

Summary of Consolidated Financial and Business Results for the First Nine Months of the Year Ending March 2021

Company Name: **Oji Holdings Corporation** (Code No. 3861 Tokyo Stock Exchange)
 URL: <https://www.ojiholdings.co.jp/>
 Representative: Masatoshi Kaku, President & Chief Executive Officer
 Contact: Ryuichi Kisaka, Director of the Board, Senior Executive Officer
 Telephone: 03-3563-1111 +81-3-3563-1111(overseas)

(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, 2021 (April 1, 2020 - December 31, 2020) (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 FY2020	1,003,755	(11.5)	55,846	(34.2)	47,676	(39.5)	26,146	(44.8)
First Nine Months of FY2019	1,134,443	(3.1)	84,863	2.1	78,807	0.9	47,382	22.0

Note: Comprehensive income
 First Nine Months of FY2020 18,927 million yen
 First Nine Months of FY2019 31,909 million yen

	Profit per share	Diluted profit per share
	Yen	Yen
First Nine Months of FY2020	26.41	26.39
First Nine Months of FY2019	47.87	47.84

(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 FY2020	1,895,421	812,369	36.9	705.43
Year ended March 2020	1,885,280	831,657	36.7	699.12

Note: Shareholders' equity
 First Nine Months of FY2020 698,633 million yen
 FY2019 692,135 million yen

2. Cash Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2019	—	7.00	—	7.00	14.00
FY2020	—	7.00	—		
FY2020 (Forecast)				7.00	14.00

Note : Change in forecast of dividend ... None

3. Consolidated Forecasts for the Year Ending March 2021 (April 1, 2020-March 31, 2021)

(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	1,350,000	(10.5)	70,000	(34.0)	60,000	(40.8)	35,000	(39.8)	35.35

Note : Change in consolidated forecasts ... No

4. Notes

- (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 FY2020 | 1,014,381,817 | FY2019 | 1,014,381,817 |
| (ii) Outstanding balance of treasury shares at the end of fiscal year | | | |
| First Nine Months of FY2020 | 24,015,079 | FY2019 | 24,368,163 |
| (iii) Weighted average number of shares during fiscal year | | | |
| First Nine Months of FY2020 | 990,176,789 | First Nine Months of FY2019 | 989,810,583 |

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 FY2020 (April 1, 2020 - December 31, 2020)

	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 FY2020	1,003.8	55.8	47.7	26.1	26.41
First Nine Months of FY2019	1,134.4	84.9	78.8	47.4	47.87
Increase (Decrease)	(130.7)	(29.0)	(31.1)	(21.2)	
Increase (Decrease)	(11.5%)	(34.2%)	(39.5%)	(44.8%)	

The Oji Group has set "Profitability Improvement of Domestic Business", "Expansion of Overseas Business" and "Promotion of Innovation" as the fundamental policies of its FY2019-2021 Medium-term Management Plan. Through "Contribution to a Sustainable Society", we aim to become a global corporate group which stably maintains consolidated operating profit of more than ¥100.0 billion.

Based on the fundamental policies, in the domestic business, we have focused on restructuring our production system to respond to the structural changes in demand, and worked to improve capital efficiency while concentrating management resources on promising businesses to strengthen our ability to generate cash flow. In regard to overseas business, we have organically expanded the existing operations by expanding the number of overseas operations as well as developing new businesses utilizing existing infrastructure. We have also worked to create synergies among our businesses as well as operations.

Although the worldwide spread of the Coronavirus Disease 2019 (COVID-19) has subsided in some countries and regions, there are many countries and regions where the spread of the virus has not stopped, and there is still no prospect for economic recovery.

Meanwhile, we expect the demand to recover at a moderate pace as economic activities resume while preventing the spread of COVID-19. We will continue to steadily implement various measures in line with our group management strategy, and strive to strengthen profitability and enhance our corporate value over the medium-to long-term.

Consolidated net sales for the first nine months of FY2020 decreased by ¥130.7 billion to ¥1,003.8 billion (year-on-year decrease of 11.5%) as both domestic and overseas businesses were affected by the spread of COVID-19. Overseas sales ratio decreased by 0.9 points from the previous year to 28.3%.

Consolidated operating profit decreased by ¥29.0 billion to ¥55.8 billion (year-on-year decrease of 34.2%) in both domestic and overseas businesses. Ordinary profit decreased by ¥31.1 billion to ¥47.7 billion (year-on-year decrease of 39.5%).

Profit before taxes decreased by ¥32.0 billion to ¥46.5 billion (year-on-year decrease of 40.7%), and profit attributable to owners of parent decreased by ¥21.2 billion to ¥26.1 billion (year-on-year decrease of 44.8%).

Overview of Business Performance for the First Nine Months of FY2020 by Segment

(i) Business Performance by Segment

(Unit: Billions of yen)

		Net Sales			Operating Profit(Loss)		
		First Nine Months of FY2019	First Nine Months of FY2020	Increase (Decrease)	First Nine Months of FY2019	First Nine Months of FY2020	Increase (Decrease)
Reporting Segment	Household & Industrial Materials	514.8	478.3	(7.1%)	31.7	25.9	(18.3%)
	Functional Materials	160.4	134.9	(15.9%)	11.0	8.1	(26.3%)
	Forest Resources & Environment Marketing	219.2	180.9	(17.5%)	26.7	10.9	(59.2%)
	Printing & Communications Media	222.4	180.0	(19.1%)	7.9	5.5	(30.0%)
	Total	1,116.9	974.1	(12.8%)	77.3	50.4	(34.8%)
Others		218.1	199.8	(8.4%)	6.9	4.8	(30.9%)
Total		1,334.9	1,173.9	(12.1%)	84.2	55.2	(34.4%)
Adjustment (*)		(200.5)	(170.1)		0.7	0.6	
Consolidated total		1,134.4	1,003.8	(11.5%)	84.9	55.8	(34.2%)

*Adjustment is mainly those concerning internal transactions.

(ii) Overview of Business Performance by Segment

The Oji Group's four reporting segments are: "Household and Industrial Materials", "Functional Materials", "Forest Resources and Environment Marketing", and "Printing and Communications Media". Each of the reporting segment consists of those that are recognized to be similar in terms of economic characteristics, manufacturing methods or processes of products, markets in which products are sold, and types of customers, among the constituent units of the Oji Group.

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

Major business lineup for the segments are as follows.

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

○Household and Industrial Materials

In the first nine months of FY2020, net sales amounted to ¥478.3 billion (year-on-year decrease of 7.1%), and operating profit was ¥25.9 billion (year-on-year decrease of 18.3%) due to a decrease in sales in both domestic and overseas businesses.

Regarding domestic business, domestic sales volume of containerboard and corrugated containers decreased from the previous year due to the restriction on economic activity caused by the spread of COVID-19, whereas sales for processed food packaging and e-commerce industry performed steadily as a result of a trend of staying home. Export sales volume of containerboard increased from the previous year.

As for boxboard, domestic sales volume decreased from the previous year due in part to a decrease in demand for souvenirs and gifts on account of the trends of staying home and refraining from holding events. As for packing paper, domestic sales volume decreased from the previous year as a demand for paper bags and heavy-duty paper sacks for industrial products declined due in part to the trend of staying home and the restriction on economic activity.

As for disposable diapers for babies, domestic sales volume decreased, but export sales volume increased. As a result, overall sales volume increased from the previous year. Sales volume of disposable diapers for adults decreased from the previous year. As for household paper which comprises tissue paper and toilet rolls, sales volume remained static from the previous year as sales for professional-use products declined due to the economic stagnation caused by the spread of COVID-19, while sales of kitchen towels increased as the use of disposable wipes has diversified due to a greater hygiene awareness accompanying the spread of COVID-19. As for processed goods, such as wet wipes and face masks, both sales volume and sales amount increased significantly from the previous year due to growing demand accompanying the spread of COVID-19.

Regarding overseas business, in containerboard business, sales volume in Southeast Asia decreased from the previous year due to the economic stagnation caused by the spread of COVID-19. In Oceania, sales volume remained static from the previous year despite the impact of the spread of COVID-19. As for corrugated container business, in Southeast Asia, sales volume increased from the previous year due to strong sales of those for medical rubber gloves, while sales amount decreased from the previous year due to weakening market conditions. In Oceania, sales volume increased from the previous year both in New Zealand and Australia.

As for disposable diaper business, sales volume increased significantly from the previous year, due to the introduction of the new packaging design of Doraemon in China, and our continual efforts for sales expansion to convenience stores in Indonesia, although sales volume decreased from the previous year in Malaysia, due to sluggish sales at retail stores as a result of the trend of staying home in response to the spread of COVID-19.

○Functional Materials

In the first nine months of FY2020, net sales amounted to ¥134.9 billion (year-on-year decrease of 15.9%), and operating profit was ¥8.1 billion (year-on-year decrease of 26.3%) due to a decrease in sales of products in both domestic and overseas businesses.

Regarding domestic business, as for specialty paper, sales volume for tickets and souvenirs decreased due to a decline in the number of tourists visiting Japan and decrease in events caused by the spread of COVID-19, although demand for some products including environmentally friendly vehicles and smartphones has shown signs of recovery. As a result, overall sales volume decreased from the previous year. Sales volume of thermal paper decreased from the previous year as sales for POS decreased due in part to the trend of staying home.

Regarding overseas business, our sales of products were affected by implementation of stay-at-home order and the economic stagnation caused by the spread of COVID-19. As for thermal paper, sales volume decreased in North America, South America and Southeast Asia from the previous year due in part to a decrease in demand for POS and tickets, but increased in Europe from the previous year as a result of customers' trends to secure inventories.

○Forest Resources and Environment Marketing

In the first nine months of FY2020, net sales amounted to ¥180.9 billion (year-on-year decrease of 17.5%), and operating profit was ¥10.9 billion (year-on-year decrease of 59.2%) due to a decrease in sales of products in both domestic and overseas businesses, and effects of weakening overseas pulp market.

Regarding domestic business, sales volume of pulp business decreased from the previous year mainly because of a decrease in the export volume of dissolving pulp to China due to the economic stagnation caused by the spread of COVID-19. Sales volume of energy business increased from the previous year since MPM Oji Eco-Energy Co., Ltd, a biomass power generation facility which started operation in Hachinohe City, Aomori Prefecture, in September 2019, contributed to the increase throughout the period.

Regarding overseas business, sales volume of pulp business decreased from the previous year, due to a decrease in demand in China and other countries caused by the economic stagnation caused by the spread of COVID-19.

○Printing and Communications Media

In the first nine months of FY2020, net sales amounted to ¥180.0 billion (year-on-year decrease of 19.1%), and operating profit was ¥5.5 billion (year on-year decrease of 30.0%) due to a decrease in sales of products in both domestic and overseas businesses.

Regarding domestic business, sales volume of newsprint decreased from the previous year due to the reduced circulation and total pagination as a result of the economic stagnation caused by the spread of COVID-19.

As for printing paper, sales volume decreased significantly from the previous year due to the economic stagnation caused by the spread of COVID-19. In regard to those for publication use, sales volume decreased mainly due to reduced circulation and total number of pages of women's magazines, travel magazines, sports magazines, etc., though there was an increase in demand for comic books accompanying the release of hit series and the trend of staying home. In regard to those for commercial printing use, sales volume decreased significantly due to a decrease in demand for catalogs, posters, flyers, etc. as a result of the trend of refraining from attracting customers and holding events.

As for communication paper, sales volume decreased from the previous year due to a decrease in demand in offices as a result of the spread of working from home.

Regarding overseas businesses, at Jiangsu Oji Paper Co., Ltd., sales volume of printing paper decreased from the previous year mainly as the demand for commercial printing, including advertising, decreased both in China and abroad because of the economic stagnation caused by the spread of COVID-19.

Consolidated quarterly balance sheets

(Unit : Millions of yen)

	FY2019	First Nine Months /
	Mar 31,2020	FY2020
		Dec 31,2020
Assets		
Current assets		
Cash and deposits	73,943	103,051
Notes and accounts receivable - trade	301,682	300,401
Securities	10,381	6,426
Merchandise and finished goods	98,483	81,462
Work in process	23,467	17,778
Raw materials and supplies	94,946	92,644
Other	39,390	40,102
Allowance for doubtful accounts	(1,811)	(1,806)
Total current assets	<u>640,484</u>	<u>640,061</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	188,286	191,862
Machinery, equipment and vehicles, net	297,632	292,495
Land	235,700	238,653
Other, net	294,174	303,578
Total property, plant and equipment	<u>1,015,794</u>	<u>1,026,589</u>
Intangible assets		
Goodwill	4,672	3,210
Other	8,388	8,779
Total intangible assets	<u>13,060</u>	<u>11,990</u>
Investments and other assets		
Investment securities	150,831	151,734
Other	66,020	65,943
Allowance for doubtful accounts	(910)	(897)
Total investments and other assets	<u>215,941</u>	<u>216,780</u>
Total non-current assets	<u>1,244,796</u>	<u>1,255,360</u>
Total assets	<u>1,885,280</u>	<u>1,895,421</u>

(Unit : Millions of yen)

	FY2019	First Nine Months /
	Mar 31,2020	FY2020
		Dec 31,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	209,669	212,434
Short-term borrowings	172,027	136,145
Commercial papers	14,000	—
Current portion of bonds payable	20,000	—
Income taxes payable	22,984	6,478
Provisions	3,627	3,663
Other	90,668	92,360
Total current liabilities	532,976	451,083
Non-current liabilities		
Bonds payable	80,000	120,000
Long-term borrowings	295,647	364,014
Provisions	5,096	5,118
Retirement benefit liability	54,213	54,987
Other	85,690	87,849
Total non-current liabilities	520,647	631,969
Total liabilities	1,053,623	1,083,052
Net assets		
Shareholders' equity		
Share capital	103,880	103,880
Capital surplus	110,750	109,287
Retained earnings	457,568	469,597
Treasury shares	(13,577)	(13,407)
Total shareholders' equity	658,623	669,358
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,004	24,792
Deferred gains or losses on hedges	(957)	1,082
Revaluation reserve for land	5,813	5,827
Foreign currency translation adjustment	2,390	(6,897)
Remeasurements of defined benefit plans	5,261	4,469
Total accumulated other comprehensive income	33,512	29,275
Share acquisition rights	216	201
Non-controlling interests	139,305	113,534
Total net assets	831,657	812,369
Total liabilities and net assets	1,885,280	1,895,421

Consolidated quarterly statements of income

(Unit : Millions of yen)

	First Nine Months / FY2019 Apr '19 - Dec '19	First Nine Months / FY2020 Apr '20 - Dec '20
Net sales	1,134,443	1,003,755
Cost of sales	857,246	768,417
Gross profit	<u>277,196</u>	<u>235,337</u>
Selling, general and administrative expenses		
Freight and incidental costs	106,142	97,072
Employees' salaries	38,787	38,604
Other	47,402	43,813
Total selling, general and administrative expenses	<u>192,332</u>	<u>179,491</u>
Operating profit	<u>84,863</u>	<u>55,846</u>
Non-operating income		
Interest income	1,636	901
Dividend income	2,806	2,632
Insurance claim income	435	1,431
Share of profit of entities accounted for using equity method	963	—
Other	3,644	2,125
Total non-operating income	<u>9,486</u>	<u>7,091</u>
Non-operating expenses		
Interest expenses	5,147	4,771
Share of loss of entities accounted for using equity method	—	1,432
Foreign exchange losses	5,139	2,946
Other	5,256	6,110
Total non-operating expenses	<u>15,543</u>	<u>15,261</u>
Ordinary profit	<u>78,807</u>	<u>47,676</u>
Extraordinary income		
Insurance claim income	733	1,860
Gain on sale of businesses	—	906
Other	5,050	1,547
Total extraordinary income	<u>5,783</u>	<u>4,315</u>
Extraordinary losses		
Loss on disaster	2,299	1,939
Business restructuring expenses	2,248	1,415
Other	1,531	2,088
Total extraordinary losses	<u>6,079</u>	<u>5,443</u>
Profit before income taxes	<u>78,511</u>	<u>46,547</u>
Income taxes - current	27,838	17,203
Income taxes - deferred	(3,318)	2,226
Total income taxes	<u>24,520</u>	<u>19,430</u>
Profit	<u>53,991</u>	<u>27,117</u>
Profit attributable to non-controlling interests	<u>6,608</u>	<u>970</u>
Profit attributable to owners of parent	<u>47,382</u>	<u>26,146</u>

Consolidated quarterly statements of comprehensive income

(Unit : Millions of yen)

	First Nine Months / FY2019	First Nine Months / FY2020
	Apr '19 - Dec '19	Apr '20 - Dec '20
Profit	53,991	27,117
Other comprehensive income		
Valuation difference on available-for-sale securities	251	3,060
Deferred gains or losses on hedges	(12)	2,041
Foreign currency translation adjustment	(21,090)	(12,805)
Remeasurements of defined benefit plans, net of tax	(1,015)	(899)
Share of other comprehensive income of entities accounted for using equity method	(213)	413
Total other comprehensive income	<u>(22,081)</u>	<u>(8,189)</u>
Comprehensive income	<u>31,909</u>	<u>18,927</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30,419	21,896
Comprehensive income attributable to non-controlling interests	1,490	(2,969)