

February 6th, 2018

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**Announcement of Capital and Business Alliance of
Oji Holdings Corporation and Mitsubishi Paper Mills Limited**

Oji Holdings Corporation (hereinafter "Oji Holdings") and Mitsubishi Paper Mills Limited (hereinafter "Mitsubishi Paper") hereby announce that Oji Holdings and Mitsubishi Paper have resolved to enter into a capital alliance agreement on capital and business alliance between the two companies (hereinafter "the Alliance") and to issue new shares of Mitsubishi Paper to Oji Holdings through third party allocation of shares, at the Board of Directors' Meetings of the two companies held on February 6, 2018.

In addition, Oji Holdings hereby announces that Oji Holdings has agreed, with shareholders of Mitsubishi Paper, to acquire the shares of Mitsubishi Paper from the shareholders, as part of the Alliance.

1. Purpose of the Alliance

(1) Environment surrounding Oji Holdings and Mitsubishi Paper

In the papermaking industry in Japan, the printing and communications paper field is strongly affected by the declining birthrate, aging of the population, utilization of Information and Communication Technology (ICT), and its demand has decreased by approximately 30% as compared with 10 years ago (as per "Report on Estimated Domestic Demand on Paper/Paperboard, 2009" dated January 20, 2009 and "Report on Estimated Domestic Demand on Paper/Paperboard, 2018" dated January 22, 2018, by the Japan Paper Association). Meanwhile,

domestic printing and communications paper manufacturers have attempted to improve the cost structure, including the disposal of surplus facilities and the reduction of personnel. On the other hand, overseas paper manufacturers, mainly in Asia, have expanded production capacities by cutting-edge equipment, against the backdrop of expanding demand in their countries due to economic growth, and have also acquired a certain presence in the Japanese market, which makes the competition with overseas paper manufacturers intensified. In addition, in the short run, with the price of papermaking raw material and fuel being rising in the rise of the price of the resource in general, the business environment for the domestic printing and communications paper manufacturers is becoming more and more severe situation.

Under such circumstances, Oji Holdings and Mitsubishi Paper have been in a situation where they would not be able to continue the stable operation and growth of our businesses while competing with the other companies, if the two companies continued the existing management strategy.

(2) Past Circumstances of Oji Holdings and Mitsubishi Paper

Oji Holdings has set the basic policy of the group management strategy as "Expansion of Overseas Business", "Concentration / Advancement of Domestic Businesses" and "Strengthening Financial Base", and has been working on various measures under the Fiscal 2016-2018 Medium-term Management Plan. Specifically, on the one hand, Oji Holdings has been actively pursuing acquisition of manufacturing and sales bases centered in Asia, Oceania and South America, but at the same time, it has been domestically striving to fundamentally strengthen the revenue base of items such as household papers and corrugated boards, where the demand is stable, and striving to research and develop innovative materials that can be the next core business such as a Cellulose Nanofiber, in addition to working on reduction of the production equipment for printing and communication papers which demand has long been declining.

Meanwhile, Mitsubishi Paper has been developing various businesses such as printing & communication paper business, digital imaging business, speciality materials business, pulp manufacturing outsourcing, power generation business and so forth, in countries including Japan, Germany, North America and China. Most recently, Mitsubishi Paper has formulated the Second Med-Term Management Plan (fiscal 2016-2018 year), having its emphasis on "Stabilization of Profit through Alliances", and has been implementing various measures aiming at realization and reinforcement of the profitable structure that would be insusceptible to the external environment.

(3) Purpose of the Alliance

Oji Holdings and Mitsubishi Paper have strengthened the alliance with each other since the business alliance in the communication paper business in 2007 and the third party allocation of shares by Mitsubishi to Oji Holdings. Specifically, the two companies have expanded the scope of business alliances, through the business alliance in communication paper field such as carbonless papers and thermal papers, as well as, in the fiscal year of March 2017, through the establishment of joint biomass electric power generation business (scheduled to commence the business from July, 2019), and the launch of joint venture business of the household products business (scheduled to commence the operation from April, 2019). After that, as a result of continuous discussions and considerations on the market circumstances and business strategies surrounding the two companies, we have reached the mutual

recognition that it is essential for the both companies' sustainable growth to develop further comprehensive and constructive capital and business alliances, not limited to the scope of previous business alliances, and to make it possible to strengthen collaborative relationships in multiple businesses, beyond one-off collaborative relationship in a specific business so far, by way of making Mitsubishi Paper as a Oji Holdings' affiliated company accounted for by the equity-method.

In addition, regarding the Mitsubishi Paper's business in Germany which has been discussed in parallel, Oji Holdings and Mitsubishi Paper have decided to proceed on restructuring, including transfer of all or a part of the shares of the German subsidiary between the two companies, because it has been found difficult for Mitsubishi Paper alone to have a medium to long-term prospect.

2. Outline of the Alliance

(1) Details of the Capital Alliance

Oji Holdings plans to own shares equivalent to 33.0% of the total number of voting rights of Mitsubishi Paper as a result of completing the Alliance. The implementation of the Alliance is subject to a notification under the Financial Instruments and Exchange Act becoming effective and the obtaining permits and approvals from the competition authorities in Japan and overseas for the Alliance.

In order to realize the Alliance, Oji Holdings and Mitsubishi Paper plan to further proceed with discussions and consideration for the details of the business alliance between the two companies, and once the discussions are settled between the two companies and prior to the payment for the third party allocation of shares in respect of the Alliance, the two companies will execute a business alliance agreement.

(2) Details of Business Alliance

Oji Holdings and Mitsubishi Paper believe that the Alliance will be able to realize synergistic effects as below. As of today, Oji Holdings expects over 2.5 billion Japanese yen in operating income and Mitsubishi Paper expects over 2.5 billion Japanese yen in operating income, as an improvement effect, in the fiscal year of 2021. Oji Holdings and Mitsubishi Paper will further consider the implementation of the details of the business alliance by jointly establishing the "business alliance committee".

<Examples of Synergistic Effect>

- ① Improvement of profits through new capital investment in joint ventures, etc.
- ② Reduction of purchase costs, such as the costs of raw materials, fuel and chemicals
- ③ Reduction of supply and distribution costs through mutual OEM, and mutual use of warehouses and secondary logistics
- ④ Reduction of procurement logistics costs through joint operation of chip ships
- ⑤ Improvements in production efficiency, and so forth

Through the Alliance, the two companies will strive to achieve sustainable growth and maximize med-term and long-term corporate value, and will strive to earn higher evaluations from all stakeholders including shareholders,

by accelerating and developing mutual cooperation as long-term partners while respecting the autonomy and its relationship with existing business partners of Mitsubishi Paper as a listed company.

3. Schedule of the Alliance

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| (1) | The agreement date for the transfers of Mitsubishi Paper's shares between Oji Holdings and shareholders of Mitsubishi Paper | February 6, 2018 |
| (2) | The date of the resolutions of the Boards of Directors of Oji Holdings and Mitsubishi Paper | February 6, 2018 |
| (3) | Execution date of the Capital Alliance Agreement | February 6, 2018 |
| (4) | Execution date of the Business Alliance Agreement | To be executed upon agreement |
| (5) | The completion date of the share transfer in respect of shares in German subsidiary of Mitsubishi Paper | July 2018 – December 2019 |
| (6) | The payment for the third party allocation of shares in respect of the Alliance | July 2018 – December 2019 |
| (7) | The completion date of the share transfers in respect of shares in Mitsubishi Paper between Oji Holdings and the shareholders of Mitsubishi Paper | July 2018 – December 2019 |

4. Future Outlook

In order to realize the Alliance, Oji Holdings and Mitsubishi Paper, from now on, plan to further proceed with the discussion and consideration in accordance with the Capital Alliance Agreement, and once the discussions are settled between the two companies and prior to the payment for the third party allocation of shares in respect of the Alliance, the two companies plan to execute the business alliance agreement.

Although there will not be an impact on the Oji Holdings' consolidated financial results for the fiscal year ending March, 2018, it will contribute to the improvement of medium to long-term business performance.

The impacts of the Alliance and the third party allocation of shares in respect of the Alliance on Mitsubishi Papers' financial results for the fiscal year of March 2018 are currently being reviewed. If matters to be publicized arise in the future, Mitsubishi Paper will promptly disclose such matters.

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