

1 Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet as of March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Assets			
Current assets			
Cash and deposits	89,201	66,680	627,638
Notes and accounts receivable - trade	84,690	*6 98,334	925,579
Electronically recorded monetary claims - operating	8,008	*6 11,419	107,484
Merchandise and finished goods	37,504	40,929	385,246
Work in process	4,594	6,121	57,612
Raw materials and supplies	21,489	25,052	235,803
Deferred tax assets	4,503	3,843	36,177
Other	7,060	8,437	79,429
Allowance for doubtful accounts	(1)	(7)	(70)
Total current assets	257,048	260,808	2,454,898
Non-current assets			
Property, plant and equipment			
Buildings and structures	196,762	*2 214,476	2,018,784
Accumulated depreciation	(127,769)	(140,181)	(1,319,472)
Buildings and structures, net	*1 68,993	*1 74,295	699,312
Machinery, equipment and vehicles	*2 815,254	*2 854,013	8,038,524
Accumulated depreciation	(680,991)	(722,513)	(6,800,762)
Machinery, equipment and vehicles, net	*1 134,263	*1 131,500	1,237,762
Land	*1, *2 74,042	*1, *2 79,987	752,891
Construction in progress	12,050	24,255	228,304
Other	*2 19,472	*2 21,470	202,095
Accumulated depreciation	(9,636)	(11,943)	(112,418)
Other, net	*1 9,836	*1 9,527	89,677
Total property, plant and equipment	299,184	319,564	3,007,946
Intangible assets			
Goodwill	48,865	47,443	446,565
Other	4,213	9,050	85,181
Total intangible assets	53,078	56,493	531,746
Investments and other assets			
Investment securities	*3 35,812	*3 33,466	315,004
Long-term loans receivable	3,850	3,804	35,808
Deferred tax assets	531	2,296	21,610
Other	*3 9,055	*3 10,478	98,620
Allowance for doubtful accounts	(980)	(993)	(9,344)
Total investments and other assets	48,268	49,051	461,698
Total non-current assets	400,530	425,108	4,001,390
Deferred assets	169	225	2,117
Total assets	657,747	686,141	6,458,405

The accompanying notes are an integral part of these financial statements.

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Liabilities			
Current liabilities			
Notes and accounts payable - trade	48,446	58,686	552,393
Short-term loans payable	*1 26,360	24,734	232,814
Current portion of long-term loans payable	*1 72,706	*1 50,558	475,889
Accounts payable - other	25,265	37,151	349,690
Current portion of long-term accounts payable - facilities	*1 2,621	*1 1,374	12,934
Income taxes payable	5,210	2,090	19,670
Provision for bonuses	4,687	5,013	47,182
Provision for directors' bonuses	121	106	1,002
Other	10,872	12,511	117,750
Total current liabilities	196,288	192,223	1,809,324
Non-current liabilities			
Bonds payable	15,300	40,300	379,330
Convertible bond-type bonds with share acquisition rights	30,105	30,075	283,085
Long-term loans payable	*1 192,521	*1 195,681	1,841,878
Long-term accounts payable - facilities	*1 2,385	*1 1,789	16,839
Net defined benefit liability	20,127	22,884	215,402
Provision for directors' retirement benefits	287	296	2,784
Provision for environmental measures	2	26	247
Provision for loss on business of subsidiaries and associates	174	121	1,141
Other	9,479	9,681	91,127
Total non-current liabilities	270,380	300,853	2,831,833
Total liabilities	466,668	493,076	4,641,157
Net assets			
Shareholders' equity			
Capital stock	39,707	39,707	373,751
Capital surplus	39,817	39,817	374,783
Retained earnings	94,067	96,513	908,437
Treasury shares	(2,909)	(2,909)	(27,384)
Total shareholders' equity	170,682	173,128	1,629,587
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	10,815	9,888	93,076
Foreign currency translation adjustment	(4,432)	(4,302)	(40,495)
Remeasurements of defined benefit plans	(540)	(684)	(6,439)
Total accumulated other comprehensive income	5,843	4,902	46,142
Non-controlling interests	14,554	15,035	141,519
Total net assets	191,079	193,065	1,817,248
Total liabilities and net assets	657,747	686,141	6,458,405

The accompanying notes are an integral part of these financial statements.

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

[Consolidated Statement of Income for the fiscal year ended March 31, 2018]

	Millions of Yen		Thousands of U.S. Dollars
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Net sales	477,140	531,311	5,001,049
Cost of sales	*2, *6 358,005	*2, *6 409,937	3,858,597
Gross profit	119,135	121,374	1,142,452
Selling, general and administrative expenses	*1, *2 95,600	*1, *2 110,312	1,038,332
Operating profit	23,535	11,062	104,120
Non-operating income			
Interest income	145	264	2,486
Dividend income	693	703	6,616
Purchase discounts	304	321	3,018
Foreign exchange gains	—	100	942
Subsidy income	1,183	3,720	35,017
Other	1,914	1,792	16,872
Total non-operating income	4,239	6,900	64,951
Non-operating expenses			
Interest expenses	3,730	3,201	30,129
Foreign exchange losses	1,205	—	—
Other	1,492	1,982	18,654
Total non-operating expenses	6,427	5,183	48,783
Ordinary profit	21,347	12,779	120,288
Extraordinary income			
Gain on sales of non-current assets	*3 363	*3 150	1,409
Gain on sales of investment securities	32	5,754	54,164
Gain on bargain purchase (negative goodwill)	—	1,034	9,732
Other	192	135	1,273
Total extraordinary income	587	7,073	66,578
Extraordinary losses			
Loss on sales and retirement of non-current assets	*4 1,421	*4 598	5,629
Loss on sales of investment securities	0	155	1,458
Loss on valuation of investment securities	163	24	225
Loss on disaster	229	177	1,663
Impairment loss	*5 865	*5 6,848	64,455
Retirement benefit expenses	*7 972	—	—
Early retirement expenses	—	*8 894	8,413
Other	166	32	313
Total extraordinary losses	3,816	8,728	82,156
Profit before income taxes	18,118	11,124	104,710
Income taxes - current	7,607	5,488	51,660
Income taxes - deferred	(1,405)	1,835	17,271
Total income taxes	6,202	7,323	68,931
Profit	11,916	3,801	35,779
Loss attributable to non-controlling interests	(220)	(170)	(1,595)
Profit attributable to owners of parent	12,136	3,971	37,374

The accompanying notes are an integral part of these financial statements.

[Consolidated Statement of Comprehensive Income for the fiscal year ended March 31, 2018]

	Millions of Yen		Thousands of U.S. Dollars
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Profit	11,916	3,801	35,779
Other comprehensive income			
Valuation difference on available-for-sale securities	4,637	(879)	(8,273)
Foreign currency translation adjustment	(1,922)	(41)	(389)
Remeasurements of defined benefit plans, net of tax	274	(146)	(1,373)
Total other comprehensive income	* 2,989	* (1,066)	(10,035)
Comprehensive income	14,905	2,735	25,744
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	15,366	3,029	28,513
Comprehensive income attributable to non-controlling interests	(461)	(294)	(2,769)

The accompanying notes are an integral part of these financial statements.

3) Consolidated Statement of Changes in Net Assets for the fiscal year ended March 31, 2018

Year ended March 31, 2017

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	39,707	39,922	83,772	(2,907)	160,494
Changes of items during period					
Dividends			(1,669)		(1,669)
Profit attributable to owners of parent			12,136		12,136
Purchase of treasury shares				(2)	(2)
Change of scope of consolidation		(105)	(172)		(277)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(105)	10,295	(2)	10,188
Balance at end of current period	39,707	39,817	94,067	(2,909)	170,682

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	6,250	(2,822)	(814)	2,614	11,712	174,820
Changes of items during period						
Dividends						(1,669)
Profit attributable to owners of parent						12,136
Purchase of treasury shares						(2)
Change of scope of consolidation						(277)
Net changes of items other than shareholders' equity	4,565	(1,610)	274	3,229	2,842	6,071
Total changes of items during period	4,565	(1,610)	274	3,229	2,842	16,259
Balance at end of current period	10,815	(4,432)	(540)	5,843	14,554	191,079

Year ended March 31, 2018

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	39,707	39,817	94,067	(2,909)	170,682
Changes of items during period					
Dividends			(1,524)		(1,524)
Profit attributable to owners of parent			3,971		3,971
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,446	(0)	2,446
Balance at end of current period	39,707	39,817	96,513	(2,909)	173,128

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	10,815	(4,432)	(540)	5,843	14,554	191,079
Changes of items during period						
Dividends						(1,524)
Profit attributable to owners of parent						3,971
Purchase of treasury shares						(0)
Change of scope of consolidation						(1)
Net changes of items other than shareholders' equity	(927)	130	(144)	(941)	481	(460)
Total changes of items during period	(927)	130	(144)	(941)	481	1,986
Balance at end of current period	9,888	(4,302)	(684)	4,902	15,035	193,065

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	373,751	374,783	885,416	(27,378)	1,606,572
Changes of items during period					
Dividends			(14,347)		(14,347)
Profit attributable to owners of parent			37,374		37,374
Purchase of treasury shares				(6)	(6)
Change of scope of consolidation			(6)		(6)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	23,021	(6)	23,015
Balance at end of current period	373,751	374,783	908,437	(27,384)	1,629,587

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	101,799	(41,714)	(5,082)	55,003	136,988	1,798,563
Changes of items during period						
Dividends						(14,347)
Profit attributable to owners of parent						37,374
Purchase of treasury shares						(6)
Change of scope of consolidation						(6)
Net changes of items other than shareholders' equity	(8,723)	1,219	(1,357)	(8,861)	4,531	(4,330)
Total changes of items during period	(8,723)	1,219	(1,357)	(8,861)	4,531	18,685
Balance at end of current period	93,076	(40,495)	(6,439)	46,142	141,519	1,817,248

The accompanying notes are an integral part of these financial statements.

4) Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Cash flows from operating activities			
Profit before income taxes	18,118	11,124	104,710
Depreciation	29,017	31,171	293,403
Impairment loss	865	6,848	64,455
Early retirement expenses	—	894	8,413
Amortization of goodwill	4,158	4,026	37,898
Gain on bargain purchase (negative goodwill)	—	(1,034)	(9,732)
Increase (decrease) in allowance for doubtful accounts	(112)	(38)	(358)
Increase (decrease) in provision for loss on business of subsidiaries and associates	(51)	(53)	(500)
Loss (gain) on sales of investment securities	(32)	(5,600)	(52,706)
Loss (gain) on valuation of investment securities	163	24	225
Increase (decrease) in net defined benefit liability	1,557	45	422
Interest and dividend income	(838)	(967)	(9,102)
Interest expenses	3,730	3,201	30,129
Foreign exchange losses (gains)	1,205	(100)	(942)
Subsidy income	(1,183)	(3,720)	(35,017)
Insurance income	(807)	(141)	(1,324)
Loss (gain) on sales of property, plant and equipment	(222)	(129)	(1,212)
Loss (gain) on retirement of property, plant and equipment	1,280	577	5,432
Decrease (increase) in notes and accounts receivable - trade	2,882	(8,012)	(75,412)
Decrease (increase) in inventories	5,393	(5,223)	(49,167)
Increase (decrease) in notes and accounts payable - trade	(555)	5,013	47,189
Increase (decrease) in other assets/liabilities	3,149	3,660	34,450
Increase (decrease) in accrued consumption taxes	1,422	(786)	(7,401)
Other, net	106	(659)	(6,204)
Subtotal	69,245	40,121	377,649
Payments for early retirement expenses	—	(888)	(8,360)
Income taxes paid	(7,912)	(12,907)	(121,488)
Income taxes refund	12	—	—
Proceeds from subsidy income	646	3,924	36,931
Proceeds from insurance income	941	206	1,943
Net cash provided by (used in) operating activities	62,932	30,456	286,675

	Millions of Yen		Thousands of U.S. Dollars
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Cash flows from investing activities			
Net decrease (increase) in time deposits	2,024	(114)	(1,073)
Purchase of property, plant and equipment	(34,694)	(31,019)	(291,967)
Proceeds from sales of property, plant and equipment	1,269	1,293	12,168
Purchase of investment securities	(172)	(166)	(1,561)
Proceeds from sales of investment securities	60	9,321	87,738
Purchase of intangible assets	(1,048)	(2,806)	(26,415)
Return of investments in capital of subsidiaries and associates	849	—	—
Loans receivable granted	(7)	(14)	(131)
Collection of loans receivable	7	6	56
Purchase of shares of subsidiaries resulting in change of scope of consolidation	—	*2 (27,021)	(254,338)
Interest and dividend income received	1,137	1,291	12,151
Other, net	(819)	(965)	(9,087)
Net cash provided by (used in) investing activities	(31,394)	(50,194)	(472,459)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(7,200)	(1,826)	(17,186)
Proceeds from long-term loans payable	65,300	52,150	490,870
Repayments of long-term loans payable	(80,006)	(73,362)	(690,531)
Redemption of bonds	(10,320)	—	—
Proceeds from issuance of bonds	15,300	24,890	234,282
Proceeds from issuance of common shares assigned to non-controlling interests	1,320	776	7,300
Interest expenses paid	(4,189)	(3,462)	(32,591)
Cash dividends paid	(1,669)	(1,620)	(15,250)
Other, net	(573)	(622)	(5,843)
Net cash provided by (used in) financing activities	(22,037)	(3,076)	(28,949)
Effect of exchange rate change on cash and cash equivalents	(468)	165	1,551
Net increase (decrease) in cash and cash equivalents	9,033	(22,649)	(213,182)
Cash and cash equivalents at beginning of period	72,169	82,733	778,736
Increase in cash and cash equivalents from newly consolidated subsidiary	1,531	2	15
Cash and cash equivalents at end of period	*1 82,733	*1 60,086	565,569

The accompanying notes are an integral part of these financial statements.

[Notes to Consolidated Financial Statements]

(Basis of Presenting Consolidated Financial Statements)

The accompanying consolidated financial statements of Daio Paper Corporation (hereinafter referred to as “the Company”) have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (hereinafter referred to as “Japanese GAAP”), which are different in certain aspects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing the consolidated financial statements, certain reclassification and rearrangements have been made to the financial statements issued in Japan in order to present these statements in a form which is more familiar to readers of these statements outside Japan.

In preparing the accompanying consolidated financial statements, Japanese yen figures including the subtotal and total amounts less than one million yen have been rounded up or down to the nearest million yen. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2018, which was ¥106.24 to \$1.00. U.S. dollar figures including the subtotal and total amounts less than one thousand dollars have been rounded up or down to the nearest thousand dollars. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(Summary of Significant Accounting and Reporting Policies)

1. Scope of consolidation

(1) Number of consolidated subsidiaries

As of March 31, 2017: 30; as of March 31, 2018: 36

Names of the main consolidated subsidiaries:

Iwaki Daio Paper Corporation, Tokyo Pulp & Paper Corporation, Elleair Product Co., Ltd., Forestal Anchile Limitada, Elleair International (Thailand) Co., Ltd., Elleair International China (Nantong) Co., Ltd., PT. Elleair International Trading Indonesia, PT. Elleair International Manufacturing Indonesia

(Changes in the scope of consolidation or the scope of application of the equity method)

The Company’s scope of consolidation has changed as a result of the following reasons:

- 1) the inclusion of Elleair Paper Co., Ltd. (which was a non-consolidated subsidiary in the prior fiscal year), following its acquisition of the household paper business of Elleair Product Co., Ltd. through a company split as a result of the increase in materiality of this business;
- 2) the inclusion of Daio Paper Products Corporation and its three subsidiaries (Tokai Seishi Kogyo Co., Ltd., Daio Postal Chemical Co., Ltd. and Daiwa Shiko Co., Ltd.), following the acquisition of its shares as part of the strategy to acquire the Paper Products Business of Nisshinbo Holdings Inc.;
- 3) the inclusion of Miura Printing Corporation due to the conversion of it into the Company’s subsidiary through a tender offer for the share certificates of its common stock and stock acquisition rights.

(2) Names of the main unconsolidated subsidiaries

Main unconsolidated subsidiaries:

Nagoya Paper Tec Corporation

(Reasons for excluding from the scope of consolidation)

Subsidiaries, which are small in terms of their total assets, net sales, profit or loss (amount corresponding to equity), retained earnings (amount corresponding to equity) and other indicators, and do not have a significant effect on the consolidated financial statements, are excluded from the scope of consolidation.

2. Application of the equity method

(1) Number of associates accounted for using the equity method

There is no associate accounted for using the equity method as of March 31, 2018.

- (2) Unconsolidated subsidiaries (such as Nagoya Paper Tec Corporation) and associates, which are small in terms of their profit or loss (amount corresponding to equity), retained earnings (amount corresponding to equity) and other indicators, and do not have a significant effect on the consolidated financial statements and are immaterial as a whole, are excluded from the scope of application of the equity method.

3. Fiscal years of consolidated subsidiaries

Consolidated subsidiaries whose closing date differs from the consolidated closing date are as follows:

Company name	Closing date
Forestal Anchile Limitada	December 31
Elleair International (Thailand) Co., Ltd.	December 31
Elleair International China (Nantong) Co., Ltd.	December 31
PT. Elleair International Trading Indonesia	December 31
PT. Elleair International Manufacturing Indonesia	December 31

For the purpose of preparing the consolidated financial statements, the Company used the financial statements of the subsidiaries above whose closing date differs from that of the Company. Adjustments to account for material transactions occurring between the actual closing dates and the consolidated closing date are recorded as necessary.

4. Accounting standards of foreign subsidiaries

The Company made adjustments for certain items as necessary in the consolidation of its foreign subsidiaries based on “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force, No. 18 issued on March 29, 2017).

5. Accounting policies

(1) Valuation standard and methods for significant assets

Securities

Available-for-sale securities

Available-for-sale securities with quoted market price

Investments in available-for-sale securities are stated at fair value based on the quoted market price as of the end of the fiscal year. The valuation differences are accounted for as a separate component of net assets and the cost of securities sold is calculated by using the moving-average method.

Available-for-sale securities without quoted market price

Investments in securities without quoted market price are stated at cost using the moving-average method.

Derivatives

Derivative financial instruments are stated at fair value.

Inventories

Inventories are stated at cost, determined primarily by the moving-average method after recording any write-downs appropriate as a result of the decline in profitability.

(2) Depreciation and amortization methods for significant depreciable assets

Property, plant and equipment (excluding leased assets)

All the items of property, plant and equipment are depreciated using the straight-line method.

Intangible assets (excluding leased assets)

Intangible assets are amortized using the straight-line method.

Leased assets

Leased assets arising from finance lease transactions in which ownership of the leased assets is not transferred to the lessee are depreciated or amortized using the straight-line method over the lease term with no residual value.

Of those finance lease transactions in which ownership of the leased assets is not transferred to the lessee, lease transactions that commenced on or before March 31, 2008 are accounted for using the method applicable to ordinary rental transactions.

(3) Accounting standard for significant provisions

Allowance for doubtful accounts

For receivables from insolvent debtors who are undergoing bankruptcy or other collection proceedings or who are in the similar financial condition, an allowance for doubtful accounts is provided based on an evaluation of collectability of each debtor. For other receivables, an allowance is provided based on the Company's historical rate of uncollectible receivable amount.

Provision for bonuses

To provide for payment of bonuses to employees, a provision for bonuses is recorded in the amounts that are estimated to be paid as at the end of each fiscal year.

Provision for directors' bonuses

To provide for payment of bonuses to directors and audit & supervisory board members, a provision for directors' bonuses is recorded in the amounts that are estimated to be paid as at the end of each fiscal year.

Provision for directors' retirement benefits

To provide for payment of retirement benefits to directors and audit & supervisory board members, a provision for directors' retirement benefits is recorded in the amounts that are required by the internal rule to be paid at the end of each fiscal year.

Provision for environmental measures

To provide for payments related to treatment of the polychlorinated biphenyl (PCB) waste, a provision for environmental measures is recorded in the amounts that are estimated to be incurred for the treatment in the future.

Provision for loss on business of subsidiaries and associates

To provide for operating losses expected to be suffered by subsidiaries and associates in the future, a provision for loss on business of subsidiaries and associates is recorded in the amounts that the Company is expected to incur in view of the financial position and other conditions of the subsidiaries and associates.

(4) Accounting methods for retirement benefits

1) Method of allocating projected retirement benefit obligation

In calculating retirement benefit obligation, the benefit formula basis is applied to attribute the projected retirement benefits to the periods until the end of the current fiscal year.

2) Method for amortizing actuarial gain or loss and prior service cost

Actuarial gain or loss is amortized from the following fiscal year of the fiscal year in which it is incurred using the straight-line method over a period (mainly five years) which is within the employees' average remaining years of service at the time of incurrence.

Prior service cost is amortized using the straight-line method over a period (five years) which is within the employees' average remaining years of service at the time of incurrence.

3) Application of simplified method at small scale companies, etc.

Some of the consolidated subsidiaries apply the simplified method by which they use the amount of retirement benefit which would be required to be paid for voluntary retirement at the end of the fiscal year as retirement benefit obligation in order to calculate the net defined benefit liability and retirement benefit expenses.

(5) Standard of translating significant assets or liabilities in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rates in effect at the balance sheet date, and differences arising from the translation are recognized in profit or loss. Assets, liabilities, revenues and expenses of the consolidated foreign subsidiaries are translated into yen at the spot exchange rates in effect at the balance sheet date. Differences arising from the translation are included in foreign currency translation adjustment and non-controlling interests in the net assets section.

(6) Significant hedge accounting method

Hedge accounting method

The Company applies the deferred hedge accounting method. With regard to forward exchange contracts, when hedges against foreign exchange rate fluctuation risk meet certain conditions to qualify for the designated hedge accounting treatment (“*furiate shori*”), the Company adopts such treatment, by which foreign currency transactions hedged by forward exchange contracts are reported at the forward rate and the resulting differences between the spot rate and the forward rate are amortized over the life of each contract.

When an interest rate swap contract and an interest rate cap contract meet certain conditions to qualify for the exceptional hedge accounting treatment (“*tokurei shori*”), the Company adopts such treatment, by which the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.

Hedging instruments and hedged items

1) Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency receivables resulting from export of finished goods and foreign currency payables resulting from import of raw materials

2) Hedging instruments: Interest rate swap and interest rate cap contracts

Hedged items: Loans payable

Hedging policy

Based primarily on the Derivatives Transaction Control Regulations, which is the Group’s internal rule, the Group is party to the derivative transactions in order to hedge against foreign exchange rate fluctuation risk and interest rate fluctuation risk.

Method for evaluation of hedge effectiveness

The evaluation of hedge effectiveness is performed by comparing the changes in market prices or changes in cumulative cash flows of hedged items those of with hedging instruments and using them as a basis.

The evaluation of hedge effectiveness is not performed for the interest rate swap and interest rate cap transactions subject to the exceptional hedge accounting treatment (“*tokurei shori*”) and for the forward exchange contracts subject to the designated hedge accounting treatment (“*furiate shori*”).

(7) Amortization method and period for goodwill

Goodwill is amortized using the straight-line method over a period not exceeding 20 years, which is determined on a deal-by-deal basis.

(8) Scope of cash and cash equivalents in consolidated statements of cash flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible into cash and are exposed to immaterial risk of changes in value.

(9) Other

1) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

2) Adoption of consolidated tax return

The Company and its certain consolidated subsidiaries have adopted the consolidated tax return system, with the Company being a parent for the purpose of the system.

(Accounting Standards, That Have Not Yet Been Applied)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018)

(1) Summary

A comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation

(2) Planned date of application

To be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of application of these accounting standards

The amount of the impact of the application on consolidated financial statements is currently under assessment.

(Changes in the Method of Presentation)

(Consolidated Balance Sheet)

“Electronically recorded monetary claims - operating,” which was included in “Notes and accounts receivable - trade” under “Current assets” for the fiscal year ended March 31, 2017 has been presented separately from the fiscal year ended March 31, 2018 due to an increase in monetary materiality. To reflect this change in presentation consistently, the reclassification of accounts has been made in the comparative financial information presented for the fiscal year ended March 31, 2017.

As a result, the ¥92,698 million presented as “Notes and accounts receivable - trade” under “Current assets” in the Consolidated Balance Sheet for the fiscal year ended March 31, 2017 has been reclassified to be shown as ¥84,690 million of “Notes and accounts receivable - trade” and ¥8,008 million of “Electronically recorded monetary claims – operating” in these consolidated financial statements.

(Consolidated Statement of Income)

“Insurance income” under “Non-operating income” and “Insurance income” under “Extraordinary income,” which were presented separately for the fiscal year ended March 31, 2017 have been included in “Other” under “Non-operating income” and “Other” under “Extraordinary income,” respectively, from the fiscal year ended March 31, 2018 due to a decrease in monetary materiality. To reflect these changes in presentation consistently, the reclassification of accounts has been made in the comparative financial information presented for the fiscal year ended March 31, 2017.

As a result, the ¥614 million presented as “Insurance income” and the ¥1,300 million presented as “Other” under “Non-operating income” in the Consolidated Statement of Income for the fiscal year ended March 31, 2017 have been reclassified to be shown as ¥1,914 million of “Other,” and the ¥192 million presented as “Insurance income” and the ¥0 million presented as “Other” under “Extraordinary income” have been reclassified to be shown as ¥192 million of “Other” in these consolidated financial statements.

(Consolidated Statements of Cash Flows)

“Purchase of intangible assets,” which was included in “Other, net” under cash flows from investing activities for the fiscal

year ended March 31, 2017, has been presented separately from the fiscal year ended March 31, 2018, due to an increase in materiality. To reflect this change in presentation consistently, the reclassification of accounts has been made in the comparative financial information presented for the fiscal year ended March 31, 2017.

As a result, the ¥(1,867) million presented as “Other, net” under cash flows from investing activities in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2017 has been reclassified to be shown as ¥(1,048) million of “Purchase of intangible assets” and ¥(819) million of “Other, net” in these financial statements.

(Notes to Consolidated Balance Sheets)

*1. Assets pledged as collateral are as follows:

	As of March 31, 2017 (Millions of Yen)		As of March 31, 2018 (Millions of Yen)		As of March 31, 2018 (Thousands of U.S. Dollars)	
Buildings and structures	30,062	(28,274)	23,118	(21,204)	217,600	(199,587)
Machinery, equipment and vehicles	57,996	(54,163)	46,427	(42,721)	436,998	(402,112)
Land	43,443	(36,306)	37,911	(32,926)	356,840	(309,922)
Other items of property, plant and equipment	73	(73)	30	(30)	284	(284)
Total	131,574	(118,816)	107,486	(96,881)	1,011,722	(911,905)

Associated secured debt obligations are as follows:

	As of March 31, 2017 (Millions of Yen)		As of March 31, 2018 (Millions of Yen)		As of March 31, 2018 (Thousands of U.S. Dollars)	
Short-term loans payable	100	(100)	—	(—)	—	(—)
Long-term loans payable (including current portion)	27,374	(27,051)	6,874	(5,594)	64,706	(52,651)
Long-term accounts payable – facilities (including current portion)	1,473	(—)	974	(—)	9,165	(—)
Total	28,947	(27,151)	7,848	(5,594)	73,871	(52,651)

The figures in parentheses above indicate the amounts of factory foundation mortgage and the debt secured by the factory foundation mortgage.

*2. The following are the amounts of the reduction entry associated with acquisition of property, plant and equipment using government subsidies.

	As of March 31, 2017 (Millions of Yen)		As of March 31, 2018 (Millions of Yen)		As of March 31, 2018 (Thousands of U.S. Dollars)	
Buildings and structures	—	(—)	1,121	(1,121)	10,553	(10,553)
Machinery, equipment and vehicles	—	(4,681)	790	(5,441)	7,434	(51,216)
Land	—	(463)	106	(569)	994	(5,352)
Other items of property, plant and equipment	—	(119)	7	(122)	61	(1,144)

(Notes) 1. The figures in parentheses above indicate the accumulated amounts of the reduction entry associated with acquisition of property, plant and equipment using the government subsidies.

2. The increase in the fiscal year ended March 31, 2018 is mainly due to the increase of consolidated subsidiaries.

*3. Investments in unconsolidated subsidiaries and associates are as follows:

	As of March 31, 2017 (Millions of Yen)		As of March 31, 2018 (Millions of Yen)		As of March 31, 2018 (Thousands of U.S. Dollars)	
Investment securities (equity securities)	1,644		1,628		15,323	
Investments and other assets (investments in capital)	504		683		6,426	

4. Guarantee liabilities

The Company has committed to provide the following debt guarantees for loans taken out by companies other than the consolidated subsidiaries and associates from financial institutions.

	As of March 31, 2017 (Millions of Yen)		As of March 31, 2018 (Millions of Yen)		As of March 31, 2018 (Thousands of U.S. Dollars)	
Otsu Kami Unyu Co., Ltd.	15		4		41	
Other	—		15		133	
Total	15		19		174	

5. Notes receivable transferred by endorsement

	As of March 31, 2017 (Millions of Yen)	As of March 31, 2018 (Millions of Yen)	As of March 31, 2018 (Thousands of U.S. Dollars)
Notes receivable transferred by endorsement	485	423	3,982

*6. Notes matured as of the end of the consolidated period

Notes matured as of the end of the consolidated period are settled on their clearing days. Since the end date of the current consolidated fiscal year was a financial institution holiday, the following notes matured as of the end of the consolidated period are included in the balance.

	As of March 31, 2017 (Millions of Yen)	As of March 31, 2018 (Millions of Yen)	As of March 31, 2018 (Thousands of U.S. Dollars)
Notes receivable	—	715	6,726
Electronically recorded monetary claims - operating	—	831	7,826

(Notes to Consolidated Statements of Income)

*1. Selling, general and administrative expenses mainly consist of the following:

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Logistics and warehousing expenses	43,663	47,542	447,500
Salaries, allowances and bonuses	13,506	16,153	152,046
Provision for bonuses	1,768	1,992	18,746
Retirement benefit expenses	860	959	9,030

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

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
	2,902	3,280	30,877

*3. The details of gain on sales of non-current assets are as follows:

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Buildings and structures	170	0	1
Machinery, equipment and vehicles	28	15	143
Land	164	111	1,044
Other	1	24	221
Total	363	150	1,409

*4. The details of loss on sales and retirement of non-current assets are as follows:

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Buildings and structures	120	64	603
Machinery, equipment and vehicles	210	307	2,891
Land	42	17	161
Other	1,049	210	1,974
Total	1,421	598	5,629

*5. Impairment loss

The Company recognized impairment losses for the following asset groups.

For the fiscal year ended March 31, 2017

Use	Type	Location	Millions of Yen
Idle assets	Buildings, structures, machinery and equipment, land and other	Shikoku-Chuo City, Ehime Prefecture and other	398
Other	Goodwill, machinery and equipment and other	—	467

The Group recognizes impairment loss by grouping assets by business unit whose cash inflows and outflows are captured consistently for managerial accounting purposes. Assets that are not directly in use for business operations (consisting of idle assets, assets for rent and other assets) are grouped on an individual basis.

The book values of idle assets that were not in use for business operations (including buildings, structures, machinery and equipment, land and other) were written down to their recoverable amounts.

In addition, the Company reviewed the business plan for a certain consolidated subsidiary, which the Company formulated at the time of the acquisition. As a result, the entire book value of goodwill was written off and those of machinery, equipment, etc. were written down to their recoverable amounts.

The recoverable amount is measured at net selling price by valuing the assets at their estimated selling price.

For the fiscal year ended March 31, 2018

Use	Type	Location	Millions of Yen	Thousands of U.S. Dollars
Idle assets	Buildings and structures, machinery and equipment, land and other	Shikoku-Chuo City, Ehime Prefecture and other	346	3,258
Other	Goodwill	Chiyoda-ku, Tokyo	6,013	56,598
Other	Goodwill	Shikoku-Chuo City, Ehime Prefecture	489	4,599

The Group recognizes impairment loss by grouping assets by business unit whose cash inflows and outflows are captured consistently for managerial accounting purposes. Assets that are not directly in use for business operations (consisting of idle assets, assets for rent and other assets) are grouped on an individual basis.

The book values of idle assets that were not in use for business operations (including buildings, structures, machinery and equipment, land and other) were written down to their recoverable amounts. The breakdown of impairment loss is ¥44 million (\$412 thousand) for buildings and structures, ¥260 million (\$2,450 thousand) for machinery and equipment and ¥42 million (\$396 thousand) for land and other.

The recoverable amount is measured at net selling price by valuing the assets at their estimated selling price.

In addition, the Company reviewed the business plans, which the Company formulated at the time of the acquisitions, for certain consolidated subsidiaries. As a result, the entire book value of goodwill was written off.

- *6. The amounts of inventories at the end of the fiscal years are calculated by writing down the value based on any decreased profitability. Losses on valuation of inventories included in cost of sales are shown as follows:

Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
629	695	6,542

- *7. Retirement benefit expenses

This is due to a change in the method of calculating retirement benefit obligations from the simplified method to the standard method at certain domestic consolidated subsidiaries.

- *8. Early retirement expenses

This includes payment of special additional retirement benefits and expenses for re-employment assistance, etc.

(Notes to Consolidated Statements of Comprehensive Income)

- * The reclassification and tax effects allocated to each component of other comprehensive income are as follows:

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Valuation difference on available-for-sale securities:			
Amount arising during the year	6,331	4,731	44,530
Reclassification adjustments	(31)	(5,745)	(54,072)
Before tax effect adjustment	6,300	(1,014)	(9,542)
Tax effect	(1,663)	135	1,269
Valuation difference on available-for-sale securities	4,637	(879)	(8,273)
Foreign currency translation adjustment:			
Amount arising during the year	(1,922)	(41)	(389)
Reclassification adjustments	—	—	—
Before tax effect adjustment	(1,922)	(41)	(389)
Tax effect	—	—	—
Foreign currency translation adjustment	(1,922)	(41)	(389)
Remeasurements of defined benefit plans, net of tax:			
Amount arising during the year	(53)	(507)	(4,772)
Reclassification adjustments	358	295	2,777
Before tax effect adjustment	305	(212)	(1,989)
Tax effect	(31)	66	616
Remeasurements of defined benefit plans, net of tax	274	(146)	(1,373)
Total other comprehensive income	2,989	(1,066)	(10,035)

(Notes to Consolidated Statements of Changes in Net Assets)

For the fiscal year ended March 31, 2017

1. Type and number of shares issued and type and number of treasury shares are summarized as follows:

	Number of shares April 1, 2016 (in thousands)	Increase (in thousands)	Decrease (in thousands)	Number of shares March 31, 2017 (in thousands)
Shares issued:				
Common stock	149,349	—	—	149,349
Total	149,349	—	—	149,349
Treasury shares:				
Common stock (Note)	3,619	0	—	3,619
Total	3,619	0	—	3,619

(Note) The increase in common stock as treasury shares of 0 thousand shares is due to purchase of shares in less than standard units.

2. Stock acquisition rights and treasury stock acquisition rights

Company name	Details	Type of stock subject to stock acquisition rights	Number of shares subject to stock acquisition rights (in thousands) (Note 2)				March 31, 2017 (in million yen)
			April 1, 2016	Increase	Decrease	March 31, 2017	
Filing company	Zero Coupon Convertible Bonds due 2020 (issued on September 17, 2015)	Common stock	20,790	26	—	20,816	(Note 1) (Note 3)

- (Notes)
- Convertible bonds are accounted for using the lump-sum method, by which a bond portion and a stock acquisition right portion are treated as non-separable.
 - The number of shares subject to stock acquisition rights shown above is the number of shares based on the assumption that the stock acquisition rights were fully exercised.
 - An increase in the number of shares subject to stock acquisition rights is due to the adjustment of the conversion price.

3. Dividends

(1) Amount of cash dividends distributed

Resolution	Type of shares	Total amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2016	Common stock	952	6.50	March 31, 2016	June 30, 2016
Board of Directors' Meeting held on November 11, 2016	Common stock	732	5.00	September 30, 2016	December 5, 2016

(2) Dividends with record date in the current fiscal year, and effective date in the following fiscal year

Resolution	Type of shares	Total amount of dividends (Millions of Yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2017	Common stock	805	Retained earnings	5.50	March 31, 2017	June 30, 2017

For the fiscal year ended March 31, 2018

1. Type and number of shares issued and type and number of treasury shares are summarized as follows:

	Number of shares April 1, 2017 (in thousands)	Increase (in thousands)	Decrease (in thousands)	Number of shares March 31, 2018 (in thousands)
Shares issued:				
Common stock	149,349	—	—	149,349
Total	149,349	—	—	149,349
Treasury shares:				
Common stock (Note)	3,619	0	—	3,620
Total	3,619	0	—	3,620

(Note) The increase in common stock as treasury shares of 0 thousand shares is due to purchase of shares in less than standard units.

2. Stock acquisition rights and treasury stock acquisition rights

Company name	Details	Type of stock subject to stock acquisition rights	Number of shares subject to stock acquisition rights (in thousands) (Note 2)				March 31, 2018 (in million yen/ thousand U.S. dollar)
			April 1, 2017	Increase	Decrease	March 31, 2018	
Filing company	Zero Coupon Convertible Bonds due 2020 (issued on September 17, 2015)	Common stock	20,816	—	—	20,816	(Note 1)

(Notes) 1. Convertible bonds are accounted for using the lump-sum method, by which a bond portion and a stock acquisition right portion are treated as non-separable.

2. The number of shares subject to stock acquisition rights shown above is the number of shares based on the assumption that the stock acquisition rights were fully exercised.

3. Dividends

(1) Amount of cash dividends distributed

Resolution	Type of shares	Total amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2017	Common stock	805	5.50	March 31, 2017	June 30, 2017
Board of Directors' Meeting held on November 10, 2017	Common stock	732	5.00	September 30, 2017	December 5, 2017

Resolution	Type of shares	Total amount of dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2017	Common stock	7,581	0.05	March 31, 2017	June 30, 2017
Board of Directors' Meeting held on November 10, 2017	Common stock	6,892	0.05	September 30, 2017	December 5, 2017

(2) Dividends with record date in the current fiscal year, and effective date in the following fiscal year

Resolution	Type of shares	Total amount of dividends (Millions of Yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 28, 2018	Common stock	805	Retained earnings	5.50	March 31, 2018	June 29, 2018

Resolution	Type of shares	Total amount of dividends (Thousands of U.S. Dollars)	Source of dividends	Dividend per share (U.S. Dollars)	Record date	Effective date
General Shareholders' Meeting held on June 28, 2018	Common stock	7,581	Retained earnings	0.05	March 31, 2018	June 29, 2018

(Notes to Consolidated Statements of Cash Flows)

- *1. Cash and cash equivalents in the consolidated statements of cash flows for the fiscal years ended March 31, 2017 and 2018 are reconciled to the accounts reported in the consolidated balance sheets as of March 31, 2017 and 2018 as follows:

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Cash and deposits	89,201	66,680	627,638
Time deposits with maturities of more than three months	(6,468)	(6,594)	(62,069)
Cash and cash equivalents	82,733	60,086	565,569

- *2. Breakdown of assets and liabilities of the companies that became newly consolidated subsidiaries following the Company's acquisition of their shares

The breakdown of assets and liabilities and the reconciliation to the share acquisition price, and net cash used in the acquisition of Daio Paper Products Corporation and its three subsidiaries (Tokai Seishi Kogyo Co., Ltd., Daio Postal Chemical Co., Ltd. and Daiwa Shiko Co., Ltd.) and Miura Printing Corporation through the acquisition of their shares are as follows.

	(Millions of Yen)	(Thousands of U.S. Dollars)
Current assets	19,183	180,565
Non-current assets	25,468	239,727
Goodwill	9,107	85,714
Current liabilities	(13,264)	(124,854)
Non-current liabilities	(6,557)	(61,717)
Negative goodwill	(1,034)	(9,732)
Acquisition price	32,903	309,703
Cash and cash equivalents	(5,882)	(55,365)
Net cash used in the acquisition	27,021	254,338

(Lease Transactions)

1. Finance lease transactions

Finance lease transactions in which ownership of the leased assets is not transferred to the lessee

Details of leased assets

Property, plant and equipment

Mainly production facilities (machinery, equipment and vehicles)

Depreciation and amortization of leased assets

As described in “5. Accounting policies (2) Depreciation and amortization methods for significant depreciable assets,” leased assets are depreciated or amortized using the straight-line method over the lease term with no residual value.

Of those finance lease transactions in which ownership of the leased assets is not transferred to the lessee, lease transactions that commenced on or before March 31, 2008 are accounted for using the method applicable to ordinary rental transactions. The following are the details of such transactions on an “as if capitalized” basis.

(1) Equivalents of acquisition cost, accumulated depreciation and ending balance of leased assets

	As of March 31, 2017 (Millions of Yen)		
	Acquisition cost	Accumulated depreciation	Ending balance
Machinery, equipment and vehicles	33	28	5
Total	33	28	5

	As of March 31, 2018 (Millions of Yen)		
	Acquisition cost	Accumulated depreciation	Ending balance
Machinery, equipment and vehicles	33	30	3
Total	33	30	3

	As of March 31, 2018 (Thousands of U.S. Dollars)		
	Acquisition cost	Accumulated depreciation	Ending balance
Machinery, equipment and vehicles	309	287	22
Total	309	287	22

(Note) The acquisition cost equivalents above are calculated using the imputed interest method since the amount of future minimum lease payments at the end of the fiscal year are not material compared with the book values of property, plant and equipment at the end of the fiscal year.

(2) Future minimum lease payments equivalent at the end of the fiscal year

	As of March 31, 2017 (Millions of Yen)	As of March 31, 2018 (Millions of Yen)	As of March 31, 2018 (Thousands of U.S. Dollars)
Future minimum lease payments equivalent			
Due within one year	3	3	22
Due after one year	2	—	—
Total	5	3	22

(Note) The future minimum lease payments equivalent above are calculated using the imputed interest method since the amount of future minimum lease payments at the end of the fiscal year are not material compared with the book values of property, plant and equipment at the end of the fiscal year.

(3) Lease expenses and depreciation expense equivalent

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Lease expenses	18	3	27
Depreciation expense equivalent	18	3	27

(4) Method for calculation of depreciation expense equivalent

The depreciation expense equivalent is calculated using the straight-line method over the lease term with no residual value.

2. Operating lease transactions

(Lessee)

Future minimum lease payments relating to non-cancellable operating leases

	As of March 31, 2017 (Millions of Yen)	As of March 31, 2018 (Millions of Yen)	As of March 31, 2018 (Thousands of U.S. Dollars)
Due within one year	160	232	2,177
Due after one year	800	890	8,380
Total	960	1,122	10,557

(Financial Instruments)

1. Overview

(1) Group policy for financial instruments

The Group raises funds required to implement the capital investment plan through bank borrowings and bond issues. Also, the Group raises short-term working capital through bank borrowings. Derivative financial instruments are utilized to reduce risks and the Group does not hold or issue derivative financial instruments for speculative trading purposes.

(2) Details of financial instruments and risks

Trade receivables, presented as notes and accounts receivable – trade, are exposed to credit risk of customers. Investment securities are mostly stocks that are held by the Group in conjunction with the business or capital alliance with our business partners and are exposed to the risk of market price fluctuation. The Company is also a lender who delivers long-term loans to its subsidiaries and business partners.

Trade payables, presented as notes and accounts payable – trade, are mostly due within one year. Loans and bonds payable are taken out primarily for the purpose of financing the Group's capital expenditures. While the floating-rate loans payable are exposed to interest rate fluctuation risk, part of the risks are hedged by using derivative financial instruments, i.e. interest rate swap and interest rate cap transactions.

As for derivative transactions, interest rate swap and interest rate cap transactions are utilized to reduce the risk of interest rate fluctuations on interest expenses from borrowings, and forward exchange contracts are utilized to reduce the risk of exchange rate fluctuations on foreign currency trade receivables and payables. Regarding hedging instruments and hedged items, the hedging policy and method for evaluation of hedge effectiveness of hedging activities, please refer to "5. Accounting policies (6) Significant hedge accounting method."

(3) Risk management for financial instruments

1) Management of credit risk (the risk of non-performance by business counterparts)

The Company protects and manages trade receivables by first establishing a credit limit of each customer based on their financial situation and creditworthiness, and then monitoring the due dates and the outstanding balance on a customer-by-customer basis primarily in accordance with the Credit Control Regulations, which are the Company's internal rules. Creditworthiness is measured using credit information obtained through the credit-reporting agencies and collected by the Company on its own behalf. Furthermore, the Company takes appropriate measures, such as holding transaction credit insurance and factoring, to protect and manage certain trade receivables. In addition, long-term loans receivable are controlled by regularly updating the borrowers' financial situation on top of monitoring the due dates and the outstanding balances so as to quickly detect and reduce concerns about collection. The consolidated subsidiaries also follow the same procedures in accordance with the Company's Credit Control Regulations.

2) Management of market risk (the risk of foreign exchange and interest rate fluctuations)

The Company and certain consolidated subsidiaries use interest rate swap and interest rate cap transactions to reduce the risk of interest rate fluctuations on interest expense payable on borrowings.

Investment securities are subject to review on a regular basis to allow for appropriate portfolio decisions by monitoring their fair values and the financial situation of business partners whose shares are owned by the Company, and evaluating the relationship with them.

Regarding derivative transactions, the basic policy is determined by the Board of Directors and transactions are entered into by the Treasury Department in accordance with the Derivatives Transaction Control Regulations, which is the Company's internal rule.

3) Management of liquidity risk related to financing activities (the risk of non-performance on a due date)

The Company manages liquidity risk, or the risk of non-performance by the Company on due dates, associated with trade payables and loans payable primarily through monthly preparation of a cash budget by the Treasury Department based on the reported forecasts received from each department. The consolidated subsidiaries also manage liquidity risk by preparing a cash budget in the same manner on a monthly basis.

(4) Supplementary explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on quoted market prices, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

2. Matters related to fair values of financial instruments

Book value, fair value and their difference are summarized as follows. Financial instruments whose fair values are extremely difficult to determine are excluded from the following table (See Note 2 for details.)

For the fiscal year ended March 31, 2017

	Book value (Millions of Yen)	Fair value (Millions of Yen)	Difference (Millions of Yen)
(1) Cash and deposits	89,201	89,201	—
(2) Notes and accounts receivable – trade	84,690	84,690	—
(3) Electronically recorded monetary claims - operating	8,008	8,008	—
(4) Investment securities	31,982	31,982	—
(5) Long-term loans receivable	3,851		
Allowance for doubtful accounts (*)	(849)		
Net amount	3,002	3,156	154
Total of assets	216,883	217,037	154
(1) Accounts payable – trade	48,446	48,446	—
(2) Short-term loans payable	26,360	26,360	—
(3) Accounts payable – other	25,265	25,265	—
(4) Income taxes payable	5,210	5,210	—
(5) Bonds payable	15,300	15,295	(5)
(6) Convertible bond-type bonds with subscription rights to shares	30,105	32,175	2,070
(7) Long-term loans payable	265,227	262,841	(2,386)
(8) Long-term accounts payable – facilities	5,006	4,968	(38)
Total of liabilities	420,919	420,560	(359)

(*) Allowance for doubtful accounts separately accounted for on long-term loans receivable is deducted.

For the fiscal year ended March 31, 2018

	Book value (Millions of Yen)	Fair value (Millions of Yen)	Difference (Millions of Yen)
(1) Cash and deposits	66,680	66,680	—
(2) Notes and accounts receivable – trade	98,334	98,334	—
(3) Electronically recorded monetary claims - operating	11,419	11,419	—
(4) Investment securities	29,562	29,562	—
(5) Long-term loans receivable	3,814		
Allowance for doubtful accounts (*)	(804)		
Net amount	3,010	3,131	121
Total of assets	209,005	209,126	121
(1) Notes and accounts payable – trade	58,686	58,686	—
(2) Short-term loans payable	24,734	24,734	—
(3) Accounts payable – other	37,151	37,151	—
(4) Income taxes payable	2,090	2,090	—
(5) Bonds payable	40,300	40,329	29
(6) Convertible bond-type bonds with subscription rights to shares	30,075	32,063	1,988
(7) Long-term loans payable	246,240	246,085	(155)
(8) Long-term accounts payable – facilities	3,163	3,141	(22)
Total liabilities	442,439	444,279	1,840

(*) Allowance for doubtful accounts separately accounted for on long-term loans receivable is deducted.

	Book value (Thousands of U.S. Dollars)	Fair value (Thousands of U.S. Dollars)	Difference (Thousands of U.S. Dollars)
(1) Cash and deposits	627,638	627,638	—
(2) Notes and accounts receivable – trade	925,579	925,579	—
(3) Electronically recorded monetary claims - operating	107,484	107,484	—
(4) Investment securities	278,256	278,256	—
(5) Long-term loans receivable	35,898		
Allowance for doubtful accounts (*)	(7,570)		
Net amount	28,328	29,471	1,143
Total of assets	1,967,285	1,968,428	1,143
(1) Notes and accounts payable – trade	552,393	552,393	—
(2) Short-term loans payable	232,814	232,814	—
(3) Accounts payable – other	349,690	349,690	—
(4) Income taxes payable	19,670	19,670	—
(5) Bonds payable	379,330	379,602	272
(6) Convertible bond-type bonds with subscription rights to shares	283,085	301,793	18,708
(7) Long-term loans payable	2,317,767	2,316,311	(1,456)
(8) Long-term accounts payable – facilities	29,773	29,563	(210)
Total liabilities	4,164,522	4,181,836	17,314

(*) Allowance for doubtful accounts separately accounted for on long-term loans receivable is deducted.

(Note 1) The method for measuring fair values of financial instruments and matters relating to securities

Assets:

(1) Cash and deposits, (2) Notes and accounts receivable – trade (3) Electronically recorded monetary claims - operating

As these instruments are settled within a short term and their fair values approximate book values, their fair values are equal to their book values.

(3) Investment securities

Fair value of investment securities equals the price quoted in the stock exchange. Please refer to the section “(Securities)” regarding matters concerning the securities classified by holding purpose.

(4) Long-term loans receivable

Fair value of long-term loans receivable (including the current portion) is determined by discounting the total of principal and interest at the rate that consists of an appropriate rate such as the government bond yield plus an adjustment factor reflecting the credit risk.

Liabilities:

(1) Notes and accounts payable – trade, (2) Short-term loans payable, (3) Accounts payable – other, (4) Income taxes payable

As these instruments are settled within a short term and their fair values approximate book values, their fair values are equal to their book values.

(5) Bonds payable, (6) Convertible bond-type bonds with subscription rights to shares

Fair values of corporate bonds and convertible bond-type bonds with subscription rights to shares are determined based on a quoted market price if any. In cases where quoted market prices are not available, it is determined by discounting the total of principal and interest at the rate that reflects the remaining life of the bond and its credit risk.

(7) Long-term loans payable, (8) Long-term accounts payable – facilities

Fair values of long-term loans payable (including the current portion) and long-term accounts payable – facilities (including the current portion) are determined by discounting the total amount of principal and interest with an interest rate to be applied if similar new loans were entered into or similar new equipment were purchased.

(Note 2) Financial instruments whose fair values are deemed to be extremely difficult to determine

Category	As of March 31, 2017 (Millions of Yen)	As of March 31, 2018 (Millions of Yen)	As of March 31, 2018 (Thousands of U.S. Dollars)
Non-marketable equity securities	2,186	2,276	21,425
Shares of subsidiaries and associates	1,644	1,628	15,323

As these financial instruments do not have quoted market prices and their fair values are deemed to be extremely difficult to determine, they are not included in “(3) Investment securities.”

(Note 3) Redemption schedule for financial receivables and securities with maturity dates after the consolidated balance sheet date

As of March 31, 2017

	Due within one year (Millions of Yen)	Due after one year through five years (Millions of Yen)	Due after five years through ten years (Millions of Yen)	Due after ten years (Millions of Yen)
Deposits	89,095	—	—	—
Notes and accounts receivable – trade	84,690	—	—	—
Electronically recorded monetary claims - operating	8,008	—	—	—
Investment securities				
Available-for-sale securities with maturity dates				
(1) Bonds (corporate bonds)	—	—	—	—
(2) Other	—	—	—	—
Long-term loans receivable	1	3,001	—	849
Total	181,794	3,001	—	849

As of March 31, 2018

	Due within one year (Millions of Yen)	Due after one year through five years (Millions of Yen)	Due after five years through ten years (Millions of Yen)	Due after ten years (Millions of Yen)
Deposits	66,598	—	—	—
Notes and accounts receivable – trade	98,334	—	—	—
Electronically recorded monetary claims - operating	11,419	—	—	—
Investment securities				
Available-for-sale securities with maturity dates				
(1) Bonds (corporate bonds)	—	—	—	—
(2) Other	—	—	—	—
Long-term loans receivable	10	3,000	—	804
Total	176,361	3,000	—	804

	Due within one year (Thousands of U.S. Dollars)	Due after one year through five years (Thousands of U.S. Dollars)	Due after five years through ten years (Thousands of U.S. Dollars)	Due after ten years (Thousands of U.S. Dollars)
Deposits	626,860	—	—	—
Notes and accounts receivable – trade	925,579	—	—	—
Electronically recorded monetary claims - operating	107,484	—	—	—
Investment securities				
Available-for-sale securities with maturity dates				
(1) Bonds (corporate bonds)	—	—	—	—
(2) Other	—	—	—	—
Long-term loans receivable	90	28,238	—	7,570
Total	1,660,013	28,238	—	7,570

(Note 4) Repayment schedule for bonds payable, long-term loans payable, lease obligations and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2017

	Due within one year (Millions of Yen)	Between one to two years (Millions of Yen)	Between two to three years (Millions of Yen)	Between three to four years (Millions of Yen)	Between four to five years (Millions of Yen)	Over five years (Millions of Yen)
Short-term loans payable	26,360	—	—	—	—	—
Bonds payable	—	—	—	—	15,300	—
Convertible bond-type bonds with subscription rights to shares	—	—	—	30,000	—	—
Long-term loans payable	72,706	50,112	44,809	33,796	29,360	34,444
Long-term accounts payable – facilities	2,621	1,218	629	353	185	—
Lease obligations	593	511	393	290	168	325
Total	102,280	51,841	45,831	64,439	45,013	34,769

As of March 31, 2018

	Due within one year (Millions of Yen)	Between one to two years (Millions of Yen)	Between two to three years (Millions of Yen)	Between three to four years (Millions of Yen)	Between four to five years (Millions of Yen)	Over five years (Millions of Yen)
Short-term loans payable	24,734	—	—	—	—	—
Bonds payable	—	—	—	15,300	15,000	10,000
Convertible bond-type bonds with subscription rights to shares	—	—	30,000	—	—	—
Long-term loans payable	50,558	49,465	43,515	39,056	24,540	39,105
Long-term accounts payable – facilities	1,374	785	509	356	139	—
Lease obligations	609	494	386	244	146	283
Total	77,275	50,744	74,410	54,956	39,825	49,388

	Due within one year (Thousands of U.S. Dollars)	Between one to two years (Thousands of U.S. Dollars)	Between two to three years (Thousands of U.S. Dollars)	Between three to four years (Thousands of U.S. Dollars)	Between four to five years (Thousands of U.S. Dollars)	Over five years (Thousands of U.S. Dollars)
Short-term loans payable	232,814	—	—	—	—	—
Bonds payable	—	—	—	144,014	141,190	94,126
Convertible bond-type bonds with subscription rights to shares	—	—	282,380	—	—	—
Long-term loans payable	475,889	465,596	409,596	367,621	230,988	368,077
Long-term accounts payable – facilities	12,934	7,388	4,788	3,353	1,310	—
Lease obligations	5,737	4,646	3,636	2,294	1,373	2,666
Total	727,374	477,630	700,400	517,282	374,861	464,869

(Securities)

1. Available-for-sale securities

As of March 31, 2017

Classification	Type of securities	Book value (Millions of Yen)	Cost (Millions of Yen)	Difference (Millions of Yen)
Securities for which book value exceeds cost	Equity securities	31,637	16,284	15,353
Securities for which book value does not exceed cost	Equity securities	345	465	(120)
Total		31,982	16,749	15,233

(Note) Non-marketable equity securities (with book value of ¥2,186 million) are not included in “available-for-sale securities” in the above table because they have no quoted market price and thus it is extremely difficult to determine their fair value.

As of March 31, 2018

Classification	Type of securities	Book value (Millions of Yen)	Cost (Millions of Yen)	Difference (Millions of Yen)
Securities for which book value exceeds cost	Equity securities	28,484	14,142	14,342
Securities for which book value does not exceed cost	Equity securities	1,078	1,201	(123)
Total		29,562	15,343	14,219

Classification	Type of securities	Book value (Thousands of U.S. Dollars)	Cost (Thousands of U.S. Dollars)	Difference (Thousands of U.S. Dollars)
Securities for which book value exceeds cost	Equity securities	268,107	133,114	134,993
Securities for which book value does not exceed cost	Equity securities	10,149	11,305	(1,156)
Total		278,256	144,419	133,837

(Note) Non-marketable equity securities (with book value of ¥2,276 million (\$21,425 thousand)) are not included in “available-for-sale securities” in the above table because they have no quoted market price and thus it is extremely difficult to determine their fair value.

2. Available-for-sale securities sold

For the fiscal year ended March 31, 2017

Type of securities	Proceeds from sale (Millions of Yen)	Gain on sale (Millions of Yen)	Loss on sale (Millions of Yen)
Equity securities	60	32	0

For the fiscal year ended March 31, 2018

Type of securities	Proceeds from sale (Millions of Yen)	Gain on sale (Millions of Yen)	Loss on sale (Millions of Yen)
Equity securities	9,321	5,754	155

Type of securities	Proceeds from sale (Thousands of U.S. Dollars)	Gain on sale (Thousands of U.S. Dollars)	Loss on sale (Thousands of U.S. Dollars)
Equity securities	87,738	54,164	1,458

3. Impairment of investment in securities

For the fiscal year ended March 31, 2017

For the fiscal year ended March 31, 2017, the Company recorded impairment losses of ¥163 million on securities (all of which was on available-for-sale securities).

For securities whose fair values at the end of the fiscal year have declined by 50% or more compared with their cost, loss on impairment is recorded without exception. For securities whose fair value at the end of the fiscal year have declined by 30% or more but less than 50% compared with cost, loss on impairment is recorded if it is deemed necessary in consideration of the possibility of the fair values being restored.

For the fiscal year ended March 31, 2018

For the fiscal year ended March 31, 2018, the Company recorded impairment losses of ¥24 million (\$225 thousand) on securities (¥14 million (\$133 thousand) of shares of subsidiaries and associates and ¥10 million (\$92 thousand) of available-for-sale securities).

For securities whose fair values at the end of the fiscal year have declined by 50% or more compared with their cost, loss on impairment is recorded without exception. For securities whose fair value at the end of the fiscal year have declined by 30% or more but less than 50% compared with cost, loss on impairment is recorded if it is deemed necessary in consideration of the possibility of the fair values being restored.

(Derivative Transactions)

1. Derivative contracts outstanding to which the hedge accounting was not applied

There were no relevant transactions.

2. Derivative contracts outstanding to which the hedge accounting was applied

(1) Currency-related derivatives

As of March 31, 2017

Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount (Millions of Yen)		Fair value (Millions of Yen)
				of which due after one year	
Designated hedge accounting treatment (<i>furiate shori</i>) applicable to forward exchange contracts	Forward exchange contract				
	Sell				
	USD	Accounts receivable – trade	5	—	(Note 2)
	Buy				
	USD	Accounts payable – trade	361	—	(Note 2)
	EUR	Accounts payable – trade	6	—	(Note 2)
	GBP	Accounts payable – trade	0	—	(Note 2)
Total			372	—	—

(Notes) 1. Fair values are determined based on the prices quoted by counterparty financial institutions.

2. The fair values of forward exchange contracts are included in those of accounts receivable and payable – trade because when forward exchange contracts qualify for designated hedge accounting treatment (*furiate shori*), they are accounted for together with foreign currency denominated financial receivables and payables (the hedged items) as one set of transactions.

As of March 31, 2018

Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount (Millions of Yen)		Fair value (Millions of Yen)
				of which due after one year	
Designated hedge accounting treatment (<i>furiate shori</i>) applicable to forward exchange contracts	Forward exchange contract				
	Buy				
	USD	Accounts payable – trade	1,160	—	(Note 2)
	EUR	Accounts payable – trade	0	—	(Note 2)
Total			1,160	—	—

Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount (Thousands of U.S. Dollars)		Fair value (Thousands of U.S. Dollars)
				of which due after one year	
Designated hedge accounting treatment (<i>furiate shori</i>) applicable to forward exchange contracts	Forward exchange contract				
	Buy				
	USD	Accounts payable – trade	10,914	—	(Note 2)
	EUR	Accounts payable – trade	4	—	(Note 2)
Total			10,918	—	—

(Notes) 1. Fair values are determined based on the prices quoted by counterparty financial institutions.

2. The fair values of forward exchange contracts are included in those of accounts receivable and payable – trade because when forward exchange contracts qualify for designated hedge accounting treatment (*furiate shori*), they are accounted for together with foreign currency denominated financial receivables and payables (the hedged items) as one set of transactions.

(2) Interest rate-related derivatives

As of March 31, 2017

Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount (Millions of Yen)		Fair value (Millions of Yen)
				of which due after one year	
Exceptional hedge accounting treatment (<i>tokurei shori</i>) applicable to interest rate swap contracts	Interest rate swap contract Floating rate receipt/ fixed rate payment	Long-term loans payable	56,831	41,779	(Note 2)
Exceptional hedge accounting treatment (<i>tokurei shori</i>) applicable to interest rate cap contracts	Interest rate cap contract Buy	Long-term loans payable	20	—	(Note 2)
Total			56,851	41,779	—

(Notes) 1. Fair values are determined based on the prices quoted by counterparty financial institutions.

2. The fair values of interest rate swap and interest rate cap contracts are included in those of long-term loans payable because when interest rate swap and interest rate cap contracts qualify for exceptional hedge accounting treatment (*tokurei shori*), they are accounted for together with long-term loans payable (the hedged items) as one set of transactions.

As of March 31, 2018

Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount (Millions of Yen)		Fair value (Millions of Yen)
				of which due after one year	
Exceptional hedge accounting treatment (<i>tokurei shori</i>) applicable to interest rate swap contracts	Interest rate swap contract Floating rate receipt/ fixed rate payment	Long-term loans payable	37,903	35,254	(Note 2)

Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount (Thousands of U.S. Dollars)		Fair value (Thousands of U.S. Dollars)
				of which due after one year	
Exceptional hedge accounting treatment (<i>tokurei shori</i>) applicable to interest rate swap contracts	Interest rate swap contract Floating rate receipt/ fixed rate payment	Long-term loans payable	356,767	331,837	(Note 2)

(Notes) 1. Fair values are determined based on the prices quoted by counterparty financial institutions.

2. The fair values of interest rate swap contracts are included in those of long-term loans payable because when interest rate swap contracts qualify for exceptional hedge accounting treatment (*tokurei shori*), they are accounted for together with long-term loans payable (the hedged items) as one set of transactions.

(Retirement Benefits)

1. Overview of retirement benefit plans

The Company and its consolidated subsidiaries provide the following defined benefit plans: a contract-type corporate pension plan and a lump-sum retirement benefit plan.

Some of the consolidated subsidiaries participate in the Small and Medium Enterprises' Retirement Allowance Mutual Aid System. The simplified method is applied by some of the consolidated subsidiaries to calculate the net defined benefit liability and retirement benefit expenses.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of retirement benefit obligations

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Beginning balance of retirement benefit obligation	21,477	24,268	228,426
Service cost	1,109	1,481	13,944
Interest cost	197	209	1,964
Actuarial (gain) loss	101	733	6,898
Benefits paid	(929)	(1,896)	(17,844)
Past service cost	—	1	8
Increase resulting from a change of scope of consolidation	—	4,015	37,795
Increase due to a change from the simplified method to the standard method	2,311	—	—
Other	2	—	—
Ending balance of retirement benefit obligation	24,268	28,811	271,191

(Note) Retirement benefit obligations under the plans for which the simplified method is applied are not included in the table above.

(2) Reconciliation of beginning and ending balances of plan assets

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Beginning balance of plan assets	5,470	5,722	53,860
Expected return on plan assets	55	86	805
Actuarial gain (loss)	47	227	2,140
Employer contributions	332	362	3,403
Benefits paid	(182)	(410)	(3,858)
Increase resulting from effect of business combination	—	1,886	17,753
Ending balance of plan assets	5,722	7,873	74,103

(Note) Plan assets of ¥800 million (\$7,535 thousand) for the fiscal year ended March 31, 2018 (¥733 million for the fiscal year ended March 31, 2017) under the plans for which the simplified method is applied are not included in the table above.

- (3) Reconciliation of beginning and ending balances of net defined benefit liability for plans for which the simplified method is applied

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Beginning balance of net defined benefit liability	2,867	1,582	14,886
Retirement benefit expenses	270	163	1,539
Benefits paid	(172)	(129)	(1,217)
Contribution to the plans	(44)	(44)	(411)
Increase resulting from a change of scope of consolidation	—	374	3,516
Decrease due to a change from the simplified method to the standard method	(1,339)	—	—
Ending balance of net defined benefit liability	1,582	1,946	18,313

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

	As of March 31, 2017 (Millions of Yen)	As of March 31, 2018 (Millions of Yen)	As of March 31, 2018 (Thousands of U.S. Dollars)
Funded retirement benefit obligation	7,059	9,043	85,116
Plan assets	(6,455)	(8,673)	(81,638)
Subtotal	604	370	3,478
Unfunded retirement benefit obligation	19,523	22,514	211,924
Net asset or liability reported on the consolidated balance sheet	20,127	22,884	215,402
Net defined benefit liability	20,127	22,884	215,402
Net asset or liability reported on the consolidated balance sheet	20,127	22,884	215,402

(Note) Retirement benefit obligation and plan assets under the plans for which the simplified method is applied are included in the reconciliation above.

- (5) Components of retirement benefit expenses

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Service cost	1,109	1,481	13,944
Interest cost	197	209	1,964
Expected return on plan assets	(55)	(86)	(805)
Amortization of actuarial (gain) loss	353	286	2,695
Amortization of past service cost	5	9	81
Retirement benefit expenses calculated by the simplified method	270	163	1,539
Expenses incurred due to a change from the simplified method to the standard method	972	—	—
Retirement benefit expenses related to defined benefit plans	2,851	2,062	19,418

(Note) Other than the retirement benefit expenses above, the Company paid ¥894 million (\$8,413 thousand) of early retirement expenses, which are included in extraordinary losses.

(6) Remeasurements of defined benefit plans in other comprehensive income (before tax effect)

	Fiscal year ended March 31, 2017 (Millions of Yen)	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2018 (Thousands of U.S. Dollars)
Actuarial (gain) loss	300	(220)	(2,062)
Past service cost	5	8	73
Total	305	(212)	(1,989)

(7) Remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effect)

	As of March 31, 2017 (Millions of Yen)	As of March 31, 2018 (Millions of Yen)	As of March 31, 2018 (Thousands of U.S. Dollars)
Unrecognized actuarial (gain) loss	767	987	9,271
Unrecognized past service cost	17	9	92
Total	784	996	9,363

(8) Plan assets

1) Allocation of plan assets

Plan assets by major category as a percentage of total plan assets are as follows:

	As of March 31, 2017	As of March 31, 2018
General account	39%	34%
Debt securities	34	38
Equity securities	23	21
Other	4	7
Total	100	100

(Note) Plan assets under the plans for which the simplified method is applied are not included in the table above.

2) Determination procedure of long-term expected rate of return on plan assets

In determining the long-term expected rate of return on plan assets, the Company considers the current and projected asset allocations as well as current and future expected long-term rate of returns from various assets that constitute the plan assets.

(9) Assumptions used in actuarial calculations

Major assumptions used in actuarial calculations

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Discount rate	0.47% - 1.06%	0.1% - 1.06%
Long-term expected rate of return on plan assets	1.0%	1.0% - 1.5%

3. Defined contribution plan

The amounts required to contribute to defined contribution plans of the consolidated subsidiaries for the fiscal years ended March 31, 2017 and 2018 were ¥20 million and ¥52 million (\$493 thousand), respectively.

(Income Taxes)

1. Significant components of deferred tax assets and deferred tax liabilities

	As of March 31, 2017 (Millions of Yen)	As of March 31, 2018 (Millions of Yen)	As of March 31, 2018 (Thousands of U.S. Dollars)
Deferred tax assets:			
Provision for bonuses	1,499	1,569	14,771
Accrued enterprise tax	449	344	3,240
Net operating loss carryforwards	2,202	2,295	21,599
Loss on valuation of inventories	782	598	5,627
Net defined benefit liability	6,045	6,719	63,247
Unrealized gains and losses on non-current assets and investment securities	283	283	2,665
Adjustments on non-current assets	529	599	5,634
Loss on valuation of investment securities	1,245	1,042	9,813
Impairment loss	786	775	7,291
Adjustment of book value of investments	2,337	2,341	22,039
Valuation difference associated with business combinations	—	4,350	40,945
Other	2,297	2,116	19,914
Subtotal	18,454	23,031	216,785
Less valuation allowance	(5,807)	(7,314)	(68,841)
Total deferred tax assets	12,647	15,717	147,944
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(4,135)	(4,085)	(38,455)
Retained earnings of subsidiaries and associates	(2,978)	(3,056)	(28,769)
Valuation difference on non-current assets for consolidated tax return	(829)	(811)	(7,638)
Trademark right	—	(898)	(8,456)
Enterprise taxes receivable	—	(1,057)	(9,948)
Other	(1,417)	(1,545)	(14,532)
Total deferred tax liabilities	(9,359)	(11,452)	(107,798)
Net deferred tax assets	3,288	4,265	40,146

(Note) Net deferred tax assets as of March 31, 2017 and 2018 are included in the following accounts in the consolidated balance sheets.

	As of March 31, 2017 (Millions of Yen)	As of March 31, 2018 (Millions of Yen)	As of March 31, 2018 (Thousands of U.S. Dollars)
Current assets – deferred tax assets	4,503	3,843	36,177
Non-current assets – deferred tax assets	531	2,296	21,610
Current liabilities – other (deferred tax liabilities)	(33)	(71)	(667)
Non-current liabilities – other (deferred tax liabilities)	(1,713)	(1,803)	(16,974)

2. Difference between the statutory tax rate and the Company's effective income tax rate

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Statutory tax rate	—%	30.7%
(Reconciliation)		
Per capita levy of inhabitants tax	—	1.0
Permanently non-deductible and non-taxable items	—	1.0
Change in valuation allowances	—	21.9
Amortization of goodwill	—	8.7
Gain on bargain purchase (negative goodwill)	—	(2.9)
Deferred tax liabilities on retained earnings of subsidiaries and associates	—	0.7
Other	—	4.7
Effective income tax rate	—	65.8

(Note) The note disclosure for the fiscal year ended March 31, 2017 is omitted because the difference between the statutory tax rate and the effective income tax rate after applying the tax effect accounting is not more than 5% of the statutory tax rate.

(Business Combinations)

1. Business combination through acquisition

The Company, in accordance with the share transfer agreement concluded with Nisshinbo Holdings Inc. (hereinafter, "Nisshinbo HD") effective February 10, 2017, has acquired all outstanding shares of Nisshinbo Paper Products Inc. (hereinafter, "Nisshinbo PP") from Nisshinbo HD effective April 3, 2017.

(1) Overview of the business combination

1) Company name and business details of the acquired company

Company name	Nisshinbo Paper Products Inc.
Location	2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo
Business details	Manufacture and sale of household paper, specialty paper, processed paper products, etc.

2) Main reasons for the business combination

The Company, collectively as a group, has a presence in every field of the Paper Products Business (hereinafter, the "Business"), namely household paper, specialty paper, processed paper products and label-related products, which it acquired from Nisshinbo HD. Therefore, the Company will be able to make full use of all of the management resources (human talents, facilities and equipment, and brands) of the Business, and will be able to raise the value of all products, including household paper, specialty paper, processed paper products and label-related products, and further develop each business.

3) Date of the business combination

April 3, 2017

4) Legal form of the business combination

Acquisition of shares through a share transfer

a. Details of the transferred business

The shares of Nisshinbo HD's domestic subsidiaries (Nisshinbo PP, which holds Daiwa Shiko Co., Ltd. and Tokai Seishi Kogyo Co., Ltd. as its subsidiaries) and Nisshinbo Postal Chemical Co., Ltd. (hereinafter, "Nisshinbo PC"), and Nisshinbo HD's equity in its Chinese subsidiary, Shanghai Sun-Rich Arts & Crafts Co., Ltd. (hereinafter, "Shanghai Sun-Rich Arts & Craft"), all of which are involved in the Business, as well as the real estate, facilities, intellectual property rights and other assets pertaining to the Business that Nisshinbo HD holds.

b. Method of the transfer

Nisshinbo HD, by absorption-type company split, had Nisshinbo PP succeed its shares in Nisshinbo PC, its equity in Shanghai Sun-Rich Arts & Craft, and its real estate, facilities, intellectual property rights and other assets pertaining to the Business, after which the Company acquired all shares in Nisshinbo PP from Nisshinbo HD.

5) Company name after the business combination

Effective the same date as the acquisition of all shares (April 3, 2017), the trade names of Nisshinbo PP and Nisshinbo PC were changed to “Daio Paper Products Corporation” and “Daio Postal Chemical Corporation,” respectively.

6) Ratio of voting rights acquired

100%

7) Major reasons for the decision on acquiring the company

Due to the Company acquiring the shares in exchange for cash

(2) Period of the business results of the acquired company included in the consolidated financial statements

From April 3, 2017 to March 31, 2018

(3) Acquisition cost and breakdown by type of consideration

Consideration for acquisition	Cash	¥24,545 million (\$231,029 thousand)
Acquisition cost		¥24,545 million (\$231,029 thousand)

(4) Major components and amounts of acquisition related costs

Advisory fees, etc.: ¥243 million (\$2,285 thousand)

(5) Amount of goodwill and negative goodwill, reason for recognition and method and period of amortization

1) Amount of goodwill and negative goodwill

Goodwill ¥9,107 million (\$85,714 thousand)

Negative goodwill ¥8 million (\$72 thousand)

2) Reason for recognition

Goodwill arose from reasonable estimates of future excess earning power expected to be generated from business developments going forward.

With regard to negative goodwill, since the market value of net assets at the time of business combination exceeded the acquisition cost, the difference was recognized as negative goodwill (gain on bargain purchase).

3) Method and period of amortization

Straight-line method over 10-20 years

(6) Amounts of assets received and liabilities assumed on the date of the business combination and their breakdown

Current assets	¥13,552 million (\$127,559 thousand)
Non-current assets	¥17,049 million (\$160,480 thousand)
Total assets	¥30,601 million (\$288,039 thousand)
Current liabilities	¥10,406 million (\$97,949 thousand)
Non-current liabilities	¥4,749 million (\$44,704 thousand)
Total liabilities	¥15,155 million (\$142,653 thousand)

- (7) Estimated amount of impact on the consolidated statement of income for the fiscal year ended March 31, 2018 and calculation method assuming that the business combination had been completed at the beginning of the fiscal year
The amount and calculation method is omitted due to lack of monetary materiality.

2. Business combination through acquisition

At the Board of Directors meeting held on February 27, 2017, the Company resolved to acquire all share certificates of common stock (excluding the treasury shares held by Miura Printing Corporation) of Miura Printing Corporation (hereinafter, “Miura Printing”) and all stock acquisition rights of Miura Printing issued pursuant to a resolution passed at Miura Printing’s Board of Directors meeting held on September 30, 2015, and to conduct a tender offer for shares, etc. of Miura Printing (hereinafter, the “Tender Offer”) as part of a transaction with the aim of making Miura Printing a wholly-owned subsidiary of the Company (hereinafter, the “Transaction”). As a result of the Tender Offer, Miura Printing became a subsidiary of the Company effective April 18, 2017.

The Company made a demand for all shareholders of Miura Printing (excluding the Company and Miura Printing) to sell all shares they hold with the aim of acquiring all shares of Miura Printing as of April 20, 2017, and completed the acquisition of all shares as of June 1, 2017.

(1) Overview of the business combination

1) Company name and business details of the acquired company

Company name	Miura Printing Corporation
Location	2-3-9, Chitose, Sumida-ku, Tokyo
Business details	Printing business, parking lot business and real estate leasing business

2) Main reasons for the business combination

The Company, by adding Miura Printing to the Group through the Transaction, intends to expand the Company’s printing business by making maximum use of Miura Printing’s strong branding capabilities and sales capabilities based on its numerous transactions with blue-chip customers, and leverage various aspects of its know-how, including its technical capabilities. The Company’s aim is to strengthen its core business, which is the paper business, in the interconnected segments of papermaking and printing, with an eye toward further expansion of the printing business in the future.

3) Date of the business combination

Acquisition through tender offer: April 18, 2017
Acquisition through demand for sales of shares: June 1, 2017

4) Legal form of the business combination

Acquisition of shares in exchange for cash

5) Company name after the business combination

There will be no change to the trade name.

6) Ratio of voting rights acquired

100%

7) Major reasons for the decision on acquiring the company

Due to the Company acquiring the shares in exchange for cash

(2) Period of the business results of the acquired company included in the consolidated financial statements

From April 1, 2017 to March 31, 2018

(3) Acquisition cost and breakdown by type of consideration

Consideration for acquisition	Cash	¥8,358 million (\$78,674 thousand)
Acquisition cost		¥8,358 million (\$78,674 thousand)

(4) Major components and amounts of acquisition related costs

Advisory fees, etc.: ¥165 million (\$1,550 thousand)

(5) Amount of negative goodwill and reason for recognition

1) Amount of negative goodwill

¥1,026 million (\$9,660 thousand)

2) Reason for recognition

Since the market value of net assets at the time of business combination exceeded the acquisition cost, the difference was recognized as negative goodwill (gain on bargain purchase).

(6) Amounts of assets received and liabilities assumed on the date of the business combination and their breakdown

Current assets	¥5,631 million (\$53,006 thousand)
Non-current assets	¥8,419 million (\$79,247 thousand)
Total assets	¥14,050 million (\$132,253 thousand)
Current liabilities	¥2,858 million (\$26,905 thousand)
Non-current liabilities	¥1,808 million (\$17,013 thousand)
Total liabilities	¥4,666 million (\$43,918 thousand)

(Segment Information, etc.)

[Segment Information]

1. Overview of reportable segments

The Company is organized into business units or sales divisions by product line. Each business unit or sales division is responsible for the formulation of a comprehensive strategy for the products it carries and the relevant business activities.

The Company consists of two reportable segments, namely the Paper and Paperboard business segment and the Home and Personal Care business segment, each of which comprises businesses of product lines that are similar in terms of the manufacture and distribution system and types of market or customers.

Each reportable segment of the Company is a unit for which operating results are evaluated regularly at the budget meeting, where decisions regarding the Company's financial performance are made, and for which separate financial information is available.

The products manufactured and distributed by the Paper and Paperboard business segment include newsprints, printing papers, packaging papers, paperboards, corrugated containers and pulps. The products manufactured and distributed by the Home and Personal Care business segment include sanitary goods, disposable diapers, napkins and wet wipes.

2. Calculation method of net sales, income, assets and other items by reportable segment

The accounting method for the reportable segments is the same as those described in "Summary of Significant Accounting and Reporting Policies."

Segment income is based on operating income.

Intersegment sales or transfers are based on the price determined upon consultation between the parties involved.

3. Net sales, income, assets and other items by reportable segment

For the fiscal year ended March 31, 2017

(Millions of Yen)

	Reportable Segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Paper and Paperboard	Home and Personal Care	Total				
Net Sales							
Sales to external customers	291,953	168,820	460,773	16,367	477,140	—	477,140
Intersegment sales and transfers	17,471	2,489	19,960	56,470	76,430	(76,430)	—
Total sales	309,424	171,309	480,733	72,837	553,570	(76,430)	477,140
Segment income	10,027	10,110	20,137	3,113	23,250	285	23,535
Segment assets	395,867	190,813	586,680	48,831	635,511	22,236	657,747
Other items:							
Depreciation and amortization	21,320	7,113	28,433	584	29,017	—	29,017
Increase in property, plant and equipment and intangible assets	15,696	12,230	27,926	4,527	32,453	—	32,453

(Notes) 1. The "Other" category consists of the business segments that are not included in the reportable segments, and includes woodchip, forestry, machinery, logistics, electric power selling and golf club businesses.

2. Adjustments are as follows:

- (1) The amount of adjustments for segment income is the adjustment for elimination of intersegment transactions.
- (2) The amount of adjustments for segment assets is the adjustment for elimination of intersegment transactions of ¥(13,676) million and corporate assets, consisting primarily of investment securities, not attributable to any reportable segment of ¥35,912 million.

3. Segment income is calculated by adjusting operating income presented in the consolidated statement of income.

For the fiscal year ended March 31, 2018

(Millions of Yen)

	Reportable Segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Paper and Paperboard	Home and Personal Care	Total				
Net Sales							
Sales to external customers	313,553	196,970	510,523	20,788	531,311	—	531,311
Intersegment sales and transfers	18,152	3,087	21,239	59,296	80,535	(80,535)	—
Total sales	331,705	200,057	531,762	80,084	611,846	(80,535)	531,311
Segment income	700	8,085	8,785	2,024	10,809	253	11,062
Segment assets	395,432	222,042	617,474	50,762	668,236	17,905	686,141
Other items:							
Depreciation and amortization	21,632	8,569	30,201	970	31,171	—	31,171
Increase in property, plant and equipment and intangible assets	15,610	18,886	34,496	5,027	39,523	—	39,523

(Thousands of U.S. Dollars)

	Reportable Segment			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Paper and Paperboard	Home and Personal Care	Total				
Net Sales							
Sales to external customers	2,951,362	1,854,011	4,805,373	195,676	5,001,049	—	5,001,049
Intersegment sales and transfers	170,862	29,051	199,913	558,136	758,049	(758,049)	—
Total sales	3,122,224	1,883,062	5,005,286	753,812	5,759,098	(758,049)	5,001,049
Segment income	6,589	76,101	82,690	19,049	101,739	2,381	104,120
Segment assets	3,722,069	2,090,000	5,812,069	477,805	6,289,874	168,531	6,458,405
Other items:							
Depreciation and amortization	203,612	80,655	284,267	9,136	293,403	—	293,403
Increase in property, plant and equipment and intangible assets	146,929	177,772	324,701	47,319	372,020	—	372,020

(Notes) 1. The “Other” category consists of the business segments that are not included in the reportable segments, and includes woodchip, forestry, machinery, logistics, electric power selling, golf club, parking lot and real estate leasing businesses.

2. Adjustments are as follows:

- (1) The amount of adjustments for segment income is the adjustment for elimination of intersegment transactions.
- (2) The amount of adjustments for segment assets is the adjustment for elimination of intersegment transactions of ¥(14,355) million (\$ (135,123) thousand) and corporate assets, consisting primarily of investment securities, not attributable to any reportable segment of ¥32,260 million (\$303,656 thousand).

3. Segment income is calculated by adjusting operating income presented in the consolidated statement of income.

[Related Information]

For the fiscal year ended March 31, 2017

1. Information by product and service

This information is omitted because a similar description has been disclosed in segment information.

2. Information by geographical area

(1) Net sales

This information is omitted because the Group's domestic sales exceed 90% of net sales presented in the consolidated statements of income.

(2) Property, plant and equipment

(Millions of Yen)

Japan	Asia	South America	Other	Total
268,665	16,631	13,746	142	299,184

(Note) From the fiscal year ended March 31, 2017, as the amounts of the items of property, plant and equipment that are located outside of Japan exceeded 10% of the amount of property, plant and equipment presented in the consolidated balance sheet, the above items are presented.

3. Information by major customer

This information is omitted because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statements of income.

For the fiscal year ended March 31, 2018

1. Information by product and service

This information is omitted because a similar description has been disclosed in segment information.

2. Information by geographical area

(1) Net sales

This information is omitted because the Group's domestic sales exceed 90% of net sales presented in the consolidated statements of income.

(2) Property, plant and equipment

(Millions of Yen)

Japan	Asia	South America	Other	Total
286,327	19,559	13,549	129	319,564

(Thousands of U.S. Dollars)

Japan	Asia	South America	Other	Total
2,695,097	184,107	127,535	1,207	3,007,946

3. Information by major customer

This information is omitted because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statements of income.

[Impairment Loss of Non-current Assets by Reportable Segment]

For the fiscal year ended March 31, 2017

(Millions of Yen)

	Paper and Paperboard	Home and Personal Care	Other	Corporate & elimination	Total
Impairment loss	737	128	—	—	865

For the fiscal year ended March 31, 2018

(Millions of Yen)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Impairment loss	6,350	9	489	—	6,848

(Thousands of U.S. Dollars)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Impairment loss	59,765	85	4,605	—	64,455

(Note) The amount of “Other” is impairment loss associated with the real estate leasing and other businesses.

[Amortization and Unamortized Balance of Goodwill by Reportable Segment]

For the fiscal year ended March 31, 2017

(Millions of Yen)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Amortization of goodwill	2,011	1,679	541	—	4,231
Unamortized balance	19,566	21,770	8,252	—	49,588

(Note) The amount of “Other” includes amortization and unamortized balance associated with the woodchip, forestry, machinery and logistics businesses.

The following are amortization and unamortized balances of negative goodwill that arose in the business combinations that occurred before April 1, 2010.

(Millions of Yen)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Amortization of negative goodwill	11	0	62	—	73
Unamortized balance	100	1	623	—	724

(Note) The amount of “Other” includes amortization and unamortized balance associated with the woodchip and forestry businesses.

For the fiscal year ended March 31, 2018

(Millions of Yen)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Amortization of goodwill	1,568	2,000	532	—	4,100
Unamortized balance	14,696	26,167	7,231	—	48,094

(Thousands of U.S. Dollars)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Amortization of goodwill	14,759	18,818	5,011	—	38,588
Unamortized balance	138,325	246,298	68,065	—	452,688

(Note) The amount of “Other” includes amortization and unamortized balance associated with the woodchip, forestry, machinery and logistics businesses.

The following are amortization and unamortized balances of negative goodwill that arose in the business combinations that occurred before April 1, 2010.

(Millions of Yen)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Amortization of negative goodwill	11	0	62	—	73
Unamortized balance	89	1	561	—	651

(Thousands of U.S. Dollars)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Amortization of negative goodwill	103	1	586	—	690
Unamortized balance	841	5	5,277	—	6,123

(Note) The amount of “Other” includes amortization and unamortized balance associated with the woodchip and forestry businesses.

[Negative Goodwill (Gain on Bargain Purchase) by Reportable Segment]

For the fiscal year ended March 31, 2017

The Company did not recognize any gain on bargain purchase.

For the fiscal year ended March 31, 2018

During the fiscal year ended March 31, 2018, the Company included Daio Paper Products Corporation (and its three subsidiaries) and Miura Printing Corporation in the scope of consolidation following the acquisition of their shares. In connection with these events, the Company recognized gain on bargain purchase of ¥1,026 million (\$9,660 thousand) in the Paper and Paperboard business and ¥8 million (\$72 thousand) in the Home and Personal Care business.

[Related Party Information]

None

(Per Share Information)

	Fiscal year ended March 31, 2017 (Yen)	Fiscal year ended March 31, 2018 (Yen)	Fiscal year ended March 31, 2018 (U.S. Dollars)
Net assets per share	1,211.33	1,221.65	11.50
Basic earnings per share	83.28	27.25	0.26
Diluted earnings per share	72.74	23.72	0.22

(Note) Basic and diluted earnings per share are calculated based on the following:

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Basic earnings per share			
Profit attributable to owners of parent (millions of yen/thousands of U.S. Dollars)	12,136	3,971	37,374
Amount not attributable to common shareholders of parent (millions of yen/thousands of U.S. Dollars)	—	—	—
Profit attributable to common shareholders of parent (millions of yen/thousands of U.S. Dollars)	12,136	3,971	37,374
Average number of common shares outstanding during the period (thousands of shares)	145,730	145,729	145,729
Diluted earnings per share			
Adjustment to profit attributable to owners of parent (millions of yen/thousands of U.S. Dollars)	(21)	(21)	(196)
[Interest expenses (after deducting the amount equivalent to taxes) (millions of yen/thousands of U.S. Dollars)]	[(21)]	[(21)]	[(196)]
Increase in the number of common shares (thousands of shares)	20,816	20,816	20,816
[Convertible bond-type bonds with subscription rights to shares (thousands of shares)]	[20,816]	[20,816]	[20,816]
Summary of potentially dilutive shares that were not included in the calculation of diluted earnings per share since there was no dilutive effect	—	—	—

(Subsequent Events)

None

5) Supplementary Schedules

[Schedule of Bonds]

Company	Name	Date of issue	Beginning balance (Millions of Yen)	Ending balance (Millions of Yen)	Interest rate (%)	Collateral	Maturity
Daio Paper Corporation	Zero Coupon Convertible Bonds due 2020 (Note 2)	September 17, 2015	30,105	30,075	—	None	September 17, 2020
Daio Paper Corporation	Unsecured Straight Bond No. 18	March 22, 2017	15,000	15,000	0.42	None	March 22, 2022
Daio Paper Corporation	Unsecured Straight Bond No. 19	December 14, 2017	—	15,000	0.42	None	December 14, 2022
Daio Paper Corporation	Unsecured Straight Bond No. 20	December 14, 2017	—	10,000	0.60	None	December 13, 2024
Consolidated subsidiaries	Subsidiary Straight Bonds	March 27, 2017	300	300	0.49	None	March 27, 2022
Total	—	—	45,405	70,375	—	—	—

Company	Name	Date of issue	Beginning balance (Thousands of U.S. Dollars)	Ending balance (Thousands of U.S. Dollars)	Interest rate (%)	Collateral	Maturity
Daio Paper Corporation	Zero Coupon Convertible Bonds due 2020 (Note 2)	September 17, 2015	283,367	283,085	—	None	September 17, 2020
Daio Paper Corporation	Unsecured Straight Bond No. 18	March 22, 2017	141,190	141,190	0.42	None	March 22, 2022
Daio Paper Corporation	Unsecured Straight Bond No. 19	December 14, 2017	—	141,190	0.42	None	December 14, 2022
Daio Paper Corporation	Unsecured Straight Bond No. 20	December 14, 2017	—	94,126	0.60	None	December 13, 2024
Consolidated subsidiaries	Subsidiary Straight Bonds	March 27, 2017	2,824	2,824	0.49	None	March 27, 2022
Total	—	—	427,381	662,415	—	—	—

(Notes) 1. The amounts in parentheses above indicate redemption amounts due within one year.

2. Details of the convertible bonds are presented as follows.

Name of bonds:	Zero Coupon Convertible Bonds due 2020
Stock to be issued:	Common stock
Issue price of stock acquisition rights:	Free of charge (gratis issue)
Issue price of stock:	¥1,441.2 (\$13.57)
Total issue amount:	¥30,150 million (\$283,791 thousand)
Total issue amount of stock issued upon exercise of stock acquisition rights:	¥— million (\$— thousand)
Percentage of stock acquisition rights granted:	100.0%
Exercise period of stock acquisition rights:	From October 1, 2015 to September 3, 2020 (Local time of the place for accepting the exercise request)

(Note) Upon the exercise of stock acquisition rights, the bonds associated with the stock acquisition rights shall be subject to capital contribution, with the price for the bonds being the same as their face value.

3. The redemption schedule of bonds payable for five years subsequent to March 31, 2018 is as follows:

Due within one year (Millions of Yen)	Between one to two years (Millions of Yen)	Between two to three years (Millions of Yen)	Between three to four years (Millions of Yen)	Between four to five years (Millions of Yen)
—	—	30,000	15,300	15,000

Due within one year (Thousands of U.S. Dollars)	Between one to two years (Thousands of U.S. Dollars)	Between two to three years (Thousands of U.S. Dollars)	Between three to four years (Thousands of U.S. Dollars)	Between four to five years (Thousands of U.S. Dollars)
—	—	282,380	144,014	141,190

[Schedule of Loans]

Category	Beginning balance (Millions of Yen)	Ending balance (Millions of Yen)	Beginning balance (Thousands of U.S. Dollars)	Ending balance (Thousands of U.S. Dollars)	Average interest rate (%)	Maturity
Short-term loans payable	26,360	24,734	248,117	232,814	0.58	—
Current portion of long-term loans payable	72,706	50,558	684,357	475,889	1.24	—
Current portion of lease obligations	593	609	5,582	5,737	—	—
Long-term loans payable (excluding current portion)	192,521	195,681	1,812,130	1,841,878	0.97	Due 2019 through 2026
Lease obligations (excluding current portion)	1,687	1,553	15,880	14,615	—	Due 2019 through 2026
Other interest-bearing debt						
Current portion of long-term accounts payable – facilities	2,621	1,374	24,672	12,934	0.68	—
Long-term accounts payable – facilities (excluding current portion)	2,385	1,789	22,448	16,839	0.66	Due 2019 through 2023
Total	298,873	276,298	2,813,186	2,600,706	—	—

- (Notes) 1. The average interest rate above represents the weighted-average interest rate for the ending balance of loans payable.
2. The average interest rate of the lease obligations is not presented because the lease obligations are stated in the consolidated balance sheet at the amount before deducting the amount equivalent to interest expenses that are included in the total lease payments.
3. The redemption schedule of long-term loans payable, lease obligations and other interest-bearing debt (excluding current portions) for five years subsequent to March 31, 2018 is as follows:

	Between one to two years (Millions of Yen)	Between two to three years (Millions of Yen)	Between three to four years (Millions of Yen)	Between four to five years (Millions of Yen)
Long-term loans payable	49,465	43,515	39,056	24,540
Lease obligations	494	386	244	146
Other interest-bearing debt	785	509	356	139

	Between one to two years (Thousands of U.S. Dollars)	Between two to three years (Thousands of U.S. Dollars)	Between three to four years (Thousands of U.S. Dollars)	Between four to five years (Thousands of U.S. Dollars)
Long-term loans payable	465,596	409,596	367,621	230,988
Lease obligations	4,646	3,636	2,294	1,373
Other interest-bearing debt	7,388	4,788	3,353	1,310

[Schedule of Asset Retirement Obligations]

The Schedule of Asset Retirement Obligations is not presented, pursuant to Article 92-2 of the Ordinance on Consolidated Financial Statements, as the beginning and ending balances of asset retirement obligations for the fiscal year ended March 31, 2018 were one percent or less of the total beginning and ending balances of liabilities and net assets of the fiscal year.