August 1, 2018

Summary of Consolidated Financial and Business Results for the First Quarter of the Year Ending March 2019

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

1. Results for the First Quarter of the Year Ending March 31, 2019 (April 1, 2018 - June 30, 2018)

(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 Quarter of FY2018	379,147	8.0	27,590	117.8	27,882	176.6	17,297	213.1
First Quarter of FY2017	350,926	0.1	12,667	(31.4)	10,081	31.6	5,525	(22.2)

Note: Comprehensive income First Quarter of FY2018 5 million yen
First Quarter of FY2017 1,110 million yen

	Profit per share	Diluted profit per share
	Yen	Yen
First Quarter of FY2018	17.48	17.47
First Quarter of FY2017	5.59	5.58

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First Quarter of FY2018	1,935,789	789,489	34.3	670.41
Year ended March 2018	1,960,753	810,011	34.4	681.52

Note: Shareholders' equity First Quarter of FY2018 663,449 million yen
FY2017 673,642 million yen

2. Dividend Conditions

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
FY2017	—	5.00	—	5.00	10.00
FY2018	—				
FY2018 (Forecast)		6.00	—	6.00	12.00

Note : Change in forecast of dividend ··· None

3. Consolidated Forecasts for the Year Ending March 2019 (April 1, 2018-March 31, 2019)

(Figures shown in percentage for the full year are ratios compared to the previous year,
Figures shown in percentage for the first half are ratios compared to the same period of 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
First half	760,000	5.8	48,000	80.7	41,000	69.6	20,000	21.1	20.23
Full year	1,530,000	3.0	100,000	41.3	90,000	36.4	50,000	38.0	50.58

Note : Change in consolidated forecasts ··· No

4. In Addition

(1) Changes in important subsidiaries
(changes regarding specified subsidiaries accompanying changes in the scope of consolidation) : None

(2) Application of simple accounting methods and quarterly peculiar accounting methods : None

(3) Changes in accounting methods compared with recent consolidated accounting periods

(i)	Changes due to accounting standard changes :	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 Quarter of FY2018	1,014,381,817	FY2017	1,014,381,817

(ii) Outstanding balance of treasury shares at the end of fiscal year

First Quarter of FY2018	24,767,236	FY2017	25,937,293

(iii) Weighted average number of shares during fiscal year

First Quarter of FY2018	989,609,960	First Quarter of FY2017	988,522,759

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 Quarter of FY2018 (April 1, 2018 - June 30, 2018)

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent	Profit Per Share
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Yen
1st Quarter of FY2018	379.1	27.6	27.9	17.3	17.48
1st Quarter of FY2017	350.9	12.7	10.1	5.5	5.59
Increase (Decrease)	28.2	14.9	17.8	11.8	
Increase (Decrease)	8.0%	117.8%	176.6%	213.1%	

Overview of Business Performance for the First Quarter of FY2018

Oji Group has set "Expansion of Overseas Businesses", "Concentration / Advancement of Domestic Businesses", and "Enhancement of Financial Foundation" as the Fundamental Policies of the Group Management Strategies. In the domestic business, we are working to consolidate and improve the efficiency of existing businesses and accelerate the development of new promising businesses by leveraging on accumulated technologies and know-how. In the overseas business, we are working to further expand the regions as well as the fields of business operations by implementing capacity enhancement at existing sites and acquiring new sites through M&As.

Under such initiatives, net sales for the first quarter of FY2018 increased by ¥28.2 billion year-on-year (+8.0%) to ¥379.1 billion, mainly due to an increase in sales volume, the effect of price adjustments for the domestic products, and an increase in overseas pulp sales prices. Net sales increased in all reporting segments. "Expansion of overseas businesses" has steadily progressed, and Oji Group's overseas sales ratio rose 2.9% to 31.9%.

Operating profit increased by ¥14.9 billion year-on-year (+117.8%) to ¥27.6 billion, with both domestic and overseas businesses experienced the increase. In the domestic business, the effect of product price adjustment and cost reductions contributed to the increase in profits despite higher raw material and fuel prices. In the overseas business, operating profit of overseas located companies increased by ¥10.0 billion year-on-year (+123.0%) to ¥18.1 billion, mainly due to the influence of the rise in pulp sales prices.
We are making steady progress for the forecast of consolidated operating profit of ¥100.0 billion in FY2018, which is the final year of the 2016-2018 Medium-term Management Plan.
Non-operating profit increased by ¥2.9 billion year-on-year mainly due to an improvement in foreign exchange gains, and therefore, ordinary profit increased by ¥17.8 billion year-on-year (+176.6%) to ¥27.9 billion. Profit before taxes increased by ¥17.6 billion year-on-year (+182.0%) to ¥27.3 billion, and profit attributable to owners of parent increased by ¥11.8 billion year-on-year (+213.1%) to ¥17.3 billion.

Overview of First Quarter of FY2018 Business Performance by Segment

(i) Business Performance by Segment

(Unit: Billions of yen)

		Net Sales			Operating Profit		
		First Quarter of FY2017	First Quarter of FY2018	Increase (Decrease)	First Quarter of FY2017	First Quarter of FY2018	Increase (Decrease)
Reporting Segment	Household & Industrial Materials	154.7	166.1	7.4%	0.5	5.9	1,181.2%
	Functional Materials	52.8	56.5	6.9%	4.5	4.4	(2.1%)
	Forest Resources & Environment Marketing	67.7	78.1	15.4%	5.8	14.3	146.1%
	Printing & Communications Media	73.2	73.7	0.7%	0.3	0.2	(31.1%)
	Total	348.4	374.4	7.5%	11.1	24.8	124.1%
Others		67.8	72.0	6.3%	2.1	2.5	17.9%
Total		416.2	446.4	7.3%	13.2	27.3	107.1%
Adjustment (*)		(65.2)	(67.3)		(0.5)	0.3	
Consolidated total		350.9	379.1	8.0%	12.7	27.6	117.8%

*Adjustment amount is mainly the adjustment concerning internal transactions.

(ii) Overview of Business Performance by Segment

Oji Group's four reporting segments are: "Household and Industrial Materials", "Functional Materials", "Forest Resources and Environment Marketing" and "Printing and Communications Media". Each of the reporting segment consists of those that are recognized to be similar in terms of economic characteristics, manufacturing methods or processes of products, markets in which products are sold, and types of customers, among the constituent units of Oji Group.
Business segments that are not included in the reporting segments are classified as "Others".
For your information, the classification of reporting segments has been changed for some businesses from the first quarter of FY2018, as a result of a review of the internal management classification. Segment information for the first quarter of FY2017 has been prepared based on the changed reporting segment classification.

Major business lineup for the segments are as follows.

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

○Household and Industrial Materials

In the first quarter of FY2018, net sales were ¥166.1 billion (year-on-year increase of 7.4%); and operating profit was ¥5.9 billion (year-on-year increase of 1,181.2%) as a result of the effect of products price adjustments.

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

Sales volume of boxboard increased from the previous year due to strong domestic sales and export to Southeast Asia. Sales volume of packing paper increased in domestic sales but decreased in export.

As for disposable diapers, sales volume of both baby and adult disposable diapers increased. Household paper business which comprises tissue paper and toilet rolls steadily performed and its sales volume increased.

Regarding overseas business, in Southeast Asia, sales of containerboard increased due to the effect of higher sales prices. Sales of corrugated containers, mainly for customers of beverage and processed food industries, recorded healthy. Sales volume of disposable diapers significantly increased from the previous year due to the penetration of proprietary brand products in Malaysia, the expansion of selling stores in Indonesia, and the expansion of exports from Japan leveraging on a reputation of Nepia brand in China, against the backdrop of demand growth in emerging countries.

○Functional Materials

In the first quarter of FY2018, net sales were ¥56.5 billion (year-on-year increase of 6.9%); and operating profit was ¥4.4 billion (year-on-year decrease of 2.1%) although sales increase made possible by efforts for sales expansion made up for the impacts of higher raw material and fuel prices.

Regarding domestic business, for domestic market, sales volume of specialty paper was almost at the same level as the previous year. Sales volume of thermal paper increased from the previous year. Sales volume of adhesive products, mainly for thermal distribution labels, and film, mainly for smartphone manufacturing process, increased from the previous year. In export sales, sales volume of specialty paper increased from the previous year due to sales expansion of release paper such as those used for distribution labels, etc.

Regarding overseas business, Tele-Paper (M) Sdn. Bhd., a newly consolidated subsidiary in Malaysia, played a part in enhancing the result. Sales volume of thermal paper increased from the previous year in South America and Southeast Asia.

○Forest Resources and Environment Marketing

In the first quarter of FY2018, net sales were ¥78.1 billion (year-on-year increase of 15.4%); and operating profit was ¥14.3 billion (year-on-year increase of 146.1%) mainly due to rise in pulp sales prices.

Regarding domestic business, in pulp business, sales volume remained almost at the same level as the previous year, supported by steady export sales of dissolving pulp. Sales volume of energy business was almost at the same level as the previous year due to its steady performance.

Regarding overseas business, sales volume of pulp business was steady. Sales volume of lumber business increased from the previous year due to strong sales at Pan Pac Forest Products Ltd.

○Printing and Communications Media

In the first quarter of FY2018, net sales were ¥73.7 billion (year-on-year increase of 0.7%); and operating profit was ¥0.2 billion (year on-year decrease of 31.1%) due to the impacts mainly of higher raw material and fuel prices.

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, sales volume was almost at the same level as the previous year, but sales amount decreased because of the fall in market.

Regarding overseas business, sales at Jiangsu Oji Paper Co.,Ltd. increased from the previous year due to the effect of higher sales prices.

Consolidated quarterly balance sheets

(Unit : Millions of yen)

	FY2017 Mar 31,2018	First Quarter / FY2018 Jun 30,2018
Assets		
Current assets		
Cash and deposits	50,357	52,378
Notes and accounts receivable - trade	325,373	323,193
Securities	12,406	15,530
Merchandise and finished goods	96,658	100,223
Work in process	19,502	21,201
Raw materials and supplies	86,994	86,195
Other	35,276	33,326
Allowance for doubtful accounts	(1,511)	(1,503)
Total current assets	625,056	630,545
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	204,777	200,049
Machinery, equipment and vehicles, net	366,700	355,666
Land	235,846	235,835
Other, net	249,319	236,943
Total property, plant and equipment	1,056,644	1,028,494
Intangible assets		
Goodwill	9,664	8,828
Other	11,626	11,040
Total intangible assets	21,290	19,868
Investments and other assets		
Investment securities	162,336	161,672
Other	96,886	96,645
Allowance for doubtful accounts	(1,460)	(1,438)
Total investments and other assets	257,762	256,879
Total non-current assets	1,335,696	1,305,243
Total assets	1,960,753	1,935,789

(Unit : Millions of yen)

	FY2017 Mar 31,2018	First Quarter / FY2018 Jun 30,2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	248,490	239,736
Short-term loans payable	153,911	158,686
Commercial papers	1,000	12,000
Current portion of bonds	40,000	40,000
Income taxes payable	9,320	7,119
Provision	3,827	3,383
Other	80,681	74,605
Total current liabilities	537,231	535,532
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term loans payable	392,511	388,647
Provision	7,470	8,252
Net defined benefit liability	51,422	51,114
Other	102,104	102,752
Total non-current liabilities	613,509	610,766
Total liabilities	1,150,741	1,146,299
Net assets		
Shareholders' equity		
Capital stock	103,880	103,880
Capital surplus	112,086	109,704
Retained earnings	377,801	384,211
Treasury shares	(14,465)	(13,750)
Total shareholders' equity	579,303	584,046
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39,287	42,553
Deferred gains or losses on hedges	(170)	(839)
Revaluation reserve for land	5,835	5,823
Foreign currency translation adjustment	31,973	14,605
Remeasurements of defined benefit plans	17,412	17,259
Total accumulated other comprehensive income	94,338	79,402
Share acquisition rights	246	235
Non-controlling interests	136,122	125,805
Total net assets	810,011	789,489
Total liabilities and net assets	1,960,753	1,935,789

Consolidated quarterly statements of income

(Unit : Millions of yen)

	First Quarter / FY2017 Apr '17 - Jun '17	First Quarter / FY2018 Apr '18 - Jun '18
Net sales	350,926	379,147
Cost of sales	272,142	284,870
Gross profit	78,784	94,276
Selling, general and administrative expenses		
Freightage related expenses	35,513	36,754
Other	30,603	29,931
Total selling, general and administrative expenses	66,116	66,686
Operating profit	12,667	27,590
Non-operating income		
Interest income	335	409
Dividend income	1,085	1,261
Share of profit of entities accounted for using equity method	284	1
Foreign exchange gains	—	1,346
Other	726	989
Total non-operating income	2,432	4,008
Non-operating expenses		
Interest expenses	1,635	1,519
Foreign exchange losses	1,935	—
Other	1,447	2,196
Total non-operating expenses	5,018	3,716
Ordinary profit	10,081	27,882
Extraordinary income		
Gain on sales of investment securities	234	176
Other	174	14
Total extraordinary income	409	190
Extraordinary losses		
Loss on change in equity	—	366
Loss on retirement of non-current assets	293	276
Other	505	94
Total extraordinary losses	798	738
Profit before income taxes	9,692	27,334
Income taxes - current	2,407	6,374
Income taxes - deferred	1,085	964
Total income taxes	3,493	7,339
Profit	6,199	19,995
Profit attributable to non-controlling interests	674	2,697
Profit attributable to owners of parent	5,525	17,297

Consolidated quarterly statements of comprehensive income

(Unit : Millions of yen)

	First Quarter / FY2017 Apr '17 - Jun '17	First Quarter / FY2018 Apr '18 - Jun '18
Profit	6,199	19,995
Other comprehensive income		
Valuation difference on available-for-sale securities	4,233	4,295
Deferred gains or losses on hedges	775	(667)
Foreign currency translation adjustment	(11,646)	(22,967)
Remeasurements of defined benefit plans, net of tax	1,351	(277)
Share of other comprehensive income of entities accounted for using equity method	198	(374)
Total other comprehensive income	(5,088)	(19,989)
Comprehensive income	1,110	5
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,192	3,549
Comprehensive income attributable to non-controlling interests	(3,081)	(3,543)

(Change in accounting policies)
IFRS 15 “Revenue from Contracts with Customers” have been applied to subsidiaries that adopt IFRS from the first quarter of the year ending March 2019. As a result, the effect on the consolidated financial statements is immaterial.

(Additional information)
"Partial Amendments to Accounting Standard for Tax Effect Accounting, etc."（ASBJ Statement No.28, February 16,2018) and other standards have been adopted from the beginning of the current first quarter, whereby deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under Non-current liabilities.