

Summary of Consolidated Financial and Business Results for the First Half of the Year Ending March 2020

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

1. Results for the First Half of the Year Ending March 31, 2020 (April 1, 2019 - September 30, 2019) (Unaudited)

(1) Consolidated Business Results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Half of FY2019	760,206	(0.2)	55,580	1.7	51,341	(3.9)	28,839	7.8
First Half of FY2018	761,862	6.1	54,653	105.7	53,437	121.0	26,754	62.0

Note: Comprehensive income
 First Half of FY2019 14,286 million yen
 First Half of FY2018 16,617 million yen

	Profit per share	Diluted profit per share
	Yen	Yen
First Half of FY2019	29.14	29.12
First Half of FY2018	27.04	27.02

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First Half of FY2019	1,934,042	821,764	35.4	691.04
Year ended March 2019	1,951,369	815,406	34.7	684.50

Note: Shareholders' equity
 First Half of FY2019 684,136 million yen
 FY2018 677,393 million yen

2. Dividend Conditions

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2018	—	6.00	—	6.00	12.00
FY2019	—	7.00			
FY2019 (Forecast)			—	7.00	14.00

Note : Change in forecast of dividend … None

3. Consolidated Forecasts for the Year Ending March 2020 (April 1, 2019-March 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full year	1,600,000	3.2	110,000	(0.2)	110,000	(7.1)	60,000	15.4	60.63	

Note : Change in consolidated forecasts … None

4. In Addition

- (1) Changes in important subsidiaries
(changes regarding specified subsidiaries accompanying changes in the scope of consolidation) : None
- (2) Application of simple accounting methods and quarterly peculiar accounting methods : None
- (3) Changes in accounting methods compared with recent consolidated accounting periods
- | | |
|--|------|
| (i) Changes due to accounting standard changes : | Yes |
| (ii) Changes besides (i) : | None |
| (iii) Accounting estimate change : | None |
| (iv) Restatement : | None |
- (4) Outstanding balance of issued shares (common stock)
- | | | | |
|--|---------------|----------------------|---------------|
| (i) Outstanding balance of issued shares at the end of fiscal year (Including treasury shares) | | | |
| First Half of FY2019 | 1,014,381,817 | FY2018 | 1,014,381,817 |
| (ii) Outstanding balance of treasury shares at the end of fiscal year | | | |
| First Half of FY2019 | 24,378,292 | FY2018 | 24,762,066 |
| (iii) Weighted average number of shares during fiscal year | | | |
| First Half of FY2019 | 989,728,597 | First Half of FY2018 | 989,602,738 |

NOTICE

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

1. Qualitative Information Concerning Business Performance and Financial Situation

(1) Qualitative Information Concerning Business Performance

Business Performance for the First Half of FY2019 (April 1, 2019 - September 30, 2019)

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent	Profit Per Share
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Yen
1st Half of FY2019	760.2	55.6	51.3	28.8	29.14
1st Half of FY2018	761.9	54.7	53.4	26.8	27.04
Increase (Decrease)	(1.7)	0.9	(2.1)	2.1	
Increase (Decrease)	(0.2%)	1.7%	(3.9%)	7.8%	

Oji Group aims to become a global corporate group which stably maintains consolidated operating profit of more than ¥100.0 billion in its FY2019-2021 Medium-term Management Plan which sets forth the fundamental policies of "Profitability Improvement of Domestic Business", "Expansion of Overseas Business", "Promotion of Innovation", and "Contribution to a Sustainable Society". In the domestic business, we have decided to restructure production systems of Oji Paper Co., Ltd., Oji F-Tex Co., Ltd., and Oji Materia Co., Ltd. in response to structural changes in demand. We will continue to improve capital efficiency while concentrating management resources on promising businesses to strengthen our ability to earn cash. In the overseas business, we will expand organically from existing operations by expanding the number of overseas operations and developing new businesses utilizing existing infrastructure. We will also create synergies between our businesses as well as operations. For Promotion of Innovation, we are developing paper materials to replace plastic packaging as part of efforts to address the marine plastic waste problem. In Thailand, our products have been adopted as packaging materials for instant food products as plastic replacements. In addition, "resin glass containing cellulose nano-fiber (an alternative material for glass)" that we provided technology to automobile manufactures was exhibited in an automobile assembled from, as a research achievement of the "NCV (Nano Cellulose Vehicle) Project" at the booth of Ministry of the Environment of the Tokyo Motor Show held from October 2019. In addition, we are working with a major construction company in Japan to jointly develop "KAMIWAZA" a technology to improve the productivity of temporary construction using paper materials, and we are also developing water treatment business, such as installing water production facilities for a major beer company in Myanmar. Going forward, we will continue to contribute to a sustainable society by developing new products and proposing innovative technologies that meet environmental and social needs.

Consolidated net sales for the first half of FY2019 decreased by ¥1.7 billion to ¥760.2 billion (year-on-year decrease of 0.2%) mainly due to effects of the weakening pulp market in the overseas business, despite the product price adjustment effects in the domestic business. Overseas sales ratio decreased by 2.0 points from the previous year to 30.4%.

Consolidated operating profit increased by ¥0.9 billion to ¥55.6 billion (year-on-year increase of 1.7%) despite decreased operating profit of the overseas businesses, thanks to increased operating profit of the domestic businesses.

Non-operating profit and loss decreased by ¥3.0 billion year-on-year mainly due to an increase in exchange loss, and ordinary profit decreased by ¥2.1 billion to ¥51.3 billion (year-on-year decrease of 3.9%).

Extraordinary profit and loss decreased by ¥0.1 billion year-on-year mainly due to the recording of business restructuring costs associated with the decision to restructure the containerboard production systems. As a result, profit before taxes decreased by ¥2.1 billion to ¥47.6 billion (year-on-year decrease of 4.3%), and profit attributable to owners of parent increased by ¥2.1 billion to ¥28.8 billion (year-on-year increase of 7.8%).

Overview of First Half of FY2019 Business Performance by Segment

(i) Business Performance by Segment

(Unit: Billions of yen)

		Net Sales			Operating Profit		
		1st Half of FY2018	1st Half of FY2019	Increase (Decrease)	1st Half of FY2018	1st Half of FY2019	Increase (Decrease)
Reporting Segment	Household & Industrial Materials	332.7	342.2	2.9%	10.3	18.7	81.8%
	Functional Materials	110.5	108.2	(2.1%)	8.9	6.9	(21.8%)
	Forest Resources & Environment Marketing	162.8	152.1	(6.6%)	32.5	21.9	(32.7%)
	Printing & Communications Media	147.3	146.9	(0.2%)	(2.6)	2.9	-
	Total	753.2	749.5	(0.5%)	49.1	50.5	2.8%
Others		143.4	145.6	1.6%	5.0	5.0	0.3%
Total		896.6	895.1	(0.2%)	54.1	55.5	2.5%
Adjustment (*)		(134.7)	(134.9)		0.6	0.1	
Consolidated total		761.9	760.2	(0.2%)	54.7	55.6	1.7%

* Adjustment amount is mainly the adjustment concerning internal transactions.

(ii) Overview of Business Performance by Segment

Oji Group's four reporting segments are: "Household and Industrial Materials", "Functional Materials", "Forest Resources and Environment Marketing" and "Printing and Communications Media". Each of the reporting segment consists of those that are recognized to be similar in terms of economic characteristics, manufacturing methods or processes of products, markets in which products are sold, and types of customers, among the constituent units of the Oji Group. Business segments that are not included in the reporting segments are classified as "Others".

Major business lineup for the segments are as follows.

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

○Household and Industrial Materials

In the first half of FY2019, net sales were ¥342.2 billion (year-on-year increase of 2.9%); and operating profit was ¥18.7 billion (year-on-year increase of 81.8%) as a result of the product price adjustment effects.

Regarding domestic business, sales volume of containerboard and corrugated containers increased from the previous year due to steady sales mainly to vegetables, food, and e-commerce customers.

As for boxboard, domestic sales volume decreased from the previous year, but export sales volume remained at the same level as the previous year. As for packing paper, domestic sales volume decreased from the previous year due to a decline in demand for export-related products and the impact of the mill suspension caused by the Kasugai Mill fire, but export sales volume increased from the previous year.

As for disposable diapers, sales volume of baby disposable diapers increased from the previous year, but that of adult disposable diapers decreased from the previous year. As for household paper which comprises tissue paper and toilet rolls, sales volume decreased from the previous year due in part to the impact of the mill suspension caused by the Kasugai Mill fire, but sales amount increased from the previous year due to the product price adjustment effects.

Regarding overseas business, in containerboard business in Southeast Asia, while sales volume increased from the previous year, sales amount decreased from the previous year mainly due to the effects of weakening market conditions. In Oceania, sales volume decreased from the previous year. As for corrugated container business, in Southeast Asia, sales mainly to beverages and processed food customers steadily performed. In Oceania, sales volume increased from the previous year mainly due to improved capacity utilization at a new plant in Australia. As for disposable diaper business, sales volume increased from the previous year in Malaysia and China due to improved penetration of proprietary brand products. In Indonesia, although we continually worked to achieve sales expansion in preparation for the operation commencement of our own factory, sales volume decreased from the previous year due in part to an increase in inventories by customers who had been in the initial delivery stage in the previous year.

○Functional Materials

In the first half of FY2019, net sales were ¥108.2 billion (year-on-year decrease of 2.1%); and operating profit was ¥6.9 billion (year-on-year decrease of 21.8%) mainly due to higher raw material and fuel prices.

Regarding domestic business, sales volume of specialty paper decreased from the previous year mainly due to negative factors such as sluggish sales to electronic parts/semiconductors customers, despite efforts for developing new products and acquiring new customers, for domestic sales; and slowdown in Chinese and Korean economies for export sales. Sales volume of thermal paper remained almost at the same level as the previous year due to steady performance of sales.

Regarding overseas business, sales volume of thermal paper decreased in Europe from the previous year but increased in North America and South America.

○Forest Resources and Environment Marketing

In the first half of FY2019, net sales were ¥152.1 billion (year-on-year decrease of 6.6%); and operating profit was ¥21.9 billion (year-on-year decrease of 32.7%) mainly due to effects of the weakening pulp market.

Regarding domestic business, sales volume of pulp business remained almost at the same level as the previous year. Sales volume of energy business increased from the previous year due to the operation commencement of biomass power generation facilities by MPM Oji Eco-Energy Co., Ltd. in Hachinohe City, Aomori Prefecture.

Regarding overseas business, while sales volume of pulp business increased from the previous year, sales amount decreased mainly due to effects of the weakening pulp market.

○Printing and Communications Media

In the first half of FY2019, net sales were ¥146.9 billion (year-on-year decrease of 0.2%); and operating profit was ¥2.9 billion (year on-year increase of ¥5.5 billion) mainly due to the product price adjustment effects.

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

As for printing and communication paper, although sales volume decreased from the previous year due in part to the impact of the mill suspension caused by the Kasugai Mill fire, sales amount increased from the previous year due to product price adjustment effects.

Regarding overseas businesses, sales amount of printing paper decreased from the previous year mainly due to effects of weakening market conditions, despite an increase in the sales volume.

2. Outline of Business Performance and Financial Situation

Business Performance

Billions of yen

	1st half of FY2019		Forecasts for FY2019	
		Increase(Decrease)		Increase(Decrease)
Net Sales	760.2	(1.7)	1,600.0	49.0
Domestic	529.0	14.1		
Overseas	231.2	(15.8)		
ratio	30.4%	(2.0%)		
Operating Profit	55.6	0.9	110.0	(0.2)
Ordinary Profit	51.3	(2.1)	110.0	(8.4)
Profit attributable to owners of parent	28.8	2.1	60.0	8.0

Billions of yen

Depreciation	31.1	(3.2)	62.4	(7.1)
Capital expenditure	45.9	22.6	106.4	50.6

Average foreign exchange rate

	1st half of FY2019		Forecasts for FY2019	
		Increase(Decrease)		Increase(Decrease)
JPY / USD April to March	108.6	(1.7)	109.3	(1.6)
BRL / USD January to December	3.84	0.42	3.82	0.17
NZD / USD January to December	1.49	0.09	1.48	0.04
CNY / USD January to December	6.79	0.43	6.85	0.24

Financial situation

Billions of yen

	30-Sep-19	
		Increase(Decrease)from Mar31,2019
Total assets	1,934.0	(17.3)
Net assets	821.8	6.4
Interest bearing debts	644.7	24.1
Net debts	557.2	22.2

Number of employees

person

	30-Sep-19	
		Increase(Decrease)from Mar31,2019
Number of employees	36,813	504
Domestic	17,109	(31)
Overseas	19,704	535

Consolidated quarterly balance sheets

(Unit : Millions of yen)

	FY2018 Mar 31,2019	First Half / FY2019 Sep 30,2019
Assets		
Current assets		
Cash and deposits	78,756	77,158
Notes and accounts receivable - trade	334,852	312,282
Securities	9,471	14,228
Merchandise and finished goods	101,940	102,855
Work in process	20,094	21,729
Raw materials and supplies	94,758	94,687
Other	35,429	42,614
Allowance for doubtful accounts	(1,838)	(1,786)
Total current assets	673,465	663,769
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	188,861	189,937
Machinery, equipment and vehicles, net	318,702	303,967
Land	235,975	235,803
Other, net	241,218	273,511
Total property, plant and equipment	984,759	1,003,220
Intangible assets		
Goodwill	6,682	5,705
Other	9,903	9,652
Total intangible assets	16,586	15,358
Investments and other assets		
Investment securities	186,287	179,857
Other	91,390	73,027
Allowance for doubtful accounts	(1,119)	(1,191)
Total investments and other assets	276,558	251,694
Total non-current assets	1,277,904	1,270,272
Total assets	1,951,369	1,934,042

(Unit : Millions of yen)

	FY2018	First Half /
	Mar 31,2019	FY2019
		Sep 30,2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	253,929	213,820
Short-term borrowings	193,175	193,684
Commercial papers	3,000	15,000
Current portion of bonds	20,000	20,000
Income taxes payable	17,941	15,655
Provisions	5,056	4,486
Other	83,267	82,536
Total current liabilities	576,369	545,184
Non-current liabilities		
Bonds payable	70,000	80,000
Long-term borrowings	334,402	335,989
Provisions	5,503	4,778
Retirement benefit liability	52,874	53,871
Other	96,813	92,453
Total non-current liabilities	559,593	567,093
Total liabilities	1,135,963	1,112,277
Net assets		
Shareholders' equity		
Share capital	103,880	103,880
Capital surplus	110,474	110,475
Retained earnings	413,023	435,944
Treasury shares	(13,753)	(13,588)
Total shareholders' equity	613,625	636,711
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,981	30,602
Deferred gains or losses on hedges	317	(98)
Revaluation reserve for land	5,816	5,816
Foreign currency translation adjustment	13,223	347
Remeasurements of defined benefit plans	11,428	10,756
Total accumulated other comprehensive income	63,767	47,424
Share acquisition rights	222	222
Non-controlling interests	137,790	137,405
Total net assets	815,406	821,764
Total liabilities and net assets	1,951,369	1,934,042

Consolidated quarterly statements of income

(Unit : Millions of yen)

	First Half / FY2018 Apr '18 - Sep '18	First Half / FY2019 Apr '19 - Sep '19
Net sales	761,862	760,206
Cost of sales	575,218	576,013
Gross profit	<u>186,644</u>	<u>184,193</u>
Selling, general and administrative expenses		
Freight and incidental costs	73,456	70,738
Employees' salaries	26,308	25,988
Other	32,226	31,886
Total selling, general and administrative expenses	<u>131,991</u>	<u>128,612</u>
Operating profit	<u>54,653</u>	<u>55,580</u>
Non-operating income		
Interest income	765	1,132
Dividend income	1,542	1,733
Foreign exchange gains	811	-
Share of profit of entities accounted for using equity method	217	1,067
Other	3,103	2,922
Total non-operating income	<u>6,440</u>	<u>6,855</u>
Non-operating expenses		
Interest expenses	3,023	3,529
Foreign exchange losses	-	3,770
Other	4,632	3,795
Total non-operating expenses	<u>7,656</u>	<u>11,095</u>
Ordinary profit	<u>53,437</u>	<u>51,341</u>
Extraordinary income		
Gain on sales of investment securities	666	822
Insurance claim income	10	609
Other	164	2
Total extraordinary income	<u>841</u>	<u>1,434</u>
Extraordinary losses		
Loss on disaster	2,674	2,299
Business restructuring expenses	376	2,260
Other	1,444	580
Total extraordinary losses	<u>4,495</u>	<u>5,140</u>
Profit before income taxes	<u>49,783</u>	<u>47,634</u>
Income taxes - current	15,163	16,586
Income taxes - deferred	833	(3,040)
Total income taxes	<u>15,996</u>	<u>13,546</u>
Profit	<u>33,787</u>	<u>34,088</u>
Profit attributable to non-controlling interests	7,032	5,248
Profit attributable to owners of parent	<u>26,754</u>	<u>28,839</u>

Consolidated quarterly statements of comprehensive income

(Unit : Millions of yen)

	First Half / FY2018	First Half / FY2019
	Apr '18 - Sep '18	Apr '19 - Sep '19
Profit	33,787	34,088
Other comprehensive income		
Valuation difference on available-for-sale securities	5,729	(1,992)
Deferred gains or losses on hedges	(531)	(409)
Foreign currency translation adjustment	(21,446)	(16,124)
Remeasurements of defined benefit plans, net of tax	(528)	(677)
Share of other comprehensive income of entities accounted for using equity method	(392)	(598)
Total other comprehensive income	<u>(17,170)</u>	<u>(19,801)</u>
Comprehensive income	<u>16,617</u>	<u>14,286</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,839	12,588
Comprehensive income attributable to non-controlling interests	2,777	1,698

(Change in accounting policies)

Oji Group's IFRS-compliant subsidiaries have adopted IFRS 16 "Leases" from the first quarter of the year ending March 31, 2020. Accordingly, right-of-use assets and lease liabilities are recognized at the commencement date for all leases. In applying this accounting standard, Oji Group's IFRS-compliant subsidiaries have adopted a method of recognizing cumulative effects at the commencement date, the method recognized as a transitional measure.

As a result, the quarterly balance sheet for the first half of the year ending March 31, 2020 shows increases of "Other, net" in "Property, plant and equipment" of ¥15,899 million, "Other" in "Current liabilities" of ¥1,477 million, and "Other" in "Non-current liabilities" of ¥15,004 million. In addition, land-use rights of ¥16,632 million, which were previously included in "Other" in "Investment and other assets", are included in "Other, net" in "Property, plant and equipment" as right-of-use assets.

The effect of this change on the Consolidated quarterly statements of income is immaterial.