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https://www.rengo.co.jp/english/

Annual Report 2021

For Year Ended March 31, 2021

RENGO

GPI
The General Packaging Industry
RENGO

RENGO

Annual Report

For Year Ended March 31, 2021

2021

Supporting Lifestyles and Creating the Future through Packaging

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.**

Packaging Provider

"General Packaging Industry (GPI) Rengo"

Supporting Lifestyles and Creating the Future through Packaging

No matter how great a product is, its value cannot be put across to people without the packaging wrapping it.

That is why its evolution conceals the large possibility of changing today resulting in changing the future.

The entire range of assorted packaging solutions offered by "General Packaging Industry (GPI) Rengo" supports logistics and richness in lifestyles, and their innovation contributes toward solving social issues.

As a creative "packaging provider" that not only supplies products as a supplier but also designs the future on our own and creates new markets, Rengo provides comprehensive solutions that meet the packaging needs of all industries.

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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.

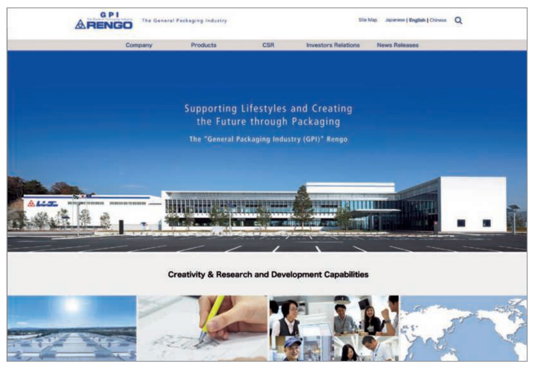
Refer to the Sustainability Report for information regarding the Group's approach to initiatives and results regarding preservation of the global environment and social programs.

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 nonfinancial 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 Sustainability Report provides all stakeholders with detailed information regarding Rengo's CSR activities.



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

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

Corporate Governance
https://www.rengo.co.jp/english/sustainability/governance.html

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https://www.rengo.co.jp/english/sustainability/index.html

Sustainability Report
https://www.rengo.co.jp/sustainability/info/report/2021/index.html

Kiyoshi Otsubo
Representative Director,
Chairman & CEO

Yosuke Kawamoto
Representative Director,
President & COO

Overcoming Difficulties Striving to be the World's Best General Packaging Manufacturer Group

Since its foundation in 1909, the Rengo Group has been an industry leader with the pride of a pioneer of Japan's corrugated packaging industry. Today, as "General Packaging Industry (GPI) Rengo," the Group conducts business under a hexagonal structure centered on six core business fields—paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business—to offer innovative and diverse solutions that meet the packaging needs of all industries in Japan and overseas.

With "Less is more." as our key business concept, we are generating more value using fewer resources and continuously creating innovative packaging that is people- and environmentally-friendly. In addition, we strive to use management resources efficiently, increase earning capacity, and maximize corporate value based on high ethical standards and fair management attitudes.

Summary of Financial Results for FY2020

Shift towards Recovery from the Effects of Global Recession

During the fiscal year ended March 31, 2021 (FY2020), social and economic activities were greatly curtailed and conditions in the Japanese economy were extremely challenging as a result of the global spread of COVID-19. Due to the effects of large-scale economic stimulus measures by the national government and proactive policies by countries around the world, however, a shift towards recovery was observed in the second half of the fiscal year, particularly in mining and manufacturing production and export industries.

Under these circumstances, net sales were ¥680,714 million, a year-on-year decrease of 0.4%, operating income was ¥39,939 million, a decrease of 3.1%, and net income attributable to owners of the parent was ¥28,599 million, an increase of 2.9%.

In the Paperboard and Packaging-Related Business, demand for food, e-commerce, and parcel delivery was firm, but sales and profit were both down due to effects of the economic downturn. The Flexible Packaging-Related Business reported higher sales and profit as a result of a new consolidated subsidiary and higher demand for use with foodstuffs and other factors. The Heavy Duty Packaging-Related Business also reported higher sales and profit due to an increase in consolidated subsidiaries and lower fixed costs. The Overseas Business reported higher sales as a result of an increase in consolidated subsidiaries, but profit was down due to effects of the economic downturn in conjunction with the COVID-19 pandemic.

Measures During the COVID-19 Pandemic

Fulfilling Our Supply Responsibilities as a Supporting Industry

In April 2020, the Group established the Rengo Group Novel Coronavirus Emergency Management Headquarters, and as a member of society, has made maximum efforts to prevent the spread of infection while ensuring the safety and health of workers during the greatest crisis the Group has faced in the postwar era. The Group has worked to fulfill its supply responsibility as a supporting industry that delivers living essentials to consumers. In conjunction with these measures, the Group has made diligent efforts to expand business and increase profit by bolstering sales capabilities, conducting active capital investments, and implementing M&A.

Domestic Strategies and Initiatives

Reinforcing Supply Chains by Promoting Group Management

During the fiscal year under review, Rengo acquired additional shares of Sun·Tox Co., Ltd. (Taito-ku, Tokyo) in October 2020 to make Sun·Tox into a subsidiary and acquired shares of Kinyosha Printing Co., Ltd. (Ota-ku, Tokyo) in March 2021, making it into a subsidiary as well and developing business in the media packaging field. Also in March 2021, Rengo made Rengo Toppan Containers Co., Ltd. (Kawaguchi-shi, Saitama Prefecture; the company name was changed to RG Containers Co., Ltd.) into a wholly-owned subsidiary to enhance its corrugated packaging supply structure in the Kanto region, and in the Shikoku region, Sanko Co., Ltd. completed construction of a new head office plant in Awa-shi, Tokushima Prefecture. Moreover, Rengo signed a memorandum of understanding (MOU) with Taiko Paper Mfg., Ltd. (Fuji-shi, Shizuoka Prefecture), in regards to supporting its business reconstruction under the corporate reorganization process with the objective of adding value to its upstream supply chain by expanding into the manufacture of kraft pulp and kraft paper, which are raw materials for the paperboard and heavy duty packaging businesses.

Overseas Strategies and Initiatives

Challenging True Globalization by Expanding Business in Growth Markets

In overseas business, Rengo made an equity investment in United Pulp and Paper Co., Inc., a Philippines-based containerboard manufacturing and sales subsidiary of Thailand-based SCG Packaging Public Company Limited, in October 2020, entering the containerboard business in the Philippines. Also in October, Hong Kong-based Tri-Wall Limited acquired THIMM Packaging Systems, S. de R.L de C.V., a heavy duty packaging material manufacturing and sales company in Mexico, to expand the heavy duty packaging business in the country. In December, Thai Containers Group Co., Ltd. acquired Bien Hoa Packaging Joint Stock Company (SOVI), a corrugated packaging and folding carton manufacturer in Vietnam, expanding production facilities in Vietnam.

Developments Concerning Group Companies

Japan

October	2020	Sun·Tox Co., Ltd. made into a subsidiary
January	2021	Tarutani Industrial Packaging Corporation and Tarutani Packaging Co., Ltd. merge
February		Settsu Carton Co., Ltd. and Kyoei Danboru Co., Ltd. reorganize
March		Sanyo Jidosha Unso Co., Ltd. completes reconstruction of Hiroshima Branch
		Kinyosha Printing Co., Ltd. made into a subsidiary
		RG Containers Co., Ltd. made into a wholly-owned subsidiary
		Sanko Co., Ltd. completes construction of a new head office plant
		Rengo enters into MOU regarding the business reconstruction support for Taiko Paper Mfg., Ltd.

Overseas

October	2020	Equity investment into United Pulp and Paper Co., Inc., a Philippines-based containerboard manufacturing and sales company
		Tri-Wall Limited acquires THIMM Packaging Systems, a heavy duty packaging material manufacturing and sales company in Mexico
December		Thai Containers Group Co., Ltd. acquires Bien Hoa Packaging Joint Stock Company (SOVI), a corrugated packaging and folding carton manufacturer in Vietnam

Environmental and Social Initiatives

Accelerating Climate Change Measures, Contributing to Development of a Sustainable Society

Based on an awareness of management practicing that takes into consideration preservation of the global environment is essential for sustainable corporate development, the Rengo Group makes every effort to reduce the environmental impact from its business activities.

In April 2021, Rengo established the Rengo Group Environmental Action Plan 2050, which sets a medium-term to long-term target of achieving essentially zero greenhouse gas emissions by 2050, and the Eco Challenge 2030, which covers the period until 2030, and revised the Rengo Group Environmental Charter.

As the government raises greenhouse gas emissions reduction targets and responding to climate change becomes more urgent, Rengo is also accelerating its initiatives.

Responding to Social Demands for Sustainable Development Addressing Reductions in Plastic Waste

Rengo is also developing products and technologies that will lead to reductions in plastic waste, which has become a global issue. In November 2020, we launched "REBIOS®," a new series of the Takefu Plant's cellophane and paper-based packaging materials. By using cellophane and paper derived from plant, REBIOS achieves high biomass content and high biodegradability and is expected to be used in a wide range of areas in the future. Cellophane and Viscopearl® are cellulose-related Rengo products that have acquired the OK biodegradable MARINE, an international certification verifying biodegradability in seawater, which has fewer microorganisms than in soil. We are currently using our cellophane manufacturing technology to conduct development for the commercialization of cellulose nanofiber and micro cellulose bead products, functional materials made from 100% natural wood pulp. We plan to introduce a test plant for cellulose nanofibers and to operate micro cellulose bead production equipment with an annual capacity of 120 tons.

In addition to development of these products, in June 2020, Rengo established R Plus Japan Ltd. (Minato-ku, Tokyo), a joint venture company investing in the business of recycling used plastics with 11 other cross-industry partners making up the plastic value chain and began operations.

We will continue our efforts to contribute to the development of a sustainable society by further reducing the environmental impacts of Group business activities and supplying environmentally-conscious products.

Development of REBIOS

In November 2020, Rengo launched "REBIOS," a new series of the Takefu Plant's cellophane and paper-based packaging materials. By making maximum use of plant-derived cellophane and paper, REBIOS achieves high biomass content and high biodegradability. In addition, biodegradable resin is incorporated to impart heat sealability and moisture proof property. REBIOS is expected to be used in a wide range of packaging applications including foods, consumer products, clothing, and sanitary materials.

Enhancing Corporate Value by Promoting Diversity and Inclusion

Rengo respects the value of each of its employees, who are the source of creativity that generates the innovation driving the development of a sustainable society. Rengo has taken active measures to create work environments where diverse human resources can achieve their full potential without regard for gender, age, disability, nationality, or other such attributes.

Believing that the empowerment of female employees is essential for achieving further enhancement of corporate value, in April 2014 we established the Section for the Promotion of Women Employees and have focused on recruiting women and expanding their areas of responsibility ever since. These efforts have been recognized, and in May 2016, Rengo received "Eruboshi" certification (Level 2) from the Minister of Health, Labour and Welfare, and in FY2020, we received the higher Level 3 certification. Furthermore, we formulated the Action Plan for Empowering Female Workers in March 2021 with the aim of reinforcing these efforts even further during the period from April 2021 to March 2026.

Going forward, we will continue our efforts to accelerate work style reforms and to boost the enthusiasm and skills of all employees.

Formulation of the Action Plan for Empowering Female Workers

Plan Period

April 1, 2021 - March 31, 2026 (five years)

Goals Stated in the Action Plan

1. Achieve an employment rate of at least 30% for female employees in career-path positions
2. Achieve an employment rate of at least 20% for female employees working as office & production staff
3. Achieve 1.5 times or more for the number of female employees in managerial positions
4. Achieve a rate of at least 80% of male employees taking childcare leave

Promoting Digital Transformation (DX)

Pursuing Harmony between Cyber and Physical in the New Normal of the COVID-19 Era

The Rengo Group uses state-of-the-art digital technologies to increase work efficiency, create new added value, and respond to work style reforms in manufacturing, logistics, sales, and management. The DX Promotion Investigation Committee, established in April 2020 with the president as its chairman, develops business processes through digitalization while working to enhance information security measures and develop DX human resources.

Rengo is using cutting edge information and communications technologies including 5G so that it can conduct efficient and effective business during the new normal of the COVID-19 era and is building Cyber-Physical Systems (CPS) that achieve harmony between massive amounts of data and the people that handle them.

Measures for Future Sustainable Development

Becoming a General Packaging Industry that Lives up to the Trust of All Stakeholders

With the aim of becoming the world's best general packaging manufacturer group as a "packaging provider," in April 2020, the Rengo Group took the first steps under a new management structure toward achieving the Vision 115 medium-term vision, which concludes in FY2024 when the Group marks the 115th anniversary of its founding.

The Japanese economy continues to face difficult conditions due to the COVID-19 pandemic. However, as social and economic activity levels are raised while measures to prevent infection are implemented including vaccination, we believe that the recovery trend will continue in line with the effects of measures implemented by the government and countries around the world.

Under the circumstances, to ensure that the scale and profitability of all Group core businesses are appropriate for our hexagonal business structure and achieve sustainable development by GPI Rengo, we will reinforce governance and expand earnings even further. Furthermore, the five committees (ethics, environment, health and safety, customer satisfaction, and public relations) established under the CSR Committee will play central roles as we strive to be a corporate group that can live up to the trust of all stakeholders. We will fulfill our corporate social responsibilities through our business activities while focusing on the Sustainable Development Goals (SDGs), the shared goals of international society, while reinforcing compliance and taking active measures to enhance corporate value.

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

"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 business activities. It means to generate more value using 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.

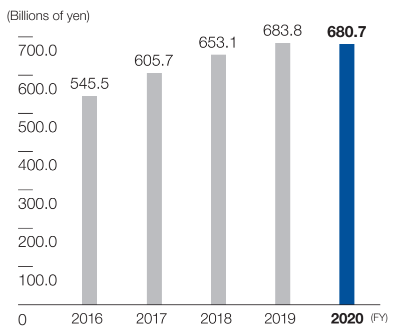
Rengo will continue to lead from the vanguard of advances in packaging based on "Less is more." while fulfilling its corporate social responsibility.

Consolidated Financial Highlights

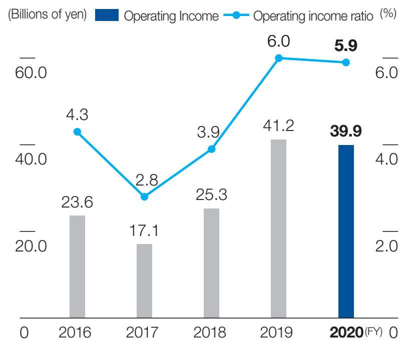
	FY2020	FY2019	FY2020/FY2019	FY2020
For the fiscal year:	(Millions of yen)	(Millions of yen)	Change (%)	(Thousands of U.S. dollars*1)
Net sales	**¥ 680,714**	¥ 683,780	(0.4)	$ 6,188,309
Operating income	**39,939**	41,228	(3.1)	363,082
Profit attributable to owners of parent	**28,600**	27,790	2.9	260,000
Depreciation and amortization	**38,115**	35,076	8.7	346,500
Capital expenditures	**47,143**	38,700	21.8	428,573
EBITDA	**80,014**	77,662	3.0	727,400
At the fiscal year-end:	(Millions of yen)	(Millions of yen)	Change (%)	(Thousands of U.S. dollars)
Total assets	**¥ 869,992**	¥ 820,109	6.1	$ 7,909,018
Interest-bearing debt	**330,645**	323,614	2.2	3,005,864
Net assets	**324,463**	288,820	12.3	2,949,664
Per share amounts:	(Yen)	(Yen)	Change (Yen)	(U.S. dollars)
Basic earnings, basic	**¥ 115.51**	¥ 112.24	¥ 3.27	$ 1.05
Basic earnings, diluted	**—**	—	—	—
Cash dividends applicable to the year	**24.00**	20.00	4.00	0.22
Net assets*2	**1,265.53**	1,123.86	141.67	11.50

*1 U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥110 to U.S. $1.00 prevailing on March 31, 2021.
*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.

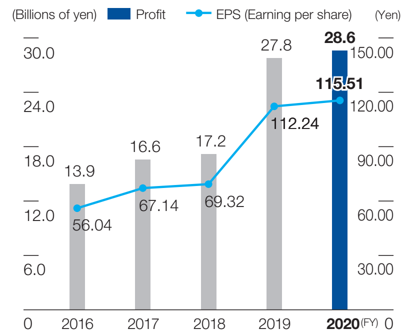
Net sales



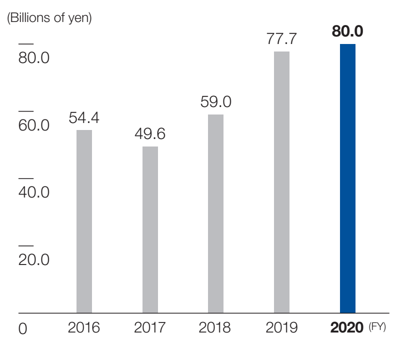
Operating income & operating income ratio



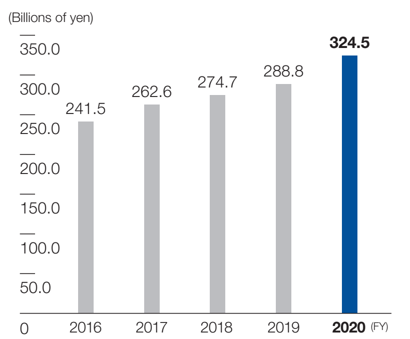
Profit attributable to owners of parent & EPS



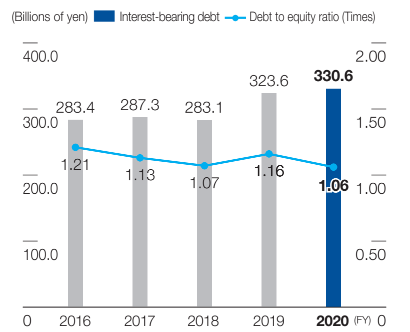
EBITDA



Net assets

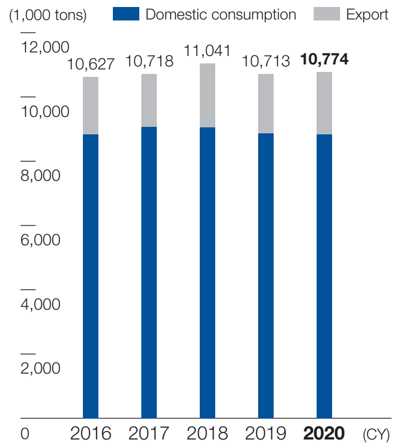


Interest-bearing debt & debt to equity ratio



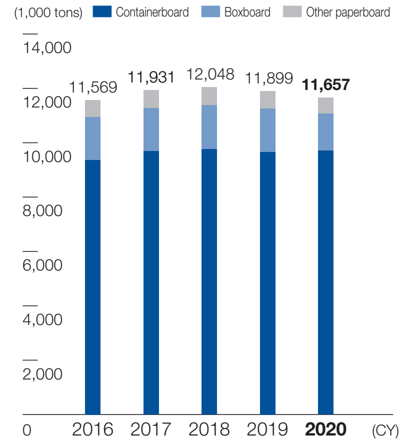
Market Data

Domestic consumption and export of old corrugated containers



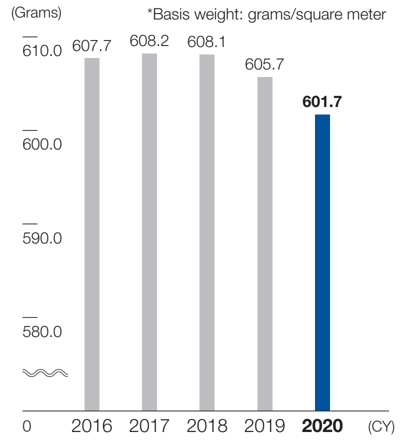
(Source: Ministry of Economy, Trade and Industry / Ministry of Finance)

Domestic production of paperboard



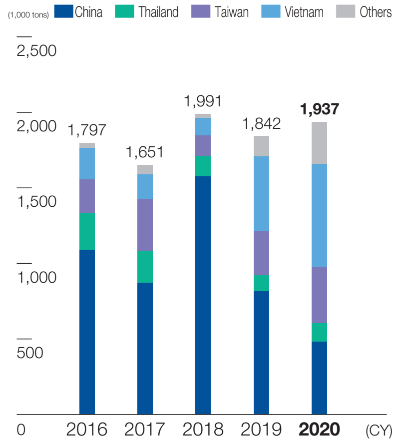
(Source: Japan Paper Association)

Average basis weight* of corrugated board



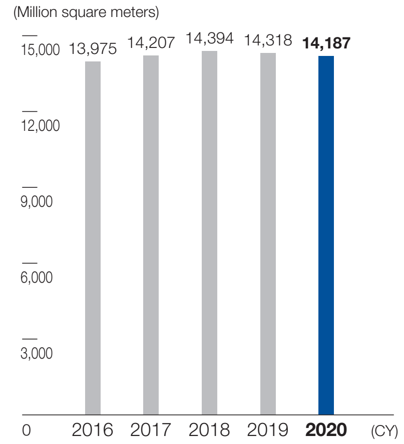
(Source: Japan Corrugated Case Association)

Export of old corrugated containers by country



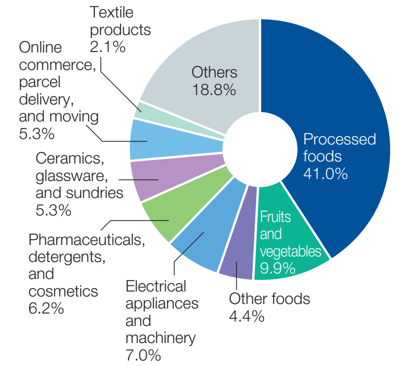
(Source: Ministry of Finance)

Domestic production of corrugated board



(Source: Japan Corrugated Case Association)

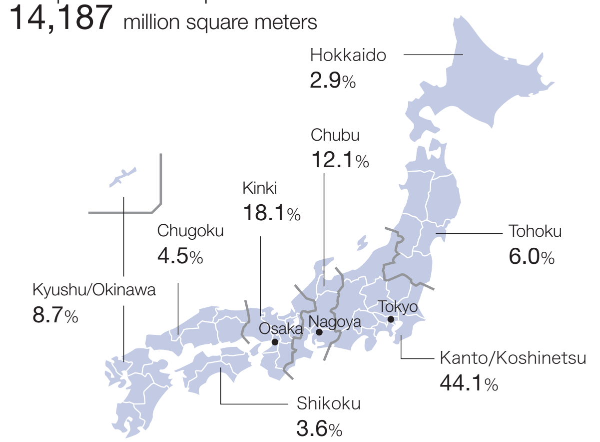
Breakdown of demand for corrugated boxes by market (2020)



(Source: Japan Corrugated Case Association)

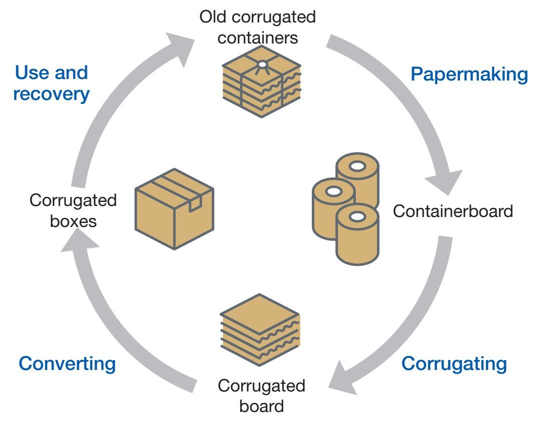
Production of corrugated board by region (2020)

Total production in Japan
14,187 million square meters



(Source: Japan Corrugated Case Association)

Recycle flow of corrugated packaging



Paperboard and Packaging-Related Business

Corrugated boxes

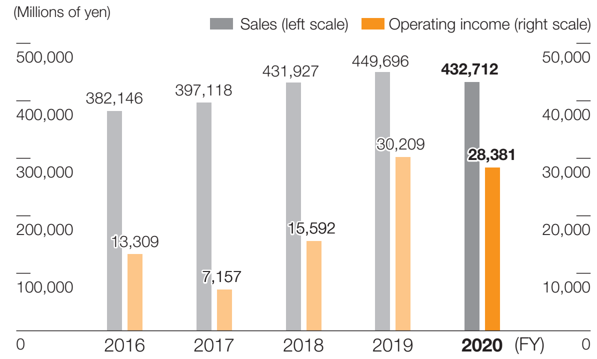
Rengo Co., Ltd., Marusan Paper Mfg. Co., Ltd., and Osaka Paper Co., Ltd. are active in the paperboard manufacturing and sales business. Each company sells products through its own sales channels including Rengo Paper Business Co., Ltd. and supplies the principal raw materials for corrugated packaging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

Main Products

Paperboard	・Containerboard ・Tube board	・Boxboard ・Chipboard
Corrugated Packaging	・Corrugated board	・Corrugated boxes
Folding Cartons	・General-purpose packages ・Multi-pack	・Gift packages

Composition of net sales by business segment
FY2020

Sales and operating income (after intersegment eliminations)



Market Environment and Business Results

In the paperboard industry, production volume was down from the previous year due to effects from economic slowdown in conjunction with the spread of the COVID-19 pandemic. In the corrugated packaging industry, although demand for use with food products and in e-commerce and parcel delivery was solid thanks to demand from people staying at home more, consumption was stagnant in a wide range of fields, and as a result, production volume was down from the previous year. In the folding carton industry, demand for use with food products and pharmaceuticals by individuals increased, but demand related to office use and inbound tourism decreased, and as a result, production volume was down from the previous year.

Under these circumstances, although the Group experienced firm demand for food products, e-commerce/parcel delivery, and other areas, both sales and profit were down due to effects of the economic downturn.

As a result, segment sales were ¥432,712 million, down 3.8% year-on-year, and operating income was ¥28,381 million, down 6.1%.

The Group's paperboard production volume was 2,412 thousand tons, down 3.1% year-on-year due to effects from the economic downturn. Despite sluggish consumption, corrugated board production volume was 4,235 million m², down 1.1%, and corrugated box production volume was 3,489 million m², flat from the previous year.

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 is making 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 and building optimal production systems throughout the Group. Proactive measures are also being taken to conduct proposal based marketing tailored to customer needs and making efforts to increase competitiveness. We are enhancing the Rengo Smart Display Packaging (RSDP) product line, which contributes to higher operational efficiency at retail sites. We also introduced Japan's first digital pre-printing machine and are promoting sales of DEGI-PAKE, an unprecedented corrugated box printed using high-definition variable digital printing which will open up new territory in the world of corrugated packaging as a promotional tool.

In the folding carton business, we supply optimal packaging that provides the needed functions and are consolidating accumulated knowledge and technology in the pursuit of packaging manufacturing for a new era.

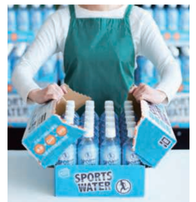
Research and Development Activities

We are conducting research and development with the objectives of improving quality and productivity, saving energy and resources, reducing costs, and increasing the value-added of products. Such R&D includes developing technology for enhancing surface strength and quality toward a more lightweight containerboard, developing technologies that save labor, enhance quality, and save energy through automation with a focus on Delta-flute corrugated board and corrugating adhesives, and developing coating agents with the aim of improving digital printability. We are making steady progress toward practical application.

Rengo Products (corrugated packaging)

RSDP

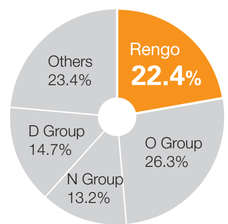
Rengo Smart Display Packaging (RSDP) is a series of corrugated box products that reduces the burdens of unpacking and displaying products and promotes sales, contributing to higher operational efficiency at retail sites. In October 2020, RSDP won the 44th Kinoshita Prize for packaging technology presented by the Japan Packaging Institute for development of RSDP.



DEGI-PAKE

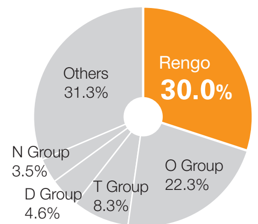
DEGI-PAKE employs digital pre-printing, a direct inkjet printing method on containerboard and boxboard. Not only is it suitable for high-definition printing, it does not require printing die, which means it is ideal for small-lot printing.

Major manufacturing groups' shares of the containerboard market in Japan CY2020



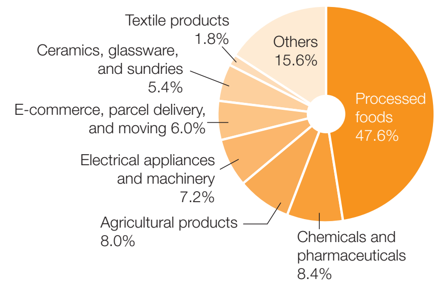
Source: Japan Paper Association

Major manufacturing groups' shares of the corrugated board market in Japan FY2019

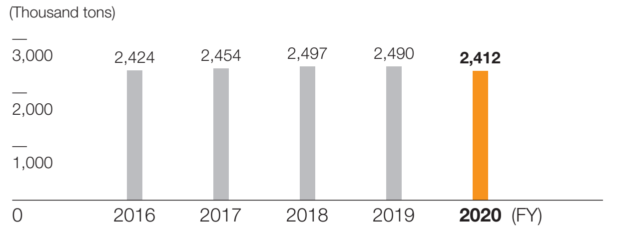


Source: Yano Research Institute

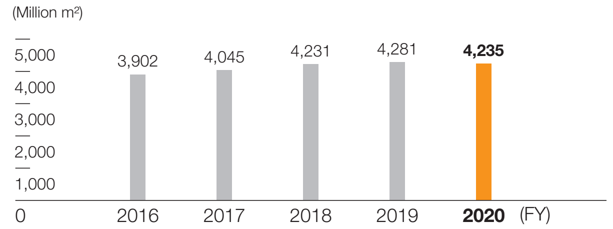
Breakdown of Rengo's corrugated box sales by market in Japan (consolidated basis) FY2020



Paperboard production (in Japan, consolidated basis)



Corrugated board production (in Japan, consolidated basis)



Review of Business

Flexible Packaging-Related Business

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

Main Products

Film Packaging

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

Environmentally-Friendly Film

Sun･Tox's environmentally-friendly film combines plant-derived materials and contributes to reducing CO_2. It features excellent transparency and is safe for use with foods.

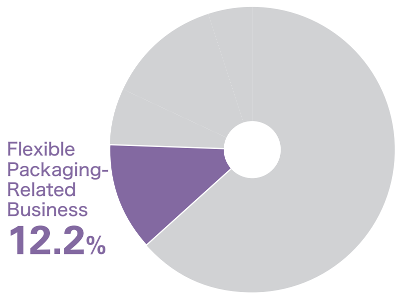
Cellophane

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

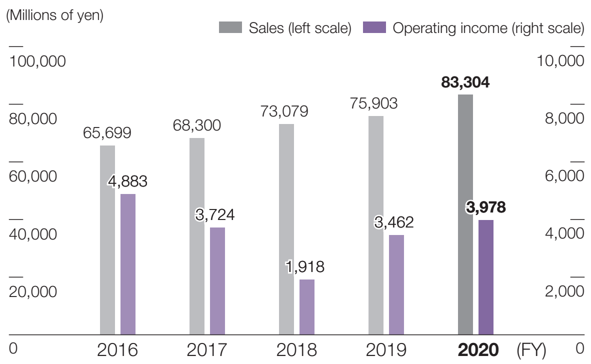
OK biodegradable MARINE certification verifies biodegradability in seawater (certification received in April 2021)

Composition of net sales by business segment

FY2020



Sales and operating income (after intersegment eliminations)



Market Environment and Business Results

In the flexible packaging industry, despite the shift to plastic-free, production was supported by firm demand for products used with foods, and production volume was up from the previous year.

The Group reported higher sales and profit due to an increase in the number of consolidated subsidiaries, higher demand for use with food products, and other factors.

As a result, segment sales were ¥83,304 million, up 9.7% year-on-year, and operating income was ¥3,978 million, up 14.9%.

Actions and Measures

Howa Sango Co., Ltd. plays a central role by using cutting-edge facilities to produce high-function products that respond to the needs of customers and is reinforcing its competitiveness and earnings base in the Group's flexible packaging business.

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.

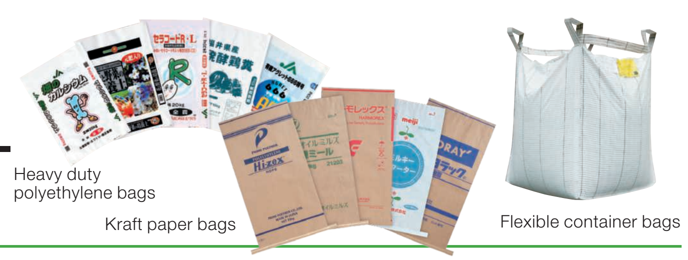
Research and Development Activities

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 ocean plastics, a global-scale problem, we are working to expand our product line that effectively uses the cellophane that we produce and increase sales.

Sun･Tox Co., Ltd. is developing oriented polypropylene film products and cast polyolefin film products for use as packaging for foods including rice balls and sandwiches sold in convenience stores, sweet bread, fruits and vegetables. The company is working to make films thinner and develop biomass film products made from biomass materials in response to reducing the amount of fossil-fuel derived plastics, a growing need for environmental considerations, and collaborating closely with customers to continuously introduce new items to markets.

Review of Business

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.

Main Products

Heavy Duty Packaging

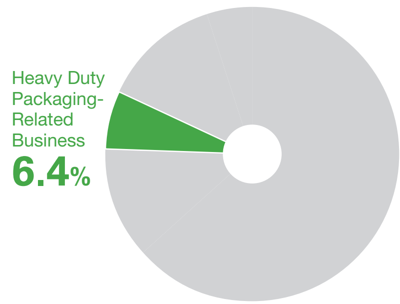
- **Flexible container bags**
  For livestock feed, food products, industrial materials, resins, and agricultural products
- **Heavy duty polyethylene bags**
  For fertilizers, chemical products, and synthetic resins
- **Kraft paper bags**
  For petrochemical products, wheat flour, industrial chemicals, sugar, salt, rice, and wheat

Resin-Based Products

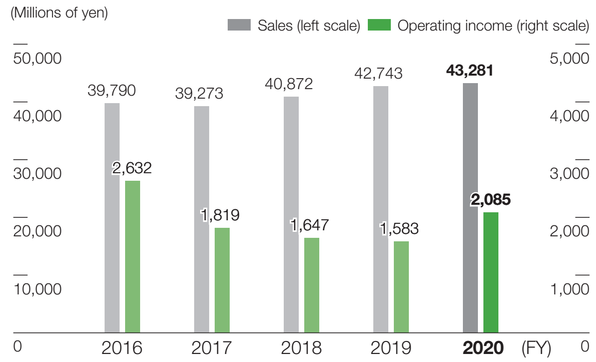
- **Laminated products**
  For electronic components, office equipment, building materials, electrical materials, and food products
- **Cross lamination**
  Building materials, agricultural materials, packaging materials
- **Industrial resins**
  For office equipment parts, medical adhesives, medical films, audio equipment, and building materials
- **Netting materials**
  For agriculture, industry, fisheries, sports, and home gardening applications

Composition of net sales by business segment

FY2020



Sales and operating income (after intersegment eliminations)



Market Environment and Business Results

In the heavy duty packaging industry, production volume was down from the previous year due to decreases in demand for housing, automobile, and steel.

In the Group's Heavy Duty Packaging-Related Business, sales and profit were up because of an increase in consolidated subsidiaries and a decrease in fixed costs.

As a result, segment sales were ¥43,281 million, a year-on-year increase of 1.3%, and operating income was ¥2,085 million, an increase of 31.7%.

Actions and Measures

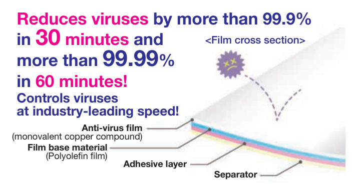
Nihon Matai Co., Ltd. played a central role in seeking synergy effects within the Group while undertaking technological innovations in response to changes in society so that we can continue providing heavy duty packaging that enhance the value of customer products.

Research and Development Activities

Nihon Matai Co., Ltd. develops functional films, resin-based products, non-solvent laminated products, and heavy duty packaging.

With regard to non-solvent laminated products and heavy duty packaging, the company is reinforcing development of light packaging materials and heavy duty bags made of biodegradable plastic and biomass plastic to address environmental issues, as well as environmentally-friendly weed prevention sheets that support landscaping measures.

In addition, for functional films and resin-based products, Nihon Matai launched sheet product development for anti-virus films and decorative molded products and is enhancing expansion of its high added value product line and development of other functional products. The company holds the largest share of the domestic market for electronic component transportation packaging materials and is developing new products and improving quality in the pursuit of new growth.



Anti-virus film (Nihon Matai Co., Ltd.)

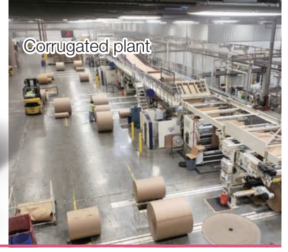
Review of Business

Overseas Business

Heavy duty corrugated packaging

Flexible packaging (PTP)

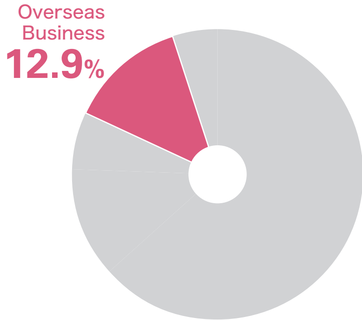
Corrugated plant



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; and nonwoven products by Wuxi Rengo Packaging Co., Ltd.

Composition of net sales by business segment

FY2020

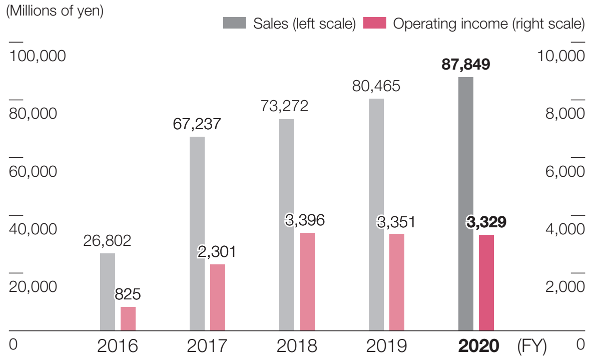


Tri-Wall Group

Within the Rengo Group, the heavy duty corrugated packaging business is conducted globally by Tri-Wall Limited, which became a Rengo subsidiary in October 2016, and TRICOR Packaging & Logistics AG and Gutmann Anlagentechnik GmbH, both of which became Tri-Wall subsidiaries in August 2019.

Heavy duty corrugated packaging offers ease of handling not available with conventional wooden crates and has low environmental impact. It is used for a wide range of products including office equipment and automobile parts, and the business is a growth driver of the Group's overseas business.

Sales and operating income (after intersegment eliminations)



Market Environment and Business Results

In overseas business, sales were higher because of an increase in consolidated subsidiaries, but profit was lower due to the effects of the economic downturn in conjunction with the global spread of the COVID-19 pandemic. As a result, segment sales were ¥87,849 million, up 9.2% year-on-year, and operating income was ¥3,329 million, down 0.7%.

The Rengo Group's total overseas production volume including equity method affiliates was 792 thousand tons of paperboard and 1,925 million m² of corrugated board.

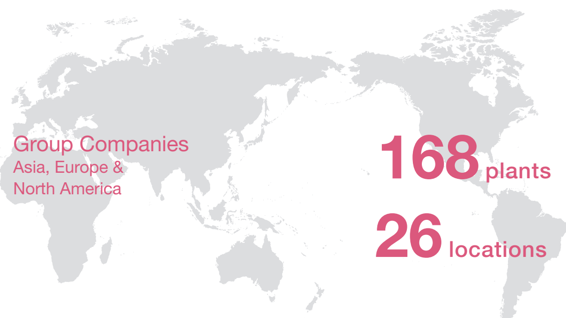
Actions and Measures

In overseas business, which is in the process of expansion as a future growth driver, we are actively undertaking measures for the effective use of management resources through a process of selection and concentration. We are reinforcing business development in China and Southeast Asia and developing business through the Tri-Wall Group in regions where the Group has not entered until recently including Europe and North America.

Global Network

As the globalization of economic society progresses, the Rengo Group is expanding its overseas packaging solutions network.

Rengo Group Overseas Sites



* Including equity method affiliates

(As of March 31, 2021)

Review of Business

Other Businesses

Nonwoven products

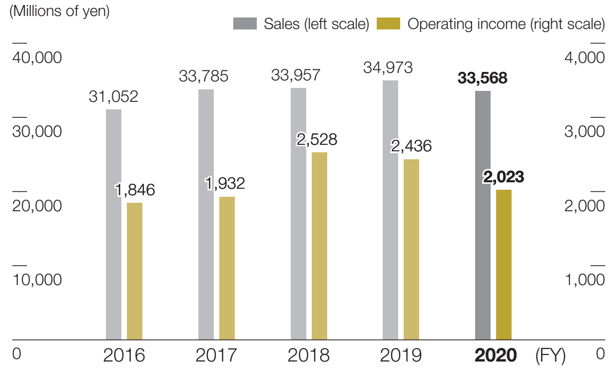
Packaging machine

Transportation business

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 transportation, insurance agency, leasing, and real estate businesses are carried out mainly by Rengo Logistics Co., Ltd. and Sanyo Jidosha Unso Co., Ltd.

Sales and operating income (after intersegment eliminations)



Market Environment and Business Results

In other businesses, sales and profit were both down due to lower profitability in the transportation business in conjunction with a decline in freight volume.

As a result, segment sales were ¥33,568 million, down 4.0% year-on-year, and operating income was ¥2,023 million, down 17.0%.

Topics | Developments in the Group's Business

Acquisition of Kinyosha Printing Co., Ltd.

Rengo acquired a 50% stake in Kinyosha Printing Co., Ltd. in March 2021. With this acquisition, Rengo will develop the media packaging business and further expand the flexible packaging and SP businesses.

Kinyosha Printing Co., Ltd.'s head office

Corporate Profile

Head office	2-8-4 Unoki, Ota-ku, Tokyo
Plants	Gotemba Factory, Utsunomiya Factory, Oguchi Factory
Representative	Representative Director, Chairman & President Ken Asano
Capital	100 million yen
Net sales	6,258 million yen (fiscal year ended March 2021)
Number of employees	283

Sanko Co., Ltd. Completes Construction of Head Office Plant

Sanko Co., Ltd. completed construction of its new head office plant in Awa-shi, Tokushima Prefecture in March 2021. The new plant will enable the Rengo Group to expand its corrugated packaging material product supply system in the Shikoku region.

Sanko's new head office plant

Corporate Profile

Head office	Nishinagamine Industrial Park, 2-13 Nishinagamine, Awa-cho, Awa-shi, Tokushima Prefecture
Representative	Representative Director and President Tetsukuni Kaneda
Capital	65 million yen
Net sales	1,745 million yen (fiscal year ended March 2021)
Number of employees	55

Rengo Signs MOU on Supporting Business Reconstruction by Taiko Paper Mfg., Ltd.

Rengo entered into a memorandum of understanding with Taiko Paper Mfg., Ltd. to support its business reconstruction in March 2021. As a result of Taiko Paper becoming a Rengo subsidiary, the Rengo Group will enter the business of manufacturing kraft pulp and kraft paper, which are used as raw materials in the Group's paperboard and heavy duty packaging businesses. Rengo will support Taiko Paper's business reorganization and expansion with respect to both manufacturing and sales.

Corporate Profile

Head office	10 Kamiyokowari, Fuji-shi, Shizuoka Prefecture
Trustees	Katsumi Aya, Kenji Hitoshi
Capital	100 million yen
Net sales	12 billion yen (fiscal year ended March 2020)
Number of employees	210

Taiko Paper Mfg., Ltd.

Members of the Board, Audit & Supervisory Board Members and Executive Officers (As of June 29, 2021)

Kiyoshi Otsubo

Representative Director, Chairman & CEO

April 1962	Joined Sumitomo Corporation
June 2000	Representative Director, President & Chief Executive Officer of Rengo Co., Ltd.
April 2014	Representative Director, Chairman, President & Chief Executive Officer
April 2020	Representative Director, Chairman & CEO (to present)

Yosuke Kawamoto

Representative Director, President & COO

April 1978	Joined Rengo Co., Ltd.
April 2020	Representative Director, President & COO (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)

Representative Director, Chairman & CEO	Kiyoshi Otsubo
Representative Director, President & COO	Yosuke Kawamoto
Representative Director, Executive Vice President	Moriaki Maeda
Member of the Board Executive Vice President	Yasuhiro Baba Shigechika Ishida Ichiro Hasegawa
Member of the Board*1	Yoshio Sato Masayuki Oku Shinya Sakai Kaoru Tamaoka
Full-time Audit & Supervisory Board Member	Kiwamu Hashimoto Tsutomu Shoju
Audit & Supervisory Board Member*2	Junzo Ishii Kenji Tsujimoto Hitoshi Tsunekage
Senior Managing Executive Officer, Member of the Senior Executives Meeting	Hiromi Sambe Hiroshi Ebihara Sadatoshi Inoue
Managing Executive Officer, Member of the Senior Executives Meeting	Hirofumi Hori Yukio Okano
Managing Executive Officer	Yuji Hiwaki Masashi Nakashima Yuji Motomatsu Mitsunori Ozaki Shin Morizuka
Executive Officer	Shigetoshi Yoshimura Yasuhiro Yuida Hitoshi Shibasaki Makoto Iida Yoshizumi Nishi Kanji Murai Toshihiko Honjo Taku Furuta Satoshi Mochizuki

*1 Board members Yoshio Sato, Masayuki Oku, Shinya Sakai, and Kaoru Tamaoka are outside members.
*2 Audit & Supervisory Board members Junzo Ishii, Kenji Tsujimoto, and Hitoshi Tsunekage are outside members.

Financial Section

Consolidated Ten-Year Summary

Rengo Co., Ltd. and Consolidated Subsidiaries
(For the years ended March 31, 2012–2021)

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	**2021/3**
For the fiscal year (millions of yen):										
Net sales	¥ 492,628	¥ 502,626	¥ 523,142	¥ 522,672	¥ 532,534	¥ 545,489	¥ 605,713	¥ 653,107	¥ 683,780	**¥ 680,714**
Gross profits	86,196	88,469	82,606	76,429	87,288	98,587	99,710	111,197	132,461	**133,281**
Operating income	25,068	23,891	14,221	5,568	15,727	23,642	17,083	25,292	41,228	**39,939**
Profit before income taxes and non-controlling interests	11,272	25,066	9,687	12,081	16,268	24,186	23,366	25,076	41,090	**41,205**
Profit attributable to owners of parent	7,148	12,956	3,703	5,719	9,817	13,876	16,623	17,163	27,790	**28,600**
Research and development expenses	1,541	1,581	1,421	1,405	1,441	1,448	1,483	1,532	1,593	**1,900**
Depreciation and amortization	27,149	27,898	28,582	29,612	29,333	29,524	30,881	32,259	35,076	**38,115**
Capital expenditures	47,741	37,014	52,849	39,982	29,657	30,446	41,527	36,512	38,700	**47,143**
EBITDA	52,217	51,789	42,803	35,180	46,455	54,373	49,616	59,028	77,662	**80,014**
At the fiscal year-end (millions of yen):										
Total assets	¥ 549,058	¥ 572,591	¥ 629,055	¥ 655,675	¥ 644,690	¥ 704,827	¥ 747,700	¥ 769,356	¥ 820,109	**¥ 869,992**
Working capital	(46,135)	(30,389)	(40,772)	(34,146)	(36,802)	(24,289)	(23,761)	(10,143)	(3,042)	**14,229**
Interest-bearing debt	229,444	237,746	263,431	276,906	264,728	283,350	287,322	283,072	323,614	**330,645**
Net assets	170,931	188,133	201,659	222,391	221,734	241,511	262,581	274,698	288,820	**324,463**
Equity capital(*1)	164,339	180,734	196,359	216,353	215,963	234,242	255,015	263,948	278,255	**313,327**
Per share amounts (yen):										
Basic earnings per share	¥ 27.74	¥ 50.99	¥ 14.95	¥ 23.09	¥ 39.64	¥ 56.04	¥ 67.14	¥ 69.32	¥ 112.24	**¥ 115.51**
Diluted earnings per share	—	—	—	—	—	—	—	—	—	**—**
Cash dividends applicable to the year	12.00	12.00	12.00	12.00	12.00	12.00	12.00	14.00	20.00	**24.00**
Net assets per share(*2)	637.85	729.53	792.78	873.60	872.17	946.06	1,029.98	1,066.07	1,123.86	**1,265.53**
Ratio:										
Return on equity (%)	4.4	7.5	2.0	2.8	4.5	6.2	6.8	6.6	10.3	**9.7**
Return on total assets (%)	1.4	2.3	0.6	0.9	1.5	2.1	2.3	2.3	3.5	**3.4**
Debt to equity ratio (times)	1.40	1.32	1.34	1.28	1.23	1.21	1.13	1.07	1.16	**1.06**
Capital adequacy ratio (%)	29.9	31.6	31.2	33.0	33.5	33.2	34.1	34.3	33.9	**36.0**
Other data:										
Number of shares of common stock (thousand)	271,056	271,056	271,056	271,056	271,056	271,056	271,056	271,056	271,056	**271,056**
Number of employees	12,961	13,082	13,095	14,060	13,999	16,038	16,532	16,968	18,902	**19,451**
Share prices (yen):										
High	¥ 619	¥ 599	¥ 651	¥ 558	¥ 619	¥ 717	¥ 968	¥ 1,078	¥ 1,071	**¥ 1,012**
Low	458	311	438	443	459	546	603	787	660	**776**

*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.

Management's Discussion and Analysis of Company Financial Status and Business Results

Overview

In the fiscal year ended March 31, 2021, the Rengo Group was confronted with the COVID-19 pandemic that is the greatest crisis in the post-war period, and in April 2020 established the Rengo Group Novel Coronavirus Emergency Management Headquarters to fulfill its responsibility as a supporting industry member to supply products used to deliver living essentials to consumers while ensuring the safety and health of employees and taking measures as a member of society to prevent the spread of infection. At the same time, the 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," offering innovative solutions that meet all the packaging needs of various industries centered on six core business fields: paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging and overseas business.

In June 2020, Rengo established R Plus Japan Ltd. (Minato-ku, Tokyo), a joint venture company investing in the business of recycling used plastics with 11 other cross-industry partners making up the plastic value chain and began operations. In October, Rengo acquired additional shares of Sun･Tox Co., Ltd. (Taito-ku, Tokyo) and made it into a subsidiary with the aim of further expanding the Group's flexible packaging business. In addition, in March 2021, Rengo acquired shares of Kinyosha Printing Co., Ltd. (Ota-ku, Tokyo) and made it into a subsidiary to develop business in the media packaging field. Also in March, to enhance its corrugated packaging supply structure, in the Kanto region, Rengo acquired all shares of Rengo Toppan Containers Co., Ltd. (Kawaguchi-shi, Saitama Prefecture) to make it into a wholly-owned subsidiary and renamed it RG Containers Co., Ltd. In the Shikoku region, Sanko Co., Ltd. completed construction of its new head office plant in Awa-shi, Tokushima Prefecture. Moreover, Rengo signed a memorandum of understanding (MOU) with Taiko Paper Mfg., Ltd. (Fuji-shi, Shizuoka Prefecture), in regard to supporting its business reconstruction under the corporate reorganization process with the objective of adding value to its upstream supply chain by expanding into the manufacture of kraft pulp and kraft paper, which are raw materials for the paperboard and heavy duty packaging businesses.

With regard to the Overseas business, in October 2020, Rengo made an equity investment in United Pulp and Paper Co., Inc., a Philippines-based containerboard manufacturing and sales subsidiary of SCG Packaging Public Company Limited, in October 2020. With this acquisition, Rengo entered the Philippine containerboard business. Also in October, Tri-Wall Limited (Hong Kong) acquired a heavy duty packaging manufacturing and sales company in Mexico, expanding its heavy duty packaging business in the country. In December, Thai Containers Group Co., Ltd. acquired a corrugated packaging and folding carton manufacturer in Vietnam, expanding its production sites in the country.

As a result, net sales were ¥680.7 billion, down 0.4% year on year, and profit attributable to owners of the parent was ¥28.6 billion, up 2.9% year on year. Thus, even though net sales were down from the previous fiscal year, profit was higher.

As of March 31, 2021, Rengo had 164 consolidated subsidiaries, an increase of four from the end of the previous fiscal year, and 16 affiliates accounted for using the equity method, the same as at the end of the previous fiscal year.

Sales

Net sales decreased by ¥3.1 billion year on year from ¥683.8 billion in the previous fiscal year to ¥680.7 billion. The decrease was due to effects from a sluggish economy in conjunction with the spread of COVID-19.

In individual segments, net sales from the Paperboard and Packaging-Related Business decreased 3.8%, net sales from the Flexible Packaging-Related Business increased 9.7%, net sales from the Heavy Duty Packaging-Related Business increased 1.3%, net sales from the Overseas Business increased 9.2%, and net sales from other businesses decreased 4.0%.

The volume of corrugated box sales in Japan decreased 0.8% due to effects from the sluggish economy.

Income and Expenses

Operating Expenses and Operating Income

The cost of sales declined ¥3.9 billion from ¥551.3 billion in the previous fiscal year to ¥547.4 billion due to a decrease in variable costs including raw materials costs. Selling, general and administrative expenses increased ¥2.1 billion from ¥91.2 billion in the previous fiscal year to ¥93.3 billion, due mainly to higher personnel expenses.

Operating income declined ¥1.3 billion from ¥41.2 billion in the previous fiscal year to ¥39.9 billion. Although energy and raw materials costs fell compared to the previous fiscal year, operating income declined because the effects of a lower sales volume and other factors due to the deteriorating economic environment exceeded the decrease in costs.

Other Income and Expenses

With regard to the net balance of other income and expenses, net income in the fiscal year under review was ¥1.3 billion, compared to a net loss of ¥0.1 billion in the previous fiscal year. Although shares of profit of entities accounted for using equity method and gain on sales of investment securities were reported, losses on sales and retirement of non-current assets, provision for loss on liquidation of subsidiaries and associates, and other expenses were reported.

Income Taxes and Profit Attributable to Non-controlling Interests

Income taxes decreased ¥0.7 billion from ¥12.7 billion in the previous fiscal year to ¥12.0 billion. Profit attributable to non-controlling interests were ¥0.6 billion, nearly the same as the previous fiscal year.

Profit Attributable to Owners of Parent

As a result of the above developments, profit attributable to owners of the parent was ¥28.6 billion for the fiscal year under review, up ¥0.8 billion from ¥27.8 billion in the previous fiscal year. Basic earnings per share was ¥115.51, up from ¥112.24 in the previous fiscal year.

Cash dividends applicable to the fiscal year were ¥24 per share.

Financial Position and Cash Flows

Assets

Total assets were ¥870.0 billion, an increase of ¥49.9 billion from ¥820.1 billion at the end of the previous fiscal year. The net increase was comprised of a ¥19.3 billion increase in current assets, a ¥16.5 billion increase in property, plant and equipment, a ¥3.1 billion decrease in intangible assets, and a ¥17.2 billion increase in investments and other assets.

The principal factors were an increase in cash and deposits and an increase in the value of investment securities in conjunction with higher share prices.

Liabilities and Net Assets

Total liabilities amounted to ¥545.5 billion, an increase of ¥14.2 billion from ¥531.3 billion at the end of previous fiscal year due mainly to an increase in long- and short-term borrowings.

Interest-bearing debt at the end of the fiscal year stood at ¥330.6 billion, an increase of ¥7.0 billion from ¥323.6 billion at the end of previous fiscal year.

Net assets at the end of the fiscal year were ¥324.5 billion, an increase of ¥35.7 billion compared to ¥288.8 billion at the end of the previous fiscal year due to an increase in retained earnings as a result of reporting profit attributable to owners of the parent, an increase in valuation difference on available-for-sale securities in conjunction with higher share prices, and other factors.

Cash Flows

Net cash provided by operating activities amounted to ¥66.0 billion, an increase of ¥4.9 billion from ¥61.1 billion in the previous fiscal year. The main items were profit before income taxes and non-controlling interests of ¥41.2 billion and depreciation of ¥38.1 billion.

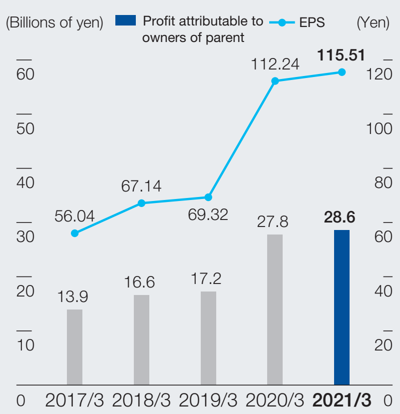
Net cash used in investing activities was down ¥32.3 billion from ¥78.3 billion in the previous fiscal year to ¥46.0 billion. The main items were purchase of property, plant and equipment amounting to ¥39.6 billion and purchase of shares of subsidiaries resulting in a change in the scope of consolidation amounting to ¥5.1 billion.

Net cash used in financing activities was ¥7.3 billion, an increase of ¥31.6 billion compared to ¥24.3 billion in net cash provided by financing activities in the previous fiscal year. The main items were a ¥9.9 billion net increase in long-term and short-term loans payable, ¥5.1 billion for redemption of bonds, and dividends paid amounting to ¥6.0 billion.

As a result, cash and cash equivalents were ¥50.1 billion at the end of the fiscal year under review, an increase of ¥12.6 billion from the previous fiscal year.

Operating Income

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

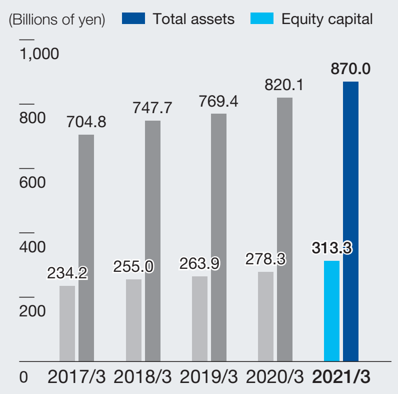


Income and Expenses as a Percentage of Net Sales

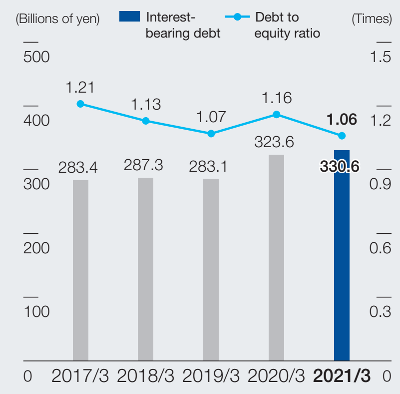
(%)

	2019/3	2020/3	2021/3
Cost of sales	83.0	80.6	80.4
SG&A expenses	13.2	13.3	13.7
Operating income	3.9	6.0	5.9
Profit attributable to owners of parent	2.6	4.1	4.2

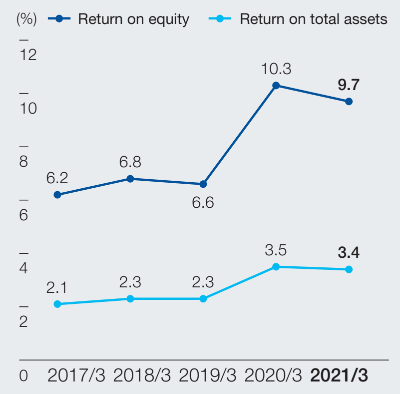
Equity Capital and Total Assets



Interest-Bearing Debt and Debt to Equity Ratio



Return on Equity and Return on Total Assets



Risk Factors

Of the matters concerning the status of business, accounting, and so on described in this report, the main risks that management is aware of that could have a material impact on consolidated financial condition, operating results, and cash flows are set forth below.

Forward-looking statements in this report are based on the Group's expectations and beliefs as of the end of the consolidated fiscal year under review (March 31, 2021).

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.

In response, the Group is working to secure business opportunities for foodstuffs, demand for which is expected to be stable, and to build good relationships with business partners in various industries with the aim of reducing impacts such as declining demand in specific industries relatively. By creating even higher added-value packaging, the Group is taking measures to enhance competitiveness and minimize risks through proactive proposal-based marketing.

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.

In response to these risks, the Group is taking measures to minimize them through intensity improvement and fuel diversification that are enabled with capital investment that contributes to raising productivity and resource and energy conservation.

3. Natural Disaster and Pandemic

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.

Furthermore, if the Group is forced to suspend business activities as a result of the large-scale spread of infectious disease, there may be an impact on the Group's business performance, financial status, and so on.

To address these risks, the Group is creating structures that can fulfill its supply responsibilities by supply products from its manufacturing sites located throughout the country in the event that certain business sites suspend operations.

4. Overseas Business

The Group has positioned China, Southeast Asia, and Europe 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 risks of exchange rate fluctuations, natural disasters and pandemics, and various other risks unique to each country such as economic and political risks. If these risks materialize, there may be an impact on the Group's business performance, financial status, and so on.

In response to these risks, the Group is taking measures to minimize them while companies of the Group and relevant departments in Rengo gather and share information in a timely manner so that appropriate responses can be made quickly.
In the fiscal year ended March 31, 2021, overseas sales account for 13.0% of the Group's total sales.

5. Changes in Interest Rates

The Group's balance of interest-bearing debt was ¥330,645 million as of March 31, 2021. The Group has taken diligent measures to reduce interest-bearing debt, but is exposed to risks from interest rate fluctuations, and as a result, if market interest rates increase, there may be an impact on the Group's business performance, financial status, and so on.

6. 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 share price levels, and consequently, the retirement benefit expenses can be changed.

7. 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.

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. Litigation

In the process of conducting ongoing business activities in Japan and other countries, 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.

In response, the Group endeavors to practice compliance management including compliance with laws, regulations, and to minimize risks by conducting rank-based training and education for officers and employees to raise awareness of compliance.

10. COVID-19

In the midst of the COVID-19 pandemic, the greatest challenge in the post-war period, the outlook concerning the future scale of the spread of infection and the timing of when the pandemic will be controlled remains unclear at the time of this report's compilation. The Group's business performance, financial status, and so on may be affected according to circumstances in the future.

The Group established the Rengo Group Novel Coronavirus Emergency Management Headquarters, and has made maximum efforts to protect the safety and health of employees while taking all possible measures as a member of society to prevent the spread of infection. The Group is also diligently fulfilling its supply responsibility as a supporting industry for the delivery of daily necessities to consumers.

11. 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, 2021 and 2020)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets			
Current assets:			
Cash and deposits (Notes 5, 7 and 9)	¥ 52,380	¥ 40,014	$ 476,182
Receivables			
Notes and accounts receivable-trade (Note 7)	197,190	192,230	1,792,636
Other	2,222	2,447	20,200
Allowance for doubtful accounts	(654)	(667)	(5,945)
	198,758	194,010	1,806,891
Inventories (Note 6)	51,808	49,961	470,982
Other	6,030	5,743	54,818
Total current assets	308,976	289,728	2,808,873
Property, plant and equipment (Note 9):			
Buildings and structures	272,573	257,002	2,477,936
Machinery, equipment and vehicles	552,945	520,277	5,026,773
Land	118,608	116,926	1,078,255
Construction in progress	8,751	7,444	79,554
Other	38,808	36,988	352,800
	991,685	938,637	9,015,318
Less accumulated depreciation	(624,591)	(588,053)	(5,678,100)
Total property, plant and equipment	367,094	350,584	3,337,218
Intangible assets:			
Goodwill	19,157	21,274	174,155
Other (Note 9)	16,118	17,151	146,527
Total intangible assets	35,275	38,425	320,682
Investments and other assets:			
Investment securities (Notes 7, 8 and 9)	136,172	120,113	1,237,927
Long-term loans receivable	407	536	3,700
Net defined benefit asset (Note 12)	3,159	2,184	28,718
Deferred tax assets (Note 11)	1,947	1,780	17,700
Other (Note 9)	17,968	17,840	163,345
Allowance for doubtful accounts	(1,006)	(1,081)	(9,145)
Total investments and other assets	158,647	141,372	1,442,245
Total assets	¥ 869,992	¥ 820,109	$ 7,909,018

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and the current portion of long-term debt (Notes 7, 9 and 10)	¥ 114,616	¥ 116,114	$ 1,041,964
Payables			
Notes and accounts payable-trade (Notes 7 and 9)	112,898	110,889	1,026,345
Other (Note 7)	21,488	18,255	195,346
	134,386	129,144	1,221,691
Income taxes payable	7,483	9,501	68,027
Provision for directors' bonuses	253	259	2,300
Provision for loss on liquidation of subsidiaries and affiliated companies	470	70	4,273
Other	37,539	37,681	341,263
Total current liabilities	294,747	292,769	2,679,518
Non-current liabilities:			
Long-term debt due after one year (Notes 7, 9 and 10)	206,325	197,664	1,875,682
Deferred tax liabilities (Note 11)	22,421	16,942	203,827
Provision for directors' retirement benefits	635	986	5,773
Provision for share-based remuneration for directors (and other officers)	208	—	1,891
Net defined benefit liability (Note 12)	11,579	13,823	105,263
Other (Notes 7 and 9)	9,614	9,105	87,400
Total non-current liabilities	250,782	238,520	2,279,836
Contingent liabilities (Note 13):			
Net assets (Note 14):			
Shareholders' equity:			
Capital stock:			
Authorized 800,000,000 shares Issued 271,056,029 shares	31,067	31,067	282,427
Capital surplus	33,731	33,388	306,646
Retained earnings	215,899	193,184	1,962,718
Treasury stock:			
23,471,185 shares in 2021 and 23,468,551 shares in 2020	(12,253)	(11,945)	(111,391)
Total shareholders' equity	268,444	245,694	2,440,400
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	35,787	23,655	325,336
Deferred gains or losses on hedges	0	0	0
Foreign currency translation adjustment	5,395	7,887	49,046
Remeasurements of defined benefit plans	3,701	1,018	33,646
Total accumulated other comprehensive income	44,883	32,560	408,028
Non-controlling interests	11,136	10,566	101,236
Total net assets	324,463	288,820	2,949,664
Total liabilities and net assets	¥ 869,992	¥ 820,109	$ 7,909,018

Consolidated Statements of Income

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2021 and 2020)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales (Note 19)	¥ 680,714	¥ 683,780	$ 6,188,309
Cost of sales	547,433	551,319	4,976,663
Selling, general and administrative expenses (Note 16)	93,342	91,233	848,564
Operating income (Note 19)	39,939	41,228	363,082
Other income (expenses):			
Interest and dividend income	2,351	2,402	21,373
Equity in earnings of affiliates	2,633	1,989	23,936
Interest expenses	(1,671)	(1,732)	(15,191)
Gain on sales of investment securities	699	996	6,355
Subsidy income	303	631	2,755
Insurance claim income	130	213	1,182
Gain on bargain purchase (Note 17)	—	299	—
Loss on sales and retirement of non-current assets	(1,328)	(862)	(12,073)
Provision for loss on liquidation of subsidiaries and affiliated companies	(470)	(70)	(4,273)
Loss on closing of plant (Note 18)	—	(994)	—
Other, net	(1,381)	(3,010)	(12,555)
Profit before income taxes and non-controlling interests	41,205	41,090	374,591
Income taxes (Note 11):			
Income taxes-current	12,672	13,128	115,200
Income taxes-deferred	(695)	(380)	(6,318)
Total income taxes	11,977	12,748	108,882
Profit	29,228	28,342	265,709
Profit attributable to non-controlling interests	628	552	5,709
Profit attributable to owners of parent	¥ 28,600	¥ 27,790	$ 260,000

	Yen		U.S. dollars (Note 1)
	2021	2020	2021
Per share data:			
Basic earnings per share	¥ 115.51	¥ 112.24	$ 1.05
Diluted earnings per share	—	—	—
Cash dividends applicable to the year	24.00	20.00	0.22

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, 2021 and 2020)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit	¥ 29,228	¥ 28,342	$ 265,709
Other comprehensive income (Note 15):			
Valuation difference on available-for-sale securities	12,253	(9,080)	111,391
Deferred gains or losses on hedges	—	(0)	—
Foreign currency translation adjustment	(816)	818	(7,418)
Remeasurements of defined benefit plans	2,761	(928)	25,100
Share of other comprehensive income of entities accounted for using equity method	(1,769)	213	(16,082)
Total other comprehensive income	12,429	(8,977)	112,991
Comprehensive income	¥ 41,657	¥ 19,365	$ 378,700
(Comprehensive income attributable to)			
Owners of parent	¥ 40,978	¥ 18,918	$ 372,527
Non-controlling interests	679	447	6,173

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, 2021 and 2020)

	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 March 31, 2019	271,056	¥ 31,067	¥33,657	¥169,587	¥(11,943)	¥32,896	¥0	¥6,726	¥1,958	¥10,750	¥274,698
Change in scope of consolidation				(235)							(235)
Dividends from surplus				(3,961)							(3,961)
Profit attributable to owners of parent				27,790							27,790
Purchase of treasury stock					(2)						(2)
Disposal of treasury stock			0		0						0
Other			(269)	3							(266)
Net changes in items other than shareholders' equity						(9,241)	(0)	1,161	(940)	(184)	(9,204)
Balance at March 31, 2020	271,056	¥ 31,067	¥33,388	¥193,184	¥(11,945)	¥23,655	¥0	¥ 7,887	¥1,018	¥10,566	¥288,820
Dividends from surplus				(5,954)							(5,954)
Profit attributable to owners of parent				28,600							28,600
Purchase of treasury stock					(812)						(812)
Disposal of treasury stock			306		504						810
Other			37	69							106
Net changes in items other than shareholders' equity						12,132	0	(2,492)	2,683	570	12,893
Balance at March 31, 2021	**271,056**	**¥ 31,067**	**¥33,731**	**¥215,899**	**¥(12,253)**	**¥35,787**	**¥0**	**¥5,395**	**¥3,701**	**¥11,136**	**¥324,463**

	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, 2020	$ 282,427	$303,527	$1,756,218	$(108,591)	$215,045	$0	$71,700	$ 9,255	$ 96,055	$2,625,636
Dividends from surplus			(54,127)							(54,127)
Profit attributable to owners of parent			260,000							260,000
Purchase of treasury stock				(7,382)						(7,382)
Disposal of treasury stock		2,782		4,582						7,364
Other		337	627							964
Net changes in items other than shareholders' equity					110,291	0	(22,654)	24,391	5,181	117,209
Balance at March 31, 2021	**$ 282,427**	**$306,646**	**$1,962,718**	**$(111,391)**	**$325,336**	**$0**	**$49,046**	**$33,646**	**$101,236**	**$2,949,664**

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, 2021 and 2020)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net cash provided by (used in) operating activities:			
Profit before income taxes and non-controlling interests	**¥ 41,205**	¥ 41,090	$ 374,591
Depreciation and amortization	**38,115**	35,076	346,500
Impairment loss	**13**	255	118
Amortization of goodwill	**1,941**	1,338	17,646
Increase (decrease) in provision for directors' retirement benefits	**(373)**	(26)	(3,391)
Increase (decrease) in net defined benefit liability	**763**	639	6,937
Interest and dividend income	**(2,351)**	(2,402)	(21,373)
Interest expenses	**1,671**	1,732	15,191
Equity in (earnings) losses of affiliates	**(2,633)**	(1,989)	(23,936)
Loss (gain) on sales of investment securities	**(699)**	(996)	(6,355)
Loss (gain) on valuation of investment securities	**(64)**	515	(582)
Loss (gain) on sales of property, plant and equipment	**58**	(18)	527
Loss on retirement of property, plant and equipment	**1,235**	813	11,227
Decrease (increase) in notes and accounts receivable-trade	**(117)**	6,420	(1,064)
Decrease (increase) in inventories	**1,114**	628	10,127
Increase (decrease) in notes and accounts payable-trade	**(2,176)**	(15,810)	(19,782)
Other, net	**1,490**	1,422	13,546
Subtotal	**79,192**	68,687	719,927
Interest and dividend income received	**3,256**	3,271	29,600
Interest expenses paid	**(1,704)**	(1,720)	(15,491)
Income taxes paid	**(14,743)**	(9,159)	(134,027)
Net cash provided by (used in) operating activities	**66,001**	61,079	600,009
Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	**90**	(853)	818
Purchase of property, plant and equipment	**(39,553)**	(36,796)	(359,573)
Proceeds from sales of property, plant and equipment	**411**	281	3,737
Purchase of intangible assets	**(1,455)**	(1,048)	(13,227)
Purchase of investment securities	**(1,869)**	(402)	(16,991)
Proceeds from sales and redemption of investment securities	**1,687**	1,447	15,337
Purchase of shares of subsidiaries and associates	**—**	(8,916)	—
Net decrease (increase) in short-term loans receivable	**(439)**	(367)	(3,991)
Payments of long-term loans receivable	**(75)**	(7)	(682)
Collection of long-term loans receivable	**313**	221	2,845
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	**—**	274	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 5)	**(5,089)**	(32,042)	(46,264)
Other, net	**(29)**	(60)	(264)
Net cash provided by (used in) investing activities	**(46,008)**	(78,268)	(418,255)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	**974**	(3,562)	8,855
Proceeds from long-term loans payable	**45,439**	45,823	413,082
Repayment of long-term loans payable	**(36,517)**	(19,595)	(331,973)
Proceeds from issuance of bonds	**—**	20,000	—
Redemption of bonds	**(5,080)**	(10,240)	(46,182)
Purchase of treasury stock	**(812)**	(2)	(7,382)
Proceeds from sales of treasury stock	**810**	0	7,364
Cash dividends paid	**(5,954)**	(3,962)	(54,127)
Repayments of lease obligations	**(2,865)**	(2,734)	(26,046)
Other, net	**(3,288)**	(1,447)	(29,891)
Net cash provided by (used in) financing activities	**(7,293)**	24,281	(66,300)
Effect of exchange rate change on cash and cash equivalents	**(203)**	625	(1,845)
Net increase (decrease) in cash and cash equivalents	**12,497**	7,717	113,609
Cash and cash equivalents at beginning of year	**37,528**	29,604	341,164
Increase in cash and cash equivalents from newly consolidated subsidiaries	**—**	207	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**75**	—	682
Cash and cash equivalents at end of year (Note 5)	**¥ 50,100**	¥ 37,528	**$ 455,455**

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, 2021, which was ¥110 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 164 (160 in 2020) 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 119 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 (16 in 2020) 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 currency 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 5 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.

9 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.

10 Provision for Loss on Liquidation of Subsidiaries and Affiliated Companies

Provision for loss on liquidation of subsidiaries and affiliated companies is provided at the estimated amount of possible losses incurred due to the liquidation of subsidiaries and affiliated companies.

11 Provision for Directors' Retirement Benefits

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

12 Provision for Share-Based Remuneration for Directors (And Other Officers)

Provision for share-based remuneration for directors (and other officers) is provided in accordance with internal rules at the estimated amount of the obligation to deliver shares to directors and other officers of the Company.

13 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, 2021 and 2020 amounted to ¥56 million (U.S. $509 thousand) and ¥124 million, respectively.

14 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.

15 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.

16 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.

17 Reclassifications

Certain reclassifications of the financial statements for the fiscal year ended March 31, 2020 have been made to conform to the presentation for the fiscal year ended March 31, 2021.

18 Changes in Presentation Method

(Adoption of “Accounting Standard for Disclosure of Accounting Estimates”)

The Companies adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

19 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, 2021 and 2020 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. SIGNIFICANT ACCOUNTING ESTIMATES

The Company calculates amount of accounting estimates rationally based on information available when preparing the consolidated financial statements. The following items are accounting estimates that were recorded in the consolidated financial statements for the current fiscal year that could have a significant impact on the consolidated financial statements for the following fiscal year.

1 Impairment of Goodwill

A. Carrying amounts in the current year's consolidated financial statements

Goodwill related to the overseas business includes the amount of ¥9,877 million (U.S. $89,791 thousand) arising from the acquisition of TRICOR Packaging & Logistics AG by Tri-Wall Europe GmbH, a consolidated subsidiary located in Germany, that follows International Financial Reporting Standards (IFRSs). The Company conducted an annual impairment test for the goodwill in accordance with IFRSs to determine whether it was necessary to recognize an impairment loss. As a result of the impairment test, the Company concluded that there was no impairment loss to be recorded as the recoverable amount exceeded the carrying amount.

B. Other information that assists users of the consolidated financial statements in understanding the nature of the estimates

Foreign subsidiaries which have adopted IFRSs are required to conduct an impairment test annually and when there is an indication of impairment indicator for groups of cash-generating units to which goodwill is allocated. The Company reduces the carrying amount to the recoverable amount and recognizes the resulting decrease in the carrying amount, except for the amount that has been amortized in accordance with J-GAAP, as an impairment loss when the recoverable amount is less than the carrying amount. The recoverable amount is measured on the basis of value in use.

The future cash flows used to measure the value in use were estimated based on the business plan of TRICOR Packaging & Logistics, which contains the assumptions of the expected increase in the sales volume through sales expansion in Germany and its neighboring countries, and the terminal growth rate applied in the following periods.

Forecasts of the effects of the above assumptions could have a significant impact on estimates of future cash flows due to the high degree of uncertainty.

2 Impairment of Non-Current Assets

A. Carrying amounts in the current year's consolidated financial statements

The Company examined whether it was necessary to recognize an impairment loss on non-current assets of RG Container Co., Ltd., a consolidated subsidiary that operates the paperboard and packaging-related business, as we recognized that there was an indication of impairment in the continuous operating losses primarily due to a decreasing sales volume. As a result of the impairment test, the Company concluded that there was no impairment loss to be recorded as the total amount of undiscounted future cash flows exceeded the carrying amount of related non-current assets of ¥10,620 million (U.S. $96,555 thousand), which conisted of ¥10,589 million (U.S. $96,273 thousand) of property, plant and equipment and ¥31 million (U.S. $282 thousand) of intangible assets.

B. Other information that assists users of the consolidated financial statements in understanding the nature of the estimates

It is necessary to determine whether an impairment loss should be recognized by comparing the carrying amount with the total amount of undiscounted future cash flows generated from the asset group. The Company reduces the carring amount to the recoverable amount, which is measured at the higher of net selling price or value in use, and recognizes the decrease in the carrying amount as an impairment loss when it is necessary to recognize an impairment loss as the total amount of undiscounted future cash flows is less than the carrying amount.

The future cash flows were estimated based on the business plan of RG Container Co., Ltd., which contains the assumptions upon which are based the prospects for future demand for paperboard in the Kanto region, the development status of RG Containers' production system and a projected increase in production volume due to a production transfer from the Company.

Forecasts of the effects of the above assumptions could have a significant impact on estimates of future cash flows due to the high degree of uncertainty.

4. ISSUED BUT NOT YET ADOPTED ACCOUNTING STANDARDS AND OTHERS

- **Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)**
- **Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)**

1 Summary

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

Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: 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 subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

- **Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)**
- **Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)**
- **Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)**
- **Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)**

1 Summary

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of Financial instruments in "Accounting Standard for Financial Instruments."

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised and prescribed that fair value information of financial instruments by level are disclosed.

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 subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

5. 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥52,380	¥40,014	$476,182
Less: Time deposits with maturities exceeding three months	(2,280)	(2,486)	(20,727)
Cash and cash equivalents	¥50,100	¥37,528	$455,455

2 Purchases of Newly Consolidated Subsidiaries

For the fiscal year ended March 31, 2020, TRICOR Packaging & Logistics AG, its subsidiaries and Gutmann Anlagentechnik GmbH were acquired by the Company. Assets and liabilities of these companies at the time of consolidation, cash paid for the purchase of shares and cash paid in conjunction with the purchase of the consolidated subsidiaries were as follows:

	Millions of yen
Current assets	¥ 5,246
Non-current assets	24,303
Goodwill	11,845
Current liabilities	(2,854)
Non-current liabilities	(6,730)
Non-controlling interests	(3)
Cash paid for the purchase of shares	31,807
Cash and cash equivalents of the consolidated subsidiary	(1,392)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	¥(30,415)

6. INVENTORIES

Inventories at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Merchandise and finished goods	¥ 25,859	¥ 25,373	$ 235,082
Work in process	3,773	3,584	34,300
Raw materials and supplies	22,176	21,004	201,600
Total	¥ 51,808	¥ 49,961	$ 470,982

7. 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 risks of fluctuations in interest rates and exchange rates, the Companies hedge the risks 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, 2021 and 2020 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		
	2021			2020			2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(A) Cash and deposits	¥ 52,380	¥ 52,380	¥ —	¥ 40,014	¥ 40,014	¥ —	$ 476,182	$ 476,182	$ —
(B) Notes and accounts receivable-trade	197,190	197,190	—	192,230	192,230	—	1,792,636	1,792,636	—
(C) Investment securities									
Available-for-sale securities	91,810	91,810	—	75,043	75,043	—	834,636	834,636	—
Equity securities issued by affiliated companies	13,849	7,527	(6,322)	14,244	5,426	(8,818)	125,900	68,427	(57,473)
Total assets	¥355,229	¥348,907	¥(6,322)	¥321,531	¥312,713	¥(8,818)	$3,229,354	$3,171,881	$(57,473)
(A) Notes and accounts payable-trade	¥112,898	¥112,898	¥ —	¥110,889	¥110,889	¥ —	$1,026,345	$1,026,345	$ —
(B) Short-term borrowings and the current portion of long-term loans payable	104,586	104,601	15	111,034	111,062	28	950,782	950,918	136
(C) Current portion of bonds	10,030	10,042	12	5,080	5,083	3	91,182	91,291	109
(D) Bonds payable	65,030	64,972	(58)	75,060	75,041	(19)	591,182	590,655	(527)
(E) Long-term loans payable	141,295	141,118	(177)	122,604	122,904	300	1,284,500	1,282,891	(1,609)
Total liabilities	¥433,839	¥433,631	¥ (208)	¥424,667	¥424,979	¥ 312	$3,943,991	$3,942,100	$(1,891)
Derivative transactions*1									
(a) Hedge accounting not applied	¥ (1)	¥ (1)	¥ —	¥ (1)	¥ (1)	¥ —	$ (9)	$ (9)	$ —
(b) Hedge accounting applied	0	0	—	0	0	—	0	0	—
Total derivative transactions	¥ (1)	¥ (1)	¥ —	¥ (1)	¥ (1)	¥ —	$ (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, therefore, is used for the fair value.

(C) Investment securities

The fair value of investments securities which have market values is the price listed on securities exchanges. Note 8 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 and the current portion of long-term loans payable

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 method used for estimating the fair value of the current portion of long-term loans payable is the same as that for estimating (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
	2021	2020	2021
Available-for-sale securities	¥ 3,080	¥ 3,079	$ 28,000
Equity securities issued by unconsolidated subsidiaries and affiliated companies	27,433	27,747	249,391

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 Assets (C) Investment securities.

Note (3) The redemption schedule for receivables and marketable securities with maturities subsequent to March 31, 2021 and 2020 was as follows:

	Millions of yen			
	2021			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 52,380	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	197,190	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	120
Total	¥ 249,570	¥ —	¥ —	¥ 120

	Millions of yen			
	2020			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 40,014	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	192,230	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	120
Total	¥ 232,244	¥ —	¥ —	¥ 120

	Thousands of U.S. dollars			
	2021			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	$ 476,182	$ —	$ —	$ —
Notes and accounts receivable-trade	1,792,636	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	1,091
Total	$ 2,268,818	$ —	$ —	$ 1,091

Note (4) The repayment schedule of long-term debt, lease debt and others subsequent to March 31, 2021 and 2020 was as follows:

	Millions of yen					
	2021					
	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	¥ 72,356	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	42,260	34,647	38,596	26,117	21,254	85,710
Lease debt	2,805	2,415	2,075	956	486	927
Others	15	13	11	1	—	—
Total	¥ 117,436	¥ 37,075	¥ 40,682	¥ 27,074	¥ 21,740	¥ 86,637

	Millions of yen					
	2020					
	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	¥ 71,158	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	44,956	33,241	31,171	36,218	19,873	77,161
Lease debt	2,916	2,334	1,732	1,394	601	805
Others	15	15	13	10	1	—
Total	¥119,045	¥35,590	¥32,916	¥37,622	¥20,475	¥77,966

	Thousands of U.S. dollars					
	2021					
	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	$ 657,782	$ —	$ —	$ —	$ —	$ —
Long-term debt	384,182	314,973	350,873	237,427	193,218	779,182
Lease debt	25,500	21,954	18,863	8,691	4,418	8,427
Others	136	118	100	9	—	—
Total	$1,067,600	$337,045	$369,836	$246,127	$197,636	$787,609

8. 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, 2021 and 2020.

	Millions of yen						Thousands of U.S. dollars		
	2021			2020			2021		
	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	¥84,510	¥30,391	¥54,119	¥60,912	¥22,700	¥38,212	$768,273	$276,282	$491,991
Bonds	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	84,510	30,391	54,119	60,912	22,700	38,212	768,273	276,282	491,991
Securities with book values (fair values) not exceeding acquisition costs:									
Equity securities	7,300	8,939	(1,639)	14,131	17,412	(3,281)	66,363	81,264	(14,901)
Bonds	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	7,300	8,939	(1,639)	14,131	17,412	(3,281)	66,363	81,264	(14,901)
Total	¥91,810	¥39,330	¥52,480	¥75,043	¥ 40,112	¥34,931	$834,636	$ 357,545	$ 477,090

2 Sales of Available-for-Sale Securities

Proceeds from sales of available-for-sale securities in the fiscal years ended March 31, 2021 and 2020 amounted to ¥1,687 million (U.S. $15,337 thousand) and ¥1,447 million, respectively. The related gains for the fiscal years ended March 31, 2021 and 2020 amounted to ¥699 million (U.S. $6,355 thousand) and ¥996 million, respectively.

9. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral including factory foundation for short-term borrowings and the current portion of long-term debt of ¥2,413 million (U.S. $21,936 thousand), long-term debt of ¥1,180 million (U.S. $10,727 thousand), accounts payable-trade of ¥369 million (U.S. $3,355 thousand) and others of ¥1,062 million (U.S. $9,655 thousand) at March 31, 2021 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 17,157	$ 155,973
Machinery, equipment and vehicles	23,885	217,136
Land	32,061	291,464
Investment securities	2,195	19,954
Other	834	7,582
Total	¥ 76,132	$ 692,109

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings and the current portion of long-term debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2021	2020	2021	2021
Short-term borrowings	¥ 72,356	¥ 71,158	$ 657,782	0.49%
Current portion of long-term debt	42,260	44,956	384,182	0.66
Total	¥ 114,616	¥ 116,114	$ 1,041,964	—

Long-term debt at March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans mainly from banks and insurance companies			
(2021: due in 2035, with interest rates ranging from 0.05% to 4.1%, 2020: due in 2035, with interest rates ranging from 0.02% to 4.6%)	¥ 173,525	¥ 162,480	$ 1,577,500
Issued by Rengo Co., Ltd.			
Unsecured 0.271% straight bonds, due September 2020	—	5,000	—
Unsecured 0.451% straight bonds, due September 2021	10,000	10,000	90,909
Unsecured 0.498% straight bonds, due September 2022	5,000	5,000	45,455
Unsecured 0.280% straight bonds, due December 2023	10,000	10,000	90,909
Unsecured 0.270% straight bonds, due December 2024	5,000	5,000	45,455
Unsecured 0.390% straight bonds, due December 2026	10,000	10,000	90,909
Unsecured 0.210% straight bonds, due December 2026	10,000	10,000	90,909
Unsecured 0.410% straight bonds, due December 2027	5,000	5,000	45,455
Unsecured 0.415% straight bonds, due December 2028	10,000	10,000	90,909
Unsecured 0.300% straight bonds, due December 2029	10,000	10,000	90,909
Issued by Sanyo Kakoshi Co., Ltd.			
Unsecured 0.420% bonds, due June 2020	—	50	—
Unsecured 6-month yen TIBOR bonds, due March 2023	60	90	545
	248,585	242,620	2,259,864
Less current portion	(42,260)	(44,956)	(384,182)
	¥ 206,325	¥ 197,664	$ 1,875,682

The aggregate annual maturities of long-term debt at March 31, 2021 were as follows:

Fiscal years ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 42,260	$ 384,182
2023	34,647	314,973
2024	38,596	350,873
2025	26,117	237,427
2026 and thereafter	106,965	972,409
Total	¥ 248,585	$ 2,259,864

11. INCOME TAXES

At March 31, 2021 and 2020, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Carryforward tax loss (Note)	¥ 4,670	¥ 4,610	$ 42,455
Net defined benefit liability	3,235	4,212	29,409
Accrued bonuses	2,876	2,708	26,145
Write-down of golf club memberships	402	404	3,654
Provision for directors' retirement benefits	207	290	1,882
Loss on valuation of investment securities	997	1,018	9,064
Allowance for doubtful accounts	216	172	1,964
Unrealized gain on sale of property, plant and equipment eliminated on consolidation	279	274	2,536
Accrued enterprise taxes	501	592	4,555
Impairment loss	353	370	3,209
Other	2,136	1,807	19,418
Subtotal deferred tax assets	15,872	16,457	144,291
Valuation reserve for carryforward tax loss (Note)	(4,284)	(3,707)	(38,945)
Valuation reserve for deductible temporary differences	(2,846)	(2,930)	(25,873)
Subtotal valuation reserve	(7,130)	(6,637)	(64,818)
Total deferred tax assets	8,742	9,820	79,473
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(16,041)	(10,777)	(145,827)
Deferred gain tax treatment of property	(2,876)	(3,445)	(26,146)
Non-current assets revaluation difference, net of taxes unrealized gain	(6,604)	(6,705)	(60,036)
Trademark rights	(1,909)	(2,143)	(17,355)
Other	(1,786)	(1,913)	(16,236)
Total deferred tax liabilities	(29,216)	(24,983)	(265,600)
Net deferred tax assets (liabilities)	¥(20,474)	¥(15,163)	$(186,127)

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

	Millions of yen						
	2021						
	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 (*)	¥226	¥263	¥448	¥513	¥630	¥2,590	¥4,670
Valuation reserve	(220)	(263)	(448)	(513)	(509)	(2,331)	(4,284)
Net deferred tax assets	6	—	—	—	121	259	386

	Millions of yen						
	2020						
	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 (*)	¥294	¥260	¥311	¥468	¥845	¥2,432	¥4,610
Valuation reserve	(288)	(260)	(311)	(468)	(465)	(1,915)	(3,707)
Net deferred tax assets	6	—	—	—	380	517	903

	Thousands of U.S. dollars						
	2021						
	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 (*)	$2,055	$2,391	$4,073	$4,664	$5,727	$23,545	$42,455
Valuation reserve	(2,000)	(2,391)	(4,073)	(4,664)	(4,627)	(21,190)	(38,945)
Net deferred tax assets	55	—	—	—	1,100	2,355	3,510

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

12. RETIREMENT BENEFITS

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2021 and 2020 and retirement benefit expenses in the consolidated statements of income for the fiscal years ended March 31, 2021 and 2020 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
	2021	2020	2021
Balance at April 1, 2020 and 2019	¥45,644	¥44,446	$414,945
Service cost	2,865	2,812	26,045
Interest cost	296	291	2,691
Actuarial loss (gain)	118	(430)	1,073
Benefits paid	(1,254)	(1,485)	(11,400)
Past service cost	8	(0)	73
Increase accompanying new additions to the scope of consolidation	535	—	4,864
Other	(17)	10	(155)
Balance at March 31, 2021 and 2020	¥48,195	¥45,644	$438,136

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at April 1, 2020 and 2019	¥36,940	¥37,423	$335,818
Expected return on plan assets	537	535	4,882
Actuarial loss (gain)	4,101	(1,672)	37,282
Contributions paid by the employer	1,820	1,879	16,546
Benefits paid	(941)	(1,225)	(8,555)
Increase accompanying new additions to the scope of consolidation	346	—	3,145
Other	1	—	9
Balance at March 31, 2021 and 2020	¥42,804	¥36,940	$389,127

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at April 1, 2020 and 2019	¥ 2,936	¥ 2,667	$ 26,691
Retirement benefit expenses	475	481	4,318
Benefits paid	(155)	(211)	(1,409)
Contributions paid by the employer	(212)	(201)	(1,927)
Increase accompanying new additions to the scope of consolidation	—	173	—
Other	(16)	27	(146)
Balance at March 31, 2021 and 2020	¥ 3,028	¥ 2,936	$ 27,527

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligations	¥50,789	¥48,118	$ 461,718
Plan assets	(45,961)	(39,956)	(417,827)
	4,828	8,162	43,891
Unfunded retirement benefit obligations	3,592	3,477	32,654
Total net liability for retirement benefits at March 31, 2021 and 2020	¥ 8,420	¥11,639	$ 76,545
Net defined benefit liability	¥11,579	¥13,823	$ 105,263
Net defined benefit asset	(3,159)	(2,184)	(28,718)
Total net liability for retirement benefits at March 31, 2021 and 2020	¥ 8,420	¥11,639	$ 76,545

E. Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 2,866	¥ 2,812	$ 26,055
Interest cost	297	291	2,700
Expected return on plan assets	(538)	(534)	(4,891)
Amortization of net unrecognized actuarial differences	106	22	964
Amortization of past service cost	(116)	(118)	(1,055)
Retirement benefit expenses applying for simplified method	475	481	4,318
Total retirement benefit expenses for the fiscal years ended March 31, 2021 and 2020	¥ 3,090	¥ 2,954	$ 28,091

F. Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Past service cost	¥ (125)	¥ (118)	$ (1,136)
Actuarial gains and losses	4,095	(1,218)	37,227
Total remeasurements of defined benefit plans for the fiscal years ended March 31, 2021 and 2020	¥ 3,970	¥(1,336)	$ 36,091

G. Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Past service cost that are yet to be recognized	¥ 446	¥ 571	$ 4,055
Actuarial gains and losses that are yet to be recognized	5,011	915	45,554
Total balance at March 31, 2021 and 2020	¥ 5,457	¥ 1,486	$ 49,609

H. Plan assets

(a) Plan assets comprise

	2021	2020
Bonds	34%	34%
General account	32	36
Equity securities	28	24
Other	6	6
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

	2021	2020
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, 2021 and 2020 amounted to ¥291 million (U.S. $2,645 thousand) and ¥285 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, 2021 and 2020 amounted to ¥46 million (U.S. $418 thousand) and ¥45 million, respectively.

A. The savings situation of the whole system

	Millions of yen		Thousands of U.S. dollars
	2021 (As of March 31, 2020)	2020 (As of March 31, 2019)	2021 (As of March 31, 2020)
Plan assets	**¥15,830**	¥ 9,639	$143,909
Net total actuarial obligations under pension funding programs and minimum actuarial reserve	**15,481**	11,357	140,736
Total balance	**¥ 349**	¥(1,718)	$ 3,173

B. The ratio of the Companies' contributions to the multi-employer pension plans against total contributions
For the fiscal year ended March 31, 2021 corresponding to the fiscal year ended March 31, 2020: 3.7%
For the fiscal year ended March 31, 2020 corresponding to the fiscal year ended March 31, 2019: 6.8%

C. Supplemental information
The main factors of the total balance of A mentioned above are past service cost under pension funding programs, general reserve and surplus or deficiency. Past service cost under pension funding programs for the fiscal years ended March 31, 2021 and 2020 amounted to -¥5,435 million (-U.S. $49,409 thousand) and -¥5,790 million, respectively. General reserve for the fiscal years ended March 31, 2021 and 2020 amounted to ¥4,152 million (U.S. $37,745 thousand) and ¥4,163 million, respectively. Surplus or deficiency for the fiscal years ended March 31, 2021 and 2020 amounted to ¥1,711 million (U.S. $15,555 thousand) and -¥30 million, respectively.
In addition, the ratio in B mentioned above does not accord with the real burden on the Companies' ratio.

13. CONTINGENT LIABILITIES

As of March 31, 2021, the Companies' contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes discounted	**¥ 35**	$ 318
As endorser of notes endorsed	**528**	4,800
As guarantor of indebtedness	**439**	3,991

Note: The guarantee obligations of ¥175 million (U.S. $1,591 thousand) was re-guaranteed by third party.

14. 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.

15. COMPREHENSIVE INCOME STATEMENTS

At March 31, 2021 and 2020, 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
	2021	2020	2021
Valuation difference on available-for-sale securities			
Increase (decrease) during the fiscal year	**¥18,212**	¥(12,498)	$165,564
Reclassification adjustments for losses realized in profit	**(695)**	(507)	(6,318)
Subtotal, before tax amount	**17,517**	(13,005)	159,246
Tax (expense) or benefit	**(5,264)**	3,925	(47,855)
Subtotal, net of tax amount	**12,253**	(9,080)	111,391
Deferred gains or losses on hedges			
Increase (decrease) during the fiscal year	**—**	(0)	—
Tax (expense) or benefit	**—**	0	—
Subtotal, net of tax amount	**—**	(0)	—
Foreign currency translation adjustment			
Increase (decrease) during the fiscal year	**(816)**	818	(7,418)
Remeasurements of defined benefit plans			
Increase (decrease) during the fiscal year	**3,982**	(1,241)	36,200
Reclassification adjustments for losses realized in profit	**(12)**	(95)	(109)
Subtotal, before tax amount	**3,970**	(1,336)	36,091
Tax (expense) or benefit	**(1,209)**	408	(10,991)
Subtotal, net of tax amount	**2,761**	(928)	25,100
Share of other comprehensive income of entities accounted for using equity method			
Increase (decrease) during the fiscal year	**(1,769)**	213	(16,082)
Total other comprehensive income	**¥12,429**	¥ (8,977)	$112,991

16. 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 ¥1,900 million (U.S. $17,273 thousand) and ¥1,593 million for the fiscal years ended March 31, 2021 and 2020, respectively.

17. GAIN ON BARGAIN PURCHASE

The gain on bargain purchase for the fiscal year ended March 31, 2020 was due to the acquisition of shares of Sanyo Kakoshi Co., Ltd.

18. LOSS ON CLOSING OF PLANT

For the fiscal year ended March 31, 2020, loss on closing of plant was associated with the closure of the Yodogawa Mill. The components of the loss were the removal cost of ¥976 million for the Yodogawa Mill building and other of ¥18 million.

19. 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 fields 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 paperboard 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, 2021 and 2020 were as follows:

	Millions of yen							
	2021							
	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	¥ 432,712	¥ 83,304	¥ 43,281	¥ 87,849	¥ 647,146	¥ 33,568	¥ —	¥ 680,714
Intersegment sales and transfers	1,908	173	3,109	4,241	9,431	26,309	(35,740)	—
Total sales	434,620	83,477	46,390	92,090	656,577	59,877	(35,740)	680,714
Segment profit	28,381	3,978	2,085	3,329	37,773	2,023	143	39,939
Segment assets	649,680	77,805	46,534	177,151	951,170	37,451	(118,629)	869,992
Other items								
Depreciation and amortization	25,585	3,309	1,433	6,558	36,885	1,243	(50)	38,078
Amortization of goodwill	273	83	70	1,535	1,961	—	—	1,961
Investment in equity method affiliates	691	—	—	45,539	46,230	917	—	47,147
Increase in property, plant and equipment and intangible assets	33,528	4,579	1,351	5,368	44,826	2,403	(86)	47,143

	Millions of yen							
	2020							
	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	¥ 449,696	¥ 75,903	¥ 42,743	¥ 80,465	¥ 648,807	¥ 34,973	¥ —	¥ 683,780
Intersegment sales and transfers	1,319	171	2,516	4,562	8,568	26,985	(35,553)	—
Total sales	451,015	76,074	45,259	85,027	657,375	61,958	(35,553)	683,780
Segment profit	30,209	3,462	1,583	3,351	38,605	2,436	187	41,228
Segment assets	627,756	62,193	45,326	168,441	903,716	35,852	(119,459)	820,109
Other items								
Depreciation and amortization	24,500	2,756	1,467	5,019	33,742	1,311	(44)	35,009
Amortization of goodwill	248	—	35	1,075	1,358	—	—	1,358
Investment in equity method affiliates	671	1,813	—	36,840	39,324	864	—	40,188
Increase in property, plant and equipment and intangible assets	30,818	2,278	1,176	3,448	37,720	1,035	(55)	38,700

	Thousands of U.S. dollars							
	2021							
	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	$3,933,746	$ 757,309	$393,463	$ 798,627	$5,883,145	$ 305,164	$ —	$6,188,309
Intersegment sales and transfers	17,345	1,573	28,264	38,555	85,737	239,172	(324,909)	—
Total sales	3,951,091	758,882	421,727	837,182	5,968,882	544,336	(324,909)	6,188,309
Segment profit	258,009	36,164	18,954	30,264	343,391	18,391	1,300	363,082
Segment assets	5,906,182	707,318	423,036	1,610,464	8,647,000	340,463	(1,078,445)	7,909,018
Other items								
Depreciation and amortization	232,591	30,082	13,027	59,618	335,318	11,300	(454)	346,164
Amortization of goodwill	2,482	755	636	13,954	17,827	—	—	17,827
Investment in equity method affiliates	6,282	—	—	413,991	420,273	8,336	—	428,609
Increase in property, plant and equipment and intangible assets	304,800	41,627	12,282	48,800	407,509	21,846	(782)	428,573

*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 ¥143 million (U.S. $1,300 thousand) and ¥187 million for the fiscal years ended March 31, 2021 and 2020, respectively, were from the elimination of intersegment transactions.

(b) The adjustments of segment assets of -¥118,629 million (-U.S. $1,078,445 thousand) and -¥119,459 million for the fiscal years ended March 31, 2021 and 2020, respectively, were from the elimination of intersegment transactions.

(c) The adjustments of depreciation and amortization of -¥50 million (-U.S. $454 thousand) and -¥44 million for the fiscal years ended March 31, 2021 and 2020, respectively, were from the elimination of intersegment transactions.

(d) The adjustments of increases in property, plant and equipment, and intangible assets of -¥86 million (-U.S. $782 thousand) and -¥55 million for the fiscal years ended March 31, 2021 and 2020, 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
	2021	2020	2021
Paperboard	¥ 56,680	¥ 62,550	$ 515,273
Corrugated board	43,157	46,476	392,336
Corrugated boxes	323,652	332,011	2,942,291
Flexible packaging and cellophane	93,447	85,230	849,518
Other	163,778	157,513	1,488,891
Total	¥680,714	¥683,780	$6,188,309

B. Geographical Segments

(a) Sales	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japan	¥591,943	¥602,881	$5,381,300
Asia	54,535	57,846	495,773
Europe	28,895	18,048	262,682
Other	5,341	5,005	48,554
Total	¥680,714	¥683,780	$6,188,309

(b) Property, plant and equipment	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japan	¥321,570	¥304,907	$2,923,363
Asia	17,443	17,522	158,573
Europe	23,265	23,860	211,500
Other	4,816	4,295	43,782
Total	¥367,094	¥350,584	$3,337,218

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, 2021 and 2020. Therefore, information regarding such major customers was not required to be disclosed.

3 Information on Impairment Loss of Non-Current Assets by Reportable Segments

	Millions of yen							
	2021							
	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	¥ —	¥ 6	¥ 6	¥ 1	¥ 13	¥—	¥—	¥ 13

	Millions of yen							
	2020							
	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	¥102	¥14	¥—	¥139	¥255	¥25	¥—	¥280

	Thousands of U.S. dollars							
	2021							
	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	$ —	$55	$54	$ 9	$118	$—	$—	$118

"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.

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

	Millions of yen							
	2021							
	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	¥ 273	¥ 83	¥ 70	¥ 1,535	¥ 1,961	¥—	¥—	¥ 1,961
Balance at end of period	889	746	244	17,354	19,233	—	—	19,233
Negative goodwill								
Amortized for the period	18	2	—	0	20	—	—	20
Balance at end of period	67	8	—	1	76	—	—	76

	Millions of yen							
	2020							
	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	¥ 248	¥ —	¥ 35	¥ 1,075	¥ 1,358	¥—	¥—	¥ 1,358
Balance at end of period	1,162	—	314	19,894	21,370	—	—	21,370
Negative goodwill								
Amortized for the period	18	2	—	0	20	—	—	20
Balance at end of period	85	10	—	1	96	—	—	96

	Thousands of U.S. dollars							
	2021							
	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	$2,482	$ 755	$ 636	$ 13,954	$ 17,827	$—	$—	$ 17,827
Balance at end of period	8,082	6,782	2,218	157,764	174,846	—	—	174,846
Negative goodwill								
Amortized for the period	164	18	—	0	182	—	—	182
Balance at end of period	609	73	—	9	691	—	—	691

"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.

20. RELATED PARTY INFORMATION

Significant transactions of the Company with related party for the fiscal year ended March 31, 2021 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	¥1,680 million ($15,273 thousand)	Short-term borrowings and the current portion of long-term debt	¥910 million ($8,273 thousand)
					Repayment of borrowings	¥1,570 million ($14,273 thousand)	Long-term debt due after one year	¥7,390 million ($67,182 thousand)

(Note) 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.

Significant transactions of the Company with related party for the fiscal year ended March 31, 2020 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	¥1,860 million	Short-term borrowings and the current portion of long-term debt	¥1,570 million
					Repayment of borrowings	¥1,510 million	Long-term debt due after one year	¥6,620 million

(Note) 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.

21. ADDITIONNAL INFORMATION

(Accounting estimates related to COVID-19)

We assume that there will be only a minor effect by the spread of COVID-19 when it comes to the demand for corrugated boards and other products since there is a steady demand in the industries of foods and e-commerce. We conducted the accounting estimates like impairment accounting based on this assumption.

(Stock compensation plan)

Based on the resolution of the General Meeting of Shareholders held on June 26, 2020, the Company introduced a Stock Compensation Plan using a trust for Directors, excluding Outside Directors, to increase Directors' motivation to make contributions to improving the Company's mid- to long-term performance and increasing its corporate value by making a clearer link between the compensation provided to Directors and the Company's share value and sharing with stockholders the benefits and risks associated with the fluctuation in share prices.

The Company also introduced the same compensation plan as above for the executive officers of the Company.

1 Overview of Transactions

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (hereinafter the trust established by the Plan shall be referred to as the "Trust") using money contributed by the Company as a source, and the Company's shares equivalent to the number of points awarded by the Company to each Director, etc., will be delivered to each Director, etc., through the Trust.

In principle, the Company's shares will be delivered to Directors, etc., upon their retirement.

The accounting method regarding the Plan complies with the "Practical Solution on Transactions for Delivering the Company's Own Stock to Employees, etc., Through Trusts" (ASBJ Practical Issues Task Force No.30, March 26, 2015).

2 The Company's Shares Remaining in the Trust

The Company's shares remaining in the Trust are posted as treasury stock as part of net assets based on the book value, excluding amounts for incidental expenses. The corresponding treasury stock book value and number of shares at the end of the fiscal year was ¥809 million (U.S. $7,355 thousand) and 990 thousand shares.

22. SUBSEQUENT EVENTS

1 Appropriation of Non-Consolidated Retained Earnings

At the Board of Directors meeting held on May 13, 2021, 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 (¥12.00 = U.S. $0.11 per share)	¥ 2,982	$ 27,109

The above mentioned appropriation has not been reflected in the consolidated financial statements as of March 31, 2021. Such appropriations are recognized in the period in which they are approved.

(Note) The total amount of dividends determined by the resolution of the Board of Directors held on May 13, 2021 includes dividends of ¥11 million (U.S. $100 thousand) which is paid for the Company's shares held by the Trust related to the Stock Compensation Plan.

2 Transfer of Non-Current Asset

The Company made the following transfer of a non-current asset on May 31, 2021.

A. Reason for transfer

Utilization of the former site of the Yodogawa Mill, which closed at the end of March 2018

B. Overview of transaction

The Company transferred a portion of its ownership of the land described above to Sumitomo Corporation as part of the consideration to acquire part of the ownership interest in the logistics warehouse (unit ownership) which was built on the former site of the Yodogawa Mill by Sumitomo Corporation.

C. Details of asset transfer

Location and details of the asset	Transfer price
4-1-186 Daikai, Fukushima-ku, Osaka-city, Osaka Joint interest in land, 57.32% of 43,906.14m²	4.4 billion yen

D. Overview of transfer counterparty

Name	Location	Title and name of the representative	Capital stock	Relationship with the Company
Sumitomo Corporation	2-3-2 Otemachi, Chiyoda-ku, Tokyo	Masayuki Hyodo, Representative Director	219,781 million yen	There is no particular relationship between Sumitomo Corporation and the Company with respect to capital, personnel or business activities. Sumitomo Corporation is not a related party of the Company.

E. Schedule of transfer

Date of resolution of the Company's Board of Directors: September 26, 2019

Date of transfer: May 31, 2021

F. Effect on consolidated statements of income

The Company expects to record a gain on sales of non-current assets of 4.4 billion yen with respect to the transfer of the land in the following fiscal year.

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Rengo Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill of TRICOR Packaging & Logistics AG	
The key audit matter	How the matter was addressed in our audit
Rengo Co., Ltd (Company) reported goodwill of ¥17,354 million related to the overseas business in the consolidated balance sheet. As described in Note 3, "Significant accounting estimates, (1) Impairment of goodwill" to the consolidated financial statements, included therein was goodwill of ¥9,877 million that arose when Tri-Wall Ltd. (Tri-Wall), a consolidated subsidiary, obtained control of TRICOR Packaging & Logistics AG (TRICOR Packaging & Logistics), a heavy duty packaging manufacturer based in Germany, in the period ended March 31, 2020, accounting for approximately 1.1% of total assets. Tri-Wall, pursuant to International Financial Reporting Standards (IFRSs), performs an annual impairment test on a group of CGUs to which goodwill is allocated, in addition to when there is an impairment indicator. When the recoverable amount of a group of CGUs is less than the carrying amount, Tri-Wall reduces the carrying amount to the recoverable amount and recognizes the resulting decrease in the carrying amount as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less costs of disposal. In the current fiscal year, Tri-Wall used the value in use as the recoverable amount in the impairment testing of the goodwill of TRICOR Packaging & Logistics. The future cash flows used for measuring this value in use were estimated based on the business plan of TRICOR Packaging & Logistics developed by management and the terminal growth rate applied in following periods. Planning the expected increase in the sales volume through sales expansion in Germany and its neighboring countries and an estimation of the terminal growth rate involved a high degree of uncertainty, and the Company's judgment thereon had a significant effect on estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the value in use requires a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on the goodwill of TRICOR Packaging & Logistics was one of the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to evaluate whether the Company's judgment with respect to the recognition of an impairment loss on the goodwill of TRICOR Packaging & Logistics was appropriate, included the following. In performing the procedures, we evaluated the results of the audit procedures reported by the component auditor of Tri-Wall, to which we requested to perform an audit, and performed additional procedures. (1) Internal control testing Test of the design and operating effectiveness of certain of the Company's internal controls relevant to measuring the value in use used for the impairment testing on the group of CGUs to which goodwill is allocated, with a particular focus on estimating future cash flows. (2) Assessment of the reasonableness of the estimated value in use Assessment of the reasonableness of key assumptions adopted by management in preparing the business plan of TRICOR Packaging & Logistics, which was used as the basis for estimating future cash flows by inquiring of management about the basis on which those assumptions were developed and performing the following procedures: • Assessment of the accuracy of the estimation developed in the previous years by comparing past business plans with actual results; • Assessment of the reasonableness of the assumptions on the estimated increase in sales volume through sales expansion in Germany and its neighboring countries by understanding the principle measures and inspecting related materials, including contracts, and comparing the estimated increase in sales volume with recent actual results; • Assessment of the reasonableness of the assumptions on the terminal growth rate adopted by management by comparing the terminal growth rate with the inflation rates in Germany published by external organizations; and • Performance of the following procedures to assess the discount rate by using a valuation specialist within the network firms of the component auditor of Tri-Wall: · Assessment of the appropriateness of the model used to estimate the discount rate based on subject matter relevant to valuation and the requirements of accounting standards; and · Assessment of the reasonableness of the input data including β value, bond yields and equity risk premium by comparing them with relevant data from external sources.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-current assets of RG Containers Co., Ltd.	
The key audit matter	How the matter was addressed in our audit
As described in Note 3, "Significant accounting estimates, (2) Impairment of non-current assets" to the consolidated financial statements, in the consolidated balance sheet of Rengo Co., Ltd (Company), non-current assets of RG Containers Co., Ltd. (RG Containers) that belongs to the paperboard and packaging-related business amounted to ¥10,620 million, representing approximately 1.2% of total assets. While these assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. RG Containers has recognized recurring operating losses for several consecutive years due primarily to decreasing sales volume, indicating impairment. Accordingly, the Company performed an impairment test during the fiscal year. The future cash flows used for the impairment test were estimated based on the business plan prepared by management. Key assumptions underlying the business plan, such as the prospects for future demand for paperboard in the Kanto region, the development status of RG Containers' production system and a projected increase in production volume due to production transfer from the Company involved a high degree of uncertainty. Accordingly, management's judgment thereon had a significant effect on estimated future cash flows. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment should be recognized on the non-current assets of RG Containers was one of the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss on non-current assets of RG Containers was appropriate, included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to determining impairment loss to be recognized on non-current assets. In this assessment, we focused our testing on controls designed to prevent and/or detect the use of unreasonable assumptions on the future demand for paperboard in the Kanto region, the development status of RG Containers' production system and the effect of a projected increase in production volume due to a production transfer from the Company that served as the basis for the business plan of RG Containers. (2) Assessment of the reasonableness of estimated future cash flows In order to assess the reasonableness of key assumptions adopted by management in preparing the business plan of RG Containers, which was used as the basis for estimating future cash flows, we inquired of management about the basis on which those assumptions were developed. In addition, we: • assessed the accuracy of the estimation developed in the previous years by comparing past business plans with actual results; • evaluated the reasonableness of the prospects for future demand for paperboard in the Kanto region based on the related data, including market data published by external organizations; • inquired of the personnel responsible for production of RG Containers and identified the improvement in each indicator, such as loss rates, the number of claims and the operations of other production facilities to evaluate the reasonableness of the assumption on development status of RG Containers' production system; and • inspected the plan for the production volume to be transferred from the Company to RG Containers, compared it with recent actual results, and identified the sales order volume of the Company and operations of the Company's factories in the Kanto region to evaluate the reasonableness of the assumption regarding the estimated production volume to be transferred to RG Containers.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors , we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yoshihide Takehisa
Designated Engagement Partner
Certified Public Accountant

Tatsuya Kido
Designated Engagement Partner
Certified Public Accountant

Takehiro Nakamura
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
July 1, 2021

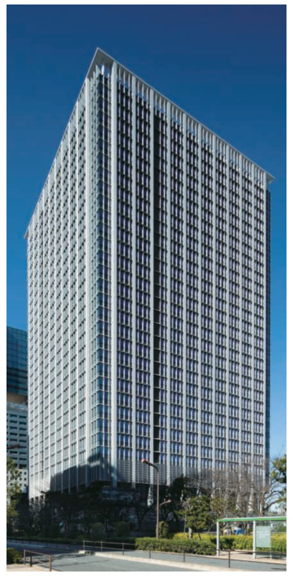
__Notes to the Reader of Independent Auditor's Report:__
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Company Information (as of March 31, 2021)

Corporate Profile

Name	Rengo Co., Ltd. (TSE Securities code: 3941)
Head office locations	Head Office: Nakanoshima Central Tower, 2-2-7 Nakanoshima, Kita-ku, Osaka, Japan 530-0005 Tokyo Head Office: Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku, Tokyo, Japan 108-0075
Founded	April 12, 1909
Incorporated	May 2, 1920
Capital stock	31.067 billion yen
Number of consolidated companies	165 (parent company and consolidated subsidiaries)
Number of companies under the equity method	16
Number of employees	19,451 (consolidated) 4,132 (unconsolidated)


Head Office


Tokyo Head Office

Status of Shares

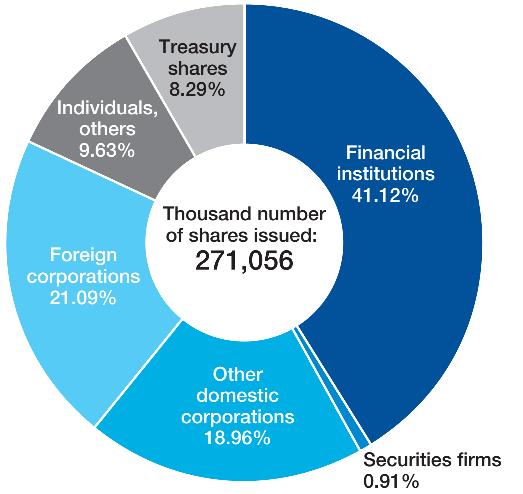
Number of shares authorized	800,000,000
Total number of shares issued	271,056,029 (including 22,481,185 treasury shares)
Number of shareholders	23,041
Number of shares per trading unit	100

Major Shareholders

Shareholder Name	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	10.4
Custody Bank of Japan, Ltd. (trust account)	7.9
Sumitomo Mitsui Banking Corporation	3.8
Sumitomo Life Insurance Company	2.7
The Norinchukin Bank	2.4
Sumitomo Corporation	1.6
Rengo Employee Shareholding Association	1.5
JP MORGAN CHASE BANK 385632	1.4
Yakult Honsha Co., Ltd.	1.3
Mitsui Sumitomo Insurance Co., Ltd.	1.3

* Shareholding ratios are calculated after deducting treasury shares.

Shareholder Distribution



IR Calendar

	April	May	June	July	August	September	October	November	December	January	February	March
Financial Results Announcement		● Announcement of annual financial 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									