

OJI HOLDINGS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2016

OJI HOLDINGS CORPORATION

CONSOLIDATED BALANCE SHEET

As of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
ASSETS			
Current assets			
Cash and bank deposits (Note 9 (2))	¥ 43,968	¥ 45,567	\$ 390,203
Notes and accounts receivable-trade (Note 9 (2))	285,954	298,826	2,537,756
Marketable securities	7,486	16,717	66,438
Merchandise and finished goods (Note 9 (2))	98,145	98,996	871,014
Work in process (Note 9 (2))	18,921	19,689	167,925
Raw materials and supplies (Note 9 (2))	80,109	82,051	710,945
Deferred tax assets	14,439	9,771	128,144
Short-term loans receivable	4,834	4,854	42,903
Accounts receivable—other	22,302	19,269	197,924
Other (Note 9 (2))	11,309	14,620	100,371
Allowance for doubtful accounts	(3,438)	(1,973)	(30,515)
Total current assets	584,033	608,392	5,183,112
Non-current assets			
Property, plant and equipment			
Buildings and structures	649,230	662,447	5,761,715
Accumulated depreciation (Note 9 (8))	(439,066)	(432,149)	(3,896,577)
Buildings and structures (Net) (Note 9 (2), (9))	210,163	230,297	1,865,138
Machinery, equipment and vehicles	2,335,604	2,409,017	20,727,768
Accumulated depreciation (Note 9 (8))	(1,920,850)	(1,907,997)	(17,046,948)
Machinery, equipment and vehicles (Net) (Note 9 (2), (9))	414,754	501,020	3,680,819
Tools, furniture and fixtures	61,363	61,809	544,579
Accumulated depreciation (Note 9 (8))	(55,771)	(55,387)	(494,953)
Tools, furniture and fixtures (Net) (Note 9 (2),(9))	5,591	6,422	49,626
Land (Note 9 (2), (6), (9))	237,478	239,698	2,107,546
Forests (Note 9 (2))	119,049	119,108	1,056,528
Plantations (Note 9 (2), (9))	122,764	130,555	1,089,500
Leased assets	8,053	7,529	71,472
Accumulated depreciation	(5,356)	(4,872)	(47,538)
Leased assets (Net)	2,696	2,656	23,933
Construction in progress (Note 9 (2), (9))	24,977	40,709	221,671
Total property, plant and equipment	1,137,477	1,270,469	10,094,763
Intangible assets			
Goodwill	9,836	16,042	87,299
Other (Note 9 (2), (9))	13,167	16,085	116,857
Total intangible assets	23,004	32,127	204,157

OJI HOLDINGS CORPORATION

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Investments and other assets			
Investment securities (Note 9 (1), (2))	149,094	203,675	1,323,164
Long-term loans receivable (Note 9 (2))	5,337	3,493	47,371
Long-term prepaid expenses	21,302	22,101	189,053
Net defined benefit asset	4,300	8,912	38,162
Deferred tax assets	880	6,055	7,816
Other (Note 9 (2))	11,111	10,095	98,607
Allowance for doubtful accounts	(1,620)	(1,232)	(14,385)
Total investments and other assets	190,405	253,102	1,689,789
Total non-current assets	1,350,887	1,555,699	11,988,710
Total assets	¥1,934,921	¥2,164,091	\$17,171,823

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	¥198,167	¥209,977	\$1,758,678
Short-term loans payable	178,157	319,720	1,581,088
Commercial paper	27,000	10,000	239,616
Current portion of bonds	20,020	20,055	177,671
Accounts payable-other	16,260	17,501	144,309
Accrued expenses	43,096	49,077	382,463
Income taxes payable	7,354	6,262	65,271
Provision for loss on transfer of investments in affiliates	—	12,362	—
Other	26,022	37,981	230,943
Total current liabilities	516,079	682,938	4,580,044
Non-current liabilities			
Bonds	120,000	140,020	1,064,962
Long-term loans payable	432,556	372,784	3,838,804
Deferred tax liabilities	54,447	72,096	483,200
Deferred tax liabilities on revaluation of land (Note 9 (6))	7,908	8,333	70,184
Provision for loss on litigation (Note 9 (4))	2,942	5,079	26,113
Net defined benefit liability	52,207	63,949	463,321
Long-term deposits	8,020	8,061	71,180
Other	9,843	9,455	87,358
Total non-current liabilities	687,925	679,780	6,105,127
Total liabilities	¥1,204,005	¥1,362,719	\$10,685,171
NET ASSETS			
Shareholders' equity			
Common stock	103,880	103,880	921,910
Capital surplus	112,857	112,951	1,001,579
Retained earnings	359,830	354,828	3,193,388
Treasury stock	(42,638)	(42,748)	(378,406)
Total shareholders' equity	533,930	528,912	4,738,471

OJI HOLDINGS CORPORATION

Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	25,316	53,213	224,679
Deferred gains (losses) on hedging derivatives	(771)	(346)	(6,850)
Revaluation reserve for land (Note 9 (6))	5,463	5,059	48,490
Foreign currency translation adjustments	41,369	76,457	367,140
Remeasurements of defined benefit plans	(11,833)	(4,638)	(105,016)
Total accumulated other comprehensive income	59,545	129,744	528,443
Subscription rights	260	342	2,313
Non-controlling interests	137,179	142,372	1,217,422
Total net assets	¥ 730,915	¥ 801,372	\$ 6,486,651
Total liabilities and net assets	¥ 1,934,921	¥ 2,164,091	\$ 17,171,823

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Fiscal years ended March 31, 2016 and 2015

(Consolidated Statement of Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales	¥ 1,433,595	¥ 1,347,281	\$ 12,722,715
Cost of sales (Note 10 (1), (2))	1,101,584	1,062,506	9,776,219
Gross profit	332,011	284,775	2,946,495
Selling, general and administrative expenses			
Freight expenses	143,249	126,737	1,271,292
Warehouse expenses	6,864	7,128	60,919
Salaries and wages	50,916	46,828	451,870
Retirement benefit expenses	1,574	1,670	13,971
Depreciation and amortization	5,269	4,523	46,764
Other	50,451	51,192	447,742
Total selling, general and administrative expenses (Note 10 (1))	258,325	238,080	2,292,561
Operating profit	73,685	46,694	653,934
Non-operating income			
Interest income	1,415	1,278	12,563
Dividends income	3,187	3,126	28,289
Equity in earnings of affiliates (Note 10 (3))	3,970	2,057	35,234
Exchange gain	—	13,280	—
Other	5,693	4,706	50,530
Total non-operating income	14,267	24,449	126,618
Non-operating expenses			
Interest expenses	9,885	11,068	87,734
Exchange loss	8,591	—	76,250
Other	7,112	7,105	63,119
Total non-operating expenses	25,590	18,173	227,104
Ordinary profit	62,362	52,970	553,447
Special gains			
Gain on sales of investment securities	16,154	1,306	143,365
Gain on contribution of securities to retirement benefit trust	14,722	—	130,656
Gain on sales of non-current assets	3,273	84	29,052
Other	—	161	—
Total special gains	34,150	1,553	303,073
Special losses			
Impairment losses (Note 10 (4))	61,569	191	546,409
Loss on business restructuring (Note 10 (5))	2,742	1,152	24,339
Provision for loss on transfer of investments in affiliates (Note 9 (6))	—	12,366	—
Other	5,184	3,110	46,010
Total special losses	69,496	16,820	616,760
Profit before income taxes	27,016	37,703	239,761
Income taxes-current	15,075	15,199	133,789
Income taxes-deferred	(4,031)	410	(35,778)
Total income taxes	11,043	15,609	98,011
Profit	15,972	22,094	141,750
Profit attributable to non-controlling interests	714	4,749	6,340

OJI HOLDINGS CORPORATION

Profit attributable to shareholders of Oji Holdings Corporation	¥ 15,257	¥ 17,344	\$ 135,409
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See accompanying notes to consolidated financial statements.

OJI HOLDINGS CORPORATION

(Consolidated Statement of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Profit	¥ 15,972	¥ 22,094	\$ 141,750
Other comprehensive income (loss)			
Valuation difference on available-for-sale securities	(27,684)	31,726	(245,693)
Deferred gains (losses) on hedging derivatives	(299)	(331)	(2,660)
Revaluation reserve for land	415	827	3,686
Foreign currency translation adjustments	(38,833)	43,980	(344,638)
Remeasurements of defined benefit plans	(7,173)	7,899	(63,665)
Share of other comprehensive income (loss) of investments for which the equity method is applied	(2,361)	1,593	(20,955)
Total other comprehensive income (loss) (Note 11 (1))	(75,938)	85,696	(673,927)
Comprehensive income (loss)	¥ (59,965)	¥ 107,790	\$ (532,177)
(Breakdown)			
Comprehensive income (loss) attributable to shareholders of Oji Holdings Corporation	¥ (54,931)	¥ 91,048	\$ (487,496)
Comprehensive income (loss) attributable to non-controlling interests	(5,034)	16,741	(44,681)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Fiscal years ended March 31, 2016 and 2015

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	¥ 103,880	¥ 112,965	¥ 344,846	¥ (42,681)	¥ 519,010
Cumulative effects of changes in accounting policies	—	—	2,611	—	2,611
Restated balance at April 1, 2014	103,880	112,965	347,458	(42,681)	521,622
Changes of items during the year					
Cash dividends	—	—	(9,897)	—	(9,897)
Profit attributable to shareholders of Oji Holdings Corporation	—	—	17,344	—	17,344
Purchase of treasury stock	—	—	—	(95)	(95)
Disposal of treasury stock	—	(13)	—	28	14
Increase in treasury stock due to increase of equity method affiliates	—	—	—	—	—
Change in treasury stock arising from changes in equity in affiliates	—	—	—	0	0
Increase resulting from merger of subsidiaries	—	—	—	—	—
Change in the Company's equity due to transactions with non-controlling shareholders	—	—	—	—	—
Change in scope of consolidation	—	—	(59)	—	(59)
Reversal of revaluation reserve for land	—	—	(17)	—	(17)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(13)	7,370	(66)	7,289
Balance at April 1, 2015	¥ 103,880	¥ 112,951	¥ 354,828	¥ (42,748)	¥ 528,912
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance at April 1, 2015	103,880	112,951	354,828	(42,748)	528,912
Changes of items during the year					
Cash dividends	—	—	(9,896)	—	(9,896)
Profit attributable to shareholders of Oji Holdings Corporation	—	—	15,257	—	15,257
Purchase of treasury stock	—	—	—	(119)	(119)
Disposal of treasury stock	—	(82)	—	270	188
Increase in treasury stock due to increase of equity method affiliates	—	—	—	(41)	(41)
Change in treasury stock arising from changes in equity in affiliates	—	—	—	(0)	(0)
Increase resulting from merger of subsidiaries	—	—	(371)	—	(371)
Change in the Company's equity due to transactions with non-controlling shareholders	—	(11)	—	—	(11)
Change in scope of consolidation	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	11	—	11
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(93)	5,002	109	5,018
Balance at March 31, 2016	¥ 103,880	¥ 112,857	¥ 359,830	¥ (42,638)	¥ 533,930

OJI HOLDINGS CORPORATION

Millions of yen

	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥ 20,897	¥ 44	¥ 4,214	¥ 43,403	¥ (12,536)	¥ 56,023	¥ 290	¥ 95,031	¥ 670,356
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	(26)	2,585
Restated balance at April 1, 2014	20,897	44	4,214	43,403	(12,536)	56,023	290	95,004	672,941
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(9,897)
Profit attributable to shareholders of Oji Holdings Corporation	—	—	—	—	—	—	—	—	17,344
Purchase of treasury stock	—	—	—	—	—	—	—	—	(95)
Disposal of treasury stock	—	—	—	—	—	—	—	—	14
Increase in treasury stock due to increase of equity method affiliates	—	—	—	—	—	—	—	—	—
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	0
Increase resulting from merger of subsidiaries	—	—	—	—	—	—	—	—	—
Change in the Company's equity due to transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—	—	—	(59)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	(17)
Net changes of items other than shareholders' equity	32,315	(390)	845	33,053	7,897	73,721	52	47,367	121,141
Total changes of items during the year	32,315	(390)	845	33,053	7,897	73,721	52	47,367	128,431
Balance at April 1, 2015	¥ 53,213	¥ (346)	¥ 5,059	¥ 76,457	¥ (4,638)	¥ 129,744	¥ 342	¥ 142,372	¥ 801,372
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—
Restated balance at April 1, 2015	53,213	(346)	5,059	76,457	(4,638)	129,744	342	142,372	801,372
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(9,896)
Profit attributable to shareholders of Oji Holdings Corporation	—	—	—	—	—	—	—	—	15,257
Purchase of treasury stock	—	—	—	—	—	—	—	—	(119)
Disposal of treasury stock	—	—	—	—	—	—	—	—	188
Increase in treasury stock due to increase of equity method affiliates	—	—	—	—	—	—	—	—	(41)
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	(0)
Increase resulting from merger of subsidiaries	—	—	—	—	—	—	—	—	(371)

OJI HOLDINGS CORPORATION

Change in the Company's equity due to transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	(11)
Change in scope of consolidation	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	11
Net changes of items other than shareholders' equity	(27,896)	(425)	404	(35,088)	(7,194)	(70,199)	(82)	(5,193)	(75,474)
Total changes of items during the year	(27,896)	(425)	404	(35,088)	(7,194)	(70,199)	(82)	(5,193)	(70,456)
Balance at March 31, 2016	¥ 25,316	¥ (771)	¥ 5,463	¥ 41,369	¥ (11,833)	¥ 59,545	¥ 260	¥ 137,179	¥ 730,915

OJI HOLDINGS CORPORATION

Thousands of U.S. dollars (Note 1)					
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at April 1, 2015	\$ 921,910	\$ 1,002,408	\$3,148,995	\$ (379,376)	\$ 4,693,937
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance at April 1, 2015	921,910	1,002,408	3,148,995	(379,376)	4,693,937
Changes of items during the year					
Cash dividends	—	—	(87,828)	—	(87,828)
Profit attributable to shareholders of Oji Holdings Corporation	—	—	135,409	—	135,409
Purchase of treasury stock	—	—	—	(1,063)	(1,063)
Disposal of treasury stock	—	(730)	—	2,403	1,673
Increase in treasury stock due to increase of equity method affiliates	—	—	—	(368)	(368)
Change in treasury stock arising from changes in equity in affiliates	—	—	—	(0)	(0)
Increase resulting from merger of subsidiaries	—	—	(3,292)	—	(3,292)
Change in the Company's equity due to transactions with non-controlling shareholders	—	(98)	—	—	(98)
Change in scope of consolidation	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	104	—	104
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	(829)	44,392	970	44,534
Balance at March 31, 2016	\$ 921,910	\$ 1,001,579	\$ 3,193,388	\$ (378,406)	\$ 4,738,471

OJI HOLDINGS CORPORATION

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights	Non-controlling interests	
Balance at April 1, 2015	\$ 472,249	\$ (3,072)	\$ 44,899	\$ 678,537	\$ (41,169)	\$ 1,151,444	\$ 3,042	\$ 1,263,508	\$ 7,111,933
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—
Restated balance at April 1, 2015	472,249	(3,072)	44,899	678,537	(41,169)	1,151,444	3,042	1,263,508	7,111,933
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(87,828)
Profit attributable to shareholders of Oji Holdings Corporation	—	—	—	—	—	—	—	—	135,409
Purchase of treasury stock	—	—	—	—	—	—	—	—	(1,063)
Disposal of treasury stock	—	—	—	—	—	—	—	—	1,673
Increase in treasury stock due to increase of equity method affiliates	—	—	—	—	—	—	—	—	(368)
Change in treasury stock arising from changes in equity in affiliates	—	—	—	—	—	—	—	—	(0)
Increase resulting from merger of subsidiaries	—	—	—	—	—	—	—	—	(3,292)
Change in the Company's equity due to transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	(98)
Change in scope of consolidation	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	104
Net changes of items other than shareholders' equity	(247,569)	(3,778)	3,591	(311,397)	(63,847)	(623,001)	(728)	(46,086)	(669,815)
Total changes of items during the year	(247,569)	(3,778)	3,591	(311,397)	(63,847)	(623,001)	(728)	(46,086)	(625,281)
Balance at March 31, 2016	\$ 224,679	\$ (6,850)	\$ 48,490	\$ 367,140	\$ (105,016)	\$ 528,443	\$ 2,313	\$ 1,217,422	\$ 6,486,651

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Fiscal years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities			
Profit before income taxes	¥ 27,016	¥ 37,703	\$ 239,761
Depreciation and amortization	78,579	70,825	697,365
Impairment losses	61,569	191	546,409
Amortization of goodwill	3,299	2,987	29,285
Increase (decrease) in allowance for doubtful accounts	399	(445)	3,545
Decrease (increase) in net defined benefit asset	(5,157)	(5,812)	(45,772)
Increase (decrease) in net defined benefit liability	3,397	4,461	30,149
Interest and dividend income	(4,603)	(4,404)	(40,853)
Interest expenses	9,885	11,068	87,734
Exchange loss (gain)	7,629	(9,624)	67,709
Equity in (earnings) losses of affiliates	(3,970)	(2,057)	(35,234)
Loss (gain) on sales of investment securities	(16,154)	(1,306)	(143,365)
Provision for loss on transfer of investments in affiliates	—	12,366	—
Loss (gain) on contribution of securities to employees' retirement benefit trust (Note 13 (2))	(14,722)	—	(130,656)
Loss (gain) on sales of non-current assets	(3,273)	(84)	(29,052)
Loss on business restructuring	2,742	1,152	24,339
(Increase) decrease in trade receivables	7,141	(3,228)	63,383
(Increase) decrease in inventories	(2,868)	(5,213)	(25,458)
Increase (decrease) in trade payables	(8,600)	(568)	(76,327)
Other	4,326	2,409	38,400
Subtotal	146,637	110,419	1,301,365
Interest and dividend income received	5,594	5,063	49,646
Interest paid	(10,162)	(10,900)	(90,188)
Income taxes paid	(14,018)	(13,656)	(124,409)
Net cash provided by operating activities	128,051	90,925	1,136,413
Cash flows from investing activities			
Proceeds from sales of marketable securities	1,401	1,251	12,438
Payment for acquisition of property, plant, equipment and intangible assets	(60,955)	(69,890)	(540,961)
Proceeds from sales of property, plant, equipment and intangible assets	4,622	1,390	41,024
Payment for acquisition of investment securities	(4,490)	(937)	(39,855)
Proceeds from sales and redemption of investment securities	19,524	2,197	173,275
Payment for acquisition of shares of subsidiaries which have caused the change in scope of consolidation	—	(97,455)	—
Payment for additional acquisition of shares of consolidated subsidiaries	—	(275)	—
Payment for loans receivable	(2,790)	(2,203)	(24,767)
Proceeds from collection of loans receivable	1,429	1,334	12,683
Other	(2,068)	(960)	(18,360)
Net cash used in investing activities	(43,328)	(165,549)	(384,524)
Cash flows from financing activities			

OJI HOLDINGS CORPORATION

Net increase (decrease) in short-term loans payable	(60,738)	59,801	(539,032)
Net increase (decrease) in commercial paper	17,000	10,000	150,869
Proceeds from long-term loans payable	115,563	62,510	1,025,589
Repayment of long-term loans payable	(130,316)	(57,489)	(1,156,520)
Payment for redemption of bonds	(20,055)	(20,085)	(177,981)
Proceeds from share issuance to non-controlling shareholders	72	33,817	644
Payment for purchase of treasury stock	(119)	(95)	(1,063)
Dividend payments	(9,896)	(9,897)	(87,828)
Other	(1,272)	(1,180)	(11,293)
Net cash provided by (used in) financing activities	(89,762)	77,380	(796,617)
Effect of exchange rate changes on cash and cash equivalents	(4,513)	2,285	(40,054)
Increase (decrease) in cash and cash equivalents	(9,553)	5,042	(84,782)
Cash and cash equivalents at the beginning of the year	57,129	52,173	507,004
Increase in cash and cash equivalents due to mergers of subsidiaries	68	73	603
Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries from scope of consolidation	—	(159)	—
Cash and cash equivalents at the end of the year (Note 13 (1))	¥ 47,643	¥ 57,129	\$ 422,825

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Preparation

- (1) The accompanying consolidated financial statements of Oji Holdings Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
- (2) Certain amounts in the financial statements as of and for the fiscal year ended March 31, 2015 have been reclassified to conform to the presentation in the financial statements as of and for the fiscal year ended March 31, 2016.
- (3) The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥ 112.68 to U.S. \$ 1.00, the approximate rate of exchange prevailing at March 31, 2016. This translation should not be construed as a representation that the yen amounts shown could be converted into U.S. dollars at the above or any other rate.

2. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 176 (173 in 2015)

Main consolidated subsidiaries include:

Oji Container Co., Ltd., Oji Packaging Co., Ltd., Oji Materia Co., Ltd., Oji Seitai Kaisha Ltd., Oji Nepia Co., Ltd., Mori Shigyo Co., Ltd., Oji Interpack Co., Ltd., Ojiadba Co., Ltd., Kyushu Packaging Co., Ltd., Oji Industrial Materials Management Co., Ltd., Oji Asia Packaging Sdn. Bhd., GS Paper & Packaging Sdn. Bhd., United Kotak Bhd, S. Pack & Print Public Co., Ltd., Harta Packaging Industries Sdn. Bhd., Oji Tac Co., Ltd., Oji Kinocloth Co., Ltd., Oji F-Tex Co., Ltd., Oji Imaging Media Co., Ltd., New Tac Kasei Co., Ltd., Chuetsu Co., Ltd., Shinomura Chemical Industry Co., Ltd., Oji Functional Materials Progressing Center Inc., Oji Papéis Especiais Ltda, Kanzaki Specialty Papers Inc., KANZAN Spezialpapiere GmbH, Oji Paper (Thailand) Ltd., Japan Brazil Paper and Pulp Development Co., Ltd., Oji Cornstarch Co., Ltd., Oji Green Resources Co., Ltd., Oji Forest & Products Co., Ltd., Oji Eco Materials Co., Ltd., Celulose Nipo-Brasileira S.A., Pan Pac Forest Products Ltd., Oji Paper Co., Ltd., Apica Co., Ltd., Jiangsu Oji Paper Co., Ltd., Oji Paper International Trading (Shanghai) Co., Ltd., Oji Fibre Solutions (NZ) Ltd., Oji Oceania Management (NZ) Ltd., Oji Oceania Management Co., Ltd. Kyokuyo Pulp & Paper Co., Ltd., Oji Real Estate Co., Ltd., Oji Management Office Inc., Oji Logistics Co., Ltd., Oji Engineering Co., Ltd., Oji Business Center Co., Ltd., and other 129 companies

Changes in the consolidated subsidiaries during the year ended March 31, 2016 are as follows:

(Increase) 3 companies:

Oji Interpack India Pte. Ltd., O&C Fiber Trading Co., Ltd., and MPM Oji Eco-Energy Co., Ltd.

The above mentioned three companies were newly established and included in the scope of consolidation effective the fiscal year ended March 31, 2016.

- (2) Main non-consolidated subsidiaries:

Tomakomai Energy Kosha Co., Ltd., and DHC Ginza Co., Ltd.

- (3) Reasons for excluding non-consolidated subsidiaries from the consolidation scope:

These companies are excluded from the scope of consolidation, as all of these non-consolidated subsidiaries are small-sized companies and their total assets, net sales, profit (amount corresponding to the Company’s equity in such subsidiaries), retained earnings (amount corresponding to the Company’s equity

in such subsidiaries), etc., do not have significant impact on the consolidated financial statements.

3. Application of the Equity Method

- (1) Number of affiliates under the equity method: 20 (19 in 2015)

Main affiliates under the equity method include:

Chuetsu Pulp & Paper Co., Ltd., Kokusai Pulp & Paper Co., Ltd., Okayama Paper Industries Co., Ltd., PT. Korintiga Hutani, Nanyou Forest Development Co., Ltd., and other 15 companies.

(Increase) 2 companies:

Chuetsu Pulp & Paper Co., Ltd. was included in the scope of equity method accounting due to the acquisition of its shares through a third party allotment and buyout of all its treasury stock during the fiscal year ended March 31, 2016.

O&C Ivory Board Co., Ltd. was newly established and included in the scope of equity method accounting effective the fiscal year ended March 31, 2016.

(Decrease) 1 company:

Alpac Forest Products Inc. was excluded from the scope of equity method accounting due to the transfer of its shares effective the fiscal year ended March 31, 2016.

- (2) Main non-consolidated subsidiaries and affiliates to which the equity method was not applied:
Tomakomai Energy Kosha Co., Ltd., and DHC Ginza Co., Ltd.
- (3) Reasons for excluding non-consolidated subsidiaries and affiliates from application of the equity method.
Non-consolidated subsidiaries and affiliates have not been included in scope of the equity method application as their total profit (corresponding to equity share), retained earnings (corresponding to equity share), etc., do not have significant impact on the consolidated financial statements.

4. Matters Concerning the Fiscal Year of Consolidated Subsidiaries

The fiscal year end of the following Company's consolidated subsidiaries is December 31:

Oji Papéis Especiais Ltda., Celulose Nipo-Brasileira S.A., Jiangsu Oji Paper Co., Ltd., Oji Oceania Management (NZ) Ltd., Oji Fibre Solutions (NZ) Ltd. and 74 other companies.

For the purpose of preparing the consolidated financial statements, the above companies' financial statements as of the end of their respective fiscal years were used.

Adjustments were made for the purpose of consolidation as necessary for the material transactions that occurred between such fiscal year-end dates and the consolidated account closing date.

5. Matters Concerning Accounting Policies

- (1) Method of valuation of significant assets

- (i) Marketable securities

Held-to-maturity debt securities: Stated at cost using the amortized cost method.

Available-for-sale securities

Securities with market quotations: Stated at market value based on the market price as of the end of the fiscal period (the valuation difference is accounted for as a separate component of net assets and the cost of sales is calculated by using the moving-average method).

Securities without market quotations: Stated at cost using the moving-average method.

- (ii) Derivatives

Stated at fair value

- (iii) Inventories
 - Mainly stated at cost using the periodic average method
(The balance sheet amount is calculated by writing down the value based on any decreased profitability)
- (2) Depreciation method of significant depreciable assets
 - (i) Property, plant and equipment (excluding leased assets)
Declining balance method (however, the straight-line method is applied to buildings acquired on or after April 1, 1998 (excluding improvements), and for certain consolidated subsidiaries)
 - (ii) Leased assets
Depreciation of leased assets is calculated by using the straight-line method over the period of the lease contract term with no residual value.
- (3) Significant provisions
 - (i) Allowance for doubtful accounts
In order to prepare for potential credit losses on receivables outstanding at the end of the fiscal year ended March 31, 2016, an estimated uncollectible amount is recorded at the amount calculated based on the historical rate of credit loss with respect to normal receivables and at the amount determined in consideration of collectability of individual receivables with respect to doubtful accounts and certain other receivables.
 - (ii) Provision for loss on transfer of investments in affiliates
In order to prepare for losses accompanying the transfer of investments in affiliates, an amount equivalent to the relevant forecast loss is recorded.
 - (iii) Provision for loss on litigation
The Company's consolidated subsidiary in Brazil is in the following litigation with the tax authorities in the country: tax-related lawsuits relating to IR (corporate tax), CS (social burden charge), ICMS (product distribution service tax), PIS/CONFIS (burden charges on social integration plan/social insurance loan) and others: lawsuit relating to INSS social insurance premiums and various taxes and dues: and two or more labor service-related lawsuits and civil lawsuits. To prepare for losses on such pending lawsuits, a provision for loss on litigation is recorded.
- (4) Accounting treatment for retirement benefits
 - With regard to net defined benefit liability, in order to prepare for the provision of retirement benefits for employees, an amount calculated by deducting the plan assets from the retirement benefit obligation based on the amount estimated to have accrued at the end of the fiscal year is recorded. Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded in net assets, adjusted for tax effects, as remeasurements of defined benefit plans in accumulated other comprehensive income.
 - (i) Method for attributing the estimated amount of the retirement benefit obligation to periods:
The benefit formula method is used for attributing the estimated amount of the retirement benefit obligation to periods up to the end of the fiscal year under review in the calculation of net defined benefit liability.
 - (ii) Amortization of actuarial gains and losses and prior service cost
Prior service cost is amortized as incurred using the straight-line method based on the average remaining service period (9 – 14 years) of the employees in service during the period in which it arises. Actuarial gains and losses are amortized from the following fiscal year after recognition using the straight-line method based on the average remaining service period (9 – 17 years) of the employees in service during the period in which they arise.
 - (iii) Adoption of simplified method at small-scale companies, etc.
Certain consolidated subsidiaries use a simplified method, which assumes the net defined benefit liability to be the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end, in the calculation of net defined benefit liability and retirement benefit expenses.

(5) Standards for translation of significant foreign-currency denominated assets and liabilities into Japanese yen

Foreign-currency denominated monetary claims and obligations are translated into yen using the spot exchange rate on the account closing date, and translation differences are recorded to income or loss. The assets, liabilities, income and expenses of overseas subsidiaries, etc., are translated into yen using the spot exchange rate on the account closing date, and translation differences are recorded in foreign currency translation adjustments and non-controlling interests under net assets.

(6) Significant method for hedge accounting

(i) Hedge accounting method

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items (special treatment). Foreign currency transactions hedged by forward exchange contracts which meet certain conditions for hedge accounting are reported at the forward rate and the resulting differences between the spot rate and the forward rate amortized over the life of the contract (appropriate treatment). Transactions hedged by interest and currency swaps which meet certain conditions for integrated treatment (special treatment, appropriate treatment) are accounted for using the integrated treatment.

(ii) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
Foreign exchange forward contracts	Monetary assets/liabilities denominated in foreign currencies
Currency options	Monetary assets denominated in foreign currencies
Interest rate and currency swaps	Foreign-currency denominated loans payable
Interest rate swaps	Loans payable and loans receivable
Commodity swaps	Electricity and heavy oil

(iii) Hedging policy

The risk management policy of the Group requires hedging against the foreign exchange risk, interest rate risk and raw material price risk arising in the normal course of the business.

(iv) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedging instruments and hedged items is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets/liabilities of hedging instruments and hedged items.

(7) Method and period for amortizing goodwill

Goodwill has been amortized by the straight-line method over reasonable periods estimated for each acquisition not exceeding 20 years. If the value of goodwill is immaterial, the aggregate amount is written off in the fiscal year in which it arises.

(8) Scope of funds in consolidated cash flow statement

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term liquid investments that mature within three months from the purchase date and can be converted easily into cash with little risk of change in value.

(9) Other significant fundamental matters for preparing the consolidated financial statements

(i) Accounting for consumption tax

Consumption tax and local consumption taxes are accounted for under the tax exclusion method.

- (ii) Application of consolidated taxation system
Consolidated taxation system is applied.

6. Changes in Accounting Policies

Application of Accounting Standard for Business Combinations, etc.

Effective from the fiscal year ended March 31, 2016, the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, September 13, 2013; hereinafter referred to as “Business Combinations Accounting Standard”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter referred to as “Consolidation Accounting Standard”) and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as “Business Divestitures Accounting Standard”) have been applied. Accordingly, the accounting method was changed to record the difference arising from changes in equity in subsidiaries when the Company retains control within capital surplus, and record acquisition-related costs as expenses for the fiscal year in which they occur. In addition, with respect to any business combination entered into on or after the first day of the fiscal year ended March 31, 2016, the accounting method was changed to reflect adjustments to the allocation of purchase price under provisional accounting treatment on the consolidated financial statements of the fiscal year in which the relevant business combinations occur. Furthermore, the presentation of net income etc. was changed and the presentation of “minority interests” was changed to “non-controlling interests”. To reflect the changes in the presentation, certain reclassifications have been made to the consolidated financial statements with respect to the previous fiscal year.

In the consolidated statement of cash flows for the fiscal year ended March 31, 2016, cash flows from the purchase or sales of shares of subsidiaries that do not result in a change in the scope of consolidation are stated in “cash flows from financing activities,” and cash flows from expenses related to the purchase of shares of subsidiaries resulting in a change in the scope of consolidation or expenses related to the purchase or sales of shares of subsidiaries that do not result in a change in the scope of consolidation are stated in “cash flows from operating activities.”

The Company has applied the Business Combinations Accounting Standard, etc., in accordance with the transitional accounting treatment as provided in paragraph 58-2(4) of the Business Combinations Accounting Standard, paragraph 44-5(4) of the Consolidation Accounting Standard and paragraph 57-4(4) of the Business Divestitures Accounting Standard, prospectively from the beginning of the fiscal year ended March 31, 2016.

The impact of the application of these accounting standards on the consolidated financial statements was immaterial.

7. Accounting Standards Issued but Not Yet Effective

(1) Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016)

(i) Outline

When transferring authority over the Japanese Institute of Certified Public Accountants (JICPA)’ practical guidelines on accounting and practical guidelines for auditing related to tax-effect accounting (sections related to accounting treatment) to the ASBJ, the “Implementation Guidance on Recoverability of Deferred Tax Assets” categorizes companies into five categories with respect to guidelines related to the recoverability of deferred tax assets, principally those provided in the JICPA Auditing Committee Report No. 66, “Audit Treatment on Determining the Recoverability of Deferred Assets.” The guidance basically applies the framework for handling estimates of the amount of deferred tax assets recorded according to these categories, making some necessary revisions to category criteria and the accounting treatment of the amounts of deferred tax assets recorded, thereby providing guidelines for the application of the Accounting Standards for Tax-Effect Accounting” (Business Accounting Council) for the recoverability of deferred tax assets.

Revisions to category criteria and the accounting treatments of the amounts of deferred tax assets recorded

- Accounting treatment for companies that do not meet any of the category requirements for (Category 1) through (Category 5);
- Category requirements for (Category 2) and (Category 3);
- Accounting treatment for future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2);
- Accounting treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3) ; and
- Accounting treatment in cases that companies that satisfy the category requirement for (Category 4) but qualify (Category 2) or (Category 3).

(ii) Scheduled date of application

The Company plans to apply the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

(iii) Impact of application of revised implementation guidance.

The Company is currently evaluating impact of the application of these revised implementation guidance on its consolidated financial statements.

8. Changes in Presentation Method

(1) Consolidated statement of income

“Gain on sales of non-current assets” which was included in “Other” in “Special gains” for the fiscal year ended March 31, 2015, has increased in financial materiality and is presented separately for the fiscal year ended March 31, 2016. To reflect this change in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2015 has been restated.

As a result, ¥ 246 million that had been presented as “Other” in “Special gains” in the consolidated statement of income for the fiscal year ended March 31, 2015 was reclassified, and ¥ 84 million is included in “Gain on sales of non-current assets” and ¥ 161 million is included in “Other.”

“Impairment losses,” which were included in “Other” in “Special losses” for the fiscal year ended March 31, 2015, have increased in financial materiality and are presented separately for the fiscal year ended March 31, 2016. In addition, “Loss on disposal of non-current assets,” which was presented separately in “Special losses” for the fiscal year ended March 31, 2015, has decreased in financial materiality and is included in “Other” for the fiscal year ended March 31, 2016. To reflect these changes in the method of presentation, the consolidated statement of income for the fiscal year ended March 31, 2015 has been restated.

As a result, ¥ 1,588 million and ¥ 1,713 million included in “Loss on disposal of non-current assets” and “Other” in “Special losses,” respectively, in the consolidated statement of income for the fiscal year ended March 31, 2015 were reclassified, and ¥ 191 million is included in “Impairment losses” and ¥ 3,110 million is included in “Other.”

(2) Consolidated statement of cash flows

“Impairment losses” and “Loss (gain) on sales of non-current assets” which were included in “Other” in “Cash flows from operating activities” for the fiscal year ended March 31, 2015, have increased in financial materiality and are presented separately for the fiscal year ended March 31, 2016. In addition, “Loss on disposal of non-current assets” in “Cash flows from operating activities” for the fiscal year ended March 31, 2015, has decreased in financial materiality and is included in “Other” for the fiscal year ended March 31, 2016. To reflect these changes in the method of presentation, the consolidated statement of cash flows for the fiscal year ended March 31, 2015 has been restated.

As a result, ¥ 1,588 million that had been included in “Loss on disposal of non-current assets” and ¥ 928 million that had been included in “Other” in “Cash flows from operating activities” in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 were reclassified, and ¥ 191 million is included in “Impairment losses,” ¥ (84) million is included in “Loss (gain) on sales of non-current assets,” and ¥ 2,409 million is included in “Other.”

9. Notes to Consolidated Balance Sheet

(1) Matters concerning non-consolidated subsidiaries and affiliates

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Stocks of non-consolidated subsidiaries and affiliates	¥ 44,963	¥ 65,745	¥ 399,034
Investments in capital of non-consolidated subsidiaries and affiliates	78	78	697

(2) Assets pledged as collateral

- (i) Mortgages and revolving mortgages entered into with respect to the assets indicated below for short-term loans payable (¥ 5,719 million (\$ 50,755 thousand)) (¥ 6,515 million as of March 31, 2015), for long-term loans payable (including the amount scheduled to be repaid within one year) (¥ 3,982 million (\$ 35,342 thousand)) (¥ 5,617 million as of March 31, 2015), notes and accounts payable-trade (¥ 421 million (\$ 3,738 thousand)) (¥ 482 million as of March 31, 2015).

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Cash and bank deposits	¥ 736	¥ 1,975	\$ 6,539
Notes and accounts receivable-trade	2,732	1,956	24,251
Merchandise and finished goods	1,649	3,302	14,636
Work in process	25	24	222
Raw materials and supplies	469	500	4,166
Other current assets	1,776	954	15,767
Buildings and structures	13,035	14,494	115,685
Machinery, equipment and vehicles	9,675	11,946	85,867
Tools, furniture and fixtures	52	63	465
Land	12,974	13,606	115,148
Forests	831	935	7,383
Plantations	16,550	19,016	146,882
Construction in progress	387	255	3,441
Other intangible assets	17	36	159
Investment securities	633	1,083	5,626
Long-term loans receivable	0	—	0
Investment and other assets - other	23	20	210
Total	¥ 61,574	¥ 70,172	\$ 546,456

- (ii) Industrial mortgages and industrial factory foundation revolving industrial mortgages entered into with respect to the assets indicated below for short-term loans payable (¥ 285 million (\$ 2,529 thousand), (¥ 285 million as of March 31, 2015))

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Buildings and structures	¥ 461	¥ 459	\$ 4,097
Machinery, equipment and vehicles	763	619	6,778
Tools, furniture and fixtures	27	22	240
Land	1,024	1,024	9,088
Total	¥ 2,276	¥ 2,125	\$ 20,204

- (iii) Assets pledged as collateral for long-term loans payable (including the amount scheduled to be repaid within one year) (¥ 666 million (\$ 5,918 thousand)) (¥ 906 million as of March 31, 2015).

	Book value		
	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Investment securities	¥ 640	¥ 640	\$ 5,687
Long-term loans receivable	2,758	3,109	24,477
Total	¥ 3,399	¥ 3,750	\$ 30,165

Note: Investment securities and long-term loans receivable related to consolidated subsidiaries so have been eliminated on the consolidated financial statements.

(3) Contingent liabilities

Guarantee obligations

The Company has committed to provide the following guarantees for loans and others of non-consolidated subsidiaries and affiliates from banks and other financial institutions as of March 31, 2016 and 2015, respectively.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Forest Corporation, Tokyo Branch	¥ 5,748	¥ 2,860	\$ 51,011
PT. Korintiga Hutani	5,184	¥ 5,817	\$ 46,008
Employees	656	811	5,825
Afforest owner in Forest Development Program	374	1,145	3,324
Alpac Forest Products Inc.	—	3,766	—
Other	208	222	1,852
Total	¥ 12,171	¥ 14,624	\$ 108,022

For the fiscal year ended March 31, 2016

- (i) The guarantee obligation provided for PT. Korintiga Hutani includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is after deducting ¥ 1,923 million (\$ 17,071 thousand) for that portion.
- (ii) Regarding the guarantee obligation provided for the afforest owner in Forest Development Program, the Company has concluded an agreement with the afforest owner to offset payments for raw timber purchased from the afforest owner in the event that the guarantee obligation was discharged at the demand of financial institutions.

For the fiscal year ended March 31, 2015

- (i) The guarantee obligation provided for PT. Korintiga Hutani includes an obligation, some portion of which is backed by other parties, and the obligation amount as stated above is after deducting ¥ 2,603 million for that portion.
- (ii) Regarding the guarantee obligation provided for afforest owners in Forest Development Program, the Company has concluded an agreement with the afforest owners to offset payments for raw timber purchased from the afforest owners in the event that the guarantee obligation was discharged at the demand of financial institutions.

(4) Tax litigation and others

The Company's consolidated subsidiary in Brazil has evaluated the risk of incurring losses individually for each lawsuit. As a result, the Company has determined that the probability of incurring losses is low and, as of March 31, 2016, has recorded no provision for loss on litigation for the corresponding risk exposures in the amounts of \$ 119,701 thousand (\$ 81,157 thousand for the fiscal year ended March 31, 2015) on a pending tax-related lawsuit, and \$ 4,385 thousand and R\$ 1,774 thousand (\$ 9,039 thousand

and R\$ 486 thousand, respectively, for the fiscal year ended March 31, 2015) on pending labor service-related lawsuits.

- (5) Notes discounted: ¥ 12,987 million (\$ 115,260 thousand) and ¥ 12,204 million as of March 31, 2016 and 2015, respectively
 Notes receivable endorsed: ¥ 235 million (\$ 2,086 thousand) and ¥ 21 million as of March 31, 2016 and 2015, respectively

(6) Revaluation reserve for land

Pursuant to the “Law on Revaluation of Land” (Law No. 34 of March 31, 1998) and the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 19 of March 31, 2001), the Group performed revaluation of land for business use held by certain consolidated subsidiaries on March 31, 2002.

Pursuant to the “Law on Partial Amendment to the Law on Revaluation of Land” (Law No. 24 of March 31, 1999), the Group recorded reasonable tax amount relevant to such revaluation of land as “Deferred tax liabilities on revaluation of land” in the liabilities section, and revaluation of land after deduction of such tax amount as “Revaluation reserve for land” in the net assets section.

- (i) Revaluation method: The value is calculated based on the property tax valuation prescribed in Article 2, Item 3 of the “Enforcement Order on Law on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998) and the land value designated as the tax basis for land value tax as prescribed in Article 2, Item 4 thereof.
 (ii) Revaluation date: March 31, 2002

(7) Loan commitment (borrower)

The Company entered into loan commitment agreement with correspondent financial institutions for the purpose of achieving efficient use of working capital.

Regarding the loan commitment, the balances of the unused portion of the loan at March 31, 2016 and 2015 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Aggregate amount of loan commitment	¥ 50,000	¥ 50,000	\$ 443,734
Balance of loan outstanding	—	—	—
Unused portion	¥ 50,000	¥ 50,000	\$ 443,734

- (8) Accumulated depreciation includes accumulated impairment losses.

- (9) The amounts of advanced depreciation deducted directly from the acquisition costs of certain non-current assets for the fiscal years ended March 31, 2016 and 2015 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Machinery, equipment and vehicles	¥ 880	¥ 3,273	\$ 7,815
Buildings and structures	¥ 508	¥ 1,524	\$ 4,513
Land	¥ 0	—	\$ 0
Others	¥ 115	¥ 112	\$ 1,022
Total	¥ 1,504	¥ 4,911	\$ 13,352

10. Notes to Consolidated Statement of Income

- (1) Research and development costs included in selling, general and administrative expenses and manufacturing costs for the fiscal years ended March 31, 2016 and 2015 were ¥ 9,749 million (\$ 86,528 thousand) and ¥ 10,492 million, respectively.

- (2) The amount of inventories stated on the balance sheet at the end of the year is calculated by writing down the value based on any decreased profitability.

The loss on valuation of inventories included in the cost of sales for the fiscal years ended March 31, 2016 and 2015 was ¥ 440 million (\$ 3,906 thousand) and ¥ 26 million, respectively.

- (3) Equity in earnings of affiliates

Includes ¥ 5,947 million (\$ 52,784 thousand) of negative goodwill arising from the application of the equity method for Chuetsu Pulp & Paper Co., Ltd. due to the purchase of its shares, and a loss of ¥ 3,820 million (\$ 33,903 thousand) of one-time amortization of goodwill of in PT. Korintiga Hutani.

- (4) Impairment losses

Impairment losses were recorded mainly for the following assets and asset groups:

Location	Use	Type	Impairment losses	
			(Millions of yen)	(Thousands of U.S. dollars)
Nantong, China	Business assets	Machinery and equipment, etc.	¥ 56,641	\$ 502,675
Vientiane, Laos	Business assets	Plantations	3,731	33,119

Asset grouping is based on the minimum cash generating unit.

With regard to branches posting operating losses continuously and idle assets whose land value had significantly declined, impairment losses of ¥ 63,021 million (\$ 559,294 thousand) were recorded in special losses due to writing down the book value to the recoverable value because the recoverable value fell below the book value. The breakdown of the impairment losses is as follows: buildings and structures of ¥ 8,626 million (\$ 76,557 thousand), machinery, equipment and vehicles of ¥ 48,542 million (\$ 430,798 thousand), plantations of ¥ 3,949 million (\$ 35,051 thousand), and others of ¥ 1,902 million (\$ 16,887 thousand).

Of these amounts, ¥ 1,451 million (\$ 12,884 thousand) was included in loss on business restructuring in special losses.

Impairment losses were recorded as a result of a revaluation of business assets in Nantong, China, due to a market decline and for business assets in Vientiane, Laos, due to changes in business environments.

When the recoverable value is calculated using net realizable value, the evaluation is made based on real estate appraisal standards. When the recoverable value is calculated using value in use, the calculation is made by discounting future cash flows using a rate of 3.00% to 6.55%. The recoverable value of assets in Nantong, China was calculated using fair value obtained by a third-party valuation firm based on IFRS.

- (5) Loss on business restructuring

Loss on business restructuring includes ¥ 742 million (\$ 6,588 thousand) and ¥ 555 million (\$ 4,927 thousand) of the amount of impairment losses recorded for relevant assets accompanying decisions on the shutdown of production facilities at Oji Paper Nepia (Suzhou) Co., Ltd. and on the shutdown of production facilities at Kasugai Mill and Tomioka Mill of Oji Paper Co., Ltd., respectively, and ¥ 1,444 million (\$ 12,823 thousand) of Others.

- (6) Provision for loss on transfer of investments in affiliates

The Company recorded the amount of expected loss accompanying the transfers of investments in Alpac Forest Products Inc., an equity-method affiliate.

11. Notes to Consolidated Statement of Comprehensive Income

- (1) Reclassification adjustments and tax effect associated with other comprehensive income

OJI HOLDINGS CORPORATION

For the fiscal years ended March 31, 2016 and 2015

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2015	2016
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ (10,709)	¥ 46,324	\$ (95,042)
Reclassification adjustments for gain and losses included in profit attributable to shareholders of Oji Holdings Corporation	(30,759)	(1,279)	(272,984)
Amount before tax effect	(41,469)	45,044	(368,027)
Tax effect	13,784	(13,317)	122,333
Valuation difference on available-for-sale securities	(27,684)	31,726	(245,693)
Deferred gains (losses) on hedging derivatives :			
Amount arising during the year	422	(613)	3,749
Reclassification adjustments for gains and losses included in profit attributable to shareholders of Oji Holdings Corporation	(853)	148	(7,575)
Amount before tax effect	(431)	(464)	(3,826)
Tax effect	131	132	1,165
Deferred gains (losses) on hedging derivatives	(299)	(331)	(2,660)
Revaluation reserve for land:			
Amount arising during the year	—	—	
Reclassification adjustments for gains and losses included in profit attributable to shareholders of Oji Holdings Corporation	—	—	
Amount before tax effect	—	—	
Tax effect	415	827	3,686
Revaluation reserve for land	415	827	3,686
Foreign currency translation adjustment :			
Amount arising during the year	(38,509)	43,975	(341,758)
Reclassification adjustments for gains and losses included in profit attributable to shareholders of Oji Holdings Corporation	(324)	4	(2,879)
Amount before tax effect	(38,833)	43,980	(344,638)
Tax effect	—	—	
Foreign currency translation adjustment	(38,833)	43,980	(344,638)
Remeasurements of defined benefit plans :			
Amount arising during the year	(11,554)	9,911	(102,543)
Reclassification adjustments for gains and losses included in profit attributable to shareholders of Oji Holdings Corporation	1,236	2,727	10,973
Amount before tax effect	(10,318)	12,639	(91,569)
Tax effect	3,144	(4,739)	27,903
Remeasurements of defined benefit plans	(7,173)	7,899	(63,665)
Share of other comprehensive income (loss) of investments for which the equity method is applied:			
Amount arising during the year	(2,291)	1,614	(20,337)
Reclassification adjustments for gains and losses included in profit attributable to shareholders of Oji	(69)	(21)	(617)

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Share of other comprehensive income (loss) of investments for which the equity method is applied	(2,361)	1,593	(20,955)
Other comprehensive income (loss)	¥ (75,938)	¥ 85,696	\$ (673,927)

12. Notes to Consolidated Statement of Changes in Net Assets

(1) Information on the type and number of shares issued, and type and number of treasury stock is as follows:

For the fiscal year ended March 31, 2016

Type of shares	Number of shares at April 1, 2015	Increase	Decrease	Number of shares at March 31, 2016
Shares issued:				
Common stock	1,064,381,817	—	—	1,064,381,817
Total	1,064,381,817	—	—	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	75,999,709	329,578	521,858	75,807,429
Total	75,999,709	329,578	521,858	75,807,429

Notes:

1. Increase in treasury stock	329,578
Details of the increase are as follows:	
Increase in treasury stock arising from an increase in the number of equity method affiliates	103,950
Increase due to purchase of shares of less than standard unit	225,628
2. Decrease in treasury stock	521,858
Details of the decrease are as follows:	
Decrease due to exercising of stock options	470,000
Decrease in treasury stock arising from sales of treasury stock by consolidated subsidiaries	45,000
Decrease in treasury stock arising from changes in the Company's ownership interest in equity method affiliates	45
Decrease due to sale of shares of less than standard unit	6,813

For the fiscal year ended March 31, 2015

Type of shares	Number of shares at April 1, 2014	Increase	Decrease	Number of shares at March 31, 2015
Shares issued:				
Common stock	1,064,381,817	—	—	1,064,381,817
Total	1,064,381,817	—	—	1,064,381,817
Treasury stock:				
Common stock (Notes 1 and 2)	75,831,161	219,148	50,600	75,999,709
Total	75,831,161	219,148	50,600	75,999,709

Notes:

1. Increase in treasury stock	219,148
Details of the increase are as follows:	
Increase in treasury stock arising from changes in the Company's ownership interest in equity method affiliates	66
Increase due to purchase of shares of less than standard unit	219,082
2. Decrease in treasury stock	50,600
Details of the decrease are as follows:	
Decrease due to exercising of stock options	38,000

Decrease due to sale of shares of less than standard unit

12,600

(2) Subscription rights

For the fiscal year ended March 31, 2016

Company	Description	Type of shares issued	Number of shares issued			Number of shares at March 31, 2016	Balance at March 31, 2016	
			Number of shares at April 1, 2015	Increase	Decrease		(Millions of yen)	(Thousands of U.S. dollars)
Parent company	Subscription rights as stock options	—	—	—	—	¥ 260	\$ 2,313	
Total		—	—	—	—	¥ 260	\$ 2,313	

For the fiscal year ended March 31, 2015

Company	Description	Type of shares issued	Number of shares issued			Number of shares at March 31, 2015	Balance at March 31, 2015
			Number of shares at April 1, 2014	Increase	Decrease		(Millions of yen)
Parent company	Subscription rights as stock options	—	—	—	—	¥ 342	
Total		—	—	—	—	¥ 342	

(3) Dividends

(i) Amount of cash dividends distributed

For the fiscal year ended March 31, 2016

Resolution	Type of shares	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)			
Board of Directors' Meeting held on May 15, 2015	Common stock	¥ 4,948	\$ 43,918	¥ 5.0	March 31, 2015	June 4, 2015
Board of Directors' Meeting held on November 10, 2015	Common stock	4,948	43,915	5.0	September 30, 2015	December 1, 2015

For the fiscal year ended March 31, 2015

Resolution	Type of shares	Total dividend amount		Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)				
Board of Directors' Meeting held on May 14, 2014	Common stock	¥ 4,949		¥ 5.0	March 31, 2014	June 5, 2014
Board of Directors' Meeting held on October 31, 2014	Common stock	4,949		5.0	September 30, 2014	December 1, 2014

(ii) Dividends with the cut-off date falling within the fiscal year ended March 31, 2016 and the effective date in the fiscal year ending March 31, 2017

The following resolution is scheduled:

Resolution	Type of shares	Total dividend amount		Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)				
Board of Directors' Meeting held on May 27, 2016	Common stock	¥ 4,950	\$ 43,929	Retained earnings	¥ 5.0	March 31, 2016	June 7, 2016

Dividends with the cut-off date falling within the fiscal year ended March 31, 2015 and the effective date in the fiscal year ended March 31, 2016

The following resolution is scheduled:

Resolution	Type of shares	Total dividend amount		Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
		(Millions of yen)					
Board of Directors' Meeting held on May 15, 2015	Common stock	¥ 4,948		Retained earnings	¥ 5.0	March 31, 2015	June 4, 2015

13. Notes to Consolidated Statement of Cash Flows

- (1) Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2016 and 2015 are reconciled to the accounts reported in the consolidated balance sheet as of March 31, 2016 and 2015 as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Cash and bank deposits	¥ 43,968	¥ 45,567	\$ 390,203
Time deposits with maturities of more than three months	(1,485)	(644)	(13,180)
Marketable securities	5,160	12,206	45,801
Cash and cash equivalents	¥ 47,643	¥ 57,129	\$ 422,825

- (2) Significant non-cash transactions
Establishment of retirement benefit trust

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Amount of investment securities contributed to retirement benefit trust (acquisition cost)	¥ 501	¥ —	\$ 4,451
Gain on contribution of securities to retirement benefit trust	14,722	¥ —	130,656
Amount of investment securities contributed to retirement benefit trust (market value)	¥ 15,224	¥ —	\$135,108

14. Lease Transactions

(1) Finance lease transactions

Finance lease transactions that do not transfer ownership

(i) Leased assets

Property, plant and equipment

Production facilities (machinery, equipment and vehicles, and, tools, furniture and fixtures)

(ii) Depreciation method of leased assets

Refer to Note 5. Matters Concerning Accounting Policies (2) Depreciation method of significant depreciable assets

Finance lease transactions beginning on or before March 31, 2008 that do not transfer ownership are accounted for based on standards for ordinary operating lease transactions as follows:

(a) Equivalent acquisition cost, accumulated depreciation, accumulated impairment losses and balance of leased assets as of March 31, 2016 and 2015

As of March 31, 2016

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
(Millions of yen)				
Acquisition cost	¥ 632	¥ 19	—	¥ 651
Accumulated depreciation	592	18	—	610
Accumulated impairment losses	—	—	—	—
Balance at March 31, 2016	¥ 39	¥ 1	—	¥ 41
	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
(Thousands of U.S. dollars)				
Acquisition cost	\$ 5,614	\$ 170	—	\$ 5,784
Accumulated depreciation	5,259	160	—	5,419
Accumulated impairment losses	—	—	—	—
Balance at March 31, 2016	\$ 354	\$ 9	—	\$ 364

As of March 31, 2015

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Others	Total
	(Millions of yen)			
Acquisition cost	¥ 3,314	¥ 729	—	¥ 4,044
Accumulated depreciation	3,133	720	—	3,853
Accumulated impairment losses	—	—	—	—
Balance at March 31, 2015	¥ 181	¥ 9	—	¥ 190

Acquisition cost included the interest portion since the remaining finance lease obligations at the end of the fiscal year were not material compared with the book values of property, plant and equipment at the end of the fiscal year.

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

The future minimum lease payments at the end of the fiscal year are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Due within one year	¥ 31	¥ 149	\$ 280
Due after one year	9	41	83
Total	¥ 41	¥ 190	\$ 364

The future minimum lease payments are calculated based on imputed interest method as the 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.

(c) Lease expense, reversal of impairment account for leased assets, equivalent depreciation expense amount, and impairment loss

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Lease expense	¥ 149	¥ 575	\$ 1,326
Reversal of impairment account for leased assets	—	—	—
Equivalent depreciation expense amount	149	575	1,326

(d) Calculation method for depreciation expenses

Depreciation expenses of leased assets under finance lease transactions that do not transfer ownership are calculated by using the straight-line over the period of the lease contract term with no residual value.

(2) Operating lease transactions

Future minimum lease payments under non-cancellable operating leases as of March 31, 2016 and 2015:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Due within one year	¥ 362	¥ 401	\$ 3,219
Due after one year	1,602	1,820	14,221
Total	¥ 1,965	¥ 2,221	\$ 17,440

Future minimum lease income under non-cancellable operating leases as of March 31, 2016 and 2015:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Due within one year	¥ 676	¥ 676	\$ 6,006
Due after one year	11,392	12,069	101,107
Total	¥ 12,069	¥ 12,746	\$ 107,113

15. Financial Instruments

(1) Matters concerning financial instruments

(i) Management policy

The Company and its main consolidated subsidiaries manage group finance under which mainly the Company finances and controls the cash necessary for Group operations primarily through loans from financial institutions, issuance of commercial paper and corporate bonds, and other activities.

The Company invests temporary surplus cash in short-term and low-risk financial instruments only and does not make any investment for speculative purposes.

The Company uses derivatives to hedge risks described below and does not use derivatives for speculative purposes.

(ii) Nature and extent of risks arising from financial instruments

Receivables, such as notes and accounts receivables-trade, are exposed to customer credit risk.

Receivables that are denominated in foreign currencies, arising from the global operation of business, are exposed to foreign currency exchange rate fluctuations. However, the Group uses foreign exchange forward contracts to hedge the net position (determined by deducting the amount of payables denominated in the same foreign currencies) as appropriate, taking the trends in the foreign currency exchange market into account.

Investment securities are mainly stocks of companies with which the Group has business relationships and these are exposed to market price fluctuation risks.

Payment terms of payables, such as notes and accounts payables-trade, are all less than one year. Some of the payables that arise from importing raw materials and others are denominated in foreign currencies and are exposed to foreign currency exchange rate fluctuation risks. The Group uses foreign exchange forward contracts to hedge such risk as appropriate.

With respect to borrowings and debt, short-term loans payable are mainly for financing related to operating activities, while long-term loans payable are mainly for financing related to investment in property, plant and equipment. Borrowings and debt with floating interest rates are exposed to interest rate volatility risk. Certain long-term loans payable with variable interest rates are hedged by using derivative transactions (interest rate swaps) by which interest rates are fixed.

Derivative transactions entered into and managed by the Group are as follows:

- Foreign exchange forward contracts, currency options and currency swaps to hedge foreign exchange fluctuation risk related to accounts receivable/payable-trade and borrowing and debt etc. denominated in foreign currencies,
- Interest rate swaps to hedge risk related to floating interest rates on borrowings and debt, and
- Commodity swaps to hedge price fluctuation risk related to energy purchases.

Regarding hedging instruments and hedged items, hedging policy, the method for assessing hedging

effectiveness and others related to hedge accounting, (see Note 5. (6) Significant method for hedge accounting)

(iii) Risk management

(a) Credit risk management (risk of non-performance by customers or counterparties)

The Company and its main consolidated subsidiaries reduce credit risk through the following methods:

- The Company checks and manages due dates and balances of receivables on a customer by customer basis.
- Each sales department of the Company periodically monitors, and investigates, as necessary, the credit position of key customers.

In utilizing derivative transactions, the Group limits the counterparties to highly rated financial institutions to reduce counterparty risk.

(b) Market risk management (risks related to foreign currency exchange rate fluctuation, floating interest rates and others)

The Company and some of its consolidated subsidiaries utilize foreign exchange forward contracts and currency swaps to hedge foreign currency exchange rate fluctuation risk regarding accounts receivable/liabilities-trade and borrowings and debt etc. denominated in foreign currencies that are expected to arise in the normal course of business activities.

The Company utilizes interest rate swaps to hedge fluctuation risk regarding variable interest rates for payments related to borrowings and debt.

Some of the consolidated subsidiaries utilize commodity swaps to hedge price fluctuation risk related to energy purchases.

With respect to corporate stocks of available-for-sale securities, the Company checks periodically their fair values and financial conditions of such issuing entities (the companies with which the Company has business relationships) and reviews the benefits of continuing to hold such stocks, considering its relationships with such companies.

In the Company, execution and management of derivative transactions are conducted based on the derivative transaction standards that provide the method and the organization for risk management and others.

The consolidated subsidiaries also execute and manage derivative transactions based on their own similar standards.

(c) Liquidity risk related to financing activities (risk of non-performance on a due date)

The Company makes and updates financing plans in a timely manner and manages liquidity risk by maintaining sufficient liquidity on hand forecasted based on specific information, including the following information:

- Information reported from each department regarding credit and debit notes, and
- Information reported from the consolidated subsidiaries through which the Company determines group finance policies

The Company is prepared to make emergency payments by entering into commitment lines of credit with related financial institutions.

(iv) Supplementary explanation regarding fair value of financial instruments

Fair values of financial instruments are measured based on the quoted prices in markets. In cases where a quoted price is not available, other reasonably assessed estimated fair values are used.

Such assessment is based on certain assumptions. Under different assumptions, the assessed value might differ.

The contract amounts of derivative transactions and others, as shown in “(2) Fair value of financial instruments,” do not measure the Company’s exposure to market risk related to derivative transactions.

(2) Fair value of financial instruments

The following tables present the Company’s financial instruments on the consolidated balance sheet, their fair value and the differences at March 31, 2016 and 2015, respectively.

However, financial instruments for which it is difficult to measure the fair value are not included.

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(See Note 2. Financial instruments for which the fair value is deemed to be difficult to measure)

As of March 31, 2016

(Millions of yen)

	Book value	Fair value	Difference
① Cash and bank deposits	¥ 43,968	¥ 43,968	¥ -
② Notes and accounts receivable-trade	285,954		
③ Short-term loans receivable	4,834		
Allowance for doubtful accounts(*1)	(3,438)		
	287,350	287,350	-
④ Long-term loans receivable	5,337		
Allowance for doubtful accounts(*2)	(1,620)		
	3,716	3,774	57
⑤ Marketable securities and investment securities			
(i) Held-to-maturity debt securities	6,165	6,195	29
(ii) Stocks of affiliates	14,982	6,497	(8,485)
(iii) Available-for-sale securities	88,553	88,553	-
Total of assets	444,737	436,339	(8,397)
① Notes and accounts payable-trade	198,167	198,167	-
② Short-term loans payable	126,764	126,764	-
③ Commercial paper	27,000	27,000	-
④ Bonds	140,020	141,770	1,750
⑤ Long-term loans payable	483,948	494,877	10,928
Total of liabilities	975,901	988,579	12,678
Derivative transactions(*3)	(230)	(230)	-

(Thousands of U.S. dollars)

	Book value	Fair value	Difference
① Cash and bank deposits	\$ 390,203	\$ 390,203	\$ -
② Notes and accounts receivable-trade	2,537,756		
③ Short-term loans receivable	42,903		
Allowance for doubtful accounts(*1)	(30,515)		
	2,550,144	2,550,144	-
④ Long-term loans receivable	47,371		
Allowance for doubtful accounts(*2)	(14,385)		
	32,985	33,498	512
⑤ Marketable securities and investment securities			
(i) Held-to-maturity debt securities	54,720	54,986	265
(ii) Stocks of affiliates	132,968	57,663	(75,304)
(iii) Available-for-sale securities	785,881	785,881	-
Total of assets	3,946,904	3,872,378	(74,526)
① Notes and accounts payable-trade	1,758,678	1,758,678	-
② Short-term loans payable	1,124,995	1,124,995	-
③ Commercial paper	239,616	239,616	-
④ Bonds	1,242,634	1,258,164	15,530
⑤ Long-term loans payable	4,294,896	4,391,881	96,984
Total of liabilities	8,660,821	8,773,336	112,515
Derivative transactions(*3)	(2,045)	(2,045)	-

(*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable-trade and short-term loans receivable, is deducted.

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

(*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

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As of March 31, 2015

(Millions of yen)

	Book value	Fair value	Difference
① Cash and bank deposits	¥ 45,567	¥ 45,567	¥ -
② Notes and accounts receivable-trade	298,826		
③ Short-term loans receivable	4,854		
Allowance for doubtful accounts(*1)	(1,973)		
	301,707	301,707	-
④ Long-term loans receivable	3,493		
Allowance for doubtful accounts(*2)	(1,232)		
	2,261	2,261	0
⑤ Marketable securities and investment securities			
(i) Held-to-maturity debt securities	13,377	13,426	48
(ii) Stocks of affiliates	3,608	1,052	(2,555)
(iii) Available-for-sale securities	135,258	135,258	-
Total of assets	501,780	499,273	(2,507)
① Notes and accounts payable-trade	209,977	209,977	-
② Short-term loans payable	190,869	190,869	-
③ Commercial paper	10,000	10,000	-
④ Bonds	160,075	161,895	1,820
⑤ Long-term loans payable	501,635	506,488	4,852
Total of liabilities	1,072,558	1,079,231	6,673
Derivative transactions(*3)	(186)	(186)	-

(*1) Allowance for doubtful accounts, which is separately accounted for on notes and accounts receivable-trade and short-term loans receivable, is deducted.

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

(*3) Assets and (liabilities) arising from derivative transactions are shown on a net basis.

Notes:

1. The method for measuring fair values of financial instruments and matters relating to securities and derivative transactions

Assets

①Cash and bank deposits, ②Notes and accounts receivable-trade, and ③Short-term loans receivable

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments.

④Long-term loans receivable

The fair value of long-term loans receivable is calculated by applying a discount rate to the total of principal and interest. The discount interest rate is based on the assumed interest rate if similar new borrowings were entered into.

⑤Marketable securities and investment securities

The fair value of equity securities equals quoted market price. The fair value of debt securities equals the quoted market price or has been provided by financial institutions, etc.

Liabilities

①Notes and accounts payable-trade, ②Short-term loans payable, and ③Commercial paper

The relevant book values are used because the carrying amounts approximate fair value due to the short maturities of these instruments. The current portion of long-term loans payable (the carrying amounts of such portion on the consolidated balance sheet at March 31, 2016 and 2015 were ¥ 51,392 million (\$ 456,092 thousand) and ¥ 128,851 million, respectively) is included in “⑤Long-term loans payable.”

④Bonds

The fair value of corporate bonds is calculated based on the quoted market price (Reference: Statistical Prices for OTC Bond Transactions), or, in cases where quoted market prices are not available, by using the discounted

cash flow, based on the total amount of the principal and interest of the remaining period and credit risk. The corporate bonds include the current portion (the carrying amounts on the consolidated balance sheet at March 31, 2016 and 2015 were ¥ 20,020 million (\$ 177,671 thousand) and ¥ 20,055 million, respectively).

⑤ Long-term loans payable

The fair value of the long-term loans payable is calculated by applying a discount rate to the total of the principal and interest. The discount interest rate is based on the assumed interest rate if similar new debt were entered into. A portion of the floating rate long-term loans payable is assumed to qualify for special accounting treatment for interest rate swaps or integrated accounting treatment (special treatment and appropriated treatment) for interest and currency swaps. This portion is calculated by discounting the total amount of the principal and interest, with the relevant interest rate swaps and interest rate and currency swaps to which integrated accounting treatment has been applied, based on the reasonably estimated interest rate if similar new debt were entered into. The long-term loans payable includes the current portion (the carrying amounts on the consolidated balance sheet at March 31, 2016 and 2015 were ¥ 51,392 million (\$ 456,092 thousand), and ¥ 128,851 million, respectively).

Derivative transactions

Refer to Note 17. Derivative Transactions.

2. Financial instruments for which the fair value is deemed to be difficult to measure

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31		March 31
	2016	2015	2016
Non-listed stocks	¥ 46,878	¥ 68,149	\$ 416,031

Regarding the above item, quoted prices are not available and also the future cash flows cannot be estimated reliably, therefore the fair value of the above item is deemed to be difficult to measure and is not included in 1. Assets ⑤.

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3. The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2016

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Bank deposits	¥ 42,569	¥ 22	¥ —	¥ —
Notes and accounts receivable-trade	285,954	—	—	—
Short-term loans receivable	4,834	—	—	—
Long-term loans receivable	—	3,719	1,373	245
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	5,308	571	285	—
Total	¥ 338,667	¥ 4,312	¥ 1,659	¥ 245

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Bank deposits	\$ 377,793	\$ 195	\$ —	\$ —
Notes and accounts receivable-trade	2,537,756	—	—	—
Short-term loans receivable	42,903	—	—	—
Long-term loans receivable	—	33,008	12,187	2,175
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	47,113	5,071	2,535	—
Total	\$ 3,005,567	\$ 38,275	\$ 14,723	\$ 2,175

The redemption schedule for monetary assets and held-to-maturity debt securities subsequent to March 31, 2015

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Bank deposits	¥ 44,086	¥ 1	¥ —	¥ —
Notes and accounts receivable-trade	298,826	—	—	—
Short-term loans receivable	4,854	—	—	—
Long-term loans receivable	—	3,056	358	78
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds and others	12,356	576	428	16
Total	¥ 360,124	¥ 3,634	¥ 786	¥ 95

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4. The repayment schedule for bonds, long-term loans payable, lease obligations and other interest-bearing liabilities subsequent to March 31, 2016

As of March 31, 2016

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Millions of yen)						
Short-term loans payable	¥ 126,764	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	27,000	—	—	—	—	—
Bonds	20,020	40,000	40,000	20,000	20,000	—
Long-term loans payable	51,392	61,567	13,372	77,647	39,460	240,508
Lease obligations	896	758	456	287	173	407
Total	¥ 226,073	¥ 102,326	¥ 53,828	¥ 97,935	¥ 59,634	¥ 240,916

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Thousands of U.S. dollars)						
Short-term loans payable	\$ 1,124,995	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper	239,616	—	—	—	—	—
Bonds	177,671	354,987	354,987	177,493	177,493	—
Long-term loans payable	456,092	546,389	118,673	689,099	350,201	2,134,441
Lease obligations	7,954	6,735	4,051	2,549	1,538	3,619
Total	\$ 2,006,330	\$ 908,112	\$ 477,712	\$ 869,142	\$ 529,233	\$ 2,138,060

As of March 31, 2015

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
(Millions of yen)						
Short-term loans payable	¥ 190,869	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	10,000	—	—	—	—	—
Bonds	20,055	20,020	40,000	40,000	20,000	20,000
Long-term loans payable	128,851	45,487	58,702	12,597	76,861	179,135
Lease obligations	870	903	420	278	164	475
Total	¥ 350,646	¥ 66,411	¥ 99,123	¥ 52,876	¥ 97,025	¥ 199,611

16. Securities

(1) Held-to-maturity debt securities

As of March 31, 2016

		Book value	Market value	Difference
		(Millions of yen)		
Securities with a book value not exceeding market value	①Government bonds, local government bonds and others	¥ —	¥ —	¥ —
	②Corporate bonds	1,005	1,034	29
	③Others	—	—	—
	Total	1,005	1,034	29
Securities with a book value exceeding market value	①Government bonds, local government bonds and others	—	—	—
	②Corporate bonds	—	—	—
	③Others	5,160	5,160	—
	Total	5,160	5,160	—
Total		¥ 6,165	¥ 6,195	¥ 29

		Book value	Market value	Difference
		(Thousands of U.S. dollars)		
Securities with a book value not exceeding market value	①Government bonds, local government bonds and others	\$ —	\$ —	\$ —
	②Corporate bonds	8,919	9,184	265
	③Others	—	—	—
	Total	8,919	9,184	265
Securities with a book value exceeding market value	①Government bonds, local government bonds and others	—	—	—
	②Corporate bonds	—	—	—
	③Others	45,801	45,801	—
	Total	45,801	45,801	—
Total		\$ 54,720	\$ 54,986	\$ 265

As of March 31, 2015

		Book value	Market value	Difference
		(Millions of yen)		
Securities with a book value not exceeding market value	①Government bonds, local government bonds and others	¥ 150	¥ 150	¥ 0
	②Corporate bonds	1,005	1,019	14
	③Others	16	50	33
	Total	1,171	1,219	48
Securities with a book value exceeding market value	①Government bonds, local government bonds and others	—	—	—
	②Corporate bonds	—	—	—
	③Others	12,206	12,206	—
	Total	12,206	12,206	—
Total		¥ 13,377	¥ 13,426	¥ 48

(2) Available-for-sale securities
As of March 31, 2016

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	①Corporate stocks	¥ 78,791	¥ 40,808	¥ 37,982
	②Others	—	—	—
	Total	78,791	40,808	37,982
Securities with a book value not exceeding acquisition cost	①Corporate stocks	6,178	7,466	(1,287)
	②Others	3,582	3,913	(330)
	Total	9,761	11,379	(1,618)
Total		¥ 88,553	¥ 52,188	¥ 36,364

		Book value	Acquisition cost	Difference
		(Thousands of U.S. dollars)		
Securities with a book value exceeding acquisition cost	①Corporate stocks	\$ 699,248	\$ 362,165	\$ 337,082
	②Others	—	—	—
	Total	699,248	362,165	337,082
Securities with a book value not exceeding acquisition cost	①Corporate stocks	54,835	66,262	(11,427)
	②Others	31,797	34,730	(2,933)
	Total	86,632	100,993	(14,360)
Total		\$ 785,881	\$ 463,159	\$ 322,722

Notes: The following items are not included in above table because no available quoted market price is available and it is not possible to estimate their future cash flows, therefore measuring their fair value is deemed to be extremely difficult:

- Non-listed corporate stocks,
- Investments in capital, and
- Others

(Their book value on the balance sheet: ¥ 46,878 million (\$ 416,031 thousand))

As of March 31, 2015

		Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with a book value exceeding acquisition cost	①Corporate stocks	¥ 121,893	¥ 42,939	¥ 78,954
	②Others	—	—	—
	Total	121,893	42,939	78,954
Securities with a book value not exceeding acquisition cost	①Corporate stocks	7,423	8,386	(963)
	②Others	5,940	6,097	(156)
	Total	13,364	14,484	(1,119)
Total		¥ 135,258	¥ 57,423	¥ 77,834

Notes: The following items are not included in above table because no available quoted market price is available and it is not possible to estimate their future cash flows, therefore measuring their fair value is deemed to be extremely difficult:

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- Non-listed corporate stocks,
- Investments in capital, and
- Others

(Their book value on the balance sheet: ¥ 68,149 million)

(3) Available-for-sale securities sold

For the fiscal year ended March 31, 2016

	Proceeds from sales	Gains	Losses
	(Millions of yen)		
Corporate stocks	¥ 16,814	¥ 16,061	¥ 0

	Proceeds from sales	Gains	Losses
	(Thousands of U.S. dollars)		
Corporate stocks	\$ 149,227	\$ 142,541	\$ 0

For the fiscal year ended March 31, 2015

	Proceeds from sales	Gains	Losses
	(Millions of yen)		
Corporate stocks	¥ 2,053	¥ 1,294	¥ 0

(4) Impairment of available-for-sale securities

With respect to corporate stocks included in available-for-sale securities, impairment losses of ¥ 24 million (\$ 213 thousand) (available-for-sale securities, corporate stocks ¥ 24 million (\$ 213 thousand)) and ¥ 15 million (available-for-sale securities, corporate stocks ¥ 15 million) were recorded for the fiscal years ended March 31, 2016 and 2015, respectively.

In determining impairment losses, where fair value as of the year end is lower than acquisition cost by 50% or more, the whole amount of such difference is recorded as an impairment loss, while in cases where fair value as of the year end is lower than acquisition cost by between 30-50%, an amount deemed to be necessary is recorded as an impairment loss in consideration of recoverability among other factors.

17. Derivative Transactions

(1) Derivatives contracts outstanding for which hedge accounting was not applied

(i) Currency-related derivatives

As of March 31, 2016

Transactions	Hedging instruments	Contract amount	Contract amount due after one year	Fair value	Valuation gains (losses)
Off-market transactions	Foreign exchange forward contracts				
	Buy				
	Buy: U.S. dollars, Sell: New Zealand dollars	¥ 580	¥ 580	¥ 28	¥ 28
	Buy: U.S. dollars, Sell: Malaysian ringgit	535	—	0	0
	Currency options				
	Buy: call options				
	Brazilian real	39,150	—	—	—
Total		¥ 40,265	¥ 580	¥ 28	¥ 28

Transactions	Hedging instruments	Contract amount	Contract amount due after one year	Fair value	Valuation gains (losses)
Off-market transactions	Foreign exchange forward contracts				
	Buy				
	Buy: U.S. dollars, Sell: New Zealand dollars	\$ 5,150	\$ 5,150	\$ 253	\$ 253
	Buy: U.S. dollars, Sell: Malaysian ringgit	4,749	—	3	3
	Currency options				
	Buy: call options				
	Brazilian real	347,444	—	—	—
Total		\$ 357,344	\$ 5,150	\$ 257	\$ 257

Note: Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

As of March 31, 2015

The information as of March 31, 2015 was omitted as it is immaterial.

(ii) Compound financial instrument-related derivatives

As of March 31, 2016

Transactions	Hedging instruments	Contract amount	Contract amount due after one year	Fair value	Valuation gains (losses)
Off-market transactions	Foreign exchange forward contracts				
	Buy				
	Buy: U.S. dollars, Sell: New Zealand dollars	¥ 3,267	¥ —	¥ (54)	¥ (54)
Total		¥ 3,267	¥ —	¥ (54)	¥ (54)

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Transactions	Hedging instruments	Contract amount	Contract amount due after one year	Fair value	Valuation gains (losses)
		(Thousands of U.S. dollars)			
Off-market transactions	Foreign exchange forward contracts				
	Buy Buy: U.S. dollars, Sell: New Zealand dollars	\$ 29,001	\$ —	\$ (482)	¥ (482)
Total		\$ 29,001	\$ —	\$ (482)	¥ (482)

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. The fair value of foreign exchange forward contracts is obtained by segregating derivatives embedded in compound financial instruments.

As of March 31, 2015

The information as of March 31, 2015 was omitted as it is immaterial.

(iii) Commodity-related derivatives

As of March 31, 2016

Transactions	Hedging instruments	Contract amount	Contract amount due after one year	Fair value	Valuation gains (losses)
		(Millions of yen)			
Off-market transactions	Commodity swaps				
	Floating rate received for fixed rate	¥ 8,497	¥ 7,003	¥ 643	¥ 643
Total		¥ 8,497	¥ 7,003	¥ 643	¥ 643

Transactions	Hedging instruments	Contract amount	Contract amount due after one year	Fair value	Valuation gains (losses)
		(Thousands of U.S. dollars)			
Off-market transactions	Commodity swaps				
	Floating rate received for fixed rate	\$ 75,409	\$ 62,155	\$ 5,711	\$ 5,711
Total		\$ 75,409	\$ 62,155	\$ 5,711	\$ 5,711

Note: Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

As of March 31, 2015

The information as of March 31, 2015 was omitted as it is immaterial.

(2) Derivatives contracts outstanding for which hedge accounting was applied

(i) Currency-related derivatives

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As of March 31, 2016

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	¥ 3,621	¥ —	¥ 73
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	132	—	3
	Sell: Euro, Buy: New Zealand dollars	Accounts receivable-trade	203	—	0
	Buy				
	Buy: Canada dollars, Sell: New Zealand dollars	Accounts payable-trade	19	—	(0)
	Buy: Euro, Sell: New Zealand dollars	Accounts payable-trade	323	—	(7)
	Buy: U.S. dollars, Sell: New Zealand dollars	Accounts payable-trade	164	—	(3)
	Currency Options				
Buy: Call options, Sell: Put options U.S. dollars	Accounts receivable-trade	4,579	—	155	
Buy: Call options, Sell: Put options Japanese yen	Accounts receivable-trade	434	—	(11)	
Total			¥ 9,477	¥ —	¥ 209
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	871	—	1
	Buy				
U.S. dollars	Accounts payable-trade	291	—	(2)	
Euro	Accounts payable-trade	32	—	(0)	
Total			¥ 1,194	¥ —	¥ (1)

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Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S. dollars)		
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	\$ 32,142	\$ —	\$ 650
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	1,172	—	33
	Sell: Euro, Buy: New Zealand dollars	Accounts receivable-trade	1,804	—	0
	Buy				
	Buy: Canada dollars, Sell: New Zealand dollars	Accounts payable-trade	170	—	(6)
	Buy: Euro, Sell: New Zealand dollars	Accounts payable-trade	2,869	—	(62)
	Buy: U.S. dollars Sell: New Zealand dollars	Accounts payable-trade	1,461	—	(33)
	Currency Options				
Buy: Call options Sell: Put options U.S. dollars	Accounts receivable-trade	40,637	—	1,380	
Buy: Call options Sell: Put options Japanese yen	Accounts receivable-trade	3,852	—	(100)	
Total			\$ 84,110	\$ —	\$ 1,863
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	7,730	—	12
	Buy				
U.S. dollars	Accounts payable-trade	2,588	—	(24)	
Euro	Accounts payable-trade	284	—	(0)	
Total			\$ 10,603	\$ —	\$ (11)

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. The fair value of foreign exchange forward contracts, which are accounted for as part of the foreign currency assets or liabilities, is included in that of hedged foreign currency assets or liabilities (except for when scheduled transactions are assumed to be hedged).
3. Currency option transactions are collar transactions, which have the effect of limiting foreign exchange risk by buying call options and selling put options.

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As of March 31, 2015

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferred hedge accounting	Foreign exchange forward contracts				
	Sell				
	Sell: U.S. dollars, Buy: New Zealand dollars	Accounts receivable-trade	¥ 10,051	¥ —	¥ (212)
	Sell: Japanese yen, Buy: New Zealand dollars	Accounts receivable-trade	943	—	15
	Sell: Euro, Buy: New Zealand dollars	Accounts receivable-trade	62	—	2
	Buy				
Buy: Canada dollars, Sell: New Zealand dollars	Accounts payable-trade	152	—	(11)	
Others	Accounts payable-trade	45	—	(3)	
Total			¥ 11,256	¥ —	¥ (208)
Foreign exchange forward contracts, accounted for as part of foreign currency assets or liabilities	Foreign exchange forward contracts				
	Sell				
	U.S. dollars	Accounts receivable-trade	708	—	0
	Buy				
U.S. dollars	Accounts payable-trade	508	—	3	
Others	Accounts payable-trade	21	—	(0)	
Total			¥ 1,239	¥ —	¥ 2

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. The fair value of foreign exchange forward contracts, which are accounted for as part of the foreign currency assets or liabilities, is included in that of hedged foreign currency assets or liabilities (except for when scheduled transactions are assumed to be hedged).

(ii) Interest-rate-related derivatives

As of March 31, 2016

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferred hedge accounting	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	¥ 21,234	¥ 21,234	¥ (691)
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	220,440	220,222	(Note 2)
	Floating rate received for floating rate	Long-term loans payable	2,500	2,500	(Note 2)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	36,027	36,027	(Note 2)
Total			¥ 280,201	¥ 279,984	¥ (691)

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S. dollars)		
Deferred hedge accounting	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	\$ 188,449	\$ 188,449	\$ (6,141)
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	1,956,340	1,954,407	(Note 2)
	Floating rate received for floating rate	Long-term loans payable	22,186	22,186	(Note 2)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	319,728	319,728	(Note 2)
Total			\$ 2,486,705	\$ 2,484,772	\$ (6,141)

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. When an interest rate swap contract meets the criteria for the special treatment of interest rate swaps, and the integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment), the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. The fair value of the interest rate swaps and interest rate and currency swaps accounted for by the special treatment and the integrated treatment, is included in that of the hedged long-term loans payable.

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As of March 31, 2015

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Special treatment of interest rate swap	Interest rate swaps Floating rate received for fixed rate	Long-term loans payable	¥ 235,080	¥ 180,305	(Note 2)
	Floating rate received for floating rate	Long-term loans payable	11,500	2,500	(Note 2)
	Fixed rate received for floating rate	Long-term loans payable	16,000	—	(Note 2)
Integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment)	Interest rate and currency swaps Floating rate received for fixed rate U.S. dollars received for Japanese yen	Long-term loans payable	36,027	36,027	(Note 2)
Total			¥ 298,607	¥ 218,832	¥ —

Notes:

1. Fair value is calculated based on the prices provided by counterparty financial institutions, and others.
2. When an interest rate swap contract meets the criteria for the special treatment of interest rate swaps, and the integrated treatment of interest rate and currency swaps (special treatment, appropriated treatment), the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items. The fair value of the interest rate swaps and interest rate and currency swaps accounted for by the special treatment and the integrated treatment, is included in that of the hedged long-term loans payable.

(iii) Commodity-related derivatives

As of March 31, 2016

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 3,373	¥ 1,701	¥ (384)
	Floating rate received for fixed rate	Heavy oil	360	—	19
Total			¥ 3,733	¥ 1,701	¥ (365)

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Thousands of U.S dollars)		
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	\$ 29,942	\$ 15,101	\$ (3,413)
	Floating rate received for fixed rate	Heavy oil	3,194	—	171
Total			\$ 33,137	\$ 15,101	\$ (3,242)

Note: Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

As of March 31, 2015

Hedge accounting method	Hedging instruments	Main hedged items	Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferred hedge accounting	Commodity swaps Floating rate received for fixed rate	Electricity	¥ 4,015	¥ 2,035	¥ (211)
Total			¥ 4,015	¥ 2,035	¥ (211)

Note: Fair value is calculated based on the prices provided by counterparty financial institutions, and others.

18. Retirement Benefits

(1) Outline of Retirement Benefit Plan Adopted

The Company and its domestic consolidated subsidiaries have established corporate pension fund plans, employees' pension fund plans and retirement lump-sum payment plans as defined benefit-type plans. In addition, certain consolidated subsidiaries have joined multi-employer corporate pension plans. Certain consolidated subsidiaries also provide defined contribution plans. Furthermore, in certain instances of an employee's retirement or other termination, special retirement benefits may be provided, which are not included in the retirement benefit obligation based on the actuarial calculation under retirement benefit accounting. Certain overseas consolidated subsidiaries also provide defined benefit plans. Certain domestic consolidated subsidiaries also have funded employees' retirement benefit trusts.

(2) Defined benefit plans (includes multi-employer plans)

(i) Reconciliation of beginning and ending balances of retirement benefit obligation (excluding plans for which a simplified method is applied)

For the fiscal year ended March 31, 2016

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of retirement benefit obligation	¥ 184,552	\$ 1,637,846
Effect of change in accounting policies	—	-
Restated beginning balance	184,552	1,637,846
Service cost	6,000	53,255
Interest cost	1,335	11,856
Actuarial loss	4,792	42,531
Payment of retirement benefits	(11,880)	(105,431)
Other	(486)	(4,314)
Ending balance of retirement benefit obligation	¥ 184,315	\$ 1,635,743

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>
Beginning balance of retirement benefit obligation	¥ 189,211
Effect of change in accounting policies	(4,053)
Restated beginning balance	185,157
Service cost	6,211
Interest cost	1,861
Actuarial loss	4,677
Payment of retirement benefits	(12,564)
Other	(792)
Ending balance of retirement benefit obligation	¥ 184,552

(ii) Reconciliation of beginning and ending balances of plan assets (excluding plans for which a simplified method is applied)

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For the fiscal year ended March 31, 2016

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of plan assets	¥ 135,346	\$ 1,201,161
Expected return on plan assets	3,093	27,451
Actuarial loss	(7,257)	(64,411)
Employer contributions	4,481	39,775
Payment of retirement benefits	(8,667)	(76,918)
Establishment of retirement benefit trust	15,224	135,108
Other	0	5
Ending balance of plan assets	¥ 142,221	\$ 1,262,172

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>
Beginning balance of plan assets	¥ 122,840
Expected return on plan assets	1,513
Actuarial gain	14,102
Employer contributions	6,924
Payment of retirement benefits	(9,192)
Establishment of retirement benefit trust	—
Other	(840)
Ending balance of plan assets	¥ 135,346

(iii) Reconciliation of beginning and ending balance of net defined benefit liability for plans for which the simplified method is applied

For the fiscal year ended March 31, 2016

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Beginning balance of net defined benefit liability	¥ 5,831	\$ 51,755
Retirement benefit cost	1,295	11,495
Payment of retirement benefits	(624)	(5,538)
Plan contributions	(683)	(6,067)
Other	(6)	(57)
Ending balance of net defined benefit liability	¥ 5,812	\$ 51,587

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>
Beginning balance of net defined benefit liability	¥ 6,864
Retirement benefit cost	602
Payment of retirement benefits	(816)
Plan contributions	(659)
Other	(158)
Ending balance of net defined benefit liability	¥ 5,831

(iv) Reconciliation of ending balance of retirement benefit obligation and plan assets, net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

For the fiscal year ended March 31, 2016

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Funded retirement benefit obligation	¥ 150,390	\$ 1,334,671
Plan assets	(150,297)	(1,333,841)
	93	830
Unfunded retirement benefit obligation	47,813	424,328
Net liabilities and assets recorded on the consolidated balance sheet	47,906	425,158
Net defined benefit liability	52,207	463,321
Net defined benefit asset	(4,300)	(38,162)
Net liabilities and assets recorded on the consolidated balance sheet	¥ 47,906	\$ 425,158

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Note: Including plans for which the simplified method is applied.

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>
Funded retirement benefit obligation	¥ 136,848
Plan assets	(143,009)
	(6,161)
Unfunded retirement benefit obligation	61,198
Net liabilities and assets recorded on the consolidated balance sheet	55,037
Net defined benefit liability	63,949
Net defined benefit asset	(8,912)
Net liabilities and assets recorded on the consolidated balance sheet	¥ 55,037

Note: Including plans for which the simplified method is applied.

(v) Components of retirement benefit expenses

For the fiscal year ended March 31, 2016

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Service costs	¥ 6,000	\$ 53,255
Interest cost	1,335	11,856
Expected return on plan assets	(3,093)	(27,451)
Amortization of actuarial loss	2,420	21,480
Amortization of prior service cost	(688)	(6,107)
Retirement benefit cost calculated by simplified method	1,295	11,495
Special retirement benefits	833	7,401
Retirement benefit cost related to defined benefit plans	¥ 8,105	\$ 71,930

Note: Special retirement benefits as stated above are mainly redundancy pay, etc., and are accounted for as "Other" in "Special losses."

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>
Service costs	¥ 6,211
Interest cost	1,861
Expected return on plan assets	(1,513)
Amortization of actuarial loss	4,170
Amortization of prior service cost	(955)
Retirement benefit cost calculated by simplified method	602
Special retirement benefits	747
Retirement benefit cost related to defined benefit plans	¥ 11,124

Note: Special retirement benefits as stated above are mainly redundancy pay, etc., and are accounted for as "Other" in "Special losses."

(vi) Remeasurements of defined benefit plans in consolidated statement of income

The breakdown of items recorded in remeasurements of defined benefit plans is as follows (before deduction of tax effects):

For the fiscal year ended March 31, 2016

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Prior service cost	¥ (688)	\$ (6,107)
Actuarial loss	(9,629)	(85,462)
Total	¥ (10,318)	\$ (91,569)

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>
Prior service cost	¥ (955)
Actuarial gain	¥ 13,594
Total	¥ 12,639

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(vii) Remeasurements of defined benefit plans in consolidated balance sheet
The breakdown of items recorded in remeasurements
of defined benefit plans is as follows (before deduction of tax effects):

For the fiscal year ended March 31, 2016

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Unrecognized prior service cost	¥ 174	\$ 1,552
Unrecognized actuarial gain	16,962	150,532
Total	¥ 17,136	\$ 152,085

For the fiscal year ended March 31, 2015

	<u>Millions of yen</u>
Unrecognized prior service cost	¥ (513)
Unrecognized actuarial gain	7,358
Total	¥ 6,845

(viii) Matters relating to plan assets

(a) Breakdown of principal plan assets

The principal asset classes as percentages of total plan assets are as follows:

For the fiscal year ended March 31, 2016

Domestic corporate stocks	35 %
Overseas corporate stocks	10
Domestic bonds	16
Overseas bonds	8
Life insurance general accounts	19
Alternative investments	10
Other	2
Total	100

For the fiscal year ended March 31, 2015

Domestic corporate stocks	29 %
Overseas corporate stocks	12
Domestic bonds	17
Overseas bonds	9
Life insurance general accounts	20
Alternative investments	11
Other	2
Total	100

Note: Retirement benefit trusts established for corporate pension plans constituted 23% of total plan assets in the fiscal year ended March 31, 2016 and 15% in the fiscal year ended March 31, 2015.

(b) Method to determine long-term expected rate of return on plan assets

In order to determine the long-term expected rate of return on plan assets, the Company takes into account the current and the forecast allocation of plan assets and the current and anticipated long-term expected rate of return on a wide range of assets that constitute plan assets.

(ix) Assumptions used in actuarial calculations

For the fiscal year ended March 31, 2016

(a) Discount rates

Domestic 0.1 – 0.6%

Overseas 2.4 – 8.0%

(b) Long-term expected rates of return on plan assets

Domestic 0.4 – 2.5%

Overseas 1.8 – 7.0%

(c) Expected rates of salary increases

Domestic 1.4 – 8.3%

Overseas 1.8 – 7.0%

For the fiscal year ended March 31, 2015

(a) Discount rates

Domestic 0.3 – 1.2%

Overseas 2.2 – 6.1%

(b) Long-term expected rates of return on plan assets

Domestic 0.7 – 5.0%

Overseas 2.0 – 7.0%

(c) Expected rates of salary increases

Domestic 1.5 – 8.3%

Overseas 2.0 – 6.4%

(3) Defined contribution plan

The contributions to the defined contribution plans of the consolidated subsidiaries, including the multi-employer plans that are accounted for in the same way as defined contribution plans, were ¥ 838 million (\$7,438 thousand) in the fiscal year ended March 31, 2016 and ¥ 709 million in the fiscal year ended March 31, 2015.

19. Stock Options

(1) The account title and the amount of expenses related to stock options

Account title: Selling, general and administrative expenses

Amount: ¥ 78 million (\$ 698 thousand) for the year ended March 31, 2016

¥ 62 million for the year ended March 31, 2015

(2) Content, size and changes of stock options

(i) Stock option plans

	Stock option 2006
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 140,000 shares
Grant date	August 15, 2006
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2007 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2006 (June 29, 2006) to the date of the ordinary general meeting of shareholders in 2007
Exercise period	From August 16, 2006 to June 30, 2026

	Stock option 2007
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 145,000 shares
Grant date	July 13, 2007
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2008 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in

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	service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2007 (June 28, 2007) to the date of the ordinary general meeting of shareholders in 2008
Exercise period	From July 14, 2007 to June 30, 2027

Stock option 2008	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 215,000 shares
Grant date	July 14, 2008
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2009 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2008 (June 27, 2008) to the date of the ordinary general meeting of shareholders in 2009
Exercise period	From July 15, 2008 to June 30, 2028

Stock option 2009	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 174,000 shares
Grant date	July 13, 2009
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2010 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2009 (June 26, 2009) to the date of the ordinary general meeting of shareholders in 2010
Exercise period	From July 14, 2009 to June 30, 2029

Stock option 2010	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 220,000 shares
Grant date	July 16, 2010
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2011 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2010 (June 29, 2010) to the date of the ordinary general meeting of shareholders in 2011
Exercise period	From July 17, 2010 to June 30, 2030

Stock option 2011	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 219,000 shares
Grant date	July 15, 2011
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2012 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2011 (June 29, 2011) to the date of the ordinary general meeting of shareholders in 2012
Exercise period	From July 16, 2011 to June 30, 2031

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Stock option 2012	
Individuals covered by the Plan	Directors of the Company: 12
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 219,000 shares
Grant date	July 17, 2012
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2013 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2012 (June 28, 2012) to the date of the ordinary general meeting of shareholders in 2013
Exercise period	From July 18, 2012 to June 30, 2032

Stock option 2013	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 220,000 shares
Grant date	July 16, 2013
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2014 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2013 (June 27, 2013) to the date of the ordinary general meeting of shareholders in 2014
Exercise period	From July 17, 2013 to June 30, 2033

Stock option 2014	
Individuals covered by the Plan	Directors of the Company: 10
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 176,000 shares
Grant date	July 15, 2014
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2015 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2014 (June 27, 2014) to the date of the ordinary general meeting of shareholders in 2015
Exercise period	From July 16, 2014 to June 30, 2034

Stock option 2015	
Individuals covered by the Plan	Directors of the Company: 11
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock: 199,000 shares
Grant date	July 14, 2015
Condition for the exercise of share subscription rights	Grantee must continue to stay in the position of Director until the ordinary general meeting of shareholders in 2016 If a grantee retires the position before the above date, share subscription rights are limited to the equivalent months in service.
Vesting period	From the date of the ordinary general meeting of shareholders in 2015 (June 26, 2015) to the date of the ordinary general meeting of shareholders in 2016
Exercise period	From July 15, 2015 to June 30, 2035

(ii) Changes in the number of stock options

For the year ended March 31, 2016

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock option 2013	Stock option 2014	Stock option 2015
	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)
Share subscription rights which are not yet vested										
Outstanding as of March 31, 2015	—	—	—	—	—	—	—	—	176,000	—
Granted	—	—	—	—	—	—	—	—	—	199,000
Forfeited	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	176,000	—
Outstanding as of March 31, 2016	—	—	—	—	—	—	—	—	—	199,000
Share subscription rights which have already been vested										
Outstanding as of March 31, 2015	44,000	48,000	71,000	102,000	127,000	146,000	179,000	220,000	—	—
Vested	—	—	—	—	—	—	—	—	176,000	—
Exercised	34,000	48,000	55,000	66,000	74,000	78,000	46,000	38,000	31,000	—
Forfeited	—	—	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2016	10,000	—	16,000	36,000	53,000	68,000	133,000	182,000	145,000	—

(iii) Price information of stock options

As at March 31, 2016

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock Option 2013	Stock Option 2014	Stock option 2015
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	551	531	551	527	504	508	513	554	554	—
Weighted average fair value per shares at the granted date	579	464	351	285	334	307	189	351	324	432

	Stock option 2006	Stock option 2007	Stock option 2008	Stock option 2009	Stock option 2010	Stock option 2011	Stock option 2012	Stock option 2013	Stock option 2014	Stock option 2015
	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)
Exercise price	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Average market price of the stock at the time of exercise	4.89	4.71	4.89	4.68	4.47	4.51	4.55	4.92	4.92	—
Weighted average fair value per shares at the granted date	5.14	4.12	3.12	2.53	2.96	2.72	1.68	3.12	2.88	3.83

(3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options granted in the fiscal year ended March 31, 2016 is as follows:

(i) Model of valuation: Black-Scholes Model

(ii) Main basic assumptions and estimation method:

	Stock option 2015
Expected volatility (Note 1)	30.972%
Expected holding period (Note 2)	10 years and 6 months
Expected dividend (Note 3)	10 yen (\$ 0.08)/share
Risk-free rate (Note 4)	0.501%

Notes:

1. The volatility is calculated based on historical data of the stock price for the past 10 years and 6 months

(from January 14, 2005 to July 14, 2015)

2. As there is not enough data to make a reasonable estimate, expected life of the option is based on the assumption that the options are exercised at mid-term of during the exercise period.
3. This is based on the actual dividend for the fiscal year ended March 31, 2015.
4. Risk-free interest rate is the yield on government bonds for the period that corresponds to the remaining life of the option.

(4) Method for estimating the number of vested options

Basically, as it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited compared to the number vested.

20. Income Taxes

(1) Significant components of deferred tax assets and deferred tax liabilities

	March 31, 2016 (Millions of yen)	March 31, 2015 (Millions of yen)	March 31, 2016 (Thousands of U.S. dollars)
Deferred tax assets			
Tax losses carried forward	¥ 35,475	¥ 5,302	\$ 314,834
Net defined benefit liability	14,974	17,283	132,892
Investment securities and others	10,707	7,211	95,030
Property, plant and equipment	8,528	14,115	75,691
Accrued bonuses	4,832	5,111	42,882
Allowance for doubtful accounts	2,434	2,025	21,601
Inventory	1,138	1,330	10,108
Other	11,952	6,520	106,074
Subtotal	90,044	58,901	799,115
Valuation allowance	(40,687)	(18,817)	(361,088)
Total deferred tax assets	49,356	40,083	438,027
Deferred tax liabilities			
Adjustment to book value of assets stated at fair value	(45,185)	(58,093)	(401,004)
Property, plant and equipment	(23,437)	(16,478)	(208,003)
Reserve for advanced depreciation of non-current assets	(11,358)	(12,268)	(100,804)
Valuation difference on available-for-sale securities	(10,966)	(24,751)	(97,326)
Reserve for special depreciation	(4,670)	(1,241)	(41,446)
Other	(1,280)	(897)	(11,359)
Total deferred tax liabilities	(96,898)	(113,730)	(859,945)
Net deferred tax liabilities	¥ (47,541)	¥ (73,646)	\$ (421,918)

(2) Difference between the statutory tax rate and the effective tax rate of corporate income taxes

	For the fiscal year ended March 31,	
	2016	2015
Statutory tax rate	33.1%	35.6%
(Adjustment)		
Non-deductible entertainment and social expenses, etc.	3.0	3.5
Non-taxable income of dividends received, etc.	(6.7)	(2.9)
Per capita levy of local inhabitant tax	1.8	1.3
Tax credit	(0.0)	(3.6)
Equity in earnings of affiliates	(3.7)	(1.0)
Consolidated adjustment on valuation losses of shares of subsidiaries	(82.7)	—
Different tax rates applied to foreign subsidiaries	15.1	(1.8)
Retained earnings of foreign subsidiaries, etc.	(4.3)	6.5
Decrease of deferred tax assets at fiscal year-end due to change in tax rate	5.7	5.0

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Amortization of goodwill	3.5	2.7
Change in valuation allowance	76.7	(5.1)
Other	(0.6)	1.2
Effective tax rate	40.9%	41.4%

(3) Revision to the amounts of deferred tax assets and deferred tax liabilities due to the change in the corporation tax rate, etc.

The Act on Partial Revision of the Income Tax Act, etc. (Law No. 15 of 2016) and the Act on the Partial Revision of the Local Tax Act, etc. (Law No. 13 of 2016) passed the Japanese Diet on March 29, 2016, and corporate tax rates were reduced from fiscal years beginning on or after April 1, 2016. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been revised to 30.9% from 32.3% used in the calculation for the previous fiscal year for temporary differences expected to be realized or settled in the fiscal years beginning on April 1, 2016 and on April 1, 2017, and to 30.6% from the fiscal year beginning on April 1, 2018. As a result of these changes in the tax rate, the amount of deferred tax liabilities (the amount after deducting deferred tax assets) increased by ¥ 1,456 million (\$ 12,928 thousand), income taxes – deferred increased by ¥ 1,631 million (\$ 14,481 thousand), valuation difference on available-for-sale securities increased by ¥ 583 million (\$ 5,179 thousand), deferred losses on hedging derivatives increased by ¥ 10 million (\$ 96 thousand), while non-controlling interests decreased by ¥ 0 million (\$ 0 thousand), and remeasurements of defined benefit plans decreased by ¥ 419 million (\$ 3,722 thousand).

Furthermore, deferred tax liabilities on revaluation of land declined by ¥ 414 million (\$ 3,681 thousand) and the revaluation reserve for land increased by the same amount.

21. Business Combination

Business combination by acquisition

(1) Amount and breakdown of material amendments made on the initial allocation amounts of the acquisition costs

The provisional accounting treatment with respect to the business combination involving Carter Holt Harvey Pulp & Paper Limited (currently renamed as Oji Fibre Solutions (NZ) Ltd.) and other seven companies as of December 1, 2014 made in the fiscal year ended March 31, 2015 was finalized and recorded as follows in the fiscal year ended March 31, 2016:

Amended account item	Amount of amendments to goodwill	
	(Thousands of NZ dollars)	(Thousands of U.S. dollars)
Goodwill (before amendments)	NZ\$ 51,852	\$ 35,838
Adjustments to acquisition cost	1,518	1,049
Property, plant and equipment	8,366	5,782
Intangible assets	600	414
Deferred tax liabilities	(2,477)	(1,712)
Non-controlling interests	(3,203)	(2,213)
Total amendments	4,804	3,320
Goodwill (after amendments)	NZ\$ 56,657	\$ 39,159

22. Segment Information

(1) Overview of reporting segments

The reporting segments of the Company are the business units of the Group, of which financial information is available separately in order for the Board of Directors to conduct periodic review to determine allocation of management resources and evaluate business performance by unit.

The Group is mainly engaged in production and sale of pulp and paper products and converted paper products. Each of the companies of the Group independently plans its comprehensive strategy for its products and services and implements its business activities.

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Therefore, each of the business segments comprises certain companies of the Group that are similar in terms of economic characteristics, production method or production process, types of market or customers to which products are sold and other characteristics. The Company consists of five reporting segments: “Household and industrial materials,” “Functional materials,” “Forest resources and environmental marketing” “Printing and communications media,” and “Other.”

The principal business lines in each reporting segment are as follows:

Household and industrial materials: Containerboard, corrugated container, boxboard and, packaging papers, folding cartons and paper bags, household paper, disposable diapers

Functional materials: Specialty paper, thermal paper, adhesive paper, film

Forest resources and environmental marketing: Lumber, pulp, energy

Printing and communications media: Newsprint, printing, publishing and communications paper

Other: Real estate, machinery, trading and other

(2) Methods to calculate amounts of sales, income or loss, assets, liabilities and other items by reporting segment

The accounting method applied for reporting segments is almost the same that described in Notes 1 to 5 of the Consolidated Financial Statements.

Segment profit is based on operating profit. Inter-segment sales and transfers are mainly based on market price.

(3) Information on amounts of sales, income or loss, assets, liabilities and other items by reporting segment

For the fiscal year ended March 31, 2016

	Reporting segments				Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media					
(Millions of yen)									
Sales									
Sales to third parties	¥ 561,981	¥ 193,084	¥ 224,305	¥ 279,825	¥ 1,259,197	¥ 174,398	¥ 1,433,595	¥ —	¥ 1,433,595
Inter-segment sales and transfers	41,777	17,872	43,356	29,593	132,599	92,319	224,918	(224,918)	—
Total sales	603,759	210,957	267,661	309,418	1,391,797	266,717	1,658,514	(224,918)	1,433,595
Segment profit	¥ 18,774	¥ 11,913	¥ 31,505	¥ 2,253	¥ 64,447	¥ 8,855	¥ 73,303	¥ 381	¥ 73,685
Segment assets	¥ 594,420	¥ 197,968	¥ 508,233	¥ 396,238	¥ 1,696,860	¥ 356,111	¥ 2,052,972	¥ (118,051)	¥ 1,934,921
Other items									
Depreciation and amortization (Note 4)	¥ 26,756	¥ 8,490	¥ 15,510	¥ 22,560	¥ 73,317	¥ 5,261	¥ 78,579	¥ —	¥ 78,579
Increase in property, plant, equipment and intangible assets (Note 4)	¥ 24,185	¥ 3,750	¥ 17,486	¥ 5,779	¥ 51,203	¥ 6,184	¥ 57,387	¥ —	¥ 57,387

For the fiscal year ended March 31, 2016

	Reporting segments				Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media					
(Thousands of U.S. dollars)									
Sales									
Sales to third parties	\$ 4,987,415	\$ 1,713,569	\$ 1,990,639	\$ 2,483,362	\$ 11,174,986	\$ 1,547,728	\$ 12,722,715	\$ —	\$ 12,722,715
Inter-segment sales and transfers	370,764	158,610	384,775	262,630	1,176,779	819,302	1,996,082	(1,996,082)	—
Total sales	5,358,179	1,872,179	2,375,414	2,745,992	12,351,766	2,367,031	14,718,798	(1,996,082)	12,722,715
Segment profit	\$ 166,615	\$ 105,731	\$ 279,605	\$ 20,000	\$ 571,952	\$ 78,592	\$ 650,544	\$ 3,389	\$ 653,934
Segment assets	\$ 5,275,297	\$ 1,756,905	\$ 4,510,411	\$ 3,516,496	\$ 15,059,111	\$ 3,160,378	\$ 18,219,490	\$ (1,047,666)	\$ 17,171,823
Other items									
Depreciation and amortization (Note 4)	\$ 237,452	\$ 75,352	\$ 137,651	\$ 200,214	\$ 650,670	\$ 46,694	\$ 697,365	\$ —	\$ 697,365
Increase in property, plant, equipment and intangible assets (Note 4)	\$ 214,643	\$ 33,288	\$ 155,184	\$ 51,295	\$ 454,411	\$ 54,882	\$ 509,293	\$ —	\$ 509,293

Notes

- “Other” is a business segment which is not included in the reporting segments, and included in this segment are trading, real estate and other businesses.
 - “Adjustments” are as follows.
 - Adjustment for segment profit, ¥ 381 million (\$3,389 thousand), primarily consists of adjustment related to internal transactions.
 - Adjustment for segment assets, ¥ (118,051) million (\$(1,047,666) thousand)), includes the following items.
 - Elimination of inter-segment debts and credits, and other, ¥ (143,114) million (\$1,270,099) thousand)
 - Group-wide assets* not allocated to each reporting segment, ¥ 25,063 million (\$222,432 thousand)
- *Group-wide assets: investment securities not allocated to each reporting segment
- Adjustment is made between segment profit (loss) and operating profit of the consolidated statement of income.
 - Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

For the fiscal year ended March 31, 2015

	Reporting segments				Total	Other (Note 1)	Total	Adjust- ments (Note 2)	Consolidated (Note 3)
	House- hold and industrial materials	Function- al materials	Forest resources and environ- mental marketing	Printing and communi- cations media					
(Millions of yen)									
Sales									
Sales to third parties	¥ 518,239	¥ 206,013	¥ 161,731	¥ 282,812	¥ 1,168,797	¥ 178,483	¥ 1,347,281	¥ —	¥ 1,347,281
Inter-segment sales and transfers	43,512	19,206	49,789	28,170	140,679	97,590	238,270	(238,270)	—
Total sales	561,752	225,220	211,521	310,983	1,309,477	276,074	1,585,552	(238,270)	1,347,281
Segment profit (loss)	¥ 14,528	¥ 9,367	¥ 14,925	¥ (671)	¥ 38,150	¥ 7,997	¥ 46,147	¥ 547	¥ 46,694
Segment assets	¥ 624,751	¥ 222,846	¥ 567,675	¥ 505,851	¥ 1,921,124	¥ 356,668	¥ 2,277,793	¥ (113,701)	¥ 2,164,091
Other items									
Depreciation and amortization (Note 4)	¥ 23,476	¥ 10,224	¥ 10,862	¥ 21,533	¥ 66,097	¥ 4,727	¥ 70,825	¥ —	¥ 70,825
Increase in property, plant, equipment and intangible assets (Note 4)	¥ 23,521	¥ 6,769	¥ 25,179	¥ 20,355	¥ 75,826	¥ 4,252	¥ 80,079	¥ —	¥ 80,079

Notes

- “Other” is a business segment which is not included in the reporting segments, and included in this segment are trading, real estate and other businesses.
 - “Adjustments” are as follows.
 - Adjustment for segment profit (loss), ¥ 547 million, primarily consists of adjustment related to internal transactions.
 - Adjustment for segment assets, ¥ (113,701) million, includes the following items.
 - Elimination of inter-segment debts and credits, and other, ¥ (144,201) million
 - Group-wide assets* not allocated to each reporting segment, ¥ 30,499 million
- *Group-wide assets: investment securities not allocated to each reporting segment
- Adjustment is made between segment profit (loss) and operating profit of the consolidated statement of income.
 - Long-term prepaid expenses and the related depreciation and amortization are included in the amounts of depreciation and amortization, and increase in property, plant, equipment and intangible assets.

(4) Related information

For the fiscal year ended March 31, 2016

(i) Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

(ii) Information by region

(a) Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 1,034,569	¥ 230,452	¥ 31,668	¥ 21,649	¥ 45,704	¥ 61,891	¥ 7,662	¥ 1,433,595

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Thousands of U.S. dollars)							
\$ 9,181,476	\$ 2,045,195	\$ 281,044	\$ 192,127	\$ 405,612	\$ 549,264	\$ 67,995	\$ 12,722,715

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	Oceania	Total
(Millions of yen)							
¥ 627,225	¥ 117,237	¥ 42,587	¥ 2,950	¥ 245,589	¥ 5,494	¥ 96,393	¥ 1,137,477

Japan	China	Asia	North America	Brazil	Europe	Oceania	Total
(Thousands of U.S. dollars)							
\$ 5,566,427	\$ 1,040,449	\$ 377,951	\$ 26,181	\$ 2,179,530	\$ 48,761	\$ 855,461	\$ 10,094,763

For the fiscal year ended March 31, 2015

(i) Information by product and service

The reporting segments of the Company are the business units identified by product and service. There is no additional information to be disclosed.

(ii) Information by region

(a) Sales

Japan	Asia	North America	South America	Europe	Oceania	Other	Total
(Millions of yen)							
¥ 1,039,941	¥ 180,826	¥ 36,612	¥ 26,441	¥ 47,151	¥ 13,367	¥ 2,941	¥ 1,347,281

(b) Property, plant and equipment

Japan	China	Asia	North America	Brazil	Europe	Oceania	Total
(Millions of yen)							
¥ 652,966	¥ 188,517	¥ 51,091	¥ 3,389	¥ 253,227	¥ 6,654	¥ 114,622	¥ 1,270,469

(5) Information on impairment loss of property, plant and equipment by reporting segment

For the fiscal year ended March 31, 2016

	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
(Millions of yen)						
Impairment loss	¥ 833	¥ 547	¥ 4,033	¥ 57,002	¥ 604	¥ 63,021

	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
(Thousands of U.S. dollars)						
Impairment loss	\$ 7,404	\$ 4,856	\$ 35,799	\$ 505,872	\$ 5,361	\$ 559,294

Notes:

1. The amount of "Other" is the amount related to business segments not included in reporting segments and other.
2. Of the impairment loss of ¥ 63,021 million (\$ 559,294 thousand) for the fiscal year ended March 31, 2016, ¥ 1,451 million (\$12,884 thousand) is included in "Loss on business restructuring" in "Special losses."

For the fiscal year ended March 31, 2015

	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media	Other (Note 1)	Total (Note 2)
	(Millions of yen)					
Impairment loss	¥ 20	¥ 444	¥ 11	¥ 181	¥ 0	¥ 657

Notes:

1. The amount of "Other" is the amount related to business segments not included in reporting segments and other.
2. Of the impairment loss of ¥ 657 million for the fiscal year ended March 31, 2015, ¥ 466 million is included in "Loss on business restructuring" in "Special losses."

(6) Information on amortization and ending balance of goodwill by reporting segment

As of and for the fiscal year ended March 31, 2016

	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media	Other (Note 1)	Total
	(Millions of yen)					
Amortized amount of goodwill	¥ 2,662	¥ 335	¥ 0	¥—	¥ 300	¥ 3,299
Balance of goodwill	6,788	2,931	(10)	—	127	9,836

	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media	Other (Note 1)	Total
	(Thousands of U.S. dollars)					
Amortized amount of goodwill	\$ 23,632	\$ 2,973	\$ 8	\$ —	\$ 2,670	\$ 29,285
Balance of goodwill	60,248	26,017	(95)	—	1,129	87,299

Note: Amount for "Other" is the amount relating to business segments not included in reporting segments.

As of and for the fiscal year ended March 31, 2015

	Household and industrial materials	Functional materials	Forest resources and environmental marketing	Printing and communications media	Other (Note 1)	Total
	(Millions of yen)					
Amortized amount of goodwill	¥ 2,480	¥ 492	¥ (7)	¥ 18	¥ 3	¥ 2,987
Balance of goodwill	12,441	4,800	(1,788)	—	589	16,042

Note: Amount for "Other" is the amount relating to business segments not included in reporting segments.

(7) Information on gain on negative goodwill by reporting segment

For the fiscal year ended March 31, 2016

None

For the fiscal year ended March 31, 2015

Information on gain on negative goodwill is omitted, since the amount is immaterial.

23. Information on Transactions with Related Parties

For the fiscal year ended March 31, 2016

(1) Transactions with related parties

Significant transactions with related parties

None

- (2) Notes on significant affiliates
Summary of financial information on significant affiliates

None

For the fiscal year ended March 31, 2015

- (1) Transactions with related parties
Significant transactions with related parties

None

- (2) Notes on significant affiliates
Summary of financial information on significant affiliates

None

24. Per Share Information

As of and for the fiscal years ended March 31, 2016 and 2015

	(Yen)		(U.S. dollars)
	2016	2015	2016
Net assets per share	¥ 600.34	¥ 666.40	\$ 5.32
Profit per share	¥ 15.44	¥ 17.55	\$ 0.13
Diluted profit per share (Note 1)	¥ 15.42	¥ 17.53	\$ 0.13

Note: Bases for computations of profit per share and diluted profit per share are as follows:

For the fiscal years ended March 31, 2016 and 2015

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2015	2016
Profit per share			
Profit attributable to shareholders of Oji Holdings Corporation	¥ 15,257	¥ 17,344	\$135,409
Amount not attributable to common shareholders	—	—	—
Profit attributable to shareholders of Oji Holdings Corporation allocated to common stock	15,257	17,344	135,409
Average number of shares outstanding during the period (Thousands of shares)	988,356	988,462	988,356
Diluted profit per share			
Adjusted amount of profit attributable to shareholders of Oji Holdings Corporation	—	—	—
Increase in shares of common stock (Thousands of shares)	1,140	1,090	1,140
(Share subscription rights among the above increase) (Thousands of shares)	(1,140)	(1,090)	(1,140)

25. Significant Subsequent Events

The Company resolved to cancel a portion of its treasury stock pursuant to the provisions of Article 178 of the Japanese Companies Act at its Board of Directors' Meeting held on May 13, 2016. The cancellation was effective May 31, 2016.

- (1) Class of shares: Common shares of the Company
- (2) Number of shares cancelled: 50,000,000 shares (4.69% of total number of issued shares prior to cancellation)
- (3) Cancellation date: May 31, 2016

26. Consolidated Supplementary Schedules

(1) Bonds

Company	Name	Date of issue	Balance as of April 1, 2015 (Millions of yen)	Balance as of March 31, 2016 (Millions of yen)	Balance as of March 31, 2016 (Thousands of U.S. dollars)	Interest rate (%)	Collateral	Maturity
Oji Holdings Corporation	Bond No.25	July 28, 2010	¥ 20,000 (20,000)	¥ —	\$ —	0.56	None	July 28, 2015
Oji Holdings Corporation	Bond No.26	July 28, 2010	20,000	20,000	177,493	0.86	None	July 28, 2017
Oji Holdings Corporation	Bond No.27	July 27, 2011	20,000	20,000 (20,000)	177,493 (177,493)	0.57	None	July 27, 2016
Oji Holdings Corporation	Bond No.28	July 27, 2011	20,000	20,000	177,493	0.86	None	July 27, 2018
Oji Holdings Corporation	Bond No.29	July 26, 2012	20,000	20,000	177,493	0.39	None	July 26, 2017
Oji Holdings Corporation	Bond No.30	July 26, 2012	20,000	20,000	177,493	0.61	None	July 26, 2019
Oji Holdings Corporation	Bond No.31	July 26, 2013	20,000	20,000	177,493	0.48	None	July 26, 2018
Oji Holdings Corporation	Bond No.32	July 26, 2013	20,000	20,000	177,493	0.79	None	July 24, 2020
Ginpo Pack Co., Ltd.	Bond No.7	September 30, 2010	15 (15)	—	—	0.61	None	September 30, 2015
Ginpo Pack Co., Ltd.	Bond No. 8	June 22, 2011	60 (40)	20 (20)	177 (177)	0.68	None	June 22, 2016
Total	—	—	¥ 160,075 (¥ 20,055)	¥ 140,020 (¥ 20,020)	\$ 1,242,634 (\$ 177,671)	—	—	—

Note:

- The amounts indicated in parentheses above represent redemption amounts due in one year or less.
- Aggregate annual redemption amount of bonds within five years subsequent to March 31, 2016 is as follows:

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Millions of yen)				
¥ 20,020	¥ 40,000	¥ 40,000	¥ 20,000	¥ 20,000

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
(Thousands of U.S. dollars)				
\$ 177,671	\$ 354,987	\$ 354,987	\$ 177,493	\$ 177,493

(2) Short-term loans payable and long-term loans payable

	April 1, 2015 (Millions of yen)	March 31, 2016 (Millions of yen)	March 31, 2016 (Thousands of U.S. dollars)	Average interest rate (%)	Maturity
Short-term loans payable	¥ 190,869	¥ 126,764	\$ 1,124,995	0.70	—
Current portion of long-term loans payable	128,851	51,392	456,092	2.32	—
Current portion of lease obligations	870	896	7,954	—	—
Long-term loans payable (excluding current portion)	372,784	432,556	3,838,804	0.91	Due 2017 through 2051
Lease obligations (excluding current portion)	2,243	2,084	18,495	—	Due 2017 through 2025
Other interest bearing liability Commercial Paper (current portion)	10,000	27,000	239,616	0.00	—
Total	¥ 705,619	¥ 640,693	\$ 5,685,959	—	—

Notes:

1. The above average interest rate is the weighted-average interest rate applicable to the above loans at the end of each fiscal year.
2. The average interest rates of lease obligations are not indicated above as lease obligations before deduction of interest are included in the consolidated balance sheet.
3. Aggregate annual repayment amounts of long-term loans payable and lease obligations (excluding current portion) within five years subsequent to March 31, 2016 are as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Millions of yen)			
Long-term loans payable	¥ 61,567	¥ 13,372	¥ 77,647	¥ 39,460
Lease obligations	758	456	287	173

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
	(Thousands of U.S. dollars)			
Long-term loans payable	\$ 546,389	\$ 118,673	\$ 689,099	\$ 350,201
Lease obligations	6,735	4,051	2,549	1,538

(3) Asset Retirement Obligations

As the asset retirement obligations as of April 1, 2015 and March 31, 2016 account for less than 1% of the total liabilities and net assets as of the same dates, this information is omitted pursuant to the provision of Article 92-2 of the Regulation for Consolidated Financial Statements.

Independent Auditor's Report

The Board of Directors
OJI HOLDINGS CORPORATION

We have audited the accompanying consolidated financial statements of OJI HOLDINGS CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OJI HOLDINGS CORPORATION and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 29, 2016
Tokyo, Japan