

OJI GROUP REPORT 2017



*Extract of "choloranthus japonicus", a medicinal plant which grows in clusters in Oji Group's forests, used for cosmetic purposes.

To all our stakeholders,

With “Beyond the Boundaries” as our vision statement,
we, the Oji Group, are committed to realizing a sustainable society
whilst enhancing our medium-to-long-term corporate value.

Using “Creation of Innovative Values”,
“Contribution to Future and the World” and
“Harmony with Nature and Society”

as the cornerstones of our Management Philosophy,
we seek to pursue strong growth,
going beyond the boundaries of existing ideas.

We sincerely appreciate and look forward to
the continuing patronage and loyal support of
all of our stakeholders.



Director, Chairman of the Board,
Oji Holdings Corporation

K. Shindo



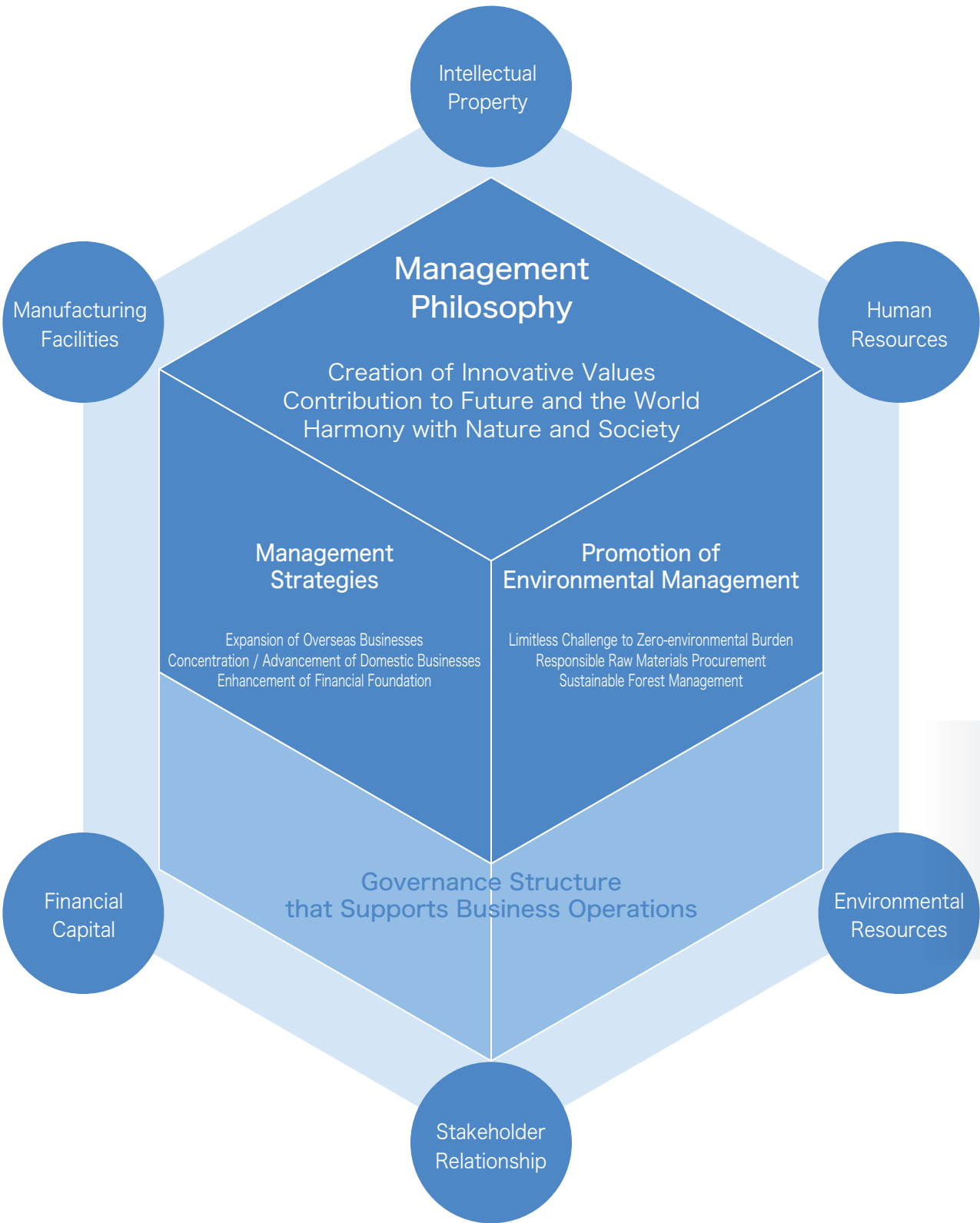
Director of the Board, President,
Oji Holdings Corporation

A. Yano

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Oji Group aims to enhance its corporate value and fulfill corporate social responsibility through achieving its Management Philosophy.

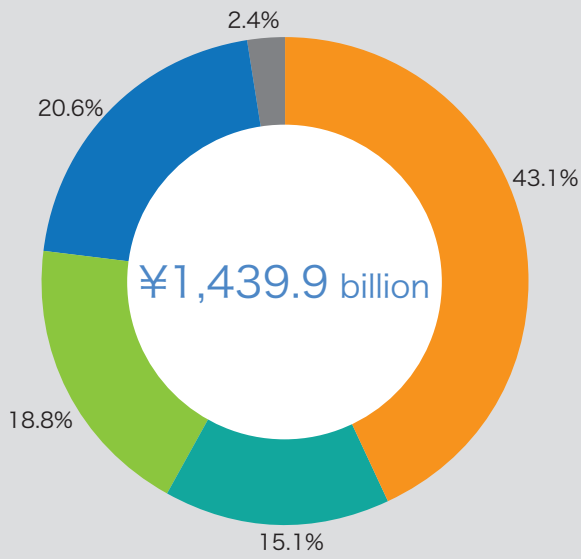


Output

	FY2016 Results	FY2017 Forecasts	FY2018 Targets	Future Targets
Net Sales	¥1,439.9 billion	¥1,500.0 billion	¥1,700.0 billion	
Overseas Sales Ratio	28.2%	29.4%	35%	50%
Operating Profit	¥70.5 billion	¥75.0 billion	¥100.0 billion	
Interest-bearing Debts	¥677.3 billion	¥680.0 billion	¥700.0 billion	
Environmental Management	Zero-environmental burden			

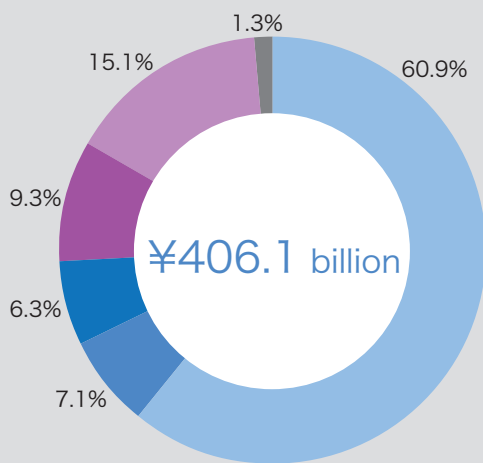
Activities by
4 Business SegmentsHousehold
and Industrial
MaterialsFunctional
MaterialsForest Resources
and Environment
MarketingPrinting
and Communications
Media

Net Sales by Business Segment (FY2016)



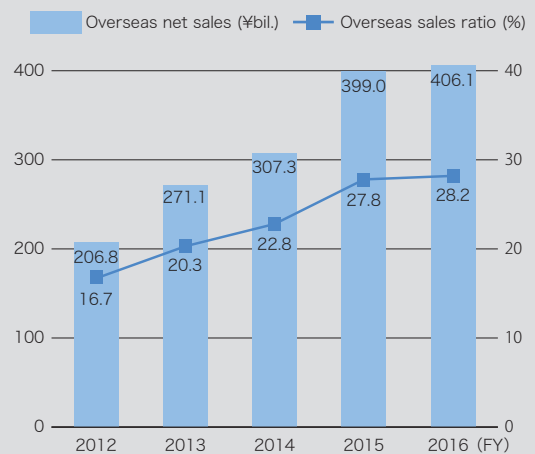
Business Segments	Net sales
Household and Industrial Materials	¥620.3 billion
Functional Materials	¥217.6 billion
Forest Resources and Environment Marketing	¥270.3 billion
Printing and Communications Media	¥296.1 billion
Others	¥35.6 billion

Overseas Net Sales by Sales Area (FY2016)



- Asia
- North America
- South America
- Europe
- Oceania
- Others

Overseas Net Sales / Overseas Sales Ratio



Household and Industrial Materials Businesses

Products include daily necessities such as tissue paper and disposable diapers, as well as packaging products such as corrugated containers and paper bags

Main Businesses

- Various packaging materials and products (base paper and converting)
- Household paper
- Disposable diaper

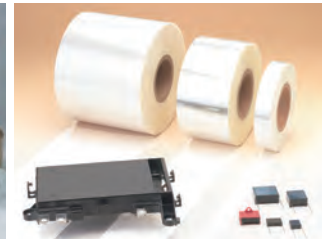


Functional Materials Business

Products include thermal paper for receipts etc., adhesive products including labels, a variety of film products, and specialty paper

Main Businesses

- Specialty paper
- Thermal paper
- Adhesive products
- Film



Forest Resources and Environment Marketing Business

Various businesses which utilize forest resources such as pulp for paper manufacturing, power generation, lumber processing etc.

Main Businesses

- Pulp
- Power generation
- Lumber processing



Printing and Communications Media

Products include paper for printing purposes such as newsprint, magazines and books, and paper for photocopying purposes (copying paper) etc.

Main Businesses

- Newsprint
- Printing / publication paper
- Communication paper (i.e. copying paper)



Other Businesses

Various services that support Oji Group's collective strength such as engineering, logistics and wholesale etc.

Main Businesses

- Real estate
- Engineering services
- Wholesale business
- Logistic services



Financial Highlights		FY2012	FY2013	FY2014	FY2015	FY2016
Net Sales	(¥bil.)	1,241.5	1,332.5	1,347.3	1,433.6	1,439.9
Operating Profit	(¥bil.)	52.4	62.0	46.7	73.7	70.5
Ordinary Profit	(¥bil.)	54.6	70.4	53.0	62.4	51.2
Profit Attributable to Owners of Parent	(¥bil.)	25.6	33.8	17.3	15.3	36.6
Profit per Share	(¥)	25.93	34.22	17.55	15.44	36.99
Net Assets per Share	(¥)	511.95	581.69	666.40	600.34	644.62
Dividend per Share	(¥)	10	10	10	10	10
Total Assets	(¥bil.)	1,831.3	1,915.7	2,164.1	1,934.9	1,918.1
Net Assets	(¥bil.)	579.1	670.4	801.4	730.9	774.7
Interest-bearing Debts	(¥bil.)	831.1	798.5	862.6	777.7	677.3
Equity Ratio	(%)	27.6	30.0	30.4	30.7	33.2
Return on Equity	(%)	5.4	6.3	2.8	2.4	5.9
Capital Investment	(¥bil.)	70.1	76.7	80.1	57.4	57.9
Depreciation and Amortization	(¥bil.)	72.1	73.3	70.8	78.6	74.8
Research and Development Expense	(¥bil.)	9.5	10.9	10.5	9.7	9.3
Cash Flows from Operating Activities	(¥bil.)	105.4	109.3	90.9	128.1	157.4
Cash Flows from Investing Activities	(¥bil.)	(76.2)	(67.2)	(165.5)	(43.3)	(40.2)
Cash Flows from Financing Activities	(¥bil.)	(20.7)	(52.0)	77.4	(89.8)	(114.5)

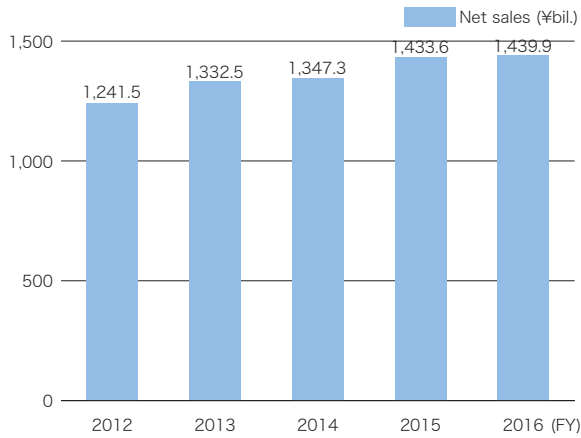
Non-financial Highlights		FY2012	FY2013	FY2014	FY2015	FY2016
Number of Employees	Domestic (person)	17,474	17,345	17,003	16,845	17,048
	Overseas (person)	9,886	13,727	16,665	16,760	18,344
	Total (person)	27,360	31,072	33,668	33,605	35,392
Frequency of Accidents Resulting in Lost Work Hours *1		0.75	0.80	0.66	0.77	0.65
Greenhouse Gas Emissions Intensity *2	(t*3/t)	0.520	0.523	0.517	0.493	0.485
Energy Intensity (Crude Oil Equivalent)	(kL/t)	0.339	0.345	0.374	0.366	0.366
Waste Generation Intensity	(t/t)	0.172	0.171	0.184	0.178	0.176

*1 Frequency of accidents resulting in lost work hours = (occupational accident casualties / total work hours) * 1,000,000
The total work time is assumed to be 2,000 hours / person

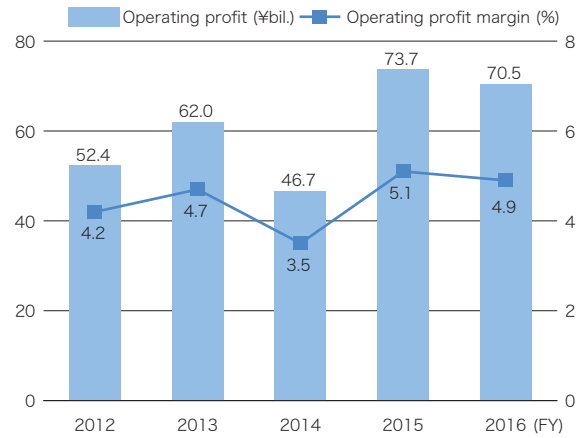
*2 Greenhouse gas emissions intensity = domestic and overseas greenhouse gas emissions / domestic and overseas production volume
Emissions from power generation business are not included

*3 In addition to CO₂, it is inclusive of its equivalents of CH₄ and N₂O

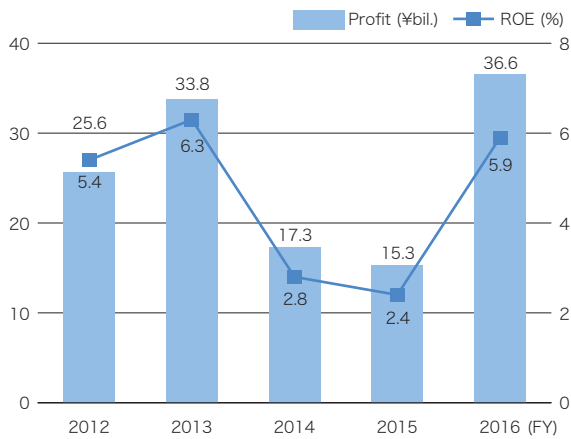
Net Sales



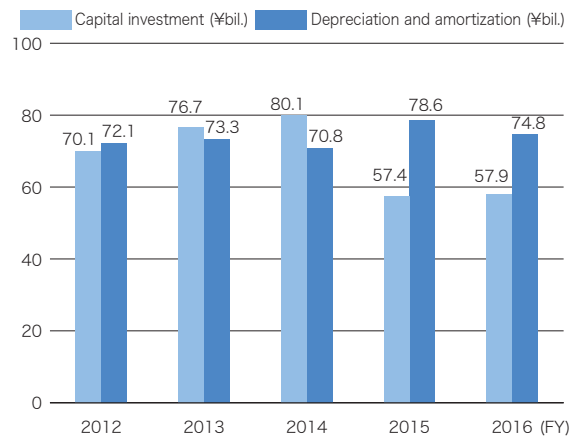
Operating Profit / Operating Profit Margin



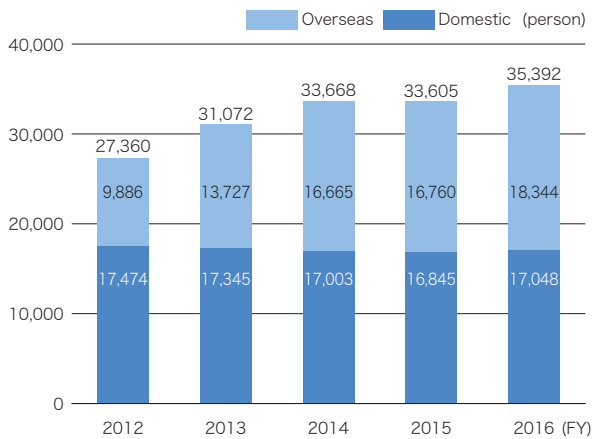
Profit Attributable to Owners of Parent / ROE



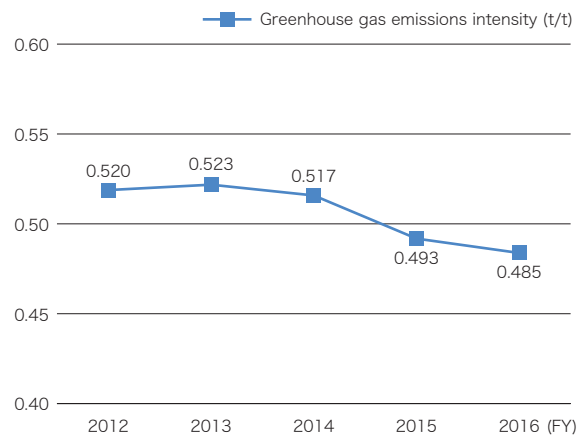
Capital Investment / Depreciation and Amortization



Number of Employees



Greenhouse Gas Emissions Intensity

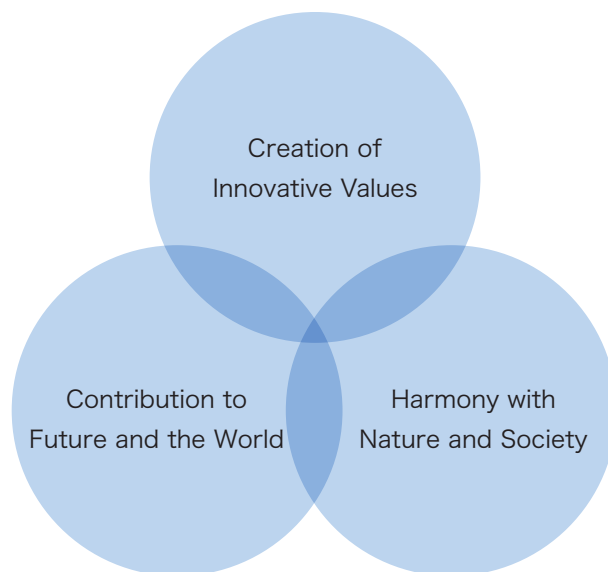




Director of the Board, President
Group CEO
Susumu Yajima

About Oji Group

Since its foundation in 1873, Oji Group has continued to achieve growth, both inorganic & organic, through business mergers and expansion of business fields. With the enhancement of our various businesses such as the packaging business, pulp business, or the power generation business that has been expanded recently, I could feel that our original core business, "Paper Manufacturing", is relatively growing smaller. Furthermore, our overseas expansion plans have sped up since 2010 and there are currently 102 overseas consolidated subsidiaries, out of 197 consolidated subsidiaries in total; making overseas subsidiaries the majority. Under such external changes in our business landscape coupled with changes internally, we endeavor to enhance our long-term corporate value with our Management Philosophy as our compass; "Creation of Innovative Values", "Contribution to Future and the World", and "Harmony with Nature and Society".



Business Review of FY2016 and Outlook for FY2017

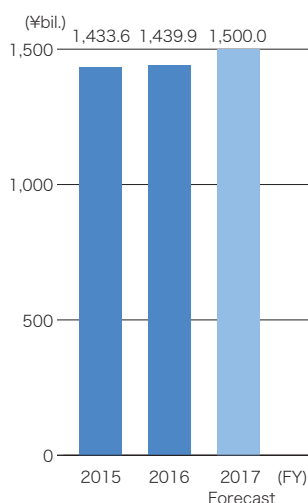
Due to falling pulp prices and other market factors, income has decreased in FY2016. We plan to catch up in FY2017.

Consolidated net sales for FY2016 amount to ¥1,439.9 billion which is around the same as the previous year. Overseas sales ratio grew from 27.8% to 28.2% as a result of overseas expansion leading to the increase in the number of consolidated subsidiaries. Operating profit decreased by ¥3.2 billion to ¥70.5 billion, due to market factors such as the fall in pulp prices since 2015 year end, which outweighed the savings brought about by continual cost reduction efforts. Ordinary profit decreased by ¥11.2 billion to ¥51.2 billion, but profit attributable to owners of parent increased by ¥21.3 billion to ¥36.6 billion, due to

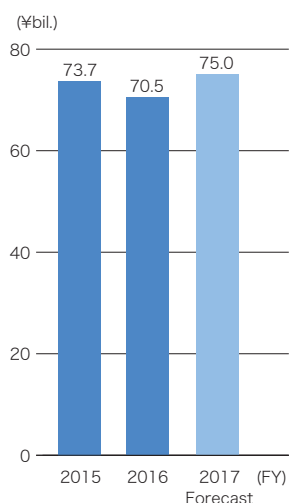
influences from a large impairment loss incurred in the previous year.

As for FY 2017, we will continue to strengthen our overseas expansion. Even though we expect a steep increase in prices of raw materials and fuels such as waste paper, appropriate price correction coupled with continual cost reduction efforts will lead us to our targeted operating profit of ¥75.0 billion. In addition, we expect to hit the following targets: net sales of ¥1,500.0 billion, overseas sales ratio of 29.4%, ordinary profit of ¥64.0 billion and profit attributable to owners of parent of ¥37.0 billion.

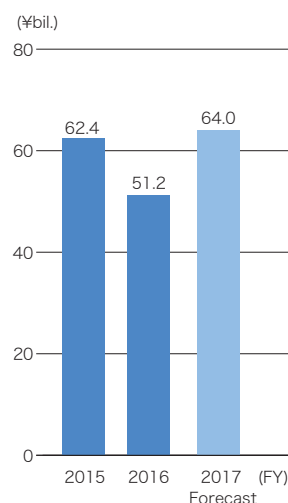
Net Sales



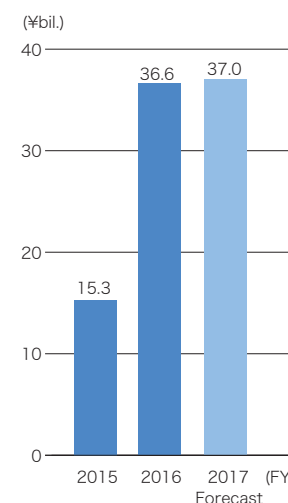
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



Medium-term Management Plan and Management Strategies

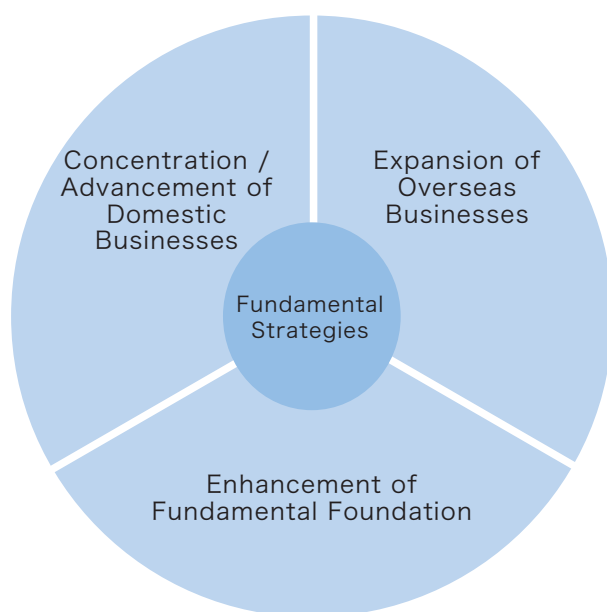
FY2017 is the second year in the medium-term management plan formulated in FY2015. We will continue to move forward to achieve our set targets.

In FY2015, Oji Group established a 3-year Group Management Plan which will last until FY2018. The numerical management targets set for FY2018 include: Consolidated Operating Profit of ¥100.0 billion, Overseas Sales Ratio of 35% and Interest-bearing Debts of ¥700.0 billion. In FY2016, the 1st of the 3 years, we are proud to announce that we have reached our set target for interest-

bearing debts ahead of schedule. Moving forward, in addition to the currently-running investment projects both domestic and international, we will continue to actively conduct investments in management-selected priority fields. I believe that with the combination of current and future investments coupled with cost reduction efforts, the numerical management targets are within reach.

We will continue to make steady progress in restructuring our business portfolio and enhancing our financials by sticking to our Management Strategies.

Oji Group's 3 Fundamental Strategies are: "Expansion of Overseas Businesses", "Concentration / Advancement of Domestic Businesses", and "Enhancement of Financial Foundation" that provides the basis of support for the first two pillars.



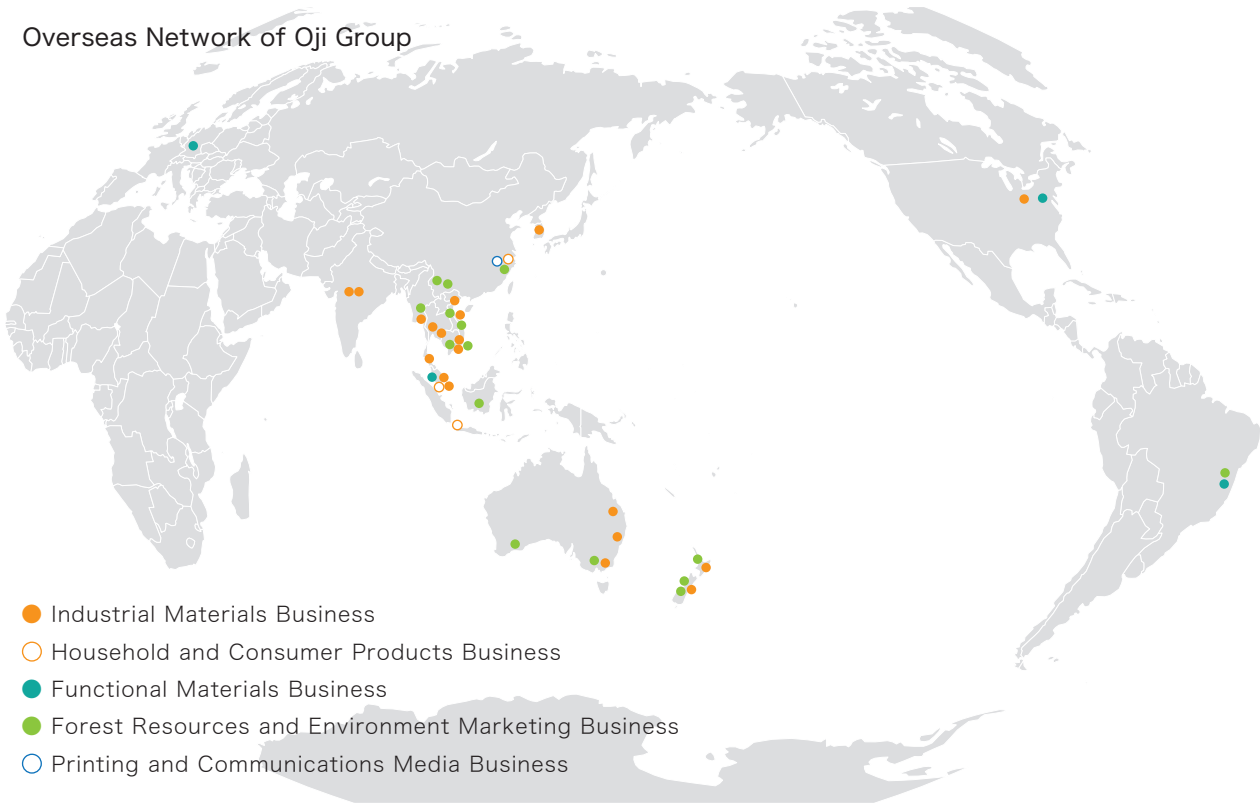
Firstly, for "Expansion of Overseas Businesses", even though the numbers of overseas subsidiaries and employees have surpassed these in Japan, we will continue to expand more profitable businesses abroad. During FY2016, Southeast Asia was the main region of focus. For Malaysia, we acquired a corrugated container manufacturing company, our 10th packaging-related site investment in the country, along with a label printing

company; whereas for Indonesia, we started the sales of disposable diapers via a local JV company. For FY2017, the following events are scheduled: share acquisition of a company engaged in printing/converting of thermal paper in Malaysia, start of commercial operation of a new corrugated container plant in Australia, production capacity enhancement of our thermal paper subsidiary in Brazil, and start of production of flexible packaging products in Myanmar. We will continue to actively commit further investment into enhancing profitability of our existing subsidiaries, as well as construction/acquisition of new sites.

Next, "Concentration / Advancement of Domestic Businesses" is an issue which we will always continue to tackle and improve on. Positive cash-flows obtained from paper manufacturing or packaging businesses are constantly channeled into 1) Growth Areas and 2) R&D for New Business Segments. To elaborate more on R&D, we are gradually gaining ground to commercialize Cellulose Nano-fiber, a highly anticipated new material with numerous possible applications. We are very excited to see more attractive products coming online.

Last but not least, for "Enhancement of Fundamental Foundation", we have managed to achieve a lower level of interest-bearing debts at the end of FY2016 than our set target at the end of FY2018 as a testament to our efforts in striking a balance between strategic investment and reduction of interest-bearing debts. Furthermore, to strengthen the Group's profitability and secure stable dividends for our shareholders, we will increase the percentage of our strategic investment in new and growing fields using additional capital obtained through sales of idle assets such as real estate and shares.

Overseas Network of Oji Group



Oji Group's transformation to adapt to the ever-changing business environment

Oji Group is often seen as a company in the “Japanese pulp and paper sector”; however reality is such that we have shifted away from being the conventional paper manufacturing company. Recognizing the decline in demand for paper products, especially newsprint and printing paper, our businesses have shifted away from reliance towards only domestic paper demand. Overseas sales ratio, which exceeded 10% in 2011 for the first time, is now about to reach a new historical high of 30%. This is the fruit of our efforts to speed up overseas expansion since 2010. We are proud to announce that Oji Group is now a “Global Company” with our ever-increasing overseas production along with our diversified business lineup in contrast to only paper manufacturing.

Generally, for “pure” Japanese paper manufacturing companies, “yen depreciation results in increased costs of imported raw materials”, and “rising pulp prices (increasing raw material costs) impacts profit negatively”; however, we have diversified away from these statements. Today, with our overseas consolidated subsidiaries forming the majority of the entire Group, yen depreciation is instead advantageous when we bring

the overseas profits and revenue back into Japanese yen. For us, it is also important to monitor the movement of other currencies other than JPY/USD. For example, as our subsidiaries in Brazil and New Zealand have high export ratios, depreciation in their respective local currencies against USD would benefit their business performance. Therefore, by simply looking at the JPY/USD movement, one would not be able to assess our Group comprehensively.

Furthermore, rising pulp prices would impact us both positively and negatively since we engage in both purchase and sales of pulp. For us, we benefit far greater from increasing pulp prices due to the positive impact outweighing the negative by a wide margin. Oji Group's current supply capability of pulp to the external market amounts to 2,400,000t.

Hence, we aim to detect and pre-empt changes in our environment and adapt our business fields and regions as accordingly, in order to secure a sustainable profitability as well as growth resulting in enhanced corporate value in the medium-to-long-term perspective.



Creating Structure and Culture to Enhance Corporate Value

“Safety, Environment, and Compliance as top priorities” is the permanent foundation policy for Oji Group.

Since governance structure provides the groundwork to all the business activities, we prioritize improving corporate governance as the most important issue of management. Since adopting the Corporate Governance Code in 2015, we have made further advancements in corporate governance through various initiatives; we established the Nomination Committee and the Compensation Committee as voluntary advisory bodies as well as introduced a “performance-linked and stock-based compensation” for Director’s compensation. Using “Fundamental Policies on Corporate Governance” as a guide, we have been working on governance enhancement measures such as verification of purpose and reasonability of strategic shareholding at the Board of Directors, submitting reports evaluating effectiveness of the Board of Directors by the Compensation Committee to the Board of Directors; and most importantly, increasing opportunities to consult with

Outside Officers. Moving forward, we will continue to pursue governance enhancement.

Furthermore, we constantly carry out activities to instill the values of “Safety, Environment, and Compliance”, the top priority for management, to all company employees and officers globally. These activities include risk elimination of industrial accidents at each workplace, environmental conservation through compliance with regulations on greenhouse gas emissions and prevention of environmental accidents, compliance with laws/regulations to fulfill the Group’s social responsibilities etc. From the Top Management such as CEOs and Company Presidents all the way down to the departmental level, the entire Group has strived to raise awareness of these values through Top Management Messages, appropriate audits, instruction and training sessions etc.

For the environment, being the largest private owner of forests in Japan, we are also committed to maintaining and improving public values of forests. In Japan, Oji Group currently owns 190,000 ha of forest area privately, which is almost the size of the entire Osaka Prefecture. We actively tap on unused resources such as biomass fuels which have an increasing usage recently; engage in sustainable forest management in the cycle of "growing, harvesting and re-planting trees"; aim to create an environment that maximizes the forest functions such as soil erosion prevention, water circulation, and carbon dioxide absorption.

In addition to the Management Strategies for enhancement of corporate value and Governance Structure Improvement that supports them, Oji Group is also actively engaging in Human Resource Strategies which form the driving force for everything within the Group. With "working style reforms" which pursue work productivity, and "promotion of diversity" which enhances professional opportunities



for women as our two main pillars, we aim to develop a working environment where every single employee can maximize his/her potential. To that end, we raise awareness through various activities as well as promote the necessary system changes, so that all diverse talents of Oji Group, regardless of their gender, nationality or age, are able to engage in their work actively.



"Safety and the Environment" themed meeting held for plant managers



Training session held by the Compliance Department

Conclusion

Oji Group will strive to meet everyone's expectations by achieving corporate value enhancement and stable dividends through the fore-mentioned activities.

We sincerely appreciate your continued patronage and loyal support. Thank you.



- Industrial Materials Business
- Household and Consumer Products Business

We aim to continue as a “Daily Lifestyle Support Enterprise”, to contribute to a sustainable society and make impact on people’s lives through offering optimal solutions which leverage on our Group’s wide variety of material and technologies.

President, Industrial Materials COMPANY
 President, Household and Consumer Products COMPANY

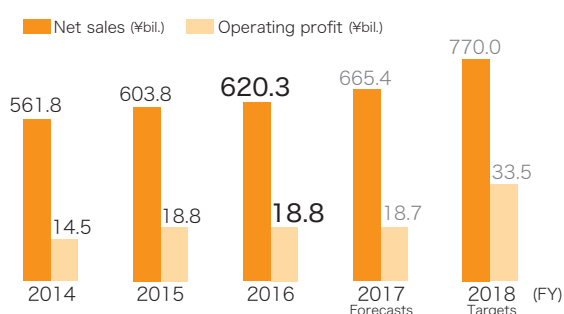
Ryoji Watari

Business Overview

In FY2016, we had net sales of ¥620.3 billion (up ¥16.5 billion from FY2015) and operating profit of ¥18.8 billion (almost at the same level as FY2015). Though our industrial materials business showed a healthy performance due to domestic demand mainly of corrugated containers, we ended up with a decreased profit due to yen appreciation which resulted in foreign exchange rate losses for our overseas subsidiaries. For household and consumer products business, profit increased due to an increased sales volume of domestic household paper and disposable diaper businesses.

Moving forward in FY2017, we expect to have net sales of ¥665.4 billion (up ¥45.1 billion from FY2016) and operating profit of ¥18.7 billion (down ¥0.1 billion from FY2016). Our industrial materials business expects an increase in sales and profit through increasing efficiency in our manufacturing structure domestically as well as increasing production capability overseas.

As for household and consumer products business, we will further enhance profitability through improving brand values of both household paper and disposable diaper businesses. To elaborate, we will steadily launch new products and implement a full-scale expansion into overseas to aim for increased sales and profit in the disposable diaper business.



Industrial Materials Business

Business Environment

With our strong ability to make offerings based on a wide range of materials/technologies coupled with our huge sales channels across Japan, Oji Group is the current domestic market leader for containerboard, boxboard and packing paper. Overseas, we have achieved similar results by obtaining high market share in packaging markets in both Malaysia and Cambodia by leveraging on our excellent customer base and local network. We have also been expanding the business into other countries such as Vietnam, India, etc. As

the market changes dynamically; on one hand, we are seeing an ageing population/declining birth rate trend along with commoditization in Japan, yet on the other hand, we are seeing population growth trends and heightening awareness for the environment in newly industrialized countries, products and services must be improved on a daily basis. Hence, in order to meet the ever-changing customer demand, we will contribute to realize the value that customers seek by utilizing our Group’s strengths.

Business Strategies

Domestically, we aim to further increase our market share by improving cost competitiveness through a business model which provides customer-first total packaging solutions through integrating material & converting business. We will also actively increase

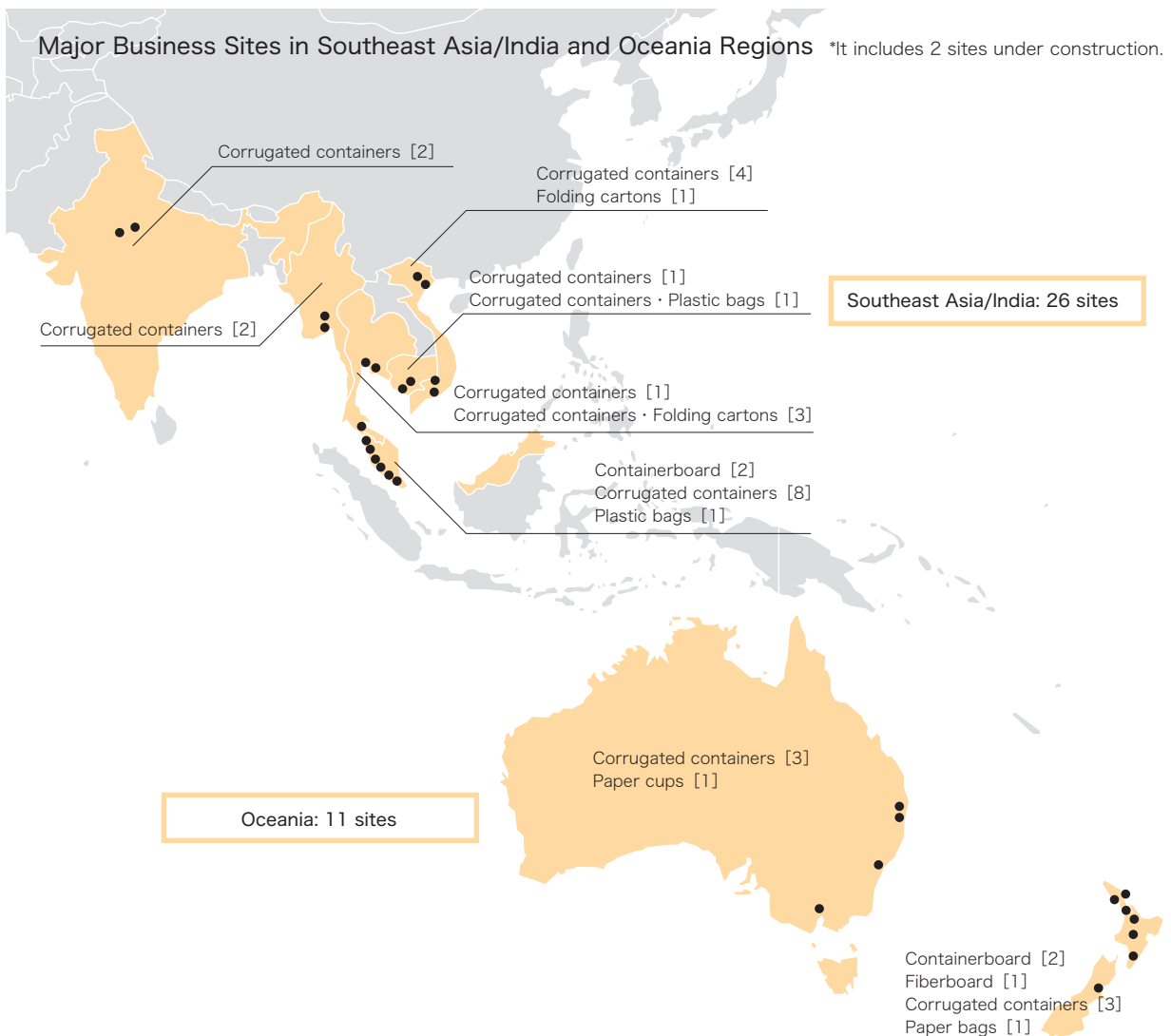
exports out of Japan. For overseas markets, we will work on capturing demand due to their stable economic growth via cautious M&A and capacity enhancement investments.

Expansion of Overseas Businesses

Our business segment operates in 35 sites in 8 countries in Southeast Asia/India and Oceania regions. We are offering high quality product and customer service, fitting and catering to the demand of each region, where the market is getting more diversified, sophisticated, and quality-conscious. We are also currently establishing new plants and improving production capability of existing plants to meet the growing packaging demand. For our containerboard business, we are currently looking into increasing our production capability in Malaysia. By doing so, we seek to establish a strong foundation for our medium-to-long-term growth.

Concentration/Advancement of Domestic Businesses

In domestic market, while the demand of the conventional packaging has been flat, the demand for packaging in home-meal replacement and e-commerce has been increasing. We will improve our market position through offering packaging solutions that leverage on accumulated materials/technologies whilst increasing our competitiveness by reviewing our production system and renewing our facilities and equipment.



Topics on Business Strategies

We have been continuously investing in Southeast Asia and Oceania regions, where we expect to meet the growing demands under stable economic growth in the regions. In October 2016, Oji Fibre Solutions located in Auckland, New Zealand, started operations

for a new milk powder paper bag production line. Upcoming investments in new corrugated container plants are written below. Furthermore, we are also currently considering entering countries where we do not have any local sites yet.

Company Name	Oji Fibre Solutions	Harta Packaging Industries
Location of the New Plant	Queensland/Australia	Perak/Malaysia
Operation Commencement	October, 2017	April, 2018



New milk powder paper bag production line at Oji Fibre Solutions(image)



New corrugated container plant at Oji Fibre Solutions (image)

Towards a Better Society

Promoting Recycling – Dissolution Treatment of Confidential Documents

Confidential documents are often incinerated to prevent information leakage; however, Oji Materia's Edogawa Mill, with its high security facility, is able to perform dissolution treatment of confidential documents without the need

to take them out from boxes, and recycles them into paperboard. We therefore contribute to a sustainable society with our system which balances between information security and eco-friendliness.

Aid Distribution Agreement under Disaster Cases (Oji Container & Morishigyo Group)

"Aid Distribution Agreement under Disaster Cases" refers to collaboration between our corrugated container plants located throughout Japan with neighboring local governments so that we are able to contribute to making

people feel safe and at ease in evacuation sites when disaster strikes. In times of disasters we promptly deliver corrugated container products such as portable beds, sheets, partitions and portable toilets to the public.

VOICE : Dang Thi Ngoc Lan (Managing Director, United Packaging)

Forward to the Future

15 years has passed since our start of supplying paper cups in 2002, making efforts to compete with plastic products in the market. We are now at the right time to invest and move towards our target in food packaging business, in addition to our current products, such as paper cups, folding cartons and paper bags. Now in Vietnam, young generations spend money at restaurants, fast foods or coffee shops instead of traditional eating at home. Therefore, we believe our investments are on the right track.



Household and Consumer Products Business

Business Environment

For the domestic household products market, we anticipate the slight decline in sales volume due to the shrinking population to be offset by new demand generated due to increase in the number of foreign tourists. In addition, demand for high value-added products such as moisturizing paper products are expected to grow.

As for domestic disposable diaper market, the market landscape underwent drastic changes due to an ageing population/declining birth rate. Hence, it is now necessary

to develop adult disposable diaper products that cater to the toilet usage difficulties for residents with reduced mobility at nursing facilities; and to enter into high-end disposable baby diaper market targeted at quality-oriented customers.

As for overseas markets, following the increase in economical standards, the demand for high quality disposable diapers has been increasing in China and Southeast Asia, both of which are our focus markets.

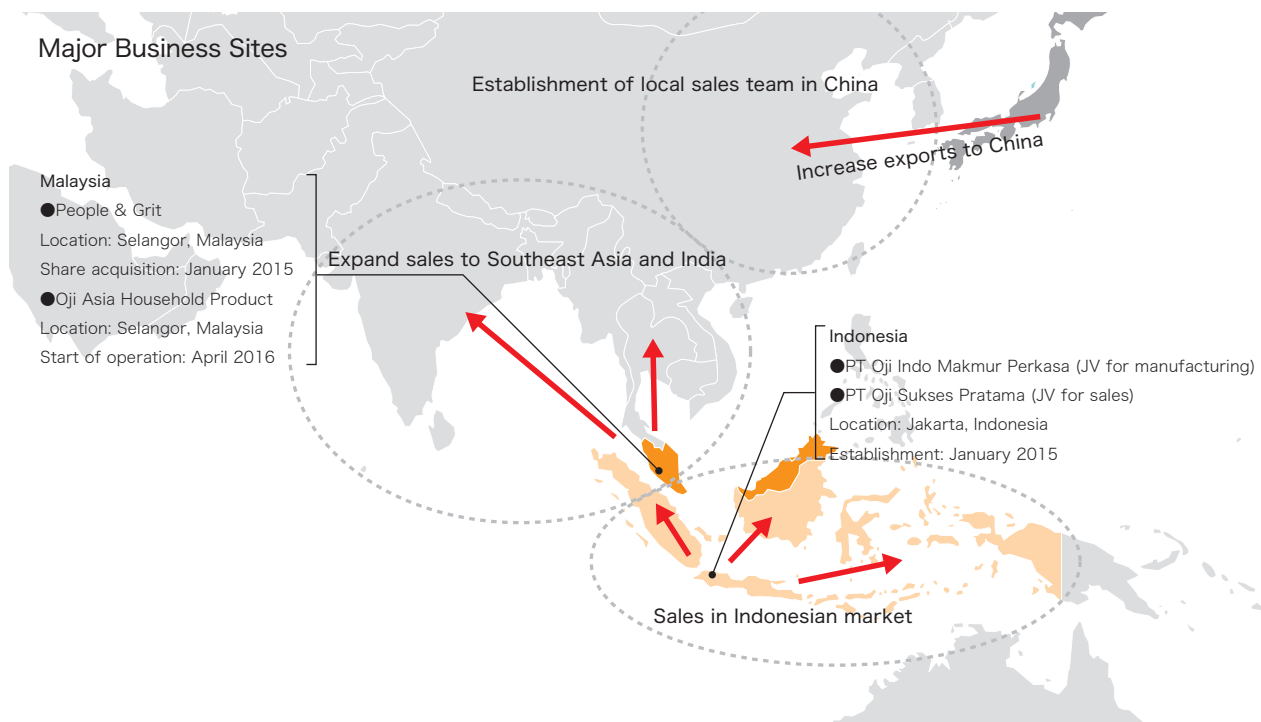
Business Strategies

In Japan, we will continue to improve the brand values of “nepia” (for household paper products), “nepia Genki!” (for baby disposable diapers) and “nepia Tender” (for adult disposable diapers). In addition, we will start nationwide sales of “Whito”, a new baby disposable diaper brand with different types of usages. We aim to improve our

market position by integrating our sales, marketing and manufacturing units. Also, we are currently in progress for a joint venture business with Mitsubishi Paper Mills for household paper. As for overseas business, we will further increase exports of made-in-Japan products as well as aim to increase production and sales locally.

Expansion of Overseas Businesses

In Malaysia, on top of the acquisition of People & Grit in 2015, a new disposable diaper factory under Oji Asia Household Product started operations in April 2016. In Indonesia, sales of disposable diaper started in November 2016 via a joint venture business with PT. Indofood CBP Sukses Makmur. In addition, we have established a local sales team as part of our efforts to develop a sales structure to expand sales and meet the increasing demand for made-in-Japan disposable diapers in China.



Concentration / Advancement of Domestic Businesses

For our household paper business, we are committed to enhance the brand value of “nepia” as a whole and to gain competitive advantages through consumer-oriented product development. In particular, we will work on raising

brand awareness and market share of high value-added products, environmentally-friendly products which raises awareness for the forest certification FSC™, and also products such as the 1,000 Toilet Program which can contribute to the society.

As for our baby disposable diaper business, we will be launching out nationwide sales of “Whito”, in addition to our existing “nepia Genki”. Whito is Oji’s all-time best quality brand with its drastically improved functions attained through utilizing our unique technologies. We will make market-changing offerings tailored to the practical usage of the diapers amongst consumers which will tilt the axis of competition into our favor. For instance, segregating products for 3-hour usage and 12-hour usage(first of its kind in the industry). As for our adult disposable diaper under the “nepia Tender” brand, we will continue to develop products that cater to the toilet usage difficulties for residents with reduced mobility at nursing facilities.



“Whito”, a baby disposable diaper

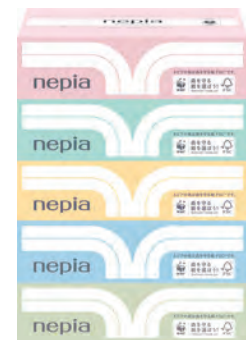
Towards a Better Society

Oji Nepia has formed an alliance with WWF Japan to raise awareness of FSC™. Pursuing ‘Nepia Quality’, which comprises of high living, environment and social standards, Oji Nepia engages in activities to be the No.1 in each of the 3 aspects. This is especially evident for “environment quality”, where we have adopted FSC™-certified paper for our major products since 2011 way before the rest of the industry. Having formed an alliance with WWF, we will continue to strive to raise further awareness of FSC™ by displaying its logo to promote forest conservation on our product packages.

ネピアの紙は
森を守る紙 FSC™です。



FSC™C018118



ネピアの紙はWWFが推奨するFSC™認証紙。
森を守り森を育てる、環境にやさしい紙です。*

*一部商品を除きます。

WWF(世界自然保護基金)は、「人と自然が調和して生きられる未来」を目指し、環境や社会に配慮した持続可能な森林利用を実現するため、FSC™認証を応援しています。

© 1986 Panda symbol WWF ® "WWF" is a WWF Registered Trademark

VOICE : Takako Hirata (General Manager, Product Planning Division, Oji Nepia)

Dedicating Our Everything to Customers

Paper products are necessary for our daily lives. I am in charge of leading product development and marketing strategies of household paper products under the “Nepia” brand such as toilet rolls, tissue paper, kitchen towels and their processed goods. Under the brand message of a “YAWARAKA Heart” (gentle heart), we engage in activities to ensure all our products are able to contribute to making life more comfortable for consumers. We will also constantly deliver helpful information targeted to improve everyday living which includes a variety of living-related tips as well as services that provide convenience.





Functional Materials Business

We will lead the Oji Group's transition to an "Innovative Value-Creating Company" by enhancing our proposal-making capability through the integration of R&D, manufacturing and sales functions, reacting promptly and appropriately towards customers' needs and further developing high value-added products, targeted at global markets.

President, Functional Materials COMPANY

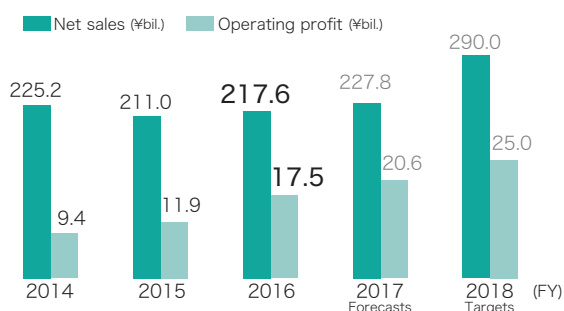
Kazuo Fuchigami

Business Overview

In FY2016, we achieved net sales of ¥217.6 billion (up ¥6.6 billion from FY2015) and operating profit of ¥17.5 billion (up ¥5.6 billion from FY2015). The increased profit is mainly due to sales expansion of thermal paper in developing regions such as South America and Asia, cost reduction measures, and lower prices of raw material and fuels.

Looking towards FY2017, we expect to achieve net sales of ¥227.8 billion (up ¥10.2 billion from FY2016) and operating profit of ¥20.6 billion (up ¥3.1 billion from FY2016). The huge increases in expected sales and profit are due to development/sales expansion of high value-added functional material products, strengthening thermal paper production capability to meet increasing demands in developing regions, along with expansion

of business fields via integrating upstream, middle-stream and bottom-stream manufacturing structures in Southeast Asia. In addition, some positive effects from ongoing manufacturing restructuring are also expected to materialize.



Business Environment

Domestically, high value-added products such as highly functional films*1, optical components*2, carbon fiber reinforced composites*3, decorative films and medical products are expected to have huge expansion potential amidst the gradually shrinking market of conventional printing media products. Moreover, in overseas, demands for existing products such as thermal paper and adhesive paper have been steadily increasing in line with the

economic growth in developing countries in Southeast Asia, India, South America etc.

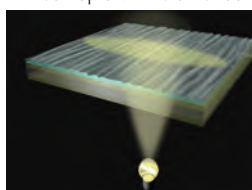
Functional Materials COMPANY will flexibly and actively make necessary investments in a timely manner, grasping every opportunity available in order to respond actively towards the changing business environments of our various business opportunities.

*1 Highly functional films
"Flexible OPP"



Stretched film with high flexibility and processibility

*2 Optical components
"Anisotropic diffusion sheet"



Film that freely controls light diffusions

*3 Carbon fiber composite material sheet



Composite material sheet that is thin, light, easy to mold and maintains its high strength
(Example use application [left]: outer frame for tablets)

Business Strategies

Strengths of Functional Materials COMPANY lie in core technologies such as “papermaking”, “converting (functional and adhesive coating)”, “film forming” and “non-woven fabrics” which have been well-established over a long course of business history.

These technologies have been utilized to develop more sophisticated products domestically, as well as integrate with overseas technologies in the European market to expand business operations. In addition, we have worked

on business expansion in developing markets such as Southeast Asia and South America, and made entrance into new regions following their economic development and increase in demand.

Moving forward, with the global market as our aim, we will continue to put in more effort into developing & maintaining our unique technologies and to expand the business by both number of regions and size of business operations.

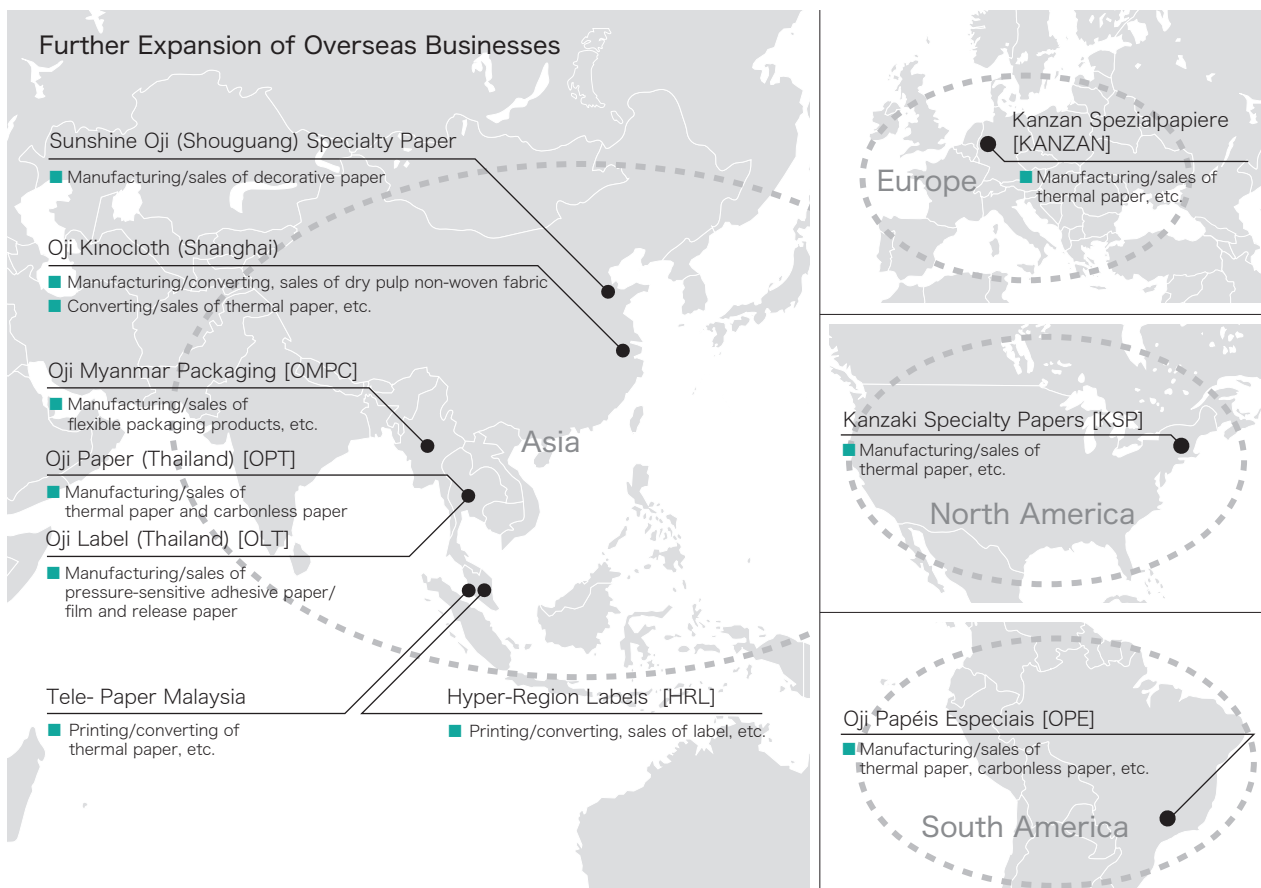
Expansion of Overseas Businesses

We strive hard to increase our presence in overseas. In Southeast Asia, through share acquisitions of Malaysian companies like Hyper-Region Labels (printing/converting of adhesive products) and Tele-Paper Malaysia (printing/converting of thermal paper etc.), we have strengthened and integrated the manufacturing structures of both upstream and downstream businesses. In addition, we are increasing our production capability at Oji Papéis Especiais to meet the high demand for thermal paper in Brazil. Furthermore, in Myanmar, we are currently preparing for a commercial operation of a plant for flexible packaging business (film for consumer packaging) as well as expanding sales of whisky labels, which will be launched within 2017.

Concentration / Advancement of Domestic Businesses

We will promote restructuring of manufacturing system through businesses screening to strengthen competitiveness and achieve sustainable growth of existing businesses. We will also promote integration of existing technologies with new technologies such as “composites” and “nanoimprint” to develop “non-paper” products such as thermoplastic composites, light diffusion materials, etc.

In addition, we will develop highly functional film products including capacitor films for EV/HEV and optical films efficiently at the Advanced Film Research Center (Shiga), located next to a manufacturing site, and develop our businesses into new fields.



Topics on Business Strategies

Development of “Antibacterial Sheet NURASUTO!”

Oji Kinocloth has developed a new product Antibacterial Sheet NURASUTO!“ with excellent antibacterial properties by incorporating calcined scallop shell powder into airlaid non-woven fabric.

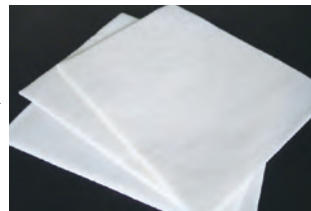
Though the excellent antibacterial properties of the sheet only become activated after contact with moisture, it is safe to have come into contact with the sheet. It delivers superior performances as sterilization wipers as well as freshness-keeping sheets for agricultural and marine products.



Calcined scallop shell powder



Pulp + synthetic fiber



Antibacterial Sheet NURASUTO!

[Example Use Applications]



Maintain freshness



Wiper

Improving Communication with Customers

In addition to every subsidiary's website and their own customer contacts, we have launched a special website of the functional materials COMPANY on “IPROS”, the largest Japanese database for industrial materials where we can host exhibitions and publish catalogs.

This further increases our exposure to customers who are interested in our products, enabling us to know what customers look out for in product quality, as well as review how our product benchmarks against their expectations. With this, we will further speed up business expansion to new fields.



Website:

<https://premium.ipros.jp/ojifmc> (in Japanese)

VOICE : Akiko Mishiba (General Manager, Quality Assurance Office, Oji F-Tex Ebetsu Mill)

Securing Product Safety

The quality assurance structure has been changed at Oji F-Tex's Ebetsu Mill where a variety of products from ordinary paper to specialty paper are manufactured. At the Quality Assurance Office, we thoroughly make sure that our products meet the desired quality by our customers, as well as ensure the safety standards of various raw materials used in our products. With utmost effort, we comply with laws and regulations and improve the new quality assurance structure, to confidently offer products that our customers can use with ease of mind.





■ Forest Resources and Environment Marketing

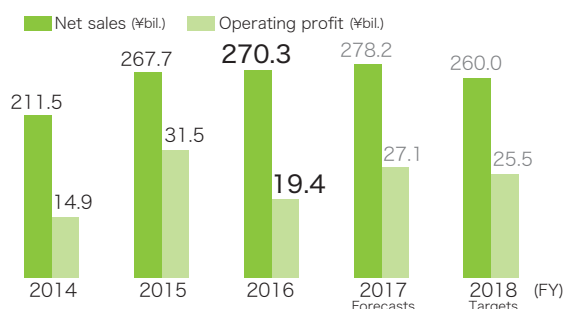
We offer various products and services by utilizing the Group's domestic/overseas forest resources, experience and technologies which have been accumulated over our long history.

President, Forest Resources and Environment Marketing COMPANY
Kazuhiko Kamada

■ Business Overview

In FY2016, we had net sales of ¥270.3 billion (up ¥2.6 billion from the FY2015) and operating profit of ¥19.4 billion (down ¥12.1 billion from the FY2015). The breakdown for operating profit is as follows: a decrease of ¥21.9 billion which is due to a fall in pulp market (fall in the sales price of pulp at CENIBRA, our subsidiary in Brazil); an increase of ¥8.4 billion which is due to sales expansion of pulp; and lastly an increase of ¥1.4 billion which is due to steady performance of the domestic businesses ((1) increased profit from the energy business as a result of the start of commercial operation of a biomass boiler in January 2016, and (2) strong performance in export sales of dissolving pulp). Looking towards FY2017, we expect to have net sales

of ¥278.2 billion (up ¥7.9 billion from FY2016) and operating profit of ¥27.1 billion (up ¥7.7 billion from FY2016).



■ Business Environment

Pulp Business / Our production capability of market pulp (external sales) amounts to 2,400,000t and we have a diverse lineup of pulp grades such as hardwood pulp, softwood pulp, dissolving pulp, etc. By leveraging on our diverse product lineup along with the Group's sales channels, we will strengthen sales in regions with growing demand including Asia. Pulp price has risen in the first-half of 2017 against a backdrop of strong performance of Chinese paper market. Moving forward, we will continue to carry out strategic financial measures to secure our competitiveness.

Procurement of Biomass Fuel / Our strong points lie in the network we have built through collection of raw materials for paper, and the ability to procure Palm Kernel Shell (PKS) obtained through overseas business expansion. With the development of biomass power generation business which is highly anticipated in Japan, we will promote external sales outside of the Group.

Lumber Processing Business / We are developing high value-added products such as laminated lumber etc. with Asian and Oceania markets as our main areas of focus.

Business Strategies

We will spearhead new businesses that utilize both our existing domestic and overseas resources and infrastructure to their fullest. While speeding up our overseas business expansion plans, we will also focus

on enhancing our “trading company” capabilities in light of our domestic/overseas business operations. We will conduct selective concentration of our existing businesses.

Expansion of Overseas Businesses

Recently, we have been working to enhance production capability mainly in Asia and Oceania regions; with a lumber processing plant having started operations in Myanmar (MOS Lumber Products), and renewal work conducted at a lumber mill on the South Island of New Zealand (Pan Pac Otago). We will continue to expand the business with the growing market in Southeast Asia as our focus.



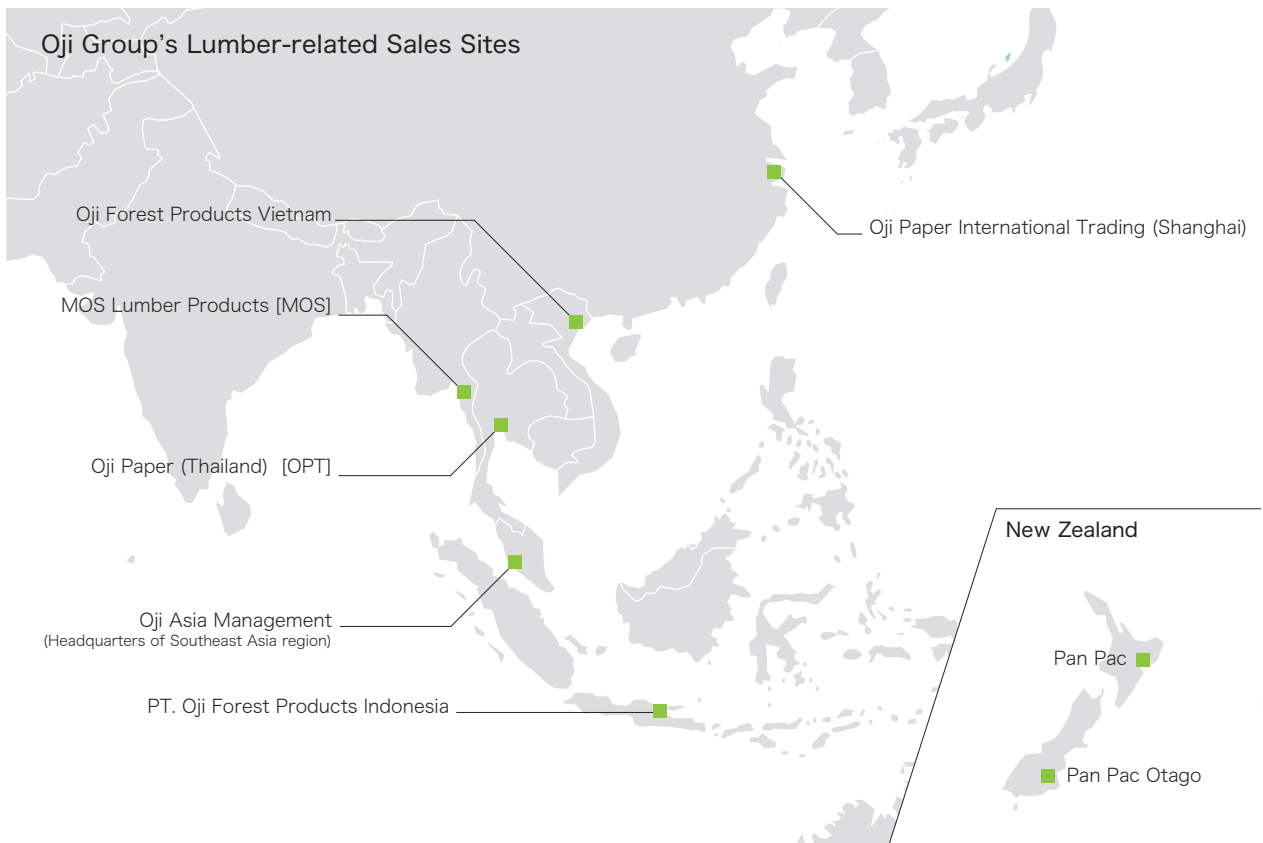
Lumber mill at Pan Pac Otago

Concentration / Advancement of Domestic Businesses

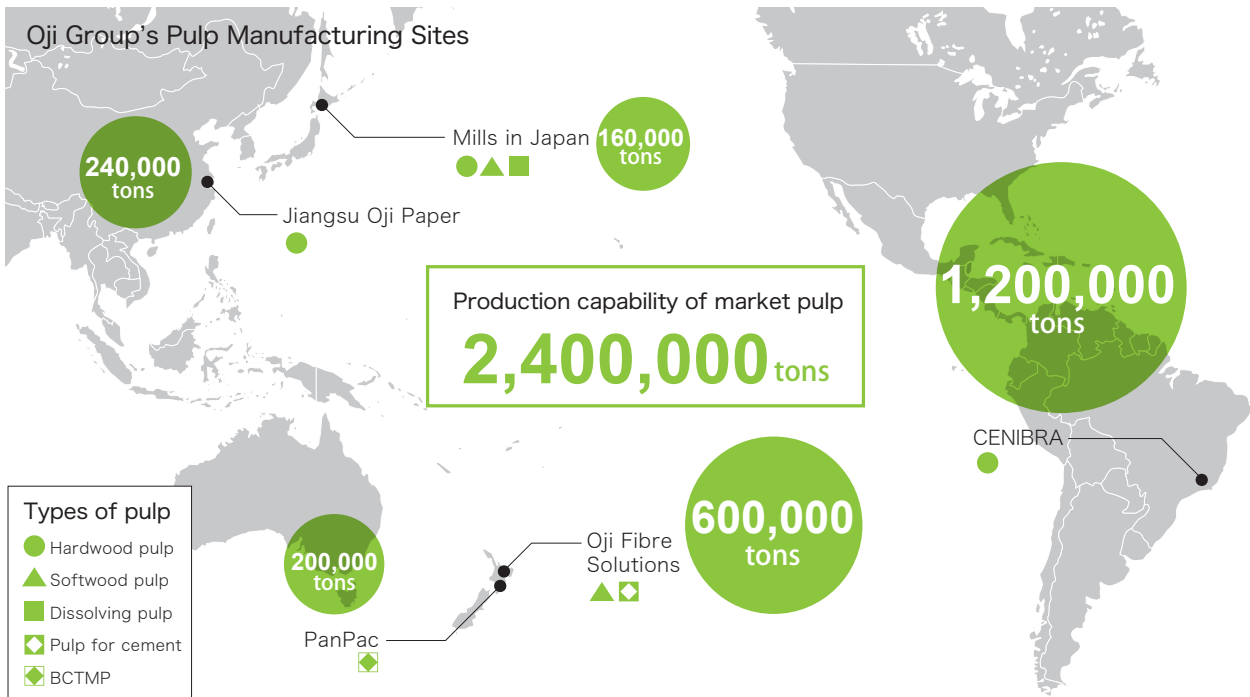
A JV biomass power generation business with Mitsubishi Paper Mills is scheduled to start in 2019, following the completion of construction work of the facility in Hachinohe Mill. Along with the growth of our power generation business, our biomass fuel business will also be developed through enhancing our production facility of woodchip for fuel-use which effectively uses unused domestic thinned wood, and increasing PKS procurement from Indonesia and Malaysia.



Artist's impression of biomass power plant (Hachinohe)



Business Strategies



As for our pulp business, we have been implementing strategic financial measures at our major companies to strengthen our business foundation so that it is resilient to any changes in the pulp market.

For Oji Fibre Solutions (NZ), acquired in 2014, we are introducing/utilizing our Group's know-how and ways of operational management to stabilize operations and conduct efficiency measures. For CENIBRA in Brazil, continual revenue strategies via upgrading of production facilities have been carried out. Furthermore, for Jiangsu Oji Paper, preparations for an additional dry pulp machine are currently in progress and the machine is scheduled to start operations in late 2017.

As for others, we are currently developing higher value-added products such as industrial chemicals or medical materials in addition to production of a product for rayon, in our dissolving pulp manufacturing facility which started operations in 2014 in Oji Paper's Yonago Mill.



Dissolving pulp (DP)

CENIBRA – Pulp PREMIUM to the World

CENIBRA, located in Minas Gerais State in Brazil, has had 44 years of operational experiences since its establishment in 1973, and produces 120,000t of eucalyptus pulp annually. Out of 254,000 ha land it owns, 131,000 ha land is used for forestry. The company has developed a system that provides a continuous supply of raw wood to its pulp mill through selective breeding of eucalyptus, automation at forest lands with less than 35 degrees of tilt, along with 24-hour transport logistics. The subsidiary is managed under international standards such as ISO9001 or ISO14001 and forest certifications such as FSC™ or CERFOR, and 95% of its pulp production are exported to Asia, Europe and North America.



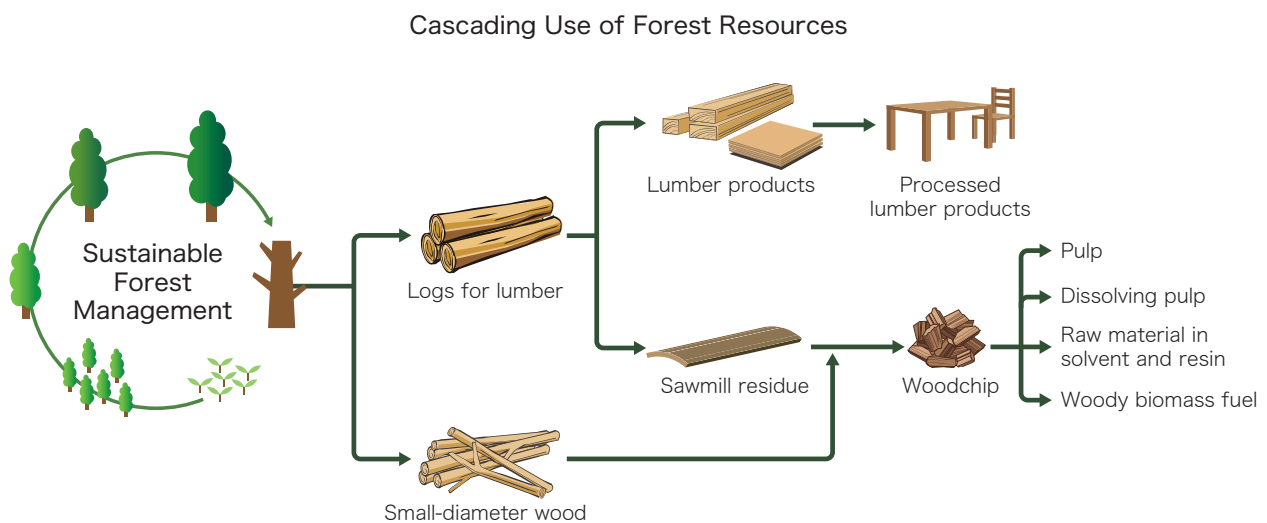
FSC™ license code: FSC™C008495

Towards a Better Society

Cascading Use of Domestic Lumber

Oji Group actively engages in cascading use of its forest resources which are grown under a sustainable forest management system. Cascading use refers to the efficient and complete utilization of biomass resources; with higher value-added products as priority while not wasting the by-products. For example, high-quality wood is processed into lumber while lower-quality wood is used as raw material in paper manufacturing and as fuel for biomass boilers. Effective utilization of

used forest resources, such as leftover thinned wood, helps to maintain forests that serve multiple functions including national land conservation, watershed protection, CO₂ absorption, as well as revitalize the local forestry. On top of the 2 new woodchip mills in Abira, Hokkaido and Mutsu, Aomori which have already started operations, we also own 3 other woodchip mills that chip thinning or demolition wood to maximize value from resources.



VOICE : Róbinson Félix (Industrial and Technical Director, Celulose Nipo-Brasileira S.A.)

Contribute to Oji Group through Our Continuous Improvements

Looking back, it is clear how much CENIBRA has grown over the recent years. This is due to the cumulative effort of each CENIBRA employee, who knows his/her role well, resulting in sustainable improvements made. Also, we are very sensitive to movements in exchange rate, supply and demand for Pulp. In this scenario, what really makes the difference is how adept we are at managing our assets, ensuring high operational productivity and managing our costs. We will continue to put in effort to ensure the perpetuation of CENIBRA as a profitable and sustainable company in the market.





■ Printing and Communications Media Business

In response to the rapidly changing domestic demand structure and integration of Asian markets, we will further advance with our business structure reforms whilst maximizing our cash flow.

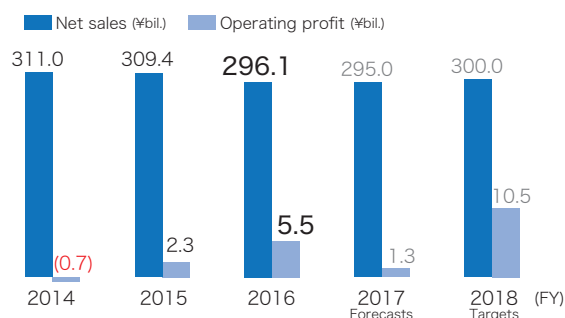
President, Printing and Communications Media COMPANY
Hidehiko Aoyama

■ Business Overview

In FY2016, we had net sales of ¥296.1 billion (down ¥13.3 billion from FY2015) and operating profit of ¥5.5 billion (up ¥3.2 billion from FY2015). Net sales decreased owing to a slight decline in the demand and a slump in both newsprint and printing /communication paper markets. Operating profit increased as a result of increased sales of printing paper and cost reduction efforts at Jiangsu Oji Paper.

Looking towards FY2017, we expect to have net sales of ¥295.0 billion (down ¥1.1 billion from FY2016), and operating profit of ¥1.3 billion (down ¥4.2 billion from FY2016). Despite the planned price correction of paper and cost reduction mainly through manufacturing restructuring, profit decrease is anticipated due to

influences from rising raw material and fuel prices caused by yen depreciation, etc.



■ Business Environment

It is a critical issue for us, Printing and Communications Media COMPANY, to strengthen our international competitiveness in the increasingly integrating Asian markets. Under such severe conditions, we will continue to work on business restructuring to deal with changing demand. Furthermore, we will aim to achieve these goals through operational costs revision with our integrated manufacturing and sales team.

In China, we will strive to further strengthen competitiveness, along with the pulp business where a new dry pulp machine is underway and scheduled to start operations in late 2017. In doing so, we aim to steadily obtain positive profits from both paper and pulp businesses.

Business Strategies

As for our domestic businesses, we will continually work on cost reduction measures such as restructuring of optimal manufacturing system. As for our overseas

business, we will work on cost reductions and various initiatives in order to generate a steady positive profit at Jiangsu Oji Paper.

Expansion of Overseas Businesses

Jiangsu Oji Paper has realized the integrated manufacturing of pulp and paper since the start of commercial operation of its pulp facility in January 2015. Since then, it has achieved a drastic improvement in its sales and profit through enhancing sales capabilities, promoting development and sales of advantageous products, and cost reductions, etc. We will continue to carry out cost reductions and other measures to strengthen our earning power.



Jiangsu Oji Paper

Concentration / Advancement of Domestic Businesses

We will optimize our production system by concentrating production facility through operation termination/transfer and conducting cost reductions.

- Shutdown of Machine No.4 at Kasugai Mill (June 2017)
- Effective utilization of existing facility through establishment of O&C Ivory Board



Printing and Communications Media products

Topics on Business Strategies

At O&C Ivory Board, a JV high-grade boxboard manufacturing company with Chuetsu Pulp and Paper, a revamp work of Tokushima Mill's No.10 Machine had been carried out as planned; and trial operation started in March 2017 in view of commercial operation. All employees are making much effort to launch products that meet customers' satisfaction as early as possible.



Group photo in front of the machine reel

Other Businesses

Kyokuyo Pulp & Paper

Kyokuyo Pulp & Paper is a specialized trading arm which purchases/sells products of Oji Group as well as other companies; these products include pulp and paper, material and products of synthetic resin, packaging materials, chemicals, equipment, etc. It has a subsidiary called Ginpo Pack which manufactures a variety of plastic food containers.

The company aims to provide a wide variety of Oji Group's products ranging from paper processed products to chemical products and household & consumer products and supports the creation of a structure to reflect customer requests in the manufacturing department.



Plastic cup made from collected PET bottles



Plastic food containers manufactured by Ginpo Pack (a subsidiary)

Oji Engineering

Oji Engineering, a company which supports Oji Group's technology, leverages on its technologies and experiences accumulated through paper manufacturing and the environment/energy sectors to offer one-stop engineering services ranging from facility design to operations. The company actively spearheads entries into greenfields, and offers proposals such as water treatment/desalination system in its water environment business and fuel handling facility in its biomass power generation business, etc.



Water treatment system

Oji Logistics

Oji Logistics offers a variety of services, mainly to Oji Group companies to transport paper products to be shipped out of mills and warehouses. These services include warehousing, land transportation, marine transportation, port logistics, international logistics, etc. It offers total logistics service solutions, along with incorporating eco-friendliness into its operations such as implementing a modal shift towards railroads and ships rather than trucks.



Roll-on roll-off ship that can deliver vehicles carrying goods

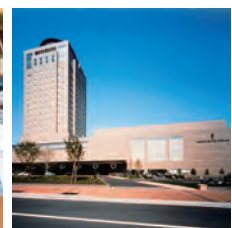
Hotel New Oji

Hotel New Oji manages the "Grand Hotel New Oji", a 16-story city hotel located in Tomakomai City, Hokkaido. The company also provides cooking/loading services of in-flight-meals with its in-flight meal factory located in the catering building located at the New Chitose Airport

Website of the Grand Hotel New Oji:
<http://www.newoji.co.jp/> (in Japanese)



President, Hotel New Oji
Takako Hori



Grand Hotel New Oji

Creation of Innovative Values

With the aim of creating of new businesses and strengthening of current businesses' competitiveness in mind, the Innovation Promotion Division propels Oji Group's pace of innovation through carrying out research ranging from those that seed the technologies of tomorrow to those that aid in the development of new markets and products which are closely attached to business enterprises.

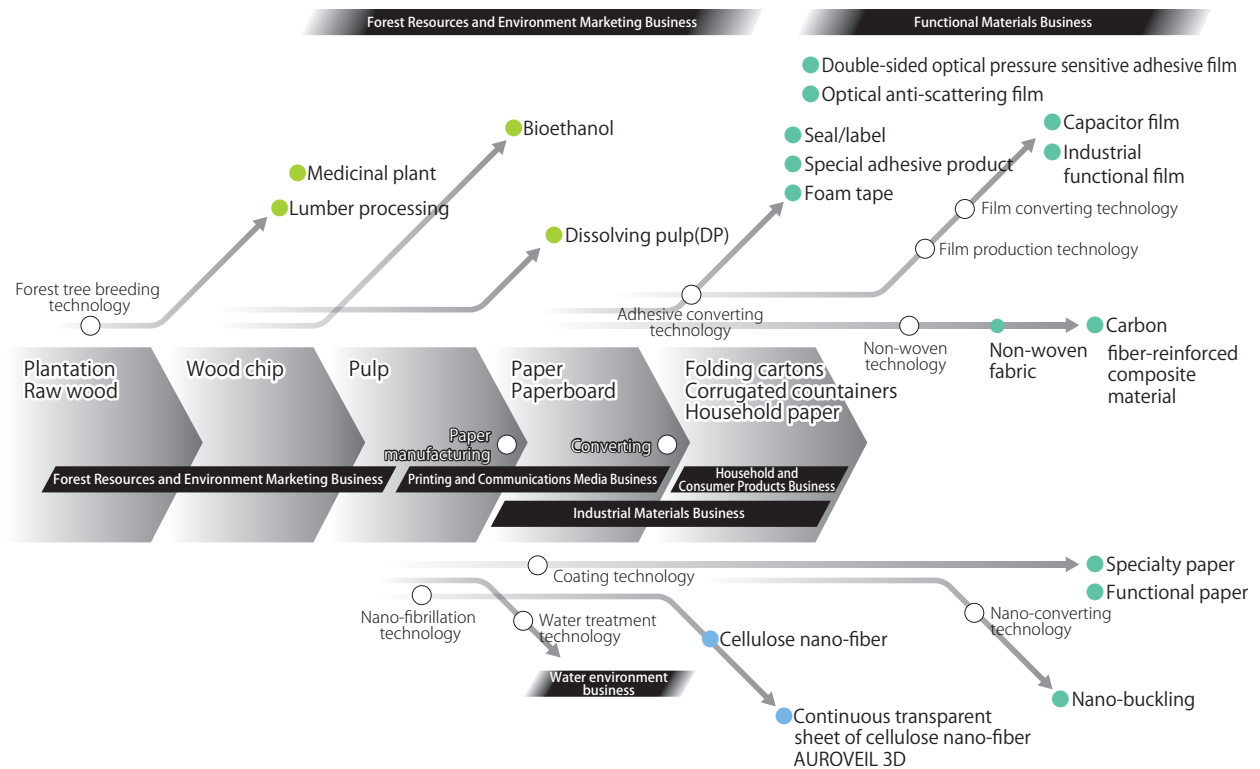
Priority Strategies of the Innovation Promotion Division

- Proposition/implementation of new needs (business models) and seeds, and formation of a value-chain
- Contribution to sales/earnings through creation of new businesses
- Strengthening cost competitiveness through refinement of pulp and paper technologies

Value Creation by the Innovation Promotion Division

Each research center of the Innovation Promotion Division is committed to developing new products which are highly functional/high value-added, as well as developing new technologies related to wood/water resources utilization and environmental conservation, making advancements in existing technologies fostered through our long experiences in paper manufacturing and film converting. The Strategic Planning Department takes the lead in creation of new businesses, cultivation of new seeds and formation of a value chain.

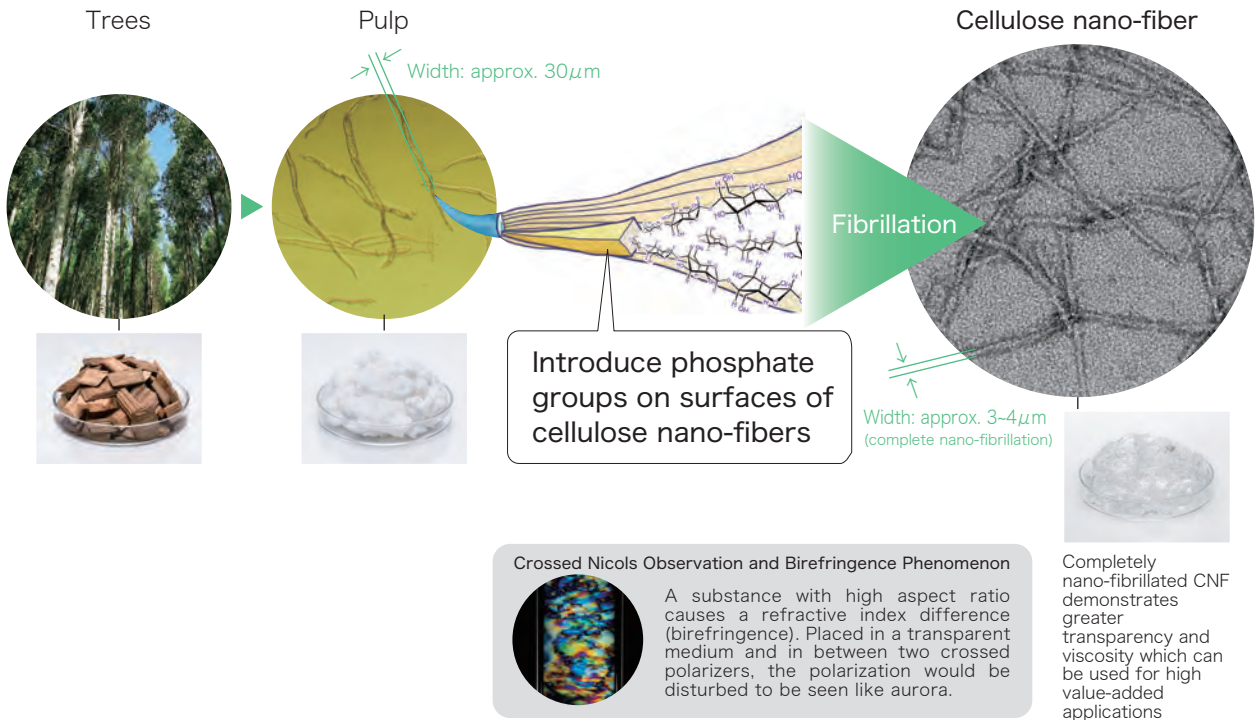
- Pulp and Paper Innovation Center
- Development Center
- Bioresource Development Center
- CNF R&D Center



Value Creation 1 | Nano-fibrillation Technologies for Cellulose Nano-fiber

Cellulose nano-fiber (“CNF”) is a plant fiber (pulp) that is finely fibrillated to nano-order level, 1/100 of 1mm, where its width is equivalent to 1/20,000 of a hair.

Oji Group has developed a groundbreaking process for its CNF production by utilizing a chemical treatment method “phosphate esterification” which is potentially the most feasible for commercialization, requiring a relatively small amount of energy for fibrillation.



Expected Applications of CNF

- Highly-functional/minute nano-filters
- Thickening/dispersing agents for upscale cosmetics, etc.
- Flexible panels for organic EL/solar electric power generation
- Reinforcing materials for plastic
- Strong and flexible display panels

Initiatives for Commercialization of CNF

At the manufacturing demonstration facility for CNF slurry*, located at Oji Paper’s Tomioka Mill, we are developing a production process for mass production purposes. Also, another demonstration facility will be constructed for CNF continuous transparent sheet in the second half of 2017, to establish a mass production technology in view of commercialization. Moving forward, we will accelerate the pace towards commercialization of both CNF slurry and continuous transparent sheet.

*Viscous CNF that is mixed into water



Slurry is launched as “AUROVISCO” in 2017.

Wide Variety of CNF Produced by Oji's Unique Technology, "Phosphate Esterification"

CNF Production Technologies

Oji's Unique Complete Nano-fibrillation Technology



CNF Slurry "AUROVISCO"

Complete nano-fibrillated CNF of Oji Group demonstrates an extremely high transparency, viscosity, dispersibility and thixotropy.



CNF Continuous Transparent Sheet "AUROVEIL"

We have established a technology to produce a continuous transparent sheet of CNF. In addition to the conventional CNF sheet with features such as high transparency, flexibility, and dimensional stability under high temperature, a new CNF sheet with an additional feature of moldability is offered.



CNF Continuous Transparent Sheet with High Moldability "AUROVEIL 3D"

Besides "AUROVEIL", "AUROVEIL 3D", a new groundbreaking sheet that can be freely molded, has been developed.

[Product features]

High transparency, high dimensional stability under high temperature, flexibility, moldability



CNF Wet Powder

CNF slurry of 1~2% concentration is offered as wet powder of greater than 20% concentration. It has a hydrophilic nature and has excellent dispersibility and handling properties.



CNF Hydrophobic Powder

Following the hydrophilic wet powder is the hydrophobic powder that can be dispersed to various organic solvents without losing its high viscosity and transparency.

[Organic solvent where it is dispersible]

Hydrocarbon-related, alcohol-related, ketone-related, glycol-related, aprotic polar solvent

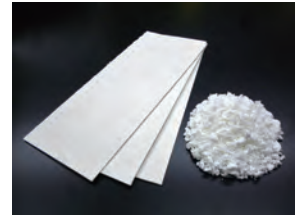
Value Creation 2 | Dissolving Pulp (DP)

■ What is Dissolving Pulp?

Dissolving pulp is pulp of the highest purity cellulose extracted from wood.

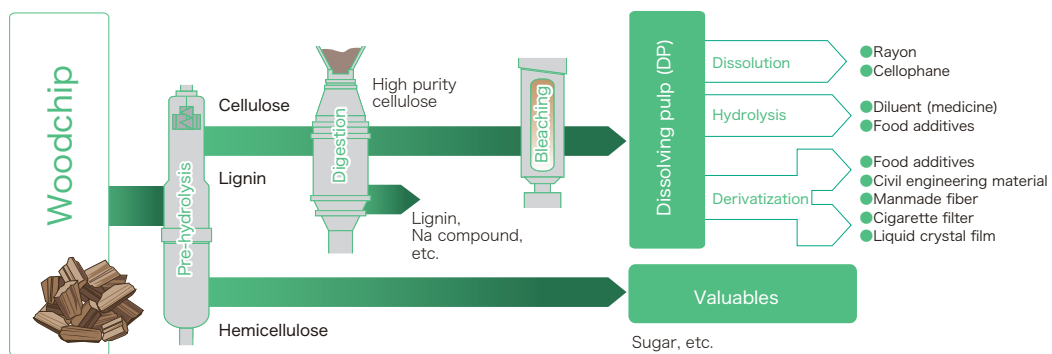
■ Main Applications

Dissolving pulp is mainly used as a raw material for regenerated cellulose as rayon and cellophane, and cellulose derivative including acetate. Whilst the degree of purity and polymerization depends on applications where it is used in, Oji Group develops elemental technologies to improve quality of DP to cater to each application.



■ Effective Utilization of Hemicellulose

There is a procedure in dissolving pulp production called hydrolysis where hemicellulose in wood is dissolved and then eliminated. We are focusing on the sugar derived in the procedure to consider a possibility of producing valuables.

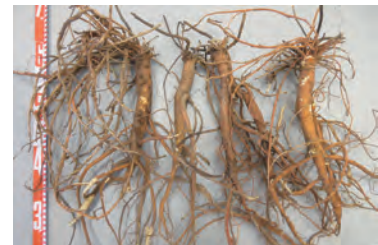


Value Creation 3 | Medicinal Plants Cultivation Technologies

To effectively utilize tree breeding technologies, Oji Group has focused on research of medicinal plants with high market potential. In particular, licorice is used for 70% of oriental medicines. Currently, we depend heavily on import wild licorice from China/Central Asia. On the other hand, a technology to efficiently obtain domestic licorice has been increasingly required as a result of concerns for resource exhaustion and export regulations due to demand increases.



Nursery plant of licorice after 6 months from seeding



Root of licorice harvested after 18 months (1.5 years) from seeding

Oji Group has established Japan's first cultivation technology that shortens the time taken for cultivation of licorice from 5-6 years to 2 years, whilst conforming to Japanese Pharmacopoeia's active ingredient standards of containing more than 2.0% of glycyrrhizin in the cultivated licorice.

Effective Utilization of Company-owned Forests

Other than licorice, a variety of wild medical plants growing in our company-owned forests in Hokkaido (126,000 ha) are also in consideration for utilization.



Acanthopanax senticosus



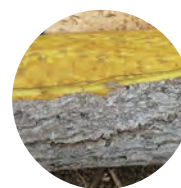
Schisandra chinensis



Magnolia ovobate



Picrasma quassioides



Phellodendron amurense



Choloranthus japonicus

Value Creation 4 | Establishment of Water Treatment Technologies

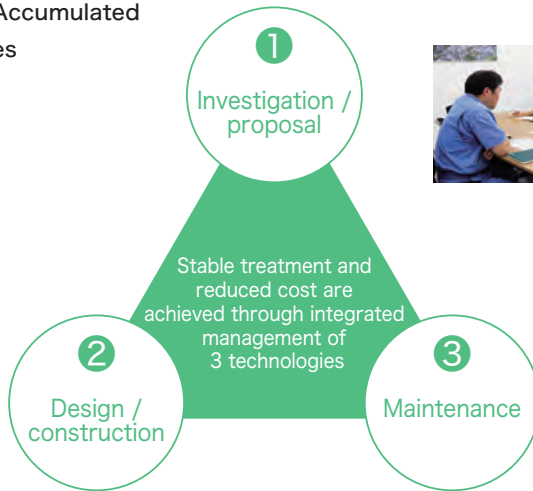
Based on its rich experience of operating mills as well as leveraging on its accumulated technologies of water production and water treatment, Oji Group offers water treatment systems for all types of environments to cater to current domestic needs as well as global needs. (Water and sewage, plant effluents, industrial wastewater, seafood processing wastewater, animal husbandry wastewater, industrial water, etc.)

[Business conductor] Oji Engineering
 [Technology developer] Water Environment Business Promotion Section, Innovation Promotion Division (established in 2017)

Application Development of Accumulated Water Treatment Technologies

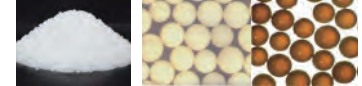


② We design and construct the most suitable facilities based on the results from investigations and laboratory experiments, etc.



① Water treatment professionals conduct local investigation and water quality analysis and make proposals on water treatment system that is tailored to each individual case.

Examples of Maintenance Products



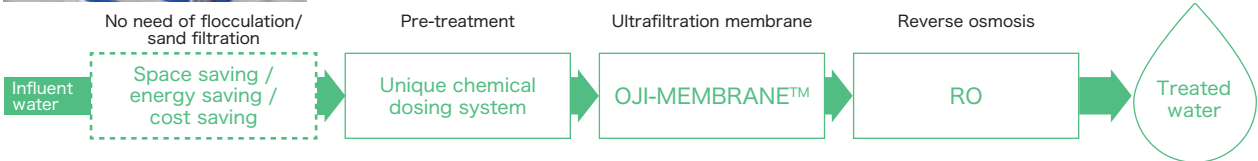
③ We offer suitable maintenance methods, including various maintenance products, after construction, which enables a facility to perform consistently regardless of varying water quality due to external environments or operations.

Case Example ① Industrial Water Production Facility Introduced at an Industrial Estate in Thailand



The combination of our unique chemical dosing system and ultrafiltration membrane, OJI-MEMBRANE™, has led to a high-quality industrial water production system that is stable and cost-saving.

-It is more compact and has a higher processing capability than conventional facilities. It can be automatically operated 24-hr in a stable and continuous manner.



Case Example ② Establishment of Cadmium Removal System in Industrial Wastewater

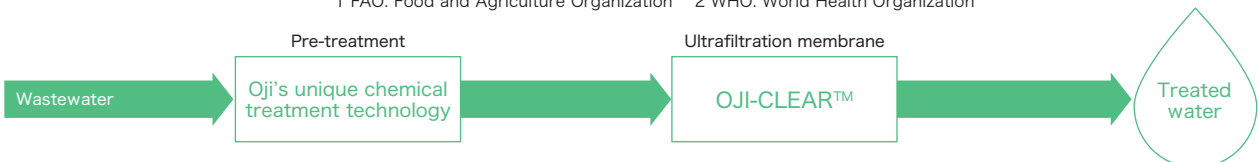


We have succeeded in developing a system utilizing Oji's unique chemical treatment technology as well as ultrafiltration membrane named OJI-CLEAR™, which is able to match up to domestic/overseas tightened regulations including standards of international organizations such as FAO*1 or WHO*2.

-It reliably removes cadmium in wastewater to levels below the latest effluent standards.

-Leveraging on minimal chemical cost and use of highly efficient filtration membrane, energy-savings and space-savings are realized with compact equipment.

*1 FAO: Food and Agriculture Organization *2 WHO: World Health Organization



Promotion of Working Style Reforms

With “Company’s Strength originates from Human Resources” as our motto, we strive to create a working environment that encourages every single employee to fully display his/her potential through working style reforms.

1.Reduction of Total Working Hours and Promotion of Operational Efficiency

We are making changes in the way of work to improve the quality of work. In doing so, we aim to increase productivity.

●Reduction of Total Working Hours and Utilization Ratio of Paid Leave*

	FY2015	FY2016
Total Working Hours [Results]	1903h	1841h
Utilization Ratio of Paid Leave [Results]	69%	81%

*Oji Group’s Main Office region

[Main Initiatives]

Operational efficiency
(revising information communication and routine tasks)

- Setting the start/end time of work to match actual work situations (i.e. utilization of flexible hours)
- Setting the maximum limit for overtime work hours (at 60h/month)
- Lights-out at 7 p.m. (with a target of more than 80%) and prohibition of late-night overtime work
- Full compensatory leave for working on holidays
- Encouragement of paid leave usage (with a target of more than 80%)

2. Initiatives to Change Personnel System for Promotion of Working Style Reforms

In order to reliably carry out the tasks in line with the management strategy, we are working to establish a personnel system to Oji Group that enhances the effectiveness of working style reforms.

[Main Initiatives]

- Introduction of a role-based personnel grading system*¹
- Introduction of a certified researcher system*²

*¹ We have introduced a role-based personnel grading system since FY2014 to combat seniority and enable early-promotion.

*² We have introduced a certified researcher system since FY2015 to allow researchers with particularly high expertise to concentrate on their research and create innovative-values, and allow recruitment of such people externally. Certified researchers have discretion over their working styles when conducting R&D.

3. Introduction of Retirement at the Age of 65

Having recognized the increase in the number of active elderly population as a result of extended average life expectancy, as well as the decrease in the number of productive age population as a result of an ageing population and declining birth rates, Oji Group has introduced a retirement system which allows retirement at age 65 since FY2017* to encourage its employees to work with enthusiasm whilst demonstrating their accumulated knowledge, techniques and abilities. We will continue to promote this system in the Oji Group.

*7 subsidiaries have already adopted the system

Promotion of Diversity

Oji Group aims to carry out initiatives to enable its diverse human resources, regardless of gender, age, disability or nationality, to actively assume roles at work to ultimately strengthen the Group’s competitiveness with their diverse values and ideas.

Oji Group holds training sessions and seminars such as Diversity Forums or study sessions under its policies decided by the Diversity Committee which comprises of COMPANY Presidents. The policies are as follows:

- 1.Create situations where diverse human resources actively participate in their work
- 2.Improve employees’ work-life management
- 3.Change management-level employees’ mindset and management behavior

These activities are actively communicated within our Group via company magazines and other means.



Diversity Management Session for Officers and General Managers held to change management-level employees’ mindset and management behavior (Oji Paper’s Tomioka Mill)

Participation of Diverse Talents

Our first priority is targeted at the active participation of women.

While Oji Group has a culture that welcomes and integrates various values, its initiatives for active participation of women had lagged far behind. Today, we are focused on promoting active participation of women, and working on various initiatives such as career development for women in the generalist track as well as practical training at each workplace etc.



Training session for generalist track women
(Empowerment Session for Pre-Management-Level Women)

[Main Initiatives]

- Trainings for generalist track women by position (i.e. management-level employees with female subordinates, pre-management-level female employees, and young female employees on the generalist track)
- Active recruitment of generalist-track/management-level women (external personnel / new graduates)
- Network formation among management-level female employees
- Expansion of applicable job categories for women

Improvement in Work-life Management

We are introducing various systems that encourage employees with child-care or nursing-care responsibilities to continue to participate actively in their work.

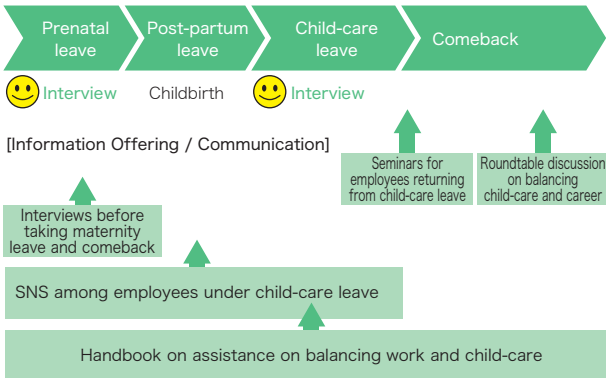
Assistance on Employees' Balancing Child-care and Work
We aim to improve work-life management of employees of both genders through interviews and seminars that provide communication opportunities and support for them to assume active roles in work after maternity/paternity leave.

Assistance on Employees' Balancing Nursing-care and Work
In order to address concerns regarding nursing-care, we offer information through "nursing-care seminars", establishment of "nursing-care consultation service" which employees can easily access via a phone call or an email, and also "Web handbook".

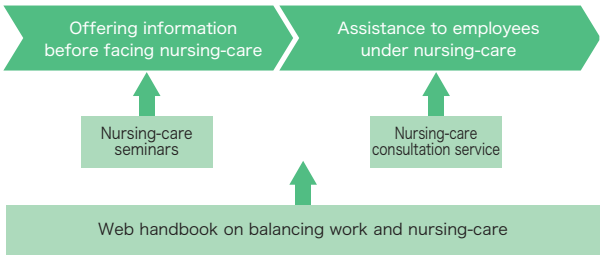
[Main Initiatives]

- Day-care center subsidies for employees who return to work early from their child-care leave
- Increase in amount of allowance (aid for living cost in relation to a child) as an assistance measure for child-raising generation
- Paternity leave system for male employees (paid-leave of 5 consecutive days)
- Hourly use of accumulated annual leave (for child-care / nursing-care)
- Nursing-care leave (length of 1 year, which can be divided up into a maximum of 12 periods)
- Leave-system for employees obligated to leave work to accompany their spouses' overseas transfers

■ Balancing Child-care and Work



■ Balancing Nursing-care and Work

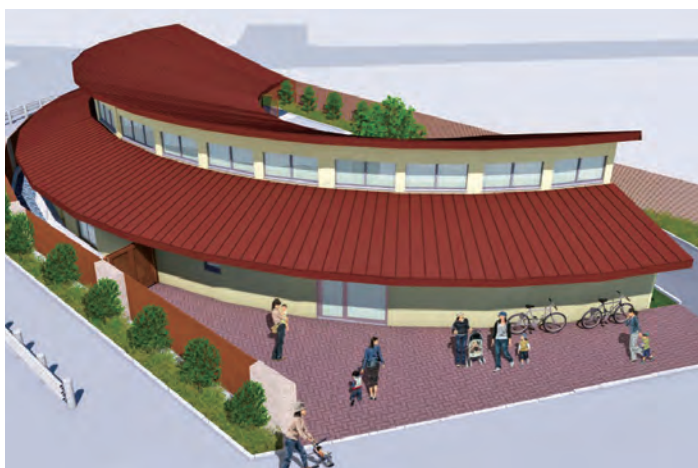


Establishment of In-house Nursery

We plan to establish an in-house nursery in April 2018 at the adjacent area of a Group's condominium located in Edogawa-ku, Tokyo, in order to assist employees to balance child-care and work, encourage female employees' active participation in their work, and eventually to contribute to the elimination of unattended children in line with our corporate social responsibility.

By doing so, we will develop an environment where employees who live in the Group's condominium or work at workplaces in the vicinity can make smooth transition back to work life after taking child-care leave, and resume active roles in their work with a peace of mind, balancing their work and child-care.

In addition, the nursery makes use of a "Company-led Child-care Service", which is a child-care support system of the Cabinet Office, and plans to cater to both local residents and Oji Group employees.



In-house nursery to be established at the adjacent area of a Group's condominium in Edogawa-ku (image)



Inside nursery (image)

● Overview of In-house Nursery

Day of opening	April 1, 2018 (scheduled)
Location	5-1287 Minamishinozaki-cho, Edogawa-ku, Tokyo (adjacent area of the Group's condominium and a Group company)
Capacity	30 babies
Qualifying age	0-2 years
Opening days	Weekdays excluding Saturdays, Sundays and public holidays
Opening hours	7:00~20:00
Coverage	①Oji Group employees' children ②Local residents' children

Promotion of Employment of Disabled

Since FY2004, in collaboration with public agencies and NPOs, we have worked to promote employment of people with disabilities.

In 2007, we established "Oji Clean Mate", a special subsidiary which employs the disabled and have them in charge of administrating/cleaning communal areas of main building and building No.1 of Oji Holdings.

We will continue to make concerted efforts as a Group to increase work opportunities for people with disabilities.

Based upon the Basic Policy of the “Oji Group Environmental Charter”, setting the “Environmental Action Program” for 2020, Oji Group is committed to operating its business activities that harmonize with the environment.

Oji Group Environmental Charter Basic Policy

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

Environmental Action Program

Limitless Challenge to Zero-environmental Burden

We will aim for zero-environmental burden in each and every operational procedure by further raising environmental awareness and integrating capabilities of technology, operation and planning.

→pg.40

Sustainable Forest Management

We will promote sustainable forest management to aim for protection of forest functions and lasting utilization of forest resources.

→ pg.42

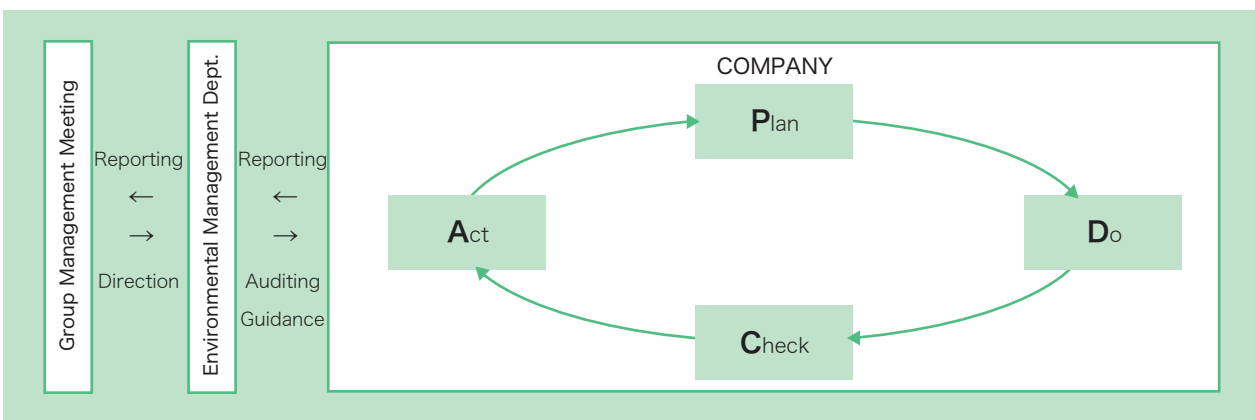
Responsible Raw Materials Procurement

We will comply with safety and legal guidance based on the Oji Group Partnership Procurement Policy to manufacture our products.

→ pg.44

Structure of Environmental Management

Oji Group has explicitly set environmental management to be one of the most important aspects in our business activities. Following the directions of top management, the Environmental Management Department takes comprehensive charge of all environmental-related activities of the entire Group, and tackles the issues that arise from our continuous pursuit of environmental improvement.



Limitless Challenge to Zero-environmental Burden ~Zero-emission~

Zero-emission Performance

	FY2016 Results	FY2020 Targets
Number of Environmental Accidents*1	3	0
Number of Product Liability Accidents	0	0
Effective Utilization Ratio*2 (Domestic/Overseas)	97.9% / 91.2%	99% and above / 95% and above
Reduction of GHG Emissions Intensity *3	Reduction of 7.3% compared with FY2013	Reduction of 10% and above compared with FY2013

*1 Environmental accident: exceeding a regulated value set by environment-related laws and regulations

*2 Effective utilization ratio of wastes (%) = [generation volume (t) - landfill disposal volume (t)] / generation volume (t) * 100

*3 GHG emissions intensity = domestic and overseas GHG emissions / domestic and overseas production volume
Emissions from electric power business are not included

Management of Wastewater and Effluent Gases in Consideration to Local Ecosystems

In addition to complying with environmental laws and regulations as well as reducing environmentally hazardous substances, we have started since 2016 and will continue to manage mercury levels in exhaust gases generated by boilers and incinerators, to comply with new standards that will be implemented in Japan in April 2018 following the "Minamata Convention on Mercury".

Cooperation on Carbon Offset at the G7 Ise-Shima Summit

Oji Group contributes to climate change countermeasures by absorbing approx. 13,800,000t of GHG at 450,000 ha of its domestic/overseas forests and by reducing GHG emission per unit of production.

At the G7 Ise-Shima Summit which was held on 26-27 May 2016, carbon offset*1 was implemented for GHG emissions (26,050t-CO₂) which stemmed from the transportation and accommodation of national leaders and other related parties, as well as site management. Of which, we offered J credit*2 of 1,000 t-CO₂, which we have acquired through appropriate conservation of our domestic forests.

Moving forward, we will continue to work on "sustainable forest management" that shows considerations on the preservation of multifaceted functions of forests, such as biodiversity conservation.

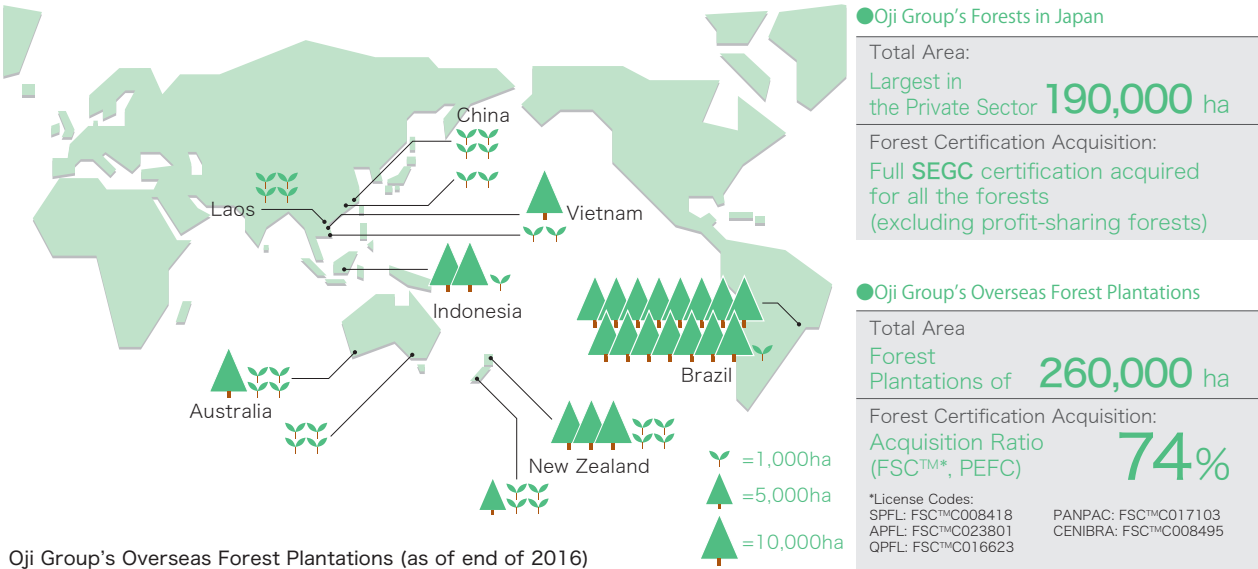
*1 To compensate fully/partially for one's GHG emissions, with another's reduction/absorption volume

*2 Credit acquired through reduction/absorption of GHG including CO₂ via activities such as introduction of energy-saving equipment and forest management, under a system certified by nation



A part of Oji Forest which helped in generating J credit we offered (Engaru/Hokkaido)

Limitless Challenge to Zero-environmental Burden ~Sustainable Forest Management / Paper Recycling~



Sustainable Forest Management

Oji Group believes in the principle “those who use trees have the responsibility to plant trees” and has long been working hard to realize “sustainable forest management” in each stage of the cycle, namely planting, growing, harvesting trees and processing them into raw materials. Also, we are currently focusing on acquiring “forest certifications” from third-party organizations. All 170,000 ha of our domestic forests, excluding profit-sharing forests, have acquired the SGEC*1 forest certification, and 190,000 ha (74%) of our overseas forest plantations have acquired the FSC™*2 forest certification. We will continue to promote forest certification acquisition.

*1 SGEC: Sustainable Green Ecosystem Council. An organization in charge of providing a Japanese unique forest certification that fits well to the natural environment and society of Japan.

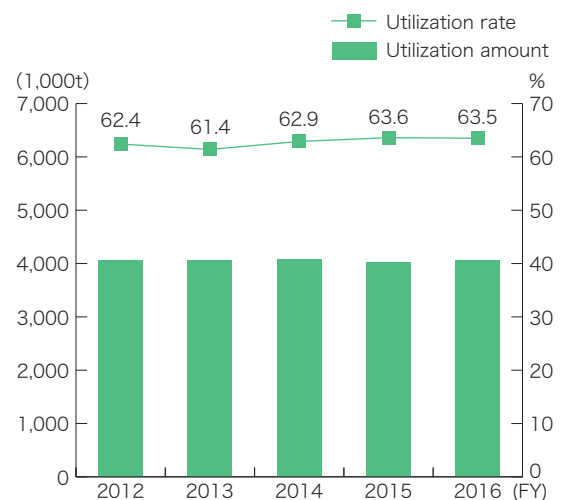
*2 FSC™: Forest Steward Council™. An international organization, it uses an international forest certification system to promote forest management suitable for the local environment, society and economy.

Paper Recycling

Oji Group has been taking initiatives in “paper recycling” and has achieved a waste paper utilization ratio of 63.5% in FY2016, while the goal set by pulp and paper industry is 65% by FY2020. Moving forward, we aim for further improvement in waste paper utilization through expanding the use of confidential documents and difficult-to-process waste paper as well as strengthening collaboration within our industry to enhance quality.

Even though paper collection ratio in Japan is relatively high globally because of its well-established collection system, the amount of collection has seen a decreasing trend due to a decline in paper consumption caused by advancements in ICT, etc. Meanwhile, we export more than 4 million tons of waste paper annually, which amounts to more than 20% of the total collection amount, to regions such as China and Southeast Asia where the demand of waste paper has been growing due to increasing paperboard production. The domestic supply and demand of wastepaper are influenced by trends in waste paper procurement not only by Japanese manufacturers, but also by overseas manufacturers.

● Utilization Amount/Rate of Waste Paper

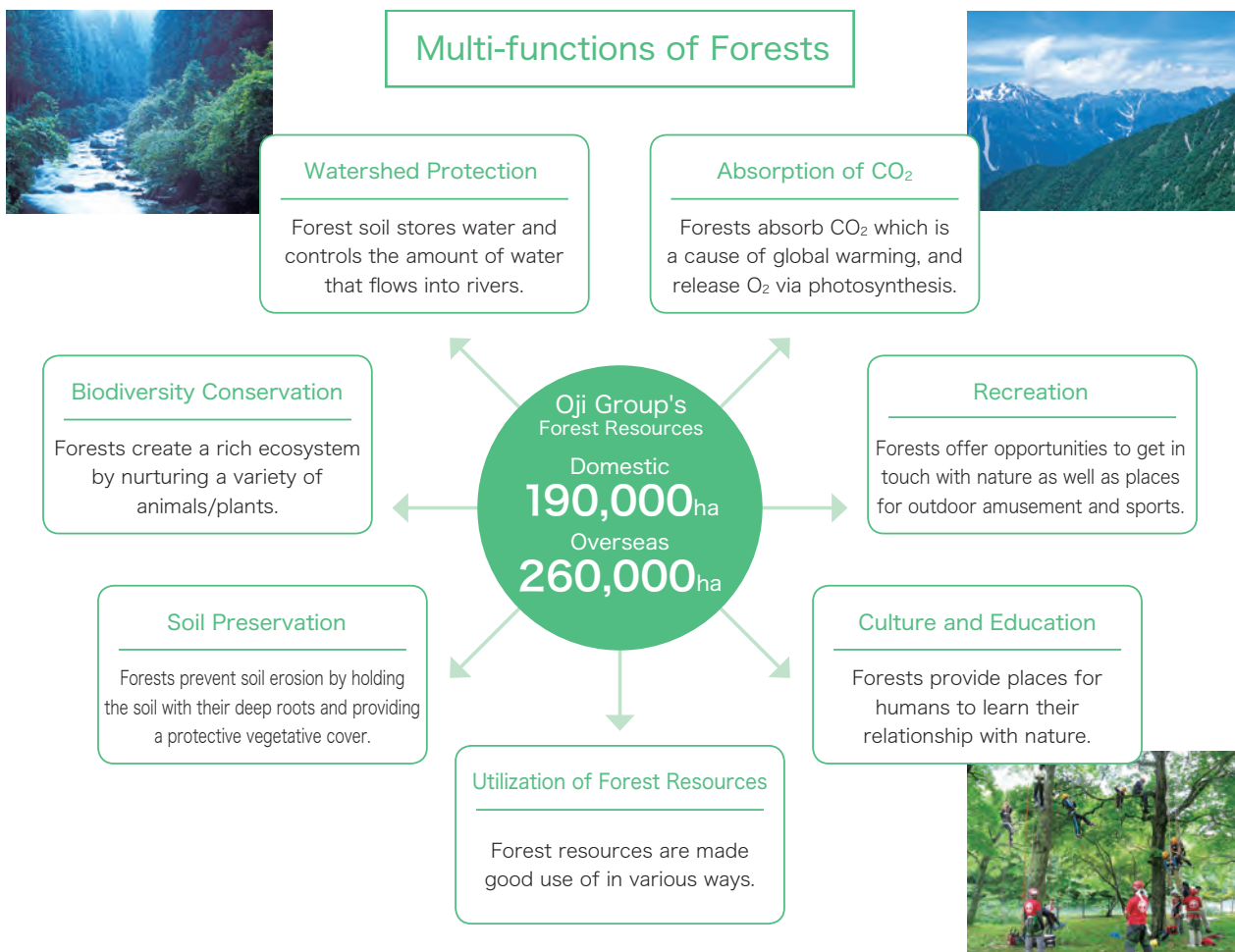


■ Sustainable Forest Management ~Sustainable Forest Management Through the Use of Forest Certifications~

Oji Group promotes an integrated forestry management system that maximizes the value of our forest resources by using them in diverse ways (cascading). Furthermore, in order to aspire for “sustainable forest management”, we undergo annual audits by a third-party forest certification organization to assess whether our forests are appropriately managed from the perspectives of “society”, “environment” and “economy”.

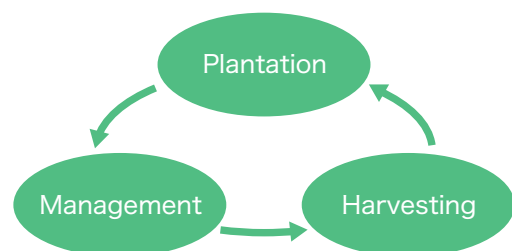
Multi-faceted Utilization and Conservation of Forest Resources

Other than supplying wood resources, forests play multifaceted roles in society, such as conserving biodiversity, providing and protecting water sources and the soil, serving for recreational purposes, nurturing cultures, and creating local employment opportunities. Oji Group maximizes the use of forest resources, while conducting various activities inside and outside of Japan to showcase the multiple functions of forests. These activities include: conserving natural forests, tracking wild animals, and hosting “Oji Forest Nature School”.



Cycle of Sustainable Forest Management

Repeating the cycle of appropriately managing, harvesting and planting trees enables sustainable production of trees from forests as well as demonstrations of various environmental functions of forests.

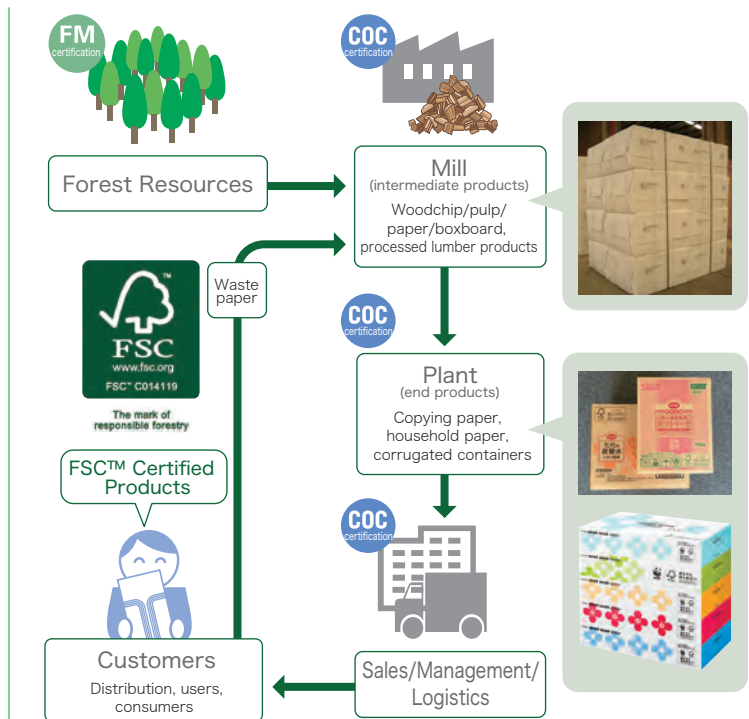


FSC™ Certified Products: Providing Eco-friendly Products

Oji Group has acquired the FSC™ FM certification*1 for our overseas forest plantations and the COC certification*2 for the Group's manufacturing and processing operations. The advantage in acquiring these certifications for our forests and converting plants is that they enable us to offer a wide range of FSC™ certified products, from primary-processed products such as log, woodchip and lumber products, to secondary products such as pulp, as well as end products such as printing paper, tissue paper and corrugated containers. Finally, end-products are recycled as waste paper.

*1 FM certification: confirmation of forest management

*2 COC certification: confirmation of management on processing/distribution procedures of produced wood

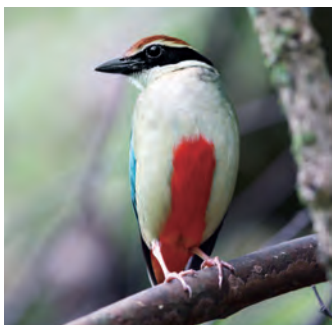


SGEC Forest Certification

The SGEC (Sustainable Green Ecosystem Council) is a unique Japanese forest certification system. We have already acquired the SGEC-FM certification for all Oji Group's domestic forests excluding profit-sharing forests whose land owners are external organizations. In addition, Oji Forest & Products, the company in charge of the Group's domestic forests and related activities, has acquired the SGEC-COC certification. In 2016, the SGEC signed a mutual recognition agreement with the PEFC, an international organization which promotes mutual recognition of different forest certification standards in each country and region. As such, wood products certified by SGEC can enter into overseas markets as internationally certified products.

Activities for Biodiversity Conservation Activities are conducted at Oji's domestic and overseas forests.

- Conservation of Endangered Fish Species, Itou (Sarufutsu Forest, Hokkaido)
Sarufutsu Itou Conservation Council: <http://www.sarufutsu-icc.gr.jp/english/>
- Conservation of Alpine Plants (Samani Forest, Hokkaido)
- Conservation of Fairy Pitta (Kiyagauchi Forest, Kochi)



©Ecosystem Trust Society



Mr. Nakamura conducting a special lecture at "Eco-Pro2016", one of the largest environment exhibitions in Japan in which Oji Group participates every year

Fairy Pitta is a migratory bird with several body colors and is 20cm in length. Being the representative bird of Kochi prefecture and Shimanto town, it is also red-listed by the Ministry of the Environment.

Since our establishment in 1994, the Ecosystem Trust Society has acquired 196 ha of land in Shimanto region as a permanent protective zone of Fairy Pitta through a national trust, which acquires heritage lands using funds or donations from individuals and organizations throughout Japan. Since 2014, we have established the "Shimanto Fairy Pitta Forest / Nature Center" in Taisho-cho, and have been continually engaging in conservation of the bird and local biodiversity. In August 2016, we signed the "Agreement on the Conservation of Fairy Pitta" with Oji Holdings which has 260 ha company-owned forest next to our protective zone. We will continue to carry out activities to conserve biodiversity to maintain the habitat of Fairy Pitta in the future.

Please refer to the website below for further information on our activities.
<http://www.d.pikara.ne.jp/ecotrust/> (in Japanese)

Chairman, Ecosystem Trust Society Takio Nakamura

Responsible Raw Materials Procurement

Oji Group is committed towards engaging in responsible raw materials procurement which takes into account environmental and community considerations as well as ensuring the safety and legitimacy of our raw materials; in line with the “Oji Group Partnership Procurement Policy” and the “Wood Raw Material Procurement Guidelines” that follow the principles outlined in the United Nations Global Compact, the “Oji Group Corporate Code of Conduct” and “Oji Group Environmental Charter”.

Oji Group Partnership Procurement Policy

- 1.Ensure stable supply
- 2.Comply with laws and social standards, and engage in fair trade
- 3.Consider the environment
- 4.Demonstrate social concern
- 5.Communicate with society

●Fiber-sourcing (Pulp and Woodchips)

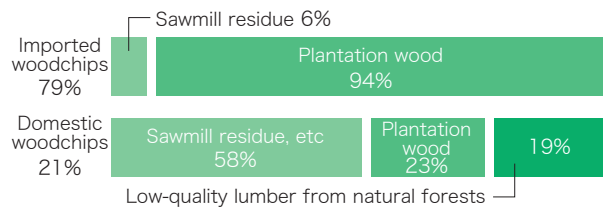
The “Wood Raw Material Procurement Guidelines” was established and is to be adhered to when conducting the procurement of wood raw materials, including pulp.

●Wood Raw Material Procurement Guidelines

- 1.Expand procurement of wood from certified forests
- 2.Increase use of plantation trees
- 3.Utilize unused wood effectively
- 4.Verify that procurement is in compliance with laws and is environmentally friendly and socially responsible
- 5.Disclose information (available online)

https://www.ojiholdings.co.jp/sustainability/forest_recycling/view.html
(in Japanese)

●Composition of the Oji Group’s Procured Wood Chip



●Traceability Verification

We verify that our wood raw materials come from properly managed forests via traceability reports that trace them back to their places of origin. In addition, we conduct regular on-site inspections in forests, woodchip mills and shipping sites, as well as discussing with the government and other related parties to assess problems such as illegal logging.



Audit for the FSC™ FM certification at QPFL
License code: FSC™ C016623

Safety Checks on Raw Materials

Before using any raw materials (chemical and other materials), we confirm that a chemical is safe for use by referring to information regarding relevant laws/regulations, toxicity and green procurement gathered through our supply chain. To that end, we have made it compulsory throughout the Group to use our own original questionnaire form in addition to a Safety Data Sheet (“SDS”) based on laws/regulations to make up for information that cannot be obtained through SDS. Furthermore, we ensure continuous safe usage of each raw material by periodically updating information even after the start of its use. With the information, we do our best to appropriately respond to customer inquiries.



Oji Group's global subsidiaries regularly carry out various social activities that contribute to the development of sports and culture, as well as the health promotion to local residents.

Culture

Fujiwara Foundation of Science

The Fujiwara Foundation of Science was established by Ginjiro Fujiwara, referred to as Japan's king of paper manufacturing, and famous for contributing his private fortune to establish Fujiwara Industrial University (current name: Keio University's Faculty of Science and Technology). With its mission to contribute to the domestic development of science and technology, the Foundation presents the "Fujiwara Award" annually and provides assistance to hold the "Fujiwara Seminar" twice per annum. The Fujiwara Award is a highly prestigious award which is only awarded to scientists who have made major contributions to the advancement of science and technology in Japan. The 58th Award was presented this year; and several Fujiwara Award winners have also moved on to become Nobel Prize winners. Oji Holdings has been assisting the Foundation mainly through financial support.

Website: http://www.fujizai.or.jp/e_gaiyo.htm



58th Fujiwara Award Ceremony
(at Gakushikaikan, on June 16, 2017)



Dr. Akira Isogai
Professor, Graduate School
of Agricultural and Life
Sciences, University of
Tokyo



Dr. Susumu Kitagawa
Deputy Director-General and
Distinguished Professor,
Institute for Advanced
Study, Kyoto University
Director, Institute for
Integrated Cell-Material
Sciences, Kyoto University

Oji Hall

The "Oji Hall", located in the main building of Oji Holdings, is an authentic yet comfortable musical hall. The 315-seat hall hosts a wide array of performances as well as functions as a rental place.

Having reached its 25th anniversary milestone in October 2017, the Hall will be undergoing improvement works starting January 2018. It will aim to further contribute to the music cultural scene after its re-opening scheduled on 25 October, 2018.

Website: <https://www.ojihall.jp/>
(in Japanese)



President, Oji Hall
Momoko Hoshino



Isabelle Faust, Jean Guihen Queyras and Alexander Melnikov
(February 24, 2017)

Sports

Oji Baseball Team

The Oji Baseball Team, based in Oji Paper Kasugai Mill, is celebrating its 60th anniversary in 2017. The team prides itself on its various achievements that include advancing into grand finals of two major amateur baseball championship games; the Intercity Baseball Tournament (15 times) and the Japan Amateur Baseball Championship (9 times). It ranked as one of the top 4 teams in Japan Amateur Baseball Championship in 2016. In addition, the team has been continually engaging in community-based activities such as hosting baseball games for children.

Website: <https://www.ojiholdings.co.jp/baseball/>
(in Japanese)



Intercity Baseball Tournament

Oji Eagles

The Oji Eagles, an ice hockey team with an established history since 1926, is based in the Hakucho Oji Ice Arena in Tomakomai City, Hokkaido. Competing in Asia League Ice Hockey, where 8 teams from 3 countries participate and fight for the title, the team focuses on improving its skills whilst promoting the sport.

Website of Asia League Ice Hockey:
<http://www.alhockey.com/>



Championship in the All Japan Ice Hockey Championship in 2016

Community Healthcare

Oji General Hospital

Starting out as a health facility supporting Oji Paper's Tomakomai Mill, with its 22 departments and 440 beds currently, the Oji General Hospital has come a long way to become the region's core hospital which efficiently offers highly functional and high-quality medical services to residents. It strives to provide secure and safe medical services through collaborations with facilities commissioned by Tomakomai City, Hokkaido such as the central regional comprehensive support center, an affiliated nursing school, a long-term care health facility, etc.

Website: <http://www.ojihosp.or.jp/> (in Japanese)



Outpatient chemotherapy room where the number of beds was increased this year

Next-generation Development

Oji Forest Nature School

Together with Japan Environment Education Forum, we make use of our mills and company-owned forests to run “Oji Forest Nature School”, an environmental education program that provides nature exposure and experiences for children. Reaching its 13th year in 2017, the project encourages children to learn “connection between forests, human and industry” by hosting paper mills visits, and organizing programs in relation with forests such as nature observation and tree thinning.

Japan Environment Education Forum’s Website on Oji Forest Nature School:
<http://www.jeef.or.jp/activities/oji/> (in Japanese)



Tree climbing activity at the Hokkaido School

Activities in Overseas

nepia 1,000 Toilets Program

There are children who lose their lives due to diarrhea and dehydration in environments which lack potable water and proper sanitary systems in the world even nowadays. Recognizing this fact, Oji Nepia has launched the “nepia 1,000 Toilets Program” using a fraction of its proceeds since 2008, to fund the UNICEF’s campaign in providing toilet facilities and fostering safe hygiene practices in East Timorese.

Website: <https://1000toilets.com/> (in Japanese)



nepia 1,000 Toilets Program

Activities in Other Countries

-Employees of Group Companies in China are gathered to conduct environmental plantation activities at the Loess Plateau, inner-Mongolia, etc.

-To improve the local educational environment, Oji Group established the “Oji Charitable Education Fund” together with Nantongshi Charity Federation and Nantongshi Development Zone Charity Federation in Nantong City, China, where Jiangsu Oji Paper is located.

-Oji Group provides support to dispatch doctors to regions short of medical professionals for the local communities of Vietnam, where Oji Group conducts its forest plantation business.



Plantation activity at inner-Mongolia



Ceremony for launching the “Oji Charitable Education Fund”



Governance

Oji Group Information

Oji Group sees enhancing corporate governance as one of the management's top priorities, and strives to continually take measures towards it.

Basic Concept

Oji Group has established the "Oji Group Corporate Code of Conduct", based upon its fundamental values and philosophy inherited since its founding, and promoted business activities whilst keeping in mind and instilling its role as a corporate member of the society and also a strong sense of morality throughout the entire Group.

Moving forward, we will continue to prioritize enhancing our corporate governance to improve our corporate value and become a reliable company that is trusted by the society, through ensuring efficiency, soundness and transparency of management.

●Main Initiatives

Jun. 1999	Adoption of Executive Officer System	Enhancement of decision-making and supervisory functions of the Board of Directors
Jun. 2002	Shortening of Directors' term of office to 1 year	Clarification of Directors' management responsibility
Jun. 2006	Introduction of stock option as stock-based compensation	Alignment of Directors' motivations towards raising corporate value
Jun. 2007	Appointment of Outside Directors	Improvements in effectiveness of management supervision and transparency in decision-making; expansion of management perspectives
Oct. 2012	Transition to a pure holding company system Establishment of Corporate Governance Division	Speeding up decision-making; clarification of management responsibility of each business segment Strengthening Group's management structure
Jun. 2013	Increase in the number of Outside Auditors	Strengthening the auditing structure
Nov. 2015	Establishment of Fundamental Policies on Corporate Governance Establishment of Nomination Committee and Compensation Committee	Clear setting out of Group's policies Improvements in the objectivity and transparency of nomination and compensation determination
Jun. 2016	Introduction of performance-linked and stock-based compensation	Alignment of Directors' motivations towards improving performances and raising corporate value

●Overview of Voluntary Advisory Committees

	Nomination Committee	Compensation Committee (it also conducts effectiveness evaluation of the Board of Directors)
Composition	Chairman, President (Committee Chair), all Outside Directors (total of 4 persons, as of March 2017)	Chairman, President (Committee Chair), all Outside Directors (total of 4 persons, as of March 2017)
Topics for Deliberation	Nomination policies for Directors and Auditors; appointment policies for Corporate Officers Nomination of Directors and Auditors; appointment of Corporate Officers Succession planning for Representative Director of the Board, President	Compensation structure and standards for Directors and Corporate Officers Evaluation of Directors and Corporate Officers Analysis and evaluation of effectiveness of the Board of Directors

"Fundamental Policies on Corporate Governance" and the "Corporate Governance Report" submitted to the Tokyo Stock Exchange are both available on our website.

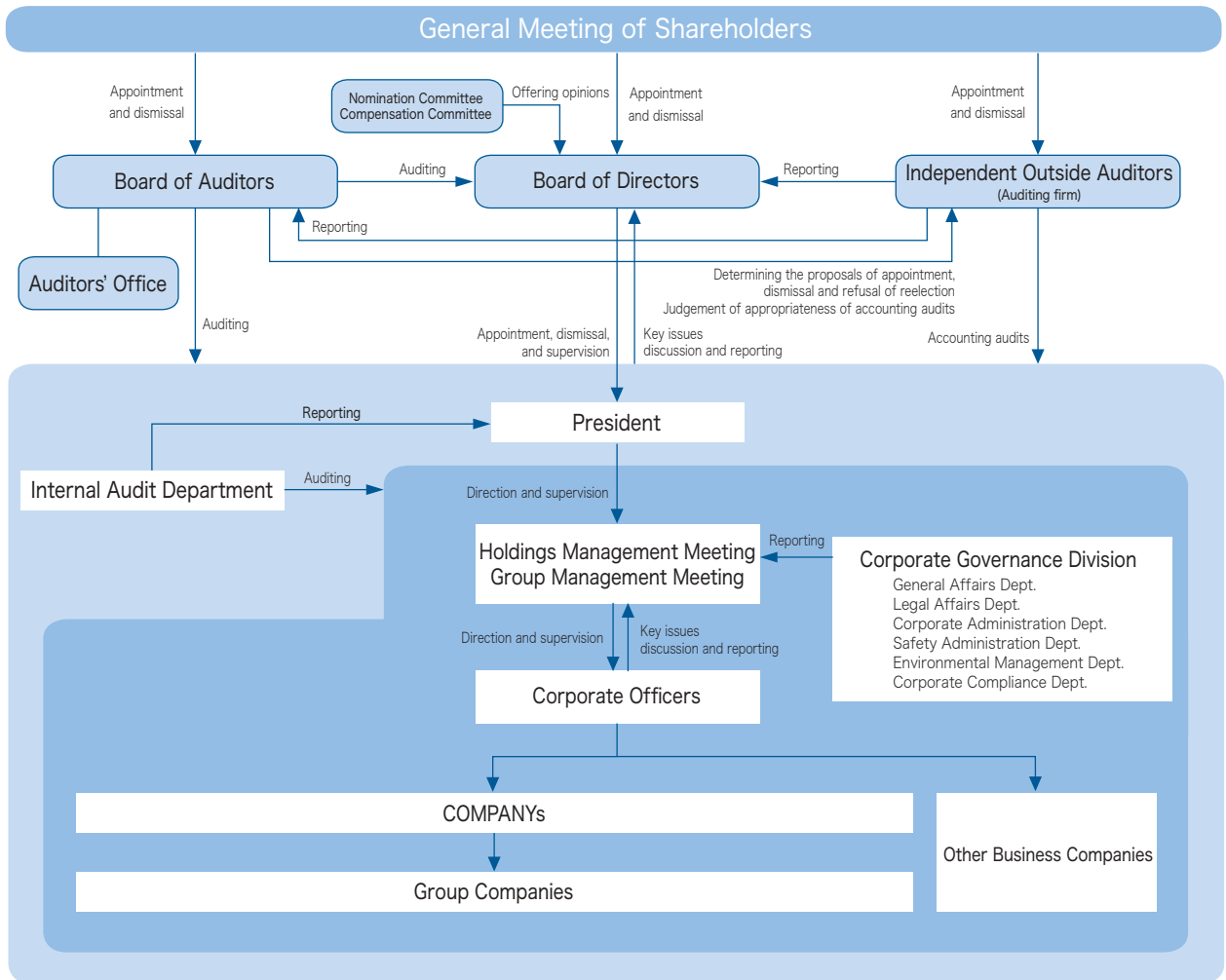
Fundamental Policies of Corporate Governance: <https://www.ojeholdings.co.jp/english/group/policy/governance.html>

Corporate Governance Report: <https://www.ojeholdings.co.jp/english/ir/library/governance.html>

Structure of Corporate Governance

In October 2012, Oji Group made a shift to become a pure holding company. Since then, Oji Holdings has assumed responsibilities in formulating overall management strategies and Group governance. Also, we have adopted the COMPANY system where each “COMPANY” plays a dominant role in the business operations of its respective closely-related subsidiaries. In doing so, it speeds up the decision-making of each business unit and clarifies management responsibilities. In addition, as a company with the

Board of Auditors, the execution of duties by Directors is audited by Auditors and the Board of Auditors to strengthen governance of the entire Group. In 2015, the Nomination Committee and the Compensation Committee were established as advisory committees of the Board of Directors. They seek to improve objectivity and transparency of every decision-making process; and the Compensation Committee evaluates the effectiveness and appraises the performance of the Board of Directors.



Determination Policy and Total Amount of Director Compensation

Director compensation comprises of (1) base compensation, (2) compensation according to short-term business performance, and (3) stock-based compensation that reflect medium-to-long-term business performance. Since June 2016, a new performance-linked and stock-based compensation system has been introduced, in which the proportion of (2) has been increased, in a

bid to improve Directors' performance and to motivate Directors to further enhance the corporate value. The amount is decided by the Board of Directors after receiving a proposal from the Compensation Committee. For Outside Directors, compensation comprises of only base compensation. As for Auditors, compensation is decided via a deliberation amongst Auditors.

●Total Amount of Officer Compensation (FY2016 Results)

Directors	¥ 619 million / 13 persons	Auditors	¥ 91 million / 5 persons
(Outside Directors)	(¥ 30 million / 2 persons)	(Outside Auditors)	(¥ 31 million / 3 persons)

Outside Officers: Activities and Reasons for Appointment

There are 2 Outside Directors and 3 Outside Auditors in Oji Holdings. All Outside Officers participate in the Board of Directors as well as briefing sessions regarding Management Meeting topics which are organized twice per month by the Director in charge of Corporate Governance Division. Furthermore, Outside Directors also assume roles in the Nomination Committee and the Compensation Committee.

We appoint an independent individual with highly specialized and a wide scope of knowledge who is able to state opinions from perspectives of various stakeholders as our Independent Outside Director candidate; and an individual with excellent values and principles of conduct, combined with knowledge as well as a wealth of experience as our Outside Auditor candidate.

Outside Officers (as of July 2017)

Position	Name	Career Summary	Attendance (FY2016)	Reason for Appointment
Directors	Michihiro Nara	Apr. 1974 Registered Lawyer Jun. 2014 Director of Oji Group	Board of Directors (13/14)	Wealth of experience and high degree of specialization as a lawyer, extensive knowledge
	Nobuaki Terasaka	Apr. 1976 Ministry of International Trade and Industry Jul. 2009 Director of Nuclear and Industrial Safety Agency Aug. 2011 Resignation from public office Jun. 2015 Director of Oji Group	Board of Directors (14/14)	Wealth of experience as a public official, extensive knowledge
Auditors	Makoto Katsura	Apr. 1971 Ministry of Foreign Affairs Jul. 2004 Ambassador to Laos Aug. 2007 Ambassador to Philippines May 2011 Resignation from public office Jun. 2013 Auditor of Oji Group	Board of Directors (14/14) Board of Auditors (14/14)	Wealth of experience as a diplomat, extensive knowledge
	Mikinao Kitada	Apr. 1976 Appointed as Public Prosecutor Jan. 2012 Superintending prosecutor at the Osaka High Public Prosecutors' Office Jan. 2014 Resignation from public office Mar. 2014 Registered Lawyer Jun. 2014 Auditor of Oji Group	Board of Directors (13/14) Board of Auditors (14/14)	Wealth of experience as a prosecutor, extensive knowledge
	Yuko Miyazaki	Apr. 1979 Registered Lawyer Jun. 2015 Auditor of Oji Group	Board of Directors (13/14) Board of Auditors (14/14)	Wealth of experience and high degree of specialization as a lawyer, extensive knowledge



An Independent Outside Director, Mr. Terasaka, on the state of the Oji Group's corporate governance and challenges faced in improving its corporate value.

Outside Director Nobuaki Terasaka
Outside Director of Oji Group since June 2015

Q1 What is your impression of Oji Group?

Upon hearing "Oji Group", the first impression which struck me is that it is the representative pulp and paper manufacturer in Japan forming a part of Japan's core industries, and it is also one of the major contributors to the leap in the Japanese economy. Yet at the same time, Oji Group is not bounded by its own tradition and carries out reforms on necessary areas. Oji Group is a corporate group that pursues growth while leveraging on its good

tradition which values tolerance and warmth aside from competitiveness. In the rapidly changing economic and social environments, Oji Group, with its all officers and employees, adopts a strategic approach to expand its businesses into new fields or overseas, enhances existing businesses whilst conducting selection and concentration, and utilizes its accumulated management foundation to further advance beyond the boundaries.

Q2 How do you rate the level of corporate governance at Oji Group?

Compliance, a combination of work safety, working-style, product quality and information security, as well as complying with laws and regulations such as environmental standards, antimonopoly law, subcontractor payment act, unfair competition prevention act etc., is very important as any misconduct can completely ruin the company's painstakingly built up social credibility. Furthermore, as a company where expanding overseas businesses is of its strategic interest, governance on international activities is also

required. Oji Group actively works on establishing corporate governance that takes into account stakeholders' interests and incorporates its own characteristics into the governance requirements, and the motivation behind is never about merely meeting its own self-satisfaction or self-evaluation. What I believe is important is the mindset of "Aggressive Governance", which creates a company with high aspirations and strong presence, as opposed to being satisfied with "Passive and Conservative Governance".

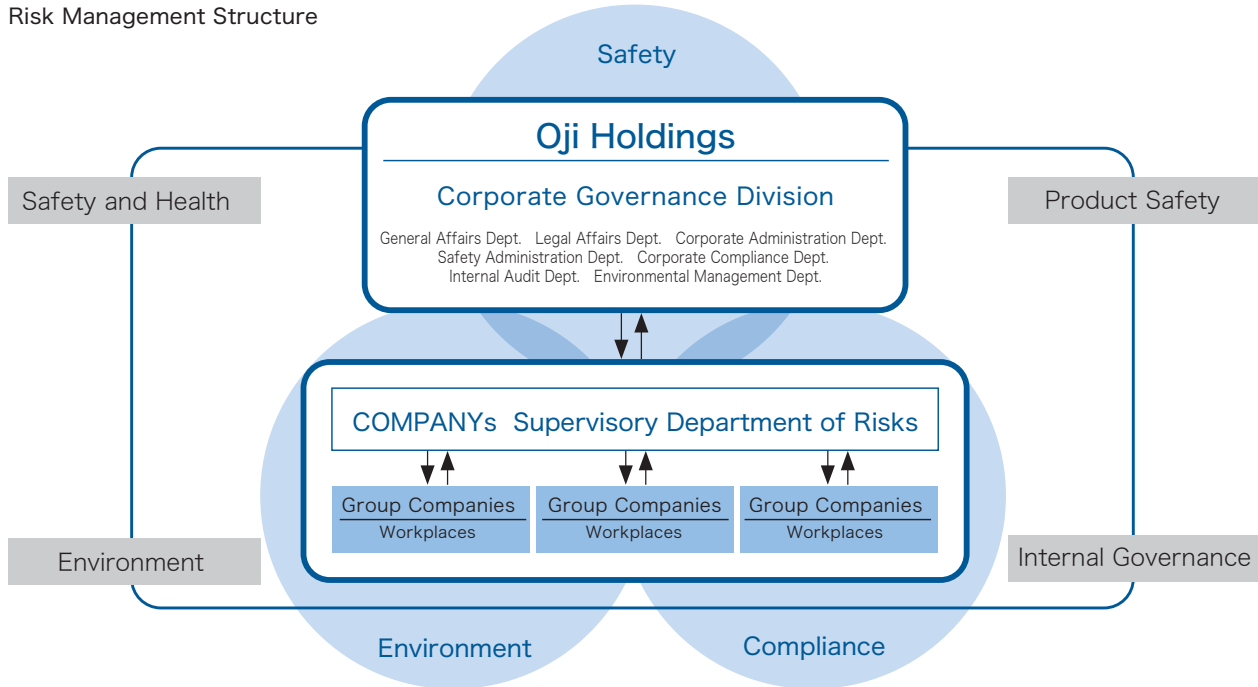
Q3 Please share with us your thoughts regarding the challenges the Oji Group faces in improving its corporate value.

The trend of globalization is expected to continue even though we see some backsliding in certain areas. Also, progress in technological innovation as represented by advancements in ICT, does not seem to stop or slow down as seen from examples such as IoT, AI or nano-technology. Under such conditions, it is important to view them as an opportunity to enhance our corporate value, and continue to be a company with a strong presence and awareness about stakeholders' interests, while progressing along with the society & community. To that end, Oji Group needs to make a steady and ceaseless effort to utilize its accumulated

management resources/management foundation such as manpower, goods, capital, technology, and information as well as enhancing and strengthening abilities to organize, plan, manufacture, sell, negotiate, etc. The direction Oji Group is heading to is clearly presented by its management philosophy, "Creation of Innovative Values", "Contribution to Future and the World" and "Harmony with Nature and Society"; and also its corresponding management strategies. I am looking forward to seeing Oji Group become a versatile and strong company that shows awareness through its CSR activities and displays its full potential as a conglomerate.

Oji Group develops a structure in which the Corporate Governance Division of Oji Holdings comprehensively manages and responds to common risks faced by the entire Group. Along with the rapid expansion of our overseas businesses, we will reinforce our risk management structure and secure continued stable development of the respective businesses.

Risk Management Structure



Environment Management and Product Safety Management

The Environmental Management Department of Oji Holdings reduces risks of environmental accidents, product liability accidents, as well as other legal violations by implementing management and auditing with the Group companies and workplaces.

Compliance

In the Group with an increased number of overseas companies/employees, “Compliance News” and “Global Compliance News” are circulated to raise awareness among all officers and employees, in order to comply with international standards.

Safety and Health Management

We promote the climate of “safety as our absolute top priority” mainly through the Safety Administration Department and conduct measures to realize zero-industrial accident from 2 aspects, namely compliance with safety-related rules and elimination of unsafe parts of machines/facilities.

Business Continuity Management

We periodically conduct a variety of trainings based on business continuity management plans to react towards risks of business suspension such as natural disasters, infectious diseases, and accidents. Through trainings for large-scale earthquake, establishment of a disaster countermeasure headquarters, transferring of headquarter functions, transferring of major operations, etc., we continually seek improvements in our structure to handle any form of crisis.

Directors



Kiyotaka Shindo
Director, Chairman of the Board



Susumu Yajima
Director of the Board,
President
Group CEO



Ryoji Watari
Director of the Board,
Vice President
President, Industrial Materials
COMPANY
President, Household
and Consumer Products
COMPANY



Kazuo Fuchigami
Director of the Board,
Vice President
President, Functional
Materials COMPANY



Hidehiko Aoyama
Director of the Board,
Senior Executive Officer
President, Printing and
Communications Media
COMPANY
President, Oji Paper Co., Ltd.



Yoshiki Koseki
Director of the Board,
Executive Officer
Vice President, Industrial
Materials COMPANY
President, Oji Materia Co., Ltd.



Yoshiaki Takeda
Director of the Board,
Executive Officer
General Manager, Corporate
Governance Division
President, Oji Management
Office Inc.



Shoji Fujiwara
Director of the Board,
Executive Officer
Vice President, Functional
Materials COMPANY
President, Oji F-Text Co., Ltd



Masatoshi Kaku
Director of the Board,
Executive Officer
Deputy General Manager,
Corporate Governance
Division
In charge of: Innovation
Promotion Division
President, Oji Engineering
Co., Ltd.



Ryuichi Kisaka
Director of the Board,
Executive Officer
Deputy General Manager,
Corporate Governance
Division



Kazuhiko Kamada
Director of the Board,
Executive Officer
President, Forest Resources
and Environment Marketing
COMPANY



Hiroyuki Isono
Director of the Board,
Executive Officer
Chairman of the Board,
Oji Oceania Management
Co., Ltd.
Chairman of the Board, Oji
Fibre Solutions (NZ) Ltd.



Michihiro Nara
Outside Director of the
Board



Nobuaki Terasaka
Outside Director of the
Board

Audit and Supervisory Board Members



Motokazu Ogata
Audit and Supervisory
Board Member



Tomihiro Yamashita
Audit and Supervisory
Board Member



Makoto Katsura
Outside Audit and
Supervisory Board Member



Mikinao Kitada
Outside Audit and
Supervisory Board Member



Yuko Miyazaki
Outside Audit and
Supervisory Board Member

Industrial Materials Business

Country	Company Name	Business	Voting Rights	Capital (¥ mil.)
Japan	◇ Oji Industrial Materials Management Co., Ltd.	Overall management of Industrial Materials COMPANY, various design services	100.00%	10
	◇ Oji Materia Co., Ltd.	Containerboard, boxboard, packing paper	100.00%	600
	◇ Oji Container Co., Ltd.	Corrugated containers	100.00%	10,000
	◇ Morishigyo Co., Ltd.	Corrugated containers, folding cartons	100.00%	310
	◇ Oji Interpack Co., Ltd.	Packaging materials	100.00%	213
	◇ Oji Packaging Co., Ltd.	Folding cartons	100.00%	1,500
	◇ Oji Seitai Co., Ltd.	Heavy-duty paper sack	55.00%	1,299
	◇ Oji Adba Co., Ltd.	Packaging materials	100.00%	96
	E Okayama Paper Industries Co., Ltd.	Paperboard, corrugated containers	46.22%	821
Malaysia	◇ Oji Asia Packaging Sdn. Bhd.	Regional headquarters	100.00%	348,000,000 MYR
Malaysia	◇ GSPH Holdings Sdn. Bhd.*	Containerboard, corrugated containers	75.00%	255,000,000 MYR
Malaysia	◇ Harta Packaging Industries Sdn. Bhd.	Corrugated containers	100.00%	18,000,000 MYR
Vietnam	◇ Ojtex (Vietnam) Co., Ltd.	Corrugated containers	100.00%	15,000,000 USD
Thailand	◇ S.Pack & Print Public Co., Ltd.	Folding cartons, corrugated containers	75.72%	300,000,000 THB
China	◇ Suzhou Oji Packaging Co., Ltd	Heavy-duty packaging materials, corrugated containers	100.00%	32,000,000 CNY
China	◇ Oji Packaging (Shanghai) Co., Ltd.	Heavy-duty paper sack, paper bag	100.00%	54,000,000 CNY

*Company name changed in August 2017

Household & Consumer Products Business

Country	Company Name	Business	Voting Rights	Capital (¥ mil.)
Japan	◇ Oji Nepia Co., Ltd.	Household paper, disposable diaper	100.00%	350
Malaysia	◇ People & Grit (M) Sdn. Bhd.	Disposable diaper	80.00%	2,000,000 MYR
Malaysia	◇ Oji Asia Household Product Sdn. Bhd.	Disposable diaper	100.00%	24,000,000 MYR

Functional Materials Business

Country	Company Name	Business	Voting Rights	Capital (¥ mil.)
Japan	◇ Oji Functional Materials Progressing Center Inc.	Overall management of Functional Materials COMPANY	100.00%	10
	◇ Oji F-Tex Co., Ltd.	Specialty paper, functional paper, film	100.00%	350
	◇ Oji Imaging Media Co., Ltd.	Thermal paper	100.00%	350
	◇ Oji Kinocloth Co., Ltd.	Non-woven fabric	100.00%	353
	◇ Oji Tac Co., Ltd.	Adhesive products	100.00%	1,550
	◇ New Tac Kasei Co., Ltd.	Adhesive products	100.00%	310
	◇ Shinomura Chemical Industry Co., Ltd.	Release paper	60.00%	40
	◇ Chuetsu Co., Ltd.	Printing business	100.00%	90
Brazil	◇ Oji Papéis Especiais Ltda.	Thermal paper	100.00%	409,000,000 BRL
USA	◇ Kanzaki Specialty Papers, Inc.	Thermal paper	100.00%	34,000,000 USD
Germany	◇ Kanzan Spezialpapiere GmbH	Thermal paper	94.74%	25,000,000 EUR
Thailand	◇ Oji Paper (Thailand) Ltd.	Carbonless paper, thermal paper	100.00%	1,340,000,000 THB
Thailand	◇ Oji Label (Thailand) Ltd.	Adhesive products	85.00%	164,000,000 THB
Malaysia	◇ Hyper-Region Labels Sdn. Bhd.	Printing/converting of label	60.00%	1,000,000 MYR
China	◇ Oji Kinocloth (Shanghai) Co., Ltd.	Non-woven fabric, thermal paper	100.00%	140,000,000 CNY

Management Strategies	Business Strategies	Takeaways	Governance	Oji Group Information
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Forest Resources & Environment Marketing Business

Country	Company Name	Business	Voting Rights	Capital (¥ mil.)
Japan	◇ Oji Green Resources Co., Ltd.	Overall management of Forest Resources and Environment Marketing COMPANY, lumber, forest plantation, pulp, energy	100.00%	350
	◇ Oji Forest & Products Co., Ltd.	Lumber business	100.00%	288
	◇ Japan Brazil Pulp and Paper Resources Development Co., Ltd.	Export/import, sales/purchase of pulp	55.51%	61,788
	◇ Oji Cornstarch Co., Ltd.	Starch	60.00%	1,000
	◇ Oji Green Energy Nichinan Co., Ltd.	Biomass power generation	100.00%	10
	◇ Oji Green Energy Ebetsu Co., Ltd.	Biomass power generation	100.00%	65
Brazil	◇ Celulose Nipo-Brasileira S.A.	Forest plantation, pulp, lumber	55.51%	257,000,000 USD
New Zealand	◇ Pan Pac Forest Products Ltd.	Forest plantation, pulp, lumber	100.00%	126,000,000 NZD
China	E Huizhou Nanyou Forest Development Co.,Ltd.	Forest plantation	30.00%	170,000,000 CNY

Printing & Communications Media Business

Country	Company Name	Business	Voting Rights	Capital (¥ mil.)
Japan	◇ Oji Paper Co., Ltd.	Pulp, newsprint, paper	100.00%	350
China	◇ Jiangsu Oji Paper Co., Ltd.	Pulp, coated paper, woodfree paper	90.00%	911,000,000 USD

Other Businesses / Shared Service Companies

Country	Company Name	Business	Voting Rights	Capital (¥ mil.)
Japan	◇ Oji Management Office Inc.	Group management support	100.00%	10
	◇ Oji Oceania Management Co., Ltd.	Holding company	60.00%	37,090
	◇ Kyokuyo Pulp & Paper Co., Ltd.	Wholesale	90.00%	1,300
	◇ Ginpo Pack Co., Ltd.	Plastic containers	90.00%	360
	◇ Oji Real Estate Co., Ltd.	Real estate	100.00%	650
	◇ Hotel New Oji Co., Ltd.	Hotel, in-flight meals	100.00%	100
	◇ Oji Logistics Co., Ltd.	Logistics	100.00%	1,434
	◇ Oji Engineering Co., Ltd.	Engineering	100.00%	800
	E Chuetsu Pulp & Paper Co., Ltd.	Pulp and paper business, etc.	20.84%	18,864
	E Kokusai Pulp & Paper Co., Ltd.	Wholesale	20.70%	3,442
Malaysia	◇ Oji Asia Management Sdn. Bhd.	Regional headquarters	100.00%	31,000,000 MYR
New Zealand	◇ Oji Fibre Solutions (NZ) Ltd.	Pulp, paperboard, packaging	60.00%	728,000,000 NZD

◇: Consolidated subsidiary company E: Equity Method affiliated company

Company Profile

Company Name	Oji Holdings Corporation
Director of the Board, President	Susumu Yajima
Headquarters	7-5, Ginza 4-chome, Chuo-ku, Tokyo 104-0061 Japan
Start of Business	February 12, 1873
Establishment	August 1, 1949
Capital	¥ 103,880 million
Number of Authorized Shares	2,400,000,000 shares
Number of Issued Shares (of which are Treasury Shares)	1,014,381,817 shares (23,245,925 shares)
Number of Shareholders	63,837 persons
Number of Consolidated Employees	35,392 persons

Stock Information

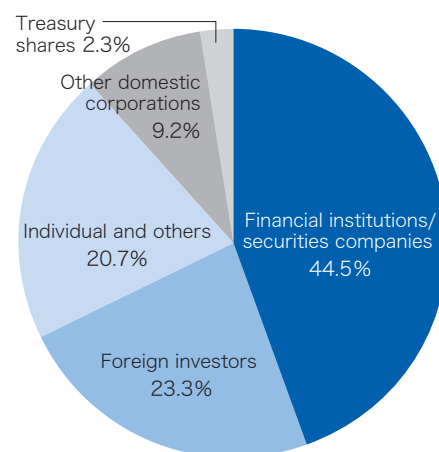
Stock Exchange Listings	First Section of the Tokyo Stock Exchange
Securities Identification Code	3861
Share Register Manager and Account Administration Authority for Special Accounts	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo Japan Sumitomo Mitsui Trust Bank, Limited
Address	8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063 Japan Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited
Telephone	0120-782-031

Principal Shareholders

Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Limited (Trust Account)	64,667	6.5%
Japan Trustee Services Bank, Limited (Trust Account)	49,616	5.0%
Japan Trustee Services Bank, Limited (Trust Account 4)	35,415	3.6%
Sumitomo Mitsui Banking Corporation	31,668	3.2%
Nippon Life Insurance Company	25,658	2.6%
Oji Group Employee Shareholding Association	22,315	2.3%
Mizuho Bank, Limited	21,636	2.2%
The Norinchukin Bank	16,654	1.7%
Japan Trustee Services Bank, Limited (Trust Account 9)	16,542	1.7%
Japan Trustee Services Bank, Limited (Trust Account 5)	15,040	1.5%

*Shareholding ratios are calculated after making a deduction of treasury shares.

Distribution of Shareholders



Editorial Policy

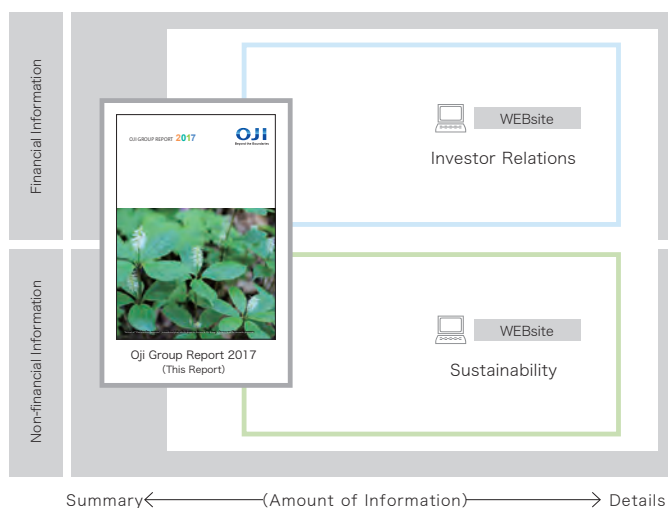
The Oji Group Report is edited with the purpose of delivering to all stakeholders a quick summary of financial and non-financial information. Please refer to our corporate website for more detailed information. We have referred to the “International Integrated Reporting Framework” recommended by the International Integrated Reporting Council (IIRC) in the editing of the report.

Oji Holdings Corporate Website

Front page:
<https://www.ojiholdings.co.jp/english/>

Investor Relations:
<https://www.ojiholdings.co.jp/english/ir/>

Sustainability:
<https://www.ojiholdings.co.jp/english/sustainability/>



Coverage of the Report

In general, this report covers the activities of Oji Holdings and its 197 consolidated subsidiaries as well as its 21 equity method affiliates. Articles with differing coverage are stated as such.

Coverage Period

From April 1, 2016 to March 31, 2017

Please take note that except for numerical data, some sections may refer to activities carried out after April 1, 2017.

Disclaimer Regarding Forecast and Other Forward-looking Statements

Forecasts and other forward-looking statements present in this report represent projections by Oji Holdings based on information and reasonable premises available at the time of publication and thus contain uncertainties. Please be advised that actual results may differ from the stated outcomes due to various unforeseeable factors.

This report is printed on forest certified paper

The type of paper used for this publication is “OK TopKote Mat N Eco Forest (cover: 157.0g/m², body: 104.7g/m²)”, which is manufactured by Oji Paper, an Oji Group company. Paper products of “Eco Forest” series are FSC™ forest certified papers made from resources harvested from responsibly managed forests. Please refer to pg. 43 for more details on FSC™ forest certification.

*Oji Paper's license code: FSC™C014119

