Matters Disclosed on the Internet
Re.

The Notice of the Ordinary General Meeting of Shareholders

Of

Nippon Paper Industries Co., Ltd.

For

92nd Term
(From April 1, 2015 through March 31, 2016)

Pursuant to laws and ordinances and Article 16 of the Company's Articles of Incorporation, the items in this document are disclosed to the shareholders through posting on the Company's website (http://www.nipponpapergroup.com/). Further, the items in this document are only part of the subject matter audited by the Accounting Auditor, the Statutory Auditors and the Board of Statutory Auditors in preparation of the Audit Report.

BUSINESS REPORT (Matters disclosed through the Internet)

A Portion of the Changes of Assets and Profit/Loss Status (Consolidated financial information of the Company for the 89th term)

Item		89th Term (Term ended March 31, 2013)
Sales revenue	(Millions of yen)	862,272
Ordinary income	(Millions of yen)	15,597
Net income attributable to owners of the parent	(Millions of yen)	4,468
Basic earnings per share	(Yen)	38.43
Total assets	(Millions of yen)	1,430,143
ROE (Return on equity)	(%)	1.5
ROA (Return on assets)	(%)	1.9

Notes:

1. Figures rounded down to nearest million yen.
2. ROE (Return on Equity) and ROA (Return on assets) were calculated using the following formula.
   ROE (Return on Equity) = Net income attributable to owners of the parent / average of the balance at the beginning of the term and the balance at the term-end of Shareholders' equity and Accumulated other comprehensive income
   ROA (Return on assets) = (Ordinary income + Interest expenses) / Total assets at the term-end

(For Reference)

The Company merged Nippon Paper Group, Inc. by absorption-type merger as of April 1, 2013 and succeeded to the consolidated financial statements of the same company. Accordingly, the scope of consolidation of the Company from and after the 90th fiscal term has no substantial changes from the scope of consolidation of the Nippon Paper Group, Inc. for the fiscal term ending in March 2013. In order to maintain the constancy and continuity of the information disclosed to the shareholders, information in the consolidated financial statements of the Company on and after the 90th fiscal term are compared with information in the consolidated financial statements of Nippon Paper Group, Inc. for the fiscal term ending in March 2013, in the Business Report.

Nippon Paper Industries Co., Ltd.

[
※ Surviving Company in the absorption-type merger
※ Listed company after April 2013 (Ticker Code: 3863)
]

Nippon Paper Group, Inc.

[
※ Absorbed Company in the absorption-type merger
※ Listed company till March 2013 (Ticker Code: 3893)
]

Term ended March 2013	The 89th Term (Unlisted Company)	The 13th Term (Listed Company)
Term ended March 2014	The 90th Term (Listed Company)	
Term ended March 2015	The 91st Term (Listed Company)	
Term ended March 2016	The 92nd Term (Listed Company)	

Disclosed on the Internet

Stated in the Business Report attached to the Notice for Convocation

(※) The arrow marks above indicate the substantial continuity of the consolidated financial statement of the Company group.

Consolidated Statement of Changes in Shareholders' Equity, etc.

(From April 1, 2015, through March 31, 2016)

(Units: million yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Stocks	Total Shareholders' Equity
Beginning balance	104,873	217,104	97,172	∆1,356	417,794
Changes during consolidated fiscal year					
Dividend of retained earnings			∆6,948		∆6,948
Net income attributable to owners of the parent			2,424		2,424
Acquisition of treasury stocks				∆27	∆27
Disposition of treasury stocks		∆0		1	1
Change in the scope of consolidation			∆313		∆313
Change in the scope of application of the equity method			∆10,120	3	∆10,116
Increase/decrease of treasury stocks associated with change in equity of equity method affiliates				∆0	∆0
Amount of changes in items other than shareholders' equity during the consolidated fiscal term (net amount)					
Total amount of changes during the consolidated fiscal year	—	∆0	∆14,957	∆22	∆14,979
Balance at end of the current term	104,873	217,104	82,215	∆1,378	402,814

	Accumulated amount of other comprehensive income					Non-controlling interests	Total net assets
	Amount of valuation difference on other securities	Deferred gains or losses on hedges	Account for adjustment of currency translation	Accumulated amount of adjustment to retirement benefits	Total accumulated amount of other comprehensive income		
Beginning balance	24,345	2,314	37,108	4,405	68,173	3,771	489,740
Changes during consolidated fiscal year							
Dividend of retained earnings							△6,948
Net income attributable to owners of the parent							2,424
Acquisition of treasury stocks							△27
Disposition of treasury stocks							1
Change in the scope of consolidation							△313
Change in the scope of application of the equity method							△10,116
Increase/decrease of treasury stocks associated with change in equity of equity method affiliates							△0
Amount of changes in items other than shareholders' equity during the consolidated fiscal term (net amount)	△5,371	△3,508	△22,019	△18,088	△48,988	△1,086	△50,074
Total amount of changes during the consolidated fiscal year	△5,371	△3,508	△22,019	△18,088	△48,988	△1,086	△65,054
Balance at end of the current term	18,974	△1,193	15,088	△13,683	19,185	2,685	424,685

Notes to the Consolidated Financial Statement

Figures are rounded down to the nearest million yen.

1. Notes, etc., to the significant basis for preparation of the Consolidated Financial Statement

(1) Scope of Consolidation

① Number of consolidated subsidiaries and names of primary consolidated subsidiaries

Number of consolidated subsidiaries: 38 companies

Names of primary consolidated subsidiaries:

Nippon Paper Crecia Co., Ltd., Nippon Paper Papylia Co., Ltd., Paper Australia Pty Ltd, NP Trading Co., Ltd., Nippon Paper Lumber Co., Ltd., Nippon Paper Logistics Co., Ltd.

During the current consolidated fiscal year, there were the following changes due to change in importance, sales or liquidation.

(New) 1 company

Change in importance

Siam Nippon Industrial Paper Co., Ltd. (SNP)

SNP, which was a non-consolidated subsidiary of the Company during the preceding fiscal year, has been included to the scope of consolidation because SNP's impact on the consolidated financial statements, in terms of their total assets, sales revenue, net income or loss of the current term (amount corresponding to the equity interest), and retained earnings (amount corresponding to the equity interest), etc. has become significant.

(Excluded) 7 companies

Sales

Shikoku Coca-Cola Bottling Co., Ltd., and its three subsidiaries

The Company assigned all of the shares of Shikoku Coca-Cola Bottling Co., Ltd., as of May 18, 2015, thereby excluding the company and its three subsidiaries from the scope of consolidation.

South East Fibre Exports Pty Ltd.

Liquidation

PAL WOOD MATERIAL Co., Ltd.

PAL Corporation

② Names, etc. of primary non-consolidated subsidiaries

Name of the primary non-consolidated subsidiary:

Douou Kohatsu Co., Ltd.

Reason for exclusion from the scope of consolidated subsidiaries:

Respective non-consolidated subsidiaries are small in scale, and have no material impact on the consolidated financial statements, in terms of their total assets, sales revenue, net income or loss of the current term (amount corresponding to the equity interest), and retained earnings (amount corresponding to the equity interest), etc.

(2) Application of the equity method

① Number of equity method non-consolidated subsidiaries and affiliated companies, and names of primary companies thereof, etc.

Number of equity method non-consolidated subsidiaries None

Number of equity method affiliated companies 10 companies

LINTEC Corporation, North Pacific Paper Corporation, Daishowa-Marubeni International Ltd., Nippon Tokan Package Co., Ltd., Phoenix Pulp & Paper Public Co., Ltd. and 5 other companies

During the current consolidated fiscal year, there were the following changes due to change in importance, degree of impact or sales.

:

(New) 1 company

Change in importance

Nippon Paper Mega Solar Komatsushima Limited Liability Company

(Excluded) 2 companies

Degree of impact:

Lee & Man Paper Manufacturing Limited

As of April 24, 2015, the Company terminated the Business Collaboration Agreement with Lee & Man Paper Manufacturing Limited (hereinafter, referred to as “L&M”). As a result, directors seconded from the Company resigned and L&M ceased to be an affiliate of the Company. Accordingly, L&M was excluded from the scope of application of the equity method.

Sales:

RESOURCES CO., LTD.

② Number of non-consolidated subsidiaries and affiliated companies not under the equity method, and names, etc. of primary companies thereof.

Number of non-consolidated subsidiaries not under the equity method
81 companies

Number of affiliated companies not under the equity method:
30 companies

Names of primary companies

(Non-consolidated subsidiary)	Douou Kohatsu Co., Ltd.
(Affiliated company)	JPT Logistic Co., Ltd.

Reason for non-application of equity method:

The non-consolidated subsidiaries and affiliated companies were excluded from the scope of equity method because such exclusion have minor impact on the consolidated financial statements in terms of respective net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. of the current consolidated fiscal year, and have no materiality as a whole.

③ Special notes regarding the procedures for application of the equity method

Among the equity method companies, as to those with different settlement date from the consolidated settlement date, the financial statements for the respective fiscal years of such companies are reflected.

(3) Fiscal year, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, respective settlement date of Paper Australia Pty Ltd. and its 7 subsidiaries, Daishowa North America Corporation, Nippon Paper Industries USA Co. Ltd., Jujo Thermal Ltd., Siam Nippon Industrial Paper Co., Ltd., and Nippon Paper Resources Australia Pty, Ltd. is December 31.

In preparation of the consolidated financial statements, each financial statement as of such date are used, and as to material transactions which occurred between such date and the consolidated settlement date, adjustments necessary for consolidation are made to them.

(4) Accounting policies

① Evaluation standard and method for evaluation of securities

Other securities:

Securities with market value:	The market value method based on the market price, etc. as of the settlement date is used (all of the evaluation variance is directly charged or credited to net assets and the cost of securities sold is computed

	by the moving-average method).
Securities without market value:	The cost method based on the moving-average method is used.

② Evaluation standard for derivatives:
The market value method is used.

③ Evaluation standard and method for measurement of inventory assets:
The cost method based primarily on the moving-average method and the periodic average method (as to the amount in the balance sheet, the method of writing down the book value based on declined profitability) is applied.

④ Accounting for depreciation of fixed assets:
(i) Tangible fixed assets (excluding leased assets):
The declining balance method is used. (Some part of the Company and some of the consolidated subsidiaries adopt the straight-line method)
However, for depreciation of buildings (excluding fixtures) acquired after April 1, 1998, the straight-line method is adopted.
Primary useful lives in years are as follows:

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

(ii) Intangible assets (excluding leased assets):
The Straight-line method is used.
However, software for in-house use is amortized by the straight-line method over its estimated internally usable period (5 years).
(iii) Leased assets:
As to the leased assets by financial lease transaction without transfer of title, depreciation is amortized by using the straight-line method over the durable life equal to the lease period and with no residual value (when a guaranteed residual value is agreed, the guaranteed residual value).

⑤ Accounting standards for the allowance for doubtful accounts
To prepare for loss from bad debts such as trade account receivables, etc., the estimated uncollectable amounts are stated based on historical rate of losses from bad debts for the general accounts of receivables, and based on individual collectability assessments for such certain doubtful account of receivables, etc.

⑥ Accounting standards for allowance for environmental measure

To prepare for the expenses for disposal of PCB wastes in accordance with the “Act on Special Measures concerning the Proper Treatment of Polychlorinated Biphenyl Wastes,” an estimated amount for disposal is allocated.

⑦ Accounting method for the retirement benefits liabilities

To prepare for payment of employees’ retirement benefits, the amount equal to the amount of retirement benefit liabilities after deduction of the amount of pension assets based on estimated amounts at the end of the current consolidated fiscal year is stated as the retirement benefits liabilities. Further, when the amount of pension assets exceeds the amount of retirement benefit liabilities, it is stated as assets relating the retirement benefits.

In calculation of retirement benefit liabilities, the method for the estimated amount of retirement benefits to be attributed to the consolidated financial statement for the current term is on the benefit formula basis.

The past service costs are recorded as expenses by using the straight-line method amortized over a certain period (5-15 years), which is less than the average remaining length of employees’ service at the time when such liabilities are incurred.

Actuarial difference is recorded as expenses mainly by the straight-line method amortized over a certain period (10-15 years), which is less than the average remaining length of employees’ service at the time of its occurrence in each consolidated fiscal year, and such recording of expenses is commenced in the following consolidated fiscal year of respective occurrence.

Unrecognized actuarial difference and unrecognized past service costs are recorded within the accumulated adjustment in retirement benefits under the accumulated other comprehensive income in the Net Assets section upon tax effects adjustment.

⑧ Standards for translation of important assets and liabilities denominated in foreign currency into Japanese currency base

Monetary receivables or payables denominated in foreign currency are translated into Japanese currency at the spot exchange rate on the consolidated settlement date, and resulting differences from translation are recorded as profits or losses. Further, the assets and liabilities of overseas’ subsidiaries, etc., are translated into Japanese yen at the spot exchange rate on respective settlement date of the overseas’ subsidiaries, etc., and revenue and expenses are translated into Japanese yen at the average exchange rate in effect during the applicable fiscal year. The difference arising out of such translation is included in the currency translation adjustment account and non-controlling interest account in the Net Assets section.

⑨ Hedge accounting method

(i) Hedge accounting method

The deferred hedge accounting is applied.

However, among the monetary receivables or payables, etc., denominated in foreign currency with forward exchange contract, etc., the appropriation accounting (*Furiate-shori*) is applied to those that satisfy the requirements for appropriation accounting. And the exceptional accounting (*Tokurei-shori*) is applied to interest swaps that satisfy the requirements for the exceptional accounting. The integrated accounting (*Furiate-shori, Tokurei-shori*) is applied to the interest rate and currency swaps that satisfy the requirements for the integrated accounting.

(ii) Hedge instruments and hedge items

a.	• Hedge instrument:	Forward Exchange contract
	• Hedge items:	Receivables denominated in foreign currency through export of products, etc., payables denominated in foreign currency for import of raw materials and fuel, etc., and future transactions denominated in foreign currency.
b.	• Hedge instrument:	An interest rate swap
	• Hedge items:	Borrowings
c.	• Hedge instrument:	An interest rate and currency swap
	• Hedge items:	Borrowings denominated in foreign currency

(iii) Hedge policies

The purpose of derivative transactions is mainly to hedge risk of fluctuations of currency exchange rates and of interest rates.

(iv) Method for assessment of the hedge effectiveness

Hedge effectiveness is assessed by comparing the accumulated total of cash flow fluctuation or market fluctuation of the hedged item with the accumulated total of cash flow fluctuation or market fluctuation of the hedge instrument in every six-month period, and based on the amount, etc., of such fluctuations of them both.

Assessment of the effectiveness on the consolidated settlement date, for the interest rate swaps which satisfy the requirements for the exceptional accounting and the interest rate and currency swaps which satisfy the requirement for the integrated accounting (*Furiate-shori, Tokurei-shori*) is omitted.

Among the hedged items with forward exchange contracts, for those the forward exchange contracts is appropriated in U.S. dollars, etc., respectively, with the same amount and same date, at the time of execution in accordance with risk management policies, assessment of the effectiveness on the consolidated settlement date is omitted, because the correlation with the subsequent fluctuation of exchange rate is entirely secured.

⑩ Accounting of consumption tax, etc.

The tax exclusion method is used.

(5) Changes in the material basis for preparation of the Consolidated Financial Statements

(Adoption of the accounting standard for Business Combinations)

Effective fiscal 2015, the Company began applying the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan [ASBJ] Statement No. 21 of September 13, 2013, hereinafter referred to as the Business Combinations Accounting Standard), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013, hereinafter referred to as the Consolidation Accounting Standard) and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013, hereinafter referred to as the Business Divestitures Accounting Standard). The standards were adopted to change the method of accounting and thereby record as a capital surplus any difference arising from changes in equity in subsidiaries that remain under the control of the Company and to record the corresponding acquisition-related costs as expenses for the consolidated fiscal year in which the costs are incurred. For business combinations implemented after the beginning of fiscal 2015, with the revised accounting method, in case the review of the allocated amount of acquisition costs in the finalization of the provisional accounting treatment was conducted during the fiscal year following the year during which the business combination occurred, the amount of the impact on the beginning balance of the fiscal year during which such review was conducted shall be indicated in a separate account and the beginning balance reflecting the amount of the impact shall be posted. In addition, the presentation method of net income, etc. has been revised, and the presentation of minority interests was changed to non-controlling interests.

To apply the Business Combinations Accounting Standard and other standards, the transitional treatment as prescribed in Article 58-2 (4) of the Business Combinations Accounting Standard,

Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard was applied from the beginning of fiscal 2015 onward.
There is no impact of this change on the consolidated financial statements and per share information.

(6) Changes in Presentation

(Changes in the Consolidated Profit and Loss Statement)
"Rental income" (1,438 million yen in the current consolidated fiscal term), which was posted in a separate account in the preceding consolidated fiscal term, is included in the "Others" of Non-Operating Income for the current consolidated fiscal term due to its insignificant monetary value.
"Gain on sales of investment securities" (151 million yen in the preceding consolidated fiscal term), which was included in "Other" of Extraordinary Income in the preceding consolidated fiscal term, is posted in a separate account for the current consolidated fiscal term due to increase of its materiality.
"Gain on sales of fixed assets" (461 million yen in the current consolidated fiscal term), which was posted in a separate account in the preceding consolidated fiscal term, is included in "Other" of Extraordinary Income for the current consolidated fiscal term due to its insignificant monetary value.

2. Notes to the Consolidated Balance Sheet

(1) Collateralized assets and secured liabilities

The following assets are pledged as collateral for the following amounts

(i) Collateralized assets

Investment Securities	2,318 million yen
Other tangible fixed assets	305 million yen
Total	2,624 million yen

(ii) Secured liabilities

Short-term loan payable	310 million yen
Long-term loan payable (including those payable within a year)	1,621 million yen
Total	1,931 million yen

(2) Accumulated depreciation on tangible fixed assets 2,272,094 million yen

(3) Guarantee liabilities

Guarantee for borrowings, etc. of the companies other than the consolidated affiliated companies from financial institutions, etc. is provided.

Guarantee Liabilities 38,568 million yen

3. Notes to the Consolidated Statement of Changes in Shareholders' Equity, etc.

(1) Type and total number of issued shares at the end of the current consolidated fiscal term

Common shares: 116,254,892 shares

(2) Dividends

① Amount of dividends paid

Resolution	Type of Shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 26, 2015 Ordinary General Meeting of Shareholders	Common shares	3,478	30	March 31, 2015	June 29, 2015
November 5, 2015 Board of Directors	Common shares	3,478	30	September 30, 2015	December 1, 2015

② Among the dividends of which record date is within the current consolidated fiscal term, the dividends of which effective date to be in the following term:

Resolution	Type of Shares	Dividend resource	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 29 2016 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	3,478	30	March 31, 2016	June 30, 2016

4. Notes to the Status of Financial Instruments

(1) Status of Financial Instruments

The Company group introduced a cash management system (CMS) and manages funding in the group in an integrated fashion. Management of funds is limited to safe and secure bank deposits, etc. Fund procurement is conducted through borrowing from financial institutions, issuance of bonds payable, etc., based on predicted funding of the group in whole.

Credit risks of the customers pertaining to the trade receivables are mitigated in accordance with the rules for credit controls common to the group. Investment securities are mainly listed stocks and stocks of affiliates companies, and the market value of the listed stocks are checked in a timely manner.

The due dates of trade payables are within one (1) year. Though loan payables are exposed to fluctuation risks of interest rate, the rate of interest payable of some long-term loan payables with fluctuation risk of interest rate are fixed by using the interest rate swap transactions and the interest rate and currency swap transaction.

Though monetary receivables and payables denominated in foreign currency are exposed to currency exchange fluctuation risks, such risks are hedged by the forward exchange contract and the interest rate and currency swap transaction.

In addition, though trade payables and loan payables are exposed to liquidity risks, such risks are managed by making a financial budget and updating it on a daily and monthly basis, and by preparing cash management plan.

(2) Fair value, etc. of financial instruments

The amount posted in the consolidated balance sheet, the fair value, and the amount of difference between them as of March 31, 2016 (the end of the current consolidated fiscal term), are as follows:

(Unit: million yen)

	Consolidated balance sheet amount	Fair value	Amount of Difference
(1) Cash and deposits	112,510	112,510	–
(2) Notes receivable/and accounts receivable-trade	192,941	192,941	–
(3) Investment securities,			
Other securities	62,017	62,017	–
Stocks in affiliates	41,001	45,773	4,771
Total assets	408,470	413,242	4,771
(4) Notes payable and accounts payable-trade	113,354	113,354	–
(5) Short-term loan payable	243,366	244,091	724
(6) Current portion of bonds	13,000	13,232	232
(7) Bonds payable	60,000	62,492	2,492
(8) Long-term loan payable	385,725	402,217	16,492
Total liabilities	815,447	835,389	19,941
(9) Derivative transactions*	(1,268)	(1,268)	–

(*) The net amounts of the credit and debt actually accrued from derivative transactions are stated. In case the total of such amounts results in net debt, such amounts are posted in parentheses.

(Note 1) Computation method of the fair value of financial instruments, and matters relating to securities and derivative transactions

(1) Cash and deposits and

(2) Notes receivable and accounts receivable-trade

Since these are settled in a short period, these current values are approximately equal to the book values. Accordingly, the current values are relevant book values.

(3) Investment securities

The fair values are based on the prices on the stock exchanges.

(4) Notes payable and accounts payable-trade

Since these are settled in a short period, the current values are approximately equal to the book values. Accordingly, the fair values are relevant book values.

(5) Short-term loan payable

As to the fair value of short-term loan payable, these are settled in a short period and the fair values are approximately equal to the book values. Accordingly, the fair values are relevant book values. As to the long-term loan payable within one (1) year, it is calculated by the current value of the future cash flows discounted at interest rate of which risk-free rate adjusted by credit spread.

(6) Current portion of bonds and

(7) Bonds payable

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

(8) Long-term loan payable

The long-term loan payable is, after sorted its total amount of principal and interest by certain period of time, calculated by the current value of the future cash flow discounted at interest rate of which a risk-free rate adjusted by credit spread. Further, the long-term loan payables with variable interest rate are qualified for the exceptional accounting of interest rate swap or the integrated accounting of interest rate and currency swap (see (9) below) and calculated by way of the total amount of principal and interest which was treated as a part of relevant interest rate swap or interest rate and currency swap, discounted in the same manner of the above.

(9) Derivative transactions

Since those, to which the exceptional accounting for interest rate swap and the integrated accounting for interest rate and currency swap were applied, are treated as a part of the hedged long-term loan payable, the fair value of them are included in the fair value of relevant long-term loan payable (see (8) above).

Since those, to which the appropriation method was applied, such as the forward exchange contracts, etc., were treated as a part of hedged accounts receivable-trade, notes payable and accounts payable-trade, their fair values are included in the fair values of accounts receivable-trade, note payable, and account payable-trade.

(Note 2) Since the un-listed stocks (77,764 million yen in the consolidated balance sheet), have no market price and not able to estimate the future cash flow, it is quite difficult to recognize the fair value. Accordingly, those are not included in "(3) Investment Securities."

5. Notes to Per Share Information

Net assets per share: 3,645.87 yen

Basic earnings per share: 20.95 yen

6. Notes to Significant Subsequent Events

On October 7, 2015, the Company concluded basic agreements with Tokushu Tokai Paper Co., Ltd. ("Tokushu Tokai Paper"), concerning the containerboard and sack and general purpose kraft paper businesses (collectively called "This Business" below), to conduct a demerger of the Shimada Mill of Tokushu Tokai Paper (the "Shimada Mill" below), have the Company invest in the resulting new manufacturing company ("This Investment" below) and integrate the sales functions of the Company and Tokushu Tokai Paper in This Business ("This Integration of Sales Functions" below; the series of these transactions as a whole are called "This Business Alliance" below; and these basic agreements as a whole are called "This Basic Agreement" below).

Based on This Agreement, on April 25, 2016, the Company, at its Board of Directors meeting, determined to enter into an integration contract that stipulates various conditions related to This Business Alliance ("This Integration Contract") and a contract among the shareholders to agree upon the joint management of the new manufacturing company and the new sales company ("This Contract among Shareholders").

This Business Alliance is subject to the approval of the Japan Fair Trade Commission.

(1) Background and purpose of This Business Alliance

In the paper manufacturing industry, a severe business environment is continuing with persistent high prices of wastepaper and intensified competition due to an excessive number of related facilities. We recognize that the competition in cost and product quality will intensify further. With such a recognition about the business environment, based on This Basic Agreement, the Company and Tokushu Tokai Paper concluded This Integration Contract to form an alliance in This Business as an equal partnership, collaborate in This Business, integrate sales functions, strengthen the competitiveness of the Shimada Mill in cost and product quality, establish an efficient sales structure and strengthen our services.

(2) Details of This Business Alliance

1) Demerger of the Shimada Mill and This Investment

(i) Tokushu Tokai Paper establishes a new manufacturing company as a preparatory company to become the basis of the demerger of the Shimada Mill.

(ii) The new manufacturing company assumes Tokushu Tokai Paper's rights and obligations related to the business conducted at the Shimada Mill including its manufacturing functions in This Business via an absorption-type corporate split (the "Absorption-Type Corporate Split Resulting in a New Manufacturing Company").

(iii) The Company undertakes a rights offering of ¥6,250 million in the new manufacturing company ("This Investment").

(iv) As a result of (ii) and (iii) above, the Company will hold 122,500 shares (35%) and Tokushu Tokai Paper 227,500 shares (65%) in the new manufacturing company.

2) This Integration of Sales Functions

(i) The Company establishes a new sales company as a preparatory company to become the basis of the integration of the sales functions of the Company and Tokushu Tokai Paper.

(ii) The new sales company assumes the rights and obligations held by the Company and Tokushu Tokai Paper related to the sales function of This Business via an absorption-type corporate split (the "Absorption-Type Corporate Split Resulting in a New Sales Company").

(iii) As a result of (ii) above, the Company will hold 84,500 shares (65%) and Tokushu Tokai Paper 45,500 shares (35%) in the new sales company.

3) Outline of the partner in This Business

①	Name	Tokushu Tokai Paper Co., Ltd.
②	Location of the head office	4379, Mukaijima-cho, Shimada-shi, Shizuoka Prefecture
③	Representative	President and Representative Director, Yuji Matsuda
④	Capital	¥11,485 million (as of December 31, 2015)

⑤	Description of business	Manufacturing, processing and sales of paper-pulp and management and administration of subsidiaries

4) Related time frame at the partner in This Business

①	Date of conclusion of the Basic Agreement	October 7, 2015
②	Date of conclusion of This Integration Contract and This Contract among Shareholders	April 25, 2016
③	Date of conclusion of the contract for the Absorption-Type Corporate Split Resulting in a New Manufacturing Company	End of May, 2016 (plan)
④	Date of resolution at a general meeting of shareholders (Tokushu Tokai Paper)[1]	June 24, 2016 (plan)
⑤	Date of conclusion of the contract for the Absorption-Type Corporate Split Resulting in a New Sales Company	By mid-August, 2016 (plan)
⑥	Date of conclusion of the contract to receive shares of the resulting new manufacturing and sales companies	August 2016 (plan)
⑦	Effective date[2]	October 1, 2016 (plan)

Notes:

1. The absorption-type corporate split resulting in a new sales company is projected to be implemented via the simplified procedures of an absorption-type corporate split based on Article 784, Paragraph 2 of the Companies Act, without approval of a general meeting of shareholders of the Company and Tokushu Tokai Paper.
2. Effective date for the absorption-type corporate split resulting in a new manufacturing company, This Investment and the absorption-type corporate split resulting in a new sales company.

5) Impact on business performance

The impact on the Company’s business performance is currently under careful assessment.

7. Other Notes

Matters related to the Consolidated Profit and Loss Statement

① Costs for business structure reform

The Company group posted the business structure reform costs (3,701 million yen) in the current consolidated fiscal year.

The costs for business structure reform are costs incurred by the retirement benefits paid to dismissed personnel associated with the closure of mills of the Company's consolidated subsidiary in Australia (special retirement benefits), as well as an impairment loss on fixed assets.

② Impairment losses

The Company group posted impairment losses (10,433 million yen) from the following assets for the current consolidated fiscal year.

(Unit: million yen)

Location	Type	Impairment Loss	Remarks
Washington, U.S.A.	Machinery, equipment and vehicles	6,064	Business assets Extraordinary loss "Impairment loss"
		Total 6,064	
Eura, Finland	Building and structures	1,097	
	Machinery, equipment and vehicles	1,921	
	Other	418	
		Total 3,436	
Akita-shi, Akita, etc.	Building and structures	114	Idle assets Extraordinary loss "Impairment loss"
	Machinery, equipment and vehicles	113	
	Land	185	
	Other	11	
		424	
New South Wales, Australia	Building and structures	32	Assets scheduled to be disposed Extraordinary loss "Costs for Business Structure Reform"
	Machinery, equipment and vehicles	470	
	Other	4	
		Total 507	
		10,433	

For determination of the sign of impairment losses, the Company groups the business assets mainly by each business segment which is a cash flow generating unit, and the idle assets by individual property unit.

As to the business assets of which profitability declined significantly, reduced the book value to the recoverable amount and posted such reduced amount as an impairment loss in the Extraordinary Loss.

Further, the recoverable value of business assets is measured in terms of its value in use. With regard to the assets, for which future cash flows can be projected, future cash flows were computed by discounting them by 5.3%. For others, their book values are posted as an impairment loss.

The recoverable value of idle assets and assets scheduled to be disposed is measured by net sales price or their value in use and computed. Net sales prices are computed based on appraised value by a third party or equivalent to such measure. Concerning the value in use, future cash flows are not discounted because the period for computation is within one year.

Statement of Changes in Shareholders’ Equity, etc.

(From April 1, 2015 through March 31, 2016)

(Units: million yen)

	Shareholders’ Equity											
	Capital	Capital Surplus			Retained earnings						Treasury stocks	Total shareholders’ equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings		
						Reserve for prevention of specific disaster	Reserve for reduction entry of fixed assets	Reserve for reduction entry of special account	Retained earnings carried forward			
Beginning Balance	104,873	83,552	46,679	130,231	432	96	11,654	9,622	42,794	64,599	△1,039	298,664
Changes during the fiscal year												
Dividend of retained earnings									△6,956	△6,956		△6,956
Net income of the current term									20,484	20,484		20,484
Acquisition of treasury stocks											△27	△27
Disposition of treasury stocks			△ 0	△ 0							1	1
Reserves for prevention of specific disaster						9			△9	—		—
Reversal of reserves for prevention of specific disaster						△2			2	—		—
Reserves for reduction entry of fixed assets							248		△248	—		—
Reversal of reserves for reduction entry of fixed assets							△8,271		8,271	—		—
Reversal of reserve for reduction entry of special account								△9,622	9,622	—		—
Reversal of reserve for revaluation of land									△37	△37		△37
Changes in item other than shareholders’ equity during the fiscal year (net amount)												
Total of changes during the fiscal year	—	—	△ 0	△ 0	—	7	△8,023	△9,622	31,127	13,490	△25	13,463
Balance at the end of current term	104,873	83,552	46,678	130,230	432	103	3,631	—	73,921	78,089	△1,065	312,128

	Valuation and Translation Adjustment, etc.				Total amount of net assets
	Valuation difference on other securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total of valuation and translation adjustment, etc.	
Beginning balance	22,382	1,066	21,439	44,888	343,553
Changes during the current term					
Dividend of retained earnings					△6,956
Net income of the current term					20,484
Acquisition of treasury stock					△27
Disposition of treasury stock					1
Reserves for prevention of specific disasters					—
Reversal of reserves for prevention of specific disasters					—
Reserves for reduction entry of fixed assets					—
Reversal of reserves for reduction entry of fixed assets					—
Reversal of reserves for reduction entry of special account					—
Reversal of reserves fir revaluation of land					△37
Changes in items other than shareholders' equity during the fiscal term (net amount)	△4,920	△2,050	1,463	△5,507	△5,507
Total of the changes during the fiscal term	△4,920	△2,050	1,463	△5,507	7,955
Balance at the end of the current fiscal term	17,462	△984	22,903	39,381	351,509

Notes to the Non-Consolidated Financial Statement

Figures rounded down to nearest million yen.

1. Notes to the significant accounting policies

(1) Evaluation standards and methods for evaluation of securities

Stocks in subsidiaries and affiliates	Cost method based on moving-average method
Other securities	
Securities with market value:	Market value method based on the market price, etc., as of the settlement date (all of the valuation differences are directly charged or credited to the net assets and the cost of securities sold is computed by moving-average method)
Securities without market value	Cost method based on moving-average method

(2) Evaluation standards for derivatives

The market value method is used.

(3) Evaluation standards and method for inventory assets:

The cost method based on the moving-average method (as to the amount in the balance sheet, the method of writing down the book value based on declined profitability) is used.

However, for a part of goods (such as filling machine, etc.), the cost method based on the specific identification method (as to the amount in the balance sheet, the method of writing down the book value based on declined profitability) is applied.

(4) Method for depreciation of fixed assets:

① Tangible fixed assets (excluding leased assets):

The declining balance method

However, the straight-line method is applied to the tangible fixed assets in Shiraoi Works of Hokkaido Mill, Ishinomaki Mill, Iwanuma Mill and Fuji Mill, etc., and the buildings (excluding auxiliary facilities) acquired after April 1, 1998.

Primary useful lives in years are as follows:

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

② Intangible assets (excluding leased assets):

The straight-line method

However, software for in-house use is amortized by the straight-line method over its estimated internally usable period (5 years).

③ Leased assets:

As to the leased assets by financial lease transaction without transfer of title, depreciation is amortized by using the straight-line method over the durable life equal to the lease period and with no residual value (when a guaranteed residual value is agreed, the guaranteed residual value).

(5) Accounting standards for allowances

① Accounting standards for allowance for doubtful accounts

To prepare for loss from bad debts such as trade account receivables, etc., estimated uncollectable amounts are stated based on the actual historical rate of losses for general accounts receivables, and based on individual collectability assessments of such certain doubtful accounts of receivables, etc.

② Accounting standards for allowance for accrued retirement benefits

To prepare for payment of employees' retirement benefits, the amount based on the estimated amounts of retirement benefit liabilities and pension assets as of the end of current fiscal year, is stated.

In calculation of retirement benefit liabilities, the method for the estimated amount of retirement benefits to be attributed to the financial statement for the current term is on the benefit formula basis.

The past service costs are recorded as expenses by using the straight-line method amortized over a certain period (7-15 years), which is within the average remaining length of employees' service at the time when such liabilities are incurred.

Actual difference is recorded as expenses by the straight-line method amortized over a certain period (13-15 years), which is within the average remaining length of employees' service at the time of such liabilities are incurred in each fiscal year, and such recording of expenses is commenced in the following fiscal year of respective occurrence.

③ Accounting standards for allowance for environmental measures

To prepare for the expenses of disposal of PCB wastes in accordance with the “Act on Special Measures Concerning the Proper Treatment of Polychlorinated Biphenyl Waste,” an estimated amount for disposal is allocated.

(6) Accounting method for deferred assets

Bond issuance costs: The full amount is accounted at the time of expenditure.

(7) Standards for translation of assets and liabilities denominated in foreign currency into Japanese currency base

Monetary receivables or payables denominated in foreign currency are translated into Japanese currency at the spot exchange rate on the settlement date, and the resulting translation adjustment is recorded as a profits or losses.

(8) Hedge accounting method

① Hedge accounting method

The deferred hedge accounting is applied.

However, among the monetary receivables or payables, etc., denominated in foreign currency with forward exchange contract, etc., the appropriation accounting (*Furiate-shori*) is applied to those satisfy the requirements for appropriation accounting. And the exceptional accounting (*Tokurei-shori*) is applied to interest wasps that satisfy the requirements for the exceptional accounting. The integrated accounting (*Furiate-shori, Tokurei-shori*) is applied to the interest rate and currency swaps that satisfy the requirements for the integrated accounting.

② Hedge instruments and hedge item

(i)	• Hedge instrument:	Forward exchange contract
	• Hedged item:	Liabilities denominated in foreign currency through the import of raw materials and fuel, etc., and anticipated transactions denominated in foreign currency.
(ii)	• Hedge instrument:	Interest rate swap
	• Hedged item:	Borrowings
(iii)	• Hedge instrument:	An interest rate and currency swap
	• Hedged item :	Borrowings denominated in foreign currency

③ Hedge policies

The purpose of derivatives transactions of the Company is to hedge risks of fluctuations of currency exchange rates and interest rates.

④ Method for assessment of the hedge effectiveness

Hedge effectiveness is assessed by comparing the accumulated total of cash flow fluctuation or market fluctuation of the hedged item with the accumulated total of cash flow fluctuation or market fluctuation of the hedge instrument in every six-month period, and based on the amount, etc., of such fluctuations of the both.

Assessment of the effectiveness on the settlement date, for the interest swaps, which satisfy the requirements for exceptional accounting and the interest rate and currency swaps which satisfy the requirements for the integrated accounting (*Furiate-shori, Tokurei-shori*) is omitted.

Among the hedged items with forward exchange contracts, for those the forward exchange contracts is appropriated in U.S. dollars, etc., respectively, with the same amount and same date, at the time of execution in accordance with risk management policies, assessment of the effectiveness on the settlement date is omitted, because the correlation with the subsequent fluctuation of exchange rate is entirely secured.

(9) Accounting of consumption tax, etc.

The tax exclusion system is used.

(10) Other significant bases for preparation of the Financial Statements

(Accounting of retirement benefits)

Accounting method for the unrecognized actuarial differences and the unrecognized past service costs in the retirement benefits differs from the accounting method applied to the Consolidated Financial Statements.

(11) Changes in the Accounting policy

(Adoption of the accounting standard for Business Combinations)

Effective fiscal 2015, the Company began applying the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan [ASBJ] Statement No. 21 of September 13, 2013, hereinafter referred to as the Business Combinations Accounting Standard) and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013, hereinafter referred to as the Business Divestitures Accounting Standard). The standards were adopted to change the method of accounting and thereby record the corresponding acquisition-related costs as expenses for the fiscal year in which the costs are incurred. For business combinations implemented after the beginning of fiscal 2015, with the revised accounting method, in case the review of the allocated amount of acquisition costs in the finalization of the provisional accounting treatment was conducted during the fiscal year following the year during which the business combination occurred, the amount of the impact on the beginning balance of the fiscal year during which such review was conducted shall be indicated in a separate account and the beginning balance reflecting the amount of the impact shall be posted.

To apply the Business Combinations Accounting Standard and other standards, the transitional treatment as prescribed in Article 58-2 (4) of the Business Combinations Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard was applied from the beginning of fiscal 2015 onward.

There is no impact of this change on the financial statements and per share information.

(12) Changes in Presentation

(Changes in the Profit and Loss Statement)

"Foreign exchange gain" (1,773 million yen in the preceding fiscal term), which was included in "Miscellaneous income," is posted in a separate account for the current fiscal term due to the increase of its materiality.

"Gain on sales of fixed assets" (102 million yen in the current fiscal term), which was posted in a separate account in the preceding consolidated fiscal term, is included in "Other" of "Extraordinary Income" for the current fiscal term due to its insignificant monetary value.

"Provision for allowance for doubtful accounts" (178 million yen in the current fiscal term), which was posted in a separate account in the preceding fiscal term, is included in "Other" of Extraordinary Losses for the current fiscal term due to its insignificant monetary value.

2. Notes to the Balance Sheet

(1) Collateralized assets and secured liabilities

The following assets are pledged as collateral for the following amounts

(i) Collateralized assets

Investment Securities	2,318 million yen

(ii) Secured liabilities

Long-term loan payable (including those payable within a year)	1,500 million yen

(2) Accumulated depreciation on tangible fixed asset 1,968,981 million yen

(3) Guarantee liabilities

Guarantees for borrowings, etc., of affiliated companies, etc., from financial institutions, etc., are provided.

Guarantee Liabilities	87,252 million yen

(4) The amounts of monetary receivable from or payable to affiliated companies

Short-term monetary receivable from affiliated companies	111,808 million yen

Short-term monetary payable to affiliated companies 66,518 million yen

(5) Revaluation of land

The Company took over the land for business which was revaluated in accordance with the "Act on Revaluation of Land" (Law No. 34, promulgated on March 31, 1998, Law No. 19 of Final Amendment, March 31, 2001) through the merger, and the amount corresponding to taxes on the amount of the relevant land revaluation difference is included in "Deferred tax liabilities for revaluation" as a part of the Liabilities, and the remaining amount is included in "Revaluation difference on land" as a part of the Net Asset.

- Method of revaluation ・・・Computed by adding a reasonable adjustment to the appraised value stipulated in the Article 2, Item 3, 4, and 5 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 promulgated on March 31, 1998, Cabinet Order No. 125 of Final Amendment, March 31, 1999).
- Date of revaluation: March 31, 2000
- The amount of difference between the market value as of the end of current fiscal year and the book value after such revaluation, of the revaluated land

△48,129 million yen

3. Notes to the Statement of Profit and Loss

Trading volume with affiliated companies

Trading volume through commercial transactions

Sales revenue	163,845 million yen
Operating expenses	181,203 million yen
Trading volume other than commercial transaction	46,300 million yen

4. Notes to the Statement of Changes in Shareholders' Equity, etc.

Type and number of treasury shares at the end of the current fiscal year

Common shares: 318,560 shares

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5. Notes to Tax Effect Accounting

(1) Breakdown of major causes for deferred tax assets and deferred tax liabilities

Deferred tax assets	
Accrued Bonus	1,399 million yen
Allowance for doubtful account	2,221 million yen
Allowance for retirement benefits	8,439 million yen
Loss on valuation of securities	21,493 million yen
Impairment losses	9,792 million yen
Loss carried forward	15,226 million yen
Others	4,140 million yen
Deferred tax assets; Sub-total	62,710 million yen
Valuation allowance	△39,246 million yen
Deferred tax assets: Total	23,464 million yen
Deferred tax liabilities	
Reserves for deduction entry of fixed assets	△2,005 million yen
Valuation differences on other securities	△7,269 million yen
Others	△46 million yen
Deferred tax liabilities: Total	△9,320 million yen
Net amount of deferred tax assets	14,144 million yen

(2) Correction of the amounts of deferred tax assets and deferred tax liabilities due to the change of tax rate for corporate income tax, etc.

"Law for partial amendment of the Income Tax Act, etc." (Law No. 15, 2016), and "Law for partial amendment of the Local Tax Act, etc." (Law No. 13, 2016), were passed at the National Diet on March 29, 2016. According to these new laws, the statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 32.3% to 30.9% for temporary differences expected to be utilized during the fiscal term starting on April 1, 2016, and April 1, 2017, and to 30.6% for those expected to be utilized during the fiscal term starting on or after April 1, 2018.

Due to such changes of tax rate, the amount of deferred tax assets (the amount after deduction of deferred tax liabilities) and the amount of deferred tax liabilities for revaluation respectively decrease by 692 million yen and 1,426 million yen, and the adjustment for corporate income tax, etc., increased by 1,076 million yen.

6. Notes to the transactions with related parties

Subsidiaries, etc.

Type	Name of Company,	Percentage of voting rights held (%)	Detail of Relation		Detail of transaction	Amount of transaction (million yen)	Item	Balance at end of term (million yen
			Concurrently serving officer, etc.	Business relation				
Subsidiaries	NP Trading Co., Ltd	Direct 98.35	—	Sales of the Company's products. Sales of raw materials to the Company, etc.	Lending & collection of short-term funds (Note 1,2)	25,105	Short-term loan receivable	25,180
					Receiving & assignment of notes receivables (Note 3)	40,098	Account payable	9,347
					Sales of products (Note 4)	119,139	Accounts receivable —trade	33,244
					Purchase of raw materials, etc. (Note 4)	38,817	Accounts payable—trade	13,860
	Nippon Paper Lumber Co., Ltd.	Direct 100.00	—	Sales of raw materials to the Company	Receiving & assignment of notes receivables (Note 3)	17,800	Account payable	3,064
	Paper Australia Pty Ltd.	Direct 100.00	One (1) concurrently serving	Sales of the Company's products	Debt Guarantee (Note 5)	16,779	—	—
	Amapa Florestal e Celulose S.A.	Direct 100.00	—	Sales of raw materials to the Company	Debt guarantee (Note 5)	16,008	—	—
	Nippon Paper Industries USA Co., Ltd.	Indirect 100.0	—	Sales of raw materials to the Company	Debt guarantee (Note 5)	13,127	—	—
	PAL WOOD MATERIAL Co., Ltd.	Direct 100.00	—	—	Relinquished the debt (Note 6)	15,919	—	—

(Terms of transaction and policies, etc., for decision-making on transaction terms)

(Note 1) As to lending funds, the rate of interest receivable is determined reasonably upon consideration for commercial interest rate.

(Note 2) Since the transactions of lending and collection of funds are conducted in a repetitive fashion, the amounts above in the amount of transaction are average amounts of balance during the effective term.

(Note 3) The Company cashes out the assigned notes receivable in the market.

(Note 4) The prices and other terms of transactions are determined upon consideration for the prevailing market status after price negotiation.

(Note 5) Guarantee for borrowings, etc., from financial institutions, etc., is provided, for which the Company receives guarantee fees from Amapa Florestal e Celulose S.A. and Paper Australia Pty Ltd. The amounts of such transactions are the balance of the debt guarantee as of the end of the current fiscal year.

(Note 6) The debt was relinquished because of the completion of liquidation of the subsidiary, for which the allowance for doubtful accounts had been accounted for in and before the preceding fiscal year.

7. Notes to Per Share Information

Net assets per share:	3,031.92 yen
Basic earnings per share:	176.68 yen

8. Notes to Significant Subsequent Events

On October 7, 2015, the Company concluded basic agreements with Tokushu Tokai Paper Co., Ltd. (“Tokushu Tokai Paper”), concerning the containerboard and sack and general purpose kraft paper businesses (collectively called “This Business” below), to conduct a demerger of the Shimada Mill of Tokushu Tokai Paper (the “Shimada Mill” below), have the Company invest in the resulting new manufacturing company (“This Investment” below) and integrate the sales functions of the Company and Tokushu Tokai Paper in This Business (“This Integration of Sales Functions” below; the series of these transactions as a whole are called “This Business Alliance” below; and these basic agreements as a whole are called “This Basic Agreement” below).

Based on This Agreement, on April 25, 2016, the Company, at its Board of Directors meeting, determined to enter into an integration contract that stipulates various conditions related to This Business Alliance (“This Integration Contract”) and a contract among the shareholders to agree upon the joint management of the new manufacturing company and the new sales company (“This Contract among Shareholders”).

This Business Alliance is subject to the approval of the Japan Fair Trade Commission.

(1) Background and purpose of This Business Alliance

In the paper manufacturing industry, a severe business environment is continuing with persistent high prices of wastepaper and intensified competition due to an excessive number of related facilities. We recognize that the competition in cost and product quality will intensify further. With such a recognition about the business environment, based on This Basic Agreement, the Company and Tokushu Tokai Paper concluded This Integration Contract to form an alliance in This Business as an equal partnership, collaborate in This Business, integrate sales functions, strengthen the competitiveness of the Shimada Mill in cost and product quality, establish an efficient sales structure and strengthen our services.

(2) Details of This Business Alliance

1) Demerger of the Shimada Mill and This Investment

(i) Tokushu Tokai Paper establishes a new manufacturing company as a preparatory company to become the basis of the demerger of the Shimada Mill.

(ii) The new manufacturing company assumes Tokushu Tokai Paper's rights and obligations related to the business conducted at the Shimada Mill including its manufacturing functions in This Business via an absorption-type corporate split (the "Absorption-Type Corporate Split Resulting in a New Manufacturing Company").

(iii) The Company undertakes a rights offering of ¥6,250 million in the new manufacturing company ("This Investment").

(iv) As a result of (ii) and (iii) above, the Company will hold 122,500 shares (35%) and Tokushu Tokai Paper 227,500 shares (65%) in the new manufacturing company.

2) This Integration of Sales Functions

(i) The Company establishes a new sales company as a preparatory company to become the basis of the integration of the sales functions of the Company and Tokushu Tokai Paper.

(ii) The new sales company assumes the rights and obligations held by the Company and Tokushu Tokai Paper related to the sales function of This Business via an absorption-type corporate split (the "Absorption-Type Corporate Split Resulting in a New Sales Company").

(iii) As a result of (ii) above, the Company will hold 84,500 shares (65%) and Tokushu Tokai Paper 45,500 shares (35%) in the new sales company.

(3) Outline of the partner in This Business

①	Name	Tokushu Tokai Paper Co., Ltd.
②	Location of the head office	4379, Mukaijima-cho, Shimada-shi, Shizuoka Prefecture
③	Representative	President and Representative Director, Yuji Matsuda
④	Capital	¥11,485 million (as of December 31, 2015)
⑤	Description of business	Manufacturing, processing and sales of paper-pulp and management and administration of subsidiaries

(4) Related time frame at the partner in This Business

①	Date of conclusion of the Basic Agreement	October 7, 2015
②	Date of conclusion of This Integration Contract and This Contract among	April 25, 2016

	Shareholders	
③	Date of conclusion of the contract for the Absorption-Type Corporate Split Resulting in a New Manufacturing Company	End of May, 2016 (plan)
④	Date of resolution at a general meeting of shareholders (Tokushu Tokai Paper)[1]	June 24, 2016 (plan)
⑤	Date of conclusion of the contract for the Absorption-Type Corporate Split Resulting in a New Sales Company	By mid-August, 2016 (plan)
⑥	Date of conclusion of the contract to receive shares of the resulting new manufacturing and sales companies	August 2016 (plan)
⑦	Effective date[2]	October 1, 2016 (plan)

Notes:

1. The absorption-type corporate split resulting in a new sales company is projected to be implemented via the simplified procedures of an absorption-type corporate split based on Article 784, Paragraph 2, of the Companies Act, without approval of a general meeting of shareholders of the Company and Tokushu Tokai Paper.
2. Effective date for the absorption-type corporate split resulting in a new manufacturing company, This Investment and the absorption-type corporate split resulting in a new sales company

(5) Impact on business performance

The impact on the Company's business performance is currently under careful assessment.