

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

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

1. Results for the First Nine Months of the Year Ending March 31, 2020 (April 1, 2019 - December 31, 2019) (Unaudited)

(1) Consolidated Business Results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Nine Months of FY2019	1,134,443	(3.1)	84,863	2.1	78,807	0.9	47,382	22.0
First Nine Months of FY2018	1,170,673	6.1	83,155	70.7	78,126	68.1	38,842	30.6

Note: Comprehensive income First Nine Months of FY2019 31,909 million yen
 First Nine Months of FY2018 27,406 million yen

	Profit per share	Diluted profit per share
	Yen	Yen
First Nine Months of FY2019	47.87	47.84
First Nine Months of FY2018	39.25	39.22

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First Nine Months of FY2019	1,938,381	832,684	35.9	702.08
Year ended March 2019	1,951,369	815,406	34.7	684.50

Note: Shareholders' equity First Nine Months of FY2019 695,062 million yen
 FY2018 677,393 million yen

2. Dividend Conditions

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

Note : Change in forecast of dividend ... None

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,520,000	(2.0)	110,000	(0.2)	110,000	(7.1)	60,000	15.4	60.63

Note : Change in consolidated forecasts ... Yes

4. In Addition

- (1) Changes in important subsidiaries
(changes regarding specified subsidiaries accompanying changes in the scope of consolidation) : None
- (2) Application of simple accounting methods and quarterly peculiar accounting methods : None
- (3) Changes in accounting methods compared with recent consolidated accounting periods
- | | |
|--|------|
| (i) Changes due to accounting standard changes : | Yes |
| (ii) Changes besides (i) : | None |
| (iii) Accounting estimate change : | None |
| (iv) Restatement : | None |
- (4) Outstanding balance of issued shares (common stock)
- | | | | |
|--|---------------|-----------------------------|---------------|
| (i) Outstanding balance of issued shares at the end of fiscal year (Including treasury shares) | | | |
| First Nine Months of FY2019 | 1,014,381,817 | FY2018 | 1,014,381,817 |
| (ii) Outstanding balance of treasury shares at the end of fiscal year | | | |
| First Nine Months of FY2019 | 24,381,134 | FY2018 | 24,762,066 |
| (iii) Weighted average number of shares during fiscal year | | | |
| First Nine Months of FY2019 | 989,810,583 | First Nine Months of FY2018 | 989,595,649 |

NOTICE

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

1. Qualitative Information Concerning Business Performance and Financial Situation

(1) Qualitative Information Concerning Business Performance

Business Performance for the First Nine Months of FY2019 (April 1, 2019 - December 31, 2019)

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent	Profit Per Share
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Yen
First Nine Months of FY2019	1,134.4	84.9	78.8	47.4	47.87
First Nine Months of FY2018	1,170.7	83.2	78.1	38.8	39.25
Increase (Decrease)	(36.2)	1.7	0.7	8.5	
Increase (Decrease)	(3.1%)	2.1%	0.9%	22.0%	

The Oji Group aims to become a global corporate group which stably maintains consolidated operating profit of more than ¥100.0 billion in its FY2019-2021 Medium-term Management Plan which sets forth the fundamental policies of "Profitability Improvement of Domestic Business", "Expansion of Overseas Business", "Promotion of Innovation", and "Contribution to a Sustainable Society".

Based on the fundamental policies, in the domestic business, we have focused on restructuring our production system to respond to the structural changes in demand, and worked to improve capital efficiency while concentrating management resources on promising businesses to strengthen our ability to generate cash flow. In the overseas business, we have expanded organically from existing operations by expanding the number of overseas operations and developing new businesses utilizing existing infrastructure. We have also worked to create synergies between our businesses as well as operations.

Under such initiatives, consolidated net sales for the nine months of FY2019 decreased by ¥36.2 billion to ¥1,134.4 billion (year-on-year decrease of 3.1%) mainly due to effects of weakening pulp market in the overseas business, despite product price adjustment effects in the domestic business. Overseas sales ratio decreased by 2.9 points from the previous year to 29.3%.

Consolidated operating profit increased by ¥1.7 billion to ¥84.9 billion (year-on-year increase of 2.1%) despite decreased operating profit of the overseas business, thanks to increased operating profit of the domestic business.

Non-operating profit and loss decreased by ¥1.0 billion year-on-year mainly due to an increase in exchange loss. Ordinary profit increased by ¥0.7 billion to ¥78.8 billion (year-on-year increase of 0.9%).

Extraordinary profit and loss increased by ¥3.8 billion year-on-year due in part to a gain on sales of investment securities accompanying the sale of strategically-held shares. As a result, profit before taxes increased by ¥4.5 billion to ¥78.5 billion (year-on-year increase of 6.0%), and profit attributable to owners of parent increased by ¥8.5 billion to ¥47.4 billion (year-on-year increase of 22.0%).

Overview of Business Performance for the First Nine Months of FY2019 by Segment

(i) Business Performance by Segment

(Unit: Billions of yen)

		Net Sales			Operating Profit		
		First Nine Months of FY2018	First Nine Months of FY2019	Increase (Decrease)	First Nine Months of FY2018	First Nine Months of FY2019	Increase (Decrease)
Reporting Segment	Household & Industrial Materials	514.0	514.8	0.2%	15.5	31.7	104.4%
	Functional Materials	169.2	160.4	(5.2%)	13.9	11.0	(20.9%)
	Forest Resources & Environment Marketing	248.4	219.2	(11.8%)	51.0	26.7	(47.6%)
	Printing & Communications Media	227.2	222.4	(2.1%)	(5.2)	7.9	-
	Total	1,158.8	1,116.9	(3.6%)	75.2	77.3	2.8%
Others		219.4	218.1	(0.6%)	7.4	6.9	(7.3%)
Total		1,378.3	1,334.9	(3.1%)	82.6	84.2	1.9%
Adjustment (*)		(207.6)	(200.5)		0.5	0.7	
Consolidated total		1,170.7	1,134.4	(3.1%)	83.2	84.9	2.1%

*Adjustment is mainly those concerning internal transactions.

(ii) Overview of Business Performance by Segment

The Oji Group's four reporting segments are: "Household and Industrial Materials", "Functional Materials", "Forest Resources and Environment Marketing", and "Printing and Communications Media". Each of the reporting segment consists of those that are recognized to be similar in terms of economic characteristics, manufacturing methods or processes of products, markets in which products are sold, and types of customers, among the constituent units of the Oji Group.

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

Major business lineup for the segments are as follows.

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

○Household and Industrial Materials

In the first nine months of FY2019, net sales amounted to ¥514.8 billion (year-on-year increase of 0.2%); and operating profit was ¥31.7 billion (year-on-year increase of 104.4%) as a result of product price adjustment effects.

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

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

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

Regarding overseas business, in containerboard business, in Southeast Asia, sales volume increased from the previous year, while sales amount decreased from the previous year mainly due to the effects of weakening market conditions. In Oceania, sales volume decreased from the previous year. As for corrugated container business, in Southeast Asia, sales mainly to beverages and processed food customers steadily performed. In Oceania, sales volume increased from the previous year mainly due to improved capacity utilization at a new plant in Australia.

As for disposable diaper business, in Malaysia, sales volume decreased from the previous year. In Indonesia, sales volume decreased from the previous year due in part to a customer's desire to increase inventory for initial delivery in the previous year, despite our continual efforts for sales expansion in preparation for the operation commencement of our own plant. In China, sales volume increased significantly from the previous year due to strong sales on online shopping sites. Total sales volume of disposable diapers in the three countries increased from the previous year.

○Functional Materials

In the first nine months of FY2019, net sales amounted to ¥160.4 billion (year-on-year decrease of 5.2%); and operating profit was ¥11.0 billion (year-on-year decrease of 20.9%) mainly due to the impact of reduced sales of some products.

Regarding domestic business, sales volume of specialty paper decreased from the previous year mainly due to sluggish sales to electronic components/semiconductors customers, despite efforts for developing new products and cultivating new customers. In export sales, sales volume decreased from the previous year due to the impact of the slowdown in Chinese and South Korean economies. Sales volume of thermal paper increased from the previous year due to steady performance of sales.

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

○Forest Resources and Environment Marketing

In the first nine months of FY2019, net sales amounted to ¥219.2 billion (year-on-year decrease of 11.8%); and operating profit was ¥26.7 billion (year-on-year decrease of 47.6%) mainly due to effects of weakening pulp market.

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

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

○Printing and Communications Media

In the first nine months of FY2019, net sales amounted to ¥222.4 billion (year-on-year decrease of 2.1%); and operating profit was ¥7.9 billion (year-on-year increase of ¥13.1 billion) mainly due to product price adjustment effects.

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

As for printing and communication paper, although sales volume decreased from the previous year, sales amount increased from the previous year due to product price adjustment effects.

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

(2) FY2019 Forecast and Future Outlook

Regarding the full-year forecast of consolidated business results for FY2019, net sales are expected to fall below the previous forecast (announced on November 5, 2019), mainly for the domestic business, due to the effects of US-China trade friction and unseasonable weather.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Yen
Previous Forecast [A]	1,600.0	110.0	110.0	60.0	60.63
Revised Forecast [B]	1,520.0	110.0	110.0	60.0	60.63
Increase (Decrease) [B-A]	(80.0)	–	–	–	
Increase (Decrease) (%)	(5.0%)	–	–	–	
(Reference) FY2018 Results	1,551.0	110.2	118.4	52.0	52.52

Consolidated quarterly balance sheets

(Unit : Millions of yen)

	FY2018	First Nine Months /
	Mar 31,2019	FY2019
		Dec 31,2019
Assets		
Current assets		
Cash and deposits	78,756	84,680
Notes and accounts receivable - trade	334,852	324,848
Securities	9,471	14,939
Merchandise and finished goods	101,940	98,572
Work in process	20,094	22,684
Raw materials and supplies	94,758	95,419
Other	35,429	45,439
Allowance for doubtful accounts	(1,838)	(1,787)
Total current assets	<u>673,465</u>	<u>684,797</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	188,861	188,489
Machinery, equipment and vehicles, net	318,702	295,470
Land	235,975	235,560
Other, net	241,218	280,169
Total property, plant and equipment	<u>984,759</u>	<u>999,689</u>
Intangible assets		
Goodwill	6,682	4,739
Other	9,903	9,968
Total intangible assets	<u>16,586</u>	<u>14,708</u>
Investments and other assets		
Investment securities	186,287	167,440
Other	91,390	72,859
Allowance for doubtful accounts	(1,119)	(1,114)
Total investments and other assets	<u>276,558</u>	<u>239,185</u>
Total non-current assets	<u>1,277,904</u>	<u>1,253,583</u>
Total assets	<u>1,951,369</u>	<u>1,938,381</u>

(Unit : Millions of yen)

	FY2018	First Nine Months /
	Mar 31,2019	FY2019
		Dec 31,2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	253,929	233,510
Short-term borrowings	193,175	208,497
Commercial papers	3,000	—
Current portion of bonds	20,000	20,000
Income taxes payable	17,941	23,635
Provisions	5,056	3,840
Other	83,267	83,897
Total current liabilities	<u>576,369</u>	<u>573,383</u>
Non-current liabilities		
Bonds payable	70,000	80,000
Long-term borrowings	334,402	300,118
Provisions	5,503	4,791
Retirement benefit liability	52,874	54,112
Other	96,813	93,291
Total non-current liabilities	<u>559,593</u>	<u>532,314</u>
Total liabilities	<u>1,135,963</u>	<u>1,105,697</u>
Net assets		
Shareholders' equity		
Share capital	103,880	103,880
Capital surplus	110,474	110,627
Retained earnings	413,023	447,425
Treasury shares	(13,753)	(13,584)
Total shareholders' equity	<u>613,625</u>	<u>648,349</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,981	33,357
Deferred gains or losses on hedges	317	297
Revaluation reserve for land	5,816	5,816
Foreign currency translation adjustment	13,223	(3,190)
Remeasurements of defined benefit plans	11,428	10,431
Total accumulated other comprehensive income	<u>63,767</u>	<u>46,712</u>
Share acquisition rights	222	222
Non-controlling interests	137,790	137,399
Total net assets	<u>815,406</u>	<u>832,684</u>
Total liabilities and net assets	<u>1,951,369</u>	<u>1,938,381</u>

Consolidated quarterly statements of income

(Unit : Millions of yen)

	First Nine Months / FY2018 Apr '18 - Dec '18	First Nine Months / FY2019 Apr '19 - Dec '19
Net sales	1,170,673	1,134,443
Cost of sales	886,335	857,246
Gross profit	284,338	277,196
Selling, general and administrative expenses		
Freight and incidental costs	112,869	106,142
Employees' salaries	39,615	38,787
Other	48,697	47,402
Total selling, general and administrative expenses	201,183	192,332
Operating profit	83,155	84,863
Non-operating income		
Interest income	1,347	1,636
Dividend income	2,489	2,806
Share of profit of entities accounted for using equity method	192	963
Other	5,177	4,079
Total non-operating income	9,206	9,486
Non-operating expenses		
Interest expenses	4,671	5,147
Foreign exchange losses	3,188	5,139
Other	6,375	5,256
Total non-operating expenses	14,235	15,543
Ordinary profit	78,126	78,807
Extraordinary income		
Gain on sales of investment securities	812	4,941
Other	409	842
Total extraordinary income	1,221	5,783
Extraordinary losses		
Loss on disaster	3,168	2,299
Business restructuring expenses	318	2,248
Other	1,808	1,531
Total extraordinary losses	5,296	6,079
Profit before income taxes	74,052	78,511
Income taxes - current	22,048	27,838
Income taxes - deferred	2,021	(3,318)
Total income taxes	24,070	24,520
Profit	49,981	53,991
Profit attributable to non-controlling interests	11,139	6,608
Profit attributable to owners of parent	38,842	47,382

Consolidated quarterly statements of comprehensive income

	(Unit : Millions of yen)	
	First Nine Months / FY2018 Apr '18 - Dec '18	First Nine Months / FY2019 Apr '19 - Dec '19
Profit	49,981	53,991
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,664)	251
Deferred gains or losses on hedges	90	(12)
Foreign currency translation adjustment	(13,318)	(21,090)
Remeasurements of defined benefit plans, net of tax	(789)	(1,015)
Share of other comprehensive income of entities accounted for using equity method	(894)	(213)
Total other comprehensive income	(22,575)	(22,081)
Comprehensive income	27,406	31,909
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,280	30,419
Comprehensive income attributable to non-controlling interests	9,125	1,490

(Change in accounting policies)

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

As a result, the quarterly balance sheet for the First Nine Months of the year ending March 31, 2020 shows increases of "Other, net" in "Property, plant and equipment" of ¥17,365 million, "Other" in "Current liabilities" of ¥2,175 million, and "Other" in "Non-current liabilities" of ¥15,854 million. In addition, land-use rights of ¥16,146 million, which were previously included in "Other" in "Investment and other assets", are included in "Other, net" in "Property, plant and equipment" as right-of-use assets.

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