

Matters Disclosed on the Internet
Re.

The Notice of the Ordinary General Meeting of Shareholders

Of

Nippon Paper Industries Co., Ltd.

For

93rd Term

(From April 1, 2016 through March 31, 2017)

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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.

Consolidated Statement of Changes in Shareholders' Equity, etc.

(From April 1, 2016, through March 31, 2017)

(Unit: million yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Stocks	Total Shareholders' Equity
Beginning balance	104,873	217,104	82,215	Δ1,378	402,814
Changes during consolidated fiscal year					
Dividend of retained earnings			Δ6,947		Δ6,947
Net income attributable to owners of the parent			8,399		8,399
Acquisition of treasury stocks				Δ20	Δ20
Disposition of treasury stocks		Δ0		1	1
Change in the scope of consolidation			Δ10,188		Δ10,188
Change in ownership interest of parent due to transactions with non-controlling interests		Δ572		Δ0	Δ572
Increase/decrease of treasury stocks associated with change in equity of equity method affiliates				Δ0	Δ0
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	—	Δ572	Δ8,736	Δ19	Δ9,328
Balance at end of the current term	104,873	216,531	73,479	Δ1,398	393,486

	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	18,974	Δ1,193	15,088	Δ13,683	19,185	2,685	424,685
Changes during consolidated fiscal year							
Dividend of retained earnings							Δ6,947
Net income attributable to owners of the parent							8,399
Acquisition of treasury stocks							Δ20
Disposition of treasury stocks							1
Change in the scope of consolidation							Δ10,188
Change in ownership interest of parent due to transactions with non-controlling interests							Δ572
Increase/decrease of treasury stocks associated with change in equity of equity method affiliates							Δ0
Amount of changes in items other than shareholders' equity during the consolidated fiscal term (net amount)	3,275	1,820	5,172	6,981	17,248	2,305	19,554
Total amount of changes during the consolidated fiscal year	3,275	1,820	5,172	6,981	17,248	2,305	10,255
Balance at end of the current term	22,249	626	20,260	Δ6,702	36,434	4,990	434,911

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: 42 companies

Names of primary consolidated subsidiaries:

Nippon Paper Crecia Co., Ltd., Nippon Paper Papylia Co., Ltd.,
Paper Australia Pty Ltd, Nippon Dynawave Packaging Co., NP Trading Co.,
Ltd., Nippon Tokai Industrial Paper Supply 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 or establishment.

(New) 4 companies

Change in importance

Amapa Florestal e Celulose S.A. and its 1 subsidiary

Amapa Florestal e Celulose S.A. and its 1 subsidiary, which were non-consolidated subsidiaries of the Company during the preceding fiscal year, have been included to the scope of consolidation because their 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.

Establishment

Nippon Dynawave Packaging Co.

Nippon Dynawave Packaging Co. was newly established on June 24, 2016, and the Company acquired all of the shares of the company on August 31, 2016, thereby including the company to the scope of consolidation.

Nippon Tokai Industrial Paper Supply Co., Ltd.

The Company newly established Nippon Tokai Industrial Paper Supply Co., Ltd. on July 15, 2016, thereby including the company to the scope of consolidation.

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, Shin Tokai Paper Co., Ltd., 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 acquisition or sales.

(New) 1 company

Acquisition:

Shin Tokai Paper Co., Ltd.

Shin Tokai Paper Co., Ltd. was included to the scope of application of the equity method due to subscription of its shares through a third-party allotment on October 1, 2016.

(Excluded) 1 company

Sales:

North Pacific Paper Company, LLC

On October 28, 2016, the Company sold its equity interest in North Pacific Paper Company, LLC. Accordingly, North Pacific Paper Company, LLC was excluded from the scope of application of the equity method.

- 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

77 companies

Number of affiliated companies not under the equity method:

29 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., Nippon Dynawave Packaging Co., Amapa Florestal e Celulose S.A. and its 1 subsidiary, and Nippon Paper Resources Australia Pty, Ltd. is December 31.

In preparation of the consolidated financial statements, each financial statement as of such date is 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 auxiliary facilities) acquired on or after April 1, 1998 and of auxiliary facilities attached to buildings and structures acquired on or after April 1, 2016, 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 of 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 interests 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 rate 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
- d. • Hedge instrument: Crude oil swap
 - Hedge items: Future purchase transactions of fuel

(iii) Hedge policies

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

(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 Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In line with the revisions to the Corporation Tax Act of Japan, the Company applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the current consolidated fiscal year. Accordingly, the depreciation method for auxiliary facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

This change has minor impact on the consolidated financial statements for the current consolidated fiscal year.

(6) Additional Information

(Adoption of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan [ASBJ] Guidance No. 26, March 28, 2016) from the current consolidated fiscal year.

(Adoption of the Consolidated Taxation System)

During the current consolidated fiscal year, the Company and some of the consolidated subsidiaries filed an application to adopt the consolidated taxation system, and this system will be adopted from the consolidated fiscal year ending March 31, 2018. Accordingly, from the current consolidated fiscal year, accounting treatment was made assuming the adoption of the consolidated taxation system in accordance with the Revised Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1) (ASBJ Practical Issues Task Force [PITF] No. 5, January 16, 2015) and the Revised Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2) (ASBJ PITF No. 7, January 16, 2015).

(7) Changes in Presentation

(Changes in the Consolidated Profit and Loss Statement)

“Gain on sales of fixed assets” (461 million yen in the preceding consolidated fiscal term), which was included in “Others” 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.

“Costs for Business Structure Reform” (732 million yen in the current consolidated fiscal term), which was posted in a separate account in the preceding consolidated fiscal term, is included in “Others” of Extraordinary losses 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	2,744 million yen
Other tangible fixed assets	173 million yen
Total	2,918 million yen

(ii) Secured liabilities

Short-term loan payable	440 million yen
Long-term loan payable (including those payable within a year)	1,554 million yen
Total	1,994 million yen

(2) Accumulated depreciation on tangible fixed assets 2,308,123 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 32,783 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 29, 2016 Ordinary General Meeting of Shareholders	Common shares	3,478	30	March 31, 2016	June 30, 2016
November 2, 2016 Board of Directors	Common shares	3,477	30	September 30, 2016	December 1, 2016

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, 2017 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	3,477	30	March 31, 2017	June 30, 2017

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 is 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.

The fuel price of some fuel purchase transactions with price fluctuation risk is fixed by using the crude oil swap transactions.

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, 2017 (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	90,514	90,514	–
(2) Notes receivable/and accounts receivable-trade	200,440	200,440	–
(3) Investment securities, Other securities	62,990	62,990	–
Stocks in affiliates	44,499	53,798	9,298
Total assets	398,445	407,744	9,298
(4) Notes payable and accounts payable-trade	128,926	128,926	–
(5) Short-term loan payable	262,391	263,080	689
(6) Long-term loan payable	354,353	365,378	11,024
Total liabilities	745,671	757,385	11,713
(7) Derivative transactions*	1,164	1,164	–

(*) 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) 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 (7) 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.

(7) 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 (6) 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, notes payable, and accounts payable-trade.

(Note 2) Since the un-listed stocks (76,101 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: 3,714.63 yen

Basic earnings per share: 72.57 yen

6. Other Notes

Matters related to the Consolidated Profit and Loss Statement

① Gain on transfer of benefit obligation relating to employees' pension fund

The Company Group posted gain on transfer of benefit obligation relating to employees' pension fund (6,944 million yen) in the current consolidated fiscal year.

Gain on transfer of benefit obligation relating to employees' pension fund resulted from transfer of benefit obligation relating to Employee Pension Fund of Nippon Paper Industries-Related Company by consolidated subsidiaries of the Company.

② Loss on business withdrawal

The Company Group posted loss on business withdrawal (23,712 million yen) in the current consolidated fiscal year.

Loss on business withdrawal is loss accompanying withdrawal from the printing and publishing paper business in North America. This mainly consists of loss on sale of the Company's equity interest in North Pacific Paper Company, LLC and loss expected to be incurred in connection with withdrawal from the business of Nippon Paper Industries USA Co., Ltd.

③ Impairment losses

The Company Group posted impairment losses (10,924 million yen) from the following assets for the current consolidated fiscal year.

(Unit: million yen)

Location	Type	Impairment Loss	Remarks
Ichinoseki-shi, Iwate, etc.	Machinery, equipment and vehicles	1,400	Business assets Extraordinary losses “Impairment losses”
	Land	44	
		Total	1,444
Fuji-shi, Shizuoka, etc.	Building and structures	147	Idle assets Extraordinary losses “Impairment losses”
	Land	1,588	
		Total	1,736
Soka-shi, Saitama, etc.	Machinery, equipment and vehicles	323	Assets scheduled to be retired
	Other	33	
		Total	357
Fuji-shi, Shizuoka	Building and structures	1	Extraordinary losses “Impairment losses”
	Machinery, equipment and vehicles	338	
	Other	0	
		Total	340
Kita-ku, Tokyo, etc.	Building and structures	817	Assets scheduled to be disposed
	Machinery, equipment and vehicles	1	
	Other	0	
		Total	819
Iwakuni-shi, Yamaguchi	Land	300	Extraordinary losses “Impairment losses”
		Total	
Washington, U.S.A.	Building and structures	1,363	Business assets Extraordinary losses “Loss on business withdrawal”
	Machinery, equipment and vehicles	4,195	
	Land	188	
	Other	178	
	Total	5,926	
Total		10,924	

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, assets scheduled to be retired and assets scheduled to be disposed by individual

property unit.

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

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 3.0%. For others, their book values are posted as an impairment loss and loss on business withdrawal.

The recoverable value of idle assets, assets scheduled to be retired 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, 2016 through March 31, 2017)

(Unit: million yen)

	Shareholders' Equity											
	Capital	Capital Surplus			Legal retained earnings	Retained earnings					Treasury stocks	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		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	46,678	130,230	432	103	3,631	—	73,921	78,089	Δ1,065	312,128
Changes during the fiscal year												
Dividend of retained earnings									Δ6,956	Δ6,956		Δ6,956
Net loss of the current term									Δ2,997	Δ2,997		Δ2,997
Acquisition of treasury stocks											Δ20	Δ20
Disposition of treasury stocks			Δ0	Δ0							1	0
Reserves for prevention of specific disaster						7			Δ7	—		—
Reserves for reduction entry of special account								6,248	Δ6,248	—		—
Reversal of reserve for revaluation of land									741	741		741
Changes in item other than shareholders' equity during the fiscal year (net amount)												
Total of changes during the fiscal year	—	—	Δ0	Δ0	—	7	—	6,248	Δ15,468	Δ9,212	Δ19	Δ9,232
Balance at the end of current term	104,873	83,552	46,677	130,230	432	111	3,631	6,248	58,453	68,877	Δ1,084	302,895

	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	17,462	Δ984	22,903	39,381	351,509
Changes during the fiscal year					
Dividend of retained earnings					Δ6,956
Net loss of the current term					Δ2,997
Acquisition of treasury stocks					Δ20
Disposition of treasury stocks					0
Reserves for prevention of specific disaster					—
Reserves for reduction entry of special account					—
Reversal of reserve for revaluation of land					741
Changes in item other than shareholders' equity during the fiscal year (net amount)	1,494	1,404	Δ741	2,157	2,157
Total of changes during the fiscal year	1,494	1,404	Δ741	2,157	Δ7,074
Balance at the end of current term	18,957	419	22,161	41,538	344,434

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., the buildings (excluding auxiliary facilities) acquired on or after April 1, 1998, and auxiliary facilities attached to buildings and structures acquired on or after April 1, 2016.

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) 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.

(7) 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 rate 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.

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
- (iv) • Hedge instrument: Crude oil swap
• Hedged item: Future purchase transactions of fuel

④ Hedge policies

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

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 rate 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.

(8) Accounting of consumption tax, etc.

The tax exclusion system is used.

(9) 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.

(10) Changes in the Accounting policy

(Adoption of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In line with the revisions to the Corporation Tax Act of Japan, the Company applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) from the current fiscal year. Accordingly, the depreciation method for auxiliary facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

This change has minor impact on the financial statements for the current fiscal year.

(11) Additional Information

(Adoption of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

(Adoption of the consolidated taxation system)

During the current fiscal year, the Company and some of the consolidated subsidiaries filed an application to adopt the consolidated taxation system, and this system will be adopted from the fiscal year ending March 31, 2018. Accordingly, from the current fiscal year, accounting treatment was made assuming the adoption of the consolidated taxation system in accordance with the Revised Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1) (ASBJ PITF No. 5, January 16, 2015) and the Revised Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2) (ASBJ PITF No. 7, January 16, 2015).

(12) Changes in Presentation

(Changes in the Profit and Loss Statement)

“Foreign exchange gain” (985 million yen in the current fiscal term), which was posted in a separate account in the preceding fiscal term, is included in “Miscellaneous income” of “Non-operating income” for the current fiscal term due to its insignificant monetary value.

“Gain on sales of fixed assets” (102 million yen in the preceding fiscal term), which was included in “Others” of “Extraordinary income” is posted in a separate account for the current fiscal term due to the increase of its materiality.

“Impairment losses” (419 million yen in the preceding fiscal term), which was included in “Others” of “Extraordinary losses” is posted in a separate account for the current fiscal term due to the increase of its materiality.

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	2,744 million yen
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(ii) Secured liabilities

Long-term loan payable (including those payable within a year)	1,461 million yen
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(2) Accumulated depreciation on tangible fixed asset 2,002,149 million yen

(3) Guarantee liabilities

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

Guarantee liabilities 97,277 million yen

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

Short-term monetary receivable from affiliated companies 120,576 million yen

Short-term monetary payable to affiliated companies 65,333 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 Assets.

- 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

Δ47,955 million yen

3. Notes to the Statement of Profit and Loss

(1) Trading volume with affiliated companies

Trading volume through commercial transactions

Sales revenue 182,124 million yen

Operating expenses 182,199 million yen

Trading volume other than commercial transaction 19,654 million yen

(2) Impairment losses

The Company posted impairment losses (3,401 million yen) from the following assets for the current fiscal year.

(Unit: million yen)

Location	Type	Impairment Loss	Remarks
Fuji-shi, Shizuoka, etc.	Building	141	Idle assets Extraordinary losses “Impairment losses”
	Structures	5	
	Land	1,740	
	Total	1,888	
Soka-shi, Saitama, etc.	Machinery and equipment	323	Assets scheduled to be retired Extraordinary losses “Impairment losses”
	Other	29	
	Total	353	
Fuji-shi, Shizuoka	Building	1	Extraordinary losses “Impairment losses”
	Machinery and equipment	338	
	Other	0	
	Total	340	
Kita-ku, Tokyo, etc.	Building	806	Assets scheduled to be disposed Extraordinary losses “Impairment losses”
	Structures	11	
	Machinery and equipment	1	
	Other	0	
	Total	819	
Total		3,401	

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, assets scheduled to be retired and assets scheduled to be disposed by individual property unit.

The recoverable value of idle assets, assets scheduled to be retired 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.

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: 328,807 shares

5. Notes to Tax Effect Accounting

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

Deferred tax assets

Accrued Bonus	1,319 million yen
Allowance for doubtful account	2,262 million yen
Allowance for retirement benefits	8,219 million yen
Loss on valuation of securities	20,619 million yen
Impairment losses	10,529 million yen
Loss carried forward	20,274 million yen
Others	3,747 million yen
<u>Deferred tax assets; Sub-total</u>	<u>66,969 million yen</u>
<u>Valuation allowance</u>	<u>Δ41,559 million yen</u>
Deferred tax assets: Total	25,410 million yen

Deferred tax liabilities

Reserves for deduction entry of fixed assets	Δ2,005 million yen
Reserves for reduction entry of special account	Δ2,767 million yen
Valuation differences on other securities	Δ7,667 million yen
Others	Δ277 million yen
<u>Deferred tax liabilities: Total</u>	<u>Δ12,716 million yen</u>

Net amount of deferred tax assets 12,694 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.

The “Act for the Partial Revision of the Act for the Partial Revision of the Consumption Tax Act for the Fundamental Reform of the Taxation System to Achieve a Stable Source of Revenue for Social Security” (Act No. 85 of 2016) and the “Act for the Partial Revision of the Act for the Partial Revision of the Local Tax Act and Local Allocation Tax Act for the Fundamental Reform of the Taxation System to Achieve a Stable Source of Revenue for Social Security” (Act No. 86 of 2016) were passed at the National Diet on

November 18, 2016, and the implementation timing of the consumption tax rate increase to 10% was postponed from April 1, 2017 to October 1, 2019.

Accordingly, the implementation timing of abolishment of the special local corporation tax and accompanying restoration of the enterprise tax, amendment of the local corporation tax rate, and amendment of the corporation inhabitants tax-corporation levy rate was postponed from the fiscal years starting on or after April 1, 2017 to the fiscal years starting on or after October 1, 2019.

The statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities was not changed. However, as a reclassification of tax rates between national and local taxes will be required, the amount of deferred tax assets (the amount after deduction of deferred tax liabilities) decreased, and the adjustment for corporate income tax, etc. increased by the same amount. This change of tax rate has minor impact on the financial statements for the current fiscal year.

6. Notes to the transactions with related parties

Subsidiaries, etc.

Type	Name of Company, etc.	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 100.00	—	Sales of the Company's products. Sales of raw materials to the Company, etc.	Lending & collection of short-term funds (Note 1, 2)	22,705	Short-term loan receivable	22,347
					Receiving & assignment of notes receivables (Note 3)	37,428	Account payable	8,479
					Sales of products (Note 4)	111,108	Accounts receivable—trade	31,065
					Purchase of raw materials, etc. (Note 4)	41,871	Accounts payable—trade	14,470
	Nippon Tokai Industrial Paper Supply Co., Ltd. (Note 8)	Direct 65.00	One (1) concurrently serving	Sales of the Company's products	Sales of products (Note 4)	30,940	Accounts receivable—trade	22,013
	Nippon Paper Lumber Co., Ltd.	Direct 100.00	—	Sales of raw materials to the Company	Receiving & assignment of notes receivables (Note 3)	13,100	Account payable	2,516
	Nippon Paper Ishinomaki Energy Center Ltd.	Direct 70.00	—	Debt Guarantee	Debt guarantee (Note 5)	19,681	—	—
	Paper Australia Pty Ltd.	Direct 100.00	One (1) concurrently serving	Sales of the Company's products	Debt guarantee (Note 5)	17,221	—	—
	Amapa Florestal e Celulose S.A.	Direct 100.00	—	Sales of raw materials to the Company	Debt guarantee (Note 5)	15,589	—	—
	Nippon Dynawave Packaging Co.	Direct 100.00	—	Sales of raw materials to the Company	Debt guarantee (Note 5)	13,305	—	—
Undertaking of investment (Note 6)					21,453	—	—	
Nippon Paper Industries USA Co., Ltd.	Indirect 100.00	—	Sales of raw materials to the Company	Undertaking of capital increase (Note 7)	23,489	—	—	

(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 Nippon Paper Ishinomaki Energy Center Ltd., Paper Australia Pty Ltd., Amapa Florestal e Celulose S.A. and Nippon Dynawave Packaging Co. The amounts of such transactions are the balance of the debt guarantee as of the end of the current fiscal year.
- (Note 6) Investment was made for establishment of the company.
- (Note 7) Capital increase was made in response to demand for funds for business withdrawal.
- (Note 8) The Company split and transferred sales functions of the containerboard and sack and general purpose kraft paper business to Nippon Tokai Industrial Paper Supply Co., Ltd.

7. Notes to Per Share Information

Net assets per share:	2,971.16 yen
Basic earnings per share:	25.86 yen