Matters Disclosed on the Internet

Re.

The Notice of the Ordinary General Meeting of Shareholders

Of

Nippon Paper Industries Co., Ltd.

For

91st Term

(From April 1, 2014 through March 31, 2015)

Pursuant to laws and ordinances and Article 16 of the Company's Articles of Incorporation, the items in this document are disclosed to the shareholders through posting on the Company's website (http://www.nipponpapergroup.com/). Further, the items in this document are only part of the subject matter audited by the Accounting Auditor, the Statutory Auditors and the Board of Statutory Auditors in preparation of the Audit Report.

BUSINESS REPORT (Matters disclosed through the Internet)

A Portion of the Changes of Assets and Profit/Loss Status (Consolidated Financial Statements of the Company for the terms of 88th and 89th)

Category	88th Term (Ending March 2012)	89th Term (Ending March 2013)
Sales Revenue (million yen)	836,120	862,272
Ordinary income or loss (△) (million yen)	△3,523	15,597
Net income or net loss (△) for the current term (million yen)	△44,942	4,468
Net income or net loss (△) per share for the current term (yen)	△386.59	38.43
Total Assets (million yen)	1,405,132	1,430,143

(Notes)
1 Figures rounded down to nearest million yen.
2. The Company commenced preparing the consolidated financial statement from the 89th fiscal term. The figures for the 88th fiscal term are based on the consolidated financial statements, which did not undergo the audit by the Accounting Auditor, Statutory Auditor and the Board of Statutory Auditors under the Companies Act.
3. The Company implemented the consolidation of shares from 1,080,671,242 to 116,254,892 shares as of April 24, 2012. The net profits and net loss per share for the current term were calculated on the supposition that the consolidation of shares was implemented at the beginning of the 88th fiscal term.

(For Reference)

The Company merged Nippon Paper Group, Inc. by absorption-type merger as of April 1, 2013 and succeeded to the consolidated financial statements of the same company. Accordingly, the scope of consolidation of the Company from and after the 90th fiscal term has no substantial changes from the scope of consolidation of the Nippon Paper Group, Inc. for the fiscal term ending in March 2013. In order to maintain the constancy and continuity of the information disclosed to the shareholders, information in the consolidated financial statements of the Company on and after the 90th fiscal term are compared with information in the consolidated financial statements of Nippon Paper Group, Inc. for the fiscal term ending in March 2013, in the Business Report.

	Nippon Paper Industries Co., Ltd. ※ Surviving Company in the absorption-type merger ※ Listed company after April 2013 (Ticker Code: 3863)	**Nippon Paper Group, Inc.** ※ Absorbed Company in the absorption-type merger ※ Listed company till March 2013 (Ticker Code: 3893)
Term ending March 2012	The 88th Term (Unlisted Company)	The 12th Term (Listed Company)
Term ending March 2013	The 89th Term (Unlisted Company)	The 13th Term (Listed Company)
Term ending March 2014	The 90th Term (Listed Company)	
Term ending March 2015	The 91st Term (Listed Company)	

Disclosed on the Internet

Stated in the Business Report attached to the Notice for Convocation

(※) The arrow marks above indicate the substantial continuity of the consolidated financial statement of the Company group.

Notes to the Consolidated Financial Statement

Figures are rounded down to the nearest million yen.

1. Notes to the significant basis for preparation of the Consolidated Financial Statement

(1) Scope of Consolidation

① Number of consolidated subsidiaries and names of primary consolidated subsidiaries

Number of consolidated subsidiaries: 44 companies

Names of primary consolidated subsidiaries:

Nippon Paper Crecia Co., Ltd., Nippon Paper Papylia Co., Ltd., Paper Australia Pty Ltd, NP Trading Co., Ltd., Nippon Paper Lumber Co., Ltd., Shikoku Coca-Cola Bottling Co., Ltd., Nippon Paper Logistics Co., Ltd.

② Names, etc. of primary non-consolidated subsidiaries

Name of the primary non-consolidated subsidiary:

Douou Kohatsu Co., Ltd.

Reason for exclusion from the scope of consolidated subsidiaries:

Respective non-consolidated subsidiaries are small in scale, and have no material impact on the consolidated financial statements, in terms of their total assets, sales, net profit or loss (amount corresponding to the equity interest), and retained earnings (amount corresponding to the equity interest), etc.

(2) Application of the equity method

① Number of equity method non-consolidated subsidiaries and affiliated companies, and names of primary companies thereof, etc.

Number of equity method non-consolidated subsidiaries None

Number of equity method affiliated companies 11 companies

LINTEC Corporation, North Pacific Paper Corporation, Daishowa-Marubeni International Ltd., Nippon Tokan Package Co., Ltd., Lee & Man Paper Manufacturing Limited, Phoenix Pulp & Paper Public Co., Ltd. and 5 other companies

The changes in the current consolidated fiscal year are as follows:

(New) 1 company Phoenix Pulp & Paper Public Co. Ltd.

Phoenix Pulp & Paper Public Co., Ltd. was added to the scope of equity method companies due to acquisition of its shares as of June 26, 2014.

② Number of non-consolidated subsidiaries and affiliated companies not under the equity method, and names, etc. of primary companies thereof.

Number of non-consolidated subsidiaries not under the equity method

84 companies

Number of affiliated companies not under the equity method:

32 companies

Names of primary companies

(Non-consolidated subsidiary) Douou Kohatsu Co., Ltd.

(Affiliated company) JPT Logistic Co., Ltd.

Reason for non-application of equity method:

The non-consolidated subsidiaries and affiliated companies were excluded from the scope of equity method because such exclusion have minor impact on the consolidated financial statements in terms of respective net profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. of the current consolidated fiscal year, and have no materiality as a whole.

③ Special notes regarding the procedures for application of the equity method

Among the equity method companies, as to those with different settlement date from the consolidated settlement date, the financial statements for the respective fiscal years of such companies are reflected.

(3) Fiscal year, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, respective settlement date of Shikoku Coca-Cola Bottling Co., Ltd. and its 3 subsidiaries, Paper Australia Pty Ltd. and its 7 subsidiaries, Daishowa North America Corporation, Nippon Paper Industries USA Co., Jujo Thermal Ltd., *South East Fiber Exports* Pty Ltd. and Nippon Paper Resources Australia Pty, Ltd. is December 31.

In preparation of the consolidated financial statements, each financial statement as of such date are used, and as to material transactions which occurred between such date and the consolidated settlement date, adjustments necessary for consolidation are made to them.

(4) Accounting policies

① Evaluation standard and method for evaluation of securities

Other securities:

Securities with market value: The market value method based on the market price, etc. as of the settlement date is used (all of the evaluation variance is directly charged or credited to net assets and the cost of securities sold is computed by the moving-average method).

Securities without market value: The cost method based on the moving-average method is used.

② Evaluation standard for derivatives:

The market value method is used.

③ Evaluation standard and method for measurement of inventory assets:

The cost method based primarily on the moving-average method and the periodic average method (as to the amount in the balance sheet, the method of writing down the book value based on declined profitability) is applied.

④ Accounting for depreciation of fixed assets:

(i) Tangible fixed assets (excluding leased assets):

The declining balance method is used. (Some part of the Company and some of the consolidated subsidiaries adopt the straight-line method)

However, for depreciation of buildings (excluding fixtures) acquired after April 1, 1998, the straight-line method is adopted.

Primary useful lives in years are as follows:

Buildings and structures:	10 ~ 50 years
Machinery, equipment and vehicles:	7 ~ 15 years

(ii) Intangible assets (excluding leased assets):

The Straight-line method is used.

However, software for in-house use is amortized by the straight-line method over its estimated internally usable period (5 years).

(iii) Leased assets:

As to the leased assets by financial lease transaction without transfer of title, depreciation is amortized by using the straight-line method over the durable life equal to the lease period and with no residual value (when a guaranteed residual value is agreed, the guaranteed residual value).

⑤ Accounting standards for the allowance for doubtful accounts

To prepare for loss from bad debts such as trade account receivables, etc., the estimated uncollectable amounts are stated based on historical rate of losses from bad debts for the general accounts of receivables, and based on individual collectability assessments for such certain doubtful account of receivables, etc.

⑥ Accounting standards for allowance for environmental measure

To prepare for the expenses for disposal of PCB wastes in accordance with the "Act on Special Measures concerning the Proper Treatment of Polychlorinated Biphenyl Wastes," an estimated amount for disposal is allocated.

⑦ Accounting standards for the retirement benefits liabilities

To prepare for payment of employees' retirement benefits, the amount equal to the amount of retirement benefit liabilities after deduction of the amount of pension assets based on estimated amounts at the end of the current consolidated fiscal year is stated as the retirement benefits liabilities. Further, when the amount of pension assets exceeds the amount of retirement benefit liabilities, it is stated as assets relating the retirement benefits.

In calculation of retirement benefit liabilities, the method for the estimated amount of retirement benefits to be attributed to the consolidated financial statement for the current term is on the projected benefit basis.

The past service costs are recorded as expenses by using the straight-line method amortized over a certain period (5-15 years), which is less than the average remaining length of employees' service at the time when such liabilities are incurred.

Actuarial difference is recorded as expenses mainly by the straight-line method amortized over a certain period (10-15 years), which is less than the average remaining length of employees' service at the time of its occurrence in each consolidated fiscal year, and such recording of expenses is commenced in the following consolidated fiscal year of respective occurrence.

Unrecognized actuarial difference and unrecognized past service costs are recorded within the accumulated adjustment in retirement benefits under the accumulated other comprehensive income in the Net Assets section upon tax effects adjustment.

⑧ Standards for translation of important assets and liabilities denominated in foreign currency into Japanese currency base

Monetary receivables or payables denominated in foreign currency are translated into Japanese currency at the spot exchange rate on the consolidated settlement date, and resulting differences from translation are recorded as profits or losses. Further, the assets and liabilities of overseas’ subsidiaries, etc. are translated into Japanese yen at the spot exchange rate on respective settlement date of the overseas' subsidiaries, etc., and revenue and expenses are translated into Japanese yen at the average exchange rate in effect during the applicable fiscal year. The difference arising out of such translation is included in the currency translation adjustment account and minority interest account in the Net Assets section.

⑨ Hedge accounting method

(i) Hedge accounting method

The deferred hedge accounting is applied.

However, among the monetary receivables or payables, etc. denominated in foreign currency with forward exchange contract, etc., the appropriation accounting (*Furiate-shori*) is applied to those that satisfy the requirements for appropriation accounting. And the exceptional accounting (*Tokurei-shori*) is applied to interest swaps that satisfy the requirements for the exceptional accounting. The integrated accounting (*Furiate-shori, Tokurei-shori*) is applied to the interest swaps that satisfy the requirements for the integrated accounting.

(ii) Hedge instruments and hedge items

a.	• Hedge instrument:	Forward Exchange contract
	• Hedge items:	Receivables denominated in foreign currency through export of products, etc., payables denominated in foreign currency for import of raw materials and fuel, etc. and future transactions denominated in foreign currency.
b.	• Hedge instrument:	An interest rate swap
	• Hedge items:	Borrowings
c.	• Hedge instrument:	An interest rate and currency swap
	• Hedge items:	Borrowings denominated in foreign currency

(iii) Hedge policies

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

(iv) Method for assessment of the hedge effectiveness

Hedge effectiveness is assessed by comparing the accumulated total of cash flow fluctuation or market fluctuation of the hedged item with the accumulated total of cash flow fluctuation or market fluctuation of the hedge instrument in every six month period, and based on the amount, etc. of such fluctuations of them both.

Assessment of the effectiveness on the consolidated settlement date, for the interest rate swaps which satisfy the requirements for the exceptional accounting and the interest rate and currency swaps which satisfy the requirement for the integrated accounting (*Furiate-shori*, *Tokurei-shori*) is omitted.

Among the hedged items with forward exchange contracts, for those the forward exchange contracts is appropriated in U.S. dollar, etc. respectively with the same amount and same date, at the time of execution in accordance with risk management policies, assessment of the effectiveness on the consolidated settlement date is omitted, because the correlation with the subsequent fluctuation of exchange rate is entirely secured.

⑩ Accounting of consumption tax, etc.

The tax exclusion method is used.

(5) Changes in the material basis for preparation of the Consolidated Financial Statements

(Accounting standard for the retirement benefits liabilities)

The “Accounting Standard for Retirement Benefit” (ASBJ Statement No. 26 of May 17, 2012. Hereinafter, referred to as the “Retirement Benefit Accounting Standard”) and “Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of March 26, 2015. Hereinafter, referred to as the “Implementation Guidance on Retirement Benefits”), including the provisions stated in the text of Paragraph 35 of the Retirement Benefit Accounting Standard and the text of Paragraph 67 of the Implementation Guidance on Retirement Benefits are applied to the Consolidated Financial Statements from the current consolidated fiscal year, and the calculation method for estimate retirement benefit liabilities and service costs was reassessed. The attribution method for estimated amount of retirement benefits payment was changed to the projected benefit basis from the service period basis, and the method for determination of discount rate was changed to the method based on the single weighted average rate of discount that reflects the projected retirement benefits payment period and the amount for every projected period from the method for discount rate based on the years proximate to the average remaining service period of employees.

In application of the Accounting Standard for Retirement Benefits, etc., it followed the transitional procedures provided in the Paragraph 37 of the Retirement Benefits Accounting Standard, and the affected amount resulting from such changes of calculation method for retirement benefits liabilities and service costs is included in the beginning balance of the retained earnings for the current consolidated fiscal year.

As a result of the above, the retirement benefits liabilities decreased by 1,064 million yen and the retained earnings increased by 1,784 million yen at the start of current consolidated fiscal year. Further, the impact on the operating income, ordinary income and the net income before tax and other adjustment for the current consolidated fiscal term is minor.

The impact on per share information is stated in the “Note to Per Share Information”

(6) Changes in Presentation

(Changes in the Consolidated Profit and Loss Statement)

The “Subsidies Received” (222 million yen in the current consolidated fiscal term), which was posted in a separate account in the preceding consolidated fiscal term, is included in the “Others” of Non-Operating Income from the current consolidated fiscal term due to the materiality of its monetary value is spare.

The “Exchange Gain” (947 million yen in the preceding consolidated fiscal term) which was included in the “Others” of Non-Operating Income in the preceding consolidated fiscal term, is changed to be posted in a separate account from the current consolidated fiscal term due to increase of its materiality.

The “Rental Income” (1,431 million yen in the preceding consolidated fiscal term), which was posted in the “Others” in the preceding consolidated fiscal term, is changed to be posted in a separate account from the current consolidated fiscal term due to increase of its materiality.

The “Gain on Sales of Investment Securities” (151 million yen in the current consolidated fiscal term) which was posted in a separate account in the preceding consolidated fiscal term, is included in the “Others” of Extraordinary Income from the current consolidated fiscal term due to the materiality of its monetary value is spare.

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2. Notes to the Consolidated Balance Sheet

(1) Collateralized assets and secured liabilities

The following assets are pledged as collateral for the following amounts

(i) Collateralized assets

Investment Securities	3,272 million yen
Other tangible fixed assets	365 million yen
Total	3,638 million yen

(ii) Secured liabilities

Short-term loan payable	580 million yen
Long-term loan payable (including those payable within a year)	1,192 million yen
Total	1,772 million yen

(2) Accumulated depreciation on tangible fixed assets 2,288,213 million yen

(3) Guarantee liabilities

Guarantee for borrowings, etc. of the companies other than the consolidated affiliated companies from financial institutions, etc. is provided.

Guarantee Liabilities 37,607 million yen

3. Notes to the Consolidated Statement of Changes in Shareholders' Equity, etc.

(1) Type and total number of issued shares at the end of the current consolidated fiscal term

Common shares: 116,254,892 shares

(2) Dividends

① Amount of dividends paid

Resolution	Type of Shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 27, 2014 Ordinary General Meeting of Shareholders	Common shares	3,478	30	March 31, 2014	June 30, 2014
November 5, 2014 Board of Directors	Common shares	2,319	20	September 30, 2014	December 1, 2014

② Among the dividends of which record date is within the current consolidated fiscal term, the dividends of which effective date to be in the following term:

Resolution	Type of Shares	Dividend resource	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 26 2015 Ordinary General Meeting of Shareholders	Common shares	Earned surplus	3,478	30	March 31, 2015	June 29, 2015

4. Notes to the Status of Financial Instruments

(1) Status of Financial Instruments

The Company group introduced a cash management system (CMS) and manages funding in the group in an integrated fashion. Management of funds is limited to safe and secure bank deposits, etc. Fund procurement is conducted through borrowing from financial institutions, issuance of bonds payable, etc. based on predicted funding of the group in whole.

Credit risks of the customers pertaining to the trade receivables are mitigated in accordance with the rules for credit controls common to the group. Investment securities are mainly listed stocks and stocks of affiliates companies, and the market value of the listed stocks are checked in a timely manner.

The due dates of trade payables are within one (1) year. Though loan payables are exposed to fluctuation risks of interest rate, the rate of interest payable of some long-term loan payables with fluctuation risk of interest rate are fixed by using the interest rate swap transactions and the interest rate and currency swap transaction.

Though monetary receivables and payables denominated in foreign currency are exposed to currency exchange fluctuation risks, such risks are hedged by the forward exchange contract and the interest rate and currency swap transaction.

In addition, though trade payables and loan payables are exposed to liquidity risks, such risks are managed by making a financial budget and updating it on a daily and monthly basis, and by preparing cash management plan.

(2) Fair value, etc. of financial instruments

The amount posted in the consolidated balance sheet, the fair value, and the amount of difference between them as of March 31, 2015 (the end of the current consolidated fiscal term), are as follows;

(Unit: million yen)

	Consolidated balance sheet amount	Fair value	Amount of Difference
(1) Cash and deposits	84,100	84,100	–
(2) Notes receivable/and accounts receivable-trade	193,481	193,481	–
(3) Investment securities,			
Other securities	71,511	71,511	–
Stocks in affiliates	82,605	106,470	23,864
(4)Notes payable and accounts payable-trade	(127,856)	(127,856)	–
(5) Short-term loan payable	(264,898)	(265,633)	735
(6) Long-term loan payable	(401,799)	(420,706)	18,907
(7) Derivative transactions	1,612	1,612	–

(*) The amount in parentheses shows categories posted in the liabilities

(Note 1) Computation method of the fair value of financial instruments, and matters relating to securities and derivative transactions

(1) Cash and deposits and

(2) Notes receivable and accounts receivable-trade

Since these are settled in a short period, these current values are approximately equal to the book values. Accordingly, the current values are relevant book values.

(3) Investment securities

The fair values are based on the prices on the stock exchanges.

(4) Notes payable and accounts payable-trade

Since these are settled in a short period, the current values are approximately equal to the book values. Accordingly, the fair values are relevant book values.

(5) Short-term loan payable

As to the fair value of short-term loan payable, these are settled in a short period and the fair values are approximately equal to the book values. Accordingly, the fair values are relevant book values. As to the long-term loan payable within one (1) year, it is calculated by the current value of the future cash flows discounted at interest rate of which risk-free rate adjusted by credit spread.

(6) Long-term loan payable

The long-term loan payable is, after sorted its total amount of principal and interest by certain period of time, calculated by the current value of the future cash flow discounted at interest rate of which a risk-free rate adjusted by credit spread. Further, the long-term loan payables with variable interest rate are qualified for the exceptional accounting of interest rate swap or the integrated accounting of interest rate and currency swap (see (7) below) and calculated by way of the total amount of principal and interest which was treated as a part of relevant interest rate swap or interest rate and currency swap, discounted in the same manner of the above.

(7) Derivative transactions

Since those, to which the exceptional accounting for interest rate swap and the integrated accounting for interest rate and currency swap were applied, are treated as a part of the hedged long-term loan payable, the fair value of them are included in the fair value of relevant long-term loan payable (see (6) above).

Since those, to which the appropriation method was applied, such as the forward exchange contracts, etc., were treated as a part of hedged accounts receivable-trade, notes payable and accounts payable-trade, their fair values are included in the fair values of accounts receivable-trade, note payable, and account payable-trade. As to those, to which the appropriation method was not applied, net amount of the credit and debt actually accrued from derivative transactions are stated.

(Note 2) Since the un-listed stocks (97,962 million yen in the consolidated balance sheet), have no market price and not able to estimate the future cash flow, it is quite difficult to recognize the fair value. Accordingly, those are not included in "(3) Investment Securities".

5. Notes to Per Share Information

Net assets per share: 4,198.10 yen

Net income per share of the current term: 200.27 yen

As stated in "Changes in the material basis for preparation of the Consolidated Financial Statements", the Retirement Benefit Accounting Standard was applied and followed the transitional procedures provided in the Paragraph 37 of the Retirement Benefit Accounting Standard.

As a result, the net assets per share for the current consolidated fiscal year increased by 15.42 yen. Further, the impact on the amount of net profit per share is minor.

6. Notes to Significant Subsequent Events

(1) Change of the scope of consolidation due to termination of the Business Collaboration Agreement with Lee & Man Paper Manufacturing Ltd.

The Company resolved at a meeting of the Board of Directors on April 24, 2015 to terminate the Business Collaboration Agreement with Lee & Man Paper Manufacturing Limited (hereinafter, referred to as "L&M") and terminated the said agreement as of the same day. As a result, the director seconded from the Company resigned and L&M became no longer an affiliate of the Company. Accordingly, L&M is excluded from the scope of application of the equity method.

Further, the Company transferred a portion of shares in L&M held by the Company, to the Chairman and CEO, who are members of founding family of L&M. The number of shares sold, sales price and profit or loss from the sale of shares are as follows;

- Number of shares sold: 317,500,000 shares
- Sales Price: HKD 1,270 million (approx. 19,500 million yen)
- Profit from sales: HKD 425 million (approx. 6,500 million yen)

(2) Execution of the Stock Assignment Agreement for the shares in Shikoku Coca-Cola Bottling

The Company resolved at a meeting of the Board of Directors on April 30, 2015 to assign all shares in Shikoku Coca-Cola Bottling Co., ltd., a consolidated subsidiary, and executed the Stock Assignment Agreement as of the same day.

① Reason for the sale

The Company founded Shikoku Inryo Co., Ltd. (current Shikoku Coca-Cola) in 1963 as a part of its business diversification, and made it a wholly owned subsidiary in 2009 after listing in the Second Section of the Osaka Securities Exchange in 1993 and listing in the First Section of the Tokyo Stock Exchange in 2000. Though the Company had worked on strengthening the management base of Shikoku Coca-Cola throughout these years, given the regionality of the business area, we determined that for sustainable growth and development of Shikoku Coca-Cola together with local community in an intensifying competitive beverage market, improvement of business efficiency is a top priority issue.

Further, the Company believed that execution of this Agreement will lead to acceleration of business restructure which enable us to make a leap toward a comprehensive biomass company at the global level through concentration of management resources in the biochemical, healthcare, and energy sectors, etc., and will improve the value of the group companies.

② Name of Assignee

Coca-Cola West Co., Ltd.

③ Date of Assignment

May 18, 2015

④ Name and business of the relevant subsidiary, business relationship with the Company

- Name: Shikoku Coca-Cola Bottling Co., Ltd.
- Business: Production and sales of soft drink
- Relationship: Borrowing from Shikoku Coca-Cola as part of the Company's CMS (Cash Management System)

⑤ Number of shares to be sold, sales value, profit or loss from the sales and holding ratio after the sales

- Number of shares to be sold: 23,394,076 shares
- Sales value: 9,700 million yen
- Loss from the sale: Approx. 16,400 million yen
- Holding ratio after the sale: --%

7. Other Notes

Matters related to the Consolidated Profit and Loss Statement

① Costs for business structure reform

The Company group posted the business structure reform costs (1,438 million yen) in the current consolidated fiscal year.

The costs for business structure reform are costs incurred by the additional retirement benefits paid to personnel voluntary retired by the solicitation implemented in conjunction with streamlining the construction material business.

② Impairment losses

The Company group posted impairment losses (1,096million yen) from the following assets for the current consolidated fiscal year.

(Unit: million yen)

Location	Type	Impairment Loss	Remarks
Kazo-shi, Saitama	Building and structures Machinery, equipment and vehicles Land Others	725 74 272 11 Total 1,084	Business assets
Sumoto-shi, Hyogo, etc.	Land	11 Total 11	Idle assets
Total		1,096	

For determination of the sign of impairment losses, the Company groups the business assets mainly by each business segment which is a cash flow generating unit, and the idle assets by individual property unit.

As to the business assets of which profitability declined significantly, reduced the book value to the recoverable amount and posted such reduced amount in the Extraordinary Loss.

Further, the recoverable value of business assets is measured in terms of its value in use while future cash flows were computed by discounting them by 4%.

The recoverable value of idle assets is measured by net sales price and computed, in principal, based on appraised value by the third party or equivalent to such measure.

Notes to the Non-Consolidated Financial Statement

Figures rounded down to nearest million yen.

1. Notes to the significant accounting policies

(1) Evaluation standards and methods for evaluation of securities

Stocks in subsidiaries and affiliates	Cost method based on moving-average method
Other securities	
Securities with market value:	Market value method based on the market price, etc. as of the settlement date (all of the valuation differences are directly charged or credited to the net assets and the cost of securities sold is computed by moving-average method)
Securities without market value	Cost method based on moving-average method

(2) Evaluation standards for derivatives

The market value method is used.

(3) Evaluation standards and method for inventory assets:

The cost method based on the moving-average method (as to the amount in the balance sheet, the method of writing down the book value based on declined profitability) is used.

However, for a part of goods (such as filling machine, etc.), the cost method based on the specific identification method (as to the amount in the balance sheet, the method of writing down the book value based on declined profitability) is applied..

(4) Method for depreciation of fixed assets:

① Tangible fixed assets (excluding leased assets):

The declining balance method

However, the straight-line method is applied to the tangible fixed assets in Shiraoi Works of Hokkaido Mill, Ishinomaki Mill, Iwanuma Mill, Fuji Mill and Yoshinaga Mill, etc., and the buildings (excluding auxiliary facilities) acquired after April 1, 1998.

Primary useful lives in years are as follows:

Buildings and structures:	10 ~ 50 years
Machinery and equipment:	7 ~ 15 years

② Intangible assets (excluding leased assets):

The straight-line method

However, software for in-house use is amortized by the straight-line method over its estimated internally usable period (5 years).

③ Leased assets:

As to the leased assets by financial lease transaction without transfer of title, depreciation is amortized by using the straight-line method over the durable life equal to the lease period and with no residual value (when a guaranteed residual value is agreed, the guaranteed residual value).

(5) Accounting standards for allowances

① Accounting standards for allowance for doubtful accounts

To prepare for loss from bad debts such as trade account receivables, etc., estimated uncollectable amounts are stated based on the actual historical rate of losses for general accounts receivables, and based on individual collectability assessments of such certain doubtful accounts of receivables, etc.

② Accounting standards for allowance for accrued retirement benefits

To prepare for payment of employees' retirement benefits, the amount based on the estimated amounts of retirement benefit liabilities and pension assets as of the end of current fiscal year, is stated.

In calculation of retirement benefit liabilities, the method for the estimated amount of retirement benefits to be attributed to the financial statement for the current term is on the benefit formula basis.

In calculation of retirement benefit liabilities, the method for the estimated amount of retirement benefits to be attributed to the consolidated financial statement for the current term is on the projected benefit basis

The past service costs are recorded as expenses by using the straight-line method amortized over a certain period (7-15 years), which is within the average remaining length of employees' service at the time when such liabilities are incurred.

Actual difference is recorded as expenses by the straight-line method amortized over a certain period (13-15 years), which is within the average remaining length of employees' service at the time of such liabilities are incurred in each fiscal year, and such recording of expenses is commenced in the following fiscal year of respective occurrence.

③ Accounting standards for allowance for environmental measures

To prepare for the expenses of disposal of PCB wastes in accordance with the "Act on Special Measures Concerning the Proper Treatment of Polychlorinated Biphenyl Waste", an estimated amount for disposal is allocated.

(6) Accounting method for deferred assets

Bond issuance costs: The full amount is accounted at the time of expenditure.

(7) Standards for translation of assets and liabilities denominated in foreign currency into Japanese currency base

Monetary receivables or payables denominated in foreign currency are translated into Japanese currency at the spot exchange rate on the settlement date, and the resulting translation adjustment is recorded as a profits or losses.

(8) Hedge accounting method

① Hedge accounting method

The deferred hedge accounting is applied.

However, among the monetary receivables or payables, etc. denominated in foreign currency with forward exchange contract, etc., the appropriation accounting (*Furiate-shori*) is applied to those satisfy the requirements for appropriation accounting. And the exceptional accounting (*Tokurei-shori*) is applied to interest wasps that satisfy the requirements for the exceptional accounting. The integrated accounting (*Furiate-shori*, *Tokurei-shori*) is applied to the interest swaps that satisfy the requirements for the integrated accounting.

② Hedge instruments and hedge item

(i)	• Hedge instrument:	Forward exchange contract
	• Hedged item:	Liabilities denominated in foreign currency through the import of raw materials and fuel, etc., and anticipated transactions denominated in foreign currency.
(ii)	• Hedge instrument:	Interest rate swap
	• Hedged item:	Borrowings
(iii)	• Hedge instrument:	An interest rate and currency swap
	• Hedged item:	Borrowings denominated in foreign currency

③ Hedge policies

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

④ Method for assessment of the hedge effectiveness

Hedge effectiveness is assessed by comparing the accumulated total of cash flow fluctuation or market fluctuation of the hedged item with the accumulated total of cash flow fluctuation or market fluctuation of the hedge instrument in every six months period, and based on the amount, etc. of such fluctuations of the both.

Assessment of the effectiveness on the settlement date, for the interest swaps, which satisfy the requirements for exceptional accounting and the interest rate and currency swaps which satisfy the requirements for the integrated accounting (*Furiate-shori, Tokurei-shori*) is omitted.

Among the hedged items with forward exchange contracts, for those the forward exchange contracts is appropriated in U.S. dollar, etc. respectively with the same amount and same date, at the time of execution in accordance with risk management policies, assessment of the effectiveness on the settlement date is omitted, because the correlation with the subsequent fluctuation of exchange rate is entirely secured.

(9) Accounting of consumption tax, etc.

The tax exclusion system is used.

(10)Other significant bases for preparation of the Financial Statements

(Accounting of retirement benefits)

Accounting method for the unrecognized actuarial differences and the unrecognized past service costs in the retirement benefits differs from the accounting method applied to the Consolidated Financial Statements.

(11)Changes in the Accounting policy

(Application of the Accounting Standard, etc. for the retirement benefits)

The “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012. Hereinafter, referred to as the “Retirement Benefit Accounting Standard”) and “Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of March 26, 2015. Hereinafter, referred to as the “Implementation Guidance on Retirement Benefits”), including the provisions stated in the text of Paragraph 35 of the Retirement Benefit Accounting Standard and the text of Paragraph 67 of the Implementation Guidance on Retirement Benefits are applied to the Financial Statements from the current fiscal year, and the calculation method for estimate retirement benefit liabilities and service costs was reassessed. The attribution method for estimated amount of retirement benefits payment was changed to the projected benefit basis from the service period basis, as well as the method for determination of discount rate was changed to the method based on the single weighted average rate of discount that reflect the projected retirement benefit payment period and the amount of every projected period from the method for discount rate based on the years proximate to the average remaining service period of employees.

In application of the Accounting Standard for Retirement Benefits, etc. it followed the transitional procedures provided in the paragraph 37 of the Retirement Benefits Accounting Standard, and the affected amount resulted by such changes of calculation method for retirement benefit liabilities and service costs is included in the beginning balance of the retained earnings for the current fiscal term.

As a result of the above, the allowance for retirement benefits liabilities decreased by 2,862 million yen and the retained earnings increased by 2,091 million yen at the start of current fiscal year. Further, the impact on the operating income, ordinary income and the net income before tax and other adjustment for the current fiscal term is minor.

The impact on per share information is stated in the "Note to Per Share Information"

2. Notes to the Balance Sheet

(1) Collateralized assets and secured liabilities

The following assets are pledged as collateral for the following amounts

(i) Collateralized assets

Investment Securities	3,272 million yen
Total	3,272 million yen

(ii) Secured liabilities

Long-term loan payable (including those payable within a year) 1,000 million yen

(2) Accumulated depreciation on tangible fixed asset 1,933,590 million yen

(3) Guarantee liabilities

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

Guarantee Liabilities 83,331 million yen

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

Short-term monetary receivable from affiliated companies	130,518 million yen
Short-term monetary payable to affiliated companies	72,153 million yen

(5) Revaluation of land

The Company took over the land for business which was revaluated in accordance with the “Act on Revaluation of Land” (Law No. 34, promulgated on March 31, 1998, Law No. 19 of Final Amendment, March 31, 2001) through the merger, and the amount corresponding to taxes on the amount of the relevant land revaluation difference is included in “Deferred tax liabilities for revaluation” as a part of the Liabilities, and the remaining amount is included in “Difference in revaluation of land” as a part of the Net Asset.

・ Method of revaluation ・・・Computed by adding a reasonable adjustment to the appraised value stipulated in the Article 2, Item 3, 4, and 5 of the “Order for Enforcement of the Act on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998, Cabinet Order No. 125 of Final Amendment, March 31, 1999).

・ Date of revaluation: March 31, 2000

・ The amount of difference between the market value as of the end of current fiscal year and the book value after such revaluation, of the revaluated land

△47,787 million yen

3. Notes to the Statement of Profit and Loss

Trading volume with affiliated companies

Trading volume through commercial transactions	
Sales volume	163,289 million yen
Operating expenses	169,989 million yen
Trading volume other than commercial transaction	19,668 million yen

4. Notes to the Statement of Changes in Shareholders’ Equity, etc.

Type and number of treasury shares at the end of the current fiscal year

Common shares:	305,352 shares

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5. Notes to Tax Effect Accounting

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

Deferred tax assets

Accrued Bonus	1,473 million yen
Amount in excess of the limit of deductible loss on allowance for doubtful account	8,159 million yen
Allowance for retirement benefits	9,304 million yen
Loss on valuation of securities	14,301 million yen
Impairment losses	10,276million yen
Loss carried forward	17,923 million yen
Others	10,296 million yen
Deferred tax assets; Sub-total	71,732million yen
Valuation allowance	△ 39,138 million yen
Deferred tax assets: Total	32,594 million yen

Deferred tax liabilities

Reserves for deduction entry of fixed assets	△ 5,884 million yen
Reserve for deduction entry of special account	△ 4,761 million yen
Valuation differences on other securities	△ 9,953 million yen
Others	△ 570 million yen
Deferred tax liabilities: Total	△ 21,168 million yen

Net amount of deferred tax assets	11,426 million yen

(2) Correction of the amounts of deferred tax assets and deferred tax liabilities due to the change of tax rate for corporate income tax, etc.

"Law for partial amendment of the Income Tax Act, etc.", (Law No. 9, 2015) and "Law for partial amendment of the Local Tax Act, etc.", (Law No. 2, 2015) were promulgated on March 31, 2015. Along with such changes, the statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 35.6% to 33.1% for temporary differences expected to be utilized during the fiscal term starting on or after April 1, 2015 and before March 31, 2016 and to 32.3% for those expected to be utilized during the fiscal term starting on or after April 1, 2016, respectively.

Due to such changes of tax rate, the amount of deferred tax assets (the amount after deduction of deferred tax liabilities) and the amount of deferred tax liabilities for revaluation respectively decrease by 992 million yen and 2,769 million yen, and the adjusted amount of corporate tax, etc. increased by 2,049 million yen.

6. Notes to the transactions with related parties

Subsidiaries, etc.

Type	Name of Company,	Percentage of voting rights held (%)	Detail of Relation		Detail of transaction	Amount of transaction (million yen)	Item	Balance at end of term (million yen
			Concurrently serving officer, etc.	Business relation				
Subsidiaries	NP Trading Co., Ltd	98.35	–	Sales of the Company's products	Lending & collection of short-term funds (Note 1,2)	26,342	Short-term loan receivable	27,028
					Receiving & assignment of notes receivables (Note 3)	47,881	Account payable	11,095
					Sales of products (Note 4)	119,157	Trade account receivable	33,428
	Nippon Paper Lumber Co., Ltd.	100.00	–	Sales of raw material to the Company	Receiving & assignment of notes receivables (Note 3)	20,410	Account payable	4,076
	Amapa Florestal e Celulose S.A.	100.00	–	–	Debt guarantee	19,403	–	–
	Paper Australia Pty Ltd,	100.00	One (1) concurrently serving	Sales of the Company's products	Debt Guarantee	18,427	–	–
	PAL Wood Materials Co., Ltd.	100.00	–	–	Lending & collection of short-term funds (Note 2, 5)	15,921	Short-term loan receivable (Note 6)	15,918

. (Terms of transaction and policies, etc. for decision-making on transaction terms)

(Note 1) As to lending funds, the rate of interest receivable is determined reasonably upon consideration for commercial interest rate.

(Note 2) Since the transactions of lending and collection of funds are conducted in a repetitive fashion, the amounts above in the amount of transaction are average amounts of balance during the effective term.

(Note 3) The Company cashes out the assigned notes receivable in the market.

(Note 4) The prices and other terms of transactions are determined upon consideration for the prevailing market status after price negotiation.

(Note 5) For the short-term loan to PAL Wood Materials Co., Ltd., the interest on such loan is exempted.

(Note 6) For the short-term loan to PAL Wood Materials Co., Ltd., 15,914 million yen is allocated in the allowance for doubtful account. Further, the provision of allowance for doubtful account for the current term is 5 million yen.

7. Notes to Per Share Information

Net assets per share: 2,962.96 yen

Net income per share of the current term: 198.98 yen

As stated in “Changes in Accounting Policy”, the Accounting Standard for Retirement

Benefits, etc. were applied and followed the transitional procedures provided in the Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, the net assets per share for the current fiscal term increased by 18.04 yen. Further, the impact on the net income per share of the current term is minor.