

Message from the CEO

Building a Sustainable Circular Society with Forests

What is needed now more than ever is to create a sustainable circular society together with forests.

We grow forests, utilize their resources, and then grow them again—continuing the cycle of nurturing and utilization.

Oji will always move forward with forests, striving to realize a sustainable global environment and a truly circular society.

Hiroyuki Isono

Oji Holdings Corporation
Representative Director of the Board,
President
CEO



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Bolstering our commitment to transformation during the previous Medium-term Management Plan

Now that FY2024, the final fiscal year of our previous Medium-term Management Plan, has ended, I am reminded of the difficulty of responding to rapid unexpected changes in the business environment. I became president in April 2022. The Russian invasion of Ukraine began the previous February, but there is still no end to this conflict in sight. The same is true for the subsequent problems in Israel and Gaza. From an economic perspective, there is also increasing uncertainty and existing premises have begun to be shaken, including the faltering Chinese economy, changes to tariff policies in the United States following the start of the second Trump administration this year, and foreign exchange trends.

In the paper market, demand was expected to grow in the domestic paperboard market when I became president, but instead it peaked around mid-2022, and then the situation completely changed as demand stopped growing for corrugated container and other types of paperboard, as it had with printing paper. Overseas, the supply-demand situation has changed considerably from our expectations, including excess supply in Southeast Asia, where we previously operated a steady business, owing to the aggressive entry of Chinese papermakers. Climate disasters have also become increasingly severe, and in February 2023, a major Oji mill in New Zealand sustained flooding damage from cyclone Gabrielle, requiring 18 months for a full recovery.

In terms of business management, our response to these rapid and unexpected changes in the external environment

was insufficient. We must reflect deeply on the fact that we were unable to put sales and profits on a trajectory to achieve our targets in the medium-term plan. I am strongly aware of the need to be strong enough to withstand changes in the environment, and transform into a company able to respond to change.

On the other hand, there were strong calls from the capital markets for management that is conscious of the stock price. I realized the fact that, owing to our corporate structure, we have overly focused on profit and loss in internal meetings, and have lacked a balance sheet perspective. I have been acutely aware of the need to completely overhaul our capital structure, slim down our assets, and transform into a corporate structure that works to enhance capital efficiency. While I myself have completely shifted my awareness, we also announced “initiatives to enhance corporate value” at the end of 2023, marking the shared commitment of the entire management team to switch to business management that boosts capital efficiency and lifts ROE, and since then, we have focused on these efforts in numerous internal discussions.

Focusing on increasing ROE in the new Medium-term Management Plan

In May of this year, we announced our new Medium-term Management Plan starting in FY2025, as an expression of the change in our awareness.

The fact that we have stopped announcing net sales targets represents a major shift. We are no longer in an age where the pursuit of sales will open the path to the next

stage. In addition, because nationality has no bearing on our aim to optimize businesses across the Oji Group as a whole, we have removed the overseas sales ratio from our management indicators.

To enhance ROE, we must increase profitability, while also slimming down our net assets, which have grown substantially over the past few years.

We are not in an age where markets are steadily growing, and so long as we make something, people will buy it. To increase profit margins, we must build a structure for operating our businesses that is capable of identifying market needs and achieving differentiation. We previously



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strengthened our organization vertically with the COMPANY system, but now we have shifted from an organizational structure that aims to optimize each Group company and COMPANY to one that aims to “optimize the whole,” through the addition of horizontal functions, and stronger information sharing and mutual cooperation between COMPANIES. The CFO, CSO, COO, CTO, and CIO will work closely together to operate our businesses, based on an accurate understanding of changes in social and market trends. In this way, I think we will be able to differentiate ourselves by capturing needs that are not yet visible, instead of just developing products to match needs that are already apparent.

On the other hand, we will also endeavor to further reduce costs, while also passing on increased costs to prices, and exit businesses with low profitability. There is no reason to cling to unprofitable businesses. We will clearly distinguish without faltering between growth businesses and those where we will take a different path, including withdrawal or sale, as we work toward our vision of a business structure capable of targeting a Group-wide ROE of 8% by FY2027. Beyond that, we will aim for 10% ROE in the future, with the desire to restore our P/B ratio to more than 1x as part of this process.

■ Creating our Long-term Vision with non-continuous thinking, taking megatrends into consideration

When looking ahead to our long-term future, it will be important not just to extend current trends into the future but also to forecast the future with non-continuous

thinking, taking megatrends into consideration, then work backward from there to think about the present. Considering the example of the move away from digital textbooks overseas, I think the value of paper will remain important as a medium for transmitting information, but we will slim down our operations in this area in the future, in line with the global transition toward digital devices. On the other hand, looking at global trends, if we take economic policies in the United States as an example, their direction could change substantially depending on whether Democrats or Republicans come into power every four years.

This year, I exchanged views with business leaders from around the world at the World Economic Forum Annual Meeting in Davos. I was reminded of the fact that climate change remains a major global issue. While debate continues in various forms, there is no change to the megatrend of pursuing sustainability across society.

■ Start of business portfolio transformation

When thinking about businesses that will play a core role in the Company's future, they all involve creating products that use sustainable forest resources, namely sustainable packaging and the forest biomass business. Based on megatrends, we firmly believe that these markets will continue to grow, and we have thus actively invested in them for growth. In sustainable packaging, we have laid the foundations for an integrated packaging business in the future, including making the Adampak Group, which operates a label business in Southeast Asia, part of the Oji Group, as well as the acquisition of Walki Holding Oy and

IPI S.r.l. in Europe. In the forest biomass business, we have been preparing for commercialization, including bringing a wood-derived sugar solution pilot plant and ethanol pilot plant online in December 2024 and March 2025, respectively. The scale of equipment in these pilot plants is close to that of commercial plants. Most products that have conventionally been made with fossil resources can be made with wood-derived sugar solution and ethanol. Accordingly, we will continue R&D, while also overcoming cost issues, as we pursue the potential of these materials as sustainable alternates for fossil resources, in applications from SAF (sustainable aviation fuel), of course, through tires, fibers, plastic, fertilizer and agrochemicals, food and feed, and even biopharmaceuticals. At the same time, we plan* to acquire an advanced biorefinery company in Europe, and will work to quickly make this potential a reality.

In both sustainable packaging and the forest biomass business, we will create high-value-added products that differ from commodity products. The growth of these businesses will also contribute to higher profitability across the entire business portfolio.

■ Contributing to the sustainability of the Earth and society

In our Purpose, we set forth the following: “Grow and manage sustainable forests, develop and deliver products from renewable forests, and Oji will bring this world a brighter future filled with hope.” The continued use of products derived from fossil resources will not contribute to a sustainable society. I believe that a sustainable society will be

*In September 2025, we entered into a share transfer agreement to acquire all shares of AustroCel Hallein GmbH. AustroCel is based in Austria, and operates a business producing and selling dissolving pulp and bioethanol.

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created when we utilize renewable forest resources to make sustainable products based on those materials, and replace products derived from fossil resources. I truly believe that contributing to the sustainability of the Earth and society is exactly what drives the maximization of our corporate value.

Based on “Environmental Vision 2050,” we have established the Environmental Action Program that sets forth targets to achieve by 2030 and 2040 in relation to environmental issues. Under these programs, we are taking action on climate change, contributing to a nature-positive world, promoting a circular economy, reducing pollutants, and engaging with stakeholders. Among these, regarding the expansion of nature positive and initiatives for the healthy growth and conservation of forests in particular, we are participating in the [International Sustainable Forestry Coalition \(ISFC\) \(P.96\)](#), a global coalition of forest-related organizations. As part of these activities, we are creating rules for natural capital accounting (PP.60–61) and pursuing nature-based solutions. In particular, the 30th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP30) is to be held in November of this year, in Belém, Brazil, in the Amazon basin. We consider this an opportunity to provide solid information on the multi-faceted functions of forests and the value of nature-based solutions.

Our values: taking care of forest resources that we inherited from a century ago

Forests perform various functions, including carbon dioxide absorption, the conservation of biodiversity, water resource

cultivation, and landslide prevention. When rain falls, it eventually reaches the foot of the mountains after passing through the ground and forests. In this way, nature purifies the water, but if we do not properly manage forests, we will not have clean water at the foot of the mountains.

For more than a century, the Oji Group has believed that “those who use trees are responsible for planting them,” and we have earnestly continued our efforts to manage and maintain forests. We already manage company-owned forests covering 636,000 ha around the world, equivalent to approximately three times the area of Tokyo.

In March 2025, we partnered with New Forests (Australia) to launch a forest fund aimed at expanding production forests in Southeast Asia, North America, Latin America, and Africa. The expansion of production forests will also contribute to the absorption and fixing of CO₂ by forests. I also feel strongly that forest conservation efforts have a substantial impact from the perspective of the conservation of biodiversity, as orangutans, a critically endangered species, have been confirmed in company-owned forests in Indonesia, along with a wide variety of species of plants and animals in Brazil. In Brazil, we are also creating ecological corridors to restore wasteland and connect the fragmented habitats of wild animals.

These efforts to contribute to nature positive are an important activity that we have long been engaged in, as the operator of businesses rooted in forest resources. We think that nature positive, in which we grow our own trees to provide materials for our businesses while maintaining and managing nature, and perform reforestation after logging, is important. These values have been our corporate culture with roots that stretch back over a century, and I firmly

believe that they will not change at all even over the next century.

Building solid management foundations

Human resources are the most important aspect of our management foundations. Last fiscal year, I spoke directly with more than 300 employees at town hall meetings (P.72). As we are rapidly changing our production structure at production sites in Japan in particular, the meetings have reminded me of issues associated with the change and brought many things to our attention. We are reflecting actual feedback from frontline workers and promoting digital transformation while also automating mills. At the same time, we are also making operations more efficient in management and support divisions through automation and labor-saving measures.



Town hall meeting (August 2024, at the Oji Paper Yonago Mill)

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Corporate culture is a reflection of human capital. I am constantly focusing on the cultivation of a corporate culture with high psychological safety and ensuring that all employees can feel fulfilled at work in a comfortable workplace environment. In particular, the objective of our organizational changes is to foster a sense of unity as a group, by further stimulating information sharing, not just vertically but also horizontally. Accordingly, we intend to focus on cultivating an open corporate culture that encourages healthy dialogue and cooperation in particular.

As mentioned, we have also made organizational changes aimed at optimizing governance across the Oji Group as a

whole. We have promoted separation between management supervisory and executive functions, having already slimmed down our Board of Directors.

At the same time as the initiation of our new Medium-term Management Plan, we also revised performance-linked and stock-based compensation for Directors of the Board. Previously, the performance-linked component of director compensation was linked only to earnings standards. When formulating our Medium-term Management Plan, however, we focused more on the perspective of shareholders than before. We added balance sheet items related to ROE as financial indicators, as well as non-financial indicators such as the environment and employee engagement survey scores. We believe that clarifying the link between director compensation and share value will further enhance management's awareness of the share price (P.87). We also determined that the Nomination Committee and the Compensation Committee will consist only of Outside Directors of the Board (PP.76–77). Yet efforts to enhance governance are still only halfway there. We will continue considering the structure of Outside Officers, as well as the selection of the Chairman of the Board.

We have also executed numerous M&A deals through growth investment and are taking steps to strengthen global risk management and internal controls. As part of PMI, we communicate our governance standards, including approval authority at Oji Holdings, to acquired companies on the first day after the acquisition is completed and require that they adhere to these standards. We also properly share governance-related rules with human resources who are assigned or seconded to new Group companies, thus strengthening both global governance and Group governance.

To our stakeholders

I believe that today, we stand at a major crossroads in its long history. This is because we are in a business conversion phase, including the shift in businesses that previously generated earnings from paper as an information transmission media, toward the forest biomass business and packaging from trees, not just paper.

Reading the memoirs of our founder, Eiichi Shibusawa, he describes how he established this business with the strong will not to give up and to accomplish his goal, whatever it takes, based on his belief that by transmitting information, paper plays an extremely important role in the development of Japan's economy and culture. This spirit is also important to us today. If I may borrow Eiichi Shibusawa's words to express myself, I have a strong desire to accomplish the transformation of our business portfolio.

In February 2023, I had a conversation with Mr. Ken Shibusawa, the great-great-grandson of Eiichi Shibusawa and CEO of Shibusawa & Company. During our dialogue, we reflected on the question: 'If Eiichi Shibusawa were alive in this era, what would he strive to accomplish?' Mr. Shibusawa suggested that he would likely say, 'We must act to solve the global environmental crisis.' I wholeheartedly agree.

While maintaining Eiichi Shibusawa's strong will from his time, we will look toward the future as we continue to operate and develop businesses rooted in forest resources and transform our business portfolio. We will work to enhance ROE and achieve sustainable growth for the Oji Group, while also achieving sustainability in society.