

Summary of Consolidated Financial and Business Results for the First Nine Months of the Year Ending March 2018

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(All yen figures are rounded down to the nearest one million yen)

1. Results for the First Nine Months of the Year Ending March 31, 2018 (April 1, 2017 - December 31, 2017) (Unaudited)

(1) Consolidated Business Results

(Figures shown in percentage are ratios compared to the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Nine Months of FY2017	1,103,464	5.0	48,702	(9.3)	46,481	28.3	29,741	18.0
First Nine Months of FY2016	1,050,856	(1.9)	53,699	11.0	36,227	(21.0)	25,209	(10.6)

Note: Comprehensive income
 First Nine Months of FY2017 45,435 million yen
 First Nine Months of FY2016 (29,157) million yen

	Profit per share	Diluted profit per share
	Yen	Yen
First Nine Months of FY2017	30.09	30.06
First Nine Months of FY2016	25.50	25.48

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First Nine Months of FY2017	1,971,308	794,916	33.5	668.99
Year ended March 2017	1,901,029	759,198	33.1	635.95

Note: Shareholders' equity
 First Nine Months of FY2017 661,259 million yen
 FY2016 628,658 million yen

2. Dividend Conditions

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
FY2016	—	5.00	—	5.00	10.00
FY2017	—	5.00			
FY2017 (Forecast)			—	5.00	10.00

Note : Change in forecast of dividend … None

3. Consolidated Forecasts for the Year Ending March 2018 (April 1, 2017-March 31, 2018)

(Figures shown in percentage are ratios compared to the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,500,000	4.2	75,000	6.8	64,000	20.9	37,000	(8.1)	37.43

Note : Change in consolidated forecasts … No

4. In Addition

- (1) Changes in important subsidiaries
(changes regarding specified subsidiaries accompanying changes in the scope of consolidation) : None
- (2) Application of simple accounting methods and quarterly peculiar accounting methods : None
- (3) Changes in accounting methods compared with recent consolidated accounting periods
- | | |
|--|------|
| (i) Changes due to accounting standard changes : | None |
| (ii) Changes besides (i) : | None |
| (iii) Accounting estimate change : | None |
| (iv) Restatement : | None |
- (4) Outstanding balance of issued shares (common stock)
- | | | | |
|--|---------------|-----------------------------|---------------|
| (i) Outstanding balance of issued shares at the end of fiscal year (Including treasury shares) | | | |
| First Nine Months of FY2017 | 1,014,381,817 | FY2016 | 1,014,381,817 |
| (ii) Outstanding balance of treasury shares at the end of fiscal year | | | |
| First Nine Months of FY2017 | 25,934,735 | FY2016 | 25,843,510 |
| (iii) Weighted average number of shares during fiscal year | | | |
| First Nine Months of FY2017 | 988,493,124 | First Nine Months of FY2016 | 988,558,435 |

NOTICE

- This document is exempt from audit procedures required by Financial Instruments and Exchange Act.
- Forecasts released are based on expectations of future economic conditions as of the date of publication. The actual results may differ drastically from these forecasts due to various factors that may arise in the future.
- This document is an excerpt translation of the Japanese original and is only for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

1. Qualitative Information Concerning Business Performance and Financial Situation

(1) Qualitative Information Concerning Business Performance

Business Performance for the First Nine Months of FY2017 (April 1, 2017 - December 31, 2017)

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent	Profit Per Share
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Yen
First Nine Months of FY2017	1,103.5	48.7	46.5	29.7	30.09
First Nine Months of FY2016	1,050.9	53.7	36.2	25.2	25.50
Increase (Decrease)	52.6	(5.0)	10.3	4.5	
Increase (Decrease)	5.0%	(9.3%)	28.3%	18.0%	

Overview of Business Performance for the First Nine Months of FY2017

During the first nine months of FY 2017, the global economic condition was steady with the continued economic expansion in the US and China. Japanese economic condition continually showed a gradual recovery trend under its improving situations of company earnings and personal consumption.

Under such circumstances, Oji Group had the following business performances in the first nine months of FY2017.

- Consolidated net sales increased by 5.0% to ¥1,103.5 billion.
- Consolidated operating profit decreased by 9.3% to ¥48.7 billion due to impacts of elevated raw material and fuel prices on domestic businesses, etc.
- Consolidated ordinary profit increased by 28.3% to ¥46.5 billion due to a decrease in foreign exchange loss, etc.
- Consolidated profit attributable to owners of parent increased by 18.0% to ¥29.7 billion.

Overview of Business Performance for the First Nine Months of FY2017 by Segment

(i) Business Performance by Segment

(Unit: Billions of yen)

		Net Sales			Operating Profit		
		First Nine Months of FY2016	First Nine Months of FY2017	Increase (Decrease)	First Nine Months of FY2016	First Nine Months of FY2017	Increase (Decrease)
Reporting Segment	Household & Industrial Materials	458.1	486.8	6.3%	15.0	3.1	(79.2%)
	Functional Materials	157.6	164.1	4.1%	12.6	14.1	12.2%
	Forest Resources & Environment Marketing	191.4	218.5	14.1%	14.5	28.5	96.2%
	Printing & Communications Media	220.2	216.0	(1.9%)	4.5	(3.4)	—
	Total	1,027.3	1,085.3	5.7%	46.6	42.3	(9.1%)
Others		198.4	208.5	5.1%	6.7	6.4	(4.1%)
Total		1,225.6	1,293.9	5.6%	53.2	48.7	(8.5%)
Adjustment (*)		(174.8)	(190.4)		0.5	(0.0)	
Consolidated total		1,050.9	1,103.5	5.0%	53.7	48.7	(9.3%)

*Adjustment amount is mainly the adjustment concerning internal transactions.

(ii) Overview of Business Performance by Segment

Oji Group has four reporting segments which are: "Household and Industrial Materials", "Functional Materials", "Forest Resources and Environment Marketing" and "Printing and Communications Media".

Business segments that are not included in the reporting segments are put together as "Others".

Major business lineup for each segment is as follows.

- Household and Industrial Materials:
Containerboard, corrugated containers, boxboard/packing paper, folding cartons/paper bags, household paper, disposable diapers
- Functional Materials:
Specialty paper, thermal paper, adhesive materials, film
- Forest Resources and Environment Marketing:
Pulp, energy, lumber
- Printing and Communications Media:
Newsprint, printing/publication/communication paper
- Others:
Real estate, engineering, wholesale business, logistics, etc.

○ Household and Industrial Materials

In the first nine months of FY2017, net sales were ¥486.8 billion (year-on-year increase of 6.3%); and operating income was ¥3.1 billion (year-on-year decrease of 79.2%) as a result of impacts of elevated raw material and fuel prices.

Regarding domestic businesses, sales volume of containerboard and corrugated containers increased from the previous year as sales of those for customers of greengrocery, beverage and processed food industries as well as e-commerce strongly performed.

Sales volume of boxboard increased from the previous year due to strong domestic sales and export to Southeast Asia. Sales volume of packing paper increased in domestic sales but decreased in export.

As for disposable diapers, sales volume of baby disposable diapers was almost at the same level as the previous year in Japan. Sales volume of adult disposable diapers increased. Household paper business which comprises tissue paper and toilet rolls steadily performed and its sales volume increased.

Regarding overseas businesses, sales of containerboard remained steady and that of corrugated sheet and container, mainly for customers of beverage and processed food industries, recorded healthy in Southeast Asia. Sales volume of disposable diapers significantly increased from the previous year with the start of full-scale local production/sales in Southeast Asia and the earnest market entry into China through the establishment of a local sales organization.

○ Functional Materials

In the first nine months of FY2017, net sales were ¥164.1 billion (year-on-year increase of 4.1%); and operating profit was ¥14.1 billion (year-on-year increase of 12.2%) as a result of cost reduction effects and other factors.

Regarding domestic businesses, sales volume of specialty paper in Japan increased from the previous year due to efforts made for development of new products and customers coupled with increased adoption of film and release paper products used for smartphone manufacturing process and of medical-related products thanks to the inbound tourism demands. Export sales of specialty paper increased from the previous year due to sales expansion of release paper products such as those used for artificial leather manufacturing process. Domestic sales of thermal paper steadily performed.

Regarding overseas businesses, Tele-Paper (M) Sdn. Bhd., a newly consolidated subsidiary in Malaysia, played a part in enhancing the result and sales of thermal paper steadily performed in South America.

○Forest Resources and Environment Marketing

In the first nine months of FY2017, net sales were ¥218.5 billion (year-on-year increase of 14.1%); and operating profit was ¥28.5 billion (year-on-year increase of 96.2%) due to rise in pulp market and other factors.

Regarding domestic businesses, sales volume of dissolving pulp increased from the previous year due to strong sales mainly for export. Energy business steadily performed and its sales volume was almost at the same level as the previous year.

Regarding overseas businesses, sales volume of pulp business increased due to strong sales at Celulose Nipo-Brasileira S.A. Sales volume of lumber business increased from the previous year due to strong sales at Pan Pac Forest Products Ltd.

○Printing and Communications Media

In the first nine months of FY2017, net sales were ¥216.0 billion (year-on-year decrease of 1.9%); and operating loss was ¥3.4 billion (year on-year decrease of ¥7.9 billion) due to impacts of elevated raw material and fuel prices that outweighed the positive generated by cost reduction measures.

Regarding domestic businesses, sales volume of newsprint decreased from the previous year due to reduced circulation and total number of pages.

As for printing and communication paper, sales volume was almost at the same level as the previous year, but sales amount decreased because of the fall in market.

Regarding overseas businesses, a steady increase in sales of printing paper at Jiangsu Oji Paper resulted in an increase in sales volume relative to the previous year.

Consolidated quarterly balance sheets

	(Unit : Millions of yen)	
	FY2016	First Nine Months /
		FY2017
	Mar 31,2017	Dec 31,2017
Assets		
Current assets		
Cash and deposits	43,833	50,821
Notes and accounts receivable - trade	292,780	321,949
Securities	9,787	12,136
Merchandise and finished goods	93,973	99,894
Work in process	18,215	20,533
Raw materials and supplies	78,992	86,011
Other	43,729	45,489
Allowance for doubtful accounts	(1,613)	(1,456)
Total current assets	<u>579,698</u>	<u>635,380</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	207,271	203,993
Machinery, equipment and vehicles, net	383,471	363,359
Land	237,328	235,034
Other, net	242,053	256,593
Total property, plant and equipment	<u>1,070,124</u>	<u>1,058,980</u>
Intangible assets		
Goodwill	9,503	10,871
Other	12,169	11,717
Total intangible assets	<u>21,673</u>	<u>22,589</u>
Investments and other assets		
Investment securities	152,384	171,226
Other	78,867	85,050
Allowance for doubtful accounts	(1,719)	(1,917)
Total investments and other assets	<u>229,532</u>	<u>254,359</u>
Total non-current assets	<u>1,321,330</u>	<u>1,335,928</u>
Total assets	<u>1,901,029</u>	<u>1,971,308</u>

	(Unit : Millions of yen)	
	FY2016	First Nine Months / FY2017
	Mar 31,2017	Dec 31,2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	205,147	249,784
Short-term loans payable	178,480	176,593
Commercial papers	2,000	41,000
Current portion of bonds	40,000	40,000
Income taxes payable	9,385	7,552
Provision	5,212	3,612
Other	87,516	77,950
Total current liabilities	<u>527,742</u>	<u>596,493</u>
Non-current liabilities		
Bonds payable	80,000	40,000
Long-term loans payable	376,835	372,651
Provision	8,043	7,314
Net defined benefit liability	54,123	55,603
Other	95,087	104,329
Total non-current liabilities	<u>614,089</u>	<u>579,898</u>
Total liabilities	<u>1,141,831</u>	<u>1,176,392</u>
Net assets		
Shareholders' equity		
Capital stock	103,880	103,880
Capital surplus	112,455	112,045
Retained earnings	350,676	371,248
Treasury shares	(14,394)	(14,456)
Total shareholders' equity	<u>552,618</u>	<u>572,717</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,075	44,300
Deferred gains or losses on hedges	(729)	17
Revaluation reserve for land	5,921	5,912
Foreign currency translation adjustment	31,908	30,180
Remeasurements of defined benefit plans	4,863	8,131
Total accumulated other comprehensive income	<u>76,039</u>	<u>88,542</u>
Subscription rights to shares	266	258
Non-controlling interests	<u>130,273</u>	<u>133,398</u>
Total net assets	<u>759,198</u>	<u>794,916</u>
Total liabilities and net assets	<u>1,901,029</u>	<u>1,971,308</u>

Consolidated quarterly statements of income

(Unit : Millions of yen)

	First Nine Months / FY2016 Apr '16 - Dec '16	First Nine Months / FY2017 Apr '17 - Dec '17
Net sales	1,050,856	1,103,464
Cost of sales	804,858	853,196
Gross profit	245,997	250,268
Selling, general and administrative expenses		
Freightage related expenses	104,859	110,144
Other	87,437	91,420
Total selling, general and administrative expenses	192,297	201,565
Operating profit	53,699	48,702
Non-operating income		
Interest income	788	1,134
Dividend income	2,737	2,403
Foreign exchange gains	—	1,456
Share of profit of entities accounted for using equity method	1,099	804
Other	3,476	3,363
Total non-operating income	8,102	9,162
Non-operating expenses		
Interest expenses	5,342	5,133
Foreign exchange losses	15,477	—
Other	4,755	6,249
Total non-operating expenses	25,575	11,382
Ordinary profit	36,227	46,481
Extraordinary income		
Gain on sales of non-current assets	6,993	4,042
Other	2,003	814
Total extraordinary income	8,997	4,856
Extraordinary losses		
Loss on disaster	175	2,033
Loss on retirement of non-current assets	1,279	1,177
Other	2,922	1,107
Total extraordinary losses	4,377	4,318
Profit before income taxes	40,847	47,019
Income taxes - current	9,270	11,110
Income taxes - deferred	6,553	1,495
Total income taxes	15,823	12,605
Profit	25,023	34,413
Profit (loss) attributable to non-controlling interests	(185)	4,672
Profit attributable to owners of parent	25,209	29,741

Consolidated quarterly statements of comprehensive income

	(Unit : Millions of yen)	
	First Nine Months / FY2016 Apr '16 - Dec '16	First Nine Months / FY2017 Apr '17 - Dec '17
Profit	25,023	34,413
Other comprehensive income		
Valuation difference on available-for-sale securities	10,444	9,655
Deferred gains or losses on hedges	(29)	748
Foreign currency translation adjustment	(66,285)	(4,468)
Remeasurements of defined benefit plans, net of tax	1,672	3,309
Share of other comprehensive income of entities accounted for using equity method	16	1,775
Total other comprehensive income	<u>(54,181)</u>	<u>11,021</u>
Comprehensive income	<u>(29,157)</u>	<u>45,435</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(9,786)	42,618
Comprehensive income attributable to non-controlling interests	(19,371)	2,816