[Notes]

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

1. The scope of consolidation

(1) Number of consolidated subsidiaries: 38

The names of major consolidated subsidiaries are omitted.

Siam Nippon Industrial Paper Co., Ltd., which was an unconsolidated subsidiary in the fiscal year ended March 31, 2015, has been consolidated effective from the fiscal year ended March 31, 2016, because the importance of the effects of its total assets, net sales, profit 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 increased.

In the fiscal year ended March 31, 2016, the Company sold all of the shares of Shikoku Coca-Cola Bottling Co., Ltd. it had held. Accordingly, Shikoku Coca-Cola Bottling Co., Ltd. and its three subsidiaries have been excluded from consolidation.

In the fiscal year ended March 31, 2016, the Company sold the shares of South East Fibre Exports Pty. Ltd. it had held. Accordingly, South East Fibre Exports Pty. Ltd. has been excluded from consolidation.

PAL Wood Material Co., Ltd. and PAL Co., Ltd. have been excluded from consolidation due to liquidation from the fiscal year ended March 31, 2016.

(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, profit 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: 10

Lintec Corporation, North Pacific Paper Corporation, Daishowa-Marubeni International Ltd., Nippon Tokan Package Co., Ltd., Phoenix Pulp & Paper Public Company Limited and five other companies

Nippon Paper Mega Solar Komatsushima Limited Liability Company, which was an affiliate not accounted for by the equity method in the fiscal year ended March 31, 2015, has been included in the scope of affiliates accounted for by the equity method since the importance of effect of its business results on the Company’s consolidated financial statements increased.

In the fiscal year ended March 31, 2016, the Company has terminated the business collaboration agreement with Lee & Man Paper Manufacturing Limited and directors seconded from the Company thereto have been reassigned. Accordingly, Lee & Man Paper Manufacturing Limited ceased to be an affiliate of the Company and thus has been excluded from the scope of the equity method.

In the fiscal year ended March 31, 2016, the Company sold all of the shares of Shikoku Coca-Cola Bottling Co., Ltd. it had held. Accordingly, Resources Co., Ltd. has been excluded from the scope of the equity method.

(3) Unconsolidated subsidiaries (Douoh Kouhatsu Ltd. and 80 other companies) and affiliates (JPT LOGISTICS CO., LTD., and 29 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 profit or loss (corresponding to the equity ratio owned by the Company) 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 Paper Australia Pty. Ltd. and its seven subsidiaries, Daishowa North America Corporation, Nippon Paper Industries USA Co., Ltd., Jujo Thermal Oy, Siam Nippon Industrial Paper Co., 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 noncurrent 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 non-controlling 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)

(Application of Accounting Standard for Business Combinations, etc.)
Effective from the fiscal year ended March 31, 2016, the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereinafter referred to as “Business Combinations Accounting Standards”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter referred to as “Consolidation Accounting Standard”) and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as “Business Divestitures Accounting Standard”) have been applied. Accordingly, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and record acquisition-related costs as expenses for the fiscal year in which they occur. In addition, with respect to any business combination entered into on or after the first day of the fiscal year ended March 31, 2016, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the fiscal year in which the relevant business combinations became effective. Furthermore, the presentation of net income etc. was changed and the presentation of minority interests was altered to non-controlling interests. To reflect the changes in the presentation, certain reclassifications have been made to the consolidated financial statements with respect to the prior fiscal year.
In the consolidated statement of cash flows for the fiscal year ended March 31, 2016, cash flows from purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are stated in the class of “cash flows from financing activities,” and cash flows from expenses related to purchase of shares of subsidiaries resulting in change in scope of consolidation or expenses related to purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are stated in the class of “cash flows from operating activities.”
The Company has applied the Business Combinations Accounting Standards, etc., in accordance with transitional accounting as provided in paragraph 58-2(4) of the Business Combinations Accounting Standards, paragraph 44-5(4) of the Consolidation Accounting Standard and paragraph 57-4(4) of the Business Divestitures Accounting Standard, prospectively from the beginning of the fiscal year ended March 31, 2016.

The effect of the above changes on the consolidated financial statements and per share information for the fiscal year ended March 31, 2016 is minimal.

(Changes in presentation)

- Consolidated statements of operations

“Rent income” was separately listed as an item within “Other income” in the prior fiscal year. For the fiscal year ended March 31, 2016, however, the amount and materiality of “Rent income” 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, ¥1,487 million previously stated as “Rent income” under “Other income” have been reclassified as “Other” under “Other income.”

“Gain on sales of investment securities” was included in “Other” under “Extraordinary income” in the prior fiscal year. For the fiscal year ended March 31, 2016, however, the amounts and materiality of “Gain on sales of investment securities” increased and it is therefore separately listed as item within “Extraordinary income.” In addition, “Gain on sales of noncurrent assets” was separately listed as an item within “Extraordinary income” in the prior fiscal year. For the fiscal year ended March 31, 2016, 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, ¥ 19,416 million previously stated as “Gain on sales of noncurrent assets” and ¥ 680 million previously stated as “Other” have been reclassified into ¥ 151 million as “Gain on sales of investment securities” and ¥ 19,946 million as “Other.”

- Consolidated statements of cash flows

“Foreign exchange losses (gains)” and “Loss (gain) on sales of investment securities” were included in “Other” under “Cash flows from operating activities” in the prior fiscal year. For the fiscal year ended March 31, 2016, however, the amounts and materiality of “Foreign exchange losses (gains)” and “Loss (gain) on sales of investment securities” increased and they are therefore separately listed as items within “Cash flows from operating activities.” “Net loss (gain) on sales of noncurrent assets” was separately listed as an item under “Cash flows from operating activities” in the prior fiscal year. For the fiscal year ended March 31, 2016, 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, ¥(19,416)million previously stated as “Net loss (gain) on sales of noncurrent assets” and ¥ 13,891 million previously stated as “Other” under “Cash flows from operating activities” has been reclassified into ¥ 282 million as “Foreign exchange losses (gains),” ¥(151) million as “Loss (gain) on sales of investment securities ”and ¥(5,657) million as “Other.”

(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, 2016	As of March 31, 2015
Buildings and structures	**26**	42
Machinery, equipment and vehicles	**45**	65
Land	**233**	257
Investment securities	**2,318**	3,272
Total	**2,624**	3,638

	As of March 31, 2016	As of March 31, 2015
Short-term loans payable	**310**	580
Long-term debt (including current portion)	**1,621**	1,192
Total	**1,931**	1,772

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, 2016	As of March 31, 2015
Investment securities (equity securities)	**109,435**	165,774
Other investments in unconsolidated subsidiaries and affiliates	**1,858**	1,826

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, 2016	As of March 31, 2015
Amapa Florestal e Celulose S.A.	**16,008**	19,403
Nippon Paper Ishinomaki Energy Center Ltd.	**8,801**	―
Daishowa-Marubeni International Ltd.	**8,749**	10,138
Employees (housing loans)	**4,000**	4,733
Siam Nippon Industrial Paper CO., LTD.(Note)	―	2,238
Other	**1,009**	1,093
Total	**38,568**	37,607

Note: In the fiscal year ended March 31, 2016, the Company made Siam Nippon Industrial Paper CO.,LTD. its consolidated subsidiary.

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, 2016	As of March 31, 2015
Amount of loan commitment contracts	**8,017**	7,960
Amount of lending	**7,294**	7,196
Net	**722**	763

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, 2016	As of March 31, 2015
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, 2016. Cost of sales includes the following loss on valuation of inventory.

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Gain (loss) on valuation of inventory	**(164)**	(27)

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

(Millions of yen)

Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
5,555	5,431

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

(Millions of yen)

Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
2,464	3,703

4. Depreciation expenses included in general and administrative expenses

(Millions of yen)

Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
2,379	3,960

5. Loss on impairment of noncurrent assets

Fiscal year ended March 31, 2016

The Group recorded a loss on impairment of noncurrent assets of ¥ 10,433 million on the following assets.

(Millions of yen)

Location	Assets	Loss on impairment of noncurrent assets	Notes
Washington State, U.S.A.	Machinery and equipment	6,064	Business-use assets “Impairment loss” in Extraordinary loss
	Subtotal	6,064	
Eura, Finland	Buildings and structures Machinery and equipment Other	1,097 1,921 418	
	Subtotal	3,436	
Akita-shi, Akita Prefecture, and others	Buildings and structures Machinery and equipment Land Other	114 113 185 11	Idle assets, etc. “Impairment loss” in Extraordinary loss
	Subtotal	424	
New South Wales State, Australia	Buildings and structures Machinery and equipment Other	32 470 4	Assets to be disposed ”Business restructuring expenses” in Extraordinary loss
	Subtotal	507	
Total		10,433	

To test indicators of the impairment of noncurrent 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 5.3% for the assets with expected future cash flows. For other assets, the book value is recorded as “Impairment loss”.

The recoverable amounts of idle assets and assets to be disposed were measured 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. Because the period of estimation for the value in use is less than one year, the future cash flows are not discounted.

Fiscal year ended March 31, 2015

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

(Millions of yen)

Location	Assets	Loss on impairment of noncurrent 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 noncurrent 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.

6. Business restructuring expenses

Fiscal year ended March 31, 2016

Business restructuring expenses represent a severance pay for employees (special retirement payment) and loss on impairment of noncurrent assets accompanying a mill closure at a consolidated subsidiary in Australia, among others.

Fiscal year ended March 31, 2015

Business restructuring expenses represent additional payments in connection with the voluntary retirement plan implemented during the rationalization of the construction materials business.

7. Loss on retirement of noncurrent assets

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Machinery and equipment	**684**	493
Removal cost	**1,138**	1,237
Other	**348**	434
Total	**2,172**	2,166

(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, 2016	Fiscal year ended March 31, 2015
Net unrealized holding gain on other securities:		
Amount recognized during the year	12,422	23,298
Reclassification adjustments	(20,775)	(93)
Before income tax effect adjustment	(8,352)	23,205
Income tax effect	2,976	(6,941)
Net unrealized holding gain on other securities	(5,376)	16,264
Net deferred gain on hedges:		
Amount recognized during the year	(2,949)	1,323
Reclassification adjustments	68	–
Before income tax effect adjustment	(2,881)	1,323
Income tax effect	1,000	(430)
Net deferred gain (loss) on hedges	(1,880)	893
Translation adjustments:		
Amount recognized during the year	3,844	5,198
Reclassification adjustments	(8,523)	-
Translation adjustments	(4,679)	5,198
Remeasurements of defined benefit plans		
Amount recognized during the year	(25,758)	13,145
Reclassification adjustments	862	2,371
Before income tax effect adjustment	(24,896)	15,517
Income tax effect	7,782	(5,295)
Remeasurements of defined benefit plans, net of tax	(17,114)	10,222
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount recognized during the year	(4,265)	12,059
Reclassification adjustments	(606)	(595)
Share of other comprehensive income of affiliates accounted for using the equity method	(4,871)	11,464
Total other comprehensive income	(33,922)	44,042

(Notes to Consolidated Statements of Changes in Net Assets)

Fiscal year ended March 31, 2016

1. Matters related to outstanding shares

(Shares)

Type of shares	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
Common stock	**116,254,892**	—	—	**116,254,892**

2. Matters related to treasury stock

(Shares)

Type of shares	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
Common stock	**495,664.21**	**13,807.31**	**2,089.67**	**507,381.85**

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 and changes in the scope of the equity method.

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 26, 2015	Common stock	3,478	30	March 31, 2015	June 29, 2015
Meeting of Board of Directors held on November 5, 2015	Common stock	3,478	30	September 30, 2015	December 1, 2015

(2) Dividends for which the record date falls in the fiscal year ended March 31, 2016, but for which the effective date comes after March 31, 2016

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 29, 2016	Common stock	Retained earnings	3,478	30	March 31, 2016	June 30, 2016

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

(Notes to Consolidated Statement of Cash Flows)

1. 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, 2016	Fiscal year ended March 31, 2015
Cash and deposits	**112,510**	84,100
Time deposits with original maturities of more than three months	**—**	(98)
Cash and cash equivalents	**112,510**	84,002

2. Principal assets and liabilities of the company that ceased to be a consolidated subsidiary due to the sales of shares

Fiscal year ended March 31, 2016

The following table represents principal assets and liabilities of Shikoku Coca-Cola Bottling Co., Ltd. and other four companies at the time of the sales of shares, the sales price of the share and revenue from the sale.

Current assets	7,496	million yen
Noncurrent assets	24,780	million yen
Current liabilities	(4,445)	million yen
Long-term liabilities	(522)	million yen
Non-controlling interests	(515)	million yen
Translation adjustments	(308)	million yen
Others	(281)	million yen
Loss on sales of shares	(16,510)	million yen
Sales price of shares	9,693	million yen
Cash and cash equivalents	417	million yen
Net revenue from the sale	10,111	million yen

(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, 2016	As of March 31, 2015
Due within one year	**2,664**	2,356
Due after one year	**2,690**	5,334
Total	**5,355**	7,690

As lessor:
Future minimum lease income for noncancelable operating leases are summarized as follows.
(Millions of yen)

	As of March 31, 2016	As of March 31, 2015
Due within one year	**241**	259
Due after one year	**1,938**	2,179
Total	**2,179**	2,438

(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, 2016 (Millions of yen)

	Book value[1]	Fair value[1]	Difference
(1) Cash and deposits	**112,510**	**112,510**	**—**
(2) Notes and accounts receivable-trade	**192,941**	**192,941**	**—**
(3) Investments in securities			
Other securities	**62,017**	**62,017**	**—**
Stocks of subsidiaries and affiliates	**41,001**	**45,773**	**4,771**
Total Assets	**408,470**	**413,242**	**4,771**
(4) Notes and accounts payable-trade	**113,354**	**113,354**	**—**
(5) Short-term loans payable	**243,366**	**244,091**	**724**
(6) Current portion of bonds	**13,000**	**13,232**	**232**
(7) Bonds	**60,000**	**62,492**	**2,492**
(8) Long-term loans payable	**385,725**	**402,217**	**16,492**
Total liabilities	**815,447**	**835,389**	**19,941**
(9) Derivatives[1]	**(1,268)**	**(1,268)**	**—**

1. Net assets and liabilities arising from derivative transactions are presented on a net basis, whereas net liabilities in total are presented in parentheses.

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
Total Assets	431,699	455,563	23,864
(4) Notes and accounts payable-trade	127,856	127,856	–
(5) Short-term loans payable	264,898	265,633	735
(6) Current portion of bonds	—	—	—
(7) Bonds	63,000	65,756	2,756
(8) Long-term loans payable	401,799	420,706	18,907
Total liabilities	857,553	879,952	22,399
(9) Derivatives[1]	1,612	1,612	–

1. Net assets and liabilities arising from derivative transactions are presented on a net basis, whereas net liabilities in total are presented in parentheses.

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) Current portion of bonds, (7) Bonds

The fair value of bonds issued by the Company is based on the market prices.

(8) 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.

(9) 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, 2016**	As of March 31, 2015
Unlisted equity securities	**77,764**	97,962

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, 2016 (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	**112,413***	—	—	—
Notes and accounts receivable-trade	**192,941**	—	—	—
Total	**305,354**	—	—	—

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

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.

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

As of March 31, 2016 (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	**187,890**	—	—	—	—	—
Bonds	**13,000**	**10,000**	—	**10,000**	**15,000**	**25,000**
Long-term loans payable	**55,476**	**60,386**	**67,724**	**63,369**	**54,151**	**140,093**
Total	**256,366**	**70,386**	**67,724**	**73,369**	**69,151**	**165,093**

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	—	—	—	—	—
Bonds	—	13,000	10,000	—	10,000	30,000
Long-term loans payable	67,809	55,562	63,031	67,341	60,264	155,599
Total	264,898	68,562	73,031	67,341	70,264	185,599

(Securities)

(1) Other securities

As of March 31, 2016 (Millions of yen)

	Book value	Cost	Valuation difference
Securities for which the book value exceeds their cost:			
Equity securities	**44,906**	**14,604**	**30,302**
Other	**—**	**—**	**—**
Subtotal	**44,906**	**14,604**	**30,302**
Securities for which the book value does not exceed their cost:			
Equity securities	**17,110**	**21,366**	**(4,255)**
Subtotal	**17,110**	**21,366**	**(4,255)**
Total	**62,017**	**35,971**	**26,046**

Note: Because the fair value of unlisted equity securities as of March 31, 2016 (¥9,330 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, 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.

(2) Sales of other securities

Fiscal year ended March 31, 2016 (Millions of yen)

	Sales	Aggregate gain	Aggregate loss
Equity securities	**50,920**	**20,486**	**—**

Note: In the fiscal year ended March 31, 2016, the Company has terminated the business collaboration agreement with Lee & Man Paper Manufacturing Limited and directors seconded from the Company thereto have been resigned. Accordingly, Lee & Man Paper Manufacturing Limited ceased to be an affiliate of the Company and thereby the Company sold all of its shareholdings following the reclassification from Stocks of subsidiaries and affiliates to Other securities.

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

	Sales	Aggregate gain	Aggregate loss
Equity securities	301	120	0

(3) Impairment of investments in securities

For the fiscal year ended March 31, 2016, the Company recorded a loss on impairment of noncurrent assets on the valuation of investments in securities in the amount of ¥28 million (securities for which fair values are extremely difficult to determine were included in the amount of ¥22 million). For the fiscal year ended March 31, 2015, the Company recorded a loss on impairment of noncurrent 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).

Loss on impairment of noncurrent 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, 2016 (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	**10,817**	**5,124**	**424**
	Buy U.S. dollars	Notes and accounts payable-trade	**35,620**	**—**	**(1,485)**
	Others		**1,292**	**—**	**(31)**

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	**6**	**—**	
	Buy U.S. dollars	Notes and accounts payable-trade	**1,895**	**—**	
	Others		**0**	**—**	

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, 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 U.S. dollars	Notes and accounts payable-trade	26,803	–	1,648
	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.

(2) Interest rate–related derivatives

As of March 31, 2016 (Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note 1)
Deferral hedge method	Interest rate swap transaction Pay/fixed and receive/floating	Long-term loans payable	**3,376**	**2,813**	**(176)**
Interest rate swaps meeting specific criteria	Interest rate swap transaction Pay/fixed and receive/floating	Long-term loans payable	**85,200**	**85,200**	(Note 2)

Note: 1. Calculation method for the fair value
The fair value is estimated based on prices provided by financial institutions.
2. 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, 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.

(2) Currency–related derivatives

As of March 31, 2016 (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	**10,122**	**10,122**	

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.

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 defined-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 defined-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, 2016	Fiscal year ended March 31, 2015
Retirement benefit obligations at the beginning of year	161,250	164,444
Cumulative effects of changes in accounting policies	—	(1,451)
Restated retirement benefit obligations at the beginning of year	161,250	162,992
Service cost	4,385	4,999
Interest cost	2,800	3,182
Actuarial difference generated	19,462	184
Past service costs generated	(3,293)	—
Retirement benefits paid	(14,126)	(12,030)
Transfer due to change from a simplified to the standard method	146	522
Increase or decrease due to change in the scope of consolidation	(2,830)	—
Other	(380)	1,399
Retirement benefit obligations at end of year	167,415	161,250

(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, 2016	Fiscal year ended March 31, 2015
Plan assets at the beginning of year	146,343	131,227
Expected return on plan assets	3,450	3,286
Actuarial difference generated	(9,621)	13,504
Contribution from employers	4,153	6,485
Retirement benefits paid	(11,364)	(9,394)
Transfer due to change from a simplified to the standard method	132	—
Increase or decrease due to change in the scope of consolidation	(2,886)	—
Other	(570)	1,233
Plan assets at the end of year	129,637	146,343

(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, 2016	Fiscal year ended March 31, 2015
Net defined benefit liability at the beginning of year	1,603	2,871
Retirement benefit expenses	820	385
Retirement benefits paid	(277)	(528)
Contribution to plans	(432)	(602)
Transfer due to change from a simplified to the standard method	(14)	(522)
Effects of transfer to defined-contribution pension plans	983	—
Net defined benefit liability at the end of year	2,682	1,603

(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, 2016	March 31, 2015
Retirement benefit obligations for funded plans	171,124	161,211
Plan assets	(134,290)	(154,063)
	36,834	7,148
Retirement benefit obligations for unfunded plans	3,625	9,362
Net asset or liability reported on the balance sheet	40,460	16,510
Net defined benefit liability	42,210	21,154
Net defined benefit asset	(1,750)	(4,643)
Net asset or liability reported on the balance sheet	40,460	16,510

Note: Plans using a simplified method are included.

(5) Breakdown of retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Service cost	4,385	4,999
Interest cost	2,800	3,182
Expected return on plan assets	(3,450)	(3,286)
Amortization of unrecognized actuarial difference	1,635	2,914
Amortization of unrecognized prior service cost	(605)	(522)
Retirement benefit expenses calculated by a simplified method	804	385
Retirement benefit expenses for defined benefit plans	5,569	7,673

(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, 2016	Fiscal year ended March 31, 2015
Past service costs	**2,687**	(522)
Actuarial differences	**(27,584)**	16,039
Total	**(24,896)**	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, 2016	Fiscal year ended March 31, 2015
Unrecognized past service costs	(5,786)	(3,099)
Unrecognized net actuarial gains (losses)	23,119	(4,464)
Total	17,332	(7,563)

(8) Matters regarding plan assets

① Major components of plan assets

Plan assets mainly consist of the following.

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Stocks	49%	53%
Bonds	26%	29%
General account	12%	11%
Cash and deposits	11%	3%
Other	2%	4%
Total	100%	100%

Note: Total plan assets for the fiscal years ended March 31, 2016 and March 31, 2015 include securities contributed to the retirement benefit trust (16% and 17%) created for corporate pension plans, respectively.

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, 2016	Fiscal year ended March 31, 2015
Discount rates	Mainly 0.5%	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 ¥855 million for the fiscal year ended March 31, 2016 and ¥526 million for the fiscal year ended March 31, 2015.

(1) The latest funded status of multiemployer pension plans

Employees' Pension Fund for Nippon Paper Subsidiaries and Affiliates

(Millions of yen)

	March 31, 2015	March 31, 2014
Plan assets	18,677	16,358
Actuarial liability and minimum actuarial reserve	19,434	17,997
Net balance	(756)	(1,639)

(2) Ratio of number of participating employees of the Group over the total number of participants in the plans (as of March 31, 2015 and 2014)

(Millions of yen)

	March 31, 2015	March 31, 2014
Employees' Pension Fund for Nippon Paper Subsidiaries and Affiliates	37.6%	34.8%

(3) Additional information

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

The Chubu Kamisho Employees' Pension Fund has been dissolved.

(Tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2016	As of March 31, 2015
Deferred tax assets:		
Accrued enterprise taxes	**441**	411
Accrued bonuses	**2,496**	2,690
Net defined benefit liability	**20,310**	13,575
Loss on impairment of noncurrent assets	**18,203**	20,527
Loss on valuation of investments securities	**1,084**	1,089
Unrealized profit eliminated in consolidation	**1,036**	1,090
Tax loss carryforwards	**29,775**	34,948
Loss on revaluation of land	**12,711**	13,403
Other	**7,949**	36,573
Gross deferred tax assets	**94,010**	124,310
Valuation allowance	**(47,628)**	(74,915)
Total deferred tax assets	**46,381**	49,394
Deferred tax liabilities:		
Reserve for advanced depreciation of noncurrent assets	**(2,199)**	(6,218)
Unrealized holding gain (loss) on other securities	**(7,712)**	(10,668)
Gain on revaluation of land, etc.	**(31,906)**	(33,678)
Other	**(3,385)**	(11,212)
Total deferred tax liabilities	**(45,203)**	(61,777)
Net deferred tax assets	**1,177**	(12,382)

Note: Net deferred tax assets and liabilities as of March 31, 2016 and 2015, are reflected in the following accounts in the consolidated balance sheets.

(Millions of yen)

	As of March 31, 2016	As of March 31, 2015
Current assets – deferred tax assets	**9,324**	12,650
Noncurrent assets – deferred tax assets	**10,730**	8,928
Long-term liabilities – deferred tax liabilities	**(18,877)**	(33,961)

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, 2016
Statutory tax rate	33.1%
(Adjustments)	
Entertainment expenses not qualifying for deduction	6.9%
Dividend income excluded from gross revenue	(3.6)%
Inhabitant tax per capita, etc.	4.7%
Tax exemptions	(11.6)%
Increase or decrease in valuation allowance	(74.4)%
Amortization of goodwill	14.7%
Equity in gain and loss of affiliates	53.1%
Tax rate differences from foreign subsidiaries, etc.	(77.4)%
Amendments to gain and loss from the sales of affiliates, etc.	119.8%
Reduction of year-end deferred tax assets due to a tax rate change	(5.8)%
Other	(4.5)%
Effective tax rate after adoption of tax-effect accounting	55.0%

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

On March 29, 2016, the “Act for Partial Revision of the Income Tax Law” (Act No. 15 of 2016) and the “Act for Partial Revision the Local Tax Act, etc.” (Act No. 13 of 2016) passed the Diet. Accordingly, the income tax rate has been reduced from fiscal years beginning on or after April 1, 2016. Under these revised acts, the effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been reduced from 32.3 % to 30.9 % for the temporary differences expected to reverse the fiscal years beginning on April 1, 2016 and April 1, 2017, and to 30.6 % for those expected to reverse in fiscal years beginning on or after April 1, 2018.

As a result, deferred tax assets after offsetting deferred tax liabilities increased by ¥ 693 million and income taxes decreased by ¥ 271 million as of and for the year ended March 31, 2016.

(Business combinations)

Business divestiture

The Company sold all of the shares of Shikoku Coca-Cola Bottling Co., Ltd. (“Shikoku Coca-Cola”), a consolidated subsidiary of the Company on May 18, 2015 in accordance with the agreement to transfer the shares dated on April 30, 2015.

(1) Outline of the business divestiture

① Name of the buyer
Coca- Cola West Co., Ltd.

② Description of the divested business
Production and sale of soft drinks

③ Main reason for the business divestiture
The Company founded then-Shikoku Inryo (current Shikoku Coca-Cola) in 1963 as part of its business diversification and subsequently had its shares listed on the Second Section of the Osaka Stock Exchange in 1993 and the First Section of the Tokyo Stock Exchange in 2000, and made the company a wholly-owned subsidiary of the Company in 2009. Throughout the years, the Company has worked to strengthen the business foundation of Shikoku Coca-Cola. It has come to the conclusion that increasing the business efficiency of Shikoku Coca-Cola and taking into account the regional characteristics of its business area are the keys to sustainable growth and development with local communities in the midst of the intensifying competition of the beverage market.
Furthermore, the Company sold its shareholdings 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 corporate value of the Nippon Paper Group.

④ Effective date of business divestiture (share transfer date)
May 18, 2015

⑤ Other matters pertaining to the outline of the transaction including its legal form
The consideration of the transfer of shares is limited to cash.

(2) Outline of the accounting implemented

① Amount of gain or loss on transfer
Loss on sales of shares of subsidiaries 16,163 million yen

② Reasonable book values and major breakdown of assets and liabilities pertaining to the transferred business

Current assets	7,735	million yen
Noncurrent assets	22,706	million yen
Total assets	30,442	million yen
Current liabilities	4,009	million yen
Long-term liabilities	299	million yen
Total liabilities	4,309	million yen

③ Accounting
A difference between the book value of Shikoku Coca-Cola on a consolidated basis and the sales amount thereof was recorded as Loss on sales of shares of subsidiaries in Extraordinary loss.

(3) Reportable segment in which the divested business was included
The divested business was not included in any of reportable segments but “Others.”

(4) Estimated amount of profit or losses pertaining to the divested business that is reported on the consolidated statement of operations for the fiscal year ended March 31, 2016

Net sales	9,107	million yen
Operating loss	(578)	million yen

(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.

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

Fiscal year ended March 31, 2016

(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	**827,560**	**88,912**	**62,155**	**28,469**	**1,007,097**	**—**	**1,007,097**
Intersegment sales and transfers	**3,946**	**3,626**	**62,288**	**45,258**	**115,120**	**(115,120)**	**—**
Total	**831,506**	**92,538**	**124,443**	**73,728**	**1,122,217**	**(115,120)**	**1,007,097**
Segment income	**13,840**	**2,661**	**3,639**	**2,481**	**22,623**	**—**	**22,623**
Segment assets	**989,443**	**81,598**	**63,356**	**35,050**	**1,169,449**	**221,469**	**1,390,918**
Other items:							
Depreciation	**49,352**	**5,707**	**846**	**1,766**	**57,672**	**—**	**57,672**
Amortization of goodwill	**2,068**	**—**	**—**	**3**	**2,071**	**—**	**2,071**
Increase in property, plant and equipment and intangible assets	**39,639**	**3,906**	**661**	**2,691**	**46,899**	**—**	**46,899**

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. In the fiscal year ended March 31, 2016, Shikoku Coca-Cola Bottling Co., Ltd. has been excluded from the scope of consolidation due to the sale of all shares thereof by the Company.
2. The segment assets adjustment of ¥ 221,469 million includes ¥ (39,912) million of inter-segment eliminations for receivables and payables and ¥ 261,381 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, 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.

[Related information]

Fiscal year ended March 31, 2016

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
868,150	**46,833**	**46,053**	**27,660**	**18,400**	**1,007,097**

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.

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
640,505	58,330	12,772	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.

[Loss on impairment of noncurrent assets by reportable segment]

Fiscal year ended March 31, 2016

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Total	Adjustment	Consolidated
Loss on impairment of noncurrent assets	**10,263**	**165**	**4**	—	**10,433**	—	**10,433**

Note: Impairment loss recorded accompanying with the mill closure at a consolidated subsidiary in Australia is included in "Business restructuring expenses" in Extraordinary loss.

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.
For details of Impairment loss, please refer to *5 Loss on impairment of noncurrent assets on pages 6 and 7.

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

Fiscal year ended March 31, 2016

(Millions of yen)

	Pulp and paper	Paper related	Wood products and construction related	Other	Adjustment	Total
Amortization of goodwill	**2,068**	—	—	**3**	—	**2,071**
Balance of unamortized goodwill at year-end	**9,747**	—	—	—	—	**9,747**

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, 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.

[Gain on negative goodwill by reportable segment]

Fiscal year ended March 31, 2016
None applicable.

Fiscal year ended March 31, 2015
None applicable.

[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, 2016
None applicable.

Fiscal year ended March 31, 2015
None applicable.

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

Fiscal year ended March 31, 2016

Attribute	Unconsolidated subsidiary
Name of related party	**Amapa Florestal e Celulose S.A.**
Location	**State of Amapá, Brazil**
Capital	**BRL 353,144 thousand**
Nature of operations	**Afforestation and export of wood chips and biomass fuels**
Equity ownership percentage	**Directly 100.0%**
Description of the business relationship	**Sales of materials to the Company**
Nature of transactions	**Guarantee for debt**
Transaction amount	**¥16,008 million**
Accounts	—
Balance at year-end	—

Note: Guarantee for bank loan, for which the Company receives guarantee fee.

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	Sales of materials to the Company	Sales of materials to the Company
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.

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

Fiscal year ended March 31, 2016
None applicable.

Fiscal year ended March 31, 2015
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, 2016:

Significant affiliates in the fiscal year ended March 31, 2016, are Lintec Corporation and Daishowa-Marubeni International Ltd. Summarized aggregate financial statement data of the three companies are as follows.

	(Millions of yen)
Total current assets	**129,529**
Total fnoncurrent assets	**133,747**
Total current liabilities	**69,775**
Total long-term liabilities	**49,389**
Total net assets	**144,111**
Net sales	**210,942**
Profit before income taxes	**13,938**
Profit	**9,586**

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 noncurrent assets	517,248
Total current liabilities	231,050
Total long-term liabilities	170,656
Total net assets	417,475
Net sales	439,420
Profit before income taxes	46,245
Profit	37,859

(Per share information)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Net assets per share	**¥3,645.87**	¥4,198.10
Profit (loss) per share	**¥20.95**	¥200.27

Notes: 1. Diluted profit per share is not stated because no potentially dilutive securities were outstanding.

2. The basis for calculation of profit per share is as follows.

(Millions of yen unless otherwise stated)

Item	**Fiscal year ended March 31, 2016**	Fiscal year ended March 31, 2015
Profit attributable to owners of parent	**2,424**	23,183
Profit attributable to owners of parent related to common shares	**2,424**	23,183
Weighted-average number of common shares outstanding	**115,752,912.87**	115,764,843.68

(Significant subsequent events)

1. Conclusion of Integration Agreement with Tokushu Tokai Paper Co., Ltd. Concerning Demerger of Shimada Mill of Tokushu Tokai Paper Co., Ltd., the Company's Investment in New Manufacturing Company and Integration of their Sales Functions of Containerboard and Sack & General Purpose Kraft Paper Business

As of October 7, 2015, the Company executed a basic agreement (hereinafter, "the MOU") with Tokushu Tokai Paper Co., Ltd. (hereinafter, "Tokushu Tokai Paper") concerning their containerboard and sack & general purpose kraft paper sales business (hereinafter, "the Business"). This MOU covers the demerger of the manufacturing business at Shimada Mill of Tokushu Tokai Paper (hereinafter, "Shimada Mill") and the Company's investment in the New Manufacturing Company (hereinafter, "the Investment") and the integration of their sales functions of the Business (hereafter, "the Integration of Sales Functions," the transactions stated above are collectively referred to as "the Business Alliance").
Based on the MOU, the Company resolved at a Board of Directors meeting held on April 25, 2016 to execute the integration agreement (hereinafter, "the Integration Agreement"), which contains the terms and conditions of the Business Alliance, and the shareholders' agreements (hereinafter, "the Shareholders' Agreements"), which prescribe to jointly operate the New Manufacturing Company and the New Sales Company.
The Business Alliance is subject to the approval by the Japan Fair Trade Commission.

(1) Background and objectives of the Business Alliance
The Japanese paper industry business environment remains challenging amid rising wastepaper prices and excessive production capacity. Based on the recognition of such a business environment, based on the MOU and with a mutually equal spirit, the Company and Tokushu Tokai Paper concluded the Integration Agreement on the Business Alliance to strengthen the cost and quality competitiveness of the Shimada Mill as well as establishing an efficient sales structure and improving service levels in the Business through the Business Alliance.

(2) Detail of the Business Alliance
①Demerger of Shimada Mill and the Investment
(i) Tokushu Tokai Paper to establish a new company for the demerger of Shimada Mill
(ii) Tokushu Tokai Paper to conduct an absorption-type company split by which rights and obligations, including the manufacturing function of the Business of Tokushu Tokai Paper, that Tokushu Tokai Paper owns related to its business operated in Shimada Mill will be transferred to the New Manufacturing Company (the New Manufacturing Company Split).
(iii) The Company to undertake the shares in the New Manufacturing Company, amounting to 6,250 million yen (the Share Undertaking).
(iv) As a result of (ii) and (iii) above, the Company will hold 122,500 shares (35%), and Tokushu Tokai Paper will hold 227,500 shares (65%) in the New Manufacturing Company.

②Integration of Sales Functions
(i) The Company to establish a new company for the integration of their sales functions of the Business.
(ii) The Company and Tokushu Tokai Paper to conduct an absorption-type company split respectively by which rights and obligations, that the Company and Tokushu Tokai Paper respectively own related to their sales functions of the Business, will be transferred to the New Sales Company (the New Sales Company Split).
(iii) As a result of (ii) above, the Company will hold 84,500 shares (65%), and Tokushu Tokai Paper will hold 45,500 shares (35%) in the New Sales Company Split.

(3) Overview of the Party to the Business Alliance

① Company name	Tokushu Tokai Paper Co., Ltd.
② Location	4379 Mukaijima-cho, Shimada City, Shizuoka, Japan
③ Title and name of representative	Yuji Matsuda, President & Representative Director
④ Capital	11,485 million yen (as of March 31, 2016)
⑤ Business description	Manufacture, processing and sale of paper pulp, and management of subsidiaries, etc.

(4) Schedule of the Business Alliance

① Conclusion of the MOU concerning the Business Alliance	October 7, 2015
② Conclusion of the Integration Agreement and the Shareholders' Agreements	April 25, 2016
③ Conclusion of the New Manufacturing Company Split Agreement	May 24, 2016
④ Tokushu Tokai Paper General Meeting of Shareholders (Note1)	June 24, 2016
⑤ Conclusion of the New Sales Company Split Agreement	By the middle of August 2016 (planned)
⑥ Conclusion of the Share Undertaking Agreement	August 2016 (planned)
⑦ Completion of the transactions (Note2)	October 1, 2016 (planned)

(Note1) The Company and Tokushu Tokai Paper plan to conduct the New Sales Company Split without obtaining the approval of their shareholders meetings in accordance with the procedures for short from company splits under the provisions of Article 784, Paragraph 2 of the Companies Act.

(Note2) Effective date of the New Manufacturing Company Split, the Share Undertaking and the New Sales Company Split.

(5) Impact on Business Results

The Company is currently examining the impact of the Business Alliance on its business results.

2. Asset Purchase of the Liquid Packaging Board Business of Weyerhaeuser Company in the United States

The Company resolved at a Board of Directors meeting held on June 15, 2016 to purchase the assets of Weyerhaeuser Company(hereinafter, "Weyerhaeuser")'s Liquid Packaging Board business in Washington of Cellulose Fibers segment (hereinafter, "the Business") by a new consolidated subsidiary of the Company to be established in the United States (hereinafter, asset purchase of the Business referred as "the Transaction") and concluded a business transfer (an asset purchase) agreement with Weyerhaeuser.

(1) Objectives of the Transaction

The Company, in the Fifth Medium-Term Business Plan (FY2015-FY2017), focuses on "enhancing competitiveness of existing business" and "transforming the business structure" as key themes to reallocate management resources efficiently to growth areas. The company is working to strengthen and expand the packaging business as one of the promising businesses in the future.

The Transaction enables the Paper-Pak business of the Company to establish an integrated production system from base paper to processing and the Company to provide further added value to customers.

(2) Company Name of the Party of the Transaction

Weyerhaeuser Company

(3) Details of the Business

Production, processing, and sale of base paper for paper containers of liquid including soft drink and milk, and base paper for cup containers, etc.

(4) Amount of assets and liabilities of the Business (as of December 31, 2015)

Total assets	292	million USD
Total Liabilities	95	million USD

(5) Completion of the Transaction

In the second quarter of fiscal 2016 (planned)

The Transaction is subject to the expiration of the waiting period for the reporting to the authorities.

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 (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	15,000	0.970	None	June 19, 2024
Nippon Paper Industries Co., Ltd.	13th unsecured corporate bonds	Jun 19, 2015	–	10,000	0.962	None	June 19, 2025
Total	–	–	63,000	73,000 (13,000)	–	–	–

Notes:
1. Nippon Paper Industries Co., Ltd. merged with Nippon Paper Group, Inc. on April 1, 2013 and was the surviving entity.
2. Figures in parentheses in “Ending balance” are amounts for current portion.
3. The redemption schedule of bonds for five years subsequent to March 31, 2016, 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	15,000

[Schedule of loans payable]

Category	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	197,088	187,890	0.471	–
Current portion of long-term loans payable	67,809	55,476	1.608	–
Current portion of lease obligations	754	689	—	–
Long-term loans payable (excluding current portion)	401,799	385,725	1.617	From 2017 to 2030
Lease obligations (excluding current portion)	1,382	1,049	—	From 2017 to 2024
Other interest-bearing debt (import usance bills)	1,882	1,108	1.013	–
Total	670,717	631,940	—	–

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, 2016, 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	60,386	67,724	63,369	54,151
Lease obligations	489	289	177	65

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, 2016.

(2) [Others]

Quarterly information for the fiscal year ended March 31, 2016

(Millions of yen, unless otherwise stated)

Cumulative period	Three months ended June 30, 2015	Six months ended September 30, 2015	Nine months ended December 31, 2015	Fiscal year ended March 31, 2016
Net sales	251,901	499,765	756,946	1,007,097
Profit before income taxes	10,338	14,037	15,470	4,662
Profit attributable to owners of parent	12,633	14,284	14,211	2,424
Profit per share (Yen)	109.13	123.40	122.77	20.95

Each quarter	First Quarter (From April 1, 2015 to June 30, 2015)	Second Quarter (From July 1, 2015 to September 30, 2015)	Third Quarter (From October 1, 2015 to December 31, 2015)	Fourth Quarter (From January 1, 2016 to March 31, 2016)
Profit (loss) per share (Yen)	109.13	14.27	(0.63)	(101.83)