

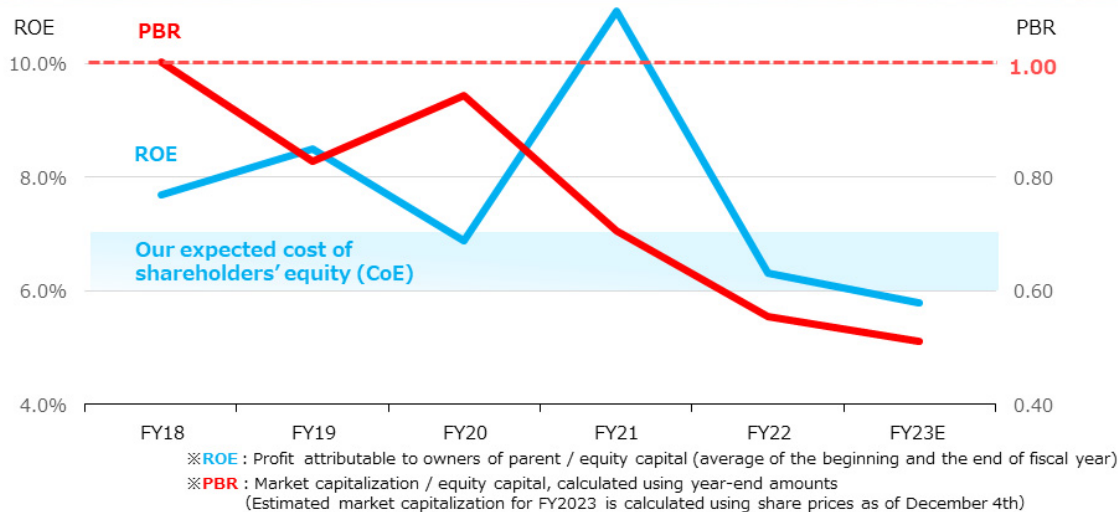
# Initiatives to Enhance Corporate Value

December 25, 2023



## Initiatives to Enhance Corporate Value

### (1) The Oji Group's Current Status



- FY18-21** ROE had been above CoE (6-7%), but PBR remained below 1x  
 ▶ Lack of penetration of our growth story
- Present** Lower earnings have resulted in ROE falling below CoE, and PBR falling further

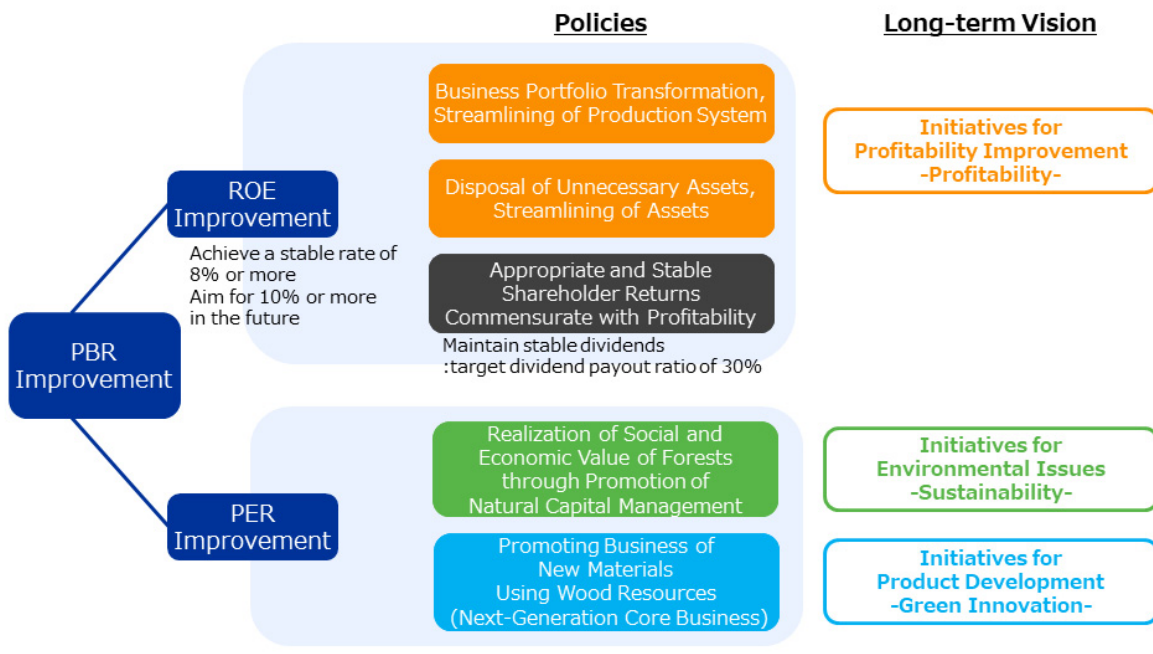
▶ **To improve PBR, in addition to a steady increase in ROE, it is important to increase growth potential and improve PER**

PBR of Oji Holdings was around 1x in FY2018, but has since slumped to less than 0.6x. On the other hand, ROE has been improving and has been above our expected cost of shareholders' equity since FY2018, but in FY2022, it has fallen back to around 6% due to lower earnings. Although the current low PBR is partly due to the low ROE and may be attributed to the fact that our business is susceptible to market conditions and supply/demand fluctuations, which result in unstable profitability, we assume that the underlying factor is a lack of explanation regarding our growth potential, which result in a lack of penetration of our growth story. In order to improve PBR, we will continue to focus on both ROE: improving return of capital and PER: sustainable growth potential for the future, and strengthen information dissemination through IR and SR.

Aiming to **enhance long-term corporate value** and **fulfil our social mission**, based on our current long-term vision, we will promote initiatives that lead to **improvement of return on capital** and **sustainable growth**

(short- to medium-term)

(medium- to long-term)



We will improve return on capital and promote initiatives that lead to sustainable growth in order to enhance long-term corporate value and fulfil our social mission based on our Purpose. We will achieve them by executing various measures to achieve our current Long-term Vision.

**[Oji Group Long-term Vision]**

- ✧ Basic Policy “Toward Future Growth and Evolution”
  - Initiatives for Environmental Issues -Sustainability-
  - Initiatives for Profitability Improvement -Profitability-
  - Initiatives for Product Development -Green Innovation-
- ✧ FY2030 Targets
  - Consolidated net sales of 2.5 trillion yen or more
  - To achieve Environmental Action Program 2030

**[Policy for ROE Improvement Initiatives]**

With an emphasis on improving profitability (profit margin) and capital efficiency, we will promote the transformation of its business portfolio and the efficiency in production system, as well as streamlining our asset portfolio by disposing unnecessary assets.

We will continue to provide stable shareholder returns and target a dividend payout ratio of 30% to ensure that shareholder returns are commensurate with profitability, thereby striking a balance between investment in growth to enhance long-term corporate value and appropriate shareholder returns.

Through these efforts, we aim to achieve a stable ROE of 8% or more, and 10% in the future.

**[Policy for PER Improvement Initiatives]**

As our social mission, we aim to maximize the social value of forests by strengthening their public function such as CO<sub>2</sub> absorption and biodiversity through our tree breeding and silviculture technologies, and we also aim to create economic value from them.

We regard the wood resources obtained from our forests as the heart of our value creation, and we will promote business of new materials that utilize wood resources and develop them into next-generation core businesses that transcend the boundaries of our existing businesses.

**Business Portfolio Transformation,  
Streamlining of Production System**


- Markets & businesses with high profitability and growth potential
    - ▶ **Invest intensively**
      - Continue to expand businesses in Southeast Asia and India, where high economic growth is expected
      - Expand **eco-friendly packaging businesses**
        - ▶ Expand in the environmentally conscious European markets
        - ▶ Using the know-how in Europe, expand into the Asian and Oceanian markets including Japan
- 
**Invest management capital  
(human capital, cash flow)**
- Low-growth businesses
    - ▶ **Optimize production system & thoroughly implement cash flow management**
      - Utilize facilities for **next-generation core business**
  - Low-profit and non-core businesses
    - ▶ **Consider withdrawing or selling**

**Disposal of Unnecessary Assets,  
Streamlining of Assets**

- Promote reuse and sales of idle and unnecessary assets
- Promote sales of strategic shareholdings

**Appropriate and Stable  
Shareholder Returns  
Commensurate with Profitability**

- Maintain stable dividends : target dividend payout ratio of 30%

**[Business Portfolio Transformation, Streamlining of Production System]**

We aim to shift to a business portfolio with future potential in the short to medium term, by concentrating investment in business with high profitability and growth potential and securing funds for low-growth business through cash flow management.

As growth markets, we have focused on the Southeast Asian and Indian markets and have promoted our packaging and imaging media/adhesive products businesses.

In India, in particular, we have entered only corrugated container business, but in October 2023 we established a local business development company in order to promote the entry of other business

We are also focusing on expanding eco-friendly packaging business as a growth business, developing eco-friendly packaging products that meet a wide range of needs to solve environmental issues such as reducing CO<sub>2</sub> emissions and plastic consumption. We will continue to accelerate and develop our business while also implementing M&A. We aim to expand in the environmentally conscious European market (packaging market size: approx. 3 trillion yen) by taking advantage of our “eco-friendly” approach, and will use this know-how to expand into the Asian and Oceanian markets (packaging market size: approx. 7.5 trillion yen).

On the other hand, in low-growth businesses such as the printing paper business, we will optimize the production system in line with demand trends and thoroughly implement cash flow management through investment restraint and cost reduction. In addition, we will consider withdrawing from or selling low-profit and non-core businesses.

The funds and assets acquiring through these initiatives will be invested in growth business and new material business.

**[Disposal of Unnecessary Assets, Streamlining of Assets]**

Particularly in domestic business in Japan, we will promote the reuse and sales of idle and unnecessary assets that have been generated over many years of business development.

With regard to strategic shareholding, we determine the appropriateness of the holding by examining the purpose of stockholding and benefit of each individual stock, but will promote the sale of stocks whose rationality for holding them has diminished through stricter control.

**[Appropriate and Stable Shareholder Returns Commensurate with Profitability]**

With regard to shareholder returns, our basic policy is to maintain stable dividends in line with profitability, while taking into consideration internal reserves to prepare for investment in growth to enhance corporate value over the long term, with our target dividend payout ratio of 30%.

By improving profitability through the above efforts, we aim to increase shareholder returns in the short to medium-term through increased dividends, and by strictly managing the profitability of reinvestment and achieving a virtuous cycle of medium to long-term and continuous growth in corporate value, we aim to achieve medium to long-term shareholder returns through higher stock prices.

## (4) Initiatives for Sustainable Growth

Realization of Social and Economic Value of Forests through Promotion of Natural Capital Management



Utilize sustainable wood resources

Promoting Business of New Materials Using Wood Resources (Next-generation Core Business)



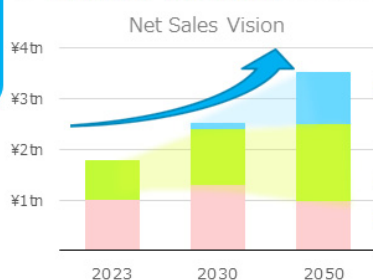
Bioethanol

- Oji forests ▶ Aim to expand overseas production forests to 400,000ha by 2030

	Production forests	Conservation forests	Total
Japan	176,000ha	112,000ha	188,000ha
Overseas	279,000ha	136,000ha	415,000ha
Total	455,000ha	148,000ha	603,000ha

- Functions of forests
  - ▶ Extremely important environmentally and socially
  - Also aim to make these functions economically valuable
  - Contribute to climate change mitigation through CO<sub>2</sub> absorption
  - Provide public functions (biodiversity conservation, water source cultivation, soil conservation, O<sub>2</sub> supply, etc.)
  - Contribute to local communities environmentally and economically friendly
  - Supply wood resources sustainably

- Wood bio-businesses as our future core business



Promote business of new materials derived from wood as inedible raw materials with the involvement of external consortia  
 Bioethanol | Biomass plastics | CNF | Cellulose materials  
 Wood-derived pharmaceutical products

- Eco-friendly packaging business : Expand early
- Existing Businesses : Focus always on cash flow

Basis for Sustainable Growth

Enhance human capital & promote DX

【Realization of Social and Economic Value of Forests through Promotion of Natural Capital Management】

Forests are the basis of the Oji Group's value creation, and we have refined our forestation technologies through years of business operations. We currently own 600 thousand ha of Oji forests worldwide, and aim to expand our overseas production forests from current 280 thousand ha to 400 thousand ha by 2030.

In addition to providing sustainable supply of wood resources, forest have extremely important environmentally and socially beneficial public functions, such as climate change mitigation through CO<sub>2</sub> absorption, biodiversity conservation, water source cultivation, landslide disaster prevention, and providing O<sub>2</sub>.

By utilizing Oji Group's tree breeding and silvicultural technologies, we aim to strengthen and expand the public functions of forests, and also will work to make these functions economically valuable.

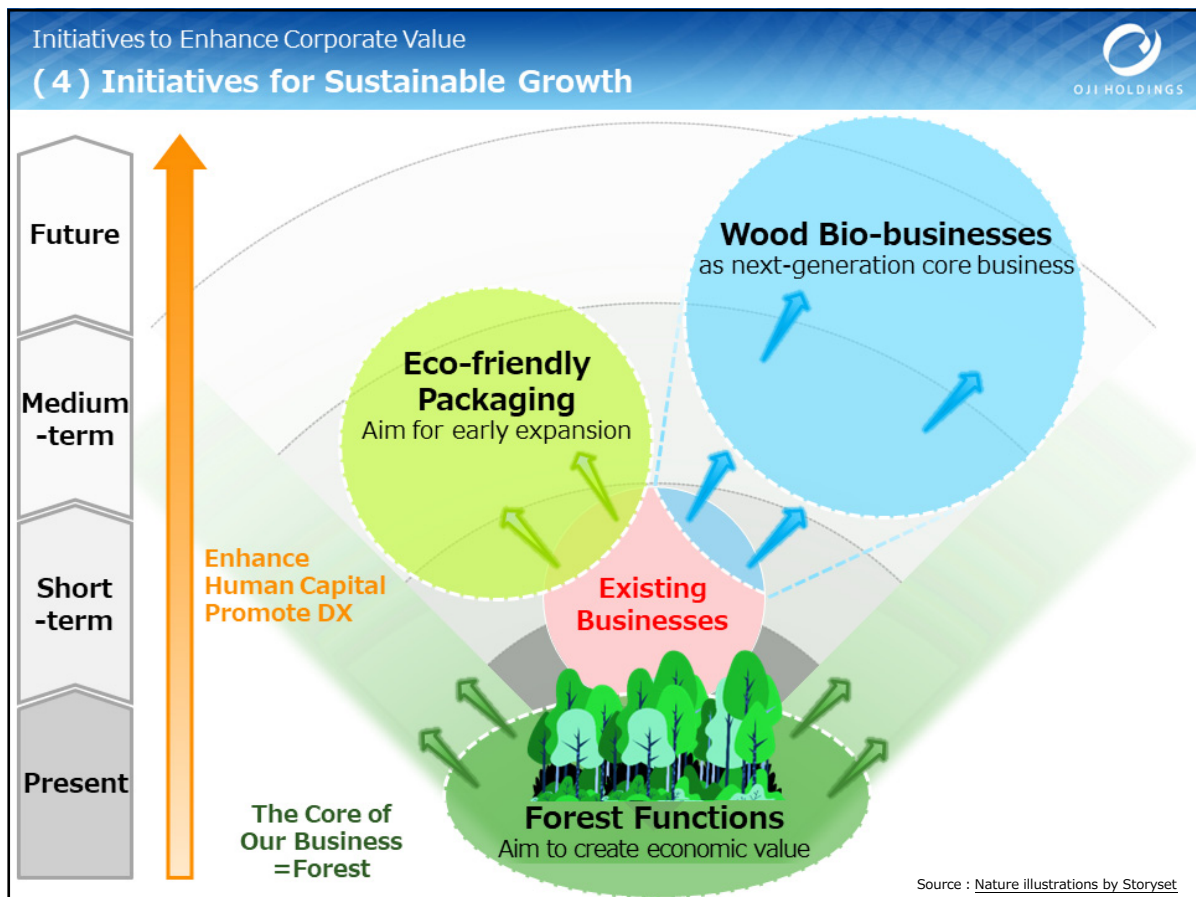
【Promote Business of New Materials Using Wood Resources (Next-Generation Core Business)】

Oji Group is promoting business portfolio transformation as a short to medium-term initiative to achieve strong growth in the future, and the driving force for further growth is business of new materials derived from wood, which is a medium to long-term initiative. We are currently developing a variety of new materials, including;

- Bioethanol: Utilized as a raw material for SAF (Sustainable Aviation Fuel), wood derived polyethylene, etc.
  - \* SAF demand forecast in Japan: 2030 2.5-5.6 million KL to 2050 23 million KL
- Biomass plastics: Producing plastics from wood as inedible raw materials, replacing plastic products derived from fossil fuels.
  - \* Biomass plastics demand forecast in Japan: 2030 1,970 thousand ton
- CNF: A material with various functions such as high viscosity and thixotropy by nanofibrillation of cellulose. Currently developing applications such as rubber composite materials.
- Cellulose materials: Developing composite materials such as cellulose and resin, substituting for plastic products derived from fossil fuels.
- Wood-derived pharmaceutical products: Developing arthritis drugs for animal use and expanding to drug for human use to replace heparin as animal-derived pharmaceuticals. We have also successfully established cultivation techniques for the medicinal plant licorice, leveraging our forest tree breeding technology, and are now working on large-scale cultivation.
  - \* Size of target market: Arthritis drugs for animal use: global market approx. 50 billion yen
  - Drugs for human use (heparin): global market approx. 1-2 trillion yen
  - Licorice: Domestic market approx. 15 billion yen

From these materials, we will foster next-generation wood bio-businesses that will become our future core business. We aim to become a corporate group with next-generation wood bio-businesses as its core business by utilizing wood resources obtained from natural capital managed forests.

We will promote initiatives such as enhancing human capital and DX in parallel as the basis for realizing new material businesses and promoting sustainable growth.



The above is the model for sustainable growth that Oji Group is aiming for. Based on forest as the core of our business, we will go beyond our existing business to gradually develop eco-friendly packaging businesses and wood bio-businesses such as bioethanol, biomass plastics, and CNF as next-generation core businesses. In addition, through the cultivation of forests, we aim to realize their various functions and create economic value. We will also promote enhancing our human capital and DX as the basis for growth. We will continue to report on the progress of Oji Group's further growth and evolution as appropriate, at financial results briefings and in the next medium-term management plan which will begin in 2025. We will strengthen the dissemination of information through IR and SR and continue to exchange opinions with you.



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**Beyond the Boundaries**