Matters Disclosed on the Internet
Re.

The Notice of the Ordinary General Meeting of Shareholders

Of

Nippon Paper Industries Co., Ltd.

For

95th Term
(From April 1, 2018 through March 31, 2019)

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 (https://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.

Basic Policy on Control of the Stock Company in the Business Report

(1) About the Basic Policy

The Company believes that persons who control decision-making over the financial and business policies of the Company must be able to ensure and enhance the corporate value of the Company and ultimately, the common interests of its shareholders.

Meanwhile, as the shares of the Company are listed and traded freely in the market, the Company also believes that the way of person who control of the Company should ultimately rest on the will of the shareholders as a whole, and that the final decision as to whether or not to accept a purchase offer for shares that involves a change of control of the Company should also be ultimately made based upon the will of the shareholders as a whole. Nonetheless, among those large-scale purchases or offers to purchase the Company's shares, etc., there may be cases that would harm the common interests of the shareholders such as: those with a purpose of acquisition or intended management policies after the acquisition that would obviously harm the corporate value and, subsequently, the common interests of shareholders; those with a potential to substantially coerce shareholders into selling their shares; those not providing sufficient time or information for the shareholders to consider the conditions, etc., of the acquisition, or for the Board of Directors of the Company to make an alternative proposal; and those requiring negotiation with the purchaser in order to procure more favorable terms than those presented by the purchaser, etc.

The Company considers such person who makes or offers such large-scale purchases are exceptionally not suitable as a person to have control over the financial and business policies of the Company.

(2) Efforts to Realize the Basic Policy

1) Medium-Term Business Plan

The Company Group is practicing corporate activities which seek to balance the affluent human life with the global environment through utilization of renewable wood resources.

In order to ensure this sustainable growth continues, we formulate and promote the Medium-Term Business Plan every three years.

From April 2018, the Company Groups is pressing forward with the Sixth Medium-Term Business Plan (a three-year plan). In terms of existing business, we strive to secure stable profit through reorganizing the production structure of paper business to support the reform of the business structure. Meanwhile, we will accelerate the transformation of our business structure by making further investment for expanding the growing fields including packaging, healthcare, chemical and energy businesses and strengthening competitive power of new businesses.

We will contribute to human life and culture through sound material-cycle business based on forest resources and will work to ensure and enhance the corporate value and the common interest of its shareholders.

2) Efforts for Corporate Governance

The Company places highest priority on realizing a fair management through further improvement of management transparency to our stakeholders including shareholders. We introduced the Corporate Officer System to ensure segregation of execution of business from supervision of management and will continue to strive to strengthen the function for supervision of the Board of Directors. The Company, as a commanding office for group management, will promote growth strategies, monitor affiliated business and promote compliance.

With such efforts, the Company will work on further reinforcement of corporate governance.

The basic policy on control of the stock company is as stated above. The Company will make efforts to enhance the corporate value of the Company and ultimately, the interests of all shareholders. In addition, in the case that a Large-Scale Purchases of shares, etc., of the Company is carried out, the Company will seek necessary and sufficient information so that shareholders can make a proper judgment about appropriateness of those Large-Scale Purchases and disclose opinions of the Board of Directors of the Company or implement other appropriate measures, based on Financial Instruments and Exchange Act, Companies Act, and other applicable laws and regulations.

Consolidated Statement of Changes in Shareholders' Equity, etc.

(From April 1, 2018 through March 31, 2019)

(Unit: million yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Stocks	Total Shareholders' Equity
Beginning balance	104,873	216,420	73,506	△1,414	393,386
Changes during consolidated fiscal year					
Dividend of retained earnings			△3,473		△3,473
Net loss attributable to owners of the parent			△35,220		△35,220
Acquisition of treasury stocks				△13	△13
Disposition of treasury stocks		△0		0	0
Change in the scope of consolidation			452		452
Change in ownership interest of parent due to transactions with non-controlling interests		△6			△6
Change in treasury shares arising from change in equity in entities accounted for using equity method				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	—	△6	△38,240	△13	△38,260
Balance at end of the current term	104,873	216,414	35,265	△1,427	355,125

	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	23,243	△1,566	23,338	△1,376	43,638	6,373	443,398
Changes during consolidated fiscal year							
Dividend of retained earnings							△3,473
Net income attributable to owners of the parent							△35,220
Acquisition of treasury stocks							△13
Disposition of treasury stocks							0
Change in the scope of consolidation							452
Change in ownership interest of parent due to transactions with non-controlling interests							△6
Change in treasury shares arising from change in equity in entities accounted for using equity method							0
Amount of changes in items other than shareholders' equity during the consolidated fiscal term (net amount)	△1,968	△717	△7,918	△3,000	△13,605	3,811	△9,793
Total amount of changes during the consolidated fiscal year	△1,968	△717	△7,918	△3,000	△13,605	3,811	△48,054
Balance at end of the current term	21,274	△2,283	15,419	△4,377	30,033	10,184	395,343

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: 48 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

Crecia-Kasuga Co., Ltd.

Iwakuni-Kaiun Co., Ltd.

Establishment

Maryvale Sustainable Energy Pty Ltd

Amcel-Amapá Florestal e Celulose-SCP

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

Name of principal equity method companies

LINTEC Corporation, Shin Tokai Paper Co., Ltd., Nippon Tokan Package Co., Ltd., Phoenix Pulp & Paper Public Co., Ltd.

During the current consolidated fiscal year, there were the following changes due to sales.

(Excluded) 1 company

Daishowa-Marubeni International 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

71 companies

Number of affiliated companies not under the equity method:

27 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 8 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 2 subsidiaries, 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 (7-15 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.

⑪ Adoption of the consolidated taxation system

The Company and some of the consolidated subsidiaries have adopted the consolidated taxation system.

2. Changes in Accounting Policies

(Application of IFRS No. 15 "Revenue from contracts with customers")

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

3. Changes in Presentation

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and other standards)

The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards have been applied from the current fiscal term, thereby the presentation method was changed to present "Deferred tax assets" under "Investment and other assets" and "Deferred tax liabilities" under "Fixed liabilities."

(Changes in the Consolidated Statement Profit and Loss)

"Foreign exchange losses" (838 million yen in the preceding fiscal term), which was included in "Others" of "Non-operating expenses" in the preceding fiscal term, is posted in a separate account for the current fiscal term due to the increase of its monetary materiality.

"Loss on valuation of investment securities" (625 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 loss" for the current fiscal term due to its insignificant monetary value.

4. Changes in Accounting Estimates

(Provision for environmental measures)

To prepare for the expenses of disposal of PCB (polychlorinated biphenyl) wastes, an estimated amount for disposal has been allocated. As the Company found that PCB (polychlorinated biphenyl) waste is stored at its mills, the estimated amount for disposal is recorded as "Provision for environmental measures" under "Extraordinary loss." As a result, "Net loss before tax and other adjustment for the current term" increased by 13,700 million yen for the current fiscal term.

Furthermore, an estimated amount of expenses for disposal of low-concentration PCB wastes is also recorded in "Non-operating expenses (Other)" as detailed estimation has become possible in line with the progress of the disposal. As a result, "Ordinary income" decreased by 860 million yen and "Net loss before tax and other adjustment for the current term" increased by 860 million yen for the current fiscal term.

5. 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

Machinery, equipment and vehicles	14 million yen
Land	2,041 million yen
Total	2,055 million yen

(ii) Secured liabilities

Short-term loan payable	630 million yen
Long-term loan payable (including those payable within a year)	705 million yen
Total	1,335 million yen

(2) Accumulated depreciation on tangible fixed assets 2,338,852 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	4,279 million yen

6. 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 28, 2018 Ordinary General Meeting of Shareholders	Common shares	3,477	30	March 31, 2018	June 29, 2018

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 27, 2019 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	3,477	30	March 31, 2019	June 28, 2019

7. 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, 2019 (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	63,455	63,455	–
(2) Notes receivable/and accounts receivable-trade	234,671	234,671	–
(3) Investment securities,			
Other securities	52,250	52,250	–
Stocks in affiliates	50,507	54,361	3,854
Total assets	400,885	404,740	3,854
(4) Notes payable and accounts payable-trade	145,132	145,132	–
(5) Short-term loan payable	224,227	224,807	580
(6) Long-term loan payable	401,474	412,875	11,400
Total liabilities	770,833	782,815	11,981
(7) Derivative transactions*	(2,881)	(2,881)	–

(*) 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 (56,440 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.”

8. Notes to Per Share Information

Net assets per share: 3,328.28 yen

Net loss per share: 304.34 yen

9. Other Notes

Matters related to the Consolidated Profit and Loss Statement

Impairment loss

The Company Group posted impairment loss (30,976 million yen) from the following assets for the current consolidated fiscal year.

(Unit: million yen)

Location	Type	Impairment Loss	Remarks
Fuji-shi, Shizuoka Tomakomai-shi, Hokkaido, etc.	Building and structures Machinery, equipment and vehicles Land Other	372 6,476 9,872 2 Total 16,724	Assets scheduled to be retired Extraordinary loss “Loss on reorganization of production structure”

Kushiro-shi, Hokkaido, Iwanuma-shi, Miyagi	Machinery, equipment and vehicles Land	7,013 5,590 Total 12,604	Assets for newspaper paper business Extraordinary loss "Impairment loss"
Akita-shi, Akita, etc.	Land	781 Total 781	Idle assets Extraordinary loss "Impairment loss"
Kushiro-shi, Hokkaido, etc.	Building and structures Machinery, equipment and vehicles Land Other	171 16 389 288 Total 866	Assets scheduled to be disposed of Extraordinary loss "Impairment loss"
Total		30,976	

For determination of the sign of impairment loss, 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 of 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 in the Extraordinary loss.

Further, the recoverable value of business assets is measured in terms of its value in use, and calculated by discounting future cash flows by 3.0%.

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

In addition, during the current fiscal term, the Group recorded "Loss on reorganization of production structure" (18,330 million yen) associated with the reorganization of production structure in the paper business, of which, 16,724 million yen is due to the impairment loss of fixed assets.

Statement of Changes in Shareholders’ Equity, etc.

(From April 1, 2018 through March 31, 2019)

(Unit: million yen)

	Shareholders’ Equity										
	Capital	Capital Surplus			Retained earnings					Treasury stocks	Total share-holders’ 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	Retained earnings carried forward			
Beginning balance	104,873	83,552	46,677	130,229	432	118	3,631	76,906	81,089	△1,101	315,090
Changes during the fiscal year											
Dividend of retained earnings								△3,477	△3,477		△3,477
Net loss of the current term								△63,246	△63,246		△63,246
Acquisition of treasury stocks										△13	△13
Disposition of treasury stocks			△0	△0						0	0
Reserves for prevention of specific disaster						8		△8	—		—
Reversal for reduction entry of special account							△419	419	—		—
Reversal of reserve for revaluation of land								13,674	13,674		13,674
Changes in item other than shareholders’ equity during the fiscal year (net amount)											
Total of changes during the fiscal year	—	—	△0	△0	—	8	△419	△52,639	△53,050	△13	△53,063
Balance at the end of current term	104,873	83,552	46,677	130,229	432	127	3,212	24,267	28,039	△1,114	262,027

	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	19,413	△1,061	22,057	40,410	355,501
Changes during the fiscal year					
Dividend of retained earnings					△3,477
Net loss of the current term					△63,246
Acquisition of treasury stocks					△13
Disposition of treasury stocks					0
Reserves for prevention of specific disaster					—
Reversal for reduction entry of special account					—
Reversal of reserve for revaluation of land					13,674
Changes in item other than shareholders' equity during the fiscal year (net amount)	△996	△395	△13,674	△15,066	△15,066
Total of changes during the fiscal year	△996	△395	△13,674	△15,066	△68,129
Balance at the end of current term	18,417	△1,456	8,383	25,343	287,371

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. When the amount of pension assets exceeds the amount of retirement benefit liabilities excluding actuarial differences, the excess amount is recorded as prepaid pension cost.

In calculation of retirement benefit liabilities, the method for the estimated amount of retirement benefits to be attributed to the financial statement for the period until the end of 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 (7-15 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

③ 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) Adoption of the consolidated taxation system

The consolidated taxation system is applied.

(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.

2. Changes in Presentation

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” and other standards)

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and other standards have been applied from the current fiscal term, thereby the presentation method was changed to present “Deferred tax assets” under “Investment and other assets” and “Deferred tax liabilities” under “Fixed liabilities.”

(Changes in the Profit and Loss Statement)

“Provision for allowance for doubtful accounts” (556 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 loss” for the current fiscal term due to its insignificant monetary value.

3. Changes in Accounting Estimates

(Provision for environmental measures)

To prepare for the expenses of disposal of PCB (polychlorinated biphenyl) wastes, an estimated amount for disposal has been allocated. As the Company found that PCB (polychlorinated biphenyl) waste is stored at its mills, the estimated amount for disposal is recorded as “Provision for environmental measures” under “Extraordinary loss.” As a result, “Net loss before tax and other adjustment for the current term” increased by 13,700 million yen for the current fiscal term.

Furthermore, an estimated amount of expenses for disposal of low-concentration PCB wastes is also recorded in “Non-operating expenses (Miscellaneous expenses)” as detailed estimation has become possible in line with the progress of the disposal. As a result, “Ordinary loss” increased by 860 million yen and “Pre-tax net loss for the current term” increased by 860 million yen for the current fiscal term.

4. Notes to the Balance Sheet

(1) Accumulated depreciation on tangible fixed asset 2,047,526 million yen

(2) Guarantee liabilities

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

Guarantee liabilities	97,316 million yen

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

Short-term monetary receivable from affiliated companies	154,403 million yen
Short-term monetary payable to affiliated companies	72,337 million yen

(4) 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) 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).
- 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

△41,074 million yen

5. Notes to the Statement of Profit and Loss

(1) Trading volume with affiliated companies

Trading volume through commercial transactions	
Sales revenue	229,872 million yen
Operating expenses	194,310 million yen
Trading volume other than commercial transaction	29,647 million yen

(2) Impairment loss

The Company posted impairment loss (37,879 million yen) from the following assets for the current fiscal year.

(Unit: million yen)

Location	Type	Impairment Loss	Remarks
Fuji-shi, Shizuoka Tomakomai-shi, Hokkaido, etc.	Building and structures	371	Assets scheduled to be retired Extraordinary loss “Loss on reorganization of production structure”
	Machinery, equipment and vehicles	6,041	
	Land	16,673	
	Other	2	
		Total 23,088	
Kushiro-shi, Hokkaido, Iwanuma-shi, Miyagi	Machinery, equipment and vehicles	7,013	Assets for newspaper paper business Extraordinary loss “Impairment loss”
	Land	6,596	
		Total 13,609	
Akita-shi, Akita, etc.	Land	782	Idle assets Extraordinary loss “Impairment loss”
		Total 782	
Kushiro-shi, Hokkaido, etc.	Building and structures	164	Assets scheduled to be disposed of Extraordinary loss “Impairment loss”
	Other	235	
		Total 400	
Total		37,879	

For determination of the sign of impairment loss, 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 of 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 in the Extraordinary loss.

Further, the recoverable value of business assets is measured in terms of its value in use, and calculated by discounting future cash flows by 3.0%.

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

In addition, during the current fiscal term, the Company recorded “Loss on reorganization of production structure” (24,694 million yen) associated with the reorganization of production structure in the paper business, of which, 23,088 million yen is due to the impairment loss of fixed assets.

6. 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:	343,458 shares

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7. Notes to Tax Effect Accounting

Breakdown of major causes for deferred tax assets and deferred tax liabilities

Deferred tax assets	
Accrued Bonus	1,371 million yen
Allowance for doubtful account	3,061 million yen
Allowance for retirement benefits	4,642 million yen
Loss on valuation of securities	26,798 million yen
Impairment loss	15,236 million yen
Loss carried forward	17,119 million yen
Provision for environmental measures	4,482 million yen
Others	3,938 million yen
Deferred tax assets; Sub-total	76,647 million yen
Valuation allowance	△69,255 million yen
Deferred tax assets: Total	7,392 million yen
Deferred tax liabilities	
Reserves for deduction entry of fixed assets	△1,820 million yen
Valuation differences on other securities	△7,520 million yen
Others	△94 million yen
Deferred tax liabilities: Total	△9,434 million yen
Net amount of deferred tax liabilities	△2,042 million yen

8. 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	Nippon Paper Crecia Co., Ltd.	Direct 100.00	The Company's Officer concurrently serving	Purchase of raw materials from the Company Sales of products to the Company	Lending & collection of short-term funds (Note 1, 2)	10,882	Short-term loan receivable	11,807
	NP Trading Co., Ltd.	Direct 100.00	The Company's Officer concurrently serving	Sales of the Company's products. Sales of raw materials to the Company, etc.	Lending & collection of short-term funds (Note 1, 2)	25,632	Short-term loan receivable	28,033
					Receiving & assignment of notes receivables (Note 3)	32,739	Account payable	8,311
					Sales of products (Note 4)	113,926	Accounts receivable —trade	31,443
					Purchase of raw materials, etc. (Note 4)	50,773	Accounts payable —trade	17,890
	Nippon Tokai Industrial Paper Supply Co., Ltd. (Note 8)	Direct 65.00	The Company's Officer concurrently serving	Sales of the Company's products	Sales of products (Note 4)	73,184	Accounts receivable —trade	33,110
	Nippon Paper Lumber Co., Ltd.	Direct 100.00	The Company's employee concurrently serving	Sales of raw materials to the Company	Receiving & assignment of notes receivables (Note 3)	10,701	Account payable	2,405
	Nippon Paper Ishinomaki Energy Center Ltd.	Direct 70.00	The Company's employee concurrently serving	Debt Guarantee	Debt guarantee (Note 5)	33,647	—	—
	Paper Australia Pty Ltd.	Direct 100.00	The Company's Officer concurrently serving	Sales of the Company's products Debt Guarantee	Debt guarantee (Note 5)	18,651	—	—
	Amapa Florestal e Celulose S.A.	Direct 100.00	The Company's employee concurrently serving	Sales of raw materials to the Company Debt Guarantee	Debt guarantee (Note 5)	13,501	—	—

(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., and Amapa Florestal e Celulose S.A. The amounts of such transactions are the balance of the debt guarantee as of the end of the current fiscal year.

9. Notes to Per Share Information

Net assets per share:	2,479.23 yen
Net loss per share:	545.63 yen