

Summary of Consolidated Financial and Business Results for the First Half of the Year Ending March 2018

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(All yen figures are rounded down to the nearest one million yen)

1. Results for the First Half of the Year Ending March 31, 2018 (April 1, 2017 - September 30, 2017)

(Unaudited)

(1) Consolidated Business Results

(Figures shown in percentage are ratios compared to the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Half of FY2017	718,367	3.7	26,568	(21.0)	24,179	92.1	16,517	96.6
First Half of FY2016	692,940	(3.7)	33,640	21.9	12,586	(60.0)	8,400	(48.2)

Note: Comprehensive income First Half of FY2017 18,196 million yen
 First Half of FY2016 (46,419) million yen

	Profit per share	Diluted profit per share
	Yen	Yen
First Half of FY2017	16.71	16.70
First Half of FY2016	8.50	8.49

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First Half of FY2017	1,940,499	772,846	33.1	649.99
Year ended March 2017	1,901,029	759,198	33.1	635.95

Note: Shareholders' equity First Half of FY2017 642,512 million yen
 FY2016 628,658 million yen

2. Dividend Conditions

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
FY2016	—	5.00	—	5.00	10.00
FY2017	—	5.00			
FY2017 (Forecast)			—	5.00	10.00

Note : Change in forecast of dividend … None

3. Consolidated Forecasts for the Year Ending March 2018 (April 1, 2017-March 31, 2018)

(Figures shown in percentage are ratios compared to the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,500,000	4.2	75,000	6.8	64,000	20.9	37,000	(8.1)	37.43

Note : Change in consolidated forecasts … No

4. In Addition

- (1) Changes in important subsidiaries
(changes regarding specified subsidiaries accompanying changes in the scope of consolidation) : None
- (2) Application of simple accounting methods and quarterly peculiar accounting methods : None
- (3) Changes in accounting methods compared with recent consolidated accounting periods
- | | |
|--|------|
| (i) Changes due to accounting standard changes : | None |
| (ii) Changes besides (i) : | None |
| (iii) Accounting estimate change : | None |
| (iv) Restatement : | None |
- (4) Outstanding balance of issued shares (common stock)
- | | | | |
|--|---------------|----------------------|---------------|
| (i) Outstanding balance of issued shares at the end of fiscal year (Including treasury shares) | | | |
| First Half of FY2017 | 1,014,381,817 | FY2016 | 1,014,381,817 |
| (ii) Outstanding balance of treasury shares at the end of fiscal year | | | |
| First Half of FY2017 | 25,893,500 | FY2016 | 25,843,510 |
| (iii) Weighted average number of shares during fiscal year | | | |
| First Half of FY2017 | 988,510,241 | First Half of FY2016 | 988,573,587 |

NOTICE

- This document is exempt from audit procedures required by Financial Instruments and Exchange Act.
- Forecasts released are based on expectations of future economic conditions as of the date of publication. The actual results may differ drastically from these forecasts due to various factors that may arise in the future.
- This document is an excerpt translation of the Japanese original and is only for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

1. Qualitative Information Concerning Business Performance and Financial Situation

(1) Qualitative Information Concerning Business Performance

Business Performance for the First Half of FY2017 (April 1, 2017 - September 30, 2017)

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent	Profit Per Share
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Yen
1st Half of FY2017	718.4	26.6	24.2	16.5	16.71
1st Half of FY2016	692.9	33.6	12.6	8.4	8.50
Increase (Decrease)	25.4	(7.1)	11.6	8.1	
Increase (Decrease)	3.7%	(21.0%)	92.1%	96.6%	

Overview of Business Performance for the First Half of FY2017

During the first half of FY 2017, the global economic condition was steady with the continued economic expansion in US and China. Japanese economic condition continually showed a gradual recovery trend under its improving situations of company earnings and personal consumption.

Under such circumstances, Oji Group had the following business performances in the first half of FY2017.

- Consolidated net sales increased by 3.7% to be ¥718.4 billion.
- Consolidated operating profit decreased by 21.0% to be ¥26.6 billion due to impacts of elevated raw material and fuel prices that outweighed the positive generated by cost reduction measures, etc.
- Consolidated ordinary profit increased by 92.1% to be ¥24.2 billion due to a decrease in foreign exchange loss, etc.
- Consolidated profit attributable to owners of parent increased by 96.6% to be ¥16.5 billion due to the same reason as the ordinary profit.

Overview of Business Performance for the First Half of FY2017 by Segment

① Business Performance by Segment

(Unit: Billions of yen)

		Net Sales			Operating Profit		
		1st Half of FY2016	1st Half of FY2017	Increase (Decrease)	1st Half of FY2016	1st Half of FY2017	Increase (Decrease)
Reporting Segment	Household & Industrial Materials	301.8	317.2	5.1%	9.4	(0.2)	—
	Functional Materials	103.1	106.5	3.2%	7.5	8.9	19.2%
	Forest Resources & Environment Marketing	127.7	142.2	11.4%	10.3	16.3	58.7%
	Printing & Communications Media	145.5	140.8	(3.2%)	1.8	(2.6)	—
	Total	678.1	706.6	4.2%	28.9	22.4	(22.4%)
Others		130.7	137.5	5.2%	4.4	4.3	(1.0%)
Total		808.8	844.1	4.4%	33.3	26.8	(19.6%)
Adjustment (*)		(115.9)	(125.7)	—	0.3	(0.2)	—
Consolidated total		692.9	718.4	3.7%	33.6	26.6	(21.0%)

*Adjustment amount is mainly the adjustment concerning internal transactions.

② Overview of Business Performance by Segment

Oji Group has four reporting segments which are: "Household and Industrial Materials", "Functional Materials", "Forest Resources and Environment Marketing" and "Printing and Communications Media".

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

Major business lineup for the segments are as follows.

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

○Household and Industrial Materials

In the first half of FY2017, net sales was ¥317.2 billion (year-on-year increase of 5.1%); and operating loss was ¥0.2 billion (year-on-year decrease of ¥9.6 billion) as a result of impacts of elevated raw material and fuel prices that outweighed the positive generated by cost reduction measures.

Regarding domestic businesses, sales volume of containerboard and corrugated containers increased from the previous year as sales of those for customers of greengrocery, beverage and processed food industries as well as e-commerce strongly performed.

Sales volume of boxboard/packing paper increased from the previous year due to strong sales mainly for domestic customers.

As for disposable diapers, sales volume of baby disposable diapers decreased from the previous year due to a decline in inbound demand, etc.; whilst that of adult disposable diapers increased. Household paper business, including tissue paper and toilet rolls, steadily performed and its sales volume increased.

Regarding overseas businesses, sales of containerboard remained steady and that of corrugated sheet and container, mainly for customers of beverage and processed food industries, recorded healthy in Southeast Asia. Sales volume of disposable diapers significantly increased from the previous year with the start of full-scale local production/sales in Southeast Asia and the earnest market entry into China through the establishment of a local sales organization.

○Functional Materials

In the first half of FY2017, net sales was ¥106.5 billion (year-on-year increase of 3.2%); and operating profit was ¥8.9 billion (year-on-year increase of 19.2%) as a result of cost reduction effects and other factors.

Regarding domestic businesses, sales volume of specialty paper in Japan, with a main focus in electronic components such as for smartphones and release paper for medical purposes, increased from the previous year due to efforts made for development of new products and customers. Export sales of specialty paper increased from the previous year due to sales expansion of release paper, etc. Domestic sales of thermal paper was almost at the same level as the previous year.

Regarding overseas businesses, sales of thermal paper steadily performed in South America.

○Forest Resources and Environment Marketing

In the first half of FY2017, net sales was ¥142.2 billion (year-on-year increase of 11.4%); and operating profit was ¥16.3 billion (year-on-year increase of 58.7%) due to rise in pulp market and other factors.

Regarding domestic businesses, sales volume of dissolving pulp increased from the previous year due to strong sales mainly for export. Energy business steadily performed and its sales volume was at almost at the same level as the previous year.

Regarding overseas businesses, sales of pulp strongly performed at Celulose Nipo-Brasileira S.A. Sales volume of lumber business increased from the previous year due to sales expansion at Pan Pac Forest Products Ltd.

○Printing and Communications Media

In the first half of FY2017, net sales was ¥140.8 billion (year-on-year decrease of 3.2%); and operating loss was ¥ 2.6 billion (year on-year decrease of ¥4.3 billion) due to impacts of elevated raw material and fuel prices that outweighed the positive generated by cost reduction measures.

Regarding domestic businesses, sales volume of newsprint decreased from the previous year due to reduced circulation and total number of pages.

As for printing and communication paper, sales volume was almost at the same level as the previous year, but sales amount decreased because of the fall in market and other factors.

Regarding overseas businesses, a steady increase in sales of printing paper at Jiangsu Oji Paper resulted in an increase in sales volume relative to the previous year.

2. Outline of Business Performance and Financial Situation

Business Performance

Billions of yen

	1st half of FY2017		Forecasts for FY2017	
		Increase(Decrease)		Increase(Decrease)
Net Sales	718.4	25.4	1,500.0	60.1
Domestic	503.7	(6.0)		
Overseas	214.7	31.4		
ratio	29.9%	3.4%		
Operating Profit	26.6	(7.1)	75.0	4.8
Ordinary Profit	24.2	11.6	64.0	11.1
Profit attributable to owners of parent	16.5	8.1	37.0	(3.3)

Billions of yen

Deprecation	35.2	(0.8)	70.7	(4.1)
Capital expenditure	26.8	6.4	60.8	9.2

Average foreign exchange rate

	1st half of FY2017		Forecasts for FY2017	
		Increase(Decrease)		Increase(Decrease)
JPY / USD April to March	111.1	5.8	110.6	2.2
JPY / EUR April to March	126.3	8.2	125.7	7.0
BRL / USD January to December	3.18	(0.53)	3.14	(0.35)
NZD / USD January to December	1.41	(0.07)	1.41	(0.03)

Financial situation

Billions of yen

	30-Sep-17	
		Increase(Decrease)from Mar31,2017
Total assets	1,940.5	39.5
Net assets	772.8	13.6
Interest bearing debts	675.9	(1.4)

Number of employees

person

	30-Sep-17	
		Increase(Decrease)from Mar31,2017
Number of employees	36,031	639
Domestic	17,029	(19)
Overseas	19,002	658

Consolidated quarterly balance sheets

(Unit : Millions of yen)

	FY2016 Mar 31,2017	First Half / FY2017 Sep 30,2017
Assets		
Current assets		
Cash and deposits	43,833	59,044
Notes and accounts receivable - trade	292,780	308,472
Securities	9,787	10,895
Merchandise and finished goods	93,973	98,778
Work in process	18,215	19,282
Raw materials and supplies	78,992	84,862
Other	43,729	43,200
Allowance for doubtful accounts	(1,613)	(1,411)
Total current assets	579,698	623,124
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	207,271	204,309
Machinery, equipment and vehicles, net	383,471	367,951
Land	237,328	234,927
Other, net	242,053	243,439
Total property, plant and equipment	1,070,124	1,050,626
Intangible assets		
Goodwill	9,503	10,744
Other	12,169	11,788
Total intangible assets	21,673	22,533
Investments and other assets		
Investment securities	152,384	162,564
Other	78,867	83,683
Allowance for doubtful accounts	(1,719)	(2,032)
Total investments and other assets	229,532	244,214
Total non-current assets	1,321,330	1,317,374
Total assets	1,901,029	1,940,499

(Unit : Millions of yen)

	FY2016 Mar 31,2017	First Half / FY2017 Sep 30,2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	205,147	241,072
Short-term loans payable	178,480	191,797
Commercial papers	2,000	30,000
Current portion of bonds	40,000	40,000
Income taxes payable	9,385	7,363
Provision	5,212	3,507
Other	87,516	80,594
Total current liabilities	<u>527,742</u>	<u>594,334</u>
Non-current liabilities		
Bonds payable	80,000	40,000
Long-term loans payable	376,835	374,098
Provision	8,043	7,913
Net defined benefit liability	54,123	54,516
Other	95,087	96,790
Total non-current liabilities	<u>614,089</u>	<u>573,317</u>
Total liabilities	<u>1,141,831</u>	<u>1,167,652</u>
Net assets		
Shareholders' equity		
Capital stock	103,880	103,880
Capital surplus	112,455	112,066
Retained earnings	350,676	362,965
Treasury shares	(14,394)	(14,427)
Total shareholders' equity	<u>552,618</u>	<u>564,485</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,075	40,526
Deferred gains or losses on hedges	(729)	(376)
Revaluation reserve for land	5,921	5,921
Foreign currency translation adjustment	31,908	24,801
Remeasurements of defined benefit plans	4,863	7,154
Total accumulated other comprehensive income	<u>76,039</u>	<u>78,026</u>
Subscription rights to shares	266	266
Non-controlling interests	<u>130,273</u>	<u>130,068</u>
Total net assets	<u>759,198</u>	<u>772,846</u>
Total liabilities and net assets	<u>1,901,029</u>	<u>1,940,499</u>

Consolidated quarterly statements of income

(Unit : Millions of yen)

	First Half / FY2016 Apr '16 - Sep '16	First Half / FY2017 Apr '17 - Sep '17
Net sales	692,940	718,367
Cost of sales	531,312	558,956
Gross profit	<u>161,627</u>	<u>159,411</u>
Selling, general and administrative expenses		
Freightage related expenses	69,740	72,281
Other	58,247	60,560
Total selling, general and administrative expenses	<u>127,987</u>	<u>132,842</u>
Operating profit	<u>33,640</u>	<u>26,568</u>
Non-operating income		
Interest income	517	709
Dividend income	1,748	1,372
Foreign exchange gains	—	994
Share of profit of entities accounted for using equity method	715	909
Other	3,105	1,625
Total non-operating income	<u>6,086</u>	<u>5,611</u>
Non-operating expenses		
Interest expenses	3,570	3,360
Foreign exchange losses	20,375	—
Other	3,194	4,640
Total non-operating expenses	<u>27,140</u>	<u>8,001</u>
Ordinary profit	<u>12,586</u>	<u>24,179</u>
Extraordinary income		
Gain on sales of non-current assets	6,452	3,949
Other	960	617
Total extraordinary income	<u>7,413</u>	<u>4,566</u>
Extraordinary losses		
Loss on disaster	99	1,713
Loss on retirement of non-current assets	773	809
Other	1,891	276
Total extraordinary losses	<u>2,764</u>	<u>2,798</u>
Profit before income taxes	<u>17,235</u>	<u>25,947</u>
Income taxes - current	6,094	7,137
Income taxes - deferred	3,037	5
Total income taxes	<u>9,132</u>	<u>7,142</u>
Profit	<u>8,103</u>	<u>18,804</u>
Profit (loss) attributable to non-controlling interests	<u>(296)</u>	<u>2,286</u>
Profit attributable to owners of parent	<u>8,400</u>	<u>16,517</u>

Consolidated quarterly statements of comprehensive income

(Unit : Millions of yen)

	First Half / FY2016 Apr '16 - Sep '16	First Half / FY2017 Apr '17 - Sep '17
Profit	8,103	18,804
Other comprehensive income		
Valuation difference on available-for-sale securities	792	5,965
Deferred gains or losses on hedges	106	352
Foreign currency translation adjustment	(55,951)	(9,740)
Remeasurements of defined benefit plans, net of tax	942	2,331
Share of other comprehensive income of entities accounted for using equity method	(413)	483
Total other comprehensive income	<u>(54,523)</u>	<u>(607)</u>
Comprehensive income	<u>(46,419)</u>	<u>18,196</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(29,056)	18,869
Comprehensive income attributable to non-controlling interests	(17,362)	(672)