

[Translation]

OJI HOLDINGS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2022

The accompanying consolidated financial statement expressed in Japanese yen are the translation of those issued domestically. The amounts expressed in U.S. dollars are not included in the original audited consolidated financial statements. Such U.S. dollar amounts are translated in accordance with the basis stated in “Basis of Presentation” in the next page and are additionally presented herein solely for the convenience of readers outside Japan, and are not subject to audit.

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 to the application and disclosure requirements of International Financial Reporting Standards, and which are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
- (2) The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of readers outside Japan, have been translated into U.S. dollars at the rate of ¥ 122.39 to U.S. \$ 1.00, the approximate rate of exchange prevailing at March 31, 2022. 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. Japanese yen figures less than a million yen are rounded down to the nearest million yen, and U.S. dollars figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

CONSOLIDATED BALANCE SHEET

As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
ASSETS			
Current assets			
Cash and deposits (Note 9 (2))	¥44,749	¥ 130,529	\$365,633
Notes and accounts receivable-trade (Note 9 (2))	—	297,718	—
Notes receivable-trade	60,227	—	492,097
Accounts receivable-trade	260,231	—	2,126,249
Contract assets	3,983	—	32,546
Short-term investments	11,074	5,725	90,483
Merchandise and finished goods (Note 9 (2))	98,616	86,440	805,759
Work in process (Note 9 (2))	20,294	19,273	165,816
Raw materials and supplies (Note 9 (2))	106,266	89,090	868,265
Short-term loans receivable (Note 9 (2))	4,764	4,324	38,926
Accounts receivable-other	18,575	19,608	151,772
Other (Note 9 (2))	18,800	17,734	153,614
Allowance for doubtful accounts	(1,790)	(1,675)	(14,625)
Total current assets	645,795	668,770	5,276,539
Non-current assets			
Property, plant and equipment			
Buildings and structures	709,982	685,779	5,800,985
Accumulated depreciation (Note 9 (7))	(513,533)	(494,548)	(4,195,879)
Buildings and structures (Net) (Notes 9 (2), (8))	196,448	191,231	1,605,106
Machinery, equipment and vehicles	2,495,207	2,389,121	20,387,351
Accumulated depreciation (Note 9 (7))	(2,156,261)	(2,090,184)	(17,617,957)
Machinery, equipment and vehicles (Net) (Notes 9 (2), (8))	338,946	298,937	2,769,394
Tools, furniture and fixtures	61,622	60,791	503,495
Accumulated depreciation (Note 9 (7))	(56,037)	(55,099)	(457,856)
Tools, furniture and fixtures (Net) (Note 9 (2))	5,585	5,691	45,638
Land (Notes 9 (2), (5))	240,765	239,052	1,967,199
Forests (Note 9 (2))	116,490	105,560	951,793
Plantations (Notes 9 (2), (8))	92,343	85,584	754,504
Leased assets	65,356	55,844	534,005
Accumulated depreciation (Note 9 (7))	(22,713)	(19,767)	(185,579)
Leased assets (Net)	42,643	36,077	348,426
Construction in progress (Note 9 (2))	94,091	79,279	768,783
Total property, plant and equipment	1,127,315	1,041,413	9,210,845
Intangible assets			
Goodwill	3,472	3,122	28,369
Other (Note 9 (2))	8,079	9,049	66,017
Total intangible assets	11,552	12,171	94,386

OJI HOLDINGS CORPORATION

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investments and other assets			
Investment securities (Notes 9 (1), (2))	168,545	163,961	1,377,117
Long-term loans receivable	5,571	6,933	45,518
Long-term prepaid expenses	3,497	3,692	28,580
Net defined benefit asset	61,542	60,993	502,836
Deferred tax assets	8,819	7,074	72,064
Other (Note 9 (2))	22,095	17,379	180,529
Allowance for doubtful accounts	(982)	(952)	(8,026)
Total investments and other assets	269,089	259,083	2,198,619
Total non-current assets	1,407,956	1,312,668	11,503,852
Total assets	¥2,053,752	¥1,981,438	\$16,780,391

OJI HOLDINGS CORPORATION

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade (Note 9 (2))	¥234,650	¥197,950	\$ 1,917,239
Short-term loans payable (Note 9 (2))	166,445	129,963	1,359,957
Accounts payable-other (Note 9 (2))	24,653	20,741	201,434
Accrued expenses	51,457	48,874	420,441
Income taxes payable	23,993	11,526	196,042
Other	31,818	32,657	259,979
Total current liabilities	533,020	441,713	4,355,095
Non-current liabilities			
Bonds	155,000	155,000	1,266,443
Long-term loans payable (Note 9 (2))	329,062	362,718	2,688,638
Deferred tax liabilities	64,013	59,892	523,029
Deferred tax liabilities for land revaluation (Note 9 (5))	7,737	7,739	63,218
Net defined benefit liability	54,022	54,010	441,396
Long-term deposits	6,809	7,305	55,639
Other	28,616	27,450	233,812
Total non-current liabilities	645,261	674,117	5,272,178
Total liabilities	¥ 1,178,282	¥ 1,115,831	\$ 9,627,274
CONTINGENT LIABILITIES (Note 9 (3))			
NET ASSETS			
Shareholders' equity			
Common stock	103,880	103,880	848,769
Capital surplus	99,163	109,100	810,226
Retained earnings	567,150	493,224	4,633,963
Treasury stock	(13,277)	(13,400)	(108,483)
Total shareholders' equity	756,918	692,805	6,184,476
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	30,500	31,654	249,208
Deferred gains and losses on hedges	2,076	2,721	16,963
Revaluation reserve for land (Note 9 (5))	5,728	5,684	46,802
Foreign currency translation adjustment	29,593	(6,418)	241,799
Remeasurements of defined benefit plans	26,415	24,533	215,829
Total accumulated other comprehensive income	94,314	58,176	770,602
Share acquisition rights	157	199	1,289
Non-controlling interests	24,080	114,426	196,749
Total net assets	875,470	865,606	7,153,117
Total liabilities and net assets	¥2,053,752	¥1,981,438	\$ 16,780,391

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF INCOME

Fiscal years ended March 31, 2022 and 2021

(Consolidated Statement of Income)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net sales	¥ 1,470,161	¥ 1,358,985	\$ 12,012,108
Cost of sales (Notes 10 (1), (2))	1,126,207	1,031,553	9,201,792
Gross profit	343,954	327,431	2,810,315
Selling, general and administrative expenses			
Freight expenses	112,417	131,590	918,518
Warehouse expenses	6,771	6,506	55,325
Salaries and wages	52,957	51,921	432,690
Retirement benefit expenses	(241)	853	(1,976)
Depreciation and amortization	5,624	6,343	45,956
Other	46,306	45,422	378,349
Total selling, general and administrative expenses (Note 10 (1))	223,834	242,638	1,828,864
Operating income	120,119	84,793	981,451
Non-operating income			
Interest income	883	1,121	7,216
Dividends income	3,269	3,170	26,715
Exchange gain	15,404	4,616	125,867
Equity in earnings of affiliates	2,679	142	21,890
Other	8,145	5,524	66,549
Total non-operating income	30,381	14,576	248,239
Non-operating expenses			
Interest expenses	6,692	6,791	54,679
Other	8,708	9,516	71,156
Total non-operating expenses	15,401	16,308	125,835
Ordinary profit	135,100	83,061	1,103,854
Extraordinary income			
Gain on sale of non-current assets (Note10 (3))	1,955	398	15,977
Gain on return of assets from retirement benefits trust	1,049	—	8,576
Insurance claim income	904	2,866	7,389
Gain on sale of investment securities	651	292	5,326
Gain on sale of businesses	—	906	—
Profit on subsidiary status change from equity method affiliate to consolidated subsidiary	—	808	—
Other	345	473	2,820
Total extraordinary income	4,906	5,746	40,090
Extraordinary loss			
Impairment loss (Note10 (4))	2,968	497	24,254
Loss on disposal of non-current assets (Note10 (5))	2,283	1,459	18,659
Loss on disaster	2,007	2,065	16,401
Loss on business restructuring (Note10 (6))	1,869	1,977	15,278
Other	1,615	1,923	13,200
Total extraordinary losses	10,745	7,923	87,795
Profit before income taxes	129,262	80,883	1,056,150
Income taxes-current	37,476	28,830	306,204
Income taxes-deferred	(614)	354	(5,019)
Total income taxes	36,861	29,185	301,184
Profit	92,400	51,698	754,966
Profit attributable to non-controlling interests	4,890	2,062	39,957
Profit attributable to owners of parent	¥87,509	¥ 49,635	\$ 715,008

The accompanying notes are an integral part of these financial statements.

(Consolidated Statement of Comprehensive Income)**For the years ended March 31, 2022 and 2021**

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Profit	¥ 92,400	¥ 51,698	\$ 754,966
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,655)	9,305	(13,525)
Deferred gains and losses on hedges	(711)	3,633	(5,814)
Foreign currency translation adjustment	42,093	(12,937)	343,926
Remeasurements of defined benefit plans	277	18,258	2,268
Share of other comprehensive income (loss) of entities accounted for using equity method	2,984	2,221	24,387
Total other comprehensive income (loss) (Note 11(1))	42,988	20,481	351,242
Comprehensive income (loss)	¥ 135,388	¥ 72,179	\$ 1,106,208
(Breakdown)			
Comprehensive income (loss) attributable to owners of parent	¥ 123,713	¥ 74,429	\$ 1,010,817
Comprehensive income (loss) attributable to non-controlling interests	11,674	(2,249)	95,391

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fiscal years ended March 31, 2022 and 2021

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2020	¥ 103,880	¥ 110,750	¥ 457,568	¥ (13,577)	¥ 658,623
Changes of items during the year					
Cash dividends	—	—	(13,888)	—	(13,888)
Profit attributable to owners of parent	—	—	49,635	—	49,635
Purchase of treasury stock	—	—	—	(4)	(4)
Disposal of treasury stock	—	(19)	—	181	162
Change in treasury stock arising from changes in equity in affiliates	—	—	—	(0)	(0)
Change of scope of consolidation	—	—	(200)	—	(200)
Transfer to capital surplus from retained earnings	—	19	(19)	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	(1,650)	—	—	(1,650)
Reversal of revaluation reserve for land	—	—	128	—	128
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(1,650)	35,655	176	34,182
Balance at April 1, 2021	¥ 103,880	¥ 109,100	¥ 493,224	¥ (13,400)	¥ 692,805
Cumulative effects of changes in accounting policies					
	—	—	110	—	110
Restated balance	¥ 103,880	¥ 109,100	¥ 493,334	¥ (13,400)	¥ 692,915
Changes of items during the year					
Cash dividends	—	—	(13,889)	—	(13,889)
Profit attributable to owners of parent	—	—	87,509	—	87,509
Purchase of treasury stock	—	—	—	(5)	(5)
Disposal of treasury stock	—	(26)	—	128	102
Change in treasury stock arising from changes in equity in affiliates	—	—	—	(0)	(0)
Change of scope of consolidation	—	—	406	—	406
Increase by merger of consolidated subsidiaries	—	—	(141)	—	(141)
Transfer to capital surplus from retained earnings	—	26	(26)	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	(9,937)	—	—	(9,937)
Reversal of revaluation reserve for land	—	—	(43)	—	(43)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(9,937)	73,815	123	64,002
Balance at March 31, 2022	¥ 103,880	¥ 99,163	¥ 567,150	¥ (13,277)	¥ 756,918

OJI HOLDINGS CORPORATION

Millions of yen

	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	
Balance at April 1, 2020	¥ 21,004	¥ (957)	¥ 5,813	¥ 2,390	¥ 5,261	¥ 33,512	¥ 216	¥ 139,305	¥ 831,657
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(13,888)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	49,635
Purchase of treasury stock	—	—	—	—	—	—	—	—	(4)
Disposal of treasury stock	—	—	—	—	—	—	—	—	162
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	(0)
Change of scope of consolidation	—	—	—	—	—	—	—	—	(200)
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	(1,650)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	128
Net changes of items other than shareholders' equity	10,650	3,679	(128)	(8,809)	19,271	24,664	(16)	(24,879)	(232)
Total changes of items during the year	10,650	3,679	(128)	(8,809)	19,271	24,664	(16)	(24,879)	33,949
Balance at April 1, 2021	¥ 31,654	¥ 2,721	¥ 5,684	¥ (6,418)	¥ 24,533	¥ 58,176	¥ 199	¥ 114,426	¥ 865,606
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	(0)	110
Restated balance	¥ 31,654	¥ 2,721	¥ 5,684	¥ (6,418)	¥ 24,533	¥ 58,176	¥ 199	¥ 114,425	¥ 865,717
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(13,889)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	87,509
Purchase of treasury stock	—	—	—	—	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	—	—	—	—	102
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	(0)
Change of scope of consolidation	—	—	—	—	—	—	—	—	406
Increase by merger of consolidated subsidiaries	—	—	—	—	—	—	—	—	(141)
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	(9,937)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	(43)
Net changes of items other than shareholders' equity	(1,154)	(645)	43	36,012	1,882	36,137	(41)	(90,345)	(54,249)
Total changes of items during the year	(1,154)	(645)	43	36,012	1,882	36,137	(41)	(90,345)	9,752
Balance at March 31, 2022	¥ 30,500	¥ 2,076	¥ 5,728	¥ 29,593	¥ 26,415	¥ 94,314	¥ 157	¥ 24,080	¥ 875,470

OJI HOLDINGS CORPORATION

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	\$ 848,769	\$ 891,419	\$ 4,029,940	\$ (109,492)	\$ 5,660,636
Cumulative effects of changes in accounting policies			902		902
Restated balance	\$ 848,769	\$ 891,419	\$ 4,030,843	\$ (109,492)	\$ 5,661,539
Changes of items during the year					
Cash dividends	—	—	(113,488)	—	(113,488)
Profit attributable to owners of parent	—	—	715,008	—	715,008
Purchase of treasury stock	—	—	—	(43)	(43)
Disposal of treasury stock	—	(213)	—	1,052	839
Change in treasury stock arising from changes in equity in affiliates	—	—	—	(0)	(0)
Change of scope of consolidation	—	—	3,322	—	3,322
Increase by merger of consolidated subsidiaries	—	—	(1,155)	—	(1,155)
Transfer to capital surplus from retained earnings	—	213	(213)	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	(81,192)	—	—	(81,192)
Reversal of revaluation reserve for land	—	—	(354)	—	(354)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(81,192)	603,119	1,009	522,936
Balance at March 31, 2022	\$ 848,769	\$ 810,226	\$ 4,633,963	\$ (108,483)	\$ 6,184,476

OJI HOLDINGS CORPORATION

Thousands of U.S. dollars

	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	
Balance at April 1, 2021	\$ 258,640	\$ 22,239	\$ 46,448	\$ (52,442)	\$ 200,449	\$ 475,335	\$ 1,626	\$ 934,929	\$ 7,072,528
Cumulative effects of changes in accounting policies								(0)	902
Restated balance	\$ 258,640	\$ 22,239	\$ 46,448	\$ (52,442)	\$ 200,449	\$ 475,335	\$ 1,626	\$ 934,928	\$ 7,073,430
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(113,488)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	715,008
Purchase of treasury stock	—	—	—	—	—	—	—	—	(43)
Disposal of treasury stock	—	—	—	—	—	—	—	—	839
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	(0)
Change of scope of consolidation	—	—	—	—	—	—	—	—	3,322
Increase by merger of consolidated subsidiaries	—	—	—	—	—	—	—	—	(1,155)
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—	—
Change in treasury stock of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	(81,192)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	(354)
Net changes of items other than shareholders' equity	(9,431)	(5,276)	354	294,242	15,379	295,267	(337)	(738,179)	(443,249)
Total changes of items during the year	(9,431)	(5,276)	354	294,242	15,379	295,267	(337)	(738,179)	79,686
Balance at March 31, 2022	\$ 249,208	\$ 16,963	\$ 46,802	\$ 241,799	\$ 215,829	\$ 770,602	\$ 1,289	\$ 196,749	\$ 7,153,117

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Fiscal years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash flows from operating activities			
Profit before income taxes	¥129,262	¥80,883	\$1,056,150
Depreciation and amortization	65,885	62,758	538,322
Impairment loss	2,968	497	24,254
Amortization of goodwill	804	1,099	6,576
Depletion of standing timber	6,995	6,958	57,154
Increase (decrease) in allowance for doubtful accounts	31	(52)	254
(Increase) decrease in net defined benefit asset	(3,498)	(2,913)	(28,586)
Increase (decrease) in net defined benefit liability	(60)	760	(494)
Interest and dividend income	(4,152)	(4,292)	(33,931)
Interest expenses	6,692	6,791	54,679
Exchange loss (gain)	(12,626)	(3,946)	(103,168)
Equity in (earnings) losses of affiliates	(2,679)	(142)	(21,890)
Loss (gain) on sale of investment securities	282	438	2,308
Loss (gain) on return of assets from retirement benefits trust	(1,049)	-	(8,576)
Loss on disposal of non-current assets	2,283	1,459	18,659
Loss (gain) on sale of non-current assets	(1,948)	(366)	(15,923)
Business structure improvement expenses	1,869	1,977	15,278
Loss (gain) on sale of businesses	-	(906)	-
Loss (gain) on subsidiary status change from equity method affiliate to consolidated subsidiary	-	(808)	-
(Increase) decrease in trade receivables	(20,960)	1,870	(171,263)
(Increase) decrease in inventories	(26,001)	20,163	(212,450)
Increase (decrease) in trade payables	33,937	(11,933)	277,293
Other	(11,262)	6,237	(92,025)
Subtotal	166,771	166,535	1,362,620
Interest and dividend income received	4,962	5,397	40,550
Interest paid	(5,805)	(5,623)	(47,431)
Income taxes paid	(22,341)	(39,202)	(182,543)
Net cash provided by operating activities	143,587	127,107	1,173,196
Cash flows from investing activities			
Payment for acquisition of property, plant, equipment and intangible assets	(98,659)	(94,674)	(806,108)
Proceeds from sales of property, plant, equipment and intangible assets	2,905	854	23,741
Payment for acquisition of investment securities	(1,308)	(1,916)	(10,693)
Proceeds from sales and redemption of investment securities	4,967	1,163	40,591
Payment for loans receivable	(546)	(1,066)	(4,463)
Proceeds from collection of loans receivable	1,640	1,396	13,406
Payment from changes in ownership interests in subsidiaries that result in change of scope of consolidation	(1,441)	-	(11,780)
Other	(125)	2,682	(1,027)

OJI HOLDINGS CORPORATION

Net cash used in investing activities	(92,567)	(91,559)	(756,334)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(23,001)	(4,049)	(187,938)
Net increase (decrease) in commercial paper	-	(14,000)	-
Proceeds from long-term loans payable	26,003	71,279	212,464
Repayment of long-term loans payable	(5,218)	(43,250)	(42,641)
Proceeds from issuance of bonds	-	74,561	-
Payment for redemption of bonds	-	(20,000)	-
Purchase of treasury shares of subsidiaries	(77,000)	(24,162)	(629,139)
Repayments of lease obligations	(6,952)	(4,786)	(56,805)
Dividends paid	(13,889)	(13,888)	(113,488)
Payment from changes in ownership interests in subsidiaries that do not result in change of scope of consolidation	(35,059)	(584)	(286,455)
Other	(883)	(1,186)	(7,215)
Net cash provided by (used in) financing activities	(136,002)	19,932	(1,111,220)
Effect of exchange rate change on cash and cash equivalents	4,691	(2,169)	38,328
Net increase (decrease) in cash and cash equivalents	(80,291)	53,310	(656,030)
Cash and cash equivalents at the beginning of the year	135,669	82,390	1,108,505
Increase in cash and cash equivalents resulting from mergers of subsidiaries	115	7	946
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(20)	(39)	(163)
Cash and cash equivalents at the end of the year (Note 13)	¥ 55,474	¥ 135,669	\$ 453,257

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 186 (188 in the year ended March 31, 2021)

Main consolidated subsidiaries include:

Oji Container Co., Ltd., Oji Materia Co., Ltd., Oji Seitai Co., Ltd., Oji Packaging Co., Ltd., Morishigyo Co., Ltd., Oji Interpack Co., Ltd., Chuetsu Package Co., Ltd., Oji Adba Co., Ltd., Paperbox Holdings Ltd., GSPP Holdings Sdn. Bhd., GS Paperboard & Packaging Sdn. Bhd., Oji Asia Packaging Sdn. Bhd., HPI Resources Bhd., Harta Packaging Industries Sdn. Bhd., S. Pack & Print Public Co., Ltd., Ojtex (Vietnam) Co., Ltd., Ojtex Haiphong Co., Ltd., Oji Packaging (Shanghai) Co., Ltd., Suzhou Oji Packaging Co., Ltd., Oji Nepia Co., Ltd., Oji Asia Household Product Sdn. Bhd., Oji Tac Co., Ltd., Oji Kinocloth Co., Ltd., Oji F-Text Co., Ltd., Oji Imaging Media Co., Ltd., New Tac Kasei Co., Ltd., Chuetsu Co., Ltd., Oji Papéis Especiais Ltda., Kanzaki Specialty Papers Inc., KANZAN Spezialpapiere GmbH, Oji Paper (Thailand) Ltd., Oji Label (Thailand) Ltd., Tele-Paper (M) Sdn. Bhd., Hyper-Region Labels Sdn. Bhd., Oji Kinocloth (Shanghai) Co., Ltd., Oji Cornstarch Co., Ltd., MPM Oji Eco-Energy Co., Ltd., Oji Green Resources Co., Ltd., Oji Forest & Products Co., Ltd., Oji Green Energy Ebetsu Co., Ltd., Oji Green Energy Nichinan Co., Ltd., Japan Brazil Paper and Pulp Resources Co., Ltd., Celulose Nipo-Brasileira S.A., Pan Pac Forest Products Ltd., Oji Paper Co., Ltd., Jiangsu Oji Paper Co., Ltd., Oji Oceania Management Co., Ltd., Oji Oceania Management (NZ) Ltd., Oji Fibre Solutions (NZ) Ltd., Oji Logistics Co., Ltd., Kyokuyo Co., Ltd., Oji Engineering Co., Ltd., Oji Real Estate Co., Ltd., Ginpo Pack Co., Ltd., Hotel New Oji Co., Ltd., Oji Management Office Inc., Oji Asia Management Sdn. Bhd., and 129 other companies

Changes in the consolidated subsidiaries during the year ended March 31, 2022 are as follows:

The Company has newly added one company into the scope of consolidation in the current fiscal year. The reason for this was stock acquisition. Three companies have been excluded from the scope of consolidation. Two companies were excluded as the companies were no longer material to the consolidated financial statements and one company was excluded due to a stock sale.

- (2) Main unconsolidated subsidiaries:
PT. Korintiga Hutani, Tomakomai Energy Kosha Co., Ltd. and DHC Ginza Co., Ltd.
- (3) Reasons for excluding from the consolidation scope:
These companies are excluded from the scope of consolidation, as all are small-sized companies and their total assets, net sales, profit (corresponding to equity share), retained earnings (corresponding to equity share), etc., do not have significant impact on the consolidated financial statements.

2. Application of the Equity Method

- (1) Unconsolidated subsidiaries and affiliates to which the equity method was applied: 1 (1 in the year ended March 31, 2021)
Company name: PT. Korintiga Hutani

Number of affiliates under the equity method: 23 (23 in the year ended March 31, 2021)

Main affiliates accounted for using the equity method include:

Mitsubishi Paper Mills Limited, Chuetsu Pulp & Paper Co., Ltd., Okayama Paper Industries Co., Ltd., Sunshine Oji (Shouguang) Specialty Paper Co., Ltd., PT Oji Indo Makmur Perkasa, and other 18 companies.

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

- (3) Reasons for exclusion from application of the equity method:
 Unconsolidated subsidiaries and affiliates have not been included in scope of the equity method application as their total profit (corresponding to equity share), retained earnings (corresponding to equity share), etc., do not have a significant impact on the consolidated financial statements.

3. Matters Concerning the Fiscal Year of Consolidated Subsidiaries

The fiscal year-end of the Company's following consolidated subsidiaries is December 31:
 Oji Papéis Especiais Ltda., Celulose Nipo-Brasileira S.A., Jiangsu Oji Paper Co., Ltd., Oji Fibre Solutions (NZ) Ltd. and 77 other companies.

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 as necessary for the purpose of consolidation in respect of the material transactions that occurred between such fiscal year-end dates and the consolidated account closing date. For some of these consolidated subsidiaries, the Company used financial statements, prepared on a provisional basis at the Company's closing date using the same close process as used for the preparation of the full-year financial statements.

4. Summary of Significant Accounting Policies

(1) Method of valuation of significant assets

- (i) Securities
- | | |
|--|---|
| Held-to-maturity debt securities: | Stated at cost using the amortized cost method. |
| Available-for-sale securities | |
| Those other than stocks without market quotations: | Stated at fair 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 securities sold calculated using the moving-average method). |
| Stocks 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 consolidated balance sheet amount is calculated by writing down amounts to the net realizable value based on any decline in 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), improvements of buildings and structures acquired on or after April 1, 2016 and for certain consolidated subsidiaries)
- (ii) Leased assets
 Depreciation of leased assets is calculated by using the straight-line method over the period of the lease contract term with no residual value.

(3) Significant provisions

Allowance for doubtful accounts

In order to prepare for potential credit losses on receivables outstanding at the end of the fiscal year, a provision is recorded in respect of an estimated uncollectible amount based on the historical rate of credit loss with respect to normal receivables as well as an amount determined after consideration of the specific collectability of individual accounts receivable and certain other receivables.

(4) Accounting treatment for retirement benefits

(i) Method of allocating projected retirement benefit obligation to periods

The benefit formula method is used for attributing the estimated amount of the retirement benefit obligation to periods up to the end of the fiscal year under review in the calculation of net defined benefit liability.

(ii) Amortization of actuarial gains and losses and prior service costs

Prior service costs are amortized using the straight-line method over a period reflecting the average remaining service period (11 – 19 years) of the employees in service during the period in which costs arise. Actuarial gains and losses are amortized from the fiscal year following recognition using the straight-line method over a period reflecting the average remaining service period (11 – 18 years) of the employees in service during the period in which they arise.

(iii) Adoption of simplified method at small-scale companies, etc.

Certain consolidated subsidiaries use a simplified method, which uses the net defined benefit liability to be the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end, to calculate the net defined benefit liability and retirement benefit expenses.

(5) Standards for recognition of material revenues and expenses

The Group recognizes its revenues in accordance with the following five-step approach:

Step 1: Identify the contract with a customer

Step 2: Identify performance obligations under the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations under the contract

Step 5: Recognize revenue when the Group fulfills the performance obligations (or as it fulfills them)

(i) Sale of finished goods and merchandise

The Group's main business activities are manufacturing and selling pulp, paper, and other products, as well as purchasing and selling merchandise. In selling such finished goods and merchandise, the Group recognizes revenue at the time the finished goods and merchandise are delivered to the customer as the Group deems that the customer obtains control of its finished goods and merchandise. Thus, the performance obligation is fulfilled upon their delivery. However, revenue is recognized at the time of shipment for sale in Japan if the period between the shipment and the delivery to the customer falls within the normal range of period. In addition, when the Group acts as an agent in the sale of merchandise, revenue is recognized in the net amount. The Group determines if it carries out a transaction as a principal or an agent based on whether it controls the identified merchandise before it is transferred to the customer. The Group treats the activity of shipping or transporting finished goods and merchandise to the customer as an activity to perform the promise of transferring finished goods and merchandise and does not recognize it as a performance obligation.

(ii) Provision of services (including construction contracts)

The Group provides services mainly in the engineering and logistics businesses. For the provision of services, the Group estimates the degree of progress related to fulfillment of performance obligations and recognizes revenue over a certain period of time based on the said degree of progress. The degree of progress is calculated based on the ratio of actual costs against the estimated total costs (input method). However, if the period from the beginning of the transaction under a contract until the performance obligation is expected to be completely fulfilled is very short, the Group does not recognize revenue for a certain period of time and recognizes revenue when the performance obligation is completely fulfilled.

Judgement involved in revenue recognition

The transaction price is calculated by deducting the amount of variable consideration, including discounts and rebates, from the amount of the consideration promised under the contract with a customer. Such variable consideration includes elements of estimates. Estimates are based on the Group's past experience and reasonable forecasts negotiated with customers at the time of the estimates, and are included in the transaction price to the extent that it is highly probable that a significant reversal will not occur.

Most contracts involve a single performance obligation whose transaction price is indicated in the contract. For contracts that involve multiple performance obligations, the Group allocates the transaction price to each performance obligation based on the standalone selling price. The standalone selling price is the price at which the Group expects to sell promised goods or services to individual customers.

A consideration under a contract is typically received within a year from the time at which the finished goods, merchandise or services are delivered to the customer. No significant financing component is included.

- (6) Standards for translation of significant foreign-currency denominated assets and liabilities into Japanese yen
Foreign-currency denominated monetary claims and obligations are translated into yen using the spot exchange rate on the account closing date, and translation differences are recorded in the consolidated statement of income. The assets, liabilities, income and expenses of overseas subsidiaries, etc., are translated into yen using the spot exchange rate on the respective account closing date, and translation differences are recorded in foreign currency translation adjustments and non-controlling interests under net assets.

(7) Significant method for hedge accounting

(i) Hedge accounting method

In principle, the Group adopts the deferred hedge accounting method for hedging instruments whereby any gains or losses arising from the instrument 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 (special treatment). 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 (appropriate treatment). Transactions hedged by interest and currency swaps which meet certain conditions for integrated treatment (special treatment, appropriate treatment) are accounted for using the integrated treatment.

(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
Currency options	Monetary assets/liabilities denominated in foreign currencies
Interest rate and currency swaps	Foreign-currency denominated loans payable
Interest rate swaps	Loans payable
Commodity swaps	Electricity

(iii) Hedging policy

The risk management policy of the Group requires hedging against 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.

(8) Method and period for amortizing goodwill

Goodwill is amortized using the straight-line method over a period reflecting the estimated useful life of each acquisition capped at a maximum of 20 years. If the value of goodwill is immaterial, the aggregate amount is written off in the fiscal year in which it arises.

(9) Scope of funds in consolidated statement of cash flows

For the purpose of the consolidated statement 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 readily converted into cash with little risk of change in value.

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

Application of consolidated taxation system

Consolidated taxation system is applied.

(Application of Tax Effect Accounting for Transition from Consolidated Taxation System to the Group Tax Sharing System)

The Company and certain consolidated domestic subsidiaries will transition to the Group Tax Sharing System in the next fiscal year. However, regarding the items for which the individual taxation system was reviewed in line with the transition to the Group Tax Sharing System and the transition to the Group Tax Sharing System that was established under the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020), in line with the treatment of Paragraph 3 of the “Treatment of Application of Tax Effect Accounting for Transition from Consolidated Taxation system to Group Tax Sharing System” (Practice Issues Task Force (“PITF”) No. 39, March 31, 2020), the Company and certain consolidated domestic subsidiaries will not apply Paragraph 44 of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law prior to the revision.

From the beginning of the next fiscal year, the Company and certain consolidated domestic subsidiaries will apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Issues Task Force (“PITF”) No.42, August 12, 2021), which stipulates the handling of accounting treatment and disclosure of corporate taxes, local corporate taxes and tax effect accounting in applying the Group Tax Sharing System.

5. Significant Accounting Estimates

1. Impairment of non-current assets

The Group determines whether there is an indication of impairment of assets or asset groups with respect to property, plant and equipment, and intangible assets including goodwill, etc. If an indication of potential impairment of assets or asset groups exists and an impairment loss needs to be recognized, the Group estimates the recoverable amount of such assets or asset groups. The recoverable amount of assets or asset groups is the higher of the net realizable value and value in use and the book value is reduced to the recoverable amount for items whose recoverable amount falls below the book value. Such loss is recorded as an impairment loss. Value in use is calculated based on certain assumptions, such as remaining economic useful life, future cash flows, discount rates, and others of assets or asset groups.

Significant accounting estimates on the impairment of non-current assets recognized in the current fiscal year are as follows.

(Assessment of indications of impairment of non-current assets in the base paper of household paper business)

In the household and industrial materials segment, manufacturing facilities for the base paper of household

paper began operation in China in July 2020. However, as the business has been behind the business plan due to, among others, a sluggish market of the base paper of household paper and price increase in raw materials and fuel, the Group assessed an indication of impairment of non-current assets (¥ 11,035 million (\$ 90,166 thousand)) in relation to the business in accordance with the International Financial Reporting Standards.

In the assessment, the Group compared and analyzed the actual results with the business plan prepared at the time of the capital investment and considered the future business plan. As a result, the Group concluded that there was no indication of impairment identified in light of International Accounting Standard No. 36 “Impairment of Assets.”

The future business plan includes certain assumptions such as pulp purchase prices based on pulp market forecasts by external organizations, product selling prices based on these purchase prices, future product demand, raw material and fuel prices, and other factors. These estimates and assumptions are determined based on the best estimate and judgement by management and the Group considered them appropriate, however, they may impact the future business plan depending on changes in selling prices, product demand, raw material and fuel prices and other factors. If they need to be revised, it may impact the amounts recognized in future consolidated financial statements.

2. Collectability of deferred tax assets

(1) Amounts recorded on the consolidated financial statements for the current fiscal year

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Deferred tax assets	¥ 8,819	¥ 7,074	\$ 72,064

The deferred tax assets recorded in the consolidated financial statements as of the current fiscal year are described in note “20 Tax Effect Accounting”.

(2) Information on the content of significant accounting estimates for identified items

With respect to deductible temporary differences, loss brought forward, and unused deferred tax credits, the Group records deferred tax assets after deducting the tax amount that is not expected to be collected in the future accounting periods from the tax amount thereof. The judgment of collectability in the future accounting periods is made on the assumption of the estimates for taxable income in the future fiscal years based on the business plan drawn up by the Group. The Company and certain consolidated domestic subsidiaries have adopted the consolidated taxation system, and conduct tax effect accounting treatment in the type of applying the consolidated taxation system.

The Group determines the estimates of taxable income by the best estimate and judgment by the management and considers them as appropriate. However, a change in future business plans, economic conditions, and other factors, as well as revision and promulgation of relevant laws and regulations may affect the estimates. If they need to be reviewed, it may affect the amount recognized in the future consolidated financial statements.

3. Net defined benefit liability and net defined benefit asset

(1) Amounts recorded on the consolidated financial statements for the current fiscal year

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Net defined benefit asset	¥ 61,542	¥ 60,993	\$ 502,836
Net defined benefit liability	¥ 54,022	¥ 54,010	\$ 441,396

The amounts related to the retirement benefit accounting recorded in the consolidated financial statements as of the current fiscal year are described in note “18 Retirement Benefits”.

(2) Information on the content of significant accounting estimates for identified items

In order to prepare for the provision of retirement benefits for employees, the Group records net defined

benefit liability or net defined benefit asset after deducting the amount of pension assets from retirement benefit obligations based on the estimated amounts as of the end of a fiscal year. Retirement benefit obligations are calculated based on actuarial assumptions. These assumptions include long-term expected return on pension assets, turnover rate, mortality rate, and others.

The Group determines these assumptions by the best estimate and judgment by the management and considers them as appropriate. However, a change in discount rates, mortality rates, and others due to a change in economic conditions may affect the assumptions. If they need to be reviewed, it may affect the amount recognized in the future consolidated financial statements.

6. Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020. Hereinafter “Revenue Recognition Standard”) and related guidelines have been adopted from the beginning of the current fiscal year. In line with this adoption, revenue is recognized at the time of the transfer of controls for promised goods or services to customers in the amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

The main changes due to the adoption of the new accounting standard are the accounting treatment of consideration paid to customers, such as sales incentives, and the accounting treatment of transactions in which purchased goods are sold to customers. With respect to sales incentives and other consideration paid to customers, a portion of the expenses that were previously recorded in selling, general and administrative expenses are now reduced from sales. In addition, as for transactions in which purchased goods are sold to customers, revenue was previously recognized at the total amount of consideration received from the customer, but has partly changed to be recognized at the net amount received from the customer less the amount paid to the supplier.

In adopting the Revenue Recognition Standard, in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Standard, the cumulative effect of retrospective application of the accounting policy to the beginning of the current fiscal year was charged to retained earnings at the beginning of the current fiscal year. The new accounting policy was applied from the beginning balance of the current fiscal year. However, the Group has applied the method prescribed in Paragraph 86 of the Revenue Recognition Standard and has not retrospectively applied the new accounting policy to contracts in which almost all the revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year. In addition, the Group has applied the method prescribed in Paragraph 86, supplementary sentence (1) of the Revenue Recognition Standard and accounted for contract changes made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract changes and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the current fiscal year.

As a result, for the current fiscal year, net sales decreased by ¥49,989 million, cost of sales decreased by ¥20,405 million, selling, general and administrative expenses decreased by ¥29,325 million, non-operating expenses decreased by ¥120 million, operating income decreased by ¥259 million, and ordinary profit and profit before income taxes each decreased by ¥139 million. In addition, the balance of retained earnings at the beginning of the current fiscal year increased by ¥110 million. The impact on Consolidated Balance Sheet, Consolidated Statement of Cash Flows, and per share information is immaterial.

Due to the adoption of the Revenue Recognition Standard, “Notes and accounts receivable – trade” which was presented in “Current assets” of the consolidated balance sheet for the previous fiscal year, is included in “Notes receivable – trade”, “Accounts receivable – trade”, and “Contract assets” from the current fiscal year. In accordance with the transitional treatment set forth in Article 89-2 of the Revenue Recognition Standard, consolidated financial statements for past periods have not been reclassified using the new presentation method. Also, in accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes about the “Revenue Recognition” for the prior fiscal year are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019. Hereinafter “Fair Value Measurement Standard”) and other standards have been adopted from the beginning of the current fiscal year, and in accordance with the transitional treatment set forth in Article 19 of Fair Value Measurement Standard and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July

4, 2019), the Group has determined to continue to apply new accounting policies prescribed by Fair Value Measurement Standard and other standards prospectively. The effects of this adoption on the consolidated financial statements are immaterial.

In addition, “Fair Value of Financial Instruments by levels” is presented in “Notes to financial instruments”. However, in accordance with the transitional treatment set forth in Article 7-4 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the prior fiscal year are not presented.

7. Accounting Standard, etc., Issued but Not Yet Applied

(Overseas subsidiaries and affiliates)

As of March 31, 2022, of those newly established or revised accounting standards the Group has not applied the following standards:

The amount of the impact from the application of the accounting standards noted below is currently being assessed.

Name of accounting standards, etc.	Outline	Fiscal year in which Company will apply standard, etc.
Leases ASU 2016-02	Revisions to accounting for leases	Fiscal year ended March 31, 2023

8. Changes in Presentation Method

(1) Consolidated Statement of Income

“Insurance income,” which was presented separately in “Non-operating income” for the fiscal year ended March 31, 2021 has decreased in materiality and is included in “Other” for the fiscal year ended March 31, 2022. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2021 have been restated. As a result, ¥ 1,894 million and ¥3,630 million that was presented as “Insurance income” in “Non-operating income” and “Other” in the consolidated statement of income for the fiscal year ended March 31, 2021 is now reclassified, and ¥ 5,524 million is presented in “Other”.

“Loss on sublet of facilities” which were presented separately in “Non-operating expenses” for the fiscal year ended March 31, 2021 has decreased in materiality and is included in “Other” for the fiscal year ended March 31, 2022. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2021 have been restated. As a result, ¥ 2,836 million and ¥6,680 million that was presented as “Loss on sublet of facilities” in “Non-operating expenses” and “Other” in the consolidated statements of income for the fiscal year ended March 31, 2021 is now reclassified, and ¥ 9,516 million is presented in “Other.”

“Gain on sale of non-current assets” and “Gain on sale of investment securities” ,which were included in “Other” in “Extraordinary income” for the fiscal year ended March 31, 2021, have increased in materiality and are presented separately for the fiscal year ended March 31, 2022. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2021 have been restated. As a result, ¥ 1,164 million that was presented as “Other” in “Extraordinary income,” in the consolidated statement of income for the fiscal year ended March 31,2021 are now reclassified, and ¥ 398 million is presented in “Gain on sale of non-current assets”, ¥ 292 million is presented in “Gain on sale of investment securities” and ¥ 473 million is presented in “Other.”

“Impairment loss” ,which was included in “Other” in “Extraordinary losses” for the fiscal year ended March 31, 2021, has increased in materiality and is presented separately for the fiscal year ended March 31, 2022. On the other hand, “Extra retirement payments” in “Non-operating income” for the fiscal year ended March 31, 2021 has decreased in materiality and is included in “Other” for the fiscal year ended March 31, 2022. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2021 have been restated. As a result, ¥ 995 million and ¥1,425 million that were respectively presented as “Extra retirement payments” and “Other” in “Extraordinary losses” in the consolidated statement of income for the fiscal year ended March 31, 2021 are now reclassified, and ¥ 497 million is presented in “Impairment loss”

and ¥ 1,923 million is presented in “Other.”

(2) Consolidated Statement of Cash Flows

“Impairment loss” (¥497 million in the previous fiscal year), “Loss (gain) on sale of investment securities” (¥438 million in the previous fiscal year) and “Loss (gain) on sale of non-current assets” (¥(366) million in the previous fiscal year) which were included in “Other” under “Cash flows from operating activities” in the previous fiscal year, are separately disclosed in the current fiscal year as its amount has become material.

“Payment from changes in ownership interests in subsidiaries that do not result in change of scope of consolidation” (¥(584) million in the previous fiscal year) which was included in “Other” under “Cash flows from financing activities” in the previous fiscal year, is separately disclosed in the current fiscal year as its amount has become material.

9. Notes to Consolidated Balance Sheet

(1) Investments in unconsolidated subsidiaries and affiliates

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Stocks	¥ 78,260	¥ 71,048	\$ 639,435
Investments in capital	87	98	715

(2) Assets pledged as collateral

(i) The following assets are pledged as collateral:

	Book value					
	(Millions of yen)				(Thousands of U.S. dollars)	
	March 31				March 31	
	2022		2021		2022	
Cash and deposits	¥1,636		¥ 1,760		\$ 13,370	
Notes and accounts receivable–trade	-		3,675		-	
Accounts receivable-trade	4,045		-		33,053	
Merchandise and finished goods	3,389		2,416		27,692	
Work in process	41		51		338	
Raw materials and supplies	486		550		3,975	
Short-term loans receivable	10,238		5,292		83,657	
Current assets - other	4,304		3,707		35,173	
Buildings and structures	9,097	(¥ 452)	8,173	(¥ 452)	74,333	(\$ 3,694)
Machinery, equipment and vehicles	10,377	(275)	9,677	(322)	84,791	(2,249)
Tools, furniture and fixtures	147	(14)	151	(16)	1,202	(119)
Land	9,457	(188)	9,443	(188)	77,275	(1,541)
Forests	3,123		1,943		25,523	
Plantations	23,372		21,458		190,967	
Construction in progress	1,283		771		10,486	
Intangible assets - other	604		1,867		4,936	
Investment securities	825		831		6,741	
Investment and other assets - other	39		39		325	
Total	¥ 82,471	(¥ 930)	¥ 71,814	(¥ 980)	\$ 673,844	(\$ 7,604)

Notes:

1, Of the above assets, figures in parentheses are pledged as industrial mortgages and industrial factory foundation revolving industrial mortgages.

2, Accounts receivable from consolidated subsidiaries of ¥597 million (\$4,884 thousand) (¥281 million as of March 2021), short-term loans receivable of ¥10,238 million (\$83,657 thousand) (¥5,292 million as of March 2021), and investments in securities of consolidated subsidiaries of ¥373 million (\$3,048 thousand) (¥373 million as of March 2021) have been eliminated in the consolidated balance sheet.

(ii) Secured liabilities are as follows:

	Book value					
	(Millions of yen)				(Thousands of U.S. dollars)	
	March 31				March 31	
	2022		2021		2022	
Short-term loans payable	¥ 1,964	(¥ 185)	¥ 3,234	(¥235)	\$ 16,055	(\$1,512)
Long-term loans payable	3,239		2,590		26,468	
Notes and accounts payable-trade	449		397		3,673	
Accounts payable-other	-		2		-	
Total	¥ 5,653	(¥ 185)	¥ 6,225	(¥235)	\$ 46,196	(\$1,512)

Notes:

Of the above assets, figures in parentheses are pledged as industrial mortgages and industrial factory foundation revolving industrial mortgages.

(3) Contingent liabilities

Guarantee obligations

The Company has committed to providing the following guarantees for loans and others borrowed from banks and other financial institutions by unconsolidated subsidiaries, affiliates, and employees as of March 31, 2022 and 2021, respectively.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
PT. Korintiga Hutani	¥ 6,675	¥ 6,742	\$ 54,540
Forest Corporation, Tokyo Branch	5,180	5,488	42,323
Other	403	747	3,294
Total	¥12,258	¥ 12,978	\$ 100,158

(4) Notes discounted, etc.

Notes discounted: ¥ 10,767 million (\$87,976 thousand) and ¥ 9,300 million as of March 31, 2022 and 2021, respectively

Notes receivable endorsed: ¥ 420 million (\$ 3,439 thousand) and ¥ 321 million as of March 31, 2022 and 2021, respectively

(5) 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 the appropriate 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.

(i) 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.

(ii) Revaluation date: March 31, 2002

(6) Loan commitment (borrower)

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

The balances of the unused portions under the agreement as of March 31, 2022 and 2021 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Aggregate amount of loan commitment	¥ 50,000	¥ 50,000	\$ 408,530
Balance of loan outstanding	—	—	—
Unused portion	¥ 50,000	¥ 50,000	\$ 408,530

(7) Accumulated depreciation includes accumulated impairment losses.

(8) The amounts of advanced depreciation deducted directly from the acquisition costs of certain non-current assets for the fiscal years ended March 31, 2022 and 2021 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Buildings and structures	¥ 0	¥ 0	\$ 3
Machinery, equipment and vehicles	11	304	91
Plantations	213	214	1,744
Total	¥ 225	¥ 519	\$ 1,839

10. Notes to Consolidated Statement of Income

(1) Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the fiscal years ended March 31, 2022 and 2021 were ¥ 9,209 million (\$ 75,246 thousand) and ¥ 9,704 million, respectively.

(2) The amount of inventories stated on the consolidated balance sheet at the end of the year is calculated by writing down the value based on any decline in profitability.

The loss on valuation of inventories included in the cost of sales for the fiscal years ended March 31, 2022 and 2021 were ¥ 1,508million (\$ 12,321 thousand) and ¥ (496) million, respectively.

(3) The breakdown of the gain on sales of non-current assets for the fiscal years ended March 31, 2022 and 2021 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Buildings and structures	¥ 59	¥ -	\$ 482
Machinery, equipment, vehicles and others	635	-	5,196
Land and others	1,260	398	10,298
Total	¥ 1,955	¥ 398	\$ 15,977

(4) Impairment loss

The Group carries out the asset grouping based on the smallest unit that generates largely independent cash flows by business segments for business assets and based on individual properties for lease real estate properties and idle assets.

In the current fiscal year, the Group wrote down the book values of asset groups that incurred consecutive operating losses and of idle assets whose market values have decreased significantly to their recoverable amounts if the recoverable amounts are lower than the book value. The Group booked the reduction amounts, totaling 3,418 million (\$ 27,932 thousand), as impairment loss in extraordinary losses.

The breakdown of the losses includes buildings and structures totaling 377 million (\$ 3,080 thousand) , machinery, equipment and vehicles totaling 1,873 million (\$ 15,304 thousand), tools, furniture and fixtures totaling 38 million (\$ 318 thousand), land totaling 1,046 million (\$ 8,548 thousand), and other totaling 83 million (\$ 680 thousand). Of these, 450 million (\$ 3,677 thousand) is included in loss on business restructuring under extraordinary losses.

If the net realizable value is used as the recoverable amount, an asset is appraised based on the real-estate appraisal standards, etc. If the value in use is used as the recoverable amount, it is calculated by discounting the future cash flow by 4.7%. If the value in use based on the future cash flow is negative, the recoverable value is deemed zero.

(5) Loss on disposal of non-current assets

For the fiscal years ended March 31, 2022 and 2021

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Buildings and structures	¥ 433	¥ 126	\$ 3,545
Machinery, equipment and vehicles	702	299	5,743
Tools, furniture and fixtures	25	11	210
Other	16	22	134
Demolishing costs	1,104	999	9,024
Total	¥ 2,283	¥ 1,459	\$ 18,659

(6) Loss on business restructuring

Loss on business restructuring includes mainly the amount of asset impairment and removal expenses associated with the decision to halt the production equipment at the Oji Materia Nayoro Mill and the Oji F-Text Ebetsu Mill.

11. Notes to Consolidated Statement of Comprehensive Income

(1) Reclassification adjustments and income tax relating to other comprehensive income

For the fiscal years ended March 31, 2022 and 2021

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ (1,887)	¥ 13,352	\$ (15,418)
Reclassification adjustments for gains and losses included in profit or loss	(622)	(51)	(5,089)
Amount before tax effect	(2,509)	13,300	(20,508)
Tax effect	854	(3,995)	6,982
Valuation difference on available-for-sale securities	(1,655)	9,305	(13,525)
Deferred gains and losses on hedges:			
Amount arising during the year	(3,055)	3,757	(24,966)
Reclassification adjustments for gains and losses included in profit or loss	2,085	1,282	17,037
Before tax effect adjustment	(970)	5,040	(7,929)
Tax effect	258	(1,407)	2,114
Deferred gains and losses on hedges	(711)	3,633	(5,814)
Foreign currency translation adjustment:			
Amount arising during the year	42,020	(12,937)	343,328
Reclassification adjustments for gains and losses included in profit or loss	73	—	597
Amount before tax effect	42,093	(12,937)	343,926
Tax effect	—	—	—
Foreign currency translation adjustment	42,093	(12,937)	343,926
Remeasurements of defined benefit plans:			
Amount arising during the year	6,387	27,717	52,191
Reclassification adjustments for gains and losses included in profit or loss	(5,983)	(1,165)	(48,886)
Amount before tax effect	404	26,551	3,304
Tax effect	(126)	(8,293)	(1,036)
Remeasurements of defined benefit plans	277	18,258	2,268
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the year	3,006	2,194	24,563
Reclassification adjustments for gains and losses included in profit or loss	(21)	27	(175)
Share of other comprehensive income of investments for which the equity method is applied	2,984	2,221	24,387
Other comprehensive income (loss)	¥ 42,988	¥ 20,481	\$ 351,242

12. Notes to Consolidated Statement of Changes in Equity

(1) Type and number of issued shares of common stock and treasury stock

For the fiscal year ended March 31, 2022

Type of shares	Number of shares at April 1, 2021	Increase	Decrease	Number of shares at March 31, 2022
Shares issued:				
Common stock	1,014,381,817	–	–	1,014,381,817
Total	1,014,381,817	–	–	1,014,381,817
Treasury stock:				
Common stock (Notes 1,2,3)	24,002,558	8,559	246,547	23,764,570
Total	24,002,558	8,559	246,547	23,764,570

Notes:

1. Increase in treasury stock	8,559
Details of the increase are as follows:	
Increase due to purchase of shares of less than the standard unit	8,555
Increase in treasury stock due to increase in shares of the Company attributable to the Company arising from an increase in equity method affiliates	4
2. Decrease in treasury stock	246,547
Details of the decrease are as follows:	
Decrease due to disposal of the Company's shares held by the Board Benefit Trust	123,393
Decrease due to exercising of stock options	120,000
Decrease in treasury stock arising from sales of treasury stock by consolidated subsidiaries	2,840
Decrease due to sale of shares of less than the standard unit	314
3. Number of shares of treasury stock at the end of the fiscal year ended March 31, 2022, includes 1,398,752 shares held by the Board Benefit Trust at March 31, 2022.	

For the fiscal year ended March 31, 2021

Type of shares	Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021
Shares issued:				
Common stock	1,014,381,817	–	–	1,014,381,817
Total	1,014,381,817	–	–	1,014,381,817
Treasury stock:				
Common stock (Notes 1,2,3)	24,368,163	9,403	375,008	24,002,558
Total	24,368,163	9,403	375,008	24,002,558

Notes:

1. Increase in treasury stock	9,403
Details of the increase are as follows:	
Increase due to purchase of shares of less than the standard unit	8,516
Increase in treasury stock due to increase in shares of the Company attributable to the Company arising from an increase in consolidated subsidiaries	843
Increase in treasury stock arising from changes in the Company's ownership interest in equity method affiliates	44
2. Decrease in treasury stock	375,008
Details of the decrease are as follows:	
Decrease due to disposal of the Company's shares held by the Board Benefit Trust	307,467

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Decrease due to exercising of stock options	64,000
Decrease in treasury stock arising from changes in the Company's ownership interest in equity method affiliates	2,878
Decrease due to sale of shares of less than the standard unit	663
3. Number of shares of treasury stock at the end of the fiscal year ended March 31, 2021, includes 1,522,145 shares held by the Board Benefit Trust at March 31, 2021.	

(2) Share acquisition rights

For the fiscal year ended March 31, 2022

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2022	
			Number of shares at April 1, 2021	Increase	Decrease	Number of shares at March 31, 2022	(Millions of yen)	(Thousands of U.S. dollars)
Parent company	Share acquisition rights as stock options	-	-	-	-	-	¥ 157	\$ 1,289
Total		-	-	-	-	-	¥ 157	\$ 1,289

For the fiscal year ended March 31, 2021

Company	Description	Type of shares issued	Number of shares issued				Balance at March 31, 2021	
			Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021	(Millions of yen)	
Parent company	Share acquisition rights as stock options	-	-	-	-	-	¥ 199	
Total		-	-	-	-	-	¥ 199	

(3) Dividends

(i) Amount of cash dividends distributed

For the fiscal year ended March 31, 2022

Resolution	Type of shares	Total dividend amount		Dividends per share (yen)	Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)			
Board of Directors' Meeting held on May 13, 2021	Common stock	¥ 6,944	\$ 56,742	¥ 7.0	March 31, 2021	June 7, 2021
Board of Directors' Meeting held on November 2, 2021	Common stock	6,945	56,746	7.0	September 30, 2021	December 1, 2021

Notes:

- Dividends for shares in the Board Benefit Trust are included in the total dividend amount in accordance with the resolution at the Board of Directors' Meeting held on May 13, 2021 (included amount; ¥ 10 million).
- Dividends for shares in the Board Benefit Trust are included in the total dividend amount in accordance with the resolution at the Board of Directors' Meeting held on November 2, 2021 (included amount; ¥ 9 million).

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For the fiscal year ended March 31, 2021

Resolution	Type of shares	Total dividend amount		Dividends per share (yen)	Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)			
Board of Directors' Meeting held on May 25, 2020	Common stock	¥ 6,944	\$ 56,739	¥ 7.0	March 31, 2020	June 11, 2020
Board of Directors' Meeting held on November 5, 2020	Common stock	6,944	56,739	7.0	September 30, 2020	December 1, 2020

Notes:

1. Dividends for shares in the Board Benefit Trust are included in the total dividend amount in accordance with the resolution at the Board of Directors' Meeting held on May 25, 2020 (included amount; ¥ 12 million).
2. Dividends for shares in the Board Benefit Trust are included in the total dividend amount in accordance with the resolution at the Board of Directors' Meeting held on November 5, 2020 (included amount; ¥ 10 million).

(ii) Dividends with the cut-off date falling within the fiscal year ended March 31, 2021 and the effective date in the fiscal year ended March 31, 2022

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 13, 2022	Common stock	¥ 6,945	\$ 56,749	Retained earnings	¥ 7.0	March 31, 2022	June 7, 2022

Note: Dividends for shares in Board Benefit Trust are included in total dividend amount (included amount; ¥ 9 million).

Dividends with the cut-off date falling within the fiscal year ended March 31, 2020 and the effective date in the fiscal year ended March 31, 2021

Resolution	Type of shares	Total dividend amount	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)				
Board of Directors' Meeting held on May 13, 2021	Common stock	¥ 6,944	Retained earnings	¥ 7.0	March 31, 2021	June 7, 2021

Note: Dividends for shares in Board Benefit Trust are included in total dividend amount (included amount; ¥ 10 million).

13. Notes to Consolidated Statement of Cash Flows

(1) Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2022 and 2021 are reconciled to the accounts reported in the consolidated balance sheet as of March 31, 2022 and 2021 as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Cash and deposits	¥ 44,749	¥ 130,529	\$ 365,633
Time deposits with maturities of more than three months	(349)	(585)	(2,859)
Short-term investments	11,074	5,725	90,483
Cash and cash equivalents	¥ 55,474	¥ 135,669	\$ 453,257

14. Lease Transactions

(1) Operating lease transactions

Future minimum lease payments under non-cancellable operating leases as of March 31, 2022 and 2021:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Due within one year	¥ 2,317	¥ 2,329	\$ 18,938
Due after one year	12,559	14,406	102,621
Total	¥ 14,877	¥ 16,736	\$ 121,559

Future minimum lease income under non-cancellable operating leases as of March 31, 2022 and 2021:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Due within one year	¥ 752	¥ 752	\$ 6,149
Due after one year	8,260	9,013	67,495
Total	¥ 9,013	¥ 9,765	\$ 73,644

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 the 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 receivable-trade, are exposed to customer credit risk.

Receivables that are denominated in foreign currencies, arising from the global operation of the business, are exposed to foreign currency exchange rate fluctuations. However, the Group uses foreign exchange forward contracts to hedge the net position (determined by deducting the amount of payables denominated in the same foreign currencies) as appropriate, taking the trends in the foreign currency exchange market into account.

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

All of the payment terms of payables, such as notes and accounts payable-trade, are 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. The Group uses foreign exchange forward contracts to hedge such risk as appropriate.

With respect to borrowings and debt, short-term loans payable are mainly for financing related to operating activities, while long-term loans payable is 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. Certain long-term loans payable with variable interest rates are 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, currency options and currency swaps to hedge foreign exchange fluctuation risk related to accounts receivable/payable-trade and borrowing and debt etc. 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 4. (7) Significant method for hedge accounting.

(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 the due dates and balances of receivables by customer.
- Each sales department of the Company periodically monitors and investigates, as necessary, the credit position of key customers.

The Company only enters into derivative transactions with highly rated financial institutions to reduce counterparty risk.

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

The Company and some of its consolidated subsidiaries utilize foreign exchange forward contracts and currency swaps to hedge the foreign exchange risk exposure for their accounts receivable/payable-trade, borrowings, debt, etc. which are denominated in foreign currencies and expected to arise in the normal business activities.

The Company utilizes interest rate swaps to hedge fluctuation risk regarding variable interest rates for payments related to borrowings and debt.

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 presumably sufficient liquidity on hand based on deposits and withdrawals information reported from departments and the consolidated subsidiaries that carry out group-wide financing together with the Company.

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

(iv) Supplementary explanation: 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 “17 Derivative Transaction” 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 sheet, their fair value and the differences at March 31, 2022 and 2021, respectively.

As of March 31, 2022

(Millions of yen)			
	Book value	Fair value	Difference
① Investment securities (*2)			
(i) Stocks of affiliates	37,362	9,303	(28,059)
(ii) Available-for-sale securities	85,553	85,553	–
Total assets	122,915	94,856	(28,059)
① Bonds	155,000	153,627	(1,372)
② Long-term loans payable (*3)	388,435	394,436	6,001
Total liabilities	543,435	548,063	4,628
Derivative transactions (*4)	5,790	5,790	–

(Thousands of U.S. dollars)			
	Book value	Fair value	Difference
① Investment securities (*2)			
(i) Stocks of affiliates	305,277	76,012	(229,264)
(ii) Available-for-sale securities	2,699,019	699,019	–
Total assets	1,004,297	775,032	(229,264)
① Bonds	1,266,443	1,255,229	(11,214)
② Long-term loans payable (*3)	3,173,748	3,222,782	49,034
Total liabilities	4,440,191	4,478,011	37,820
Derivative transactions (*4)	47,314	47,314	–

(1) Cash and items whose fair values approximate their book values because of short maturities are not indicated.

(*2) Items such as stocks without market quotations are not included in “Assets ① Investment securities.”

The consolidated balance sheet values of such financial instruments are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	March 31	March 31
	2022	2022
Non-listed stocks	¥ 45,629	\$ 372,820

(*3) Long-term loans payable that will be repaid within a year (59,372 million (\$ 485,110 thousand) on the consolidated balance sheet) is also included.

(*4) Receivables and payables arising from derivative transactions are shown on the net basis. The items which are net debt in total are shown in parentheses.

As of March 31, 2021

(Millions of yen)			
	Book value	Fair value	Difference
① Investment securities (*2)			
(i) Stocks of affiliates	34,364	11,266	(23,098)
(ii) Available-for-sale securities (*3)	88,150	88,150	–
Total assets	122,515	99,416	(23,098)
① Bonds	155,000	155,402	402
② Long-term loans payable	366,902	370,331	3,429
Total liabilities	521,902	525,734	3,831
Derivative transactions (*4)	5,297	5,297	–

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(1) Cash and items whose fair values approximate their book values because of short maturities are not indicated.
 (*2) Items such as stocks without market quotations, and the future cash flows cannot be estimated reliably, therefore fair value is deemed to be difficult to measure, are not included in “Assets ① Investment securities”.
 The consolidated balance sheet values of such financial instruments are as follows:

	(Millions of yen)
	March 31
	2021
Non-listed stocks	¥ 41,446

(*3) Long-term loans payable that will be repaid within a year (4,184 million yen on the consolidated balance sheet) is also included.

(*4) Receivables and payables arising from derivative transactions are shown on the net basis. The items which are net debt in total are shown in parentheses.

(Change in presentation)

“Long-term loans receivable” has been omitted from this consolidated fiscal year because it has become immaterial in terms of amount. To reflect this change in presentation, information for the previous consolidated fiscal year has also been omitted.

"Long-term loans receivable" in the previous consolidated fiscal year are as follows:

	(Millions of yen)		
	Book value	Fair value	Difference
Long-term loans receivable	¥ 6,933		
Allowance for doubtful accounts	(362)		
	6,571	6,383	(188)

	(Thousands of U.S. dollars)		
	Book value	Fair value	Difference
Long-term loans receivable	\$ 56,652		
Allowance for doubtful accounts	(2,960)		
	\$ 53,691	\$ 52,154	\$ (1,537)

Notes:

1. The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2022

	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)			
Deposits	¥ 42,669	¥ –	¥ –	¥ –
Notes receivable–trade	60,227	–	–	–
Accounts receivable–trade	260,231	–	–	–
Short-term investments and investment securities				
Held-to-maturity debt securities				
Others	11,074	–	–	–
Total	¥ 374,203	¥ –	¥ –	¥ –

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	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)			
Deposits	\$ 348,639	\$ —	\$ —	\$ —
Notes receivable—trad	492,097	—	—	—
Accounts receivable—trade	2,126,249	—	—	—
Short-term investments and investment securities				
Held-to-maturity debt securities				
Others	90,483	—	—	—
Total	\$ 3,057,469	\$ —	\$ —	\$ —

The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2021

	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)			
Deposits	¥ 128,018	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	297,718	—	—	—
Short-term investments and investment securities				
Held-to-maturity debt securities				
Others	5,725	—	—	—
Total	¥ 431,463	¥ —	¥ —	¥ —

(Change in presentation)

“Short-term loans receivable” and “Long-term loans receivable” have been omitted from this consolidated fiscal year because it has become immaterial in terms of amount.

To reflect this change in presentation, information for the previous consolidated fiscal year has also been omitted. “Short-term loans receivable” and “Long-term loans receivable” in the previous consolidated fiscal year are as follows:

	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)			
Short-term loans receivable	¥ 4,324	¥ —	¥ —	¥ —
Long-term loans receivable	¥ —	¥ 4,163	¥ 2,591	¥ 178

	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)			
Short-term loans receivable	\$ 35,331	\$ —	\$ —	\$ —
Long-term loans receivable	\$ —	\$ 34,021	\$ 21,172	\$ 1,457

2. The repayment schedule for bonds, long-term loans payable and other interest-bearing liabilities subsequent to March 31, 2022

	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 loans payable	¥ 107,072	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	10,000	30,000	—	115,000
Long-term loans payable	59,372	72,075	71,183	65,915	22,588	97,299
Total	¥ 166,445	¥ 72,075	¥ 81,183	¥ 95,915	¥ 22,588	¥ 212,299

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	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 loans payable	\$ 874,847	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	81,706	245,118	—	939,619
Long-term loans payable	485,110	588,903	581,610	538,565	184,565	794,993
Total	\$ 1,359,957	\$ 588,903	\$ 663,316	\$ 783,683	\$ 184,565	\$1,734,612

The repayment schedule for bonds, long-term loans payable and other interest-bearing liabilities subsequent to March 31, 2021

	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 loans payable	¥ 125,779	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	10,000	30,000	115,000
Long-term loans payable	4,184	59,209	71,774	70,971	65,746	95,016
Total	¥ 129,963	¥ 59,209	¥ 71,774	¥ 80,971	¥ 95,746	¥ 210,016

3. Hedging relationships that apply the “Revised Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”

As of the end of the current fiscal year, all hedging relationships in the application scope of the “Revised Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practice Issues Task Force (“PITF”) No. 40, March 17, 2022) apply special treatments stipulated in this Practical Solution. Details of hedging relationships that apply this Practical Solution are as follows:

- | | |
|--|---|
| (i) Hedge accounting method | Designated the special treatment of interest rate swaps, integrated treatment of interest rate and currency swaps |
| (ii) Types of financial instruments serving as hedging instruments | Interest rate swaps, interest rate and currency swaps |
| (iii) Types of financial instruments serving as hedged items | Long-term loans payable |
| (iv) Types of hedging transactions | Hedging transactions where cash flow is fixed |

(3) Matters regarding breakdown of financial instruments by fair value level

The Group classifies the fair values of financial instruments into the following three levels according to the observability and significance of inputs involved in the calculation of fair value:

Level 1 fair value: Inputs used to calculate fair value is observable, and fair value of target assets or liabilities is measured at quoted prices at active markets.

Level 2 fair value: Inputs used to calculate fair value is observable, and fair value is measured with inputs other than those used in Level 1.

Level 3 fair value: Inputs used to calculate significant fair value is unobservable.

When using multiple inputs that have a significant impact on the calculation of fair value, the Group classifies the fair value into the level that has the lowest priority in the calculation of the fair value, from among the levels

to which these inputs belong, respectively.

(1) Financial instruments booked at fair value on consolidated balance sheet as of March 31, 2022
(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	¥ 84,217	¥ —	¥ —	¥ 84,217
Other	1,335	—	—	1,335
Derivative transactions				
Currency-related	—	425	—	425
Interest rate-related	—	—	—	—
Commodities-related	—	4,744	952	5,697
Total assets	85,553	5,170	952	91,675
Derivative transactions				
Currency-related	—	232	—	232
Interest rate-related	—	99	—	99
Commodities-related	—	—	—	—
Total liabilities	¥ —	¥ 332	¥ —	¥ 332

(Thousands of U.S. dollars)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	\$ 688,108	\$ —	\$ —	\$ 688,108
Other	10,910	—	—	10,910
Derivative transactions				
Currency-related	—	3,475	—	3,475
Interest rate-related	—	—	—	—
Commodities-related	—	38,769	7,782	46,552
Total assets	699,019	42,244	7,782	749,047
Derivative transactions				
Currency-related	—	1,897	—	1,897
Interest rate-related	—	816	—	816
Commodities-related	—	—	—	—
Total liabilities	\$ —	\$ 2,713	\$ —	\$ 2,713

(2) Financial instruments other than those booked at fair value on consolidated balance sheet as of March 31, 2022

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Stocks of affiliates	¥ 9,303	¥ —	¥ —	¥ 9,303
Total assets	9,303	—	—	9,303
Bonds	—	153,627	—	153,627
Long-term loans payable	—	394,436	—	394,436
Total liabilities	¥ —	¥ 548,063	¥ —	¥ 548,063

(Thousands of U.S. dollars)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Stocks of affiliates	\$ 76,012	\$ —	\$ —	\$ 76,012
Total assets	76,012	—	—	76,012
Bonds	—	1,255,229	—	1,255,229
Long-term loans payable	—	3,222,782	—	3,222,782
Total liabilities	\$ —	\$ 4,478,011	\$ —	\$ 4,478,011

Note1: Explanation of valuation method used in calculating fair value and inputs related to calculation of fair value

Investment securities

The fair value of listed stocks is classified into the Level 1 fair value based on the quoted price in the stock exchange since those stocks are traded in active markets and have the quoted price.

Derivatives

The fair value of the forward exchange contract, currency options, and interest rate swaps is classified into the Level 2 fair value based on, among others, the prices obtained from financial institutions with which the Group has transactions. As those that use the special treatment of interest rate swaps and the integrated treatment of interest rate and currency swaps are accounted for in an integrated manner with long-term loans payable of the hedged item, their fair values are included in the ones of the relevant long-term loans payable. The fair value of commodity derivatives is calculated based on the discounted present value method using observable inputs, such as prices obtained from relevant counterparties and is classified into the Level 2 fair value. It is classified into the Level 3 fair value if unobservable inputs are additionally used.

Bonds

The fair value of bonds issued by the Company is classified into the Level 2 fair value based on the market price (Reference: Statistical Prices for OTC Bond Transactions).

Long-term loans payable

The fair value of long-term loans payable is calculated by discounting the total of the principal and interest with an interest rate, which is based on the assumed interest rate for new loans payable under the similar condition, and is classified into the Level 2 fair value.

Part of the long-term loans payable carrying variable interest rates are subject to the special treatment of interest rate swaps or to the integrated treatment of interest rate and currency swaps. (Refer to Derivatives above.) In

those cases, the fair value is calculated by discounting the total amount of the principal and interest based on the exceptional or integration accounting with the reasonably estimated interest rate for new loans payable under the similar condition.

Note2: Information on the Level 3 fair value of financial instruments that are booked at fair value on consolidated balance sheet

Information on the Level 3 fair value of financial instruments that are booked at fair value on consolidated balance sheet is omitted because the fair value is immaterial.

16. Securities

(1) Held-to-maturity debt securities

As of March 31, 2022

		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	—	—	—
	③ Others	—	—	—
	Total	—	—	—
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	11,074	11,074	—
	Total	11,074	11,074	—
Total		¥ 11,074	¥ 11,074	¥ —

		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	—	—	—
	③ Others	—	—	—
	Total	—	—	—
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	90,483	90,483	—
	Total	90,483	90,483	—
Total		\$ 90,483	\$ 90,483	\$ —

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As of March 31, 2021

		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	—	—	—
	③ Others	—	—	—
	Total	—	—	—
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	5,725	5,725	—
	Total	5,725	5,725	—
Total		¥ 5,725	¥ 5,725	¥ —

(2) Available-for-sale securities

As of March 31, 2022

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 80,026	¥ 36,425	¥ 43,601
	② Others	—	—	—
	Total	80,026	36,425	43,601
Securities with a book value not exceeding acquisition cost	① Corporate stocks	4,190	4,662	(471)
	② Others	1,335	1,696	(360)
	Total	5,526	6,358	(832)
Total		¥ 85,553	¥ 42,783	¥ 42,769

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		Book value	Acquisition cost	Difference
		(Thousands of U.S. dollars)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	\$ 653,867	\$ 297,615	\$ 356,251
	② Others	—	—	—
	Total	653,867	297,615	356,251
Securities with a book value not exceeding acquisition cost	① Corporate stocks	34,241	38,091	(3,849)
	② Others	10,910	13,860	(2,949)
	Total	45,152	51,951	(6,799)
Total		\$ 699,019	\$ 349,567	\$ 349,451

Notes: Non-listed corporate stocks, investments in capital and others (Their book value on the balance sheet: ¥ 4,644 million) are not included in above table because they have no market prices.

As of March 31, 2021

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 84,700	¥ 38,872	¥ 45,828
	② Others	—	—	—
	Total	84,700	38,872	45,828
Securities with a book value not exceeding acquisition cost	① Corporate stocks	2,071	2,457	(386)
	② Others	1,378	1,704	(326)
	Total	3,449	4,162	(712)
Total		¥ 88,150	¥ 43,034	¥ 45,115

Notes: The following items are not included in above table because no available quoted market price is available and it is not possible to estimate their future cash flows, therefore measuring their fair value is deemed to be extremely difficult:

- Non-listed corporate stocks,
- Investments in capital, and
- Others

(Their book value on the balance sheet: ¥ 4,663 million)

(3) Available-for-sale securities sold

For the fiscal year ended March 31, 2022

	Proceeds from sales	Gains	Losses
	(Millions of yen)		
Corporate stocks	¥ 4,966	¥ 651	¥ (24)
Others	4	0	(5)

	Proceeds from sales	Gains	Losses
	(Thousands of U.S. dollars)		
Corporate stocks	\$ 40,580	\$ 5,325	\$ (197)
Others	38	1	(42)

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For the fiscal year ended March 31, 2021

	Proceeds from sales	Gains	Losses
	(Millions of yen)		
Corporate stocks	¥ 1,105	¥ 292	¥ 180
Others	4	—	3

(4) Impairment of available-for-sale securities

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2022	2021	2022
Corporate stocks	¥ 28	¥ 83	\$ 235

Note: In calculating impairment losses, where the fair value as of the year-end is lower than the acquisition cost by 50% or more, the whole amount of such difference is recorded as an impairment loss. In cases where fair value as of the year-end is lower than acquisition cost by between 30-50%, the impairment loss amount is calculated and recorded by giving consideration to recoverability among other factors.

17. Derivative Transactions

(1) Derivatives contracts outstanding for which hedge accounting was not applied
The information is omitted as it is immaterial.

(2) Derivatives contracts outstanding for which hedge accounting was applied

(i) Currency-related derivatives

As of March 31, 2022

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars	Accounts receivable-trade	¥ 23,896	¥ -	¥ 296
	Buy: New Zealand dollars				
	Sell: Euro				
	Buy: New Zealand dollars	Accounts receivable-trade	1,075	-	47
	Sell: Japanese yen				
	Buy: New Zealand Dollar	Accounts receivable-trade	861	-	73
	Buy				
	Buy: New Zealand dollars	Accounts payable-trade	333	-	(16)
Sell: Euro					
Buy: New Zealand dollars	Accounts payable-trade	14	-	(0)	
Sell: Australian dollars					
Buy: New Zealand dollars	Accounts payable-trade	3	-	0	
Sell: U.S. dollars					
Buy: New Zealand dollars	Accounts payable-trade	2	-	0	
Sell: Canadian dollar					
Currency Options					
Buy: Call options					
Sell: Put options	Accounts Long-term loans payable				
U.S. dollars, Indonesian rupiah		1,571	1,265	(149)	
Total			¥ 27,758	¥ 1,265	¥ 252
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	3,809	-	(101)
	Buy				
U.S. dollars	Accounts payable-trade	1,139	-	43	
Euro	Accounts payable-trade	39	-	2	
Total			¥ 4,988	¥ -	¥ (55)

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Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S. dollars)		
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	\$ 195,248	\$ —	\$ 2,421
	New Zealand dollars				
	Euro				
	New Zealand dollars	Accounts receivable-trade	8,789	—	388
	Japanese yen				
	New Zealand Dollar	Accounts receivable-trade	7,035	—	603
	Buy				
	New Zealand dollars	Accounts payable-trade	2,721	—	(131)
Euro					
New Zealand dollars	Accounts payable-trade	121	—	(0)	
Australian dollars					
New Zealand dollars	Accounts payable-trade	25	—	0	
U.S. dollars					
New Zealand dollars	Accounts payable-trade	17	—	0	
Canadian dollar					
Currency Options					
Buy: Call options					
Sell: Put options	Accounts Long-term loans payable		12,844	10,339	(1,217)
U.S. dollars, Indonesian rupiah					
Total			\$ 226,803	\$ 10,339	\$ (2,065)
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	31,128	—	(832)
	Buy				
U.S. dollars	Accounts payable-trade	9,306	—	357	
Euro	Accounts payable-trade	322	—	19	
Total			\$ 40,757	\$ —	\$ (455)

Notes:

1. The fair value of foreign exchange forward contracts, which are accounted for as part of the foreign currency assets or liabilities, is included in that of hedged foreign currency assets or liabilities (except when scheduled transactions are assumed to be hedged).
2. Transactions of currency options are collar transactions, which have the effect of limiting foreign exchange risk by buying call options and selling put options.

As of March 31, 2021

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars	Accounts receivable-trade	¥ 14,654	¥ –	¥ (61)
	Buy: New Zealand dollars				
	Sell: Japanese yen	Accounts receivable-trade	279	–	17
Buy: New Zealand dollars					
Sell: Euro	Accounts receivable-trade	193	–	3	
Buy: New Zealand dollars					
Currency Options					
Buy: Call options	Accounts				
Sell: Put options	Long-term				
U.S. dollars,	loans payable	1,029	1,029	(120)	
Indonesian rupiah					
Total			¥ 16,156	¥ 1,029	¥ (160)
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	2,992	–	(139)
	Buy				
	U.S. dollars	Accounts payable-trade	255	–	7
Euro	Accounts payable-trade	104	–	0	
Total			¥ 3,352	¥ –	¥ (132)

Notes:

1. The fair value of foreign exchange forward contracts, which are accounted for as part of the foreign currency assets or liabilities, is included in that of hedged foreign currency assets or liabilities (except when scheduled transactions are assumed to be hedged).
2. Transactions of currency options are collar transactions, which have the effect of limiting foreign exchange risk by buying call options and selling put options.

(ii) Interest-rate-related derivatives

As of March 31, 2022

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	¥ 20,000	¥ –	¥ (99)
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	135,943	105,890	(Note)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	38,730	38,730	(Note)
Total			¥ 194,673	¥ 144,620	¥ (99)

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	\$ 163,412	\$ –	\$ (816)
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	1,110,741	865,191	(Note)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	316,447	316,447	(Note)
Total			\$ 1,590,600	\$ 1,181,639	\$ (816)

Notes:

The fair value of interest rate swaps, interest rate and currency swaps accounted for by special treatment and the integrated treatment, is included in the hedged long-term loans payable.

As of March 31, 2021

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	¥ 20,000	¥ 20,000	¥ (248)
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	135,996	135,943	(Note)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	38,730	38,730	(Note)
Total			¥ 194,726	¥ 194,673	¥ (248)

Notes:

The fair value of interest rate swaps, interest rate and currency swaps accounted for by special treatment and the integrated treatment, is included in the hedged long-term loans payable.

(iii) Commodity-related derivatives

As of March 31, 2022

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 2,567	¥ 853	¥ 2,802
Total			¥ 2,567	¥ 853	¥ 2,802

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	\$ 20,975	\$ 6,975	\$ 22,900
Total			\$ 20,975	\$ 6,975	\$ 22,900

As of March 31, 2021

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 4,357	¥ 2,779	¥ 4,288
Total			¥ 4,357	¥ 2,779	¥ 4,228

18. Retirement Benefits**(1) Outline of Retirement Benefit Plan Adopted**

The Group has established defined contribution corporate pension plans as well as defined benefit corporate pension plans including both employees' pension fund plans and retirement lump-sum payment plans. In addition, certain consolidated subsidiaries have joined multi-employer corporate pension plans. Certain consolidated subsidiaries have established employees' retirement benefit trusts for the defined-benefit type corporate pension plans and retirement lump-sum payment plans.

Furthermore, in certain instances of an employee's retirement or other termination, extra retirement payments may be provided, which are not included in the retirement benefit obligation based on the actuarial calculation under retirement benefit accounting.

(2) Defined benefit plans (including multi-employer plans)**(i) Reconciliation of beginning and ending balances of retirement benefit obligation (excluding plans for which a simplified method is applied)**

For the fiscal year ended March 31, 2022

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of retirement benefit obligation	¥117,510	\$ 960,134
Service cost	2,991	24,439
Interest cost	411	3,364
Actuarial loss	(604)	(4,939)
Prior service cost	(125)	(1,027)
Payment of retirement benefits	(7,852)	(64,156)
Other	(72)	(593)
Ending balance of retirement benefit obligation	¥ 112,258	\$ 917,221

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>
Beginning balance of retirement benefit obligation	¥ 121,529
Service cost	3,291
Interest cost	462
Actuarial loss	587
Prior service cost	234
Payment of retirement benefits	(8,369)
Other	(226)
Ending balance of retirement benefit obligation	¥ 117,510

(ii) Reconciliation of beginning and ending balances of plan assets (excluding plans for which a simplified method is applied)

For the fiscal year ended March 31, 2022

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of plan assets	¥129,292	\$ 1,056,398
Expected return on plan assets	1,566	12,795
Actuarial gain	5,657	46,223
Employer contributions	390	3,188
Payment of retirement benefits	(5,955)	(48,657)
Return of trust assets	(6,299)	(51,467)
Other	169	1,385
Ending balance of plan assets	¥124,821	\$ 1,019,866

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For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>
Beginning balance of plan assets	¥ 105,031
Expected return on plan assets	1,541
Actuarial gain	28,539
Employer contributions	380
Payment of retirement benefits	(6,342)
Return of trust assets	—
Other	141
Ending balance of plan assets	¥ 129,292

(iii) Reconciliation of beginning and ending balances of net defined benefit liability for plans for which the simplified method is applied

For the fiscal year ended March 31, 2022

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of net defined benefit liability	¥ 4,798	\$ 39,205
Retirement benefit expenses	749	6,124
Payment of retirement benefits	(1,107)	(9,052)
Plan contributions	(493)	(4,028)
Other	1,096	8,956
Ending balance of net defined benefit liability	¥ 5,043	\$ 41,205

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>
Beginning balance of net defined benefit liability	¥ 5,695
Retirement benefit expenses	177
Payment of retirement benefits	(1,450)
Plan contributions	(515)
Other	892
Ending balance of net defined benefit liability	¥ 4,798

(iv) Reconciliation of ending balance of retirement benefit obligation and plan assets, net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

For the fiscal year ended March 31, 2022

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Funded retirement benefit obligation	¥ 75,128	\$ 613,847
Plan assets	(134,821)	(1,101,572)
	(59,692)	(487,725)
Unfunded retirement benefit obligation	52,173	426,285
Net liabilities and assets recorded on the consolidated balance sheet	(7,519)	(61,439)
Net defined benefit liability	54,022	441,396
Net defined benefit asset	(61,542)	(502,836)
Net liabilities and assets recorded on the consolidated balance sheet	¥ (7,519)	\$ (61,439)

Note: Including plans for which the simplified method is applied.

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For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>
Funded retirement benefit obligation	¥ 80,365
<u>Plan assets</u>	<u>(139,130)</u>
	(58,765)
Unfunded retirement benefit obligation	51,781
<u>Net liabilities and assets recorded on the consolidated balance sheet</u>	<u>(6,983)</u>
Net defined benefit liability	54,010
<u>Net defined benefit asset</u>	<u>(60,993)</u>
<u>Net liabilities and assets recorded on the consolidated balance sheet</u>	<u>¥ (6,983)</u>

Note: Including plans for which the simplified method is applied.

(v) Components of retirement benefit expenses

For the fiscal year ended March 31, 2022

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Service costs	¥ 2,991	\$ 24,439
Interest cost	411	3,364
Expected return on plan assets	(1,566)	(12,795)
Amortization of actuarial loss	(4,271)	(34,901)
Amortization of prior service cost	(662)	(5,408)
Retirement benefit expenses calculated by simplified method	749	6,124
Gain on return of assets from retirement benefits trust assets (Note 1)	(1,049)	(8,576)
Special retirement expenses (Note 2)	633	5,179
<u>Extra retirement payments (Note 3)</u>	<u>65</u>	<u>538</u>
<u>Retirement benefit expenses related to defined benefit plans</u>	<u>¥ (2,696)</u>	<u>\$ (22,035)</u>

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>
Service costs	¥ 3,291
Interest cost	462
Expected return on plan assets	(1,541)
Amortization of actuarial loss	(510)
Amortization of prior service cost	(654)
Retirement benefit expenses calculated by simplified method	177
Gain on return of assets from retirement benefits trust assets (Note 1)	—
Special retirement expenses (Note 2)	995
<u>Extra retirement payments (Note 3)</u>	<u>18</u>
<u>Retirement benefit expenses related to defined benefit plans</u>	<u>¥ 2,238</u>

Notes:

1. Profit (loss) on the transfer to a defined contribution plan is accounted for in "Extraordinary Income".
2. Extra retirement payments arising from business structure improvement were recorded in "Other" under extraordinary losses.
3. Extra retirement payments associated with transferees and retirees were recorded in "Other" under non-operating expenses.

(vi) Remeasurements of defined benefit plans in consolidated statement of income

The breakdown of items recorded in remeasurements of defined benefit plans is as follows (before deduction of tax effects):

For the fiscal year ended March 31, 2022

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Prior service cost	¥ (536)	\$ (4,381)
<u>Actuarial loss</u>	<u>940</u>	<u>7,685</u>

<u>Total</u>	¥ 404	\$ 3,304
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For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>
Prior service cost	¥ (889)
Actuarial loss	27,441
<u>Total</u>	<u>¥ 26,551</u>

(vii) Remeasurements of defined benefit plans

The breakdown of items recorded in remeasurements of defined benefit plans is as follows (before deduction of tax effects):

For the fiscal year ended March 31, 2022

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Unrecognized prior service cost	¥ (5,736)	\$ (46,871)
Unrecognized actuarial gain	(30,446)	(248,765)
<u>Total</u>	<u>¥ (36,183)</u>	<u>\$ (295,637)</u>

For the fiscal year ended March 31, 2021

	<u>Millions of yen</u>
Unrecognized prior service cost	¥ (6,272)
Unrecognized actuarial gain	(29,505)
<u>Total</u>	<u>¥ (35,778)</u>

(viii) Matters relating to plan assets

(a) Breakdown of principal plan assets

The principal asset classes as percentages of total plan assets are as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Domestic corporate stocks	51 %	51 %
Overseas corporate stocks	3	6
Domestic bonds	5	5
Overseas bonds	5	4
Cash and deposits	10	8
Life insurance general accounts	6	10
Alternative investments (Note 1)	20	15
Other	0	1
<u>Total (Note 2)</u>	<u>100</u>	<u>100</u>

Notes:

- Alternative investments are mainly investments in hedge funds, etc.
- Retirement benefit trusts established for corporate pension plans constituted 48% of total plan assets in the fiscal year ended March 31, 2022 and 47% in the fiscal year ended March 31, 2021.

(b) Method to determine long-term expected rate of return on plan assets

In order to determine the long-term expected rate of return on plan assets, the Company takes into account the current and the forecast allocation of plan assets and the current and anticipated long-term expected rate of return on a wide range of assets that constitute plan assets.

(ix) Assumptions used in actuarial calculations

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
(a) Discount rates		
Domestic	0.2 – 0.5 %	0.1 – 0.5 %
Overseas	1.3 – 7.6	0.8 – 3.0
(b) Long-term expected rates of return on plan assets		
Domestic	0.2 – 4.4 %	0.1 – 4.4 %
Overseas	1.3 – 7.0	0.8 – 7.0
(c) Expected rates of salary increases		
Domestic	1.6 – 8.5 %	1.5 – 8.2 %
Overseas	2.5 – 7.0	2.5

(3) Defined contribution plan

The contributions to the defined contribution plans of the consolidated subsidiaries, including the multi-employer plans that are accounted for in the same way as defined contribution plans, were ¥ 2,784 million (\$ 22,750 thousand) in the fiscal year ended March 31, 2022 and ¥ 2,702 million in the fiscal year ended March 31, 2021.

19. Stock Options

(1) The account title and the amount of expenses related to stock options

None

(2) Content, size and changes of stock options

(i) Stock option plans

	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 acquisition rights	Common stock: 174,000 shares
Grant date	July 13, 2009
Condition for the exercise of share acquisition 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 acquisition 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 acquisition rights	Common stock: 220,000 shares
Grant date	July 16, 2010
Condition for the exercise of share acquisition 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 acquisition 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

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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 acquisition rights	Common stock: 219,000 shares
Grant date	July 15, 2011
Condition for the exercise of share acquisition 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 acquisition 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 acquisition rights	Common stock: 219,000 shares
Grant date	July 17, 2012
Condition for the exercise of share acquisition 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 acquisition 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

Stock option 2013	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 220,000 shares
Grant date	July 16, 2013
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2014. If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2013 (June 27, 2013) to the date of the ordinary general meeting of shareholders in 2014
Exercise period	From July 17, 2013 to June 30, 2033

Stock option 2014	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 176,000 shares
Grant date	July 15, 2014
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2015. If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2014 (June 27, 2014) to the date of the ordinary general meeting of shareholders in 2015
Exercise period	From July 16, 2014 to June 30, 2034

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	Stock option 2015
Individuals covered by the Plan	Directors of the Company: 11
Type and number of shares to be issued upon the exercise of the share acquisition rights	Common stock: 199,000 shares
Grant date	July 14, 2015
Condition for the exercise of share acquisition rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2016. If a grantee retires the position before the above date, share acquisition rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2015 (June 26, 2015) to the date of the ordinary general meeting of shareholders in 2016
Exercise period	From July 15, 2015 to June 30, 2035

(ii) Changes in the number of stock options

This table shows stock options outstanding for the fiscal year ended March 31, 2022, and the quantities are expressed in equivalent number of shares.

(a) Quantity of stock options

	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock option 2013	Stock option 2014	Stock option 2015
	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)
Share acquisition rights which are not yet vested							
Outstanding as of March 31, 2021	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding as of March 31, 2022	—	—	—	—	—	—	—
Share acquisition rights which have already been vested							
Outstanding as of March 31, 2021	24,000	30,000	30,000	59,000	143,000	126,000	164,000
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	13,000	15,000	57,000	35,000
Forfeited	—	—	—	—	—	—	—
Outstanding as of March 31, 2022	24,000	30,000	30,000	46,000	128,000	69,000	129,000

(b) Price information of stock options

As of March 31, 2022

	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock Option 2013	Stock Option 2014	Stock option 2015
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	—	—	—	542	594	609	590
Weighted average fair value per share at the granted date	285	334	307	189	351	324	432

	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock option 2013	Stock option 2014	Stock option 2015
	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(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	—	—	—	4.42	4.85	4.97	4.82
Weighted average fair value per share at the granted date	2.32	2.72	2.50	1.54	2.86	2.64	3.52

(3) Method for estimating the number of vested options

Since 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 the number of options that have actually been forfeited compared to the number vested.

20. Tax Effect Accounting

(1) Significant components of deferred tax assets and deferred tax liabilities

	March 31, 2022 (Millions of yen)	March 31, 2021 (Millions of yen)	March 31, 2022 (Thousands of U.S. dollars)
Deferred tax assets			
Tax losses carried forward (Note)	¥ 13,644	¥ 16,391	\$ 111,481
Net defined benefit liability	22,945	23,402	187,475
Investment securities	7,405	7,210	60,510
Property, plant and equipment	29,195	23,675	238,541
Accrued bonuses	5,123	5,183	41,864
Inventory	3,743	2,393	30,586
Other	17,379	17,017	142,003
Subtotal	99,437	95,274	812,464
Valuation allowance for tax losses carried forward (Note)	(12,497)	(15,327)	(102,108)
Valuation allowance for total of deductible temporary differences	(30,027)	(27,644)	(245,340)
Valuation allowance	(42,524)	(42,971)	(347,448)
Total deferred tax assets	56,913	52,302	465,015
Deferred tax liabilities			
Adjustment of book value due to fair value revaluation	(37,622)	(34,597)	(307,398)
Property, plant and equipment	(28,505)	(25,770)	(232,906)
Reserve for advanced depreciation of non-current assets	(10,291)	(10,166)	(84,089)
Net defined benefit liability	(25,331)	(25,220)	(206,969)
Valuation difference on available-for-sale securities	(12,888)	(13,604)	(105,306)
Reserve for special depreciation	(399)	(816)	(3,265)
Other	(4,805)	(2,683)	(39,262)
Total deferred tax liabilities	(119,844)	(112,859)	(979,199)
Net deferred tax liabilities	¥ (62,930)	¥ (60,557)	\$ (514,183)

(Note) Amount of tax losses carried forward and deferred tax assets by carry-forward period
For the fiscal year ended March 31, 2022

(Millions of yen)

	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	Total
Tax losses carried forward*	¥ 178	¥ 791	¥ 2,882	¥ 1,560	¥ 1,116	¥ 7,114	¥ 13,644
Valuation allowance	(177)	(779)	(2,865)	(1,530)	(1,050)	(6,093)	(12,497)
Deferred tax assets	1	11	17	30	65	1,021	1,147

(Thousands of U.S. dollars)

	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	Total
Tax losses carried forward*	\$ 1,457	\$ 6,463	\$ 23,554	\$ 12,750	\$ 9,123	\$ 58,132	\$ 111,481
Valuation allowance	(1,447)	(6,372)	(23,413)	(12,504)	(8,584)	(49,784)	(102,108)
Deferred tax assets	9	91	140	245	538	8,347	9,372

* Tax losses carried forward is the amount multiplied by the statutory effective tax rate.

For the fiscal year ended March 31, 2021

(Millions of yen)

	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	Total
Tax losses carried forward*	¥ 3,411	¥ 175	¥ 789	¥ 2,977	¥ 1,956	¥ 7,080	¥ 16,391
Valuation allowance	(3,411)	(171)	(784)	(2,808)	(1,806)	(6,344)	(15,327)
Deferred tax assets	0	3	5	169	149	736	1,064

* Tax losses carried forward is the amount multiplied by the statutory effective tax rate.

(2) Difference between the statutory effective tax rate and the effective rate of the tax burden after applying tax effect accounting and its main components

	For the fiscal year ended March 31	
	2022	2021
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Non-deductible entertainment and social expenses, etc.	0.7	1.1
Non-taxable income of dividends received, etc.	(0.7)	(1.3)
Per capita levy of local inhabitant tax	0.4	0.6
Tax credit	(1.2)	(2.1)
Equity in earnings of affiliates	(0.7)	(0.0)
Different tax rates applied to foreign subsidiaries	0.5	3.9
Tax incentives for investment in foreign subsidiaries	(3.4)	-
Amortization of goodwill	0.2	0.4
Change in valuation allowance	2.1	1.0
Other	(0.0)	1.9
Effective rate of the tax burden	28.5	36.1

21. Business Combination

Transactions, etc. under common control

Purchase of treasury stock by a consolidated subsidiary of the Company

1. Summary of the transaction

(1) Name and business activities of the combining entities concerned

Name of the combining entities concerned:	Japan Brazil Paper and Pulp Development Ltd.
Business activities:	Management of pulp manufacturing companies and import business of products

(2) Business combination date

May 13, 2021

(3) Legal form of business combination

Purchase of treasury stock by a consolidated subsidiary of the Company

(4) Name after the business combination

There is no change.

(5) Other matters related to the summary of transactions

For the purpose of further strengthening the management base of the Group, Japan Brazil Paper and Pulp Development Ltd. acquired the treasury stock held by non-controlling shareholders. As a result, the ratio of voting rights held by the Group for the company became 100.0%.

2. Summary of the conducted accounting treatments
 In compliance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), this accounting treatment is conducted as transactions with non-controlling shareholders under the recognition as transactions under common control, etc.
3. Acquisition cost related to purchase of treasury stock by a consolidated subsidiary of the Company and its breakdown

Consideration for acquisition	Cash	77,000 million yen (\$629,139 thousand)
-------------------------------	------	---
4. Matters related to change in ownership interest of the Company due to transactions with non-controlling shareholders
 - (1) Major change factors of capital surplus
 Purchase of treasury stock by a consolidated subsidiary of the Company
 - (2) The decreased amount of capital surplus through transactions with non-controlling shareholders
 4,281 million yen (\$34,981 thousand)

Acquisition of additional stocks of a subsidiary

1. Summary of the transaction
 - (1) Name and business activities of the combining entities concerned

Name of the combining entities concerned:	Oji Oceania Management Co., Ltd.
Business activities:	Management of companies operating pulp, paperboard and packaging business
 - (2) Business combination date
 March 2, 2022
 - (3) Legal form of business combination
 Acquisition of stocks from non-controlling shareholders
 - (4) Name after the business combination
 There is no change.
 - (5) Other matters related to the summary of transactions
 For the purpose of further strengthening the management base of the Group, the Company acquired stocks of Oji Oceania Management Co., Ltd. held by non-controlling shareholders. As a result, the ratio of voting rights held by the Group for the company became 100.0%.
2. Summary of the conducted accounting treatments
 In compliance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), this accounting treatment is conducted as transactions with non-controlling shareholders under the recognition as transactions under common control, etc.
3. Acquisition cost for the acquired company and breakdown of the type of consideration

Consideration for acquisition	Cash	31,642 million yen (\$258,538 thousand)
-------------------------------	------	---
4. Matters related to change in ownership interest of the Company due to transactions with non-controlling shareholders
 - (1) Major change factors of capital surplus
 Purchase of additional stocks in a subsidiary of the Company
 - (2) The decreased amount of capital surplus through transactions with non-controlling shareholders
 4,963 million yen (\$40,552 thousand)

22. Revenue recognition

1. Information on disaggregation of revenue from contracts with customers

For the fiscal year ended March 31, 2022

(Millions of yen)

	Reporting segment					Other*	Total
	Household and Industrial Materials	Functional Materials	Forest Resources and Environmental Marketing	Printing and Communications Media	Total		
Japan	463,614	93,661	95,134	158,942	811,353	165,943	977,297
Overseas	178,787	77,809	179,979	41,184	477,762	15,102	492,864
Net sales to external customers	642,402	171,471	275,113	200,126	1,289,115	181,046	1,470,161

(Thousands of U.S. dollars)

	Reporting segment					Other*	Total
	Household and Industrial Materials	Functional Materials	Forest Resources and Environmental Marketing	Printing and Communications Media	Total		
Japan	3,788,013	765,273	777,302	1,298,654	6,629,243	1,355,862	7,985,105
Overseas	1,460,804	635,753	1,470,544	336,503	3,903,605	123,396	4,027,002
Net sales to external customers	5,248,817	1,401,027	2,247,846	1,635,157	10,532,849	1,479,258	12,012,108

* Other: "Other" is a business segment which is not included in the reporting segments, and included in this segment are real estate, engineering, trading, logistics, etc.

2. The outstanding balances of contract assets and contract liabilities

The outstanding balances of contract assets and contract liabilities arising from contracts with customers of the Group are omitted as they are immaterial.

3. Transaction prices allocated to residual performance obligations

This information is omitted as the Group has no significant transactions with an individual expected contract duration of more than one year and applied the practical expedient. There is no material amount not included in transaction prices among the consideration arising from contracts with customers.

23. Segment Information

(1) Overview of reporting segments

The reporting segments of the Company consist of business units 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 has four reporting segments: "Household and Industrial Materials," "Functional Materials," "Forest Resources and Environmental Marketing" and "Printing and Communications Media." Business segments that are not included in the reporting segments are put together as "Other".

Major business lineup for the segments are as follows.

Household and Industrial Materials: Containerboard and corrugated container, boxboard and folding cartons, packaging papers and paper bags, household paper, disposable diapers

Functional Materials: Specialty paper, thermal paper, adhesive paper, film

Forest Resources and	
Environmental Marketing:	Pulp, energy, afforestation and lumber processing
Printing and Communications Media:	Newsprint, printing, publishing and communications paper
Other:	Real estate, engineering, trading, logistics and other

- (2) Methods to calculate amounts of sales, profit or loss, assets, liabilities and other items by reporting segment
 The accounting method applied for reporting segments is almost the same with what is described in Notes 1 to 4 of the Consolidated Financial Statements.
 Segment profit is based on operating income. Inter-segment sales and transfers are mainly based on market price.

As stated in “Change in accounting policies”, “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)” has been adopted from the beginning of the current consolidated fiscal year and the accounting method for revenue recognition and the method used to calculate profit and loss for business segments have been changed.

As a result of this change, compared to the previous method, net sales of FY2021 decreased by ¥2.5 billion for Household and Industrial Materials segment, ¥13.4 billion for Functional Materials segment, ¥0.6 billion for Forest Resources and Environment Marketing segment, ¥26.7 billion for Printing and Communications Media segment, and ¥6.7 billion for Others. The effect on profit or loss for each segment is immaterial.

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(3) Information on amounts of sales, profit or loss, assets, liabilities and other items by reporting segment

For the fiscal year ended March 31, 2022

	Reporting segments					Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmen tal marketing	Printing and communicati ons media	Total				
(Millions of yen)									
Net Sales									
Sales to third parties	¥642,402	¥171,471	¥275,113	¥200,126	¥1,289,115	¥181,046	¥1,470,161	-	¥1,470,161
Inter-segment sales and transfers	58,339	13,251	39,375	44,422	155,388	115,496	270,885	(270,885)	-
Total sales	700,742	184,722	314,489	244,549	1,444,504	296,542	1,741,046	(270,885)	1,470,161
Segment profit	26,127	15,264	55,473	17,797	114,662	7,009	121,672	(1,552)	120,119
Segment assets	694,886	193,910	623,118	233,758	1,745,673	461,280	2,206,954	(153,202)	2,053,752
Other items									
Depreciation and amortization (Note 4)	28,391	5,678	17,490	8,703	60,264	5,620	65,885	-	65,885
Increase in property, plant, equipment and intangible assets (Note 4)	63,484	14,669	24,956	2,083	105,193	8,854	114,047	-	114,047

	Reporting segments					Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmen tal marketing	Printing and communicati ons media	Total				
(Thousands of U.S. dollars)									
Net Sales									
Sales to third parties	\$5,248,817	\$1,401,027	\$2,247,846	\$1,635,157	\$10,532,849	\$1,479,258	\$12,012,108	-	\$12,012,108
Inter-segment sales and transfers	476,670	108,270	321,723	362,957	1,269,621	943,672	2,213,293	(2,213,293)	-
Total sales	5,725,487	1,509,298	2,569,569	1,998,114	11,802,470	2,422,931	14,225,401	(2,213,293)	12,012,108
Segment profit	213,474	124,719	453,253	145,417	936,865	57,273	994,139	(12,687)	981,451
Segment assets	5,677,638	1,584,368	5,091,252	1,909,948	14,263,207	3,768,936	18,032,144	(1,251,752)	16,780,391
Other items									
Depreciation and amortization (Note 4)	231,979	46,393	142,910	71,111	492,395	45,926	538,322	-	538,322
Increase in property, plant, equipment and intangible assets (Note 4)	\$518,704	\$119,854	\$203,909	\$17,024	\$859,492	\$72,345	\$931,838	-	\$931,838

Notes

- “Other” is a business segment which is not included in the reporting segments, and included in this segment are real estate, engineering, trading, logistics and other businesses.
- “Adjustments” are as follows.
 - Adjustment for segment profit, ¥ (1,552) million (\$ (12,687) thousand), primarily consists of adjustment related to internal transactions.
 - Adjustment for segment assets, ¥ (153,202) million (\$ (1,251,752) thousand), includes the following items.
 - Elimination of inter-segment debts and credits, and other, ¥ (173,336) million (\$ (1,416,263) thousand)
 - Group-wide assets* not allocated to each reporting segment, ¥ 20,134 million (\$ 164,510 thousand)
- *Group-wide assets: investment securities not allocated to each reporting segment
- Adjustment is made between segment profit and operating profit of the consolidated statement of income.
- Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, increase in property, plant, equipment and intangible assets.

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For the fiscal year ended March 31, 2021

	Reporting segments					Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communicati ons media	Total				
(Millions of yen)									
Net Sales									
Sales to third parties	¥595,554	¥170,020	¥215,049	¥210,531	¥1,191,155	¥167,829	¥1,358,985	-	¥1,358,985
Inter-segment sales and transfers	51,935	12,317	30,285	33,426	127,964	102,359	230,323	(230,323)	-
Total sales	647,489	182,338	245,334	243,957	1,319,120	270,188	1,589,308	(230,323)	1,358,985
Segment profit	38,090	11,480	16,651	11,156	77,379	6,752	84,132	660	84,793
Segment assets	636,536	179,223	555,552	236,280	1,607,592	506,345	2,113,937	(132,499)	1,981,438
Other items									
Depreciation and amortization (Note 4)	26,319	5,868	16,308	8,711	57,208	5,550	62,758	-	62,758
Increase in property, plant, equipment and intangible assets (Note 4)	52,502	7,417	21,266	9,750	90,938	7,484	98,422	-	98,422

Notes

- “Other” is a business segment which is not included in the reporting segments, and included in this segment are real estate, engineering, trading, logistics and other businesses.
- “Adjustments” are as follows.
 - Adjustment for segment profit, ¥660 million, primarily consists of adjustment related to internal transactions.
 - Adjustment for segment assets, ¥ (132,499) million, includes the following items.
 - Elimination of inter-segment debts and credits, and other, ¥ (152,834) million
 - Group-wide assets* not allocated to each reporting segment, ¥ 20,334 million
 *Group-wide assets: investment securities not allocated to each reporting segment
- Adjustment is made between segment profit and operating profit of the consolidated statement of income.
- Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, increase in property, plant, equipment and intangible assets.

(4) Related information

For the fiscal year ended March 31, 2022

(i) Information by product and service

Information by product and service is omitted since the classification is the same as reporting segment.

(ii) Information by region

(a) Net Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 977,297	¥ 320,414	¥ 36,472	¥ 20,212	¥ 45,621	¥ 66,838	¥ 3,305	¥ 1,470,161

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Thousands of U.S. dollars)							
\$ 7,985,105	\$ 2,617,981	\$ 298,002	\$ 165,149	\$ 372,751	\$ 546,108	\$ 27,008	\$ 12,012,108

Note: Sales are based on the location of the end customer and are classified by country or region.

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	New Zealand	Oceania	Total
(Millions of yen)								
¥550,550	¥ 132,066	¥ 98,892	¥ 1,181	¥ 208,678	¥ 4,002	¥128,105	¥3,836	¥ 1,127,315

Japan	China	Asia	North America	Brazil	Europe	New Zealand	Oceania	Total
(Thousands of U.S. dollars)								
\$ 4,498,330	\$ 1,079,065	\$ 808,010	\$ 9,656	\$ 1,705,031	\$ 32,704	\$ 1,046,700	\$ 31,346	\$ 9,210,845

(iii) Information by major customer

Information by major customer is omitted, since there is no external customer whose sales is 10% or more of the net sales in the consolidated statement of income.

For the fiscal year ended March 31, 2021

(i) Information by product and service

Information by product and service is omitted since the classification is the same as reporting segment.

(ii) Information by region

(a) Net Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 961,345	¥ 263,100	¥ 28,454	¥ 17,544	¥ 31,565	¥ 55,126	¥ 1,848	¥ 1,358,985

Note: Sales are based on the location of the end customer and are classified by country or region.

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	New Zealand	Oceania	Total
(Millions of yen)								
¥ 544,964	¥ 116,787	¥ 79,326	¥ 1,799	¥ 183,216	¥ 3,863	¥107,694	¥3,760	¥ 1,041,413

(iii) Information by major customer

Information by major customer is omitted, since there is no external customer whose sales is 10% or more of the net sales in the consolidated statement of income.

(5) Information on impairment loss of property, plant and equipment by reporting segment

For the fiscal year ended March 31, 2022

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
(Millions of yen)						
Impairment loss	¥ 2,251	¥ 70	¥ 9	—	¥ 1,086	¥ 3,418

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
(Thousands of U.S. dollars)						
Impairment loss	\$ 18,395	\$ 574	\$ 80	—	\$ 8,881	\$ 27,932

Notes:

1. The amount of “Other” represents amount related to business segments which are not included in reporting segments and other.
2. Among the impairment loss of ¥ 3,418 million (\$ 27,932 thousand) for the fiscal year ended March 31, 2022, ¥ 450 million (\$ 3,677 thousand) is accounted for as loss on business restructuring under extraordinary loss.

For the fiscal year ended March 31, 2021

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
(Millions of yen)						
Impairment loss	¥ 25	¥ 580	¥ 306	—	¥ 353	¥ 1,266

Notes:

1. The amount of “Other” represents amount related to business segments which are not included in reporting segments and other.
2. Among the impairment loss of ¥ 1,266 million for the fiscal year ended March 31, 2021, ¥ 769 million is accounted for as loss on business restructuring under extraordinary loss.

(6) Information on amortization and ending balance of goodwill by reporting segment

As of and for the fiscal year ended March 31, 2022

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total
(Millions of yen)						
Amortized amount of goodwill	¥ 314	¥ 478	¥ (0)	—	¥ 12	¥ 804
Balance of goodwill	1,464	1,910	(5)	—	102	3,472

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total
(Thousands of U.S. dollars)						
Amortized amount of goodwill	\$ 2,567	\$ 3,908	\$ (5)	—	\$ 105	\$ 6,576
Balance of goodwill	11,968	15,610	(46)	—	837	28,369

Note 1: Amount for “Other” represents amount relating to business segments which are not included in reporting segments.

As of and for the fiscal year ended March 31, 2021

	Household and industrial materials	Functional materials	Forest resources and marketing	Printing and communications media	Other (Note 1)	Total
(Millions of yen)						
Amortized amount of goodwill	¥ 573	¥ 515	¥ (0)	—	¥ 11	¥ 1,099
Balance of goodwill	781	2,246	(5)	—	99	3,122

Note 1: Amount for “Other” represents amount relating to business segments which are not included in reporting segments.

(7) Information on gain on bargain purchase by reporting segment

For the fiscal year ended March 31, 2022

None

For the fiscal year ended March 31, 2021

Information on gain on bargain purchase is omitted because the amount is immaterial.

24. Information on Transactions with Related Parties

For the fiscal year ended March 31, 2022

(i) Transactions with related parties

Related party transactions with the Company which has submitted consolidated financial statements and its subsidiaries

None

(ii) Notes on significant affiliates

Summary of financial information on significant affiliates

None

For the fiscal year ended March 31, 2021

(i) Transactions with related parties

Related party transactions with the Company which has submitted consolidated financial statements and its subsidiaries

None

(ii) Notes on significant affiliates

Summary of financial information on significant affiliates

None

25. Per Share Information

As of and for the fiscal years ended March 31, 2022 and 2021

	(Yen)		(U.S. dollars)
	2022	2021	2022
Net assets per share	¥ 859.29	¥ 758.28	\$ 7.02
Basic profit per share	¥ 88.35	¥ 50.13	\$ 0.72
Diluted profit per share (Note 1)	¥ 88.30	¥ 50.09	\$ 0.72

Note 1: Basis for computations of basic profit per share and diluted profit per share are as follows:

For the fiscal years ended March 31, 2022 and 2021

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Basic profit per share			
Profit attributable to owners of parent	¥ 87,509	¥ 49,635	\$715,008
Amount not attributable to common Shareholders	—	—	—
Profit attributable to owners of parent allocated to common stock	87,509	49,635	715,008
Average number of shares outstanding during the period	(thousand shares) 990,497	(thousand shares) 990,221	(thousand shares) 990,497
Diluted profit per share			
Adjusted amount of profit attributable to owners of parent	—	—	—
Increase in shares of common stock	(thousand shares) 533	(thousand shares) 616	(thousand shares) 533
(Share acquisition rights among the above increase)	(thousand shares) (533)	(thousand shares) (616)	(thousand shares) (533)

Note: Shares of the Company held by the Board Benefit Trust and recorded as treasury stocks under shareholders' equity are included in treasury stocks deducted from total number of shares outstanding at the end of the fiscal year when calculating "Net assets per share" (1,398 thousand shares for the fiscal year ended March 31, 2022 and 1,522 thousand shares for the fiscal year ended March 31, 2021).

Moreover, in calculating "Basic profit per share" and "Diluted profit per share", they are included in the number of treasury stocks deducted from the average number of shares outstanding during the year (1,443 thousand shares for the fiscal year ended March 31, 2022 and 1,640 thousand shares for the fiscal year ended March 31, 2021).

26. Significant Subsequent Events

None

27. Bonds

Company	Name	Date of issue	Balance as of April 1, 2021 (Millions of yen)	Balance as of March 31, 2022 (Millions of yen)	Balance as of March 31, 2022 (Thousands of U.S. dollars)	Interest rate (%)	Collateral	Maturity
Oji Holdings Corporation	Bond No.33	January 26, 2018	10,000	10,000	81,706	0.28	None	January 24, 2025
Oji Holdings Corporation	Bond No.34	January 26, 2018	10,000	10,000	81,706	0.43	None	January 26, 2028
Oji Holdings Corporation	Bond No.35	November 29, 2018	20,000	20,000	163,412	0.45	None	November 29, 2028
Oji Holdings Corporation	Bond No.36	November 29, 2018	10,000	10,000	81,706	1.08	None	November 29, 2038
Oji Holdings Corporation	Bond No.37	July 19, 2019	15,000	15,000	122,559	0.29	None	July 19, 2029
Oji Holdings Corporation	Bond No.38	July 19, 2019	15,000	15,000	122,559	0.80	None	July 19, 2039
Oji Holdings Corporation	Bond No.39	July 17, 2020	15,000	15,000	122,559	0.18	None	July 17, 2025
Oji Holdings Corporation	Bond No.40	July 17, 2020	15,000	15,000	122,559	0.37	None	July 17, 2030
Oji Holdings Corporation	Bond No.41	July 17, 2020	10,000	10,000	81,706	0.80	None	July 17, 2040
Oji Holdings Corporation	Bond No.42	March 24, 2021	15,000	15,000	122,559	0.08	None	March 24, 2026
Oji Holdings Corporation	Bond No.43	March 24, 2021	20,000	20,000	163,412	0.37	None	March 24, 2031
Total	—	—	¥ 155,000 (¥ —)	¥ 155,000 (¥ —)	\$ 1,266,443 (\$ —)	—	—	—

Notes:

- The amounts indicated in parentheses above represent redemption amounts due in one year or less.
- The aggregate annual redemption amount of bonds within five years subsequent to March 31, 2022 are 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)				
¥ —	¥ —	¥ 10,000	¥ 30,000	¥ —

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
(Thousands of U.S. dollars)				
\$ —	\$ —	\$ 81,706	\$ 245,118	\$ —

28. Short-term loans payable and long-term loans payable

	April 1, 2021 (Millions of yen)	March 31, 2022 (Millions of yen)	March 31, 2022 (Thousands of U.S. dollars)	Average interest rate (%)	Maturity
Short-term loans payable	¥ 125,779	¥ 107,072	\$ 874,847	0.98	–
Current portion of long-term loans payable	4,184	59,372	485,110	0.48	–
Current portion of lease obligations	3,455	5,103	41,697	–	–
Long-term loans payable (excluding current portion)	362,718	329,062	2,688,638	0.76	Due 2023 through 2051
Lease obligations (excluding current portion)	18,487	20,392	166,618	–	Due 2023 through 2055
Total	¥ 514,625	¥ 521,003	\$ 4,256,912	–	–

Notes:

1. The above average interest rate is the applicable weighted-average interest rate to the above loans at the end of each fiscal year.
2. The average interest rates of lease obligations are not indicated above as lease obligations for companies that apply IFRS exclude interest equivalent amount, on the other hand lease obligations for companies that apply Japanese GAAP include interest equivalent amount.
3. The aggregate annual repayment amounts of long-term loans payable and lease obligations (excluding current portion) within five years subsequent to March 31, 2022 are 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 loans payable	¥ 72,075	¥ 71,183	¥ 65,915	¥ 22,588
Lease obligation	3,660	2,768	1,536	1,088

	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 loans payable	\$ 588,903	\$ 581,610	\$ 538,565	\$ 184,565
Lease obligation	29,906	22,621	12,552	8,894

29. Asset Retirement Obligations

As the asset retirement obligations as of April 1, 2021 and March 31, 2022 account for less than 1% of the total liabilities and net assets, this information is omitted pursuant to the provision of Article 92-2 of the Regulation for Consolidated Financial Statements.

	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 loans payable	¥ 72,075	¥ 71,183	¥ 65,915	¥ 22,588
Lease obligation	3,660	2,768	1,536	1,088

30. Others

Quarterly Financial Information as FY2021

cumulative period	Q1	Q2	Q3	Q4
Net sales (Millions of yen)	¥ 342,721	¥ 708,529	¥ 1,085,614	¥ 1,470,161
Profit before income taxes (Millions of yen)	33,894	67,824	101,565	129,262
Profit attributable to owners of parent (Millions of yen)	20,610	45,582	66,645	87,509
Profit per share (Yen)	20.81	46.02	67.29	88.35

cumulative period	Q1	Q2	Q3	Q4
Net sales (Thousands of U.S. dollars)	\$ 2,800,242	\$ 5,789,110	\$ 8,870,126	\$ 12,012,108
Profit before income taxes (Thousands of U.S. dollars)	276,937	554,170	829,849	1,056,150
Profit attributable to owners of parent (Thousands of U.S. dollars)	168,403	372,438	544,529	715,008
Profit per share (U.S. dollars)	0.17	0.38	0.55	0.72

Accounting period	Q1	Q2	Q3	Q4
Profit per share (Yen)	¥ 20.81	¥ 25.21	¥ 21.26	¥ 21.06

Accounting period	Q1	Q2	Q3	Q4
Profit per share (U.S. dollars)	\$ 0.17	¥ 0.21	¥ 0.17	¥ 0.17

NOTE TO READERS:

The Internal Control Report has not been translated into English and is therefore not attached to this document.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 29, 2022

To the Board of Directors of
Oji Holdings Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Tetsuya Ishii

Designated Engagement Partner,
Certified Public Accountant:

Yutaka Hamaguchi

Designated Engagement Partner,
Certified Public Accountant:

Ayato Hirano

Designated Engagement Partner,
Certified Public Accountant:

Yohei Ono

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Oji Holdings Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2021 to March 31, 2022, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

1	<p>Valuation of non-current assets for the base paper of household paper business in Jiangsu Oji Paper Co., Ltd.</p> <p>The Group manufactures and sells base paper of household paper mainly for the Chinese and Japanese market in the base paper of household paper business of Jiangsu Oji Paper Co., Ltd., a subsidiary of the Group, (hereinafter described as "Jiangsu Oji Household Paper Base Paper Business") since the year ended March 31, 2021.</p> <p>In preparing the consolidated financial statements of the Group, the financial information of Jiangsu Oji Paper Co., Ltd. in accordance with International Financial Reporting Standards is used. As described in (Significant Accounting Estimates) 1. Impairment of non-current assets (Assessment of indications of impairment of non-current assets in the base paper of household paper business) to the consolidated financial statements, the non-current assets balance related to Jiangsu Oji Household Paper Base Paper Business was ¥11,035 million yen as of March 31, 2022.</p> <p>Jiangsu Oji Household Paper Base Paper Business has not met the targets within the business plan for the year ended March 31, 2022 due to, among other factors, a sluggish market of the base paper of household paper and price increases in raw materials and fuel. The Group evaluated the non-current assets in accordance with International Accounting Standard No. 36 "Impairment of Assets" by analyzing and comparing the actual results to the business plan and examining the future business plan. As a result, the Group concluded an impairment loss did not need to be recognized.</p> <p>The significant assumptions in the future business plan used to value non-current assets included:</p> <ul style="list-style-type: none"> ● Projected purchase prices of pulp based on forecasts of pulp market conditions ● Projected selling prices based on the pulp purchase prices, and ● Projected sales volume based on the future product demands and other factors. 	<p>In relation to the valuation of non-current assets in Jiangsu Oji Household Paper Base Paper Business, we instructed the auditor of Jiangsu Oji Paper Co., Ltd. and performed the following audit procedures, among others:</p> <p>(1) Evaluation of internal controls</p> <ul style="list-style-type: none"> ● We evaluated the design and implementation of internal controls over the valuation of non-current assets. In this evaluation, we focused on internal controls that examine the reasonableness of the significant assumptions included in the business plan. <p>(2) Examination of non-current assets valuation</p> <ul style="list-style-type: none"> ● We evaluated the achievability of the future business plan by retrospectively analyzing the factors which have caused the difference between the business plan and the actual results. ● Regarding the significant assumptions used in the future business plan of Jiangsu Oji Household Paper Base Paper Business, we performed the following audit procedures: <ul style="list-style-type: none"> · We inquired of management about the projected purchase prices of pulp based on forecasts of pulp market conditions and compared them with available external data. · We inquired of management about the projected selling prices, compared them with available external data, and analyzed trends from the past. · We inquired of management about the projected sales volume and compared it with available external data related to the demand forecast of household paper and with the production capacity. · In order to assess the achievability of the future business plan, we examined the results of sensitivity analysis of the sales forecasts conducted by management.
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	<p>The fact that the Jiangsu Oji Household Paper Base Paper Business has not met the targets within the business plan required careful consideration in the valuation of non-current assets. In addition, the significant assumptions included in the future business plan involve judgment made by management and are subject to uncertainty as they are affected by the demand forecast for household paper as well as the purchase prices trend of pulp.</p> <p>Therefore, we identified the valuation of non-current assets in Jiangsu Oji Household Paper Base Paper Business as a key audit matter.</p>	
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Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements,

whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Oji Holdings Corporation as of March 31, 2022.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Oji Holdings Corporation as of March 31, 2022, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.