Matters Disclosed on the Internet
Re.

The Notice of the Ordinary General Meeting of Shareholders

Of

Nippon Paper Industries Co., Ltd.

For

98th Term
(From April 1, 2021 through March 31, 2022)

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

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

(1) About the Basic Policy

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

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

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

(2) Efforts to Realize the Basic Policy

1) Medium-Term Business Plan

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

In order to ensure this sustainable growth continues, the Company Group is promoting a Medium-Term Business Plan 2025. The first five years of 2030 Vision, a long-term vision we established at the same time, is positioned as a period for Medium-Term Business Plan 2025. Placing utmost priority on agility in each of the businesses in growth areas, and by fully leveraging the resources we have in each production base of the paper business, we will further promote transformation of our business structure. We will contribute to human life and culture through sound material-cycle business based on forest resources and will work to ensure and enhance the corporate value and the common interest of its shareholders.

2) Efforts for Corporate Governance

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

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

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

Consolidated Statement of Changes in Shareholders' Equity, etc.

(From April 1, 2021 through March 31, 2022)

(Unit: million yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Stocks	Total Shareholders' Equity
Beginning balance	104,873	216,417	42,672	△1,839	362,124
Cumulative effects of changes in accounting policy			△4		△4
Beginning balance after retrospective adjustments	104,873	216,417	42,668	△1,839	362,119
Changes during consolidated fiscal year					
Dividend of retained earnings			△4,630		△4,630
Net income attributable to owners of the parent			1,990		1,990
Acquisition of treasury stocks				△7	△7
Disposition of treasury stocks		△0		71	70
Change in the scope of application of the equity method			△1,663		△1,663
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Amount of changes in items other than shareholders' equity during the consolidated fiscal term (net amount)					—
Total amount of changes during the consolidated fiscal year	—	△0	△4,303	63	△4,240
Balance at end of the current term	104,873	216,416	38,365	△1,776	357,879

	Accumulated amount of other comprehensive income					Non-controlling interests	Total net assets
	Amount of valuation difference on other securities	Deferred gains or losses on hedges	Account for adjustment of currency translation	Accumulated amount of adjustment to retirement benefits	Total accumulated amount of other comprehensive income		
Beginning balance	23,407	140	22,160	4,536	50,244	12,352	424,721
Cumulative effects of changes in accounting policy							△4
Beginning balance after retrospective adjustments	23,407	140	22,160	4,536	50,244	12,352	424,716
Changes during consolidated fiscal year							
Dividend of retained earnings							△4,630
Net income attributable to owners of the parent							1,990
Acquisition of treasury stocks							△7
Disposition of treasury stocks							70
Change in the scope of application of the equity method							△1,663
Change in treasury shares arising from change in equity in entities accounted for using equity method							0
Amount of changes in items other than shareholders' equity during the consolidated fiscal term (net amount)	△5,179	5,670	14,894	3,423	18,808	△680	18,128
Total amount of changes during the consolidated fiscal year	△5,179	5,670	14,894	3,423	18,808	△680	13,887
Balance at end of the current term	18,227	5,810	37,054	7,959	69,052	11,672	438,604

Notes to the Consolidated Financial Statement

Figures are rounded down to the nearest million yen.

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

(1) Scope of Consolidation

① Number of consolidated subsidiaries and names of primary consolidated subsidiaries

Number of consolidated subsidiaries: 54 companies

Names of primary consolidated subsidiaries:

Nippon Paper Crecia Co., Ltd., Nippon Paper Papylia Co., Ltd., Opal (Paper Australia Pty Ltd and its 15 subsidiaries), Nippon Dynawave Packaging Co., NP Trading Co., Ltd., Nippon Tokai Industrial Paper Supply Co., Ltd., Nippon Paper Lumber Co., Ltd., Nippon Paper Logistics Co., Ltd.

During the current consolidated fiscal year, there was the following change due to liquidation.

(Excluded) 1 company

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 revenue, net income or loss of the current term (amount corresponding to the equity interest), and retained earnings (amount corresponding to the equity interest), etc.

(2) Application of the equity method

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

Number of equity method non-consolidated subsidiaries None

Number of equity method affiliated companies 11 companies

Name of principal equity method companies

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

During the current consolidated fiscal year, there was the following change due to materiality.

(New) 1 company

DuPont Nippon Paper Papylia Godo Kaisha

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

69 companies

Number of affiliated companies not under the equity method:

24 companies

Names of primary companies

(Non-consolidated subsidiary)	Douou Kohatsu Co., Ltd.
(Affiliated company)	JPT Logistic Co., Ltd.

Reason for non-application of equity method:

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

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

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

(3) Fiscal year, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, respective settlement date of Jujo Thermal Ltd., Siam Nippon Industrial Paper Co., Ltd., Nippon Paper Industries USA Co. Ltd., Opal, Nippon Dynawave Packaging Co., TS Plastics SDN. BHD. and its subsidiary, Amapa Florestal e Celulose S.A. and its 2 subsidiaries, and Nippon Paper Resources Australia Pty, Ltd. is December 31.

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

(4) Accounting policies

① Evaluation standard and method for evaluation of securities

Other securities:

Securities other than shares, etc. that do not have a market price:

The market value method (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).

Shares, etc. that do not have a market price:

The cost method based on the moving-average method is used.

② Evaluation standard for derivatives:

The market value method is used.

③ Evaluation standard and method for measurement of inventory assets:

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

④ Accounting for depreciation of fixed assets:

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

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

However, for depreciation of buildings (excluding auxiliary facilities) acquired on or after April 1, 1998 and of auxiliary facilities attached to buildings and structures acquired on or after April 1, 2016, the straight-line method is adopted.

Primary useful lives in years are as follows:

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

(ii) Intangible assets (excluding leased assets):

The straight-line method is used.

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

(iii) Leased assets:

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

⑤ Accounting standards for the allowance for doubtful accounts

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

⑥ Accounting standards for allowance for environmental measure

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

⑦ Revenue and expense recognition standards

The Company and its consolidated subsidiaries' main businesses include production and sales of products or sales of goods in the paper and paperboard business, livelihood-related business, and lumber, construction materials, civil engineering and construction-related business as well as wholesale supply and sales of electricity in the energy business. Regarding domestic sales of products and goods in the paper and paperboard business, livelihood-related business, and lumber, construction materials, civil engineering and construction-related business, revenue is mainly recognized upon shipment given the normal period from shipment to delivery upon which control of products and goods is transferred to customers. In export sales, revenue is mainly recognized when the burden of risk is transferred to customers based on trade conditions stipulated by Incoterms, etc.

Regarding wholesale supply and sales of electricity in the energy business, revenue is mainly recognized at an amount for which the Company has the right to claim according to supplied amounts of electricity, as amounts of consideration corresponding directly to supplied amounts of electricity are received from customers over the contract period.

As considerations for transactions are received within one year after satisfying performance obligations, significant financing components are not included.

For transactions related to sales of goods in which the Company acts as an agent in each business, the transaction price is calculated based on the net amount of consideration received from the customer. Also, revenue is measured at an amount of promised consideration in contracts with customers less discounts, etc. There is no estimate of significant variable consideration.

⑧ Accounting method for the retirement benefits liabilities

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

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

The past service costs are recorded as expenses by using the straight-line method amortized over a certain period (7-15 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 (5-15 years), which is less than the average remaining length of employees' service at the time of its occurrence in each consolidated fiscal year, and such recording of expenses is commenced in the following consolidated fiscal year of respective occurrence.

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

⑨ Standards for translation of important assets and liabilities denominated in foreign currency into Japanese currency base

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

Further, the assets and liabilities of overseas subsidiaries, etc., are translated into Japanese yen at the spot exchange rate on respective settlement date of the overseas subsidiaries, etc., and revenue and expenses are translated into Japanese yen at the average exchange rate in effect during the applicable fiscal year. The difference arising out of such translation is included in the currency translation adjustment account and non-controlling interests in the Net Assets section.

⑩ Hedge accounting method

(i) Hedge accounting method

The deferred hedge accounting is applied.

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

(ii) Hedge instruments and hedge items

a.	• Hedge instrument:	Forward exchange contract
	• Hedge items:	Receivables denominated in foreign currency through export of products, etc., payables denominated in foreign currency for import of raw materials and fuel, etc., and future transactions denominated in foreign currency.
b.	• Hedge instrument:	An interest rate swap
	• Hedge items:	Borrowings
c.	• Hedge instrument:	An interest rate and currency swap
	• Hedge items:	Borrowings denominated in foreign currency
d.	• Hedge instrument:	Crude oil swap
	• Hedge items:	Future purchase transactions of fuel
e.	• Hedge instrument:	Commodity futures
	• Hedge items:	Future purchase transactions of electricity

(iii) Hedge policies

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

(iv) Method for assessment of the hedge effectiveness

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

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

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

(v) Hedging relationships that have applied “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”

All hedging relationships described above included in the scope of application of “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Solutions No. 40, March 17, 2022) are subject to the exceptional treatment provided in the Practical Solution. The details of the hedging relationships which apply this Practical Solution are as follows.

- Method of hedge accounting: Exceptional treatment for interest-rate swaps and integrated treatment for currency and interest-rate swaps
- Hedging instruments: Interest-rate swaps and interest-rate and currency swaps
- Hedged items: Borrowings and borrowings denominated in a foreign currency
- Type of hedge transactions: To fix cash flows

⑪ Accounting of consumption tax, etc.

The tax exclusion method is used.

⑫ Adoption of the consolidated taxation system

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

⑬ Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and some of its consolidated subsidiaries will shift to the group tax sharing system from the next fiscal year. However, pursuant to the treatment in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39; March 31, 2020), the Company and those subsidiaries do not apply the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28; February 16, 2018) with respect to items which transitioned to the group tax sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 8 announced on March 31, 2020) as well as items for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system.

Accordingly, the amounts of deferred tax assets and deferred tax liabilities are presented pursuant to the provisions in tax laws before the amendment.

From the beginning of the next fiscal year, the Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42; August 12, 2021) which stipulates the accounting treatment and disclosure of corporate income taxes, local corporate income taxes, and tax effect accounting under the group tax sharing system.

2. Notes to Changes in Accounting Policies

(1) Application of accounting standards for revenue recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

As a change due to this application, the consideration paid to some customers, which was previously recorded in expenses for sales and general administration, is deducted from sales revenue. In addition, regarding some transactions for which the Company acts as an agent, the Company has changed to a method of recognizing revenue at the net amount, which is the amount received from customers less the amount paid to suppliers, although the Company previously recognized them at the total amount of consideration received from customers.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance.

As a result of this change, sales revenue for the current fiscal year decreased by 68,923 million yen, cost of sales decreased by 39,040 million yen, expenses for sales and general administration decreased by 29,855 million yen, and operating income, ordinary income, and net income before tax and other adjustment decreased by 28 million yen, respectively.

The cumulative impact of this change has been reflected on net assets at the beginning of the current fiscal year. As a result, the beginning balance of retained earnings decreased by 4 million yen in the consolidated statement of changes in shareholders’ equity, etc.

(2) Application of accounting standard for fair value measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

3. Notes to Revenue Recognition

(1) Disaggregation of revenue

Disaggregation of revenue in the Company Group and relationship with each business are as follows:

(Unit: million yen)

	Paper and Paperboard Business	Livelihood-related Business	Energy Business	Lumber, Construction Materials, Civil Engineering and Construction-Related Business	Other Business (Note)	Amount recorded on the consolidated statement of profit and loss
Sales revenue						
Goods transferred at a point in time	532,097	386,465	3,357	56,878	14,075	992,874
Goods and services transferred over time	—	—	28,455	7,639	15,375	51,471
Revenue from contracts with customers	532,097	386,465	31,813	64,518	29,451	1,044,345
Revenue from other sources	—	—	—	—	740	740
Total	532,097	386,465	31,813	64,518	30,192	1,045,086

(Note) “Other Business” include logistics, leisure, and other businesses.

(2) Useful information in understanding revenue

Useful information in understanding revenue is as presented in “1. Notes, etc., to the significant basis for preparation of the Consolidated Financial Statement, (4) Accounting policies, ⑦ Revenue and expense recognition standards.”

(3) Useful information in understanding the amount of revenue in the current fiscal year and subsequent fiscal years

① Balance, etc. of contract assets and contract liabilities

(Unit: million yen)

	Current fiscal year
Receivables from contracts with customers (Beginning balance)	251,210
Receivables from contracts with customers (Ending balance)	245,205

The balances of contract assets and contract liabilities of the Group are not significant and have not undergone any major fluctuations, and thus statement thereof is omitted. Additionally, there are no significant amounts of revenue recognized in the current fiscal year as a result of performance obligations satisfied (or partially satisfied) in prior periods.

② Transaction price allocated to remaining performance obligations

In the sales of finished goods and merchandise in the Paper and Paperboard Business, the Livelihood-related Business and the Lumber, Construction Materials, Civil Engineering and Construction-related Business, there are no significant transactions with an expected term of contract exceeding one year, and in the wholesale, supply, and sales of electrical power in the Energy Business, revenue is recognized, in accordance with paragraph 19 of the "Implementation Guidance on Accounting Standard for Revenue Recognition," and therefore, statement thereof is omitted.

4. Changes in Presentation

(Changes in the Consolidated Statement Profit and Loss)

"Rent income" (1,115 million yen in the current fiscal term) and "subsidy income" (381 million yen in the current fiscal term), which were posted in a separate account in the preceding fiscal term, is included in "Others" for the current fiscal term due to its insignificant monetary value.

"Loss on tax purpose reduction entry of fixed assets" (7 million yen in the current fiscal term), which was posted in a separate account in the preceding fiscal term, is included in "Others" for the current fiscal term due to its insignificant monetary value.

5. Notes related to Accounting Estimates

(1) Impairment of fixed assets

The Company Group determined that there is a sign of impairment loss in the asset group of 141,112 million yen for the printing papers business, etc., which is included in tangible fixed assets for the Company's papers business in the Paper and Paperboard Business segment for the current fiscal year, due to declined profitability associated with changes in the operating environment. However, in the determination of the sign of impairment loss, we did not recognize impairment loss because the total undiscounted future cash flows expected to result from the asset group exceeds its book value.

Future cash flows to be generated from the continuous use of asset groups are estimated based on future business plans. As to raw material and fuel prices, we expect that coal price will slowly decline based on future forecast by an external institution, though coal and crude oil prices that are the main raw materials and fuels currently continue to surge due to the worsening Ukraine situation and a rapidly weakening yen. As to crude oil price, we expect that the current levels will continue for some time and after that, slowly decline. Sales volume of printing papers for the current fiscal year exceeded that of the preceding fiscal year as a result of a rebound from a significant decrease in demand in the preceding term due to the impact of COVID-19. However, we project that demand will not recover to the levels before and its domestic sales volume will decrease over the long term due to significant changes in the business environment. As to unit selling prices, prices are set that reflect past trends and trends in raw material and fuel prices, etc.

As these assumptions entail uncertainties, in the case of a significant decline in future cash flows from the asset group due to the Ukraine situation in future, timing of the end of the COVID-19 pandemic, and changes in business environment, impairment loss may be recognized, which may have a material impact on the consolidated financial statements for the next fiscal year.

(2) Recoverability of deferred tax assets

For deductible temporary difference and loss carried forward, the Company Group records, as a domestic consolidated taxation group, deferred tax assets of 7,756 million yen at the end of the current fiscal year, which was judged to be recoverable based on the sufficiency in future taxable income.

Future taxable income is estimated based on future business plans. As to raw material and fuel prices, we expect that coal price will slowly decline based on future forecast by an external institution, though coal and crude oil prices that are the main raw materials and fuels currently continue to surge due to the worsening Ukraine situation and a rapidly weakening yen. As to crude oil price, we expect that the current levels will continue for

some time and after that, slowly decline. Sales volume of printing papers for the current fiscal year exceeded that of the preceding fiscal year as a result of a rebound from a significant decrease in demand in the preceding term due to the impact of COVID-19. However, we project that demand will not recover to the levels before and its domestic sales volume will decrease over the long term due to significant changes in the business environment. As to unit selling prices, prices are set that reflect past trends and trends in raw material and fuel prices, etc.
As these assumptions entail uncertainties, in the case of revision in recoverability due to the Ukraine situation in future, timing of the end of the COVID-19 pandemic, and changes in business environment, deferred tax assets may be reversed, which may have a material impact on the consolidated financial statements for the next fiscal year.

6. 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

Land	119 million yen
Total	119 million yen

(ii) Secured liabilities

Short-term loan payable	340 million yen
Long-term loan payable (including those payable within a year)	62 million yen
Total	402 million yen

(2) Accumulated depreciation on tangible fixed assets 2,467,316 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 9,501 million yen

7. 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 29, 2021 Ordinary General Meeting of Shareholders	Common shares	3,476	30	March 31, 2021	June 30, 2021
November 5, 2021 Board of Directors Meeting	Common shares	1,158	10	September 30, 2021	December 1, 2021

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 29, 2022 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	3,476	30	March 31, 2022	June 30, 2022

8. Notes to the Status of Financial Instruments

(1) Status of Financial Instruments

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

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

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

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

The fuel price of some fuel purchase transactions with price fluctuation risk is fixed by using the crude oil swap transactions.

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

(2) Fair value, etc. of financial instruments

The amount posted in the consolidated balance sheet, the fair value, and the amount of difference between them as of March 31, 2022 (the end of the current consolidated fiscal term), are as follows. Shares, etc. that do not have a market price (consolidated balance sheet amount: 69,284 million yen) are not included in “Other securities.” In addition, notes on cash were omitted. Notes on deposits were omitted, since they are settled in a short period and the fair values are approximately equal to the book values.

(Unit: million yen)

	Consolidated balance sheet amount	Fair value	Amount of difference
(1) Notes receivable and accounts receivable-trade	245,205	245,205	–
(2) Investment securities			
Other securities	52,151	52,151	–
Stocks in affiliates	58,827	54,170	(4,656)
Golf club membership	92	106	14
Total assets	356,277	351,635	(4,642)
(3) Notes payable and accounts payable-trade	141,435	141,435	–
(4) Short-term loan payable	185,703	185,891	187
(5) Long-term loan payable	597,259	604,120	6,861
Total liabilities	924,398	931,447	7,049
(6) Derivative transactions*	5,849	5,849	–

(*) The net amounts of the credit and debt actually accrued from derivative transactions are stated. In case the total of such amounts results in net debt, such amounts are posted in parentheses.

(3) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

① Financial instruments measured at fair value

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	52,151	－	－	52,151
Derivative transactions (*)	－	5,849	－	5,849

(*) The net amounts of the credit and debt actually accrued from derivative transactions are stated. In case the total of such amounts results in net debt, such amounts are posted in parentheses.

② Financial instruments other than those measured at fair value

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable and accounts receivable-trade	－	245,205	－	245,205
Notes payable and accounts payable-trade	－	141,435	－	141,435
Short-term loan payable	－	185,891	－	185,891
Long-term loan payable	－	604,120	－	604,120
Investment securities				
Stocks in affiliates	54,170	－	－	54,170
Golf club membership	－	106	－	106

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

Currency, interest rates and instruments subject to principle accounting are measured using prices quoted by counterparty financial institutions regarding the relevant transactions, and are classified as Level 2.

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 "Long-term loan payable" below).

Since those, to which the appropriation method was applied, such as the forward exchange contracts, etc., were treated as a part of hedged accounts receivable-trade, notes payable and accounts payable-trade, their fair values are included in the fair values of accounts receivable-trade, notes payable, and accounts payable-trade.

Notes receivable and accounts receivable-trade

The fair value of these items is measured using the discounted cash flow method based on the amount of receivables, period to maturity and an interest rate reflecting credit risk, for each receivable categorized by a specified period, and is classified as Level 2.

Long-term loan receivable

The fair value of long-term loans receivable is categorized by a specified period and measured using the discounted cash flow method based on future cash flows and an interest rate obtained by adding the credit spread to government bond yields and other appropriate indicators, for each type of credit risk categorized for credit management purposes, and is classified as Level 2. In addition, the fair value of doubtful receivables is measured using the discounted cash flow method mainly based on estimated cash flows discounted to the present value using similar rates or the amount expected to be recovered over collateral and guarantees. As unobservable inputs are not significant to the fair value measurement, it is classified as Level 2.

Notes payable, accounts payable-trade and short-term loan payable

The fair value of these items is measured using the discounted cash flow method based on future cash flows, period to repayment and an interest rate reflecting credit risk, for each liability categorized by a specified period, and is classified as Level 2.

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, and is classified as Level 2. 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 "Derivative transactions" above) 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.

Golf club membership

Golf club membership is assessed using prices quoted by shops handling golf club memberships. However, they are not deemed to be quoted prices in active markets and accordingly, the fair value is classified as Level 2.

9. Notes to Per Share Information

Net assets per share: 3,695.31 yen

Net income per share: 17.23 yen

10. Other Notes

Matters related to the Consolidated Profit and Loss Statement

Impairment loss

The Company Group posted impairment loss (1,476 million yen) from the following assets for the current consolidated fiscal year.

(Unit: million yen)

Use	Location	Impairment Loss	Type
Assets for shut down	Ishinomaki-shi, Miyagi	1,317	Machinery, equipment and vehicles, etc.
Idle assets and others	Fuji-shi, Shizuoka, etc.	159	Land, etc.
Total		1,476	

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

The recoverable value of idle assets and assets for shut down is measured by net sales price or their value in use and computed.

The breakdown of impairment losses of assets for shut down consists of 0 million yen for buildings and structures, 1,316 million yen for machinery, equipment and vehicles and 0 million yen for others. The breakdown of impairment losses of idle assets and others consists of 8 million yen for machinery, equipment and vehicles and 151 million yen for land.

Net sales prices are computed based on appraised value by a third party or equivalent to such measure. Concerning the value in use, future cash flows are not discounted because the period for computation is within one year.

Statement of Changes in Shareholders’ Equity, etc.

(From April 1, 2021 through March 31, 2022)

(Unit: million yen)

	Shareholders’ Equity											
		Capital Surplus			Retained earnings							
						Other retained earnings						
	Capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for prevention of specific disaster	Reserve for reduction entry of fixed assets	Reserve for special account for tax purpose reduction entry	Retained earnings carried forward	Total retained earnings	Treasury stocks	Total share-holders’ equity
Beginning balance	104,873	83,552	46,676	130,228	432	127	3,212	132	34,650	38,554	△1,523	272,133
Cumulative effects of changes in accounting policy									4	4		4
Beginning balance after retrospective adjustments	104,873	83,552	46,676	130,228	432	127	3,212	132	34,654	38,558	△1,523	272,137
Changes during the fiscal year												
Dividend of retained earnings									△4,635	△4,635		△4,635
Net loss of the current term									△230	△230		△230
Acquisition of treasury stocks											△7	△7
Disposition of treasury stocks			△1	△1							68	67
Reversal of reserve for prevention of specific disasters						△127			127	—		—
Reversal of reserve for special account for tax purpose reduction entry								△132	132	—		—
Reversal of reserve for revaluation of land									47	47		47
Changes in item other than shareholders’ equity during the fiscal year (net amount)												
Total of changes during the fiscal year	—	—	△1	△1	—	△127	—	△132	△4,558	△4,818	60	△4,758
Balance at the end of current term	104,873	83,552	46,675	130,227	432	—	3,212	—	30,095	33,740	△1,462	267,378

	Valuation and Translation Adjustment, etc.				Total amount of net assets
	Valuation difference on other securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total of valuation and translation adjustment, etc.	
Beginning balance	20,019	346	7,516	27,882	300,016
Cumulative effects of changes in accounting policy					4
Beginning balance after retrospective adjustments	20,019	346	7,516	27,882	300,020
Changes during the fiscal year					
Dividend of retained earnings					△4,635
Net loss of the current term					△230
Acquisition of treasury stocks					△7
Disposition of treasury stocks					67
Reversal of reserve for prevention of specific disasters					—
Provision of reserve for special account for tax purpose reduction entry					—
Reversal of reserve for revaluation of land					47
Changes in item other than shareholders’ equity during the fiscal year (net amount)	△5,003	1,321	△47	△3,730	△3,730
Total of changes during the fiscal year	△5,003	1,321	△47	△3,730	△8,488
Balance at the end of current term	15,016	1,667	7,469	24,152	291,531

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 other than shares, etc. that do not have a market price:

Market value method (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)

Shares, etc. that do not have a market price:

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 Mill, Ishinomaki Mill, Iwanuma Mill and Fuji Mill, etc., the buildings (excluding auxiliary facilities) acquired on or after April 1, 1998, and auxiliary facilities attached to buildings and structures acquired on or after April 1, 2016.

Primary useful lives in years are as follows:

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

② Intangible assets (excluding leased assets):

The straight-line method

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

③ Leased assets:

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

(5) Accounting standards for allowances

① Accounting standards for allowance for doubtful accounts

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

② Accounting standards for allowance for accrued retirement benefits

To prepare for payment of employees' retirement benefits, the amount based on the estimated amounts of retirement benefit liabilities and pension assets as of the end of current fiscal year, is stated. When the amount of pension assets exceeds the amount of retirement benefit liabilities excluding actuarial differences, the excess amount is recorded as prepaid pension cost.

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

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

Actual difference is recorded as expenses by the straight-line method amortized over a certain period (7-15 years), which is within the average remaining length of employees' service at the time of such liabilities are incurred in each fiscal year, and such recording of expenses is commenced in the following fiscal year of respective occurrence.

③ Accounting standards for provision for share-based remuneration for directors (and other officers)

To prepare for delivery of shares to Directors (excluding Outside Directors) and Corporate Officers, etc. in accordance with the Officer Stock Benefit Regulations, the estimated amounts of share delivery as of the end of current fiscal year are stated.

④ 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) Revenue and expense recognition standards

The Company's main businesses include production and sales of products or sales of goods in the paper and paperboard business and livelihood-related business as well as wholesale supply and sales of electricity in the energy business. Regarding domestic sales of products and goods in the paper and paperboard business and livelihood-related business, revenue is mainly recognized upon shipment given the normal period from shipment to delivery upon which control of products and goods is transferred to customers. In export sales, revenue is mainly recognized when the burden of risk is transferred to customers based on trade conditions stipulated by Incoterms, etc.

Regarding wholesale supply and sales of electricity in the energy business, revenue is mainly recognized at an amount for which the Company has the right to claim according to supplied amounts of electricity, as amounts of consideration corresponding directly to supplied amounts of electricity are received from customers over the contract period.

As considerations for transactions are received within one year after satisfying performance obligations, significant financing components are not included.

For transactions related to sales of goods in which the Company acts as an agent in each business, the transaction price is calculated based on the net amount of consideration received from the customer. Also, revenue is measured at an amount of promised consideration in contracts with customers less discounts, etc. There is no estimate of significant variable consideration.

(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 rate swaps that satisfy the requirements for the exceptional accounting. The integrated accounting (*Furiate-shori, Tokurei-shori*) is applied to the interest rate and currency swaps that satisfy the requirements for the integrated accounting.

② Hedge instruments and hedge item

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

③ Hedge policies

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

④ Method for assessment of the hedge effectiveness

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

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

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

⑤ Hedging relationships that have applied “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”

All hedging relationships described above included in the scope of application of “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Solutions No. 40, March 17, 2022) are subject to the exceptional treatment provided in the Practical Solution. The details of the hedging relationships which apply this Practical Solution are as follows.

- Method of hedge accounting: Exceptional treatment for interest-rate swaps and integrated treatment for currency and interest-rate swaps
- Hedging instruments: Interest-rate swaps and interest-rate and currency swaps
- Hedged items: Borrowings and borrowings denominated in a foreign currency
- Type of hedge transactions: To fix cash flows

(9) Accounting of consumption tax, etc.

The tax exclusion system is used.

(10) Adoption of the consolidated taxation system

The consolidated taxation system is applied.

(11) Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company will shift to the group tax sharing system from the next fiscal year. However, pursuant to the treatment in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39; March 31, 2020), the Company does not apply the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28; February 16, 2018) with respect to items that transitioned to the group tax sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 8 announced on March 31, 2020) as well as items for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system. Accordingly, the amounts of deferred tax assets and deferred tax liabilities are presented pursuant to the provisions in tax laws before the amendment.

From the beginning of the next fiscal year, the Company plans to apply the “Practical

Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42; August 12, 2021) which stipulates the accounting treatment and disclosure of corporate income taxes, local corporate income taxes, and tax effect accounting under the group tax sharing system.

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

(Accounting of retirement benefits)

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

2. Notes to Changes in Accounting Policies

(1) Application of accounting standards for revenue recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

As a change due to this application, the consideration paid to some customers, which was previously recorded in expenses for sales, is deducted from sales revenue. In addition, regarding some transactions for which the Company acts as an agent, the Company has changed to a method of recognizing revenue at the net amount, which is the amount received from customers less the amount paid to suppliers, although the Company previously recognized them at the total amount of consideration received from customers.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance.

As a result of this change, sales revenue for the current fiscal year decreased by 30,367 million yen, cost of sales decreased by 870 million yen, expenses for sales decreased by 29,473 million yen, operating loss increased by 23 million yen, ordinary income decreased by 23 million yen, and net loss before tax and other adjustment increased by 23 million yen.

The cumulative impact of this change has been reflected on net assets at the beginning of the current fiscal year. As a result, the beginning balance of retained earnings increased by

4 million yen in the statement of changes in shareholders' equity, etc.

(2) Application of accounting standard for fair value measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the financial statements.

3. Notes to Revenue Recognition

(Useful information in understanding revenue)

Useful information in understanding revenue is as presented in "1. Notes to the significant accounting policies, (6) Revenue and expense recognition standards."

4. Notes related to Accounting Estimates

(1) Impairment of fixed assets

The Company determined that there is a sign of impairment loss in the asset group of 143,307 million yen for the printing papers business, etc., which is included in tangible fixed assets for the Company's papers business for the current fiscal year, due to declined profitability associated with changes in the operating environment. However, in the determination of the sign of impairment loss, we did not recognize impairment loss because the total undiscounted future cash flows expected to result from the asset group exceeds its book value.

(2) Recoverability of deferred tax assets

For deductible temporary difference and loss carried forward, the Company records deferred tax assets of 4,273 million yen at the end of the current fiscal year, which was judged to be recoverable based on the sufficiency in future taxable income.

In addition, notes related to future assumptions, etc. concerning accounting estimates are omitted as the contents are identical to those described in "5. Notes related to Accounting Estimates" of the Notes to the Consolidated Financial Statement.

5. Notes to the Balance Sheet

(1) Accumulated depreciation on tangible fixed asset 2,109,617 million yen

(2) Guarantee liabilities

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

Guarantee liabilities 109,026 million yen

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

Short-term monetary receivable from affiliated companies 154,893 million yen

Short-term monetary payable to affiliated companies 52,849 million yen

(4) Revaluation of land

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

- Method of revaluation ・・・Computed by adding a reasonable adjustment to the appraised value stipulated in the Article 2, Item 3, 4, and 5 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 promulgated on March 31, 1998).
- Date of revaluation: March 31, 2000
- The amount of difference between the market value as of the end of current fiscal year and the book value after such revaluation, of the revaluated land

△38,472 million yen

6. Notes to the Statement of Profit and Loss

(1) Trading volume with affiliated companies

Trading volume through commercial transactions

Sales revenue 219,528 million yen

Operating expenses 163,311 million yen

Trading volume other than commercial transaction 34,353 million yen

(2) Impairment loss

The Company posted impairment loss (1,472 million yen) from the following assets for the current fiscal year.

(Unit: million yen)

Use	Location	Impairment Loss	Type
Assets for shut down	Ishinomaki-shi, Miyagi	1,317	Machinery and equipment, etc.
Idle assets	Fuji-shi, Shizuoka, etc.	154	Land
Total		1,472	

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

The recoverable value of idle assets and assets for shut down is measured by net sales price or their value in use and computed.

The breakdown of impairment losses of assets for shut down consists of 0 million yen for structures, 1,316 million yen for machinery and equipment and 0 million yen for tools, furniture and fixture.

Net sales prices are computed based on appraised value by a third party or equivalent to such measure. Concerning the value in use, future cash flows are not discounted because the period for computation is within one year.

7. 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: 529,939 shares

Treasury shares shown above include 168,100 shares of the Company stock that are held by the Board Benefit Trust (BBT).

8. Notes to Tax Effect Accounting

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

Deferred tax assets	
Accrued Bonus	1,342 million yen
Allowance for doubtful account	2,289 million yen
Allowance for retirement benefits	5,058 million yen
Loss on valuation of securities	22,277 million yen
Impairment loss	16,474 million yen
Provision for environmental measures	3,329 million yen
Loss carried forward	10,907 million yen
Others	3,080 million yen
Deferred tax assets; Sub-total	64,756 million yen
Valuation allowance	△60,483 million yen
Deferred tax assets: Total	4,273 million yen
Deferred tax liabilities	
Reserve for reduction entry of fixed assets	△1,820 million yen
Valuation difference on other securities	△6,042 million yen
Others	△767 million yen
Deferred tax liabilities: Total	△8,629 million yen
Net amount of deferred tax assets	△4,356 million yen

9. Notes to the transactions with related parties

Subsidiaries, etc.

Type	Name of Company, etc.	Percentage of voting rights held (%)	Detail of Relation		Detail of transaction	Amount of transaction (million yen)	Item	Balance at end of term (million yen)
			Concurrently serving officer, etc.	Business relation				
Subsidiaries	Nippon Paper Crecia Co., Ltd.	Direct 100.00	The Company's Officer concurrently serving	Purchase of raw materials from the Company Sales of products to the Company	Lending & collection of short-term funds (Note 1, 2)	14,489	Short-term loan receivable	12,066
	Nippon Paper Papylia Co., Ltd.	Direct 100.00	The Company's Officer concurrently serving	Purchase of raw materials from the Company Process and sales of the Company's products	Lending & collection of short-term funds (Note 1, 2)	11,383	Short-term loan receivable	12,765
	NP Trading Co., Ltd.	Direct 100.00	The Company's Officer concurrently serving	Sales of the Company's products. Sales of raw materials to the Company, etc.	Lending & collection of short-term funds (Note 1, 2)	23,618	Short-term loan receivable	25,402
					Receiving & assignment of notes receivable (Note 3)	20,914	Account payable	5,267
					Sales of products (Note 4)	107,207	Accounts receivable-trade	30,419
					Purchase of raw materials, etc. (Note 4)	35,195	Accounts payable-trade	12,291
	Nippon Tokai Industrial Paper Supply Co., Ltd.	Direct 65.00	The Company's Officer concurrently serving	Sales of the Company's products	Sales of products (Note 4)	77,178	Accounts receivable-trade	28,612
	Opal	Direct 100.00	The Company's Officer concurrently serving	Sales of the Company's products Debt guarantee	Debt guarantee (Note 5)	33,832	—	—
	Nippon Paper Ishinomaki Energy Center Ltd.	Direct 70.00	The Company's employee concurrently serving	Debt guarantee	Debt guarantee (Note 5)	27,974	—	—
	Amapa Florestal e Celulose S.A.	Direct 100.00	The Company's employee concurrently serving	Sales of raw materials to the Company Debt guarantee	Debt guarantee (Note 5)	11,933	—	—

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

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

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

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

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

(Note 5) Guarantee for borrowings, etc., from financial institutions, etc., is provided, for which the Company receives guarantee fees from Opal, Nippon Paper Ishinomaki Energy Center Ltd., and Amapa Florestal e Celulose S.A. The amounts of such transactions are the balance of the debt guarantee as of the end of the current fiscal year.

10. Notes to Per Share Information

Net assets per share:	2,519.18 yen
Net loss per share:	1.99 yen