[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: 50

The names of major consolidated subsidiaries are omitted.

In the fiscal year ended March 31, 2020, Opal Packaging Australia Pty Ltd and two other companies were newly established as a subsidiary of Paper Australian Pty Ltd., and became the Company’s consolidated subsidiaries.

In the fiscal year ended March 31, 2020, the liquidation of Daishowa North America Corporation was completed and it was excluded from the scope of the consolidation.

(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

(3) Unconsolidated subsidiaries (Douoh Kouhatsu Ltd. and 69 other companies) and affiliates (JPT LOGISTICS CO., LTD. and 27 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 11 subsidiaries, 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.

③ Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
Pursuant to the treatment in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39; March 31, 2020), the Company and some of its consolidated subsidiaries do not apply the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28; February 16, 2018) with respect to items which transitioned to the group tax sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 8 of 2020) as well as items for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system. Accordingly, the amounts of deferred tax assets and deferred tax liabilities are presented pursuant to the provisions in tax laws before the amendment.

(Changes in accounting policies)

Application of IFRS 16 “Leases”

The Group’s subsidiaries adopting the IFRS have applied the IFRS No. 16 “Leases” from the current fiscal year. 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 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

(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)

Consolidated statements of operations

"Rent income" was included in "Other" under "Non-operating income" in the prior fiscal year. For the fiscal year ended March 31, 2020, 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, 2019 have been reclassified.
As a result, ¥4,501 million included in "Other" under "Non-operating income" in the consolidated statements of operations for the prior fiscal year is reclassified as ¥1,465 million in "Rent income" and ¥3,036 million in "Other."

"Gain on sales of investment securities" was listed as a separate item under "Extraordinary income" in the prior fiscal year. For the fiscal year ended March 31, 2020, 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, 2019 have been reclassified.
As a result, ¥3,106 million that had been presented in "Gain on sales of investment securities" under "Extraordinary income" in the consolidated statements of operations for the prior fiscal year is reclassified as "Other."

"Loss on valuation of investment securities" was included in "Other" under "Extraordinary loss" in the prior fiscal year. For the fiscal year ended March 31, 2020, however, its materiality has 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, 2019 have been reclassified.
As a result, ¥8,359 million that that had been presented in "Other" under "Extraordinary loss" in the consolidated statements of operations for the prior fiscal year is reclassified as ¥625 million in "Loss on valuation of investment securities" and ¥7,733 million in "Other."

Consolidated statements of cash flows

"Foreign exchange losses (gains)" was listed as a separate item under "Operating activities" in the prior fiscal year. For the fiscal year ended March 31, 2020, 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, 2019 have been reclassified.
As a result, ¥2,673 million that had been presented in "Foreign exchange losses (gains)" under "Operating activities" in the consolidated statements of cash flows for the prior fiscal year is reclassified to "Other."

"Payments for investments in capital of subsidiaries and affiliates" was included in "Other" under "Investing activities" in the prior fiscal year. For the fiscal year ended March 31, 2020, however, its materiality has 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, 2019 have been reclassified.
As a result, ¥(1) million that was included in "Other" under "Investing activities" in the consolidated statements of cash flows for the prior fiscal year is reclassified as "Payments for investments in capital of subsidiaries and affiliates."

(Additional information)

Introduction of a Stock Compensation Plan "Board Benefit Trust"

Based on the resolution made at the 95th Ordinary General Meeting of Shareholders held on June 27, 2019, the Company has introduced a new Stock Compensation Plan "Board Benefit Trust (BBT)" (hereinafter referred to as the "Plan") for the Company's Directors (excluding Outside Directors) and Corporate Officers, etc., who are not serving concurrently as Directors (hereinafter referred to as "Directors, etc.").
Accounting procedures related to the Plan are in compliance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

(1) Transaction overview
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 the 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. In principle, the Company Stock, etc. shall be delivered to the Directors etc. at the time of their retirement.

(2) The Company's shares remaining in the trust
The Company's shares remaining in the trust is recorded as treasury stock at book value of the Trust (excluding the amount of incidental expenses) in the net assets section. The book value the number of shares of treasury stock at the end of the fiscal year ended March 31, 2020 were ¥399 million and 208,600 shares, respectively.

Accounting estimates regarding the effects of the novel coronavirus

The impact of the novel coronavirus (COVID-19) put significant pressure on the economy in the fourth quarter, resulting in a harsh business condition. Furthermore, the outlook remains uncertain as the prospect of containing COVID-19 cannot yet be foreseen. For the group, recent demand for paper used for newspapers and printing paper is significantly declining. The Company expects the situation to continue during the first half of the fiscal year ending March 31, 2021, and moderately recover in the second half. These assumptions have been reflected in the Company's accounting estimates (regarding the recoverability of deferred tax assets and impairment of fixed assets, etc.).

(Notes to Consolidated Balance Sheets)

1. Pledged assets and secured debts
Assets pledged as collateral and secured debts are as follows:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Machinery, equipment and vehicles	**9**	14
Land	**1,933**	2,041
Total	**1,943**	2,055

	As of March 31, 2020	As of March 31, 2019
Short-term loans payable	**720**	630
Long-term loans payable (including current portion)	**530**	705
Total	**1,250**	1,335

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, 2020	As of March 31, 2019
Investment securities (equity securities)	**101,473**	98,894
Other investments in unconsolidated subsidiaries and affiliates	**3,074**	2,089

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, 2020	As of March 31, 2019
Yufutsu Energy Center	**2,893**	275
Employees (housing loans)	**1,972**	2,367
Other	**2,008**	1,911
Total	**6,875**	4,554

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, 2020	As of March 31, 2019
Amount of loan commitment contracts	**7,887**	7,915
Amount of lending	**7,010**	6,898
Net	**876**	1,016

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, 2020	As of March 31, 2019
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, 2020	As of March 31, 2019
Notes receivable	—	2,781
Notes payable	—	7,994

(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, 2020	Fiscal year ended March 31, 2019
Loss (gain) on valuation of inventory	**280**	(22)

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, 2020	Fiscal year ended March 31, 2019
6,051	6,694

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

(Millions of yen)

Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
749	(97)

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

(Millions of yen)

Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
2,983	3,113

5. Gain on sales of property, plant and equipment

Fiscal year ended March 31, 2020
The amount consisted of a gain of ¥604 million on sales of land and other items.

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

6. Impairment loss

Fiscal year ended March 31, 2020
The Group recorded the impairment loss of ¥2,971 million on the following assets.

(Millions of yen)

Location	Assets	Impairment loss	Notes
Iwakuni-shi, Yamaguchi, and others	Buildings and structures Machinery, equipment and vehicles Land	**510** **35** **1,175**	Idle assets "Impairment loss," Extraordinary loss
	Subtotal	**1,721**	
Kushiro-shi, Hokkaido, and others	Buildings and structures Machinery, equipment and vehicles	**44** **849**	Business-use assets "Impairment loss," Extraordinary loss
	Subtotal	**894**	
Tomakomai-shi, Hokkaido	Machinery, equipment and vehicles	**355**	Assets to be disposed of "Impairment loss," Extraordinary loss
	Subtotal	**355**	
Total		**2,971**	

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 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 is measured as the value in use; however, it was valued at zero since future cash flows were not expected.
The recoverable value of idle assets 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.

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.

7. Loss on retirement of noncurrent assets

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Machinery, equipment and vehicles	**719**	375
Removal cost	**1,935**	1,524
Other	**277**	189
Total	**2,933**	2,088

(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, 2020	Fiscal year ended March 31, 2019
Net unrealized holding gain on other securities:		
Amount recognized during the year	**(6,001)**	593
Reclassification adjustments	**406**	(3,042)
Before income tax effect adjustment	**(5,594)**	(2,448)
Income tax effect	**1,372**	730
Net unrealized holding gain on other securities	**(4,221)**	(1,718)
Net deferred gain (loss) on hedges:		
Amount recognized during the year	**(9,202)**	(3,501)
Reclassification adjustments	**144**	1,005
Before income tax effect adjustment	**(9,058)**	(2,495)
Income tax effect	**2,932**	2,306
Net deferred gain (loss) on hedges	**(6,125)**	(189)
Translation adjustments:		
Amount recognized during the year	**(1,381)**	(7,124)
Reclassification adjustments	**(1,167)**	0
Translation adjustments:	**(2,548)**	(7,124)
Remeasurements of defined benefit plans, net of tax		
Amount recognized during the year	**(11,528)**	(2,459)
Reclassification adjustments	**348**	(1,857)
Before income tax effect adjustment	**(11,179)**	(4,316)
Income tax effect	**3,398**	1,316
Remeasurements of defined benefit plans, net of tax	**(7,781)**	(3,000)
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount recognized during the year	**1,887**	(1,182)
Reclassification adjustments	**(274)**	119
Share of other comprehensive income of affiliates accounted for using the equity method	**1,613**	(1,062)
Total other comprehensive income	**(19,064)**	(13,096)

(Notes to Consolidated Statements of Changes in Net Assets)

Fiscal year ended March 31, 2020

1. Matters related to outstanding shares

(Shares)

Type of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common stock	**116,254,892**	—	—	**116,254,892**

2. Matters related to treasury stock

(Shares)

Type of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common stock	**531,879.87**	**215,004.00**	**204.05**	**746,679.82**

Reasons for the change:

The increase in treasury stock (215,004.00 shares) resulted from the acquisition of shares of the Company through the Board Benefit Trust (BBT) (208,600.00 shares) and purchase of shares of less than one unit (6,404.00 shares).

The decrease in treasury stock (204.05 shares) resulted from a decrease in shares of the Company in the current fiscal year due to changes in equity in affiliates accounted for by the equity method (131.05 shares) and the sale of shares of less than one unit (73.00 shares).

The number of shares at the end of the current fiscal year includes 208,600.00 shares of the Company held through the BBT.

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 27, 2019	Common stock	**3,477**	**30**	March 31, 2019	June 28, 2019
Meeting of Board of Directors held on November 6, 2019	Common stock	**1,159**	**10**	September 30, 2019	December 2, 2019

(2) Dividends for which the record date falls in the fiscal year ended March 31, 2020, but for which the effective date comes after March 31, 2020

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 25, 2020	Common stock	Retained earnings	**3,477**	**30**	March 31, 2020	June 26, 2020

Note: The total amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 25, 2020 includes the amount of dividends (¥6 million) on shares of the Company held through the BBT.

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

(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, 2020	Fiscal year ended March 31, 2019
Cash and deposits	**52,846**	63,455
Cash and cash equivalents	**52,846**	63,455

(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, 2020	As of March 31, 2019
Due within one year	**2,663**	2,845
Due after one year	**5,202**	8,220
Total	**7,866**	11,065

Note: The Group’s subsidiaries adopting the IFRS have applied the IFRS No. 16 “Leases” from the current fiscal year and accordingly operating leases related to these subsidiaries are included only in the amounts of the prior fiscal year. Operating leases are included in “Other” under “Property, plant and equipment” in the fiscal year ended March 31, 2020.

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Due within one year	**215**	215
Due after one year	**1,075**	1,291
Total	**1,291**	1,506

(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 receivables and payables denominated in foreign currencies and investments in equity of overseas subsidiaries. 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. The Group enters into forward foreign exchange contracts to reduce foreign currency exchange risk arising from investments in equity of overseas subsidiaries.

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, 2020

(Millions of yen)

	Book value[1]	Fair value[1]	Difference
(1) Cash and deposits	**52,846**	**52,846**	—
(2) Notes and accounts receivable-trade	**228,178**	**228,178**	—
(3) Investments in securities			
Other securities	**45,899**	**45,899**	—
Stocks of subsidiaries and affiliates	**51,719**	**51,693**	**(25)**
Total Assets	**378,643**	**378,617**	**(25)**
(4) Notes and accounts payable-trade	**120,593**	**120,593**	—
(5) Short-term loans payable	**191,719**	**192,130**	**410**
(6) Long-term loans payable	**444,677**	**453,219**	**8,542**
Total liabilities	**756,990**	**765,944**	**8,953**
(7) Derivatives[1]	**(11,598)**	**(11,598)**	—

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, 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.

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, 2020**	As of March 31, 2019
Unlisted equity securities	**58,272**	56,440

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, 2020

(Millions of yen)

	Within one year	Over 1 but within 5 years	Over 5 but within 10 years	Over 10 years
Cash and deposits (*)	**52,765**	—	—	—
Notes and accounts receivable-trade	**228,178**	—	—	—
Total	**280,943**	—	—	—

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

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.

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

As of March 31, 2020

(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	**128,218**	—	—	—	—	—
Long-term loans payable	**63,501**	**58,669**	**39,679**	**56,103**	**46,297**	**243,927**
Total	**191,719**	**58,669**	**39,679**	**56,103**	**46,297**	**243,927**

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

(Securities)

1. Other securities

As of March 31, 2020

(Millions of yen)

	Book value	Cost	Valuation difference
Securities for which the book value exceeds their cost: Equity securities	**35,504**	**10,350**	**25,154**
Subtotal	**35,504**	**10,350**	**25,154**
Securities for which the book value does not exceed their cost: Equity securities	**10,394**	**12,684**	**(2,289)**
Subtotal	**10,394**	**12,684**	**(2,289)**
Total	**45,899**	**23,034**	**22,864**

Note: Because the fair value of unlisted equity securities as of March 31, 2020 (¥8,518 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, 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.

2. Sales of other securities

Fiscal year ended March 31, 2020

(Millions of yen)

	Sales	Aggregate gain	Aggregate loss
Equity securities	**554**	**210**	—

Fiscal year ended March 31, 2019

(Millions of yen)

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

3. Impairment of securities

For the fiscal year ended March 31, 2020, the Company recorded a loss on impairment of securities in the amount of ¥2,562 million (including ¥1,945 million of equity securities for which fair values are extremely difficult to determine). 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).
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, 2020

(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	**1,362**	**681**	**(48)**	**(48)**

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, 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.

2. Derivative instruments subject to hedge accounting
(1) Currency-related transactions

As of March 31, 2020

(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	**8,135**	**817**	**(288)**
	Other		**292**	**—**	**(2)**
	Buy				
	U.S. dollars	Notes and accounts payable-trade	**29,882**	**2,262**	**509**
	Other		**4,461**	**2,198**	**(159)**
	Australian dollars	Investments in equity of overseas subsidiaries	**130,995**	**—**	**(9,642)**

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		**102**	—	
	Other		**24**	—	**(Note)**
	Buy	Notes and accounts payable-trade			
	U.S. dollars		**534**	—	
	Other		—	—	

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, 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	Accounts receivable-trade			
	U.S. dollars		9,801	4,481	(373)
	Other		2,014	554	132
	Buy	Notes and accounts payable-trade			
	U.S. dollars		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	—	
	Other		11	—	
	Buy	Notes and accounts payable-trade			(Note)
	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.

(2) Interest rate-related transactions

As of March 31, 2020

(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	**31,147**	**30,000**	**(1,867)**
Exceptional accounting method (*Tokurei-shori*)	Interest rate swap transaction Pay/fixed and receive/floating	Long-term loans payable	**127,200**	**125,700**	**(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, 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.

(3) Currency and interest rate-related transactions

As of March 31, 2020

(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, 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.

(4) Commodities-related transactions

As of March 31, 2020

(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	**1,636**	**195**	**(334)**
Deferral hedge method	Commodity swaps Pay/fixed and receive/floating	Brent crude	**3,662**	**1,995**	**236**

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

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.

(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, 2020	Fiscal year ended March 31, 2019
Retirement benefit obligations at the beginning of year	**129,304**	139,556
Service cost	**3,310**	3,311
Interest cost	**806**	829
Actuarial differences generated	**1,484**	(6,038)
Retirement benefits paid	**(9,168)**	(7,909)
Other	**(69)**	(404)
Retirement benefit obligations at the end of year	**125,667**	129,343

(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, 2020	Fiscal year ended March 31, 2019
Plan assets at the beginning of year	**124,145**	135,184
Expected return on plan assets	**2,694**	2,676
Actuarial differences generated	**(9,954)**	(8,484)
Contribution from employers	**985**	1,405
Retirement benefits paid	**(7,049)**	(6,088)
Other	**(108)**	(548)
Plan assets at the end of year	**110,714**	124,145

(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, 2020	Fiscal year ended March 31, 2019
Net defined benefit liability at the beginning of year	**2,389**	2,506
Retirement benefit expenses	**582**	830
Retirement benefits paid	**(463)**	(625)
Contribution to plans	**(204)**	(350)
Other	**8**	1
Net defined benefit liability at the end of year	**2,313**	2,362

(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, 2020	As of March 31, 2019
Retirement benefit obligations for funded plans	**128,038**	131,373
Plan assets	**(115,044)**	(128,804)
	12,994	2,569
Retirement benefit obligations for unfunded plans	**4,272**	4,991
Net asset or liability reported on the consolidated balance sheets	**17,266**	7,561
Net defined benefit liability	**18,361**	13,776
Net defined benefit asset	**(1,095)**	(6,215)
Net asset or liability reported on the consolidated balance sheets	**17,266**	7,561

Note: Plans using a simplified method are included.

(5) Breakdown of retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Service cost	**3,310**	3,311
Interest cost	**806**	829
Expected return on plan assets	**(2,694)**	(2,676)
Amortization of unrecognized actuarial differences	**1,060**	(1,022)
Amortization of unrecognized prior service cost	**(717)**	(847)
Retirement benefit expenses calculated by a simplified method	**582**	830
Retirement benefit expenses for defined benefit plans	**2,348**	424

(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, 2020	Fiscal year ended March 31, 2019
Past service costs	**(717)**	(847)
Actuarial differences	**(10,462)**	(3,482)
Total	**(11,179)**	(4,329)

(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, 2020	Fiscal year ended March 31, 2019
Unrecognized past service costs	**(3,555)**	(4,273)
Unrecognized net actuarial differences	**19,037**	8,575
Total	**15,482**	4,302

(8) Matters regarding plan assets

① Major components of plan assets

Plan assets mainly consist of the following:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Stocks	**49%**	53%
Bonds	**26%**	23%
General account	**8%**	9%
Cash and deposits	**14%**	13%
Other	**3%**	2%
Total	**100%**	100%

Note: Total plan assets for the fiscal years ended March 31, 2020 and March 31, 2019 include securities contributed to the retirement benefit trust (25% and 27%) 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, 2020	Fiscal year ended March 31, 2019
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 ¥1,694 million for the fiscal year ended March 31, 2020 and ¥1,541 million for the fiscal year ended March 31, 2019.

(Tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Deferred tax assets:		
Accrued enterprise taxes	**576**	524
Accrued bonuses	**2,504**	2,366
Net defined benefit liability	**12,796**	9,729
Impairment loss	**21,400**	22,456
Loss on valuation of investment securities	**2,561**	3,513
Provision for environmental measures	**4,576**	4,522
Unrealized profit eliminated in consolidation	**883**	1,053
Tax loss carryforwards (Note)	**42,871**	36,933
Loss on revaluation of land	**12,526**	12,545
Other	**11,702**	9,737
Gross deferred tax assets	**112,400**	103,381
Valuation allowance relating to tax loss carryforwards (Note)	**(40,829)**	(34,860)
Valuation allowance for total deductible temporary differences	**(42,346)**	(47,734)
Valuation allowance subtotal	**(83,175)**	(82,594)
Total deferred tax assets	**29,224**	20,787
Deferred tax liabilities:		
Reserve for advanced depreciation of noncurrent assets	**(2,098)**	(2,073)
Unrealized holding gain on other securities	**(6,472)**	(7,759)
Gain on revaluation of land, etc.	**(27,649)**	(27,822)
Other	**(6,797)**	(6,239)
Total deferred tax liabilities	**(43,017)**	(43,895)
Net deferred tax assets	**(13,792)**	(23,108)

Note: Tax loss carryforwards and deferred tax assets amounts by carryforward periods

As of March 31, 2020

(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)	**608**	**11,308**	**46**	**226**	**143**	**30,537**	**42,871**
Valuation allowance	**(608)**	**(10,803)**	**(46)**	**(226)**	**(143)**	**(29,000)**	**(40,829)**
Deferred tax assets	—	**505**	—	—	—	**1,536**	**2,042**

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

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.

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

	As of March 31, 2020	As of March 31, 2019
Statutory tax rate	**30.6%**	Statement is omitted as net loss before tax and other adjustment for the current term has been reported.
(Adjustments)		
Entertainment expenses not qualifying for deduction	**1.1**	
Dividend income excluded from gross revenue	**(1.6)**	
Inhabitant tax per capita, etc.	**1.0**	
Increase or decrease in valuation allowance	**(14.1)**	
Amortization of goodwill	**2.5**	
Equity in gain and loss of affiliates	**(5.9)**	
Other	**7.3**	
Effective tax rate after adoption of tax-effect accounting	**20.9**	

(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

Daily-life products segment:
Manufacturing and marketing of household tissue, processed paper goods and chemical products

Energy segment:
Generating and marketing of electric power

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, 2020

(Millions of yen)

	Reportable segments					Other[1]	Total	Adjustment [2, 3]	Consolidated [4]
	Paper and paperboard	Daily-life products	Energy	Wood products and construction-related	Subtotal				
Net sales									
Sales to third parties	**706,410**	**210,545**	**33,003**	**61,622**	**1,011,582**	**32,329**	**1,043,912**	**—**	**1,043,912**
Intersegment sales and transfers	**12,850**	**6,159**	**—**	**59,697**	**78,707**	**47,209**	**125,916**	**(125,916)**	**—**
Total	**719,261**	**216,704**	**33,003**	**121,319**	**1,090,290**	**79,538**	**1,169,829**	**(125,916)**	**1,043,912**
Segment income	**6,499**	**12,623**	**6,795**	**5,904**	**31,822**	**2,845**	**34,667**	**381**	**35,048**
Segment assets	**793,932**	**204,799**	**58,444**	**72,476**	**1,129,652**	**35,753**	**1,165,406**	**198,063**	**1,363,469**
Other items:									
Depreciation	**41,854**	**11,057**	**3,631**	**866**	**57,409**	**1,296**	**58,705**	**—**	**58,705**
Amortization of goodwill	**1,840**	**—**	**—**	**—**	**1,840**	**—**	**1,840**	**—**	**1,840**
Increase in property, plant and equipment and intangible assets	**42,885**	**25,769**	**139**	**762**	**69,557**	**1,078**	**70,636**	**—**	**70,636**

Note:
1. The "Other" category is a business segment that includes the logistics, leisure and other businesses, and is not a reportable segment.
2. The segment income adjustments are due to inter-segment elimination, etc.
3. The segment assets adjustment of ¥198,063 million includes ¥(41,795) million of inter-segment eliminations for receivables and payables and ¥239,859 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 with operating income in the Consolidated Statements of Operations.

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments								
	Paper and paperboard	Daily-life products	Energy	Wood products and construction-related	Subtotal	Other[1]	Total	Adjustment [2, 3]	Consolidated [4]
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.

[Related information]

Fiscal year ended March 31, 2020

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
874,756	**44,454**	**72,583**	**30,622**	**21,495**	**1,043,912**

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
590,379	**43,433**	**5,558**	**28,521**	**12,632**	**680,524**

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, 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.

[Impairment loss by reportable segment]

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segments					Other	Total	Adjustment	Consolidated
	Paper and paperboard	Daily-life products	Energy	Wood products and construction -related	Subtotal				
Impairment loss on noncurrent assets	**1,969**	**1,001**	—	—	**2,971**	—	**2,971**	—	**2,971**

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments					Other	Total	Adjustment	Consolidated
	Paper and paperboard	Daily-life products	Energy	Wood products and construction -related	Subtotal				
Impairment loss on noncurrent assets	30,578	398	—	—	30,976	—	30,976	—	30,976

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

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segments					Other	Total	Adjustment	Total
	Paper and paperboard	Daily-life products	Energy	Wood products and construction -related	Subtotal				
Amortization of goodwill	**1,840**	—	—	—	**1,840**	—	**1,840**	—	**1,840**
Balance of unamortized goodwill at year-end	**1,718**	—	—	—	**1,718**	—	**1,718**	—	**1,718**

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments					Other	Total	Adjustment	Total
	Paper and paperboard	Daily-life products	Energy	Wood products 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

[Gain on negative goodwill by reportable segment]

Fiscal year ended March 31, 2020
None applicable.

Fiscal year ended March 31, 2019
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, 2020

None applicable.

Fiscal year ended March 31, 2019

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, 2020

A significant affiliate in the fiscal year ended March 31, 2020 is Lintec Corporation. Summarized aggregate financial statement data of the company is as follows:

	(Millions of yen)
Total current assets	**113,622**
Total noncurrent assets	**126,914**
Total current liabilities	**57,411**
Total long-term liabilities	**14,101**
Total net assets	**169,023**
Net sales	**159,837**
Profit before income taxes	**13,046**
Profit	**10,420**

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 is 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

(Per share information)

(Yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Net assets per share	**3,248.53**	3,328.28
Profit (loss) per share	**122.89**	(304.34)

Notes: 1. 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. Diluted profit per share for the fiscal year ended March 31, 2020 is not stated because no potentially dilutive securities were outstanding.

2. The Company introduced the Board Benefit Trust (BBT) from the current fiscal year and shares of the Company held through the BBT are recorded as treasury stock in the consolidated financial statements. For the purpose of calculating net assets per share, shares of the Company held through the BBT are included in the number of treasury stock deducted from the total number of shares outstanding at the end of the fiscal year. For the purpose of calculating profit per share, shares of the Company held through the BBT are included in the number of treasury stock deducted when calculating the weighted-average number of common shares outstanding during the fiscal year.

The number of treasury stock deducted when calculating net assets per share at the end of the fiscal year ended March 31, 2020 is 208,600 shares. The weighted average number of treasury stock deducted when calculating profit per share for the fiscal year ended March 31, 2020 was 62,955 shares.

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

(Millions of yen unless otherwise stated)

Item	**Fiscal year ended March 31, 2020**	Fiscal year ended March 31, 2019
Profit (loss) attributable to owners of parent	**14,212**	(35,220)
Profit (loss) attributable to owners of parent related to common shares	**14,212**	(35,220)
Weighted-average number of common shares outstanding (shares)	**115,656,889.94**	115,726,507.96

(Significant subsequent events)

Business combination through acquisition and borrowing of funds

The Company entered into a contract with Orora Limited (hereinafter, “Orora”), a listed company of the Australian Securities Exchange, to purchase its paperboard fiber based packaging business in Australia and New Zealand (hereinafter referred to as the “Business”), and completed the purchase by way of investment (AUD 1,800 million) in Paper Australia Pty Ltd, a consolidated subsidiary of the Company, on April 30, 2020. Additionally, the Company borrowed funds to conduct this business purchase.

(1) Overview of business combination

① Name of the counterparty

Orora Limited

② Details of the acquired business

Orora’s paperboard fiber based packaging business in Australia and New Zealand

③ Background of the business combination

The Company Group is promoting packaging, household paper products/health care, chemicals, energy and logs & lumber business as five key growth areas. Supported by recent trends recognizing the environmentally-friendly nature of paper as a renewable material, the Company has been exploring opportunities to expand its value chain from base paper to processing as well as to expand business in Japan and abroad through capital investment and M&As.

Orora has established strong operations in Australia and New Zealand through a comprehensive business model combining a wastepaper collecting system with cutting-edge corrugated base paper manufacturing, highly automated cardboard production and the provision of packaging-related materials and associated services. Through the acquisition of the Business, the Company Group will be entering the integrated corrugated paperboard manufacturing business in the Oceania region, enabling the Company Group to further build its packaging business on a global scale.

④ Date of business combination

April 30, 2020 (Local time)

⑤ Legal form of business combination

Business acquisition for cash consideration

⑥ Company name after business combination

Paper Australia Pty Ltd (Trade name: Opal)

⑦ Grounds for determining the acquiring company

Because it is a business acquisition in exchange for cash.

(2) Matters concerning calculation of acquisition cost

① Acquisition cost of acquired business and breakdown of consideration by type

Consideration for acquisition	Cash	AUD 1,720 million
Acquisition cost		AUD 1,720 million

(Note) Final acquisition cost may differ from the above amount as price adjustment is anticipated hereafter.

②Details and amounts of major acquisition-related expenses

¥5,500 million for stamp tax, etc. (scheduled)

(3) Matters concerning calculation, etc. of the acquisition cost

① Amounts of assets acquired and liabilities assumed on the date of business combination, and their major breakdown

They are yet to be finalized at present.

② Amounts allocated as intangible assets other than goodwill and its major breakdown by type and total, as well as weighted average amortization periods by major type, if the majority of acquisition cost is allocated under intangible assets other than goodwill

They are yet to be finalized at present.

③ Amount of goodwill generated, reason for the generation, amortization method, and amortization period

They are yet to be finalized at present.

(4) Funding and payment method

① a. Lender — Mizuho Bank, Ltd.

b. Amount borrowed — ¥125.0 billion

c. Date of borrowing — April 30, 2020

d. Payment interest rate — Variable rate linked to TIBOR

e. Final date of repayment — March 26, 2021 (prepayment permitted)

f. Collateral and guarantees — None

②The Company has resolved at its Board of Directors’ meeting held on May 25, 2020 to conclude an agreement to procure funds of ¥60.0 billion in total by way of a hybrid loan (subordinated loan) for the purpose of partially appropriating it to repay the borrowing above.