

OJI GROUP

ANNUAL REPORT 2013

Sustainability and Financial Reports



Beyond the Boundaries



Editorial Policy

The Oji Group publishes this Environment and Sustainability Report every year to broaden stakeholder understanding of its business activities.

The features of the 2013 version of this report are as follows.

- In the section "Oji Group Overview," we organized the Oji Group's diverse business activities in an easy-to-understand way.
- In the section "Oji Group's Social Responsibility," we described our initiatives to work with our stakeholders to achieve sustainable growth.
- We organized this report in relation to the core subjects of ISO 26000^{*1}, given the heightened awareness of this international guidance standard on social responsibility.

*1 : ISO 26000 provides guidance on how businesses and organizations can operate in a socially responsible way, regardless of their location in advanced or emerging nations.

Paper used in this report

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The paper used in this report is made from lumber harvested from FSC-certified forests and properly managed lumber that has been legally harvested.

Use of FSC-certified products supports proper forest management and helps preserve the world's forests.

As a company that consumes timber resources, the Oji Group acquires forest certification for its own plantations (see PP. 36-39) and strives to purchase forest-certified timber when it must purchase timber from outside the Oji Group (see PP. 54-55).

Some companies within the Oji Group that have acquired FSC CoC^{*3} certification provide FSC-certified products (P. 60).

*2 : FSC: Forest Stewardship CouncilTM

*3 : CoC certification: Chain of Custody refers to a program where a third party examines and certifies that certified forest products are properly managed in the processing and distribution phases.

Coverage of This Report

This report covers the activities of Oji Holdings Corporation and its Group companies both in Japan and overseas. Some of the articles, such as those related to environment performance, pertain to Group companies in Japan.

Period of Coverage

April 1, 2012 - March 31, 2013

Except for numerical data, some sections may contain activities from April 2013 and later.

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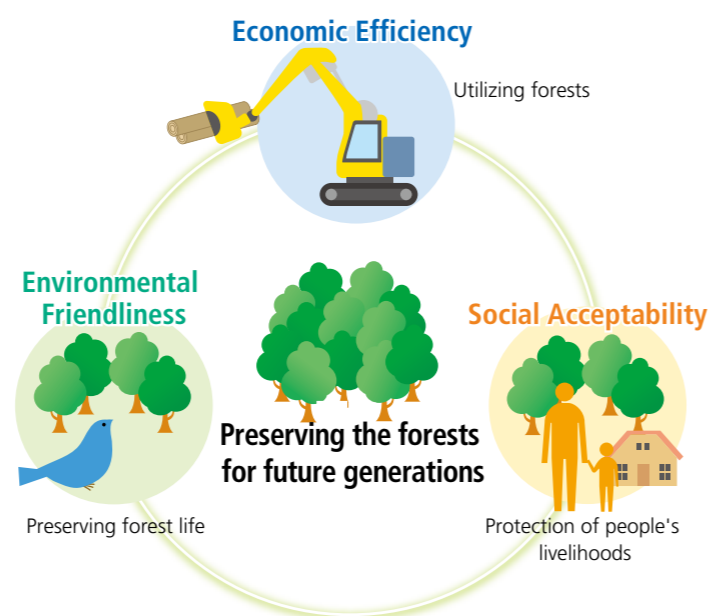
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*Notes on future outlook

Forecasts, etc. described in this report are the results of Oji Holdings Corporation's judgment based on information available at the time of the publication of this report and therefore contain uncertainties.

Oji Holdings Corporation is not responsible for any damages whatsoever that may arise as a result of using this report.

Basic Philosophy behind Forest Certification Schemes



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Corporate Data / Investor Information

*Seven core subjects of ISO 26000

Oji Holdings Website

<http://www.ojiholdings.co.jp/english/index.html>

Various information, including corporate, investor and environmental initiatives related information, has been posted on the Oji Holdings website.

- Business Report (Japanese only)**
URL: <http://www.ojiholdings.co.jp/ir/library/report.html>
- Securities Report (Japanese only)**
URL: <http://www.ojiholdings.co.jp/ir/library/security.html>
- Management Objectives**
URL: <http://www.ojiholdings.co.jp/english/ir/strategy/index.html>
- Financial Information**
URL: <http://www.ojiholdings.co.jp/english/ir/financial/index.html>
- Annual Report**
URL: <http://www.ojiholdings.co.jp/english/ir/annual/index.html>
- Environmental and Sustainability Report**
URL: <http://www.ojiholdings.co.jp/english/sustainability/report/index.html>



We will further our reform process as we aim for sustainable growth as a global company and fulfill our responsibilities to society.

Advancing Our Business Portfolio Restructuring

In order to promptly and accurately respond to ever-changing societal needs the Oji Group has been striving to maintain sustainable growth by focusing on R&D, introducing new technologies, and concentrating allocation of management resources to growth areas. In addition, the Group has been working to stably supply high-quality, safe, worry-free products that are beneficial to society.

Japan has been plagued by structural problems such as a declining population, a decreasing birthrate, an aging population, troubled national finance, and an overstretched social welfare system. However, the new government's bold monetary and financial policies and an increase in the consumption tax next spring are expected to bring the Japanese economy to a major turning point for growing out of the deflationary economy that has continued for so long.

At the same time, advancing globalization and rapid progress in information and communications technologies will continue causing changes in the lifestyle and economic structure of Japan.

In the global picture, consumer markets and economies are maturing in advanced nations including Japan, while emerging nations such as those in Southeast Asia are expected to continue their high rates of economic growth.

At the Oji Group, we are constantly restructuring our business portfolio to ensure that we always stay ahead of these changes in the management environment both inside and outside Japan.

Specifically, by enhancing and strengthening our R&D, technologies, and sales networks which form the business foundation for our group, we are developing new products and are expanding our business operations—particularly in functional and household materials—while remaining unbound by preexisting concepts. We are also looking for innovative ways to advance our packaging business, which forms the core of our group.

In Southeast Asia and South America, whose economies have been growing at remarkable rates, we have been executing aggressive and rapid business expansion, unconstrained by the framework of our existing businesses.

Furthermore, the Oji Group owns the largest forest in Japan among private corporations and is also continuing to expand the tree plantations it owns overseas. We plan to comprehensively utilize these rich forest resources, for example, by entering the timber-processing business. In Japan, we are utilizing our management resources to the fullest extent possible and are expanding our power generation business based on renewable energy.

Against the backdrop of advancing globalization and a rapidly changing business environment, all of us are committed to reforming our mindsets and reliably executing business strategies that will improve and maximize our corporate value, dedicating ourselves to our branding slogan, "Beyond the Boundaries."

Fulfilling Our Responsibilities to Society

The Oji Group has been accelerating business expansion both inside and outside Japan, growing to a corporate group with operations in 20 countries.

One of our roots is Shoshi Kaisha, a papermaking company established by our company's founder Ei-ichi Shibusawa who was instrumental in building the foundation for capitalism in Japan. One of his famous philosophical treatises is the *Theory on the Union of Morals and Economies* (simultaneously achieving the solid establishment of both ethics and profit generation).

The Oji Group has become a global group consisting of corporations with different cultures and histories, as well as employees of many nationalities and races. We strongly believe that all our managers and employees must share high ethical principles.

Holding this belief, the Oji Group has set environment preservation, compliance, and safety as its most important management issues and has been striving to fulfill its social and environment-management responsibilities. We are committed to sustained enhancement of our corporate governance structure to ensure the entire group continues to fulfill these responsibilities.

We ask all our stakeholders to continue their support and patronage of the Oji Group.

Kiyotaka Shindo

Director of the Board
President and Chief Executive Officer
Oji Group



Corporate Philosophy

The Oji Group has inherited the philosophy expounded by its founder Ei-ichi Shibusawa in his vision *The Analects of Confucius and the Abacus*, which defines the union of morals and economies, as well as the balance between ethics and profits.

In the 140 years since its founding, the Oji Group has considered the fulfillment of its social responsibility, particularly compliance, to be the basic tenet of its corporate activities and in 2004 documented its policies and standards as its "Corporate Code of Conduct" and "Behavior Standard."

Ei-ichi Shibusawa and His Theory on the Union of Morals and Economies

Beginning after the Meiji Restoration, Ei-ichi Shibusawa established and nurtured approximately 500 corporations, greatly contributing to building the foundation of the modern Japanese economy.

Believing that cultural development requires wider availability of books and newspapers and that manufacturing Western paper suitable to mass production would be necessary, Ei-ichi Shibusawa in 1873 established Shoshi Kaisha (shoshi meaning "paper-making"), the predecessor of Oji Holdings Corporation.

He also dedicated himself to social activities, promoting and supporting as many as 600 social and public projects, such as welfare/medical institutions and higher-educational institutions.

In his book *The Analects of Confucius and the Abacus*, he advocated the union of morals and economies, and also embodied his philosophy "Only justly gained wealth can continue to exist permanently" in his personal conduct.

In order to continue contributing to society, the Oji Group hopes to ensure that each and every employee cherishes this philosophy inherited from the time of the company's founding.



(Photo: Courtesy of the Shibusawa Memorial Museum)

Corporate Philosophy

Contribution to the Environment and Culture
Innovation and Speed
Global Reputation for Dependability

The Oji Group Corporate Code of Conduct

- I. We, the management and employees of the Oji Group, hereby adopt the Oji Group Corporate Code of Conduct, as detailed below, as guiding principles for corporate activities based on awareness of our responsibilities as a corporate citizen and on high ethical principles appropriate for an organization that enjoys the trust of society.
- II. We, the management and employees of the Oji Group, will strive at all times to implement this Code, and to contribute to the genuine enrichment of society.

Established in January 2004

The Oji Group Behavior Standard

- I. Toward the materialization of the spirit of the Oji Group Corporate Code of Conduct, the Oji Group Behavior Standard is adopted as a standard to be followed in the daily activities of all management and employees.
- II. All management and employees should recognize to be responsible for following this Behavior Standard and must not act against this standard.

Established in January 2004
Revised in September 2007

1. Compliance with the Law

We will comply with the letter and spirit of the law in Japan and other countries, respect corporate ethics and all social standards, including common sense, and ensure that our business activities are fair and honorable.

2. Harmony with the Environment

We will promote forest recycling and paper recycling, and maintain and develop business activities that are in harmony with the environment from a global perspective.

3. Supply of Safe, Useful Products and Services

We will contribute to society and culture by developing and supplying products that will allow us to gain the satisfaction and trust of customers, with proper consideration for usefulness and safety.

4. Communication with Society

We will establish relationships of trust with all stakeholders, including customers, shareholders and local residents, through an active commitment to good communication with society.

5. Participation in Social Contribution Activities

We will contribute to the development and improvement of society through active participation in social contribution activities.

6. Coexistence with the International Community

We will respect the culture and customs of other countries and contribute to local communities.

7. Contribution through Manufacturing

We will express our pride in our role as a manufacturer by contributing to local communities through production activities guided by a commitment to safety and protecting the environment, and by contributing to the advancement of industry through technology development and innovation.

8. Achievement of Employee Satisfaction

We will take all possible steps to ensure employee health and safety, and we will strive to give employees opportunities to achieve happiness and prosperity and to realize their potential as individuals.

Relationship with Society

1. Compliance with Relevant Business Laws
2. Environment Conservation
3. Ensuring Safety
4. Sensible Action
5. Wholesome Relationship with Politics and Government
6. Severance of Relationships with Antisocial Groups and Organizations
7. Coexistence with the International Community

Relationship with Customers, Business Partners, and Competitors

8. Seeking a Relationship of Trust with Customers
9. Maintenance of an Honest, Wholesome Relationship with Business Partners
10. Compliance with Laws and Regulations Related to the Anti-monopoly Act and the Act Against Delay in Payment of Subcontract Proceeds Etc., to Subcontractors
11. Prohibition of Unfair Competition
12. Compliance with Laws and Regulations Related to Importing and Exporting

Relationship with Shareholders and Investors

13. Disclosure of Management Information
14. Prohibition of Insider Trading

Relationship with Employees

15. Respect of Human Rights
16. Ensuring Safety and Health in the Workplace
17. Fulfillment of Duties and Self-development

Relationship with the Company

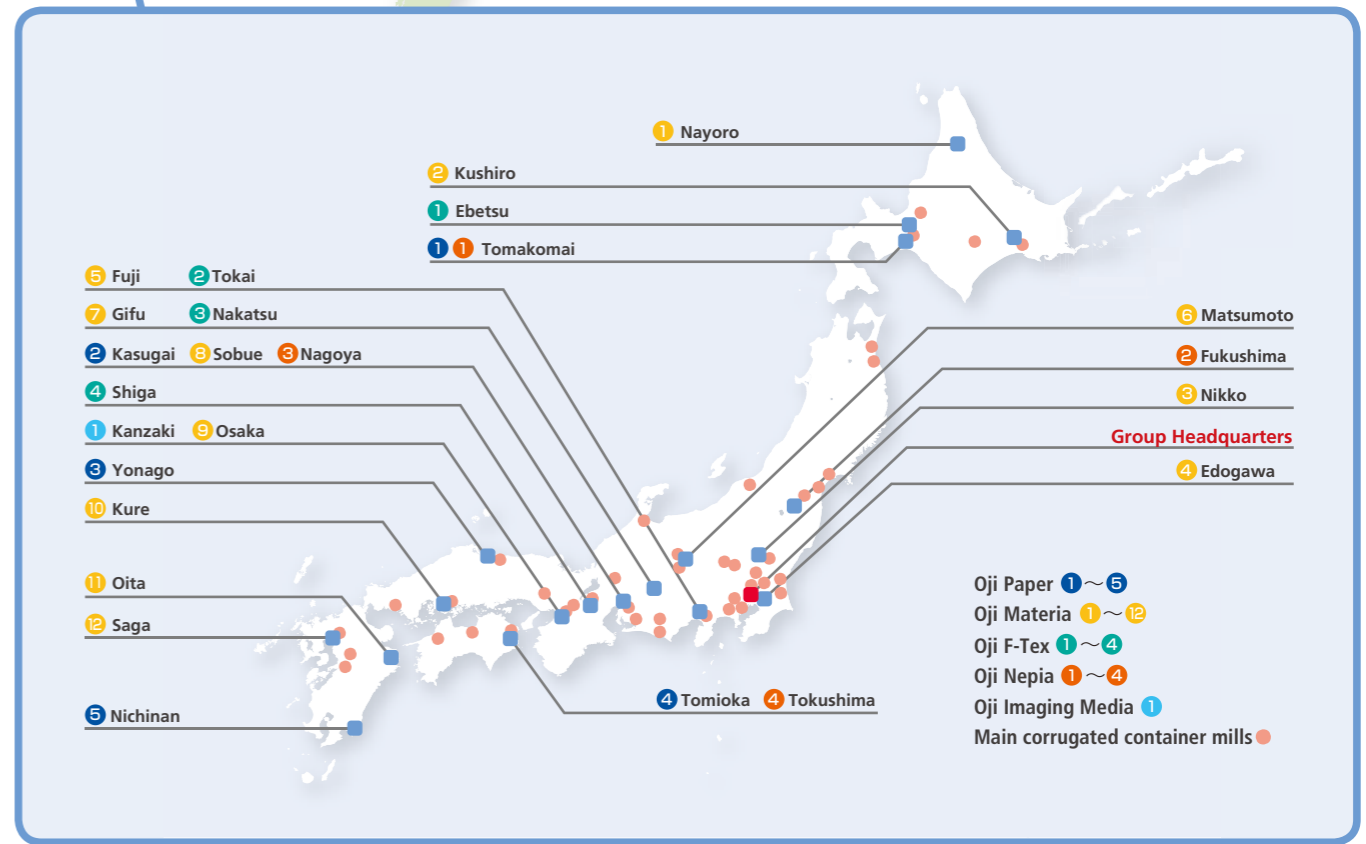
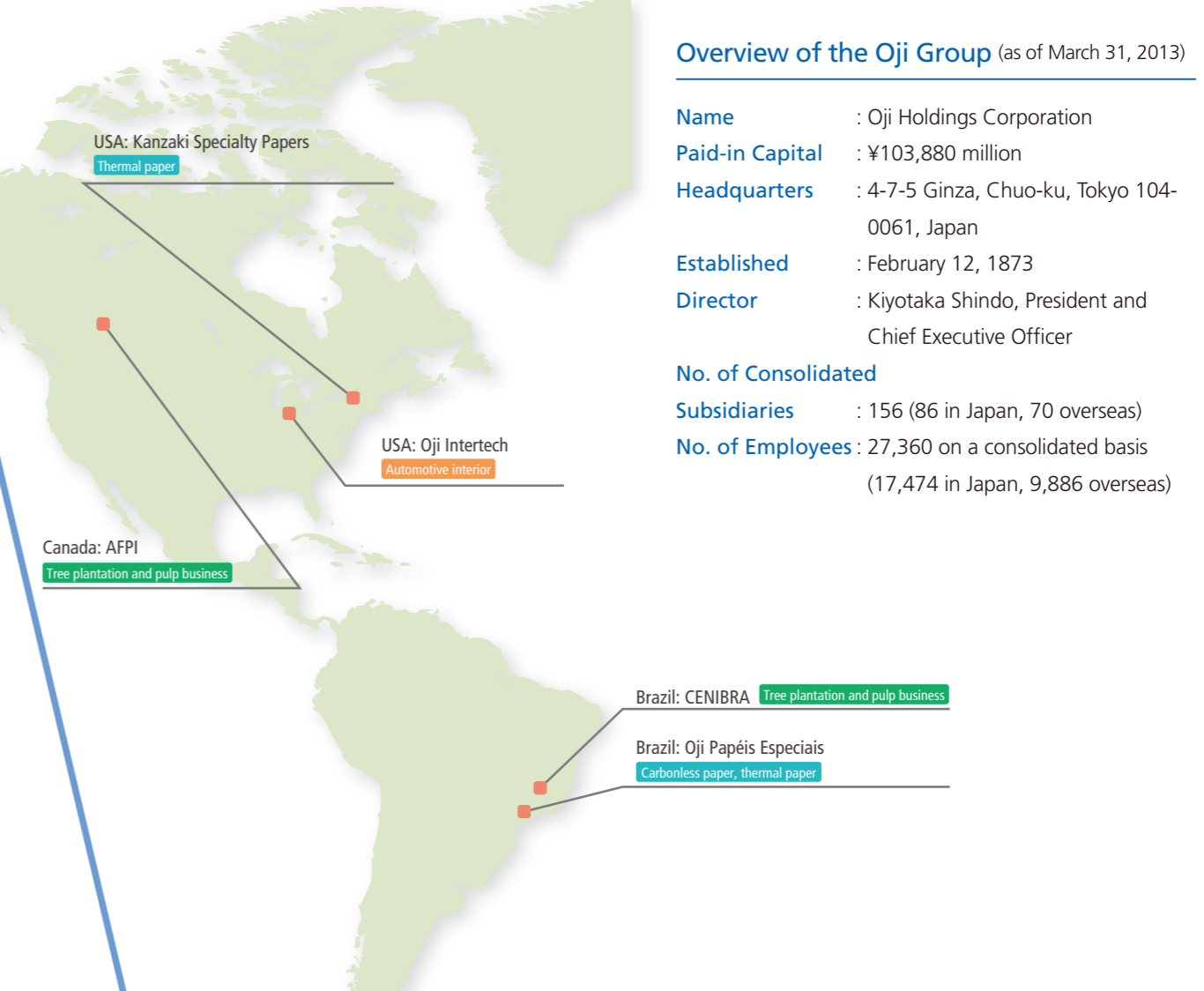
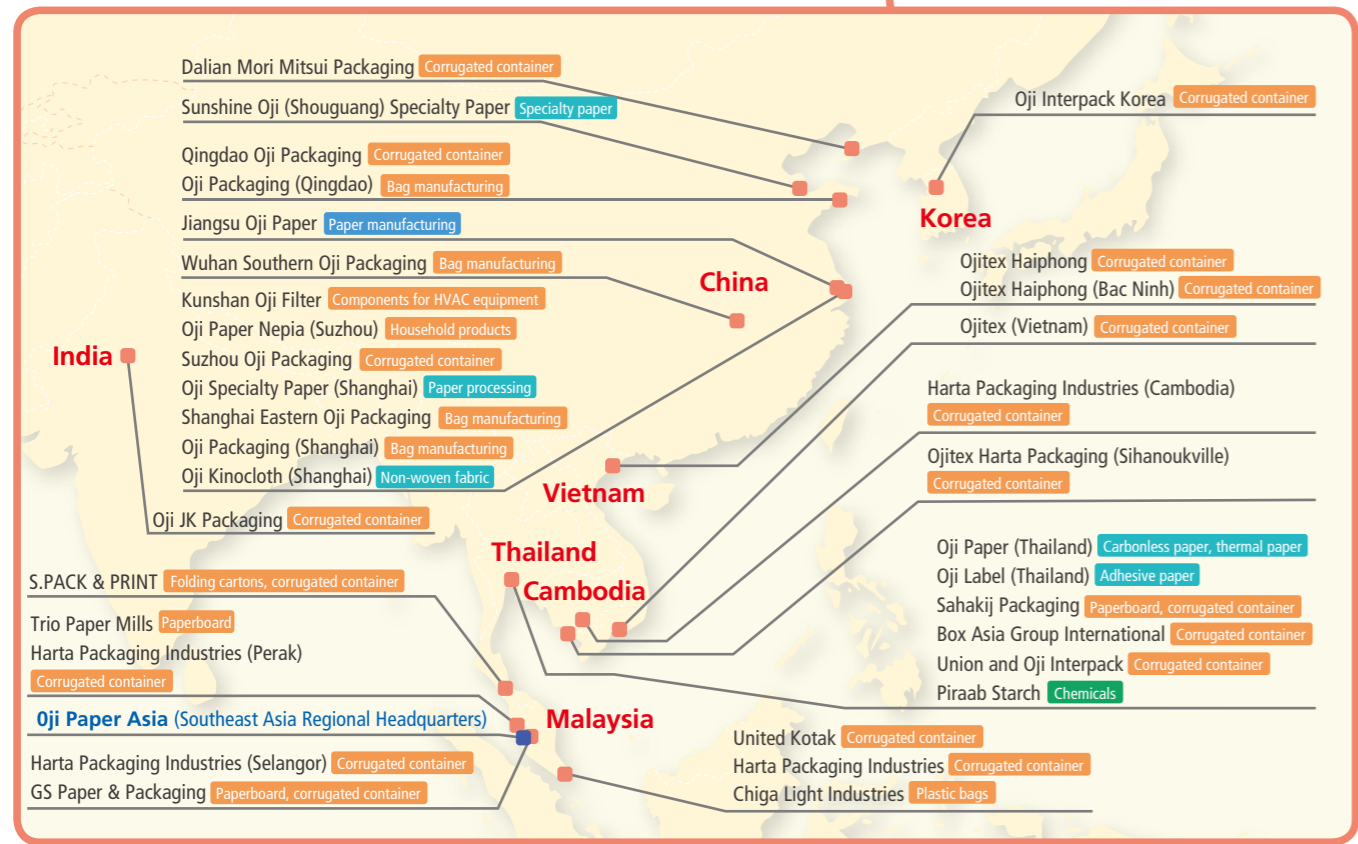
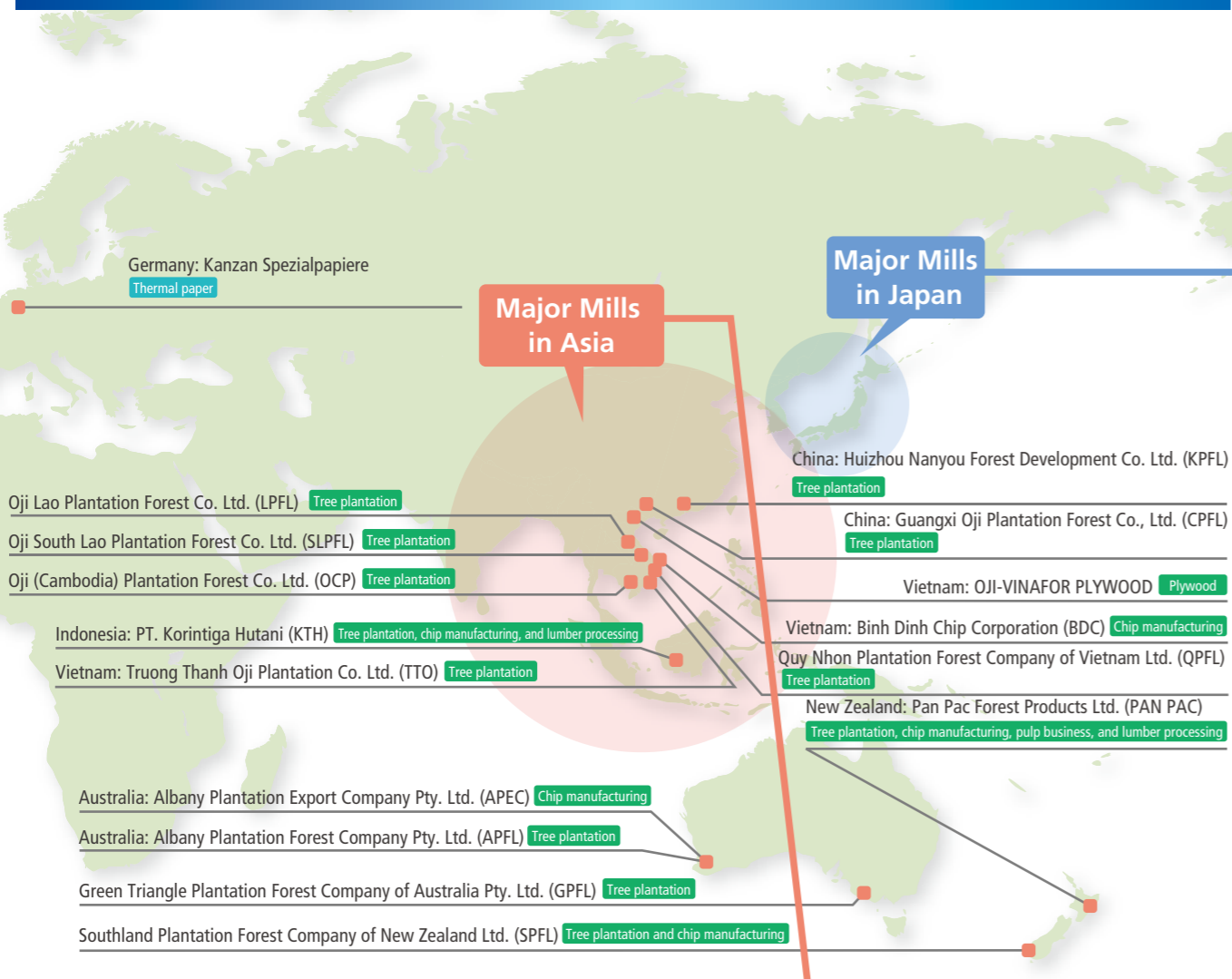
18. Compliance with Company Rules
19. Management of Company Secrets
20. Appropriate Records and Accounting
21. Appropriate Use of Computer Systems
22. Maintenance of Company Assets
23. Prohibition of Conflicts of Interest
24. Prohibition of Political and Religious Activities in the Workplace

Proactive Communication

25. Open Working Environment

Overview of the Oji Group

The Oji Group has business operations in Japan, Asia, Europe, North America, Oceania, and South America.



Overview of the Oji Group (as of March 31, 2013)

| | |
|---|--|
| Name | : Oji Holdings Corporation |
| Paid-in Capital | : ¥103,880 million |
| Headquarters | : 4-7-5 Ginza, Chuo-ku, Tokyo 104-0061, Japan |
| Established | : February 12, 1873 |
| Director | : Kiyotaka Shindo, President and Chief Executive Officer |
| No. of Consolidated Subsidiaries | : 156 (86 in Japan, 70 overseas) |
| No. of Employees | : 27,360 on a consolidated basis (17,474 in Japan, 9,886 overseas) |

Major Group Companies

Oji Holdings Corporation Corporate Governance Division, Research & Development Division

Household and Industrial Materials Company

Boxboard, Packaging Materials and Containerboard
Folding Cartons, Paper Bags and Corrugated Containers
Household Products

Operating Companies in Japan

- Oji Nepia
- Oji Package Innovation Center
- Oji Materia
 - Hokuyo Shiko, Saga Paperboard, Kure Oji Shigyo, Shin Nippon Feather Core
- Oji Packs Partners
- Oji Container*
 - Musashi Oji Container, Nihon Seika Hosyo, Kyodo Shiko, Wakayama Oji Container, Kansai Pack, Honshu Rheem

- Mori Shigyo Group*
 - Mori Kamihanbai, Hokkaido Mori Shigyo, Tohoku Mori Shigyo, Sendai Mori Shigyo, Niigata Mori Shigyo, Hitachi Mori Shigyo, Gunma Mori Shigyo, Hokuriku Mori Shigyo, Oi Paper, Nagano Mori Shigyo, Tokai Mori Shigyo, Shizuoka Mori Shigyo, Tottori Mori Shigyo, Shikoku Mori Shigyo, Kyushu Mori Shigyo, Aipax, Fuji
- Oji Interpack*
- Oji Packaging*
 - Oji Packaging Seibu
- Kyushu Packaging*

- Oji Seitai*
- Oji Adba*

*Subsidiaries of Oji Packs Partners

Operating Companies Outside Japan

- Oji Paper Nepia (Suzhou)
- Ojitex (Vietnam)
- Ojitex Haiphong
- Oji Interpack Korea
- Suzhou Oji Packaging

- Oji Intertech
- Oji Packaging (Shanghai)
- Oji Packaging (Qingdao)
- Wuhan Southern Oji Packaging
- Shanghai Eastern Oji Packaging
- Kunshan Oji Filter
- Union and Oji Interpack

Printing and Communications Media Company

Newsprint
Printing and writing paper
Communication paper

Operating Companies in Japan

- Oji Paper
 - Tomakomai Oji Shigyo, Tomakomai Kyowa Service, Tomioka Oji F & L, Nichinan Oji Shigyo, Oji Futo, Oji Shigyo, Yonago Oji Shigyo, Tomakomai Oxygen, Kikkou Tsuun

Operating Companies Outside Japan

- Jiangsu Oji Paper
- Oji Paper Trading (China)

Functional Materials Company

Imaging media
Specialty paper
Adhesive products, functional film

Operating Companies in Japan

- Oji F-Tex
 - Ebetsu Oji Shigyo
- Oji Imaging Media
 - Kanzaki Oji Shigyo
- Oji Functional Materials Processing Center

- Oji Tac
- New Tac Kasei
- Oji Kinocloth
- Shinomura Chemical Industry

Operating Companies Outside Japan

- Oji Specialty Paper (Shanghai)
- Kanzaki Specialty Papers
- Kanzan Spezialpapiere
- Oji Paper (Thailand)
- Oji Label (Thailand)
- Oji Papéis Especiais
- Oji Kinocloth (Shanghai)
- Sunshine Oji (Shouguang) Specialty Paper

Forest Resources and Environment Marketing Company

Lumber and tree planting
Pulp
Renewable energy
Raw materials and fuel

Operating Companies in Japan

- Oji Green Resources
 - Oji Green Energy Shiranuka, Oji Green Energy Nichinan, Oji Green Energy Ebetsu
- Oji Forest & Products
- Oji Ecomaterial
- Oji Trading

- Japan Brazil Paper and Pulp Resources Development
- Oji Saito Shigyo Paper
- Kyokushin Shigyo

Operating Companies Outside Japan

- Pan Pac Forest Products (PAN PAC)
- Celulose Nipo-Brasileira (CENIBRA)
- Alpac Forest Products (AFPI)
- Oji Paper International Trading (Shanghai)

- Southland Plantation Forest Company of New Zealand Ltd. (SPFL)
- Albany Plantation Forest Company Pty. Ltd. (APFL)
- Albany Plantation Export Company Pty. Ltd. (APEC)
- Quy Nhon Plantation Forest Company of Vietnam Ltd. (QPFL)
- Binh Dinh Chip Corporation (BDC)
- Green Triangle Plantation Forest Company of Australia Pty. Ltd. (GPFL)

- Guangxi Oji Plantation Forest Co., Ltd. (CPFL)
- Huizhou Nanyou Forest Development Co. Ltd. (KPFL)
- Oji Lao Plantation Forest Co. Ltd. (LPFL)
- Oji South Lao Plantation Forest Co. Ltd. (SLPFL)
- PT. Korintiga Hutani (KTH)
- Truong Thanh Oji Plantation Co. Ltd. (TTO)
- Oji (Cambodia) Plantation Forest Co. Ltd. (OCP)
- OJI-VINAFOR PLYWOOD
- Piraab Starch

Corporate Management Group (including independent operating companies)

Operating Companies in Japan

- Oji Management Office
- Chuetsu
- Oji Cornstarch
- Apica
- Oji Real Estate
- Kyokuyo Pulp & Paper
- Ginpo Pack

- Fujikako
- Oji Hall
- Oji Paper Insurance Service
- Hotel New Oji
- Yupo Corporation
- Maruhiko Watanabe Construction
- Kokusai Pulp & Paper

Operating Companies Outside Japan

- Oji Paper Management (Shanghai)
- Oji Paper Asia
- GS Paper & Packaging
- United Kotak
- Harta Packaging Industries
 - Harta Packaging Industries (Cambodia)
 - Harta Packaging Industries (Selangor)
 - Harta Packaging Industries (Perak)
 - Trio Paper Mills
 - Ojitex Harta Packaging (Sihanoukville)
 - Chiga Light Industries
- S.PACK & PRINT
 - Sahakij Packaging
- Box Asia Group International
- Oji JK Packaging

Shared Service Companies

Operating Companies in Japan

- Oji Engineering
 - Oji Koei Chubu, Oji Koei Hokkaido
- Oji Logistics
- Oji Business Center

Management Strategy

We are making a great leap forward into the future under the branding slogan "Beyond the Boundaries."

Completion of Business Portfolio Restructuring with the Goal of Achieving Sustainable Growth

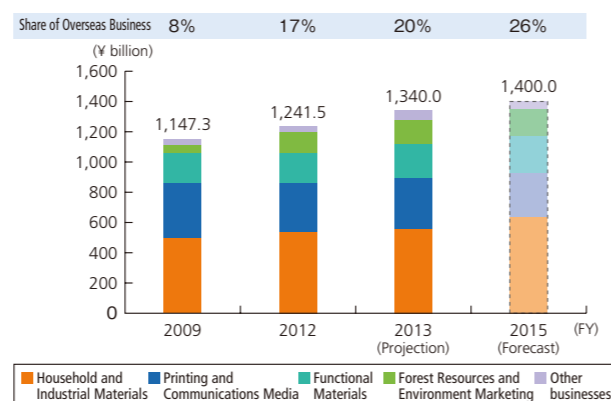
In its long 140-year history, the Oji Group has been astutely adapting to various changes in the business environment and has continued to be the leading company in Japan, the third largest paper and paperboard market in the world. More recently, while the markets in Asian countries continue to grow, the societal and business environment in Japan surrounding the paper manufacturing industry is undergoing major changes due to structural factors such as advances in information and communications technology, as well as an aging population and declining birthrate. To ensure that the Oji Group achieves sustainable growth, we have set "Completion of Business Portfolio Restructuring through Reform" as our basic management policy and are pursuing measures that allow us to flexibly and quickly respond to changes in the management environment.

Specifically, by implementing the six basic measures—growth through incubation of R&D-orientated business, expansion of overseas business, establishment of a material- and process-integrated business model, promotion of forest resources and environment marketing, enhancement of trading business, and enhancement of global competitiveness through aggressive

cost reduction—we will minimize the amount of management resources to be allocated to existing business operations in Japan, limiting them to those necessary for renewal and cost-cutting measures. Meanwhile, we will selectively invest our management resources such as capital and human resources in segments important to our business portfolio restructuring, such as overseas business, R&D, new functional materials business, forest resources and environment marketing and downstream business.

As for our businesses in Japan, we will continue to work on restructuring our production systems in response to changes in the demand structure in the printing and communications media

Sales by Business

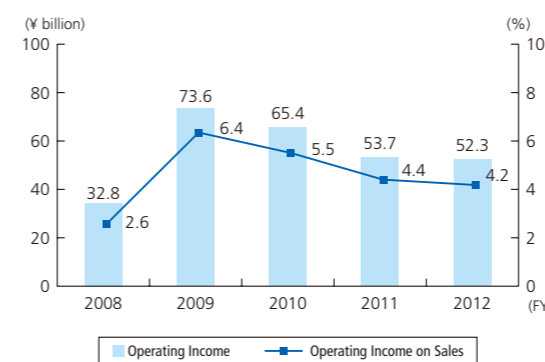


business and corrugated container-related business. Meanwhile, we will expand and strengthen our other businesses, i.e., the household and industrial materials business, functional materials business, and forest resources and environment marketing, in order to strengthen the earnings basis of our existing businesses and develop new products and businesses.

As for our overseas business, we will accelerate expansion of businesses in high-growth countries and resource-rich countries. Through aggressive business expansion based on M&A, etc., we are aiming to achieve overseas sales of 25% or more in the future.

Under the umbrella of Oji Holdings Corporation, which became

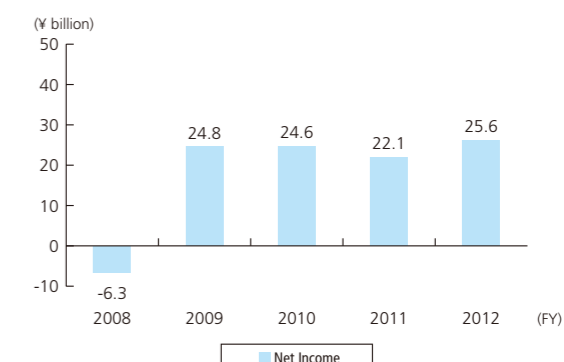
Operating Income, Operating Income on Sales



a pure holding company as of October 1, 2012, the Oji Group has clarified the management responsibility of each business group and is striving to maximize the corporate value of the entire group.

As a corporate group having at its core a household and industrial materials business, printing and communications media business, functional materials business, and forest resources and environment marketing, we will promote business portfolio restructuring even more strongly, with the goal of achieving operating income of at least ¥100 billion and net income of at least ¥50 billion.

Net Income



Amount Invested in Business Portfolio Restructuring

(Cumulative Total for FY2010 through FY2012)



| | |
|--|--------------|
| 1. Household and Industrial Materials Business | ¥50 billion |
| 2. Functional Materials Business | ¥40 billion |
| 3. Forest Resources and Environment Marketing | ¥100 billion |

Household and Industrial Materials Business Actual investment* ¥50 billion

Paper Diaper Business

Adult tape-type paper diaper

January 2013 Began operation of new plant [Oji Nepia Fukushima Personal Care Plant]

Overseas Business

| | | |
|---|--|-----------------------------|
| April 2010 | Acquired paperboard maker GSPP | [Malaysia] |
| February 2011 | Acquired United Kotak. | [Malaysia] |
| March 2011 | Acquired folding carton maker S. Pack | [Thailand] |
| August 2011 | Acquired Harta | [Malaysia and Cambodia] |
| October 2012 | Acquired Box Asia | [Thailand] |
| October 2012 | Established a corrugated container company | [India] |
| (*Mill operation scheduled to start in July 2014) | | |
| March 2013 | Began operation of new corrugated container mill | [Harta, Cambodia] |
| May 2013 | Began operation of new corrugated container mill | [Ojitex, Haiphong, Vietnam] |
| July 2013 | Began operation of new bag manufacturing mill | [China (Qingdao and Wuhan)] |

Earthquake Disaster Recovery Business

Summer 2014 Facility enhancement planned [Oji Container Fukushima Mill]



An architectural rendering of the mill (Oji JK Packaging, India)

Functional Materials Business Actual investment* ¥40 billion

Functional Materials Business

Thin film for capacitors

April 2013 Began operation of new facility [Oji F-Tex Shiga Mill]

Film and adhesive sheeting for smartphones

April 2013 Enhanced facility [New Tac Kasei Toyonaka Mill]

December 2013 Facility enhancement planned [Oji Tac Utsunomiya Mill]

Specialty Paper

Enhancements to specialty paper facility

(release paper, oil-resistant packaging paper, etc.)

April 2013 Began operation of specialty paper facility [Oji F-Tex Ebetsu Mill]

Overseas Business

| | | |
|----------------|--|-----------------|
| September 2011 | Acquired Oji Papéis Especiais (OPE) (thermal paper business) | [Brazil] |
| October 2011 | Added adhesive laminator | [OLT, Thailand] |
| October 2012 | Established Sunshine Oji (Shouguang) Specialty Paper joint venture | [China] |
| March 2014 | Thermal paper facility enhancement planned | [OPE, Brazil] |



Thin film for capacitors (Oji F-Tex Shiga Mill)

Resources and Environment Business Actual investment* ¥100 billion

Electrical Power business

Biomass power generation

March 2015 New facility to begin operation [Oji Materia Fuji Mill]

Same as above [Oji Paper Nichinan Mill]

July 2015 Same as above [Oji F-Tex Ebetsu Mill]

Hydroelectric power generation

November 2015 Enhancement work to be completed [Chitose and Shiribetsu, Hokkaido]

April 2016 Enhancement work to be completed [Higashibara and Kumakubo, Shizuoka]

Photovoltaic power generation

September 2013 Began operation of new facility [Shiranuka-cho, Hokkaido]

Biorefinery Business

March 2014 New facility to begin operation [Oji Paper Yonago Mill]

Overseas Business

June 2012 Made CENIBRA a subsidiary (pulp business) [Brazil]

July 2012 Began operation of BC-TMP production facility [PANPAC, New Zealand]

October 2012 Established OJI-VINAFOR PLYWOOD (plywood manufacturing business) [Vietnam]



New photovoltaic power generation facility (Oji Green Resources / Shiranuka, Hokkaido)

Household and Industrial Materials Business

We will strengthen our profitability further by focusing on creating the value sought after by our customers and standing by our customer-first motto.

Ryoji Watari

President
Household and Industrial Materials Company



Business Strategy

[Business Strategy in Japan]

In the industrial material business, the paper processing departments are working with materials manufacturing departments to enhance and reorganize departments in Japan in order to provide on-stop shopping to our customers. By making comprehensive suggestions that embody the value sought after by our customers, we are aiming to make great strides as a total packaging company. We are also taking steps to strengthen our competitiveness by restructuring our production structure, such as deciding to enhance the capacity of Oji Containers' Fukushima Mill, announced in April 2013.

In our household materials business, which handles household products and paper diapers, every one of us is carrying out all business activities with the full awareness that our business depends on our ability to supply consumer goods and that customers come first. In our paper diaper business, we are strengthening our product brands by, for example, starting the Oji Nepia Fukushima Personal Care Plant, based on accurate assessment of market needs.

[Overseas Business Strategy]

Outside Japan, our packaging business has acquired five companies since 2010. Furthermore, our new corrugated container mills began operation in Cambodia in March 2013 and in Vietnam in May 2013. In 2014, a new corrugated container mill will begin operation in India.

We will continue to expand our business size, especially in Southeast Asia and India, through M&A or construction of new mills depending on each situation.



Oji Nepia Fukushima Personal Care Plant

Main Businesses



Industrial Materials Business [Boxboard, Packaging Materials and Containerboard]

The Oji Group retains a leading share of the Japanese market for three paper types, demonstrating the market trust we have earned over the years. This market includes: boxboard, which is used for food and confectionery packaging and coversheets of publications; packaging paper, which is used in shopping bags, envelopes, rice, wheat, barley and cement bags; and containerboard.



[Folding Cartons, Paper Bags and Corrugated Containers]

Product packaging has evolved with the times and now demands such value added features as design, functionality and environment performance. As a total packaging company that engages in every step of the value chain from materials manufacturing to design and assembly, we take a customer-centric approach to continually provide better products to customers across Japan through our extensive network.

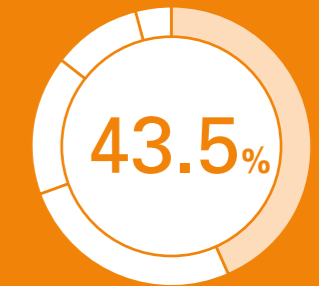


Household Materials Business [Household Products and Paper Diaper Business]

We deliver household paper products to consumers, such as tissue, toilet paper and paper diapers, under the well-known Nepia brand. Under the slogan, "Kind Heart Nepia," we provide products beloved by all ages to help consumers lead a comfortable lifestyle.

Copyright : Yanase F.T.N

Sales by Business

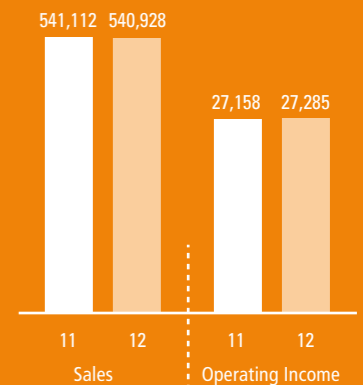


Sales

¥540,928 million

Operating Income

¥27,285 million



In Focus

We made the decision to enhance the Oji Container Fukushima Mill, a prominent corrugated container mill in the southern Tohoku district.

Oji Container Fukushima Mill, located in Date City, Fukushima Prefecture, has been carrying out operations rooted in the local community for approximately 40 years. Since the Great East Japan Earthquake, the production level at the mill has been increasing significantly, partly to make up for lost production at the disaster-damaged Sendai Mill (Tagajo City, Miyagi Prefecture). Therefore, we decided to expand buildings in the Fukushima Mill site and carry out a project to add to and enhance the existing production equipment.

This project will substantially strengthen the infrastructure of the Fukushima Mill in terms of both quality and quantity, allowing the Mill to make significant contributions to the regional economy and local communities in Date City, Fukushima Prefecture and the Tohoku region as a whole, as a prominent corrugated container mill in the southern Tohoku district.



An architectural rendering of the New Fukushima Mill

[Overview of the New Fukushima Mill following enhancement]

| | |
|-----------------------|--|
| Location | Inside the existing Fukushima Mill site (No. 100, Higashi-Nozaki, Hobaromachi, Date City, Fukushima Prefecture) |
| Approximate site area | 60,000m ² |
| Total floor area | Approximately 38,000m ² |
| Major investment | Production equipment (gluing machines and carton formers), building expansion, photovoltaic power generation system, etc. The plant is laid out in a safety- and environment-conscious way and includes a visitor tour route. |
| Total investment | Approximately ¥6.5 billion |
| Operation start date | Planned for the summer of 2014 (The enhancement project will be carried out while operation continues with existing equipment.) |
| Remarks | This project has been approved by the Fukushima Industrial Recovery Corporate Location Fund. |

Printing and Communications Media Business

We will modify our business portfolio to respond to the maturation of the Japanese market and the integration of East Asia markets.

Kazuo Fuchigami

President
Printing and Communications Media Company

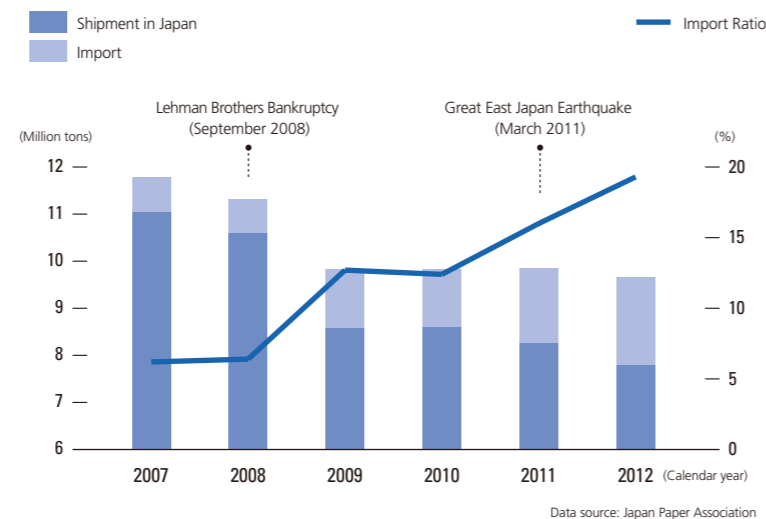


Business Strategy

The Japanese market is forecast to continue shrinking due to structural factors such as advances in information and communications technology, as well as an aging population and declining birthrate. The Japanese market will also be increasingly integrated with the Asian market, making strengthening of our competitiveness in the international market an urgent issue. Under this harsh environment, we will enhance our international competitiveness by continuing to build an optimized production structure and overhauling our cost structure.

We have been working to build an optimized production structure. For example, between fiscal 2008 and 2012, we stopped 14 paper machines and changed the product type on one machine. We will continue with these optimization efforts and implement all necessary measures while carefully monitoring on demand trends.

Demand for Printing and Communications Paper and Import Ratio Trends



We will implement bold restructuring measures in response to the declining demand in Japan and implement fundamental earning improvement measures.

Stopped 14 paper machines.
(Between fiscal 2008 and 2012)

Production termination of low-margin products
Shift to high-margin products

Integration and reorganization of
Oji Group businesses

Main businesses



[Newsprint]

Newsprint has the strength to undergo the rigors of high-speed rotary printing and provides a beautiful finish for color printing. The Oji Group retains a 30% share of the Japanese market and continually strives to improve quality to meet the demands of newspaper companies throughout Japan.



[Printing and Writing Paper]

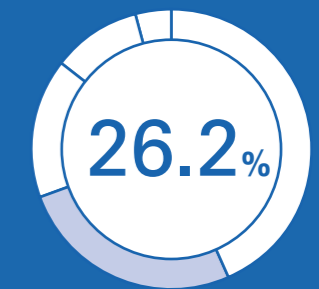
Publication paper used for books and magazines and printing paper for catalogues and manuals require varying levels of quality depending on the publication, contents, and specifications of the printer. The Oji Group strives to develop products that meet the needs of today and is expanding its lineup to fulfill the expectations of its customers.



[Communications Paper]

In addition to our existing products, such as conventional form paper, carbonless paper, and plain paper copier (PPC) paper, we have developed high-performance printing paper for printing on demand (POD). Our paper is widely used by countless industries and sectors as printing media for information processing systems.

Sales by Business

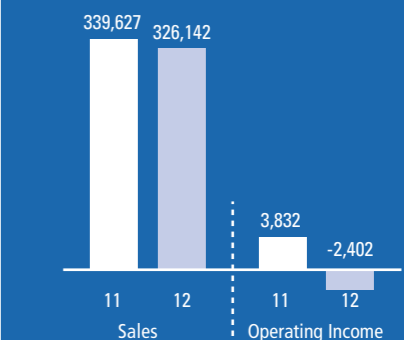


Sales

¥326,142 million

Operating Income

-¥2,402 million



In Focus

Notebooks for People who Like Paper with Superb Writability

Our Premium C.D. NOTEBOOK features ultra-smooth "A.Silky 865 Premium" paper, jointly developed by Oji Paper and Apica*1 in an effort to encourage users to select paper based on writability just as they choose pens based on writability. This paper offers a silky smooth feel when written on with a fountain or ballpoint pen. We also gave special attention to the binding method used for this notebook, adopting thread binding, which makes it easy to open. The resulting high performance helped the Premium C.D. NOTEBOOK win an award under the Function Category at the 21st Stationery of the Year Awards*2 2012.



*1 : Apica

Apica is an integrated paper stationery manufacturer in the Oji Group engaged in a wide range of businesses, from school supplies such as notebooks and workbooks to office and hobby supplies.

*2 : Stationery of the Year Awards

The largest stationery award in Japan. Every year, products that win awards create popular trends in stationery, producing many hit products in Japan.



A 2012 Event at the Ito-Ya Main Shop

Functional Materials Business

We will focus our management resources on business portfolio restructuring, create a development-focused business model where we develop new customer-centric products and technologies and cultivate new businesses leveraging our core technologies.

Takeshi Azuma

President
Functional Materials Company



Business Strategy

[Business Strategy in Japan]

In Japan, we will proactively invest our management resources in products with high added value and high-growth segments, and aim to achieve growth by forming an R&D-focused business through development of new technologies and materials.

Recently, we have enhanced our facilities for producing the polypropylene film for capacitors used in hybrid vehicles at the Oji F-Tex Shiga Mill, as well as facilities for producing film and adhesive sheeting for smartphones at New Tac Kasei.

We successfully produced the world's first continuous transparent sheeting of cellulose nanofibers.

We will strive for expansion by executing R&D-focused business, which forms the core of our efforts to restructure our business portfolio.

[Overseas Business Strategy]

Internationally, our company owns many production sites, including Oji Papéis Especiais (Brazil), which is planning to enhance its facility in preparation for expansion of demand; Kanzaki Specialty Papers (U.S.A.); Kanzan Spezialpapiere (Germany); and Oji Paper (Thailand), making us a world leader in the imaging media field, which includes thermal paper.

Additionally, we established Sunshine Oji (Shouguang) Specialty Paper, a joint venture with a local company, in Shouguang City, Shandong Province, China, and in October 2013 began production and sales of specialty paper for construction applications.

By adding Sunshine Oji (Shouguang) Specialty Paper to international sites, which have been primarily focused on the imaging media business, we are aiming to further enhance our functional materials business and improve our competitiveness.



Coating machine scheduled for enhancement (Oji Papéis Especiais)

Main business



[Imaging Media]

The Oji Group's thermal paper retains a leading market share internationally. Using the diverse coating technologies for thermal and inkjet applications we have nurtured over many years, we are developing a wide range of communications papers and films that fulfill the varying needs of households, industries, logistics and medicine.



[Specialty Paper]

We carry is combined with resin to a wide range of advanced specialty papers. These include printing thin paper for dictionaries, highly expressive fancy paper, electronic material papers such as insulation for high capacity inverters, dried pulp non-woven fabric that is bulky and high in water retention, and glass paper used in construction materials and fiber-reinforced plastic (FRP) that provides highly stable dimensions and heat resistance.



[Adhesive Products]

Using our long-standing proprietary adhesive control technologies, we have developed an extensive lineup of products that spans everything from food and beverage labels and home delivery service labels, to adhesive tape for packaging, adhesive plaster, aluminum tape for construction applications, and tamper-resistant tape.



[Functional Film]

Our capacitor films are important materials used on the power supply unit of hybrid and electric vehicles, and our lineup starts from the world's thinnest at 2.5 μm.

Our optical clear adhesive and anti scattering film used in such devices as smartphones and tablets have seen rapid growth as of late.

Sales by Business

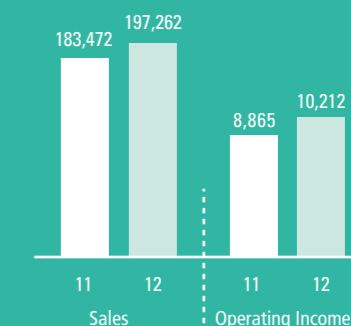


Sales

¥197,262 million

Operating Income

¥10,212 million



In Focus

World's First Continuous Transparent Sheeting of Cellulose Nanofibers.

Through a joint research project with Mitsubishi Chemical Corporation, we successfully produced the world's first continuous transparent sheeting of cellulose nanofibers in March 2013.

Cellulose nanofibers are produced by unraveling pulp (wood fibers) into nanoscale fibers. The newly developed system for manufacturing continuous transparent sheeting at approximately a 4 nanometer scale (4/million mm) uses Oji Group paper-making and sheeting technologies.

Promising applications for this lightweight and foldable sheet include large-size displays that can be unfolded when needed and solar cells.

Furthermore, compounding the sheet with a resin adds other beneficial characteristics, such as minimal shrinkage associated with temperature changes, durability, and flexibility, without losing the resin's transparency. Potential applications can be found in the electronics, transportation equipment, building materials, and medical fields.

Utilizing the newly developed continuous sheeting system, both companies plan to take steps toward the commercialization of cellulose nanofibers, with an eye toward developing a wide variety of applications.



Transparent sheet



Resin compound enhanced film

Forest Resources and Environment Marketing

The Oji Group will make full use of the forest resources it owns both in Japan and overseas as well as its long-standing proprietary paper manufacturing-related technologies to aggressively expand existing businesses and enter into new segments.

Gemmei Shimamura

President
Forest Resources and Environment
Marketing Company



Business Strategy

[Business Strategy in Japan]

With a plan to start operation in March 2015 or later, we will build three biomass power generation plants, one each at Oji Materia, Oji Paper, and Oji F-Text. In Hokkaido, we will remodel the hydroelectric power generation plants on the Chitose and Shiribetsu rivers. Additionally, in September 2013, we began operating a photovoltaic power generation plant in Shiranuka-cho, Hokkaido. In these ways, we are further expanding our electrical power businesses utilizing renewable energy sources, such as biomass fuel, hydropower, solar power, and wind power. We will also accelerate new businesses such as a biorefinery business (dissolving pulp and furfural).

In our agribusiness, we established Oji Granpa, a joint venture, in July 2013, commencing full-scale operation.

We plan to build six vegetable factories at the former site of the Forest Resources Research Center in Kameyama City, Mie Prefecture to start growing leafy vegetables, with the first shipment planned for February 2014.

With this project as a foothold for our entry into agribusiness, we plan to expand our business in this field.

[Overseas Business Strategy]

Internationally, we will expand our lumber-processing business by utilizing plantation trees, and strengthen our pulp business, especially in Brazil and New Zealand.

Currently, we are expanding our business primarily utilizing plantation trees from company-owned plantations, and plan to begin operating a plywood manufacturing mill in northern Vietnam.

In Focus

Expanding Renewable Energy Business

In addition to hydropower and solar power generation, we are driving forward our electrical power business based on biomass power generation that takes advantage of Oji Group's fuel procurement channels and operation expertise.

We plan to install biomass boilers at Oji Materia Fuji Mill and Oji Paper Nichinan Mill (with operation start planned for March 2015). We also decided to install a biomass boiler at Oji F-Text Ebetsu Mill, located in Hokkaido where lumber resources are abundant (with operation start planned for July 2015).

All of these boilers will use woody materials, such as thinned timber (which have not been utilized until now) and low-quality timber, as their primary fuels, helping to preserve forests in Japan and revitalize forestry.

Main Businesses



[Lumber and Tree Planting]

In the lumber business, we will proactively expand our timber-processing and commodities business through Oji Forest & Products, PAN PAC and KTH.

In the tree planting business (company-owned domestic forests and overseas plantations), we will enhance the value of our plantation trees by increasing sales for high value-added applications outside of pulp, such as lumber.



[Pulp]

We maintain global pulp operations through PAN PAC and CENIBRA, which we made a consolidated subsidiary in fiscal 2012, and are looking to expand our operations going forward.

In addition to conventional pulp production, we are also looking to commercialize new pulp applications.



[New Businesses]

We are further expanding our electrical power business that utilizes renewable energy sources, such as biomass fuel, hydropower, solar power, geothermal energy, and wind power. We will also accelerate new businesses such as our biorefinery business (dissolving pulp and furfural) and agribusiness.

Sales by Business

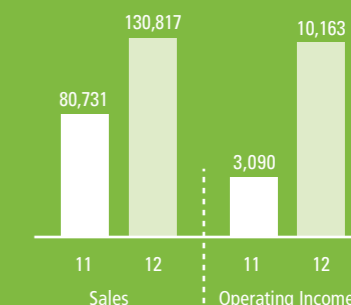


Sales

¥130,817 million

Operating Income

¥10,163 million



Biomass Power Generation Biomass Boiler Installation

■ Oji Materia Fuji Mill

| | |
|----------------------------------|--------------|
| Operation start | March 2015 |
| Amount of electricity to be sold | 105 GWh/year |
| Generation capacity | 36MW |

■ Oji Paper Nichinan Mill

| | |
|----------------------------------|---|
| Operation start | March 2015 |
| Amount of electricity to be sold | 150 GWh/year (enough to power 40,000 homes) |
| Generation capacity | 25MW |

■ Oji F-Text Ebetsu Mill

| | |
|----------------------------------|---|
| Operation start | July 2015 |
| Amount of electricity to be sold | 150 GWh/year (enough to power 40,000 homes) |
| Generation capacity | 25MW |

Hydroelectric power generation Facility enhancement

■ Chitose and Shiribetsu Power Generation Stations, Hokkaido

| | |
|---------------------|---------------|
| Completion schedule | November 2015 |
|---------------------|---------------|

■ Higashibara and Kumakubo Power Generation Stations, Shizuoka

| | |
|---------------------|------------|
| Completion schedule | April 2016 |
|---------------------|------------|



Photovoltaic power generation Solar panel installation

■ Shiranuka-cho, Hokkaido

| | |
|----------------------------------|----------------|
| Operation start | September 2013 |
| Amount of electricity to be sold | 1.4 GWh/year |
| Generation capacity | 1.3MW |

We plan to install solar panels as needed at Group mills, such as Oji Containers Nagano Mill.



Research and Development

Aiming for growth by incubating R&D-oriented business, the Oji Group will join market needs with R&D seeds for commercialization, utilizing its accumulated technologies to develop new products and technologies for the future.

Key R&D Strategies

① Creation of Future Businesses

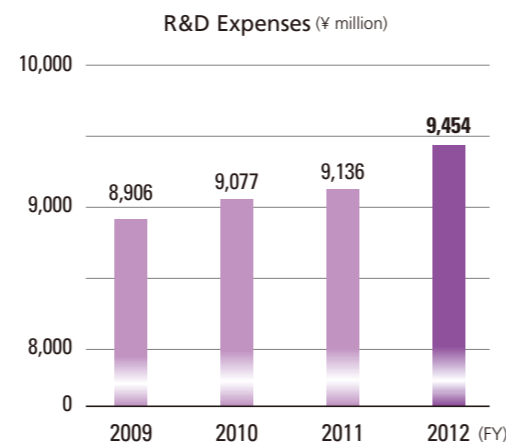
We are creating businesses that will contribute to the future. For example, we are using nanoscale fine dot structures to improve the light extraction efficiency of LEDs and organic EL displays, and developing a bioethanol manufacturing technology that uses our unique simultaneous saccharification and fermentation technology.

② Acceleration of New Product Development

Working with the development, manufacturing, and sales departments of Group companies, we are quickly responding to diversifying customer needs, discovering customers' latent needs, and developing proposal-based products that anticipate future needs.

③ Enhancement to Core Technologies

Utilizing our core technologies related to pulp, paper manufacturing, coating, and the environment, we are working to stabilize the quality and operation of existing products at various mills, while reducing cost and strengthening and improving our core technologies.



Research & Development Division

New Business & Product Development Center

Project Planning Office

Project Management Office

Advanced Technology Laboratories

Bioethanol Section

Functional Materials Laboratories

Film Research Section

Optical Materials Section

Core Technology Laboratories

Printing Section

Forestry Technology Laboratories

Medical Plant Section

Material Analysis Center

Intellectual Property Department

Advanced Technology Laboratories

The goal of the Advanced Technology Laboratories is to contribute to the future business of the Oji Group by focusing on the use of nano-structures and creating new added value through the physical or chemical modification of wood materials, while developing new technologies for the future. Specifically, we are developing optical elements and nanofiber cellulose, designed using nano-structures, and conducting bioethanol manufacturing verification tests.

Functional Materials Laboratories

The Functional Materials Laboratories develops new products for the Functional Materials Company and conducts R&D to strengthen its competitiveness. Leveraging the Oji Group's core sheeting and coating technologies, we are developing functional sheets equipped with a wide range of functions, such as specialty fiber sheets created by sheeting various types of specialty fibers, functional films in which specialized functions are added to the film itself, and optical sheets having excellent optical characteristics.

Core Technology Laboratories

The goal of the Core Technology Laboratories is to create and improve core technologies for quality improvement, cost reduction, resource saving, and environmental countermeasures in the areas of pulping, paper manufacturing, and coating. We also leverage Oji Group's long-standing technologies to enhance the competitiveness of its existing products, and are developing new products and technologies created from technology development in the existing fields.

Forestry Technology Laboratories

The Forestry Technology Laboratories develops superior clones of trees that are fast growing and can be variously used for lumber, plywood, and pulp for promoting the total forestry business in Southeast Asia. To identify and properly manage superior clone interactions and to quickly discover new superior clones, the Laboratories also develops biomarker technologies and frontline applications through detailed analysis of the genome information of trees.

In Focus

Establishment of the Medical Plant Section

With an eye toward research related to medical plants and future commercialization, we recently established the Medical Plant Section inside the Forestry Technology Laboratories.

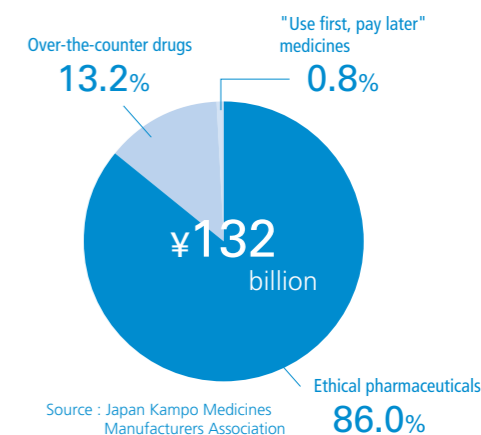
Focusing on the fast-growing Chinese herbal medicine market, this new organization is responsible for R&D on medical plants that will be used as ingredients for Chinese herbal medicines.

Up to now, the Oji Group has developed cultivation technologies and selected superior fast-growing, disease/pest-resistant varieties for the plantation trees that become raw material for paper manufacturing. In that process, we have also accumulated technologies and expertise related to tissue culturing and gene analysis.

From now on, we will also apply this knowledge to medical plants that will become ingredients in Chinese herbal medicines, in order to grow through incubating R&D-oriented business.



Chinese herbal medicine production value (fiscal 2011)



[Overview of the Medical Plant Section]

| | |
|---------------------|--|
| Location | Ichinohashi, Shimokawa-cho, Kamikawa-gun, Hokkaido |
| Research facilities | Farm field (approximately 9,000 m ²), greenhouse (using biomass heat) |
| Research staff | Three full-time researchers plus one medical plant cultivation specialist invited from outside the Oji Group |
| Main research goals | Development of original cultivation technologies and acquisition of original seeds and seedlings Application of the Oji Group's long-standing tree-breeding technologies (e.g., DNA markers) to medical plants Joint research with pharmaceutical companies, universities, and research institutes |

Oji Group's Social Responsibility

Since its inception, the Oji Group has carried out its business activities with a high sense of ethics under the philosophy of balancing ethics and profits. Furthermore, the Oji Group is striving to improve the soundness and transparency of Group management in order to promote activities that address the needs of society and the environment, fulfill its corporate social responsibility, and maximize its corporate value.

Relationships of Trust with Stakeholders

To fulfill its social responsibility, the Oji Group maintains dialogue and cooperation with a wide variety of stakeholders, while carrying out its business activities. The Oji Group holds regular briefings related to its financial condition and management strategy, provides its employees with education and training related to compliance, the environment, and safety, and also holds opinion exchange meetings with local residents. Through responses to inquiries, participation in exhibits, and mill tours, we communicate information about our corporate activities and product safety to our stakeholders.

● Oji Group's Stakeholders



Top Priorities for the Oji Group

Although social responsibility covers a wide range of issues, the Oji Group considers safety, the environment, and compliance to be its top management priorities. For the continued existence of our business, we believe it is essential to protect the safety and health of all stakeholders, including our employees who sustain our corporate activities. As a major consumer of resources and energy, we believe it is imperative for the Oji Group to take environment protection measures in order to ensure that our corporate activities are sustainable. Furthermore, the Oji Group ensures complete legal compliance, in order to prevent legal violations that could create a great deal of trouble for all types of stakeholders and significantly reduce the Group's corporate value. We abide by international codes of conduct as a company respected all over the world.

Enhancing the Organization to Fulfill its Social Responsibility

■ Corporate Governance Structure

The board of directors makes important decisions related to business execution and consists of 12 directors (of which two are outside directors). In June 2007, we began assigning outside directors in order to practice transparent and efficient corporate management and to strengthen management monitoring. We have also adopted an audit system that includes outside auditors.

■ Enhancement to the Audit System

Consisting of five auditors (of which three are outside auditors), the Audit and Supervisory Board ensures transparency and performs monitoring/auditing functions vis-à-vis company management. To further strengthen the auditing system, the number of outside auditors was increased by one beginning in June 2013. The Internal Audit Division, which is independent of business execution organizations, audits all of the Group's business activities and internal control and evaluates/verifies their appropriateness.

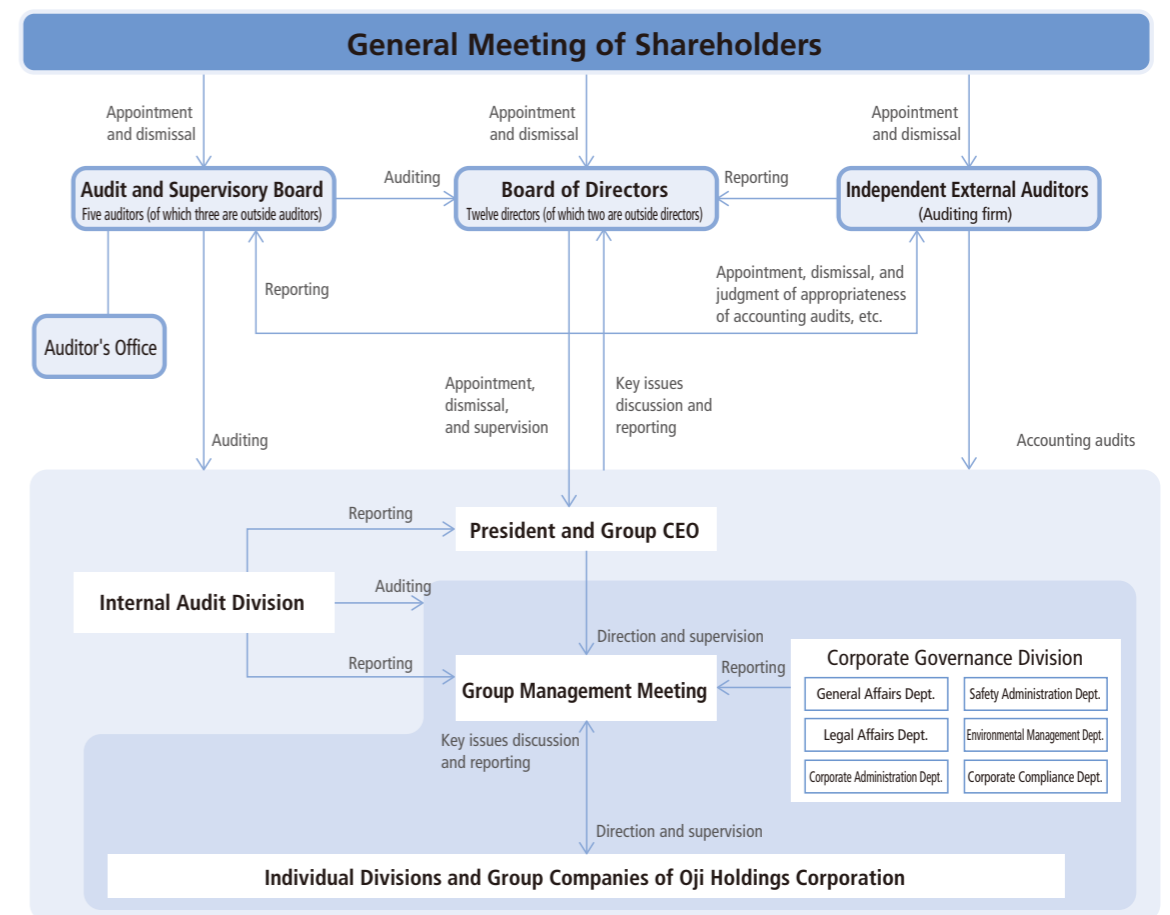
■ Establishment of the Corporate Governance Division

Along with the transition to a pure holding company structure as of October 1, 2012, the Corporate Governance Division was established at Oji Holdings Corporation, the Group's head office. Individual departments inside the Corporate Governance Division centrally manage the risk for the entire Group in their respective business fields.

■ Strengthening Legal Affairs Functions

In January 2013, the Legal Affairs Department was established, replacing the existing Legal Affairs Office of the General Affairs Department, with the goal of strengthening the Group's legal affairs functions. Employees possessing law qualifications were assigned to enable quick handling of various issues. This new structure is designed to reduce legal risks by identifying and handling/supporting risks specific to our existing, new, and overseas businesses.

● Corporate Governance Organization



Note: The Internal Audit Department and Internal Control Department, which are independent of business execution organizations, handle internal audits.

Sustaining Growth as a Global Corporation

Aiming to sustain growth as a global corporation, the Oji Group joined the United Nations Global Compact in 2003 and has incorporated its principles in the areas of human rights, labor, the environment, and anti-corruption into the Oji Group Corporate Code of Conduct and Behavior Standard. At present, corporations must address the widening social responsibility required of them and the issues discovered during the course of entering new business areas or new regions, as stipulated in ISO 26000, an international guideline.

Fully cognizant that safety, the environment and compliance are its top priorities, the Oji Group is strengthening its risk management structure in Japan, while building a risk management structure that respects the laws, regulations, cultures, and customs of various other countries, as well as international codes of conduct.



Internal Control

The Internal Audit Department of Oji Holdings audits the situation of Group companies regarding compliance, risk management, and internal control to help them enhance their governance.

In fiscal 2012, the Internal Audit Department conducted the on-site audit at 28 worksites (20 in Japan, 6 in China, and 2 in Thailand) and instructed them to correct the discovered non-compliant items. For the 16 worksites where on-site audits had been conducted in fiscal 2011, the Internal Audit Department conducted follow-up audits in writing and confirmed that matters had been properly improved.

The Internal Audit Department encourages its staff to acquire auditing qualification. So far, four of them have acquired internationally recognized Certified Internal Auditor designation, and conduct audits in accordance with the International Professional Practices Framework (IPPF). Three of its staff have acquired other related qualifications, one as a certified information systems auditor, one as an information security auditor, and one as a certified fraud examiner.



Internal audit (Harta Packaging Industries, Malaysia)



Internal audit (GS Paper & Packaging, Malaysia)

Occupational Safety and Health Management

The Safety Administration Department of Oji Holdings aims to achieve zero workplace accidents at all worksites of Group companies both in Japan and overseas by ensuring the safety and health of employees under the fundamental philosophy of "Safety is always first." The Safety Administration Department shares information on workplace accidents that have occurred in Group companies in Japan and overseas with all Group companies and ensures that safety measures and instructions are disseminated to all Group companies in a timely manner. Safety Administration Department personnel also visit worksites to conduct safety audits/monitoring and provide guidance. In 2012 (January-December), 126 worksites in Japan were visited for this purpose.

Meanwhile, in Asia where the Oji Group has been actively expanding its business, Safety Administration Department personnel traveled to worksites in China and Malaysia. At these sites, worksite managers were interviewed, the status of the safety management system, safety-related activities, and equipment-related safety measures were investigated, guidance was provided, and opinion exchanges were held.

The Safety Administration Department will carry out safety audits and monitoring at worksites outside Japan including Asia, paying careful attention to differences in laws and regulations, cultures, and customs, with the goal of achieving zero workplace accidents.

■ Safety Awareness Improvement in Malaysia

In order to prevent accidents by improving each worker's safety awareness, morning assemblies are held with all employees attending, accident information is shared across organizational boundaries, and risk prediction trainings are held.



Recitation of safety measures every morning (GS Paper & Packaging, Malaysia)

■ Safety Audits and Monitoring in the USA

Safety Administration Department personnel visited worksites where similar accidents recurred and focused on training the managers and workers on the importance of sharing negative examples of accidents across organizational boundaries, implementation methods, and the 5S initiative, which forms the basis for workplace safety.



Safety audits and monitoring (Kanzaki Specialty Papers, USA)

Human Rights and Fair Labor Practice Survey

Under the fundamental management principle of "Management Based on Respect for People," the Oji Group carries out business activities that respect human rights and utilize fair labor practices. In conjunction with the globalization of its business, the Oji Group is assessing risks related to human rights and labor practices, in addition to its existing occupational safety and health management, in order to fulfill its social responsibility both in Japan and overseas. In fiscal 2012, Oji Holdings Corporate Governance Division, along with a third party, assessed risks related to human rights and labor practices at Box Asia Group International of Thailand, which had recently joined the Oji Group.

In this assessment, local department personnel were interviewed to identify and evaluate risks related to diagnostic items that had been established based on the ISO 26000 international guideline and relevant local laws and regulations. The assessment determined that the management's level of awareness was high and there were no serious problems such as legal violations. Some issues were identified, however, that required improvement in comparison to international standards. Oji Holdings and the assessed company will continue to work together to make improvements. As it proactively expands its overseas business and increases the number of overseas employees, the Oji Group will consider ways to expand this type of initiatives.



On-site interview (Box Asia Group International, Thailand)

Environment Management

We conduct environment audits in order to ensure legal compliance and prevent environment problems.

Until recently, the Oji Group's environment audits were primarily conducted in Japan. Beginning in fiscal 2012, however, as its overseas business expanded, the Group began conducting environment audits at its overseas worksites in accordance with environment audit standards in Japan. We had conducted environment audits at 38 overseas worksites by October 2013.

An environment audit consists of the following:

- ① Primary audit in which a worksite identifies and investigates environment management problems on its own
- ② Secondary audit in which a third-party auditing institution (or a company that supervises the worksite) verifies the results of the primary audit
- ③ Tertiary audit in which the Environment Management Department of Oji Holdings verifies the results of the primary and secondary audits

Outside Japan, we must understand and comply with different laws and regulations in each country or region. Therefore, we utilize local third parties to cope with laws and regulations written in various languages (see P. 29).

Problems identified through an environment audit are quickly corrected by the worksite and the supervising company or the Environment Management Department checks the correction details.



On-site audit (Ojitec (Vietnam))

In Focus

ISO 14001 Certification Acquisition

Outside Japan, 16 worksites have acquired ISO 14001 certification, an international standard for environment management systems, and are improving their environment management systems.

As of March 31, 2013

| Region | Worksites that Have Acquired ISO 14001 Certification |
|---------------|--|
| Asia | United Kotak, GS Paper & Packaging / Packaging Plant1, GS Paper & Packaging / Packaging Plant2, Harta Packaging Industries, Harta Packaging Industries (Perak), Harta Packaging Industries (Selangor), Harta Packaging Industries (Cambodia), Chiga Light Industries, Qingdao Oji Packaging, Suzhou Oji Packaging, Oji Specialty Paper (Shanghai), Dalian Mori Mitsui Packaging, Oji Interpack Korea |
| North America | AFPI |
| South America | CENIBRA, Oji Papéis Especiais |

Comments

Looking back on the Environment Audit

GS Paper & Packaging (GSPP)

Safety, Health, and Environment Senior Manager
James Wong

In 2013, GSPP received our first environment audit by the Environment Management Department and a third party. The audit led us to improve in many areas related to environment management, such as compliance with air pollution regulations. We also realized that the environment audit has played the vital role of the Oji Group's commitment to encourage every operation to be a good corporate citizen, and to show consideration and respect the environment.

With the Oji Group's support, GSPP is committed not only to complying with regulations but also to striving to minimize environment impacts in all its operations.



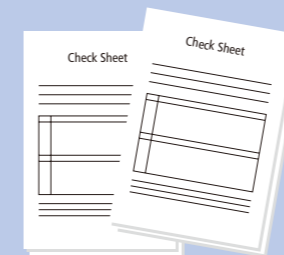
Product Safety Management

The Oji Group conducts product safety audits to verify that the rules set up for ensuring the safety of the chemicals we use (including materials) and the products we make are being properly applied and to prevent accidents that could result in product liability (PL). We conduct both document audits, in which the Product Safety Management Department of the head office checks the content of check sheets filled out by worksites, and on-site audits in which auditors travel to worksites. In Japan, 212 worksites of Group companies received these audits.

In recent years, it has become imperative to also strengthen the structure for managing risks related to product liability at overseas worksites, as exemplified by the need to comply with the EU's chemical substance regulations and international green procurement guidelines. The Oji Group conducted document audits of 38 worksites overseas and, with respect to the safety of chemicals used, conducted on-site audits of all target worksites by September 2013.

At eight overseas worksites that manufacture food containers and packaging, a third party was engaged to conduct on-site audits in order to ensure higher levels of safety and security in terms of quality control and sanitation control. The Environment Management Department then verified the results on-site and provided instructions for improving control levels.

Check Sheet Used for Product Safety Audits



The check sheet describes the rules related to chemical and product safety checks in a question-and-answer format, making it possible to assess compliance status from the answers provided by the worksite.



On-site audit (Oji Packaging (Shanghai), China)

Number of Overseas Worksites Subject to Environment Audits and Product Safety Audits

| | |
|-------------|----|
| USA | 2 |
| Brazil | 2 |
| Germany | 1 |
| New Zealand | 1 |
| Thailand | 6 |
| Vietnam | 2 |
| Malaysia | 10 |
| Cambodia | 1 |
| China | 11 |
| Korea | 2 |
| Total | 38 |

Audits by Third Parties (Environment Audits and Product Safety Audits)

For environment and product safety audits of overseas worksites, we also utilize external audits by third parties.

Auditing firms familiar with the laws and regulations of individual countries can properly check the status of compliance with related laws, which cannot be easily assessed from Japan. Receiving objective opinions from auditing firms that conduct ISO 14001 examinations and other tests to assist us in building a stronger control structure.

The audit target worksites, as well as the Environment Management Department, effectively utilize the audit results provided by third parties to improve the environment management and product safety management of the entire Oji Group.



Our Commitment to the Environment

The entire Oji Group is promoting environment management as one of its top priorities, based on the basic policy spelled out in the Oji Group Environment Charter. The Environment Management Department of Oji Holdings is positioned as the headquarters of these efforts.

The Oji Group is striving to help create a sustainable society through the various initiatives it takes throughout the entire process, from raw material procurement to disposal.

Oji Group Environment Charter

Basic Policy

The Oji Group Environmental Charter requires the Oji Group to help create a truly enriched and sustainable society by developing business activities that harmonize with the environment from a global perspective. The Charter calls for the Oji Group to make autonomous efforts to achieve further environmental improvement, and aggressively drive its forest recycling, paper recycling, and global warming countermeasures forward.

Formulated in January 1997
Revised in June 2006



Biodiversity preservation (see P. 40)
(Photo courtesy of Mr. Tsunenori Kishi)



Overseas tree plantations (see P. 36)



Company-owned forest in Japan (see P. 38)



Hydropower generation (see P. 45)



Photovoltaic power generation (see P. 45)



Biomass fuel (see P. 44)



Promotion of paper recycling (see P. 42)



Confidential used paper recycling (see P. 42)



Cooperation with the recovered paper collection industry (see P. 43)

Forest Recycling

Global Warming Countermeasures

Paper Recycling

Raw Material Procurement

Manufacturing

Product Use

Disposal

Environment- and Society-friendly Procurement

Laws and regulations in Japan and overseas; green procurement EU REACH Regulation EU RoHS Directive JGPSSI GADSL, etc.

Verifying the safety of raw materials (see P. 54)



Checking the traceability of timber resources (see P. 55)

Environment Improvement



Environment audit (see P. 28)



Environment Management System (see P. 47)

Environment-friendly Products



FSC™-certified products (see P. 60)



Resource-saving packaging products (see P. 59)

Waste Reduction and Effective Utilization



Waste fuel (see P. 44)



Effective waste utilization (see P. 49)

Environment Action Program 2015

Having established the Environment Action Program 2015 to ensure that it follows through on the action guidelines laid out in the Oji Group Environment Charter, the Oji Group is working toward achieving these goals by fiscal 2015.

| Action Guidelines | Environment Action Program 2015 formulated in April 2011 | Fiscal 2012 Achievements and Activities | Related pages |
|---|---|--|---------------|
| 1. Promotion of Forest Recycling | Increase the land area of overseas forest plantations to 300,000 hectares and move toward acquiring forest certification for all company-owned forests and forest plantations. | Overseas forest plantation area: 290,000 hectares; percentage of our company-owned overseas forest plantations that have received forest certification: 70% Truong Thanh Oji Plantation Co. Ltd. (TTO) in Vietnam began planting trees. | 36-37 |
| | Manage company-owned forests in Japan through tree thinning and other activities. | We are practicing sustainable forest management and have obtained forest certification (SGEC certification) for all company-owned forests in Japan, excluding profit-sharing forests. | 35, 38-39 |
| | Effectively utilize forests owned in Japan and overseas in promoting the total forestry business approach. | We are expanding our forest resource business through establishment of lumber-processing and sales locations, including setting up a plywood-processing company in Vietnam. | 34 |
| 2. Promotion of Paper Recycling | Encourage the use of recovered paper as a resource. (Target to achieve a 64% recovered paper utilization rate) | Recovered paper utilization rate: 63.2% We are expanding the use of recovered paper, including paper made from confidential documents and difficult-to-process recovered paper, and are working with the recovered paper collection industry to improve the quality of recycled paper. | 42-43 |
| 3. Promotion of Global Warming Countermeasures | Reduce greenhouse gas emissions by 15% and carbon dioxide emissions from energy sources by 35% relative to 1990. | Greenhouse gas (GHG) emissions: 22.0% reduction (total emissions of 6.104 million tons) CO₂ emissions from energy sources: 39.8% reduction (total emissions of 4.515 million tons) We are expanding the use of renewable energy while continuing to use energy efficiently. | 44-46 |
| | Increase the amount of CO ₂ absorbed (offset credits, etc.) through forest management. | We are promoting CO ₂ absorption by thinning our company-owned forests in Japan and are selling offset credits received through the J-Credit Scheme (formerly the J-VER Scheme). | 38 |
| 4. Reinforcement of Environment Improvement Measures and Environment Management Systems | Develop a voluntary environment management structure through the acquisition of certification for our environment management system, as well as regular upkeep and operations. (Target to acquire EMS certification for 150 mills) | EMS-certified mills: 136 in Japan We are encouraging all of our mills to obtain either ISO 14001 certification, Eco Action 21 certification for small worksites in Japan, or the Oji Group's proprietary O-EMS certification. | 47 |
| 5. Development of Production Technologies and Products that Minimize Environment Impact | Properly manage compliance with voluntary standards as well as laws and regulations in product safety. | With cooperation from our suppliers, we are verifying the safety of the chemicals and products we use. We are checking and improving our control structure through product safety audits on a regular basis, and have expanded these audits to include overseas worksites. | 29, 56-57 |
| | Develop a larger supply structure for forest certified products. | We are marketing a wide variety of products, while also seeking to raise awareness of forest certification schemes. | 60 |
| | Encourage the development of new products that help conserve resources and reduce CO ₂ emissions. | We are developing and marketing packaging materials that help conserve resources and improve transportation efficiency. | 58-59 |
| 6. Reduction and Effective Utilization of Waste | Reduce the total amount of waste for final disposal to under 50,000 tons (AD) per year. (Oji Paper, Oji Materia, Oji F-Tex, Oji Nepia, Oji Imaging Media) | Final disposal amount: 62,000 tons (AD)/year We promote the use of waste generated inside our plants as fuel and effective utilization of combustion ash as part of our broader efforts to reduce our final disposal amount. | 49 |
| 7. Transfer of Environment Protection Technology to Other Countries | Comply with relevant environment standards in each country and share environment management technologies developed in Japan. | We are transferring environment management technologies to other countries while utilizing third parties to conduct environment audits of overseas worksites. | 28 |
| 8. Building Relationships of Trust with Stakeholders | Encourage greater communication with our stakeholders through exhibitions and publications. | We communicate with our stakeholders by hosting booths at various exhibitions including Eco-Products and publishing our Environment and Sustainability Report. | 60 |
| | Promote social contribution activities rooted in the local community. | We are engaged in a wide variety of activities while maintaining communication with the residents of the surrounding communities and local governments. | 66-69 |

Promotion of Forest Recycling

We are sustainably managing and comprehensively utilizing our rich forest resources to expand into new business areas.

Expansion of Total Forestry Business that Increases the Value of Resources

One of the pillars of the Oji Group's recycling-based business model is the promotion of forest recycling. To carry out sustainable forest management for creating, growing, and utilizing forests, it is becoming more important to increase the value of forest resources and effectively utilize them, rather than simply growing forests.

The Oji Group is actively promoting a total forestry business

that maximizes the value of forest resources. It aims to achieve this goal through diverse expansion of resource utilization, including developing new markets for pulp, expanding our lumber-processing business, and entering into renewable energy businesses such as biomass energy (see P. 45), in addition to the conventional use of trees as raw materials for paper manufacturing.

Total Forestry Business that Increases the Value of Resources

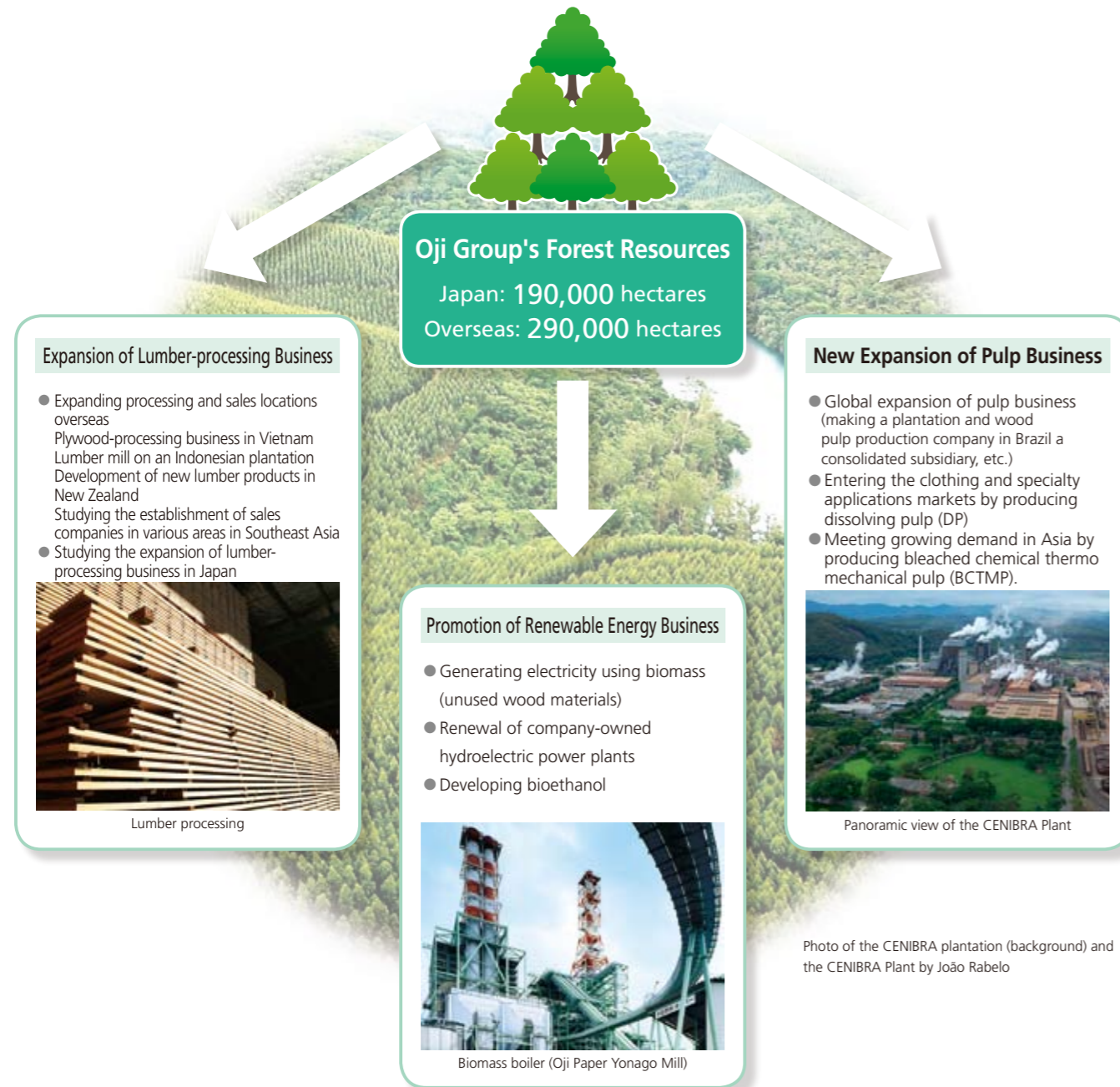


Photo of the CENIBRA plantation (background) and the CENIBRA Plant by João Rabelo

Publicly Beneficial Functions of Forests

Forests play multi-faceted roles that are deeply related to our lives. For example, they supply the lumber needed for production activities, in addition to providing recreational opportunities and creating culture. Furthermore, they provide preservation functions such as protecting a diverse array of living organisms, maintaining watersheds, and preventing landslides.

The Oji Group owns and manages forests both in Japan and

overseas. The value of the publicly beneficial functions provided by its company-owned forests covering 190,000 hectares in Japan alone is assessed to be worth ¥530 billion*¹ a year.

Furthermore, in order to properly manage, maintain, and utilize its company-owned forests, the Oji Group also utilizes a forest certification scheme based on third-party audits.

*1 : Based on an assessment of publicly beneficial functions provided by forests, made by the Science Council of Japan.

Forest Certification Acquisition Status

Company-owned forests in Japan: Out of 190,000 hectares, we have obtained SGEC certification*² for the 170,000 hectares that are not profit-sharing forests*³.
Overseas plantations: Out of 290,000 hectares, we have obtained FSC™ certification for 200,000 hectares (70%).

Examples of Oji Group's multi-faceted functions and initiatives in its company-owned forests in Japan

Conservation of Biological Diversity

- Creating our own Red Data Book*⁴ and executing monitoring activities
- Increasing understory vegetation through thinning operation at planted forests and renewing forests rich in biodiversity by selective cutting*⁵ at natural forests (mainly Hokkaido)

Watershed Protection*⁶ and Water Purification

- Maintaining buffering zone to protect watersheds and paying attention to water and soil conservation during building of forest roads
- Bottling spring water in the Tomakomai forest as natural drinking water (Hokkaido)

Production Functions

- Supplying industrial materials, such as raw materials for paper manufacturing and sawtimber, and providing employment opportunities related to forestry

Global Warming Countermeasures

- Annual absorption of 13,600 K tons/year of CO₂ by forests owned by the Oji Group (total for Japan and overseas) (The amount of carbon accumulated in forests and the volume of CO₂ absorbed are estimated by the Oji Group based on the actual measured size of the forests it owns and the growth rates of trees.)
- Supplying biomass fuel such as forest residue*⁷ as an alternative energy source

Recreation

- Promoting tourism through the Lily of the Valley Festival sponsored by the local government at the site of a lily of the valley colony inside a company-owned forest (Yamanashi)
- Opening part of a company-owned forest to the public as the Oji Forest (Hokkaido) and installing walkways

Soil Preservation

- Preserving soil by only cutting planted forests in zones or small areas, and replanting the cut areas
- Executing basic monitoring to check for disturbed forests and landslides caused by rain

Culture, Education, and Scenery

- Providing hands-on environment programs for children at Oji Forest Nature Schools (Hokkaido, Fuji, Hiroshima, Miyazaki) (see P. 67)

*4: Red Data Book: A book that lists wildlife species facing the risk of extinction.

*5: Selective cutting: Selective harvesting of some of the mature trees in a forest.

*6: Watershed protection: A function of forests that stores rainwater to maintain the watershed and prevents floods and droughts by regulating the amount of water that flows into rivers.

*7: Forest residue: Branches and roots that are left over in forests after logs are transported out.

Initiatives at Our Overseas Tree Plantations

The heightened level of concern about illegal logging and forest destruction has resulted in more attention being paid to legal compliance and environment measures with respect to activities in tree plantations. In recent years, more importance is also being placed on ensuring that these activities provide social and economic benefits. Tree plantations require stable forest management that ensures positive social benefits to a wide variety of stakeholders, such as local residents and local governments, and that makes a sustainable contribution to the local economy. Sustainable management of the tree plantation business also leads to positive environment impact, by, for example, suppressing illegal logging and preserving natural forests.

Global forest certification systems such as FSC™ and PEFC also require proper forest management that achieves a balance among the environment, society, and the economy. This section describes the Oji Group's initiatives addressing these three areas at its overseas tree plantations.

Consideration for the Environment

Environment considerations involving tree plantation projects span a wide range of issues, including soil conservation, water quality protection, and biodiversity preservation.

We are working to preserve natural forests and the environment surrounding watersheds, and plant trees in degraded areas, pastures. We also work to re-establish natural forests.

(For biodiversity preservation initiative examples, see P. 40.)



Investigating the effects on the watershed and water quality, as well as the impact on the volume of water flowing into rivers (QFPL)

Demonstrating Social Concern

When acquiring land for plantations, we hold dialogues with local residents and also hold multiple negotiations with administrative bodies such as local governments.

Even after our business has started, we hold regular opinion exchanges with residents of the surrounding communities to ensure that we have the support of the local communities and share the issues facing them.

We also carry out social contribution activities that are beyond the scope of our business, including providing opportunities for medical care such as health check-ups, supporting educational and cultural events, and assisting local industries. (For examples of social contribution activities at overseas tree plantations, see P. 69.)



Opinion exchange with residents of the surrounding communities (KTH)

In Focus

Contract-based Tree Planting at CENIBRA (Brazil)

At the CENIBRA tree plantation, a contract-based tree planting system has been solidly established. Local residents receive seedlings as well as training in tree-planting skills from the company. They then plant eucalyptus trees on their private land, which the company purchases when they have matured. The total project area for the contract planting system has now reached as much as 25,000 hectares. Tree planting has become an industry in this area, supporting the local economy.



Seminar for tree-planting contractors

Consideration for the Local Economy

We revitalize local industry and create employment through work related to managing tree plantations such as seedling production, planting, and tending work such as weeding and fertilizing, as well as logging and transportation.

To improve profitability as a business and continue our operation, the Oji Group is promoting a total forestry business model that utilizes plantation trees in a wide variety of applications.

Furthermore, to develop tree species best suited to individual plantations, we are conducting investigations and research in various fields, including research on hybridization and experimental tree planting.



Production of seedlings for planting (LPFL)

Development into a Total Forestry Business

We are aiming to improve the profitability of our tree planting business by promoting the use of our products in a wide variety of applications such as plywood, construction materials, and furniture, in addition to continuing to process wood into chips for use as a paper manufacturing raw material.



Veneer production (KTH)

In Focus

Tree planting began at Truong Thanh Oji Plantation Co. Ltd. (TTO) in Vietnam at the end of 2012.



In Focus

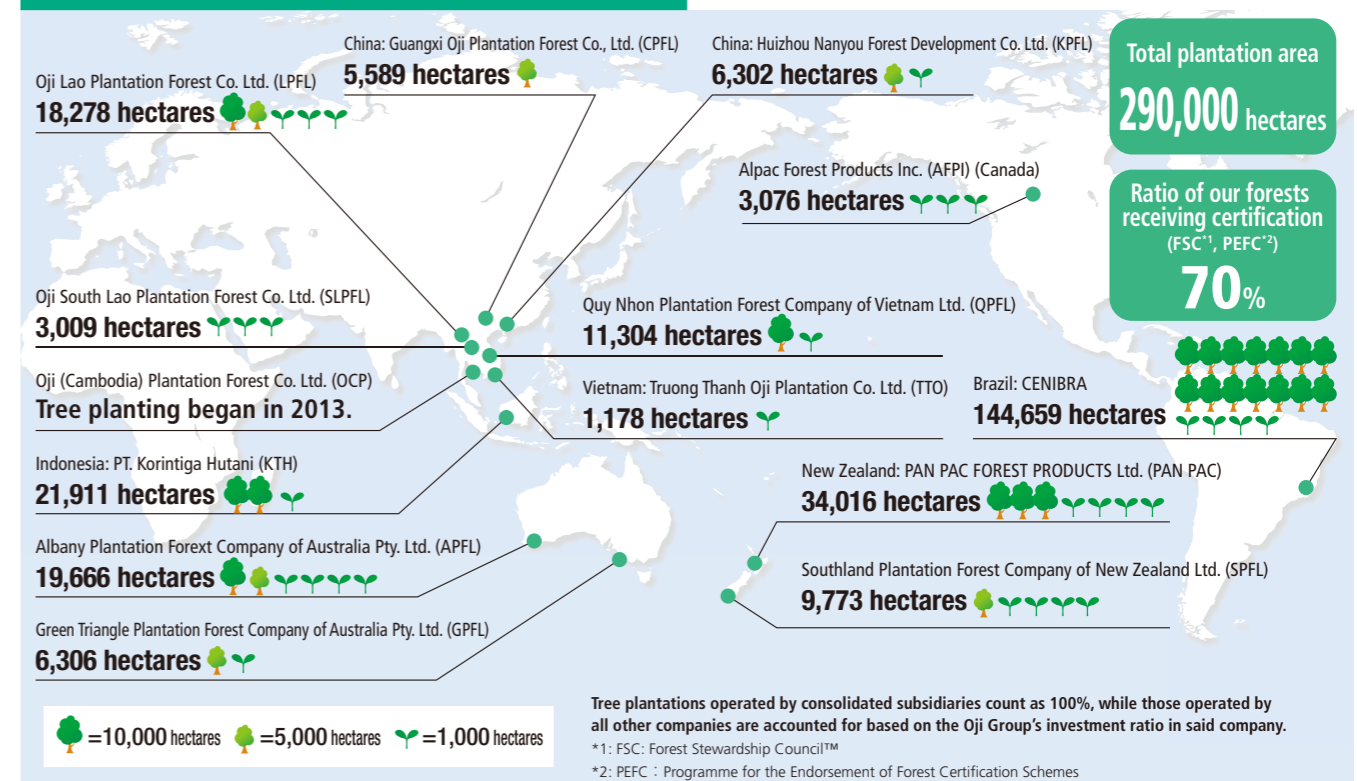
LPFL Receives FM/CoC Certification from FSC™. Oji Lao Plantation Forest Co. Ltd. (LPFL, license code: FSC-C117723) acquired FSC certification in August 2013, signifying third-party recognition of its responsible forest management.

Plantation trees ready for logging will be used primarily as wood products such as lumber and plywood, while some parts will be processed as raw material for paper manufacturing.



Forest at LPFL

Location of Overseas Tree Plantations (as at the end of fiscal 2012)



Initiatives at Our Company-owned Forests in Japan

The Oji Group manages 190,000 hectares of company-owned forest, continuously planting and thinning trees in one of the largest scale initiatives among private companies.

For forests to be able to perform their various publicly beneficial functions (see P. 35), they must be properly cared for to maintain a sustainable cycle.

The Oji Group has obtained SGEC certification for all of its forests in Japan, with the exception of profit-sharing forests, and is sustainably managing its forests.

In order to grow forests possessing utility value, we perform various types of tasks at forest management sites, working with nature to care for our forests.

Management of Planted Forests

At our planted forests, which account for 40% of our company-owned forests, we select tree species that best match the natural conditions such as location and soil, and plan the age and tree size to be logged from a long-term

point of view.

It is generally agreed that Japanese cedar and Japanese cypress need 50-70 years before they can be logged, and Japanese larch requires 40-60 years.

Forest Management Work Cycle

1 Land Preparation

Once a decision is made on the species and location to be planted, the branches and roots of the trees that used to grow at the site are cleared and the mountain surface is smoothed.

2 Planting

Seedlings are planted by workers who coordinate among themselves to maintain proper spacing, using wooden sticks and other markers. In our company-owned forests, we planted new trees on approximately 200 hectares in fiscal 2012.



3 Understory Vegetation Removal

Until the seedlings grow tall enough, weeds and understory vegetation that would interfere with the growth of the seedlings are removed. It takes 5-7 years before the seedlings grow tall enough to out-compete weeds.

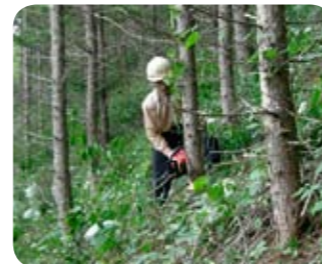


4 Vine Cutting and Clearing

Vines that cling to planted trees and stunt their growth are cut. This is done about 10 years after planting. At the same time, miscellaneous small trees that have grown inside the planted area are cleared.

5 Thinning

The first thinning takes place 10-15 years after planting. Sunlight enters the forest, which had previously been dark, resulting in a healthy forest with abundant understory vegetation. Afterwards, thinning is performed every 10-15 years.



In our company-owned forests, approximately 1,700 hectares were thinned in fiscal 2012.

The Oji Group participates in the J-Credit Scheme*, selling the amount of CO₂ absorbed through thinning as offset credits.

6 Logging and Utilization

Japanese cedar and Japanese cypress are logged 50-70 years after planting. Logging is done in zones or small areas, in order to preserve the soil and biodiversity.



After their branches are removed, harvested trees are transported out of the forest as logs. Approximately 60% of these logs are used as lumber and plywood, with the remainder utilized as paper manufacturing raw materials and biomass fuel.

* : J-Credit Scheme: A scheme under which the Government of Japan certifies as "credit" the amount of greenhouse gas emissions reduced or removed through efforts to introduce energy-saving devices and properly manage forests. The credit cancels out emissions of its purchaser.

In Focus

Promoting the Use of Domestically Grown Lumber

Along with promoting the utilization of its company-owned forests in Japan, the Oji Group supports wider adoption of the "JAPAN WOOD" mark, established by the Japan Project-Industry Council (JAPIC) to promote the use of domestically grown lumber.



Management of Natural Forests

Natural forests account for 50% or more of the area covered by our company-owned forests, most of which are in Hokkaido. In natural forests, we practice selective cutting by selectively harvesting some of the mature trees to ensure sustainable renewal.

Forest Management Work Cycle

1 Harvesting

We select mature trees for cutting.

2 Waiting for Growth

Logging improves light penetration in the forest, promoting growth of the remaining young trees and germination of saplings. We wait at least 20 years for these younger trees to grow before cutting mature trees again.

Other Works

Building Forest Roads

Roads are essential for forest management work, including logging and transportation. The Forestry Agency's forest and forestry revitalization plan also considers building networks of roads in mountains and forests to be an important issue.

In fiscal 2012, the Oji Group built 22 km of new forest roads and repaired 385 km of existing ones.

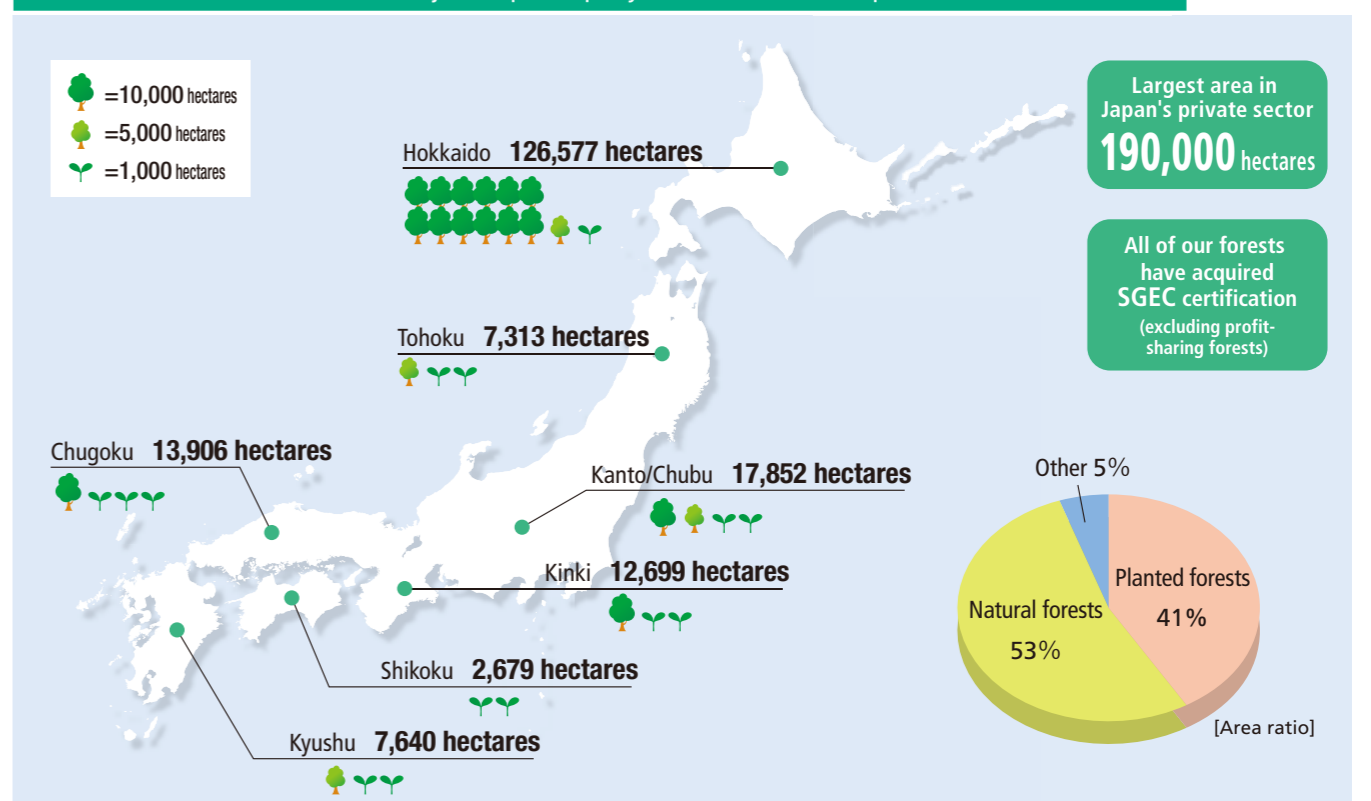


Monitoring & Surveying

We send our personnel into forests on a regular basis to carry out monitoring and surveying.

- Damage from heavy rain, typhoons, animals, etc.
- Conditions of animals living in the forest and the presence of any rare plants or animals
- Status of accumulated tree mass recovery since the last thinning operation
- Conditions of naturally renewing forests etc.

Overview and Distribution of the Oji Group Company-owned Forests in Japan (as at the end of fiscal 2012)



Initiatives for Preserving Biodiversity

Since the Oji Group's business activities utilize forest resources, sustainable forest management is essential for continuation of the Group's business. In recognition of our social responsibility as a corporation that owns and manages vast forests, the Group is also taking initiatives to preserve biodiversity.

Of our company-owned forests in Japan, 100,000 hectares are natural forests where rich ecosystems are being preserved. Meanwhile, we are properly managing our planted forests through forest management work such as thinning, allowing even rare living organisms to be observed there.

In overseas tree plantations, we are working to preserve biodiversity through steps such as protecting natural forests, fauna, and flora.

Sarufutsu Itou Conservation Council

With the goal of conserving the Sarufutsu Forest in the Sarufutsu Village in Hokkaido as well as the itou (Sakhalin taimen), an endangered fish living in the river zone there, the Oji Group established the Sarufutsu Itou Conservation Council, in concert with a local NPO, the local government, and researchers. We are continuously engaging in conservation activities.

Known as the largest freshwater fish in Japan, the itou can live for 20 years or more, growing to more than one meter long.

The itou now lives in only a handful of rivers in Hokkaido and has been designated an endangered species by the Ministry of the Environment and the International Union for Conservation of Nature and Natural Resources (IUCN).

So far, the Council has held awareness-raising campaigns for fishermen/women, conservation symposiums, nature schools for elementary school children, environment seminars for university students, and field tours. In 2013, the Council held a symposium, inviting researchers from the Wild Salmon Center (headquartered in the U.S.), and helped experts from the National Institute for Environment Studies (Japan) perform an ecological study of itou.

In the future, we plan to build fish ladders, using thinned logs from the Oji Forest.

We are also working to establish itou-friendly fishing regulations (such as a catch-&-release requirement and the use of fishing hooks that do not harm the fish).



Itou ascending the River
(Photo courtesy of Mr. Tsunenori Kishi)



Survey for installing fish ladders in locations that prevent fish from going upstream

Mount Apoi: Continued Conservation of Endangered Alpine Plants

The Oji Group is helping conserve endangered alpine plants in the Samani Forest in Samani-cho, Hokkaido.

The number of alpine plants growing at the Mount Apoi Alpine Plant Colony, a designated special natural monument, has declined due to illegal collection. Since 2005, the Oji Group has been cooperating with the Mount Apoi Restoration Committee, an NPO whose mission is to restore alpine plants.

At a test plot established in Oji Group-owned forest, we carry out various restoration activities, such as regularly cutting bamboo grass and transplanting seedlings of alpine plants. In the spring of 2013, seedlings of *hypochaeris crepidioides*, *erigeron thunbergii* var. *angustifolius*, and *primula modesta* var. *samanimontana* grown by local residents were planted inside the test plot, where they have been growing steadily.



Seedling transplantation



Flowering *hypochaeris crepidioides*

Initiatives at CENIBRA, Brazil

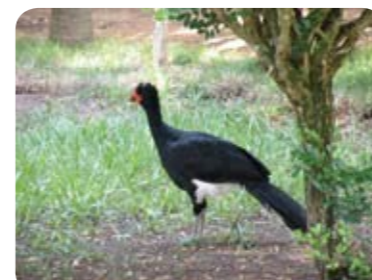
CENIBRA in Brazil, the Oji Group's largest overseas tree plantation, is engaged in the planting of eucalyptus trees and a pulp business. In addition to a tree plantation covering approximately 140,000 hectares, a forest covering approximately 100,000 hectares is being kept as a protected forest to help maintain the ecosystem. Forests on steep slopes and around water sources are left untouched and never logged. If erosion or collapse is detected within the protected forest, the company plants native species to help restore the natural forest.

Symbolizing this biodiversity conservation initiative is the Macedonia Farm, which has registered 560 hectares as a natural forest protection district called the Reserva Particular do Patrimônio Natural (RPPN). Since 1990, the Macedonia Farm has been collaborating with an NPO in an initiative to breed, raise, and release the endangered Mutum (related to curassow).

The Farm also provides environment education related to forests and biodiversity to schools and local communities, and taught more than 2,300 students in 2012.

Additionally, CENIBRA is regularly and broadly monitoring and surveying the fauna, flora, and water sources within its forest.

These initiatives have been highly rated and CENIBRA has received more than 70 environment awards since 2000.



Mutum an endangered species



Environment education in the field



Monitoring and surveying the fauna and flora



Measuring the size of a ruddy ground dove

Australia: Initiatives at APFL

Albany Plantation Forest Company of Australia Pty. Ltd. (APFL), which began planting eucalyptus trees in the state of Western Australia in 1993, is actively working with local communities as a supporter of Gondwana Link, a project for protecting the valuable natural environment in the southwestern part of Australia.

APFL monitors the rare fauna and flora and maintains/manages natural vegetation inside its company-owned tree plantations. In the area surrounding natural forests inhabited by rare plants and animals unique to Australia, areas that were once mostly grasslands have been converted to eucalyptus plantations. These plantations are seen as helping improve biodiversity by functioning as buffer zones between grasslands and natural forests and as corridors linking natural forests.

The water quality monitoring the APFL has been conducting in concert with the University of Western Australia since 2007 has shown that plantations are helping improve water quality.

This survey, which uses the number of animals living in the watershed as one of its indexes, will continue until a logging impact study is conducted.



Black gloved wallaby
(Photo courtesy of Ann Storrie)



Carnaby's black-cockatoo
(Photo courtesy of Raana Scott)



Water quality survey



Nightfish

Promotion of Global Warming Countermeasures

The Oji Group is taking steps with the goal of reducing its greenhouse gas emissions by 15% (compared to fiscal 1990) by fiscal 2015.

In fiscal 2012, our greenhouse gas emissions totaled 6,104,000 tons in CO₂ equivalent, which represents a 22% reduction, surpassing our goal.

We are continuing to implement global warming countermeasures, such as expanding the use of renewable energy and implementing energy conservation measures.

Use of In-house Power Generation Facilities

At our larger mills, we have installed boilers for in-house power generation that create the energy used to power our mills. In addition to electricity for driving machinery, heat (steam) is also needed in the paper drying process. Therefore, the Oji Group has long been using cogeneration, which utilizes waste heat from electricity generation.

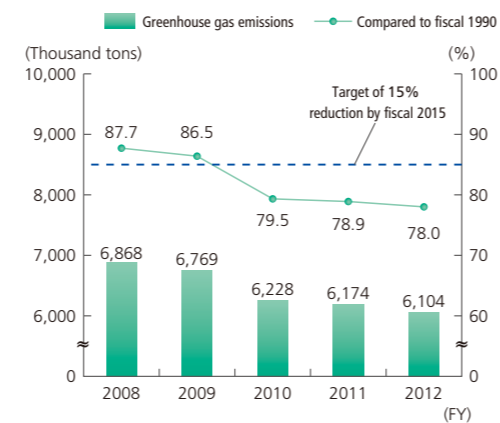
Whereas the energy efficiency when just electricity is generated is only around 40%, cogeneration utilizes energy more effectively, achieving an energy efficiency of 70%.

Waste Fuel

Since 2004, we have been installing boilers that can utilize waste materials as fuel at some of our mills, and have been shifting away from the use of fossil fuels such as heavy oil. We use refuse-paper and plastic fuel (RPF, made by solidifying waste plastic with recovered paper that is unusable as a paper manufacturing raw material), scrap tires, and waste plastics as fuel.

This allows us to effectively recycle waste, while simultaneously reducing our greenhouse gas emissions by curbing the amount of fossil fuels we consume.

Greenhouse Gas Emissions Trends

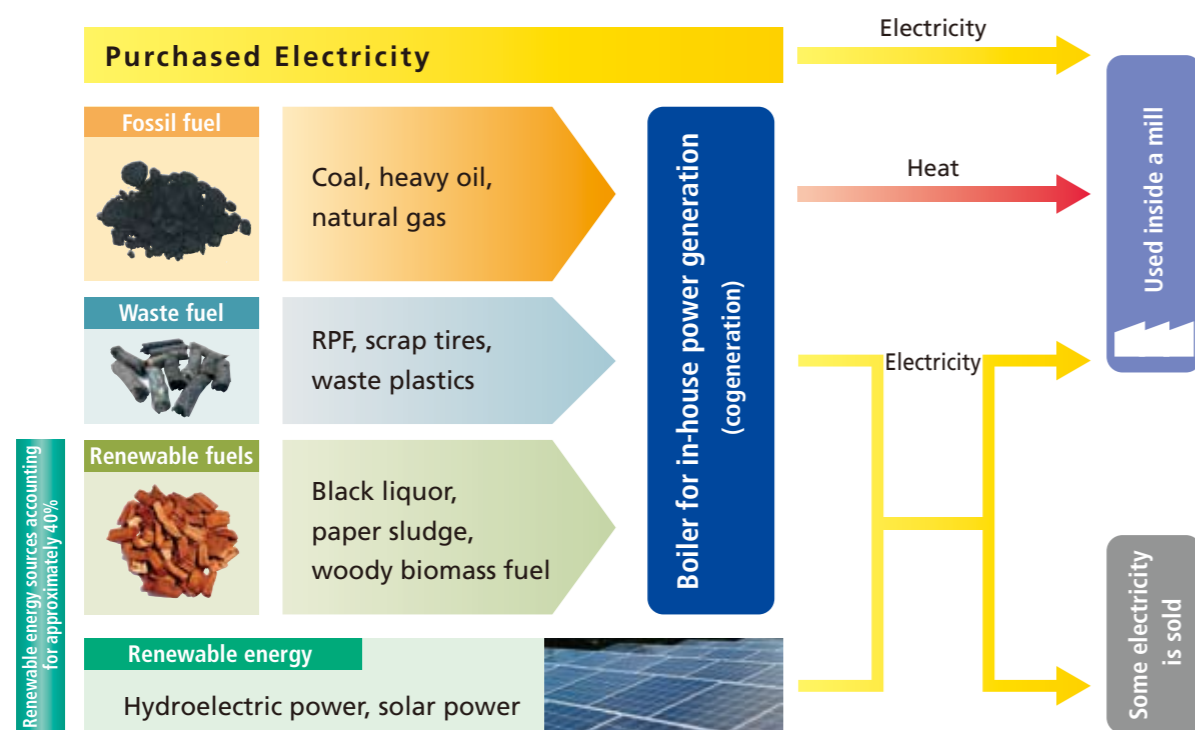


Renewable Fuel

A chemical pulp manufacturing process converts the fibers that make up nearly half the mass of lumber into pulp, which is a raw material for paper, while the remaining half becomes a byproduct called black liquor.

Condensed black liquor is burned in specially designed boilers as an important energy source for pulp and paper manufacturing mills.

Fine wood fibers discharged from paper manufacturing processes are recovered as paper sludge and burned for fuel; wood scrap not suitable for paper manufacturing is also used as fuel. Both of these renewable fuels are helping reduce our CO₂ emissions.



Expanding Our Use of Renewable Energy

The Oji Group is promoting in-house consumption of renewable energy and expanding its electricity business.

The Oji Group has always utilized biomass. Now, it is leveraging its company-owned forests and experience in lumber procurement to prepare for the operation of new

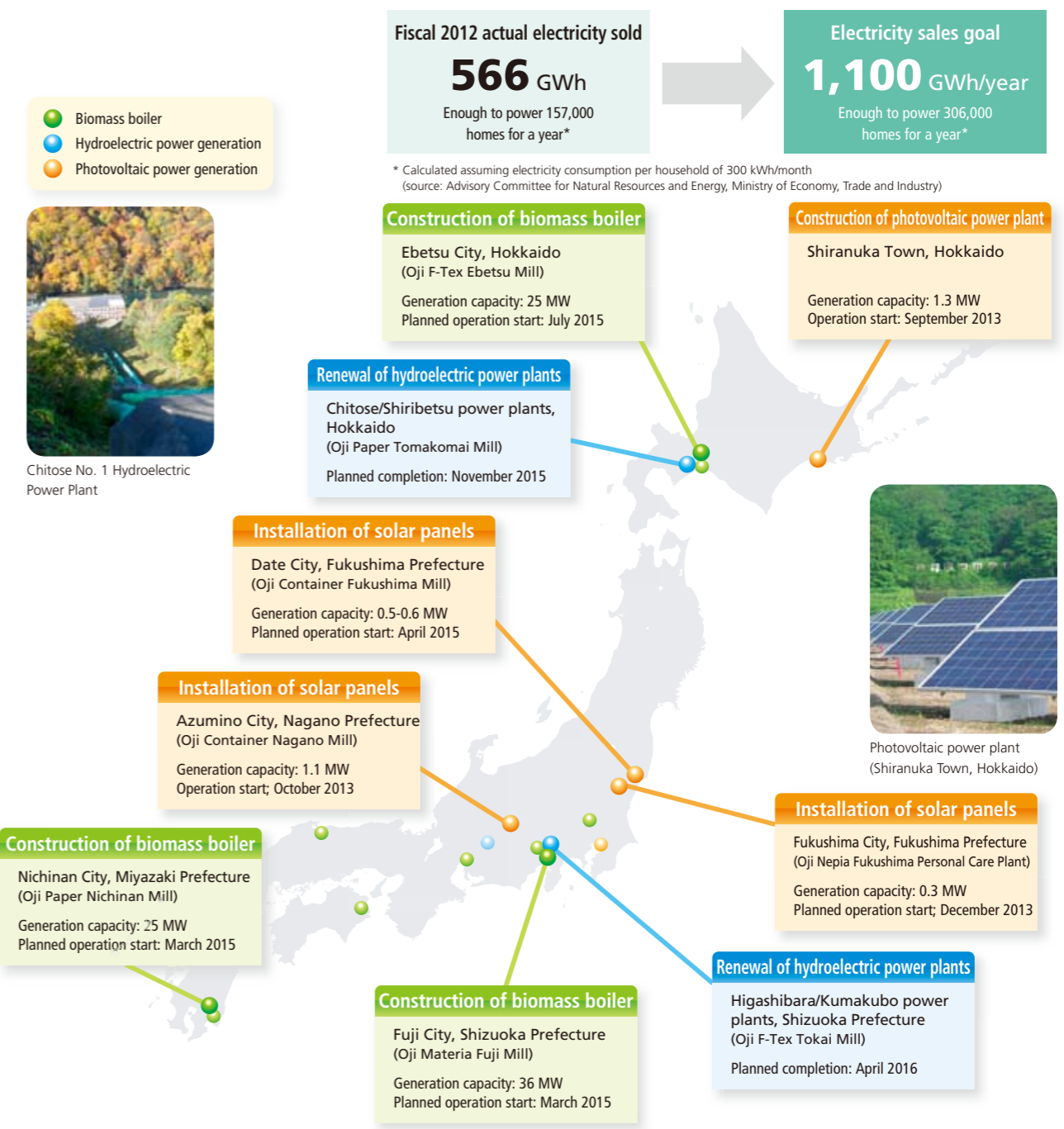


Forest debris

biomass boilers that will utilize forest debris generated during thinning operations as fuel.

As for solar power generation, the Oji Group began operating its photovoltaic power plant in Hokkaido in September 2013 and is considering the possibility of installing solar panels on the roofs of its mills.

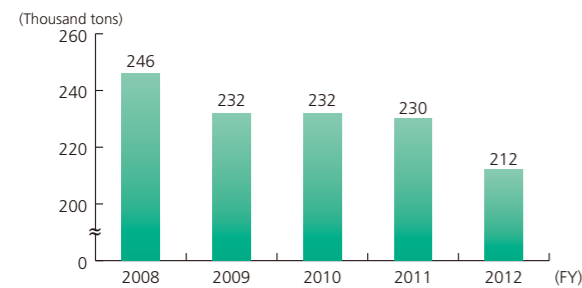
We are also renewing our hydroelectric power plants, which have been supplying power to our mills for many years. We plan to strengthen our electricity business and ensure a stable supply by improving turbine efficiency and reducing labor requirements for maintenance.



Initiatives in Logistics

The Oji Group is also taking steps to reduce its CO₂ emissions during product transport. In fiscal 2012, the Oji Group's CO₂ emissions* from the transport of its products totaled 212,000 tons.

CO₂ Emitted During Product Transport*



* Computed in accordance with the method for calculating the use of energy as a Specified Consigner under Japan's Energy Conservation Act. The total covers emissions for Oji Paper, Oji Materia, Oji F-Tex, Oji Nepia, Oji Container, Oji Cornstarch, Oji Tac and Oji Imaging Media.

Switching Over to a Direct Delivery System

Switching to a direct delivery method that delivers products directly from the mill to customers without going through a warehouse reduces intra-warehouse transfer and warehouse operations, leading to shorter delivery lead times, lower cost, and reduced environment impact.

To optimize production management and product inventory, Oji Paper and Oji Materia are switching to the direct delivery method. We are also taking steps to conserve energy, for example switching to LED lights in our warehouses, so that we can reduce our environment impact even in locations where we are not using a direct delivery method.



Reducing the Environment Impact of Trucks

Trucks play an important role in high-frequency, short-distance transport. Thus, we consider it important to reduce their impact on the environment.

Oji Rikuun, which is responsible for land transport for the Oji Group, is taking a variety of environment impact reduction measures, such as introducing trucks that offer superior fuel efficiency and emit less particulate matter (PM) and nitrogen oxides (NOx). The company also uses fuel-efficient tires as well as retreaded tires.

The company also utilizes digital tachographs to train its drivers in safe and eco-friendly driving practices, encourages them to practice idling reduction, and has adopted an evaluation standard that formally recognizes superior in-house drivers.

Modal Shift

Utilizing railroad sidings for its mills, as well as dedicated cargo ships and piers, the Oji Group has built a logistics structure that is efficient and low in environment impact. Our modal shift ratio*, which indicates the percentage of long-distance transport that utilizes railroads and ships, reached 98.3% in fiscal 2012.

*Tallied for Oji Paper's product transport distances of 500 km or longer (in accordance with the definition by the Ministry of Land, Infrastructure, Transport and Tourism).



Railroad siding



Dedicated cargo ship

In Focus

Reducing Driver Stress

Truck drivers are sometimes required to wait several hours inside the truck cabin for their cargo. If the cabin's air conditioning cannot be used because of idling reduction practices, they could suffer major physical consequences such as heat stroke.

To make it possible to use air conditioning even when trying to reduce idling, trucks used to be equipped with a cold-accumulating air conditioner. Before it could be used, however, the truck had to have been driven over a long distance to cool the cold-accumulating medium. In order to reduce this source of driver stress, we have been installing auxiliary battery-operated air conditioners since fiscal 2012 that are more convenient to use.

Initiatives in Offices

In addition to mills, which consume large amounts of energy, the Oji Group is also taking energy conservation measures in its offices, such as changing room-temperature settings and the use of lighting. Temperature is measured at various spots inside the office on a regular basis and adjusted to ensure that employees are comfortable. We are adjusting lighting according to the minimum brightness required and are also switching to LED lights.

In addition, we engage in activities to raise employee awareness about energy conservation, such as distributing brochures and setting up exhibits that explain power-saving methods. Through these efforts, we are working to improve energy conservation awareness at the office and home and to thoroughly establish good habits.

The Oji Group is strengthening its environment management structure by conducting environment audits and introducing/operating environment management systems.

Furthermore, the individual companies and worksites in the Oji Group are implementing various measures to reduce our environment impact.

Environment Audits

Our environment audits, performed to help improve the environment, enhance our awareness of the environment, and strengthen our environment management structure, consist of the following:

- (1) Primary audit in which a worksite identifies and investigates environment management problems on its own
- (2) Secondary audit in which the company that supervises the worksite verifies the results of the primary audit
- (3) Tertiary audit in which Oji Holdings Environmental Management Department verifies the results of the primary and secondary audits

In fiscal 2012, the Group's 212 worksites in Japan were audited. (For the status of audits of overseas worksites, see P. 28.)

Introduction and Operation of an Environment Management System (EMS)

To voluntarily and systematically practice environment management, each of our worksites is strengthening its environment management by promoting the introduction of environment management systems (ISO 14001, KES^{*1}, Eco-Action 21^{*2}, or O-EMS) to reduce the environment impact of worksites and meet the needs of stakeholders. All of our large-scale worksites in particular have obtained ISO 14001 certification and are maintaining and improving their environment management structures through the implementation of that standard.

O-EMS is a proprietary standard developed by the Oji Group based on the requirements of ISO 14001, designed to be easy to understand and implement for small-scale worksites. O-EMS enables even small-scale worksites whose environment impact is small to carry out the legal compliance and environment risk reduction elements of environment management, based on their actual situations.

We are promoting the introduction of EMSs with the goal of having 150 of our worksites obtain EMS certification by fiscal 2015.



Shimane Mori Shigyo obtained O-EMS certification in fiscal 2012

*1 : Kyoto Environment Management System Standard
KES maintains the basic concepts of ISO 14001, but states them more plainly and involves a lower certification maintenance cost than ISO 14001.
*2 : An environment management system defined by the Japanese Ministry of the Environment, with the main goal of reducing CO₂ emissions and conserving resources

To conduct certain audits, especially for worksites judged to pose a high level of environment risk or that caused environment problems in the past, the auditors physically traveled to the sites.

Problems identified through an environment audit are quickly corrected by the worksite, after which the supervising company or Oji Holdings Environment Management Department checks the details of the correction.

Environment Auditing Structure



EMS certification acquisition status As of March 31, 2013

| | No. of worksites | Worksites (selected) |
|---|------------------|--|
| ISO 14001 (Third-party certification) | 106 | All mills of Oji Paper, Oji Materia, Oji F-Tex, Oji Imaging Media, Oji Nepia, Oji Cornstarch, and Oji Container Oji Packaging, Oji Seishi, Gunma Mori Shigyo, Hokkaido Mori Shigyo, Oji Interpack, Shin Nippon Feather Core, others |
| Certification in Japan (KES, Eco-Action 21, etc.) (Third-party certification) | 8 | Nihon Seika Hoso, Chuetsu Shiga Mill Mori Kamihanbai (Kyoto and Nagoya Branches), Tottori Mori Shigyo, Niigata Mori Shigyo, Shizuoka Mori Shigyo, Honshu Oita Danboru |
| O-EMS (Oji Group certification) | 22 | O-EMS-001 Fuchigami Danboru O-EMS-002 Matsuda Aoi Danboru O-EMS-003 Shiota Danboru O-EMS-004 Mori Kamihanbai (Tokyo Branch) O-EMS-005 Yamachu Sangyo O-EMS-006 Daiichi Paper Factory O-EMS-007 Hokuyo Shiko (Fukushima) O-EMS-008 Oji Seitai (Sendai Mill) O-EMS-009 Yamanashi Mori Shigyo O-EMS-010 Oji Tac (Higashi Nihon Logistics Center) O-EMS-011 Hyogo Oji Danboru O-EMS-012 Hokuyo Shiko (Sapporo) O-EMS-013 Apica O-EMS-014 Oji Forest & Products (Niigata 2-by-4 Mill) O-EMS-015 Nagasaki Danboru O-EMS-016 Oji Seitai (Iwamizawa Mill) O-EMS-017 Oji Seitai (Akita Mill) O-EMS-018 Oji Forest & Products (Housing Construction Materials Operation) O-EMS-019 Kagawa Honshu Danboru O-EMS-020 Tomidan O-EMS-021 Shimane Mori Shigyo O-EMS-022 Tobu Shiko |

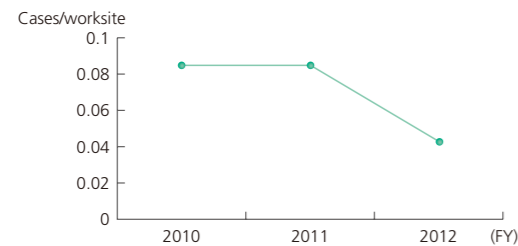
For the status of ISO 14001 acquisition at overseas worksites, see P. 28.

Follow-up on Environment Problems/Complaints and Rolling out Countermeasures also to Other Mills

With the goal of eliminating environment problems and complaints, we share information on the environment problems that have occurred as well as near misses with other mills, to prevent both recurrence and similar problems from occurring. Regarding problems of noise and odors in particular, we implement comprehensive countermeasures, such as installing sound walls and modifying exhaust ducts, based on investigation results obtained utilizing state-of-the-art analysis technologies.

In fiscal 2012, the number of environment problems and near misses declined by approximately 40% compared to fiscal 2011. In terms of environment problems, we exceeded wastewater quality regulation values (including the values agreed upon with local governments) at a rate of 0.042 cases per worksite in fiscal 2012. In all cases, the appropriate administrative body was notified as soon as the problem was discovered and improvement/preventive measures were implemented.

Number of Cases in which Regulation Values were Exceeded



Case Example

Because the steel grates covering the gutter inside a mill were not properly secured, a passing truck kicked up a grate, damaging its fuel tank.

To prevent similar accidents from occurring, all companies within the Oji Group were instructed to secure the steel grates covering gutters.



In Focus

Creating Environment Hazard Maps

As a means of efficiently eliminating environment problems and complaints, we create environment hazard maps*.

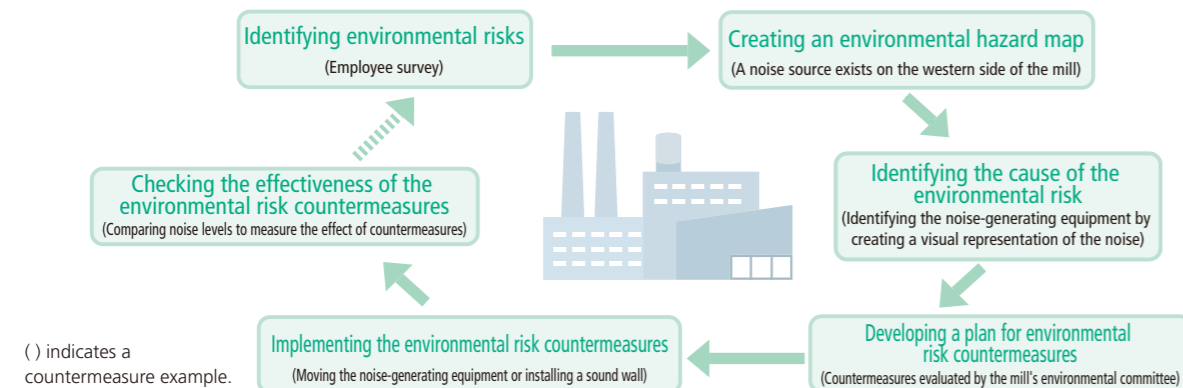
We use questionnaires to ask mill employees about the locations where they are concerned about environment impact, such as noise, foul odors, and chemical leaks.

We organize the survey results as environment risks and create environment hazard maps.

We follow up on the cause of each environment risk, implement corrective measures, and verify that the risk has been reduced.

We began the initiative of utilizing environment hazard maps to reduce environment risks at Oji Paper, Oji Materia, Oji F-Text, Oji Imaging Media, and Oji Nepia where large-scale mills are located. Our plan, however, is to roll out this initiative at all Oji Group companies in the future.

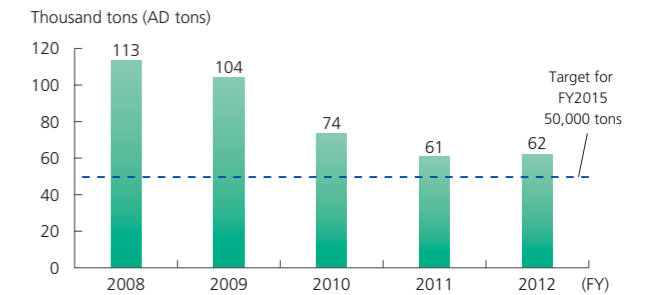
*Environment hazard map: Shows the locations where an environment hazard occurred or might occur on the map of a mill to facilitate environment risk assessment.



The Oji Group is working to reduce our final disposal amount by effectively utilizing waste, with the goal of reducing final disposal amount to 50,000 tons or less by fiscal 2015.

The final disposal amount for fiscal 2012 was 62,000 tons.

Final Disposal Amount



Effective Utilization of Waste

The Oji Group incinerates waste material—such as paper sludge generated in the manufacturing process, wood scrap, and waste plastic removed from recovered paper—in boilers inside mills, thereby reducing the volume of waste. The heat generated from the incineration boilers is effectively utilized in the form of electricity or steam (see P. 44). We dispose of other forms of industrial waste in accordance with respective laws and regulations.

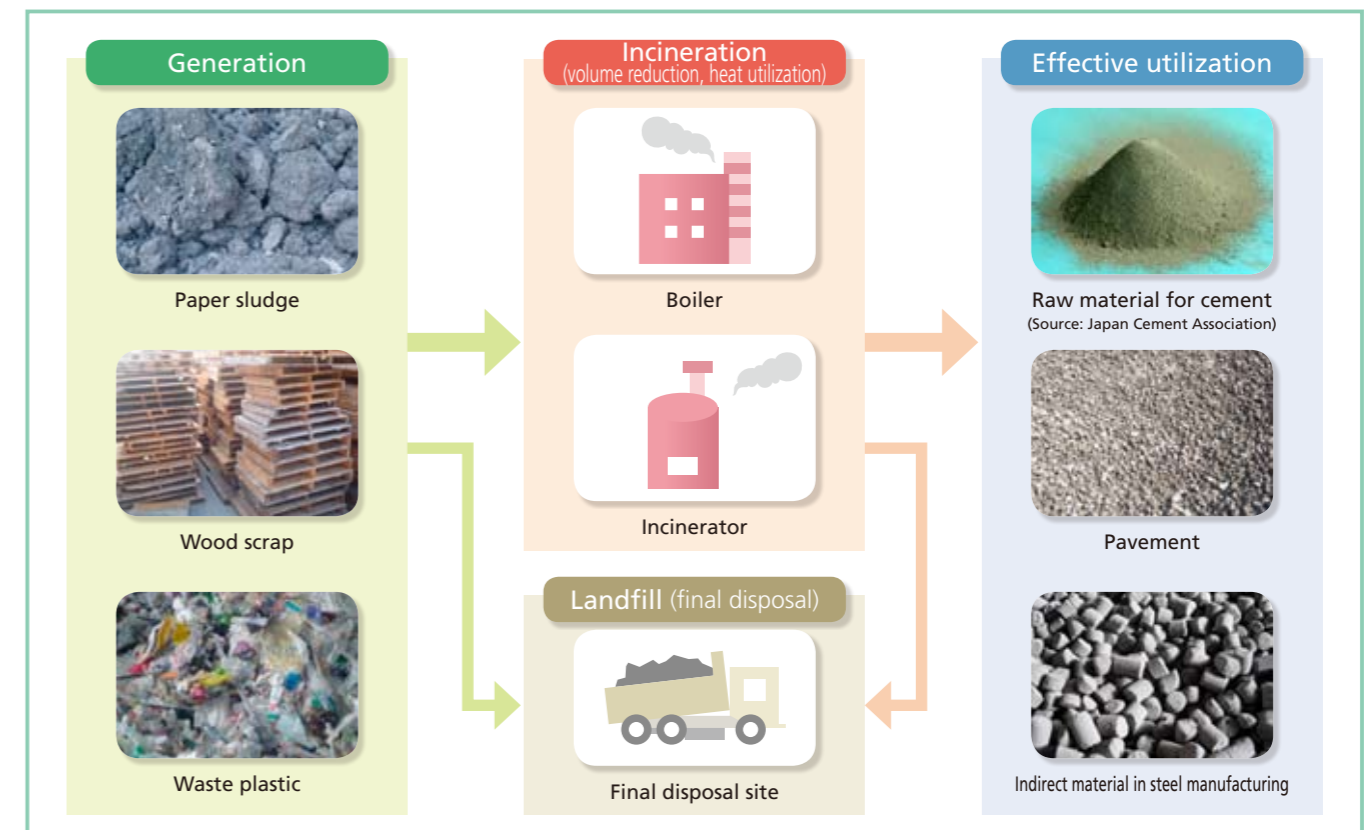
The boiler ash and incinerated ash are effectively utilized as a raw material for cement, pavement, or an indirect material in steel manufacturing, while whatever is left over is sent to landfills (for final disposal).

In Focus

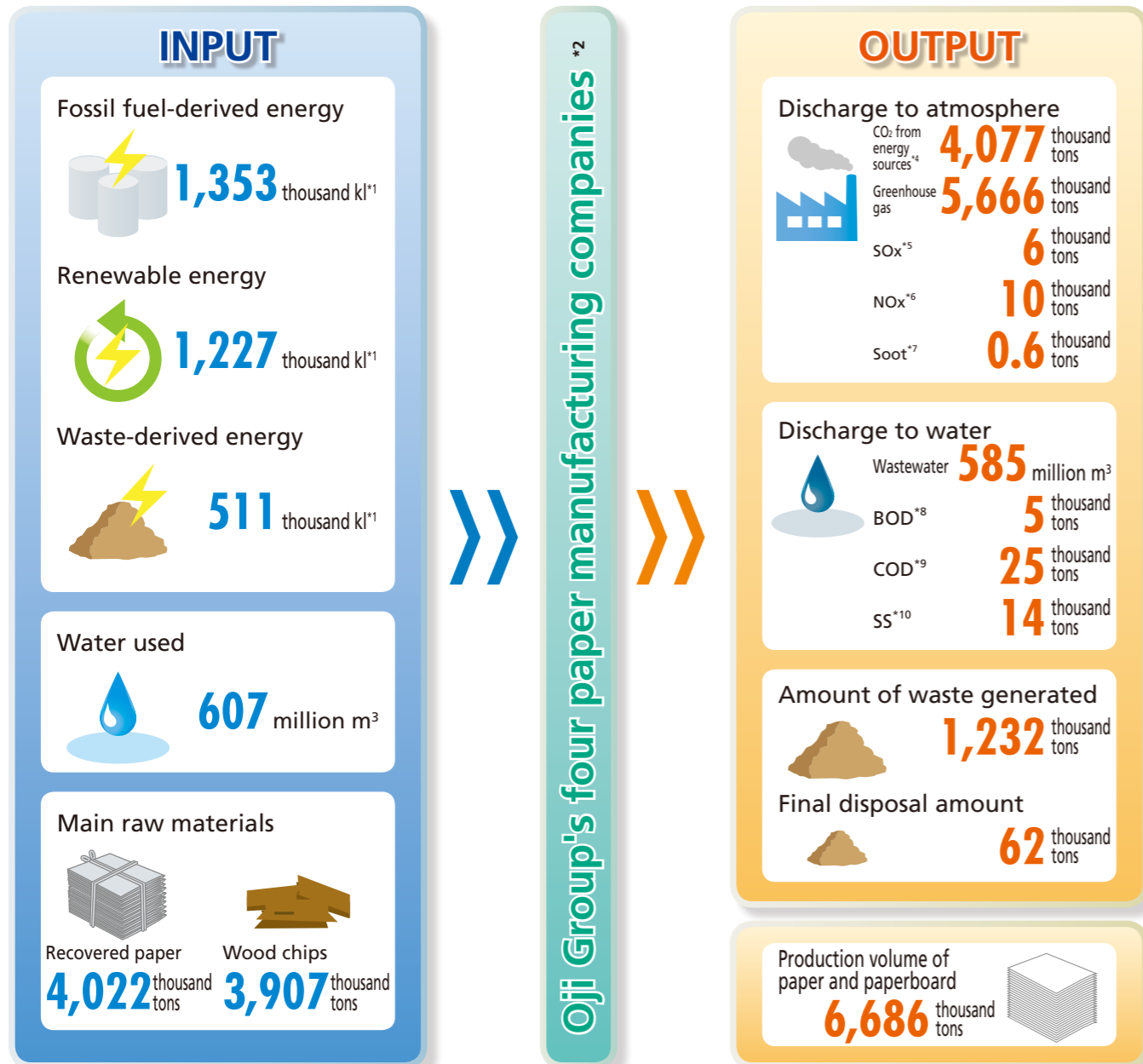
On-site Inspection of Contracted Industrial Waste Treatment

To ensure that our industrial waste is being effectively utilized or properly disposed of, the Oji Group visits and inspects waste treatment subcontractors (collection, transport and disposal) at least once every two years, even when not required by law.

To reduce the burden on employees responsible for waste at individual worksites, we create a checklist for inspection and share information on industrial waste processing companies within the Group. We also continue to check for problems in our effective utilization methods or managed status.



Environment Data



Oji Group's four paper manufacturing companies *2



*1: Energy is shown in crude oil equivalent.
 *2: The four paper manufacturing companies are Oji Paper, Oji Materia, Oji F-Tex, and Oji Nepia (which account for at least 90% of the environment impact from Oji Group's worksites in Japan, excluding the amount of waste generated).
 *3: Based on the method for calculating the use of energy as a Specified Consigner under Japan's Energy Conservation Act. Total emissions cover Oji Paper, Oji Materia, Oji F-Tex, Oji Nepia, Oji Container, Oji Corn Starch, Oji Tac, and Oji Imaging Media.

| | | | | | |
|----|-------------------------------------|--|-----|---------------------------------|--|
| *4 | CO ₂ from energy sources | CO ₂ originating from fossil fuels and purchased electricity that are consumed in the manufacturing process. | *7 | Soot | Particulate matter contained in exhaust gas from boilers, incinerators, and other combustion equipment. |
| *5 | SO _x (sulfur oxides) | Oxides of sulfur included in the exhaust gas from boilers, incinerators, and other combustion equipment, with sulfur dioxide as the principal component. | *8 | BOD (biochemical oxygen demand) | The amount of oxygen consumed when microorganisms decompose organic compounds in water. |
| *6 | NO _x (nitrogen oxides) | Oxides of nitrogen included in the exhaust gas from boilers, incinerators, and other combustion equipment. | *9 | COD (chemical oxygen demand) | The amount of oxygen consumed to decompose organic compounds in water through oxidation. Both COD and BOD are used as indicators of the amount of organic compounds in wastewater. |
| | | | *10 | SS (suspended solids) | Insoluble matter in wastewater. |

Environment Impact (Fiscal 2012)

| | No. of mills | Production Thousand tons | CO ₂ from energy sources Thousand tons | Impact on atmosphere | | | Impact on water | | | | | Industrial waste | |
|---|--------------|-----------------------------|--|----------------------------------|------------------------------------|------------|---------------------------------------|---------------------------------------|--------------|---------------|---------------|-----------------------------|----------------------------------|
| | | | | Sulfur oxides SO _x | Nitrogen oxides NO _x | Soot | Water used Thousand m ³ | Wastewater Thousand m ³ | BOD t | COD t | SS t | Amount generated AD tons | Final disposal amount AD tons |
| | | | | | | | | | | | | | |
| Oji Paper | 5 | 3,085 | 1,639 | 3,510 | 6,099 | 275 | 338,630 | 328,444 | 0 | 20,142 | 9,562 | 793,595 | 55,236 |
| Oji Materia | 12 | 3,012 | 1,937 | 2,049 | 3,675 | 137 | 197,297 | 189,021 | 3,083 | 4,160 | 3,106 | 352,915 | 6,291 |
| Oji F-Tex | 4 | 388 | 428 | 891 | 607 | 130 | 63,610 | 59,084 | 1,506 | 257 | 1,086 | 71,838 | 906 |
| Oji Nepia | 4 | 202 | 73 | 13 | 34 | 8 | 7,472 | 8,120 | 0 | 298 | 54 | 13,260 | 42 |
| Total: 4 Paper manufacturing companies | 25 | 6,686 | 4,077 | 6,463 | 10,415 | 550 | 607,009 | 584,670 | 4,589 | 24,857 | 13,807 | 1,231,608 | 62,475 |
| Oji Materia unit companies | 15 | 33 | 4 | 1 | 0 | 0 | 12 | 12 | 1 | 0 | 0 | 7,049 | 92 |
| Oji Container* | 59 | 1,108 | 106 | 62 | 40 | 2 | 515 | 227 | 27 | 1 | 3 | 111,068 | 996 |
| Mori Shigyo Group* (exclude Oi Paper) | 37 | 889 | 81 | 114 | 43 | 7 | 332 | 164 | 15 | 0 | 3 | 84,002 | 695 |
| Oi Paper | 1 | 37 | 17 | 82 | 8 | 6 | 1,783 | 1,676 | - | 153 | 8 | 613 | 10 |
| Oji Forest & Products* | 10 | 616 | 8 | 0 | 2 | 2 | 5 | 5 | 0 | 0 | - | 6,611 | 241 |
| Oji Cornstarch | 3 | 263 | 78 | 5 | 45 | 2 | 9,359 | 8,550 | 63 | 47 | 44 | 3,039 | 45 |
| Oji Packaging* | 5 | 72 | 11 | - | 0 | - | 22 | 22 | 0 | - | 0 | 10,955 | 38 |
| Oji Interpack* | 7 | 34 | 2 | - | 0 | 0 | 9 | 6 | 0 | - | 0 | 2,487 | 6 |
| Oji Kinocloth* | 3 | 35 | 17 | - | 9 | 3 | 553 | 553 | - | 0 | 0 | 2,989 | 14 |
| Oji Seitai* | 7 | 21 | 2 | - | - | - | 6 | 5 | 0 | - | 0 | 1,082 | 9 |
| Oji Tac | 4 | 66 | 14 | 0 | 2 | 0 | 271 | 271 | 1 | - | 0 | 6,540 | 19 |
| Kyokuyo Pulp & Paper* | 10 | 25 | 7 | 11 | 3 | 0 | 493 | 490 | 5 | - | 1 | 3,903 | 28 |
| 19 other affiliates* | 64 | 177 | 90 | 50 | 34 | 1 | 1,033 | 826 | 15 | 0 | 5 | 33,703 | 393 |
| Total | 250 | 10,061 | 4,515 | 6,789 | 10,602 | 573 | 621,401 | 597,478 | 4,716 | 25,058 | 13,872 | 1,505,650 | 65,061 |

Asterisks (*) indicate that unit companies under the supervision of the listed company are included.
 • "Production" includes inter-company transactions.
 • Hyphen indicates no data.
 • 19 other affiliates: Oji Holdings Corporation, Oji Imaging Media, Shinomura Chemical Industry, Chuetsu, Oji General Hospital, DHC Ginza, Tomakomai Energy Kosha, Hotel New Oji Corporation, Oji Real Estate, Oji Saito Shigyo Paper Corporation, Oji Logistics, Oji Futo, Apica, Kyushu Packaging, Oji Salmon, Oji Adba, New Tac Kasei, Japan Pulp & Paper Research Institute, Inc., Tomakomai Oji Shigyo

Environment Accounting (Fiscal 2012)

(Unit: ¥ million)

| Environment conservation cost | | | | |
|--|--|---|---------------|--------|
| Category | Main initiatives | Investment | Costs | |
| (1) Environment conservation costs for curbing environment impact generated by production and service activities within business sites | | 8,030 | 17,747 | |
| Breakdown | ① Environment conservation management costs | Measures against air pollution, water pollution, noise and vibration, etc. | 5,439 | 11,005 |
| | ② Global environment conservation costs | Cultivating company-owned forests in Japan, forest plantation operations outside Japan, energy conservation investments | 2,199 | 472 |
| | ③ Resource circulation costs | Efficient utilization of resources, costs for waste measures | 393 | 6,270 |
| (2) Costs for curbing environment impact generated upstream or downstream by production and service activities | Costs for purchasing low-sulfur fuel (balance amount) | 0 | 464 | |
| (3) Environment conservation costs related to administrative activities | Employee education, ISO14001 costs, costs for air and water analysis, costs for operating committees and other organizations, etc. | 2 | 924 | |
| (4) Environment conservation costs related to R&D activities | Product development that contributes to environment conservation by promoting utilization of recovered paper, curbing environment impact that occurs during production, etc. | 188 | 2,443 | |
| (5) Environment conservation costs related to social activities | Philanthropic programs, support for various environment groups, environment and sustainability reporting, Eco-Products exhibit, etc. | 0 | 110 | |
| (6) Costs related to environment damage | Pollution impact levy (SO _x) | 0 | 599 | |
| Total | | 8,220 | 22,288 | |

(Unit: ¥ million)

| Economic benefit associated with environment conservation activities | |
|--|--------------|
| Effect | Value |
| Income from company-owned forests in Japan | 143 |
| Cost reductions through energy conservation | 1,347 |
| Income from recycling | 1,139 |
| Total | 2,629 |

• Data aggregation was performed in accordance with the Environment Accounting Guidelines published by Japan's Ministry of the Environment.
 • Companies covered: Oji Paper, Oji Materia, Oji F-Tex, Oji Nepia, Oji Container, Mori Shigyo Group's main mills, Oji Cornstarch, Oji Tac, and Oji Imaging Media

Accident Report (April 2012 to June 2013)

During this period, no accidents occurred that caused serious environment impact on areas outside the mills.

Release and Transfer of PRTR Chemical Substances (Fiscal 2012)

| Substance | Unit | Amount handled (including amount generated) | Released amount | Transferred amount | Total released/transferred (FY2012) | [Ref.] Total released/transferred (FY2011) |
|--|----------|---|-----------------|--------------------|-------------------------------------|--|
| Zinc compounds (water-soluble) | t | 14 | 1 | 1 | 2 | 2 |
| n-Butyl acrylate | t | 18 | 2 | 0 | 2 | 1 |
| 2-Aminoethanol | t | 17 | 0 | 0 | 0 | 0 |
| Asbestos* | t | 4 | | 4 | 4 | 4 |
| Isoprene | t | 14 | 0 | | 0 | 0 |
| Ethylbenzene | t | 7 | 0 | 0 | 0 | 0 |
| Ethylene oxide | t | 1 | 0 | | 0 | 0 |
| Ferric chloride | t | 98 | | | | 0 |
| Xylene | t | 509 | 1 | 1 | 1 | 1 |
| Chloroform | t | 9 | 9 | | 9 | 5 |
| Vinyl acetate | t | 514 | 1 | 0 | 1 | 1 |
| Cyclohexylamine | t | 2 | 2 | | 2 | |
| Methylene chloride | t | 7 | 7 | 1 | 7 | 27 |
| 2,2-Dibromo-2-cyanoacetamide | t | 41 | 21 | 0 | 21 | 23 |
| Styrene | t | 89 | 0 | 0 | 0 | 0 |
| Dioxins | mg -TEQ | 1,453 | 186 | 1,267 | 1,453 | 2,219 |
| Decanoic acid | t | 13 | 0 | | 0 | 2 |
| Copper salts (water-soluble, except complex salts) | t | 6 | 0 | | 0 | 1 |
| 1-Dodecanol; n-dodecyl alcohol | t | | | | | 0 |
| Sodium dodecyl sulfate | t | 6 | 4 | | 4 | 9 |
| 1,2,4-Trimethylbenzene | t | 59 | 0 | | 0 | 0 |
| Toluene | t | 3,666 | 569 | 224 | 793 | 858 |
| Oxine-copper | t | 2 | 0 | | 0 | |
| Phenol | t | 5 | 0 | 0 | 0 | 0 |
| Hydrogen fluoride and its water-soluble salts | t | | | | | 3 |
| n-Hexane | t | 453 | 2 | 1 | 3 | 3 |
| Benzene | t | 222 | 28 | | 28 | 21 |
| Boron compounds | t | 184 | 10 | 3 | 13 | 18 |
| Poly (oxyethylene) alkyl ether (alkyl C=12-15) | t | 9 | 4 | 0 | 4 | 0 |
| Sodium poly (oxyethylene) dodecyl ether sulfate | t | 8 | 5 | | 5 | 12 |
| Poly (oxyethylene) nonylphenyl ether | t | 3 | | 0 | 0 | 0 |
| Formaldehyde | t | 2 | 1 | 0 | 1 | 1 |
| Methylnaphthalene | t | 426 | 2 | | 2 | 2 |
| Methylenebis (4.1-phenylene) = diisocyanate | t | 2 | 0 | 0 | 0 | 1 |
| Total | t | 6,410 | 669 | 237 | 906 | 996 |

* Transfer due to dismantling of facilities and equipment containing asbestos.
 • Data covers Oji Group facilities that submit PRTR.
 • Excluding dioxins, numbers prepared for substances of which one ton or more (0.5 tons or more for Specified Class I Designated Chemical Substances) is handled (including amount produced).
 • Rounded to the nearest whole number. Amount of handling with blank fields indicates amounts less than one ton handled (including amount produced) at all worksites (less than 0.5 tons for Specified Class I Designated Chemical Substances). Released and transferred fields left blank indicate the total released and transferred amount was zero at the worksite that notified the applicable chemical substances.

Along with safety and the environment, compliance is positioned as a top priority by the Oji Group and is headed by the Corporate Compliance Department of Oji Holdings.

Compliance Promotion Initiatives

The Oji Group actively promotes compliance awareness through workplace compliance meetings (held semi-annually for all employees), compliance awareness surveys (held once every two years), a variety of rank-based training programs offered to everyone from new employees up to senior management, and training of newly appointed compliance leaders, as well as e-learning programs for newly appointed managers. On-site seminars are also held when requested by Oji Group companies. We also distribute the Compliance News (a brochure) and loan out learning materials (books and DVDs, etc.).

However, in 2012, the Oji Group's starch company and corrugated container company were both inspected on-site by Japan's Fair Trade Commission.

Taking this situation solemnly and sincerely, the Oji Group has been implementing a variety of steps to re-ensure compliance with the Antimonopoly Act.

Since the time immediately following the on-site inspection, the aforementioned operating companies have continued to hold training sessions on the Antimonopoly Act, presented by internal and external lecturers, seminars on internal compliance, and e-learning education programs, focusing particularly on the Sales Division.

We are also strengthening thorough compliance awareness among all of our employees by rolling out relevant measures throughout the entire Group. For example, we also hold Antimonopoly Act training sessions with internal lecturers at operating companies other than the two that recently received on-site inspections.



Group CEO lecture at a seminar for newly appointed compliance leaders



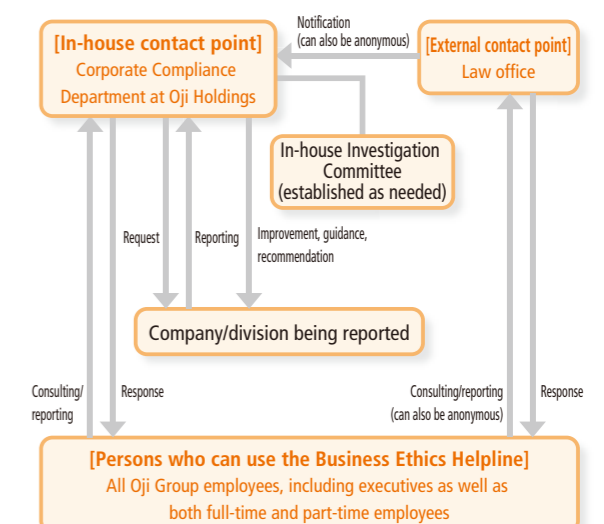
Compliance meeting at a worksite

Business Ethics Helpline

The Oji Group operates a Business Ethics Helpline employees can use to report legal violations or improprieties, such as work-related, sexual, and power harassment issues. The Helpline is intended to prevent incidents from occurring and to ensure that the Group quickly detects incidents and takes remedial action. The Helpline is available to all Oji Group employees, including executives as well as both full-time and part-time employees. Two contact points have been set up within the Oji Group: internally through the Corporate Compliance Department at Oji Holdings and externally through a law office. Both accept telephone calls, faxes, e-mails, and letters.

In fiscal 2012, 48 incidents were reported, most of which were related to power harassment, and appropriate measures were taken in every case.

Business Ethics Helpline System



Procurement Initiatives for Raw Materials

The Oji Group formulated the Oji Group Partnership Procurement Policy in April 2007 based upon the principles outlined in the United Nations Global Compact, the Oji Group Corporate Code of Conduct and the Oji Group Environment Charter. This policy enables us to promote CSR-oriented procurement with the cooperation of our business partners.

Oji Group Partnership Procurement Policy

To carry out fair and responsible business operations, we will work to fulfill our corporate social responsibilities, including legal compliance and consideration for society and the environment, within the Oji Group as well as throughout our entire supply chain.

Oji Group Partnership Procurement Policy

- 1 Ensure stable supply**
 - ① Offer competitive prices
 - ② Ensure quality and delivery
- 2 Comply with laws and social standards, and engage in fair trade**
 - ① Comply with relevant laws and international conventions
 - ② Maintain sincere and healthy relations with business partners
- 3 Consider the environment**
 - ① Reinforce environmental management systems
 - ② Reduce waste and effectively use resources
 - ③ Pursue global warming countermeasures
 - ④ Protect biodiversity
 - ⑤ Reduce environmental impact
 - ⑥ Manage chemical substances
- 4 Demonstrate social concern**
 - ① Protect human rights (prohibit child labor, forced labor, discrimination, and harassment)
 - ② Protect labor rights (maintain good labor relations, avoid long working hours, and ensure minimum wage standards are met)
 - ③ Ensure workplace safety and health
 - ④ Contribute to society and the local community
- 5 Communicate with society**
 - ① Build relationships of trust with stakeholders through communication
 - ② Respect the cultures and customs of other countries
 - ③ Appropriately disclose and protect information

Established in April 2007
Revised in October 2012

Raw Materials Safety Checks

We verify the safety of raw materials we use through our supply chain.

We verify the safety of raw materials we use by obtaining information on their legal compliance and toxicity both before and after starting to use them regularly, based on legally required safety data sheets (SDS) and the Oji Group's own survey sheets. (see P. 57)

Wood Raw Material Procurement Guidelines

Regarding wood raw materials, which are an excellent renewable resource that must be utilized appropriately, the Oji Group established its Wood Raw Material Procurement Guidelines to promote procurement of wood raw materials obtained from sustainably managed forests. In addition to environment contributions, such as global warming prevention and biodiversity preservation, the Oji Group strives to engage in socially and economically responsible procurement.

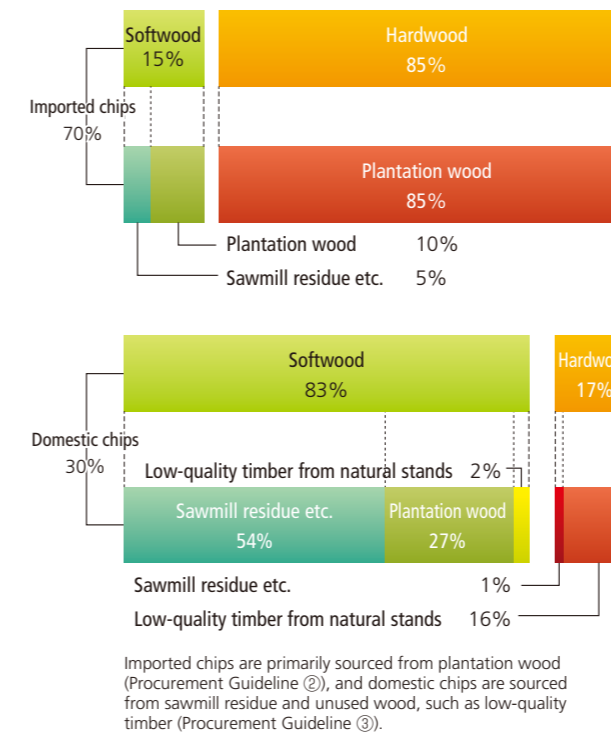
We receive traceability reports for wood raw materials, including pulp, from our suppliers in accordance with the Procurement Guidelines to verify legality as well as consideration for the environment and society. Implementation status is audited by a third party and the audit results are published online. We also conduct on-site investigations by periodically visiting logging and processing sites.

Wood Raw Material Procurement Guidelines

- ① Expand procurement of wood from certified forests (See PP. 36-37)
 - ② Increase use of plantation trees
 - ③ Utilize unused wood effectively
 - ④ Verify that procurement is in compliance with laws and is environmentally friendly and socially responsible
 - ⑤ Disclose information (available online*)
- * http://www.ojiholdings.co.jp/sustainability/forest_recycling/view.html (only in Japanese)

Established in April 2005
Revised in October 2012

Procured Wood Chips of Oji Group (Fiscal 2012)



Procurement from Indonesian Tree Plantations

In fiscal 2013, PT. Korintiga Hutani (KTH) of Indonesia began exporting wood chips.

KTH forests are sustainably managed with the participation of the Oji Group, and the chips supplied by the company have been certified by a third party to have come from properly managed forests.

Our staff responsible for chip procurement visits the forests, chip-processing facility, and shipping dock. (Procurement Guideline ④).



KTH tree plantation

Traceability Verification

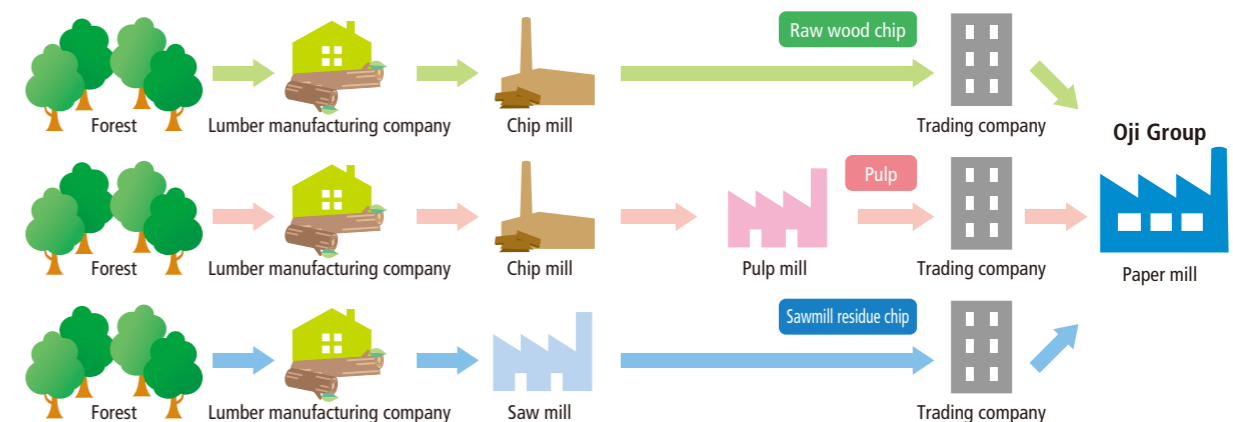
Traces the source of wood raw materials and verifies that they were sourced from properly managed forests.



Third-party audit report on traceability (Procurement Guideline ④)

Points confirmed include:

- ① District of origin of wood raw material
- ② Quantity of wood raw material, including quantity of each material category, such as certified material carrying forest certification claims, plantation wood, native wood, or sawmill residues
- ③ Forest management methods and any relevant forest certificates for each supplier
- ④ Exclusion of wood originating in illegal logging
- ⑤ Exclusion of wood originating in GMOs (genetically-modified organisms)
- ⑥ Noninvolvement in logging in officially-recognized high conservation value forests
- ⑦ Freedom from major social conflicts regarding the relevant wood raw material
- ⑧ Consideration for protection of human rights and workers' rights



Product Safety Management

Having established our Product Safety Charter, the Oji Group strives to continually improve the safety of its products through diligent verification of the safety of the chemicals used and our products, while providing relevant information to our customers.

Product Safety Charter

The Oji Group delivers safe products, fully recognizing that its corporate social responsibility entails providing quality and services that enable customers to use its products with peace of mind. Going forward, we will continue to fulfill the trust of our customers by ensuring that all of our employees reliably implement the following commitments.

| | |
|---|--|
| <p>1 Complying with all safety-related laws and regulations, we will also implement appropriate management to follow voluntary standards.</p> <p>2 We will continually improve our Group-wide quality control system, striving to ensure safety.</p> <p>3 We will provide timely and appropriate information on product safety and proper usage.</p> | <p>4 We will proactively gather information on products involved in incidents and make reports to relevant authorities in compliance with laws. We will also faithfully take necessary actions to find the root causes of incidents and strive to prevent their recurrence.</p> <p>5 We will continuously review our management system through regular internal audits, always striving for improvement.</p> |
|---|--|

Established in January 1995
Revised in December 2008

Framework for Managing Product Safety

The Product Safety Committee, which manages product safety for the entire Oji Group, is comprised of division managers of the Product Safety Management Divisions at the head offices of the 19 Group companies.

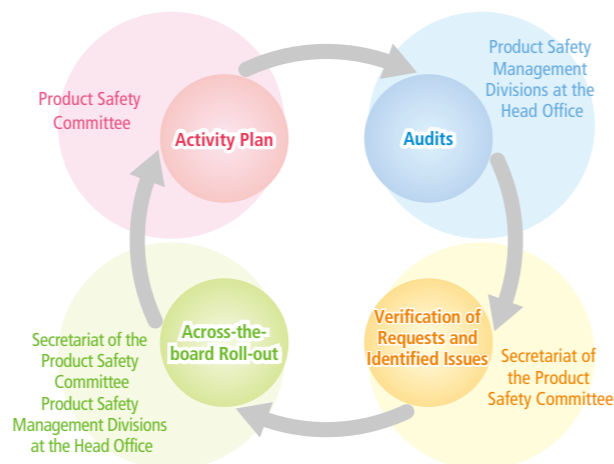
The Product Safety Committee meets annually to establish intra-group rules and check the results of rule application audits. The items examined and approved by the Product Safety Committee are also communicated to and enforced at other Group companies.

As the secretariat of the Product Safety Committee, the Environment Management Department of Oji Holdings manages group-wide risk.

To continually improve product safety management, the secretariat communicates items that have been improved as a result of audits to all companies within the Group, and works on ensuring rule compliance and improvement efforts.

Special Conference on Product Liability (PL) Risk Countermeasures
Group companies that manufacture and sell food- and cosmetic-related products, and plastic food containers/packaging, etc., must ensure a higher level of safety and security because of concerns about PL risks. Therefore, a conference is held biannually in each field to improve the risk-management level and workplace capabilities.

The conference includes lectures given by consultants (engineers) and mill tours. Individual companies report on their initiatives, share improvement status, and incorporate them into their next activity plans.



Special Conference on PL Risk Countermeasures

Informing Customers

We respond to customer inquiries based on the safety information obtained through safety verification of the chemicals used (including materials) and of our products.

We respond to customer inquiries using Investigation Reports^{*1}, Article Information Sheets (AIS)^{*2}, and Safety Data Sheets (SDS)^{*3}. Some Group companies also respond to customer inquiries in their own unique ways.

In fiscal 2012, three companies (Oji Paper, Oji Materia, and Oji F-Text) responded to some 7,000 customer inquiries.

Verification of Chemical Safety

The Oji Group verifies the safety of chemicals we use based on the Pre-use Evaluation System and the Information Updating System.

Pre-use Evaluation System

When examining the use of a new chemical, the Oji Group uses a proprietary pre-use evaluation sheet to check whether that particular product complies with laws, internal chemical toxicity regulations and the green procurement standards of industry groups before determining whether to use the chemical in question.

Information Updating System

To respond to the strengthening of chemical substance management regimes both in Japan and overseas, the Oji Group revises its survey sheet as needed and periodically updates information covering chemicals in use to check their safety.

Product Safety Verification

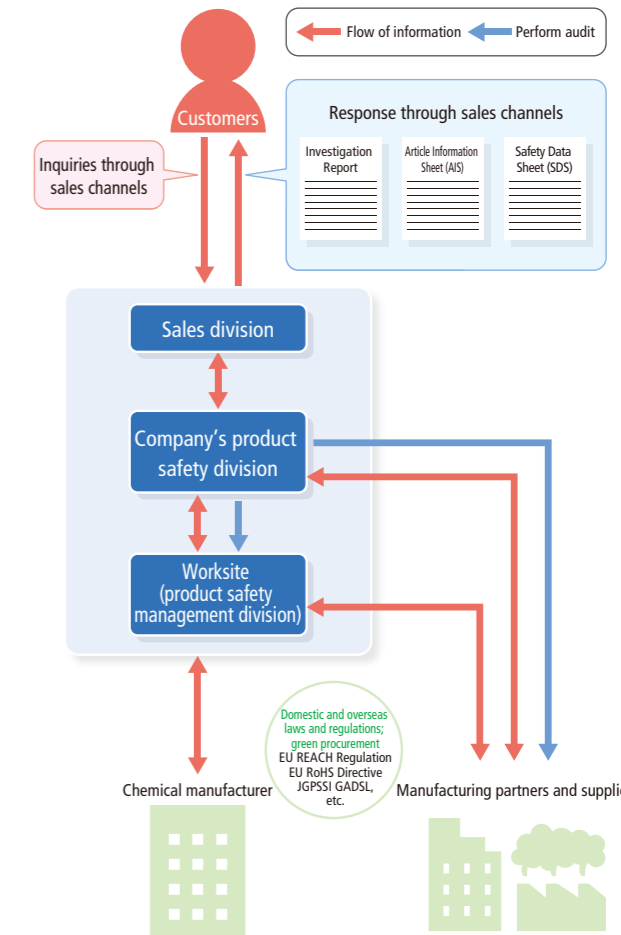
We verify the safety of food- and cosmetics-related products and food containers/packaging from the standpoint of quality control and sanitation management.

For food containers/packaging made of paper, the Oji Group has set up rules in accordance with the voluntary standards related to quality control and sanitation management, established by the Japan Paper Association and other industry groups (the Japan Corrugated Case Association, the Japan Federation of Printing Industries, and the Japan Kraft Paper Sacks Association). (These rules cover 132 worksites.)

Product Safety Audits

Product Safety Management Divisions at the head offices of Oji Group companies conduct product safety audits to verify that the rules related to the safety of chemicals used and products are being properly applied.

(See P. 29)



| | | |
|----|---------------------------------|--|
| *1 | Investigation Report | A report that investigates chemicals used over a prescribed period in response to inquiries for more detailed information. |
| *2 | Article Information Sheet (AIS) | Document overviewing laws, regulations, and handling cautions related to the product. |
| *3 | Safety Data Sheet (SDS) | Legally required document issued for special products containing designated substances in amounts above the specified threshold. |

In Focus

Oji Cornstarch Acquires FSSC 22000 Certification

FSSC 22000, an international standard for food safety management systems, was issued by the Foundation of Food Safety Certification (established in 2004 in the Netherlands). This standard combines ISO 22000 with PAS 220, the Prerequisite Program on Food Safety for Food Manufacturing established by the British Standards Institution.

In fiscal 2012, Oji Cornstarch acquired FSSC 22000 certification for the saccharified products at its Hokkaido and Chiba Plants, satisfying customers' needs for food safety assurance.

Initiatives with Customers

— Providing Packages that Satisfy Customer Needs —

We gather together the Oji Group's technical abilities and development capabilities and combine materials, designs, styling, and processing to propose packages that completely satisfy our customers. We are always creating new designs for fun packaging, joyful packaging, surprising packaging, to expand and enrich our customers' lives.

We are also helping customers reduce their environment impact through resource and energy conservation, by reducing the amount of packaging materials needed and improving transportation efficiency.

Packing in a Sense of Excitement! Ajinomoto Co., Inc.



Japan Package Design Awards 2013
Winner in the Gift and Packaged Goods Category
(sponsored by the Japan Package Design Association (JPDA))

This packaging is used to box a gift product that will be used every day. This package features the cute Aji Panda along with the simple texture of corrugated cardboard, while the single-color print leaves the impression of an efficient design. The package structure is designed to make it fun to open the box, starting with the Aji Panda shape.



Oji Container Co., Ltd.

Winning Prizes at the 2013 Japan Packaging Contest

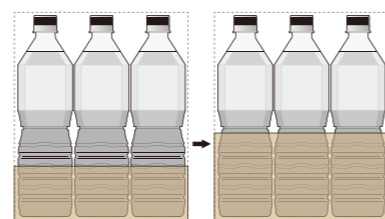
The six Oji Group products described below won prizes at a packaging contest sponsored by the Japan Packaging Institute.

POP & Storefront Sales Packaging Category Award

Nescafé Excella Bottled Coffee Packing Box with Storefront Display Function Nestlé Japan Ltd.

To make it possible to use the packing box as a storefront display tray, the box is cut to match the bottle label position.

Raising the cutting line higher than before has reduced the risk that the product may tip over or fall out. Furthermore, the taller sides of the tray make larger areas available for advertisement designs.



Oji Container Co., Ltd.



Oji Packaging Co., Ltd.

Delivering Heart! DoCLASSE

We use a design that gives a seasonal feel for the corrugated containers used for delivering mail-order products. This design is meant to make the product purchaser enjoy the moment of receiving the package.

For products that are extra wide or long, a hook structure is provided to accommodate a hanger to prevent the product from shifting to one side inside the delivery package.



Japan Star Award (by Director-General, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry)

Utilizing a Simulation Technology to Reduce the Cushioning Material for Air Conditioner Outdoor Unit Daikin Industries, Ltd.

Use of a simulation technology made it possible to identify the bottom tray reduction locations, which had not been possible before, thereby reducing the cushioning material needed and drastically reducing the number of processing steps.



Oji Container Co., Ltd.

Food Packaging Category Award

Small, Machine-assembled, Lidded Cardboard Case JA Oita



Oji Container Co., Ltd.

This case requires approximately 20% less cardboard area than conventional small cases, requires fewer assembly steps, and is also compatible with box-assembling machines. The flap is tapered, making stacking easy.

Transport Packaging Category Award

Proposal to Reduce Wire Drum Weight and Storage Space

Plywood drum: Approximately 14 kg



HiPLE drum: Approximately 8.4 kg
*HiPLE-ACE (reinforced corrugated board)



- Weight: Reduced by approximately 40%
- Sectional construction requiring less storage space

Oji Interpack Co., Ltd.

Daily Necessities & Sundries Packaging Category Award

Motelba



Oji Adba Co., Ltd.

This bag's handle can be adjusted in length. You can adjust the length by threading the string through the holes on the sides. You can also close the bag opening by crossing the strings.

Industrial Packaging Category Award

Pad-less Box

The internal flaps make the bottom flat and extremely strong.



Oji Container Co., Ltd.

Brand-promoting Packaging Asahi Organic Chemicals Industry Co., Ltd.

By effectively designing a wide variety of PR tools for customers' products, from corrugated cardboard for plastic piping materials and carrier bags for company use, to novelty tissue boxes and cover pages for company brochures, we help our customers establish a high-quality brand image for their products.



Carrier bag
Oji Adba Co., Ltd. Oji Nepia Co., Ltd.



Novelty tissue boxes



Company brochure

Selecting the Best Material for Customer Applications Bosch Corporation

To enclose an arched wiper in a slim package, we designed a package that can secure the wiper in a flat state using a molded tray and a cover.

The use of a clear plastic tray cover that follows the shape of the wiper and paper backing that conveys the product information resulted in a package that is appealing on the store shelf and enables consumers to see the slim external appearance and performance at a glance. The slim package is also designed to improve transport and display efficiency.

Another notable characteristic is the use of two standard sizes of plastic tray covers and paper backings for 22 different sizes of wipers.



Oji Packaging Co., Ltd.

Environment-friendly Products

The Oji Group manufactures and sells FSC™-certified products made from lumber harvested from properly managed forests. FSC-certified products support the sustainable utilization of forests, protecting the forest environment and creatures living in and around forests, while contributing to people's livelihoods. (See P. 2 and PP. 36-39)

The Oji Group's FSC-certified Products

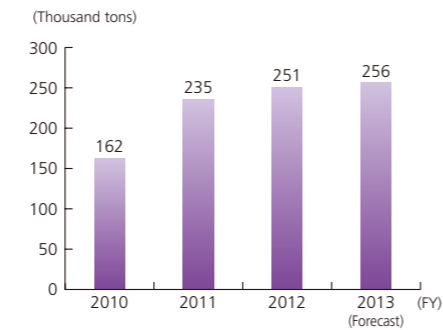
The Oji Group sells FSC-certified products such as printing paper and copying paper, as well as products people use daily, including tissue, toilet rolls, and wet wipes. For raw materials, we use certified wood chips and certified pulp from our company-owned forest plantations. Certified pulp is also sold to companies outside the Oji Group.

As for lumber products, the Oji Group sells unprocessed timber from Quy Nhon Plantation Forest Company of Vietnam Ltd. (QPFL; license code: FSC-C016623) and processed lumber products from PAN PAC Forest Products Ltd. of New Zealand (license code: FSC-C017103) as FSC-certified products. The Oji Group plans to expand sales of certified lumber products, including those from Oji Lao Plantation Forest Co., Ltd. (LPFL; license code: FSC-C117723), which obtained certification in 2013.



The mark of responsible forestry

● Sales of FSC-certified Products



* Data covers products sold by Oji Paper, Oji Nepia, Oji F-Tex, Oji Imaging Media, and Oji Timely



Wet wipe made by Oji Timely (License Code: FSC-C109587)



Fancy paper made by Oji F-Tex (License Code: FSC-C005431)



Pulp from CENIBRA, Brazil being loaded onto a cargo ship (License Code: FSC-C008495)



QPFL lumber used in furniture (License Code: FSC-C016623)

Initiatives for Raising Awareness about Forest Certification Schemes

The Oji Group gives presentations and distributes products at various events, and creates explanatory brochures to raise consumers' awareness about forest certification schemes, as well as in the hope that as many customers as possible will become aware of the Oji Group's efforts to support



global forest preservation.

Brochure created by Oji Nepia

At the FSC™ Business Forum held in Tokyo in September 2013, three companies of the Oji Group, including Oji Green Resources, gave presentations on initiatives for forest preservation and resource utilization.



Presentation at the FSC Business Forum

In Focus

Participation in Eco-Products 2012

The Oji Group hosted a booth at Eco-Products 2012, held at Tokyo Big Sight for three days from December 13 to 15, 2012.

Under our branding slogan, "Beyond the Boundaries," we introduced renewable energy initiatives and various environment-friendly products, in addition to our existing environmental initiatives, such as sustainable forest management and biodiversity preservation. In this way, we communicated to visitors our ongoing activities to expand future possibilities while protecting precious forests.

By exhibiting the Oji Group's FSC-certified products inside our booth and helping with a stamp rally carried out by FSC Japan, we introduced many visitors to our schemes for supporting proper forest management.



Introducing the Oji Forest on a large multi-display screen



Exhibit of FSC-certified products



Cooperation in the FSC stamp rally

Making Environment- and Society-friendly Products: Using FSC-certified paper for major household paper products



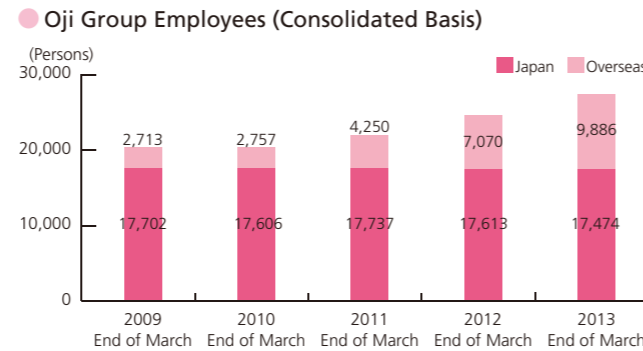
Tissue boxes and toilet rolls made by Oji Nepia (License Code: FSC-C018118)

Employee Relations

Under the philosophy of "management based on respect for people," the Oji Group pays the utmost attention to the safety and health of its employees, striving to help them maintain peace of mind, lead rich working lives, and attain their full potential. Moreover, to further enhance our human resources and revitalize our organization under a harsh business environment, we are shifting our personnel system from a seniority system to a meritocracy, increasing diversity in hiring, and developing global human resources through an overseas training system.

Number of Employees

As of the end of March 2013, the Oji Group had 27,360 employees, of which 9,886 were overseas employees.



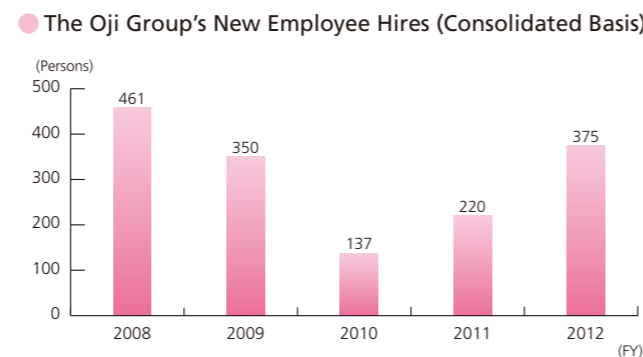
Human Resource Hiring

With future labor shortages expected due to Japan's aging population and declining birthrate, we are working to find high-quality human resources that can work together in small teams to help us become a corporate group that is creative and sensitive to the needs of its customers.

Specifically, while examining our headcount over the mid- to long-term, we will systematically hire new employees according to the following three viewpoints:

- 1 Hire core management resources for the Oji Group;
- 2 Train core employees in operating divisions and seamlessly pass on proprietary technologies and skills; and
- 3 Strengthen overseas expansion, new businesses and sales competencies

We are also pushing forward with a more diverse approach to hiring unconfined to the status quo, whereby we actively hire foreign nationals as well as mid-career hires throughout the year.



Human Resource Development and Improvement

The Oji Group is committed to being a good corporate citizen that maintains high ethical standards which foster greater trust from society. To achieve this aim, we have formulated a corporate code of conduct and behavior standard. (see P. 6)

We are developing and strengthening our human resources in accordance with the following policy to fulfill these important codes and standards.

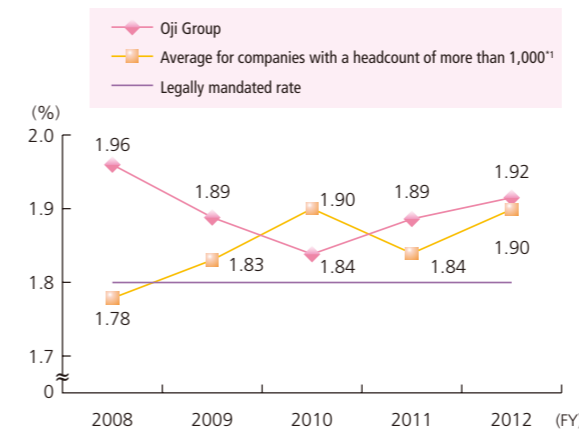
- 1 Maintain and improve employee motivation through their active involvement in the reform process
- 2 Enhance collaboration among Group employees
- 3 Strengthen communication skills
- 4 Develop globally-minded human resources
- 5 Enhance multi-potential through human resource development and skill building

Initiatives for Promoting Diversity

Hiring of Persons with Disabilities

Since fiscal 2004, we have been working in cooperation with public agencies and NPOs to further the employment of persons with disabilities, including the intellectually disabled, for whom it is considered difficult to secure places of work. In June 2007, we established Oji Clean Mate Co., Ltd., which was approved in September 2007 for group treatment as a special subsidiary under Japan's Act for Employment Promotion for Persons with Disabilities.

Employment Rate for Persons with Disabilities



*1: Based on the Summary of Employment Status of Persons with Disabilities from the Ministry of Health, Labour and Welfare

Data covers Oji Holdings, Oji Paper, Oji Nepia, Oji Imaging Media, Oji Green Resources, Oji Management Office, Oji Human Support, and Oji Clean Mate

Hiring of Senior Employees

We have developed a system that enables employees to continually thrive and work with motivation until the age of 65. This is being accomplished through changes made to our human resource programs and in our workplaces. This includes securing a labor force and longstanding skills for operating divisions, despite the rapid progress seen in Japan's aging society and declining birthrate, as well as enhancing employee benefits by providing employment opportunities that can support a stable senior lifestyle.

Utilization of Female Labor Force

We are working on developing a personnel system that better utilizes the female labor force, with the goals of encouraging women to thrive and add diversity to our human resources.

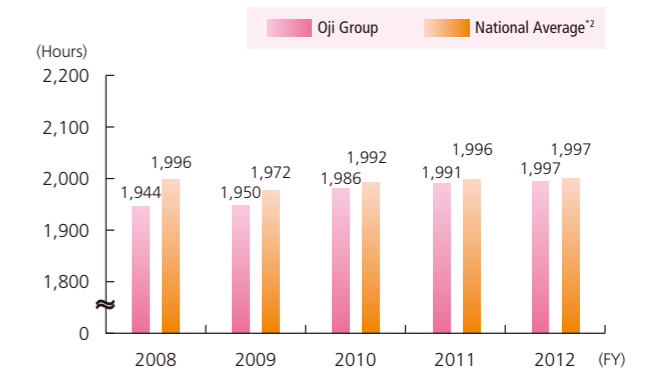
The number of women hired as executive candidates and the percentage of women in managerial positions have recently been rising, and we will continue to actively promote women to leadership positions.

Work-life Balance Initiatives

Management of Work Hours

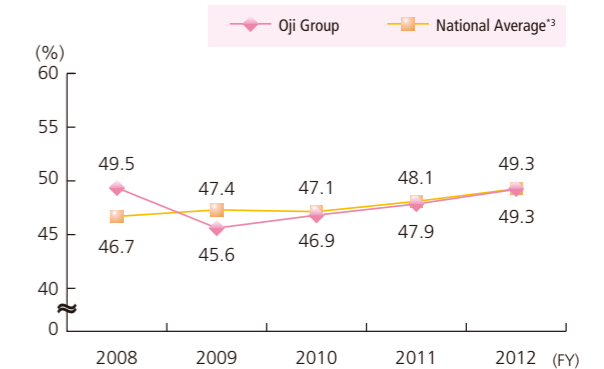
Our human resources represent an important management resource. As such, we constantly strive to better manage employee work hours by reviewing and streamlining work processes as well as encouraging employees to take paid holidays as part of our commitment to work-life balance and mental health.

Total Work Hours



*2: Based on the Monthly Labor Survey from the Ministry of Health, Labour and Welfare

Percentage of Paid Holidays Taken



*3: Based on the General Survey on Working Conditions from the Ministry of Health, Labor and Welfare

Data covers Oji Holdings, Oji Paper, Oji Materia, Oji F-Tex, Oji Nepia, Oji Imaging Media, Oji Container, Oji Green Resources, and Oji Management Office

Work-life Balance Support Measures

We have created and revised company rules to meet or exceed statutory standards, including the launch of a free childcare hotline, introduction of a shorter working hours program, encouraging fathers to take childcare leave, and the expansion of our nursing care leave program. These initiatives have enabled us to develop a workplace where both men and women alike can take childcare or nursing care leave, as well as achieve a positive work-life balance.

Safe Workplaces and Healthy Employees

Having established "Ensuring Safety and Health in the Workplace" as one of its behavior standards, The Oji Group is striving to implement safety and health initiatives with the goal of achieving continual improvements in the ensuring of safety and health.

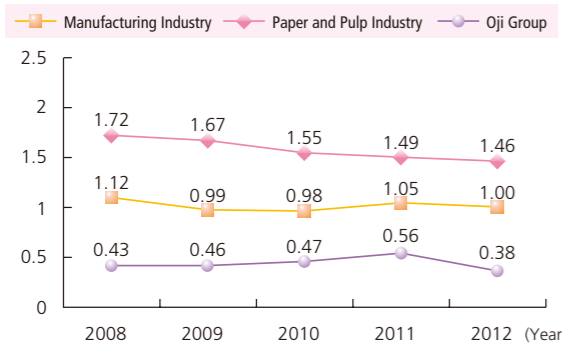
The Oji Group Behavior Standard "Ensuring Safety and Health in the Workplace"

Based on the philosophy of putting safety before everything else, the Oji Group practices workplace safety and health actions to ensure the health and well being of everyone involved in our operations. We also pay special attention to the mental and physical health management of our employees.

Initiatives to Prevent Occupational Accidents

In January through December 2012, the Oji Group's rate of workplace accidents resulting in lost work time was 0.38 persons per one million work hours. Everyone in the Oji Group is striving to raise the safety and health level even further, with the goal of eliminating workplace accidents altogether.

Frequency Rate of Accidents Resulting in Lost Work Time



Data covers Oji Paper, Oji Materia, Oji F-Tex, and Oji Imaging Media

Safety Slogan and Priority Goal

Many of the accidents that occurred in 2012 were caused when equipment-related dangers and unsafe work operations were overlooked. Therefore, with approval from the Group Management Meeting, the Oji Group set "Let's build a safe workplace by identifying every single workplace risk and taking preventive measures!" as its 2013 safety slogan, and is implementing safety and health initiatives incorporating what was learned from the previous year.

All worksites are striving to achieve the goal of eliminating accidents under the Oji Group's priority goal of eliminating serious accidents.

Priority Measures

Based on the assessment of their equipment, operational details, the situations surrounding accidents, and the risk of serious accidents, all company worksites are taking the following priority measures.

1) Making Equipment Safer and Improving Operational Methods

- Promotion of risk assessment
All tasks being performed at a worksite are examined to determine whether any equipment or operational methods pose an accident risk.
We carry out risk assessment to systematically make fundamental improvements to equipment so that no accidents would occur even if a worker were to make a mistake or be careless.
- Preventing recurrences of similar accidents by rolling out countermeasures to other work groups
Information on accidents that have occurred in other departments within the same organization, other worksites, and other companies within the Group is shared, with each department holding discussions and examining its workplace for any similarities. Similar accidents are thereby prevented from recurring by rolling out countermeasures to other work groups.

Risk Assessment Case Example

Because there was a risk that an operator's hand could be caught in the roll when cutting corrugated sheets, a protective cover was installed to reduce the risk.



2) Strengthening Safety Education

Because there have been many accidents in which operators failed to observe safety rules, such as working on a machine without first stopping it, we are systematically reassessing our mill rules and safe-operation procedures, and working to ensure that all operators are completely familiar with them and fully comply.

New hires and newly assigned workers with less experience in particular are often unaware of rules and reach into dangerous areas. Therefore, we actively use repeated safety training sessions, post cautionary signs in workplaces, and provide danger training using simulated machinery.



Simulated danger training

3) Enhancing Our Safety-oriented Workplace Culture

We promote the 5S initiative (in English: seiri (sorting), seiton (straightening out), seisou (cleaning), seiketsu (cleanliness), shitsuke (discipline)); carry out safety patrols and activities to foresee near misses, concerns, and dangers; promote the Japanese work custom of pointing and calling; and hold pre-operation and operational change meetings, etc. In addition, we build and operate OSHMS (Occupational Safety and Health Management System) in order to further raise the safety level.

4) Improving the Workplace Environment

We are moving forward with workplace environment improvement initiatives, such as preventing heat stroke by improving work site temperature control.



Installation of a mist shower system

Safety Awards

In 2012, the Oji Group mills listed in the table below received safety commendation awards.

Other Oji Group worksites also have their own in-house safety commendation programs, which formally recognize excellent mills as part of the effort to raise further awareness toward safety.

| | |
|--|--|
| Japan Paper Association Safety Grand Prize Excellence in Safety Award | Oji Paper Tomioka and Tomakomai Mills, Oji Materia Osaka, Nikko, Gifu, and Saga Mills, Oji F-Tex Tokai and Nakatsu Mills, Oji Imaging Media Kanzaki Mill |
| Japan Corrugated Case Association Consecutive Accident-free Work Hours Award | Oji Container's 17 mills and six affiliates, Mori Shigyo Group's 10 companies |
| Land Transportation Industry Safety & Health Association Ten Consecutive Accident-free Years Award | Oji Rikuun Yonago Office |

Physical and Mental Health Management

■ **Comprehensively Supporting Employee Healthcare**
We are helping to prevent illness as well as encourage early detection and treatment through regular health checkups, specialized health exams, cancer screenings and specific health exams such as brain scans. We also offer follow-up consultations with an industrial physician. Our 24-hour telephone hotline, the Oji Group Health Consultation Office, helps support the physical and mental health of our employees and their families, while we have established another more comprehensive hotline, the Nandemo (Anything Goes) Consultation Service, which was established to shore up our system for providing daily access to healthcare advice.

Oji Group Health Consultation Office

Health counseling on physical and mental issues



Nandemo Consultation Service

Mental health counseling
Counseling rooms

Physical health counseling
Illnesses and overall health conditions

Personal counseling
Everyday living, taxes, finances, etc.

Legal counseling
Counseling with an attorney

In fiscal 2013, we are holding mental health seminars related to workplace improvement and manager counseling of subordinates at 13 locations throughout Japan. In light of our global expansion, we are also actively working to support the health of our expatriate employees outside Japan. We organized counselor-led seminars for Malaysia, Thailand, and Vietnam in fiscal 2012, and for Laos and Indonesia in fiscal 2013. We have also further strengthened mental health support by hiring overseas specialists in industrial medicine and introducing specialist-run mental health care programs.

■ Providing Multifaceted Support for Employee Life Planning

We organize life-planning seminars at each of our worksites across Japan to provide information that will help employees consider their choices about the future, including asset building, daily living, career advancement and motivation. Spouses are also able to attend these seminars so that husband and wife can build a better future together.

Community Relations

The Oji Group includes in its corporate code of conduct the principles of communication with society, participation in social contribution activities and coexistence with the international community and accordingly builds and maintains strong relationships with local communities while engaging in corporate activities. We raise awareness about the activities of the Oji Group through active communication with customers and communities and carry out a variety of initiatives to help local communities overcome their challenges.

Support for Recovery of Disaster-hit Areas

The Oji Group frequently contributes relief funds to countries and regions stricken by major natural disasters through organizations such as the Red Cross and Community Chests. We also introduced a volunteer leave system following the Great East Japan Earthquake in 2011, to provide corporate support for employee participation in volunteer activities.

We will continue contributing to the local community and economy in areas affected by the disaster through corporate activity in those areas, such as at the Oji Nepia's Personal Care Plant in Fukushima, which started operating in April 2013, and Oji Container's Fukushima Mill, where reinforcements are expected to be completed in summer 2014.

In Focus

Provision of Evacuation Space to Nearby Residents

GS Paper & Packaging, in Malaysia, made the lecture hall on its premises available as a temporary evacuation center for a few weeks to 60 nearby residents whose houses were flooded during torrential rains in November 2012.

Evacuees were also supplied with corrugated board produced at the mill, as well as products of the Oji Group such as boxes of tissues and wet wipes.



Corrugated board partitions were used to create private spaces

Environment Monitor System

Each of the mills operated by Oji Paper, Oji Materia, Oji F-Tex, Oji Nepia and Oji Imaging Media asks residents living nearby to assist the mill's efforts to improve the environment by acting as "environment monitors."

Participating residents fill in check sheets with information on noise, odors and other aspects of the day-to-day environment in the vicinity of the mill and attend environment monitor meetings held at least once a year.

Environment monitor meetings are an opportunity to exchange views with members of the community, with the mill disclosing information and conducting tours. Our aim is to build relationships of trust within the local community.



Environment monitor meeting (Oji F-Tex Tokai Mill)



Mill tour (Oji F-Tex Tokai Mill)

Groundwork Program

The Oji Group was the first corporation to join the Japan Groundwork Association after its establishment in 1995 and contributes to local communities through related programs. Groundwork involves members of the community, corporations and local government coming together as partners to improve the local environment. Activities undertaken by the Oji Group include community clean-ups and beautification and support for tree planting and environment education programs.



Employees join forces with the local fisheries cooperative and shopping district promotion association and other community members to plant trees (Oji Paper Tomakomai Mill)



A coastal mill helps the local fisheries cooperative collect litter and driftwood from the sea (Oji Materia Kure Mill)

Oji Forest

Oji Forest was set aside by the Oji Group to make company-owned forests useful as a place of research and education. Taking up part of the Oji Group's Sarufutsu Forest in Hokkaido, Oji Forest is open to the general public. A visitor center with accommodation facilities and nature trails have been established in the Asajino wetlands, an area of pristine nature on the Sea of Okhotsk coast. The area is used by universities and amateur researchers as a base for studies of flora and fauna.



Nature trail (Sarufutsu Forest)



Nemurokohone water-lily (Nuphar pumila) in the Mokeuni swamp (Sarufutsu Forest)

Oji Forest Nature School

Together with the Japan Environment Education Forum, Oji Holdings runs a unique nature experience and environment education program for children in fourth grade elementary school to third grade junior high school, making use of company-owned forests and mills. Activities such as forest observation and forest thinning give children an opportunity to learn about their relationships with nature and other people as they help one another and spend time together. The children then learn about the relationships between forests (nature), industry and people through the nature experience and a tour of a paper manufacturing mill.

During the summer of 2013, four Nature Schools (Hokkaido, Fuji, Hiroshima and Miyazaki) were held with around 80 children from across Japan taking part.



Tree climbing (Hokkaido school)



Participating children (Fuji school)

Social Contribution Activities at Oji Nepia

Oji Nepia is always considering what it can do, as a manufacturer and marketer of tissues, toilet paper and paper diapers, to contribute to society. Teaming up with a variety of organizations, the company works to address social issues related to its business, such as toilet issues.

nepia うんち教室 "Poo Classes"

Since 2007, Oji Nepia and Japan Toilet Labo have been holding "poo classes" to teach elementary school children the importance of healthy bowel movements.

They also began seminars for school nurses and other professionals in 2009 to support the implementation of independent "poo class" programs.

Children's comments that they were now able to eat vegetables and to use the restroom at school convinced Oji Nepia of the difference that corporations could make in society, providing further impetus for social contribution activities.



The company will continue its social contribution activities while aiming to foster awareness and support among as many consumers as possible through communication about those activities, for example via products and the Nepia website.

nepia 千のトイレプロジェクト 1,000 Toilets Program

In 2008, Oji Nepia launched the Nepia 1,000 Toilets Program out of a desire to prevent loss of life caused by toilet and water problems. Under the program, a portion of proceeds from the sale of specific Nepia products during the campaign period are used to help fund UNICEF activities.

In Timor-Leste, a recipient of this aid, funds go toward providing sanitary toilet facilities to more than 1,000 households each year and fostering safe hygiene practices as a way of eradicating open defecation, which is a cause of disease.

These efforts are saving the lives and preserving the health of children and their families.



Genki! supports クリニクラウン CliniClown

Putting Smiles on the Faces of Hospitalized Children

Oji Nepia has been supporting activities of the Japan CliniClowns Association since 2010 by donating a portion of proceeds from sales of nepia GENKI paper baby diapers.

Besides arranging regular CliniClown visits to hospitals and CliniClown training and awareness activities, the association is also supporting areas affected by the Great East Japan Earthquake with activities in those areas.

Red-nosed CliniClowns bring joy to hospitalized children.



ネピアテンドー被災地高齢者支援活動 nepia Tender providing assistance to senior citizens in disaster areas

支える人を支えよう! Help Those Who Help Others

In May 2011, Oji Nepia launched a program to "help those who help others" in areas affected by the Great East Japan Earthquake.

Since 2012, we have contributed a portion of proceeds from sales of nepia Tender adult diapers to help fund activities of the Magokoro Service Fukushima Center, which provides assistance to senior citizens in hard-hit Fukushima.

The NPO operates Uraraka Plaza, a cheerful gathering place open to anyone, and supports physical and mental care for senior citizens who have been forced to live in temporary dwellings.



International Social Contribution Activities

Social Contribution Activities at CENIBRA

Brazilian plantation operator and pulp producer CENIBRA carries out social contribution activities in the following areas:

- ① job and income generation for members of the local community;
- ② support for cultural activities; ③ sports; ④ health and ⑤ support for education.

① Job and income generation for members of the local community

Since 2000, CENIBRA has entered into partnership agreements with beekeepers' associations, giving them free access to parts of its eucalyptus plantations. Currently, 520 beekeepers are producing honey and under a cooperative arrangement will notify the company of any environment changes noticed in the vicinity of plantations.

CENIBRA also makes available around 200 hectares of agricultural land to farmers and land for collecting raw materials to 500 craftspeople.

Furthermore, since 2010, the company has been supporting the production and sale of food such as biscuits and bread by providing raw materials to 52 organizations.

These activities have generated a total of as much as around two million real (approx. ¥80 million) in annual income for local residents.



Some 250 tons of eucalyptus honey is collected annually (photo: Paulo Sérgio Oliveira)

Environment Education Activities of PAN PAC

PAN PAC, which manages plantations and produces pulp, New Zealand's Ministry for the Environment and the regional council celebrated the 20th year of their Conservation Week project in 2012.

Fifth and sixth grade elementary school children are taken on a walking tour of White Pine Bush and Lake Tutira where they are taught about the important role that trees play in the conservation of soil and watersheds. The tour, which ends with tree planting on the lake shore, is immensely popular among the children. Over 20 years, 4,500 children have taken part in this project used as a fun way to communicate to them the importance of nature.

② Support for cultural activities

CENIBRA helps fund theater productions and concerts to be held in local municipalities and the activities of groups such as brass bands.

③ Support for sports

The company holds soccer schools and judo lessons and donates sports equipment.

④ Health support

Doctors, teachers and other personnel are dispatched to conduct health and dental checks and public awareness programs for people in the community, issue identification cards and implement recreation programs for children.

⑤ Support for education

The company donates funds and stationery to youth education foundations and donates PCs to schools among other activities.



Support for brass band activities (created by Café / Design)



Sports and Culture

As a corporate citizen, the Oji Group conducts activities contributing to the promotion of sports and culture and the advancement of science and technology.

Ice Hockey

Oji's ice hockey team has always been a dominating presence in Japanese ice hockey and performed magnificently again in the 2012-2013 season, winning the 80th All-Japan Ice Hockey Championship for the first time in eight seasons and for the 35th time overall. In 2012, a charity game was held with all proceeds from ticket and merchandise sales being included in donations toward support for recovery efforts after the Great East Japan Earthquake.

The players have also taken part in volunteer activities, such as cleaning at hospitals and welfare facilities.



Amateur Baseball

The Oji Baseball Team, which practices at Oji Paper's Kasugai Mill, has had numerous successes. The team won the Intercity Baseball Tournament in 2004 and made it into the tournament again in 2013 for the seventh consecutive year and for the 13th time overall. The team's support for local children's baseball, holding tournaments and baseball classes, led to its recognition by Kasugai City in 2013 for contribution to sports promotion.



Oji Hall

Located within the Oji Holdings head office building in Tokyo's Ginza district, Oji Hall is a concert hall opened in 1992 with the aim of encouraging musical appreciation and contributing to musical culture as part of our support for society and the arts. The hall continues to be a center for spreading music culture by hosting performances featuring musicians from around the world and through provision of a rental venue.



Tokyo String Quartet—The Last Concert on May 21, 2013 ©Oji Hall (photo: Fumiaki Fujimoto)

The Fujihara Foundation of Science

Ginjiro Fujihara, who was often referred to as Japan's "king of papermaking," set up The Fujihara Foundation of Science in 1959. Oji Holdings provides primarily financial support to the foundation, which presents the Fujihara Award annually to scientists who have made a contribution to the advancement of science and technology in Japan. The foundation also supports the holding of academically advanced international seminars known as "Fujihara Seminars."



Presentation of the 54th Fujihara Award

Third-Party Opinion



Yoshiki Midorikawa

CSR Advisor, The Valdez Society
Representative, Green Consumer
Research Group

Profile

Yoshiki Midorikawa works as the CSR Advisor to The Valdez Society, which researches and advocates corporate social responsibilities, as well as the Representative of the Green Consumer Research Group, an affiliated organization of this society. For the past 11 years Midorikawa has also served as a selection committee member for the Minister of the Environment's Global Warming Prevention Award. He is well-versed in consumer perspectives on environment consideration and in recent years has also been involved in the field of corporate social responsibility activities as responses to ISO 26000. Midorikawa has co-authored Kouka ga Mieru CSR Jissenhou (Methods for Practicing Effective CSR) as well as CSR Keiei (CSR Management), and has written other works as well.

Outstanding Activities

The most prominent feature of this report is that materiality has been clearly established, with safety, the environment and compliance designated as top priorities. This stands out since materiality is rarely defined in reporting by Japanese corporations. Safety is defined from a viewpoint encompassing product safety and occupational safety and health. The determination of materiality is influenced by the individual traits of the company and elements such as lines of business and the level of international expansion are to be factored into selection alongside universal issues and open to scrutiny by stakeholders. The selection of these three issues can be viewed as accurate and appropriate. However, with the proportion of overseas business continuing to grow, it is expected that greater focus will be placed on areas such as human rights and labor issues. On that point, it is highly commendable that the Oji Group has started a risk assessment of an operating company in Thailand. I hope this will develop into an ongoing exercise encompassing a broader scope of operations.

Of the individual areas, activities for the environment in particular stand out. Forest recycling, referring to activities related to forest resources that represent the first stage of product resource circulation, is reported on in great detail and a broad, in-depth explanation of the life cycle of products, incorporating paper recycling, global warming countermeasures and waste management, is also given.

Short- to Medium-term Challenges

1. The Oji Group's efforts to comply with ISO 26000 are indicated in the Editorial Policy. Because Japanese corporations have in place labor practices and related systems that are unique to Japan, and are as such on course toward implementing responses, they would need to make changes to activities with a view to the medium term. On a related note, I hope to see the Oji Group make conformity with the GRI G4 Guidelines a challenge for next year in the area of information disclosure.
2. Compliance, one of the specified top priorities, has to encompass all activities. Where negative information is reported, the situation has to be carefully explained. For example, information on system flaws or other causes, the background to incidents, the progress of follow-up action and recurrence prevention measures is required.
3. In the area of human rights, I hope that the company will take specific action on the two principles relating to human rights within the United Nations Global Compact, in which the Oji Group is a participant. It should be remembered that the issue of human rights involves not only employees, but also citizens in countries and regions where the Group operates, as well as the entire value chain.
4. With regard to labor issues, breakdowns of employment figures according to gender and employment status, for example, are basic parameters for information disclosure. The OECD has repeatedly pointed out to Japan its low labor participation rate for women and the path to a solution lies in the hiring of women and the appointment of women to management positions. Please go down this path. Progress of improvements in these areas will be more easily visualized through prompt information disclosure.

Response to the Third-Party Opinion

Safety, the environment and compliance lie at the heart of the Oji Group's corporate activity and are issues of the utmost importance to which we assign top priority. We will continue to strengthen and expand efforts to communicate and implement this fundamental management philosophy within our business activities in Japan and around the world, including through the environment activities we have been commended for.

Mr. Midorikawa also singled out human rights and labor issues and we acknowledge their importance as we look to expand overseas operations of the Oji Group. In Japan, we are currently deliberating on reforms to our personnel system with an eye, for example, to making effective use of female

human resources. In addressing the points Mr. Midorikawa mentioned, we will continue to manage risks, disclose information and act appropriately based on respect for the laws and practices of each country and international codes of conduct.

Susumu Yajima

Director of the Board
Executive Vice President
General Manager of
Corporate Governance Division
Oji Holdings Corporation



CONSOLIDATED BALANCE SHEETS

As of March 31, 2013 and 2012

| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
|---|-------------------|------------------|--------------------------------------|
| | 2013 | 2012 | 2013 |
| ASSETS | | | |
| Current assets | | | |
| Cash and bank deposits (Note 9(2)) | ¥ 50,621 | ¥ 43,881 | \$ 538,240 |
| Notes and accounts receivable-trade (Note 9(2), (10)) | 269,137 | 261,384 | 2,861,646 |
| Marketable securities | 7,144 | 554 | 75,960 |
| Merchandise and finished goods (Note 9(2)) | 84,877 | 81,394 | 902,473 |
| Work in process (Note 9(2)) | 17,655 | 15,479 | 187,721 |
| Raw materials and supplies (Note 9(2)) | 60,554 | 57,462 | 643,856 |
| Deferred tax assets | 12,035 | 14,417 | 127,972 |
| Short-term loans receivable (Note 9(2)) | 7,862 | 8,925 | 83,603 |
| Accounts receivable-other | 19,386 | 14,937 | 206,131 |
| Other (Note 9(2)) | 9,294 | 7,075 | 98,826 |
| Allowance for doubtful accounts | (3,071) | (4,304) | (32,656) |
| Total current assets | 535,499 | 501,207 | 5,693,776 |
| Noncurrent assets | | | |
| Property, plant and equipment | | | |
| Buildings and structures | 609,992 | 596,497 | 6,485,834 |
| Accumulated depreciation (Note 9(8)) | (406,628) | (396,098) | (4,323,540) |
| Buildings and structures (Net) (Note 9(2), (9)) | 203,363 | 200,398 | 2,162,294 |
| Machinery, equipment and vehicles | 2,192,879 | 2,069,952 | 23,316,099 |
| Accumulated depreciation (Note 9(8)) | (1,817,037) | (1,728,600) | (19,319,906) |
| Machinery, equipment and vehicle (Net) (Note 9(2), (9)) | 375,841 | 341,352 | 3,996,193 |
| Tools, furniture and fixtures | 59,343 | 55,389 | 630,973 |
| Accumulated depreciation (Note 9(8)) | (53,084) | (50,437) | (564,430) |
| Tools, furniture and fixtures (Net) (Note 9(2)) | 6,258 | 4,952 | 66,542 |
| Land (Note 9(2), (6)) | 236,091 | 233,530 | 2,510,280 |
| Forests (Note 9(2)) | 90,367 | 16,573 | 960,843 |
| Plantations (Note 9(2)) | 103,488 | 39,090 | 1,100,360 |
| Leased assets | 9,609 | 8,351 | 102,175 |
| Accumulated depreciation (Note 9(8)) | (4,295) | (3,091) | (45,667) |
| Leased assets (Net) | 5,314 | 5,259 | 56,507 |
| Construction in progress (Note 9(2)) | 69,918 | 41,407 | 743,417 |
| Total property, plant and equipment | 1,090,645 | 882,565 | 11,596,439 |
| Intangible assets | | | |
| Leasehold rights | 1,620 | 1,110 | 17,234 |
| Goodwill | 14,806 | 15,427 | 157,433 |
| Other (Note 9(2)) | 9,333 | 9,874 | 99,239 |
| Total intangible assets | 25,760 | 26,411 | 273,907 |
| Investments and other assets | | | |
| Investment securities (Note 9(1), (2)) | 150,294 | 175,648 | 1,598,030 |
| Long-term loans receivable (Note 9(2)) | 2,029 | 4,510 | 21,580 |
| Long-term prepaid expenses | 14,937 | 13,138 | 158,828 |
| Deferred tax assets | 3,171 | 16,161 | 33,720 |
| Other | 10,934 | 17,893 | 116,266 |
| Allowance for doubtful accounts | (2,022) | (2,545) | (21,506) |
| Total investments and other assets | 179,345 | 224,807 | 1,906,920 |
| Total noncurrent assets | 1,295,751 | 1,133,785 | 13,777,266 |
| Total assets | 1,831,251 | 1,634,992 | 19,471,042 |

→ Financial Section

- Consolidated Balance Sheets
- Consolidated Statements of Income
- Consolidated Statements of Changes in Net Assets
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Report of Independent Auditors

CONSOLIDATED STATEMENTS OF INCOME

Fiscal years ended March 31, 2013 and 2012

(Consolidated Statements of Income)

| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
|--|-------------------|-------------|--------------------------------------|
| | 2013 | 2012 | 2013 |
| Net sales | ¥ 1,241,471 | ¥ 1,212,912 | \$ 13,200,127 |
| Cost of sales (Note 10(1), (2)) | 963,900 | 945,999 | 10,248,804 |
| Gross profit | 277,571 | 266,912 | 2,951,322 |
| Selling, general and administrative expenses | | | |
| Freight expenses | 119,730 | 113,980 | 1,273,049 |
| Warehouse expenses | 6,405 | 6,151 | 68,107 |
| Salaries and wages | 45,859 | 43,901 | 487,608 |
| Retirement benefit expenses | 5,908 | 6,494 | 62,827 |
| Depreciation and amortization | 4,252 | 5,038 | 45,215 |
| Other | 43,031 | 37,566 | 457,542 |
| Total selling, general and administrative expenses (Note 10(1)) | 225,188 | 213,132 | 2,394,350 |
| Operating profit | 52,383 | 53,780 | 556,971 |
| Non-operating income | | | |
| Interest income | 972 | 392 | 10,341 |
| Dividends income | 2,947 | 2,910 | 31,342 |
| Equity in earnings of affiliates | 1,447 | 3,974 | 15,385 |
| Rent income | 583 | 285 | 6,198 |
| Exchange gain | 10,681 | 1,233 | 113,569 |
| Other | 4,307 | 3,414 | 45,795 |
| Total non-operating income | 20,938 | 12,211 | 222,633 |
| Non-operating expenses | | | |
| Interest expenses | 11,783 | 10,318 | 125,290 |
| Loss on sublet of facilities | 1,922 | 1,239 | 20,442 |
| Other | 5,049 | 6,057 | 53,694 |
| Total non-operating expenses | 18,756 | 17,615 | 199,427 |
| Ordinary profit | 54,565 | 48,375 | 580,177 |
| Special gains | | | |
| Gain on sales of investment securities | 1,117 | 1,009 | 11,887 |
| Gain on sales of fixed assets (Note 10(3)) | 1,028 | 768 | 10,937 |
| Gain on accrual of negative goodwill | 535 | 806 | 5,691 |
| Gain on cancellation of shares due to absorption of a subsidiary | 41 | 15 | 443 |
| Gain on revision of retirement benefit plans | — | 55 | — |
| Total special gains | 2,723 | 2,655 | 28,959 |

| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
|---|-------------------|-----------|--------------------------------------|
| | 2013 | 2012 | 2013 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Notes and accounts payable-trade (Note 9(2), (10)) | ¥ 210,921 | ¥ 216,781 | \$ 2,242,654 |
| Short-term borrowings (Note 9(2)) | 307,841 | 336,532 | 3,273,171 |
| Current portion of bonds | 20,160 | 160 | 214,354 |
| Accounts payable-other | 20,107 | 15,430 | 213,791 |
| Accrued expenses | 46,032 | 46,432 | 489,450 |
| Income taxes payable | 5,371 | 9,232 | 57,116 |
| Other | 17,692 | 9,625 | 188,112 |
| Total current liabilities | 628,127 | 634,195 | 6,678,651 |
| Noncurrent liabilities | | | |
| Bonds | 140,160 | 120,320 | 1,490,271 |
| Long-term debt (Note 9(2)) | 362,943 | 327,707 | 3,859,050 |
| Deferred tax liabilities | 43,583 | 18,900 | 463,411 |
| Deferred tax liabilities on revaluation of land (Note 9(6)) | 9,554 | 9,713 | 101,592 |
| Provision for retirement benefits | 53,232 | 50,398 | 566,001 |
| Provision for directors' retirement benefits | 1,580 | 1,724 | 16,801 |
| Provision for environmental measures | 1,723 | 1,705 | 18,322 |
| Provision for special repairs | 131 | 130 | 1,393 |
| Provision for loss on litigation (Note 9(4)) | 4,361 | — | 46,372 |
| Long-term deposits | 2,646 | 2,761 | 28,143 |
| Other | 4,078 | 4,133 | 43,360 |
| Total noncurrent liabilities | 623,995 | 537,497 | 6,634,721 |
| Total liabilities | 1,252,122 | 1,171,692 | 13,313,372 |
| NET ASSETS | | | |
| Shareholders' equity | | | |
| Common stock | 103,880 | 103,880 | 1,104,528 |
| Capital surplus | 112,930 | 113,012 | 1,200,746 |
| Retained earnings | 320,086 | 304,432 | 3,403,361 |
| Treasury stock | (43,140) | (43,363) | (458,697) |
| Total shareholders' equity | 493,756 | 477,961 | 5,249,939 |
| Accumulated other comprehensive income | | | |
| Net unrealized gains on available-for-sale securities | 16,100 | 6,675 | 171,185 |
| Deferred gains on hedging derivatives | (252) | 186 | (2,680) |
| Revaluation reserve for land (Note 9(6)) | 4,875 | 5,063 | 51,841 |
| Foreign currency translation adjustments | (8,997) | (41,579) | (95,663) |
| Total accumulated other comprehensive income | 11,726 | (29,653) | 124,682 |
| Subscription rights | 235 | 346 | 2,503 |
| Minority interests in consolidated subsidiaries | 73,410 | 14,644 | 780,544 |
| Total net assets | 579,128 | 463,299 | 6,157,669 |
| Total liabilities and net assets | 1,831,251 | 1,634,992 | 19,471,042 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal years ended March 31, 2013 and 2012

| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
|---|-------------------|-----------|--------------------------------------|
| | 2013 | 2012 | 2013 |
| Shareholders' equity | | | |
| Common stock | | | |
| Balance at April 1, 2012 and 2011 | ¥ 103,880 | ¥ 103,880 | \$ 1,104,528 |
| Balance at March 31, 2013 and 2012 | 103,880 | 103,880 | 1,104,528 |
| Capital surplus | | | |
| Balance at April 1, 2012 and 2011 | 113,012 | 113,018 | 1,201,616 |
| Changes during the year | | | |
| Disposal of treasury stock | (81) | (6) | (869) |
| Total changes during the year | (81) | (6) | (869) |
| Balance at March 31, 2013 and 2012 | 112,930 | 113,012 | 1,200,746 |
| Retained earnings | | | |
| Balance at April 1, 2012 and 2011 | 304,432 | 292,090 | 3,236,924 |
| Changes during the year | | | |
| Cash dividends | (9,884) | (9,883) | (105,098) |
| Net income | 25,600 | 22,177 | 272,202 |
| Change in scope of consolidation | (251) | 223 | (2,668) |
| Reversal of revaluation reserve for land | 188 | (175) | 2,001 |
| Total changes during the year | 15,653 | 12,342 | 166,437 |
| Balance at March 31, 2013 and 2012 | 320,086 | 304,432 | 3,403,361 |
| Treasury stock | | | |
| Balance at April 1, 2012 and 2011 | (43,363) | (43,040) | (461,071) |
| Changes during the year | | | |
| Purchase of treasury stock | (36) | (49) | (384) |
| Disposal of treasury stock | 246 | 18 | 2,617 |
| Purchase of treasury stock by affiliates accounted for by equity method | (4) | (60) | (43) |
| Change in equity in affiliates-treasury stock | 17 | (231) | 184 |
| Total changes during the year | 223 | (322) | 2,373 |
| Balance at March 31, 2013 and 2012 | (43,140) | (43,363) | (458,697) |
| Total shareholders' equity | | | |
| Balance at April 1, 2012 and 2011 | 477,961 | 465,948 | 5,081,997 |
| Changes during the year | | | |
| Cash dividends | (9,884) | (9,883) | (105,098) |
| Net income | 25,600 | 22,177 | 272,202 |
| Purchase of treasury stock | (36) | (49) | (384) |
| Disposal of treasury stock | 164 | 12 | 1,747 |
| Purchase of treasury stock by affiliates accounted for by equity method | (4) | (60) | (43) |
| Change in equity in affiliates -treasury stock | 17 | (231) | 184 |
| Change in scope of consolidation | (251) | 223 | (2,668) |
| Reversal of revaluation reserve for land | 188 | (175) | 2,001 |
| Total changes during the year | 15,794 | 12,013 | 167,941 |
| Balance at March 31, 2013 and 2012 | 493,756 | 477,961 | 5,249,939 |

| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
|---|-------------------|--------|--------------------------------------|
| | 2013 | 2012 | 2013 |
| Special loss | | | |
| Loss on partial settlement of retirement benefit plan (Note 10(4)) | ¥ 8,820 | ¥ — | \$ 93,788 |
| Loss on disposal of fixed assets | 3,104 | 2,368 | 33,003 |
| Special retirement benefits expenses (Note 10(5)) | 1,815 | 2,024 | 19,307 |
| Impairment losses (Note 10(6)) | 1,467 | 427 | 15,599 |
| Loss on business restructuring (Note 10(6)) | 1,253 | 2,971 | 13,331 |
| Loss on subsidiary status change from equity method to consolidated subsidiary (Note 10(7)) | 858 | — | 9,123 |
| Other | 2,036 | 3,353 | 21,657 |
| Total special loss | 19,356 | 11,145 | 205,810 |
| Income before income taxes and minority interests | 37,932 | 39,885 | 403,326 |
| Income taxes-current | 12,133 | 14,194 | 129,011 |
| Income taxes-deferred | (3,729) | 3,453 | (39,653) |
| Income before minority interests | 29,528 | 22,237 | 313,968 |
| Minority interests in net income of consolidated subsidiaries | 3,928 | 59 | 41,766 |
| Net income | 25,600 | 22,177 | 272,202 |

See accompanying notes to consolidated financial statements.

(Consolidated Statement of Comprehensive Income)

| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
|---|-------------------|----------|--------------------------------------|
| | 2013 | 2012 | 2013 |
| Income before minority interests | ¥ 29,528 | ¥ 22,237 | \$ 313,968 |
| Other comprehensive income | | | |
| Net unrealized gains (losses) on available-for-sale securities | 9,214 | 887 | 97,974 |
| Deferred gains (losses) on hedging derivatives | (475) | (158) | (5,052) |
| Revaluation reserve for land | — | 1,331 | — |
| Foreign currency translation adjustments | 26,700 | (3,478) | 283,891 |
| Share of other comprehensive income of investments for which the equity method is applied | 10,348 | (1,678) | 110,036 |
| Total other comprehensive income (Note (1)) | 45,788 | (3,096) | 486,850 |
| Comprehensive income | 75,317 | 19,140 | 800,819 |
| (Breakdown) | | | |
| Comprehensive income attributable to shareholders of the parent company | 67,168 | 19,434 | 714,179 |
| Comprehensive income attributable to minority interests | 8,148 | (293) | 86,640 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended March 31, 2013 and 2012

| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
|---|-------------------|----------|--------------------------------------|
| | 2013 | 2012 | 2013 |
| Accumulated other comprehensive income | | | |
| Net unrealized gains (losses) on available-for-sale securities | | | |
| Balance at April 1, 2012 and 2011 | ¥ 6,675 | ¥ 5,839 | \$ 70,978 |
| Changes of during the year | 9,424 | 836 | 100,207 |
| Balance at March 31, 2013 and 2012 | 16,100 | 6,675 | 171,185 |
| Deferred gains (losses) on hedging derivatives | | | |
| Balance at April 1, 2012 and 2011 | 186 | 355 | 1,987 |
| Changes of during the year | (438) | (168) | (4,667) |
| Balance at March 31, 2013 and 2012 | (252) | 186 | (2,680) |
| Revaluation reserve for land | | | |
| Balance at April 1, 2012 and 2011 | 5,063 | 3,557 | 53,843 |
| Changes during the year | (188) | 1,506 | (2,001) |
| Balance at March 31, 2013 and 2012 | 4,875 | 5,063 | 51,841 |
| Foreign currency translation adjustment | | | |
| Balance at April 1, 2012 and 2011 | (41,579) | (36,837) | (442,100) |
| Changes during the year | 32,582 | (4,741) | 346,436 |
| Balance at March 31, 2013 and 2012 | (8,997) | (41,579) | (95,663) |
| Accumulated other comprehensive income | | | |
| Balance at April 1, 2012 and 2011 | (29,653) | (27,084) | (315,291) |
| Changes during the year | 41,379 | (2,568) | 439,974 |
| Balance at March 31, 2013 and 2012 | 11,726 | (29,653) | 124,682 |
| Subscription rights | | | |
| Balance at April 1, 2012 and 2011 | 346 | 284 | 3,680 |
| Changes during the year | (110) | 62 | (1,177) |
| Balance at March 31, 2013 and 2012 | 235 | 346 | 2,503 |
| Minority interests in consolidated subsidiaries | | | |
| Balance at April 1, 2012 and 2011 | 14,644 | 16,850 | 155,712 |
| Changes during the year | 58,765 | (2,205) | 624,831 |
| Balance at March 31, 2013 and 2012 | 73,410 | 14,644 | 780,544 |
| Total net assets | | | |
| Balance at April 1, 2012 and 2011 | 463,299 | 455,998 | 4,926,099 |
| Changes during the year | | | |
| Cash dividends | (9,884) | (9,883) | (105,098) |
| Net income | 25,600 | 22,177 | 272,202 |
| Purchase of treasury stock | (36) | (49) | (384) |
| Disposal of treasury stock | 164 | 12 | 1,747 |
| Purchase of treasury stock by affiliates accounted for by equity method | (4) | (60) | (43) |
| Change in equity in affiliates -treasury stock | 17 | (231) | 184 |
| Change in scope of consolidation | (251) | 223 | (2,668) |
| Reversal of revaluation reserve for land | 188 | (175) | 2,001 |
| Net changes in items other than shareholders' equity | 100,034 | (4,712) | 1,063,629 |
| Total changes during the year | 115,829 | 7,300 | 1,231,570 |
| Balance at March 31, 2013 and 2012 | 579,128 | 463,299 | 6,157,669 |

See accompanying notes to consolidated financial statements.

| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
|---|-------------------|----------|--------------------------------------|
| | 2013 | 2012 | 2013 |
| Cash flows from operating activities | | | |
| Income before income taxes and minority interests | ¥ 37,932 | ¥ 39,885 | \$ 403,326 |
| Depreciation and amortization | 72,057 | 76,024 | 766,158 |
| Impairment losses | 1,467 | 427 | 15,599 |
| Amortization of goodwill | 1,948 | 1,268 | 20,716 |
| Increase (decrease) in allowance for doubtful accounts | (991) | 60 | (10,543) |
| Increase (decrease) in provision for retirement benefits | 9,790 | 2,766 | 104,094 |
| Interest and dividend income | (3,920) | (3,303) | (41,684) |
| Interest expenses | 11,783 | 10,318 | 125,290 |
| Exchange loss (gain) | (10,496) | 163 | (111,603) |
| Equity in (earnings) losses of affiliates | (1,447) | (3,974) | (15,385) |
| Loss (gain) on sales of investment securities | (1,117) | (1,009) | (11,887) |
| Loss on disposal of fixed assets | 3,104 | 2,368 | 33,003 |
| Loss (gain) on sales of fixed assets | (696) | (729) | (7,406) |
| Loss on business restructuring | 1,253 | 2,971 | 13,331 |
| Loss on subsidiary status change from equity method to consolidated subsidiary | 858 | — | 9,123 |
| (Increase) decrease in trade receivables | 4,901 | (1,813) | 52,118 |
| (Increase) decrease in inventories | 5,336 | (5,183) | 56,738 |
| Increase (decrease) in trade payables | (12,313) | 17,482 | (130,922) |
| Other | 10,255 | 3,695 | 109,044 |
| Subtotal | 129,705 | 141,418 | 1,379,113 |
| Interest and dividend income received | 4,838 | 4,368 | 51,450 |
| Interest paid | (12,287) | (10,368) | (130,648) |
| Income taxes paid | (16,819) | (15,902) | (178,836) |
| Net cash provided by operating activities | 105,437 | 119,516 | 1,121,079 |
| Cash flows from investing activities | | | |
| Payment for acquisition of property, plant, equipment and intangible assets | (65,781) | (50,899) | (699,430) |
| Proceeds from sales of property, plant, equipment and intangible assets | 1,898 | 1,985 | 20,189 |
| Payment for acquisition of investment securities | (1,935) | (2,364) | (20,582) |
| Proceeds from sales of investment securities | 2,829 | 2,821 | 30,086 |
| Payment for additional acquisition of shares of subsidiaries | (5,730) | (1,330) | (60,929) |
| Payment for loans receivable | (2,537) | (3,027) | (26,977) |
| Proceeds from collection of loans receivable | 2,221 | 1,792 | 23,618 |
| Payment for acquisition of shares of subsidiaries which have caused the change in scope of consolidation (Note (2)) | (6,329) | (30,588) | (67,296) |
| Other | (847) | 412 | (9,014) |
| Net cash used in investing activities | (76,211) | (81,198) | (810,332) |
| Cash flows from financing activities | | | |
| Net increase (decrease) in short-term borrowings | (41,761) | (13,047) | (444,039) |
| Proceeds from long-term debt | 161,674 | 11,180 | 1,719,025 |
| Repayment of long-term debt | (168,793) | (35,775) | (1,794,723) |
| Proceeds from issue of bonds | 39,790 | 39,990 | 423,082 |
| Payment for redemption of bonds | (160) | (20,140) | (1,701) |
| Payment for purchase of treasury stock | (36) | (49) | (384) |
| Dividend payments | (9,884) | (9,883) | (105,098) |
| Other | (1,553) | (1,149) | (16,520) |
| Net cash used in by financing activities | (20,724) | (28,875) | (220,359) |
| Effect of exchange rate changes on cash and cash equivalents | 1,752 | 2,152 | 18,632 |
| Increase (decrease) in cash and cash equivalents | 10,253 | 11,593 | 109,019 |
| Cash and cash equivalents at the beginning of the year (Note11) | 43,831 | 31,933 | 466,042 |
| Increase in cash and cash equivalents due to mergers of subsidiaries | 365 | 124 | 3,882 |
| Increase in cash and cash equivalents due to inclusion of consolidated subsidiaries in scope of consolidation | 2,598 | 179 | 27,633 |
| Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries from scope of consolidation | — | 0 | — |
| Cash and cash equivalents at the end of the year (Note (1)) | 57,048 | 43,831 | 606,577 |

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Preparation

- (1) The accompanying consolidated financial statements of Oji Holdings Corporation (the "Company") and its consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
- (2) Certain amounts in the financial statements as of and for the fiscal year ended March 31, 2012 have been reclassified to conform with the presentation in the financial statements as of and for the fiscal year ended March 31, 2013.
- (3) The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥94.05 to U.S. \$1.00, the approximate rate of exchange prevailing at March 31, 2013. This translation should not be construed as a representation that the yen amounts shown could be converted into U.S. dollars at the above or any other rate.

2. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 156 (128 in 2012)

Main consolidated subsidiaries include:

Oji Container Co., Ltd. (formerly Oji Chiyoda Container Co., Ltd.), Oji Packaging Co., Ltd., Oji Materia Co., Ltd. (formerly Oji Paperboard Co., Ltd.), Oji Seitai Kaisha Ltd., Oji Nepia Co., Ltd., Mori Shigyo Co., Ltd., Oji Interpack Co., Ltd., Shin Nippon Feather Core Co., Ltd., Ojiadba Co., Ltd., Kyushu Packaging Co., Ltd., Nichipac Co., Ltd., Oji Packs Partners Co., Ltd., GS Paper & Packaging Sdn. Bhd., Oji Paper Nepia (Suzhou) Co., Ltd., HPI Resources Bhd., B&C International Co., Ltd., Ojitex Haiphong Co., Ltd., United Kotak Berhad, Ojitex (Vietnam) Co., Ltd., S. Pack & Print Public Co., Ltd., Trio Paper Mills Sdn. Bhd., Harta Packaging Industries Sdn. Bhd., Suzhou Oji Packaging Co., Ltd., Oji India Packaging Private Limited, Oji Intertech, Inc., Paperbox Holdings Limited, Oji Paper Co., Ltd., Jiangsu Oji Paper Co., Ltd., Oji Paper Trading (China) Co., Ltd., Oji Tac Co., Ltd., Oji Kinocloth Co., Ltd., Oji F-Tex Co., Ltd. (formerly Oji Specialty Paper Co., Ltd.), Oji Imaging Media Co., Ltd., New Tac Kasei Co., Ltd., Shinomura Chemical Industry Co., Ltd., Oji Functional Materials Progressing Center Inc., Oji Paper

(Thailand) Ltd., Oji Paper USA Inc., Kanzaki Specialty Papers Inc., KANZAN Spezialpapiere GmbH, Oji Label (Thailand) Ltd., Oji Papéis Especiais Ltda., Japan Brazil Paper and Pulp Development Co., Ltd., Quy Nhon Plantation Forest Company Ltd., Oji Trading Co., Ltd., Oji Green Resources Co., Ltd., Oji Forest & Products Co., Ltd., Oji Eco Materials Co., Ltd., Oji Green Energy Shiranuka Co., Ltd., Celulose Nipo-Brasileira S.A., Pan Pac Forest Products Ltd., Oji Lao Plantation Forest Company Limited, Albany Plantation Forest Company of Australia Pty Ltd., Panindo Investment Pte. Ltd., Southland Plantation Forest Company of New Zealand Limited, Green Triangle Plantation Forest Company of Australia Pty Limited, Oji South Lao Plantation Forest Company Limited, Oji Lao Plantation Holdings Limited, Albany Plantation Export Company Pty Ltd., Guangxi Oji Plantation Forest Co., Ltd., Quy Nhon Plantation Forest Company of Vietnam Limited, Oji (Cambodia) Plantation Forest Company Limited, Binh Dinh Chip Corporation, Oji Paper International Trading (Shanghai) Co., Ltd., Oji Logistics Co., Ltd., Kyokuyo Pulp & Paper Co., Ltd., Oji Cornstarch Co., Ltd., Oji Engineering Co., Ltd., Oji Real Estate Co., Ltd., Apica Co., Ltd., Hotel New Oji Corp., Chuetsu Co., Ltd., Oji Business Center Co., Ltd., Oji Salmon Co., Ltd., Oji Management Office Inc., Oji Paper Asia Sdn. Bhd. and other 80 companies

Changes in the consolidated subsidiaries during the year ended March 31, 2013 are as follows:

(Increase) 33 companies:

Oji Paper Co., Ltd., Oji Imaging Media Co., Ltd., Oji Green Resources Co., Ltd., Oji Management Office Inc. and Oji Functional Materials Progressing Center Inc.

In order to make the transition to a holding company structure, the Company transferred its business divisions and its indirect divisions through an absorption-type company split to the five newly established wholly owned subsidiaries, Oji Paper Company Split Preparation Co., Ltd., Oji Imaging Media Co., Ltd., Oji Green Resources Co., Ltd., Oji Management Office Inc. and Oji Functional Materials Progressing Center Inc. on October 1, 2012. As a result, the aforementioned successor companies were included in the scope of consolidation effective from the fiscal year ended March 31, 2013. Also on October 1, 2012, the Company changed its name to "Oji Holdings Corporation" and "Oji Paper Company Split Preparation Co., Ltd.," one of the aforementioned successor companies, had its name changed to "Oji Paper Co., Ltd."

In addition, business of the Company was transferred by company split to companies other than the aforementioned five companies, namely, the Company's wholly owned subsidiaries "Oji Paperboard Co., Ltd." and "Oji Packs Partners Co., Ltd. and also effective October 1, 2012 "Oji Paperboard

Co., Ltd." changed its name to "Oji Materia Co., Ltd."

Oji (Cambodia) Plantation Forest Co., Ltd., Ojitex Harta Packaging (Sihanoukville) Ltd., Oji India Investment Co., Ltd., Oji India Packaging Private Limited, Oji Green Energy Shiranuka Co., Ltd.

The aforementioned five companies were newly established and included in the scope of consolidation effective from the fiscal year ended March 31, 2013.

Celulose Nipo-Brasileira S.A. and four group companies, S.Pack & Print Public Co., Ltd. and one group company and Nichipac Co., Ltd.

Through the purchase of shares, the aforementioned eight companies were included in the scope of consolidation effective from the fiscal year ended March 31, 2013.

Hotel New Oji Corp. had its hotel and related businesses transferred to a company newly established from a company split, and all other divisions outside the hotel businesses were merged with Oji Real Estate Co., Ltd. Also on the same day, the aforesaid company that was newly established by the company split changed its name to Hotel New Oji Corp., and it was included in the scope of consolidation.

Companies that were non-consolidated subsidiaries in the fiscal year ended March 31, 2012: Southland Plantation Forest Company of New Zealand Ltd., Quy Nhon Plantation Forest Company Ltd., Green Triangle Plantation Forest Company of Australia Pty. Ltd., Quy Nhon Plantation Forest Company of Vietnam Ltd., Oji Interpack Korea Ltd., Albany Plantation Export Company Pty. Ltd., Guangxi Oji Plantation Forest Co., Ltd., Binh Dinh Chip Corporation, Oji Lao Plantation Holdings Ltd., Oji Lao Plantation Forest Co., Ltd., Oji South Lao Plantation Forest Co., Ltd., Albany Plantation Forest Company of Australia Pty. Ltd. and Panindo Investment Pte. Ltd.

The above 13 companies have been included in the scope of consolidation from the fiscal year ended March 31, 2013 because of the increased materiality of their businesses in the Group.

Japan Brazil Paper and Pulp Development Co., Ltd., which was an affiliate under the equity method in the fiscal year ended March 31, 2012, has become a consolidated subsidiary from the fiscal year ended March 31, 2013 as a result of additional share acquisition.

(Decrease) 5 companies:

Shikoku Pack Co., Ltd. was excluded from the scope of consolidation effective from the fiscal year ended March 31, 2013 due to its merger with Ginpo Pack Co., Ltd.

Shizuoka Oji Container Co., Ltd. was excluded from the scope of consolidation effective from the fiscal year ended March 31, 2013 due to its merger with Oji Container Co., Ltd.

Oji Nepia Co., Ltd. underwent a company split whereby all its businesses excluding the household products business were transferred to the Company's wholly owned subsidiary

Nepia Tender Co., Ltd. The split company, Oji Nepia Co., Ltd. was removed from the scope of consolidation effective from the fiscal year ended March 31, 2013 because it merged with Oji Paper Co., Ltd. (formerly Oji Paper Company Split Preparation Co., Ltd.) On the same date, Nepia Tender Co., Ltd. had its name changed to Oji Nepia Co., Ltd.

Hotel New Oji Corp. had its hotel and related businesses transferred to a company newly established from a company split, and all other divisions outside the hotel and related businesses were merged with Oji Real Estate Co. Ltd. As a result, it was excluded from the scope of consolidation effective from the fiscal year ended March 31, 2013.

Oji Paper Canada Limited. was removed from the scope of consolidation from the fiscal year ended March 31, 2013 as it was liquidated.

- (2) Main non-consolidated subsidiaries:

Tomakomai Energy Kosha Co., Ltd., DHC Ginza Co., Ltd.

- (3) Reasons for excluding non-consolidated subsidiaries from the consolidation scope:

These companies are excluded from the scope of consolidation, as all of these non-consolidated subsidiaries are small-sized companies and their total assets, net sales, net income (amount corresponding to the Company's equity in such subsidiaries), retained earnings (amount corresponding to the Company's equity in such subsidiaries), etc., are insignificant relative to the total assets, net sales, net income (amount corresponding to the Company's equity in such subsidiaries), retained earnings (amount corresponding to the Company's equity in such subsidiaries), etc., of the consolidated companies as a whole, and they do not have significant impact on the consolidated financial statements.

3. Application of the Equity Method

- (1) Number of affiliates under the equity method: 17 (14 in 2012)

Main affiliates under the equity method include:

Kokusai Pulp & Paper Co., Ltd., Ocean Trans Co., Ltd., Okayama Paper Industries Co., Ltd., Alpac Forest Products Inc. and other 13 companies

(Increase) 4 companies:

Huizhou Nanyou Forest Development Co., Ltd., PT. Korintiga Hutani, Truong Thanh Oji Plantation Forest Company Limited

As materiality of the businesses of the above three companies on the Group rose, they were included as

affiliates under the equity method effective from the fiscal year ended March 31, 2013.

As a result of a purchase of its shares, Terminal Especializado de Barro do Riacho S.A. was included as an affiliate under the equity method effective from the fiscal year ended March 31, 2013.

(Decrease) 1 company:

As a result of an additional purchase of its shares, Japan Brazil Paper and Pulp Development Co., Ltd. became a consolidated subsidiary effective from the fiscal year ended March 31, 2013.

(2) Main non-consolidated subsidiaries and affiliates to which the equity method was not applied Tomakomai Energy Kosha Co., Ltd., DHC Ginza Co., Ltd.

(3) The reason not to apply the equity method to non-consolidated subsidiaries and affiliates to which the equity method was not applied

Non-consolidated subsidiaries and affiliates have not been included in scope of the equity method as all are small, and none have total assets, net sales, net income (corresponding to equity share) or retained earnings (corresponding to equity share) that significantly impact the consolidated financial statements.

4. Matters Concerning the Fiscal Year of Consolidated Subsidiaries

The fiscal year end of the following Company's consolidated subsidiaries is December 31:

Apica Co., Ltd., Oji Paper USA Inc., Kanzaki Specialty Papers Inc., Oji Paper (Thailand) Ltd., KANZAN Spezialpapiere GmbH, Jiangsu Oji Paper Co., Ltd., Oji Paper Nepia (Suzhou) Co., Ltd., Suzhou Oji Packaging Co., Ltd., Oji Intertech Inc., Oji Label (Thailand) Ltd., B&C International Co., Ltd., Ojitex (Vietnam) Co., Ltd., Oji Paper Trading (China) Co., Ltd., Oji Paper International Trading (Shanghai) Co., Ltd., Oji Papéis Especiais Ltda., Ojitex Haiphong Co., Ltd., Oji Interpack Korea Ltd., Guangxi Oji Plantation Forest Co., Ltd., BINH DINH CHIP CORPORATION, PANINDO INVESTMENT PTE. LTD., Oji Lao Plantation Holdings Ltd., Oji Lao Plantation Forest Co., Ltd., Oji South Lao Plantation Forest Co., Ltd., Oji (Cambodia) Plantation Forest Co., Ltd., S. Pack & Print Public Co., Ltd. and one group company, Paperbox Holdings Limited, GS PAPER & PACKAGING SDN. BHD. and six group companies, UNITED KOTAK BERHAD and three group companies, HPI Resources Bhd, Harta Packaging Industries Sdn Bhd and 17 group companies, Celulose Nipo-Brasileira S. A. and four group

companies.

In addition, Aipax Co., Ltd. changed its accounting closing date from December 31 to March 31. Mori Shigyo Co., Ltd., Mori Kamihanbai Co., Ltd., Kyoto Mori Shigyo Co., Ltd., Sendai Mori Shigyo Co., Ltd., Tottori Mori Shigyo Co., Ltd., Hokkaido Mori Shigyo Co., Ltd., Hitachi Mori Shigyo Co., Ltd., Gunma Mori Shigyo Co., Ltd., Niigata Mori Shigyo Co., Ltd., Hokuriku Mori Shigyo Co., Ltd., Nagano Mori Shigyo Co., Ltd., Shizuoka Mori Shigyo Co., Ltd., Tokai Mori Shigyo Co., Ltd., Shikoku Mori Shigyo Co., Ltd., Kyushu Mori Shigyo Co., Ltd., Oi Paper Co., Ltd. and Tohoku Mori Shigyo Co., Ltd. changed their accounting closing dates from March 20 to March 31.

For the purpose of preparing the consolidated financial statements, the above companies' financial statements as of the end of their respective fiscal years were used.

Adjustments were made for the purpose of consolidation as necessary for the material transactions that occurred between such fiscal year-end dates and the consolidated account closing date.

5. Matters Concerning Accounting Policies

(1) Method of valuation of significant assets

(i) Marketable securities

Held-to-maturity debt securities:

Stated at cost using the amortized cost method.

Available-for-sale securities

Securities with market quotations:

Stated at market value based on the market price as of the end of the fiscal period (the valuation difference is accounted for as a separate component of net assets and the cost of sales is calculated by using the moving-average method).

Securities without market quotations:

Stated at cost using the moving-average method.

(ii) Derivatives

Stated at fair value

(iii) Inventories

Mainly stated at cost using the periodic average method

(The balance sheet amount is calculated by writing down the value based on any decreased profitability)

(2) Depreciation method of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Declining balance method (however, the straight-line method is applied to buildings acquired on or after April 1, 1998 (excluding improvements), machinery and equipment of the Oji Paper Co., Ltd. Tomioka Mill, and

for certain consolidated subsidiaries)

(ii) Leased assets

Depreciation of leased assets are calculated by using the straight-line method over the period of the lease contract term with no residual value.

(3) Significant provisions

(i) Allowance for doubtful accounts

In order to prepare for potential credit losses on receivables outstanding at the end of the fiscal year ended March 31, 2013, an estimated uncollectible amount is recorded at the amount calculated based on the historical rate of credit loss with respect to normal receivables and at the amount determined in consideration of collectibility of individual receivables with respect to doubtful accounts and certain other receivables.

(ii) Provision for retirement benefits

In order to prepare for the provision of retirement benefits for employees, an amount that is determined to have accrued at the end of the fiscal year is recorded based on the estimated amounts of the retirement benefit obligation and plan assets as of the end of the fiscal year.

Prior service cost is accounted for as an expense calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which it arises.

Actuarial losses are accounted for as expenses for the subsequent fiscal years calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which they arise.

(iii) Provision for directors' retirement benefits

In order to prepare for the provision of retirement benefits for corporate auditors, the Company records the amount required by the internal rules. With respect to the consolidated subsidiaries, in order to prepare for the provision of retirement benefits for directors, the amount required by the internal rules is recorded.

(iv) Provision for environmental measures

For the purpose of provisioning for the PCB waste treatment costs expected to arise going forward under the "Law on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," the estimated required amount is recorded.

In addition, for the purpose of provisioning for the maintenance cost after the completion of reclamation of waste-disposal facilities, the estimated required amount is recorded over the period until the reclamation is completed.

(v) Provision for special repairs

For the purpose of provisioning for periodic repair costs of oil storage tanks, the estimated required amount is recorded over the period until the next scheduled periodic repair.

(vi) Provision for loss on litigation

The Company's consolidated subsidiary in Brazil is in the following litigation with the tax authorities in the country: tax-related lawsuits relating to IR (corporate tax), CS (social burden charge), ICMS (product distribution service tax), PIS/CONFIS (burden charges on social integration plan/social insurance loan) and others: lawsuit relating to INSS social insurance premiums and various taxes and dues: and two or more labor service-related lawsuits and civil lawsuits. To prepare for losses on such pending lawsuits, a provision for loss on litigation is recorded.

(4) Significant method for hedge accounting

(i) Hedge accounting method

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. Foreign currency transactions hedged by forward exchange contracts which meet certain conditions for hedge accounting are reported at the forward rate and the resulting differences between the spot rate and the forward rate amortized over the life of the contract.

(ii) Hedging instruments and hedged items

| <u>Hedging instruments</u> | <u>Hedged items</u> |
|------------------------------------|---|
| Foreign exchange forward contracts | Monetary assets/liabilities denominated in foreign currencies |
| Interest rate swaps | Borrowings and loans |
| Commodity swaps | Electricity |

(iii) Hedging policy

The risk management policy of the Group requires hedging against the foreign exchange risk, interest rate risk and raw material price risk arising in the normal course of the business.

(iv) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedging instruments and hedged items is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets/liabilities of hedging instruments and hedged items.

(5) Other significant fundamental matters for preparing the consolidated financial statements

(i) Accounting for consumption tax

Consumption tax and local consumption taxes are accounted for under the tax exclusion method.

(ii) Application of consolidated taxation system

Consolidated taxation system is applied from the fiscal year ended March 31, 2013.

(6) Method and period for amortizing goodwill

Goodwill has been amortized by the straight-line method over reasonable periods estimated for each acquisition not exceeding 20 years. If the value of goodwill is immaterial, the aggregate amount is written off in the fiscal year in which it arises.

(7) Scope of funds in consolidated cash flow statement

For the purpose of consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term liquid investments that mature within three months from the purchase date and can be converted easily into cash with little risk of change in value.

6. Changes in accounting policies

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Due to the revision of Japan's Corporation Tax Law, the Company and its domestic consolidated subsidiaries have changed the depreciation method in compliance with the revised Corporation Tax Law for property, plant and equipment acquired on or after April 1, 2012 effective from the fiscal year ended March 31, 2013. This change does not have a significant impact on income/loss.

7. Standards issued but not yet effective

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012), and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012)

(1) Outline

Under the revised accounting standard, actuarial gains and losses and past service costs shall be recognized in net assets on the consolidated balance sheet after adjusting for tax effects, and the reserved amount shall be recognized as a liability or asset. Also, regarding the

method of attributing the estimated amount of retirement benefits to accounting periods, in addition to the straight line attribution standard, the benefit formula may be used and the method of calculation of the discount rate has been revised.

(2) Scheduled date of application

This accounting standard will be applied to consolidated financial statements from the fiscal year ending March 31, 2014. However, the revision to the method of attributing the estimated amount of retirement benefits to accounting periods is scheduled to be applied from the beginning of the fiscal year ending March 31, 2015. As no retrospective application of this accounting standard is required, it will not be applied to consolidated financial statements for prior periods.

(3) Impact of application of new accounting standard

The application of the "Accounting Standard for Retirement Benefits" is expected to have a material impact on the Group's consolidated financial statements.

Principally, because actuarial gains and losses will be recognized at time of occurrence, changes in net assets on the consolidated balance sheet are expected, and the amount of the impact is currently being evaluated.

8. Changes in Presentation Method

(Consolidated Balance Sheets)

(1) "Notes payable for plant and equipment," which were presented separately in "Current liabilities" as of March 31, 2012, have declined in financial materiality and is included in "Notes and accounts payable - trade" as of March 31, 2013. To reflect this change in method of presentation, the consolidated financial statements as of March 31, 2012 have been restated. As a result, ¥1,182 million that was presented in "Notes payable for plant and equipment" in the consolidated balance sheets as of March 31, 2012 is now restated as and included in "Notes and accounts payable - trade."

(2) Consolidated Statements of Income

"Loss on sublet of facilities," which was included in "Other" in "Non-operating expenses" for the fiscal year ended March 31, 2012, has represented more than 10/100 of total non-operating expenses and is presented separately for the fiscal year ended March 31, 2013. To reflect this change in method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2012 have been restated. As a result, ¥7,297 million that was presented in "Other" in "Non-operating expenses" in

the consolidated statements of income for the fiscal year ended March 31, 2012 is now restated as and included in "Loss on sublet of facilities" of ¥1,239 million and "Other" of ¥6,057 million.

"Loss on valuation of investment securities," "Loss on disaster," "Loss on sales of fixed assets," and "Environmental protection costs," which were presented separately in "Special loss" for the fiscal year ended March 31, 2012, have declined in financial materiality and are included in "Other" for the fiscal year ended March 31, 2013. To reflect this change in method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2012 have been restated. As a result, "Loss on valuation of investment securities" of ¥1,787 million, "Loss on disaster" of ¥1,494 million, "Loss on sales of fixed assets" of ¥39 million, and "Environmental protection costs" of ¥32 million that were presented separately in "Special loss" in the consolidated statements of income for the fiscal year ended March 31, 2012 are now restated as and included in "Other."

(3) Consolidated Statements of Cash Flows

"Loss (gain) on valuation of investment securities," which were presented separately in "Cash flows from operating activities" for the fiscal year ended March 31, 2012, have declined in financial materiality and is included in "Other" for the fiscal year ended March 31, 2013. To reflect this change in method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2012 have been restated. As a result, ¥1,787 million in "Loss (gain) on valuation of investment securities" that was presented separately in "Cash flows from operating activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2012 has now been restated and included in "Other."

"Payment for additional acquisition of shares of subsidiaries," which was included in "Other" in "Cash flows from investing activities" for the fiscal year ended March 31, 2012, has increased in financial materiality and is presented separately for the fiscal year ended March 31, 2013. To reflect this change in method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2012 have been restated. As a result, ¥(918) million that was presented in "Other" in "Cash flows from investing activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2012 has now been restated as "Payment for additional acquisition of shares of subsidiaries" of ¥(1,330) million and "Other" of ¥412 million.

9. Notes to Consolidated Balance Sheet

(1) Matters concerning non-consolidated subsidiaries and affiliates

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|--|-------------------|----------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Stocks of non-consolidated subsidiaries and affiliates | ¥ 74,463 | ¥ 91,346 | \$791,747 |
| Investments in capital of non-consolidated subsidiaries and affiliates | 78 | 16 | 835 |

(2) Assets pledged as collateral

(i) Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term borrowings (¥ 6,008 million) (\$63,880 thousand), long-term debt (including the amount scheduled to be repaid within one year) (¥ 4,428 million) (\$47,089 thousand), notes and accounts payable-trade (¥ 284 million) (\$3,023 thousand) as of March 31, 2013.

Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term borrowings (¥ 7,423 million), long-term debt (including the amount scheduled to be repaid within one year) (¥ 7,338 million), notes and accounts payable-trade (¥ 335 million) as of March 31, 2012.

| | Book value | | |
|-------------------------------------|-------------------|----------|-----------------------------|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Cash and bank deposits | ¥ 215 | ¥ 708 | \$2,294 |
| Notes and accounts receivable—trade | 2,944 | 2,114 | 31,312 |
| Merchandise and finished goods | 1,926 | 2,069 | 20,487 |
| Work in process | 20 | 33 | 222 |
| Raw materials and supplies | 400 | 313 | 4,254 |
| Short-term loans receivable | 301 | 174 | 3,206 |
| Other current assets | 172 | 292 | 1,834 |
| Buildings and structures | 17,725 | 17,435 | 188,466 |
| Machinery, equipment and vehicles | 12,715 | 7,894 | 135,200 |
| Tools, furniture and fixtures | 58 | 101 | 618 |
| Land | 13,637 | 14,356 | 145,000 |
| Forests | 641 | 571 | 6,820 |
| Plantations | 16,613 | 14,188 | 176,648 |
| Construction in progress | 249 | 2,930 | 2,651 |
| Intangible assets and others | 77 | 37 | 821 |
| Investment securities | 500 | 2,784 | 5,319 |
| Long-term loans receivable | — | 3,149 | — |
| Total | ¥ 68,201 | ¥ 69,155 | \$725,161 |

- (ii) Industrial mortgages and industrial factory foundation revolving industrial mortgages entered into with respect to the assets indicated below for short-term borrowings (¥ 305 million (\$3,242 thousand) and ¥ 305 million) and long-term debt (including the amount scheduled to be repaid within one year) (¥ 3 million (\$34 thousand) and ¥ 10 million) as of March 31, 2013 and 2012 respectively.

| | Book value | | |
|-----------------------------------|-------------------|---------|-----------------------------|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Buildings and structures | ¥ 619 | ¥ 701 | \$6,583 |
| Machinery, equipment and vehicles | 721 | 862 | 7,671 |
| Tools, furniture and fixtures | 23 | 29 | 254 |
| Land | 1,076 | 1,076 | 11,447 |
| Total | ¥ 2,441 | ¥ 2,670 | \$25,956 |

- (iii) Assets pledged as collateral for long-term debt (including the amount scheduled to be repaid within one year) (¥ 1,551 million (\$16,493 thousand) and ¥ 1,818 million) as of March 31, 2013 and 2012 respectively as follows:

| | Book value | | |
|----------------------------|-------------------|---------|-----------------------------|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Investment securities | ¥ 2,234 | ¥ 2,234 | \$23,757 |
| Long-term loans receivable | 3,286 | 3,149 | 34,940 |
| Total | ¥ 5,520 | ¥ 5,383 | \$58,698 |

(3) Contingent liabilities

Guarantee obligations

The Company has committed to provide the following guarantees for loans and others of non-consolidated subsidiaries and affiliates from banks and other financial institutions as of March 31, 2013 and 2012 respectively.

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|-------------------|----------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| PT. Korintiga Hutani | ¥ 4,598 | ¥ 3,047 | \$48,892 |
| Alpac Forest Products Inc. | 3,679 | 3,279 | 39,118 |
| Afforest owner in Forest Development Program | 1,899 | - | 20,199 |
| Employees | 1,276 | 1,698 | 13,572 |
| Japan Brazil Paper and Pulp Development Co., Ltd. | - | 3,804 | - |
| Other | 3,769 | 6,871 | 40,080 |
| Total | ¥ 15,223 | ¥ 18,701 | \$161,864 |

For the fiscal year ended March 31, 2013

- (i) The guarantee obligation provided for PT. Korintiga Hutani includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is deducted by ¥ 2,124 million (\$22,587 thousand) for the portion. Also, the guarantee obligation provided for "Other" as stated above includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is deducted by ¥ 192 million (\$2,048 thousand) for the portion.
- (ii) Regarding the guarantee obligation provided for afforest owner in Forest Development Program, the Company has concluded an agreement with afforest owner in Forest Development Program to offset payments for raw timber purchased from afforest owner in Forest Development Program in the event that the guarantee obligation was discharged at the demand of financial institutions.
- (iii) The guarantee obligation provided for "Other" as stated above includes the portion amounted to ¥ 269 million (\$2,866 thousand) for the joint and several obligation assumed by the Company and its consolidated subsidiaries.

The aggregate amount of the joint and several obligation including the portion assumed by other parties are ¥337 million (\$3,583 thousand).

For the fiscal year ended March 31, 2012

- (i) The guarantee obligation provided for Japan Brazil Paper and Pulp Development Co., Ltd. as stated above is the portion assumed by the Company and its consolidated subsidiaries.
- The aggregate amount of the joint and several obligation including the portion assumed by other parties are ¥ 6,199 million.
- (ii) The guarantee obligation provided for "Other" as stated above includes the portion, ¥ 269 million of the joint and several obligation, assumed by the Company and its consolidated subsidiaries. The aggregate amount of the joint and several obligation including the portion assumed by other parties are ¥ 337 million.
- (iii) The guarantee obligation provided for "Other" as stated above includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is after deduction of such portion, ¥ 148 million.

(4) Tax litigation and others

For the fiscal year ended March 31, 2013

The Company's consolidated subsidiaries in Brazil is in the following litigation with the tax authorities in the country

tax-related lawsuits relating to IR (corporate tax), CS (social burden charge), ICMS (product distribution service tax), PIS/CONFIS (burden charges on social integration plan/social insurance loan) and others lawsuit relating to INSS social insurance premiums and various taxes and dues: and two or more labor service-related lawsuits and civil lawsuits. To prepare for losses on such pending lawsuits, a provision for loss on litigation is recorded. However, based on the opinion of outside legal experts, they have considered the risk of incurring losses individually for each lawsuit. As a result, they have determined that there is not a high probability of incurring losses and have not recorded the reserve of \$4,122 thousand and R\$56 thousand for pending labor service-related lawsuits as of March 31, 2013.

- (5) Notes discounted: ¥6,423 million (\$68,295 thousand) and ¥ 6,827 million as of March 31, 2013 and 2012, respectively

Notes receivable endorsed: ¥ 18 million (\$193 thousand) and ¥ 28 million as of March 31, 2013 and 2012, respectively

(6) Revaluation reserve for land

Pursuant to the "Law on Revaluation of Land" (Law No. 34 of March 31, 1998) and the "Law on Partial Amendment to the Law on Revaluation of Land" (Law No. 19 of March 31, 2001), the Group performed revaluation of land for business use held by certain consolidated subsidiaries on March 31, 2002.

Pursuant to the "Law on Partial Amendment to the Law on Revaluation of Land" (Law No. 24 of March 31, 1999), the Group recorded reasonable tax amount relevant to such revaluation of land as "Deferred tax liabilities on revaluation of land" in the liabilities section, and revaluation of land after deduction of such tax amount as "Revaluation reserve for land" in the net assets section.

- Revaluation method: The value is calculated based on the property tax valuation prescribed in Article 2, Item 3 of the "Enforcement Order on Law on Revaluation of Land" (Cabinet Order No. 119 promulgated on March 31, 1998) and the land value designated as the tax basis for land value tax as prescribed in Article 2, Item 4 thereof.

- Revaluation date: March 31, 2002

- Difference between the carrying amount of the land after revaluation and the market value of land as of March 31, 2013 and 2012 are (¥ 701) million (\$7,454 thousand), and (¥ 474) million, respectively.

(7) Loan commitment (borrower)

The Company entered into loan commitment agreement with correspondent financial institutions for the purpose of achieving efficient use of working capital.

Regarding the loan commitment, the balance of the unused portion of the loan at March 31, 2013 and 2012 are as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|-------------------------------------|-------------------|----------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Aggregate amount of loan commitment | ¥ 50,000 | ¥ 50,000 | \$531,632 |
| Balance of loan outstanding | - | - | - |
| Unused portion | ¥ 50,000 | ¥ 50,000 | \$531,632 |

(8) Accumulated depreciation includes accumulated impairment losses.

(9) The amounts of advanced depreciation deducted directly from the acquisition costs of certain fixed assets for the fiscal year ended March 31, 2013 and 2012 are as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|-----------------------------------|-------------------|------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Buildings and structures | ¥ 10 | ¥- | \$116 |
| Machinery, equipment and vehicles | 0 | 3 | 1 |
| Total | ¥ 11 | ¥ 3 | \$117 |

(10) Accounting treatment of promissory notes which redemption date is the end of the fiscal year

Promissory notes which redemption date is the end of the fiscal year are accounted for on the date that the note is exchanged. The following notes which redemption date is the end of the fiscal year (March 31, 2013, when is Saturday and banks are closed) shall be included in the balance sheet at March 31, 2013 and 2012.

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|------------------|-------------------|---------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Notes receivable | ¥ 7,067 | ¥ 5,747 | \$75,144 |
| Notes payable | 4,989 | 4,465 | 53,050 |

10. Notes to Consolidated Statement of Income

(1) Research and development costs included in selling, general and administrative expenses and manufacturing costs for the fiscal year ended March 31, 2013 and 2012 are ¥ 9,456 million (\$100,542 thousand) and ¥ 9,137 million, respectively.

(2) The amount of inventories stated on the balance sheet at the end of the year is calculated by writing down the

value based on any decreased profitability.

The loss (gain) on valuation of inventories included in the cost of sales for the fiscal year ended March 31, 2013 and 2012 are ¥ (566) million (\$ (6,018) thousand) and ¥ 2,452 million, respectively.

(3) A breakdown of gain on sales of fixed assets for the fiscal year ended March 31, 2013 and 2012 were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|-------------|-------------------|-------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Land | ¥ 1,023 | ¥ 756 | \$10,883 |
| Plantations | 3 | 0 | 39 |
| Forests | 1 | 12 | 14 |
| Total | ¥ 1,028 | ¥ 768 | \$10,937 |

Gain on sales of fixed assets includes gain on transfer of land, forests and plantations that were transferred under application of "Land Expropriation Law" and other regulations, in the amount of ¥ 163 million (\$1,740 thousand) and ¥ 508 million for the fiscal year ended March 31, 2013 and 2012, respectively.

(4) Employees who belonged to the former Oji Paper Co., Ltd. are being transferred to their assignee companies that are the Company's major consolidated companies in stages as part of organizational restructuring following the shift to a holding company system as planned. Loss on partial settlement of retirement benefit plan is a loss arising from accounting for unrecognized prior service cost of transferred employees and unrecognized actuarial loss. This treatment is in accordance with the partial settlement of the retirement benefit system based on "Accounting Standard for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1).

(5) A breakdown of special retirement benefits expenses are as follows:

- Special retirement benefits paid to employees upon early voluntary termination or upon retirement by transfer, and
- The present value of the estimated installment payments, for the subsequent fiscal years, of special retirement benefits that the Company makes to certain employees who are transferred to subsidiaries or affiliates.

(6) Impairment losses were recorded mainly for the following assets and asset group:

For the fiscal year ended March 31, 2013

The Company determines assets groups based on the minimum unit on which cash flows are proceeded.

Regarding certain business facilities, which operating income from business activities continues to be negative,

and idle assets, which fair market value of land significantly declined, the book values, if they go below the recoverable values, were written down to the recoverable values and such reduced amount, ¥ 2,162 million (\$22,997 thousand), was recorded in special loss as impairment losses.

A breakdown of this amount is ¥ 101 million (\$1,076 thousand) for machinery, equipment and vehicles, ¥1,078 million (\$11,463 thousand) for buildings and structures, ¥ 908 million (\$9,663 thousand) for land, and ¥ 74 million (\$794 thousand) for other.

Among the above amount, ¥ 695 million (\$7,398 thousand) is included in loss on business restructuring in special losses.

If the recoverable values are measured by the net selling price, such values are measured based on real-estate appraisals.

If the recoverable values are measured at value in use, such values are calculated by discounting the future cash flows mainly at a discount rate of 4%.

For the fiscal year ended March 31, 2012

| Location | Use | Type | Impairment loss |
|-------------------|---------------------|---------------------------------|-------------------|
| | | | (Millions of yen) |
| Kushiro, Hokkaido | Assets for business | Machinery, equipment and others | ¥ 1,738 |

The Company determines asset groups based on the minimum unit on which cash flows are made.

Regarding certain business facilities, at which operating income from business activities continue to be negative, and idle assets, of which the fair market value of land significantly declined, the book values, if they go below the recoverable values, were written down to the recoverable values and such reduced amount, ¥ 2,577 million.

The breakdown of the amount is ¥1,625 million for machinery, equipment and vehicles, ¥ 732 million for building and structures, ¥ 198 million for land, and ¥20 million for other.

Among the above amount, ¥ 2,149 million is included in loss on business restructuring of special losses.

If the recoverable values are measured by the net selling price, such values are measured based on real-estate appraisals.

If the recoverable values are measured at value in use, such values are calculated by discounting the future cash flows mainly at discount rate of 4%.

(7) A breakdown of loss on subsidiary status change from equity method to consolidated subsidiary is shown in the Note 21.

11. Notes to Consolidated statement of comprehensive income

(1) Reclassification adjustments and tax effect associated with other comprehensive income

For the fiscal year ended March 31, 2013 and 2012

| | 2013 (Millions of yen) | 2012 (Millions of yen) | 2013 (Thousands of U.S. dollars) |
|---|---------------------------|---------------------------|-------------------------------------|
| Net unrealized gains (losses) on available-for-sale securities | | | |
| Amount arising during the year | ¥ 13,631 | ¥ 1,040 | \$ 144,941 |
| Reclassification adjustments for gain and losses included in net income | 828 | 371 | 8,810 |
| Amount before tax effect | 14,460 | 1,411 | 153,752 |
| Tax effect | (5,245) | (523) | (55,777) |
| Net unrealized gains (losses) on available-for-sale securities | 9,214 | 887 | 97,974 |
| Deferred gains (losses) on hedging derivatives | | | |
| Amount arising during the year | (1,010) | 449 | (10,748) |
| Reclassification adjustments for gains and losses included in net income | 303 | (723) | 3,229 |
| Amount before tax effect | (707) | (274) | (7,519) |
| Tax effect | 231 | 115 | 2,466 |
| Deferred gains (losses) on hedging derivatives | (475) | (5,052) | (158) |
| Revaluation reserve for land | | | |
| Amount arising during the year | - | - | - |
| Reclassification adjustments for gains and losses included in net income | - | - | - |
| Amount before tax effect | - | - | - |
| Tax effect | - | 1,331 | - |
| Revaluation reserve for land | - | 1,331 | - |
| Foreign currency translation adjustment | | | |
| Amount arising during the year | 26,675 | (3,478) | 283,627 |
| Reclassification adjustments for gains and losses included in net income | 24 | - | 264 |
| Amount before tax effect | 26,700 | (3,478) | 283,891 |
| Tax effect | - | - | - |
| Foreign currency translation adjustment | 26,700 | (3,478) | 283,891 |
| Share of other comprehensive income of investments for which the equity method is applied | | | |
| Amount arising during the year | 2,278 | (1,886) | 24,223 |
| Reclassification adjustments for gains and losses included in net income | 8,070 | 208 | 85,813 |
| Share of other comprehensive income of investments for which the equity method is applied | 10,348 | (1,678) | 110,036 |
| Other comprehensive income | ¥ 45,788 | ¥ (3,096) | \$ 486,850 |

12. Notes to Consolidated Statement of Changes in Net Assets

(1) Information on the type and number of shares issued, and type and number of treasury stock is as follows:

For the fiscal year ended March 31, 2013

| Type of shares | Number of shares at April 1, 2012 | Increase | Decrease | Number of shares at March 31, 2013 |
|------------------------------|-----------------------------------|----------|----------|------------------------------------|
| Shares issued: | | | | |
| Common stock | 1,064,381,817 | - | - | 1,064,381,817 |
| Total | 1,064,381,817 | - | - | 1,064,381,817 |
| Treasury stock: | | | | |
| Common stock (Notes 1 and 2) | 77,353,510 | 140,832 | 471,879 | 77,022,463 |
| Total | 77,353,510 | 140,832 | 471,879 | 77,022,463 |

Notes:

| | |
|--|---------|
| 1. Increase in treasury stock | 140,832 |
| Details of the increase are as follows: | |
| Increase in treasury stock due to purchase by affiliates accounted for by the equity method | 16,332 |
| Increase due to purchase of shares of less than standard unit | 124,500 |
| 2. Decrease in treasury stock | 471,879 |
| Details of the decrease are as follows: | |
| Decrease due to exercising of stock options | 424,000 |
| Decrease due to sale of shares of less than standard unit | 19,467 |
| Decrease in treasury stock arising from changes in the Company's ownership interest in affiliates accounted for by equity method | 28,412 |

For the fiscal year ended March 31, 2012

| Type of shares | Number of shares at April 1, 2011 | Increase | Decrease | Number of shares at March 31, 2012 |
|------------------------------|-----------------------------------|----------|----------|------------------------------------|
| Shares issued: | | | | |
| Common stock | 1,064,381,817 | - | - | 1,064,381,817 |
| Total | 1,064,381,817 | - | - | 1,064,381,817 |
| Treasury stock: | | | | |
| Common stock (Notes 1 and 2) | 76,484,868 | 902,079 | 33,437 | 77,353,510 |
| Total | 76,484,868 | 902,079 | 33,437 | 77,353,510 |

Notes:

| | |
|--|---------|
| 1. Increase in treasury stock | 902,079 |
| Details of the increase are as follows: | |
| Increase in treasury stock arising from a change in the Company's ownership interest in consolidated subsidiaries | 625,950 |
| Increase due to purchase by affiliates accounted for by the equity method | 148,330 |
| Increase due to purchase of shares of less than standard unit | 127,242 |
| Effect of change in the Company's ownership interest ratio of affiliates accounted for by the equity method | 557 |
| 2. Decrease in treasury stock | 33,437 |
| Details of the decrease are as follows: | |
| Decrease due to exercising of stock options | 19,000 |
| Decrease due to sale of shares of less than standard unit | 9,619 |
| Decrease arising from an exchange of shares with shareholders in consolidated subsidiaries | 4,816 |
| Decrease in treasury stock arising from changes in the Company's ownership interest in affiliates accounted for by equity method | 2 |

(2) Subscription rights

For the fiscal year ended March 31, 2013

| Company | Description | Type of shares issued | Number of shares issued | | | Balance at March 31, 2013 | |
|----------------|--------------------------------------|-----------------------|-----------------------------------|----------|----------|------------------------------------|-------------------|
| | | | Number of shares at April 1, 2012 | Increase | Decrease | Number of shares at March 31, 2013 | (Millions of yen) |
| Parent company | Subscription rights as stock options | - | - | - | - | ¥ 235 | \$2,503 |
| | Total | - | - | - | - | ¥ 235 | \$2,503 |

For the fiscal year ended March 31, 2012

| Company | Description | Type of shares issued | Number of shares issued | | | Balance at March 31, 2012 |
|----------------|--------------------------------------|-----------------------|-----------------------------------|----------|----------|------------------------------------|
| | | | Number of shares at April 1, 2012 | Increase | Decrease | Number of shares at March 31, 2012 |
| Parent company | Subscription rights as stock options | - | - | - | - | ¥ 346 |
| | Total | - | - | - | - | ¥ 346 |

(3) Dividends

i) Amount of cash dividends distributed

For the fiscal year ended March 31, 2013

| Resolution | Type of shares | Total dividend amount | | Dividends per share (yen) | Cut-off date | Effective date |
|--|----------------|-----------------------|-----------------------------|---------------------------|--------------------|------------------|
| | | (Millions of yen) | (Thousands of U.S. dollars) | | | |
| Board of Directors' Meeting held on May 14, 2012 | Common stock | ¥ 5,011 | \$53,284 | ¥ 5.0 | March 31, 2012 | June 6, 2012 |
| Board of Directors' Meeting held on November 9, 2012 | Common stock | 5,012 | 53,297 | 5.0 | September 30, 2012 | December 3, 2012 |

For the fiscal year ended March 31, 2012

| Resolution | Type of shares | Total dividend amount | | Dividends per share (yen) | Cut-off date | Effective date |
|--|----------------|-----------------------|-----------------------------|---------------------------|--------------------|------------------|
| | | (Millions of yen) | (Thousands of U.S. dollars) | | | |
| Board of Directors' Meeting held on May 12, 2011 | Common stock | ¥ 5,011 | 53,284 | ¥ 5.0 | March 31, 2011 | June 7, 2011 |
| Board of Directors' Meeting held on November 4, 2011 | Common stock | 5,011 | 53,297 | 5.0 | September 30, 2011 | December 1, 2011 |

ii) Dividends with the cut-off date falling within the fiscal year ended March 31, 2013 and the effective date in the year ending March 31, 2014

The following resolution is scheduled:

| Resolution | Type of shares | Total dividend amount | | Source of dividends | Dividends per share (yen) | Cut-off date | Effective date |
|--|----------------|-----------------------|-----------------------------|---------------------|---------------------------|----------------|----------------|
| | | (Millions of yen) | (Thousands of U.S. dollars) | | | | |
| Board of Directors' Meeting held on May 15, 2013 | Common stock | ¥ 5,012 | \$53,298 | Retained earnings | ¥ 5.0 | March 31, 2013 | June 5, 2013 |

Dividends with the cut-off date falling within the fiscal year ended March 31, 2012 and the effective date in the year ending March 31, 2013

The following resolution is scheduled:

| Resolution | Type of shares | Total dividend amount | | Source of dividends | Dividends per share (yen) | Cut-off date | Effective date |
|--|----------------|-----------------------|-----------------------------|---------------------|---------------------------|----------------|----------------|
| | | (Millions of yen) | (Thousands of U.S. dollars) | | | | |
| Board of Directors' Meeting held on May 14, 2012 | Common stock | ¥ 5,011 | \$53,284 | Retained earnings | ¥ 5.0 | March 31, 2012 | June 6, 2012 |

13. Notes to Consolidated Statements of Cash Flows

(1) Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2013 and 2012 are reconciled to the accounts reported in the consolidated balance sheets as of March 31, 2013 and 2012 as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|-------------------|----------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Cash and bank deposits | ¥ 50,621 | ¥ 43,881 | \$538,240 |
| Time deposits with maturities of more than three months | (566) | (604) | (6,023) |
| Marketable securities | 6,993 | 553 | 74,361 |
| Cash and cash equivalents | ¥ 57,048 | ¥ 43,831 | \$606,577 |

(2) The main components of the assets and liabilities of the companies which the Company newly consolidated by acquiring the shares of such companies in the year ended March 31, 2013

The components of the assets and liabilities of the companies at the time of acquisition, and reference to acquisition cost of the shares and payment (net) for and proceeds (net) from acquisition of the shares are as follows:

For the fiscal year ended March 31, 2013, Japan Brazil Paper and Pulp Development Ltd., Celulose Nipo-Brasileira S.A., S. Pack & Print Public Co., Ltd. and other.

Total: nine companies

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|-------------------|------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2013 | 2013 |
| Current assets | ¥ 25,403 | | \$270,110 |
| Noncurrent assets | 171,838 | | 1,827,098 |
| Goodwill | (3,675) | | (39,076) |
| Current liabilities | (34,625) | | (368,164) |
| Noncurrent liabilities | (58,551) | | (622,562) |
| Minority interests | (52,200) | | (555,028) |
| Acquired companies' outstanding shares held by the Company before the acquisitions | (37,652) | | (400,347) |
| Acquisition cost | 10,536 | | 112,029 |
| Cash and cash equivalents of newly consolidated subsidiaries | (4,207) | | (44,733) |
| Net: Payment for acquisition of shares of subsidiaries which have caused the change in scope of consolidation | 6,329 | | 67,296 |
| Net: Proceeds from acquisition of shares of subsidiaries which have caused the change in scope of consolidation | - | | - |

14. Lease Transactions

(1) Finance lease transactions

Finance lease transactions that do not transfer ownership

(i) Leased assets

Property, plant and equipment

Production facilities (machinery, equipment and vehicles, and, tools, furniture and fixtures)

(ii) Depreciation method of leased assets

Refer to Note 5. Matters Concerning Accounting Policies (2) Depreciation method of significant depreciable assets

Finance lease transactions beginning on or before March 31, 2008 that do not transfer ownership are accounted for based on standards for ordinary operating lease transactions as follows:

Equivalent acquisition cost, accumulated depreciation, accumulated impairment loss and balance of leased assets as of March 31, 2013 and 2012

As of March 31, 2013

| | Machinery, equipment and vehicles | Tools, furniture and fixtures | Others | Total |
|-------------------------------|-----------------------------------|-------------------------------|--------|----------|
| | (Millions of yen) | | | |
| Acquisition cost | ¥ 9,472 | ¥ 3,027 | ¥ 473 | ¥ 12,974 |
| Accumulated depreciation | 7,787 | 2,727 | 461 | 10,977 |
| Accumulated impairment losses | 44 | - | - | 44 |
| Balance at March 31, 2013 | ¥ 1,640 | ¥ 300 | ¥ 11 | ¥ 1,952 |

| | Machinery, equipment and vehicles | Tools, furniture and fixtures | Others | Total |
|-------------------------------|-----------------------------------|-------------------------------|---------|-----------|
| | (Thousands of U.S. dollars) | | | |
| Acquisition cost | \$100,722 | \$32,195 | \$5,033 | \$137,951 |
| Accumulated depreciation | 82,805 | 29,002 | 4,909 | 116,717 |
| Accumulated impairment losses | 474 | - | - | 474 |
| Balance at March 31, 2013 | \$17,443 | \$3,192 | \$123 | \$20,759 |

As of March 31, 2012

| | Machinery, equipment and vehicles | Tools, furniture and fixtures | Others | Total |
|-------------------------------|-----------------------------------|-------------------------------|--------|----------|
| | (Millions of yen) | | | |
| Acquisition cost | ¥ 14,255 | ¥ 4,936 | ¥ 582 | ¥ 19,774 |
| Accumulated depreciation | 11,151 | 4,181 | 532 | 15,865 |
| Accumulated impairment losses | 110 | 39 | - | 150 |
| Balance at March 31, 2012 | ¥ 2,993 | ¥ 715 | ¥ 49 | ¥ 3,758 |

Acquisition cost included the interest portion since the remaining finance lease obligations at the end of the fiscal year were not material compared with the book values of property, plant and equipment at the end of the fiscal year.

Remaining finance lease obligations at the end of the fiscal year and impairment loss on leased assets at the end of the fiscal year

The remaining finance lease obligations at the end of the fiscal year are as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---------------------|-------------------|---------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Due within one year | ¥ 1,128 | ¥ 1,929 | \$12,002 |
| Due after one year | 863 | 1,932 | 9,185 |
| Total | ¥ 1,992 | ¥ 3,862 | \$21,187 |
| Impairment loss | 32 | 67 | 348 |

The remaining finance lease obligations are calculated based on imputed interest method as the remaining finance lease obligations at the end of the fiscal year are not material compared with the book values of property, plant and equipment at the end of the fiscal year.

(iii) Lease expense, reversal of impairment account for leased assets, equivalent depreciation expense amount, and impairment loss

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|--|-------------------|---------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Lease expense | ¥ 1,996 | ¥ 3,128 | \$21,231 |
| Reversal of impairment account for leased assets | 36 | 56 | 391 |
| Equivalent depreciation expense amount | 1,960 | 3,072 | 20,840 |
| Impairment loss | 3 | - | 32 |

(iv) Calculation method for depreciation expenses

Depreciation expenses of leased assets under finance lease transactions that do not transfer ownership are calculated by using the straight-line over the period of the lease contract term with no residual value.

(2) Operating lease transactions

Remaining lease obligations under non-cancellable operating leases as of March 31, 2013 and 2012:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---------------------|-------------------|-------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Due within one year | ¥ 285 | ¥ 281 | \$3,031 |
| Due after one year | 343 | 360 | 3,656 |
| Total | ¥ 629 | ¥ 642 | \$6,688 |

15. Financial Instruments

(1) Matters concerning financial instruments

(i) Management policy

The Company and its main consolidated subsidiaries manage group finance under which mainly the Company finances and controls the cash necessary for Group operations primarily through loans from financial institutions, issuance of commercial paper and corporate bonds, and other activities.

The Company invests temporary surplus cash in short-term and low-risk financial instruments only and does not make any investment for speculative purposes.

The Company uses derivatives to hedge risks described below and does not use derivatives for speculative purposes.

(ii) Nature and extent of risks arising from financial instruments

Receivables, such as notes and accounts receivables-trade, are exposed to customer credit risk.

Receivables that are denominated in foreign currencies, arising from exporting products, are exposed to foreign currency exchange rate fluctuation risks. However, the amounts of such receivables are always less than the amounts of payables that are denominated in the same foreign currencies.

Available-for-sale securities are mainly stocks of companies with which the Group has business relationships and these are exposed to market price fluctuation risks.

Payment terms of payables, such as notes and accounts payables-trade, are all less than one year. Some of the payables that arise from importing raw materials and others are denominated in foreign currencies and are exposed to foreign currency exchange rate fluctuation risks. Regarding the net payables (determined by deducting the amount of receivables denominated in same foreign currencies), the Group uses foreign exchange forward contracts to hedge such risks, considering the foreign exchange market situation.

With respect to borrowings and debt, short-term borrowings are mainly for financing related to operating activities, while long-term debt are mainly for financing related to investment in property, plant and equipment. Borrowings and debt with floating interest rates are exposed to interest rate volatility risk. Long-term debt is partly hedged by using derivative transactions (interest rate swaps) by which interest rates are fixed.

Derivative transactions entered into and managed by the Group are as follows:

- Foreign exchange forward contracts to hedge foreign exchange fluctuation risk related to assets/liabilities denominated in foreign currencies,
- Interest rate swaps to hedge risk related to floating interest rates on borrowings and debt, and
- Commodity swaps to hedge price fluctuation risk related to energy purchases.

Regarding hedging instruments and hedged items, hedging policy, the method for assessing hedging effectiveness and others related to hedge accounting, see Note 5 (4).

(iii) Risk management

(a) Credit risk management (risk of non-performance by customers or counterparties)

The Company and its main consolidated subsidiaries reduce credit risk through the following methods:

- The Company checks and manages due dates and balances of receivables on a customer by customer basis.
- Each sales department of the Company periodically monitors, and investigates, as necessary, the credit position of key customers.

In utilizing derivative transactions, the Group limits the counterparties to highly rated financial institutions to reduce counterparty risk.

(b) Market risk management (risks related to foreign currency exchange rate fluctuation, floating interest rates and others)

The Company and some of its consolidated subsidiaries utilize foreign exchange forward contracts to hedge foreign currency exchange rate fluctuation risk regarding foreign currency monetary assets/liabilities that are expected to arise in the normal course of business activities.

The Company utilizes interest rate swaps to hedge the following risks:

- Fluctuation risk regarding variable interest rates for payments related to borrowings and debt
- Interest rate deviation risk between fixed interest rates for payments and future market interest rates

Some of the consolidated subsidiaries utilize commodity swaps to hedge price fluctuation risk related to energy purchases.

With respect to corporate stocks of available-for-sale securities, the Company checks periodically their fair values and financial conditions of such issuing entities (the companies with which the Company has business relationships) and reviews the benefits of continuing to hold such stocks, considering its relationships with such companies.

In the Company, execution and management of derivative transactions are conducted based on the derivative transaction standards that provide the method and the organization for risk management and others.

The consolidated subsidiaries also execute and manage derivative transactions based on their own similar standards.

(c) Liquidity risk related to financing activities (risk of non-performance on a due date)

The Company makes and updates financing plans in a timely manner and manages liquidity risk by maintaining sufficient liquidity on hand forecasted based on specific information, including the following information:

- Information reported from each department regarding credit and debit notes, and
- Information reported from the consolidated subsidiaries through which the Company determines group finance policies

The Company is prepared to make emergency payments by entering into commitment lines of credit with related financial institutions.

(iv) Supplementary explanation regarding fair value of financial instruments

Fair values of financial instruments are measured based on the quoted prices in markets. In cases where a quoted price is not available, other reasonably assessed estimated fair values are used.

Such assessment is based on certain assumptions. Under different assumptions, the assessed value might differ.

The contract amounts of derivative transactions and others, as shown in "(2) Fair value of financial instruments," do not measure the Company's exposure to market risk related to derivative transactions.

(2) Fair value of financial instruments

The following tables present the Company's financial instruments on the consolidated balance sheets, their fair value and the differences at March 31, 2013 and 2012 respectively.

However, financial instruments for which it is difficult to measure the fair value are not included. (See Note 2)

As of March 31, 2013

| | Book value (*) | Fair value (*) | Difference |
|---|-------------------|----------------|------------|
| | (Millions of yen) | | |
| ① Cash and bank deposits | ¥ 50,621 | ¥ 50,621 | ¥ - |
| ② Notes and accounts receivable-trade | 269,137 | | |
| ③ Short-term loans receivable | 7,862 | | |
| Allowance for doubtful accounts(*1) | (3,071) | | |
| | 273,929 | 273,929 | - |
| ④ Long-term loans receivable | 2,029 | | |
| Allowance for doubtful accounts(*2) | (2,022) | | |
| | 7 | 6 | 0 |
| ⑤ Marketable securities and investment securities | | | |
| (i) Held-to-maturity debt securities | 7,165 | 7,175 | 10 |
| (ii) Stocks of affiliates | 2,960 | 840 | (2,119) |
| (iii) Available-for-sale securities | 77,746 | 77,746 | - |
| Total of assets | 412,430 | 410,321 | (2,109) |
| ⑥ Notes and accounts payable-trade | 210,921 | 210,921 | - |
| ⑦ Short-term loans | 158,410 | 158,410 | - |
| ⑧ Bonds | 160,320 | 162,536 | 2,216 |
| ⑨ Long-term loans | 512,374 | 518,509 | 6,135 |
| Total of liabilities | 1,042,027 | 1,050,378 | 8,351 |
| ⑩ Derivative transactions(*3) | (392) | (392) | - |

| | Book value (*) | Fair value (*) | Difference |
|---|-----------------------------|----------------|------------|
| | (Thousands of U.S. dollars) | | |
| ① Cash and bank deposits | \$ 538,240 | \$ 538,240 | \$ - |
| ② Notes and accounts receivable-trade | 2,861,646 | | |
| ③ Short-term loans receivable | 83,603 | | |
| Allowance for doubtful accounts(*1) | (32,656) | | |
| | 2,912,593 | 2,912,593 | - |
| ④ Long-term loans receivable | 21,580 | | |
| Allowance for doubtful accounts(*2) | (21,506) | | |
| | 74 | 74 | 0 |
| ⑤ Marketable securities and investment securities | | | |
| (i) Held-to-maturity debt securities | 76,191 | 76,299 | 108 |
| (ii) Stocks of affiliates | 31,479 | 8,941 | (22,537) |
| (iii) Available-for-sale securities | 826,652 | 826,652 | - |
| Total of assets | 4,385,230 | 4,362,800 | (22,429) |
| ⑥ Notes and accounts payable-trade | 2,242,654 | 2,242,654 | - |
| ⑦ Short-term borrowings | 1,684,325 | 1,684,325 | - |
| ⑧ Bonds | 1,704,625 | 1,728,191 | 23,566 |
| ⑨ Long-term debt | 5,447,896 | 5,513,130 | 65,234 |
| Total of liabilities | 11,079,501 | 11,168,302 | 88,800 |
| ⑩ Derivative transactions(*3) | (4,171) | (4,171) | - |

(*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable-trade and short-term loans receivable, is deducted.

(*2) Allowance for doubtful accounts, which is separately accounted for on long-term loans receivable, is deducted.

(*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

As of March 31, 2012

| | Book value (*) | Fair value (*) | Difference |
|---|-------------------|----------------|------------|
| | (Millions of yen) | | |
| ① Cash and bank deposits | ¥ 43,881 | ¥ 43,881 | ¥ - |
| ② Notes and accounts receivable-trade | 261,384 | | |
| ③ Short-term loans receivable | 8,925 | | |
| Allowance for doubtful accounts(*1) | (4,304) | | |
| | 266,004 | 266,004 | - |
| ④ Long-term loans receivable | 4,510 | | |
| Allowance for doubtful accounts(*2) | (2,545) | | |
| | 1,965 | 2,030 | 64 |
| ⑤ Marketable securities and investment securities | | | |
| (i) Held-to-maturity debt securities | 726 | 728 | 2 |
| (ii) Stocks of affiliates | 3,229 | 1,513 | (1,715) |
| (iii) Available-for-sale securities | 65,005 | 65,005 | - |
| Total of assets | 380,813 | 379,164 | (1,648) |
| ⑥ Notes and accounts payable-trade | 216,781 | 216,781 | - |
| ⑦ Short-term borrowings | 173,349 | 173,349 | - |
| ⑧ Bonds | 120,480 | 122,144 | 1,664 |
| ⑨ Long-term debt | 490,890 | 497,881 | 6,991 |
| Total of liabilities | 1,001,502 | 1,010,158 | 8,656 |
| ⑩ Derivative transactions(*3) | 314 | 314 | - |

(*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable-trade and short-term loans receivable, is deducted.

(*2) Allowance for doubtful accounts, which is separately accounted for on long-term loans receivable, is deducted.

(*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

Notes:

1. The method for measuring fair values of financial instruments and matters relating to securities and derivative transactions

① Cash and bank deposits, ② Notes and accounts receivable-trade, and ③ Short-term loans receivable

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments.

④ Long-term loans receivable

The fair value of long-term loans receivable is calculated by applying a discount rate to the total of principal and interest. The discount interest rate is based on the assumed interest rate if similar new borrowings were entered into.

⑤ Marketable securities and investment securities

The fair value of equity securities equals quoted market price. The fair value of debt securities equals quoted market price or has been provided by financial institutions.

⑥ Notes and accounts payable-trade, and ⑦ Short-term borrowings

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments. The current portion of long-term debt (the carrying amount of such portion on the consolidated balance sheets at March 31, 2013 and 2012 are ¥149,430 million (\$1,588,846 thousand) and ¥163,182 million) is included in "⑨ Long-term debt," respectively.

⑧ Bonds

The fair value of corporate bonds is calculated based on the quoted market price (Reference: Statistical Prices for OTC Bond Transactions), or, in cases where quoted market prices are not available, by using the discounted cash flow, based on the total amount of the principal and interest of the remaining period and credit risk. The corporate bonds include the current portion (the carrying amount on the consolidated balance sheets at March 31, 2013 and 2012 are ¥20,160 million (\$214,354 thousand) and ¥160 million, respectively).

⑨ Long-term debt

The fair value of the long-term debt is calculated by applying a discount rate to the total of the principal and interest. The discount interest rate is based on the assumed interest rate if similar new debt were entered into. A portion of the floating rate long-term debt hedged by interest rate swaps (described in ⑩) is calculated by discounting the total amount of the principal and interest with the interest rate swaps, based on the reasonably estimated interest rate if similar new debt were entered into. The long-term debt includes the current portion (the carrying amount on the consolidated balance sheets at March 31, 2013 and 2012 are ¥149,430 million (\$1,588,846 thousand) and ¥163,182 million, respectively).

⑩ Derivative transactions

The estimated special treatment of interest rate swaps is included in the fair value of the underlying long-term debt, as the interest rate swaps are accounted for as part of the long-term debt. (Refer to ⑨)

2. Financial instruments for which the fair value is deemed to be difficult to measure
As of March 31, 2013

| Item | Book value |
|-------------------|-------------------|
| | (Millions of yen) |
| Non-listed stocks | ¥ 69,565 |

| Item | Book value |
|-------------------|-----------------------------|
| | (Thousands of U.S. dollars) |
| Non-listed stocks | \$739,668 |

As of March 31, 2012

| Item | Book value |
|-------------------|-------------------|
| | (Millions of yen) |
| Non-listed stocks | ¥ 107,241 |

Regarding the above item, quoted prices are not available and also the future cash flows cannot be estimated reliably, therefore the fair value of the above item is deemed to be difficult to measure and is not included in 1.⑤.

3. The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2013

As of March 31, 2013

| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
|---|-------------------------|---------------------------------------|--|---------------------|
| | (Millions of yen) | | | |
| Bank deposits | ¥ 49,619 | ¥ – | ¥ – | ¥ – |
| Notes and accounts receivable-trade | 269,137 | – | – | – |
| Short-term loans receivable | 7,862 | – | – | – |
| Long-term loans receivable | – | 1,188 | 766 | 74 |
| Marketable securities and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| Government bonds, local government bonds and others | 7,144 | 5 | – | 16 |
| Total | ¥ 333,764 | ¥ 1,193 | ¥ 766 | ¥ 91 |

| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
|---|-----------------------------|---------------------------------------|--|---------------------|
| | (Thousands of U.S. dollars) | | | |
| Bank deposits | \$527,587 | \$ – | \$ – | \$ – |
| Notes and accounts receivable-trade | 2,861,646 | – | – | – |
| Short-term loans receivable | 83,603 | – | – | – |
| Long-term loans receivable | – | 12,632 | 8,154 | 794 |
| Marketable securities and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| Government bonds, local government bonds and others | 75,960 | 53 | – | 177 |
| Total | \$3,548,798 | \$12,685 | \$8,154 | \$971 |

4. The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2012

As of March 31, 2012

| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
|---|-------------------------|---------------------------------------|--|---------------------|
| | (Millions of yen) | | | |
| Bank deposits | ¥ 43,231 | ¥ – | ¥ – | ¥ – |
| Notes and accounts receivable-trade | 261,384 | – | – | – |
| Short-term loans receivable | 8,925 | – | – | – |
| Long-term loans receivable | – | 2,360 | 2,129 | 21 |
| Marketable securities and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| Government bonds, local government bonds and others | 554 | 155 | – | 16 |
| Total | ¥ 314,095 | ¥ 2,515 | ¥ 2,129 | ¥ 37 |

5. The repayment schedule for bonds, long-term debt, lease obligations and other interest-bearing liabilities subsequent to March 31, 2013

As of March 31, 2013

| | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
|-----------------------|-------------------------|--------------------------------------|---|--|---|----------------------|
| | (Millions of yen) | | | | | |
| Short-term borrowings | ¥ 158,410 | ¥ – | ¥ – | ¥ – | ¥ – | ¥ – |
| Bonds | 20,160 | 20,085 | 20,055 | 20,020 | 40,000 | 40,000 |
| Long-term debt | 149,430 | 47,473 | 111,586 | 27,774 | 50,755 | 125,352 |
| Lease obligations | 1,075 | 760 | 523 | 320 | 139 | 534 |
| Total | ¥ 329,077 | ¥ 68,319 | ¥ 132,164 | ¥ 48,115 | ¥ 90,895 | ¥ 165,887 |

| | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
|-----------------------|-----------------------------|--------------------------------------|---|--|---|----------------------|
| | (Thousands of U.S. dollars) | | | | | |
| Short-term borrowings | \$1,684,325 | \$ – | \$ – | \$ – | \$ – | \$ – |
| Bonds | 214,354 | 213,556 | 213,237 | 212,865 | 425,305 | 425,305 |
| Long-term debt | 1,588,846 | 504,773 | 1,186,459 | 295,318 | 539,668 | 1,332,830 |
| Lease obligations | 11,438 | 8,081 | 5,565 | 3,408 | 1,487 | 5,681 |
| Total | \$3,498,964 | \$726,412 | \$1,405,261 | \$511,592 | \$966,461 | \$1,763,818 |

6. The repayment schedule for bonds, long-term debt, lease obligations and other interest-bearing liabilities subsequent to March 31, 2012

As of March 31, 2012

| | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
|-----------------------|-------------------------|--------------------------------------|---|--|---|----------------------|
| | (Millions of yen) | | | | | |
| Short-term borrowings | ¥ 173,349 | ¥ – | ¥ – | ¥ – | ¥ – | ¥ – |
| Bonds | 160 | 20,160 | 20,085 | 20,055 | 20,020 | 40,000 |
| Long-term debt | 163,182 | 132,737 | 34,075 | 103,542 | 23,714 | 33,636 |
| Lease obligations | 967 | 908 | 563 | 327 | 143 | 659 |
| Total | ¥ 337,659 | ¥ 153,806 | ¥ 54,724 | ¥ 123,925 | ¥ 43,878 | ¥ 74,296 |

16. Securities

(1) Held-to-maturity debt securities

As of March 31, 2013

| | Book value | Market value | Difference |
|---|---|--------------|------------|
| | (Millions of yen) | | |
| Securities with a book value not exceeding market value | ① Government bonds, local government bonds and others | ¥ – | ¥ – |
| | ② Corporate bonds | 5 | 5 |
| | ③ Others | 16 | 26 |
| | Total | 21 | 31 |
| Securities with a book value exceeding market value | ① Government bonds, local government bonds and others | ¥ 150 | ¥ 150 |
| | ② Corporate bonds | – | – |
| | ③ Others | 6,993 | 6,993 |
| | Total | 7,144 | 7,144 |
| Total | ¥ 7,165 | ¥ 7,175 | ¥ 10 |

| | Book value | Market value | Difference | |
|---|---|-----------------|--------------|------|
| | (Thousands of U.S. dollars) | | | |
| Securities with a book value not exceeding market value | ① Government bonds, local government bonds and others | \$ - | \$ - | \$ - |
| | ② Corporate bonds | 53 | 53 | 0 |
| | ③ Others | 174 | 282 | 108 |
| | Total | 227 | 336 | 108 |
| Securities with a book value exceeding market value | ① Government bonds, local government bonds and others | \$1,602 | \$1,602 | 0 |
| | ② Corporate bonds | - | - | - |
| | ③ Others | 74,361 | 74,361 | - |
| | Total | 75,963 | 75,963 | 0 |
| Total | \$76,191 | \$76,299 | \$108 | |

As of March 31, 2012

| | Book value | Market value | Difference | |
|---|---|--------------|------------|-----|
| | (Millions of yen) | | | |
| Securities with a book value not exceeding market value | ① Government bonds, local government bonds and others | ¥ - | ¥ - | ¥ - |
| | ② Corporate bonds | 5 | 5 | 0 |
| | ③ Others | 16 | 18 | 2 |
| | Total | 21 | 23 | 2 |
| Securities with a book value exceeding market value | ① Government bonds, local government bonds and others | ¥ 151 | ¥ 151 | 0 |
| | ② Corporate bonds | - | - | - |
| | ③ Others | 553 | 553 | - |
| | Total | 705 | 705 | 0 |
| Total | ¥ 726 | ¥ 728 | ¥ 2 | |

(2) Available-for-sale securities

As of March 31, 2013

| | Book value | Acquisition cost | Difference | |
|---|--|------------------|------------------|-----------|
| | (Millions of yen) | | | |
| Securities with a book value exceeding acquisition cost | ① Corporate stocks | ¥ 60,603 | ¥ 31,397 | ¥ 29,206 |
| | ② Bonds | | | |
| | 1. Government bonds, local government bonds and others | - | - | - |
| | 2. Corporate bonds | - | - | - |
| Securities with a book value not exceeding acquisition cost | ③ Others | - | - | - |
| | Total | ¥ 60,603 | ¥ 31,397 | ¥ 29,206 |
| | ① Corporate stocks | ¥ 17,142 | ¥ 20,332 | ¥ (3,189) |
| | ② Bonds | | | |
| Securities with a book value not exceeding acquisition cost | 1. Government bonds, local government bonds and others | - | - | - |
| | 2. Corporate bonds | - | - | - |
| | 3. Others | - | - | - |
| | ③ Others | - | - | - |
| Total | ¥ 17,142 | ¥ 20,332 | ¥ (3,189) | |
| Total | ¥ 77,746 | ¥ 51,729 | ¥ 26,017 | |

| | Book value | Acquisition cost | Difference | |
|---|--|------------------|-------------------|------------|
| | (Thousands of U.S. dollars) | | | |
| Securities with a book value exceeding acquisition cost | ① Corporate stocks | \$644,377 | \$333,835 | \$310,542 |
| | ② Bonds | | | |
| | 1. Government bonds, local government bonds and others | - | - | - |
| | 2. Corporate bonds | - | - | - |
| Securities with a book value not exceeding acquisition cost | ③ Others | - | - | - |
| | Total | \$644,377 | \$333,835 | \$310,542 |
| | ① Corporate stocks | \$182,274 | \$216,185 | \$(33,911) |
| | ② Bonds | | | |
| Securities with a book value not exceeding acquisition cost | 1. Government bonds, local government bonds and others | - | - | - |
| | 2. Corporate bonds | - | - | - |
| | 3. Others | - | - | - |
| | ③ Others | - | - | - |
| Total | \$182,274 | \$216,185 | \$(33,911) | |
| Total | \$826,652 | \$550,020 | \$276,631 | |

Notes:

The followings are not included in above table because of no available quoted market price and not being able to estimate their future cash flows, therefore it is deemed to be difficult to measure their fair value:

- Non-listed corporate stocks,
 - Investments in capital, and
 - Others
- (Their book value on balance sheet: ¥69,565 million (\$739,668 thousand))

As of March 31, 2012

| | Book value | Acquisition cost | Difference | |
|---|--|------------------|------------------|-----------|
| | (Millions of yen) | | | |
| Securities with a book value exceeding acquisition cost | ① Corporate stocks | ¥ 44,345 | ¥ 27,562 | ¥ 16,782 |
| | ② Bonds | | | |
| | 1. Government bonds, local government bonds and others | - | - | - |
| | 2. Corporate bonds | - | - | - |
| Securities with a book value not exceeding acquisition cost | ③ Others | - | - | - |
| | Total | ¥ 44,345 | ¥ 27,562 | ¥ 16,782 |
| | ① Corporate stocks | ¥ 19,148 | ¥ 24,593 | ¥ (5,444) |
| | ② Bonds | | | |
| Securities with a book value not exceeding acquisition cost | 1. Government bonds, local government bonds and others | - | - | - |
| | 2. Corporate bonds | - | - | - |
| | 3. Others | - | - | - |
| | ③ Others | 1,511 | 1,736 | (224) |
| Total | ¥ 20,660 | ¥ 26,329 | ¥ (5,669) | |
| Total | ¥ 65,005 | ¥ 53,891 | ¥ 11,113 | |

Notes:

The followings are not included in above table because of no available quoted market price and not being able to estimate their future cash flows, therefore it is deemed to be difficult to measure their fair value:

- Non-listed corporate stocks,
 - Investments in capital, and
 - Others
- (Their book value on balance sheet: ¥ 107,241 million)

(3) Available-for-sale securities sold
For the fiscal year ended March 31, 2013

| | Proceeds from sales | Gains | Losses |
|--|---------------------|----------------|--------------|
| | (Millions of yen) | | |
| ① Corporate stocks | ¥ 2,954 | ¥ 1,132 | ¥ (6) |
| ② Bonds | | | |
| 1. Government bonds, local government bonds and others | - | - | - |
| 2. Corporate bonds | - | - | - |
| 3. Others | - | - | - |
| ③ Others | - | - | - |
| Total | ¥ 2,954 | ¥ 1,132 | ¥ (6) |

| | Proceeds from sales | Gains | Losses |
|--|-----------------------------|-----------------|---------------|
| | (Thousands of U.S. dollars) | | |
| ① Corporate stocks | \$31,418 | \$12,042 | \$(70) |
| ② Bonds | | | |
| 1. Government bonds, local government bonds and others | - | - | - |
| 2. Corporate bonds | - | - | - |
| 3. Others | - | - | - |
| ③ Others | - | - | - |
| Total | \$31,418 | \$12,042 | \$(70) |

For the fiscal year ended March 31, 2012

| | Proceeds from sales | Gains | Losses |
|--|---------------------|----------------|---------------|
| | (Millions of yen) | | |
| ① Corporate stocks | ¥ 2,498 | ¥ 1,019 | ¥ (19) |
| ② Bonds | | | |
| 1. Government bonds, local government bonds and others | - | - | - |
| 2. Corporate bonds | - | - | - |
| 3. Others | - | - | - |
| ③ Others | - | - | - |
| Total | ¥ 2,498 | ¥ 1,019 | ¥ (19) |

(4) Impairment of available-for-sale securities

With respect to corporate stocks included in available-for-sale securities, impairment losses of ¥ 297 million (\$3,161 thousand) and ¥ 1,371 million were recorded for the year ended March 31, 2013 and 2012, respectively.

In determining impairment losses, where fair value as of the year end is lower than acquisition cost by 50% or more, the whole amount of such difference is recorded as an impairment loss, while in cases where fair value as of the year end is lower than acquisition cost by between 30-50%, an amount deemed to be necessary is recorded as an impairment loss in consideration of recoverability among other factors.

17. Derivative Transactions

(1) Derivatives contracts outstanding for which hedge accounting was not applied

The information as of March 31, 2013 and 2012 was omitted as immaterial.

(2) Derivatives contracts outstanding for which hedge accounting was applied

(i) Currency-related derivatives

As of March 31, 2013

| Hedge accounting method | Hedging instruments | Main hedged items | Contract amount | Contract amount due after one year | Fair value |
|-------------------------|--|---------------------------|-------------------|------------------------------------|--------------|
| | | | (Millions of yen) | | |
| | Foreign exchange forward contracts | | | | |
| | Sell | | | | |
| | Sell: U.S. dollars, Buy: New Zealand dollars | Accounts receivable-trade | ¥ 7,254 | ¥ - | ¥ 159 |
| | Sell: Japanese yen, Buy: New Zealand dollars | Accounts receivable-trade | 449 | - | 57 |
| Basic accounting method | Others | Accounts receivable-trade | 69 | - | 0 |
| | Buy | | | | |
| | Buy: U.S. dollars, Sell: Japanese yen | Accounts payable-trade | 1,416 | - | 9 |
| | Buy: Japanese yen, Sell: New Zealand dollars | Accounts payable-trade | 36 | - | (4) |
| | Others | Accounts payable-trade | 13 | - | 0 |
| | Total | | ¥ 9,239 | ¥ - | ¥ 222 |

| | | | | | |
|---|------------------------------------|---------------------------|--------------|------------|------------|
| | Foreign exchange forward contracts | | | | |
| | Sell | | | | |
| Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities | U.S. dollars | Accounts receivable-trade | 69 | - | (Note 2) |
| | Buy | | | | |
| | U.S. dollars | Accounts payable-trade | 377 | - | (Note 2) |
| | Total | | ¥ 447 | ¥ - | ¥ - |

| Hedge accounting method | Hedging instruments | Main hedged items | Contract amount | Contract amount due after one year | Fair value |
|-------------------------|--|---------------------------|-----------------------------|------------------------------------|----------------|
| | | | (Thousands of U.S. dollars) | | |
| | Foreign exchange forward contracts | | | | |
| | Sell | | | | |
| | Sell: U.S. dollars, Buy: New Zealand dollars | Accounts receivable-trade | \$77,135 | \$ - | \$1,693 |
| | Sell: Japanese yen, Buy: New Zealand dollars | Accounts receivable-trade | 4,774 | - | 614 |
| Basic accounting method | Others | Accounts receivable-trade | 743 | - | (2) |
| | Buy | | | | |
| | Buy: U.S. dollars, Sell: Japanese yen | Accounts payable-trade | 15,061 | - | 102 |
| | Buy: Japanese yen, Sell: New Zealand dollars | Accounts payable-trade | 385 | - | (43) |
| | Others | Accounts payable-trade | 142 | - | (2) |
| | Total | | \$98,242 | \$ - | \$2,362 |

| | | | | | |
|---|------------------------------------|---------------------------|----------------|-------------|-------------|
| | Foreign exchange forward contracts | | | | |
| | Sell | | | | |
| Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities | U.S. dollars | Accounts receivable-trade | 740 | \$ - | (Note 2) |
| | Buy | | | | |
| | U.S. dollars | Accounts payable-trade | 4,012 | - | (Note 2) |
| | Total | | \$4,753 | \$ - | \$ - |

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

2. The fair value of foreign exchange forward contracts is included in that of hedged foreign currency assets or liabilities.

As of March 31, 2012

| Hedge accounting method | Hedging instruments | Main hedged items | Contract amount | Contract amount due after one year | Fair value |
|---|--|---------------------------|-------------------|------------------------------------|------------|
| | | | (Millions of yen) | | |
| | Foreign exchange forward contracts | | | | |
| | Sell | | | | |
| | Sell: U.S. dollars, Buy: New Zealand dollars | Accounts receivable-trade | ¥ 3,249 | ¥ - | ¥ 93 |
| | Sell: Japanese yen, Buy: New Zealand dollars | Accounts receivable-trade | 1,337 | - | 133 |
| Basic accounting method | Others | Accounts receivable-trade | 264 | - | 7 |
| | Buy | | | | |
| | Buy: U.S. dollars, Sell: Japanese yen | Accounts payable-trade | 712 | - | 14 |
| | Buy: Euro, Sell: Japanese yen | Accounts payable-trade | 147 | - | 1 |
| | Buy: Euro, Sell: U.S. dollars | Accounts payable-trade | 80 | - | 1 |
| | Others | Accounts payable-trade | 37 | - | 4 |
| | Total | | ¥ 5,828 | ¥ - | ¥ 256 |
| | Foreign exchange forward contracts | | | | |
| | Sell | | | | |
| Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities | U.S. dollars | Accounts receivable-trade | 106 | - | (Note 2) |
| | Buy | | | | |
| | U.S. dollars | Accounts payable-trade | 675 | - | (Note 2) |
| | Total | | ¥ 782 | ¥ - | ¥ - |

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. The fair value of foreign exchange forward contracts is included in that of hedged foreign currency assets or liabilities.

(ii) Interest-rate-related derivatives

As of March 31, 2013

| Hedge accounting method | Hedging instruments | Main hedged items | Contract amount | Contract amount due after one year | Fair value |
|---|--|-------------------|-----------------------------|------------------------------------|------------|
| | | | (Millions of yen) | | |
| | Interest rate swaps | | | | |
| | Floating rate received for fixed rate | Long-term debt | ¥ 239,575 | ¥ 143,685 | (Note 2) |
| Special treatment of interest rate swap | Floating rate received for floating rate | Long-term debt | 17,500 | 15,500 | (Note 2) |
| | Fixed rate received for fixed rate | Long-term debt | 1,000 | - | (Note 2) |
| | Fixed rate received for floating rate | Long-term debt | 21,000 | 16,000 | (Note 2) |
| | Total | | ¥ 279,075 | ¥ 175,185 | ¥ - |
| Hedge accounting method | Hedging instruments | Main hedged items | Contract amount | Contract amount due after one year | Fair value |
| | | | (Thousands of U.S. dollars) | | |
| | Interest rate swaps | | | | |
| | Floating rate received for fixed rate | Long-term debt | \$2,547,315 | \$1,527,751 | (Note 2) |
| Special treatment of interest rate swap | Floating rate received for floating rate | Long-term debt | 186,071 | 164,805 | (Note 2) |
| | Fixed rate received for fixed rate | Long-term debt | 10,632 | - | (Note 2) |
| | Fixed rate received for floating rate | Long-term debt | 223,285 | 170,122 | (Note 2) |
| | Total | | \$2,967,304 | \$1,862,679 | \$ - |

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. When an interest rate swap contract meets special treatment of interest rate swap, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. The fair value of the interest rate swaps accounted for by special treatment is included in that of hedged long-term debt.

As of March 31, 2012

| Hedge accounting method | Hedging instruments | Main hedged items | Contract amount | Contract amount due after one year | Fair value |
|--|--|-------------------|-------------------|------------------------------------|------------|
| | | | (Millions of yen) | | |
| | Interest rate swaps | | | | |
| | Floating rate received for fixed rate | Long-term debt | ¥ 287,665 | ¥ 153,575 | (Note 2) |
| Special treatment of interest rate swap (Note 2) | Floating rate received for floating rate | Long-term debt | 20,500 | 17,500 | (Note 2) |
| | Fixed rate received for fixed rate | Long-term debt | 1,000 | 1,000 | (Note 2) |
| | Fixed rate received for floating rate | Long-term debt | 21,000 | 21,000 | (Note 2) |
| | Total | | ¥ 330,165 | ¥ 193,075 | ¥ - |

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. When an interest rate swap contract meets special treatment of interest rate swap, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. The fair value of the interest rate swaps accounted for by special treatment is included in that of hedged long-term debt.

(iii) Commodity-related derivatives

As of March 31, 2013

| Hedge accounting method | Hedging instruments | Main hedged items | Contract amount | Contract amount due after one year | Fair value |
|-------------------------|---------------------------------------|-------------------|-------------------|------------------------------------|------------|
| | | | (Millions of yen) | | |
| | Commodity swaps | | | | |
| Basic accounting method | Floating rate received for fixed rate | Electricity | ¥ 6,800 | ¥ 5,154 | ¥ (614) |
| | Total | | ¥ 6,800 | ¥ 5,154 | ¥ (614) |

| Hedge accounting method | Hedging instruments | Main hedged items | Contract amount | Contract amount due after one year | Fair value |
|-------------------------|---------------------------------------|-------------------|-----------------------------|------------------------------------|------------|
| | | | (Thousands of U.S. dollars) | | |
| | Commodity swaps | | | | |
| Basic accounting method | Floating rate received for fixed rate | Electricity | \$72,309 | \$54,803 | \$(6,533) |
| | Total | | \$72,309 | \$54,803 | \$(6,533) |

As of March 31, 2012

| Hedge accounting method | Hedging instruments | Main hedged items | Contract amount | Contract amount due after one year | Fair value |
|-------------------------|---------------------------------------|-------------------|-------------------|------------------------------------|------------|
| | | | (Millions of yen) | | |
| | Commodity swaps | | | | |
| Basic accounting method | Floating rate received for fixed rate | Electricity | ¥ 7,444 | ¥ 6,001 | ¥ 58 |
| | Total | | ¥ 7,444 | ¥ 6,001 | ¥ 58 |

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

18. Retirement Benefits

(1) Retirement benefit plans

The domestic consolidated subsidiaries provide defined benefit plans, i.e., a lump-sum benefit at retirement and a non-contributory funded defined-benefit pension plan. Certain domestic consolidated subsidiaries provide defined contribution plans. Furthermore, on some occasions of an employee's retirement or other termination, special retirement benefits may be provided, which is not included in the retirement benefit obligation based on the actuarial calculation under retirement benefit accounting.

Certain overseas consolidated subsidiaries provide defined benefit plans. Certain domestic consolidated subsidiaries also have funded employees' retirement benefit trust.

(2) Retirement benefit obligations

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|--|-------------------|-------------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| ① Retirement benefit obligation | ¥ (210,059) | ¥ (201,117) | \$ (2,233,488) |
| ② Plan assets at fair value | 118,430 | 109,209 | 1,259,226 |
| ③ Unfunded retirement benefit obligation (①+②) | (91,629) | (91,907) | (974,262) |
| ④ Unrecognized actuarial gain and loss | 42,061 | 54,764 | 447,222 |
| ⑤ Unrecognized prior service cost | (2,263) | (4,470) | (24,068) |
| ⑥ Net retirement benefit obligation (③+④+⑤) | (51,831) | (41,613) | (551,108) |
| ⑦ Prepaid pension cost | 1,400 | 8,785 | 14,893 |
| ⑧ Provision for retirement benefits (⑥-⑦) | ¥ (53,232) | ¥ (50,398) | \$ (566,001) |

Notes:

- To certain employees who are transferred to subsidiaries and affiliates, the Company provides special retirement pay which is not based on actuarial calculations under retirement benefit accounting.
The present value, ¥ 261 million (\$2,780 thousand) and ¥ 413 million, of the estimated installment payments for subsequent fiscal years, is included in provision for retirement benefits as of March 31, 2013 and 2012, respectively.
- Certain consolidated subsidiaries adopted a simplified method for the calculation of their retirement benefit obligations.

(3) Components of retirement benefit expenses

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|-------------------|----------|-----------------------------|
| | March 31, | | March 31, |
| | 2013 | 2012 | 2013 |
| Retirement benefit expenses | ¥ 22,200 | ¥ 14,114 | \$236,054 |
| ① Service cost | 4,180 | 5,452 | 44,445 |
| ② Interest cost | 2,851 | 2,954 | 30,317 |
| ③ Expected return on plan assets | (1,711) | (1,650) | (18,195) |
| ④ Amortization of actuarial loss | 9,541 | 8,675 | 101,456 |
| ⑤ Amortization of prior service cost | (1,482) | (1,316) | (15,758) |
| ⑥ Loss on partial settlement of retirement benefit plan | 8,820 | - | 93,788 |

Notes:

- Special retirement benefits of ¥ 1,815 million (\$19,307 thousand) and ¥ 2,024 million which were accounted for as a special loss for the year ended March 31, 2013 and 2012, respectively, are not included in the above retirement benefit expenses.
- Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service cost."

(4) Basis for calculation of retirement benefit obligation

| | For the year ended March 31 | |
|--|--|--|
| | 2013 | 2012 |
| Periodic allocation method of estimated amount of retirement benefit | Straight-line method | |
| Discount rate | Domestic / Overseas 0.7-1.9% / 3.4-4.4% | Domestic / Overseas 1.1-2.0% / 4.4-5.5% |
| Expected return rate on plan assets | Domestic / Overseas 1.3-2.5% / 7.0% | Domestic / Overseas 1.7%-2.5% / 7.0% |
| Accounting period of prior service cost | Prior service cost is accounted for as an expense calculated by using the straight-line method based on the average remaining service period of the employees in service (12 – 17 years) during the period in which it arises. | |
| Accounting period of actuarial gain and loss | Actuarial losses are accounted for as expenses for in subsequent fiscal years beginning the following year in which they arise calculated by using the straight-line method based on the average remaining service period of the employees in service (12 – 17 years) during the period in which they arise. | |

19. Stock Options

(1) The account title and the amount of expenses related to stock options

Account title: Selling, general and administrative expenses

Amount: ¥ 47 million (\$508 thousand) for the year ended March 31, 2013

¥ 68 million for the year ended March 31, 2012

(2) Content, size and changes of stock options

(i) Stock option plans

| | Stock option 2006 |
|---|---|
| Individuals covered by the Plan | Directors of the Company: 10 |
| Type and number of shares to be issued upon the exercise of the share subscription rights | Common stock: 140,000 shares |
| Grant date | August 15, 2006 |
| Condition for the exercise of share subscription rights | Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2007 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service. |
| Vesting period | From the date of the ordinary general meeting of shareholders in 2006 (June 29, 2006) to the date of the ordinary general meeting of shareholders in 2007 |
| Exercise period | From August 16, 2006 to June 30, 2026 |

| | Stock option 2007 |
|---|---|
| Individuals covered by the Plan | Directors of the Company: 10 |
| Type and number of shares to be issued upon the exercise of the share subscription rights | Common stock: 145,000 shares |
| Grant date | July 13, 2007 |
| Condition for the exercise of share subscription rights | Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2008 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service. |
| Vesting period | From the date of the ordinary general meeting of shareholders in 2007 (June 28, 2007) to the date of the ordinary general meeting of shareholders in 2008 |
| Exercise period | From July 14, 2007 to June 30, 2027 |

| Stock option 2008 | |
|---|---|
| Individuals covered by the Plan | Directors of the Company: 10 |
| Type and number of shares to be issued upon the exercise of the share subscription rights | Common stock: 215,000 shares |
| Grant date | July 14, 2008 |
| Condition for the exercise of share subscription rights | Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2009 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service. |
| Vesting period | From the date of the ordinary general meeting of shareholders in 2008 (June 27, 2008) to the date of the ordinary general meeting of shareholders in 2009 |
| Exercise period | From July 15, 2008 to June 30, 2028 |

| Stock option 2009 | |
|---|---|
| Individuals covered by the Plan | Directors of the Company: 10 |
| Type and number of shares to be issued upon the exercise of the share subscription rights | Common stock: 174,000 shares |
| Grant date | July 13, 2009 |
| Condition for the exercise of share subscription rights | Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2010 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service. |
| Vesting period | From the date of the ordinary general meeting of shareholders in 2009 (June 26, 2009) to the date of the ordinary general meeting of shareholders in 2010 |
| Exercise period | From July 14, 2009 to June 30, 2029 |

| Stock option 2010 | |
|---|---|
| Individuals covered by the Plan | Directors of the Company: 10 |
| Type and number of shares to be issued upon the exercise of the share subscription rights | Common stock: 220,000 shares |
| Grant date | July 16, 2010 |
| Condition for the exercise of share subscription rights | Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2011 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service. |
| Vesting period | From the date of the ordinary general meeting of shareholders in 2010 (June 29, 2010) to the date of the ordinary general meeting of shareholders in 2011 |
| Exercise period | From July 17, 2010 to June 30, 2030 |

| Stock option 2011 | |
|---|---|
| Individuals covered by the Plan | Directors of the Company: 10 |
| Type and number of shares to be issued upon the exercise of the share subscription rights | Common stock: 219,000 shares |
| Grant date | July 15, 2011 |
| Condition for the exercise of share subscription rights | Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2012 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service. |
| Vesting period | From the date of the ordinary general meeting of shareholders in 2011 (June 29, 2011) to the date of the ordinary general meeting of shareholders in 2012 |
| Exercise period | From July 16, 2011 to June 30, 2031 |

| Stock option 2012 | |
|---|---|
| Individuals covered by the Plan | Directors of the Company: 12 |
| Type and number of shares to be issued upon the exercise of the share subscription rights | Common stock: 219,000 shares |
| Grant date | July 17, 2012 |
| Condition for the exercise of share subscription rights | Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2013 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service. |
| Vesting period | From the date of the ordinary general meeting of shareholders in 2012 (June 28, 2012) to the date of the ordinary general meeting of shareholders in 2013 |
| Exercise period | From July 18, 2012 to June 30, 2032 |

(ii) Changes in the number of stock options
For the year ended March 31, 2013

| | Stock option 2006 | Stock option 2007 | Stock option 2008 | Stock option 2009 | Stock option 2010 | Stock option 2011 | Stock option 2012 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | (Shares) | | | | | | |
| Share subscription rights which are not yet vested | | | | | | | |
| Outstanding as of March 31, 2012 | - | - | - | - | - | 219,000 | - |
| Granted | - | - | - | - | - | - | 219,000 |
| Forfeited | - | - | - | - | - | - | - |
| Vested | - | - | - | - | - | 219,000 | - |
| Outstanding as of March 31, 2013 | - | - | - | - | - | - | 219,000 |
| Share subscription rights which have already been vested | | | | | | | |
| Outstanding as of March 31, 2012 | 90,000 | 129,000 | 173,000 | 174,000 | 220,000 | - | - |
| Vested | - | - | - | - | - | 219,000 | - |
| Exercised | 46,000 | 71,000 | 87,000 | 72,000 | 93,000 | 55,000 | - |
| Forfeited | - | - | - | - | - | - | - |
| Outstanding as of March 31, 2013 | 44,000 | 58,000 | 86,000 | 102,000 | 127,000 | 164,000 | - |

(iii) Price information of stock options
As at March 31, 2013

| | Stock option 2006 | Stock option 2007 | Stock option 2008 | Stock option 2009 | Stock option 2010 | Stock option 2011 | Stock option 2012 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | (Yen) | | | | | | |
| Exercise price | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 |
| Average market price of the stock at the time of exercise | 287 | 290 | 291 | 291 | 292 | 276 | - |
| Weighted average fair value per shares at the granted date | 579 | 464 | 351 | 285 | 334 | 307 | 189 |

| | Stock option 2006 | Stock option 2007 | Stock option 2008 | Stock option 2009 | Stock option 2010 | Stock option 2011 | Stock option 2012 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | (U.S. dollars) | | | | | | |
| Exercise price | \$0.01 | \$0.01 | \$0.01 | \$0.01 | \$0.01 | \$0.01 | \$0.01 |
| Average market price of the stock at the time of exercise | 3.05 | 3.08 | 3.09 | 3.09 | 3.10 | 2.93 | - |
| Weighted average fair value per shares at the granted date | 6.15 | 4.93 | 3.73 | 3.03 | 3.55 | 3.26 | 2.00 |

(3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options granted in the year ended March 31, 2013 is as follows:

(i) Model of valuation : Black-Scholes Model

(ii) Main basic assumptions and estimation method:

| | Stock option 2012 |
|----------------------------------|-----------------------|
| Expected volatility (Note 1) | 30.405% |
| Expected holding period (Note 2) | 10 years and 6 months |
| Expected dividend (Note 3) | 10 yen (\$0.10)/share |
| Risk-free rate (Note 4) | 0.816% |

Notes:

1. The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months (from January 17, 2002 to July 17, 2012)
2. As there is not enough data to make a reasonable estimate, expected life of the option is based on the assumption that the options are exercised at mid-term of during the exercise period.
3. This is based on the actual dividend for the year ended March 31, 2012.
4. Risk-free interest rate is yield on government bonds for the period that corresponds to the remaining life of the option.

(4) Method for estimating the number of vested options

Basically, as it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited compared to the number vested.

20. Income Taxes

(1) Significant components of deferred tax assets and deferred tax liabilities

| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
|--|-------------------|-------------------|-----------------------------|
| | (Millions of yen) | (Millions of yen) | (Thousands of U.S. dollars) |
| Deferred tax assets | | | |
| Provision for retirement benefits in excess of tax limit | ¥ 21,792 | ¥ 17,502 | \$231,707 |
| Property, plant and equipment | 16,834 | 15,462 | 179,000 |
| Tax losses carried forward | 8,954 | 13,223 | 95,212 |
| Investment securities and others | 7,371 | 7,537 | 78,380 |
| Accrued bonuses in excess of tax limit | 5,924 | 5,793 | 62,991 |
| Allowance for doubtful accounts | 1,708 | 4,354 | 18,163 |
| Inventory | 1,211 | 735 | 12,880 |
| Other | 8,956 | 5,776 | 95,233 |
| Subtotal | 72,754 | 70,386 | 773,569 |
| Valuation allowance | (19,637) | (21,968) | (208,802) |
| Total deferred tax assets | 53,116 | 48,418 | 564,767 |
| Deferred tax liabilities | | | |
| Adjustment to book value of assets stated at fair value | (40,467) | (12,452) | (430,281) |
| Reserve for advanced depreciation of fixed assets | (11,179) | (11,033) | (118,862) |
| Property, plant and equipment | (19,571) | (7,107) | (208,093) |
| Unrealized gains on available-for-sale securities | (8,495) | (3,991) | (90,326) |
| Reserve for special depreciation | (412) | (471) | (4,386) |
| Other | (1,723) | (1,692) | (18,326) |
| Total deferred tax liabilities | (81,849) | (36,747) | (870,277) |
| Net deferred tax assets | ¥ (28,733) | ¥ 11,670 | \$(305,509) |

(2) Difference between the statutory tax rate and the effective tax rate of corporate income taxes

| | For the year ended March 31, | |
|--|------------------------------|---------------|
| | 2013 | 2012 |
| Statutory tax rate | 38.0 % | 40.7 % |
| (Adjustment) | | |
| Non-deductible entertainment and social expenses, etc. | 3.5 | 1.7 |
| Non-taxable income of dividend received, etc. | (1.2) | (1.0) |
| Per capita levy of local inhabitant tax | 1.3 | 1.0 |
| Tax credit | (3.0) | (0.6) |
| Equity in earnings of affiliates | (1.2) | (4.1) |
| Different tax rates applied to foreign subsidiaries | (4.3) | 4.0 |
| Amortization of goodwill | 2.5 | 1.3 |
| Change in valuation allowance | (10.5) | (3.4) |
| Decrease in deferred tax assets due to tax rate changes at the end of term | - | 2.1 |
| Other | (2.9) | 2.5 |
| Effective tax rate | 22.2 % | 44.2 % |

21. Business Combination

Business combination by acquisition

1. Outline of business combination

(1) Name and business lines of acquired company

| | |
|------------------------------------|--|
| Name of acquired company | Japan Brazil paper and Pulp Development Ltd. (JBP) |
| Business lines of acquired company | Marketing of pulp |

(2) Primary reason for business combination

The Company is strengthening the pulp business as part of its efforts to drive forward businesses related to strategic resource management, which is one of its current business strategies. Celulose Nipo-Brasileira S.A. (CNB), which is a wholly owned subsidiary of JBP, is one of the world's leading manufacturers of pulp available on the open market and boasts a production output of about 1.2 million tons/year in Brazil, a highly internationally competitive country in the pulp market. Accordingly, the Company expects not only to capture CNB's high profitability through the purchase of shares in JBP, but also to include CNB in the Group's management strategy to generate synergy with the existing pulp business in the international market.

(3) Acquisition date

June 7, 2012

(4) Legal form of business combination

Share acquisition with cash as consideration

(5) Name of company following combination

There is no change in the trade name following the combination.

(6) Percentage of voting rights acquired

| | | |
|---|--------|--------------------------------------|
| Percentage of voting rights owned immediately before the date of business combination | 39.84% | (of which indirect ownership: 0.34%) |
| Percentage of voting rights additionally acquired on the date of business combination | 9.48% | (of which indirect ownership: -%) |
| Percentage of voting rights owned after acquisition | 49.32% | (of which indirect ownership: 0.34%) |

(7) Main reason for decision to acquire the company

The Company's cash acquisition of shares.

2. Period of results of acquired company included in consolidated financial statements

From April 1, 2012 to March 31, 2013.

As the deemed acquisition date is June 30, 2012, the operating results of the acquired company up until the deemed acquisition date is recorded as equity in earnings of affiliates in the consolidated statements of income.

3. Calculation and allocation of the acquisition cost

(1) Acquisition cost of acquired company and breakdown of amount

| | | |
|---|--|----------------------|
| Acquisition value | 45,713 million yen | (\$486,058 thousand) |
| | (fair value on date of business combination) | |
| Cost directly incurred for acquisition (Advisory fees etc.) | 14 million yen | (\$151 thousand) |

(2) Difference between acquisition cost of the acquired company and total acquisition cost of individual transactions leading to acquisition, and amount of goodwill generated, etc.

| | | |
|--|---------------------|------------|
| Difference between fair value and acquisition cost | 2,153 million yen | (\$22,900) |
| Amount of foreign currency translation adjustment realized | (7,637) million yen | (\$81,205) |
| Amount of goodwill generated | (4,625) million yen | (\$49,181) |

(3) Reason for recognition of goodwill, and method and period of amortization

(a) Reason for recognition of goodwill

The difference between the equity amount possessed by the Group from the acquired company and the cost of acquisition occurred mainly because of the effect of foreign exchange rates on the deemed acquisition date (June 30, 2012).

(b) Method and period of amortization of goodwill

Written off completely within the year.

4. Amount and breakdown of assets and liabilities acquired on the date of business combination

| | (Millions of yen) | (Thousands of U.S. dollars) |
|--------------------------|-------------------|-----------------------------|
| Current assets | ¥ 23,888 | \$254,003 |
| Noncurrent assets | 168,363 | 1,790,146 |
| Total assets | 192,252 | 2,044,150 |
| Current liabilities | 32,753 | 348,256 |
| Noncurrent liabilities | 57,409 | 610,418 |
| Total liabilities | 90,163 | 958,674 |

5. Estimated impact of business combination on the consolidated statements of income for the fiscal year ended March 31, 2013 and how it is calculated assuming business combination was completed on April 1, 2012

| | (Millions of yen) | (Thousands of U.S. dollars) |
|------------------|-------------------|-----------------------------|
| Net sales | ¥ 11,728 | \$124,699 |
| Operating profit | 545 | 5,794 |
| Ordinary profit | (118) | (1,254) |
| Net income | 142 | 1,509 |

(How the estimated impact is calculated)

The difference between net sales and income data calculated assuming the business combination was completed on April 1, 2012 and the net sales and income data on the consolidated statement of income of the acquiring company is treated as the estimated amount of the impact.

These figures have not been audited by our independent auditor.

Transactions under Common Control

1. Name and business lines of applicable company, date of business combination, legal form of business combination, name of company following business combination, and purpose of transaction

(1) Name and business lines of applicable company

(i) Name of company

Oji Holdings Corporation (formerly Oji Paper Co., Ltd.)

(ii) Business lines

Boxboard and packaging papers business, newsprint business, paper business, imaging media business, pulp business, forest resources and environment marketing business, businesses relating to procurement of raw fuel and materials and indirect divisions, etc.

(2) Date of business combination

October 1, 2012

(3) Legal form of business combination

Absorption-type company split with the Company as the splitting company and its wholly owned subsidiaries Oji Materia Co., Ltd. (formerly Oji paperboard Co., Ltd.), Oji Paper Co., Ltd. (formerly Oji Paper Split Preparation Co., Ltd.), Oji Imaging Media Co., Ltd., Oji Green Resources Co., Ltd., Oji Management Office Inc. and Oji Functional Materials Progressing Center Inc. as the successor companies.

(4) Outline of transaction, including its purpose

Enhancing the Group's competitiveness and profitability in the global paper, paperboard and related markets has become a pressing issue in an environment where domestic demand has matured and is declining and where Japanese and Asian markets continue to move rapidly in the direction of integration. Under such operating conditions, the Group is working to enhance its corporate value through pursuing a new business portfolio comprising the basic strategies defined as: "enhancing global competitiveness through aggressive cost reduction," "establishing a material-converted products integrated business model," "encouraging growth through incubating R&D oriented business," "promoting resource and environmental business," "expanding overseas business," and "strengthening trading functions."

The Group decided that it would be appropriate to make a transition to a holding company structure so that it may push forward with further enhancement of management efficiency within the Group and the clarification of management responsibilities in each business unit to more actively pursue the aforementioned measures for business portfolio transformation to achieve sustainable growth.

2. Outline of accounting procedures

The transactions were accounted for as transactions under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

22. Segment Information

(1) Overview of reporting segments

The reporting segments of the Company are the business units of the Group, of which financial information is available separately in order for the Board of Directors to conduct periodic review to determine allocation of management resources and evaluate business performance by unit.

The Group is mainly engaged in production and sale of pulp and paper products and converted paper products. Each of the companies of the Group independently plans its comprehensive strategy for its products and services and implements its business activities.

Therefore, each of the business segments comprises certain companies of the Group that are similar in terms of economic characteristics, production method or production process, types of market or customers to which products are sold and other characteristics. The Company consists of five reporting segments: "Household and industrial materials," "Printing and communications media," "Functional materials," "Forest resources and environmental marketing" and "Other."

The principal business lines in each reporting segment are as follows:

| | |
|---|---|
| Household and industrial materials: | Containerboard, corrugated container, boxboard and packaging papers, folding cartons and paper bags, household products |
| Printing and communications media: | Newsprint, printing, publishing and communications paper |
| Functional materials: | Specialty paper, thermal paper, adhesive paper, film |
| Forest resources and environmental marketing: | Lumber, pulp, energy |
| Other: | Real estate, machinery, trading and other |

(2) Methods to calculate amounts of sales, income or loss, assets, liabilities and other items by reporting segment

The accounting method applied for reporting segments is almost the same that described in Notes to Consolidated Financial Statements 1.to 5.
Segment profit is based on operating profit. Inter-segment sales and transfers are based on market price and other.

(3) Information on amounts of sales, income or loss, assets, liabilities and other items by reporting segment

For the fiscal year ended March 31, 2013

| | Reporting segments | | | | Total | Other (Note 1) | Total | Adjustments (Note 2) | Consolidated (Note 3) |
|---|------------------------------------|-----------------------------------|----------------------|--|------------------|----------------|------------------|----------------------|-----------------------|
| | Household and industrial materials | Printing and communications media | Functional materials | Forest resources and environmental marketing | | | | | |
| (Millions of yen) | | | | | | | | | |
| Sales | | | | | | | | | |
| Sales to third parties | ¥ 504,302 | ¥ 286,176 | ¥ 180,537 | ¥ 87,657 | ¥ 1,058,673 | ¥ 182,798 | ¥ 1,241,471 | ¥ - | ¥ 1,241,471 |
| Inter-segment sales and transfers | 36,625 | 39,965 | 16,725 | 43,159 | 136,476 | 100,910 | 237,387 | (237,387) | - |
| Total sales | 540,928 | 326,142 | 197,262 | 130,817 | 1,195,150 | 283,708 | 1,478,859 | (237,387) | 1,241,471 |
| Segment profit (loss) | 27,285 | (2,402) | 10,212 | 10,163 | 45,259 | 6,353 | 51,613 | 769 | 52,383 |
| Segment assets | 582,568 | 439,440 | 215,731 | 379,802 | 1,617,542 | 357,444 | 1,974,987 | (143,735) | 1,831,251 |
| Other items | | | | | | | | | |
| Depreciation and amortization (Note 4) | 25,535 | 24,525 | 10,657 | 5,249 | 65,968 | 6,088 | 72,057 | - | 72,057 |
| Increase in property, plant, equipment and intangible assets (Note 4) | 25,894 | 8,631 | 12,071 | 18,559 | 65,155 | 4,956 | 70,112 | - | 70,112 |

For the fiscal year ended March 31, 2013

| | Reporting segments | | | | Total | Other (Note 1) | Total | Adjustments (Note 2) | Consolidated (Note 3) |
|---|------------------------------------|-----------------------------------|----------------------|--|-------------------|------------------|-------------------|----------------------|-----------------------|
| | Household and industrial materials | Printing and communications media | Functional materials | Forest resources and environmental marketing | | | | | |
| (Thousands of U.S. dollars) | | | | | | | | | |
| Sales | | | | | | | | | |
| Sales to third parties | \$5,362,065 | \$3,042,817 | \$1,919,588 | \$932,027 | \$11,256,499 | \$1,943,627 | \$13,200,127 | \$ - | \$13,200,127 |
| Inter-segment sales and transfers | 389,430 | 424,941 | 177,834 | 458,902 | 1,451,109 | 1,072,942 | 2,524,052 | (2,524,052) | - |
| Total sales | 5,751,496 | 3,467,759 | 2,097,423 | 1,390,930 | 12,707,609 | 3,016,570 | 15,724,179 | (2,524,052) | 13,200,127 |
| Segment profit (loss) | 290,121 | (25,543) | 108,590 | 108,064 | 481,233 | 67,559 | 548,792 | 8,179 | 556,971 |
| Segment assets | 6,194,238 | 4,672,411 | 2,293,799 | 4,038,303 | 17,198,753 | 3,800,580 | 20,999,334 | (1,528,291) | 19,471,042 |
| Other items | | | | | | | | | |
| Depreciation and amortization (Note 4) | 271,508 | 260,771 | 113,316 | 55,820 | 701,417 | 64,740 | 766,158 | - | 766,158 |
| Increase in property, plant, equipment and intangible assets (Note 4) | 275,322 | 91,772 | 128,349 | 197,335 | 692,780 | 52,702 | 745,482 | - | 745,482 |

Notes

- "Other" is a business segment which is not included in the reporting segments, and included in this segment are real estate, machinery and other businesses.
- "Adjustments" are as follows.
 - Adjustment for segment profit (loss), ¥ 769 million (\$8,179 thousand), primarily consists of adjustment related to internal transactions.
 - Adjustment for segment assets, ¥ (143,735) million (\$1,528,291 thousand), includes the following items.
 - Elimination of inter-segment debts and credits, and other, ¥ (168,430) million (\$1,790,860 thousand)
 - Group-wide assets* not allocated to each reporting segment, ¥24,694 million (\$262,568 thousand)
- *Group-wide assets: investment securities not allocated to each reporting segment
- Adjustment is made between segment profit (loss) and operating profit of the consolidated statements of income.
- Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

For the fiscal year ended March 31, 2012

| | Reporting segments | | | | Total | Other (Note 1) | Total | Adjustments (Note 2) | Consolidated (Note 3) |
|---|------------------------------------|-----------------------------------|----------------------|--|------------------|----------------|------------------|----------------------|-----------------------|
| | Household and industrial materials | Printing and communications media | Functional materials | Forest resources and environmental marketing | | | | | |
| (Millions of yen) | | | | | | | | | |
| Sales | | | | | | | | | |
| Sales to third parties | ¥ 500,589 | ¥ 304,111 | ¥ 165,623 | ¥ 38,806 | ¥ 1,009,131 | ¥ 203,780 | ¥ 1,212,912 | ¥ - | ¥ 1,212,912 |
| Inter-segment sales and transfers | 40,522 | 35,516 | 17,848 | 41,925 | 135,813 | 99,959 | 235,772 | (235,772) | - |
| Total sales | 541,112 | 339,627 | 183,472 | 80,731 | 1,144,944 | 303,740 | 1,448,685 | (235,772) | 1,212,912 |
| Segment profit | 27,158 | 3,832 | 8,865 | 3,090 | 42,947 | 8,120 | 51,068 | 2,712 | 53,780 |
| Segment assets | 574,970 | 428,839 | 201,009 | 148,029 | 1,352,848 | 338,526 | 1,691,374 | (56,382) | 1,634,992 |
| Other items | | | | | | | | | |
| Depreciation and amortization (Note 4) | 27,127 | 29,276 | 11,295 | 1,616 | 69,315 | 6,708 | 76,024 | - | 76,024 |
| Increase in property, plant, equipment and intangible assets (Note 4) | 18,906 | 21,136 | 5,892 | 4,313 | 50,249 | 4,490 | 54,740 | - | 54,740 |

Notes

- "Other" is a business segment which is not included in the reporting segments, and included in this segment are real estate, machinery and other businesses.
- "Adjustments" are as follows.
 - Adjustment for segment profit, ¥ 2,712 million, primarily consists of adjustment related to internal transactions.
 - Adjustment for segment assets, ¥ (56,382) million, includes the following items.
 - Elimination of inter-segment debts and credits, and other ¥ (85,615) million
 - Group-wide assets* not allocated to each reporting segment ¥ 29,233 million
- *Group-wide assets: investment securities not allocated to each reporting segment
- Adjustment is made between segment profit and operating profit of the consolidated statements of income.
- Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

(4) Matters concerning changes in reporting segments

The Company transitioned to a holding company structure on October 1, 2012 in order to promote further maximization of Group management efficiency and clarification of management responsibility for each business portfolio.

As a result of the reorganization accompanying this transition, the Company changed its business segments from the previous three segments which were "pulp and paper products," "converted paper products" and "other," to five segments which are "household and industrial materials," "printing and communications media," "functional materials," "forest resources and environmental marketing" and "other" from the third quarter of the fiscal year

Segment information for the fiscal year ended March 31, 2012 has been classified into the segments following the change.

(5) Related information

For the fiscal year ended March 31, 2013

(i) Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

(ii) Information by region

(a) Sales

| Japan | Asia | North America | South America | Europe | Oceania | Other | Total |
|-------------------|-----------|---------------|---------------|----------|---------|---------|-------------|
| (Millions of yen) | | | | | | | |
| ¥ 1,034,683 | ¥ 121,479 | ¥ 26,419 | ¥ 20,500 | ¥ 29,849 | ¥ 6,868 | ¥ 1,671 | ¥ 1,241,471 |

(b) Property, plant and equipment

| Japan | China | Asia | North America | Brazil | Europe | Oceania | Total |
|-------------------|-----------|----------|---------------|-----------|---------|----------|-------------|
| (Millions of yen) | | | | | | | |
| ¥ 684,441 | ¥ 125,050 | ¥ 39,626 | ¥ 2,607 | ¥ 188,452 | ¥ 6,421 | ¥ 44,046 | ¥ 1,090,645 |

(a) Sales

| Japan | Asia | North America | South America | Europe | Oceania | Other | Total |
|-----------------------------|-------------|---------------|---------------|-----------|----------|----------|--------------|
| (Thousands of U.S. dollars) | | | | | | | |
| \$11,001,422 | \$1,291,645 | \$280,904 | \$217,975 | \$317,375 | \$73,034 | \$17,768 | \$13,200,127 |

(b) Property, plant and equipment

| Japan | China | Asia | North America | Brazil | Europe | Oceania | Total |
|-----------------------------|-------------|-----------|---------------|-------------|----------|-----------|--------------|
| (Thousands of U.S. dollars) | | | | | | | |
| \$7,277,418 | \$1,329,611 | \$421,330 | \$27,725 | \$2,003,750 | \$68,272 | \$468,330 | \$11,596,439 |

(c) Information by major customer

| Name of company | Sales | | Related segment |
|--------------------------------------|-------------------|-----------------------------|---|
| | (Millions of yen) | (Thousands of U.S. dollars) | |
| Kokusai Pulp & Paper Co., Ltd. | ¥ 123,384 | \$1,311,903 | Household and industrial materials, Printing and communications media, Functional materials, Forest resources and marketing |
| Japan Pulp and Paper Company Limited | 122,984 | 1,307,649 | Household and industrial materials, Printing and communications media, Functional materials, Forest resources and marketing |

For the fiscal year ended March 31, 2012

(i) Information by product and service

The reporting segments of the Company are the business units identified by product and service.

There is no additional information to be disclosed.

(ii) Information by region

(a) Sales

| Japan | Asia | North America | South America | Europe | Oceania | Other | Total |
|-------------------|----------|---------------|---------------|----------|---------|---------|-------------|
| (Millions of yen) | | | | | | | |
| ¥ 1,084,821 | ¥ 87,722 | ¥ 17,462 | ¥ 5,342 | ¥ 10,374 | ¥ 5,683 | ¥ 1,505 | ¥ 1,212,912 |

(b) Property, plant and equipment

| Japan | China | Asia | North America | Brazil | Europe | Oceania | Total |
|-------------------|-----------|----------|---------------|----------|---------|----------|-----------|
| (Millions of yen) | | | | | | | |
| ¥ 699,383 | ¥ 106,412 | ¥ 27,932 | ¥ 2,614 | ¥ 13,850 | ¥ 5,915 | ¥ 26,456 | ¥ 882,565 |

(c) Information by major customer

| Name of company | Sales | Related segment |
|--------------------------------------|-------------------|---|
| | (Millions of yen) | |
| Japan Pulp and Paper Company Limited | ¥ 142,540 | Household and industrial materials, Printing and communications media, Functional materials, Forest resources and marketing |
| Kokusai Pulp & Paper Co., Ltd. | 136,025 | Household and industrial materials, Printing and communications media, Functional materials, Forest resources and marketing |

(6) Information on impairment loss of property, plant and equipment by reporting segment

For the fiscal year ended March 31, 2013

| | Household and industrial materials | Printing and communications media | Functional materials | Forest resources and marketing | Other (Note 1) | Total |
|-------------------|------------------------------------|-----------------------------------|----------------------|--------------------------------|----------------|---------|
| (Millions of yen) | | | | | | |
| Impairment loss | ¥ 83 | ¥ 60 | – | ¥ 64 | ¥ 1,954 | ¥ 2,162 |

| | Household and industrial materials | Printing and communications media | Functional materials | Forest resources and marketing | Other (Note 1) | Total |
|-----------------------------|------------------------------------|-----------------------------------|----------------------|--------------------------------|----------------|----------|
| (Thousands of U.S. dollars) | | | | | | |
| Impairment loss | \$892 | \$645 | – | \$683 | \$20,776 | \$22,997 |

Notes:

- The amount of "Other" is the amount related to business segments not included in reporting segments and other.
- Of the impairment loss for the fiscal year ended March 31, 2013, ¥ 695 million (\$7,398 thousand) is included in loss on business restructuring of special losses.

For the fiscal year ended March 31, 2012

| | Household and industrial materials | Printing and communications media | Functional materials | Forest resources and marketing | Other (Note 1) | Total |
|-------------------|------------------------------------|-----------------------------------|----------------------|--------------------------------|----------------|---------|
| (Millions of yen) | | | | | | |
| Impairment loss | ¥ 39 | ¥ 1,917 | ¥ 235 | ¥ 12 | ¥ 372 | ¥ 2,577 |

Notes:

- The amount of "Other" is the amount related to business segments not included in reporting segments and other.
- Of the impairment loss for the fiscal year ended March 31, 2012, ¥ 2,149 million is included in loss on business restructuring of special losses.

(7) Information on amortization and ending balance of goodwill by reporting segment

For the fiscal year ended March 31, 2013

| | Household and industrial materials | Printing and communications media | Functional materials | Forest resources and marketing | Other (Note 1) | Total |
|------------------------------|------------------------------------|-----------------------------------|----------------------|--------------------------------|----------------|---------|
| (Millions of yen) | | | | | | |
| Amortized amount of goodwill | ¥ 1,986 | ¥ 37 | ¥ 459 | – | – | ¥ 2,483 |
| Balance of goodwill | 9,350 | 56 | 5,399 | – | – | 14,806 |

| | Household and industrial materials | Printing and communications media | Functional materials | Forest resources and marketing | Other (Note 1) | Total |
|------------------------------|------------------------------------|-----------------------------------|----------------------|--------------------------------|----------------|----------|
| (Thousands of U.S. dollars) | | | | | | |
| Amortized amount of goodwill | \$21,123 | \$398 | \$4,886 | – | – | \$26,407 |
| Balance of goodwill | 99,422 | 597 | 57,413 | – | – | 157,433 |

Notes:

1. Amount for "Other" is the amount relating to business segments not included in reporting segments.

For the fiscal year ended March 31, 2012

| | Household and industrial materials | Printing and communications media | Functional materials | Forest resources and marketing | Other (Note 1) | Total |
|------------------------------|------------------------------------|-----------------------------------|----------------------|--------------------------------|----------------|---------|
| (Millions of yen) | | | | | | |
| Amortized amount of goodwill | ¥ 1,920 | ¥ 37 | ¥ 112 | – | ¥ 3 | ¥ 2,074 |
| Balance of goodwill | 9,587 | 93 | 5,745 | – | – | 15,427 |

Notes:

1. Amount for "Other" is the amount relating to business segments not included in reporting segments.

(8) Information on gain on negative goodwill by reporting segment

For the fiscal year ended March 31, 2013

Significant negative goodwill generated in the Forest resources and environment marketing segment is described in Note 21.

For the fiscal year ended March 31, 2012

As there is no significance in terms of amount, this information is omitted.

23. Information on Transactions with Related Parties

For the fiscal year ended March 31, 2013

(i) Transactions with related parties

Significant transactions with related parties

None

(ii) Notes on significant affiliates

Summary of financial information on significant affiliates

None

For the fiscal year ended March 31, 2012

(i) Transactions with related parties

Significant transactions with related parties

None

(ii) Notes on significant affiliates

Summary of financial information on significant affiliates

None

24. Per Share Information

As of and for the fiscal year ended March 31, 2013 and 2012

| | (Yen) | | (U.S. dollars) |
|---------------------------------------|----------|----------|----------------|
| | 2013 | 2012 | 2013 |
| Net assets per share | ¥ 511.95 | ¥ 454.20 | \$5.44 |
| Net income per share | ¥ 25.93 | ¥ 22.46 | \$0.27 |
| Diluted net income per share (Note 1) | ¥ 25.91 | ¥ 22.44 | \$0.27 |

Notes:

1. Basis for computations of net income per share and diluted net income per share is as follows:

For the fiscal year ended March 31, 2013 and 2012

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|--|----------------------------|----------------------------|-----------------------------|
| | 2013 | 2012 | 2013 |
| Net income per share | | | |
| Net income | ¥ 25,600 | ¥ 22,177 | \$272,202 |
| Amount not attributable to common Shareholders | – | – | – |
| Net income allocated to common Stock | 25,600 | 22,177 | 272,202 |
| Average number of shares outstanding during the period | thousand shares 987,220 | thousand shares 987,504 | – |
| Diluted net income per share | | | |
| Adjusted amount of net income | – | – | – |
| Increase in shares of common stock | thousand shares 733 | thousand shares 958 | – |
| (Share subscription rights among the above increase) | (thousand shares) (733) | (thousand shares) (958) | – |

25. Significant Subsequent Events

Not applicable.

26. Consolidated Supplementary Schedules

(1) Bonds

| Company | Name | Date of issue | Balance as of | Balance as of | Balance as of | Interest rate (%) | Collateral | Maturity |
|--------------------------|------------|--------------------|----------------------|-------------------------|-----------------------------|-------------------|------------|--------------------|
| | | | April 1, 2012 | March 31, 2013 | March 31, 2013 | | | |
| | | | (Millions of yen) | | (Thousands of U.S. dollars) | | | |
| Oji Holdings Corporation | Bond No.22 | August 19, 2003 | ¥ 20,000 | ¥ 20,000 (¥ 20,000) | \$212,652 (\$212,652) | 1.25 | None | August 19, 2013 |
| Oji Holdings Corporation | Bond No.24 | July 23, 2004 | 20,000 | 20,000 | 212,652 | 2.01 | None | July 23, 2014 |
| Oji Holdings Corporation | Bond No.25 | July 28, 2010 | 20,000 | 20,000 | 212,652 | 0.56 | None | July 28, 2015 |
| Oji Holdings Corporation | Bond No.26 | July 28, 2010 | 20,000 | 20,000 | 212,652 | 0.86 | None | July 28, 2017 |
| Oji Holdings Corporation | Bond No.27 | July 27, 2011 | 20,000 | 20,000 | 212,652 | 0.57 | None | July 27, 2016 |
| Oji Holdings Corporation | Bond No.28 | July 27, 2011 | 20,000 | 20,000 | 212,652 | 0.86 | None | July 27, 2018 |
| Oji Holdings Corporation | Bond No.29 | July 26, 2012 | - | 20,000 | 212,652 | 0.39 | None | July 26, 2017 |
| Oji Holdings Corporation | Bond No.30 | July 26, 2012 | - | 20,000 | 212,652 | 0.61 | None | July 26, 2019 |
| Ginpo Pack Co., Ltd. | Bond No.5 | December 30, 2008 | 120 (60) | 60 (60) | 637 (637) | 1.00 | None | December 30, 2013 |
| Ginpo Pack Co., Ltd. | Bond No.6 | September 10, 2009 | 75 (30) | 45 (30) | 478 (318) | 0.90 | None | September 10, 2014 |
| Ginpo Pack Co., Ltd. | Bond No.7 | September 30, 2010 | 105 (30) | 75 (30) | 797 (318) | 0.61 | None | September 30, 2015 |
| Ginpo Pack Co., Ltd. | Bond No.8 | June 22, 2011 | 180 (40) | 140 (40) | 1,488 (425) | 0.68 | None | June 22, 2016 |
| Total | - | - | ¥ 120,480 (¥ 160) | ¥ 160,320 (¥ 20,160) | \$1,704,625 (\$214,354) | - | - | - |

Note:

- The amounts indicated in parentheses above represent redemption amounts due in one year or less.
- Aggregate annual redemption amount of bonds within five years subsequent to March 31, 2013 is as follows:

| Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years |
|-----------------------------|--------------------------------------|---|--|---|
| (Millions of yen) | | | | |
| ¥ 20,160 | ¥ 20,085 | ¥ 20,055 | ¥ 20,020 | ¥ 40,000 |
| (Thousands of U.S. dollars) | | | | |
| \$214,354 | \$213,556 | \$213,237 | \$212,865 | \$425,305 |

(2) Short-term borrowings and long-term debt

| | April 1, 2012 | March 31, 2013 | March 31, 2013 | Average interest rate (%) | Maturity |
|---|-------------------|----------------|-----------------------------|---------------------------|-----------------------|
| | (Millions of yen) | | (Thousands of U.S. dollars) | | |
| Short-term borrowings | ¥ 173,349 | ¥ 158,410 | \$1,684,325 | 0.94 | - |
| Current portion of long-term debt | 163,182 | 149,430 | 1,588,846 | 1.69 | - |
| Current portion of lease obligations | 967 | 1,075 | 11,438 | - | - |
| Long-term debt (excluding current portion) | 327,707 | 362,943 | 3,859,050 | 1.31 | Due 2014 through 2051 |
| Lease obligations (excluding current portion) | 2,602 | 2,278 | 24,224 | - | Due 2014 through 2024 |
| Total | ¥ 667,810 | ¥ 674,139 | \$7,167,885 | - | - |

Notes:

- The above average interest rate is the weighted-average interest rate applicable to the above borrowings and debt at the end of each fiscal year.
- The average interest rates of lease obligations are not indicated above as lease obligations before deduction of interest are included in the consolidated balance sheets.
- Aggregate annual repayment amount of long-term debt and lease obligations (excluding current portion) within five years subsequent to March 31, 2013 is as follows:

| | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years |
|------------------|--------------------------------------|---|--|---|
| | (Millions of yen) | | | |
| Long-term debt | ¥ 47,473 | ¥ 111,586 | ¥ 27,774 | ¥ 50,755 |
| Lease obligation | 760 | 523 | 320 | 139 |

| | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years |
|------------------|--------------------------------------|---|--|---|
| | (Thousands of U.S. dollars) | | | |
| Long-term debt | \$504,773 | \$1,186,459 | \$295,318 | \$539,668 |
| Lease obligation | 8,081 | 5,565 | 3,408 | 1,487 |

(3) Asset Retirement Obligations

As the amount of asset retirement obligations as of April 1, 2012 and March 31, 2013 accounts for less than 1% of the total amount of liabilities and net assets as of the same date, pursuant to the provision of Article 92-2 of the Regulation for Consolidated Financial Statements, this information is omitted.

Independent Auditor's Report

The Board of Directors
OJI HOLDINGS CORPORATION

We have audited the accompanying consolidated financial statements of OJI HOLDINGS CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OJI HOLDINGS CORPORATION and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 27, 2013
Tokyo, Japan

Ernst Young Shinriken LLC

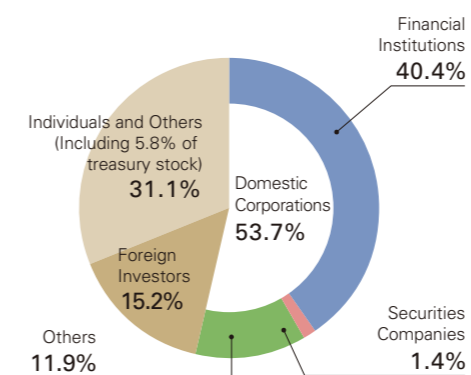
Shares of Common Stock (As of March 31, 2013)

| | |
|--------------------------|--|
| Authorized : | 2,400,000,000 shares |
| Issued : | 1,064,381,817 shares |
| Number of Shareholders : | 81,788 (Increases of 2,546 shareholders from the previous Year-end) |

Major Shareholders (Top 10) (As of March 31, 2013)

| |
|--|
| The Master Trust Bank of Japan, Ltd. (Trust account) |
| Japan Trustee Services Bank, Ltd. (Trust account) |
| Japan Trustee Services Bank, Ltd. (Trust account 4) |
| Sumitomo Mitsui Banking Corporation |
| Nippon Life Insurance Company |
| Mizuho Corporate Bank, Ltd. |
| Oji Paper Group Employee Stock-holding Association |
| Sumitomo Mitsui Trust Bank, Limited |
| SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS |
| Japan Pulp and Paper Company Limited |

Distribution of Shareholders (%)



| | |
|----------------------|---------------------------------------|
| Founded: | February 12, 1873 |
| Established: | August 1, 1949 |
| Paid-in Capital: | ¥103,880 million |
| Number of Employees: | 27,360 (March 31, 2013, consolidated) |

