[Notes to consolidated financial statements of Nippon Paper Industries Co., Ltd. ("the Company") and its subsidiaries (collectively, "the Group")]

(Significant Matters Providing the Basis for the Preparation of the Consolidated Financial Statements)

1. The scope of consolidation

(1) Number of consolidated subsidiaries: 48

The names of major consolidated subsidiaries are omitted.

Crecia-Kasuga Co., Ltd. and IWAKUNI-KAIUN CO., Ltd., which were unconsolidated subsidiaries in the fiscal year ended March 31, 2018, have been consolidated effective from the fiscal year ended March 31, 2019, because the significance of the effects of their 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, 2019, the Company newly established Maryvale Sustainable Energy Pty Ltd and Amcel-Amapá Florestal e Celulose-SPC, which became consolidated subsidiaries.

(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

Names, etc., of major affiliates accounted for by the equity method

Lintec Corporation, Shin Tokai Paper Co., Ltd., Nippon Tokan Package Co., Ltd., and Phoenix Pulp & Paper Public Company Limited

In the fiscal year ended March 31, 2019, the Company sold all of the shares of Daishowa-Marubeni International Ltd. it had held, and excluded it from the scope of the equity method.

(3) Unconsolidated subsidiaries (Douoh Kouhatsu Ltd. and 70 other companies) and affiliates (JPT LOGISTICS CO., LTD. and 26 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 affiliates accounted for by the equity method that close their accounts at different dates than the Company's balance sheet date, the financial statements as of their respective balance sheet dates are used for the preparation of the consolidated financial statements.

3. Accounting period of consolidated subsidiaries

The balance sheet date is December 31 for Paper Australia Pty. Ltd. and its eight subsidiaries, Daishowa North America Corporation, Nippon Paper Industries USA Co., Ltd., Jujo Thermal Oy, Siam Nippon Industrial Paper Co., Ltd., Nippon Dynawave Packaging Co., Amapá Florestal e Celulose S.A. and its two subsidiaries, and Nippon Paper Resources Australia Pty. Ltd.

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

4. Significant accounting policies

(1) Evaluation basis and methods for significant assets

① Securities

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, and building fixtures and structures acquired on or after April 1, 2016, are depreciated by the straight-line method.

The useful lives of assets are principally as follows:

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

② Intangible 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 Leased assets

Depreciation of leased assets under finance-leasing agreements that do not transfer 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) Basis for significant allowances and provisions

① Allowance for doubtful receivables

To cover a loss from uncollectible receivables, allowances for bad debts are provided at the amount determined based on the historical experience of bad debts for ordinary receivables. For specific doubtful receivables, the collectability is considered on an individual basis.

② Allowance for environmental costs

To cover future expenditures for disposing of PCB waste in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, an allowance is provided at the estimated amount of disposal costs.

(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.

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 primarily amortized evenly using the straight-line method over the determined years (7 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 assets and liabilities denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen, using the spot exchange rates on the balance sheet date, and the resulting translation gains and losses are recognized as income and losses. Assets and liabilities of overseas subsidiaries, etc., are translated into Japanese yen at the spot exchange rates on their balance sheet 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 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 allocation method "*Furiate-shori*").

The exceptional accounting method is adopted for the interest rate swaps that meet special matching criteria ("*Tokurei-shori*"). The integral accounting method is adopted for currency and interest rate swaps that meet the requirements for integral accounting ("*Ittai-shori*").

② Hedging instruments and hedged items

a. Hedging instrument: Forward foreign exchange contracts
Hedged items: Receivables denominated in foreign currencies arisen from exports of products, payables denominated in foreign currencies arisen from imports of raw materials and fuel, and forecast transactions denominated in foreign currencies

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

c. Hedging instrument: Interest rate swap and currency and interest rate swap
Hedged items: Loans payable denominated in foreign currencies

d. Hedging instrument: Crude oil swaps
Hedged items: Forecast fuel purchases

③ Hedging policy

The Company uses derivative transactions to primarily hedge fluctuation risks of foreign currencies, interest rates and prices.

④ Method for evaluating hedge effectiveness

The Company evaluates hedge effectiveness based on semiannual comparisons of changes in cash flows or the fair value of hedged items and hedging instruments.

For interest rate swaps that meet the requirements for exceptional accounting method and currency and interest rate swaps that meet the requirements of integral accounting method, the Company omits to evaluate hedge effectiveness as of the balance sheet date.

Evaluation 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 by the straight-line method over an appropriate period of within 20 years that is determined based on 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 not exceeding three months.

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

① Accounting method for the consumption tax

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

② Application of the consolidated taxation system

The Company and certain consolidated subsidiaries have applied the consolidated taxation system.

(Changes in accounting policies)

Application of IFRS 15 "Revenue from Contracts with Customers"

The Group's subsidiaries adopting the IFRS have applied the IFRS No. 15 "Revenue from Contracts with Customers" from the current fiscal term. The impact of the application of this accounting standard on the consolidated financial statements is negligible.

(Accounting Standards Issued but Not Yet Applied)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

They are comprehensive accounting standard and guidance with regard to revenue recognition. Revenues are recognized using the following five-step model.

Step 1: Identify the contract with a customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of application

The Company expects to apply the aforementioned standard and guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of application

The effect of application of the aforementioned standard and guidance on the Company's consolidated financial statements is currently under evaluation.

(Changes in Presentation)

Changes due to the adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended March 31, 2019. Accordingly, the method of presentation has been changed so that deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under long-term liabilities; while changes have also been made to the notes on tax-effect accounting.
As a result, "Deferred tax assets" in the amount of ¥6,150 million under "Current assets" and ¥3,144 million of the total amount of "Deferred tax liabilities" under "Long-term liabilities" in the consolidated balance sheets of the fiscal year ended March 31, 2018 have been included in "Deferred tax assets" in the amount of ¥5,508 million and presented under "Investments and other assets," and "Deferred tax liabilities" under "Long-term liabilities" have been presented in the amount of ¥29,565 million.
Additionally, in the notes on "Tax-effect accounting," the details set forth in Note 8 (excluding the total amount of valuation allowance) and Note 9 of "Accounting Standard for Tax Effect Accounting," as stated in paragraphs 3 through 5 of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc., have been added. However, among such details, those relating to the fiscal year ended March 31, 2018 have been omitted, in accordance with the transitional provisions as set forth in Note 7 of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.

Consolidated statements of operations

"Foreign exchange losses" was included in "Other" under "Other expenses" in the prior fiscal year. For the fiscal year ended March 31, 2019, however, its materiality increased and it is therefore listed as a separate item. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2018 have been reclassified.
As a result, ¥3,959 million that had been presented in "Other" under "Non-operating expenses" in the consolidated statements of operations for the prior fiscal year is reclassified as ¥838 million in "Foreign exchange losses" and ¥3,121 million in "Other."

"Loss on valuation of investment securities" was listed as a separate item under "Extraordinary loss" in the prior fiscal year. For the fiscal year ended March 31, 2019, however, its materiality has decreased and it is therefore included in "Other". To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2018 have been reclassified.
As a result, ¥1,731 million that had been presented in "Loss on valuation of investment securities" under "Extraordinary loss" in the consolidated statements of operations for the prior fiscal year is reclassified as "Other."

Consolidated statements of cash flows

"Foreign exchange losses (gains)" was included in "Other" under "Operating activities" in the prior fiscal year. For the fiscal year ended March 31, 2019, however, its materiality increased and it is therefore listed as a separate item. In addition, "Loss (gain) on sales of property, plant and equipment" was separately listed as an item in "Operating activities" in the prior fiscal year. For the fiscal year ended March 31, 2019, however, its materiality decreased and it is therefore included in "Other." To reflect these changes in presentation, the consolidated financial statements for the fiscal year ended March 31, 2018 have been reclassified.
As a result, ¥(2,637) million that had been presented in "Loss (gain) on sales of property, plant and equipment" and ¥665 million that had been presented in "Other" under "Operating activities" in the consolidated statements of cash flows for the prior fiscal year are reclassified into ¥(216) million as "Foreign exchange losses (gains)" and ¥(1,755) million as "Other."

"Purchases of time deposits" was separately listed as an item in "Investing activities" in the prior fiscal year. For the fiscal year ended March 31, 2019, however, it is included in "Other," considering its monetary impact. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2018 have been reclassified.
As a result, ¥(620) million that had been presented in "Purchases of time deposits" under "Investing activities" in the consolidated statements of cash flows for the prior fiscal year is reclassified to "Other."

(Changes in accounting estimates)

Provision for environmental measures

To prepare for the expenses of disposal of PCB (polychlorinated biphenyl) wastes, an estimated amount for disposal has been allocated. As the Company found that PCB (polychlorinated biphenyl) waste is stored at its mills, the estimated amount for disposal is recorded as "Provision for environmental measures" under "Extraordinary loss." As a result, "Net loss before tax and other adjustment for the current term" increased by 13,700 million yen for the current fiscal term.
Furthermore, an estimated amount of expenses for disposal of low-concentration PCB wastes is also recorded in "Other expenses (Other)" as detailed estimation has become possible in line with the progress of the disposal. As a result, "Ordinary income" decreased by 860 million yen and "Net loss before tax and other adjustment for the current term" increased by 860 million yen for the current fiscal term.

(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, 2019	As of March 31, 2018
Machinery, equipment and vehicles	**14**	22
Land	**2,041**	2,407
Investment securities	**—**	2,949
Total	**2,055**	5,380

	As of March 31, 2019	As of March 31, 2018
Short-term loans payable	**630**	410
Long-term loans payable (including current portion)	**705**	2,342
Total	**1,335**	2,752

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, 2019	As of March 31, 2018
Investment securities (equity securities)	**98,894**	112,624
Other investments in unconsolidated subsidiaries and affiliates	**2,089**	2,163

3. Guarantee obligations
The Company guarantees the following obligations, including loans payable to financial institutions, etc., of companies other than consolidated subsidiaries.

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Employees (housing loans)	**2,367**	2,784
Daishowa-Marubeni International Ltd.	**—**	6,431
Other	**1,911**	2,128
Total	**4,279**	11,344

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, 2019	As of March 31, 2018
Amount of loan commitment contracts	**7,915**	8,477
Amount of lending	**6,898**	7,354
Net	**1,016**	1,122

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, 2019	As of March 31, 2018
Amount of loan commitment contracts	**50,000**	50,000
Amount of borrowing	**—**	—
Net	**50,000**	50,000

6. Notes matured as of the end of the fiscal year are settled on the date of their clearing. The following notes matured as of the end of the fiscal year are included in the ending balance because the end of the current fiscal year fell on a holiday of financial institutions.

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Notes receivable	**2,781**	2,390
Notes payable	**7,994**	6,831

(Notes to Consolidated Statements of Operations)

1. The Company reduced the book value of inventory for which profitability had decreased. Cost of sales includes the following loss on valuation of inventory (Negative values indicate the amount of reversal).

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Loss (gain) on valuation of inventory	**(22)**	758

2. Research-and-development costs included in general and administrative expenses and manufacturing costs are as follows:

(Millions of yen)

Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
6,694	6,013

3. Retirement benefit expenses included in general and administrative expenses are as follows:

(Millions of yen)

Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
(97)	818

4. Depreciation expenses included in general and administrative expenses are as follows:

(Millions of yen)

Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
3,113	2,480

5. Gain on sales of property, plant and equipment

Fiscal year ended March 31, 2019
The amount consisted of a gain of ¥1,098 million on sales of land and other items.

Fiscal year ended March 31, 2018
The amount consisted of a gain of ¥2,451 million on sales of land and other items.

6. Impairment loss

Fiscal year ended March 31, 2019

The Group recorded the impairment loss of ¥30,976 million on the following assets.

(Millions of yen)

Location	Assets	Impairment loss	Notes
Fuji-shi, Shizuoka Prefecture Tomakomai-shi, Hokkaido, and others	Buildings and structures Machinery, equipment and vehicles Land Other	**372** **6,476** **9,872** **2**	Assets to be retired "Loss on reorganization of production structure," Extraordinary loss
	Subtotal	**16,724**	
Kushiro-shi, Hokkaido Iwanuma-shi, Miyagi Prefecture	Machinery, equipment and vehicles Land	**7,013** **5,590**	Assets for newspaper paper business "Impairment loss," Extraordinary loss
	Subtotal	**12,604**	
Akita-shi, Akita Prefecture, and others	Land	**781**	Idle assets "Impairment loss," Extraordinary loss
	Subtotal	**781**	
Kushiro-shi, Hokkaido, and others	Buildings and structures Machinery, equipment and vehicles Land Other	**171** **16** **389** **288**	Assets to be disposed of and others "Impairment loss," Extraordinary loss
	Subtotal	**866**	
Total		**30,976**	

To test indicators of the impairment of noncurrent assets, the Group groups assets mainly on a cash-generating unit basis for business-use assets and on an individual property basis for idle assets, assets to be retired and assets to be disposed of.

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 3.0% for the assets with expected future cash flows.

The recoverable value of idle assets, assets to be retired and assets to be disposed of was 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.

Additionally, in the fiscal year ended March 31, 2019, the Group has reported a loss on reorganization of production structure (¥18,330 million), which represents the loss incurred as a result of the reorganization of the production structure in the paper business, and of which ¥16,724 million represents impairment loss on noncurrent assets.

Fiscal year ended March 31, 2018

The Group recorded the impairment loss of ¥4,797 million on the following assets.

(Millions of yen)

Location	Assets	Impairment loss	Notes
Ichinoseki-shi, Iwate Prefecture	Buildings and structures Machinery, equipment and vehicles Land Other	300 405 159 1,546	Assets to be retired "Impairment loss," Extraordinary loss
	Subtotal	2,411	
Akita-shi, Akita Prefecture	Machinery, equipment and vehicles Other	1,227 206	
	Subtotal	1,433	
Ishinomaki-shi, Miyagi Prefecture	Machinery, equipment and vehicles Other	638 110	
	Subtotal	749	
Komatsushima-shi, Tokushima Prefecture, and others	Buildings and structures Machinery, equipment and vehicles Land Other	97 65 35 4	Business-use assets, and others "Impairment loss," Extraordinary loss
	Subtotal	202	
Total		4,797	

To test indicators of the impairment of noncurrent assets, the Group groups assets mainly on a cash-generating unit basis for business-use assets and on an individual property basis for assets to be retired.

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, and evaluated as zero since future cash flows were not expected.

The recoverable value of assets to be retired was 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.

7. Loss on retirement of noncurrent assets

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Machinery, equipment and vehicles	**375**	709
Removal cost	**1,524**	1,559
Other	**189**	165
Total	**2,088**	2,433

(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, 2019	Fiscal year ended March 31, 2018
Net unrealized holding gain on other securities:		
Amount recognized during the year	**593**	2,995
Reclassification adjustments	**(3,042)**	(1,307)
Before income tax effect adjustment	**(2,448)**	1,687
Income tax effect	**730**	(894)
Net unrealized holding gain on other securities	**(1,718)**	792
Net deferred gain (loss) on hedges:		
Amount recognized during the year	**(3,501)**	(1,879)
Reclassification adjustments	**1,005**	(615)
Before income tax effect adjustment	**(2,495)**	(2,495)
Income tax effect	**2,306**	1,327
Net deferred gain (loss) on hedges	**(189)**	(1,167)
Translation adjustments:		
Amount recognized during the year	**(7,124)**	1,734
Remeasurements of defined benefit plans, net of tax		
Amount recognized during the year	**(2,459)**	7,446
Reclassification adjustments	**(1,857)**	(555)
Before income tax effect adjustment	**(4,316)**	6,890
Income tax effect	**1,316**	(1,541)
Remeasurements of defined benefit plans, net of tax	**(3,000)**	5,349
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount recognized during the year	**(1,182)**	1,555
Reclassification adjustments	**119**	225
Share of other comprehensive income of affiliates accounted for using the equity method	**(1,062)**	1,781
Total other comprehensive income	**(13,096)**	8,489

(Notes to Consolidated Statements of Changes in Net Assets)

Fiscal year ended March 31, 2019

1. Matters related to outstanding shares

(Shares)

Type of shares	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common stock	**116,254,892**	—	—	**116,254,892**

2. Matters related to treasury stock

(Shares)

Type of shares	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common stock	**525,310.83**	**6,664.31**	**95.27**	**531,879.87**

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

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	**3,477**	**30**	March 31, 2018	June 29, 2018

(2) Dividends for which the record date falls in the fiscal year ended March 31, 2019, but for which the effective date comes after March 31, 2019

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, 2019	Common stock	Retained earnings	**3,477**	**30**	March 31, 2019	June 28, 2019

Fiscal year ended March 31, 2018

1. Matters related to outstanding shares

(Shares)

Type of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common stock	116,254,892	—	—	**116,254,892**

2. Matters related to treasury stock

(Shares)

Type of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common stock	517,900.03	8,464.00	1,053.20	**525,310.83**

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

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	3,477	30	March 31, 2017	June 30, 2017
Meeting of Board of Directors held on November 8, 2017	Common stock	3,477	30	September 30, 2017	December 1, 2017

(2) Dividends for which the record date falls in the fiscal year ended March 31, 2018, but for which the effective date comes after March 31, 2018

Resolution	Type of shares	Source of funds for dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	Retained earnings	3,477	30	March 31, 2018	June 29, 2018

(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, 2019	Fiscal year ended March 31, 2018
Cash and deposits	**63,455**	59,003
Cash and cash equivalents	**63,455**	59,003

(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, 2019	As of March 31, 2018
Due within one year	**2,845**	2,362
Due after one year	**8,220**	10,199
Total	**11,065**	12,562

As lessor:

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Due within one year	**215**	215
Due after one year	**1,291**	1,506
Total	**1,506**	1,722

(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 securitization of receivables and notes.
The Group adheres to a policy of using derivative transactions for the purpose of reducing interest rate fluctuation risk, foreign currency exchange risk and price fluctuation risk, 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. 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 loans payable and bonds mainly for capital investments. Some long-term loans payable bears variable interest rates and therefore is exposed to interest rate fluctuation risk. To reduce and fix interest expense for long-term loans payable bearing interest at variable rates, the Group utilizes interest rate swap and currency and interest rate swap transactions as a hedging instrument on an individual basis.
Regarding derivatives, the Group enters into forward foreign contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Group also enters into interest rate swap transactions to reduce fluctuation risk for interest payable for long-term loans payable bearing interest at variable rates. The Group also enters into currency and interest rate swap transactions to reduce exchange and interest rate fluctuation risk for foreign currency-denominated loans payable, and crude oil swap transactions to reduce price fluctuation risk on certain fuel purchase transactions.
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 the Company and its 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 and interest rate 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.
The Group uses crude oil swap transactions to reduce the risk of price fluctuations on certain fuel purchases.
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 periodically 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 basis.
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, 2019

(Millions of yen)

	Book value[1]	Fair value[1]	Difference
(1) Cash and deposits	**63,455**	**63,455**	—
(2) Notes and accounts receivable-trade	**234,671**	**234,671**	—
(3) Investments in securities			
Other securities	**52,250**	**52,250**	—
Stocks of subsidiaries and affiliates	**50,507**	**54,361**	**3,854**
Total Assets	**400,885**	**404,740**	**3,854**
(4) Notes and accounts payable-trade	**145,132**	**145,132**	—
(5) Short-term loans payable	**224,227**	**224,807**	**580**
(6) Long-term loans payable	**401,474**	**412,875**	**11,400**
Total liabilities	**770,833**	**782,815**	**11,981**
(7) Derivatives[1]	**(2,881)**	**(2,881)**	—

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

As of March 31, 2018

(Millions of yen)

	Book value[1]	Fair value[1]	Difference
(1) Cash and deposits	59,003	59,003	—
(2) Notes and accounts receivable-trade	220,766	220,766	—
(3) Investments in securities			
Other securities	57,252	57,252	—
Stocks of subsidiaries and affiliates	47,695	69,933	22,237
Total Assets	384,717	406,955	22,237
(4) Notes and accounts payable-trade	142,275	142,275	—
(5) Short-term loans payable	288,063	288,696	633
(6) Long-term loans payable	343,334	352,645	9,310
Total liabilities	773,673	783,617	9,943
(7) Derivatives[1]	(3,089)	(3,089)	—

1. Net assets and liabilities arising from derivative transactions are presented on a net basis, and 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, their 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-trade
   Because these items are settled in a short period of time, their book value approximates the fair value.

(5) Short-term loans payable
As 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 loans payable 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 special accounting criteria and currency and interest rate swaps that meet integral accounting criteria (see "Derivatives") and are accounted for together with the corresponding interest rate swaps and currency and interest rate swaps. The fair value of such loans is calculated by discounting the total amount of principal and interest of the loans thus accounted for at a rate determined as stated above.

(7) Derivatives
Please refer to "Derivatives" on page 15.

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

(Millions of yen)

Classification	**As of March 31, 2019**	As of March 31, 2018
Unlisted equity securities	**56,440**	73,601

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 balance sheet date

As of March 31, 2019

(Millions of yen)

	Within one year	Over 1 but within 5 years	Over 5 but within 10 years	Over 10 years
Cash and deposits (*)	**63,355**	—	—	—
Notes and accounts receivable-trade	**234,671**	—	—	—
Total	**298,027**	—	—	—

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

As of March 31, 2018

(Millions of yen)

	Within one year	Over 1 but within 5 years	Over 5 but within 10 years	Over 10 years
Cash and deposits (*)	58,899	—	—	—
Notes and accounts receivable-trade	220,766	—	—	—
Total	279,666	—	—	—

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

4. Redemption schedule for long-term loans payable and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2019

(Millions of yen)

	Within one 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	Over 5 years
Short-term loans payable	**154,183**	—	—	—	—	—
Long-term loans payable	**70,043**	**62,475**	**57,907**	**38,719**	**46,385**	**195,986**
Total	**224,227**	**62,475**	**57,907**	**38,719**	**46,385**	**195,986**

As of March 31, 2018

(Millions of yen)

	Within one 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	Over 5 years
Short-term loans payable	219,201	—	—	—	—	—
Long-term loans payable	68,861	66,337	58,846	51,996	34,661	131,492
Total	288,063	66,337	58,846	51,996	34,661	131,492

(Securities)

1. Other securities

As of March 31, 2019

(Millions of yen)

	Book value	Cost	Valuation difference
Securities for which the book value exceeds their cost:			
Equity securities	**43,787**	**14,175**	**29,611**
Subtotal	**43,787**	**14,175**	**29,611**
Securities for which the book value does not exceed their cost:			
Equity securities	**8,463**	**9,732**	**(1,269)**
Subtotal	**8,463**	**9,732**	**(1,269)**
Total	**52,250**	**23,908**	**28,342**

Note: Because the fair value of unlisted equity securities as of March 31, 2019 (¥8,053 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, 2018

(Millions of yen)

	Book value	Cost	Valuation difference
Securities for which the book value exceeds their cost:			
Equity securities	49,296	17,221	32,074
Subtotal	49,296	17,221	32,074
Securities for which the book value does not exceed their cost:			
Equity securities	7,955	9,228	(1,273)
Subtotal	7,955	9,228	(1,273)
Total	57,252	26,450	30,801

Note: Because the fair value of unlisted equity securities as of March 31, 2018 (¥8,673 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, 2019

(Millions of yen)

	Sales	Aggregate gain	Aggregate loss
Equity securities	**6,276**	**3,054**	**(2)**

Fiscal year ended March 31, 2018

(Millions of yen)

	Sales	Aggregate gain	Aggregate loss
Equity securities	8,770	1,641	(2)

3. Impairment of securities

For the fiscal year ended March 31, 2019, the Company recorded a loss on impairment of securities in the amount of ¥625 million (including ¥615 million of equity securities for which fair values are extremely difficult to determine). For the fiscal year ended March 31, 2018, the Company recorded a loss on impairment of securities in the amount of ¥1,731 million (including ¥1,399 million of equity securities for which fair values are extremely difficult to determine).

Loss on impairment of securities 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

As of March 31, 2019

(Millions of yen)

	Hedging instrument	Contract amount	More than 1 year	Fair value	Valuation gain/loss
Off-market transactions	Interest rate swap transactions Pay/fixed and receive/floating	**2,087**	**1,391**	**(72)**	**(72)**

Notes:

1. Calculation method for the fair value
   The fair value is estimated based on prices provided by financial institutions.
2. Hedge accounting was not applied for certain derivative transactions since they no longer met the criteria for hedge accounting.

As of March 31, 2018

(Millions of yen)

	Hedging instrument	Contract amount	More than 1 year	Fair value	Valuation gain/loss
Off-market transactions	Interest rate swap transactions Pay/fixed and receive/floating	3,138	2,354	(99)	(99)

Notes:

1. Calculation method for the fair value
   The fair value is estimated based on prices provided by financial institutions.
2. Hedge accounting was not applied for certain derivative transactions since they no longer met the criteria for hedge accounting.

2. Derivative instruments subject to hedge accounting

(1) Currency-related transactions

As of March 31, 2019

(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	**9,801**	**4,481**	**(373)**
	Other		**2,014**	**554**	**132**
	Buy				
	U.S. dollars	Notes and accounts payable-trade	**25,367**	**4,288**	**547**
	Other		**5,180**	**3,449**	**9**

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
Allocation method *(Furiate-shori)*	Foreign exchange forward contracts				
	Sell	Accounts receivable-trade			
	U.S. dollars		**195**	—	(Note)
	Other		**11**	—	
	Buy	Notes and accounts payable-trade			
	U.S. dollars		**1,157**	—	
	Other		**83**	—	

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, 2018

(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	Accounts receivable-trade			
	U.S. dollars		7,780	1,372	590
	Other		2,864	1,668	(37)
	Buy	Notes and accounts payable-trade			
	U.S. dollars		29,288	7,222	(838)
	Other		6,603	4,689	(161)

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
Allocation method *(Furiate-shori)*	Foreign exchange forward contracts				
	Sell	Accounts receivable-trade			
	U.S. dollars		136	—	(Note)
	Other		27	—	
	Buy	Notes and accounts payable-trade			
	U.S. dollars		2,105	—	
	Other		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.

(2) Interest rate-related transactions

As of March 31, 2019

(Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value
Deferral hedge method	Interest rate swap transaction Pay/fixed and receive/floating	Long-term loans payable	**61,563**	**61,172**	**(2,748)**
Exceptional accounting method (*Tokurei-shori*)	Interest rate swap transaction Pay/fixed and receive/floating	Long-term loans payable	**108,200**	**87,200**	**(Note)**

Note: Interest-rate swaps that qualify for the exceptional accounting method 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, 2018

(Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value
Deferral hedge method	Interest rate swap transaction Pay/fixed and receive/floating	Long-term loans payable	96,763	95,000	(3,297)
Exceptional accounting method (*Tokurei-shori*)	Interest rate swap transaction Pay/fixed and receive/floating	Long-term loans payable	73,200	62,200	(Note)

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

(3) Currency and interest rate-related transactions

As of March 31, 2019

(Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value
Integral accounting method (*Ittai-shori*)	Currency and interest rate swap transaction Pay/fixed and receive/floating Pay/JPY and receive/USD	Long-term loans payable	**10,122**	**10,122**	**(Note)**

Note: Currency and interest rate swaps that qualify for the integral accounting method 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, 2018

(Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value
Integral accounting method (*Ittai-shori*)	Currency and interest rate swap transaction Pay/fixed and receive/floating Pay/JPY and receive/USD	Long-term loans payable	10,122	10,122	(Note)

Note: Currency and interest rate swaps that qualify for the integral accounting method are recognized together with the corresponding long-term loans payable. The fair values of such transactions are included in those of the loans.

(4) Commodities-related transactions

As of March 31, 2019

(Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note)
Deferral hedge method	Commodity swaps Pay/fixed and receive/floating	Marine fuel	**1,041**	**—**	**46**
Deferral hedge method	Commodity swaps Pay/fixed and receive/floating	Brent crude	**3,279**	**1,635**	**(57)**

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

As of March 31, 2018

(Millions of yen)

Hedge accounting method	Hedging instrument	Principal hedged items	Contract amount	More than 1 year	Fair value (Note)
Deferral hedge method	Commodity swaps Pay/fixed and receive/floating	Marine fuel	1,000	—	144
Deferral hedge method	Commodity swaps Pay/fixed and receive/floating	Brent crude	4,891	3,012	610

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

(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 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.

2. Defined-benefit 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, 2019	Fiscal year ended March 31, 2018
Retirement benefit obligations at the beginning of year	**139,556**	152,418
Service cost	**3,311**	3,216
Interest cost	**829**	877
Actuarial differences generated	**(6,038)**	(1,611)
Retirement benefits paid	**(7,909)**	(15,169)
Other	**(404)**	(176)
Retirement benefit obligations at the end of year	**129,343**	139,556

(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, 2019	Fiscal year ended March 31, 2018
Plan assets at the beginning of year	**135,184**	132,179
Expected return on plan assets	**2,676**	2,605
Actuarial differences generated	**(8,484)**	5,819
Contribution from employers	**1,405**	8,509
Retirement benefits paid	**(6,088)**	(13,923)
Other	**(548)**	(4)
Plan assets at the end of year	**124,145**	135,184

(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, 2019	Fiscal year ended March 31, 2018
Net defined benefit liability at the beginning of year	**2,506**	2,513
Retirement benefit expenses	**830**	861
Retirement benefits paid	**(625)**	(558)
Contribution to plans	**(350)**	(356)
Other	**1**	45
Net defined benefit liability at the end of year	**2,362**	2,506

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Retirement benefit obligations for funded plans	**131,373**	142,043
Plan assets	**(128,804)**	(140,283)
	2,569	1,760
Retirement benefit obligations for unfunded plans	**4,991**	5,117
Net asset or liability reported on the consolidated balance sheets	**7,561**	6,877
Net defined benefit liability	**13,776**	12,925
Net defined benefit asset	**(6,215)**	(6,048)
Net asset or liability reported on the consolidated balance sheets	**7,561**	6,877

Note: Plans using a simplified method are included.

(5) Breakdown of retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Service cost	**3,311**	3,216
Interest cost	**829**	877
Expected return on plan assets	**(2,676)**	(2,605)
Amortization of unrecognized actuarial differences	**(1,022)**	260
Amortization of unrecognized prior service cost	**(847)**	(815)
Retirement benefit expenses calculated by a simplified method	**830**	861
Retirement benefit expenses for defined benefit plans	**424**	1,795
Gain on contribution of securities to retirement benefit trust (Note)	**—**	(6,923)

Note: Accounted for in Extraordinary Income.

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans in other comprehensive income consist of the following (before tax effect).

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Past service costs	**(847)**	(815)
Actuarial differences	**(3,482)**	7,706
Total	**(4,329)**	6,890

(7) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans in accumulated other comprehensive income consist of the following (before tax effect).

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Unrecognized past service costs	**(4,273)**	(5,120)
Unrecognized net actuarial differences	**8,575**	5,093
Total	**4,302**	(27)

(8) Matters regarding plan assets

① Major components of plan assets

Plan assets mainly consist of the following:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Stocks	**53%**	53%
Bonds	**23%**	21%
General account	**9%**	8%
Cash and deposits	**13%**	11%
Other	**2%**	7%
Total	**100%**	100%

Note: Total plan assets for the fiscal years ended March 31, 2019 and March 31, 2018 include securities contributed to the retirement benefit trust (27% and 26%) created for corporate pension plans, respectively.

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

To determine the long-term expected rate of 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, 2019	Fiscal year ended March 31, 2018
Discount rates	**Mainly 0.5%**	Mainly 0.5%
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 plans

The required amount of contribution to the defined-contribution plans was ¥1,541 million for the fiscal year ended March 31, 2019 and ¥1,286 million for the fiscal year ended March 31, 2018.

(Tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Deferred tax assets:		
Accrued enterprise taxes	**524**	474
Accrued bonuses	**2,366**	2,492
Net defined benefit liability	**9,729**	9,271
Impairment loss	**22,456**	18,223
Loss on valuation of investment securities	**3,513**	3,661
Provision for environmental measures	**4,522**	96
Unrealized profit eliminated in consolidation	**1,053**	1,128
Tax loss carryforwards (Note 2)	**36,933**	38,567
Loss on revaluation of land	**12,545**	12,584
Other	**9,737**	9,140
Gross deferred tax assets	**103,381**	95,641
Valuation allowance relating to tax loss carryforwards (Note 2)	**(34,860)**	—
Valuation allowance for total deductible temporary differences	**(47,734)**	—
Valuation allowance subtotal (Note 1)	**(82,594)**	(71,976)
Total deferred tax assets	**20,787**	23,665
Deferred tax liabilities:		
Reserve for advanced depreciation of noncurrent assets	**(2,073)**	(2,171)
Unrealized holding gain on other securities	**(7,759)**	(8,472)
Gain on revaluation of land, etc.	**(27,822)**	(31,612)
Other	**(6,239)**	(5,466)
Total deferred tax liabilities	**(43,895)**	(47,722)
Net deferred tax assets	**(23,108)**	(24,056)

Notes:

1. Valuation allowance has increased by ¥10,618 million, the main components of which are the additional recognition of valuation allowance relating to the provision for environmental measures in the amount of ¥4,435 million and the valuation allowance relating to impairment loss in the amount of ¥3,906 million.
2. Tax loss carryforwards and deferred tax assets amounts by carryforward periods

As of March 31, 2019

(Millions of yen)

	Within one 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	Over 5 years	Total
Tax loss carryforwards (a)	**594**	**608**	**11,473**	**41**	**208**	**24,007**	**36,933**
Valuation allowance	**(594)**	**(608)**	**(11,374)**	**(41)**	**(189)**	**(22,052)**	**(34,860)**
Deferred tax assets	—	—	**99**	—	**18**	**1,954**	**2,072**

(a) Tax loss carryforwards are calculated based on the statutory tax rate.

(Changes in presentation)

“Provision for environmental measures” was included in “Other” under “Deferred tax assets” in the prior fiscal year. For the fiscal year ended March 31, 2019, however, its materiality increased and it is therefore listed as a separate item. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2018 have been reclassified. As a result, ¥9,236 million that had been presented in “Other” in “Deferred tax assets” for the fiscal year ended March 31, 2018 is reclassified as ¥96 million in “Provision for environmental measures” and ¥9,140 million in “Other.”

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

	As of March 31, 2019	As of March 31, 2018
Statutory tax rate	Statement is omitted as net loss before tax and other adjustment for the current term has been reported.	30.9%
(Adjustments)		
Entertainment expenses not qualifying for deduction		1.2
Dividend income excluded from gross revenue		(1.2)
Inhabitant tax per capita, etc.		1.3
Tax credit		(4.1)
Increase or decrease in valuation allowance		42.2
Amortization of goodwill		3.5
Equity in gain and loss of affiliates		(9.7)
Other		(1.0)
Effective tax rate after adoption of tax-effect accounting		62.9%

(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.

(Segment information)

[Segment information]

1. Overview of reportable segments

(1) Method of determining 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.

(2) Types of products and services of each reportable segment

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

Paper and paperboard segment:
Manufacturing and marketing of paper, paperboard, pulp and materials for paper making

Livelihood-related segment:
Manufacturing and marketing of household tissue, processed paper goods and chemical products

Energy segment:
Generating and marketing of electric power

Lumber, construction material, civil engineering and construction-related segment:
Stocking, manufacturing and marketing of lumber and building materials, as well as civil engineering and construction

(3) Matters relating to changes in reportable segments, etc.

Starting from the fiscal year ended March 31, 2019, the Company has changed the segment classification from the previous three segments of “Pulp and paper,” “Paper-related” and “Wood products and construction-related” to the four segments of “Paper and paperboard,” “Livelihood-related,” “Energy” and “Lumber, construction material, civil engineering and construction-related,” in an effort to disclose its management information in line with its future business expansion.

The segment information for the fiscal year ended March 31, 2018 has been prepared based on the segmentation after the change.

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, 2019

(Millions of yen)

	Reportable segments					Other[1]	Total	Adjustment[2, 3]	Consolidated[4]
	Paper and paperboard	Livelihood-related	Energy	Lumber, construction material, civil engineering and construction-related	Subtotal				
Net sales									
Sales to third parties	**738,467**	**201,698**	**36,227**	**59,796**	**1,036,189**	**32,514**	**1,068,703**	**—**	**1,068,703**
Intersegment sales and transfers	**15,503**	**6,848**	**—**	**62,535**	**84,887**	**46,287**	**131,175**	**(131,175)**	**—**
Total	**753,971**	**208,546**	**36,227**	**122,332**	**1,121,077**	**78,802**	**1,199,879**	**(131,175)**	**1,068,703**
Segment income (loss)	**(8,057)**	**11,560**	**7,920**	**4,896**	**16,319**	**2,693**	**19,012**	**602**	**19,615**
Segment assets	**835,533**	**203,235**	**56,720**	**71,659**	**1,167,149**	**36,809**	**1,203,958**	**186,855**	**1,390,814**
Other items:									
Depreciation	**43,998**	**10,663**	**3,588**	**901**	**59,151**	**1,270**	**60,422**	**—**	**60,422**
Amortization of goodwill	**2,036**	**—**	**—**	**—**	**2,036**	**—**	**2,036**	**—**	**2,036**
Increase in property, plant and equipment and intangible assets	**42,294**	**14,977**	**203**	**1,249**	**58,725**	**1,612**	**60,338**	**—**	**60,338**

Notes: 1. The "Other" category is a business segment that includes the logistics businesses, leisure and other, and is not a reportable segment.
2. The segment income (loss) adjustments are due to inter-segment elimination, etc.
3. The segment assets adjustment of ¥186,855 million includes ¥(50,753) million of inter-segment eliminations for receivables and payables and ¥237,608 million of corporate assets that are not allocated to reportable segments. The corporate assets mainly consist of "cash and deposits" for the management of surplus funds, "investments in securities" for long-term investment and "deferred tax assets," which are not allocatable to reportable segments.
4. Adjustments are made to reconcile segment income (loss) with operating income in the Consolidated Statements of Operations.

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segments					Other[1]	Total	Adjustment[2, 3]	Consolidated[4]
	Paper and paperboard	Livelihood-related	Energy	Lumber, construction material, civil engineering and construction-related	Subtotal				
Net sales									
Sales to third parties	741,749	192,460	17,825	62,777	1,014,813	31,685	1,046,499	—	1,046,499
Intersegment sales and transfers	12,953	5,339	—	68,835	87,127	44,725	131,852	(131,852)	—
Total	754,702	197,799	17,825	131,613	1,101,941	76,410	1,178,352	(131,852)	1,046,499
Segment income (loss)	(6,247)	11,962	4,139	4,488	14,342	2,816	17,159	454	17,613
Segment assets	868,021	202,077	61,718	71,670	1,203,488	35,631	1,239,120	190,771	1,429,892
Other items:									
Depreciation	44,962	10,022	778	942	56,704	1,187	57,892	—	57,892
Amortization of goodwill	2,049	—	—	—	2,049	—	2,049	—	2,049
Increase in property, plant and equipment and intangible assets	40,421	11,936	17,297	1,110	70,765	1,999	72,765	—	72,765

Notes: 1. The "Other" category is a business segment that includes the logistics businesses, leisure and other, and is not a reportable segment.
2. The segment income (loss) adjustments are due to inter-segment elimination, etc.
3. The segment assets adjustment of ¥190,771 million includes ¥(55,622) million of inter-segment eliminations for receivables and payables and ¥246,393 million of corporate assets that are not allocated to reportable segments. The corporate assets mainly consist of "cash and deposits" for the management of surplus funds, "investments in securities" for long-term investment and "deferred tax assets," which are not allocatable to reportable segments.
4. Adjustments are made to reconcile segment income (loss) with operating income in the Consolidated Statements of Operations.

[Related information]

Fiscal year ended March 31, 2019

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
881,878	**49,177**	**81,225**	**31,387**	**25,035**	**1,068,703**

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	Asia	North America	Others	Total
590,594	**44,624**	**5,538**	**24,096**	**12,759**	**677,613**

3. Information by customer

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

Fiscal year ended March 31, 2018

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
868,931	48,891	79,169	27,394	22,113	1,046,499

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	Asia	North America	Others	Total
623,331	49,358	5,924	25,075	14,237	717,927

3. Information by customer

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

[Impairment loss by reportable segment]

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments					Other	Total	Adjustment	Consolidated
	Paper and paperboard	Livelihood-related	Energy	Lumber, construction material, civil engineering and construction-related	Subtotal				
Impairment loss on noncurrent assets	**30,578**	**398**	**—**	**—**	**30,976**	**—**	**30,976**	**—**	**30,976**

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segments					Other	Total	Adjustment	Consolidated
	Paper and paperboard	Livelihood-related	Energy	Lumber, construction material, civil engineering and construction-related	Subtotal				
Impairment loss on noncurrent assets	4,766	30	—	—	4,797	—	4,797	—	4,797

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments					Other	Total	Adjustment	Total
	Paper and paperboard	Livelihood-related	Energy	Lumber, construction material, civil engineering and construction-related	Subtotal				
Amortization of goodwill	**2,036**	**—**	**—**	**—**	**2,036**	**—**	**2,036**	**—**	**2,036**
Balance of unamortized goodwill at year-end	**3,562**	**—**	**—**	**—**	**3,562**	**—**	**3,562**	**—**	**3,562**

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segments					Other	Total	Adjustment	Total
	Paper and paperboard	Livelihood-related	Energy	Lumber, construction material, civil engineering and construction-related	Subtotal				
Amortization of goodwill	2,049	—	—	—	2,049	—	2,049	—	2,049
Balance of unamortized goodwill at year-end	5,635	—	—	—	5,635	—	5,635	—	5,635

[Gain on negative goodwill by reportable segment]

Fiscal year ended March 31, 2019
None applicable.

Fiscal year ended March 31, 2018
None applicable.

[Related party transactions]

1. Transactions with related parties

(1) Transactions of the Company with related parties

The Company's unconsolidated subsidiaries and affiliates, etc.

Fiscal year ended March 31, 2019
None applicable.

Fiscal year ended March 31, 2018
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, 2019

A significant affiliate in the fiscal year ended March 31, 2019 is Lintec Corporation. Summarized aggregate financial statement data of the company are as follows:

	(Millions of yen)
Total current assets	**121,628**
Total noncurrent assets	**128,068**
Total current liabilities	**62,875**
Total long-term liabilities	**22,313**
Total net assets	**164,506**
Net sales	**168,633**
Profit before income taxes	**18,921**
Profit	**15,338**

Fiscal year ended March 31, 2018

Significant affiliates in the fiscal year ended March 31, 2018 are Lintec Corporation and Daishowa-Marubeni International Ltd. Summarized aggregate financial statement data of the two companies are as follows:

	(Millions of yen)
Total current assets	131,582
Total noncurrent assets	177,089
Total current liabilities	80,859
Total long-term liabilities	61,459
Total net assets	166,353
Net sales	209,829
Profit before income taxes	19,241
Profit	15,395

(Per share information)

(Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Net assets per share	**3,328.28**	3,776.26
Profit (loss) per share	**(304.34)**	67.80

Notes: 1. Diluted profit per share for the fiscal year ended March 31, 2018 is not stated because no potentially dilutive securities were outstanding. Diluted profit per share for the fiscal year ended March 31, 2019 is not stated because a loss per share was reported and no potentially dilutive securities were outstanding.

2. The basis for calculation of profit (loss) per share is as follows:

(Millions of yen unless otherwise stated)

Item	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Profit (loss) attributable to owners of parent	**(35,220)**	7,847
Profit (loss) attributable to owners of parent related to common shares	**(35,220)**	7,847
Weighted-average number of common shares outstanding (shares)	**115,726,507.96**	115,733,309.46

(Significant subsequent events)

Introduction of Stock Compensation Plan for Directors

At the meeting of the Board of Directors held on May 15, 2019, the Company resolved to introduce a Stock Compensation Plan "Board Benefit Trust" (hereinafter referred to as the "Plan"), and resolved to introduce the Plan to the 95th Ordinary General Meeting of Shareholders held on June 27, 2019.

1. Background and Objective of Introduction of the Plan

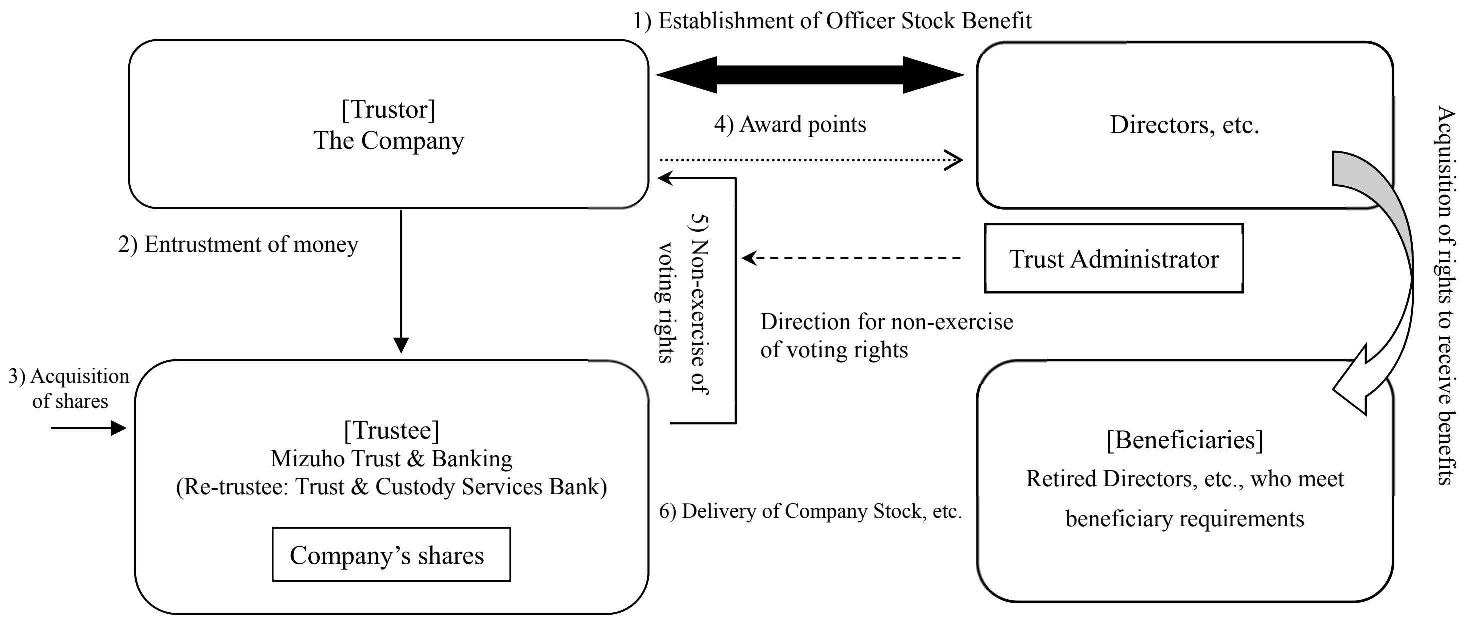
The Board of Directors of the Company resolved to introduce the Plan in order to make a clearer link between the compensation provided to Directors (excluding Outside Directors) and Corporate Officers, etc., who are not serving concurrently as Directors (hereinafter collectively referred to as "Directors, etc.") and the Company's share value, and thereby increase their motivation to make contributions to improve the Company's mid- to long-term performance and increase its corporate value by Directors, etc. sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices.

2. Overview of the Plan

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (hereinafter, the trust established based on the Plan shall be referred to as the "Trust") using money contributed by the Company as a source, and the Company's shares and the money equivalent to the market value of the Company's shares (hereinafter referred to as the "Company Stock, etc.") will be delivered to the Directors, etc. through the Trust in accordance with the Officer Stock Benefit Regulations established by the Company.

The Directors, etc. will be awarded the number of points as determined by their position every fiscal year in accordance with the Officer Stock Benefit Regulations. The upper limit of the total number of points to be awarded to the Directors, etc., per fiscal year is 80,000 points (including 25,000 points as the portion for Directors). With regard to the points awarded to the Directors, etc., one point shall be converted into one share of common stock in the Company when the Company Stock, etc., is delivered (however, in the event of a stock split, gratis allotment of shares, or reverse stock split, etc., in relation to the Company's shares after the proposal is approved by the shareholders at the General Meeting of Shareholders, in accordance with the ratio thereof, reasonable adjustment shall be made to the upper limit of points, the number of points already awarded, or the conversion ratio).
In principle, the number of points awarded to Directors, etc., as a reference for delivery of the Company Stock, etc., should be the number of points granted to said Directors, etc., by the time of their retirement.

<Structure of the Plan>



1) The Company obtains approval for Officers' compensation with regard to the Plan at the General Meeting of Shareholders, and establishes the "Officer Stock Benefit Regulations" within the framework of the approval received at the General Meeting of Shareholders.
2) The Company entrusts money within the framework of the approval received on the decision of the General Meeting of Shareholders in 1).
3) The Trust acquires shares of the Company using the money entrusted in 2) as a source through the stock market or the disposal of treasury stock of the Company.
4) The Company awards points to the Directors, etc. in accordance with the "Officer Stock Benefit Regulations."
5) The Trust will not exercise voting rights for the Company's shares held by the Trust account based on direction from the trust administrator, who is independent from the Company.
6) The Trust delivers the Company's shares to retired Directors, etc. who meet the beneficiary requirements set under the "Officer Stock Benefit Regulations" (hereinafter referred to as the "Beneficiaries") based on the number of points they have been awarded. If a Director, etc., meets certain requirements set under the "Officer Stock Benefit Regulations," the Company will pay, to a certain percentage of the points awarded, them money equivalent to the market value of such shares.

*Reference

Expected contribution by the Company for the Initial Applicable Period as a source to acquire the necessary amount of Company's share for delivery to the Directors, etc.	Approximately 512 million yen (assuming a closing price of 2,132 yen as of May 14, 2019)
Upper limit of points to the awarded to individuals subject to the Plan	80,000 points per fiscal year (including 25,000 points as the portion for Directors)
Money conversion of the upper limit of points to be awarded to individuals subject to the Plan (assuming a closing price of 2,132 yen as of May 14, 2019)	Approximately 171 million yen per fiscal year (including approximately 53 million yen as the portion for Directors)

3. Overview of the Trust

1) Name of trust : Board Benefit Trust (BBT)
2) Trustor : The Company
3) Trustee : Mizuho Trust & Banking Co., Ltd.
(Re-trustee: Trust & Custody Services Bank, Ltd.)
4) Beneficiaries : Retired Directors, etc. who also meet the beneficiary requirements under the Officer Stock Benefit Regulations
5) Trust Administrator : Third party without vested interest in the Company will be selected
6) Type of trust : Trust of money other than money trust (i.e., third-party benefit trust)
7) Trust agreement date : August 2019 (tentative)
8) Date of trusting money : August 2019 (tentative)
9) Period of trust : From August 2019 (tentative) until termination of the trust
(No termination date will be set as the Trust shall continue for as long as the Plan continues.)