GPI
The General Packaging Industry
RENGO

Annual Report 2019

For Year Ended March 31, 2019

CONTENTS

Group Network

Domestic Network
https://www.rengo.co.jp/english/about_us/network/index.html

Rengo Group Companies in Japan

Paperboard
https://www.rengo.co.jp/english/about_us/network/group1.html

Corrugated Packaging
https://www.rengo.co.jp/english/about_us/network/group2.html

Folding Cartons
https://www.rengo.co.jp/english/about_us/network/group3.html

Flexible Packaging
https://www.rengo.co.jp/english/about_us/network/group4.html

Heavy Duty Packaging
https://www.rengo.co.jp/english/about_us/network/group5.html

Other
https://www.rengo.co.jp/english/about_us/network/group6.html

Rengo Group Companies Overseas
https://www.rengo.co.jp/english/about_us/network/foreign.html

Editorial Policy

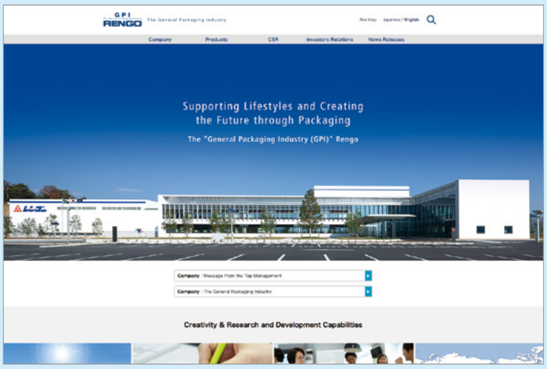
This annual report summarizes information regarding the Rengo Group's business activities and finances in an accessible manner. It focuses on the most recent business activities and presents a message from the management team, details of products and activities including research and production, and the Group's business environment. Refer to the Environmental and Social Report for information regarding the Group's approach to and initiatives regarding preservation of the global environment and social programs.

Disclaimer

This report contains forward-looking statements about the Rengo Group's plans, strategies, and determinations. These forward-looking statements are based on management's assumptions and beliefs in light of information available at the time of publication of this report, and there is no guarantee that these forward-looking statements will actually occur in the future.

Rengo's Information Disclosure Media

- Rengo provides appropriate and timely financial and non-financial information meeting the needs of stakeholders through our website and booklets.
- The Annual Report provides information focusing on Rengo's financial situation to shareholders and investors.
- The Environmental and Social Report provides all stakeholders with detailed information regarding Rengo's CSR activities.



Rengo's Website
Various types of information related to corporate activities are appropriately disclosed.
https://www.rengo.co.jp/english/

Website (shareholder and investor information)
https://www.rengo.co.jp/english/financial/index.html

Annual Report (booklet and PDF)
https://www.rengo.co.jp/english/financial/index.html

Website (CSR)
https://www.rengo.co.jp/english/environment/index.html

Environmental and Social Report (booklet and PDF)
Environmental and Social Report Data Booklet (PDF) (in Japanese)
https://www.rengo.co.jp/english/environment/report.html

Corporate Philosophy

Ever since founder Teijiro Inoue manufactured Japan's first corrugated board in 1909, the Rengo Group has been serving society, continually adapting to the times to deliver the very best packaging solutions to customers and enhance the value of their products.

We plan to continue comprehensive development of optimal packaging solutions for distribution in all industries, and as a "General Packaging Industry" that creates new value in packaging through a tireless commitment to continual changes in thinking and technological innovation, we adhere to the following guiding principles.

1. Realize prosperity and ambitions for the future through dynamic business activities by earning the trust and satisfaction of customers.
2. Act always with integrity, maintaining high ethical standards and ensuring strict legal compliance.
3. Engage in communication with a broad section of society through proactive and accurate information disclosure.
4. Respect the value of individual employees and strive to create safe and congenial work environments providing comfort and fulfillment.
5. Take the initiative on environmental conservation efforts.
6. Contribute to society as a good corporate citizen.
7. Globalize by ensuring compliance with laws in each country or region and by contributing to economic and social development in those areas through business activities reflecting the different cultures and practices.

Vision 110

Taking on the Challenge to Become the World's No. 1 General Packaging Industry

- Establish domestic and overseas systems that can provide advanced packaging solutions and supply chains responding to all packaging needs and integrate processes from procurement of packaging material, to distribution and packing.
- Aim to excel in quality improvement and cost reduction through innovation in manufacturing technologies, and build a system where people can focus on manufacturing safely at plants with good working environments.
- Thoroughly investigate ways to utilize information communication technologies (such as IoT and M2M) to make efficient manufacturing processes, logistics, and the supply chain, and at the same time anticipate the needs of customers arising from IoT to create next-generation added value.
- Aim to be a corporation where diverse individuals could maximize their unique potential.

"General Packaging Industry (GPI)" Rengo, Developing New Markets and Designing a Sustainable Future

Kiyoshi Otsubo
Representative Director,
Chairman, President and Chief Executive Officer

In April 2019, the Rengo Group marked the 110th anniversary of its foundation. We are deeply grateful for the support of the shareholders, investors, and other stakeholders who have made reaching this milestone possible. As General Packaging Industry (GPI) Rengo, we have proposed innovative solutions to the packaging needs of all industries and developed a hexagonal business structure centered on six core business fields—paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business—to build solid business foundations while looking forward to the next 100 years. With "Less is more." as our key business concept, we are generating greater value from fewer resources and creating innovative packaging that is people- and environment-friendly.

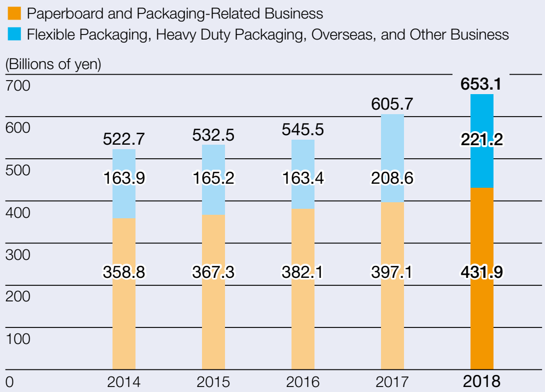
Summary of Financial Results for Fiscal 2018

Higher Sales and Earnings Achieved by Expanding Group Business to Fulfill Strong Packaging Needs in Japan and Overseas

The Rengo Group's consolidated financial results for fiscal 2018 (the year ended March 31, 2019) were as follows: net sales were ¥653.1 billion, a year on year increase of 7.8%; operating income was ¥25.3 billion, an increase of 48.1%; ordinary income was ¥27.5 billion, an increase of 18.5%; and profit attributable to owners of the parent was ¥17.2 billion, an increase of 3.3%. Thus, both sales and profit were up.

In the Paperboard and Packaging-Related Business, domestic demand for containerboard was firm and demand for corrugated packaging used in the e-commerce business continued to increase, pushing up production volumes of both paperboard and corrugated packaging from the previous year. The Group made efforts to maintain product prices by countering the rising price of recovered paper, the main raw material for containerboard, as well as higher costs for fuel, miscellaneous materials, and logistics through comprehensive cost-cutting measures, but it was difficult

Changes in Net Sales by Business



to overcome this situation through internal efforts alone. Consequently, the Group revised prices of containerboard and other paperboard products as well as corrugated packaging. As a result, despite rising raw material costs and higher fixed costs, the Group was able to generate higher net sales and profit due to increase in the number of subsidiaries, revisions of product price, and increased sales volumes.

In the Flexible Packaging-Related Business, demand for products used for foodstuffs and fast moving consumer goods increased, particularly from convenience stores, but higher raw material costs and fixed costs resulted in higher sales but lower profit. In the Heavy Duty Packaging-Related Business, the sales volume of resin products increased, but rising raw material costs mainly resulted in higher sales but lower profit.

In the Overseas Business, there was an increase in the number of consolidated subsidiaries and the corrugated and heavy duty packaging businesses performed well, resulting in higher sales and profit.

Domestic Strategies and Initiatives - Part 1

Reinforcing the Group's Ability to Meet Vigorous Demand in Each Core Business

In 2018, domestic corrugated board production volume was 14.4 billion square meters, an increase of 1.3% year on year. It is projected that the production volume in 2019 will increase by 1.3% to 14.6 billion square meters, the fourth consecutive annual increase and a record high.

Under these circumstances, the Group engaged in active capital investment and M&A, mainly in the Paperboard and Packaging-Related Business, with the objectives of increasing productivity and quality and worked to reinforce each core business.

In the paperboard business, Marusan Paper Mfg. Co., Ltd. (Minamisoma-shi, Fukushima Prefecture) made capital investments to improve containerboard productivity, and in the corrugated packaging business, equity stakes were acquired in Sanwa Danboru Co., Ltd. (based in Kochi-shi, Kochi Prefecture) and Toppan Containers Co., Ltd. (new company name: Rengo Toppan Containers Co., Ltd., based in Kawaguchi-shi, Saitama Prefecture) to make them into Rengo subsidiaries. In addition, plant renewal construction is ongoing at Rengo Toppan Containers' Saitama Plant, Sano Plant, and Miyagi Plant to set in place structures which can respond even better to customer needs.

In the Flexible Packaging-Related Business, Howa Sangyo Co., Ltd. (Funabashi-shi, Chiba Prefecture) completed construction of a new building at its Narashino Factory (also in Funabashi-shi).The new building will increase production capacity of the factory, which manufactures various flexible packaging and serving as a main production base, creating a structure that can respond to growing demand for flexible packaging.

In the Heavy Duty Packaging-Related Business, Nihon Matai Co., Ltd. (Taito-ku, Tokyo) commenced renewal construction at its Hyogo Plant (Kako-gun, Hyogo Prefecture) to build a production system that can respond to strong demand.

Domestic Strategies and Initiatives - Part 2

Packaging Innovation Contributes to Providing Solutions to Social Issues

In the development of packaging that delivers significant

"Less is more."

"Less is more."

The fundamental concept of Rengo's approach to packaging innovation.

"Less energy consumption"

"Less carbon emissions"

"High quality products with more value-added"

"Less is more." is the key concept for Rengo Group's packaging manufacturing. It means generating high value with fewer resources. This leads to the effective use of resources and reduced impact on the global environment while contributing to the development of a better and sustainable society through the production of high-quality and high added-value packaging. This is the ideal that the Rengo Group seeks through its business activities.

Rengo will continue to lead from the vanguard of advances in packaging based on "Less is more." while fulfilling its corporate social responsibility.

value with fewer resources based on our "Less is more." concept, we made further improvements to our Retail Mate series lineup, which contributes to optimizing workflows at retail sites. We enhanced the functionality of our Rengo Smart Display Packaging (RSDP), which can be opened within seconds and immediately displayed, providing careful support for needs. We also expanded the series with the new Marché Kit, which can be easily set up as a sales stand for displaying fruit, vegetables, processed agricultural products, and more.

In addition, we developed the ZIZAI automated box opening system, which automatically measures corrugated box's dimensions and cuts the top sealing. The system was developed to respond to labor shortages in logistics centers by automating unpacking work. Innovative products were developed and actively promoted for increasing orders while keeping in mind to provide solutions to social issues.

By anticipating market needs and creating new demand, we will reinforce the sales capabilities of the entire group, build optimal production structures, and work to enhance competitiveness.

Overseas Strategies and Initiatives

Expanding Business Through Selection and Concentration

In Overseas Business, Tri-Wall Group, which became a wholly owned subsidiary in October 2016, acquired heavy duty packaging manufacturers in the United States and United Kingdom and also established subsidiaries in Turkey and Mexico, expanding the heavy duty packaging business in regions around the world.

The Rengo Group operates a total of 149 plants in 17 countries throughout the world (including affiliates not subject to consolidation; as of March 31, 2019) and is working to effectively use business resources through a process of "selection and concentration" while expanding business in anticipation of future growth.

SDGs Management – Part 1

Environmental Initiatives for Creating a Sustainable Society

"Less is more." is the key concept for the Rengo Group's packaging manufacturing as well as environmental management. The Group conducts various initiatives to hand down a better environment and society to future generations so that the Sustainable Development Goals (SDGs), which are global goals for creating sustainable societies, can be achieved.

We have set a target of reducing CO_2 emissions, which have a significant impact on the global environment, by 26% in 2030 compared to 2013. We are working towards this target by actively introducing energy-saving facilities, adopting clean energy with minimal environmental impact, and taking other measures. In addition, we plan to increase renewable energy as a percentage of all energy inputs to 25% by 2030.

In response to the problem of waste plastic, an issue of increasing concern due to ocean pollution and the impact on ecosystems, we are developing biodegradable cellulose related products made from viscose such as cellophane and cellulose beads that use wood pulp as a raw material. It is expected that these materials will be used alternatives to plastics.

SDGs Management – Part 2

Striving to be a Company that Fosters Lifetime Careers

Corporate creativity and innovation are expected to be key drivers for achieving the SDGs. It is people that will

Cellulose (Viscose) Related Products

In addition to cellophane, Rengo has a lineup of 100% biodegradable materials and products made from viscose derived from wood pulp.

Viscopearl

Viscopearl is a porous, spherical cellulose grain-type product made from wood pulp. The atomized grains are used as additives to pharmaceutical products and as scrubbing grains.

be the source of this creativity, and for this reason, it will be essential to create environments where the value of each employee is respected and diverse talents can maximize their unique potential. Rengo became among the first to embark on work style reforms with a focus on the work-life balance with the aim of improving total factor productivity (TFP). Empowering women in the workplace has been positioned as a significant growth strategy, and we are taking measures to encourage hiring of women and expand occupational fields while taking countermeasures to address the declining birth rate and actively supporting the development of future generations. As a company that offers a high level of support to employees rearing children, Rengo received “Platinum Kurumin” certification from the Minister of Health, Labour and Welfare.

In addition, we raised the mandatory retirement age to 65 years as of April 2019. All employees can continue on active service until age 65, and by maximizing the capabilities of each individual, we are promoting workstyle reforms, raising productivity even further, and creating workplaces that facilitate work.

We also adopted the “Rengo Good Health Declaration” so that we can promote good health across the Company. Without good health, one loses sense of meaning in work and life and cannot enjoy a lifestyle full of vitality. Safe and reassuring workplaces are fundamental to health management. We will continue to support the good health of employees and their families so that everyone can engage in “lifelong activity.”

Rengo Receives Special “Platinum Kurumin” Certification for Supporting Childcare

Rengo received “Platinum Kurumin,” a special certification pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children. This certification recognizes companies that support childcare at a high level.

Going forward, we will continue to make companywide efforts to implement initiatives relating to the declining birthrate and support childcare.

Looking Ahead to the Next 100 Years

Fulfilling Our Mission as a Packaging Provider and Designing the Future

In the year that marks the 110th anniversary of Rengo’s foundation and the final year of Vision110, which seeks to lay the foundations for GPI Rengo’s next 100 years, we are achieving the targets set by that plan, but this does not mean the end of the challenge to become “the world’s number one General Packaging Industry.” We do not seek simply to be number one in terms of size, but to be the best corporate group within the packaging industry from the perspective of our customers.

We take to heart our mission as a “Packaging Provider” that is designing the future and developing new markets, and we seek to be world’s best comprehensive packaging business group. We will make tireless efforts to strengthen the profitability, support logistics and lifestyles, diligently address social issues including environment preservation in all business activities, and create an ever-better and sustainable society.

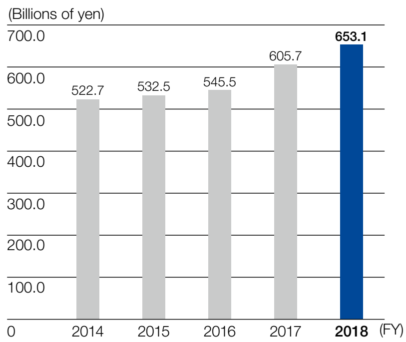
I request the continued understanding and support of our shareholders, investors, and other stakeholders.

Consolidated Financial Highlights

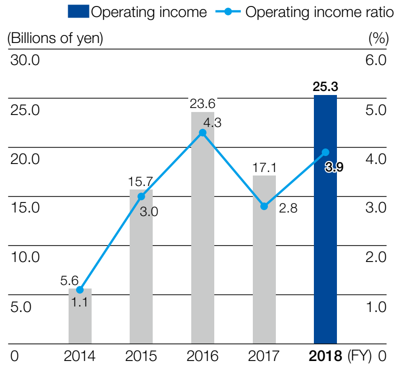
(For the fiscal year ended March 31, 2019 and 2018)	FY2018	FY2017	FY2017/FY2018	FY2018
For the fiscal year:	(Millions of yen)	(Millions of yen)	Change (%)	(Thousands of U.S. dollars*1)
Net sales	¥ 653,107	¥ 605,713	7.8	$ 5,883,847
Operating income	25,292	17,083	48.1	227,856
Profit attributable to owners of parent	17,163	16,623	3.2	154,622
Depreciation and amortization	32,259	30,881	4.5	290,622
Capital expenditures	36,512	41,527	(12.1)	328,937
EBITDA	59,028	49,616	19.0	531,784
At the fiscal year-end:	(Millions of yen)	(Millions of yen)	Change (%)	(Thousands of U.S. dollars)
Total assets	¥ 769,356	¥ 747,700	2.9	$ 6,931,135
Interest-bearing debt	283,072	287,322	(1.5)	2,550,198
Net assets	274,698	262,581	4.6	2,474,757
Per share amounts:	(Yen)	(Yen)	Change (yen)	(U.S. dollars)
Basic earnings, basic	¥ 69.32	¥ 67.14	¥ 2.18	$ 0.62
Basic earnings, diluted	-	-	-	-
Cash dividends applicable to the year	14.00	12.00	2.00	0.13
Net assets*2	1,066.07	1,029.98	36.09	9.60

*1: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥111 to U.S. $1.00 prevailing on March 31, 2019.
*2: The amount of net assets used for calculation of net assets per share is the amount of net assets on the consolidated balance sheets, excluding non-controlling interests.

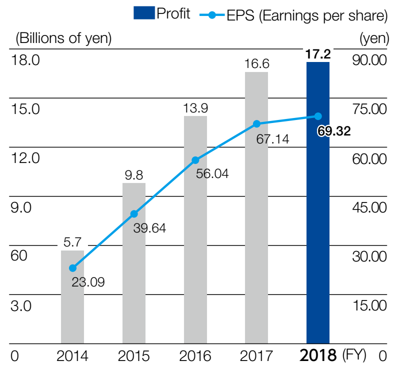
Net sales



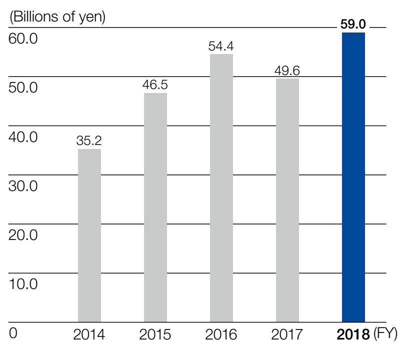
Operating income & operating income ratio



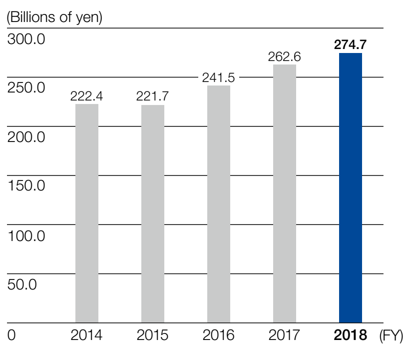
Profit attributable to owners of parent & EPS



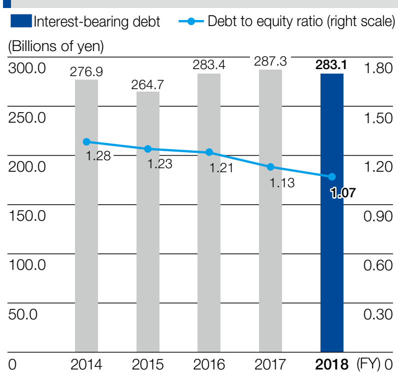
EBITDA



Net assets

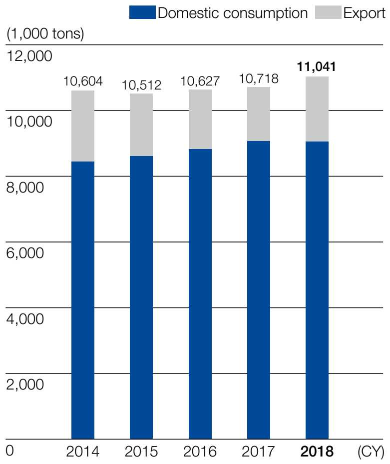


Interest-bearing debt & debt to equity ratio



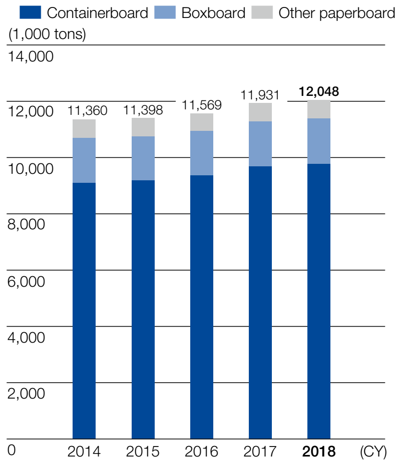
Market Data

Domestic consumption and export of old corrugated containers



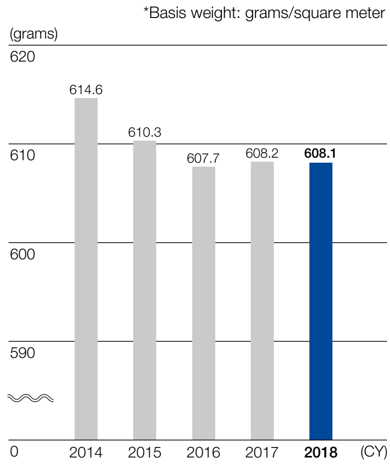
(Source: Ministry of Economy, Trade and Industry / Ministry of Finance)

Domestic production of paperboard



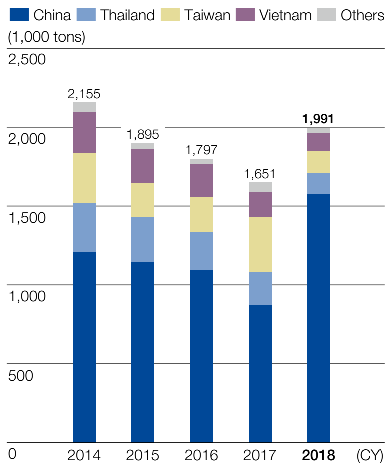
(Source: Ministry of Economy, Trade and Industry)

Average basis weight* of corrugated board



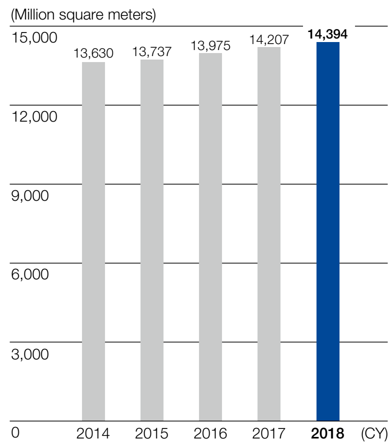
(Source: Japan Corrugated Case Association)

Export of old corrugated containers by country



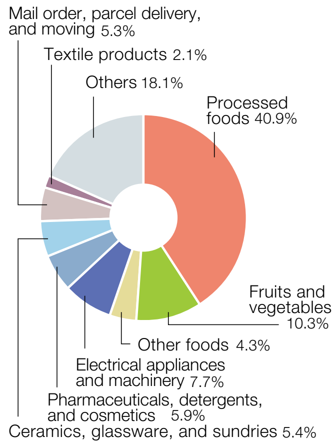
(Source: Ministry of Finance)

Domestic production of corrugated board



(Source: Japan Corrugated Case Association)

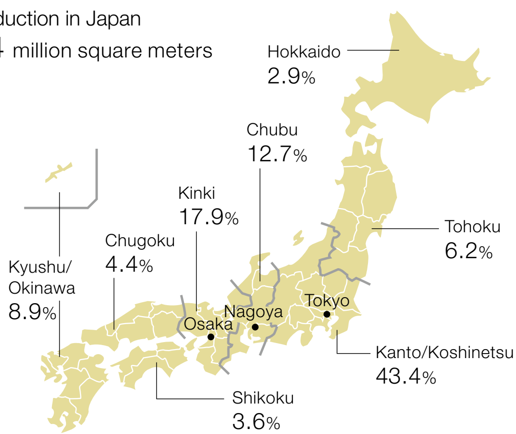
Breakdown of demand for corrugated boxes by market (2018)



(Source: Japan Corrugated Case Association)

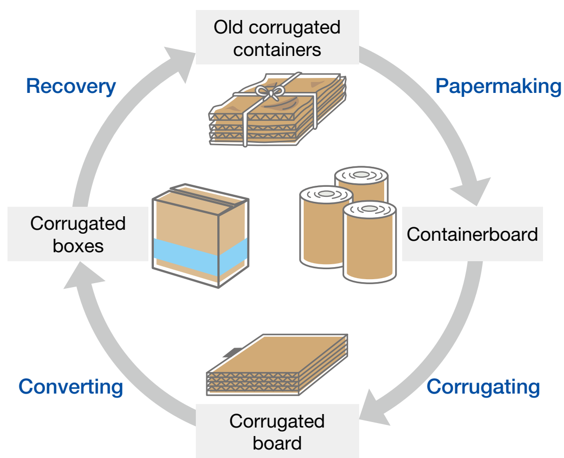
Production of corrugated board by region (2018)

Total production in Japan
14,394 million square meters



(Source: Japan Corrugated Case Association)

Flowchart of recycling corrugated board



General Packaging Industry (GPI) Meeting Diverse Packaging Needs

As General Packaging Industry (GPI) Rengo, the Rengo Group proposes comprehensive solutions for all packaging needs in a wide range of industries and seeks to be a best partner for packaging through continuous changes in thinking and innovation. Rengo leverages its four strengths to contribute to increases in the value of customer products and grow in tandem with its customers through packaging.

Rengo's Strengths 1

The Comprehensive Capabilities of Six Core Business Fields

The Rengo Group has used its comprehensive capabilities to meet packaging needs with optimal solutions by applying its packaging-related technologies and expertise over many years. Currently, the Group conducts highly varied business with six core business fields: paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas operations.

Rengo's Strengths 3

Solutions to Social Issues

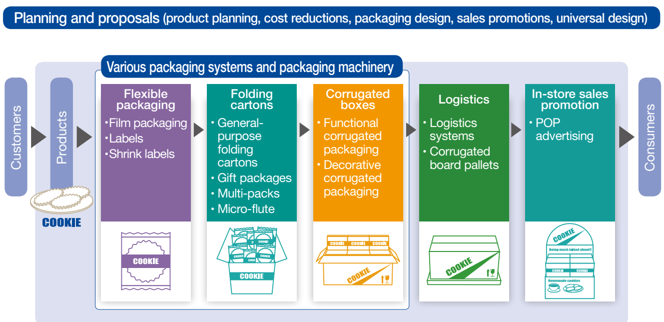
Rengo originated with corrugated board having outstanding recyclability and directly addresses social issues through its business activities to support logistics and consumers' lives with packaging. We also make unceasing efforts to support the creation of a sustainable society. Rengo strives to support the realization of the Sustainable Development Goals (SDGs), which are shared global objectives, through its business and continues to undertake various measures to that end.

Refer to the Rengo Environmental and Social Report 2019 for details.
https://www.rengo.co.jp/english/environment/index.html

Rengo's Strengths 2

Total Packaging Services

Rengo offers comprehensive solutions that take into consideration product sales promotion effects and total costs starting from the customer's new product planning stage. These proposals cover everything from the flexible packaging that directly covers the product to folding cartons, corrugated boxes, pallets, and packaging systems. We provide complete proposals that consider the optimal balance of quality, cost, and environmental factors.



Rengo's Strengths 4

Group Network

Rengo has 34 directly-managed plants located from Hokkaido to Kyushu to cover every area of Japan. These directly-managed plants in each region serve as the core of the Rengo network including various Group companies to provide services with strong local ties. Overseas, the Group also has 149 plants and 24 sites in 17 countries and regions including Asia, Europe, and North America to provide detailed support for the overseas business development of our customers in their respective industries.
(As of March 31, 2019)

Increases in Value of Customer Product and the Company Sustainable Growth of Rengo

Manufacturing packaging that stays one step ahead of the times, is people- and environment-friendly, and has true value that evokes an emotional response

Paperboard
Paperboard production: Domestic market share
No. 2 [*1]

Corrugated Packaging
Corrugated board production: Domestic market share
No. 1 [*2]

Folding Cartons
Sale of multi-packs: Domestic market share
No. 1 [*3]

Flexible Packaging
Amount of OPP/CPP input for converting process: Domestic market share
No. 1 [*4]

Heavy Duty Packaging
Sale of flexible bulk containers and PE heavy duty bags: Domestic market share
No. 1 [*5]

Overseas Operations
149 plants and
24 representative offices/ sales companies
(As of March 31, 2019)

Source:
*1 Japan Paper Association
*2 Yano Research Institute
*3 Rengo
*4 Japan Comprehensive Economic Research Centre
*5 Fuji Chimera Research Institute

The General Packaging Industry

Paperboard and Packaging-Related Business

Rengo Co., Ltd., Marusan Paper Mfg. Co., Ltd., and Osaka Paper Co., Ltd. are active in the paperboard manufacturing and sales business. Each company sells products through its own sales channels including Rengo Paper Business Co., Ltd. and supplies the principal raw materials for corrugated packaging to Rengo Group companies via Rengo Co., Ltd. and Rengo Paper Business Co., Ltd.
The corrugated board, corrugated box, and folding carton manufacturing and sales business is conducted independently by Rengo Co., Ltd., Yamato Shiki Co., Ltd., Settsu Carton Co., Ltd., and other Group companies. Rengo Co., Ltd. and Rengo Riverwood Packaging, Ltd. manufacture and sell multi-packs used for six packs of canned beer and other products.

Market Environment and Business Results

In the paperboard industry, production volume was up from the previous year due to brisk domestic demand for containerboard. In the corrugated packaging industry, demand for use in the mail order business continued to rise and demand in nearly all other segments including processed foods, electrical appliances and machinery was robust, pushing production volume up from the previous year. In the folding carton industry, demand for products used with foodstuffs remained strong, but gift-related demand continued to decline, and as a result, production volume was down from the previous year.

Under these circumstances, despite increases in the price of raw materials and fuels and higher fixed costs, the Rengo Group's Paperboard and Packaging-Related Business reported higher sales and profit due to an increase in the number of consolidated subsidiaries, revision of product prices, and higher sales volumes. As a result, segment sales were ¥431,927 million, an increase of 8.8% year on year, and operating income was ¥15,592 million, an increase of 117.9%.

Supported by strong demand, the Group's domestic paperboard production volume was 2,497 thousand tons, up 1.8% year on year. Owing to higher sales volumes, particularly for mail-order applications, the corrugated board domestic production volume was 4,231 million square meters for corrugated board, an increase of 4.6%, and 3,434 million square meters for corrugated boxes, up 5.7%.

Actions and Measures

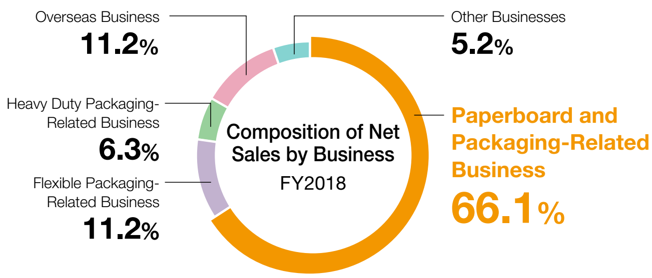
In the paperboard business, the Yodogawa Mill was shut down in March 2018, and the Group's production structure was reorganized by consolidating containerboard production to five sites. Rengo will make efforts to maintain supply structures tailored to demand and continue measures to raise productivity, reduce costs, and develop new products.

In the corrugated packaging business, we are reinforcing marketing capabilities group-wide and building optimal production systems. Proactive measures are also being taken to conduct proposal-based marketing tailored to customer needs and making efforts to increase competitiveness. We are making further advances to the Retail Mate series that contributes to the operational efficiency of front-line logistics, and expanding the lineup of Rengo Smart Display Packaging (RSDP). Furthermore, development and active promotion of high value-added products is also underway, including for example, efforts such as the addition of the new Marché Kit—an easy-to-assemble display product for vegetables, fruits, processed agricultural products—to the Retail Mate series.

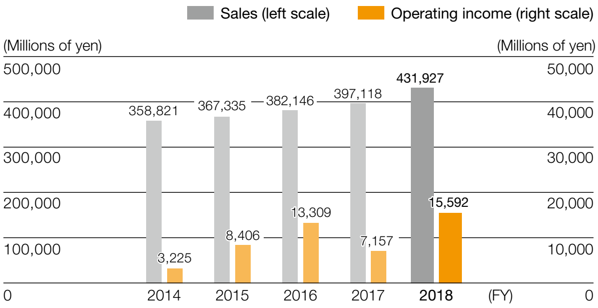
In the folding carton business, the Group supplies optimal packaging that provides the needed functions and is consolidating its accumulated knowledge and technology in the pursuit of packaging manufacturing for a new era.

Research and Development Activities

The Rengo Group is conducting research and development to enhance quality, raise productivity, reduce energy and resource consumption, cut costs, and increase the added value of products, and is making steady progress toward practical application. Some specific areas are development of technologies relating to stronger and higher quality for lightweight containerboard, Delta-flute corrugated board, development of energy-saving and resource-saving technologies with a focus on corrugating adhesives, and development of long-term transportation technology for fruits and vegetables using recyclable functional corrugated board.



■ Sales and operating income (after intersegment eliminations)



Main Products

Paperboard	• Containerboard • Tube board	• Boxboard • Chipboard
Corrugated packaging	• Corrugated board	• Corrugated boxes
Folding cartons	• General-purpose folding cartons • Gift packages • Multi-pack	

Rengo Products (corrugated packaging)

RSDP

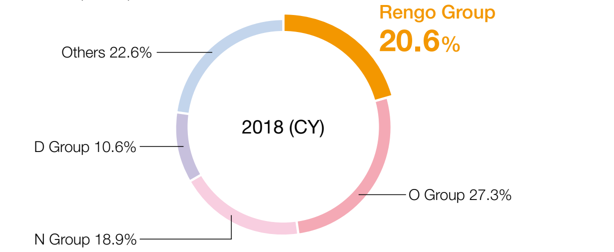
Rengo Smart Display Packaging (RSDP) goes beyond the conventional feature of transporting products to also provide opening, display and selling features. RSDP reduces the work time necessary for opening packages and displaying products to approximately one fifth and greatly enhance sales promotion through outstanding designs.

Marché Kit

We developed a general-purpose display product made from paperboard that is lightweight, durable, and easy to assemble. It does not use any heavy or bulky fittings and can easily be used as a display stand for vegetables, fruits, processed agricultural products, and other products.

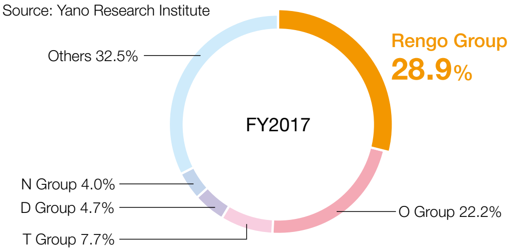
■ Major manufacturing groups' shares of the paperboard market in Japan

Source: Japan Paper Association

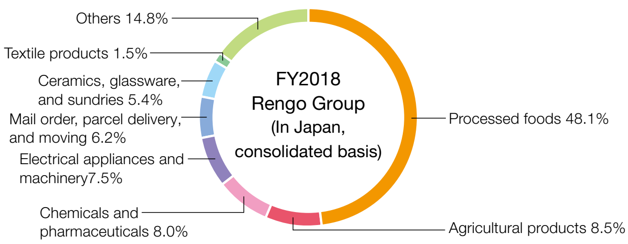


■ Major manufacturing groups' shares of the corrugated board market in Japan

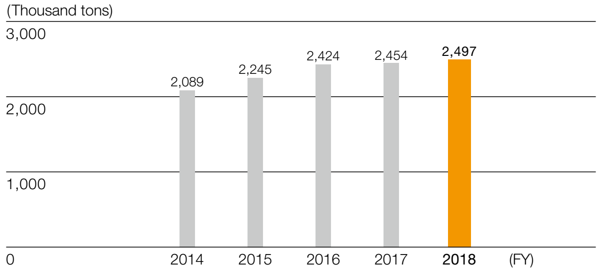
Source: Yano Research Institute



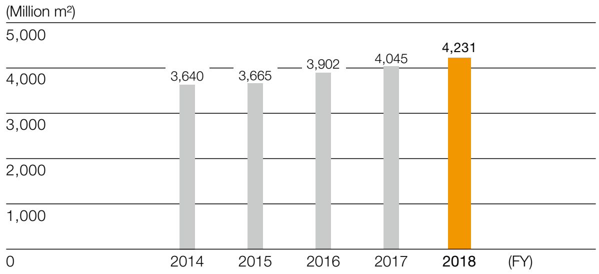
■ Breakdown of demand for corrugated boxes by market



■ Paperboard production (in Japan, consolidated basis)



■ Corrugated board production (in Japan, consolidated basis)



Flexible Packaging-Related Business


Film packaging


Cellophane

The Rengo Group's manufacturing and sales for the flexible packaging business is carried out mainly by Howa Sangyo Co., Ltd. Rengo Co., Ltd. is involved in sales only.
Manufacturing and sales of cellophane are carried out by Rengo Co., Ltd.

Market Environment and Business Results

In the flexible packaging industry, production volume increased from the previous year due to firm demand for products used with processed foods and daily necessities.

In the Group's Flexible Packaging-Related Business, demand increased, particularly from convenience stores, but higher raw material costs and fixed costs gave rise to higher sales and lower profit.

As a result, segment sales were ¥73,079 million, an increase of 7.0% year on year, and operating income was ¥1,918 million, down 48.5%.

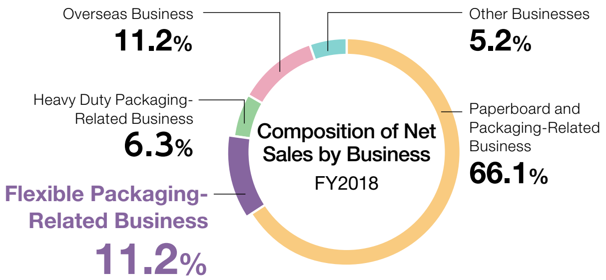
Actions and Measures

The Group is increasing competitiveness and reinforcing its earnings base in the flexible packaging business by building structures that use state-of-the-art facilities to supply high-function products to meet the needs of customers and accurately respond to growing demands.

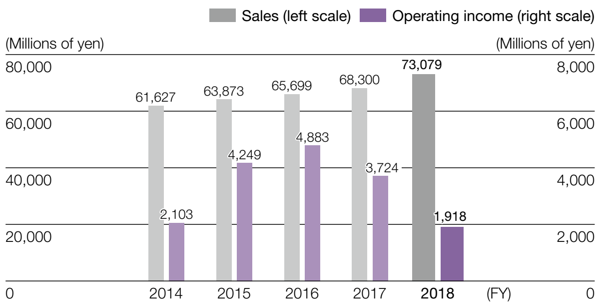
The Group continuously searches for new applications and is working not just to perform the basic functions of flexible packaging, but also to further enhance product value.

Research and Development Activities

We are deploying roll labels and roll-on shrink labels for beverages and conducting research and development on variable printing, environmentally-friendly labels, and diverse other needs. In order to respond to the issue of micro-plastics in the oceans, a new global-scale problem, we are focusing efforts on development of cellulose related products that make effective use of the manufacturing technologies for cellophane, which we produce. From the perspective of reducing the use of petroleum resources, we are also conducting research and development with the aim of making packaging films thinner and improving functionality.



Sales and operating income (after intersegment eliminations)



Main Products

Film Packaging

The Group provides a wide-ranging product lineup including flat bags, gusset bags, pillow bags, standing pouches, and pouches with zip fasteners according to customer product needs.

Labels

In addition to shrink labels and roll labels for bottles including plastic and glass bottles, we also supply roll-on shrink labels, which combine the strong points of these two types of labels.

Cellophane

Cellophane is a transparent film made from wood pulp that does not generate harmful gases even if incinerated and degrades in soil, making it an environmentally-friendly film. It is suitable for packaging medical and pharmaceutical products, foodstuffs, and other products.

Heavy Duty Packaging-Related Business

The Rengo Group's business for manufacture and sale of heavy duty packaging is carried out mainly by Nihon Matai Co., Ltd.

Market Environment and Business Results

In the heavy duty packaging industry, production volume was down from the previous year due to a decline in agriculture-related demand.

Despite an increase in the sales volume of resin products, the Group's heavy duty packaging-related business reported higher sales and lower profit because of increases in prices for raw materials and other factors.

As a result, segment sales were ¥40,872 million, up 4.1% year on year, and operating income was ¥1,647 million, down 9.4%.

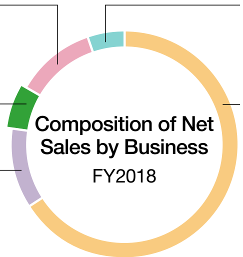
Actions and Measures

We will promote collaboration with other business fields and respond accurately to the diverse needs of customers while raising productivity even further and enhancing cost competitiveness. We will also pursue technological innovations that respond to changes in society so that we can continue to provide heavy duty packaging that enhances the value of customer products.

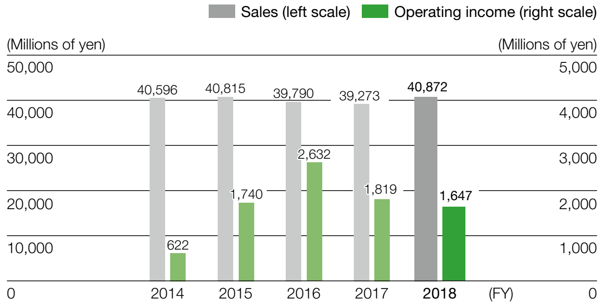
Research and Development Activities

Nihon Matai Co., Ltd. develops functional films, highly functional resin products and heavy duty packaging products.

With regard to heavy duty packaging, the company is reinforcing development of heavy duty bags and packaging films using biodegradable plastics in response to environmental issues. For functional films and highly functional resin products, Nihon Matai plans to expand its lineup of high added value products with a focus on protective films for outdoor use and expand environmentally-friendly, solvent-free adhesive protective films. The company has maintained sales volumes of top/bottom tape for paper carriers at the industry's highest level in the world while developing new products and enhancing quality in the pursuit of new growth.



Sales and operating income (after intersegment eliminations)



Main Products

Flexible container bags

Various types of flexible container bags that offer high functionality, high quality, and environmental performance are produced in Japan and other parts of Asia. Optimal, made-to-order products are supplied to meet the specific needs of customers in Japan and overseas.

Polyethylene heavy duty bags

Nihon Matai boasts the industry's highest share of the market for polyethylene heavy duty bags, which are used for a wide range of applications including chemical products such as fertilizers, horticulture, and foodstuffs. Nihon Matai developed heavy duty gusset polyethylene bags for synthetic resins ahead of its competitors.

Top/bottom tape for paper carriers

Top and bottom tape are used by electronic component manufactures around the world for sealing ultra-compact components on paper carriers.

Overseas Business

Overseas manufacture and sale of the Rengo Group's products are carried out mainly by the following companies: paperboard by Vina Kraft Paper Co., Ltd.; corrugated board and boxes by Dalian Rengo Packaging Co., Ltd.; flexible packaging by Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd.; heavy duty packaging by Tri-Wall Holdings Limited; and nonwoven products by Wuxi Rengo Packaging Co., Ltd.

Market Environment and Business Results

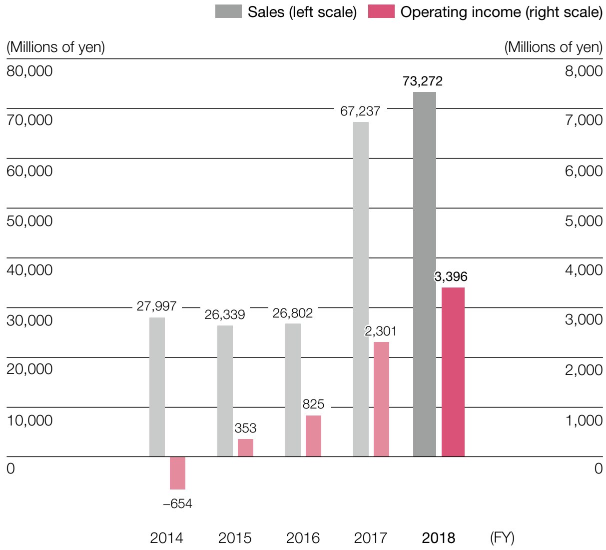
In overseas business, the number of consolidated subsidiaries increased and both the corrugated business and heavy duty packaging business performed well, generating higher sales and profit.

As a result, segment sales were ¥73,272 million, up 9.0% year on year, and operating income was ¥3,396 million, an increase of 47.5%.

Actions and Measures

We will reinforce business development in China and Southeast Asia. Furthermore, we will develop new business in regions where the Group has not yet established itself, through the Tri-Wall Group, which became a subsidiary in October 2016. New regions include Europe and North America.

Sales and operating income (after intersegment eliminations)



Other Businesses

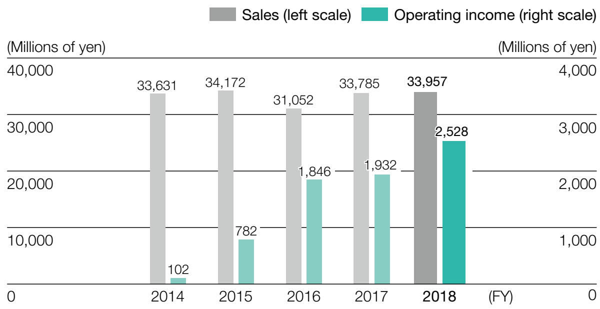
Manufacturing and sale of other products are carried out by the following companies: nonwoven products by Rengo Nonwoven Products Co., Ltd.; and packaging machines mainly by Yamada Kikai Kogyo Co., Ltd. Rengo Co., Ltd. is involved only in sales of packaging machines.
The transport, insurance agency, leasing, and real estate businesses are carried out mainly by Rengo Logistics Co., Ltd. and Sanyo Jidosha Unso Co., Ltd.

Market Environment and Business Results

In other business, improved profitability in the transport business and other factors resulted in higher sales and profit.

As a result, segment sales were ¥33,957 million, up 0.5% year on year, and operating income was ¥2,528 million, an increase of 30.9%.

Sales and operating income (after intersegment eliminations)



Rengo Toppan Containers Established

Rengo acquired 60% of the shares of Toppan Containers Co., Ltd., a subsidiary of Toppan Printing Co., Ltd., in September 2018, and as a result, Toppan Containers became a Rengo subsidiary. The company has made a new start as a member of the Rengo Group, Rengo Toppan Containers, Co., Ltd.

Rengo Toppan Containers has three corrugated plants (in Kawaguchi-shi, Saitama Prefecture; Sano-shi, Tochigi Prefecture; and Ishinomaki-shi, Miyagi Prefecture) and will make active capital investments to increase its corrugated packaging production capacity and enhance quality, thereby establishing structures to more fully satisfy customer needs in the future.

With the acquisition of Toppan Containers, the Group has expanded its supply capacity in the Kanto region, where demand for corrugated packaging is increasing rapidly and which accounts for some 40% of total domestic demand. We will reinforce collaboration among directly-managed plants and Group companies to expand the Group's corrugated packaging business even further.

Rengo Toppan Containers' head office and Saitama Plant (Kawaguchi-shi, Saitama Prefecture)

Sano Plant (Sano-shi, Tochigi Prefecture)


Miyagi Plant (Ishinomaki-shi, Miyagi Prefecture)

Overview of Rengo Toppan Containers Co., Ltd.

Capital:	3,200 million yen
Representative:	President and Representative Director: Taro Shiomi
Head office location:	2-32-1 Hachimangi, Kawaguchi-shi, Saitama Prefecture
Main business:	Manufacture and sale of corrugated board and boxes
Shareholders:	Rengo Co., Ltd 60% Toppan Printing Co., Ltd. 40%

Howa Sangyo Completes Construction of New Factory Building at Narashino Factory

Howa Sangyo Co., Ltd. (Funabashi-shi, Chiba Prefecture) completed construction of a new factory building at its Narashino Factory in November 2018. The new building increased the company's production capacity, and with the introduction of vertical conveyance machines, automated transportation devices, work robots, and other facilities intended to reduce worker burdens, Howa Sangyo will be able to respond promptly to customer needs while raising quality even further, establishing structures that can meet the growing demand for flexible packaging.


Howa Sangyo Co., Ltd. New factory building at the Narashino Factory (Funabashi-shi, Chiba Prefecture)

Sanyo Jidosha Unso Opens New Branch in Kyoto

Sanyo Jidosha Unso Co., Ltd. (Higashiosaka-shi, Osaka) opened a new branch in Yawata-shi, Kyoto on September 2018. By relocating the former Kyoto branch to the new, larger site, the efficiency of collection and delivery operations has been enhanced. In addition, the company will expand third-party logistics (3PL) and provide more attentive transport services.

Sanyo Jidosha Unso's Kyoto branch (Yawata-shi, Kyoto)

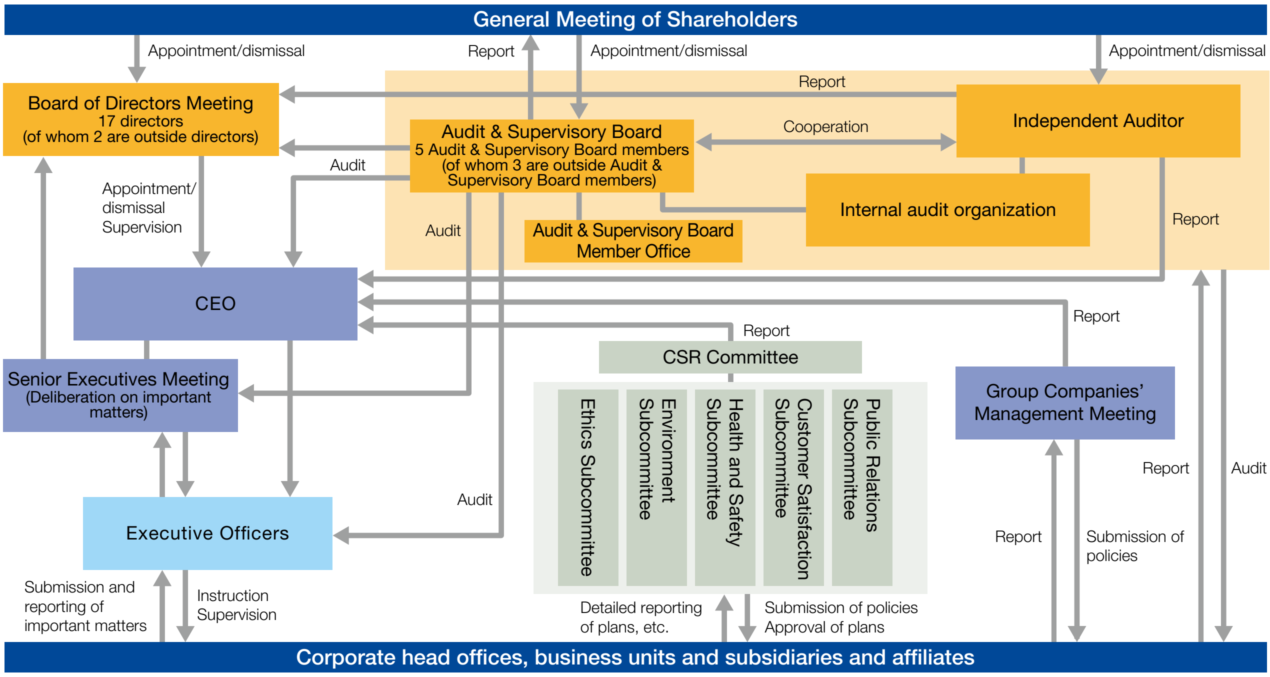
Other Major Developments

Japan	August 2018	Sanwa Danboru Co., Ltd. acquired
	November 2018	Hinode Shiki Kogyo Co., Ltd. acquired Hakata Danboru Co., Ltd.
Overseas	Tri-Wall Holdings Limited	
	April 2018	Aldez Containers, LLC, U.S.-based manufacturer of heavy duty packaging materials, acquired
	October 2018	Rosewood Manufacturing Holdings Limited, a U.K.-based manufacturer of heavy duty packaging materials, acquired
	February 2019	TW Mexico Packaging Solutions established to design and sell packaging materials in Mexico
		Tri-Wall Metal established to manufacture and sell steel racks in Turkey

To Be an Enterprise That Earns Society's Trust and Confidence

Rengo has put in place a corporate governance system and internal controls to accelerate decision-making and strengthen supervision of business execution, to increase corporate value.
In endorsing the Corporate Governance Code, we are continuing efforts to enhance our corporate governance system.

■ Corporate Governance Structure (As of June 20, 2019)



Basic Stance

As an enterprise that has secured society's firm trust and confidence, our goal is timely and accurate information disclosure combined with sound management that has high transparency. In keeping with our corporate philosophy whose essence is "The truth is in the workplace," Rengo is enhancing corporate governance by strengthening the current system of Directors and Audit & Supervisory Board members while delegating authority and accelerating decision-making. In response to the Corporate Governance Code, which came into effect in June 2015, Rengo has disclosed its approaches to the Corporate Governance Code to the Tokyo Stock Exchange in the form of a Corporate Governance Report. The more recent report was submitted on June 21, 2019. Considering the purpose of the Corporate Governance Code, we will continue to work toward sustained growth for our company and improving our corporate value in the medium- to long- term.

Corporate Governance Systems

Rengo, a company with audit & supervisory board members, is making efforts to enhance management transparency and strengthen supervision of management. Audit & Supervisory Board members monitor the directors' performance of duties and the operations, as well as the financial conditions of Rengo and its subsidiaries.

Corporate governance structure

Organizational form	Company with audit & supervisory board members
Establishment of Audit & Supervisory Board	Established
Number of directors (of which, outside directors)	17 (2)
Number of audit & supervisory board members (of which, outside audit & supervisory board members)	5 (3)
Number of independent directors/auditors	5
Terms of office of director	1 year
Disclosure of compensation	Total amount*
Policy on determining compensation amounts and calculation methods	Established

* Information on individual directors' compensation totaling ¥100 million or more is disclosed separately.

Effectiveness and State of the Board of Directors

As of June 20, 2019, Rengo's Board of Directors consisted of 17 directors (the maximum number of directors stipulated in the Articles of Incorporation is 18). Regarding the effectiveness of the Board of Directors, Rengo is working to enhance the functions of the Board through self-evaluation by directors and other means.
In February 2019, the company conducted a questionnaire survey (self-evaluation) of members of the Board of Directors and the Audit & Supervisory Board. The responses were analyzed, and following discussion of these results at a meeting of the Board of Directors, the overall effectiveness of the Board of Directors was confirmed.

Compensation for Directors

Rengo disclosed in its business report for the fiscal year ended March 2019 that the amount of director compensation was ¥789 million (of which ¥33 million was for outside directors) and the amount of Audit & Supervisory Board member compensation was ¥110 million (of which ¥41 million was for outside Audit & Supervisory Board members).

For information on policies concerning the determination of amounts for Director compensation, refer to Corporate Governance Status in the securities report.

Making Use of Independent Outside Directors and Outside Audit & Supervisory Board Members

Rengo has appointed two independent outside directors, thus allowing for opinions stated from an independent stance during discussions at Board meetings. In addition to meeting the criteria for outside directors in accordance with the Companies Act and satisfying the qualifications for independent directors stipulated by the Tokyo Stock Exchange, persons with no potential conflicts of interest with ordinary shareholders and who can contribute to sustainable growth and increasing corporate value over the medium to long term are selected as outside directors.

In addition, three outside audit and supervisory board members have been appointed. The outside audit and supervisory board members will fulfill their roles and duties independently, making full use of their high-level of specialist knowledge and broad experience, as well as offering an appropriate level of input at Board meetings.

Internal Control

Rengo formulated the basic policy for design of internal controls pursuant to the Companies Act of Japan and the Board of Directors approved it in May 2006. In April 2008, to respond to the internal control system required by the Financial Instruments and Exchange Act, Rengo established the new Audit Department, which is independent of routine operations. The Internal Control Audit Section of the Audit Department monitors and evaluates statuses of design and operation of companywide internal controls and internal controls of significant business processes and pursues improvement. In fiscal 2018, Rengo and its 115 consolidated subsidiaries were within the scope of evaluation of companywide internal controls and seven significant business entities, including Rengo, were subject to evaluation of internal controls of business processes. As a result of the evaluation, management judged that Rengo's internal controls covering financial reporting were effective as of March 31, 2019.

Initiatives for Constructive Dialogue with Shareholders

Rengo holds semi-annual financial briefings attended by the President & CEO to create opportunities to engage in constructive dialogue with shareholders and investors and to reflect their opinions and requests in management. The proceedings are promptly posed on Rengo's website. From time to time, we also conduct facility tours and small-group meetings.

Formulating Rengo's Fundamental Policy on Information Disclosure

Rengo understands the importance of disclosing information in a timely and appropriate manner to the public and increasing management transparency so that society, customers, shareholders, and investors can accurately understand and assess our company. As such, we formulated our Fundamental Policy on Information Disclosure in June 2017.

Fundamental Policy on Information Disclosure
URL https://www.rengo.co.jp/english/financial/disclosure.html

Risk Management Structures

Rengo established the CSR Committee chaired by the President & CEO to address risk management. Under the committee are five subcommittees for ethics, environment, health and safety, customer satisfaction, and public relations. The committee and its subcommittees cooperate with relevant business units/groups and departments to carry out companywide monitoring.

In addition, the Board of Directors receives reports on the status of these initiatives from the directors who manage or oversee each business unit/group and department, and from the chairs of each committee and subcommittees. The Board deliberates and makes decisions on improvement initiatives and other matters as necessary.

Responding to the Risk of a Major Disaster

In consideration of the frequent occurrence of natural disasters such as earthquakes and typhoons, Rengo has established fundamental policies to ensure the safety of employees, restore company facilities to continue business operations, and fulfill our corporate social responsibilities to maintain and continue corporate activities in the event a disaster occurs.

Following the Great East Japan Earthquake , all business sites have maintained stocks of emergency supplies since June 2011. In addition, satellite telephones were installed at all business sites in March 2012.

In April 2012, we created a system to confirm the safety of employees and others and the status of damage; when a large-scale earthquake occurs, confirmation emails are automatically sent. Since then, test emails have been sent every half-year to ensure effective operation is maintained. In 2018, test emails to confirm employee safety were sent to all employees in March and November.

Members of the Board, Audit & Supervisory Board Members (As of June 20, 2019)

Kiyoshi Otsubo

Representative Director,
Chairman, President and Chief Executive Officer

April 1962	Joined Sumitomo Corporation
June 2000	Representative Director, President and Chief Executive Officer of Rengo Co., Ltd.
April 2014	Representative Director, Chairman, President and Chief Executive Officer (to present)

Moriaki Maeda

Representative Director, Executive Vice President
<Responsibilities > Aide to the President, Corporate Unit

April 1973	Joined Rengo Co., Ltd.
April 2013	Representative Director, Executive Vice President (to present)

Shigechika Ishida

Representative Director, Executive Vice President
<Responsibilities> Packaging Business Unit, Overseas Business Unit

April 1975	Joined Rengo Co., Ltd.
April 2019	Representative Director, Executive Vice President (to present)

Ichiro Hasegawa

Representative Director, Executive Vice President
<Responsibilities> Paperboard Business Division, Procurement Unit, Chairman of Rengo Paper Business Co., Ltd.

April 1976	Joined Sumitomo Corporation
June 2002	Member of the Board
April 2013	Representative Director, Executive Vice President (to present)

Representative Director, Chairman, President and Chief Executive Officer	Kiyoshi Otsubo
Representative Director, Executive Vice President	Moriaki Maeda
	Shigechika Ishida
	Ichiro Hasegawa
Member of the Board, Senior Managing Executive Officer	Yasuhiro Baba
	Hiromi Sambe
	Yosuke Kawamoto
	Sadatoshi Inoue
Member of the Board, Managing Executive Officer	Hiroshi Ebihara
	Koichi Hirano
	Mitsumasa Yokota
	Takeshi Hosokawa
	Hirofumi Hori
	Toru Osako
	Yukio Okano
Member of the Board*1	Yoshio Sato
	Masayuki Oku
Full-time Audit & Supervisory Board Member	Kiwamu Hashimoto
	Yoshihiro Kagawa

Audit & Supervisory Board Member*2	Junzo Ishii
	Kiyoshi Mukohara
	Kenji Tsujimoto
Senior Managing Executive Officer	Osamu Nishimura
Managing Executive Officer	Yuji Hiwaki
	Masashi Nakashima
Executive Officer	Yuji Motomatsu
	Shin Morizuka
	Satoshi Fujiwara
	Mitsunori Ozaki
	Shigetoshi Yoshimura
	Yosuke Tsuge
	Yasuhiro Yuida
	Mitsuyuki Goto
	Hitoshi Shibasaki
	Makoto Iida
	Yoshizumi Nishi

*1. Board members Yoshio Sato and Masayuki Oku are outside directors.
*2. Audit & Supervisory Board members Junzo Ishii, Kiyoshi Mukohara and Kenji Tsujimoto are outside members.

Financial Section

Consolidated Ten-Year Summary

Rengo Co., Ltd. and Consolidated Subsidiaries
(For the years ended March 31, 2010–2019)

	2010/3	2011/3	2012/3
For the fiscal year (millions of yen):			
Net sales	¥ 457,386	¥ 474,878	¥ 492,628
Gross profits	91,645	91,888	86,196
Operating income	33,727	32,391	25,068
Profit before income taxes and non-controlling interests	29,633	18,042	11,272
Profit attributable to owners of parent	16,987	10,291	7,148
Research and development expenses	1,507	1,486	1,541
Depreciation and amortization	25,223	26,394	27,149
Capital expenditures	29,363	22,650	47,741
EBITDA	58,950	58,785	52,217
At the fiscal year-end (millions of yen):			
Total assets	¥ 498,137	¥ 499,119	¥ 549,058
Working capital	(37,080)	(36,385)	(46,135)
Interest-bearing debt	199,237	201,584	229,444
Net assets	163,926	165,613	170,931
Equity capital[*1]	159,385	159,395	164,339
Per share amounts (yen):			
Basic earnings per share	¥ 64.42	¥ 39.67	¥ 27.74
Diluted earnings per share	—	—	—
Cash dividends applicable to the year	10.00	12.00	12.00
Net assets per share[*2]	595.36	618.59	637.85
Ratio:			
Return on equity (%)	11.5	6.5	4.4
Return on total assets (%)	3.6	2.1	1.4
Debt to equity ratio (times)	1.25	1.27	1.40
Capital adequacy ratio (%)	32.0	31.9	29.9
Other statistics:			
Number of shares of common stock (thousand)	271,056	271,056	271,056
Number of employees	11,182	12,267	12,961
Stock prices (yen):			
High	¥ 652	¥ 597	¥ 619
Low	483	414	458

*1 Equity capital = Net assets - Non-controlling interests
*2 The amount of net assets used for calculation of net assets per share is the amount of net assets on the consolidated balance sheets, excluding non-controlling interests.

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
	¥ 502,626	¥ 523,142	¥ 522,672	¥ 532,534	¥ 545,489	¥ 605,713	¥ 653,107
	88,469	82,606	76,429	87,288	98,587	99,710	111,197
	23,891	14,221	5,568	15,727	23,642	17,083	25,292
	25,066	9,687	12,081	16,268	24,186	23,366	25,076
	12,956	3,703	5,719	9,817	13,876	16,623	17,163
	1,581	1,421	1,405	1,441	1,448	1,483	1,532
	27,898	28,582	29,612	29,333	29,524	30,881	32,259
	37,014	52,849	39,982	29,657	30,446	41,527	36,512
	51,789	42,803	35,180	46,455	54,373	49,616	59,028
	¥ 572,591	¥ 629,055	¥ 655,675	¥ 644,690	¥ 704,827	¥ 747,700	¥ 769,356
	(30,389)	(40,772)	(34,146)	(36,802)	(24,289)	(23,761)	(10,143)
	237,746	263,431	276,906	264,728	283,350	287,322	283,072
	188,133	201,659	222,391	221,734	241,511	262,581	274,698
	180,734	196,359	216,353	215,963	234,242	255,015	263,948
	¥ 50.99	¥ 14.95	¥ 23.09	¥ 39.64	¥ 56.04	¥ 67.14	¥ 69.32
	—	—	—	—	—	—	—
	12.00	12.00	12.00	12.00	12.00	12.00	14.00
	729.53	792.78	873.60	872.17	946.06	1,029.98	1,066.07
	7.5	2.0	2.8	4.5	6.2	6.8	6.6
	2.3	0.6	0.9	1.5	2.1	2.3	2.3
	1.32	1.34	1.28	1.23	1.21	1.13	1.07
	31.6	31.2	33.0	33.5	33.2	34.1	34.3
	271,056	271,056	271,056	271,056	271,056	271,056	271,056
	13,082	13,095	14,060	13,999	16,038	16,532	16,968
	¥ 599	¥ 651	¥ 558	¥ 619	¥ 717	¥ 968	¥ 1,078
	311	438	443	459	546	603	787

Management's Discussion and Analysis

Overview

In the fiscal year ended March 31, 2019, the Rengo Group worked diligently to expand business and increase earnings capacity by strengthening sales and marketing capabilities and conducting vigorous capital investment and M&A as General Packaging Industry (GPI) Rengo, proposing comprehensive solutions for the full spectrum of packaging needs of virtually all industries centered on six core business fields—paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas operations.

In the development of packaging that delivers significant value with fewer resources based on our "Less is more." concept, we made further improvements to our *Retail Mate* series lineup, which contributes to optimizing workflows at retail sites. We enhanced the functionality of our *Rengo Smart Display Packaging* (RSDP), which can be opened with a single action and immediately displayed, providing careful support for needs. We also expanded the series with the new *Marché Kit*, which is easily set up as a sales stand for displaying fruit, vegetables, processed agricultural products, and more. In addition, we developed the *ZIZAI* automated packaging system, which automatically measures a corrugated box's dimensions and cuts the top panel, and responded to labor shortages in logistics centers by automating unpacking work. With such social issues to be solved in mind, we have made efforts to increase orders through developing and promoting innovative products.

In response to the escalating cost of recovered paper—the main raw material for containerboard—and increases in other costs such as for fuel, miscellaneous material, and logistics, we implemented thorough measures to reduce costs so that we can maintain the prices of our products. However, it was difficult to overcome this situation through internal efforts alone, and therefore, we revised prices for all paperboard products including containerboard as well as corrugated packaging, and these revisions produced a certain degree of results.

Rengo acquired a 100% stake in Sanwa Danboru Co., Ltd. (Kochi-shi, Kochi Prefecture) in August 2018 and acquired a 60% stake in Toppan Containers Co., Ltd., formerly a subsidiary of Toppan Printing Co., Ltd., and changed its name to Rengo Toppan Containers Co., Ltd. (Kawaguchi-shi, Saitama Prefecture) in September, expanding its corrugated business. Also in September, Sanyo Jidosha Unso Co., Ltd. (Higashiosaka-shi, Osaka Prefecture) relocated its Kyoto branch to a larger site in Yawata-shi, Kyoto Prefecture, raising the efficiency of collection and delivery, and dispatch operations. In addition, Howa Sangyo Co., Ltd. (Funabashi-shi, Chiba Prefecture) completed the construction of a new factory building at its Narashino Factory in November, establishing a structure that can respond to the growing demand for flexible packaging.

Overseas, Tri-Wall Limited (Hong Kong) acquired heavy duty packaging materials manufacturers in the United States in April 2018 and in the United Kingdom in October, and in February 2019, it established subsidiaries in Turkey and Mexico, expanding the heavy duty packaging business in various regions around the world.

As a result, both sales and profits were higher, with sales increasing 7.8% year-on-year to ¥653.1 billion and profit attributable to owners of the parent up 3.2% year-on-year to ¥17.2 billion.

As of March 31, 2019, there were 146 consolidated subsidiaries, seven more than at the end of the previous fiscal year, and there were 16 affiliates accounted for using equity method, an increase of one from the end of the previous year.

Sales

Consolidated net sales increased ¥47.4 billion or 7.8% year on year from ¥605.7 billion for the previous year to ¥653.1 billion for fiscal 2018. The increase was due mainly to an increase in sales volume, revisions to product prices, and an increase in the number of consolidated subsidiaries.

Sales from the Paperboard and Packaging-Related Business increased 8.8% year on year, sales from the Flexible Packaging-Related Business increased 7.0%, sales from the Heavy Duty Packaging-Related Business increased 4.1%, sales from the Overseas Business increased 9.0%, and sales from other businesses increased 0.5%.

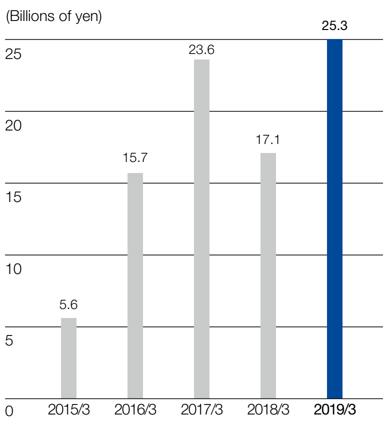
Sales volumes of corrugated boxes in Japan increased 3.7% on the back of robust demand.

Income and Expenses

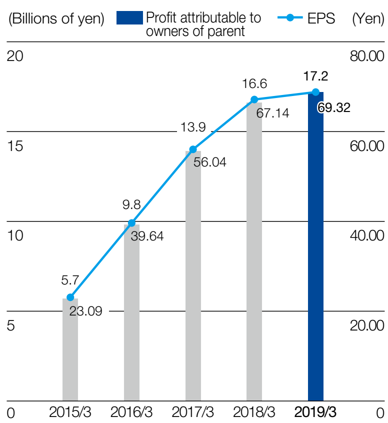
Operating Expenses and Operating Income

Cost of sales increased 7.1% year on year from ¥506.0 billion for the previous year to ¥541.9 billion due to increased sales volumes, rising prices for recovered paper, which is used as the

Operating Income



Profit Attributable to Owners of Parent and Earnings per Share (EPS)



Income and Expenses as a Percentage of Net Sales

	2017/3	2018/3	2019/3
Cost of sales	81.9%	83.5%	83.0%
SG&A expenses	13.7	13.6	13.2
Operating income	4.3	2.8	3.9
Profit attributable to owners of parent	2.5	2.7	2.6

main raw material, and higher costs for city gas and other fuels. Selling, general and administrative expenses increased 4.0% from ¥82.6 billion to ¥85.9 billion owing primarily to an increase in personnel expenses and higher freightage and packing expenses.

Operating income increased ¥8.2 billion or 48.1% year on year from ¥17.1 billion to ¥25.3 billion. Despite higher prices for raw materials and increased fixed costs, operating income increased as a result of revisions to product prices and higher sales volumes.

Other Income and Expenses

Regarding the net balance of other income and expenses, losses in fiscal 2018 were ¥0.2 billion compared to income of ¥6.3 billion in the previous year. The loss was due to factors including decrease in equity in eamings of affiliates as a result of the absence of gain on sale of subsidiary shares by Hung Hing Printing Group Limited, an equity method affiliate, reported in the previous fiscal year, as well as reporting of renewal expenses of plant and loss on closing of plant.

Income Taxes and Profit Attributable to Non-controlling Interests

Income taxes increased ¥1.2 billion from ¥6.0 billion for the previous year to ¥7.2 billion mainly owing to an increase in profit before income taxes and non-controlling interests. Profit attributable to non-controlling interests were ¥0.7 billion, unchanged from the previous year.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent was ¥17.2 billion for fiscal 2018, an increase of ¥0.6 billion or 3.2% from ¥16.6 billion for the previous year. Basic earnings per share was ¥69.32, having increased from ¥67.14 for the previous year.

Annual cash dividends were ¥14 per share including a ¥2 per share commemorative dividend declared to mark the 110th anniversary of the Company's foundation.

Financial Position and Cash Flows

Assets

Total assets were ¥769.4 billion, having increased ¥21.7 billion from ¥747.7 billion at the end of the previous year. The overall increase was comprised of a ¥15.1 billion increase in current assets, a ¥10.3 billion increase in property, plant and equipment, a ¥1.4 billion decrease in intangible assets, and a ¥2.3 billion decrease in investments and other assets.

The principal factors were an increase in notes and accounts receivable-trade and an increase in consolidated subsidiaries.

Liabilities and Net Assets

Total liabilities amounted to ¥494.7 billion, having increased ¥9.6 billion from ¥485.1 billion at the end of the previous year, owing mainly to an increase in notes and accounts payable-trade.

Interest-bearing debt at the end of the fiscal year stood at ¥283.1 billion, having decreased ¥4.2 billion from ¥287.3 billion at the end of the previous year.

Net assets amounted to ¥274.7 billion, having increased ¥12.1 billion from ¥262.6 billion at the end of the previous year, owing to a decrease in foreign currency translation adjustments as well as an increase in retained earnings resulting from recording profit attributable to owners of parent and other factors.

Cash Flows

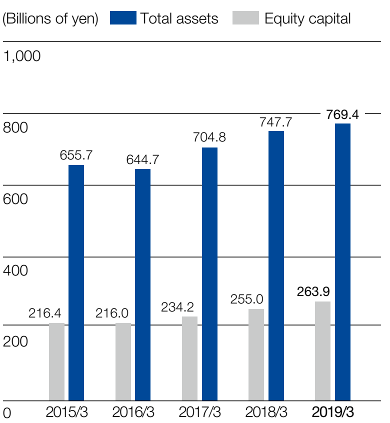
Net cash provided by operating activities amounted to ¥50.9 billion, an increase of ¥19.7 billion from ¥31.2 billion for the previous year. The major item was depreciation and amortization amounting to ¥32.3 billion.

Net cash used in investing activities increased ¥10.0 billion from ¥28.7 billion for the previous year to ¥38.7 billion. The major item was purchase of property, plant and equipment amounting to ¥38.3 billion.

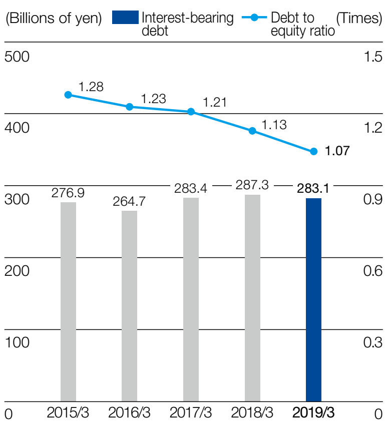
Net cash used in financing activities was ¥9.4 billion, having increased ¥6.2 billion from ¥3.2 billion for the previous year. Major items were a ¥8.5 billion net decrease in long-term and short-term loans payable, ¥10.0 billion in proceeds from issuance of bonds, redemption of bonds amounting to ¥5.0 billion, cash dividends paid amounting to ¥3.0 billion, and repayments of lease obligations amounting to ¥2.1 billion.

As a result, cash and cash equivalents were ¥29.6 billion at the end of fiscal 2018, having increased ¥2.7 billion from the previous year.

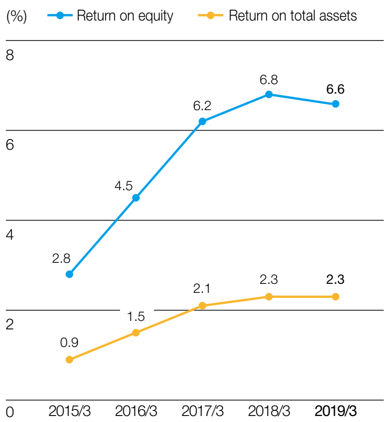
Equity Capital and Total Assets



Interest-Bearing Debt and
Debt to Equity Ratio



Return on Equity and
Return on Total Assets



Risk Factors

1. Product Demand and Market Trends

Paperboard and corrugated packaging, the Rengo Group's main products, will be impacted substantially by trends in the domestic market. Factors causing deterioration of market conditions such as a decline in demand due to economic downturn or an intensification of competition may have an impact on the Group's business performance, financial status, and so on.

2. Raw Material and Fuel Prices

Prices for old corrugated containers, the main raw material used in the Group's products, will be affected by demand trends in China and other parts of Asia. If changes occur in the balance of supply and demand in the country, rising purchase prices may push costs higher, and this may have an impact on the Group's business performance, financial status, and so on.

The main fuels used by the Group are city gas, LNG, fuel oil, and coal. The prices of these fuels will be affected by international commodities markets, and if market prices increase, there may be an impact on the Group's business performance, financial status, and so on.

3. Changes in Interest Rates

The Group's balance of interest-bearing debt was ¥283,072 million as of March 31, 2019. The Group has taken diligent measures to reduce interest-bearing debt, but as it is exposed to risks from interest rate fluctuations, if market interest rates increase, there may be an impact on the Group's business performance, financial status, and so on.

4. Changes in Share Prices

The Group holds shares, mainly of its business partners, and the prices of marketable shares could decrease as a result of various factors, and this could have an impact on the Group's business performance, financial status, and so on.

The Group's pension assets are affected by stock price levels, and consequently, the retirement benefit expenses can be fluctuated.

5. Overseas Business

The Group has positioned China and Southeast Asia as growth markets and is developing paperboard and packaging related business, as well as businesses related to flexible packaging, and heavy duty packaging in those markets. When developing business in overseas markets, the Group makes investment decisions after thoroughly examining the risks, but overseas business activities are exposed to the risk of exchange rate fluctuations and various other risks unique to each country such as economic and political risks. If these risks occur, there may be an impact on the Group's business performance, financial status, and so on.

6. Changes in Currency Exchange Rates

The Group is exposed to risks of exchange rate fluctuations when importing and exporting products, raw materials, and fuel, and these risks may have an impact on the Group's business performance, financial status, and so on.

7. Litigation

The Group endeavors to practice compliance management including compliance with laws, regulations, and so on, but in the process of conducting ongoing business activities in and out of the country, the Group is exposed to risks of litigation arising out of intellectual property, environmental matters, and other issues. Depending on the specific details of litigation, there may be an impact on the Group's business performance, financial status, and so on.

8. Business Restructuring

The Group is undergoing a process of business selection and concentration in order to increase corporate value, and the occurrence of temporary losses within that process may have an impact on the Group's business performance, financial status, and so on.

9. Natural Disaster

If the Group's sites and facilities incur extensive damage as a result of a large-scale natural disaster such as an earthquake or typhoon, interruption of business activities may have an impact on the Group's business performance, financial status, and so on.

10. Other Risks

Risks other than those described above occurring as a result of unforeseeable circumstances are possible, and depending on the specifics of those risks, there may be an impact on the Group's business performance, financial status, and so on.

Consolidated Balance Sheets

Rengo Co., Ltd. and Consolidated Subsidiaries
(March 31, 2019 and 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Assets			
Current assets:			
Cash and deposits (Notes 4, 6 and 8)	¥ 31,022	¥ 28,108	$ 279,477
Receivables			
Notes and accounts receivable-trade (Note 6)	194,762	185,146	1,754,613
Other	2,226	2,180	20,054
Allowance for doubtful accounts	(736)	(646)	(6,631)
	196,252	186,680	1,768,036
Inventories (Note 5)	48,906	45,916	440,595
Other	3,955	4,358	35,631
Total current assets	280,135	265,062	2,523,739
Property, plant and equipment (Note 8):			
Buildings and structures	239,284	228,549	2,155,712
Machinery, equipment and vehicles	485,147	474,597	4,370,694
Land	113,959	107,374	1,026,658
Construction in progress	7,280	6,334	65,585
Other	29,188	29,044	262,955
	874,858	845,898	7,881,604
Less accumulated depreciation	(554,896)	(536,191)	(4,999,064)
Total property, plant and equipment	319,962	309,707	2,882,540
Intangible assets:			
Goodwill	9,079	9,724	81,793
Other (Note 8)	13,351	14,097	120,279
Total intangible assets	22,430	23,821	202,072
Investments and other assets:			
Investment securities (Notes 6, 7 and 8)	123,745	126,688	1,114,820
Long-term loans receivable	710	1,009	6,396
Net defined benefit asset (Note 11)	2,564	2,808	23,099
Deferred tax assets (Note 10)	1,404	1,532	12,649
Other (Note 8)	19,544	18,061	176,072
Allowance for doubtful accounts	(1,138)	(988)	(10,252)
Total investments and other assets	146,829	149,110	1,322,784
Total assets	**¥ 769,356**	**¥ 747,700**	**$ 6,931,135**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings and the current portion of long-term debt (Notes 6, 8 and 9)	¥ 109,679	¥ 121,974	$ 988,099
Payables			
Notes and accounts payable-trade (Notes 6 and 8)	124,232	111,838	1,119,207
Other (Note 6)	18,117	22,105	163,216
	142,349	133,943	1,282,423
Income taxes payable	5,422	3,417	48,847
Provision for directors' bonuses	221	173	1,991
Other	32,607	29,316	293,757
Total current liabilities	290,278	288,823	2,615,117
Non-current liabilities:			
Long-term debt due after one year (Notes 6, 8 and 9)	167,879	159,091	1,512,424
Deferred tax liabilities (Note 10)	17,223	17,633	155,162
Provision for directors' retirement benefits	1,011	943	9,108
Net defined benefit liability (Note 11)	12,253	12,061	110,387
Other (Notes 6 and 8)	6,014	6,568	54,180
Total non-current liabilities	204,380	196,296	1,841,261
Contingent liabilities (Note 12)			
Net assets (Note 13):			
Shareholders' equity:			
Capital stock:			
Authorized 800,000,000 shares Issued 271,056,029 shares	31,067	31,067	279,883
Capital surplus	33,657	33,586	303,216
Retained earnings	169,587	155,268	1,527,811
Treasury stock:			
23,466,372 shares in 2019 and 23,463,100 shares in 2018	(11,943)	(11,940)	(107,595)
Total shareholders' equity	222,368	207,981	2,003,315
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	32,896	34,322	296,360
Deferred gains or losses on hedges	0	–	0
Foreign currency translation adjustment	6,726	10,620	60,595
Remeasurements of defined benefit plans	1,958	2,092	17,640
Total accumulated other comprehensive income	41,580	47,034	374,595
Non-controlling interests	10,750	7,566	96,847
Total net assets	274,698	262,581	2,474,757
Total liabilities and net assets	**¥ 769,356**	**¥ 747,700**	**$ 6,931,135**

Consolidated Statements of Income

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2019 and 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales (Note 21)	¥ 653,107	¥ 605,713	$ 5,883,847
Cost of sales	541,910	506,002	4,882,072
Selling, general and administrative expenses (Note 15)	85,905	82,628	773,919
Operating income (Note 21)	25,292	17,083	227,856
Other income (expenses):			
Interest and dividend income	2,254	2,186	20,306
Equity in earnings of affiliates (Note 16)	2,046	6,272	18,432
Interest expenses	(1,567)	(1,621)	(14,117)
Insurance claim income	142	294	1,279
Gain on sales of non-current assets	89	1,647	802
Gain on sales of investment securities	82	1,315	739
Renewal expenses of plants (Note 17)	(674)	(318)	(6,072)
Loss on sales and retirement of non-current assets	(485)	(700)	(4,369)
Loss on closing of plant (Note 18)	(447)	—	(4,027)
Loss on disaster	(404)	—	(3,640)
Loss on liquidation of subsidiaries and affiliates	(330)	—	(2,973)
Business structure improvement expenses (Note19)	—	(1,105)	—
Other, net	(922)	(1,687)	(8,306)
Profit before income taxes and non-controlling interests	25,076	23,366	225,910
Income taxes (Note 10):			
Income taxes-current	8,379	6,381	75,486
Income taxes-deferred	(1,159)	(336)	(10,441)
Total income taxes	7,220	6,045	65,045
Profit	17,856	17,321	160,865
Profit attributable to non-controlling interests	693	698	6,243
Profit attributable to owners of parent	¥ 17,163	¥ 16,623	$ 154,622

	Yen		U.S. dollars (Note 1)
	2019	2018	2019
Per share data:			
Basic earnings per share	¥ 69.32	¥ 67.14	$ 0.62
Diluted earnings per share	—	—	—
Cash dividends applicable to the year	14.00	12.00	0.13

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2019 and 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Profit	¥ 17,856	¥ 17,321	$ 160,865
Other comprehensive income (Note 14):			
Valuation difference on available-for-sale securities	(1,404)	6,417	(12,649)
Deferred gains or losses on hedges	0	0	0
Foreign currency translation adjustment	(2,941)	727	(26,495)
Remeasurements of defined benefit plans	(121)	538	(1,090)
Share of other comprehensive income of affiliates accounted for using equity method	(1,214)	158	(10,937)
Total other comprehensive income	(5,680)	7,840	(51,171)
Comprehensive income	¥ 12,176	¥ 25,161	$ 109,694
Comprehensive income attributable to			
Owners of the parent	¥ 11,712	¥ 24,354	$ 105,514
Non-controlling interests	464	807	4,180

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2019 and 2018)

	Thousands	Millions of yen									
	Number of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at April 1, 2017	271,056	¥ 31,067	¥ 34,291	¥ 141,527	¥ (11,936)	¥ 27,911	¥ (2)	¥ 9,833	¥ 1,551	¥ 7,269	¥ 241,511
Change in scope of consolidation				88							88
Dividends from surplus				(2,971)							(2,971)
Profit attributable to owners of parent				16,623							16,623
Purchase of treasury stock					(4)						(4)
Disposal of treasury stock			0		0						0
Purchase of investments in capital of consolidated subsidiaries			(672)								(672)
Other			(33)	1							(32)
Net changes in items other than shareholders' equity						6,411	2	787	541	297	8,038
Balance at March 31, 2018	271,056	¥ 31,067	¥ 33,586	¥ 155,268	¥ (11,940)	¥ 34,322	¥ -	¥ 10,620	¥ 2,092	¥ 7,566	¥ 262,581
Dividends from surplus				(2,971)							(2,971)
Profit attributable to owners of parent				17,163							17,163
Purchase of treasury stock					(3)						(3)
Disposal of treasury stock			0		0						0
Other			71	127							198
Net changes in items other than shareholders' equity						(1,426)	0	(3,894)	(134)	3,184	(2,270)
Balance at March 31, 2019	**271,056**	**¥ 31,067**	**¥ 33,657**	**¥ 169,587**	**¥ (11,943)**	**¥ 32,896**	**¥ 0**	**¥ 6,726**	**¥ 1,958**	**¥ 10,750**	**¥ 274,698**

	Thousands of U.S. dollars (Note 1)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at March 31, 2018	$ 279,883	$ 302,577	$ 1,398,811	$ (107,568)	$ 309,207	$ -	$ 95,676	$ 18,847	$ 68,162	$ 2,365,595
Dividends from surplus			(26,766)							(26,766)
Profit attributable to owners of parent			154,622							154,622
Purchase of treasury stock				(27)						(27)
Disposal of treasury stock		0		0						0
Other		639	1,144							1,783
Net changes in items other than shareholders' equity					(12,847)	0	(35,081)	(1,207)	28,685	(20,450)
Balance at March 31, 2019	**$ 279,883**	**$ 303,216**	**$ 1,527,811**	**$ (107,595)**	**$ 296,360**	**$ 0**	**$ 60,595**	**$ 17,640**	**$ 96,847**	**$ 2,474,757**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2019 and 2018)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net cash provided by (used in) operating activities:			
Profit before income taxes and non-controlling interests	¥ 25,076	¥ 23,366	$ 225,910
Depreciation and amortization	32,259	30,777	290,622
Impairment loss	140	221	1,261
Amortization of goodwill	1,435	1,605	12,928
Business structure improvement expenses	–	1,105	–
Increase (decrease) in provision for directors' retirement benefits	68	(71)	613
Increase (decrease) in net defined benefit liability	(47)	(147)	(423)
Interest and dividend income	(2,254)	(2,186)	(20,306)
Interest expenses	1,567	1,621	14,117
Equity in (earnings) losses of affiliates	(2,046)	(6,272)	(18,432)
Loss (gain) on sales of investment securities	(77)	(1,315)	(694)
Loss (gain) on valuation of investment securities	31	19	279
Loss (gain) on sales of property, plant and equipment	(68)	(1,444)	(613)
Loss on retirement of property, plant and equipment	464	497	4,180
Decrease (increase) in notes and accounts receivable-trade	(8,531)	(19,897)	(76,856)
Decrease (increase) in inventories	(3,118)	(5,389)	(28,090)
Increase (decrease) in notes and accounts payable-trade	6,082	15,279	54,793
Other, net	3,724	1,264	33,549
Subtotal	54,705	39,033	492,838
Interest and dividend income received	4,149	2,650	37,378
Interest expenses paid	(1,553)	(1,595)	(13,991)
Income taxes paid	(6,444)	(8,839)	(58,054)
Net cash provided by (used in) operating activities	50,857	31,249	458,171
Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	(279)	716	(2,514)
Purchase of property, plant and equipment	(38,292)	(35,924)	(344,973)
Proceeds from sales of property, plant and equipment	743	3,949	6,694
Purchase of intangible assets	(742)	(1,246)	(6,685)
Purchase of investment securities	(1,515)	(931)	(13,649)
Proceeds from sales and redemption of investment securities	386	6,439	3,478
Payments for investments in capital of subsidiaries and affiliates	–	(732)	–
Net decrease (increase) in short-term loans receivable	79	147	712
Payments of long-term loans receivable	(388)	(84)	(3,495)
Collection of long-term loans receivable	249	146	2,243
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 4)	1,698	–	15,297
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(261)	(986)	(2,351)
Purchase of investment in capital of subsidiaries resulting in change in scope of consolidation	(1,185)	–	(10,676)
Proceeds from sales of investments in capital of subsidiaries resulting in change in scope of consolidation	888	–	8,000
Other, net	(66)	(152)	(595)
Net cash provided by (used in) investing activities	(38,685)	(28,658)	(348,514)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	(10,111)	8,177	(91,090)
Proceeds from long-term loans payable	31,282	29,813	281,820
Repayment of long-term loans payable	(29,697)	(43,546)	(267,541)
Proceeds from issuance of bonds	10,000	10,000	90,090
Redemption of bonds	(5,025)	(30)	(45,270)
Purchase of treasury stock	(3)	(4)	(27)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(2,971)	(2,971)	(26,766)
Payments from changes in ownership interests in investments in capital of subsidiaries that do not result in change in scope of consolidation	–	(1,515)	–
Repayments of lease obligations	(2,143)	(2,392)	(19,306)
Other, net	(744)	(714)	(6,703)
Net cash provided by (used in) financing activities	(9,412)	(3,182)	(84,793)
Effect of exchange rate change on cash and cash equivalents	(99)	123	(891)
Net increase (decrease) in cash and cash equivalents	2,661	(468)	23,973
Cash and cash equivalents at beginning of year	26,943	26,643	242,730
Increase in cash and cash equivalents from newly consolidated subsidiaries	–	394	–
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	374	–
Cash and cash equivalents at end of year (Note 4)	**¥ 29,604**	**¥ 26,943**	**$ 266,703**

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Rengo Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Rengo Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥111 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 146 (139 in 2018) significant subsidiaries over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control by the Company. There are 105 subsidiaries consolidated on the basis of fiscal years ending on December 31, which differs from the date of the Company. However, necessary adjustments have been made if the effect of the difference is material.

Investments in 16 (15 in 2018) unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for the equity method and, accordingly, stated at cost adjusted for the equity in the undistributed earnings and losses from the date of acquisition.

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated, and the portion attributable to non-controlling interests is charged or credited to non-controlling interests.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated based on the fair value at the time the Company acquired control of the subsidiaries. Goodwill is amortized on a straight-line basis over the period in which the economic benefits are expected to be realized. However, if the economic benefits are not expected to be realized in the future, goodwill is fully expensed. Negative goodwill acquired prior to March 31, 2010 is amortized on a straight-line basis continuously.

(2) Translation of Foreign Currencies

A. Translation of Foreign Currencies Receivables and Payables
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end rates.

B. Translation of Foreign Currency Financial Statements
The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at fiscal year-end rates except for shareholders' equity accounts, which are translated at historical rates. The income statements of the consolidated overseas subsidiaries are translated at the fiscal year-end rates except for transactions with the Company, which are translated at rates used by the Company.

Differences arising from the application of the processes stated above are presented separately in the consolidated financial statements in "Foreign currencey translation adjustment" and " Non-controlling interests".

(3) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for possible losses on unrecoverable receivables. The Companies provide the allowance for doubtful accounts for normal receivables based on the historical rate of loss and for specific doubtful accounts based on an individual evaluation.

(4) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported net of applicable income taxes as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies or available-for-sale securities declines significantly and is not expected to recover, such securities are stated at fair market value, and the difference between the fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies is not readily available, such securities should be written down to net asset value with a corresponding charge in the statement of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next fiscal year.

(5) Inventories

Raw materials are stated mainly at the lower of cost determined by the moving average method or net realizable value. Other inventories are stated mainly at the lower of cost determined by the average method or net realizable value.

(6) Property, Plant and Equipment (Except Lease Assets)

Property, plant and equipment are carried at cost. Depreciation is computed mainly by the declining balance method over the estimated useful life of the assets in accordance with the Corporation Tax Law of Japan. Buildings acquired after March 31, 1998 and facilities attached to buildings and structures acquired after March 31, 2016 are depreciated by the straight-line method.

(7) Intangible Assets (Except Lease Assets)

The Companies include internal use software in other intangible assets and amortize it using the straight-line method over the estimated useful life of five years.

Other intangible assets are mainly amortized using the straight-line method over the estimated useful life in accordance with the Corporation Tax Law of Japan.

(8) Lease Assets

Property, plant and equipment capitalized under finance lease arrangements without the transfer of ownership are depreciated over the lease term of the respective assets.

The Companies account for finance leases commencing prior to April 1, 2008 which do not transfer ownership of the leased property to the lessee as operating leases.

(9) Deferred Assets

The full cost of issuing bonds is recognized in expenses as incurred.

(10) Provision for Directors' Bonuses

The Companies provide for directors' and audit & supervisory board members' bonuses applicable to the current fiscal year based on the projected amounts of payment.

(11) Provision for Directors' Retirement Benefits

Certain domestic consolidated subsidiaries pay lump-sum retirement benefits to directors and audit & supervisory board members. Those subsidiaries provide the amounts that would be required if all the directors and audit & supervisory board members retired at the balance sheet date, in accordance with internal rules.

(12) Allowance for Investment Loss

Allowance for investment loss is provided at the estimated amount of possible investment losses for unconsolidated subsidiaries and affiliated companies, according to internal rules, considering the financial condition of the investees.

The allowances deducted directly from the amounts of investment securities in the fiscal years ended March 31, 2019 and 2018 amounted to ¥120 million (U.S. $1,081 thousand) and ¥113 million, respectively.

(13) Income Taxes

The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(14) Net Defined Benefit Liability

When calculating retirement benefit obligations, a benefit formula basis is used to distribute the estimated amount of retirement benefits into the period up to the end of the current fiscal year.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Differences generated from changes in actuarial assumptions are amortized for the subsequent fiscal years on a straight-line basis over mainly 13 years, which is shorter than the average remaining service periods of the employees. Prior service costs are amortized as incurred over certain periods (10 years), which is shorter than the average remaining service periods of the employees.

(15) Derivative Transactions and Hedge Accounting

In principle, the Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, in cases in which forward foreign exchange contracts, etc. are used as hedges and meet certain hedging criteria, forward foreign exchange contracts, etc. and hedged items are accounted for in the following manner (Appropriate treatment):

A. If a forward foreign exchange contract, etc. is executed to hedge existing assets and liabilities denominated in a foreign currency;
   (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and;
   (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

B. If a forward foreign exchange contract, etc. is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract is recognized.

   Appropriate treatment is adopted for assets and liabilities denominated in foreign currencies which are subject to foreign exchange forward contracts or currency swaps in order to hedge exchange rate fluctuation when they qualify for hedge accounting.

   The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differences paid or received under the swap agreements are included in interest expense or income.

(16) Reclassifications

A. Certain reclassifications of the financial statements for the fiscal year ended March 31, 2018 have been made to conform to the presentation for the fiscal year ended March 31, 2019.

B. Changes due to adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”
Upon application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018 (hereinafter, “Statement No. 28”)) from the beginning of the current fiscal year, the Company and its subsidiaries changed the presentation and Note 10, such that deferred tax assets and deferred tax liabilities are classified as part of ‘investments and other assets’ and ‘non-current liabilities,’ respectively.
As a result, ¥3,725 million of deferred tax assets classified as “current assets” and ¥2,936 million of deferred tax liabilities classified as “non-current liabilities” have been included in deferred tax assets (¥1,532 million) in “investments and other assets,” and deferred tax liabilities classified as non-current liabilities have been restated to ¥17,633 million in the balance sheet as of the end of the previous fiscal year.
Note 10 additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of “Accounting Standard for Tax Effect Accounting,” which are required in Paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in Paragraph 7 of Statement No. 28.

(17) Earnings Per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding during the fiscal year.

Diluted earnings per share for the fiscal years ended March 31, 2019 and 2018 are not disclosed because there were no outstanding dilutive potential common stock equivalents.

Cash dividends per share represent actual amounts applicable to the respective fiscal years.

3. ISSUED BUT NOT YET ADOPTED ACCOUNTING STANDARDS AND OTHERS

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

(1) Summary

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.
Step2: Identify the performance obligations in the contract.
Step3: Determine the transaction price.
Step4: Allocate the transaction price to the performance obligation in the contract.
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

4. CASH FLOW STATEMENTS

(1) Cash and Cash Equivalents

Cash and cash equivalents comprised cash on hand, bank deposits that were withdrawable on demand and short-term highly liquid investments due within three months at date of purchase and substantially free from any price fluctuation risk.

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥ 31,022	¥ 28,108	$ 279,477
Less: Time deposits with maturities exceeding three months	(1,418)	(1,165)	(12,774)
Cash and cash equivalents	¥ 29,604	¥ 26,943	$ 266,703

(2) Purchases of Newly Consolidated Subsidiaries

For the fiscal year ended March 31, 2019, Rengo Toppan Containers Co., Ltd. was acquired by the Company. Assets and liabilities of this company at the time of consolidation, cash paid for the capital and cash received in conjunction with the purchase of the consolidated subsidiary were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 8,597	$ 77,450
Non-current assets	7,637	68,802
Goodwill	147	1,324
Current liabilities	(6,205)	(55,901)
Non-current liabilities	(1,825)	(16,441)
Non-controlling interests	(3,281)	(29,558)
Cash paid for the capital	5,070	45,676
Cash and cash equivalents of the consolidated subsidiary	(6,768)	(60,973)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 1,698	$ 15,297

5. INVENTORIES

Inventories at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Merchandise and finished goods	¥ 24,619	¥ 21,824	$ 221,793
Work in process	3,731	3,255	33,613
Raw materials and supplies	20,556	20,837	185,189
Total	¥ 48,906	¥ 45,916	$ 440,595

6. FINANCIAL INSTRUMENTS

(1) Status of Financial Instruments

A. Policies for using financial instruments

The Companies set up the fund management plan based on the plan for capital expenditures and investments and procure the necessary long-term funds by borrowing from banks and issuing corporate bonds. The Companies raise short-term working capital for the ordinary business activities by bank loans and manage temporary surplus funds through financial assets that have a high level of safety. The Company and certain consolidated subsidiaries utilize derivative financial instruments to hedge interest rate fluctuation risk on long-term borrowings and foreign currency exchange rate fluctuation risk arising from export and import transactions denominated in foreign currencies and do not enter into derivative transactions for speculative purposes or with the high level of leveraged effect.

B. Details of financial instruments and associated risk and the risk management system

Notes and accounts receivable arising from operations are exposed to the credit risk of customers. The Companies set a credit limit for such business partners and manage the outstanding balances under credit management rules.

Investment securities are primarily the stocks of companies with which the Companies have business relationships and are exposed to market price fluctuation risk. The Companies periodically evaluate the fair value of these securities and monitor the issuing company and review its policies for holding stocks.

Trade notes and accounts payable are due within one year.

In addition, certain receivables and payables are denominated in foreign currencies and exposed to the risk of exchange rate fluctuations. The Company and certain subsidiaries use forward foreign exchange contracts to hedge the risk of such exchange rate fluctuations.

The Companies generally raise the working capital required for business transactions through short-term loans and procure long-term funds required for capital expenditure, investment and loans receivable through long-term loans and bond issuances. Although some long-term loans are exposed to the risk of interest rate fluctuations of exchange rate fluctuations, the Companies hedge the risk with derivative transactions such as interest rate swaps and currency swaps. The risks of fluctuations in interest rates and exchange rates have been assumed to be completely hedged over the period of the hedging contracts as the major conditions of the hedging instruments and hedged items are consistent. Accordingly, an evaluation of the effectiveness of the hedging contracts is unnecessary.

The derivative transactions are executed and managed by the Finance and Accounting Group in accordance with its established policies. In using derivative transactions, the Companies mitigate counterparty risk by conducting transactions with highly creditworthy financial institutions. The Companies recognize almost no risk of default.

The Companies manage liquidity risk associated with trade payable and fund procurement (payment default risk) by creating and updating monthly cash flow plans as needed.

C. Supplemental information on fair values

The fair value of financial instruments is based on market prices or estimates of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions.

(2) Fair Values of Financial Instruments

The book value, the fair value and any differences of the financial instruments presented in the consolidated balance sheets as of March 31, 2019 and 2018 are set forth in the tables below. Items whose fair value was considered extremely difficult to determine were not presented in the tables (See Note (2)).

	Millions of yen						Thousands of U.S. dollars		
	2019			2018			2019		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(A) Cash and deposits	¥ 31,022	¥ 31,022	¥ –	¥ 28,108	¥ 28,108	¥ –	$ 279,477	$ 279,477	$ –
(B) Notes and accounts receivable-trade	194,762	194,762	–	185,146	185,146	–	1,754,613	1,754,613	–
(C) Investment securities									
Available-for-sale securities	88,598	88,598	–	89,595	89,595	–	798,180	798,180	–
Equity securities issued by affiliated companies	14,639	7,205	(7,434)	16,523	9,193	(7,330)	131,883	64,910	(66,973)
Total assets	¥ 329,021	¥ 321,587	¥ (7,434)	¥ 319,372	¥ 312,042	¥ (7,330)	$ 2,964,153	$ 2,897,180	$(66,973)
(A) Notes and accounts payable-trade	¥ 124,232	¥ 124,232	¥ –	¥ 111,838	¥ 111,838	¥ –	$ 1,119,207	$ 1,119,207	$ –
(B) Short-term borrowings and the current portion of long-term loans payable	99,669	99,691	22	116,948	116,990	42	897,919	898,117	198
(C) Current portion of bonds	10,010	10,024	14	5,025	5,037	12	90,180	90,307	127
(D) Bonds payable	60,000	60,599	599	60,010	60,248	238	540,541	545,937	5,396
(E) Long-term loans payable	107,879	108,329	450	99,081	99,529	448	971,883	975,937	4,054
Total liabilities	¥ 401,790	¥ 402,875	¥ 1,085	¥ 392,902	¥ 393,642	¥ 740	$ 3,619,730	$ 3,629,505	$ 9,775
Derivative transactions[*1]									
(a) Hedge accounting not applied	¥ (1)	¥ (1)	¥ –	¥ (7)	¥ (7)	¥ –	$ (9)	$ (9)	$ –
(b) Hedge accounting applied	0	0	–	–	–	–	0	0	–
Total derivative transactions	¥ (1)	¥ (1)	¥ –	¥ (7)	¥ (7)	¥ –	$ (9)	$ (9)	$ –

*1 Amounts shown are net of assets and liabilities derived from derivative transactions. Net liability items in the total are shown in parentheses.

Note (1) Methods and assumptions to estimate fair value of financial instruments and matters concerning securities and derivative transactions.

Assets

(A) Cash and deposits and (B) Notes and accounts receivable-trade

As these are settled in the short term, the book value and fair value are essentially equivalent. The book value, therfore, is used for the fair value.

(C) Investment securities

The fair value of investments in securities which have market values is the price listed on securities exchanges. Note 7 provides information on marketable securities classified according to the purpose for which they are held.

Liabilities

(A) Notes and accounts payable-trade and (B) Short-term borrowings

Because of their short-term maturity, the book value and fair value are essentially equivalent. The book value, therefore, is used for the fair value. The current portion of long-term loans payable use the same methods for estimating fair value as that for (E) Long-term loans payable.

(C) Current portion of bonds and (D) Bonds payable

The fair value of bonds issued with available market value is estimated based on market prices. The fair value of bonds with no available market value is estimated as the discounted present value of total principal and interest using assumed interest rates for equivalent new loans.

(E) Long-term loans payable

The fair value of long-term loans payable with floating interest rate loans approximates its book value because the floating interest rate reflects the market rates within a short period and the Companies' credit conditions remain unchanged following the execution of such debt. The fair value of long-term loans payable with fixed interest rate is estimated as the discounted present value of total principal and interest* using assumed interest rates for equivalent new loans.

* For long-term loans payable using interest rate swaps subject to special treatment or currency swaps subject to appropriate treatment, the fair value is computed by discounting the total amount of principal and interest on the loans, together with these interest rate swaps or currency swaps.

Derivative Transactions

The fair value of derivative transactions is measured mainly by prices reported by the financial institutions with which the Companies engage in derivative transactions. The fair value of interest rate swaps subject to special treatment and the fair value of currency swaps subject to appropriated treatment are included in the fair value of the corresponding long-term loans payable.

Note (2) Financial instruments for which determining fair value is extremely difficult

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Available-for-sale securities	¥ 2,843	¥ 2,919	$ 25,613
Equity securities issued by unconsolidated subsidiaries and affiliated companies	17,665	17,650	159,144

These financial instruments for which determining fair value was extremely difficult because no market price was available and future cash flow estimates were not possible were not included in (C) Investment securities.

Note (3) The redemption schedule for receivables and marketable securities with maturities subsequent to March 31, 2019 and 2018 were as follows:

	Millions of yen			
	2019			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 31,022	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	194,762	–	–	–
Investment securities				
Available-for-sale securities	–	–	–	120
Total	¥ 225,784	¥ –	¥ –	¥ 120

	Millions of yen			
	2018			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 28,108	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	185,146	–	–	–
Investment securities				
Available-for-sale securities	–	–	–	120
Total	¥ 213,254	¥ –	¥ –	¥ 120

	Thousands of U.S. dollars			
	2019			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	$ 279,477	$ –	$ –	$ –
Notes and accounts receivable-trade	1,754,613	–	–	–
Investment securities				
Available-for-sale securities	–	–	–	1,081
Total	$ 2,034,090	$ –	$ –	$ 1,081

Note (4) The repayment schedule of long-term debt, lease debt and others subsequent to March 31, 2019 and 2018 were as follows:

	Millions of yen					
	2019					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 73,551	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term debt	36,128	38,098	30,774	28,034	32,204	38,769
Lease debt	1,656	1,292	1,033	605	442	292
Others	138	16	16	13	10	1
Total	¥ 111,473	¥ 39,406	¥ 31,823	¥ 28,652	¥ 32,656	¥ 39,062

	Millions of yen					
	2018					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 83,625	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term debt	38,349	29,575	34,679	27,083	22,421	45,333
Lease debt	1,773	1,412	1,042	786	360	434
Others	257	138	16	15	13	11
Total	¥ 124,004	¥ 31,125	¥ 35,737	¥ 27,884	¥ 22,794	¥ 45,778

	Thousands of U.S. dollars					
	2019					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	$ 662,622	$ –	$ –	$ –	$ –	$ –
Long-term debt	325,477	343,225	277,243	252,559	290,126	349,270
Lease debt	14,919	11,640	9,307	5,450	3,982	2,631
Others	1,243	144	144	117	90	9
Total	$ 1,004,261	$ 355,009	$ 286,694	$ 258,126	$ 294,198	$ 351,910

7. INFORMATION ON SECURITIES

(1) Acquisition Costs and Book Values (Fair Values) of Available-for-Sale Securities with Available Fair Values

The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2019 and 2018.

	Millions of yen						Thousands of U.S. dollars		
	2019			2018			2019		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book values (fair values) exceeding acquisition costs:									
Equity securities	¥ 78,925	¥ 29,645	¥ 49,280	¥ 82,763	¥ 32,132	¥ 50,631	$ 711,036	$ 267,072	$ 443,964
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
	78,925	29,645	49,280	82,763	32,132	50,631	711,036	267,072	443,964
Securities with book values (fair values) not exceeding acquisition costs:									
Equity securities	9,673	11,022	(1,349)	6,832	7,522	(690)	87,144	99,297	(12,153)
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
	9,673	11,022	(1,349)	6,832	7,522	(690)	87,144	99,297	(12,153)
Total	¥ 88,598	¥ 40,667	¥ 47,931	¥ 89,595	¥ 39,654	¥ 49,941	$ 798,180	$ 366,369	$ 431,811

(2) Sales of Available-for-Sale Securities

Proceeds from sales of available-for-sale securities in the fiscal years ended March 31, 2019 and 2018 amounted to ¥386 million (U.S. $3,477 thousand) and ¥6,441 million, respectively. The related gains for the fiscal years ended March 31, 2019 and 2018 amounted to ¥82 million (U.S. $739 thousand) and ¥1,315 million, respectively. The related losses for the fiscal year ended March 31, 2018 amounted to ¥0 million. (none for the year ended March 31, 2019).

8. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral including factory foundation for short-term borrowings of ¥2,704 million (U.S. $24,360 thousand) and the current portion of long-term debt, long-term debt of ¥1,056 million (U.S. $9,514 thousand), accounts payable-trade of ¥370 million (U.S. $3,333 thousand) and others of ¥1,062 million (U.S. $9,568 thousand) at March 31, 2019 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 10,849	$ 97,739
Machinery, equipment and vehicles	21,473	193,450
Land	31,344	282,378
Investment securities	2,051	18,478
Other	743	6,694
Total	¥ 66,460	$ 598,739

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings and the current portion of long-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2019	2018	2019	2019
Short-term borrowings	¥ 73,551	¥ 83,625	$ 662,622	0.54%
Current portion of long-term debt	36,128	38,349	325,477	0.56
Total	¥ 109,679	¥ 121,974	$ 988,099	–

Long-term debt at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Loans mainly from banks and insurance companies			
(2019: due in 2033, with interest rates ranging from 0.01% to 4.3%, 2018: due in 2030, with interest rates ranging from 0.00% to 4.0%)"	¥ 133,997	¥ 132,405	$ 1,207,181
Issued by Rengo Co., Ltd.			
Unsecured 0.856% straight bonds, due July 2018	–	5,000	–
Unsecured 0.283% straight bonds, due September 2019	10,000	10,000	90,090
Unsecured 0.271% straight bonds, due September 2020	5,000	5,000	45,045
Unsecured 0.451% straight bonds, due September 2021	10,000	10,000	90,090
Unsecured 0.498% straight bonds, due September 2022	5,000	5,000	45,045
Unsecured 0.280% straight bonds, due December 2023	10,000	10,000	90,090
Unsecured 0.270% straight bonds, due December 2024	5,000	5,000	45,045
Unsecured 0.390% straight bonds, due December 2026	10,000	10,000	90,090
Unsecured 0.410% straight bonds, due December 2027	5,000	5,000	45,045
Unsecured 0.415% straight bonds, due December 2028	10,000	–	90,090
Issued by Kato Danboru Co., Ltd.			
Unsecured 0.630% bonds, due September 2018	–	5	–
Unsecured 0.490% bonds, due August 2019	10	30	90
	204,007	197,440	1,837,901
Less current portion	(36,128)	(38,349)	(325,477)
	¥ 167,879	¥ 159,091	$ 1,512,424

The aggregate annual maturities of long-term debt at March 31, 2019 were as follows:

Fiscal years ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥ 36,128	$ 325,477
2021	38,098	343,225
2022	30,774	277,243
2023	28,034	252,559
2024 and thereafter	70,973	639,397
Total	¥ 204,007	$ 1,837,901

10. INCOME TAXES

At March 31, 2019 and 2018, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Carryforward tax loss (Note)	¥ 4,726	¥ 4,572	$ 42,577
Net defined benefit liability	3,351	3,476	30,189
Accrued bonuses	2,515	2,292	22,658
Write-down of golf club memberships	401	403	3,613
Provision for directors' retirement benefits	320	315	2,883
Loss on valuation of investment securities	1,026	901	9,243
Allowance for doubtful accounts	221	180	1,991
Unrealized gain on sale of property, plant and equipment eliminated on consolidation	272	276	2,450
Accrued enterprise taxes	399	306	3,594
Impairment loss	530	516	4,775
Other	1,807	1,871	16,279
Subtotal deferred tax assets	15,568	15,108	140,252
Valuation reserve for carryforward tax loss (Note)	(3,807)	–	(34,297)
Valuation reserve for deductible temporary differences	(2,280)	–	(20,541)
Subtotal valuation reserve	(6,087)	(6,337)	(54,838)
Total deferred tax assets	9,481	8,771	85,414
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(14,673)	(15,201)	(132,189)
Deferred gain tax treatment of property	(3,077)	(3,286)	(27,721)
Non-current assets revaluation difference, net of taxes unrealized gain	(5,007)	(3,748)	(45,108)
Trademark rights	(1,516)	(1,664)	(13,658)
Other	(1,027)	(973)	(9,252)
Total deferred tax liabilities	(25,300)	(24,872)	(227,928)
Net deferred tax assets (liabilities)	¥ (15,819)	¥ (16,101)	$ (142,514)

(Note) Carryforward tax loss and its deferred tax assets by expiration periods

	Millions of yen						
	2019						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	¥ 101	¥ 327	¥ 253	¥ 270	¥ 537	¥ 3,238	¥ 4,726
Valuation reserve	(95)	(327)	(253)	(270)	(447)	(2,415)	(3,807)
Net deferred tax assets	6	–	–	–	90	823	919

	Thousands of U.S. dollars						
	2019						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	$ 910	$ 2,946	$ 2,279	$ 2,432	$ 4,838	$ 29,172	$ 42,577
Valuation reserve	(856)	(2,946)	(2,279)	(2,432)	(4,027)	(21,757)	(34,297)
Net deferred tax assets	54	–	–	–	811	7,415	8,280

(*) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

At March 31, 2019 and 2018, the reconciliation of the aggregate statutory income tax rate to the effective income tax rate was as follows:

	2019	2018
Statutory tax rate	30.4%	30.7%
Effect of:		
Tax deductions	(1.0)	(1.7)
Non-deductible items such as entertainment expenses	3.6	3.9
Non-taxable items such as dividends received	(4.7)	(4.0)
Per capita inhabitants' taxes	0.9	1.0
Dividends received eliminated in consolidation	4.5	3.7
Equity in earnings of affiliates	(2.4)	(8.2)
Valuation reserve	(2.5)	(0.1)
Amortization of goodwill	1.7	2.1
Other	(1.7)	(1.5)
Effective tax rate	28.8%	25.9%

11. RETIREMENT BENEFITS

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2019 and 2018 and retirement benefit expenses in the consolidated statements of income for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

(1) Defined benefit plans

A. Movement in retirement benefit obligations, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1, 2018 and 2017	¥ 43,531	¥ 42,719	$ 392,171
Service cost	2,790	2,729	25,135
Interest cost	292	287	2,631
Actuarial loss (gain)	(19)	100	(171)
Benefits paid	(2,707)	(2,299)	(24,388)
Past service cost	(428)	3	(3,856)
Increase accompanying new additions to the scope of consolidation	1,012	–	9,117
Other	(25)	(8)	(225)
Balance at March 31, 2019 and 2018	¥ 44,446	¥ 43,531	$ 400,414

B. Movement in plan assets, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1, 2018 and 2017	¥ 36,898	¥ 35,108	$ 332,414
Expected return on plan assets	519	486	4,676
Actuarial loss (gain)	(421)	1,082	(3,793)
Contributions paid by the employer	1,840	1,838	16,576
Benefits paid	(1,942)	(1,616)	(17,495)
Increase accompanying new additions to the scope of consolidation	529	–	4,766
Balance at March 31, 2019 and 2018	¥ 37,423	¥ 36,898	$ 337,144

C. Movement in liability for retirement benefits on defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1, 2018 and 2017	¥ 2,621	¥ 2,593	$ 23,613
Retirement benefit expenses	507	511	4,568
Benefits paid	(242)	(294)	(2,180)
Contributions paid by the employer	(197)	(200)	(1,775)
Other	(22)	11	(199)
Balance at March 31, 2019 and 2018	¥ 2,667	¥ 2,621	$ 24,027

D. Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligations	¥ 46,678	¥ 46,032	$ 420,523
Plan assets	(40,274)	(39,637)	(362,829)
	6,404	6,395	57,694
Unfunded retirement benefit obligations	3,285	2,858	29,594
Total net liability for retirement benefits at March 31, 2019 and 2018	¥ 9,689	¥ 9,253	$ 87,288

Net defined benefit liability	¥ 12,253	¥ 12,061	$ 110,387
Net defined benefit asset	(2,564)	(2,808)	(23,099)
Total net liability for retirement benefits at March 31, 2019 and 2018	¥ 9,689	¥ 9,253	$ 87,288

E. Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 2,790	¥ 2,729	$ 25,135
Interest cost	292	287	2,631
Expected return on plan assets	(519)	(486)	(4,676)
Amortization of net unrecognized actuarial differences	(139)	(109)	(1,252)
Amortization of past service cost	(76)	(91)	(685)
Retirement benefit expenses applying for simplified method	507	511	4,568
Total retirement benefit expenses for the fiscal years ended March 31, 2019 and 2018	¥ 2,855	¥ 2,841	$ 25,721

F. Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Past service cost	¥ 352	¥ (94)	$ 3,171
Actuarial gains and losses	(540)	875	(4,865)
Total remeasurements of defined benefit plans for the fiscal years ended March 31, 2019 and 2018	¥ (188)	¥ 781	$ (1,694)

G. Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Past service cost that are yet to be recognized	¥ 689	¥ 336	$ 6,207
Actuarial gains and losses that are yet to be recognized	2,127	2,668	19,162
Total balance at March 31, 2019 and 2018	¥ 2,816	¥ 3,004	$ 25,369

H. Plan assets

(a) Plan assets comprise

	2019	2018
General account	34%	34%
Bonds	32	32
Equity securities	29	30
Other	5	4
Total	100%	100%

(b) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

I. Actuarial assumptions

The principal actuarial assumptions

	2019	2018
Discount rate	mainly 0.7%	mainly 0.7%
Long-term expected rate of return	mainly 1.5%	mainly 1.5%

Note: The expected rate of salary increase is not presented because the Companies do not generally use it in actuarial calculations for their retirement benefit plans.

(2) Defined contribution plan

Required contribution for defined contribution plans by consolidated subsidiaries in the fiscal years ended March 31, 2019 and 2018 amounted to ¥263 million (U.S. $2,369 thousand) and ¥219 million, respectively.

(3) Multi-employer pension plans

Required contributions to employees' pension fund plans of the multi-employer pension plans which were treated the same as defined contribution plans for the years ended March 31, 2019 and 2018 amounted to ¥153 million (U.S. $1,378 thousand) and ¥239 million, respectively.

A. The savings situation of the whole system

	Millions of yen		Thousands of U.S. dollars
	2019 (As of March 31, 2018)	2018 (As of March 31, 2017)	2019 (As of March 31, 2018)
Plan assets	¥ 43,090	¥ 40,998	$ 388,198
Net total actuarial obligations under pension funding programs and minimum actuarial reserve	45,433	44,855	409,306
Total balance	¥ (2,343)	¥ (3,857)	$ (21,108)

B. The ratio of the Companies' contributions to the multi-employer pension plans against total contributions

For the fiscal year ended March 31, 2019 corresponding to the fiscal year ended March 31, 2018: 10.5%

For the fiscal year ended March 31, 2018 corresponding to the fiscal year ended March 31, 2017: 11.0%

C. Supplemental information

The main factor of the total balance of A mentioned above is past service cost under pension funding programs and general reserve. Past service cost under pension funding programs for the fiscal years ended March 31, 2019 and 2018 amounted to ¥8,262 million (U.S. $74,432 thousand) and ¥8,829 million, respectively. General reserve for the fiscal years ended March 31, 2019 and 2018 amounted to ¥4,890 million (U.S. $44,054 thousand) and ¥4,870 million, respectively.

In addition, the ratio in B mentioned above does not accord with the real burden on the Companies' ratio.

12. CONTINGENT LIABILITIES

As of March 31, 2019, the Companies' contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes discounted	¥ 23	$ 207
As endorser of notes endorsed	134	1,207
As guarantor of indebtedness	1,142	10,288

Note: The guarantee obligations of ¥660 million (U.S. $5,946 thousand) was re-guaranteed by third party.

13. NET ASSETS

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

14. COMPREHENSIVE INCOME STATEMENTS

At March 31, 2019 and 2018, amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Valuation difference on available-for-sale securities			
Increase (decrease) during the fiscal year	¥ (1,939)	¥ 10,015	$ (17,468)
Reclassification adjustments for losses realized in profit	16	(751)	144
Subtotal, before tax amount	(1,923)	9,264	(17,324)
Tax (expense) or benefit	519	(2,847)	4,675
Subtotal, net of tax amount	(1,404)	6,417	(12,649)
Deferred gains or losses on hedges			
Increase (decrease) during the fiscal year	0	0	0
Tax (expense) or benefit	(0)	(0)	(0)
Subtotal, net of tax amount	0	0	0
Foreign currency translation adjustment			
Increase (decrease) during the fiscal year	(2,901)	738	(26,135)
Reclassification adjustments for losses realized in profit	(51)	–	(460)
Subtotal, before tax amount	(2,952)	738	(26,595)
Tax (expense) or benefit	11	(11)	100
Subtotal, net of tax amount	(2,941)	727	(26,495)
Remeasurements of defined benefit plans			
Increase (decrease) during the fiscal year	30	984	270
Reclassification adjustments for losses realized in profit	(218)	(203)	(1,964)
Subtotal, before tax amount	(188)	781	(1,694)
Tax (expense) or benefit	67	(243)	604
Subtotal, net of tax amount	(121)	538	(1,090)
Share of other comprehensive income of affiliates accounted for using equity method			
Increase (decrease) during the fiscal year	(1,214)	158	(10,937)
Total other comprehensive income	¥ (5,680)	¥ 7,840	$ (51,171)

15. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in "General and administrative expenses" and are charged to income as incurred. The aggregate amounts of research and development expenses charged to income were ¥1,532 million (U.S. $13,802 thousand) and ¥1,483 million for the fiscal years ended March 31, 2019 and 2018, respectively.

16. EQUITY IN EARNINGS OF AFFILIATES

For the fiscal year ended March 31, 2018, equity in earnings of affiliates was mainly caused by gain on sales of shares of subsidiaries at Hung Hing Printing Group Limited.

17. RENEWAL EXPENSES OF PLANTS

For the fiscal year ended March 31, 2019, renewal expenses of plants were associated with removal for construction of the new plant building by Howa Sangyo Co., Ltd. and the rebuilding of the plant by Rengo Toppan Containers Co., Ltd. The components of the expenses were loss on sales and retirement of non-current assets and other of ¥303 million (U.S. $2,730 thousand), impairment loss of ¥168 million (U.S. $1,514 thousand) and transfer expenses and other of ¥203 million (U.S. $1,829 thousand).

The principle components of the impairment loss were as follows:

Place	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Funabashi-City, Chiba Prefecture	Assets scheduled for disposal	Buildings and structures	¥ 87	$ 784
		Machinery, equipment and vehicles	7	63
		Other	0	0
		Total	94	847
Kawaguchi-City, Saitama Prefecture	Assets scheduled for disposal	Buildings and structures	74	667
		Other	0	0
		Total	¥ 74	$ 667

The Companies grouped their fixed assets based on operating activities, and idle assets, rental assets and assets scheduled for disposal were each treated as separate property.

Assets scheduled for disposal: The Companies reduced the book values to the recoverable values and recognized the reduction in value as “Renewal expenses of plants” (Other income (expenses)) due to the decision made to dispose of the above assets.

The recoverable values of the assets were measured on the basis of the net selling price. The evaluations of unsalable assets were mainly zero.

18. LOSS ON CLOSING OF PLANT

For the fiscal year ended March 31, 2019, loss on closing of plant were associated with the closure of the Yodogawa Mill. The components of the expenses were impairment loss of ¥338 million (U.S. $3,045 thousand) on the Yodogawa Mill building and other and transfer expenses and other of ¥109 million (U.S. $982 thousand).

The principle components of the impairment loss were as follows:

Place	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Fukushima-ku, Osaka	Assets scheduled for disposal	Buildings and structures	¥ 284	$ 2,559
		Machinery, equipment and vehicles	54	486
		Other	0	0
		Total	¥ 338	$ 3,045

The Companies grouped their fixed assets based on operating activities, and idle assets, rental assets and assets scheduled for disposal were each treated as separate property.

Assets scheduled for disposal: The Companies reduced the book values to the recoverable values and recognized the reduction in value as “Loss on closing of plant” (Other income (expenses)) due to the decision made to dispose of the above assets.

The recoverable values of the assets were measured on the basis of the net selling price. The evaluations of unsalable assets were mainly zero.

19. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

For the fiscal year ended March 31, 2018, business structure improvement expenses were associated with rebuilding the containerboard production systems. The components of the expenses were fixed costs during the period of Mill closed and other of ¥540 million related to conversion of Kanazu Mill's paper machine to produce both corrugating medium and linerboard, and impairment loss and other of ¥565 million from the closure of the Yodogawa Mill.

The principle components of the impairment loss were as follows:

Place	Use	Type of assets	Millions of yen
Fukushima-ku, Osaka	Assets scheduled for disposal	Machinery, equipment and vehicles	¥ 375
		Other	9
		Total	¥ 384

The Companies grouped their fixed assets based on operating activities, and idle assets, rental assets and assets scheduled for disposal were each treated as separate property.

Assets scheduled for disposal: The Companies reduced the book values to the recoverable values and recognized the reduction in value as "Business structure improvement expenses" (Other income (expenses)) due to the decision made to dispose of the above assets.

The recoverable values of the assets were measured on the basis of the net selling price. The evaluations of unsalable assets were mainly zero.

20. BUSINESS COMBINATIONS

Business combination through acquisition

(1) Summary of the combination

A. Name and business of the company acquired
   Name: Toppan Containers Co., Ltd.
   Business: Manufacturing of corrugated board and boxes

B. Reason for the combination
   A pressing task of the Rengo Group is to expand its supply capacity of corrugated packaging in the Kanto region where demand for corrugated packaging is growing significantly. Rengo will make active capital investments in Toppan Containers' plants, and will organize systems to more fully satisfy customers' future needs by enhancing the production capacity of corrugated packaging and further improving quality.

C. Date of the combination
   September 3, 2018 (Share acquisition date)
   September 30, 2018 (Deemed acquisition date)

D. Legal form of the combination
   Acquisition of equity shares through third-party allotment and acquisition of equity shares for cash consideration

E. Post-combination name of the acquired company
   Rengo Toppan Containers Co., Ltd.

F. Percentage of voting rights acquired
   60.0%

G. Basis for determining acquiring company
   The Company acquired shares through third-party allotment and acquired shares for cash consideration

(2) Period of consolidation of the acquired company during the fiscal year ended March 31, 2019

October 1, 2018 to March 31,2019

(3) Acquisition price and type of consideration paid

		Millions of yen	Thousands of U.S. dollars
Consideration paid for acquisition	Cash	¥ 5,070	$ 45,676
Acquisition price		5,070	45,676

(4) Principal acquisition related expenses

Advisory fees, etc.: ¥39 million (U.S. $351 thousand)

(5) Amount, cause and amortization of goodwill arising from the acquisition

A. Amount of goodwill incurred through the acquisition
   ¥147 million (U.S. $1,324 thousand)
B. Cause for the occurrence of goodwill
   Excess earnings power expected in the future due to business development
C. Amortization method and period
   Straight-line method over 5 years

(6) Details of the assets acquired and the liabilities assumed at the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 8,597	$ 77,450
Non-current assets	7,637	68,802
Total assets	16,234	146,252
Current liabilities	6,205	55,901
Non-current liabilities	1,825	16,441
Total liabilities	¥ 8,030	$ 72,342

(7) Estimated impact on the consolidated statements of income for the fiscal year ended March 31, 2019 as if the business combination had been completed at the beginning of the fiscal year ended March 31, 2019 and the calculation method

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 7,019	$ 63,234
Operating income	(173)	(1,559)
Profit attributable to owners of parent	(136)	(1,225)

(Calculation method of estimated impact)
The estimated impact amounts were calculated as the difference between sales and other profits or losses assuming that the business combination was completed at the beginning of the fiscal year ended March 31, 2019 and the Company's sales and other profits or losses on the consolidated statements of income. The amortization of goodwill and other was calculated assuming that the goodwill and other, which was recognized at the date of the business combination, had arisen at the beginning of the fiscal year ended March 31, 2019.

This note has not been audited.

21. SEGMENT INFORMATION

(1) Segment Information

A. Overview of reportable segments

The Company's reportable segments are the business units for which separate financial information is available and which are periodically reviewed by the Board of Directors for the purposes of monitoring to determine the allocation of business resources and evaluate business performance.

To fulfill the multiple needs of packaging as "General Packaging Industry (GPI)," the Companies expanded the business field into flexible packaging and heavy duty packaging also overseas, and had been making plans for a comprehensive strategy about products in each business field, in addition to the integrated production from paperboards to corrugated boxes. The Company has designated four reportable segments, which are the "Paperboard and Packaging-Related Business," "Flexible Packaging-Related Business," "Heavy Duty Packaging-Related Business," and "Overseas Business" segments, based on the business field.

The "Paperboard and Packaging-Related Business" segment includes manufacturing and sales of paperboard, corrugated board and corrugated boxes domestically. The "Flexible Packaging-Related Business" segment includes manufacturing and sales of flexible packaging and cellophane domestically. The "Heavy Duty Packaging-Related Business" segment includes manufacturing and sales of heavy duty packaging products domestically. The "Overseas Business" segment includes manufacturing and sales of paperboard, corrugated board, corrugated boxes, flexible packaging, heavy duty packaging and nonwoven products in overseas operations.

B. Method of calculating sales, profit or loss, assets and other material items by reportable segment

The accounting policies for business segments reported are generally the same as on those described in Note 2. Figures for reportable segment income are based on operating income. Internal transactions are based on the current market prices.

C. Information on sales, profit or loss, assets and other material items by reportable segment

Information by segment for the fiscal years ended March 31, 2019 and 2018 were as follows:

	Millions of yen							
	2019							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*2	Total*3
Sales to third parties	¥ 431,927	¥ 73,079	¥ 40,872	¥ 73,272	¥ 619,150	¥ 33,957	¥ –	¥ 653,107
Intersegment sales and transfers	1,712	125	2,520	4,628	8,985	27,283	(36,268)	–
Total sales	433,639	73,204	43,392	77,900	628,135	61,240	(36,268)	653,107
Segment profit	15,592	1,918	1,647	3,396	22,553	2,528	211	25,292
Segment assets	584,300	62,785	44,592	122,965	814,642	36,504	(81,790)	769,356
Other items								
Depreciation and amortization	23,913	2,367	1,475	3,163	30,918	1,315	(44)	32,189
Amortization of goodwill	220	237	178	842	1,477	–	–	1,477
Investment in equity method affiliates	656	1,773	–	35,587	38,016	831	–	38,847
Increase in property, plant and equipment and intangible assets	26,487	5,267	1,430	1,455	34,639	1,907	(34)	36,512

	Millions of yen							
	2018							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*2	Total*3
Sales to third parties	¥ 397,118	¥ 68,300	¥ 39,273	¥ 67,237	¥ 571,928	¥ 33,785	¥ –	¥ 605,713
Intersegment sales and transfers	2,523	226	2,226	4,663	9,638	25,043	(34,681)	–
Total sales	399,641	68,526	41,499	71,900	581,566	58,828	(34,681)	605,713
Segment profit	7,157	3,724	1,819	2,301	15,001	1,932	150	17,083
Segment assets	565,575	58,632	44,280	126,780	795,267	36,352	(83,919)	747,700
Other items								
Depreciation and amortization	23,132	2,028	1,261	2,966	29,387	1,326	(45)	30,668
Amortization of goodwill	221	238	356	838	1,653	–	–	1,653
Investment in equity method affiliates	645	1,781	–	36,804	39,230	635	–	39,865
Increase in property, plant and equipment and intangible assets	30,951	4,746	1,994	2,705	40,396	1,148	(17)	41,527

	Thousands of U.S. dollars							
	2019							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*2	Total*3
Sales to third parties	$ 3,891,234	$ 658,370	$ 368,216	$ 660,108	$ 5,577,928	$ 305,919	$ –	$ 5,883,847
Intersegment sales and transfers	15,424	1,125	22,703	41,694	80,946	245,793	(326,739)	–
Total sales	3,906,658	659,495	390,919	701,802	5,658,874	551,712	(326,739)	5,883,847
Segment profit	140,468	17,279	14,838	30,595	203,180	22,775	1,901	227,856
Segment assets	5,263,964	565,630	401,730	1,107,793	7,339,117	328,865	(736,847)	6,931,135
Other items								
Depreciation and amortization	215,433	21,324	13,288	28,496	278,541	11,846	(396)	289,991
Amortization of goodwill	1,982	2,135	1,603	7,586	13,306	–	–	13,306
Investment in equity method affiliates	5,909	15,973	–	320,604	342,486	7,487	–	349,973
Increase in property, plant and equipment and intangible assets	238,622	47,450	12,883	13,108	312,063	17,180	(306)	328,937

*1 "Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

*2 "Adjustments" were as follows:

(a) The adjustments of segment profits of ¥211 million (U.S. $1,901 thousand) and ¥150 million for the fiscal years ended March 31, 2019 and 2018, respectively, were from the elimination of intersegment transactions.

(b) The adjustments of segment assets of -¥81,790 million (-U.S. $736,847 thousand) and -¥83,919 million for the fiscal years ended March 31, 2019 and 2018, respectively, were from the elimination of intersegment transactions.

(c) The adjustments of depreciation and amortization of -¥44 million (-U.S. $396 thousand) and -¥45 million for the fiscal years ended March 31, 2019 and 2018, respectively, were from the elimination of intersegment transactions.

(d) The adjustments of increases in property, plant and equipment, and intangible assets of -¥34 million (-U.S. $306 thousand) and -¥17 million for the fiscal years ended March 31, 2019 and 2018, respectively, were from the elimination of intersegment transactions.

*3 The segment profit was reconciled with operating income in the consolidated statements of income.

(2) Related Information

A. Products and Services

Sales to third parties	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Paperboard	¥ 62,469	¥ 58,412	$ 562,784
Corrugated board	44,949	41,841	404,946
Corrugated boxes	315,338	283,308	2,840,883
Flexible packaging and cellophane	81,556	73,096	734,739
Other	148,795	149,056	1,340,495
Total	¥ 653,107	¥ 605,713	$ 5,883,847

B. Geographical Segments

(a) Sales	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥ 579,117	¥ 536,181	$ 5,217,270
Asia	59,820	59,987	538,919
Other	14,170	9,545	127,658
Total	¥ 653,107	¥ 605,713	$ 5,883,847

(b) Property, plant and equipment

The ratios of property, plant and equipment in Japan to those in the consolidated financial statements exceeded 90% for the fiscal years ended March 31, 2019 and 2018. Therefore, information regarding geographical segments was not required to be disclosed.

C. Major Customers

There were no specific customers whose sales exceeded 10% of the total sales in the consolidated statements of income for the fiscal years ended March 31, 2019 and 2018. Therefore, information regarding such major customers was not required to be disclosed.

(3) Information on Impairment Loss in Property, Plant and Equipment by Reportable Segments

	Millions of yen							
	2019							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥ 529	¥ 95	¥ 10	¥ 13	¥ 647	¥ 0	¥ –	¥ 647

	Millions of yen							
	2018							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥ 538	¥ –	¥ 47	¥ 19	¥ 604	¥ 7	¥ –	¥ 611

	Thousands of U.S. dollars							
	2019							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	$ 4,766	$ 856	$ 90	$ 117	$ 5,829	$ 0	$ –	$ 5,829

"Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

In "Paperboard and Packaging-Related Business," impairment loss of ¥338 million (U.S. $3,045 thousand) related to the closing of plant is included in "Loss on closing of plant" (Other income (expenses)) and impairment loss of ¥74 million (U.S. $667 thousand) related to the renewal of plants is included in "Renewal expenses of plants" (Other income (expenses)) on the consolidated statements of income as of March 31, 2019. In "Flexible Packaging-Related Business," impairment loss of ¥94 million (U.S. $847 thousand) related to the renewal of plants is included in "Renewal expenses of plants" (Other income (expenses)) on the consolidated statements of income as of March 31, 2019.

In "Paperboard and Packaging-Related Business," impairment loss of ¥384 million related to the business structure improvement is included in "Business structure improvement expenses" (Other income (expenses)) on the consolidated statements of income as of March 31, 2018. In "Other Businesses," impairment loss of ¥7 million related to the renewal of plants is included in "Renewal expenses of plants" (Other income (expenses)) on the consolidated statements of income as of March 31, 2018.

(4) Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

	Millions of yen							
	2019							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	¥ 220	¥ 237	¥ 178	¥ 842	¥ 1,477	¥ –	¥ –	¥ 1,477
Balance at end of period	343	–	–	8,853	9,196	–	–	9,196
Negative goodwill								
Amortized for the period	40	2	–	0	42	–	–	42
Balance at end of period	103	12	–	1	116	–	–	116

	Millions of yen							
	2018							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	¥ 221	¥ 238	¥ 356	¥ 838	¥ 1,653	¥ –	¥ –	¥ 1,653
Balance at end of period	416	237	178	9,065	9,896	–	–	9,896
Negative goodwill								
Amortized for the period	41	2	–	4	47	–	–	47
Balance at end of period	143	13	–	16	172	–	–	172

	Thousands of U.S. dollars							
	2019							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	$ 1,982	$ 2,135	$ 1,604	$ 7,585	$ 13,306	$ –	$ –	$ 13,306
Balance at end of period	3,090	–	–	79,757	82,847	–	–	82,847
Negative goodwill								
Amortized for the period	360	18	–	0	378	–	–	378
Balance at end of period	928	108	–	9	1,045	–	–	1,045

"Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

22. RELATED PARTY INFORMATION

(1)Transactions with related party

Significant transactions of the Company with related party for the year ended March 31, 2019 were as follows:

Attribute	Name	The contents of a business operation or an occupation	Ownership ratio(Parent company ownership ratio)of voting rights (%)	Relationship	Nature of transaction	Trading amount	Account	Balance at the end of the fiscal year
Officer	Yoshio Sato	Company director Chairman of the Board and Representative Executive Officer of SUMITOMO LIFE INSURANCE COMPANY	(Parent company ownership ratio)2.7	Borrowings of fund	Borrowings of funds	¥760 million ($6,847 thousand)	Short-term borrowings and the current portion of long-term debt	¥1,510 million ($13,604 thousand)
					Repayment of borrowings	¥790 million ($7,117 thousand)	Long-term debt due after one year	¥6,330 million ($57,027 thousand)

Note (1) The contents of the above transaction were that the Company borrowed from SUMITOMO LIFE INSURANCE COMPANY of which Yoshio Sato was a representative.
The interest rate has been reasonably determined considering the market rate of interest.
Note (2) On June 28, 2018, Yoshio Sato assumed the position of a Company director and became, therefore, a related party. The above transactions were made after he assumed this position.

(2)Summary of financial statements of significant affiliates

The Company’s only significant affiliate as of March 31, 2018 was Hung Hing Printing Group Limited, and a summary of its financial statements are as follows:

	Millions of yen
Total current assets	¥ 47,050
Total non-current assets	18,654
Total current liabilities	7,823
Total non-current liabilities	2,716
Total net assets	55,165
Net sales	45,342
Profit before income taxes and non-controlling interests	17,361
Profit attributable to owners of parent	15,190

Note: The disclosure regarding Hung Hing Printing Group Limited as of March 31, 2019 was omitted due to its decreased importance.

23. SUBSEQUENT EVENTS

At the Board of Directors meeting held on May 10, 2019, the Company resolved the following year-end appropriation of non-consolidated retained earnings:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥8.00 = U.S. $0.07 per share)	¥ 1,981	$ 17,847

Note: The year-end cash dividends included ¥2 commemorative dividend to mark the Company's 110th anniversary.

The above mentioned appropriation has not been reflected in the consolidated financial statements as of March 31, 2019. Such appropriations are recognized in the period in which they are approved.

Independent Auditor's Report

To the Board of Directors of Rengo Co., Ltd.:

We have audited the accompanying consolidated financial statements of Rengo Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rengo Co., Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Osaka, Japan
June 28, 2019

KPMG AZSA LLC

KPMG AZSA LLC

Company Information (as of March 31, 2019)

Corporate Profile

Founded		April 12, 1909
Incorporated		May 2, 1920
Capital stock		31.067 billion yen
Number of shares authorized		800,000,000
Number of shares issued		271,056,029
Number of shareholders		16,016
Number of employees	Rengo	3,817
	Consolidated subsidiaries	13,151
	Total	16,968


Head Office

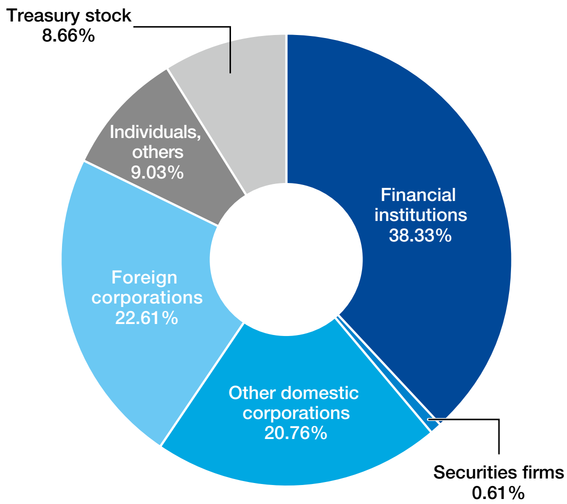

Tokyo Head Office

Major Shareholders

Shareholders	Ownership ratio (%)
Japan Trustee Services Bank, Ltd.	16.04
The Master Trust Bank of Japan, Ltd.	6.16
Sumitomo Mitsui Banking Corporation	3.86
Sumitomo Life Insurance Company	2.76
Mitsui Sumitomo Insurance Company, Ltd.	2.54
The Norinchukin Bank	2.40
Trust & Custody Services Bank, Ltd.	2.24
Sumitomo Corporation	2.12
JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	2.09
Rengo Employee Shareholding Association	1.35

* Shareholding ratios are calculated after deducting treasury shares.
On March 7, 2019, Mizuho Bank and two other joint shareholders submitted notices of changes to the report on large shareholders, but the status of beneficial ownership has not been confirmed as of March 31, 2019, and accordingly, those reports are not included here.

Shareholder Distribution



IR Calendar

	April	May	June	July	August	September	October	November	December	January	February	March
Financial Results Announcement		● Announcement of year-end results ● Earnings presentation			● Announcement of 1st quarter results			● Announcement of 2nd quarter results ● Earnings presentation			● Announcement of 3rd quarter results	
Letter to Shareholders			● Submission of Annual Securities Report ● Posting of Annual Letter to Shareholders		● Submission of Quarterly Securities Report	● Posting of Annual Report		● Submission of Quarterly Securities Report	● Posting of Interim Letter to Shareholders		● Submission of Quarterly Securities Report	
General Meeting of Shareholders			● Notice of General Meeting of Shareholders ● Ordinary General Meeting of Shareholders									

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