

**RENGO**  
**ANNUAL**  
**REPORT**  
**2014**

**ANNUAL REPORT 2014**  
For Year Ended March 31, 2014

# The Beginning of the Age of "L"

**"Less is more."**

**Less energy consumption**

**Less carbon emissions**

**High quality products with more value-added**



## Corporate Philosophy of the Rengo Group

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.

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### Disclaimer Regarding Forward-Looking Statements

This annual report contains forward-looking statements regarding the Rengo Group's plans, strategies, and beliefs.

These forward-looking statements are based on management's assumptions and beliefs in the light of information available at the time of publication, and actual results may differ materially from the information presented in this report depending on a number of factors.

## A Message from the Top Management

Since manufacturing the first corrugated board in Japan in 1909, the Rengo Group has been a pioneer in packaging for 105 years. Currently, we have six core business competences: paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging and overseas business. Defining ourselves as a "General Packaging Industry," the Rengo Group aspires to offer comprehensive packaging solutions that address the full spectrum of packaging needs of diverse industries with a rich array of products and through unceasing packaging innovation. Going beyond development of physical packaging, we are also enhancing the intangible aspects, including design, marketing and branding, and developing packaging that enhances added value and contributes to sales promotion of the products inside the packaging. Extending our reach to cover packaging systems and logistics, we are contributing to society by helping to optimize the "flow of products" throughout the distribution process from packaging to delivery.

In the fiscal year ended March 31, 2014 (fiscal 2013), with the aim of strengthening comprehensive capabilities as a leading provider of packaging solutions, we emphasized development of innovative products, executed vigorous capital investment and M&A, and expanded Group companies to reinforce competitiveness and business fundamentals. Since October 2013, we have focused our efforts on achieving appropriate price levels for paperboard and corrugated packaging in order to combat deterioration of transaction terms and conditions resulting from rising prices of raw materials and fuel.

Meanwhile, amidst a moderate recovery of the Japanese economy, a last-minute spike in demand toward the end of fiscal 2013 before the consumption tax increase and the addition of subsidiaries to the scope of consolidation resulted in a 4.1% increase year on year in net sales to ¥523,142 million. Operating income decreased 40.5% to ¥14,221 million, affected by the rise in prices of raw materials and fuel, price reduction of paperboard and corrugated packaging, and an increase in fixed costs such as depreciation and amortization and labor costs. Net income fell 71.4% to ¥3,703 million owing to recording of other income and expenses, including provision for surcharge based on the antitrust law of ¥5,908 million.

Despite uncertain prospects concerning the international situation and the world economy as well as concerns about the impact of the consumption tax increase on personal consumption, the Japanese economy is expected to remain on a recovery track in view of the resurgence of the U.S. economy, the impact of the government's policies to achieve a virtuous cycle, fully fledged reconstruction demand in the areas affected by the Great East Japan Earthquake, and investments related to the Tokyo Olympics and Paralympics. Acting with integrity and emphasizing equitable management, we will effectively utilize its management resources to improve the earnings power and maximize corporate value. At the same time, we will cultivate fruitful relationships with shareholders, suppliers, employees, local communities, and all other stakeholders to contribute to society at large.

We would be grateful for the continued support of our shareholders, investors, and all other stakeholders in the years ahead.



**Kiyoshi Otsubo**  
Chairman, President & CEO

# Consolidated Financial Highlights

For the years ended March 31, 2014 and 2013

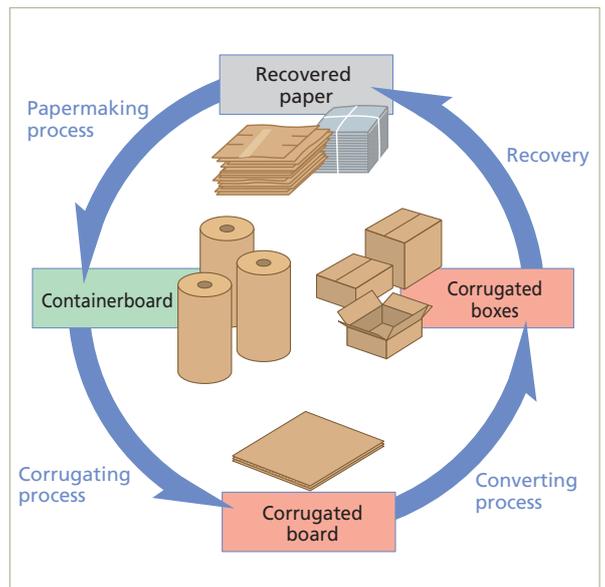
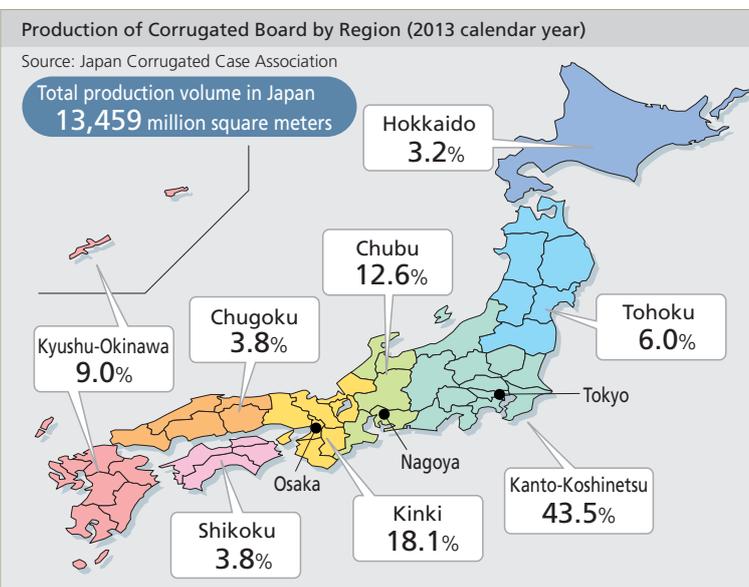
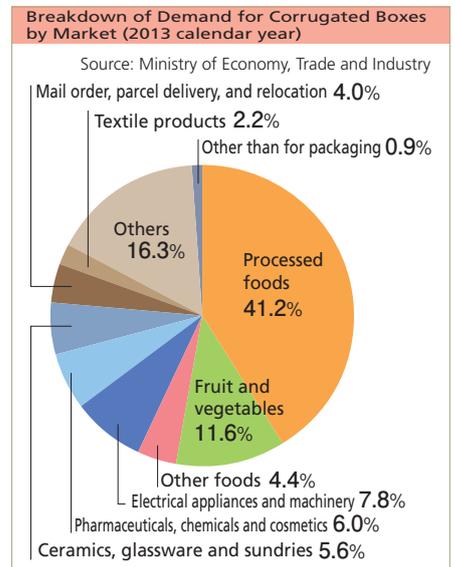
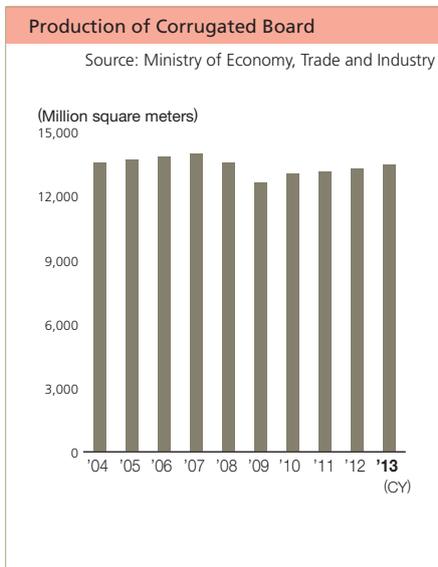
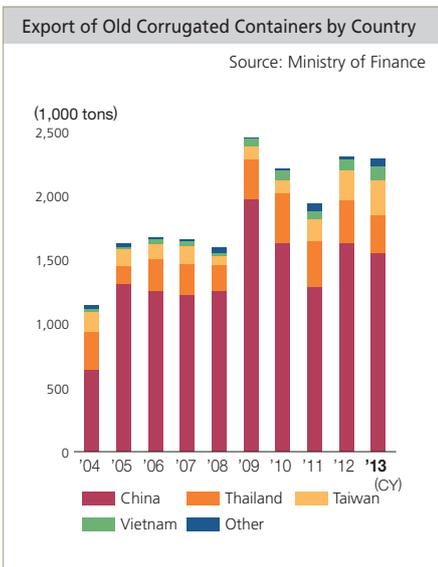
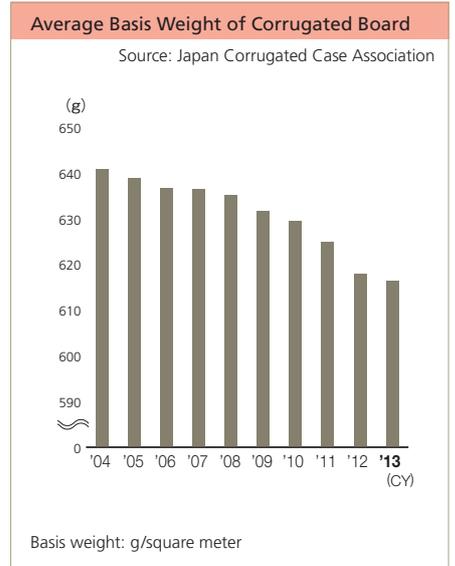
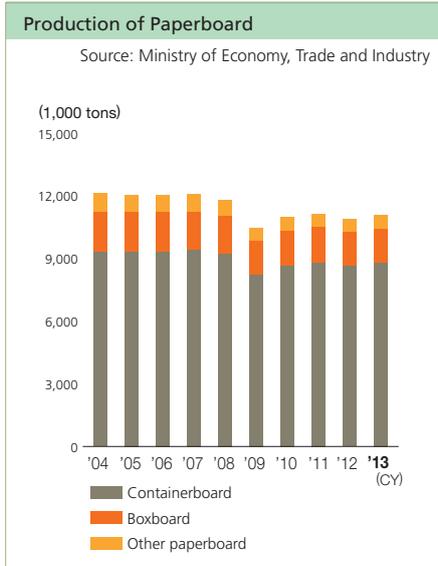
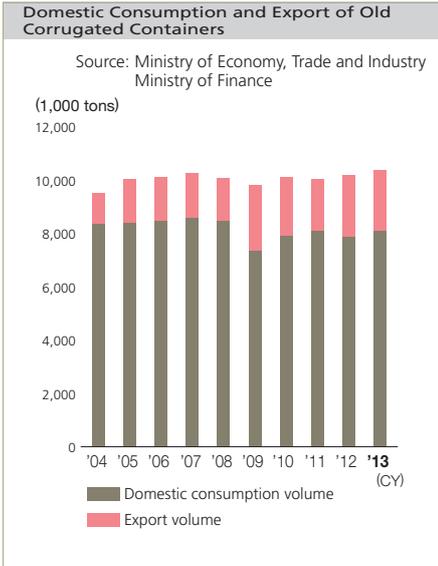
	Millions of yen		% change	Thousands of U. S. dollars*1
	2014	2013	14/13	2014
<b>For the Year:</b>				
Net sales	¥ 523,142	¥ 502,626	4.1	\$ 5,128,843
Operating income	14,221	23,891	(40.5)	139,422
Net income	3,703	12,956	(71.4)	36,304
Capital expenditures	52,849	37,014	42.8	518,127
Depreciation and amortization	28,582	27,898	2.5	280,216
<b>At Year-End:</b>				
Total assets	¥ 629,055	¥ 572,591	9.9	\$ 6,167,206
Interest-bearing debt	263,431	237,746	10.8	2,582,657
Net assets	201,659	188,133	7.2	1,977,049
	Yen		Change	U. S. dollars
<b>Per share amounts (yen):</b>				
Net income, basic	¥ 14.95	¥ 50.99	¥ (36.04)	\$ 0.15
Net income, diluted	—	—	—	—
Cash dividends applicable to the year	12.00	12.00	0.00	0.12
Net assets*2	792.78	729.53	63.25	7.77

\*1: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥102 to US\$1 prevailing on March 31, 2014

\*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, net of minority interests.



# Market Data



# An Interview with the Top Management

## The Beginning of the Age of “L”



Less is more: Creating greater value using fewer resources

Leading edge: Continually pursuing the latest innovation

The Rengo Group, having evolved into a packaging group based on the “General Packaging Industry” concept, is heading toward the age of “L.”

In this interview, Chairman, President & CEO Kiyoshi Otsubo talks about Rengo’s enthusiastic embrace of the future and the opportunities it brings.

Kiyoshi Otsubo Chairman, President & CEO

### Fiscal 2013 Review

#### Innovative advances driving the evolution of corrugated packaging

**Q 1** What do you mean by the phrase “The Beginning of the Age of L”? What is its significance for the future development of Rengo?

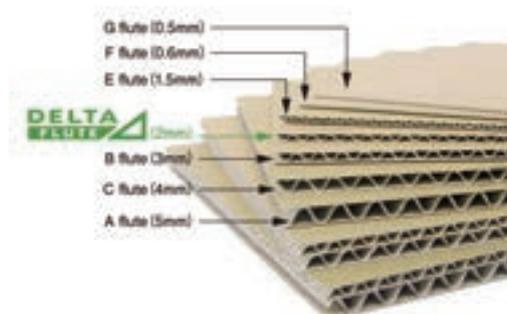
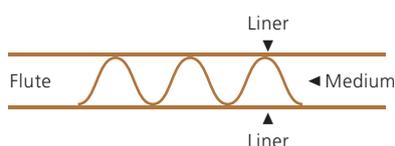
**Otsubo:** A major issue for the entire packaging industry is how to make thinner, lighter packaging while generating less carbon dioxide emissions. The key word here is “Less Weight, Less Carbon,” which leads to the creation of the phrase “Less is more.”

In 2013, Japan’s paperboard and corrugated packaging industries achieved a utilization rate of 93.3% for recovered paper and a 99.4% recovery rate for corrugated packaging, illustrating how the sector is a shining example of resource recycling. Recovered paper, our main raw material, is a finite resource. Our basic stance is that we must not waste it.

In April 2013, we introduced a new type of corrugated board *Delta Flute* embodying our stance, which is a new standard for the industry. Its 2mm thickness is midway between B-flute, which has a thickness of about 3mm and is mainly used to package canned beverages, and E-flute, which has a thickness of about 1.5mm and is used for gift boxes and other applications. *Delta Flute* is an original Rengo product that sets a new standard. We are encouraging customers to adopt it as a part of efforts for weight reduction and increased functionality to lessen environmental impacts. It is a strong yet lightweight corrugated board that proves less can be more. This kind of leading-edge innovation is enabling us to generate greater value using fewer resources.

#### Benefits of *Delta Flute*

- Uses about 8% less medium than B-flute
- About 25% thinner than B-flute
- Compression strength about 35% higher than E-flute





Shin-Nagoya Plant

Operations began in January 2014 at our long-awaited Shin-Nagoya Plant. The new facility has many eco-friendly features, including photovoltaic power generation. It is also the first Rengo plant to have an automated rack-type warehouse with seismic isolation to ensure efficient inventory management and safe logistics operations. We have installed the latest technology to increase the facility's environmental performance in terms of less carbon emissions and reduced energy consumption. The plant uses leading-edge production technology to produce high-quality products with more value-added. It epitomizes our "less is more" vision.

Renovation work that commenced in July 2013 for the containerboard production facility of Marusan Paper Mfg. Co., Ltd., a Rengo Group subsidiary that was substantially affected by the earthquake in 2011, is progressing smoothly. We expect the plant to recommence operations in January 2015. This new facility has also been designed to save energy and materials in production of the thinner, lighter containerboard that we call LCC (Less Caliper & Carbon) containerboard. We expect the new mill to boost our efforts to increase the market penetration of LCC containerboard.

In summary, for Rengo the advent of the age of "L" is about realizing "Less is more." by leveraging our strengths as an integrated paperboard and corrugated packaging manufacturer to create thinner and more lightweight corrugated board such as *Delta Flute* using LCC containerboard.

## Q2

### The Japanese economy has come out of deflation and is starting to recover. How has the past year been for the Rengo Group?

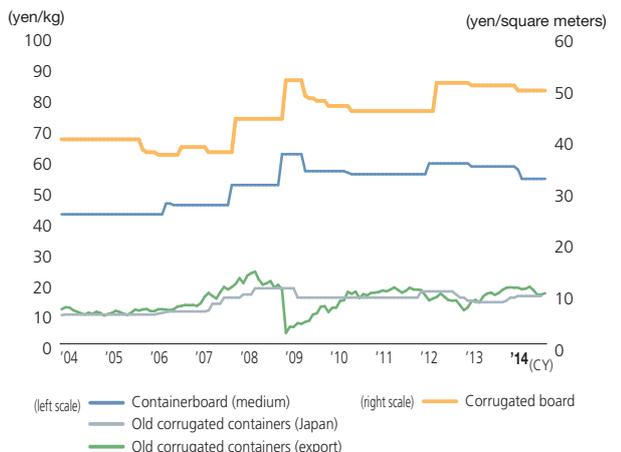
**Otsubo:** The coordinated fiscal and monetary policies that the government and Bank of Japan have pursued are helping the Japanese economy come out of deflation and achieve modest but sustained growth. Supported by stronger consumer spending, we are finally seeing this translate into higher demand within the logistics sector.

Demand for Rengo Group products and services grew in the fiscal year ended March 31, 2014, reflecting the hot summer weather and economic recovery. Demand was also brought forward in the second half of the year as a result of the hike in the consumption tax in April 2014. Overall, our production volumes were significantly higher than in the previous year.

However, one of the results of the economic policies known as Abenomics was a fall in the value of the yen by at least 25%. While it largely contributed to the economy, the shift in external trade conditions pushed up raw material prices sharply. We responded with thorough cost reduction efforts across the Rengo Group, but these efforts were not enough to absorb the increase in costs. There is a limit to what we can achieve on our own. We are making efforts to restore the price of paperboard, which has been trading at a price lower than the Nikkei market price, and endeavored to gain the understanding of customers so that we could pass on increased paperboard costs in the prices of our corrugated board and boxes.

As part of the "third arrow" of Abenomics, the Japanese government has made greater participation of women in the workforce one of the planks of its economic growth strategy. In April 2014, we established a new Section for the Promotion of Women Employees within the Human Resources Department of Rengo to strengthen our internal support systems in this area. Japanese manufacturers tend to employ few women, and the proportion of female employees at Rengo is less than 10%; our organization is still very male-oriented. In order to enable women to fulfill their potential and to further promote them in Rengo, we are stepping up our support of their career development and improving the working environment.

Prices of Old Corrugated Containers, Containerboard, and Corrugated Board



Sources: Nikkei Inc., Kanto Paper Manufacturing Material Direct Delivery Commerce, Paper Recycling Promotion Center

Prices of energy



Source: The Institute of Energy Economics, Japan

## Refining technical and proposal capabilities in Japan

### Identifying new packaging needs through technological and proposal capabilities

#### Q3 What fresh initiatives has Rengo been undertaking to stimulate demand?

**Otsubo:** Containers and packaging products including corrugated packaging are typically viewed as commodities where little if any innovation is required. Yet the truth is that packaging is undergoing a revolution even as we speak. As one of the leaders in the field, we are using our technical edge and taking the initiative in developing and proposing original solutions in ways that we hope will stimulate new packaging demand.

#### Packaging Process of Gemini Packaging System



The *Delta Flute* that I mentioned earlier is creating new demand for packaging used for beverages and foodstuffs. In September 2013, we began sales of the Gemini Packaging System, which is based on a new concept. The system uses just two types of corrugated sheet plus wrapping film. It overturns the conventional notion that any sort of packaging must involve a box. Gemini is an automated system that adjusts the height of the package to the product. It dramatically boosts the efficiency of the packaging process, and we expect it to be adopted within the fast-growing market for mail-order delivery.

In the field of functional materials, we have also developed a product called *Gas Q* that assists in the protection and preservation of cultural artifacts.

Cultural artifacts are susceptible to damage from hazardous gases that are present in the air during storage or gases emitted in small quantities from the artifacts, including ammonia, acetic acid, hydrogen sulfide and volatile organic compounds (VOCs). *Gas Q* protects the cultural artifact by adsorbing and eliminating such gases. This product is eagerly anticipated by museums, libraries, universities and other prospective customers.

## Q4

### **The extensive restructuring that you personally advocated for the paperboard, corrugated packaging and recovered paper industries is only partly complete. Can you tell us what progress has been made?**

**Otsubo:** Cooperation between the three industries of recovered paper, paperboard and corrugated packaging is vital if we are to protect Japan's recycling system of corrugated packaging and promote the efficient use of limited resources.

When I was appointed President of Rengo 14 years ago, these three industries tended only to pursue their own interests and there was no cooperation. I advocated the establishment of a cross-industry platform to achieve greater integration between the three industries and have promoted the industry-wide adoption of the "full-cost pricing principle." According to this principle, the three industries reflect all the costs necessary for reproduction.

However, over the past few years, we have seen discrepancies in pricing policies of recovered paper between companies in the paperboard sector, which has led to lower prices for both paperboard and corrugated packaging. We see the cross-industry platform as vital for the paperboard and corrugated sector. Appropriate pricing can only be realized if companies cultivate a common understanding with regard to the platform and the widespread application of the "full-cost pricing principle" in these sectors.

In June and September of 2012, corrugated packaging companies, including Rengo and some group companies, were inspected by the Japan Fair Trade Commission as part of an investigation into suspected violations of Japan's antitrust laws in relation to the sales of corrugated board and boxes. We received preliminary cease-and-desist orders and surcharge payment notices on April 25, 2014, and the final notices were issued on June 19. Having reviewed the FTC decision in detail, we have serious doubts about its factual basis and the legal arguments used by the FTC. We have asked the FTC to review the decision, and we have applied to the Tokyo High Court for a waiver of the cease-and-desist order. We offer our sincere apologies to all shareholders and other stakeholders who were concerned about this subject. We will review internally how this occurred and institute efforts to improve compliance.

## Strengthening overseas operations

### Support for inter-sector logistics across Asia-Pacific

## Q5

### **Many Japanese companies continue to move operations offshore. What is the demand for related logistical support and enhancement?**

**Otsubo:** Amid rapid economic globalization, we cannot expect demand for packaging to grow substantially in Japan in the future due to the ongoing demographic decline. We must look overseas as part of the growth strategy for the Rengo Group if we are to generate sustained growth under these conditions.

Many of our customers in the manufacturing sector are looking to develop business in new markets such as in Asia. Local production for each market is in the basic interests of manufacturers. Production of goods naturally creates logistics demand, which we aim to satisfy using the packaging technology and expertise of the Rengo Group.

The Rengo Group first ventured overseas in early 1990, almost a quarter of a century ago. Today, our overseas business activities extend across Southeast Asia, China and Hawaii. We continue to develop systems so that we can offer packaging solutions to our customers outside Japan. Our policy remains to pursue alliances, mergers and acquisitions by selectively targeting markets with future growth potential.

In August 2013, we bought a 75% equity stake in the Malaysian corrugated packaging manufacturer TCG Rengo

Subang (M) Sdn. Bhd., converting it into a subsidiary. At the end of 2013, we renamed the company Rengo Packaging Malaysia Sdn. Bhd. and transferred to a new factory site.

In May 2014, operations began at a new corrugated plant owned by Rengo Packaging, Inc., a group subsidiary based in Hawaii in the United States. As the leading supplier of corrugated packaging in Hawaii, this company is striving to upgrade the service that it offers to customers, while also making a significant contribution to the revitalization of the local economy, including increased employment.

Recently, we have also sought expansion in overseas markets with Group companies. Settsu Carton Co., Ltd. established Settsu Carton Vietnam Corporation in Dong Nai Province, Vietnam in December 2013, taking an 80% equity stake in this corrugated box manufacturing company. Manufacturing is scheduled to commence around October 2014.

Rengo Nonwoven Products Co., Ltd., which carries out our nonwoven products business, established a new sales subsidiary in Jiangsu Province, China, and began local production in January 2014.

### Environmental Consideration

#### Initiatives to reduce environmental impacts

Q6

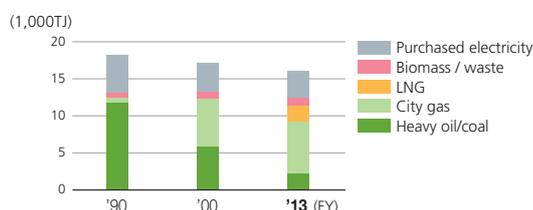
**Reducing environmental impacts is an important issue for the entire planet. What has Rengo been doing recently in this area?**

**Otsubo:** Corrugated packaging is an essential component of modern logistics systems. It is a sustainable and eco-friendly packaging material because it is 100% recyclable. The excellent environmental performance of corrugated packaging is due to Japan's recycling system. Acknowledged as one of the best in the world, this system ensures that corrugated packaging continues to play a key role in the transportation of goods. Thus, the logistics model supports both the arterial circulation (the distribution of goods, packaged using corrugated packaging) and the venous circulation (the recovery of waste paper). In addition to being eco-friendly, this recycling system also plays a valuable economic role.

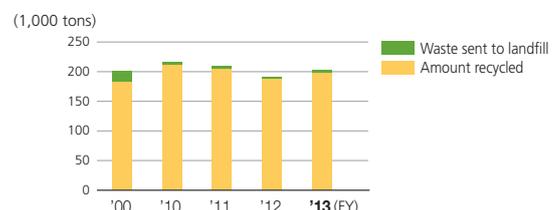
Paper mills consume huge quantities of energy to create the steam needed to dry the paperboard and power other production processes. At the Rengo Group, we have consistently tried to lower the environmental impact of our manufacturing operations. For example, we have switched facilities from fuel oil to city gas, and in some cases adapted mills to use the sludge created as a byproduct of papermaking processes as a fuel. Our Yashio Mill installed a biomass incinerator for onsite power generation in 2006, and is now in the process of installing a wood chip-fired boiler to generate more power from January 2016.

The energy situation is undergoing massive change. Renewables are assuming an ever more important role as we seek to curb global warming and provide energy security from the perspective of sustainable economic growth.

#### Energy consumption (Manufacturing operations)



#### Waste generation and material recycling



## Outlook for the Rengo Group

### Maximizing enterprise value with the comprehensive capabilities of the Rengo Group

**Otsubo:** As you may know, the Rengo Group started its business with corrugated packaging. Today, the Group has a hexagonal business structure based on the six core business competences of paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business. We position ourselves as a “General Packaging Industry,” and seek to harness all our resources and expertise to supply the varied packaging-related needs of society.

In July 2013, we converted Marsol Holdings Co., Ltd., our main company operating in the heavy duty packaging sector, into a wholly owned subsidiary. Based in Setouchi, Okayama Prefecture, Marsol is engaged in the manufacture and sale of net products, laminated products and container bags. With overseas bases in Thailand, Indonesia and China, the company strengthens the Rengo Group in both the heavy duty packaging and overseas sectors, thus reinforcing the Rengo Group’s structure.

In the past, companies have regarded the pursuit of profit as the only motive of business. Now that more companies are transcending borders in their operations, we must take into account the different views held by people around the world about how companies should behave. We are starting to see the deeper social contradiction involved in production activities that damage the environment.

Companies have always been expected to contribute to the advancement of society by helping people enjoy more affluent lives. In the field of Corporate Social Responsibility (CSR), in addition to compliance, environmental management and philanthropy, Creating Shared Value (CSV) has emerged as a powerful concept. According to CSV, companies should conduct business in a way that also leads to resolving social issues.

The Rengo Group seeks to address social issues by creating original values and making logistics more efficient through innovation in packaging. At the same time, we are also committed to realizing a sustainable society through our business activities.

We will continue working to maximize enterprise value to gain the recognition of our shareholders, investors and other stakeholders concerning the value created by the Rengo Group. I hope they will give us their continued support.



# Rengo at a Glance

The Rengo Group provides optimized solutions for packaging needs through the deployment of comprehensive capabilities underpinned by packaging technology and expertise accumulated over many years. Today, the Rengo Group is conducting wide-ranging business in six core business fields: paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business.

As an accomplished packaging partner, the Rengo Group, through unceasing new thinking and innovation, actively makes proposals to meet all kinds of packaging needs. Defining ourselves as a "General Packaging Industry," we are pursuing manufacture of packaging that is ahead of the times, people-friendly and environmentally considerate and has true value that resonates in one's heart.

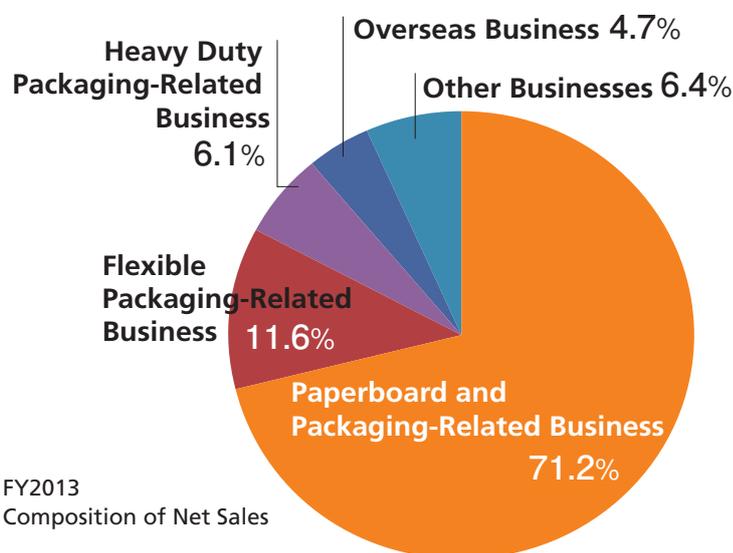
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business																								
FY 2013	<p style="text-align: center;"><b>Net Sales</b></p> <p style="text-align: center;">¥ <b>372,632</b>million (year-on-year increase of <b>2.0</b> %)</p> <p style="text-align: center;"><b>Operating Income</b></p> <p style="text-align: center;">¥ <b>12,399</b>million (year-on-year decrease of <b>42.7</b> %)</p>	<p style="text-align: center;"><b>Net Sales</b></p> <p style="text-align: center;">¥ <b>60,663</b>million (year-on-year increase of <b>7.9</b> %)</p> <p style="text-align: center;"><b>Operating Income</b></p> <p style="text-align: center;">¥ <b>948</b>million (year-on-year decrease of <b>55.9</b> %)</p>																								
Net Sales	<p>(Millions of yen)</p> <table border="1"> <caption>Net Sales (Millions of yen)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Net Sales</th> </tr> </thead> <tbody> <tr> <td>'10</td> <td>350,000</td> </tr> <tr> <td>'11</td> <td>360,000</td> </tr> <tr> <td>'12</td> <td>365,000</td> </tr> <tr> <td>'13</td> <td>368,000</td> </tr> <tr> <td>'14</td> <td>372,632</td> </tr> </tbody> </table>	Fiscal Year	Net Sales	'10	350,000	'11	360,000	'12	365,000	'13	368,000	'14	372,632	<p>(Millions of yen)</p> <table border="1"> <caption>Net Sales (Millions of yen)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Net Sales</th> </tr> </thead> <tbody> <tr> <td>'10</td> <td>53,000</td> </tr> <tr> <td>'11</td> <td>54,000</td> </tr> <tr> <td>'12</td> <td>53,000</td> </tr> <tr> <td>'13</td> <td>56,000</td> </tr> <tr> <td>'14</td> <td>60,663</td> </tr> </tbody> </table>	Fiscal Year	Net Sales	'10	53,000	'11	54,000	'12	53,000	'13	56,000	'14	60,663
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Main Products	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p style="text-align: center;"><b>Paperboard</b></p> <ul style="list-style-type: none"> <li>● Containerboard</li> <li>● Boxboard</li> <li>● Tube board</li> <li>● Chipboard</li> </ul>  </div> <div style="width: 45%;"> <p style="text-align: center;"><b>Paperboard Packaging</b></p> <ul style="list-style-type: none"> <li>● Corrugated board</li> <li>● Corrugated boxes</li> <li>● Folding cartons</li> </ul>  </div> </div>	<ul style="list-style-type: none"> <li>● Flexible packaging</li> <li>● Cellophane</li> </ul> 																								
Main Group Companies	<ul style="list-style-type: none"> <li>● Marusan Paper Mfg. Co., Ltd.</li> <li>● Osaka Paper Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Yamato Shiki Co., Ltd.</li> <li>● Settsu Carton Co., Ltd.</li> <li>● Tokai Shiki Co., Ltd.</li> <li>● Hinode Shiki Kogyo Co., Ltd.</li> </ul>																								

For the fiscal year ended March 31, 2014, sales from the paperboard and packaging-related business increased 2.0% year on year to ¥372.6 billion but operating income decreased 42.7% to ¥12.4 billion.

Sales from the flexible packaging-related business increased 7.9% to ¥60.7 billion but operating income decreased 55.9% to ¥0.9 billion. Sales from the heavy duty packaging-related business surged 32.8% to ¥32.1 billion and operating income increased 4.3% to ¥0.9 billion.

Sales from the overseas business increased 5.4% to ¥24.5 billion but an operating loss of ¥0.7 billion was recorded.

Sales from other businesses decreased 1.4% to ¥33.3 billion and operating income increased 56.9% to ¥0.6 billion.



Heavy Duty Packaging-Related Business	Overseas Business	Other Businesses	
<p><b>Net Sales</b></p> <p>¥ 32,093 million (year-on-year increase of 32.8 %)</p> <p><b>Operating Income</b></p> <p>¥ 883 million (year-on-year increase of 4.3 %)</p>	<p><b>Net Sales</b></p> <p>¥ 24,455 million (year-on-year increase of 5.4 %)</p> <p><b>Operating loss</b></p> <p>¥ 653 million</p>	<p><b>Net Sales</b></p> <p>¥ 33,299 million (year-on-year decrease of 1.4 %)</p> <p><b>Operating Income</b></p> <p>¥ 582 million (year-on-year increase of 56.9 %)</p>	FY 2013
<p>(Millions of yen)</p>	<p>(Millions of yen)</p>	<p>(Millions of yen)</p>	Net Sales
<ul style="list-style-type: none"> <li>● Polyethylene heavy duty bags</li> <li>● Kraft paper bags</li> <li>● Flexible container bags</li> </ul>	<ul style="list-style-type: none"> <li>● Containerboard</li> <li>● Corrugated board</li> <li>● Corrugated boxes</li> <li>● Flexible packaging</li> <li>● Flexible container bags</li> </ul>	<ul style="list-style-type: none"> <li>● Nonwoven products</li> <li>● Packaging machines</li> <li>● Printing paper</li> <li>● Transportation</li> </ul>	Main Products
<ul style="list-style-type: none"> <li>● Nihon Matai Co., Ltd.</li> <li>● Marsol Holdings Co., Ltd.</li> <li>● Morishita Co., Ltd.</li> <li>● Morishita Chemical Industry Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Zhongshan Rengo Hung Hing Paper Manufacturing Co., Ltd.</li> <li>● Dalian Rengo Packaging Co., Ltd.</li> <li>● Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd.</li> <li>● Matai (Vietnam) Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Rengo Nonwoven Products Co., Ltd.</li> <li>● Yamada Kikai Kogyo Co., Ltd.</li> <li>● Rengo Logistics Co., Ltd.</li> <li>● Sanyo Jidosha Unso Co., Ltd.</li> </ul>	Main Group Companies

# Review of Operations

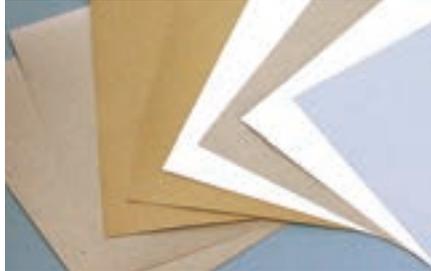
## Paperboard and Packaging-Related Business

The paperboard and packaging-related business recorded higher sales than the previous year, partly because of increased demand and the addition of a consolidated subsidiary, but profits decreased owing mainly to higher prices of raw materials and fuels and product price erosion.

Segment sales were ¥372,632 million, an increase of 2.0% year on year, and operating income was ¥12,399 million, a decrease of 42.7%. The paperboard and packaging-related business accounted for 71.2% of consolidated net sales.



Containerboard



Various types of paperboard



Corrugated boxes

## Paperboard

The Rengo Group's manufacturing and sales of paperboard are carried out by Rengo Co., Ltd., Marusan Paper Mfg. Co., Ltd. and Osaka Paper Co., Ltd. Their products are distributed to customers via Rengo Paper Business Co., Ltd. and other sales channels and are also supplied to companies within the Rengo Group via Rengo Co., Ltd. and Rengo Paper Business Co., Ltd. as the principal raw materials for corrugated packaging.

### Market Environment and Business Results

Paperboard production volume greatly increased from the previous year owing to a last-minute spike in demand before the consumption tax increase in addition to the recovery trend of the Japanese economy. The Rengo Group's paperboard production volume in Japan amounted to 2,185 thousand tons, an increase of 5.6% year on year, supported by higher demand throughout the year.

Paperboard sales decreased 0.1% to ¥50.3 billion, accounting for 9.6% of consolidated net sales.

### Construction Started to Renew Containerboard Machine at Marusan Paper Mfg.

As the Rengo Group's production center for containerboard in the Tohoku region, consolidated subsidiary Marusan Paper Mfg. Co., Ltd. (Minamisoma-shi, Fukushima Prefecture) currently produces approximately 20,000 tons of containerboard per month using two paper machines. PM6 for linerboard, installed in 1973, is old and was damaged during the Great East Japan Earthquake, and it has become difficult to respond to recent needs for lightweight containerboard from the viewpoint of environmental protection. Therefore, Rengo has decided to renew PM6 to serve the current market needs, and to further improve product quality while striving to conserve energy and resources. Operation of the machine is scheduled to start in FY2015.

This renewal is intended to ensure Marusan Paper Mfg.'s continued growth. It is also aimed at enhancing the Rengo Group's containerboard supply system in Eastern Japan and improving mid- to long-term performance by further strengthening the integrated production system from containerboard to corrugated packaging.

Rengo believes that the renewal of the machine will contribute greatly to the region's reconstruction and revitalization by promoting industry in the company's local area of Minamisoma-shi and throughout Fukushima Prefecture, and by ensuring stable employment. This renewal is eligible for a company relocation support subsidy for industrial recovery in Fukushima.

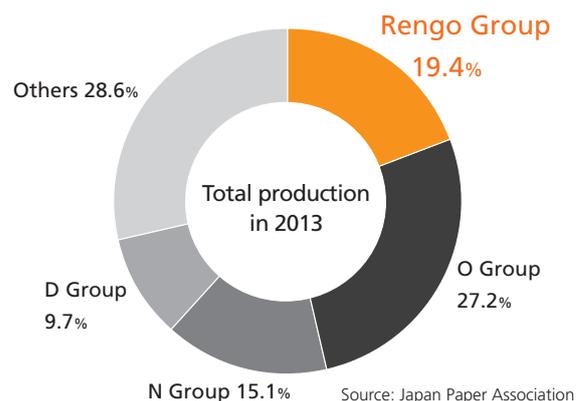
#### Sales (after intersegment elimination) (Millions of yen)

	2010	2011	2012	2013	2014
Paperboard	50,303	50,365	50,723	50,368	50,314

#### Production (in Japan, consolidated basis) (Thousand tons)

	2010	2011	2012	2013	2014
Paperboard	1,978	2,081	2,013	2,069	2,185

#### Major Manufacturing Groups' Shares of the Paperboard Market in Japan



## Paperboard Packaging

The Rengo Group's manufacturing and sales of corrugated board and boxes are carried out through collaboration of Rengo Co., Ltd., Yamato Shiki Co., Ltd., Settsu Carton Co., Ltd. and other group companies. Rengo Co., Ltd. and Rengo Riverwood Packaging, Ltd. manufacture and sell multi-packs used for six packs of canned beer, etc.

### Market Environment and Business Results

During the year under review, production of corrugated packaging was far higher than the previous year owing to robust demand for packaging for food, reflecting increased demand for beverages because of a very hot summer, as well as a last-minute spike in demand before the consumption tax increase.

The Rengo Group's production volumes of corrugated packaging in Japan increased from the previous year supported by buoyant demand. Production of corrugated board increased 6.0% to 3,804 million square meters and production of corrugated boxes rose 8.1% to 2,946 million square meters.

Sales of corrugated packaging increased 2.4% to ¥295.8 billion, accounting for 56.5% of consolidated net sales.

### Shin-Nagoya Plant Started Operation

Construction of the Shin-Nagoya Plant (Kasugai-shi, Aichi Prefecture) to replace the Nagoya Plant (Higashi-ku, Nagoya) was completed and the Shin-Nagoya Plant started operation in January 2014.

This plant will serve as a central base for the Rengo Group in the Chubu region and provide full support to the economy of the Chubu region—where increased development is expected in view of the planned opening of the Linear Chuo Shinkansen, in the field of packaging.

#### ● Overview of Rengo Co., Ltd. Shin-Nagoya Plant

Location: Akechi East Industrial Park, 1514-82 Tonmei, Akechi-cho, Kasugai-shi, Aichi Prefecture, Japan  
 Total site area: 105,785m<sup>2</sup>  
 Total floor area: 35,991m<sup>2</sup> (Building area approx. 29,295m<sup>2</sup>)  
 Number of employees: 120  
 Products: Corrugated board/boxes

### Yamato Shiki Constructed Setouchi Plant

Consolidated subsidiary Yamato Shiki Co., Ltd. constructed its Setouchi Plant (Setouchi-shi, Okayama Prefecture). Yamato Shiki had been considering the integration of its Okayama Plant (Minami-ku, Okayama-shi) with its Himeji Plant (Taishi-cho, Ibo-gun, Hyogo Prefecture) and the construction of a new plant. Construction started in July 2013 and the Setouchi Plant commenced operation in July 2014. The plant is designed to be environmentally friendly, utilizing photovoltaic power generation, and deploying LED lighting and other features. The new plant enables Yamato Shiki to more swiftly respond to customer needs and further improve product quality.

### Expansion of the Group's Corrugated Packaging Business

Consolidated subsidiary Asahi Danboru Co., Ltd. (Takamatsu-shi, Kagawa Prefecture) acquired the corrugated packaging business rights of Siko Corporation (Kita-ku, Osaka) in June 2013.

Siko has a long history as a leading manufacturer of industrial packaging materials. In its corrugated packaging business, it has good relationships with many excellent customers primarily in the Shikoku region. Asahi Danboru has inherited Siko's business connections in the corrugated packaging business and will continue providing stable supplies of products, as well as endeavoring to further enhance the

Rengo Group's corrugated packaging business in the Shikoku region.

In October 2013, Rengo acquired 100% of the shares issued by Hirooka Shiki Co., Ltd. (Takaoka-shi, Toyama Prefecture), making it a subsidiary of Rengo. Hirooka Shiki has a long history as a manufacturer of corrugated boxes. By strengthening the competitiveness of Hirooka Shiki's corrugated packaging business, Rengo aims to further enhance the corrugated packaging business of the Rengo Group in the Hokuriku region through collaboration with neighboring plants of the Rengo Group.

#### Sales (after intersegment elimination) (Millions of yen)

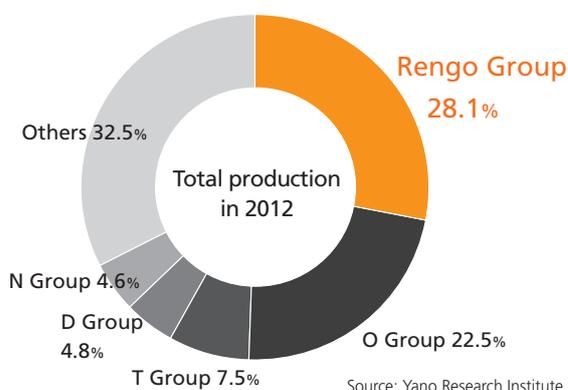
	2010	2011	2012	2013	2014
Corrugated packaging	280,797	285,078	286,210	288,769	295,800
Other packaging-related products	22,979	26,048	25,802	26,147	26,518

#### Production (in Japan, consolidated basis) (Million sq. meters)

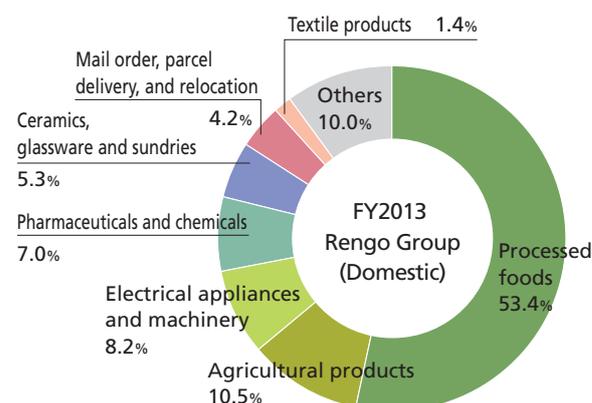
	2010	2011	2012	2013	2014
Corrugated board	3,423	3,559	3,610	3,587	3,804
Corrugated boxes	2,561	2,656	2,729	2,726	2,946

\*Corrugated board production volume includes that converted into corrugated boxes.

#### Major Manufacturing Groups' Shares of the Corrugated Board Market in Japan



#### Breakdown of Demand for Corrugated Boxes by Market



## Flexible Packaging-Related Business

The Rengo Group's business for manufacturing and sales of flexible packaging is carried out by Howa Sangyo Co., Ltd. and Rengo Co., Ltd. also sells flexible packaging. Manufacturing and sales of cellophane are carried out by Rengo Co., Ltd.

### Market Environment and Business Results

Although the flexible packaging-related business recorded higher sales due to an increase in demand for convenience stores, profits decreased owing to rising prices of raw materials and fuel and increased depreciation.

Segment sales were ¥60,663 million, an increase of 7.9% year on year, and operating income was ¥948 million, a decrease of 55.9%. The flexible packaging-related business accounted for 11.6% of consolidated net sales.

#### Sales (after intersegment elimination) (Millions of yen)

	2010	2011	2012	2013	2014
Flexible Packaging-Related Business	53,830	54,015	53,319	56,213	60,663



Film wraps



Labels



Cellophane

## Heavy Duty Packaging-Related Business



Polyethylene heavy duty bags



Kraft paper bags



Flexible container bag

The Rengo Group's business for manufacturing and sales of heavy duty packaging is carried out by Nihon Matai Co., Ltd. and Marsol Holdings.

### Market Environment and Business Results

The heavy duty packaging-related business recorded higher sales and profit than the previous year because of the addition of a consolidated subsidiary in addition to an increase in demand for container bags.

Segment sales were ¥32,093 million, an increase of 32.8% year on year, and operating income was ¥883 million, an increase of 4.3%. The heavy duty packaging-related business accounted for 6.1% of consolidated net sales.

#### Sales (after intersegment elimination) (Millions of yen)

	2010	2011	2012	2013	2014
Heavy Duty Packaging-Related Business	18,794	24,002	23,902	24,162	32,093

### Marsol Holdings Became a Rengo Subsidiary

The Company made Marsol Holdings Co., Ltd. a subsidiary in July 2013. Marsol Holdings controlled the affiliated companies Morishita Inc. and Morishita Chemical Industry Co., Ltd. The group as a whole developed business principally in the fields of container bags, resin sheets for industrial use, and resin nets. With bases in Japan, including the Osafune Plant (Setouchi-shi, Okayama Prefecture), as well as in Thailand, Indonesia, and China, the group engaged in the manufacture and sales of heavy duty packaging materials.

The Rengo Group entered the field of heavy duty packaging in 2009 and strengthened this business. Marsol Holdings' strong business base and broad product line will contribute to enhancement of the Rengo Group's heavy duty packaging business and expansion of its services.

In April 2014, Marsol Holdings Co., Ltd. merged with Morishita Inc. and Morishita Chemical Industry Co., Ltd. with the goal of improving management efficiency and changed its trade name to Morishita Co., Ltd.



Morishita Co., Ltd.

## Overseas Business

Manufacturing and sales of the Rengo Group's products overseas are carried out principally by Zhongshan Rengo Hung Hing Paper Manufacturing Co., Ltd., for paperboard, principally by Dalian Rengo Packaging Co., Ltd., for corrugated board and boxes, by Jiangsu Zhongjin Matai Medicinal Packaging Co., Ltd. for flexible packaging, and by Matai (Vietnam) Co., Ltd. for heavy duty packaging.

### Market Environment and Business Results

Sales of the overseas business increased because of the robust performance of the flexible packaging and heavy duty packaging businesses and the operating loss decreased.

From the third quarter of fiscal 2013, two paper manufacturing companies in China, which had been Rengo's consolidated subsidiaries, became affiliates accounted for by the equity method.

Overseas production volume of paperboard by Rengo's consolidated subsidiaries amounted to 70 thousand tons, a decrease of 57.6% year on year, and that of corrugated board was 222 million square meters, an increase of 5.7%. Although segment sales increased 5.4% to ¥24,455

million, an operating loss of ¥653 million was recorded. The overseas business accounted for 4.7% of consolidated net sales.

The Rengo Group's production volume of paperboard overseas amounted to 357 thousand tons and that of corrugated boxes was 1,740 million square meters.

#### Sales (after intersegment elimination) (Millions of yen)

	2010	2011	2012	2013	2014
Overseas business	11,604	14,568	22,025	23,209	24,455

#### Production (overseas, consolidated basis) (Million sq. meters)

	2010	2011	2012	2013	2014
Paperboard (thousand tons)	—	—	177	165	70
Corrugated board (million sq. meters)	179	237	245	210	222
Corrugated boxes (million sq. meters)	171	220	224	189	207

\* Corrugated board production volume includes that converted into corrugated boxes.

## Other Businesses

Manufacturing and sales of other products are carried out by the following companies: nonwoven products by Rengo Nonwoven Products Co., Ltd., packaging machines principally by Yamada Kikai Kogyo Co., Ltd., and printing paper by Osaka Paper Co., Ltd. Sales of packaging machines are also carried out by Rengo Co., Ltd. The transport business, insurance agency, leasing, and real estate businesses are carried out principally by Rengo Logistics Co., Ltd.

### Market Environment and Business Results

Sales from other businesses were virtually unchanged from the previous year but profits increased because of the contribution of the transport business and the packaging machine business.

Segment sales were ¥33,299 million, a decrease of 1.4% year on year, and operating income was ¥582 million, an increase of 56.9%. Other businesses accounted for 6.4% of consolidated net sales.

#### Sales (after intersegment elimination) (Millions of yen)

	2010	2011	2012	2013	2014
Other Businesses	19,079	20,801	30,647	33,757	33,299



Nonwoven products



Packaging machine

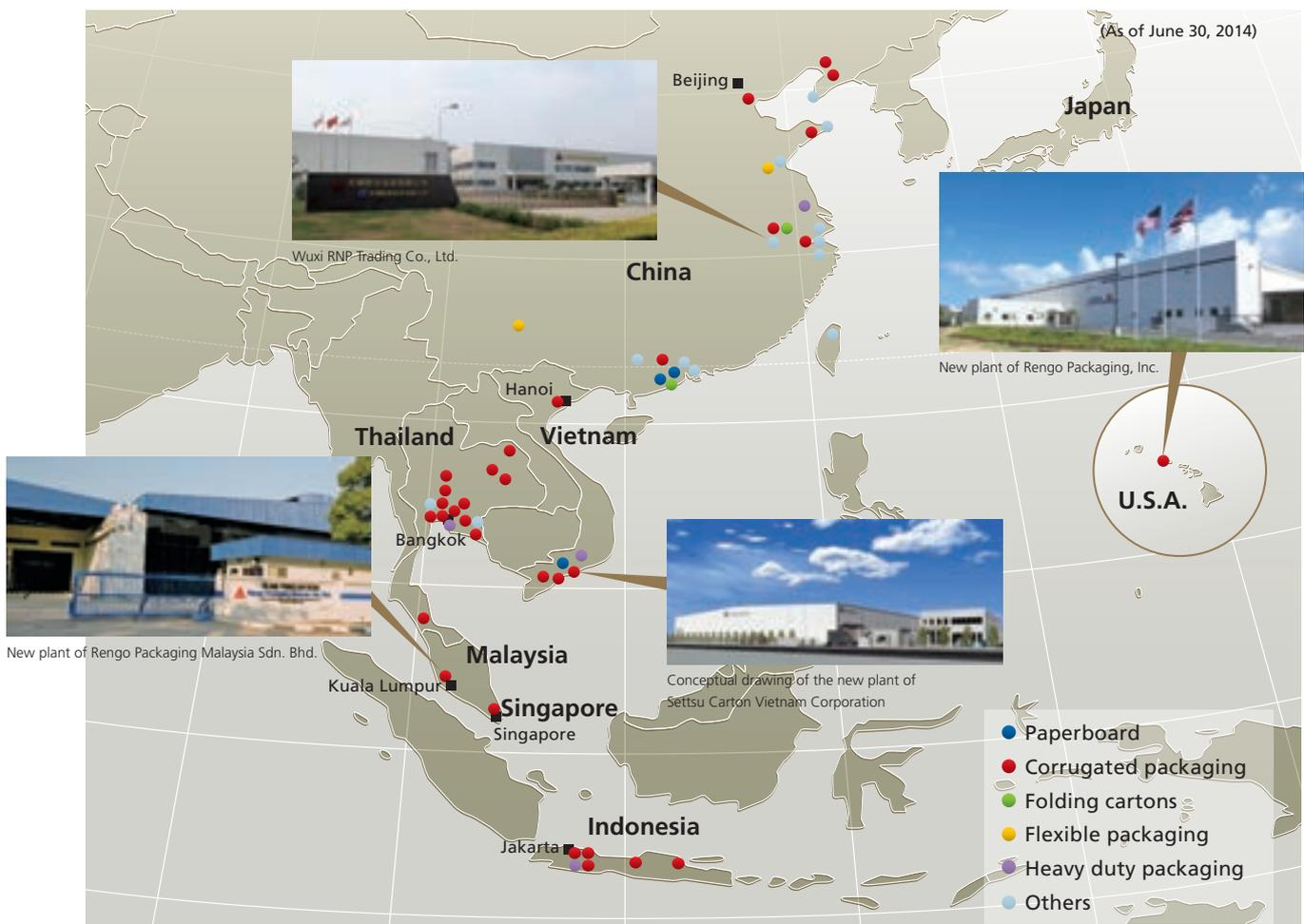


Viscopearl (porous cellulose beads)

# Overseas Business

In response to economic and social globalization, in accordance with the GPI concept, we have put in place a system that allows us to seamlessly provide packaging solutions in Japan and overseas. As a global corporate citizen, the Rengo Group is also contributing to the enhancement of the culture of packaging and to economic development wherever we operate.

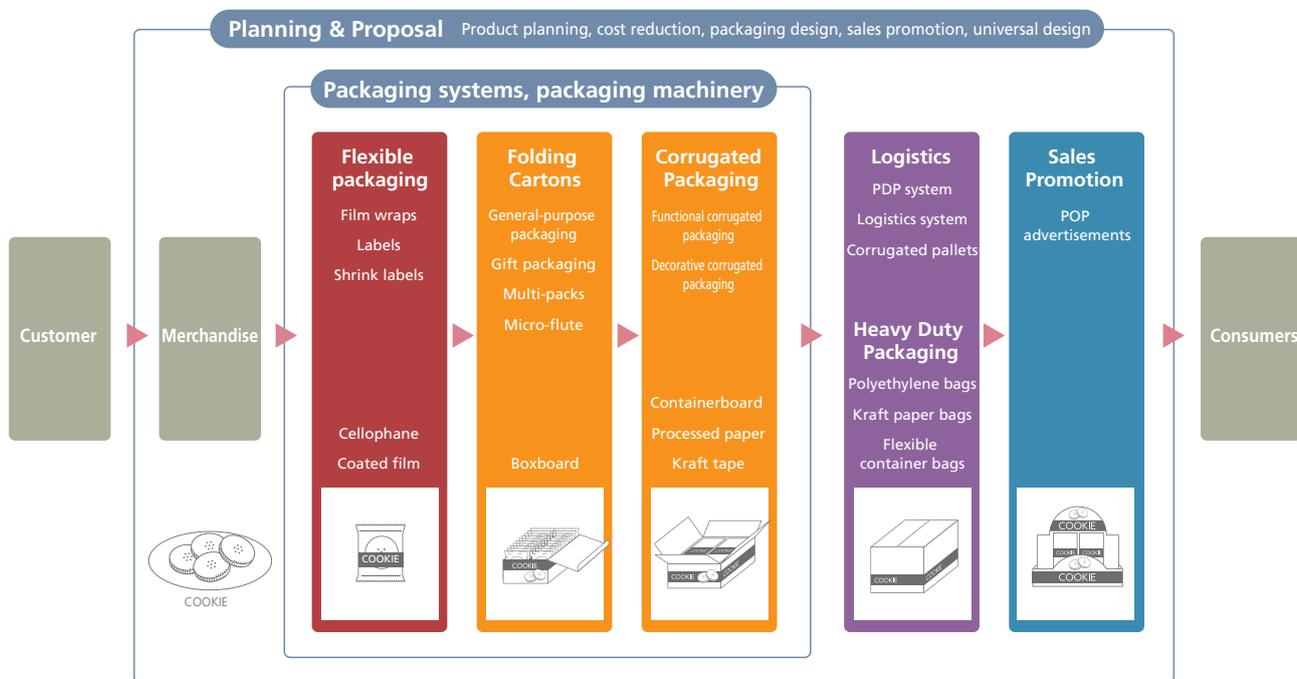
Major developments	
May 2013	Rengo's Thai joint venture company Thai Containers Group Co., Ltd. (TCG) acquired stakes in two corrugated packaging manufacturers near Bangkok.
August 2013	Rengo made TCG Rengo Subang (M) Sdn. Bhd. a subsidiary. (The company name was changed to Rengo Packaging Malaysia Sdn. Bhd. and moved to the new plant in December 2013.)
September 2013	TCG acquired a stake in a corrugated packaging manufacturer near Jakarta.
December 2013	Subsidiary Settsu Carton Co., Ltd. established Settsu Carton Vietnam Corporation, a corrugated box manufacturing company, in Dong Nai Province, Vietnam.
January 2014	Subsidiary Rengo Nonwoven Products Co., Ltd. started the nonwoven business at Wuxi Rengo Packaging Co., Ltd. in China.
April 2014	Rengo transferred part of its stake in Zhongshan Rengo Hung Hing Paper Manufacturing Co., Ltd. and Zhongshan Ren Hing Paper Manufacturing Co., Ltd. to Zhongshan Yong Fa Paper Co., Ltd.
May 2014	TCG invested in a flexible packaging manufacturer in Thailand through TCG's subsidiary.
	Construction of a new corrugated plant of Rengo Packaging, Inc. opened in Hawaii, U.S.A.



# Research and Development

## Comprehensive support for all the packaging needs of customers

We consider sales promotion effects and total costs from the planning stages of customers' new products and make proposals covering everything from individual packaging such as film packaging that directly wraps the product, to inner packaging, corrugated boxes, pallets, and packaging systems. Our comprehensive proposals for all types of packaging reflect consideration of the optimum balance among quality, cost, and the environment.



### Gas Q Gas Adsorption Sheets

Rengo has developed Gas Q gas adsorption sheets in cooperation with Archival Conservation and Enclosures Co., Ltd. Made from materials containing Cellgaia® zeolite high-density crystallized pulp developed by Rengo, Gas Q sheets feature outstanding capabilities for protection of cultural properties. Thanks to the excellent gas adsorption performance and versatility of nonwoven fabric, the application field of Gas Q is expected to expand from protection of cultural properties to wider purposes.



### Bronze Award in Pentawards 2013 World Packaging Design Competition

Rengo, for its Sweet Potatoes Campaign Box, won a Bronze Award in the "Fruits and Vegetables" subcategory of the Food Category of the Pentawards 2013, which is a worldwide competition devoted to packaging design.



### RAFEP Won the Packaging Technology Award of the Japan Packaging Institute's Kinoshita Award

Rengo's RAFEP is an innovative corrugated board certified as a fire-retardant product by the Japan Fire Retardant Association. This product is approximately 1/6th of the weight of Grade 2 standard structural fire-retardant plywood, and possesses the same or greater strength. It can be processed in the same way as regular corrugated board, and attractive decorative offset printing can be employed. RAFEP is fully recyclable and the chemicals used in the fire-retardant processing have no effect on the human body.



### Hinode Shiki Kogyo Won the Red Dot Design Award 2013

Hinode Shiki Kogyo Co., Ltd. (Hioki-shi, Kagoshima Prefecture), a subsidiary manufacturing corrugated packaging, won a "red dot" in the Communication Design category of the Red Dot Design Award 2013, which is one of the world's most prestigious design competitions.



# Environmental Protection

From “Less Weight, Less Carbon” to “Less is More.”

The Rengo Group’s environmental initiatives continue evolving to achieve packaging that offers greater value using fewer resources.

## Rengo Group Environmental Charter

### Fundamental Philosophy

Rengo group considers the carrying out of business with consideration to conserving the global environment as indispensable to the group’s sustainable development, and thus endeavors to continually undertake environmental conservation activities.

### Fundamental Policy

#### 1 Observance of Environment Related Laws

Rengo group endeavors to observe all laws, regulations and protocols relating to the environment, and actively carries out environmental conservation activities to further reduce environmental impacts.

#### 2 Promotion of Global Warming Countermeasures

Rengo group actively promotes Green New Deal through energy conservation and utilization of new energies, targeting to halve the CO<sub>2</sub> emissions by 2050 compared to 1990 levels.

#### 3 Promoting Effective Use of Resources

Rengo group endeavors to advance its technology for using waste paper, promote recycling and effective use of waste paper resources in order to contribute to a creation of recycling-oriented society.

#### 4 Curbing Waste Generation and Promoting Effective Use of Waste

Rengo group endeavors to curb waste generation and reduce volume of final disposed waste through reuse and recycle.

#### 5 Research, Development and Supply of Environmentally Low-Impact Packaging

As a packaging solutions company, Rengo group endeavors to research and develop environmentally low-impact packaging and supply environmentally friendly packaging.

#### 6 Promotion of Environmentally Friendly Materials Procurement and Production Activities

Rengo group endeavors to procure environmentally friendly materials while actively reducing environmental impact of production activities.

#### 7 Promotion of Environmentally Friendly Activities at Overseas Operations

Rengo group endeavors to observe the environmental regulations of each country in which its overseas operations conduct activities and take proper measures to conserve the environment in the region.

#### 8 Promotion through Public Relations, Awareness Activities and Social Activities

Rengo group promotes raising environmental awareness through public relations and awareness activities, actively participating in and supporting regional and community environmental conservation activities.

Established on 12 April 2009

### Three Initiatives for Environmental Sustainability

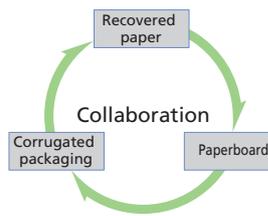
Realization of a recycling-based society

Realization of a low-carbon society

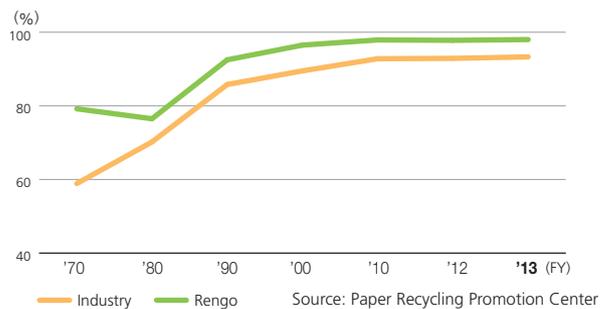
Realization of harmony with the natural environment

## To Realize a Recycling-based Society

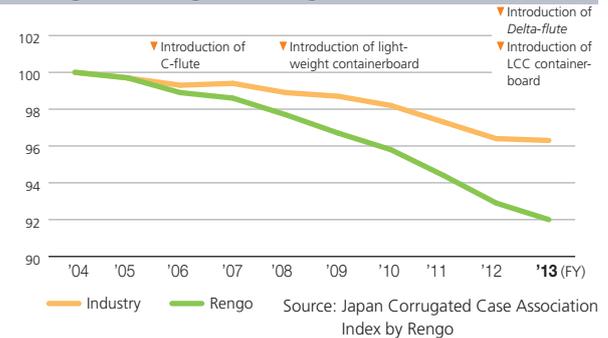
Rengo is committed to contributing to the realization of a recycling-based society. While strengthening the corrugated packaging recycling system established through collaboration among the recovered paper, paperboard, and corrugated packaging industries, we are also promoting new developments and ever more efficient use of finite resources.



### Recovered paper utilization ratio for paperboard (%)



### Average basis weight of corrugated board (FY 2004 = 100)

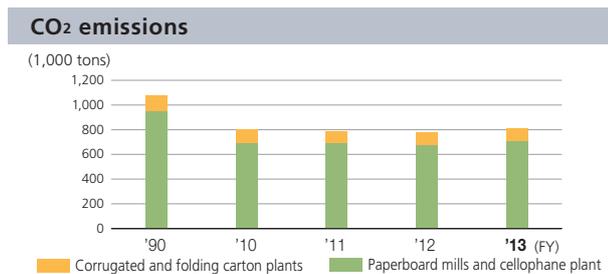


## To Realize a Low-carbon Society

In accordance with the Fundamental Policy of the Rengo Group Environmental Charter, we have established the Eco Challenge 020 environmental action plan with specific targets. In Eco Challenge 020, Rengo is tackling five themes—mitigation of global warming, efficient use of resources, waste reduction, R&D and supply of environmentally conscious products, and green procurement and management of chemical substances. Setting fiscal 2020 as the year for achieving the mid-term environmental targets, we are making a concerted effort to reduce the environmental impacts of every facet of the business.

In the Fiscal 2013 Eco Challenge 020, one of the targets was to reduce CO<sub>2</sub> emissions from fossil fuels during production by 30%

compared with fiscal 1990. We promoted energy saving through improvement of production processes and cold-heat recovery and conversion to clean energy, such as natural gas and biomass fuels. As a result, fossil-fuel CO<sub>2</sub> emissions amounted to 807,804 tons in fiscal 2013, a reduction of 24.9% compared with fiscal 1990.



### Introduction of Photovoltaic Power Generation Systems

The Shin-Nagoya Plant that opened in January 2014 is equipped with photovoltaic power generation systems and employs Rengo's wide-ranging know-how for environmentally friendly plants. The new plant features many leading-edge technologies and design innovations that help protect the global environment. Notable innovations include a rack-type, seismically isolated automated warehouse, the first at Rengo's corrugated plants, which has been installed in order to enhance safety during distribution work and make inventory management more efficient.

From the viewpoint of diversification of energy sources at its corrugated plants, Rengo first introduced photovoltaic power generation systems in 2007 at the Kyoto Plant (the current Shin-Kyoto Division). In 2010, we opened the Fukushima-Yabuki Plant where all daytime electricity needs are satisfied by solar power. The Sendai Plant (Sendai-shi, Miyagi Prefecture) devastated by the Great East Japan Earthquake was reborn as the Shin-Sendai Plant (Taiwa-cho, Kurokawa-gun, Miyagi Prefecture) in April 2012. As well as photovoltaic power systems, this plant is equipped with electricity storage facilities for higher environmental performance and disaster preparedness. In fiscal 2013, the Tosu Plant, the Okayama Plant, and the Matsumoto Sub-plant were also equipped with photovoltaic power generation systems. Photovoltaic power generation capacity of the Rengo Group in fiscal 2013 was 8.7 times greater than in fiscal 2007.

### Woody Biomass Power Generation Facilities Introduced at the Yashio Mill

The Yashio Mill, the largest paperboard mill in Japan, has a distinguished track record of reducing the environmental impacts of manufacturing processes. It was early to switch its primary energy source from heavy oil to city gas and has been utilizing paper sludge generated in the paperboard manufacturing process as a biomass fuel for producing electricity and thermal energy.

In order to promote the shift to more environmentally friendly energy sources in addition to reduction of energy consumption, Rengo plans to introduce a 9,000 kW biomass power generation system at the Yashio Mill in January 2016, which will satisfy about 20% of the mill's electricity needs. This biomass power generation

system will use wood chips as fuel. Because trees adsorb CO<sub>2</sub> while they grow, life cycle CO<sub>2</sub> emissions from this system will be zero, thus reducing the Yashio Mill's CO<sub>2</sub> emissions by about 65,600 tons or 30%.

### The Rengo Group's Environmental Initiatives Recognized

- The Tonegawa Division (Bando-shi, Ibaraki Prefecture) received a 3R Promotion Council President's Prize.
- Rengo received an SMBC Environmental Assessment Loan from Sumitomo Mitsui Banking Corporation for the third time.
- Rengo received awards in the Japan Packaging Contest 2013 for people- and environmentally friendly packaging.

### Realizing Harmony with the Natural Environment

#### ● Efficient resource utilization

We are working to reduce waste and promote appropriate waste treatment at divisions and plants. Recognizing our responsibility as a manufacturer in the water-intensive paper industry, we are striving to conserve water resources and promote efficient use of water.

#### ● Prevention of environmental contamination

We apply thorough control to ensure compliance with laws and regulations concerning the release of pollutants that may affect the local environment. Our voluntary criteria are stricter than the legal requirements to prevent environmental contamination.

#### ● Corporate citizenship activities

We are implementing various initiatives at divisions and plants throughout Japan to contribute to local communities as a good corporate citizen. Our initiatives include support of next-generation human resources development, contribution to electricity supply, cooperation with municipalities for disaster preparedness, and conservation of biodiversity.

### FSC® Certification Gained for Clay Coated Board

The No. 1 paper machine at the Tonegawa Division paperboard mill, which produces clay coated board, has gained Forest Stewardship Council® (FSC) certification. Rengo's clay coated board, for which FSC certification was gained, is an environmentally friendly product. Its main raw materials are wood fiber approved according to FSC standards, as well as appropriately managed recovered fiber. This is the first time a paper machine in Japan dedicated to clay coated board has gained this certification.



\*Forest Stewardship Council® (FSC)  
An international organization founded in 1993 for promoting responsible forest management

# Corporate Governance

Aspiring to be an enterprise that earns the trust and confidence of society, we have put in place a corporate governance system and internal controls. We are accelerating decision-making and strengthening supervision of execution.

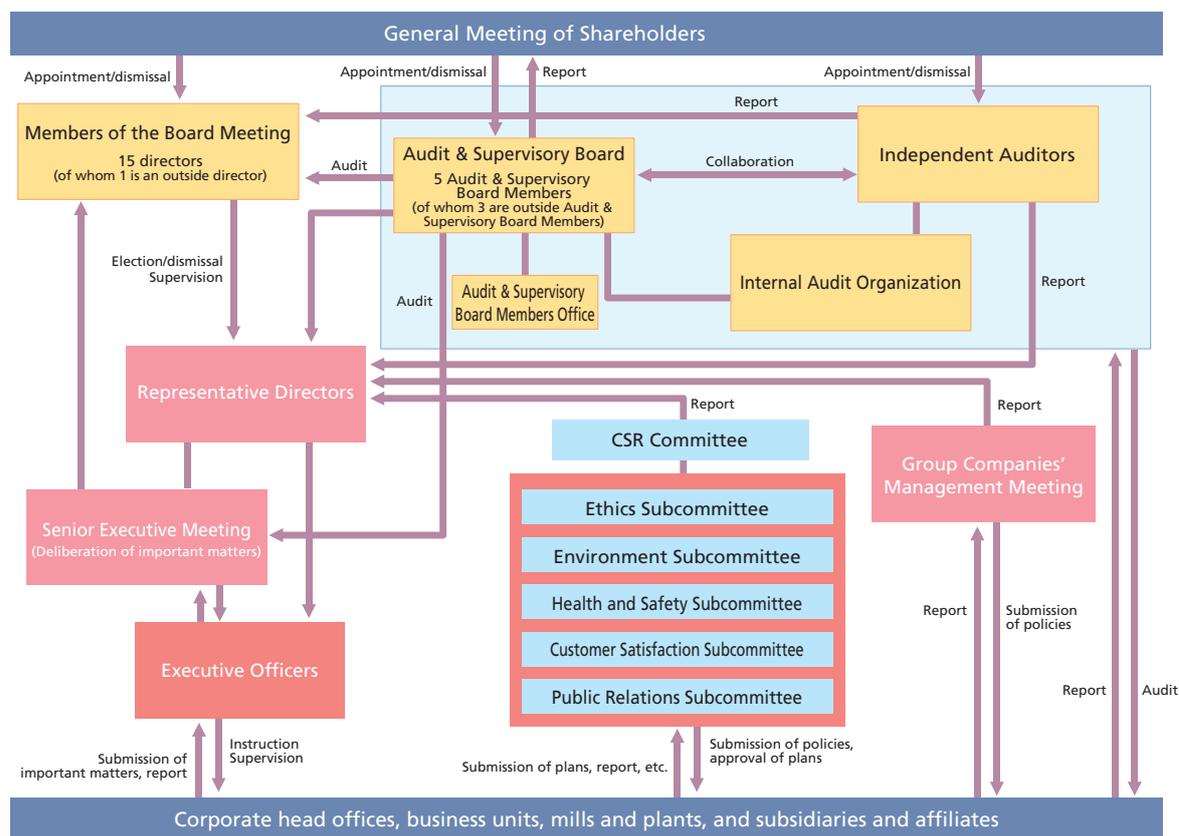
## Basic Stance for Corporate Governance

As an enterprise aspiring to earn society's trust and confidence, our goal is timely and accurate information disclosure combined with sound management that has high transparency. In keeping with our philosophy whose essence is "The truth is in the workplace," Rengo is enhancing corporate governance by strengthening the current systems while delegating authority and accelerating decision-making.

## Corporate Governance Systems

Rengo is a company with audit & supervisory board members. The term of office of directors is one year. Rengo elects an outside director and employs an audit & supervisory system consisting of audit & supervisory board members, including outside audit & supervisory board members, in order to enhance management transparency and strengthen supervision of management. Two standing audit & supervisory board members and three outside audit & supervisory board members audit directors' performance of duties and operations and the financial status of Rengo and its subsidiaries.

### Corporate Governance Structure (As of June 27, 2014)



## Initiatives

As well as the Members of the Board Meeting, the Senior Executive Meeting, the Internal Officers' Meeting, the Divisional Liaison Meeting, etc. are held at least once a month, in principle, to facilitate sharing of important information. In April 2007, to further vitalize the Board of Directors, accelerate decision-making, and strengthen supervision of execution of operations, Rengo introduced an executive officer system.

Rengo adopts the audit & supervisory board members system and is striving to improve the audit & supervisory systems involving audits of directors' performance of duties by audit & supervisory board members and audits corresponding to consolidated management, such as collaboration with subsidiaries' audit & supervisory board members.

## Internal Control

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Rengo formulated the basic policy for design of internal controls pursuant to the Companies Act of Japan and it was approved by the Board of Directors in May 2006. In April 2008, to respond to the internal control system required by the Financial Instruments and Exchange Act, Rengo established the Audit Department, which is independent of routine operations. The Internal Control Audit Group of the Audit Department monitors and evaluates statuses of design and operation of company-wide internal controls and internal controls of significant business processes and pursues improvement.

In fiscal 2013, Rengo Co., Ltd. and its 43 consolidated subsidiaries were within the scope of evaluation of company-wide internal controls and six significant business entities including Rengo Co., Ltd. were subject to evaluation of internal controls of business processes. As a result of the evaluation, management judged that Rengo's internal controls covering financial reporting were effective as of March 31, 2014.

## Request for Review of the JFTC's Cease-and-desist Orders

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On June 5, 2012 and September 19, 2012, Rengo and certain Rengo Group companies were investigated by the Japan Fair Trade Commission (JFTC) on suspicion of having violated the Antimonopoly Act in trading of corrugated board and corrugated boxes. Although Rengo extended full cooperation to the JFTC in its investigation, on June 19, 2014, we received cease-and-desist orders and surcharge payment notices from the JFTC for violations of Article 3 (prohibition of private monopolization or unreasonable restraint of trade) of the Antimonopoly Act.

Following the receipt of the preliminary notices, the JFTC provided us with explanations about evidence etc. We have serious doubts about its factual basis and the legal arguments used by the JFTC and have decided to ask the JFTC to review the decision. We applied to the Tokyo High Court for a waiver of execution of the judicial decisions. We sincerely regret what occurred and are further strengthening compliance systems.

## Strengthening Compliance Systems

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The Ethics Subcommittee in the CSR Committee had been spearheading our efforts to ensure compliance. Following an on-site inspection by the JFTC in June 2012, Rengo established the Compliance Promotion Office in July 2012 as an independent permanent organization to reestablish and strengthen the compliance systems.

A compliance promotion manager responsible for execution of compliance promotion activities is appointed at each business unit and site of Rengo to strengthen the systems. Furthermore, the Rengo Group companies are also establishing compliance promotion offices and appointing compliance promotion managers.

## Whistleblower System

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In order to prevent violations of laws and regulations, we have the Corporate Ethics Helpline in place, separate from the ordinary business reporting route via immediate superiors, so that our employees can report and consult about compliance matters by telephone, email, etc. An external helpline is also established to make it easy for employees to use the whistleblower system.

The whistleblower system is operated appropriately to strictly protect the privacy of whistleblowers and to ensure they are not treated unfairly.

## Initiatives at Overseas Subsidiaries

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Rengo holds a meeting of management of the seven subsidiaries in China every year. The meeting for fiscal 2013 was held in August.

Compliance has been on the agenda of the management meeting since 2010, and the meeting includes a presentation by the Legal Affairs Department of Rengo on Rengo's compliance and CSR policies with the aim of inculcating the Rengo Group's policy in overseas subsidiaries and raising awareness of compliance.

## Rengo Endorses the United Nations Global Compact

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In November 2009 Rengo endorsed the United Nations Global Compact. We support the 10 principles of the UN Global Compact and adhere to its philosophy in fulfilling our responsibility as a corporate citizen.



# Members of the Board, Audit & Supervisory Board Members and Executive Officers

(As of June 27, 2014)



Representative Director,  
Executive Vice President  
**Moriaki Maeda**

Representative Director,  
Executive Vice President  
**Ichiro Hasegawa**

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

Representative Director,  
Executive Vice President  
**Yoshitaka Ozawa**

**Representative Director, Chairman,  
President and Chief Executive Officer**

Kiyoshi Otsubo

**Representative Director,  
Executive Vice President**

Moriaki Maeda

Yoshitaka Ozawa

Ichiro Hasegawa

**Member of the Board,  
Senior Managing Executive Officer**

Misao Wakamatsu

Kiwamu Hashimoto

Yasuhiro Baba

**Member of the Board,  
Managing Executive Officer**

Hiromi Sambe

Shigechika Ishida

Yosuke Kawamoto

Sadatoshi Inoue

**Member of the Board,  
Executive Officer**

Mitsumasa Yokota

Hirofumi Hori

Toru Osako

**Member of the Board**

Kenjiro Nakano

**Audit & Supervisory  
Board Member**

Hiromi Hirayama

Hiroaki Nishii

Shogo Itoda

Ikuho Inoue

Shinichi Yokoyama

**Senior Managing Executive Officer**

Osamu Nishimura

**Managing Executive Officer**

Ryuzo Shinano

Toshihiro Yoneda

**Executive Officer**

Shunji Ogawa

Hiroshi Ebihara

Koichi Hirano

Takeshi Hosokawa

Kenichi Ito

Naohiro Kubota

Yuji Hiwaki

Masashi Nakashima

Yukio Okano

Taro Shiomi

# Financial Section

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# Consolidated Ten-Year Summary

Rengo Co., Ltd. and Consolidated Subsidiaries

Years ended March 31

For the year:	Millions of yen		
	2005	2006	2007
Net sales	¥391,175	¥402,168	¥412,986
Gross profits	69,841	71,002	70,941
Operating income	21,258	21,701	19,057
Income before income taxes	19,475	23,712	16,292
Net income	10,914	13,032	9,442
Research and development expenses	1,253	1,316	1,507
Depreciation and amortization	20,607	20,822	21,589
Capital expenditures	23,707	22,408	34,351
EBITDA	41,865	42,523	40,646
<b>At Year-End:</b>			
Total assets	¥424,654	¥447,390	¥471,855
Working capital	(41,746)	(50,872)	(66,525)
Interest-bearing debt	184,578	176,323	185,065
Net assets	113,155	134,613	150,961
Total shareholders' equity (*1)	113,155	134,613	145,590
<b>Per share amounts (yen):</b>			
Net income, basic	¥ 44.98	¥ 54.63	¥ 38.81
Net income, diluted	39.04	47.72	—
Cash dividends applicable to the year	8.00	9.00	10.00
Net Assets (*2)	474.66	562.29	574.10
<b>Ratios:</b>			
Return on equity (%)	10.0	10.5	6.7
Return on total assets (%)	2.6	3.0	2.1
Debt to equity ratio (times)	1.63	1.31	1.27
Total shareholders' equity to total assets (%)	26.6	30.1	30.9
<b>Other statistics:</b>			
Number of shares of common stock (thousand)	241,545	241,927	263,774
Number of employees	9,385	9,545	9,747
<b>Stock prices (yen):</b>			
High	¥ 598	¥ 1,000	¥ 952
Low	410	501	616

(\*1) Total shareholders' equity = Net assets - Minority interests (from year ended March 31, 2007 onward)

(\*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, net of minority interests (from year ended March 31, 2007 onward).

Millions of yen						
2008	2009	2010	2011	2012	2013	2014
¥435,339	¥446,660	¥457,386	¥474,878	¥492,628	¥502,626	¥523,142
66,226	69,813	91,645	91,888	86,196	88,469	82,607
12,799	15,213	33,727	32,391	25,068	23,891	14,221
9,654	14,215	29,633	18,042	11,272	25,066	9,687
5,659	7,831	16,987	10,291	7,148	12,956	3,703
1,486	1,663	1,507	1,486	1,541	1,581	1,421
24,227	24,337	25,223	26,394	27,149	27,898	28,582
21,083	20,526	29,363	22,650	47,741	37,014	52,849
37,026	39,550	58,950	58,785	52,217	51,789	42,803
¥468,887	¥457,263	¥498,137	¥499,119	¥549,058	¥572,591	¥629,055
(53,538)	(43,897)	(37,080)	(36,385)	(46,135)	(30,389)	(40,773)
194,251	193,374	199,237	201,584	229,444	237,746	263,431
147,382	140,779	163,926	165,613	170,931	188,133	201,659
142,221	136,175	159,385	159,395	164,339	180,734	196,359
¥ 21.83	¥ 29.91	¥ 64.42	¥ 39.67	¥ 27.74	¥ 50.99	¥ 14.95
—	—	—	—	—	—	—
10.00	10.00	10.00	12.00	12.00	12.00	12.00
542.91	520.49	595.36	618.59	637.85	729.53	792.78
3.9	5.6	11.5	6.5	4.4	7.5	2.0
1.2	1.7	3.6	2.1	1.4	2.3	0.6
1.37	1.42	1.25	1.27	1.40	1.32	1.34
30.3	29.8	32.0	31.9	29.9	31.6	31.2
263,774	263,774	271,056	271,056	271,056	271,056	271,056
10,181	9,089	11,182	12,267	12,961	13,082	13,095
¥ 927	¥ 849	¥ 652	¥ 597	¥ 619	¥ 599	¥ 651
451	425	483	414	458	311	438

# Management's Discussion and Analysis

## Overview

In the fiscal year ended March 31, 2014 (fiscal 2013), inspired by our "General Packaging Industry" concept and aiming to strengthen our comprehensive capabilities as a leading provider of packaging solutions centering on six core businesses—paperboard, corrugated packaging, folding cartons, flexible packaging, heavy duty packaging, and overseas business—we emphasized development of innovative products, executed vigorous capital investment and M&A, and enhanced Rengo Group companies to reinforce competitiveness and business fundamentals.

In April 2013, Rengo started sales of *Delta Flute*, an innovative product that sets a new standard for corrugated board, in order to cultivate new demand. In September 2013, we released the *Gemini Packaging System*, a system originally developed by Rengo based on a new concept, with the aim of achieving differentiation and enhancing added value through a wider range of proposal-driven sales in terms of both packages and the packaging system.

In January 2014, the Shin-Nagoya Plant (Kasugai-shi, Aichi Prefecture) started operation to enhance the corrugated packaging supply system in the Chubu Region where a new round of development is in prospect in view of the planned opening of the Linear Chuo Shinkansen. In order to enhance management efficiency of Marsol Holdings Co., Ltd. (Setouchi-shi, Okayama Prefecture), a powerful contender in the heavy duty packaging business, which became a Rengo subsidiary in July 2013, Marsol and its two group companies merged in April 2014 to form Morishita Co., Ltd.

Regarding overseas business development, Rengo Nonwoven Products Co., Ltd. (Soja-shi, Okayama Prefecture) entered the China market for the first time in January 2014 and started sales of nonwovens manufactured by Wuxi Rengo Packaging Co., Ltd. (Wuxi, Jiangsu), which recently expanded its business to include nonwoven products. In May 2014, Rengo Packaging, Inc. opened a corrugated plant in Hawaii, the U.S., the sole corrugated plant in Hawaii.

Since October 2013, we have focused our efforts on achieving appropriate price levels for paperboard and corrugated packaging in order to combat deterioration of transaction terms and conditions resulting from rising prices of raw materials and fuels.

Although net sales increased, net income decreased compared with the previous year, affected by the deterioration of transaction terms and conditions and the recording of a provision for surcharge based on the Antimonopoly Act.

As of March 31, 2014, the number of consolidated subsidiaries was 53, two more than at the end of the previous year, and the number of affiliates accounted for by the equity method was eight, three more than at the end of the previous year.

## Sales

Consolidated net sales increased ¥20.5 billion or 4.1% year on year from ¥502.6 billion for the previous year to ¥523.1 billion for fiscal 2013. This increase was mainly due to an increase in demand for corrugated packaging products, buoyant order-taking by the flexible packaging and heavy duty packaging-related business segments, and the addition of subsidiaries to the scope of consolidation.

Sales from the paperboard and packaging-related business segment increased 2.0% year on year, sales from the flexible packaging-related business segment increased 7.9%, sales from the heavy duty packaging business surged 32.8%, sales from the overseas business rose 5.4%, and sales from other businesses decreased 1.4%.

Sales volumes of corrugated boxes in Japan increased 7.8% year on year, benefitting from increased demand for food applications, such as beverage-related applications, and the addition of subsidiaries to the scope of consolidation.

## Income and Expenses

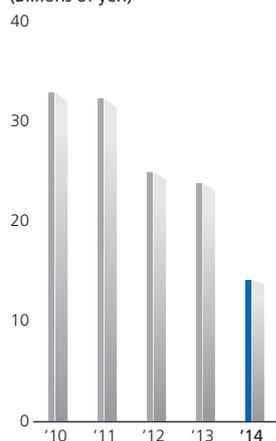
### Operating Expenses and Operating Income

Cost of sales increased 6.4% year on year from ¥414.2 billion for the previous year to ¥440.5 billion owing to higher costs of energy, such as city gas and electricity, besides increased sales volumes and the addition of consolidated subsidiaries. Selling, general and administrative expenses increased 5.9% from ¥64.6 billion to ¥68.4 billion primarily as a result of the addition of subsidiaries to the scope of consolidation.

Operating income decreased ¥9.7 billion or 40.5% year on year from ¥23.9 billion to ¥14.2 billion. This decrease was primarily owing to

### Operating Income

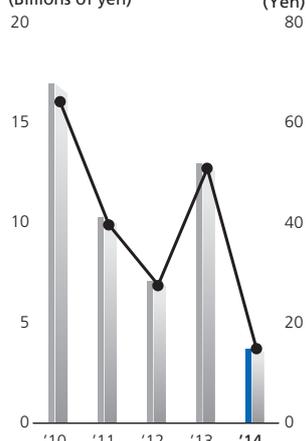
(Billions of yen)



### Net Income and Net Income per Share, Basic

(Billions of yen)

(Yen)



(left scale) ■ Net Income  
(right scale) — Net Income per Share, Basic

### Income and Expenses as a Percentage of Net Sales

	2012	2013	2014
Cost of sales	82.5%	82.4%	84.2%
SG&A expenses	12.4	12.8	13.1
Operating income	5.1	4.8	2.7
Net income	1.5	2.6	0.7

product price erosion, rising energy costs, and an increase in fixed costs.

### Other Income and Expenses

Regarding the net balance of other income and expenses, a loss of ¥4.5 billion was recorded for fiscal 2013, compared with income of ¥1.2 billion for the previous year. This result was attributable to recording of a provision for surcharge based on the Antimonopoly Act amounting to ¥5.9 billion, whereas the previous year's figure reflected the compensation income received associated with the nuclear accident, etc.

### Income Taxes and Minority Interests

Income taxes decreased ¥6.4 billion from ¥12.0 billion for the previous year to ¥5.6 billion as a result of a decrease in income before income taxes and minority interests. Minority interests in income increased ¥0.3 billion from ¥0.1 billion for the previous year to ¥0.4 billion.

### Net Income

Net income was ¥3.7 billion for fiscal 2013, a decrease of ¥9.3 billion or 71.4% from ¥13.0 billion for the previous year. Net income per share was ¥14.95, having decreased from ¥50.99 for the previous year.

Despite a temporary decline in profit mainly owing to the recording of a provision for surcharge, annual cash dividends per share were unchanged from the previous year at ¥12, taking into consideration the performance trend, financial conditions, and business development from now on from a comprehensive and a long-term perspective.

## Financial Position and Cash Flows

### Assets

Total assets were ¥629.1 billion, having increased ¥56.5 billion from ¥572.6 billion at the end of the previous year. The principal factors were a ¥6.0 billion increase in current assets, a ¥23.1 billion increase in property, plant and equipment, a ¥3.1 billion increase in intangible assets, and a ¥24.3 billion increase in investments and other assets.

The principal reason for the increase in property, plant and equipment was purchase of facilities in line with the construction of

a new plant and the principal reason for the increase in investments and other assets was an increase in investment securities resulting from the rise in stock prices.

### Liabilities and Net Assets

Total liabilities amounted to ¥427.4 billion, having increased ¥42.9 billion from ¥384.5 billion at the end of the previous year, reflecting increases in long-term debt and short-term borrowings owing to demand for funds for capital investment.

Interest-bearing debt at the end of the year stood at ¥263.4 billion, having increased ¥25.7 billion from ¥237.7 billion at the end of the previous year. However, if a ¥1.2 billion increase in the interest-bearing debt associated with the newly consolidated subsidiaries is not taken into account, the increase in the interest-bearing debt was ¥24.5 billion.

Net assets amounted to ¥201.7 billion, having increased ¥13.6 billion from ¥188.1 billion at the end of the previous year, primarily due to an increase in foreign currency translation adjustment and an increase in valuation difference on available-for-sale securities.

### Cash Flows

Net cash provided by operating activities amounted to ¥39.2 billion, a decrease of ¥9.8 billion from ¥49.0 billion for the previous year. Major items were depreciation and amortization amounting to ¥28.6 billion and income before income taxes and minority interests amounting to ¥9.7 billion.

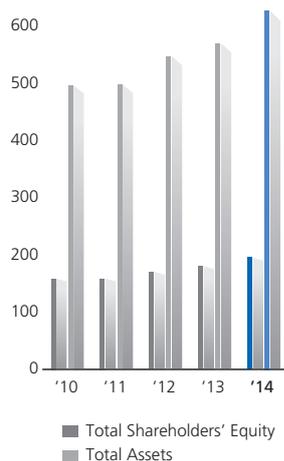
Net cash used in investing activities increased ¥11.6 billion from ¥45.0 billion for the previous year to ¥56.6 billion. Principal items were purchase of property, plant and equipment amounting to ¥46.7 billion.

Net cash provided by financing activities was ¥16.3 billion, having increased ¥18.8 billion from net cash used in financing activities amounting to ¥2.4 billion for the previous year. Major items were a ¥27.0 billion net increase in short-term and long-term loans payable, a ¥5.0 billion outlay for redemption of bonds, and cash dividends paid amounting to ¥3.0 billion.

As a result, cash and cash equivalents were ¥22.1 billion at the end of fiscal 2013, having increased ¥0.3 billion from the previous year.

**Total Shareholders' Equity and Total Assets**

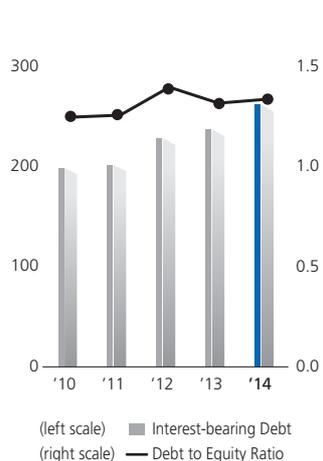
(Billions of yen)



**Interest-bearing Debt and Debt to Equity Ratio**

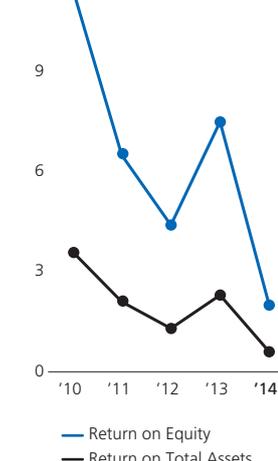
(Billions of yen)

(Times)



**Return on Equity and Return on Total Assets**

(%)



# Consolidated Balance Sheets

Rengo Co., Ltd. and Consolidated Subsidiaries

March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 5, 7 and 10)	¥ 23,148	¥ 22,818	\$ 226,941
Short-term investment securities (Notes 7 and 8)	346	—	3,392
Receivables—			
Notes and accounts receivable-trade (Note 7)	141,780	140,580	1,390,000
Other	3,698	3,414	36,255
Allowance for doubtful accounts	(702)	(1,003)	(6,883)
	144,776	142,991	1,419,372
Inventories (Note 6)	33,102	29,245	324,529
Deferred tax assets (Note 13)	3,399	3,677	33,324
Other	3,852	3,920	37,765
Total current assets	208,623	202,651	2,045,323
<b>Property, plant and equipment (Note 10):</b>			
Buildings and structures	196,026	186,978	1,921,824
Machinery, equipment and vehicles	417,612	403,164	4,094,235
Land	108,120	105,617	1,060,000
Construction in progress	22,224	12,889	217,882
Other	26,180	24,914	256,667
	770,162	733,562	7,550,608
Less accumulated depreciation	(475,157)	(461,691)	(4,658,402)
Total property, plant and equipment	295,005	271,871	2,892,206
<b>Intangible assets:</b>			
Goodwill	5,848	2,952	57,333
Other (Note 10)	6,576	6,408	64,471
Total intangible assets	12,424	9,360	121,804
<b>Investments and other assets:</b>			
Investment securities (Notes 7, 8 and 10)	94,414	78,595	925,627
Long-term loans receivable	4,203	739	41,206
Net defined benefit assets (Note 14)	1,240	—	12,157
Deferred tax assets (Note 13)	669	848	6,559
Other	13,870	10,127	135,981
Allowance for doubtful accounts	(1,393)	(1,600)	(13,657)
Total investments and other assets	113,003	88,709	1,107,873
Total assets	¥629,055	¥572,591	\$6,167,206

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Short-term borrowings and the current portion of long-term debt (Notes 7, 10 and 11)	¥107,541	¥105,059	\$1,054,324
Payables—			
Notes and accounts payable-trade (Notes 7 and 10)	86,332	78,860	846,392
Other	18,715	17,114	183,481
	105,047	95,974	1,029,873
Income taxes payable	3,768	4,051	36,941
Provision for directors' bonuses	116	165	1,137
Provision for surcharge	5,908	—	57,922
Other	27,015	27,791	264,852
Total current liabilities	249,395	233,040	2,445,049
<b>Noncurrent liabilities:</b>			
Long-term debt due after one year (Notes 7, 10 and 11)	148,476	125,583	1,455,647
Deferred tax liabilities (Note 13)	10,909	8,174	106,951
Provision for retirement benefits (Note 14)	—	7,966	—
Provision for directors' retirement benefits	901	977	8,833
Net defined benefit liability (Note 14)	9,751	—	95,598
Other (Note 10)	7,964	8,718	78,079
Total noncurrent liabilities	178,001	151,418	1,745,108
<b>Contingent liabilities (Note 15)</b>			
<b>Net assets (Note 16):</b>			
<b>Shareholders' equity:</b>			
Capital stock:			
Authorized – 800,000,000 shares			
Issued – 271,056,029 shares	31,067	31,067	304,578
Capital surplus	33,998	33,998	333,314
Retained earnings	123,674	121,673	1,212,490
Treasury stock:			
23,372,030 shares in 2014 and 23,316,280 shares in 2013	(11,891)	(11,860)	(116,578)
Total shareholders' equity	176,848	174,878	1,733,804
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities	12,505	6,540	122,598
Deferred gains or losses on hedges	2	2	20
Foreign currency translation adjustment	6,942	(686)	68,059
Remeasurements of defined benefit plans	62	—	607
Total accumulated other comprehensive income	19,511	5,856	191,284
<b>Minority interests</b>	5,300	7,399	51,961
Total net assets	201,659	188,133	1,977,049
Total liabilities and net assets	¥629,055	¥572,591	\$6,167,206

# Consolidated Statements of Income

Rengo Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Net sales</b> (Note 19)	<b>¥523,142</b>	¥502,626	<b>\$5,128,843</b>
<b>Cost of sales</b>	<b>440,535</b>	414,157	<b>4,318,971</b>
<b>Selling, general and administrative expenses</b> (Note 18)	<b>68,386</b>	64,578	<b>670,450</b>
Operating income (Note 19)	<b>14,221</b>	23,891	<b>139,422</b>
<b>Other income (expenses):</b>			
Interest and dividends income	<b>1,696</b>	1,611	<b>16,627</b>
Foreign exchange gains	<b>1,225</b>	753	<b>12,010</b>
Equity in earnings (losses) of affiliates	<b>776</b>	653	<b>7,608</b>
Interest expenses	<b>(2,103)</b>	(2,474)	<b>(20,618)</b>
Compensation income	<b>994</b>	3,340	<b>9,745</b>
Subsidy income	<b>548</b>	184	<b>5,373</b>
Gain on sales of noncurrent assets	<b>281</b>	464	<b>2,755</b>
Provision for surcharge	<b>(5,908)</b>	—	<b>(57,922)</b>
Provision of allowance for doubtful accounts	—	(468)	—
Other, net	<b>(2,043)</b>	(2,888)	<b>(20,029)</b>
Income before income taxes and minority interests	<b>9,687</b>	25,066	<b>94,971</b>
<b>Income taxes</b> (Note 13):			
Income taxes-current	<b>5,728</b>	6,971	<b>56,157</b>
Income taxes-deferred	<b>(113)</b>	5,068	<b>(1,108)</b>
	<b>5,615</b>	12,039	<b>55,049</b>
<b>Income before minority interests</b>	<b>4,072</b>	13,027	<b>39,922</b>
<b>Minority interests in income</b>	<b>369</b>	71	<b>3,618</b>
Net income	<b>¥ 3,703</b>	¥ 12,956	<b>\$ 36,304</b>

Per share data:	Yen		U.S. dollars (Note 1)
	2014	2013	2014
Net income per share, basic	<b>¥ 14.95</b>	¥ 50.99	<b>\$ 0.15</b>
Net income per share, diluted	—	—	—
Cash dividends applicable to the year	<b>12.00</b>	12.00	<b>0.12</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

Rengo Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Income before minority interests</b>	<b>¥ 4,072</b>	¥13,027	<b>\$ 39,922</b>
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	<b>5,924</b>	5,802	<b>58,079</b>
Deferred gains or losses on hedges	<b>5</b>	0	<b>49</b>
Foreign currency translation adjustment	<b>5,267</b>	1,964	<b>51,637</b>
Share of other comprehensive income of associates accounted for using equity method	<b>2,946</b>	1,855	<b>28,882</b>
Total other comprehensive income (Note 17)	<b>14,142</b>	9,621	<b>138,647</b>
<b>Comprehensive income</b>	<b>¥18,214</b>	¥22,648	<b>\$178,569</b>
Comprehensive income attributable to			
Owners of the parent	<b>¥17,305</b>	¥22,185	<b>\$169,657</b>
Minority interests	<b>909</b>	463	<b>8,912</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

Rengo Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2014 and 2013

	Thousands				Millions of yen							Total
	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	Minority interests		
Balance at April 1, 2012	271,056	¥31,067	¥33,998	¥110,489	¥ (7,854)	¥ 791	¥(0)	¥(4,152)	¥—	¥6,592	¥170,931	
Change in scope of consolidation				(558)							(558)	
Change in scope of equity method				1,926							1,926	
Dividends from surplus				(3,092)							(3,092)	
Net income				12,956							12,956	
Purchase of treasury stock					(4,011)						(4,011)	
Disposal of treasury stock				(1)	5						4	
Other				(47)							(47)	
Net changes in items other than shareholders' equity						5,749	2	3,466		807	10,024	
Balance at March 31, 2013	271,056	¥31,067	¥33,998	¥121,673	¥(11,860)	¥ 6,540	¥2	¥ (686)	¥—	¥7,399	¥188,133	
Change in scope of consolidation				(365)							(365)	
Dividends from surplus				(2,973)							(2,973)	
Net income				3,703							3,703	
Purchase of treasury stock					(33)						(33)	
Disposal of treasury stock			0		2						2	
Due to merger of affiliated companies accounted for by the equity method				1,586							1,586	
Other				50							50	
Net changes in items other than shareholders' equity						5,965	0	7,628	62	(2,099)	11,556	
<b>Balance at March 31, 2014</b>	<b>271,056</b>	<b>¥31,067</b>	<b>¥33,998</b>	<b>¥123,674</b>	<b>¥(11,891)</b>	<b>¥12,505</b>	<b>¥2</b>	<b>¥ 6,942</b>	<b>¥62</b>	<b>¥5,300</b>	<b>¥201,659</b>	

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	Minority interests	Total
Balance at March 31, 2013	\$304,578	\$333,314	\$1,192,873	\$(116,275)	\$ 64,118	\$20	\$( 6,725)	\$ —	\$72,538	\$1,844,441
Change in scope of consolidation			(3,578)							(3,578)
Dividends from surplus			(29,147)							(29,147)
Net income			36,304							36,304
Purchase of treasury stock				(323)						(323)
Disposal of treasury stock		0		20						20
Due to merger of affiliated companies accounted for by the equity method			15,549							15,549
Other			489							489
Net changes in items other than shareholders' equity					58,480	0	74,784	607	(20,577)	113,294
<b>Balance at March 31, 2014</b>	<b>\$304,578</b>	<b>\$333,314</b>	<b>\$1,212,490</b>	<b>\$(116,578)</b>	<b>\$122,598</b>	<b>\$20</b>	<b>\$68,059</b>	<b>\$607</b>	<b>\$51,961</b>	<b>\$1,977,049</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Rengo Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Net cash provided by (used in) operating activities</b>			
Income before income taxes and minority interests	¥ 9,687	¥25,066	\$ 94,971
Depreciation and amortization	28,582	27,898	280,216
Impairment loss	153	479	1,500
Amortization of goodwill	973	586	9,539
Provision for surcharge	5,908	—	57,922
Increase (decrease) in provision for retirement benefits	—	582	—
Increase (decrease) in provision for directors' retirement benefits	(77)	11	(755)
Increase (decrease) in net defined benefit liability	123	—	1,206
Interest and dividends income	(1,696)	(1,611)	(16,627)
Interest expenses	2,103	2,474	20,618
Equity in (earnings) losses of affiliates	(776)	(653)	(7,608)
Loss (gain) on sales of investment securities	(62)	(57)	(608)
Loss (gain) on valuation of investment securities	1	573	10
Loss (gain) on sales of property, plant and equipment	(251)	(130)	(2,461)
Loss on retirement of property, plant and equipment	755	962	7,401
Decrease (increase) in notes and accounts receivable-trade	1,454	1,644	14,254
Decrease (increase) in inventories	(3,441)	225	(33,735)
Increase (decrease) in notes and accounts payable-trade	7,297	(3,366)	71,539
Other, net	(5,906)	2,462	(57,902)
Subtotal	44,827	57,145	439,480
Interest and dividends income received	1,986	2,019	19,471
Interest expenses paid	(2,167)	(2,551)	(21,245)
Income taxes paid	(5,473)	(7,634)	(53,657)
Net cash provided by (used in) operating activities	39,173	48,979	384,049
<b>Net cash provided by (used in) investing activities</b>			
Net decrease (increase) in time deposits	103	(224)	1,010
Purchase of property, plant and equipment	(46,654)	(41,052)	(457,392)
Proceeds from sales of property, plant and equipment	642	2,673	6,294
Purchase of intangible assets	(1,270)	(1,414)	(12,451)
Purchase of investment securities	(3,091)	(4,700)	(30,304)
Proceeds from sales and redemption of investment securities	128	992	1,255
Payments for investments in capital of subsidiaries and affiliates	(2,567)	—	(25,167)
Net decrease (increase) in short-term loans receivable	122	(927)	1,196
Payments of long-term loans receivable	(170)	(506)	(1,667)
Collection of long-term loans receivable	202	147	1,980
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,762)	—	(36,882)
Other, net	(288)	(18)	(2,823)
Net cash provided by (used in) investing activities	(56,605)	(45,029)	(554,951)
<b>Net cash provided by (used in) financing activities</b>			
Net increase (decrease) in short-term loans payable	754	(3,495)	7,392
Proceeds from long-term loans payable	48,489	39,415	475,382
Repayment of long-term loans payable	(22,247)	(24,182)	(218,108)
Redemption of bonds	(5,000)	(5,050)	(49,020)
Purchase of treasury stock	(32)	(4,011)	(314)
Proceeds from sales of treasury stock	2	4	20
Cash dividends paid	(2,973)	(3,092)	(29,147)
Repayments of lease obligations	(2,217)	(1,925)	(21,735)
Other, net	(427)	(90)	(4,186)
Net cash provided by (used in) financing activities	16,349	(2,426)	160,284
<b>Effect of exchange rate change on cash and cash equivalents</b>	2,105	526	20,638
<b>Net increase (decrease) in cash and cash equivalents</b>	1,022	2,050	10,020
<b>Cash and cash equivalents at beginning of year</b>	21,872	17,676	214,431
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	199	2,146	1,951
<b>Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries</b>	(954)	—	(9,353)
<b>Cash and cash equivalents at end of year (Note 5)</b>	¥22,139	¥21,872	\$217,049

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, 2014, which was ¥102 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 53 (51 in 2013) 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. Certain subsidiaries are 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 nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are principally accounted for on 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 minority interests is charged or credited to minority interests.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority 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, such amounts for certain consolidated subsidiaries were 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 year-end rates.

#### B. Translation of Foreign Currency Financial Statements

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at 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 year-end rates except for transactions with the Company, which are translated at rates used by the Company. The resulting foreign currency translation adjustments are shown as separate component of net assets, net of minority interest.

### (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 year.

**(5) Inventories**

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

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

Property, plant and equipment are carried at cost. Depreciation is principally computed 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 April 1, 1998 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 principally 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 are depreciated over the estimated useful life or the lease term of the respective assets.

The Companies account for finance leases commencing prior to April 1, 2008 which do not transfer ownership of the leased property to the lessee as operating leases with the disclosure of certain "as if capitalized" information.

**(9) Provision for Directors' Bonuses**

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

**(10) Provision for Directors' Retirement Benefits**

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

**(11) Allowance for investment Loss**

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

An allowance of ¥100 million (U.S. \$980 thousand) was deducted directly from the amounts of investment securities at March 31, 2014.

**(12) Provision for surcharge**

In accordance with the Antimonopoly Law, the Company received an advance notice, a draft of an order, for the payment of fines from the Japan Fair Trade Commission. The provision for surcharge is estimated, and the amount of the fine given in this draft was recorded.

**(13) Income Taxes**

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

**(14) Net defined benefit liability**

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded pension plans, under which substantially all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

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 year. Differences generated from changes in actuarial assumptions are amortized for the subsequent fiscal years on a straight-line basis over mainly 13 years, which is shorter than the average remaining service periods of the employees. Prior service costs are amortized as incurred over certain periods (10 years), which is shorter than the average remaining service periods of the employees.

**(15) Derivative Transactions and Hedge Accounting**

In principal, 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 where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

- A. If a forward foreign exchange contract or option contract is executed to hedge an existing 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 statement 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 or option contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward or option rate, and no gain or loss on the forward foreign exchange contract is recognized.

Assets and liabilities denominated in foreign currencies for which foreign exchange forward contracts or currency swaps are used to hedge the foreign currency swaps 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 differential paid or received under the swap agreements are recognized and included in interested expense or income.

#### **(16) Reclassifications**

Certain reclassifications of the financial statements for the year ended March 31, 2013 have been made to conform to the presentation for the year ended March 31, 2014.

#### **(17) Net Income Per Share**

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

Diluted net incomes per share for the years ended March 31, 2014 and 2013 are not disclosed because there were no outstanding dilutive potential common stock equivalents.

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

### **3. CHANGE IN ACCOUNTING POLICIES**

(New Accounting Pronouncements and Accounting Changes - Accounting Standard for Retirement Benefits)  
Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25")) except the article 35 of the Statement No. 26 and the article 67 of the Guidance No. 25 and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with the article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in accumulated adjustments for retirement benefit in accumulated other comprehensive income.

As a result of the application, net defined benefit asset in the amount of ¥1,240 million (U.S. \$12,157 thousand) and a liability for retirement benefits in the amount of ¥9,751 million (U.S. \$95,598 thousand) has been recognized, accumulated other comprehensive income has increased by ¥62 (U.S. \$607 thousand) million at the end of the current fiscal year.

The effects of this change on earnings per share are immaterial.

### **4. ISSUED BUT NOT YET ADOPTED ACCOUNTING STANDARD AND OTHERS**

-Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)

-Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(Please also refer to the ASBJ homepage, which has a summary in English of the accounting standard.)

#### **(1) Summary**

Revisions apply mainly to the accounting treatments for unrecognized actuarial differences as well as unrecognized prior service costs, the calculation methods for retirement benefit obligations as well as service costs, and broadening disclosure.

#### **(2) Effective dates**

Amendments relating to determination of retirement benefit obligations and service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

#### **(3) Effect of application of the standard**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards about revisions to the calculation methods for retirement benefit obligations as well as service costs 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, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and deposits	¥23,148	¥22,818	\$226,941
Less: Time deposits with maturities exceeding three months	(1,009)	(946)	(9,892)
Cash and cash equivalents	¥22,139	¥21,872	\$217,049

## (2) Purchases of Newly Consolidated Subsidiaries

For the year ended March 31, 2014, MARSOL Holdings Co., Ltd. and two other subsidiaries were acquired by the Company. Assets and liabilities of these companies at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Current assets	¥4,849	\$47,539
Fixed assets	5,687	55,755
Current liabilities	(2,320)	(22,745)
Noncurrent liabilities	(3,136)	(30,745)
Minority interests	(271)	(2,657)
Cash paid for the capital	4,809	47,147
Cash and cash equivalents of consolidated subsidiaries	(1,047)	(10,265)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	¥3,762	\$36,882

## 6. INVENTORIES

Inventories at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Merchandise and finished goods	¥16,941	¥15,372	\$166,088
Work in process	2,218	1,594	21,745
Raw materials and supplies	13,943	12,279	136,696
Total	¥33,102	¥29,245	\$324,529

## 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 of 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 and 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 operation 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 relationship 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 the issuing of stocks.

Trade notes and accounts payable are due within one year. In addition, certain 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 the bond issuances. Although some long-term loans are exposed to the risk of interest rate fluctuations or of exchange rate fluctuations, the Companies hedge the risk with derivative transactions such as interest rate swaps and currency swaps. The risks of fluctuations in interest rates and exchange rates have been assumed to be completely hedged over the period of the hedging contracts as the major conditions of the hedging instruments and hedged items are consistent. Accordingly, an evaluation of the effectiveness of the hedging contracts is unnecessary.

The derivative transactions are executed and managed by the Finance and Accounting Group in accordance with its established policies. In using derivatives 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.

In addition, the contract amounts of the derivative transactions discussed in Note 9 below are not an indicator of the market risk associated with derivative transactions themselves.

## (2) Fair Values of Financial Instruments

The book values of the financial instruments presented in the consolidated balance sheets, the market value and any differences as of March 31, 2014 and 2013 are set for in the tables below. Items whose fair market value was considered extremely difficult to determine were not presented in the tables. (See below Note (2), "Financial instruments for determining fair value is difficult".)

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Book value	Market value	Difference	Book value	Market value	Difference	Book value	Market value	Difference
(A) Cash and deposits	¥ 23,148	¥ 23,148	¥ —	¥ 22,818	¥ 22,818	¥ —	\$ 226,941	\$ 226,941	\$ —
(B) Notes and accounts receivable-trade	141,780	141,780	—	140,580	140,580	—	1,390,000	1,390,000	—
(C) Securities and investment securities									
Held-to-maturity debt securities	346	346	—	—	—	—	3,392	3,392	—
Available-for-sale securities	64,094	64,094	—	54,587	54,587	—	628,373	628,373	—
Equity securities issued by affiliated companies	11,717	5,855	(5,862)	9,994	5,671	(4,323)	114,873	57,402	(57,471)
<b>Total assets</b>	<b>¥241,085</b>	<b>¥235,223</b>	<b>¥(5,862)</b>	<b>¥227,979</b>	<b>¥223,656</b>	<b>¥(4,323)</b>	<b>\$2,363,579</b>	<b>\$2,306,108</b>	<b>\$(57,471)</b>
(A) Notes and accounts payable-trade	¥ 86,332	¥ 86,332	¥ —	¥ 78,860	¥ 78,860	¥ —	\$ 846,392	\$ 846,392	\$ —
(B) Short-term borrowings and the current portion of long-term loans payable	102,541	102,645	104	100,059	100,173	114	1,005,304	1,006,324	1,020
(C) Current portion of bonds	5,000	5,050	50	5,000	5,039	39	49,020	49,510	490
(D) Bonds payable	20,000	20,184	184	25,000	25,393	393	196,078	197,882	1,804
(E) Long-term loans payable	128,476	130,067	1,591	100,583	102,413	1,830	1,259,569	1,275,167	15,598
<b>Total liabilities</b>	<b>¥342,349</b>	<b>¥344,278</b>	<b>¥ 1,929</b>	<b>¥309,502</b>	<b>¥311,878</b>	<b>¥ 2,376</b>	<b>\$3,356,363</b>	<b>\$3,375,275</b>	<b>\$ 18,912</b>
Derivatives transactions (*1)									
(a) Hedge accounting not applied	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
(b) Hedge accounting applied	4	4	—	2	2	—	39	39	—
<b>Total derivatives transactions</b>	<b>¥ 4</b>	<b>¥ 4</b>	<b>¥ —</b>	<b>¥ 2</b>	<b>¥ 2</b>	<b>¥ —</b>	<b>\$39</b>	<b>\$39</b>	<b>\$ —</b>

(\*1) Amounts shown are net of assets and liabilities which 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

All deposits are short-term. Therefore, the book value is used for the fair value of deposits because these amounts are essentially the same.

(C) Securities and investment securities

The fair value of investments in securities which have market values is the price listed on securities exchanges. Debt securities are short-term. Therefore, the fair value of debt securities is stated at the carrying amount, which is approximate to it. 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

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

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

The fair value of bonds issued by the Company is estimated based on market prices.

(E) Long-term loans payable

The book value approximates the fair value of these long-term floating-rate loans 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 these investments is estimated as the discounted present value of total principal (\*) and interest using assumed interest rates for equivalent new loans.

(\*) For long-term loans using interest rate swaps subject to special treatment or currency swaps subject to appropriate treatment (Note 9 for additional explanation,) the amount of principal and interest on the loans included in these interest rate swaps or currency swaps is used.

### Derivatives Transactions

The details are described in Note 9.

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Available-for-sale securities	¥ 4,957	¥4,793	\$ 48,598
Equity securities issued by unconsolidated subsidiaries and affiliated companies	13,646	9,221	133,784

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

Note (3) The redemption schedule for receivables and marketable securities with maturities subsequent to March 31, 2014 and 2013 is as follows

	Millions of yen			
	2014			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 23,148	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	141,780	—	—	—
Securities and investment securities				
Held-to-maturity debt securities	346	—	—	—
Available-for-sale securities	—	—	1,000	—
<b>Total</b>	<b>¥165,274</b>	<b>¥ —</b>	<b>¥1,000</b>	<b>¥ —</b>

	Millions of yen			
	2013			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 22,818	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	140,580	—	—	—
Securities and investment securities				
Available-for-sale securities	—	—	1,000	—
<b>Total</b>	<b>¥163,398</b>	<b>¥ —</b>	<b>¥1,000</b>	<b>¥ —</b>

	Thousands of U.S. dollars			
	2014			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	\$ 226,941	\$ —	\$ —	\$ —
Notes and accounts receivable-trade	1,390,000	—	—	—
Securities and investment securities				
Held-to-maturity debt securities	3,392	—	—	—
Available-for-sale securities	—	—	9,804	—
<b>Total</b>	<b>\$1,620,333</b>	<b>\$ —</b>	<b>\$9,804</b>	<b>\$ —</b>

Note (4) The repayment schedule of long-term debt and lease debt, others subsequent to March 31, 2014 and 2013 is as follows

	Millions of yen					
	2014					
	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 debt	¥ 79,962	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	27,579	25,974	33,459	33,596	28,232	27,215
Lease debt	1,620	1,336	1,106	758	435	396
Others	518	522	468	164	91	—
<b>Total</b>	<b>¥109,679</b>	<b>¥27,832</b>	<b>¥35,033</b>	<b>¥34,518</b>	<b>¥28,758</b>	<b>¥27,611</b>

Millions of yen						
2013						
	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 debt	¥ 77,769	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	27,290	26,281	22,804	28,002	31,322	17,174
Lease debt	1,697	1,324	1,052	811	448	365
Others	361	363	366	311	6	—
<b>Total</b>	<b>¥107,117</b>	<b>¥27,968</b>	<b>¥24,222</b>	<b>¥29,124</b>	<b>¥31,776</b>	<b>¥17,539</b>

Thousands of U.S. dollars						
2014						
	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 debt	\$ 783,942	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt	270,382	254,647	328,029	329,373	276,784	266,814
Lease debt	15,882	13,098	10,843	7,431	4,265	3,882
Others	5,078	5,118	4,588	1,608	892	—
<b>Total</b>	<b>\$1,075,284</b>	<b>\$272,863</b>	<b>\$343,460</b>	<b>\$338,412</b>	<b>\$281,941</b>	<b>\$270,696</b>

## 8. INFORMATION ON SECURITIES

### (1) Fair Values and Book Values of Held-to-maturity Debt Securities with Available Fair Values

The following table summarizes fair values and book values of held-to-maturity debt securities with available fair values as of March 31, 2014 and 2013.

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Held-to-maturity debt securities with fair values exceeding book values:									
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Held-to-maturity debt securities with fair values not exceeding book values:									
Bonds	346	346	—	—	—	—	3,392	3,392	—
<b>Total</b>	<b>¥346</b>	<b>¥346</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>\$3,392</b>	<b>\$3,392</b>	<b>\$ —</b>

### (2) 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, 2014 and 2013.

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	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									
Equity securities	¥53,428	¥30,427	¥23,001	¥37,755	¥21,842	¥15,913	\$523,804	\$298,304	\$225,500
Bonds	1,004	1,002	2	1,009	1,004	5	9,843	9,824	19
Others	20	13	7	10	3	7	196	127	69
	<b>54,452</b>	<b>31,442</b>	<b>23,010</b>	<b>38,774</b>	<b>22,849</b>	<b>15,925</b>	<b>533,843</b>	<b>308,255</b>	<b>225,588</b>
Securities with book values (fair values) not exceeding acquisition costs:									
Equity securities									
Equity securities	9,642	12,761	(3,119)	15,804	20,999	(5,195)	94,530	125,108	(30,578)
Bonds	—	—	—	—	—	—	—	—	—
Others	—	—	—	9	10	(1)	—	—	—
	<b>9,642</b>	<b>12,761</b>	<b>(3,119)</b>	<b>15,813</b>	<b>21,009</b>	<b>(5,196)</b>	<b>94,530</b>	<b>125,108</b>	<b>(30,578)</b>
<b>Total</b>	<b>¥64,094</b>	<b>¥44,203</b>	<b>¥19,891</b>	<b>¥54,587</b>	<b>¥43,858</b>	<b>¥10,729</b>	<b>\$628,373</b>	<b>\$433,363</b>	<b>\$195,010</b>

### (3) Sales of Available-for-Sale Securities

Proceeds from sales of available-for-sale securities in the years ended March 31, 2014 and 2013 amounted to ¥27 million (U.S. \$265 thousand) and ¥599 million, respectively. The related gains for the years ended March 31, 2014 and 2013 amounted to ¥0 million (U.S. \$0 thousand) and ¥25 million, respectively. The related losses for the years ended March 31, 2014 amounted to ¥17 million (U.S. \$167 thousand) (none for the year ended March 31, 2013).

## 9. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

### (1) Derivatives Transactions for which Hedge Accounting does not Apply

For the years ended March 31, 2014 and 2013, there were no relevant transaction.

### (2) Derivatives Transactions for which Hedge Accounting Applies

Millions of yen					
2014					
Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over one year	Fair value
Special treatment of interest rate swaps	Interest rate swaps transaction				
	Payable fixed rate swaps / Receivable floating interest rate	Long-term loans payable	¥44,685	¥34,642	(*2)
Appropriate treatment of interest rate and currency swaps transaction	Currency swaps transaction				
	Receive yen/ Pay U.S. dollar	Long-term loans payable	21,000	21,000	(*3)
Forward exchange contracts with principle method	Forward exchange contracts				
	Selling U.S. dollar	Accounts receivable	9	—	¥(0)
Forward exchange contracts with principle method	Forward exchange contracts				
	Buying U.S. dollar	Accounts payable	558	—	4
Forward exchange contracts with allocation method	Forward exchange contracts				
	Buying U.S. dollar	Accounts payable	382	—	(*4)

Millions of yen					
2013					
Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over one year	Fair value
Special treatment of interest rate swaps	Interest rate swaps transaction				
	Payable fixed rate swaps / Receivable floating interest rate	Long-term loans payable	¥44,878	¥33,895	(*2)
Appropriate treatment of interest rate and currency swaps transaction	Currency swaps transaction				
	Receive yen/ Pay U.S. dollar	Long-term loans payable	16,000	16,000	(*3)
Forward exchange contracts with principle method	Forward exchange contracts				
	Selling U.S. dollar	Accounts receivable	13	—	¥2
Forward exchange contracts with allocation method	Forward exchange contracts				
	Selling U.S. dollar	Accounts receivable	51	—	(*4)

Thousands of U.S. dollars					
2014					
Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over one year	Fair value
Special treatment of interest rate swaps	Interest rate swaps transaction				
	Payable fixed rate swaps / Receivable floating interest rate	Long-term loans payable	\$438,088	\$339,627	(*2)
Appropriate treatment of interest rate and currency swaps transaction	Currency swaps transaction				
	Receive yen/ Pay U.S. dollar	Long-term loans payable	205,882	205,882	(*3)
Forward exchange contracts with principle method	Forward exchange contracts				
	Selling U.S. dollar	Accounts receivable	88	—	\$(0)
Forward exchange contracts with principle method	Forward exchange contracts				
	Buying U.S. dollar	Accounts payable	5,471	—	39
Forward exchange contracts with allocation method	Forward exchange contracts				
	Buying U.S. dollar	Accounts payable	3,745	—	(*4)

(\*1) The fair value of derivative transactions is determined by prices principally reported by the financial institutions with which the Companies engage in derivative transactions.

(\*2) The fair value of interest rate swaps subject to special treatment is included in the fair value of the corresponding long-term loans. The details have been described in Note 7.

(\*3) The fair value of interest rate and currency swaps subject to appropriated treatment is included in the fair value of the corresponding long-term loans. The details have been described in Note 7.

(\*4) The fair value of forward contracts that subject to appropriated treatment is included in the fair value of the corresponding accounts receivable and accounts payable. The details have been described in Note 7.

## 10. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral for short-term borrowings of ¥9,212 million (U.S. \$90,314 thousand) and the current portion of long-term debt, long-term debt of ¥6,291 million (U.S. \$61,676 thousand), accounts payable-trade of ¥468 million (U.S. \$4,588 thousand) and others of ¥922 million (U.S. \$9,039 thousand) at March 31, 2014 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	<b>¥74,019</b>	<b>\$725,676</b>
Investment securities	<b>950</b>	<b>9,314</b>
Other	<b>171</b>	<b>1,676</b>

## 11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings and the current portion of long-term debt at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2014	2013	2014	2014
Short-term borrowings	<b>¥ 79,962</b>	¥ 77,769	<b>\$ 783,942</b>	<b>0.70%</b>
Current portion of long-term debt	<b>27,579</b>	27,290	<b>270,382</b>	<b>0.84</b>
Total	<b>¥107,541</b>	¥105,059	<b>\$1,054,324</b>	—

Long-term debt at March 31, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
0.14% to 5.41% loans, principally from banks and insurance companies, due in installments through 2030	<b>¥151,055</b>	¥122,873	<b>\$1,480,932</b>
Unsecured 1.91% bonds, due September 2013	—	5,000	—
Unsecured 1.71% bonds, due November 2014	<b>5,000</b>	5,000	<b>49,019</b>
Unsecured 0.62% bonds, due June 2015	<b>10,000</b>	10,000	<b>98,040</b>
Unsecured 0.57% bonds, due July 2016	<b>5,000</b>	5,000	<b>49,019</b>
Unsecured 0.86% bonds, due July 2018	<b>5,000</b>	5,000	<b>49,019</b>
	<b>176,055</b>	152,873	<b>1,726,029</b>
Less current portion	<b>(27,579)</b>	(27,290)	<b>(270,382)</b>
	<b>¥148,476</b>	¥125,583	<b>\$1,455,647</b>

The aggregate annual maturities of long-term debt at March 31, 2014 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2015	<b>¥ 27,579</b>	<b>\$ 270,382</b>
2016	<b>25,974</b>	<b>254,647</b>
2017	<b>33,459</b>	<b>328,029</b>
2018	<b>33,596</b>	<b>329,373</b>
2019 and thereafter	<b>55,447</b>	<b>543,598</b>
Total	<b>¥176,055</b>	<b>\$1,726,029</b>

## 12. LEASES

### (1) Finance Leases

For finance lease transactions without the transfer of ownership, the Company and its consolidated domestic subsidiaries apply the accounting treatment similar to that used for sales transaction, except for transactions that commenced prior to April 1, 2008. Information relating to finance leases which are not capitalized and accounted for at March 31, 2014 and 2013 and for the fiscal years then ended, as lessee and lessor, were as follows:

Non-Capitalized finance leases, as lessee at March 31, 2014 and 2013 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assumed acquisition costs	¥4,318	¥5,919	\$42,334
Accumulated depreciation	2,516	3,574	24,667
Net leased property	¥1,802	¥2,345	\$17,667

As lessee under non-capitalized finance leases, the amount of future minimum payments inclusive of interest was as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 273	¥ 465	\$ 2,677
Due over one year	1,529	1,880	14,990
Total	¥1,802	¥2,345	\$17,667

Lease payments in the years ended March 31, 2014 and 2013 amounted to ¥427 million (U.S. \$ 4,186 thousand) and ¥705 million, respectively.

Non-Capitalized finance leases, as lessor at March 31, 2014 and 2013 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assumed acquisition costs	¥7	¥7	\$69
Accumulated depreciation	7	6	69
Net leased property	¥0	¥1	\$ 0

As lessor under non-capitalized finance leases, the amount of future minimum inclusive of interest was as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥0	¥1	\$0
Due over one year	—	0	—
Total	¥0	¥1	\$0

Lease revenue in the years ended March 31, 2014 and 2013 amounted to ¥1 million (U.S. \$10 thousand) and ¥16 million, respectively.

### (2) Operating Leases

Future minimum non-cancelable operating lease payments for the remaining lease periods at March 31, 2014 and 2013:

As lessee under operating leases, the amount of future minimum payments inclusive of interest was as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥10	¥0	\$ 98
Due over one year	16	—	157
Total	¥26	¥0	\$255

### 13. INCOME TAXES

At March 31, 2014 and 2013, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Net operating loss carryforwards for tax purposes	¥ 1,659	¥ 1,964	\$ 16,265
Provision for retirement benefits	—	3,062	—
Net defined benefit liability	3,733	—	36,598
Accrued bonuses	2,272	2,333	22,274
Write-down of golf club memberships	580	576	5,686
Provision for directors' retirement benefits	460	528	4,510
Loss on valuation of investment securities	980	665	9,608
Allowance for doubtful accounts	353	194	3,461
Unrealized gain on sale of property, plant and equipment eliminated on consolidation	329	313	3,225
Accrued enterprise taxes	247	297	2,421
Impairment loss	557	621	5,461
Other	2,078	2,562	20,373
Subtotal deferred tax assets	13,248	13,115	129,882
Valuation allowance	(4,090)	(4,377)	(40,098)
Total deferred tax assets	9,158	8,738	89,784
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(7,019)	(3,782)	(68,814)
Deferred gain tax treatment of property	(3,790)	(3,888)	(37,157)
Land revaluation difference, net of taxes unrealized gain	(4,191)	(4,137)	(41,088)
Other	(999)	(580)	(9,793)
Total deferred tax liabilities	(15,999)	(12,387)	(156,852)
Net deferred tax assets (liabilities)	¥ (6,841)	¥ (3,649)	\$ (67,068)

At March 31, 2014 and 2013, the reconciliation of the aggregate statutory income tax rate to the effective income tax rate was as follows:

	2014	2013
Statutory tax rate	37.7%	37.7%
Effect of:		
Tax deductions	(4.8)	(1.8)
Non-deductible items such as entertainment expenses	10.4	3.3
Non-taxable items such as dividends received	(7.2)	(2.5)
Per capita inhabitants' taxes	2.9	1.1
Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates	2.7	—
Dividends received eliminated in consolidation	3.8	1.3
Provision for surcharge	23.0	—
Equity in earnings of affiliates	(3.0)	(1.0)
Valuation allowance	(5.4)	12.0
Other	(2.1)	(2.1)
Effective tax rate	58.0%	48.0%

On March 31, 2014, amendments to the Japanese tax regulation were enacted into law.

As a result of these amendments, the statutory income tax rate for the Company will be reduced from 37.7% to 35.4% for years beginning on or after April 1, 2014.

Based on the amendments, the statutory income tax rate utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized after April 1, 2014 is 35.4% as of March 31, 2014.

As a result of these changes, deferred tax assets (net of deferred tax liabilities) decreased ¥263 million (U.S. \$2,578 thousand), income taxes deferred and deferred gains or losses on hedges increased ¥263 million (U.S. \$2,578 thousand) and ¥0 million (U.S. \$0 thousand) respectively.

## 14. RETIREMENT BENEFITS

### For the year ended March 31, 2014

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2014 and retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2014 consisted of the following:

#### 1. Defined benefit plans

##### (1) Movement in retirement benefit obligations, except plan applied simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥37,322	\$365,902
Service cost	2,097	20,559
Interest cost	696	6,824
Actuarial loss (gain)	(81)	(795)
Benefits paid	(2,648)	(25,961)
Balance at March 31, 2014	¥37,386	\$366,529

##### (2) Movements in plan assets, except plan applied simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥29,049	\$284,794
Expected return on plan assets	406	3,980
Actuarial loss (gain)	1,616	15,843
Contributions paid by the employer	2,065	20,245
Benefits paid	(2,002)	(19,627)
Balance at March 31, 2014	¥31,134	\$305,235

##### (3) Movement in liability for retirement benefits on defined benefit plan applying the simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥2,455	\$24,069
Retirement benefit expenses	227	2,225
Benefits paid	(397)	(3,892)
Contributions paid by the employer	(177)	(1,735)
Other	151	1,480
Balance at March 31, 2014	¥2,259	\$22,147

##### (4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥39,931	\$391,480
Plan assets	(33,392)	(327,372)
	6,539	64,108
Unfunded retirement benefit obligations	1,972	19,333
Total net liability for retirement benefits at March 31, 2014	¥ 8,511	\$ 83,441
Net defined benefit liability	¥ 9,751	\$ 95,598
Net defined benefit asset	(1,240)	(12,157)
Total net liability for retirement benefits at March 31, 2014	¥ 8,511	\$ 83,441

##### (5) Retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥2,097	\$20,559
Interest cost	696	6,824
Expected return on plan assets	(406)	(3,980)
Amortization of net unrecognized actuarial differences	920	9,019
Amortization of prior service costs	(98)	(961)
Retirement benefit expenses applying for simplified method	227	2,225
Total retirement benefit expenses for the fiscal year ended March 31, 2014	¥3,436	\$33,686

## (6) Accumulated adjustments for retirement benefit

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Actuarial gains and losses that are yet to be recognized	¥ 722	\$ 7,078
Past service costs that are yet to be recognized	(1,168)	(11,451)
Total balance at March 31, 2014	¥ (446)	\$ (4,373)

## (7) Plan assets

A. Plan assets comprise:

General account	36%
Equity securities	34
Bonds	25
Other	5
Total	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.

## (8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 follow:

Discount rate	principally 2.0%
Long-term expected rate of return	principally 1.5%

## 2. Defined contribution plan

Amount of demanded contribution for defined contribution plans by consolidated subsidiaries is ¥204 million (U.S. \$2,000 thousand).

## 3. Multi-employer pension plans

The amount of contribution required to employees' pension fund plan of the multi-employer pension plans which was treated as same as defined contribution plan was ¥336 million (U.S. \$3,294 thousand).

## For the year ended March 31, 2013

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥41,692
Unrecognized actuarial differences	(3,773)
Unrecognized prior service costs	820
Less fair value of pension assets	(30,964)
Prepaid pension costs	191
Provision for retirement benefits	¥ 7,966

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2013 consisted of the following:

	Millions of yen
	2013
Service costs – benefits earned during the year	¥2,300
Interest cost on projected benefit obligation	751
Expected return on plan assets	(415)
Amortization of net unrecognized actuarial differences	1,060
Amortization of prior service costs	(60)
Contributions to the pension fund, established comprehensive type	288
Contributions to the Smaller Enterprise Retirement Allowance Mutual Aid	108
Contributions to defined contribution pension plan	68
Severance and retirement benefit expenses	¥4,100

The discount rate of the projected benefit obligation used by the Companies for the year ended March 31, 2013 is principally 2.0 %. The rate of expected return on plan assets used by the Companies for the year ended March 31, 2013 is principally 1.5 %. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in the statements of income principally over 13 years commencing with the following period. Past service cost is amortized in the statements of income over 10 years.

## 15. CONTINGENT LIABILITIES

As of March 31, 2014, the Companies' contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes discounted	<b>¥898</b>	<b>\$8,804</b>
As endorser of notes endorsed	<b>166</b>	<b>1,627</b>
As guarantor of indebtedness and lease obligations	<b>168</b>	<b>1,647</b>

## 16. 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 where 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.

## 17. COMPREHENSIVE INCOME STATEMENTS

At March 31, 2014 and 2013, amounts reclassified to net income (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 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	<b>¥ 9,145</b>	¥8,689	<b>\$ 89,657</b>
Reclassification adjustments for losses realized in net income	<b>17</b>	198	<b>167</b>
Subtotal, before tax amount	<b>9,162</b>	8,887	<b>89,824</b>
Tax (expense) or benefit	<b>(3,238)</b>	(3,085)	<b>(31,745)</b>
Subtotal, net of tax amount	<b>5,924</b>	5,802	<b>58,079</b>
Deferred gains and losses on hedges			
Increase (decrease) during the year	<b>7</b>	0	<b>69</b>
Tax (expense) or benefit	<b>(2)</b>	(0)	<b>(20)</b>
Subtotal, net of tax	<b>5</b>	0	<b>49</b>
Foreign currency translation adjustment			
Increase (decrease) during the year	<b>5,267</b>	1,964	<b>51,637</b>
Share of other comprehensive income of affiliates accounted for using equity method			
Increase (decrease) during the year	<b>2,946</b>	1,855	<b>28,882</b>
Total other comprehensive income	<b>¥14,142</b>	¥9,621	<b>\$138,647</b>

## 18. 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 ¥1,421 million (U.S. \$13,931 thousand) and ¥1,581 million for the years ended March 31, 2014 and 2013, respectively.

## 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 Rengo, the Companies expanded the business field into flexible packaging and heavy duty packaging and overseas and had been making plans for a comprehensive strategy about products in each business field, in addition to the integrated production from paperboards to corrugated boxes. The Company has designated four reportable segments, which are the "Paperboard and Packaging-Related Business," "Flexible Packaging-Related Business," "Heavy Duty Packaging-Related Business," and "Overseas Business" segments, based on the business field.

The "Paperboard and Packaging-Related Business" segment includes manufacturing and sales of paperboard, corrugated board and corrugated boxes domestically. The "Flexible Packaging-Related Business" segment includes manufacturing and sales of flexible packaging and cellophane domestically. The "Heavy Duty Packaging-Related Business" segment includes manufacturing and sales of heavy duty packaging products domestically. The "Overseas Business" segment includes manufacturing and sales of paperboard, corrugated board, corrugated boxes, flexible packaging and heavy duty packaging 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, "Summary of Significant Accounting Policies." 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 years ended March 31, 2014 and 2013 was as follows:

Millions of yen								
2014								
	Reportable segment					Other Businesses (*1)	Adjustments (*3)	Total (*4)
	Paperboard and Packaging- Related Business	Flexible Packaging- Related Business	Heavy Duty Packaging- Related Business	Overseas Business	Subtotal			
Sales to third parties	¥372,632	¥60,663	¥32,093	¥24,455	¥489,843	¥33,299	¥ —	¥523,142
Intergroup sales and transfers	2,108	85	1,130	3,198	6,521	22,358	(28,879)	—
Total sales	374,740	60,748	33,223	27,653	496,364	55,657	(28,879)	523,142
Segment profit (loss)	12,399	948	883	(653)	13,577	582	62	14,221
Segment assets	506,787	45,151	36,937	58,321	647,196	33,444	(51,585)	629,055
Other items								
Depreciation and amortization	21,834	2,420	795	1,667	26,716	1,776	(60)	28,432
Amortization of goodwill	465	237	213	458	1,373	69	—	1,442
Investment in equity method affiliates	640	—	—	24,689	25,329	967	—	26,296
Increase in property, plant and equipment and intangible assets	42,023	2,636	852	4,858	50,369	2,548	(68)	52,849

Millions of yen								
2013								
	Reportable segment					Other Businesses (*2)	Adjustments (*3)	Total (*4)
	Paperboard and Packaging- Related Business	Flexible Packaging- Related Business	Heavy Duty Packaging- Related Business	Overseas Business	Subtotal			
Sales to third parties	¥365,285	¥56,213	¥24,162	¥23,209	¥468,869	¥33,757	¥ —	¥502,626
Intergroup sales and transfers	3,873	78	1,042	1,902	6,895	20,758	(27,653)	—
Total sales	369,158	56,291	25,204	25,111	475,764	54,515	(27,653)	502,626
Segment profit (loss)	21,657	2,148	847	(1,336)	23,316	371	204	23,891
Segment assets	470,428	43,854	25,198	50,201	589,681	32,035	(49,125)	572,591
Other items								
Depreciation and amortization	21,655	1,895	731	1,499	25,780	2,076	(60)	27,796
Amortization of goodwill	430	238	12	334	1,014	69	—	1,083
Investment in equity method affiliates	641	—	—	17,406	18,047	—	—	18,047
Increase in property, plant and equipment and intangible assets	27,951	4,186	664	2,444	35,245	1,806	(37)	37,014

Thousands of US dollars								
2014								
Reportable segment								
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses (*1)	Adjustments (*3)	Total (*4)
Sales to third parties	\$3,653,255	\$594,735	\$314,637	\$239,755	\$4,802,382	\$326,461	\$ —	\$5,128,843
Intergroup sales and transfers	20,667	833	11,078	31,353	63,931	219,196	(283,127)	—
Total sales	3,673,922	595,568	325,715	271,108	4,866,313	545,657	(283,127)	5,128,843
Segment profit (loss)	121,559	9,294	8,657	(6,402)	133,108	5,706	608	139,422
Segment assets	4,968,500	442,657	362,127	571,775	6,345,059	327,882	(505,735)	6,167,206
Other items								
Depreciation and amortization	214,059	23,726	7,794	16,343	261,922	17,411	(588)	278,745
Amortization of goodwill	4,559	2,324	2,088	4,490	13,461	676	—	14,137
Investment in equity method affiliates	6,275	—	—	242,049	248,324	9,480	—	257,804
Increase in property, plant and equipment and intangible assets	411,990	25,843	8,353	47,628	493,814	24,980	(667)	518,127

(\*1) "Other Businesses" for the year ended March 31, 2014 are the businesses which are not included in reportable segments and included manufacturing and sales of nonwoven products, paper packaging machinery, printing paper and other businesses such as transport, insurance agency, leasing and real estate.

(\*2) "Other Businesses" for the year ended March 31, 2013 are the businesses which are not included in reportable segments and included manufacturing and sales of nonwoven products, paper packaging machinery, printing paper and chemical products and other businesses such as transport, insurance agency, leasing and real estate.

(\*3) Resulting "Adjustments" were as follows:

- The adjustments of segment profits (losses) of ¥62 million (U.S. \$608 thousand) and ¥204 million for the years ended March 31, 2014 and 2013, respectively, were from the elimination of intersegment transactions.
- The adjustments of segment assets of -¥51,585 million (-U.S. \$505,735 thousand) and -¥49,125 million for the years ended March 31, 2014 and 2013, respectively, were from the elimination of intersegment transactions.
- The adjustments of depreciation and amortization of -¥60 million (-U.S. \$588 thousand) and -¥60 million for the years ended March 31, 2014 and 2013, respectively, were from the elimination of intersegment transactions.
- The adjustments of increases in property, plant and equipment, and intangible assets of -¥68 million (-U.S. \$667 thousand) and -¥37 million for the years ended March 31, 2014 and 2013, respectively, were from the elimination of intersegment transactions.

(\*4) The segment profit (loss) was reconciled with operating income in the consolidated statements of income.

## (2) Related Information

### A. Products and Services

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Sales to third parties			
Paperboard	¥ 52,831	¥ 56,264	\$ 517,951
Corrugated board	43,485	45,826	426,324
Corrugated boxes	267,402	255,116	2,621,588
Flexible packaging and cellophane	62,243	56,264	610,225
Other	97,181	89,156	952,755
Total	¥523,142	¥502,626	\$5,128,843

### B. Geographical Segments

The ratios of sale and of property, plant and equipment in Japan to those in the consolidated financial statements exceeded 90% for the years ended March 31, 2014 and 2013. Therefore, information regarding geographical segments was not required to be disclosed.

### C. Major Customers

There were no specific customers whose sales exceeded 10% of the total sales in the consolidated statements of income for the years ended March 31, 2014 and 2013. Therefore, information regarding such a major customer was not required to be disclosed.

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

Millions of yen								
2014								
Reportable segment								
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥117	¥—	¥—	¥36	¥153	¥—	¥—	¥153

Millions of yen								
2013								
Reportable segment								
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥445	¥—	¥—	¥—	¥445	¥229	¥—	¥674

Thousands of US dollars								
2014								
Reportable segment								
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	\$1,147	\$—	\$—	\$353	\$1,500	\$—	\$—	\$1,500

“Other Businesses” for the year ended March 31, 2014 are the businesses which are not included in reportable segments and included manufacturing and sales of nonwoven products, paper packaging machinery, printing paper and other businesses such as transport, insurance agency, leasing and real estate.

“Other Businesses” for the year ended March 31, 2013 are the businesses which are not included in reportable segments and included manufacturing and sales of nonwoven products, paper packaging machinery, printing paper and chemical products and other businesses such as transport, insurance agency, leasing and real estate.

In Other Businesses, impairment loss of ¥195 million related to the decision to close a factory is included in “Other, net” (Other income (expenses)) of the consolidated statements of income as of March 31, 2013.

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

Millions of yen								
2014								
Reportable segment								
	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	¥ 465	¥ 237	¥ 213	¥ 458	¥1,373	¥ 69	¥—	¥1,442
Balance at end of period	1,743	1,187	1,806	1,535	6,271	155	—	6,426
Negative goodwill								
Amortized for the period	197	2	219	51	469	—	—	469
Balance at end of period	339	20	106	113	578	—	—	578

Millions of yen								
2013								
Reportable segment								
	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	¥ 430	¥ 238	¥ 12	¥334	¥1,014	¥ 69	¥—	¥1,083
Balance at end of period	1,359	1,425	15	976	3,775	224	—	3,999
Negative goodwill								
Amortized for the period	225	2	219	51	497	—	—	497
Balance at end of period	535	22	326	164	1,047	—	—	1,047

Thousands of US dollars								
2014								
Reportable segment								
	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	\$ 4,559	\$ 2,324	\$ 2,088	\$ 4,490	\$13,461	\$ 676	\$—	\$14,137
Balance at end of period	17,088	11,637	17,706	15,049	61,480	1,520	—	63,000
Negative goodwill								
Amortized for the period	1,931	20	2,147	500	4,598	—	—	4,598
Balance at end of period	3,324	196	1,039	1,108	5,667	—	—	5,667

“Other Businesses” for the year ended March 31, 2014 are the businesses which are not included in reportable segments and included manufacturing and sales of nonwoven products, paper packaging machinery, printing paper and other businesses such as transport, insurance agency, leasing and real estate.

“Other Businesses” for the year ended March 31, 2013 are the businesses which are not included in reportable segments and included manufacturing and sales of nonwoven products, paper packaging machinery, printing paper and chemical products and other businesses such as transport, insurance agency, leasing and real estate.

#### (5) Information on Gain on Negative Goodwill by Reportable Segment

For the years ended March 31, 2014 and 2013, gain on negative goodwill was not material and has not been presented.

#### 20. SUBSEQUENT EVENTS

At the Board of Directors meeting held on May 13, 2014, 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 (¥6.00 = U.S. \$0.06 per share)	¥1,486	\$14,569

The above mentioned appropriation has not been reflected in the consolidated financial statements as of March 31, 2014. Such appropriations are recognized in the period in which they are approved.

# Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Rengo Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rengo Co., Ltd. and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Osaka, Japan  
June 27, 2014

*KPMG AZSA LLC*

KPMG AZSA LLC

# Directory

(As of June 30, 2014)

## Head Office

2-2-7 Nakanoshima Kita-ku,  
Osaka, Japan 530-0005  
Phone: 06-6223-2371  
Fax: 06-4706-9909

## Tokyo Head Office

2-16-1 Konan, Minato-ku,  
Tokyo, Japan 108-0075  
Phone: 03-6716-7300  
Fax: 03-6716-7330

## Plants and Mills

### **Corrugated Packaging:**

Eniwa, Asahikawa, Aomori,  
Shin-Sendai, Fukushima-  
Yabuki, Oyama, Maebashi,  
Tokyo, Chiba, Shonan, Shimizu,  
Nagano, Niigata, Toyohashi,  
Shin-Nagoya, Fukui, Shiga,  
Shin-Kyoto, Sanda, Wakayama,  
Okayama, Hiroshima, Hofu,  
Matsuyama, Tosu

### **Folding Cartons:**

Katsushika, Tonegawa,  
Kyoto

### **Paperboard:**

Tonegawa, Yashio, Kanazu,  
Yodogawa, Amagasaki

### **Paperboard Converting:**

Tonegawa

### **Cellophane:**

Takefu

## Laboratories

Osaka, Fukui

## Packaging Technical Centers

Tokyo, Osaka, Shanghai

## Overseas Representative Office

Shanghai

## Principal Subsidiaries and Affiliates

### **Japan**

Asahi Danboru Co., Ltd.  
Asahi Shiko Co., Ltd.  
Awaji Shiko Co., Ltd.  
Chuo Danboru Co., Ltd.  
Hinode Shiki Kogyo Co., Ltd.  
Hokuriku Shiki Corporation  
Howa Sangyo Co., Ltd.  
Ihara Shiki Co., Ltd.  
Ishikawa Seisakusho, Ltd.  
Kofu Daiichi-Jitugyo  
Co., Ltd.  
Kowa Sangyo Co., Ltd.  
Kyohei Danboru Co., Ltd.  
Kyowa Shigyo Co., Ltd.  
Marusan Paper Mfg. Co., Ltd.  
Morishita Co., Ltd.  
Nihon Matai Co., Ltd.  
Nitto Shiki Kogyo Co., Ltd.  
Osaka Paper Co., Ltd.  
Rengo Logistics Co., Ltd.  
Rengo Nonwoven Products  
Co., Ltd.  
Rengo Paper Business Co., Ltd.  
Rengo Riverwood  
Packaging, Ltd.  
Saito Shiki Co., Ltd.  
Sakaiminato Gyokan Co., Ltd.  
Sanko Co., Ltd.  
Sankyo Danboru Co., Ltd.  
Sanyo Jidosha Unso Co., Ltd.  
Settsu Carton Co., Ltd.  
Taiyo Industry Co., Ltd.  
Tohoku Asahi Danboru  
Co., Ltd.  
Tohoku Kogyo Co., Ltd.  
Tokai Shiki Co., Ltd.  
Yamada Kikai Kogyo Co., Ltd.  
Yamato Shiki Co., Ltd.  
Yamatoya Co., Ltd.  
Yoshikawa Shigyo Co., Ltd.

### **Asia**

#### **China:**

Dalian Rengo Packaging  
Co., Ltd.  
Dalian Guoli Packaging  
Co., Ltd.  
Guangdong Rengo Packaging  
Co., Ltd.  
Hung Hing Printing Group  
Limited  
Jiangsu Zhongjin Matai  
Medicinal Packaging  
Co., Ltd.  
Qingdao Rengo Packaging  
Co., Ltd.  
Shanghai Rengo Packaging  
Co., Ltd.  
Tianjin Rengo Packaging  
Co., Ltd.  
Wuxi Rengo Packaging  
Co., Ltd.  
Zhongshan Rengo Hung Hing  
Paper Manufacturing  
Co., Ltd.  
Zhongshan Ren Hing Paper  
Manufacturing Co., Ltd.

#### **Malaysia:**

Rengo Packaging Malaysia  
Sdn. Bhd.

#### **Thailand:**

Thai Containers Group  
Co., Ltd.  
Thai Marsol Co., Ltd.

#### **Indonesia:**

P. T. Surya Rengo Containers  
P. T. Marsol Abadi Indonesia

#### **Vietnam:**

Vina Kraft Paper Co., Ltd.  
Matai (Vietnam) Co., Ltd.

#### **U.S.A.**

Rengo Packaging, Inc.

# Investor Information

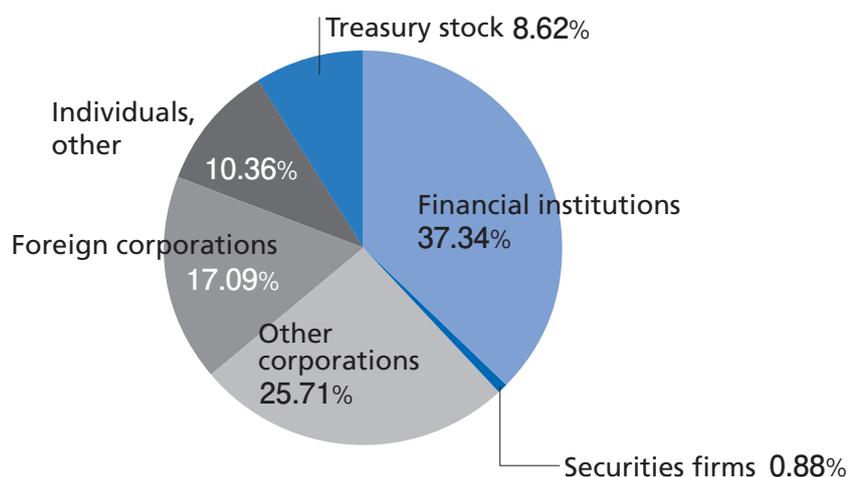
(As of March 31, 2014)

Founded	April 12, 1909	
Incorporated	May 2, 1920	
Capital Stock	¥31,067 million	
Number of Shares	Authorized: 800,000,000	
	Issued: 271,056,029	
Number of Shareholders	16,469	
Number of Employees	Parent Company	3,697
	Consolidated Subsidiaries	9,398
	Total	13,095
Stock Listings	Tokyo	
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 4-5-33 Kitahama, Chuo-ku, Osaka, Japan	

## Major Shareholders

Shareholders	% of total shares issued
Japan Trustee Services Bank, Ltd.	11.69%
Nippon Paper Industries Co., Ltd.	4.87
The Master Trust Bank of Japan, Ltd.	4.02
Sumitomo Mitsui Banking Corporation	3.53
National Mutual Insurance Federation of Agricultural Cooperatives	3.48
Sumitomo Life Insurance Company	2.64
Mitsui Sumitomo Insurance Company, Limited	2.33
The Norinchukin Bank	2.20
Sumitomo Corporation	1.94
Trust & Custody Services Bank, Ltd.	1.54

## Shareholder Distribution





**RENGO** CO., LTD.

<http://www.rengo.co.jp/>