

1 Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet as of March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Assets			
Current assets			
Cash and deposits	66,680	106,548	959,983
Notes and accounts receivable - trade	*6 98,334	*6 96,915	873,183
Electronically recorded monetary claims - operating	*6 11,419	*6 12,174	109,686
Merchandise and finished goods	40,929	41,557	374,417
Work in process	6,121	6,337	57,094
Raw materials and supplies	25,052	28,801	259,491
Other	8,437	7,380	66,496
Allowance for doubtful accounts	(7)	(62)	(555)
Total current assets	256,965	299,650	2,699,795
Non-current assets			
Property, plant and equipment			
Buildings and structures	*2 214,476	*2 226,249	2,038,460
Accumulated depreciation	(140,181)	(144,536)	(1,302,239)
Buildings and structures, net	*1 74,295	*1 81,713	736,221
Machinery, equipment and vehicles	*2 854,013	*2 874,571	7,879,726
Accumulated depreciation	(722,513)	(738,986)	(6,658,127)
Machinery, equipment and vehicles, net	*1 131,500	*1 135,585	1,221,599
Land	*1, *2 79,987	*1, *2 80,468	724,999
Construction in progress	24,255	29,750	268,040
Other	*2 21,470	*2 22,453	202,302
Accumulated depreciation	(11,943)	(12,263)	(110,492)
Other, net	*1 9,527	*1 10,190	91,810
Total property, plant and equipment	319,564	337,706	3,042,669
Intangible assets			
Goodwill	47,443	43,553	392,406
Other	9,050	11,685	105,283
Total intangible assets	56,493	55,238	497,689
Investments and other assets			
Investment securities	*3 33,466	*3 32,861	296,076
Long-term loans receivable	3,804	3,840	34,599
Deferred tax assets	6,139	5,420	48,829
Other	*3 10,478	*3 11,930	107,486
Allowance for doubtful accounts	(993)	(1,031)	(9,293)
Total investments and other assets	52,894	53,020	477,697
Total non-current assets	428,951	445,964	4,018,055
Deferred assets	225	252	2,269
Total assets	686,141	745,866	6,720,119

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

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Liabilities			
Current liabilities			
Notes and accounts payable - trade	58,686	58,774	529,539
Short-term loans payable	24,734	19,222	173,185
Current portion of long-term loans payable	*1 50,558	*1 49,839	449,040
Accounts payable - other	37,151	29,312	264,094
Current portion of long-term accounts payable - facilities	*1 1,374	*1 811	7,310
Income taxes payable	2,090	2,250	20,269
Provision for bonuses	5,013	4,893	44,083
Provision for directors' bonuses	106	98	882
Other	12,440	12,618	113,698
Total current liabilities	192,152	177,817	1,602,100
Non-current liabilities			
Bonds payable	40,300	60,300	543,292
Convertible bonds with share acquisition rights	30,075	23,745	213,941
Long-term loans payable	*1 195,681	*1 250,755	2,259,255
Long-term accounts payable - facilities	*1 1,789	*1 1,094	9,853
Net defined benefit liability	22,884	22,060	198,759
Provision for directors' retirement benefits	296	311	2,805
Provision for environmental measures	26	27	244
Provision for loss on business of subsidiaries and associates	121	68	610
Other	9,752	10,350	93,254
Total non-current liabilities	300,924	368,710	3,322,013
Total liabilities	493,076	546,527	4,924,113
Net assets			
Shareholders' equity			
Capital stock	39,707	42,859	386,150
Capital surplus	39,817	42,968	387,138
Retained earnings	96,513	99,189	893,674
Treasury shares	(2,909)	(2,910)	(26,220)
Total shareholders' equity	173,128	182,106	1,640,742
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	9,888	9,051	81,541
Deferred gains or losses on hedges	—	(20)	(182)
Foreign currency translation adjustment	(4,302)	(6,089)	(54,857)
Remeasurements of defined benefit plans	(684)	554	4,994
Total accumulated other comprehensive income	4,902	3,496	31,496
Non-controlling interests	15,035	13,737	123,768
Total net assets	193,065	199,339	1,796,006
Total liabilities and net assets	686,141	745,866	6,720,119

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, 2019]

	Millions of Yen		Thousands of U.S. Dollars
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Net sales	531,311	533,890	4,810,256
Cost of sales	*2, *6 409,937	*2, *6 417,513	3,761,721
Gross profit	121,374	116,377	1,048,535
Selling, general and administrative expenses	*1, *2 110,312	*1, *2 104,255	939,315
Operating profit	11,062	12,122	109,220
Non-operating income			
Interest income	264	195	1,758
Dividend income	703	578	5,204
Foreign exchange gains	100	—	—
Rental income from non-current assets	316	361	3,252
Subsidy income	3,720	568	5,116
Other	1,797	1,631	14,698
Total non-operating income	6,900	3,333	30,028
Non-operating expenses			
Interest expenses	3,201	3,113	28,052
Other	1,982	2,500	22,525
Total non-operating expenses	5,183	5,613	50,577
Ordinary profit	12,779	9,842	88,671
Extraordinary income			
Gain on exchange from business combination	—	1,438	12,956
Gain on sales of non-current assets	*3 150	*3 12	110
Gain on sales of investment securities	5,754	71	639
Insurance claim income	123	712	6,411
Gain on bargain purchase (negative goodwill)	1,034	—	—
Other	12	167	1,509
Total extraordinary income	7,073	2,400	21,625
Extraordinary losses			
Loss on sales and retirement of non-current assets	*4 598	*4 1,070	9,642
Loss on sales of investment securities	155	27	246
Loss on valuation of investment securities	24	—	—
Loss on disaster	177	998	8,995
Impairment loss	*5 6,848	*5 3,019	27,197
Early retirement expenses	*7 894	—	—
Other	32	158	1,421
Total extraordinary losses	8,728	5,272	47,501
Profit before income taxes	11,124	6,970	62,795
Income taxes - current	5,488	5,159	46,481
Refund of income taxes	—	(454)	(4,091)
Income taxes - deferred	1,835	(1,069)	(9,638)
Total income taxes	7,323	3,636	32,752
Profit	3,801	3,334	30,043
Loss attributable to non-controlling interests	(170)	(1,363)	(12,277)
Profit attributable to owners of parent	3,971	4,697	42,320

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

[Consolidated Statement of Comprehensive Income for the fiscal year ended March 31, 2019]

	Millions of Yen		Thousands of U.S. Dollars
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Profit	3,801	3,334	30,043
Other comprehensive income			
Valuation difference on available-for-sale securities	(879)	(855)	(7,711)
Deferred gains or losses on hedges	—	(20)	(182)
Foreign currency translation adjustment	(41)	(2,116)	(19,063)
Remeasurements of defined benefit plans, net of tax	(146)	1,240	11,175
Total other comprehensive income	* (1,066)	* (1,751)	(15,781)
Comprehensive income	2,735	1,583	14,262
Comprehensive income attributable to:			
Owners of parent	3,029	3,291	29,648
Non-controlling interests	(294)	(1,708)	(15,386)

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, 2019

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 in 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	Deferred gains or losses on hedges	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 in 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

Year ended March 31, 2019

(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	96,513	(2,909)	173,128
Changes of items during period					
Dividends			(1,545)		(1,545)
Conversion of convertible bonds with share acquisition rights	3,151	3,151			6,303
Profit attributable to owners of parent			4,697		4,697
Purchase of treasury shares				(1)	(1)
Change in scope of consolidation			(476)		(476)
Net changes of items other than shareholders' equity					
Total changes of items during period	3,151	3,151	2,676	(1)	8,978
Balance at end of current period	42,859	42,968	99,189	(2,910)	182,106

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	9,888	—	(4,302)	(684)	4,902	15,035	193,065
Changes of items during period							
Dividends							(1,545)
Conversion of convertible bonds with share acquisition rights							6,303
Profit attributable to owners of parent							4,697
Purchase of treasury shares							(1)
Change in scope of consolidation							(476)
Net changes of items other than shareholders' equity	(837)	(20)	(1,787)	1,238	(1,406)	(1,298)	(2,704)
Total changes of items during period	(837)	(20)	(1,787)	1,238	(1,406)	(1,298)	6,274
Balance at end of current period	9,051	(20)	(6,089)	554	3,496	13,737	199,339

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	357,756	358,744	869,559	(26,213)	1,559,846
Changes of items during period					
Dividends			(13,917)		(13,917)
Conversion of convertible bonds with share acquisition rights	28,394	28,394			56,788
Profit attributable to owners of parent			42,320		42,320
Purchase of treasury shares				(7)	(7)
Change in scope of consolidation			(4,288)		(4,288)
Net changes of items other than shareholders' equity					
Total changes of items during period	28,394	28,394	24,115	(7)	80,896
Balance at end of current period	386,150	387,138	893,674	(26,220)	1,640,742

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	89,093	—	(38,762)	(6,164)	44,167	135,462	1,739,475
Changes of items during period							
Dividends							(13,917)
Conversion of convertible bonds with share acquisition rights							56,788
Profit attributable to owners of parent							42,320
Purchase of treasury shares							(7)
Change in scope of consolidation							(4,288)
Net changes of items other than shareholders' equity	(7,552)	(182)	(16,095)	11,158	(12,671)	(11,694)	(24,365)
Total changes of items during period	(7,552)	(182)	(16,095)	11,158	(12,671)	(11,694)	56,531
Balance at end of current period	81,541	(182)	(54,857)	4,994	31,496	123,768	1,796,006

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

4) Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Cash flows from operating activities			
Profit before income taxes	11,124	6,970	62,795
Depreciation	31,171	33,331	300,311
Impairment loss	6,848	3,019	27,197
Early retirement expenses	894	—	—
Amortization of goodwill	4,026	3,583	32,278
Gain on bargain purchase (negative goodwill)	(1,034)	—	—
Gain on exchange from business combination	—	(1,438)	(12,956)
Increase (decrease) in allowance for doubtful accounts	(38)	93	838
Loss (gain) on sales of investment securities	(5,600)	(44)	(394)
Increase (decrease) in net defined benefit liability	45	1,028	9,262
Interest and dividend income	(967)	(773)	(6,962)
Interest expenses	3,201	3,113	28,052
Foreign exchange losses (gains)	(100)	377	3,394
Subsidy income	(3,720)	(568)	(5,116)
Insurance claim income	(141)	(926)	(8,343)
Loss (gain) on sales of property, plant and equipment	(129)	13	115
Loss (gain) on retirement of property, plant and equipment	577	1,045	9,417
Decrease (increase) in notes and accounts receivable - trade	(8,012)	330	2,975
Decrease (increase) in inventories	(5,223)	(4,880)	(43,963)
Increase (decrease) in notes and accounts payable - trade	5,013	335	3,020
Increase (decrease) in other assets/liabilities	3,660	(19)	(171)
Increase (decrease) in accrued consumption taxes	(786)	(283)	(2,551)
Other, net	(688)	(1)	(14)
Subtotal	40,121	44,305	399,184
Interest and dividends received	1,291	1,072	9,660
Interest paid	(3,462)	(3,335)	(30,054)
Payments for early retirement expenses	(888)	—	—
Proceeds from subsidy income	3,924	970	8,739
Proceeds from insurance income	206	872	7,857
Income taxes paid	(12,907)	(4,726)	(42,576)
Income taxes refund	—	1,129	10,172
Net cash provided by (used in) operating activities	28,285	40,287	362,982

	Millions of Yen		Thousands of U.S. Dollars
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Cash flows from investing activities			
Net decrease (increase) in time deposits	(114)	3,333	30,030
Purchase of property, plant and equipment	(31,019)	(64,380)	(580,054)
Proceeds from sales of property, plant and equipment	1,293	2,434	21,929
Purchase of investment securities	(166)	(228)	(2,058)
Proceeds from sales of investment securities	9,321	324	2,915
Purchase of intangible assets	(2,806)	(3,560)	(32,079)
Loans receivable granted	(14)	(644)	(5,805)
Collection of loans receivable	6	575	5,182
Payments of leasehold deposits	(56)	(596)	(5,368)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (27,021)	—	—
Proceeds from exchange of subsidiary shares resulting in change in scope of consolidation	—	*3 1,581	14,241
Other, net	(909)	(949)	(8,530)
Net cash provided by (used in) investing activities	(51,485)	(62,110)	(559,597)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(1,826)	(6,616)	(59,610)
Proceeds from long-term loans payable	52,150	105,000	946,031
Repayments of long-term loans payable	(73,362)	(50,646)	(456,311)
Proceeds from issuance of bonds	24,890	19,909	179,376
Proceeds from issuance of common shares assigned to non-controlling interests	776	410	3,693
Cash dividends paid	(1,620)	(1,545)	(13,917)
Other, net	(622)	(614)	(5,536)
Net cash provided by (used in) financing activities	386	65,898	593,726
Effect of exchange rate change on cash and cash equivalents	165	(731)	(6,591)
Net increase (decrease) in cash and cash equivalents	(22,649)	43,344	390,520
Cash and cash equivalents at beginning of period	82,733	60,086	541,364
Increase in cash and cash equivalents from newly consolidated subsidiary	2	—	—
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	(23)	(203)
Cash and cash equivalents at end of period	*1 60,086	*1 103,407	931,681

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 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, 2019, which was ¥110.99 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, 2018: 36; as of March 31, 2019: 32

Names of the main consolidated subsidiaries:

Iwaki Daio 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 exclusion of Elleair Printing Co., Ltd. as of April 1, 2018 following the absorption-type merger with Daio Mill Support Co., Ltd., which was also previously the Company’s consolidated subsidiary and which is the surviving company after the merger.
- 2) the exclusion of Elleair Paper Chemical Corporation as of April 1, 2018 following the absorption-type merger with Daio Eco Work Corporation, which is the Company’s non-consolidated subsidiary and the surviving company after the merger.
- 3) the exclusion of Tokai Seishi Kogyo Co., Ltd. as of April 1, 2018 following the absorption-type merger with Ohmiya Paper Corporation, which was also previously the Company’s consolidated subsidiary and which is the surviving company after the merger. It is noted that effective August 1, 2018, Ohmiya Paper Corporation was renamed to Elleair Paper Co., Ltd.
- 4) the exclusion of Elleair Paper Co., Ltd. as of July 1, 2018 following the absorption-type merger with the Company, which is the surviving company after the merger.
- 5) the exclusion of Miura Create Inc., as of July 1, 2018, a subsidiary of Miura Printing Corporation, following the absorption-type merger with Mitsubishi Real Estate Services Co., Ltd., which is the surviving company after the merger.

(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, 2019.

(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 September 14, 2018).

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 past 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.

Past service cost is amortized 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.

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 meets 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 contracts

Hedged items: Loans payable

3) Hedging instruments: Commodity swap contracts

Hedged items: Raw materials

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 the risks of fluctuations in foreign exchange rates, raw material prices, and interest rates.

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 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)

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

As the Company has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018; hereinafter referred to as “Partial Amendments to Tax Effect Accounting Standard”) from the beginning of the fiscal year ended March 31, 2019, it has changed the method of presentation by which deferred tax assets and deferred tax liabilities are presented under investments and other assets and non-current liabilities, respectively. In line with this change, the notes to income taxes have also been changed.

As a result, the ¥3,843 million previously presented as “Deferred tax assets” under “Current assets” in the Consolidated Balance Sheet as of March 31, 2018 has now been included in the ¥6,139 million presented as “Deferred tax assets” under “Investments and other assets.”

Contents described in Note 8 of “Accounting Standard for Tax Effect Accounting Notes” (excluding the total amount of the valuation allowance) and Note 9 of it, which are stipulated in paragraphs 3 to 5 of Partial Amendments to Tax Effect

Accounting Standard, have been added in the notes to income taxes; however, the contents concerning the fiscal year ended March 31, 2018 have not been restated, compliant with the transitional treatment stipulated in paragraph 7 of Partial Amendments to Tax Effect Accounting Standard.

(Consolidated Statement of Income)

“Rental income from non-current assets” included in “Other” under “Non-operating income” and “Insurance claim income” included in “Other” under “Extraordinary income” for the fiscal year ended March 31, 2018 have been presented separately from the fiscal year ended March 31, 2019 due to an increase in financial significance. In addition, “Purchase discounts” under “Non-operating income,” which was presented separately for the fiscal year ended March 31, 2018, has been included in “Other” under “Non-operating income” from the fiscal year ended March 31, 2019 due to a decrease in financial significance. To reflect these changes in presentation, the reclassification of accounts has been made in the comparative financial information for the fiscal year ended March 31, 2018.

As a result, the ¥321 million presented as “Purchase discounts” and the ¥1,792 million presented as “Other” under “Non-operating income” in the Consolidated Statement of Income for the fiscal year ended March 31, 2018 have been reclassified to be presented as ¥316 million of “Rental income from non-current assets” and ¥1,797 million of “Other,” and the ¥135 million presented as “Other” under “Extraordinary income” has been reclassified to be presented as ¥123 million of “Insurance claim income” and ¥12 million of “Other.”

(Consolidated Statements of Cash Flows)

“Increase (decrease) in provision for loss on business of subsidiaries and associates” and “Loss (gain) on valuation of investment securities” under “Cash flows from operating activities,” which were presented separately for the fiscal year ended March 31, 2018, have been included in “Other, net” under “Cash flows from operating activities” from the fiscal year ended March 31, 2019 due to a decrease in financial significance. In addition, “Payments of leasehold deposits,” which was included in “Other, net” under “Cash flows from investing activities” for the fiscal year ended March 31, 2018, has been presented separately from the fiscal year ended March 31, 2019 due to an increase in financial significance. Furthermore, “Interest and dividends received” and “Interest paid,” which were previously presented under “Cash flows from investing activities” and “Cash flows from financing activities,” respectively, have been presented under “Cash flows from operating activities” from the fiscal year ended March 31, 2019. This change in the method of presentation has been made from the fiscal year ended March 31, 2019 in order to present “Cash flows from operating activities” more meaningfully following a review of the Company’s cash flow categories. To reflect this change in presentation, the reclassification of accounts has been made in the consolidated statement of cash flows for the fiscal year ended March 31, 2018.

As a result, the ¥(53) million presented as “Increase (decrease) in provision for loss on business of subsidiaries and associates,” the ¥24 million presented as “Loss (gain) on valuation of investment securities,” and the ¥(659) million presented as “Other, net” under “Cash flows from operating activities” in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2018 have been reclassified to be presented as ¥(688) million of “Other, net,” whereas the ¥(965) million presented as “Other, net” under “Cash flows from investing activities” has been reclassified to be presented as ¥(56) million of “Payments of leasehold deposits” and ¥(909) million of “Other, net.” In addition, the ¥1,291 million presented as “Interest and dividends received” under “Cash flows from investing activities,” and the ¥(3,462) million presented as “Interest paid” under “Cash flows from financing activities” in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2018 have been reclassified to be presented under “Cash flows from operating activities.”

(Notes to Consolidated Balance Sheets)

*1. Assets pledged as collateral are as follows:

	As of March 31, 2018 (Millions of Yen)		As of March 31, 2019 (Millions of Yen)		As of March 31, 2019 (Thousands of U.S. Dollars)	
Buildings and structures	23,118	(21,204)	19,371	(18,684)	174,528	(168,342)
Machinery, equipment and vehicles	46,427	(42,721)	29,365	(28,747)	264,573	(259,004)
Land	37,911	(32,926)	32,317	(28,577)	291,175	(257,470)
Other	30	(30)	—	(—)	—	(—)
Total	107,486	(96,881)	81,053	(76,008)	730,276	(684,816)

Associated secured debt obligations are as follows:

	As of March 31, 2018 (Millions of Yen)		As of March 31, 2019 (Millions of Yen)		As of March 31, 2019 (Thousands of U.S. Dollars)	
Long-term loans payable (including current portion)	6,874	(5,594)	3,350	(3,149)	30,182	(28,369)
Long-term accounts payable – facilities (including current portion)	974	(—)	550	(—)	4,954	(—)
Total	7,848	(5,594)	3,900	(3,149)	35,136	(28,369)

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, 2018 (Millions of Yen)		As of March 31, 2019 (Millions of Yen)		As of March 31, 2019 (Thousands of U.S. Dollars)	
Buildings and structures	1,121	(1,121)	36	(1,148)	323	(10,339)
Machinery, equipment and vehicles	790	(5,441)	119	(5,531)	1,076	(49,837)
Land	106	(569)	—	(569)	—	(5,123)
Other	7	(122)	—	(121)	—	(1,094)

(Note) 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.

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

	As of March 31, 2018 (Millions of Yen)		As of March 31, 2019 (Millions of Yen)		As of March 31, 2019 (Thousands of U.S. Dollars)	
Investment securities (equity securities)	1,628		2,231		20,104	
Investments and other assets	683		683		6,151	
Other (investments in capital)						

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, 2018 (Millions of Yen)		As of March 31, 2019 (Millions of Yen)		As of March 31, 2019 (Thousands of U.S. Dollars)	
Otsu Kami Unyu Co., Ltd.	4		—		—	
Fujiseishi Cooperative	15		3		30	
Total	19		3		30	

5. Notes receivable transferred by endorsement

	As of March 31, 2018 (Millions of Yen)	As of March 31, 2019 (Millions of Yen)	As of March 31, 2019 (Thousands of U.S. Dollars)
Notes receivable transferred by endorsement	423	389	3,507

*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. For the fiscal year ended March 31, 2019, the closing date of the fiscal period was a financial institution holiday. The Company accounted for notes maturing on the final day based on the contractual clearance date. Amounts of such notes maturing at the end of the fiscal year are as follows:

	As of March 31, 2018 (Millions of Yen)	As of March 31, 2019 (Millions of Yen)	As of March 31, 2019 (Thousands of U.S. Dollars)
Notes receivable	715	986	8,880
Electronically recorded monetary claims - operating	831	1,154	10,400

(Notes to Consolidated Statements of Income)

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

	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Logistics and warehousing expenses	47,542	49,222	443,481
Salaries, allowances and bonuses	16,153	15,656	141,060
Provision for bonuses	1,992	1,752	15,784
Retirement benefit expenses	959	1,070	9,641

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

Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
3,280	2,809	25,309

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

	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Buildings and structures	0	0	2
Machinery, equipment and vehicles	15	8	69
Land	111	4	37
Other	24	0	2
Total	150	12	110

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

	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Buildings and structures	64	69	618
Machinery, equipment and vehicles	307	252	2,274
Land	17	59	532
Removal costs, etc.	210	690	6,218
Total	598	1,070	9,642

*5. Impairment loss

The Company recognized impairment losses for the following asset groups.

For the fiscal year ended March 31, 2018

Use	Type	Location	Millions of Yen
Idle assets	Buildings and structures, machinery and equipment, land and other	Shikoku-Chuo City, Ehime Prefecture and other	346
Other	Goodwill	Chiyoda-Ku, Tokyo	6,013
Other	Goodwill	Shikoku-Chuo City, Ehime Prefecture	489

The Group recognizes an 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 directly in use for business operations (including buildings and structures, machinery and equipment, land and other) were written down to their recoverable amounts to recognize impairment losses. The breakdown of the impairment losses is ¥44 million for buildings and structures, ¥260 million for machinery and equipment, and ¥42 million for land and other.

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

In addition, the Company reviewed the business plans for some of its consolidated subsidiaries, which the Company formulated at the time of the acquisition. As a result, the entire book values of goodwill were written off.

For the fiscal year ended March 31, 2019

Use	Type	Location	Millions of Yen	Thousands of U.S. Dollars
Business assets	Machinery and equipment	West Java Province, Indonesia	2,193	19,760
Other	Goodwill, machinery and equipment, etc.	Tsuyama City, Okayama Prefecture	727	6,549
Idle assets	Buildings and structures, machinery and equipment, land	Shikoku-Chuo City, Ehime Prefecture and other	99	888

The Group recognizes an 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 business assets were written down to their recoverable amounts as the performance of these assets was determined to have fallen below the level expected in the initial plan due to their decreased profitability. The recoverable amounts of the operating assets are measured at value in use, which is determined by discounting future cash flows at 12.9%.

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

The book values of idle assets that were not directly in use for business operations (including buildings and structures,

machinery and equipment, land) were written down to their recoverable amounts. The breakdown of the impairment losses is ¥3 million (\$24 thousand) for buildings and structures, ¥95 million (\$854 thousand) for machinery and equipment, and ¥1 million (\$10 thousand) for land.

The recoverable amounts of other assets and idle assets are measured at net selling price by valuing the assets primarily at their estimated selling price.

- *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, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
695	646	5,821

- *7. Early retirement expenses

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

(Note 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, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Valuation difference on available-for-sale securities:			
Amount arising during the year	4,731	(1,098)	(9,895)
Reclassification adjustments	(5,745)	(57)	(516)
Before tax effect adjustment	(1,014)	(1,155)	(10,411)
Tax effect	135	300	2,700
Valuation difference on available-for-sale securities	(879)	(855)	(7,711)
Deferred gains or losses on hedges:			
Amount arising during the year	—	(29)	(262)
Reclassification adjustments	—	—	—
Before tax effect adjustment	—	(29)	(262)
Tax effect	—	9	80
Deferred gains or losses on hedges	—	(20)	(182)
Foreign currency translation adjustment:			
Amount arising during the year	(41)	(2,116)	(19,063)
Reclassification adjustments	—	—	—
Before tax effect adjustment	(41)	(2,116)	(19,063)
Tax effect	—	—	—
Foreign currency translation adjustment	(41)	(2,116)	(19,063)
Remeasurements of defined benefit plans, net of tax:			
Amount arising during the year	(507)	1,361	12,263
Reclassification adjustments	295	463	4,167
Before tax effect adjustment	(212)	1,824	16,430
Tax effect	66	(584)	(5,255)
Remeasurements of defined benefit plans, net of tax	(146)	1,240	11,175
Total other comprehensive income	(1,066)	(1,751)	(15,781)

(Notes to Consolidated Statements of Changes in Net Assets)

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 0 thousand share increase in the number of treasury shares of common stock 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)				Balance as of March 31, 2018 (Millions of Yen)
			April 1, 2017	Increase	Decrease	March 31, 2018	
Filing company	Euro Yen 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

(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 28, 2018	Common stock	805	Retained earnings	5.50	March 31, 2018	June 29, 2018

For the fiscal year ended March 31, 2019

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

	Number of shares April 1, 2018 (in thousands)	Increase (in thousands)	Decrease (in thousands)	Number of shares March 31, 2019 (in thousands)
Shares issued:				
Common stock	149,349	4,364	—	153,713
Total	149,349	4,364	—	153,713
Treasury shares:				
Common stock (Note)	3,620	0	—	3,620
Total	3,620	0	—	3,620

(Notes) 1. The 4,364 thousand share increase in the number of shares issued of common stock is due to conversion of convertible bonds.
2. The 0 thousand share increase in the number of treasury shares of common stock 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)				Balance as of March 31, 2019 (Millions of Yen/ Thousands of U.S. Dollars)
			April 1, 2018	Increase	Decrease	March 31, 2019	
Filing company	Euro Yen Zero Coupon Convertible Bonds due 2020 (issued on September 17, 2015)	Common stock	20,816	—	4,364	16,452	(Note 1) (Note 3)

(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. A decrease in the number of shares subject to stock acquisition rights is due to conversion of convertible bonds.

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 28, 2018	Common stock	805	5.50	March 31, 2018	June 29, 2018
Board of Directors' Meeting held on November 8, 2018	Common stock	752	5.00	September 30, 2018	December 5, 2018

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 28, 2018	Common stock	7,256	0.05	March 31, 2018	June 29, 2018
Board of Directors' Meeting held on November 8, 2018	Common stock	6,781	0.05	September 30, 2018	December 5, 2018

(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 27, 2019	Common stock	829	Retained earnings	5.50	March 31, 2019	June 28, 2019

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 27, 2019	Common stock	7,473	Retained earnings	0.05	March 31, 2019	June 28, 2019

(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, 2018 and 2019 are reconciled to the accounts reported in the consolidated balance sheets as of March 31, 2018 and 2019 as follows:

	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Cash and deposits	66,680	106,548	959,983
Time deposits with maturities of more than three months	(6,594)	(3,141)	(28,302)
Cash and cash equivalents	60,086	103,407	931,681

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

For the fiscal year ended March 31, 2018

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)
Current assets	19,183
Non-current assets	25,468
Goodwill	9,107
Current liabilities	(13,264)
Non-current liabilities	(6,557)
Negative goodwill	(1,034)
Acquisition price	32,903
Cash and cash equivalents	(5,882)
Net cash used in the acquisition	27,021

For the fiscal year ended March 31, 2019

Not applicable.

- *3. Breakdown of assets and liabilities of the company that ceased to be a consolidated subsidiary following the share exchange

For the fiscal year ended March 31, 2018

Not applicable.

For the fiscal year ended March 31, 2019

The following is the breakdown of assets and liabilities at the time of the share exchange, share exchange price and net proceeds from the share exchange as a result of Miura Create Inc. ceasing to be a consolidated subsidiary following the share exchange transaction.

	(Millions of Yen)	(Thousands of U.S. Dollars)
Current assets	527	4,750
Non-current assets	862	7,765
Current liabilities	(827)	(7,451)
Non-current liabilities	—	—
Non-controlling interests	—	—
Gain on exchange from business combination	1,438	12,956
Share exchange price	2,000	18,020
Cash and cash equivalents	(419)	(3,779)
Net proceeds from share exchange	1,581	14,241

(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

(Millions of Yen)

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

(Millions of Yen)

	As of March 31, 2019		
	Acquisition cost	Accumulated depreciation	Ending balance
Machinery, equipment and vehicles	33	33	—
Total	33	33	—

(Thousands of U.S. Dollars)

	As of March 31, 2019		
	Acquisition cost	Accumulated depreciation	Ending balance
Machinery, equipment and vehicles	295	295	—
Total	295	295	—

(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, 2018 (Millions of Yen)	As of March 31, 2019 (Millions of Yen)	As of March 31, 2019 (Thousands of U.S. Dollars)
Future minimum lease payments equivalent			
Due within one year	3	—	—
Due after one year	—	—	—
Total	3	—	—

(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, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Lease expenses	3	3	21
Depreciation expense equivalent	3	3	21

(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, 2018 (Millions of Yen)	As of March 31, 2019 (Millions of Yen)	As of March 31, 2019 (Thousands of U.S. Dollars)
Due within one year	232	1,944	17,516
Due after one year	890	14,786	133,216
Total	1,122	16,730	150,732

(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 transactions.

Derivative transactions used by the Company include interest rate swap transactions, forward exchange contracts, and commodity swap transactions. These are used to manage the risk of significant financial impact arising from interest rate fluctuations on interest expenses from borrowings, exchange rate fluctuations on foreign currency trade receivables and payables, and fluctuations in raw material prices, respectively. 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 transactions to reduce the risk of interest rate fluctuations on interest expenses from 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, 2018

(Millions of Yen)

	Book value	Fair value	Difference
(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 of liabilities	442,439	444,279	1,840

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

For the fiscal year ended March 31, 2019

(Millions of Yen)

	Book value	Fair value	Difference
(1) Cash and deposits	106,548	106,548	—
(2) Notes and accounts receivable – trade	96,915	96,915	—
(3) Electronically recorded monetary claims - operating	12,174	12,174	—
(4) Investment securities	28,219	28,219	—
(5) Long-term loans receivable	3,840		
Allowance for doubtful accounts (*1)	(840)		
Net amount	3,000	3,101	101
Total of assets	246,856	246,957	101
(1) Notes and accounts payable – trade	58,774	58,774	—
(2) Short-term loans payable	19,222	19,222	—
(3) Accounts payable – other	29,312	29,312	—
(4) Income taxes payable	2,250	2,250	—
(5) Bonds payable	60,300	60,623	323
(6) Convertible bond-type bonds with subscription rights to shares	23,745	23,829	84
(7) Long-term loans payable	300,594	298,943	(1,651)
(8) Long-term accounts payable – facilities	1,905	1,890	(15)
Total liabilities	496,102	494,843	(1,259)
Derivative transactions (*2)	(29)	(29)	—

(Thousands of U.S. Dollars)

	Book value	Fair value	Difference
(1) Cash and deposits	959,983	959,983	—
(2) Notes and accounts receivable – trade	873,183	873,183	—
(3) Electronically recorded monetary claims - operating	109,686	109,686	—
(4) Investment securities	254,250	254,250	—
(5) Long-term loans receivable	34,600		
Allowance for doubtful accounts (*1)	(7,570)		
Net amount	27,030	27,936	906
Total of assets	2,224,132	2,225,038	906
(1) Notes and accounts payable – trade	529,539	529,539	—
(2) Short-term loans payable	173,185	173,185	—
(3) Accounts payable – other	264,094	264,094	—
(4) Income taxes payable	20,269	20,269	—
(5) Bonds payable	543,292	546,202	2,910
(6) Convertible bond-type bonds with subscription rights to shares	213,941	214,691	750
(7) Long-term loans payable	2,708,295	2,693,426	(14,869)
(8) Long-term accounts payable – facilities	17,163	17,027	(136)
Total liabilities	4,469,778	4,458,443	(11,345)
Derivative transactions (*2)	(262)	(262)	—

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

(*2) Receivables and payables from derivative transactions are presented on a net basis with figures in parentheses representing net payable balances.

(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.

(4) 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.

(5) 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, 2018 (Millions of Yen)	As of March 31, 2019 (Millions of Yen)	As of March 31, 2019 (Thousands of U.S. Dollars)
Non-marketable equity securities	2,276	2,411	21,722
Shares of subsidiaries and associates	1,628	2,231	20,104

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 “(4) Investment securities.”

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

As of March 31, 2018

(Millions of Yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
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

As of March 31, 2019

(Millions of Yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	106,474	—	—	—
Notes and accounts receivable – trade	96,915	—	—	—
Electronically recorded monetary claims - operating	12,174	—	—	—
Investment securities				
Available-for-sale securities with maturity dates				
(1) Bonds (corporate bonds)	—	—	—	—
(2) Other	—	—	—	—
Long-term loans receivable	0	3,000	—	840
Total	215,563	3,000	—	840

(Thousands of U.S. Dollars)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	959,315	—	—	—
Notes and accounts receivable – trade	873,183	—	—	—
Electronically recorded monetary claims - operating	109,686	—	—	—
Investment securities				
Available-for-sale securities with maturity dates				
(1) Bonds (corporate bonds)	—	—	—	—
(2) Other	—	—	—	—
Long-term loans receivable	1	27,029	—	7,570
Total	1,942,185	27,029	—	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, 2018

(Millions of Yen)

	Due within one year	Between one to two years	Between two to three years	Between three to four years	Between four to five years	Over five years
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

As of March 31, 2019

(Millions of Yen)

	Due within one year	Between one to two years	Between two to three years	Between three to four years	Between four to five years	Over five years
Short-term loans payable	19,222	—	—	—	—	—
Bonds payable	—	—	15,300	15,000	—	30,000
Convertible bond-type bonds with subscription rights to shares	—	23,710	—	—	—	—
Long-term loans payable	49,839	53,604	59,945	45,529	41,663	50,013
Long-term accounts payable – facilities	811	535	383	166	10	—
Lease obligations	694	585	442	341	217	411
Total	70,566	78,434	76,070	61,036	41,890	80,424

(Thousands of U.S. Dollars)

	Due within one year	Between one to two years	Between two to three years	Between three to four years	Between four to five years	Over five years
Short-term loans payable	173,185	—	—	—	—	—
Bonds payable	—	—	137,850	135,147	—	270,295
Convertible bond-type bonds with subscription rights to shares	—	213,623	—	—	—	—
Long-term loans payable	449,040	482,963	540,096	410,212	375,376	450,608
Long-term accounts payable – facilities	7,310	4,820	3,447	1,492	94	—
Lease obligations	6,256	5,269	3,983	3,070	1,952	3,700
Total	635,791	706,675	685,376	549,921	377,422	724,603

(Securities)

1. Available-for-sale securities

As of March 31, 2018

(Millions of Yen)

Classification	Type of securities	Book value	Cost	Difference
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

(Note) Non-marketable equity securities (with book value of ¥2,276 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 values.

As of March 31, 2019

(Millions of Yen)

Classification	Type of securities	Book value	Cost	Difference
Securities for which book value exceeds cost	Equity securities	24,170	10,430	13,740
Securities for which book value does not exceed cost	Equity securities	4,049	4,726	(677)
Total		28,219	15,156	13,063

(Thousands of U.S. Dollars)

Classification	Type of securities	Book value	Cost	Difference
Securities for which book value exceeds cost	Equity securities	217,766	93,973	123,793
Securities for which book value does not exceed cost	Equity securities	36,484	42,578	(6,094)
Total		254,250	136,551	117,699

(Note) Non-marketable equity securities (with book value of ¥2,411 million (\$21,722 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 values.

2. Available-for-sale securities sold

For the fiscal year ended March 31, 2018

(Millions of yen)

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

For the fiscal year ended March 31, 2019

(Millions of yen)

Type of securities	Proceeds from sale	Gain on sale	Loss on sale
Equity securities	324	71	27

(Thousands of U.S. Dollars)

Type of securities	Proceeds from sale	Gain on sale	Loss on sale
Equity securities	2,915	639	246

3. Impairment of investment in securities

For the fiscal year ended March 31, 2018

The Company recorded impairment losses of ¥24 million on securities (of which ¥14 million related to shares in subsidiaries and associates and ¥10 million to 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, 2019

The Company did not record any impairment losses.

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, 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	—	—

(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 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, 2019

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	372	—	(Note 2)
Total			372	—	—

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	3,348	—	(Note 2)
Total			3,348	—	—

(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 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, 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)

(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.

As of March 31, 2019

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	44,031	40,856	(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	396,713	368,107	(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.

(3) Commodity-related derivatives

As of March 31, 2018

There were no relevant transactions.

As of March 31, 2019

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	
Standard accounting method	Commodity swap contract Floating rate receipt/ fixed rate payment	Raw materials	1,066	—	(29)

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	
Standard accounting method	Commodity swap contract Floating rate receipt/ fixed rate payment	Raw materials	9,606	—	(262)

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

(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, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Beginning balance of retirement benefit obligation	24,268	28,811	259,585
Service cost	1,481	1,513	13,629
Interest cost	209	223	2,005
Actuarial (gain) loss	733	(833)	(7,505)
Benefits paid	(1,896)	(1,140)	(10,268)
Past service cost	1	(510)	(4,599)
Increase resulting from a change in scope of consolidation	4,015	—	—
Increase due to a change from the simplified method to the standard method	—	111	1,007
Ending balance of retirement benefit obligation	28,811	28,175	253,854

(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, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Beginning balance of plan assets	5,722	7,873	70,932
Expected return on plan assets	86	89	803
Actuarial gain (loss)	227	20	176
Employer contributions	362	357	3,218
Benefits paid	(410)	(284)	(2,557)
Increase resulting from effect of business combination	1,886	—	—
Ending balance of plan assets	7,873	8,055	72,572

(Note) Plan assets of ¥793 million (\$7,141 thousand) for the fiscal year ended March 31, 2019 (¥800 million for the fiscal year ended March 31, 2018) 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, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Beginning balance of net defined benefit liability	1,582	1,946	17,529
Retirement benefit expenses	163	303	2,728
Benefits paid	(129)	(129)	(1,167)
Contribution to the plans	(44)	(44)	(391)
Increase resulting from a change in scope of consolidation	374	(25)	(222)
Decrease due to a change from the simplified method to the standard method	—	(111)	(1,000)
Ending balance of net defined benefit liability	1,946	1,940	17,477

(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, 2018 (Millions of Yen)	As of March 31, 2019 (Millions of Yen)	As of March 31, 2019 (Thousands of U.S. Dollars)
Funded retirement benefit obligation	9,043	8,284	74,641
Plan assets	(8,673)	(8,847)	(79,713)
Subtotal	370	(563)	(5,072)
Unfunded retirement benefit obligation	22,514	22,623	203,831
Net asset or liability reported on the consolidated balance sheet	22,884	22,060	198,759
Net defined benefit liability	22,884	22,060	198,759
Net asset or liability reported on the consolidated balance sheet	22,884	22,060	198,759

(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, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Service cost	1,481	1,513	13,629
Interest cost	209	223	2,005
Expected return on plan assets	(86)	(89)	(803)
Amortization of actuarial (gain) loss	286	472	4,255
Amortization of past service cost	9	(10)	(88)
Retirement benefit expenses calculated by the simplified method	163	303	2,728
Retirement benefit expenses related to defined benefit plans	2,062	2,412	21,726

(Note) Other than the retirement benefit expenses above, the Company paid ¥894 million of early retirement expenses for the fiscal year ended March 31, 2018, which are included in extraordinary losses.

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

	Fiscal year ended March 31, 2018 (Millions of Yen)	Fiscal year ended March 31, 2019 (Millions of Yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. Dollars)
Actuarial (gain) loss	(220)	1,324	11,928
Past service cost	8	500	4,502
Total	(212)	1,824	16,430

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

	As of March 31, 2018 (Millions of Yen)	As of March 31, 2019 (Millions of Yen)	As of March 31, 2019 (Thousands of U.S. Dollars)
Unrecognized actuarial (gain) loss	987	(339)	(3,053)
Unrecognized past service cost	9	(490)	(4,415)
Total	996	(829)	(7,468)

(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, 2018	As of March 31, 2019
General account	34%	34%
Debt securities	38	38
Equity securities	21	22
Other	7	6
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, 2018	Fiscal year ended March 31, 2019
Discount rate	0.1% - 1.06%	0.1% - 1.06%
Long-term expected rate of return on plan assets	1.0% - 1.5%	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, 2018 and 2019 were ¥52 million and ¥100 million (\$899 thousand), respectively.

(Income Taxes)

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

	As of March 31, 2018 (Millions of Yen)	As of March 31, 2019 (Millions of Yen)	As of March 31, 2019 (Thousands of U.S. Dollars)
Deferred tax assets:			
Provision for bonuses	1,569	1,533	13,810
Accrued enterprise tax	344	255	2,299
Tax loss carryforwards (Note)	2,295	3,664	33,012
Tax credit carryforwards	2,992	1,181	10,639
Loss on valuation of inventories	598	520	4,685
Net defined benefit liability	6,719	7,120	64,146
Unrealized gains and losses on non-current assets and investment securities	283	283	2,550
Adjustments on non-current assets	599	612	5,513
Loss on valuation of investment securities	1,042	956	8,612
Impairment loss	775	878	7,913
Adjustment of book value of investments	2,341	2,314	20,846
Valuation difference associated with business combinations	4,350	3,430	30,899
Other	2,089	2,204	19,869
Subtotal	25,996	24,950	224,793
Valuation allowance for tax loss carryforwards (Note)	—	(3,344)	(30,129)
Valuation allowance for total deductible temporary differences, etc.	—	(6,981)	(62,893)
Less valuation allowance	(10,279)	(10,325)	(93,022)
Total deferred tax assets	15,717	14,625	131,771
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(4,085)	(3,765)	(33,918)
Retained earnings of subsidiaries and associates	(3,056)	(3,186)	(28,704)
Valuation difference on non-current assets for consolidated tax return	(811)	(796)	(7,168)
Trademark right	(898)	(838)	(7,549)
Enterprise taxes receivable	(1,057)	(47)	(420)
Other	(1,545)	(1,706)	(15,383)
Total deferred tax liabilities	(11,452)	(10,338)	(93,142)
Net deferred tax assets	4,265	4,287	38,629

(Note) Amounts of tax loss carryforwards and associated deferred tax assets by expiration period

For the fiscal year ended March 31, 2019

	(Millions of yen)						
	Due within one year	Between one to two years	Between two to three years	Between three to four years	Between four to five years	More than five years	Total
Tax loss carryforwards (a)	186	192	464	541	505	1,776	3,664
Valuation allowance	(66)	(184)	(460)	(443)	(415)	(1,776)	(3,344)
Deferred tax assets	120	8	4	98	90	—	320

(Thousands of U.S. Dollars)

	Due within one year	Between one to two years	Between two to three years	Between three to four years	Between four to five years	More than five years	Total
Tax loss carryforwards (a)	1,673	1,726	4,184	4,873	4,548	16,008	33,012
Valuation allowance	(593)	(1,658)	(4,143)	(3,990)	(3,737)	(16,008)	(30,129)
Deferred tax assets	1,079	67	41	884	812	—	2,883

(a) The amounts of tax loss carryforwards are calculated by multiplying the statutory tax rate.

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Statutory tax rate	30.7%	30.5%
(Reconciliation)		
Per capita levy of inhabitants tax	1.0	1.4
Permanently non-deductible and non-taxable items	1.0	(0.5)
Change in valuation allowances	21.9	13.4
Amortization of goodwill	8.7	11.8
Gain on bargain purchase (negative goodwill)	(2.9)	—
Deferred tax liabilities on retained earnings of subsidiaries and associates	0.7	1.9
Refund of income taxes for prior periods	—	(6.6)
Other	4.7	0.3
Effective income tax rate	65.8	52.2

(Business Combinations)

Business combination entered into by a subsidiary

At the Board of Directors' Meeting held on April 26, 2018, the Company and its consolidated subsidiary Miura Printing Corporation resolved to merge Miura Create Inc., a subsidiary of Miura Printing Corporation, with Mitsubishi Real Estate Services Co., Ltd. Subsequently, effective as of July 1, 2018, the merger was conducted through an absorption-type merger method with Mitsubishi Real Estate Services Co., Ltd. being the surviving company.

As a result, Miura Create Inc. has been excluded from the scope of consolidation.

(1) Overview of the business combination entered into by the subsidiary

1) Company names and business details of the parties to the business combination

Name of the merging company: Mitsubishi Real Estate Services Co., Ltd.

Business details: Real estate brokerage and other

Name of the merged company: Miura Create Inc. (wholly owned by Miura Printing Corporation)

Business details: Planning, management and operation of coin-operated parking lots

2) Main reasons for the business combination

To achieve its management philosophy of "Shaping an abundant and affable future for the world," the Group will realize sustainable growth by concentrating its management resources on selected growth areas such as the Home and Personal Care business, and the Containerboard and Corrugated Container business.

Miura Create Inc. runs the parking lot operation business in which the company manages 2,553 parking spaces (as of January 31, 2018) in 395 sites nationwide, mainly in Tokyo. The company, under the brand name "Miura Parking," has continued its business operations that contribute to landowners, users of parking lots, and local communities.

While the parking lot industry in which Miura Create Inc. operates is expected to continue growing, its competitive environment is getting more intense. In such a business environment, the Company and Miura Printing Corporation have been exploring an opportunity for a business combination under the recognition that Miura Create Inc. needs a new partner who is well versed in the parking industry to continue to develop their parking lot operation business.

Consequently, the Company has determined that Mitsubishi Real Estate Services Co., Ltd., which boasts a broad network of real estate services, is the best partner for Miura Create Inc. to continue to develop its businesses, and decided on the merger.

3) Date of the business combination

July 1, 2018

4) Overview of the transaction including legal form

The transaction is an absorption-type merger with Mitsubishi Real Estate Services Co., Ltd. being the surviving company and the consideration being paid in cash.

(2) Outline of the accounting treatment

The transaction was accounted for in accordance with Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on September 13, 2013) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 issued on September 13, 2013). The difference between the consolidated book value of Miura Create Inc. and the consideration received has been recognized as “Gain on exchange from business combination” under “Extraordinary income.”

(3) Name of reportable segments in which the subsidiary was included

Other

(4) Approximated amount of profit or loss of the subsidiary reported on the Consolidated Statement of Income for the fiscal year ended March 31, 2019

Net sales: ¥325 million(\$2,926 thousand)

Operating profit: ¥32 million(\$291 thousand)

(5) Outline of any continuing involvement other than holding shares of said subsidiary as shares of an associate in a business combination of a subsidiary for which a parent has recognized a gain or loss on exchange of shares

Not applicable.

(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, 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	10,869	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

(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 and corporate assets, consisting primarily of investment securities, not attributable to any reportable segment of ¥32,260 million.

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

For the fiscal year ended March 31, 2019

(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	316,491	195,095	511,586	22,304	533,890	—	533,890
Intersegment sales and transfers	20,300	4,208	24,508	63,171	87,679	(87,679)	—
Total sales	336,791	199,303	536,094	85,475	621,569	(87,679)	533,890
Segment income (loss)	8,130	4,272	12,402	(331)	12,071	51	12,122
Segment assets	422,117	246,068	668,185	58,927	727,112	18,754	745,866
Other items:							
Depreciation and amortization	22,584	9,900	32,484	847	33,331	—	33,331
Increase in property, plant and equipment and intangible assets	25,668	23,778	49,446	10,144	59,590	—	59,590

(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	2,851,526	1,757,776	4,609,302	200,954	4,810,256	—	4,810,256
Intersegment sales and transfers	182,902	37,915	220,817	569,158	789,975	(789,975)	—
Total sales	3,034,428	1,795,691	4,830,119	770,112	5,600,231	(789,975)	4,810,256
Segment income (loss)	73,247	38,494	111,741	(2,985)	108,756	464	109,220
Segment assets	3,803,203	2,217,024	6,020,227	530,925	6,551,152	168,967	6,720,119
Other items:							
Depreciation and amortization	203,480	89,194	292,674	7,637	300,311	—	300,311
Increase in property, plant and equipment and intangible assets	231,263	214,239	445,502	91,389	536,891	—	536,891

(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 ¥(12,875) million (\$ (116,005) thousand) and corporate assets, consisting primarily of investment securities, not attributable to any reportable segment of ¥31,629 million (\$284,972 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, 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 sales in Japan 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

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, 2019

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 sales in Japan exceed 90% of net sales presented in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because the Group's amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment presented in the consolidated balance sheet.

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, 2018

(Millions of Yen)

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

(Note) The amount presented in "Other" is impairment loss associated with the real estate leasing and other businesses.

For the fiscal year ended March 31, 2019

(Millions of Yen)

	Paper and Paperboard	Home and Personal Care	Other	Corporate & elimination	Total
Impairment loss	776	2,243	—	—	3,019

(Thousands of U.S. Dollars)

	Paper and Paperboard	Home and Personal Care	Other	Corporate & elimination	Total
Impairment loss	6,986	20,211	—	—	27,197

[Amortization and Unamortized Balance of Goodwill by Reportable Segment]

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

(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

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

For the fiscal year ended March 31, 2019

(Millions of Yen)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Amortization of goodwill	1,150	1,999	507	—	3,656
Unamortized balance	13,238	24,167	6,725	—	44,130

(Thousands of U.S. Dollars)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Amortization of goodwill	10,360	18,013	4,565	—	32,938
Unamortized balance	119,276	217,745	60,586	—	397,607

(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	78	0	499	—	577

(Thousands of U.S. Dollars)

	Paper and Paperboard	Home and Personal Care	Other (Note)	Corporate & elimination	Total
Amortization of negative goodwill	98	1	561	—	660
Unamortized balance	707	4	4,490	—	5,201

(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, 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 in the Paper and Paperboard business and ¥8 million in the Home and Personal Care business.

For the fiscal year ended March 31, 2019

The Company did not recognize any gain on bargain purchase.

[Related Party Information]

Not applicable.

(Per Share Information)

	Fiscal year ended March 31, 2018 (Yen)	Fiscal year ended March 31, 2019 (Yen)	Fiscal year ended March 31, 2019 (U.S. Dollars)
Net assets per share	1,221.65	1,236.58	11.14
Basic earnings per share	27.25	31.70	0.29
Diluted earnings per share	23.72	28.09	0.25

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2019
Basic earnings per share			
Profit attributable to owners of parent (millions of yen/thousands of U.S. Dollars)	3,971	4,697	42,320
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)	3,971	4,697	42,139
Average number of common shares outstanding during the period (thousands of shares)	145,729	148,162	148,162
Diluted earnings per share			
Adjustment to profit attributable to owners of parent (millions of yen/thousands of U.S. Dollars)	(21)	(19)	(168)
[Interest expenses (after deducting the amount equivalent to taxes) (millions of yen/thousands of U.S. Dollars)]	[(21)]	[(19)]	[(168)]
Increase in the number of common shares (thousands of shares)	20,816	18,382	18,382
[Convertible bond-type bonds with subscription rights to shares (thousands of shares)]	[20,816]	[18,382]	[18,382]
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)

Sale of investment securities

The Company sold the common shares that the Company owns in Recruit Holdings Co., Ltd. on September 18, 2019.

As a result, it expects to record a gain on sales of investment securities of ¥6,672 million (\$60,110 thousand) as extraordinary income for the first half of the fiscal year ending March 31, 2020.

(1) Investment securities sold

2,500,000 common shares of Recruit Holdings Co., Ltd.

(2) Total sale price

¥7,463 million (\$67,243 thousand)

(3) Gain on sales of investment securities

¥6,672 million (\$60,110 thousand)

(4) Delivery date

September 18, 2019

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	Euro Yen Zero Coupon Convertible Bonds due 2020 (Note 1)	September 17, 2015	30,075	23,745	—	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	15,000	0.42	None	December 14, 2022
Daio Paper Corporation	Unsecured Straight Bond No. 20	December 14, 2017	10,000	10,000	0.60	None	December 13, 2024
Daio Paper Corporation	Unsecured Straight Bond No. 21	October 25, 2018	—	15,000	0.61	None	October 24, 2025
Daio Paper Corporation	Unsecured Straight Bond No. 22	October 25, 2018	—	5,000	0.86	None	October 25, 2028
Consolidated subsidiaries	Subsidiary Straight Bonds	March 27, 2017	300	300	0.49	None	March 27, 2022
Total	—	—	70,375	84,045	—	—	—

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	Euro Yen Zero Coupon Convertible Bonds due 2020 (Note 1)	September 17, 2015	270,970	213,941	—	None	September 17, 2020
Daio Paper Corporation	Unsecured Straight Bond No. 18	March 22, 2017	135,147	135,147	0.42	None	March 22, 2022
Daio Paper Corporation	Unsecured Straight Bond No. 19	December 14, 2017	135,147	135,147	0.42	None	December 14, 2022
Daio Paper Corporation	Unsecured Straight Bond No. 20	December 14, 2017	90,098	90,098	0.60	None	December 13, 2024
Daio Paper Corporation	Unsecured Straight Bond No. 21	October 25, 2018	—	135,147	0.61	None	October 24, 2025
Daio Paper Corporation	Unsecured Straight Bond No. 22	October 25, 2018	—	45,049	0.86	None	October 25, 2028
Consolidated subsidiaries	Subsidiary Straight Bonds	March 27, 2017	2,704	2,704	0.49	None	March 27, 2022
Total	—	—	634,066	757,233	—	—	—

(Notes) 1. Details of the convertible bonds are presented as follows.

Name of bonds:	Euro Yen 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)
Total issue amount:	¥30,150 million (\$271,646 thousand)
Total issue amount of stock issued upon exercise of stock acquisition rights:	¥6,303 million (\$56,788 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.

2. The redemption schedule of bonds payable for five years subsequent to March 31, 2019 is as follows:

(Millions of Yen)

Due within one year	Between one to two years	Between two to three years	Between three to four years	Between four to five years
—	23,710	15,300	15,000	—

(Thousands of U.S. Dollars)

Due within one year	Between one to two years	Between two to three years	Between three to four years	Between four to five years
—	213,623	137,850	135,147	—

[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	24,734	19,222	222,850	173,185	0.60	—
Current portion of long-term loans payable	50,558	49,839	455,523	449,040	1.03	—
Current portion of lease obligations	609	694	5,491	6,256	—	—
Long-term loans payable (excluding current portion)	195,681	250,755	1,763,052	2,259,255	0.92	Due 2020 through 2026
Lease obligations (excluding current portion)	1,553	1,995	13,989	17,974	—	Due 2020 through 2026
Other interest-bearing debt						
Current portion of long-term accounts payable – facilities	1,374	811	12,382	7,310	0.76	—
Long-term accounts payable – facilities (excluding current portion)	1,789	1,094	16,118	9,853	0.59	Due 2020 through 2023
Total	276,298	324,410	2,489,405	2,922,873	—	—

- (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, 2019 is as follows:

(Millions of Yen)

	Between one to two years	Between two to three years	Between three to four years	Between four to five years
Long-term loans payable	53,604	59,945	45,529	41,663
Lease obligations	585	442	341	217
Other interest-bearing debt	535	383	166	10

(Thousands of U.S. Dollars)

	Between one to two years	Between two to three years	Between three to four years	Between four to five years
Long-term loans payable	482,963	540,096	410,212	375,376
Lease obligations	5,269	3,983	3,070	1,952
Other interest-bearing debt	4,820	3,447	1,492	94

[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, 2019 were one percent or less of the total beginning and ending balances of liabilities and net assets of the fiscal year.