

OJI GROUP REPORT 2014



Editorial Policy

To convey to all our stakeholders a deeper understanding of the Oji Group's activities for "Creation of Innovative Values" which is a management philosophy, we have combined financial data such as overview of operations and management strategies, and non-financial data such as information on environmental, social and governance-related activities, into a single yearly report.

Coverage of the Report

In principle, this report covers the activities of Oji Holdings and its 158 consolidated subsidiaries and 17 equity method affiliates. The articles with different coverage are so stated.

Coverage Period

April 1, 2013 – March 31, 2014

Except for numerical data, some sections may contain activities from April 2014 and later.

Published

October 2014

Notes on Future Outlook

Forecasts and other forward-looking statements in this report represent judgments by Oji Holdings based on information available at the time of publication and reasonable premises and thus contain uncertainties. Please be advised that actual results may be affected largely by various unforeseeable factors.

Contents



Overview and Management Strategies of the Group

Management Philosophy	1
Oji Group at a Glance	2
Oji Group's Global Business Operations	4
Domestic Consolidated Subsidiaries	6
Domestic Major Manufacturing Sites	7
Financial and Non-financial Highlights	8
Interview with the President	10
Special Feature 1. Initiatives for Business Portfolio Restructuring	16
Special Feature 2. Initiatives for Creation of Innovative Values	18

Our Operations

Industrial Materials / Household and Consumer Products Businesses	26
Functional Materials Business	30
Forest Resources and Environment Marketing Business	34
Printing and Communications Media Business	38

Corporate Governance

Corporate Code of Conduct / Behavior Standard	42
Relationship with Stakeholders	43
Policy and Structure of the Corporate Governance	44
Structure for Risk Management	45
Compliance, Human Rights	46
Safety and Health Management	47
Environment Management and Product Safety Management	49
Matters Concerning Officers	50
Interview with an Outside Auditor	54

Environment / Community Relations

Promotion of Environmental Management	56
Limitless Challenge to Zero-environmental Burden	58
Responsible Raw Materials Procurement	66
Sustainable Forest Management	68
Social Contribution Activities	72
Social Contribution Activities at Oji Nepia	76
Culture and Sports	78
Employee Relations	80

Financial Section

Financial Data	84
Corporate Data / Stock Information	



Management Philosophy

Creation of Innovative Values

Contribution to Future and the World

Harmony with Nature and Society

This report is printed on forest certified paper.

The types of paper used are “OK TopKote Mat N Eco Forest (cover: 157.0 g / m², body: 104.7g / m²)”, which are manufactured by Oji Paper, an Oji Group company.

Paper products of the “Eco Forest” series are FSC™ forest certified papers made from resources harvested from responsibly managed forests (Oji Paper’s license code: FSC-C014119). See pg.71 for more details on the FSC™ forest certification.

Oji Group at a Glance

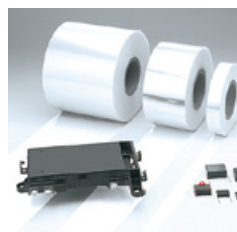
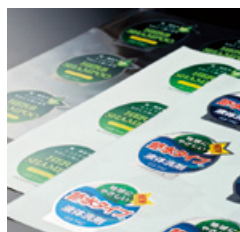
Business Segment	Sales Composition	Net Sales	Operating Income																
Household and Industrial Materials Businesses Industrial Materials Main Businesses Containerboard / corrugated containers Boxboard / packaging materials Folding cartons / paper bags Household and Consumer Products Main Businesses Household paper / disposable diaper	<p>41.4%</p>	<table border="1"> <tr><th>FY</th><th>Net Sales (¥bill.)</th></tr> <tr><td>2012</td><td>540.9</td></tr> <tr><td>2013</td><td>552.1</td></tr> <tr><td>2014 Forecast</td><td>569.2</td></tr> </table>	FY	Net Sales (¥bill.)	2012	540.9	2013	552.1	2014 Forecast	569.2	<table border="1"> <tr><th>FY</th><th>Operating Income (¥bill.)</th></tr> <tr><td>2012</td><td>27.3</td></tr> <tr><td>2013</td><td>21.4</td></tr> <tr><td>2014 Forecast</td><td>27.7</td></tr> </table>	FY	Operating Income (¥bill.)	2012	27.3	2013	21.4	2014 Forecast	27.7
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2013	21.4																		
2014 Forecast	27.7																		
Functional Materials Business Main Businesses Specialty paper Thermal paper Adhesive products Film	<p>16.4%</p>	<table border="1"> <tr><th>FY</th><th>Net Sales (¥bill.)</th></tr> <tr><td>2012</td><td>197.3</td></tr> <tr><td>2013</td><td>218.8</td></tr> <tr><td>2014 Forecast</td><td>230.9</td></tr> </table>	FY	Net Sales (¥bill.)	2012	197.3	2013	218.8	2014 Forecast	230.9	<table border="1"> <tr><th>FY</th><th>Operating Income (¥bill.)</th></tr> <tr><td>2012</td><td>10.2</td></tr> <tr><td>2013</td><td>12.0</td></tr> <tr><td>2014 Forecast</td><td>12.8</td></tr> </table>	FY	Operating Income (¥bill.)	2012	10.2	2013	12.0	2014 Forecast	12.8
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2013	12.0																		
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Forest Resources and Environment Marketing Business Main Businesses Lumber / forest plantation Pulp Energy	<p>14.2%</p>	<table border="1"> <tr><th>FY</th><th>Net Sales (¥bill.)</th></tr> <tr><td>2012</td><td>130.8</td></tr> <tr><td>2013</td><td>188.6</td></tr> <tr><td>2014 Forecast</td><td>209.5</td></tr> </table>	FY	Net Sales (¥bill.)	2012	130.8	2013	188.6	2014 Forecast	209.5	<table border="1"> <tr><th>FY</th><th>Operating Income (¥bill.)</th></tr> <tr><td>2012</td><td>10.2</td></tr> <tr><td>2013</td><td>22.1</td></tr> <tr><td>2014 Forecast</td><td>15.4</td></tr> </table>	FY	Operating Income (¥bill.)	2012	10.2	2013	22.1	2014 Forecast	15.4
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Printing and Communications Media Business Main Businesses Newsprint Printing / publication / communications paper	<p>23.7%</p>	<table border="1"> <tr><th>FY</th><th>Net Sales (¥bill.)</th></tr> <tr><td>2012</td><td>326.1</td></tr> <tr><td>2013</td><td>315.5</td></tr> <tr><td>2014 Forecast</td><td>319.2</td></tr> </table>	FY	Net Sales (¥bill.)	2012	326.1	2013	315.5	2014 Forecast	319.2	<table border="1"> <tr><th>FY</th><th>Operating Income (¥bill.)</th></tr> <tr><td>2012</td><td>-2.4</td></tr> <tr><td>2013</td><td>-2.7</td></tr> <tr><td>2014 Forecast</td><td>4.8</td></tr> </table>	FY	Operating Income (¥bill.)	2012	-2.4	2013	-2.7	2014 Forecast	4.8
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FY	Operating Income (¥bill.)																		
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2013	-2.7																		
2014 Forecast	4.8																		
Others Main Businesses Real estate Logistics Wholesale	<p>4.3%</p>	<table border="1"> <tr><th>FY</th><th>Net Sales (¥bill.)</th></tr> <tr><td>2012</td><td>46.4</td></tr> <tr><td>2013</td><td>57.5</td></tr> <tr><td>2014 Forecast</td><td>31.2</td></tr> </table>	FY	Net Sales (¥bill.)	2012	46.4	2013	57.5	2014 Forecast	31.2	<table border="1"> <tr><th>FY</th><th>Operating Income (¥bill.)</th></tr> <tr><td>2012</td><td>7.1</td></tr> <tr><td>2013</td><td>9.2</td></tr> <tr><td>2014 Forecast</td><td>9.3</td></tr> </table>	FY	Operating Income (¥bill.)	2012	7.1	2013	9.2	2014 Forecast	9.3
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Products and Services



Containerboard, specific paperboard, boxboard, packaging materials
Corrugated containers/sheet, packaging machines
Folding cartons, heavy-duty paper sacks, paper bags, recycled heat insulators

Household products (Nepia: tissue paper and toilet paper), baby goods (Nepia Genki!: disposable diaper for baby use), nursing care products (Nepia Tender Urakabiyori: disposable diaper for adult use)



Thermal paper, thermal film, inkjet paper
Specialty printing paper, specialty functional paper, film, specialty paperboard
Adhesive products, medical related products, non-woven fabric



Lumber (woodchip, lumber, processed lumber products), forest plantation, pulp
Electric power, agricultural products

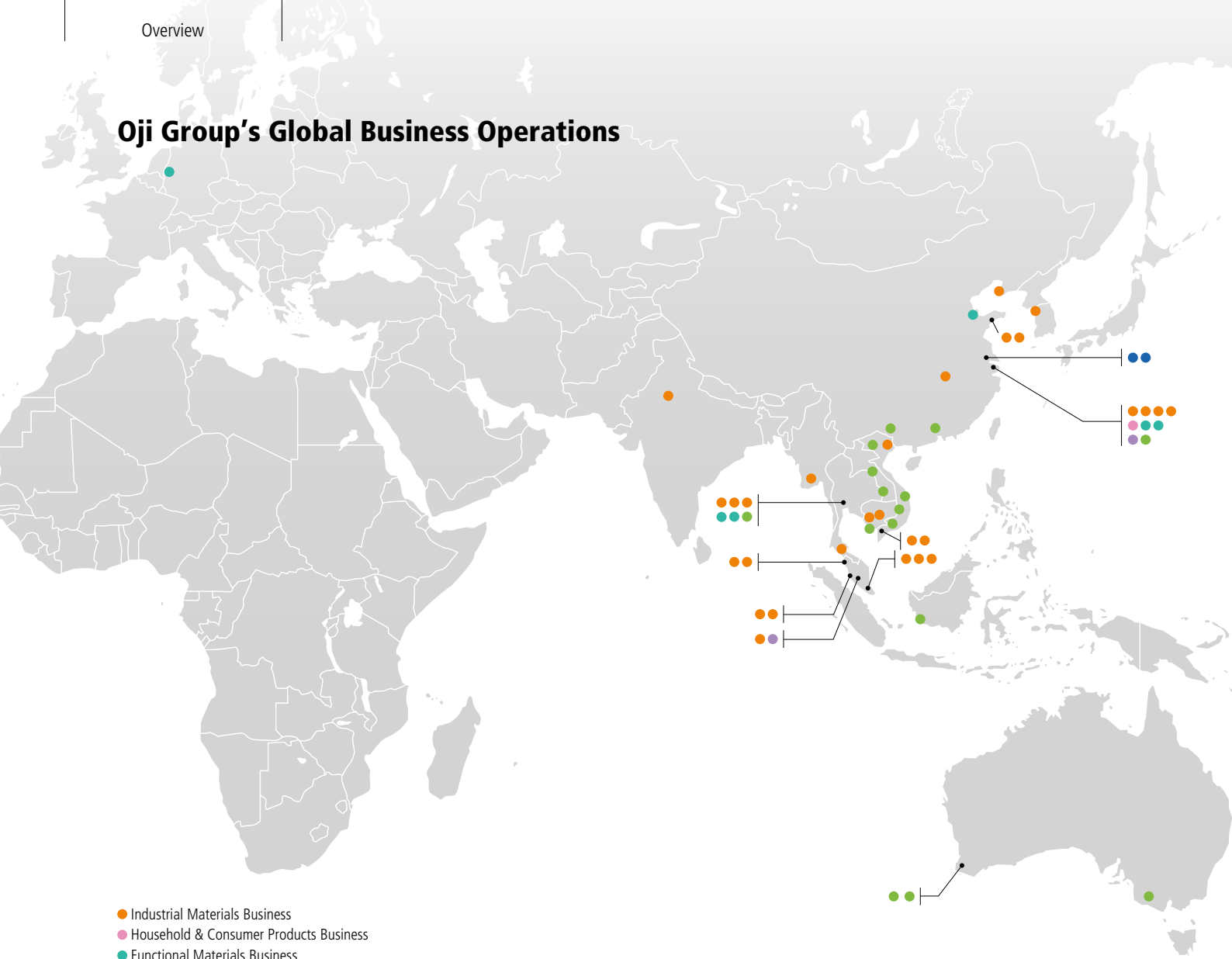


Newsprint
Printing and publication paper (coated paper, woodfree paper, etc.)
Communications paper (copying paper, form paper, etc.)



Residential development (Oji Real Estate)
Logistics (Oji Logistics)
Sales of paper / pulp / packaging materials (Kyokuyo Pulp & Paper)

Oji Group's Global Business Operations



- Industrial Materials Business
- Household & Consumer Products Business
- Functional Materials Business
- Forest Resources & Environment Marketing Business
- Printing & Communications Media Business

Industrial Materials Business		Main Businesses	Main Businesses			
China	● Suzhou Oji Packaging	Materials for heavy-duty packaging, corrugated containers	Malaysia	● Oji Asia Packaging	Regional headquarters	
	● Kunshan Oji Filter	Materials for total heat exchanger		● GS Paper & Packaging [GSPP]	Containerboard, corrugated containers	
	● Dalian Mori Mitsui Packaging	Corrugated containers		● United Kotak	Corrugated containers	
	● Oji Packaging (Shanghai)	Heavy-duty paper sacks		● Harta Packaging Industries [HPI]	Corrugated containers	
	● Qingdao Oji Packaging	Heavy-duty paper sacks, paper bags		● Harta Packaging Industries (Perak)	Corrugated containers	
	● Qingdao Oji Hoso	Corrugated containers		● Harta Packaging Industries (Nilai)	Corrugated containers	
	● Wuhan Southern Oji Packaging	Paper bags		● Trio Paper Mills	Containerboard, paperboard	
	● Shanghai Eastern Oji Packaging	Paper bags		● Chiga Light Industries	Plastic bags	
	Korea	● Oji Interpack Korea		Heavy-duty corrugated containers	Cambodia	● Harta Packaging Industries (Cambodia)
● S.Pack & Print		Folding cartons, corrugated containers	● Ojitex Harta Packaging (Sihanoukville)	Corrugated containers		
Thailand	● Sahakij Packaging	Folding cartons, corrugated containers	India	● Oji JK Packaging	Corrugated containers	
	● Box Asia Group International	Folding cartons, corrugated containers		Myanmar	● Oji GS Packaging (Yangon)	Corrugated containers
	● Union and Oji Interpack	Heavy-duty corrugated containers			USA	● Oji Intertech
	Vietnam	● Ojitex (Vietnam)		Corrugated containers		
● Ojitex Haiphong		Corrugated containers				
● United Packaging		Folding cartons, high graphic corrugated containers				
Household & Consumer Products Business		Main Businesses				
China	● Oji Paper Nepia (Suzhou)	Household paper				

● : Consolidated Subsidiaries

Oji Group in the World

Number of sites

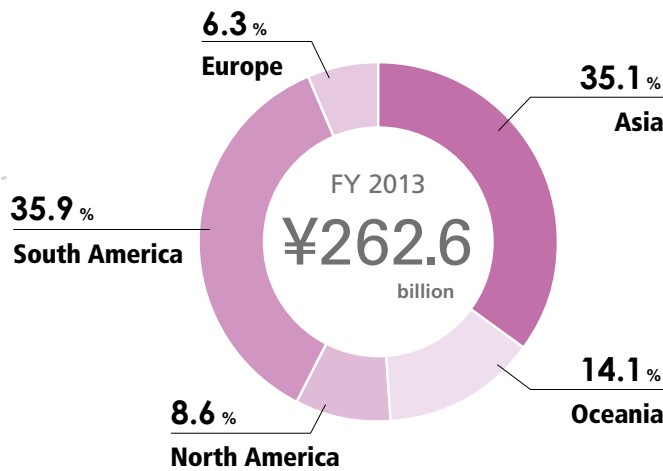
61 sites

Overseas consolidated net sales
(part of intra-group sales is included)

¥262.6 billion

Number of employees of overseas
consolidated subsidiaries

13,727 persons



Functional Materials Business

Main Businesses

China	● Oji Specialty Paper (Shanghai)	High-grade thermal paper
	● Oji Kinocloth (Shanghai)	Non-woven fabric
	● Sunshine Oji (Shouguang) Specialty Paper	Decorative paper
Thailand	● Oji Paper (Thailand) [OPT]	Carbonless paper, thermal paper
	● Oji Label (Thailand) [OLT]	Adhesive paper/film, release paper
USA	● Kanzaki Specialty Papers [KSP]	Thermal paper
Germany	● Kanzan Spezialpapiere [KANZAN]	Thermal paper
Brazil	● Oji Papéis Especiais [OPE]	Carbonless paper, thermal paper

Printing & Communications Media Business

Main Businesses

China	● Jiangsu Oji Paper	Coated paper, quality paper
	● Oji Paper Trading (China)	Sales of paper/paperboard/pulp

Corporate Management Business

Main Businesses

China	● Oji Paper Management (Shanghai)	Regional headquarters
Malaysia	● Oji Asia Management	Regional headquarters

Forest Resources & Environment Marketing Business

Main Businesses

China	● Oji Paper International Trading (Shanghai)	Sales of lumber/pulp
	● Guangxi Oji Plantation Forest [CPFL]	Forest plantation
	● Huizhou Nanyou Forest Development [KPFL]	Forest plantation
Vietnam	● Quy Nhon Plantation Forest Company of Vietnam [QPFL]	Forest plantation
	● Binh Dinh Chip Corporation [BDC]	Woodchip
	● Truong Thanh Oji Plantation Forest [TTO]	Forest plantation
	● OJI-VINAFOR PLYWOOD	Lumber processing
Thailand	● Piraab Starch	Starch
Cambodia	● Oji (Cambodia) Plantation Forest [OCP]	Forest plantation, lumber
Indonesia	● PT. Korintiga Hutani [KTH]	Forest plantation, lumber
Laos	● Oji Lao Plantation Forest [LPFL]	Forest plantation
	● Oji South Lao Plantation Forest [SLPFL]	Forest plantation
Canada	● Alpac Forest Products [AFPI]	Pulp
Australia	● Albany Plantation Forest Company [APFL]	Forest plantation
	● Albany Plantation Export Company [APEC]	Woodchip
	● Green Triangle Plantation Forest [GPFL]	Forest plantation
New Zealand	● Southland Plantation Forest Company of New Zealand [SPFL]	Forest plantation
	● Pan Pac Forest Products [PANPAC]	Forest plantation, lumber, pulp
Brazil	● Celulose Nipo-Brasileira S.A. [CENIBRA]	Forest plantation, pulp

Domestic Consolidated Subsidiaries and Major Manufacturing Sites

Industrial Materials Business

- Oji Materia
- Hokuyo Shiko
- Shin Nihon Feather Core
- Kure Oji Shigyo
- Saga Itagami
- Oji Packs Partners
- Oji Container
- Kanto Pack
- Musashi Oji Container
- Honshu Rheem
- Kansai Pack
- Kiyoshi Yoki
- Chiyoda Meiwa Danboru
- Wakayama Oji Container
- Nihon Seika Hoso
- Kyodoshiko Corporation
- Kyodo Hinode Sangyo
- Morishigyo
- Morikamihanbai
- Hokkaido Morishigyo
- Tohoku Morishigyo
- Sendai Morishigyo
- Niigata Morishigyo
- Hitachi Morishigyo
- Gunma Morishigyo
- Hokuriku Morishigyo
- Nagano Morishigyo
- Tokai Morishigyo
- Shizuoka Morishigyo
- Tottori Morishigyo
- Shikoku Morishigyo
- Kyushu Morishigyo
- Aipacks
- Fuji
- Oji Interpack
- Oji Packaging
- Oji Packaging Seibu
- Kyushu Package
- Oji Seitai
- Oji Adba

Household & Consumer Products Business

- Oji Nepia

Functional Materials Business

- Oji F-Tex
- Ebetsu Oji Shigyo
- Oji Imaging Media
- Oji Scientific Instruments
- Oji Functional Materials Progressing Center
- Oji Tac
- New Tac Kasei
- Oji Kinocloth
- Shinomura Chemical Industry
- Chuetsu

Forest Resources & Environment Marketing Business

- Oji Green Resources
- Oji Green Energy Shiranuka
- Oji Green Energy Ebetsu
- Oji Green Energy Nichinan
- Oji Forest & Products
- Oji Cornstarch
- Oji Ecomaterial
- Kyokushin Recycling Resources
- Oji Saito Paper Recycle
- Oji Trading
- Japan Brazil Pulp and Paper Resources Development
- Quy Nhon Plantation Company

Printing & Communications Media Business

- Oji Paper
- Tomakomai Oji Shigyo
- Tomakomai Kyowa Service
- Oji Pier Terminal
- Oji Shigyo
- Yonago Oji Shigyo
- Tomioka Oji Shigyo
- Nichinan Oji Shigyo
- Apica

Corporate Management Business

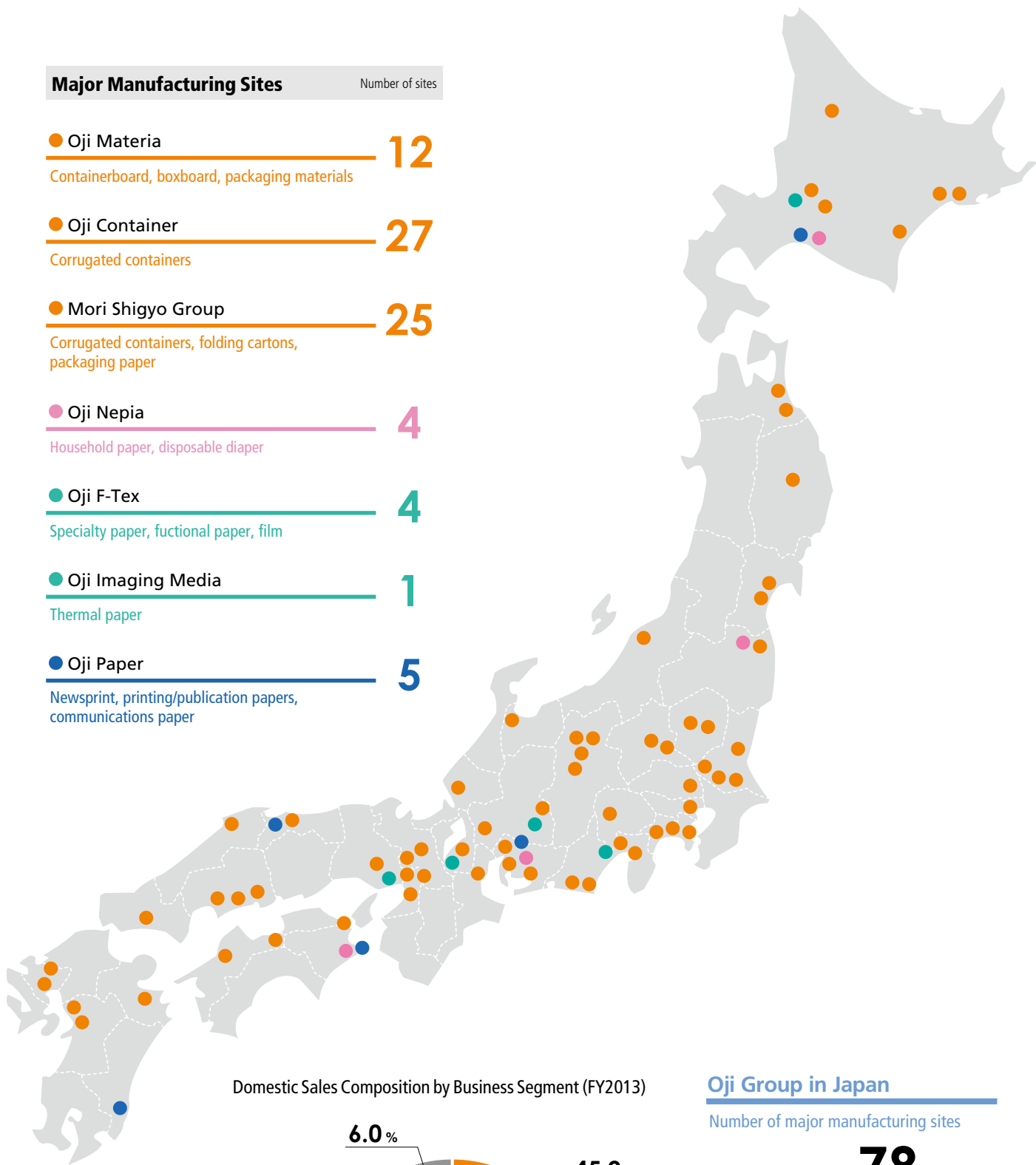
- Oji Management Office
- Oji Real Estate
- Kyokuyo Pulp & Paper
- Ginpo Pack
- Fujikako
- OJI HALL
- Oji Paper Insurance Service
- Hotel New Oji

Shared Service Business

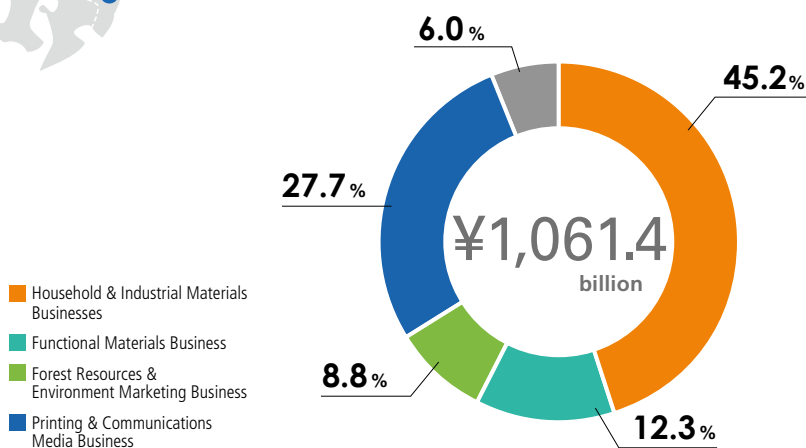
- Oji Engineering
- Oji Machinery Hokkaido
- Oji Machinery Chubu
- Oji Logistics
- Oji Business Center

Major Manufacturing Sites Number of sites

- **Oji Materia** **12**
 Containerboard, boxboard, packaging materials
- **Oji Container** **27**
 Corrugated containers
- **Mori Shigyo Group** **25**
 Corrugated containers, folding cartons, packaging paper
- **Oji Nepia** **4**
 Household paper, disposable diaper
- **Oji F-Tex** **4**
 Specialty paper, functional paper, film
- **Oji Imaging Media** **1**
 Thermal paper
- **Oji Paper** **5**
 Newsprint, printing/publication papers, communications paper



Domestic Sales Composition by Business Segment (FY2013)



Oji Group in Japan

Number of major manufacturing sites

78 sites

Domestic consolidated net sales

¥1,061.4 billion

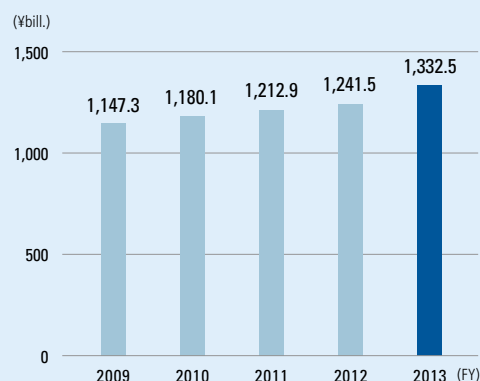
Number of employees of domestic consolidated companies

17,345 persons

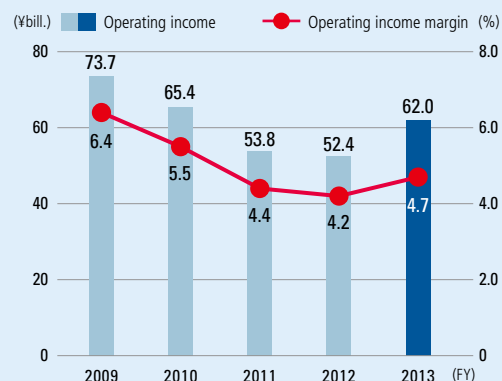
Financial and Non-financial Highlights

Financial Highlights		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Net sales	(¥bill.)	1,147.3	1,180.1	1,212.9	1,241.5	1,332.5
Operating income	(¥bill.)	73.7	65.4	53.8	52.4	62.0
Net income	(¥bill.)	24.9	24.6	22.2	25.6	33.8
Net income per share	(¥)	25	25	22	26	34
Dividend per share	(¥)	10	10	10	10	10
Net assets	(¥bill.)	460.6	456.0	463.3	579.1	670.4
Interest-bearing liabilities	(¥bill.)	798.5	799.1	784.7	831.1	798.5
Capital-asset ratio	(%)	27.6	27.1	27.4	27.6	30.0
Return on equity	(%)	5.8	5.6	5.0	5.4	6.3
Capital investment	(¥bill.)	83.0	77.1	54.7	70.1	76.7
Depreciation and amortization	(¥bill.)	85.8	79.6	76.0	72.1	73.3
Research and development expenses	(¥bill.)	8.9	9.1	9.1	9.5	10.9
Cash flows from operating activities	(¥bill.)	179.3	115.4	119.5	105.4	109.3
Cash flows from investing activities	(¥bill.)	(89.9)	(89.7)	(81.2)	(76.2)	(67.2)
Cash flows from financing activities	(¥bill.)	(138.9)	(31.4)	(28.9)	(20.7)	(52.0)

Net Sales



Operating Income / Operating Income Margin



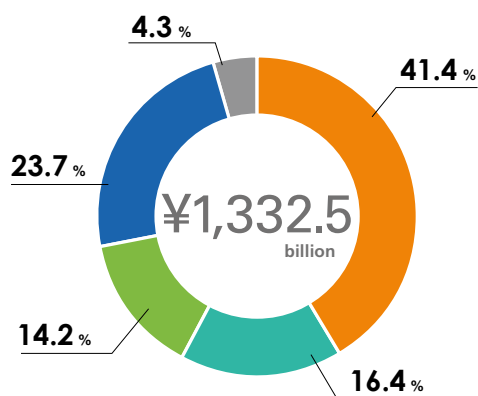
Non-financial Highlights		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Number of employees	(person)	20,363	21,987	24,683	27,360	31,072	
Number of overseas employees		2,757	4,250	7,070	9,886	13,727	
Frequency rate of accidents resulting in lost work time *1		0.98	1.06	1.26	1.03	0.88	
Greenhouse gas emissions	(1,000 tons)	Domestic *2	6,683	6,116	6,089	6,053	6,180
		Overseas *3	215	638	982	963	956
Energy consumption	(1,000 KL)	Domestic *2	3,669	3,472	3,527	3,382	3,443
		Overseas *3	292	442	646	1,289	1,241
Waste generation	(1,000 tons)	Domestic *2	1,636	1,612	1,539	1,490	1,519
		Overseas *3	67	214	268	397	402
Final disposal (landfill)	(1,000 tons)	Domestic *2	106	76	63	65	54
		Overseas *3	51	122	56	67	79

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

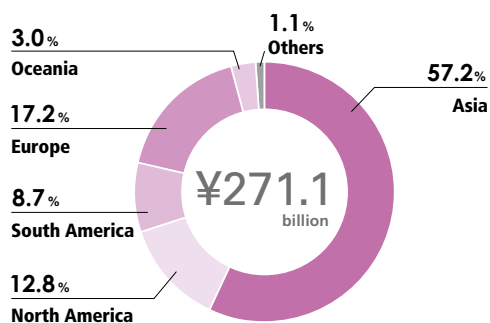
*2. Coverage of calculation: domestic consolidated subsidiaries

*3. Coverage of calculation: overseas consolidated subsidiaries (includes only manufacturing companies and makes up more than 90% of overseas environmental impacts)

Sales Composition by Business Segment (FY2013)



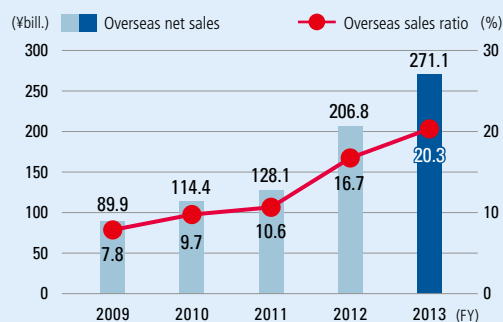
Overseas Net Sales by Sales Area (FY2013)



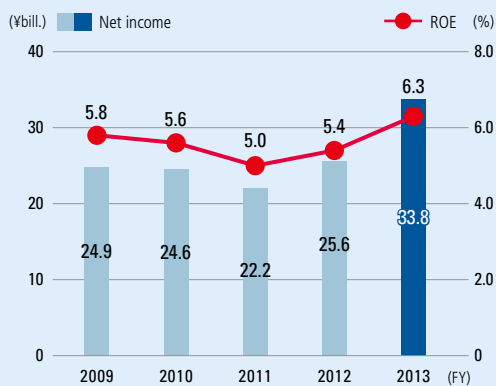
Net Sales by Business Segment (FY2013)

Business segment	Net sales
Household & Industrial Materials Businesses	¥552.1 billion
Functional Materials Business	¥218.8 billion
Forest Resources & Environment Marketing Business	¥188.6 billion
Printing & Communications Media Business	¥315.5 billion
Others	¥57.5 billion

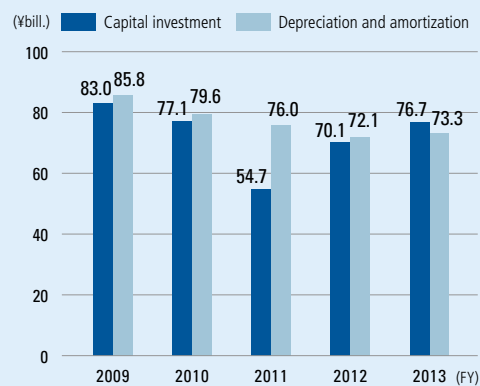
Overseas Net Sales / Overseas Sales Ratio



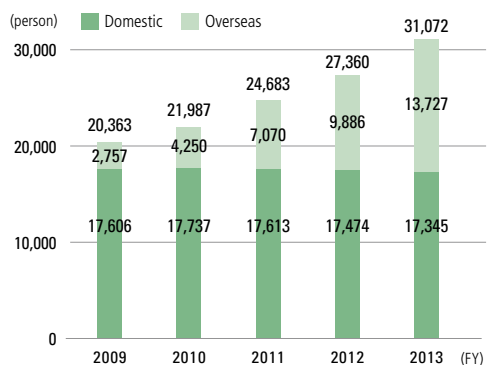
Net Income / ROE



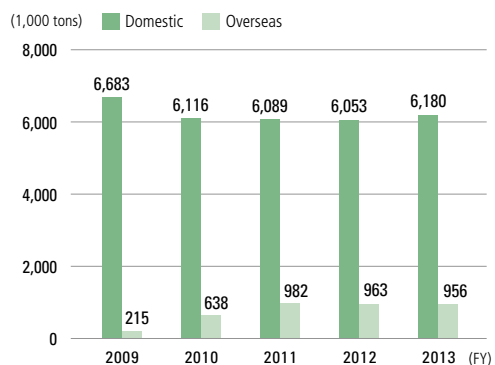
Capital Investment / Depreciation and Amortization



Number of Employees



Greenhouse Gas Emissions





Interview with the President

Director of the Board
President and Chief Executive Officer
Oji Group

Kiyotaka Shindo

Aiming to be an “Innovative Value-Creating Company”

We will achieve a ceaseless self-transformation, ambitious manufacturing, establishment of a strategic business model, and most importantly innovations. In this world of constant changes, the Oji Group aims to become a global company that creates and offers innovative values.

Q1

What is the new management philosophy which the Oji Group established recently? Please tell us about the reasons and meanings behind them.

A1

Reasons behind the Review of Management Philosophy

Our surrounding economic environment and social structures have experienced drastic changes due to rapid globalization and progress of information & communication technology (ICT). This is especially so in the paper manufacturing industry, which is one of our core businesses and looking at this industry alone, it is a fact that market has been shrinking.

Under such circumstances, we have decided to rethink about the future once again and develop growth strategies to increase our corporate value. The phrase, "NO LONGER a Paper Manufacturing Company", represents our will to abandon conventional cultures and mindsets of the pulp and paper industry as well as to make a major shift in the business domain. The Oji Group aspires strongly to be a whole new corporate group, making a great leap into the future.

NO LONGER a Paper Manufacturing Company



Management Philosophy

"Creation of Innovative Values"
 "Contribution to Future and the World"
 "Harmony with Nature and Society"



Beyond the Boundaries

Our Thoughts on the Management Philosophy

Innovation is essential to achieve significant breakthrough. Not only are developments of groundbreaking products or R&D and technologies that lead to these products necessary, innovation in the organizational structure of the company and ways of working of all the employees are also required. We will embark on "ambitious manufacturing" with our novel mindset and ideas to lead our transformation. By creating innovative values, we aim to live in coexistence with affluent communities and the global environment while contributing to our future world.

Q2

Please give us a summary of the business result for fiscal 2013 and an outlook for fiscal 2014.

A2

The Oji Group has promoted business portfolio restructuring in the recent years, aggressively making investments in various fields. These efforts have started to show evident results in our financial performance; consolidated net sales of fiscal 2013 totaled to 1,332.5 billion yen, up 7% year-over-year, and the overseas sales ratio rose by 4% to exceed 20%. Operating income was 62.0 billion yen, up 18% year-over-year. Despite the negative factors including decline in sales prices or rise in prices of raw materials, the increase in operating income had been made possible by positive factors such as optimization of manufacturing systems and cost reductions. In addition, ordinary income reached 70.3 billion yen, up 29% year-over-year, and net income was 33.8 billion yen, up 32 % year-over-year as a result of additional positive factors such as exchange rate gains.

For fiscal 2014, we are forecasting net sales of 1,360.0 billion yen, operating income of 70.0 billion yen, ordinary income of 60.0 billion yen and net income of 28.0 billion yen due to sales price adjustments and continual cost reductions.

Q3

Please tell us about the business fields which the Oji Group will specially focus on, and also about the growth outlook.

A3

In our aim to become an “Innovative Value-Creating Company”, we are pushing forward the following 4 management strategies:

1. Deepening of the Core Businesses

It is very important to further strengthen the existing domestic businesses that are our current core businesses, as they account for approximately 80% of the sales of the whole Oji Group. We will further promote a proposal-type business model that promptly develops and offers high-quality and high value-added products to satisfy both apparent and potential needs of customers and to further gain their trust.

2. Development of New Businesses/Products

Furthermore, we will continue to pursue development of new businesses and new products in an aim to discover our new core businesses that include bio-resources, functional materials, chemical materials and medical products.

3. Further Expansion of Overseas Businesses

Moreover, for our overseas businesses, we will continue to make proactive investments in packaging, functional materials, forest resources & environment marketing and disposable diapers businesses mainly in Southeast Asia, Oceania and South America regions where further growths are expected. Through such efforts, we are aiming to increase the overseas sales ratio to 28% by fiscal 2016 and around 50% by fiscal 2020.

4. Further Enhancement of the Financial Foundation

A committed cash flow management is necessary to implement the abovementioned strategies. Continual improvements in investment efficiency and well-planned business restructuring must be steadily carried out to increase strategic investments and to achieve interest-bearing debts of 700.0 billion yen by fiscal 2016.



Development Center of the Innovation Promotion Division (Shinonome)

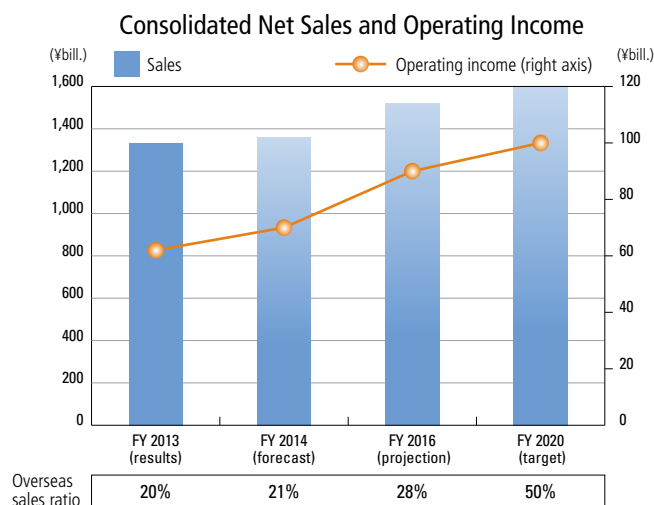


Exterior of GSPP Mill (Malaysia)



Oji Materia Fuji Mill's biomass boiler under construction (Shizuoka)

We will certainly place full emphasis on enhancement of R&D structure, trading company function and other functions, to drive forward the strategies and accomplish net sales of 1520.0 billion yen and operating income of 90.0 billion yen by fiscal 2016.



Q4

Please tell us about the “Promotion of Environmental Management”, which is an important pillar of the company’s existence.

A4

As a corporate group with an environmental responsibility, the Oji Group will promote the following 3 initiatives.

1. Limitless Challenge towards Zero-environmental Burden

We will further raise our environmental consciousness and bring together technological, operational and planning capabilities to aim for zero-environmental burden which includes zero environmental accident, zero product liability accident and zero emission.

In addition, we aim to acquire forest certifications at all our forests and offer forest-certified products to customers as eco-friendly products through our long-standing activity, “Sustainable Forest Management”. Additionally, paper collection and expansion of waste paper usage are promoted through “Paper Recycling”.



Oji Paper Tomakomai Mill’s waste paper slot (Hokkaido)

2. Responsible Raw Materials Procurement

We have formulated and complied with the “Oji Group Partnership Procurement Policy” that is based on the principles of the United Nations Global Compact as well as laws and regulations, and ensure traceability of all the raw materials that are used in manufacturing Oji Group’s products. Through such measures, responsible raw materials procurement, which not only ensures safety and legality but also consideration for environment, society and human rights, are promoted.



QPFL’s FSC™-certified chips (Vietnam)
(License code: FSC-C016623)



CENIBRA’s FSC™-certified pulps (Brazil)
(License code: FSC-C008495)

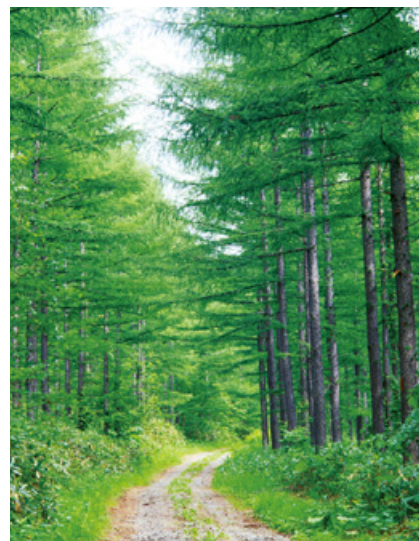
3. Sustainable Forest Management

Vast forests of the Oji Group (190,000 hectares in Japan and 280,000 hectares in overseas) are managed sustainably through a cycle of ‘plantation’, ‘cultivation’, ‘logging’ and ‘replantation’ of trees, while consideration for the conservation of natural forests and ecosystems are being shown. By cyclically utilizing forest resources, a variety of forest functions, such as biodiversity conservation, watershed protection and carbon dioxide absorption are maintained and fulfilled. For biodiversity conservation, activities are being conducted at our domestic/overseas forests, together with NGOs and local residents. In addition, acquisition of forest certification is being promoted to ensure the “Sustainable Forest Management”. We are willing to involve our customers in protecting forests by offering an increasing number of eco-friendly products that are made from forest certified resources.

Furthermore, we will strive to contribute to revitalizing domestic forest industry as the largest private forest owner in Japan.



PANPAC’s forest plantation (FSC™-certified forest)
(New Zealand) (License code: FSC-C017103)



Engaru company-owned forest (SGEC-certified forest)
(Hokkaido)

Q5

Please give us your thoughts on the corporate governance.

A5

Our sphere of operations has already become worldwide in various fields, and as we continue to expand further, it will become increasingly important to build a strong structure for corporate governance.

We have introduced a system to transfer power to each business segment company ("COMPANY") to increase management efficiency, in our drive to maximize our competitiveness in each of diversified business fields. Oji Holdings, the Group's holding company, takes responsibility over the entire Group's management strategies and corporate governance, and encourages each COMPANY to speedily conduct its own business by creating a functional and efficient executive structure.

Additionally, monitoring on management has been strengthened with the enhanced supervisory and auditing functions via appointments of 2 outside Directors and 3 outside Auditors.

Q6

What is your view on the Oji Group's relationship with the stakeholders?

A6

Our stakeholders include shareholders, investors, customers, business partners, employees, local communities and global society. We place great value on communications with the various stakeholders so as to fulfill our social responsibilities.

We increase customer satisfaction through our operation, offering products/services that meet their needs. In doing so, we can support the growth of our customers as we pursue our business expansion at the same time.

In conducting the business activities, it is very important to seek harmonious co-existence with the society. We will consistently foster trust with local communities by actively undertaking social contribution activities.

Moreover, our employees, too, are stakeholders who play important roles in increasing the corporate value. In our push to promote management which places first priority on respect for people, we have set new goals on reducing working hours to encourage work-life balance. In addition, we will continue driving innovation to generate further growth as we increase workplace diversity by creating friendly working environment for women and foreign employees.



Initiatives for Business Portfolio Restructuring

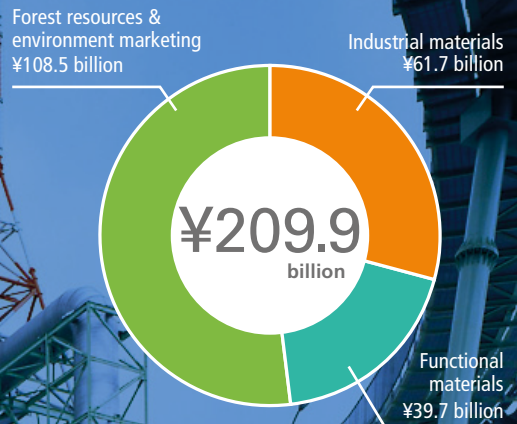
Moving away from the business portfolio that centered on paper manufacturing and other domestic demand-driven businesses

Since fiscal 2010, the Oji Group has accelerated its shift away from the business portfolio that centered on paper manufacturing and heavy dependence on domestic demands. With its strategy to proactively distribute cash-flow gained from existing core businesses to investments in growing fields and regions, the Group had decided to invest 209.9 billion yen in 4 years from fiscal 2010 to 2013.

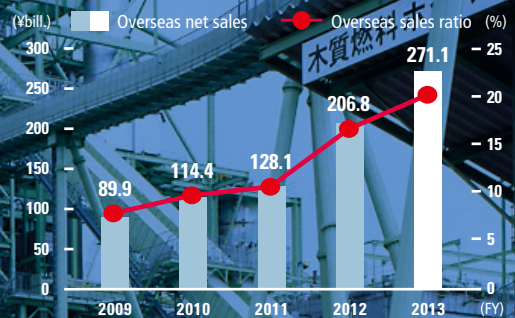
As a result of aggressive expansions mainly in packaging business in Southeast Asia and pulp business and integrated forestry business in South America and Oceania, the overseas sales ratio of the consolidated net sales has reached 20%.

In addition, the results of our consistent efforts have started to show in the segment composition as sales from forest resources and environment marketing business have increased to nearly 15% in fiscal 2013 from only a small percentage in fiscal 2009. Currently, we are promoting the development of overseas disposable diapers business, expansion of integrated forestry business in Southeast Asia and also other projects such as electric power business. We will continue to take new initiatives in a variety of fields.

Amount Invested in Business Portfolio Restructuring (cumulative amount of fiscal 2010-2013)



Overseas Net Sales / Overseas Sales Ratio



Results of Business Portfolio Restructuring

Industrial Materials Business

Expansion of packaging business mainly in growing regions such as Southeast Asia

We have been expanding our packaging business in Southeast Asia. New mills are established or under construction in Vietnam, Cambodia, India and Myanmar, and market entries into Indonesia and Philippines are under consideration.



Packaging Business

Domestic Business

Oct. 2014 Facility enhancement (Oji Container Fukushima Mill)

Overseas Business

Apr. 2010	Acquisition of GSPP, a paperboard/corrugated container manufacturer	(Malaysia)
Feb. 2011	Acquisition of United Kotak, a corrugated container manufacturer	(Malaysia)
Mar. 2011	Acquisition of S. Pack, a folding carton manufacturer	(Thailand)
Aug. 2011	Acquisition of Harta, a corrugated container manufacturer	(Malaysia, Cambodia)
Oct. 2012	Acquisition of Box Asia, a folding carton/corrugated container manufacturer	(Thailand)
Mar. 2013	Start of operation of Harta's new corrugated container mill	(Cambodia)
Jun. 2013	Start of operation of Ojitex Haiphong's new corrugated container mill	(Vietnam)
Jul. 2013	Start of operation of Oji Packaging Qingdao's new paper bag manufacturing mill	(China)
Sep. 2013	Start of operation of Wuhan Southern Oji Packaging's new paper bag manufacturing mill	(China)
Apr. 2014	Acquisition of United Packaging, a folding carton/corrugated container manufacturer	(Vietnam)
Jul. 2014	Start of operation of Oji JK Packaging's new corrugated container mill	(India)
May 2015	Scheduled start of operation of Oji GS Packaging (Yangon)'s new corrugated container mill	(Myanmar)

Results of Business Portfolio Restructuring

Household & Consumer Product Business

Establishment of new domestic factories and expansion of disposable diaper business in Southeast Asia and China

Results of Business Portfolio Restructuring

Functional Materials Business

Investments in film business in Japan and thermal paper/film business in South America and Southeast Asia

We have promoted investments in businesses of highly functional films such as films for vehicle capacitors and smartphones in Japan, and of thermal paper/film in South America and Southeast Asia. Overseas label business will also be strengthened in future.



Results of Business Portfolio Restructuring

Forest Resources & Environment Marketing

Development of new businesses in broad fields such as electrical power and biorefineries

In Japan, we have started to develop new businesses such as electric powers which include biomass power, hydropower and solar power; biorefineries which can manufacture various end-products such as fiber and medical-related products; and also agribusiness. In overseas, we are promoting the expansion of an integrated forestry business and pulp business mainly in resource-rich countries such as South America and Oceania.


Disposable Diaper Business
Domestic Business

Jan. 2013	Start of operation of a new factory	(Oji Nepia Fukushima Personal Care Factory)
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Overseas Business

Apr. 2014	Conclusion of a Joint Venture Agreement with PT Indofood CBP Sukses Makmur	(Indonesia)
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Domestic Business
Film
Thin film for capacitors

Apr. 2013	Start of operation of a new facility	(Oji F-Text Shiga Mill)
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Film and adhesive sheet for smartphones

Apr. 2013	Facility enhancement	(New Tac Kasei Toyonaka Plant)
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Dec. 2013	Facility enhancement	(Oji Tac Utsunomiya Mill)
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Dec. 2014	Scheduled establishment of a new facility	(New Tac Kasei Toyonaka Plant)
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Specialty Paper

Apr. 2013	Start of operation of facility	(Oji F-Text Ebetsu Mill)
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Overseas Business

Sep. 2011	Acquisition of Oji Papéis Especiais(OPE), a thermal paper manufacturer	(Brazil)
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Oct. 2011	Expansion of OLT's adhesive laminator	(Thailand)
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Oct. 2012	Establishment of Sunshine Oji (Shouguang) Specialty Paper, a joint venture company	(China)
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Jan. 2013	Enhancement of KANZAN's thermal paper facility	(Germany)
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Apr. 2014	Enhancement of OPE's thermal paper facility	(Brazil)
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Domestic Business
Electrical Power Business
Biomass Power

Mar. 2015	Scheduled start of operation of a new facility	(Oji Materia Fuji Mill)
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Mar. 2015	Scheduled start of operation of a new facility	(Oji Green Energy Nichinan)
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Dec. 2015	Scheduled start of operation of a new facility	(Oji Green Energy Ebetsu)
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Hydropower

Nov. 2015	Scheduled completion of an expansion work	(Chitose/Shiribetsu, Hokkaido)
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Apr. 2016	Scheduled completion of an expansion work	(Higashibara/Kumakubo, Shizuoka)
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Solar Power

Sep. 2013	Start of operation of a new facility	(Oji Green Energy Shiranuka)
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Sep. 2013	Start of operation of a new facility	(Oji Container Nagano Mill)
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Biorefinery Business

Mar. 2014	Start of operation of a new facility	(Oji Paper Yonago Mill)
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Agribusiness

Oct. 2013	Establishment of Oji Granpa	(Suzuka, Mie)
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Overseas Business

Jun. 2012	Conversion of CENIBRA into a subsidiary	(Brazil)
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Jul. 2012	Start of operation of PANPAC's BC-TMP production facility	(New Zealand)
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Oct. 2012	Establishment of Oji-VINAFOR PLYWOOD, a plywood manufacturer	(Vietnam)
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Jul. 2013	Start of operation of KTH's new chip/veneer mill	(Indonesia)
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Apr. 2014	Start of commercial production of TMT (new lumber product) at PANPAC	(New Zealand)
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Initiatives for Creation of Innovative Values

With the creation of new businesses and the strengthening of the competitiveness of current businesses in mind, the Innovation Promotion Division is accelerating the Oji Group's speed of innovation with its discovery of seeds for technology revolution and also the development of new markets and products that are closely attached to business enterprises.

In April 2014, the former Research and Development Division underwent a transformation into the Innovation Promotion Division which will play a central role in the creation of innovative values. It conducts a variety of researches, from development of products, carried out at laboratories inside mills, which promptly incorporate customers' needs, to discovery of new businesses/technologies that underpin the future growths of the Oji Group.

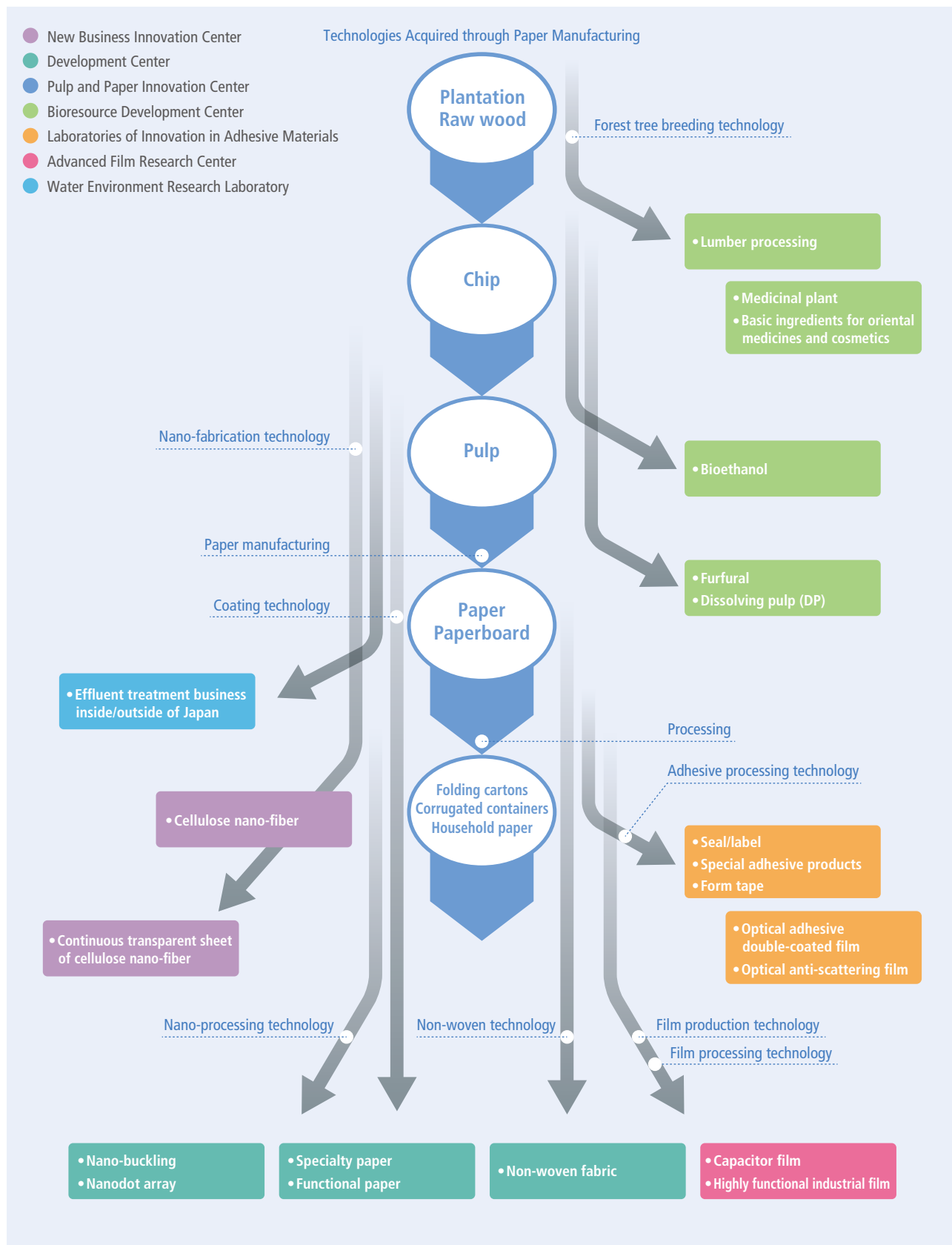
It will continually lead the entire Group's innovations through maximum utilization of assets and know-hows, under its new strategies and structures.

Priority Strategies of the Innovation Promotion Division

1	Proposition/implementation of new needs (business model) and seeds, and formation of value-chain	<ul style="list-style-type: none"> •Promote valuable needs and seeds in anticipation of their commercialization •Utilize open-innovation and M&A actively to construct value-chain
2	Contribution to sales/earnings through creation of new businesses	<ul style="list-style-type: none"> •Keep in mind the creation of new businesses when conducting developments
3	Accumulation of steady results on research themes which requires time and large investment	<ul style="list-style-type: none"> •Enhance the structure to incubate new seeds •Integrate bio-refinery related research themes to lay a foundation for bio-chemicals businesses
4	Strengthening of competitiveness through buildup of technologies of pulp and paper and water treatments	<ul style="list-style-type: none"> •Strengthen the co-operation with engineering department to reduce costs of manufacturing of pulp and paper •Expand a total consultation service on pulp, papermaking, coating and environment within the Oji Group (including overseas business sites) •Further evolve technologies of watershed protection and water resource utilization used in forestry and effluent treatment used in paper manufacturing to aim for business developments
5	Enhancement of technologies and enrichment of human resources to develop new business fields	<ul style="list-style-type: none"> •Discover 'seeds of innovation' at "Honbucho-jyuku (a gathering of young and mid-level employees which is held regularly by the Division Manager)"

Creation of Innovative Values by the Innovation Promotion Division

Each research center of the Innovation Promotion Division strives to develop new products and technologies such as highly functional/high value-added products and wood/water resources usage or environmental conservation technologies. New Business Innovation Center takes the central role in creation of new businesses, cultivation of new seeds and formation of value chain.



Initiatives for Strengthening Competitiveness of the Existing Businesses

Breaking new grounds with exploitation of basic technologies



New product development, quality improvement, operation stabilization, and cost reduction

In an aim to strengthen competitiveness of existing businesses, accumulated and systemized technologies of pulp and paper manufacturing, coating and paper property are utilized for thorough stabilization of quality/operation and cost reduction in domestic and overseas mills, as well as development of new products and making improvements in products' quality.

In the field of diversified specialty papers, a wide range of new products from those that are closely tied to our daily lives to those used in the most advanced engineering purposes, such as casting papers with a variety of unique properties, highly confidential envelopes, food grade wrappers and medical papers are being developed.

Next, in the field of industrial materials and printing & communications media, the Oji Group has been promoting the material-and-process integrated business model to create new domestic markets for high-grade packaging. A white decorative thin coated liner that is light and suitable for eco-friendly flexographic printing has been developed and is currently in the midst of preparation for sale. Moreover, we are also pushing forward with cost reduction via optimization of paper manufacturing conditions and use of chemical materials. At the same time, quality/operation improvements including elimination of foreign substances and defects are also being carried out.

For our household and consumer products, optimization of pulp and chemicals are being implemented to improve quality of tissue papers.

● Release paper for use in baking

paper that is designed to possess good release characteristics, to be safe for food contact and heat-resistant



It possesses great formability and shape-retaining ability for cup-making (folding cartons processing) applications. Customized product solutions such as printing, solventless processing, double side silicon coating, adjustment of release characteristics are also possible to cater to different needs.

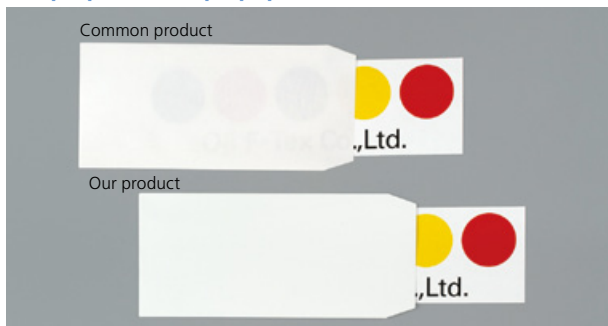
● Non-fluoride oilproof paper

packaging materials that require oil resistance for use in wrapping hamburgers, etc



This is a specially coated oilproof paper that is thin yet impervious to oil, while at the same time, allows water vapor to pass through. It is produced without any use of fluorine. Moreover, it can be easily printed and shaped because printing and application of starch can be done on its reverse side like general paper products.

● Opaque envelope papers



This is a type of envelope paper that is developed in response to a heightened requirement for protection of private personal data especially when delivering invoices, notifications and other confidential documents. We have achieved high opacity of 99% (previously 92%) on envelope with a common thickness of 80g/m².

● White decorative thin coated liner (PIC liner)

Example of Corrugated carton box made from the PIC Liner



It is a light coated linerboard (140g/m²) that strikes a balance between lightness and high print reproducibility. As a result of CMYK process printing made possible by the product's suitability for flexographic printing, finishes as beautiful as offset printing on coated white cardboard are realized.

For the brighter LEDs

Establishment of a mass fabrication technology of patterned sapphire substrates (PSS) that can efficiently extract LED lights

We have developed a technology that enables a mass fabrication of patterned sapphire substrates (PSS) with microscopic structures, by applying a technique of precise coating of microscopic particles. Pattern pitch of the PSS fabricated by this newly developed technology can be extensively controlled in the range from approximately a maximum of 3µm to approximately a minimum of 200 nm (1 nm = a millionth part of 1 mm), which was difficult to be fabricated with conventional technologies. Also, the technology enables formations of various shapes including circular cones, bells and domes. In addition, it makes it possible to produce a 6 inches diameter wafer which is the largest size of the LED production lines. We have confirmed that the LED element of the PSS (at a wavelength of 385 nm), is 2.4 times higher in luminance than and 1.8 times higher in luminous flux than a flat sapphire substrate and even when compared to conventional PSSs, it is 20% brighter in luminance.

*What is the PSS?

It is an abbreviation of the Patterned Sapphire Substrates and is a sapphire substrate with microscopic uneven structures on its surface. It is used for LEDs and improves the luminance of LEDs by efficiently taking the light out of them.

Research studies that make use of "Nanodot Array Technology"

- Sapphire substrate with microscopic structures for use in LED
- Extraction of organic EL via the microscopic structures
- Anti-reflection structures

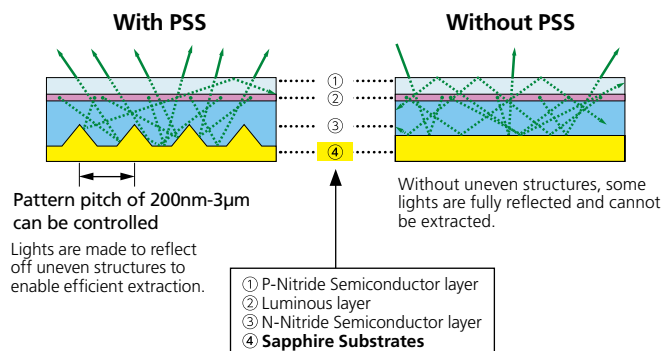


Visual inspection after the microfabrication process

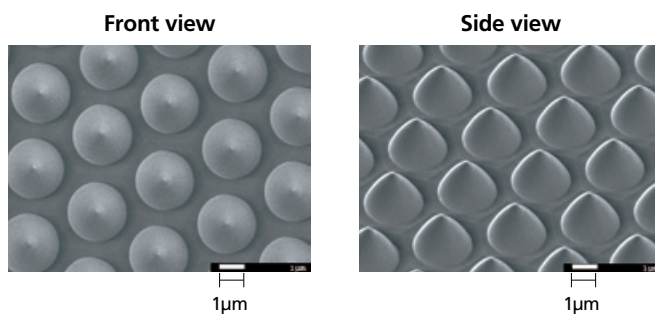


Microfabrication equipment

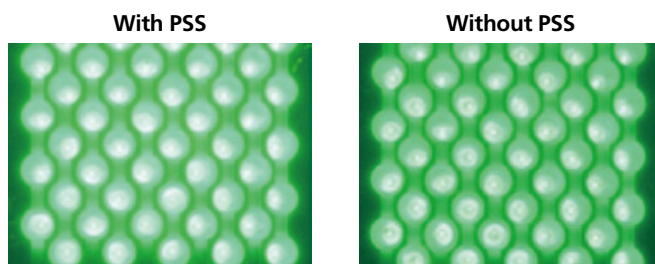
● Conceptual diagram of PSS' LED light extraction



● Microscopic photos of PSS



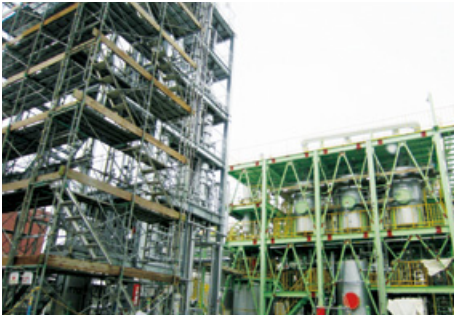
● Comparison of LED lighting with / without PSS (arranging and lighting up the LED elements)



Total luminous flux is 1.8 times higher with the PSS

Initiative for Creation of Innovative Values ②

Biomass-derived next-generation plastics



Verification testing facility of furfural

Introduction of an integrated, continual and efficient bio-refinery industrial process (production and verification of dissolving pulp and furfural)

As a part of the Oji Group's business portfolio restructuring, an integrated, continual and efficient biorefinery industrial process was introduced at Oji Paper Yonago Mill, in January 2014. In the process, valuable biorefinery products are efficiently produced from hemicellulose and cellulose that are obtained through a complete hydrolysis treatment. Next, their full utilizations are verified and examined and then these products are offered to the markets.

Manufacturing/refining of furfural from hemicellulose



Furfural

While furfural is mainly used as solvent, it is expected to be utilized as raw materials for biomass-derived chemical products and next-generation plastics in the future.

- **Major applications**
Organic solvent,
various chemical products

Manufacturing of dissolving pulp (DP) from cellulose



Dissolving pulp (DP)

Market growth of dissolving pulp is expected, as it is used as raw materials for rayon or other chemical products whose demand is on the increase.

- **Major applications**
Clothing, hygiene products,
food additives

Initiative for Creation of Innovative Values ③

Next-generation highly functional materials of plant origin

Promotion of R&D for application expansion and practical realization of "cellulose nano-fiber", a new pulp-derived material

Cellulose nano-fibers are plant fibers that are finely untangled to nano-order level (1nm = a millionth part of 1 mm), and their thickness are approximately 1/20,000 of hair. It has a smaller coefficient of linear thermal expansion (= degree of expansion and contraction accompanying temperature change) and higher coefficient of elasticity (harder and stronger) than a glass fiber. Moreover, similar to paper, it is a plant-derived material with a small environmental impacts.

The Oji Group develops transparent sheets, reinforced plastic and other materials using technologies of cellulose nano-fiber production and paper manufacturing. Considering the wide-ranging use of cellulose nano-fibers, the Group will continue to promote R&D that aims for practical applications.



Continuous transparent sheet of cellulose nano-fiber



Continuous porous sheet of cellulose nano-fiber



Origami birds made of transparent cellulose nano-fiber sheet

Studies on medicinal plants, basic ingredients for oriental medicines and cosmetics



Tissue culturing of medical plants (picture above) and medical plant cultivation at the testing farm field (picture below)

Conversion of technologies of forest tree breeding into that of medicinal plant, in collaboration with pharmaceutical companies, universities and research institutions

We are promoting R&D related to plants that can function as basic ingredients of oriental medicines and cosmetics, making the most out of our accumulated technologies: technologies to select fine species obtained through forestation studies on raw materials for paper manufacturing and technologies of forest tree breeding concerning tissue culturing and gene analysis. In September 2013, a testing farm field was set up in Shimokawa-cho, Hokkaido with the major purpose to develop our “unique cultivation techniques” and to acquire and grow “superior seeds”. Various studies are conducted in close coordination with pharmaceutical companies, universities and research institutions there.

Cultivation trials of a wide variety of medicinal plants as well as a consideration of marker-assisted early selection/breeding have already been launched at the testing farm field. As a source of germplasm resources, we have also conducted an investigation/collection of medicinal plant resources found in our company-owned forests in Hokkaido and managed to obtain a large quantity of seeds and plants. Currently, we are conducting studies on mass propagation or new usage of the obtained seeds and plants, and at the same time utilizing our technologies and resources to aim for commercialization of seeds, breeding and processing of medicinal plants.

Initiative for Creation of Innovative Values ⑤

To ensure clean water throughout the world

Launch of “Water Environment Research Laboratory” that utilize accumulated technologies for conservation/revitalization of water environment

The Oji Group has long been supported by water resources since it started pursuing its growth. In our history, we have developed technologies of watershed protection and water resource utilization through forest managements in Japan and abroad, and also technologies of treatment and recycling of water through paper manufacturing that uses a large amount of water.

Water environment business has been mainly conducted by one of our group members, Oji Engineering. Then, the “Water Environment Research Laboratory” was established in the Innovation Promotion Division as a key organization to further develop the technologies and expand the Group’s water-related businesses around the world.

● Assumed Business Field

Overall water infrastructures (treatment of water and sewage, mill effluent, industrial waste effluent, animal husbandry effluent, and agricultural effluent) in Japan, Southeast Asia (Lao and Myanmar), Australia, Brazil and North America.



Laboratory evaluation instrument for effluent treatment



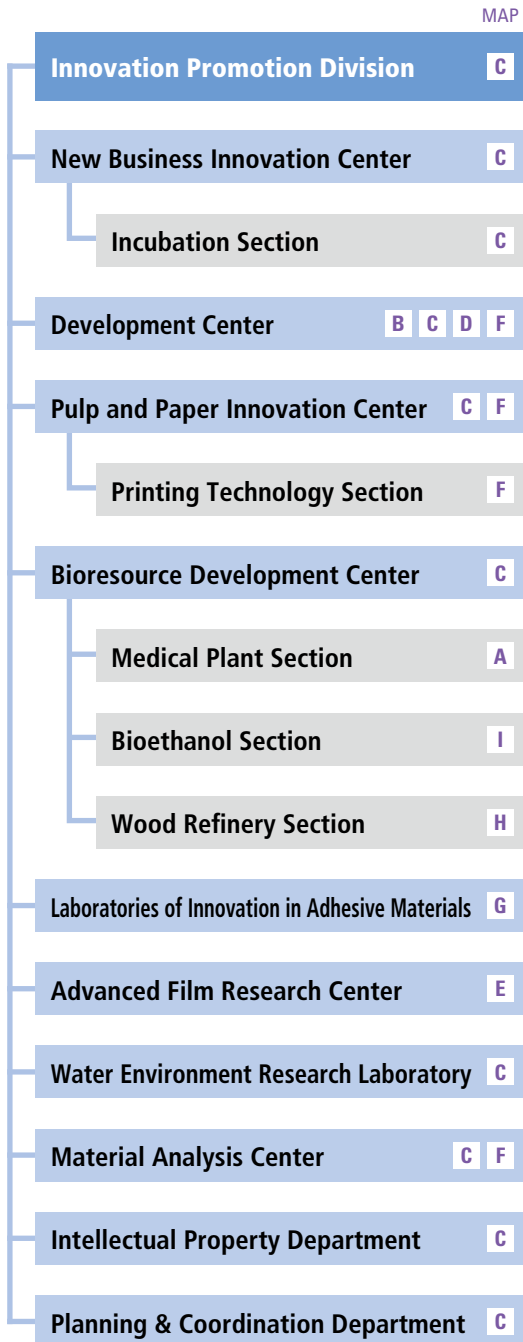
Water quality analysis

● A carrier with many microorganisms



A flow carrier used for a contact oxidation method (microbial treatment), which is a method for effluent treatment. It is designed to have a large surface area to attach a large amount of microorganisms that treat organic components in drainage water.

The Innovation Promotion Division and R&D Sites that Lead the Oji Group's Creation of Innovative Values



New Business Innovation Center

It creates new businesses as well as grows new seeds by connecting seeds inside the Oji Group with demands inside/outside the Group. It also promotes formation of value-chain that is necessary to convert those new seeds into forms of manufacturing/processing technologies and products, and to offer them to customers.

Development Center

Having strengths in technologies and expertise accumulated through conventional paper manufacturing, it develops new products by conducting R&D in the following fields: materials for medical-related products, composite materials, specialty papers such as various casting papers, functional sheets, application of nano-processing technologies including fabrication of micro-structures, and technologies/products of coatings and special process treatments.

Bioresource Development Center

It conducts research studies, with the aim to maximize the potentials of Oji Group's biological resources. At the "Medical Plant Section", research on medicinal plants is implemented by applying technologies of fine species selection and tissue culturing/gene analysis. At the "Bioethanol Section" and "Wood Refinery Section", a research is being undertaken to use forest resources, which is a biomaterial, as raw materials for non-paper products.

Laboratories of Innovation in Adhesive Materials

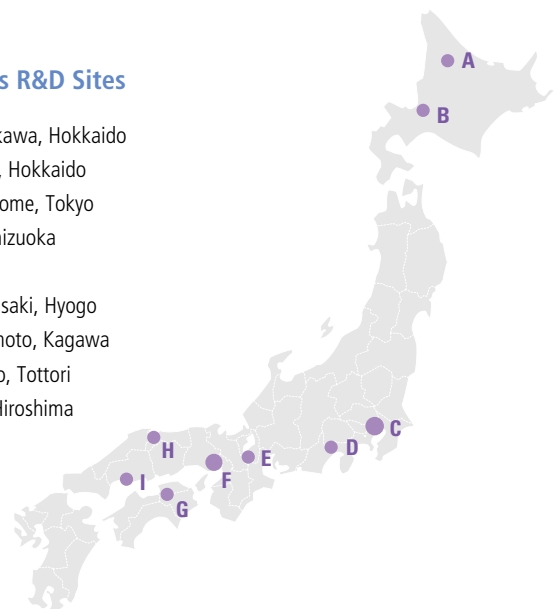
It is in charge of developing Oji Group's adhesive-related products. The broad scope of developments includes sheets/labels for general use, special adhesive products for industrial use and highly functional products for optical or medical uses.

Advanced Film Research Center

It carries out R&D on new highly functional films that are manufactured and sold by the Oji Group. It specially focuses on development of high-quality ultrathin capacitor films and functional films for industrial uses.

Oji Group's R&D Sites

- A ... Shimokawa, Hokkaido
- B ... Ebetsu, Hokkaido
- C ... Shinonome, Tokyo
- D ... Fuji, Shizuoka
- E ... Shiga
- F ... Amagasaki, Hyogo
- G ... Yamamoto, Kagawa
- H ... Yonago, Tottori
- I ... Kure, Hiroshima



Our Operations



Industrial Materials Business

Household and Consumer Products Business

We will continue to strengthen our profitability by consciously creating values with our “customer-first motto”.

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

Ryoji Watari



Business Strategy

Industrial Materials Business

The “material-and-processing-integrated business” which exceeds the conventional business model is being promoted in our aim to become the No.1 domestic integrated packaging manufacturer. We will further strengthen development capabilities for materials, packaging presentations, designs and high value-added packaging materials to promptly react to requirements from customers, and will make various proposals to increase their satisfaction. By doing so, a market-centered mindset, which is vital to progress of our packaging business, will take root deeply. Besides, we will carry out a restructuring of manufacturing/sales systems for our corrugated container business through S&B and M&A and enhance our bag making/folding carton businesses through reorganization of the Group.

In addition, with regards to our businesses in overseas countries with expected demand growth, we will further step up our presence that has been built through operations of corrugated container and folding carton businesses mainly in Southeast Asia, as well as proactively make forays into countries not yet entered.

Household and Consumer Products Business

The disposable diaper business is being aggressively expanded through the newly established Personal Care Innovation Center (PCIC). The PCIC works towards strengthening of marketing, product development and sales capabilities, and implements a unique strategy for each product item as well as steadily launches redesigned products and new models. Additionally, with regards to our late overseas market entry, we will speed up market entry and business expansion in countries with high expected demand growth such as countries in Asia and South America by proceeding with several other projects following the joint venture in Indonesia that was decided in April, 2014.

For the household paper business, we will pursue efforts to establish the nepia brand as one that is known for high quality/high-class products through offering of high value-added products such as “hana-celeb” that is well received by customers. At the same time, we will expand eco-friendly product lineup such as FSC™ certified products (Oji Nepia's license code: FSC-C018118) amid mounting social concern over the environment.



Main Businesses

Industrial Materials Business Containerboard, Boxboard and Packaging Materials

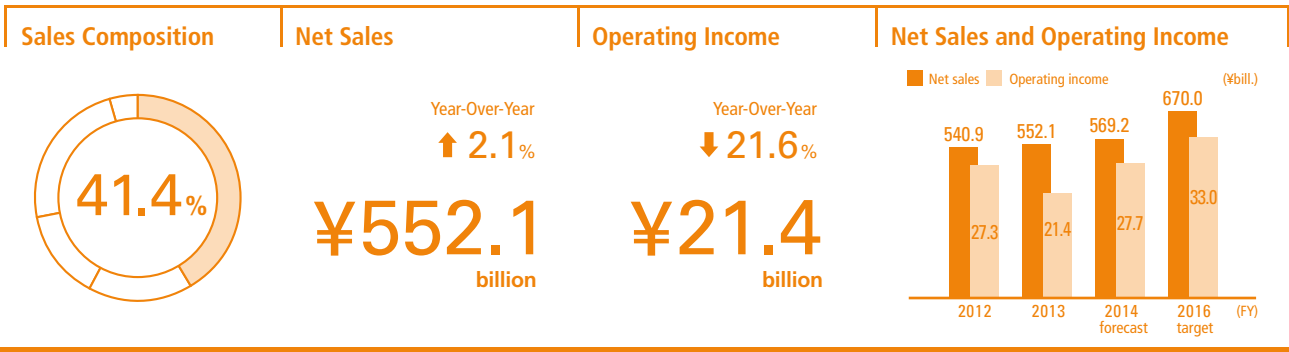
Boxboards are used for packaging of food and tissue paper and coversheets of publications. Packaging materials are used for shopping bags, envelopes, cement bags, etc. The Oji Group retains a leading share of the Japanese market in these two businesses as well as the containerboard business, demonstrating the market trust we have earned over the years.

Corrugated Containers, Folding Cartons and Paper Bags

Product packaging has been evolving with time and there are increasing demands on added values such as design, functionality and eco-friendliness. The Oji Group is a Total Packaging Company which engages in the whole processes of materials manufacturing, design and processing. Keeping our customer-first motto always in our mind, we will continue to promptly offer better products through our worksites and mills throughout Japan.

Household and Consumer Products Business Household Paper, Disposable Diaper

Our household products include “Genki! (disposable diapers for baby)”, “Nepia Tender (disposable diapers for adult)” and tissue papers, toilet rolls and kitchen towels that are branded under the well-known “Nepia” name. Having “nepiaQuality (living, environment and social qualities)” as our slogan, we will continue to launch products that customers of different age groups will love to use for many years.



Results of Fiscal 2013 and Outlook for Fiscal 2014

In fiscal 2013, we had net sales of 552.1 billion yen (up 11.2 billion yen from the previous year) and operating income of 21.4 billion yen (down 5.9 billion yen from the previous year). The results were achieved due to our efforts in the following: active expansion of an integrated packaging business in Asia, which includes commencement of operation of new mills for corrugated containers in Cambodia and Vietnam as well as 2 new mills for making bags in China, acquisition of a packaging manufacturer located in South Vietnam, and also establishment of new factory in Fukushima to manufacture adult disposable diapers, for which a major market growth is expected in future.

With regards to the outlook for fiscal 2014, we expect to achieve net sales of 569.2 billion yen (up 17.1 billion yen from fiscal 2013) and operating income of 27.7 billion yen (up 6.3 billion yen from fiscal 2013), by increasing the efficiency of boxboard manufacturing system in Fuji region, enhancing manufacturing facilities for corrugated containers in Fukushima, and starting operation of new mill for corrugated containers in the suburb of Delhi, India.



Ojitec Haiphong Bac Ninh Mill (Vietnam)

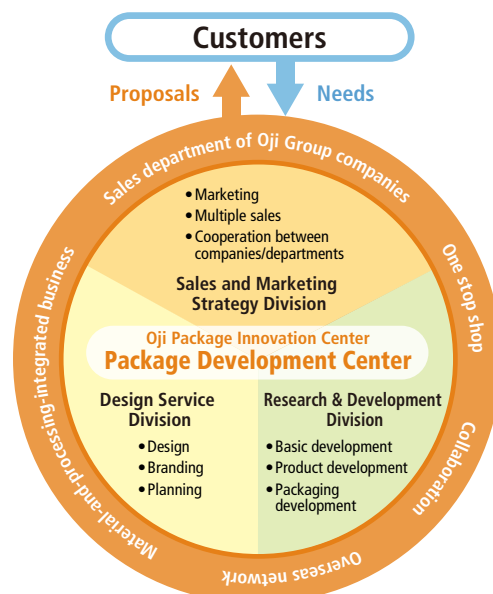


Interior of Ojitec (Vietnam) Mill

Establishment of New Sector in an Aim to Enhance Product Development / Marketing Capabilities

In Oji Package Innovation Center, we have newly established the "Package Development Center" which consists of the following three divisions: 'Research and Development Division' which promotes enhancement of product development capability, 'Design Service Division' which supports product planning and branding, and 'Sales and Marketing Strategy Division' which creates new demands by uncovering customers' latent needs, developing growth fields and strengthening the development capability of high value-added corrugated containers, etc. The 3 divisions will work in close coordination and cooperation to push forward a proposal-type business model that realizes customer satisfaction. Through such collective efforts, we will aim to increase our presence and brand-value in the markets.

TOPICS



The Oji Group's Packaging Business in Southeast Asia

Expansion of the integrated packaging business in markets of Southeast Asia and India, the regions with expected growth.

The Oji Group started its corrugated container business in Southeast Asia in 2000 with the establishment of Ojitex(Vietnam) in Ho Chi Minh City, Vietnam. Ojitex Haiphong was subsequently established in the suburb of Hanoi, and then in 2010, our full-scale entry into integrated packaging business in Southeast Asia region have been made with acquisition of GSPP, a Malaysian integrated manufacturer of boxboard and corrugated containers.

With the commencement of operation of our new and first mill for corrugated containers in India in July 2014, there are now a total of 20 manufacturing sites in 5 countries, namely Vietnam, Malaysia, Thailand, Cambodia and India. Additionally, a new mill is under construction in Myanmar and it is scheduled to start operation in May 2015. We will aim to further increase our market shares by driving forward the integrated packaging business in India and Southeast Asia regions to capitalize on the rapid regional growth.



• New business site in India
Oji JK Packaging

Business line	Manufacturing and sales of corrugated container products (sheet & box)
Location	Neemrana Industrial Park, Rajasthan State (105km southwest of Delhi)
Land area	34,158 m ²
Production capacity	corrugating: 48 million m ² /yr box & printing: 44 million m ² /yr

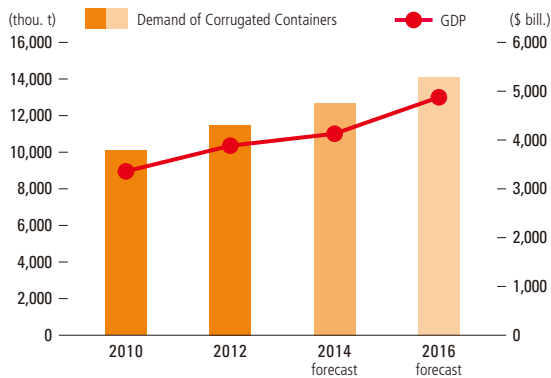


• New business site in Myanmar
Oji GS Packaging (Yangon)

(Scheduled to start operation in May 2015)

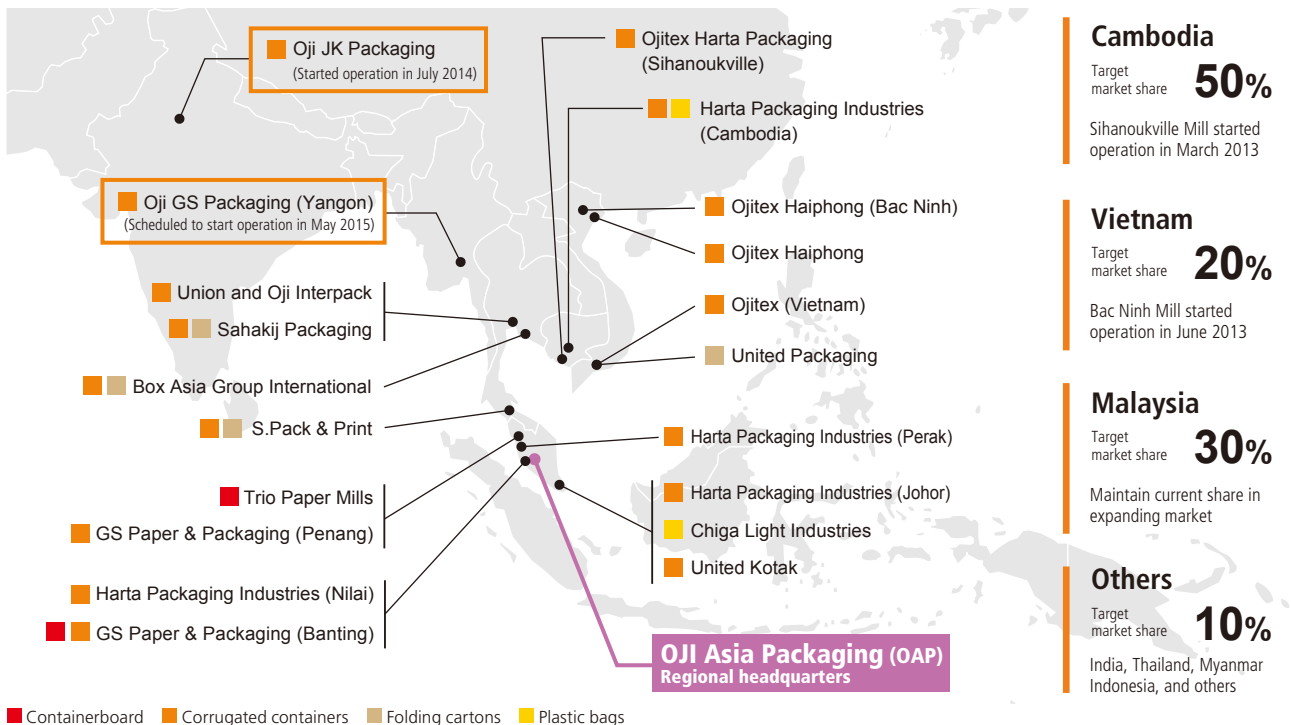
Business line	Manufacturing and sales of corrugated container products (sheet & box)
Location	Mingaladon Industrial Park, Yangon City
Land area	25,000 m ²
Production capacity	corrugating: 42 million m ² /yr box & printing: 25 million m ² /yr

ASEAN 5 + India's Trend of GDP and Corrugated Containers' Demand



Source: RISI for demand of containerboard and IMF World Economic Outlook April 2014 for GDP Trends

Southeast Asia + India's Major Business Sites and Target Market Shares



Disposable Diapers Business

Strengthening of operation system and entry into overseas businesses

Oji Nepia's Fukushima Factory started its operation in January 2013 and the company now manufactures disposable diapers in 2 factories, Nagoya Factory and Fukushima Factory. The Personal Care Innovation Center was established in October 2013, aiming to integrate marketing, product development and sales to create innovative products that fulfill markets' demands. Moreover, we have begun our forays into overseas markets by signing contracts and memorandum with corporate partners to develop disposable diapers business in Indonesia and China respectively and by seeking market entry even in the surrounding countries.



©T.YANASE/FRÖBELKAN-TMS-NTV

Manufacturing system: 2 factories in Nagoya and Fukushima

Fukushima Factory

Nepia Tender (a brand for adult disposable diaper)'s "Uraraka-biyori" is manufactured at the Fukushima Factory. With the top-of-the-line facilities, the products being produced are ever more safe and comfortable.

Nagoya Factory

Apart from disposable diapers for both baby use and adult use, tissue papers and toilet rolls are also manufactured at the Nagoya Factory.



Oji Nepia Fukushima Factory

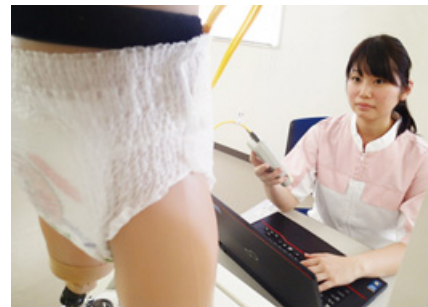
The Personal Care Innovation Center for developing innovative products

Integration of marketing, product development and sales sectors

The laboratory is built next to the Nagoya Factory to enhance collaboration among each sector. We will continue to conceive unconventional products that are not extensions of existing technologies.

Strengthening of product development capabilities

"nepia Genki!", a disposable diaper for baby, was relaunched in October 2014. Thanks to our new and exclusive technology to make the waistband's inner layer into a mesh structure, the airflow has been significantly improved.



Data measurement using an electric doll

Entry into overseas markets

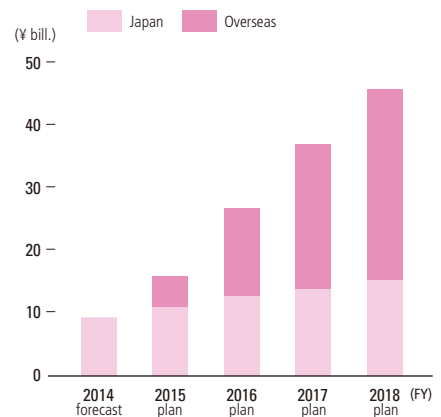
Indonesia

After the signing of a joint venture agreement with Indonesia's PT Indofood CBP Sukses Makmur Tbk (ICBP), we are proceeding with the establishment of a manufacturing company and a commercial company for disposable diaper products. Going forward, we will make efforts to set up the manufacturing site early and effectively leverage ICBP's strong sales network.

China

A memorandum of understanding for strategic alliance in sales of sanitary products such as disposable diapers (baby use and adult use) in China has been signed with Nichii Gakkan Company. With an aim to stably supply the sanitary products which Nichii Gakkan Company uses for its business in China by leveraging our product development and manufacturing capabilities, we are proceeding with a discussion to start the collaboration from January 2015.

Sales of Disposable Diaper Business



Functional Materials Business

We will lead the Oji Group's transition to an "Innovative Value-Creating Company" by enhancing our proposal-making capability consisting of integrated R&D, manufacturing and sales functions, and further developing high value-added products.

President, Functional Materials COMPANY
Takeshi Azuma



Business Strategy

While the market of conventional printing media products has been moderately shrinking in Japan, there are increasing impetus to develop high value-added products such as highly functional films, optical components, carbon fiber reinforced composites, decorative films and medical products.

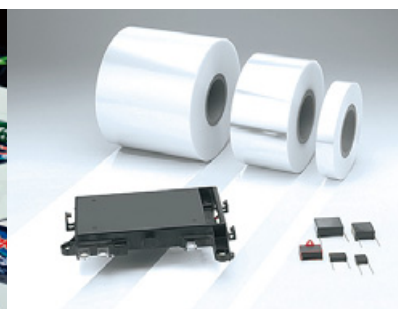
Additionally, as the economies of Southeast Asia, India and South America develop, markets of thermal paper, adhesive paper and specialty paper, which Functional Materials COMPANY has strength in, are also growing rapidly in these regions.

In order to respond to the market changes and speedily launch new products, we implemented a revamp of our R&D structure in January 2014, and established the Advanced Film Research Center in Oji F-Tex's Shiga Mill and Laboratories of Innovation in Adhesive Materials in New Tac Kasei's Yamamoto Plant. By building R&D facilities inside manufacturing sites, we strive to accelerate our product development.

Moreover, for the overseas markets, we will continue to enhance manufacturing facilities at existing sites and increase number of manufacturing/processing sites mainly in Southeast Asia region through M&A, etc.



Clean coater at Yamamoto Plant of New Tac Kasei, an optical functional products' manufacturer



Main Businesses

Specialty Paper

Wide range of advanced specialty papers are provided: insulation for high capacity transformers, aramid paper with highly stable dimensions and heat resistance, high-grade box-board for food packaging, thin paper for dictionaries, non-woven fabric of glass fiber.

Imaging Media

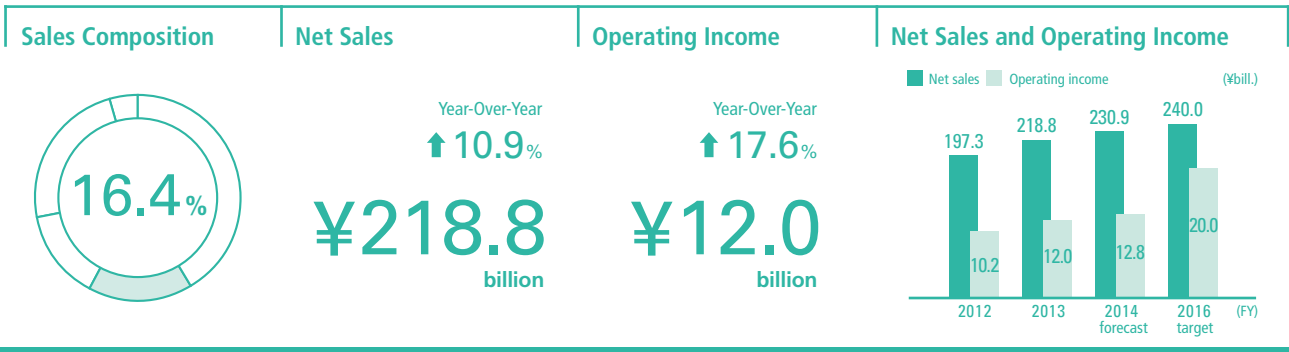
Thermal paper and films, which are used in various areas of everyday life such as receipts, tickets, process-controls, labels, lotteries and medical images, are manufactured in 5 countries including Japan. These products have become our leading products, gaining top market shares in the world. Inkjet printing papers that are used for postcards and posters are also manufactured and sold.

Adhesive Products

We manufacture adhesive labels that are used widely in daily life and industries, in Japan and Thailand. Our extensive lineup of products include food and beverages labels, measurement and logistics labels, adhesive tapes for packaging, adhesive dressings for wound care, cooling sheets used during fever and aluminum tapes for construction uses.

Film

Various highly functional OPP films including capacitor films for hybrid and electric vehicles are manufactured. In addition, advanced films such as anti-scattering films and adhesive films are developed and offered in response to increasingly evolving smartphones and tablets.



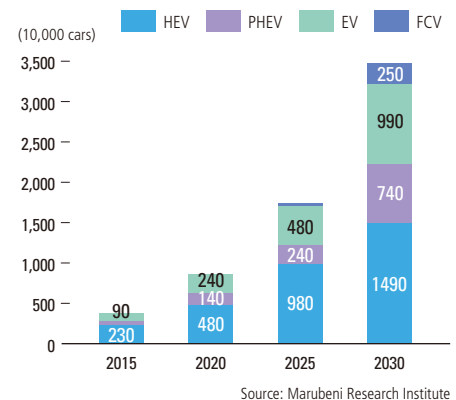
Results of Fiscal 2013 and Outlook for Fiscal 2014

In fiscal 2013, we achieved net sales of 218.8 billion yen (up 21.5 billion yen from the previous year) and operating income of 12.0 billion yen (up 1.8 billion yen from the previous year), through development of our businesses with the following strategic initiatives: ① business portfolio restructuring, ② overseas expansion and ③ promotion of R&D-oriented businesses.

New film machine in Oji F-Tex Shiga Mill has started operation in April 2013, thus enabling us to react to the worldwide demand growth of ultrathin capacitor films for hybrid and electric vehicles. Sales of New Tac Kasei's functional films used in smartphones and tablets have also substantially increased. Moreover, the start of a joint venture in specialty paper in China, enhancement of coater at OPE in Brazil, as well as the start of sales of optical sheets that utilize nano-technologies have contributed to the increase in net sales.

As for the outlook of fiscal 2014, we expect to achieve net sales of 230.9 billion yen (up 12.1 billion yen from fiscal 2013) and operating income of 12.8 billion yen (up 0.8 billion yen from fiscal 2013). We will continue to work further on fiscal 2013's strategic initiatives to lead the Oji Group to becoming an "Innovative Value-Creating Company".

Demand Forecast of Eco-Cars



New product added to the lineup of "REED Healthy-Cooking Paper"

TOPICS

A new product was added to the lineup of "REED Healthy-Cooking Paper" of Lion Corporation, which has been beloved by home cooks and professional cooks over many years. Oji Kinocloth has been in charge of its production since its launch. The new product, "REED Healthy-Cooking Paper: Smart Type", which is designed for cooking in small amounts like breakfast and box lunch preparations, is being stored as individual sheets, making one-handed dispensing possible even with wet hands. Moreover, the size is reduced from 240mm×240mm to 175mm×175mm so it does not take up much space on the kitchen countertop and it is even easy to store in drawer. It went on sale across Japan since April 9th, 2014.



REED Healthy-Cooking Paper: Smart Type

Growth-leading Functional Materials Business

Growth-leading film and optical related products in R&D-oriented business

Functional Material COMPANY leads the Oji Group's transition away from a conventional paper manufacturing business by utilizing the Group's core technologies including sheeting and coating technologies to promote R&D-oriented businesses that grasp markets' demands. For priority fields of development such as highly functional films, continual developments and prompt offerings of high value-added products are sought by building development facilities inside manufacturing sites and integrating functions of R&D, manufacturing and sales.

We will now introduce some of our new products that include functional films with special features, optical sheets with superior optical characteristics and capacitor films for hybrid and electric vehicles.



Enhancement of LED illumination's energy-saving function by controlling light.

Nano-buckling

Linearization of point light sources

It is the latest technology to apply microstructure on the film surfaces to create films with folded irregular surface that diffuse passing light towards a particular direction (anisotropic diffusion). Point light sources of LED can be converted to linear light without any change in its illuminance. Positive effects such as achieving both illuminance increase and glare alleviation, and brightness increase of liquid crystal display can be expected.

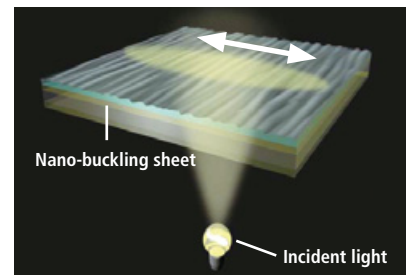


Image of light control

Paluce

Planarization of point light sources

It is a sheet of which the base material is coated by a special coating, which comprises of transparent resin particles dispersed on a binder, so that the passing lights are diffused in all directions (isotropic diffusion). Due to its higher (brighter) light transmission compared to that of general diffuser panel and its ability to convert point light sources to planar light, the number of LED can be reduced. Therefore, it is used in indirect lighting, LED panel lighting (thin type) and LED liquid crystal television, etc.

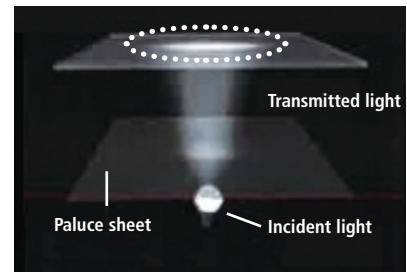


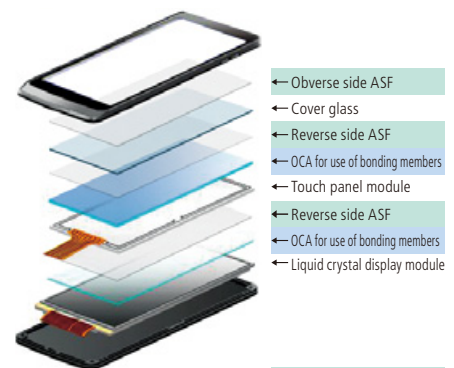
Image of light control

Application of coating technologies developed through paper manufacturing

Optically clear double-sided adhesive film (OCA) / Anti-scattering film (ASF)

An optically clear double-sided adhesive film is a highly transparent adhesive film that is mainly used for bonding of optical components found inside smartphones and tablets (e.g. cover glass to touch panel, touch panel to liquid crystal display module, and also films inside the liquid crystal display module). In recent years, there are increasing demands for product features such as indium tin oxide (ITO*) corrosion prevention, gap-filling ability, inhibition of bubble formation as well as thickness variations, and we are making great effort in continuing with the R&D to improve these features to a higher level.

Anti-scattering films is placed on surface or reverse face of a cover glass to prevent the glass from scattering. Our product is well-received for its high scratch resistance, and we are currently striving to further increase its value by developing water/oil repellent products that allow easy wiping off of fingerprints.



Example of Oji Group materials used in smartphones

Anti-scattering film (ASF)
Optically clear double-sided adhesive film (OCA)

*ITO film is used in parts of touch panel

Development of imaging media business including thermal paper and growing specialty paper businesses via our worldwide manufacturing sites

Kanzaki Mill of Oji Imaging Media plays an important role in domestic thermal paper business. In abroad, there are manufacturing sites in 4 countries: KSP (USA), KANZAN (Germany), OPT (Thailand) and Oji Papéis Especiais (OPE), a Brazilian company established after acquiring Fibria Celulose S.A's mills for thermal paper and carbonless paper in September 2011. As a result, our imaging media business has maintained top market shares in the world. In addition, we have started to manufacture and sell specialty papers used for building materials in October 2013 through the establishment of Sunshine Oji (Shouguang) Specialty Paper, which is a joint venture company with a local company at Shouguang, Shantong, China. With the new addition of Sunshine Oji (Shouguang), one of the few overseas sites that engage in non-imaging media business, we will seek a further enhancement and improvement in competitiveness of our functional materials business.



Investment for production increase of thermal paper, which is our leading product

OPE (Brazil)

Production capability has been increased from 50,000 tons to 62,000 tons as a result of improved drying capability and coating facility of the coater



Kanzan Spezialpapiere [KANZAN]

Manufacturing/sale of thermal paper, etc.



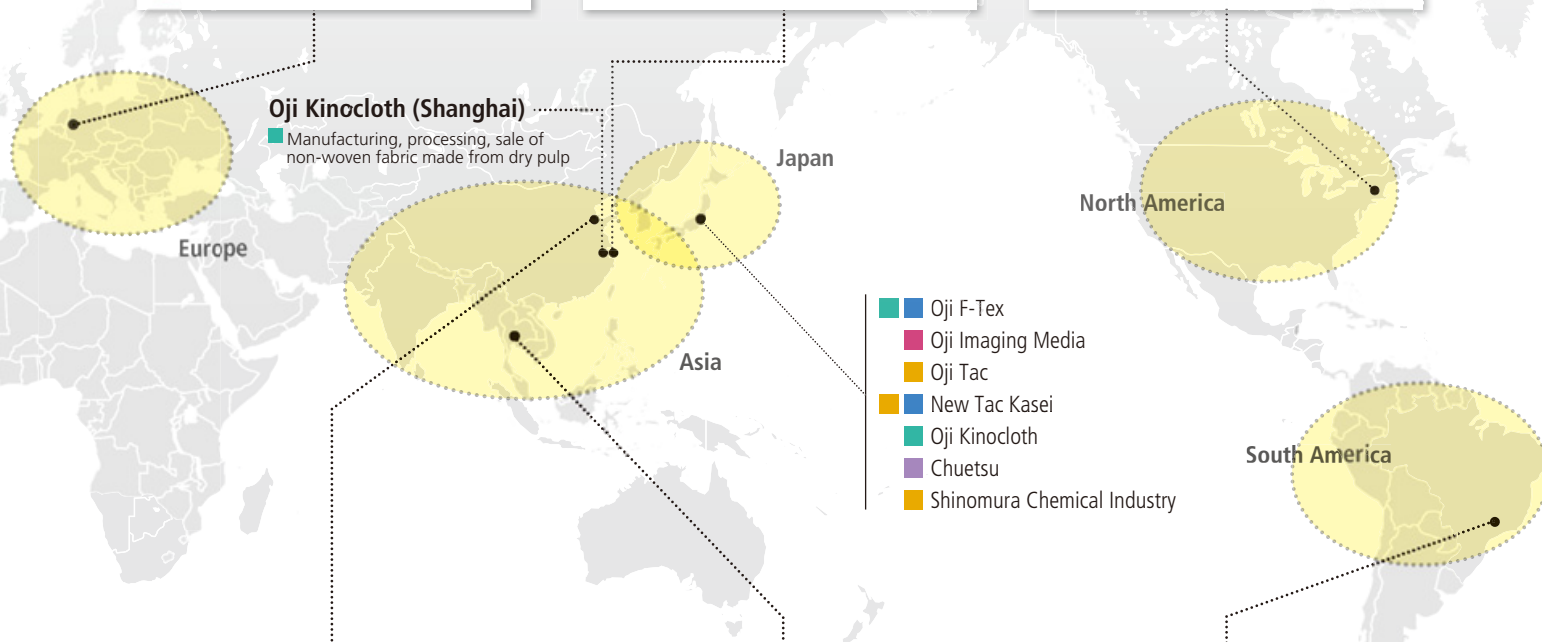
Oji Specialty Paper (Shanghai)

Processing/sale of thermal paper, etc.



Kanzaki Specialty Papers [KSP]

Manufacturing/sale of thermal paper, etc.



Sunshine Oji (Shouguang) Specialty Paper

Manufacturing/sale of decorative paper



Oji Paper (Thailand) Oji Label (Thailand)

Carbonless paper, thermal paper / Adhesive paper/film, release paper



Oji Papéis Especiais [OPE]

Manufacturing/sale of thermal paper, carbonless paper, etc.

Forest Resources and Environment Marketing Business

We will aggressively promote an expansion of existing businesses and an entry into new businesses by making full use of our domestic and overseas forest resources as well as our long-standing technologies.

President, Forest Resources and Environment Marketing COMPANY

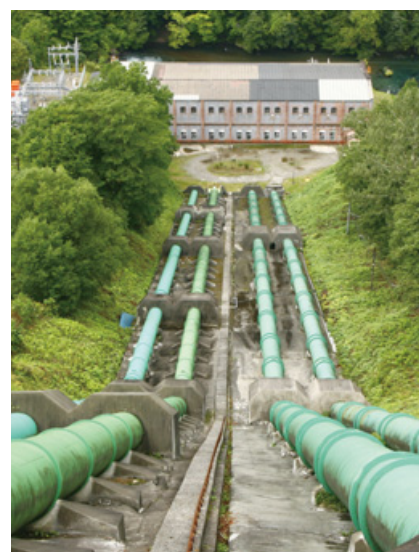
Susumu Yajima



Business Strategy

In the lumber processing business, one of the businesses that we aim to strengthen, there is a risk of economic slowdown in China and Southeast Asia. Therefore, we seek to achieve differentiation in the markets by promoting diversification of products and development of high value-added products. In the pulp business, weakening of the pulp market and elevation of labor cost are anticipated. We will continue to implement cost reductions to further ensure international competitiveness.

We will strive to accelerate developments in existing businesses, new businesses and overseas businesses by making maximal use of our domestic and overseas' resources and infrastructures, and will also continue to enhance trading company function that supports the said businesses.



The 1st Chitose hydropower plant



Main Businesses

Lumber / Forest Plantation

For lumber business, we proactively conduct lumber-processing/commodities businesses at Oji Forest & Products, PANPAC (New Zealand) and KTH (Indonesia). For tree planting business (company-owned domestic forests and overseas forest plantations), we will enhance the value of our plantation trees by increasing sales of high value-added applications outside of pulp for paper manufacturing, such as lumber.

Pulp

We will further expand our pulp business globally, with the addition of New Zealand's CHHPP whose acquisition was announced in April 2014 and China's Jiangsu Oji Paper, to our major pulp business companies, namely PANPAC and CENIBRA. Moreover, we will promote sales of dissolving pulps, for which manufacturing has started since May 2014 at Yonago Mill, and other various pulps manufactured by utilizing our existing facilities.

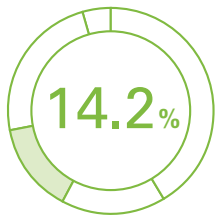
Energy

The Oji Group seeks to further expand its energy business with a focus on renewable energies such as biomass, and is currently considering establishment of new power plants and entry into retailing. Our future target sales amount is 2.0 billion kWh/yr, in comparison to 0.5 billion kWh/yr in fiscal 2013.

New Businesses

We will additionally accelerate development and growth of new businesses such as biorefinery business including dissolving pulp and furfural which are produced at Yonago Mill, agribusiness and water environment business.

Sales Composition



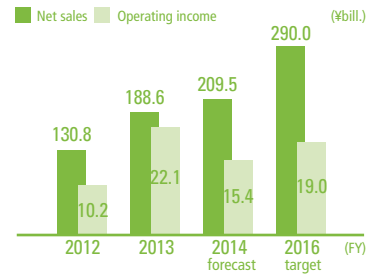
Net Sales

Year-Over-Year
 ↑ 44.2%
¥188.6
 billion

Operating Income

Year-Over-Year
 ↑ 116.7%
¥22.1
 billion

Net Sales and Operating Income



Results of Fiscal 2013 and Outlook for Fiscal 2014

In fiscal 2013, we had net sales of 188.6 billion yen (of which overseas sales account for 87.0 billion yen) and operating income of 22.1 billion yen (up 57.8 billion yen and 11.9 billion yen respectively from the previous year), due to strong overseas business results especially in Brazil and New Zealand. For domestic businesses, sales of pulp have increased and demands on lumber have also recovered. Moreover, for electric power business, 2 biomass power plants in Nichinan, Miyazaki and Ebetsu, Hokkaido are presently under construction, in addition to the solar power plant in Shiranuka, Hokkaido which has started its operation already.

As for the outlook of fiscal 2014, we expect to achieve net sales of 209.5 billion yen (up 20.9 billion yen from fiscal 2013) and operating income of 15.4 billion yen (down 6.7 billion yen from fiscal 2013). As a result of worsening market conditions due to the commencement of operation of pulp facilities in South America, we forecast a declining income compared to fiscal 2013; however, we will continue to make efforts to improve earning power by implementing measures including cost reductions.



Biomass boiler under construction (Oji Green Energy Nichinan/Nichinan, Miyazaki)

CENIBRA, a Pulp Producer in Brazil

CENIBRA, which Oji holds a 55.51% stake, is a Brazilian eucalyptus plantation owner and pulp producer. It owns forest lands of approximately 140,000 hectares and sells 1.2 million tons of pulp annually to worldwide markets including Europe and Asia.

Although CENIBRA enjoys top-level competitiveness in the world owing to its rich resources, it continues to implement measures such as introduction of logging equipment in 2013 to further strengthen its earning power and competitiveness, contributing greatly to the Group's earning growth as the core company of our pulp business.

CENIBRA Mill (Belo Oriente, Minas Gerais, Brazil)
 ©João Rabelo



TOPICS

Aggressive Promotion of an Integrated Forestry Business

The Oji Group has been developing new businesses by thoroughly utilizing its abundant forest resources while practicing sustainable forest management.

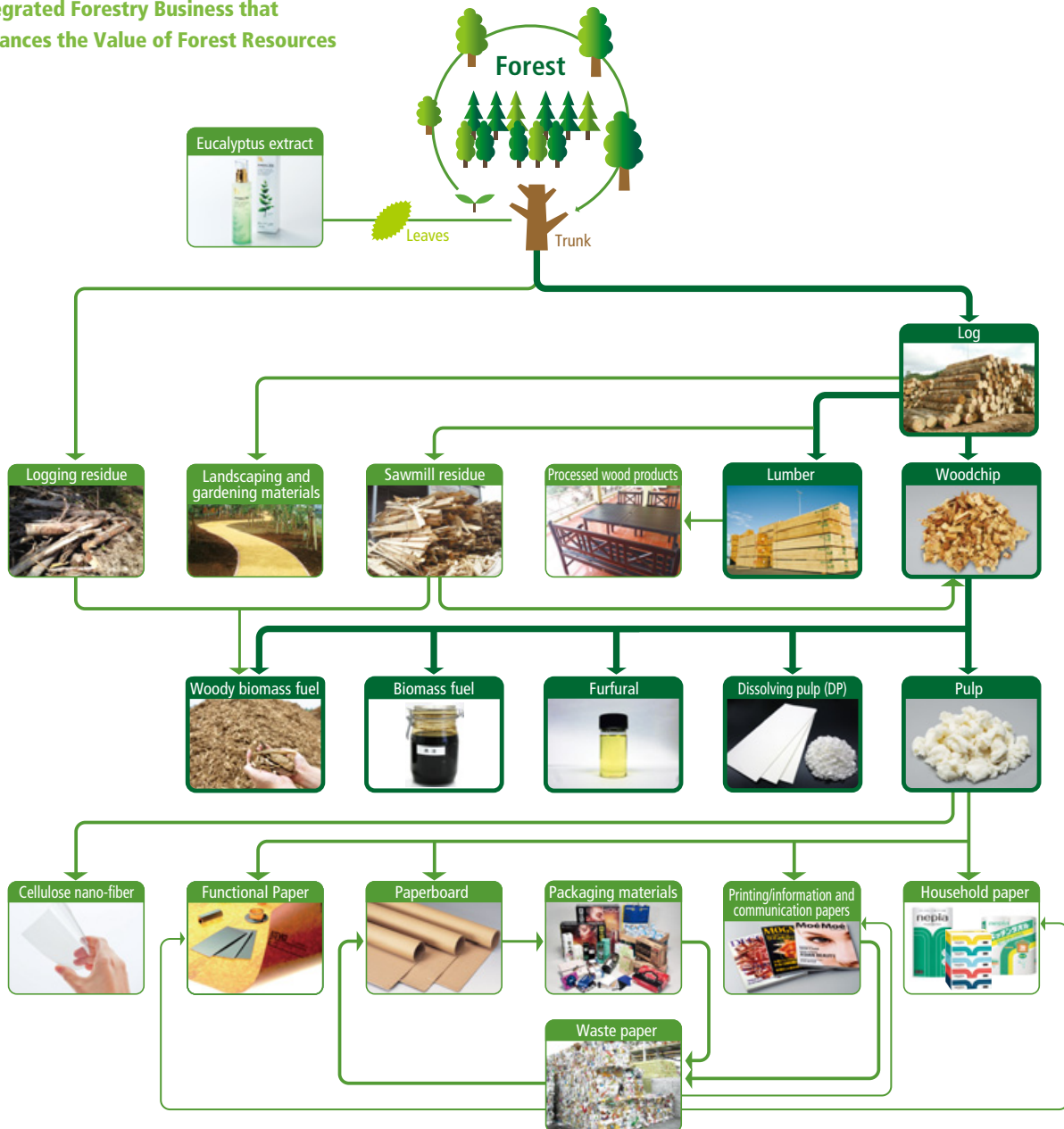
Expansion of an integrated forestry business that enhances the value of forest resources

One of the pillars of the Oji Group's Resource Recycling Business Model is promotion of the "Sustainable Forest Management". In order to carry this out, it has become increasingly important to enhance the value of forest resources and effectively utilize them, rather than simply cultivate forests. The Oji Group actively promotes an integrated forestry business that maximizes the value of forest resources. In this purpose, it makes efforts to promote a diversified resource utilization through development of new markets for pulp, expansion of lumber processing business and entry into renewable energy business that exploits woody biomass resources, in addition to the conventional use of trees as raw materials for paper manufacturing.



Albany forest plantation, Australia

Integrated Forestry Business that Enhances the Value of Forest Resources



Expansion of overseas lumber processing business

The Oji Group has been developing its integrated forestry business in all parts of Oceania and Southeast Asia regions. In KTH, a company located in Indonesia, a chip mill and a lumber mill have already been operating and a pellet mill is scheduled to start operation shortly. PANPAC, a company located in New Zealand, has started to sell thermally modified timber (TMT), a high-quality and high value-added product, in addition to traditionally produced lumber products. We will continue to establish sites to promote a wide range of businesses mainly in Southeast Asia region. In particular, we are planning to start new plywood, lumber businesses, etc., in Vietnam, Laos and Myanmar.



PANPAC Mill, New Zealand

New Lumber Processing Businesses

[Myanmar] Rubber wood lumber business

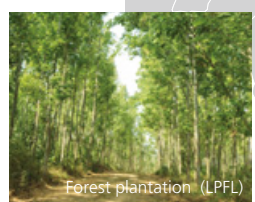
- Entry into rubber wood lumber's export business, which utilizes aged wood (joint venture with local companies)
 - 1st stage: production of lamina of laminated lumber* (Production capacity: 6,000m³/yr) (Starting operation in 2015)
 - 2nd stage: doubling the production capacity of lamina of laminated lumber

*Laminated lumber: lumber made of bonded small-sized wood materials



[Vietnam] Plywood business

- Newly establishment of an eucalyptus plywood plant in Northern Vietnam, jointly with VINAFOR, a major lumber processing company
- Supply of plywood with strong cost competitiveness to Asian markets including Japan (Production capacity: 28,000m³/yr) (Starting operation in December 2014)



[Laos] Lumber business

- 1st stage: introduction of a lumber testing facility (Production capacity: 9,000m³/yr) (Starting operation in 2014)
- 2nd stage: consideration of scale expansion together with the start of full-scale eucalyptus logging in 2015

[New Zealand] Lumber business in PANPAC①

- Enhancement of supply capacity of higher quality/higher value-added lumber products (Production capacity: 9,000m³/yr) (Started commercial manufacturing in April 2014)



Newly introduced product: TMT (for wood deck or other usages)

[Indonesia] Lumber and other businesses in KTH

- Gradual start-up of various lumber processing plants, following veneer/chip mills
 - Lumber mill (Production capacity: 10,000m³/yr) (Started operation in February 2014)
 - Pellet mill (Production capacity: 100,000t/yr) (Starting operation in 2014)



Chip mill (KTH)



Forest plantation (KTH)

[New Zealand] Lumber business in PANPAC②

- Acquisition of lumber mill in Otago Region in South Island (Production capacity: 50,000m³/yr and planned to be expanded to 90,000m³/yr in future)

- Synergy with PANPAC's existing lumber business
- Expansion of lumber business in New Zealand



Forest plantation (PANPAC)

Printing and Communications Media Business

We will push forward with additional business restructuring and maximization of cash flow, in reaction to the rapidly changing domestic demand structure and integrating Asian markets.

President, Printing and Communications Media COMPANY

Kazuo Fuchigami



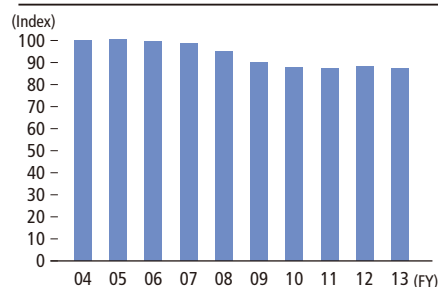
Business Strategy

A continual shrinking trend of domestic newsprint and printing/communication paper markets is anticipated due to structural changes including advances in information and communications technology (ICT), aging population and declining birthrate, and a decrease in companies' advertising expenses. In addition, the Japanese market has become increasingly integrated with the Asian market in the recent years as imported paper has been taking up certain level of market shares.

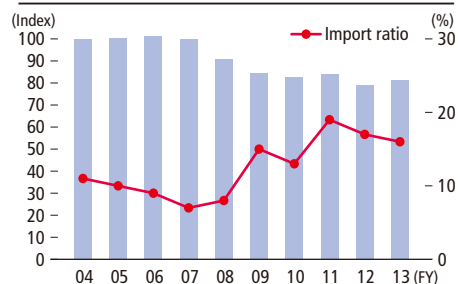
Under such harsh conditions, we have been working to realize a drastic transformation of cost structures and enhancement of international competitiveness by building an optimal manufacturing system; we stopped 14 paper machines permanently and changed the product type on 1 machine.

We will continue with these optimization efforts and thorough cost reductions to maximize our cash flows.

Domestic Demand for Newsprint



Domestic Demand for Printing / Communications Paper



Main Businesses

Newsprint

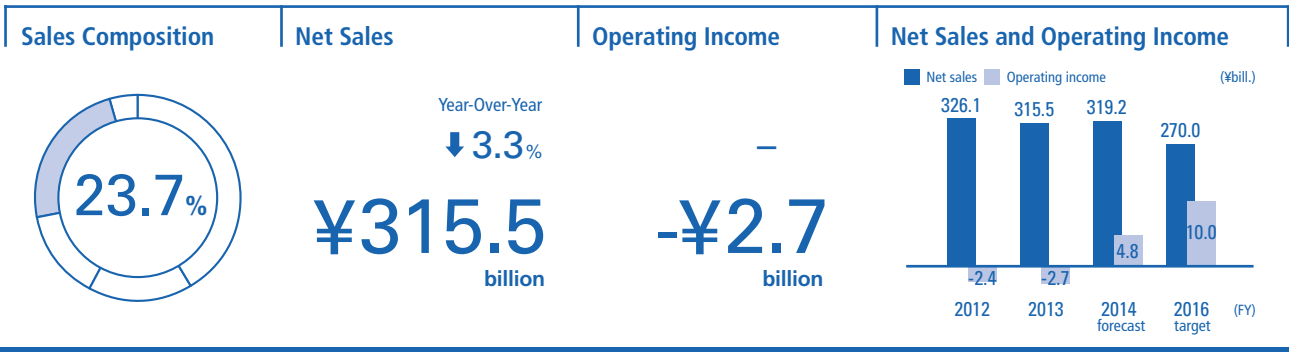
Newsprint is required to possess strength to undergo rigors of high-speed rotary printing and printability that allows for beautiful finishes even for color printing. The Oji Group retains approximately 30% share of Japanese market and continually strives to improve quality to meet the demands of newspaper companies across Japan.

Printing and Publication Paper

Publication paper used for books and magazines and printing paper used for catalogues and manuals require varying levels of quality depending on the publication, contents, and specifications of printers. The Oji Group strives to fulfill customers' expectations by developing products that meet current needs and by expanding its lineup.

Communications Paper

In addition to our existing products such as conventional form paper, carbonless paper and plain paper copier (PPC) paper, we develop numerous new products such as high-performance printing paper for printing on demand (POD). Our paper is widely used by countless industries and sectors as printing media for information processing systems.



Result of Fiscal 2013 and Outlook for Fiscal 2014

In fiscal 2013, we had net sales of 315.5 billion yen (down 10.6 billion yen from the previous year) and operating income of -2.7 billion yen (down 0.3 billion yen from the previous year).

The decline in net sales was caused by a gradual slowdown in demand for printing paper and communications paper, in spite of the implementation of price correction. The decline in operating income was a result of escalating prices of raw materials due to yen depreciation, though price correction and thorough cost reduction have been implemented.

As for the outlook of fiscal 2014, we expect to achieve net sales of 319.2 billion yen (up 3.7 billion yen from fiscal 2013) and operating income of 4.8 billion yen (up 7.5 billion yen from fiscal 2013).

Despite the continuing slowdown in demand, we anticipate a revenue growth as positive effects of the price correction undertaken in 2013 are expected to be reaped throughout the year. Similarly, we anticipate an income growth even with rising raw materials' prices, owing to the positive effects expected to be generated from the commencement of operation of an integrated manufacturing of pulp and paper at Jiangsu Oji Paper Nantong Mill and from further cost reductions.



N-1 Machine of Oji Paper Tomioka Mill

Apica's "A.Silky 865 Premium Diary" using a smooth-to-write paper

Apica, a company that manufactures and sells paper stationeries, has launched the sale of a diary that is made of "A.Silky 865 Premium" smooth writing paper.

The paper sheets used inside the diary are a type of original writing paper that was developed with assistances provided by the Paper Engineering Department of Oji Paper and the Pulp and Paper Innovation Center, and then manufactured at Nichinan Mill, when launching "the Premium C.D. NOTEBOOK" series. Pursuing smoothness of the paper, you could "feel" a silky touch with every stroke of writing.

As you record precious moments of your everyday life in the diary, you can experience a flowing and crisp writing experience with both fountain pens and ballpoint pens. The diary also gives you great comfort during writing and rereading.

Diary "A.Silky 865 Premium"

TOPICS

Jiangsu Oji Paper (China) Nantong Mill

Commencement of an integrated manufacturing of pulp and paper

Manufacturing facility of kraft pulp (KP), with start of its commercial operation within the year 2014

A paper machine at Jiangsu Oji Paper (Nantong City, Jiangsu, China) has started its operation in 2011 and produces high-grade printing papers (coated paper and woodfree paper) with an annual production capability of 400,000 tons. The kraft pulp (KP) manufacturing facility, which had been under construction, has finally started trial operation in June 2014 and is scheduled to start commercial operation by the end of 2014.

As a result of this, Nantong Mill will become an integrated manufacturing mill of pulp and paper and thus its cost competitiveness in manufacturing of printing paper will increase by a large margin. Moreover, it will contribute to the growth of Oji Group's pulp selling business as 240,000 tons out of its annual production of 500,000 tons of leaf bleached kraft pulp (LBKP) can be sold to external customers.



KP facility



Discharge of cargo from a chip carrier

Nantong Project

KP Facility	•June 2014	Start of trial operation
	•Within 2014	Scheduled to start commercial operation
Papermaking Facility	•2011	Start of commercial operation

Production capability after start of operation of the KP facility

LBKP 500,000 t/yr (sales to external customers: 240,000 t/yr)

Paper products 400,000 t/yr (product line-up will be flexibly considered, taking market trends into account)



Panoramic view of Nantong Mill

Corporate Governance



Corporate Code of Conduct / Behavior Standard

The Oji Group unveils “Creation of Innovative Values”, “Contribution to Future and the World” and “Harmony with Nature and Society” as its management philosophy. With fulfilling of social responsibilities including compliance and growing together with environment and communities as the fundamental spirit of our corporate activities, the policies and standards are defined in the “Oji Group Corporate Code of Conduct” and the “Oji Group Behavior Standard”.

The Oji Group Corporate Code of Conduct

- I. We, the management and employees of the Oji Group, hereby adopt the Oji Group Corporate Code of Conduct, as detailed below, as guiding principles for corporate activities based on awareness of our responsibilities as a corporate citizen and on high ethical principles appropriate for an organization that enjoys the trust of society.
- II. We, the management and employees of the Oji Group, will strive at all times to implement this Code, and to contribute to the genuine enrichment of society.

- | | |
|--|---|
| 1. Compliance with the Law | 6. Coexistence with the International Community |
| 2. Harmony with the Environment | 7. Contribution through Manufacturing |
| 3. Supply of Safe, Useful Products and Services | 8. Achievement of Employee Satisfaction |
| 4. Communication with Society | |
| 5. Participation in Social Contribution Activities | |

The Oji Group Behavior Standard

- I. Toward the materialization of the spirit of the Oji Group Corporate Code of Conduct, the Oji Group Behavior Standard is adopted as a standard to be followed in the daily activities of all management and employees.
- II. All management and employees should recognize to be responsible for following this Behavior Standard and must not act against this standard.

- Relationship with Society (compliance with relevant business laws, environmental conservation, ensuring safety, severance of relationships with antisocial groups and organizations, etc.)
- Relationship with Customers, Business Partners, and Competitors (seeking a relationship of trust with customers, Prohibition of Unfair Competition, etc.)
- Relationship with Shareholders and Investors (disclosure of management information, prohibition of insider trading)
- Relationship with Employees (respect of human rights, ensuring safety and health in the workplace, fulfillment of duties and self-development)
- Relationship with the Company (compliance with company rules, management of company secrets, maintenance of company assets, prohibition of conflicts of interest, etc.)
- Proactive Communication (open working environment)

Relationship with Stakeholders

As an Innovative Value-Creating Company, the Oji Group undertakes business operations that contribute to a wide variety of stakeholders.

We will continue to be proactive in communication as we move forward so as to fulfill our social responsibilities and grow together with all the stakeholders.



Policy and Structure of the Corporate Governance

Oji Group made a transition to pure holdings company structure in October 2012, and its business operation has been conducted mainly by each segment COMPANY since then. In this environment, Oji Holdings takes on the functions of thoroughly implementing the Group's governance and risk management, as well as developing and undertaking Group's management strategies.

We are enhancing our corporate governance with the following structure.

Structure for Corporate Governance

~Board of Directors' Meeting~

The Board of Directors' Meeting, which comprises of 12 Directors including 2 outside Directors, makes decisions on fundamental management policies and supervises overall execution of business operations. The Oji Group introduced an outside directors system in June 2007, in order to realize a highly transparent and efficient corporate management and also to enhance monitoring functions.

Structure for Audit

~The Board of Auditors' Meeting~

The Oji Group adopts an Audit & Supervisory Board Member System. The Board of Auditors Meeting comprises of 5 Auditors, including 3 outside Auditors, and serves functions of monitoring and auditing to ensure transparency of business operations.

Structure for Risk Management

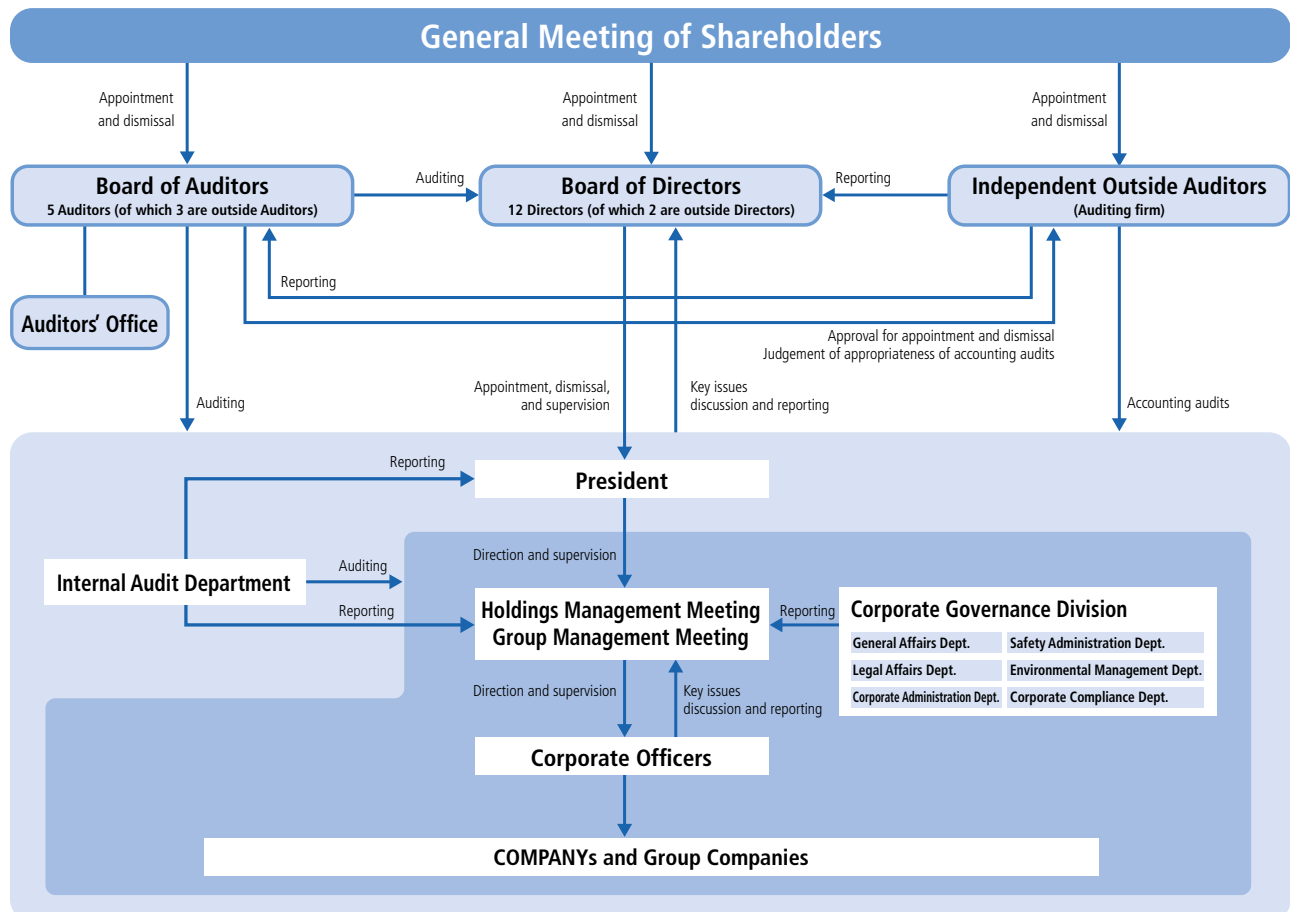
~The Corporate Governance Division~

The Corporate Governance Division was established in Oji Holdings to manage and respond to entire Oji Group's risks concerning safety, environment and compliance in an integrated way.

Enhancement of Legal Affairs Functions

~Legal Affairs Department~

Personnel possessing lawyer qualifications are assigned to the Legal Affairs Department to reduce and promptly react to the risks concerning existing/new/overseas businesses.



Structure for Risk Management

The Oji Group joined the United Nations Global Compact in 2003 and has incorporated its principles in the areas of human rights, labor, environment and anti-corruption into the Oji Group Corporate Code of Conduct and Behavior Standard. Fully cognizant that safety, the environment and compliance are our top priorities, we are strengthening our risk management structure in domestic companies. At the same time, a risk management structure that respects laws/regulations, cultures and customs of various countries is being built in overseas where number of sites is rapidly increasing.



Internal Audit

Oji Holdings established an Internal Audit Department, which is independent from all other operations. It performs audits of all the domestic and overseas Group companies on compliances, risk managements and internal controls. It also works towards enhancement of governance functions by providing instructions to correct non-compliant findings.

In fiscal 2013, on-site audits were conducted at 34 domestic companies and 5 overseas companies. Besides, follow-up audit reporting was performed at the 26 worksites where on-site audits had been conducted in the previous year, to confirm that their internal controls have been properly maintained.

Furthermore, corruptions and scandals have been occurring in an increasing number of companies in recent years. It has become a high-priority issue for any corporations to take effective measures to prevent and promptly detect corruptions and scandals. The Internal Audit Department also performs audits to ensure that there are no signs of corruptions and that the system to prevent corruption has been well-established.



Overseas internal audit (Malaysia)



Domestic internal audit

Compliance, Human Rights

Compliance

The Oji Group has been implementing the following measures to raise awareness about compliance among all the officers and employees.

- Appointment of a compliance leader at each worksite (daily supervision and instruction)
- Holding of compliance meetings for all the employees at each worksite (held semi-annually)
- Providing a variety of compliance trainings
 - Leadership training for person in charge of compliance at each Group company
 - Position-based training for everyone from new employees to senior management
- Conduct of compliance awareness survey (held once every two years) and designation of action plans in response to the survey
- Distribution of “Compliance News”

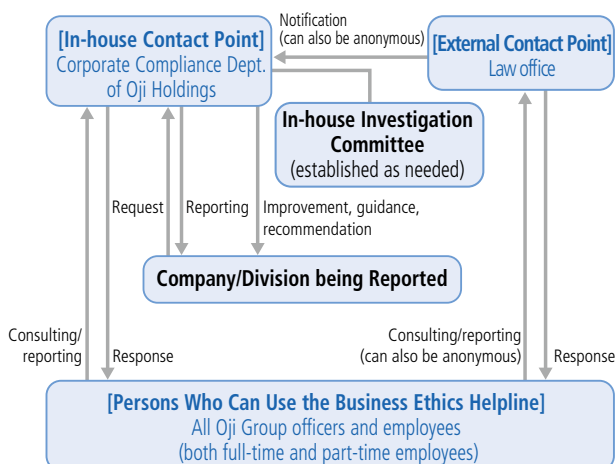
In the meantime, our Group companies have received a cease and desist order and surcharge payment order for violation of Anti-Monopoly Act from Japan Fair Trade Commission.

Taking the situation gravely and sincerely, we are working out preventive measures such as holding of seminars and trainings led by external/in-house lawyers since 2012, to thoroughly comply with Anti-Monopoly Act.

Business Ethics Helpline

The Oji Group operates a Business Ethics Helpline that all the officers and employees can use to report legal violations or improprieties, in order to prevent such occurrence and also to promptly detect/correct them. Two contact points have been set up: one inside Oji Holdings and the other outside of the company at a law office.

•Business Ethics Helpline



Respect for Human Rights

The Oji Group sets a guiding principle in the Oji Group Behavior Standard to ensure that the Group respects human rights of all the stakeholders including employees while carrying out its business activities.

[The Oji Group Behavior Standard: Respect of Human Rights]

We will respect the fundamental human rights of all people, and will not unfairly discriminate or harass individuals according to their philosophy and beliefs, nationality, birthplace, religion, sex, social status, status within the company, etc., and will not invade their privacy. We will not allow others to do so.

With an increasing number of overseas employees as a result of the advance in globalization, we not only strive to fulfill our social responsibilities, we are also committed to complying with international labor standards such as prohibition of child labor or forced labor. Moreover, we work hard to instill respect for human rights in overseas companies through awareness-building activities and also through establishment of compliance-promoting structures similar to that in Japan.

In addition, with regards to harassment, eradication measures are continually taken via monthly distribution of related case reports (“Compliance News”) and regular training workshops.



Compliance training workshop

Safety and Health Management

Having established “Ensuring Safety and Health in the Workplace” as one of its policies in the Behavior Standard, the Oji Group keeps in mind safety as its absolute priority and strives to implement safety and health initiatives with the goal of achieving continual improvements in employees' safety and health.

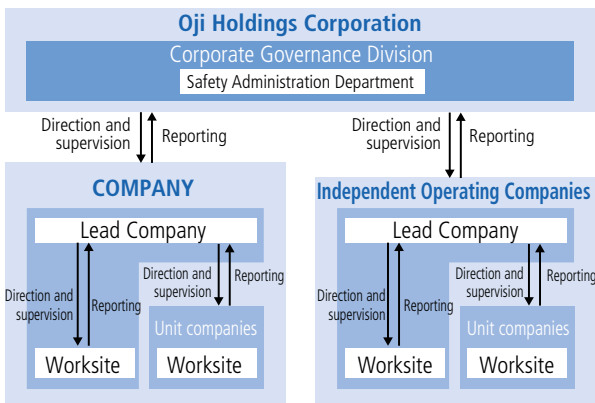
[The Oji Group Behavior Standard “Ensuring Safety and Health in the Workplace”]

With “safety as the top priority,” we will ensure safety and health in the workplace and engage in safe behavior, and ensure the safety and health of all parties involved in our business. We will be fully mindful of mental and physical health control.

Structure of Safety and Health Management

In the Oji Group, the Safety Administration Department of Corporate Governance Division retains responsibility over risks of occupational accidents at all the Group companies including overseas worksites. In addition, it takes up the role of communicating with the Lead Company of each COMPANY with regards to safety and health management issues. At the same time, it provides instructions to and manages the Lead Companies and COMPANYS, which in turn hold responsibility for their supervising companies.

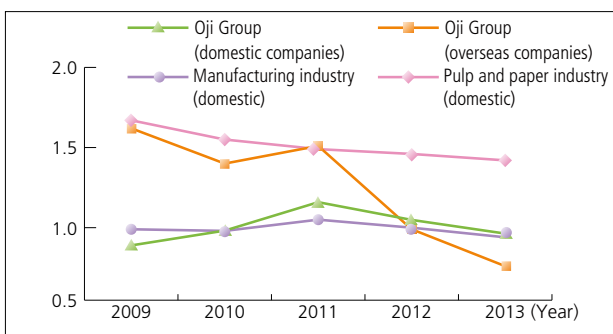
•Structure Chart



Initiatives to Prevent Occupational Accidents

In January through December 2013, the Oji Group’s rate of workplace accidents resulting in lost work time was 0.96(domestic) and 0.76(overseas) persons per one million work hours. Every single person in the Group has been making a conscious effort to raise the safety and health level even further, with the goal of eliminating workplace accidents altogether.

•Frequency Rate of Accidents Resulting in Lost Work Time



•Safety Slogan and Priority Goal

Many of the accidents that occurred in 2013 were caused by unsafe work operations. Therefore, the Oji Group has set the following Safety Slogan for 2014 to learn from the previous year and implement safety and health initiatives: “Always Keep Safety in Mind as our Absolute Top Priority / Follow the Safety Rules / Make Equipment and Work Safer”.

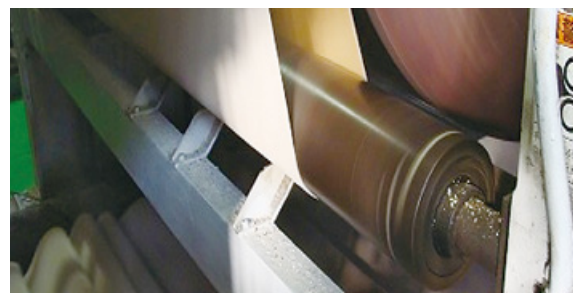
All the worksites are engaged in achieving the goal of eliminating accidents under the Oji Group’s priority goal of eliminating serious accidents.

•Priority Measures and Examples

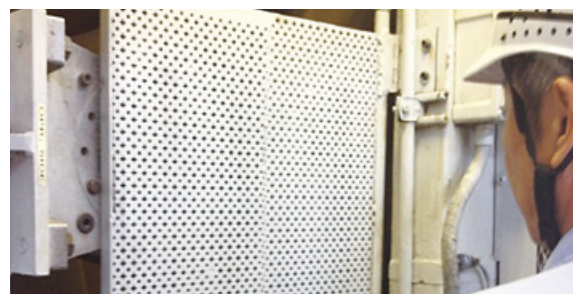
With the lead taken by top management of worksites, all the Group employees work positively on the following priority measures.

1. Promotion of risk assessment to make equipment safer and improve safety rules

Besides complying with laws concerning safety and health, we are making improvements in the safety aspect of equipment, materials, chemicals and operational methods; and improving safety rules that prevent employees from getting involved in unsafe work operations.



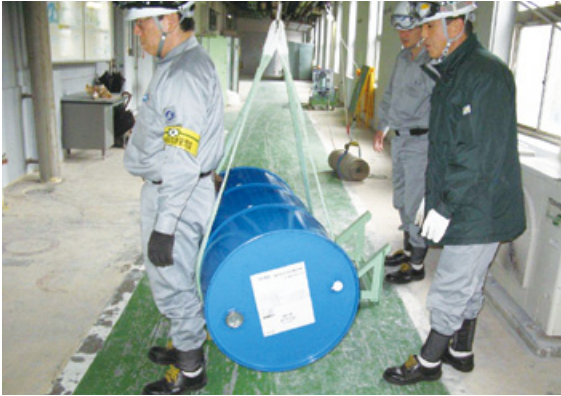
[Before] Hazardous spot with risk of being caught between paper rolls



[After] Installation of the safety cover

2. Enhancement of safety education

We are implementing a variety of safety training sessions to ensure all operators fully comply with the safety rules.



Simulated danger training (Slinging operation training)



Education on safe forklift operation

3. Strengthening of a safety-oriented worksite culture

We are actively working towards establishing and sustaining 5S work practices (in English: Seiri (sorting), Seiton (straightening out), Seisou (cleaning), Seiketsu (cleanliness), Shitsuke (discipline)), which are the fundamental safety and health principles.



Organization of industrial tools (for visualization)

4. Improvements of worksite environment

We are promoting initiatives to improve worksite environments, such as prevention of heat strokes through better worksite temperature control.



Working uniforms and hardhats with blast fans

Implementation of Safety Patrols

The Safety Administration Department carries out safety audits and monitoring. Until now, 180 companies (360 worksites) in Japan and 50 companies (60 worksites) in China, Malaysia, USA and Thailand have been visited. Going forward, we will widen the coverage of overseas worksites and focus on additional safety educations to further improve the safety level.

Thoughts after the Safety Patrol

VOICE

Suzhou Oji Packaging Co., Ltd. Factory Manager
Jin Zhiwei

On the 4th December, 2013, Oji Holdings' Safety Administration Department came to our worksite for the safety patrol. Although we thought that our operations were carried out with much consideration for safety and health, we learned that there were still many areas of inadequacy in our operation management through the patrol. We will make the most of this experience and strive to realize actual improvements.



Factory Manager is on the left in the photo

Safety Awards

In 2013, the Oji Group mills listed in the table below received safety commendation awards. Other Oji Group worksites also have their own in-house safety commendation programs, which formally recognize excellent mills as a part of the efforts to raise awareness towards safety.

Japan Paper Association Excellence in Safety Award	Oji Imaging Media Kanzaki Mill, Oji Paper Kasugai Mill, Oji F-Tex Nakatsu/Shiga Mills, Oji Materia Nayoro/Edogawa/Kushiro/Fuji/Saga/Oita/Osaka Mills
Japan Corrugated Case Association Accident-free Award	Oji Container Tsukuba/Saitama/Kumamoto and 14 other Mills and its affiliated companies, Mori Shigyo Group's Tottori/Tohoku Mori Shigyo
Tokushima Labor Bureau Excellence in Safety Award	Oji Nepia Tokushima Factory
Labor Standards Associations Excellence in Safety Award	Oji Engineering Kure/Kanzaki Offices, Oji F-Tex Shiga Mill

Environment Management and Product Safety Management

The Environmental Management Department of Corporate Governance Division adopts a structure that manages and responds to all the risks concerning environment and product safety, in its drive to reduce such risks and promote environmental management of the entire Group. Management decisions and directions, which are provided after regular reports on activity plans and results, are thoroughly implemented across the Group.

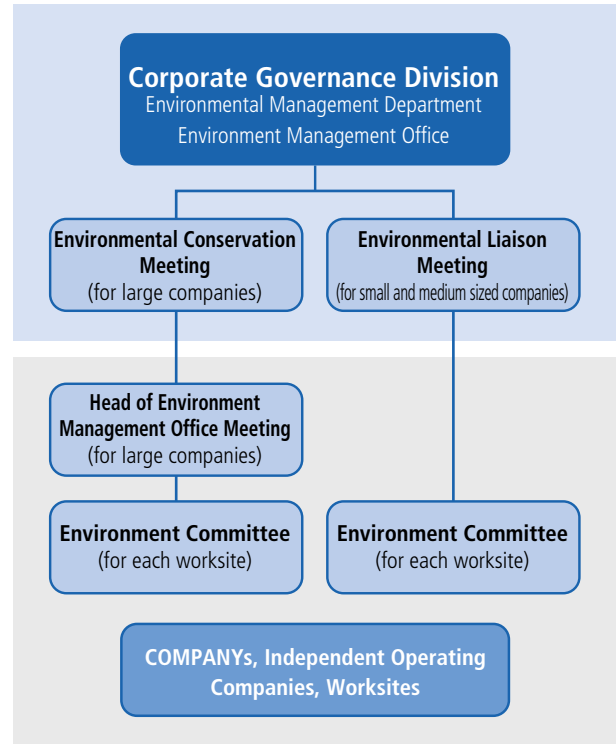
Structure for Environment Management

At each of the Group companies and worksites, a manager responsible for environment management is assigned. The manager monitors the implementation status of environment management based on an annual action plan, and leads the identification and reduction of environment risks at meetings and committees.

Then, the Environment Management Office summarizes the situations of environment compliances and risks, provides instructions to and supervises all the Group companies through Environmental Conservation Meetings and Environmental Liaison Meetings.



Education on environment compliances at an Environmental Conservation Meeting



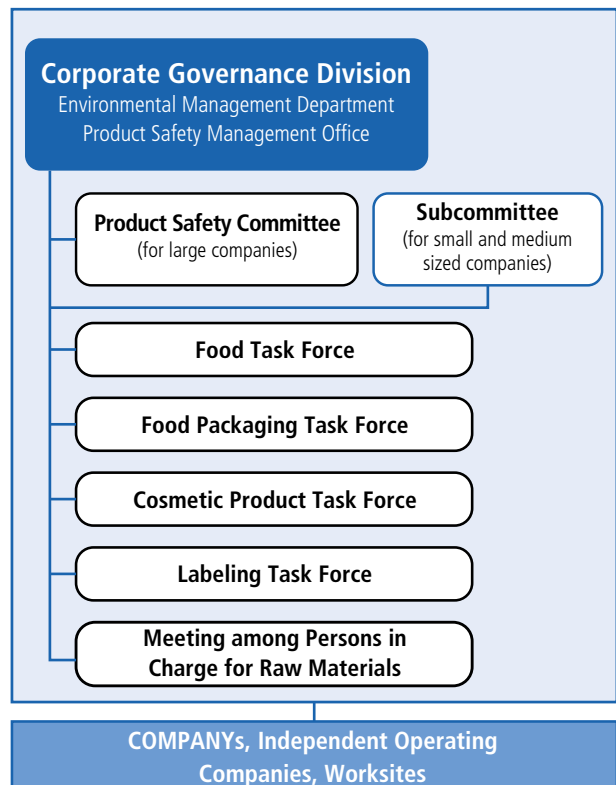
Structure for Product Safety Management

Focusing its efforts on each department in charge, each Group company and worksite monitors the implementation status of product safety rules and works towards the identification and reduction of product safety risks.

In addition, the Product Safety Management Office, which serves as the coordination office of Product Safety Committees, develops the Group's common rules and carries out the overall management of the product safety risks. It also confirms compliances with laws/regulations and voluntary standards, providing guidance and supervision to all the Group companies at each task force level.



Education provided by an external consultant at a Food Task Force





Matters Concerning Officers

Directors

1 **Kazuhisa Shinoda**

Director, Chairman of the Board

2 **Kiyotaka Shindo**

Director of the Board,
President and Chief Executive Officer

3 **Susumu Yajima**

Director of the Board, Executive Vice President
President, Forest Resources and Environment Marketing COMPANY

4 **Takeshi Azuma**

Director of the Board, Executive Vice President
President, Functional Materials COMPANY
President, Oji Functional Materials Progressing Center Inc.

5 **Ryoji Watari**

Director of the Board, Senior Executive Officer
President, Industrial Materials COMPANY
President, Household and Consumer Products COMPANY
President, Oji Packs Partners Co., Ltd.
President, Oji Package Innovation Center Inc.

6 **Kazuo Fuchigami**

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

7 **Gemmei Shimamura**

Director of the Board, Executive Officer
General Manager, Corporate Governance Division
President, Oji Management Office Inc.
In Charge of:
Oji Human Support Co., Ltd.
Oji Business Center Co., Ltd.
Oji Paper Management (Shanghai) Co., Ltd

8 **Yoshiki Koseki**

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

9 **Hidehiko Aoyama**

Director of the Board, Executive Officer
President, Oji Logistics Co., Ltd.

10 **Masatoshi Kaku**

Director of the Board, Executive Officer
Vice President, Functional Materials COMPANY
President, Oji F-Tex Co., Ltd.
Senior Managing Director, Oji Functional Materials Progressing Center Inc.

11 **Osamu Akiyama**

Outside Director of the Board

12 **Michihiro Nara**

Outside Director of the Board





Audit and Supervisory Board Members

Front row (from the left)

Satoshi Fukui

Audit and Supervisory Board Member

Motokazu Ogata

Audit and Supervisory Board Member

Kenjiro Ueno

Outside Audit and Supervisory Board Member

Back row (from the left)

Mikinao Kitada

Outside Audit and Supervisory Board Member

Makoto Katsura

Outside Audit and Supervisory Board Member

Executive Officers

Yoji Matsuo

Vice President, Printing and Communications Media COMPANY
Vice President, Oji Paper Co., Ltd.

Takashi Nozawa

Vice President, Oji Materia Co., Ltd.

Koichi Tano

Vice President, Oji Package Innovation Center Inc.

Yoshiaki Takeda

Deputy General Manager, Corporate Governance Division
Executive Director, Oji Management Office Inc.

Corporate Officers

Masayuki Yada

Deputy General Manager, Corporate Governance Division
Director of the Board, Oji Management Office Inc.
President, Oji Human Support Co., Ltd.

Shoji Fujiwara

President, Oji Green Resources Co., Ltd.

Masanori Oshiumi

Vice President, Oji Packs Partners Co., Ltd.
President, Oji Container Co., Ltd.

Ryuichi Kisaka

Vice President, Functional Materials COMPANY
President, Oji Imaging Media Co., Ltd

Noriaki Shimizu

President, Oji Nepia Co., Ltd.

Jun Maruyama

Vice President, Oji Packs Partners Co., Ltd.
President, Morishigyo Co., Ltd.

Yasuo Nakanishi

Director of the Board, Oji Packs Partners Co., Ltd.
President, Oji Asia Packaging Sdn. Bhd.

Masaru Yokoyama

General Manager, Innovation Promotion Division

Nobuyuki Fujisawa

President, Kyokuyo Pulp & Paper Co., Ltd.

Hiroyuki Isono

Director of the Board, Oji Management Office Inc.

(As of June 27th, 2014)

The Outside Board Members

An outside directors system has been introduced in the Oji Group since June 2007 and there are 2 outside Directors out of 12 Directors and 3 outside Auditors out of 5 Auditors.

Outside Directors and Auditors play vital roles in strengthening of management's monitoring and implementation of transparent and efficient management with their rich and wide-ranging experiences. Therefore, in the selection of outside board members, we value a high degree of professionalism and a broad insight that enable appropriate feedbacks on execution of operations. Also note that in accordance to the Securities Exchange Act, 2 outside Directors and 3 outside Auditors, who are unlikely to have any conflicts of interest, are designed as independent board members.

Reasons for the directors' appointment and their attendance

Outside Directors

Name	Profile	Attendance	Electoral Reason
Osamu Akiyama	Apr. 1963 Aug. 2002 Aug. 2004 Jun. 2007 Ministry of International Trade and Industry Director at the Cabinet Legislation Bureau Resignation Director of the Oji Group (present)	Board of Directors' Meetings (13/13)	Wealth of knowledge and broad perspective of public administration
Michihiro Nara	Apr. 1974 Jun. 2014 Registered Lawyer Director of the Oji Group (present)	Inauguration in June 2014	Lawyer's professional perspective, rich experiences and deep insights

(Results of fiscal 2013)

Outside Auditors

Name	Profile	Attendance	Electoral Reason
Kenjiro Ueno	Apr. 1966 Jun. 2007 Registered Lawyer Auditor of the Oji Group (present)	Board of Directors' Meetings (12/13) Board of Auditors' Meetings (14/15)	Lawyer's professional perspective, rich experiences and deep insights
Makoto Katsura	Apr. 1971 Jul. 2004 Aug. 2007 May 2011 Jun. 2013 Ministry of Foreign Affairs Ambassador to Laos Ambassador to Philippines Resignation Auditor of the Oji Group (present)	Board of Directors' Meetings (10/10) Board of Auditors' Meetings (12/12) (after inauguration in June 2013)	rich experiences and wide perspective, as a diplomat
Mikinao Kitada	Apr. 1976 Jan. 2012 Jan. 2014 Mar. 2014 Jun. 2014 Appointed as Prosecutor Superintending Prosecutor at the Osaka High Public Prosecutors' Office Resignation Registered Lawyer Auditor of the Oji Group (present)	Inauguration in June 2014	Wealth of experiences gained over the years as a prosecutor, Lawyer's professional perspective

(Results of fiscal 2013)

Total Amount of Remuneration

Job	No. of Personnel	Total Amount (million yen)
Directors (excluding outside Directors)	14	591
Outside Directors	2	30
Auditors (excluding outside Auditors)	4	61
Outside Auditors	3	27
Total	23	710

(Results of fiscal 2013)

(Notes)

- According to a resolution at the Shareholders' Meeting, the maximum limit of Directors' remuneration is 900 million yen a year.
(the 82nd Ordinary Shareholders' Meeting on June 29th, 2006)
- According to a resolution at the Shareholders' Meeting, the maximum limit of Auditors' remuneration is 97 million yen a year.
(the 82nd Ordinary Shareholders' Meeting on June 29th, 2006)
- The numbers of Directors and Auditors at the end of fiscal 2013 are 12 and 5 respectively.
- The amount includes:
 - Board members' bonuses
125 million yen for 14 Directors
11 million yen for 4 Auditors
 - Compensation from stock options for Directors
68 million yen for 14 Directors
(All Directors excluding outside Directors)
- In addition to the above, retirement benefits for Auditors who resigned at the end of the 89th Ordinary Shareholders' Meeting on June 27th, 2013 are included.
67 million yen for 2 Auditors
The retirement benefits are paid according to the resolution at the 89th Ordinary Shareholders' meeting on June 27th, 2013.
- Expected payments accompanying abolition of Auditors' retirement benefits, according to the resolution at the 89th Ordinary Shareholders' Meeting on June 27th, 2013.
31 million yen for 2 Auditors (of which 31 million yen for 2 outside Auditors)
With the abolition of Auditors' retirement benefits, we received approvals from Auditors in-office at the 89th Ordinary Shareholders' Meeting to pay retirement benefits at the time of retirement (the amount paid will be based on their term of office up to the end of the said Meeting). Specific amounts or means of payments were left to the discretion of the Auditors.
- The amounts are rounded down to the nearest million.

Interview with an Outside Officer

"The Oji Group speedily reacts to changes in its operational environments."

An independent auditing officer, Mr. Ueno gave us his remarks on the situation of corporate governance in the Oji Group and its challenges in improving corporate value.



Outside Auditor
Lawyer

Kenjiro Ueno

Outside Auditor of the Oji Group since June 2007

1. What is your impression of the Oji Group?

Globalization and rapid progress of IT are features of the modern society. The Oji Group currently develops its businesses in many countries mainly in Asia, Oceania and South America regions and proactively makes advances into non-paper manufacturing businesses. Speaking of the rapid progress of IT, materials at the briefing on Management Meetings and the Board of Directors' Meetings are digitized (can be viewed using tablet computers), since July 2014. It is quite impressive that paper is no longer used as meeting materials in the company, where paper manufacturing is one of its core businesses.

With these in mind, I believe that the Oji Group is a corporate group that promptly adapts to changes in its business environment and at the same time respects traditions.

2. How do you evaluate the corporate governance at the Oji Group?

While the amended Companies Act which was passed in June 2014 strictly regulates a large public company without any outside Board Member, the Oji Group has already introduced an outside directors system in June 2007 by appointing 2 outside Directors, and increased the number of outside Auditors to 3 persons since June 2013. There is a structure that allows outside members with different knowledge and experiences to express their opinions freely. Besides, the Corporate Governance Division and the Internal Audit Department are placed within the company and these serve as structures to build a sound management system and to improve transparency.

Moreover, the "Oji Group Corporate Code of Conduct" and the "Oji Group Behavior Standard" are set to promote conducting business operations with high ethical standards.

However, a few Oji Group companies had undergone on-site inspections by Japan Fair Trade Commission 2 years ago, revealing a poor dissemination of a manual which was developed to ensure compliance with the Anti-Monopoly Act. Additional preventative measures such as compliance trainings are required to thoroughly raise awareness of legal compliance.

3. Please tell us about your thoughts on the Oji Group's business environment and challenges to improve its corporate values.

I receive reports twice every month on each COMPANY's business conditions and results. Judging by the reports, I must say that, though there are some degrees of variances among the COMPANYS, the overall environment surrounding the Oji Group is difficult due to a trend of shrinking markets of existing domestic businesses.

Under such conditions, it becomes crucial to continually invest management resources such as capital and human talents in the business fields essential for business portfolio restructuring intensively and increase overseas sales ratio, to enhance the corporate value of the entire Oji Group. Furthermore, I would like to make specific mentions of the following although they have zero or little beneficial influence on business results. Firstly, it is the Oji Hall whose project contents and acoustic equipment are highly appreciated by music lovers. Additionally, there are the Oji's baseball and ice hockey teams that receive strong expectations from local communities. These cultural and sport activities could be recognized as CSR activities and thus contribute to improving the company's image.

Environment / Community Relations



Promotion of Environmental Management

In order to implement one of its management philosophies of “Harmony with Nature and Society”, the Oji Group appoints the Environmental Management Department of Corporate Governance Division as the supervisory department and promotes environmental management based on its fundamental policy, the “Oji Group Environmental Charter”. Till date, it has been making earnest efforts towards achieving its goals as described in the “Environment Action Program 2015”.

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.

Established: January 1997
Revised: June 2006

Environment Action Program 2015	FY 2013 Activities and Achievements
<p>Promotion of “Sustainable Forest Management”</p> <ul style="list-style-type: none"> • Increase land areas of overseas forest plantations to 300,000 hectares and acquire forest certifications at all the company-owned forests. • Implement maintenance management including tree thinning in domestic company-owned forests. • Effectively utilize forests to promote an integrated forestry businesses. 	<ul style="list-style-type: none"> • Land areas of overseas forest plantations: 280,000 hectares • Company-owned overseas forest plantations with forest certifications (FSC™, PEFC): 71% • Company-owned domestic forests with forest certification (SGEC): 100% (excluding profit-sharing forests) • Ongoing expansion of lumber and its processing businesses in Asia and Oceania regions
<p>Promotion of “Paper Recycling”</p> <ul style="list-style-type: none"> • Encourage the use of waste paper as a resource (with a target to achieve a waste paper utilization rate of 64%). 	<ul style="list-style-type: none"> • Waste paper utilization rate: 62.7%
<p>Promotion of Global Warming Countermeasures</p> <ul style="list-style-type: none"> • Reduce greenhouse gas (GHG) emissions by 15% and carbon dioxide (CO₂) emissions from energy sources by 35% in comparison with fiscal 1990. • Increase the amount of CO₂ absorbed (offset credits and others) through forest management. 	<ul style="list-style-type: none"> • GHG emissions: 6,180,000 tons (20.4% reduction) • CO₂ emissions from energy sources: 4,472,000 tons (40.4% reduction)
<p>Reinforcement of Environment Improvement Measures and Environment Management Systems</p> <ul style="list-style-type: none"> • Develop a voluntary environmental management structure through acquisitions of certifications for environment management system (EMS) as well as regular upkeep and operations of the system (with a target to acquire EMS certifications at 150 worksites). 	<ul style="list-style-type: none"> • EMS-certified worksites: 139 worksites in Japan • Ongoing promotion of Oji Group’s proprietary certification (O-EMS) at small-scale worksites
<p>Development of Manufacturing Technologies and Products that Minimize Environmental Impacts</p> <ul style="list-style-type: none"> • Properly manage compliance with voluntary standards as well as laws and regulations of product safety. • Develop a structure for supplying forest certified products. • Encourage developments of new products that help conserve resources and reduce CO₂ emissions. 	<ul style="list-style-type: none"> • Sales volume of FSC™ certified products: 228,000 tons (e.g. Oji Paper’s license code: FSC-C014119)
<p>Reduction and Effective Utilization of Wastes</p> <ul style="list-style-type: none"> • Reduce the total amount of wastes for final disposal to under 50,000 tons (AD)/year. (Oji Paper, Oji Materia, Oji F-Tex, Oji Nepia, Oji Imaging Media) 	<ul style="list-style-type: none"> • Final disposal amount of waste materials: 52,000 tons (AD)/year
<p>Transfer of Environment Protection Technologies to Other Countries</p> <ul style="list-style-type: none"> • Comply with relevant environment standards in each country and share technologies of environmental management that are developed in Japan. 	<ul style="list-style-type: none"> • Promotion of environmental audits as well as transfer of environmental management technologies to overseas worksites
<p>Building Trust Relationships with Stakeholders</p> <ul style="list-style-type: none"> • Encourage greater communication with stakeholders via exhibitions and publications. • Promote social contribution activities rooted in local communities. 	<ul style="list-style-type: none"> • Hosting of booths at various exhibitions including “Eco-Products 2013” • Publication of “Environmental and Sustainability Report 2013” • Implementation of a variety of activities while maintaining communication with local residents and communities

Established: April 2011

Newly Formulated Action Program

A new long-term action program has officially been formulated in fiscal 2014 to aim for further contributions to the environment;
"Limitless Challenge to Zero-Environmental Burden"

"Responsible Raw Materials Procurement"

"Sustainable Forest Management".

We will continue to make greater efforts towards achieving the goal of "Harmony with Nature and Society".

Limitless Challenge to Zero-environmental Burden

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

1. Zero-emission

- Zero environmental accident (→ pg. 58)
- Zero product liability accident (→ pg. 59)
- Recycling of waste materials (→ pg. 60)
- Purification / reuse of discharged water (BOD, COD, SS) (→ pg. 61)
- Purification of exhaust gases (SO_x, NO_x, smoke dust, odor) (→ pg. 61)
- Reduction of greenhouse gases (25% reduction of fiscal 1990's level by fiscal 2020) (→ pg. 62)

2. Sustainable forest management / paper recycling

- Target of forest certification acquisition: 100% (→ pg. 64)
- Promotion of paper collection and further expansion of waste paper usage (→ pg. 65)

Responsible Raw Materials Procurement

The Oji Group's products are manufactured in compliance with safety and legal guidance based on the Oji Group Partnership Procurement Policy

- 1. Pulp and wood raw materials (→pg. 66)
- 2. Raw materials and chemicals (→pg. 67)

Sustainable Forest Management

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

- 1. Sustainable forest management through the use of forest certifications (→pg. 68)
 - Preservation of forests' multi-functions including conservation of biodiversity
- 2. Active promotion of lumber business (→pg. 36)
 - Contribution to the rejuvenation of domestic forest industry and regeneration of forests
- 3. Expansion of eco-friendly products (→pg. 71)

Limitless Challenge to Zero-environmental Burden

"Zero-emission"

Zero Environmental Accident

The Oji Group has been making steady efforts to prevent environmental accidents through its initiatives to achieve enhancement of environment management structure, which is one of the action guidelines of the Oji Group Environmental Charter.

Introduction/Operation of Environment Management Systems (EMS)

In our drive to encourage each worksite to practice independent environment management, EMSs (ISO 14001, KES, Eco-Action 21, O-EMS*) have gradually been introduced.

*O-EMS is a system that the Oji Group has developed based on requirements of ISO 14001 for easy implementation of environmental management at small-scale worksites.

Number of Domestic/Overseas Worksites with EMSs

	Domestic	Overseas
ISO 14001 (third-party certification)	105	19
Domestic certifications (KES, Eco-Action 21) (third-party certification)	9	0
O-EMS (in-house certification)	25	0
Total	139	19

Environmental Audits

Environmental audits are conducted at 213 domestic and 39 overseas worksites with environmental risks.

For each worksite, the following multi-staged audits are performed;

- On-site audit at each worksite
- Audit by the company to which the worksite belong
- Audit by the business segment to which the company belong

In addition, for overseas worksites, external audits by local third-party auditing organizations that specialize in each country's environmental laws/regulations are adopted to reduce environmental risks.

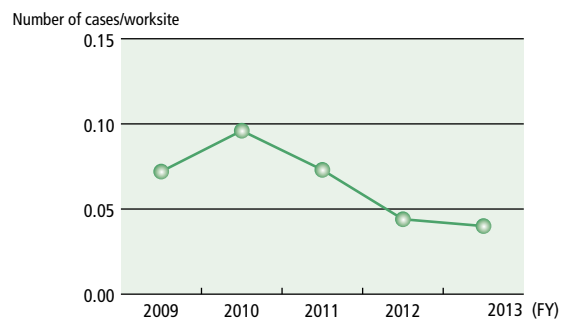


External audit at an overseas worksite (PANPAC, New Zealand)

Guidance of Environment Management in Mills

Intensive environmental education and guidance in environment management is provided for worksites that require improvements in environment management due to high environmental risks present. As a result of preventative measures taken to raise environmental awareness and to improve environment management capabilities, the number of environmental accident is on the decrease. Going forward, we will stay committed to a full implementation of "zero environmental accident".

Number of Cases in which Environmental Regulation Values were Exceeded (per domestic/overseas worksite)

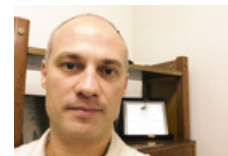


Thoughts after an environmental audit

VOICE

Having reaffirmed the importance of social responsibility, we will push ourselves for eco-friendly business operations

Celulose Nipo-Brasileira S.A. (CENIBRA)
 Environment Management Manager **Leandro Coelho Dalvi**



In 2014, CENIBRA underwent an environmental audit by the Environmental Management Department and a third-party organization that covers compliance status with environment-related laws/regulations and voluntary managements on air, effluents and wastes. It taught us about the importance of fulfilling our social responsibilities, keeping compliance with laws/regulations and showing consideration for the environment. Putting the learning into practice, we will further familiarize our employees with the Oji Group's policies on environmental management to promote eco-friendly as well as legally compliant business operations.

Audit on an effluent treatment facility



Product Safety Charter

The Oji Group delivers safe products, fully recognizing that its corporate social responsibility entails providing quality and services that enable customers to use its products with peace of mind. Going forward, we will continue to fulfill the trust of our customers by ensuring that all of our employees reliably implement the following commitments.

- 1 Complying with all safety-related laws and regulations, we will also implement appropriate management to follow voluntary standards.
- 2 We will continually improve our Group-wide quality control system, striving to ensure safety.
- 3 We will provide timely and appropriate information on product safety and proper usage.
- 4 We will proactively gather information on products involved in incidents and make reports to relevant authorities in compliance with laws. We will also faithfully take necessary actions to find the root causes of incidents and strive to prevent their recurrence.
- 5 We will continuously review our management system through regular internal audits, always striving for improvement.

Established: January 1995
Revised: October 2012

Zero Product Liability Accident

We will continue to maintain zero product liability accident according to the Product Safety Charter through an intensive compliance with laws/regulations and an enhancement of management structure.

Product Safety Audits

Product safety audits confirm the proper application of rules related to safety checks of raw materials (chemicals and other materials) and products as well as compliance with legal regulations. Out of the 44 overseas worksites that are subjected to audits, 7 worksites that manufacture products with high risks such as food packaging and cosmetic materials are audited by third-party organizations familiar with local laws/regulations.

Before-Use Inspections

Strict inspections using a check sheet that verifies compliance with laws/regulations, hazardous material information and green procurement of major industry groups are conducted when considering procurement of new raw materials (chemicals and other materials).

Information Update

In order to keep pace with stricter management of chemical substances both domestically and internationally, the check sheet is revised on an as-needed basis and inspections on current raw materials are performed regularly.

Guidance of Product Safety Management in Group Companies

Intensive guidance and education on product safety based on an improvement program are provided to worksites that require improvements due to high product safety risks present.

Appropriate Information Disclosure to Customers

Information on correct usage and safety of products* are offered appropriately and on a timely basis.

*1. Investigation Report	A report that investigates chemicals used in manufacturing procedures in response to inquiries for more detailed information.
*2. Article Information Sheet (AIS)	A document that provides an overview of laws/regulations and handling cautions related to the product
*3. Safety Data Sheet (SDS)	A legally required document issued for special products containing designated substances in amounts above the specified threshold

Initiative at an Overseas Worksite (Malaysia)

VOICE

Acquisition of ISO 22000 at a Harta Packaging Industries (HPI)'s worksite

HPI Group ISHE Manager **Kamal Bin Abdul Aziz**

In order to offer food packaging materials that customers can use with peace of mind, the HPI Group had implemented improvements in sanitary management that include strengthening of rules, continual education for employees and upgrading of facilities, in Chiga Light Industries (one of the companies under HPI Group) for 6 months last year.

The result was a heightened satisfaction and trust from customers that would lead our businesses to further developments in the future. Additionally, ISO 22000 was acquired in January 2014.

The same activities are currently being implemented at Harta Fleksipak. We will continue to improve the situation, keeping in mind "supply of safe, useful products and services" of the Oji Group Corporate Code of Conduct.



ISO22000: International system for food-safety administration which appropriately manages all the procedures of food manufacturing

Limitless Challenge to Zero-environmental Burden

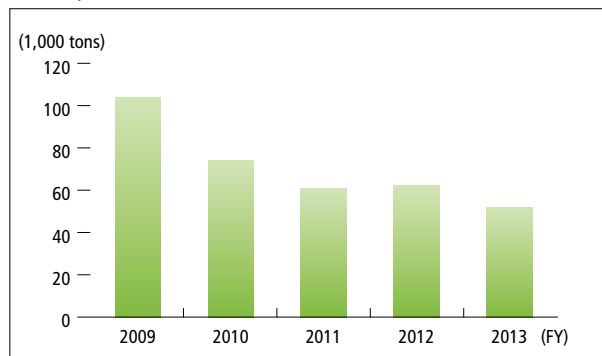
“Zero-emission”

Recycling of Waste Materials

The Oji Group makes efforts to reduce the final disposal volume of waste materials as well as to properly process wastes in a way that complies with laws/regulations by promoting recycling of wastes generated during manufacturing process such as sludge, waste wood and waste plastic removed from recovered paper.

We have been making efforts to reduce the final waste disposal volume of the 5 major companies which produce the most amount of waste* to below 50,000 tons by fiscal 2015. We will continue to find more effective utilizations and at the same time develop the required technologies to promote recycling of combustion ashes.

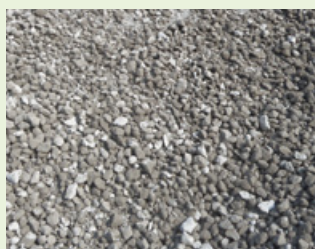
Final Disposal Volume of Waste Materials



*Oji Paper, Oji Materia, Oji F-Tex, Oji Nepia and Oji Imaging Media (waste disposals of these companies make up more than 80% of that of all the domestic Group companies)

Effective Utilization of Waste Materials

In accordance to the Soil Contamination Countermeasures Act, ashes, which are by-products of combustion of various fuels, are detoxified and then used as road pavement materials, snow-melting agents and secondary raw materials for steel manufacturing.



Road pavement material



Snow-melting agent



Secondary-material for steelmaking

Utilization of Difficult-to-Recycle Waste Materials

Waste Fuels

Waste materials that cannot be recycled to paper are converted into RPF fuels and supplied to boilers at the Oji Group mills.



RPF manufacturing equipment



RPF



Boiler

Confirmation of Outsourcing Contractor of Waste Processing

We visit worksites of outsourcing contractors (of waste collection/transportation and disposal) once in two years, in order to check and confirm that the effective utilization/disposal of industrial wastes are appropriately carried out, even in cases where no specific regulations are provided. We make use of checklists and share information on waste disposal contractors within the Group to repeatedly ensure that there is no problem in our contractors' use and management of wastes.

Purification of Wastewater

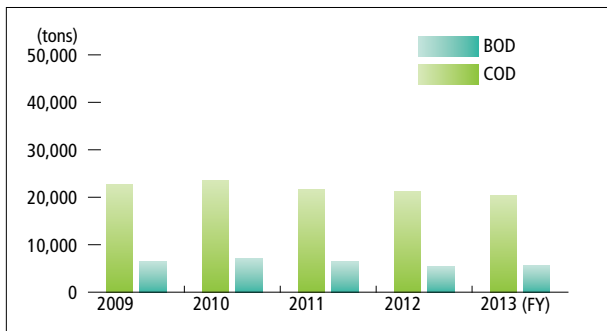
Pulps are dispersed in water and then dewatered on wire of paper machines to form paper. Although paper manufacturing uses a large amount of water, we have been making our best efforts to recycle water and reduce the amount of water used. Some of the wastewater is recovered for reuse in the manufacturing process. On the other hand, wastewater that cannot be reused are purified via bio-treatments using microorganisms and physical treatment using flocculants.

Purification of Exhaust Gases

Exhaust gases released by boilers at mills contain environmental load substances such as SOx, NOx and smoke dusts. We will additionally work on their elimination by using desulfurization and dust extraction equipment (scrubber, bag filter, electrostatic precipitator, etc) for large-sized boilers and technologies to convert heavy oils to clean natural gases for small-sized boilers.

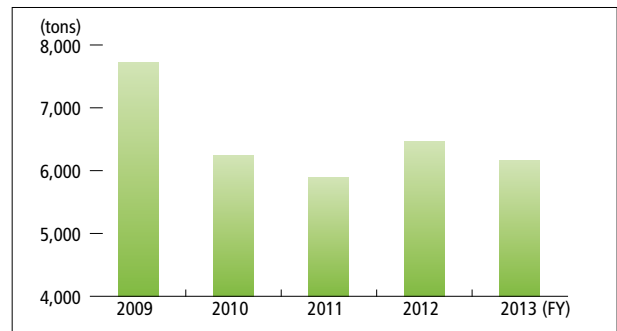
Emission of Environmental Load Substances in Waters

Emission of BOD and COD

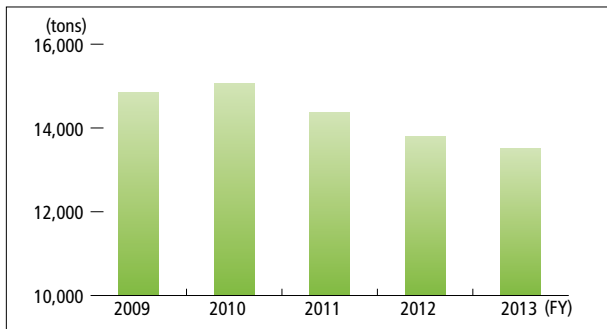


Emission of Environmental Load Substances in Atmosphere

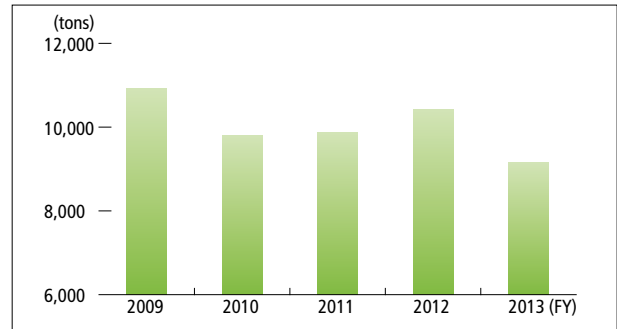
Emission of Sulfur Oxides (SOx)



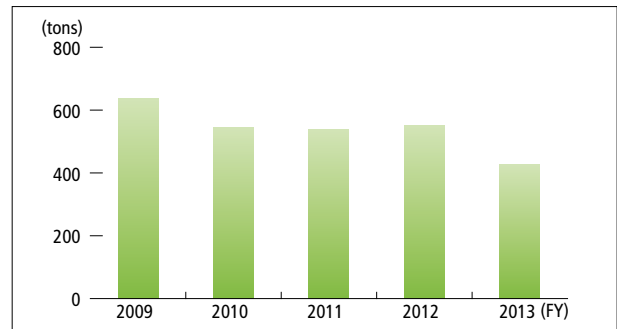
Emission of SS



Emission of Nitrogen Oxides (NOx)



Emission of Smoke Dusts



Coverage of calculation: Oji Group's 4 paper manufacturing companies which in total account for more than 90% of environment impacts of domestic Oji Group worksites (Oji Paper, Oji Materia, Oji F-Tex and Oji Nepia). For BOD, the value is the total emission of BOD of mills subjected to the BOD Regulations, and the same applies to COD.

Limitless Challenge to Zero-environmental Burden

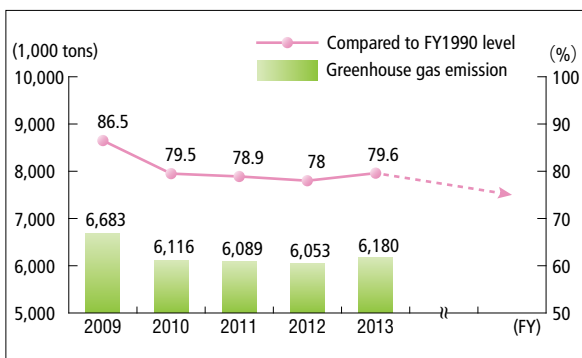
"Zero-emission"

Reduction of Greenhouse Gas Emission

The reduction rate of greenhouse gas emissions had worsened by 1.6% as compared to the previous year. Despite an improved specific energy consumption*1, this was caused as the increase in emission due to production increase and other factors exceeded the reduction in emission achieved through energy conservation activities. We will continue to stay committed to conservation of energy and to reduction of fossil fuel usage.

*1 Specific energy consumption: Energy consumption divided by production. It is used as an index to show the progress of energy conservation.

Greenhouse Gas Emission



Energy Conservation

Pulp and paper industry is an energy-intensive industry that uses a large amount of electricity and heat (steam). The Oji Group has taken steps to reduce energy costs and conserve the global environment by installing highly efficient machines and recovering exhaust heat. Steady and continual measures like "energy conservation patrols" are implemented at each worksite to further improve the energy efficiency.



Investigation of compressed air leakage (Oji Paper Yonago Mill)

Reduction of Fossil Fuel Use

We promote the use of renewable energies and waste fuels to replace fossil fuels such as heavy oil and coal. Black liquor*2, which is the by-product of pulp manufacturing, is used by the pulp and paper industry as renewable energy over the years. Moreover, sludge*3 and wood residues are used to further reduce dependence on fossil fuels. The use of waste fuels such as scrap tires, waste plastic and RPF*4 contributes not only to reduction of fossil fuel consumption but also to effective use of wastes. We have also introduced hydroelectric power generation, solar power generation, etc. As a result, the percentage of fossil fuels out of all the purchased electricity had decreased to 40% in fiscal 2013, compared to 64% in fiscal 1990. The reduction of fossil fuel usage leads to the reduction of greenhouse gas emissions.

*2 Black liquor: black by-product that is produced after wood fibers are extracted from wood chip as pulps. Its main components are lignin and hemicellulose.

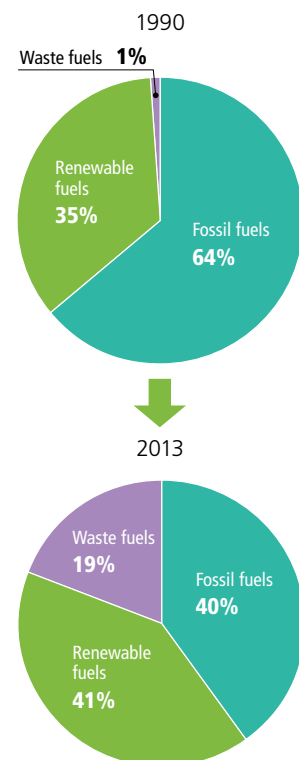
*3 Sludge: mainly composed of fine wood fiber. It is discharged from paper manufacturing process.

*4 RPF (Refuse Paper and Plastic Fuel): solidified fuel made from waste plastic and recovered paper that are difficult to be used as papermaking materials.

(Notes)

Coverage of calculation: Oji Group's 4 paper manufacturing companies which in total account for more than 90% of the total amount of energy used at all its domestic worksites (Oji Paper, Oji Materia, Oji F-Tex and Oji Nepia)

Change in the Composition of Energy Consumption



Domestic Environmental Impacts (fiscal 2013)

Business segment	Number of sites	Production volume 1,000 tons	Greenhouse gas (CO ² eq.) 1,000 tons	Impact on water					Impact on atmosphere			Industrial waste	
				Water used 1,000 m ³	Wastewater 1,000 m ³	BOD tons	CODMn tons	SS tons	Sulfur oxides	Nitrogen oxides	Smoke dust tons	Amount generated AD tons	Final disposal amount AD tons
									SOx tons	NOx tons			
Industrial materials	118	5,298	2,641	198,285	188,013	3,096	3,464	2,690	2,347	3,340	165	558,382	8,571
Household and consumer products	4	178	46	4,265	5,352	0	243	45	66	23	3	43,728	18
Functional materials	25	572	593	64,540	61,465	1,624	272	1,053	648	640	124	99,231	610
Forest resources and environment marketing	19	883	96	9,945	9,635	77	56	58	9	49	17	9,531	250
Printing and communications media	6	3,228	2,782	342,001	330,917	928	16,397	9,730	3,275	5,279	217	801,905	44,157
Corporate management	10	34	19	652	618	5	0	1	13	2	0	5,608	186
Shared services	23	0	3	16	15	-	-	-	-	-	-	813	63
Subtotal (consolidated companies)	205	10,192	6,180	619,704	596,014	5,729	20,433	13,577	6,356	9,333	527	1,519,197	53,855
Others (non-consolidated companies, etc.)	45	174	42	2,122	1,918	132	0	1	87	20	7	26,326	503
Total	250	10,366	6,222	621,826	597,932	5,862	20,433	13,578	6,443	9,353	533	1,545,523	54,358

(Notes)

- Coverage of calculation: domestic consolidated and non-consolidated companies
- Based on the calculation, reporting, and disclosure systems under Japan's Energy Conservation Act's periodical reporting
- The amount of greenhouse gas emission does not include those involved in transportation of products
- The production volume includes internal transactions

Overseas Environmental Impacts (fiscal 2013)

Business segment	Number of sites	Production volume 1,000 tons	Greenhouse gas (CO ² eq.) 1,000 tons	Impact on water					Impact on atmosphere			Industrial waste	
				Water used 1,000 m ³	Wastewater 1,000 m ³	BOD tons	CODCr tons	SS tons	Sulfur oxides	Nitrogen oxides	Smoke dust tons	Amount generated AD tons	Final disposal amount AD tons
									SOx tons	NOx tons			
Industrial materials	22	813	231	4,437	3,688	116	907	225	0	3	1	85,017	42,207
Household and consumer products	1	15	25	256	204	-	38	10	2	10	1	246	28
Functional materials	5	324	151	6,019	5,562	607	493	112	2	55	1	17,157	3,294
Forest resources and environment marketing	5	2,256	282	58,462	52,329	901	12,618	4,606	8,142	-	2,122	283,580	33,038
Printing and communications media	1	161	267	3,187	1,939	8	70	19	87	169	1	15,799	87
Total	34	3,570	956	72,361	63,723	1,631	14,125	4,972	8,233	236	2,125	401,800	78,654

(Notes)

- Coverage of calculation: overseas consolidated companies (includes manufacturing companies only and makes up more than 90% of all the environmental impacts)
- Based on the Emission Factors from Cross-Sector Tools under Greenhouse Gas Protocol

Limitless Challenge to Zero environmental Burden

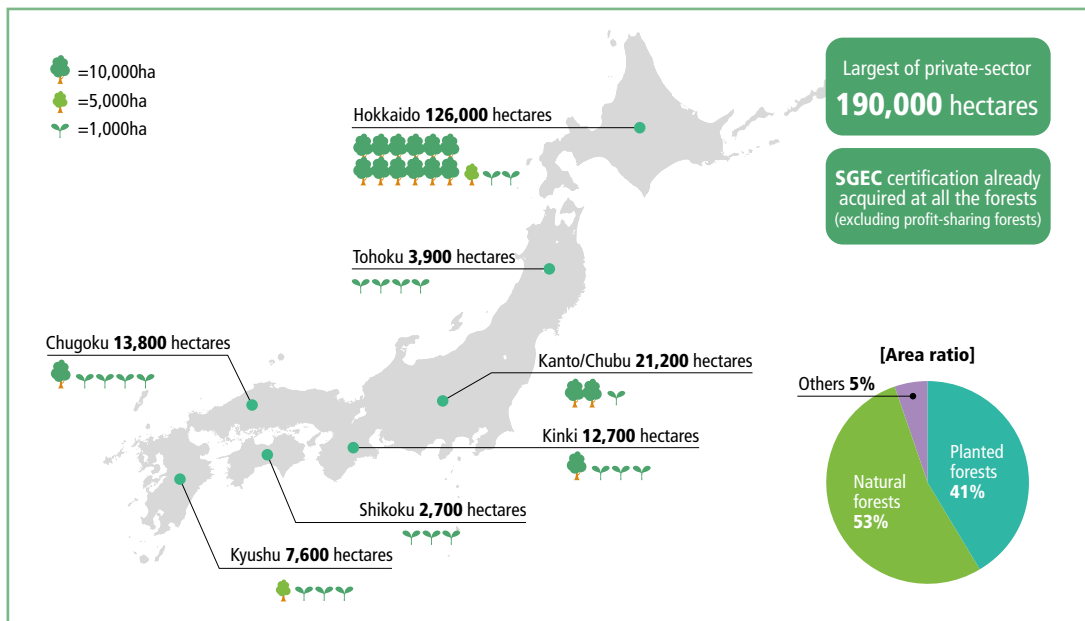
"Promotion of Sustainable Forest Management and Paper Recycling"

Sustainable Forest Management (100% forest certification acquisition)

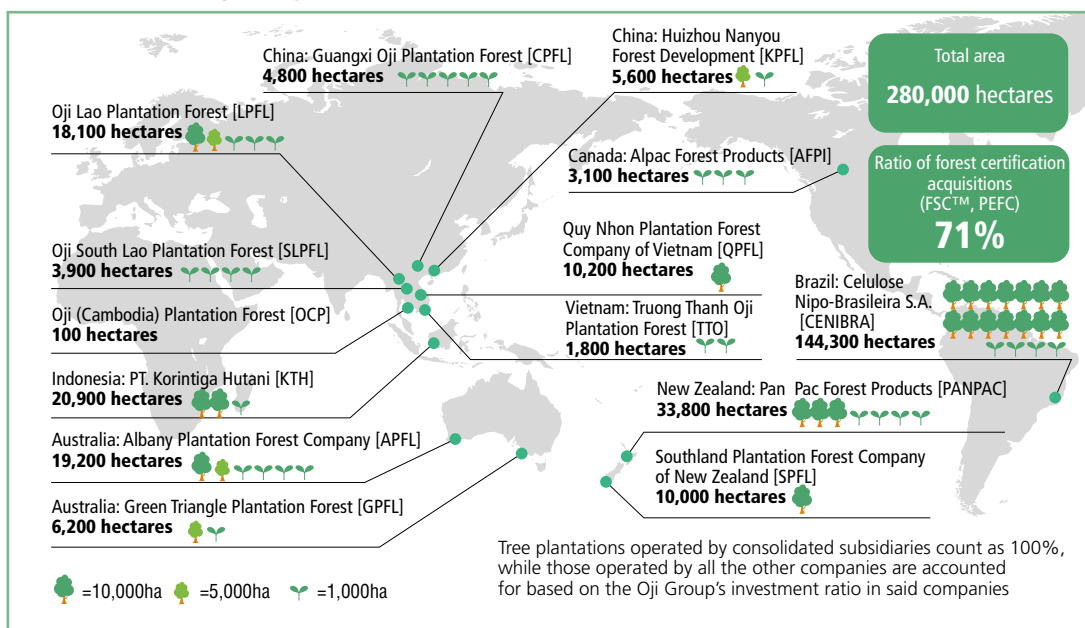
The Oji Group pushes forward acquisition of third-party forest certifications that support the Sustainable Forest Management activities. We own forests of large land areas (190,000 hectares in Japan and 280,000 hectares in overseas) that are managed, conserved and utilized appropriately. All the domestic forests, excluding profit-sharing forests, have already acquired the SGEC*1 forest certification, and 200,000 hectares out of 280,000 hectares (71%) of overseas forest plantations have acquired the FSC™*2 forest certification. Moreover there are several forest projects with the PEFC*3 forest certification. We will continue to aim for a 100% forest certification acquisition at overseas forest plantations.

- *1 **SGEC** (Sustainable Green Ecosystem Council): organization which administrates a unique Japanese forest certification that fits well to Japan's natural environment and society
- *2 **FSC™** (Forest Stewardship Council™): international organization that uses a forest certification system to promote a proper forest management from the perspective of environment/society/economy
- *3 **PEFC** (Programme for the Endorsement of Forest Certification Schemes): international organization that promotes evaluation and mutual recognition of different national forest certification systems

Overview and Distribution of the Oji Group's Forests in Japan (end of fiscal 2013)



Distribution of the Oji Group's Overseas Forest Plantations (end of fiscal 2013)



Thoughts after an observation of a FSC™-certified forest

WWF Japan Forest Programme
Ms. Chiaki Furusawa

Today, reductions in the number of forests globally caused by misuse of forests have been constantly reported despite the fact that products made from forest resources such as lumber and paper have become essential to our living and businesses. WWF believe that acquisitions of FSC™, a highly reliable international forest certification, will definitely contribute to local communities and to conservation of the environment.

A great amount of effort is required to meet the strict standards on consideration to environment, society and economy, and to acquire and maintain forest certifications. Recently, I had a chance to observe the Oji Group's FSC™-certified forest in Brazil*. The visit made me realize once again that a forest managed with such efforts brings beneficial impacts to conservation of biodiversity as a result of continuous activities such as regeneration of forests, protection of rare species and monitoring of wildlife.

*CENIBRA's license code: FSC-C008495

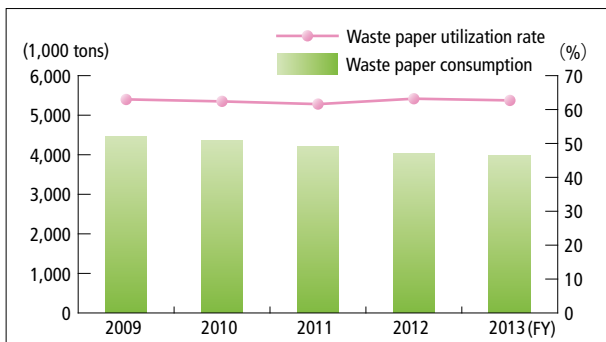


Logging of ready-for-harvest trees. The operation is conducted with consideration to remaining natural trees

Paper Recycling (Promotion of paper collection and further expansion of waste paper usage)

The Oji Group takes initiatives for Paper Recycling to achieve the goal of a utilization rate of waste paper of 64% in fiscal 2015, which is a common goal in the pulp and paper industry. The result in fiscal 2013 was 62.7%. In order to increase the utilization of waste paper, we will continue to implement various measures such as reuse of confidential documents or difficult-to-process waste papers and appeals to industries to improve the quality of waste papers.

Consumption and Rate of Utilization of Waste Paper



Recycling of Confidential Documents

In the past, most of the confidential documents were incinerated due to concerns about information leakage. To encourage utilization of confidential documents, Oji Materia's Edogawa Mill has acquired ISO 27001 certification for information security in June 2013 and enhanced its processing system to win even greater trust from customers.

Initiatives to Improve Waste Paper Quality

The presence of a large amount of prohibitives and foreign substances in collected waste papers may cause various negative impacts that include inefficiency in recycling, increase of energy requirement, increase of sorting operation and lowering of paper product quality. To improve the utilization rate of waste paper, it is important to prevent prohibitives from being mixed in. Measures like exchanging opinions with wholesale dealers of waste paper and government agencies and also conducting observation tours for their personnel are carried out.



Removal of foreign substances from collected waste papers

Responsible Raw Materials Procurement

The Oji Group formulated the “Oji Group Partnership Procurement Policy” and the “Wood Raw Material Procurement Guidelines” based upon the principles outlined in the “United Nations Global Compact”, the “Oji Group Corporate Code of Conduct” and the “Oji Group Environment Charter”. In accordance to these Policy/Guidelines, the Group verifies the safety and legality of raw materials and works towards responsible raw materials procurement that shows considerations for environment and society.

Oji Group Partnership Procurement Policy

The Oji Group works together with its business partners in its supply chain to help them take the actions below. We also expect our business partners to encourage their suppliers to show similar consideration.

Oji Group Partnership Procurement Policy	
<p>1 Ensure stable supply</p> <ol style="list-style-type: none"> 1. Offer competitive prices 2. Ensure quality and delivery 	<p>4 Demonstrate social concern</p> <ol style="list-style-type: none"> 1. Protect human rights (prohibit child labor, forced labor, discrimination and harassment) 2. Protect labor rights (maintain good labor relations, avoid long working hours, and ensure minimum wage standards are met) 3. Ensure workplace safety and health 4. Contribute to society and the local community
<p>2 Comply with laws and social standards, and engage in fair trade</p> <ol style="list-style-type: none"> 1. Comply with relevant laws and international conventions 2. Maintain sincere healthy relations with business partners 	<p>5 Communicate with society</p> <ol style="list-style-type: none"> 1. Build relationships of trust with stakeholders through communication 2. Respect the cultures and customs of other countries 3. Appropriately disclose and protect information
<p>3 Consider the environment</p> <ol style="list-style-type: none"> 1. Reinforce environmental management systems 2. Reduce waste and effectively use resources 3. Pursue global warming countermeasures 4. Protect biodiversity 5. Reduce environmental impact 6. Manage chemical substances 	

Established: April 2007
Revised: October 2012

Procurement of Pulp and Wood Raw Materials

Among all the raw materials, wood is one of the raw materials that must be appropriately utilized. The “Wood Raw Material Procurement Guidelines” has been established and the procurement of wood raw materials, including pulp, is carried out according to this guideline.

Wood Raw Material Procurement Guidelines
<ol style="list-style-type: none"> 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*)
<p>*http://www.ojiholdings.co.jp/sustainability/forest_recycling/view.html</p>

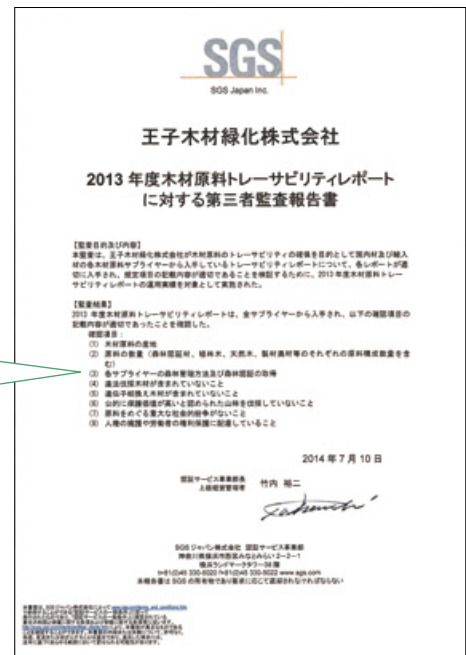
Established: April 2005
Revised: October 2012

Traceability Verification

The following items are verified through a traceability report.

Items to be confirmed include:

1. District of origin of wood raw materials
2. Quantity of wood raw materials
3. Our suppliers' forest management methods and acquisition of any forest certifications
4. Exclusion of wood originating from illegal logging
5. Exclusion of wood originating from GMOs (genetically-modified organisms)
6. Non-involvement in logging in officially-recognized high conservation value forests
7. Free from major social conflicts regarding the relevant wood raw material
8. Consideration for protection of human rights and workers' rights



Third-party audit report on the traceability report

Conduct of On-site Investigations

We regularly visit sites of forest land/chip processing and shipment to verify traceability of wood materials. Besides, we seek verification with local governments and concerned parties should the need arises, to ensure that problems such as illegal logging are not occurring.



Acacia plantation in Vietnam

Safety Checks of Raw Materials and Chemicals

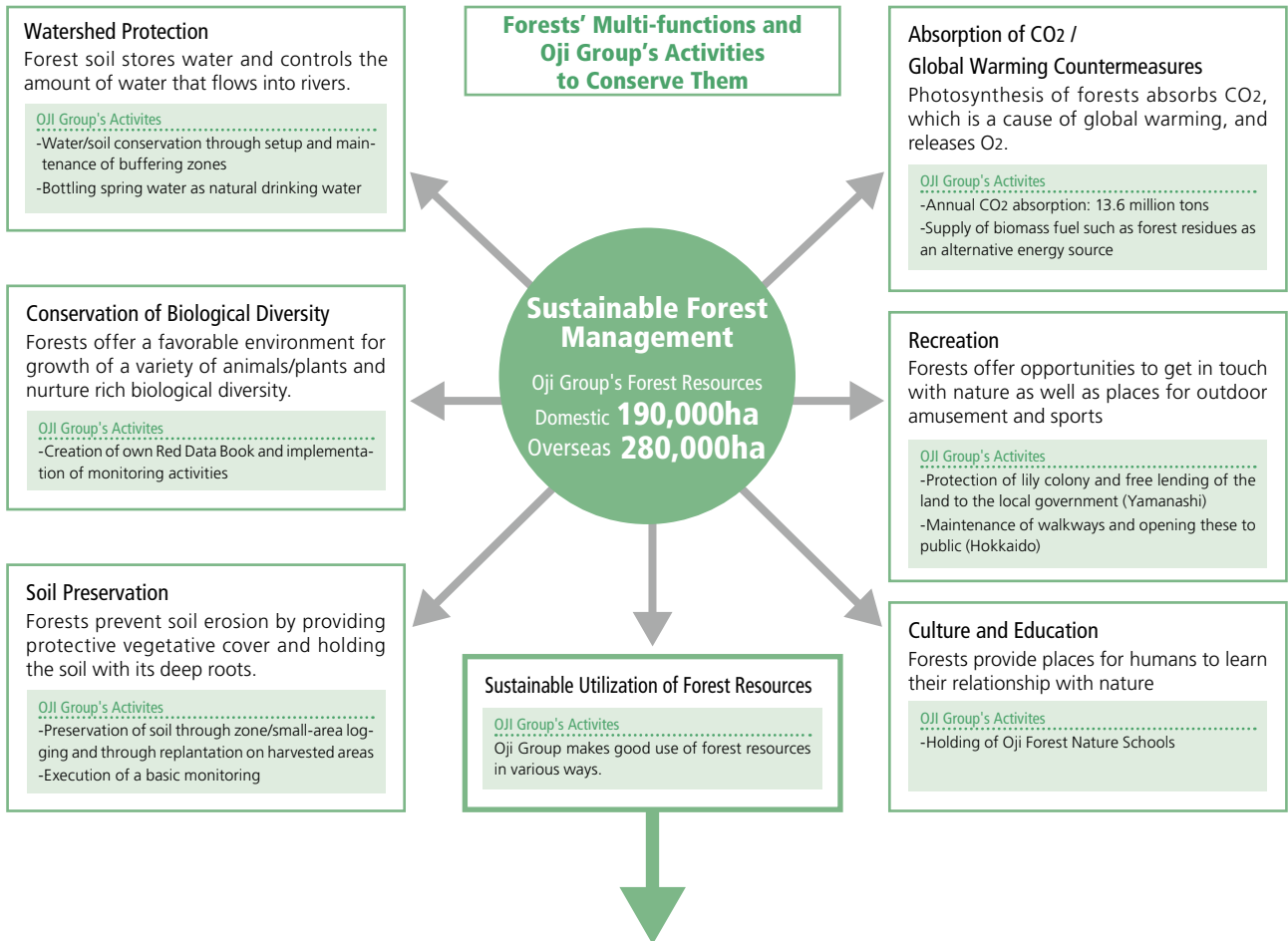
The safety of our raw materials (chemicals and other materials) are verified throughout our supply chain by regularly obtaining information on their legal compliances and toxicities both before and after their uses, so as to be able to ensure product safety and to respond to our customers' inquiries. Toward that end, we laid down a Group rule to use our Group's own survey sheets to complement legally required safety data sheets (SDS), making up for any insufficient information from SDS.



Sustainable Forest Management “Utilization of Forest Certification Systems”

The Oji Group’s domestic/overseas forests take measures such as conservation of natural forests and biodiversity to show its consideration for the environment, and continually utilize forest resources through a cycle of “plant”, “grow”, “log” and “replant”, in its attempt to practice the “Sustainable Forest Management” which maximizes a wide range of forests’ environmental functions. Moreover, acquisition of forest certifications that underpin the “Sustainable Forest Management” is being promoted.

Conservation of Forests’ Multi-functions



(See pg.36 for the details of the integrated forest industry.)

Pulp Business



Panoramic view of PANPAC Mill

Renewable Energy Business



Tomioka Mill's biomass boiler

Lumber Processing Business



PANPAC's lumber products

Activities for Biodiversity Conservation

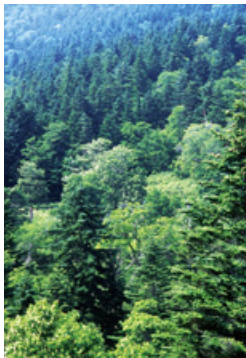
The Oji Group makes efforts to conserve biodiversity at its forests inside/outside Japan, working in concert with communities, academic experts, environmental NGOs and local residents.

Initiatives in Japan

Sarufutsu Itou Conservation Council

Itou, the largest freshwater fish in Japan, is designated as endangered species. With the goal of conserving the Sarufutsu Forest in the Sarufutsu Village in Hokkaido as well as itou which lives in the rivers there, the Oji Group established the "Sarufutsu Itou Conservation Council" together with local NPOs, the local government and researchers in 2009.

The council sets the land area of 2,660 hectares of the Sarufutsu river zone as a protective zone and preserves it. Besides, it provides assistances to symposiums, environmental education intended for university students, and ecological studies such as counting investigation of sea-run itou done by the National Institute for Environment Studies (Japan) and the Wild Salmon Center. This investigation confirmed that a larger-than-expected itou population exists. An additional ecological analysis is expected to be conducted in future.



Nature-rich Sarufutsu company-owned forest



Nuptial colored sea-run Itou at Sarufutsu River



Removal of driftwood that blocks Itou from running upstream



Investigation of man-made structures that blocks Itou from running upstream

Mount Apoi:

Continued Conservation of Endangered Alpine Plants

Mount Apoi is located at the southern edge of Hidaka Mountains, to the West coast near the Cape Erimo. The number of the Alpine Plant Colony, which was designated as a special natural monument in 1952, has declined drastically due to illegal collection. The Oji Group supports the Mount Apoi Restoration Committee, an NPO whose mission is to restore alpine plants, by lending its company-owned forests as test plots without charge since 2006 and offering supplies such as fences for animal damage prevention.

In May 2013, participating members of the Committee, which consists of local residents, government and researchers, cut bamboo grass and planted *hypochaeris crepidoides* and *erigeron thunbergii* var. *angustifolius* grown by the local residents. *Erigeron thunbergii* var. *angustifolius* and other plants which had been planted at the test plot in the previous year came into bloom healthily.



Participants of the Mt. Apoi restoration activity



Primula modesta var. *samanimontana* blossoms beside climbing trail



Brigeron thunbergii var. *angustifolius* blossoms at the test plot



Grass cutting

Initiatives in Overseas Companies

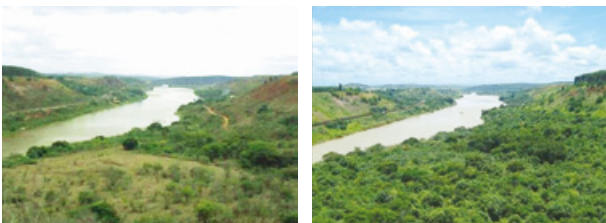
Initiatives in Brazil

CENIBRA, an Oji Group company which is engaged in eucalyptus trees plantation and pulp business in Brazil, owns and manages 100,000 hectares of natural forests and 150,000 hectares of forest plantations. It protects approximately 50,000 hectares of its plantations for biodiversity conservation in accordance to the Forest Acts in Brazil. Moreover, natural forests as well as forest areas near water sources (e.g. steep slopes, wetland, etc) are kept unlogged. It also strives to restore the environment through plantation of native trees (regeneration of natural forests) in the case of forest destruction as a result of collapse or wildfire at the protected forests.

At these forests the endangered Mutum (Curassow) are bred, raised and released back into the wild. Environmental education concerning forests or biodiversity intended for schools or local residents are also being conducted.



Plantation with remaining natural forests (©João Rabelo)



Before and after of environmental restoration (regeneration of natural forests)



Raising Mutum. They are released back into the wild after they have grown up

Initiatives in New Zealand

Kiwi, a wingless bird living in New Zealand, is in danger of extinction because of the presence of mammals that was brought in by humans a long time ago. For the purpose of protecting these kiwis, PANPAC, which is an Oji Group company engaged in pinus radiata plantation and pulp/lumber businesses in Napier, New Zealand, supports activities of ECOED, an organization involved in environmental conservation and outdoor education in Hawke's Bay district.

The sanctuary for young kiwis has a total land area of 40 hectares and is surrounded by protective fences. In every October, volunteers are gathered to catch and protect eggs and young kiwis in the surrounding area. Eggs are sent to the sanctuary after hatching, and young kiwis are released to the wild when they reach over 800g in weight and are able to defend themselves from natural enemies.



Kiwi



People playing with a kiwi

"Expansion of Eco-friendly products"

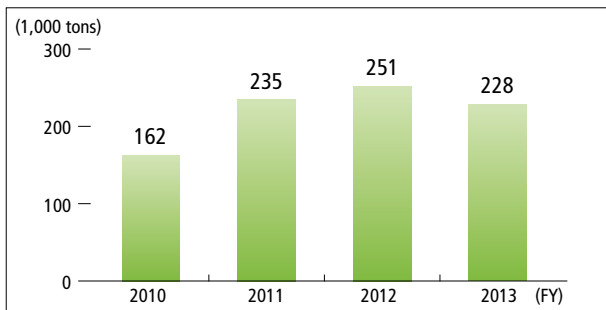
FSC™ certification

The FSC™ certifications includes: "FM*1 certification" which verifies appropriate management of forests, and "COC*2 certification" which verifies appropriate management of processing and distribution of forest-related products. The Oji Group has acquired the FSC™ FM certification at overseas forest plantations and COC certification for domestic manufacturing/processing operations. With its system for supplying FSC™-certified products such as copy paper, tissue paper, toilet rolls and paper towels, 228,000 tons of products were sold in fiscal 2013.

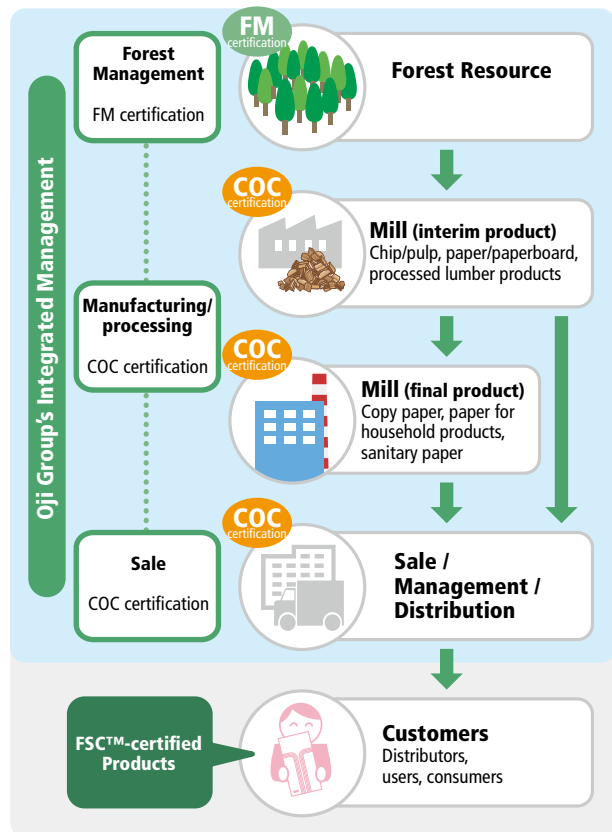
*1 FM: Forest Management

*2 COC:Chain of Custody

Sales Volume of Oji Group's FSC™-certified Products



In Japan, recognition of forest certifications is extremely low. We are working to build better understanding about the various functions of forest and the importance of forest management by selling FSC™-certified products that are close to customers' daily life.



Awareness of Forest Certification (FSC™)

Europe	40~70%
Japan	10%

(Source: FSC™ Investigation Materials 2013)

Oji Group's FSC™-certified Products



The mark of responsible forestry



Oji Nepia: tissue paper, toilet roll
(License code: FSC-C018118)



PANPAC: lumber
(License code: FSC-C017103)



Oji Paper: printing paper
(License code: FSC-C014119)



Oji F-Tex: fancy paper
(License code: FSC-C005431)



Oji Kinocloth: wet towel
(License code: FSC-C109587)

Social Contribution Activities

The Oji Group includes the principles of “Communication with Society”, “Participation in Social Contribution Activities” and “Coexistence with the International Community” in its Corporate Code of Conduct, which specifies matters on which all officers and employees should work, and accordingly builds and maintains strong relationships with local communities. The Group is engaged in various efforts to seek active communications, to gain people’s further understanding on its activities and to contribute in solving problems that are faced by local communities.

Paper Workshop at a Paper Manufacturing Mill

Oji Materia’s Edogawa Mill hosted the 4th “Paper Workshop at a Paper Manufacturing Mill” in April 2014. This is a program that aims to convey the attractiveness of paper through “mill tours” which enable participants to see how paper is manufactured from recovered paper and also a series of “paper recreations”. A record high of 781 participants, with repeat guests and those gathered by word-of-mouth among them, were welcomed by 71 attendants (including freshman employees) from 15 Oji Group companies.



Hall full of people enjoying recreation activities including papermaking, coloring, building block, craftwork, etc.



Time has come for the mill tour!



Participants looking at dissolving waste paper with great interests

Comment from an attendant

VOICE

Thoughts after my first participation to an Oji Group’s social contribution activity as a freshman employee

Oji Nepia Co., Ltd PCIC Product Development Department Harue Shimizu

I attended the event as an usher at the front gate and could communicate not only with a lot of participants, but also interested passersby, by greeting and explaining to them about the event. The event provided me with an invaluable opportunity to learn once again about the loveliness of paper to bring smiles to people. I feel I was lucky to have this experience shortly after I joined the company and believe it will definitely be a great asset throughout my life as a member of the society.



Oji Forest Nature School

Together with the Japan Environment Education Forum, the Oji Holdings makes use of its company-owned forests and mills to run an environment education program with a unique nature experience for children in 4th grade elementary school to 3rd grade junior high school. Throughout the 3 days program, children learn how they are connected with nature and other people as they work together hand-in-hand on activities such as tree thinning and forest observation. The program also gives children an opportunity to learn about relationships between forests/nature, industry and human through paper mill tours.

Now in its 10th year, the program has been highly evaluated from various aspects as shown in the winning of the "commendation award from the Ministry of Education, Culture, Sports, Science and Technology for promotion of hands-on activities for youth". In 2014, 3 Nature Schools (in Hokkaido, Nikko and Fuji) were held with nearly 80 children from across Japan taking part.



Oji Forest Nature School 2014 (Nikko)

Groundwork Program

Groundwork program involves members of local communities, companies and government coming together as partners to improve the local environments. The Oji Group was the first company to join the Japan Groundwork Association after its establishment in 1995 and has contributed to local communities through community cleanup/beautification activities and supports for tree planting and environment education programs. Oji Paper Kasugai Mill was awarded the "Certificate of Appreciation from the Chief of Chubu Regional Bureau" in July 2013, for its years of beautification activities on the Shonai-gawa River (Class A river).



Cleaning of the road around the mill (Oji Materia Kushiro Mill)

Presenting New 1st Grade Students with Sketchbooks ~ Oji Paper Nichinan Mill ~

Oji Paper Nichinan Mill, which manufactures quality paper, copy paper, etc., presents new 1st grade students of a local elementary school with sketchbooks made from papers manufactured at the mill. This activity has been ongoing every year since 1974 and this spring marked the 41st anniversary. It is well-received by students and their parents as the present can be considered as a 'limited item' which they can receive only once in their lifetime. Going forward, we will continue with this activity to offer special gifts to new students.



Presentation ceremony this year was conducted at the Aburatsu Elementary School of Nichinan City



What are you drawing?



Cooperation towards the 25th Anniversary Project of “Papier Museum Düren (Germany)”

Düren in Land Nordrhein-Westfalen state of Germany is where the site of KANZAN is located at. KANZAN is an Oji Group company which engages in production and sales of thermal papers. Düren has become a major hub of Germany’s paper industry, having a history of more than 400 years; 17 mills were being operated when the industry was at the height of its prosperity.

“Papier Museum Düren”, which is a museum located at the central part of the district, conveys the history of paper manufacturing and that of the district. As its 25th anniversary project in 2015, the museum has been working on renovation of aging facilities and revamp of exhibition contents. Donations collected from individuals and leading local companies including KANZAN have been used in supporting the museum. Please feel welcome to drop in if you happen to be nearby.



Tub for handmade paper at the Museum in Düren



Image of the renovated museum

Social Contribution Activities at Oji (Cambodia) Plantation Forest Company (OCP)

OCP, a member of the Oji Group that engages in forest plantation business in Cambodia, supports neighboring elementary schools. It has offered mainly stationaries in the year of 2013, and filtration membranes and water wells in 2014. These activities will be continued, hoping to be of some help to improving children’s hygienic and educational environments.

Assistance works on offering nursery trees and medical care are also implemented in response to the needs of the local community. OCP will continue to strengthen its bonds with the local community by seeking better ways of contribution through dialogue with local residents.



OCP’s offering of stationaries to an elementary school

Comment from the elementary school principal

VOICE

Clean water is now available for children

Peareach Elementary School Principal Mr. Lot Savan

Though improvement in hygiene environment is important to students’ life, it was difficult to find and get access to clean water before we were provided with water well by OCP. Some students had to spend hours traveling to places far away from schools to collect water or to buy water from villagers. In addition, most students came to schools in dirty uniform or even without uniform. Now children can wash their hands or food inside the school areas, and many families in the farms nearby also come to school to use the well to water their crops and to feed their animals.



Mr. Savan is on the left in the photo

Social Contribution Activities at Oji Papéis Especiais (OPE)

OPE, a Brazilian thermal/carbonless papers manufacturer, supports and carries out social contribution activities in the following areas:

1. Education and vocational training
2. Sports
3. Cultural activities
4. Supports for Down's syndrome patients

1. Education and vocational training

OPE donates funds to education and vocational training programs intended for visually impaired persons and business education programs for lower income high school students.

2. Sports

OPE encourages social inclusion of adolescents, who do not have sufficient access to goods and services, by providing financial assistance in organizing sports and football classes.

3. Cultural Activities

OPE encourages children's cultural exchange activities by donating funds to a program offering professional musical trainings and by hosting poetry workshops and cultural contests.

4. Supports for Down's syndrome patients

OPE financially supports a program which seeks an improvement in intellectual and physical abilities of Down's syndrome patients through sports, art and music activities. The program also provides prenatal testing and support for the patients' families.



Tree Planting Activities in Inner Mongolia, China

The Oji Group China has been sending tree planting teams to Inner Mongolia, in its aim to actively promote supports for preservation of the global environment. Through participating in "a Million Trees" project held by an NGO group "Shanghai Roots & Shoots", we expect our employees to be proud to be a part of Oji Group and to build awareness on social contribution activities. The first tree planting team was dispatched in June 2011, and this time in May 2014, volunteers were similarly gathered from various Group companies. We plan to continuously plant 23,000 trees over the next 7 years.



Participants gathered from various companies in China in year 2014



Hoping that nursery trees take roots firmly on the ground

Social Contribution Activities at Oji Nepia

Oji Nepia, which is involved in manufacturing and sales of tissue paper, toilet rolls and disposable diapers, has set "nepiaQuality" to pursue the following 3 qualities, "living, environmental and social qualities". Considering social contribution activities as a part of the "social quality", the company cooperates with customers and various other organizations to continue its social contribution activities that resolve social problems.

nepia 千のトイレプロジェクト

"1,000 Toilets Program"

There are nearly 1,400 children who are losing their lives every day due to unhygienic water and inadequate toilets in our current world.

In 2008, Oji Nepia launched the "Nepia 1,000 Toilets Program" out of a desire to prevent loss of life caused by water and toilet problems. Under the Program, a portion of proceeds from the sale of specific nepia products during the campaign period is used to help fund UNICEF activities.

In Timor-Leste, a recipient of the aid, the funds go towards providing sanitary toilet facilities to more than 1,000 households each year and fostering safe hygiene practices as a way of eradicating open defecation, which is a cause of diseases such as diarrhea and dehydration.

Until today, more than 6,200 toilets have been completed and this has contributed to improvement of under-five mortality rate. The program has been growing as one developed together with customers, receiving approximately 70,000 cheerful messages from domestic customers.



Comment from the project partner

VOICE

The project leads to a creation of a hopeful country

Japan Committee for UNICEF Executive Director **Mr. Ken Hayami**

Though there has been much development experienced in urban areas of Timor-Leste, a large number of people in rural areas still live in unhygienic conditions, without access to safe water and sanitary facilities. Inappropriate sanitary habits do not only cause diarrhea and parasite infection, but also seriously affect children's future through chronic malnutrition and growth stunting. The "1,000 Toilets Program" has been contributing to a creation of a country full of hope by improving sanitary conditions.

The cooperation between business enterprises and UNICEF to maximize both parties' unique characteristics and strengths is an absolute essential to realize a "World Fit for Children". I would like to express my heartfelt thanks for Oji Nepia's continual support to children.



“poo Classes”

Since 2007, Oji Nepia and Japan Toilet Labo have been holding “poo Classes” to teach elementary school children about the importance of healthy bowel movements.

In addition to unbalanced nutrition and lack of exercise, reasons such as fear of getting teased for going to the toilet and not knowing how to use Japanese-style toilet have caused children to withhold their bowel movements, leading to an increase of children’s constipation cases in the recent years.

“poo Classes” are widely carried out to improve the situation and more than 15,000 children have participated in them to date. Since 2009, the company has also began seminars for school nurses and other professionals to support them in conducting their own “poo Classes”.

After the classes, positive feedbacks from children such as, “I have started to eat vegetables that I used to dislike” and “I am able to take a poo in school’s restrooms” were received. Feedbacks from guardians and teachers such as, “the class has taught the children to use restroom/toilet rolls carefully” and “parents are now able to have conversation related to health matters with children” were also received. Such feedbacks convinced Oji Nepia of the differences that a company can make in the society, providing further motivation for its social contribution activities.



Genki! supports クリニクラウン nepiaGenki! supports CliniClown

“Putting Smiles on the Faces of Hospitalized Children.”

Oji Nepia has been supporting activities of the Japan CliniClowns Association since 2010 by donating a portion of the proceeds from its sales of nepiaGenki! disposable diapers for baby.

Besides arranging regular CliniClown visits to hospitals and CliniClown training/awareness activities, the association also supports areas that are affected by the Great East Japan Earthquake with its activities.

Red-nosed CliniClowns bring joy to hospitalized children.



スピーデングー 笑福亭鶴笑ボランティア落語会

Volunteer Rakugo Performances

Shofukutei Kakusho is a rakugo performer who has voluntarily continued to visit elderly nursing homes, bringing joy and laughter to people in the aftermath of Great East Japan Earthquake. Sharing his good will for a good cause, Oji Nepia has started to support his activity via Japan Philanthropic Association by donating a portion of the proceeds from its sales of away-from-home disposable diapers. The company has provided assistance in the setting up of “Volunteer Rakugo Performances”, a series of events that brings “laughter” and “energy” to people in nursing care facilities throughout Japan.



Culture and Sports

Social Contribution by the Fujiwara Foundation of Science

•Fujiwara Foundation of Science

Ginjiro Fujiwara(1869-1960), who had served as the president of the former Oji Paper in the prewar era, is often referred to as Japan's king of papermaking. He is well-known for his devotion to scholarship programs to make Japan a world-leading country in science and technology and also for his setting up of Fujiwara Institute of Technology (currently, known as the Faculty of Science and Technology, Keio University). Besides, the Fujiwara Foundation of Science was established in 1959, with an aim of developing science and technology in Japan.

The Foundation presents the "Fujiwara Award" annually to 2 scientists who have made major contributions to advancements of science and technology in Japan. It also supports the holding of academically advanced international seminars known as the "Fujiwara Seminars" twice every year.

The Oji Holdings mainly provides financial supports so that the Foundation can continue to follow the founder's footsteps to additionally contribute to future progress in science and technology in Japan.

•The Fujiwara Award

The Fujiwara Award is highly recognized as Japan's oldest and authoritative award for advancement of science, with its broad scope that covers the following 5 areas: "mathematics/physics", "chemistry", "engineering", "biology/agriculture" and "medicine".

In 2014, the 55th Fujiwara Awards were presented to Professor Eiichi Nakamura (Doctor of Science) and Professor Yasuji Miyashita (Doctor of Medicine) of the Graduate School of the University of Tokyo, respectively for their works entitled, "Frontier Development of Molecular Science/Technology Based on Accurate Molecular Designs" and "Analysis of Mechanism of

Cognition and Memory". Their outstanding research achievements in "chemistry" and "medicine" were recognized and commended.

The Award was given also to the winners of the Nobel Prize in physics, Dr. Masatoshi Koshihara (1997) and Dr. Isamu Akasaki (2002).

•The Fujiwara Seminars

As a part of the centennial project of the former Oji Paper in 1973, the Fujiwara Seminars have been receiving supports from 16 companies including Oji Paper (current Oji Holdings) to hold annual international seminars since 1974.

60 to 70 researchers from universities and research institutions around the world

participate in each seminar and further drive forward their common research topics through continuing education including article publication and opinion exchanges. In addition, foundations for future cooperation among researchers are built as a result of stay-over seminars that enable free academic exchanges and deepening of personal relationships.

The seminars in 2014 are: the 67th seminar in Tomakomai on "Dynamics of Physical Phenomena and Manipulation by External Fields" led by Professor Seiji Miyashita from the Graduate School of the University of Tokyo, and the 68th seminar in Amagi, Izu, on "Dynamic Homeostatic Mechanism regarding Biological Clock, Sleep and Metabolism" led by Professor Hiroki Ueda from the University of Tokyo/RIKEN.



At a Fujiwara seminar



The 55th Fujiwara Award Ceremony

Oji Hall, a Musical Space at Ginza 4-chome

Oji Hall, reaching its 25th anniversary in October 2017, hosts around 40 high-quality performances and rents out its venue for 160 performances per year. It gathers about 60,000 audiences annually and 1,100,000 audiences in total since its opening. The selected high-quality performances, which are hosted by the Oji Hall, have received high evaluation and are frequently shot and broadcasted by NHK. Having only 315 seats, the Hall's incomparably cozy and luxury atmosphere has gained a reputation both at home and abroad, with even a famous Western musician commenting that, "Oji is my home in Japan."



Oji Hall President
Momoko Hoshino

Concert halls are places where people come and go to seek fulfilling time. The power of music transcends the realm of nations and languages, and blows away any worries from everyday life. We will continue to strive for developments and improvements of artistic cultures at the Oji Hall, where cultures essential for living are created and delivered with our worldwide perspective and hospitality.



Stage of the Oji Hall (3F, main building of Oji Holdings)



"MARO World", one of the featured concerts of Oji Hall. It is a musical performance by MARO Company, a string band composed of top and distinguished orchestral players in Japan

Ice Hockey

The Oji Group's ice hockey team, Oji Eagles, has won the All-Japan Ice Hockey Championship for 35 times, the Japan Ice Hockey League for 13 times and the Asia League Ice Hockey for 2 times, since its establishment in 1926. With its history and records, the team has become the leader in Japanese ice hockey world.

In the off-season, it works on player developments through holding ice hockey classes intended for elementary/junior high school children in Tomakomai and the neighboring cities. It also seeks communications with local residents through volunteer activities at hospitals, cleanup activities and flower-planting on streets.



Oji Baseball Team

The Oji Baseball Team, which practices at Oji Paper Kasugai Mill, has had numerous successes, including winning of the Intercity Baseball Tournament in 2004.

The team has also been engaged in activities rooted in the local community. It holds tournaments for local boys' baseball teams every November to encourage exciting games, and also baseball classes after the tournament for all the participants.



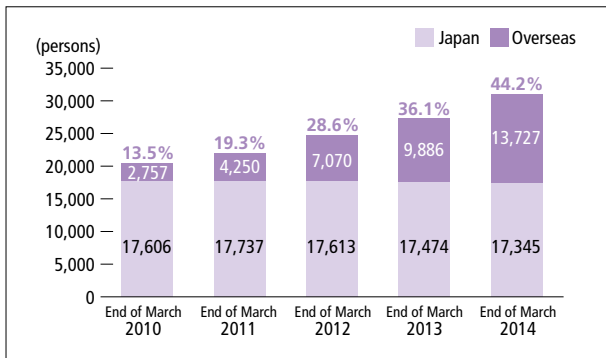
Employee Relations

With “Respect for People” in mind, the Oji Group pays utmost care and attention for its employees’ safety and health. It also aims to help them in achieving comfortable and affluent lifestyles, as well as displaying their individuality. In addition, we take initiatives in implementation/expansion of personnel system based on ability and roles, promotion of greater utilization of women workforce, diversification of employment and nurturing of globally-minded personnel, in our drive to reinforce human resources and to revitalize the corporate organization in our harsh management environment.

Number of Employees

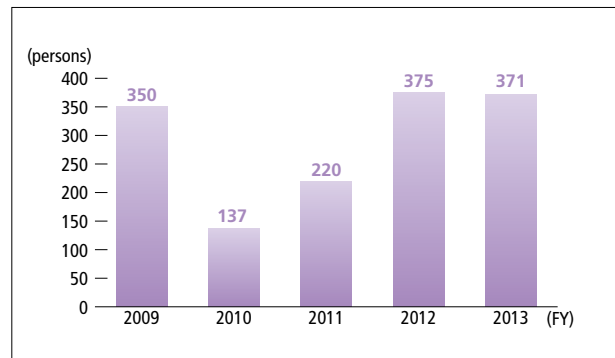
As of the end of March 2014, the Oji Group had 31,072 employees, of which 13,727 were overseas employees.

Number of Oji Group Employees (consolidated basis)



1. Promote instillation/entrenchment of the change in mindset to create innovative values
2. Enhance collaboration among the Group employees
3. Strengthen communication skills
4. Nurture globally-minded talents

Number of Oji Group’s New Employees (consolidated basis)



Hiring and Development of Human Resources

The Oji Group is committed to being a corporate group with abundant ideas and high sensitivity to society’s needs while being a good corporate citizen that maintains high ethical standards and fosters greater trust from society. The Corporate Code of Conduct and the Behavior Standard have been formulated to achieve this aim.

In order to fulfill these important codes and standards, we have developed and strengthened our human resources in accordance with the following policy. We have also been conducting diversified recruitment activities that do not only target new graduates and talents of Japanese nationality.



Achieving a Work-life Balance

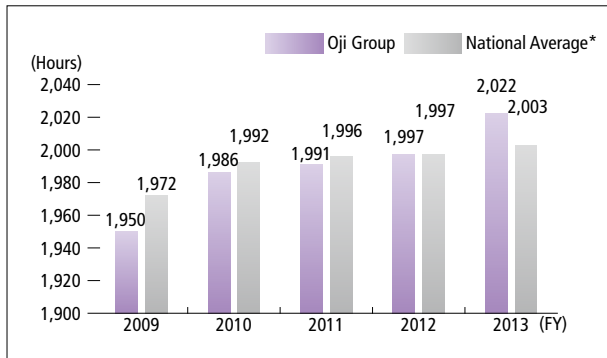
•Reforms in the way of working

The Oji Group is actively engaged in its effort to achieve better work-life balance, seeing employees as precious management resources. In its aim to reduce time-wasting activities and improve efficiency as well as reduce working hours to below 1,900 hours/year, the following activities are implemented.

Main Initiatives and Considerations

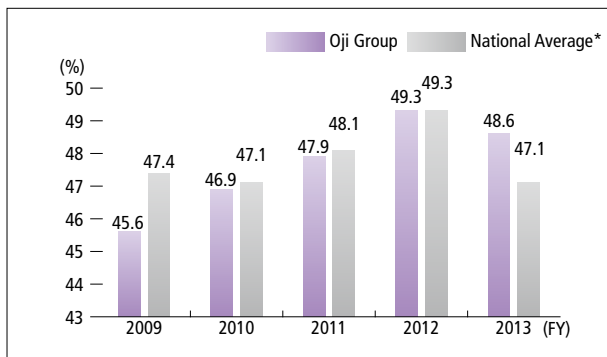
1. Set flexible office hours that suit operational situation of each employee/department (shift of working hours)
2. Encourage employees to take compensatory leave for working on holidays
3. Encourage taking of paid leave (mass summer holidays and 1 day of paid leave every month)
4. Improve operational efficiency of sales department (utilization of tablets, etc)
5. Consider an introduction of discretionary work system

Total Working Hours



*National average is based on the Monthly Labor Survey from the Ministry of Health, Labour, and Welfare.

Percentage of Paid Leaves Taken



*National average is based on the General Survey on Working Conditions from the Ministry of Health, Labor and Welfare.

*Coverage of calculation: Oji Holdings, Oji Paper, Oji Materia, Oji F-tex, Oji Nepia, Oji Imaging Media, Oji Container, Oji Green Resources, Oji Management Office

•Promotion of assistances on achieving balance between childcare/nursing care and work

We proactively make efforts to create working environments that enable all the employees, both men and women, to manage their work and childcare/nursing care responsibilities at the same time. Within this context, the company rules concerning the following topics have been revised: an introduction of shorter working hours, encouragement of taking paternity leaves, establishment of free consultation on childcare and an increment of childcare/nursing care leaves available.

Besides, we are currently considering an introduction of systems including: extension of leave periods for employees with children not accepted by nursery schools, assistance for nursery school expenses for employees who return to their workplace earlier, telecommuting and re-employment of ex-employees due to childcare, nursing care and spouse's transfer.

•Utilization of Female Labor Force

	FY2009	FY2010	FY2011	FY2012	FY2013
Number of women in managerial positions (person)	26	27	28	29	30
Percentage of women hired as management trainees	15%	0%	12%	32%	20%

*Coverage of calculation: employees of the former Oji Paper (~fiscal 2012) and total employees of Oji Paper, Oji Management Office, Oji Green Resources, Oji Imaging Media, Oji Materia, Oji Container, Oji F-Tex and Oji Nepia (fiscal 2013).

Achieving Diversity

•Greater utilization of female workforce

We support active performances of diversified talents in their work by building organization system and reforming corporate culture that allow all the motivated employees to fulfill their potential to the fullest. The role-based assignment system for management-level employees that was revised in fiscal 2014, efficiency improvements and working-hour reductions are expected to create a more favorable working environment for women to pursue success.



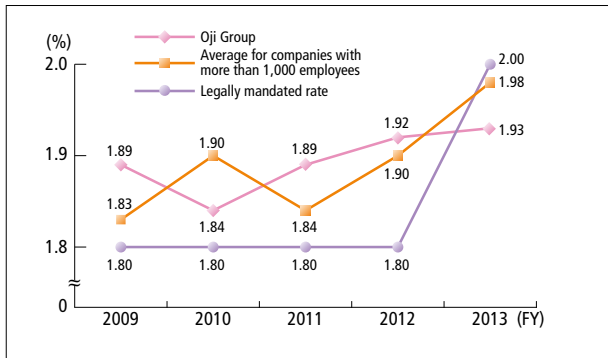
Main initiatives and considerations

1. Provide training for nurturing of management-level employee to increase the number of female managers
2. Increase the female ratio in recruitment of management trainees
3. Conduct self-assessments and interviews to encourage employees to develop vision for their careers
4. Establish a Diversity Promoting Office

Employment Promotion of Persons with Disabilities

Since fiscal 2004, we have been working in cooperation with public agencies and NPOs, to promote employment of persons with disabilities, including intellectually disabled for whom it is considered difficult to secure places to work. In June 2007, we established Oji Clean Mate which was approved for group treatment as a special subsidiary under Japan’s Act for Employment Promotion for Persons with Disabilities in September 2007.

Employment Rate for Persons with Disabilities



Coverage of calculation: Oji Holdings, Oji Paper, Oji Nepia, Oji Imaging Media, Oji Management Office, Oji Clean Mate which are approved for group treatment

Employment Promotion of Senior Employees

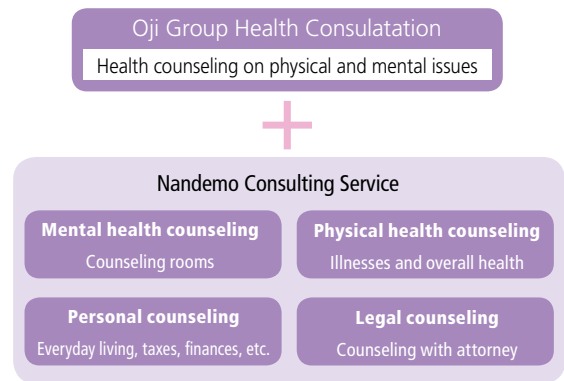
We aspire to develop a system that enables employees to continually thrive and work with motivation until the age of 65, by making changes to human resource programs and working environments. The changes being made include: securing labor force and utilization of experienced skilled labor for operating sections, and enhancement of employee benefits through provisions of employment opportunities that can support stable senior lifestyle.

Physical and Mental Health Management

•Comprehensive Assistance on Employees’ Healthcare

We are providing assistances to prevent illness as well as encourage early detection/treatment through regular health checkups, specialized health exams, specific health exams including cancer screenings and brain scans and follow-up consultations with industrial physicians. In addition, the Oji Group Health Consultation Office, a 24-hour telephone hotline system, helps to support the physical/mental health of our employees and their families, and the Nandemo (“Ask Anything”) Consultation Service, a more comprehensive hotline system, has been established to shore up our systems for providing daily access to healthcare advice.

Moreover, we have implemented stress check tests on the web and opened industrial counselors’ rooms once a month for employees at headquarters of the Group companies to prevent mental illness through early detection.



We have provided mental health seminars for management level employees on improvement of workplace environment and their relationship with subordinates in 2013, and mental self-care education for all employees at our Group’s worksites throughout Japan in 2014.

In light of our global expansion, we have also been actively working to support the health of our expatriate employees outside Japan by organizing counselor-led seminars, hiring overseas industrial specialists and introducing specialist-run mental healthcare programs.

•Provision of Multifaceted Supports for Employees’ Life Planning

We have organized life-planning seminars at each of our worksites across Japan to provide information that will help employees consider their choices about their future, including asset building, daily living, career advancement and motivation. Employees’ spouses are also welcomed to attend these seminars so that husband and wife can build a better future together.

Financial Section



CONSOLIDATED BALANCE SHEETS

As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
ASSETS			
Current assets			
Cash and bank deposits (Note 9 (2))	¥ 45,575	¥ 50,621	\$ 442,822
Notes and accounts receivable-trade (Note 9 (2), (10))	278,897	269,137	2,709,847
Marketable securities	12,557	7,144	122,014
Merchandise and finished goods (Note 9 (2))	87,096	84,877	846,254
Work in process (Note 9 (2))	19,330	17,655	187,819
Raw materials and supplies (Note 9 (2))	65,798	60,554	639,314
Deferred tax assets	8,926	12,035	86,735
Short-term loans receivable (Note 9 (2))	4,958	7,862	48,182
Accounts receivable—other	14,238	19,386	138,345
Other (Note 9 (2))	12,090	9,294	117,473
Allowance for doubtful accounts	(2,264)	(3,071)	(22,006)
Total current assets	547,205	535,499	5,316,804
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	628,748	609,992	6,109,097
Accumulated depreciation (Note 9 (8))	(418,354)	(406,628)	(4,064,850)
Buildings and structures (Net) (Note 9 (2), (9))	210,393	203,363	2,044,246
Machinery, equipment and vehicles	2,239,495	2,192,879	21,759,576
Accumulated depreciation (Note 9 (8))	(1,856,798)	(1,817,037)	(18,041,184)
Machinery, equipment and vehicles (Net) (Note 9 (2), (9))	382,696	375,841	3,718,391
Tools, furniture and fixtures	60,211	59,343	585,031
Accumulated depreciation (Note 9 (8))	(54,100)	(53,084)	(525,652)
Tools, furniture and fixtures (Net) (Note 9 (2), (9))	6,111	6,258	59,379
Land (Note 9 (2), (6))	235,063	236,091	2,283,944
Forests (Note 9 (2))	106,029	90,367	1,030,208
Plantations (Note 9(2))	117,263	103,488	1,139,363
Leased assets	10,592	9,609	102,916
Accumulated depreciation	(5,262)	(4,295)	(51,130)
Leased assets (Net)	5,329	5,314	51,786
Construction in progress (Note 9 (2))	92,091	69,918	894,784
Total property, plant and equipment	1,154,978	1,090,645	11,222,104
Intangible assets			
Leasehold rights	1,735	1,620	16,863
Goodwill	14,430	14,806	140,210
Other (Note 9 (2))	9,211	9,333	89,505
Total intangible assets	25,377	25,760	246,579
Investments and other assets			
Investment securities (Note 9 (1), (2))	154,038	150,294	1,496,678
Long-term loans receivable	1,980	2,029	19,243
Long-term prepaid expenses	17,645	14,937	171,449
Net defined benefit asset	534	—	5,195
Deferred tax assets	6,008	3,171	58,382
Other	9,348	10,934	90,829
Allowance for doubtful accounts	(1,441)	(2,022)	(14,009)
Total investments and other assets	188,114	179,345	1,827,770
Total noncurrent assets	1,368,471	1,295,751	13,296,453
Total assets	¥ 1,915,676	¥ 1,831,251	\$ 18,613,258

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade (Note 9 (2), (10))	¥ 204,052	¥ 210,921	\$1,982,629
Short-term loans payable (Note 9 (2))	184,362	307,841	1,791,316
Current portion of bonds	20,085	20,160	195,151
Accounts payable-other	13,558	20,107	131,738
Accrued expenses	43,950	46,032	427,031
Income taxes payable	7,948	5,371	77,229
Provision for surcharge	2,712	–	26,355
Other	19,258	17,692	187,118
Total current liabilities	495,927	628,127	4,818,571
Noncurrent liabilities			
Bonds	160,075	140,160	1,555,334
Long-term loans payable (Note 9 (2))	434,007	362,943	4,216,941
Deferred tax liabilities	49,895	43,583	484,802
Deferred tax liabilities on revaluation of land (Note 9 (6))	9,161	9,554	89,018
Provision for retirement benefits	–	53,232	–
Provision for directors' retirement benefits	1,623	1,580	15,772
Provision for environmental measures	1,754	1,723	17,044
Provision for loss on litigation (Note 9 (4))	4,965	4,361	48,249
Net defined benefit liability	73,769	–	716,768
Long-term deposits	9,294	2,646	90,305
Other	4,845	4,209	47,078
Total noncurrent liabilities	749,392	623,995	7,281,314
Total liabilities	¥ 1,245,320	¥ 1,252,122	\$12,099,886
NET ASSETS			
Shareholders' equity			
Common stock	103,880	103,880	1,009,336
Capital surplus	112,965	112,930	1,097,602
Retained earnings	344,846	320,086	3,350,624
Treasury stock	(42,681)	(43,140)	(414,705)
Total shareholders' equity	519,010	493,756	5,042,857
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	20,897	16,100	203,049
Deferred gains (losses) on hedging derivatives	44	(252)	429
Revaluation reserve for land (Note 9 (6))	4,214	4,875	40,947
Foreign currency translation adjustments	43,403	(8,997)	421,725
Remeasurements of defined benefit plans	(12,536)	–	(121,809)
Total accumulated other comprehensive income	56,023	11,726	544,342
Subscription rights	290	235	2,818
Minority interests in consolidated subsidiaries	95,031	73,410	923,354
Total net assets	¥ 670,356	¥ 579,128	\$6,513,372
Total liabilities and net assets	¥ 1,915,676	¥ 1,831,251	\$18,613,258

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Fiscal years ended March 31, 2014 and 2013

(Consolidated Statements of Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales	¥ 1,332,510	¥ 1,241,471	\$12,947,052
Cost of sales (Note 10 (1), (2))	1,037,837	963,900	10,083,924
Gross profit	294,673	277,571	2,863,127
Selling, general and administrative expenses			
Freight expenses	123,643	119,730	1,201,353
Warehouse expenses	6,790	6,405	65,976
Salaries and wages	45,562	45,859	442,702
Retirement benefit expenses	4,320	5,908	41,982
Depreciation and amortization	4,314	4,252	41,919
Other	48,018	43,031	466,557
Total selling, general and administrative expenses (Note 10 (1))	232,649	225,188	2,260,491
Operating profit	62,023	52,383	602,636
Non-operating income			
Interest income	1,139	972	11,073
Dividends income	2,872	2,947	27,905
Equity in earnings of affiliates	1,476	1,447	14,348
Rent income	542	583	5,269
Exchange gain	16,926	10,681	164,463
Other	3,851	4,307	37,424
Total non-operating income	26,809	20,938	260,485
Non-operating expenses			
Interest expenses	10,877	11,783	105,689
Loss on sublet of facilities	1,904	1,922	18,503
Other	5,692	5,049	55,310
Total non-operating expenses	18,474	18,756	179,502
Ordinary profit	70,358	54,565	683,618
Special gains			
Gain on sales of noncurrent assets (Note 10 (3))	10,340	1,028	100,466
Gain on sales of investment securities	370	1,117	3,604
Gain on accrual of negative goodwill	–	535	–
Gain on cancellation of shares due to absorption of a subsidiary	–	41	–
Total special gains	10,710	2,723	104,070
Special losses			
Impairment losses (Note 10 (5))	4,926	1,467	47,865
Loss on business restructuring (Note 10 (5))	4,694	1,253	45,611
Loss on disposal of noncurrent assets	2,759	3,104	26,810
Provision for surcharge payment (Note 10(7))	2,712	–	26,355
Loss on partial settlement of retirement benefit plan (Note 10 (4))	–	8,820	–
Loss on subsidiary status change from equity method to consolidated subsidiary (Note 10 (6))	–	858	–
Other	2,076	3,852	20,175
Total special losses	17,168	19,356	166,818
Income before income taxes and minority interests	63,900	37,932	620,871
Income taxes-current	19,033	12,133	184,937
Income taxes-deferred	4,385	(3,729)	42,610
Total income taxes	23,419	8,404	227,547
Income before minority interests	40,480	29,528	393,323
Minority interests in net income of consolidated subsidiaries	6,679	3,928	64,899
Net income	¥ 33,801	¥ 25,600	\$ 328,424

See accompanying notes to consolidated financial statements.

(Consolidated Statement of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥ 40,480	¥ 29,528	\$393,324
Other comprehensive income			
Valuation difference on available-for-sale securities	4,605	9,214	44,743
Deferred gains (losses) on hedging derivatives	314	(475)	3,054
Foreign currency translation adjustments	65,415	26,700	635,592
Share of other comprehensive income of investments for which the equity method is applied	1,864	10,348	18,114
Total other comprehensive income (Note 11(1))	72,198	45,788	701,504
Comprehensive income	¥ 112,679	¥ 75,317	\$1,094,828
(Breakdown)			
Comprehensive income attributable to shareholders of the parent company	¥ 91,296	¥ 67,168	\$887,065
Comprehensive income attributable to minority interests	21,382	8,148	207,763

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Shareholders' equity			
Common stock			
Balance at April 1, 2013 and 2012	¥ 103,880	¥ 103,880	\$1,009,336
Balance at March 31, 2014 and 2013	103,880	103,880	1,009,336
Capital surplus			
Balance at April 1, 2013 and 2012	112,930	113,012	1,097,262
Changes of items during the year			
Disposal of treasury stock	34	(81)	340
Total changes of items during the year	34	(81)	340
Balance at March 31, 2014 and 2013	112,965	112,930	1,097,602
Retained earnings			
Balance at April 1, 2013 and 2012	320,086	304,432	3,110,048
Changes of items during the year			
Cash dividends	(9,886)	(9,884)	(96,060)
Net income	33,801	25,600	328,424
Change in scope of consolidation	183	(251)	1,785
Reversal of revaluation reserve for land	661	188	6,426
Total changes of items during the year	24,760	15,653	240,576
Balance at March 31, 2014 and 2013	344,846	320,086	3,350,624
Treasury stock			
Balance at April 1, 2013 and 2012	(43,140)	(43,363)	(419,165)
Changes of items during the year			
Purchase of treasury stock	(129)	(36)	(1,260)
Disposal of treasury stock	600	246	5,839
Purchase of treasury stock by equity method affiliates	—	(4)	—
Increase in treasury stock by merger of equity method affiliates	(12)	—	(118)
Change in equity in affiliates-treasury stock	(0)	17	(1)
Total changes of items during the year	459	223	4,460
Balance at March 31, 2014 and 2013	(42,681)	(43,140)	(414,705)
Total shareholders' equity			
Balance at April 1, 2013 and 2012	493,756	477,961	4,797,481
Changes of items during the year			
Cash dividends	(9,886)	(9,884)	(96,060)
Net income	33,801	25,600	328,424
Purchase of treasury stock	(129)	(36)	(1,260)
Disposal of treasury stock	635	164	6,179
Purchase of treasury stock by equity method affiliates	—	(4)	—
Purchase of treasury stock by merger of equity method affiliates	(12)	—	(118)
Change in equity in affiliates -treasury stock	(0)	17	(1)
Change in scope of consolidation	183	(251)	1,785
Reversal of revaluation reserve for land	661	188	6,426
Total changes of items during the year	25,254	15,794	245,376
Balance at March 31, 2014 and 2013	519,010	493,756	5,042,857
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at April 1, 2013 and 2012	16,100	6,675	156,432
Changes of items during the year	4,797	9,424	46,617
Balance at March 31, 2014 and 2013	20,897	16,100	203,049
Deferred gains (losses) on hedging derivatives			
Balance at April 1, 2013 and 2012	(252)	186	(2,449)
Changes of items during the year	296	(438)	2,878
Balance at March 31, 2014 and 2013	44	(252)	429
Revaluation reserve for land			
Balance at April 1, 2013 and 2012	4,875	5,063	47,373
Changes of items during the year	(661)	(188)	(6,426)
Balance at March 31, 2014 and 2013	4,214	4,875	40,947
Foreign currency translation adjustment			
Balance at April 1, 2013 and 2012	(8,997)	(41,579)	(87,419)
Changes of items during the year	52,401	32,582	509,144
Balance at March 31, 2014 and 2013	43,403	(8,997)	421,725
Remeasurements of defined benefit plans			
Balance at April 1, 2013 and 2012	—	—	—
Changes of items during the year	(12,536)	—	(121,809)
Balance at March 31, 2014 and 2013	(12,536)	—	(121,809)
Total accumulated other comprehensive income			
Balance at April 1, 2013 and 2012	11,726	(29,653)	113,937
Changes of items during the year	44,297	41,379	430,405
Balance at March 31, 2014 and 2013	56,023	11,726	544,342
Subscription rights			
Balance at April 1, 2013 and 2012	235	346	2,287
Changes of items during the year	54	(110)	530
Balance at March 31, 2014 and 2013	290	235	2,818
Minority interests in consolidated subsidiaries			
Balance at April 1, 2013 and 2012	73,410	14,644	713,274
Changes of items during the year	21,621	58,765	210,079
Balance at March 31, 2014 and 2013	95,031	73,410	923,354
Total net assets			
Balance at April 1, 2013 and 2012	579,128	463,299	5,626,980
Changes of items during the year			
Cash dividends	(9,886)	(9,884)	(96,060)
Net income	33,801	25,600	328,424
Purchase of treasury stock	(129)	(36)	(1,260)
Disposal of treasury stock	635	164	6,179
Purchase of treasury stock by equity method affiliates	—	(4)	—
Purchase of treasury stock by merger of equity method affiliates	(12)	—	(118)
Change in equity in affiliates -treasury stock	(0)	17	(1)
Change in scope of consolidation	183	(251)	(1,785)
Reversal of revaluation reserve for land	661	188	6,426
Net changes in items other than shareholders' equity	65,973	100,034	641,015
Total changes of items during the year	91,227	115,829	886,391
Balance at March 31, 2014 and 2013	¥ 670,356	¥ 579,128	\$6,513,372

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 63,900	¥ 37,932	\$620,871
Depreciation and amortization	73,260	72,057	711,818
Impairment losses	4,926	1,467	47,865
Amortization of goodwill	2,822	1,948	27,423
Increase (decrease) in allowance for doubtful accounts	(1,351)	(991)	(13,131)
Increase (decrease) in provision for retirement benefits	–	9,790	–
Decrease (increase) in net defined benefit asset	847	–	8,230
Increase (decrease) in net defined benefit liability	961	–	9,345
Interest and dividend income	(4,011)	(3,920)	(38,979)
Interest expenses	10,877	11,783	105,689
Exchange loss (gain)	(14,190)	(10,496)	(137,876)
Equity in (earnings) losses of affiliates	(1,476)	(1,447)	(14,348)
Loss (gain) on sales of investment securities	(370)	(1,117)	(3,604)
Loss on disposal of fixed assets	2,759	3,104	26,810
Loss (gain) on sales of fixed assets	(10,340)	(696)	(100,466)
Loss on business restructuring	4,694	1,253	45,611
Loss on subsidiary status change from equity method to consolidated subsidiary	–	858	–
(Increase) decrease in trade receivables	(2,709)	4,901	(26,323)
(Increase) decrease in inventories	(3,783)	5,336	(36,760)
Increase (decrease) in trade payables	(11,042)	(12,313)	(107,293)
Other	11,245	10,255	109,265
Subtotal	127,018	129,705	1,234,147
Interest and dividend income received	5,105	4,838	49,607
Interest paid	(11,204)	(12,287)	(108,865)
Income taxes paid	(11,602)	(16,819)	(112,734)
Net cash provided by operating activities	109,316	105,437	1,062,154
Cash flows from investing activities			
Payment for acquisition of marketable securities	(5,235)	–	(50,873)
Payment for acquisition of property, plant, equipment and intangible assets	(80,539)	(65,781)	(782,544)
Proceeds from sales of property, plant, equipment and intangible assets	12,844	1,898	124,801
Payment for acquisition of investment securities	(2,945)	(1,935)	(28,622)
Proceeds from sales and redemption of investment securities	8,370	8,229	81,327
Payment for additional acquisition of shares of consolidated subsidiaries	(1)	(5,730)	(13)
Payment for loans receivable	(1,931)	(2,537)	(18,769)
Proceeds from collection of loans receivable	3,046	2,221	29,602
Payment for acquisition of shares of subsidiaries which have caused the change in scope of consolidation (Note 13 (2))	–	(6,329)	–
Other	(849)	(847)	(8,251)
Net cash used in investing activities	(67,242)	(76,211)	(653,343)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(34,467)	(41,761)	(334,894)
Proceeds from long-term loans payable	117,970	161,674	1,146,233
Repayment of long-term loans payable	(149,985)	(168,793)	(1,457,299)
Proceeds from issue of bonds	39,790	39,790	386,614
Payment for redemption of bonds	(20,160)	(160)	(195,880)
Proceeds from long-term deposits	7,000	–	68,013
Payment for purchase of treasury stock	(129)	(36)	(1,260)
Dividend payments	(9,886)	(9,884)	(96,060)
Other	(2,151)	(1,553)	(20,902)
Net cash used in financing activities	(52,019)	(20,724)	(505,435)
Effect of exchange rate changes on cash and cash equivalents	4,535	1,752	44,064
Increase (decrease) in cash and cash equivalents	(5,409)	10,253	(52,560)
Cash and cash equivalents at the beginning of the year	57,048	43,831	554,300
Increase in cash and cash equivalents due to mergers of subsidiaries	7	365	70
Increase in cash and cash equivalents due to inclusion of consolidated subsidiaries in scope of consolidation	527	2,598	5,125
Cash and cash equivalents at the end of the year (Note 13 (1))	¥ 52,173	¥ 57,048	\$506,936

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Preparation

- (1) The accompanying consolidated financial statements of Oji Holdings Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
- (2) Certain amounts in the financial statements as of and for the fiscal year ended March 31, 2013 have been reclassified to conform to the presentation in the financial statements as of and for the fiscal year ended March 31, 2014.
- (3) The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥102.92 to U.S. \$1.00, the approximate rate of exchange prevailing at March 31, 2014. This translation should not be construed as a representation that the yen amounts shown could be converted into U.S. dollars at the above or any other rate.

2. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 158 (156 in 2013)

Main consolidated subsidiaries include:

Oji Container Co., Ltd., Oji Packaging Co., Ltd., Oji Materia Co., Ltd., Oji Seitai Kaisha Ltd., Oji Nepia Co.,Ltd., Mori Shigyo Co.,Ltd., Oji Interpack Co., Ltd., Ojiadba Co.,Ltd., Kyushu Packaging Co., Ltd., Oji Packs Partners Co., Ltd., GS Paper & Packaging Sdn. Bhd., Oji Paper Nepia (Suzhou) Co., Ltd., HPI Resources Bhd., B&C International Co., Ltd., Ojitex Haiphong Co., Ltd., United Kotak Berhad, Ojitex (Vietnam) Co., Ltd., S. Pack & Print Public Co., Ltd., Oji JK Packing Private Limited, Trio Paper Mills Sdn. Bhd., Harta Packaging Industries Sdn. Bhd., Suzhou Oji Packaging Co., Ltd., Box Asia Group International Co., Ltd. Oji Intertech, Inc., Paperbox Holdings Limited, Oji Paper Co., Ltd., Jiangsu Oji Paper Co., Ltd., Oji Paper Trading (China) Co., Ltd., Oji Tac Co., Ltd., Oji Kinocloth Co., Ltd., Oji F-TEX Co., Ltd., Oji Imaging Media Co., Ltd., New Tac Kasei Co., Ltd., Shinomura Chemical Industry Co., Ltd., Oji Functional Materials Progressing Center Inc., Oji Papéis Especiais Ltda., Oji Paper (Thailand) Ltd, Kanzaki Specialty Papers Inc., KANZAN Spezialpapiere GmbH, Oji Label (Thailand) Ltd., Japan Brazil Paper and Pulp Development Co., Ltd., Quy Nhon Plantation Forest Company Ltd., Oji Trading Co., Ltd., Oji Green Resources Co., Ltd., Oji Forest & Products Co., Ltd., Oji Green Energy Ebetsu Co., Ltd., Oji Eco Materials Co., Ltd., Oji Green Energy Shiranuka Co., Ltd., Oji Green Energy Nichinan Co., Ltd., Celulose Nipo-Brasileira S.A., Pan Pac Forest Products Ltd., Oji Lao Plantation Forest Company Limited, Albany Plantation Forest Company of Australia Pty Ltd., Panindo Investment Pte. Ltd., Southland Plantation Forest Company of New Zealand Limited, Green Triangle Plantation Forest Company of Australia Pty Limited, Oji South Lao Plantation Forest Company Limited, Oji Lao Plantation Holdings Limited, Albany Plantation Export Company Pty Ltd., Guangxi Oji Plantation Forest Co., Ltd., Quy Nhon Plantation Forest Company of Vietnam Limited, Oji (Cambodia) Plantation Forest Company Limited, Binh Dinh Chip Corporation, Oji Paper International Trading (Shanghai) Co., Ltd., Oji Logistics Co., Ltd., Kyokuyo Pulp & Paper Co., Ltd., Oji Cornstarch Co., Ltd., Oji Engineering Co., Ltd., Oji Real Estate Co., Ltd., Apica Co., Ltd., Chuetsu Co., Ltd., Oji Business Center Co., Ltd., Oji Management Office Inc., Oji Paper Asia Sdn. Bhd. and other 84 companies

Changes in the consolidated subsidiaries during the year ended March 31, 2014 are as follows:

(Increase) 7 companies:

Oji Green Energy Nichinan Co., Ltd., Oji Green Energy Ebetsu Co., Ltd., Oji Asia Management Sdn. Bhd., and

Oji GS Packaging (Yangon) Co., Ltd.

The aforementioned four companies were newly established and included in the scope of consolidation effective the fiscal year ended March 31, 2014.

Companies that were non-consolidated subsidiaries in the fiscal year ended March 31, 2013:

Kanto Pack Co., Ltd., Chiyoda Meiwa Danboru Co., Ltd. and Box Asia Group International Co., Ltd.

The above three companies have been included in the scope of consolidation from the fiscal year ended March 31, 2014 because of the increased materiality of their business in the Group.

(Decrease) 5 companies:

Oji Paper USA Inc. was excluded from the scope of consolidation effective from the fiscal year ended March 31, 2014 due to its merger with Kanzaki Specialty Papers Inc.

Kyoto Mori Shigyo Co., Ltd. was excluded from the scope of consolidation effective from the fiscal year ended March 31, 2014 due to its merger with the Company.

Nichipac Co., Ltd. was excluded from the scope of consolidation effective from the fiscal year ended March 31, 2014 due to its merger with Ojiadba Co., Ltd.

Oji Salmon Co., Ltd. was excluded from the scope of consolidation effective from the fiscal year ended March 31, 2014 due to its merger with Oji Real Estate Co., Ltd.

UK PACKAGING INDUSTRIES SDN.BHD. was excluded from the scope of consolidation effective from the fiscal year ended March 31, 2014 due to the sales of shares by the Company.

(2) Main non-consolidated subsidiaries:

Tomakomai Energy Kosha Co., Ltd., DHC Ginza Co., Ltd.

(3) Reasons for excluding non-consolidated subsidiaries from the consolidation scope:

These companies are excluded from the scope of consolidation, as all of these non-consolidated subsidiaries are small-sized companies and their total assets, net sales, net income (amount corresponding to the Company's equity in such subsidiaries), retained earnings (amount corresponding to the Company's equity in such subsidiaries), etc., are insignificant relative to the total assets, net sales, net income (amount corresponding to the Company's equity in such subsidiaries), retained earnings (amount corresponding to the Company's equity in such subsidiaries), etc., of the consolidated companies as a whole, and they do not have significant impact on the consolidated financial statements.

3. Application of the Equity Method

(1) Number of affiliates under the equity method: 17 (17 in 2013)

Main affiliates under the equity method include:

Kokusai Pulp & Paper Co., Ltd., Ocean Trans Co., Ltd., Okayama Paper Industries Co., Ltd., Alpac Forest Products Inc., Huizhou Nanyou Forest Development Co., Ltd, Truong Thanh Oji Plantation Forest Company Limited and other 11 companies

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

(3) The reason not to apply the equity method to non-consolidated subsidiaries and affiliates to which the equity method was not applied.

Non-consolidated subsidiaries and affiliates have not been included in scope of the equity method as all

are small, and none have total assets, net sales, net income (corresponding to equity share) or retained earnings (corresponding to equity share) that significantly impact the consolidated financial statements.

4. Matters Concerning the Fiscal Year of Consolidated Subsidiaries

The fiscal year end of the following Company's consolidated subsidiaries is December 31:

Apica Co., Ltd., Kanzaki Specialty Papers Inc., Oji Paper (Thailand) Ltd., KANZAN Spezialpapiere GmbH, Jiangsu Oji Paper Co., Ltd., Oji Paper Nepia (Suzhou) Co., Ltd., Suzhou Oji Packaging Co., Ltd., Oji Intertech Inc., Oji Label (Thailand) Ltd., B&C International Co., Ltd., Ojitex (Vietnam) Co., Ltd., Oji Paper Trading (China) Co., Ltd., Oji Paper International Trading (Shanghai) Co., Ltd., Oji Papéis Especiais Ltda., Ojitex Haiphong Co., Ltd. Oji Interpack Korea Ltd., Guangxi Oji Plantation Forest Co., Ltd., Binh Dinh Chip Corporation, Panindo Investment Pte. Ltd., Oji Lao Plantation Holdings Ltd., Oji Lao Plantation Forest Co., Ltd., Oji South Lao Plantation Forest Co., Ltd., Oji (Cambodia) Plantation Forest Co., Ltd., S. Pack & Print Public Co., Ltd. and one group company, Box Asia Group International Co., Ltd., Paperbox Holdings Limited, GS Paper & Packing Sdn. Bhd. and seven group companies, United Kotak Berhad and two group companies, HPI Resources Bhd, Harta Packaging Industries Sdn Bhd and 17 group companies, Celulose Nipo-Brasileira S. A. and four group companies.

For the purpose of preparing the consolidated financial statements, the above companies' financial statements as of the end of their respective fiscal years were used.

Adjustments were made for the purpose of consolidation as necessary for the material transactions that occurred between such fiscal year-end dates and the consolidated account closing date.

5. Matters Concerning Accounting Policies

(1) Method of valuation of significant assets

(i) Marketable securities

Held-to-maturity debt securities: Stated at cost using the amortized cost method.

Available-for-sale securities

Securities with market quotations: Stated at market value based on the market price as of the end of the fiscal period (the valuation difference is accounted for as a separate component of net assets and the cost of sales is calculated by using the moving-average method).

Securities without market quotations: Stated at cost using the moving-average method.

(ii) Derivatives

Stated at fair value

(iii) Inventories

Mainly stated at cost using the periodic average method

(The balance sheet amount is calculated by writing down the value based on any decreased profitability)

(2) Depreciation method of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Declining balance method (however, the straight-line method is applied to buildings acquired on or after April 1, 1998 (excluding improvements), machinery and equipment of the Oji Paper Co., Ltd. Tomioka Mill, and for certain consolidated subsidiaries)

(ii) Leased assets

Depreciation of leased assets is calculated by using the straight-line method over the period of the lease contract term with no residual value.

(3) Significant provisions

(i) Allowance for doubtful accounts

In order to prepare for potential credit losses on receivables outstanding at the end of the fiscal year ended March 31, 2014, an estimated uncollectible amount is recorded at the amount calculated based

on the historical rate of credit loss with respect to normal receivables and at the amount determined in consideration of collectability of individual receivables with respect to doubtful accounts and certain other receivables.

(ii) Provision for surcharge

Operating companies of the Oji Group in the paperboard business received advance notification of a surcharge payment order (draft) based on the provisions of Japan's Antimonopoly Act, and the full amount in the surcharge payment order (draft) is recorded in order to prepare for the payment.

(iii) Provision for directors' retirement benefits

In order to prepare for the provision of retirement benefits for directors, the amount required by the internal rules is recorded.

(iv) Provision for environmental measures

For the purpose of provisioning for the PCB waste treatment costs expected to arise going forward under the "Law on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," the estimated required amount is recorded.

In addition, for the purpose of provisioning for the maintenance cost after the completion of reclamation of waste-disposal facilities, the estimated required amount is recorded over the period until the reclamation is completed.

(v) Provision for loss on litigation

The Company's consolidated subsidiary in Brazil is in the following litigation with the tax authorities in the country: tax-related lawsuits relating to IR (corporate tax), CS (social burden charge), ICMS (product distribution service tax), PIS/CONFIS (burden charges on social integration plan/social insurance loan) and others: lawsuit relating to INSS social insurance premiums and various taxes and dues; and two or more labor service-related lawsuits and civil lawsuits. To prepare for losses on such pending lawsuits, a provision for loss on litigation is recorded.

(4) Accounting treatment for retirement benefits

With regard to net defined benefit liability, in order to prepare for the provision of retirement benefits for employees, an amount determined to have accrued at the end of the fiscal year is recorded based on the estimated retirement benefit obligation and plan assets as of the end of the fiscal year.

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

Prior service cost is amortized as incurred using the straight-line method based on the average remaining service period (12 – 17 years) of the employees in service during the period in which it arises.

Actuarial losses are amortized from the following fiscal year after recognition using the straight-line method based on the average remaining service period (12 – 17 years) of the employees in service during the period in which they arise.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded in net assets, adjusted for tax effects, as remeasurements of defined benefit plans and minority interests in accumulated other comprehensive income.

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

(5) Significant method for hedge accounting

(i) Hedge accounting method

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. Foreign currency transactions hedged by forward exchange contracts which meet certain conditions for hedge accounting are reported at the forward rate and the resulting differences between the spot rate and the forward rate amortized over the life of the contract.

(ii) Hedging instruments and hedged items

Hedging instruments

Foreign exchange forward contracts

Hedged items

Monetary assets/liabilities denominated in foreign currencies

Interest rate swaps	Loans payable and loans receivable
Commodity swaps	Electricity

(iii) Hedging policy

The risk management policy of the Group requires hedging against the foreign exchange risk, interest rate risk and raw material price risk arising in the normal course of the business.

(iv) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedging instruments and hedged items is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets/liabilities of hedging instruments and hedged items.

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

(i) Accounting for consumption tax

Consumption tax and local consumption taxes are accounted for under the tax exclusion method.

(ii) Application of consolidated taxation system

Consolidated taxation system is applied.

(7) Method and period for amortizing goodwill

Goodwill has been amortized by the straight-line method over reasonable periods estimated for each acquisition not exceeding 20 years. If the value of goodwill is immaterial, the aggregate amount is written off in the fiscal year in which it arises.

(8) Scope of funds in consolidated cash flow statement

For the purpose of consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term liquid investments that mature within three months from the purchase date and can be converted easily into cash with little risk of change in value.

6. Changes in accounting policies

Application of Accounting Standard for Retirement Benefits, etc.

The Company applied the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of May 17, 2012, “Accounting Standard for Retirement Benefits”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of May 17, 2012, “Retirement Benefit Implementation Guidance”) commencing in the fiscal year ended March 31, 2014, with the exception of the provisions of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Retirement Benefit Implementation Guidance. Under the revised accounting standard, the Company has changed to a method of calculating net defined benefit liability as the amount after deducting plan assets from the retirement benefit obligation and records unrecognized actuarial gains and losses and unrecognized prior service cost in net defined benefit liability.

In accordance with the transitional treatment provided for in paragraph 37 of the Accounting Standard for Retirement Benefits relating to the application of the Accounting Standard for Retirement Benefits, etc., the Company reflected the effect of these changes as remeasurements of defined benefit plans in accumulated other comprehensive income at the end of the fiscal year ended March 31, 2014.

As a result, as of March 31, 2014, in addition to the recording of ¥73,769 million (\$716,768 thousand) in net defined benefit liability, accumulated other comprehensive income decreased by ¥12,536 million (\$121,809 thousand) and minority interests decreased by ¥1 million (\$18 thousand).

Net assets per share declined by ¥12.68 (\$0.12).

7. Standards issued but not yet effective

(1) Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013),

Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013), Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013), Accounting Standard for Earnings Per Share (ASBJ Statement No. 2 of September 13, 2013), Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013) and Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4 of September 13, 2013)

(i) Outline

The accounting standards mainly revised (a) the treatment of changes in a parent company's equity interest in a subsidiary through additional acquisitions, etc., of the subsidiary's shares when control is retained;

(b) treatment of acquisition-related costs; (c) presentation of net income and the change from minority interests to non-controlling interests and (d) provisional accounting treatment.

(ii) Scheduled date of application

The Company plans to apply the accounting standards from the beginning of the fiscal year ending March 31, 2016. The Company plans to apply provisional accounting treatment to business combinations implemented on and after the beginning of the fiscal year ending March 31, 2016.

(iii) Impact of application of new accounting standards

The impact of the revision of the accounting standards is being evaluated at the time of preparing the consolidated financial statements.

(2) Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 of May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of May 17, 2012)

(i) Outline

Revisions were made to the treatment of unrecognized actuarial gains and losses and unrecognized prior service cost, the method for calculating retirement benefit obligations and service cost, and the enhancement of disclosures.

(ii) Scheduled date of application

The Company will apply the revision to the method for calculating retirement benefit obligations and prior service cost from the beginning of the fiscal year ending March 31, 2015.

As transitional treatment is provided for under the accounting standard, etc., the Company will not apply the standard retrospectively to financial statements from prior periods.

(iii) Impact of application of the new accounting standard

The impact of the change in the method for calculating retirement benefit obligations and prior service cost on the consolidated financial statements is currently being evaluated.

8. Changes in Presentation Method

(1) Consolidated Balance Sheets

“Provision for special repairs,” which was presented separately in “Noncurrent liabilities” as of March 31, 2013, has declined in financial materiality and is included in “Other” as of March 31, 2014. To reflect this change in the method of presentation, the consolidated balance sheet as of March 31, 2013 has been restated. As a result, ¥131 million that had been presented as “Provision for special repairs” in “Noncurrent liabilities” in the consolidated balance sheet as of March 31, 2013 is now reclassified as and included in “Other.”

(2) Consolidated Statements of Income

“Special retirement benefit expenses,” which were presented separately in “Special losses” for the fiscal year ended March 31, 2013, have declined in financial materiality and are included in “Other” for the fiscal year ended March 31, 2014. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2013 has been restated. As a result, ¥1,815 million that had been presented in “Special retirement benefit expenses” in “Special losses” in the

consolidated statements of income for the fiscal year ended March 31, 2013 is now reclassified as and included in “Other.”

9. Notes to Consolidated Balance Sheet

(1) Matters concerning non-consolidated subsidiaries and affiliates

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Stocks of non-consolidated subsidiaries and affiliates	¥ 175,237	¥ 74,463	\$1,702,661
Investments in capital of non-consolidated subsidiaries and affiliates	78	78	763

(2) Assets pledged as collateral

- (i) Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term loans payable (¥ 6,463 million (\$62,805 thousand)) (¥ 6,008 million as of March 31, 2013), for long-term loans payable (including the amount scheduled to be repaid within one year) (¥ 6,104 million (\$59,311 thousand)) (¥ 4,428 million as of March 31, 2013), notes and accounts payable-trade (¥ 328 million (\$3,191 thousand)) (¥ 284 million as of March 31, 2013).

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Cash and bank deposits	¥ 1,914	¥ 215	\$18,598
Notes and accounts receivable-trade	2,503	2,944	24,320
Merchandise and finished goods	2,299	1,926	22,338
Work in process	9	20	89
Raw materials and supplies	361	400	3,512
Short-term loans receivable	—	301	—
Other current assets	450	172	4,377
Buildings and structures	17,386	17,725	168,928
Machinery, equipment and vehicles	12,767	12,715	124,057
Tools, furniture and fixtures	58	58	566
Land	13,528	13,637	131,445
Forests	705	641	6,857
Plantations	18,773	16,613	182,409
Construction in progress	287	249	2,794
Other intangible assets	52	77	509
Investment securities	490	500	4,761
Total	¥ 71,587	¥ 68,201	\$695,569

- (ii) Industrial mortgages and industrial factory foundation revolving industrial mortgages entered into with respect to the assets indicated below for short-term loans payable (¥ 285 million (\$2,769 thousand)) (¥ 305 million as of March 31, 2013) and long-term loans payable (including the amount scheduled to be repaid within one year) (NIL and ¥ 3 million as of March 31, 2014 and 2013 respectively).

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Buildings and structures	¥ 802	¥ 619	\$7,799

Machinery, equipment and vehicles	735	721	7,146
Tools, furniture and fixtures	28	23	277
Land	1,076	1,076	10,460
Total	¥ 2,643	¥ 2,441	\$25,683

(iii) Assets pledged as collateral for long-term loans payable (including the amount scheduled to be repaid within one year) (¥ 1,240 million (\$12,053 thousand)) (¥ 1,551 million as of March 31, 2013).

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Investment securities	¥ 640	¥ 2,234	\$6,226
Long-term loans receivable	3,211	3,286	31,199
Total	¥ 3,851	¥ 5,520	\$37,425

Note: Investment securities and long-term loans receivable related to consolidated subsidiaries so have been eliminated on the consolidated financial statements.

(3) Contingent liabilities Guarantee obligations

The Company has committed to provide the following guarantees for loans and others of non-consolidated subsidiaries and affiliates from banks and other financial institutions as of March 31, 2014 and 2013 respectively.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
PT. Korintiga Hutani	¥ 5,229	¥ 4,598	\$50,815
Alpac Forest Products Inc.	3,702	3,679	35,974
Afforest owner in Forest Development Program	2,002	1,899	19,454
Employees	1,036	1,276	10,074
Other	2,920	3,769	28,371
Total	¥ 14,891	¥ 15,223	\$144,691

For the fiscal year ended March 31, 2014

- (i) The guarantee obligation provided for PT. Korintiga Hutani includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is deducted by ¥ 2,703 million (\$26,263 thousand) for the portion.
- (ii) Regarding the guarantee obligation provided for the afforest owner in Forest Development Program, the Company has concluded an agreement with the afforest owner to offset payments for raw timber purchased from the afforest owner in the event that the guarantee obligation was discharged at the demand of financial institutions.

For the fiscal year ended March 31, 2013

- (i) The guarantee obligation provided for PT. Korintiga Hutani includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is deducted by ¥ 2,124 million for the portion. Also, the guarantee obligation provided for "Other" as stated above includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is deducted by ¥ 192 million for the portion.
- (ii) Regarding the guarantee obligation provided for afforest owners in Forest Development Program, the Company has concluded an agreement with the afforest owners to offset payments for raw timber purchased from the afforest owners in the event that the guarantee obligation was discharged at the demand of financial institutions.
- (iii) The guarantee obligation provided for "Other" as stated above includes the portion amounted to ¥ 269

million for the joint and several obligation assumed by the Company and its consolidated subsidiaries.

The aggregate amount of the joint and several obligation including the portion assumed by other parties are ¥337 million.

(4) Tax litigation and others

The Company's consolidated subsidiary in Brazil is in the following litigation with the tax authorities in the country tax-related lawsuits relating to IR (corporate tax), CS (social burden charge), ICMS (product distribution service tax), PIS/CONFIS (burden charges on social integration plan/social insurance loan) and others lawsuit relating to INSS social insurance premiums and various taxes and dues: and two or more labor service-related lawsuits and civil lawsuits. To prepare for losses on such pending lawsuits, a provision for loss on litigation is recorded. However, based on the opinion of outside legal experts, the Company has considered the risk of incurring losses individually for each lawsuit. As a result, the Company has determined that the probability of incurring losses is not high and has not recorded the reserve of \$5,690 thousand (\$4,122 thousand for the fiscal year ended March 31, 2013) and R\$298 thousand (R\$56 thousand for the fiscal year ended March 31, 2013) pending labor service-related lawsuits as of March 31, 2014.

- (5) Notes discounted: ¥ 6,204 million (\$60,280 thousand) and ¥ 6,423 million as of March 31, 2014 and 2013, respectively
 Notes receivable endorsed: ¥ 15 million (\$147 thousand) and ¥ 18 million as of March 31, 2014 and 2013, respectively

(6) Revaluation reserve for land

Pursuant to the "Law on Revaluation of Land" (Law No. 34 of March 31, 1998) and the "Law on Partial Amendment to the Law on Revaluation of Land" (Law No. 19 of March 31, 2001), the Group performed revaluation of land for business use held by certain consolidated subsidiaries on March 31, 2002.

Pursuant to the "Law on Partial Amendment to the Law on Revaluation of Land" (Law No. 24 of March 31, 1999), the Group recorded reasonable tax amount relevant to such revaluation of land as "Deferred tax liabilities on revaluation of land" in the liabilities section, and revaluation of land after deduction of such tax amount as "Revaluation reserve for land" in the net assets section.

- (i) Revaluation method: The value is calculated based on the property tax valuation prescribed in Article 2, Item 3 of the "Enforcement Order on Law on Revaluation of Land" (Cabinet Order No. 119 promulgated on March 31, 1998) and the land value designated as the tax basis for land value tax as prescribed in Article 2, Item 4 thereof.
 (ii) Revaluation date: March 31, 2002
 (iii) The total market value of land after revaluation which is less than the total carrying amount as of March 31, 2014 and 2013 is ¥- million and ¥701 million, respectively.

(7) Loan commitment (borrower)

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

Regarding the loan commitment, the balance of the unused portion of the loan at March 31, 2014 and 2013 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Aggregate amount of loan commitment	¥ 50,000	¥ 50,000	\$485,814
Balance of loan outstanding	—	—	—
Unused portion	¥ 50,000	¥ 50,000	\$485,814

- (8) Accumulated depreciation includes accumulated impairment losses.

- (9) The amounts of advanced depreciation deducted directly from the acquisition costs of certain noncurrent assets for the fiscal year ended March 31, 2014 and 2013 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Machinery, equipment and vehicles	¥ 1,357	0	\$13,187
Land	¥ 783	—	\$7,611
Buildings and structures	¥ 350	¥ 10	\$3,407
Others	¥ 123	—	\$1,198
Total	¥ 2,614	¥ 11	\$25,404

- (10) Accounting treatment of promissory notes which redemption date is the end of the fiscal year

Promissory notes which redemption date is the end of the fiscal year are accounted for on the date that the note is exchanged. The following notes which redemption date is the end of the fiscal year (March 31, 2013, when is Sunday and banks are closed) shall be included in the balance sheet at March 31, 2013.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Notes receivable	—	¥ 7,067	—
Notes payable	—	4,989	—

10. Notes to Consolidated Statement of Income

- (1) Research and development costs included in selling, general and administrative expenses and manufacturing costs for the fiscal year ended March 31, 2014 and 2013 are ¥ 10,911 million (\$106,015 thousand) and ¥ 9,456 million, respectively.
- (2) The amount of inventories stated on the balance sheet at the end of the year is calculated by writing down the value based on any decreased profitability.
The loss (gain) on valuation of inventories included in the cost of sales for the fiscal year ended March 31, 2014 and 2013 are ¥ 245 million (\$2,388 thousand) and ¥ (566) million, respectively.
- (3) A breakdown of gain on sales of noncurrent assets for the fiscal year ended March 31, 2014 and 2013 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Land	¥ 10,340	¥ 1,023	\$100,466
Plantations	—	3	—
Forests	—	1	—
Total	¥ 10,340	¥ 1,028	\$100,466

Gain on sales of noncurrent assets includes gain on transfer of land, forests and plantations that were transferred under application of “Land Expropriation Law” and other regulations, in the amount of ¥ 8,347 million (\$81,106 thousand) and ¥ 163 million for the fiscal year ended March 31, 2014 and 2013, respectively.

- (4) Employees who belonged to the former Oji Paper Co., Ltd. are being transferred to their assignee companies that are the Company’s major consolidated companies in stages as part of organizational restructuring following the shift to a holding company system as planned. Loss on partial settlement of retirement benefit plan is a loss arising from accounting for unrecognized prior service cost of transferred

employees and unrecognized actuarial loss. This treatment is in accordance with the partial settlement of the retirement benefit system based on “Accounting Standard for Transfer between Retirement Benefit Plans” (ASBJ Guidance No. 1).

(5) Impairment losses were recorded mainly for the following assets and asset group:

For the fiscal year ended March 31, 2014

Location	Use	Type	Impairment loss	
			(Millions of yen)	(Thousands of U.S. dollars)
Fuji, Shizuoka	Assets for business	Machinery, equipment and vehicles, and other	¥ 1,804	\$17,533
Tomakomai, Hokkaido	Assets for business	Land	¥ 1,193	\$11,599
Albany, Australia	Assets for business	Plantations	¥ 1,193	\$11,598

The Company determines assets groups based on the minimum unit on which cash flows are proceeded.

Regarding certain business facilities, which operating income from business activities continues to be negative, and idle assets, which fair market value of land significantly declined, the book values, if they go below the recoverable values, were written down to the recoverable values and such reduced amount, ¥ 8,345 million (\$81,083 thousand), was recorded in special losses as impairment losses.

A breakdown of this amount is ¥1,117 million (\$10,854 thousand) for buildings and structures, ¥ 3,813 million (\$37,055 thousand) for machinery, equipment and vehicles, ¥ 1,829 million (\$17,779 thousand) for land, ¥ 1,414 million (\$13,739 thousand) for plantations, and ¥ 170 million (\$1,655 thousand) for other.

Among the above amount, ¥ 3,418 million (\$33,218 thousand) is included in loss on business restructuring in special losses.

If the recoverable values are measured by the net selling price, such values are measured based on real-estate appraisals.

If the recoverable values are measured at value in use, such values are calculated by discounting the future cash flows mainly at a discount rate of 4%.

For the fiscal year ended March 31, 2013

The Company determines assets groups based on the minimum unit on which cash flows are proceeded.

Regarding certain business facilities, which operating income from business activities continues to be negative, and idle assets, which fair market value of land significantly declined, the book values, if they go below the recoverable values, were written down to the recoverable values and such reduced amount, ¥ 2,162 million was recorded in special losses as impairment losses.

A breakdown of this amount is ¥ 101 million for machinery, equipment and vehicles, ¥1,078 million for buildings and structures, ¥ 908 million for land, and ¥ 74 million for other.

Among the above amount, ¥ 695 million is included in loss on business restructuring in special losses.

If the recoverable values are measured by the net selling price, such values are measured based on real-estate appraisals.

If the recoverable values are measured at value in use, such values are calculated by discounting the future cash flows mainly at a discount rate of 4%.

(6) A breakdown of loss on subsidiary status change from equity method to consolidated subsidiary is shown in Note 21.

(7) Provision of reserve for surcharge

Operating companies of the Oji Group in the paperboard business received advance notification of a surcharge payment order (draft) based on the provisions of Japan's Antimonopoly Act, and the full amount specified in the surcharge payment order (draft) is recorded in order to prepare for the payment.

11. Notes to Consolidated statement of comprehensive income

(1) Reclassification adjustments and tax effect associated with other comprehensive income

For the fiscal year ended March 31, 2014 and 2013

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2013	2014
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ 6,391	¥ 13,631	\$62,099
Reclassification adjustments for gain and losses included in net income	396	828	3,852
Amount before tax effect	6,787	14,460	65,952
Tax effect	(2,182)	(5,245)	(21,208)
Valuation difference on available-for-sale securities	4,605	9,214	44,743
Deferred gains (losses) on hedging derivatives :			
Amount arising during the year	81	(1,010)	791
Reclassification adjustments for gains and losses included in net income	357	303	3,474
Amount before tax effect	439	(707)	4,266
Tax effect	(124)	231	(1,212)
Deferred gains (losses) on hedging derivatives	314	(475)	3,054
Foreign currency translation adjustment :			
Amount arising during the year	65,414	26,675	635,588
Reclassification adjustments for gains and losses included in net income	0	24	3
Amount before tax effect	65,415	26,700	635,592
Tax effect	—	—	—
Foreign currency translation adjustment	65,415	26,700	635,592
Share of other comprehensive income of investments for which the equity method is applied :			
Amount arising during the year	1,899	2,278	18,453
Reclassification adjustments for gains and losses included in net income	(34)	8,070	(339)
Share of other comprehensive income of investments for which the equity method is applied	1,864	10,348	18,114
Other comprehensive income	¥ 72,198	¥ 45,788	\$701,504

12. Notes to Consolidated Statement of Changes in Net Assets

(1) Information on the type and number of shares issued, and type and number of treasury stock is as follows:

For the fiscal year ended March 31, 2014

Type of shares	Number of shares at April 1, 2013	Increase	Decrease	Number of shares at March 31, 2014
Shares issued:				
Common stock	1,064,381,817	—	—	1,064,381,817
Total	1,064,381,817	—	—	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	77,022,463	310,574	1,501,876	75,831,161
Total	77,022,463	310,574	1,501,876	75,831,161

Notes:

1. Increase in treasury stock	310,574
Details of the increase are as follows:	
Increase in treasury stock arising from changes in the Company's ownership interest in equity method affiliates	567
Increase in treasury stock by merger of equity method affiliates	21,311
Increase due to purchase of shares of less than standard unit	288,696
2. Decrease in treasury stock	1,501,876
Details of the decrease are as follows:	
Decrease due to exercising of stock options	45,000
Decrease due to sale of shares of less than standard unit	5,268
Decrease arising from an exchange of shares	199,708
Decrease in treasury stock due to sales by consolidated subsidiaries	1,251,900

For the fiscal year ended March 31, 2013

Type of shares	Number of shares at April 1, 2012	Increase	Decrease	Number of shares at March 31, 2013
Shares issued:				
Common stock	1,064,381,817	—	—	1,064,381,817
Total	1,064,381,817	—	—	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	77,353,510	140,832	471,879	77,022,463
Total	77,353,510	140,832	471,879	77,022,463

Notes:

1. Increase in treasury stock	140,832
Details of the increase are as follows:	
Increase in treasury stock due to purchase by equity method affiliates	16,332
Increase due to purchase of shares of less than standard unit	124,500
2. Decrease in treasury stock	471,879
Details of the decrease are as follows:	
Decrease due to exercising of stock options	424,000
Decrease due to sale of shares of less than standard unit	19,467
Decrease in treasury stock arising from changes in the Company's ownership interest in equity method affiliates	28,412

(2) Subscription rights

For the fiscal year ended March 31, 2014

Company	Description	Type of shares issued	Number of shares issued			Number of shares at March 31, 2014	Balance at March 31, 2014	
			Number of shares at April 1, 2013	Increase	Decrease		(Millions of yen)	(Thousands of U.S. dollars)
Parent company	Subscription rights as stock options	—	—	—	—	—	¥ 290	\$2,818
Total		—	—	—	—	—	¥ 290	\$2,818

For the fiscal year ended March 31, 2013

Company	Description	Type of shares issued	Number of shares issued			Number of shares at March 31, 2013	Balance at March 31, 2013	
			Number of shares at April 1, 2012	Increase	Decrease		(Millions of yen)	
Parent company	Subscription rights as stock options	—	—	—	—	—	¥ 235	
Total		—	—	—	—	—	¥ 235	

(3) Dividends

(i) Amount of cash dividends distributed

For the fiscal year ended March 31, 2014

Resolution	Type of shares	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)			
Board of Directors' Meeting held on May 15, 2013	Common stock	¥ 5,012	\$48,705	¥ 5.0	March 31, 2013	June 5, 2013
Board of Directors' Meeting held on November 1, 2013	Common stock	5,013	48,708	5.0	September 30, 2013	December 2, 2013

For the fiscal year ended March 31, 2013

Resolution	Type of shares	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)				
Board of Directors' Meeting held on May 14, 2012	Common stock	¥ 5,011		¥ 5.0	March 31, 2012	June 6, 2012
Board of Directors' Meeting held on November 9, 2012	Common stock	5,012		5.0	September 30, 2012	December 3, 2012

(ii) Dividends with the cut-off date falling within the fiscal year ended March 31, 2014 and the effective date in the year ending March 31, 2015

The following resolution is scheduled:

Resolution	Type of shares	Total dividend amount		Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)				
Board of Directors' Meeting held on May 14, 2014	Common stock	¥ 4,949	\$48,091	Retained earnings	¥ 5.0	March 31, 2014	June 5, 2014

Dividends with the cut-off date falling within the fiscal year ended March 31, 2013 and the effective date in the year ending March 31, 2014

The following resolution is scheduled:

Resolution	Type of shares	Total dividend amount		Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)					
Board of Directors' Meeting held on May 15, 2013	Common stock	¥ 5,012		Retained earnings	¥ 5.0	March 31, 2013	June 5, 2013

13. Notes to Consolidated Statements of Cash Flows

(1) Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2014 and 2013 are reconciled to the accounts reported in the consolidated balance sheets as of March 31, 2014 and 2013 as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Cash and bank deposits	¥ 45,575	¥ 50,621	\$442,822
Time deposits with maturities of more than three months	(723)	(566)	(7,027)
Marketable securities	7,321	6,993	71,141
Cash and cash equivalents	¥ 52,173	¥ 57,048	\$506,936

(2) The main components of the assets and liabilities of the companies which the Company newly consolidated by acquiring the shares of such companies in the year ended March 31, 2013.

The components of the assets and liabilities of the companies at the time of acquisition, and reference to acquisition cost of the shares and payment (net) for and proceeds (net) from acquisition of the shares are as follows:

For the fiscal year ended March 31, 2013, Japan Brazil Paper and Pulp Development Ltd., Celulose Nipo-Brasileira S.A., S. Pack & Print Public Co., Ltd. and other.

Total: nine companies

	March 31, 2013
	(Millions of yen)
Current assets	¥ 25,403
Noncurrent assets	171,838
Goodwill	(3,675)

Current liabilities	(34,625)
Noncurrent liabilities	(58,551)
Minority interests	(52,200)
Acquired companies' outstanding shares held by the Company before the acquisitions	(37,652)
Acquisition cost	10,536
Cash and cash equivalents of newly consolidated subsidiaries	(4,207)
Net: Payment for acquisition of shares of subsidiaries which have caused the change in scope of consolidation	6,329

14. Lease Transactions

(1) Finance lease transactions

Finance lease transactions that do not transfer ownership

(i) Leased assets

Property, plant and equipment

Production facilities (machinery, equipment and vehicles, and, tools, furniture and fixtures)

(ii) Depreciation method of leased assets

Refer to Note 5. Matters Concerning Accounting Policies (2) Depreciation method of significant depreciable assets

Finance lease transactions beginning on or before March 31, 2008 that do not transfer ownership are accounted for based on standards for ordinary operating lease transactions as follows:

- (a) Equivalent acquisition cost, accumulated depreciation, accumulated impairment loss and balance of leased assets as of March 31, 2014 and 2013

As of March 31, 2014

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	(Millions of yen)			
Acquisition cost	¥ 5,798	¥ 1,496	—	¥ 7,295
Accumulated depreciation	5,095	1,392	—	6,488
Accumulated impairment losses	42	—	—	42
Balance at March 31, 2014	¥ 660	¥ 103	—	¥ 764

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	(Thousands of U.S. dollars)			
Acquisition cost	\$56,344	\$14,540	—	\$70,884
Accumulated depreciation	49,511	13,533	—	63,045
Accumulated impairment losses	413	—	—	413

Balance at March 31, 2014	\$6,418	\$1,007	—	\$7,425
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As of March 31, 2013

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	(Millions of yen)			
Acquisition cost	¥ 9,472	¥ 3,027	¥ 473	¥ 12,974
Accumulated depreciation	7,787	2,727	461	10,977
Accumulated impairment losses	44	—	—	44
Balance at March 31, 2013	¥ 1,640	¥ 300	¥ 11	¥ 1,952

Acquisition cost included the interest portion since the remaining finance lease obligations at the end of the fiscal year were not material compared with the book values of property, plant and equipment at the end of the fiscal year.

- (b) Future minimum lease payments at the end of the fiscal year and impairment loss on leased assets at the end of the fiscal year

The future minimum lease payments at the end of the fiscal year are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Due within one year	¥ 596	¥ 1,128	\$5,792
Due after one year	210	863	2,047
Total	¥ 806	¥ 1,992	\$7,839
Impairment loss	—	32	—

The future minimum lease payments are calculated based on imputed interest method as the future minimum lease payments at the end of the fiscal year are not material compared with the book values of property, plant and equipment at the end of the fiscal year.

- (c) Lease expense, reversal of impairment account for leased assets, equivalent depreciation expense amount, and impairment loss

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Lease expense	¥ 1,083	¥ 1,996	\$10,526
Reversal of impairment account for leased assets	11	36	109
Equivalent depreciation expense amount	1,072	1,960	10,421
Impairment loss	—	3	—

(d) Calculation method for depreciation expenses

Depreciation expenses of leased assets under finance lease transactions that do not transfer ownership are calculated by using the straight-line over the period of the lease contract term with no residual value.

(2) Operating lease transactions

Future minimum lease payments under non-cancellable operating leases as of March 31, 2014 and 2013:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Due within one year	¥ 411	¥ 285	\$3,997
Due after one year	1,576	343	15,315
Total	¥ 1,987	¥ 629	\$19,313

Future minimum lease income under non-cancellable operating leases as of March 31, 2014 and 2013:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2014	2013	2014
Due within one year	¥ 676	—	\$6,575
Due after one year	12,746	—	123,847
Total	¥ 13,423	—	\$130,423

15. Financial Instruments

(1) Matters concerning financial instruments

(i) Management policy

The Company and its main consolidated subsidiaries manage group finance under which mainly the Company finances and controls the cash necessary for Group operations primarily through loans from financial institutions, issuance of commercial paper and corporate bonds, and other activities.

The Company invests temporary surplus cash in short-term and low-risk financial instruments only and does not make any investment for speculative purposes.

The Company uses derivatives to hedge risks described below and does not use derivatives for speculative purposes.

(ii) Nature and extent of risks arising from financial instruments

Receivables, such as notes and accounts receivables-trade, are exposed to customer credit risk.

Receivables that are denominated in foreign currencies, arising from exporting products, are exposed to foreign currency exchange rate fluctuation risks. However, the amounts of such receivables are always less than the amounts of payables that are denominated in the same foreign currencies.

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

Payment terms of payables, such as notes and accounts payables-trade, are all less than one year. Some of the payables that arise from importing raw materials and others are denominated in foreign currencies and are exposed to foreign currency exchange rate fluctuation risks. Regarding the net payables (determined by deducting the amount of receivables denominated in same foreign currencies), the Group uses foreign exchange forward contracts to hedge such risks, considering the foreign exchange market situation.

With respect to borrowings and debt, short-term loans payable are mainly for financing related to operating activities, while long-term loans payable are mainly for financing related to investment in property, plant and equipment. Borrowings and debt with floating interest rates are exposed to interest rate volatility risk. Long-term loans payable is partly hedged by using derivative transactions (interest rate swaps) by which interest rates are fixed.

Derivative transactions entered into and managed by the Group are as follows:

- Foreign exchange forward contracts to hedge foreign exchange fluctuation risk related to assets/liabilities denominated in foreign currencies,

- Interest rate swaps to hedge risk related to floating interest rates on borrowings and debt, and
- Commodity swaps to hedge price fluctuation risk related to energy purchases.

Regarding hedging instruments and hedged items, hedging policy, the method for assessing hedging effectiveness and others related to hedge accounting, (see Note 5. (5) Significant method for hedge accounting)

(iii) Risk management

(a) Credit risk management (risk of non-performance by customers or counterparties)

The Company and its main consolidated subsidiaries reduce credit risk through the following methods:

- The Company checks and manages due dates and balances of receivables on a customer by customer basis.
- Each sales department of the Company periodically monitors, and investigates, as necessary, the credit position of key customers.

In utilizing derivative transactions, the Group limits the counterparties to highly rated financial institutions to reduce counterparty risk.

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

The Company and some of its consolidated subsidiaries utilize foreign exchange forward contracts to hedge foreign currency exchange rate fluctuation risk regarding foreign currency monetary assets/liabilities that are expected to arise in the normal course of business activities.

The Company utilizes interest rate swaps to hedge the following risks:

- Fluctuation risk regarding variable interest rates for payments related to borrowings and debt
- Interest rate deviation risk between fixed interest rates for payments and future market interest rates

Some of the consolidated subsidiaries utilize commodity swaps to hedge price fluctuation risk related to energy purchases.

With respect to corporate stocks of available-for-sale securities, the Company checks periodically their fair values and financial conditions of such issuing entities (the companies with which the Company has business relationships) and reviews the benefits of continuing to hold such stocks, considering its relationships with such companies.

In the Company, execution and management of derivative transactions are conducted based on the derivative transaction standards that provide the method and the organization for risk management and others.

The consolidated subsidiaries also execute and manage derivative transactions based on their own similar standards.

(c) Liquidity risk related to financing activities (risk of non-performance on a due date)

The Company makes and updates financing plans in a timely manner and manages liquidity risk by maintaining sufficient liquidity on hand forecasted based on specific information, including the following information:

- Information reported from each department regarding credit and debit notes, and
- Information reported from the consolidated subsidiaries through which the Company determines group finance policies

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

(iv) Supplementary explanation regarding fair value of financial instruments

Fair values of financial instruments are measured based on the quoted prices in markets. In cases where a quoted price is not available, other reasonably assessed estimated fair values are used.

Such assessment is based on certain assumptions. Under different assumptions, the assessed value might differ.

The contract amounts of derivative transactions and others, as shown in “(2) Fair value of financial instruments,” do not measure the Company’s exposure to market risk related to derivative transactions.

(2) Fair value of financial instruments

The following tables present the Company's financial instruments on the consolidated balance sheets, their fair value and the differences at March 31, 2014 and 2013 respectively.

However, financial instruments for which it is difficult to measure the fair value are not included. (See Note 2. Financial instruments for which the fair value is deemed to be difficult to measure)

As of March 31, 2014

(Millions of yen)

	Book value	Fair value	Difference
① Cash and bank deposits	¥ 45,575	¥ 45,575	¥ –
② Notes and accounts receivable–trade	278,897		
③ Short-term loans receivable	4,958		
Allowance for doubtful accounts(*1)	(2,264)		
	281,591	281,591	–
④ Long-term loans receivable	1,980		
Allowance for doubtful accounts(*2)	(1,441)		
	538	539	0
⑤ Marketable securities and investment securities			
(i) Held-to-maturity debt securities	12,729	12,747	17
(ii) Stocks of affiliates	3,215	870	(2,344)
(iii) Available-for-sale securities	85,322	85,322	–
Total of assets	428,972	426,645	(2,326)
⑥ Notes and accounts payable–trade	204,052	204,052	–
⑦ Short-term loans payable	127,764	127,764	–
⑧ Bonds	180,160	181,996	1,836
⑨ Long-term loans payable	490,605	494,083	3,478
Total of liabilities	1,002,582	1,007,896	5,314
⑩ Derivative transactions(*3)	72	72	–

(Thousands of U.S. dollars)

	Book value	Fair value	Difference
① Cash and bank deposits	\$442,822	\$442,822	\$ –
② Notes and accounts receivable–trade	2,709,847		
③ Short-term loans receivable	48,182		
Allowance for doubtful accounts(*1)	(22,006)		
	2,736,023	2,736,023	–
④ Long-term loans receivable	19,243		
Allowance for doubtful accounts(*2)	(14,009)		
	5,233	5,238	4
⑤ Marketable securities and investment securities			
(i) Held-to-maturity debt securities	123,684	123,856	172
(ii) Stocks of affiliates	31,242	8,457	(22,784)
(iii) Available-for-sale securities	829,013	829,013	–
Total of assets	4,168,020	4,145,413	(22,607)
⑥ Notes and accounts payable–trade	1,982,629	1,982,629	–
⑦ Short-term loans payable	1,241,395	1,241,395	–
⑧ Bonds	1,750,485	1,768,330	17,844
⑨ Long-term loans payable	4,766,862	4,800,657	33,794
Total of liabilities	9,741,373	9,793,012	51,639
⑩ Derivative transactions(*3)	706	706	–

(*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable–trade and short-term loans receivable, is deducted.

(*2) Allowance for doubtful accounts, which is separately accounted for on long-term loans receivable, is deducted.

(*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

As of March 31, 2013

(Millions of yen)

	Book value	Fair value	Difference
① Cash and bank deposits	¥ 50,621	¥ 50,621	¥ –
② Notes and accounts receivable–trade	269,137		
③ Short-term loans receivable	7,862		
Allowance for doubtful accounts(*1)	(3,071)		
	273,929	273,929	–
④ Long-term loans receivable	2,029		
Allowance for doubtful accounts(*2)	(2,022)		
	7	6	(0)
⑤ Marketable securities and investment securities			
(i) Held-to-maturity debt securities	7,165	7,175	10
(ii) Stocks of affiliates	2,960	840	(2,119)
(iii) Available-for-sale securities	77,746	77,746	–
Total of assets	412,430	410,321	(2,109)
⑥ Notes and accounts payable–trade	210,921	210,921	–
⑦ Short-term loans payable	158,410	158,410	–
⑧ Bonds	160,320	162,536	2,216
⑨ Long-term loans payable	512,374	518,509	6,135
Total of liabilities	1,042,027	1,050,378	8,351
⑩ Derivative transactions(*3)	(392)	(392)	–

(*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable–trade and short-term loans receivable, is deducted.

(*2) Allowance for doubtful accounts, which is separately accounted for on long-term loans receivable, is deducted.

(*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

Notes:

1. The method for measuring fair values of financial instruments and matters relating to securities and derivative transactions

①Cash and bank deposits, ②Notes and accounts receivable–trade, and ③Short-term loans receivable

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments.

④Long-term loans receivable

The fair value of long-term loans receivable is calculated by applying a discount rate to the total of principal and interest. The discount interest rate is based on the assumed interest rate if similar new borrowings were entered into.

⑤Marketable securities and investment securities

The fair value of equity securities equals quoted market price. The fair value of debt securities equals quoted market price or has been provided by financial institutions.

⑥Notes and accounts payable–trade, and ⑦Short-term loans payable

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments. The current portion of long-term loans payable (the carrying amount of such portion on the consolidated balance sheets at March 31, 2014 and 2013 are ¥ 56,597 million (\$549,921 thousand) and ¥ 149,430 million) is included in “⑨Long-term loans payable.”, respectively.

⑧Bonds

The fair value of corporate bonds is calculated based on the quoted market price (Reference: Statistical Prices for OTC Bond Transactions), or, in cases where quoted market prices are not available, by using the discounted cash flow, based on the total amount of the principal and interest of the remaining period and credit risk. The corporate bonds include the current portion (the carrying amount on the consolidated balance sheets at March 31, 2014 and 2013 are ¥ 20,085 million (\$195,151 thousand) and ¥ 20,160 million, respectively).

⑨ Long-term loans payable

The fair value of the long-term loans payable is calculated by applying a discount rate to the total of the principal and interest. The discount interest rate is based on the assumed interest rate if similar new debt were entered into. A portion of the floating rate long-term loans payable hedged by interest rate swaps (described in ⑩) is calculated by discounting the total amount of the principal and interest with the interest rate swaps, based on the reasonably estimated interest rate if similar new debt were entered into. The long-term loans payable includes the current portion (the carrying amount on the consolidated balance sheets at March 31, 2014 and 2013 are ¥ 56,597 million (\$549,921 thousand) and ¥ 149,430 million, respectively).

⑩ Derivative transactions

The estimated special treatment of interest rate swaps is included in the fair value of the underlying long-term loans payable, as the interest rate swaps are accounted for as part of the long-term loans payable. (Refer to ⑨)

2. Financial instruments for which the fair value is deemed to be difficult to measure

As of March 31, 2014

Item	Book value (Millions of yen)
Non-listed stocks	¥ 65,328

Item	Book value (Thousands of U.S. dollars)
Non-listed stocks	\$634,752

As of March 31, 2013

Item	Book value (Millions of yen)
Non-listed stocks	¥ 69,565

Regarding the above item, quoted prices are not available and also the future cash flows cannot be estimated reliably, therefore the fair value of the above item is deemed to be difficult to measure and is not included in 1. ⑤.

3. The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2014

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Bank deposits	¥ 43,909	¥ 19	¥ —	¥ —
Notes and accounts receivable-trade	278,897	—	—	—
Short-term loans receivable	4,958	—	—	—
Long-term loans receivable	—	1,035	872	72
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	12,557	155	—	16
Total	¥ 340,323	¥ 1,210	¥ 872	¥ 89

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Bank deposits	\$426,633	\$190	\$ —	\$ —
Notes and accounts receivable-trade	2,709,847	—	—	—
Short-term loans receivable	48,182	—	—	—
Long-term loans receivable	—	10,059	8,479	704
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	122,014	1,508	—	161
Total	\$3,306,678	\$11,757	\$8,479	\$866

The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2013

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Bank deposits	¥ 49,619	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	269,137	—	—	—
Short-term loans receivable	7,862	—	—	—
Long-term loans receivable	—	1,188	766	74
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	7,144	5	—	16
Total	¥ 333,764	¥ 1,193	¥ 766	¥ 91

4. The repayment schedule for bonds, long-term loans payable, lease obligations and other interest-bearing liabilities subsequent to March 31, 2014

As of March 31, 2014

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	(Millions of yen)					
Short-term loans payable	¥ 127,764	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	20,085	20,055	20,020	40,000	40,000	40,000
Long-term loans payable	56,597	118,113	34,884	52,756	11,640	216,612
Lease obligations	925	788	504	271	150	583
Total	¥ 205,372	¥ 138,957	¥ 55,409	¥ 93,027	¥ 51,790	¥ 257,196

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Thousands of U.S. dollars)						
Short-term loans payable	\$1,241,395	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	195,151	194,860	194,520	388,651	388,651	388,651
Long-term loans payable	549,921	1,147,619	338,952	512,597	113,098	2,104,673
Lease obligations	8,991	7,665	4,905	2,637	1,457	5,672
Total	\$1,995,459	\$1,350,145	\$538,377	\$903,886	\$503,207	\$2,498,996

As of March 31, 2013

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Millions of yen)						
Short-term loans payable	¥ 158,410	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	20,160	20,085	20,055	20,020	40,000	40,000
Long-term loans payable	149,430	47,473	111,586	27,774	50,755	125,352
Lease obligations	1,075	760	523	320	139	534
Total	¥ 329,077	¥ 68,319	¥ 132,164	¥ 48,115	¥ 90,895	¥ 165,887

16. Securities

(1) Held-to-maturity debt securities

As of March 31, 2014

		Book value	Market value	Difference
(Millions of yen)				
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	¥ 150	¥ 150	¥ 0
	② Corporate bonds	5	5	0
	③ Others	16	33	17
	Total	171	189	17
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	12,557	12,557	—
	Total	12,557	12,557	—
Total		¥ 12,729	¥ 12,747	¥ 17

		Book value	Market value	Difference
(Thousands of U.S. dollars)				
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	\$1,459	\$1,461	\$1
	② Corporate bonds	48	48	0
	③ Others	159	329	170
	Total	1,667	1,839	172

Securities with a book value exceeding market value	① Government bonds, local government bonds and others	—	—	—
	② Corporate bonds	—	—	—
	③ Others	122,017	122,017	—
	Total	122,017	122,017	—
Total		\$123,684	\$123,856	\$172

As of March 31, 2013

		Book value	Market value	Difference
		(Millions of yen)		
Securities with a book value not exceeding market value	① Government bonds, local government bonds and others	¥ —	¥ —	¥ —
	② Corporate bonds	5	5	0
	③ Others	16	26	10
	Total	21	31	10
Securities with a book value exceeding market value	① Government bonds, local government bonds and others	¥ 150	¥ 150	0
	② Corporate bonds	—	—	—
	③ Others	6,993	6,993	—
	Total	7,144	7,144	0
Total		¥ 7,165	¥ 7,175	¥ 10

(2) Available-for-sale securities

As of March 31, 2014

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 74,251	¥ 39,209	¥ 35,041
	② Bonds			
	1. Government bonds, local government bonds and others	—	—	—
	2. Corporate bonds	—	—	—
	3. Others	—	—	—
	③ Others	—	—	—
Total		¥ 74,251	¥ 39,209	¥ 35,041
Securities with a book value not exceeding acquisition cost	① Corporate stocks	¥ 9,589	¥ 11,588	¥ (1,999)
	② Bonds			
	1. Government bonds, local government bonds and others	—	—	—
	2. Corporate bonds	—	—	—
	3. Others	—	—	—
	③ Others	1,481	1,736	(254)
Total		¥ 11,070	¥ 13,324	¥ (2,253)
Total		¥ 85,322	¥ 52,534	¥ 32,787

		Book value	Acquisition cost	Difference
		(Thousands of U.S. dollars)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	\$721,446	\$380,974	\$340,471
	② Bonds			
	1. Government bonds, local government bonds and others	—	—	—
	2. Corporate bonds	—	—	—
	3. Others	—	—	—
	③ Others	—	—	—
Total		\$721,446	\$380,974	\$340,471

Securities with a book value not exceeding acquisition cost	① Corporate stocks	\$93,174	\$112,599	\$(19,425)
	② Bonds			
	1. Government bonds, local government bonds and others	—	—	—
	2. Corporate bonds	—	—	—
	3. Others	—	—	—
	③ Others	14,393	16,867	(2,473)
	Total	\$107,567	\$129,467	\$(21,899)
Total		\$829,013	\$510,441	\$318,572

Notes: The followings are not included in above table because of no available quoted market price and not being able to estimate their future cash flows, therefore it is deemed to be difficult to measure their fair value:

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

(Their book value on balance sheet: ¥ 65,328 million (\$634,752 thousand))

As of March 31, 2013

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	① Corporate stocks	¥ 60,603	¥ 31,397	¥ 29,206
	② Bonds			
	1. Government bonds, local government bonds and others	—	—	—
	2. Corporate bonds	—	—	—
	3. Others	—	—	—
	③ Others	—	—	—
	Total	¥ 60,603	¥ 31,397	¥ 29,206
Securities with a book value not exceeding acquisition cost	① Corporate stocks	¥ 17,142	¥ 20,332	¥ (3,189)
	② Bonds			
	1. Government bonds, local government bonds and others	—	—	—
	2. Corporate bonds	—	—	—
	3. Others	—	—	—
	③ Others	—	—	—
	Total	¥ 17,142	¥ 20,332	¥ (3,189)
Total		¥ 77,746	¥ 51,729	¥ 26,017

Notes: The followings are not included in above table because of no available quoted market price and not being able to estimate their future cash flows, therefore it is deemed to be difficult to measure their fair value:

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

(Their book value on balance sheet: ¥ 69,565 million)

(3) Available-for-sale securities sold

For the fiscal year ended March 31, 2014

	Proceeds from sales	Gains	Losses
(Millions of yen)			
① Corporate stocks	¥ 1,178	¥ 383	¥ 0
② Bonds			

1. Government bonds, local government bonds and others	—	—	—
2. Corporate bonds	—	—	—
3. Others	—	—	—
③ Others	—	—	—
Total	¥ 1,178	¥ 383	¥ 0

	Proceeds from sales	Gains	Losses
	(Thousands of U.S. dollars)		
① Corporate stocks	\$11,448	\$3,725	\$0
② Bonds			
1. Government bonds, local government bonds and others	—	—	—
2. Corporate bonds	—	—	—
3. Others	—	—	—
③ Others	—	—	—
Total	\$11,448	\$3,725	\$0

For the fiscal year ended March 31, 2013

	Proceeds from sales	Gains	Losses
	(Millions of yen)		
① Corporate stocks	¥ 2,954	¥ 1,132	¥ 6
② Bonds			
1. Government bonds, local government bonds and others	—	—	—
2. Corporate bonds	—	—	—
3. Others	—	—	—
③ Others	—	—	—
Total	¥ 2,954	¥ 1,132	¥ 6

(4) Impairment of available-for-sale securities

With respect to corporate stocks included in available-for-sale securities, impairment losses of ¥ 297 million were recorded for the year ended March 31, 2013.

No impairment loss on available-for-sale securities was recorded for the fiscal year ended March 31, 2014.

In determining impairment losses, where fair value as of the year end is lower than acquisition cost by 50% or more, the whole amount of such difference is recorded as an impairment loss, while in cases where fair value as of the year end is lower than acquisition cost by between 30-50%, an amount deemed to be necessary is recorded as an impairment loss in consideration of recoverability among other factors.

17. Derivative Transactions

(1) Derivatives contracts outstanding for which hedge accounting was not applied

The information as of March 31, 2014 and 2013 was omitted as immaterial.

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

(i) Currency-related derivatives

As of March 31, 2014

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Basic accounting method	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	¥ 5,546	¥ —	¥ 400
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	762	—	90
	Others	Accounts receivable-trade	173	—	5
	Buy				
Buy: U.S. dollars, Sell: Japanese yen	Accounts payable-trade	744	—	10	
Others	Accounts payable-trade	40	—	(2)	
Total			¥ 7,268	¥ —	¥ 504
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	Brazil Real	Accounts receivable	224	—	(Note 2)
	U.S. dollars	Accounts receivable-trade	83	—	(Note 2)
Buy					
U.S. dollars	Accounts payable-trade	795	—	(Note 2)	
Total			¥ 1,103	¥ —	¥ —

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S. dollars)		
Basic accounting method	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	\$53,896	\$ —	\$3,889
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	7,404	—	877
	Others	Accounts receivable-trade	1,688	—	55
	Buy				
Buy: U.S. dollars, Sell: Japanese yen	Accounts payable-trade	7,233	—	99	
Others	Accounts payable-trade	395	—	(21)	
Total			\$70,618	\$ —	\$4,900
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	Brazil Real	Accounts receivable	\$2,179	\$ —	(Note 2)
	U.S. dollars	Accounts receivable-trade	811	\$ —	(Note 2)
Buy					
U.S. dollars	Accounts payable-trade	7,733	—	(Note 2)	
Total			\$10,724	\$ —	\$ —

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. The fair value of foreign exchange forward contracts is included in that of hedged foreign currency assets or liabilities.

As of March 31, 2013

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Basic accounting method	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	¥ 7,254	¥ —	¥ 159
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	449	—	57
	Others	Accounts receivable-trade	69	—	(0)
	Buy				
	Buy: U.S. dollars, Sell: Japanese yen	Accounts payable-trade	1,416	—	9
Buy: Japanese yen, Sell: New Zealand dollars	Accounts payable-trade	36	—	(4)	
Others	Accounts payable-trade	13	—	(0)	
Total			¥ 9,239	¥ —	¥ 222
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	69	—	(Note 2)
Buy					
U.S. dollars	Accounts payable-trade	377	—	(Note 2)	
Total			¥ 447	¥ —	¥ —

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. The fair value of foreign exchange forward contracts is included in that of hedged foreign currency assets or liabilities.

(ii) Interest-rate-related derivatives

As of March 31, 2014

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
Special treatment of interest rate swap	Interest rate swaps				
	Floating rate received for fixed rate	Long-term loans payable	¥ 213,685	¥ 210,595	(Note 2)
	Floating rate received for floating rate	Long-term loans payable	15,500	11,500	(Note 2)
	Fixed rate received for floating rate	Long-term loans payable	16,000	16,000	(Note 2)
Total			¥ 245,185	¥ 238,095	¥ —

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S. dollars)		
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	\$2,076,224	\$2,046,200	(Note 2)
	Floating rate received for floating rate	Long-term loans payable	150,602	111,737	(Note 2)
	Fixed rate received for floating rate	Long-term loans payable	155,460	155,460	(Note 2)
Total			\$2,382,287	\$2,313,398	¥ —

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. When an interest rate swap contract meets special treatment of interest rate swap, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. The fair value of the interest rate swaps accounted for by special treatment is included in that of hedged long-term loans payable.

As of March 31, 2013

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Special treatment of interest rate swap (Note 2)	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	¥ 239,575	¥ 143,685	(Note 2)
	Floating rate received for floating rate	Long-term loans payable	17,500	15,500	(Note 2)
	Fixed rate received for fixed rate	Long-term loans payable	1,000	—	(Note 2)
	Fixed rate received for floating rate	Long-term loans payable	21,000	16,000	(Note 2)
Total			¥ 279,075	¥ 175,185	¥ —

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. When an interest rate swap contract meets special treatment of interest rate swap, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. The fair value of the interest rate swaps accounted for by special treatment is included in that of hedged long-term loans payable.

(iii) Commodity-related derivatives

As of March 31, 2014

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Basic accounting method	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 5,850	¥ 3,942	¥ (431)
Total			¥ 5,850	¥ 3,942	¥ (431)

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S. dollars)		
Basic accounting method	Commodity swaps Floating rate received for fixed rate	Electricity	\$56,842	\$38,301	\$(4,193)
Total			\$56,842	\$38,301	\$(4,193)

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

As of March 31, 2013

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Basic accounting method	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 6,800	¥ 5,154	¥ (614)
Total			¥ 6,800	¥ 5,154	¥ (614)

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

18. Retirement Benefits

For the fiscal year ended March 31, 2014

(1) Retirement benefit plans

The domestic consolidated subsidiaries have established corporate pension fund plans, employees' pension fund plans and retirement lump-sum payment plans as defined benefit-type plans. In addition, the Company and certain consolidated subsidiaries have joined multi-employer corporate pension plans. Certain domestic consolidated subsidiaries also provide defined contribution plans. Furthermore, in certain instances of an employee's retirement or other termination, special retirement benefits may be provided, which are not included in the retirement benefit obligation based on the actuarial calculation under retirement benefit accounting. Certain overseas consolidated subsidiaries also provide defined benefit plans. Certain domestic consolidated subsidiaries also have funded employees' retirement benefit trusts.

(2) Defined benefit plans (includes multi-employer plans)

(i) Reconciliation of beginning and ending balances of retirement benefit obligation (excluding plans for which a simplified method is applied)

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of retirement benefit obligation	195,079	1,895,446
Service cost	6,106	59,330
Interest cost	1,621	15,754
Actuarial gain	(1,998)	(19,422)
Payment of retirement benefits	(12,753)	(123,918)
Other	1,156	11,238
Ending balance of retirement benefit obligation	189,211	1,838,428

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

Beginning balance of plan assets	111,138	1,079,852
Expected return on plan assets	1,184	11,506
Actuarial gain	11,705	113,729
Employer contributions	7,011	68,128
Payment of retirement benefits	(9,240)	(89,785)
Other	1,041	10,119
Ending balance of plan assets	122,840	1,193,550

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

Beginning balance of net defined benefit liability	7,688	74,703
Retirement benefit cost	814	7,914
Payment of retirement benefits	(777)	(7,555)
Plan contributions	(766)	(7,442)
Other	(100)	(980)
Ending balance of net defined benefit liability	6,864	66,694

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

Funded retirement benefit obligation	143,267	1,392,026
Plan assets	(129,864)	(1,261,798)
	13,402	130,227
Unfunded retirement benefit obligation	59,832	581,344
Net liabilities and assets recorded on the consolidated balance sheets	73,235	711,572
Net defined benefit liability	73,769	716,768
Net defined benefit asset	(534)	(5,195)
Net liabilities and assets recorded on the consolidated balance sheets	73,235	711,572

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

(v) Components of retirement benefit expenses

Service costs	6,106	59,330
Interest cost	1,621	15,754
Expected return on plan assets	(1,184)	(11,506)
Amortization of actuarial loss	7,473	72,612
Amortization of prior service cost	(784)	(7,623)
Retirement benefit cost calculated by simplified method	814	7,914
Special retirement benefits	866	8,420
Other	37	364
Retirement benefit cost related to defined benefit plans	14,950	145,267

Note: Special retirement benefits as stated above are mainly redundancy pay, etc., and are accounted for as "Other" in "Special losses."

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

Unrecognized prior service costs	(1,468)	(14,270)
Unrecognized actuarial gain	20,953	203,585
Total	19,484	189,314

(vii) Matters relating to plan assets

(a) Principal plan assets

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

Domestic equities	26%
Overseas equities	14
Domestic bonds	16
Overseas bonds	10
Life insurance general accounts	20
Alternative investment	11
Other	3
Total	100

Note: Retirement benefit trusts established for corporate pension plans constitute 13% of total plan assets.

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

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

(viii) Assumptions used in actuarial calculations

(a) Discount rates

Domestic 0.7 – 1.9%

Overseas 3.5 – 5.2%

(b) Long-term expected rate of return on plan assets

Domestic 0.8 – 3.5%

Overseas 2.0 – 7.0%

(3) Defined contribution plan

The contribution to defined contribution plans of the consolidated subsidiaries, including the multi-employer plans that are accounted for in the same way as defined contribution plans, is ¥513 million (\$4,992 thousand).

For the fiscal year ended March 31, 2013

(1) The domestic consolidated subsidiaries provide defined benefit plans, i.e., a lump-sum benefit at retirement and a non-contributory funded defined-benefit pension plan. Certain domestic consolidated subsidiaries provide defined contribution plans. Furthermore, on some occasions of an employee's retirement or other termination, special retirement benefits may be provided, which is not included in the retirement benefit obligation based on the actuarial calculation under retirement benefit accounting.

Certain overseas consolidated subsidiaries provide defined benefit plans. Certain domestic consolidated subsidiaries also have funded employees' retirement benefit trust.

(2) Retirement benefit obligations

	<u>Millions of yen</u>
(i) Retirement benefit obligation	(210,059)
(ii) Plan assets at fair value	118,430
(iii) Unfunded retirement benefit obligation ((i) + (ii))	(91,629)
(iv) Unrecognized actuarial gain and loss	42,061
(v) Unrecognized prior service cost	(2,263)
(vi) Net retirement benefit obligation ((iii) + (iv) + (v))	(51,831)
(vii) Prepaid pension cost	1,400
(viii) Provision for retirement benefits ((vi) - (vii))	(53,232)

Notes:

1. To certain employees who are transferred to subsidiaries and affiliates, the Company provides special

retirement pay which is not based on actuarial calculations under retirement benefit accounting.

The present value, ¥ 261million of the estimated installment payments for subsequent fiscal years, is included in provision for retirement benefits as of March 31, 2013.

2. Certain consolidated subsidiaries adopted a simplified method for the calculation of their retirement benefit obligations.

(3) Components of retirement benefit expenses

	<u>Millions of yen</u>
(i) Service cost	4,180
(ii) Interest cost	2,851
(iii) Expected return on plan assets	(1,711)
(iv) Amortization of actuarial loss	9,541
(v) Amortization of prior service cost	(1,482)
(vi) Loss on partial settlement of retirement benefit plan	8,820
(vii) Retirement benefit expenses ((i)+(ii)+(iii)+(iv)+(v)+(vi))	22,200

Notes:

1. Special retirement benefits of ¥ 1,815 million which are mainly redundancy pay, etc., and are accounted for as “Other” in “Special losses.” The amount is not included in the above retirement benefit expenses.
2. Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in “Service cost.”

(4) Basis for calculation of retirement benefit obligation

- (i) Periodic allocation method of estimated amount of retirement benefit

Straight-line method

- (ii) Discount rate

Domestic 0.7 – 1.9%

Overseas 3.4 – 4.4%

- (iii) Expected return on plan assets

Domestic 1.3 – 2.5%

Overseas 7.0%

- (iv) Accounting period of prior service cost

Prior service cost is accounted for as an expense calculated by using the straight-line method based on the average remaining service period of the employees in service (12 – 17 years) during the period in which it arises.

- (v) Accounting period of actuarial gain and loss

Actuarial losses are accounted for as expenses for in subsequent fiscal years beginning the following year in which they arise calculated by using the straight-line method based on the average remaining service period of the employees in service (12 – 17 years) during the period in which they arises.

19. Stock Options

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

Account title: Selling, general and administrative expenses
 Amount: ¥ 68 million (\$663 thousand) for the year ended March 31, 2014
 ¥ 47 million for the year ended March 31, 2013

(2) Content, size and changes of stock options

(i) Stock option plans

Stock option 2006	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 140,000 shares
Grant date	August 15, 2006
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2007 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2006 (June 29, 2006) to the date of the ordinary general meeting of shareholders in 2007
Exercise period	From August 16, 2006 to June 30, 2026

Stock option 2007	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 145,000 shares
Grant date	July 13, 2007
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2008 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2007 (June 28, 2007) to the date of the ordinary general meeting of shareholders in 2008
Exercise period	From July 14, 2007 to June 30, 2027

Stock option 2008	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 215,000 shares
Grant date	July 14, 2008
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2009 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2008 (June 27, 2008) to the date of the ordinary general meeting of shareholders in 2009
Exercise period	From July 15, 2008 to June 30, 2028

Stock option 2009	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 174,000 shares
Grant date	July 13, 2009
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2010 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.

Vesting period	From the date of the ordinary general meeting of shareholders in 2009 (June 26, 2009) to the date of the ordinary general meeting of shareholders in 2010
Exercise period	From July 14, 2009 to June 30, 2029

Stock option 2010	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 220,000 shares
Grant date	July 16, 2010
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2011 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2010 (June 29, 2010) to the date of the ordinary general meeting of shareholders in 2011
Exercise period	From July 17, 2010 to June 30, 2030

Stock option 2011	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 219,000 shares
Grant date	July 15, 2011
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2012 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2011 (June 29, 2011) to the date of the ordinary general meeting of shareholders in 2012
Exercise period	From July 16, 2011 to June 30, 2031

Stock option 2012	
Individuals covered by the Plan	Directors of the Company: 12
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 219,000 shares
Grant date	July 17, 2012
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2013 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2012 (June 28, 2012) to the date of the ordinary general meeting of shareholders in 2013
Exercise period	From July 18, 2012 to June 30, 2032

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

(ii) Changes in the number of stock options

For the year ended March 31, 2014

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock option 2013
	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)
Share subscription rights which are not yet vested								
Outstanding as of March 31, 2013	—	—	—	—	—	—	219,000	—
Granted	—	—	—	—	—	—	—	220,000
Forfeited	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	219,000	—
Outstanding as of March 31, 2014	—	—	—	—	—	—	—	220,000
Share subscription rights which have already been vested								
Outstanding as of March 31, 2013	44,000	58,000	86,000	102,000	127,000	164,000	—	—
Vested	—	—	—	—	—	—	219,000	—
Exercised	—	10,000	15,000	—	—	—	20,000	—
Forfeited	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2014	44,000	48,000	71,000	102,000	127,000	164,000	199,000	—

(iii) Price information of stock options

As at March 31, 2014

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock Option 2013
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	—	483	483	—	—	—	516	—
Weighted average fair value per shares at the granted date	579	464	351	285	334	307	189	351

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock option 2013
	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)
Exercise price	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average market price of the stock at the time of exercise	—	4.69	4.69	—	—	—	5.01	—
Weighted average fair value per shares at the granted date	5.62	4.50	3.41	2.76	3.24	2.98	1.83	3.41

(3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options granted in the year ended March 31, 2014 is as follows:

(i) Model of valuation: Black-Scholes Model

(ii) Main basic assumptions and estimation method:

	Stock option 2013
Expected volatility (Note 1)	30.810%
Expected holding period (Note 2)	10 years and 6 months
Expected dividend (Note 3)	10 yen (\$0.1)/share
Risk-free rate (Note 4)	0.843%

Notes:

1. The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months (from January 16, 2003 to July 16, 2013)
2. As there is not enough data to make a reasonable estimate, expected life of the option is based on the assumption that the options are exercised at mid-term of during the exercise period.
3. This is based on the actual dividend for the year ended March 31, 2013.
4. Risk-free interest rate is yield on government bonds for the period that corresponds to the remaining life of the option.

(4) Method for estimating the number of vested options

Basically, as it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited compared to the number vested.

20. Income Taxes

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

	March 31, 2014 (Millions of yen)	March 31, 2013 (Millions of yen)	March 31, 2014 (Thousands of U.S. dollars)
Deferred tax assets			
Provision for retirement benefits in excess of tax limit	¥ —	¥ 21,792	\$—
Net defined benefit liability	25,974	—	252,374
Property, plant and equipment	11,068	16,834	107,541
Investment securities and others	8,550	7,371	83,079
Accrued bonuses in excess of tax limit	5,543	5,924	53,857
Tax losses carried forward	5,498	8,954	53,425
Allowance for doubtful accounts	1,687	1,708	16,394
Inventory	1,101	1,211	10,702
Other	5,118	8,956	49,727
Subtotal	64,541	72,754	627,103
Valuation allowance	(21,371)	(19,637)	(207,653)
Total deferred tax assets	¥ 43,169	¥ 53,116	\$419,449
Deferred tax liabilities			
Adjustment to book value of assets stated at fair value	(44,160)	(40,467)	(429,078)
Property, plant and equipment	(17,599)	(19,571)	(171,003)
Reserve for advanced depreciation of noncurrent assets	(13,875)	(11,179)	(134,819)
Valuation difference on available-for-sale securities	(11,431)	(8,495)	(111,074)
Reserve for special depreciation	(616)	(412)	(5,987)
Other	(917)	(1,723)	(8,914)
Total deferred tax liabilities	(88,601)	(81,849)	(860,878)
Net deferred tax assets	¥ (45,431)	¥ (28,733)	\$(441,428)

(2) Difference between the statutory tax rate and the effective tax rate of corporate income taxes

	For the fiscal year ended March 31,	
	2014	2013
Statutory tax rate	The note is omitted as the difference between the statutory effective tax rate and the effective income tax rate after the application of tax effect accounting was 5% or less.	38.0%
(Adjustment)		
Non-deductible entertainment and social expenses, etc.		3.5
Non-taxable income of dividend received, etc.		(1.2)
Per capita levy of local inhabitant tax		1.3
Tax credit		(3.0)
Equity in earnings of affiliates		(1.2)
Different tax rates applied to foreign subsidiaries		(4.3)
Amortization of goodwill		2.5
Change in valuation allowance		(10.5)
Other		(2.9)
Effective tax rate		22.2%

(3) Revision to the amounts of deferred tax assets and deferred tax liabilities due to the change in the corporation tax rate, etc.

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014, and, accordingly, the special corporation tax for reconstruction will no longer be levied from fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been revised to 35.6% from the previous 38.0% for temporary differences that are expected to be realized or settled in the fiscal year beginning on April 1, 2014. As a result of this change in the tax rate, the amount of deferred tax assets decreased by ¥766 million (\$7,447 thousand)(the amount after deducting of deferred tax liabilities), income taxes – deferred increased by ¥767 million (\$7,455 thousand), deferred losses on hedging derivatives increased by ¥0 million (\$7 thousand) and minority interests increased by ¥0 million (\$0 thousand) respectively, as of and for the fiscal year ended March 31, 2014.

Furthermore, the Local Corporate Tax Act (Act No. 11 of 2014) was promulgated on March 31, 2014, and, accordingly, the local corporate tax will be levied as a national government level tax offsetting a reduction in the rate of inhabitant tax from fiscal years commencing on or after October 1, 2014. The effect of this change in the tax rate on the consolidated financial statements is immaterial.

21. Business Combination

For the fiscal year ended March 31, 2014

None

For the fiscal year ended March 31, 2013

Business combination by acquisition

1. Outline of business combination

(1) Name and business lines of acquired company

Name of acquired company	Japan Brazil paper and Pulp Development Ltd. (JBP)
Business lines of acquired company	Marketing of pulp

(2) Primary reason for business combination

The Company is strengthening the pulp business as part of its efforts to drive forward businesses related to strategic resource management, which is one of its current business strategies. Celulose Nipo-Brasileira S.A. (CNB), which is a wholly owned subsidiary of JBP, is one of the world's leading manufacturers of pulp available on the open market and boasts a production output of about 1.2 million tons/year in Brazil, a highly internationally competitive country in the pulp market. Accordingly, the Company expects not only to capture CNB's high profitability through the purchase of shares in JBP, but also to include CNB in the Group's management strategy to generate synergy with the existing pulp business in the international market.

(3) Acquisition date

June 7, 2012

(4) Legal form of business combination

Share acquisition with cash as consideration

(5) Name of company following combination

There is no change in the trade name following the combination.

(6) Percentage of voting rights acquired

Percentage of voting rights owned immediately before the date of business combination	39.84% (of which indirect ownership: 0.34%)
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Percentage of voting rights additionally acquired
 on the date of business combination 9.48% (of which indirect ownership: -%)
 Percentage of voting rights owned after acquisition 49.32% (of which indirect ownership: 0.34%)

- (7) Main reason for decision to acquire the company
 The Company's cash acquisition of shares.

2. Period of results of acquired company included in consolidated financial statements

From April 1, 2012 to March 31, 2013.

As the deemed acquisition date is June 30, 2012, the operating results of the acquired company up until the deemed acquisition date is recorded as equity in earnings of affiliates in the consolidated statements of income.

3. Calculation and allocation of the acquisition cost

- (1) Acquisition cost of acquired company and breakdown of amount

Acquisition value	45,713 million yen
	(Fair value on date of business combination)

Cost directly incurred for acquisition (Advisory fees etc.)	14 million yen
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- (2) Difference between acquisition cost of the acquired company and total acquisition cost of individual transactions leading to acquisition, and amount of goodwill generated, etc.

Difference between fair value and acquisition cost	2,153 million yen
Amount of foreign currency translation adjustment realized	(7,637) million yen
Amount of goodwill generated	(4,625) million yen

- (3) Reason for recognition of goodwill, and method and period of amortization

(a) Reason for recognition of goodwill

The difference between the equity amount possessed by the Group from the acquired company and the cost of acquisition occurred mainly because of the effect of foreign exchange rates on the deemed acquisition date (June 30, 2012).

(b) Method and period of amortization of goodwill

Written off completely within the year.

4. Amount and breakdown of assets and liabilities acquired on the date of business combination

	(Millions of yen)
Current assets	23,888
Noncurrent assets	168,363
<u>Total assets</u>	<u>192,252</u>
Current liabilities	32,753
Noncurrent liabilities	57,409
<u>Total liabilities</u>	<u>90,163</u>

5. Estimated impact of business combination on the consolidated statements of income for the fiscal year ended March 31, 2013 and how it is calculated assuming business combination was completed on April 1, 2012

	(Millions of yen)
Net sales	11,728
Operating profit	545
Ordinary profit	(118)
Net income	142

(How the estimated impact is calculated)

The difference between net sales and income data calculated assuming the business combination was completed on April 1, 2012 and the net sales and income data on the consolidated statement of income of the acquiring company is treated as the estimated amount of the impact.

These figures have not been audited by our independent auditor.

Transactions under Common Control

1. Name and business lines of applicable company, date of business combination, legal form of business combination, name of company following business combination, and purpose of transaction

(1) Name and business lines of applicable company

(a) Name of company

Oji Holdings Corporation (formerly Oji Paper Co., Ltd.)

(b) Business lines

Boxboard and packaging papers business, newsprint business, paper business, imaging media business, pulp business, forest resources and environment marketing business, businesses relating to procurement of raw fuel and materials and indirect divisions, etc.

(2) Date of business combination

October 1, 2012

(3) Legal form of business combination

Absorption-type company split with the Company as the splitting company and its wholly owned subsidiaries Oji Materia Co., Ltd. (formerly Oji paperboard Co., Ltd.), Oji Paper Co., Ltd. (formerly Oji Paper Split Preparation Co., Ltd.), Oji Imaging Media Co., Ltd., Oji Green Resources Co., Ltd., Oji Management Office Inc. and Oji Functional Materials Progressing Center Inc. as the successor companies.

(4) Outline of transaction, including its purpose

Enhancing the Group's competitiveness and profitability in the global paper, paperboard and related markets has become a pressing issue in an environment where domestic demand has matured and is declining and where Japanese and Asian markets continue to move rapidly in the direction of integration. Under such operating conditions, the Group is working to enhance its corporate value through pursuing a new business portfolio comprising the basic strategies defined as: "enhancing global competitiveness through aggressive cost reduction," "establishing a material-converted products integrated business model," "encouraging growth through incubating R&D oriented business," "promoting resource and environmental business," "expanding overseas business," and "strengthening trading functions."

The Group decided that it would be appropriate to make a transition to a holding company structure so that it may push forward with further enhancement of management efficiency within the Group and the clarification of management responsibilities in each business unit to more actively pursue the aforementioned measures for business portfolio transformation to achieve sustainable growth.

2. Outline of accounting procedures

The transactions were accounted for as transactions under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

22. Segment Information

(1) Overview of reporting segments

The reporting segments of the Company are the business units of the Group, of which financial information is available separately in order for the Board of Directors to conduct periodic review to determine allocation of management resources and evaluate business performance by unit.

The Group is mainly engaged in production and sale of pulp and paper products and converted paper products. Each of the companies of the Group independently plans its comprehensive strategy for its products and services and implements its business activities.

Therefore, each of the business segments comprises certain companies of the Group that are similar in terms of economic characteristics, production method or production process, types of market or customers to which products are sold and other characteristics. The Company consists of five reporting segments: “Household and industrial materials,” “Printing and communications media,” “Functional materials,” “Forest resources and environmental marketing” and “Other.”

The principal business lines in each reporting segment are as follows:

Household and industrial materials:	Containerboard, corrugated container, boxboard and, packaging papers, folding cartons and paper bags, household products
Printing and communications media:	Newsprint, printing, publishing and communications paper
Functional materials:	Specialty paper, thermal paper, adhesive paper, film
Forest resources and environmental marketing:	Lumber, pulp, energy
Other:	Real estate, machinery, trading and other

(2) Methods to calculate amounts of sales, income or loss, assets, liabilities and other items by reporting segment

The accounting method applied for reporting segments is almost the same that described in Notes to Consolidated Financial Statements 1.to 5.

Segment profit is based on operating profit. Inter-segment sales and transfers are based on market price and other.

(3) Information on amounts of sales, income or loss, assets, liabilities and other items by reporting segment For the fiscal year ended March 31, 2014

	Reporting segments				Total	Other (Note 1)	Total	Adjust- ments (Note 2)	Consolidated (Note 3)
	House- hold and industrial materials	Print- ing and communi- cations media	Function- al materials	Forest resources and environ- mental marketing					
(Millions of yen)									
Sales									
Sales to third parties	¥ 511,586	¥ 283,769	¥ 199,355	¥ 139,262	¥ 1,133,972	¥ 198,537	¥ 1,332,510	¥ —	¥ 1,332,510
Inter-segment sales and transfers	40,475	31,698	19,433	49,346	140,955	104,072	245,027	(245,027)	—
Total sales	552,062	315,467	218,789	188,608	1,274,927	302,610	1,577,538	(245,027)	1,332,510
Segment profit (loss)	¥ 21,376	¥ (2,650)	¥ 11,950	¥ 22,087	¥ 52,763	¥ 8,428	¥ 61,192	¥ 831	¥ 62,023
Segment assets	¥ 553,530	¥ 457,107	¥ 220,327	¥ 440,421	¥ 1,671,386	¥ 359,363	¥ 2,030,750	¥ (115,073)	¥ 1,915,676
Other items									
Depreciation and amortization (Note 4)	¥ 25,052	¥ 23,491	¥ 11,296	¥ 7,974	¥ 67,814	¥ 5,445	¥ 73,260	—	¥ 73,260
Increase in property, plant, equipment and intangible assets (Note 4)	¥ 22,501	¥ 8,399	¥ 4,957	¥ 29,330	¥ 65,188	¥ 11,532	¥ 76,721	—	¥ 76,721

For the fiscal year ended March 31, 2014

	Reporting segments				Total	Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	House- hold and industrial materials	Print- ing and communi- cations media	Function- al materials	Forest resources and environ- mental marketing					
(Thousands of U.S. dollars)									

Sales									
Sales to third parties	\$4,970,715	\$2,757,181	\$1,936,993	\$1,353,110	\$11,018,001	\$1,929,050	\$12,947,052	\$ —	\$ 12,947,052
Inter-segment sales and transfers	393,276	307,992	188,824	479,465	1,369,558	1,011,197	2,380,756	(2,380,756)	—
Total sales	5,363,992	3,065,174	2,125,817	1,832,575	12,387,560	2,940,248	15,327,808	(2,380,756)	12,947,052
Segment profit (loss)	\$207,697	\$(25,748)	\$116,112	\$214,608	\$512,669	\$ 81,892	\$ 594,562	\$8,074	\$602,636
Segment assets	\$5,378,258	\$4,441,383	\$2,140,762	\$4,279,263	\$16,239,667	\$3,491,677	\$19,731,345	\$(1,118,087)	\$18,613,258
Other items									
Depreciation and amortization (Note 4)	\$243,416	\$228,251	\$109,758	\$77,478	\$658,905	\$52,913	\$711,818	—	\$711,818
Increase in property, plant, equipment and intangible assets (Note 4)	\$218,627	\$ 81,615	\$48,165	\$284,984	\$633,393	\$112,056	\$745,449	—	\$745,449

Notes

1. “Other” is a business segment which is not included in the reporting segments, and included in this segment are real estate, machinery and other businesses.
2. “Adjustments” are as follows.
 - (1) Adjustment for segment profit (loss), ¥ 831 million (\$8,074 thousand), primarily consists of adjustment related to internal transactions.
 - (2) Adjustment for segment assets, ¥ (115,073) million (\$(1,118,087) thousand)), includes the following items.
 - Elimination of inter-segment debts and credits, and other, ¥ (143,663) million (\$(1,395,872) thousand)
 - Group-wide assets* not allocated to each reporting segment, ¥ 28,589 million (\$277,785 thousand)
3. Adjustment is made between segment profit (loss) and operating profit of the consolidated statements of income.
4. Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

For the fiscal year ended March 31, 2013

	Reporting segments				Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Printing and communications media	Functional materials	Forest resources and environmental marketing					
(Millions of yen)									
Sales									
Sales to third parties	¥ 504,302	¥ 286,176	¥ 180,537	¥ 87,657	¥ 1,058,673	¥ 182,798	¥ 1,241,471	¥ —	¥ 1,241,471
Inter-segment sales and transfers	36,625	39,965	16,725	43,159	136,476	100,910	237,387	(237,387)	—
Total sales	540,928	326,142	197,262	130,817	1,195,150	283,708	1,478,859	(237,387)	1,241,471
Segment profit (loss)	¥ 27,285	¥ (2,402)	¥ 10,212	¥ 10,163	¥ 45,259	¥ 6,353	¥ 51,613	¥ 769	¥ 52,383
Segment assets	¥ 582,568	¥ 439,440	¥ 215,731	¥ 379,802	¥ 1,617,542	¥ 357,444	¥ 1,974,987	¥ (143,735)	¥ 1,831,251
Other items									
Depreciation and amortization (Note 4)	¥ 25,535	¥ 24,525	¥ 10,657	¥ 5,249	¥ 65,968	¥ 6,088	¥ 72,057	—	¥ 72,057
Increase in property, plant, equipment and intangible assets (Note 4)	¥ 25,894	¥ 8,631	¥ 12,071	¥ 18,559	¥ 65,155	¥ 4,956	¥ 70,112	—	¥ 70,112

Notes

1. “Other” is a business segment which is not included in the reporting segments, and included in this segment are real estate, machinery and other businesses.
2. “Adjustments” are as follows.
 - (1) Adjustment for segment profit (loss), ¥ 769 million, primarily consists of adjustment related to internal transactions.
 - (2) Adjustment for segment assets, ¥ (143,735) million, includes the following items.
 - Elimination of inter-segment debts and credits, and other, ¥ (168,430) million
 - Group-wide assets* not allocated to each reporting segment, ¥ 24,694 million
 - *Group-wide assets: investment securities not allocated to each reporting segment
3. Adjustment is made between segment profit (loss) and operating profit of the consolidated statements of income.
4. Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

(4) Related information

For the fiscal year ended March 31, 2014

(i) Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

(ii) Information by region

(a) Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 1,061,429	¥ 155,072	¥ 34,722	¥ 23,715	¥ 46,739	¥ 8,155	¥ 2,675	¥ 1,332,510

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	Oceania	Total
(Millions of yen)							
¥ 667,013	¥ 158,353	¥ 48,398	¥ 2,983	¥ 224,680	¥ 7,210	¥ 46,339	¥ 1,154,978

(a) Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Thousands of U.S. dollars)							
\$10,313,151	\$1,506,724	\$337,377	\$230,423	\$454,133	\$79,245	\$25,996	\$12,947,052

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	Oceania	Total
(Thousands of U.S. dollars)							
\$6,480,895	\$1,538,611	\$470,250	\$28,984	\$2,183,056	\$70,060	\$450,245	\$11,222,104

(c) Information by major customer

Name of company	Sales		Related segment
	(Millions of yen)	(Thousands of U.S. dollars)	
Japan Pulp and Paper Company Limited	¥ 130,399	\$1,266,997	Household and industrial materials, Printing and communications media, Functional materials, Forest resources and marketing
Kokusai Pulp & Paper Co., Ltd	129,773	1,260,918	Household and industrial materials, Printing and communications media, Functional materials, Forest resources and marketing

For the fiscal year ended March 31, 2013

(i) Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

(ii) Information by region

(a) Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 1,034,683	¥ 121,479	¥ 26,419	¥ 20,500	¥ 29,849	¥ 6,868	¥ 1,671	¥ 1,241,471

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	Oceania	Total
(Millions of yen)							
¥ 684,441	¥ 125,050	¥ 39,626	¥ 2,607	¥ 188,452	¥ 6,421	¥ 44,046	¥ 1,090,645

(c) Information by major customer

Name of company	Sales	Related segment
	(Millions of yen)	
Kokusai Pulp & Paper Co., Ltd.	¥ 123,384	Household and industrial materials, Printing and communications media, Functional materials, Forest resources and marketing
Japan Pulp and Paper Company Limited	122,984	Household and industrial materials, Printing and communications media, Functional materials, Forest resources and marketing

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

For the fiscal year ended March 31, 2014

	Household and industrial materials	Printing and communications media	Functional materials	Forest resources and marketing	Other (Note 1)	Total
(Millions of yen)						
Impairment loss	¥ 3,556	¥ 367	¥ 1,254	¥ 1,466	¥ 1,700	¥ 8,345

	Household and industrial materials	Printing and communications media	Functional materials	Forest resources and marketing	Other (Note 1)	Total
(Thousands of U.S. dollars)						
Impairment loss	\$34,556	\$3,567	\$12,189	\$14,248	\$16,520	\$81,083

Notes:

1. The amount of "Other" is the amount related to business segments not included in reporting segments and other.
2. Of the impairment loss for the fiscal year ended March 31, 2014, ¥ 3,418 million (\$33,218 thousand) is included in loss on business restructuring of special losses.

For the fiscal year ended March 31, 2013

	Household and industrial materials	Printing and communications media	Functional materials	Forest resources and marketing	Other (Note 1)	Total
(Millions of yen)						
Impairment loss	¥ 83	¥ 60	—	¥ 64	¥ 1,954	¥ 2,162

Notes:

1. The amount of "Other" is the amount related to business segments not included in reporting segments and other.
2. Of the impairment loss for the fiscal year ended March 31, 2013, ¥ 695 million is included in loss on business restructuring of special losses.

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

For the fiscal year ended March 31, 2014

	Household and industrial materials	Printing and communications media	Functional materials	Forest resources and marketing	Other (Note 1)	Total
(Millions of yen)						
Amortized amount of goodwill	¥ 2,293	¥ 37	¥ 487	¥ 2	¥ 0	¥ 2,822
Balance of goodwill	9,166	18	5,245	—	—	14,430

	Household and industrial materials	Printing and communications media	Functional materials	Forest resources and marketing	Other (Note 1)	Total
	(Thousands of U.S. dollars)					
Amortized amount of goodwill	\$22,286	\$363	\$4,741	\$24	\$6	\$27,423
Balance of goodwill	89,060	181	50,968	—	—	140,210

Notes:

1. Amount for “Other” is the amount relating to business segments not included in reporting segments.

For the fiscal year ended March 31, 2013

	Household and industrial materials	Printing and communications media	Functional materials	Forest resources and marketing	Other (Note 1)	Total
	(Millions of yen)					
Amortized amount of goodwill	¥ 1,986	¥ 37	¥ 459	—	—	¥ 2,483
Balance of goodwill	9,350	56	5,399	—	—	14,806

Notes:

1. Amount for “Other” is the amount relating to business segments not included in reporting segments.

(7) Information on gain on negative goodwill by reporting segment

For the fiscal year ended March 31, 2014

None

For the fiscal year ended March 31, 2013

Significant negative goodwill generated in the Forest resources and environment marketing segment is described in 21. Business Combination.

23. Information on Transactions with Related Parties

For the fiscal year ended March 31, 2014

(i) Transactions with related parties

Significant transactions with related parties

None

(ii) Notes on significant affiliates

Summary of financial information on significant affiliates

None

For the fiscal year ended March 31, 2013

(i) Transactions with related parties

Significant transactions with related parties

None

(ii) Notes on significant affiliates

Summary of financial information on significant affiliates

None

24. Per Share Information

As of and for the fiscal year ended March 31, 2014 and 2013

	(Yen)		(U.S. dollars)
	2014	2013	2014
Net assets per share	¥ 581.69	¥ 511.95	\$5.65
Net income per share	¥ 34.22	¥ 25.93	\$0.33
Diluted net income per share (Note 1)	¥ 34.19	¥ 25.91	\$0.33

Notes:

1. Bases for computations of net income per share and diluted net income per share are as follows:

For the fiscal year ended March 31, 2014 and 2013

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2013	2014
Net income per share			
Net income	¥ 33,801	¥ 25,600	\$328,424
Amount not attributable to common Shareholders	—	—	—
Net income allocated to common Stock	33,801	25,600	328,424
Average number of shares outstanding during the period	thousand shares 987,713	thousand shares 987,220	thousand shares 987,713
Diluted net income per share			
Adjusted amount of net income	—	—	—
Increase in shares of common stock	thousand shares 909	thousand shares 733	thousand shares 909
(Share subscription rights among the above increase)	(thousand shares) (909)	(thousand shares) (733)	(thousand shares) (909)

25. Significant Subsequent Events

Acquisition of Carter Holt Harvey Limited's Pulp, Paper and Packaging Businesses

On April 25, 2014, the Company announced that the board of directors resolved to jointly acquire the pulp & paper business of Carter Holt Harvey Limited ("CHH"), Carter Holt Harvey Pulp & Paper Limited ("CHHPP") and certain related companies (collectively "CHHPP Group") with Innovation Network Corporation of Japan ("INCJ") and executed a share purchase agreement for the transaction. CHHPP Group manufactures pulp, paper and packaging products in New Zealand and Australia. CHHPP Group is ultimately owned by Rank Group Limited. The transaction is subject to, among others, relevant regulatory approvals.

1. Transaction Background

In recent years, the Company has been aggressively expanding its overseas businesses, particularly in Southeast Asia and other emerging markets where strong growth for the pulp & paper market is expected. The Company positions paperboards and packaging products as its core products and has either acquired or built a total of 21 plants/facilities (including on-going green-field projects) in Southeast Asia and India over the past few years.

Further, the Company has been focusing on the forest resources business. It operates Pan Pac (plantation forests, lumber-processing and pulp business in New Zealand), CENIBRA (plantation forests and pulp business in Brazil) and a number of other plantation assets in Southeast Asia and Oceania, with an aim to further expand the business in Japan and globally in the near future.

CHHPP Group's three main businesses:

- (1) Pulp Business: Benefitting from its regional advantage with access to abundant softwood supplies CHHPP manufactures bleached/unbleached softwood kraft pulp products, such as NBKP and NUKP. The acquisition of CHHPP will allow the Company to offer a broader range of products and solutions to customers adding to Pan Pac's BCTMP and CENIBRA's LBKP.
- (2) Paperboard Business: Using its softwood kraft pulp as the key raw material, CHHPP manufactures paperboard products that have a reputation as being more durable and stronger than recycled paperboard products provided by CHHPP's competitors in Asia. As the market in Asia continues to expand, the

Company will seek to market CHHPP's outstanding products to various customers to meet their needs for durability, while using CHHPP's paperboards as raw material for the Company's own packaging products going forward.

- (3) Packaging Business: CHHPP Group manufactures packaging products in five facilities in New Zealand and Australia, in addition to its paper bag and paper cup businesses. As the Company expects that the trade volume among Asia Pacific Rim countries will continue to increase, it believes that the business will grow in parallel with robust demand in the region.

Another important point is that the acquisition of CHHPP Group would also provide the Company with access to softwood resources, whereby expanding Oji Group's wood product business in the region and allowing it to develop and market its advanced materials as well as new materials made from wood.

The co-investing partner, INCJ, is a corporation incorporated in 2009 under the Industrial Competitiveness Enhancement Act of Japan. Jointly funded by the Japanese government and twenty six Japanese private enterprises, INCJ aims to provide financial, technological and management support to promote the creation of next-generation businesses through "open innovation" achieved by increasing the flow of technology and expertise beyond the boundaries of existing organizational structures. INCJ fully appreciates and understands the importance of Oji Group's global expansion strategy, and seeks to support the Company so as to strengthen Japanese presence in global forestry sector and potentially create further expansion opportunities for other Japanese corporations.

2. Overview of CHHPP Group

(1)	Name of Company	Carter Holt Harvey Pulp & Paper Limited
(2)	Business Description	Manufactures and markets softwood kraft pulp, paperboards and packaging products
(3)	Most recent operating results and financial position of Pulp Paper and Packaging Businesses, including Carter Holt Harvey Limited (millions of N.Z.dollars) (Note 1)	
Fiscal Year Ended		December 31, 2013
Total Assets		NZ\$875 (Approx. ¥77,900 million) (Approx. \$756 million)
Net Sales		NZ\$1,147 (Approx. ¥102,100 million) (Approx. \$992 million)
Operating Income		NZ\$29 (Approx. ¥2,600 million) (Approx. \$25 million)
EBITDA		NZ\$113 (Approx. ¥10,000 million) (Approx. \$97 million)

Note 1: The above amounts are totals for CHHPP Group, which is to be acquired, including CHHPP.

3. Overview of the Seller

(1)	Name of Company	Carter Holt Harvey Limited
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4. Overview of the Acquiring Entity, Number of Shares and Transaction Value

(1)	Direct acquiring entity	Oji Oceania Management (NZ) Limited. ("NZSPC") and Oji Oceania Management (AUS) Pty. Ltd. ("AUSPC") (Note 2)
(2)	Number of shares to be acquired	All CHHPP shares (Note 2)
(3)	Transaction value	NZ\$1,037 million (100% basis) (Approx. ¥92.3 billion) (Approx. \$896 million) (Note 2)

Note 2: NZSPC and AUSPC are both subsidiaries or second-tier subsidiaries of Oji Oceania Management Co., Ltd.

The abovementioned number of shares as well as transaction value is on a 100% basis.

The final payment amount for the Company and the breakdown of the acquisition cost for CHHPP and other companies have not been determined. In addition, it is anticipated that advisory and other expenses will be incurred, the amount of which is yet to be determined.

5. Overview of the Acquiring Entities

An overview of the companies in which the Company and INCJ plan to invest is as below. These companies will then be the subsidiaries or second-tier subsidiaries of the Company and will act as the acquiring entities for the acquisition of shares.

(1)	Name of Company	Oji Oceania Management Co., Ltd.			Oji Oceania Management (NZ) Limited	Oji Oceania Management (AUS) Pty. Ltd.		
(2)	Major shareholder and percentage of share ownership	The Company	60%	Note 3	Oji Oceania Management Co., Ltd.	100%	Oji Oceania Management (NZ) Limited	100%
		INCJ	40%					

Note 3: Major shareholder and percentage of share ownership is forecast based on the execution of a share transfer.

26. Consolidated Supplementary Schedules

(1) Bonds

Company	Name	Date of issue	Balance as of April 1, 2013 (Millions of yen)	Balance as of March 31, 2014 (Millions of yen)	Balance as of March 31, 2014 (Thousands of U.S. dollars)	Interest rate (%)	Collateral	Maturity
Oji Holdings Corporation	Bond No.22	August 19, 2003	¥ 20,000 (¥ 20,000)	—	\$—	1.25	None	August 19, 2013
Oji Holdings Corporation	Bond No.24	July 23, 2004	20,000	¥ 20,000 (¥ 20,000)	194,325	2.01	None	July 23, 2014
Oji Holdings Corporation	Bond No.25	July 28, 2010	20,000	20,000	194,325	0.56	None	July 28, 2015
Oji Holdings Corporation	Bond No.26	July 28, 2010	20,000	20,000	194,325	0.86	None	July 28, 2017
Oji Holdings Corporation	Bond No.27	July 27, 2011	20,000	20,000	194,325	0.57	None	July 27, 2016
Oji Holdings Corporation	Bond No.28	July 27, 2011	20,000	20,000	194,325	0.86	None	July 27, 2018
Oji Holdings Corporation.	Bond No.29	July 26, 2012	20,000	20,000	194,325	0.39	None	July 26, 2017
Oji Holdings Corporation.	Bond No.30	July 26, 2012	20,000	20,000	194,325	0.61	None	July 26, 2019
Oji Holdings Corporation	Bond No.31	July 26, 2013	—	20,000	194,325	0.48	None	July 26, 2018
Oji Holdings Corporation	Bond No.32	July 26, 2013	—	20,000	194,325	0.79	None	July 24, 2020
Ginpo Pack Co., Ltd.	Bond No.5	December 30, 2008	60 (60)	—	—	1.00	None	December 30, 2013
Ginpo Pack Co., Ltd.	Bond No.6	September 10, 2009	45 (30)	15 (15)	145 (145)	0.90	None	September 10, 2014
Ginpo Pack Co., Ltd.	Bond No.7	September 30, 2010	75 (30)	45 (30)	437 (291)	0.61	None	September 30, 2015
Ginpo Pack Co., Ltd.	Bond No. 8	June 22, 2011	140 (40)	100 (40)	971 (388)	0.68	None	June 22, 2016
Total	—	—	¥ 160,320 (¥ 20,160)	¥ 180,160 (¥ 20,085)	\$1,750,485 (\$195,151)	—	—	—

Note:

1. The amounts indicated in parentheses above represent redemption amounts due in one year or less.
2. Aggregate annual redemption amount of bonds within five years subsequent to March 31, 2014 is as follows:

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Millions of yen)				
¥ 20,085	¥ 20,055	¥ 20,020	¥ 40,000	¥ 40,000

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Thousands of U.S. dollars)				
\$195,151	\$194,860	\$194,520	\$388,651	\$388,651

(2) Short term loans payable and long-term loans payable

	April 1, 2013 (Millions of yen)	March 31, 2014 (Millions of yen)	March 31, 2014 (Thousands of U.S. dollars)	Average interest rate (%)	Maturity
Short-term loans payable	¥ 158,410	¥ 127,764	\$1,241,395	0.59	—
Current portion of long-term loans payable	149,430	56,597	549,921	1.73	—
Current portion of lease obligations	1,075	925	8,991	—	—
Long-term loans payable (excluding current portion)	362,943	434,007	4,216,941	1.13	Due 2015 through 2051
Lease obligations (excluding current portion)	2,278	2,299	22,338	—	Due 2015 through 2024
Total	¥ 674,139	¥ 621,594	\$6,039,588	—	—

Notes:

- The above average interest rate is the weighted-average interest rate applicable to the above loans at the end of each fiscal year.
- The average interest rates of lease obligations are not indicated above as lease obligations before deduction of interest are included in the consolidated balance sheets.
- Aggregate annual repayment amounts of long-term loans payable and lease obligations (excluding current portion) within five years subsequent to March 31, 2014 are as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Millions of yen)				
Long-term loans payable	¥ 118,113	¥ 34,884	¥ 52,756	¥ 11,640
Lease obligation	788	504	271	150

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Thousands of U.S. dollars)				
Long-term loans payable	\$1,147,619	\$338,952	\$512,597	\$113,098
Lease obligation	7,665	4,905	2,637	1,457

(3) Asset Retirement Obligations

As the amount of asset retirement obligations as of April 1, 2013 and March 31, 2014 accounts for less than 1% of the total amount of liabilities and net assets as of the same date, pursuant to the provision of Article 92-2 of the Regulation for Consolidated Financial Statements, this information is omitted.



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Independent Auditor's Report

The Board of Directors
OJI HOLDINGS CORPORATION

We have audited the accompanying consolidated financial statements of OJI HOLDINGS CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OJI HOLDINGS CORPORATION and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 27, 2014
Tokyo, Japan

Ernst & Young ShinNihon LLC

Corporate Data (As of March 31, 2014)

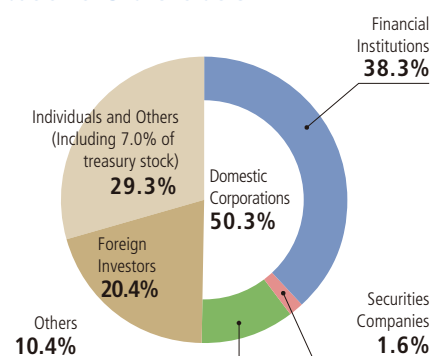
Company Profile

Company name	Oji Holdings Corporation	Capital	¥ 103,880 mil.
Director of the Board President	Kiyotaka Shindo	Number of authorized shares	2,400,000,000 shares
Headquarters	7-5 Ginza 4-chome, Chuo-ku, Tokyo 104-0061 Japan	Number of issued shares	1,064,381,817 shares
		(Treasury shares)	(74,460,898 shares)
Start of business	February 12, 1873	Number of shareholders	73,127 persons
Foundation	August 1, 1949	Number of consolidated employees	31,072 persons

Stock Information

Stock Exchange Listings	First Section of the Tokyo Stock Exchange
Securities Identification Code	3861
Share register and Special Management of 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	+81-120-782-031

Distribution of Shareholders



Principal Shareholders

Name	Number of shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Limited (Trust Account)	56,146	5.7
Japan Trustee Services Bank, Limited (Trust Account)	37,161	3.8
Japan Trustee Services Bank, Limited (Trust Account 4)	32,168	3.2
Sumitomo Mitsui Banking Corporation	31,668	3.2
Mizuho Bank, Limited	31,636	3.2
Nippon Life Insurance Company	27,083	2.7
Oji Group Employee Shareholding Association	24,547	2.5
Sumitomo Mitsui Trust Bank, Limited	21,493	2.2
Japan Pulp and Paper Company Limited	17,464	1.8
The Norinchukin Bank	16,654	1.7

Introduction to the Oji Holdings' Internet Website

Oji Holdings' internet website provides a variety of information such as corporate data, investor relations and environmental activities.

<http://www.ojiholdings.co.jp/english/index.html>



