[Notes]
(Significant matters providing the basis for the preparation of the consolidated financial statements)

1. The scope of consolidation

(1) Number of consolidated subsidiaries: 47

The names of major consolidated subsidiaries are omitted.

Nanei Co., Ltd., Nichimoku Fancy Materials Co., Ltd., and Nippon Paper Resources Australia Pty. Ltd., which were unconsolidated subsidiaries in the fiscal year ended March 31, 2012, have been consolidated effective from the fiscal year ended March 31, 2013, because the importance of the effects of their total assets, net sales, net income or loss (corresponding to the equity ratio owned by the Company) and retained earnings (corresponding to the equity ratio owned by the Company) on the Company's consolidated financial statements has increased.

Nippon Daishowa Paperboard Co., Ltd., Nippon Paper-Pak Co., Ltd., and Nippon Paper Chemicals Co., Ltd., which were consolidated subsidiaries in the fiscal year ended March 31, 2012, were dissolved and merged into Nippon Paper Industries, Co., Ltd., a consolidated subsidiary of the Company, as of October 1, 2012.

Koyo Paper Mfg. Co., Ltd., which was a consolidated subsidiary of the Company in the fiscal year ended March 31, 2012, was dissolved and merged into Nippon Paper Crecia Co., Ltd., a consolidated subsidiary of the Company, as of October 1, 2012.

(2) Names, etc., of major unconsolidated subsidiaries

Major unconsolidated subsidiary: Douoh Kouhatsu Ltd.

(Reason for exclusion from the scope of consolidation)

All unconsolidated subsidiaries are excluded from the scope of consolidation because the scale of their operations is small and their total amounts in terms of total assets, net sales, net income or loss (corresponding to the equity ratio owned by the Company) and retained earnings (corresponding to the equity ratio owned by the Company) do not have a significant effect on the Company's consolidated financial statements.

2. Application of the equity method

(1) Number of unconsolidated subsidiaries accounted for by the equity method: 0

(2) Number of affiliates accounted for by the equity method: 11

Lintec Corporation, North Pacific Paper Corporation, Daishowa-Marubeni International Ltd., Nippon Tokan Package Co., Ltd., YFY CAYMAN CO., LTD., Lee & Man Paper Manufacturing Limited and five other companies

WA Plantation Resources Pty. Ltd., which was an equity-method affiliate in the fiscal year ended March 31, 2012, has been excluded from the scope of the equity method because, as of March 29, 2013, the Company sold all of the shares of this company it had held.

(3) Unconsolidated subsidiaries (Douoh Kouhatsu Ltd. and 86 other companies) and affiliates (JPT LOGISTICS CO., LTD., and 32 other companies) not accounted for by the equity method are excluded from the scope of the equity method because their total amounts in terms of net income or loss and retained earnings (corresponding to the equity ratio owned by the Company) are not significant, with insignificant effects on the Company's consolidated financial statements when excluded from the scope of the equity method.

(4) For the companies accounted for by the equity method that close their accounts at different dates than the consolidated settlement date, the financial statements as of their respective settlement dates are used for the preparation of the consolidated financial statements.

3. Accounting period of consolidated subsidiaries

The settlement date is December 31 for Shikoku Coca-Cola Bottling Co., Ltd., and its six subsidiaries, Paper Australia Pty. Ltd. and its seven subsidiaries, Daishowa North America Corporation, Nippon Paper Industries USA Co., Ltd., South East Fibre Exports Pty. Ltd. and Nippon Paper Resources Australia Pty. Ltd.

In preparing the consolidated financial statements, the financial statements as of the said settlement date are used for these companies, with necessary adjustments being made for consolidation purposes with regard to material transactions between December 31 and the consolidated closing date.

4. Significant accounting policies

(1) Evaluation basis and methods for significant assets

①Securities

Other securities:

Securities with market quotations:

Carried at fair value at the end of the fiscal year

Unrealized gains or losses, net of the applicable income taxes, are included directly in net assets.

Costs of securities sold are determined by the moving-average method.

Securities without market quotations:

Carried at cost by the moving-average method

② Derivatives

Fair value method

③ Inventories

Stated at cost, determined principally by the moving-average or periodic-average method. (The balance sheet amount is written down based on any decline in profitability.)

(2) Depreciation methods for significant assets

① Property, plant and equipment (excluding lease assets)

The declining-balance method is used, except for some consolidated subsidiaries, which employ the straight-line method.

However, buildings (excluding building fixtures) acquired on or after April 1, 1998, are depreciated by the straight-line method.

The useful lives of assets are principally as follows:

Buildings and structures:	10 to 50 years
Machinery and equipment:	7 to 15 years

② Intangible fixed assets (excluding lease assets)

The straight-line method is used.

Software for internal use is amortized over an estimated useful life of 5 years on a straight-line basis.

③ Lease assets

Depreciation of assets leased under finance-leasing agreements except those entailing transfer of ownership is calculated using the straight-line method assuming a residual value of zero (or the guaranteed residual value when it is set by the agreement) and a useful life equal to the term of the lease.

(3) Accounting policies for significant allowances and provisions

① Allowance for doubtful receivables

To provide for bad debt expenses of receivables, an allowance for the expected amount of irrecoverable loans is provided. Allowances for ordinary bad debts are computed, based on the historical rate of defaults. For specific debts where recovery is doubtful, the likelihood of recovery is considered on an individual basis.

② Accrued retirement benefits

To provide for accrued retirement benefits for employees, a provision for estimated retirement benefits for this fiscal year is made, based on the projected retirement benefit obligations and related pension assets as of the end of this fiscal year.

Past service liabilities are charged to expenses using the straight-line method over the determined years (5 to 15 years) that are no longer than the average remaining service years of the employees at the time of occurrence.

Actuarial differences are amortized evenly using the straight-line method over the determined years (10 to 15 years) that are no longer than the average remaining service years of employees, beginning from the fiscal year following the time of occurrence.

③ Accrued environmental costs

To provide for expenditures for disposing of PCB waste in accordance with the Law Concerning Special Measures Against PCB Waste, an allowance for the estimated amount of disposal costs is provided.

(4) Accounting policies for translation of significant foreign currency assets and liabilities into Japanese yen

Foreign currency monetary claims and obligations are translated into Japanese yen, using the spot exchange rates on the closing date of consolidated accounting, and the resulting translation gains and losses are recognized as income and expenses. Assets and liabilities of overseas subsidiaries, etc., are translated into Japanese yen at the spot exchange rates on the account closing date, whereas income and expenses are translated into Japanese yen at the average exchange rates. The resulting translation gains and losses are recorded as translation adjustments and minority interests in consolidated subsidiaries under the net assets section.

(5) Significant hedge accounting methods

① Hedge accounting methods

Deferral hedge accounting is principally adopted.

Receivables and payables denominated in foreign currencies hedged by qualified forward foreign exchange contracts are translated at their corresponding contract rates.

The exceptional accounting method is adopted for the interest rate swap agreements that conform to the special regulated terms.

② Hedging instruments and hedged items

a. Hedging instrument: Forward foreign exchange contracts

Hedged items: Foreign currency receivables concerning the export of products, foreign currency payables concerning the import of raw materials, and forecast sales and purchases denominated in foreign currencies

b. Hedging instrument: Interest rate swaps

Hedged items: Foreign currency loans payable

③ Hedging policy

The derivative transactions are designed to hedge against the risk of fluctuations primarily in exchange and interest rates.

④ Method for assessing hedge effectiveness

Hedge effectiveness is assessed based on semiannual comparisons of changes in cash flow or the fair value of hedged items and hedging instruments.

Interest rate swap agreements conforming to the special regulated terms are omitted to measure their effectiveness as of the balance sheet date.

Assessment of hedge effectiveness as of the balance sheet date is also omitted if forward foreign exchange contracts with the same amount denominated in U.S. dollars, etc., and the same timing are allocated when the contracts are concluded in accordance with the risk management policies, because they guarantee a correlation due to subsequent exchange rate movements.

(6) Method and period of amortization of goodwill

Goodwill is amortized in equal installments over an appropriate period of within 20 years that is determined according to the actual situations of subsidiaries.

(7) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, demand deposits at banks and highly liquid short-term investments with negligible risk of fluctuation in value and maturities of less than three months.

(8) Other significant accounting policies for the preparation of the consolidated financial statements

Accounting method for the consumption tax

Transactions subject to the consumption tax are recorded at an amount exclusive of the consumption tax.

(New accounting pronouncements)
Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
Guidance on the Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

The aforementioned Accounting Standard and Guidance have been revised to improve financial reporting and reflect the international convergence of accounting standards, mainly focusing on how actuarial gains and losses and past service costs should be accounted for, how retirement benefit obligations and current service costs should be determined and the enhancement of disclosures.

(2) Effective date/Effect of the application of the new Accounting Standard and Guidance

The Company has dissolved upon its merger with Nippon Paper Industries Co., Ltd. as of April 1, 2013. The effective date and effects of the application of the new Accounting Standard and Guidance by Nippon Paper Industries Co., Ltd., the surviving company of the merger, are as follows.

- Effective date

  The new Accounting Standard and Guidance will be applied effective from the fiscal year ending March 31, 2014, except that amendments relating to the determination of retirement benefit obligations and current service costs will be applied effective from the beginning of the fiscal year ending March 31, 2015.
- Effect of the application

  The effect of applying the new Accounting Standard and Guidance was under assessment at the time of preparing the consolidated financial statements of the Company for the fiscal year ended March 31, 2013.

(Changes in method of accounting)

- Changes in method of accounting that are difficult to distinguish from changes in accounting estimates

Due to the revision of the Corporation Tax Act, some domestic consolidated subsidiaries have replaced the method of depreciation for property, plant and equipment obtained on or after April 1, 2012, with the method according to the revised Corporation Tax Act, effective from the fiscal year ended March 31, 2013. The effects of this change on profits and losses for the year ended March 31, 2013 are not significant.

(Changes in presentation)

- Consolidated balance sheets

“Accounts payable-other” was separately listed as an item within “Current liabilities” in the prior fiscal year. For the current fiscal year, however, the amount of accounts payable-other has decreased to be included in “Other” under “Current liabilities.”

To reflect this change in the consolidated balance sheet for the prior fiscal year, ¥88,610 million previously stated as “Accounts payable-other” under “Current liabilities” has been reclassified into “Other.”

- Consolidated statements of operations

“Loss on sublease of vehicles” was included in “Other” under “Other expenses” in the prior fiscal year. For the current fiscal year, however, the amount of loss on sublease of vehicles has increased to be separately listed as an item within “Other expenses.”

To reflect this change in the consolidated statement of operations for the prior fiscal year, ¥2,270 million previously stated as “Other” under “Other expenses” has been reclassified into ¥309 million as “Loss on sublease of vehicles” and ¥1,960 million as “Other” under “Other expenses.”

“Loss on impairment of fixed assets” was included in “Other” under “Extraordinary loss” in the prior fiscal year. For the current fiscal year, however, the amount of loss on impairment of fixed assets has increased to be separately listed as an item within “Extraordinary loss.”

To reflect this change in the consolidated statement of operations for the prior fiscal year, ¥3,136 million previously stated as “Other” under “Extraordinary loss” has been reclassified into ¥779 million as “Loss on impairment of fixed assets” and ¥2,357 million as “Other” under “Extraordinary loss.”

- Consolidated statements of cash flows

“Loss on impairment of fixed assets” was included in “Other” under “Cash flows from operating activities” in the prior fiscal year. For the current fiscal year, however, the amount of loss on impairment of fixed assets has increased to be separately listed as an item under “Cash flows from operating activities.”

To reflect this change in the consolidated statement of cash flows for the prior fiscal year, ¥8,159 million previously stated as “Other” under “Cash flows from operating activities” has been reclassified into ¥779 million as “Loss on impairment of fixed assets” and ¥7,380 million as “Other” under “Cash flows from operating activities.”

(Notes to Consolidated Balance Sheets)

1. Pledged assets

(1) The following assets are pledged as collateral to secure the financial obligations shown below.

(Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Buildings and structures	—	59
Land	793	1,082
Other (forests and planted trees)	569	569
Total	1,362	1,711

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Short-term loans payable	—	563
Long-term debt (including current portion)	855	737
Total	855	1,300

(2) The factory foundation pledged as collateral to secure the financial obligations shown below is as follows.

(Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Buildings and structures	9,572	—
Machinery and equipment	16,504	—
Land	28,990	—
Other (tools, furniture and fixtures)	39	—
Total	55,107	—

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Long-term debt (including current portion)	66	—

2. Accounts related to unconsolidated subsidiaries and affiliates

Major accounts related to unconsolidated subsidiaries and affiliates are as follows.

(Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Investment securities (equity securities)	124,900	134,395
Other investments in unconsolidated subsidiaries and affiliates	787	1,176

3. Guarantee obligations

The Company group guarantees the following obligations, including loans payable to financial institutions, etc., of companies other than consolidated subsidiaries. (Millions of yen)

	Previous fiscal year (As of March 31, 2012)		Current fiscal year (As of March 31, 2013)	
Amapa Florestal e Celulose S.A.	4,287	(4,287)	13,325	(13,325)
Daishowa-Marubeni International Ltd.	12,060	(12,060)	11,176	(11,176)
Employees (housing loans)	7,110	(7,110)	6,321	(6,321)
Jujo Thermal Oy	915	(915)	3,079	(3,079)
Siam Nippon Industrial Paper CO., LTD.	—	(—)	1,451	(1,451)
Volterra S.A.	986	(443)	752	(338)
Other	1,558	(1,288)	1,597	(1,328)
Total	26,919	(26,107)	37,704	(37,021)

The figures in parentheses represent the amounts guaranteed by consolidated subsidiaries.

4. Loan commitment agreements (as lender)

The Company's consolidated subsidiary Nippon Paper Industries Co., Ltd., maintains loan commitment contracts with unconsolidated subsidiaries. The unexercised portion of facilities based on these contracts is as follows: (Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Amount of loan commitment contracts	3,277	8,267
Amount of lending	2,802	7,297
Net	475	969

5. Loan commitment agreements (as borrower)

For efficient procurement of working capital, the Company and its consolidated subsidiaries maintain loan commitment contracts with their banks. The unexercised portion of facilities based on these contracts is as follows: (Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Amount of loan commitment contracts	50,000	50,000
Amount of borrowing	—	—
Net	50,000	50,000

6. Goodwill and negative goodwill

The amounts of goodwill and negative goodwill are reported in the consolidated balance sheets after they are offset against each other. The amounts before being offset are as follows. Due to the adoption of the accounting standard concerning business combinations, those that incurred on or before March 31, 2009 are reported. (Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Goodwill	15,520	13,783
Negative goodwill	(680)	(43)
Net	14,839	13,740

7. Settlement of notes receivable and payable occurs on the date of bank clearance. As March 31, 2013, was a bank holiday, the following notes maturing at year-end were included in the respective balances in the consolidated balance sheets.

(Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Notes receivable	475	709
Notes payable	981	1,388

(Notes to Consolidated Statements of Operations)

1. Cost of sales includes the following reversal of inventory write-downs according to decreases in profitability. (Millions of yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Reversal of inventory write-downs included in cost of sales	1,450	1,719
Inventory write-downs	1,719	2,329

2. Research-and-development costs included in general and administrative expenses and manufacturing costs (Millions of yen)

Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
6,484	6,348

3. Provision for retirement benefits included in general and administrative expenses (Millions of yen)

Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
5,642	5,343

4. Depreciation expenses included in general and administrative expenses (Millions of yen)

Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
3,166	3,627

5. Gain on reversal of loss on seismic disaster

Current fiscal year (from April 1, 2012 to March 31, 2013)

Gain on reversal of loss on seismic disaster consists of the reversal of the allowance for loss on seismic disaster of ¥3,265 million and the loss on seismic disaster of ¥229 million.

6. Equity in losses of affiliates

Previous fiscal year (from April 1, 2011 to March 31, 2012)

Equity in losses of affiliates includes amortization of goodwill of ¥25,565 million, in accordance with Item 9 of “Practical Guidelines on Accounting Standard for Investments Using Equity Method” (JICPA Accounting Practice Committee Statement No. 9, January 12, 2011) and Item 32 of “Practical Guidelines on Accounting Standard for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (JICPA Accounting Practice Committee Statement No. 7, January 12, 2011).

7. Subsidy

Current fiscal year (from April 1, 2012 to March 31, 2013)

This subsidy was given to the consolidated subsidiaries affected by the Great East Japan Earthquake through the Miyagi prefectural government’s subsidy program to facilitate the restoration of disaster-affected facilities and equipment of small and medium-sized companies and other groups.

8. Gain on sales of fixed assets

Previous fiscal year (from April 1, 2011 to March 31, 2012)

The gain on sales of fixed assets primarily resulted from the sale of leasehold rights (included in intangible fixed assets and others) amounting to ¥4,276 million.

Current fiscal year (from April 1, 2012 to March 31, 2013)

The gain on sales of fixed assets primarily resulted from the sale of machinery and equipment amounting to ¥189 million and the sale of land amounting ¥162 million.

9. Loss on impairment of fixed assets

Previous fiscal year (from April 1 2011, to March 31, 2012)

The Group recorded a loss on impairment of fixed assets of ¥22,404 million on the following assets.

(Millions of yen)

Location	Assets	Loss on impairment of fixed assets	Notes
Fuji, Shizuoka	Buildings and structures Machinery and equipment Land Other	1,019 12,008 1,675 512	Fixed assets that were retired or to be retired “Business restructuring expenses”
	Subtotal	15,216	
Otake, Hiroshima	Buildings and structures Machinery and equipment	82 2,194	
	Subtotal	2,276	
Ishinomaki, Miyagi	Buildings and structures Machinery and equipment Other	126 1,964 150	
	Subtotal	2,240	
Iwakuni, Yamaguchi	Buildings and structures Machinery and equipment Other	148 839 5	
	Subtotal	993	
Iwanuma, Miyagi, etc.	Machinery and equipment Other	867 29	
	Subtotal	897	
Chiyoda-ku, Tokyo, etc.	Buildings and structures Machinery and equipment Other	334 339 105	Fixed assets to be disposed “Loss on impairment of fixed assets”
	Subtotal	779	
Total		22,404	

To test indicators of the impairment of fixed assets, the Group determines cash generating units mainly on a business basis for business-use assets.

The recoverable amount of fixed assets that were retired or are to be retired in line with the Revitalization Plan was estimated based on those assets’ value in use. Future cash flows expected to arise due to the disposal of land after use were estimated based on their net sale value at present, or a third-party appraisal value, because it is difficult to estimate the net sale value at a future time. The future cash flows are not discounted because the period of estimation for the value in use is less than one year.

The recoverable amount of fixed assets to be disposed as a result of relocating the head office was estimated based on those assets’ net sale value or value in use. The net sale value was estimated based on a third-party appraisal value, in principle, or by any equivalent means. The value in use was calculated without discounting future cash flows because the estimation period is less than one year.

Current fiscal year (from April 1, 2012 to March 31, 2013)

The Group recorded a loss on impairment of fixed assets of ¥1,553 million on the following assets.

(Millions of yen)

Location	Assets	Loss on impairment of fixed assets	Notes
Fuji, Shizuoka, etc.	Buildings and structures	142	Fixed assets that were retired “Business restructuring expenses”
	Land	42	
	Other	296	
	Subtotal	481	
Kasu, Saitama, etc.	Buildings and structures	465	Business use assets “Loss on impairment of fixed assets”
	Machinery and equipment	36	
	Land	261	
	Subtotal	762	
Fuji, Shizuoka, etc.	Buildings and structures	53	Fixed assets to be disposed, etc. “Loss on impairment of fixed assets”
	Machinery and equipment	29	
	Land	201	
	Other	25	
	Subtotal	309	
Total		1,553	

To test indicators of the impairment of fixed assets, the Group determines cash generating units mainly on a business basis for business-use assets.

For the business-use assets for which profitability has decreased significantly, a loss on impairment of fixed assets was measured by reducing those assets’ book value to the respective recoverable amounts and recognized as an extraordinary loss.

The recoverable amount of the business-use assets was estimated based on those assets’ value in use at a discount of 4.0% for future cash flows.

The recoverable amount of fixed assets that were retired or are to be retired in line with the Revitalization Plan was measured based on those assets’ net sale value, which was estimated based on a third-party appraisal value, in principle, or by any equivalent means.

10. Business restructuring expenses

Previous fiscal year (from April 1, 2011 to March 31, 2012)

The business restructuring expenses mainly consist of loss on impairment of fixed assets of ¥21,624 million on machines retired in line with the Revitalization Plan, etc., and payments for supplementary retirement benefits concerning the voluntary retirement solicited as a part of said Plan.

Current fiscal year (from April 1, 2012 to March 31, 2013)

The business restructuring expenses represent additional expenses relating to the Revitalization Plan, etc.

11. Loss on seismic disaster

Previous fiscal year (from April 1, 2011 to March 31, 2012)

The loss on seismic disaster caused by the Great East Japan Earthquake consists of fixed costs related to a mill that has suspended operations due to the disaster amounting to ¥14,474 million, restoration costs of fixed assets and other losses.

12. Loss on retirement of fixed assets

(Millions of yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Machinery and equipment	495	580
Removal costs	584	748
Other	404	370
Total	1,485	1,699

(Notes to Consolidated Statements of Comprehensive Income)

Reclassification adjustments and income tax effects on components of other comprehensive income are as follows.

(Millions of yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Net unrealized holding gain on other securities:		
Amount recognized during the year	8,745	3,626
Reclassification adjustments included in net loss	218	422
Before income tax effect adjustment	8,963	4,049
Income tax effect	(250)	(1,320)
Net unrealized holding gain on other securities	8,713	2,728
Net deferred gain on hedges:		
Amount recognized during the year	533	1,009
Reclassification adjustments included in net loss	—	—
Before income tax effect adjustment	533	1,009
Income tax effect	(186)	(384)
Net deferred gain on hedges	346	625
Translation adjustments:		
Amount recognized during the year	(7,053)	10,232
Translation adjustments	(7,053)	10,232
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount recognized during the year	10	6,752
Reclassification adjustments included in net loss	239	(440)
Share of other comprehensive income of affiliates accounted for using the equity method	249	6,311
Total other comprehensive income	2,255	19,897

(Notes to Consolidated Statements of Changes in Net Assets)

Previous fiscal year (from April 1, 2011 to March 31, 2012)

1. Matters related to outstanding shares

(Shares)

Type of shares	As of April 1, 2011	Increase	Decrease	As of March 31, 2012
Common stock	116,254,892	—	—	116,254,892

2. Matters related to treasury stock

(Shares)

Type of shares	As of April 1, 2011	Increase	Decrease	As of March 31, 2012
Common stock	455,150.58	9,080.66	2,325.60	461,905.64

(Reasons for the change)

The increase in treasury stock primarily resulted from the purchase of shares of less than one unit and changes in the scope of consolidation and the scope of application of the equity method.

The decrease in treasury stock primarily resulted from the sale of shares of less than one unit.

3. Matters related to stock acquisition rights, etc.

None applicable.

4. Matters related to dividends

(1) Dividends paid

Date of resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2011	Common stock	2,323	20	March 31, 2011	June 30, 2011
Meeting of Board of Directors held on November 2, 2011	Common stock	1,161	10	September 30, 2011	December 1, 2011

(2) Dividends for which the record date falls in the fiscal year ended March 31, 2012, but for which the effective date comes after March 31, 2012

Date of resolution	Type of shares	Source of funds for dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2012	Common stock	Retained earnings	2,323	20	March 31, 2012	June 29, 2012

Current fiscal year (from April 1, 2012 to March 31, 2013)

1. Matters related to outstanding shares

(Shares)

Type of shares	As of April 1, 2012	Increase	Decrease	As of March 31, 2013
Common stock	116,254,892	—	—	116,254,892

2. Matters related to treasury stock

(Shares)

Type of shares	As of April 1, 2012	Increase	Decrease	As of March 31, 2013
Common stock	461,905.64	7,290.00	2,688.60	466,507.04

Reasons for the change:

The increase in treasury stock primarily resulted from the purchase of shares of less than one unit.

The decrease in treasury stock primarily resulted from the sale of shares of less than one unit.

3. Matters related to stock acquisition rights, etc.

None applicable.

4. Matters related to dividends

(1) Dividends paid

Date of resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2012	Common stock	2,323	20	March 31, 2012	June 29, 2012
Meeting of Board of Directors held on November 7, 2012	Common stock	1,161	10	September 30, 2012	December 3, 2012

(2) Dividends for which the record date falls in the fiscal year ended March 31, 2013, but for which the effective date comes after March 31, 2013

None applicable.

Note: As of April 1, 2013, the Company has extinguished by dissolution upon merging with its wholly owned subsidiary, Nippon Paper Industries Co., Ltd. (“Nippon Paper Industries”), with Nippon Paper Industries being the surviving company. The year-end dividends for the fiscal year ended March 31, 2013, will be paid as follows to the shareholders recorded in the shareholder registry of Nippon Paper Industries as of April 1, 2013.

Date of resolution	Type of shares	Source of funds for dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of Nippon Paper Industries Co., Ltd., held on June 27, 2013	Common stock	Retained earnings	3,479	30	April 1, 2013	June 28, 2013

(Notes to Consolidated Statement of Cash Flows)

Cash and cash equivalents at year-end are reconciled to the amounts reported in the consolidated balance sheets as follows.

(Millions of yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Cash and deposits	119,363	110,911
Time deposits with original maturities of more than three months	(97)	(98)
Cash and cash equivalents	119,265	110,813

(Leases)

Operating lease transactions

As lessee:

Future minimum lease payments subsequent to March 31, 2012 and 2013, for noncancelable operating leases are summarized as follows. (Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Due within one year	4,062	2,196
Due after one year	47	9,998
Total	4,110	12,194

As lessor:

Future minimum lease income subsequent to March 31, 2012 and 2013, for noncancelable operating leases are summarized as follows. (Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Due within one year	211	229
Due after one year	2,366	2,398
Total	2,577	2,627

(Financial Instruments)

1. Status of financial instruments

(1) Policy for financial instruments

The Group has implemented a Cash Management System (CMS), which is controlled by the finance department of Nippon Paper Industries Co., Ltd., to manage funds within the Group. The Group manages temporary cash surpluses through low-risk financial assets.

The Group raises funds it requires through bank borrowings, commercial paper and bond issuances based on projected cash demand according to the Group's capital investment plans. The Group spreads out repayment dates so that it can secure long-term capital continually. Furthermore, the Group diversifies financing resources to maintain liquidity, raising short-term working capital through bank loans, commitment line contracts and liquidation of receivables and notes.

The Group adheres to a policy of using derivative transactions for the purpose of reducing interest rate fluctuation and foreign currency exchange risks, and it does not enter into speculative transactions.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to buyers. To hedge such risk, the due dates for all receivables and notes should be within one year. In addition, the Group is exposed to foreign currency exchange risk arising from receivables and notes denominated in foreign currencies. In principle, foreign currency exchange risk is hedged by forward foreign exchange contracts while the amounts of such receivables and notes are continually within that of liabilities denominated in foreign currencies.

Investments in securities mainly consist of shares of business partners and affiliates. The Group is exposed to market risk for listed securities.

Trade payables—trade notes and accounts payable—are due within one year. The payables denominated in foreign currencies are exposed to foreign currency exchange risk, which is hedged by foreign currency forward contracts.

The Group raises funds through short-term borrowings for working capital and raises funds through long-term debt and bonds mainly for capital investments. Some long-term debt bears variable interest rates and therefore is exposed to interest rate fluctuation risk. To reduce and fix interest expense for long-term debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument on an individual basis.

Regarding derivatives, the Group enters into forward foreign contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Group also enters into interest rate swap transactions to reduce fluctuation risk deriving from interest payable for long-term debt bearing interest at variable rates. For information regarding the method of hedge accounting, such as hedging instruments, hedged items, hedging policy and the assessment of the effectiveness of hedging activities, please refer to "Significant matters providing the basis for the preparation of the consolidated financial statements, 4. Significant accounting policies, (5) Significant hedge accounting methods."

(3) Risk management for financial instruments

① Monitoring of credit risk (the risk that buyers or counterparties may default)

The Group's marketing division and finance division have established a regular screening system to monitor the financial status of clients, which allows them to closely supervise transactions, in accordance with the credit management rules prepared by respective consolidated subsidiaries based on the "Group credit management policy." The two divisions give each other frequent and detailed reports on the status of credit collections on a daily basis to minimize risks. The divisions acquire information on clients in financial difficulty to protect related claims.

For all derivative transactions, the Group enters into transactions only with financial institutions that have a sound credit profile to minimize counterparty risk.

② Management of market risks (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

To minimize the foreign exchange risk arising from trade receivables and payables denominated in foreign currencies, the Group identifies the risk deriving from future export and import transactions for each currency twice each year and enters into foreign currency forward contracts to hedge such risk.

To minimize interest rate fluctuation risk for loans payable and bonds bearing interest at variable rates, the Group not only enters into interest rate swap transactions but also regularly monitors the ratio of loans with fixed interest rates and ones with variable interest rates, and optimizes such ratio according to interest rate movements.

As to investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group evaluates whether to continue to hold certain securities taking into account the relationship with the issuers.

③ Monitoring of liquidity risk (the risk that the Group might not be able to meet its obligations on scheduled due dates)

In the Group, to minimize liquidity risk, the finance department of Nippon Paper Industries Co., Ltd., prepares a cash flow plan every half year, which is updated on monthly and daily bases.

The Group obtains funds in consideration of diversification of fund-raising schemes, lengthens loan periods and staggers maturities to minimize refinancing risk. In addition, to diminish liquidity risk, the Group enters into commitment line contracts and overdraft arrangements with financial institutions.

(4) Supplementary explanation of items relating to the fair values of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Because various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value. In addition, the contract amounts of derivatives provided in "Derivatives" are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Estimated fair value and other matters related to financial instruments

The book value of financial instruments on the consolidated balance sheets and their estimated fair value, as well as the difference between these values, are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2.)

Previous fiscal year (as of March 31, 2012) (Millions of yen)

	Book value[1]	Fair value[1]	Difference
(1) Cash and deposits	119,363	119,363	—
(2) Notes and accounts receivable-trade	205,182	205,182	—
(3) Investments in securities			
Other securities	40,712	40,712	—
Stocks of subsidiaries and affiliates	55,860	65,418	9,558
(4) Notes and accounts payable-trade	(127,975)	(127,975)	—
(5) Short-term loans payable	(212,231)	(212,422)	191
(6) Long-term loans payable	(555,724)	(580,456)	24,732
(7) Derivatives[2]	972	972	—

1. Figures in parentheses are liabilities.
2. Net assets and liabilities arising from derivative transactions are presented on a net basis.

Current fiscal year (as of March 31, 2013) (Millions of yen)

	Book value[1]	Fair value[1]	Difference
(1) Cash and deposits	110,911	110,911	—
(2) Notes and accounts receivable-trade	198,916	198,916	—
(3) Investments in securities			
Other securities	44,376	44,376	—
Stocks of subsidiaries and affiliates	60,271	92,780	32,508
(4) Notes and accounts payable-trade	(137,861)	(137,861)	—
(5) Short-term loans payable	(248,235)	(248,680)	445
(6) Long-term loans payable	(531,992)	(558,896)	26,904
(7) Derivatives[2]	1,982	1,982	—

1. Figures in parentheses are liabilities.
2. Net assets and liabilities arising from derivative transactions are presented on a net basis.

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable-trade

As these items are settled in a short period of time, the book value approximates the fair value.

(3) Investments in securities

The fair value of stocks is based on quoted market prices. For information on other securities, please refer to "Securities."

(4) Notes and accounts payable

Because these items are settled in a short period of time, their book value approximates the fair value.

(5) Short-term loans payable

Because these items are settled in a short period of time, their book value approximates the fair value. The fair value of the current portion of long-term debt is calculated by applying a discount rate determined based on the risk-free rate and the credit spread.

(6) Long-term loans payable

The fair value of long-term loans payable is calculated by classifying the total amount of principal and interest by remaining period and discounting its future cash flow at a rate determined based on the risk-free rate, the credit spread and the remaining period. Long-term loans payable with variable interest rates are covered by interest rate swap transactions that meet specific criteria (see "Derivatives") and are accounted for together with the corresponding interest rate swaps. The fair value of such loans is calculated by discounting the total amount of principal and interest of the loans thus accounted for at a rate determined as stated above.

(7) Derivatives

Please refer to "Derivatives."

2. Financial instruments for which it is extremely difficult to determine market value

(Millions of yen)

Classification	As of March 31, 2012	As of March 31, 2013
Unlisted equity securities	87,785	92,675

Because the fair values of these financial instruments are extremely difficult to determine, given that they do not have market prices, they are not included in "(3) Investments in securities."

3. Redemption schedule for receivables after the consolidated closing date

Previous fiscal year (as of March 31, 2012) (Millions of yen)

	Within 1 year	Over 1 but within 5 years	Over 5 but within 10 years	More than 10 years
Cash and deposits	118,784*	—	—	—
Notes and accounts receivable-trade	205,182	—	—	—
Total	323,967	—	—	—

*"Cash and deposits" does not include the amount of cash on hand.

Current fiscal year (as of March 31, 2013) (Millions of yen)

	Within one year	Over 1 but within 5 years	Over 5 but within 10 years	More than 10 years
Cash and deposits	110,188*	—	—	—
Notes and accounts receivable-trade	198,916	—	—	—
Total	309,105	—	—	—

*"Cash and deposits" does not include the amount of cash on hand.

4. Redemption schedule for long-term debt and other interest-bearing debt after the consolidated closing date

Previous fiscal year (as of March 31, 2012) (Millions of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years
Short-term loans payable	167,313	—	—	—	—	—
Long-term loans payable	44,917	67,269	103,148	65,971	52,984	266,349
Total	212,231	67,269	103,148	65,971	52,984	266,349

Current fiscal year (as of March 31, 2013) (Millions of yen)

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years
Short-term loans payable	180,346	—	—	—	—	—
Long-term loans payable	67,889	104,149	66,253	53,224	55,681	252,684
Total	248,235	104,149	66,253	53,224	55,681	252,684

(Securities)

(1) Other securities

Previous fiscal year (as of March 31, 2012) (Millions of yen)

	Book value	Cost	Valuation difference
Securities for which the book value exceeds their cost:			
Equity securities	19,417	10,737	8,679
Other	37	31	5
Subtotal	19,455	10,769	8,685
Securities for which the book value does not exceed their cost:			
Equity securities	21,190	27,345	(6,154)
Other	66	89	(23)
Subtotal	21,257	27,435	(6,177)
Total	40,712	38,204	2,508

Note: Because the fair value of unlisted equity securities as of March 31, 2012 (¥18,745 million on the consolidated balance sheet), is extremely difficult to determine, given that those securities do not have market prices, they are not included in "other securities" above.

Current fiscal year (as of March 31, 2013) (Millions of yen)

	Book value	Cost	Valuation difference
Securities for which the book value exceeds their cost:			
Equity securities	26,878	14,744	12,133
Other	37	31	5
Subtotal	26,915	14,775	12,139
Securities for which the book value does not exceed their cost:			
Equity securities	17,386	22,983	(5,597)
Other	75	86	(11)
Subtotal	17,461	23,070	(5,608)
Total	44,376	37,846	6,530

Note: Because the fair value of unlisted equity securities as of March 31, 2013 (¥18,550 million on the consolidated balance sheet) is extremely difficult to determine, given that those securities do not have market prices, they are not included in "other securities" above.

(2) Sales of other securities

Previous fiscal year (from April 1, 2011 to March 31, 2012) (Millions of yen)

	Sales	Aggregate gain	Aggregate loss
Equity securities	746	168	111

Current fiscal year (from April 1, 2012 to March 31, 2013) (Millions of yen)

	Sales	Aggregate gain	Aggregate loss
Equity securities	113	36	0

(3) Impairment of investments in securities

For the fiscal year ended March 31, 2012 the Company recorded a loss on impairment of fixed assets on the valuation of investments in securities in the amount of ¥348 million (securities for which fair values are extremely difficult to determine were included in the amount of ¥72 million). For the fiscal year ended March 31, 2013, the Company recorded a loss on impairment of fixed assets on the valuation of investments in securities in the amount of ¥694 million (securities for which fair values are extremely difficult to determine were included in the amount of ¥235 million).

Loss on impairment of fixed assets are recorded for all securities for which the fair values at year-end have declined by 50% or more, compared with their acquisition costs. The impairment of securities for which the rate of decline in fair value is between 30% and 50% depends on how significant the amount of the decline is, how the decline is recoverable and other factors.

(Derivatives)

1. Derivative instruments not subject to hedge accounting

(1) Currency-related transactions

None applicable.

(2) Interest-related transactions

None applicable.

2. Derivative instruments subject to hedge accounting

(1) Currency-related transactions

Previous fiscal year (As of March 31, 2012) (Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note)
Deferral hedge method	Foreign exchange forward contracts				
	Sell U.S. dollars	Accounts receivable-trade	232	—	(1)
	Buy U.S. dollars	Notes and accounts payable-trade	22,549	—	804
	Australian dollars		3,260	—	160
	Others	Accounts payable-other	387	—	8

Note: The fair value is estimated based on prices provided by financial institutions.

(Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note)
Allocation method	Foreign exchange forward contracts				
	Sell U.S. dollars	Accounts receivable-trade	61	—	
	Buy U.S. dollars	Notes and accounts payable-trade	406	—	

Note: Foreign exchange forward contracts subject to the allocation method are recognized together with hedged items (i.e., accounts receivable-trade, notes and accounts payable-trade). The fair values of such transactions are included in those of the relevant hedged items. The fair value is estimated based on forward exchange rates.

Current fiscal year (As of March 31, 2013) (Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note)
Deferral hedge method	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	410	—	2
	Buy	Notes and accounts payable-trade			
	U.S. dollars		12,864	—	1,581
	Australian dollars		2,498	—	395
	Others		175	—	3

Note: The fair value is estimated based on prices provided by financial institutions.

(Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note)
Allocation method	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	351	—	
	Buy				
	U.S. dollars	Notes and accounts payable-trade	1,514	—	

Note: Foreign exchange forward contracts subject to the allocation method are recognized together with hedged items (i.e., accounts receivable—trade, notes and accounts payable—trade). The fair values of such transactions are included in those of the relevant hedged items. The fair value is estimated based on forward exchange rates.

(2) Interest rate–related derivatives

Previous fiscal year (As of March 31, 2012) (Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note)
Interest rate swaps meeting specific criteria	Interest rate swap transaction Pay/fixed and receive/floating	Long-term loans payable	151,000	148,500	

Note: Interest rate swaps that qualify for hedge accounting and meet specific criteria are recognized together with the corresponding long-term loans payable. The fair values of such transactions are included in those of the loans.

Current fiscal year (As of March 31, 2013) (Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note)
Interest rate swaps meeting specific criteria	Interest rate swap transaction Pay/fixed and receive/floating	Long-term loans payable	148,500	120,500	

Note: Interest-rate swaps that qualify for hedge accounting and meet specific criteria are recognized together with the corresponding long-term loans payable. The fair values of such transactions are included in those of the loans.

(Retirement benefits)

1. Overview of retirement benefit plans

Consolidated subsidiaries have defined benefit pension plans, including corporate pension fund plans, Welfare Pension Fund Plans and lump-sum payment plans, as well as defined contribution pension plans.

Supplementary retirement benefits can be paid if certain requirements are met. Employee retirement benefit trusts are set up by three consolidated subsidiaries.

Information on the multi-employer pension plans, which are adopted by certain domestic consolidated subsidiaries and contributions to which are reported as retirement benefit expenses, is as follows:

(1) Funded status of the pension plans

Employees' Pension Fund for Nippon Paper Subsidiaries and Affiliates (Millions of yen)

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)
Plan assets	12,218	12,483
Retirement benefit obligation	14,611	15,984
Net balance	(2,393)	(3,501)

Others (Millions of yen)

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)
Plan assets	147,523	137,537
Retirement benefit obligations	202,176	197,440
Net balance	(54,653)	(59,902)

(2) Ratio of number of participating employees of the Group over the total number of participants in the plans

Employees' Pension Fund for Nippon Paper Subsidiaries and Affiliates

As of March 31, 2011: 37.8%

As of March 31, 2012: 37.8%

Others

As of March 31, 2011: 3.2%

As of March 31, 2012: 3.1%

(3) Additional information

Of the pension funds included in "Others" above, the Tokyo Kamisho Employees' Pension Fund, the Osaka Kamisho Employees' Pension Fund and the Hokkaido Truck Employees' Pension Fund, which are all multi-employer pension funds, are discussing the dissolution thereof through preferential measures internally and with the relevant governments. It is impossible to reasonably estimate the possible effect of such dissolution on the profits and losses of the Group.

The contribution ratio described in (2) above does not conform to the actual charge ratio.

2. Retirement benefit obligation

(Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
(a) Retirement benefit obligation (Note)	(180,315)	(177,363)
(b) Plan assets at fair value	111,386	123,845
(c) Unfunded retirement benefit obligation (a) + (b)	(68,928)	(53,518)
(d) Unrecognized actuarial loss	44,851	28,850
(e) Unrecognized prior service cost	(4,470)	(4,029)
(f) Net retirement benefit obligation (c) + (d) + (e)	(28,546)	(28,697)
(g) Prepaid pension cost	727	555
(h) Accrued retirement benefits (f) – (g)	(29,274)	(29,252)

Note: Some consolidated subsidiaries use the simplified method for calculating retirement benefit obligation.

3. Retirement benefit expenses

(Millions of yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
(a) Service cost (Notes 3 and 4)	5,110	5,435
(b) Interest cost	4,084	3,262
(c) Expected return on plan assets	(2,810)	(2,625)
(d) Amortization of unrecognized actuarial loss	5,143	4,767
(e) Amortization of unrecognized prior service cost	(572)	(465)
(f) Retirement benefit expenses (a + b + c + d + e)	10,955	10,373

Notes:

1. In addition to the retirement benefit expenses above, supplementary retirement benefits of ¥5,199 million and ¥389 million were recorded for the fiscal years ended March 31, 2012 and 2013 respectively.
2. In addition to the retirement benefit expenses above, premiums were paid to multi-employer pension plans (¥496 million and ¥633 million for the fiscal years ended March 31, 2012 and 2013 respectively), small and medium-sized enterprise retirement allowance cooperative plans (¥53 million and ¥54 million) and defined-contribution pension plans (¥68 million and ¥66 million).
3. Contributions of employees to corporate pension fund plans, etc., are deducted.
4. Retirement benefit expenses of consolidated subsidiaries using the simplified method are added up in "(a) Service cost."

4. Assumptions in calculating retirement benefit obligations

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
(a) Allocation of projected retirement benefit obligation	Straight-line method	Straight-line method
(b) Discount rate	Mainly 1.8%	Mainly 1.8%
(c) Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%
(d) Years for amortizing prior service cost	5–15 years Previous service cost is amortized on a straight-line basis over a period within an average remaining service period of employees at the time of its occurrence.	5–15 years Previous service cost is amortized on a straight-line basis over a period within an average remaining service period of employees at the time of its occurrence.
(e) Years for amortizing actuarial losses	10–15 years Actuarial losses are mainly amortized on a straight-line basis over a period within an average remaining service period of employees, commencing from the fiscal year following the year when such losses are identified.	10–15 years Actuarial losses are mainly amortized on a straight-line basis over a period within an average remaining service period of employees, commencing from the fiscal year following the year when such losses are identified.

(Tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Deferred tax assets:		
Accrued enterprise taxes	675	516
Accrued bonuses	3,087	2,959
Allowance for doubtful receivables	7,612	8,096
Accrued retirement benefits	18,700	18,661
Unrealized holding loss on other securities	788	1,058
Loss on impairment of fixed assets	22,605	23,030
Loss on investments in securities	871	1,075
Loss on valuation of stocks of subsidiaries and affiliates	14,950	15,481
Unrealized profit eliminated in consolidation	1,373	1,019
Tax loss carryforwards	23,126	40,481
Loss on revaluation of land	14,729	14,725
Other	25,629	8,771
Gross deferred tax assets	134,150	135,876
Valuation allowance	(70,663)	(73,133)
Total deferred tax assets	63,486	62,743
Deferred tax liabilities:		
Reserve for advanced depreciation of fixed assets	(8,038)	(7,564)
Reserve for overseas investment loss	(40)	(43)
Unrealized holding gain (loss) on other securities	(1,532)	(3,113)
Accumulated depreciation	(1,006)	(1,239)
Gain on revaluation of land, etc.	(37,570)	(37,554)
Other	(3,106)	(3,272)
Total deferred tax liabilities	(51,294)	(52,788)
Net deferred tax assets	12,192	9,955

Note: Net deferred tax assets and liabilities as of March 31, 2012 and 2013, are reflected in the following accounts in the consolidated balance sheets.

(Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Current assets—deferred tax assets	24,958	7,970
Fixed assets—deferred tax assets	7,571	7,613
Current liabilities—other (deferred tax liabilities)	(0)	(0)
Long-term liabilities—deferred tax liabilities	(20,336)	(5,627)

2. Reconciliation of the effective tax rate and the statutory tax rate

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Statutory tax rate	—	38.0%
(Adjustments)		
Entertainment expenses not qualifying for deduction	—	3.0%
Dividend income excluded from gross revenue	—	(1.5)%
Inhabitant tax per capita, etc.	—	1.7%
Amortization of goodwill	—	3.4%
Equity in gain and loss of affiliates	—	(10.2)%
Other	—	(0.8)%
Effective tax rate after adoption of tax-effect accounting	—	33.6%

Note: Information for the fiscal year ended March 31, 2012 is not provided because a loss before income taxes and minority interests in consolidated subsidiaries was recorded.

(Business combinations)

Transaction under common control, etc.

1. Outline of the transaction

(1) Names of the constituent companies and description of their businesses

Combinor (surviving company after the merger)

Name	Nippon Paper Industries Co., Ltd.
Business	Manufacture and sales of paper, such as newsprint, printing and writing paper, business communication paper and industrial paper, and pulp

Combinees (dissolving companies after the merger)

Name	Nippon Daishowa Paperboard Co., Ltd.	Nippon Paper-Pak Co., Ltd.	Nippon Paper Chemicals Co., Ltd.
Business	Manufacture and sales of cardboard base paper, both sides coated duplex board, specialty coated duplex board, coated white chipboard, other paperboard, base stock for building materials, core paperboard and paper	Manufacture and sales of liquid-packaging cartons, folding cartons, processed plastic products, filling machines and wrapping machines Purchase and sales of household products	Manufacture and sales of functional coating resins, functional film, dissolving pulp and functional chemical products

(2) Date of the business combination

October 1, 2012

(3) Legal form of the business combination

An absorption-type merger method with Nippon Paper Industries as the surviving company, and each of Nippon Daishowa Paperboard, Nippon Paper-Pak and Nippon Paper Chemicals are extinguished by dissolution.

(4) Name of the combined enterprise

Nippon Paper Industries Co., Ltd.

(5) Objective and outline of the transaction

This merger will allow the resources of the entire Group to be allocated more promptly and efficiently than before and the growth areas of the Group’s businesses can be developed into the core businesses of the Group along with the domestic paper business.

The Group will rebuild the operational structure of its businesses promptly through the measures taken at this time and work to further increase its corporate value.

2. Summary of accounting procedures

The merger falls under the category of a transaction under common control described in the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations” (ASBJ Guidance No. 10, issued December 26, 2008).

(Asset retirement obligations)

Due to its low significance, detailed information regarding asset retirement obligations is not provided, although the Group reports asset retirement obligations.

(Investment and rental property)

Due to its low significance, detailed information regarding investment and rental property is not provided, although the Group has rental property and idle land and buildings.

(Segments of an enterprise and related information)
[Segment information]

1. Overview of reportable segments

The reportable segments of the Company are defined as individual units, for which independent financial information is available and which are subject to regular review to evaluate their results and decide the allocation of management resources by the Board of Directors of the Company.

The Company recognizes its consolidated subsidiaries as the units that define its business segments because those are used as the main basis to evaluate results. The reportable segments are defined by integrating business segments that exhibit similarities in terms of economic characteristics, markets for products and services, or customers.

The principal products and services of each reportable segment are as follows.

Pulp and paper segment:
Manufacturing and marketing of paper, paperboard, household tissue, pulp and materials for paper making
Paper-related segment:
Manufacturing and marketing of processed paper goods and chemical products
Wood products and construction-related segment:
Stocking, manufacturing and marketing of lumber and construction materials, as well as civil engineering and construction

2. Method used to calculate net sales, income or loss, assets and other items by reportable segments

Accounting methods applied for the reportable segments are the same as those described under "Significant matters providing the basis for the preparation of the consolidated financial statements."

Income for each reportable segment denotes operating income, and intersegment sales and transfers are based on market prices in general.

As stated in "Changes in method of accounting that are difficult to distinguish from changes in accounting estimates," the Company and some of its domestic consolidated subsidiaries, following the revision of the Corporation Tax Act, have replaced the method of depreciation for property, plant and equipment obtained on or after April 1, 2012, with the method according to the revised Corporation Tax Act, effective from the fiscal year ended March 31, 2013. The corresponding change in the method of depreciation for the reportable segments has been made in accordance with the revised Corporation Tax Act.

The effects of this change on segment income for the fiscal year ended March 31, 2013 are not significant.

3. Net sales, income or loss, assets and other items by reportable segment

Previous fiscal year (from April 1, 2011 to March 31, 2012)

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other[1]	Total	Adjustment[2]	Consolidated
Net sales							
Sales to third parties	817,726	93,469	60,675	70,564	1,042,436	—	1,042,436
Intersegment sales and transfers	3,803	5,130	63,726	46,620	119,280	(119,280)	—
Total	821,530	98,600	124,402	117,184	1,161,717	(119,280)	1,042,436
Segment income	24,235	6,684	2,490	3,113	36,524	—	36,524
Segment assets	1,112,899	92,571	48,210	78,434	1,332,115	195,520	1,527,635
Other items:							
Depreciation	64,006	5,951	993	3,400	74,352	—	74,352
Amortization of goodwill	2,076	—	—	12	2,088	—	2,088
Increase in property, plant and equipment and intangible fixed assets	40,290	8,600	826	7,454	57,172	—	57,172

Notes:
1. The “Other” category is a business segment that includes the businesses of beverages, transportation, leisure and other, and is not a reportable segment.
2. The segment assets adjustment of ¥195,520 million includes ¥(47,564) million of inter-segment eliminations for receivables and payables and ¥243,085 million of corporate assets that are not allocated to reportable segments. The corporate assets mainly consist of “cash and cash equivalents” for the management of surplus funds, “investments in securities” for long-term investment and “deferred tax assets,” which are not allocatable to reportable segments.

Current fiscal year (from April 1, 2012 to March 31, 2013)

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other[1]	Total	Adjustment[2]	Consolidated
Net sales							
Sales to third parties	801,312	94,460	60,725	68,579	1,025,078	—	1,025,078
Intersegment sales and transfers	3,462	3,744	61,778	47,159	116,145	(116,145)	—
Total	804,775	98,205	122,504	115,739	1,141,224	(116,145)	1,025,078
Segment income	12,955	6,238	2,718	3,232	25,145	—	25,145
Segment assets	1,092,319	89,168	56,504	75,320	1,313,313	184,416	1,497,729
Other items:							
Depreciation	54,275	5,810	1,009	3,807	64,903	—	64,903
Amortization of goodwill	2,056	—	—	14	2,070	—	2,070
Increase in property, plant and equipment and intangible assets	43,206	4,735	1,132	4,248	53,323	—	53,323

Notes: 1. The “Other” category is a business segment that includes the businesses of beverages, transportation, leisure and other, and is not a reportable segment.

2. The segment assets adjustment of ¥184,416 million includes ¥(42,806) million of inter-segment eliminations for receivables and payables and ¥227,223 million of corporate assets that are not allocated to reportable segments. The corporate assets mainly consist of “cash and cash equivalents” for the management of surplus funds, “investments in securities” for long-term investment and “deferred tax assets,” which are not allocatable to reportable segments.

[Related information]

Previous fiscal year (from April 1, 2011 to March 31, 2012)

1. Information by product and service

Information by product and service approximates the information provided in “Segment information” and is therefore not provided here.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Oceania	Asia	North America	Others	Total
937,088	50,955	34,194	13,038	7,160	1,042,436

Note: Net sales information is based on the geographical location of customers and categorized by country or region.

(2) Property, plant and equipment

Information by geographical area on property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the entire amount of property, plant and equipment recorded in the consolidated balance sheet.

3. Information by customer

Information by customer is omitted because no single external customer accounts for more than 10% of net sales in the consolidated statement of operations.

Current fiscal year (from April 1, 2012 to March 31, 2013)

1. Information by product and service

Information by product and service approximates the information provided in “Segment information” and is therefore not provided here.

2. Information by geographical area

(1) Net sales

Information by geographical area on net sales is omitted because the amount of net sales to external customers in Japan accounts for more than 90% of the entire amount of net sales recorded in the consolidated statement of operations.

(2) Property, plant and equipment

Information by geographical area on property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the entire amount of property, plant and equipment recorded in the consolidated balance sheet.

3. Information by customer

Information by customer is omitted because no single external customer accounts for more than 10% of net sales in the consolidated statement of operations.

[Loss on impairment of fixed assets by reportable segment]

Previous fiscal year (from April 1, 2011 to March 31, 2012)

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Total	Adjustment	Consolidated
Loss on impairment of fixed assets	22,092	104	207	—	22,404	—	22,404

Note: Loss on impairment of machines retired in line with the paper business revitalization plan, etc., was recognized and included in “Business restructuring expenses” under “Extraordinary loss.”

Current fiscal year (from April 1, 2012 to March 31, 2013)

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Total	Adjustment	Consolidated
Loss on impairment of fixed assets	738	24	19	770	1,553	—	1,553

Note: Loss on impairment of machines retired in line with the paper business revitalization plan, etc., was recognized and included in “Business restructuring expenses” under “Extraordinary loss.”

[Amortization of goodwill and balance of unamortized goodwill by reportable segment]

Previous fiscal year (from April 1, 2011 to March 31, 2012)

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Adjustment	Total
Amortization of goodwill	2,076	—	—	12	—	2,088
Balance of unamortized goodwill at year-end	17,743	—	—	32	—	17,775

Note: The amortization of goodwill and the balance of unamortized goodwill in the “Other” category relate to the businesses of beverage and transportation.

In addition, the amortization and balance of unamortized negative goodwill resulted from business combinations of subsidiaries before April 1, 2009 are as follows.

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Adjustment	Total
Amortization of negative goodwill	654	—	—	—	—	654
Balance of unamortized negative goodwill at year-end	680	—	—	—	—	680

Current fiscal year (from April 1, 2012 to March 31, 2013)

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Adjustment	Total
Amortization of goodwill	2,056	—	—	14	—	2,070
Balance of unamortized goodwill at year-end	15,963	—	—	34	—	15,998

Note: The amortization of goodwill and the balance of unamortized goodwill in the "Other" category relate to the businesses of beverage and transportation.

In addition, the amortization and balance of unamortized negative goodwill resulted from business combinations of subsidiaries before April 1, 2009, are as follows.

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Adjustment	Total
Amortization of negative goodwill	637	—	—	—	—	637
Balance of unamortized negative goodwill at year-end	43	—	—	—	—	43

[Gain on negative goodwill by reportable segment]

None applicable.

[Related party transactions]

1. Transactions with related parties

(1) Transactions of the Company with related parties:

There are no related party transactions to be disclosed.

(2) Transactions of the Company's consolidated subsidiaries with related parties:

The Company's unconsolidated subsidiaries and affiliates, etc.

Previous fiscal year (from April 1, 2011, to March 31, 2012)

Attribute	Affiliated company (including its subsidiaries)
Name of related party	Daishowa-Marubeni International Ltd.
Location	British Columbia, Canada
Capital	CAN$262,000 thousand
Nature of operations	Manufacturing and selling pulp
Equity ownership percentage	Indirectly 50.0%
Description of the business relationship	Combination of offices of director
Nature of transactions	Guarantee for debt
Transaction amount	¥12,060 million
Accounts	—
Balance at year-end	—

Note: Guarantee for bank loan, for which the Company's consolidated subsidiary receives no guarantee fee.

Current fiscal year (from April 1, 2012 to March 31, 2013)

Attribute	Affiliated company (including its subsidiaries)	Unconsolidated subsidiary
Name of related party	Daishowa-Marubeni International Ltd.	Amapa Florestal e Celulose S.A.
Location	British Columbia, Canada	State of Amapá, Brazil
Capital	CAD$262,000 thousand	BRL102,546 thousand
Nature of operations	Manufacturing and selling pulp	Afforestation and export of wood chips and biomass fuels
Equity ownership percentage	Indirectly 50.0%	Indirectly 100.0%
Description of the business relationship	Combination of offices of director	—
Nature of transactions	Guarantee for debt	Guarantee for debt
Transaction amount	¥11,176 million	¥13,325 million
Accounts	—	—
Balance at year-end	—	—

Note: Guarantee for bank loan, for which the Company's consolidated subsidiary receives no guarantee fee.

2. Information on the parent company and significant affiliates

(1) Information on the parent company

None applicable

(2) Financial statements of significant affiliates

Previous fiscal year:

Significant affiliates in the fiscal year ended March 31, 2012 are Lintec Corporation, Daishowa-Marubeni International Ltd. and Lee & Man Paper Manufacturing Limited Summarized aggregate financial statement data of the three companies are as follows.

	(Millions of yen)
Total current assets	302,019
Total fixed assets	227,626
Total current liabilities	141,213
Total long-term liabilities	115,874
Total net assets	272,557
Net sales	271,585
Income before income taxes	19,414
Net income	14,626

Current fiscal year:

Significant affiliates in the fiscal year ended March 31, 2013 are Lintec Corporation, Daishowa-Marubeni International Ltd. and Lee & Man Paper Manufacturing Limited Summarized aggregate financial statement data of the three companies are as follows.

	(Millions of yen)
Total current assets	206,591
Total fixed assets	353,693
Total current liabilities	144,307
Total long-term liabilities	117,030
Total net assets	298,947
Net sales	307,227
Income before income taxes	23,784
Net income	20,020

(Per share information)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Net assets per share	¥3,135.48	¥3,391.59
Net income (loss) per share	¥(359.90)	¥92.00

Notes: 1. Diluted net income per share is not stated because no potentially dilutive securities were outstanding at March 31, 2013 and 2012, and because a net loss was recorded for the fiscal year ended March 31, 2012.

2. The basis for calculation of net income or loss per share is as follows.

(Millions of yen unless otherwise stated)

Item	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Net income (loss)	(41,675)	10,652
Net income (loss) attributable to common stockholders	(41,675)	10,652
Weighted-average number of common shares outstanding	115,795,726.95	115,790,871.23

(Significant subsequent events)

(Merger between the Company and its consolidated subsidiary Nippon Paper Industries Co., Ltd.)

In accordance with the merger agreement as of April 25, 2012, the Company merged with its wholly owned subsidiary, Nippon Paper Industries Co., Ltd. ("Nippon Paper Industries"), with Nippon Paper Industries being the surviving company, and was extinguished by dissolution.

(1) Overview of the transaction

① Names of the constituent companies and their businesses

Combinor (surviving company after the merger)

Name	Nippon Paper Industries Co., Ltd.
Business	Manufacture and sales of paper, such as newsprint, printing and writing paper, business communication paper, industrial paper, cardboard base paper, both sides coated duplex board, specialty coated duplex board, coated white chipboard, pulp, liquid-packaging cartons and chemical products

Combinee (dissolving company after the merger)

Name	Nippon Paper Group, Inc.
Business	Management of paper and pulp business operating companies through the ownership of their shares

② Date of the business combination

April 1, 2013

③ Legal form of the business combination

An absorption-type merger method with Nippon Paper Industries as the surviving company, and the Company being extinguished by dissolution

④ Name of the combined enterprise

Nippon Paper Industries Co., Ltd.

⑤ Share allocation in the merger

a. Share allocation ratio

One common share of Nippon Paper Industries was allotted and delivered in exchange for one common share of the Company (Nippon Paper Group, Inc.).

b. Basis for calculating the merger ratio

With ensuring fairness and legitimacy as its first priority, the Company asked Mizuho Securities Co., Ltd. ("Mizuho Securities"), a third-party institution, to analyze the impact that the merger might have on the Company and the outstanding common shares of the Company held by its shareholders, and it has received the results of such analysis. Taking the results of the analysis from Mizuho Securities fully into account, the Company and Nippon Paper Industries established the merger ratio shown above.

c. Shares of Nippon Paper Industries held by the Company

Shares of Nippon Paper Industries held by the Company became shares of treasury stock held by Nippon Paper Industries at the effective date of the merger. As part of the merger, all such shares were allotted and delivered to Nippon Paper Group's shareholders (excluding Nippon Paper Group itself) in place of newly issued shares.

⑥ Other

Through this merger, the Company reconsidered the current holding company system. The merger of Nippon Paper Industries with Nippon Daishowa Paperboard Co., Ltd., Nippon Paper-Pak Co., Ltd., and Nippon Paper Chemicals Co., Ltd. as of October 1, 2012 will allow the resources of the entire Group to be allocated more promptly and efficiently than before and the growth areas of the Group's businesses can be developed into the core businesses of the Group along with the domestic paper business.

The Group will rebuild the operational structure of its businesses promptly through the measures taken at this time and work to further increase its corporate value.

(2) Summary of accounting procedures

This merger falls under the category of a transaction under common control described in the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations" (ASBJ Guidance No. 10, issued December 26, 2008). The relevant accounting procedures were taken, with Nippon Paper Industries succeeding the consolidated financial statements of the Company.

⑤ Consolidated supplemental schedules

[Schedule of bonds]

Company name	Description	Date of issuance	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Interest rate (%)	Collateral	Maturity
Nippon Paper Group, Inc.	6th unsecured corporate bonds	April 25, 2005	20,000	—	1.100	None	April 25, 2012
	8th unsecured corporate bonds	March 27, 2007	13,000	13,000	1.970	None	March 27, 2017
	9th unsecured corporate bonds	May 25, 2007	10,000	10,000	1.960	None	May 25, 2017
	10th unsecured corporate bonds	December 21, 2009	10,000	10,000	1.710	None	December 20, 2019
	11th unsecured corporate bonds	December 9, 2010	15,000	15,000	1.495	None	December 9, 2020
Total	—	—	68,000	48,000	—	—	—

Note: The redemption schedule of bonds for five years subsequent to March 31, 2013, is summarized as follows:

(Millions of yen)

Within 1 year	Over 1 but within 2 years	Over 2 but within 3 years	Over 3 but within 4 years	Over 4 but within 5 years
—	—	—	13,000	10,000

[Schedule of loans payable]

Category	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	167,313	180,346	0.533	—
Current portion of long-term loans payable	44,917	67,889	1.623	—
Current portion of lease obligations	1,125	749	—	—
Long-term loans payable (excluding current portion)	555,724	531,992	1.652	From 2014 to 2034
Lease obligations (excluding current portion)	1,205	1,242	—	From 2014 to 2020
Other interest-bearing debt (import usance bills)	1,423	1,614	0.921	—
Total	771,709	783,835	—	—

Notes:
1. "Average interest rate" mainly represents the weighted-average interest rate for the ending balance of loans payable.
2. The redemption schedule of long-term loans payable and lease obligations (excluding current portion) for the five years subsequent to March 31, 2013, is summarized as follows:

(Millions of yen)

Category	Over 1 but within 2 years	Over 2 but within 3 years	Over 3 but within 4 years	Over 4 but within 5 years
Long-term loans payable	104,149	66,253	53,224	55,681
Lease obligations	476	365	220	106

3. "Average interest rate" for lease obligations is not shown because the amount of lease obligations is recorded in the consolidated balance sheet at an amount before the interest equivalent amount included in the entire lease fee is deducted.
4. Import usance bills are included in "Notes and accounts payable—trade" in the consolidated balance sheet.

[Schedule of asset retirement obligations]

The schedule of asset retirement obligations is not disclosed because the amounts of asset retirement obligations were not larger than 1% of total liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2013.

(2) [Others]

Quarterly information for the current fiscal year

(Millions of yen, unless otherwise stated)

Cumulative period	Three months ended June 30, 2012	Six months ended September 30, 2012	Nine months ended December 31, 2012	Fiscal year ended March 31, 2013
Net sales	251,461	507,200	770,986	1,025,078
Income before income taxes and minority interests	1,555	3,595	10,654	16,045
Net income	399	1,745	7,453	10,652
Net income per share (Yen)	3.45	15.07	64.37	92.00

Each quarter	First Quarter (From April 1, 2012 to June 30, 2012)	Second Quarter (From July 1, 2012 to September 30, 2012)	Third Quarter (From October 1, 2012 to December 31, 2012)	Fourth Quarter (From January 1, 2013 to March 31, 2013)
Net income per share (Yen)	3.45	11.62	49.30	27.63