

Risks and Opportunities

This section presents the risks and opportunities posed by material issues in various domains from the perspectives of ESG and business. Note that risks and opportunities as seen from a business perspective are limited to those concerning our management strategy.

ESG Perspective

Material Issues (ESG) and KPI pp. 81–82

Material Issues	Associated Risks and Opportunities ▲ Risk ○ Opportunity	Main Countermeasures against Major Risks
Mitigation and adaptation to climate change Sustainable forest management (forest recycling)	▲ Greater natural disasters caused by extreme weather ▲ An increase in costs due to strengthening and introduction of the carbon tax, introduction of an emissions trading system, etc. ▲ Impact on sales from changes in the evaluation of corporate attitudes and values of the market ○ An increase in demand for low-carbon products ○ An increase in value of company-owned forests through trading carbon credits associated with the carbon absorbed by the forests	<ul style="list-style-type: none">● Reduce GHG emissions through improving production efficiency, saving energy, and utilizing renewable fuel and waste fuel● Expanded use of non-fossil fuels and biomass fuels as alternatives to fossil fuels● Sustainable forest management such as promotion of forest plantation and conservation of company-owned forests● Maintain and expand the multi-functionality of forests● Absorb and fix CO₂ through sustainable forest management● Develop biomass power generation business● Develop eco-friendly products● Opportunities arising from introduction of carbon pricing (especially emissions trading)
Responsible raw materials procurement	▲ Occurrence of cases lacking consideration for the environment and society in the supply chain ○ An increase in demand for eco-friendly products owing to changes in consumer awareness	<ul style="list-style-type: none">● Expand CSR procurement, taking into consideration the environment and society following the Oji Group Partnership Procurement Policy and Wood Raw Material Procurement Guidelines● Central management for appropriate procurement of major raw materials● Manage the supply chain thoroughly (appropriate procurement through supplier monitoring, risk assessment, securing various suppliers, etc.)● Supply of FSC™ certified products (FSC™ C014119, etc.)
Stable supply of safe and secure products	▲ A decline in trust of stakeholders due to spread of negative rumors ○ Contribution to society through stable supply of safe and secure corrugated containers, household paper, and hygiene products, and the resulting increase in corporate value	<ul style="list-style-type: none">● Stably supply own products● Ensure safe quality design and management in compliance with relevant laws and regulations and stricter voluntary management standards● Provide customers with information on safety of raw materials (chemicals, materials)● Supply of hygiene products such as masks and gowns to prevent the spread of infectious diseases such as COVID-19
Reduction of environmental burdens	▲ Adverse effects on society due to pollution and the resulting decline in trust of stakeholders ○ An increase in demand for eco-friendly products owing to changes in consumer awareness	<ul style="list-style-type: none">● Set voluntary management standards that are stricter than the environmental regulatory standards● Purify wastewater and save emissions of chemical substances in exhaust● Reduce and effectively use waste● Develop eco-friendly products and biodegradable materials
Effective resource utilization (paper and water recycling)	▲ Impact of resource depletion on core businesses ○ Deployment of water treatment technology	<ul style="list-style-type: none">● Paper recycling (improve the recovered paper utilization ratio)● Reduce water intake and improve water recycling● Expand the water treatment business overseas
Respect for human rights	▲ A decline in trust of stakeholders due to lack of consideration for human rights	<ul style="list-style-type: none">● Formulate and implement the “Oji Group Corporate Code of Conduct,” the “Oji Group Behavior Standard,” and the “Oji Group Human Rights Policy”● Perform internal audits● Implement the whistleblowing system● Raise awareness of compliance and human rights through in-house training● Assess risks associated with suppliers’ respect for human rights
Ensuring workplace safety and health	▲ Occupational accidents ▲ Health of employees hindered by the spread of infectious diseases ○ An increase in trust of employees and other stakeholders resulting from prompt response to disasters and infectious diseases	<ul style="list-style-type: none">● Establish safety and health management structures and promote activities aimed for safety and health● Thoroughly ensure safety in the handling of machines and equipment and in other operations● Promote safety education (introduce VR risk experience education, etc.)● Promote physical and mental well-being of employees● Create comfortable work environments● Respond to infectious diseases including COVID-19
Inclusion & diversity	○ Securing outstanding human resources ○ Creation of innovative value ○ Contribution to globalization	<ul style="list-style-type: none">● Implement human resource strategies and develop human resources● Promote working style reforms● Promote diversity

Business Perspective

Securities Reports: <https://investor.ojiholdings.co.jp/ja/ir/library/securities.html> (available only in Japanese)

Material Issues		Business Risks and Opportunities (Relating to Group Management Strategy)/Countermeasures against Risks
Profitability improvement of domestic business	Risks arising from fluctuations in demand	<p>Domestic business fluctuations and the continuing decline of the population could result in declines in demand for our products as well as in sales prices, affecting the Oji Group’s performance.</p> <p>Main countermeasures</p> <p>We are working to strengthen our business foundation via thorough cost reductions. In the field of industrial materials, we are promoting total, integrated material and processing packaging solutions, thereby strengthening product development capabilities and curbing the effects of demand fluctuations. In other fields, as well, we are working on the development of paper products and new materials to support the shift away from plastics.</p>
	Opportunities for growth	<p>In overseas markets which continue to exhibit strong economic growth, demand for household paper products is rising in accordance with increasingly sophisticated lifestyles. In addition, per the expansion of distribution due to the diversification of consumption, demand for corrugated containers and other packaging materials is on the rise. In such countries, we will be proactively investing in our household paper and corrugated container businesses.</p>
	Risks arising from changes in international market conditions	<p>The procurement prices of woodchips, fuel oil, and other raw materials are influenced by fluctuations in demand, countries’ changes to their trade policies, and international disputes. In addition, the sales prices of pulps are linked to international market conditions. Such price changes affect the Oji Group’s performance.</p> <p>Main countermeasures</p> <p>We monitor markets in relation to the procurement of raw materials, strive to maintain a variety of suppliers, and promote advantageous, stable procurement group-wide. In terms of recovered paper, we strive to maintain recovered paper recycling systems. We also strengthen coordination among Oji Group companies with the aim of ensuring stable recovered paper procurement.</p>
Expansion of overseas business	Risks associated with overseas business	<p>The Oji Group has promoted global business expansion. Some markets where the Group does or will do business pose risks such as political or social instability; decelerating economic growth; revisions to laws, regulations, and tax systems; destabilizing financial conditions; and human rights issues. These risks could affect the Oji Group’s overseas business strategy and future plans.</p> <p>Main countermeasures</p> <p>We establish regional headquarters to gather information on the political, economic, and social conditions of countries in which we do business and neighboring countries, and prepare for all relevant risks. In terms of business, we diversify risks by expanding across wide areas. Financially, we mitigate the effects of exchange rates through derivatives, and utilize group financing to secure liquidity on hand. With regard to human rights issues, based on the “Oji Group Human Rights Policy,” we implement initiatives aimed at ensuring respect for human rights.</p>
	Opportunities for growth	<p>Advancing into countries and regions experiencing continued high economic growth contributes to the expansion and strengthening of a business foundation which will help the Oji Group to grow even more. The Oji Group is developing businesses in emerging regions harnessing the technical superiority of its existing businesses and is expanding overseas with the aim of achieving an overseas sales ratio of 40%.</p>
Promotion of innovation	Risks associated with structural changes in demand arising from development of innovation	<p>COVID-19 has resulted in the popularization of remote work, furthering digital transformation and significantly altering peoples’ lifestyles. The Oji Group’s performance could be affected greater than anticipated due to further changes in demand in markets for graphic paper.</p> <p>Main countermeasures</p> <p>Facing a shrinking market, we are restructuring domestic business production systems and are striving to secure cash flow. The cash thus obtained is being invested in businesses in growth markets in Japan and overseas, and is also being appropriated for the development of new material products.</p>
	Opportunities for growth	<p>Due to the advancement of digital transformation, demand for mobile devices and a diverse array of other electronic devices is on the rise. The film products of the Oji Group are employed in smartphones and other precision devices as well as electric vehicles, and this business is undergoing rapid growth. In addition, the Group is moving forward with initiatives to complement its weaknesses and transform them into strengths through partnerships with other companies. Specific examples include a business partnership with Mitsubishi Paper Mills concerning carbonless paper and other products, and a paper carton business with Ishizuka Glass.</p>