[Notes]

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

1. The scope of consolidation

(1) Number of consolidated subsidiaries: 44

The names of major consolidated subsidiaries are omitted.

(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., Lee & Man Paper Manufacturing Limited, Phoenix Pulp & Paper Public Company Limited and five other companies

The Company acquired the shares of Phoenix Pulp & Paper Public Company Limited on June 26, 2014 and added it to the scope of affiliates accounted for by the equity method.

(3) Unconsolidated subsidiaries (Douoh Kouhatsu Ltd. and 83 other companies) and affiliates (JPT LOGISTICS CO., LTD., and 31 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 three subsidiaries, Paper Australia Pty. Ltd. and its seven subsidiaries, Daishowa North America Corporation, Nippon Paper Industries USA Co., Ltd., Jujo Thermal Oy, 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 that the straight-line method is employed for some assets of the

Company and its consolidated subsidiaries.
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 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 retirement benefits

① Method for allocating projected retirement benefits
In calculating retirement benefit obligations, the benefit formula method is applied to allocate projected retirement benefits to the periods until the end of the fiscal year under review.

② Amortization of actuarial differences and prior service cost
Prior service cost is amortized evenly 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.

(5) 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.

(6) 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. The integral accounting method is adopted for interest rate swap agreements that meet the requirements for integral accounting.

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 fuel, and forecast sales and purchases denominated in foreign currencies

b. Hedging instrument: Interest rate swaps
Hedged items: Loans payable

c. Hedging instrument: Interest rate and currency 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.

Assessment of the effectiveness of interest rate swaps conforming to the special regulated terms and currency swaps that meet the requirements of integral accounting as of the balance sheet date is omitted.

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.

(7) 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.

(8) 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.

(9) 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.

(Changes in accounting policies)

Adoption of the Accounting Standard for Retirement Benefits

The Company has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter the "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter the "Guidance on Retirement Benefits") pursuant to the main clause of Article 35 of the Accounting Standard for Retirement Benefits and in the main clause of Article 67 of the Guidance on Retirement Benefits effective from the beginning of the fiscal year ended March 31, 2015, and therefore revised the methods for calculating retirement benefit obligations and service costs. The method of attributing projected benefits to periods changed from the straight-line method to a benefit formula. In addition, the method for determining the discount rate changed from a method using a discount rate based on the average remaining employee service period to a method using a single weighted average discount rate that reflects the estimated payment period of retirement benefits and the estimated amount for each payment period.

The application of the Accounting Standard for Retirement Benefits and the Guidance on Retirement Benefits is subject to the transitional accounting treatment set forth in Clause 37 of the Accounting Standard for Retirement Benefits, and the effect of the change in the method for calculating retirement benefit obligations and service cost is included in retained earnings as of April 1, 2014.

Consequently, as of April 1, 2014, net defined benefit liabilities decreased by ¥1,064 million and retained earnings increased by ¥1,784 million. In addition, the effect on operating income, ordinary income and income before income taxes was not material.

The effect of this change on per share information is disclosed in the relevant note.

(Changes in presentation)

- Consolidated statements of operations

"Foreign exchange gains" and "Rent income" were included in "Other" under "Other income" in the prior fiscal year. For the fiscal year ended March 31, 2015, however, the amounts and materiality of "Foreign exchange gains" and "Rent income" increased and they are therefore separately listed as items within "Other income." "Subsidy" was separately listed as an item within "Other income" in the prior fiscal year. For the fiscal year ended March 31, 2015, however, the amount and materiality of "Subsidy" decreased and it is therefore included in "Other" under "Other income."

To reflect these changes in the consolidated statement of operations for the prior fiscal year, ¥1,922 million previously stated as "Subsidy" and ¥4,177 million previously stated as "Other" under "Other income" have been reclassified into ¥947 million as "Foreign exchange gains," ¥1,431 million as "Rent income," and ¥3,720 million as "Other" under "Other income."

"Gain on sales of investments in securities" was separately listed as an item within "Extraordinary income" in the prior fiscal year. For the fiscal year ended March 31, 2015, however, the amount and materiality of this item decreased and it is therefore included in "Other" under "Extraordinary income."

To reflect this change in the consolidated statement of operations for the prior fiscal year, ¥3,272 million previously stated as "Gain on sales of investments in securities" has been reclassified into "Other."

- Consolidated statements of cash flows

"Gain on sales of investments in securities" was separately listed as an item under "Cash flows from operating activities" in the prior fiscal year. For the fiscal year ended March 31, 2015, however, the amount and materiality of this item decreased and it is therefore included in "Other" under "Cash flows from operating activities."

To reflect this change in the consolidated statement of cash flows for the prior fiscal year, ¥3,272 million previously stated as "Gain on sales of investments in securities" under "Cash flows from operating activities" has been reclassified into "Other."

- Retirement benefits

The consolidated financial statements for the previous fiscal year have been restated to reflect changes in the method for presenting retirement benefits based on multiemployer plans due to revision of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015).

The restatement of items and amounts in the consolidated financial statements for the previous fiscal year are discussed in the relevant notes.

(Notes to Consolidated Balance Sheets)

1. Pledged assets

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

(Millions of yen)

	As of March 31, 2015	As of March 31, 2014
Buildings and structures	**42**	44
Machinery, equipment and vehicles	**65**	–
Land	**257**	1,050
Mountain forests and plantations	**–**	569
Investment securities	**3,272**	–
Total	**3,638**	1,664

	As of March 31, 2015	As of March 31, 2014
Short-term loans payable	**580**	330
Long-term debt (including current portion)	**1,192**	615
Total	**1,772**	945

2. Accounts related to unconsolidated subsidiaries and affiliates

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

(Millions of yen)

	As of March 31, 2015	As of March 31, 2014
Investment securities (equity securities)	**165,774**	137,840
Other investments in unconsolidated subsidiaries and affiliates	**1,826**	1,306

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)

	As of March 31, 2015	As of March 31, 2014
Amapa Florestal e Celulose S.A.	**19,403**	16,391
Daishowa-Marubeni International Ltd.	**10,138**	12,453
Employees (housing loans)	**4,733**	5,533
Siam Nippon Industrial Paper CO., LTD.	**2,238**	1,656
Other	**1,093**	1,622
Total	**37,607**	37,657

4. Loan commitment agreements (as lender)

The Company maintains loan commitment contracts with unconsolidated subsidiaries. The unexercised portion of facilities based on these contracts is as follows:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2014
Amount of loan commitment contracts	**7,960**	8,177
Amount of lending	**7,196**	7,462
Net	**763**	714

5. Loan commitment agreements (as borrower)

For efficient procurement of working capital, the Company maintains loan commitment contracts with its banks. The unexercised portion of facilities based on these contracts is as follows:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2014
Amount of loan commitment contracts	**50,000**	50,000
Amount of borrowing	**–**	–
Net	**50,000**	50,000

(Notes to Consolidated Statements of Operations)

1. The Company reduced the book value of inventory for which profitability had decreased as of March 31, 2015. Cost of sales includes the following loss on valuation of inventory.

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Gain (loss) on valuation of inventory	**(27)**	357

2. Research-and-development costs included in general and administrative expenses and manufacturing costs

(Millions of yen)

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
5,431	5,690

3. Provision for retirement benefits included in general and administrative expenses

(Millions of yen)

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
3,703	4,506

4. Depreciation expenses included in general and administrative expenses

(Millions of yen)

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
3,960	3,668

5. Gain on sales of fixed assets

Fiscal year ended March 31, 2015

The gain on sales of fixed assets primarily resulted from the sale of land amounting to ¥19,263 million.

Fiscal year ended March 31, 2014

The gain on sales of fixed assets primarily resulted from the sale of land amounting to ¥5,382 million.

6. Loss on retirement of fixed assets

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Machinery and equipment	**493**	641
Removal cost	**1,237**	818
Other	**434**	593
Total	**2,166**	2,053

7. Business restructuring expenses

Fiscal year ended March 31, 2015

Business restructuring expenses represent bonuses paid in connection with the early retirement plan implemented during the rationalization of the construction materials business.

Fiscal year ended March 31, 2014

Business restructuring expenses represent additional expenses relating to the Revitalization Plan and the reorganization of the beverages business.

8. Loss on impairment of fixed assets

Fiscal year ended March 31, 2015

The Group recorded a loss on impairment of fixed assets of ¥1,096 million on the following assets.

(Millions of yen)

Location	Assets	Loss on impairment of fixed assets	Notes
Kazo-shi, Saitama Prefecture, and others	Buildings and structures	725	Business-use assets
	Machinery and equipment	74	
	Land	272	
	Other	11	
	Subtotal	1,084	
Sumoto-shi, Hyogo Prefecture, and others	Land	11	Idle assets
	Subtotal	11	
Total		1,096	

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

Book value was written down to recoverable value for business-use assets for which profitability had deteriorated significantly, with the difference reported as “Impairment loss” in “Extraordinary loss.”

The recoverable value of business-use assets was measured as the value in use, which was calculated by discounting future cash flows using a rate of 4.0%.

The recoverable amount of idle assets 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.

Fiscal year ended March 31, 2014

The Group recorded a loss on impairment of fixed assets of ¥1,352 million on the following assets.

(Millions of yen)

<table>
<tr><th>Location</th><th>Assets</th><th>Loss on impairment of fixed assets</th><th>Notes</th></tr>
<tr><td rowspan="2">Washington State, U.S.A.</td><td>Machinery and equipment</td><td>1,002</td><td rowspan="2">Fixed assets to be retired</td></tr>
<tr><td>Subtotal</td><td>1,002</td></tr>
<tr><td rowspan="5">Takahagi-shi, Ibaraki Prefecture, and others</td><td>Buildings and structures</td><td>32</td><td rowspan="5">Idle assets, etc.</td></tr>
<tr><td>Machinery and equipment</td><td>26</td></tr>
<tr><td>Land</td><td>274</td></tr>
<tr><td>Other</td><td>16</td></tr>
<tr><td>Subtotal</td><td>349</td></tr>
<tr><td colspan="2">Total</td><td>1,352</td><td></td></tr>
</table>

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

The recoverable amount of fixed assets to be retired was estimated based on those assets’ value in use. Because the period of estimation for the value in use is less than one year, the future cash flows are not discounted.

The recoverable amount of idle assets 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.

(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)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Net unrealized holding gain on other securities:		
Amount recognized during the year	23,298	6,822
Reclassification adjustments	(93)	(2,193)
Before income tax effect adjustment	23,205	4,628
Income tax effect	(6,941)	(1,667)
Net unrealized holding gain on other securities	16,264	2,960
Net deferred gain on hedges:		
Amount recognized during the year	1,323	(1,693)
Reclassification adjustments	–	–
Before income tax effect adjustment	1,323	(1,693)
Income tax effect	(430)	650
Net deferred gain (loss) on hedges	893	(1,043)
Translation adjustments:		
Amount recognized during the year	5,198	6,007
Translation adjustments	5,198	6,007
Remeasurements of defined benefit plans		
Amount recognized during the year	13,145	–
Reclassification adjustments	2,371	–
Before income tax effect adjustment	15,517	–
Income tax effect	(5,295)	–
Remeasurements of defined benefit plans, net of tax	10,222	–
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount recognized during the year	12,059	13,807
Reclassification adjustments	(595)	(2,216)
Share of other comprehensive income of affiliates accounted for using the equity method	11,464	11,591
Total other comprehensive income	44,042	19,516

(Notes to Consolidated Statements of Changes in Net Assets)

Fiscal year ended March 31, 2015

1. Matters related to outstanding shares

(Shares)

Type of shares	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common stock	**116,254,892**	**—**	**—**	**116,254,892**

2. Matters related to treasury stock

(Shares)

Type of shares	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common stock	**484,315.26**	**13,028.31**	**1,679.36**	**495,664.21**

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 27, 2014	Common stock	3,478	30	March 31, 2014	June 30, 2014
Meeting of Board of Directors held on November 5, 2014	Common stock	2,319	20	September 30, 2014	December 1, 2014

(2) Dividends for which the record date falls in the fiscal year ended March 31, 2015, but for which the effective date comes after March 31, 2015

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 26, 2015	Common stock	Retained earnings	3,478	30	March 31, 2015	June 29, 2015

Fiscal year ended March 31, 2014

1. Matters related to outstanding shares

(Shares)

Type of shares	As of April 1, 2013	Increase	Decrease	As of March 31, 2014
Common stock	116,254,892	—	—	116,254,892

2. Matters related to treasury stock

(Shares)

Type of shares	As of April 1, 2013	Increase	Decrease	As of March 31, 2014
Common stock	—	486,541.38	2,226.12	484,315.26

Reasons for the change:

The increase in treasury stock primarily resulted from the Company’s absorption of Nippon Paper Group, Inc., as of April 1, 2013, taking over said company’s consolidated financial statements.

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 27, 2013	Common stock	3,479	30	April 1, 2013	June 28, 2013
Meeting of Board of Directors held on November 6, 2013	Common stock	1,159	10	September 30, 2013	December 2, 2013

Note: Because the Company absorbed Nippon Paper Group, Inc., as of April 1, 2013, said company's year-end dividends for the fiscal year ended March 31, 2013, were paid by the Company to the shareholders recorded in the shareholder registry of the Company as of April 1, 2013.

(2) Dividends for which the record date falls in the fiscal year ended March 31, 2014, but for which the effective date comes after March 31, 2014

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 27, 2014	Common stock	Retained earnings	3,478	30	March 31, 2014	June 30, 2014

(Notes to Consolidated Statement of Cash Flows)

1. As of April 1, 2013, the Company merged with Nippon Paper Group, Inc., which was the parent company of the Company, through an absorption-type merger and took over said company's consolidated financial statements.

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Cash and deposits	**84,100**	97,247
Time deposits with original maturities of more than three months	**(98)**	(98)
Cash and cash equivalents	**84,002**	97,149

(Leases)

Operating lease transactions

As lessee:

Future minimum lease payments for noncancelable operating leases are summarized as follows.

(Millions of yen)

	As of March 31, 2015	As of March 31, 2014
Due within one year	**2,356**	2,359
Due after one year	**5,334**	7,651
Total	**7,690**	10,010

As lessor:

Future minimum lease income for noncancelable operating leases are summarized as follows.

(Millions of yen)

	As of March 31, 2015	As of March 31, 2014
Due within one year	**259**	259
Due after one year	**2,179**	2,438
Total	**2,438**	2,698

(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 the Company, 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 and currency 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 for interest payable for long-term debt bearing interest at variable rates. The Group also enters into currency swap transactions to reduce exchange and interest rate fluctuation risk for foreign currency-denominated loans payable. 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, (6) 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.

The Group enters into interest rate swap transactions to minimize interest rate fluctuation risk for loans payable and bonds bearing interest at variable rates, and enters into currency swap transactions to minimize exchange and interest rate fluctuation risk for foreign currency denominated loans payable. The Group 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 the Company 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.)

As of March 31, 2015 (Millions of yen)

	Book value[1]	Fair value[1]	Difference
(1) Cash and deposits	**84,100**	**84,100**	**–**
(2) Notes and accounts receivable-trade	**193,481**	**193,481**	**–**
(3) Investments in securities			
Other securities	**71,511**	**71,511**	**–**
Stocks of subsidiaries and affiliates	**82,605**	**106,470**	**23,864**
(4) Notes and accounts payable-trade	**(127,856)**	**(127,856)**	**–**
(5) Short-term loans payable	**(264,898)**	**(265,633)**	**735**
(6) Long-term loans payable	**(401,799)**	**(420,706)**	**18,907**
(7) Derivatives[2]	**1,612**	**1,612**	**–**

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

As of March 31, 2014 (Millions of yen)

	Book value[1]	Fair value[1]	Difference
(1) Cash and deposits	97,247	97,247	—
(2) Notes and accounts receivable-trade	201,713	201,713	—
(3) Investments in securities			
Other securities	47,571	47,571	—
Stocks of subsidiaries and affiliates	71,062	90,518	19,455
(4) Notes and accounts payable-trade	(130,997)	(130,997)	—
(5) Short-term loans payable	(292,326)	(293,744)	1,417
(6) Long-term loans payable	(432,719)	(453,184)	20,465
(7) Derivatives[2]	288	288	—

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 exceptional accounting criteria and currency swaps that meet integral accounting criteria (see "Derivatives") and are accounted for together with the corresponding interest rate swaps and currency 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” on page 17.

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

(Millions of yen)

Classification	**As of March 31, 2015**	As of March 31, 2014
Unlisted equity securities	**97,962**	83,339

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

As of March 31, 2015 (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	**83,625***	—	—	—
Notes and accounts receivable-trade	**193,481**	—	—	—
Total	**277,107**	—	—	—

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

As of March 31, 2014 (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	96,661*	—	—	—
Notes and accounts receivable-trade	201,713	—	—	—
Total	298,375	—	—	—

*“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

As of March 31, 2015 (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	**197,088**	—	—	—	—	—
Long-term loans payable	**67,809**	**55,562**	**63,031**	**67,341**	**60,264**	**155,599**
Total	**264,898**	**55,562**	**63,031**	**67,341**	**60,264**	**155,599**

As of March 31, 2014 (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	186,430	—	—	—	—	—
Long-term loans payable	105,896	67,211	54,759	56,611	66,010	188,126
Total	292,326	67,211	54,759	56,611	66,010	188,126

(Securities)

(1) Other securities

As of March 31, 2015 (Millions of yen)

	Book value	Cost	Valuation difference
Securities for which the book value exceeds their cost:			
Equity securities	**57,732**	**20,038**	**37,694**
Other	**110**	**86**	**24**
Subtotal	**57,843**	**20,124**	**37,718**
Securities for which the book value does not exceed their cost:			
Equity securities	**13,667**	**17,028**	**(3,360)**
Subtotal	**13,667**	**17,028**	**(3,360)**
Total	**71,511**	**37,153**	**34,358**

Note: Because the fair value of unlisted equity securities as of March 31, 2015 (¥14,793 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.

As of March 31, 2014 (Millions of yen)

	Book value	Cost	Valuation difference
Securities for which the book value exceeds their cost:			
Equity securities	31,263	16,548	14,714
Other	95	86	8
Subtotal	31,358	16,635	14,723
Securities for which the book value does not exceed their cost:			
Equity securities	16,212	19,780	(3,567)
Subtotal	16,212	19,780	(3,567)
Total	47,571	36,415	11,156

Note: Because the fair value of unlisted equity securities as of March 31, 2014 (¥16,561 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

Fiscal year ended March 31, 2015 (Millions of yen)

	Sales	Aggregate gain	Aggregate loss
Equity securities	**301**	**120**	**0**

Fiscal year ended March 31, 2014 (Millions of yen)

	Sales	Aggregate gain	Aggregate loss
Equity securities	3,672	2,625	2

(3) Impairment of investments in securities

For the fiscal year ended March 31, 2015, the Company recorded a loss on impairment of fixed assets on the valuation of investments in securities in the amount of ¥380 million (securities for which fair values are extremely difficult to determine were included in the amount of ¥354 million). For the fiscal year ended March 31, 2014, the Company recorded a loss on impairment of fixed assets on the valuation of investments in securities in the amount of ¥618 million (securities for which fair values are extremely difficult to determine were included in the amount of ¥188 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

As of March 31, 2015 (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	**170**	**–**	**(0)**
	Buy	Notes and accounts payable-trade			
	U.S. dollars		**26,803**	**–**	**1,648**
	Australian dollars		**–**	**–**	**–**
	Others		**949**	**–**	**(35)**

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	**1,344**	**–**	
	Buy				
	U.S. dollars	Notes and accounts payable-trade	**7,522**	**–**	

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.

As of March 31, 2014 (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	121	—	(0)
	Buy	Notes and accounts payable-trade			
	U.S. dollars		26,045	—	216
	Australian dollars		2,267	—	73
	Others		111	—	0

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	1,459	—	
	Buy U.S. dollars	Notes and accounts payable-trade	2,006	—	

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

As of March 31, 2015 (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	**103,500**	**80,500**	

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

As of March 31, 2014 (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	120,500	83,500	

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

(2) Currency–related derivatives

As of March 31, 2015 (Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note)
Currency swaps meeting integral accounting criteria	Currency swap transaction Pay/fixed and receive/floating Pay/JPY and receive/USD	Long-term loans payable	**3,000**	**3,000**	

Note: Currency swaps that qualify for hedge accounting and meet integral accounting 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

The Company and its consolidated subsidiaries adopt funded and unfunded types of retirement benefit plans and defined-contribution pension plans.

Defined-benefit corporate pension plans offer lump-sum or pension payments mainly according to the employee's salary and period of service.

Employee retirement benefit trusts are set up for some retirement benefit corporate pension plans. Lump-sum payment plans – which are basically unfunded, although the creation of retirement benefit trusts has resulted in some plans becoming funded – offer lump-sum payments as retirement benefits according to the employee's salary and period of service.

Defined-benefit corporate pension plans and lump-sum payment plans adopted by some consolidated subsidiaries use a simplified method to calculate net defined benefit liability and retirement benefit expenses.

Some consolidated subsidiaries participate in multi-employer corporate pension fund plans. Of these, the plans for which it is impossible to reasonably calculate the amount of plan assets that corresponds to the contribution by each participating company are accounted for in the same way as defined-contribution pension plans.

2. Defined-benefit pension plans

(1) Reconciliation between the beginning and ending balances of retirement benefit obligations (excluding plans using a simplified method)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Retirement benefit obligations at the beginning of year	164,444	142,541
Cumulative effects of changes in accounting policies	(1,451)	–
Restated retirement benefit obligations at the beginning of year	162,992	142,541
Service cost	4,999	3,981
Interest cost	3,182	3,242
Actuarial difference generated	184	(2,303)
Retirement benefits paid	(12,030)	(9,342)
Increase due to merger	–	25,224
Increase due to change from a simplified to the standard method	522	–
Other	1,399	1,100
Retirement benefit obligations at end of year	161,250	164,444

(2) Reconciliation between the beginning and ending balances of plan assets (excluding plans using a simplified method)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Plan assets at the beginning of year	131,227	106,173
Expected return on plan assets	3,286	2,811
Actuarial difference generated	13,504	10,707
Contribution from employers	6,485	6,460
Retirement benefits paid	(9,394)	(8,056)
Increase due to merger	–	11,946
Other	1,233	1,184
Plan assets at the end of year	146,343	131,227

(3) Reconciliation between the beginning and ending balances of net defined benefit liability for plans using a simplified method

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Net defined benefit liability at the beginning of year	2,871	3,157
Retirement benefit expenses	385	344
Retirement benefits paid	(528)	(274)
Contribution to plans	(602)	(674)
Increase due to change from a simplified to the standard method	(522)	–
Increase due to merger	–	318
Net defined benefit liability at the end of year	1,603	2,871

(4) Reconciliation between the ending balances of retirement benefit obligations and plan assets and the net defined benefit liability and net defined benefit assets reported on the balance sheet

(Millions of yen)

	March 31, 2015	March 31, 2014
Retirement benefit obligations for funded plans	161,211	162,913
Plan assets	(154,063)	(138,117)
	7,148	24,795
Retirement benefit obligations for unfunded plans	9,362	11,291
Net asset or liability reported on the balance sheet	16,510	36,088
Net defined benefit liability	21,154	37,650
Net defined benefit asset	(4,643)	(1,562)
Net asset or liability reported on the balance sheet	16,510	36,088

Note: Plans using a simplified method are included.

(5) Breakdown of retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Service cost	4,999	3,981
Interest cost	3,182	3,242
Expected return on plan assets	(3,286)	(2,811)
Amortization of unrecognized actuarial difference	2,914	3,389
Amortization of unrecognized prior service cost	(522)	(505)
Retirement benefit expenses calculated by a simplified method	385	344
Retirement benefit expenses for defined benefit plans	7,673	7,641

(6) Reconciliation of retirement benefit obligations

Reconciliation of retirement benefit obligations consist of the following (before tax effect).

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Past service costs	**(522)**	–
Actuarial differences	**16,039**	–
Total	**15,517**	–

(7) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans consist of the following (before tax effect).

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Unrecognized past service costs	(3,099)	(3,621)
Unrecognized net actuarial gains (losses)	(4,464)	11,575
Total	(7,563)	7,953

(8) Matters regarding plan assets

① Major components of plan assets

Plan assets mainly consist of the following.

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Stocks	53%	54%
Bonds	29%	28%
General account	11%	13%
Cash and deposits	3%	3%
Other	4%	2%
Total	100%	100%

Note: Total plan assets for the fiscal years ended March 31, 2015 and March 31, 2014 include securities contributed to the retirement benefit trust (17%) created for corporate pension plans.

② Method for determining the long-term expected return on plan assets

To determine the long-term expected return on plan assets, the current and expected portfolio of plan assets and the current and future expected long-term profitability of the various plan assets are considered.

(9) Assumptions used in actuarial calculations

Major assumptions used in actuarial calculations are as follows.

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Discount rates	Mainly 1.8%	Mainly 1.8%
Long-term expected rates of return on plan assets	Mainly 2.0%	Mainly 2.0%

Note: Expected rate of salary increase is not presented because the Company and its consolidated subsidiaries do not generally use it in actuarial calculations for their retirement benefit plans.

3. Defined-contribution pension plans

The required amount of contribution to the defined-contribution pension plans (including Welfare Pension Fund Plans of multi-employer corporate pension fund plans, which are accounted for in the same way as defined-contribution pension plans) was ¥526 million for the fiscal year ended March 31, 2015 and ¥735 million for the fiscal year ended March 31, 2014.

(1) The latest funded status of multiemployer pension plans

Employees' Pension Fund for Nippon Paper Subsidiaries and Affiliates

(Millions of yen)

	March 31, 2014	March 31, 2013
Plan assets	16,358	14,371
Actuarial liability and minimum actuarial reserve (Note)	17,997	16,977
Net balance	(1,639)	(2,606)

Note: Presented as "Retirement benefit obligation" in the previous fiscal year.

Others

(Millions of yen)

	March 31, 2014	March 31, 2013
Plan assets	17,608	148,496
Actuarial liability and minimum actuarial reserve (Note)	19,783	202,469
Net balance	(2,175)	(53,973)

Note: Presented as "Retirement benefit obligation" in the previous fiscal year.

(2) Ratio of number of participating employees of the Group over the total number of participants in the plans (as of March 31, 2014 and 2013)

(Millions of yen)

	March 31, 2014	March 31, 2013
Employees' Pension Fund for Nippon Paper Subsidiaries and Affiliates	34.8%	34.0%
Others	1.2%	3.3%

(3) Additional information

The Board of Representatives of the Employees' Pension Fund for Nippon Paper Subsidiaries and Affiliates has decided to proceed with dissolution.

"Others" includes the Tokyo Kamisho Employees' Pension Fund, the Osaka Kamisho Employees' Pension Fund, the Hokkaido Truck Employees' Pension Fund, and the Miyagi Prefecture Construction Employees' Pension Fund, which are now dissolved. The Board of Representatives of the Chubu Kamisho Employees' Pension Fund has also decided to proceed with dissolution.

(Tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2015	As of March 31, 2014
Deferred tax assets:		
Accrued enterprise taxes	**411**	590
Accrued bonuses	**2,690**	2,771
Allowance for doubtful receivables	**8,465**	8,301
Net defined benefit liability	**13,575**	21,702
Loss on impairment of fixed assets	**20,527**	22,389
Loss on valuation of investments securities	**1,089**	1,252
Loss on valuation of stocks of subsidiaries and affiliates	**14,820**	16,014
Unrealized profit eliminated in consolidation	**1,090**	1,048
Tax loss carryforwards	**34,948**	37,556
Loss on revaluation of land	**13,403**	14,721
Other	**13,287**	14,205
Gross deferred tax assets	**124,310**	140,555
Valuation allowance	**(74,915)**	(78,031)
Total deferred tax assets	**49,394**	62,523
Deferred tax liabilities:		
Reserve for advanced depreciation of fixed assets	**(6,218)**	(7,026)
Reserve for special account for advanced depreciation	**(4,761)**	—
Unrealized holding gain (loss) on other securities	**(10,668)**	(3,714)
Accumulated depreciation	**(2,321)**	(1,982)
Gain on revaluation of land, etc.	**(33,678)**	(37,112)
Other	**(4,129)**	(2,829)
Total deferred tax liabilities	**(61,777)**	(52,666)
Net deferred tax assets	**(12,382)**	9,857

Note: Net deferred tax assets and liabilities as of March 31, 2015 and 2014, are reflected in the following accounts in the consolidated balance sheets.

(Millions of yen)

	As of March 31, 2015	As of March 31, 2014
Current assets – deferred tax assets	**12,650**	16,273
Fixed assets – deferred tax assets	**8,928**	9,614
Long-term liabilities – deferred tax liabilities	**(33,961)**	(16,031)

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

The reconciliation for the year ended March 31, 2015 is not presented because the difference between the statutory tax rate and the effective tax rate was less than or equal to 5%.

	As of March 31, 2014
Statutory tax rate	38.0%
(Adjustments)	
Entertainment expenses not qualifying for deduction	1.6%
Dividend income excluded from gross revenue	(0.9)%
Inhabitant tax per capita, etc.	0.8%
Increase or decrease in valuation allowance	(11.7)%
Amortization of goodwill	2.6%
Equity in gain and loss of affiliates	(8.0)%
Reduction of year-end deferred tax assets due to a tax rate change	3.3%
Other	1.0%
Effective tax rate after adoption of tax-effect accounting	26.7%

3. Amendments to deferred tax assets and deferred tax liabilities due to a change in the rate of corporation tax, etc.

On March 31, 2015, the “Act for Partial Revision of the Income Tax Law” (Act No. 9 of 2015) and the “Act for Partial Revision the Local Tax Act” (Act No. 2 of 2015) were officially enacted. Accordingly, the income tax rate has been reduced from fiscal years beginning on or after April 1, 2015. Under these revised acts, the effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been reduced from 35.6% to 33.1% for the temporary differences expected to reverse the fiscal years beginning on or after April 1, 2015 and ending March 31, 2016, and to 32.3% for those expected to reverse in fiscal years beginning on or after April 1, 2016.

As a result, deferred tax assets after offsetting deferred tax liabilities increased by ¥1,726 million and income taxes decreased by ¥585 million as of and for the year ended March 31, 2015.

(Business combinations)
Due to its low significance, detailed information regarding business combinations is not provided.

(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 building 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 presented in “Changes in accounting policies,” the methods for calculating retirement benefit obligations and service costs have changed beginning the fiscal year ended March 31, 2015. The calculation of retirement benefit obligations and service costs by segment has changed accordingly.

The effect of this change is not material.

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

Fiscal year ended March 31, 2015

(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	**835,521**	**91,033**	**59,242**	**66,694**	**1,052,491**	**–**	**1,052,491**
Intersegment sales and transfers	**3,629**	**3,626**	**59,734**	**46,060**	**113,050**	**(113,050)**	**–**
Total	**839,150**	**94,659**	**118,976**	**112,754**	**1,165,542**	**(113,050)**	**1,052,491**
Segment income	**15,022**	**3,760**	**2,123**	**2,749**	**23,656**	**–**	**23,656**
Segment assets	**1,013,037**	**82,788**	**61,221**	**74,147**	**1,231,195**	**264,426**	**1,495,622**
Other items:							
Depreciation	**50,917**	**5,622**	**892**	**3,940**	**61,374**	**–**	**61,374**
Amortization of goodwill	**2,333**	**–**	**–**	**18**	**2,352**	**–**	**2,352**
Increase in property, plant and equipment and intangible assets	**36,905**	**6,566**	**1,156**	**3,889**	**48,518**	**–**	**48,518**

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 ¥264,426 million includes ¥(42,127) million of inter-segment eliminations for receivables and payables and ¥306,553 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.

3. Total segment income agrees with the operating income in the Consolidated Statements of Operations.

Fiscal year ended March 31, 2014

(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	848,145	93,004	69,543	70,584	1,081,277	—	1,081,277
Intersegment sales and transfers	3,590	3,931	58,640	47,276	113,439	(113,439)	—
Total	851,736	96,935	128,184	117,860	1,194,717	(113,439)	1,081,277
Segment income	17,440	5,045	2,403	3,647	28,536	—	28,536
Segment assets	1,031,150	84,109	59,811	76,661	1,251,733	229,161	1,480,894
Other items:							
Depreciation	52,747	5,683	944	3,805	63,181	—	63,181
Amortization of goodwill	2,310	—	—	16	2,327	—	2,327
Increase in property, plant and equipment and intangible assets	36,852	5,975	927	3,406	47,162	—	47,162

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 ¥229,161 million includes ¥(43,331) million of inter-segment eliminations for receivables and payables and ¥272,492 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.

3. Total segment income agrees with the operating income in the Consolidated Statements of Operations.

[Related information]

Fiscal year ended March 31, 2015

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
912,431	**46,140**	**45,876**	**27,714**	**20,328**	**1,052,491**

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

(2) Property, plant and equipment

(Millions of yen)

Japan	Oceania	North America	Others	Total
640,506	**58,330**	**12,722**	**3,797**	**715,406**

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.

Fiscal year ended March 31, 2014

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
951,756	46,549	40,109	23,815	19,047	1,081,277

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.

[Loss on impairment of fixed assets by reportable segment]

Fiscal year ended March 31, 2015

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Total	Adjustment	Consolidated
Loss on impairment of fixed assets	**8**	**—**	**3**	**1,084**	**1,096**	**—**	**1,096**

Note: The amount in “Other” is associated with the business segment that is not a reportable segment.

Fiscal year ended March 31, 2014

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Total	Adjustment	Consolidated
Loss on impairment of fixed assets	1,271	—	44	36	1,352	—	1,352

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

Fiscal year ended March 31, 2015

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Adjustment	Total
Amortization of goodwill	**2,333**	**—**	**—**	**18**	**—**	**2,352**
Balance of unamortized goodwill at year-end	**11,976**	**—**	**—**	**33**	**—**	**12,010**

Note: The amortization of goodwill and the balance of unamortized goodwill in the “Other” category relate to the beverages business.

Fiscal year ended March 31, 2014

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Adjustment	Total
Amortization of goodwill	2,310	—	—	16	—	2,327
Balance of unamortized goodwill at year-end	14,227	—	—	32	—	14,259

Note: The amortization of goodwill and the balance of unamortized goodwill in the “Other” category relate to the beverages business.

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	43	—	—	—	—	43
Balance of unamortized negative goodwill at year-end	—	—	—	—	—	—

[Gain on negative goodwill by reportable segment]

Fiscal year ended March 31, 2015
None applicable.

Fiscal year ended March 31, 2014
This information is omitted due to its low financial importance.

[Related party transactions]
1. Transactions with related parties
(1) Transactions of the Company with related parties

(a) The Company’s parent company and principal shareholders, etc.

Fiscal year ended March 31, 2015
None applicable.

Fiscal year ended March 31, 2014
None applicable.

(b) The Company’s unconsolidated subsidiaries and affiliates, etc.

Fiscal year ended March 31, 2015

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**	**BRL 194,625 thousand**
Nature of operations	**Manufacturing and selling pulp**	**Afforestation and export of wood chips and biomass fuels**
Equity ownership percentage	**Directly 50.0%**	**Directly 100.0%**
Description of the business relationship	**Concurrent directors**	**Concurrent directors**
Nature of transactions	**Guarantee for debt**	**Guarantee for debt**
Transaction amount	**¥10,138 million**	**¥19,403 million**
Accounts	—	—
Balance at year-end	—	—

Note: Guarantee for bank loan, for which the Company receives no guarantee fee.

Fiscal year ended March 31, 2014

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	BRL 194,625 thousand
Nature of operations	Manufacturing and selling pulp	Afforestation and export of wood chips and biomass fuels
Equity ownership percentage	Directly 50.0%	Directly 100.0%
Description of the business relationship	Concurrent directors	Concurrent directors
Nature of transactions	Guarantee for debt	Guarantee for debt
Transaction amount	¥12,453 million	¥16,391 million
Accounts	—	—
Balance at year-end	—	—

Note: Guarantee for bank loan, for which the Company receives no guarantee fee.

(c) Subsidiaries of the Company’s parent company and the subsidiaries of other related companies of the Company

Fiscal year ended March 31, 2015
None applicable.

Fiscal year ended March 31, 2014
None applicable.

(2) Transactions of the Company’s consolidated subsidiaries with related parties
None applicable.

2. Information on the parent company and significant affiliates

(1) Information on the parent company

None applicable.

(2) Financial statements of significant affiliates

Fiscal year ended March 31, 2015:

Significant affiliates in the fiscal year ended March 31, 2015, 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	**301,935**
Total fixed assets	**517,248**
Total current liabilities	**231,050**
Total long-term liabilities	**170,658**
Total net assets	**417,475**
Net sales	**439,420**
Income before income taxes	**46,245**
Net income	**37,859**

Fiscal year ended March 31, 2014:

Significant affiliates in the fiscal year ended March 31, 2014, 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	248,656
Total fixed assets	431,747
Total current liabilities	200,067
Total long-term liabilities	117,490
Total net assets	362,845
Net sales	416,280
Income before income taxes	40,019
Net income	33,901

(Per share information)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Net assets per share	**¥4,198.10**	¥3,652.76
Net income (loss) per share	**¥200.27**	¥196.67

Notes:
1. Diluted net income per share is not stated because no potentially dilutive securities were outstanding.
2. As stated in "Changes in accounting policies," the Company has adopted the Accounting Standard for Retirement Benefits and the Guidance on Accounting Standard for Retirement Benefits and follows the transitional treatment provided for in Paragraph 37 of said Accounting Standard.
   As a result, net assets per share as of March 31, 2015 increased by ¥15.42. The effect on net income per share was not material.
3. The basis for calculation of net income per share is as follows.

(Millions of yen unless otherwise stated)

Item	**Fiscal year ended March 31, 2015**	Fiscal year ended March 31, 2014
Net income	**23,183**	22,770
Net income attributable to common stockholders	**23,183**	22,770
Weighted-average number of common shares outstanding	**115,764,843.68**	115,779,680.11

(Significant subsequent events)

1. Change in the scope of application of the equity method due to termination of business collaboration agreement with Lee & Man Paper Manufacturing Limited

The Company resolved at a Board of Directors meeting held on April 24, 2015 to terminate its business collaboration agreement with equity-method affiliate Lee & Man Paper Manufacturing Limited (L&M), and terminated the agreement on the same day. The directors that the Company assigned to L&M resigned those posts, and the Company excluded L&M from the scope of application of the equity method because it was no longer an affiliate.

In addition, the Company sold all of its shares in L&M on April 24, 2015, June 12, 2015 and June 25, 2015 to the chairman and chief executive officer, who are members of the family that founded L&M, and to other parties. Number of share sold, sale price and gain on sale are as follows:

- Number of share sold: 718,515,679
- Sale price: HKD 3,000 million (approximately ¥46.9 billion)
- Gain on sale: HKD 1,057 million (approximately ¥16.5 billion)

2. Transfer of Shikoku Coca-Cola Bottling Shares
On May 18, 2015, the Company transferred all of its shares in Shikoku Coca-Cola Bottling Co., Ltd. ("Shikoku Coca-Cola") to Coca-Cola West Co., Ltd. ("CCW") in accordance with the April 30, 2015 agreement to transfer the shares.

(1) Rationale for sale
The Company founded Shikoku Inryo (the current Shikoku Coca-Cola) in 1963 as part of its business diversification. Subsequently, the Company listed Shikoku Coca-Cola shares on the Second Section of the Osaka Stock Exchange in 1993 and on the First Section of the Tokyo Stock exchange in 2000, and made the company a wholly owned subsidiary in 2009. The Company has worked to strengthen the business foundation of Shikoku Coca-Cola, but with competition in the beverage market intensifying, the Company concluded that increasing Shikoku Coca-Cola's business efficiency as a Coca-Cola bottling business and taking into account the regional characteristics of its business areas are the keys to Shikoku Coca-Cola's sustainable growth and development with local communities.

The Company also concluded the stock transfer agreement because it decided that this stock transfer will help it accelerate the conversion of its business structure, enabling it to grow into a comprehensive biomass company at the global level by concentrating its resources in the biochemical, healthcare and energy sectors, and will increase the enterprise value of the Nippon Paper Group.

(2) Name of acquiree
Coca-Cola West Co., Ltd.

(3) Sale date
May 18, 2015

(4) Name and business description of the subsidiary subject to the Share Transfer and details of the transaction with the Company
Name: Shikoku Coca-Cola Bottling Co., Ltd.
Business description: Production and sale of soft drinks
Details of the transaction: Nippon Paper Industries has a loan from Shikoku Coca-Cola as part of the Nippon Paper Group's cash management system

(5) Number of share sold, sale price and, loss on sale, and ownership stake after the sale

- Number of share sold: 23,394,076
- Sale price: ¥9.7 billion
- Loss on sale: Approximately ¥16.4 billion
- Shares owned after the sale: None

3. Mill closure at consolidated subsidiary
On May 19, 2015, the Company decided to close the Shoalhaven Mill of consolidated subsidiary Paper Australia Pty. Ltd.

(1) Rationale for mill closure
The Shoalhaven Mill has made every effort to maintain its competitiveness, but the market for its specialty paper and paper for securities has continued to contract significantly. The Company concluded that recovery in the future would be difficult and decided to close the mill.

(2) Overview of the Shoalhaven Mill
1) Location: New South Wales, Australia

2) Business description: Manufacture of products including business communication paper, printing and writing paper, and specialty paper

3) Number of employees: 74 (As of December 31, 2014)

3) Mill closure date
December 2015 (planned)

4) Impact on results
In the fiscal year ending March 31, 2016, mill closure outcomes are expected to include severance pay for employees (special retirement payment) and loss on impairment of fixed assets. Details are under consideration.

4. Issuance of bonds by the Company

In accordance with a resolution at the meeting of its Board of Directors held on August 6, 2014, the Company issued the 13th unsecured corporate bonds amounting to ¥10 billion on June 19, 2015.

The 13th unsecured corporate bonds of Nippon Paper Industries Co., Ltd. (with an inter-bond pari passu clause)

(1) Total amount of issue: ¥10 billion
(2) Interest rate: 0.96% per annum
(3) Issue price: ¥100 for a par value of ¥100
(4) Method of redemption: bullet repayment
(5) Maturity date: June 19, 2025 (10-year bond)
(6) Application of funds: capital investment, repayment of loans payable, etc.

⑤ Consolidated supplemental schedules

[Schedule of bonds]

Company name[1]	Description	Date of issuance	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Interest rate (%)	Collateral	Maturity[2]
Nippon Paper Group, Inc.	8th unsecured corporate bonds	March 27, 2007	13,000	13,000	1.970	None	March 27, 2017
Nippon Paper Group, Inc.	9th unsecured corporate bonds	May 25, 2007	10,000	10,000	1.960	None	May 25, 2017
Nippon Paper Group, Inc.	10th unsecured corporate bonds	December 21, 2009	10,000	10,000	1.710	None	December 20, 2019
Nippon Paper Group, Inc.	11th unsecured corporate bonds	December 9, 2010	15,000	15,000	1.495	None	December 9, 2020
Nippon Paper Industries Co., Ltd.	12th unsecured corporate bonds	Jun 19, 2014	–	15,000	0.970	None	June 19, 2024
Total	–	–	48,000	63,000	–	–	–

Notes:

1. Nippon Paper Industries Co., Ltd. merged with Nippon Paper Group, Inc. on April 1, 2013 and was the surviving entity.
2. The redemption schedule of bonds for five years subsequent to March 31, 2014, 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	–	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	186,430	197,088	0.537	–
Current portion of long-term loans payable	105,896	67,809	1.602	–
Current portion of lease obligations	841	754	–	–
Long-term loans payable (excluding current portion)	432,719	401,799	1.674	From 2016 to 2029
Lease obligations (excluding current portion)	1,710	1,382	–	From 2016 to 2024
Other interest-bearing debt (import usance bills)	2,055	1,882	0.768	–
Total	729,653	670,717	–	–

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, 2015, 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	55,562	63,031	67,341	60,264
Lease obligations	629	409	212	102

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, 2015.

(2) [Others]

Quarterly information for the fiscal year ended March 31, 2015

(Millions of yen, unless otherwise stated)

Cumulative period	Three months ended June 30, 2014	Six months ended September 30, 2014	Nine months ended December 31, 2014	Fiscal year ended March 31, 2015
Net sales	255,214	515,983	787,607	1,052,491
Income before income taxes and minority interests	5,171	25,677	35,894	36,925
Net income	3,194	21,154	27,496	23,183
Net income per share (Yen)	27.59	182.73	237.52	200.27

Each quarter	First Quarter (From April 1, 2014 to June 30, 2014)	Second Quarter (From July 1, 2014 to September 30, 2014)	Third Quarter (From October 1, 2014 to December 31, 2014)	Fourth Quarter (From January 1, 2015 to March 31, 2015)
Net income (loss) per share (Yen)	27.59	155.15	54.78	(37.26)