November 1, 2018

Summary of Consolidated Financial and Business Results for the First Half 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 Half of the Year Ending March 31, 2019 (April 1, 2018 - September 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 Half of FY2018	761,862	6.1	54,653	105.7	53,437	121.0	26,754	62.0
First Half of FY2017	718,367	3.7	26,568	(21.0)	24,179	92.1	16,517	96.6

Note: Comprehensive income First Half of FY2018 16,617 million yen
First Half of FY2017 18,196 million yen

	Profit per share	Diluted profit per share
	Yen	Yen
First Half of FY2018	27.04	27.02
First Half of FY2017	16.71	16.70

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First Half of FY2018	1,943,309	805,113	34.7	681.76
Year ended March 2018	1,960,753	810,011	34.4	681.52

Note: Shareholders' equity First Half of FY2018 674,656 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	—	6.00			
FY2018 (Forecast)			—	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 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	1,550,000	4.3	110,000	55.4	100,000	51.6	50,000	38.0	50.58

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 Half of FY2018	1,014,381,817	FY2017	1,014,381,817
(ii)	Outstanding balance of treasury shares at the end of fiscal year			
	First Half of FY2018	24,801,248	FY2017	25,937,293
(iii)	Weighted average number of shares during fiscal year			
	First Half of FY2018	989,602,738	First Half of FY2017	988,510,241

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

1. Qualitative Information Concerning Business Performance and Financial Situation

(1) Qualitative Information Concerning Business Performance

Business Performance for the First Half of FY2018 (April 1, 2018 - September 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 Half of FY2018	761.9	54.7	53.4	26.8	27.04
1st Half of FY2017	718.4	26.6	24.2	16.5	16.71
Increase (Decrease)	43.5	28.1	29.3	10.2	
Increase (Decrease)	6.1%	105.7%	121.0%	62.0%	

Overview of Business Performance for the First Half 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 half of FY2018 increased by ¥43.5 billion year-on-year (+6.1%) to ¥761.9 billion, mainly due to an expansion of business scale and an increase in pulp sales prices in the overseas business, and an effect of price adjustments in the domestic business. Net sales increased in all reporting segments.
"Expansion of Overseas Businesses" has steadily progressed, and Oji Group's overseas sales ratio rose 2.5% to32.4%.

Operating profit increased by ¥28.1 billion year-on-year (+105.7%) to ¥54.7 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 profit, despite higher raw material and fuel prices. In the overseas business, operating profit of overseas located companies increased by ¥21.5 billion year-on-year (+118.3%) to ¥39.7 billion, mainly due to the expansion of business scale and the increase in pulp sales prices.
We are making steady progress for achieving the consolidated operating profit of ¥100.0 billion, which is the management target of FY2018, the final year of the 2016-2018 Medium-term Management Plan.

Non-operating profit increased by ¥1.2 billion year-on-year mainly due to improvement in the financial balance, and therefore, ordinary profit increased by ¥29.3 billion year-on-year (+121.0%) to ¥53.4 billion.
Extraordinary profit decreased by ¥5.4 billion year-on-year mainly due to a loss on disaster of ¥2.7 billion caused by the Heavy Rain Event of July 2018, typhoons and the 2018 Hokkaido Eastern Iburi Earthquake, and a decrease in gain on sales of fixed assets. However, profit before taxes increased by ¥23.8 billion year-on-year (+91.9%) to ¥49.8 billion, and profit attributable to owners of parent increased by ¥10.2 billion year-on-year (+62.0%) to ¥26.8 billion.

Overview of First Quarter of FY2018 Business Performance by Segment

(i) Business Performance by Segment

(Unit: Billions of yen)

		Net Sales			Operating Profit (Loss)		
		First Half of FY2017	First Half of FY2018	Increase (Decrease)	First Half of FY2017	First Half of FY2018	Increase (Decrease)
Reporting Segment	Household & Industrial Materials	317.2	332.7	4.9%	(0.2)	10.3	-
	Functional Materials	106.5	110.5	3.8%	8.9	8.9	(0.4%)
	Forest Resources & Environment Marketing	142.2	162.8	14.4%	14.7	32.5	121.6%
	Printing & Communications Media	148.0	147.3	(0.5%)	(0.9)	(2.6)	-
	Total	713.8	753.2	5.5%	22.4	49.1	119.0%
Others		137.5	143.4	4.3%	4.3	5.0	14.8%
Total		851.3	896.6	5.3%	26.8	54.1	102.1%
Adjustment (*)		(132.9)	(134.7)		(0.2)	0.6	
Consolidated total		718.4	761.9	6.1%	26.6	54.7	105.7%

*Adjustment amount is mainly the adjustment concerning internal transactions.

(ii) Overview of Business Performance by Segment

Oji Group's four reporting segments are: "Household and Industrial Materials", "Functional Materials", "Forest Resources and Environment Marketing" and "Printing and Communications Media". Each of the reporting segment consists of those that are recognized to be similar in terms of economic characteristics, manufacturing methods or processes of products, markets in which products are sold, and types of customers, among the constituent units of 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 half 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, forest plantation/lumber processing, etc.
- Printing and Communications Media:
  Newsprint, printing/publication/communication paper, etc.
- Others:
  Real estate, engineering, trading business, logistics, etc.

○Household and Industrial Materials

In the first half of FY2018, net sales were ¥332.7 billion (year-on-year increase of 4.9%); and operating profit was ¥10.3 billion (year-on-year increase of ¥10.5 billion) as a result of the effect of products price adjustments.

Regarding domestic business, sales volume of containerboard and corrugated containers remained almost at the same level as the previous year, mainly due to steady sales for food industry customers and e-commerce, despite sluggish sales for fruit and vegetable industry customers caused by typhoons, etc.

Sales volume of boxboard increased from the previous year due to strong domestic sales and export to Southeast Asia. Sales volume of packing paper decreased from the previous year in both domestic sales and export, with a part of the decrease resulted from the impact of production suspension at a plant after the Heavy Rain Event of July 2018.

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 half of FY2018, net sales were ¥110.5 billion (year-on-year increase of 3.8%); and operating profit was ¥8.9 billion (year-on-year decrease of 0.4%) although sales increase from 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 decreased from the previous year mainly due to the impact of production suspension at a plant after the 2018 Hokkaido Eastern Iburi Earthquake, despite efforts for developing new product and acquiring new customers. Sales volume of thermal paper increased from the previous year due to steady performance. Sales volume of adhesive products, mainly thermal tack paper, increased from the previous year. For 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 and hygiene products, and building material paper, etc.

Regarding overseas business, Tele-Paper (M) Sdn. Bhd., a newly consolidated subsidiary in Malaysia, played a part in enhancing the result. Sales of thermal paper was strong in all regions. In particular, sales volume significantly increased from the previous year in emerging countries in Southeast Asia and South America.

○Forest Resources and Environment Marketing

In the first half of FY2018, net sales were ¥162.8 billion (year-on-year increase of 14.4%) and operating profit was ¥32.5 billion (year-on-year increase of 121.6%). As a result of rise in pulp sales prices, both net sales and operating profit increased significantly.

Regarding domestic business, sales volume of pulp business remained almost at the same level as the previous year due to steady performance. Sales volume of energy business remained almost at the same level as the previous year due to 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 half of FY2018, net sales were ¥147.3 billion (year-on-year decrease of 0.5%); and operating loss was ¥2.6 billion (year on-year decrease of ¥1.6 billion) mainly due to the impacts 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 against the backdrop of steady paper market conditions in China.

FY2018 Forecast and Future Outlook

The forecast of consolidated business results for FY2018 is expected to exceed the previous forecast (announced on August 1, 2018) mainly due to a strong performance of the corrugated container business and a steady trend of the pulp market in the overseas business, despite negative factors in the domestic business which include a sharp rise in raw material and fuel prices. Therefore, the forecast of consolidated business results for FY2018 has been revised as follows.

	Net sales	Operating income	Ordinary income	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]	1,530.0	100.0	90.0	50.0	50.58
Revised Forecast [B]	1,550.0	110.0	100.0	50.0	50.58
Increase (Decrease) [B-A]	20.0	10.0	10.0	-	
Increase (Decrease)	1.3%	10.0%	11.1%	-	
(Reference) FY2017 Results	1,485.9	70.8	66.0	36.2	36.64

2. Outline of Business Performance and Financial Situation

Business Performance

Billions of yen

		1st half of FY2018		Forecasts for FY2018	
			Increase(Decrease)		Increase(Decrease)
Net Sales		761.9	43.5	1,550.0	64.1
	Domestic	514.9	11.2		
	Overseas	247.0	32.3		
	ratio	32.4%	2.5%		
Operating Profit		54.7	28.1	110.0	39.2
Ordinary Profit		53.4	29.3	100.0	34.0
Profit attributable to owners of parent		26.8	10.2	50.0	13.8

Billions of yen

Depreciation		34.3	(0.8)	69.0	(2.9)
Capital expenditure		23.2	(3.6)	79.1	19.0

Average foreign exchange rate

	1st half of FY2018		Forecasts for FY2018	
		Increase(Decrease)		Increase(Decrease)
JPY ／ USD April to March	110.3	(0.8)	110.2	(0.7)
BRL ／ USD January to December	3.42	0.25	3.51	0.32
NZD ／ USD January to December	1.40	(0.02)	1.40	(0.01)
JPY／ EUR April to March	129.9	3.6	132.4	2.7

Financial situation

Billions of yen

	30-Sep-18	
		Increase(Decrease)from Mar31,2018
Total assets	1,943.3	(17.4)
Net assets	805.1	(4.9)
Interest bearing debts	633.5	(13.9)
Net debts	560.4	(27.3)

Number of employees

person

		30-Sep-18	
			Increase(Decrease)from Mar31,2018
Number of employees		36,192	48
	Domestic	17,223	141
	Overseas	18,969	(93)

Consolidated quarterly balance sheets

(Unit : Millions of yen)

	FY2017 Mar 31,2018	First Half / FY2018 Sep 30,2018
Assets		
Current assets		
Cash and deposits	50,357	57,505
Notes and accounts receivable - trade	325,373	322,789
Securities	12,406	19,358
Merchandise and finished goods	96,658	96,151
Work in process	19,502	21,378
Raw materials and supplies	86,994	92,056
Other	35,276	31,549
Allowance for doubtful accounts	(1,511)	(1,615)
Total current assets	625,056	639,174
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	204,777	198,620
Machinery, equipment and vehicles, net	366,700	356,062
Land	235,846	235,407
Other, net	249,319	236,738
Total property, plant and equipment	1,056,644	1,026,829
Intangible assets		
Goodwill	9,664	8,023
Other	11,626	10,628
Total intangible assets	21,290	18,651
Investments and other assets		
Investment securities	162,336	162,578
Other	96,886	97,487
Allowance for doubtful accounts	(1,460)	(1,411)
Total investments and other assets	257,762	258,654
Total non-current assets	1,335,696	1,304,135
Total assets	1,960,753	1,943,309

(Unit : Millions of yen)

	FY2017 Mar 31,2018	First Half / FY2018 Sep 30,2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	248,490	247,049
Short-term loans payable	153,911	156,407
Commercial papers	1,000	33,000
Current portion of bonds	40,000	20,000
Income taxes payable	9,320	13,179
Provision	3,827	3,958
Other	80,681	77,142
Total current liabilities	537,231	550,736
Non-current liabilities		
Bonds payable	60,000	40,000
Long-term loans payable	392,511	384,122
Provision	7,470	7,580
Net defined benefit liability	51,422	52,170
Other	102,104	103,586
Total non-current liabilities	613,509	587,459
Total liabilities	1,150,741	1,138,195
Net assets		
Shareholders' equity		
Capital stock	103,880	103,880
Capital surplus	112,086	110,558
Retained earnings	377,801	393,761
Treasury shares	(14,465)	(13,775)
Total shareholders' equity	579,303	594,424
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39,287	44,021
Deferred gains or losses on hedges	(170)	(673)
Revaluation reserve for land	5,835	5,819
Foreign currency translation adjustment	31,973	14,058
Remeasurements of defined benefit plans	17,412	17,006
Total accumulated other comprehensive income	94,338	80,232
Share acquisition rights	246	235
Non-controlling interests	136,122	130,221
Total net assets	810,011	805,113
Total liabilities and net assets	1,960,753	1,943,309

Consolidated quarterly statements of income

(Unit : Millions of yen)

	First Half / FY2017 Apr '17 - Sep '17	First Half / FY2018 Apr '18 - Sep '18
Net sales	718,367	761,862
Cost of sales	558,956	575,218
Gross profit	159,411	186,644
Selling, general and administrative expenses		
Freightage related expenses	72,281	73,456
Other	60,560	58,534
Total selling, general and administrative expenses	132,842	131,991
Operating profit	26,568	54,653
Non-operating income		
Interest income	709	765
Dividend income	1,372	1,542
Foreign exchange gains	994	811
Share of profit of entities accounted for using equity method	909	217
Other	1,625	3,103
Total non-operating income	5,611	6,440
Non-operating expenses		
Interest expenses	3,360	3,023
Other	4,640	4,632
Total non-operating expenses	8,001	7,656
Ordinary profit	24,179	53,437
Extraordinary income		
Gain on sales of investment securities	273	666
Other	4,293	175
Total extraordinary income	4,566	841
Extraordinary losses		
Loss on disaster	1,713	2,674
Other	1,085	1,821
Total extraordinary losses	2,798	4,495
Profit before income taxes	25,947	49,783
Income taxes - current	7,137	15,163
Income taxes - deferred	5	833
Total income taxes	7,142	15,996
Profit	18,804	33,787
Profit attributable to non-controlling interests	2,286	7,032
Profit attributable to owners of parent	16,517	26,754

Consolidated quarterly statements of comprehensive income

(Unit : Millions of yen)

	First Half / FY2017 Apr '17 - Sep '17	First Half / FY2018 Apr '18 - Sep '18
Profit	18,804	33,787
Other comprehensive income		
Valuation difference on available-for-sale securities	5,965	5,729
Deferred gains or losses on hedges	352	(531)
Foreign currency translation adjustment	(9,740)	(21,446)
Remeasurements of defined benefit plans, net of tax	2,331	(528)
Share of other comprehensive income of entities accounted for using equity method	483	(392)
Total other comprehensive income	(607)	(17,170)
Comprehensive income	18,196	16,617
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,869	13,839
Comprehensive income attributable to non-controlling interests	(672)	2,777

(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.