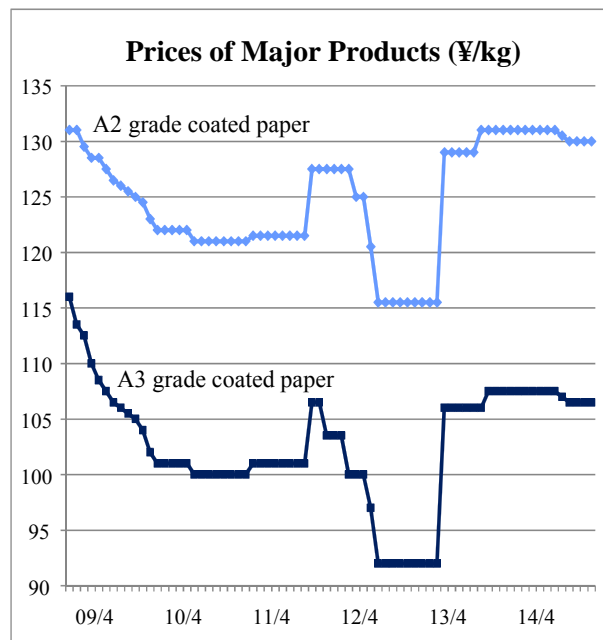
## 4. Analysis of Increase/Decrease of Income by Segment

## (4) Printing and Communications Media

**Segment's Results**  
**(Sales/Operating Income)**
**FY2013**  
 ¥317.7 billion    -¥2.3 billion

**FY2014**  
 ¥311.0 billion    -¥0.7 billion

Sales of Major Products (intra-Group consumption is included)	FY2013			FY2014			Increase (Decrease)			
	Sales Volume	Unit Price	Sales Amount	Sales Volume	Unit Price	Sales Amount	Sales Volume	Year-on-year	Unit Price	Sales Amount
	1,000 t	¥/kg	¥ billion	1,000 t	¥/kg	¥ billion	1,000 t	%	¥/kg	¥ billion
<b>Printing &amp; communications paper</b> Domestic	1,784	99.75	177.9	1,658	102.91	170.7	(126)	92.9%	3.16	(7.2)


**FY2014 Factors behind the Income Increase/Decrease (+¥1.6 bill.)**

Decrease in domestic sales due to weak demand

 Sales/market factors **+¥1.8 bill.**
 Raw materials & fuels prices difference **-¥6.7 bill.**
 Cost reduction and others **+¥4.2bill.**
 Overseas Business **+¥2.3 bill.**

## II. FY2015 Financial Forecast

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## 1. Financial Forecast for FY2015



(¥billion)

	FY2014	FY2015E	Increase (Decrease)
Net Sales	1,347.3	1,530.0	182.7
Operating Income	46.7	70.0	23.3
Ordinary Income	53.0	65.0	12.0
Net Income (attributable to stockholders of the holding company)	17.3	34.0	16.7
Depreciation	70.8	80.2	9.4
Average Exchange Rate (¥/US\$)	110.0	122.0	12.0
Overseas Sales Ratio	22.8%	29.8%	7.0%
Operating Income of Overseas Companies	14.9	24.6	9.7

## Assumptions for FY2015 Financial Forecast

## • Raw Materials/Fuels Prices

Woodchip:  
based on current contract

Recovered paper:  
price to remain static at current level

Coal:  
based on current contract

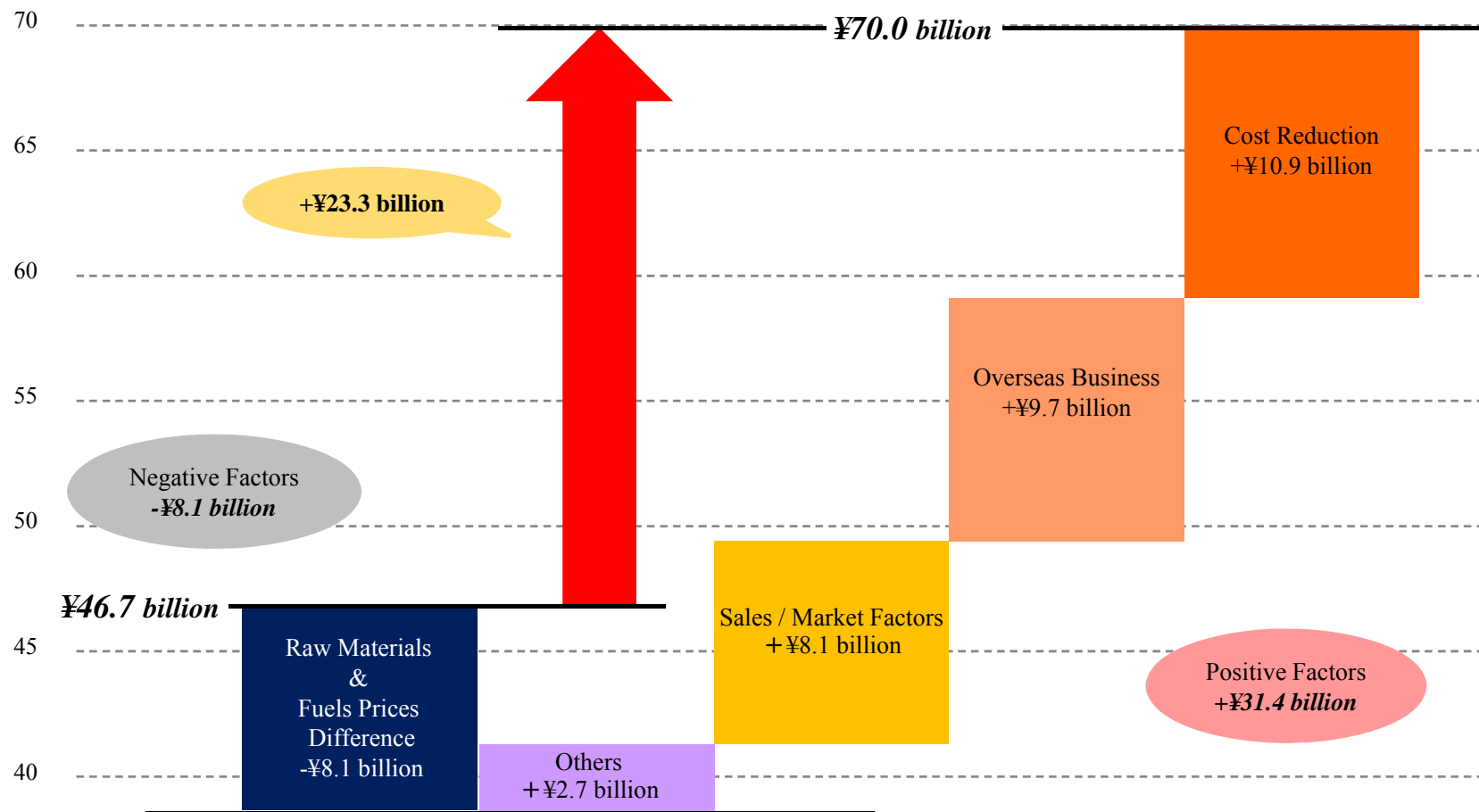
## • Effects of Fluctuation (per annum)

Exchange rate Japanese Yen : approximately ¥0.68 billion with a fluctuation of US\$ by 1% (strong US\$ -)  
 Brazilian Real : approximately ¥0.21 billion with a fluctuation of US\$ by 1% (strong US\$ +)  
 New Zealand Dollar: approximately ¥0.59 billion with a fluctuation of US\$ by 1% (strong US\$ +)  
 Price of recovered paper : approximately ¥4.0 billion with a fluctuation of ¥1/kg  
 Price of Dubai crude oil : approximately ¥0.32 billion with a fluctuation of \$1/bbl  
 (heavy oil, bunker, naphtha, and others)  
 Price of pulp : approximately ¥2.3 billion with a fluctuation of \$10/t (high price +)

\*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 causes.

## 2. Breakdown of Increase/Decrease of Operating Income [FY2014 to FY2015 forecast]

FY2014 ¥46.7 billion → FY2015(forecast) ¥70.0 billion (+¥23.3 billion)



\*Only results of main domestic operations are included in raw materials and fuel prices difference, sales/market factors, and cost reduction.

## 3. Sales and Operating Income by Segment [FY2015 forecast]

(¥billion)

	FY2014		FY2015E		Increase (Decrease)	
	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income
Household & Industrial Materials	561.8	14.5	<b>649.7</b>	<b>25.3</b>	87.9	10.8
Functional Materials	225.2	9.4	<b>240.5</b>	<b>12.4</b>	15.3	3.0
Forest Resources & Environment Marketing	211.5	14.9	<b>297.6</b>	<b>20.2</b>	86.1	5.3
Printing & Communications Media	311.0	(0.7)	<b>314.9</b>	<b>4.6</b>	3.9	5.3
Others	276.1	8.0	<b>268.4</b>	<b>7.2</b>	(7.7)	(0.8)
Adjustments	(238.3)	0.6	<b>(241.1)</b>	<b>0.3</b>	(2.8)	(0.3)
Total (consolidated)	1,347.3	46.7	<b>1,530.0</b>	<b>70.0</b>	182.7	23.3

\*Sales include inter-segment sales.



## 4. Analysis of Increase/Decrease of Income by Segment

### (1) Household and Industrial Materials

Segment's Results (Sales/Operating Income)	FY2014			FY2015	
	¥561.8 billion	¥14.5 billion		¥649.7 billion	¥25.3 billion

### FY2015 Contributory Factors

#### ▶ New Corrugated Container Mills Starting Operation in FY2015

May 2015	Oji GS Packaging (Yangon) (Mingaladon Industrial Park, Myanmar)
September 2015 (planned)	Oji Interpack India (Uttar Pradesh, India)
January 2016 (planned)	Ojitex(Vietnam)'s Second Mill (VSIP-II Industrial Park, Binh Duong, Vietnam)



Image of Ojitex(Vietnam)'s Second Mill

<Reference information>

April 2016 (planned)	Oji Myanmar Packaging (Thilawa Industrial Park, Myanmar)
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#### ▶ Topics of Household and Consumer Products

April 2015

Launch of redesigned tape-type disposable diaper for baby

Expansion of lineup of FSC™ certified products

#### New Products

- Toilet roll with a deodorant function
- nepi nepi mate tissue etc.



Toilet roll with a deodorant function  
“Niowan”

(Oji Nepia's license code: FSC™-C018118)



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**FY2015 Income Increase / Decrease (+¥10.8 bill.)**

▶ Domestic business  
**+¥8.0 bill.**

▶ Overseas business  
**+¥2.8 bill.**

## 4. Analysis of Increase/Decrease of Income by Segment

### (2) Functional Materials

Segment's Results (Sales/Operating Income)	FY2014		FY2015	
	¥225.2 billion	¥9.4 billion	¥240.5 billion	¥12.4 billion

### FY2015 Contributory Factors

#### Optical Functional Films

December 2014  
(start of trial operation) Construction of a new UV adhesive coater at New Tac Kasei

→ Contributes to income through increase in sales and cost-competitiveness



New Tac Kasei's new UV adhesive coater (TK2)

#### Capacitor Films for EV/HEV

December 2014 Launch of the world's thinnest 2.3μ film

→ Planned sales increase mainly in China and Europe



Oji F-Tex Shiga Mill (6FM)

**FY2015 Income Increase/Decrease (+¥3.0 bill.)**

→ Domestic business  
**+¥1.0 bill.**

→ Overseas business  
**+¥2.0 bill.**

## 4. Analysis of Increase/Decrease of Income by Segment

### (3) Forest Resource and Environment Marketing

Segment's Results (Sales/Operating Income)	FY2014			FY2015	
	¥211.5 billion	¥14.9 billion		¥297.6 billion	¥20.2 billion

#### FY2015 Contributory Factors

- ▶ Completion of Refreshing Works of Hydropower Plants  
March 2015 Start of operation of 2 plants in Hokkaido
- ▶ Start of Full Operation of Biomass Boilers  
March & April 2015 Start of operation of 2 boilers

FY2015 Electric Power Sales (forecast)

**700 million kWh**

**¥15.0 billion**

\*Oji Group alone

\*Another 10 hydropower plants and 1 biomass boiler are currently in progress

#### Other Topics

- ▶ Lumber Businesses

Promotion of active utilization of forest resources mainly in Southeast Asia (Laos, Vietnam, Myanmar, etc.) and Oceania



Plywood production in Vietnam

**FY2015 Income Increase/Decrease (+¥5.3 bill.)**

▶ Domestic business  
**+¥3.5 bill.**

▶ Overseas business  
**+¥1.8 bill.**

## 4. Analysis of Increase/Decrease of Income by Segment

## (4) Printing and Communications Media



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Segment's Results (Sales/Operating Income)	FY2014			FY2015	
	¥311.0 billion	-¥0.7 billion		¥314.9 billion	¥4.6 billion

## FY2015 Contributory Factors

- Optimization of the Manufacturing System of Cast-coated Paper

September 2015 (planned)      Permanent stoppage of the No.6 cast-coater at Oji Paper Tomioka Mill
- Contribution of integration of manufacturing pulp and paper of Jiangsu Oji Paper Nantong Mill

→ Generation of cost improvement effects



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FY2015 Income Increase/Decrease (+¥5.3 bill.)

Domestic business  
+¥2.6 bill.

Overseas business  
+¥2.7 bill.



## 5. Influence of Exchange Rate Fluctuations

### ① Oji Group's Cross-boarder Transactions

(US\$ million/yr)	Domestic Business	Overseas Business	Total
Total Export	410	1,510	1,920
Total Import	1,020	230	1,250



**Export Surplus**  
**US\$670 million**

### ② Influence of Exchange Rate Fluctuations (10% fluctuations of US\$)

Major Currencies	FY2015 Assumed Rates	Factors	Influence of Appreciating US\$	Annual Amount of Influence on the Oji Group
<b>Japanese Yen (¥)</b>	122.00 ¥/US\$	Domestic business: import > export	↓	Worsen by approx. ¥7.0 billion
		Conversion of overseas consolidated subsidiaries' profits and losses to ¥	↑	
<b>Brazilian Real (BRL)</b>	2.50 BRL/US\$	Sales: US\$ based Expenses: BRL based	↑	Improve by approx. ¥2.0 billion  〔Taking into account the influence of price drop of pulps due to depreciation of BRL〕
<b>New Zealand Dollar (NZD)</b>	1.305 NZ\$/US\$	Sales: US\$ based Expenses: NZ\$ based	↑	Improve by approx. ¥6.0 billion

## III.Topics

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## Acquisition of Carter Holt Harvey Limited's Pulp, Paperboard and Packaging Businesses in the Oceania Region (Share acquisition completed on 1<sup>st</sup> December, 2014)

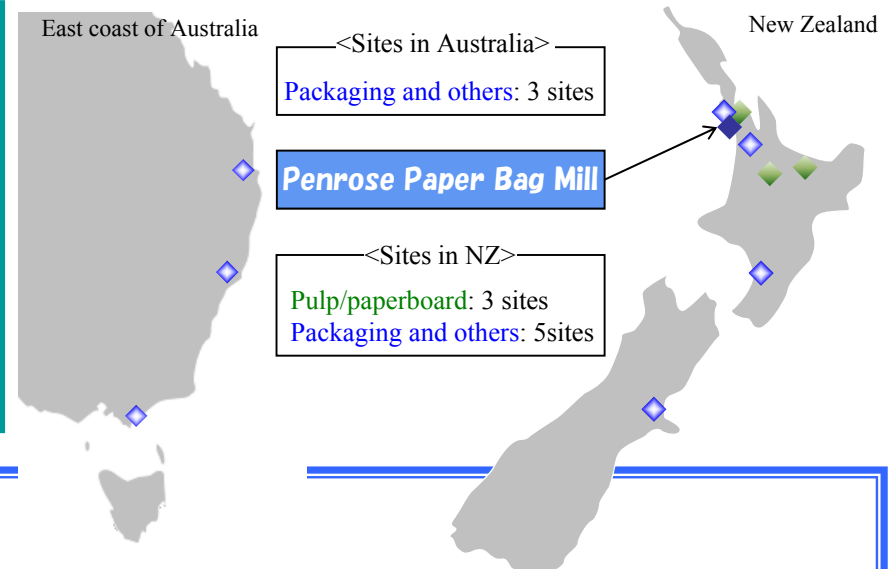
### <Production Capacity of Major Products>

Pulp  
**600,000 t/yr**

Strengthening of pulp business by enhancing product lineup of pulp for external customers

Corrugated container  
**280 million m<sup>2</sup>/yr**

Expansion of packaging business in Asia and Oceania Regions



### <Construction Plan of a New Line at a Paper Bag Mill>

A new line for paper bags for food and other usages with an enhanced hygiene management will be constructed at Penrose Paper Bag Mill (New Zealand).  
(planned to be completed in the second half of 2016)

Responding to the demand growth of milk powders\* whose export to China and Southeast Asia increasing

\*basic ingredient of dairy products such as formula powder, recombined milk and confectionery



KP(Kraft Pulp) Manufacturing Facility

January 2015: start of commercial operation



KP facility

<Improvement of Cost Competitiveness of Printing Paper through the Integrated Manufacturing of Pulp and Paper>

Production Capacity of Paper Products

**400,000 t/yr**



Coater

<Expansion of Pulp Business>

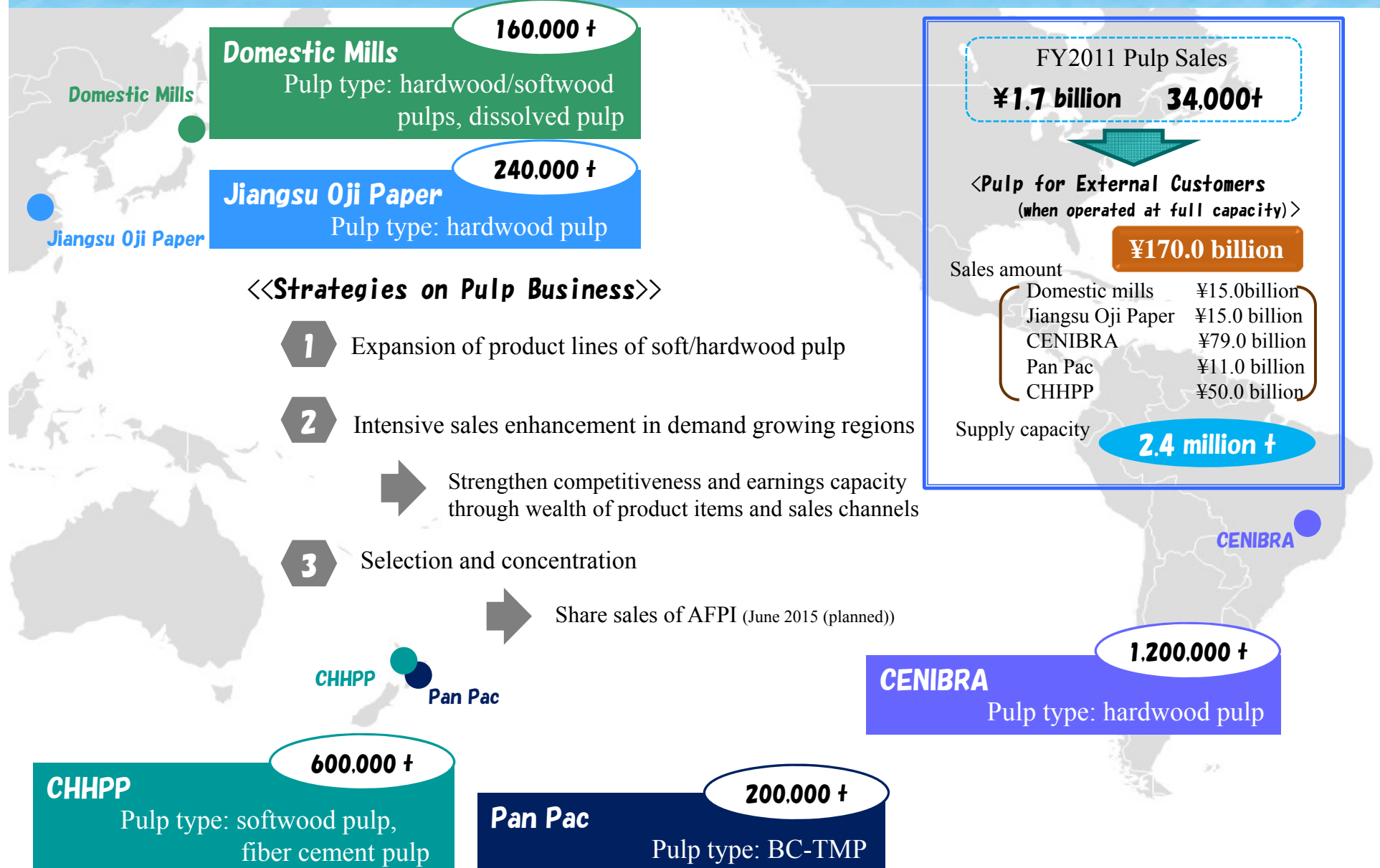
May 2015: Installation of dry pulp facility

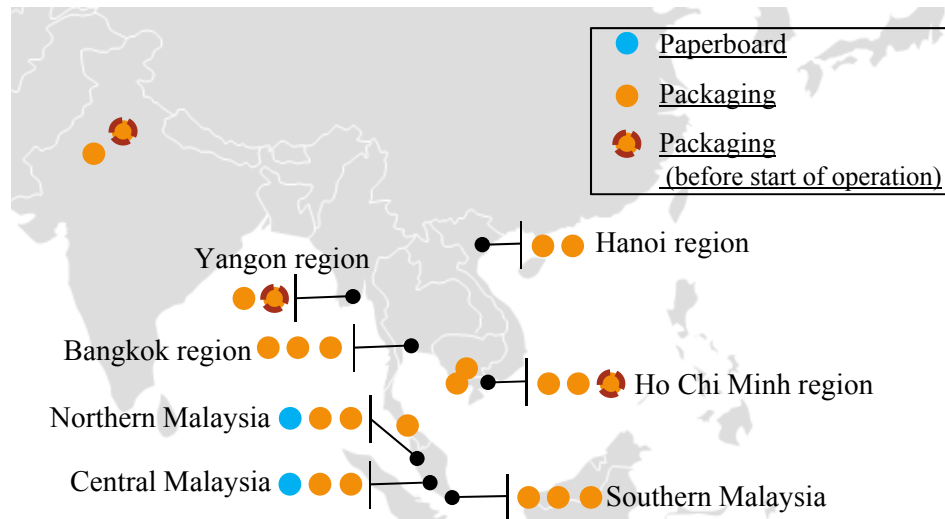
Production Capacity of LBKP for External Customers

**240,000 t/yr**



Pulp for external sales





#### ◆ Number of Sites

FY2009

3 sites (in 2 countries)



As of May 2015

34 sites (in 8 countries)

\*including sites not yet in operation  
(24 in Southeast Asia & India, 10 in Oceania)

#### ◆ Sales Amount

FY2009

¥4.0 billion\* (total of 3 sites)

\* at the exchange rates at that time



FY2015  
(forecast)

¥130.0 billion

(¥75.0 billion in Southeast Asia & India, ¥55.0 billion in Oceania)

### <<Strategies on Packaging Business>>

1

Thorough information sharing to realize the Oji Group's collective strength

2

Construction of optimum sales system and supply chain through close coordination within each region

3

Expansion of sales network with a focus on Asian market with strong demand



Aim to both speedily increase number of sites also in countries not yet been entered and operate a total packaging business by entering into businesses that complement the existing businesses (folding cartons, label printing/converting, flexible packaging, etc.), mainly through M&As





<<Strategies on Disposable Diaper Business>>

- 1 Increasing sales in Asian market with expected demand growth
  - 2 Consideration of market entries into Southeast Asian countries, which have not been forayed into
- ➔ Expand sales areas by conducting M&A and forming alliances with local companies with distribution networks

Sales from Overseas Disposable Diaper Business

FY2015  
¥5.0 billion



FY2018 Target  
¥45.0 billion



Increase Export to China

Expand Sales to Southeast Asia and India

Malaysia

◆ Share acquisition of People & Grit (M) Sdn Bhd

Location: Selangor, Malaysia  
Share acquisition: January 2015

◆ Establishment of Oji Asia Household Product Sdn Bhd

Location: Selangor, Malaysia  
Start of operation: November 2015 (planned)

Indonesia

◆ Establishment of Oji Indo Makmur Perkasa (JV manufacturing company) and Indo Oji Sukses Pratama (JV sales company)

Expansion of manufacturing and sales of disposable diapers for baby in Indonesia, jointly with PT Indofood CBP Sukses Makmur

Sales in Indonesian Market

# 1. Strategies on Overseas Businesses

## (6) Functional Materials Business “Business Expansion Centering on Adhesive Product Business”



### <<Strategies on Functional Materials Business>>

**1** Increasing sales of functional material products mainly in Southeast Asia

➡ May 2015 Establishment of an overseas marketing department focusing on functional materials products

**2** Increasing number of overseas companies mainly in adhesive product businesses through M&A, etc.

➡ Year-end of 2014 Beef-up of the team that works on overseas planning of functional materials business

### Overseas Sales

(of adhesive paper and other products)

FY2015

¥20.0 billion



Target

¥50.0 billion

A Site in Myanmar under Construction  
(Thilawa Industrial Park(Special Economic Zone))

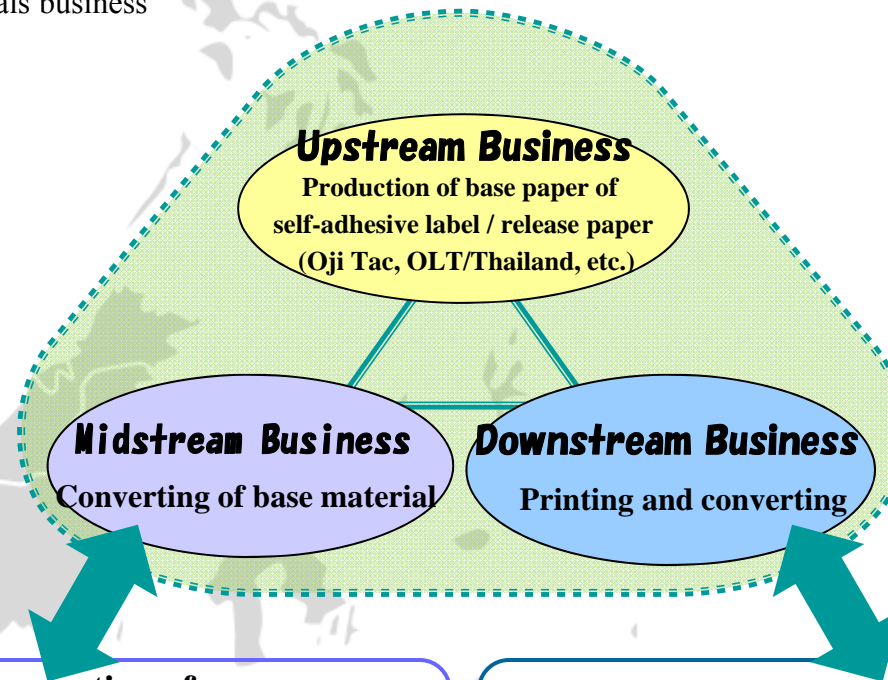
Start of operation: April 2016 (planned)

Business line:

● Packaging

● **Converting of functional material products**

Film products, base paper of self-adhesive label, slitting of packaging materials, etc.



**Sites for converting of functional materials products**

Strengthening of sales and competitiveness through establishment of converting sites

**Sites for packaging business**

Operation of total packaging business through sales of label products



## 1. Strategies on Overseas Businesses

## (6) Functional Materials Business “Overseas Expansion of Thermal Business and OPE”



OJI HOLDINGS

## &lt;&lt;Strategy on Thermal Business&gt;&gt;

Under consideration of early implementation of the second stage of production increase works at OPE to respond to the growing demands mainly in Latin America and Mexico.

**Overseas Sales**

(of thermal and other businesses)

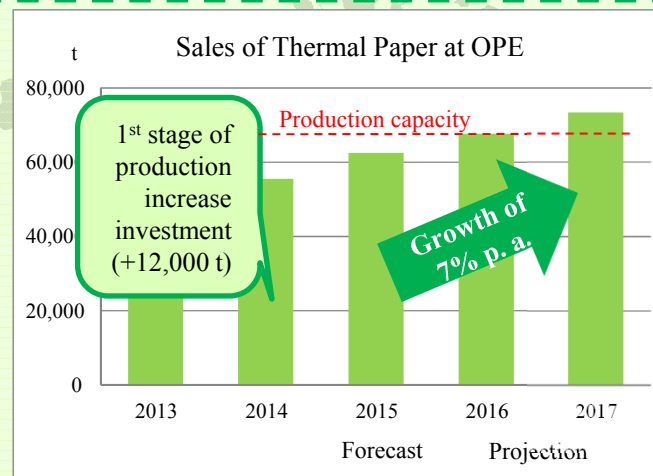
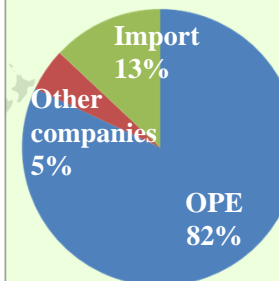
FY2015

¥75.0 billion



Target

¥80.0 billion

KANZAN  
(Germany)Oji IM  
Kanzaki MillOPT  
(Thailand)KSP  
(USA)OPE  
(Brazil)**Domestic Shares in Brazil**

Jan. ~ Mar. 2015 estimate



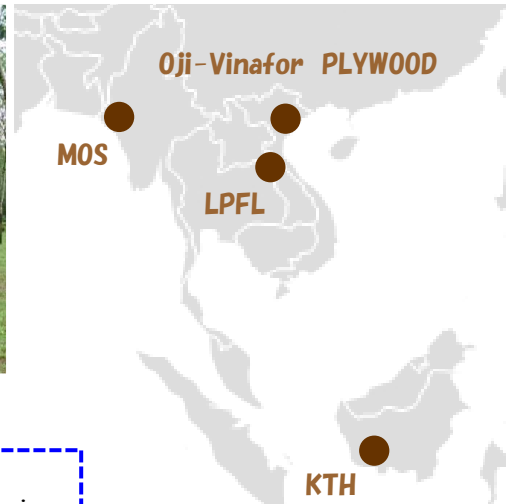
OPE PC3

<<Strategy on Lumber Business>>

Enhancement of businesses and production capacity mainly in Asia and Oceania regions



Rubber wood forest plantation



Myanmar:  
rubber wood lumber business

8,000m<sup>3</sup>/yr

Lamina of laminated lumber  
starting operation in October 2015  
(planned)

Indonesia: various lumber mills sequentially starting operation  
following veneer and woodchip mills

10,000m<sup>3</sup>/yr

Lumber mill  
started operation in December 2013

100,000t/yr

Pellet mill  
under trial operation  
(starting operation in June 2015  
(planned))

Laos: lumber business

9,000m<sup>3</sup>/yr

Eucalyptus lumber  
starting trial production of dried  
wood in February 2015



Lumber facility in Laos

Vietnam: plywood business

28,000m<sup>3</sup>/yr

Production of eucalyptus lumber  
starting operation in April 2015

Sales from Overseas  
Lumber Processing Businesses

FY2015  
¥18.0  
billion



Target  
¥23.0  
billion

New Zealand: lumber business

90,000m<sup>3</sup>/yr

Establishment of Pan Pac Otago  
in southern island of NZ  
starting operation in April 2015



Lumber facility at Pan Pac Otago



## Newly Construction of Consolidation Yard of PKS

Sales company of Oji Forest & Products in Indonesia newly constructed a consolidation yard of PKS in the property of KTH, Indonesia.

\* KTH: PT. Korintiga Hutani

An affiliate company of the Oji Group which operates forest plantation, lumber, woodchip and pellet businesses in Central Kalimantan, Indonesia.

- Central Kalimantan, the location of KTH, is the world's leading production area of palms
- KTH has realized a mass shipment of woodchips with a vessel by utilizing a floating crane for offshore loading



KTH mills in Natai region  
(chip mill, lumber mill, pellet mill, in-house power generation boiler, etc.)

➡ Realization of a competitive procurement of PKS by making use of **rich resources, infrastructures for woodchip export** and **Oji Forest & Products' procurement networks**

[Overview of the Facility]

Location	Central Kalimantan, Indonesia
Land area	7,500m <sup>2</sup> → Storage capacity 14,000 t
Consolidation range	within 100 km from the yard
Consolidation target	100,000 t/yr



<Reference>

KTH's use of floating crane for shipment of woodchip

### ◆ PKS: Palm Kernel Shell



- Kernel shell is a by-product after oil is produced from palms
- Superior fuel with a greater heating value during combustion than woodchip

Major producer countries:

Indonesia, Malaysia (account for approx. 86% of the world's palm oil production)

### ◆ Increase of large-scale biomass power generation owing to the introduction of FIT system

- Expected demand growth of imported PKS as well as domestic unused wood
- Many companies engaged in biomass power generation expressed the will to use PKS

\* Forecast of demand of PKS (Oji estimate)

2014: 230,000 t → 2017: 1,200,000 t





### <<Strategies on Electric Power Business>>

1

#### Expansion of power generation business

Start of full-scale operation  
of biomass boilers

In operation: Oji Materia Fuji Mill  
Oji Green Energy Nichinan

Under construction: Oji Green Energy Ebetsu  
(starting operation in  
January 2016 (planned))

Refreshing works  
of hydropower plants

Completed: Shiribetsu River Hydropower Plants  
(2 plants)

In progress: 10 plants in Hokkaido and Shizuoka

2

#### Entry into electric power retailing

Establishment of **Oji-Itochu Enex power retailing Co., Ltd**

Establishment of a JV in February 2015,  
in view of the liberalization of electric power retailing in 2016



Shiribetsu River  
Hydropower Plants



Biomass boiler at Oji Green Energy Nichinan

FY2013  
Sales Results

**500 million  
kWh/yr**

**(¥7.9 billion)**



Sales Capability of  
the Oji Group Alone

**900 million  
kWh/yr**

**(¥19.0 billion)**



Sales Target of Oji-Itochu  
Enex Power Retailing

**3,000 million  
kWh/yr**

**(¥60.0 billion)**

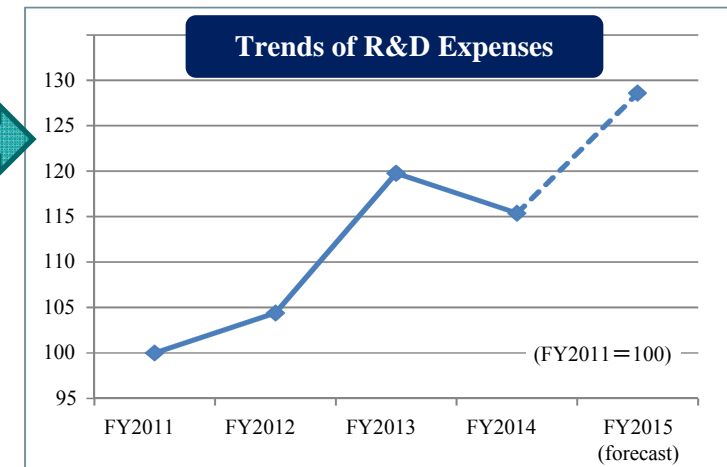
\*after completion of all the ongoing works

Active promotion of electric power business  
through upgrade of facilities and expansion of retailing business

## &lt;&lt;Enhancement of R&amp;D structure&gt;&gt;

Active Input of  
Management  
Resources

- 1 Priority allocation of strategic expenses for development of new business fields
- 2 Human resources including external talents
- 3 External technologies / know-hows



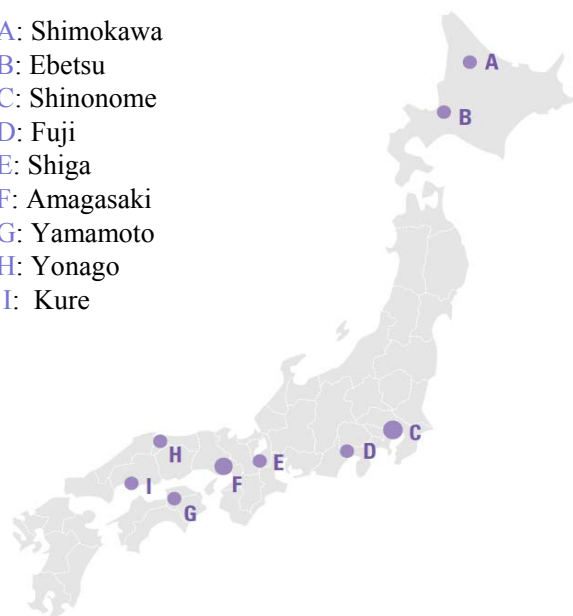
## &lt;&lt;R&amp;D structure: site map and organization chart&gt;&gt;

Structural  
Reform in  
April 2014

- Creation of new business
- Competitiveness strengthening of existing businesses

Speedy product development at R&D sites which are located inside the manufacturing sites

A: Shimokawa  
B: Ebetsu  
C: Shinonome  
D: Fuji  
E: Shiga  
F: Amagasaki  
G: Yamamoto  
H: Yonago  
I: Kure



Innovation promotion division	C
New business innovation center	C
Incubation section	C
Development center	B C D F
Pulp and paper innovation center	C F
Printing technology section	F
Bioresource development center	C
Medical plant section	A
Bioethanol section	I
Wood refinery section	H
Laboratories of innovation in adhesive materials	G
Advanced film research center	E
Water environment research laboratory	C
Material analysis center	C F

- ◆ Launch of the “**Water Environment Research Laboratory**” in July 2014 within Innovation Promotion Division as a Core Department for Development of Water Treatment Businesses

## ● Contents of Activities

Utilization of accumulated technologies to domestically enhance and internationally expand water treatment businesses through cooperation with Group companies

### Assumed Business Field

### Overall Water Infrastructure

Water and sewage, effluents of industrial waste / food processing waste / animal husbandry waste, management of plant factory’s nutrient fluid, etc.

### Assumed Country and Regions

Japan, Southeast Asia, Australia, Brazil, North America



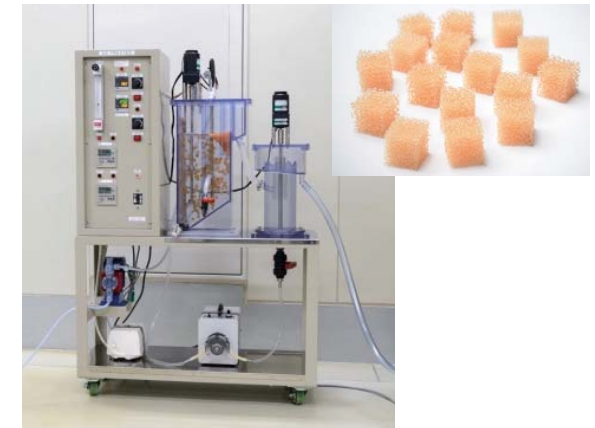
Installation of a biotreatment equipment and utilization of a member (carrier) for the biological membrane treatment



Management of nutrient fluid that leads to improvements in quality and productivity of plants



Application to a public facility



On-site demonstrations conducted with various laboratory equipment



## ◆ Enhancement of the R&D Structure for a Wide Range of Business Innovations from Packaging to Biomaterials

### Packaging



Example of the  
“Material-and-Processing Integrated Business”

Packaging of “grey board”\*

\*A new material that is made of  
recovered newspaper / magazines

Example of a  
New Application Development

NOTTE cycle rickshaw (utilization of a  
**super waterproof corrugated board**)



### Oji Nepia <Personal Care Innovation Center>

**Reconstruction and development of disposable diaper business inside/outside of Japan,**  
taking integral role in marketing and product development of disposable diaper



October 2014

Launch of redesigned “Genki!”, a pants-type  
disposable diaper for baby, with improved airflow  
→ Strong sales with sales volume increase of  
160% year-on-year

January 2015

Start of operation of a testing facility which is a trump  
of product development  
→ Strengthening of development capability with  
diverse samples and improved processing technologies



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## Films

### ◆ Establishment of a New Building of the Advanced Film Research Center

inside Oji F-Tex Shiga Mill, as a Strategic R&D Site of the Functional Materials Field



Installation of a most-advanced evaluation equipment to accelerate development of **ultrathin films** in response to growing markets of hybrid and electric vehicles, and promote development of **new functional films** such as light control films for head-up displays, non-silicon light-release films for cover films of electric/electronic devices, Japanese paper tone OPP films for food packaging, etc.



New building of the  
Advanced Film Research Center



OPP films for  
capacitor of hybrid vehicles



Non-silicon light-release films



Japanese paper tone OPP films

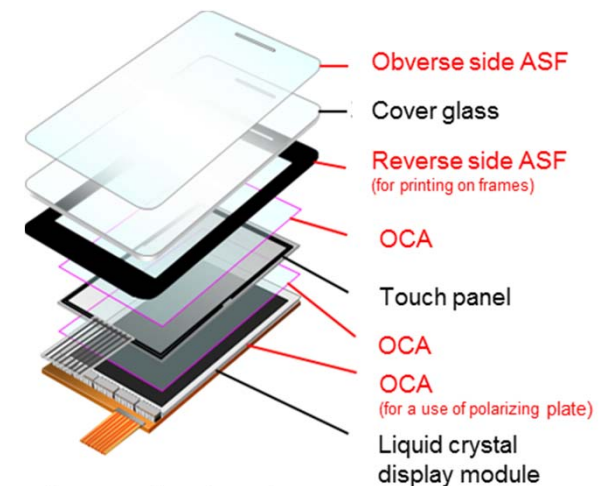
## Adhesive Products

### ◆ Development of highly functional adhesive-related products (at New Tac Kasei's Yamamoto Mill)



Various highly functional adhesive products are being developed, and especially **optically clear double-sided adhesive films (OCA)** and **anti-scattering films (ASF)** that are utilized for touch panels have been adopted in devices such as smartphones and notebook computers.

Moreover, **decorative films** and **structure adhesive tapes** are being developed to explore new markets of vehicles and building materials.



Structure of touch panels  
(examples of how products are used in it)

## CNF (Cellulose Nano-fiber)

- ◆ Development of production technologies of **continuous transparent sheet** and **slurry** of cellulose nano-fiber
  - Start of supply of samples of continuous transparent sheet with excellent optical characteristics to users all over the world
  - Expansion to wider applications such as a thickener and reinforced resin



Continuous transparent sheet



CNF slurry



## Dissolved Pulp

- ◆ Demonstration of continuous production of **dissolved pulp** and **furfural** is promoted via an “integrated, continual and efficient bio-refinery industrial process<sup>\*1\*2</sup>” that is newly introduced to pulping equipment at Oji Paper Yonago Mill

\*1: Business subject of the Ministry of Economy, Trade and Industry’s Innovation Center Establishment Assistance Program: “Subsidy for Advanced Technology Demonstration and Evaluation Facility Development”

\*2: Business subject of Tottori Prefecture’s Subsidy Program for Business Establishment, etc.

- ◆ Start of manufacturing / sales of dissolved pulp in FY2014

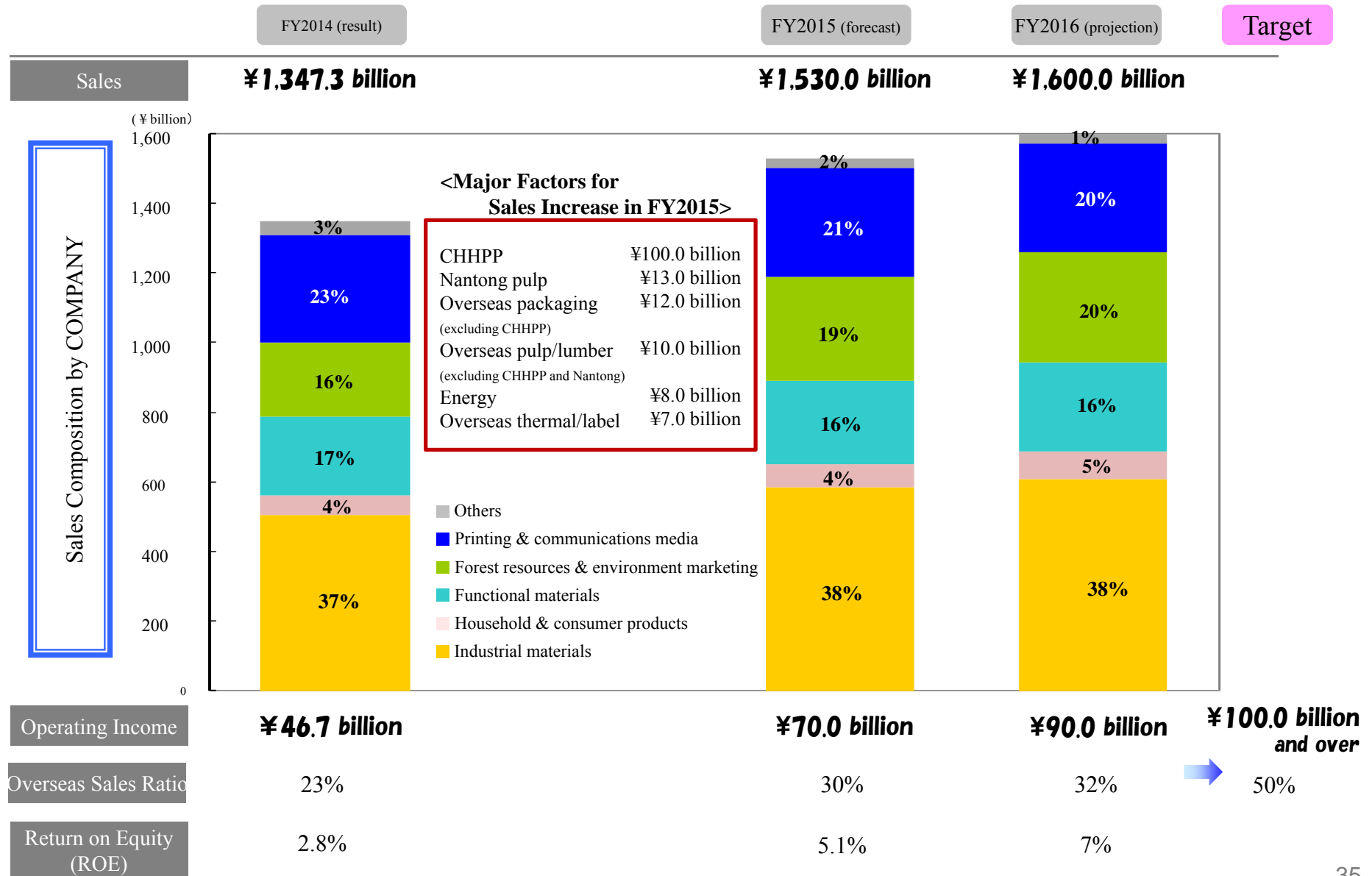


- ◆ Success in trial production of furfural using a demonstration facility  
Striving to improve productivity

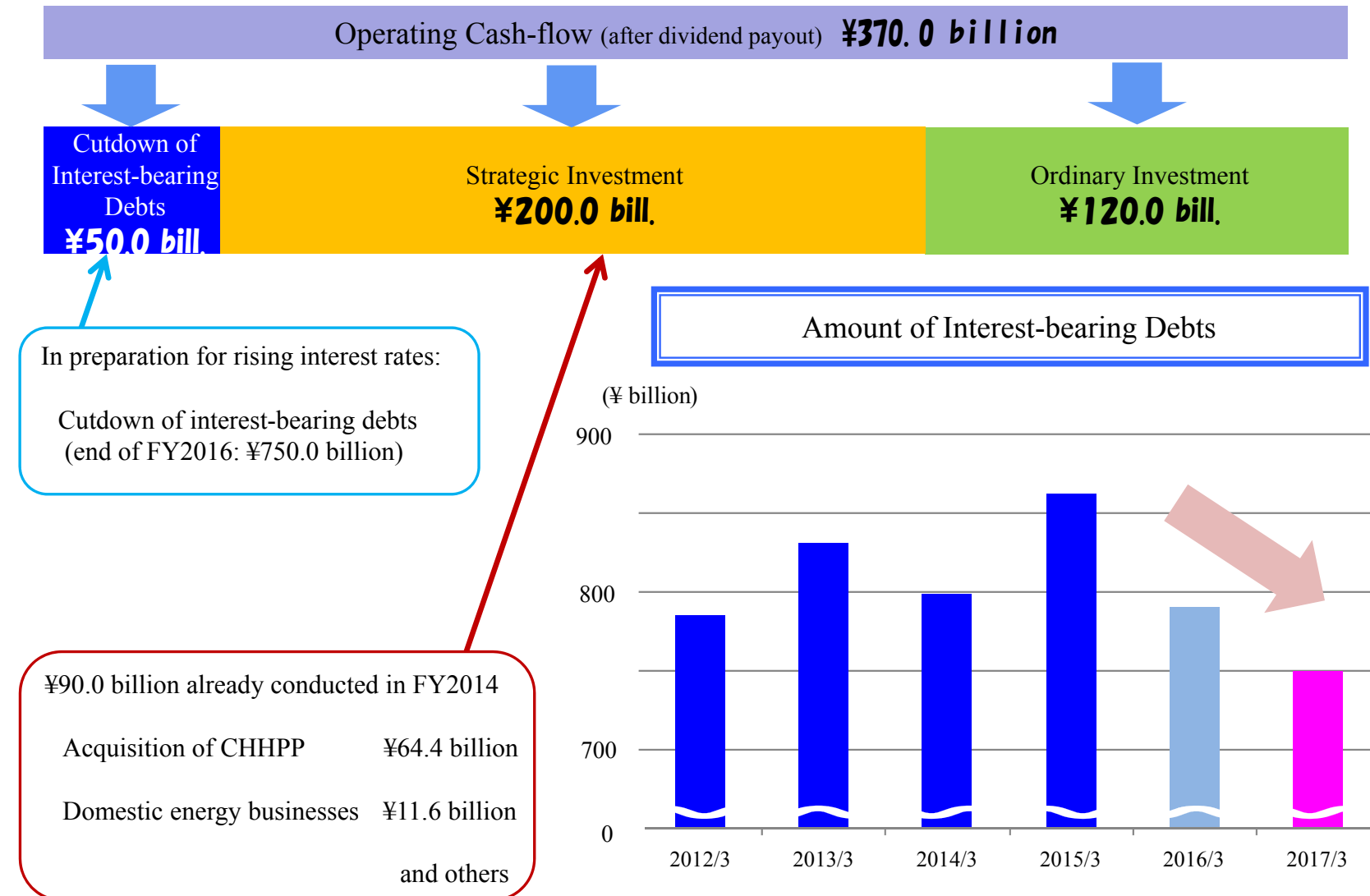


Prehydrolysis equipment





## ◇Financial Plans for FY2014~FY2016





### Promotion of Environmental Management (established in 2014)

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

Concretion  
of  
Targets

#### Responsible Raw Materials Procurement

#### Sustainable Forest Management

### FY2020 Environment Action Program

#### Limitless Challenge to Zero-environmental Burden

##### 1. Zero-emission

**\*Zero environmental accident    \*Zero product liability accident**

**\* Promotion of effective utilization of wastes**

[Domestic] Effective utilization ratio: more than 99%

[Overseas] Effective utilization ratio: more than 95%

Reduction of total volume →  
effective utilization ratio which is not  
Influenced by production volume  
Target of domestic only →  
target of both domestic and overseas

**\*Management of wastewater and exhaust gases considering ecosystem**

- Wastewater: management of wastewater considering ecosystem using aquatic life

- Exhaust gases: management of exhaust gases which include mercury, in addition to SOx and Nox, etc.

New targets for  
both domestic  
and overseas

**\*Reduction of greenhouse gases (GHG)**

[Domestic&Overseas] Reduction of GHG per unit of production by 10% relative to FY2013 level

Reduction of total volume →  
per unit of production which is not  
Influenced by production volume  
Target of domestic only →  
target of both domestic and overseas

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

- Forest certification acquisition: 100%
- Further expansion of waste paper usage

#### Responsible Raw Materials Procurement

- Pulp and wood raw materials: utilization of third-party audits
- Raw materials and chemicals: compliance also with voluntary industry standards

#### Sustainable Forest Management

- Use of forest certifications to preserve forests' multi-functions including conservation of biodiversity
- Active promotion of lumber businesses to contribute to **z** of domestic forestry and regeneration of forests
- Expansion of forest-certified products

## Forest Conservation through Promotion of Domestic Forestry

- ◆ Sustainable management is necessary for maintenance of healthy forests

### Regeneration of Forest



- ◆ Oji Group's activities

- Persuasion of neighboring landowners (public/private) for joint management of their lands, with Oji's company-owned forest as a core, to realize business scale enlargement/cost reduction
- Active implementation of forest regeneration including logging, reforestation, etc.
- Promotion of forest improvement through use of unused lumber for biomass power generation
- Expansion of sales channels through not only domestic sales but also export

**Promotion of Forest Conservation as well as  
Contribution to Making Forestry a Growing Industry**



Noda Company-owned Forest, Iwate Prefecture

- ◆ Oji Group's transaction volume of domestic log

**Present**     **640,000** m<sup>3</sup> (of which company-owned forest: 110,000m<sup>3</sup>)

(Sales scale: **¥6.2 billion**)

**Target**     **1,000,000** m<sup>3</sup> (of which company-owned forest: 150,000m<sup>3</sup>)

(Sales scale: **¥9.0 billion**)

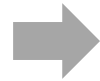


## 6. Business and Capital Alliance with Chuetsu Pulp & Paper Co., Ltd.

### (1) Capital Alliance

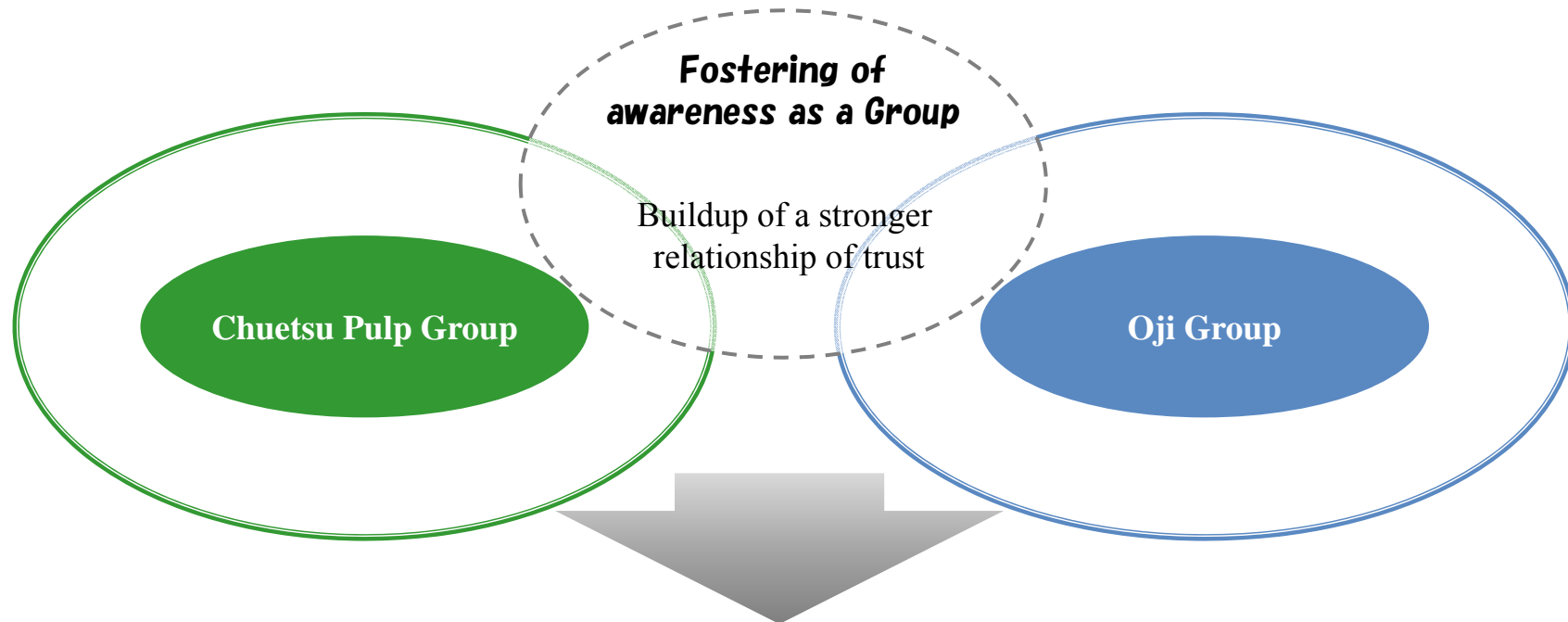
Investment ratio in  
Chuetsu Pulp & Paper

**9.26%**



**20.82%**

To become  
an equity-method affiliate



### **Improvements in investment / cash efficiencies through mutual utilization of management resources**

➤ Collaborative procurement  
of imported chip

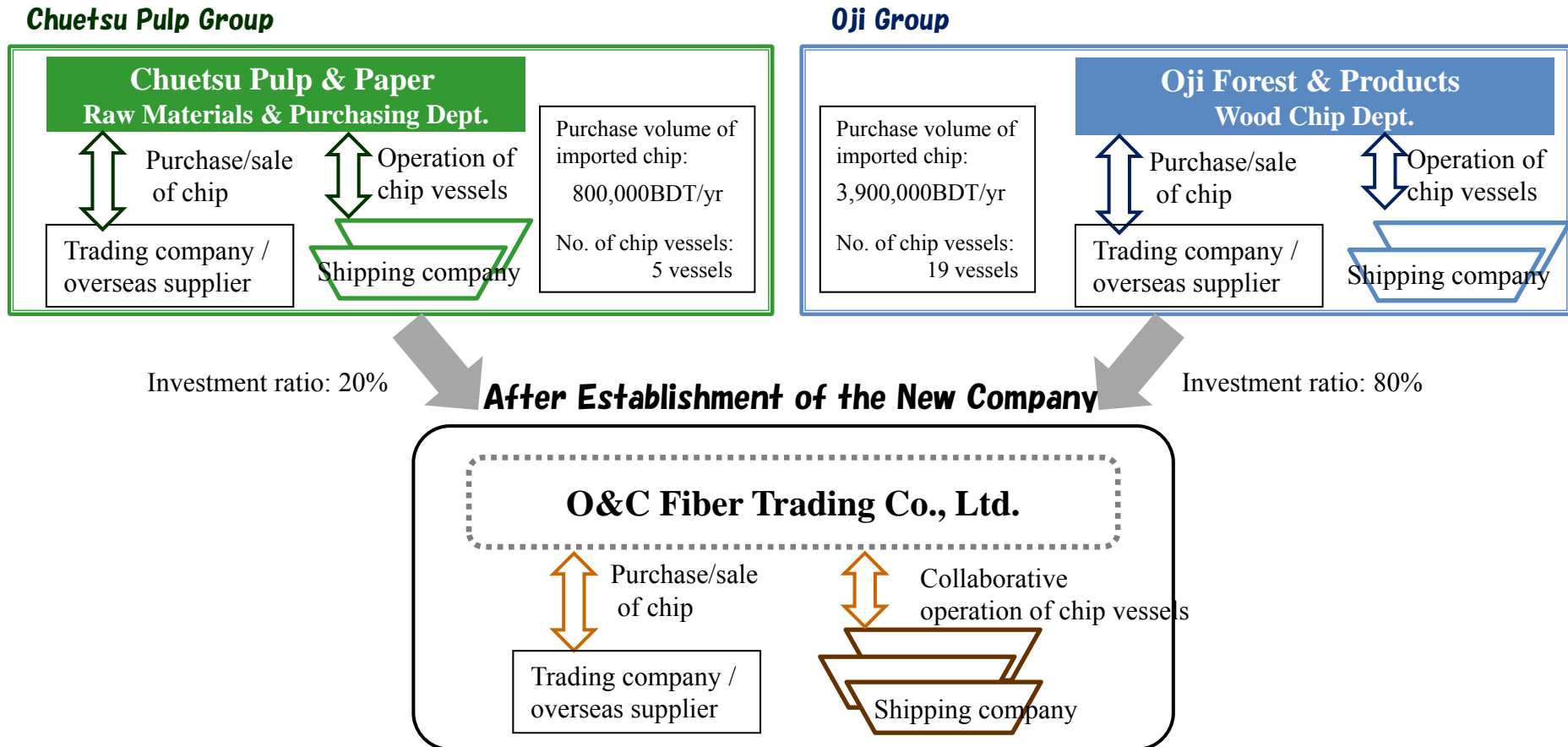
➤ Business alliances in  
growing business fields

➤ Other various  
rationalization measures

- collaborative production of high-grade boxboards
- establishment of a joint holdings company of bag-making business

## 6. Business and Capital Alliance with Chuetsu Pulp & Paper Co., Ltd.

### (2) Collaborative Procurement of Imported Chip



Integration of procurement of chip of the two companies by establishing a company for collaborative procurement



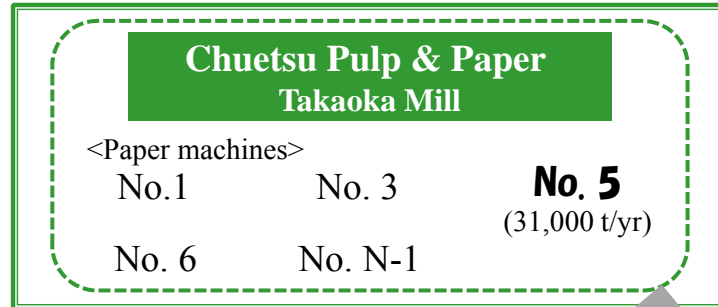
Effects  
of the Alliance

- Effective utilization of vessels through collaborative vessel allocations
- Cost reduction on raw materials through collaborative procurement
- Improvement in business efficiency

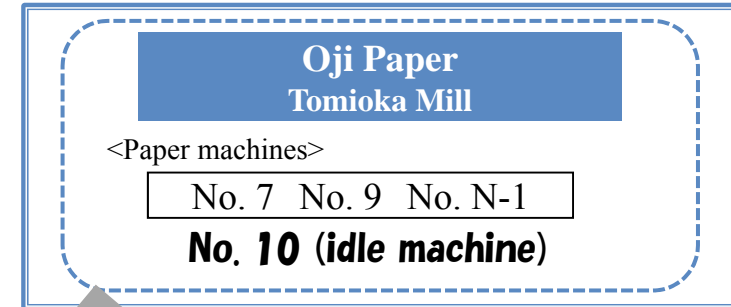
## 6. Business and Capital Alliance with Chuetsu Pulp & Paper Co., Ltd.

### (3) Collaborative Production of High-grade Boxboard

#### Chuetsu Pulp Group



#### Oji Group



Investment ratio  
(50% : 50%)

- Investment in growing fields including overseas businesses
- Consideration of restructuring of manufacturing system

#### O&C Ivory Board Co., Ltd.

- **Production** of high-grade boxboard by establishing a new joint venture
- Installation of a machine at Oji Paper Tomioka Mill (Revamp of No. 10 idle machine) starting operation in April 2017 (planned)
- Production capability: **100,000 t/yr**

- Investment in growing fields including overseas businesses
- Restructuring of a manufacturing system in response to declining demand of printing paper  
→ Consideration of permanent stoppage of No.7 and No.9 machines

Independent **sales** by each company

#### Sales by Chuetsu Pulp Group

Replacement of product of No. 5 paper machine      Expansion of export      Development of new products

#### Sales by Oji Group

Expansion of export      Development of new products

## 6. Business and Capital Alliance with Chuetsu Pulp & Paper Co., Ltd.

### (4) Business Alliance in Bag-making Business



OJI HOLDINGS

**Chuetsu Pulp & Paper**

Investment ratio: 45%

**Oji Industrial Materials Management**

Investment ratio: 55%

**O&C Paper Bag Holdings Co., Ltd.**

Expansion of overseas businesses to surrounding areas

**China** (sales amount: ¥5.0 billion)

- Shanghai Eastern Oji Packaging
- Wuhan Southern Oji Packaging
- Oji Packaging (Shanghai)
- Qingdao Oji Packaging (Oji 80%, Chuetsu Pulp 20%)

**Vietnam** (sales amount: ¥1.0 billion)

- Japan Paper Technology (VN)
- Japan Paper Technology Dong Nai (VN)

**Japan**

( sales amount: ¥24.0 billion  
market share: 15% )

- Oji Seitai
- Aomori Otai
- Kusumi Seitaisho
- Chuetsu Package
- Chuo Shiko
- Chubushiko (Oji 21%, Chuetsu Pulp 79%)
- Touhoku Chubu Shiko

Effects of the Alliance

- Restructuring of manufacturing system
- Reduction of cost on raw materials through collaborative procurement
- Expansion of overseas businesses and others

\*Business combination review of the Japan Fair Trade Commission is planned for this business alliance



### Effects of the Business Alliance (Total of the two companies)

(1) Collaborative procurement of imported chip	Collaborative vessel allocation, etc.	¥500 million/yr
(2) Collaborative production of high-grade boxboard	Sales increase to growing fields	¥2,000 million/yr
(3) Business alliance in bag-making business	Domestic: rationalization Overseas: business expansion	¥200 million/yr + $\alpha$
(4) Collaborative procurement of materials / collaborative logistic for products		¥1,500 million/yr
<b>Total: ¥4,200 million/yr + <math>\alpha</math></b>		

- In addition to the above,  
there are effects of reduction of fixed cost owing to restructuring of manufacturing system  
+  $\alpha$





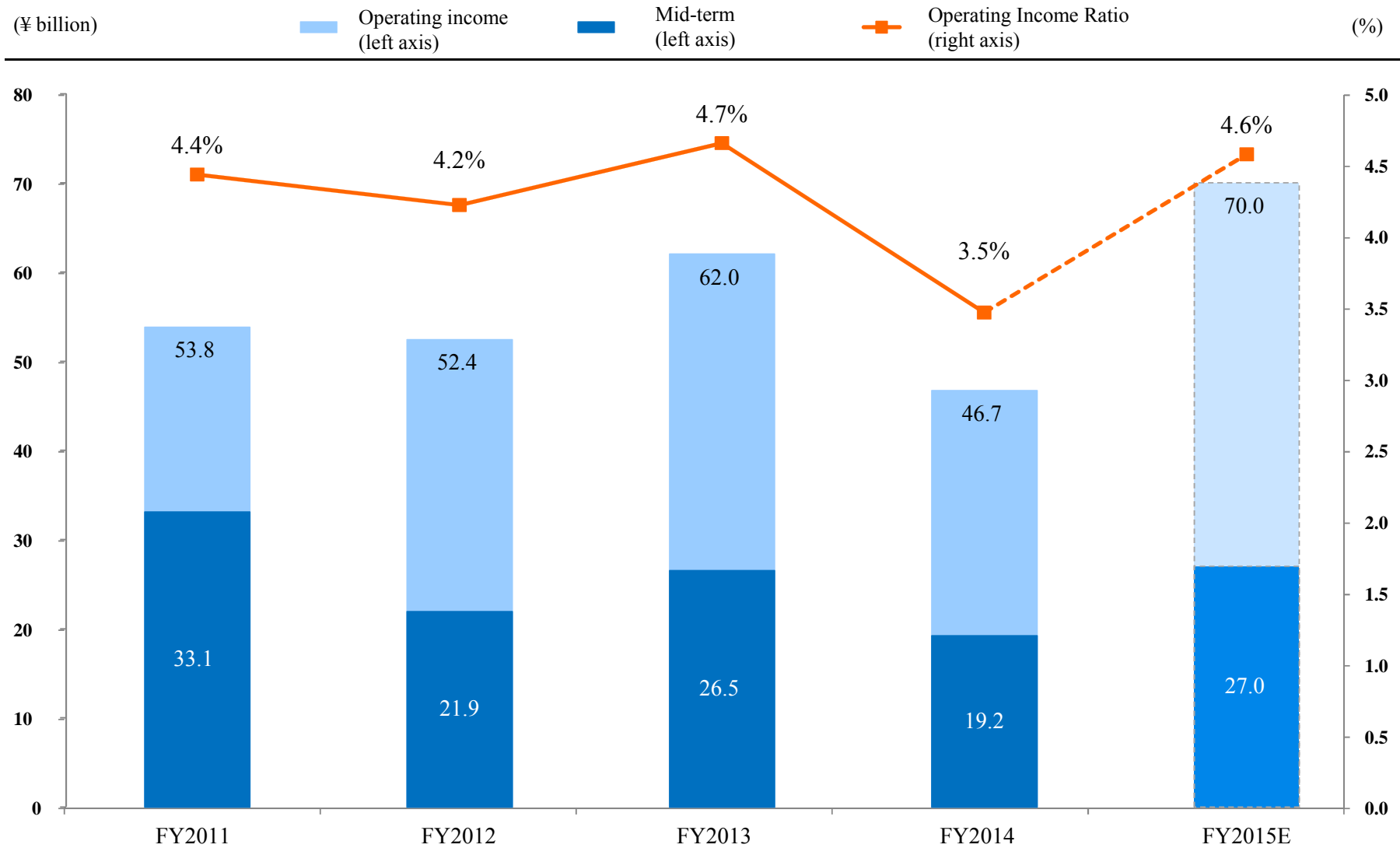
## <Reference Materials>

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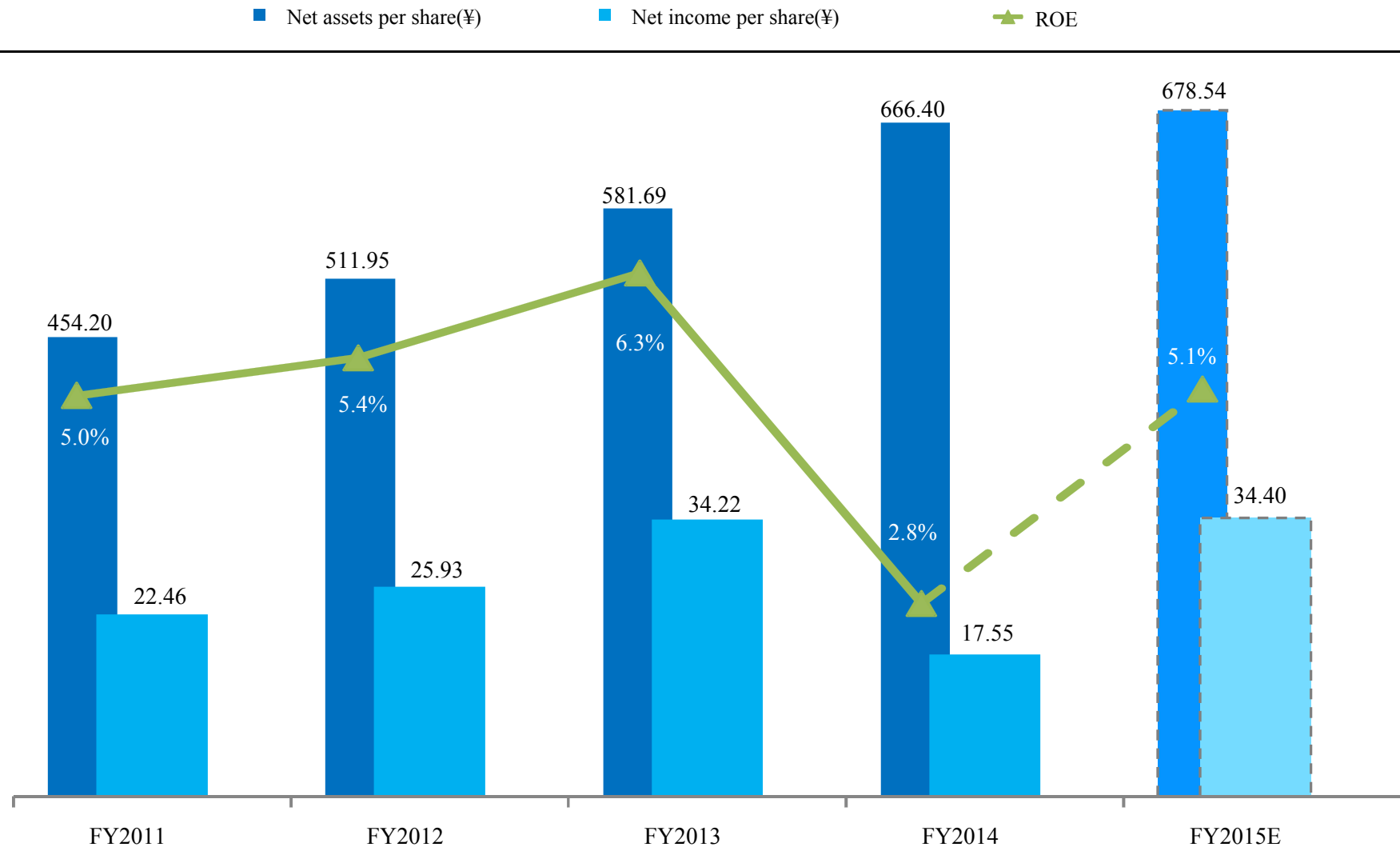
## Trends of Operating Income (consolidated)



OJI HOLDINGS

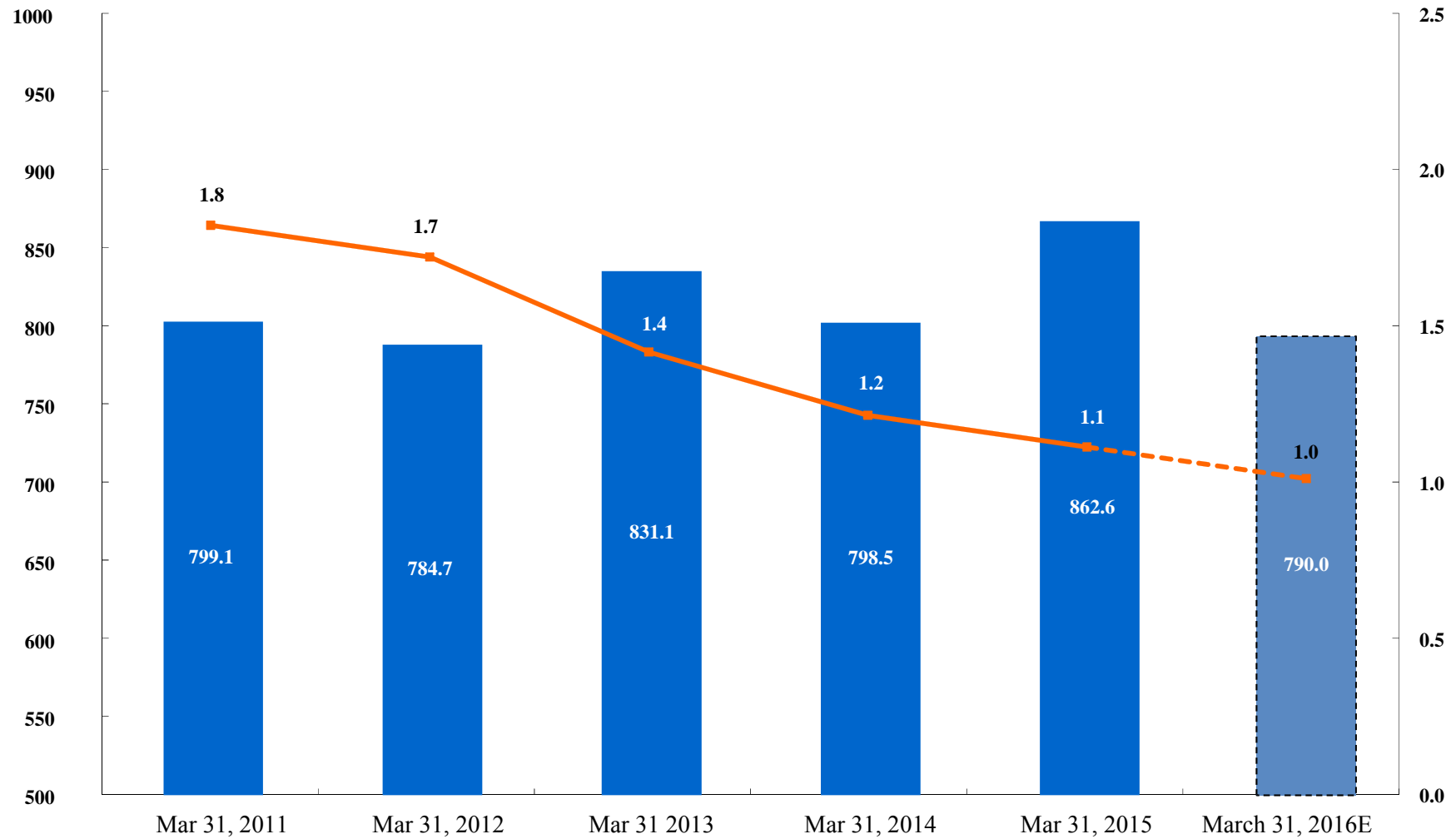


## Trends of Return on Equity (ROE)

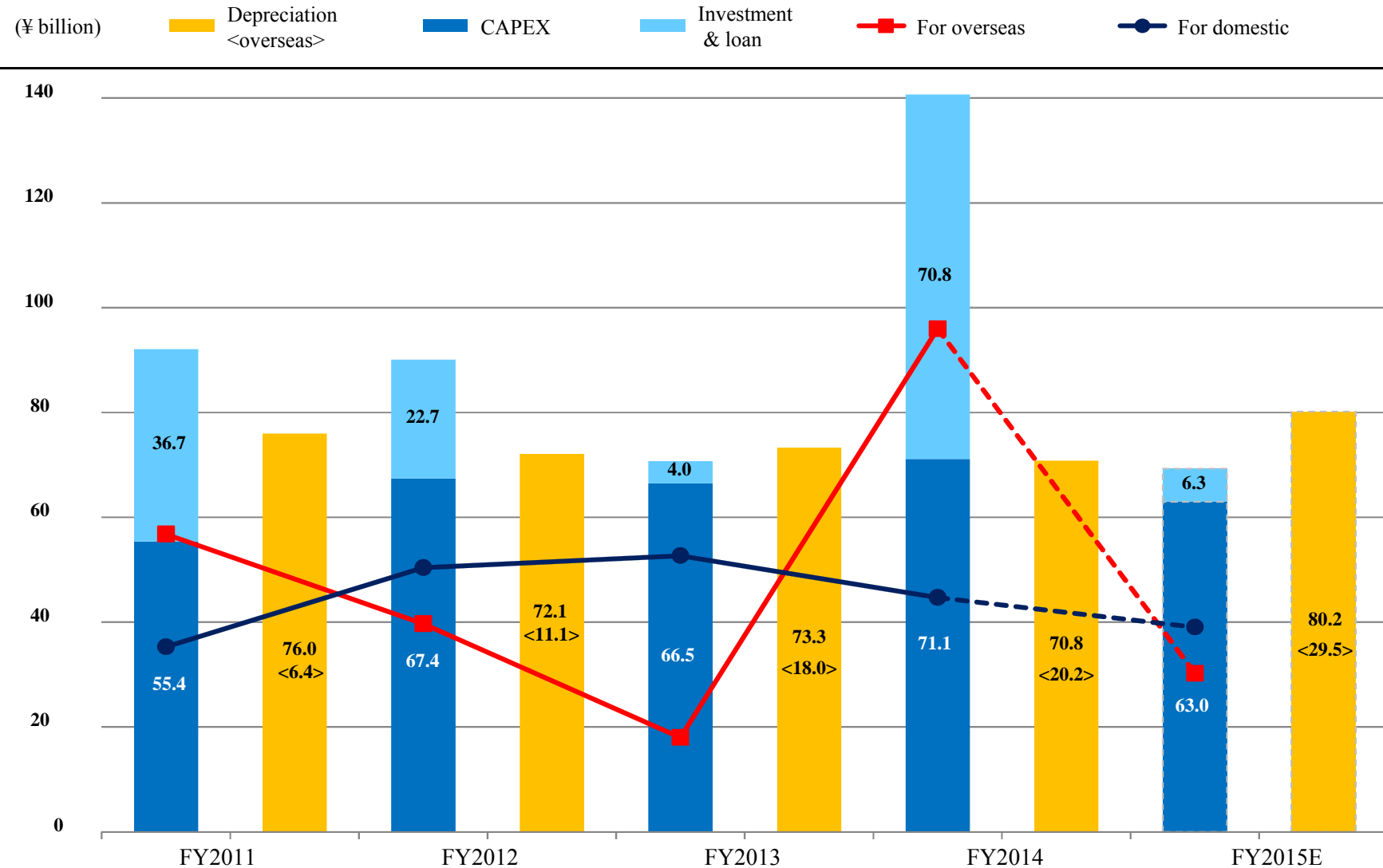


## Trends of Interest-bearing Debt (consolidated)

(¥ billion) Consolidated Interest-bearing Debt (left axis) D/E (X)



## Trends of CAPEX / Depreciation Expenses (consolidated)





## Trends of Employees

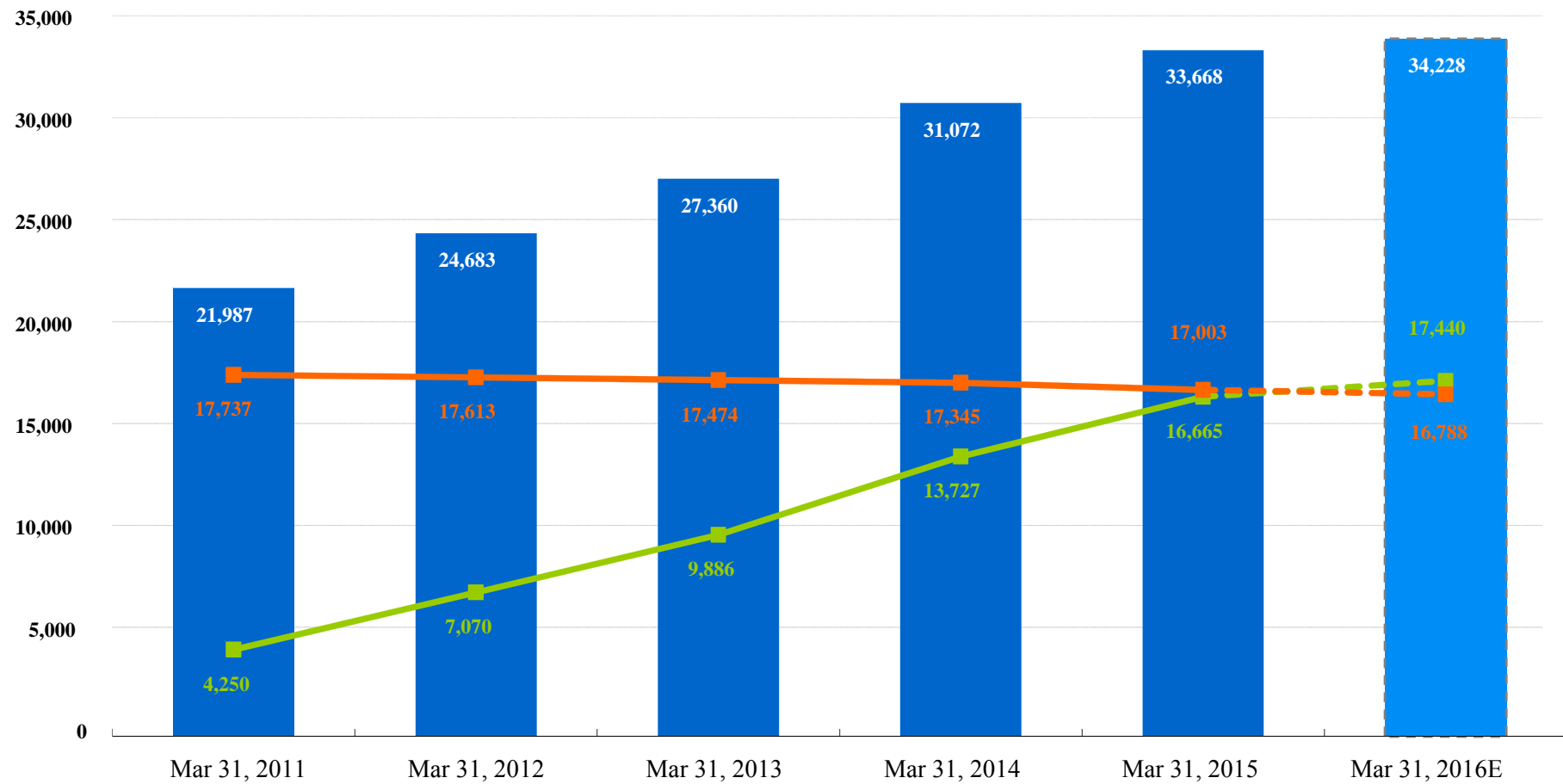


No. of  
employees

■ Employees (consolidated)

■ Overseas

■ Domestic



\*The figures do not include number of temporary employees.

	Domestic Shipments		Custom Cleared Imports <sup>*1</sup>		Total		(1,000 t)
	Year-on-Year		Year-on-Year		Year-on-Year		
Containerboard	8,721	98.4%	82	92.4%	8,803	98.3%	
Boxboard	1,561	98.5%	235	94.6%	1,796	98.0%	
Other Paperboard	656	97.8%	27	99.3%	683	97.9%	
<b>Paperboard Total</b>	<b>10,938</b>	<b>98.4%</b>	<b>343</b>	<b>94.4%</b>	<b>11,282</b>	<b>98.2%</b>	
Sanitary Paper	1,718	95.9%	174	110.5% <sup>*2</sup>	1,892	97.1%	
Packaging Paper	751	98.8%	9	96.7%	759	98.8%	
Newsprint	3,083	95.9%	50	91.0%	3,133	95.8%	
Printing/Communications Paper	7,814	94.9%	1,202	83.6%	9,015	93.3%	
Miscellaneous Paper	740	101.9%	20	100.3%	760	101.9%	
<b>Paper Total</b>	<b>14,105</b>	<b>95.8%</b>	<b>1,454</b>	<b>86.6%</b>	<b>15,559</b>	<b>94.9%</b>	
<b>Paperboard and Paper Total</b>	<b>25,044</b>	<b>96.9%</b>	<b>1,797</b>	<b>88.0%</b>	<b>26,841</b>	<b>96.3%</b>	
<b>Corrugated Containers<sup>*3</sup></b>	<b>13,519</b>	<b>98.7%</b>			<b>13,519</b>	<b>98.7%</b>	(million m <sup>2</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: Statics for customs cleared imports of paper, April 2014 ~ March 2015

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

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

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